

## Supply Is the Big Missing Piece in the Housing 'Game'

PROPERTY: Median Home Price Climbs to \$358,000 in November  
By **MIKE ALLEN**

Monday, January 7, 2013



Historic low interest rates and inadequate inventories drove up the number of homes sales and improved prices in most areas of San Diego County last year.

But countering that was a paucity of available houses from which to choose, leading to multiple bids on practically all properties, several brokers said.

"The inventory is so low that everything is getting pushed up (in price) and everything that is priced fairly is getting sold and getting multiple offers," said Rick Ungar, a broker with Casa Bella Realty in Carlsbad.

In late December, only about 3,000 detached houses and 1,000 attached units or condos were up for sale in the county. Ungar estimated the supply of single family houses on the market at three months, and at two and a half months for condominiums. A normal market has four to six months of supply.

The increased demand combined with fewer houses on the market increased the median house price in the region as of November to \$358,000, up nearly 14 percent from November 2011, according to La Jolla based real estate market research firm Dataquick.

The research firm showed 3,371 local sales in November, a 22.4 percent increase compared with a year ago, and a posting of the highest November numbers since 2005.

### Median Prices Rise

The median price rise was evident throughout Southern California, even in the depressed Inland Empire markets where prices increased by more than 17 percent over the prior year.

"There's more overall confidence now in the market," said Jay Berger, a broker at SoCal Real Estate Consultants in Carlsbad. "People realize that interest rates are extremely low and they've got off of the fence."

In addition to greater demand coming from both first time homebuyers and active investor groups, home prices are also being pushed up by reduced foreclosure sales, Berger said.

"We're just about done with the low-end, lower priced properties, and we're now moving up to (sales) in the more higher priced ranges," he said.

Those that are reasonably-priced were generating so many offers that seller's representatives were putting time limits on bids and usually selecting those that are above listing price, he said.

"I've seen some properties that were on the market less than a week getting 20 offers," Berger said.

## **More Short Sales**

In general, banks were helping the situation by approving more short sales selling the property at prices below what is owed on the mortgage, brokers said. That sales process varied but was taking much shorter than it had a few years ago, brokers said.

For the entire six-county Southern California region, short sales made up nearly 27 percent of all sales in November, up from about 25 percent of the total sales in November 2011, according to Dataquick.

Cash investors continue to play a huge role in the region, where they accounted for a near record 33 percent of the total sales, up from cash purchases making up 29.5 percent of the market in the prior year's November, the Dataquick report stated.

In San Diego, while cash buyers remain a sizable portion of total sales transactions, there's been a noticeable shift of how those buyers are operating.

Because prices on the lower-end houses have risen and the margins on their resales tightened, many investor-buyers are making improvements and renting the houses rather than putting them up for sale, said Mark Goldman, a mortgage broker at C2 Financial in San Diego and a lecturer at San Diego State University's College of Business Administration.

## **'Fix and Rent'**

"Instead of fix and flip, a lot of them are doing fix and rent," said Goldman, who agreed that stability and rising prices marked 2012.

In many cases, first time homebuyers are getting frustrated from the lack of inventory and having to compete with other buyers, he said.

"It's frustrating for buyers but the reality is that prices are going up," Goldman said. "The market is developing some legs, it's getting stabilized, and people are becoming more confident about their purchase decisions."

Mortgage financing also continues to dog the local real estate market because lenders are still reluctant to extend credit to borrowers whose financial backgrounds don't conform to the standards mandated by Fannie Mae and Freddie Mac, brokers said.

To fill the void, more hard money lenders have entered the local market, said Berger. The term refers to private investor groups offering short-term loans based solely on the value of the property. The loans come with much higher closing costs, ranging from 6- 10 points, and interest rates ranging from 7 percent to 10 percent, he said.

Brokers and other housing sources expected the rising prices to continue through much of 2013 and spur more sales in the middle-range, "move-up" housing.

"Hopefully we'll see more of the traditional sellers coming into the market," Berger said. "If they can cover their selling expenses and pay off the loan, then, a lot more people will put their house on the market."