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Housing downturn could be approaching bottom

Jump in sales, price drop may be signs

By **Roger Showley**
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October 21, 2008

An unusual September jump in home sales, together with the biggest monthly drop yet in prices, could be early signs that San Diego County housing is approaching the bottom of a three-year-old downturn, industry experts and observers said yesterday.

MDA DataQuick reported that the median price for all homes dropped \$22,000 from August to stand at \$328,000 last month, the lowest since June 2002. The figure represented a 34.6 percent drop from the all-time peak of \$517,500 set in November 2005.

Sales jumped 56.4 percent to 3,366 transactions from year ago levels, a reflection of the very low sales completed in September 2007 in reaction to the credit crunch and subprime mortgage crisis.

Though the timing of a recovery will hinge on the course of the overall economy, some observers said the increase in volume suggests that more investors are deciding that prices have fallen to bargain levels and are getting into the market.

Analysts noted that the September sales were up from August in an unusual reversal of the typical seasonal dropoff, though they remained below the average September going back to 1988.

DataQuick analyst Andrew LePage said both the prices and sales reflected the dominance of foreclosure sales, which accounted for a record 47.3 percent of all resales last month, up from 43.2 percent in August and 20 percent a year ago.

"The statistics are telling you a lot more about what is selling and what is not," LePage said, saying the lack of nondistressed property sales, especially on the coast, makes it difficult to gauge the value of housing as a whole.

Still, the figures were interpreted as good news by Christopher Thornberg, an economist with Beacon Economics, who had been warning of bad housing markets ahead long before many other experts. Thornberg said sales of low-priced properties are attracting investors.

"That's a good thing, because these are the guys who will determine where the bottom is," Thornberg said. "When they think prices have reached a point where they can buy stuff and rent it out and sell in three or four years and make money, they'll move in. This was never an if, it was always a when, and now it's starting to happen."

He added, "It's the beginning of a recovery – it's not the recovery . . . There's a bottom ahead, we're not there yet, but it's clear we're coming in for the landing."

Thornberg said he continues to believe the bottom will occur in mid-2009, followed by "substantial signs of economic growth" in 2010.

Delores Conway at the University of Southern California Lusk Center for Real Estate said the bottom is a "process, never a point in time.

"And we've been seeing that the market has been bottoming and it will continue probably into next year."

She had been expecting the credit crisis to ease by mid-2009, but now thinks it might be delayed, possibly into 2010 because of the economic turmoil sweeping the globe.

Alan Gin, economist at the University of San Diego, predicts three more quarters of real estate gloom with the bottom occurring sometime in the second half of next year.

San Diego, which was one of the first regions to experience the housing downturn, had much company in the rest of Southern California in September, with sales up 64.6 percent to 20,497 but the median price down 33.2 percent to \$308,500.

DataQuick President John Walsh noted that there could be more trouble ahead because the September figures do not reflect the turmoil of the last few weeks.

"Over the next few weeks our sales data will begin to show how the meltdown in financial markets this fall has impacted housing demand," Walsh said in a statement.

Local real estate agents said for all the concern about the general economy, they are seeing more interest in open houses and multiple offers on homes being sold by banks that acquired properties through foreclosure.

The number of listings is dropping, according to the San Diego Association of Realtors – a sign of a more balanced market between buyers and sellers.

As of yesterday, there were 17,447 active listings, down 16.1 percent from year-ago levels and the lowest since April last year. At the current pace of sales, that represents about 5.6 months of inventory. Typically, a balanced market between buyers and sellers occurs when there is three to six months of unsold inventory.

Lori Staehling, president of the realty association, said that at an open house she held over the weekend in Rancho Bernardo there was never a moment when potential buyers weren't present.

Realtor Gary Kent said owner-occupant buyers outnumber investors and predicted the rest of the year may be more active than usual as buyers race to take advantage of favorable interest rates and conforming loan limits.

"I don't want to sound like a rah-rah agent, but I actually think it's very close to the bottom," Kent said of the market. "It's hard to tell if the bottom has passed or we're ahead of it."

Karen Wheeler at Coldwell Banker in Del Mar said the economic uncertainties worldwide are not weighing on everyone, particularly investors who are buying for the long-term.

"I think home buyers are concerned about life here and having a home," Wheeler said. "That supersedes what they might be thinking worldwide on a more general scale."

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SEPTEMBER HOUSING PRICES FOR SAN DIEGO COUNTY				Change Sept.
Median prices	Sept. '07	Aug. '08	Sept. '08	'07-'08
Resale houses	\$515,000	\$376,000	\$360,000	-30.1%
Resale condos	\$350,000	\$242,000	\$225,000	-35.7%
New homes/condos*	\$498,250	\$426,000	\$447,000	-10.3%
All combined	\$470,000	\$350,000	\$328,000	-30.2%
Sales				
Resale houses	1,069	1,901	2,083	+94.9%
Resale condos	540	903	1,012	+87.4%
New homes/condos*	543	344	271	-50.1%
All combined	2,152	3,148	3,366	+56.4%


*Includes condo conversions

SOURCE: MDA DataQuick

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