

Valley home sales slide 32% January drop most in 15 years

Article Launched: **02/17/2006** 12:00 AM PST

[By Gregory J. Wilcox, Staff Writer](#)

San Fernando Valley home sales plunged an annual 32 percent in January, the biggest percentage decrease in 15 years, as a record \$605,000 median home price and rising interest rates squelched buyer enthusiasm, a trade association said Thursday.

"That is a pretty hefty drop," said real estate market analyst Nima Nattagh. The last time sales fell by a bigger amount was between July 1991 and July 1992 when sales dropped 32.5 percent.

January is the fourth consecutive month sales declined from a year ago. Rising prices and rates drove inventory up an eye-popping 76 percent to a five-month supply, considered normal for a market this size, said the Van Nuys-based Southland Regional Association of Realtors.

Sales began softening in the 2005 fourth quarter but the magnitude of January's decline is surprising, said Jim Link, the association's executive vice president.

Interest rates also began moving up in the year's final three months and that, coupled with higher selling prices, squeezed potential buyers.

"I think you have to keep in mind that January reflects December and mid-November open escrows, (and) is traditionally slow. Was it slower than we expected? Definitely," Link said.

However, January's fall does not necessarily mean that the market is poised for collapse, even though it's the weakest single-family home sales count for the month in nine years. And this January is being compared with the fourth-best market since 1989.

Link said it will take until the spring buying season arrives to draw a truer bead on this year's market.

And sales were expected to fall this year.

Association President Steve White characterized the January sales plunge as an aberration and sticker shock to a record median price.

"There is really nothing on the horizon in the Southern California economy that portends any dramatic change," White said.

Even though inventory at month's end totaled 4,150 listings, buyers, especially first-timers, are not getting much of a break because most of it is at the high end.

White said agents are still getting multiple offers on homes priced near the median but that activity has slowed at the high end.

The sales drop might also force sellers to rethink their asking price.

"I think that what's going to happen is that asking prices are going to have to be more realistically set," Link said.

And for some properties on the market now that means a downward revision.

The smaller condominium market displayed some of the same trends.

Sales plunged 30 percent, to 230 transactions, and the median price soared 24 percent, to \$390,000, just under the November record of \$393,500.

Inventory in this sector ballooned 99.5 percent, to 1,109 active listings.

Despite the inventory surge in both sectors - single-family inventory jumped 69.3 percent, to 3,041 active listings - it probably won't bring much price relief.

"I think it will flatten out and stay right in the \$600,000 to \$610,000 range," Link said of the single-family median.

Analyst Nattagh agrees the market is turning, but it is too early to say how far it will slide.

"We need to see what the pattern is in the first quarter so we don't have the seasonal noise in the numbers," he said.

Gregory J. Wilcox, (818) 713-3743 greg.wilcox@dailynews.com