

Reuters

FEATURE-Home sales rebound lifts hard-hit California county

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UNITED STATES - By Syantani Chatterjee

WINCHESTER, Calif. (Reuters) - It may be just a blip in the housing downturn, but even a temporary rebound in home sales is a welcome respite for California's Riverside County, one of the places hardest hit in the U.S. mortgage and foreclosures crisis.

Thanks to plummeting prices and a slew of foreclosures in the county, east of [Los Angeles](#), 31-year-old photographer Elizabeth Luma can see her dream of owning a home in Southern California come true. She is scouting for a \$200,000 home for her five-member family.

"The range of homes is low enough, so we can pay for it right now," said Luma, who rents an apartment in Los Angeles and plans to close the deal on a Riverside house within the next month.

"Right now is the time for first-time buyers like us who couldn't afford it earlier to take advantage of the low prices."

In June, Riverside County saw the number of home sales jump 12 percent from last year, even as overall sales in the six Southern California counties, including Riverside, were down 14 percent, according to DataQuick Information Systems.

Prices in June were down 31 percent from a year earlier year in Riverside, which is ranked second in the country for foreclosure rates behind Stockton in [Northern California](#).

Tera Wunderlich, a 27-year-old hairdresser who has been planning to buy a house for years, is going to make the most of those numbers.

"My budget is roughly \$200,000 and I know there are bank-owned properties to look at," Wunderlich said.

This current uptick in home sales is fueled by buyers like Wunderlich and Luma who intend to live in the homes they buy, and also by investors who are building a portfolio of rental properties, real estate experts say. Speculators who "flip" properties for a profit and who were blamed for worsening the mortgage crisis are less prevalent.

"Flippers who depend on a home-price appreciation to make money can't really make any money because there is no appreciation, and there won't be for years," said Christopher Thornberg, principal and cofounder of economic consulting firm Beacon Economics.

FORECLOSURES DRAW BARGAIN-HUNTERS

Rows of once-luxurious properties that now lie foreclosed are bringing down home prices in entire neighborhoods in the county. Foreclosed homes accounted for more than 62 percent of homes sold in June.

"The sales are being driven by foreclosed properties, and bargain-hunters will of course take advantage of that," Thornberg said.

That has encouraged first-time [home buyers](#), and to a lesser degree, move-up home buyers, to come back into the market, according to local real estate agents.

But not all is bright for these buyers. Credit is hard to come by in a mortgage market burned by defaults, even for those who have stable income and downpayments.

"Banks are not financing loans for any homes that are not meant to be lived in, and many qualified buyers are not being approved by overcautious banks," DataQuick Information Systems analyst John Karevoll said. "Most of the distress we are now seeing is largely a function of previous bad lending practices."

Loans to customers with poor credit were a big part of the boomtown growth in Riverside and sister county San Bernadino, known collectively as the Inland Empire, in the past decade. There, buyers found a large stock of new housing with bigger spaces and yards for less than in Los Angeles or Orange counties.

But these two counties were also disproportionately hit in the 2007 mortgage meltdown.

Gov. Arnold Schwarzenegger recently set aside \$200 million to support up to 1,000 eligible first-time home buyers in California counties worst hit by foreclosures, including Riverside. The program will help eligible buyers purchase foreclosed homes at below market interest rates.

But analysts say programs such as these won't have a long-lasting effect on the volatile housing market until bank loans open up and investors return. And they warn that overoptimistic pronouncements of an improving housing market can distort reality.

"The current spike is only a trend in a sub-category of activity and it's difficult to call it a long-term trend," Karevoll said.

But in the short term, Luma thinks the time is ripe and the price is right for the dream house she has been waiting for.

"It must have a backyard for my kids, and definitely a big kitchen with an island in the middle," Luma said. "I can't wait to get out of this condo." (Reporting by Syantani Chatterjee; Editing by Mary Milliken and Eddie Evans)

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