

Price tags for homes in fast lane

Buyers finding wages lag behind cost of LI houses

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With house prices on Long Island increasing twice as fast as incomes, local home buyers face an affordability crunch that could slow or possibly halt the rise in property values, experts said.

The Multiple Listing Service of Long Island reported Wednesday that median prices increased annually by 3.8 percent in Nassau County last month, to \$540,000, and by 6.8 percent in Suffolk County, to \$390,000, the latest in a long string of year-over-year price gains.

The gains are a boon to home sellers, especially those moving to lower-cost regions such as Florida.

But for first-time buyers and those hoping to trade up, rising home values, higher interest rates and new limits on deducting property taxes pose obstacles.

If cost-burdened buyers drop out of the market, home prices could start to level off or even dip, local real estate experts predicted.

A chronic shortage of listings has forced buyers into bidding wars and pushed up prices, said Jonathan Miller, chief executive of Manhattan-based appraisal company Miller Samuel.

Last month, there were nearly 13,000 homes for sale on Long Island — less than half the peak of more than 32,000 in 2008, listing service figures show.

The shortage “drives housing prices higher,” Miller said. But “it doesn’t correlate to wage growth.”

At some point, he said, “demand abates because you’re

running out of people that can afford the prices.”

If demand from buyers falls, he said, “as inventory rises there will be some easing in price growth or even declines in some subsets of the market.”

In both counties, a typical resident cannot afford to buy a home on one salary. Nassau residents earning the county’s average annual wage of \$60,775 would need to spend 69 percent of their income to buy a home at the median price of \$500,000 in the April-to-June quarter, the latest report from California-based real estate information company Attom Data Solutions shows.

In Suffolk, residents would spend 56 percent of the county’s average yearly wage of \$58,721 to buy a median-priced home for \$372,500, Attom reported. Financial advisers and lenders recommend spending less than about one-third of income on housing.

The affordability gap has grown in recent years. Nassau residents earn a median household income of \$102,044, according to census estimates for 2012 through 2016. That’s up nearly 42 percent from 2000. In Suffolk, household income grew by 25 percent, to \$90,128.

In the same period, home values soared by 86 percent in Nassau and more than doubled — rising 103 percent — in Suffolk, census figures show.

“It’s great to be a seller and it’s tough to be a buyer,” said Irwin Kellner, president of Kellner Economic Advisers in Port Washington. “Eventually . . . housing prices and housing sales will have to balance out better. I think that the run-up in home prices has just about come to an end.”

The new \$10,000 limit on federal deductions for state and local taxes has made buyers more cautious about purchasing high-end homes with hefty tax bills, real estate experts



Kacie Martinez, 28, bought a house in Huntington Station to have ownership and build equity.

		Median home price	Annual increase	Average wages
Wages vs. LI home prices	Nassau	\$540,000	3.8%	\$60,775
	Suffolk	\$390,000	6.8%	\$58,721

SOURCE: MULTIPLE LISTING SERVICE OF LONG ISLAND

said.

The limit “expands the cost of housing,” Miller said. As the deadline to file 2018 taxes approaches in April, he said, “the closer we get to people writing checks, the more it will become tangible and then we’ll really learn what the impact is.”

Rising mortgage rates threaten to make matters more difficult for buyers. Rates have inched up to an average 4.53 percent in the past week, mortgage giant Freddie Mac reported, from a record low of 3.31 percent in November 2012.

For homeowners with a 4 percent mortgage who are thinking about buying a bigger

house, a higher interest rate “makes it that much harder to move up,” said Gary Baumann, an associate broker with Douglas Elliman in Plainview and Huntington.

But, Baumann said, demand remains strong for entry-level and midpriced homes.

Kacie Martinez said rising interest rates and the new limit on deductions were among the factors she and her boyfriend, Matt McIntosh, weighed as they toured nearly 50 homes over the past year. The couple closed on a three-bedroom home in Huntington Station for \$435,000 in June, after losing bidding wars for about five other homes. Their property

tax bill is just under \$10,000, Martinez said.

Buying the home “is the best decision I’ve made in my entire life,” said Martinez, 28, a real estate agent with Prime Properties Long Island in Huntington. She and McIntosh, 30, who works for the Town of Huntington, had been renting an apartment nearby with their two dogs. “We just decided instead of throwing the money away we’d rather put it toward something that’s ours and we can build equity in it,” she said.

Still, she said, “it’s expensive to live on Long Island.”

McIntosh has been working overtime and Martinez has been picking up shifts bartending and catering to make sure they’re on solid financial footing.

“We used to go out to eat all the time,” she said. “Now I’ve found a love of cooking, and now when we do go out to eat we recognize and appreciate it. It’s a lifestyle change, but it’s a part of growing up.”