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\$350,000 is median home price for county

Foreclosures continue to drag market down

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Weighted down by ever more low-priced foreclosure sales, San Diego County's median home price fell to \$350,000 last month, the lowest level in 5½ years, MDA DataQuick Information Systems reported yesterday.

The 3.8 percent drop from July marked the 13th time in 14 months prices have fallen locally, with the median off 26.3 percent from a year earlier.

Sales were off from July but still slightly ahead of August 2007 levels, the second straight month for a year-over-year increase after 48 months of monthly declines. But many of the sales continued to be foreclosure properties.

With Wall Street turmoil roiling the credit markets, real estate experts saw no sign of an end to the three-year-old downturn in San Diego. Some worried that things are likely to get worse next year.

"No matter how you slice it, there really is no evidence that prices have firmed up anywhere, even on the coast," said DataQuick analyst Andrew LePage, adding that the future is plagued by uncertainty about job losses and foreclosures yet to come.

The latest price figures were somewhat misleading, LePage said, because the market is dominated by low-cost foreclosures while few of the high-end properties that boosted the median early this decade are selling.

Of the 3,148 sales, a record 43.2 percent were homes that had been foreclosed in the previous 12 months. That compares to 41.1 percent in July and 14.7 percent in August 2007. An earlier study from DataQuick indicated that nearly two-thirds of all properties that sold this summer were sold at a loss.

For all of Southern California, the median price was off 34 percent from a year earlier to \$330,000. San Diego County was down the least, off 26.3 percent, and San Bernardino County the most, down 40.3 percent to \$215,000. Sales totaled 19,366 for the six-county region, up 9.1 percent from August 2007; San Diego was up 1.4 percent.

How far down will San Diego prices go?

DataQuick analyst John Karevoll predicted several months ago that \$350,000 would be San Diego's bottom, a number last seen in early 2003. But other analysts now think the median could drop as much as \$100,000 below that as new foreclosures outnumber foreclosure sales.

Christopher Thornberg at Beacon Economics in Los Angeles, who was in San Diego yesterday, said he could imagine the median dropping to \$240,000 or \$250,000 before it starts to rise again. He cited the jittery economy.

"Unemployment: That statistic is now tipping us into a very nasty downturn," Thornberg said. California's latest unemployment rate was 7.3 percent; San Diego's, 6.4 percent. "One thing about economic turmoil is that it puts a lot of pressure on home prices, as well."

Borre Winkel, chief executive officer of the San Diego County Building Industry Association, said people are eager to buy but have problems getting loans as lenders tighten underwriting standards.

"The housing crisis is at the forefront of the misery we're going through, and the quicker we solve the housing crisis, the quicker we can get back up on our feet, and not just in the housing market," he said.

Meanwhile, other reports showed builder confidence on the rise, local building permits up, rents on the rise and vacancies falling as former owners and would-be buyers remained in apartments.

The Burbank-based Construction Industry Research Board reported yesterday that new building permits for San Diego increased in August to 672 units authorized, up from 437 in July and 451 in August 2007. But for the year to date, the total of 4,261 to date is still 23.4 percent below the same period last year.

The U.S. Commerce Department reported higher permits but lower building starts nationally, a sign that builders are holding back on starting new projects until they can sell their backlog. Construction of new homes and apartments fell to the weakest pace in 17 years.

The National Association of Home Builders welcomed the increase in permits as a sign of preparing for a future upturn and said builder confidence was up for the first time in seven months, but at 18 points this month far below the 50-point level that signals positive signs for the

future. Western builders were at 12 points, up from 10 in August.

Another hopeful sign came from the San Diego Association of Realtors, which reported a decline in unsold inventory. There were 18,088 active listings yesterday, 5.1 percent below the August level and 13.7 percent below September 2007's level.


But Elisabeth Linderman, an agent with Re/Max United, said the decline is largely due to owners not wanting to compete against low-priced foreclosures and short-sales – homes that are selling for less than their loan amount.

“People are resisting putting their homes on the market,” Linderman said. “They hear the stories about foreclosures and short-sales and don't want to get into the mix.”

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