

Home sales increase may be sign of recovery

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Chris Vigil puts a sold sign on a property in Santa Fe Springs Friday, September 19, 2008. The property sold for above the listing price. In light of the economic turmoil that occurred, there are signs that the real estate market is picking up, as more buyers come because of lower prices on homes. (Walt Mancini, Staff Photographer)

As Washington lawmakers spend the weekend hammering out what may be the largest financial bailout in U.S.

history, local real estate experts say the Southern California housing market may be bottoming out.

After more than a year of plummeting prices, sales in Southern California counties picked up in July and August over the same months last year, according to statistics released last week.

"It's a slight but steady monthly uptick," said Tom Adams, owner of Century 21 Adams & Barnes in Glendora and Monrovia. "But it's continuing, and once we get past the election, I think it will uptick even more."

A total of 19,366 new and resale houses and condos closed escrow in Southern California in August - down

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slightly from July but up 9 percent from August 2007.

At the same time, home prices fell 34 percent from a year earlier to \$330,000.

"Borrowers who thought they would never buy a house are buying some very nice homes," said Dave Coy, a Realtor for Century 21 in Redlands. "There are payments out there right now for buyers to purchase a nice home for \$300 a month less on an FHA loan than what the going rent is."

Even with sales improving, however, experts don't expect a quick turnaround in the market. Prices may continue to decline and level off as sales increase.

The nation's financial markets also continue to struggle under the the historic debt left in the wake of record defaults, leading many experts to compare the state of today's markets to the days leading up to the Great Depression.

Twelve federally insured banks have failed this year, and the federal government has committed hundreds of billions of taxpayer dollars to prop up mortgage giants Fannie Mae and Freddie Mac and American Insurance Group, Inc.

On Friday, President Bush and Treasury Secretary Henry Paulson asked Congress to approve hundreds of billions more to buy bad debt from struggling banks and financial institutions. Some experts think the government bailout could top a trillion dollars.

Real estate experts are divided as to what immediate impact the government's bailout plan for Wall Street will have on the housing market.

Adams is optimistic.

"If all of that bad debt could be shuffled off to the corner, the rest of the financial world could return to some kind of normalcy," he said. "Right now, people are having a lot of

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trouble getting loans. But this would allow lenders to soften up a little bit . . . and maybe have some middle-of-the-road guidelines that make more sense."

Adams stressed, however, that all of the debt would have to be removed.

"The costs associated with with insuring the risk has gone through the roof," he said.

But government bailout or not, Adams said sales in his area already have picked up.

"We've got one home we're working on where we got our sixth offer this week," he said. "Two of those were all-cash offers. When you start seeing multiple offers mixed in with all-cash offers - which we're starting to see - that's a good indicator that if we're not at the bottom, we're close enough that smart money is coming back into the market."

Steve Johnson, director of the Riverside office of Metrostudy, said

most of the recent activity in Southern California's real estate market has been at the bottom end as more bargain hunters jump back in seeking good deals.

"There are lots of Americans out there who are great bargain shoppers," he said. "They've waited on the sidelines and now they're snatching up homes. And it's a lot easier to qualify for a \$200,000 home than to try for a home that's \$600,000 to \$800,000 with a jumbo loan."

Johnson figures the housing market can't get much lower.

"Are we near the bottom? We're probably very close at this point in regard to the volume of activity," he said. "The problem is in San Bernardino and Riverside counties about 58 percent of the home sales are foreclosed properties."

Chris Vigil, a broker with Keller Williams in Whittier, said he's seeing increased activity as well.

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"We're in a good market now," he said. "A lot of buyers who have been sitting on the fence waiting are coming out now."

In some cases, the increased interest is pushing home prices higher, Vigil said.

"We're getting multiple bids on some of these properties," he said. "We had a house in Santa Fe Springs that listed for \$300,000 and it ended up selling for \$410,000."

Coy believes the drop in home prices is a much-needed correction.

So will the government's bailout plan for banks pump new life into the real estate market?

"I think it's all lip service," Vigil said. "Earlier in the year when they raised the FHA loan cap to \$719,000 they made all of this hoopla about it. But we didn't see anything happen. Trying to get someone to qualify for a loan is still a lot of work."

Vigil said most lenders have been burned by bad loans and are being overly cautious.

"The underwriters will still be reluctant to write loans," he said. "But I think we're seeing the bottom. All signs indicate it won't get much lower. And by the time we know what the bottom is ... prices will be going up."

Southland economist Christopher Thornberg, a principal with Beacon Economics, doesn't think the government's multibillion-dollar rescue plan for banks will do much for the housing market.

"Liquidity is not relevant - it's not the problem," he said. "People just bought homes they couldn't afford, and they couldn't refinance because they couldn't pay their mortgages."

The housing market is choking because home prices were artificially inflated, Thornberg said, putting them well beyond the reach of average buyers.

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Prices have fallen significantly over the past year, he said, but they still have a ways to go.

"Falling prices will create liquidity and then a lot more people will qualify," Thornberg said. "In terms of a recovery, we're halfway there. Prices had to fall 40 percent just to get back in line with historic norms. I think things will bottom out when they fall 50 percent."

Edward Leamer, an economist at UCLA, has his own theory about what needs to happen.

Rather than reward Wall Street investors for making bad decisions and exposing taxpayers to hundreds of billions in losses, Leamer said the government should be providing incentives for first-time homebuyers to get into the real estate market.

In Washington, Democrats appeared likely to push for additional help for homeowners before sending legislation to Bush as soon as next week.

Of the 1,682 houses on the market in Fontana, 422 are real estate-owned properties and 628 are short sales, said Bill Velto, managing broker for Tarbell Realtors in Upland.

"That's about two-thirds of the properties in Fontana," he said.

Still, Velto said, lower prices finally are translating into more sales.

"It's good news because about 20 percent of properties are selling every 30 days," he said. "It's an indication that properties are moving."

The Associated Press contributed to this story.

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