SIGN ON SAN DIEGO

Housing picture not all gloomy

Median price 48.4% higher than in January 2000

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SUNDAY, JANUARY 3, 2010 AT 12:02A.M.

For all the talk of the housing bust, San Diego County's median price ended the decade up 48.4 percent from 2000.

Peggy Peattie / UNION-TRIBUNE

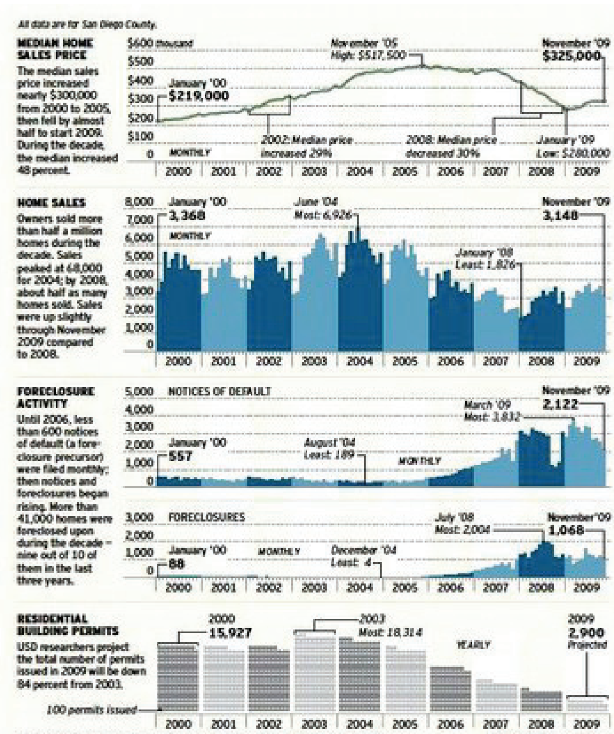
The Krumweide family — including Hanna (left), 7, Chloe, 9, and their mother, Molly — bought a house in University City 10 years ago and have seen it appreciate significantly.

If in January 2000 you bought a home at the median price of $219,000 and went to sleep like Rip Van Winkle, you awoke at the end of 2009 to see your home worth $325,000.

This means that many longtime homeowners are still sitting on big gains even after seeing the market skyrocket to a peak of $517,500 in November 2005 before plummeting.

Take the Krumweide family in University City. The family bought a 2,800-square-foot home for $432,000 in June 2000, took out a small amount of equity for home repairs when they refinanced and now could sell the house for about $850,000, according to their neighbor and original real estate agent, Ann Throckmorton.

"We're just relieved we stayed with our guns, stayed with our heads," Molly Krumweide said.



Thousands of San Diegans aren't so fortunate. Either they bought in the midst of the bubble and paid far more than what their homes would command today or they piled on debt by refinancing their homes to pay for cars, vacations or everyday expenses.

When the housing bubble burst at the end of 2005, dreams became nightmares, and the bad vibes are likely to ripple through the economy for years.

Throckmorton likened the market to a game of musical chairs: "Not only did more than one person not get a chair, there was a lot of falling over each other. There was much damage."

During the decade, about 510,000 homes changed hands, but 41,100 were lost to foreclosure through November. Nearly 121,000 notices of default were lodged against local residents. Thousands more are delinquent in their payments and hoping their lenders will modify the loans or let them do a "short sale" — sell for less than the outstanding mortgage balance.

"The greatest recession since the Depression and the financial market meltdown in the last year has changed people's behaviors, and changed lenders' willingness to extend credit to a lot of people," said Andrew LePage, an analyst for San Diego-based MDA DataQuick. "It will take years to recover that (lost) equity, and they won't have much equity."

But according to MDA DataQuick’s findings, things are not as bleak as they seem.

Home prices in all but a handful of neighborhoods have bounced back from their lows since 2006. Three are less than 20 percent from their peaks — Scripps Ranch, Rancho Peñasquitos and eastern Rancho Bernardo.

During the decade, Jamul was the only neighborhood with a monthly average of at least 10 single-family resales not to see higher prices.

What’s in store for the new decade — more boom and bust or a steady increase in values as supply and demand get back in balance?

Economists and market analysts who watched the decade’s gyrations can imagine both a worst-case scenario or a best-case outlook, but they stress the need to return to market fundamentals.

“Over the long haul, house prices can’t grow faster than people’s income,” said James Hamilton, an economics professor at the University of California San Diego. “Many people ignored that lesson over the last decade and paid a pretty high cost.”

Some economists say prices could dip in 2010 as foreclosures and defaults multiply. But over the long run, many expect appreciation of a few percentage points over inflation — roughly 6 percent annually. San Diego’s year-over-year price change in November was 6.6 percent.

If that rate persists, the peaks reached several years ago will be seen again by 2018, said Robert Kleinhenz, a former Cal State Fullerton economics professor and now an economist at the California Association of Realtors. That date seemed reasonable to analysts not tied to the real estate industry.

“Whether we hit that mark or not, I’m not making a forecast,” Kleinhenz said.

One reason prices could bounce back is that home building did not suffer the excesses of the 1980s and entered the recession with a relatively small number of completed but unsold properties. Also, building has virtually come to a stop since then.

The 2009 building-permit count, estimated at 2,900 housing units, was the lowest since World War II — which explains the big layoffs in the construction sector. Only 4,000 permits are expected next year, said University of San Diego economist Alan Gin.

“At some point in the next two or three years, we’re going to be stuck once again with a lot more demand for available housing than we’re able to build,” said Kelly Cunningham, an economist at National University’s Center for Policy Research.

Together with San Diego’s historic slowness in approving new housing, “that will only drive up prices again,” Cunningham said. “It can quickly turn again. I’m not sure when — probably in a few years, once we work through all the foreclosed homes and existing homes (for sale).”

One of the high points of the decade was a rise in homeownership rates, up to 58 percent in San Diego and nearly 70 percent nationally. Granted, many buyers have lost their homes — but not all — and owners-turned-renters will be able to buy again once they rebuild their credit scores and bank accounts.

“The other thing we can assume is as the market improves, lenders will not go quite to the loose lending practices of the last cycle but definitely will swing the pendulum back to the middle,” said Jeff Meyers, who runs a local real estate consulting firm specializing in the new-home market.

Christopher Thornberg, a former UCLA Anderson Forecast economist and co-founder of Beacon Economics in Los Angeles, rang early warning bells about a pending real estate bust — calls that he said were usually met with laughter at his speaking engagements. Thornberg said he believes San Diego is well-positioned with a diversified economy to recover from the recession and the real estate debacle.

“In the long run, I’m optimistic,” Thornberg said. “I worry about the next couple of years. … We have not escaped the consequences of our actions quite yet. I wouldn’t call the new decade a clean slate by any stretch of the imagination.”