

LOS ANGELES BUSINESS JOURNAL

[PRINT](#) | [CLOSE WINDOW](#)

L.A. Buyers Flock to Low-End and Luxury Homes

By **HOWARD FINE** - 9/7/2009

Los Angeles Business Journal Staff

People are buying homes again in L.A. County, and not just cheap foreclosed properties: They're buying at the upper end, too.

Convinced that prices are near the bottom, and drawn by low interest rates and impending deadlines for federal and state tax credits, first-time homebuyers and bargain hunters continued their return to the market, often getting into bidding wars over foreclosed and bargain-rate properties, especially condominiums.

Meanwhile, banks have finally eased the reins a bit for jumbo loans, allowing buyers to step in at the upper end, boosting sales in luxury areas like Calabasas, Manhattan Beach and Palos Verdes Estates.

These trends are evident in the August new and existing residential sales data for Los Angeles County from HomeData Corp. of Hicksville, N.Y. Home sales jumped 45 percent from August 2008 and August 2009, and were even up 5 percent from July levels.

Meanwhile, the median home price held steady at \$330,000 between July and August. Also noteworthy: The rate of year-over-year decline is slowing: Between August 2008 and August 2009, the price dropped 18 percent, compared with a 30 percent drop between August 2007 and August 2008.

"We're either at or near the bottom," said economist Chris Thornberg, a principal with Beacon Economics in West Los Angeles and a close observer of L.A.'s real estate markets.

The biggest beneficiary has been the condo market, where sales surged 55 percent between August 2008 and August 2009.

What's more, condo prices posted a 7 percent gain between July and August, hitting \$320,000, the highest level since November. The August numbers show a 16 percent decline in year-over-year condo prices.

A federal tax credit of up to \$8,000 for first-time homebuyers runs through November, while a state tax credit of up to \$10,000 just expired this past week for purchases of new homes and condominiums. These credits – combined with mortgage interest rates in the 4 percent to 5 percent range for 30-year fixed-rate loans less than \$417,000 – have spurred many buyers who had been sitting on the sidelines during the housing market meltdown.

This has boosted sales in the county's urban core, with communities such as El Sereno and Exposition Park recording year-over-year sales jumps of 200 percent or more. Many of the county's suburban markets, including Mission Hills, Pomona and West Covina, saw sales volumes double between August 2008 and August 2009.

Yet sales are also hopping in many areas at the opposite end of the price spectrum. Several ZIP codes with median home prices exceeding \$1 million saw their sales volumes increase by more than 100 percent over the past year, including areas of Calabasas, the Hollywood Hills, Manhattan Beach and Palos Verdes Estates.

"The prices have finally dropped enough to where buyers are stepping in and the banks are doing better at

making loans,” said Syd Leibovitch, owner of Rodeo Realty in Beverly Hills.

Leibovitch said few banks were making jumbo loans of more than \$730,000 earlier this year, and the few that were required down payments of 50 percent or more and were charging interest rates of 8 percent or 9 percent.

“Now, with the price coming down and the interest rates more like 5.5 percent, a home that was on the market for \$3 million six months ago is now being sold for, say, \$2.2 million,” he said.

Tightening supply

In Manhattan Beach, tightening supply is also an issue. Six months ago, there were seven months' worth of unsold homes on the market. Today, that figure has been cut in half, said Steve Goddard, broker-manager for ReMax Marquee Partners in Manhattan Beach and president-elect of the California Association of Realtors.

In Long Beach, the supply of residential units is so tight that one brokerage house has started sending out mailers to see if residents would be willing to sell their homes.

“We're actually doing mailings into certain areas of Long Beach inquiring if anyone is looking to sell,” said Phil Jones, managing partner of the Coldwell Banker Coastal Alliance, which has three offices in Long Beach. “This has been very surprising; a few months ago, we would never have dreamed of this situation.”

Yet despite all these encouraging signs, few are willing to say the local housing market is in recovery mode.

“The real estate market is now bouncing along the bottom,” Goddard said.

Looming over everything is the huge number of foreclosures, both current and expected. As has been the case for the past year, many of the bargain properties now on the market are foreclosures.

But nearly everyone expects thousands of new foreclosures to be dumped into the L.A. market in coming months now that a federal moratorium on foreclosures has been lifted.

“This halting, temporary recovery we're seeing right now could be cut short by future foreclosures coming onto the market,” said Joe Breckner, sales associate with Coldwell Banker of Studio City.

Also in question is the impact that the expiration of the federal tax credit for first-time homebuyers in November will have on the market.

“It's like the Cash for Clunkers program,” said Stephen Cauley, director of research at the Ziman Center for Real Estate at UCLA. “It was very good while it lasted, but what it ended up doing was stealing sales from the future.”

Los Angeles Business Journal, Copyright © 2009, All Rights Reserved.