

Los Angeles Times

BUSINESS

Home sales slump in July

Southern California sees a 21.4% drop in home sales from 2009 but tax credits skew the figures.

By Roger Vincent, Los Angeles Times

August 18, 2010

Southland home sales fell dramatically in July as federal tax credits for buyers expired, yet the median home price declined only slightly from June.

Observers say buyers' rush to take advantage of the tax benefits pushed forward sales that would otherwise have taken place later in the summer, creating a statistical drop that didn't signify sudden underlying market weakness. When averaged, home sales have been fairly flat in recent months, said Gerd-Ulf Krueger, principal economist at HousingEcon.com.

"The lack of progress on the economic front is just having a very problematic impact on the psychological situation of a lot of American consumers," Krueger said. "They are very cranky."

The median price for all new and resale single-family homes, condominiums and town homes in July in Southern California was \$295,000, according to MDA DataQuick of San Diego. Although that was a 1.6% drop from June, it represented a 10% increase from a year earlier, the real estate research firm said Tuesday.

Year-over-year price increases have occurred throughout 2010, with the exception of a 1% dip in April. But such advances will be harder to come by in future months, DataQuick analyst Andrew LePage said. Median prices — the point at which half the homes sold for more and half for less — were depressed early last year by a glut of distressed sales in cheaper inland markets, then moved up in later months as sales activity spread to wealthier neighborhoods.

"The high end came alive in the middle of last year," LePage said. "Sellers got real and buyers started buying."

A total of 18,946 homes were sold in the six-county region, a 20.6% drop from the previous month and a decline of 21.4% from July 2009, DataQuick said.

"It was to be expected," LePage said, because many sales closed in May and June after buyers rushed to take advantage of a federal tax credit of up to \$8,000.

About 34% of resales of existing homes involved foreclosed properties, compared with 33% in June and 43.4% in July 2009 in Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties. Foreclosure sales have been flat for the last few months, LePage said.

Home prices will also be mostly flat in the months to come, perhaps with a slight upward trend, Krueger predicted.

"That won't change until we hit the wall in terms of supply," he said.

Krueger found some encouragement in the number of homes being snapped up by investors. Almost 22% of July home sales were to absentee owners who intend to resell or rent them to tenants.

"There is pent-up demand for speculative product," he said, and even a shortage of foreclosure-related bargain properties on the market as far as investors are concerned.

Recent first-time buyer Steven Kaplan said he and his wife were not impressed with the distressed properties they saw on the market around Melrose and La Brea avenues in Los Angeles. Many were "short sales" priced for less than the banks were owed.

"What we were seeing for \$600,000 were totally trashed houses," the 33-year-old sound engineer said.

The couple ended up buying a smaller house for less than \$600,000 last month that didn't need a lot of work. He and his wife, Lola Stewart, had been thinking about buying a house for about five years. They decided to plunge ahead when they saw both home prices and apartment rents tick up a bit earlier this year.

"We were looking to get a better place," he said, "and low interest rates made us able to actually afford something."

The lure of loans at rock-bottom interest rates, though, still isn't strong enough to overcome weak consumer confidence, said broker **Syd Leibovitch**, president of **Rodeo Realty Inc.** in Los Angeles.

"Interest rates are at 1950s levels," he said. "I am surprised that hasn't spurred more activity."

Inventory on the market is almost double what it was in February, Leibovitch estimated. "Agents are no longer complaining they have nothing to show. There are lots of choices now."

Agent Lynette Williams, who specializes in northeast Los Angeles and Pasadena, said she was also seeing more houses on the market, and some of them in select neighborhoods sell rapidly. Still, she is apprehensive about how the market will perform without federal tax credits. State subsidies are also phasing out.

Interest rates may be low, but getting financing is no picnic, she added. "Banks are scrutinizing everything."

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