

# SAN DIEGO METROPOLITAN CALIFORNIA MARKET

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Housing prices throughout much of San Diego County were challenged in 2008, to say the least. The fear that many of us had in the industry came to fruition as more sub-prime and adjustable rate loans re-set, and many owners found they could no longer keep up with mortgage payments. This is now coupled with a nationwide recession and rising unemployment rates, which will continue to impact the real estate market.

## *Population*

The good news about declining home prices is that for the first time in 5 years, more people are moving into San Diego than leaving for other counties and states. From 2000 to 2003, net domestic migration was as high as 20,000 per year. Then, at the peak of the housing bubble, migration reversed course for 4 years as county residents moved to lower-cost areas such as Riverside County, Las Vegas and Phoenix, where they bought homes at a fraction of San Diego's prices. San Diego County had a population increase of 11.8% from the 2000 census, bringing the total population to 3,126,474 as of October 2008, per Sandag.org. Adding the natural increase of births minus deaths, the county population rose about 1.5% from the highest one-year boost since 2002.

## *Unemployment*

A big unknown at this time is the recession and its affect on unemployment. As of January 2009, San Diego region's unemployment rate was 8.6%, the same as the nationwide unemployment rate. These are unadjusted rates, and are slightly high as they reflect job loss after temporary workers were hired for the holidays. Local economists anticipate the San Diego rate will top 10% before the job market stabilizes, which they project will not occur until the first half of 2010. However, San Diego is faring better than most California counties, ranking 9<sup>th</sup> lowest of 58 counties, with the lowest unemployment rate in January 2009 at 6.6% and the highest at 26.7%.

## *Housing*

San Diego County and its 18 cities issued permits for 88 dwelling units in January 2009, a monthly record low since the Construction Industry Research Board began tracking the data in 1967. They also reported a 72.2% decline in building permits from 2007 to 2008. Many builders have pulled out of San Diego; some have gone into bankruptcy due to slow sales and tightening credit requirements. Those new housing developments that are still open are offering concessions for closing costs and/or builder upgrades.

MDA DataQuick reported 17,712 foreclosures in the county in 2008, a 141% increase over 2007. The majority of foreclosures have been in the more affordable price ranges, but then, so have most of the sales. Many lenders have literally dumped properties on the market at very low prices, creating a bidding war with multiple offers. Some of these areas are still experiencing foreclosures and price declines, but the rate of each is diminishing, possibly indicating a bottoming out of prices. On the other hand, the \$1,000,000+ range is also starting to feel the impact of a slow market. According to MLS statistics, 67% of the total detached housing sales in 2008 were under \$500,000, compared to 38% of the sales in 2007. In 2008, only 7% of the total sales were over \$1,000,000, compared to 14% in 2007. Based on the rate of absorption in 2008, there is currently a 6-month supply each of detached and attached housing.

According to the latest Standard & Poor's/Case-Shiller home price index, which tracks paired sales of detached housing in 20 major metropolitan areas throughout the country, San Diego housing prices ended 2008 down 24.8% from their year-end level in 2007. The Case-Shiller index reported prices increased by 150% from January 2000 to November 2005, where they peaked, then declined by 39.2% through December 2008. The index does not measure condominium prices, and represents an aggregate decline which should not be applied equally to all price ranges and areas, as some neighborhoods have seen minimal price reductions while others have declined dramatically.

# SAN DIEGO CALIFORNIA MARKET continued

Sandicor MLS statistics are also reported:

<b>SANDICOR MLS STATISTICS 2007/2008</b>					
<b><u>2007 Detached Sales - 15,707</u></b>			<b><u>2008 Detached Sales - 19,031</u></b>		
	<u>Sq.Ft.</u>	<u>Price/SF</u>		<u>Sq.Ft.</u>	<u>Price/SF</u>
Low	192	\$0.93	Low	330	\$19.56
High	13,108	\$4,500.00	High	12,921	\$3,988.04
Average	2,104	\$344.32	Average	1,965	\$260.35
21.2% increase in sales volume; 24.4% decline in prices					

<b><u>2007 Attached Sales - 8,969</u></b>						<b><u>2008 Attached Sales - 9,974</u></b>					
	<u>Sq.Ft.</u>	<u>Price/SF</u>		<u>Sq.Ft.</u>	<u>Price/SF</u>		<u>Sq.Ft.</u>	<u>Price/SF</u>		<u>Sq.Ft.</u>	<u>Price/SF</u>
Low	245	\$108.86	Low	290	\$54.95	High	4,360	\$3,013.70	High	4,500	\$2,413.40
High	4,360	\$3,013.70	Average	1,185	\$358.63	Average	1,158	\$264.48	11.2% increase in sales volume; 26.3% decline in prices		

As can be seen from the chart, the rate of sales for each type of housing has increased over the past year; however, they have been accompanied by continued price declines. The increase in volume is directly related to an increase in foreclosures. The MLS tracks averages instead of medians, but the 24.4% decline reported in detached housing mirrors that of the Case-Shiller index. Price per square foot indicators are a good method of comparison as they show buyers are now getting about the same size house/condo as they were a year ago, but are paying less.

## Summary

Forecasting accurate market conditions in San Diego County will depend upon a number of factors, many of which are occurring at state and national government levels as of this writing. In addition, the anticipated rise in unemployment rates can only continue to affect housing, and possibly foreclosure rates. On the positive side, the decline in prices has made this region more affordable, which is attractive to businesses and buyers. Also, many local economists believe the market slowdown hit San Diego before many other regions, and that it will reach bottom sooner. In the meantime, hold on; the bumpy ride appears to be far from over.



For additional or more current information on the residential market in the San Diego area, visit [www.rac.net](http://www.rac.net) and select "The RAC Report," or contact the following RAC member:

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