

November News - National

Overpricing a home can lead to lower results

By Kathleen Lynn

THE (HACKENSACK, N.J.) RECORD

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HACKENSACK, N.J. — Real estate agents often warn sellers about the danger of overpricing a house. Now, they have evidence to show skeptical clients: research by Jeffrey Otteau, a New Jersey appraiser.

He found that in a market where prices are declining, sellers who "test the market" with a high price usually end up with a lower price than those who price realistically.

"Houses that are priced right are selling," Otteau said. "Overpricing extends days on the market and guarantees that you will sell your home for less in a declining market."

Otteau, of Otteau Valuation Group Inc., studied about 4,500 home sales that took place in the first half of 2007, largely in northern and central New Jersey. Most of the houses were priced between \$500,000 and \$750,000.

He looked at houses that sold in less than a month and found that they had a median asking price of \$599,900 and sold for almost full price; the median was \$599,000. When he looked at houses that lingered on the market for more than a month, however, he found that they were priced higher — at a median of \$634,900 — but sold for less than the lower-priced homes, a median of \$585,000. The median is the point at which half the sale prices are above and half are below.

Otteau said that pricing a house below the competition stirs up interest and reassures buyers that they won't kick themselves later for overpaying if home prices drift lower in 2008.

Home Prices Decline, Foreclosures Rise, But Houses Keep Coming

Real Estate Center Online News (RECON)

By Bryan Pope, Associate Editor

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COLLEGE STATION, Tex. – Nov. 8, 2007 – With new homes springing up across the country, it is easy to forget that the housing market has fallen on hard times. But economist Dr. Mark Dotzour says the continued construction is simply a matter of survival for home builders.

"As with any business, builders can cut production only so much before they can't produce enough revenue to stay in business," said Dotzour, chief economist for the Real Estate Center at Texas A&M University. "They continue producing houses even if they have to give most of their profits away in concessions (price cuts)."

Even so, high foreclosure levels, price declines and a slowdown in home sales indicate there is little need for new product in the housing market.

For weeks now, Dotzour has been calling for the reduction of home inventories as a means of stabilizing the housing market. His point was echoed earlier this week by former Federal Reserve Chairman Alan Greenspan.



Financial analysis company Standard and Poor's recently identified Tampa, Fla., as having a 10.1 percent decline in home prices — the highest of any U.S. city — for the year ending in August. In addition, RealtyTrac.com shows the city as having 13,600 foreclosures listed.

Detroit, meanwhile, posted a 9.3 percent price decline and listed 41,300 foreclosures, and San Diego had an 8.3 percent decline with just over 26,000 foreclosures.

"The number of building permits has dropped by 48 percent in Detroit and 59 percent in Tampa compared with a year ago," Dotzour said. "But the fact remains that in Detroit over 4,300 new homes have been permitted in the past year. In Tampa, there still have been over 9,000 houses permitted."

Dotzour says that every month during which new homes are sold with substantial concessions is another month during which homeowners will have difficulty selling their houses without offering similar concessions.

"The longer this environment of price concessions continues, the more buyer psychology shifts to expecting price concessions from all sellers," he said.

The Real Estate Center has been providing solutions through research for 35 years. Funded primarily by Texas real estate licensee fees, the Center was created by the state legislature to meet the needs of many audiences, including the real estate industry, instructors, researchers and the general public.

Mortgage rates fall near six-month low

Fixed 30-year rate slips to 6.26% on weak consumer confidence and other economic worries, weekly report shows.

Source: CNNMoney.com

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NEW YORK -- Signs that the economy may be slowing ahead helped push mortgage rates near a six-month low, Freddie Mac reported Thursday.

The government-sponsored loan buyer said the rate on a 30-year fixed-rate loan averaged 6.26 percent for the week ended Nov. 1, down from 6.33 percent last week.

The 30-year rate has not been this low since the week ending May 17, 2007.

Last year at this time, 30-year mortgage rates averaged 6.31 percent.

"October's consumer confidence fell to its lowest level since October 2005 as mortgage rates continued to decline this week to their lowest level in almost six months," said Frank Nothaft, Freddie Mac's (Charts, Fortune 500) chief economist.

"Continued market concerns about weaker economic growth and further declines in the housing market have kept mortgage rates low over the last few weeks," he added.

In its latest report, Freddie Mac said rates on 15-year fixed-rate loans averaged 5.91 percent in the latest week, down from 5.99 percent last week. A year ago, the 15-year rate averaged 5.87 percent.



Five-year adjustable-rate mortgages (ARMs) averaged 5.98 percent this week, down from 6.03 percent last week. A year ago, the 5-year ARM averaged 6.05 percent.

One-year ARMs averaged 5.57 percent this week, down from 5.66 percent last week. They were at 5.53 percent this time last year.

Federal Reserve cuts interest rates again

The central bank also sends a signal that this would probably be the last rate cut for a while

By Maura Reynolds

LOS ANGELES TIMES

Thursday, November 01, 2007

WASHINGTON — The Federal Reserve cut interest rates Wednesday for the second time in two months, hoping to prevent a housing downturn and subprime mortgage crisis from undermining the health of the rest of the economy.

But the Fed's interest-rate committee also indicated that inflation remained a worry, especially with oil prices still on the rise, and it sent a signal that this would probably be the last rate cut for the foreseeable future. "The committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth," the Fed said in a statement.

The quarter-point drop in the central bank's key short-term interest rate to 4.5 percent is intended to prevent a further tightening of consumer credit and make it marginally easier for homeowners to refinance mortgages and home equity loans.

Major banks quickly cut their prime lending rate by a quarter-point to 7.5 percent. The prime rate is used as a benchmark for many consumer loan rates, including home equity credit lines. The drop in the prime will mean lower interest costs for consumers whose loans are tied to the prime.

Earlier in the day, the Commerce Department reported that the economy grew a stronger-than-expected annual rate of 3.9 percent in the third quarter. Although the housing market showed sharp declines, they were offset by strong exports and consumer spending.

The third-quarter figures "show continued resilience in a two-track economy, with housing declining dramatically but the rest of the economy actually accelerating," said Nigel Gault of Global Insight forecasters in Lexington, Mass. But most economists don't think the acceleration will continue. Most think that the slide in home prices will put a drag on consumer spending in the last few months of the year, which will slow the economy considerably.

"We're still forecasting 1.8 percent growth for the fourth quarter," said Scott Anderson, senior economist at Wells Fargo Economics. "I think four is going to be much slower than three."

Rising oil prices remain a particular concern — the price of crude oil shot up again on Wednesday, reaching a record of nearly \$95 a barrel. Rising transportation costs are expected to force up prices on consumer goods, and a cold winter and high heating costs could shock residents of the country's colder climates.



"The question now is how well (the economy) can withstand even steeper declines in residential construction, the general tightening in credit conditions, falling house prices, oil prices at around \$90 per barrel, and their negative implications for consumer and business spending," Gault said. "We expect the damage to come through soon." He predicted the economy would grow at only a 1.5 percent annual rate in the fourth quarter, and no faster than that in the first half of 2008.

In its statement, the Fed suggested that its policymakers didn't think that the economy has seen the full effects of the housing crisis, which has led to a tightening of consumer credit and instability in financial markets as mortgage-backed securities have faltered. "The pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction," the Fed said. The rate cuts last month and Wednesday "should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time."

But at the White House, Bush administration officials argued that the third-quarter growth data suggest the economy is more resilient than the jittery markets suggest. "The housing market is clearly the weak sector of the economy right now, and has been for the past year and a half," Edward Lazaer, chairman of President Bush's Council of Economic Advisers, said at a White House news conference. "Despite that, housing does not seem to be leaking into other parts of the economy."

