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From the Los Angeles Times

## Bargain hunting picks up as Southern California home values fall further

Prices in the six-county region drop 29.3% in June compared with a year earlier. Some areas see sales rise as foreclosed houses are deeply discounted.

By Peter Y. Hong

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Southern California home values keep spiraling down, but sales volume is picking up in the Inland Empire and other areas where bargain hunters are snapping up foreclosed properties at steep discounts.

Home prices plunged 29.3% last month from a year earlier, to a median of \$355,000 in six Southern California counties, a real estate information service reported Wednesday. That's about where prices were in 2004.

The number of homes sold in June was down 13.6% from a year earlier. But Riverside County posted an 11.8% jump in sales, thanks to repossessed homes being sold at fire-sale prices, according to DataQuick Information Systems.

Low prices are luring both first-time buyers and full-time real estate investors such as Kurtis and Cindy Squyres of La Quinta.

The couple have been buying two to four houses a month, most of them foreclosures in the Coachella Valley and Inland Empire. They look for the cheapest properties they can find, aiming to buy and quickly resell for a modest profit of perhaps \$10,000.

"That's the new market," Kurtis Squyres said of foreclosures, which made up 62% of all home sales in Riverside County last month.

The housing market "would really be in trouble if these bargain hunters weren't so active," DataQuick analyst Andrew LePage said.

Without these buyers, homes would languish even longer on the market, leading to steeper price cuts, LePage said. But he cautioned that the uptick in sales activity probably wouldn't lead to a bump in values in the near-term.

"At some point prices stabilize, but that is six to 12 months later easily," LePage said. "Then you're also looking at years of relative stagnation" before prices actually rise.

Price declines in Los Angeles and Orange counties have been less severe than in the Inland Empire, but they are falling just the same. Home values were down 23.9% in Los Angeles County in June from one year earlier, to a median of \$415,000.

In Orange County, the median price in June was \$495,000, down 23.3%. The median is the point at which half the homes sell for more and half for less.

By comparison, home values in San Bernardino and Riverside counties dropped more than 30%.

By the time the slump is over, home values throughout the region will be down about the same amount -- probably 40% to 50% below peak levels, predicts Los Angeles economist Christopher Thornberg of Beacon Economics.

Home values in Los Angeles and Orange counties are down roughly 25% from their peaks last year.

"In the places that were harder hit, it's pretty clear we're getting close to the bottom," Thornberg said, but "places like West L.A. -- where people said, 'It can't happen here' -- are starting to stumble now. It's a function of time."

Kurtis Squyres believes that many of the desert towns where he buys houses have hit bottom.

"Houses are already down 50%" in some neighborhoods, he said.

To find the best bargains in a market cluttered with abandoned properties, Squyres said he and his wife spend all day scouring real estate listings, phoning brokers and sending postcards to absentee property owners, asking whether they are interested in selling.

They work out of a room in their rented house; they sold their own home in 2005 when they thought the market was about to crash.

Often, they buy houses that others might consider dumps.

"You've really got to find that oddball and take advantage of it," Kurtis Squyres said.

After buying a property, the couple try to unload it as soon as they can to investors they court on their website, FarBelowMarket.com. Those buyers

typically try to flip the homes for a quick profit too.

Foreclosures and short sales -- homes offered for sale at prices below their mortgage amounts -- are increasingly shaping markets even in long-established communities.

In Orange County, for instance, foreclosures and short sales constitute the majority of homes for sale in eight cities, among them Aliso Viejo, Santa Ana, Garden Grove and Anaheim, according to an analysis of listing data by Aliso Viejo real estate broker Steven Thomas.

Overall, foreclosed homes made up 41.1% of the homes sold in June, the first time the percentage has topped 40% in this real estate cycle. In June 2007, foreclosed homes made up just 7.3% of home sales.

When banks foreclose homes, they offer them first for sale at an auction, typically at a price lower than even the amount of the defaulted loan. Last month in California, foreclosed homes went to auction with opening bids set at an average of 31% less than the amount owed on the loan, according to ForeclosureRadar, a seller of default data.

Few of those homes find buyers at the auction. In California, 97% of homes auctioned are bought back by the lender because of the lack of higher bids, ForeclosureRadar said. Those homes are then sold by lenders on the open market, sometimes at prices even lower than the auction price.

The spread of foreclosures beyond the newly built developments in the inland counties is now affecting prices in more affluent areas. Some analysts had predicted the high end of the market might escape substantial price drops. But in June, the sales price of Southern California homes valued in the top one-tenth of the market declined 20% from a year earlier, according to DataQuick.

Richard Green, newly appointed director of USC's Lusk Center for Real Estate, said prices might be nearing the bottom, even in higher-priced areas. Green has been shopping for a house for himself in the Pasadena area.

"Two years ago I never would have bought a house" in the neighborhoods where he is now shopping, he said.

Green estimates the homes he is considering have fallen about 20% in value since then, he said, which is far enough for him.

"I plan to live there until I retire, so if it goes down another 10% while I'm living there I will not care," he said.

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