



**REAL  
PROPERTY**

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# WHAT HOUSING RECESSION?

*Market's blues aren't flattening prices of coastal homes and mansions*

We have been bombarded with bad news about real estate for the past two years. In fact, if you were to be on MarketPointe Realty Advisors' subscriber list you would really know the housing downturn started four years ago. As usual, the past is prologue.

Yes, we certainly know that foreclosures have multiplied, that thousands upon thousands of households bought homes with misstated incomes, zero down and overpaid as well for merchandise that was priced 15 percent to 30 percent above what common sense would have told you it was really worth. But what never seems to be discussed is the upper end of the market.

We can tell you, for instance, that 70 percent of the homes in the state are in the counties that are closest to the ocean and their foreclosure rates are negligible. The vast majority of the foreclosures are inland in a line between Riverside County and Sacramento.

In San Diego County, for instance, two-thirds of all of the homes foreclosed and resold in the first quarter of 2008 were in 20 of the 90 communities in the county. Thus, 700 of the 1,100 foreclosed single-family home sales were in those 20 communities, all inland. In 20 of the 90 communities, there were no foreclosure sales. As you might expect, most of those "0" foreclosure sales were in communities near the coast. Of those low foreclosure communities, most were in the highly ranked school districts.

The 10 communities with the highest rates of foreclosure sales had single-family homes averaging \$394,000. The 10 with the lowest foreclosure sales had sale prices averaging \$1.6

## DETACHED HOMES SALES OVER \$2,000,000 SELECTED LUXURY COMMUNITIES

SAN DIEGO COUNTY  
OCTOBER 2007 - APRIL 2008

HOMES SOLD by COMMUNITY	Prices in MILLIONS		
	\$2-5	\$5-10	\$10+
LA JOLLA	62	9	4
RANCHO SANTA FE	61	10	4
CORONADO	20	0	0
DEL MAR	16	1	0
<b>TOTAL</b>	<b>159</b>	<b>20</b>	<b>8</b>

SOURCE: SANDICOR  
MARKETPOINTE REALTY ADVISORS 4.08

million. The picture sharpens.

La Jolla is a bellwether in housing. Home prices there have increased steadily each year for the past decade. In 2007, La Jolla homes reached a new high, averaging \$2,408,900. And there were 223 homes sold in La Jolla in 2007, only slightly below 2006's 238.

The wealth in this county continues to amaze. Since October 2007, nearly 300 homes here sold for more than \$2 million. In fact, more than 30 homes went for \$10 million-plus and 20 for between \$5 million and \$10 million.

La Jolla and Rancho Santa Fe competed for the \$2 million-plus honors, with La Jolla's 62 homes edging out the Ranch's 61. Coronado had 20 and Del Mar 16.

For those struggling to conceive of a \$2 million home in terms of payments, assume a down payment of 20 percent (\$400,000) and a mortgage for \$1.6 million. Monthly payments would

be slightly more than \$10,000, plus \$1,800 for taxes (or maybe double that if your community were in a Mello-Roos District). Don't forget the matter of home and pool maintenance. And in some circles, the counsel is to assume an amount equal to 50 percent of the home price for interior decoration (excluding art, of course).

In the first quarter of 2008, the eight toniest communities in San Diego County had home sales totaling almost \$2 billion, yes, with a "B."

Let's not forget Downtown San Diego. The big action is at Electra, Bosa's new skyscraper in the old SDG&E power plant building. More than 200 of the 248 units have closed escrow, most selling for \$800,000 to \$1.5 million.

In addition to Electra, in the last six months 66 Downtown condos sold for more than \$750,000 each. Exactly half of those sold for more than \$1 million, and four passed the \$2 million milestone.

Anyway you look at it, San Diego remains an affluent county. Apparently, if you want home price stability even in a dismal housing market, the key is to buy near the coast. Or better yet, buy near the coast in 1990. Hindsight is a marvelous economic forecast mechanism.

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