

## Slowest May in 20 years for Bay Area housing

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**(06-18) 17:36 PDT SAN FRANCISCO** -- After an unusually strong April, the number of Bay Area homes sold fell to a 20-year low for May, undercutting hopes that the earlier surge signaled a turnaround for the battered real estate market. The few examples where transactions did tick up were concentrated in outlying cities that have suffered the greatest numbers of foreclosures, as bargain shoppers took advantage of the resulting price breaks.

A total of 6,216 new and resale houses and condos traded hands across the nine-county region last month, down 1.5 percent from the previous month and 23.1 percent from a year ago, according to DataQuick Information Systems. It was the eighth time in the past nine months that sales reached a two-decade low for the period. The median price paid was \$517,000, down 21.7 percent from 12 months earlier.

"The broader market couldn't build on the momentum we thought we saw in April," DataQuick analyst Andrew LePage said. "We're in for a long, bumpy road to recovery from this downturn."

April sales had risen nearly 30 percent from the prior month, the largest increase for that time period since at least 1988, when the La Jolla (San Diego County) research firm began tracking the market. LePage attributes part of that month's jump to more complicated financings and closings delaying sales that would have normally closed during March, always one of the strongest sales periods of the year.

The steepest year-over-year sales decline last month occurred in Contra Costa County, where prices plummeted 33.8 percent to \$390,500, DataQuick said. Marin County saw the only price gain, 5.8 percent to \$899,000, despite having the biggest drop in sales volume, 37 percent. The number of all types of sales that closed in San Francisco dipped 3.7 percent, as prices edged down 5.4 percent to \$790,000.

A DataQuick analysis of trends by ZIP code revealed a surprising area of sales strength: outlying cities. Two-thirds of the ZIP codes that posted year-over-year gains in existing home sales were in the relatively affordable areas hardest hit by foreclosures and price drops.

"Buyers are reacting to what they perceive as deep discounts," LePage said.

Brian Sharp, broker and owner of Sharp Realty in Brentwood, said banks have finally lowered prices on foreclosed homes to the point that they're quickly receiving multiple offers and selling above the list price.

"We're booming," he said.

Sharp, who focuses in eastern Contra Costa County cities such as Brentwood, Antioch and Oakley, is working with five buyers who had scouted the market three years ago and decided they were priced out.

"They couldn't afford to buy at seven, but now that the homes are 300 and 400 (thousand dollars), they say, 'Hey, I can do it,'" he said.

Christopher Thornberg, principal at Los Angeles consulting firm Beacon Economics, cautioned that this development doesn't necessarily mean those markets are stabilizing. He said foreclosures are rising faster than sales in many such areas, increasing inventory along with lowering prices.

Indeed, May default notices and other foreclosure activity in Northern California leaped 268 percent from a year earlier, according to

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a separate Wednesday report by Default Research Inc. of Mount Pleasant, Pa.

An altogether different trend unfolded on the other side of the Bay Area, as sales decreased at growing rates last month in Marin, Santa Clara, San Francisco and San Mateo counties, Thornberg noted.

"The part that has been relatively stable is starting to slide," he said. "The west side of the bay is starting to feel the pinch."

Thornberg predicts that Bay Area prices overall will eventually fall 35 to 40 percent from their peak, likely reaching the trough around the middle of next year.

A report released Wednesday by UCLA Anderson Forecast advanced a slightly rosier take on the housing market, arguing California is transitioning into a new phase of the real estate bust, in which prices will remain weak but sales will begin to tick up.

Price declines, lower interest rates and loosening credit markets are luring bargain hunters, it said. The report stressed, however, that foreclosures will remain a "significant problem" through at least the end of the year and that "a 'normal' housing market is still a long way off."

Ilse Cordoni, a broker and partner at Zephyr Real Estate in San Francisco, stressed that the "market" is actually made up of many markets. Some, like San Francisco's luxury segment, are already performing quite well.

In the past six months, nearly 400 single-family homes sold in San Francisco for more than \$1 million dollars - and the majority did so in less than 30 days.

"The low end of the market is the end that's hurting," she said. "The high end of the market has done very well."

For a database of Bay Area home sales by ZIP code, visit [www.sfgate.com/webdb/homesales](http://www.sfgate.com/webdb/homesales).

#### Figures show the high cost of a high number of foreclosures

Counties with the largest numbers of foreclosures often experience the biggest price declines because banks mark down such properties to move them quickly and neighboring property owners must drop listing prices to compete.

County	Existing single-family median price May 2008	Change from May 2007	Percentage foreclosed upon
Alameda	\$508,500	-20.5%	26.8%
Contra Costa	376,000	-42.5	43.3
Marin	1,102,000	19.1	4.5
Napa	425,000	-29.8	34.1
San Francisco	848,529	-5.7	5.8
San Mateo	784,000	-8.8	10.1
Santa Clara	696,500	-12.3	14.3
Solano	300,000	-30.6	57.6
Sonoma	430,000	-21.6	26.6
Bay Area	535,750	-25.6	25.6

Source: DataQuick Information Systems

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