



## The Star-Ledger

### N.J. housing report's hint of hope

Friday, June 06, 2008

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Could the tide finally be turning?

Two new snapshots of the New Jersey housing market seem to suggest the worst of the decline may be over.

A report by East Brunswick-based research firm Otteau Valuation Group shows April home sales increased from the March level -- the first time that has happened since 2005 -- in what may be a sign market has bottomed out.

At the same time, a report released by the Mortgage Bankers Association yesterday showed although home foreclosures and late payments continued to set records across the country during the first three months of the year, fewer New Jerseyans were falling behind on their mortgages and losing their homes.

"It will be a couple of more months before we can say for sure if the housing correction has ended and the market is in recovery mode, but there are a growing number of indicators which suggest the housing market is no longer worsening," said Jeffrey Otteau, president of the Otteau Valuation Group.

In April, New Jersey sales contract activity grew for the fourth consecutive month, and recorded a 9.3 percent jump above the March level, Otteau said. By comparison, sales activity declined from March to April in both 2006 and 2007, he said.

Another positive development: The pile of unsold homes for sale is not rising as fast as it once was.

From March to April, inventory of unsold homes increased 4.5 percent, which Otteau said is less than normal for the month of April. Year over year, the inventory of unsold homes inched up 1.8 percent, from 69,888 homes to 71,193 homes for sale.

In June 2005, that figure stood at only 39,000 homes.

A key indicator of market strength is something called the Unsold Inventory Index, which measures how many months it would take to sell the existing inventory of active listings at the present sales pace. It now stands at its lowest level of the year, reflecting a 10 month supply, Otteau said.

By comparison, the index stood at 12.7 months in January, 11.0 in February and 10.5 in March. Historically, a 5.5-month supply of unsold inventory has been considered a "stable" market.

The report released by the Mortgage Bankers Association also seemed to suggest that the rate of foreclosures and delinquencies may be settling down a bit in New Jersey.

According to that report, the delinquency rate for mortgage loans on residential properties in New Jersey actually fell to 4.87 percent at the end of the first quarter of 2008, a decrease of 0.52 percentage points. The delinquency rate excludes loans in the process of foreclosure.

The percentage of loans in New Jersey in the foreclosure process at the end of the first quarter rose to 2.31 percent, compared to 1.89 percent in the fourth quarter of 2007. But the number is still below the state record set in the early 1990s, when New Jersey had the highest rate of mortgage foreclosures in the country.

Back in 1992, New Jersey led the nation with nearly 2.44 percent of all its residential mortgages in foreclosure, according to the MBA. At the time, the state was in the throes of an economic recession, and a flurry of overbuilding had produced a glut of homes for sale.

Today, the state ranks 29th in the nation in terms of delinquencies and 14th in terms of foreclosure, the MBA said.

On a national level, the inventory of homes in foreclosure increased to 2.47 percent, and the delinquency rate -- loans with one or more payments overdue -- grew to 6.35 percent. The numbers are the highest since 1979, the Washington-based trade group said.

California, Florida, Nevada and Arizona accounted for 89 percent of the total increase in new home foreclosures.

In New Jersey, a growing list of positive factors -- increased housing affordability due to lower home prices, low mortgage interest rates and massive pent-up demand due to reduced purchase activity -- all bode well for the real estate market.

"To keep things in the proper perspective, however, it is clear that the housing market remains in the grip of a dramatic correction and will not see rising prices until unsold inventory levels have been reduced significantly," Otteau said. "Until then, home prices will likely drift slightly lower, although at a slower pace than the past 2 years.

"But a bottom to the housing downturn may be forming, which would be a first step towards recovery."

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