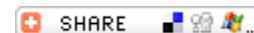


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Resales of homes a house divided

Foreclosed properties going for much less

By Roger Showley and Lori Weisberg

UNION-TRIBUNE STAFF WRITERS

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San Diego County's unprecedented housing downturn has created a sharp split in the resale market, with foreclosed properties selling at steep discounts while other homes take a much smaller hit.

Although values are down in all categories, the variance between the resale prices of foreclosed and regular properties is dramatic. An analysis performed by DataQuick Information Systems at the request of *The San Diego Union-Tribune* showed that during the first three months of the year:

- Countywide, the median price paid for foreclosed houses and condominiums was \$325,000 – 28.3 percent below the \$453,000 median for nonforeclosure sales. That compares with a peak of \$515,000 in the fourth quarter of 2005, when foreclosures were almost unheard of.
- Single-family houses in foreclosure sold for a median price of \$365,000, compared with a median of \$500,000 for nonforeclosures. The 2005 peak in that category was \$565,000.
- Condos in distress sold for a median of \$230,000, while the figure for nonforeclosures was \$360,000. The median at the 2005 peak was \$400,000.

Analysts say banks' eagerness to get houses off their books even if they have to slash prices could continue to be a drag on the market for some time, with discount foreclosure sales putting downward pressure on prices in surrounding neighborhoods.

At the same time, optimists see reason for hope that overall price levels in the county will stabilize once the distressed properties are sold off, though that process could continue well into next year. Foreclosed properties made up 35.2 percent of all resales in January, February and March.

“Remember, all of this foreclosure pain we've seen so far has come amid an economic backdrop that, until recently, wasn't that bad outside of real estate,” DataQuick analyst Andrew LePage said.

He recommended that buyers and sellers pay attention to areas with unusually low sales counts where post-foreclosures sales dominate.

“The median price could pop back up once we see a more normal level of sales activity across all neighborhoods and home types,”

LePage said.

Alan Nevin, chief economist for the California Building Industry Association and San Diego-based MarketPointe Realty Advisors, predicted foreclosure sales could account for as many as 15,000 out of 25,000 total sales this year. But at some point, the foreclosures will drop off, he Nevin said.

“Anybody who's going to walk away from a house or condo has already done it,” Nevin said. “Now it's just a matter of the pig going through the snake.”

Alan Gin, an economics professor at the Burnham-Moores Center for Real Estate at the University of San Diego, said the DataQuick figures reveal a direct relationship between foreclosures and the prices that homes command.

In areas with no foreclosure sales, the median house price dropped 5.3 percent on average in the past year, as measured by price per square foot, Gin said. But for every 10 percent increase in the percentage of transactions that were foreclosures, the median price per square foot dropped an additional 3.6 percent.

For example, in La Jolla, which had no foreclosure sales in the first quarter, the median price per square foot on 42 sales was \$698, a figure 5.7 percent lower than a year ago. In National City, where nearly half of the 30 houses sold in the first three months of 2008 were foreclosures, the \$268-per-square-foot price was down 32.7 percent over the past year.

“We're sort of in uncharted territory here with the number of foreclosures being so high, particularly as a percentage of total sales,” Gin said. “And so it could be that we've got some distortion in the market at this point.”

It's no mystery why foreclosed properties generally sell for less than nonforeclosures, said Peter Dennehy, senior vice president of Sullivan Group Real Estate Advisors in San Diego.

“In general, the banks are not like homeowners hoping to make a profit,” Dennehy said. “They have no interest in owning real estate, especially when they're owning more and more of it. They're the extreme form of a motivated seller.”

In some cases, lenders will spruce up vacant, abandoned houses with a new coat of paint, carpeting and new appliances in order to command prices competitive with the overall market, said agent Rose Avedisian, a foreclosure specialist who has an inventory of 150 bank-owned properties she is trying to sell.

“The banks that choose not to have that philosophy and want to get the houses off their books are willing to sell them at below market value,” Avedisian said.

While foreclosed homes tend to be in worse condition than those that are privately owned, that's not always the case, agent Linda Ring said. Ring has sold a number of houses in eastern Chula Vista, where many first-time buyers had stretched beyond their means to buy.

The typical foreclosure house in that area is two stories with three to four bedrooms and two to three baths on a 3,000-square-foot lot. Many have upgraded kitchens, Ring said.

FORECLOSURE COSTS

An analysis of San Diego County home resales for the first three months of 2008 shows the effect of having foreclosure properties on the market. A home's status was based on the previous 12 months.

RESALES

	Foreclosure	Nonforeclosure
Houses	1,100	2,187
Condos	600	945
All	1,700	3,132

MEDIAN PRICES

	Foreclosure	Nonforeclosure
Houses	\$365,000	\$500,000
Condos	\$230,000	\$360,000
All	\$325,000	\$453,000

SOURCE: DataQuick Information Systems

MATT PERRY / Union-Tribune

“The banks don't want to attract a fire sale, so they price them the same as the neighbor across the street,” she said. “But once it hits the 120-day mark, the price becomes pretty flexible.”

At the neighborhood level, the correlation between foreclosure levels and resale prices varied widely.

In the 91914 ZIP code of northeastern Chula Vista, where 79 percent of house sales were foreclosures, the distressed properties actually sold for 26 percent more than nonforeclosures. But in Spring Valley, where 58 percent of house sales were foreclosures, distressed homes sold for 20 percent less than regular homes.

Downtown San Diego, which attracted a flood of investors during the recent building boom, recorded particularly big price differences between foreclosure and nonforeclosure sales in the last quarter.

The median sales price of a bank-owned condo in the 92101 ZIP code was \$385,000, compared with \$625,000 on a nonforeclosure condo, according to DataQuick.

Agents there speculate that the condos taken back by lenders typically are smaller, were conversions and may not have the upscale finishes and amenities of the nonforeclosure units.

“It's not surprising that when the market gets difficult that these units are in foreclosure,” said real estate broker Jim Abbott, owner of ARG Abbott Realty Group in downtown San Diego. “These are the less-desirable units.”

Even in the same downtown high-rise, though, a foreclosure condo can sell for a significant discount, said his son Dustin Abbott, also a real estate agent. Dustin Abbott said that in Acqua Vista, a Little Italy high-rise, a one-bedroom, one-bath condo in foreclosure recently sold for \$200,000, compared with \$275,000 for the same model a few months earlier, which wasn't a distress sale.

The Sullivan Group's Dennehy said that as the number of foreclosures mounts, prospects for a quick end to price discounting dim.

“The housing market will not stabilize until we get the inventory cleaned up, and with this level of units on the market, it's not good,” he said. “It would be a lot more stable if we didn't have the foreclosures, I can tell you that.”

■ **Roger M. Showley:** (619) 293-1286; roger.showley@uniontrib.com

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