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Foreclosures dominate housing market

By: ZACH FOX - Staff Writer

Prices tumble, but some real estate pros see hopeful signs

County's home prices are taking a beating to start the year as foreclosures have overwhelmed the market, but some real estate agents see increased buyer interest in the otherwise gloomy market.

Banks have purchased nearly as many foreclosures in North County as have individuals buying homes over the last two months, according to reports from the North San Diego County Association of Realtors and ForeclosureRadar, a California foreclosure tracking service.

"That is just the worst possible thing that could happen to a housing market; it doesn't get any worse than that," said Christopher Thornberg, economist for Beacon Economics. "What you're seeing is a buildup of inventories, and that's going to have a very nasty impact on prices."

The median home price fell 8 percent in February from January. January's median was 10 percent below the median a year earlier, according to the Realtors association's HomeDex report, released Wednesday.

At \$515,000, February's median -- where half the homes sell for more and half for less -- has dropped 16 percent from a year ago.

Condominium sales in North County dipped 29 percent from a year ago, to 153 homes sold, with the median falling 21 percent, to \$310,000.

In January and February, banks bought about 700 foreclosures at auction in North County, according to ForeclosureRadar. After purchasing the homes, the banks then typically fix them up and list the homes on the open market.

In that open market over the last two months, buyers purchased about 800 homes.

"What it tells me is the market hasn't sorted itself out yet," said Robert Brown, a professor at Cal State San Marcos who compiled the HomeDex report.

Even if foreclosures increase, some real estate agents predict that home price declines might slow down because interest from buyers would encourage sellers to hold or even increase prices. Plus, many real estate agents have said that buyer activity has jumped over the last month.

"Obviously, the banks want to price (foreclosures) to move, but if you're getting four or five offers, that might stabilize prices," said Susan Anderson, a real estate agent with Coldwell Banker in Vista. "It's hard to tell when that happens. ... We certainly are busier, but we have to get through that pipeline of foreclosures."

Some data point toward recovery. HomeDex reported 443 sales, about 12 percent below numbers a year ago. During the five months prior, the year-over-year decline exceeded 24 percent each month.

And all foreclosures, including condominiums, bought by banks dropped about 20 percent in February from January to 407 in North County. But that number is still 193 percent more than foreclosures a year earlier.

"While February numbers were slightly lower, we don't expect January to be the peak," said Sean O'Toole, founder of ForeclosureRadar. "It would be like saying, 'Jeez, I was making 10 bucks a month. Last month I made 100 grand and this month I made 90 grand. So I'm down 10 percent.' You have to look at the average in last year's fourth quarter."

February's North County foreclosure number is 42 percent higher than the fourth-quarter average of 290 per month.

O'Toole said he believes foreclosure numbers will continue to increase until at least the third or fourth quarter of this year.

Thornberg predicts home prices in San Diego County need to decline until the median home price is affordable for the median household income. That translates into a 40 percent decline in the countywide median from a 2005 peak to \$315,000. The county median sat at \$429,000 in January.

A return in median home prices to affordable levels -- one-third of median household income -- ended the county's last housing downturn in the early 1990s with prices and sales increasing after prices aligned with incomes.

Prices will keep feeling downward pressure as long as foreclosures prop up the housing supply, analysts said.

February's sales increase is a promising sign, real estate agents said, and a reflection of the packed open houses and multiple offers.

Even at February's sales rate, it would take 12 months to sell off all the active listings in North County. Known as inventory, some analysts consider five to seven months a healthy market.

California, and especially San Diego, has in recent history seen much more volatile inventory, dropping to under two months at the peak of the housing boom.

With increased activity and summer approaching -- which historically brings more buyers -- some real estate agents predict sales to jump and prices to start appreciating within a year.

If that happens, prices will probably stabilize and start to appreciate.

But Thornberg, the economist, does not see that happening this year or next. And neither do all real estate agents.

"I'm typically an optimistic person, but you have to be realistic about the environment we're in," said Lyle Anderson, a real estate agent in Poway. "And with the amount of foreclosures coming through the pipeline, I think we're in this for at least two or three years."

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Foreclosures jump year over year

Foreclosure filings in California and across the nation during February dropped slightly from January's numbers, but still represent a huge year-over-year increase, according to a report from RealtyTrac to be released today.

In California, foreclosures declined 6 percent from January to 53,629 foreclosure filings in February. Still, filings were more than double last year's 23,200 filings in February.

This year's number represented one for every 242 households in the state, the second-highest rate in the nation.

Foreclosures in San Diego County were similar, dropping 13 percent month-to-month to 4,728 filings in February. This year's number was almost triple the 1,707 filings in 2007.

The county's rate was slightly higher than the state average, with one foreclosure filing for every 235 homes in the county, according to RealtyTrac, an Irvine-based data service company.

RealtyTrac's chief executive officer and other housing analysts said Wednesday that the small month-to-month drop in foreclosures did not represent a lasting trend. Several analysts said they expect foreclosures to continue to increase through the year.

The national average for foreclosure filings came in at one filing for every 557 homes.

Vermont's foreclosure rate in February was the lowest in the nation with one filing out of every 76,836 homes. Nevada was the highest with one filing out of every 165 homes.

