

## Home Prices Fall, Buyers Moving In

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Median home prices have plummeted below \$160,000 in several Antelope Valley ZIP codes, and home-sales volumes in several of those areas in July nearly doubled from year-ago levels, according to figures compiled from county records for the Business Journal.

Most purchases are by first-time homebuyers, but local real estate agents report increasing numbers are by investors looking for great deals.

"We've had some comments from investors: 'Anything under \$115,000 or \$120,000 that's less than 15 years old, we'll take,' with almost no questions asked," said Bob Stickney, general manager for Century 21/Doug Anderson & Associates in Lancaster.

Stickney said sales activity in his office is quickly approaching the levels reached in 2005, at the peak of the housing boom. About one-fourth of the clients on the buyer side are investors with no intention of living in the home but are eager for a good deal.

This surge in activity at the bargain-basement level is the key factor driving down the countywide median price. According to the figures supplied to the Business Journal by Melville, N.Y.-based HomeData Corp., L.A. County's median price in July fell 28 percent to \$420,000 from July 2007. It was the lowest median price since \$409,000 in May 2004. The number of homes that sold in July in the county was down 17 percent from the same month last year.

Meanwhile, the median price of a condo was \$395,000, down 12 percent from a year ago. Condominium sales volume was up 6.4 percent year over year in July.

The increase in sales of condos, which generally sell for less than single-family homes, is further evidence that sales of low-end units have picked up steam in recent months, especially in areas that have been hardest hit by distressed home sales.

At the same time, home sales in high-end neighborhoods have slowed or even fallen, with sales volume in some pricey ZIP codes on L.A.'s Westside falling about 20 percent. Prices of Westside homes in the \$1 million-\$2 million range have fallen about 10 percent year over year, according to one local Realtor.

The surge in low-end home sales and the slowing of high-end home sales are combining to force L.A. County's median home price down more than normal. That's the opposite situation from a year ago, when sales of high-end homes were propping up the median price. In fact, the median price in July 2007 was \$585,000 – the peak price – even though the number of homes that sold dropped.

As a result, the recent numbers present a somewhat skewed picture, said Steve Cauley, director of research at the Ziman Center for Real Estate at UCLA.

"I doubt that most homes that are put on the market today are worth 30 percent less than if they were put on the market a year ago," Cauley said. "It's this shift in transactions from the high end to the low end that's helping to skew the median."

This might be good news for bargain hunters and some first-time homebuyers, but it underscores the problems that some neighborhoods are experiencing with lots of foreclosed homes and collapsing prices, according to Christopher Thornberg, principal with Beacon Economics in Los Angeles. Also, there's little indication that middle-class homes are out of their funk.

"The market isn't moving – except for distressed sales where the bottom feeders are coming in," Thornberg said.

Exploding numbers of distressed properties – where the homes are foreclosed by lenders, or mortgage debt exceeds a property's market value – are driving activity in the Antelope Valley.

About 55 percent to 60 percent of sales there are hardship cases, Stickney said. Many other units that show up in the sales numbers are in recently constructed housing tracts, where builders are unloading homes at sharply reduced prices.

He said most of his clients are renters looking to buy their first home. As prices soared, they couldn't afford to buy. Now, they see the prospect of their monthly mortgages being less than their current monthly rental payments.

The allure is even sweeter if the prospective homebuyer qualifies for a Federal Housing Administration loan that requires only a 3 percent down payment and the seller is willing to kick in most of the closing costs. On a \$120,000 home, a 3 percent down payment is only \$3,600.

As an example of what's happening in the Antelope Valley, the median home price plunged 43 percent between July 2007 and July 2008 to \$151,000 in Lancaster's 93534 ZIP code, which covers the downtown core and consists of largely older and cheaper housing stock. Home sales volume, meanwhile, shot up 104 percent to 53 units.

Newer developments in Lancaster and Palmdale are also declining in price. On Palmdale's east side, the 93550 ZIP code, the median price has fallen 46 percent year-over-year to \$169,000, while home sales skyrocketed by 91 percent to 90 units.

"This median price range has finally dipped to the point where the median income earner in the Antelope Valley can afford it and they are coming out of the woodwork," said Mark Troth, a Realtor with Troth Realtors/GMAC Real Estate and chairman of the

Antelope Valley Chamber of Commerce.

### **Investors return**

The biggest surprise for Stickney and other Antelope Valley Realtors is the speed with which investors have come back into the market. They expected it would be several years before buyers ventured back.

But prices have fallen so far so rapidly that deals are appearing that look too good to pass up. And not just in the Antelope Valley, but in other parts of the state hard hit by the mortgage crisis and falling real estate values.

For example, in San Diego, Silver Portal Capital LLC, a small real estate investment bank, is raising \$150 million to buy foreclosed properties, according to the Wall Street Journal. Most of the money is coming from pension fund advisers and other investors.

Robert Kleinhenz, deputy chief economist for the California Association of Realtors, said his association is seeing higher levels of buyer interest in areas of the state hardest hit by the mortgage crisis.

"The Central Valley, northern Santa Barbara County, the Inland Empire, they're all seeing the same thing," he said.

Meanwhile, sales in high-end neighborhoods started to soften after last summer's credit crunch, when it became much more difficult to obtain jumbo mortgage loans, while activity in low-end markets such as the Antelope Valley or the Inland Empire has picked up only recently, he said.

On the Westside, the softening of high-end neighborhoods has become apparent to Realtors, starting first with homes in the \$1 million-\$2 million range and moving up the price chain.

"In the \$1 million price range, our year-over-year prices are probably off about 10 percent," said Mike Nourmand, president of Nourmand & Associates Realtors in Beverly Hills.

Sellers in this price range are now having to give more and larger "credits" for minor repairs or improvements on their properties. Nourmand said that thanks to more stringent loan underwriting standards, these credits must now be factored into the closing price. That has contributed to the median price decline.

Looking ahead, both Nourmand and Kleinhenz expect more softening in the high-end market.

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