

[More Business news](#)

Home values falling less sharply than prices

Difference in S.D. data linked to foreclosures

By Roger Showley
UNION-TRIBUNE STAFF WRITER

November 12, 2008

San Diego home prices have been falling for three years as sellers facing financial distress accept lower offers from bargain-hunting buyers. But the course of home values tells a slightly different story.

Zillow.com, a Seattle-based Web site that follows the housing market nationally, released figures yesterday that illustrate the gap between prices and what it estimates as the true value of homes.

The company found that values have fallen 17.9 percent in the past year in San Diego County, while the median price was off 27.2 percent over the same period, as measured by San Diego-based MDA DataQuick.

The reason for such a gap: More than a third of homes sold over the past year previously went through foreclosure and fetched below-market prices when compared with nonforeclosure properties.

Meanwhile, according to Spencer Rascoff, Zillow's chief operating officer, nondistressed properties were not for sale and high-end homes represented perhaps 5 percent of listings, compared with the usual 20 percent.

"Higher-end homes are maintaining their values better and declining less than lower-end homes," Rascoff said. "That makes sense, because at the lower end, you have more distressed sellers facing foreclosure, facing a reset (of interest rates) and can't handle higher payments. At the higher end, they can wait a year until someone is willing to pay them \$2 million. They're not forced to drop their prices so rapidly."

Using sophisticated mathematical models and sales trends over time, Zillow calculated individual prices for all properties and arrived at a Zillow Home Value Index for San Diego and 162 other markets.

For San Diego, the value index at the end of the third quarter, Sept. 30, stood at \$391,565, down 28.3 percent from \$546,299 in the third quarter of 2005. DataQuick's comparable figures are \$348,000 for the median price, down 32.4 percent from the peak reached in the fourth quarter of 2005.

Zillow also found that 52.5 percent of San Diego homes sold at a loss in the past 12 months. It said 30.4 percent of all homes – and 51.3 percent of those bought since 2003 – are worth less than their original purchase price.

Whether for sale or not, nearly all homes in the county, 92.5 percent, are worth less today than a year ago and 60.2 percent have lost value in the past five years.

"Housing in San Diego has obviously fallen off a cliff," Rascoff said. "San Diego's home prices are now back where they were in the middle of 2003. You've rewound the clock five years in terms of home prices."

But the decline has not been uniform across neighborhoods or among housing types. Rascoff said certain areas have fallen less than others, such as La Jolla which is down 12.3 percent over the past year. Parts of Chula Vista are down more than 30 percent.

Upper-end homes have dropped in value by 10 percent to \$661,559; middle-tier homes by 18 percent to \$388,635;

and starter, lower-cost properties, off 27 percent to \$263,647. Single-family homes are off 17.9 percent to \$422,812, and condos have dropped 18.3 percent to \$287,082.

“San Diego certainly is doing worse than the nation, but it’s in good company,” Rascoff said, noting that Miami, Phoenix, Las Vegas and California’s Central Valley are faring worse than San Diego.

Looking to the future, he said the sinking economy probably means housing nationally will likely not recover next year. But San Diego may bottom out and turn around sooner, possibly about this time next year, he said.

“Home prices are declining so rapidly that there are a lot of values now,” Rascoff said, and venture capitalists and entrepreneurs are gathering millions of dollars to invest in distressed properties. “That is more true in California than anywhere else in the country.”

But an overall recovery in San Diego, as elsewhere, now depends on the job market. “How bad will the local job loss be?” he asked rhetorically.

This question was at the top of the minds of panelists at a real estate trends conference yesterday sponsored by the Urban Land Institute.

“It’s not a pretty picture, but it’s one you can survive and get through,” said Rand Sperry, chief executive of Sperry Van Ness International, a commercial property owner and manager.

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

Find this article at:

<http://www.signonsandiego.com/news/business/20081112-9999-1b12zillow.html>

Check the box to include the list of links referenced in the article.