Housing slump not even close to ending

S. California prices steady in February

By Roger Showley (Contact) Union-Tribune Staff Writer

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HOME PRICES

- The median home price in Southern California in February was $250,000, down 38.7 percent from a year earlier.
- Sales volume was up 41.3 percent from a year earlier, with 15,231 homes changing hands last month.
- Prices fell the most in San Bernardino County, down 47.2 percent from a year earlier, and fell the least in Ventura County, down 26.5 percent.

SOURCE: MDA DataQuick

Southern California home prices did not decline in February for the first time in 10 months, MDA DataQuick reported yesterday, but analysts shied away from pronouncing any end to be near for the real estate slump.

The overall median for the six-county region was $250,000, unchanged from January but down 28.7 percent from a year earlier. San Diego County's median rose $5,000 from January to $285,000 but was down 31.1 percent year over year.

“It's a blip . . . the numbers are too flooey,” said Christopher Thornberg, a principal at Beacon Economics. “The good news is things have calmed down so that we have enough (activity) that we can have a blip.”

Home sales were up 41.3 percent from a year earlier to 15,231 transactions, the eighth straight month above year-earlier levels. San Bernardino County led the way in sales increases – up 87.1 percent to 2,324 transactions in February, while San Diego was up 26.6 percent to 2,473.

DataQuick President John Walsh noted that foreclosure resales represented 56.4 percent of February resales activity, tying the record set in January and up from 36.2 percent in February 2008.

“The market is so tilted away from normal mainstream activity that it's impossible to generalize or predict, based on the atypical patterns we're seeing,” Walsh said.

Among other DataQuick findings, the median mortgage payment for buyers last month was $1,090, about the same as in January and down substantially from $1,940 a year ago.

Adjusted for inflation, the payout was 58.9 percent below the current cycle's peak in July 2007. FHA-insured mortgages represented 38 percent of all purchase loans last month, compared with 6.4 percent in February 2008, evidence of how dependent buyers are on these low-cost loans.

Thornberg said six months of steady prices will have to occur before the trend is clear.

“Home prices will fall another 20 percent because of the weak economy and stock of foreclosed units,” he predicted. “In six months or a year, there will be a helluva good deal because prices will get low by historic standards.”

Thornberg said any turnaround will be slow in coming: “Don't think you can buy a house and make 20 percent a year – forget about it. It will take you a long time for prices to go up, but it will be a good, long-run investment.”

Personally, Thornberg said he might buy a house in San Diego next year: “I like coastal North County,” he said.

Paul Habibi, an economist at the UCLA Anderson Forecast, described the latest figures, particularly the sales volumes, as bringing a “modicum of good news.”

“We're seeing a clearing out, to some extent, of the lower end,” Habibi said.

But the course of the next few months depends on the direction of the economy, he said.

“You need to compare this positive sign with the rise in unemployment,” now standing at 10.1 percent in California, Habibi said. “To the extent one happens faster than the other, that likely will establish the trends.”

Other factors also could upset any expectation that prices might remain flat or rise. For example, he said, any increase in foreclosure rate would have a “negative effect against that trend.”

Habibi said he is investing in real estate, apartments specifically.

“The sense among investors really seems to be that everyone is looking for a sweet spot right now,” he said. “It will appear when the market seems to bottom out and credit starts to loosen up a little bit.”

As for the future, Habibi said areas that fell first are likely to recover first, starting with the Inland Empire of Riverside and San Bernardino counties. Thousands of homes were bought there with subprime mortgages and have since been foreclosed on and resold at a fraction of their original purchase price.

“It's fair to say the same is true in San Diego,” Habibi said, where inland areas of eastern Chula Vista and Oceanside have taken the brunt of the flood of foreclosures.

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