

Southern California Home Sales and Median Price Dip in July

Southern California home sales saw their biggest year-over-year drop in more than two years last month as the market lost most of the boost from the federal home buyer tax credits. The median sale price dipped for the second month in a row, the result of a shaky economic recovery, continued uncertainty about jobs, and the expiring tax breaks, a real estate information service reported.

Last month's 21.4 percent sales drop from a year ago marked the steepest year-over-year decline for Southland sales since March 2008, when sales fell 41.4 percent.

"It appears some of the sales that normally would have occurred in July were instead tugged into June or even May as buyers tried to take advantage of the expiring tax credits. Some of last month's underlying technical numbers were largely flat, indicating that the market is treading water," said John Walsh, MDA DataQuick president.

"We do expect some sideways buying and selling to kick in, especially among homeowners who have owned for more than seven years and didn't take out equity during the frenzy. You may have to 'discount' your self-perceived home value, but if the person you're buying from has to do the same thing, it doesn't matter. And you may get a spectacularly low mortgage rate."

The median price paid for a Southern California home was \$295,000 last month. That was down 1.7 percent from \$300,000 in June, and up 10.1 percent from \$268,000 for July 2009. The low point of the current cycle was \$247,000 in April 2009, while the high point was \$505,000 in mid 2007. The median's peak-to-trough drop was due to a decline in home values as well as a shift in sales toward low-cost homes, especially foreclosures.

Foreclosure resales accounted for 34.2 percent of the resale market last month, up from 32.8 percent in June but down from 43.4 percent a year ago. The all-time high was February 2009 at 56.7 percent, DataQuick reported.

Government-insured FHA loans, a popular choice among first-time buyers, accounted for 36.0 percent of all mortgages used to purchase homes in July, down from 38.8 percent in June and 39.2 percent in July 2009.

Last month 21.9 percent of all sales were for \$500,000 or more, compared with 21.6 percent in June and 19.2 percent a year ago. The low point for \$500,000-plus sales was in February 2009, when 13.6 percent of sales crossed that threshold. Over the past decade, a monthly average of 25.4 percent of homes sold for \$500,000 or more.

High-end sales would be stronger if adjustable-rate mortgages (ARMs) and "jumbo" loans were easier to obtain. Both have become much more difficult to get since the credit crunch hit three years ago.

Last month ARMs represented 6.1 percent of all purchase loans, down from 6.7 percent in June but up from 3.4 percent in July 2009. Over the past decade, a monthly average of nearly 40 percent of all home purchase loans have been ARMs.

Jumbo loans, mortgages above the old conforming limit of \$417,000, accounted for 18.4 percent of last month's purchase lending, up from 17.6 percent in June and from 15.2 percent in July 2009. Last month's figure was the highest since January 2008, when it was 18.7 percent. Before the August 2007 credit crisis, jumbos accounted for 40 percent of the market.

Absentee buyers – mostly investors and some second-home purchasers – bought 21.9 percent of the homes sold in July, paying a median of \$220,000. Buyers who appeared to have paid all cash – meaning there was no indication that a corresponding purchase loan was recorded – accounted for 26.7 percent of July sales, paying a median \$218,250. In February this year cash sales peaked at 30.1 percent. The 22-year monthly average for Southern California homes purchased with cash is 14.2 percent.

	Sales Volume			Median Price		
	July '09	July '10	%Chng	July '09	July '10	%Chng
All homes	8,082	6,515	-19.4%	\$321,000	\$339,000	5.6%
Los Angeles	3,128	2,527	-19.2%	\$420,000	\$450,000	7.1%
Orange	4,699	3,529	-24.9%	\$185,000	\$200,000	8.1%
Riverside	3,549	2,556	-28.0%	\$140,000	\$155,000	10.7%
San Bernardino	3,809	3,070	-19.4%	\$320,000	\$338,000	5.6%
San Diego	837	749	-10.5%	\$375,000	\$370,000	-1.3%
Ventura						
SoCalif. Total	24,104	18,946	-21.4%	\$268,000	\$295,000	10.1%

MDA DataQuick, a subsidiary of Vancouver-based MacDonald Dettwiler and Associates, monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts.

The "flipping" of homes has trended higher over the past year. Last month the percentage of Southland homes flipped – bought and re-sold – within a six-month period was 3.7 percent, while in June it was 3.4 percent and a year ago it was 2.0 percent. Last month flipping varied from as little as 2.8 percent in Orange County to as much as 4.4 percent in Los Angeles County.

The typical monthly mortgage payment that Southland buyers committed themselves to paying was \$1,204 last month, down from \$1,251 in June, and up from \$1,180 in July 2009. Adjusted for inflation, current payments are 46.4 percent below typical payments in the spring of 1989, the peak of the prior real estate cycle. They were 56.1 percent below the current cycle's peak in July 2007.