

Real estate experts cautiously optimistic about the spring market

Written by

PAMELA MacKENZIE
STAFF WRITER

CENTRAL JERSEY — When Kathy Frank wanted to sell her two-bedroom condominium in The Hills community in Bedminster, she turned to Peter Cagnassola, the broker at Hills Realty, who specializes in marketing homes in her neighborhood.

"He tells it like it is, and I liked his directness. He told me what the price should be, and we put the house on the market in November."

Frank said although the holidays aren't the best time of year to sell a home, her unit was shown many times through end of the year, and the showings increased even more in January. She sold the home this month within the target range that Cagnassola had set.

"This was a solid buyer with 20 percent down and an early closing," Cagnassola said. "If she (Frank) held out for more money from another buyer, she would've had higher carrying costs and there's no guarantee she'd have gotten a higher price."

We're both satisfied."

The activity Frank saw seems to be indicative of what others are seeing in the market. Experts throughout Central Jersey say activity has picked up, and they hope this indicates a brisk spring market in 2011.

Hal Maxwell, president of Coldwell Banker Residential Brokerage, said his offices in North and Central Jersey are seeing increased activity this month in spite of frequent snowstorms. Other companies have been having similar experiences. Although the market slowed last May after tax incentives for buyers ended April 30, buyers seem to be returning to the market.

"In 2010, the first four months with the tax-credit incentives were great. After the program, sales fell off, but we started to see a little rally in November and December," said William O. Keleher, chairman and chief executive officer of Prudential New Jersey Properties.

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SOME IMPROVEMENT: Jeffrey Otteau, CEO of Otteau Valuation Group in East Brunswick, pointed out that while sales in May through December 2010 fell by an average of 27 percent from the previous year, sales in November and December are down by 10 percent.

"You have to remember that in November and December 2009, the tax incentives were in place, but in November and December 2010, they weren't," Otteau said. "So the fact that they were down only 10 percent from the previous year is significant."

If increasing activity and a growing number of home sales are signs that the market is leveling off at the bottom, another is that some homes are attracting multiple offers. Joseph Boniakowski, broker at ERA E.A. Boniakowski Agency in Green Brook, Cagnassola and others are reporting multiple offers. Although home prices may not be rising, in some neighborhoods, they aren't falling anymore — a good sign.

Cagnassola cites the Crestwood neighborhoods in the Hills in Bedminster as a case in point. From March 2010 to this month, five condominiums with the same floor plan have sold, and all of them closed at about \$330,000. He said that buyers are willing to pay what others have paid, but they don't want to pay more than anyone else. If they get in a bidding war and get to the price that others have paid, they don't want to go beyond it.

John Bendall, broker of RE/MAX Classics

Group in Branchburg and other locations, said another reason that buyers are not bidding prices up is because appraisers, under pressure from the banks, are bringing in conservative appraisal values. When an appraisal came back in previous years, Bendall said, a real estate agent used to be able to show the appraiser comparable sales that indicated the appraiser might want to reconsider the figure. Today, he said, appraisers might not be willing to talk to the agents.

"We expect a flat year, maybe slightly off the first half and better in the second half," Keleher said. "It's an interesting market. There's great opportunity. Anybody who buys now is getting in at the bottom."

MORE AFFORDABLE: Jack Waters, a regional vice president for Weichert Realtors, said that with mortgage interest rates between 4 percent and 5 percent, and home prices lower than they've been for years, affordability is at a 40-year high. He cited a Weichert survey from last year in which 28 percent of more than 1,200 home

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buyers said they were in the market to buy a home because interest rates and home prices are low. He said that in 2008, 14 percent of buyers in a similar survey cited the same reason. He believes this also indicates that people who have been sitting on the sidelines are finally ready to start buying.

Otteau believes that home prices "will continue to move sideways (remain steady) until there is sustained job creation in the private sector."

Otteau anticipates that home prices seen in the peak market year, 2006, might not be seen again until possibly 2020. But he said that 2011 represents possibly the best buying opportunities available. He expects mortgage rates to rise in 2012, and home prices may also begin to see modest gains.

Lee Caprarola, sales manager at Wells Fargo Home Mortgage in Somerville, said he expects mortgage rates to hover between 4.75 percent and 5.25 percent this year.

Wells Fargo requires a credit score of 620 for a conventional loan, and used to require 600 for an FHA loan. A conventional loan does not involve any guarantees from the Federal Housing Administration or the Veterans Administration. An FHA loan is made according to guidelines set by the Department of Housing & Urban Development. The Federal Housing Administration (part of HUD) guarantees that if the loan fails, it will cover the loan.

Now, when a buyer meets certain other criteria, such as a larger down payment, Wells Fargo will consider making an FHA loan to people with credit scores between 500 and 600.

With increased activity and money available for mortgages, Realtors are encouraged about the spring market.

"I tell my new agents, "people are still starting families. They're still getting married. They're still having babies. Where are these people going to live? They need homes," Waters said.

"There are no bad markets," Boniakowski said. "If you're a buyer, this is a very good market."

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Realtor Andrew Zastko, center, and perspective home buyer Nicole Snyder, left, tour the Freehold home of Sue Dapcic, right, Friday, January 28, 2011. Snyder, and her fiance Frank Krosnoki are considering having a home similar to Dapcic's built in East Brunswick. STAFF PHOTO JASON TOWLEN / Staff

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