



TODAY'S THEME
REAL ESTATE

HOME PRICE CUT

A Laguna Beach house with its own island was cut by \$3.2 million.
Business 14



HOME SELLS

'Villa Serenita' quietly fetches \$30 million.
Business 15

Sales shift to higher-priced homes

Cash paid for nearly 25% of homes sold in region.

By **JEFF COLLINS, JONATHAN LANSNER and MATHEW PADILLA**
THE ORANGE COUNTY REGISTER



O.C. housing market: December

The median home price in Orange County was \$435,000 in December.

| | December | % chg. from November | % chg. from Dec. '08 | Year-to-date average | Change from 2008 |
|------------------------|------------|----------------------|----------------------|----------------------|------------------|
| Sales volume | | | | | |
| All | 2,885 | 14.1% | 11.8% | 2,591 | 14.5% |
| Single-family resale | 1,833 | 14.4% | 11.2% | 1,704 | 14.3% |
| Condo resale | 881 | 20.5% | 21.5% | 763 | 28.5% |
| New | 171 | -12.3% | -17.4% | 124 | -30.3% |
| Median price | | | | | |
| All | \$435,000 | 0.6% | 9.6% | \$410,000 | -11.3% |
| Single-family resale | \$500,000 | 0.0% | 17.6% | \$471,000 | -8.5% |
| Condo resale | \$290,000 | 0.0% | 7.4% | \$282,000 | -14.7% |
| New | \$617,500 | 13.8% | 23.9% | \$503,000 | -0.2% |
| Sales by price | | | | | |
| >2,500 | \$775,000 | 5.4% | 0.0% | \$742,333 | -10.9% |
| Trouble spots | | | | | |
| Defaults | 1,535 | -17.8% | -34.7% | 2,473 | 19.6% |
| Foreclosures | 796 | 17.8% | 10.9% | 710 | -26.3% |
| Financing | | | | | |
| Avg. down payment | 18.5% | -0.9% | 5.1% | 18.4% | -7.5% |
| Adjustable loan share | 6.0% | 0.2% | 106.9% | 4.3% | -74.9% |
| Benchmarks | | | | | |
| Monthly payment index | \$2,297.01 | 0.4% | -2.1% | \$2,238.00 | -14.1% |
| Avg. price per sq. ft. | \$289.19 | 0.8% | 5.1% | \$279.00 | -9.8% |

"We're getting big reductions (in high-end home prices) in order to sell," added Coldwell Banker agent Mac Mackenzie of Irvine. **"That's why the volume's up."**

Definitions: **MEDIAN** is midpoint of all values; **NEW** includes single-family homes and condos; **SALES BY PRICE** breaks down home and condo sales by sales price; **PRICE BY HOME SIZE** breaks down home and condo sales by square footage; **DEFAULTS** are notices of lateness filed by lenders; **ADJUSTABLE LOAN SHARE** is percentage of purchase loans with adjustable rates; **MONTHLY PAYMENT INDEX** is estimated amount for new purchase loans and reflects prices, rates, type of loan and down payment and taxes; and **PRICE PER SQUARE FOOT** is for single-family homes and is not exact since figures do not include recent home-size additions.

Source: MDA DataQuick

ed as high as \$1.7 million.

"The higher end is starting to move, starting to sell," Cocos said.

Despite last month's upbeat close, the average Orange County home price for the year as a whole fell to the

lowest level since 2002.

The year also had the third lowest number of homes sold in records dating to 1988.

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DOW RISES 116; IBM REPORTS EARNINGS UP 9%

The Dow on Tuesday rose 116 points to a 15-month high after sliding 101 on Friday. Broader indexes also rose, and demand for

the safety of government debt waned. Technology stocks got a boost after a Credit Suisse analyst raised his rating on Ciena, a maker of telecommunications equipment, predicting that revenue would exceed expectations. Shares of tech companies will draw more attention today after IBM reported a 9 percent increase in earnings for the final three months of 2009. The company said after the closing bell Tuesday that its revenue rose for the first time in a year and a half. IBM also predicted that its 2010 earnings will come in at the high end of its previous forecast.

↑ **Dow 30 industrials**
Close: 10,725.43
Change: +115.78

↑ **Nasdaq composite index**
Close: 2,320.40
Change: +32.41

↑ **S&P 500 index**
Close: 1,150.23
Change: +14.20

↑ **10-year Treasury yield**
Close: 3.71%
Change: +0.03

↑ **Oil Nymex per barrel**
Close: \$79.02
Change: +\$1.02

BUILDER SENTIMENT LOW

Concerns about the poor job market and a further wave of home foreclosures depressed the spirits of U.S. homebuilders in early January, an industry trade group reported. The homebuilders' sentiment index declined to 15 in January from 16 in December, the National Association of Home Builders reported. The index, now at the lowest since June, has declined in three of the past four months. At 15, the index indicates that about 1 in 6 builders thinks the market is "good."



BERNANKE: REVIEW AIG

Federal Reserve Chairman Ben Bernanke took the unusual step of asking Congress' investigative arm to conduct a "full review" of the Fed's role in bailing out insurance giant **American International Group**. The Fed chief's move is aimed at defusing criticism of the government's \$182 billion rescue. The bailout sparked public outrage and demands in Congress for more information, especially after it was revealed that millions in bonuses would go to employees in the AIG division most responsible for the company's need for a bailout.

JAL TO RESTRUCTURE

Japan Airlines filed for one of the country's largest bankruptcies ever, entering a restructuring that will shrink Asia's top carrier and its presence around the world. Staggering under a \$25.6 billion debt mountain, the carrier applied for protection from creditors under the Corporate Rehabilitation Law - Japan's version of Chapter 11 - with the Tokyo District Court. Japan's flagship airline will slash nearly 16,000 jobs, reduce pensions for retired staff, cut routes and shift to more fuel-efficient aircraft as part of its restructuring.

COMING TODAY

- **Will Starbucks Corp.**, which reports earnings today, report a rise in the last quarter as it did in the third? Or are Venti Cinnamon Dolce Lattes getting replaced with a plain cup of Joe?
- **Wells Fargo & Co.** also reports earnings.

QUESTIONS ABOUT MORTGAGES?

Have a question about getting your first mortgage? Wondering how your credit history will affect your loan rate? Looking to refinance? Randy Johnson, president of Independence Mortgage Co. in Newport Beach, author of "How to Save Thousands of Dollars on Your Home Mortgage" and a mortgage broker since 1983, is ready to answer questions like these from readers. E-mail your questions to Register mortgage reporter Mathew Padilla at mapadilla@ocregister.com. Include your name and the city you live in. Answers will be published online at ocregister.com/mortgage and in Sunday's Business section.

Citigroup cuts loss as loans stabilize

THE ASSOCIATED PRESS

Citigroup became the latest bank to take a cautious view of consumers' credit problems, reporting a \$7.77 billion fourth-quarter loss due to failed loans and the costs of repaying \$20 billion in government bailout money.

Even with the loss, Citigroup, the hardest hit of the big U.S. banks during the credit crisis and recession, plans to give big bonuses this month to its top employees.

The earnings report Tuesday, which met analysts' expectations, reflected Citigroup's struggles and changing status in the banking industry. The company was forced to set aside \$8.18 billion to cover the loans consumers can't repay, joining other big lenders that are still losing money on loans. But Citigroup, having been forced to shed its big investment banking and brokerage businesses during the banking crisis, lacked those buffers against losses that other major financial companies

still have.

The company's focus, therefore, is on loans, which are deeply troubled but showing some very early signs of improvement. For example, the addition to Citigroup's loan reserves was down 10 percent from the third quarter, and 36 percent from a year earlier.

And John Gerspach, Citigroup's chief financial officer, noted during a conference call with the media that the number of mortgage and credit card loans that were newly delinquent, or between one and three months past due, had started to stabilize and even drop in some of its lending portfolios.

However, "the U.S. credit story is still very much developing," Gerspach said.

The bank's loss after accounting for payment of preferred dividends came to almost \$7.77 billion, or 33 cents per share. That compared with a loss of \$18.16 billion, or \$3.40 a share, a year earlier. In the third quarter of 2009, it lost \$3.24 billion after paying dividends.



BERNARDO DE NIZ, BLOOMBERG

A pedestrian passes Google's China headquarters in Beijing on Tuesday. Google has delayed the debut of two mobile phones.

Cell phone debut halts

THE ASSOCIATED PRESS

Google has delayed the debut of two mobile phones designed to connect with its Internet services in China, widening the void that might be opened if the company and Beijing can't resolve their rift over online censorship and security.

The phones, made by **Motorola** and **Samsung**, use the Android operating system, created by Google to steer people to its search engine and other services. **China Unicom Ltd.** was supposed to be the carrier.

The postponement Tuesday is the latest aftershock from

Google's threat to shut down its services in China, which could cut off the world's most populous country from Google's services.

Google says it will remain in China only if the government relents on rules requiring the censorship of content the ruling party considers subversive. The ultimatum came last week after Google said it uncovered a computer attack that tried to plunder its software coding and the e-mail accounts of human rights activists protesting Chinese policies.

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