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Home sales down, prices up in county

Fewer foreclosures cited in MDA DataQuick report

By [Roger Showley](#), Union-Tribune Staff Writer

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MAY HOUSING PRICES FOR SAN DIEGO COUNTY				Change
Median prices	May '08	April '09	May '09	May '08-'09
Resale houses	\$420,000	\$325,000	\$325,000	-22.6%
Resale condos	\$287,750	\$182,000	\$199,000	-30.8%
New homes/condos*	\$435,000	\$438,000	\$476,000	+9.4%
All combined	\$380,000	\$290,000	\$295,000	-22.4%
Sales				
Resale houses	1,782	2,207	2,068	+16.0%
Resale condos	884	987	974	+10.2%
New homes/condos*	313	181	200	-36.1%
All combined	2,979	3,375	3,242	+8.8%

*Includes condo conversions
SOURCE: MDA DataQuick UNION-TRIBUNE

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San Diego County home buying dipped nearly 4 percent in May as bargain-hunting buyers found fewer low-priced foreclosure properties for sale, MDA DataQuick reported yesterday.

The median price inched up \$5,000 from April's level to bring the overall county median to \$295,000, \$15,000 above the low point set in January.

The increase may have resulted from a change in market mix – fewer low-cost homes, many of which were foreclosed on in recent months, and more higher-priced properties that pulled up the median.

But a trend may be in the offing, said DataQuick analyst Andrew LePage.

“It's possible we've seen the lowest median we're going to see,” he said. “I can say that, while also saying price depreciation might not be over, particularly in the high-end.”

He was referring to a slight increase in single-family resales in the over-\$500,000 level in certain coastal ZIP codes.

“Some high-end communities are seeing more distress, more mortgage defaults, indicators to me that there are more motivated sellers,” LePage said. “To me that was inevitable, that we would see a bit more of it. People are running out of patience and they want to move for whatever reason and are resigned to today's prices, even if they have to sell at a discount.”

Last month, 23.1 percent of houses sold countywide were priced at \$500,000 or more, up from 20.5 percent in April and 18.8 percent in March.

LePage said the upper-end growth in sales helped stabilize the resale house median at \$325,000, unchanged from April and up from the low of \$319,000 in March. However, the median was still 22.6 percent below year-ago levels.

The median price for resale condos was up \$17,000 from April to May to stand at \$199,000, but it was off 30.8 percent from last year. The median for new homes, including both new construction and condo conversions, rose \$38,000 from April to \$476,000, 9.4 percent higher year-over-year.

In terms of sales, DataQuick found that in the past 10 years, May transactions trailed April's four times. This year, sales were down, apparently due to the decline in foreclosures to 43.1 percent of all resales, compared with 47.3 percent in April and 51.1 percent in March. In sales counts, there were 1,377 homes sold in May that had been foreclosed on in the last 12 months, compared with 1,511 in April and 1,439 in March.

Erik Weichelt, president of the San Diego Association of Realtors, attributed this year's dip in sales to a decline in low-cost foreclosure and short-sale properties – homes sold for less than their outstanding mortgage balance.

“It is true – there is a shortage of inventory,” Weichelt said, citing a slowdown in bank foreclosure actions. He put the inventory of low-cost homes at only 2.2 months, half the inventory of higher-priced homes.

His association said there were 13,448 active listings on the market as of yesterday, 27.2 percent less than at this time last year. The association reported distressed properties accounted for 26.5 percent of the total. This was the first month that a count was available of listings involving bank-owned and short-sale homes.

Market analysts said it is possible the drop in foreclosures may only be temporary as banks seek to modify loans held by troubled borrowers and then finally take over the homes and try to resell them.

But another problem is looming that could upset any hoped-for housing recovery – higher interest rates.

In the past two weeks, Freddie Mac reported in its weekly surveys that the average rate for 30-year, fixed-rate mortgages jumped from 4.9 percent to 5.6 percent.

Dave McDonald, president of the local chapter of the California Mortgage Brokers Association, said he personally felt the increase, when the jumbo loan he sought for a home in Bonita rose from 4.8 percent to 6.375 percent.

When rates rose, refinancing “just about stopped,” he said, but recent days have seen a pullback in 10-year Treasury bill rates, the benchmark for mortgage rates.

Kelly Cunningham, chief economist at National University's Institute for Policy Research, said rising rates could spell trouble for housing.

“People have been drawn into the market with a combination of low prices and low interest rates,” Cunningham said. If interest rates rise, “That must make it more challenging for the housing market to recover and for home buyers to be able to afford it.”

Taking a longer view, Beacon Economics, a consulting firm based in Los Angeles and San Rafael, said yesterday that the housing slump has improved California's ability to retain and attract businesses.

“We have an increase in competitiveness as housing prices fall more than they do elsewhere,” said Beacon founding principal Jon Haveman.

Prices rose faster in California than elsewhere, he said, partly because production lagged demand and builders offered new, large homes at high prices.

“We have an abundance of housing in California and large 'McMansion' style housing,” he said. “We still have a dearth of low-income housing.”

When the economic recovery takes hold two or three years from now, affordability may suffer but not drop nearly as much as it did in the mid-2000s, Haveman said.

“We'll still have this problem, but you could think of us going to our normal lack of competitiveness, which is much better than at the peak,” Haveman said.

For the economy as a whole, Beacon's report said California's long-term picture is bright.

“Expect the teens to come in with a roar,” the firm said, referring to California in 2013 and beyond. The state's economy will be “robust” and, the firm concluded, “There are good things ahead for the Golden State.”


“I think California is in great shape – California has great fundamentals,” like a skilled work force and high-tech industries, Haveman said. “But we're still talking 2013 before things really start to turn around again for the state. We have a long row yet to hoe.”

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