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"Hot Property" blog
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The commercial lending expertise of Kevin Kane, senior vice president of Fox Chase Bank, was recently featured in the national press. Read on to see excerpts from the article featuring Kevin's insights that was featured May 22, 2006 at BusinessWeek Online.

Real Estate: The Going Gets Tougher

Interest rates are rising and markets across the U.S. that have seen phenomenal growth are slowing or declining. What's an investor to do?

Out in the real world, storm clouds are gathering on real estate's horizon. On May 10, the Federal Reserve raised its key lending rate to 5%, the highest level in five years and the sixteenth consecutive hike since June, 2004. The cost of a 30-year mortgage now tops 6.6%, the highest in nearly four years. Fears of continued inflation and rate increases have sent the stock market tumbling. Meanwhile, a closely-watched survey of builder attitudes conducted by the National Association of Home Builders recorded its lowest level since 1995.

The higher rates are beginning to impact home values. The median price of a house in the U.S. peaked at \$227,000 in the third quarter of 2005, according to the National Association of Realtors. In this year's first quarter the median price was \$218,000. "The boom is over," former Fed chief Alan Greenspan declared in a speech to bond firms in New York on May 18.

Some categories of real estate may fall farther than others. Take second homes and investment properties, for example. The National Association of Realtors reports that a record 40% of all homes bought last year were not a primary residence for the buyer. The trend is particularly strong among Baby Boomers -- more than a quarter of them own at least two homes. "We've seen a lot of entrepreneurs, a lot of customers trek to that market," says Kevin Kane, a senior vice-president at Fox Chase Bank in suburban Philadelphia. On the New Jersey Shore, Kane had been seeing customers buying \$750,000 beachfront homes, tearing them down and building two homes on the lot. "They'd flip one and live in the other mortgage free," he says.

"MAKING A BUNDLE." That game is almost over, Kane says. For one thing, his bank has tightened lending standards, requiring at least 30% down in equity, up from just 10% a couple of years ago. Those buyers now have to come up with a larger percentage of cash for a more expensive home. Kane is predicting a decline of as much as 50% in sales of second homes. "The large scale appreciation, I don't think we're going to see it," he says.

For more information on Fox Chase Bank, visit www.foxchasebank.com.
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