Sales history

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Today's real estate market may seem dicey, but Toms River real-estate veteran Byron Kotzas has seen harder times.

Such as 1980, when interest rates were soaring. "Try to sell property when the prime rate was 21.5 (percent) and mortgages were at 18 percent," he said.

But today's market, which includes a large inventory of homes and lower home prices, makes this an ideal time for buyers, he said. "You can buy a house now at a discount while the market is in a slow period," said Kotzas, 83.

Kotzas has been in the real estate business for 50 years. He started Crossroads Realty in 1966, opening an office at the crossroads of Route 37 and Route 9 in Toms River. A year later, he opened another office in township's Silverton section, followed by Berkeley, Brielle, Lacey, Lavallette and Manchester's Whiting section. Today, he has 14 offices in Monmouth and Ocean counties.

Over the years, Kotzas has seen the cyclical nature of the real-estate market.
"I have been through it five or six times already," he said. "It isn't like its the end of the world."

Home prices have declined after several boom years. Prices rose 131 percent in New Jersey from 1998 through 2005, before declining 8 percent in 2006, according to Jeffrey Otteau, president of the Otteau Valuation Group, an East Brunswick real-estate consulting firm. He expects prices to fall another 8 percent through the end of next year.

The real-estate market in Monmouth and Ocean counties has outperformed the state overall in the growth of sales. Through the first nine months of the year, 6,537 homes were sold in Monmouth County, up from 6,193, or 6 percent, from the same period a year earlier, Otteau said. In Ocean County, sales rose to 6,578, up 6 percent from 6,219 a year ago.

In New Jersey overall, the number of homes sold dropped 5 percent, he said.

There is some hesitancy in the market among buyers who wonder whether prices will go lower, Otteau said. But he agrees with Kotzas: Now is a good time to buy a house.

Why? Even if home prices go a little lower, mortgage rates now are near 50-year lows, he said. The greater risk is that interest rates will rise. That will make borrowing money more expensive, hitting purchasers' buying power and locking them into higher rates for a longer period, Otteau said.

And for people looking to sell their houses now and upgrade? Any decline in a home's selling price will be made up when the seller becomes a buyer and negotiates a lower deal, Otteau said.

"From where I sit, 10 years from now, we will be looking back and thinking that those who bought at the end of 2007 and the early part of 2008 were so smart because they will have bought at near-bottom prices and also have locked in at ... historically rock-bottom interest rates," Otteau said.

The boom years between 2001 and 2005 created some problems. Sales skyrocketed amidst a demand for housing from 2001 through 2005, Kotzas said. Speculators, representing about 25 percent of the market, bought houses, fixed them up and sold them, Kotzas said.

"They were using houses as investment vehicles, not as houses, and the market sustained them during that period because the prices were going up," Kotzas said.

When the market began to trail off at the end of 2005, investors dumped their houses on the market, boosting inventories, he said.

Meanwhile, mortgage companies had offered home buyers with spotty credit histories, mortgages with no down payments. In some cases, these loans, known as subprime mortgages, offered low interest-only payments for a set period, but those homeowners now are in trouble because rates have reset higher, spiking their monthly bills.

"The governmental agencies having jurisdiction did not do anything to curb the craziness in the market," Kotzas said. "I call these mortgages .... explosive mortgages because it was like a delayed fuse that they didn't know what it was going to cost them, because the people were never told," he said.

Kotzas said he feels the government should act now to help homeowners in trouble to prevent houses from going into foreclosure, an outcome that would affect other property owners as well and destabilize the market.

The government should pressure mortgage companies to allow eligible homeowners in trouble the opportunity to make interest-only payments for two or three years, Kotzas said. The missed principal payments would be tacked onto the end of the mortgage, he added.

"You are giving the average person the chance to breathe for two or three years, and then, at the end of three years, mortgage payments come back again," Kotzas said. "The mortgage company gets interest payments every month. You can't call that a defaulted mortgage."

The government could cover any arrears in interest payments to the mortgage company and would be repaid later by the homeowner, he added.

It may not be appropriate for every homeowner in difficulty, but it would stave off some foreclosures, he predicted.

The housing market must be protected, Kotzas said.

"Homes are the basis of our economy," he said. "The government has to step forward and take some proactive action."

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