Home prices tumble 24% from 2007

First-time buyers take advantage of foreclosure sales

By Roger Showley (Contact) Union-Tribune Staff Writer

2:00 a.m. January 17, 2009

DECEMBER HOUSING PRICES FOR SAN DIEGO COUNTY

Median prices	Dec. '07	Nov. '08	Dec. '08	Change Dec. '07-'08
Resale houses	$470,000	$335,000	$332,500	-29.3%
Resale condos	$311,000	$204,000	$195,000	-37.3%
New homes/condos*	$445,000	$509,000	$487,500	+9.6%
All combined	**$430,000**	**$305,000**	**$300,000**	**-30.2%**
Sales				
Resale houses	1,074	1,631	2,033	+89.3%
Resale condos	521	780	971	+86.4%
New homes/condos*	873	262	321	-63.2%
All combined	**2,468**	**2,673**	**3,325**	**+34.7%**

SOURCE: MDA DataQuick UNION-TRIBUNE

See details on prices and housing in San Diego County neighborhoods at uniontrib.com/more/documents

San Diego County ended 2008 with the worst real estate downturn on record, with prices dropping more than 24 percent from 2007 levels. The question on the minds of buyers, sellers, renters and real estate professionals is whether 2009 will bring more of the same or mark the start of a recovery.

For all of 2008, the median price was $360,000, a record 24.4 percent decline on a year-over-year basis, while sales sank to their lowest level since 1995.

Meanwhile, December's numbers reflected a continued housing slump, with the median price declining 30.3 percent from a year earlier to $300,000 – the lowest since April 2002, MDA DataQuick Information reported yesterday. Since monthly prices peaked in November

2005 at $517,500, the median has dropped 42 percent.

But as prices sank to more affordable levels, partly because of the presence of many deeply discounted foreclosure properties, sales rose, with December up 34.7 percent year over year to 3,325 transactions.

For all of 2008, the total of 34,294 sales nearly equalled 2007's 34,741 – but both were far below the peak of the real estate boom, at 68,315 in 2004.

“It was the revenge of the first-time home buyer,” said DataQuick analyst Andrew LePage, who noted that new buyers were particularly active in Oceanside, Chula Vista and inland areas where prices fell the most.

Economist Christopher Thornberg, who predicted the bursting of the housing bubble long before many other analysts, was confident that this is the year housing prices finally hit bottom. But he cautioned that it could be at least a couple of years before housing values begin rising again.

“It's pretty clear that from the numbers we're seeing, price declines are falling at a slower pace than a year ago, and this is good news, because you need to see a slowing decline before prices stop falling,” said Thornberg, of Beacon Economics.

San Diego real estate agent Gary Kent said he expects homes under $500,000 to bottom out sooner than upper-end houses, where prices still have further to fall.

“I think that we're close to the bottom on the lower end because investors now can buy and get a positive cash flow, and home buyers can buy and not pay that much more than rent,” Kent said.

Thornberg noted that the stock of foreclosures remains high, which will continue to depress prices, and with unemployment rising, fewer people will be looking to buy homes. In December, San Diego foreclosures represented 50.4 percent of all resales, compared with 30.3 percent a year earlier.

Other indicators also suggested how the year could unfold.

The Construction Industry Research Board in Burbank reported that only 135 San Diego County building permits were issued in December, and the 5,153 total for the year was the lowest since the board started tracking San Diego permit activity in 1967.

“We foresaw '08 and fear '09 is going to be a repeat,” said Borre Winckel, chief executive of the San Diego County Building Industry Association.

In the resale market, San Diego's inventory continues to drop, a sign that demand is whittling away the supply and that prices might be stabilizing. The San Diego Association of

Realtors said the inventory of unsold resale homes, including foreclosures, stood at 14,997 yesterday, the smallest since early 2006, as the housing market was cooling.

But some buyers are bypassing resales and foreclosures in favor of new homes because they like the features, financing and peace of mind they get when buying from a builder rather than a bank.

“We felt there were so many scary stories with foreclosures and didn't want to get caught up in a home that someone left at the last minute,” said Deborah Mosley, 33, who with her husband, Derrick, 37, now serving in Iraq, bought an 1,860-square-foot, $369,900 townhouse in November at Brookfield's Cordova project in eastern Chula Vista.

A.J. van de Ven, 27, an unmarried software engineer, paid cash for a $726,900, 3,875-square-foot house in Brookfield's Mahogany project in San Marcos because he was nervous about other investments.

“To be honest, it actually freaked me out,” van de Ven said of the economy last fall, when he closed escrow.

In recent months, the Federal Reserve has lowered interest rates and taken other steps to bolster the housing market and the general economy. Mortgage interest rates, which Freddie Mac reported Thursday as standing at 4.96 percent on 30-year, fixed-rate loans, are expected to continue to fall this year, possibly to as low as 4 percent.

“It's hard to figure out what else the government can do,” said Rick Sharga, vice president of marketing for the RealtyTrac research firm. “Interest rates are at record lows and home values have dropped in some markets by 40 or 50 percent, yet we are not seeing the increase in buying activity we should.”

Some economists fear that more foreclosures are inevitable as thousands of bad loans work their way through the system.

“There are not a lot of good stories to be told,” said Dean Baker, an economist for the Center for Economic and Policy Research in Washington, D.C. “You had a housing bubble. It is going to deflate, and a lot of people will get nailed.”

Also hampering a recovery is continued tightening of credit as many lenders hoard money to offset future bad loans. This week, Congress cleared the way for a new round of relief funds for the financial industry. Treasury Secretary Henry Paulson already committed half of the $700 billion bailout, which so far has failed to loosen lenders' purse strings or slow foreclosures.

Meanwhile, congressional pressure is mounting on lenders to loosen credit and make loan modifications that reduce principal debt to help homeowners avoid default. The incoming Obama administration supports changing bankruptcy laws to enable judges to reduce debt for distressed homeowners if lenders fail to act.

Many home buyers who purchased at the peak of the market just four and five years ago continue to suffer the fallout from subprime lending and rapidly falling housing values.

Single mother Kelly Soban, who in 2004 bought two homes using $350,000 in proceeds from the sale of a previous house, recently sold one of them for substantially less than what she paid for it to avoid foreclosure.

"I was really poorly advised every step of the way from different people, and my Realtor kept saying, 'The market will get better; keep paying the mortgage,' " said Soban, who still owns her home in Clairemont. An investment house she bought in Lakeside for $510,000 recently sold for $278,000.

"The only regret I have is not educating myself," she said. "I have a family to support, and it wasn't about greed – it was about security."

Staff writers Emmet Pierce and Lori Weisberg contributed to this report.

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Comments

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- Lurker January 17, 2009 at 7:54 a.m.ANother 50 percent baby. I am loading up on cash. I will buy when the sellers say "no maas" Suggest removal 0 of 0 people found this comment useful.

  The greedy speculators that built the bubble will soon be in financial ruin.

- LaMesaMafia January 17, 2009 at 8:02 a.m.This happens about every 15 years in San Diego. One days like today Suggest removal 0 of 0 people found this comment useful. in January where the front page pictures of our paper show people in shorts and at the beach while the east coast endures snow and sub-freezing temperatures. As soon as the prices get low enough, the people from Boston, Chicago, New York and others who realize life is too short to live like tha will come out here an snap up the homes. So don't wait too long... you're not competeting with just locals. There's other epople watching how low the prices will go including rental income investors.

Rasputin- You're arguing, I Suggest removal 0 of 0 people found this comment useful. think, that inflation must make the price of everything go up in at least nominal terms. I think its possible for a society to get generally poorer, all the while its government prints more and more of the coupons it uses as money. This is in fact the scenario I think we are headed. In that environment, the price of labor and land would go down while prices of the things that we compete with the rest of the world for, such as food and energy would go up. So in the bundle of input that it takes to make another house, your biggest factors, land and labor go down, and only the materials and energy inputs go up. Regardless we're in an over supply situation right now. We essentially have already built the next 10 years demand of houses in the last 5. Regarding the interest rates vs house price trade. You can't renegotiate the price you pay for a house, but you can refinance. Prices seem to be greatly effected by what I call the "how much a month" phenomenon, so when rates are low, people pay more, and when rate are higher, people pay less. So here we are with declining prices, and interest rates already on the floor with nowhere to go but up. So its unlikely they'll be raised, and if they are, they'll put even more downward pressure on nominal prices. Another point, credit isn't tight, its just going back to normal from being excessively loose. By comparison it may seem tight to some short term thinking people.

- simplyblue January 17, 2009 at 8:49 a.m.I hope the housing market continues to go down. I can't believe that Suggest removal 0 of 0 people found this comment useful. housing prices were allowed to get this high and no one done anything about it. Moreover, I can't believe the people who bought homes when the market was at its peak didn't realize that they could not afford them. On the other hand, you can't blame anyone for wanting to own their own home.

- akenesie January 17, 2009 at 8:51 a.m.LURKER! C'mon dude, give it a rest already! I suppose you're the guy in Suggest removal 0 of 0 people found this comment useful. Vegas that bets on the CRAP too...?

  I wish you the best, but beware of the misfortune that may beset you one day... It comes in different faces...

  Just a caveat my friend...

- sgk January 17, 2009 at 8:52 a.m."As soon as the prices get low enough, the people from Boston, Chicago, NewSuggest removal 0 of 0 people found this comment useful. York and others who realize life is too short to live like tha will come out here an snap up the homes. So don't wait too long..."

  Bwahaha, now that's funny. You have to be a realtor. I was born & raised in SD and know that SD used to be a nice place but now the infrastructure can't support the number of people, terrible roads, rotten schools, out of control taxes, limited employment options... Other than the weather what does SD have to offer? I left SD years ago and now have better weather, great access to year round recreation areas, reasonable home prices, awesome schools, much lower taxes.

Tell me again why I would want to "snap up the homes" in SD.

- MudSlinger January 17, 2009 at 8:56 a.m."A.J. van de Ven, 27, an unmarried software engineer, paid cash for a $726,900, 3,875-square-foot house in San Marcos." Suggest removal 0 of 0 people found this comment useful.

  I predict you will get the same in Del Mar in mid-2009! Van de Ven pulled the trigger too fast ...

- iflonlyhadabrain January 17, 2009 at 8:58 a.m.How about we offer illegal alien home loans to the GITMO prisoners and house them here in San Diego??? They could surf, party and start getting involved in our local affairs. C'mom Comrade Premiere B. Hussien O'Roosevelt..this is hope and change!! Suggest removal 0 of 0 people found this comment useful.

- SDGuy January 17, 2009 at 9:09 a.m.Prices more than doubled in this bubble, and are now down 30%. Suggest removal 0 of 0 people found this comment useful.

  There is a LOT more price dropping yet to come... bring on the foreclosures of the arrogant over-bidders who F'd up the market! Yeah!

- sdnative1 January 17, 2009 at 9:14 a.m.sgk wrote:
  I left SD years ago and now have better weather, great access to year round recreation areas, reasonable home prices, awesome schools, much lower taxes. Suggest removal 0 of 0 people found this comment useful.
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  Where the heck did you move to?
  There is no place in the continental US that meets those criteria.

- sdnative1 January 17, 2009 at 9:21 a.m.SD Guy wrote:
  Prices more than doubled in this bubble, and are now down 30%. Suggest removal 0 of 0 people found this comment useful.
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  1989 median San Diego home: $162K
  2009 median San Diego home: $300K

  That's about a 3.14% a year increase, year-over-year.
  And homes now are much bigger and better constructed than 1989.

- studiotoo January 17, 2009 at 9:25 a.m.some defecated nickname use to post that he or she will buy a house in Baja for 10 dls Suggest removal 0 of 1 people found this comment useful.

i tell ya now any old fool who wants to sell there home for 1 dls to an alien , could post here muchas gracias

- space January 17, 2009 at 9:27 a.m.that is good news. Almost time to buy again.
  Suggest removal 0 of 0 people found this comment useful.
- sdnative1:
  SDGuy January 17, 2009 at 9:29 a.m.
  Suggest removal 0 of 0 people found this comment useful.
  Nice try, but comparing the 1989 bubble peak to the current mega-bubble mid-crash is not relevant to anything.
- sdnative1 January 17, 2009 at 9:44 a.m.SDGuy:
  Suggest removal 0 of 0 people found this comment useful.
  Sorry, but you're wrong.
  Previous bubble peak was Aug 1991 at $187,500.
  The bottom of that trough was 1995 with a $164,000 median.
  Based on the bottom of the second worst RE market ever here, we've had a 4.4%, year-over-year rise to $300,000.

  I think 1989 to 2009 is good 20 year comparison for prices.
- mrx January 17, 2009 at 9:55 a.m.sdnative1
  Suggest removal 0 of 0 people found this comment useful.
  Sorry, YOU are wrong.
  We are NOT in a normal economic cycle: that previous downturn in price was NOT the result of a bubble burst. It was the collapse of the aerospace industry. What we are in now is a fundamental change in capitalism. And, **IF** the US recovers, it will be changed forever. The prices will continue to drop because there is NO money to buy houses. And the prices will NEVER recover.
- sdnative1 January 17, 2009 at 10:01 a.m.mrx wrote:
  Suggest removal 0 of 0 people found this comment useful.
  The prices will continue to drop because there is NO money to buy houses. And the prices will NEVER recover.
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  No money?

  Our government has printed an extra $2-$5 trillion over the last year (no one can seem to get a straight count).

  And a Democrat is about to take over the Whitehouse.

  For a government, lack of money is a problem easily solved with a printing press.

  Of course that leads to other problems, but what else are they going to do to keep their constituents happy?
- Austrian School January 17, 2009 at 10:02 a.m.

Sdnative- Your nice even Suggest removal 0 of 0 people found this comment useful. 20 year number happens to select a point near the previous bubbles peak and put it against half way through the correction of the current bubble. It's pretty arbitrary, you have to admit.

We're coming off history's biggest credit bubble, I expect no less than histories greatest collapse. I'm just praying that we don't have a currency collapse in the process.

- Austrian School January 17, 2009 at 10:05 a.m.The government can print inflation, they can't print wealth. The Suggest removal 0 of 0 people found this comment useful. costs of the things you compete on a worldwide basis (food, energy, materials) will go up in nominal dollars. And the cost of the things you compete locally for (housing and labor) will go down to compensate.

  He have dissipated a huge amount of our country's real wealth in the last decade. What remains is debt and more debt.

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