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REAL ESTATE

Southern California's median home price drops below $300,000

The November median sales price falls 34.5% from a year earlier.
By Peter Y. Hong

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Foreclosures continued to drag home prices to new lows in November, as the Southern California median sales price slid to $285,000, its first drop below $300,000 since 2003.

The November median price was down 34.5% from the same month last year, and 43.6% below the peak price of $505,000 recorded during several months in 2007, San Diego real estate information service MDA DataQuick reported Tuesday.

"It's really hard to say over and over 'It's worse than we expected,' but we've been saying that for a long time now," UCLA economist Edward Leamer said.

The flow of repossessed homes into the housing inventory persisted last month, undercutting all home prices and dominating sales. Foreclosed homes accounted for 54.6% of the properties sold in November, up from 18.8% in November 2007.

Foreclosed homes typically sell for far less than their previous sale amounts, driving down the median price in foreclosure-heavy regions such as the Inland Empire, where about 70% of November home sales were of foreclosed homes.

San Bernardino County's 43.9% price decline from the previous November was the steepest in the Southland, and its median sales price of $185,250 made it the only county in the region to have a median price below $200,000. Riverside County prices fell 38.3% in November from a year earlier to a median of $220,000.

Low prices pushed the total number of Southern California homes sold in November up 27%. Economists say that the sales of foreclosed homes will help the market find its bottom but that a return to rising prices is a long way off.

That's because the sale of a foreclosed home doesn't provide the same boost to overall sales as a transaction that involves a homeowner who is selling willingly. An individual selling a house will typically soon purchase another home. That does not happen when a bank clears a foreclosed house from its inventory.

"Those transactions simply repay lenders," MDA DataQuick President John Walsh said. "They don't trigger a move-up purchase."

Leamer said the housing market was falling so fast that it would probably overshoot.

By some measures, falling prices have made homes affordable to more Southern Californians. A National Assn. of Home Builders quarterly index showed that at the end of September, about one-fifth of Los Angeles-area residents brought in enough income to qualify for a loan on a median-priced home. During the height of the real estate boom in 2005 and 2006, only about 2% of Los Angeles-area residents could afford a median priced home, the index showed.

"In three to four months we should be back to historic norms" of home affordability, said Christopher Thornberg, principal of Beacon Economics, a Los Angeles consulting firm.

But that doesn't mean there will be a rush of home buying. Many people have lost their jobs, and some have lost savings they might have used for down payments. Others owe more on their mortgages than the value of their current homes and would not have the credit to qualify for a loan on a new home, even if their income would support it.

Thornberg predicted that based on the pace of current price declines, home prices in Southern California will settle at 55% below their peak in late 2009 and probably remain at that level for some time. If, however, unemployment continues to rise, "that may take the life out of the near-term bottom," Thornberg said.

The typical monthly mortgage payment Southern California buyers committed themselves to paying was $1,323 last month, down from $1,413 in October and off from $2,049 in November 2007, MDA DataQuick said. Adjusted for inflation, current payments are 37.4% below typical payments in spring 1989, the peak of the previous real estate cycle. They are 48.7% below the current cycle's peak in June 2006.

November price declines exceeded 30% throughout Southern California, though Orange County's November median price of $400,000 remained the highest among the six counties despite being down 31.4% from a year earlier.

San Diego County recorded a slightly smaller November drop than the rest of the Southland -- its median price for November was down 30.7% to $305,000, while Ventura County's median of $355,000 was 31.9% lower.

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