



The Housing Bubble

February 11, 2008

Buyers Want Everything

The Baltimore Sun reports from Maryland. "Half the communities in the Baltimore metro area saw average home sale prices decline last year as the housing slump deepened. The most expensive counties - Howard, Anne Arundel and Carroll, had the biggest share of ZIP codes where average sale prices fell last year."

"The harborfront Canton neighborhood, where real estate investors and homebuyers alike bid up prices during the housing boom, is awash with For Sale signs and declining values. About 250 homes are on the market there. That includes three houses in a row on one block, all with asking prices below what the owners paid."

"'There's so much competition,' said J.D. DiGirolamo, a real estate agent in Canton who's handling one of the three rowhouses - a foreclosure taken back by the lender. 'I think a lot of people got in over their head.'"

"A growing number of lenders are labeling certain local ZIP codes, whole counties and even all of the Baltimore metro area as 'soft' or 'declining' and requiring larger down payments for all types of loans."

"'Anything over \$200,000 is going to sit longer,' said Arthur Jordan, a real estate investor trying to sell a rehabbed house in the city's Waverly neighborhood for \$220,000. That's down \$30,000 from his original asking

price, but the only offers he has gotten - all for much less - were from other investors."

"I know investors who only sold one house last year. Some didn't sell any," said Jordan, whose house has been on the market for five months and is competing with others on the block. "I know guys getting houses foreclosed on."

"Guy Cecala, publisher of Inside Mortgage Finance in Bethesda, suspects lenders will continue to pull back. It's the logical business move 'when they don't really have a good idea of what the worth of a property is going to be down the road,' he said."

"Case in point: The trio of next-door Canton homes for sale on Foster Avenue, with their brick facades and high-end finishes."

"One, bought for nearly \$353,000 in 2005, is on the market for \$349,900. Another has an asking price of about \$28,000 less than its \$262,500 purchase price in 2005. The third was foreclosed on by the lender last year - and DiGirolamo, the agent, figures the asking price will be about \$100,000 less than its \$430,000 sale price at the end of 2006."

"I don't know how it appraised for \$430,000," he said. "I really don't." The Hudson Reporter from New Jersey. "Further proof that the national economic situation is worsening was unearthed Feb. 1, when the U.S. Department of Labor recorded 17,000 jobs lost nationwide in the month of January."

"According to one local Union City resident, Oscar Perez, 'We're already in a recession, and it's only going to get worse.'"

"Sergio Portilla of West New York is the proprietor of his own bus under Community Line Service. Driving a daily bus route from Journal Square in

Jersey City to Manhattan, he's noticed a substantial decrease in volume. He blames the plunge on the increased numbers of people being fired from their jobs in New York."

"My customer [base] was reduced by almost 50 percent,' he said. He added, 'I used to work 14 hours, and now I have to work 18 hours to make less than what I was making before.'"

"Alma Campos together with her husband, Jesus Campos, have owned Biggies Mexican Restaurant on Bergenline Avenue for eight years. 'We've always had loyal customers, but we've seen at least a 35-percent decrease in numbers,' said Alma on the local effects of the crumbling economy."

"With mortgage payments and private tuition costs for their children, Alma expressed her concerns regarding a possible tax credit. 'I don't know how it's going to help us, and if it does, it won't be much,' she said."

From Newsday in New York. "Locally and nationally, the economic picture has darkened considerably in the last month, with perhaps worse news about employment and home prices still to come."

"In a way, experts say, whether the economy is heading into recession or not doesn't matter because many businesses and consumers are already thinking in recessionary terms and making choices based on that thinking."

"Kings Park residents Craig and Tammy Mehlsack are seeing that firsthand. As owners of Top of the World Limo, the Mehlsacks know when everyone else is cutting back — then they have to do the same."

"The first signs, said Craig Mehlsack, came in November and December, when far fewer area customers took the usual holiday trips into Manhattan. So far this year, business is down 10 percent compared with a year ago."

“Indeed, people are pulling back on everything from East End wine tours to trips to the airport, Mehlsack said.”

“‘Our business is based on the economy; it’s a luxury business,’ he added. ‘When somebody makes money, they’re going to say, ‘Maybe we’ll call Craig and do a wine tour.’ Now, it’s not happening.’”

“So, the couple is pulling back, too. They’re not buying new cars to add to their fleet and they’re cutting back on personal expenses, like eating out.”

“At Farmingdale-based Juma Technology Corp., managers are working to improve cash flow and keep credit lines open — but they’re also debating whether to continue with their growth plans or hold back.”

“‘It’s been a smoke and mirrors economy for four years,’ said Joseph Fuccillo, Juma’s president and chief technology officer. ‘Think about how much of the growth has been fueled by cheap money. You take the cheap money away and what happens?’”

“The biggest problems in the economy continue to revolve around real estate. Take the path of Century 21 Benjamin Realty in Syosset. Since the housing boom began in the late 1990s, Benjamin Realty grew from two offices to six and became a Century 21 brand.”

“Now, the company is back to two offices, both in Queens, as broker-owner **Ed Gitlin** sold his Long Island operation to Coldwell Banker last week. Business, Gitlin noted earlier this year, had fallen off by 20 percent and a staff reduction and office consolidation didn’t do the trick.”

“Some experts note that home prices on Long Island, which since last year have fallen by 5 percent in Nassau County and 7 percent in Suffolk, could drop by another 10 to 20 percent, or even more.”

“That’s potentially problematic for the overall economy, because in the past, housing has served as a catalyst for economic rebounds. ‘We’ve so paralyzed the housing market that we’ve taken it out of play,’ said economist James Parrott. ‘It’s a real question as to how the recovery gets under way.’”

“While the direction of the economy may lack clarity, the housing market, locally and nationally, is in decline. According to some experts’ predictions, home prices may continue to fall for another two years.”

“‘We are way early in the curve in terms of the devastation to housing,’ said Manhattan appraiser Jonathan Miller. ‘I think we will see an acceleration of price declines on Long Island.’”

“Martin Cantor, director of Dowling College’s Long Island Economic and Social Policy Institute, suggests home prices on Long Island, which have fallen by 5 percent in Nassau County and 7 percent in Suffolk over the past year, could drop another 15 percent before prices stabilize.”

“Some suggest price declines on the Island are worse than the data show. In many communities, prices are 15 percent off where they were a year ago, according to broke Bethany Marten of Baldwin.”

“As of December, Nassau’s median home price of \$447,500 was 5.6 times the median household income in the county, while Suffolk’s \$370,000 median price was 5.2 times income, according to Irwin Kellner, chief economist with North Fork Bank.”

“To get to a point where prices are four times incomes, median home prices would have to fall 24 percent in Suffolk and 29 percent in Nassau. ‘By this measure, housing prices have a ways to go before people can step up and buy them,’ Kellner said.”

“There’s additional evidence that price drops are far from over on the Island. The number of contracts signed in the first five weeks of the year is 30 percent below last year, said Century 21 Laffey Associates CEO Emmett Laffey of Greenvale.”

“‘The buyer pool has dropped dramatically,’ Laffey said.”

The Staten Island Advance from New York. “At one time, the Westerleigh colonial might have listed for a half million dollars even before the bidding wars began. Today, the home on Clinton B. Fiske Avenue, a block with plenty of curb appeal in a desirable North Shore neighborhood, is selling for \$420,000 and the owners are willing to include chandeliers and some furniture as part of the sale.”

“‘If they want to make a deal, they know they will have to throw in a little more,’ said Claire Bisignano Chesnoff, a Realtor who is listing the house.”

“One of Ken Licata’s sellers in Sunnyside is offering all the new Bosch appliances with the home. Another offered a Kia car with the house, but the buyer balked. ‘Buyers want everything,’ said Licata, a longtime Realtor. ‘If you throw in a car, they want to know what kind.’”

“Mostly, though, homes that are priced right sell. Homes that are not, don’t, experts like Licata note. He levels with homeowners about the value of their home in today’s changed market. If they disagree and insist on overpricing, he will turn down a listing.”

“Buyers, meanwhile, should be looking closely at low interest rates, added Licata. ‘I don’t think people are really getting it that the interest rates are so good. The \$700,000 property they could buy last year — now they can buy an \$800,000 property for the same price at the six-and-a-quarter rate.’”

“ERA Master Realtors in Oakwood is listing a colonial in Annadale where the price dropped from \$639,000 to \$589,000 and the owner is throwing in a snow blower and a new washer and dryer.”

“The number of one-family, detached homes sold dropped by about 14 percent, from 1,168 in 2006 to 1,002 last year, and most real estate experts say there has been no shortage of price slashing.”

“Builder R. Randy Lee said he dropped the price on his new upscale homes at Opal Ridge in Pleasant Plains by about \$25,000. He also added granite countertops, radiant heat and special trim packages, amenities once considered upgrades. ‘We are throwing in everything,’ said Lee.”