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Home Buyers Stir Hope in California

By [JIM CARLTON](#)

MOUNTAIN HOUSE, Calif. -- California's mortgage crisis hit this master-planned community particularly hard last year, and eventually 90% of mortgage holders here owed more than their homes were worth.

But residents are allowing themselves the first twinges of optimism amid the gloom. The 2,600 existing homes in this development 60 miles east of San Francisco are selling at nearly three times last year's pace. One builder has sold about 30% more homes in 2009 than a year ago. And homeowners here are seeing the welcome return of another phenomenon: the bidding war.

When Catrina Koleva and her husband found their dream home listed here for \$299,900 in February, they figured they would try to win the five-bedroom spread. Instead, they faced 12 other bidders and gave up. The winning bid was 30% over asking price, said Tabari Palmer, a representative of the listing agent. "I think people are seeing there are some pretty good values here," Ms. Koleva said.

No one wants to call a bottom in Mountain House after what happened. Home prices have fallen more than 50% from their peak amid masses of foreclosures. (The home Ms. Koleva wanted last sold for \$781,900 in January 2007.) But 48 homes have sold so far this year and another 59 are in escrow, compared with just 19 sales in the year-earlier period, said MetroList Services Inc., an industry-tracking firm.

Adding to the hint of new life, Little League participation has grown to 220 from 178 last year. "People I see here have as much hope as I've seen in a long time," said Lemuel Vergara, principal of the local Wicklund Elementary School.

Mountain House's nascent revival is representative of a phenomenon playing out here and there around California, offering glimmers of wary optimism as fallen home prices and interest rates entice buyers. Pulte Homes Inc., one of Mountain House's builders, reported a "marked" increase in its

California sales this year from last. January existing-home sales doubled from January 2008, according to the California Association of Realtors, and sales are still growing.

California homes were on the market an average 6.7 months in January, compared with 16.6 months in January 2008, the Realtors association said. Nationwide, it was 9.6 months. In Tracy, a city of about 80,000 people next to Mountain House, there are 900 homes for sale, down from 1,800 a year ago, said Tracy Mayor Brent Ives.

Meanwhile, economists say California is leading a resurgence in the West of existing-home contracts. January contracts signed in the 13 states stretching from New Mexico to Wyoming to Alaska to Hawaii rose 13.5% from a year ago, compared with a nationwide decline of 6.4%, the National Association of Realtors estimates.

Some of California's strongest housing resurgence is in the hard-hit Central Valley, where Mountain House lies. In Stockton, which had the country's highest foreclosure rate, sales year-to-date were 1,331 homes on March 18, up from 501 in the year-ago period, MetroList said. In the Sacramento suburb of Elk Grove, sales over the same period rose 54% to 192 from 125; in Modesto, sales rose to 702 from 320. "It really does look like we are getting to the end of this," said Jerry Nickelsburg, senior economist at the Anderson Forecast, an economics think tank at UCLA.

Few economists say California's housing debacle is over, and things could even get much worse. The state's unemployment rate of 10.5% in February is likely to rise, they say. So are foreclosures, which rose 5% in February from the month before, according to industry researcher RealtyTrac Inc. The median home price in California fell 57% to \$254,350 in January from \$594,530 in May 2007, and prices continue to drop in many places.

There is another potential time bomb: What happens when banks put on sale the thousands of homes they have repossessed, but kept off the market?

That is a nagging question in Mountain House, where about 280 homes have been taken off the market since the first of the year, many of them foreclosures. "We can't reach a bottom in the housing market until all of the foreclosures get processed," said Tom Beede, chief executive of MetroList.

But Mountain House has fallen so hard that even a slowing rate of descent gives residents a reason to see some light. When Mountain House sprouted out of a farm field near Tracy in 2003, some people camped in line to snap up houses. Home values soared to more than \$700,000, peaking in early 2007 before they collapsed.

In 2008, Mountain House had gained notoriety as the most-underwater community in America, with nine of 10 of borrowers owing more than their homes' values, according to First American CoreLogic, a real-estate-data firm. Banks foreclosed on hundreds of homes, prompting an exodus of residents.

Then, buying slowly started picking up, as people like Larry and Kathleen Wishart began to bet that prices were now a bargain. They paid \$335,000 for a four-bedroom, 2.5-bath home that sold for more than \$600,000 in 2006. "Had the market not dropped, we could not have afforded to move here," Mrs. Wishart said.

Prices have declined more since then, but buyers aren't waiting around for further discounts. A year ago, most sales were well below asking price. Now, many are close to asking. Broker Leo Apostol says he is representing buyers of two four-bedroom homes, both in escrow for more than the asking price: One is listed at \$305,000 and drew four offers; another is listed at \$294,950 and drew two offers. "When you have multiple offers, that usually means prices will go up" eventually, he said.

Ms. Koleva, who lost out on her first dream home, said she and her husband, who live in a rented home here with their two young boys, have looked at 30 other homes here and expect to find a good buy soon. "We're not desperate," she said, but "we really like Mountain House. It's a great place to raise a family."

Courtesy of JB Goodwin