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Real estate decline snowballs

By: CHRIS BAGLEY - Staff Writer

Southern California's housing market tumbled dramatically last month, with rising foreclosure rates putting commuter-heavy areas of Riverside and San Bernardino counties into free fall -- at least temporarily, a real estate research firm reported Tuesday.

Homes sold for a median \$375,500 in Riverside County and \$325,000 in San Bernardino County last month, both representing 11 percent drops from September 2006, according to a monthly report by DataQuick Information Systems. The median price in Southern California as a whole fell 4 percent to \$462,000, according to the firm. The median price, the level at which half the homes sold for more and half for less, roughly represents the market's midpoint.

Lenders are seizing houses from delinquent borrowers at an unprecedented rate across Southern California and particularly in areas such as Southwest County whose relatively low home prices had made them bedroom communities for commuting workers. Joel Phillips, a Temecula-based agent who specializes in selling bank-owned properties, said his clients are becoming willing to accept as little as 70 percent of what comparable

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houses bring.

"They're completely driving the trend," Phillips said. "The banks have to get these things off their books."

The rising numbers of bank-owned houses are making it especially hard for other sellers to compete. Of the 6,200 houses now listed for sale in the area, 1,550 -- or 25 percent -- are owned by lending institutions, according to foreclosureradar.com, an online database. That rate is about 30 percent in Murrieta and French Valley.

The average sale price of existing houses in Southwest County fell to \$419,400 last month, a level it last visited in January 2005, according to a database used by local real estate agents. And local sales numbers are at lows not seen this decade.

Economists and some real estate professionals in Southwest Riverside County, where average house prices peaked above \$500,000 in May 2006, have been warning for nearly two years that many potential buyers are being priced out of the local market. Mortgages with initially low payments helped bridge that gap, but rising payment obligations play a role in many of the foreclosures.

On the bright side, agents have noted that homes that do sell are beginning to do so more quickly. Houses sold last month in Southwest County were on the market for an average of just 42 days, down from more than 70 days last winter. Some agents have called the earlier lag a result of sellers holding out for prices that are no longer realistic.

Still, sales of just 2,200 houses and condominiums closed escrow last month in Riverside County, less than half as many as in September 2006 and about 70 percent fewer than a peak of nearly 7,000 that was reached in March 2006, according to DataQuick.

The true state of the market may be somewhat less dire, DataQuick President Marshall Prentice said, because the sales numbers and median prices are suddenly reflecting lenders' hesitancy to issue the so-called "jumbo" mortgages that underpin the middle and upper ranges of California real estate.

Jumbo mortgages, which exceed \$417,000, carry slightly higher interest rates because they can't be transferred to the two largest financial institutions in the secondary mortgage market. The average rate on 30-year fixed jumbo mortgages has risen to 6.75 percent from 6.55 percent in July, even as the average rate on smaller mortgages fell to 6.11 percent from 6.31 percent, according to Bankrate.com.

Prentice said more mid- and upper-market home buyers could bite the bullet and borrow at the higher rates in coming months, thus buoying prices.

"Still, we can't expect the market to rebalance itself until sometime in 2008," Prentice stated in a DataQuick press release.

-- Contact staff writer Chris Bagley at (951) 676-4315, Ext. 2615, or cbagley@californian.com.

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Huh? wrote on Oct 17, 2007 6:53 AM:

"Of the 6,200 houses now listed for sale in the area, 1,550 -- or 25 percent -- are owned by lending institutions" What area? Which cities? Good job reporting. Can't you be a little more specific? "That rate is about 30 percent in Murrieta and French Valley". Here we go again. Why use percentages? What's wrong with using real numbers? How accurate is that website? "

To Huh? wrote on Oct 17, 2007 8:40 AM:

"DataQuick is a real estate industry standard and many reporters and companies rely on their stats to report news and make internal organizational plans. Don't shoot the messenger just because you don't like the news. There will be no quick fix or fast recovery from the real estate downturn. It is as deep and widespread as this and many other articles indicate. It will take years to recoup from the fraud, deceit and mismanagement we are uncovering daily. "

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