

Residential Real Estate Market Report

Third Quarter 2011

SAN DIEGO COUNTY

MARKET SUMMARY

Distress continues to exist in and affect the market in the third quarter of 2011, making up 46% of overall sales. Following a seasonal pattern, total sales decreased from the previous quarter (from 8,929 to 7,890), and sales in each of the five categories decreased as well. From the second quarter to the third quarter, the number of non-distressed sales (i.e. regular and new) declined by about 12%, whereas the number of distressed sales (including REOs, foreclosures and short sales) was 11% lower. Average prices in all five categories also fell, with changes ranging from -2% to -10%. On a year-over-year basis, both sales and average prices declined from the third quarter of 2010.

In the third quarter of 2011, the number of regular sales dropped by 10.4% from the second quarter and was about 10% below the level in the same quarter of 2009 and 2010. After a temporary improvement in 2010, the average price of regular transactions has retracted to the previous low in early 2009, when distressed sales accounted for nearly two-thirds of total volume. New home sales were almost non-existent making up less than 2% of the marketplace in the third quarter of 2011. The 131 new home sales are 40% below the previous record low set in the first quarter of 2011. In a normal healthy marketplace, similar to the markets in 2000, 2001 and 2002, new home sales make up about 13% to 15% of the total marketplace.

In the third quarter of 2011, REO and foreclosure sales each represented about 19% of total sales, and short sales accounted for approximately 8%. Although sales as a percentage of total transactions remained relatively stable, the absolute number in each of the distressed segments declined. Average prices of all three segments dropped on both a quarterly basis and a year-over-year basis. Ranging from \$322,000 to \$354,000, the average price range of distressed sales in the third quarter was about two-thirds of the average price of regular sales (\$517,000).

MARKET OUTLOOK

Current anemic market conditions are likely to continue for the next quarter and at least into the early part of next year. As long as distressed sales make up more than 10% of total sales, the marketplace will be affected negatively. With the decrease in the number of sales reflecting a slowing in demand, it is not surprising that the average prices of each segment continue to drop. Unfortunately, in the fourth quarter of 2011, the average price most likely will continue to fall.

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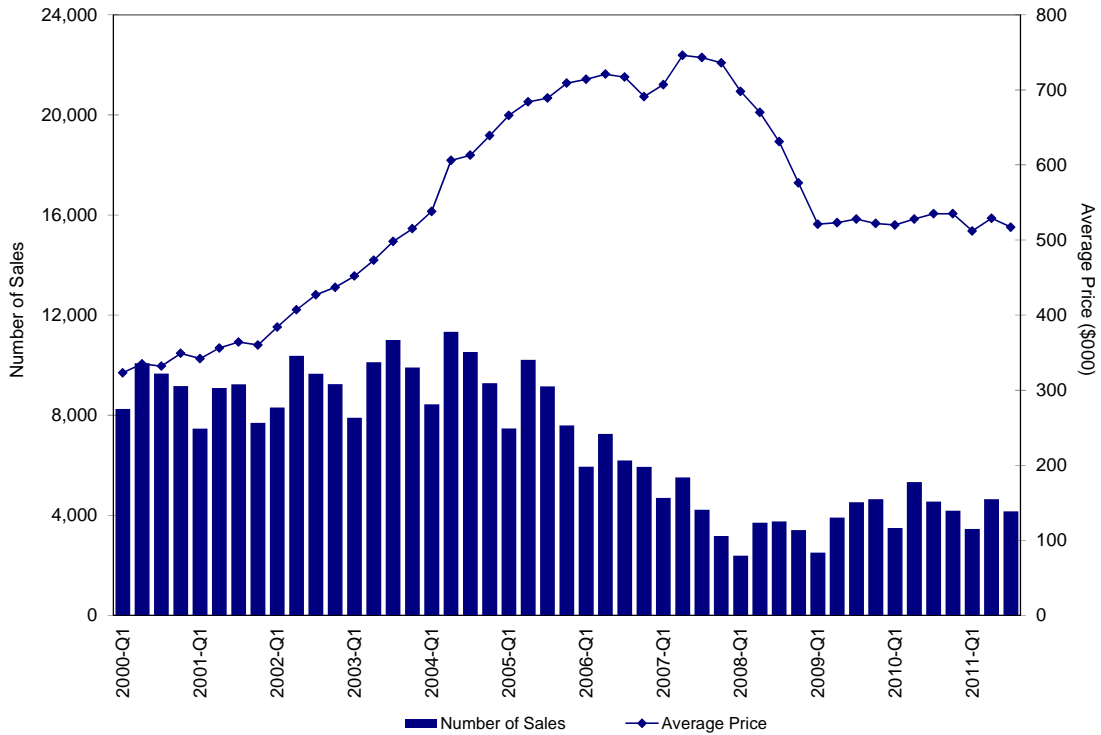
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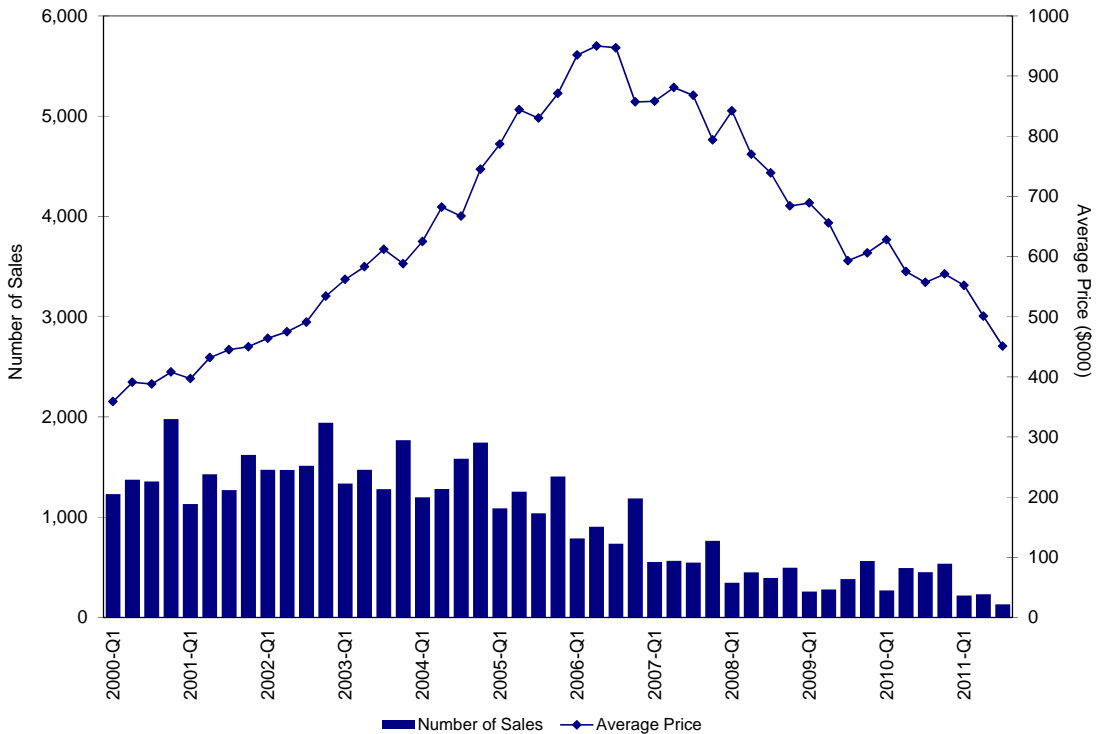
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Regular Average Sale Price and Number of Sales (Fig. 1)
Single-Family – San Diego County



DATA SOURCE: Collateral Analytics

New Home Average Sale Price and Number of Sales (Fig. 2)
Single-Family – San Diego County

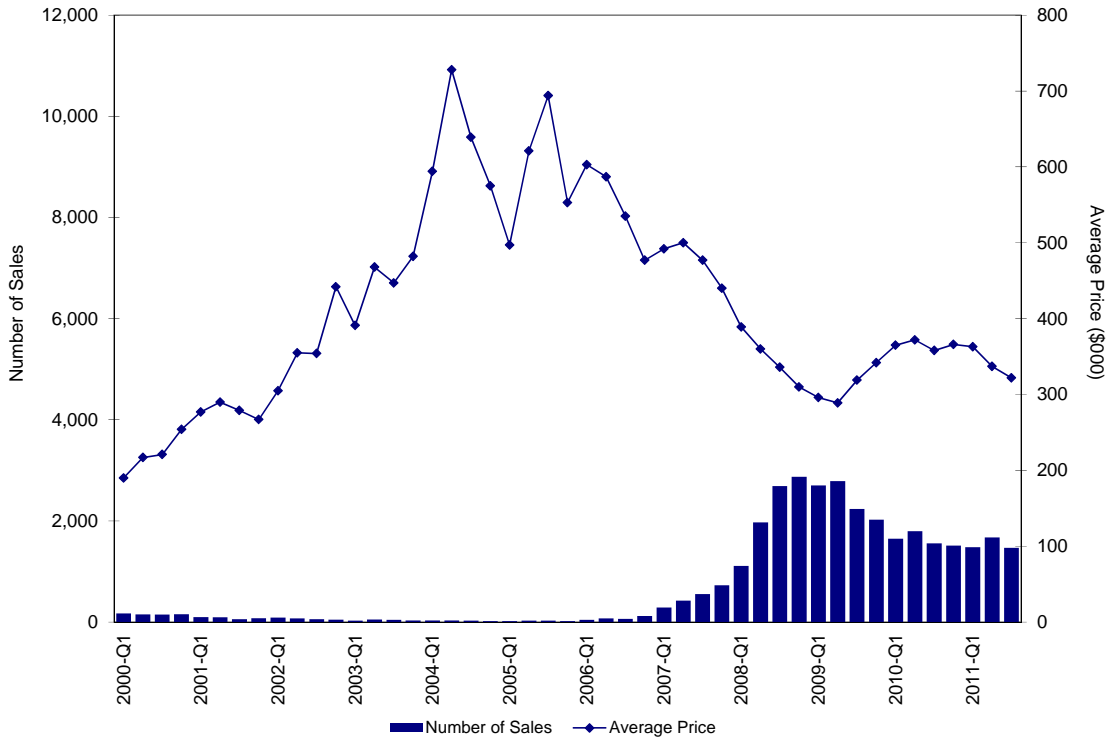


DATA SOURCE: Collateral Analytics

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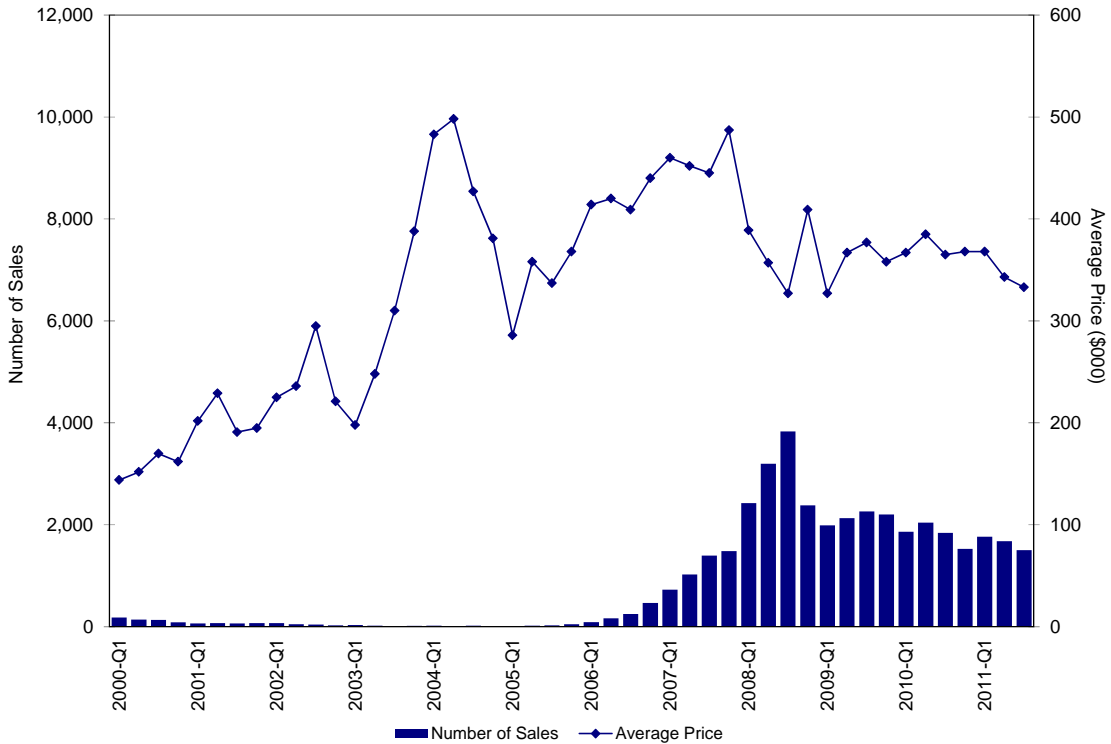
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REO Average Sale Price and Number of Sales (Fig. 3)
Single-Family – San Diego County



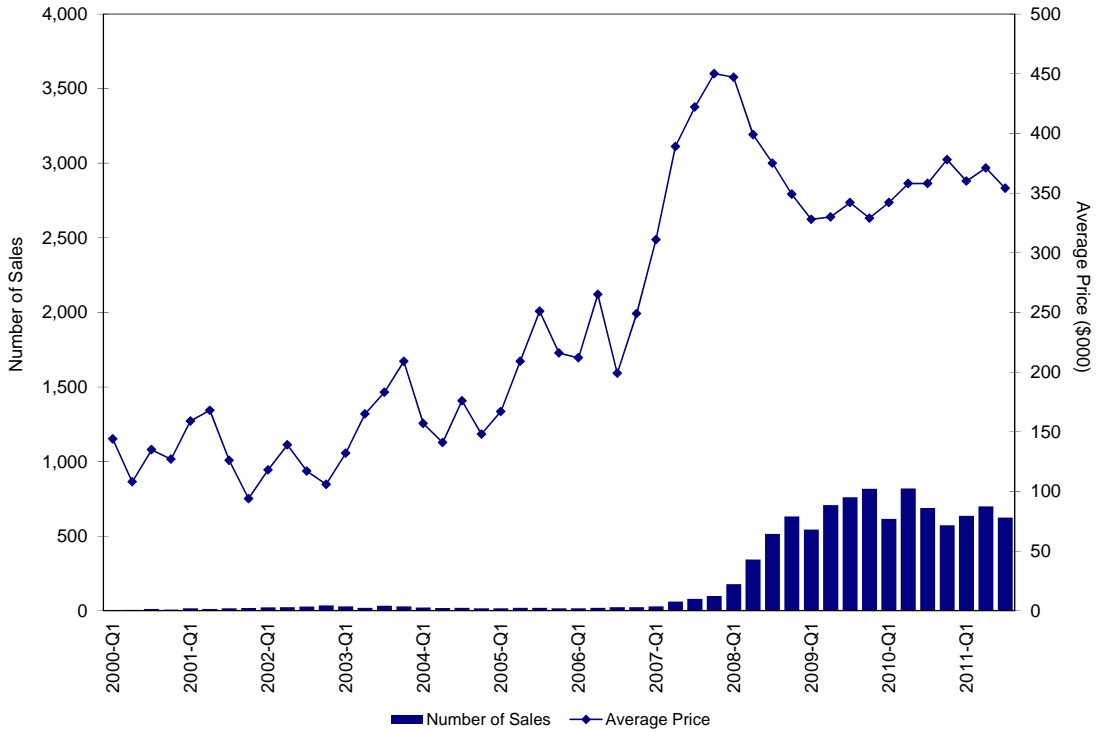
DATA SOURCE: Collateral Analytics

Foreclosure Average Sale Price and Number of Sales (Fig. 4)
Single-Family – San Diego County



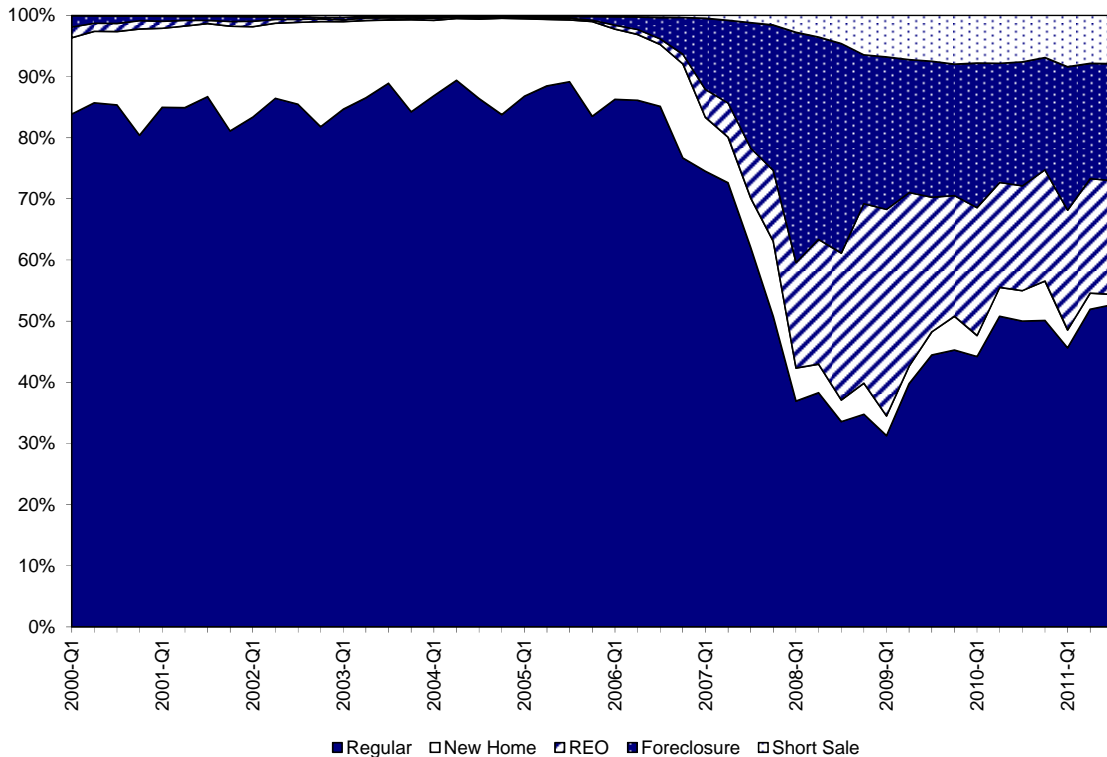
DATA SOURCE: Collateral Analytics

Short Sale Average Sale Price and Number of Sales (Fig. 5)
Single-Family – San Diego County



DATA SOURCE: Collateral Analytics

Composition of Single-Family Home Sales over Time (Fig. 6)



DATA SOURCE: Collateral Analytics

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