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Housing crisis may end sooner rather than later

By Gregory J. Wilcox, Columnist

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This real estate market collapse is starting to send signals that it will differ from the last one in one key aspect: It may not last as long.

That hope is gleaned from four reports released late last month showing sales have increased for four consecutive months. And there is a strong indication that June's sales will increase from May.

Before a market can recover, it has to find a bottom. Maybe we've seen it.

"Probably by the end of the year we will start to see some stability in the (county's) housing market," said Jack Kyser, vice president and chief economist of the Los Angeles County Economic Development Corp.

Daniel Blake, director of the San Fernando Valley Economic Research Center at California State University, Northridge, says that the string of monthly sales increases is encouraging.

"What it shows on an absolute basis is that more mortgages are being funded and that's really good news," Blake said.

At best this is probably a baby step up from the bottom. The credit crisis has not really abated, underwriting standards are much tougher than they were a year ago and the number of different loans available has declined.

And while sales are on an upward track, a good portion of them are foreclosed homes and overall sales are still near record-low levels.

For example, the Southland Regional Association of Realtors tracks sales back to 1986 and prices back to 1987.

Last year's sales total of 6,721 transactions was the lowest since record-keeping began.

And prices in most areas are now back to the level of early 2004 - a median in the mid-$400,000 range. That's increasing affordability and more buyers seem to be testing the market each month.

But that's hardly a bargain for a typical Valley house.

Prices will continue falling; the question is how far.

They will eventually reach a floor before turning up and no one is expecting the kind of appreciation gains we saw earlier this decade.

During May the median price of a house in the San Fernando Valley fell an annual 31 percent to $450,000.

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Someone who bought at the median in May 2007 saw $200,000 of equity evaporate in a year. That's a lot.

And consider these facts:

The median price is now 31 percent under the record $655,000 set last June.

But the median is still 84 percent above the high point of the last cycle - $245,000 reached three times in 1989.

And the median is now 190 percent higher than the low point of the last cycle, $155,000 last hit in February 1997.

In the last cycle the median price fell 37 percent from the high to the low.

Prices are falling by much bigger amounts now because the gains have been so great.

And there is this to think about: It is generally agreed that the median price is falling by such large amounts because the homes that are selling are at the low end of the price range.

Foreclosures are going to continue to mount and push down prices.

The wild card is how the economic slowdown shakes out.

Blake noted that during the slump in the 1990s prices were in decline for about seven years but the drop was gradual.

Now they are falling by large amounts.

"It suggests we're moving through this quite rapidly, he said. "And it suggests were going to be getting through this a lot more rapidly than the last time."

Let's hope the end comes sooner rather than later.

greg.wilcox@dailynews.com 818-713-3743