

THE Orange County HOUSING REPORT

REPORTS ON HOUSING

Orange County Housing Report: Luxury Returns

June 29, 2020

Good evening!

After grinding to a complete halt, the luxury market is pumping on all cylinders.



Luxury Strength: The upper end of the housing market is strong with plenty of demand.

In *Batman v Superman*, in order for Superman to kill Doomsday, a gigantic monster that is also from the planet Krypton, he sacrifices himself by taking a krypton spear (his only weakness) and launches it into Doomsday. Both Superman and Doomsday die. Many moviegoers left the movie theater in disbelief, the ultimate superhero had perished. Yet, in *Justice League (2017)*, through the power of the Mother Box and a giant electric spark from The Flash, Superman was revived to help save Earth from the evil Apokoliptian general Steppenwolf and his army of Parademons. Superman returned, was unstoppable, and helped defeat the villain.

The luxury housing market in Orange County came to screeching halt in mid-April. It appeared as if luxury housing had perished in 2020 and would not be revived until 2021 at the earliest. The Expected Market Time (the amount of time between hammering in the FOR-SALE sign to opening escrow) increased to 322 days for all homes priced above \$1.25 million. Fear and uncertainty shrouded the upper end amidst the COVID-19 pandemic and California's "stay at home" order. It left many luxury sellers in disbelief, wondering if they would ever be able to sell their homes without major price cuts.

Yet, the market began to improve after bottoming in April. Slowly but surely demand picked up in every price range. Luxury was revived on the backs of increased confidence in Wall Street, a low mortgage rate environment, and the realization of the importance of "home" in the middle of a pandemic. Everybody is acutely aware of the significance of the home office, additional living space, a larger yard, and the many amenities that make life at home more enjoyable.

In taking a closer look at luxury, today's Expected Market Time is at its lowest point in years, 111 days. That sounds high compared to the overall Orange County housing market at 47 days, but it is extremely strong for the upper end, and quite an improvement from the 322 day mark reached in mid-April, the middle of the Spring Market. In fact, it is a record low for

Market Time (In Days)

	2019 Best 4/18/2019	Last Year 6/27/2019	Prior 2020 Best 3/5/2020	COVID-19 Height 4/16/2020	Today 6/25/2020
\$1.25m-\$1.5m	108 Days	137 Days	71 Days	205 Days	80 Days
\$1.5m-\$2m	133 Days	192 Days	80 Days	252 Days	83 Days
\$2m-\$4m	186 Days	250 Days	175 Days	363 Days	128 Days
\$4m+	425 Days	667 Days	321 Days	1,118 Days	239 Days
All of Luxury	161 Days	217 Days	121 Days	322 Days	111 Days

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2020 so far, beating the March 5th level of 121 days, a low reached just prior to COVID-19's impact on housing and the "stay at home" order. Last year, the luxury Expected Market Time was at 217 days at the end of June, and the lowest level for 2019 was achieved in April at 161 days.

Luxury has dramatically improved and it is not because there are fewer homeowners placing their homes on the market, limiting the supply of available homes. That is true for the market as a whole, with 21% fewer homes placed on the market compared to the 5-year average. However, for luxury, there have been 2% **more** homes placed on the market compared to the 5-year average. It all boils down to demand, the last 30-days of pending sales activity. It has improved from 140 pending sales on April 16th to 476 today, an astonishing 240% increase. That is the highest demand reading in years.

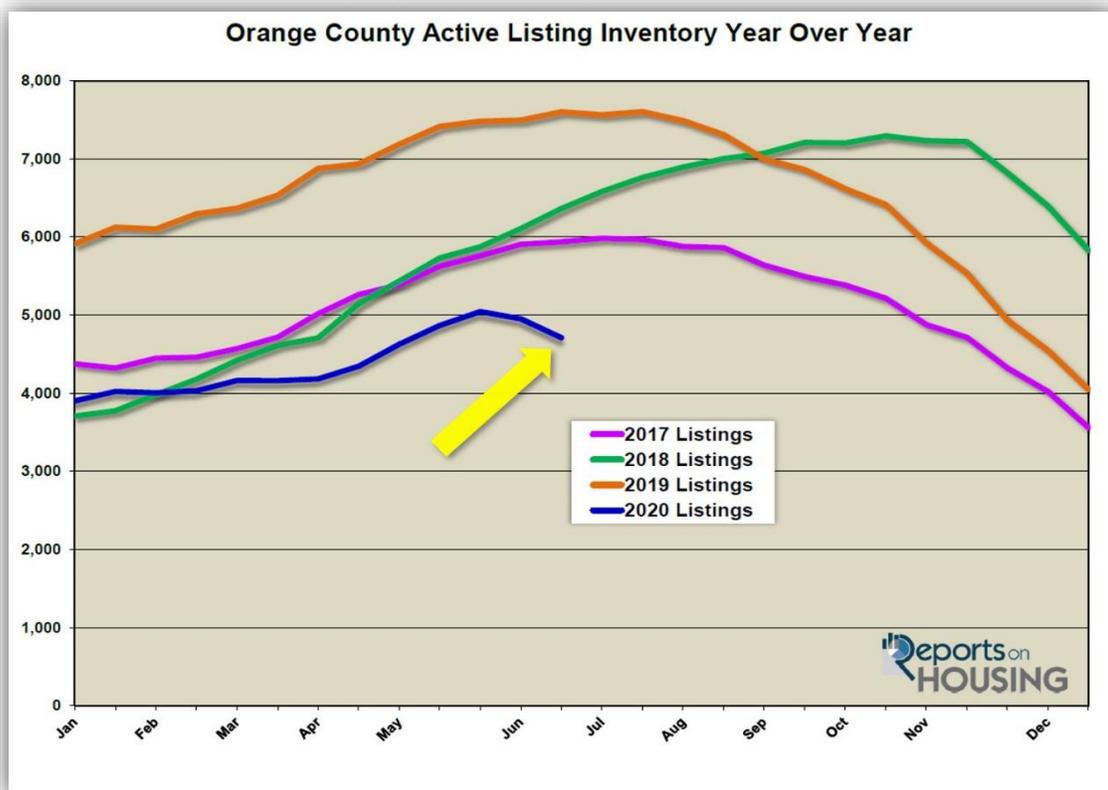
It is important to note that the upper end still takes a lot longer to sale compared to the lower ranges. Multiple offers and a steady stream of buyers are not as common. This is simply because there are fewer potential buyers that can afford a higher priced home. It all boils down to supply and demand. The lower ranges do not have enough supply, and demand is through the roof. For the luxury market, the pool of potential buyers shrinks due to pricing constraints and there is a bit more seller competition. For luxury sellers, if the price of a home is not compelling, they will not find success. When a home is priced well, it attracts attention.

As in all price ranges, success is determined by motivation. Many luxury sellers claim that they "don't have to sell" to help rationalize their price. They stretch their asking price and sit on the market, generating little activity and no offers. Sellers who are motivated will price their homes according to their **Fair Market Value**. They are not afraid to listen to the market and adjust their asking price if necessary.

Orange County's luxury market has not only returned, it is pumping on all cylinders. While it may not be as sizzling hot as the lower ranges, it is the most favorable environment for luxury in years.

Active Inventory: The current active inventory decreased by 5% in the past two-weeks.

The active listing inventory dropped by 239 homes in the past two-weeks, down 5%, and now sits at 4,710, the lowest level since 2013. In the past 5-years, the inventory, on average, has risen by 2%. The inventory has been declining for the past month, completely uncustomary during the Summer Market. There are not enough homes coming on the market as COVID-19 still has a grip on the supply. With extremely hot demand, homes are being placed into escrow at a faster clip than the number of homes that are coming on the market; thus, the inventory is dropping. The Orange County housing market is in dire need of more homeowners opting to enter the fray.



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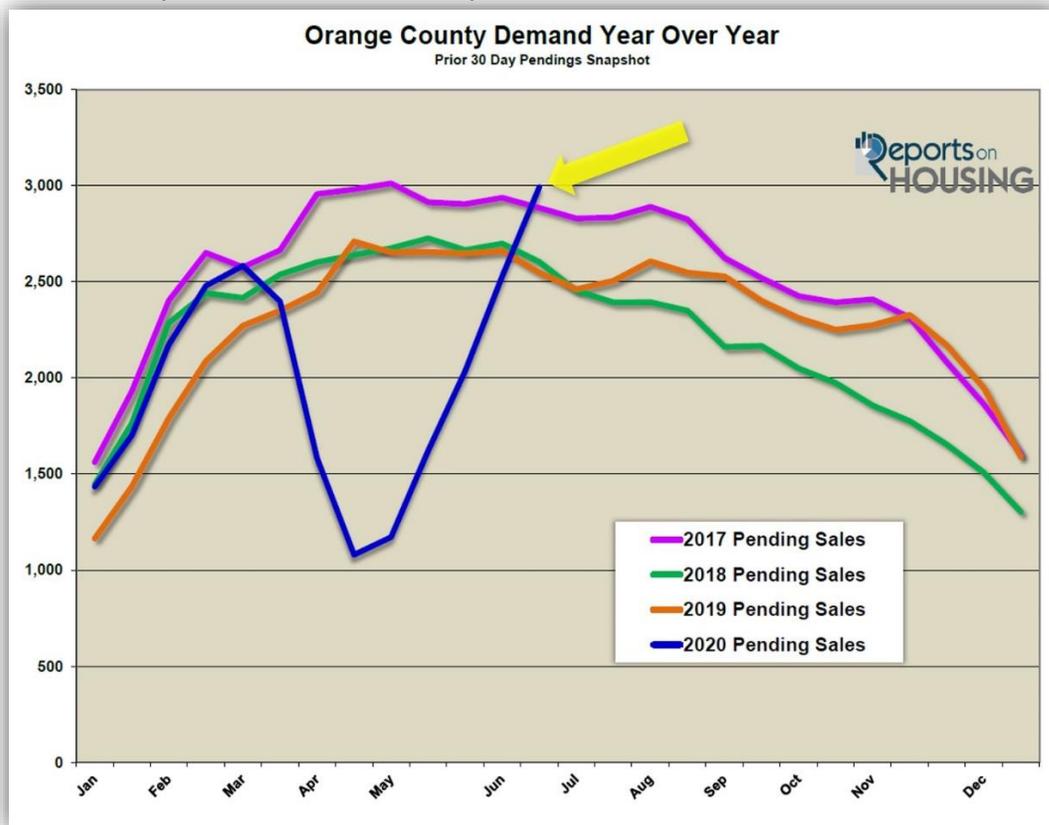
Last year at this time, there were 7,600 homes on the market, 2,889 more than today, a 61% difference. There were a lot more choices for buyers last year.

Demand: The surge in demand continues to rocket upward.

Demand, the number of new pending sales over the prior month, increased from 2,529 to 2,975, an additional 446 pending sales, up an astonishing 18% in just two weeks, and the best reading of 2020. In the past 4-weeks, demand has added 940 pending sales, a 46% rise. The record low mortgage environment at around 3% is the rocket fuel that is propelling housing to sizzling hot levels last experienced in 2013. It appears as if the summer of 2020 is poised to be one of the hottest on record.

Last year, there were 427 fewer pending sales than today, 14% less.

In the past two-weeks the Expected Market Time dropped from 59 to 48 days, a Hot Seller's Market (less than 60 days), where sellers get to call the shots during the negotiating process and home values are on the rise. Last year the Expected Market Time was at 89 days, much slower than today.



Luxury End: Luxury demand continues to climb.

In the past two-weeks, demand for homes above \$1.25 million increased by 76 pending sales, up 19%, and now totals 476, exploding past the prior height of 2020 established on March 5th prior to the COVID-19 lockdown of 416. The luxury market is not only back on a strong footing, beating everybody's expectations, it is rocketing to unprecedented levels. The luxury home inventory decreased by 32 homes, down 2%, and now totals 1,765. With another spectacular improvement in demand coupled with a drop in the supply, the overall Expected Market Time for homes priced above \$1.25 million decreased from 135 to 111 days in the past couple of weeks. The luxury market is healthy and strong.

Year over year, luxury demand is up by 124 pending sales, or 35%, and the active luxury listing inventory is down by 784 homes, or 31%. The Expected Market Time last year was at 217 days, much slower than today.

For homes priced between \$1.25 million and \$1.5 million, in the past two-weeks, the Expected Market Time decreased from 89 to 80 days. For homes priced between \$1.5 million and \$2 million, the Expected Market Time decreased from 96

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to 83 days. For homes priced between \$2 million and \$4 million, the Expected Market Time decreased from 175 to 128 days. For homes priced above \$4 million, the Expected Market Time decreased from 315 to 239 days. At 315 days, a seller would be looking at placing their home into escrow around **February 2021**.

	Expected Market Time	Share of Housing Inventory	Share of Current Demand	Last Year
O.C. \$0-\$750k	32 Days	34%	50%	64 Days
O.C. \$750k-\$1m	34 Days	18%	25%	74 Days
O.C. \$1m-\$1.25m	53 Days	10%	9%	86 Days
O.C. \$1.25m-\$1.5m	80 Days	8%	5%	137 Days
O.C. \$1.5m-\$2m	83 Days	8%	5%	192 Days
O.C. \$2m-\$4m	128 Days	14%	5%	250 Days
O.C. \$4m+	239 Days	8%	2%	667 Days



Orange County Housing Market Summary:

- The active listing inventory decreased by 239 homes in the past two-weeks, down 5%, and now totals 4,710. In the past four-weeks, 21% fewer homes were placed on the market compared to the prior 5-year average; thus, COVID-19 is still suppressing the inventory. Last year, there were 7,600 homes on the market, 2,890 more than today, a 61% difference.
- Demand, the number of pending sales over the prior month, increased by 446 pending sales in the past two-weeks, up 18%, and now totals 2,975, the highest level for an end to June since 2013. It has grown by 46% in only 4 weeks. COVID-19's effect on demand has vanished. Last year, there were 2,548 pending sales, 14% fewer than today.
- The Expected Market Time for all of Orange County decreased from 59 days to 47, a Hot Seller's Market (less than 60 days). The drop was due to the surge in demand and a subsequent drop in the supply. It was at 89 days last year, **much slower than today**.
- For homes priced below \$750,000, the market is a hot Seller's Market (less than 60 days) with an expected market time of 32 days. This range represents 34% of the active inventory and 50% of demand.
- For homes priced between \$750,000 and \$1 million, the expected market time is 34 days, a hot Seller's Market. This range represents 18% of the active inventory and 25% of demand.
- For homes priced between \$1 million to \$1.25 million, the expected market time is 53 days, a hot Seller's Market.
- For luxury homes priced between \$1.25 million and \$1.5 million, in the past two weeks, the Expected Market Time decreased from 89 to 80 days. For homes priced between \$1.5 million and \$2 million, the Expected Market Time decreased from 96 to 83 days. For luxury homes priced between \$2 million and \$4 million, the Expected Market Time decreased from 175 to 128 days. For luxury homes priced above \$4 million, the Expected Market Time decreased from 315 to 239 days.
- The luxury end, all homes above \$1.25 million, accounts for 38% of the inventory and only 17% of demand.
- Distressed homes, both short sales and foreclosures combined, made up only 0.6% of all listings and 0.7% of demand. There are only 12 foreclosures and 17 short sales available to purchase today in all of Orange County, 29 total distressed homes on the active market, up 5 from two-weeks ago. Last year there were 55 total distressed homes on the market, slightly more than today.
- There were 1,386 closed residential resales in May, 53% fewer than April 2019's 2,941 closed sales. This is entirely due to COVID-19 suppressing both supply and demand. May marked a 19% drop compared to April 2020. The sales to list price ratio was 95.4% for all of Orange County. Foreclosures accounted for just 0.6% of all closed sales, and short sales accounted for 0.4%. That means that 99% of all sales were good ol' fashioned sellers with equity.

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Have a great week.

Sincerely,
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	Current Actives 6/25/2020	Demand (Last 30 Days Pending s)	Market Time (In Days) 6/25/2020	Market Time 2-Weeks Ago 6/11/2020	Market Time 4-Weeks Ago 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years Ago 6/28/2018	Average Active List Price 6/25/2020
Aliso Viejo	65	64	30	34	38	78	60	\$766k
Anaheim	143	147	29	42	57	53	51	\$646k
Anaheim Hills	69	85	24	31	59	67	57	\$1.1m
Brea	47	40	35	40	55	62	56	\$1.1m
Buena Park	39	51	23	33	46	51	49	\$703k
Corona Del Mar	110	40	83	125	288	278	179	\$5.6m
Costa Mesa	116	84	41	54	63	84	65	\$1.1m
Coto De Caza	69	26	80	114	122	153	129	\$2.5m
Cypress	34	49	21	24	61	52	37	\$787k
Dana Point	173	70	74	87	161	159	115	\$3.4m
Dove Canyon	10	11	27	51	55	135	300	\$1.1m
Foothill Ranch	12	27	13	33	25	58	67	\$831k
Fountain Valley	40	37	32	45	37	42	42	\$784k
Fullerton	132	101	39	46	58	49	60	\$983k
Garden Grove	91	73	37	38	48	56	42	\$682k
Huntington Beach	265	178	45	56	63	77	74	\$1.4m
Irvine	642	243	79	107	119	127	78	\$1.4m
La Habra	44	51	26	34	36	59	40	\$655k
La Palma	3	12	8	48	45	84	29	\$745k
Ladera Ranch	73	54	41	56	41	65	67	\$1.3m
Laguna Beach	225	50	135	173	206	241	263	\$4.3m
Laguna Hills	60	35	51	42	55	118	65	\$1.6m
Laguna Niguel	152	108	42	55	64	118	98	\$1.7m
Laguna Woods	195	80	73	94	131	100	72	\$335k
Lake Forest	90	71	38	47	76	54	72	\$787k
Los Alamitos	11	13	25	47	69	60	43	\$886k
Mission Viejo	125	133	28	35	41	68	68	\$876k
Newport Beach	324	81	120	126	168	188	139	\$3.5m
Newport Coast	92	19	145	212	198	257	231	\$6.8m
North Tustin	55	24	69	101	101	158	88	\$2.2m
Orange	126	146	26	36	56	62	54	\$1.1m
Placentia	33	46	22	28	33	73	43	\$760k
Portola Hills	7	16	13	53	120	60	56	\$941k
Rancho Mission Viejo	64	50	38	52	69	180	81	\$779k
Rancho Santa Marg.	49	60	25	26	36	68	73	\$636k
Rossmoor	21	8	79	38	69	99	43	\$1.6m
San Clemente	148	105	42	45	60	102	76	\$1.6m
San Juan	96	52	55	88	93	145	89	\$2.3m
Santa Ana	148	112	40	49	64	86	69	\$609k
Seal Beach	121	60	61	84	144	120	62	\$457k
Stanton	13	21	19	23	43	35	48	\$541k
Talega	31	23	40	35	56	66	53	\$1.2m
Tustin	87	66	40	46	56	69	39	\$969k
Villa Park	16	9	53	63	143	180	114	\$1.8m
Westminster	35	32	33	38	38	43	56	\$784k
Yorba Linda	136	93	44	44	56	80	87	\$1.5m
All of O.C.	4,710	2,992	47	59	74	89	73	\$1.8m

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Attached Homes

	Current Actives 6/25/2020	Demand (Last 30 Days) Pending	Market Time (In Days) 6/25/2020	Market Time 2-Weeks 6/11/2020	Market Time 4-Weeks 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years 6/28/2018	Average Active List Price 6/25/2020
All of O.C.	1,742	1,137	46	56	73	84	61	\$773k
O.C. \$0-\$250k	111	57	58	86	115	81	44	\$194k
O.C. \$250k-\$500k	573	428	40	47	58	71	49	\$390k
O.C. \$500k-\$750k	550	491	34	45	62	77	55	\$629k
O.C. \$750k-\$1m	233	96	73	71	91	105	79	\$859k
O.C. \$1m+	275	65	127	140	178	226	197	\$2.0m

Current Actives Vacant **37.4%**

Detached Homes

	Current Actives 6/25/2020	Demand (Last 30 Days) Pending	Market Time (In Days) 6/25/2020	Market Time 2-Weeks 6/11/2020	Market Time 4-Weeks 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years 6/28/2018	Average Active List Price 6/25/2020
All of O.C.	2,968	1,855	48	60	75	93	81	\$2.3m
O.C. \$0-\$500k	30	22	41	52	44	68	41	\$388k
O.C. \$500k-\$750k	351	501	21	27	36	49	44	\$668k
O.C. \$750k-\$1m	610	645	28	37	50	69	61	\$886k
O.C. \$1m-\$1.25m	404	256	47	64	75	81	80	\$1.1m
O.C. \$1.25m-\$1.5m	313	128	73	88	93	134	109	\$1.4m
O.C. \$1.5m-\$2m	322	119	81	92	110	172	139	\$1.7m
O.C. \$2m-\$4m	596	140	128	173	254	248	220	\$2.9m
O.C. \$4m+	342	44	233	301	459	636	409	\$8.6m

Current Actives Vacant **23.0%**

All Homes

	Current Actives 6/25/2020	Demand (Last 30 Days) Pending	Market Time (In Days) 6/25/2020	Market Time 2-Weeks 6/11/2020	Market Time 4-Weeks 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years 6/28/2018	Average Active List Price 6/25/2020
All of O.C.	4,710	2,992	47	59	74	89	73	\$1.8m
O.C. \$0-\$500k	714	507	42	51	63	72	48	\$360k
O.C. \$500k-\$750k	901	992	27	36	47	60	48	\$644k
O.C. \$750k-\$1m	843	741	34	42	56	74	64	\$878k
O.C. \$1m-\$1.25m	487	276	53	70	83	86	85	\$1.1m
O.C. \$1.25m-\$1.5m	374	141	80	89	98	137	113	\$1.4m
O.C. \$1.5m-\$2m	376	136	83	96	116	192	150	\$1.7m
O.C. \$2m-\$4m	656	154	128	175	258	250	225	\$2.9m
O.C. \$4m+	359	45	239	315	455	667	427	\$8.6m

Current Actives Vacant **28.5%**

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	Current Actives #####	Number of Foreclosures & Short Sale Actives 6/25/2020	% of Active Inventory 6/25/2020	Attached	Current Actives 6/25/2020	Number of Foreclosures & Short Sale Actives 6/25/2020	% of Active Inventory 6/25/2020
Aliso Viejo	65	1	1.5%	All of O.C.	1,742	7	0.4%
Anaheim	143	1	0.7%	O.C. \$0-\$250k	111	1	0.9%
Anaheim Hills	69	1	1.4%	O.C. \$250k-\$500k	573	6	1.0%
Brea	47	0	0.0%	O.C. \$500k-\$750k	550	0	0.0%
Buena Park	39	0	0.0%	O.C. \$750k-\$1m	233	0	0.0%
Corona Del Mar	110	0	0.0%	O.C. \$1m+	275	0	0.0%
Costa Mesa	116	0	0.0%	Detached			
Coto De Caza	69	1	1.4%	All of O.C.	2,968	22	0.7%
Cypress	34	1	2.9%	O.C. \$0k-\$500k	30	0	0.0%
Dana Point	173	0	0.0%	O.C. \$500k-\$750k	351	4	1.1%
Dove Canyon	10	0	0.0%	O.C. \$750k-\$1m	610	7	1.1%
Foothill Ranch	12	0	0.0%	O.C. \$1m-\$1.5m	404	5	1.2%
Fountain Valley	40	0	0.0%	O.C. \$1.25m-\$1.5m	313	1	0.3%
Fullerton	132	1	0.8%	O.C. \$1.5m-\$2m	322	0	0.0%
Garden Grove	91	0	0.0%	O.C. \$2m-\$4m	596	4	0.7%
Huntington Beach	265	0	0.0%	O.C. \$4m+	342	1	0.3%
Irvine	642	1	0.2%	All Homes			
La Habra	44	0	0.0%	All of O.C.	4,710	29	0.6%
La Palma	3	0	0.0%	O.C. \$0k-\$500k	714	7	1.0%
Ladera Ranch	73	1	1.4%	O.C. \$500k-\$750k	901	4	0.4%
Laguna Beach	225	2	0.9%	O.C. \$750k-\$1m	843	7	0.8%
Laguna Hills	60	2	3.3%	O.C. \$1m-\$1.25m	487	5	1.0%
Laguna Niguel	152	2	1.3%	O.C. \$1.25m-\$1.5m	374	1	0.3%
Laguna Woods	195	3	1.5%	O.C. \$1.5m-\$2m	376	0	0.0%
Lake Forest	90	0	0.0%	O.C. \$2m-\$4m	656	4	0.6%
Los Alamitos	11	0	0.0%	O.C. \$4m+	359	1	0.3%
Mission Viejo	125	2	1.6%	County High Shares - Account for 69%			
Newport Beach	324	1	0.3%	Santa Ana	148	6	4.1%
Newport Coast	92	0	0.0%	Laguna Hills	60	2	3.3%
North Tustin	55	0	0.0%	Cypress	34	1	2.9%
Orange	126	0	0.0%	Mission Viejo	125	2	1.6%
Placentia	33	0	0.0%	Aliso Viejo	65	1	1.5%
Portola Hills	7	0	0.0%	Laguna Woods	195	3	1.5%
Rancho Mission Viejo	64	0	0.0%	Anaheim Hills	69	1	1.4%
Rancho Santa Marg.	49	0	0.0%	Coto De Caza	69	1	1.4%
Rossmoor	21	0	0.0%	Ladera Ranch	73	1	1.4%
San Clemente	148	1	0.7%	Laguna Niguel	152	2	1.3%
San Juan	96	1	1.0%	County Low Shares - No Distressed			
Santa Ana	148	6	4.1%	Brea	La Habra	Rancho Santa Marg.	
Seal Beach	121	0	0.0%	Buena Park	La Palma	Rossmoor	
Stanton	13	0	0.0%	Corona Del Mar	Lake Forest	Seal Beach	
Talega	31	0	0.0%	Costa Mesa	Los Alamitos	Stanton	
Tustin	87	0	0.0%	Dana Point	Newport Coast	Talega	
Villa Park	16	0	0.0%	Dove Canyon	North Tustin	Tustin	
Westminster	35	0	0.0%	Foothill Ranch	Orange	Villa Park	
Yorba Linda	136	0	0.0%	Fountain Valley	Placentia	Westminster	
All of O.C.	4,710	29	0.6%	Garden Grove	Portola Hills	Yorba Linda	
				Huntington Beach	Rancho Mission Viejo		

Orange County Distressed Breakdown

	Current Actives	Pendings (Last 30 Days)	Market Time (In Days)
Total Foreclosures	12	9	40
Total Short Sale	17	11	46

*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.

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Southern California Housing

All Properties

	Current Actives 6/25/2020	Demand (Last 30 Days Pendings)	Market Time (In Days) 6/25/2020	Market Time 2-Weeks Ago 6/11/2020	Market Time 4-Weeks Ago 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years Ago 6/28/2018
Los Angeles County	10,159	5,976	51	59	69	78	68
Orange County	4,711	2,975	48	59	74	89	73
Riverside County	5,193	3,612	43	51	65	86	88
San Bernardino County	3,466	2,947	35	42	53	80	73
San Diego County	4,701	3,762	37	42	49	71	63
Ventura County	1,133	981	35	46	53	53	59
SOCAL TOTALS	29,363	20,253	42	50	61	76	73

Distressed Properties - Foreclosures and Short Sales

	Current Actives 6/25/2020	Demand (Last 30 Days Pendings)	Market Time (In Days) 6/25/2020	Market Time 2-Weeks Ago 6/11/2020	Market Time 4-Weeks Ago 5/28/2020	Market Time 1-Year Ago 6/27/2019	Market Time 2-Years Ago 6/28/2018
Los Angeles County	88	54	49	56	50	51	38
Orange County	29	20	44	27	60	46	47
Riverside County	81	81	30	71	46	50	73
San Bernardino County	57	68	25	56	46	44	47
San Diego County	31	29	32	21	40	83	41
Ventura County	12	11	33	16	19	21	51
SOCAL TOTALS	298	263	35	41	43	49	49