

BUYERS, WOE. SELLERS, WHOA!

A glut of houses for sale is sending prices plummeting in metropolitan New Orleans.

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By Greg Thomas

After years of skyrocketing home prices, an oversupply of homes for sale in the New Orleans area -- nearing levels not seen since the oil bust -- is pushing overall prices down by thousands of dollars and all but erasing the giant gains homeowners have seen during the past seven years.

But local sellers have been reluctant to accept that the area's long-running sellers' market is now a buyer's bonanza. And they've been even more hesitant to lower the prices on their homes.

Some are slowly realizing that they must make concessions to sell their homes, with some offering to pay a buyers homeowner's insurance, closing costs or points on a loan.

But many are still unwilling to lower their sales price or make such concessions. Some real estate agents are refusing listings in which sellers have unrealistic expectations, while other agents are demanding bonuses of as much as \$10,000 to take on an overpriced home.

Nearly every major real estate firm contacted said it's a challenge convincing sellers that the heavy inventory -- nearly double what it was before Hurricane Katrina -- is depressing prices. Brokers said homeowners are mystified by the new dynamics after seeing the values fetched in 2006 and after several years of appreciation.

While sellers sit and wait for their home to sell, some buyers are waiting for prices to drop even more.

Crystal Bolner, a graduate student at Loyola, recently offered \$145,000 for a vacant two-bedroom, 1-1/2 bath on Carnation Street in Metairie that had been on the market for several months and was listed for \$195,000.

Bolner, who was aided by her mother, a real estate broker, thought she made a fair offer.

The seller apparently thought differently.

The home is still on the market. Bolner doesn't expect it will sell anytime soon and might try again. After all, with the huge inventory of homes on the market, she has the luxury of

taking her time, something impossible just three years ago when multiple bidders often chased a single property.

She said she's been looking for a home for six months and has seen the same thing over and over again.

"Homeowners have an inflated view of what their houses are worth," Bolner said.

Her mother agreed.

"It seems they're all asking \$30,000 to \$50,000 over the price the house is appraising for," said Mary Bolner of LaGoDa Realty.

And it's unlikely to get any better for sellers, at least until hurricane season ends.

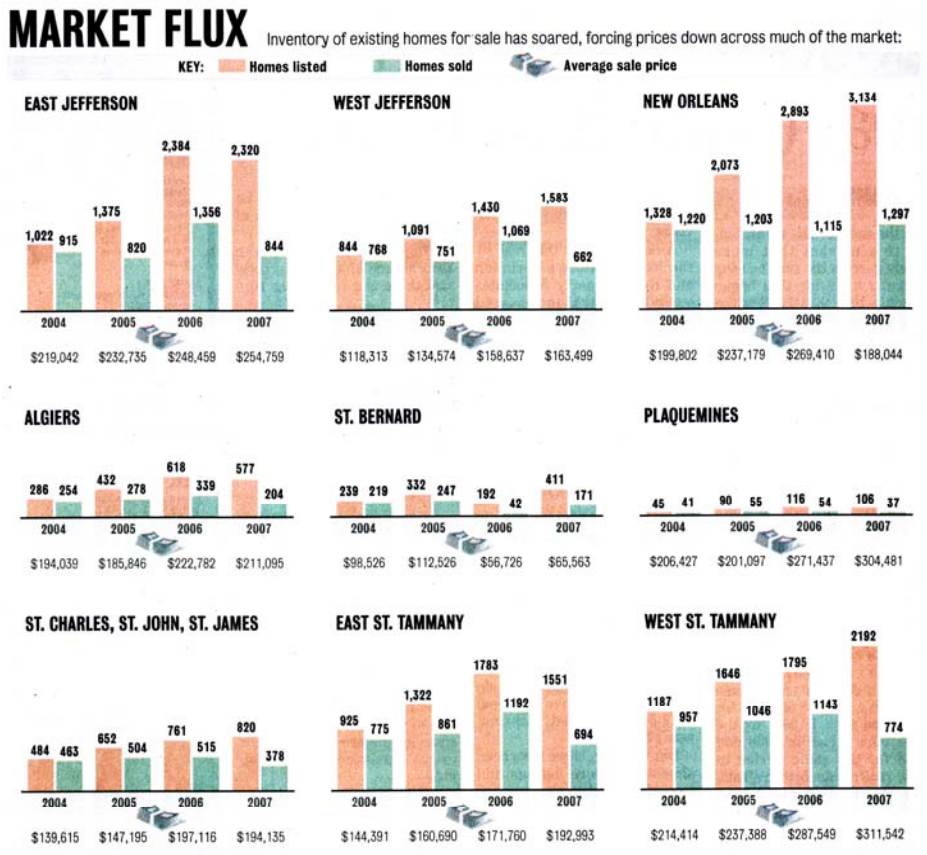
The threshold from a depressed market to a free fall is just one evacuation order away, whether the storm hits the city or not, said Cynthia Sciortino of Prudential Gardner Realtors Inc.

"A mandatory evacuation would be the big nail in the coffin," said Sciortino of Prudential Gardner Realtors Inc. "My sellers all want things sold before (the height of) hurricane season."

Playing catchup

After more than seven years of sometimes double-digit appreciation, sellers, especially in Orleans, St. Tammany and Jefferson parishes, have become accustomed to getting premiums on their homes.

As late as January, the National Association of Realtors said the New Orleans area was one of the



Note: Stats are based on the first six months of each year, Jan. 1-June 18

Sources: New Orleans Metropolitan Association of Realtors, Gulf South Real Estate Information Network and Real Property Advisors

hottest markets in the United States based on 2006's market performance.

But to get a real picture of the market, local brokers, agents and consultants say, you can't look to sales activity in 2006, where premiums of 20 percent to 30 percent were being paid for undamaged single-family homes compared with 2005's pre-Katrina prices.

"Unfortunately, 2006 is just a stupid benchmark to compare" market performance, said Arthur Sterbcow, president of Latter & Blum Inc. Realtors.

To get a better picture of the market, the New Orleans Metropolitan Association of Realtors has compiled data from Jan. 1 to May 18 going back to 2004. Real estate specialists say that the months before Katrina in 2005 are the best with which to compare the current market.

What the numbers show is that the area is now transitioning to a market that more closely mirrors the slow housing market nationwide that began about the time that the New Orleans metropolitan boom was occurring.

Lawrence Yun, the National Association of Realtors' chief economist, reported in May that 2007 first-quarter existing home sales were down 7 percent over the same period in 2006. Rising interest rates have hurt many with adjustable mortgages, and foreclosures are on the rise.

Yun, though, said in most metropolitan markets, inventories and prices are stabilizing.

Falling farther?

According to one local expert, some areas of the New Orleans market will head farther south before stabilizing.

There were 13,660 single-family detached homes on the market through May 18 of this year, compared with 12,692 for the same time period in 2006 and 9,628 for the same period in 2005, real estate brokers said. With that many homes on the market, Realtors and consultants say, something's got to give.

"People got greedy, but now we're seeing loads of reductions," said Joan Winchell, Garden District office manager and associate broker at Latter & Blum Inc. Realtors.

On the east bank of New Orleans, there were 3,134 homes on the market through June 18, compared with 2,893 during the same time in 2006 and 2,073 in 2005.

Average values in Orleans are difficult to determine because sale price data include the sale of flooded or wind-damaged homes and repaired or undamaged homes.

"The prices are simply not interpretable at this time. We just can't make a market statement" on true values, said Wade Ragas, president of the consultant group Real Property Associates.

A detailed study this year by the local Realtors association and Real Property Associates estimated that undamaged homes were fetching an average increase of 25 percent for about a year after the storm, while damaged homes declined in value, on average, by 42 percent.

So far this year, the average price of homes -- damaged and undamaged -- on the east bank of Orleans Parish has dropped about 30 percent, from \$269,410 last year to \$188,044 this year.

Supply in Tammany, Jeff

While the oversupply has pushed prices down in New Orleans, the laws of supply and demand have yet to fully come to bear in the markets that rebounded more quickly after the storm, Ragas said. In western St. Tammany, for instance, sale prices this year have averaged \$311,542 compared with last year's \$287,549.

But this year, there have been almost 400 more listings and more than 300 fewer sales.

"I think the Western St. Tammany numbers will drop, about 10, maybe 15 percent off," Ragas said.

In East Jefferson, the price increases have been slight. In 2006, the average sales value hit \$248,459. Through May 18, average sales were \$254,759.

But the caveat is the same: In 2005 there were 1,375 listings, while as of May 18 this year there were 2,320, an increase of 69 percent.

It's the pricier homes that are having the hardest and longest time selling.

Sterbcow said there is a 14-month supply of homes priced between \$350,000 to \$400,000, meaning that the number of homes in that price range would take 14 months to sell out at the current pace. In a market where supply and demand are fairly balanced, there should be only a five-month inventory of homes for sale, he said.

For homes priced between \$500,000 and \$750,000, Sterbcow said there is a 19.2-month supply.

And there is a nearly three-year supply of homes valued between \$750,000 and \$1 million that is affecting Uptown New Orleans, East Jefferson and North Shore areas the most.

Sciortino says there is at least a two-year supply of homes for sale Uptown in all price ranges.

Asking for a lot

Brokers and agents are having to educate sellers who have an inflated idea of the value of their homes.

The reality is that the halcyon days of the area's housing booms are over, Sterbcow said.

Glenn Gardner, president of operations of Prudential Gardner Realtors Inc., said educating sellers is the hardest part of dealing with today's market.

And when sellers won't listen, some agents are demanding an extra commission to take a listing.

"The agent is taking a long shot, wasting money on advertising, their time. If (sellers) want to pay the normal commission, price it right," Gardner said.

In one instance, the owners of a nearly 3,000-square-foot Dominican Street home will pay their agent a \$10,000 bonus to sell their \$599,000 home by July 31. The owner also agreed to pay up to \$6,500 in closing costs.

And even with those incentives, the house, which was listed April 10, is still on the market.

Owners who list their home at an inflated price can expect "20 to 25 showings and not one offer. It used to be that a buyer would look at an average of five homes," Sciortino said.

One Uptown seller, Bob Curran, said he is aware he might have to lower his price or offer incentives to attract a buyer, but he still thinks he has time.

He paid \$450,000 for a Leontine Street home in 2004. His asking price is \$575,000. But he apparently isn't too worried because he's already purchased a new home.

"I don't think it's unreasonably priced," he said of his Leontine home, adding that he has made significant improvements to the home.

"I'll wait and see how it goes a few more weeks," he said. "We'll probably have to lower the price, but I'll think about it hard or perhaps (develop) some creative" incentives.

"I'm not panicking," he said.

Time will tell

Gardner said he doesn't know when the market might rebound.

"Until we see professionals returning, those homes may move slowly," he said.

He cited the collapse of the downtown New Orleans medical district and the loss of several company headquarters to other cities as dampening the New Orleans market.

Difficulty and the cost of getting homeowners insurance and delays in getting Road Home money are cited by others for the deflated market.

Ragas, though, doesn't think the slow trickle of Road Home money is having much impact. Those awaiting their Road Home money will likely rebuild, not buy, he said.

"Recovery is not going as fast as everyone thought it would, said Ivan Miestchovich, director of the Center for Economic Development at the University of New Orleans. "Maybe some employment growth and job opportunities haven't materialized as fast as they should. People are still making some decisions about where to live long term and where businesses themselves will settle down long term, causing a little bit more instability and probably more outmigration."

Sterbcow had one positive note for sellers to consider. He said the vast increase of inventory is similar to that during the oil bust.

"But those (oil bust-era) homes sold eventually," he said. "Every one of them. And people made a lot of money."

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Cindy Chang of the St. Tammany bureau contributed to this report.

Greg Thomas can be reached at gthomas@timespicayune.com or (504) 826-3399