

Real Estate in 2009: Lenders Retard Recovery

By Richard Stanley

Generally, 2009 was a busy year in local real estate despite its tumultuous start with the financial services industry in near collapse. Dire predictions of a flood of “short sale” and foreclosed houses’ glutting the market failed to materialize in our neighborhoods. Ours was a market not, as in some outlying areas, dependent upon distress sale sellers and bargain-hunter buyers. Here, buyers and sellers entered the real estate market because of the “life goes on” needs of people everywhere: death, divorce, relocation and urgent family need.

The single most affecting influence new to the market in 2009 was the introduction by Federally-chartered secondary lenders of the “Home Valuation Code of Conduct” (HVCC). In short, the effect on the ground was to impose upon lenders the obligation to use appraisers drawn blindly from a pool. Sounds good, but what happened is that our local properties were appraised by those who knew nothing about our community and what buyers pay premiums for. It was not unheard of for sellers in Thousand Oaks to have their properties appraised by someone from Fresno. My own re-fi appraiser drove in from Laguna Niguel and had never been to Los Feliz before. He freely admitted his experience was tract house-based. Because of this sort of incompetence, many deals collapsed due to absurdly-low appraisal values. A general effect of HVCC will be an artificial depression of neighborhood property values. Here is a reactionary, government-sponsored, one-size-fits-all solution to a problem that was not a problem in our area. The cause of the Great Recession was not fraudulent appraisals, but shoddy loan products and sloppy underwriting--and unalloyed greed, of course.

Lenders also affected deals by challenging buyers to ever-evolving loan stipulations, ever-rising down payment requirements and interminable, inexplicable “reviews” and delays at every step of the loan application process. Again, deals were lost due to lender indifference and tardiness.

If you think your getting a loan is a given, think again. Borrowers of late should prepare for much frustration and anxiety. The time is past when the Federal government should crack the whip to get lenders to do what we taxpayers paid them hundreds of billions of dollars to do: LEND.

Another trend in 2009, and one that I expect to continue, was that sellers had to re-sell their properties more than once before closing a deal. In the Valley, brokers often sold clients’ properties four or five times before a deal stuck. In 2010, if you’re a seller, and your property doesn’t sell in the first weeks of marketing, you will need to cut the price with a cleaver. The current market is brutal to “seasoned” listings. Fixer properties, unless priced double-take low, were especially shunned by buyers in 2009, as few people had the cash to spiff them up. And what about the flippers, equity credit lines, cash-out re-fis and 80-10-10 loans? Look in the dictionary under “nostalgia”.

What’s ahead in 2010? Watch interest rates creep up in reaction to signs of inflation, a side effect of all the TARP money that will be flowing out of the pipeline to get Americans working again. Don’t want to go back to Wall Street? Remember that real estate never drops to zero value. Grab a low-interest loan (show the banks you’re tougher than they are), a tax credit before the end of April and a depreciated-value house in 2010. When inflation (it’s coming) rears its ugly head, it will be a great time to be in debt. What a concept!

Here’s how the 2009 local real estate market shaped up as the *Ledger* went to press:

Note that statistics are approximate and derived from the Combined L.A./Westside MLS. Private sales are not counted. Earlier listing periods with another broker at a different price are not accounted for, ergo, actual “days on market” may be longer, and the disparity between initial asking prices and sales prices may be greater.

Los Feliz and Franklin Hills (90027 and 90068)

Single Family Homes:

Homes sold: 126 (-1% change from same period 2008).

Median home sale price: \$1,000,000 (-9% from 2008).

Median home asking price: \$1,125,000.

Asking price vs. sale price: 89%

Median days on market: 39.

Median home size: 3 bedrooms; 2.5 baths; 2,428 square feet on a 7,361 square foot lot; built in 1933.

Highest home sale: \$4,600,000 (15% more than 2008 highest sale).

Second highest home sale: \$4,200,000 (5% more than 2008 highest sale).

Lowest home sale: \$391,500 (19% more than 2008 lowest sale).

Second lowest sale price: \$483,000 (51% more than 2008 lowest sale).

Condos:

Condos sold: 19 (-14% change from same period 2008).

Median condo sale price: \$515,000 (+4% change from same period 2008).

Median condo asking price: \$519,000.

Median asking price vs. median sale price: 99%.

Median days on market: 30.

Median condo size: 2 bedrooms; 2 baths; 1,400 square feet; built in 2007.

Highest condo sale price: \$620,000 (11% less than 2008 highest sale).

Second highest condo sale price: \$590,000 (16% less than 2008 highest sale).

Lowest condo sale price: \$190,000 (33% less than 2008 lowest sale).

Second lowest condo sale price: \$275,000 (3% less than 2008 lowest sale).

Remarks:

Mixed results characterized the Los Feliz/Franklin Hills market in 2009. Sales volume stagnated, and median property values slid another 9% (in contrast to rising median prices in other neighborhoods)--probably in response to the difficulty buyers had in obtaining "jumbo" loans. Here, there seemed to be two markets. One market comprised sound, well-priced properties that attracted multiple offers, sold close to the asking price (or above) and in about a month or less. The other market was comprised of the rest. These latter properties sat interminably at inflated prices; had compromising quirks and flaws or needed more repair than over-worked and/or cash-strapped buyers could abide. Still, there were a good many plush sales--especially to celebrity buyers. In particular in 2009, many household names were keenly attracted to gated Laughlin Park as a paparazzi-proof refuge.

Silver Lake (90039)

Single Family Homes:

Homes sold: 100 (+12% change from same period 2008).

Median home sale price: \$800,000 (+6% change from same period 2008).

Median home asking price: \$799,000.

Asking price vs. sale price: 100%

Median days on market: 41.

Median home size: 3 bedrooms; 2 baths; 1,595 square feet on a 5,361 square foot lot; built in 1935.

Highest home sale: \$1,890,000 (28% less than 2008 highest sale).

Second highest home sale: \$1,750,000 (34% less than 2008 highest sale).

Lowest home sale: \$272,000 (19% more than 2008 lowest sale).

Second lowest home sale: \$285,000 (19% more than 2008 lowest sale).

Condos:

Condos sold: 18 (+39% change from same period 2008).
Median condo sale price: \$500,000 (-7% change from same period 2008).
Median condo asking price: \$489,000 (102% of asking price).
Median asking price vs. median sale price: 102%.
Median days on market: 53.
Median condo size: 2 bedrooms; 2 baths; 1,140 square feet; built in 1982.

Highest condo sale price: \$685,000 (10% more than 2008 highest sale).
Second highest condo sale price: \$630,000 (1% more than 2008 highest sale).
Lowest condo sale price: \$272,00 (21% less than 2008 lowest sale).
Second lowest condo sale price: \$285,000 (17% less than 2008 lowest sale).

Remarks:

Prime Silver Lake (90039) woke up in 2009! The Ivanhoe School continues to attract families to this area--families who are willing to break the piggy bank to move here. Both single family residences and condos, when priced attractively, sold at, or above, their asking prices. Buyers bid up some prime properties, including a dreamy Hollywood Regency with an exceptional garden. This crest-of-the-hill mini-estate was the top sale of 2009. The runner-up for top sale was an east-of-the-lake Mid-Century Modern in impeccable condition with a magical Japanese garden and views. Prime Silver Lake continues to capture the attention of celebrity buyers, especially younger ones in the music industry.

Silver Lake and Echo Park (90026)**Single Family homes:**

Homes sold: 120 (-15% change from same period 2008).
Median home sale price: \$507,000 (+6% change from same period 2008).
Median home asking price: \$525,000.
Asking price vs. sale price: 97%
Median days on market: 27.
Median home size: 3 bedrooms; 1.75 baths; 1,266 square feet on a 5,097 square foot lot; built in 1929.

Highest home sale: \$1,089,000 (36% less than 2008 highest sale).
Second highest home sale: \$975,000 (43% less than 2008 highest sale).
Lowest home sale: \$150,000 (23% less than 2008 lowest sale).
Second lowest home sale: \$150,000 (23% less than 2008 lowest sale).

Condos:

Condos sold: 7 (+14% change from same period 2008).
Median condo sale price: \$395,000 (-12% change from same period 2008).
Median condo asking price: \$399,000.
Median asking price vs. median sale price: 99%.
Median days on market: 55.
Median condo size: 2 bedrooms; 2 baths; 1,392 square feet; built in 1991.

Highest condo sale price: \$545,000 (5% more than 2008 highest sale).
Second highest condo sale price: \$543,000 (4% more than 2008 highest sale).
Lowest condo sale price: \$261,000 (61% less than 2008 lowest sale).
Second lowest condo sale price: \$316,000 (33% less than 2008 lowest sale).

Remarks:

Silver Lake/Echo Park-90026 proved very popular among first-time buyers in 2009. Keen competition for sound, well-priced inventory attracted multiple offers and pushed prices upward. Fixer properties, when priced to foment urgency among buyers, collected astounding numbers of offers--one recent sale drew over 50 offers and sold at about 3-1/2 times the asking price--in one week!

Atwater Village (90039)

Single Family homes:

Homes sold: 31 (-35% change from same period 2008).

Median home sale price: \$575,000 (+8% change from same period 2008).

Median home asking price: \$589,000.

Asking price vs. sale price: 98%

Median days on market: 42.

Median home size: 3 bedrooms; 1.50 baths; 1,200 square feet on a 5,400 square foot lot; built in 1927.

Highest home sale: \$1,100,000 (5% more than 2008 highest sale).

Second highest home sale: \$753,000 (39% less than 2008 highest sale).

Lowest home sale: \$290,000 (16% less than 2008 lowest sale).

Second lowest home sale: \$442,000 (32% more than 2008 lowest sale).

Condos:

Condos sold: 5 (+500% change from same period 2008).

Median condo sale price: \$345,000 (-1% change from same period 2008).

Median condo asking price: \$379,000.

Median asking price vs. median sale price: 9%.

Median days on market: 17.

Median condo size: 2 bedrooms; 1 bath; 980 square feet; built in 1947.

Highest condo sale price: \$350,000 (no change from 2008 highest sale).

Second highest condo sale price: \$349,000 (less than 1% change from 2008 highest sale).

Lowest condo sale price: \$325,000 (7% less than 2008 lowest sale).

Second lowest condo sale price: \$330,000 (6% less than 2008 lowest sale).

Remarks:

Starter homes sold well in Atwater Village in 2008, but 2009 brought a cooling trend, volume-wise. Prices showed a modest increase, as low inventory drove demand. Condos (there are 40 only) play a minuscule role here, but remain the best values around among 2-bedroom condos. After a moribund 2008, one-eighth of these condos sold in 2009 in the low- to mid-\$300,000s.

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