

Weekly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from *first tuesday*

Jan. 27, 2014 • Vol. 3 • Issue 4 • **NODs down, temporarily**



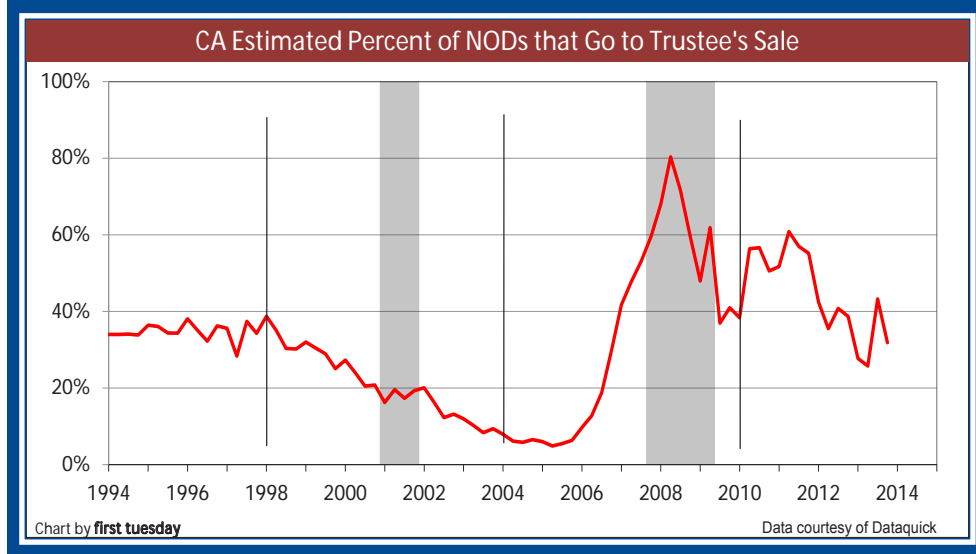
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NODs to foreclosures: looking at the bottom

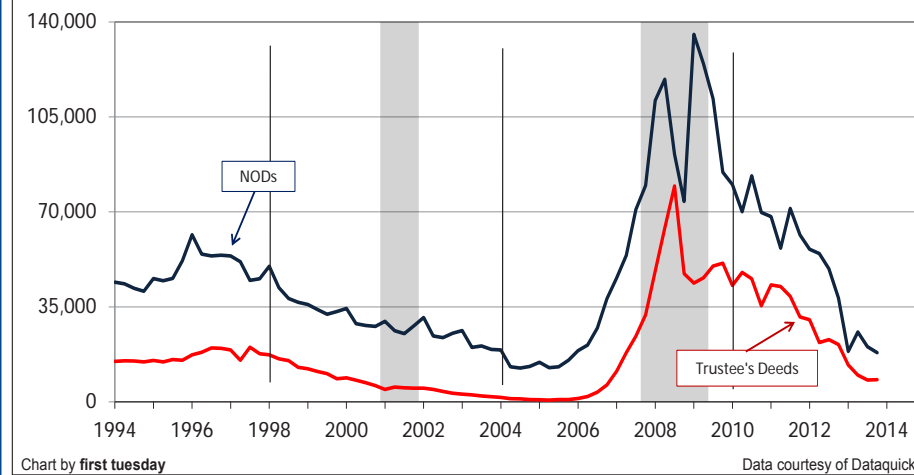
This chart tracks the percentage of **notices of default (NODs)** that go to **trustee's sale** in California.

The percentage of NODs resulting in **foreclosure** decreased to 32% in Q4 of 2013. This is down from 39% one year earlier. This drop is due primarily to increased short sale and loan modification activity, and recent price gains.

Data on NODs predicts the volume of foreclosure sales occurring roughly nine months forward. When sold, the property goes to third-party cash bidders or into **REO inventory**. The NOD-to-trustee's sale rate reflects a temporary decrease in foreclosed properties available to speculators on the cheap. However, NODs will likely return to normal levels when mortgage rates again rise, likely in 2015.



CA Quarterly NODs and Trustee's Deeds Recorded



NODs and trustee's deeds meander towards the floor

This chart plots the number of **NODs** and **trustee's deeds** recorded in California. Recording an NOD is the lender's first step in the foreclosure process, following a minimum 90-day delinquency.

18,000 NODs were recorded in California in Q4 of 2013. This is half the NODs recorded one year ago, the lowest level since 2006. Similarly, 8,200 trustee's deeds were recorded (signifying foreclosure sales) in Q4, also half those recorded one year ago.

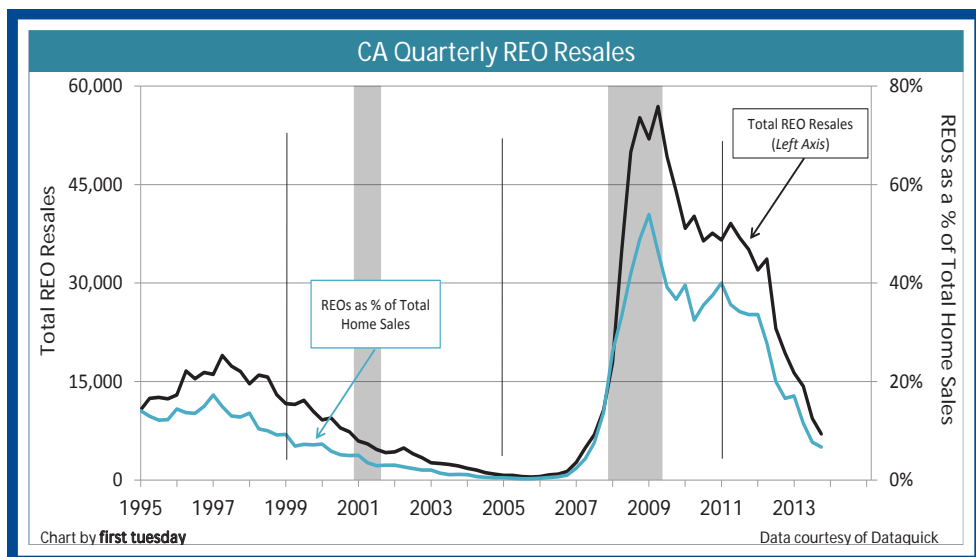
Looking forward, the number of foreclosure sales will find a bottom by mid-2014, due to a **flattened trend in NODs**. Expect a slight increase in NODs, followed by a greater increase in foreclosure sales, going into 2015.

REO resale volume down – for now

This chart displays the number of **REO resales** and REOs as a percentage of total home sales volume.

An estimated 7,000 REO properties sold in Q4 of 2013. This accounts for 7% of all California resale activity, consistent with a healthy market, down from 17% one year ago. The reason for this drop? High **speculator presence** experienced in 2013 caused home prices to overheat. As a result, many **underwater homeowners** have buoyed into solvency, decreasing the number of homes going to foreclosure for lack of equity.

Going forward, expect REO resales to increase slightly in 2014 as prices are driven down due to continued **rising mortgage rates** and decreased speculator activity. A normal housing market will return by 2017 with a sales volume increase of around 50% over the 2014 pace.



Click on any chart
for more information!