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RESIDENTIAL WATCH

Yes, the Housing Recovery Is Real

By Carrie Rossenfeld | Orange County

*Save the date: **RealShare Orange County** comes to the Hyatt Regency Irvine on August 22.*

The brokers agree that this is a true recovery, not a false positive.

IRVINE, CA-The **housing** recovery is no myth, according to locally based **RealtyTrac** and a group of real estate brokers who gathered for the data source's roundtable webinar, "The Recovery of the Housing Market: Fact or Fiction?" last Friday. The brokers, who hail from Utah, Nevada, Oklahoma, New York and Southern California, affirm that in each of their markets home prices are rising, demand is high and inventory is low, signifying a recovery in full swing.

Moderator **Daren Blomquist**, VP of RealtyTrac, led off by summarizing the firm's most recent findings about the housing recovery. "The market is attracting a high percentage of cash purchases," said Blomquist. "Every single market across the US has an increase in home prices, but there are different paces of that."

Macroeconomic factors are boosting the recovery, Blomquist continued. **Unemployment** is down, as is the number of homeowners underwater. **Foreclosure activity**, while up on a monthly basis in some markets still working through their foreclosure process, is down 65% from its peak, and only 23% of **residential** sales are for distressed properties—down from 45% of sales at its peak. A total of 30% of residential purchases are cash transactions, and home prices across the board are up 19% from the market's bottom in March 2012, "but we are still 29% below the peak in August 2006," said Blomquist.

The firm had ranked the top 20 housing markets in the country, those showing the strongest signs of recovery. These included some upstate New York markets; Cape Coral, FL; the San Francisco Bay area, including San Jose and Silicon Valley; Oklahoma City and Tulsa, OK; some Colorado markets; and the Reno-Sparks area of Nevada. The markets lagging the most in recovery included Baltimore; Bethlehem/Easton, PA (including Philadelphia and Allentown); and some inland California markets including Fresno and Stockton. High unemployment rates in these markets were blamed for the slow recovery.

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On the other hand, Los Angeles is clearly bouncing back, and Blomquist pointed out the historic metrics trend of **higher home prices** corresponding with lower foreclosure activity, and vice versa. However, Oklahoma City's recovery, rather than bouncing back sharply, has been slow and steady, with price appreciation over the past 10 years and foreclosure rates remaining in the middle ground.

All of the brokers had a positive outlook on the housing situation, saying the needle is moving in the right direction. "The market is on a definite slow and steady pace," said **Emmett Laffey** of **Laffey Fine Homes** in Long Island, NY. "The amount of potential foreclosures or shadow inventory that may be there I don't find too alarming; it's not something that is a concern at all."

Bank-owned properties are at such a good

Historically, as home prices rise, foreclosure inventory decreases, as shown on this chart that details the two metrics in Los Angeles. ***Chart courtesy of RealtyTrac.

value that they're being purchased fairly quickly, the buyer pool is diverse—including local and international buyers—and the market is robust, Laffey added.

In Southern California, "foreclosures are almost an insignificant part of our market right now," said **Rich Cosner** of **Prudential California Realty**, which covers Orange, Riverside and San Bernardino counties. "Foreclosures made up 60% to 70% of the market a few years ago; now they're under 20%. It's a matter of hours before properties are snapped up."

Monty Smith, SVP of strategic initiatives for **Realogy NRT** nationwide, said, "We're not seeing anything that is not a direct response to the laws of supply and demand. You are seeing prices go up where supply is low." He added that as prices go up, homeowners begin to put their homes on the market, and he doesn't see anything that would halt this recovery. "Other than macroeconomic forces that we can't control, like unemployment and interest rates, we don't see anything to change the current trend."

Despite strong signs of recovery, the Reno-Sparks market is experiencing a high percentage of underwater homeowners, said **Craig King**, COO of **Chase International Realty**, which covers the Reno-Sparks and Lake Tahoe markets. "A combined total of about 30% of our sales are distressed—similar to Riverside County." He cited unresolved legislation issues about this subject causing recovery delays.

The Oklahoma City market is enjoying a revitalization of sorts, according to **Shel Detrick**, CEO of **Prudential Alliance Realty** in Oklahoma City and **Prudential Detrick Realty** in Tulsa. "Oklahoma City has gone from being an average American city to one with a lot of dynamics. We're big on aviation—**Boeing** is moving a lot of people into the area—and our NBA basketball team may put us on the map," he jokes. "There's a lot of energy in the city, a lot of owners who didn't used to be owners."

Park City, UT, is seeing a trajectory similar to Reno and Los Angeles, said **Diane Rinehart**, a broker with **Prudential Utah Real Estate**, which covers Northern Utah. Noting "robust transaction and sales volume," she said the biggest problem for her region has been lack of inventory, and agents have had to be creative about uncovering inventory to be put on the market. "Looking at withdrawn listings to find properties that might still be in the market" is one way to find this inventory. "This really is a referral-network business."

New construction is another boon to the inventory issue, which is also helping to reduce unemployment and satisfy pent-up demand, the brokers point out. But older inventory does tend to suffer in areas where construction is prevalent.

The issue of the US becoming a "renter nation" was not of huge concern to the brokers, who said that renting has always been an option and will always be. "The desire for homeownership is a critical part of how Americans see their lives," said Smith. "They may want to rent for a while, save money and then buy. Homeownership may be shifting or put off a bit, but it's not changing essentially."

The only major bump in the road the brokers saw was **Dodd-Frank**, which has a section that is set to go into effect January 10, 2014, that defines a qualified mortgage. "That's doing to put more pressure on the lenders to be a lot more circumspect about who will qualify for a loan," said Detrick. He added that a large percentage of buyers who qualify for a mortgage loan today will not be able to qualify for one after January 10 if this legislation takes effect. "We could have a devastating consequence to real estate if it passes. But it's not a done deal, and a lot is being done to modify Dodd-Frank."

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