Business

L.A. County median home price breaks record set during last decade's housing boom.

Andrew Khouri, *LA Times June 21, 2017*

In summer 2007, the Los Angeles County median home price hit an all-time high of $550,000. It soon plunged as the housing bubble burst and the national economy crashed.

Now the median, the point where half the homes sold for more and half for less, has finally passed the heights of 10 years ago — the result of an improving economy, historically low mortgage rates and a shortage of listings.

According to a report released Wednesday from real estate firm CoreLogic, the county's median price in May rose 6.8% from a year earlier to reach $560,500 as sales jumped 4.8%.

When adjusted for inflation, May's median remains 11% below the 2007 high, though the nominal record comes amid fresh concerns over the high cost of housing in California.

Real estate agents said many buyers are convinced values will only continue to climb for the foreseeable future — a dynamic causing them to be more aggressive.

"They want to get in now before they lose out," said Hooman Zahedi, a real estate agent with Redfin, who specializes in the San Fernando Valley.

In recent months, Zahedi said he started penning cover letters on behalf of clients and attaching their family pictures, hoping to pull at the heartstrings of sellers who are weighing multiple offers.

High rents and a fear of rising mortgage rates are other factors leading to packed open houses, said South Bay real estate agent Barry Sulpor.

His $975,000 listing for a three-bedroom in north Redondo Beach was "standing room only" last weekend, he said.

"I am finding no letup."

Still, many experts say today's price increases appear more sustainable than those a decade ago.

A steadily improving economy — not risky loans — is driving demand now, they say. And with few homes on the market, especially in California with its persistent housing shortage, prices are rising as expected.

"We just don't build enough housing," said Leslie Appleton-Young, chief economist with the California Assn. of Realtors.

Even so, for potential buyers who can scrape together a down payment and get a loan, rock-bottom interest rates mean monthly payments are actually cheaper than during the height of the bubble, according to the Realtors group.

A report released last week from Harvard University's Joint Center for Housing Studies found nearly 36% of Los Angeles and Orange county homeowners in 2015 spent more than 30% of their income on housing, the threshold at which costs are usually deemed to become a burden.

The hot housing market has attracted a flurry of construction, though housing experts say it hasn't been enough to keep up with job and population growth.

Zahedi, the San Fernando Valley agent, said some of his clients are spending more than what they initially felt comfortable with, while others are purchasing homes in cheaper neighborhoods they initially looked over.

Either way, he estimates that about three-quarters of his buyers spend 40% of their income on housing costs.

Marc Tahler, another agent in the San Fernando Valley, said demand is white-hot in the middle of the market, but once you get above $1.3 million, some buyers are "pushing back."

"On certain properties, they can't believe it's back up to where you were," he said.

In the wealthy beach cities of Manhattan, Hermosa and Redondo, buyers are forging ahead, convinced that if they back out now, "it will only be tougher," according to Sulpor, the South Bay agent.

"They can just look at the numbers, and lo and behold, home values just keep appreciating."