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Bad news continues to build in the region

Nov. home prices, sales plummet; has market hit bottom?

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Southern California's housing market descended into further negative territory last month as prices and sales plummeted at a double-digit rate, with only a wisp of a sign that the bottom might be at hand, DataQuick Information Systems reported yesterday.

Sales in the six-county region plummeted 42.7 percent from last November to 13,173 homes, while the overall median price was \$435,000 in November, a record year-over-year decline of 10.3 percent.

But DataQuick also reported an unusual rise in sales of 2 percent from October to November, only the third time that has occurred in 20 years of number-crunching.

The San Diego company attributed the month-over-month rise entirely to an 11.5 percent regional increase in new-home sales, including new condo conversions. But San Diego County bucked the trend with a 5.6 percent gain in resales and a 2.5 percent decline in new sales.

“Some might point to the October-to-November (overall sales) increase as evidence sales have bottomed out,” DataQuick President Marshall Prentice said in a statement accompanying his company's monthly report. “But we'll need to see a sustained trend. We also saw November sales rise a bit back in the troubled market of 1994, well before it hit bottom.”

Various analysts offered explanations on the apparent contradiction in new-home sales trends between San Diego County and Southern California.

The rise in new sales everywhere but San Diego might be due to the aftermath of the October wildfires, said Sharon Hanley, publisher of a weekly newsletter tracking this segment.

“The other areas, though there were fires, were not shut down like San Diego was,” Hanley said. “Our county offices were closed, schools were closed, we were told to stay off the road – that was enough to skew November.”

Still, Hanley issued a report a full month after the fires that showed local net new-home sales had plunged on a weekly basis to only 43 attached and detached units, compared with 139 a year earlier.

“It's a terrible drop,” she acknowledged.

Hanley said unsold new-home stock at the end of November amounted to 89 weeks of supply at current sales rates.

To generate interest, developers have been offering incentives and discounts, but many are limiting their marketing of the offers to online sites or project sales offices, rather than pursuing a general advertising blitz.



SCOTT LINNETT / Union-Tribune
At 4S Ranch, west of Rancho Bernardo, Standard Pacific is offering buyers incentives including extra upgrades and a 42-inch plasma television.

For example, Standard Pacific is offering two “solutions” for fence-sitting buyers at its 206-unit Gianni condo project at 4S Ranch, west of Rancho Bernardo.

The details, spelled out on the company's Web site and in handouts at the sales office, offer a \$15,000 credit plus extra upgrades and a 42-inch plasma TV if buyers close escrow by Dec. 27. The second package, valued at \$30,000 (including the TV), is available if they open escrow by Dec. 27.

According to Hanley's report, 136 units have been sold at Gianni and current prices range from \$403,900 to \$503,900 on floor plans of 1,211 to 1,578 square feet.

A company representative was not available to detail the strategy behind the end-of-the-year incentives.

Peter Dennehy, senior vice president at the market research firm Sullivan Group Real Estate Advisors, said he visited several 4S Ranch projects and found similar packages.

“It works,” he said. “Homes are still being sold in this market.”

However, Dennehy and Hanley agreed that 2008 will likely see a further slowing of activity as developers suspend production and wait for unsold inventory to be absorbed in an increasingly jittery economic environment.

Sanford Goodkin, a longtime, Del Mar-based consultant to developers across the country, said his clients are “frightened” like never before.

“Running scared is the smartest way to be,” Goodkin said. “When you're running scared, you kind of focus on something. And until you focus on it, you're not being fair to yourself. You're being stupid.”

Goodkin said he was not surprised by the big drop-off in sales and the price pullback; San Diego sales dropped 26.1 percent and prices were down 9.7 percent year-over-year to \$440,000 in November, as reported Monday. This came on the heels of a nine-year run-up of 250 percent for the median price in San Diego.

“The faster it reaches the top, the more violent that (downward) angle is when it hits the top,” Goodkin said.

San Diego has already backed off its November 2005 median peak of \$517,500 by 15 percent, and Goodkin said the local market is “capable” of shedding another 15 percent, which would bring the median down to \$374,000, a figure last seen since May 2003.

“My feeling is it's, like, inevitable,” Goodkin said.

Meanwhile, the U.S. Commerce Department reported building permits nationally were down 24.6 percent last month to a seasonally adjusted annual rate of 1.15 million homes, compared with November 2006.

San Diego's November permit figures from the Burbank-based Construction Industry Research Board were off 60.9 percent year-over-year to 178 homes, condos and apartments authorized, the lowest count since the 163 units approved in November 1992 as the local economy slid into a long, painful recession.

Through November, permits for the year here totalled 6,530, down 36.2 percent from 2006 levels.



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Real estate agent Ken Kaplan (back to camera) talked with Wren Swain of Standard Pacific at the company's sales office.

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