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Rise in Inland home sales may signal end of slump, analysts say

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By **LESLIE BERKMAN**
The Press-Enterprise

Some economists found a glimmer of hope in housing data released Tuesday that the precipitous fall in Southern California home prices has slowed and a price bottom may not be far off.

In February the median price of a purchased home -- where half cost more and half cost less -- was unchanged from January for the six combined Southern California counties, although still down almost 39 percent from a year earlier, according to figures published by MD DataQuick of San Diego.

It was the first time in 10 months that the Southern California median home price did not decline.

"If we get more than a month of this I will begin to believe we will see a major change. The market should be near its bottom," said John Husing, a Redlands economist specializing in Inland Southern California.

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HOME SALES

County	Homes sold Feb. 2008	Homes sold Feb. 2009	Percent change	Median price Feb. 2008	Median price Feb. 2009	Percent change
Los Angeles	3,468	4,590	32.4	\$460,000	\$299,000	-35.0
Orange	1,471	1,879	27.7	\$520,000	\$375,000	-27.9
Riverside	2,347	3,420	59.3	\$325,000	\$190,000	-41.5
San Bernardino	1,242	2,324	87.1	\$290,000	\$153,000	-47.2
San Diego	1,954	2,473	26.6	\$415,000	\$285,000	-31.3
Ventura	495	545	10.1	\$445,000	\$327,000	-26.5
All counties	10,777	15,231	41.3	\$408,000	\$250,000	-38.7

SOURCE: DATAQUICK INFORMATION SYSTEMS

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The February price freeze did not occur in Riverside and San Bernardino counties, which housing experts attributed to the extraordinarily large volume of foreclosed houses in those counties that bank owners are aggressively discounting.

Historically housing trends in Southern California begin on the coast and move inland, Husing said.

If the damage caused by the excesses of the housing boom has started to heal on the coast, he said, the same will happen later in the Inland region, in part because the problems here are worse.

"The one thing for sure is that foreclosures will continue to be a drag on home prices in the Inland Empire," said Greg McBride, senior analyst with Bankrate.com, an online consumer information service.

Last month the median price of houses sold in Riverside County was \$190,000, down from \$195,000 in January and almost 42 percent lower than the \$325,000 median price in February 2008.

In San Bernardino County the median home price dropped from \$162,000 in January to \$153,000, down more than 47 percent from a year earlier.

Christopher Thornberg, a principal with Beacon Economics in Los Angeles, cautioned that one month does not make a trend.

Thornberg said he expects home prices to continue falling in Southern California but much more slowly.

He predicted home prices in Inland Southern California will drop another 15 to 20 percent and flatten out by the end of 2009 or early 2010.

But Husing figures home prices in the two-county area may be much closer to bottom, or already there.

He said a sharp increase in buyer demand driven by much improved affordability is causing a rebound in home sales that ultimately will halt price declines, especially if new mortgage modification programs launched by the Obama administration prevent another wave of foreclosed houses from hitting the market.

"The problem is that the supply of foreclosures has been overwhelming demand, causing prices to keep going down," Husing said. "I think we are very close to the bottom in price and if any of the policies of Obama work, we are at the bottom."

price drop to slow

Chapman University Economist Esmael Adibi predicted that drops in median home prices in the two counties "are going to be smaller and smaller."

Adibi said he wouldn't be surprised to see slight month-to-month price increases by summer.

McBride said he doesn't put a lot of stock in a single-month interruption in price declines, but he is more impressed by the substantial uptick in sales.

In Riverside County, 3,420 homes sold last month, a more-than 59 percent increase from a year earlier, and San Bernardino County posted 2,324 sales, up more than 87 percent from the previous February.

In Southern California, the two counties had the most dramatic year-to-year percentage sales gain, driven by bargain hunters.

"The result of combining record low mortgage rates and the sharp decline in home prices in Southern California is giving home buyers a great deal of affordability that they haven't had for years," said McBride.

Leslie Appleton-Young, chief economist of the California Association of Realtors, said, "You are seeing a very strong recovery in sales activity, especially in areas where prices have fallen the most."

One sign of price firming, Appleton-Young said, are multiple offers for the most affordable homes.

New HOMes don't sell

In contrast to the resale market, new home sales continue to fall.

Last month builders sold 277 homes in Riverside County, down from 557 a year earlier and 2,109 at the height of the housing boom in February 2006.

In San Bernardino County, 109 new homes sold last month, a drop from 304 a year earlier and 792 in February 2006.

Steve Johnson, a director of the Riverside office of MetroStudy, a real estate consulting firm, said in the last few weeks he has noticed more traffic and more buying at housing tracts that he attributes in part to new tax incentives.

Husing contends that after median home prices stop falling, it could be years before home prices recover enough to make it profitable for builders to plan new projects, a move he says is vital to reinvigorating the Inland region's economy.

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