



CONNECTICUT AND THE BERKSHIRES

— 2012 YEAR-END MARKET WATCH —



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INTRODUCTION

2012 is most aptly described as the year that both our local and national real estate markets solidified the splintered gains of the past eighteen months into a cohesive movement forward. As our national economy and confidence improve, it is sometimes hard to remember that it has been four years since our economy took a tumble and the housing market followed suit, and just how challenging that time was. In many ways we were fortunate because in general, our market area was not over-built. Nor did we have the large-scale speculative building or investing that defined so many parts of the country. However, the job losses and sense of uncertainty that were created by the crash clearly took its toll on our local housing markets. Since 2010 and the launch of the government housing incentive programs we have seen pockets of recovery, but the gains were difficult to sustain. In 2012 the tide turned, with the residential housing market demonstrating consistent unit sales improvement for over four quarters and prices that, in all but the most expensive segments of the market, have stabilized.

This year's healthier housing market is a function of several key factors. Consumer confidence is improving, there is pent-up demand, rental prices are escalating, making the price-value proposition of purchasing a home more favorable, interest rates remain historically low and home prices are appealing. Buyers span a broad range from first-time home buyers to people relocating to our area to a growing percentage of people trading locally.

The enhanced transaction flow has helped provide confidence and direction with regards to pricing. The more realistic valuations that sellers are now putting on their homes are clearly incentivizing more buyers to step into the market. It has taken several years of education to reach this point where both buyers and sellers have a similar understanding of home values, but this alignment of expectations now exists and is reflected in quicker sales and smoother deals.

We are seeing a return to more traditional buying practices, whether it is purchasers being cautious in how much home they buy or banks being cautious in their lending policies. The ultra-luxury segment, defined as the top one percent of any market, remains driven by "location, location, location." The sales we have had are all very special, one of a kind properties in unparalleled locations.....and priced right. The buyer pool is both domestic and international, depending on the market.

November and December 2012 were substantially more active than had been anticipated in the wake of Hurricane Sandy and by the elections and the fiscal cliff. This heightened activity was fueled in part by sellers who were anxious to close before the New Year because of the anticipated higher taxes in 2013 as well as buyers simply feeling that "the time was right." The strength of this year, even with the headwinds that could have delayed a recovery, strongly suggests that 2013 will be an excellent year for local housing with unit sales continuing to grow and prices remaining steady.

In addition, we are excited to be expanding our William Pitt Sotheby's International Realty brand into the Berkshires to aid buyers and sellers alike who have not had the benefit of a global marketing presence in this area.

I hope you find our 2012 Connecticut and the Berkshires Market Watch helpful as you evaluate your own personal real estate holdings and plans for 2013. At William Pitt Sotheby's International Realty, we are committed to providing the highest level of service and expertise to buyers and sellers alike in all price categories. If we can be of service, please don't hesitate to call.

With best regards,



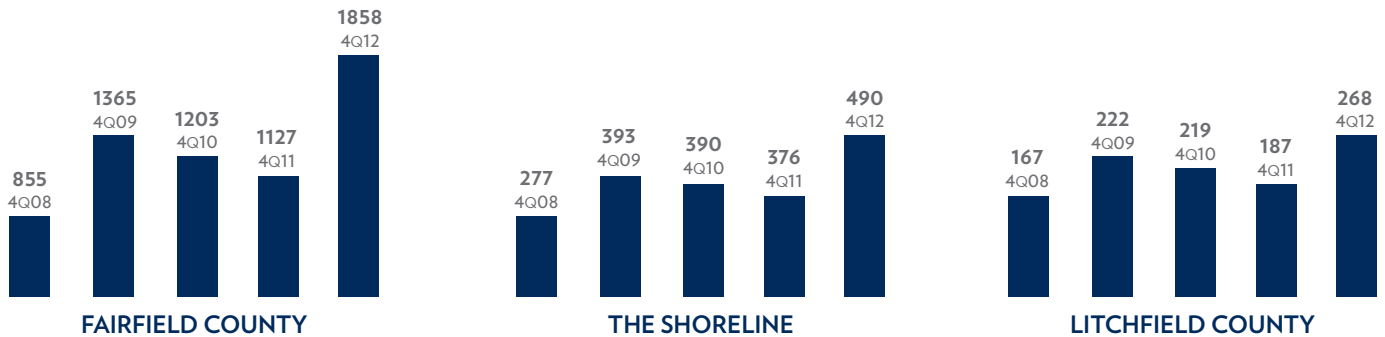
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SIGNIFICANT IMPROVEMENT IN SINGLE-FAMILY HOME SALES

2012 was a watershed year as the vast majority of our local housing markets experienced double-digit unit sales increases in each of the four quarters. These gains are particularly impressive given the headwinds of a hotly contested national election, Hurricane Sandy and its devastating effects and the uncertainty of the fiscal cliff. Any one of these events could have caused a meaningful pause in our markets, but they did not. In fact, the November and December pending sales figures are significantly ahead of the same time in 2011 due, we believe, to pent-up demand, post-election clarity and very mild weather. Fourth quarter 2012 closed sales volume versus the same period of 2011 increased by 31% in Fairfield County, 25% along the Shoreline and 11% in Litchfield Hills.

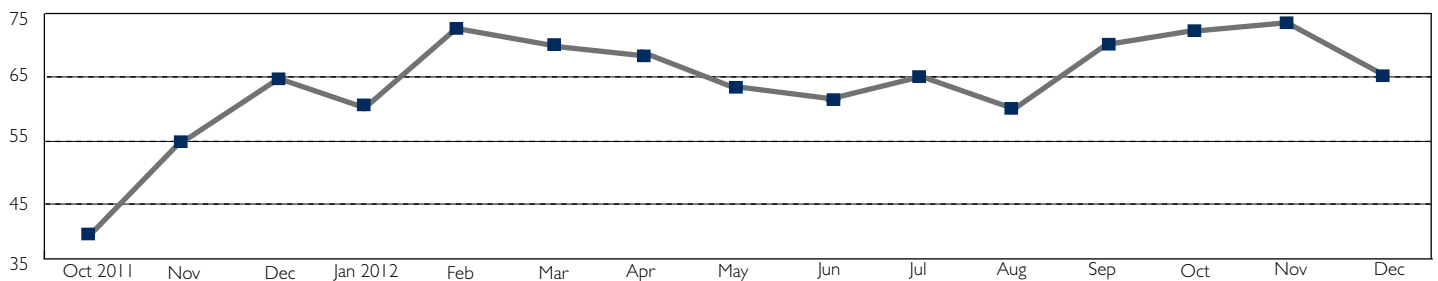
On reflection, we can track the beginning of the sustained housing recovery in Connecticut to January 2012, when, after a year of sitting on the sidelines, larger numbers of buyers began to re-commit to the purchase of residential real estate. From that point forward, monthly pending sales in Fairfield County, the Shoreline and Litchfield Hills increased versus the prior year. As we concluded 2012, the strength of the monthly pending sales translated to annual double digit dollar and unit sales increases versus 2011. In 2012, the Connecticut Shoreline was the strongest performer with annual unit sales increasing 23% and a dollar volume increase of 21% versus the same period last year. Fairfield County followed close behind with a 15% unit sales increase versus 2011, while annual dollar volume rose by 14%. Litchfield Hills enjoyed a 13% unit increase and a 6% improvement in dollar volume. According to Rob Vannucchi, Manager of our William Pitt Sotheby's International Realty Stamford brokerages, "Since the first of the year there has been a noticeable reinvigoration in our local housing markets. Buyers are simply waiting for the right product

SINGLE-FAMILY HOME PENDING SALES 2008 - 2012 (In Units)



to make a purchase." The combination of favorable home prices and low interest rates has positively impacted buyers' value perception. In addition, the continuing rise in rental prices has helped spur a new kind of consumer who has used the past several years to save for a down payment and is now taking advantage of the current favorable buying conditions to step into a single family home.

Consumer confidence has played a large role in the housing resurgence. Says Lynn Franco, Director of Economic Indicators at The Conference Board: "The Consumer Confidence Index is now at its highest level in more than four and a half years (76.4 Feb. 2008). This month's moderate improvement was the result of an uptick in expectations, while consumers' assessment of present-



day conditions continues to hold steady. Over the past few months, consumers have grown increasingly more upbeat about the current and expected state of the job market, and this turnaround in sentiment is helping to boost confidence.” Pent-up demand supported by greater confidence, the low cost of borrowing and reasonable prices has improved the affordability of homes to the point where buyers now feel “the time is right.”

The consistency of the improving sales picture in 2012 is a sharp contrast to 2011, where volume varied widely by both quarter and community. In 2012 we experienced across the board sales increases, and year-end levels were the highest in over five years. Given the vigorous pending sales activity in the fourth quarter and continuing through the holidays, we expect to move into 2013 with very positive momentum.

In Fairfield County the single family home sales trajectory improved each quarter relative to 2011, with fourth quarter closed sales up 27% and pending sales up 65%. The strength of the fourth quarter is most impressive given the significant headwinds in the latter half of the year, which in a less solid market could have derailed sales. We firmly believe that the health of the fourth quarter confirms that our markets have truly turned the corner and will now begin to steadily improve.

The Connecticut Shoreline, which has been relatively vibrant since the second quarter of 2012, continued to improve throughout the fall with fourth quarter pending sales up 30% versus 2011 and closed sales improving by 27%. Despite the strength of this year

SINGLE-FAMILY HOME PENDING & CLOSED SALES

FAIRFIELD COUNTY

	PENDING SALES			CLOSED SALES						CLOSED DOLLAR VOLUME	DOM*
	4Q12	4Q11	4Q12 vs. 4Q11	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2011	2012
FAIRFIELD COUNTY	1,858	1,127	65%	6,024	5,231	5,661	4,880	4,957	15%	14%	113
Bethel	43	15	186%	124	88	117	125	116	41%	36%	115
Brookfield	43	26	65%	142	115	151	125	163	23%	20%	111
Danbury	101	71	42%	330	312	335	329	334	6%	2%	115
Darien	70	34	106%	279	227	248	182	187	23%	12%	156
Easton	25	11	127%	78	53	78	53	62	47%	29%	114
Fairfield	141	97	45%	611	530	608	466	521	15%	16%	101
Greenwich	133	111	20%	578	526	482	333	398	10%	8%	173
Monroe	52	32	63%	157	142	131	156	136	11%	12%	119
New Canaan	51	29	76%	222	214	210	150	189	4%	-10%	138
New Fairfield	40	27	48%	132	123	136	108	112	7%	-2%	100
Newtown	74	57	30%	268	251	243	212	228	7%	9%	130
Norwalk	160	99	62%	500	445	508	443	417	12%	7%	120
Oxford**	26	17	53%	89	84	71	78	92	6%	7%	108
Redding	28	22	27%	86	80	77	70	76	8%	21%	126
Ridgefield	82	31	165%	266	239	272	222	239	11%	9%	118
Rowayton	17	10	70%	60	50	53	52	48	20%	22%	121
Shelton	95	71	34%	281	235	276	221	252	20%	26%	106
Sherman	13	15	-13%	42	34	37	41	29	24%	14%	129
Southbury**	33	21	57%	119	124	140	120	129	-4%	-10%	107
Stamford	172	103	67%	594	534	540	490	465	11%	8%	108
Stratford	141	101	40%	389	394	392	418	404	-1%	-7%	104
Trumbull	104	69	51%	357	264	276	276	285	35%	31%	95
Weston	42	23	83%	135	107	122	92	116	26%	26%	152
Westport	103	57	81%	361	348	355	250	271	4%	11%	126
Wilton	65	37	76%	220	178	166	136	164	24%	4%	136

*DOM: Median Days on Market **New Haven County

SINGLE-FAMILY HOME PENDING & CLOSED SALES

THE SHORELINE

	PENDING SALES			CLOSED SALES					CLOSED DOLLAR VOLUME	DOM*	
	4Q12	4Q11	4Q12 vs. 4Q11	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2011	2012
THE SHORELINE	490	376	30%	2,124	1,725	1,933	1,823	1,814	23%	21%	116
Branford	51	25	104%	158	136	147	139	151	16%	5%	104
Chester	9	5	80%	38	29	28	37	26	31%	41%	69
Clinton	36	29	24%	147	108	116	116	125	36%	39%	107
Deep River	7	7	0%	28	38	42	29	33	-26%	-1%	138
East Lyme	18	8	125%	74	56	78	72	61	32%	25%	99
Essex**	13	13	0%	65	69	64	61	53	-6%	21%	161
Groton	20	18	11%	83	93	103	90	89	-11%	-7%	97
Guilford	50	38	32%	230	168	208	186	206	37%	24%	133
Killingworth	17	13	31%	64	47	46	46	58	36%	37%	141
Lyme, Old Lyme	33	28	18%	153	111	99	108	101	38%	-6%	137
Madison	53	32	66%	218	181	215	181	168	20%	22%	118
New London	33	37	-11%	106	109	118	154	119	-3%	-5%	111
Old Saybrook	13	27	-52%	158	141	122	106	107	12%	6%	109
Stonington	25	12	108%	75	47	62	53	47	60%	93%	141
Waterford	39	31	26%	191	124	131	134	135	54%	54%	99
Westbrook	10	11	-9%	75	56	63	60	70	34%	49%	166

*DOM: Median Days on Market **Includes Essex, Ivoryton and Centerbrook

SINGLE-FAMILY HOME PENDING & CLOSED SALES

LITCHFIELD COUNTY

	PENDING SALES			CLOSED SALES					CLOSED DOLLAR VOLUME	DOM*	
	4Q12	4Q11	4Q12 vs. 4Q11	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2011	2012
LITCHFIELD COUNTY	268	187	43%	1,072	949	985	939	934	13%	6%	132
Bantam	0	0	0%	6	2	4	4	2	200%	793%	N/A
Barkhamsted	11	4	175%	26	18	19	35	31	44%	22%	43
Bethlehem	5	1	400%	23	21	25	18	22	10%	29%	73
Bridgewater	1	2	-50%	15	7	5	6	4	114%	199%	154
Canaan	2	1	100%	3	5	11	3	4	-40%	-36%	286
Colebrook	3	0	N/A	14	9	17	14	10	56%	115%	288
Cornwall**	5	5	0%	19	14	11	12	13	36%	36%	80
Falls Village	1	0	N/A	5	4	9	2	6	25%	9%	170
Goshen	11	8	38%	30	51	37	36	39	-41%	-53%	190
Harwinton	10	8	25%	50	42	45	34	31	19%	17%	125
Kent, South Kent	4	5	-20%	21	26	22	20	24	-19%	-21%	148
Lakeville, Salisbury	8	11	-27%	42	42	36	35	39	0%	16%	158
Litchfield, Milton	8	7	14%	52	44	53	52	51	18%	37%	208
Morris	3	4	-25%	20	19	20	9	8	5%	-21%	181
New Milford	24	19	26%	91	82	70	53	43	11%	24%	107
Norfolk	1	1	0%	13	12	12	10	16	8%	18%	146
Roxbury	4	2	100%	16	15	21	10	21	7%	-4%	213
Sharon	7	4	75%	31	22	39	17	19	41%	6%	173
Warren	4	3	33%	9	13	17	10	5	-31%	-49%	371
Washington***	3	3	0%	26	26	28	20	23	0%	-35%	102
Woodbury	21	11	91%	66	40	70	63	70	65%	55%	123

*DOM: Median Days on Market **Includes Cornwall, West Cornwall and Cornwall Bridge ***Includes Washington, Washington Depot and New Preston

for the Shoreline, it should be noted that fourth quarter closed sales still lagged behind the fourth quarter of 2009 by 7%. For the year 2012, first-time homebuyers who finally saw value continued to dominate this market. This core buyer pool has been supplemented by investors who are starting to dip their toes back into the marketplace.

In the second half of 2012 we saw the Litchfield Hills market stabilize with consistent, solid sales performance. From July onward, market activity increased each month compared to the same period in 2011. Pending sales for the October – December period were the strongest in several years and 43% higher than in the same period of 2011. The year closed with a 6% improvement in dollar volume and a 13% increase in unit sales. According to Carolyn Fugere, Manager of our Litchfield Hills brokerages, “The second home market drove this year’s improved sales activity as buyers and sellers alike are more in tune with the reality of the market.” Based on the solid third and fourth quarter pending and closed sales activity, we believe Litchfield Hills is well positioned to enter the New Year on strong footing.

Inventory levels and days on market, two key indicators of market health, are also declining and currently stand at their lowest levels in two years. However, it is important to recognize that median numbers of overall inventory and days on market are not necessarily reflective of every price category.

Buyers in all markets remain conservative, well aware of valuations and affordability. People are “right-sizing” all aspects of their

SINGLE-FAMILY HOME MEDIAN SALES PRICE CHANGE: 2012 - 2008

FAIRFIELD COUNTY

	MEDIAN SALES PRICE*					YOY CHANGE	
	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2008
FAIRFIELD COUNTY	\$434,000	\$438,000	\$452,000	\$419,000	\$487,000	-1%	-11%
Bethel	317,000	315,000	309,000	308,000	366,000	1%	-13%
Brookfield	319,000	344,000	398,000	381,000	411,000	-7%	-22%
Danbury	248,000	252,000	274,000	293,000	332,000	-2%	-25%
Darien	1,239,000	1,364,000	1,339,000	1,132,000	1,314,000	-9%	-6%
Easton	550,000	632,000	585,000	567,000	776,000	-13%	-29%
Fairfield	525,000	528,000	515,000	546,000	601,000	-6%	-13%
Greenwich	1,661,250	1,650,000	1,742,000	1,690,000	2,000,000	-1%	-17%
Monroe	366,000	372,000	412,000	390,000	434,000	-2%	-16%
New Canaan	1,392,500	1,600,000	1,463,000	1,355,000	1,705,000	-13%	-18%
New Fairfield	314,000	312,000	337,000	336,000	388,000	1%	-19%
Newtown	393,000	374,000	422,000	438,000	437,000	5%	-10%
Norwalk	399,000	416,000	427,000	442,000	504,000	-4%	-20%
Oxford**	315,000	321,000	362,000	358,000	401,000	-2%	-21%
Redding	513,000	563,000	633,000	553,000	631,000	-9%	-19%
Ridgefield	632,000	640,000	698,000	647,000	729,000	-1%	-13%
Rowayton	1,022,000	1,087,000	1,163,000	951,000	1,299,000	-6%	-21%
Shelton	299,000	300,000	318,000	320,000	378,000	0%	-21%
Sherman	396,000	344,000	395,000	488,000	557,000	15%	-29%
Southbury**	336,000	364,000	392,000	399,000	462,000	-8%	-27%
Stamford	544,000	535,000	585,000	567,000	639,000	2%	-15%
Stratford	207,000	221,000	242,000	248,000	265,000	-6%	-22%
Trumbull	350,000	352,000	383,000	377,000	414,000	-1%	-15%
Weston	735,000	743,000	877,000	848,000	966,000	-1%	-24%
Westport	1,213,000	1,080,000	1,111,000	1,167,000	1,328,000	12%	-9%
Wilton	720,000	814,000	781,000	758,000	872,000	-11%	-17%

*Median sales price represents rolling twelve-month data **New Haven County

lives, yet demand quality. Banks are continuing their tight lending practices, yet buyers appear to have adjusted to this new norm and are typically well prepared with pre-approvals prior to bidding on homes. On the other side, sellers are well-educated about the importance of the bank appraisal in the sale of their homes and are pricing them accordingly. This has certainly helped to bring prices in line with consumer expectations and current market conditions.

We do feel that in 2012 we turned the corner with housing. Lawrence Yun, chief economist for The National Association of Realtors, echoes our positive outlook, saying, "Buyers are responding to favorable market conditions. We've had very good housing affordability conditions for quite some time, but we're seeing more impact now from steady job creation, and rising consumer confidence about home buying now that home prices have clearly turned positive."

WE REMAIN IN A VALUE DRIVEN MARKET

According to Kathy Mitchell, Manager of our William Pitt Sotheby's International Realty Madison and Guilford brokerages, "Properties are moving, but it is all about value." This is borne out in all of our 2012 market results, revealing that cautious buyers continue to act on properties where the price/value relationship is in line with expectations.

In Connecticut, the twelve-month median selling prices were basically at parity with 2011. In Fairfield County, the 2012 twelve-month median selling price was \$434,000, which represents a slight improvement over the third quarter 2012 figure and is about the same as last year's \$438,000 figure. The Shoreline twelve-month median selling price is currently \$300,000, a steady figure that held for the past two quarters and was a very slight decline versus the 2011 annual median selling price. Litchfield County's 2012 median selling price is following a similar pattern and is trending just slightly below last year's figure at \$218,000.

However, these figures do not tell the real story of pricing as they are aggregates of activity at many different price points. A more accurate reflection of where prices currently stand would be to analyze the different segments. At the lower price points values are steady and poised to rise ever so slightly if demand continues to outpace inventory. In the mid-ranges prices are steady and projected to remain so for some time as there is still plentiful housing stock. In contrast, the luxury segment continues to experience relatively weak demand and plentiful inventory, which could further erode values for some properties in this segment. The overall steadying of prices has been a key factor in starting to turn around housing as it provides buyers with the confidence that we are at the bottom of the cycle. It has had the ancillary benefit of making loans easier to acquire as well since appraisers now have more hard data with which to value a home. While they remain conservative in their views in order to protect the lending institution, the appraisers do not seem to be factoring in a further drop like many did in prior years – even if unconsciously.

Optimizing price continues to be a function of location, condition and the "wow" factor. Buyers remain keenly focused on a value proposition, making sure they are purchasing a home with long-term intrinsic value. In addition, as we have been saying for some time, the low cost of money, coupled with a lack of time and expertise, makes a home that is "done" appealing for the majority of today's buyers. Purchasers heavily discount homes that they perceive to need a lot of work, so we are encouraging sellers to do as much as possible to make their homes move-in ready prior to being introduced to the market. Taking this a step further, some homes, particularly those that are older in style and décor, can often benefit from an expert professionally staging the home inside and out to ensure that it is appealing to the target audience. We remain in a highly competitive market where it is critical that a home be properly positioned in order to attract the broadest number of buyers at the highest price.

SINGLE-FAMILY HOME MEDIAN SALES PRICE CHANGE: 2012 - 2008

THE SHORELINE

	MEDIAN SALES PRICE*					YOY CHANGE	
	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2008
THE SHORELINE	\$300,000	\$309,000	\$315,000	\$312,000	\$345,000	-3%	-13%
Branford	291,000	338,000	289,000	330,000	336,000	-14%	-13%
Chester	283,000	264,000	294,000	316,000	350,000	7%	-19%
Clinton	269,000	246,000	266,000	284,000	297,000	9%	-9%
Deep River	336,000	269,000	276,000	244,000	307,000	25%	9%
East Lyme	379,000	352,000	353,000	334,000	470,000	8%	-19%
Essex**	394,000	371,000	355,000	411,000	501,000	6%	-21%
Groton	155,000	130,000	147,000	177,000	193,000	19%	-20%
Guilford	376,000	403,000	383,000	388,000	425,000	-7%	-12%
Killingworth	337,000	337,000	294,000	372,000	413,000	0%	-18%
Lyme, Old Lyme	324,000	395,000	386,000	419,000	412,000	-18%	-21%
Madison	421,000	416,000	427,000	467,000	454,000	1%	-7%
New London	143,000	143,000	163,000	158,000	179,000	0%	-20%
Old Saybrook	358,000	366,000	311,000	328,000	384,000	-2%	-7%
Stonington	387,000	272,000	373,000	404,000	386,000	42%	0%
Waterford	217,000	223,000	243,000	248,000	269,000	-3%	-19%
Westbrook	306,000	282,000	348,000	361,000	370,000	9%	-17%

*Median sales price represents rolling twelve-month data **Includes Essex, Ivoryton and Centerbrook

SINGLE-FAMILY HOME MEDIAN SALES PRICE CHANGE: 2012 - 2008

LITCHFIELD COUNTY

	MEDIAN SALES PRICE*					YOY CHANGE	
	2012	2011	2010	2009	2008	2012 vs. 2011	2012 vs. 2008
LITCHFIELD COUNTY	\$218,000	\$237,000	\$239,000	\$234,000	\$271,000	-8%	-20%
Bantam	239,000	104,000	309,000	211,000	318,000	129%	-25%
Barkhamsted	228,000	235,000	274,000	260,000	285,000	-3%	-20%
Bethlehem	269,000	246,000	295,000	296,000	298,000	9%	-10%
Bridgewater	572,000	565,000	526,000	471,000	367,000	1%	56%
Canaan	328,000	261,000	189,000	131,000	304,000	26%	8%
Colebrook	210,000	192,000	189,000	291,000	252,000	9%	-17%
Cornwall**	286,000	541,000	433,000	316,000	503,000	-47%	-43%
Falls Village	228,000	211,000	297,000	254,000	509,000	8%	-55%
Goshen	324,000	332,000	275,000	393,000	360,000	-2%	-10%
Harwinton	234,000	211,000	215,000	224,000	240,000	11%	-3%
Kent, South Kent	326,000	332,000	605,000	541,000	519,000	-2%	-37%
Lakeville, Salisbury	357,000	444,000	585,000	434,000	537,000	-20%	-34%
Litchfield, Milton	269,000	336,000	275,000	316,000	322,000	-20%	-16%
Morris	251,000	264,000	303,000	260,000	514,000	-5%	-51%
New Milford	250,000	273,000	277,000	259,000	306,000	-8%	-18%
Norfolk	650,000	345,000	582,000	405,000	330,000	88%	97%
Roxbury	1,107,000	654,000	873,000	608,000	606,000	69%	83%
Sharon	358,000	397,000	515,000	328,000	532,000	-10%	-33%
Warren	412,000	518,000	403,000	295,000	423,000	-20%	-3%
Washington***	449,000	548,000	599,000	443,000	786,000	-18%	-43%
Woodbury	348,000	363,000	359,000	390,000	425,000	-4%	-18%

*Median sales price represents rolling twelve-month data **Includes Cornwall, West Cornwall and Cornwall Bridge ***Includes Washington, Washington Depot and New Preston

CONDOMINIUM SALES TURN THE CORNER

After an extended period of depressed sales activity, condominiums in Fairfield County, The Shoreline and Litchfield Hills turned the corner in 2012 with closed sales ending the year in positive territory. The metrics for this challenged segment of the market are improving as inventory levels have declined significantly for the second year in a row due to increased demand coupled with minimal new construction. In addition, the average days on market for properties under contract declined between 12% and 26% from 2011 to 2012, depending on the market, to a level more consistent with the single family home market.

Pending sales, properties that have signed contracts but have not yet closed, are the best forward indicator of market vitality. In the fourth quarter of 2012 pending sales were the highest they have been in three years, with increases of 51% versus the same period of 2011 for Fairfield County, 31% for Litchfield Hills and 12% for the Shoreline communities. The strength of the fourth quarter, which closely mirrors the activity levels in the single family home market, is an excellent gauge of underlying market activity and suggests that sales levels for the first quarter of 2013 will be greatly improved relative to the recent past. At this stage the two biggest obstacles to revitalization of the condominium market are the low prices of single family homes, which allow many would-be buyers to skip over this segment and move right into a free-standing house, and a general economic climate that is limiting the older buyer, who is downsizing from purchasing a condominium. As our economy strengthens and inventory levels continue to dwindle due to lack of new construction, we expect supply and demand to move into greater equilibrium. Prices have generally stabilized in the condominium market, which is a welcome shift from prior periods. The exception is in the Litchfield Hills, where prices are continuing to soften, but in return, demand is improving.

CONDOMINIUM CLOSED SALES AND MEDIAN SALES PRICE CHANGE

	CLOSED SALES					MEDIAN SALES PRICE*				INVENTORY LEVEL CHANGE	DAYS ON MARKET
	2012	2011	2010	2009	2012 vs. 2011	2012	2011	2010	3Q12 vs. 3Q11	3Q12 vs. 3Q11	2012
Fairfield County	1,804	1,721	1,741	1,666	5%	\$226,000	\$221,000	\$256,000	2%	-19%	118
The Shoreline	527	506	535	522	4%	\$143,000	\$150,000	\$170,000	-5%	-16%	124
Litchfield County	161	142	146	160	13%	\$95,000	\$120,000	\$125,000	-21%	-3%	110

*Median sales price represents rolling twelve-month data

LUXURY PROPERTY SALES SLOWLY IMPROVE

The entry level is typically the largest segment of any housing market. It is where our recovery began, and it is where we will see the first evidence of price appreciation when inventory levels cannot meet demand. As of now, activity in the entry level category, dominated by first time home buyers, is robust. However, as in all segments, buyers are very specific in their demands and expect a home in good condition with a price that reflects value. In the entry level category, there is some urgency building on the part of buyers who want to get into the market while prices are still at rock bottom levels and mortgage rates are low. Regardless of price point, buyers today can still be best described as “patient and demanding.” They are waiting for the right property to come along and will not buy a home if all of the important elements are not in place for them.

In 2012, in Fairfield County we sold 270 homes valued at \$2,000,000 or above, equating to \$864,000,000 in dollar volume and representing a 7% improvement in sales activity versus 2011. As a point of reference, at the depth of the market downturn in 2009, there were only 133 sales in this category. In 2012, sellers of luxury homes achieved 87% of their original asking price. Sales of ultra luxury properties, for Fairfield County defined as homes valued at \$5,000,000 and higher, were relatively quiet through the first three quarters of the year. However, pending sales picked up substantially in the fourth quarter, and many agents are reporting improved showing levels, which, we are hopeful, will translate to firm buyer commitment this spring.

Along the Shoreline, the mid-price segment, defined as \$750,000 - \$999,000, surprisingly grew only 5% versus the 23% overall single family home jump. Sales of homes valued \$1,000,000 and higher rose 18%, a trend we expect to accelerate in 2013 given

the strength of the fourth quarter 2012 pending sales figures. Interestingly, Litchfield Hills experienced a 35% decline in the sale of homes valued \$1,000,000 to \$1,500,000, most likely due to competition from Dutchess County and the Berkshires. However, sales above \$1,500,000 improved by a very healthy 31%, outperforming the market overall. The sales increases in luxury properties are positive and reflective of improving buyer confidence and wherewithal. However, the rate of improvement in that category is lower than that of total sales for properties in all price categories.

The buyer pool for luxury properties remains thin with consumers seeking rare opportunities, typically direct waterfront or multi-acre properties in prestigious locations. While clearly improving, the pace of growth has been slower than we would like. The ultra luxury buyer in our area is typically globally centered and tunes into the fine points of international finance. In Fairfield County, this buyer also frequently has strong ties to Wall Street. Given the many macro uncertainties in 2012, it is our belief that a number of these buyers have simply been sitting on the sidelines waiting for clearer definition before purchasing.

SALES LEVELS IMPROVE IN THE SOUTHERN BERKSHIRES

William Pitt Sotheby's International Realty is proud to begin serving the Southern Berkshire region in February of 2013, offering buyers and sellers alike our global marketing expertise, utilizing state-of-the-art, broad-reach tools and supported by the top agents in the business. The proximity of the Southern Berkshires to our highly successful Litchfield Hills market and plethora of New York and Connecticut residents who have utilized our services for over sixty years make this area a natural extension for us.

The Berkshires have been a destination location since the early 1800's, when wealthy families such as the Vanderbilts and Morgans built grand estates there and artists and writers used it as a base for their creative talents. With its central location only a 2.5-hour drive from both Boston and New York, the Berkshires is today a very popular second home market where residents can enjoy unparalleled natural beauty, wonderful food, shopping and cultural events in a low-key environment.

The consensus among real estate professionals is that the housing market in the Southern Berkshires found its bottom in 2011 and began to reinvigorate in 2012. This is supported by our annual sales data, which illustrates that single family home unit sales increased by 26% versus the same period last year, while dollar volume is 30% higher. As important is the activity in the fourth quarter, which has been exceptionally vibrant. Pending sales are 47% higher than the fourth quarter of 2011.

Great Barrington, MA, a town that serves as the regional hub and was just named one of *America's Twenty Best Places to Live* by Smithsonian Magazine, really took off in the fourth quarter with pending sales 100% higher than last year.

The greatest housing challenge facing the Southern Berkshires at this point in time, according to Carolyn Fugere, Manager of the Berkshire County offices, is "quality of inventory. As the real estate market started to slide post financial crisis, sellers realized they could not sell their homes for what they thought they were worth. Since many of these properties are very special and hard to replicate, and second home owners in this area are generally stable, many would-be sellers have kept their homes off the market. As conditions begin to improve we anticipate an increase in inventory, which should further jumpstart this market."

Prices declined about 15% overall during the housing recession, which represented more of a correction than a crash. The relative stability of the Berkshires is a positive for buyers in this region.

Consistent with other exclusive New England markets, which are driven primarily by buyers from New York and Boston, we expect the Southern Berkshires to experience improved market momentum in 2013. As Dan Alden, a broker associate and lifelong Berkshires resident, says: "The Berkshires are an inherently beautiful area filled with interesting, accomplished people. It provides the highest quality of life relative to the cost of living of any comparable destination." This is what brings people to the Berkshires and will support its further growth.

SINGLE-FAMILY HOME PENDING & CLOSED SALES: 2012 - 2009

BERKSHIRE COUNTY

	PENDING SALES			CLOSED SALES					CLOSED DOLLAR VOLUME	DAYS ON MARKET*
	4Q12	4Q11	4Q12 vs. 4Q11	2012	2011	2010	2009	2012 vs. 2011	2012 vs. 2011	2011
BERKSHIRE COUNTY	230	202	14%	1,014	825	871	588	23%	26%	157
S. BERKSHIRE COUNTY	91	62	47%	379	302	321	198	26%	30%	195
Alford	5	3	67%	5	6	2	2	-17%	13%	179
Becket	8	10	-20%	45	30	32	18	50%	18%	208
Egremont	3	6	-50%	16	18	23	7	-11%	-27%	74
Gt. Barrington	22	11	100%	59	59	53	38	0%	13%	145
Lee	9	6	50%	37	28	39	28	32%	16%	126
Lenox	8	2	300%	41	29	36	19	41%	42%	247
Monterey	3	1	200%	9	10	19	8	-10%	-33%	235
Mt. Washington	1	1	0%	4	0	2	1	N/A	N/A	183
New Marlborough	7	3	133%	24	19	12	14	26%	5%	317
Otis	5	2	150%	31	24	17	17	29%	105%	246
Richmond	4	3	33%	16	4	8	9	300%	611%	303
Sandisfield	2	0	N/A	15	7	7	7	114%	55%	382
Sheffield	4	4	0%	30	33	27	16	-9%	24%	323
Stockbridge	9	5	80%	32	16	22	7	100%	112%	106
Tyringham	0	1	N/A	3	3	5	0	0%	-6%	324
West Stockbridge	1	4	-75%	12	16	17	7	-31%	-25%	146

*Median Days on Market

SINGLE-FAMILY HOME MEDIAN SALES PRICE CHANGE: 2012 - 2010

BERKSHIRE COUNTY

	MEDIAN SALES PRICE*			YOY CHANGE	
	2012	2011	2010	2012 vs. 2011	2012 vs. 2010
BERKSHIRE COUNTY	\$180,000	\$182,000	\$197,000	-1%	-9%
S. BERKSHIRE COUNTY	\$275,000	\$300,000	\$296,000	-8%	-7%
Alford	678,000	511,000	1,325,000	33%	-49%
Becket	144,000	224,000	186,000	-36%	-23%
Egremont	331,000	390,000	332,000	-15%	-3%
Gt. Barrington	287,000	293,000	318,000	-2%	-10%
Lee	184,000	230,000	201,000	-20%	-8%
Lenox	259,000	368,000	549,000	-30%	-52%
Monterey	404,000	548,000	718,000	-26%	-44%
Mt. Washington	387,000	NO SALES	538,000	N/A	-28%
New Marlborough	427,000	274,000	338,000	56%	26%
Otis	379,000	210,000	275,000	80%	38%
Richmond	382,000	363,000	539,000	5%	29%
Sandisfield	265,000	326,000	238,000	-19%	11%
Sheffield	337,000	266,000	219,000	27%	54%
Stockbridge	355,000	441,000	352,000	-20%	1%
Tyringham	180,000	182,000	197,000	-1%	-9%
West Stockbridge	334,000	294,000	281,000	14%	19%

*Median sales price represents rolling twelve-month data



A MAGNIFICENT GILDED AGE VILLA

LENOX, MA - MLS: 200631

WHERE WE ARE HEADED

Looking forward to 2013, we are feeling noticeably more optimistic than we have in recent history as we now have 13 consecutive months of month-over-month pending sales improvements and solid quarterly and annual closed unit sales gains. Make no mistake: we are not anticipating a boom, but we are confident that housing sales will continue to grow to healthy pre-crisis levels, while prices remain in their current value territory. Our enthusiasm for continued forward momentum in Connecticut and the Berkshires is based on a number of factors. First, the buyers are in the market, whether or not they have “pulled the trigger.” Agents report that showings are up substantially for properties at all price points, and buyers are typically pre-qualified to purchase. Second, after a brief pause due to Hurricane Sandy, our November and December pending sales numbers far exceeded expectations. This should translate to generous first quarter 2013 closed sales figures. Third, low levels of new inventory in the fourth quarter of 2012 seemed to be holding back some buyers who had “seen it all.” Based on our field work we expect to see good levels of well-priced inventory flow into the market in the coming two to four months, which should stimulate buyer activity. Finally, buyers simply feel more confident regarding both their personal financial situations as well as housing valuations. This confidence coupled with the historically low interest rates is creating the optimal time for many to buy. Our point of view is supported by James Dimon, Chief Executive Officer of J.P. Morgan Chase, who said in a recent CNBC interview, “Every single thing about housing is flashing green.” Household formation is rising, inventory is falling and affordability is near a record high.

We believe that opportunity abounds in our current housing market and look forward to working with buyers and sellers alike in the coming year to take advantage of the positive market conditions.

Information Sources: Case-Schiller reports, Various MLS services, National Association of Realtors, Connecticut Economic Digest, local mortgage brokers, Realty Trac., CMLS, CT-MLS, NCMLS, DARMLS, Greenwich MLS, BCBOR. While information is believed true, no guaranty is made for accuracy. Cover art: *Carjarc the Lot, used with permission