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HOUSING: County price decline persists, but slows

By ZACH FOX - Staff Writer

Home prices across the county fell further in June and now are 30 percent off the peak in 2005 as the wave of foreclosures dragged down prices.

Price declines in San Diego County slowed somewhat, leading several economists to believe the local housing market is at least halfway through its recession.

The county continued to be among the nation's leaders in greatest price decline through June, the latest month available, as a seasonal bump in sales has not mitigated depreciation, according to the Standard & Poor's Case-Shiller Home Price Index released Tuesday.

House prices are 24.2 percent below levels a year ago and dropped 1.5 percent from May to June. In contrast, from October 2007 through April, countywide home prices tumbled by about 3 percent each month.

With the rate of depreciation slowing over the past few months, some analysts are saying the biggest price drops are over. However, they say, that doesn't mean home prices are going to increase any time soon.

"This thing's going to hit bottom some point in mid-2009, and it's going to sit there for two years ---- at least," said Christopher Thornberg, an economist at Beacon Economics in Los Angeles. "I've heard people say you're going to miss the bottom. You've got to be kidding. If there's any asset market where you can't miss the bottom, it's housing."

Price declines over the past year in the county joined Miami, Las Vegas, Los Angeles and Phoenix in posting the steepest price declines.

But for the first time, one portion of the housing market posted an increase in prices ---- higher-priced homes posted a minor jump of 0.3 percent from the previous month, according to the report.

The incremental increase in upper-end houses, defined as those more than \$535,657, was not enough for analysts to call an end to the price declines and reinforced the trend that only low-end foreclosures are selling.

But one month of value increase is not enough to indicate that the high-end market, which has dropped 20 percent from a 2006 peak, might be rebounding.

In fact, one real estate agent who specializes in higher-end markets, Eric Elegado of Mira Mesa, said foreclosures in more expensive neighborhoods will push down prices further.

"In Santaluz, there's some foreclosures and short sales coming onto the market, so that will set a new price point," Elegado said.

He said he subscribes to Thornberg's belief that price declines are more than halfway over, "but they'll still decline. I'm finding out that there are more and more sales coming on the market, but there's more and more foreclosures coming on the market."

Low-end homes, where foreclosures have been most prevalent, continued to lead the market in price decline, down 39.5 percent from its peak.

Meanwhile, other housing indicators point to continued softness for the North County market: Foreclosure rates have not slowed, inventory remains high and sales outside of low-end markets are sluggish.

"As far as a quick turnaround is concerned, there's no data supporting that," said Maureen Maitland, vice president of index services at Standard & Poor's. "We're not going to see this turn on a dime in September or October of this year."

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