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## Meltdown Was More of a Mixed Bag

**REAL ESTATE:** Despite flat market, some cities saw home sales skyrocket in 2006.

By DANIEL MILLER AND DAVID NUSBAUM  
*Staff Reporters*

Even though 2006 was a flat-to-down year overall for the housing market in Los Angeles County, a review of full-year data released last week shows that many affordable areas enjoyed a banner year.

But many of the expensive areas got rocked. There was no housing downturn in Inglewood, for example. The four ZIP codes that make up the city had a combined median house price of \$585,000 in December, making it a reasonably affordable area for Los Angeles' pricey market. In 2006, the number of homes sold in those Inglewood ZIP codes increased a whopping 55 percent. The price of homes increased more than 15 percent. The same is true in Carson, where sales increased 28 percent and prices increased 9.2 percent. All those numbers were better than the county as a

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# Real Estate: Some Areas Did Well in 2006, Others Didn't

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whole. For 2006, the number of homes sold declined 6.6 percent to 496,512 units. The median price from December to December increased 4.8 percent to \$550,000.

But at the same time that many affordable areas were enjoying a good, even great, 2006, several high-end areas hit a very rough patch.

Malibu saw its sales volume plunge 45 percent and prices drop 15 percent. Beverly Hills' three ZIP codes had a composite sales volume drop of 35 percent and a price drop of 38 percent.

"It's really a price-driven market and every

particular marketplace has its own distinction," said Betty Graham, president and chief operating officer of **Coldwell Banker Residential Brokerage** of Greater Los Angeles and Orange County.

The data for the review was provided to the Business Journal by HomeData Corp., a Melville, N.Y. company that tracks housing prices nationwide. (Data for December, including a breakdown by ZIP codes, begins on Page 28.)

Raphael Bostic, economist with the USC Lusk Center for Real Estate, said that in the last 18 months, discretionary sales – largely those done to take advantage of the boom of 2002-

2005 and not done out of necessity – "have been taken off of the market."

As a result, the high-end portion of the market has taken a hit.

"A lot of the housing frenzy just moved people to accelerate their purchases," Bostic said. "So now that pool of people is smaller than it was before."

At the same time, affordable homes tended to see prices accelerate as demand for them stayed brisk.

"There is going to be more competition because they are more affordably priced," said Robert Kleinhenz, deputy chief economist for the California Association of Realtors. "This

translates into price appreciation."

Looking at the data a different way, the Business Journal compared the 30 ZIP codes with the biggest increase in the number of homes sales in 2006 to the 30 that had the sharpest drops.

**Comparison results**

The 30 ZIP codes that had the biggest increase were populated mainly with affordable homes. As a group, those 30 ZIP codes had a median price of \$500,000 in December, well below the county median of \$550,000. That \$500,000 price also was up smartly – 11 percent – from the year earlier. These 30 ZIP

## Year-End Home Data Review

codes saw a combined 68,124 units sold during 2006 – up 20 percent from the previous year.

At the other end of the spectrum, the 30 ZIP codes that had the biggest decrease in sales activity tended to be in areas with expensive homes. They had a median price of \$770,000, above the county median and up only about 3 percent from a year earlier. These areas had a combined 24,276 units sold, down 38 percent from 2005.

Again, the affordable homes performed the best.

Although some areas did well while others did poorly, there was a large, third group: Neighborhoods that more or less stayed fairly close to the country averages.

One statistical oddity: Since April the median price in Los Angeles County stayed constant at or near the \$550,000 level, even though there

were fewer sales at the upper-end and more sales at the lower end.

The reason is that home prices overall increased. That offset the drop in sales at the high end.

### The coming year

Could 2007 be more of the same?

Industry professionals say that the market appears to have weathered the brunt of the storm.

"We are looking at a housing market that took its hits mostly last year," said Kleinhenz.

Several industry experts believe the county market will not experience the sort of house-price collapse the region went through in the early 1990s.

Currently, unemployment is historically low, unlike the early 1990s when the region

was rocked by the collapse of the local aerospace industry after the Cold War and experienced a serious recession.

By way of comparison, the unsold county inventory in February 1991 stood at 27.9 months; in December 2006 it was at 8.3 months, meaning it would take 8.3 months to sell all the homes on the market at the current pace of sales.

"We might see a little bit more price erosion and decline in sales, but because underlying fundamentals are good I don't think we are going to have a housing market in a free fall like the early 1990s," Kleinhenz said.

Syd Leibovitch, president of Los Angeles-based Rodeo Realty, a high-end brokerage, said that because so few people moved last year "there has to be some pent-up demand."

"I think sales volume is going to be higher

than last year," he said.

According to Bostic, expect more of the same from the "bread and butter, middle of the road properties" and minimal price declines across the board.

Graham said that the American public is resilient when it comes to the real estate game, and is accustomed to watching the market fluctuate.

"The American public mostly understands that (real estate) is a long term investment," Graham said. "I believe we have pent-up demand right now. I believe they are happy and comforted that the housing market didn't derail."

Graham said that her agents are sensing the public's optimism.

"The bottom did not fall out," she said. "That is a confidence-building fact."

## Year-End Home Data Review

### LOSERS

#### BEVERLY HILLS



#### SANTA MONICA



December 2005 median price  
(thousands)

\$1,200

December 2006 median price  
(thousands)

\$1,202

% change

0.6%