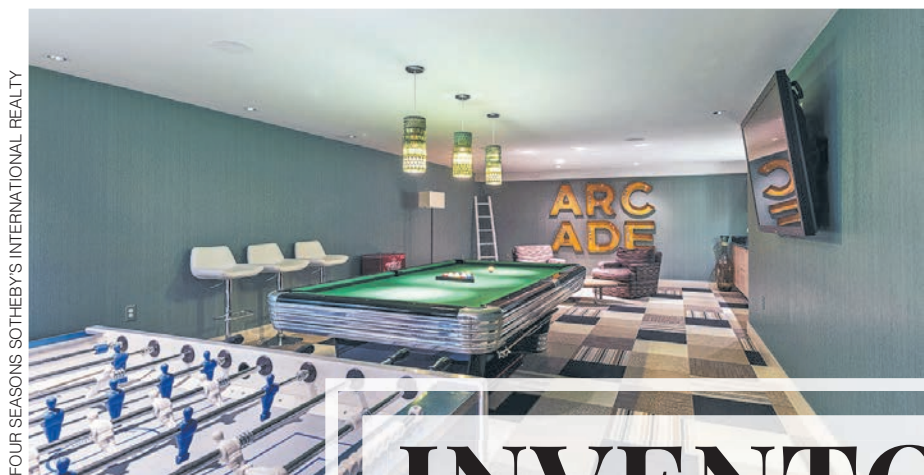


Special Advertising Feature

New England Properties



INVENTORY CHECK



Play pool, watch television and enjoy yourself with family and friends in a beautiful home in Peterborough, New Hampshire (top left). In the heart of the Green Mountains in Stowe, Vermont, you'll find Deerwood, a stunning 240-plus-acre property (top right). A Nantucket shingle-style home in Bristol, Rhode Island, boasts water views and a sparkling pool (bottom right). A spectacular ocean-view compound in Newport, Rhode Island (bottom left).

Homebuyers are sold on the area, but where are the sellers?

by Kelly Bryant

Just hours after participating in a weekly regional broker call, Slater Anderson, LandVest's vice president and managing director of real estate, says without hesitation that New England still has more buyers than supply.

"Some of those buyers who walked away a year ago because they couldn't find what they wanted are coming back," Anderson says. "The problem is so is everyone else. We just had 35 guests at an open house for a \$1.1 million house in the suburbs. And that doesn't include the people who scheduled showings outside that time."

Interestingly, however, he notes that despite tons of traffic, the offers aren't coming in as frequently and as "clean" (without contingencies). He thinks buyers are eyeing their competition, looking at the economy and proceeding with more caution.

"They're in the market, but they're not overly exuberant and irrational, like they were the past two years," Anderson notes. "It's an interesting dynamic."

Despite a little bit of hesitancy and, perhaps, some risk aversion, buyers are still eager to find homes. They just need more sellers willing to pony up their properties on the market. Considering the prices people are fetching for homes, particularly those that are turnkey, one might assume at first glance it's a great time to sell. But nothing about the current real estate market is cut and dry.

AN INVENTORY IMPASSE

"Personally, I think the current state of the market is in drastic need of more inventory," says Paul Leys, principal broker and co-owner of Gustave White Sotheby's International Realty in Newport, Rhode Island. "It really boils down to that. The market is still moving along, but if a house comes on the market and it's priced right, there are buyers ready to pounce."

Which begs the question, what will it take to get more potential sellers to list their homes? The answer isn't easy. Without enough inventory on the market, existing homeowners who might otherwise trade up or downsize are faced with the conundrum of finding their next landing spot.

"The first question I ask a potential seller is, 'Do you know where you're going to go?,' Leys says. "I know I can sell their house, but I don't know if I can find a house they want to live in because there isn't much out there. So, if they don't know where they're going to go, I caution them about putting their house on the market."

In a different real estate climate, some might consider renting for a year or two until they find a permanent spot. But Leys says Rhode Island's rental market is even tighter than the sales market at the moment, making that a less viable option.

CREATING OPPORTUNITIES

Cherry Arnold, a sales associate with Mott & Chace Sotheby's International Realty in Rhode Island, echoes Leys' sentiments about inventory. From her perspective, anyone who was considering selling did so between 2020 and 2021, flushing out a lot of the market's supply.

"Once the interest rates started to go up, that gave some owners pause when thinking about selling," Arnold says. "If it's their primary home, they've likely got equity in it and maybe no mortgage

left. Then they're faced with buying another house where they've got to pay a much higher mortgage rate than just a couple of years ago."

She cites this logjam as one of the reasons there's so little inventory across Rhode Island right now, and likely the rest of New England as well. Arnold describes 2022 as divided into two very different markets: the first half with the ultra low interest rates, and the second with rates increasing incrementally but rapidly.

Tasked with not only finding homes for buyers, but also helping sellers find solutions for moving, Arnold says agents are thinking outside the box to satisfy both sides.

"Once you get past the headlines about the mortgage rates, you will find that a lot of banks have very competitive rates on different types of mortgages," Arnold says. "Adjustable-rate mortgages are definitely an option. And what's great about them for both lenders and buyers is that when the rates do come down eventually, you can refinance. There are more creative financing options that lenders are making available to borrowers."

On the opposite side of things, Arnold currently has a deal in which a property is under contract, but the seller needs to stay put until they find their next residence. The buyer is giving them close to three times the amount of time typically given to sellers to find a new place.

"They need a one-level home and I have a little sweat on my brow thinking about landing the right home for them," Arnold says. "But even if we don't, we will find them a temporary rental. In this market we have to be creative with extended closings and a lot of rent-back agreements for a short amount of time. Structuring agreements so they work for both parties is different in every case."

Continued on next page

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TEMPORARY DIGS

In Peterborough, New Hampshire, Heather Peterson with Four Seasons Sotheby's International Realty is contending with the same inventory issues as her peers across New England. However, in some instances she has been able to procure interim properties for luxury buyers coming from out of state who want to be ready to jump when "the one" finally comes on the market.

"There is a lot of buyer fatigue," she says. "People have been looking and putting in multiple offers but not winning. If you want something, you've just got to keep trying. I've had a couple of people try the strategy of buying an interim property, but we're talking luxury markets. So these buyers have the means to do so. It's a process. It's not about just looking at available inventory. It takes more than a weekend to find a property."

Because inventory is so low, towns further away from shopping and cultural venues are getting plenty of attention, according to Peterson. And it's never been more important to have expert representation, whether you're buying or selling.

"Now I might have something closer to the Vermont border that before I would have given to a more local broker," Peterson says. "But in this market, my buyers are going anywhere and everywhere. And sellers are looking at the track record of brokers bringing in strong offers. You have to push further out. If there's inventory, we go."

STEPPING INTO THE SPOTLIGHT

While the entire region continues to attract buyers, and lots of them, Anderson looks at Vermont and coastal Maine as the market leaders for the past two years.

"Vermont's lifestyle and climate resiliency have really contributed to it having its moment," he says. "As a brand, Vermont is super hot right now."

While that's true, the state isn't without its peculiarities. And one in particular makes it very difficult for agents to show homes in April — mud season creates a very big obstacle.

Anderson explains it like this: you have a cold winter, the ground freezes. There's a bunch of snow on the ground that melts. The surface of the ground thaws,

but 10 inches to two feet down doesn't thaw as quickly. You don't get the natural absorption. The result is a layer of slurry through which you can't reach certain properties during the month of April.

The good news is once mud season is over in May, he says you'll see more inventory in the Vermont markets.

Those coveted towns along coastal Maine? Well, the supply issues there are a different story.

"Portland was a hot market in 2019, and they were having inventory problems then," Anderson says. "Then, COVID-19 broke Portland. There was nothing on the market and inventory hasn't really recovered since."

NEW BUILDS

If prospective sellers have nowhere to go, forcing them to stay put, one answer to the housing supply puzzle is new construction. But that is not without its own problems.

"In New England we don't tend to be boom and bust like the West because it's so hard to build here," Anderson says. "We don't get over-supplied, but we're chronically under-supplied. We just can't build enough housing on a scale to solve what's been a nearly 12-year deficit. That's a national issue, but it's acute in the Northeast, just because permitting is much harder and there's not as much open land."

That said, there is mounting pressure to change some of the zoning laws that make new construction so difficult. Though, at least for the immediate future, there aren't any new developments planned that can ease the burden of heavy demand.

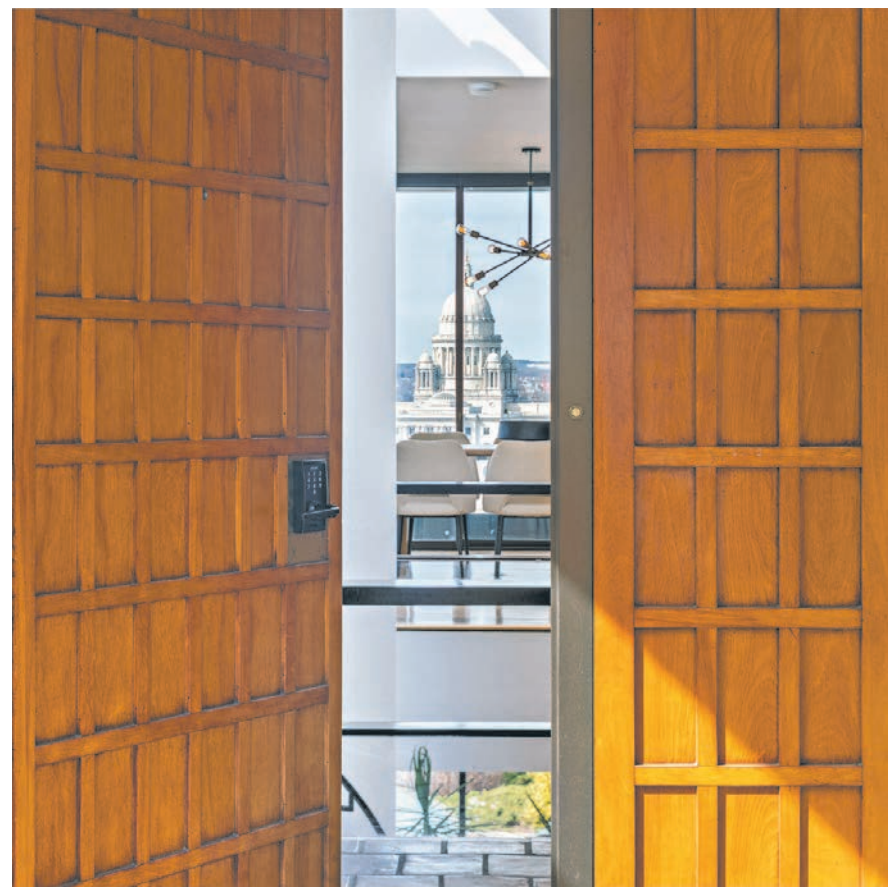
"Right across the river from me in Cambridge, they've got some overlay on increasing density in urban markets," Anderson says. "But outside of the urban markets, it gets hard. Construction costs have been sky high. And 70% of new construction is financed by regional banks, which we're having an issue with right now. You hear a lot of people talking about lending standards, and liquidity is going to tighten to be that much harder to finance a big project. I just don't see a lot of good signals pointing toward a lot of new construction in the Northeast."

Kelly Bryant is a freelance writer in Los Angeles specializing in real estate and lifestyle topics.



BRITTANY SCHONES/LANDVEST

A spiral staircase, constructed of oak and maple, is one of many handcrafted features of this Stowe, Vermont, estate.



COURTESY OF MOTT & CHACE

Perfectly perched overlooking the city, this home in Providence, Rhode Island, has floor-to-ceiling windows with panoramic views to the west, delivering breathtaking sunsets to close out each day.

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