

**On The Market.
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“Doing business the right way since the XX Century”

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Getting philosophical on the bursting of the bubble(s)...

Now that the collapse of the residential market has settled across the nation and perhaps across the Atlantic as well, it is easy to find the reasons and identify the responsible parties. However, in the midst of the swelling of this bubble nobody seemed to complain and almost every body took for granted the unusual rate of growth. Sellers did not object to selling at record prices and still wondered if they could get more money later; buyers bought with expectations of building equity almost over night, and some of them did and cashed in and did it again and again, without caring about the stability of their incomes or if they could afford the exotic loans they were getting. Why

should they care if the Banks would not care themselves?... Banks and international investors looking to earn returns on a seemingly never ending spiral of returns from loan originations, interest income and the global economic boom, lent more and more money in the form of ever riskier products that were passed on to the stock markets of the world... But in the midst of this hullabaloo, many people profited and the voices of the whistle blowers were muffled and silenced...

Now everyone, from the public to the stock analysts to the politicians to the reporters, are all experts and all of them can explain what happened. I am not saying the opposite. I just want to offer a different perspective. We are not talking about the bursting of the real estate bubble in the United States and the crisis of the financial institutions that mortgaged it. We are talking about global recession and the ghost of hyperinflation. We are talking about a reduction of the standard of living for every body, across the board, globally. The real estate bubble in the U. S. is just symptomatic of deeper economic inconsistencies and not the cause of this world debacle. It could not be. The changes occurring right now will affect our lifestyle, culture and outlook for years to come. Perhaps we all have something to do and we all bear our part of responsibility...

Here is my explanation. An economic system that rewards merit and innovation is definitely a positive engine for development. But when this merit is translated into ever more abstract investment vehicles and its innovators are just investors that look to profit without offering no value in exchange, with the tacit approval of governments and regulators, a capitalist system will eventually find a dead end in the scarcity of raw materials and commodities, the main one being energy. As the population of the world increases and we all continue to aspire to a form of well being marketed by the western media, it becomes clear that the earth cannot give each family a detached house, 2 Suvs, plentiful and rich food, water for them and their plants, 1 or 2 pets, heat and air conditioning, and all without limits. Corporations soon get to realize that they cannot profit indefinitely by stimulating consumption ever more aggressively and irresponsibly. The values of community, conservation, saving and thriftiness that had been ostracized as idealistic, all of a sudden, become a requirement for survival. The survival of life, as we know it. And with them comes a harsh adjustment in the standard of living; the value of money becomes very relative when energy and the natural resources needed to support human life with a

minimum of dignity become insufficient. The lack of credit from private institutions is just the tip of the iceberg; the increase of the price of gas is just a reminder that life is just another form of energy, and human life depends on it as all other forms of life do.

Those who tried to be more prudent and hoarded cash are also at a disadvantage when governments keep interest rates low and prices go up. A flight to commodities and energy has been the only choice for the cash wealthy. But this demand for commodities is creating another bubble which may spur hunger, poverty, chaos and social unrest before bursting. This speculation on gold, oil, rice and corn, results in inflation and in the ultimate annihilation of its final speculators. Perhaps our greed, the cravings for returns that money may inherently contain, can explain any bubble, real estate or otherwise. However, when populations are small compared to their economic habitat, one can foresee many of these cycles; when populations increase geometrically spilling over the boundaries of their habitats, they are eventually choked by their own toxic byproducts, unless an external force can keep them in check. You could call that force “reason”, or whatever.

Markets go thru cycles and prices depend on supply and demand. Financing will come back as the haves will find a way to profit from the have-nots, be it in the form of insurance, loans, or the financing of healthcare or armies. We will figure it out (innovation), we will adapt, albeit suffering a bit and saying that all times past were better times, telling our kids that life was different and more civil, agreeable, reasonable as our parents once told us. The storm waters will come back to a relative calm. Real estate will pick up again and land will be a priced commodity as populations continue to increase and even more, as populations relocate forced by natural events. But the awareness about the limited nature of the resources that support our lifestyle now or in the long run, is the only thing that will keep us alive as a species. It's the only thing that will make us sustainable.

The status of the local real estate markets in North Queens.

I have to say that North Queens is a privileged area. Its wealthier areas were not financed by subprime loans and its blue collar neighborhoods are resilient to the downturn. Proud immigrants refuse to let go of the American dream and struggle to keep up with bills and payments. A continuous influx

of newcomers to certain areas keep prices from collapsing. In general the Northern Queens real estate market is healthier compared to other parts of Queens. However, all these positive forces may not be enough to counter the price of energy, the lower salaries, inflation and the lack of credit to fund new mortgages. A rebound may come only after we hit rock bottom, perhaps in 18-24 months.

- Long Island City: the boom has definitely finished for condos and new developments. Many builders still have units for sale and some of their former buyers are coming into the market to get rid of their mortgages. So apartments are in oversupply, but houses are not. One to four family houses have seen a minor decline and commercial property is just starting to show signs of weakness. Overall change from a year ago: -10%; forecast for next year: -10%
- Astoria: even though its once thriving businesses are affected and a decline in the price of commercial real estate looms in the horizon, residential one family and multifamily properties in Astoria continue to command a premium. It's the proximity to Manhattan and the convenient transportation. The residential market has barely budged here. Having said that, if economic conditions worsen we may see less transactions and a subtle decline in prices. Change from last year: 0 to +2%; forecast within a year: -7%
- Jackson Heights, E. Elmhurst (11370): residential properties are not moving; middle class buyers are priced out and there is no financing for them. Now they are told that they have to qualify with the proper income, credit and downpayment. But the market is not collapsing because homeowners here put some of their own money as downpayment themselves and have a vested interest in weathering the storm. The coop market is surprisingly strong as buyers that want to take advantage of market conditions and low rates, resort to buy what they can afford and qualify for. Change from last year: -15%; Forecast: -13%
- Corona and E. Elmhurst (11369): the beginning of the year saw a boom in shortsale transactions, that is, sales of house where the proceeds did not cover the amount owed to the bank(s). Many of them did not go through. The banks delayed their decisions hoping for a bailout whispered by lawmakers in Washington. In the second quarter we started to see foreclosures actually coming into the market; banks were not actively pursuing them because they knew that this will push the market down even further. Although rents are relatively high in

this area, in many cases they do not justify the mortgages underwritten on them. This area that experienced a construction boom because of zoning changes and tax abatements (abolished since last year), will hurt more and will take longer to recover. On its favor we can count the high demand from housing created by international immigrants and those who left for Florida, Pennsylvania, etc. and now come back to NYC with a sour taste in their mouths. Change from last year: -22%; forecast in 1 year: -20%.

- Woodside, Elmhurst, North Maspeth, Forest Hills, Rego Park. Although these areas are not homogenous in their developments and architecture they enjoy good transportation means, good schools, shopping and other amenities that make them highly desirable. There was a lower turnover here than in other areas and so the effects of the bubble bursting are lessened. Many apartments complexes exist here and that market remains relatively healthy. Sellers that perceive this to be a buyers market can afford to wait and so few bargains can be found, if any. Properties here sell at market value in 30 days, easily. However many of its homeowners are professionals, investors or business owners whose incomes are being revised by the economic downturn. Change from last year: -8%; forecast in one year: -13%
- College Point: traditionally a blue collar neighborhood with the exception of its north side where it borders Whitestone, College Point recently booming developments have also come to a standstill. The new financing requirements are pricing out many willing buyers. It's two fare zone accounts for a lower housing demand than other neighborhoods along the 7 train corridor. However, many buyers spilling over from the feeding frenzy now occurring in Flushing, are finding College Point's friendly and clean blocks more affordable and are moving here. Some foreclosures have started to pop up without mushrooming like in other parts of the city. Change from last year: -11%; forecast in one year: -13%.
- Flushing: it's still booming because of increased immigrant demand and the depreciation of the dollar against other currencies. Many new condo developments started because of the rezoning in down town Flushing; they seem to be selling briskly, making some buyers expand their search to more remote areas of Flushing. If the immigrant market would be affected, this market could hurt badly; so far it has not happened. Change from last year: +7%; Forecast in one year: -2% to +2%.

- Whitestone, Flushing North, Fresh Meadows, Bayside, Little Neck and Douglaston. Although you could find differences in architecture and income levels in these areas, they all have in common the fact that they are composed mostly by one family dwellings. As any mortgage servicer will tell you, one family loans are less risky than multifamilies. Additionally many of the buyers here, purchased with higher downpayments and did not get subprime mortgages. They are located in good school districts and inventory does not swell up to crisis levels because homeowners here rather be off the market than sell at a loss or perceived loss. Some very few “deals” can be found from motivated homeowners that really need to sell or moving up buyers who bought irresponsibly and can’t afford their new home anymore. But these are counted exceptions; as a matter of fact, a handyman special, a Estate sale or the very unusual foreclosed home, can easily ignite a bidding war. Inventory of overpriced homes is relatively high, but the inventory of homes priced at market is low and moves smoothly, many times going from listing to contract in less than 30 days. However, many of the wealthier business people or professionals that live here are facing the same economic challenges than everyone, even though at a different level. Multifamilies here are still a pricey commodity. Change from last year: -5%; Forecast in 1 year: -10%.

Disclaimer: I am a broker in Northwest Queens for 15 years now and I can say, very proudly, that none of the customers who ever bought a house with me is in foreclosure. Few brokers can say that.

Are you paying too much real estate taxes? How about and increase in your capital gain taxes when you sell? Click here for information on how to reduce your real estate taxes.

Almost all of our neighborhoods have seen a decline in home values from a year ago; then, why is the city taking its time in adjusting to the market conditions? It used to be that they increased assessments at a sustainable pace. But in the later years of the real estate boom and with so many conversions and new developments they started to aggressively increase everyone’s assessment. There is a need at the present time, to readjust these assessments, as soon as possible, so homeowners don’t overpay in their real estate taxes. It’s only fair. We already pay much higher

heating, electric, water and sewer bills. Our tenants, if any, are not paying much more rent, because they are also affected by the economy. We need the city to come down to reality, fast. Note: primary residence homeowners will continue to receive the \$400 rebate (in October though) if they still qualify. To see if you still qualify copy and paste this link in your browser:

http://www.nyc.gov/html/dof/html/property/property_tax_reduc_rebate.shtml#city

You will not believe how many homeowners have received higher assessments than their property is actually worth. This is what I do for a living, evaluating property; I have a college degree and I am consultant for Banks, many times being more accurate than licensed appraisers. Homeowners who request a comparative market analysis react in complete disbelief if their assessments are higher than their market value. No kidding, it is in the interest of the city to keep them high! Also, keep in mind that the city only reassesses property once a year and therefore it is not in tune with changes that occur at a faster pace. Don't be surprised if your assessment is higher for 09 then! Read what the city has to say; according to them values have gone up 1.44%...

http://www.nyc.gov/html/dof/html/property/property_val_valuation.shtml

If you want to have an idea of your property market value before you order a licensed appraiser (which will cost you money), please call me for a no obligation accurate and complimentary market analysis.

If you are ready to appeal your assessment, you must do so before march 2009; pay attention to where it says "Should I appeal?", they are basically telling you that if you are paying lower taxes than you should, you should not appeal! Here is the link to the whole appeals section:

http://www.nyc.gov/html/dof/html/property/property_val_appeals.shtml

Please do not hesitate to call me if you have a question, comment or concern, wether you are selling or not, buying or not, we are all On the Market: 917-559-2002.