



Last-minute sales surge inspires hope

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While prices and sales declined for all of 2011, an end-of-year jump in sales leads Realtors to believe that the light at the end of the tunnel may become visible in 2012

A 10-percent jump in the number of houses sold in the fourth quarter was a positive end to another rough year for Rhode Island's housing market, as foreclosures continued to drag median prices down in 2011.

Median house prices fell nearly 12 percent in the fourth quarter, to \$185,000, and 7 percent overall in 2011, to \$195,000, thanks to the continuing stream of foreclosures and short sales. The number of these "distressed" house sales was up slightly in 2011.

The Rhode Island Association of Realtors, which measures Realtor-assisted sales of existing homes, released its fourth-quarter and 2011 year-end statistics Tuesday.

"It's hard to see [the housing market] getting better in the next year," said Harvard Business School Prof. Nicolas P. Retsinas, former director of Harvard's Joint Center on Housing Studies.

Although lower prices mean "people are more willing to buy," Retsinas said, "credit continues to tighten," making it more difficult for buyers to qualify for mortgages.

There were 1,715 houses sold in Rhode Island in the fourth quarter, up 159 from the 1,556 sold in the fourth quarter of 2010. But 103 of the 159 additional sales in 2011 were "distressed," either foreclosures or short sales. In short sales, properties are sold for less than the outstanding loan balance.

States have been negotiating with the nation's largest mortgage lenders about foreclosure-related irregularities. If a settlement is reached, it "may unleash more foreclosures," Retsinas added, and that would exert more downward pressure on home prices.

"There's not going to be a robust recovery," he said.

But Realtors hoped that the late-year surge in the number of sales was a signal of the beginning of the end of the housing crisis.

“Sales increased in the second half of the year without the aid of any homebuyer tax incentives,” Jamie Moore, 2012 president of the state Realtors’ association, said in a prepared statement. “That’s what we want to see.”

“I think 2012 is the bottom,” said Richard Godfrey, executive director of Rhode Island Housing. “At some point, prices are going to start to go up.”

Godfrey said rents are high in Rhode Island, and many people who are renting now can afford to buy a home. He said Rhode Island is “poised to see a housing recovery as soon as people start feeling secure about their jobs.”

Rhode Island’s unemployment rate was 10.8 percent in December, and the state lost 600 more jobs in the last month of the year, according to the Rhode Island Department of Labor and Training. There are 60,800 people out of work and looking for a job in Rhode Island.

Rhode Island’s median house price for all of 2011 was \$195,000, down 7 percent from the 2010 median of \$210,000. Despite the 10-percent bump in the number of houses sold in the fourth quarter, house sales were down 2 percent overall in 2011.

Of the 6,701 house sales in Rhode Island in 2011, about 27 percent were distressed.

Thirty communities in Rhode Island and the East Side neighborhood of Providence, which is often listed as a separate segment of the market, saw a decrease in median house price for the year, while just six towns — Barrington, Exeter, Little Compton, Narragansett, Portsmouth and Scituate —experienced price increases. The median price remained unchanged in three communities: Jamestown, Middle-town and Westerly.

Of the six communities that experienced median price increases in 2011, five had fewer distressed sales, and one had the same number of foreclosures/short sales.

Problems with foreclosures have led some Rhode Island communities to pass ordinances to force banks to mediate with homeowners before foreclosing. Earlier this month, the Town of Warren passed ordinances designed to protect both renters and owners at risk of being displaced by foreclosure.

Rhode Island Housing has been providing assistance to homeowners at risk of foreclosure through the Hardest Hit Fund. Godfrey said his agency has distributed more than \$10 million in assistance through the program, created by the U.S. Treasury to assist states hit hardest by the foreclosure crisis. Rhode Island qualified for \$80 million in federal funding under the program.

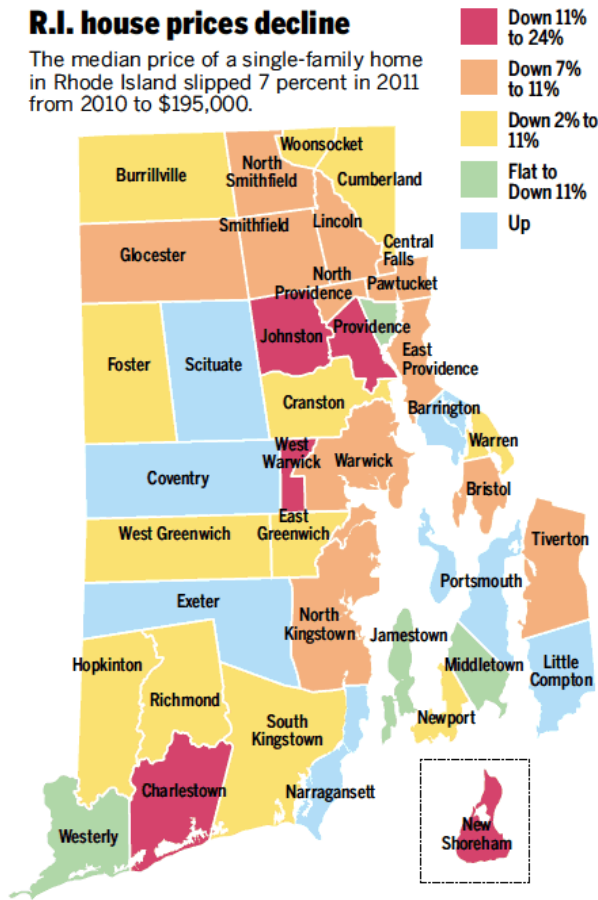
Federal programs designed to offer relief through loan modifications have proven less successful than hoped, largely because participation by banks has been voluntary.

It is also unclear whether pending negotiations between the states and major banks will yield any relief to struggling homeowners, said Amy Kempe, a spokeswoman for Rhode Island Attorney General Peter G. Kilmartin. But Godfrey said he thinks the banks will process more loan modifications once the settlement is reached.

In December, Massachusetts Attorney General Martha Coakley filed a separate lawsuit against Bank of America, Wells Fargo, JP Morgan Chase, Citibank and GMAC, charging them with pursuing illegal foreclosures and deceptive loan servicing.

The Massachusetts suit also names the Mortgage Electronic Registration System Inc. (MERS) and its parent, MERSCORP Inc., as defendants. The Massachusetts complaint alleges that the banks undermined the state's public land record system through the use of MERS, a private electronic registry.

In Rhode Island, U.S. District Court Judge John J. McConnell Jr. on Jan. 5 appointed Merrill W. Sherman, former president of Bank Rhode Island, as a special master to force borrowers and lenders to negotiate toward settlements, to speed resolution of the growing number of federal lawsuits aimed at halting foreclosures.



Sample cities and towns

Here are some selected figures for 2011 from several municipalities.