

Huge influx of newcomers created demand for housing

By **HOWARD FRANK**

Pocono Record Writer

August 20, 2008 6:00 AM

Since the beginning of the 20th century, and through the 1970s, Monroe County seemed like an ordinary American community. Its population grew at an average rate of 12 percent every 10 years. That put the county smack in-between the U.S. rate of 15 percent and the state's rate of 10 percent.

But the 1980s changed all that.

Explosive growth

The population of Monroe County grew a whopping 53 percent between 1970 and 1980, when it went from 45,422 to 69,409 residents during those years. In contrast, the United States' population grew by 11 percent, and Pennsylvania's only 1 percent.

The 1980s and 1990s saw more of the same, with the county growing at the rates of 38 percent and 45 percent respectively. Pennsylvania didn't grow at all in the 1980s, and only grew by 3 percent in the 1990s.

Current estimates show Monroe County's population growth between 2000 and 2007, while slowing slightly, still increased by 19 percent to 164,722 residents. This year, the Census Bureau estimates there are 165,685 people living in the county.

It's elementary

More residents, more demand for homes. More demand, higher prices. Right? Well, not so fast.

During the past decade, where historical real estate numbers are most accurate, the local cost of housing closely followed the national trend. But since 2005, local costs have accelerated, creating a sharp contrast with the rest of the country.

Monroe homes still sell below the national average, but the gap is closing. The median cost of a home in Monroe County in 2007 was \$204,734. That was an increase of 95 percent since 2002, when the median cost was \$105,125.

Nationally, median cost of a home in 2007 was \$219,000. That's 43 percent higher than 2002.

The mortgage crisis this year hit the housing market hard. Prices in Monroe County fell by 9 percent to \$186,541 through July, making it less costly to purchase a home.

But the recent numbers don't tell the whole, long story. And it's a complicated one.

Home market renaissance

Until the late 1970s, the Poconos were mainly a vacation home market, according to Bob Hay, a 30-year veteran of the local real estate business. But the influx of people introduced rising home prices, taxes and a loss of quality of life. That, Hay said, changed the nature of the market. "Back then, 90 percent of my business was vacation home and 10 percent was primary. Now, for myself and the Stroudsburg area, it's been about 95 primary homes and 5 percent vacation homes."

The movement of people into the area has made home ownership more expensive, according to Hay. "Homes are just like any commodity. Supply versus demand. The demand for housing has driven prices up. And I'm not saying that's a negative. But if there's a downside of it, it makes it more difficult for people working in Monroe County to afford today's prices," he said.

Hay acknowledged that new mortgage instruments have created greater home ownership across the country. The creative packaging of teaser rates along with less emphasis on buyers' credit-worthiness has extended the home ownership market to people who wouldn't have been able to buy a home in the past. "That's part of the increase," Hay said.

Connie Foland, an agent with Coldwell Banker Phyllis Rubin Real Estate-Stroudsburg disagrees. She's been in the real estate business for 22 years. Foland thinks the growth over the past 20 years is partially a rebounding effect from a slowdown in 1988.

"Our prices haven't jumped up to the way New York and New Jersey have come up," she said.

Foland attributes the influx of people to those very reasons. "New York and New Jersey are really driving the prices. We never jumped up sky high. What's happening is, in New York and New Jersey, the prices and taxes are high. They come here and can still buy a reasonable house compared to New York and New Jersey. And they like the quality of life," she said.

Foland warned that the influx has probably saved the local market. "Without the people here, we'd be in the crapper. There are not enough local people to buy houses," she said.

And Foland said sellers know who their market is. "Every time I list a house, the seller would say, 'Make sure you list the house in New York and New Jersey, because the people here wouldn't buy our house.' In 22 years, I've only sold one house to a local person. Everyone else is from New York and New Jersey."

The developer syndrome

Joan Milnamow, a colleague of Foland's at Coldwell Banker, agreed on the effect of newcomers on prices, but said other forces were at work.

"The prices are higher because we've had a great influx of people, but we've had all these developers attracting all these people into the area. That was their greatest pool of buyers," she said.

The primary draw for people was cost, according to Milnamow.

"We had the advantage of lower prices, lower taxes and a better quality of life. Does that still exist? Well, I don't think we have lower taxes, but I think people still enjoy moving from city life to rural or suburban life," she said.

Lawrence Squeri, professor of history at East Stroudsburg University and the author of "Better in the Poconos: The Story of Pennsylvania's Vacationland," believes newcomers and longtime residents view the rising cost of homeownership differently. He also thinks it helps divide the two groups. Squeri is a transplant from Astoria, Queens.

"I think the big issue is when they see their real estate taxes go up. That is crunch time," he said. "To the New Yorker, they were less than they were in New Jersey or New York. Maybe the New Yorkers and the New Jersey people don't think they're high.

"But if you were paying low taxes, and all these New Yorkers and New Jersey folks come in and your school taxes go out of sight, you don't have to be a bigot to be upset about that."

A national trend

Factors other than the influx of new people drove housing costs up, and those costs are part of a national trend, according to Barbara Samet. She's been in the real estate business for 27 years, a teacher for 44 years, and owner of the Pocono Real Estate Academy in East Stroudsburg.

"It's the cost of the materials, the cost of the land, a greater number of rules and regulations that the builders have to comply with," she said.

"And a good part of that is that we just don't have the infrastructure necessary to keep the cost of housing down. Particularly sewage and water, and even roads."

A favorable lending environment in the past made it cheaper and easier to finance a home, driving demand higher, according to Samet.

"I opened my office in May 1981. The first house I sold, the mortgage we got for the client was 19.5 percent. I made the comment then that if our mortgage rates went down to 14 percent, we would have an excellent market. When it did, we did — we had a fabulous market," she said.

And fabulous it was, as the local housing boom continued for more than two decades, although periodic dips did occur.

Samet said that despite the higher purchase price of a home, it's cheaper to finance it in today's lower-rate environment.

"Now our interest rates are less than 7 percent. You can still get the money if your credit is good and you have some down payment," she added.

Fate and the perfect storm

Tom Wilkins, the chief executive officer of Better Homes & Gardens Real Estate Wilkins and Associates, has been in the business for 25 years. He said the area's growth was inevitable.

"The Poconos have always sold affordability, whether it was in the resort business or housing. Cheaper than New Jersey or Long Island. There was nothing unusual about it. That was just meant to be."

The very reasons people moved here defined the most remarkable change during the last 25 years, he said.

"When we sold real estate 20 years ago and you asked people how they heard of us or why they moved to the Poconos, they'd say, 'I stayed at Paradise Cove, Mount Airy.' Or 'I went to camp here.' That brought original buyers here.

"Now, for the last 10 years, 100 percent say, 'My brother lives here, I have a cousin here, the guy I work with has a home here.' One hundred percent of the resort-vacation referrals stopped. What changed was the reason that people came to the Poconos," he said.

Wilkins, however, believes that the increase in housing prices have benefited many longtime county residents.

"Local kids who had been first-time buyers upgraded during the real estate boom. They moved out of that home and bought a bigger home. That typically wasn't a part of our real estate market. That was because of the increase in demand for homes. Interest rates were low, and I could upgrade my house at the same payment. It was the perfect storm," he said.

So, newcomers drive up the cost of housing. But they also create a market for old-timers, who can sell their homes to an ever increasing consumer base. And let's not forget those longtime, county-based landowners, who sold their lands to developers for more than they could have dreamed as farmers or homesteaders.

Like we said, it's complicated.