

The content in this preview is based on the last saved version of your email - any changes made to your email that have not been saved will not be shown in this preview.

D I V I D E N D S

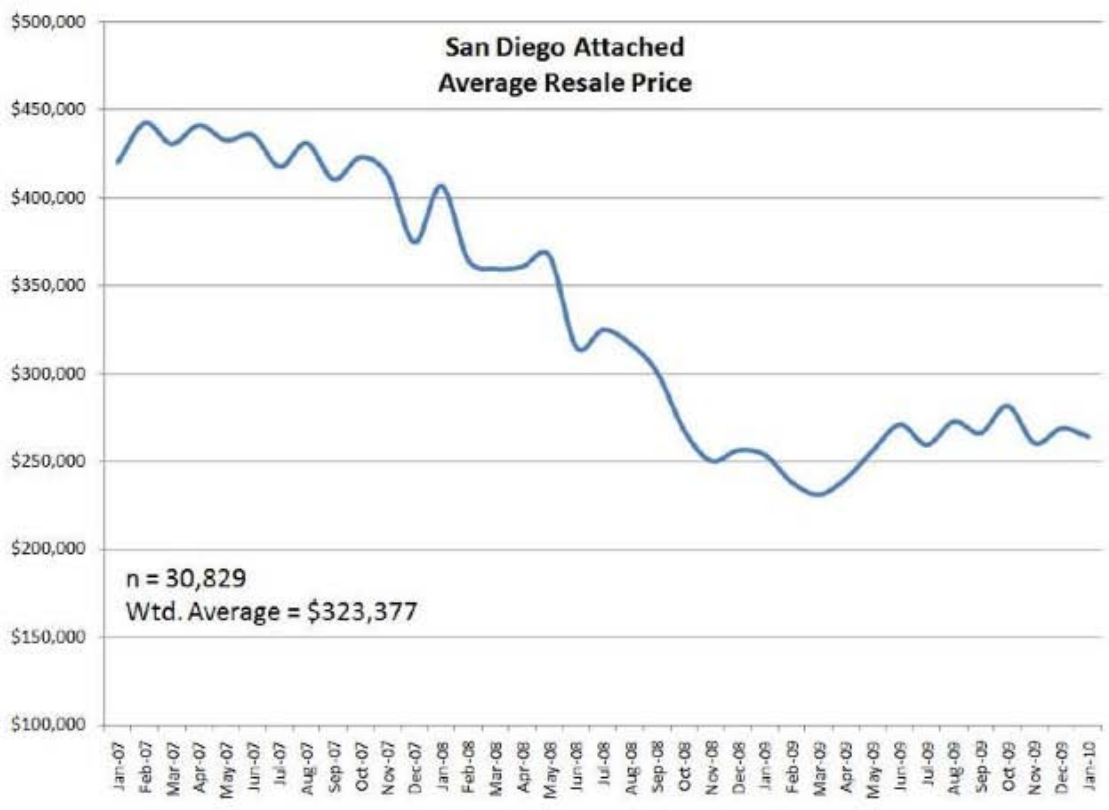
A PUBLICATION FROM THE ECONOMIC RESEARCH DEPARTMENT
AT MARKETPOINTE REALTY ADVISORS



When I speak to groups on real estate, I frequently leave them with the rhetorical question: if they had the resources to acquire a home in Otay Mesa or a home in La Jolla *right now*, which would turn out to be the better investment return 5 years from now? Much to the chagrin of many in the audience, I don't know that answer.

With the abundance of loose lending and rampant equity over the past five years, residential real estate purchases and investments became a piece of more and more individual portfolios. In this issue, we take a historical look at the last three years of the San Diego condominium market. However, instead of analyzing the trends of the market as a whole, we will look at condominium sales from more of a viewpoint that a buyer (and thus an investor) would look at any other investment they were looking to add to their portfolio.

Typically, real estate trends are noted with broad brush strokes, i.e. the market gained or lost "x" % in median price this year. The problem with this approach is that this type of trend analysis alone doesn't identify where the best and worst investment opportunities are for the buyer, they simply aggregate the market as a whole. This is in the same vein as noting that the S & P 500 decreased 37.6% in 2008, while not knowing that investing in the largest gold holding stock (NYSE: GLD) would have resulted in a 2% *gain* through 2008.



In the way that a fund manager seeks to identify stocks that buck direct correlation with the market and achieve gains above that of the market as a whole, we went searching to find what type of condo would fit that bill for the investor. We kept it simple by looking at two variables for resale condos: age and location.

When it comes to stocks, historically, value stocks have outperformed growth stocks on a risk adjusted basis. Does the same hold true for investing in the San Diego condo resale market? We can look at La Jolla and Del Mar as the growth stocks (think Apple) and Otay Mesa and Chula Vista as the value stocks (think Citigroup).

Countywide, we looked first at what effect age of the condo had on resale pricing. Starting in January of 2007, we measured the change in average price for three age ranges: under 15 years old, 16 - 30 years old and over 30 years old. We discover that the variation in pricing is relatively insignificant. By the end of the three year period, the youngest age range has only outperformed the oldest condominiums by 7%. Within the geographical submarkets, the effect of age on sales price is erratic and provides no solid footing to base the opinion that younger condominiums wallop older condominiums in pricing - the differences are subtle.



The left table below, is a summary of each submarket by market share of the county and the average age of resale condominiums within that submarket. The top four submarkets, with approximately 30% of the market share are all on the perimeter of urban San Diego County. With the exception of Downtown and Chula Vista / Bonita, the average age of condominium resales is over 20 years old.

As we look at the change in values by submarket from January 2007 through December 2009, the same flight to quality that occurred in other asset classes is readily apparent in the San Diego condominium resale market. The areas that suffered the most, were clearly tertiary neighborhoods in the county. The Pt Loma / Coronado submarket has only seen a 2% drop in average price, compared with 37% countywide or 62% in the worst performing, San Ysidro / Border submarket.

RESALE CONDOMINIUM SALES, BY MARKET SHARE 2007 - 2009				RESALE CONDOMINIUM SALES, BY CHANGE IN VALUE 2007 - 2009		
Rank	Submarket	Share	Avg. Age	Rank	Submarket	% Δ
1	Chula Vista / Bonita	8.6%	18	1	Pt Loma / Coronado	-2%
2	Oceanside	7.1%	26	2	RSF / Carmel Vly	-8%
3	Poway / RB / RP / Carm Mtn	7.0%	22	3	Hillcrest / Univ Hts / Gldn Hill	-13%
4	El Caj / Lakeside / Santee / La Mesa	7.0%	28	4	Poway / RB / RP / Carm Mtn	-20%
5	Downtown	6.8%	9	5	Encinitas / Cardiff / Solana	-21%
6	Hillcrest / Univ Heights	6.6%	25	Avg	Countywide	-37%
7	E San Diego	6.0%	28	21	Alpine / Ramona	-50%
8	San Marcos / Vista	4.5%	21	22	E San Diego	-52%
9	Carlsbad	4.4%	23	23	Rcho San Diego / Sp Valley / Lemon Grv	-53%
10	Mira Mesa / Sorrento / Blk Mtn	4.1%	23	24	Escond / Fallbrook / Bonsall	-58%
11	Escond / Fallbrook / Bonsall	4.0%	30	25	San Ysidro / Non Chula Vista Border	-62%

We conclusively see that prime location has trumped during the market unrest of the past three years. The market has clearly shown that quality locations are where a premium is warranted and relatively little price degradation occurred.

Similarly, the market has demonstrated that age of condominiums is not a major factor in price assignment, although certain submarkets show steeper drop off for older condominiums (e.g. Pacific Beach - Ocean Beach and Mira Mesa - Black Mountain) than others (e.g. San Ysidro and Rancho San Diego).

Without a crystal ball, I can't say with certainty that the most underperforming submarkets will bounce back with more vigor than the all star submarkets. There are many factors working in their favor: jumbo loans are difficult to obtain right now, the upper end market continues to be sluggish despite the lower end market showing signs of life, and the pronounced presence of a tentative and temperamental base of buyers right now. However, if the last three years have shown anything, it is that while the volume of sales in these elite submarkets may have receded - values are not, and that at the end of the day, that type of low volatility and steadfast prices, make for a good investment.

1901 First Avenue, Suite 219, San Diego, CA 92101 | Tel: 619.233.3781 | Fax: 619.233.3203 | www.marketpointe.com

[Join Our Mailing List!](#)

[Forward email](#)

[SafeUnsubscribe®](#)
This email was sent to jnevin@marketpointe.com by anevin@marketpointe.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



MarketPointe Realty Advisors | 1901 First Avenue | Suite 219 | San Diego | CA | 92101