



The Times

The hard sell

Owners have trouble unloading homes as crisis creeps into N.J.

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For James Bednar, the 29-year-old founder of the blog New Jersey Real Estate Report, there's nothing like a game of "Lowball!" to get a sense of how buyers and sellers are behaving these days.

For those new to the game, it works like this: Every time a buyer makes an offer on a home that's at least 20 percent below the original listing and the seller accepts it, Bednar takes note of it. Then, every month or so, he takes the most dramatic lowball deals and posts them on his blog.

Like the three-bedroom home on three acres in Watchung that originally listed for \$975,000, then was reduced to \$775,000 before finally being sold for \$620,000. Or the five-bedroom in Mendham that was listed for \$1.19 million back in March before being reduced to \$949,00 and selling for \$900,00 -- after 236 days on the market.

"Two years ago ... it was difficult for me to get even a handful of lowballs, maybe a dozen at most," Bednar said. "But when I do the same analysis today, I get back 10 times that number."

It's little wonder sellers are getting desperate.

The pace of home sales in New Jersey slowed to a crawl in December, with the volume of sales contracts falling 31 percent year over year, according to Jeffrey Otteau, president of East Brunswick-based Otteau Valuation Group. Not all contracts result in a final sale.

The picture was more bleak in outlying counties such as Sussex and Warren, where "contract sales" were down 42 percent and 44 percent, respectively. "They're not part of a rail corridor," Otteau explained. "New Jersey housing is migrating to areas that are transportation efficient."

The drop in sales and home prices underscores the severity of the slump in housing, which has been at the heart of a credit crisis that shook global markets and worsened the outlook for the U.S. economy. The National Association of Realtors recently reported sales of existing homes across the nation fell in December, closing out a horrible year for housing in which sales of single-family homes plunged by the largest amount in 25 years. At the same time, the median home price dropped during 2007, the first time that has occurred in four decades.

Heading into the traditionally active spring real estate season, the data paint a picture of an already-weak market getting even weaker -- bad news all around for homeowners looking to sell. For buyers, however, the next six months could present a rare opportunity, with a combination of low home prices, low interest rates and a wide selection of homes offered by motivated sellers.

"We're all likely to look back five years from now and conclude that 2008 was a time when smart buyers took advantage of this unique opportunity by locking in both low prices and low interest rates," Otteau said.

UNLUCKY SELLERS

Joseph Awad is one of the faces behind the abysmal housing statistics.

For the past nine months, Awad, 28, has been trying to sell the two-bedroom house in South Amboy he

shares with his wife, Jennifer, 27, and their two children, Hailey, 3 and Nicholas, 11 months. Awad said he was hoping to relocate to North Carolina, because the cost of living there is cheaper than in New Jersey. But he has been unable to find a buyer for his gray, two-story home.

"I've had to put everything on hold," said Awad, a desktop engineer who listed his home in March for \$280,000. One month later, after getting no offers, he lowered the asking price to \$269,000.

"From that point on, I was reducing the price every 30 days or so until I brought it down to \$239,000," Awad said, slightly more than what he paid for the house two years ago.

Awad eventually got two offers, but in the end, both deals fell through because the prospective buyers could not line up financing. At this point, Awad said he would be lucky to break even.

Others are not so lucky.

Multiple listing services, which publish directories of all properties for sale in New Jersey, are filled with examples of sellers foregoing a profit to unload their homes.

Bednar tracks such deals and posts them on his blog under the heading "Comp Killer" -- homes that sell at such a discounted price they negatively effect the value of other properties in the area.

On Jan. 16, for example, a home in Pequannock sold for \$550,000 -- 11 percent below the price the seller paid for the property in 2005. A home in Watchung sold on Jan. 17 for \$450,000 -- 32 percent below what the homeowner had paid just last year.

"The marketplace has a crisis of confidence right now," said Max Spann Jr., who operates a property auction company in Clinton. "People read in the newspaper that the market is bad. They talk to their neighbors. They see the 'For sale' signs out for months and months and months, and people are afraid to buy. They're afraid to overpay.

"They're afraid the market may go down further, so it has created paralysis."

Spann said in this environment, housing auctions have become an increasingly popular alternative to listing with a Realtor, particularly among people who have to sell their home quickly and home builders who need to reduce excess inventory.

LOTS TO BUY

Three years ago, the majority of properties that went under Spann's gavel were agricultural land or government buildings. Now, between 60 percent and 70 percent of his business comes from builders trying to get rid of unsold condominiums and new homes and homeowners who have fallen into arrears on their mortgages.

The number of American homeowners entering foreclosure climbed 75 percent in 2007, from 2006, RealtyTrac, a California firm that tracks foreclosures, reported last week. Altogether, more than 1 percent of households were in some stage of foreclosure during the year, up from 0.58 percent in 2006, the company said.

Spann said the number of homes sold through his auction business doubled in 2007, and he expects the number to double again in 2008 as more and more banks start to take possession of homes in foreclosure and put them on the auction block.

"We monitor the market very carefully and we're in dialogue with various law firms, and now a lot of them are beefing up their work-out divisions and taking on new lawyers," Spann said.

Despite the sharp slowdown in sales and the drop in home prices, Sean Maher, a housing analyst with Moody's Economy.com, said it would be a stretch to characterize the housing slump in New Jersey as a "crash."

"New Jersey doesn't have an oversupply problem like California or Florida or Washington, D.C.," he said.

Still, Maher think home prices in the state will drop further this year.

"We haven't seen any light at the end of the tunnel," he said. "It's largely psychological. People sense it's not a good time to buy right now."

Ken Baris, president of Jordan Baris Realty in West Orange, said waiting for the spring rush to sell a home may not be the best strategy in this kind of market.

"We believe if you wait, there is a good chance that in 90 days, when more properties come on the market, values are going to drop more and you are going to wish you had not waited," he said.

Otteau, who expects home prices to continue falling into 2008, also thinks waiting until spring is an unwise decision for home sellers hoping to get the best price.

A key indicator of market strength is the Unsold Inventory Index, which measures how many months it would take to sell the existing inventory of active listings at the present sales pace. The figure in New Jersey now stands at 15.6 months.

Otteau said the probability of future home price declines typically rises as the volume of homes on the market increases, Otteau said.

"I'm reminded of the axiom that the right time to sell is when everyone else is buying, and the right time to buy is when everyone else is selling," he said.

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