

## Getting Used to Life in a Housing Slump



Prices for single-family detached homes declined by 8.3 percent in August. Photo: Sam Hodgson

By [KELLY BENNETT](#) Voice Staff Writer

**Wednesday, Oct. 31, 2007** | With sales rates withering, price reductions multiplying and foreclosures mounting, the region's housing market is getting accustomed to life in slump times.

With the release Tuesday of an index showing an 8.3 percent price decline for single-family houses in the region in August, the factors working to drive down home prices countywide continued their march. Large numbers of new and resale homes sit on the market. Buyers seeking financing are running into recently erected roadblocks. And lenders trying to dispose of repossessed homes are slashing their asking prices.

Prices for standalone resale homes in San Diego County logged an 8.3 percent drop over the year ending in August, according to Standard & Poor's/Case-Shiller home price index released Tuesday.

San Diego's price drop was third largest among the 20 metropolitan areas followed in the index, behind Tampa and Detroit. Prices of homes across those 20 areas fell 4.4 percent, marking 18 months of declines in the index.

Compared to Detroit, where turmoil in the auto industry and the greater economy has sparked much of that city's housing trouble, the declines here come not as a sign of general economic weakness but as a more natural return from the market heyday of recent years, said Maureen Maitland, vice president with Standard & Poor's. The region fits into the national slumping housing market, Maitland said.

"There's essentially a nationwide trend and San Diego is a part of this trend," she said. "There's nothing about San Diego in particular that makes its growth rate any worse than any other" metro area.

The Case-Shiller index documents price changes of standalone, single-family homes, which represent the lion's share of the county's housing stock. The index measures price changes on houses that have had at least two arms-length sale transactions, so a transfer between family members doesn't count.

Condos and new construction are notable, and significant, exclusions from the index.

New homes continue to see price drops -- a 3.6 percent decline in attached homes and a 7 percent decline in detached for the price per square foot in August compared to the year before.

Condos and townhomes sold in August for \$320 per square foot, a 3.6 percent drop from August 2006. For new detached homes, the price per square foot was \$262 compared to \$282 a year previous, marking a 7

percent decline, according to data Peter Dennehy of the Sullivan Group Real Estate Advisors. Dennehy attributed his data to market research firm Hanley Wood.

"Price per square foot has gone down pretty consistently," Dennehy said. "That doesn't include any incentives, and they're pretty rife in the market."

Rebate-type incentives, like help with closing costs, don't show up in the logged prices. But if they did, the ones in today's market would probably add another 3 to 5 percent to the price declines, Dennehy estimated.

As buyer interest has slowed, builders look at the number of months it would take the region to absorb the units that are available if sales keep the pace they had in, say, August. That number of months' supply gives them an indication of how long they might have these projects on their books and how long a downturn might last. And in some cases, that indication sparks them to cut prices to speed up the process.

Dividing the 14,691 available new homes (some still under construction) at the end of August by the 647 new homes that sold that month equals about a 23-month supply of new homes, Dennehy said. Broken down to property type, there's about a 25-month supply of new detached homes, a 21-month supply of new townhomes and about a 24-month supply of new condos.

The best available price data for the resale condo market for August was the median price reported by DataQuick Information Systems. In that month, sales of resale condos shifted slightly downward, with 790 units sold, a 0.6 percent drop from the same month the previous year. The median price among those 790 units was \$372,250, a 4.3 percent decline from the previous August's median price.

A report from DataQuick last week showed a record number of homes entering foreclosure in California. The number of notices of default -- the first step of foreclosure -- filed in San Diego County in the quarter ending at the end of September jumped by nearly 160 percent compared to third-quarter 2006.

"The issue is whether the real estate market and the economy will digest these over the next year or two, or if housing market distress will bring the economy to its knees," said DataQuick's often upbeat president, Marshall Prentice, in the group's report.

"Right now, most California neighborhoods do not have much of a foreclosure problem. But where there is a problem, it's getting nasty," Prentice said.

San Diego County, unlike counties in the Inland Empire and Sacramento areas of the state, has a relatively milder foreclosure problem, said DataQuick analyst Andrew LePage. But by San Diego's standards, LePage noted two ZIP codes in Chula Vista and one in Spring Valley where foreclosures are quite high.

In Chula Vista's 91915, for example, among about 7,000 homes, there were 124 notices of default filed in the third quarter. Compare that to Perris, Calif., where among 10,600 homes, lenders filed 365 such notices.

Nathan Moeder, principal with the London Group Realty Advisors, said he's convinced there's no model or index that fully explains what's happening in the San Diego market.

As Moeder analyzed the scheduled foreclosure sales in the county between now and Dec. 31, he found some of the highest number in the older eastern neighborhoods of the city of San Diego, and in cities like Chula Vista, Oceanside and Escondido. The trouble in those communities may be enough to scare homeowners in other places that they'd have to halve their prices in order to sell.

"Right now, with foreclosures, home values are dropping," he said. "But it doesn't mean every home's value is dropping."

Please contact [Kelly Bennett](#) directly with your thoughts, ideas, personal stories or tips. Or [send a letter to the editor](#).