



Business

Bleak sales hurt Inland new-home market

09:50 AM PDT on Friday, November 2, 2007

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The Press-Enterprise

A few days ago analysts were surprised when the sale of new homes increased nationally, but Inland home shoppers are not following that pattern.

New-home sales continued to plummet in Riverside and San Bernardino counties in September, and almost one of every three people-- and maybe more -- who initially agreed to buy a home in Riverside County ended up cancelling the transaction, either because of tightened financing or because buyers decided the price might decline.

New home sales fell 37.2 percent to 617 in Riverside County in September, down from 983 in the same month in 2006, according to a report by Hanley Wood Market Intelligence prepared for the California Building Industry Association.

In San Bernardino County, where there has been less new-home development, 356 homes were sold in September, an 18.2 percent drop from the 435 sold in September 2006.

The jarring part of this report is the difference between gross sales, the deals builders believe they had with home shoppers, and net sales, which are the sales that close. There were 617 net sales in Riverside County in September, but sellers thought they had 928 before the buyer backed out.

Those numbers mean one in three sales is being cancelled.

However, Borre Winkel, executive vice president of the Riverside County chapter of the Building Industry Association, said he thinks that figure is low, based on what he has observed.

"The cancellation rate seems to be north of 60 percent," Winkel said. "It's the curse of the lack of consumer confidence."

Winkel said part of the problem is that lenders are offering fewer mortgages with adjustable rates to buyers with weak credit, meaning would-be homeowners see the properties fall out of escrow.

But Winkel said the almost-daily reports of a poor housing market have made buyers gun-shy.

According to DataQuick Information Systems, the median price for all homes in Inland Southern California in September was about 11 percent lower than a year ago. Sales prices have been sliding month-to-month since April.

"They go home and hear on KFI Radio that another community down the street will be knocking the price down," Winkel said.

In San Bernardino County, 61 sale transactions were wiped away in September, with a cancellation rate of 14.6 percent. Winkel said in a normal new-home market, the cancellation rate would be somewhere between 15 percent and 25 percent.

There are no signs of new-home sales picking up soon. At a panel discussion in Beverly Hills this week, Jeffrey Mezger, chief executive officer of Los Angeles-based builder KB Home, said the slump in single-family homes sales will "stay tough for some time."

Winkel agrees. Usually builders put up between 200,000 and 220,000 homes a year in California, but next year only 80,000 are

expected to be built, he said.

"Everyone thinks 2008 will be a miserable year," Winckel said.

Bloomberg News contributed to this report.

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