

Bay Area Sales Up, Prices Down

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La Jolla, CA.----The Bay Area's housing market rounded out 2011 much the way it started it: with constricted and atypical sales activity, lots of bottom feeding, and a largely dormant mid- to move-up market. Sales were up slightly last month, while prices dropped, a real estate information service reported.

A total of 7,494 new and resale houses and condos sold in the nine-county Bay Area in December. That was up 18.6 percent from 6,317 in November, and up 4.4 percent from 7,178 in December 2010. The year-over-year increase was the sixth in a row, according to San Diego-based DataQuick.

The November-to-December increase was normal for the season, although the rise was higher than the 9.9 percent historic norm. While last month's sales were 13.3 percent below the December average of 8,643, that below-the-norm rate was the lowest of 2011. Since 1988 December sales have varied from 5,065 in 2007 to 12,349 in 2003.

"We'll remember 2011 as much for what didn't happen as for what did. People put discretionary buying and selling on hold, except at the very top of the market. The spectacular gains in affordability, based on the combination of lower prices and ultra-low interest rates, was largely theoretical for many people because it was so hard to get a mortgage. That, combined with negative equity and economic uncertainty, kept people away," said John Walsh, DataQuick president.

"Many of the deals that did make their way through the system were in the distressed arena – foreclosures and short sales. Much of it was deeply discounted cash purchases, disproportionately at the lower end of the price scale," he said.

The median price paid for all new and resale houses and condos sold in the Bay Area last month was \$351,500. That was down 3.5 percent from \$363,500 in November, and down 6.3 percent from \$375,000 in December 2010. The median has declined on a year over year basis for the last fifteen months.

The median's low point of the current real estate cycle was \$290,000 in March 2009. The peak was \$665,000 in June/July 2007. Around half of the median's peak-to-trough drop was the result of a decline in home values, while the other half reflected a shift in the sales mix.

Last month distressed property sales – the combination of foreclosure resales and "short sales" – rose to 49.6 percent of the resale market. That was up from 45.9 percent in November and up from 48.2 percent from December 2010.

Foreclosure resales – homes that had been foreclosed on in the prior 12 months – accounted for 28.6 percent of resales in December. That was up from a revised 25.2 percent in November, and down from 30.1 percent a year earlier. Foreclosure resales peaked at 52.0 percent in February 2009. The monthly average for foreclosure resales over the past 15 years is about 9 percent.

Short sales – transactions where the sale price fell short of what was owed on the property – made up an estimated 21.0 percent of Bay Area resales last month. That was up from 20.6 percent in November and up from 18.1 percent a year earlier.

Last month 31.4 percent of Bay Area sales were for \$500,000 or more, down from a revised 32.0 percent in November, and down from 35.0 percent in December 2010. The low for the current cycle was January 2009, when just 22.7 percent of sales crossed the \$500,000 threshold. Over the past 10 years, a monthly average of 47.6 percent of homes sold for \$500,000-plus.

The number of homes that sold for \$500,000 or more last month fell 5.7 percent from December 2010, while sales under \$500,000 rose 11.2 percent year-over-year and sales below \$300,000 increased 15.2 percent.

Government-insured FHA home purchase loans, a popular choice among first-time buyers, accounted for 23.4 percent of all Bay Area home purchase mortgages in December, up from 21.0 percent in November and up from 23.2 percent a year earlier.

One indicator of mortgage availability that had seen improvement this year dropped again in December, when 11.7 percent of the Bay Area's home purchase loans were adjustable-rate mortgages, down from a revised 12.3 percent in November, and up from 9.6 percent in December last year. Over the last decade, ARMs have accounted for 50.8 percent of all purchase loans. ARMs hit a low of 3.0 percent of loans in January 2009.

Jumbo loans, mortgages above the old conforming limit of \$417,000, accounted for 26.2 percent of last month's purchase lending, down from a revised 29.0 percent in November, and down from 31.6 percent a year earlier. Jumbo usage dropped to 17.1 percent in January 2009. Before the credit crunch struck in August 2007, jumbos accounted for nearly 60 percent of the Bay Area purchase loan market.

Last month absentee buyers – mostly investors – purchased a record 23.8 percent of all Bay Area homes sold, up from 21.7 percent in November and 20.2 percent a year earlier. Absentee buyers paid a median \$225,000 in December, down from \$250,000 in November and \$262,750 a year earlier.

Buyers who appear to have paid all cash – meaning no corresponding purchase loan was found in the public record – accounted for 27.4 percent of sales in December, up from 27.1 percent in November, and up from 24.5 percent a year earlier. The record was 30.5 percent last February, while the monthly average going back to 1988 is 12.1 percent. Cash buyers paid a median \$215,000 in December, down from \$250,000 in November and \$245,000 a year earlier.

San Diego-based DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts. Because of late data availability, sales were estimated in Alameda, San Francisco and San Mateo counties.

The typical monthly mortgage payment that Bay Area buyers committed themselves to paying last month was \$1,336, down from \$1,387 in November, and down from \$1,558 a year earlier. Adjusted for inflation, last month's payment was 51.6 percent below the typical payment in spring 1989, the peak of the prior real estate cycle. It was 64.2 percent below the current cycle's peak in July 2007.

Indicators of market distress continue to move in different directions. Foreclosure activity remains high by historical standards but below peak levels reached over the last three years. Financing with multiple mortgages is low, down payment sizes are stable, DataQuick reported.

All homes	Sales Volume			Median Price		
	Dec-10	Dec-11	%Chng	Dec-10	Dec-11	%Chng
Alameda	1,516	1,584	4.5%	\$347,000	\$328,000	-5.5%
Contra Costa	1,488	1,534	3.1%	\$265,000	\$259,000	-2.3%
Marin	226	280	23.9%	\$599,000	\$517,818	-13.6%
Napa	134	132	-1.5%	\$310,000	\$317,500	2.4%
Santa Clara	1,646	1,611	-2.1%	\$460,000	\$440,000	-4.3%
San Francisco	491	499	1.6%	\$617,000	\$594,500	-3.6%

San Mateo	616	602	-2.3%	\$560,000	\$500,000	-10.7%
Solano	601	714	18.8%	\$198,000	\$182,250	-8.0%
Sonoma	460	538	17.0%	\$310,000	\$279,500	-9.8%
Bay Area	7,178	7,494	4.4%	\$375,000	\$351,500	-6.3%

Source: DataQuick, www.DQNews.com

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