

The Housing Bubble

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

October 8, 2007

[From Times Of Crazy In California](#)

The [Ledger Dispatch](#) reports from California. "For the past three months, Pine Grove resident Michael Scott has been pretty picky. He and his fiance have started to search for an Amador County home to permanently call their own, but it has been a slow process. 'We're trying to find the perfect situation both price wise and something that fits both of our needs,' Scott said. 'We're not in any kind of hurry; we're trying to be patient.'"

"In the last few years, 40 percent of transactions were non-owner occupied or second homes, according to John Bonfiglio, the owner of Argonaut Mortgage Inc. 'As far as Amador County goes, we definitely have more inventory,' Bonfiglio said. As a result, buyers have more choice and are subsequently more cautious when selecting a home for purchase."

"Currently, the buyer's market includes more affordable housing with some property in the centralized cities of Amador County being sold for under \$300,000, Bonfiglio said, which means great opportunities for first-time buyers."

"'It's not a terrible market,' Bonfiglio said. 'It's just things take longer now because we've just come from times of craziness. The market was superheated in the last several

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years and now things have slowed.’”

The [North County Times](#). “San Diego County’s economy hit an unfortunate milestone this summer: job losses in construction and real estate pushed the local unemployment rate above the national rate for the first time in seven years.”

“In California, construction and real estate represented just over 8 percent of the jobs in 2006 and 30 percent of the jobs gained since 2002, more than any other state. ‘No other state came close to California’s reliance on real estate as an engine of growth,’ University of California, Los Angeles, economist Ryan Ratcliff noted in a recent report.”

“On top of that, the San Diego region relies on construction and real estate related jobs more than the rest of the state, according to figures from the state Employment Development Department.”

“In the first six months of this year, 36 percent of all mortgages were originated in San Diego County required borrowers to pay only the interest or actually allowed the debt balance to increase each month, according to First American.”

“Out of those, the share of such ‘alternative’ mortgages in the San Diego region that were at risk, two months delinquent or heading into foreclosure, was 19.5 percent, just under the Riverside/San Bernardino area and less than Stockton and Sacramento, Chris Thornburg, a principal at the Beacon Economics consultancy, found.”

“In San Diego County, the volume of foreclosures per month has tripled over the past year, according to Default Research Inc. However, the rate per capita over the last four months here is half that in Riverside and two-thirds that in San

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Bernardino counties.”

The [Voice of San Diego](#). “Local economists are growing increasingly concerned about the effects of the slumping housing market on the health of the general economy, as real estate and construction sectors continue to contract payrolls and consumer confidence dwindles.”

“But of greater concern, they say, is how amorphous the trouble is; government payroll data could only be showing part of the unemployment picture.”

“Among those factors: an assumption that much of the region’s construction work was completed by undocumented day laborers. But more significantly, they consider the fact that self-employed workers greatly populate many real estate related professions.”

“‘Independent agents are probably still considering themselves employed,’ said Kelly Cunningham, chief economist for the San Diego Institute for Policy Research. ‘But if they haven’t had any income for a while, are they still employed?’”

“There were an average 5.81 transactions per San Diego Association of Realtors member in 2000. That figure has dipped to about 1.59 transactions per SDAR member this year, a 73 percent decline. ‘That’s probably not showing up in job loss,’ said local economist Alan Gin, professor at the University of San Diego. ‘They have lost in terms of income but they’re still employed.’”

The [Orange County Business Journal](#). “The outlook for business growth in Orange County for the fourth quarter hit a four-year low, according to California State University,

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Fullerton's quarterly business expectations survey."

"It marks the third straight quarterly drop in the index, and the first time since the 2003 start of the Iraq war that sentiment has dipped below the 50 mark."

"Survey respondents 'are more uncertain and fearful,' said Anil Puri, dean of the College of Business and Economics at Cal State Fullerton."

The [Orange County Register](#). "Market watcher Steve Thomas at Re/Max Real Estate Services in Aliso Viejo notes the impact of distressed properties in his biweekly summary of housing supply."

"'After finding a new way to search for short sales and foreclosures on the market and in escrow, the new findings are disconcerting. Currently, short sales and foreclosures in Orange County account for 12% of the active inventory and 15% of all escrows opened within the prior month.'"

The [Press Telegram](#). "Chances are, if you are a seller, you aren't ecstatic with either the time it's taking to sell your home, or the prices you are being offered."

"It's a buyers' market. Some sellers are content to wait things out. Others continue to drop the price on their home to get it sold."

"But one home seller thinks the down market has little to do with the problems he's had with selling his home. James Hobelman has a newly remodeled, spacious four-bedroom home atop Signal Hill, a hotbed of real estate activity for the past few years."

"But Hobelman's home has been sitting for several months, and he's had no offers on it. He believes his Realtor is

partially to blame. But the agent's real estate firm has a solid policy prohibiting sellers from breaking their contracts."

"Hobelman's agent, Mike Murphy says he's held seven open houses for Hobelman, and that he's given the home top billing in brochures, spending thousands of dollars on advertisements and brochures that were in color."

"He's also had to put up with Hobelman adjusting the price on his home at least four times, an action that can turn off buyers' agents by making them suspicious of the sale, Murphy said."

"Experts say they see growing frustration from some sellers, which is why more agents are starting to turn down listings they think they may have trouble selling in a down market."

"What we're seeing more is the agents are being a lot more careful in qualifying the seller," said Colleen Badagliacco, 2007 president of the California Association of Realtors.

"Many are turning down listings. There's no amount of balloons or open houses or banners that can create a sale for a home that's either overpriced or not meeting the market."

The [Mercury News](#). "A red banner stretches across the block wall encircling Paseo West, beckoning bargain hunters into the brand new subdivision a 90-minute commute from Silicon Valley: 'Anderson Homes AUCTION, 34 New Luxury Homes MINIMUM BIDS from \$285,000.'"

"One-third of the houses in Paseo West will go on the auction block Saturday, houses that are sitting eerily empty in tidy rows along newly paved streets, houses that wouldn't sell even though Anderson Homes cut prices by \$100,000 and offered free granite countertops and big screen TVs with

SURROUND SOUND

“‘What was that movie? ‘Pleasantville?’ Where everything looked so nice?’ a man within the walls of Paseo West asked. ‘It’s like that,’ he said, then paused. ‘But no one lives here.’”

“When the windy autumn days turn to night, lights flip on in two dozen scattered houses in Paseo West. There, anxious homeowners, many of them Silicon Valley refugees, are staging a revolt.”

“The homeowners, like customers who spent \$600 on the first iPhones, are demanding rebates. ‘It’s going to leave us - I can’t say anything but - in the gutter,’ said homeowner Joseph Leon.”

“Builders like Anderson Homes, who have catered to these buyers with homes in the \$500,000 to \$600,000 range, are stuck with a glut. On Sunday, at the Dolce Hayes Mansion Resort in San Jose, Anderson is also auctioning 25 homes in a Los Banos subdivision.”

“Since the auction advertising blitz of Paseo West was launched three weeks ago, foot traffic at the sales office has tripled, infuriating homeowners who see potential bidders as the enemy.”

“Homeowner Randy Brown tried to scare off investors one day by raising his garage door, pulling out his jacked-up truck painted with green flames, cranking his music and revving up his motorcycle.”

“‘I bought my house on August 16,’ Brown said. ‘If one of these houses goes for the minimum bid, I will have lost \$155,000 in six weeks.’”

“Jackie Flores, who moved to Paseo West with her husband

and two small boys in May 2006, hates to think what the auction will do to the value of her home. 'We bought it for - I don't even want to say,' she said. '\$621,000 - ugh - it makes me sick just saying that number.' "

"The minimum bid on the empty house next door is \$355,000. And, it's bigger than hers at 3,310 square feet and loaded with upgrades and a finished back yard."

Posted By: Ben Jones @ 3:29 pm

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In orange county, CA. this is astounding. but i thought everyone wants to live in southern ca, what about the immigrants and population growth, what about they don't build anymore land, what about...what about...

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