

# Single-Family Homes Take Wide Lead in County Sales

## REAL ESTATE: Marketing, Price Adjustments Help Move Condo Inventory

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San Diego County home sales spent the first half of 2010 on a decided upswing compared with a year ago. But the recovery has benefited detached single-family homes much more than attached units such as condominiums.

According to the research firm MarketPointe Realty Advisors, countywide sales of new attached homes — mainly condos and town houses — ended the first half of 2010 by posting their fourth consecutive quarter of decline, with 212 net sales in the second quarter.

By contrast, the second quarter saw 510 sales of detached homes, the first time the total has pushed above 500 units since the second quarter of 2007.

Russ Valone, MarketPointe president and chief executive officer, noted that in downtown San Diego, condos are generally faring better than in most other parts of the county, even if they aren't selling at levels seen before the condo market crash that preceded the Great Recession.

Amid moderating prices and gradual absorption of excess supply, the downtown condo market, including new and resale units, has managed to consistently maintain net sales of around 300 units for the past five consecutive quarters. That includes 320 in the second quarter of 2010.

In the second quarter of 2006, by contrast, there were 597 sales downtown.

"The downtown market has been pretty stable since early 2009," Valone said.

### Aggressive Strategy Is Working

For some downtown condo building owners, the change from just a year ago has been dramatic.

Kevin Price, principal and executive vice president of operations with Atlanta-based The Radco Cos., said not a single condo had been sold at The Mark, a 244-unit East Village high-rise, when his company took over as acting developer 14 months ago.

Price said the company made aggressive shifts in pricing and demographic targeting, marketing the complex to young professionals buying homes for the first time, as well as upper-income "empty nesters" looking for a second or third home near night life and cultural activities.

"Your product has got to be priced to what the market will bear," said Price, noting homes at The Mark range from the upper \$300,000s to some units priced above \$2 million, depending on size and amenities.

Some younger first-time buyers, including those who work downtown, are finding that the pricing on condos is more feasible than renting, he said.

Partly due to its strategy shifts, Price said Radco Cos. was able to sell 79 units in less than a year after taking over, and paid off the project's remaining \$35 million construction loan in the second quarter. There are currently around 20 units left for sale in the building.

Price said other factors spurring activity in 2010 included the April expiration of federal tax credits geared mostly to first-time buyers, as well as enactment of a similar state program shortly afterward, both of which may have “pushed forward” some sales that otherwise would have been made in the future.

### Middle Market Demand Softens

Price noted that San Diego and most U.S. markets are seeing soft condo demand in the “middle market” — mostly owners who are dealing with debt related to their current home or other investment properties, and are not looking to acquire condos as they might have during past recoveries.

“The middle part of the market is very static,” Price said.

Valone said that as the county continues to work through existing inventory, the condo market should continue to recover gradually. In the downtown area, especially, new high-rises are unlikely to be built in the near future.

“Right now the financing for construction is just not there,” Valone said.

MarketPointe noted that attached new-home prices “continue to yo-yo from quarter to quarter.” Countywide, there was a 5 percent decline in the second quarter, with the average sale price at just over \$470,000. That was still the second highest average price seen since the second quarter of 2004.

At the end of the second quarter, the average sale price for new downtown condos was just over \$482,000, compared with \$713,000 at the end of 2008.

For resale condos, downtown’s average sale price was just over \$373,000 at the end of the second quarter, down from \$474,000 at the end of 2008.

### Condo Sales Improving

Downtown finished 2009 with a total of 1,107 sales of new and resale condos — the second year of improvement after three years of sharp declines — but far below the 2,326 units sold in 2004.

So far in 2010, the total 582 downtown sales puts the area on track to at least match 2009’s full-year total, according to MarketPointe figures.

Distress in the downtown condo market has also moderated. Figures from locally based research firm DataQuick Information Systems show that while there were 117 downtown resale condo foreclosures in the second quarter of 2009, that number dropped to 72 in the same period of 2010.

Countywide, the median resale condo price in the second quarter, at \$225,000, was up 2.7 percent from a year ago. Total unit sales were up 34 percent, with just over 3,400 resale condos sold, according to DataQuick.