

Hope for housing market grows despite painful numbers

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The housing market remains trapped in a quagmire, according to two reports released Tuesday, but some signs emerged that hint the sector could start to see daylight before long.

Home loans in default rocketed higher during the second quarter in San Mateo County and elsewhere, and housing starts plunged to new depths. But the foreclosure spree may be starting to abate, real estate agents and DataQuick Information Services analysts suggested. And some favorable trends could bolster the housing construction market by 2009, home builders said.

"There is pent-up demand among buyers," said Joseph Perkins, president of the Home Builders Association of Northern California.

But plenty of pain remains. Defaults in the April-June quarter more than doubled in San Mateo County compared with the same period in 2007, DataQuick reported. And single-family housing starts fell 48 percent in the East Bay in June compared with June 2007, the California Building Industry Association said.

Statewide, lenders issued a record 121,341 default notices — the first step in the foreclosure process — in the second quarter. That was 124.9 percent higher than the same quarter in 2007 but only 6.6 percent higher than the first three months of 2008.

The number of defaults statewide was the highest ever recorded by DataQuick, which began tracking such statistics in 1992.

"The small increase in defaults from the first to second quarter may indicate that we're nearing a plateau," John Walsh, DataQuick president, said in a prepared release.

Compared with the second quarter of 2007, defaults jumped by 130 percent in San Mateo County, 137 percent in Alameda County, 118 percent in Contra Costa County and 128 percent in Solano County.

Joe Brown, president of Coldwell Banker Residential Brokerage in the East Bay and South Bay, said an increase in short sales could explain the moderating foreclosure trend. In a short sale, a home is sold for less than the loan balance.

"So the lender is more (agreeable) to dealing with the seller and making the short sale a little easier for the homeowner than they were six months ago," he said.

The selling of many foreclosed homes is also a factor.

Brisk sales of foreclosed homes have hampered home building, said Alan Nevin, chief economist of the California builders group. In several California markets, including the East Bay and San Joaquin County, foreclosed homes — many quite new — make up the majority of home sales.

"The builders are in competition with the foreclosure market, and they can't compete," Nevin said.

Single-family construction fell in June compared to a year ago, builders said, and California permit activity tumbled 41.7 percent.

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"Builders are just not willing to take a risk to start more than a very few homes at one time," Nevin said.

Still, Perkins sees some indicators that could stimulate home-building. Among them: the rescue of Fannie Mae and Freddie Mac, entities that underwrite many home loans.

"Mortgages will be easier to obtain," Perkins said. "No one knows when this will turn around, but different variables point to this turning around."

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