

Residential Real Estate Market Report

First Quarter 2011

SAN DIEGO COUNTY

MARKET SUMMARY

This quarterly report is launched in one of the most troubled and fragmented residential real estate markets in over 20 years. In a more traditional market, the sale of non-distressed homes typically dominate the marketplace. Today, things are different, and sales are segmented. To understand the market, a reader must look at five sales sectors: regular sales, new home sales, REO sales, foreclosure sales and short sales. This report examines the “Average Sold Price and Number of Sales” trends for all five sectors of sales, with a focus on the number of sales of single-family residences in San Diego County.

Regular (that is, existing non-distressed) sales are finding some level of stability. The number of regular sales was relatively consistent from the first quarter of 2010 to the first quarter of 2011 (*Fig. 1*). Such sales, which made up approximately 50 percent of overall sales in late 2010, were down in the first quarter of 2011 at 45 percent (*Fig. 6*). The weakest point occurred in the first quarter of 2009, when only 31 percent of the market was made up of regular sales. In a strong market, such as the first quarter of 2000 through the third quarter of 2006, regular sales made up approximately 80 percent to 90 percent of the total market.

To a much greater extent, new home sales remain anemic. In a healthy market, new home sales should range from 10 percent to 20 percent of overall sales. In the first quarter of 2011, however, new home sales were only about 2 percent of total sales (*Fig. 6*). Since late Fall 2006—except for three positive market blips—new home sales have declined (*Fig. 2*).

Distressed sales (REOs, foreclosures and short sales) dominated the market in the first quarter of 2011. Overall, distressed sales made up 53 percent of the total marketplace (*Fig. 6*). Combined, REO and foreclosure sales made up 44 percent, up about 4 percentage points from an average of the previous three quarters. Except for a small dip in REO sales in the fourth quarter of 2010, the number of combined REO sales and foreclosure sales remained relatively steady over the last three quarters (*Fig. 3 and Fig. 4*). In the last three years, the combined sales of REOs and foreclosures ranged from 38 percent to 59 percent of total sales. Beginning in 2007, short sales have gradually increased to the current peak of 9 percent of total sales. Contrast this with 2000 to 2006, when short sales were virtually non-existent (*Fig. 5*). In the first quarter of 2011, the number of short sales was almost five times greater than the number of new home sales.

MARKET OUTLOOK

Although the peak of the distress in the market occurred in 2009, and regular sales appear to be more stable, the market will continue to be troubled and fragmented by distressed inventory overhang. Government programs and other non-market driven factors have caused market distortions making predictions about the market much more difficult. Notwithstanding, with the national economy slowly improving and the San Diego economy showing signs of stability, we expect lenders to move forward with foreclosures and to shed REO properties throughout the balance of 2011, and possibly into early 2012. Short sales will remain significant for the same period.

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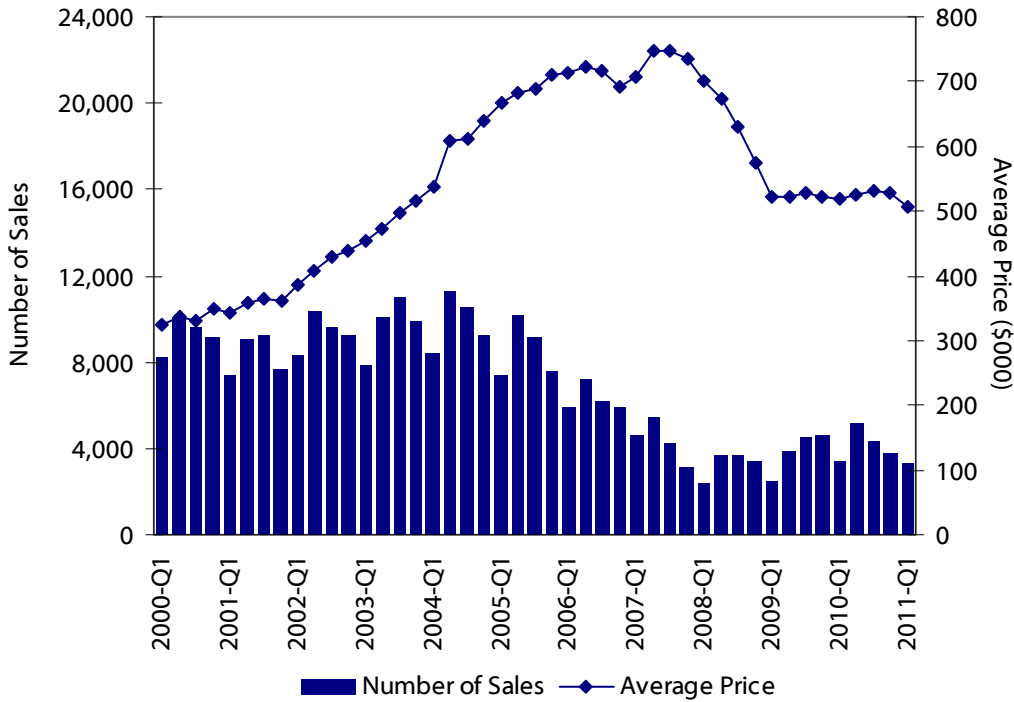
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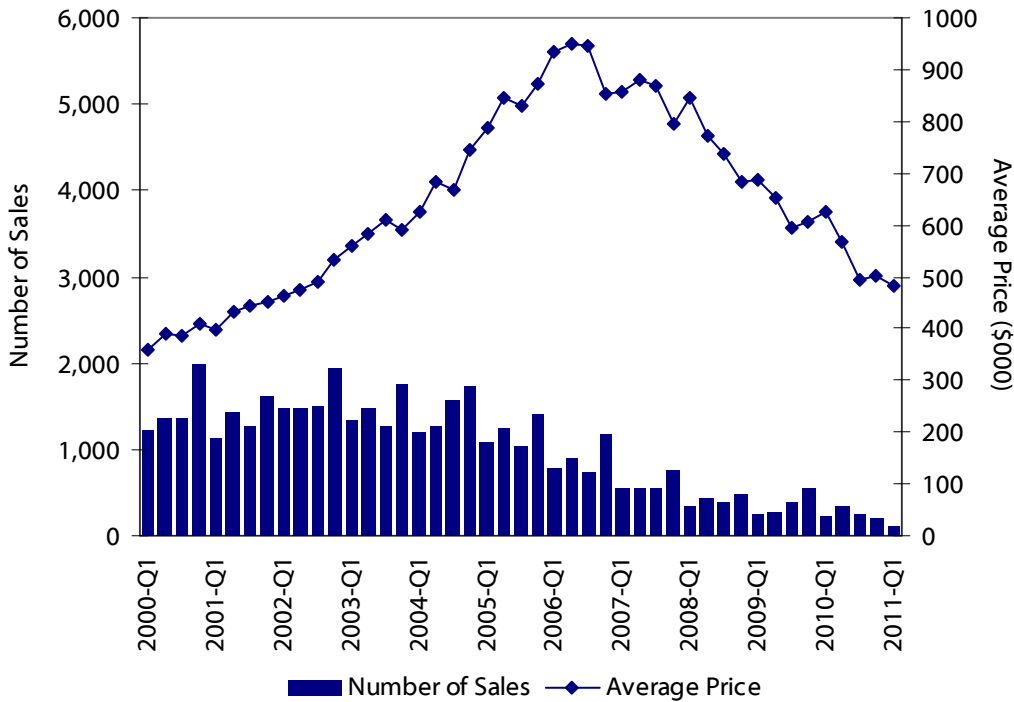
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Regular Average Sold Price and Number of Sales (Fig. 1)
Single-Family – San Diego County



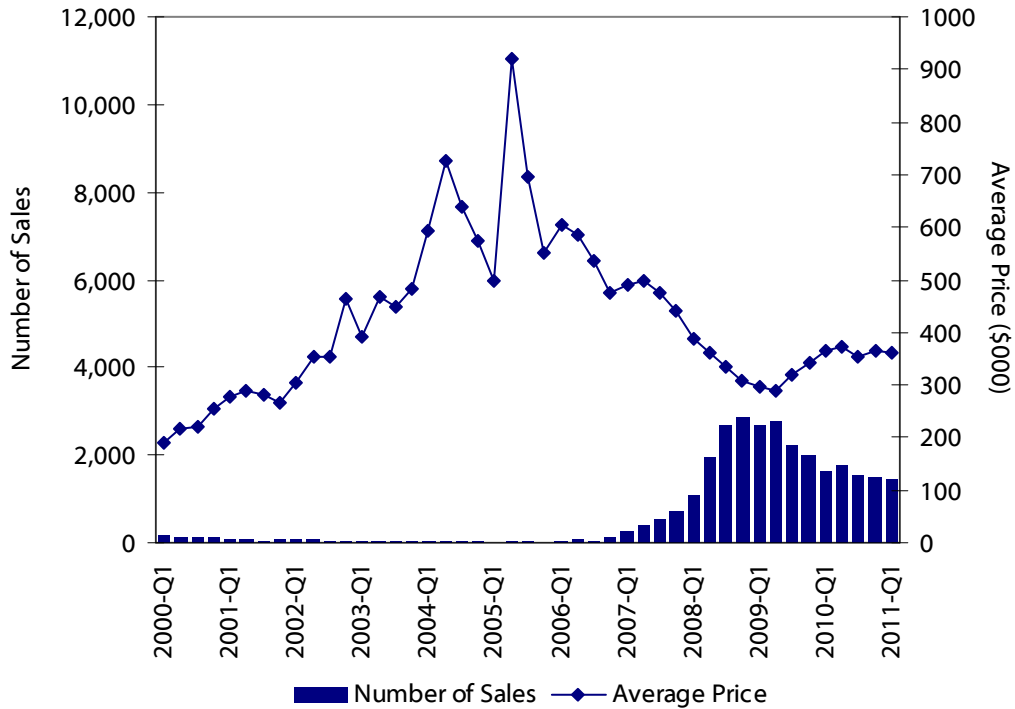
DATA SOURCE: Collateral Analytics

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



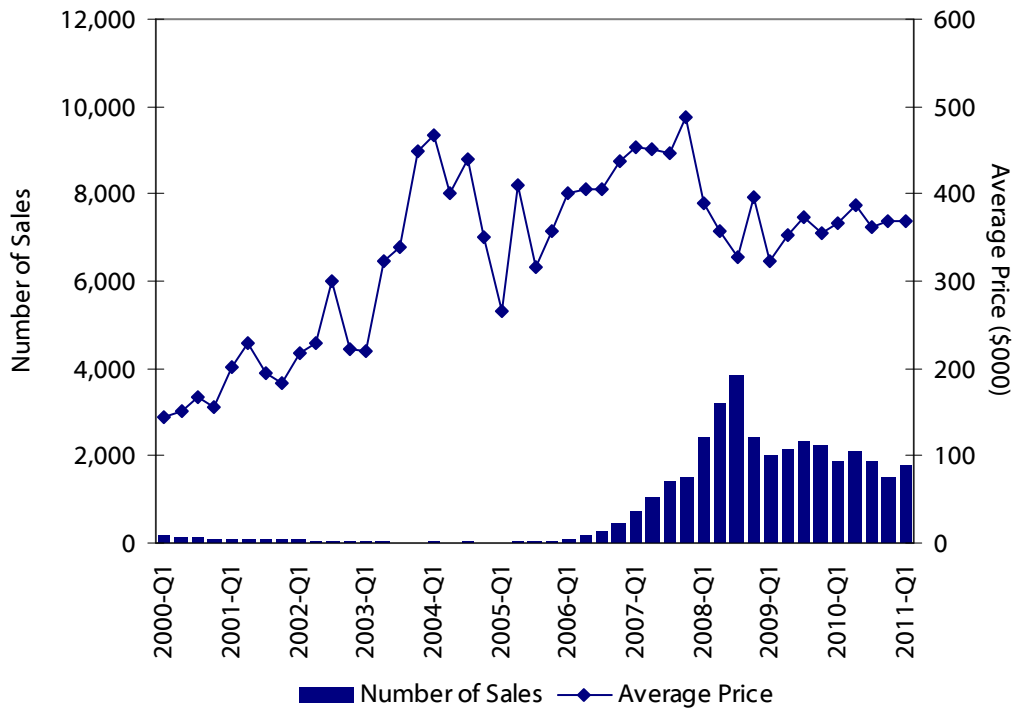
DATA SOURCE: Collateral Analytics

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



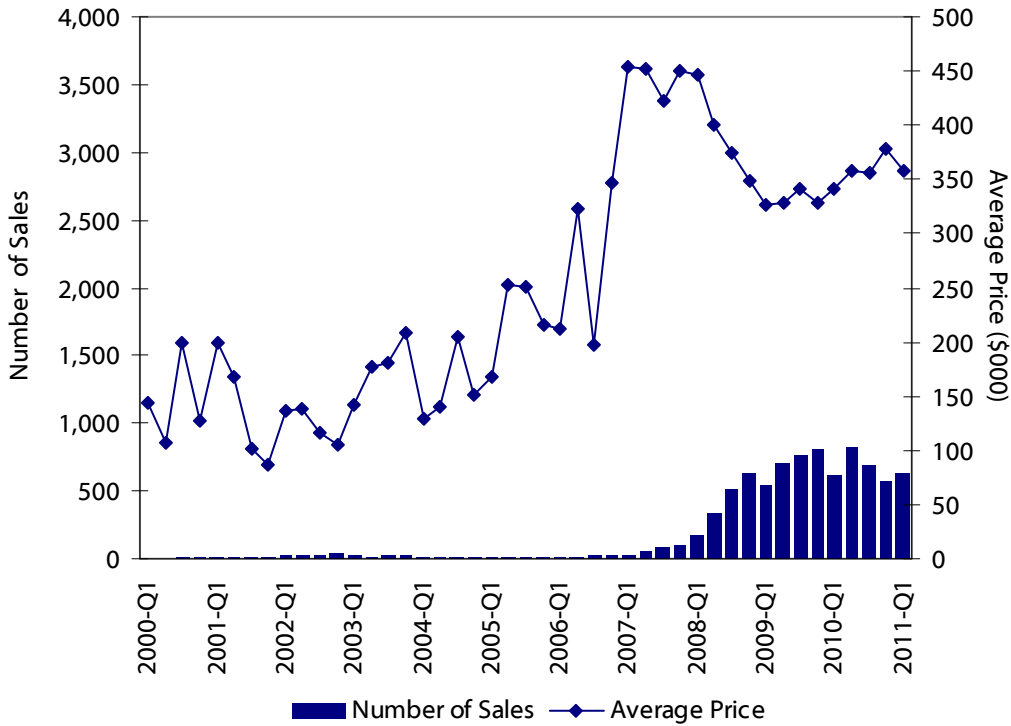
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REO Average Sold Price and Number of Sales (Fig. 4)
Single-Family – San Diego County



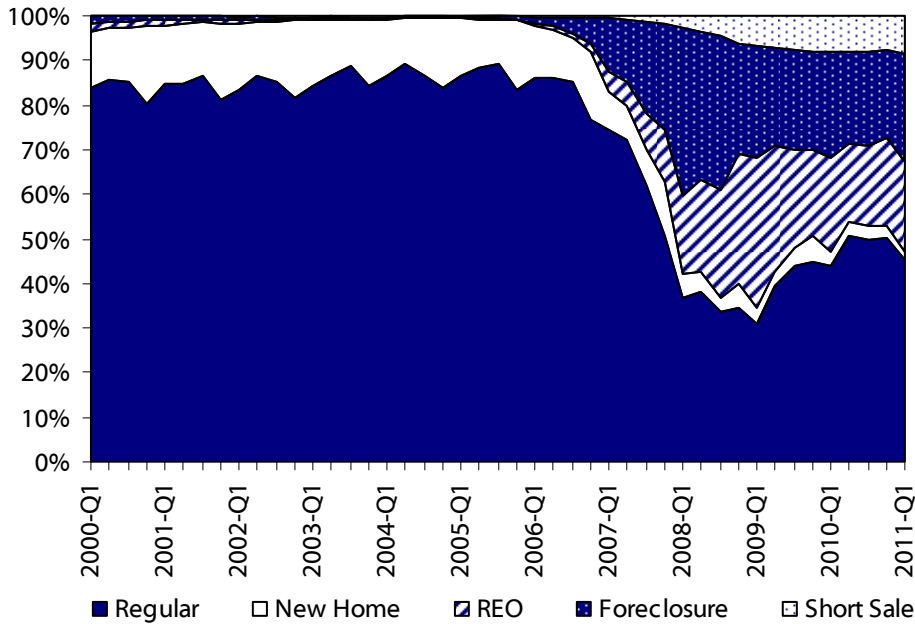
DATA SOURCE: Collateral Analytics

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

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