

# The Real Estate Report

LOCAL MARKET TRENDS



March/April 2010

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## Mortgage Rates to Rise, Sooner rather than Later

The Fed plans to stop buying mortgage-backed securities the end of March.

The general consensus among mortgage brokers is rates will have to rise to attract new buyers of MBS if the Fed does stop buying. After reaching a low last November, the rate for 30-year fixed mortgages has already risen .25%-.375% in anticipation.

The only MBS that are being sold right now are those backed by Fannie Mae and Freddie Mac because they are backed by the U. S. government, at least for loans up to \$625,500 in our area.

The question becomes, who is going to buy MBS and at what price?

With money market and treasuries yielding between 1%-2%, MBS are looking much more attractive to Wall Street, private investors and foreign governments.

But, at some point, the Fed will have to start selling their MBS which will drive prices down and yields up.

Local mortgage brokers expect rates to rise one-half point fairly quickly after the Fed stops buying. Many think mortgage rates will hit 6% by the end of the year.

That said, the biggest problem facing the local market right now is lack of quality inventory: quality meaning priced right and in the best neighborhoods.

From all accounts, there is a lot of pent-up demand, especially in the entry-level market. Bank-owned property and private, re-sale homes properly priced are still receiving multiple offers.

### MONTHLY STATISTICS

The median price for single-family, re-sale home rose 11.1% in February, year-over-year, for the sixth month in a row. This is the highest year-over-year increase since March 2005.

Trends at a Glance (Single-family Homes)			
	Feb 10	Jan 10	Feb 09
Median Price:	\$361,000	\$350,000	\$325,000
Average Price:	\$463,652	\$456,670	\$385,915
Home Sales:	1,368	1,368	1,831
Pending Sales:	1,803	1,965	4,166
Inventory:	15,967	14,184	18,709
(Condos/Town Homes)			
Median Price:	\$214,000	\$187,000	\$187,000
Average Price:	\$254,582	\$260,371	\$235,330
Home Sales:	726	756	730
Pending Sales:	1,140	1,272	1,480
Inventory:	8,524	7,513	7,277

Home sales were down for the second month in a row: 7.6%.

Pending sales were down for the third month in a row, dropping 56.7%, while inventory was down 14.7% from last February.

The median price for condos rose 15.7% from February 2009.

Condo sales were off 0.5%. Pending sales were down 23% and inventory was up for the sixth month in a row, gaining 17.1% year-over-year.

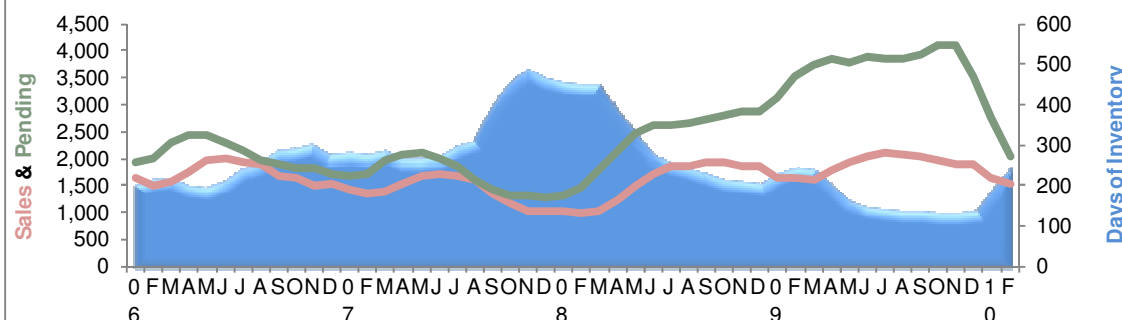
Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

To "STOP" receiving this Monthly Newsletter or to receive this Newsletter via "EMAIL", please call or email me and I will make the changes immediately.

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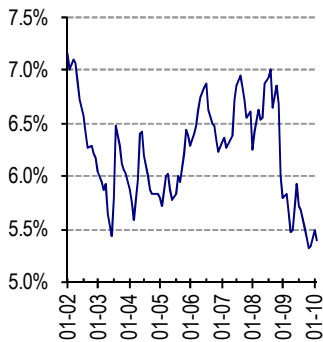
San Diego County Homes - Sales, Pending & Days of Inventory  
(3-month moving average)



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## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



### DEFINITIONS:

**Median Price:** The price at which 50% of prices were higher and 50% were lower.

**Average Price:** Add all prices and divide by the number of sales.

**SP/LP:** Sales price to list price ratio, or the price paid for the property divided by the asking price.

**DOI:** Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

**Pend:** Property under contract to sell that hasn't closed escrow.

**Inven:** Number of properties actively for sale as of the 5th of the month.

Mar. 4, 2010 -- The Federal Reserve's review of regional conditions found three quarters of the country in economic recovery.

This week, the overall average for 30-year fixed-rate mortgages tracked by HSH.com's FRMI sported a decline of six basis points (.06%), ending the week at 5.34%, the lowest such average since mid-December 2009. The FRMI includes conforming, jumbo and the GSE's "high-limit" conforming products in its calculation. The average interest rate for the FRMI's Hybrid 5/1 ARM counterpart lost a full tenth-percentage point (.10%) during the latest survey cycle, closing the survey week at 4.48%.

The all-important 30-year fixed conforming average slipped to 5.07%, also a ten-week low point.

Mortgage rates eased back this week despite a pretty good tone for the economic data. Friday's employment report did nudge the 10-year Treasury about seven basis points higher, suggesting that the decline in rates could reverse somewhat during next week. Rates might also be boosted by comments made by House Financial Services Chairman Barney Frank, who noted that holders of Fannie and Freddie debt should not consider their investments to be 100% backed by the US government, even though the companies are now under Federal control. He went on to say that when the companies are ultimately restructured, he wants to reserve the right to have debt holders take a "haircut" (a reduction in the value of their investments). If private-market investors choose to sell their

holdings of Fannie and Freddie debt or not buy newly-issued debt, the GSE's cost of funds would rise, and so would mortgage rates. Of course, the Treasury continues to provide unlimited support to these entities; perhaps Mr. Frank hoped to spook investors in order to make Fannie and Freddie even less private and more beholden to the government than they already are? It's hard to know if that was the intention, but it could certainly be the effect.

Residential mortgage rates will probably firm up a little bit next week. How much depends upon how investors ultimately perceive Mr. Frank's remarks, but we expect a couple of basis points increase even without those effects.

### Central San Diego County - February 2010

SINGLE-FAMILY HOMES								%Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven
County	\$ 361,000	\$ 463,652	1,368	1,803	15,967	280	98.8%	11.1%	20.1%	-7.6%	-56.7%	-14.7%
Central San Diego	\$ 375,000	\$ 450,984	320	395	3,317	247	99.2%	8.7%	6.0%	5.6%	-52.2%	-6.4%
City Heights	\$ 230,000	\$ 215,294	17	29	157	203	106.4%	24.0%	15.1%	-46.9%	-53.2%	-29.9%
Clairemont	\$ 400,000	\$ 421,866	23	15	166	177	99.2%	4.9%	12.0%	-23.3%	-70.0%	-0.6%
College Grove	\$ 380,000	\$ 388,618	22	35	200	203	98.5%	25.6%	25.2%	0.0%	-36.4%	-6.5%
Coronado	\$ 1,088,750	\$ 1,414,170	6	8	188	810	92.3%	23.0%	42.2%	0.0%	-46.7%	-12.1%
Del Cerro	\$ 434,000	\$ 410,754	13	12	94	170	96.1%	5.2%	1.7%	225.0%	-67.6%	-25.4%
Encanto	\$ 245,000	\$ 241,092	44	67	370	186	101.9%	30.0%	22.9%	-21.4%	-62.8%	-33.1%
Golden Hill	\$ 237,500	\$ 287,312	16	14	110	162	97.9%	52.7%	33.1%	0.0%	-63.2%	-11.3%
La Jolla	\$ 1,528,650	\$ 1,648,860	13	20	362	710	92.1%	10.9%	4.3%	8.3%	-35.5%	-5.0%
Linda Vista	\$ 365,000	\$ 384,355	11	16	93	189	101.2%	-3.3%	1.3%	83.3%	-27.3%	10.7%
Logan Heights	\$ 145,000	\$ 148,128	18	16	112	144	106.8%	-6.5%	-3.4%	-14.3%	-67.3%	-42.3%
Mira Mesa	\$ 410,000	\$ 405,926	27	27	190	163	98.4%	17.1%	14.9%	8.0%	-64.5%	-7.3%
Mission Hills	\$ 515,000	\$ 594,286	7	7	122	444	93.7%	-14.2%	-10.3%	-22.2%	-61.1%	-12.2%
Mission Valley	\$ 397,450	\$ 393,069	16	9	78	116	99.6%	11.5%	19.6%	100.0%	-47.1%	44.4%
Normal Heights	\$ 365,000	\$ 475,040	15	15	122	193	95.4%	4.9%	6.7%	36.4%	-58.3%	-10.9%
North Park	\$ 532,500	\$ 450,875	8	19	133	385	96.8%	13.3%	3.4%	-11.1%	-38.7%	5.6%
Ocean Beach	\$ 549,000	\$ 584,500	4	6	105	668	95.9%	-17.8%	-20.1%	-60.0%	-57.1%	1.9%
Old Town	\$ 630,000	\$ 584,333	3	4	42	342	96.4%	31.5%	22.0%	50.0%	-55.6%	-27.6%
Pacific Beach	\$ 672,750	\$ 751,938	8	16	178	547	92.4%	-10.3%	-3.5%	100.0%	-20.0%	27.1%
Paradise Hills	\$ 227,500	\$ 227,446	18	24	140	174	102.7%	-3.2%	-0.5%	63.6%	-64.2%	-29.6%
Point Loma	\$ 729,000	\$ 753,818	11	11	149	339	99.1%	-5.3%	-11.7%	10.0%	22.2%	22.1%
San Carlos	\$ 455,000	\$ 457,000	8	7	60	179	97.8%	12.0%	5.4%	-33.3%	-68.2%	-13.0%
Scripps Miramar	\$ 625,000	\$ 651,710	19	19	163	205	96.0%	-4.9%	0.4%	35.7%	-26.9%	-2.4%
Sorrento Valley	\$ 742,388	\$ 742,388	1	3	18	405	99.3%	2.4%	2.4%	0.0%	-25.0%	5.9%
Tierrasanta	\$ 510,000	\$ 500,250	4	7	56	331	98.3%	-7.7%	-0.9%	-66.7%	-53.3%	9.8%
University City	\$ 531,000	\$ 560,750	6	7	55	216	96.3%	-20.0%	-10.0%	20.0%	-30.0%	-1.8%

# The Real Estate Report

## Re-finance Even if You're Underwater

Thirteen months ago, President Barack Obama announced a foreclosure-prevention initiative that included the Home Affordable Refinance Program, or HARP. The goal was to help homeowners get lower monthly payments, even though home values had dropped and equity had disappeared.

He expected that HARP would "make it possible for an estimated 4 (million) to 5 million currently ineligible homeowners ... to refinance at lower rates" by HARP's expiration date of June 10, 2010.

It didn't turn out that way. HARP finally got under way in May. By the end of 2009, halfway into the program's lifespan, a total of 190,180 homeowners got HARP mortgage refs.

So this week, the agency that oversees Fannie Mae and Freddie Mac extended HARP for a year. Instead of expiring this June 10, it will expire June 30, 2011.

When HARP was announced, the program was for people who owed 80 percent to 105 percent of the home's value. In other words, if someone bought a house, and then the value fell to \$100,000, the owner would be eligible for a HARP mortgage refi if the loan balance was \$80,000 to \$105,000. Last summer, the upper loan limit was increased to 125 percent of appraised value, meaning that someone could refinance for up to \$125,000 on a home with an appraised value of \$100,000.

FHFA says Fannie and Freddie began buying those higher loan-to-value loans only in October. "It

takes time for lenders to implement systems and processes to support any new initiative," FHFA says. "By extending the HARP expiration date, lenders and other market participants, have the opportunity to make the necessary process and system enhancements to support HARP refinances with LTVs up to 125 percent."

No one contemplates raising the loan-to-value limit above 125 percent. FHFA cites "significant challenges and risks to securitizing loans with LTVs greater than 125 percent." And David Stevens, who runs the Federal Housing Administration, tells Bankrate that raising the loan-to-value limit isn't the solution: "No, we have to think of other ways to solve the problem," he says.

Central San Diego County - February 2010													
CONDOS								% Change from Year Before					
Prices								Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven	
County	\$ 214,000	\$ 254,582	726	1,140	8,524	275	100.1%	15.7%	8.2%	-0.5%	-23.0%	17.1%	
Central San Diego	\$ 245,000	\$ 286,518	325	459	3,831	280	99.8%	0.0%	-7.0%	37.1%	-39.9%	-2.4%	
City Heights	\$ 68,000	\$ 74,500	6	25	103	351	103.7%	-8.1%	-13.9%	-50.0%	19.0%	9.6%	
Clairemont	\$ 199,900	\$ 218,688	8	7	64	192	99.3%	-32.9%	-22.5%	0.0%	-53.3%	-11.1%	
College Grove	\$ 128,500	\$ 130,531	22	22	168	179	102.8%	2.8%	15.6%	37.5%	-60.0%	-12.5%	
Coronado	\$ 650,000	\$ 806,667	3	4	134	1,170	96.3%	20.6%	49.8%	0.0%	-73.3%	-22.1%	
Del Cerro	\$ 225,000	\$ 234,900	5	14	80	356	102.2%	12.5%	12.8%	-37.5%	-26.3%	19.4%	
Downtown	\$ 374,500	\$ 380,365	52	91	1,008	476	97.8%	-1.1%	-20.3%	13.0%	-24.2%	1.1%	
Golden Hill	\$ 146,000	\$ 164,100	5	4	55	275	101.8%	-37.5%	-20.9%	66.7%	-77.8%	-11.3%	
La Jolla	\$ 365,000	\$ 478,293	21	18	281	338	96.1%	-28.8%	-26.2%	90.9%	-53.8%	-16.1%	
Linda Vista	\$ 270,000	\$ 248,538	13	16	122	220	100.8%	40.6%	13.0%	30.0%	-44.8%	13.0%	
Mira Mesa	\$ 217,500	\$ 223,094	28	34	162	123	100.7%	3.6%	8.3%	115.4%	-26.1%	11.7%	
Mission Hills	\$ 395,000	\$ 405,866	15	15	176	290	98.5%	-0.9%	15.3%	7.1%	-61.5%	-18.1%	
Mission Valley	\$ 240,000	\$ 257,755	33	41	258	178	101.6%	-5.3%	4.5%	57.1%	-35.9%	17.3%	
Normal Heights	\$ 155,000	\$ 159,100	18	18	120	153	101.3%	21.1%	22.8%	63.6%	-52.6%	0.8%	
North Park	\$ 156,785	\$ 169,637	13	22	136	237	101.8%	-20.0%	-18.7%	160.0%	-54.2%	-28.4%	
Ocean Beach	\$ 276,950	\$ 281,112	8	9	55	155	98.1%	9.0%	10.4%	60.0%	-10.0%	10.0%	
Old Town	\$ 266,200	\$ 272,925	8	16	117	341	98.6%	-44.4%	-43.0%	300.0%	77.8%	101.7%	
Pacific Beach	\$ 319,500	\$ 417,618	17	26	271	389	97.8%	-21.1%	-19.3%	41.7%	-38.1%	-8.1%	
Paradise Hills	\$ 155,000	\$ 166,074	17	18	122	165	102.5%	12.7%	11.1%	21.4%	-64.7%	-35.4%	
Point Loma	\$ 255,000	\$ 255,000	1	7	45	1,026	100.0%	-8.9%	-8.9%	-50.0%	40.0%	-4.3%	
San Carlos	\$ 145,000	\$ 184,800	5	8	65	308	101.7%	3.6%	32.0%	400.0%	-11.1%	10.2%	
Scripps Miramar	\$ 312,500	\$ 323,090	10	16	105	240	100.2%	1.6%	-4.7%	150.0%	-30.4%	14.1%	
Sorrento Valley	\$ 452,000	\$ 452,000	2	3	20	230	95.8%	n/a	n/a	n/a	n/a	n/a	
Tierrasanta	\$ 365,700	\$ 365,700	2	4	34	405	99.1%	2.7%	0.1%	-50.0%	-63.6%	0.0%	
University City	\$ 309,100	\$ 344,743	21	28	181	197	98.2%	-5.7%	7.6%	61.5%	-41.7%	-1.6%	

# THE REAL ESTATE REPORT

SAN DIEGO COUNTY  
— CENTRAL SAN DIEGO

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