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L.A. LAND

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

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Southern California median prices now down more than 40% -- what a difference a year makes

Southern California **median sales prices** are now down more than 40% from their peak. They're on the verge of falling beneath $300,000. Foreclosures make up more than half the homes sold in the region.

The latest figures are probably of little surprise to anyone these days.

But just a year ago it was a matter of some controversy when several **economists interviewed by the Times predicted prices would fall 15% to 25%** from their peak levels. For a lot of market watchers, those predictions seemed frightening at the time.

Many of the 86 commenters on this blog, however, correctly predicted the forecasts were underestimating the potential drop.

Perhaps a greater number of real estate industry people wrote me angry notes saying the predictions were irresponsible, or berating me for playing up "negative" information.

Shortly after that story ran, economist Christopher Thornberg adjusted his prediction to a 40% drop from the peak (this was well before the 25% drop he earlier predicted had been achieved). He's now tweaked it again to a 55% drop from the peak.

That predicted 25% drop doesn't seem so bad any more, now does it?

-- Peter Y. Hong

Posted by Peter Hong on November 18, 2008 in Home Prices Southern California | Permalink

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Comments

Hey Peter how about posting some of that hate mail?

That would be an interesting blog post.

Just replace the author's name with their occupation.

The whole bubble was groupthink writ large.

Posted by: sunsetbeachguy | November 18, 2008 at 07:08 PM

Saw Thornberg tonight on CNBC's On The Money show with Carmen Wong Ulrich; he was defending the price declines particularly in California as being necessary since they were driven up by fraud. He gave the example of a household making 60-70k in a $600k house - even with a 0% loan they can't afford it. But Carmen was having none of that - she was like a wind up toy, kept repeating that the foreclosures have to stop and was promoting Sheila Bair's idea of stopping foreclosures. None of these people want to deal with the fact that prices have to come down to get the market back to normal. Are they really willing to write down the principal on these loans to what the borrowers can afford? And then what? Keep that a secret, or does that immediately devalue the surrounding homes? Then do those owners get their loans rewritten? When does it stop?

Posted by: Kathy | November 18, 2008 at 08:05 PM

The outlying areas of Los Angeles and San Diego have been hit hard by foreclosures. The more affluent areas have withstood the big price cuts so far. However, that is about to change as ALT -A and PRIME Loans begin to reset in 2009. I think we have to start thinking about how much of a drop from the peak is a jumping in point for buyers. I am in the 50-60% camp for the Westside of Los Angeles. When all is said and done, the affluent areas will be hit just as hard, to the disbelief of many.

Always the last domino to fall, yet sometimes the hardest.

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