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# Housing slump likely to last

## Sales will hit bottom, followed by weak recovery, report says

*By ALAN ZIBEL*
*Associated Press*

WASHINGTON -- Signs are emerging that the U.S. housing market's long slump is likely to fester through the summer, and the real estate market may not recover for at least another year.

The latest report -- the National Association of Realtors' pending home sales index -- slipped by 4.7 percent in May to the third-lowest reading on record. The decline "suggests we are not out of the woods by any means," said the trade group's chief economist, Lawrence Yun.

Home sales are likely to fall to their lowest point late this year or early next year, and any recovery is likely to be weak through at least 2010, said Mark Vitner, senior economist with Wachovia Corp.

Meanwhile, prices shouldn't hit bottom for another year at the earliest, Vitner said, since the housing market is glutted with unsold new homes and foreclosed properties.

Making matters worse, rates on 30-year mortgages have been above 6 percent since late May, leading to a steep decline in new applications.

The Realtors' seasonally adjusted index of pending sales for existing homes fell 4.7 percent to 84.7 from an upwardly revised April reading of 88.9. The index was 14 percent below year-ago levels. Sales are considered pending when the seller has accepted an offer, but the deal has not yet closed.

Wall Street economists surveyed by Thomson/IFR had predicted the index would come in at 87. The index, which sunk to a record low of 83 in March, stood at 98.5 in May 2007. A reading of 100 is equal to the average level of sales activity in 2001, when the index started.

Pending sales fell around the U.S., sinking the most in the South, and the least in the West.

Despite the negative numbers, "the worst of the hemorrhaging is behind us" and a modest recovery is likely to take shape next year, said Bernard Baumohl, managing director of the Economic Outlook Group.

Homeowners shouldn't get too excited, though, as Baumohl predicts median prices will show year-over-year gains of no more than 6 percent by next year.

By the Realtors' measurement, prices nationwide were down 6.3 percent in May, but are falling faster in big cities. The Standard & Poor's/Case-Shiller home price index of 20 cities fell by 15.3 percent in April compared with a year ago, dropping prices to their lowest levels since August 2004.

Speaking Tuesday to a mortgage-lending forum in Arlington, Va., Treasury Secretary Henry Paulson emphasized the limits of what the government can do to help.

"Many of today's unusually high number of foreclosures are not preventable," Paulson said. "There is little public policymakers can, or should, do to compensate for untenable financial decisions."

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# Selling your home? Hurry up and wait

## Delaware home sales fall 30 percent through first five months of '08

*By JONATHAN STARKEY*
*The News Journal*

Don Grist was under no illusions when he and his wife put their four-bedroom Newark home on the market in December.

He listed the house at $479,000, aware that the sour housing market meant it might sit unsold for months and was unlikely to sell for anything close to the asking price.

It took six months and several price cuts to find a buyer. If the sale closes on July 15, the Grists will sell their home for $440,000 -- $5,000 less than they paid for it almost two years ago.

He considers himself one of the lucky ones who found a buyer, even if he and his wife had to write two mortgage checks a month while waiting for the house to sell. Their finances were such that they could afford to buy another home closer to their business in Wilmington and wait it out.

"Fortunately for us, we're in the position that we could afford to do that," said Grist, who owns a Wilmington salon with his wife, Holly. "I understand a lot of people aren't. I could see how people would be losing their minds."

The statistics for the last year detail the reason why potential sellers might be close to the edge.

Home sales fell by 30 percent statewide through the first five months of this year, with median prices also taking a hit in most areas.

Through May, the median price of a home sold in Kent County was $212,000, down 5 percent from the same period in 2007. In Sussex County, the median price for a single-family home plunged 10 percent, falling more than $30,000. Things were slightly brighter in New Castle County, with the median price for a homes edging up to $231,000, from $230,000 during the same period last year.

New Castle's boat remained above water on the strength of sales in Wilmington, where the median sale price through May was up 5.8 percent from last year. South of the canal, things were awful, with median prices falling almost 10 percent from $330,000 through the first five months of last year, to $300,000 this year.

And everywhere, sales took longer.

For-sale signs linger for months in yards from Newark to Selbyville longer as credit-market turmoil, a sagging economy, and an oversupply of homes continues to batter Delaware's housing industry.

Across the state, even where prices are up or flat, the slow market is continuing to apply pressure on homeowners who are losing value that rose rapidly in the boom market since 2000, on real estate agents who are losing business, and the entire building industry -- from developers to lenders to carpenters and electricians.

Steven Bomberger, president of Wilmington-based Benchmark Builders, said slowing sales have forced him to lay off more than 40 percent of the company's work force since the beginning of this year.

"We have some people now doing two different jobs to be more efficient through the slow times," said

Bomberger, also the president of the Home Builders Association of Delaware. "Most builders worth their salt have done the same thing."

Nationwide in June, 43,000 construction workers lost their jobs as the unemployment rate hovered at 5.5 percent, according to the Bureau of Labor Statistics. Since the industry's employment peaked in September of 2006, construction has lost 528,000 jobs.

# Boom to bust

Near Lewes, Susie Hudson is settling into a new career away from real estate. Just a couple of years ago, as buyers faced off in bidding wars for beach properties, Hudson was bringing in a six-figure income selling homes as a Realtor, she said.

In early 2005, she bought an antique market north of Lewes as an investment, with no intention of ever working there.

But slowing sales all but forced Hudson from her job as a Realtor, so she opted to run the antique business as a full-time pursuit.

Hudson plans to take an accounting class at Delaware Technical & Community College in the fall to help her better understand the business's finances.

"A lot of Realtors come in here and say 'at least you have a job'," Hudson said. "It's kind of a nice break, to tell you the truth."

Hudson called real estate agents, including herself, mere "order-takers" through the real estate boom, as buyers lined up to buy homes, many of which were purchased as investments. Many are now looking to other jobs to supplement their real estate income or are leaving the business altogether.

"Now you have to be more creative," she said. "You have to bust your butt and you still may not get the sale. Because I don't have anybody to support me, I had to move on."

Michael Harrington, president of Harrington ERA Realty Inc. in Dover, has seen many of his agents bow out of the business as sales have slowed to a crawl. More experienced sellers tend to cope better, he said, but even they are seeing a dramatic slowdown in business. Sales are off about 50 percent for Lani Freshwater, an agent at Harrington Realty who has sold homes for three decades.

"This is the longest period that we've ever been through in my 30 years where we went down and didn't come back up," Freshwater said. "Houses were so inflated. Things just got out of hand. This was due to happen."

# Too many new homes

Part of the problem in Delaware is an oversaturation of new homes, said Moody's economist John Stapleford.

Fewer building permits have been issued since last year, but builders who were attempting to capitalize in a seller's market by rapidly building new homes are still supplying more homes than there are buyers, he said.

That's on top of slow income growth and tighter lending standards that are locking many potential buyers out of the market. Risky loans for 100 percent of a property's value -- common in the go-go years -- have all but disappeared. Lenders are requiring more documentation on things like income than they had in the past.

"It is a good thing," Ann Riley, president of Wilmington-based Gilpin Mortgage, said of the tighter standards. Riley said her company has always been a "conservative" lender.

"Is it taking more people out of the market? Yes," she said. "[But] I don't think our industry did people any good by putting them into more house than they could afford. Now people are in a world of hurt in default situations."

Delaware reached another record in May with 446 foreclosure-related filings, up 87 percent from the same month last year. Lenders file those initial foreclosure documents with state court after a homeowner falls 90 days or more behind on payments.

The combination of a slumping economy, an oversupply of homes on the markets and a dearth of buyers has made for much more creative -- and generous -- sellers.

At Benchmark Builders in Wilmington, Bomberger is offering up to $30,000 if buyers put their government stimulus checks toward a new home. The tactic is common, he said.

Home builders, faced with growing inventories, also are trying to entice buyers by supplementing deals with money off or pricey add-ons for free.

Rota Lee and her husband received about $30,000 in incentives, including a free bay window, when they closed on a three-bedroom Rehoboth Beach town home on June 27. The Northern Virginia resident said they started looking for a second home in the fall.

"We were not really vying to get a beach property," Lee said, "It just happened that way. In the boom market, it would have been less attractive for us to make this deal."

Sellers in the resale market, who do not have the resources to tempt buyers with loads of free stuff, are at a disadvantage, experts say. Still, homes priced for the current market will sell, said Chris Cashman, a Patterson Schwartz agent.

Many real estate agents say sellers are unwilling to face reality and drop prices to current levels. Educating sellers on poor market conditions, like oversupply, has become a bigger part of an agent's job, Cashman said.

Even small things like keeping a home that is on the market tidy, and fixing problems that potential buyers might notice, is also more important now with more sellers competing for every buyer, agents say.

Cashman said that the Grists' Newark home looked like a "Pottery Barn showroom" each time he walked through the door.

"That's where a lot of sellers in this market go wrong," Grist said. "They just assume that the buyers are going to come in and change everything, anyway, so why bother fixing it. Even in a hot market, you still want to maximize what you are going to get."