

## September 9, 2008

### [The Problem With The Housing Market In California](#)

The [Press Enterprise](#)

reports from California. "For Inland Empire Auction in San Bernardino, the current economic slowdown has been a mixed blessing at best. The auction house is loaded with household items, including furniture, jewelry, tools and various appliances, much of which likely came from various home foreclosures. The problem is there's a lack of disposable income among the buying public, which is also the result — at least in part — of the increase in single-family home foreclosures."

"It started to pick up within the last six months," said Rich Wasser, secretary with the nonprofit Southern California Auctioneers Association in Rolling Hills Estates. "We're seeing more of them as the economy keeps slipping, industrial sales and a lot of (residential) items. You have more houses now being sold at auction. I'm also a real estate broker, and I've never seen the market take a dive like the one it's in now."

"Like the housing market, the local auction industry has become a buyers' market."

"There's a lot of merchandise, but there aren't enough people out there who are buying it," said Terri Cooper, a manager at the store for 26 years. "We're doing more auctions than we used to because we have so much to sell, but we aren't making as much money as we used to."

The [Times Delta](#). "First came the housing market crash. Then fuel prices started to skyrocket. Finally, there was the credit crunch. It has all added up to a slow summer for auto dealers in Tulare County and around the nation."

"The tables have kind of turned," said Jason Martin, general sales manager for Merle Stone Chevrolet in Tulare. "Everything has dropped."

"[Business] was already slow when the [real estate] crisis hit last year," said Leonard Garcia, fleet manager for Will Tiesiera Ford in Tulare. "But once the price of gas started to go up, that's when the trouble began."

The [Manteca Bulletin](#). "One of Manteca's biggest builders - Woodside Homes - has filed for bankruptcy protection. The home builder has housing projects that are part of the 402-lot Tesoro neighborhood as well as a portion of the 497-home Union Ranch East directly east of Del Webb at Woodbridge on North Union Road."

"Woodside is still in business and selling homes in Manteca. The bankruptcy chapter it has filed under allows it to try and reorganize and continue staying in business."

"The biggest collapse in Manteca, though, involves Beck Properties. The Stockton-based Beck Properties is the developer of luxury homes in a gated community at Oakwood Shores located at West Woodward Avenue in Manteca that is going through the foreclosure process."

"The [city took](#) emergency action Monday afternoon in boarding up an 'abandoned' home at the corner of Pestana and Falmouth avenues after finding two teens - a boy and a girl 15 and 16 years old - inside the house they said was filled with human feces."

"The teens were escorted by Manteca Police officers to their high school classes shortly before 10 a.m. Monday."

"Windows had been broken out and the lawn and shrubs had long been dead at the residence not posted on any foreclosure list. Two dust covered cars were parked in the driveway apparently left there by neighbors."

"Code enforcement officer Greg Baird said he cited the owner for having an unsecured structure several months ago noting that nothing has happened to correct the problems since then. The water was turned off two years ago and the house has been unoccupied since except for trespassers making use of a lone couch."

"It was the first house targeted in Manteca after the City Council last fall adopted one of California's toughest ordinances to clamp down on the problems caused by the growing number of foreclosed and distressed properties."

"Lenders - which have tended to ignore property going into foreclosure until they legally take it over - are faced with a house that is less valuable as whoever they sell it to would be forced to pay off the city lien in addition to the foreclosure price. Many lenders aren't cutting deals on what is owed. The city ordinance places a burden on them."

"It also places a burden on whoever has legal title to the home. It could be a rental that isn't in foreclosure but has sat vacant or is a short sale. By not maintaining the property, they will face additional financial consequences."

"And if they take the attitude they are 'upside down' on mortgages and don't have to face financial consequences, the lien paid by whoever buys the property - as well as whatever the lender is shorted - is considered income by the Internal Revenue Service and State Franchise Tax Board that the individuals being foreclosed on are still liable to pay."

The [San Francisco](#)

Chronicle. "The government's seizure of mortgage giants Fannie Mae and Freddie Mac on Sunday might ease home loan rates, but most industry observers believe it will only marginally aid the slumping real estate markets."

“The takeover, however, generally won’t mean money is more readily available for distressed homeowners on the brink of foreclosure, nor will it provide any real assurance for those holding off on purchases for fear values will continue to fall, said Ken Rosen, chairman of the Fisher Center for Real Estate and Urban Economics at UC Berkeley.”

“‘It’s a confidence booster in the financial market, not really directly aimed at the housing problem,’ Rosen said. ‘It’s a positive, but it’s a small positive.’”

“‘Anyone who thinks this is an interest rate issue is fooling themselves,’ said Christopher Thornberg, principal with Los Angeles consulting firm Beacon Economics. ‘This is a prices being too high and people buying homes they couldn’t afford issue.’”

“California price declines will only stop once home values are properly aligned with income levels, or about 50 percent below the peak, he said. As of July, the median value of homes across the state was down 33.5 percent from a year earlier, according to MDA DataQuick.”

Bay [Area Newsgroup](#). “Thornberg predicted more erosion looms. ‘I still have the same forecast for California home prices. Prices in the state have to decline by 50 percent,’ Thornberg said. ‘And we are about half way there. My guess is the East Bay is about half way there.’”

“Tammy Cryer, senior loan officer with the Home Loan Group in Lafayette, said interest rates could be higher six to 12 months from now.”

“‘Right now it appears to be working, but this thing isn’t even 12 hours old,’ Cryer said.”

The [Sacramento Bee](#). “Rates, which have declined for almost two weeks, dropped as low as 5.875 percent Monday, said Jeff Tarbell, managing partner of Sacramento-based Comstock Mortgage. That’s down from 6.25 percent on Friday and back to levels last seen between January and May.”

“‘I’m calling people and saying, ‘I’m saving you \$28,000’ (over the life of a 30-year loan). That’s a call I always like to make,’ Tarbell said.”

“Brian Jacobosky, a Folsom house hunter, said he’s pleased to see rates fall after the federal takeover. But he said, ‘That’s not going to change our game plan.’”

“His family is browsing for a home after selling a house in Arizona and moving to Sacramento. Jacobosky thinks he’ll get more financial mileage from declining sales prices than fluctuating interest rates.”

“‘This is simply preventing it from getting worse. This doesn’t fix the fundamental problem in real estate,’ said economist Chris Thornberg. ‘The problem with the housing market is prices are too high.’”

“Thornberg said the economy’s problems now go beyond the housing market. Consumer debt is a major issue. ‘This is a nation that has been spending way beyond its means,’ he said.”

“Part of that was home equity borrowing. ‘All this fake wealth we thought we had ... is disappearing,’ he said.”

The [Union Tribune](#). “Real estate analysts yesterday praised the government takeover of mortgage giants Fannie Mae and Freddie Mac, but cautioned that the action won’t quickly end San Diego County’s housing slump.”

“At the University of San Diego’s Burnham-Moores Center for Real Estate, economist Alan Gin said the government takeover will inject confidence into the marketplace, allowing mortgage rates to continue to fall. That may not bring San Diego County out of its housing slump, but it should cause home prices to drop more slowly, he said.”

“According to the MDA DataQuic, the combined median price for homes that sold within the county in July was \$364,000, a 1.6 percent drop from June and a decline of nearly 26 percent from July 2007. The median price peaked at \$517,500 in November 2005.”

“In its monthly foreclosure report, DataQuick said 2,004 San Diego County homes went into foreclosure in July, a 9 percent increase over the June and a jump of almost 213 percent over last year. July was the region’s 40th consecutive month of year-over-year increases for both foreclosures and notices of default, the start of the foreclosure process.”

“‘We have a lot of problems, foreclosures being the biggest,’ Gin said.”

“Kelly Cunningham, economist for the San Diego Institute for Policy Research, is...optimistic. The market should reach bottom by the spring of 2009, he said.”

“‘I really think San Diego will be one of the first places to turn around,’” he said. ‘I don’t think we’re overbuilt. There still is a lot of demand for housing. We are getting to a point where prices have dropped enough.’”

The [Associated Press](#). “Californians rave about year-round sunshine, temperate climate and easy access to surfing, snowboarding and everything in between. But when it comes to getting the most out of their homebuying dollar, they’ve got nothing on homeowners in the Midwest, a new study suggests.”

“Eight out of the top 10 most expensive housing markets in the U.S. are in California, while eight Midwestern cities are among the 10 most affordable markets, according to the Coldwell Banker Home Price Comparison Index released Tuesday.”

“The sharpest contrast was found between La Jolla, Calif., and Sioux City, Iowa - the most expensive and most affordable cities, respectively, tracked in the study.”

“In La Jolla, an upscale seaside suburb of San Diego, the average price of homes tracked by the study was about \$1.8 million. In contrast, the average price of a similarly-sized home in Sioux City was \$133,459 - about 13 times more expensive.”

“Philip Deslippe knows what it’s like to go from a pricey coastal market in California to an infinitely more affordable city in the Midwest. The graduate student and his wife moved earlier this year from Los Angeles, where they lived in a rent-stabilized apartment for \$900 a month, to Iowa City, Iowa.”

“Now the couple owns a three-bedroom, one-and-a-half-bath home and pay a mortgage that’s just under what they paid for their L.A. apartment.”

“Things he and his wife were longing to do, like ‘settling down, having a home, raising a family - I don’t think any of these things would be possible in Los Angeles, considering the cost of a home,’ said Deslippe, 30, who turned down acceptance letters from universities in Boston and Washington, D.C., in part, because of home prices. ‘I knew that housing would be much cheaper here in Iowa City.’”

Posted By: Ben Jones @ 2:31 pm

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### ■ Comment by [aladinsane](#)

2008-09-09 14:41:10

Happy 158th birthday California...

The Golden State’s name comes from a novel written in 1510, and here’s a fanciful description of the natives, by García Ordóñez de Montalvo.

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“Know that on the right hand from the Indies exists an island called California very close to a side of the Earthly Paradise; and it was populated by black women, without any man existing there, because they lived in the way of the Amazons. They had beautiful and robust bodies, and were brave and very strong. Their island was the strongest of the World, with its cliffs and rocky shores. Their weapons were golden and so were the harnesses of the wild beasts that they were accustomed to domesticate and ride, because there was no other metal in the island than gold.”

[http://en.wikipedia.org/wiki/Origin\\_of\\_the\\_name\\_California](http://en.wikipedia.org/wiki/Origin_of_the_name_California)

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### ■ Comment by [catspit1](#)

2008-09-09 14:43:49

So many great things to do in Iowa City, too, if it’s anything like Des Moines! Why, you could have some beers in a bar. Then you could, ahh... dunno really?

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### ■ Comment by [potential buyer](#)

2008-09-09 14:54:47