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THE DESERT SUN PALM SPRINGS, CALIFORNIA

February 3, 2009

Foreclosures, short sales push Coachella Valley home prices lower

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The Desert Sun

With foreclosure sales dominating the market, the median price of Coachella Valley real estate fell to $194,900 in December, its lowest level since 2001.

The 47 percent drop in median price compared to December 2007 happened even as five homes bearing sticker prices of $1.6 million to $3.2 million were sold in Indian Wells, La Quinta, Palm Springs and Rancho Mirage, figures released Monday by La Jolla-based MDA DataQuick show.

The December sales, while reflecting an 8.3 percent gain compared to 2007, also tracked at low levels not seen since 1996.

“We beat a crummy December 2007 in sales,'' said Andrew LePage, a DataQuick analyst.

The number of sales — 746 — was the second lowest since 1996. “That was not a great year. It was the peak of the last wave of foreclosures” in the state, he said.

The median price also was lower than the $410,000 peak reached in February 2006. “The last time the median was lower was in December 2001,'' LePage said.

Patrick Veling, president of Real Data Strategies in Orange County, said the falling median is a much larger factor of the mix of properties selling in today's market than is an indication of actual values.

Because there had been so many bank-influenced sales of lower-priced properties, Veling said the market is seeing much more “radical erosion” in the statistics than is occurring in the actual marketplace.

“Depreciation has swept through the region and the state,'' LePage said, so the greater share of the sales are in the low-cost areas, where housing prices are affordable and foreclosure activity has been occurring. “That's driving the median down.”

Case-in-point:

Real estate sales rose 8.3 percent, but that was largely because of the 50 percent hike in single-family sales. The same month, condo sales fell 32 percent, while new home sales dropped 44 percent.

Before the credit crunch, property listed under $500,000 accounted for 43 percent of the sales. That percentage now stands at 82 percent.

Sales are strongest where prices are lowest.

The city of Coachella posted a 700 percent gain, with 32 sales occurring with a $135,000 median. Indian Wells, which had the highest median for the month at $554,000, measured a 30 percent drop with nine transactions. Its largest was a $3.4 million sale.

Price drives sales

Greg Berkemer, executive director of California Desert Association of Realtors, said price is the driving factor.

“Home-sellers are still under significant price pressure,'' Berkemer said.

The quicker the inventory of distressed property is taken off the books, reserves are re-established and new loans written for qualified buyers, the sooner things will turn to a more normal real estate market, Berkemer said.

“The person who is most disadvantaged now is the home-seller who has to sell,” he said.

Berkemer said the Multiple Listing Service inventory has fallen from 9,186 properties in December 2007 to 8,250 properties. “It indicates that the desert market continues to absorb the properties that individual home-sellers and banks must sell,'' he said.

Sam Schenkl, executive director of the Palm Springs Regional Association of Realtors, said the pattern has developed over the past four to five months.

“What we're not seeing is the higher-priced end of the market moving,'' he said. “It's still dominated by short sales and foreclosures. As bank-owned properties still make up a large part of the inventory, it drags down the median price.”

He said he was surprised about the condo sale count, and surmised that the drop occurred because buyers recognize they can get single-family homes for similar prices.