

Southland Home Sales Slow; Median Price Rises Again but at Slower Pace

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La Jolla, CA---Southern California home sales lost momentum in May, falling from both April and a year earlier as investor demand fell and buyers continued to face inventory, affordability and credit constraints. Prices climbed again but at roughly half the year-ago pace, a real estate information service reported.

A total of 19,556 new and resale houses and condos sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties last month. That was down 2.3 percent from 20,008 sales in April, and down 15.1 percent from 23,034 sales in May last year, according to San Diego-based DataQuick.

On average, sales have increased 5.8 percent between April and May since 1988, when DataQuick's statistics begin. Sales have fallen on a year-over-year basis for eight consecutive months. May sales have ranged from a low of 16,917 in May 2008 to a high of 35,557 in May 2005. Last month's sales were 23.0 percent below the May average of 25,393 sales.

"We expected rising prices to unlock more inventory this spring and that's happened. But the supply of homes for sale still falls short of demand in many markets, contributing to a rise in prices and a below-average sales pace. The drop in affordability has also hampered activity, helping to explain how sales could be lower now even though today's inventory is higher than a year ago. The recent dip in mortgage rates will help fuel demand, adding pressure to home prices. But the sort of price spikes we saw this time last year – annual gains of 20 percent or more – are less likely today given affordability constraints, higher inventory and the drop-off in investor purchases," said Andrew LePage, a DataQuick analyst.

The median price paid for all new and resale houses and condos sold in the six-county region last month was \$410,000, up 1.5 percent from \$404,000 in April and up 11.4 percent from \$368,000 in May 2013. Last month's median was the highest since it was \$415,000 in January 2008.

Prices are rising at a substantially slower pace than a year ago. In May 2013 the \$368,000 median sale price was up 3.1 percent from the prior month and up 24.7 percent from May 2012.

The Southland median has risen on a year-over-year basis for 26 consecutive months. Those gains have been double-digit – between 10.8 percent and 28.3 percent – over the past 22 months. The 11.4 percent year-over-year increase in the median last month marked the lowest gain for any month since August 2012, when the \$309,000 median rose 10.8 percent year-over-year. Last month three Southland counties – Los Angeles, San Diego and Ventura – saw single-digit, year-over-year gains in their medians.

May's median sale price stood 18.8 percent below Southern California's peak \$505,000 median in spring/summer 2007.

DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts. DataQuick was acquired in March by Irvine-based property information company CoreLogic.

Home prices continue to rise at different rates depending on price segment. In May, 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 11.9 percent for the middle third of the market and 9.3 percent for the top, most-expensive third.

Last month the number of homes that sold for \$500,000 or more fell 10.5 percent from one year earlier, while \$800,000-plus sales fell 13.1 percent. Sales below \$500,000 fell 27.6 percent year-over year, while sales below \$200,000 tumbled 46.4 percent.

In May, 36.7 percent of all Southland home sales were for \$500,000 or more, which was the highest level since it was 38.3 percent in December 2007. Last month's 36.7 percent was up from a revised 35.9 percent the month before and up from 31.9 percent a year earlier.

The impact of distressed properties on the market continues to fade.

Foreclosure resales – homes foreclosed on in the prior 12 months – accounted for 5.0 percent of the Southland resale market in May. That was down from a revised 5.8 percent the prior month and down from 10.9 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 6.6 percent of Southland resales last month. That was up slightly from a revised 6.2 percent the prior month and down from 15.7 percent a year earlier.

Absentee buyers – mostly investors and some second-home purchasers – bought 25.0 percent of the Southland homes sold last month, which is the lowest share since September 2011, when 24.6 percent of homes sold to absentee buyers. Last month's figure was down from 26.7 percent in April and down from 29.5 percent a year earlier. The peak was 32.4 percent in January 2013, while the monthly average since 2000, when the absentee data began, is about 19 percent.

Buyers paying cash last month accounted for 25.8 percent of Southland home sales, down from 27.6 percent the month before and down from 32.6 percent in May last year. The peak was 36.9 percent in February 2013. Since 1988 the monthly average for cash buyers is 16.6 percent of all sales.

In May, Southern California home buyers forked over a total of \$4.49 billion of their own money in the form of down payments or cash purchases. That was down from a revised \$4.77 billion in April. The out-of-pocket total peaked last May at \$5.41 billion.

Credit conditions have eased over the past year.

In May, 14.8 percent of Southland home purchase loans were adjustable-rate mortgages (ARMs) – the highest share in more than six years and nearly double the ARM level of a year earlier. Last month's figure was up from 14.1 percent in April and up from 8.0 percent in May 2013. 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.

Jumbo loans, mortgages above the old conforming limit of \$417,000, accounted for 31.4 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 from 29.3 percent in April and 27.7 percent a year earlier. Prior to August 2007 jumbos accounted for around 40 percent of the home loan market. The Southland jumbo level dropped to as low as 9.3 percent in January 2009.

All lenders combined provided a total of \$6.04 billion in mortgage money to Southern California home buyers in May, down from a revised \$6.43 billion in April and down from \$6.37 billion in May 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 3.1 percent and Stearns Lending with 2.3 percent.

Government-insured FHA loans, a popular low-down-payment choice among first-time buyers, accounted for 18.7 percent of all purchase mortgages last month. That was down a tad from 18.8 percent the month before and down from 20.7 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 a hair from \$1,612 the month before and up from \$1,353 a year earlier. Adjusted for inflation, last month's typical payment was 34.1 percent below the typical payment in the spring of 1989, the peak of the prior real estate cycle. It was 46.0 percent below the current cycle's peak in July 2007.

Indicators of market distress continue to decline. Foreclosure activity remains well below year-ago and far below peak levels. Financing with multiple mortgages is very low, and down payment sizes are stable, DataQuick reported.

	Sales Volume			Median Price		
	May-13	May-14	%Chng	May-13	May-14	%Chng
All homes						
Los Angeles	7,707	6,460	-16.20%	\$410,000	\$450,000	9.80%
Orange	3,648	2,981	-18.30%	\$540,000	\$595,000	10.20%
Riverside	3,855	3,253	-15.60%	\$252,000	\$295,000	17.10%
San Bernardino	2,655	2,382	-10.30%	\$203,000	\$245,000	20.70%
San Diego	4,236	3,654	-13.70%	\$406,500	\$440,000	8.20%
Ventura	933	826	-11.50%	\$425,000	\$462,000	8.70%
SoCal	23,034	19,556	-15.10%	\$368,000	\$410,000	11.40%

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

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