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## News

### Metro area in unique position on housing

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*The residential real estate market could get worse before it gets better.*

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The residential real estate market could get worse before it gets better.

That is the prediction by Austin Jaffe, consulting economist for the Pennsylvania Association of Realtors.

"I think we are far from through in the collapse of the housing market," he said.

Still, some local real estate experts believe there is a viable market of potential homebuyers who are just waiting for the recession to end before purchasing a house.

"I think there's growing pent-up demand from buyers. They're out there, they're just waiting," said Joyce Cornell, owner of Coldwell Banker Town and County Properties, which has offices in Clarks Summit and Moscow, and a customer base that stretches across Lackawanna, Susquehanna, Wayne and Monroe counties. "When the consensus is these homes are more available, those buyers will come off the fence and they'll start buying."

From 2007 to 2008, the number of units sold in Northeast Pennsylvania dropped about 9 or 10 percent, Ms. Cornell said, adding that prices, however, increased one percent.

"We experienced a much more robust market than usual in 2005, and 2006 and into 2007. We're now returning to a more stable or more normal market for Northeastern Pennsylvania," Ms. Cornell said. "In years past, like 2005 and 2006, we had great markets, but it was nothing like the overheated markets in California and Florida."

While foreclosure seems to be synonymous with the housing market lately, Ms. Cornell said foreclosures in Northeast Pennsylvania don't seem to have reached a widespread number of personal homeowners.

"We are seeing a greater number of foreclosures," she said. "But our foreclosures, the majority of them were investor properties."

In 2008, home value in the Scranton/Wilkes-Barre/Hazleton metro area increased 1.4 percent, compared to nationwide average declines of 8.4 percent. For the fourth quarter, home prices in the region gained 2.5 percent. Over the last five years, a typical local metro area home gained 38.8 percent in value, federal figures show.

But house price stability, and even gains, don't help people who confront re-adjusting mortgage rates or who can't pay their mortgages due to medical bills or job loss. For that reason, foreclosures are up in the area. For example, in January, one in 1,128 homeowners faced foreclosure in Luzerne County, according to RealtyTrac, a foreclosure tracking service.

A survey of mortgages showed more on the brink. One of 25 mortgage borrowers in the local metro area were 90 days or more delinquent on their mortgages in December, according to First American CoreLogic, a real estate analysis firm.

Pennsylvania ranks 29th in foreclosures, according to a U.S. foreclosure market data study by state from January released by RealtyTrac Inc., an online foreclosure marketplace and database.

"The tradition has been, Pennsylvania follows the trends that have been set elsewhere, rather than leads," Mr. Jaffe said.

Ms. Cornell describes the typical profile of area homebuyers as a "dual-income family with 10 to 20 percent to put down on a home."

"NEPA seems to have very conservative buyers, which is a good thing," said Ms. Cornell, who views a down payment as essential to purchasing a home.

The recession is not only affecting the home buyer and sellers markets, but also the home building market. During a

recession, the number of new “housing starts” per year normally drops to around 1 million, compared to over 2 million in good economic times, he said. Nationwide, the number of housing starts is now at 445,000, said Mr. Jaffe.

New construction of single-family homes collapsed in the region, according to census data on housing permits issued in the last quarter.

In Luzerne County, permits for new construction of single-family homes fell 42 percent, to 25 the last three months of 2008, down from 61 the same period in 2007. In Pike County, one of the fastest-growing counties in the state, permits were down by nearly half, to 72 in the last quarter. Lackawanna County governments have a poor reporting record to the federal government, and the census numbers are not considered reliable.

With the availability of existing homes on the market and declining prices, Mr. Jaffe said it’s harder to justify building a new home. “This is potentially serious,” he said, “because there may be years before we need more inventory.”

Housing prices have been dropping for the past 25 months, Mr. Jaffe said, a trend not seen even in the 1930s.

Turning the housing market around after the recession will take confidence from potential buyers, Ms. Cornell said. Traditionally, the Federal Reserve System helped out by lowering interest rates, she said. With interest rates already so low, it’s going to take confidence from buyers to rescue the housing market, she said.

Homebuyers have to remember to buy within their means.

“No matter what type of economy, buy the home you can afford,” Ms. Cornell said. “Your dream home — that doesn’t have to be your first home.”

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