

Orange County Housing Report

August 5, 2010

Attention Lenders: Change the Short Sale Process!!!

The backlog of short sales that are pending is dizzying. The lenders are in control of the real estate market and they are taking their sweet ol' time.

Short Sales: *Short sales take forever to close IF they close at all.*

It is not a secret that many homeowners in Orange County and across the United States have stopped making their mortgage payments and have been sitting in limbo for a very long time. Homes in this situation have often been referred to as the "Shadow Inventory." Many are seeking loan modifications in hopes of lowering their monthly mortgage payments and, if they are lucky, reduce their loan balances. Others are attempting to sell their homes as a short sale, where their outstanding loan balance is more than their home is worth. The problem lies in the fact that even though short sales have a buyer willing to buy and a seller willing to sell, they cannot close the pending sale until the lender, or often lenders, agree to accept less than a full payoff. On average, this process takes 4 - 6 months to complete. When there are multiple lenders, homeowner associations that have not been paid, unpaid property taxes, collection companies and attorneys involved, the process becomes even more complex. The length of time it takes to close increases with a more complicated short sale. But not all short sales are complicated, and no short sale, regardless of its complexity, should take six months or more to close. All of the big lenders have talked about improving their handling of short sales, but ask any real estate professional and they will tell you that nothing has changed.

Total Pending			Pending 30 Days Plus			Pending 60 Days Plus		
Foreclosures	496	8%	Foreclosures	140	4%	Foreclosures	14	0.7%
Short Sales	3,639	58%	Short Sales	2,621	79%	Short Sales	1,854	91.6%
Equity Sellers	2,133	34%	Equity Sellers	576	17%	Equity Sellers	156	7.7%
ALL	6,268		ALL	3,337		ALL	2,024	

At the current short sale closure rate (an average of 600 per month), it will take six months to exhaust the total number of pending short sales. Let's not forget that there are still another 2,922 short sales on the active market and another 1,077 that are on "Hold Do Not Show" for whatever reason. Many short sales take so long that the buyers simply lose their patience and walk away. When this happens, the home is placed back on the market adding more time to the overall process. It is no wonder that many buyers and buyers' agents have shied away from short sales completely, preferring to work with equity sellers. Until the lenders come up with a better process, short sales will continue to slow the recovery of the Orange County housing market and markets across the United States.

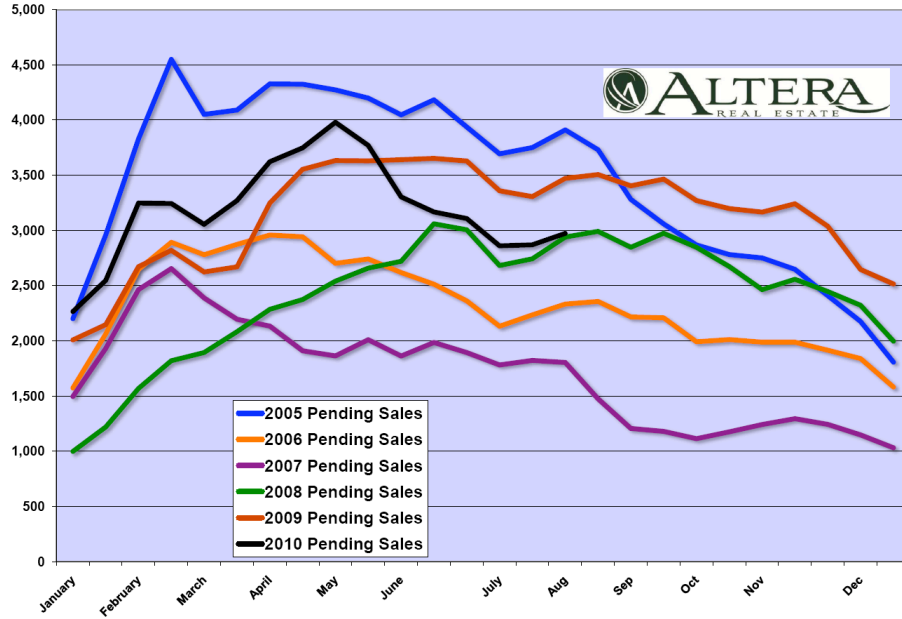
Active Listing Inventory: *The increase in inventory is finally beginning to slow.*

The Orange County inventory increased by the smallest amount in the past three and a half months, adding an additional 179 homes in the past two weeks and now totals 11,414. During 2009, the inventory increased by 319 homes, to a height of 11,606 homes in March, followed by a steady decrease for the rest of the year. Contrast this to 2010 where the inventory has so far increased unabated, reaching a new height for the year at every reading. The good news is that it looks as if it may finally be reaching a peak. Typically at the end of summer fewer homeowners place their homes on the market. Also, as the media continues to report on the cooling of the housing market that has taken place since the end of the Federal Buyer Tax Credit in April, homeowners will once again face the reality that the challenges of the housing market are not behind us and will become more discretionary when deciding whether or not to sell. Hopefully this trend will result in fewer homeowners placing their homes on the market to "test the water." With all of the reports of incredible demand, multiple offers, homes selling at their list prices (or more), and increases in the median sales price, during the first six months, many homeowners who were duped into thinking that the housing market had recovered and that the time had come to cash in. Too many placed their homes on the market at unrealistic prices. Despite a solid demand, this phenomenon helped the inventory to increase from 7,293 homes to 11,414 today, a 4,121 home increase.

Housing Demand: *We see the first significant increase in demand since the end of the tax credit back in April.*

It is official: Orange County housing demand is now following a normal cyclical pattern. Demand, the number of new pending sales over the past month, increased by 102 in the past two weeks and now totals 2,972, a 4% increase. This is

Orange County Pending Sales Year Over Year
Prior 30 Day Snapshot



still 25% off of the end of the April peak of 3,979. Last year at this time demand was at 3,471 pending sales, 499 more than today. From here, we can expect demand to peak for the year at the end of this month before slowly slowing declining as we begin the autumn market.

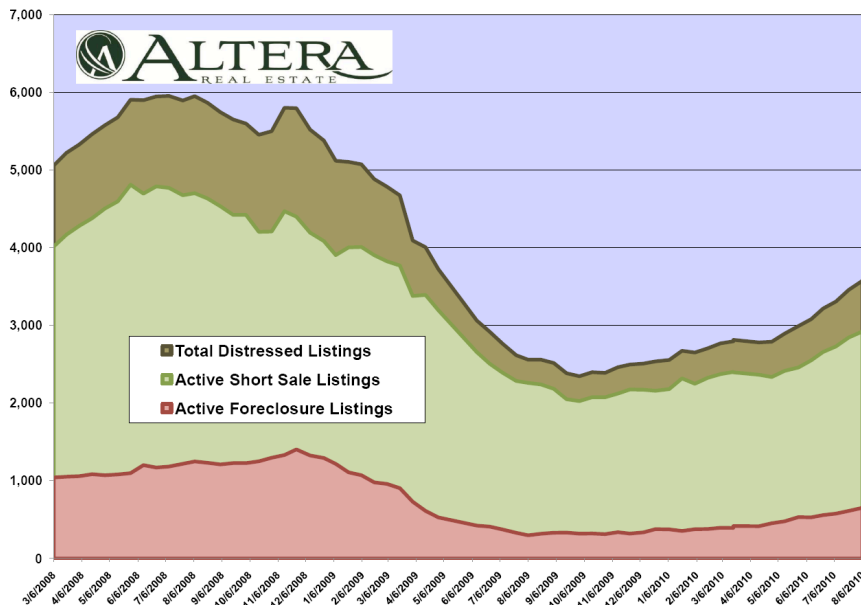
The Expected Market Time: *There is not much change in the expected market time.*

After peaking two weeks ago at 3.91 months, the expected market time dropped slightly to 3.84 months. The overall market is a “seller’s market,” but it is important to remember that today’s “spreadsheet” buyers are unwilling to pay much of a premium over the last comparable sale. There is still a major difference in the market time for the lower price ranges versus the upper price ranges. For homes priced above \$1 million, the expected market time is 9.64 months. Contrast that with homes priced below \$1 million where the expected market time is 3.35 months. Last year at this time the expected market time was at 2.50 months.

Foreclosures and Short Sales: *The distressed inventory continues to grow.*

The active distressed inventory grew by another 118 homes over the past two weeks and now totals 3,575 total

Orange County Distressed Listing Breakdown



foreclosures and short sales, levels not seen since April of 2009. The active distressed inventory started the year with 2,555 homes and has since grown by 40%. The distressed inventory now represents 31.3% of the current active inventory. Last year at this time, there were 2,559 distressed homes on the market, 1,016 fewer than today.

The number of foreclosed properties within the active listing inventory has increased by 40 homes in the past two weeks from 613 to 653. The expected market time for foreclosed properties is 1.88 months, still a HOT seller's market, but, of course, the seller is the bank. Short sales, where a homeowner attempts to sell a home for less than the total outstanding loan balance against the home, requiring lender approval, increased by 78 homes over the past two weeks and now total 2,922. The expected market time for short sales is 2.86 months, also a HOT seller's market, but slower than the 1.53 month market back in April. There is no lack of buyers for short sales, only a lack of approvals and funding by the lenders.

Source: Steven Thomas, President, Altera Real Estate



	Current Actives 8/5/2010	Pendings (Last 30 Days)	Market Time (In Months) 8/5/2010	2-Weeks Ago 7/22/2010	4-Weeks Ago 7/8/2010	1-Year Ago 8/6/2009	2-Years Ago 8/7/2008	Average Active List Price 8/5/2010
Aliso Viejo	225	90	2.50	2.59	2.42	1.12	2.11	\$468k
Anaheim	534	206	2.59	2.43	2.81	1.10	3.75	\$361k
Anaheim Hills	201	64	3.14	4.06	4.44	2.40	4.65	\$853k
Brea	117	41	2.85	2.78	3.44	1.46	3.12	\$568k
Buena Park	187	52	3.60	3.40	2.98	1.25	4.69	\$410k
Corona Del Mar	189	17	11.12	18.40	15.25	13.44	17.10	\$3.3m
Costa Mesa	229	57	4.02	2.89	3.04	1.51	4.20	\$586k
Coto De Caza	121	32	3.78	4.33	7.00	4.16	6.52	\$2.3m
Cypress	124	39	3.18	2.90	3.17	1.11	2.33	\$512k
Dana Point	327	38	8.61	7.61	7.63	7.33	9.03	\$1.5m
Dove Canyon	22	4	5.50	7.33	3.00	4.33	20.00	\$774k
Foothill Ranch	53	16	3.31	2.94	3.85	1.50	3.94	\$490k
Fountain Valley	138	34	4.06	4.41	4.06	1.69	2.38	\$539k
Fullerton	442	126	3.51	3.56	3.39	2.04	4.69	\$563k
Garden Grove	326	125	2.61	2.75	2.78	1.46	3.57	\$395k
Huntington Beach	731	174	4.20	4.25	4.12	2.39	5.17	\$778k
Irvine	838	211	3.97	4.04	3.62	2.44	4.51	\$973k
La Habra	173	62	2.79	3.25	2.88	1.52	4.67	\$370k
Ladera Ranch	161	71	2.27	2.72	3.08	2.50	4.76	\$727k
Laguna Beach	390	35	11.14	14.59	12.93	12.84	15.70	\$3.5m
Laguna Hills	138	38	3.63	4.03	2.68	1.95	4.33	\$937k
Laguna Niguel	382	112	3.41	3.65	3.65	2.84	6.62	\$889k
Laguna Woods	386	66	5.85	8.16	5.76	5.87	8.29	\$219k
Lake Forest	205	77	2.66	2.82	2.23	1.42	3.68	\$483k
Mission Viejo	378	123	3.07	2.87	2.61	1.63	3.66	\$572k
Newport Beach	619	64	9.67	10.67	9.83	8.84	15.34	\$2.3m
Newport Coast	152	22	6.91	6.58	5.92	9.74	17.58	\$4.6m
Orange	469	106	4.42	4.32	3.45	2.04	5.36	\$647k
Placentia	178	31	5.74	5.48	4.70	1.61	4.31	\$469k
Portola Hills	22	8	2.75	1.75	1.23	1.00	3.54	\$456k
Rancho Santa Marg.	211	91	2.32	2.71	2.37	1.43	3.73	\$382k
San Clemente	464	104	4.46	4.63	5.45	3.51	7.94	\$1.0m
San Juan	190	54	3.52	3.52	3.86	3.89	5.60	\$1.7m
Santa Ana	557	214	2.60	2.47	2.53	1.71	4.42	\$370k
Seal Beach	294	50	5.88	6.21	6.34	5.43	7.62	\$429k
Talega	72	36	2.00	2.80	3.54	1.90	4.20	\$827k
Tustin	312	99	3.15	3.39	3.21	2.18	5.13	\$857k
Villa Park	44	7	6.29	4.75	4.22	5.25	14.00	\$1.7m
Westminster	176	53	3.32	2.90	3.49	1.45	3.93	\$467k
Yorba Linda	393	82	4.79	5.35	4.58	3.29	5.54	\$789k
All of O.C.	11,414	2,972	3.84	3.91	3.78	2.50	4.88	\$981k
O.C. \$0-\$250k	1,495	556	2.69	2.86	2.92	1.88	3.69	\$176k
O.C. \$250k-\$500k	3,741	1,317	2.84	2.88	2.68	1.30	3.69	\$386k
O.C. \$500k-\$750k	2,715	640	4.24	4.18	3.90	2.39	4.71	\$622k
O.C. \$750k-\$1m	1,213	225	5.39	4.81	4.88	3.97	7.27	\$869k
O.C. \$1m-\$1.5m	850	166	5.12	6.07	6.94	7.26	10.11	\$1.3m
O.C. \$1.5m-\$2m	456	48	9.50	12.61	8.45	10.28	16.60	\$1.8m
O.C. \$2m-4m	692	21	32.95	21.33	19.83	21.37	15.56	\$2.9m
O.C. \$4m+	373	11	33.91	32.82	34.90	49.75	49.71	\$8.1m

*Data tabulated from SoCalMLS. This data may not reflect all real estate activity in the market. Not all cities are listed but are included in the O.C. totals.

Due to Range Price listings, "All of O.C." and the total of the seven ranges do not add up and are slightly off.





Attached Homes

	Current Actives 8/5/2010	Pendings (Last 30 Days)	Market Time (In Months) 8/5/2010	2-Weeks Ago 7/22/2010	8-Weeks Ago 7/8/2010	1-Year Ago 8/6/2009	2-Years Ago 8/7/2008	Average Active List Price 8/5/2010
All of O.C.	4,208	1,191	3.53	3.71	3.52	2.30	5.02	\$451k
O.C. \$0-\$250k	1,357	508	2.67	2.97	3.08	1.96	3.91	\$173k
O.C. \$250k-\$500k	1,883	566	3.33	3.52	3.10	1.66	4.71	\$368k
O.C. \$500k-\$750k	557	102	5.46	4.92	4.76	5.02	7.62	\$611k
O.C. \$750k-\$1m	175	11	15.91	9.56	7.95	9.38	11.82	\$864k
O.C. \$1m+	256	11	23.27	27.00	18.15	20.60	26.33	\$1.9m

Current Actives Vacant

31.0%

Detached Homes

	Current Actives 8/5/2010	Pendings (Last 30 Days)	Market Time (In Months) 8/5/2010	2-Weeks Ago 7/22/2010	8-Weeks Ago 7/8/2010	1-Year Ago 8/6/2009	2-Years Ago 8/7/2008	Average Active List Price 8/5/2010
All of O.C.	7,188	1,774	4.05	4.06	3.94	2.64	4.80	\$1.3m
O.C. \$0-\$250k	130	45	2.89	1.92	1.66	1.42	4.80	\$207k
O.C. \$250k-\$500k	1,848	745	2.48	2.44	2.34	1.02	3.00	\$404k
O.C. \$500k-\$750k	2,158	538	4.01	4.02	3.72	2.03	4.20	\$625k
O.C. \$750k-\$1m	1,036	214	4.84	4.43	4.57	3.49	6.78	\$869k
O.C. \$1m-\$1.5m	708	162	4.37	5.36	6.30	6.50	9.13	\$1.3m
O.C. \$1.5m-\$2m	411	42	9.79	12.21	7.98	9.11	15.08	\$1.8m
O.C. \$2m-\$4m	632	31	20.39	20.25	18.85	20.21	15.38	\$2.9m
O.C. \$4m+	363	10	36.30	32.00	34.20	49.00	49.29	\$8.1m

Current Actives Vacant

18.9%

All Homes

	Current Actives 8/5/2010	Pendings (Last 30 Days)	Market Time (In Months) 8/5/2010	2-Weeks Ago 7/22/2010	4-Weeks Ago 7/8/2010	1-Year Ago 8/6/2009	2-Years Ago 8/7/2008	Average Active List Price 8/5/2010
All of O.C.	11,414	2,972	3.84	3.91	3.78	2.50	4.88	\$981k
O.C. \$0-\$250k	1,495	556	2.69	2.86	2.92	1.88	3.69	\$176k
O.C. \$250k-\$500k	3,741	1,317	2.84	2.88	2.68	1.30	3.69	\$386k
O.C. \$500k-\$750k	2,715	640	4.24	4.18	3.90	2.39	4.71	\$622k
O.C. \$750k-\$1m	1,213	225	5.39	4.81	4.88	3.97	7.27	\$869k
O.C. \$1m-\$1.5m	850	166	5.12	6.07	6.94	7.26	10.11	\$1.3m
O.C. \$1.5m-\$2m	456	48	9.50	12.61	8.45	10.28	16.60	\$1.8m
O.C. \$2m-4m	692	21	32.95	21.33	19.83	21.37	15.56	\$2.9m
O.C. \$4m+	373	11	33.91	32.82	34.90	49.75	49.71	\$8.1m

Current Actives Vacant

23.3%



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Due to Range Price listings, "All Homes," "Attached" and "Detached" totals do not add up and are slightly off.



	Current Actives 8/5/2010	Number of Foreclosures & Short Sale Actives 8/5/2010	% of Active Inventory 8/5/2010		Current Actives 8/5/2010	Number of Foreclosures & Short Sale Actives 8/5/2010	% of Active Inventory 8/5/2010
Aliso Viejo	225	116	51.6%	Attached	All of O.C.	4,208	39.9%
Anaheim	534	320	59.9%		O.C. \$0-\$250k	1,357	53.4%
Anaheim Hills	201	58	28.9%		O.C. \$250k-\$500k	1,883	44.8%
Brea	117	47	40.2%		O.C. \$500k-\$750k	557	17.8%
Buena Park	187	91	48.7%		O.C. \$750k-\$1m	175	10.3%
Corona Del Mar	189	20	10.6%		O.C. \$1m+	256	0.4%
Costa Mesa	229	77	33.6%	Detached	All of O.C.	7,188	26.1%
Coto De Caza	121	20	16.5%		O.C. \$0-\$250k	130	68.5%
Cypress	124	43	34.7%		O.C. \$250k-\$500k	1,848	52.3%
Dana Point	327	67	20.5%		O.C. \$500k-\$750k	2,158	24.7%
Dove Canyon	22	4	18.2%		O.C. \$750k-\$1m	1,036	15.5%
Foothill Ranch	53	28	52.8%		O.C. \$1m-\$1.5m	708	12.0%
Fountain Valley	138	37	26.8%		O.C. \$1.5m-\$2m	411	7.1%
Fullerton	442	150	33.9%		O.C. \$2m-\$4m	632	4.7%
Garden Grove	326	134	41.1%		O.C. \$4m+	363	1.7%
Huntington Beach	731	198	27.1%	All Homes	All of O.C.	11,414	31.3%
Irvine	838	183	21.8%		O.C. \$0-\$250k	1,495	54.4%
La Habra	173	92	53.2%		O.C. \$250-\$500k	3,741	48.4%
Ladera Ranch	161	80	49.7%		O.C. \$500k-\$750k	2,715	23.3%
Laguna Beach	390	30	7.7%		O.C. \$750k-\$1m	1,213	14.8%
Laguna Hills	138	56	40.6%		O.C. \$1m-\$1.5m	850	10.1%
Laguna Niguel	382	131	34.3%		O.C. \$1.5m-\$2m	456	6.4%
Laguna Woods	386	22	5.7%		O.C. \$2m-4m	692	4.3%
Lake Forest	205	100	48.8%		O.C. \$4m+	373	1.6%
Mission Viejo	378	145	38.4%	County High Shares - Account for 30%	Rancho Santa Marg.	211	60.7%
Newport Beach	619	58	9.4%		Anaheim	534	59.9%
Newport Coast	152	12	7.9%		Santa Ana	557	55.8%
Orange	469	165	35.2%		Portola Hills	22	54.5%
Placentia	178	68	38.2%		La Habra	173	53.2%
Portola Hills	22	12	54.5%		Foothill Ranch	53	52.8%
Rancho Santa Marg.	211	128	60.7%		Aliso Viejo	225	51.6%
San Clemente	464	130	28.0%		Ladera Ranch	161	49.7%
San Juan	190	49	25.8%	County Low Shares - Account for 2%	Seal Beach	294	2.4%
Santa Ana	557	311	55.8%		Laguna Woods	386	5.7%
Seal Beach	294	7	2.4%		Laguna Beach	390	7.7%
Talega	72	30	41.7%		Newport Coast	152	7.9%
Tustin	312	87	27.9%		Villa Park	44	9.1%
Villa Park	44	4	9.1%				
Westminster	176	56	31.8%				
Yorba Linda	393	120	30.5%				
All of O.C.	11,414	3,575	31.3%				

Orange County Distressed Breakdown

	Current Actives	Pendings (Last 30 Days)	Market Time (In Months)
Total Foreclosures	653	348	1.88
Total Short Sale	2,922	1,023	2.86

*Data tabulated from SoCalMLS. This data may not reflect all real estate activity in the market. Not all cities are listed but are included in the O.C. totals. Due to Range Price listings, "All Homes," "Attached" and "Detached" totals do not add up and are slightly off.

