

Agent: Carol Wolfe of Rodeo Realty expects prices to continue to fall in the high-end market.

High –End Home Deals



RESIDENTIAL: Buyers are competitive as activity increases.

By [Eric Billingsley](#)

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If you're in the market for a million dollar plus home in the greater San Fernando Valley area, now may be the time to act. And you may even score a luxury pad with Hollywood credentials.

"Prices are really down in Sherman Oaks, Encino and Tarzana, and I noticed an uptick in high-end sales activity at the beginning of the year and in February," said Carol Wolfe of Rodeo Realty. "But I can't say it's happening on every house."

Wolfe and other local Realtors said there's more activity because high-end property values continue to decline, there's an increase in short sales, more buyers are coming off of the sidelines, and some traditional sellers are looking to upscale.

But competition is stiff. Buyers are paying all or mostly cash. Financing and homes not appraising for the agreed upon sales price are constant hurdles. And homes that aren't priced right are not selling.

The trend mimics what's happening in the lower-end home markets, albeit on a smaller scale since only a select few can afford to buy a million dollar plus home.

"The motivating factor on high-end homes is value," said Patti Petralia, president of Southland Regional Association of Realtors. "Because prices have softened so much, it's an opportunity for people sitting on the sidelines looking for a deal."

Many top-end sellers are people in entertainment, financial services and other occupations who bought big houses during better economic times, she said. Now that the market has adjusted, and paydays are less, they can't afford to carry the homes anymore.

Unlike many homeowners in the \$500,000 and less category, some top-end owners had enough cash reserves to continue paying for their properties. But those reserves are running low.

Upside down

Banks are unwilling to do loan modifications if the property is under water and the owner is working less. Traditional sales are an option if the home is priced right and in pristine condition. But some homeowners are doing short sales or walking away.

“There’s a good percentage underwater,” said Petralia. “The sense is these homeowners still have money (e.g. savings and 401Ks) but they will not deplete it to pay for a house that’s upside down.”

Valley hot spots for high-end home sales are Calabasas, Chatsworth, Toluca Lake, Bell Canyon, Porter Ranch and south of Ventura Blvd, she said, adding she expects more top-end home foreclosures in the future.

About 20 to 30 percent of the million dollar plus sales comps in the area are short sales, said Wolfe, which is one factor driving down home values.

In one recent Sherman Oaks short sale, there were two loans on a home that totaled \$1.8 million. The 4,000 square foot house was listed for \$1.5 million and sold for \$1.4 million. The house was in great condition, but the former owner had a hardship.

“I don’t think we’ve hit bottom on the high-end, and prices will probably go a little lower,” said Wolfe. And there are a lot of traditional sellers wanting to put their homes on the market and take advantage of cheap prices elsewhere.

Buyers are a cross-section of well-to-do professionals who work in various industries, investors, and homeowners with families looking to move into other upscale neighborhoods and cities with better schools.

All-cash transactions

There are some all-cash transactions. Other buyers are plunking down more than 50 percent of the sales price in cash and taking out small loans. The federal homebuyer’s tax credit, which recently expired, does not apply to this market because of caps on income.

“It’s amazing how many people have a lot of money,” said Wolfe, adding they’re often willing to pay the agreed upon sales price, even if the home does not appraise for the same value.

However, short sale buyers often have to wait a long period for banks to approve short sales. And there’s no certainty short sales will be approved.

And top-end homebuyers are looking to minimize risk.

They have the financial wherewithal to order a slew of inspections over and above the general home inspection. They’re searching for things like sewer, mold and chimney problems. And they’re asking for problems to be corrected before closing or backing out of the deal altogether.

“Everybody always finds things wrong, even on a new house,” said Wolfe, adding one buyer recently required the seller of a practically new home to replace the chimney, fix the sewer and fumigate. “These deals are so complex and time consuming.”

In 2008, Dave White of RE/MAX Olson & Associates in Porter Ranch listed a 5,000 square foot home in Toluca Lake for \$2.5 million. The property saw little to no buyer activity, so the price has been incrementally lowered to \$1.579 million.

An offer recently came in for \$1.4 million. The bank counter offered at \$1.44 million. And the prospective buyer refuses to budge from his original offer.

“These are savvy guys looking for good deals,” said White. “High-end home prices are definitely still going down. And I’m blown away at what you can get for \$1.5 million.”