

## Bay Area home values hit 8-year low in November

James Temple, Chronicle Staff Writer  
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Region	Nov 2008	Nov 2007	% Change
Bay Area	\$350,000	\$660,000	-47.8%
San Francisco	\$697,500	\$830,000	-18.5%
San Jose	\$450,000	\$550,000	-18.2%
San Diego	\$300,000	\$350,000	-14.3%
Los Angeles	\$300,000	\$350,000	-14.3%
Phoenix	\$200,000	\$250,000	-20.0%
Atlanta	\$150,000	\$180,000	-16.7%
Chicago	\$150,000	\$180,000	-16.7%
Denver	\$150,000	\$180,000	-16.7%
Seattle	\$150,000	\$180,000	-16.7%
Portland	\$150,000	\$180,000	-16.7%
Phoenix	\$150,000	\$180,000	-16.7%
Atlanta	\$150,000	\$180,000	-16.7%
Chicago	\$150,000	\$180,000	-16.7%
Denver	\$150,000	\$180,000	-16.7%
Seattle	\$150,000	\$180,000	-16.7%
Portland	\$150,000	\$180,000	-16.7%

**(12-18) 17:34 PST** -- Bay Area home values plummeted to an eight-year low in November, as discounts on foreclosed properties continued to draw buyers and drive down prices.

The median for existing single-family homes in the nine-county region fell to \$350,000, a 47.8 percent drop from a year ago and the lowest level since September 2000, according to MDA DataQuick. Nearly 50 percent of the houses that sold during the month had been repossessed in the last year.

"Bargains and foreclosures are still king," said Andrew LePage, analyst with the San Diego real estate research firm. "It's a little scary to think of what sales would be like without the deep discounts, since that seems to be what's driving the bulk of them."

Across the region, 3,217 resale homes traded hands in November, up 31.9 percent from a year ago. Transactions were down nearly 43 percent from October, in part because there were fewer than normal business days last month. Given the tone of financial news and tight lending environment, LePage said he was surprised the sales figures weren't worse.

Janice Spencer, a Realtor with Windermere Signature Collection who focuses in eastern Contra Costa County, said it's difficult to close transactions in the current market because lending requirements are high - and fluctuate from day to day. Approved buyers in escrow suddenly have to meet new standards or scramble to switch to different types of loans, she said.

"When you have banks that want to sell (foreclosed homes) but don't want to make any loans, it makes it really tough," she said.

Because foreclosures are swaying prices so much, values continue to hold up better on a relative basis in the coastal markets that have had fewer repossessions. San Francisco had the smallest year-over-year median decline, although it was still a significant drop: 18.5 percent to \$697,500. The median means half of homes sold for more than that amount, half for less.

Sales continue to be concentrated in the low-cost areas that have been hit hardest by foreclosures. The most expensive markets - Marin, San Francisco, San Mateo and Santa Clara counties - usually account for 43 percent of regional sales but their share this month was 35 percent. Those four counties were the only

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ones where sales declined from a year ago.

The hardest hit county was Contra Costa, where prices sank 49 percent to \$260,000. Spencer has seen homes in the area that nearly sold, only to come back on the market for \$50,000 less two months later.

A host of factors could sway prices and sales in the coming months, but because many of them are at odds, it's hard to predict just how, LePage added.

The current statewide slowdown in the number of foreclosures - which may be due to new procedural rules that are delaying the filings, or could reflect a growing willingness on the part of banks to work out troubled loans - could decrease the number of bargains and slow sales, but may also lead to stabilizing prices in the longer term. A deepening sense of financial insecurity brought on by the economic turmoil and wide-scale job losses may discourage more potential buyers, while a mortgage rate that fell to 4.5 percent for qualified borrowers in the last few days could entice others.

"It's a foggy day for forecasters," LePage said.

Although the rate of foreclosures has slowed, a normal market is unlikely to return anytime soon. Last month real estate valuation service Zillow.com reported that 1 in 5 homes in the Bay Area are underwater, that is, their owners owe more money on them than they can be sold for.

Noting the likelihood of additional waves of foreclosures, economist Christopher Thornberg predicts that prices won't bottom out until sometime in the next year, probably during the fourth quarter. But he expects values will remain flat for years after, possibly until 2012.

"Hitting the bottom is one thing, getting off the bottom is completely different," said Thornberg, principal at Los Angeles consulting firm Beacon Economics.

Still, he stressed that while depreciation is bad news for individual homeowners, it's positive for a state where home prices have outstripped the incomes of large portions of residents for years.

"Prices had to fall just to get back in line with incomes," he said. "Low prices bring back the middle class, it means more people can buy and afford homes. Those are good things in the long run."

Staff writer Carolyn Said contributed to this story. E-mail James Temple at [jtemple@sfchronicle.com](mailto:jtemple@sfchronicle.com).

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/12/19/BUFK14QN2S.DTL>

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