

Median home price plummets in county

Some see 'window of opportunity' for buyers; others wary

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San Diego County's median home price last month plunged 13 percent from year-ago levels, continuing a long downward slide that has prospective buyers and sellers wondering if it's finally time to jump back into the volatile market. The answer, say analysts, might be yes, with the caveat that prices could fall even further before beginning a slow ascent.

Figures released yesterday by DataQuick Information Systems show last month's median price at \$430,000 – 17 percent below the November 2005 peak of \$517,500.

The December decline was also the steepest drop in 20 years of record keeping at DataQuick. The overall median was down \$10,000 from November and \$65,000 below December 2006.

Economist Mark Schniepp of the California Economic Forecast said conditions are right for purchasing a home, if you're making a long-term investment. Falling prices, surging foreclosures, reasonable mortgage rates and a high inventory of for-sale homes mean there are bargains to be found.

“I think there is a window of opportunity that will exist between now and summer,” Schniepp said. “Interest rates are only going to fall. The credit crunch is going to get better. There is going to be plenty of inventory. We are not going to have a recession.”

But Los Angeles economist Christopher Thornberg, who in 2004 predicted the bursting of the real estate bubble, was more pessimistic than most analysts. He cautioned prospective buyers to hold off. Prices have a way to fall before hitting bottom, he said.

“Sure, it's a good time to buy if you don't mind losing 10 to 15 percent of the sales price,” said Thornberg, co-founder of Beacon Economics in Los Angeles. “There's no recovery in 2008, no bottom in 2008. Prices are falling at a pretty rapid pace and will continue to fall through 2008 and into 2009, and that's the most critical thing to keep in mind.”

Despite the gloomy news, most San Diego County homeowners can weather falling prices because they have owned their homes long enough to build up equity, said Gary London, president of the London Group of Realty Advisors in San Diego. He noted that home prices here doubled for many between 2000 and 2005.

Anyone who bought before 2004, when the overall median stood at \$460,000, is likely to still enjoy substantial gains, DataQuick annual figures show.

Condos and resale house prices were down on a monthly and year-over-year basis, while newly built homes and condo conversions were up \$1,000 from November but down \$15,000 from December 2006.

Resale houses, representing 43.5 percent of all transactions in December, had a median price of \$470,000, down \$30,000 from November and \$70,000 below December 2006. That was a record year-over-year drop on a dollar basis.

Sales activity for all homes was up slightly from November, but down 35.4 percent from December 2006, DataQuick reported. There were 2,468 transactions last month, up from 2,400 in November but down from 3,823 a year ago. It was the 43rd consecutive month for year-over-year sales declines.

DataQuick also released prices and sales counts for all of 2007 for the county and individual neighborhoods. The median sales price of houses in 2007 was \$476,000, down 4.8 percent from the record of \$500,000, set in 2005 and 2006. Sales last year totaled 34,741, a decrease of 22.1 percent from 2006, making 2007 the slowest year since 1995, when the last major recession was nearing its end.

Working in buyers' favor are lower interest rates. Freddie Mac last week reported that the 30-year fixed-rate mortgage averaged 5.87 percent compared with 6.21 percent a year ago. DataQuick analyst John Karevoll said it's a good time to buy if you aren't trying to turn a quick profit.

“If you need a roof over your head and you like the school district, do the best you can to buy it,” he said. “If you're out there rolling the dice, you can go to Las Vegas.”

Gary Tillinghast, 55, a retired fire prevention supervisor, recently purchased a 2,300-square-foot home with a swimming pool in Point Loma for just more than \$1 million. He plans to rent out his longtime North Park home.

Although the seller agreed to reduce the price by \$50,000, the discount wasn't his chief reason for buying.

“I was not planning to buy,” Tillinghast said. “I was out looking one day and I found a dream home. I knew that the market was slow. I thought it might be a good time to get people to deal.”

Although he believes prices have yet to bottom out, “I thought, 'Why wait when I've found what I want?' ”

Long interested in owning a home, Jason Milosh, 33, and his wife, Crystal Hankins, 30, have been looking earnestly in the past few months for a house priced under \$450,000. The time is right, he said, even if prices dip further.

“To say you can time the market perfectly is not a reasonable assumption to make,” said Milosh, a director at the La Jolla YMCA. “It may not be the perfect time, but it's definitely a buyer's market, and we're not looking to flip a home.”

Helga Buehner, a retired Fletcher Hills resident, says she wished she had heeded the advice of her son 2½ years ago when he advised her to sell because the market was heading downward. The 3,000-square-foot house, which she's owned for 30 years, is due to close escrow soon for more than \$100,000 below the original asking price of \$884,000.

“Considering the market has turned the way it has, I'm very grateful it sold,” said Buehner, who is planning to move

back to Germany for a while.

Real estate agent McKinley Jones, who specializes in selling to first-time buyers, said he realizes that many people are remaining on the sidelines now, hoping to snag a deal when prices fall further.

“They've observed the market going low, and like all spectators they're saying maybe it'll go lower,” Jones said. “But by the time they come back to reality, the properties will have turned around and gone back up.”

Another factor working in buyers' favor is low interest rates, points out mortgage consultant Liliana Riquer.

“I wouldn't wait because the loan programs available now for first-time buyers may not be available in the future,” Riquer said. “If they find a home that works for them, with interest rates being this low, I think people who buy this year will be very thankful.”

For local builders, 2008 will be a year of transition, retooling and “battening down the hatches,” said Barratt American President Michael Pattinson.

With development of the company's Fanita Ranch not expected to produce homes for sale until 2010 or 2011, Barratt, like many other companies, is selling off excess land, closing out current phases and postponing new projects.

When builders do offer new homes this year, developer Bill Davidson said, buyers will find fewer bells and whistles, such as crown molding and iron bathtubs, and instead will see middle-of-the-line appliances and young trees instead of full-grown specimens.

His aim is to offer single-family homes in the range of \$600,000 to \$700,000, down from the million-dollar tract homes of recent years.

Sharon Hanley, who produces a weekly report on new-home sales, said the 2008 market will be helped by the reconversion of condos to apartment status and by a relatively low inventory of unsold homes.

Poorly underwritten home loans, which led to nearly five times more foreclosures in the third quarter of 2007 compared with the same period in 2006, will continue to work their way through the system this year, analysts say. London predicts that 2008 won't see home prices steeply decline or rebound.

“This is a year where we are going to have to muddle through,” he said. “But I don't think the bottom is going to drop out either.”

With prices still falling, London said, many potential buyers will sit out the market in 2008. They are running the risk of seeing prices rise, however. “None of us know when the bottom will hit.”

Soaring home prices during the first half of the decade were fueled by low interest rates and weak loan underwriting standards. Prices began to fall steeply and credit tightened as many adjustable-interest-rate loans went into default last year.

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Richard Mehren, a veteran real estate agent in central and inland North County, said the falling-price cycle will end, but “short term, we are still in for a rocky ride.”

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