

Q2 – Social Home Prices – Bubble?

Southern California home prices in May reached their highest levels since September 2007, with Orange County becoming the first county in the region to surpass its bubble-era peak, according to latest figures from property data firm CoreLogic.

The median price paid for all Southern California homes sold in May was \$459,500, up 0.7 percent from April and a 6.9 percent jump from a year ago. The figure was the highest for any month since September 2007 when it was \$462,000. The median was 9 percent below the peak median of \$505,000 reached in March, April, May and July of 2007. The median sale price in Orange County rose 5.9 percent from a year earlier, reaching a new peak of \$651,500, which surpassed its previous all-time high of \$645,000 reached in both June 2007 and April 2016.

Los Angeles and San Diego counties were the next closest – within about 5 percent – to their peak medians reached in August 2007 and November 2005, respectively. The median price in L.A. was \$525,000, up 8.2 percent from a year ago, while San Diego's median price rose 6.8 percent to \$490,000.

A total of 22,466 new and resale houses and condos were sold in May in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties, up 5.6 percent from April and up 3.3 percent from May last year. For Los Angeles County, homes sold rose 0.8 percent to 7,379, and Orange County homes sold grew 6.2 percent to 3,612.

"May home sales picked up a bit following a relatively weak start to the spring home-buying season in April, while last month's median sale price inched closer to its all-time high set in 2007," said Andrew LePage, research analyst with CoreLogic. "In some ways the market continues to edge toward normalcy. Distressed sales are the lowest in nearly nine years and the investor share of purchases is the lowest in about six years – closer to the long-term average." LePage added that the inventory of homes for sale remains unusually low in many markets, especially in the lower price ranges. "The tight supply, coupled with job growth and low mortgage rates, has driven much of the home price growth over the past year," he said. "

The low inventory stems from new-home sales that remain more than 40 percent below average, as well as a lingering supply of underwater homes in inland areas and a variety of other factors that have made some potential sellers reluctant to move. For example, some would-be sellers worry about their jobs and the economy, while others are still focused on mending their finances in the wake of the Great Recession.

Article: Los Angeles Business Journal

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