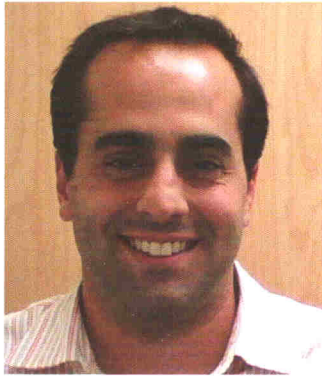


The Federal Tax Credit Offered a Glimpse of Real Estate Recovery in New Jersey

By Darren DiMedio, president, NJBMDA, manger, DuBell Lumber Co.



Darren DiMedio

Every year, the New Jersey Building Materials Dealers Association (NJBMDA) brings in industry experts to help us navigate our businesses through this very challenging and painful recession.

The lynchpin for our economic recovery is the real estate market in New Jersey. In the past three years, the massive reduction in housing starts and home renovations has had a drastic effect on our

industry. Some members of our association have been forced to shutter their doors, while others are braving the storm by cutting operating expenses to the barest bone.

And so we look forward each year to our annual meeting in November with hope, as our keynote presentation is from one of the most reputable real estate forecasters in New Jersey, Jeff Otteau of the Otteau Valuation Group in East Brunswick. This was the fifth consecutive year he has presented to us.

This year, Otteau did not have the news we were hoping for. Federal housing credits for homebuyers gave the market a boost in early 2010. But when these credits expired, housing sales again dropped. It looks like there will be half as many contract sales in 2010 as there were in 2005. Meanwhile, the inventory of unsold homes in New Jersey increased this year from last year. So much for a robust recovery.

By April 30, 2010, when the tax credits were in full swing, it appeared as if New Jersey was working its way out of the recession. The average unsold inventory in the state was at about seven months. But by the end of November, that number had dropped to nearly a 14 month inventory of unsold homes in the state.

The housing market in New Jersey is directly related to the job market, which is also stuck in the mud. Otteau anticipates the job market will not fully recover until 2030.

What makes this recovery so difficult is that our state is incredibly expensive. Seven of the 10 counties in America with the highest property taxes on average, which fall in a range between \$7,700 and \$8,700, are in New Jersey. Compare that with the average median in the nation of \$1,900. The state also has the highest business and personal taxes nationally.

It all results in a stiff cocktail of economic reality for the building trades industry. There is stagnant private job growth,

a loss of high-paying jobs, and a decline in household personal wealth in our target markets.

Building material dealers in New Jersey must be prepared for undigested foreclosures that slow housing demand, as well as weakened banks that don't want to lend, cautious buyers, weak job growth and possible changes down the road in tax codes that can raise taxes even more.

So, what are the opportunities in 2011 for the NJBMDA?

Otteau outlined growth sectors for our industry to pursue: transit oriented development, construction of rental housing, redevelopment in emerging markets, energy efficient housing design, remodeling and renovations and the repositioning of Baby Boomers into homes that can better accommodate them.

The NJBMDA is preparing for 2011. Perhaps there will be a new round of tax credits to spike the housing market again. There will be accelerated foreclosure actions that will drive home prices down further, but will flush the real estate market of excess inventory. Otteau even anticipates some job creation.

Otteau projects—and we hope—that the housing market will be back on track in 2012. Mortgage rates will again begin to rise, albeit slowly. And we should expect a surge in urban redevelopment.

Wherever New Jersey is headed, the NJBMDA will roll with the market. We stand ready to serve the next generation of home builders in New Jersey, as they accommodate a changing customer base. Through the detailed presentation of Otteau, as well as other speakers we have throughout the year, the NJBMDA is positioning its members to survive and thrive as the market recovers.

This is a critical time to be a member of the NJBMDA. This association has always taken care of its own and has always been committed to providing strategic guidance for its members. We stick together—through whatever the economy throws at us.

By providing our November forum, and continuing education seminars throughout the year, the association has demonstrated true and ongoing relevance to our members. We know the day-to-day issues our members are facing and, by being proactive, we can create opportunities to educate them about ways they can enhance the bottom line.

I encourage you to get involved in the NJBMDA in 2011. Now, more than ever, your association is here for you. For more information about the NJBMDA or upcoming programs, please contact our headquarters at 908.359.1184 or info@njbmda.org. We're here to help you. ■