

January 7, 2010

Optimism About the New Year

By ANTOINETTE MARTIN

SO is it over? The three-year period of unrelenting home price declines: has it stopped? And is it possible that sales prices will go the other way in 2010?

Excited by brisk business in some locales even during the traditionally slow holidays, a few real estate brokers began blurting out such hopes.

“I think the change in direction is starting to happen,” said Ken Baris, the president of Jordan Baris Realty, after selling a West Orange colonial, a Livingston split-level and a Newark condominium — all for full price, or nearly — during the week between Christmas and New Year’s Day. He quickly added a caveat: “Maybe values will drop again before they go up.” But then came an addendum to that: “I feel confident they will rise.”

Statistically speaking, there are grounds for modest optimism that prices will trend upward in the near future, said the market analyst Jeffrey Otteau, whose [Otteau Valuation Group](#) continuously tracks sales data in 21 counties for real estate companies.

Mr. Otteau cited one recent report indicating that [New Jersey](#) was one of a half dozen “breakout” states in which prices had already begun to creep up in the second half of 2009. That report came from the Federal Housing Finance Agency, which indexes purchase prices of homes with mortgages guaranteed by Freddie Mac and Fannie Mae.

Looking at data from the entire period of the slide — the start of 2006 through the third quarter of 2009 — Mr. Otteau concluded that the state’s residential market “didn’t get hammered all that bad” compared with the nation at large, and was likely to recover faster.

Similarly, the parts of the state that suffered the least decline in prices are the ones most likely to bounce back the fastest, Mr. Otteau said.

The median home price declined 12.4 percent statewide over the three years, to \$289,275 from \$330,331, by the Otteau Group calculations. Two northwestern New Jersey counties, Sussex and Hunterdon, got hit much harder than the average, both experiencing declines of more than 20 percent, which various analysts have ascribed to sparser development, smaller population and greater distance from job centers.

Back when home prices were at their highest, buyers had started to “push west” to those counties, trading longer commutes for affordability, said James Bednar, who writes a blog on state real estate at

njrereport.com. With the general decline in prices during the past few years, “demand to move to those western counties has dropped,” said Mr. Bednar, whose online self-description is “Grim.”

In Hudson County, by contrast, median purchase prices fell just 2.6 percent, peak to trough. The pace of sales pace slowed sharply over the three-year period, even as thousands of new, high-end condominiums came on the market. But Hudson’s proximity to [Manhattan](#) jobs bolstered values, as it has for the 30 years, since waterfront area redevelopment began west of the river.

In Essex, Somerset, Mercer, Camden, Atlantic and Salem counties, prices declined 5 to 10 percent.

In Bergen, Union, Monmouth and Gloucester counties, the decline was 10 to 15 percent.

Besides Sussex and Hunterdon, the hardest-hit counties — with declines between 15 and 20 percent — were Passaic, Morris and Warren, in the northern part of the state; Ocean and Burlington in central Jersey; and Cape May at the southern tip.

“Every county has its own story,” said Mr. Otteau, noting that Cape May is heavy with resort properties and second homes, which do not sell well during a [recession](#), and that intense redevelopment efforts in the more urbanized areas of Essex and Camden counties probably helped minimize price declines there

Several brokers said they did not even think of real estate markets in terms of county lines. Perri K. Feldman, an agent with Keller Williams Realty, sees her primary turf as being towns running along the Midtown Direct Train line from Morristown to South Orange (Morris to Essex County).

Prices rose in that area late in 2009, Mrs. Feldman said; she originally saw a rush to meet the Nov. 30 deadline to ensure eligibility for a federal income tax credit. That federal stimulus program has since been extended; now buyers have until April 30 to enter into a contract for a new primary residence and June 30 to close on the home.

Cumberland County actually saw its median sales price rise during the market slump years, but Mr. Otteau called that an anomaly, “based on its comparatively small population and the county being comparatively un-built-up, so any development at all that occurred skewed the figures.”

Cumberland, at the southern end of New Jersey just above the Delaware Bay, has the lowest median sales price of any county; it rose to \$172,000 by the end of 2009, from \$165,000.

In general, Mr. Bednar said, “it’s that lower end that is taking the biggest hit.” On the other hand, it is his view that those same lower-priced areas saw “the biggest speculation, and biggest run-up” in prices during the boom years before 2006.

Mr. Otteau suggested that it was best not to obsess over home values in the short term.

According to the housing finance agency, he noted, New Jersey’s median home price rose nearly 6 percent when measured over a five-year period, 2003 to 2009. Going back all the way to 1991, when the

agency started keeping its statistics in their current form, the median home price has risen 129 percent.

“If you bought in the last five years and need to sell your house today,” Mr. Otteau said, “then the short-term cycle is relevant. But only about 1 out of 10 homeowners are in that situation. For the rest of us, it doesn’t really matter what home prices are doing right now.”

- -