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Housing bubble burst has upside for buyers

Now could be best time in decades to be looking

By Jerry Wolffe
 Journal Register News Service

Now might be the best time in nearly three decades to buy a new or used home or condominium in Oakland County.

"It's a great time to buy based upon the declining market and the number of foreclosures," said Steven Mansour, senior loan officer at the Chase Bank branch in Royal Oak.

"Within the last two year the values dropped so it makes sense for first-time home buyers to buy in Oakland County."

Banks and lending institutions are returning to more traditional criteria to lend money to those seeking to buy property after the subprime debacle that helped push the nation toward a recession.

Before the subprime market collapsed, some lenders were not verifying income and were allowing zero-down mortgages, interest-only loans and lending money to those with poor credit scores and history.

There's no doubt home values have dropped sharply, Realtor Peter Schump of Prudential Cranbrook Realtors in Franklin said.

"Some of the homes in Oakland County have been on the market for nine or 10 months," he said.

Homes auctioned

Schump said some homes that have been unsold for two or three years are being auctioned by, for example, the Pamela Rose Auction Co., LLC, of Maumee, Ohio, which

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also has offices in Troy. It charges a 10 percent premium over the sales price to auction a home. In some cases, there's no minimum bid required for sale.

"There was a home on Haverhill in the city of Bloomfield (Hills), near Cranbrook, that was auctioned in December for roughly \$1.8 million that was listed for \$2.3 million," said Schump.

"I guess the motivation by the owner was just to get rid of it," he added.

Other auctions have involved foreclosures, which hit a record of 7,643 in Oakland County last year, up more than tenfold from 715 in 1998.

Since 2004, the local housing market has dropped dramatically as automakers and parts suppliers have shed tens of thousands of jobs.

Ford Motor Co. and General Motors Corp. are offering buyouts to United Auto Workers members. The offer applies to 54,000 Ford assemblers and 74,000 at GM. The buyouts range from \$45,000 to \$140,000 for a worker to leave and not receive any medical or pension benefits from the automaker.

Sales halved

In Oakland County, new and used home and condominium sales have fallen 60.9 percent since 1999, when the peak hit 33,516 sales, according to statistics released by Advertising That Works of Bloomfield Township. The company is a provider of real estate home sales and mortgage information gathered from county records.

In Oakland County, there were 27,180 homes sold in 1998; 33,516 in 1999; 29,927 in 2000; 24,374 in 2001; 23,582 in 2002, 23,857 in 2003; 26,619 homes sold in 2004; 24,558 in 2005; 17,333 in 2006 and 13,072 in 2007.

In January alone in Oakland County, sales fell to 813 from 1,117 in January 2007, a 27 percent decline.

Wayne County has seen home sales decline 36.5 percent since 2004, while Macomb County sales have fallen 51.8 percent, records show.

In the same period, Macomb sales fell from 18,431 to 8,878 last year and Wayne County sales plunged from 36,610 to 23,253.

"Sales can't go much lower," said Steven Bartley of Advertising That Works. The company compiles home sales and mortgage recordings.

"I'm of the opinion our government has gotten into trouble by borrowing too much," he said. "I don't think there's a quick, easy answer to the stagnation in home sales.

"I think it's a combination of a national economic slowdown, foreclosures from subprime loans and job losses in manufacturing," he added.

Since 2000, Michigan has lost more than 300,000 well-paying manufacturing jobs with good benefits.

Glut of unsold homes

Realcomp II LTD, of Farmington Hills, the largest multiple listing service in Michigan, provides information to help real estate brokers sell properties.

At the end of January, there were 18,673 residential and condominium listings on the market in Oakland County, said Fran Green, marketing manager of Realcomp.

"There's a glut on the market," Green said.

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The median sales price for a residential property at the end of January was \$145,000, down 19.8 percent from the median price of \$180,750 in January 2007, she said.

"Right now, the average number of days a home or condo is on the market before being sold is 136 days," she said.

"We absolutely thought that the prices of homes would always go up," Green said. "It's a great time to buy if you don't have to sell your property first."

Hope for couple

The brick home, with a walkout finished lower level, has a living room, recreation room, five bedrooms, three full bathrooms, a dining room/kitchen area, first-floor laundry room and two-car garage.

The couple is asking \$187,000.

Rebecca said her husband was transferred to a job in Fraser at an automotive supplier and has to drive 96 miles to and from work each day.

"I am optimistic," Rebecca said. "I'm hoping once the weather gets nicer a lot of people will get out and look at houses. We're also using the same Realtor we used when we bought our home in August 2006."

She said Realtor Stephenie Sdao reports the house is getting several hits per day on the multiple-listing service. But, so far, the young couple with a 4-month-old daughter, Ashlynn, haven't had any luck.

"We love our house, and we're not opposed to staying in it for a while if we have to. We didn't know my husband would get another job in the next county over."

U.S. recession here

Dana Johnson, the chief economist for Comerica Bank, which moved its headquarters from Michigan to Texas, said the nation is in a recession.

He predicted there would be a contraction of about 2 percent in the gross domestic product and that the national recession would last about 10 months.

Michigan's jobless rate of about 7.6 percent also is likely to climb another 1 percent or 1.5 percent before the national economy turns around.

The latest government figures on employment also showed there was a net job loss of 17,000 in the nation, a further sign of recession, which is officially defined as two successive quarters of declining growth.

Mansour, of Chase Bank in Royal Oak, said the worst possible thing homeowners can do if they get behind in mortgage payments is to do nothing.

"The best thing for them to do at this time is to go ahead and contact the lender and let them know they can't make the payments. A lot of lenders are doing some type of payment arrangement with the customers," he said.

Rate cuts by the Federal Open Market Committee are likely to help the housing market, especially homeowners with adjustable rate mortgages because it could allow them to take out new mortgages at fixed and lower rates, Realtors said.

Fed tries to spark economy

In 2001, the last recession year, the Federal Funds rate -- the overnight interest rate banks charge each other for money -- was nearly 7 percent. It has been cut to 3 percent

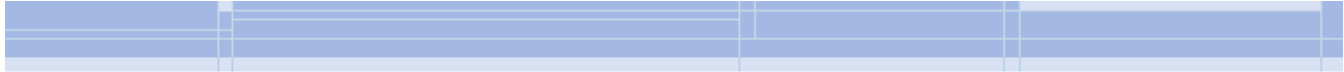
in an effort by the Federal Reserve which controls rates to spark consumer spending because lending rates are lower.

A 30-year fixed-rate mortgage has a 5.57 percent interest rate, while a 15-year fixed rate is pegged at 5.02 percent, according to the Web site www.bankrate.com.

"People are still participating in the market to a large degree," said Steve Tschirhart, director of communications, of the Metropolitan Consolidated Association of Realtors.

"The overall sales volume of homes last year in Oakland County was \$2.5 billion," he said compared with \$2.9 billion in 2006.

"It does underscore there's still a fair amount of activity in the market," Tschirhart said.
"People are buying homes in Oakland."



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