

L.A. LAND

THE RAPIDLY CHANGING LANDSCAPE OF THE LOS ANGELES REAL ESTATE MARKET AND BEYOND.

[« The next foreclosure flipper: Your government | Main | San Bernardino 92410: median sales price -- \\$92,000 »](#)

[Ask Pete, Chapter 4: Your questions, answered](#)



As always, you folks ask great questions. I apologize in advance for not answering them all. Feel free to answer those that I don't -- [you can go back into the original post \(link here\)](#) and offer your answers. That said, some Q and A:

Q: Eternal summer asks, "Please look into your crystal ball & give us your prediction on housing trends for 2009."

A: Continued price declines in Los Angeles County for most of 2009, probably the entire year. At least one more federal economic stimulus program, and a major federal effort to increase mortgage lending, likely through a S&L-type bailout that takes bad debt off the banks' books.

Q: Larry asks, "You keep stating in this blog that this real estate cycle is different. Is it possible that the long term impact could be massive declines in less affluent outlying areas and a permanent escalation in the Santa monica / Beverly Hills central city areas? ... It would make this city resemble the cities of the developing world with rich enclaves..."

A: Great question. I call this the "Blade Runner" scenario and I hate to say it, but I definitely think it's possible. I'm a believer in the Lou Dobbs theory that the American middle class is under economic assault and the result is a bigger gap between the haves and the have-nots. For what it's worth, economist Chris Thornberg, a pretty smart guy, does not see a "permanent escalation" in home prices in wealthier neighborhoods -- he believes those markets will crumble too.

Q: MarkW asks, "In the areas like the IE that are seeing increased sales, who is buying? Is it first time buyers, investors, people retiring?"

A: (From Annette Haddad, who recently wrote about the boom in sales in the IE): "Reports from experts, mortgage brokers, realty agents and actual buyers suggest it's a mix of all three. There certainly is a pool of buyers that sat out the recent boom and has been waiting for the right opportunity to buy an affordable home to live in. Likewise, there are plenty of investors -- seasoned pros as well as neophytes -- who are finding that as investment properties become more reasonably priced they are finally 'penciling out' as financial propositions. The downscaling phenomenon, i.e. people retiring and moving to the desert, is one of those life issues that is a constant, albeit small, part of the real estate market. Helping

sales in general is the simple fact that lower prices mean that mortgages are more often of the traditional conforming type -- under \$417,000 -- and thus make bank financing easier to obtain."

Q: xtine asks, "Is there any good reason to use a RE agent anymore?"

A: At the risk of disappointing some core readers here, I think there is. If I'm buying a house (I'm not, but work with me here), I want someone advising me who has been through the process hundreds of times. Someone who knows more about real estate than I do. Someone I can trust.

Q: TakeFive asks, "So Pete, are you tempted to buy yet? Even just a little? Do you and the Mrs. stop by open houses and think 'well, we could'... Or are you going to stand by your cold analysis, wait for the market bottom, and not even consider it before then?"

A: Not tempted. I go to Open Houses, but my wife generally doesn't. We're not "waiting for the bottom" -- we just can't afford to buy anything we'd like to own. The ultimate answer could be lower prices, or a higher salary, or continued happy renting, or life in a different city.

Q: Cal asks, "See any compelling storylines over the next couple months either positive or negative or are we in the doldrums right now?"

A: Newswise, it's doldrums. The biggest story I see right now is the collapse of prices in the Inland Empire and the Antelope Valley, but I don't sense a lot of interest in that story in L.A., or even on the blog. In this week's MDA DataQuick numbers, there are a couple of ZIPs with median sales prices of \$105,000. A hundred and five!! That means half the properties are selling for less than that amount.

Q: I Am Not Dead, So This Must Be LA asks, "Some of the data you have presented suggests that prices have gone up about 150% since 1996. Why is it then that most dire 'bottom' predictions only call for a 50% drop (at most) from the 2006 peak?"

A: I think your math is shaky -- a 50% decline wipes out almost all of a 150% gain. Here's the math: prices rise 150%, from \$200K to \$500K. Then they fall 50%, back to \$250K. That wipes out \$250K of the \$300K gain. That's big. A 50% decline is massive.

Q: Ace asks, "What is your favorite sort of comment on the blog?"

A: I like short and funny comments (I happen to think Johnny Dollar and MyLessThanPrimeBeef are funny). I also like short and smart comments, particularly if they contain a link to something worth reading.

--Peter Viles