

Oct. 16, 2007, 3:48PM

SoCal Home Sales Plunge

By GARY GENTILE AP Business Writer

© 2007 The Associated Press

LOS ANGELES — Southern California home sales plummeted in September to the lowest level in two decades, with economists predicting Tuesday the market could stagger even more as skittish lenders balk at financing homes.

A total of 12,455 new and resale houses and condos were sold in September in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties, according to DataQuick Information Systems.

It was the slowest month since the firm began keeping records in 1988, DataQuick said. The previous low was in February 1995 when 12,459 homes sold.

The September sales average is 25,258.

DataQuick attributed the plunge to lenders and investors becoming spooked by the nationwide credit crunch and denying "jumbo" mortgages exceeding \$417,000.

"The market is in decline," DataQuick analyst John Karevoll said. "A lot of closings didn't happen in September."

The median home price for the month also fell in the six-county region to \$462,000, down 7.6 percent from August and 4.0 percent from September of 2006, DataQuick said.

In Washington, Treasury Secretary Henry Paulson said home prices across the nation present a serious threat to the U.S. economy.

"Let me be clear, despite strong economic fundamentals, the housing decline is still unfolding, and I view it as the most significant current risk to our economy," Paulson said in a speech at Georgetown University.

"The longer housing prices remain stagnant or fall, the greater the penalty to our future economic growth," he warned.

In addition, a monthly index by the National Association of Home Builders that tracks

developers' expectations of future home sales fell this month to a new record low, suggesting price cuts haven't yet injected a spark into the slumping market.

Some economists said California's housing problems will worsen during the next year, even if lenders begin making more jumbo loans in the next few months.

"Things are clearly getting worse," said Christopher Thornberg, a principal with Beacon Economics. "It's going to remain terrible for some time."

Thornberg said the number of mortgages that are 60 to 90 days overdue is climbing, foreshadowing a higher number of foreclosures in the coming months.

However, sales could recover as prices drop, especially with California's population growing and the economy producing new jobs, said Stephen Levy, senior economist at the Center for Continuing Study of the California Economy.

"What I think will happen is that prices will continue to go down and the volume of activity will start to level off and go up in a year or so as prices become more affordable," Levy said.

Levy noted that monthly home sales in the state have now dropped below figures from the early 1990s, when California's economy suffered a recession.

But he believes it will take far less time for sales to recover during this housing slump.

"Buyers have essentially gone on strike and we need more price correction," Levy said. "In the early 1990s, because sellers got stubborn, it took seven or eight years to recover. I think this market will clear more quickly."

Karevoll expects lenders to make more jumbo loans in the months ahead.

"The lending community has concluded that the pendulum swung too far and it's swinging back," he said.

Still, the outlook remains murky.

"The question now is how many of the deals that didn't happen in September are being time shifted into October and November, and how many of those deals are dead," Karevoll said. "We won't know that for a while."

AP Business Writer Alan Zibel and AP Economics Writer Martin Crutsinger contributed to this story from Washington.