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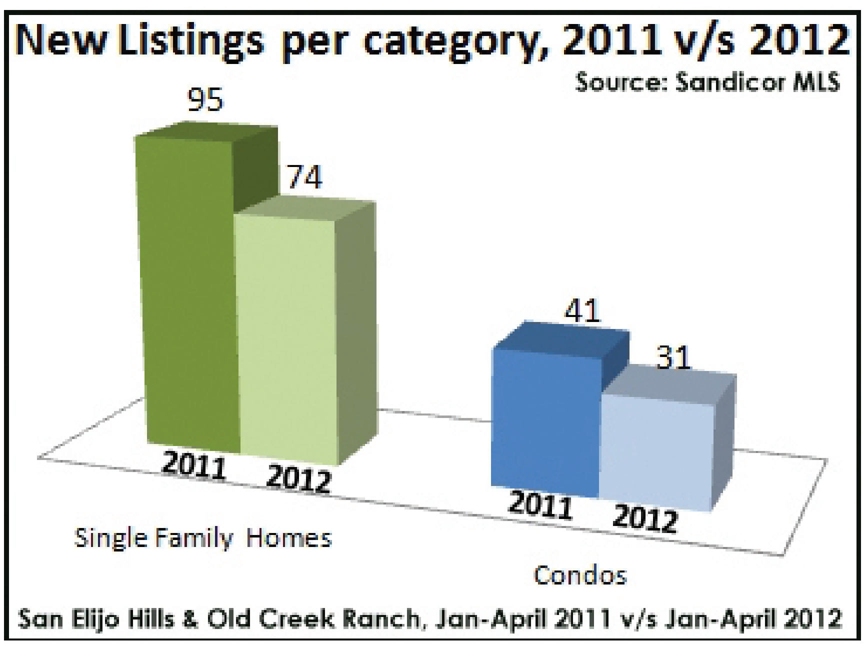
The Real Estate Market is Hot Again… Is the Recovery Finally Here?

Five years after the big burst, with property values dropping nearly 30% from their peak levels in areas, we are now seeing situations that last occurred in the early to mid 2000's… multiple offers! And our community is definitely part of this new trend.

What is the reason? The values have dropped to levels now very attractive and affordable for buyers, and while it used to be much less expensive to rent than own, the balance is changing, due to a strong price increase on rentals coupled with lower home values and record low interest rates.

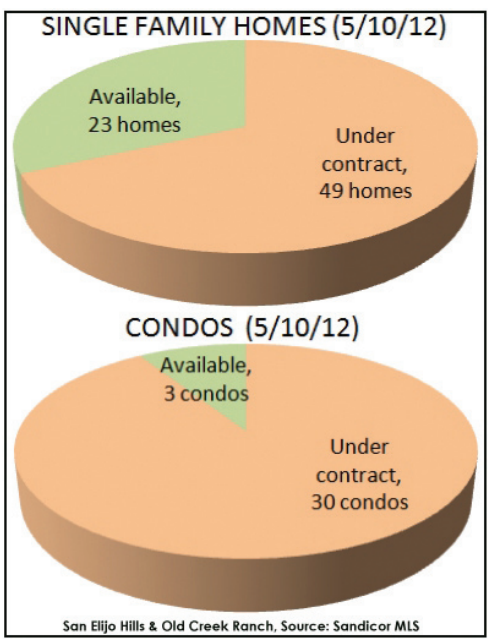


Various micro-economic aspects are boosting our community real estate, including the San Elijo Village "vision" taking shape with more businesses opening their doors. The high scores and desirable programs at our local schools are definitely also helping fuel the demand for San Elijo Hills/OCR real estate.

Macro-economic aspects are helping support this new trend: an improving job market and record low mortgage rates. While the underwriting loan guidelines are still much tougher than in years before and require full income documentation, low down payment programs exist, as low as 3.5% down payment for FHA loans or even 0% for VA programs, while conventional loans can be procured with as little as 5% down.

Our community prices have been impacted by distressed sales (bank owned and short sale properties) that often sell at a discounted price from full market value, but fewer distressed properties have been entering the market, which should help support a recovery. Only 28 distressed properties were listed in Mar-April 2012, compared to 33 for the same time period in 2011, mostly due to fewer bank owned properties (4 compared to 12, a 66% decrease in bank owned inventory).

This reduction of distressed sales may continue as the financial situation of borrowers improves. The rate of borrowers past due by 60 days or more in California fell to 6.66% after cutting its rate by 22% year over year, according to TransUnion (5.78% nationally).



The main factor for the multiple offer situation and price bump is the tight inventory of homes for sale. The current level of inventory in our neighborhood is less than seven weeks worth of supply, with 26 properties available (as of 5/9/2012), and 16 closed sales in April. This inventory level is extremely low compared with the 6 months of supply that we have experienced in the past.

This situation is leaving home buyers with fewer options, resulting in multiple offers on the same property. This is especially true for condos and the smaller, less expensive properties in the area.

Is this a long term trend? While it is hard to predict with so many factors affecting the market, some market analysts predict that we are at or close to bottom, and that the stabilization of the market is due this summer. Market Watcher FISERV is also predicting a slow rise of 4% per year from there, on a national level.

When buying or selling a home, whether traditional or short sale, there are many things to consider in order to make an informed decision and complete a successful transaction. From pricing to marketing, negotiations to appraisal, these aspects need to be handled with care and expertise by professionals who are dedicated to your best interest and are knowledgeable of the market specifics. We will gladly offer our advice and services!

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