



# Going Forward 2023

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BEST OF THE BEST – LOOKING BACK AT THE BLOGS OF 2022

**Counsellors Title Agency**  
FROM RALPH APONTE | 732-914-1400





## Outlook: 2023

*Change is what happens; opportunity is what you do with it.*

So much has taken place in the last year – truly moving from feast to famine. And so we must face the market head on – that whatever we are doing or not doing, it has to be a solution to someone’s problem or need.

The question for 2023 is, what does forward look like? And what is it going to take to get there?

There are a lot of hurdles that 2023 is going to bring with it and to the industry:

- Constricted Inventory
- High Mortgage Rates
- Inflation
- Slowdown in Construction
- Shortage of Buildable Lots
- Higher Maintenance Costs
- Higher Taxes

As an industry, we must commit to adapting to these multiple dynamics affecting inventory, rates, and construction constrictions. People will have to find places to live and raise their families, and the real estate industry is going to learn to help them do that.

Looking forward to a wonderful 2023,

*Ralph*

Ralph Aponte  
President  
Counsellors Title Agency

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## Your Network Is Your Future

### Tips for Using LinkedIn to Build Your 2022 Network – Your Future Lies in the People You Know

2022 is around the corner. Possibly the first place you should begin your own business development is on LinkedIn. Your LinkedIn may not drive raw leads into your inbox but should someone come upon your website and then check out your profile, it may be the trigger that makes them reach out to you.

#### Headshots

A picture is worth a thousand words, and so your headshot is your chance to say what you want without words. Your headshot will communicate trust, credibility, reliability and more. Make sure you are looking at the camera and are smiling.

#### LinkedIn Profile Description

Also in your description, make sure you are speaking to people, not at them, and definitely not selling them before you even get to know them.

#### Give Them a Reason

In your profile, give people a reason to connect with you. What is the benefit that you might offer through connecting?

#### A Case Study

I recently received this invitation on LinkedIn and thought, this guy is good. No pressure. One of the smart things that he did was use my name in the invitation.

#### HERE IS THE INVITATION

Hi Anthony, saw we had some mutual connections and that you are entrepreneurial minded. Would love to connect!

Scott Hedrick Helping clients find personal fulfillment and financial success thru franchising.

#franchise#beyourownboss#franchiseconsultant#entrepreneur#careermanagement

Orlando, Florida, United States

Look at Scott's description, he doesn't throw around any titles, or jargon like New Business Development – Ugggh!

NO! Scott tells you what he can do for you: fulfillment, success through franchising. Simple. To the point!

Also note his use of hash tags: #franchiseconsultant#entrepreneur#careermanagement.

Finally – Location

When it comes to business, people prefer dealing with people that they might know locally.

Scott puts in his geographic area that he does most of his business, sparking the possibility of meeting with him if you are close by!



## Lumber Prices Stay Elevated

Material Costs for Construction Continue to Escalate

Lumber prices appear to be still adding additional cost to new construction. With the record low number of existing homes available for sale, contractors and builders would normally be ecstatic over the shortages. But due to the rising cost of materials and a slow but steady gain in mortgage rates, the cost for new construction appears only to be on the rise.



It is not the only reason why new construction is not on a rapid pace; workers' wages are also on the rise. The shortage of materials as well as the shortage of skilled labor is creating a bottleneck for the construction industry across the country.

The lumber sawmill employment numbers gained 2.4% from a year ago, coming to 90,100 individuals. Also, residential construction was also on the rise hitting 118,500 for the same period in 2020.

But even with the increased number of employees, sawmill output in 2021 for September was 1.2% higher than in September 2020. The inability for the nation's sawmills to increase production only produced significant price gains in August, leaving a very severe production gap. In addition, the current administration has also indicated that they are doubling the duty on soft lumber to 17.9%, which only fuels the fires of inflation for potential home buyers.

Lumber is not the only building material that is experiencing difficulty in this market. Other building materials are also experiencing shortfalls due to the supply chain issues exacerbated by administrative regulatory commissions.

## Professionalize Your Home Work Space

As the pandemic continues to wear upon communities across the nation, and place additional restrictions upon activities and attendance, the work-from-home economy continues unabated.

### Professionalize your workspace

Whether you are working from the office or from a home office, it is vitally important. Your presentation skills are making the most of your time and effort.



Zoom calls are becoming the order of the day, so that being said, make sure that your background in your video reflects the kind of professionalism and quality you want those on the other side of the camera to get when you speak and when you make your points in the course of the conversation. Clear away the clutter and make sure your shelves contain either books or non-offensive pictures.

### **Dedicated workspace**

If you are working from home anywhere from one to two days a week or more, make sure that you clear away the clutter from the area that you intend to work from and keep it clutter-free so that you avoid sitting at the same desk looking at the same disheveled pile of papers. Some home office experts estimate that you end up spending 20% of your time clearing and organizing your workspace. Don't think of it as something that's unnecessary; actually, schedule time regularly to do your cleanup. It goes without saying but make sure you have a place to put your coffee or glass of water and a trash can to dispose of things.

### **Post-it board**

Having a cork board or a erasable chalkboard next to your desk if you have to do some planning or mental organizing. Some things are good to write down, but other things are good to look at and organized from a distance. A whiteboard is a great way to keep your day and your mind focused on the most important task at hand.

### **Eliminate wardrobe**

Another bad habit that seems to sneak into home offices is clothing depots, otherwise known as piles of clothes. Make sure that your office is dedicated to the purposes that you are establishing for it. This should not be the place where you store laundry or jackets or hats. Make sure that your office reflects the kind of work output you're expecting to do, and that includes the quality of the output.

## **January Checklist to Decluttering**

We all want a better, more productive 2022. One way to start with the new is get rid of the old. Here is a short checklist of things to get rid of:

- Old receipts
- Winter clothing and shoes that you haven't worn, trash can
- Toys and games that a stored in the back of the closet
- Old food from the freezers in the house
- Flyers and catalogs
- Company magazines if you are still receiving them
- Create 3 folders: folder 1, paperwork you need; folder 2, for the paperwork you might need; folder 3, paperwork you will never need
- All expired makeup and first aid items
- Put the contents of your junk draw into 2 pots, first pot, out all the house gadgets you use, in the second pot. put all gadgets you rarely use
- Old Christmas wrapping paper
- Old ribbon



- Christmas cards that don't have envelopes
- All the blankets you haven't used in last 5 years

## The Market Crisis in Morris County

Of course, the scarcity of inventory throughout the state of New Jersey has been a headline for over 2 years, but it appears to have hit a new breaking-point.

The available number of homes for sale in Morris County has fallen to just a one-month supply.

This has NEVER OCCURRED.



The New Jersey Realtor website posted its monthly report citing that available inventory for the month of December 2021 bottomed-out at 480. This is shocking, as the number of closed sales of 539 for the month was greater than the available inventory of 480 on the market.

This is not just a strong sellers' market, this is economically unhealthy. Even the Townhouse-Condo sector of the Morris County market reflects this severe state: with closed sales for this past December coming in at 117, and the inventory of available Townhouse-Condos reported to be just 74! This puts the month's supply of inventory at just a 0.6-month supply!

With the supply chain crisis continuing to have an impact upon construction and shortages of skilled labor being an ever-constant factor, we can clearly expect that inflation is going to have a great effect upon the New Jersey housing market in the coming months.

Only the coming months will reveal whether there is some sort of hidden inventory that is waiting until the traditional spring selling season to list, as to whether this is an anomaly or the new normal.

## New Construction Sales

Nationally new home sales were found to have fallen in three out of four regions. The Northeast, Midwest and the South all experienced significant slowdowns of 34.1%, 23.3% and 17.5%, respectively.

It was only in the West where the number of new residential home sales went up and that increase was only 2.1%.

According to the US Department of Housing and Urban Development, the number of new homes sold is on track for an annual rate of 811,000. But the



number of new homes built in the year 2021 came in at only 761,000. Even though the numbers seem strong, these numbers were held back from what was estimated to hit 943,000. What was holding back a great deal of the construction was the disruption to the supply chain as well as a shortage of skilled laborers.

According to the figures, as of the end of December there were an estimated 403,000 new homes available for sale on the market, representing a six-month supply.

The median home sale price for newly-constructed houses fell to \$377,000 from \$416,000 in November, but this is primarily a seasonal drop. Some experts in December estimated that only 22% of the new homes sold were priced under \$300,000, which appears to be keeping many first-time buyers out of the market.

## **Pandemic Continues to Force Retailers to Close Locations**

### **Macy's to Shutter 8 More Stores**

Macy's continues to move forward with the closure of additional stores which represents a total of 125 by 2023. These locations include 2 in Colorado, 1 in California, 1 in Texas, 1 in Missouri, 1 in Alabama, 1 in Florida and 1 in Utah.

As the company continues to revamp its business model, it is moving toward integrating its digital platform and the physical retail locations together to form an omni-channel retail ecosystem.



In addition to Macy's closures, Bed Bath & Beyond announced back in January that it was also closing a number of underperforming locations. At the time of the announcement, Bed Bath & Beyond identified 37 locations in 19 states that were already anticipating 37 to be closed by the end of February.

As part of this revamp, New York and California seem to be the states with the most closures: California with 4 and New York State with 7. The only store in New Jersey to close is the Edgewater store located in Edgewater Commons. Pennsylvania also will be losing stores: 1 in Pittsburgh and 1 in York.

The reconfiguration of the retail economy will continue to face challenges as different variants of COVID-19 affect individual state laws and the protocols and procedures of safety. Back in 2020 Bed Bath and Beyond announced that it was planning to shut 200 of its core stores over the next two years. As the number of stores close, Bed Bath and Beyond stock price has soared by 24.5% over the last 12 months, climbing from \$35 to \$56 per share.



## Historic Surge in Home Equity

### Booming real estate market creating massive well for homeowners.

According to a report issued by CoreLogic, in the fourth quarter of 2021 41.9% of all mortgaged residential properties in the United States were designated as equity-rich. The designation indicates that the combined estimated amount of the loan balance on the properties was no more than 50% of the estimated market value. I know of no other time in the American economic history that so much value accrued within the homeowner market.



The basic forces driving this trend were the historic low mortgage rates, the shortage of available inventory for sale, and some of the biggest migrations from the North to the South due to the pandemic.

The state that reflected the largest increase in homeowners' equity was Tennessee, which rose from 41.4% in the third quarter of 2021 to 47.2% in the fourth quarter of 2021. North Carolina and Nevada ran a close second and third with North Carolina climbing from 38.6% to 44.2% and Nevada jumping from 44.9% to 49.8% from the third quarter to the fourth quarter of 2021.

The accretive trendline continued from the report issued for the third quarter of 2021, which was 39.5% and up from 30.2% in the fourth quarter of 2020.

The only two states in which equity fell on mortgaged homes from the third quarter to the fourth quarter were Wyoming, which went down from 25.8% to 24.5% and Connecticut, which fell from 30.6% to 29.7% of homes equity rich.

Again, not all states enjoyed the huge boom in the real estate market as in some states, underwater homes rose from the 3rd to the 4th quarter of 2021: Wyoming increased from 11.5% to 14.3%, Connecticut increased from 3.8% to 4.3%, and Arizona increased from 1.3% to 1.4%.

The states that had the biggest declines in percentages of mortgaged homes seriously underwater from the third quarter of 2021 to the fourth quarter of 2021 were in the South and Midwest, according to the CoreLogic report. Mississippi reflected the biggest drop in homes seriously underwater, which fell from 17.7% to 12.2%; Maine fell from 5.8% to 4.4% and Iowa fell from 8.4% to 7%.

## What Kind of Market to Expect in 2022 Part 1

Just two months ago the experts were predicting the residential real estate market would appreciate in 2022 by 4%. There was even some consideration that the market might retreat to a deficit. But that's all history now. As we are now deeply into 2022, the consensus amongst real estate firms and experts is that this market



will at least match the 20% peak recorded in August 2021 and may even exceed it, and then some.

One of those experts, Zillow, revised their estimates for 2022, indicating that they expect the home price growth to climb to 21.6% by May 2022. Considering that back in December they were prognosticating a deceleration of 11% by the end of 2022, they are now forecasting – for the time being, that is – that 2022 will end up with home prices appreciating by 17.3%.

The factors contributing to the shift continue to be the shortage of available inventory and continued buyer demand. As of January 2022, the available inventory has fallen by 42% over the last 24 months. This is creating a very difficult and tempestuous real estate market, especially for buyers and in some cases sellers, since they are having difficulty in finding a property where they can downsize to.

In some cases, we have become too comfortable with the idea of homes appreciating by double digits in a 12-month period, when considering for the five years before this, homes on average would appreciate between 4 and 5%.

But not everyone agrees, as is the case with CoreLogic, which has come in predicting that home prices will appreciate just 3.5% year-over-year.

## **What Kind of Market to Expect in 2022 Part 2**

At the core of this market is the fact that there is a new generation of home buyers entering this very constricted real estate market with very limited options. So, with high buyer demand, and even higher interest rates, housing will continue to appreciate, but probably not at the trajectory we had become accustomed to over the last 18 months. Currently the interest rate for a 30-year home mortgage stands at 4.25%, which represents nearly a 180% increase in the last 12 months.

It will be interesting over the next two months to see exactly what does occur as we enter the heart of the real estate buying market. These are the months when people have to make those buying decisions based upon jobs and schools for the children.

Some of the experts, which includes the Mortgage Bankers Association, are projecting that 2022 will represent a \$1.7 trillion purchase market. A large part of this record demand will be due to the highest median price of a single-family home in history, \$350,000. Even though this is a significant decrease from the \$3.9 trillion purchase market of 2022, the housing demand continues to be very strong. Some of the demand is also the result of sellers looking to locate to lower cost, lower maintenance housing markets, specifically from the Connecticut New York and New Jersey regions, to North Carolina, South Carolina, Florida and Texas. There is a concern that with the appreciation of homes, the real estate taxes people pay might trigger a new wave of sellers into lower tax states.

## Housing Starts

In 2021 it was reported that single-family housing starts hit 1.123 million, which is the highest on record since 2006. As mentioned in earlier blogs, builders are finding the availability of buildable lots in very short supply. It is not just single-family homes that are in short supply but also buildable lots. Builders are also facing historic price increases for lumber and other building materials. There is also a significant shortage of skilled laborers. In some areas, such as Montgomery County, Maryland, 85% of buildable land is already developed.

## Marketing Chemistry

It takes energy to market yourself in this economy, especially when some of the marketing initiatives you will have to undertake will be new, requiring you to spend time to learn how to use them.

Unlike paper supplies, marketing energy can't be purchased at Staples nor can it be downloaded from the Google Play Store. Your marketing campaign will require you to commit to a program of consistent exercise and activity.



Don't get upset when I say the word exercise: there are some really great benefits that will impact and expand your bottom line and your top line.

### Exercise Releases Endorphins

One of the first benefits of committing to the exercise program that is right for you is that your body will release what is known as endorphins. An then endorphin is a chemical or hormone that produces a sense of well-being and a positive attitude.

### Exercise Reduces Stress

When we exercise our bodies and our muscles, it has the effect of reducing the stress levels and also mitigates feelings of loneliness and even isolation. Exercise has been known to relieve common anxiety and depression among many people.

### Movement

Everybody knows that marketing takes energy and activity. Sometimes those activities involve moving about, going to certain events, doing certain things that involve interaction with other people. All personal interaction requires a high level of energy. If you don't have the energy, you will not be able to project the positive well-being and the conviction behind any of your product or service statements.

### Brain Chemistry

When the muscles get going and the heart gets pumping, it has an impact upon the brain chemistry or the neural plasticity that allows you to make connections with others. It also gives you an awareness of certain social triggers, such as a handshake or a hug or even a high five.

## **Network**

People who work out regularly establish certain affinity with those who also are committed to the same physical daily routines. When you feel like you belong to something, you behave differently. It's like walking into a room and knowing that you are an insider and not an outsider. Physical fitness produces an insider mindset.

## **Natural Connection**

Once you feel confident about your physical capacity, you might even reach out to others within your industry to work out together. That will only enhance and bond you together on more than one level, rather than just business only.

## **Outdoor Exercise**

As the weather turns more friendly to exercising outside, the body begins to tap into a response that produces the sense of well-being that comes about from meditation. Outdoor exercise impacts your mood, and it is truly an antidepressant because of the increased vitamin D that comes about through our exposure to the sunlight. It also causes us to be focused on the activity rather than the anxiety that we face on a daily basis.

## **Thoughts from Gary Keller 2022**

Gary Keller gave an important speech in Orlando, Florida to the 12,000 people who were in attendance at the Keller Williams event. The presentation was the first of its kind since the pandemic, in which the KW founder spent two-and-a-half hours discussing the housing market, the economic factors that will be contributing to the market dynamic, low inflation and rising interest rates.



The overview was typically very positive from his standpoint. The big hurdle that Keller Williams agents and all agents will come up against is record low inventory available on the market.

He also had some thoughts upon Zillow's decision to abandon their iBuyer program. He warned those agents in attendance that Zillow most likely would look to double down on their model platform for lead acquisitions, which would ultimately translate into a higher cost center for real estate agents.

The approach that he was advocating is to become more creative in networking with individuals and the construction industry in order to bring about the development of homes on buildable lots.

He flat-out told agents "to look for the land, and to buy dirt." Agents in the future will need to find inventory and then bring it to market. He encouraged those in attendance to be on the lookout for development opportunities.

His approach is to encourage his agents to take control of the transaction pipeline, starting with leads. He stated, "He who controls the leads, controls the industry." His encouragement was for agents to develop multiple lead pipelines in order to sustain their businesses. He calls this approach "moving upstream to get the lead."

He did reference during the vision statement that his move to create Keller Mortgage was in order to be "the governor on what everyone charges."

He underscored how the competition for lead generation was only going to heat up and become a priority for every agency.

## New Jersey's Commercial and Residential Real Estate

### Aspire Program

New Jersey's Aspire program is opening up for applications as part of the state's \$14.5 billion Economic Recovery Act. The incentive for the program was intended to attract economic development and commercial and residential real estate projects in certain regions in the Garden State. Note the map to the right.



What this program is intended to do combined with the NJ Emerge Program, is to provide tax breaks for companies that move to New Jersey or expand their existing footprint within the state. The combined two programs are capped at \$1.1 billion a year.

The governor sees these incentive programs as ways to encourage development projects in what are termed overlooked communities.

The New Jersey Aspire funds are targeting mixed-use, transit-oriented, mixed-income and affordable housing projects.

Each of the projects can qualify for up to \$2 million in Gap funding under the NJ Aspire Program, which can cover up to 45% of the cost for a project, or up to 60% of the cost in lower-income communities, thus truly incentivizing the development in underserved areas.



### Qualifications

- Commercial projects, in order to qualify, must be at least 100,000 square feet of commercial or residential space to qualify.
- Residential projects need to have a minimum cost of between \$5 and \$17.5 million, depending upon the particular city. These specific residential projects must be setting aside at least 20% of the residential units for affordable housing in order to qualify.

A mathematical formula will be applied to determine how much greater the dollar amount of economic benefit of the project is compared to the cost of the tax break. In the case of poor cities within the Garden State, such as Atlantic City, Paterson and Trenton, developers will be able to meet a lower threshold than projects located in other regions that have stronger economic underfootings.

In addition to meeting the economic qualifications and specifications such as size, those applying must also have accompanying their application a letter of support from the local municipality top official, such as a mayor. Within that letter officials would be able to outline how the local community and residents, as well as the economy, would benefit and be a recipient of this development.

Under this program the state is setting aside \$2.5 billion for transformative projects over the lifetime of the program. A transformative project needs to be at least 1,000 units for residential or 100,000 square feet for commercial space. The definition of transformative projects is not as clearly defined as developers might like. In other words, it appears that the state is looking for the developers to help them craft the benefit to the community by justifying the monies afforded through these tax breaks and monies provided.

## Commercial Real Estate Remains Strong

The current state of commercial real estate remains solid, with several economic drivers seen as being responsible for this:

- Low inventory of available inventory of existing starter homes
- Inability of construction firms to meet demand for entry-level homes
- Entrance of a new generation of homebuyer into the market
- Growing demand for self-storage units
- Repurposing retail space for hybrid offices



Severe Inventory Shortages Are Driving Prices Higher Across the Board

Never before has inventory within the real estate market become so problematic and constricting. It wasn't 3 years ago that they were counties in the state of New Jersey that had available inventory upwards of 2 years' worth in such counties as Camden, Gloucester and Atlantic.

Inventory shortages are causing price hikes in both for sale and for rent properties for the last two years. Due to these shortages of homes to buy, many first-time buyers are having to wait

out the drought of inventory in rental units; as the growing cost of single-family homes have nearly increased by 50% over the past 3 years, rental units are showing the same price hikes in double digits. The formation of more family units, even demand for rental units going from one to two to three bedrooms, are also increasing and demand.

The National Association of Realtors projects that many multifamily investors are expecting strong demand and higher rents across the board. The trajectory and the momentum of the system does not seem to show signs of abating. Another reason for the demand in bigger rental units is the work-from-home economy, which is requiring that some families dedicate some serious space in their home for home offices.

Both Google and Amazon are increasing their real estate footprint as they look for office space and distribution facilities. Recently Amazon took over a former Sears location in Ocean Township, which had been struggling with slower retail sales for the Sears department store. In addition, self-storage units are being constructed throughout Ocean and Monmouth counties.

## **NJ Homeowners May Get Property Tax Relief**

New Jersey homeowners are going to see something happen that's never happened before, they are going to get property tax relief.

New Jersey Governor Phil Murphy presented a proposal for the coming fiscal year as part of his effort to finally address the burden of property taxes for New Jersey homeowners. The governor framed his proposal in the form of making New Jersey more affordable. But his efforts will have a long way to travel, as New Jersey ranks number one in the nation for the highest property taxes. Not only have New Jersey property taxes taken first place for the last five years or so, you sure have seen property values appreciate over the last 3 years by up to 39% due to the pandemic bull market.



The governor's choice of words, affordability in New Jersey, will be fighting a very stiff uphill fiscal battle in the coming years.

This new proposal will also benefit New Jersey renters.

### **To qualify:**

New Jersey homeowners filing for the relief must make less than \$250,000 a year in order to get the credit toward their property taxes of up to \$700 for the coming fiscal year. New Jersey renters will receive up to \$250 as long as they do not make more than \$100,000 a year.

It is estimated that the proposal would benefit up to 1.8 million New Jersey residents. The cost of the program is estimated to be \$900 million, and would grow by 2025 to \$1.5 billion. This would bring the total benefit to a homeowner to \$1,150 per year.

But as with every state concession, it will require the lawmakers to renew it each year in the budget, as opposed to **the state sales tax, which never needs annual renewal**. Current tax laws in the state of New Jersey traditionally have targeted the wealthy and businesses. There is really an effort to address the chronic compulsion to spend as much as possible on the state, county and town level.

The governor's proposal is being challenged with another \$3 billion package, which gives back to the taxpayer excess tax collections in the form of refundable tax credits.

According to recent estimates, the average annual property tax rate is approximately \$9,300 a year and is the highest in the country. The bulk of those taxes are funding schools and local governments with their ancillary services. This proposal by the current New Jersey governor is the first he has made in an effort to address New Jersey's punitive property tax code.

## Spring Selling Season Is Here

Springtime is usually the traditional time that home buyers and home sellers are coming together as the flowers bloom. As I said, traditionally; but the last two years have been anything but traditional. The average home appreciation in the state of New Jersey over the last two years approaching over 30%, inventory shortages are creating bottlenecks for buyers, and sellers are finding it difficult to find a reasonably priced home to move to. This is May 1st in terms of the real estate market coming to somewhat of a standstill. Plenty of buyers, not so many sellers and interest rates continue to rise.



According to realtor.com, April 10th to the 16th is the best time to list a home in 2022. That may have been true in 2019 but this is in no way a traditional market. Home prices, according to their research, are \$39,000 higher than they had been back in 2021 and there are 29% more buyers viewing listings online.

The experts, those who run the numbers, are trying to match 2022 with trends that have been in existence from 2010 to 2019, but right now there is a shortage open inventory, and affordability is now the new big mitigating factor.

According to realtor.com, homes during this week sell 13.2% faster than the average week. But again, inventory shortages and high prices are having their impact, and historical evidence no longer appears to be as relevant as housing shortages dominate everyone's mindset.



One thing is for certain: listing price for a home is currently what sellers are now used to getting plus a few thousand dollars more. The average single-family home in the month of January 2022 sold for 101.3 percent above listing price. And the days on market sell on an average of 40 days. You want to talk historical, let's look at the average percent of price received back in September 2018, which was then 97.8%. And back in September 2018, the months supply for homes **was at a six-month supply** with the average days on market coming in at 63 days. This is clearly going to be a very interesting spring, as to whether buyers will become completely impatient and spend more than they should for houses that they can't afford, or will they consider waiting out this market for another year?

According to realtor.com for the New York, New Jersey, and the Newark areas, March 20th is the best week for a home to be listed.

## Now Inflation and Inventory Impact Rental Markets

The inventory crisis that has plagued the real estate market for the last two years is now bumping heads with the supply chain issues that are curtailing builders' abilities to meet demands for new homes. On top of it all, inflation has hit the economy like a tractor trailer jackknifing on the highway. The inflation rates that are being recorded have not been seen this high in the last four decades, dating back to the early 1980s. This is having a serious impact upon not only food prices, transportation costs, and other materials but it now seems to be driving the average rental prices higher.



According to the Zumper National Index, the median cost for a one-bedroom apartment hit another new all-time high in February and was the ninth time in 10 months that a new record was set.

Right now, New York City leads the way for the highest cost for a one-bedroom apartment coming in at \$3,100 a month.

The inflation crisis is creating a challenge for first-time homebuyers especially, who are finding it very difficult to put away enough money for a down payment for their future home purchase. Supply chain disruptions are having a palpable impact upon the price of rough materials, and construction materials creating havoc for builders nationwide.

As housing costs increase, the consumer price index also moves significantly higher, where housing costs are factored into this. The Zumper National Rent Index reflected a 12% increase for the median cost of a one-bedroom apartment rental year-over-year. The Zumper National Rent Index also reported that a one-bedroom apartment cost hit \$1,393. The median cost for a two-bedroom apartment increased to \$1,708.

The problem persists, whereas Zumper reported that the average rent in New York City for a one-bedroom climbed an additional amount to \$3,295. This represents a 32% increase year over year. These record rental numbers are having an impact upon home sale prices. As rental prices increase, buyers and would-be buyers are being forced to consider purchasing a home and even paying more than they would for a rental for the benefit of accruing equity in their home.

## **Mortgage Rates Begin to Be a Factor**

As mortgage rates hit an average of 4.6% on a fixed 30-year mortgage, experts are concerned that the rise in rates will impact overall sales of properties.

Still, demand for homes remains historically very strong as January home sale prices increased by 19% year-over-year, according to CoreLogic. They anticipate the numbers for February for New Jersey to be published on the 23rd and 24th, but many are expecting sales to reflect inventory shortages and high mortgage rates.



The problem with this imbalanced market is that it is clearly shutting out many first-time home buyers. Asking prices appear to be easing a bit. This, according to realtor.com, reflects the first time in months sellers have been willing to accommodate the higher cost for home purchases.

As is stated in earlier Counsellors Title blogs, rental costs are also increasing at a proportionate rate, making it difficult overall for the Millennial market of 45 million as they enter the early stages of home formation.

First-time home buyers are having to scrutinize not only interest rates and the price of a home, but also what they can actually afford to pay monthly. The uncertainty of the economy forces first-time buyers to allow a greater cash cushion in the event of unexpected expenses. First time home buyers have to consider that the house they buy, today they may be in for the next 5 to 10 years, so there has to be some forethought given to every decision. One way that first-time buyers can cut down on the cost is to avoid private mortgage insurance. They can avoid such cost by being able to put down a 20% down payment.

The good thing about the rising mortgage rates is that it may cut down on the competition from other buyers. Every first-time buyer has to have a clear budget in mind whenever bidding on a home. The war in Ukraine is obviously also complicating matters more, adding some uncertainty to the economic landscape.

## 5 Marketing Tactics for Spring 2022

Marketing is a skill, not just a business card or a headshot. A marketer knows that things change; like a sailboat can weather stormy seas because it is capable of leveraging the winds of change in order to navigate to its final destination. In the book *How to Survive Change*, the author writes, "Welcome to Permanent Whitewater."

The word "MARKETING" is displayed in large, bold, multi-colored letters. Each letter has a different color and a textured, almost metallic or stone-like appearance. The colors include shades of blue, green, yellow, orange, and red. The letters are set against a plain white background.

Marketing, like a healthy body, is a discipline, and it doesn't just come down to pure strength. I think of marketing as a type of sailing; why can a sailboat weather stormy seas? Because its captain knows how to leverage the winds of change in order to navigate to the desired destination. In our business, the standard time a home would remain on the market averaged 6 months for years, even decades. That is the way people did business; but not anymore. Now with inventory at these new record lows, time went from being a commodity to being problematic. The biggest danger in the real estate business is indifference to market trends. The markets are going in three different directions at the same time: less inventory, higher interest rates and higher prices. Vigilance is always necessary and now resilient marketing strategies.

Here are some ways to become more market-resilient:

**Digital Marketing:** A strong internet marketing plan consists of a variety of marketing tactics and best practices. Where are the buyers? What kind of exit strategies can you offer to your sellers? This includes strong Pay Per Click (PPC) campaigns, constant Search Engine Optimization (SEO), constant updates to keep up with new requirements from Google.

**Banner Advertising:** You should link banner ads that appear on the websites buyers and sellers frequent, with ads driving buyers back to a landing page.

**Blogs:** No real estate professional should be without a blog. Put your knowledge to good use: it's not helping you as long as it stays in your head. Credibility is born on the web these days first. Don't ignore your future by failing to do what is necessary today.

**LinkedIn:** Your LinkedIn Profile should be your golden-ticket closing when it comes to confidence and industry cred. Vickie Sells New Jersey Dot Com is not credible! Your testimonials are where others will look to see if what you say and what others say adds up.

**Email Newsletters:** Everyone should have a newsletter, just to keep their face and message on the top of the pile, but not everyone knows how to write and deliver a newsletter. If you don't have the time, make sure you get someone who knows your market and writes well and provides you with a credible newsletter. And the letter has to come out more than once a month. There is too much information floating out there.

## **The New Normal – Tight Inventory and Higher Rates**

CoreLogic reports 12 consecutive months of annual home price increases. The home price increases are only further complicated by the rising mortgage rates that have crossed the 5% line. Except for a few days in 2018, mortgage rates have been below the 5% benchmark since 2011. CoreLogic reported February home prices actually increased by 20% since February 2021.



Mortgage applications fell dramatically with refinance applications down 62% from the same period in 2021. The refinance share of total mortgage applications fell from 51% a year ago to 38.3% in 2022. The first-time home buyers continue to face an uphill battle whether due to the inventory shortage, the influx of buyer demand and now the higher mortgage rates.

According to the Mortgage Bankers Association, mortgage demand fell by over 6% from the prior week and 41% from the same period in 2021.

### **Wall Street**

Notwithstanding, Wall Street, in many cases, has bought up many mid-range homes in attractive regions throughout the country depleting available inventory especially for first-time buyers. Wall Street saw a good investment by stocking-up on single-family homes that they could rent over the last three years.

CoreLogic has also reported that institutional investment purchases of single-family homes, including such of industry's largest players including Blackrock, are pulling back on their investment dollars into the real estate space.

According to the most recent CoreLogic report, the share of homes purchased by investors fell in November from a high of 26.9% in October and leveled off at 21.4% in December, possibly forecasting that investment activity could be returning to pre-2021 levels.

## Warehouse Construction Surging in New Jersey

### The Surge in Warehouse Construction

There is clearly a scramble for buildable parcels of land, especially for warehouse use. New Jersey is in the middle of an ongoing warehouse construction boom as a result of the surging demand created by online shopping, where available space is needed for inventory. Demand for space especially in Northern and Central New Jersey is exceeding supply for the fourth quarter of 2021.



The vacancy rate for warehouses fell to 2.7% from 4.1% a year earlier. In addition, the vacancy rate fell from the previous quarter to the fourth quarter from 2.9%. Also, the average rent received per square foot climbed from \$10.72 to \$11 per square foot. Where the biggest increases were reported, the rents received for the top class of warehouse space for average asking rent shot up 46% year-over-year.

The demand for warehouse space in Northern New Jersey is actually creating a demand for warehouse space in Southern New Jersey. The concern is that if warehouses are built, they might overwhelm the local roads with trucks and volume, impacting the quality of life in those residential areas. To date, no state agency has stepped forward to regulate the booming warehouse industry. Yet, the competition for available buildable warehouse land has risen in New Jersey to the point that New Jersey is no longer seen as a combination of local regions but a single market. Logistics companies that are having capacity and shortage issues in Northern New Jersey are pursuing opportunities in Southern New Jersey such as Burlington County. At this point there isn't any available buildable land off the turnpike entrance in South Brunswick. As demand increases and shortages begin to wear upon the logistics companies, it's most likely that it could lead to the redevelopment of what is now under-utilized office parks.

### The Importance of Title Insurance

The average person will own 3 homes in their lifetime.

So the choice of title insurance will protect them against defects in the property's title is crucial.

Title insurance provides protection to mortgage lenders and homebuyers against defects or problems with a title when there is a transfer of property ownership. If a title dispute arises during or after a sale, the title insurance company may be responsible for paying specified legal damages, depending on the policy.



For the majority of people, their home purchase represents their largest single individual investment. As a result title insurance is necessary to preserve and to indemnify against claims made against that property that may have occurred in the past. There are a number of very reputable title insurance companies, one of which is Old Republic Title, which has been around since 1907.

### **Selection of Title Insurance Agent**

The selection of a title insurance agent is one of the most important decisions the homebuyer makes. The stability, the resources and assets of the insurance company, as well as the diligence of the agency to complete a title search is very important.

Many times with homebuyers, their representing agents may recommend a title company to them. One of the reasons for this is because the real estate agent is familiar with the quality of service offered and the ability of the title agency to execute swiftly without glitches.

Title agencies may also be involved with closings and the settlement. This is an important part of the home purchase because the closing is a result of a process. It involves a legal commitment to a mortgage loan company, following the down payment and other items. The closing fees can represent up to 70% of the home purchase costs at the time of closing. These fees can include title search, document preparation, notary fees, settlement fees and other charges.

## Wall Street Slows Down Purchases of Homes

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For the fourth straight month there has been a decline in the National Home Builders Housing Market Index, which has fallen below 80 for the first time since last September. According to the NAHB, anything above 50% is positive but there is concern that the trend line continues to give pause to individuals' unbridled optimism over the course of the current real estate market. February's NAHB Housing Market Index fell to 79.

# Tips on Buying Your First Home

## How much house can you afford?

Searching for your first home purchase is probably very long on the list when it comes to making sure your deal closes. Number one financial factor: before you think about buying your first house, you have to know your house buying budget. If your budget doesn't work, it doesn't matter what house you may close on, should conditions change, that investment is at risk to defaulting, without the proper financial buffers in place.



So here is some of the terms that any first-time buyer needs to be familiar with: 30-year fixed-rate mortgage, points, down payment, insurance, title insurance, utilities, budget, Reserve finances, DTI ratio which equals total monthly debt, insurance, property taxes versus pre-tax income. The DTI rate should not exceed 28% of your monthly income.

Example: taxes and insurance are 1500 a month, monthly income is \$5,000 a month, the DTI equals  $1500 / 5,500$  which equals 27.27%, so you are good.

What they suggest on nerd wallet is to multiply your income by 28%. So if your income is \$7,500 a month multiply that by 28% and that is your DTI, which in this case is 21.

What is recommended is the 28% 36% rule which suggest that if you're earning \$6,000 a month and have \$500 a month in existing debt payments your monthly mortgage payment can't exceed \$1,500.

# Home Office Space that Sells a House

One of the reasons the residential real estate market took-off like it did during the pandemic is because there was a rediscovery of the spaces and the services that once made suburbs so attractive were rediscovered. The commuter culture evaporated, and the work-from-home (WFH) business model emerged.



## Home Office Space that Sells a House

Even certain real estate surveys are showing that a home office brings added value to the perceived value of a home on the market.

The pandemic may have subsided but the shift to hybrid work culture is here for good. The survey conducted by the National Association of Realtors found that “63% of respondents indicated that they plan to buy a new home in light of their ability to work remotely.”

What was even more compelling is the survey found that “listings featuring a home office command a 3.4% price premium and sell nine days faster than listings without one.”

What is making the WFH culture stick even more is the fact that digital platforms are becoming the primary way home buyers initially scope out available listings. The online services such as Zillow, Redfin, Realtor, Trulia and Movoto are more popular than ever.

The home office can become another ‘selling feature’ in that a person’s home office can become a tax deduction. Up to 10% of a home can be deducted for a business expense as the WFH model becomes more prevalent.

A recent study by SHRM showed that 1/3 of the workforce wants to return to the office full time, 1/3 want to WFH full time, and 1/3 want a hybrid or “flex.”

- When putting together a home office, make sure that employees have a dedicated workspace (preferably with a door).
- If employees are working from their dining table or bedroom, it is harder to have a clear focus on the job or their personal life.

# Rooms that Raise the Value of a Home for Sale

While demand to purchase homes continues to outstrip supply, potential sellers are seeking the most cost-efficient ways of staging their homes to attract the best price. The annual owner improvement and repair spending is estimated to reach \$430 billion by the





second half of 2022.

While the renovation industry booms, homeowners looking to get the best price are looking for modest ways to increase home values. The areas that might make the most sense to improve are bathrooms, basements, exteriors and outdoor areas, home offices, kitchens.

**Bathrooms:** Clean, up-to-date bathrooms are attention-grabbers for potential buyers. Though replacing everything in the bathroom translates into thousands of dollars, possible replacement of the toilet or a vanity will go a long way to increase the eye-appeal of a home.

**Basements:** One of the things that has changed over the years is the perceived value of a basement in a home. But today, basements are being turned into physical fitness areas, storage and even mini playrooms.

**Exteriors & Outdoor Areas:** Starting with the curb appeal, first impression of a home will become the lens through which every buyer will analyze the property. Trim and prune outside vegetation. Lots of mulch, clean pathway to the front door, and especially, a front door that makes a statement visually: Welcome Home! The Outdoor Areas can include a deck or patio, but what has become a real trendsetter is the fire pit. Also, give some attention to lighting design, landscaping and the right kind of table and chairs.

**Home Office:** The hybrid economy is now a reality. According to a survey from the National Association of Home Builders, 63% of today's buyers want a home office. According to *Money Magazine*, homes with offices sell for about 3.4% more than those that don't have a home office. The home office needs to be set-apart and soundproof with great wifi.

**Kitchen:** The heart of every home, the kitchen today needs to have great lighting. The demand for a center island is strong but having great counter space with access to living spaces, such as an open concept living room, is ideal.

## Affordability and Scarcity

*Affordability is the new real estate buzzword.*

The last two years the inventory shortage that has impacted the market has ultimately driven prices over the last 30 months to hit all-time highs. In addition to making it somewhat lucrative for sellers of homes, the rise in prices has made buying a home more expensive, entering the realm of unaffordability. According to a recent report published by the National Association of Home Builders, 48.7% of all homes are characterized as being within the financial reach of a middle-class family; that means that nearly 52% of all homes sold are out of the financial reach of average Americans.



Does this represent a bubble or a logjam? Home builders are still reluctant to jump into the home building frenzy with abandon because of the collapse of the market back in 2007 and 2008. In addition, the supply chain issues that are impacting car dealerships and computers are also affecting supplies necessary for construction projects. This is only going to contribute to the inventory shortage as well as the escalation in prices not only for existing homes but also

new construction. According to the NAHB, every time a mortgage rate climbs a quarter of a percent, approximately 1.3 million American households are priced out of the real estate market.

These sorts of financial currents are impacting families in terms of where they can afford to live. Right now, the study conducted by National Association of Home Builders indicates that Lansing, Michigan; Indianapolis, Indiana; Scranton, Pennsylvania; Rochester, New York and Dayton, Ohio happened to be places where first-time home buyers can enter into the market without jeopardizing their financial base.

### **The Most Affordable Places to Live in New Jersey**

According to an article in *Extra Space*, these are the most affordable places to live in New Jersey:

- Hightstown
- New Brunswick
- Phillipsburg
- Pompton Lakes
- Rahway
- Toms River

## Runaway Market Slows to a Walk

For the last two-and-a-half years the real estate market has been in such an accelerated trend that it was acting more like the stock market rather than the real estate market. In contrast with the inflated market that led to the 2008 crash of the stock and real estate markets, this market is based upon historic shortages of inventory, low interest rates, and a supply of buyers that has been pent up for a number of years.



We are now starting to see a flattening out of this curve from prices of the extravagant to a more reasonable level.

Recently, the robust summer rental market for the Hamptons has found a large number of unexpected vacancies, which are producing some very harsh price cuts. Some of this excess demand has a great deal to do with the inflated rental prices that the Hamptons have often seen to command. There are other factors that are affecting the lack of enthusiasm: the historic inflation rates that had been stripping household budgets and the ridiculous increase in the cost of a gallon of gasoline. Today it seems that a gallon of gas goes for \$5 a gallon, which is nearly 90% higher than it was just a few years ago. And now a barrel of oil is going for over \$117 a barrel: this hasn't been seen since the time when inflation was out of control back in the '70s and early '80s.

One report stated that rental prices in the Hamptons have fallen off a proverbial cliff by at least 26% in 2022. According to some articles, owners and brokers are cutting rental prices by 30% or

more just to keep the vacancies at bay. In a recent article, a waterfront rental cut its price from \$70,000 to just \$45,000 a month.

### **The New Jersey Market**

The New Jersey summer rental market was, for all intents and purposes, fully rented by February or at the latest March.

“The Jersey Shore summer market has been very strong for the last few years. What we are seeing is that with the work-from-home economy, families are able to book vacation family times in September and October when the crowds dissipate, and the water temperature is still warm,” commented Anthony DiMaio, a New Jersey- based real estate blogger.

The average rents nationwide have hit over \$1,800 a month, adding fuel to the inflationary fires that have been hit by the supply chain blockages. In Monmouth County, some good news is that in March the month supply of inventory increased by 9% from 2-month supply to a 2.1-month supply. That was not an anomaly, because in April the supply increased even further from a 2.1-months to a 2.4-months’ supply which represents a 14.3% increase year-over-year. This is encouraging news because it points to an increase of supply which flattens out the price hikes for single family homes. One other point: the increase in the median sales price for a single-family home in Monmouth County increased from \$590,000 in March 2022, to only \$605,000 in April of 2022. All of this seems to be pointing to a healthier real estate market. Let’s see how long this lasts.

## **New Jersey Towns Paying the Most Taxes**



1. Millburn – a suburban township in Essex County, came in first in the highest average property tax bill of \$24,485 in 2021.
2. Demarest – had the highest average property tax bill in Bergen County, paying \$21,983.
3. Tenafly – in 2021, Bergen County borough, saw homeowners pay \$21,966 on average.
4. Mountain Lakes – in Morris County, averaged a property tax tab of \$21,868 in 2020.
5. Glen Ridge – saw its average property bill increase to \$21,647.
6. Rumson – made the list for highest property tax bills, averaging \$21,591 in 2021.
7. Alpine – located in Bergen County, paid \$21,438 in 2021 on average in property taxes. Alpine is a borough where the average residential property value is \$2.8 million in 2021.
8. Princeton – is the only Mercer County municipality to have made the list, where the average paid in property taxes was \$20,510 in 2021.
9. Essex Fells – described by a NY Times article as being ‘Very Norman Rockwell,’ was one of four municipalities in the top 30 to see a drop in the average 2021 property tax bill. Homeowners paid \$20,374 on average here, a decrease of \$39.
10. Montclair – The average homeowner in Montclair Township, Essex County, paid \$20,320 in 2021.

### **Tips for Improving Your Email Signature**

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## 11 Elements for an Irresistible Email Signature

What should you include in an email signature? There are plenty of pieces of information you can choose from. Scan this list and decide which ones are best for you and your situation.

- 1. Your full name:** Use your professional name, but also make sure that if people call you Jimmy, include that as well.
- 2. Include your title,** and any professional designations. Also awards like New Jersey Circle of Excellence.
- 3. Address/Website:** You can include your street address, but your website is even better.
- 4. Telephone number:** Make sure you include your numbers, designating with an O for office and M for mobile.
- 5. Social media links:** If you maintain a social media presence, use the social media icons.
- 6. A headshot:** Your headshot will say more about you than most other information. It puts a face on the name and that can make all the difference in the world.
- 7. Your business logo:** The logo will establish a neuro-connection between you, what you do and what business you are in.
- 8. Your YouTube channel:** If you have a YouTube channel, feel free to put it into your signature. Here is a great example: <https://www.youtube.com/watch?v=-6ABdqE0QB8>
- 9. Your LinkedIn:** LinkedIn is different from Facebook, Twitter and other platforms in that it is all about presenting a business profile. On LinkedIn you can post articles, which can give people a deeper insight into what you know and how you go about doing it.
- 10. Engage:** In your email signature you can also drop in a question, but make sure it is not the same question all the time. You can have it link to a landing page where they can get a FREE tip sheet.
- 11. Booking links:** If you don't have a booking link on your signature you are missing out. Include a Calendly link that goes to your booking calendar.



## JCPenney Slates Eatontown Store to Close

### Another Monmouth Mall chain closes its doors.

On Wednesday news broke about JCPenney's decision to close its Monmouth Mall location. JCPenney has been in bankruptcy protection since May 2020. They have been burdened with over \$11 billion of debt. In order to emerge from bankruptcy, they have been moving some of their real estate assets into a REIT, which would possibly be able to give them the liquidity necessary to come back to full operation. Because of the pandemic, JCPenney saw its store sales plummet 88%.



This decision to close its Monmouth Mall location is not unique: it follows the recent closure of Lord & Taylor back in 2019. In addition to Lord & Taylor, JCPenney has joined ranks with other New Jersey big retail chains such as Kmart and Sears, who have also closed their doors for good. The business model for these institutions has been severely affected by not only issues of supply chain, and Amazon's domination of the retail business, but also inability to pay retail workers beyond minimum wage.

Now shoppers are going to be left with even fewer choices when it comes to traditions such as Black Friday, Back to School shopping and other seasonal events.

JCPenney opened its doors in the Monmouth Mall back in 1976. The owners of the Eatontown Mall, Cushman Companies, have approached the Borough Council with the probability that the JCPenney store will be demolished and replaced with apartments. Cushman has owned the Monmouth Mall for a decade and has faced a great deal of pushback on many of its proposals, but with the pandemic and the failure of many retail stores to keep their doors open, the Monmouth Mall appears to be on the threshold of being redefined by its owners.

JCPenney has closed other stores in New Jersey over the past few years, such as in Rio Grande and the Cumberland Mall in Vineland. Also, the JCPenney chain closed its Hamilton Mall store in Mays Landing in 2019.

The Monmouth Mall has seen many different anchor stores that have come and gone. Back in 1987, the Bamberger's brand was eliminated, and the store was renamed for its parent corporation, Macy's. Other anchors over the years include Caldor, which replaced Alexander's in 1986, and Lord & Taylor replaced the former store Hahne's in 1990, Stern's replacing Abraham & Straus in 1995 and Boscov's replacing Stern's in 2001.

## Reasons People Are Leaving New Jersey

### Reasons People Are Leaving New Jersey

There isn't just one reason people are leaving the Garden State; a great deal of the basis for their decisions to leave are based upon these factors:

- 1. Factors concerning retirement.** Many New Jersey retirees are moving because of change in occupations.
- 2. High Taxes.** Highest real estate taxes in the country, plus sales tax and state income tax.
- 3. New Jobs.** The ability to work virtually is having an impact upon the state, plus many businesses have migrated to states such as Texas, Florida, Tennessee and North Carolina.
- 4. Cost of living.** As the quality of life is important, cost of goods continues to increase. As real estate value increase it adds a cost factor to everything in the state.
- 5. Education.** New Jersey's education system is considered to be one of the tops in the nation,

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but still, it is too expensive.

**6. Expensive Housing.** The average median cost for a single-family house in NJ is over \$610,000

**7. Warmer Weather.** Some residents are looking for a less severe winter.

The top 25 towns losing the most population are in Essex, Passaic, and Hudson counties.

All of the top 20 are in four counties – including eleven in Hudson County.

Trenton, which is in Mercer County, was #23, losing 400 residents, falling to 90,457.

1. Pine Valley, Camden County: Down 35% to 13 (and now, merged into Pine Hill)
2. North Bergen, Hudson County: Down 4.3% to 60,612
3. East Newark, Hudson County: Down 4.3% to 2,477
4. Kearny, Hudson County: Down 4.3% to 40,370
5. Secaucus, Hudson County: Down 4.2% to 21,295
6. Union City, Hudson County: Down 4.2% to 65,538
7. Guttenberg, Hudson County: Down 4.1% to 11,502
8. Bayonne, Hudson County: Down 3.3% to 69,211
9. Hoboken, Hudson County: Down 3.3% to 58,690
10. Essex Fells, Essex County: Down 2.9% to 2,182
11. Jersey City, Hudson County: Down 2.9% to 283,927

## 5.4 Million Homes Available

The housing market will reflect a different configuration of correction moving forward.

Even though prices seem to have eased in terms of the trajectory of appreciation, the inventory shortage and the constriction on building supplies will continue to make housing a hot sector.



According to realtor.com, there were approximately 6.1 million homes available for sale back in 2021. As of May 2022, the national inventory of available existing homes fell to 5.4 million. This translates into a decrease of 18.7% fewer homes for sale than there were a year ago.

Though the actual number of sales has fallen, a great deal of that decrease is attributable to the decreased number of existing homes available for sale. In addition, buyers are continuing to pay more from mortgages and higher down payments, making the home purchase difficult for first-time buyers.

### **There is no normal**

Should we enter into a period described as recession, this recession will be unlike any other negative economic cycle we have yet to experience. One reason for this being the job market continues to be very strong, and the overall infrastructure activity necessary at this time will continue to sustain a healthy job market. There may be a reconfiguration of the way businesses operate as it is with leasing offices, but the hybrid model has arrived, and businesses will continue to adapt so they can function and attract high-caliber talent.

Anecdotally, there are a number of institutional buyers out there looking to purchase properties as a means of creating multiple streams of income. Wall Street is one of these markets but there are other markets, such as actual governments approaching farm property and other resource land that will prove to be valuable in the future. And what is clearly different from the last crash is that lenders are very cautious about how much they are lending and to whom they are lending, this feeling that higher credit scores and credit health are prerequisites.

Another factor that distinguishes this current market from the market of 2006 to 2008 is that there is not a large percentage of houses in foreclosure. The appreciation of the overall market for the last 30 months has erased a great deal of negative equity that had played into the last market decline.

One of the factors that will reflect markets that will not be able to sustain their current levels will be those that are experiencing high levels of migration such as Connecticut, New York and Pennsylvania/ In addition, California is also experiencing a high number of migrations.

## Information Documents Sellers Must Have

There definitely needs to be a selling strategy beyond the price when to hold the open house. If you are considering selling a home, there are a series of documents that are involved with the actual transaction including inspections, appraisals, disclosures and even attorney review documents.



### Disclosure Documents

- New Jersey homeowners who are considering selling their property should be advised that there are legally implied warranties that the property is habitable.
- The seller is required to disclose any known, latent or material defects in the property. This includes leaks, problems with the foundation, floors, plumbing or electricity. The homeowner needs to disclose the type of heating system and electrical issues. The homeowner also has to disclose if there are any problems with respect to termites or pests. In addition to this there has to be a disclosure as to certain deed restrictions for the property. As in any matter of real estate, it is beneficial for the seller to be working with an experienced real estate attorney.

### Offers

Another facet of the home selling process is the acceptance of an offer. There may be multiple offers presented to the seller and even counteroffers. The seller should keep in mind that buyers may put contingencies into their offer involving loans and appraisal. Many times, a cash buyer is usually considered the best offer because of the ability to close quickly on the property.

# Rentals Are Seeing Higher Prices

## Rentals Rising

- Increases in the Garden State were a bit higher than the national average, as monthly rents for all New Jersey homes went up 27% since last January.
- The average rent for New Jersey residents currently stands at \$2,267/month
- The rental market has become a “predatory sector of profit-making,” said Staci Berger of the Housing and Community Development Network of New Jersey. New Jersey has the 6th highest rent in the country out of 56 states and territories
- Single-family rent prices continue to increase, up 13.4% from 2021
- The trajectory appears to have slightly flattened from earlier months in 2022
- The issue remains if this is a deceleration or a pause
- The job market added 528,000 positions in July, which returned the employment rate to its pre-pandemic level
- The cost of home ownership continues to rise significantly, forcing potential home buyers to rent



## Price It Right – Listing to Sell

### *Pricing a Listing Right*

*If the price and the pictures don't match, immediately you have a credibility problem. You know what they say about first impressions: that's how we judge people and that's how we judge properties. We are geared to make snap judgments, especially in this high-speed economy. We want to have all the metrics and the details and the pictures that go along with the listing right there in front of us, and if something doesn't click for us, we immediately move on. Sellers have to be aware of what they call the unconscious bias of buyers. It's very easy to discriminate against the listing if it's not properly presented.*



The trick to listing a home is not just one thing, it is the combination of factors, all of which need to be considered:

**1. Timing.** Each listing is going to attract a certain demographic. Be cognizant of it, don't ignore it. Families looking to move aren't doing so in September... kids are going back to school.

**2. Pricing.** Don't be a price greedo.

Especially if you are not going with an agent who is familiar with your neighborhood. They are usually so happy to get your listing that they will agree with you on the pricing strategy. The idea of "ask for a lot, you can always lower it" can come back to bite you. I know of an owner who listed a house for \$629K last year and not only did it take 4 months to sell, but he sold it for about \$40K less... He would have likely gotten more if he listed it at an intelligent price and allowed bidders to drive up the price. In addition, he lost out on the potential family buyers that were looking for such a home in a good school district.

**3. Do a "Coming Soon."** This is the new trend, especially in a low inventory market. Build up your buyer momentum.

**4. Make sure your pictures match your price.** That same seller who listed too high placed a picture of the road outside of the house as the #2 picture in their gallery and failed to describe the fact that the first floor was an open concept.



## Negative Homeowner Equity Falls

### National Homeowner Equity

CoreLogic reported that in the second quarter of 2022, the average homeowner gained approximately \$60,200 in equity during the past year. The CoreLogic analysis showed that U.S. homeowners with mortgages (roughly 63% of all properties) saw their equity increase by a total of over \$3.6 trillion since the second quarter of 2021. This represents a gain of 27.8% year-over-year.

### Negative Equity Falls

In the second quarter of 2022, total number of mortgaged residential properties with negative equity decreased by 7% from the first quarter of 2022, falling to 1 million homes, or 1.8% of all mortgaged properties. This market trend continues the decrease of negative equity year-over-year, by 18% from 1.3 million homes, or 2.3% of all mortgaged properties.



The national aggregate value of negative equity was approximately \$302.7 billion at the end of the second quarter of 2022. This is up quarter-over-quarter by approximately \$3.2 billion, or 1.1%, from \$299.5 billion in the first quarter of 2022. Negative equity peaked at 26% of mortgaged residential properties in the fourth quarter of 2009, based on the CoreLogic equity data analysis, which began in the third quarter of 2009.

# The Best Time to Buy a House

## When's The Best Time to Buy a House?

Traditionally, according to real estate professionals on a nationwide basis, the week of September 25th to October 1st is the best time to buy a home. Notwithstanding, the pandemic happened and in some ways all bets are off. It does seem that sellers in general are not as ebullient about the current market with respect to pricing, and a good number of sellers have recently reduced their prices.



But clearly normal, or the normal that was once what we were familiar with, no longer exists and this is due to, in good part, to the huge investment that Wall Street has taken into the residential retail home marketplace. It seems that when the pandemic hit and interest rates were below 3%, Wall Street saw opportunity and decided to get into the game big time. It seems that between December 2019 to December 2021, Freddie Mac found investor home purchases climbed to 27.6%.

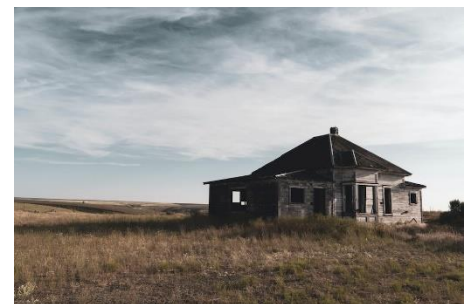
Some estimates put Wall Street's total ownership of residential retail properties to be approximately 2% of the total residential market, but this is not true across the board. In regions that are sought-after single-family hotbeds, such as Atlanta, Nashville and Charlotte, Wall Street has taken an aggressive position in these markets.

According to Business Insider, in 2021 investor real estate deals increased prices more than 20% on average based upon Moody's analytics. It also impacted the average rent hitting an all-time high of \$1,792. Also, the average home price, according to the same group, hit \$405,000. Realtor.com came in with some other figures, which put the median home price to be \$450,000 in June 2022, climbing 16.9% year-over-year.

Sellers seem to be coming into the market in greater numbers, for in May 2022, the number of existing homes for sale increased for the first time since June 2019 year-over-year. Still housing inventory did not receive any relief and on a year-over-year basis, nationwide was down 29.1%. It is yet to be seen what these higher interest rates will mean with respect to home prices, but it's very possible that the market may begin to level off at these September levels.

## Land Shortages Driving Prices Higher

According to a recent *Wall Street Journal* article, inventory isn't the only issue facing the buyers and sellers within the real estate industry: right now, the United States as a country is short on land, specifically buildable land. The article mentions that land values in Manhattan have grown by an average of 13% annually between



1977 and 2019. But before that, from the 1880s to the 1970s, land values barely increased in the Big Apple.

Also, land has become an attractive asset for the institutional investors and also other wealthy investors such as pro golfer Phil Mickelson, who began buying land in the Sunbelt a number of years ago.

The recent pandemic has had a dramatic effect upon property values in the Sun Belt due to the work from home economy. Cities, such as Nashville, saw increases in the prices for vacant lots zoned for residential building climb, while the number of buildable lots fell dramatically by 43% from 2016 to 2021.

In general, prices for buildable lots, high construction costs, labor shortages and inflation have created a trajectory of higher prices that many builders have not been able to keep up with. Even in Nashville, rents over the last 12 months have increased by 31% year-over-year.

As more and more Americans are able to work remotely, towns within the Sunbelt seem to be the beneficiary of the migration out of the big metropolitan areas such as New York, San Francisco, Philadelphia and Chicago. According to the *Wall Street Journal* article, "once land inflation sets in, it can be hard to reverse."

## Netflix Seeks to Build Major Studio in Former Fort Monmouth

Netflix is inching closer to building a huge production studio on the Jersey Shore. When Fort Monmouth was closed down years ago, there were few plans in place to fill the void. Fort Monmouth had been a cornerstone of Monmouth County's economy for such a long time. After nearly a century of operation, Fort Monmouth was finally closed in 2010. But that wasn't the end of the story. Now, based upon a number of reliable sources, it appears that Netflix is looking to move in and to build out a high-tech production studio. This could be the beginning of a new cornerstone in the Garden State's business economy.



Outside of New York City being the hub for theatrical productions, this could put the Jersey Shore on the map for motion pictures. In some sense, locating a motion picture studio on this side would make a lot of good business sense: New York City attracts some of the biggest and best television talent, New York City also attracts some of the best artistic and theatrical talent,

which would make a lot of sense providing a great artistic population from which to draw. In addition Fort Monmouth is less than 30 miles to Newark International Airport, giving it global access. Obviously, Netflix is looking for both technical talent and artistic talent, both of which this region represents.

According to some reports, the potential tract of land is approximately 300 acres and it resides within the boroughs of Oceanport and Eatontown.

The Fort Monmouth Economic Revitalization Authority appraised the tract of land to be \$54 million, but according to some anecdotal reports, a number of developers previously offered in excess of \$100 million for simply 89 acres of the 1,100-acre Army base. Were Netflix to clear all the hurdles, this would represent the second biggest production complex in the Netflix organization. It has one other location in New Mexico and also a studio in Bushwick, Brooklyn.

## The Value of Title Insurance

### *The Importance of Title Insurance*

The value of title insurance especially for many homeowners, is the fact that their property is their largest investment—and that's worth protecting! An Owner's Policy provides a range of benefits, including:

- Protection for as long as you or your heirs own the property
- Protection from the costs, attorneys' fees and expenses of defending against any matter insured by the policy
- Protection against certain covered risks not exceeding the amount of insurance, including a defect in title caused by:
  - Forgery or fraud
  - The lien of real estate taxes or assessments due and payable, but unpaid
  - No right of access to and from the land
  - Unpaid mortgages and other liens
  - Easements or rights of way, limiting use of the property
  - Unmarketable title
  - And more



When you buy title insurance, you'll also benefit from peace of mind knowing you'll be protected from financial loss from covered claims. If you decide to sell your property, title insurance can protect you from financial loss if the sale falls through due to a covered defect in your property's title.

### ***The Lender's Policy***

A Lender's Policy, which is typically paid for by the homeowner, protects the mortgage lender from financial loss for covered risks and, in most cases, ensures that the mortgage is the only lien against the property. Lenders know the value of protecting their investment and insist on title insurance for that reason. This type of policy protects only the lender's interest in the property.

# 12 Reasons People Sell Their Homes

1. Family Issues 13.4%
2. Need a Larger House 12.2%
3. Other 11.8%
4. Weather-related 11.8%
5. Retirement 10.8%
6. Changing Neighborhoods 9.4%
7. Lifestyle 8.4%
8. Downsizing 7.7%
9. Job 7.6%
10. Short Sale 3.0%
11. Investment 2.3%
12. Bankruptcy 1.5%



## Counsellors Title Agency Celebrates 26th Anniversary

*Counsellors Title Agency Celebrates Its 26<sup>th</sup> Year  
in Business*

**Ralph Aponte's agency continues to exceed  
customer expectations with over 45,000  
orders since 1996 and over \$20 billion in  
property values**

**TOMS RIVER, NJ – Counsellors Title Agency, Inc.,**

www.counsellorstitle.net, announced that on December 2<sup>nd</sup>, it celebrated its twenty-sixth year in business. Ralph Aponte, president and founder of the agency, with a dynamic team of title professionals have delivered its signature title insurance service to tens of thousands of New Jersey homeowners throughout all 21 counties of New Jersey.

In 2022, Counsellors Title Agency was recognized again with the Premier Agent Award by Old Republic National Title Insurance Company, its highest honor.

Counsellors Title is headquartered in Toms River, New Jersey. It also operates branch offices in Monmouth, Morris and Union Counties. It continues to offer its 'no-glitch' service and expertise to Realtors, lenders, and customers throughout the state, as an independent agent of Old Republic Title Insurance Company. Old Republic is one of the nation's top three title insurance underwriters.

Counsellors Title is the culmination of the career of Ralph Aponte, its founder, who began as a title searcher in 1983. Through his hard work and collegial enthusiasm and reputation for providing superior service, he was able to grow the Counsellors Title title/escrow agency business into one of New Jersey's premier property agencies.



“There are many factors which contribute to Counsellors Title’s success, and it begins with the trust that individual depend upon us to do a great job every time. All of which have made our title agency a first choice for hundreds of New Jersey’s best real estate professionals, stated Ralph Aponte, President and Founder of Counsellors Title Agency, Inc.

### **About Counsellors Title and Ralph Aponte**

Ralph Aponte, a lifelong New Jersey resident, began his business career as a title searcher in 1983. Counsellors Title Agency today is one of New Jersey’s premier property title agencies, writing thousands of policies for homeowners, businesses and institutions since inception. Now with nearly 40 years’ experience specializing in title insurance and title research, Ralph has built his repertoire of business tools to include management, commercial and business development.

## Sellers Stepping Aside

### **Home Sellers Are Pulling Their Homes Off the Market**

According to a recent Redfin report, a record number of home sellers have taken their homes off the market. Over the last three months, the Redfin report indicates that 2% of all homes listed for sale were removed from the market. This compares with 1.6% of listed homes being removed from the market by sellers back in 2021.



But in some cases, Redfin is comparing apples with oranges. Rates have literally doubled over the last 12 months, and home prices continue to appreciate; buyers are not able to cover their down payment and their mortgage payment at these levels. So it is safe to assume that these sellers are willing to risk relisting their homes in what is considered a stronger market, like spring and summer.

Average sale price and the median price for a home have increased year-over-year, 12% and 6%, respectively, in the State of New Jersey.

Still, inventories continued to take a beating when it comes to new listings. In New Jersey, new listings have fallen from 20,500 to 17,250 over the course of the last 12 months. So when Redfin talks about a record number of homes being taken off the market, that percentage does not actually represent the comparative number of homes. In 2021 roughly 411 homes were taken off the market, but in 2022 the 2% of homes on the market translated into 345 homes, indicating that more were taken off the market in 2021 when the market was red hot than those taken off the market in 2022, when interest rates and inflation have ripped apart the economy.

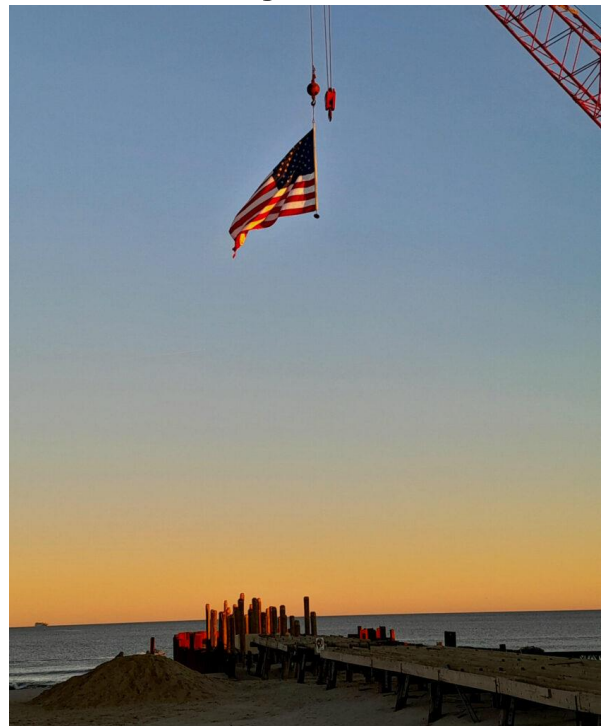
Home prices have been slashed aggressively in order to come into the range of home buyers’ wallets.

Obviously, the current economic climate is creating a new file of foreclosures in a number of states, one of which is New Jersey. Recently ATTOM reported that New Jersey had the fourth highest rate of properties entering foreclosure in August: one out of 2,441 units. The other states that were reporting high numbers of foreclosures were Illinois, Delaware and South Carolina.

According to Money Magazine more than one in five listed homes reported a price drop in the month of October. Some of the locations that benefited significantly from the pandemic rush to buy include Boise Idaho, Denver, Colorado and Phoenix, Arizona, which saw price cuts of 68%, 58% and 54%, respectively. And in New Jersey in the month of October of this year, according to Redfin, 45.5% of homes sold below the list price, which represents a drop of 5.6% this year.

## Ocean Grove Pier Rebuild Underway

It has taken 10 years for the Ocean Grove Camp Meeting Association to begin rebuilding its pier destroyed by Superstorm Sandy in 2012. The pier, which will be 500 feet long and reportedly costing \$1.3 million, will be open to the public. Because it's private funding, it took a bit longer to rebuild, but will also include the private fishing club that was also destroyed by Superstorm Sandy. The distinction of this pier comes in its unique shape, that of a cross. This specific pier design was objected to by at least one local resident who felt the design impacted "the well-being of our community." The same resident also took issue with the Ocean Grove beach badge design, which has displayed a cross on them since 2017. The town of Ocean Grove is owned by the Ocean Grove Camp Meeting Association and is the site of a Methodist tradition going back over 150 years. The mission of the Camp Meeting Association is to provide an environment for spiritual growth, renewal, worship, and education for all people. The design of the pier was made available online for the last three years. In addition, there was a period of time for public comment that has since closed. There have not been any complaints over the three years that the design was placed online.



The Camp Meeting Association expects the completion of the pier to occur sometime in December, 2022.

# 10 Facts About the Real Estate Market

## *Fast Market Facts*

- Buyers are searching longer: the average buyer is searching longer for a home, up from 8 weeks to 10 weeks.
- A home seller's online presence is critical to affecting a sale. Nearly 96% of all buyers relied upon digital platforms in their search process.
- It seems that mobile online searches surpassed those conducted on laptops or desktops.
- Research shows that two-thirds of all buyers interviewed only one real estate agent.
- Existing home purchases still dominate the market, accounting for 88% of all homes purchased.
- Senior-living purchases accounted for only 7% of all sales.
- Neighborhood quality (low crime, convenience and community) accounted for 49% of the determining factors when purchasing a home.
- Over the last 12 months — buyers paid on average 100% of the asking price for a home, and 28% paid above the asking price.
- The number of first-time buyers fell to a new low of 26% of all purchases. This compares with 34% from the prior year.
- Married couples still represented most home purchases, accounting for 61% of the home purchase sales.

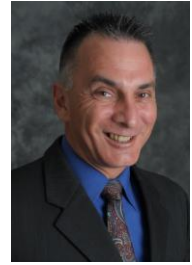




## Ralph Aponte, Founder & President

Phone: 732.914.1400 } Cell: 732.267.6466

Email: [Ralph@counsellorstitle.com](mailto:Ralph@counsellorstitle.com)



Ralph Aponte began his business career as a licensed title search expert in 1983. After founding Counsellors Title Agency in 1996, his hard work and collegial enthusiasm grew the title/escrow agency into one of New Jersey's premier property title agencies, writing nearly 40,000 policies for homeowners, businesses, and institutions since inception.

He is a lifelong New Jersey resident, volunteer fireman and businessman.

With nearly 40 years' experience specializing in real estate, title insurance, search and escrow, Ralph has built his repertoire of business tools to include management, commercial and business development.

Counsellors Title Agency [CTA] maintains an outstanding customer retention record of over 95 percent. Today, CTA's impeccable track record over the last 25 years is one that hundreds of Realtors, loan officers and attorneys have come to rely on. To date, Counsellors Title Agency has processed over \$40 billion worth of policies.



**Counsellors Title Agency's Specialties:** Title insurance, escrow, closings, settlements, tidelands, residential, commercial and governmental.

Mr. Aponte and the CTA team of professionals offer assistance with more than title insurance, property title search, closing and escrow services; they also assist attorneys and Realtors in a myriad of business transactions including purchase of industrial and mixed-use acquisitions, dispositions, loans, foreclosures, deeds-in-lieu for single sites and large portfolios.

Through direct involvement in almost every kind and stage of residential, governmental and commercial real estate transaction over the last 25 years, he is able to bring a broad range of skills, knowledge and problem-solving acumen to every transaction, offsetting and usually avoiding many real estate-related challenges.