

[Back](#)

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Housing confidence at low point

Part 3: Effects of a national housing slump

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[Inman News](#)

Editor's note: Many real estate markets have slowed, and the effects are now being felt by brokers and agents who are struggling through tougher negotiations, and buyers and sellers who are aware of changing times. Among consumers, the slowdown has shaken up expectations and attitudes toward home buying, causing them to worry about future price decreases. In this three-part report, Inman News examines three areas of impact: how the slowdown is expected to influence economic growth; problems created in the property appraisal process; and consumer attitude toward home buying. (Read [Part 1](#) and [Part 2](#).)

In his five years working as a real estate agent in Charlottesville, Va., Jim Duncan of Century 21 Manley Associates, recently heard a prospective buyer say something he'd never heard before: "There's just too much to choose from."

Homes sales in markets nationwide have slowed considerably in the last year, causing property inventory levels to rise and price gains to slow or even decline in some areas, and national consumer confidence indexes show some of the lowest confidence levels toward housing in a decade.

The University of Michigan's monthly survey of consumers in September showed that home-buying attitudes were at the lowest level since 1990, with consumers citing concerns over potential future price decreases and increases in mortgage interest rates.

Despite the unfavorable outlook on housing, consumers' assessment of overall economic conditions was less pessimistic in September compared with past months. Overall consumer confidence, which decreased sharply in August, rebounded in September, according to The Conference Board, which reported its index increased to 104.5 from 100.2 in August, and the University of Michigan, which reported its index stood at 85.4, up from 82 in August.

Real estate brokers agree that home buyers' attitudes have changed, but said that overall, buyers they are working with still feel real estate is worth their money. The difference today from a year ago is that buyers in many markets know they have the upper hand and are letting homes sit on the market longer in hopes of finding a better deal. There's a lack of urgency in pushing buying decisions, brokers say.

"I don't see a lack of confidence (in home buying)," said Jeffrey Bastress, broker/owner of StartPoint Realty in Sterling, Mass. "I see it more as they know they have choices so they think, 'why rush into it?'" With interest rates remaining low, buyers today are more likely to wait on the sidelines until they find a good deal, he said.



Jeffrey
Bastress,
StartPoint
Realty

Once buyers do make offers, they're being tough in what they ask for, Bastress said, referring to a recent client who at the last minute demanded another \$5,000 off the home's asking price for no reason other than knowing the seller had no choice but to agree.

Bastress said the reason buyers aren't moving quickly comes down to the fact that they have no compelling motivation to do otherwise. They know they have the upper hand and though Bastress said he hates to use the phrase "sweet revenge," "that's exactly what they're doing."

Home sellers, meanwhile, see the future as the unknown and some think that next year's market may be worse so they feel they have to sell now, he said.

"The advice I give sellers is that you're going to have to put a price on your home that you won't regret selling for and also a price that if you don't sell you won't regret keeping it," Bastress said.

Richard T. Curtin, director of the University of Michigan's Survey of Consumers, said that consumer confidence in home buying measured by his university's surveys started to decline in early 2005, and current confidence levels are the lowest recorded since 1990. "One other part of the bad news for real

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estate is that more consumers are aware of declining housing prices -- or at least the declining rate of appreciation -- than we've recorded since 1993," he said.

Consumers are worried about price declines and thinking that if they buy now and prices go down then they will lose money so many are postponing their buying plans, he said.

The good news, though, is that while confidence in home-buying is at a low point, it has not significantly fallen since March of this year so it appears to be leveling, Curtin said. The data do not forecast a downward spiral, but they do indicate a prolonged slowing rather than the market turning up again, Curtin said.

Consumers in the university survey give a variety of reasons for their low confidence in housing, he said, including concerns about interest rates and home prices as well as how they view their income and employment situations, which have been favorable but not improved over the last six months.

Curtin said there's been a close correlation between steep declines in consumer's home-buying attitudes and new- and existing-home sales. Many brokers refer to the current situation as a "standoff" between buyers and sellers.

David Michonski, CEO Coldwell Banker Hunt Kennedy, a large brokerage firm in Manhattan, said that buyers in his market are uncertain, worried and have lost their courage to make a decision.

"There's a very big standoff going on ... It's like a buffet table at a banquet where they keep bringing more plates from the kitchen," he said. It's as if buyers are thinking, "I like this shrimp, but maybe there's lobster coming out," he said.

Michonski said he doesn't think that confidence in real estate as a sound investment has eroded. "The confidence that's eroded is the thought that you can buy something and flip it," he said.

The [slowing market](#) in Manhattan, he said, is being driven more by an oversupply of new properties than by the resale market. Inventory is up 65 percent from last year in Manhattan and the majority of those properties are new construction, he said.

Jim Duncan, the Century 21 agent in Charlottesville, Va., said that home buyers and sellers in his market have not lost confidence in housing, but are thinking about it differently than they have over the last few years.

"I think we're returning to a more normal mindset with more normal expectations." Buyers today are thinking about their purchases more as places to live rather than properties they can flip for fast cash, he said.

"It's a long-term investment and people are taking time to consider whether they want to live in a house for two or three years," Duncan said. Also, "sellers expectations are coming more in line with reality."

Another indicator of the consumer mindset over housing is the number of consumers researching real estate online. The number of unique visitors to top real estate Web sites increased 17 percent from August 2005 to August 2006, according to analytics firm comScore Media Metrix, though that increase was not seen by all real estate sites.

The most visited site, Realtor.com, had an 11 percent year-over-year decrease in unique visitors, with about 6.6 million people visiting the national property listings site in August this year, according to comScore. The entire Move.com network of sites had only a 1 percent decline with 10.4 million unique visitors. HomeGain, a company that matches real estate agents to consumers, also saw a 2 percent decline in traffic from last year to 4.1 million in August. (*Inman News* publisher Bradley Inman founded HomeGain in 1999 and sold the company to Classified Ventures in July 2005.)

Despite declines at a few top real estate Web sites, plenty of sites in the top 10 posted increases in visitors during the first year of the slowing market. HouseValues sites – which include JustListed.com, HouseValues.com and HomePages.com – saw traffic increase, as well as AOL Real Estate, Yahoo! Real



David Michonski, Coldwell Banker Hunt Kennedy

Estate, Rent.com, Apartments.com, and HPCInter@ctive, a division of Primedia that publishes a number of rental print guides.

National foreclosure service RealtyTrac saw very little change in traffic and comScore had no data on MSN Real Estate's traffic numbers for the previous year.

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[Back](#)

[Top](#)

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