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NJ's economy improves, but housing market still faces price declines



Written by

David P. Willis | Staff Writer

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Kristen Forma checks out real estate websites several times a day as she searches for a home for her family in Middletown.

She does research, finding out what other houses have sold for in various neighborhoods, to evaluate prices. One day, she visited seven houses.

But so far, she has not found what she's looking for. "Either I am seeing gigantic houses or I am seeing things that are overpriced," said Forma, who has a buyer for the family's home in Montgomery in Somerset County, where she lives with her husband and two sons.

The housing market is in the midst of the spring selling season, one of the prime times when prospective home buyers walk up steps, check closets, inspect bathrooms and bedrooms.

But even with modest improvements to the state's economy, the housing market in the Garden State remains in the weeds. "Sales are running less than last year," said Jeffrey G. Otteau, president of Otteau Valuation Group in East Brunswick. "We have more houses on the market and prices are once again declining." Still, there is a hint of some good news.

Let's look at some numbers.

The median home price in New Jersey declined 6.6 percent in the first quarter as compared to the first quarter of 2010, according to the Otteau Valuation Group. In Monmouth County, the median home price fell 8 percent in the first quarter while Ocean County's median home price saw a 10 percent decline, both over the same period last year, the firm said.

The exception: prices in Somerset County rose 3 percent in the first quarter over the same period last year. Otteausaid the county has experienced lower unemployment and lower foreclosures.

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While prices are dropping elsewhere, the number of homes for sale is rising. Through March, inventory rose 4 percent in Monmouth County and 5 percent in Ocean County, outpacing a gain of 3 percent statewide, according to Otteau's data.

The pace of sales statewide during the quarter declined 18 percent statewide, compared with last year's first quarter, which was boosted by the federal home buyers' tax credit that expired last spring. But when compared with the first quarter of 2009, before the home buyers' tax credit, there was a modest 2 percent increase, Otteau said in a market report.

"Although the sales are occurring at a slower pace than last year, it is clear evidence that the housing market has stabilized, that the pace of sales has stabilized," Otteau said last week.

With the economy improving, why is the housing market still stalled? After all, job losses have turned into job gains, and unemployment in New Jersey is lower than it was last year.

"The improvement in the economy has not been large enough to offset a whole series of negatives," Otteau said. He added, those include:

- Tight lending standards by banks are making it difficult for buyers to get mortgage approvals.
- Foreclosures that continue to have an effect on the overall market.

- The pace of job recovery in New Jersey is running at 10 percent the national rate.

- The state continues to carry a high inventory of homes for sales.

"While those things are starting to look better, from an economic perspective, given that we lost the tax credits we're likely to see price declines in 2011," Otteau said. His firm is projecting a 3 percent decline in New Jersey in 2011.

Rutgers economist Joseph Seneca said uncertainty in the job market plays a key role in the sale of homes, as does rising food and energy costs.

"These are not conditions that sort of align to generate great confidence to make a major purchase," Seneca said.

Deborah Madey, broker and owner at Peninsula Realty Group Inc. in Shrewsbury, said the market has its challenges, but she sees more activity and a change in buyers' attitudes.

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The change? Buyer confidence, she said.

“Buyers have in their mind what they think is a value where before they had a question mark and fear,” said Madey, who is representing Forma as a buyer’s agent. “Today, they will come up with really targeted numbers.”

Jack Waters, regional vice president at Weichert Realtors who oversees Middlesex, Monmouth and Ocean counties, said customer traffic at open houses has improved and in April, the company’s website had 5 million visitors.

“There is truly a pent-up demand by the buying public and the selling public,” Waters said. “They want to do something with real estate.”

Last year’s tax credit accelerated sales that would have happened later, he said. Now with it expired, sales will even out this year, he said. “May and June and July this year will be bigger than May, June and July last year when it comes to houses sold,” Waters said.

Denise Flanagan, a sales associate at Coldwell Banker Residential Brokerage in Morristown, already is seeing a change.

The market in the Morristown area “busted wide open” in April, she said. “It’s a delayed spring market,” she said.

Last weekend, she negotiated five contracts, she said. “I haven’t felt this good about the market since 2004,” she said.

Buyers are seeing low mortgage interest rates and lower prices, Flanagan added.

The median price for a home at the Jersey Shore fell in the first quarter over the same period in 2010, according to the Otteau Valuation Group in East Brunswick. Here are the first quarter median prices since 2009.

Monmouth County: 2011: \$319,368
2010: \$346,563
2009: \$324,519

Ocean County: 2011: \$193,300
2010: \$215,370
2009: \$223,642

Source: Otteau Valuation Group. Note: Price includes single-family homes, condos and adult units

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