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### Economists outline chilly forecast for N.J. housing market

By João-Pierre Ruth

New Jersey's housing market is headed for a frigid fall and winter, according to **Jeffrey Otteau**, president of East Brunswick-based **Otteau Valuation Group Inc.**, who said June home sales in New Jersey were down 27 percent, year on year.

"That marks two straight months of declining home sales and follows 11 consecutive months of rising sales," Otteau said, adding that May home sales in New Jersey were down 23 percent.



Otteau [NJBIZ file photo]

Otteau said May and June traditionally are strong sales periods for housing, meaning there likely is even slower activity in the months ahead.

"The housing market cannot sustain itself without tax credits," he said. Otteau said the recent declines in sales follow the April expiration to file for federal tax incentives.

He said the recovery is uneven, slow to get started and progressing more slowly in New Jersey compared with other parts of the country. Otteau said more homeowners may cross over into negative equity, which will put more pressure on home prices and foreclosure rates.

Otteau said the relationship of home sales to the larger economy creates an adverse feedback cycle: "A weak housing market makes the economy weak, and as a result, a weak economy makes the housing market even weaker."

With Gov. **Chris Christie's** veto of state tax credit late last week, the housing market will go into a second decline that will further delay New Jersey's economic recovery. Otteau said the governor has a different perspective given the state's overall fiscal challenges. "He wants to know where the money is," Otteau said.

New-home sales at the national level increased by 23.6 percent in June compared with the prior year period, said **Joel Naroff**, president of **Naroff Economic Advisors Inc.**, in Holland, Pa. But he was not wholly impressed, as "we're looking at a pretty weak housing market nationally," he said.

Naroff said he did not expect a strong recovery for the housing market in the near term. He added that actions by the federal government introduced volatility in the market, with a first-time homebuyer tax credit that fueled pent-up demand. Now, "we're in the process of unwinding that meddling," he said. "July's numbers may be a little more reflective of a beginning of a trend."

Naroff projects a recovery is still several years away, and said improvement will not send property values back to the levels seen during the mid-2000s.

"In two years, we are going to see the market begin to take on more normal patterns," he said.

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