

REAL ESTATE

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Pricey homes and lots of 'em

Fewer sales mean more houses to choose from. Buyers have gained breathing room, if not a lot of great deals.

By DARRELL SATZMAN
Special to The Times

Guy and Karen Vidal are experiencing something new as they try to sell the small Craftsman house they own on Apex Avenue in Silver Lake.

Since listing it at \$699,000 two months ago, they've reduced the price twice — first to \$679,000 and then to \$659,000 a couple of weeks later.

After buying, restoring and selling 20 distressed homes over the last five years in Silver Lake and Echo Park — and making at least a small profit on each one — the former entertainment industry workers feel the real estate market shifting beneath their feet.

"We specialize in restoring places to their original glory: old Craftsman, bungalows and Spanish houses," Karen Vidal said. "When you walk in the door, we make it look like it's 1925."

The problem for the Vidals is that after several years of frenzied bidding, buyers are also determined to turn back the clock.

Although most neighborhoods in Southern California saw home prices increase by double-digit percentages in the first quarter of this year compared to the first quarter of last year, some experts point to another key indicator — fewer sales — as evidence that the sellers' market of the last five years is coming to a close.

"This is a time when buyers have time to shop and compare and can make a thoughtful purchase," said Roni Telmosse, branch manager of Coldwell Banker Carlsbad in San Diego County. "It's not like a year ago, when buyers were walking around with a check in their pocket and writing offers on the hood of their car."

All told, there were 69,499 single-family homes sold in the first three months of the year in Los Angeles, Orange, Riverside, San Bernardino, Ventura and San Diego counties, according to Data-Quick Information Systems — a decline of more than 8% from the same period a year earlier.

Riverside was the only county to show an uptick in sales activity — 6.6% — in the first quarter, while San Diego had 17% fewer sales; Ventura, 16%; Orange, 15%; Los Angeles, 10%; and San Bernardino, 3%, according to DataQuick.

Call it a correction, a flattening or a return to common sense, but as inventory creeps up and the number of sales diminishes, many believe the end of soaring prices in Southern California is nigh.

More inside

Hot spots: Find out where home prices rose the most in the first quarter of 2006 for six Southern California counties.

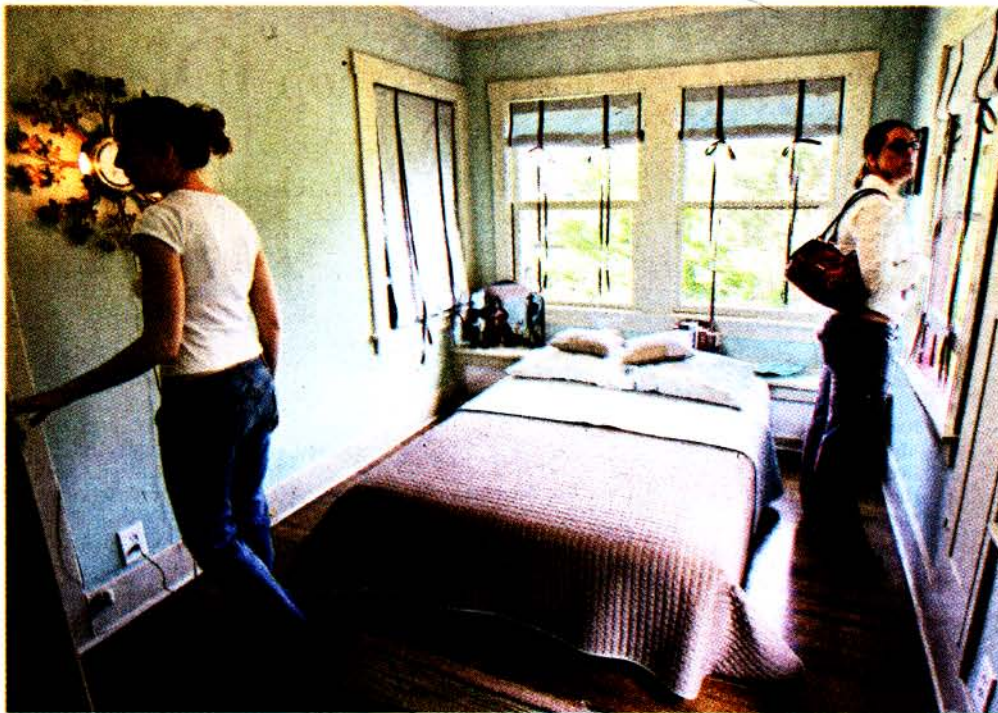
K11

"Buyers don't have that panicked feeling: 'If I don't buy be-
[See Prices, Page K10]"



RICARDO DEARATANHA L.A. Times

DO DROP IN: The owners of this Silver Lake house have cut the price twice to entice buyers.



RICARDO DEARATANHA Los Angeles Times

LOOK-SEE: A Silver Lake home gets the once-over at an open house. The restored Craftsman, now \$659,000 with a bit more than 1,000 square feet of living space, has been on the market for two months.

Shift to a lower gear

[Prices, from Page K1]

fore the post goes up, I'll get into multiple offers and lose out," said Ron Tornell, manager of the Thousand Oaks office of Prudential California Real Estate.

In his area, Tornell said, there were roughly 900 houses and condominiums on the market at the beginning of May — up about 25% from last year but still well below the 20-year average of about 1,500 homes. During the depressed market in the mid-1990s, there were about 2,500 homes for sale in the area, Tornell said.

"What we're seeing is a more balanced market," he added, "one that doesn't favor the seller or the buyer."

San Diego County had the lowest increase on a price-per-square-foot basis — 7.2% — of any of the six Southern California counties at the end of the first quarter of 2006, compared with the same quarter of 2005.

Although most buyers are focused on specific neighborhoods and follow median sales prices more closely than the price-per-square-foot measurement, real estate agents and industry analysts say the latter number offers the most reliable snapshot of how a market is performing over

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a wide area. By this same measure, San Bernardino County home prices were up the most, at 27.7%. Los Angeles County was up 23.1%.

Homes are also clearly lingering longer on the market. According to the California Assn. of Realtors, Southern California had a six-month supply of homes for sale in January, more than twice the number in January 2005. In February, the supply increased to more than seven months, again twice as much as a year earlier.

Even if interest rates stay relatively low, Southern California is entering a period of slower sales and flat prices that could last five years or more, believes Christopher Thornberg, senior economist for the UCLA Anderson Forecast. The forecast has

been predicting a leveling off of prices for several years now; so far, it has not come to pass. But to Thornberg, the fact that fewer people can afford homes is an indication that prices will flatten. In Los Angeles County at the end of 2005, according to the California Assn. of Realtors, the percentage of households able to afford a median-priced home was just 12%, down from 17% at the end of 2004.

The sort of turnaround in the market predicted by Thornberg would make it easier for the Vidals to compete for the distressed properties they make their living restoring — but it leaves them in a bind with the Apex house, which they purchased in January for \$525,000.

The people they bought it from acquired the house in October for \$400,000 — turning a quick profit of \$125,000 before agents' fees and taxes.

Guy Vidal says they spent more than \$60,000 to restore the Craftsman to near its original 1911 condition, with such enhancements as copper plumbing and updated electrical wiring.

Even though the house is just a bit over 1,000 feet, the Vidals' agent, Lyn Bradford of Prudential California Jon Aaroe Division, believes it would have sold quickly a year ago.

"People are taking their time; there's a lot of fence-sitting going on," Bradford said. "There's no doubt the market feels flat."

"As soon as we bought it," Guy Vidal said, "the market changed."