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Home Front: D.C. bailout frenzy snags down payment aid bill

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Millions around the globe have watched this week's historic drama between Wall Street and Washington on TVs at home.

But Scott Syphax, president and CEO of Sacramento's Nehemiah Corp. of America, is in the fray. You can hear the crazed, milling din of Capitol Hill through his cell phone. It sounds like 2 million people in a hallway spreading rumors and guessing what's going on.

"It's absolutely insane up here," Syphax, 45, said Thursday by phone. "The rumors are rampant. Nobody knows what's going on. Everybody who makes the decisions are in the room."

We called Syphax to get a feel for what's going on over the proposed \$700 billion bailout bill and the fate of global finance. He is there trying to move a bill that would prevent the Oct. 1 end of Nehemiah's down payment assistance program. Needless to say, events have quite overrun that issue for the moment.

"There are no hotel rooms," he said. "This town is jampacked. There are lobbyists, lots of organizations. They keep saying the arteries of the financial system are clogged. The arteries of Congress are clogged with lobbyists, gawkers, hangers-on, you name it."

Syphax also oversees Township 9, a Nehemiah subsidiary that is planning up to 3,000 residential units on 65 acres just north of downtown Sacramento. He knows how challenging negotiations can be.

"In the history books we've all been taught that after the crash of '29 the leaders of the country put into place all the checks and balances just for this sort of arrangement, in case this sort of calamity happened again. What we are seeing is the theory being tested in real life," he said.

As for an outcome of what he called the "the mother of all bills," Syphax said it was anyone's guess.

Imagine a more normal world

It's a little late to ask this now. But what if we had missed out on that roaring housing boom in Sacramento? Would the values of our homes today actually be higher?

New research shows that median new-home prices in the Sacramento region are now only about \$26,000 above what they'd be if prices had simply appreciated 5 percent per year since 2000.

Today's median price for new homes in El Dorado, Placer, Sacramento, Sutter, Yuba and Yolo counties is \$334,900, according to industry tracker Hanley Wood Market Intelligence of Costa Mesa.

Now, imagine if sales prices had risen gradually over the years instead of at the double-digit pace that occurred from 2001 to 2005, which was then followed by a free-fall over the next three years. Without the dramatic rise and fall, the region's new-home median today might be about \$308,000, says Dean Wehrli, vice president of the Sullivan Group, a San Diego consultant with offices in Sacramento.

Median is where half cost more and half less.

Given that today's prices are falling, they're on track to reach the region's theoretical "natural price point" before long, Wehrli said.

"The downward trend has almost met the upward natural theoretical trend," he said. "This is what prices should be if we had a normal, decent sustainable market."

When the lines meet, it doesn't mean sales will take off, he said. There remain too many unknowns about mortgage rates and the economy.

Yet Wehrli and others in the industry who have mulled this over find it encouraging. He said if Sacramento-area home prices were reasonable in 2000 and 5 percent annual appreciation is also reasonable – "I think it is," he said – then reaching a \$308,000 median could signal a return to a more "normal" market.

Wehrli said he believes Sacramento is closer to its "natural" price point than other parts of California. Why? Because "it took so much pain so quickly," he said.

A similar analysis for San Joaquin, Stanislaus and Merced counties shows double the price spread of Sacramento. Median new-home prices there are still \$52,000 higher than if the market had appreciated 5 percent per year since 2000. That means those areas have a longer wait for a normal market, said Wehrli.

Mortgage rates hop again

Pity the homebuyer trying to lock in the best mortgage rate during this month's Wall Street financial crisis. Rates are jumpier than the mood swings of a stock trader.

Mortgage rates climbed again this week, touching 6 percent after a celebrated drop into the high 5's. That followed a Sept. 7 federal takeover of mortgage giants Freddie Mac and Fannie Mae.

Freddie Mac reported Thursday that rates for 30-year fixed loans averaged 6.09 percent early this week. The previous week it was 5.78 percent.

Those rates spurred a second straight week in which refinancings were 51 percent of the nation's mortgage applications, according to the Mortgage Bankers Association.

Thursday, the financial Web site, Bankrate.com, also noted overnight mortgage rates averaging 5.99 percent nationally. A week ago it pegged them at 5.83 percent.

Freddie Mac blamed the rise on market uncertainty about the economy. The good news: rates are a half percentage point below their July highs.

A real estate casualty? Call us

The fierce and protracted struggle that has defined 2008 for the region's real estate industry will conclude its third quarter Tuesday. That seems a good milestone at which to assess this year's massive downsizing.

We're going to take a look at the layoffs in the region's real estate industry this year. Builders have shut down, title companies and mortgage offices have closed and thousands have hit the trail in search of new jobs.

If you're among them – or if you're a survivor – we'd like to hear from you. Please call writer Jim Wasserman at (916) 321-1102 or e-mail at jwasserman@sacbee.com.

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