



## The Star-Ledger

### Softer landing

State's housing market is surviving slump better than rest of the country

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The busy spring real estate season is now officially over and the results are in: The housing market is still in a funk.

Across the country, sales of existing homes, as well as the median home price, fell during the second quarter as lenders tightened their borrowing standards amid fears delinquencies and foreclosures will rise further, according to an industry trade group.

The National Association of Realtors said yesterday that, nationally, existing home sales -- which generally account for 85 percent of all home sales -- dropped nearly 11 percent in the quarter from April through June, while the median price of a home dipped 1.5 percent, to \$223,800.

In New Jersey, the housing market saw a 6.2 percent drop in existing home sales compared to the second quarter of 2006, while the median price of a single-family home in the Northeast fell 0.7 percent, to \$298,000.

So, why are real estate brokers like Pat Hoferkamp, president of Parsippany-based Burgdorff ERA, smiling?

"Last year was the third best year in Burgdorff's history in terms of homes sold and, quite honestly, I feel very good about this market," Hoferkamp said. "Things are happening. People are buying homes. We've got busy open houses. I expect to do what we did last year, if not increase our business."

### SPLIT PERSONALITY

Is Hoferkamp talking about the same New Jersey housing market?

The answer is yes and no.

That's because when it comes to real estate, New Jersey has a split personality.

Talk to real estate agents who sell homes along the state's commuter rail lines -- where 12 of Burgdorff's 14 offices are located -- and the news is all good.

Talk to agents anywhere else, and, well, the news is predictably glum.

Consider this statistic: The inventory of unsold homes in all of New Jersey has soared to a record 72,000 homes, compared to only 39,000 in June 2005, said Jeffrey Otteau, president of East Brunswick-based Otteau Valuation Group.

That represents an 8.5-month supply -- which means if homes continue selling at their current pace, it would take that long for demand to catch up.

But in towns like South Orange, Summit, Montclair and Morristown, which are along the main branch of New Jersey Transit's Morris and Essex line, it's another story.

For example, Montclair has just a three-month supply of unsold homes on the market, according to Otteau. Chatham, only two months.

The number of homes contracted for sale in prime markets in Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Somerset and Union counties declined by only 1.7 percent from May to June, compared to 5 percent statewide, Otteau said.

Most notable in this group are places like Jersey City and Hoboken in Hudson County, where year-to-date sales activity is running 12 percent ahead of last year, he said.

Looking ahead, Otteau expects this trend will only accelerate, with communities near direct-to-Manhattan rail lines seeing the strongest price increases once the market recovers.

The primary reason is job growth: Employment in Manhattan is expected to grow from 2.7 million to almost 3 million over the next two decades -- with over half of this growth in Midtown, according to a NJ Transit study.

One in four Midtown workers come from the suburbs -- nearly half of those crossing the Hudson River from New Jersey or Orange and Rockland counties in New York, according to the NJ Transit study.

"Once again, Manhattan is king as it relates to the New Jersey housing market," Otteau said. "That is what will drive our housing market going forward."

### **LIMPING ALONG**

But the broader housing market -- both nationally and across New Jersey -- still appears to be limping along, and experts are predicting the current slump will drag on at least until mid-2008 and possibly longer.

Perhaps the biggest unknown: Whether foreclosures in the "subprime" mortgage market and the wider credit crisis will worsen or level off in the coming quarters.

"The fact that credit has tightened considerably, that affordability is expected to stabilize at a substantially lower level than a year ago, and that inventories remain high, there is little in the way of upward pressure on house prices," said Celia Chen, an economist with Moody's Economy.com, a West Chester, Pa.-based research firm. "Markets that are currently weak will likely stay so for another year."

Indeed, sales of previously owned homes were down in all sections of the country, the National Association of Realtors reported yesterday.

The hardest hit region was the West, where existing home sales fell 16.9 percent, followed by the South, where sales fell 10.7 percent, and then the Midwest, where home sales dropped 8.4 percent.

Here in the Northeast, existing sales fell to an annual pace of 1.05 million units in the second quarter, while the median price of a single-family home rose 0.7 percent.

Last week, the Realtors' trade group lowered its 2007 sales forecast, predicting home sales will hit a five-year low this year. The revised forecast calls for existing home sales of 6.04 million in 2007, down 6.8 percent from last year. That number would be the lowest since 2002, when sales hit 5.63 million.

However, Lawrence Yun, the group's senior economist, said he saw glimmers of hope in yesterday's data.

For example, compared with prices a year ago, home prices were up in 97 of the 149 metropolitan areas surveyed.

That represented price gains for 65 percent of the areas surveyed, an improvement from the first quarter of this year, when only about 55 percent of the metropolitan areas reported price gains from the same period a year ago. In the fourth quarter of last year, less than half of the metropolitan areas reported price gains.

"Recent mortgage disruptions will hold back sales temporarily, but the fundamental momentum clearly suggests stabilizing price trends in many local markets," he said.

Otteau also sees a ray of light.

Although the housing market took a giant step backwards last week in response to lenders turning off the credit spigot, he said the inventory of unsold homes is increasing at a slower pace.

"From an inventory perspective, while the number of unsold homes continued to rise in June, that increase occurred at a slower pace than in the four preceding months," he said. "That suggests that inventory growth may be approaching the high-water mark."

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