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Bay Area real estate symposium forecasts more gloom

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Tuesday, November 20, 2007

A real estate symposium on Monday - featuring panels titled "catastrophic risk," "subprime crisis" and "economy on the edge," among others - predicted more gloom in the Bay Area housing market over the next year or so.

Hosted by the UC Berkeley Fisher Center for Real Estate and Urban Economics, the annual event draws several hundred developers, real estate agents, brokers, investors and policymakers who hope to gain a clearer sense of the direction of the market.

This year, amid the protracted credit crunch, a record number of foreclosures and a glut of new homes, the mood was decidedly less cheery than symposiums past.

"Housing has not really hit the bottom ... and we're not going to hit the bottom for a while yet," said Jim Wunderman, president and chief executive of the Bay Area Council, a pro-business group based in San Francisco.

Most experts reckon that 2008 could prove to be a rough year on both housing prices and sales counts because the next big wave of mortgage interest rate resets is due around the middle of the year. Rate resets occur when the introductory term on an adjustable rate mortgage expires.

With so many homeowners already in distress, the number of defaults and foreclosures could rise, further boosting the inventory of unsold homes.

Economist Ken Rosen, a notorious bear on housing who has called for a correction for several years, said home prices in the urban core of the Bay Area could drop 5 to 10 percent - but outlying areas could see tumbles of more than 20 percent.

In other regions, such as economically depressed Detroit, or Las Vegas - the land of speculative building - the damage could be far worse next year and beyond.

"Las Vegas is finally deflating," Rosen said. "You had all these massage therapists who bought speculative homes that are now losing money."

Taken collectively, the hit to consumer spending could be huge - and could touch off a recession.

The Bay Area's Wunderman is already seeing an effect on his constituents. Survey results show that business leaders in the area are less confident now than at any time in the last several years, and many say the housing downturn will push them to cut hiring plans.

Builders say the anemic market is effectively bringing the value of certain "C-level" building sites to $0, while costs for labor and materials - which spiraled higher as prices rose - have not come down.

In order to survive to build another day, some builders may be forced to sell off valuable inner core land, shut down unprofitable divisions or merge with larger firms.

Michael Ghielmetti, president of Signature Properties of Pleasanton, predicted the market would begin to spring back in 2009. But Robert Freed, president and chief executive of SummerHill Homes, another private local builder, doesn't expect a rebound until 2010 or 2011.

"There's a perfect storm working against us," Ghielmetti said.