

# LANSNER ON REAL ESTATE



By Jonathan Lansner and Jeff Collins

## Flat pricing eyed for O.C. homes in 2010

December 26th, 2009, 12:04 am · 24 Comments · posted by Jeff Collins



**Eyeball 2010** is our holiday gift to you: Two weeks of outlooks on local real estate conditions! A new vision every day of the week at lunchtime through Jan. 4! Our fifth guest is ...

*Michael D. Reynolds, a director with The Concord Group's Newport Beach office. Reynolds specializes in advising developers and banks on how to best develop housing communities.*

### Eyeball: Did Orange County housing have a bottom in 2009 — full or partial?



**Michael:** 2009 is shaping up to be a market bottom for Orange County residential real estate. With the exception of resale volume, all key performance indicators fell in 2009 – building permit volume, home prices, new home closings and employment. There is evidence that the decline will not continue into 2010. Annualized resale volume (3Q09 vs. 3Q08) is up 31%, while pricing has risen two consecutive quarters. Home affordability has improved dramatically and the pace of building permit decline is slowing substantially. Our prediction for 2010 is a continuation of 2009 trough levels, with a pick-up beginning in 2011.

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### Eyeball: Driving forces in local housing — good or bad — in 2010?

**Michael:** Jobs – Orange County will not support new construction activity until we begin to create jobs. With little or no gains predicted in 2010, we see few reasons to

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forecast any uptick in sales activity and prices over the next year.

**Product** – The Irvine Company’s transition to lower densities of product, with smaller footprints, create a more desirable and affordable housing choice for entry-level and first move-up buyers. The potential success of these new product introductions in the Woodbury and Woodbury East villages could generate new buyer interest, boosting overall sales.

**Flight to Quality** – Orange County housing is more affordable than at any time over the last ten years. The County’s new-found affordability may encourage some households who previously flocked to the Inland Empire for more affordable housing to now reconsider moving back to the County.

**Eyeball: Predict 2010 gain in DataQuick’s OC median home-sale price ...**

**Michael:** 0%.

**Eyeball: A year from now, what surprise might we be talking about?**

**Michael:** A decline in home prices. Despite good affordability metrics, uncertainty surrounding the size of the foreclosure pool combined with the elimination of the federal home buyer tax credit (April 30, 2010) may lead home prices downward.

Banks have been stalling on the foreclosure process with the intent of limiting available home supply for sale and propping prices. Should banks ramp up on the foreclosure process in 2010, a glut of foreclosure homes on the market would place downward pressure on home prices.

**Eyeball: Thinking back over this decade, list “lessons learned” from the roller coaster ride?**

**Michael:** Lesson #1 – Housing is a cyclical business – don’t fool yourself into believing that it isn’t.

Lesson #2 – Focus on jobs to housing balance.

During this past decade, Orange County lost too many potential buyers and renters to the Inland Empire – households seeking more affordable housing in exchange for longer job commutes. With a jobs/housing ratio of 2.0 (ratio of employment growth to residential building permits from 1990-2008), Orange County is rapidly straying from the healthy and balanced development ratio of 1.5.

To reverse the trend, the County must generate more affordable housing options. With little entitled land available for development at the suburban fringes of the County, next cycle housing opportunities should focus on creative infill solutions that appeal to all income levels.

Your turn ...

**For 2010, Orange County’s median selling price (DataQuick) will be ...**

- Up 10%+
- Up 3% to 10%
- Flat (+3% to -3%)
- Down 3% to 10%
- Down 10%+

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*Tomorrow on Eyeball 2010: Gary Macrides, the 2010 president of the Orange County Association of Realtors.*

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### 24 Comments

*olsrbum* says:

[December 26, 2009 at 7 am](#)

2010 will see an increase in "For Sale By Owner" signs, with house prices continuing to decline. There will be more OWC and lease option transactions than ever before. Banks will get much more aggressive unloading these inventories and investors will take the opportunities. Increased rental inventory will drive down profits for investors. For cash buyers, income properties will still be a good place to put money. Regardless of Government reporting, deflation is going to be with us for many years. Wages must catch up to cost of living before housing will once again see appreciation. Flipping houses should be left to the professionals, for easy money in real estate is a thing of the past.

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*tha* says:

[December 26, 2009 at 8 am](#)

some good questions to ask future interviewees:  
 how do you come up with the term 'affordable'? are they using the standard 2.5-3x median income metric? a comparison between rental cost and purchasing cost? or some newly created metric?  
 when looking at pricing, what are their predictions as to various price levels? low, mid and high?

[Post Reply](#)

*shockg* says:

[December 26, 2009 at 9 am](#)

lol. Is that what you asked Santa for Christmas?

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*Jc* says:

[December 26, 2009 at 10 am](#)

Flat..? is only a wishful thinking.  
 It will go lower/down, and Under.

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*Scott* says:

[December 26, 2009 at 12 pm](#)

### O.C. hu

For cal stats -- vs. yea prices/ are YE RED!

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“Orange County housing is more affordable than at any time over the last ten years.”  
Not even close to true. 2000 was much more affordable. Then, prices were way lower, incomes were only slightly lower, and rates were only somewhat higher.  
And the guest forgot to talk about rates — where are mortgages going to be next year? 5.5%? 5.75%? 6%? That crimps affordability by 10+% right there.

[Post Reply](#)

*lwps* says:

[December 26, 2009 at 11 pm](#)

You can easily buy better for less in Los Angeles, San Francisco and Silicon Valley. Compared to these expensive areas, Orange County is less affordable.

[Post Reply](#)

*Americanslave* says:

[December 26, 2009 at 12 pm](#)

I hope home prices go down, under, whatever, I'll walk away from the house I currently live in and buy a new one, fully paid off if the pessimists are correct. If they're wrong, that's OK too. But hopefully prices come down 90% like the bears love to think. I'll be living in Ritz Cove if that happens!

[Post Reply](#)

*stfu\_shockg* says:

[December 26, 2009 at 12 pm](#)

My prediction for 2010.....more uneducated realturds committing suicide.

[Post Reply](#)

*Jc* says:

[December 26, 2009 at 8 pm](#)

No, they don't have the “Bongos” for that

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*NotBuyersMarketYet* says:

[December 26, 2009 at 2 pm](#)

Ares these the same advisors that home builders seeked advise from four years ago? It's a wonder that they still have jobs. If the government stops f@ck!ng around with the market, prices would've been affordable by now.

[Post Reply](#)

*BOGEY* says:

[December 26, 2009 at 2 pm](#)

Those who have done their homework and 'get it' that RE is toast don't need any more data from the clown-car brigade. Housing is done.

[Post Reply](#)

*shockg* says:

[December 26, 2009 at 2 pm](#)

Housing is done. Lets all slit our wrists! Funny how Bogey feels the need to say housing is done everyday.

[Post Reply](#)

*Mulliganville* says:

[December 26, 2009 at 3 pm](#)

7 years from now, those that purchased this year will “more than likely” be glad that they did. I do not have the crystal ball...but suffice it to say that history repeats itself. SoCal will continue to be a draw...especially at lower prices.

[Post Reply](#)

*Tom M* says:

[December 26, 2009 at 6 pm](#)

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They would be even happier if they waited to next year.

▶ WS

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*Price of Bad Tidings* says:

December 26, 2009 at 8 pm

Can you explain your reasoning? Are you suggesting the same type of credit bubble will drive prices up 7 years from now?

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*stfu\_shockg* says:

December 26, 2009 at 10 pm

7 years from now when the only jobs left are selling bags of oranges on freewa

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*stfu\_shockg* says:

December 26, 2009 at 11 pm

7 years from now when the only jobs left are selling bags of oranges on freeway off-ramps, California will be just a giant barrio.

Go ahead and pay big bucks for your crappy stucco boxes built on the sweat of illegal immigrants, the great weather cancels out everything. Fools!

[Post Reply](#)

*BOGEY* says:

December 27, 2009 at 6 am

Another one of the many reasons housing is done:

The gov't is now PERMANENTLY the housing market, Lol

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*Tex* says:

December 26, 2009 at 4 pm

Full List: Cities Where Homes Are Losing Most Value

<http://www.forbes.com/2009/12/18/cities-property-value-lifestyle-real-estate-foreclosures-median-prices-chart.html> (excerpts):

West

Rank—MSA—Peak—Est Peak Value—Est Q3 2009—% Loss

- 1. Merced, Calif—Q2 2006—\$336,743—\$127,585—62.11
- 2. Stockton, Calif—Q2 2006—\$368,945—\$168,633—54.29
- 3. Modesto, Calif—Q1 2006—\$324,846—\$151,298—53.42
- 4. Vallejo-Fairfield, CA—Q2 2006—\$401,293—\$210,194—47.62
- 5. L.V.-Paradise, NV—Q4 2006—\$303,781—\$159,405—47.53
- 6. Salinas, Calif—Q4 2005—\$575,110—\$309,376—46.21
- 7. R.Sd-S.Bn-Ontario—Q4 2006—\$356,184—\$200,103—43.82
- 8. Bakersfield, Calif—Q4 2006—\$263,689—\$154,325—41.47
- 9. Fresno, Calif—Q3 2006—\$293,758—\$176,553—39.90
- 10. Reno-Sparks, NV—Q1 2006—\$339,331—\$211,724—37.61

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*lwps* says:

December 26, 2009 at 11 pm

The last downturn lasted 7 years. 1989-1998 or so — ok, maybe 9 years.

This is the worst downturn every recorded — so why is it supposed to be over in 2 years?

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*foolishpleasure* says:

December 27, 2009 at 1 am

lets see— global wage arbitrage has put a big fat lid on all incomes

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the consumer- state and federal governments are all drowning in debt  
interest rates are headed up- way up- commercial real estate is  
in the first stages of meltdown and the second wave of shadow foreclosures is coming  
down the pike- AND real estate is still vastly  
over-priced and needs 8000 dollar tax credits from our broke ass government to  
continue the ponzi scheme- but other than that everything is just hunky dory—

lllooll@ribsplitter

read it and weep realtards

<http://www.cnbc.com/id/34593862>

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*You Kidding?* says:

December 27, 2009 at 6 am

too funny. Only the real suckers are buying into this dead cat bounce, and these  
suckers will be the idiots left holding the bag come Fall 2010 when prices correct  
another 50% or more.... buy buy buy!!!

[Post Reply](#)

*shockg* says:

December 27, 2009 at 10 am

Yeah ignore all the analysts and economists that say prices are likely to be flat to  
slightly up in 2010 but instead believe 5 angry renters / armchair experts who say the  
armageddon is a comin.

[Post Reply](#)

*olsrbum* says:

December 27, 2009 at 8 pm

With all due respect, analysts and economists are the ones who got us in to this mess.  
House prices coming down to there true value is not armageddon, its a sign of a  
healthy economy. Huge debt to live in an over priced home is a choice, tax payers  
paying for it is not.

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