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Home prices rose in 2nd quarter

Existing house sales up 4.3%

By **DAVID P. WILLIS** • STAFF WRITER • August 11, 2010

The median price for an existing single-family house in the area that includes Monmouth and Ocean counties rose 4.3 percent in the second quarter, a boost helped in part by the now-expired federal homebuyer tax credit, the National Association of Realtors said Wednesday. The median price for a house that sold in Monmouth, Ocean, Middlesex and Somerset counties rose to \$345,800 in the second quarter, up from \$331,700, the price for the second quarter of last year.

The median price means that half the homes sold for more, and the other half sold for less.

The federal tax credit for homebuyers, which expired on April 30, and "virtually record low" mortgage interest rates helped fuel sales, said economist James Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University.

According to Bankrate.com, the average rate for a 30-year fixed-rate mortgage is 4.53 percent, down from 4.56 percent last week.

"It really has dramatically made housing more affordable," Hughes said of mortgage rates.

Take Felix and Myrna Santiago of Forest Hills, N.Y., who bought a ranch-style house in Manalapan in July to retire and be close to family. They entered into contract in April, making them eligible for a \$6,500 tax credit. The couple were able to negotiate about \$26,000 off the home's price and obtained a mortgage at 4.75 percent.

"The interest rates made such a difference," Myrna Santiago said.

Likewise, Middletown resident Crystal Goodwin said now is a good time to put the Port Monmouth home she owns with her boyfriend up for sale. She listed the four-bedroom house for \$364,000 on Sunday with Better Homes Realty in Hazlet.

"Expectations have leveled out. Things are more realistic right now," Goodwin said. "People aren't asking more than really what they should be getting for the house. People kind of know what things are worth now. It's more fair on both sides, I think."

Other areas of New Jersey saw price gains in the second quarter, according to the NAR. The median price in Essex, Hunterdon, Morris and Union counties rose 1.9 percent, while the area that includes Bergen, Hudson and Passaic counties jumped 4.4 percent.

Prices in the Atlantic City area rose 2.6 percent, and the Mercer County area saw prices rise 2 percent.

But Hughes and housing economist Jeffrey Otteau warned of possible price declines later this year.

The culprits: the end of the tax credit and continuing high unemployment. The state's unemployment rate was 9.5 percent in June, the latest month for which figures are available. It has been over 9 percent for more than a year.

"Home sales have stalled, and we are expecting to see price declines in the second half of the year," said Otteau, president of Otteau Valuation Group, an East Brunswick firm.

After 11 consecutive months of increasing home sales, the market has seen two months in a row

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where sales have fallen by about 25 percent, Otteau said.

Otteau Valuation Group figures provide a look into the market in Monmouth and Ocean counties. In the second quarter, the median price for a home in Monmouth County, including all single-family homes and condominiums, was \$354,210, up 1.6 percent from a year earlier.

In Ocean County, the median home sale price fell 3.7 percent to \$217,626, Otteau said.

Unlike its northern neighbor, Ocean County is farther away from job centers and has a larger secondary home market, which still is weak, Otteau said.

The unemployment picture weighs on the market as people continue to battle constrained budgets and face fears for the future, Otteau said. "The public is reluctant to go out and increase their monthly costs by buying a house," he said.

In order to the housing market to reach the next level, it will need either another round of tax credits or a pick up in hiring activity, Otteau said. "I suspect we will see more government stimulus," he added.

Lawrence Vecchio, broker/owner of Better Homes Realty, which has 14 offices in Monmouth and Ocean counties, said short sales have put downward pressure on prices. A short sale is when a home sells for less than the owner's mortgage balance.

Demand is down since the tax credit expired, Vecchio said.

"People are looking, but they're not anxious," Vecchio said. "They're not rushing. They're selective."

It is an "unbelievable buyer's market," he said.

In a statement, Jarrod C. Grasso, chief executive officer of the New Jersey Association of Realtors, touted an increase in the number of sales in the second quarter. Sales jumped 29.9 percent over the same period a year ago, Grasso said.

The growth in median home price may be a sign of market stability, Grasso said. But he cautioned that low mortgage interest rates and affordable prices

won't last forever.

"Consumers will need to rely on the U.S. government and private businesses to create jobs to revive confidence, which should thus revitalize their confidence in the housing market," Grasso said.

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