NEWS

Obama plans get mixed reception

By Alicia Hartgrove

As Barack Obama steps in to lead the country out of a war, a mess on Wall Street and a housing foreclosure crisis, New York City real estate observers are taking a wait and see approach.

"Real estate in Manhattan will always be a different nature than the rest of the country; it is resilient and presents an alternative market for investors and those of us living here," said David Larijani, president NY Private Realty Group.

"It should be really interesting to see what's to come in the next few months ... this is a positive spin on a negative event."

Neil Binder, co-founder of Bellmarc Realty, said no one knows how quickly Obama will be able to fix the economic problems because of the degree of uncertainty in the stock market.

He said, "Obama's a Democrat with a limited track record. We don't know how he drives. Is he a pedal-to-the-metal guy or does he obey the speed limit? Will he be aggressive or wait and see; that's the issue and we just don't know yet."

New York showed strong support for Obama and John Reinhardt, president/CEO of Filmore Real Estate, said consumers will have confidence and faith in him to make changes.

"I'm hoping that the renewed hope in the country will make people more willing to do things a little differently. With him elected, it's more of a better thing than a worse," said Reinhardt.

Reinhardt said that, since the eleection, more people have been making offers of homes. "I'm not sure if they were waiting for the election, but it's a good time to buy right now," he said.

One of the main issues in this election was tax laws and how the new Administration changes taxes will directly affect the real estate market.

Binder said having a higher tax to deal with in the future will increase the meaning of owning a home over renting; deductions will mean more and should encourage people to buy.

"Moderate income people will feel less of a momentum to buy a home, but that will increase the market for renters. Higher income level people will feel greater momentum to buy a home," said Binder.

Luigi Rosabianca, a real estate attorney with Rosabianca & Associates, said that while Obama's proposals might make good bullet points, there are not a lot of details in his proposals.

"The thing that concerns me is the proposed increase in the capital gains tax," he said. "That has always been a way of dissuading investment."

Rosabianca also questions whether a new proposed mortgage oversight committee is needed. "Do we need another level of regulatory agencies?" he asked.

Y. David Scharf, a real estate attorney with Morrison Cohen, said that it will be important for Obama to produce a regulatory policy that will place limits on whom lenders can lend to.

"That will have the effect of making sure qualified buyers are the ones getting credit, which will prevent a credit meltdown and drive upward the number of people who should not have been getting credit extended to them," he said.

Scharf said that there has also been talk of giving judges more power regarding mortgages, allowing them to reformulate and rewrite loan agreements to make them performing. He said that would be a mistake.

"If that legislation is passed, it would be catastrophic. It would undermind the power of the contract.

"People are counting on the stability of a contract, and to give a judge unfettered power to change that contract on a circumstance by circumstance basis would bring market instability and have a negative effect on lenders making loans."

Esther Muller, co-founder of Real Estate Academy, thinks that Obama's policies need to be implemented immediately because there are developers in the middle of construction who still need financing.

"Did they (financial institutions) open the doors to buyers and distribute money to buyers?" Muller asked. "That's what we have to rely on for change. Buyers are going to be able to negotiate better; all they need is the money."

Larijani said he thinks Obama needs to move his policies into effect slowly because he needs to gain the trust of both national and international markets.

"Once that's done that and financial markets are stabilized, we will hopefully end up with a stronger dollar and attract foreign investors and it will stop this downward spiral," said Larijani.

NYC home loans dip 14%

A new report by the Furman Center for Real Estate and Urban Policy shows that home purchase originations fell dramatically between 2006 and 2007.

In New York City, 14% fewer borrowers secured home purchase loans in 2007 than secured such loans in 2006. For the nation as a whole, 25% fewer borrowers secured home purchase loans.

In New York City, much of the decline can be attributed to decreases in high cost loans, and the city now has a much lower rate of high cost lending than the nation as a whole.

The number of prime loans issued for home purchase stayed about the same in New York City during this time period, while the rest of the country saw a decline of 14% in prime home purchase originations. The refinance market was hit much harder in New York City than the market for home purchase loans: refinance loans fell by 31% in the city between 2006 and 2007; nationally, refinance loans fell by 24% during this time.

Vicki Been, director of the Furman Center, said, "As the Administration continues to try to bring liquidity to the market, our analysis reveals that tightening credit in mortgage lending already has had a profound impact on the housing markets for well over a year. One potential silver lining in all of this is that, in New York City, most of the drop in lending is attributable to a reduction in high cost lending, suggesting that the number of new risky loans that may become "toxic assets" is now diminishing sharply."

Realtors demanding action

The National Association of Realtors mobilized the more than 20,000 Realtors who attended the 2008 REALTORS Conference & Expo in Orlando, FL. last week in support of NAR's Four-Point Housing Stimulus Plan presented to Congress last month.

Realtors sent letters to their members of Congress and signed a model house is to be taken back to Washington as a visual symbol of the importance of quick congressional action to end the housing and economic crisis facing the nation.

"The U.S. Treasury and Congress need to work together to ensure that the American people benefit from the economic recovery plan," said NAR president Richard F. Gaylord.

"The Treasury Department has gotten off track by focusing too much attention and stimulus money on Wall Street and banks that are in turn using the money for mergers and acquisitions. The administration needs to get back to the original intent of the plan — stabilizing the mortgage and housing markets — to help families avoid foreclosure."

NAR shas called on Congress to enact a new housing stimulus package that includes consumer-driven provisions that would eliminate repayment of the first-time home buyer tax credit and expand the credit to all home buyers; make the increased mortgage loan limits permanent; focus the economic stabilization efforts on supporting the housing and mortgage markets instead of providing capital to banks; and permanently prohibit banks from entering into real estate transactions.