

California and the West; More Sellers of High-End Homes Find They Must Cut Asking Prices;

The Southland trend is typical of an overall market starting to lose steam, experts say.

Annette Haddad. **Los Angeles Times**. Los Angeles, Calif.: Oct 20, 2005. pg. C.1

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Frisca Hong put her Yorba Linda home on the market in August, certain it was worth every penny of her \$797,000 asking price.

But after almost two months and no nibbles, Hong reluctantly dropped the price nearly \$30,000. Still, her house remains unsold.

"I just listed at what I thought was the right price," Hong said.

The frustration experienced by sellers like Hong reflects a cooling in the market for higher-priced homes in Los Angeles and Orange counties, according to recent price and sales data. Faced with reduced buyer demand and rising inventories of unsold properties, many sellers of homes worth more than \$750,000 are dropping asking prices.

Many also are taking weeks before landing buyers.

The slowdown in pricier homes is typical of the latter stages of a housing boom, analysts say, as expensive properties were the first to rise sharply at the beginning of the current cycle.

It's also a leading indicator that the overall housing market is beginning to lose steam, as double-digit price increases become harder to sustain and mortgage rates rise.

Data from a cross-section of more-affordable neighborhoods within Los Angeles and Orange counties -- from Aliso Viejo to Valencia to Compton to Santa Ana -- show that homes priced \$500,000 and below were usually snapped up at full list price or more in the second quarter, according to a review of property listing data compiled for The Times by Brea-based research firm Real Data Strategies.

On the other hand, sellers in many pricier neighborhoods in the two counties have dropped original

list prices by an average of about 5% since the spring, the data showed.

Of the 165 houses currently on the market in Yorba Linda, for example, nearly 40% have had their prices reduced since hitting the listing service.

In some of the ritziest areas, such as the 90210 ZIP Code of Beverly Hills where the average home price is \$3 million, sellers have cut asking prices by an average of at least 10%.

In the first half of 2004, by contrast, sellers of pricier homes typically got 5% to 10% above their asking prices.

Median prices in more expensive areas are generally still higher than a year ago, but they are rising at a slower rate than in more affordable areas, according to data released Monday by DataQuick Information Services, a La Jolla-based real estate research firm.

In more affordable San Bernardino County, the median home price of \$352,000 in September was 33% higher than the year-ago month, according to DataQuick.

In pricier Orange County, the median of \$610,000 was 14% higher, while Los Angeles County's median of \$494,000 was up 21%.

"This is a natural part of the normal real estate cycle because trends in lower-cost markets tend to lag trends in more expensive markets," DataQuick President Marshall Prentice said.

"We're moving into a different market," said Orange County-based real estate agent Steve Ambuehl.

"Homes aren't selling within a week or even a month," which was the norm when the market was sizzling in the first half of 2004, he said. Now, it's routine for pricier homes to sit on the market 60 days to 90 days.

For all types of homes, there are about 40% more listings in Los Angeles and Orange counties than a year ago, said Patrick Veling, president of Real Data Strategies. The increase in supply, he said, is prompting price cuts.

In higher-end areas, he said, "sellers are somewhat delusional at first, then reduce to the point

where their house will sell."

The question is whether these price reductions are merely seasonal as the market enters its slowest time of the year. A similar trend emerged last fall, but because many sellers simply refused to sell at a lower price and took their homes off the market, inventories tightened and housing activity resurged by the spring.

But if the region's supply of unsold homes continues to grow and outpace demand, it could widen the gap between asking and selling prices, portending a more serious downturn.

"Incrementally we could get more listings and that would put more downward pressure" on home prices, said Esmael Adibi, director of the A. Gary Anderson Center for Economic Research at Chapman University in Orange.

Concerned that prices in his Yorba Linda neighborhood in northern Orange County might be headed down soon, Lee Cox decided this month to list his 3,300-square-foot house for \$1.4 million, about \$550,000 more than he paid two years ago.

Cox, who works for a mutual fund company, reviewed data about recently sold homes, visited open houses and studied how much sellers had to lower their original list prices. "We found that people were getting about 96% of their asking price, and a few got 100%," he said. "It all depends on the house and the condition it's in."

Cox used his research to help negotiate the purchase of another house, one that he plans to live in once he sells.

He found a house one mile away that had been on the market more than 100 days.


"The seller had it on the market for a ridiculous price," said Tom Pelton, Cox's real estate agent. The owner eventually agreed to sell to Cox for \$1.2 million, or about 9% below the asking price. The house is in escrow.

"Sellers are still overconfident," Pelton said. "They want to know what they can get and will test the market."

[Illustration]

Caption: PHOTO: SLOW TO MOVE: Frisca Hong has cut the asking price of her Yorba Linda home by \$30,000, but it has remained unsold after two months on the market. It was initially priced at \$797,000.; PHOTOGRAPHER: Allen J. Schaben Los Angeles Times; PHOTO: ON THE BLOCK: Neri Ince, left, and Julia Scott discuss a home with real estate agent Tom Pelton during an open house in Yorba Linda. "Sellers are still overconfident," Pelton says. "They want to know what they can get and will test the market."; PHOTOGRAPHER: Glenn Koenig Los Angeles Times; PHOTO: (A2) More High-End Houses for Sale: Real estate agent Tom Pelton shows a house to potential buyers in Yorba Linda. Analysts say rising inventories of more expensive homes is typical of the latter stages of a housing boom. C1; PHOTOGRAPHER: Glenn Koenig Los Angeles Times

Credit: Times Staff Writer



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