

# Home values plummet, foreclosures on the rise

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DOVER — It doesn't take more than quick drive down area roads to realize home sales have stalled.

In Strafford and Rockingham counties, "For sale" signs are reappearing in front of homes that went unsold last year, or worse, in front of foreclosed homes up for sale by a bank or lender.

And they're everywhere — local signs of the same distress felt throughout the national housing market, according to data released Monday in an Associated Press-AOL Money & Finance poll.

In its vivid sketch of consumer distress, the study found more than one in four homeowners worry their home value will actually depreciate in the next two years. Worse, one in seven mortgage holders believes they won't be able to make payments on time within the next six months.

The public anxiety is in reaction to an economy that is veering toward recession and increasing job loss even as the housing market sputters badly. Foreclosures have soared to record highs, mortgage rates have increased, sales of existing and new homes have fallen and home values have dropped.

Local figures for home sales, foreclosures and financing activity affirm details of the broad picture painted in the AOL survey, according to Leo Lessard, registrar of deeds for Strafford County.

His office gauges the relative pulse of the market, and right now, the prognosis isn't good.

In the first quarter of 2008 alone, 70 foreclosures have been filed with Lessard's office, up from 36 during the same period in 2006, and just five in 2005. Like Lessard, Rockingham County Registrar of Deeds Cathy Ann Stacey has seen substantial increases in the number of foreclosures in 2008.

"In the first three months of the year, we had 190 foreclosures," Stacey said Monday. "We had just 92 last year."

It's no surprise one in seven worry about defaulting on their loans.

"I can understand people being nervous about depreciation, considering the inability to sell properties, the likelihood of foreclosures and the mortgage industry tightening their belt, so to speak," Stacey said. "I think a lot of people fell victim to the easy accessibility of the mortgage industry at that time."

As for depreciation, Lessard said it is hard to predict, but said his office saw many people refinancing their homes during the 2003 to 2005 boom. Of those, Lessard says many did not reinvest that money in rebuilding home value.

"Many people pulled equity to take a vacation or buy that big screen TV," Lessard said Monday. "It's not something that's advisable, considering the market has now fallen."

Gus Faucher, director of macroeconomics for Moody's Economy.com, a consulting firm, estimated that 9 million homeowners owe more on their home than it's worth. He said his company believes home sales are at or near bottom and home values will continue to fall until early next year.

Sixty percent of those contacted in the survey said they definitely won't buy a home in the next two years, up from 53 percent who said so in an AP-AOL poll in September 2006. At the same time, just 11 percent are certain or very likely to buy soon, down from 15 percent two years ago.

The growing reluctance to dip into the housing market seems to stem partly from worry that housing prices will continue falling.

Underscoring the public's unsettled feelings, the number saying local housing prices are about right has fallen to 35 percent. Half say homes are overpriced — especially in the Northeast.

Overall, the local figures show a trend of continued decline, Lessard said.

"We've had one of the slowest years, so far that we've had in the past eight years" Lessard said. "We've seen a nearly 30 percent decline in sales in this quarter, compared to 2005."

From Jan. 1 to March 30, 2005, some 1,045 deeds passed hands. During the same months in 2008, there have been just 737, and those figures account for all kinds of deed transfers.

"Now, there isn't the equity in people's homes that there once was," Lessard said. "I think that we do see there are sales, but things have slowed down substantially."

It's a trend Terry Spires, program director for **The Housing Partnership**, has seen via a drop in applicants for the partnership's first-time homebuyers courses.

"We're off about 30 percent on our home-buying classes this year, as far as participants," Spires said Monday, after a brief description of the results. "Attendance has been down."

And while **The Housing Partnership** Executive Director Dick Ingram confirmed things have slowed, he's not ready to assign one cause.

"People are certainly a little leery about going into the housing market," Ingram said Monday. "But I don't know if it's a function of the housing market itself or if it has more to do with the lending conditions. The challenges for first time homebuyers, and certainly for folks to find affordable housing, remain significant,"

Regardless, fewer people are looking to buy.

While the study indicates worried homebuyers are the norm, good home-buying opportunities remain for those who can qualify for a loan.

"If you can qualify and get money, mortgage interest rates are still very low, between 5 and 6 percent in some cases, which is very good," Lessard said. "It's much harder now to find people who will lend them money."

Even so, consultants like Faucher say many people bought their homes before the run-up in values that started around 2001 and remain in good shape.

"So the value of your house goes down temporarily," he said. Unless the homeowner must sell now or can't afford the payments, "that doesn't have that much of an impact."

Prior real estate market collapses have certainly been worse, said Stacey, whose office saw 300-plus foreclosures during the first three months of 1992.

Still, recognizing that fact is hard for many homebuyers left in a pinch by rising mortgage payments, or those forced to sell their home under the less-than-ideal conditions.

"In my case, I'm old enough to remember two prior real estate recessions," Lessard said. "This market is cyclical, and it will come back, and it will bust again. It's the nature of real estate."