

Mortgage money in short supply

Pullback in homes: Two new reports say the housing market is in trouble nationally as sales, prices plunge

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The housing market continues to crater locally and nationally, as the shortage of mortgage money keeps buyers at bay, according to a pair of reports released Tuesday.

In the Bay Area, December sales of existing, single-family homes plummeted 38.1 percent from a year ago, according to the California Association of Realtors.

Meanwhile, the average cost of those homes fell 8.6 percent in the region, the November Standard & Poor's/Case-Shiller Home Price index said. That's the largest drop since it began reporting numbers in 1988.

"Basically, the markets are coming back into a bit of reality," said Maureen Maitland, vice president of index services at Standard and Poor's. "We're definitely in a housing recession."

The local figures echoed the national and state trends.

The S&P/Case-Shiller 10-city composite home price index decreased 8.4 percent, another record. Miami led the pullback with a 15.1 percent decline, followed by San Diego at 13.4 percent, Las Vegas at 13.2 percent and Detroit at 13 percent. Los Angeles, Phoenix and Tampa, Fla., also recorded double-digit declines in November.

Among the markets tracked by the index, only Charlotte, N.C., Portland, Ore., and Seattle posted positive annual growth rates.

The Realtors Association said sales decreased 33.4 percent in December compared with 2006. Statewide, the median price fell 16.5 percent to \$475,460. In the Bay Area, that price was \$724,800, down 0.2 percent from a year ago. (The trade group defines the area as seven of the nine counties that border the bay. Napa and Sonoma counties are excluded.)

That's a sunnier reading than the nearly 10 percent drop indicated by the S&P/Case-Shiller report, which included Alameda, Contra Costa, Marin, San Mateo and San Francisco counties. Many experts consider Case-Shiller a more accurate gauge than the median figures because it takes into account only prices for homes that have traded hands at least twice. In other words, it indicates the actual increase or decrease in the value of specific properties, while median studies compare prices for one set of homes sold in a given month against a completely different set sold in

another.

Those numbers, it is thought, can be skewed when a greater proportion of homes sell in the lower or higher end of the market in a particular period.

"The quality can shift around so much that you get a shaky base by which to estimate what's going on," said Christopher Thornberg, an economist with Beacon Economics.

Robert Kleinhenz, deputy chief economist with the Realtors' association, attributed the slowdown to the liquidity crunch sparked in summer by rising mortgage defaults. Since then, it has become more difficult and expensive for buyers to secure jumbo loans - those above \$417,000 and not backed by government-sponsored mortgage companies Fannie Mae and Freddie Mac. Because so many homes cost more than that in California, particularly in the Bay Area, many can't afford to purchase homes without access to such loans.

"You could be a well-qualified buyer but not be able to get your loan funded," Kleinhenz said. "Money's just not available."

The positive news in the Realtors report, he said, is that the sales decline seems to be slowing. On a seasonally adjusted basis, sales in the state edged above 300,000 in December, for the first time since August.

Ken Rosen, chairman of the Fisher Center for Real Estate and Urban Economics at UC Berkeley, said it will take at least a year and a half before the housing market improves in a meaningful way. It could take longer still if the economy falls into a recession.

He's hopeful that the federal economic stimulus package and interest rate cut announced last week, combined with strong regional job creation, will prevent a deeper downturn locally. For the time being, Rosen added, there's a silver lining in price declines for some.

"It's a good time to be a buyer," he said.

The Associated Press contributed to this report. E-mail James Temple at jtemple@sfchronicle.com.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/01/30/BUF1UOAE9.DTL>

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