



## MARKET OVERVIEW

a monthly real estate report | August 09

### Growing Optimism

*Economic recovery is beginning to eclipse skepticism.*

Recent national and state reports suggest a glacially paced slowing of the recession. With the national unemployment rate at 9.5% and over 1.5 million properties in some stage of foreclosure as of July 1, 2009 (Realty Trac), consumer confidence in a housing recovery is hesitant, and people are hungry for good news. One positive sign: existing and new home sales are up.

#### Existing homes

The National Association of REALTORS® reported a third consecutive rise in monthly existing home sales in June 2009. Affordability and incentives are driving the climb. The median national home price is \$181,800 – 15% lower than a year ago. Home inventories are now at 9.4 months on hand; according to Lawrence Yun, chief economist for NAR, price stabilization occurs at about 7 months on hand.

#### New Homes

The Commerce Department reported new home construction was up 3.6% in May after a disappointing low in April. At an annual pace of about 582,000 housing units, building is still well below the rate needed to serve new household formations and replace dilapidated structures (about 750,000 to 1.2 million units annually). Builder confidence is also up, as firms sell off the overstock of homes built during the housing boom.

The best news is that demand for housing is increasing. While most of the action is in the affordable ranges, spurred by the first-time home buyer tax credit, luxury homes are also selling faster.

#### California

In California, one out of every 34 homes is in the foreclosure process. This is keeping the pressure on housing prices; they're the closest to the national median they've been since 2002, before the housing boom. In many communities, home prices have reset back to the halcyon days of 2000.

Renewed affordability and the opportunity to buy a better home for less have galvanized home buyers. In May, the California building industry reported the year's fourth month of improved sales volume. Existing home sales have improved month-over-month for a year, says DataQuick. June 2009 home sales showed a 25% improvement over June 2008.

Many Southern California markets are reporting new life in sales of luxury homes priced above \$900,000, and as few as two months' inventory on hand of homes priced below \$300,000. From May to June 2009, the median home price lifted 7%, from \$230,000 to \$246,000.

Nonetheless, the housing recovery is unlikely to overheat. The lending industry, reluctant to avoid the excesses that precipitated the housing boom and bust, has adopted stricter regulations for approving mortgage loans.

- HVCC: Effective May 1, 2009, Home Valuation Code of Conduct rules limit the influence banks can have on appraisers. This new oversight ensures more accurate and fraud-resistant appraisals, making loans purchased by Fannie Mae and Freddie Mac less likely to default.

- HERA: Effective July 30, 2009, the Truth in Lending Act was amended by the Home Ownership and Equity Protection Act (HOEPA) and the Housing and Economic Recovery Act (HERA). These amendments include the Mortgage Disclosure Improvement Act, which regulates disclosures and the timing of fees to home buyers.

While the impact of these regulations is intended to be positive, real estate professionals are reporting that the detailed rules are causing delays and costing consumers more money. In addition, many lenders are applying the new rules to FHA government-insured loans, even though the HVCC rules apply only to loans intended for resale to Fannie Mae and Freddie Mac.

Among the changes home buyers can expect:

- The earliest any home transaction can close is seven business days after the lender issues initial mortgage disclosures to the buyer. (Saturday counts as a business day for disclosures only.)
- The lender may not collect any upfront fees except those required to generate a credit report until the buyer has been issued the initial mortgage disclosure.
- The home buyer must receive a copy of the bank appraisal at least three business days prior to closing.
- Home buyers must be notified at least three business days before closing if the Annual Percentage Rate (APR) increases by more than .125% over the initial Truth In Lending disclosure. The APR is the true cost of the loan to the consumer.

According to HomeServices of America, there are a number of reasons the APR may differ from the original TIL disclosure, which can cause delays in closing.

- Unlocked rate
- Change in loan amount
- Product change
- Rate relock due to market improvement
- Change in closing date
- Changes in fees, including settlement agent fees

### Advice to home buyers

Lock in your interest rate and fees before you start shopping for a home. Extend your lock from 30 to 45 days. Allow ample time for the lending process when you choose a closing date.

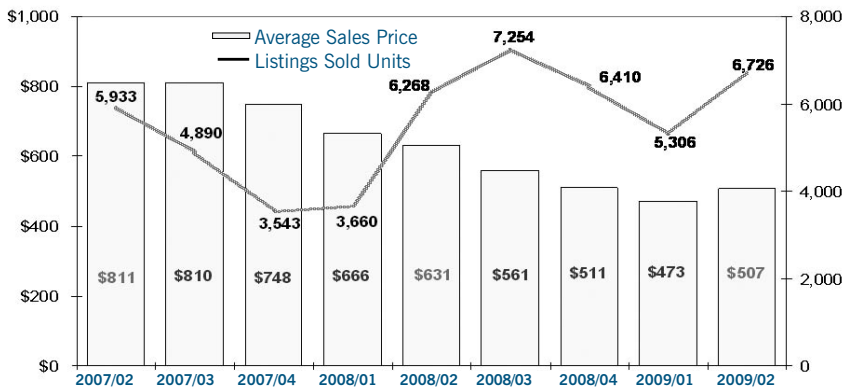
### Advice to sellers

Be patient with your buyer's lending process, and prepare to be flexible with the closing date.

## ORANGE COUNTY

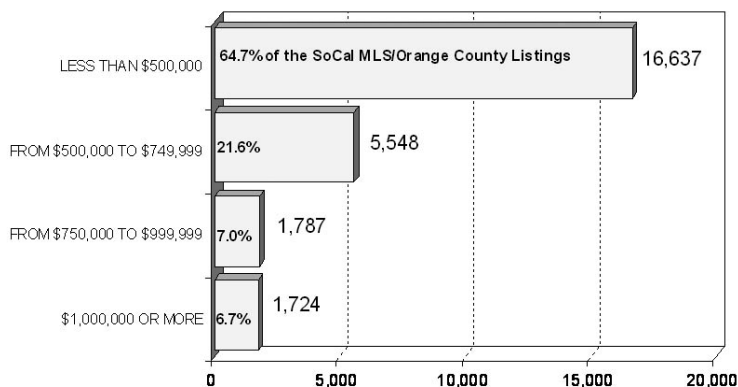
Orange County home prices have continued to hold firmly, with only small dips over the last two years. Average sales price and the sales volume of homes sold hit bottom in the first quarter of 2009.

Listings Sold by Quarter - 9 Quarters Through June, 2009



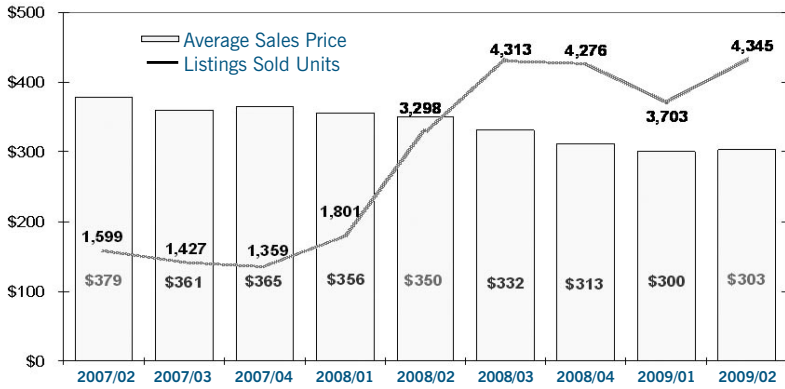
For the two-year period between Q-2, 2007 and Q-2, 2009, average home prices were lowest in Q-1, 2009. Sales volume was second highest in Q-2, 2009.

MLS Listings Sold Units by Price Range



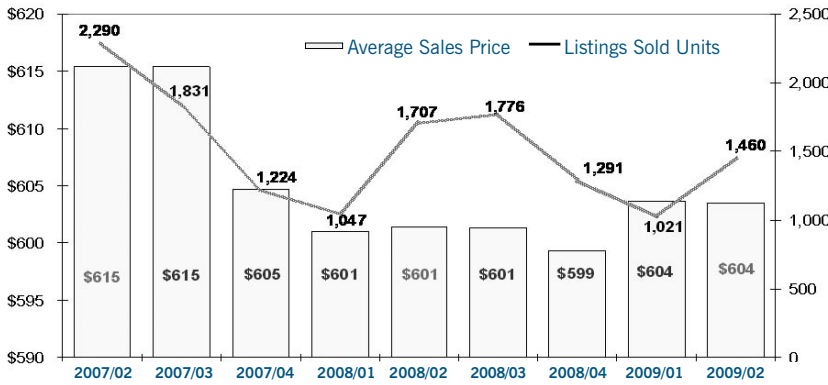
Affordability is among the greatest issues for Orange County, with 64.7% of the homes sold between July 1, 2008 and June 30, 2009 priced under \$500,000.

Listings Sold by Quarter, Under \$500,000 - 9 Quarters Through June 2009



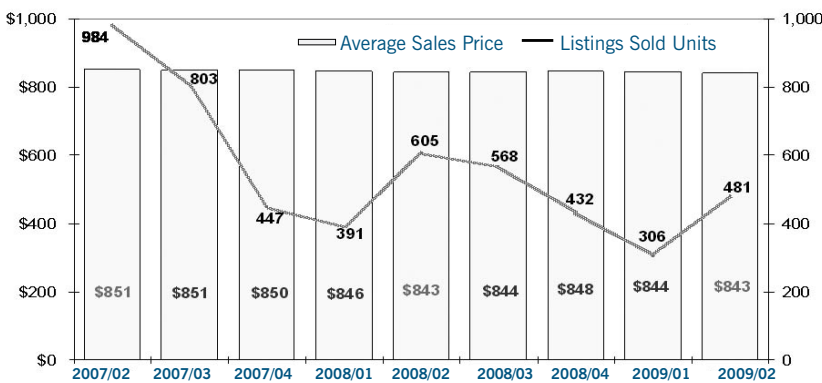
In homes priced under \$500,000, home prices bottomed in Q-1, 2009, which drove sales volume to the best level in the two years ending June 30, 2009.

Listings Sold by Quarter, \$500,000 to \$749,999 - 9 Quarters Through June 2009



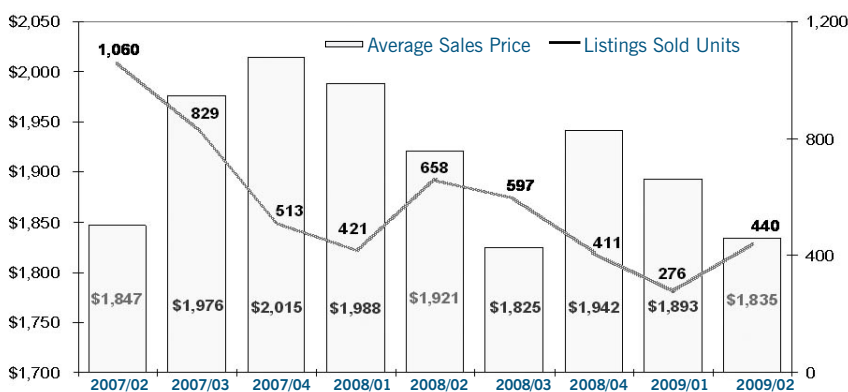
Home prices have traded in a tight two-year range for homes priced \$500,000 to \$749,999.

Listings Sold by Quarter, \$750,000 to \$999,999 - 9 Quarters Through June 2009



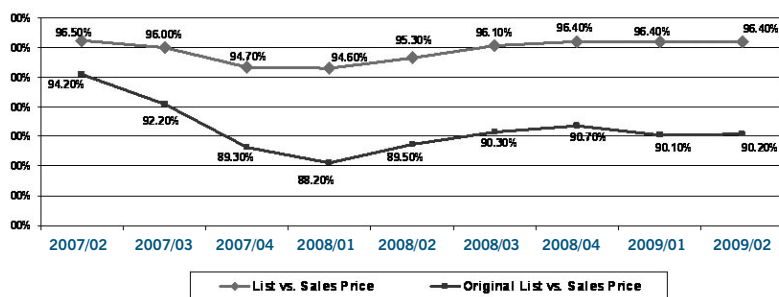
Between Q-2, 2008 and Q-2, 2009, home prices between \$750,000 and \$999,000 have stubbornly traded in a tight range, despite plummeting volume. By Q-2, 2009, sales volume appears to be recovering.

Listings Sold by Quarter, \$1 Million and Above - 9 Quarters Through June 2009



Sales prices in homes priced at \$1 million or more hit bottom in Q-3, 2008. As pricing approaches the same level again in Q-2, 2009, sales volume is also tracking upward.

### MLS Sales Price Ratio



More proof that prices are holding firm in Orange County is the stabilization of original list prices to sold prices and quarter-to-quarter list-to-sold prices.

### Orange County Hot & Cold Zip Codes By Listings Sold Units

Property City/ Zip Code	Q4/2007	Q4/2008	%Gain/Loss
Anaheim / 92805	63	179	184.1%
Santa Ana / 92705	36	92	155.6%
Los Alamitos / 90720	13	31	138.5%
Santa Ana / 92701	51	111	117.6%
Seal Beach / 90740	61	132	116.4%
Corona Del Mar / 92625	51	30	-41.2%
Garden Grove / 92845	35	20	-42.9%
Newport Beach / 92662	9	5	-44.4%
La Palma / 90623	26	13	-50.0%
Villa Park / 92861	15	6	-60.0%

Between Q-2, 2008 and Q-2, 2009, the highest volume of sales in Orange County took place in Anaheim, zip code 92805, while the fewest sales were in Villa Park, zip code 92061.

### Orange County Hot & Cold Zip Codes By Average Sales Price

Property	Q4/2007	Q4/2008	%Gain/Loss
Trabuco Canyon / 92679	\$649,825	\$736,041	13.3%
Los Alamitos / 90720	\$644,454	\$678,061	5.2%
Irvine / 92602	\$633,353	\$658,721	4.0%
Santa Ana / 92705	\$415,085	\$417,616	0.6%
San Juan Capistrano / 92675	\$624,469	\$432,407	-30.8%
Newport Beach / 92663	\$1,713,084	\$1,152,854	-32.7%
Laguna Hills / 92656	\$319,500	\$209,342	-34.5%
San Clemente / 92672	\$984,336	\$636,312	-35.4%
Santa Ana / 92701	\$275,809	\$154,367	-44.0%

Prices rose the highest in Trabuco Canyon, zip code 92679, between Q-2, 2008 and Q-2, 2009 and fell the furthest in Santa Ana, zip code 92701, in Orange County.