


Weekly Real Estate Statistical Update

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

October 28, 2013 • Vol. 2 • Issue 41 • REOs drop as flat sales volume thwarts recovery

Presented by



Name
BRE License #
Phone
Email

NODs bottom foreclosures slow

This chart plots the number of **notices of defaults (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.

20,300 NODs were recorded in California in Q3 of 2013. This is down 21% from Q2 and 58% from one year earlier. Similarly, 8,000 trustee's deeds (**foreclosures sales**) were recorded in Q3, down 18% from the prior quarter and a sharp 65% drop from a year ago.

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

REO resale volume deceptively drops

This chart displays the number of **real estate owned (REO)** resales and REOs as a percentage of total home sales volume.

An estimated 9,000 REO properties sold in Q3 of 2013. This accounts for 7.7% of all California resale activity, consistent with a healthy market. REO resales are down from 20% one year ago. The reason for this drop? High **speculator presence** experienced in 2013 caused home prices to skyrocket. As a result, many **underwater homeowners** have buoyed into solvency, decreasing the number of homes going to foreclosure for lack of equity.

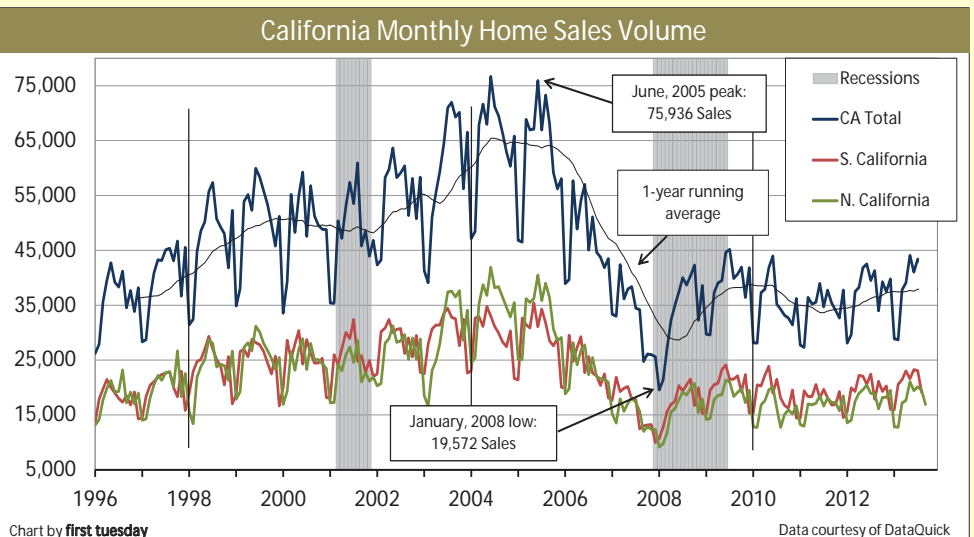
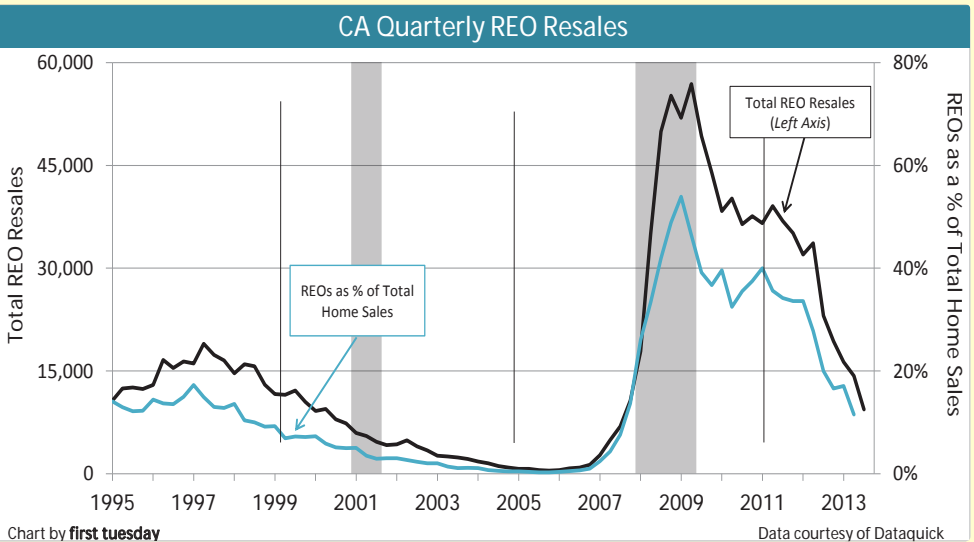
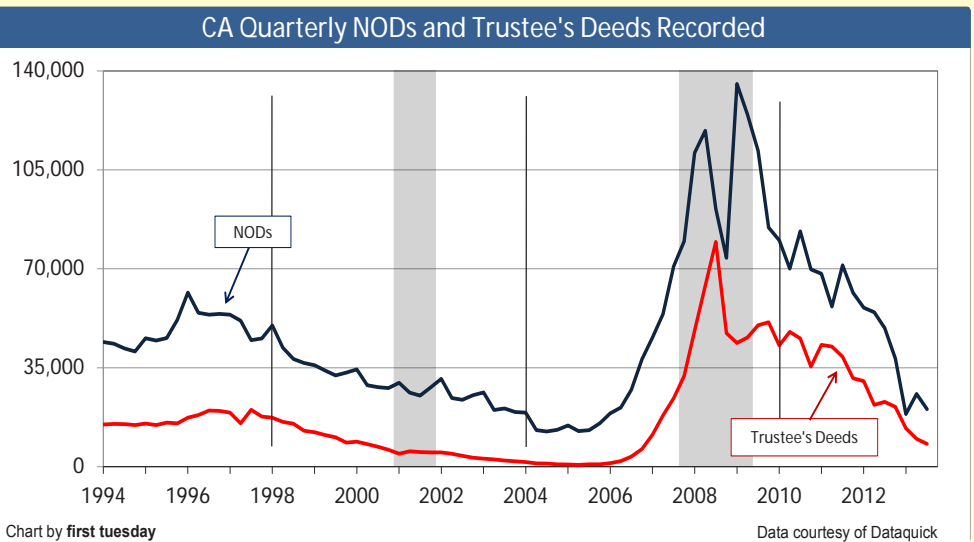
Going forward, expect REO resales to increase slightly by mid-2014 as prices are driven down due to continued **rising interest rates** and decreased speculator activity. A normal housing market will return around 2016 when sales volume increases to about 60,000 monthly.

California home sales volume gone flat

This chart tracks California's monthly **home sales volume**, excluding trustee's sales.

Statewide, 36,000 **new and resale home transactions** closed in September, down 15% from the prior month and up 6% from one year ago. Monthly sales volume this year is on track to nearly match 2012 figures, weak at best. Home sales volume rose about 13% in the second half of 2012, an increase that is unlikely to occur in the latter half of 2013.

Sales volume continues to slow as we approach 2014. This is a symptom of **speculators** beginning to slowly exit the market and insufficient **end user demand** to support current sales volume. Thus, sales volume will not significantly increase until after 2016, dependent until then on demand from **buyer-occupants** and long-term income property investors.



Click on any chart
for more information!