

The Orange County Housing Report



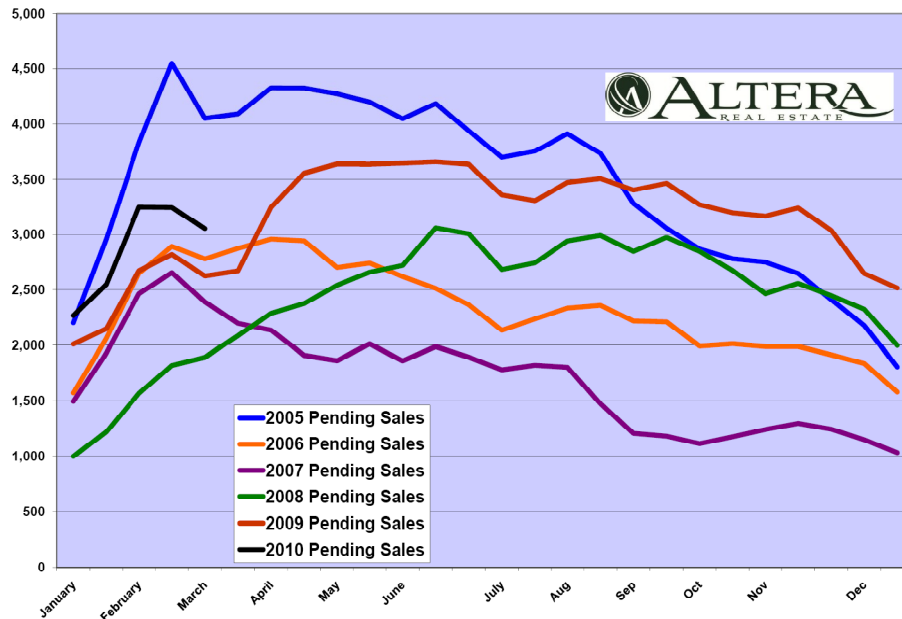
Orange County Housing Report: An Olympic Pause

March 4, 2010

Good Afternoon!

National anthems, a record medal haul for the U.S., a spectacular gold medal hockey game, all great distractions of Olympic proportions, but we typically see a pause in Orange County housing demand at this time of year. Demand, the number of new pending sales over the prior month, dropped by 190 homes over the prior two weeks, now totaling 3,054.

Orange County Pending Sales Year Over Year
Prior 30 Day Snapshot



However, this is a cyclical anomaly in the data because February is such a short month. Had February been a normal month in length, demand would have remained unchanged from a couple of weeks ago. Demand is 430 pending sales stronger than last year at this time and 1,161 stronger compared to two years ago. There really has not been much change in the past month, in terms of activity. The storyline remains the same: there are not enough homes coming on the market in the lower ranges to satiate the ravenous appetite of current demand. If a home is priced well and is below \$750,000, it will fly off the market and generate more than one offer. I am asked over and over why there is so much demand. It is worth repeating over and over again until the general public is acutely aware of the current marketplace. Yes, there are a ton of distressed homes on the market. But, in the lower ranges, they are not eroding pricing any further. Values have already dropped at least 35%. Interest rates are low. There still is the first time home buyer's tax credit, but its reach is not very far due to the lack of inventory and the fact that cash buyers, or buyers with larger down payments, are snatching up many of the homes that are hitting the market.

How do the rest of the numbers look? The active inventory increased over the past two weeks by 311 homes, or 4%, to 8,446. The active inventory last year was at 11,562, 3,116 additional homes compared to today. Two years ago it was at 15,412, 6,966 additional homes. With a drop in demand and an increase in the inventory, the expected market time increased from 2.51 months two weeks ago to 2.77 months today. At the current pace, the *overall* market continues to be a seller's market without much appreciation at all. But, for those sellers in the higher ranges, DO NOT GET EXCITED about the overall numbers. In drilling down to specific ranges, the higher the price range, the slower the market. It is slow for all markets above \$1 million. Above \$2 million, the market is ice cold. The number of active distressed homes on the market, all short sales and foreclosures combined, increased by 64 homes to 2,769. The number of foreclosures within the active listing inventory increased in the past two weeks from 380 to 396, a gain of 16. The expected market time for foreclosures is a mind numbing 1.14 months, a deep seller's market. Foreclosures remain the hot ticket. The number of short sales within the active listing inventory increased by 48 and now totals 2,373. The expected market time for short sales is 1.91 months, also a hot ticket. There are 6,867 total pending sales in all of Orange County. Of those, 4,254 are short sales, 62%. Yet,



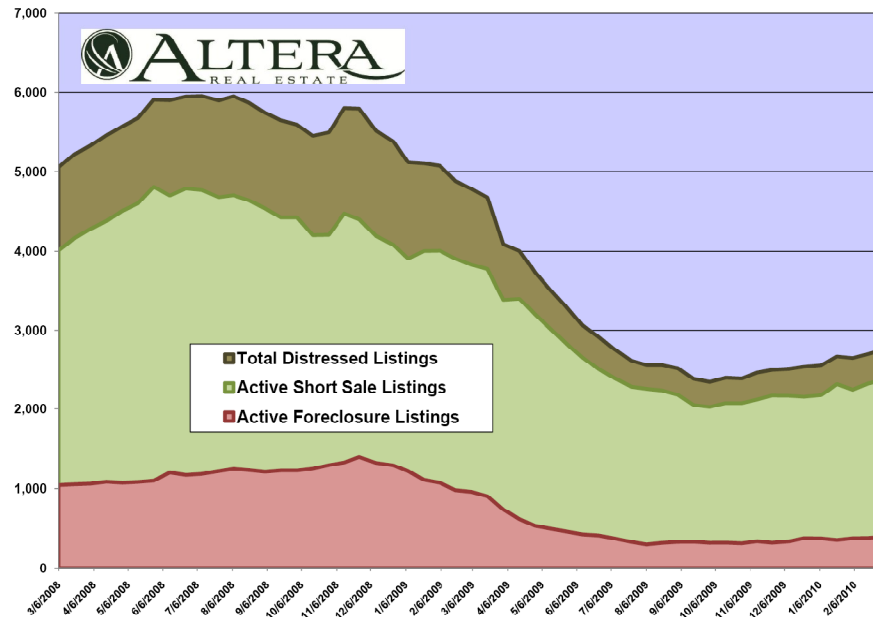
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only 27% of all closed residential resales in February were short sales. Most short sales are simply not closing. They are waiting on lender, or in many cases lenders, approval of the sale. Of the 4,254 pending short sales, only 757 have been pending for less than a month. 1,488 have been pending for over three months. The data does not even capture the short sales where a frustrated buyer walks away after waiting too long. Those are placed back on the market and, often, after generating several offers, quickly become pending sales again.

Orange County Distressed Listing Breakdown



So, where do we go from here? There are a lot of unknowns regarding the future of the economy, unemployment, a double dip, etc. All of the experts seem to enjoy the healthy debate, but opinions are all over the map. But, the Orange County housing market is trudging forward, regardless. First time homebuyers represent about 25% of all purchases and so do investors. I have also been asked where all of these first time homebuyers are coming from. Many of them are in their late twenties or early thirties and responsibly saved for a down payment, but simply could not afford to buy when prices reached their astronomical heights several years back. They were priced out of the market for years and did not jump into the market until prices dropped to a very attractive level along with interest rates. Current demand is strong. The market would appear even stronger in if all of the short sales that are pending would close. That will change as more short sales are approved as 2010 rolls along. The federal government now wants the big banks to modify loans first. If that does not work out, then they want the big banks to go the short sale route. Foreclosing is only a last resort. As March rolls along and the spring officially begins, we can expect more homes to hit the market and demand to increase. The listing inventory will increase slightly due to more and more higher priced properties hitting the market where demand is not strong enough to keep up with the increased flow. The lower ranges will remain feverish.

Have a wonderful weekend.

Sincerely,

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President

"Pride Begins at Home"

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	Current Actives 3/4/2010	Pendings (Last 30 Days)	Market Time (In Months) 3/4/2010	2-Weeks Ago 2/18/2010	4-Weeks Ago 2/4/2010	1-Year Ago 3/5/2009	2-Years Ago 3/6/2008	Average Active List Price 3/4/2010
Allso Vlejo	113	108	1.05	1.30	1.16	2.85	5.12	\$434k
Anaheim	393	195	2.02	1.84	1.62	3.18	8.87	\$363k
Anaheim Hills	142	43	3.30	2.57	2.54	4.25	5.13	\$978k
Brea	75	39	1.92	1.65	2.89	2.40	5.63	\$527k
Buena Park	142	46	3.09	2.05	1.62	3.22	9.61	\$446k
Corona Del Mar	165	23	7.17	8.05	10.31	53.00	8.71	\$3.0m
Costa Mesa	186	65	2.86	2.15	2.00	2.83	9.37	\$604k
Coto De Caza	119	25	4.76	4.33	4.28	9.44	11.23	\$2.3m
Cypress	95	35	2.71	2.38	2.52	2.97	8.32	\$516k
Dana Point	236	49	4.82	4.85	4.98	8.94	7.80	\$1.8m
Dove Canyon	14	3	4.67	2.50	1.43	9.50	13.00	\$858k
Foothill Ranch	45	30	1.50	1.61	1.87	2.72	4.00	\$413k
Fountain Valley	96	44	2.18	2.09	1.57	3.30	3.82	\$559k
Fullerton	283	131	2.16	2.18	2.13	5.11	7.43	\$598k
Garden Grove	247	105	2.35	2.14	1.81	2.60	7.63	\$411k
Huntington Beach	524	145	3.61	3.16	3.01	4.27	5.36	\$803k
Irvine	522	226	2.31	1.88	1.90	4.82	6.33	\$1.0m
La Habra	139	47	2.96	2.02	1.72	3.30	9.86	\$377k
Ladera Ranch	125	68	1.84	1.57	1.30	4.45	8.34	\$806k
Laguna Beach	332	30	11.07	9.14	8.82	28.08	14.10	\$3.7m
Laguna Hills	104	41	2.54	1.75	1.57	4.56	10.50	\$1.1m
Laguna Niguel	266	130	2.05	1.87	2.12	5.16	7.40	\$956k
Laguna Woods	337	60	5.62	7.51	5.62	8.70	8.38	\$218k
Lake Forest	115	63	1.83	1.45	1.21	2.29	6.78	\$464k
Mission Viejo	299	146	2.05	1.96	1.93	3.44	6.76	\$617k
Newport Beach	516	67	7.70	8.42	7.06	14.34	16.61	\$2.4m
Newport Coast	144	21	6.86	6.77	5.96	17.58	12.36	\$4.2m
Orange	308	123	2.50	2.18	2.31	4.68	9.59	\$727k
Placentia	104	44	2.36	2.27	2.55	4.28	8.64	\$445k
Portola Hills	13	16	0.81	1.70	0.79	3.86	8.40	\$489k
Rancho Santa Marg.	132	85	1.55	1.33	1.13	2.93	5.61	\$389k
San Clemente	348	106	3.28	3.25	3.24	6.76	10.69	\$1.1m
San Juan	147	52	2.83	2.23	2.20	5.32	12.28	\$1.6m
Santa Ana	492	270	1.82	1.75	1.87	2.59	14.27	\$356k
Seal Beach	228	35	6.51	6.43	6.00	15.95	9.10	\$356k
Talega	70	32	2.19	2.45	1.91	5.42	9.33	\$899k
Tustin	225	116	1.94	1.78	2.14	4.30	6.18	\$865k
Villa Park	47	3	15.67	6.67	13.00	Infinite	16.00	\$1.6m
Westminster	118	43	2.74	2.19	1.81	3.22	8.96	\$467k
Yorba Linda	262	87	3.01	2.86	3.34	4.18	8.98	\$883k
All of O.C.	8,446	3,054	2.77	2.51	2.42	4.41	8.14	\$1.1m
O.C. \$0-\$250k	1,167	606	1.93	1.79	1.72	3.05	7.31	\$171k
O.C. \$250k-\$500k	2,633	1,342	1.96	1.75	1.63	3.12	7.31	\$384k
O.C. \$500k-\$750k	1,780	682	2.61	2.37	2.60	4.25	7.62	\$623k
O.C. \$750k-\$1m	956	228	4.19	3.81	3.52	7.77	8.33	\$873k
O.C. \$1m-\$1.5m	715	115	6.22	5.04	4.41	13.57	11.17	\$1.3m
O.C. \$1.5m-\$2m	398	46	8.65	8.93	10.63	31.74	11.28	\$1.8m
O.C. \$2m-4m	550	49	11.22	14.89	18.28	33.80	16.19	\$2.9m
O.C. \$4m+	319	6	53.17	29.70	24.33	37.60	18.07	\$8.3m

*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.



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Attached Homes

	Current Actives 3/4/2010	Pendings (Last 30 Days)	Market Time (In Months) 3/4/2010	2-Weeks Ago 2/18/2010	8-Weeks Ago 2/4/2010	1-Year Ago 3/5/2009	2-Years Ago 3/6/2008	Average Active List Price 3/4/2010
All of O.C.	3,157	1,271	2.48	2.20	2.06	4.46	8.67	\$445k
O.C. \$0-\$250k	1,075	537	2.00	1.83	1.74	3.37	6.91	\$167k
O.C. \$250k-\$500k	1,336	593	2.25	1.92	1.73	4.30	8.63	\$368k
O.C. \$500k-\$750k	377	99	3.81	3.53	3.90	7.26	8.83	\$612k
O.C. \$750k-\$1m	176	26	6.77	6.21	6.38	16.14	18.82	\$858k
O.C. \$1m+	204	19	10.74	11.06	9.23	103.00	14.43	\$1.7m

Current Actives Vacant

38.1%

Detached Homes

	Current Actives 3/4/2010	Pendings (Last 30 Days)	Market Time (In Months) 3/4/2010	2-Weeks Ago 2/18/2010	8-Weeks Ago 2/4/2010	1-Year Ago 3/5/2009	2-Years Ago 3/6/2008	Average Active List Price 3/4/2010
All of O.C.	5,273	1,777	2.97	2.75	2.71	4.36	7.88	\$1.4m
O.C. \$0-\$250k	85	64	1.33	1.48	1.50	1.95	7.88	\$208k
O.C. \$250k-\$500k	1,287	747	1.72	1.60	1.54	2.46	6.33	\$401k
O.C. \$500k-\$750k	1,403	582	2.41	2.18	2.38	3.79	7.32	\$625k
O.C. \$750k-\$1m	779	202	3.86	3.48	3.17	6.96	7.41	\$876k
O.C. \$1m-\$1.5m	588	102	5.76	4.50	4.04	11.49	10.62	\$1.3m
O.C. \$1.5m-\$2m	361	42	8.60	9.42	10.44	29.06	11.42	\$1.8m
O.C. \$2m-\$4m	517	47	11.00	14.03	17.82	30.90	16.20	\$2.9m
O.C. \$4m+	312	6	52.00	33.22	29.00	36.80	17.86	\$8.4m

Current Actives Vacant

22.5%

All Homes

	Current Actives 3/4/2010	Pendings (Last 30 Days)	Market Time (In Months) 3/4/2010	2-Weeks Ago 2/18/2010	8-Weeks Ago 2/4/2010	1-Year Ago 3/5/2009	2-Years Ago 3/6/2008	Average Active List Price 3/4/2010
All of O.C.	8,446	3,054	2.77	2.51	2.42	4.41	8.14	\$1.1m
O.C. \$0-\$250k	1,167	606	1.93	1.79	1.72	3.05	7.31	\$171k
O.C. \$250k-\$500k	2,633	1,342	1.96	1.75	1.63	3.12	7.31	\$384k
O.C. \$500k-\$750k	1,780	682	2.61	2.37	2.60	4.25	7.62	\$623k
O.C. \$750k-\$1m	956	228	4.19	3.81	3.52	7.77	8.33	\$873k
O.C. \$1m-\$1.5m	715	115	6.22	5.04	4.41	13.57	11.17	\$1.3m
O.C. \$1.5m-\$2m	398	46	8.65	8.93	10.63	31.74	11.28	\$1.8m
O.C. \$2m-4m	550	49	11.22	14.89	18.28	33.80	16.19	\$2.9m
O.C. \$4m+	319	6	53.17	29.70	24.33	37.60	18.07	\$8.3m

Current Actives Vacant

28.3%



*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.



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	Number of Foreclosures & Short Sale			Attached	Number of Foreclosures & Short Sale		
	Current Actives 3/4/2010	Actives 3/4/2010	% of Active Inventory 3/4/2010		Current Actives 3/4/2010	Actives 3/4/2010	% of Active Inventory 3/4/2010
Aliso Viejo	113	66	58.4%	All of O.C.	3,157	1,336	42.3%
Anaheim	393	252	64.1%	O.C. \$0-\$250k	1,075	564	52.5%
Anaheim Hills	142	42	29.6%	O.C. \$250k-\$500k	1,336	652	48.8%
Brea	75	28	37.3%	O.C. \$500k-\$750k	377	91	24.1%
Buena Park	142	59	41.5%	O.C. \$750k-\$1m	176	24	13.6%
Corona Del Mar	165	11	6.7%	O.C. \$1m+	204	11	5.4%
Costa Mesa	186	67	36.0%	Detached			
Coto De Caza	119	22	18.5%	All of O.C.	5,273	1,425	27.0%
Cypress	95	32	33.7%	O.C. \$0-\$250k	85	68	80.0%
Dana Point	236	66	28.0%	O.C. \$250k-\$500k	1,287	712	55.3%
Dove Canyon	14	6	42.9%	O.C. \$500k-\$750k	1,403	385	27.4%
Foothill Ranch	45	23	51.1%	O.C. \$750k-\$1m	779	158	20.3%
Fountain Valley	96	29	30.2%	O.C. \$1m-\$1.5m	588	62	10.5%
Fullerton	283	91	32.2%	O.C. \$1.5m-\$2m	361	26	7.2%
Garden Grove	247	118	47.8%	O.C. \$2m-\$4m	517	26	5.0%
Huntington Beach	524	152	29.0%	O.C. \$4m+	312	2	0.6%
Irvine	522	142	27.2%	All Homes			
La Habra	139	65	46.8%	All of O.C.	8,446	2,769	32.8%
Ladera Ranch	125	71	56.8%	O.C. \$0-\$250k	1,167	632	54.2%
Laguna Beach	332	27	8.1%	O.C. \$250-\$500k	2,633	1,364	51.8%
Laguna Hills	104	35	33.7%	O.C. \$500k-\$750k	1,780	476	26.7%
Laguna Niguel	266	104	39.1%	O.C. \$750k-\$1m	956	182	19.0%
Laguna Woods	337	25	7.4%	O.C. \$1m-\$1.5m	715	70	9.8%
Lake Forest	115	70	60.9%	O.C. \$1.5m-\$2m	398	26	6.5%
Mission Viejo	299	116	38.8%	O.C. \$2m-4m	550	25	4.5%
Newport Beach	516	49	9.5%	O.C. \$4m+	319	2	0.6%
Newport Coast	144	17	11.8%	County High Shares - Account for 32%			
Orange	308	112	36.4%	Santa Ana	492	272	55.3%
Placentia	104	51	49.0%	Rancho Santa Marg.	132	88	66.7%
Portola Hills	13	6	46.2%	Anaheim	393	252	64.1%
Rancho Santa Marg.	132	88	66.7%	Lake Forest	115	70	60.9%
San Clemente	348	104	29.9%	Aliso Viejo	113	66	58.4%
San Juan	147	45	30.6%	Ladera Ranch	125	71	56.8%
Santa Ana	492	272	55.3%	Talega	70	36	51.4%
Seal Beach	228	7	3.1%	Foothill Ranch	45	23	51.1%
Talega	70	36	51.4%	County Low Shares - Account for 4%			
Tustin	225	79	35.1%	Seal Beach	228	7	3.1%
Villa Park	47	8	17.0%	Corona Del Mar	165	11	6.7%
Westminster	118	49	41.5%	Laguna Woods	337	25	7.4%
Yorba Linda	262	74	28.2%	Laguna Beach	332	27	8.1%
All of O.C.	8,446	2,769	32.8%	Newport Beach	516	49	9.5%

Orange County Distressed Breakdown

	Current Actives	Pendings (Last 30 Days)	Market Time (In Months)
Total Foreclosures	396	346	1.14
Total Short Sale	2,373	1,245	1.91

*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.



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