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A really tough year for O.C. housing

Sales fell to their lowest level on record in 2007 and the median price fell for the first time in 12 years, wiping out at least two years of appreciation.

By **JEFF COLLINS**

The Orange County Register

The housing market got hit by a double whammy in 2007, economists and local agents say.

Already limping from a slowdown in 2006, the market first got hit in March by the subprime mortgage meltdown. Then in August, it got walloped again by a global credit crunch.

With the final tallies now in, 2007 ended up being a year for the record books: Sales fell

to their lowest level on record and the median home price fell for the first time since 1995.

"We've never had a period of time where the momentum for sales just stopped," said Bob Chapman, past president of the Newport Beach Association of Realtors. The mortgage market was the engine for the selling market, Chapman said. In 2007, the engine stopped running.

The median price for the year was \$618,000, down 1.9 percent from the 2006 median – the first such drop in 11 years, DataQuick Information Systems reported today.

And sales fell to just under 27,300 last year – the lowest in the 20 years that DataQuick's been tracking housing statistics and about half of the 54,000 homes sold in 2005.

"2007 certainly was a tough year, no doubt about it," said Robert Kleinhenz, deputy chief economist for the California Association of Realtors.

The subprime meltdown resulted in tighter lending standards for the most vulnerable buyers, often trying to purchase homes at the low end of the price spectrum, Kleinhenz said.

Then the liquidity crunch that hit in late

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summer "knocked the legs out of the high end of the market," pushing sales and prices to levels that would not otherwise have happened, he said.

The impact of those changes can be seen in statewide sales figures, he said.

At the peak of the housing boom in 2004-04, the monthly sales pace was equal to 660,000 homes a year, Realtor figures show.

By the start of 2007, it had dropped to 450,000 homes a year, then fell again to 360,000-a-year pace after the subprime meltdown. At year's end, California home sales had slipped below 300,000 a year for the first time since the 1980s.

"Almost overnight and very suddenly, the market shifted down in terms of sales and in terms of price, and that was unprecedented," Kleinhenz said.

Falling prices

Slow sales eventually prompted reluctant sellers to drop their prices.

"There's no question in my mind that home prices have been falling pretty much all through 2007," said Michael Carney, professor of real estate at Cal Poly Pomona.

Steve Thomas, president **RE/MAX Real**

Estate Services in Aliso Viejo, estimated that prices in Orange County fell about 10 percent from the June 2006 peak, dropping to 2005 price levels. "And this year, the tree will shake a little bit more, and we'll come down to 2004 levels," he said.

Pat Veling, president of **Real Data Strategies**, a Brea consulting firm, believes that in many communities in Orange County – places like Yorba Linda, Tustin, Irvine and Huntington Beach – prices already dropped to late 2004 levels, wiping out three years of price appreciation.

Price declines varied by location and by housing type, observers said.

Condos with less desirable floor plans, houses backing up to busy roads or power lines and homes in more depressed areas like Santa Ana, Anaheim and other north-central cities have seen price drops ranging from 15 to 30 percent, said Thomas.

North Orange County ZIP codes had the biggest price declines, with a 7.8 percent drop in median prices, DataQuick reported. Prices fell 5.4 percent in inland ZIPs in South County and 4.4 percent in the mid-county ZIP codes.

Sales fell from 32 percent to 33 percent in all three areas.

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Coastal ZIP codes, however, were spared somewhat. Median prices in beach cities – from San Clemente to Seal Beach – fell just 2.9 percent while sales were down 18 percent.

Half of the ZIP codes where prices went up last year were in beach cities, led by Dana Point's 92624, where the median price increased 15.6 percent to over \$1 million. ZIP codes in Newport Beach, Huntington Beach and San Juan Capistrano also saw price gains.

Median home prices fell in 61 of Orange County's 83 ZIP codes last year and increased in just 17. The biggest drop occurred in east Garden Grove's 92840, where the median price fell 15.3 percent to \$500,000. But even some of the county's most desirable neighborhoods saw prices falling, with ZIP codes showing double-digit declines in parts of Irvine, Huntington Beach, Yorba Linda and Newport Beach.

Prices remained unchanged in five ZIP codes: Ladera Ranch, Laguna Hills, east Santa Ana, north Orange and east Mission Viejo.

Sales, meanwhile, fell in 73 of the county's ZIP codes, rising in just four. The biggest drop occurred in Santa Ana's 92707, where transactions plummeted 62 percent. They were up 30

percent in Irvine's 92612, the county's biggest gainer.

Leaving the business

Multiple listing service figures show that sales revenue fell by nearly 40 percent during the past five months of the year, dropping by \$3.1 billion from the same period in 2006, according to the Pacific West Association of Realtors.

Veling's data shows that just 55 percent of the county's active real estate agents participated in at least one sale last year – half of them with just one or two sales apiece.

The remaining 45 percent "had no income in 2007," he said.

"That is inefficiency in our business that we can no longer afford, and many businesses will be making tough decisions when the spring selling season doesn't materialize (this year)," Veling said. "I anticipate a radical reduction in agents participating in the multiple listing service in 2008."

Keller-Williams agent Sheri Maxwell said knows at least a dozen agents who have left the business.

"We all hurt," she said. "It was harder to get

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buyers qualified (for loans). At the beginning of the year, we could get them qualified. At the end of the year, we couldn't."

In one case, Maxwell said, a lender approved a loan with a 10 percent down payment for one of her clients. On the day escrow was supposed to close, however, the lender balked, demanding a 20 percent down payment.

"Who has \$130,000 just sitting around?" Maxwell said. "We all felt it. It was probably one of my hardest years."

Marrion Norred was among the exceptions, closing 14 sales transactions, plus three lease deals, "which is not too shabby considering that it's supposed to be a really tough year."

But Norred explained that such success came only after working seven days a week and shifting her focus to buyers and away from sellers.

Duane Burns, an agent with **North Hills Realty** in Villa Park, said his brokerage recorded 30 sales more last year than the year before.

But fewer agents could boast 2007 was an up year for them.

Don Readinger, the 2008 president of the

Orange County Association of Realtors, conceded that 2007 "hasn't been my most productive year."

Readinger estimates that he talked about 15 or more clients out of selling their homes in the current market, urging them to wait unless they had to sell now.

"It's not a great time to sell," he said.

Contact the writer: 714-796-7734 or jcollins@ocregister.com

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