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Waiting for a thaw

As the spring selling season approaches, real-estate agents say home buyers have their choice of houses at lower prices, but some experts warn of continued troubles ahead for the housing market

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GANNETT NEW JERSEY

Bradley Beach resident Susan Stone's home on Brinley Avenue is just over one block away from the beach.

And the six-bedroom house, which also has two rental apartments out back and a two-car garage, has been on the market since early last month, priced at \$989,900.

"If you are going to sell a beach property, now is the time to do it," Stone said. She and her husband, Tom Gavin, are looking for a house in the Interlaken area.

She has experience selling a home at a tough time, closing a sale of her New York City apartment at Washington Square Park and Fifth Avenue three months after the Sept. 11, 2001, terrorist attacks.

"Lesson learned was that if you have a quality piece of property in a good location, it will sell, regardless of the economy," Stone said in an e-mail.

The spring selling season is almost upon us. As the weather warms, it's an important time for home sales.

But one real-estate expert says New Jersey's home market hasn't started the year well, a warning sign of a tough spring ahead.

"The pace of New Jersey home sales sank to a four-year low in January, raising serious questions about what's ahead for the spring housing market," the Otteau Valuation Group, an East Brunswick real estate consulting firm, stated in a report last week.

In New Jersey, home sales fell by 30 percent in January over the same month in 2007, according to Otteau. Sales at the Jersey Shore outperformed the state, but still fell by 24 percent in Monmouth County and 26 percent in Ocean County, the firm states.

"Sales are running at very weak levels," said Jeffrey Otteau, the company's president. "Clearly what we have here is that the housing market continues to be in a stall."

Sales locally are expected to outpace the state, given the demand for vacation homes, retirement communities as well as traditional home buyers, he added. "We are still expecting to see some increase in sales activity over the next few months."

Real-estate agents, such as Stone's agent, Gloria Siciliano, broker and owner of Re/Max Gateway in Ocean Township, are hopeful. Business has picked up since Christmas, Siciliano said. About 10 people attended at Stone's Bradley Beach house at 214 Brinley Ave. last weekend, she added.

"I think people are finally making a decision to move," Siciliano said. "Where they were holding off and waiting and waiting, I think things are finally happening."

Richard F. Martel Jr., sales manager at Prudential Zack Shore Properties, which has 10 offices at the Jersey Shore, said last week the company's agents sold 100 houses in February.

"As we enter the season, we are very optimistic that the brisk sales that we are experiencing now will continue into the true spring months," Martel said. "The feeling is that the buyers realize they can really get some great value in the market now."

Meanwhile, mortgage rates, while still low, have risen. That makes borrowing money to buy homes more difficult to afford, said Otteau.

According to Freddie Mac's Primary Mortgage Market Survey, the rate for a 30-year fixed-rate mortgage was 6.04 percent for the week ended Feb. 21, up from 5.72 percent a week earlier. The rate was 5.48 percent on Jan. 24.

New Jersey home prices, which fell 7 percent in 2007 and are expected to fall another 4 percent this year, still have not reached the point where some prospective home buyers can afford them, Otteau said. "The housing market is continuing to struggle, due to low housing affordability in New Jersey," Otteau said.

In January, a person with a median income in Monmouth County would have needed to put down a deposit of 34 percent to afford a median-priced home in the county. In Ocean County, a person with a median income there would have required a 27 percent down payment. A first-time home buyer typically puts down 10 percent, Otteau said.

Home prices are expected to decline another 2 percent in 2009, and at that point, would have fallen 19 percent since the start of 2006, Otteau said. "At that point, we should be back to affordability."

"Buyers are still out there," said Chris Schlueter, president of the Ocean County Board of Realtors and a sales associate at Re/Max at Barnegat Bay in Toms River. "The calls are still coming in to a lot of places. The key to the market remaining strong is that as (sellers) become more realistic about the current value of their home, I think the market will retain its strength."

Indeed, said Mark Kotzas, broker and owner at Crossroads Realty, which has 14 offices in Monmouth and Ocean counties, properties that are priced correctly are seeing activity.

Open houses have seen eight to 10 people coming through, he said. "If people are out in 25-degree weather on a Sunday in February, they are probably serious buyers," Kotzas said.

Buyers see a lot of inventory on the market, relatively low interest rates and an 8 percent to 18 percent reduction in home prices from a market high of 18 months ago, he said.

"They are looking at it as a good time to step back into the market," Kotzas said. "Sophisticated people are looking at those three things and they only come together every so often."

While "not optimistic" about sales in 2008, Otteau said now is a good time to buy a house. Home prices are lower, and buyers who wait for a further small reduction in price will pay more as interest rates rise.

"The risk to a buyer buying today is that home prices might fall another 3 or 4 percent . . . but the greater risk to a home buyer is that interest rates will be 1 percent higher a year from now."

If mortgage rates rise by 1 percentage point, it is the same as paying 9 percent more for the same house, he said.

Buyers can see what is happening in the market. Real-estate agents say they are seeing multiple offers on properties that are priced realistically.

"When the sellers come to reality and they reduce the price to where it needs to be, the buyers see the value and it happens," said Colleen Tobin, a sales associate at Prudential Zack Shore Properties in Sea Girt.

Bidding wars result when homes are priced correctly as there is still a demand for housing, Otteau said.

"When a good agent and a seller market a home at a realistic price there are two or three buyers wanting to buy that house," Otteau said. "Unfortunately, there is only one seller that is priced right for every 10 houses on the market."

Michael Benol and his wife have their Point Pleasant home on the market while they look for a larger house for their family. As a buyer, Benol said he believes many home prices are unrealistically high.

"For some reason, people still think they will get the number that they got a year and a half ago," he said. "When you put an offer in, they look at you like you are crazy and they don't act on it."

Meanwhile, Tobin, his real estate agent, is showing people his house, which is within walking distance of the beach. It was listed in January for \$419,000 before they dropped the price to \$410,000 two weeks later.

"The people who are looking at our home are only looking for a second house," Benol said. "We are getting a lot of activity."

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