

SAN DIEGO BUSINESS JOURNAL

Real Estate Sectors Are Struggling Across the Board But Area Shows Some Resiliency in Job Growth

BY NED RANDOLPH

San Diego's housing woes hit another nadir last week after a series of reports revealed trends in falling home prices, mounting job losses in construction and related industries and an unwillingness by banks to extend credit in risky situations — all of which have left economists to wonder when the carnage will spread into other areas.

So far, San Diego's economy has shown some resiliency.

"Outside of housing, the rest of the economy is still adding jobs," said economist Alan Gin, who last week released the University of San Diego's

Index of Leading Economic Indicators for March, which revealed yet another month of falling consumer confidence and building permits — and fewer help-wanted ads.

Losses are starting to show up in retail as homeowners have less cash to spend, he said.

of employment," Gin said. "There's less equity. People can't take out home-equity loans to buy cars.

"Home furnishings, appliance stores and building supplies stores are also down."

The economy in March shed 14,300 construction and real estate jobs compared to the year before. Yet gains elsewhere offset most of the losses. The region only lost a total of 1,700 jobs, which was nonetheless the first year-to-year job loss since July 1993, said Gin, an associate professor at USD's Burnham-Moores Center for Real Estate.

"I think construction is going to be weak for a while here," he said. "We have this excess supply with foreclosures and houses not selling. The builders are not going to put new products out on the market in that environment."

Meanwhile, gun-shy banks are starting to call in loans to homebuilders, which are suffering under unsold inventory. Carlsbad-based **Barratt American Inc.** revealed last week that its bank of 28 years pulled the plug on its loan that the company needed to pay off its bills to subcontractors.

"There's a credit crunch in the country, and one of the areas that is significantly affected is housing and real estate," said Mick Pattinson, Barratt American's chief executive officer and president. "The high street banks are basically pulling the plug on loans wherever they can find an excuse to do so. We've been affected by this as other builders have."

Barrett American sold about 100 homes last year, which was 20 percent of a typical year. As a result, the company is going out to find new capital, he said.

"In the meantime, we have issues with payables. We've had to talk to our trades partners and vendors; and hope they will be patient. In most cases they are," he said. "It's the way of the world. Banks are fair-weather friends. When the going gets tough they disappear."

Foreclosures Mounting

As home foreclosures in California reached their highest level since 1992, according to real estate data analyzer Data-Quick Information Systems, realtors are having to adapt to new market realities.

Realtor Brian Yui, who is CEO of **HouseRebate.com**, a discount brokerage, launched a new service two weeks ago that provides an online virtual tour of foreclosed properties.

"We had to refocus the company because the market is so bad," he said. "We eliminated the lemons by focusing on foreclosure. We're trying to adapt to market conditions to be a survivor here."

Yui said he has about 30 agents in San Diego. "We're probably about 10 percent lighter in the last year," he said. "The number of transactions for real estate has gone down about 30 percent. It's more difficult to stay in business."

Another aspect, he said, is that agents have gotten squeezed not only on fewer transactions but lower commissions since homes are selling for less.

"It's a double whammy for real estate agents," said Yui, who declined to give

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— Alan Gin,
economist,
University of San Diego

revenues on the company. "It was a tough last two quarters."

Falling Home Prices

The latest housing report out last week showed prices in San Diego County fell by 19.2 percent in the 12 months that ended Feb. 29, according to the S&P Case/Shiller Home Price Index.

The only metropolitan areas in the S&P Case/Shiller Index to fare worse than San Diego were Las Vegas, minus 22.8 percent; Miami, minus 21.7 percent; Phoenix, minus 20.8 percent; and Los Angeles, minus 19.4 percent.

The national average was 12.7 percent. Of the 20 metropolitan areas, 17 posted their largest year-over-year declines ever, and only one saw prices rise: Charlotte, N.C., at 1.5 percent.

"I originally thought we'd see some bottom in the second half in 2008," said Gin. "That's still possible, but it's also possible that it will be 2009 before we see any type of firming."

"It will be much later than that before things start picking up."

Home Price Declines

Here are the nation's top 10 declining markets:

METROPOLITAN AREA	ONE-YEAR CHANGE (%)
Las Vegas	-22.8
Miami	-21.7
Phoenix	-20.8
Los Angeles	-19.4
San Diego	-19.2
Tampa, Fla.	-17.5
San Francisco	-17.2
Detroit	-16.5
Washington, D.C.	-13.0
Minneapolis	-12.5

Source: Standard & Poor's, Fiserv

See related story on Page 40.

Banks Can't Keep Up With Buyer Demand for Foreclosed Properties

BY NED RANDOLPH

With foreclosures hitting a 16-year high, demand for bank-owned homes has outstripped lenders' ability to dispose of them.

Of the 5,000 properties in escrow last week in San Diego, 20 percent are bank-owned, said Brian Yui, chief executive officer of **HouseRebate.com**, which has launched a search tool that indexes foreclosed properties in local Multiple Listing Services.

Finding good deals depends on lender pricing and their need to dispose of them, he said.

"I think certain banks want to maximize net value; whereas others want to get them off their books," said Yui. "It also depends on the agent — what their advice is to the bank. Some banks are just inundated with foreclosures and are not responding."

Broker Mark Goldman said deals abound, but buying can be frustrating. In many cases, properties aren't priced properly, or the lending institution doesn't have the system to dispose of properties once they are sold.

"It matters how they're organized. Some aren't prepared to act quickly and decide who's going to sign off on the loss," said Goldman, who lectures at San Diego State University and works for San Diego-based **Windsor Capital Mortgage Corp.**, in

Scottsdale, Ariz. "They haven't adopted strategies to dispose of properties that are realistic or timely."

"I'm getting a lot of inquiries," said Goldman. "If they are priced properly, they attract multiple bids and sell quickly."

However, even after an agreement is signed, some banks are just not prepared to move ahead with a sale.

Courtney Erwin, an agent with **HouseRebate.com**, said she has a client who has signed a purchase agreement for a house in National City from Deutsche Bank but has not heard from the bank in weeks.

"When we moved into escrow and tried to get an answer about turning on the water for a home inspection, it took five days for the bank to respond that they wouldn't be turning on the water," she said.

Her client, meanwhile, has had to "re-lock" the interest rate for his mortgage.

"The asset management company is so backlogged that they just don't have enough people," she said. "So the paperwork ... goes to the bottom of the pile."

The home remains unsold.

Lenders are overwhelmed, said Sean O'Toole, founder of **ForeclosureRadar.com**, which is based in Northern California.

"The process can be a little frustrating," he said.

Online realty agents allowed listings access

STAFF AND NEWS SERVICES

The Justice Department gave a boost yesterday to online real estate brokers — and potentially their clients — by forcing new industry policies that give Internet-based agents access to home listings they were previously denied.

The tentative settlement, which still requires court approval, could save consumers thousands of dollars when buying a home.

Online real estate agents often charge discounted commission fees and let buyers review listings at their own pace.

For years, Internet-based brokers were blocked from accessing more than 800 multiple-listing services nationwide affiliated with the National Association of Realtors. An MLS is a database of properties for sale.

In San Diego County, **Sandicor Inc.** — an MLS owned by local real estate associations — has not restricted these so-called "virtual office Web sites," or VOWs. Chief Executive Ray Ewing said the agreement should have negligible effect locally.

Brian Yui, who founded University City-based **HouseRebate.com** in 1999 as one of the first VOWs locally, said the settlement assures him that he can continue his business model without fear of restrictive rules from **Sandicor**.

Yui said he employs 30 agents and has signed up about 35,000 clients, who stand to receive one-third of their commissions back as rebates.