Southland Home Sales Fall Yr/Yr Again; Prices Rise at Slower Pace

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Irvine, CA---Southern California home sales fell to a three-year low for the month of July as supply continued to fall short of demand, some buyers struggled with higher prices, and investor activity fell. Cash deals declined to the lowest level in more than four years, while the median sale price dipped from June and rose from a year ago at the slowest pace in more than two years, a real estate information service reported.

A total of 20,369 new and resale houses and condos sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties last month. That was down 1.4 percent from 20,654 sales in June, and down 12.4 percent from 23,253 sales in July 2013, according to Irvine-based CoreLogic DataQuick.

On average, sales have declined 6.3 percent between June and July since 1988, when CoreLogic DataQuick statistics begin. Southland sales have fallen on a year-over-year basis for 10 consecutive months. Sales during the month of July have ranged from a low of 16,225 in July 1995 to a high of 38,996 in July 2003. Last month's sales were 19.4 percent below the July average of 25,269 sales.

The median price paid for all new and resale houses and condos sold in the six-county region last month was $413,000, down 0.5 percent from $415,000 in June and up 7.3 percent from $385,000 in July 2013. The June 2014 median was the highest for any month since January 2008, when it was also $415,000. The median's 7.3 percent year-over-year gain in July was the lowest since June 2012, when the $300,000 median rose 5.3 percent.

"Prices came a long way in a couple of years, and now a lot of would-be buyers just can't stretch their finances enough to buy in today's more conservative lending environment. That's not the only reason price appreciation is easing, but it's one of the main ones. July was the first month in two years in which all but one of the six Southland counties posted a single-digit year-over-year increase in its median sale price. The more spectacular annual price gains of a year ago – over 20 percent – seem far back in the rear view mirror now. Looking ahead, such double-digit price jumps seem unlikely unless there's a burst of pent-up demand, perhaps triggered by more robust income growth, a loosening of mortgage credit or a significant move in interest rates," said Andrew LePage, CoreLogic DataQuick analyst.

The Southland median has risen on a year-over-year basis for 28 straight months. In June, however, the median's 22-month streak of double-digit year-over-year gains ended. The peak annual gain during that stretch was 28.3 percent in June 2013.

Last month five counties – San Diego, Los Angeles, Ventura and Riverside – logged single-digit, year-over-year gains in their median sale prices.

The Southland's July median stood 18.2 percent below the peak $505,000 median in spring/summer 2007.

Home prices continued to rise at different rates depending on price segment. In July, the lowest-cost third of the region's housing stock saw a 16.7 percent year-over-year increase in the median price paid per square foot for resale houses. The annual gain was 8.3 percent for the middle third of the market and 7.1 percent for the top, most-expensive third.

The number of homes that sold for $500,000 or more last month was almost even with a year earlier, declining 0.9 percent from July 2013. But sales below $500,000 fell 17.2 percent year-over-year. Sales below $200,000 plunged 37.1 percent. Sales in the lower price ranges are hampered by, among other things, the drop in affordability over the last year, a fussy mortgage market and a relatively thin inventory of homes for sale.

In July, 37.2 percent of all Southland home sales were for $500,000 or more, down a tad from a revised 38.0 percent in June, which had the highest level since $500,000-plus deals made up 38.3 percent of sales in December 2007. In July last year 33.2 percent of sales were above the $500,000 threshold.

Distressed property sales continued to recede last month.

Foreclosure resales – homes foreclosed on in the prior 12 months – accounted for 5.2 percent of the Southland resale market last month. That was down from a revised 5.3 percent the prior month and down from 7.7 percent a year earlier. In recent months the foreclosure resale rate has been the lowest since early 2007. In the current cycle, foreclosure resales hit a high of 56.7 percent in February 2009.

Short sales – transactions where the sale price fell short of what was owed on the property – made up an estimated 5.9 percent of Southland resales last month. That was down from a revised 6.0 percent the prior month and down from 12.7 percent a year earlier.

Absentee buyers – mostly investors and some second-home purchasers – bought 23.6 percent of the Southland homes sold last month. That was the lowest share since December 2010, when 23.4 percent of homes sold to absentee buyers. Last month's 23.6 percent absentee share was down from a revised 23.9 percent in June and down from 27.4 percent a year earlier. The peak was 32.4 percent in January 2013, while the monthly average since 2000, when the CoreLogic DataQuick absentee data begin, is about 19 percent.

Cash purchases dropped to the lowest level in more than four years last month. Buyers paying cash accounted for 24.5 percent of July home sales, down from a revised 25.6 percent the month before and down from 30.0 percent in July last year. The last time cash purchases were lower than last month was in June 2010, when 24.2 percent of Southland homes were bought with cash. The peak was 36.9 percent in February 2013, and since 1988 the monthly average is 16.6 percent.

In July, Southern California home buyers forked over a total of $4.51 billion of their own money in the form of down payments or cash purchases. That was down from a revised $4.77 billion in June. The out-of-pocket total peaked in May 2013 at $5.41 billion.

Although credit conditions overall remain relatively tight, the use of larger "jumbo" home loans and adjustable-rate mortgages has trended higher this year, toward more normal levels.

Jumbo loans, mortgages above the old conforming limit of $417,000, accounted for 32.3 percent of last month's Southland purchase lending – the highest jumbo level for any month since the credit crunch struck in August 2007. Last month's figure was up a hair from 32.2 percent in June and up from 27.9 percent a year earlier. Prior to August 2007 jumbos accounted for around 40 percent of the home loan market. The jumbo level dropped to as low as 9.3 percent in January 2009.

In July, 13.6 percent of Southland home purchase loans were adjustable-rate mortgages (ARMs), down slightly from 13.9 percent in June and up from 10.9 percent a year ago. ARM use dropped to as low as 1.9 percent of all purchase loans in May 2009. Since 2000, a monthly average of about 31 percent of Southland purchase loans have been ARMs.

All lenders combined provided a total of $6.44 billion in mortgage money to Southern California home buyers in July, up from a revised $6.35 billion in June and down from $6.54 billion in July last year.

The most active lenders to Southern California home buyers last month were Wells Fargo with 6.9 percent of the total home purchase loan market, Bank of America with 2.8 percent and New America Funding with 2.5 percent.

Government-insured FHA loans, a popular low-down-payment choice among first-time buyers, accounted for 18.8 percent of all purchase mortgages last month. That was the same as the month before and down from 19.0 percent a year earlier. In recent months the FHA share has been the lowest since early 2008, mainly because of tighter FHA qualifying standards and the difficulties first-time buyers have competing with investors and cash buyers.

The typical monthly mortgage payment Southland buyers committed themselves to paying last month was $1,602, down from a revised $1,616 the month before and up from $1,537 a year earlier. Adjusted for inflation, last month's typical payment was 34.4 percent below the typical payment in the spring of 1989, the peak of the prior real estate cycle. It was 46.3 percent below the current cycle's peak in July 2007.

	Sales Volume			Median Price		
All homes	**Jul-13**	**Jul-14**	**%Chng**	**Jul-13**	**Jul-14**	**%Chng**
Los Angeles	8,012	7,012	-12.50%	$425,000	$457,500	7.60%
Orange	3,668	3,255	-11.30%	$539,500	$585,000	8.40%
Riverside	3,675	3,295	-10.30%	$265,000	$291,000	9.80%
San Bernardino	2,704	2,435	-9.90%	$205,000	$240,750	17.40%
San Diego	4,260	3,474	-18.50%	$417,500	$445,000	6.60%
Ventura	934	898	-3.90%	$450,000	$489,000	8.70%
SoCal	**23,253**	**20,369**	**-12.40%**	**$385,000**	**$413,000**	**7.30%**

Source: DQNews.com Media calls: Andrew LePage (916) 456-7157