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Softness in Fairfield's \$2 Million Home Market

By ELEANOR CHARLES

SALES of houses at the highest end of the Fairfield County market in Greenwich, Darien, New Canaan and Westport have flourished in the past three years, but now, many brokers say, the market for homes selling for \$2 million and above is softening.

Houses at \$500,000 and below are moving briskly, however, keeping inventory tight in that price range. At the high end, though, listings are increasing as sellers try to cash in before interest rates rise and prices fall further.

"The tremendous amount of negative news is delaying people from buying homes," said Russell Pruner, owner of the Greenwich brokerage that bears his name. "In September of 2001 we represented 9 houses over \$4 million for sale all over town; in September of 2002 we had 35 houses over \$4 million. Now houses are coming on the market at an accelerated rate. We have 146 homes over \$4 million, and through the first nine months of this year we put only 53 of them under contract, many with price reductions."

Marjorie Rowe, owner and president of Preferred Properties, a Greenwich-based company that deals only in the top of the market, said: "We normally have a very active market within Greenwich, for people moving up to bigger homes." Typically, half of all sales are to people who are already residents of the town, she said, "but it's nothing like that now. A lot of people here are in the brokerage business — they don't know when the pink slip might come. They're treading water."

Greenwich historically is affected less dramatically by economic cycles than other Connecticut towns, and recent figures seem to bear out this fact. Statistics from the chief operating officer of Preferred Properties, William Burke, showed the company's sales of homes with prices of at least \$1 million was 139 in the third quarter of this year compared with 137 in the corresponding quarter of 2001 and 127 in 2000. Four homes priced over \$6.5 million were sold in the third quarter of 2001; six homes at that price level were sold this year.

Around the county, home sales have generally been strong so far this year. In Greenwich, Fairfield, Westport, Darien and most other towns in the county, sales of properties selling for more than \$1 million are higher than the levels of the previous two years.

Still, brokers representing some high-end sellers who have had their homes on the market since early 2002 have watched buyers walk away after concluding that the house was not worth the price.

One Westport seller offered her 6,200-square-foot house on an acre for \$5.8 million in January. Built in 1999 and loaded with desirable features, it has four bedrooms, five full baths and three half baths, a media theater, family room, flat screen televisions and built-in audio throughout the house, an office, exercise room, a long covered porch overlooking the Saugatuck River and a deepwater dock that can accommodate a 35-foot boat.

"We had offers," she said, requesting that her name not be used, "but one backed out, another hesitated to go to contract. Finally a third was willing to close early, for \$3.925 million." The transaction was completed on Oct. 30.

"People want to get their money out now," said Dee Cohen of Prudential Connecticut Realty, who was a co-broker on the property with Miriam Luck. "They know that come Thanksgiving the house will just sit for months."

Michael Murray, the manager at Prudential in Westport, said: "There are about 120 homes from \$1.5 million to over \$3 million on the market here, but we've only had 34 transactions. People are not paying top dollar; consumer confidence is down. When a house lingers for four to six months, people who have a legitimate reason for selling — not just testing the market — get realistic, so we've been experiencing price reductions of \$300,000 and \$400,000, or 10 to 15 percent."

Gino Kelly, owner of Kelly Associates in Darien, has also had numerous price reductions in the \$3 million and above range, from 5 to 10 percent, "but reduced from euphoric levels," he said, "not unlike prices they traded at in the past. There just are not as many people out to buy a \$5 million house." He is representing the owners of a \$9.8 million property, on the market since May, reduced by \$700,000 from \$10.5 million."

Cautious buyers can also affect custom home building. A Greenwich couple engaged a builder to plan a large house not to exceed \$6.5 million, but "the builder's projections went far beyond the expectations of the buyers," said Barry Hawkins, the buyers' lawyer, "and the deal crashed. My fee and the architect's fee were paid, but the house never got built."

While some high-end buyers pay cash, more of them are taking loans, making down payments of \$500,000 to \$1 million. "The loan-to-value ratios are not what you'd see at the lower price levels," said Todd Martin, chief economist at Peoples Bank, "where a buyer puts down 10 percent on a \$400,000 house. If prices fall, they are going to fall more on the expensive homes, so the lower the loan-to-value ratio, the better for the bank." Most of the bank's mortgage loans are jumbos, from \$300,700 up.

In May of 2000, he noted, when the 30-year fixed rate was 8.5 percent, the monthly payment on a \$500,000 mortgage was \$3,840. When rates hit 5.99 percent early last month, that same mortgage cost \$2,994 a month, and the \$3,800 payment could have supported another \$153,000 worth of loan. At the recent level of 6.29 percent, the monthly payment is \$3,124.

"We were very busy with loans hitting all-time highs," Mr. Martin said, "but that's simmered down as rates have risen."

Last year a flurry of new construction on the Norwalk waterfront resulted in eight sales of \$1.8 million to \$3.4 million; this year homes priced from \$1.7 million to \$7.3 million were among 18 high-end sales, including some in the Rowayton section, said Carol Ann Falasco of Coldwell Banker. But they took an average of 151 days to sell this year, compared with 33 days last year. Price reductions have varied from \$50,000 to hundreds of thousands, she said, while some properties sold at list.

In New Canaan, anything over \$2.5 million sold within 100 days six months ago, said Paul Bruenich, president of William Pitt Inc. "Now it's 200 days. There's a lot of new construction, but prices are flat with downward pressure, and inventories are starting to build."

ACCORDING to Carolyn and David Klemm, owners of Klemm Real Estate in Washington, Litchfield County, people looking to join the A-list of county residents, which already includes Henry Kissinger, Dustin Hoffman, Frank McCourt, Mia Farrow, William Styron, Kevin Bacon, Michael J. Fox, Jim Dine, Skitch and Ruth Henderson, Richard Widmark and Ivan Lendl, by buying a second home there should do so now.

Nine prime properties pictured in a recent company advertisement had been reduced by \$150,000 to \$750,000, including a 10-room house on 6 acres, reduced to \$995,000 from \$1.2 million; and an estate on 47 acres, with a guesthouse, caretaker's cottage and pond, originally listed at \$5.5 million and now priced at \$4,750,000.

The Klemms specialize in high-end properties. "Our customers aren't relocation people or daily commuters," Mrs. Klemm said, "but our business has been affected by corporate troubles, the stock market and unemployment. Sellers are beginning to price their houses more realistically. The seller's market is over."

Because of the county's reliance on a second home market, Liddy Adams of Prudential Litchfield, noted: "The farther away from New York, the sooner activity and prices drop. You don't see ads saying 'won't last' any more. Even summer rentals sat empty this year or rented for only one month."

William Raveis, owner of William Raveis Real Estate, which has its headquarters in the town of Shelton, expects Fairfield County to continue to be high priced and maxed out in terms of land and traffic, with construction limited by town ordinances against teardowns.

"But corporations continue to move into the state," he said. "UBS Warburg moved in 3,000 people — a lot of young guys making \$200,000 to \$300,000 a year, able to buy their first homes in the \$600,000 to \$1 million range. Cities that were not acceptable in the past," he noted, "may benefit. Maybe Bridgeport will become a corporate headquarters, or Waterbury. New London has land, and since Pfizer moved in, it's a hot spot."

"Prices in Fairfield remain high because of the demand from New York people with tremendous incomes," he continued. "If salaries and bonuses on Wall Street were adjusted down to meet the hue and cry to do that, it would have an impact on the ability to purchase expensive homes. So would interest rates moving up to 8 percent."