

Real Estate in 2006: Grinding to a Halt

By Richard Stanley

First, the good news: our local real estate market fared no worse than surrounding areas in 2006. In many ways, our market is surviving the current doldrums better than other Westside neighborhoods. The reason for this phenomenon lies in the diversity of our housing stock comprised of mansions, bungalows, condos, starter homes and the predominant middle and upper-middle price range homes. Our neighborhood has something for every taste, need and purse—even when the market is in flux, which is usual. Still, we are not immune to the tidal effect of regional market trends.

A glance at sales statistics shows that sales volumes plunged this year. Steady, low interest rates failed to inspire more sales, as most buyers' "pent-up demand" was satisfied earlier in the year—or earlier in the current market cycle. Buyers feel no urgency to buy immediately if interest rates remain unchanged. The first two quarters of 2006 saw sales fall about 15% versus similar quarters in 2005. More important though, are the drops in the latter quarters: about 25% in the third quarter and about 33% in the last quarter. By the holiday season—usually a slow time anyway, sales almost disappeared, as buyers seemed to be waiting to see which direction prices trend. For the moment, however, prices are NOT falling. Small median price increases are seen across our area.

Those who fared worst have been many sellers. Some waited too long to cash out equity built up over the last five years. Many sellers are speculators (25% of sales nationwide in 2005 were "for investment"). They may have bought too high in the euphoria of 2004/2005, put too much into the property and/or made poor choices in their re-habs. These sellers are slowly deflating their over-ambitious prices. Well-priced properties that once sold in a day, took a month or two by year-end. Market times for poorly-priced properties stretched to months—even a year—or never sold at all. Many sellers took their properties off the market or tried to lease them.

A hopeful note: employment in Los Angeles remains high. Few people are "upside down" (owing more than the property is worth). Foreclosures are still rare. More about the view ahead next month...

Here's how the 2006 local real estate market shaped up as the Ledger went to press:

Los Feliz and Franklin Hills (90027 and 90068):

Homes sold: 179 (-13% change from same period 2005)

Median home price: \$1,149,000 (+6% from 2005)

Median home size: 3 bedrooms; 2.5 baths; 1,865 square feet on a 7,140 square foot lot; built in 1937.

High home sale: \$4,642,500 (-9% change from same period 2005)

Condos sold: 43 (-21% change from same period 2005)

Median condo price: \$452,000 (+19% change from same period 2005)

Median condo size: 2 bedrooms; 1.75 baths; 1,042 square feet.

Remarks: Gone for sure are the days of 21% appreciation seen in 2004 in Los Feliz. 2006's modest appreciation of just 6% continues last year's slide of 10% appreciation. Among brokers, a consensus emerged this year that many Los Feliz properties were wildly overpriced—often by hundreds of thousands of dollars. The condo market moved up-scale, as far fewer, but pricier, units closed escrow.

Silver Lake (90039):

Homes sold: 97 (-20% change from same period 2005)
Median home price: \$799,000 (+4% from 2005)
Median home size: 2 bedrooms; 2 baths; 1,216 square feet on a 5,400 square foot lot; built in 1930.
High home sale: \$1,975,000 (-1% change from same period 2005).

Condos sold: 16 (-12% from same period 2005)
Median condo price: \$515,000 (-3% change from same period 2005)
Median condo size: 2 bedrooms; 2 baths; 1,202 square feet.

Remarks: Prime Silver Lake sales chilled by 1/5 over last year, but the median sales price held steady. The ultra-luxury market ceiling in Silver Lake continues to hover around \$2 million. Condo sales dipped moderately in volume and fell just a bit in median value.

Silver Lake and Echo Park (90026):

Homes sold: 138 (-25% change from same period 2005)
Median home price: \$679,000 (+27% from 2005)
Median home size: 2 bedrooms; 1.75 baths; 1,227 square feet on a 5,400 square foot lot; built in 1923.
High home sale: \$1,550,000 (+18% change from same period 2005).

Condos sold: 18 (no change from same period 2005)
Median condo price: \$520,000 (+1% change from same period 2005)
Median condo size: 2 bedrooms; 2.5 baths; 1,102 square feet.

Remarks: Home sales in 90026 fell by ¼ in volume, but successful sales moved upward in price, affirming the continuing gentrification of "South of Sunset" and Echo Park. The condo market here is in a holding pattern, but that situation will change when some new condo developments open soon.

Atwater Village (90039):

Homes sold: 52 (-2% change from same period 2005)
Median home price: \$662,500 (+6% from 2005)
Median home size: 2 bedrooms; 1 bath; 1,110 square feet on a 5,400 square foot lot; built in 1926.
High home sale: \$789,000 (-27% change from same period 2005).

Condos sold: 1 (-50% change from same period 2005)
Median condo price: \$375,000 (-6% change from same period 2005)
Median condo size: 2 bedrooms; 1 bath; 930 square feet.

Remarks: The market in Atwater Village seemed the least changed in the area. "Marking time" would summarize this neighborhood. \$600,000 will get you a nice 2 bedroom, 1 bath starter home here. Condos (there are 40 only) play a minuscule role here, but remain the best values around among 2 bedroom condos.

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