

## Residential Real Estate Market Report

Second Quarter 2011

### SAN DIEGO COUNTY

#### MARKET SUMMARY

The San Diego residential real estate market remained sluggish in the second quarter of 2011. Despite a 20 percent increase from the first quarter, overall sales of 8,839 houses were significantly lower than the same quarter in 2010. Figures 1-5 show the quarterly sales volume and average price of five types of transactions: regular (existing, non-distressed), new, REO, foreclosure and short sales. The number of regular sales experienced a healthy rebound—up 40 percent from the previous quarter to its second-highest level in four years. In contrast, new house sales continued to be near the historical low point. For distressed sales, the results were mixed: The volume of REO and short sales increased while the volume of foreclosure sales decreased. Overall, the number of distressed transactions in the second quarter was 4 percent higher than the first quarter, but 13 percent lower than the second quarter of 2010.

The breakdown in Figure 6 reveals a similar seasonal pattern for distressed sales from the first to the second quarter of 2010 and 2011. In both years, distressed sales dropped from 53 percent of total sales in the first quarter to 46 percent in the second quarter. More specifically, REO sales in 2011 decreased to 19 percent from 20 percent, and short sales to 8 percent from 9 percent. Foreclosure sales had the greatest drop in overall percent of total sales, to 19 percent from 24 percent. Although there were seasonal fluctuations, the percentage of regular sales has shown an improving trend since the beginning of 2009. This might prove to be an early indicator of a recovering marketplace.

When comparing the residential real estate market in San Diego with other Southern California counties, it's interesting to see how these markets have exhibited consistent patterns (*See Figures 7 and 8*). In Orange County in the second quarter of 2011, distressed sales were only 36 percent and regular home sales 62 percent of total sales. Although the situation is continuing to improve, distressed sales in Riverside and San Bernadino counties remained above 60 percent of total sales for each of the past 14 quarters, with a high of 80 percent in the first quarter of 2009 in San Bernardino County. Los Angeles is closely mirroring San Diego, though San Diego appears to be recovering a little quicker.

#### MARKET OUTLOOK

Sales in San Diego during the remainder of 2011 are expected to look relatively similar to the second half of 2010. Distressed sales might well range between 45 percent and 48 percent for the rest of the calendar year. With new changes in the short sale law, short sales may increase. As new house sales continue to be almost nonexistent, the non-distressed market will continue to be dominated by existing home transactions. The percentage of regular sales is expected to be about 52 percent to 55 percent of total sales.

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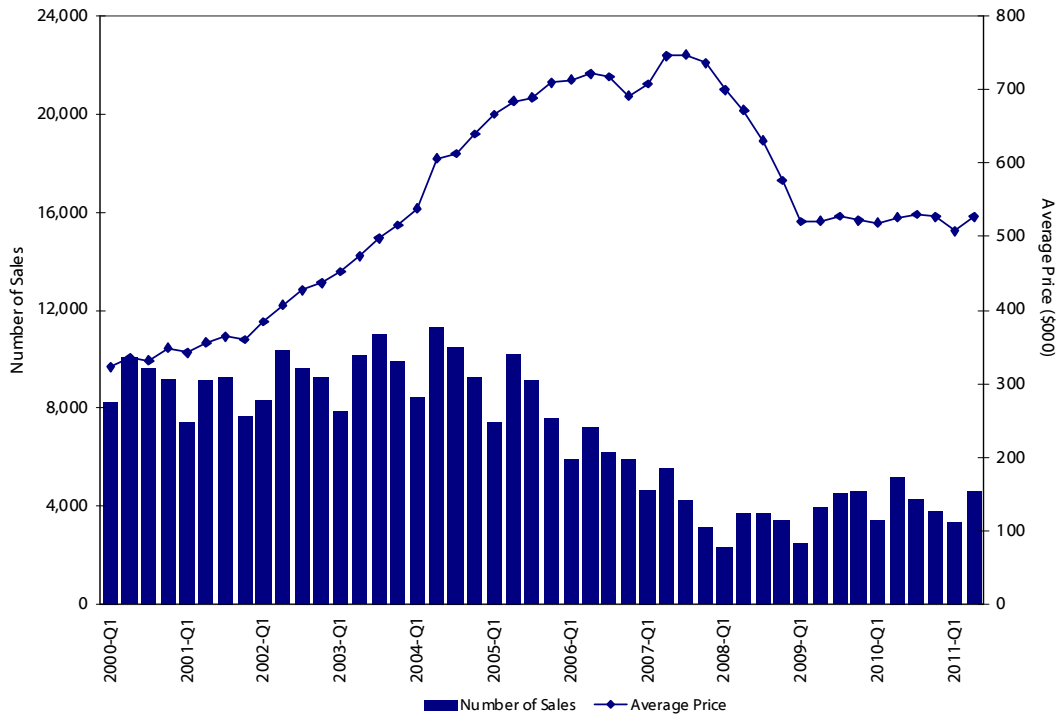
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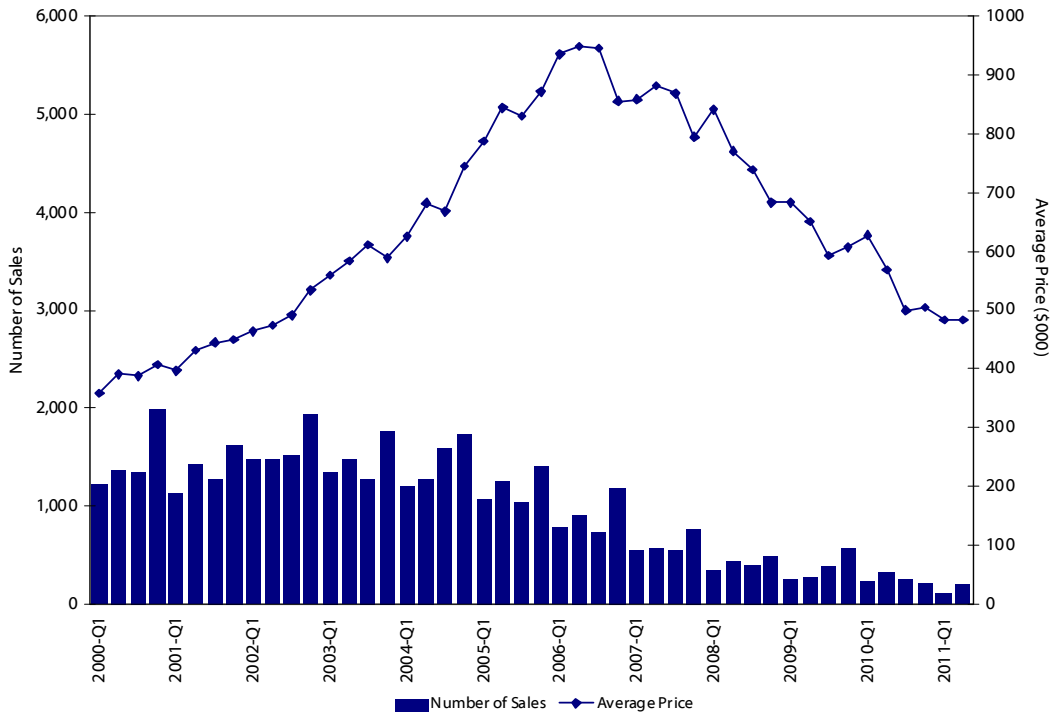
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Regular Average Sold Price and Number of Sales (Fig. 1)  
Single-Family – San Diego County



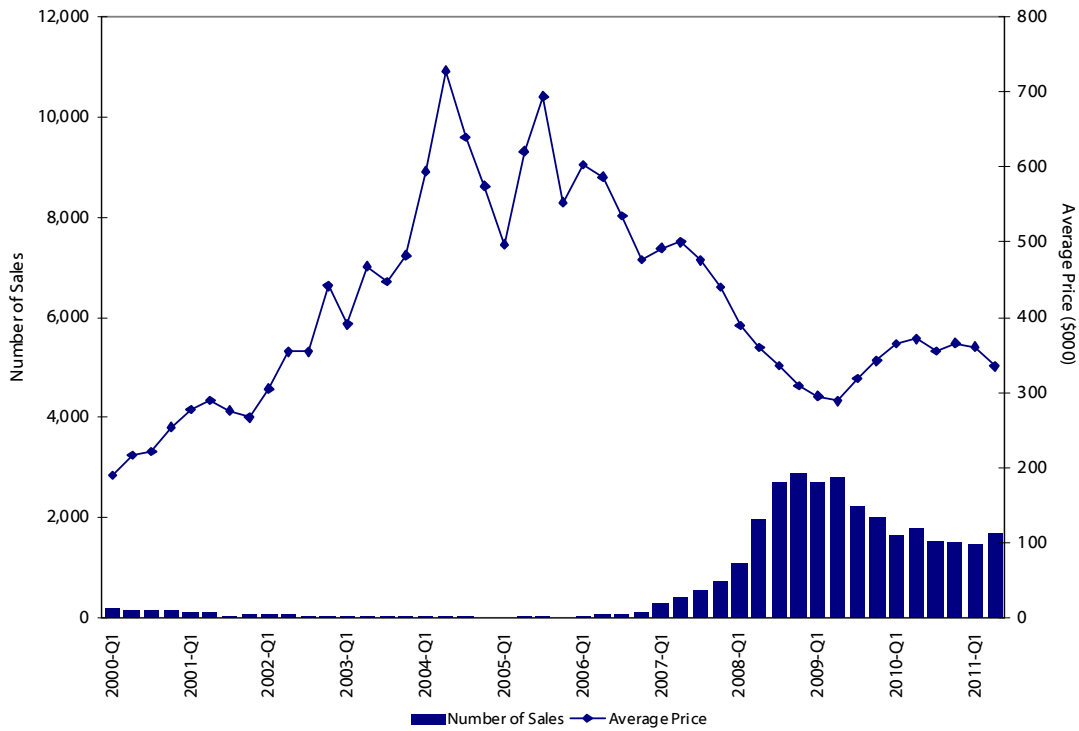
DATA SOURCE: Collateral Analytics

New Home Average Sold Price and Number of Sales (Fig. 2)  
Single-Family – San Diego County



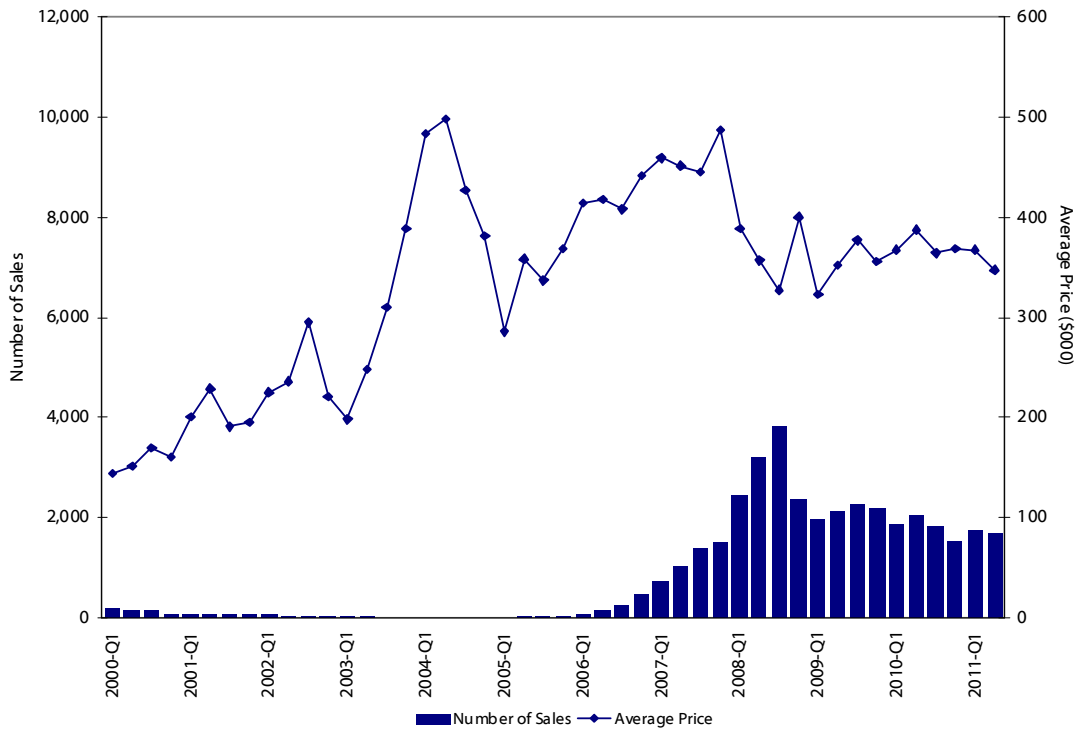
DATA SOURCE: Collateral Analytics

REO Average Sold Price and Number of Sales (Fig. 3)  
Single-Family – San Diego County



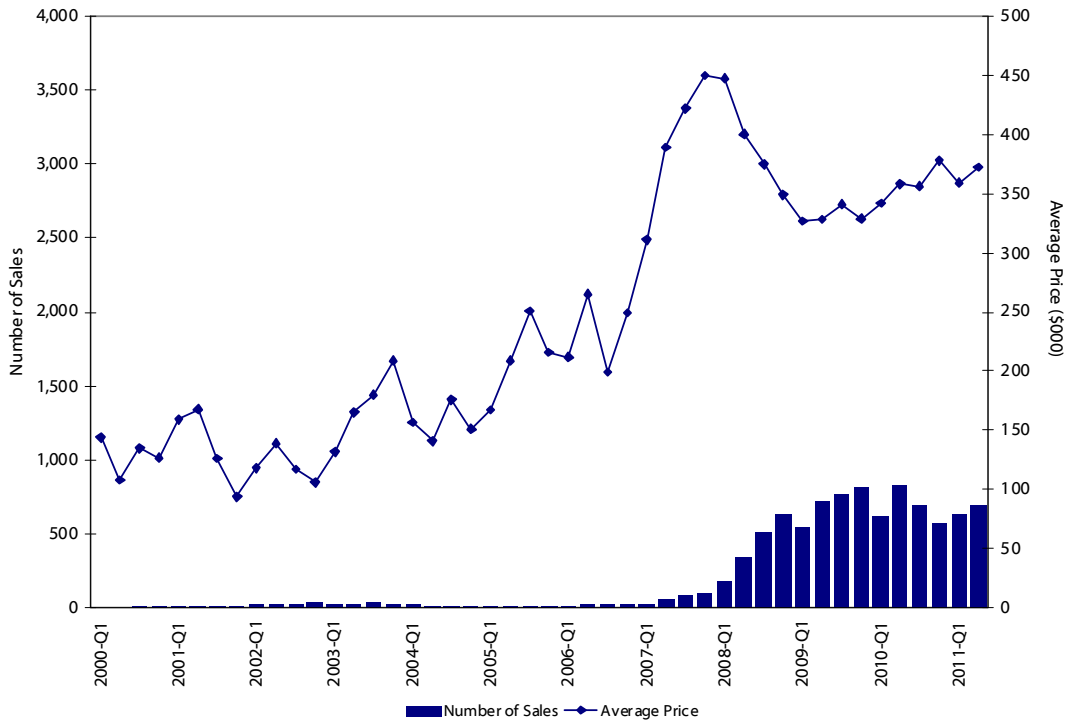
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Foreclosure Average Sold Price and Number of Sales (Fig. 4)  
Single-Family – San Diego County



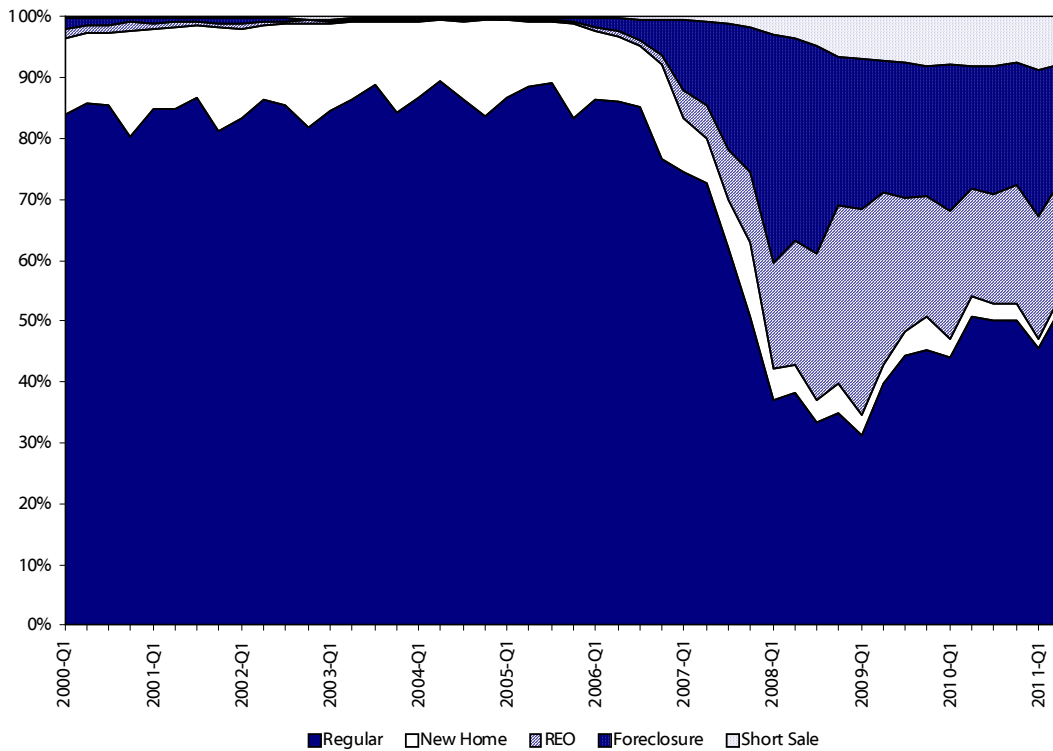
DATA SOURCE: Collateral Analytics

Short Sale Average Sold Price and Number of Sales (Fig. 5)  
Single-Family – San Diego County



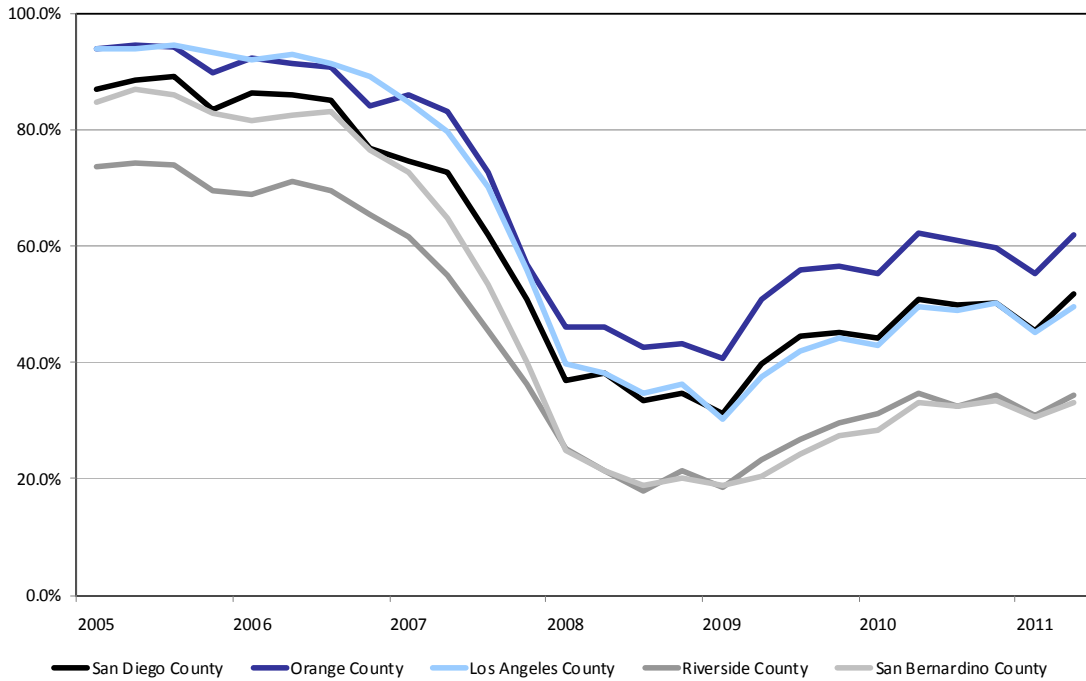
DATA SOURCE: Collateral Analytics

Composition of Single-Family Home Sales Over Time (Fig. 6)



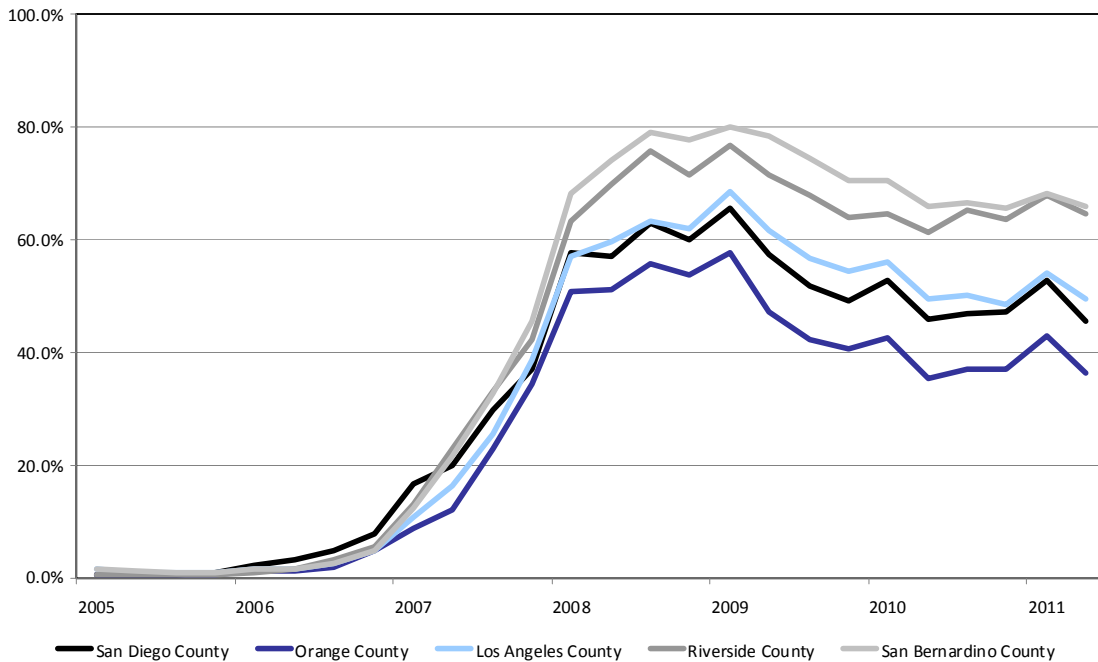
DATA SOURCE: Collateral Analytics

Comparison of Counties in Southern California (Fig. 7)  
Percentage of Regular Sales – Single-Family



DATA SOURCE: Collateral Analytics

Comparison of Counties in Southern California (Fig. 8)  
Percentage of Distressed Sales – Single-Family



DATA SOURCE: Collateral Analytics

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