

Bargain hunters push Inland home sales up

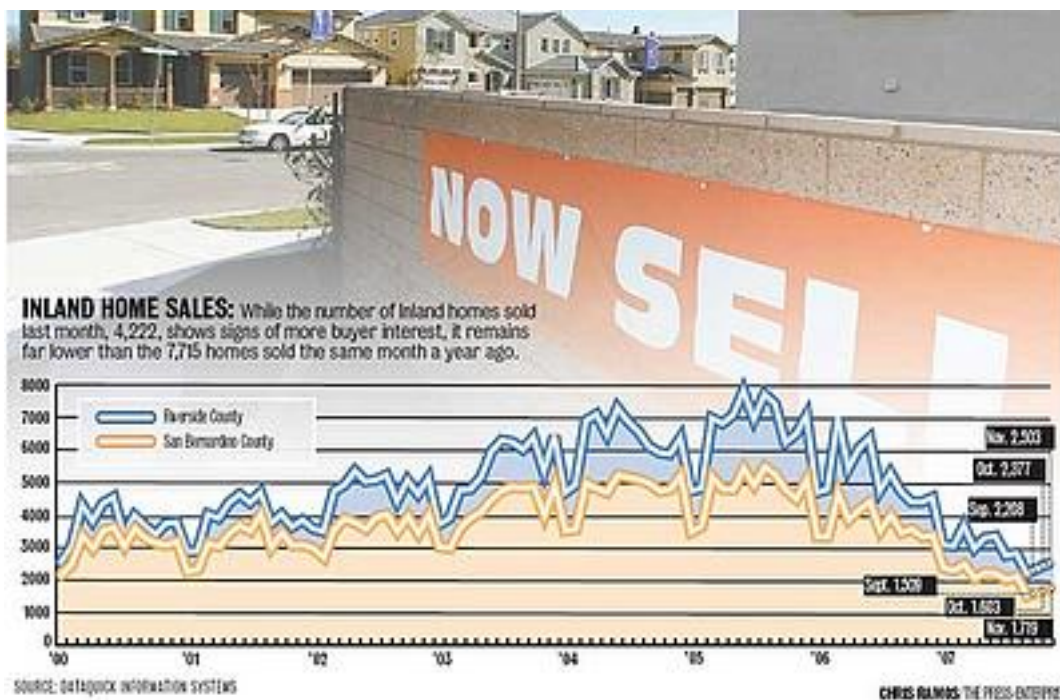
08:03 AM PST on Wednesday, December 19, 2007

By **LESLIE BERKMAN**
The Press-Enterprise

Home sales edged up in November in the Inland area and throughout Southern California as bargain hunters infused a bit of life into a swooning housing market.

It was the third consecutive month in which sales of new and existing homes in Riverside and San Bernardino counties increased, rising from a combined 3,717 in September to 3,980 in October and 4,222 in November.

Still, the vital signs of the Inland housing market remained extremely weak. San Bernardino County last month posted its fewest homes sales for a November on record, and Riverside County had its slowest November since 1997.



"There has been a small increase in demand thanks to discounts, particularly in the new-house market," said Andrew LePage, an analyst with DataQuick Information Systems, which released November housing sales and price data Tuesday.

Also RealtyTrac, an Irvine-based company that maintains an online foreclosure database, reported that in October, the amount of foreclosure activity in the two-county Inland area -- as measured in notices filed for defaults, foreclosure sales and home repossessions -- dropped 25 percent. Such filings fell 10 percent nationwide.

"It is definitely a good sign," said RealtyTrac spokesman Daren Blomquist. He said it may indicate that lenders are working more closely with homeowners to prevent foreclosures.

"But it is too early to say the worst is over," Blomquist cautioned. He said the true test will come in the first quarter of 2008, when the adjustable-rate mortgages on many homes are scheduled to reset at higher interest rates, a move that may push more homeowners over the financial edge.

November's 7,671 foreclosure-related filings in the Inland area represent a 62 percent increase from a year earlier. Among major U.S. metropolitan areas, the Riverside/San Bernardino statistical area ranked ninth in rate of foreclosures -- one for every 176 households.

Median Home Prices

The median home price in Riverside County was \$356,500 in November, down 16.5 percent from a year earlier. That was the largest percent year-to-year decline in Southern California and the biggest recorded for Riverside County.

San Bernardino County's median home price was \$330,000 last month, down 13.2 percent, which was second-steepest drop in the six-county region.

The October-to-November increase in sales does not prove that the housing decline has reached a bottom, DataQuick President Marshall Prentice said in a written statement.

"We also saw November sales rise a bit back in the troubled market of 1994, well before it hit bottom," Prentice said.

Leslie Appleton-Young, chief economist for the California Association of Realtors, said although deals seem to be giving home sales an unusual push during the holiday season, "we are not expecting the market to bottom out anytime soon."

She said the association forecasts that next year, home sales will drop an additional 9 percent statewide and probably more substantially in the two Inland counties because of their high foreclosure rates.

DataQuick reported that median home prices have been pulled down by a loss of value and a

sharp decline in sales of mid- and higher-priced homes bought with jumbo mortgages -- properties that cost more than \$417,000. Jumbo loans have grown scarce since a national credit crunch hit the housing industry in August.

Appleton-Young said she hopes the federal government will take action to make mortgage financing more available. But she said a rebound in home sales also will require an attitude change among potential buyers, who have been waiting for prices to fall further.

Chris Thornberg, an economist and principal at Beacon Economics, contends that buyers are smart to wait.

"If anyone thinks there are bargains in this market, they are fooling themselves," he said. "We have two years of falling prices ahead of us."

Home Prices, Affordability

Efforts to make mortgages more plentiful, Thornberg said, won't solve the main problem, which is home prices that rose much faster than incomes have and will have to decline until houses are more affordable.

"It is just a function of time. Painful, painful time," he said.

Mike Dwight, senior vice president of Frontier Homes, based in Hesperia, said a downsizing in home designs and falling land prices will result in less costly houses hitting the market about the middle of next year. To recharge the industry, builders need to produce houses priced in the \$200,000s for first-time buyers, he said.

"At the end of the day, it is the first-time buyer who drives the market," Dwight said.

Reach Leslie Berkman at 951-893-2111 or lberkman@PE.com