



Home prices vary based on geography, school districts

By **SAMANTHA HENRY**, The Daily Transcript
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Home prices in San Diego County's submarkets vary hundreds of thousands of dollars based on geography and quality of the school districts, local real estate professionals say.

The median price of a single-family detached home in Escondido in April was \$400,500, and it was \$843,750 in the Ocean Beach/Pacific Beach area, for example.

"Typically when you look at home prices you start at the ocean and work your way back through the county," said Alan Nevin, director of economic and market research at the **Xpera Group**.

Starting at the ocean, home prices typically run \$2,000 per square foot. Then, if concentric circles are drawn from the La Jolla waterfront, Nevin said the price per square foot starts to decline as it moves from the primary markets of Ocean Beach and Pacific Beach, to the secondary markets in Carlsbad, then toward the tertiary areas in East County.

"You can go from \$2,000 per square foot overlooking the beach in La Jolla or Del Mar, all the way down to as little as \$150 per square foot in the tertiary areas," Nevin said. "And it's really a matter of seeing what buyers are willing to pay -- based not so much on affordability but what they're willing to pay based on the distance from the heart of the job market."

Leslie Kilpatrick, branch manager at **Willis Allen** and president of the Greater San Diego Association of Realtors, agreed that single-family detached housing markets vary across the county based on demand, which has kept the housing markets in the central beach and metro areas strong and prices high.

"Many older established neighborhoods have smaller homes in varying conditions in terms of remodeling or upgrading to current standards," Kilpatrick said in an email. "Floor plans, lot size, quality of neighboring schools, length of commute and walkability are all factors buyers consider when selecting a neighborhood and their particular home."

Escondido's median home price in April represented a 16.7 percent drop from the previous month, and was down 1.7 percent from April 2013, according to SDAR. Nevin said the median price represents a small sample, and Escondido's home prices are continuing to increase but at a slow rate.

To get a better gauge of the market, Nevin said to look at a combination of available inventory, the time it takes to sell a house, how close the sale price is to the listing price, and then add in the median and average prices.

"You need to look at the median and the average because sometimes there's a great disparity between the two," Nevin said. "If the median is close to the average, it's probably an honest number."

Escondido homes spent about 45.5 days on the market on average in April, which is down 14.15 percent from March and down 10.78 percent from April 2013, according to SDAR.

Homes in the Ocean Beach/Pacific Beach area spent an average of 29 days on the market in April, down 48.21 percent from March and down 29.27 percent from April 2013. Homes in the Carlsbad/Oceanside area had a similar average at 33 days spent on the market in April, up 1.5 percent from March and down 14.29 percent from April 2013.

Housing markets in Coronado, Ocean Beach, Pacific Beach, La Jolla, Del Mar and up through Cardiff and Encinitas are attracting international buyers, Nevin said, who are driving those prices.

“It seems that basically every day there’s a sale over \$3 million and there have been a large number that have sold over \$10 million,” Nevin said.

International buyers are paying cash for those homes, and those same buyers are choosing to purchase in areas with high-quality school districts, causing prices in areas like Carmel Valley to increase substantially.

“If you can pay even a couple hundred thousand more for a house in Carmel Valley than you would further out, it’s still a bargain compared to what you’d have to pay for a private school,” Nevin said. “The reality is even though the tertiary areas have good values and you get a lot of home for your money, it’s still a function of how those areas are perceived by the homebuying public.”

Home prices and affordability are also affected by interest rates, incomes, types of mortgages and qualification requirements, Kilpatrick said.

San Diego home prices rose 1.3 percent in March from February, and are up 18.9 percent from March 2013, according to the S&P/Case-Shiller Home Price Indices.

The median-priced single-family detached home in San Diego County decreased 0.61 percent, to \$489,000 in April from \$492,000 in March, but increased 8.67 percent compared to April 2013, according to the HomeDex report from the North San Diego County Association of Realtors.

The median price of a single-family detached home in North San Diego County rose 2.7 percent, to \$571,000 in April from \$556,000 in March, and increased 6.73 percent compared to April 2013. In East San Diego County, the median home price increased 2.53 percent to \$405,000 in April from \$395,500 in March 2014, and increased 17.39 percent from April 2013.

The median price in South County fell 1.18 percent to \$420,000 in April from \$425,000 in March, and increased 12.6 percent compared to April 2013. In the San Diego Metro, the median price increased 0.55 percent from \$522,750 in March to \$525,625 in April, and increased 5.13 percent compared to April 2013.

Mark Goldman, professor at San Diego State University and a senior loan officer with **C2 Financial Corp.**, anticipates a year-over-year 3.5 percent increase in home prices in 2014, and said “we’ve hit a wall” in appreciation, partially due to affordability.

“Even if buyers are willing to pay more, they aren’t able to,” Goldman said. There’s been a settling in prices even though there’s a “dramatic” shortage of inventory.

“From submarket to submarket, there are some markets that might have gone up too much too fast. I’d expect them to back off a bit,” Goldman said.

Chula Vista, which had a lot of construction in the early 2000s, saw a great deal of appreciation, Goldman said. Submarkets that experienced rapid appreciation were the ones that got “clobbered” the most when prices fell – but some prices were too high even at the bottom, he said, and those markets might take longer to come back.

Household incomes drive affordability, and incomes in the central part of Escondido would be lower than those in Rancho Penasquitos, Goldman said, and someone buying in Del Mar likely would have a higher income as well. Some 32 percent of San Diego County households were able to afford the county’s median-priced single-family detached home in April 2014, according to the HomeDex affordability index. The North San Diego County affordability percentage decreased to 26 percent in April 2014, from 27 percent in March 2014.

The East County affordability level remained at 42 percent in April 2014; South San Diego County affordability increased to 40 percent in April 2014, from 37 percent in March 2014; and San Diego Metro affordability remained at 30 percent in April 2014.

Homebuyers in San Diego need to earn at least \$98,534 to afford a median-priced home, according to HSH.com. San Diego ranks just under San Francisco, where homebuyers need to earn \$137,129 to buy a median-priced home. HSH.com used the National Association of Realtors' first-quarter data for median home prices to calculate the salary needed to buy a home in San Diego. It used a median home price of \$483,000 in San Diego, a 4.56 percent 30-year fixed mortgage rate and a 20 percent down payment. The monthly payment would be \$2,299.

"We see the upper-end housing moving along pretty well -- the more moderate-priced homes that the rest of us can afford are leveling out," Goldman said.

Kilpatrick said she expects prices to continue to move up overall for the county for the rest of the year. Nevin said there will be modest gains in the tertiary markets with greater gains closer to the coast.

"The market will absolutely remain healthy for the rest of this year and probably next year -- and it looks like mortgage rates are continuing to fall, which is wonderful," Nevin said.

Persistent low inventory, where most buyers are looking, is keeping sales volume lower, Kilpatrick said.

"This means a calmer pace than last year as the market seeks a sustainable equilibrium," Kilpatrick said.