

# S.D. home prices stand alone

## Area is only one in nation to rise in February survey

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San Diego home prices are on the rise. Sellers of this 50th Street home promote the remodeling they did to make the home more attractive.

The index for the 20 metro areas as a whole dropped 0.9 percent from January to February. But the good news, S&P analysts said, was the 0.6 percent increase year over year, the first such rise since December 2006. Still, of the 20 metro areas, 11 were down on an annualized basis.

Analysts attributed the overall annual increase partly to the federal homebuyer tax credit that expires Friday. It is thought to have pushed waffling buyers off the fence to take advantage of an \$8,000 credit if they were first-timers and a \$6,500 credit if they were moving up to a larger property. Buyers are required to have a signed purchase contract by Friday and close escrow by June 30 to take advantage of the program.

A similar program for California buyers, offering up to \$10,000 in state tax credits, becomes effective for deals that close escrow after Saturday. Local agents said some buyers are holding off closing escrow until Saturday so they can take advantage of both programs.

But the agents also warn that the \$200 million in state credits are likely to run out quickly, perhaps as early mid-May. Buyers of new homes can reserve the credits by signing a sales agreement; resale buyers must close escrow before they can apply for the benefit.

One buyer is Tri Nguyen, 30, a housing counselor at Community HousingWorks, an agency that helps distressed homeowners deal with default and foreclosure problems as well as placing would-be buyers into their first homes. Nguyen said a variety of subsidies helped him buy a 1,303-square-foot, 30-year-old home in City Heights for \$220,000.

“I got frustrated, and my Realtor gave me the opportunity for this property in City Heights,” said Nguyen, who added that the agency is covering some improvements before he moves in. “It was hard for me to pass on that.”

Alan Gin, an economist at the University of San Diego, was at a loss to explain San Diego’s Case-Shiller numbers.

“It’s very unusual that every other market is down,” Gin said, noting that the unemployment rate of 11 percent here is worse than the national average.

The Case-Shiller figures indicated that prices were up in the top and bottom thirds of the local market but down in the middle, priced between \$308,000 and \$461,500. Gin speculated that's because there are relatively few bottom-end sellers to buy mid-level move-ups.

The index, set at 100 for all areas as of January 2000, is based on sales over time of the same single-family homes back to 1988 and is figured on a three-month rolling average to smooth out month-to-month differences.

For San Diego, the latest index value was 157.92, its highest since October 2008 and firmly up from the bottom reached one year ago. According to the index, local prices are 36.9 percent below their peak of November 2005 but up 9.3 percent from their low last April.

Like Gin, Leslie Appleton-Young, chief economist at the California Association of Realtors, was surprised by San Diego's housing figures, but she said the one-month increase, in contrast to dips elsewhere, may not signal any trend.

As for the federal and state tax credits, Appleton-Young said they may roil the markets a bit because so many sales are being delayed till May so that buyers can take advantage of both programs. Still, she believes the state market is improving, with more demand than supply for low-cost, distressed properties and 19 months of resales above the 500,000-home mark. That's down from the boom times of 625,000 annual sales but up from the lows.

"We've got a pretty positive market; it's very robust," Appleton-Young said.

Nationally, the federal credits have caused sales to surge and stabilized prices, agents across the country said. Some analysts said the tax credit money would have been better spent to help alleviate owners subject to foreclosure.

Mark Zandi, chief economist at Moody's Economy.com, said the credits "helped staunch the price declines."

"The home is still the largest asset on most people's balance sheet, so when prices are falling, nothing works for most families," Zandi said. "But now people can take a deep breath and think clearly again."

The market is suffering an inventory shortage, San Diego agents say. Brian Yui of Houserebate.com said that's because many sellers are holding back on listing their homes in the hope that prices will rise in coming months.

Kip Boatcher at Willis Allen Real Estate said luxury homes priced at more than \$1.5 million are selling faster than a year ago, but only if they offer one-of-kind views and interior features. In the market range of \$600,000 to \$1 million, Boatcher said, sales are going through if prices are within 5 percent to 10 percent of comparable transactions.

"Home values today are at the price point where we typically saw them in 2002 (and 2003)," Boatcher said.

S&P Index Chairman David M. Blitzer cited other statistics to explain the general improvement in home prices, such as sales, inventories and housing starts. But Blitzer cautioned against assuming that the worst is over.

"We should also pay heed to foreclosure activity, which has reached its highest level in at least the last five years," Blitzer said. "As these homes are put up for sale, we may see some further dampening in home prices."

Patrick Newport, U.S. economist at IHS Global Insight in Massachusetts, said he expects national prices to keep falling as they have been since October in the Case-Shiller index.

“I think the market is weakening,” Newport said. “I expect prices to drop another 3 (percent) to 5 percent over the next 12 months.”

He found the San Diego counter-trend “interesting.”

“The lesson is real estate has always been local and subject to local forces,” Newport said.

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### S&P/CASE-SHILLER HOME PRICE INDEX

For February

Metro area	Index	Change from Feb. '09
San Francisco	134.67	11.9%
<b>San Diego</b>	<b>157.92</b>	<b>7.6%</b>
Los Angeles	171.82	5.3%
Washington	176.49	5%
Denver	124.54	3.6%
Cleveland	100.93	3.2%
Minneapolis	119.91	3%
Dallas	115.24	2.6%
Boston	151.44	1.8%
Atlanta	105.66	-0.9%
Phoenix	110.11	-1.6%
Charlotte, N.C.	116.09	-2.5%
Chicago	122.57	-3%
New York	170.46	-4.1%
Miami	147.52	-4.4%
Portland, Ore.	143.69	-4.8%
Detroit	70.5	-5.4%
Seattle	143.56	-5.6%
Tampa	136.54	-6%
Las Vegas	103.4	-14.6%
All metros	144.03	0.6%

SOURCE: Standard & Poor's and Fiserv  
(Index set at 100 for all areas in January 2000.)

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The index, set at 100 in January 2000, is based on sales of the same homes over time, calculated on a three-month rolling average.

SOURCES: Standard & Poor's; Fiserv

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