

The Housing Bubble

Examining the home price boom and its effect on owners, lenders, regulators, realtors and the economy as a whole.

September 22, 2007

Wobbling Under The Weight Of The Housing Downturn

ABC 30.com [reports from](#) California. "For some, what's happening with the housing market is a bargain. 'I guess it's a buyers market,' said new homeowner Sheldon Kahoonei. The Kahoonei family just moved from San Jose to Mountain House, near Tracy, because they got a great deal on their new home. 'They offered us a lot of money off of the original price,' said Monica Kahoonei."

"'Originally, the house was priced for over \$600,000. We ended up getting this for \$481,000. So we have something like \$140,000 in incentives,' said Sheldon Kahoonei."

"All the incentives don't help those who bought here a year ago. They paid in some cases as much as \$100,000 more for the same model."

"A Prudential agent selling one home said it's been on the market for 67 days with no inquiries. The owners owe \$590,000 and stopped paying on the house months ago. The house is likely to get marked down this week to \$489,000, perhaps even lower. Others are in the same boat."

"'Their home prices have dropped, and a lot of them owe more than they have and they can't refinance them,' said Bill Erb, Diablo Funding Group. 'So they're going to end up losing

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them because they can't make the payments.'"

The [LA Times](#). "The housing market slump appears to be taking a toll on two signature Orange County projects. In Anaheim, city officials were alerted last week that Lennar Corp. will halt construction on A-Town for up to a year, slowing progress on the centerpiece of what some are calling the city's new downtown."

"In Irvine, Lennar's plans to build thousands of homes around the planned Orange County Great Park have been pushed back, and the city has not received an updated timeline from the developer since 2005."

"'Looking at the housing market, it creates frustration and suspicion that our partnership is not functioning as it should be,' said Councilwoman Christina Shea."

"The question over the next several years, said Esmael Adibi at Chapman University, may be just how long Lennar can weather the tough times in real estate without the brisk home sales anticipated."

"'In the short term,' he said, 'it is extremely difficult for a builder to justify new projects and new developments, because they're almost certainly going to lose money.'"

The [Bakersfield Californian](#). "A monthly newsletter detailing local building permit activity is reporting rumors of layoffs at local Lennar Corp. operations. Gary Grumbles, local head of the homebuilding giant, would not comment on earlier layoff rumors Wednesday. He did not return calls for comment Friday."

"The newsletter was distributed by e-mail Friday by Howdy Miller, marketing director at Ticor Title. 'I'm sure you've all

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heard by now ... the local Lennar effort has been reduced by 40 employees ... A bit strange ... Since they pulled 84 permits in the month of August!!! ... Rumor has it they want to sell off existing inventory before continuing their building program ... go fish!!!' reads the report."

From [KCRA 3](#). "Last May, Jason and Gina Rossow fulfilled their dream of buying their first home in a brand-new subdivision under construction in Elk Grove. But now across the street are weeds. An entire field is empty with just debris. And around the corner there are unfinished homes. The Rossows' dream is slowly creeping toward nightmare."

"What's causing confusion, concern, and unwelcome news is a closed sign that's on the Dunmore Homes sales office door. All construction was halted last month, and contractors filed roughly \$5 million in liens against Dunmore Homes."

"'That tells ya it's not a great sign for new home sales,' Mike Show of the Sacramento Business Journal said."

The [Sacramento Bee](#). "California's job market...is still wobbling under the weight of the housing downturn. Continued cutbacks in the housing sector, from construction sites to loan offices, sent the statewide unemployment rate up two-tenths of a point to 5.5 percent."

"'It has slowed in 2007 — job growth is considerably lower than it was last year,' said Howard Roth, chief economist at the state Department of Finance. 'You can really see the housing slowdown in these numbers.'"

"'The numbers are starting to mount a little bit and look a little more ominous,' said David Lyons, labor market consultant at EDD."

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“The consumers, for sure, haven’t made a full-on response to housing prices,’ said Jon Haveman of Los Angeles consulting firm Beacon Economics. ‘In time, they’ll come to recognize’ that the downturn will last a while.”

The [Contra Costa Times](#). “The East Bay fended off an employment downturn in August even though housing-related jobs deteriorated at a greater pace.”

“‘Construction is a disaster,’ said economist Jon Haveman. ‘It will take 18 months to two years for the housing market to stabilize. It’s going to be awhile before they put hammer to nail in that industry.’”

“During the past year, the Alameda-Contra Costa County area lost 5,900 jobs in construction, 1,000 in finance and insurance and 800 in real estate. In the same period, California lost 24,300 construction jobs. That means the East Bay accounted for about one-fourth of all the construction jobs that vanished in California.”

“‘It’s difficult to find a job,’ said Christine Bonanno, a Pittsburg resident who lost her job at a Walnut Creek escrow company when the housing and residential mortgage industries collapsed. ‘A lot of people were laid off from my company. I haven’t found anything yet since March.’”

“Bonanno said she is willing to take a job in pretty much any category besides the mortgage business. And she is flexible on wages. ‘I don’t want to stay with the mortgage industry with how bad it is right now,’ Bonanno said.”

The [Fresno Bee](#). “The housing slowdown continues to ripple through the economy, leading to a reduction of construction jobs and prompting title companies and related businesses to shrink office space.”

“As a result, the unemployment rate in Fresno County was higher in August than a year earlier, increasing to 7.6%.”

“The evaporating construction payrolls are related to slow home sales. The number of permits for single-family homes issued in Fresno County through August was...27% less than two years ago, according to the Burbank-based Construction Industry Research Report.”

“With less work comes the need for fewer workers. ‘There’s no mystery to it,’ said Mitch Covington, president of the Building Industry Association of the San Joaquin Valley.”

“‘Mortgage companies are just flat closing down,’ said Phil Souza, an office specialist at Grubb & Ellis/Pearson Commercial. ‘They are just gone. They are shutting down, subleasing their space or defaulting on their lease. We’re seeing all of that.’”

“Meanwhile, home builders are slashing prices and offering incentives to attract buyers. Covington said builders won’t offer concessions forever.”

“‘It’s bargain time,’ he said.”

The [Union Tribune](#). “In a clash that was bound to happen in a city with a growing university, owners of luxury condos are complaining about students partying and acting wildly.”

“Residents of Rancho Coronado just south of Cal State San Marcos say they are tired of the noise, trash and alcohol-induced behavior by students living there.”

“Rancho Coronado consists of five gated communities with a total of about 850 condos. Outside the meeting, several residents who belong to the homeowners association said

they are disgusted with the behavior they have seen.”

“Students have been running around intoxicated, wearing bras and no shirts, and leaving bodily waste and vomit in the community pool and on playgrounds, said Maria Manning, who moved into a condo about nine months ago.”

“‘It’s beyond ‘Animal House,’ she said.”

“Alicia Smith said she has tried talking to them but has gotten ‘disrespectful’ responses, including ‘you live by a college, what do you expect?’”

“Condos in her complex were selling for more than \$500,000 when she bought one two years ago, Smith said.”

“Part of the problem is that owners aren’t supposed to rent their units, Jennifer Schoch said, but some do anyway. She said she didn’t realize she would be living near college students when she moved in three years ago. ‘I just didn’t think that college kids could afford this,’ Schoch said.”

Posted By: Ben Jones @ 11:59 am

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