

## Realtors group expects more home price declines

Chronicle Staff and News Services

Thursday, October 16, 2008

**(10-16) 04:00 PDT Los Angeles - -**

Home prices will decline across most of the state and sales will climb for the second year in a row, a trade association for real estate agents said Wednesday.

In its 2009 forecast, the California Association of Realtors predicts that the buyers market will continue, calling for the median price of a home in the state to fall to \$358,000, down 6 percent from the group's projection for this year of \$381,000. The report also anticipates sales of existing single-family homes will rise 12.5 percent to 445,000 units - essentially the same as the increase in sales this year over 2007.

"The worst is over, but we're still not out of the woods," said Leslie Appleton-Young, the association's chief economist.

Sales will likely climb by about the amount the group predicts, thanks to the bargains presented by increasing foreclosure sales, but its price forecast is too rosy, said Chris Thornberg, founder of Los Angeles research firm Beacon Economics.

"The decline of 6 percent sounds like something of a pipe dream," he said. "The sheer amount of momentum there is ... just phenomenal, and I find it hard to believe it's going to basically bottom out that quickly."

Thornberg believes prices will fall by at least 10 percent, and possibly as much as 15 percent.

The association's outlook hinges on the health of the U.S. economy and the nation's credit markets, which have been in turmoil, making it tougher for would-be home buyers to get financing.

The forecast assumes that economic growth in the first half of next year will be in recession territory - either flat or negative - then improve in the second half of the year. Also assumed is that the credit markets will stabilize sometime this year or early next year.

But all bets are off if the state's economy - already considered by some economists to be in recession - worsens.

"This forecast is not taking in a recession with huge job losses," Appleton-Young said.

The pronounced economic crisis that began in September, essentially timed to the government seizure of mortgage giants Fannie Mae and Freddie Mac, ratcheted down the trade group's predictions for next year, said Robert Kleinhenz, the association's deputy chief economist. The specific results from the credit freeze should begin to show up in October sales data and will likely pressure the market downward through at least the first part of the year, he said.

"By the time we get into the second quarter of 2009, there will be sufficient work done to retool the financial system, that we can get back on track with the story that we had seen before," Kleinhenz said.

California is in the third year of a housing slowdown that has been among the worst in the nation. Pricy coastal markets such as San Francisco have seen moderate price declines compared with inland regions, where foreclosures have helped drive down prices by double-digits. Several of the state's metro areas, including Stockton, Merced and Modesto, have among the highest foreclosure rates in the nation.

Home sales statewide bottomed in late 2007 at 265,000 units, but have risen since as buyers seize on foreclosure bargains. Foreclosure sales should continue to be the main factor in driving down the statewide median home price next year. The forecast also calls for sales of distressed properties to peak early in the year, which should help slow price declines.

"I would think by 2010 we would be up by mid-single digit" percentages, Appleton-Young said, referring to the state's median home price.



http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/10/16/BUO913HLB7.DTL

This article appeared on page **C - 1** of the San Francisco Chronicle

San Francisco Chronicle Sections

© 2008 Hearst Communications Inc. | [Privacy Policy](#) | [Feedback](#) | [RSS Feeds](#) | [FAQ](#) | [Site Index](#) | [Contact](#)