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Bay Area home sales show life

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July home sales in the Bay Area increased on a year-over-year level for the first time in three years, while the median home price dove to \$470,000 as buyers snapped up low-priced foreclosed properties, according to report released Tuesday by DataQuick.

No doubt, the mortgage meltdown is driving the market, with one of three sales of existing Bay Area homes involving a property that was foreclosed on in the past 12 months, the report found. That's up from 29.9 percent in June and a huge increase from 4.2 percent in July 2007.

While the DataQuick numbers mark the first month since January 2005 that saw a year-over-year sales increase, albeit a small one, it's much too early to say that the market has turned around, said Joe Brown, president of the Coldwell Banker Residential Brokerage, East Bay.

"The number of sales you have from this report, that's a good indication that we are cleaning out this inventory," Brown said. Still, how many homes end up being foreclosed on in the future will also be a factor on future home prices.

What is clear is that foreclosures are helping to drag down median home prices, he said.

The amount of resale activity involving foreclosed homes varies greatly from county to county. Higher sales are in outlying areas that have been hit hardest by a wave of foreclosures that began to soar last

year when subprime mortgages started resetting to higher rates.

In Alameda County, 30.9 percent of July resales were foreclosures, while in Contra Costa County it was 50.5 percent. In Solano County, 65.9 percent of resales were foreclosures, while in San Mateo County the number was 14.7 percent.

In the Bay Area, some 7,586 new and resale houses and condominiums changed hands in July, a 5.7 increase from June and up 2.2 percent from July 2007. The median sales price dropped to \$470,000, or 3.1 percent lower than June and a 29.3 percent drop from the peak median home sale price of \$665,000, reached a year ago.

Another factor driving down home prices is tighter lending requirements that make it harder for home buyers to get so-called "jumbo" mortgages for homes that are priced at more than \$417,000.

In July, jumbo mortgages accounted for just 32.3 percent of home purchase loans, compared with 63.1 percent a year ago, the DataQuick report said.

Before home prices can start to rise again, a huge inventory of unsold homes has to be cleared.

But just who is buying foreclosures is a matter of debate.

"It's not individuals (looking to live in a home) who are stepping in," said Chris Thornberg, a principal at Beacon Economics. "It's these vulture funds. They are investors who are going out to buy 20, 30 or 10 homes, which they rent out in the short term and will sell in the long term."

However, that's not the case if you ask Jeff Sposito, president of J. Rockcliff Realtors, an East Bay brokerage that has handled more than 300 bank-

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owned foreclosure sales this year.

"There are a lot of people looking for bargains," he said. "Eighty percent of our bank-owned properties are being bought by individuals who are going to live in the properties."

The spike in foreclosures sales has made homeownership somewhat more affordable in the Bay Area, according to a separate report released Tuesday by the California Building Industry Association.

In the second quarter 2008, some 39.6 percent of homes were affordable to median-income households in the East Bay, compared with 32.4 percent in the first quarter. In the San Francisco metro area, which includes San Mateo County, 13.8 percent of homes were affordable, up slightly from 12.7 percent. In the Vallejo-Fairfield metro area, which includes Solano County, 46.4 percent homes were affordable, up from 35.1 percent.

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