



Hunterdon County Democrat

N.J. exodus cutting into home sales

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By Curtis Leeds

"Where have all the dollars gone?" That's one question asked by a Rutgers University study that examines the extent and effect of higher-income migration out of New Jersey. It's important because those who move take with them jobs, money, skills and future New Jersey tax revenues.

What the emigrants leave behind are high taxes -- the 10th highest in the nation, according to the nonprofit Tax Foundation group -- and homes. Lots and lots of homes.

Another study, by the Otteau Appraisal Group working for developer CRC Communities, says home sales in Hunterdon fell 31% from 2003 to 2007, and that the number of unsold homes increased by 51% for the same period. As a result, the time needed to sell a home has increased from one month in 2004 to nine months in 2007 "and rose in January 2008 to 12 months," according to the report.

That's just an average. For homes priced between \$800,000 and \$1.5 million, the Otteau study says there is a 24-month supply of homes in Hunterdon. Its author is Jeffrey Otteau, who says the problem is that in Hunterdon "home prices rose faster than income."

How long can this last?

"That's the question," said James Hughes. The East Amwell resident is dean of Rutgers' Edward J. Bloustein School of Planning and Public Policy and one of the authors of the Rutgers study. He summarized the situation by observing, "Economic wild parties are often followed by a long economic hangover."

"A lot of people are doing well," Mr. Hughes said. "But opportunity is limited." That means a tenured professor isn't likely to suffer under these economic conditions. "But if you're a restaurant owner, your business suffers," he said, especially if you get a new competitor. In the end, everyone pays: The report estimates that the net combined effect of the emigration that began accelerating six years ago was to reduce income in the state by \$8 billion to \$10 billion in 2006, causing a \$680 million loss in state tax revenue. That includes the jobs lost when people take their spending power with them.

"A recession is when you're out of work," said Don Shuman, who is a Flemington-based commercial real estate agent. "A depression is when I'm out of work," he said, delivering the punchline to the old joke.

Mr. Shuman hasn't been out of work for decades. But while once his sales were mostly of New Jersey properties, "Now, on a dollar basis, it's the tail of the dog," he said. Most of his business today is in Pennsylvania.

Russell Oakes owns Century 21 Parker Real Estate in Flemington. While "2005 was our last banner year, things have kind of leveled out," he said.

But, "negativity is feeding back to people," Mr. Oakes said. "They're listening to what's on TV and taking it to heart."

He has numbers to prove it. He said the Multiple Listing Service, a clearing house for real estate information, shows 713 homes priced at \$900,000 to \$1.5 million were for sale in Raritan Township during the first quarter of last year. As the end of this year's first quarter nears, that number is 1,234, a jump of more than 73%. So far this year, only eight of those homes in Raritan Township have sold, according to MLS data.

Mr. Oakes said the problem is not confined to Raritan Township, or Hunterdon or New Jersey. I don't think our (real estate) prices have depressed any more than anywhere else," he said, and some areas, such as Florida, have fared worse. Those who bought homes here within the last four years could get hit the hardest, he said, because their homes didn't have time to appreciate before values declined.

The exodus from New Jersey began in 2002, when 23,000 more people moved out of the state than moved into it, according to Mr. Hughes' study. Since it began, the emigration has accelerated, increasing to more than 72,000 in 2006. The report says there's no "definitive evidence" as to why people are leaving, but it says that "improved economic opportunity elsewhere, New Jersey's high housing costs, and its high overall cost of living are possible explanations."

It's important because "it is a permanent loss that will persist (or increase) each year" until the tide reverses, the Rutgers study says. But there is also good news. The housing market slump may eventually self-correct, because it may limit those who want to leave the state. (Business pages this week reported an upturn in home sales in the Northeast in February.)

"Basically, if you can't sell your house, you can't move," says Mr. Hughes' study. And Mr. Hughes said the current "hot spots" for growth, such as Raleigh-Durham and Charlotte, N.C. may find "growth has its costs. Costs (caused by growth) increase geometrically," eventually leading to the same problems now faced here.

Mr. Shuman, who is 82 years old and sold his first property in 1940, has a long-term view. "In the 1940s, we didn't do anything close to the business we do now. When times are bad, some people are convinced they will never be good. When times are good, some people think they will never go bad."

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