

# THE *Orange County* HOUSING REPORT

## REPORTS ON HOUSING

### Orange County Housing Report: Waiting on Change?

July 3, 2017

Good Afternoon!

Many would be buyers are holding off on purchasing and waiting for the market to change.



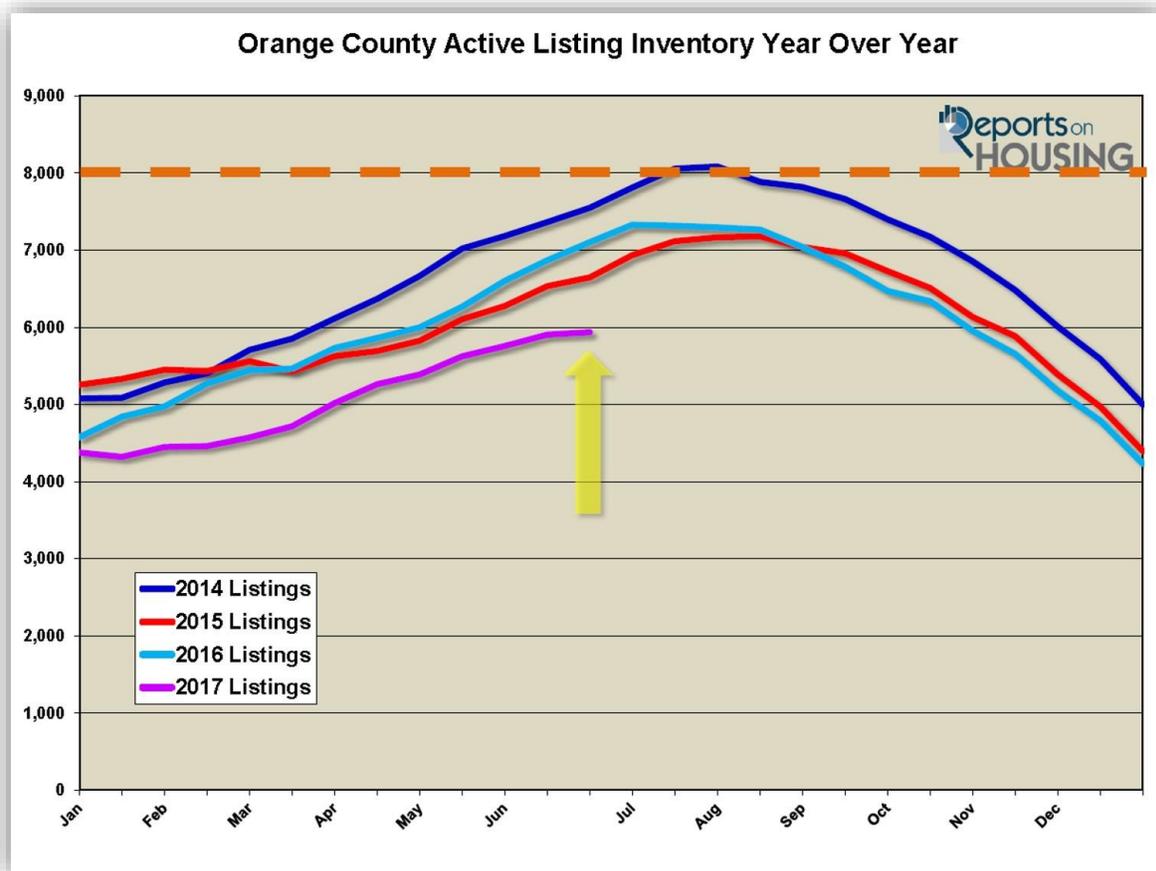
**When Will the Market Change:** The Orange County housing market has reached record heights and has been appreciating for over five years now.

The Orange County Housing Market has been going up nonstop for over five years now. It has been like the initial chain lift hill on one of the many roller coasters at Knott's Berry Farm. Clickety clack, clickety clack, clickety clack... it seems as if the housing roller coaster could go up forever. Yet, many buyers believe that roller coaster ascent has to reach a peak soon.

Housing does not go up forever. There are peaks and there are troughs. There are times when buyers are in control, and there are times when sellers are in control. The skeptical buyers who are waiting for an end to this madness find many reasons for a housing downturn on the horizon. They point to record prices. They recall mid-2007 when the housing market began to unravel; however, prior to it unravelling, almost everybody felt like the market would increase forever. Very few economists and prognosticators forecasted a crippling housing downturn.

It is completely understandable where these buyers are coming from. They are right. The market will eventually reverse course and depreciate. The questions boils down to "when?" The answer is simply, "not anytime soon."

To better understand why the market is poised to continue to accelerate forward, it is best to dust off that old Econ 101



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book that details supply and demand. When there is too much supply and demand is low, it favors the buyer. When there is not enough supply and demand is high, it favors the seller. With years of a lack of supply of homes and red hot demand, it is no wonder that it has been a hot sellers market for quite some time now.

Currently, there are 5,936 homes on the market, the lowest level for this time of the year since 2013. Back then there were 4,732 homes on the market and it was even more difficult for buyers to secure a home than it is today. For housing to move away from a seller's market towards a balanced market, one that does not favor a buyer or seller, there needs to be at least 8,000 homes on the market for a sustainable amount of time. The more homes on the market, the higher the supply of homes. With more supply often comes softer demand. Only then could housing finally shift towards a buyer's market.

That is the issue. Supply needs to increase and demand soften. For proper perspective, at the end of June 2007, there were 17,250 homes on the market and the expected market time was over 9-months (that is the amount of time a home is on the market prior to being placed into escrow). Demand (the last month of pending sales) was at 1,894 back then compared to 2,885 today. The current expected market time is 62 days, quite a bit different than a decade ago.

The trend of a lack of inventory and red hot demand stoked by ultra low interest rates, does not look like it will change course anytime soon. Multiple offers is the norm. This holds true for just about any property priced below \$1.25 million that is in great condition, nicely appointed, in a good location, and priced right, close to its **Fair Market Value**. And, in the lower price ranges, buyers are tripping over each other to secure their piece of the American Dream.

For buyers waiting on the market to change, they are in store for a long wait.

**Active Inventory:** The active inventory increased by only 31 homes in the past couple of weeks.

The active listing inventory added an additional 31 homes in the past two-weeks, a 1% increase, and now sits at 5,936. The biggest issue for Orange County housing this year has been a real lack of inventory. Thus far this year, there have been 6% fewer homes placed on the market. In the past month alone, there have been 10% fewer homes placed on the market. This issue has prevented additional closed sales and has undermined the performance of housing this year.

We can expect the inventory to continue to rise throughout the Summer Market until it reaches a peak somewhere around mid-August. From there, the market will transition into the Autumn Market, from mid-August through Thanksgiving, with fewer homes coming on the market with both the spring and summer in the rearview mirror.

Last year at this time, there were 7,104 homes on the market, **20% more than today**.

**Demand:** Demand decreased by 2% in the past couple of weeks.

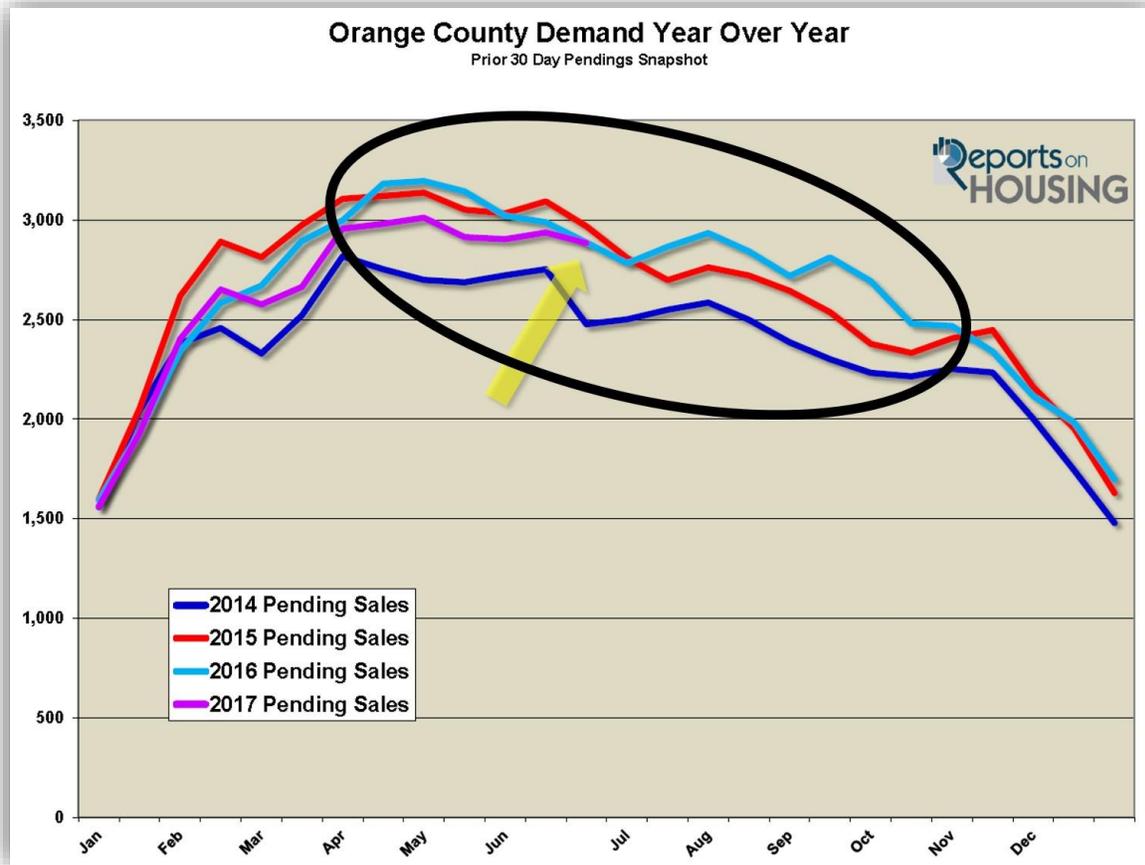
Demand, the number of homes placed into escrow within the prior month, decreased by 52 pending sales in the past two-weeks and now totals 2,885, a 2% decline. Demand is off the most in the entry-level market, homes priced below \$500,000. With 22% fewer homes that have been placed on the market so far this year below \$500,000, demand is now off by 17%. This market has been underperforming all year due to a real lack of inventory.

We can expect demand to drop slightly from now through the end of the summer.

Last year at this time, there were 2 more pending sales totaling 2,887, almost identical. The expected market time increased from 60 to 62 days in the past couple of weeks. At 62 days, the market is no longer a HOT seller's market, but a tepid seller's market with muted appreciation. Last year it was at 74 days.

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**Luxury End:** *Luxury demand decreased by 7% in the past couple of weeks while the inventory grew by 3%.*

In the past two weeks, demand for homes above \$1.25 million decreased from 371 to 344 pending sales, a 7% decline. The luxury home inventory increased from 2,011 homes to 2,068, up 3%. The luxury market downshifted with the beginning of the Summer Market. The supply is up and demand is down.

For homes priced between \$1.25 million and \$1.5 million, the expected market time increased from 96 to 120 days. For homes priced between \$1.5 million to \$2 million, the expected market time increased from 148 to 155 days. In addition, for homes priced above \$2 million, the expected market time increased from 253 days to 266 days. At 266 days, a seller would be looking at placing their home into escrow around the end of March of next year.

	Expected Market Time	Share of Housing Inventory	Share of Current Demand	Last Year
O.C. \$0-\$750k	38 Days	39%	62%	47 Days
O.C. \$750k-\$1m	59 Days	18%	19%	83 Days
O.C. \$1m-\$1.25m	79 Days	9%	7%	143 Days
O.C. \$1.25m-\$1.5m	120 Days	8%	4%	143 Days
O.C. \$1.5m-\$2m	155 Days	9%	4%	159 Days
O.C. \$2m+	266 Days	17%	4%	322 Days

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### Orange County Housing Market Summary:

- The active listing inventory increased by just 31 homes, or 1%, in the past couple of weeks, and now totals 5,936, knocking on the door of the 6,000 home level. Last year, there were 7,104 homes on the market, 1,168 more than today.
- There are 39% fewer homes on the market below \$500,000 today compared to last year at this time and demand is down by 17%. Fewer and fewer homes and condominiums are now priced below \$500,000. This price range is slowly disappearing.
- Demand, the number of pending sales over the prior month, decreased by 2% in the past couple of weeks, declining 52 pending sales and now totals 2,885. The average pending price is \$830,508.
- The average list price for all of Orange County remained at \$1.6 million. This number is high due to the mix of homes in the luxury ranges that sit on the market and do not move as quickly as the lower end.
- For homes priced below \$750,000, the market is HOT with an expected market time of just 38 days. This range represents 39% of the active inventory and 62% of demand.
- For homes priced between \$750,000 and \$1 million, the expected market time is 59 days, a hot seller's market (less than 60 days). This range represents 18% of the active inventory and 19% of demand.
- For homes priced between \$1 million to \$1.25 million, the expected market time is at 79 days, a tepid seller's market.
- For luxury homes priced between \$1.25 million and \$1.5 million, the expected market time decreased from 96 to 120 days. For homes priced between \$1.5 million to \$2 million, the expected market time increased from 148 to 155 days. For luxury homes priced above \$2 million, the expected market time increased from 253 to 266 days.
- The luxury end, all homes above \$1.25 million, accounts for 34% of the inventory and only 12% of demand.
- The expected market time for all homes in Orange County increased from 60 days to 62 in the past couple of weeks, a tepid seller's market (60 to 90 days). From here, we can expect the market time to slowly rise throughout the Summer Market.
- Distressed homes, both short sales and foreclosures combined, make up only 1.3% of all listings and 2.2% of demand. There are only 27 foreclosures and 49 short sales available to purchase today in all of Orange County, that's 76 total distressed homes on the active market, 5 more than two weeks ago. Last year there were 135 total distressed sales, 82% more than today.
- There were 3,147 closed sales in May, an 18% increase over April 2017 and a 4% increase over May 2016. The sales to list price ratio was 97.8% for all of Orange County. Foreclosures accounted for just 1.1% of all closed sales and short sales accounted for 1.7%. That means that nearly 97.2% of all sales were good ol' fashioned equity sellers.

Have a great 4<sup>th</sup> of July celebration!

Sincerely,  
**Steven Thomas**  
Quantitative Economics and Decision Sciences

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	Current Actives 6/29/2017	Dem and (Last 30 Days Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015	Average Active List Price 6/29/2017
Aliso Viejo	83	75	33	29	26	49	51	\$703k
Anaheim	212	131	49	56	44	51	48	\$596k
Anaheim Hills	101	66	46	46	44	70	51	\$1.1m
Brea	72	40	54	74	59	58	44	\$982k
Buena Park	89	62	43	38	49	57	59	\$680k
Corona Del Mar	116	19	183	142	158	155	138	\$3.9m
Costa Mesa	161	70	69	53	47	64	56	\$949k
Coto De Caza	96	24	120	132	102	134	244	\$2.3m
Cypress	52	40	39	29	33	43	66	\$790k
Dana Point	221	54	123	138	128	127	108	\$2.9m
Dove Canyon	23	12	58	68	52	115	120	\$1.1m
Foothill Ranch	12	22	16	18	38	71	54	\$843k
Fountain Valley	46	43	32	21	28	45	46	\$749k
Fullerton	183	133	41	51	45	61	58	\$832k
Garden Grove	121	85	43	42	37	47	43	\$613k
Huntington Beach	324	167	58	53	59	60	57	\$1.2m
Irvine	571	242	71	72	74	95	66	\$1.5m
La Habra	66	72	28	28	48	59	40	\$672k
La Palma	17	3	170	85	41	15	34	\$707k
Ladera Ranch	108	61	53	55	60	62	73	\$1.4m
Laguna Beach	254	28	272	239	237	246	210	\$5.4m
Laguna Hills	93	43	65	79	53	67	71	\$1.3m
Laguna Niguel	218	105	62	65	70	87	85	\$1.5m
Laguna Woods	160	73	66	24	47	66	77	\$346k
Lake Forest	82	75	33	38	37	40	37	\$703k
Los Alamitos	7	10	21	23	47	64	45	\$916k
Mission Viejo	210	145	43	47	38	53	56	\$806k
Newport Beach	360	84	129	126	141	164	121	\$3.2m
Newport Coast	105	15	210	221	324	194	198	\$5.6m
North Tustin	75	34	66	60	91	87	*	\$1.7m
Orange	190	105	54	41	37	61	59	\$873k
Placentia	51	47	33	39	37	63	42	\$654k
Portola Hills	12	13	28	28	30	30	40	\$906k
Rancho Mission Viejo	20	9	67	99	130	105	40	\$787k
Rancho Santa Marg.	78	68	34	38	40	48	*	\$595k
Rossmoor	27	17	48	103	67	*	*	\$1.4m
San Clemente	286	85	101	94	95	121	131	\$1.7m
San Juan	151	50	91	85	43	123	101	\$2.0m
Santa Ana	209	116	54	55	49	55	59	\$566k
Seal Beach	109	57	57	63	46	66	66	\$553k
Stanton	15	17	26	23	20	58	29	\$713k
Talega	49	27	54	58	98	141	108	\$1.3m
Tustin	114	60	57	45	48	54	64	\$1.0m
Villa Park	29	6	145	72	55	120	140	\$1.8m
Westminster	44	50	26	29	33	41	58	\$699k
Yorba Linda	238	85	84	72	76	93	74	\$1.4m
All of O.C.	5,936	2,885	62	60	59	74	67	\$1.6m

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### Attached Homes

	Current Actives 6/29/2017	Demand (Last 30 Days) Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015	Average Active List Price 6/29/2017
All of O.C.	1,723	1,110	47	47	46	57	57	\$416k
O.C. \$0-\$250k	93	91	31	39	39	48	69	\$182k
O.C. \$250k-\$500k	625	560	33	35	34	43	45	\$391k
O.C. \$500k-\$750k	560	360	47	46	48	67	56	\$614k
O.C. \$750k-\$1m	202	62	98	92	85	109	104	\$864k
O.C. \$1m+	250	40	188	139	132	149	167	\$1.8m

Current Actives Vacant **32.9%**

### Detached Homes

	Current Actives 6/29/2017	Demand (Last 30 Days) Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015	Average Active List Price 6/29/2017
All of O.C.	4,201	1,772	71	68	67	85	73	\$2.0m
O.C. \$0-\$500k	79	98	24	29	30	39	34	\$449k
O.C. \$500k-\$750k	936	690	41	39	37	43	45	\$649k
O.C. \$750k-\$1m	883	489	54	49	50	79	68	\$876k
O.C. \$1m-\$1.25m	442	187	71	78	68	143	108	\$1.1m
O.C. \$1.25m-\$1.5m	424	111	115	93	103	143	108	\$1.4m
O.C. \$1.5m-\$2m	495	98	152	148	150	161	170	\$1.8m
O.C. \$2m-\$4m	618	84	221	207	211	263	252	\$2.8m
O.C. \$4m+	358	22	488	623	443	625	444	\$9.1m

Current Actives Vacant **21.6%**

### All Homes

	Current Actives 6/29/2017	Demand (Last 30 Days) Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015	Average Active List Price 6/29/2017
All of O.C.	5,936	2,885	62	60	59	74	67	\$1.6m
O.C. \$0-\$500k	802	749	32	35	34	43	46	\$372k
O.C. \$500k-\$750k	1,502	1,051	43	42	41	50	48	\$636k
O.C. \$750k-\$1m	1,085	553	59	53	54	83	71	\$873k
O.C. \$1m-\$1.25m	521	198	79	84	71	143	110	\$1.1m
O.C. \$1.25m-\$1.5m	479	120	120	96	108	143	110	\$1.4m
O.C. \$1.5m-\$2m	553	107	155	148	144	159	178	\$1.8m
O.C. \$2m-\$4m	668	95	211	193	215	259	251	\$2.8m
O.C. \$4m+	368	22	502	572	402	634	435	\$9.0m

Current Actives Vacant **24.8%**

\*Data tabulated from CRMLS. 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.

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	Number of			Attached	Number of		
	Current Actives	Foreclosures & Short Sale Actives	% of Active Inventory		Current Actives	Foreclosures & Short Sale Actives	% of Active Inventory
	6/29/2017	6/29/2017	6/29/2017		6/29/2017	6/29/2017	6/29/2017
Aliso Viejo	83	3	3.6%	All of O.C.	1,723	26	1.5%
Anaheim	212	4	1.9%	O.C. \$0-\$250k	93	2	2.2%
Anaheim Hills	101	2	2.0%	O.C. \$250k-\$500k	625	15	2.4%
Brea	72	0	0.0%	O.C. \$500k-\$750k	560	6	1.1%
Buena Park	89	1	1.1%	O.C. \$750k-\$1m	202	1	0.5%
Corona Del Mar	116	0	0.0%	O.C. \$1m+	250	2	0.8%
Costa Mesa	161	2	1.2%	<b>Detached</b>			
Coto De Caza	96	2	2.1%	All of O.C.	4,201	50	1.2%
Cypress	52	0	0.0%	O.C. \$0k-\$500k	79	3	3.8%
Dana Point	221	1	0.5%	O.C. \$500k-\$750k	936	13	1.4%
Dove Canyon	23	2	8.7%	O.C. \$750k-\$1m	883	17	1.9%
Foothill Ranch	12	0	0.0%	O.C. \$1m-\$1.5m	442	7	1.6%
Fountain Valley	46	0	0.0%	O.C. \$1.25m-\$1.5m	424	3	0.7%
Fullerton	183	2	1.1%	O.C. \$1.5m-\$2m	495	2	0.4%
Garden Grove	121	4	3.3%	O.C. \$2m-\$4m	618	3	0.5%
Huntington Beach	324	6	1.9%	O.C. \$4m+	358	2	0.6%
Irvine	571	6	1.1%	<b>All Homes</b>			
La Habra	66	0	0.0%	All of O.C.	5,936	76	1.3%
La Palma	17	0	0.0%	O.C. \$0k-\$500k	802	20	2.5%
Ladera Ranch	108	2	1.9%	O.C. \$500k-\$750k	1,502	19	1.3%
Laguna Beach	254	1	0.4%	O.C. \$750k-\$1m	1,085	18	1.7%
Laguna Hills	93	2	2.2%	O.C. \$1m-\$1.25m	521	7	1.3%
Laguna Niguel	218	4	1.8%	O.C. \$1.25m-\$1.5m	479	4	0.8%
Laguna Woods	160	2	1.3%	O.C. \$1.5m-\$2m	553	3	0.5%
Lake Forest	82	3	3.7%	O.C. \$2m-\$4m	668	3	0.4%
Los Alamitos	7	1	14.3%	O.C. \$4m+	368	2	0.5%
Mission Viejo	210	3	1.4%	<b>County High Shares - Account for 33%</b>			
Newport Beach	360	1	0.3%	Los Alamitos	7	1	14.3%
Newport Coast	105	0	0.0%	Dove Canyon	23	2	8.7%
North Tustin	75	0	0.0%	Portola Hills	12	1	8.3%
Orange	190	1	0.5%	Westminster	44	2	4.5%
Placentia	51	1	2.0%	Tustin	114	5	4.4%
Portola Hills	12	1	8.3%	Lake Forest	82	3	3.7%
Rancho Mission Viejo	20	0	0.0%	Aliso Viejo	83	3	3.6%
Rancho Santa Marg.	78	2	2.6%	Garden Grove	121	4	3.3%
Rossmoor	27	0	0.0%	Rancho Santa Marg.	78	2	2.6%
San Clemente	286	1	0.3%	Laguna Hills	93	2	2.2%
San Juan	151	2	1.3%	<b>County Low Shares - No Distressed</b>			
Santa Ana	209	3	1.4%	Brea		Rancho Mission Viejo	
Seal Beach	109	0	0.0%	Corona del Mar		Rossmoor	
Stanton	15	0	0.0%	Cypress		Seal Beach	
Talega	49	0	0.0%	Foothill Ranch		Talega	
Tustin	114	5	4.4%	Fountain Valley		Villa Park	
Villa Park	29	0	0.0%	La Habra			
Westminster	44	2	4.5%	La Palma			
Yorba Linda	238	4	1.7%	Newport Coast			
All of O.C.	5,936	76	1.3%	North Tustin			
<b>Orange County Distressed Breakdown</b>							
	Current Actives	Pendings (Last 30 Days)	Market Time (In Days)				
Total Foreclosures	27	29	28				
Total Short Sale	49	34	43				

\*Data tabulated from CRMLS. 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.

## Southern California Housing

### All Properties

	Current Actives 6/29/2017	Dem and (Last 30 Days Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015
Los Angeles County	11,776	6,274	56	55	51	63	67
Orange County	5,936	2,885	62	60	59	74	67
Riverside County	8,050	3,257	74	72	70	94	103
San Bernardino County	4,884	2,377	62	61	59	81	91
San Diego County	5,999	3,686	49	48	43	54	57
<b>SOCAL TOTALS</b>	<b>36,645</b>	<b>18,479</b>	<b>59</b>	<b>58</b>	<b>55</b>	<b>70</b>	<b>73</b>

### Distressed Properties - Foreclosures and Short Sales

	Current Actives 6/29/2017	Dem and (Last 30 Days Pendings)	Market Time (In Days) 6/29/2017	2-Weeks Ago 6/15/2017	4-Weeks Ago 6/1/2017	1-Year Ago 6/30/2016	2-Years Ago 7/2/2015
Los Angeles County	256	222	35	34	27	33	45
Orange County	76	63	36	34	41	39	46
Riverside County	280	156	54	47	45	48	61
San Bernardino County	141	101	42	49	49	56	66
San Diego County	63	70	27	37	24	25	22
<b>SOCAL TOTALS</b>	<b>816</b>	<b>612</b>	<b>40</b>	<b>40</b>	<b>35</b>	<b>39</b>	<b>47</b>