

Los Angeles Times REAL ESTATE

Southland housing market ends summer with rising prices and sales

Southern California's median home price rises to a four-year high in August and sales hit their highest level for the month in six years.

By Alejandro Lazo, Los Angeles Times

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Southern California's median home price hit \$309,000 last month. That was up 1% from July and 10.8% from a year earlier. (Kevork Djansezian, Getty Images / September 13, 2012)

Southern California's housing market finished out the summer on fire, with the region's median home price climbing to a four-year high and sales hitting their best level for an August in six years.

Housing has outpaced the broader economy this year. In the Southland, cash-rich buyers dived

into the market during the winter to scoop up foreclosed homes, while rock-bottom interest rates and low prices brought move-up buyers and higher-end sales back in the spring and summer.

The pace of foreclosed properties coming onto the market slowed this year, and foreclosures as a share of the resale market also dropped, helping boost prices.

New national data released this week showed that the number of borrowers who were underwater — with mortgage balances exceeding the value of their homes — fell dramatically this year as home prices improved, meaning one of the most stubborn roadblocks to the housing market's recovery is slowly lifting.

A rising market characterized by low inventory, strong demand, cheap prices and low interest rates will help lift household balance sheets, but a full-throttle rebound is unlikely as long as job growth and household incomes remain stagnant, economists said.

"Prices are coming back, and they are snapping back faster than anybody expected, but when you tie it back to fundamentals, income is flat," CoreLogic economist Sam Khater said. "Some markets are coming back at double-digit rates, and you are beginning to see some activity that makes it seem like there are mini boomlets occurring ... but it is divorced from the fundamentals."

Housing has rebounded because there are more buyers chasing fewer properties.

In the Southland, there appears to be little evidence of a new wave of foreclosures flooding the market with cheap properties. In fact, the state's largest real estate association, the California Assn. of Realtors, is pushing for the government to stop a planned bulk sale of foreclosed homes by mortgage giants and to investors who will turn them into rentals, arguing that the market can absorb the properties.

Southern California sales rose 9% from July and 14.2% from August 2011 to 22,438, real estate firm DataQuick reported Thursday. The increase in sales came as fewer foreclosures and low-end homes sold and the market for move-up and high-end homes heated up, the firm reported.

The region's median home price — the point at which half the homes in the area sold for more and half for less — hit \$309,000 last month. That was up 1% from July and 10.8% from a year earlier. August marks the last month of the busy spring and summer home-buying season, and sales should cool off in the fall and winter.

"August was the strongest month for home sales so far this year and the strongest for an August in six years. That's really saying something given the drop in low-end sales, especially foreclosure resales," DataQuick President John Walsh said.

The Inland Empire posted the most sizable pop in median home prices year over year, even as the region had the weakest sales. In Riverside County, the median price was up 10.5% to \$210,000, while sales fell 3.4%. San Bernardino County's median price rose 12% to \$168,000, while sales were up 3.2%.

With substantial subprime lending and a great deal of overbuilding, the Inland Empire was one of the nation's hardest-hit regions during the bust, marked by high levels of foreclosures and steep price declines. The Inland Empire's price gains amid lackluster sales underscore a national trend: There is strong desire for low-end homes and not enough inventory to satisfy that demand.

Overall, sales of foreclosed homes and other distressed properties continued to fall in Southern California last month — a big reason the region's median home price rose in August. The flow of foreclosures onto California's market also slowed dramatically in August, meaning that there will be no second wave of foreclosed properties hitting the market in the near future.

Notices of default statewide fell 23.6% from July and were down 49.1% from August 2011, according to data from ForeclosureRadar.com. A notice of default is the first formal step in the foreclosure process.

"We continue to see reports that there will be a wave of foreclosure sales after the election or at the start of the year," ForeclosureRadar Chief Executive Sean O'Toole said in a statement. "The lack of foreclosure starts this month puts a nail in the coffin of this theory."

Foreclosed properties and short sales combined made up 36.8% of last month's resale market, the lowest level since January 2008, DataQuick reported. Foreclosed properties made up just 1 in 5 sales last month, and short sales — in which the property is sold for less than the outstanding debt on the home — also made up fewer than 1 in 5 sales.

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