



Downtown Condo Inventory Soars

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January always sees a spike in real estate inventory levels. People who have avoided putting their homes on the market over the holidays often flock to the market at the beginning of the year.

But this year's inventory figures for downtown San Diego condos paint a picture that has not been seen in the 92101 ZIP code for a few years.

The number of condos placed on the market in downtown increased 17 percent in the first month of 2006 to a record high of 530, according to figures compiled by Lew Breeze, a Realtor in Little Italy. That's a far bigger increase than January has seen in the last two years, and analysts said it's further evidence of the market shifting into a lower gear.

As such, Southern California's analysts aren't particularly surprised by the spike in downtown inventory hitting the market this month. They said it is further evidence of what they have been saying for months: the downtown condo market is over-saturated, condos are taking longer to sell and a buyer's market is emerging.

"More people are putting their condos on the market and they're not selling as fast," said **Alan Gin**, a professor of economics at the **University of San Diego's Burnham-Moores Center for Real Estate**. "In the past, they have sold quickly, so the inventory didn't appear to be as large, but this is a more difficult time."

Edward E. Leamer, director of the University of California, Los Angeles, Anderson Forecast, said this month's upsurge in inventory is indicative that the "scarcity value" of downtown condos is starting to dissipate.

"What you'd expect to see happening is exactly what is happening. There's a temporary scarcity value in the condo market as the condo market heats up, then that scarcity value is competed away by new building," Leamer said.

That would make sense in San Diego, where high-rise condos have sprung up all over the 92101 ZIP code in the last few years. Even more are in the works.

Russ Valone, president and CEO of MarketPointe Realty Advisors in San Diego, said there are currently 52 residential projects underway in downtown San Diego, comprising a total of 11,000 condo units either being planned or under construction. That figure dwarfs the total amount of inhabited condos in downtown at the moment. Valone estimates downtown hosts 7,500 condos currently.

Time for downtown condo owners to panic? Not at all, say downtown Realtors.

Jim Abbott, a Realtor who lives and works downtown, said the recent spike in inventory doesn't mean much. This is an expanding market, he said. There are more people living downtown, therefore there are more condos being bought and sold every month.

Craig Gagliardi, also a Realtor downtown, agreed, to a certain extent. He said the key factor for owners downtown is the quality and location of their condo. People who bought quality, well-situated condos have nothing to worry about, he said. People who bought second-rate properties in the wrong neighborhoods are going to have trouble selling.

Nevertheless, January's figures show an increase in competition for just about everybody hoping to sell their condo downtown, especially when compared to data from 2004 and 2005.

The first and fourth weeks of January saw particularly large upsurges in listings this month. The 17 percent inventory increase this month is more than twice as much as January 2005, which saw only an 8-percent increase. In 2003, the number of downtown properties listed on the market actually dropped by 2 percent.

There are now seven times as many properties listed downtown than there were in the same week in 2003.

Leamer, who many in the business regard as the most influential real estate economist in Southern California, said what is going on in San Diego's market is watched closely by real estate professionals all over the country. He said San Diego led the rest of the nation in an upsurge in the real estate market and now it's starting to lead the country into a market downturn.

"San Diego is the canary in the coal mine," he said.

Asked how that canary is looking in January 2006, Leamer had a grim prediction.

"It's definitely coughing," he said. "In fact, it might be lying down in the coal mine. It's time for the rest of us to get out of the coal mine."

Please contact Will Carless directly at will.carless@voiceofsandiego.org with your thoughts, ideas, personal stories or tips.