



Observations on the residential real estate market in 2008

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"It was the best of times, it was the worst of times" Charles Dickens, A Tale of Two Cities
Charles Dickens wasn't a seer or was he predicting the volatility of the residential market in 2007?
I see the 2008 market for the metropolitan New York area in a Dickensian light.

Given the implosion of the subprime mortgage market in 2007, I believe the residential market will remain very unsettled for most, if not all of 2008. It will be equally unsettled on the title insurance side of the residential marketplace. Title insurance agencies counting on significant revenues from residential transactions will only prosper if interest rates decrease significantly in 2008.

I wish I could state that the Federal Reserve appears committed to stepping in and taking affirmative steps to decrease rates and assist homeowners faced with difficult times in the residential marketplace. Thus far, the Fed does not seem committed to drastically cutting lending rates and thereby assisting the bailout of a relatively weak residential market. If the Fed steps in, we can anticipate a flurry of refinancing, particularly all of those interest-only loans we all know are flooding the marketplace.

The boom in residential refinances over the past several years is a unique occurrence. As such it is not likely to reoccur for some time. Even if interest rates decrease significantly in the short term, I don't believe we will see an across the board boom like that. Many planets have to align for that to happen. Additionally, attorneys and third party providers in the foreclosure world may be in for an extremely busy year. Many borrowers in the subprime market are overextended and will be unable to refinance their homes in the declining market.

With respect to the increased supply of residential homes in local markets, I foresee much of the same in 2008. In 2007, flexible sellers and builders were able to move residential properties, albeit at values substantially less than the 2005-2006 high water marks. Those sellers expecting or demanding to hit 2005-2006 sales prices are unrealistic. In fact, they're likely to still be marketing those homes in 2008!

From a title insurance perspective, 2008 will result in a mixed bag for both title agents and underwriters. I strongly believe that the title agents and underwriters who will be most successful are those market players who have a firm base of clients active in the residential market and also in the commercial marketplace. This balance is important in controlling risk.

Despite the tenuous marketplace and the observations of Charles Dickens, National Land Tenure (NLT) has recently moved, expanded its offices and operations, and strengthened its corporate identity. At NLT, we have always reached out and served all areas of the title insurance marketplace. This levels the playing field and diminishes the risk of the real estate business cycle.

In regards to National Land Tenure's commitment to the industry, NLT has a very strong client base that targets the refinance market, residential sales market and commercial market. In all cases, we feel the very essence of our business is client service, particularly ensuring that our clients' transactions are completed efficiently, correctly and on-schedule. That's the brand National Land Tenure is known for and it certainly won't change in 2008. 2008 will undoubtedly be a promising year for my agency. It will be very interesting to see how the residential market reacts to fundamental economic changes this year.

Brian Fitzgerald is a vice president and counsel to National Land Tenure Company, LLC, Garden City, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540