

MarketNEWS

Clarity in an Ever Changing Market

June 2009 Edition



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MarketNEWS

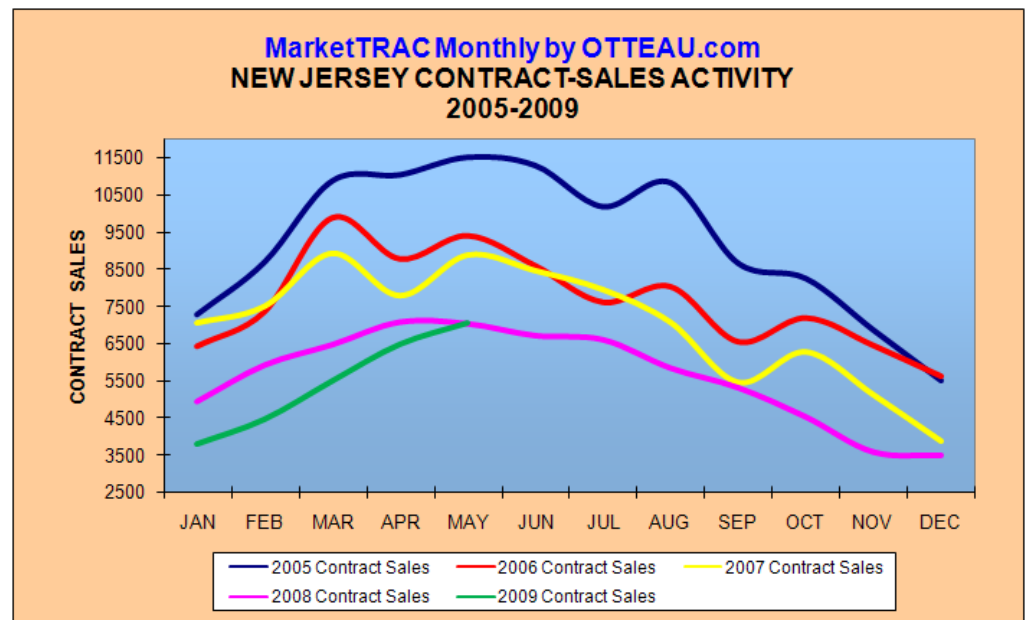
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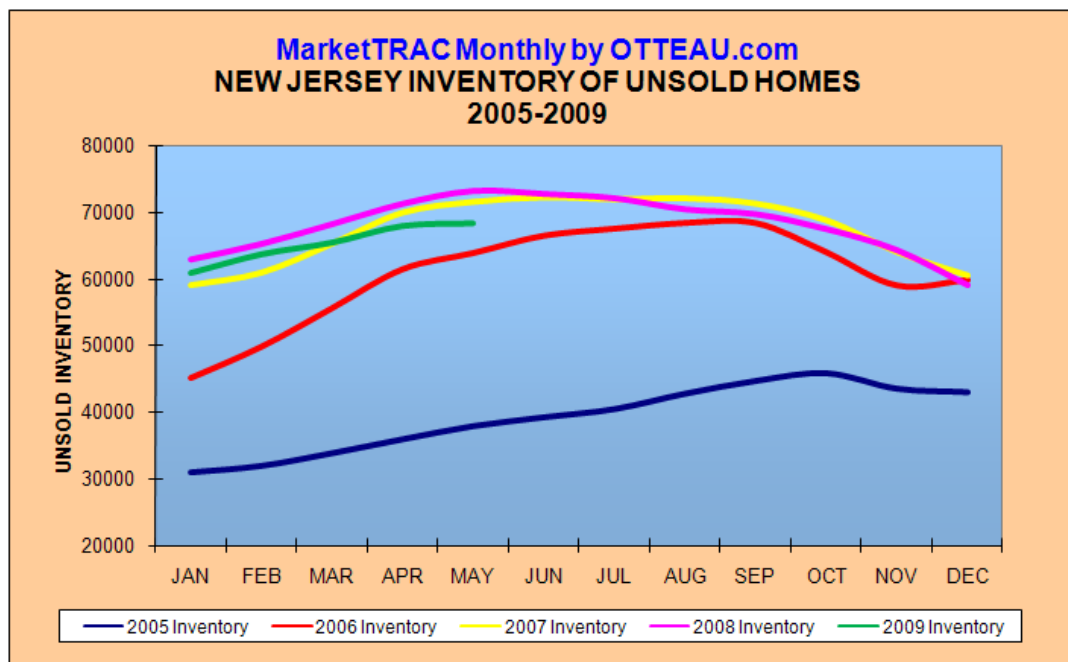
The OTTEAU Report – Market Commentary by Jeffrey Otteau

Housing Market Stabilization Expands

Building on last month's column as to what a housing recovery will look like – more homes selling and fewer to choose from – the New Jersey market continued in the direction of stabilization last month. In May, Contract-Sales continued to rise by equaling the pace from one year ago and appear poised to exceed last year's sales pace soon. Such a breakthrough above the prior year's pace has occurred only 3 times in the past 5 years, in early 2007 and again in July 2007, as the market attempted to stabilize before being swamped by mortgage foreclosures. But different from 2007 when home sales slumped in the critical spring month of April amidst rising foreclosures and falling consumer confidence, this year's sales pace has risen steadily in each month and now stands 86% higher than the January pace.



Adding to this encouragement is that Unsold-Inventory in New Jersey continues to hold at its lowest level since 2006 resulting in fewer choices for home buyers. The market now holds 9.7 months of housing supply, down from a high of 16.9 months at the beginning of the year. Given that 6-months of housing supply is the balance point at which home prices tend to stabilize, and below which prices are inclined to rise, and end to 3 years of declining home prices appears to be at hand.



Perhaps most encouraging of all are the parallel trends of declining foreclosure activity and the threat of higher mortgage rates ahead (see related stories in this issue) which will likely result in continued improvement during the 2nd half of the year. And so, the market finds itself in its best position in several years to end the housing slide and transition into recovery.

While continuing economic challenges lie ahead, it's instructive to remember that the housing market tends to lead the economy in-to and out-of recession. And so, housing appears to be our best hope to begin the overall economic healing process as a recovery of the housing market has the potential to cure many related economic ills. And so, government would be well advised

to take all reasonable efforts to protect this fledgling housing recovery with actions and programs that enhance housing affordability and home ownership. With this in mind, consideration of extending and/or expanding the federal first home buyer tax credit requires our full attention while discussions about limiting the tax deductibility of mortgage interest and real estate taxes should be deferred until more stable economic times.

Stay tuned as the events which unfold in the housing market are of great importance to us all.



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Housing Hot Spots

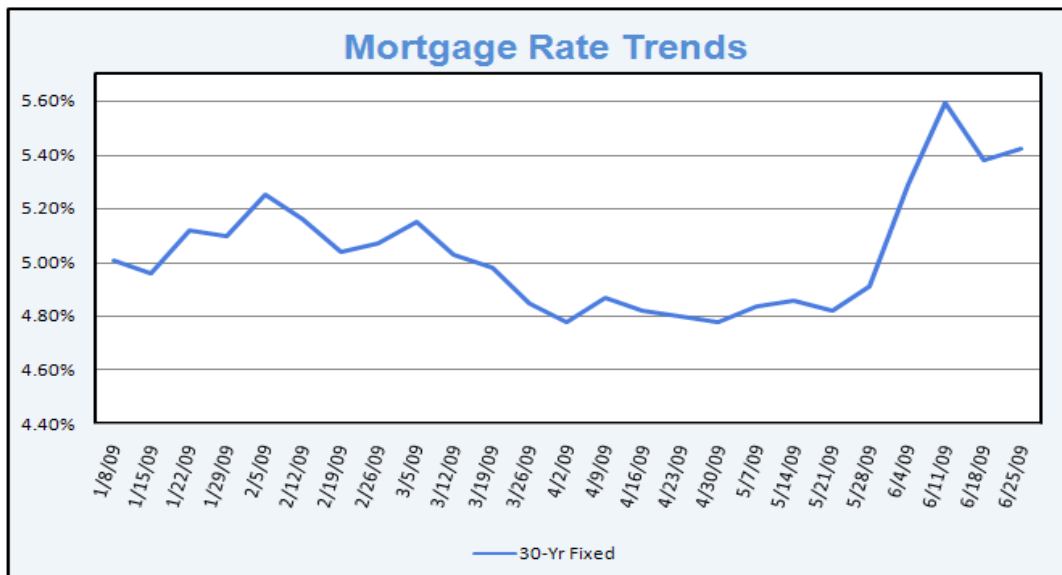
Top Performing New Jersey Housing Markets							
Rank	Town	County	Mos. Supply	Rank	Town	County	Mos. Supply
1	Rochelle Park	Bergen	1.8	11	Dumont	Bergen	3.9
2	Glen Ridge	Essex	2.5	12	Emerson	Bergen	4.0
3	Plainsboro	Middlesex	2.9	13	Lyndhurst	Bergen	4.0
4	Hillsdale	Bergen	3.5	14	River Edge	Bergen	4.3
5	Midland Park	Bergen	3.5	15	Nutley	Essex	4.3
6	Middlesex	Middlesex	3.5	16	Maplewood	Essex	4.4
7	West Windsor	Mercer	3.7	17	Montvale	Bergen	4.5
8	Oakland	Bergen	3.8	18	Wykoff	Bergen	4.5
9	Cedar Grove	Essex	3.8	19	Maywood	Bergen	4.6
10	Chatham Borough	Morris	3.8	20	Milltown	Middlesex	4.6

The New Jersey housing market continues to show encouraging signs as evidenced by the growing list of towns with rising sales volume and declining unsold inventories. Presently, 46 towns have less than 6 months of unsold inventory which is the balance point below which home prices tend to stabilize or rise. The chart above shows the Top-20 housing markets in the state led by Rochelle Park with 1.8 months of supply. Bergen County leads all New Jersey markets with 11 of the Top 20, and a total of 16 towns with less than 6 months of unsold inventory. Look for these markets to be the first to see home price increases once a housing recovery takes root.

Mortgage Trends

Mortgage Rates: June 2009			
Loan Type	Current Rate	Last Week's Rate	Change
30-Year Fixed Mtg.	5.42%	5.38%	0.04%
15-Year Fixed Mtg.	4.87%	4.89%	-0.02%
5-year ARM	4.99%	4.97%	0.02%
1-year ARM	4.93%	4.95%	-0.02%

The average mortgage commitment rate for a 30-year fixed rate loan broke the 5% barrier in early June in reaction to the recent rise in long-term bond yields. After that rates continued rising to a recent high of 5.59%, the highest since last November, before settling back down to 5.42% last week. While the overall rise in rates resulted in less refinance activity, the number of home purchase applications continued to rise. This is because despite higher interest rates reducing home purchase affordability, home sales typically rise early in that cycle as potential home buyers rush into the market to lock financing rates before they go even higher. This will likely be the case during the 2nd half of 2009 given the attraction of mortgage rates below 6% by historical standards.



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ForeclosureTRAC

NUMBER OF NEW JERSEY REO'S DECLINE BY 19% IN MAY

Foreclosures by State – MAY 2009						
Rate Rank	State Name	Households	Delinquencies (Adjusted)	Foreclosures (REO)	Delinquency Rate	REO Rate
1	Nevada	1,098,048	10,294	3,051	0.94%	0.28%
2	Arizona	2,664,670	10,119	4,753	0.38%	0.18%
3	Michigan	4,528,466	8,335	6,246	0.18%	0.14%
4	California	13,283,856	55,349	13,055	0.42%	0.10%
5	Georgia	3,964,532	6,310	3,632	0.16%	0.09%
6	Utah	924,932	1,756	796	0.19%	0.09%
7	Florida	8,721,788	35,359	6,045	0.41%	0.07%
8	Ohio	5,066,560	6,816	3,062	0.13%	0.06%
9	Illinois	5,241,218	6,565	2,976	0.13%	0.06%
10	Colorado	2,125,936	2,926	1,164	0.14%	0.05%
--	United States	127,949,040	192,888	65,017	0.15%	0.05%
31	Connecticut	1,438,906	664	237	0.05%	0.02%
32	Pennsylvania	5,478,752	2,626	899	0.05%	0.02%
33	Delaware	388,702	232	58	0.06%	0.01%
34	New Jersey	3,499,952	2,645	520	0.08%	0.01%
44	New York	7,941,950	2,895	538	0.04%	0.01%

New Jersey's foreclosure rate dropped to .01% in May (the lowest it has been in 10 months) ranking it 34th in the nation and down one spot from the previous three months. In May, the number of actual New Jersey foreclosures (REO's) declined by 19% from the prior month whereas the national number of foreclosures actually increased. Also noteworthy is that the number of pre-foreclosure delinquencies in New Jersey decreased this month as well (down to .08%) for the first time since March. Nevada and Arizona continue to hold the highest foreclosure rates in the nation with Michigan rounding out the top-three for the first time by overtaking California. Each of these 'worst states' experienced in a slight improvement in April which reversed in May with deepening foreclosure rates.

Recommended Reading

Enticed by the Water Views

- The New York Times (6/26/2009)

“The Hudson County condo market has been slowly improving since January, according to the latest data. Sales prices have held fairly steady this year, down by less than a percentage point. And Jeffrey Otteau, whose company, the Otteau Valuation Group, analyzes residential sales statistics for brokers, said that in downtown Jersey City, the site of Crystal Point, the pace of condo sales had more than doubled since January.”

[Click to Read Full Story](#)

Age-restricted communities popular, but still a bust in N.J.

- Press of Atlantic City (6/26/2009)

“Retirees here are choosing to move to lower-cost states, leaving a glut of age-restricted housing in the Garden State equivalent to a 16-year supply, said Otteau, president of Otteau Valuation Group, a real estate research and appraisal firm in East Brunswick.”

[Click to Read Full Story](#)

Will 'Echo Boomers' Save the Housing Market?

- Realtor.org (6/24/2009)

“Echo boomers, the children of baby boomers, will be the salvation of the housing market, Harvard University's Joint Center for Housing Studies predicts.”

[Click to Read Full Story](#)

Home Buyer Tax Credit Could Expand

- Realtor.org (6/22/2009)

“A first-time home buyer tax credit of up to \$8,000 has helped to move housing inventory during an otherwise sluggish real estate cycle. Now both legislators and the business community are hoping to build on the incentive's success by expanding it.”

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'Transit Cities' Face Roadblocks

- The NY Times (6/19/2009)

"Mr. Otteau, whose company, the Otteau Valuation Group, provides data and analysis to real estate companies, agreed. Even with the downturn, he said, housing values are holding up better in cities with mass transit stations and new development around them."

[Click to Read Full Story](#)

N.J. Senate vote could allow courts to overrule towns and open up senior housing

- The Star Ledger (6/17/2009)

"Otteau conducted a study for the builders association that found enough inventory of senior housing to satisfy demand for 16 to 19 years. If the bill passes, builders would be able to go back and ask towns to lift age restrictions. If towns refuse, builders could appeal to the court, which would make a determination on the "reasonableness" of the body's decision."

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Housings analysts say rising mortgage rates mean potential N.J. buyers missed best deals

- The Star Ledger (6/15/2009)

"For those that are still waiting, they've already missed that perfect moment when prices were low and interest rates were also low," said Jeffrey Otteau, whose East Brunswick company, Otteau Valuation Group, tracks New Jersey real estate data."

[Click to Read Full Story](#)

How to buy a home

- Asbury Park Press (6/14/2009)

"The inventory of homes for sale at the Jersey Shore has shrunk since January as sales have increased, said Jeffrey Otteau, president of Otteau Valuation. Once again there are reports of multiple offers for some properties."

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N.J. real estate sees steep drop in foreclosures

- The Star Ledger (6/11/2009)

“Nationally, foreclosure activity in May dropped 6 percent over April but rose 17.8 percent over May 2008. That feeds into this trend now of the bottom occurring in housing, prices firming up and things getting better going forward,” said Jeffrey Otteau, of Otteau Valuation Group, which tracks New Jersey housing data.”

[Click to Read Full Story](#)

Ray of light for Mercer homebuyers

- The Star Ledger (6/6/2009)

“In New Jersey, sales of new and existing homes rose 23 percent in March and 18 percent in April, according to Jeffrey Otteau, a housing market expert based in East Brunswick. In April 2008, sales had risen just 9 percent. Mercer County saw sales climb 8 percent in April, following even larger increases for the previous three months, he said.”

[Click to Read Full Story](#)

Downtown N.J. conference focuses on downtown living

- NJBiz (6/4/2009)

“Prunty said the keynote speaker, real estate expert Jeffrey Otteau, of Otteau Valuation Group in East Brunswick, told the conference that the growth markets in New Jersey are those downtowns with transit connections, which attract empty nesters and young adults who would rather live downtown than in far-flung suburbs lacking downtown commercial and cultural conveniences.”

[Click to Read Full Story](#)

Renters Find Deals Galore

- The New York Times (5/29/2009)

“Other estimates of current rental trends vary — some say the average rent decline is more than 1.2 percent so far this year, and the Otteau Valuation Group says it is less — but the overall opinion is that the market is weakening.”

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TechTRAC

Drip E-mail - The Slow, Effective Way

- RISMedia.com (6/26/2009)

"E-mail can be one of your most effective lead generators that will bring in commissions on a regular basis. The idea is to first slow down the drips, and second deliver something worthwhile and valuable to the recipient."

[Click to Learn More](#)

Google Maps: New "What's Here" Feature

- MyTechOpinion.com (6/20/2009)

"Google announced a new feature called 'What's here?' a very intuitive implementation that works by simply selecting a point on their map and choosing 'What's here?' Google then presents what they feel is "the most relevant result representing that location."

[Click to Learn More](#)

RealEstate.com Unveils New Website Featuring Community Social Network

- RISMedia.com (6/12/2009)

"Today RealEstate.com rolls out its all-new website, offering what the company says is even faster, easier access to nearly three million homes for sale, as well as current home values, local resources and advice for homebuyers and sellers."

[Click to Learn More](#)

Survey - Buyers Twice as Likely to Look for Open House Listings Online

- RISMedia.com (6/2/2009)

"Trulia.com, known for being one of the best places to start a real estate search, released the results of a survey conducted on their behalf by Harris Interactive® showing that U.S. home buyers are twice as likely to use online sources than print sources to find open house information."*

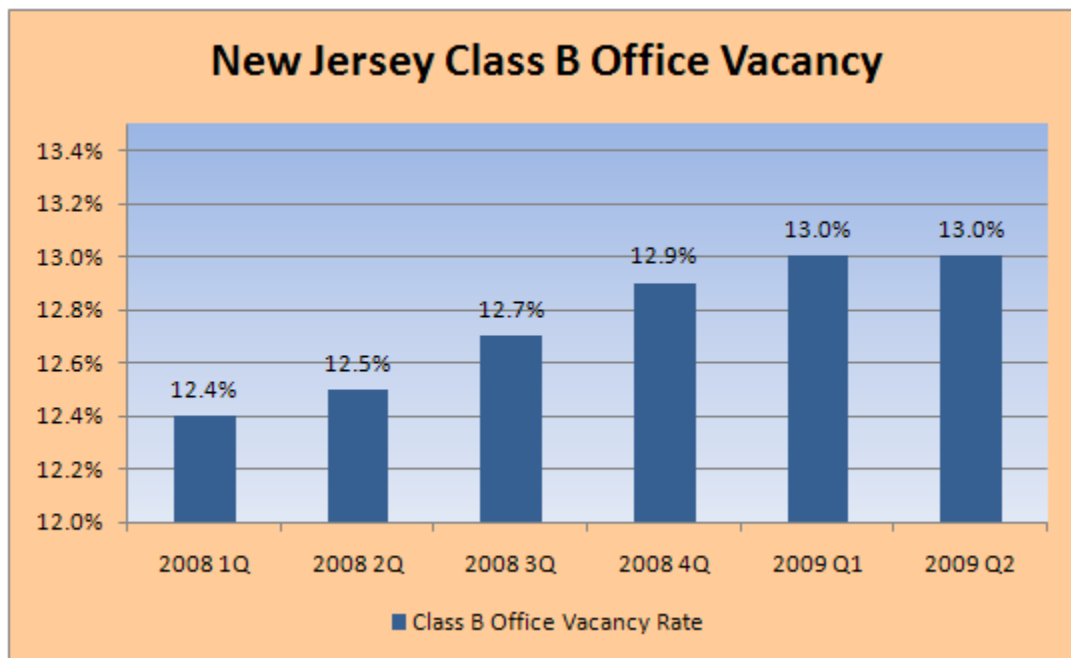
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CommercialTRAC

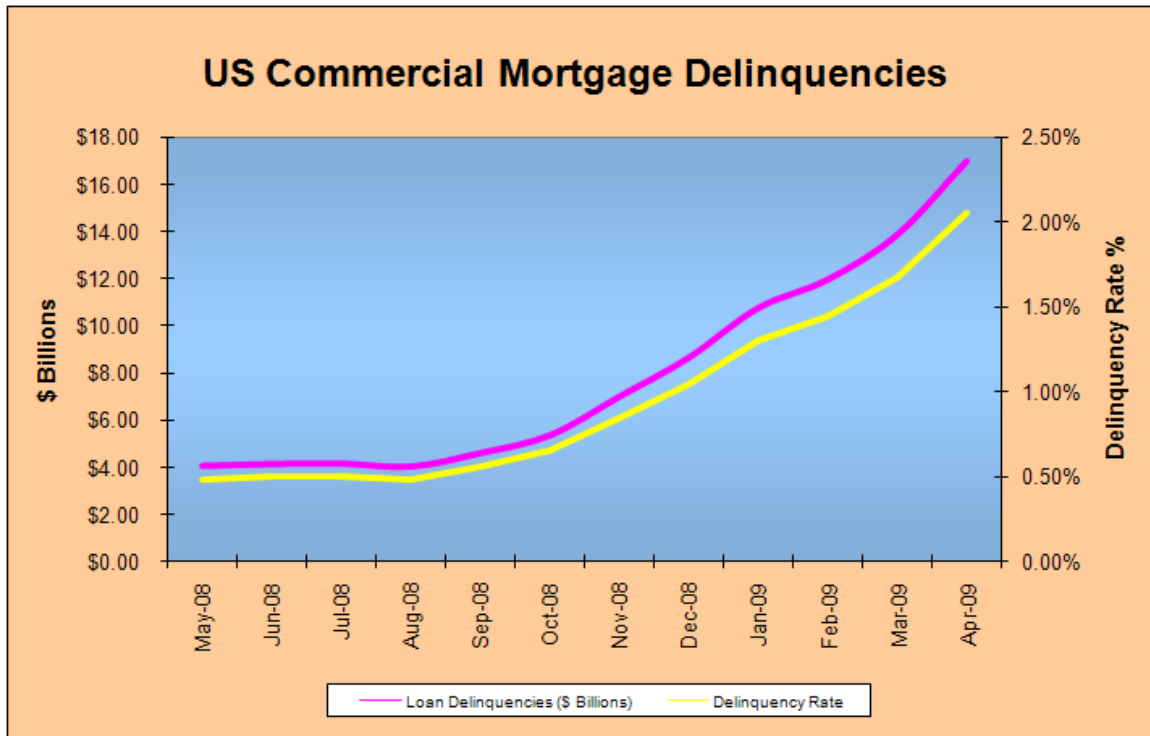
OFFICE VACANCY APPEARS TO BE STABILIZING



In what may be another hopeful sign that the worst of the economic slide is behind us, vacancy rates for Class B office space in New Jersey appear to have stabilized. Since rising steadily from a cyclical low of 10.5% in Q2 2006, vacancy for Class B buildings have held steady at 13% for the past 5 months. Class B buildings generally average 30,000 SF and tend to be smaller than Class A buildings which average 150,000 sf and larger than Class C which average 10,000 SF. It's still too early to call an end to job losses however as office vacancy rates tend to be a trailing indicator of the economy.



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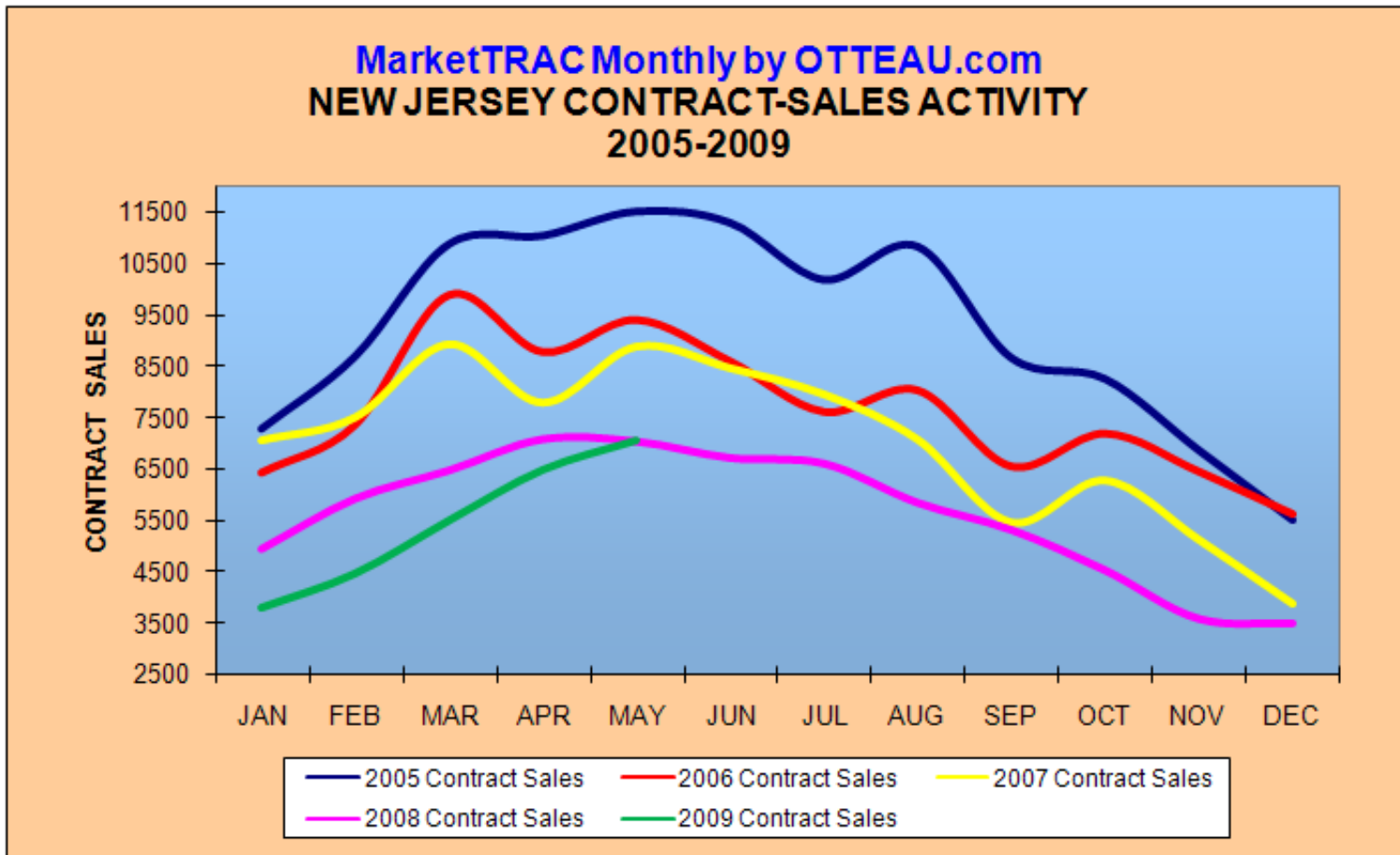


While the residential real estate market is exhibiting signs of stabilization, the commercial market is still worsening. This is not unexpected given that home sales tend to be a leading economic indicator while commercial markets are trailing indicators. Over the past year the delinquency rate for US commercial mortgage backed securities (CBMS), which are essentially bonds backed by pools of commercial real estate mortgages, has quadrupled from 0.5% to 2.1%. This dramatic increase is the direct result of lower occupancy and rental rates in the retail, office and warehouse markets due to declining employment and lower spending rates by consumers. To put this into proper perspective however the overall delinquency rate for residential mortgages now stands at 12.07% strongly suggesting the decline in commercial property values will be much less than the drop in home prices.

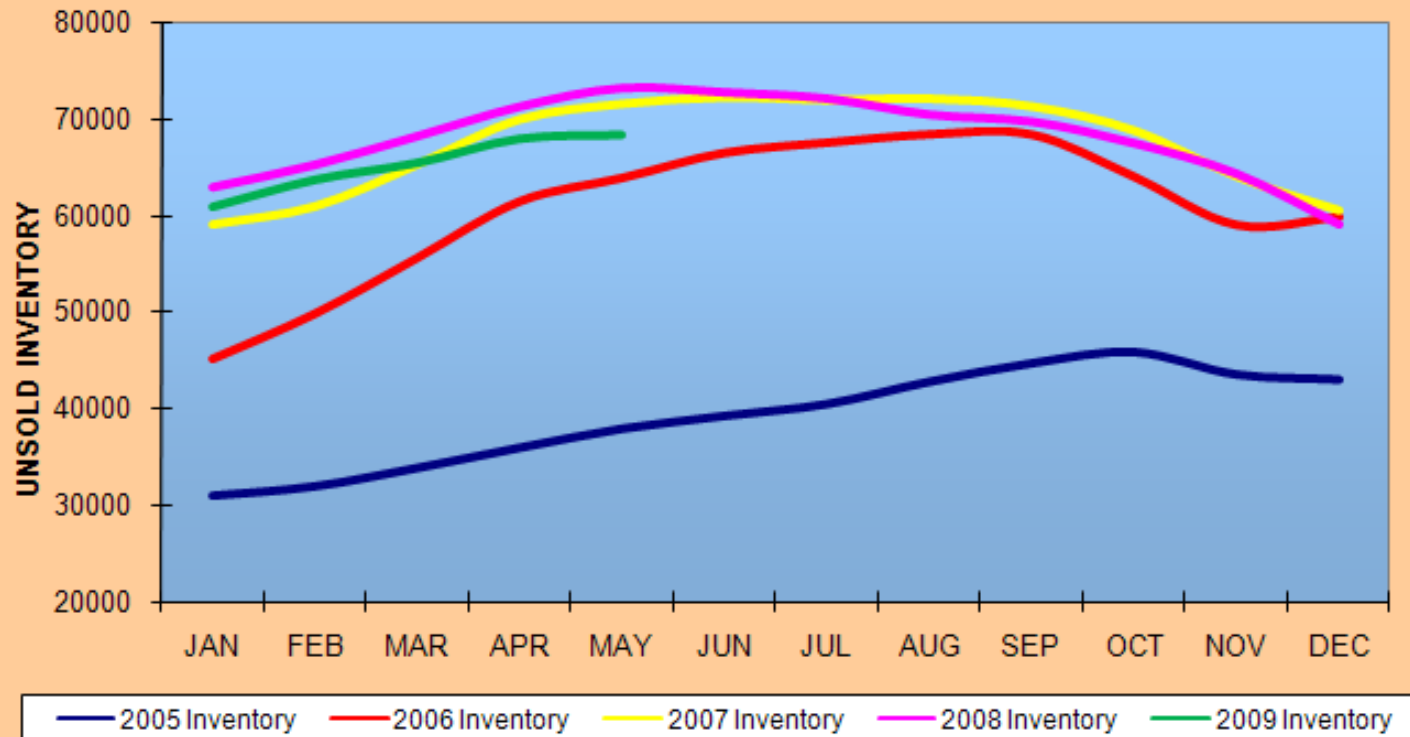


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Market Snapshots



MarketTRAC Monthly by OTTEAU.com
NEW JERSEY INVENTORY OF UNSOLD HOMES
2005-2009



<http://www.otteau.com/>

MarketTRAC Monthly by OTTEAU.com

2009 YTD January - May										Jan '08 v. Jan '09	Feb '08 v. Feb '09	Mar '08 v. Mar '09	Apr '08 v. Apr '09	May '08 v. May '09
COUNTY	% change		Market Swing	Months Supply						Contract Sales	Contract Sales	Contract Sales	Contract Sales	Contract Sales
	Contract Sales	Unsold Inventory		Total Market	<\$400k	\$400k- \$599,999	\$600k- \$1mil	\$1,000,001- \$2.5mil	>\$2.5 mil					
Atlantic	-11%	-5%	-3%	15	13	22	25	60	59	-25%	-22%	-16%	-15%	24%
Bergen	-10%	-6%	-2%	8	6	7	9	20	30	-24%	-20%	-9%	-3%	-1%
Burlington	-20%	-5%	-8%	11	10	19	41	73	∞	-32%	-22%	-19%	-8%	-20%
Camden	-14%	-8%	-3%	11	11	14	19	∞	∞	-15%	-16%	-21%	-5%	-16%
Cape May	-27%	-9%	-9%	23	17	39	29	29	124	-51%	-29%	-25%	-20%	-14%
Cumberland	17%	-11%	14%	19	19	15	∞	∞	n/a	28%	-7%	-6%	17%	80%
Essex	-8%	-3%	-3%	7	8	5	6	7	45	-7%	-33%	-13%	-4%	14%
Gloucester	-21%	-4%	-9%	13	11	27	74	∞	n/a	-24%	-26%	-24%	-21%	-9%
Hudson	-32%	-8%	-12%	13	12	13	13	38	∞	-37%	-38%	-35%	-24%	-24%
Hunterdon	-24%	-5%	-10%	11	9	10	13	∞	∞	-39%	-33%	-29%	-15%	-10%
Mercer	-12%	-8%	-2%	8	9	6	6	16	17	-10%	-17%	-6%	-13%	-13%
Middlesex	-9%	-10%	1%	6	6	7	8	17	∞	-23%	-22%	-11%	-7%	11%
Monmouth	-17%	-5%	-6%	10	8	12	13	15	41	-30%	-32%	-17%	-8%	-2%
Morris	-14%	2%	-8%	8	7	8	9	19	29	-22%	-28%	-20%	0%	-3%
Ocean	-14%	-5%	-5%	11	10	14	22	34	13	-24%	-23%	-17%	-16%	8%
Passaic	-9%	-10%	1%	7	6	7	15	10	n/a	-25%	-21%	-7%	-16%	19%
Salem	1%	2%	-1%	18	17	∞	∞	∞	∞	-19%	47%	10%	-2%	-20%
Somerset	-13%	-7%	-3%	7	6	7	9	13	32	-20%	-31%	-22%	-6%	9%
Sussex	-5%	-14%	5%	15	13	16	44	∞	∞	-19%	-18%	15%	5%	-11%
Union	1%	-16%	9%	7	7	5	4	12	7	2%	-28%	7%	4%	16%
Warren	1%	-10%	6%	11	9	18	∞	∞	n/a	-21%	5%	-16%	-3%	49%
Statewide	-13%	-7%	-3%	10	9.0	9.5	11.0	19.3	32.1	-23%	-25%	-15%	-8%	0%

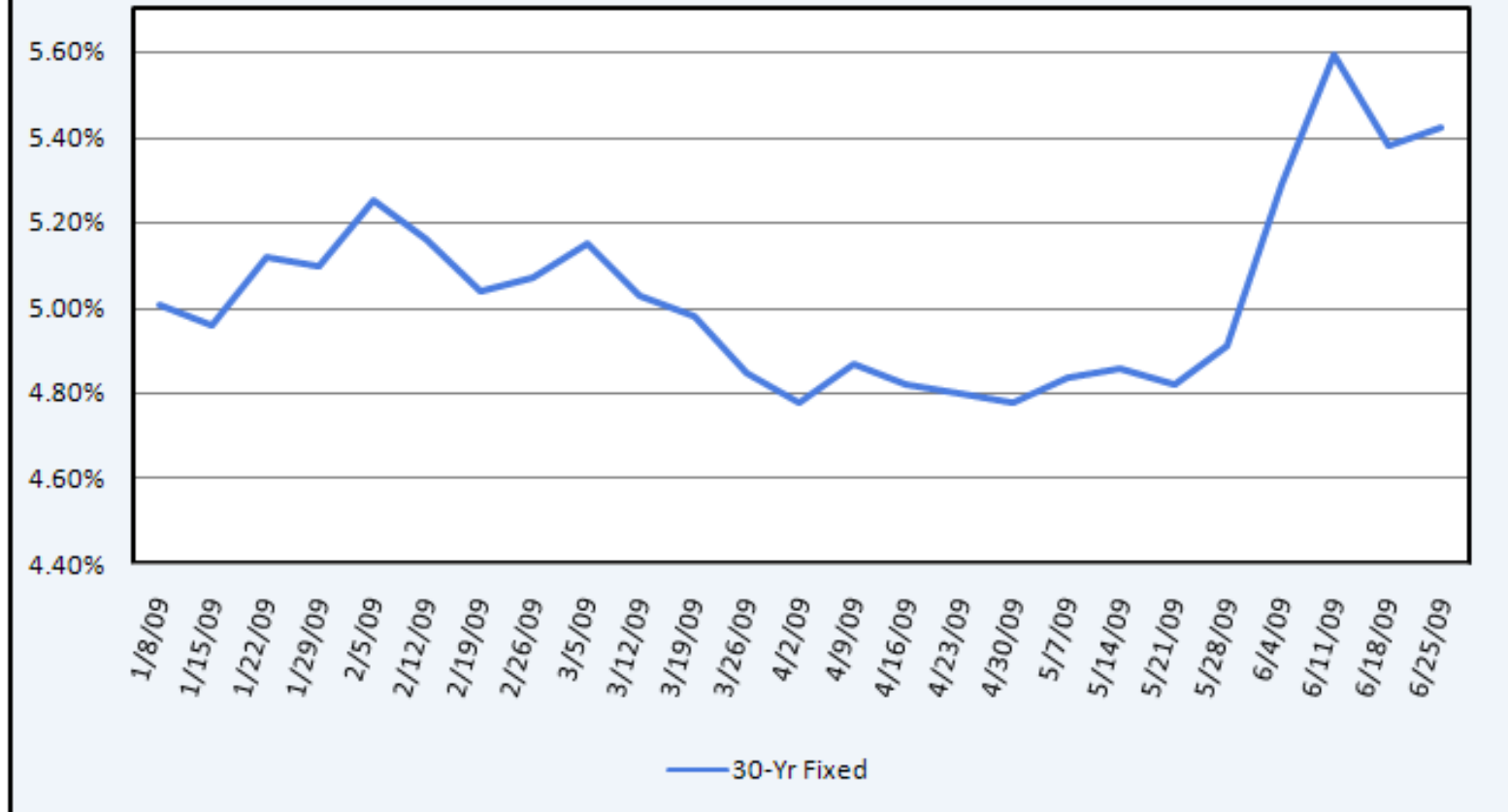
KEY: positive percentages for Contract-Sales and Unsold-Inventory indicate an increase in the indicator, while negative percentages indicate a decrease. Market Swing indicates the combined market change with positive percentages reflecting a strengthening and negative percentages reflecting a weakening of the respective market.

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Mortgage Rate Trends



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EventTRAC

Below is a list of events at which Otteau Valuation will be presenting information on real estate trends.

June 2009

- 4** Private Workshop for Downtown New Jersey Inc., Journal Square Jersey City, NJ
- 17** Private Workshop for Homebuilders of Chester and Delaware Counties, Rose Valley, PA
- 18** Private Workshop for Unity Bank, Clinton, NJ
- 25** Private Workshop for Urban Land Institute, "Anti-family Bias in Age-restricted Housing: A Sustainable Land Use Policy?" Bloustein School, New Brunswick, NJ

September 2009

- 16** Private Workshop for Building Industry Association of Philadelphia – Philadelphia, PA
- 24** Private Workshop for New Jersey Bankers Association – Location to be determined

October 2009

- 1** Private Workshop for Haefele Flanagan & Co. – Location to be determined
- 7, 15, 20, 22, 27** Otteau Valuation Fall Workshop Series – Registration details will be released in July

November 2009

- 18** Private Workshop NJBMDA, East Brunswick, NJ
- 18** Private Workshop for NJ League of Municipalities: Atlantic City, NJ

December 2009

- 8, 9, 10** Triple Play Conference, Atlantic City, NJ

Please note that the Private Workshops noted above are not open to the public. To learn more about arranging a Private Workshop for your organization, click on the following link: [Find Out More About Private Workshops](#)

Wondering when the housing market will recover? We can help! – [Click here](#) to discover the full menu of services that we provide.

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OTTEAU VALUATION GROUP, Inc.

Bringing Clarity to Real Estate

The lightning strike speed of today's information flow has accelerated the pace of change for real estate markets. As a result, trends that previously took years to develop can now unfold in a few short months. Our mission is to assist our clients in keeping pace with that change by providing insightful analysis and cutting edge pricing skills.

To accomplish this we have assembled a team of skilled professionals specializing in the complex field of real estate market analysis. With a broad based exposure in real estate valuation and consultation, our firm engages in a diversified practice encompassing all property types. Appraisal and consulting services are provided to financial & lending institutions, developers & builders, attorneys, investors, relocation management service companies, governmental agencies, corporations and the public.

Our Consulting Group provides a wide array of services to developers and builders with respect to market analysis, project feasibility, demographic trends, project valuation and municipal project approval proceedings. Litigation support is provided for matters requiring the valuation and corresponding expert testimony for eminent domain proceedings, contractual disputes, bankruptcy, tax appeals, equitable distribution, estate valuation and stigma related issues.

Jeffrey G. Otteau

President

As President of Otteau Valuation Group Mr. Otteau manages all facets of the firm's business including serving as General Manager of www.otteau.com which is an information provider on real estate trends. He has been actively engaged in real estate consultation and valuation since 1974 and holds the State Certified General Real Estate Appraiser certification, the highest level offered. His practice is concentrated in providing project feasibility, marketing analysis, redevelopment guidance and valuation analysis to developers, financial institutions, governmental entities and investors. Frequently quoted in the New York Times and Wall Street Journal, and having made television appearances on CNBC, Bloomberg and NBC, Mr. Otteau is widely respected for his knowledge and insight into real estate trends. His attention to detail and comprehensive fact finding has made him the go-to person for industry professionals seeking to enhance their competitive position in the marketplace. Jeffrey has provided testimony as an expert witness at the municipal, county and state levels, authored several texts on property valuation techniques and has lectured throughout the United States and in Canada. He served on the Appraisal Standards Advisory Council, which consulted with the Appraisal Foundation in Washington, D.C. on its agenda of projects and major technical issues. Mr. Otteau served as a past Chairman of the Employee Relocation Council's Appraisal Standards Council and was inducted into their distinguished Hall of Leaders in 1995.



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