S. California home prices continue slide

HIT 2½-YEAR LOW

BY JIM CHRISTIE

LAS VEGAS • Housing prices in Southern California fell to a two-and-a-half-year low in October and the region's home sales slumped 45% from a year earlier as lenders issued fewer "jumbo" mortgages, according to a report released yesterday.

The median price paid for a home in Southern California in October fell to US$444,000, down 8% from a year earlier and the lowest level since April, 2005, according to the report by DataQuick Information Systems, a real-estate information service.

The median price was down 3.9% from September, Dataquick said.

A total of 12,999 new and resale houses and condominium were sold last month in Southern California — which includes Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura counties. Despite the decline from October, 2006, sales, the figure marked an increase of 4.4% from September, the report said.

Southern California home sales financed with conforming loans, or mortgages for less than US$417,000, have posted a normal seasonal decline of 20% since summer. By contrast, area home sales financed with loans greater than US$417,00 have dropped by 60%, DataQuick said.

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"Last month's sales were the slowest for any October in DataQuick's statistics, which go back to 1988," the report said.

Marshall Prentice, DataQuick president, said prospective buyers remain on the sidelines amid the national housing downturn and a sustained slowing in Southern California's housing market.

"A lot of potential buyers seem to be waiting this one out," Mr. Prentice said in a statement. "It's hard to buy a home when you think it might lose value, especially when you have to borrow money to do it."

Prospective buyers also were held back because lenders clamped down on the jumbo mortgages routinely used to buy Southern California's pricey homes. Lenders have turned skittish in the wake of subprime-mortgage turmoil — even questioning business from borrowers with sterling credit.

Subprime loans were marketed intensely during the housing boom to the riskiest borrowers and now many are unable to pay their debt and are pushing foreclosure rates higher. That is roiling the broader mortgage industry.

Mr. Prentice predicted an increase in area sales as lenders loosen the financing spigot. "We can expect the issues with jumbo financing to slowly resolve themselves," he said. "Meanwhile, demand is accumulating and when the market does level off, there will be a catch-up period."

Dataquick said the decline in median housing prices from a year earlier reflects both depreciation and a change in the market mix, with fewer mid- to high-priced homes selling with jumbo mortgages.

The report said foreclosure activity is at record levels and financing with adjustable-rate and multiple mortgages down sharply. Meanwhile, the size of down payments and "flipping," or fast home sales by investors, are stable.

Reuters