

# Northwest Connecticut's Big 3 Real estate trends in Kent, Salisbury & Sharon, CT

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For this month's real estate article *Main Street* looks at the last 16 years in Connecticut's Northwest corner spanning from 2003 through the bubble of 2005 to 2008 to the current market. It's been quite a ride in these three Connecticut towns bordering New York in our magazine's circulation area. Readers should note that both the Town of Washington and the Town of Roxbury to the east have higher incomes, higher median prices and sales volumes than these three towns, but have experienced similar trends.

The value of a single family home, largely driven by weekenders in the second home markets of Salisbury, Sharon, and Kent rocketed upward, sank in price and activity, and bounced back. But prices have not returned to their height in 2008, and are now oscillating at more sustainable levels.

## More house for less money

Median sale prices of single-family homes may be one of the best measures of long-term real estate market trends. The 16-year history beginning in 2003 shown in Chart 1

tracks the median price paid in each of these three towns. The peak for each one was reached in different years: Salisbury in 2005 and 2008 at around \$740,000, and in Sharon and Kent in 2010/11 at lower levels just over \$600,000.

Median prices recorded between these towns have fluctuated, but generally rising and falling together with Salisbury typically recording higher prices. Recently the gap has widened again with Salisbury median prices exceeding \$520,000, Sharon at \$425,000, and Kent below \$375,000. The distinctive carriage house (see photo) listed \$530,000 is an example of a Salisbury median priced home.

All three towns are still posting median prices \$200,000 lower than their peak levels, but over a \$100,000 above their lowest period. To put this activity in perspective, the data resource company, the Warren Group, calculates the current statewide Connecticut median price at \$264,000.

Another real estate gauge is median price paid per square foot shown in Chart 2. On this measure the three towns have recovered from



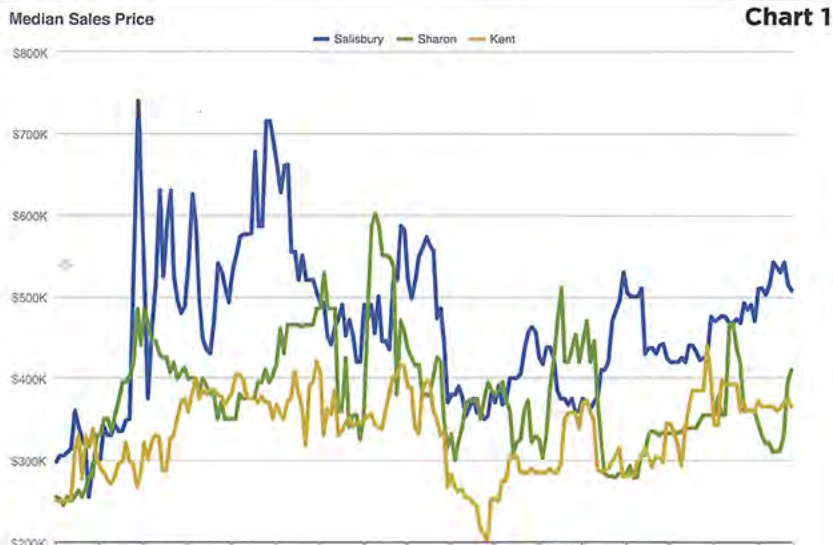
Above: This renovated carriage house at 27 Millerton Road is an example of a median-priced home in Salisbury. Photo courtesy of Tom Callahan, Elyse Harney Real Estate.

their post bubble lows although again at a different pace and level. Kent's bottom was in 2012 when price per square foot plummeted to close to \$150, Salisbury hit bottom in 2012/13 at over \$180 a square foot, while Sharon's low was in 2016. Currently Salisbury is hovering close to \$250 a square foot with Kent and Sharon bouncing around between \$175 and \$200 a square foot. Like median prices, not surprisingly, none of these towns have come close to reaching their high price points with Sharon feeling the biggest drop off from a peak of \$300 in 2008 to below \$200 recently. Cumulative inflation over the last ten years has been around 18% so homes in these towns, like most real estate, have not realized a positive financial return.

## Total sales dollars in Salisbury reached 2008 levels

Despite the decline in median prices, Salisbury's total sales in 2017 reached or exceeded the \$50 million

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in annual sales during 2008, but experienced a sharp decline this year to \$30 million. Chart 3 shows the 12-month rolling annual dollar sales volume activity in each of the three towns. With some exceptions, Salisbury has experienced the highest dollar sales volume in most years with Kent and Sharon bouncing around below. The chart illustrates clearly the slow down in sales activity across all markets from 2009 to 2013 and then gradual recovery until the beginning of 2019 when sales activity in all three markets dropped around \$10 million. In the case of Salisbury this was due to the decline in the sale of houses over \$1 million from sales volume over \$30 million a year to a paltry \$10 million in the last 12 months. At this stage it's not clear if this trend will continue downward or once again bounce back when the spring selling season arrives and inventory levels increase.

**Why are homes in Salisbury more expensive?**

All three of these towns are expensive and prestigious with their share of celebrities, hedge fund managers, and investment bankers, but Salisbury consistently commands higher prices and greater sales activity. Numbers tell part of the

story. Overall sales volumes can be explained, in part, by the fact that Salisbury simply has more housing units and more people than Sharon or Kent. See comparison on Chart 4.

Higher median sales prices may be due to several factors. Salisbury has median household income of over \$82,000, 18% higher than Connecticut's median household income of \$70,331, while Kent's is below the statewide median.

Historically low property taxes may also add to Salisbury's appeal and translate to higher prices. The annual property taxes due on a median priced home of \$521,000 in Salisbury are slightly lower than the taxes on a Sharon median priced home of \$425,000 and \$600 less than that on a much less expensive median priced home in Kent of \$374,500. Interestingly Salisbury's Grand List, the town's total value of real property increased 4% from 2008 to 2016, one of the few towns in the entire state to see an increase.

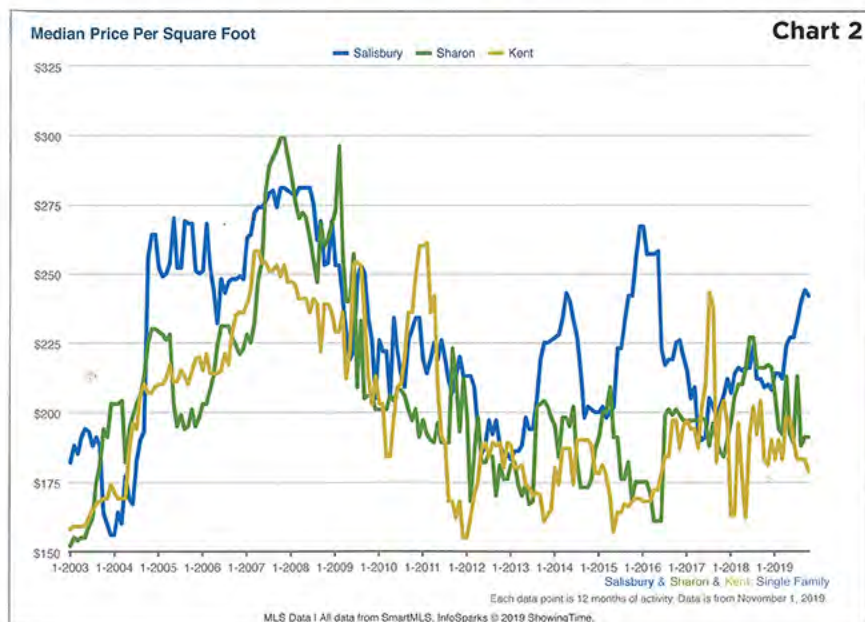
There are other less mathematical explanations. Some attribute recent lower prices in Kent and Sharon to potential pollution from the Cricket Valley power plant located just on the other side of the New York State line. One realtor commented on the touristic quality of Kent and the



motorcycles on weekends. Another said Sharon suffers from lack of commercial vitality and walkability compared to the center of Salisbury with the town hall, the bank, the post office, grocery store, shopping, and restaurants. A third suggested that Salisbury simply had better, well-priced inventory with more turn key homes, which seem to be in high demand. A long-time resident suggested it was the impact of valuable lakeside properties in Twin Lakes and Lakeville, and year-round recreation in Salisbury. Many buyers feel Salisbury is a safer blue chip investment.

Tom Callahan of Elyse Harney Real Estate offered his opinion: "A huge driver of sales at the median price point is the combination of young families who wish to enroll

Above, top to bottom: This quintessential Sharon six bedroom home on the green is listed at \$795,000. Photo courtesy of Klemm Real Estate. Located on the sought-after Treasure Hill with protected views, this Kent home's listing price was recently reduced to \$995,000. Photo courtesy of Pat Best, William Pitt Sotheby's International Realty.



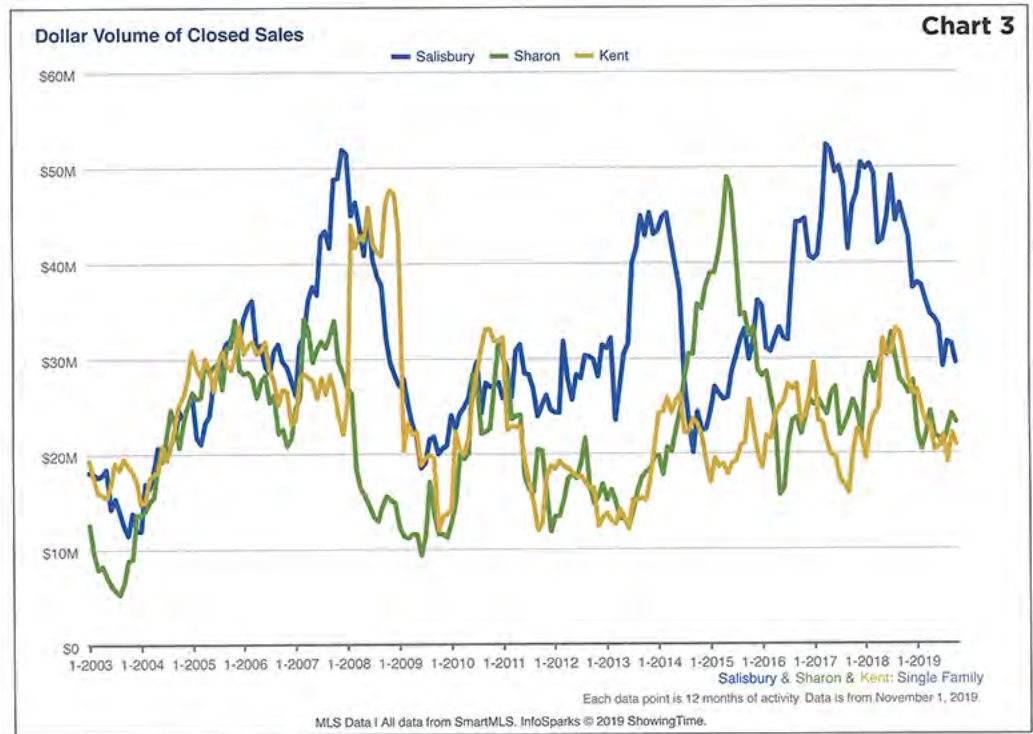
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their children in Salisbury Central School, or one of the three private schools and weekend residents who enjoy the distinctive character and beauty of Salisbury and its six lakes. Salisbury also has several access points to the Appalachian Trail and hiking and walking trails.”

**Is this a lull or a trend?**

There are many reasons for buying a second home – a retreat, more space for overflow from a cramped city apartment, the relatively low purchase price compared to a metropolitan apartment or an expensive suburb, the prospect of a profitable summer rental, and even, eventual appreciation in value. And then there are the downsides – pipes freezing, a long drive, security, two of everything – insurance, taxes, utilities, refrigerators, beds, etc. The basic pros and cons have not changed.

Real estate brokers notice the increased reluctance of buyers to commit, especially at higher price points. Both sales volumes and number of sales are down in the last twelve months. The question is why? Interest rates are low, the stock market continues to chug along, there’s full employment. Offsetting these positives are the fear of another recession with homebuyers still remembering the impact of 2008 on their careers and investments. Couple this hesitation with the high price for primary housing in New York, lack of inventory and turn key properties, and affordability for local buyers. Then add to all this the federal Tax Cuts and Jobs Act of 2017, which lowered the ceiling on mortgage deductibility to \$750,000 and limited state income tax and property tax deductibility to \$10,000. This has had a cooling effect on real estate prices in high-income blue states, especially on second home markets.



**Chart 3**

**CHART 4: SHARON, SALISBURY, KENT COMPARISON**

	Sharon	Salisbury	Kent
Population <sup>1</sup>	2,782	3,685	2,917
Square miles in town	59.6	60.1	49.6
Median household income 2012-2016 <sup>2</sup>	\$79,639	\$82,794	\$60,714
Mill rate 2019 <sup>3</sup>	14.40	11.60	18.61
Total housing units	1,943	2,439	1,508
Average sale price <sup>4</sup>	\$559,160	\$723,311	\$546,517
Median price as of October 2019 <sup>4</sup>	\$425,000	\$521,000	\$374,750
12 month total \$ sales volume <sup>4</sup>	\$21.6 Million	\$33.3 Million	\$20.6 Million

<sup>1</sup> 2018 Connecticut Housing Data Profiles

<sup>2</sup> CERC 2018 Town Profiles produced by the CT Data Collaborative generated in January 2019.

<sup>3</sup> 2019 Mill rates from State of Connecticut Data Portal

<sup>4</sup> Data from Connecticut MLS October 2019 Rolling 12 Months

**What do all these numbers mean?**

If you have been looking for a house, now could be an excellent time to buy with end of the season discounts to listing price being advertised every week and a general softening of prices. Kent might offer a more affordable alternative to both local and weekend buyers than Sharon or Salisbury. Buyers should also consider that it’s possible to buy an existing house for far below the cost of new construction. Sellers who bought at the peak of the market should look carefully at Chart 1 and adjust their pricing expectations to the reality of today. ●

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