

# **Jersey Shore's Housing Market Shows Signs of Stabilization in Q2**

## **Price declines moderated amid uptick in home sales.**

September 29, 2010: A slowdown in house price declines continued at the Jersey Shore this past Spring amidst increased sales activity. After a significant drop in house prices that exceeded the average for the Mid-Atlantic region, the market for homes along the south Jersey shoreline continued to try to find a bottom in an economy that has been especially hard on the market for vacation homes.

According to the latest analysis done for Prudential Fox & Roach by Econsult and Penn economist Kevin Gillen, the typical Jersey Shore home decreased in value by an average of 0.7% on a quality and seasonally-adjusted basis in Q2. When this decrease has been added to the continuous price declines since the Shore market's peak in 2006, the average Shore dwelling has dropped in value a total of 24%.

House price changes along the Shore were a mixed bag this quarter, with some communities experiencing further deflation while others experienced some appreciation. From smallest to largest, the average change in house values by county were: Ocean City (-5.0%), Margate (-4.2%), Somers Point (-2.6%), Cape May (-1.8%), Sea Isle City/Strathmere (-1.6%), Longport (-1.3%), Wildwood (0.0%), Atlantic City (+0.7%), Avalon/Stone Harbor (+3.4%), Brigantine (+4.1%) and Ventnor (+9.0%).

Unlike prices, home sales exhibited a strong surge this spring. According to the data, 493 homes transacted between Brigantine and Cape May in Q2, up from 278 transactions in Q1. While an uptick in sales is common in the spring months, this 77% increase is larger than the typical seasonal norm.

House price declines for most Shore dwellings during the current downturn have exceeded both regional and national averages by substantial margins. From the peak, the average U.S. home has declined by 13.2% and the average New Jersey home has declined by 13.6%, while the average Shore home is down in price by 24%. This disparity is likely attributable to the fact that the market for Shore homes is disproportionately composed of vacation homes, rather than year-round primary residences. As foreclosures have climbed along with unemployment and mortgage delinquencies, most households are incentivized to liquidate their second home or vacation home before doing likewise to their year-round residence.

Even with the persistence of difficult market conditions, some good news may be found in the fact that the rate of house price declines along the Shore have been slowing recently. When prices first began to decline in 2006, they did so at an annualized rate of -4% per year through 2009. But beginning in the latter half of 2009, the rate of decline decelerated to only -1.4% per year. While the current high level of inventories and anemic economy do not point to a turnaround anytime soon, the numbers may indicate that the majority of price declines may be behind us rather than in front of us.

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