

Real Estate in 2007: Still Waters About to Stir?

By Richard Stanley

Don't believe all the bad news you hear about the real estate market. So far as our local market is concerned, the dire news is just not true. First, foreclosures are not present in any amount sufficient to drag down the market—in fact, there are hardly any. The reason, I suspect, is that most buyers in our market did not avail themselves of sub-prime loans. Buyers in greater Los Feliz usually put at least 20 percent down. Second, interest rates remain low enough to continue to entice buyers into the market. Third, the inventory of houses for sale is the best in years, thanks to the absence of flippers (fixer properties have softened in demand). With far fewer multiple offers, buyers have recently discovered that they can compete for properties and win. Finally, the local economy remains strong, despite the entertainment industry's writers' strike.

Whereas a couple of years ago, inventories of houses for sale comprised a month's supply or less, now, two or three months' supply exists. The sole exception is the condo market, where up to ten months' supply is on the market in Los Feliz. While annual sales volumes dropped by half in 2006, there was virtually no such change during 2007—sales volumes held steady. A noticeable slow-down occurred in September and October generally, as oil prices and economic anxiety rose, but attendance at open houses remained, in my experience, consistently high. **In 2007, house prices did not come down locally, and they show no sign of any imminent, major drop.** Buyers are pickier than before, to be sure, but will compete for turn-key and special properties in multiple offers that yield over-the-asking-price sales. If you are a seller, price your property a bit below the market at the outset, or you may sit indefinitely without a sale.

What might happen in 2008? I am optimistic that we will have an encouraging, though not banner, and stable selling season in the first half of 2008 with a slowing as the presidential election nears. Here's why: demand is growing, and has been for the last two years; interest rates are likely to drop more, as the Federal Reserve chooses to fight a possible recession more than inflation; flippers who misjudged the market will dump their over-priced properties soon; the economy will not crash despite the writers' strike (which will settle before long); people have lots of cash in our part of the city—they are already returning to invest in unique residential real estate opportunities for the long haul rather than to sink their cash in the skittish stock market or in T-bills and the like. Besides, investors may figure, if inflation or 1980-style "stagflation" arrives, it will be a great time to be in debt. Finally, we may even see foreign investors' entering our real estate market to buy trophy properties at a weak-dollar discount.

Yearn for the good old days of 21 percent annual appreciation in local real estate? Don't count on it until at least January 20, 2009 when, with a new administration, we may see years of anxiety lift and an incipient return to bullish exuberance. Until then, don't overlook the relative bargains to be had in the 2008 real estate market.

Here's how the 2007 local real estate market shaped up as the Ledger went to press:

Los Feliz and Franklin Hills (90027 and 90068):

Homes sold: 183 (+2% change from same period 2006).

Median home price: \$1,295,000 (+13% from 2006).

Median home size: 3 bedrooms; 2.75 baths; 2,259 square feet on a 7,540 square foot lot; built in 1935.

Highest home sale: \$6,000,000 (29% more than 2006 highest sale). Second highest home sale: \$4,795,000 (3% more than 2006 highest sale).

Condos sold: 42 (-2% change from same period 2006).

Median condo price: \$520,000 (+15% change from same period 2006).

Median condo size: 2 bedrooms; 1.75 baths; 1,067 square feet.

Remarks: Home sales volume remained stagnant in 2007, but prices rose a strong 13% over 2006. One "flipped" house sold for a wildly extravagant \$6 million, while most trophy properties topped out in the \$4 millions. The condo market stalled, as inventories grew to a ten months' supply in December—a factor to watch in 2008.

Silver Lake (90039):

Homes sold: 85 (-12% change from same period 2006).

Median home price: \$899,000 (+13% from 2006).

Median home size: 3 bedrooms; 2 baths; 1,576 square feet on a 5,550 square foot lot; built in 1932.

Highest home sale: \$3,350,000 (70% more than 2006 highest sale). Second highest home sale: \$1,800,000 (9% less than 2006 highest sale).

Condos sold: 18 (+13% from same period 2006).

Median condo price: \$489,000 (-5% change from same period 2006).

Median condo size: 2 bedrooms; 2 baths; 1,073 square feet.

Remarks: 2007 was another down year for sales volume in prime Silver Lake, but the median sales price rose a respectable 13 percent. As in Los Feliz, one aberrant high sale set a record—this one a \$3.35 million sleek Architectural style house by local architect, Barbara Bestor. The ultra-luxury market ceiling in Silver Lake continues to hover around \$2 million. Condo sales rose moderately in volume, but fell in median value.

Silver Lake and Echo Park (90026):

Homes sold: 140 (+1% change from same period 2006).

Median home price: \$679,000 (no change from 2006).

Median home size: 2 bedrooms; 1.75 baths; 1,105 square feet on a 5,350 square foot lot; built in 1922.

Highest home sale: \$1,550,000 (no change from same period 2006). Second highest home sale: \$1,278,500 (18% less than 2006 highest sale).

Condos sold: 13 (-28% from same period 2006).

Median condo price: \$525,000 (+1% change from same period 2006).

Median condo size: 2 bedrooms; 2.5 baths; 1,226 square feet.

Remarks: Silver Lake/Echo Park, 90026 is the least-changed market around. Virtually nothing changed here vs. 2006 except for a slow-down in condo sales. New condo developments have yet to affect the larger real estate market, but that will change in the next few years.

Atwater Village (90039):

Homes sold: 36 (-31% change from same period 2006).

Median home price: \$679,000 (+2% from 2006).

Median home size: 3 bedrooms; 1.75 bath; 1,182 square feet on a 5,400 square foot lot; built in 1925.

High home sale: \$1,020,000 (29% more than 2006 highest sale). Second highest home sale: \$833,000 (6% more than 2006 highest sale).

Condos sold: 2 (+200% change from same period 2006).

Median condo price: \$417,000 (+11% change from same period 2006).
Median condo size: 2 bedrooms; 1 bath; 819 square feet.

Remarks: Almost a third fewer homes sold in Atwater Village this year vs. last. The median home in Atwater Village now costs as much as the equivalent home in Silver Lake/Echo Park, 90026—which is news. Condos (there are 40 only) play a minuscule role here, but remain the best values around among 2 bedroom condos.

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