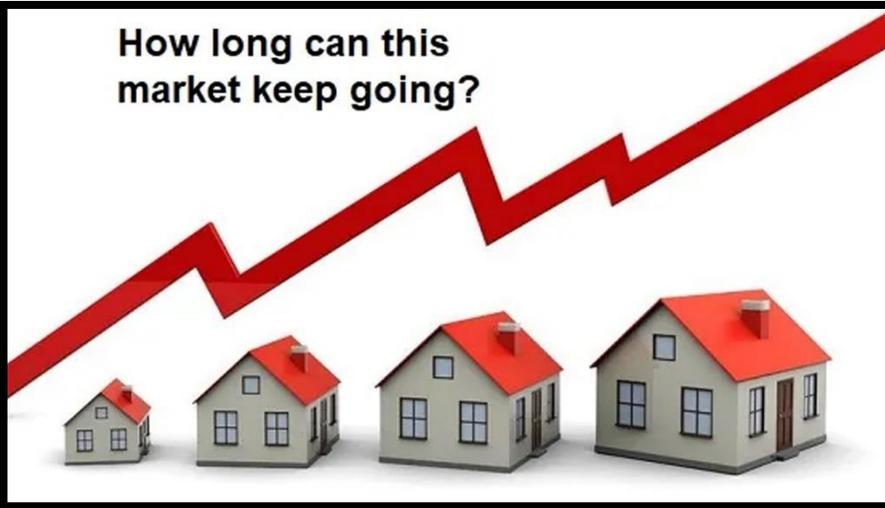


So, is the Market going to crash? These Prices are just crazy!

Since the onset of the coronavirus pandemic, housing prices in New Jersey have soared, and homes have been flying off the market within days.

While today's heated market may call to mind a similar trend from the mid-2000s, experts say this time



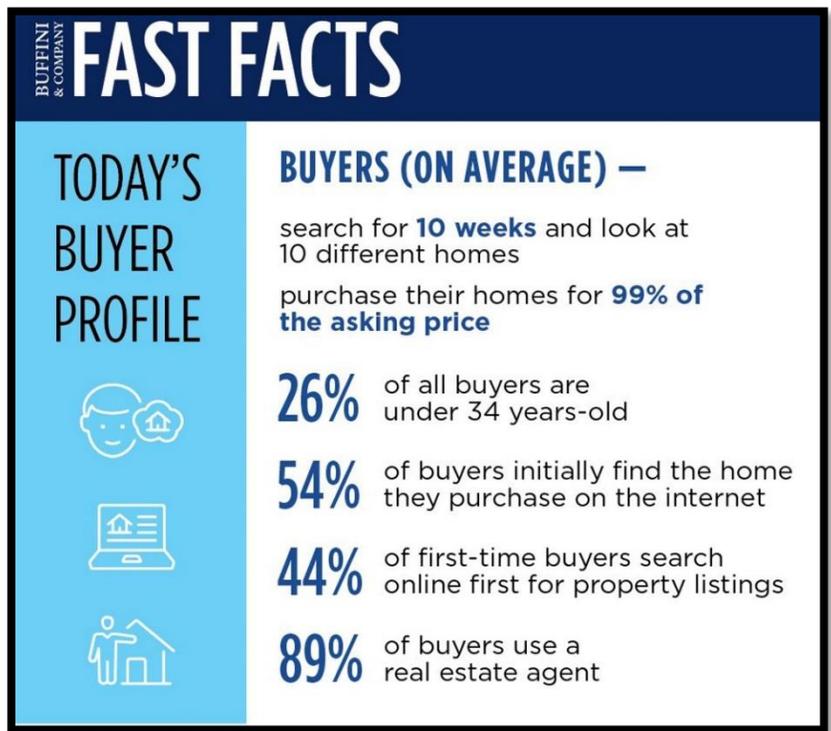
around there's no real concern about another mortgage crisis. Demand for homes and the loans going to buyers are completely different today compared to 15-20 years ago...This time around there is a real shortage of homes, caused by a growing population and builders not keeping up with demand. When the Market crashed in 2007, it was because of bad mortgages. Builders have held back since then and now we have a shortage of about 15 million homes...Another issue is

homeowners stay in their homes for an average of 10-12 years, unlike the 7-8 year average back in the early 2000's

The market may see a housing correction in the year or two ahead in the way of prices, but industry observers do not expect to see another "bubble burst" like the one that triggered the Great Recession in 2007.

"That time period was mortgage-driven cheap money. Today, it's more driven by people's desire to be in a house and wanting to own a real asset," said **Kevin Riordan**, a real estate professor at Montclair State University. Sales today involve more well-qualified buyers, Riordan noted. During the subprime mortgage crisis, many folks were spending beyond their means and soon felt the pain when they could no longer afford their purchase and the price of their home dipped below the price at which it was purchased.

Since the COVID-19 threat took hold of New Jersey last March, home appreciation rates skyrocketed due to low supply and very strong demand. It hasn't sent many would-be buyers to the sidelines, though. In June 2021, the Garden State recorded a 41% increase year-over-year in closed sales, despite a 24% jump in the median sales price, according to New Jersey Realtors.



Jeffrey Otteau, managing broker at Hudson Atlantic Realty Advisors in Matawan, expects home prices to continue their climb through 2022, but not at a rate as high as what we've seen since the first quarter of 2021...Prices in New Jersey will experience a correction in 2023, Otteau predicts.

"This is not a bubble that will burst," Otteau said. "What we're likely to see this time instead is some air leaking out of the balloon, so it will float a little lower without popping and collapsing."

Otteau said there are signs that the New Jersey housing market is not as hot as it was just a few months ago. Sales activity has begun to slow down, and inventory is rising. Otteau expects to see mortgage interest rates rise, and that tends to reduce home-buying demand.



MORTGAGE RATES BY DECADE FOR A \$300,000 HOME

Sometimes it helps to see the dollars and cents you'll save if you purchase a home while mortgage rates are low. Buying a home at today's historically low rate can save you significantly over the life of your home loan.

DECADE	AVERAGE RATE	MONTHLY PAYMENT*
1970s	8.86%	\$2,384
1980s	12.7%	\$3,248
1990s	8.12%	\$2,267
2000s	6.29%	\$1,855
2010s	4.09%	\$1,448
TODAY	2.96%	\$1,258

*Principal & Interest Payments Rounded to the Nearest Dollar Amount FREDDIE MAC

"The economy right now is continuing to get better, and the rising tide of a growing economy typically causes income to rise and jobs to multiply — all of which would run counter to a doomsday scenario," Otteau added.

To sum up, most experts agree that this housing boom is not a bubble. Interest rates below 3% are also fueling the demand, which makes a home more affordable, even if price has risen. The other reason is that to build a new home has gone up due to labor and materials; *this is just a great opportunity to sell, and buy!*

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