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Home sales plunge in San Diego, Riverside counties

By: DAVE DOWNEY - Staff Writer

NORTH COUNTY -- Sales of existing single-family homes plummeted last month in San Diego and Riverside counties -- and in nearly every other California market -- amid growing anxiety over the collapse of the subprime market, real estate officials said Tuesday.

San Diego County posted a year-over-year decline of 20 percent in March, nearly matching the statewide decline of 21 percent, according to a new report from the Los Angeles-based California Association of Realtors.

The Riverside-San Bernardino region, which includes Southwest Riverside County, saw sales plunge 48 percent, more than any other market, the report showed.

Still, the homes that did sell generally fetched prices only slightly below price levels of a year ago.

Realtors said some potential buyers were being scared away by news of increased

Area home prices decline

Figures include sales for all types of houses -- new and existing, single-family and condominiums

Community	Median price March '06	Median price March '07	Change
Ramona	\$565,000	\$494,000	-12.6 percent
Fallbrook	625,000	552,000	-11.7 percent
Escondido	493,000	447,500	-9.2 percent
Wildomar	491,000	450,000	-8.4 percent
Oceanside	500,000	460,000	-8.0 percent
Winchester	495,750	459,000	-7.4 percent
Temecula	500,000	475,000	-5.0 percent
Murrieta	475,000	455,000	-4.2 percent
Lake Elsinore	430,000	412,500	-4.1 percent
Sun City	388,000	374,250	-3.5 percent
Vista	485,000	468,500	-3.4 percent
San Diego	500,000	484,000	-3.2 percent
Menifee	425,000	412,250	-3.0 percent
Carlsbad	745,000	732,500	-1.7 percent
Encinitas	800,000	787,500	-1.6 percent
San Marcos	542,000	535,000	-1.3 percent
Poway	637,500	695,000	+9.0 percent

Source: California Association of Realtors NORTH COUNTY TIMES

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foreclosure rates and problems with subprime loans, which are made to borrowers with poor credit.

"The uncertainty created by the increase in foreclosures and concern about the subprime market has had an impact," said Leslie Appleton-Young, chief economist for the California Association of Realtors, in a telephone interview.

"There are a lot fewer potential buyers now," echoed Stephen Levy, director of the Center for Continuing Study of the California Economy in Palo Alto. "Some of them have disappeared because they were speculating and there is no longer any growth in prices. Some of them have disappeared because they no longer qualify for loans."

In late winter, concerns about soaring default and foreclosure rates among buyers with poor credit who recently took out risky adjustable and interest-only loans -- the so-called subprime market -- led Wall Street investors to back away. As a result, lenders have been forced to tighten lending rules, and that has pushed many first-time buyers out of the market, real estate officials said.

"A lot of the lenders have removed their zero-down product from the marketplace," said Carlsbad real estate agent Dennis Smith.

Appleton-Young said that, as a consequence, the statewide group may have to revise its projection of a 7 percent decline in yearly sales from 2006 to 2007 when it re-examines current trends in June.

At the same time, median home prices largely held up. The statewide median edged up 3.2 percent between March 2006 and last month, the report showed.

Prices were flat in San Diego County, with the \$605,950 median just 0.2 percent lower than the \$607,370 figure for the year before. That compared to a North County median of \$640,000, which represented a 2.4 percent appreciation from March 2006, according to the North San Diego County Association of Realtors.

In the Riverside-San Bernardino area, the median price slid 1.7 percent to \$394,370 from \$401,100, the state report showed.

John Husing, an Inland Empire economist based in Redlands, said the price slip is of little concern and he stressed that it must be kept in perspective.

"The low point in prices (for the region) during the '90s was exactly 10 years ago this quarter," Husing said, referring to a median of \$105,643 in early 1997. Since then, he said, the median has nearly quadrupled.

"In that context, a decrease of a percent or so is no big deal," Husing said.

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He said he earlier projected a 5 percent price decline for the year overall.

The median price represents the middle of the market, with half the homes selling for more and half for less.

Smith said the San Diego County median is in some ways an "illusion" because a greater percentage of home sales are in upper price ranges than was the case last year. That, he said is because move-up buyers and second-home buyers are still buying while entry-level families sit on the sidelines.

"It keeps the (median) price in the newspaper up," Smith said. "But for the average home seller who is selling in the low and middle ranges, prices have dropped."

The median price per square foot declined from \$323 in the first quarter of 2006 to \$303 during the first three months of this year, according to Robert Brown, chairman of Cal State San Marcos' Department of Economics.

According to the California Association of Realtors, values declined slightly in wealthy communities such as Carlsbad and Encinitas, but significantly in more modest neighborhoods of Oceanside, Escondido and Ramona. Prices also declined in Temecula, Murrieta, Lake Elsinore and Wildomar.

With declining prices and sales, and many getting behind on mortgages, some homeowners are going to lose their homes, Husing said. That's not all bad, he said.

"To some extent, this is about investors who made bad bets," Husing said. "Frankly, I could care less about that group because, frankly, they have caused part of our problem (of a constrained supply and inflated prices)."

But, he said, some families who stretched to get into homes will get hurt in the process.

Husing said that 3.3 percent of Riverside County families and 3.2 percent of San Diego County families who bought homes in 2004, 2005 or 2006 received default notices during the first quarter of this year. The rate for all of Southern California was 3.2 percent, he said.

Nationwide, sales of existing homes plunged by the largest amount in nearly two decades in March. The National Association of Realtors reported that sales fell 8.4 percent from February at a time when activity usually accelerates with the arrival of the spring-summer buying season.

The steep decline was accompanied by an eighth consecutive monthly slip in median prices for the nation, the longest such period on record. The median price fell to \$217,000, a drop of 0.3 percent from a year ago.

-- The Associated Press contributed to this report. Contact staff writer Dave Downey at (760) 740-5442 or ddowney@nctimes.com.

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