

Beware of the press for they are the teller of bad news! - Orange County Real Estate

Written by Clancy Fort

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I thought I would chime in on how much I love the press. They make my phone ring. Not in a good or bad way...just in an interesting way.

A client emailed me an article today about how foreclosures are up in the US. For reference, here's a link to the article. http://articles.news.aol.com/business/_a/december-sees-spike-in-foreclosure/20070117144109990001?ncid=NWS00010000000001

He like everyone else is looking for a great deal on his next house and was wondering why, out of all the properties I've shown, none of them are in trouble.

So, we had to have a little talk about the news and how they make money. I'll make it simple...GOOD NEWS DOESN'T GET RATINGS OR SELL NEWSPAPERS! They are primed to tell you that the world is coming to an end as you know it because that's what we want to see and hear. We listen to what they have to say to get more information and as we do that they feed us a continuous stream of ads and make money.

What a fabulous business...take good news, give it a coloring of gloom, sell a few ads around it and presto, you're a Fortune 500 company. Pretty cool, huh!

So, what does this have to do with real estate? Lots...news influences the consumers decision making process. Depending on how they process the news, some folks are liable to make some really bad choices.

Because I work in Orange County, California which has had one of the highest appreciation rates in the US, I have more than one horror story to tell.

About three years ago when the market was really moving, a few folks were taking the market forecasts in the Orange County Register a little too seriously. By this time home prices were moving at around a 30% / year appreciation rate. The paper continue to report the really great news that everyone was getting rich while in the same paragraph quoting the local gloom and doom economists who had predicted incorrectly for the previous 4 years what the market was going to do. The prediction was that next year it was all going to come crashing down around us. It didn't. In fact the rapid appreciation pace continued for another 2 years.

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A few of these nice folks read this continuous stream of tainted good news and make a decision and learned a terrible lesson the hard way. They sold their house two years ago thinking it was to top of the market. That's what the news kept saying. They have been waiting for two years for the market to turn. Now, they are reading that the market has definitely turned and they are ready to take all their winnings from their last home and buy an even better one.

There is one little problem in this logic. The market has passed them by. Their old house they sold for \$1,000,000 is now on the market for \$1,500,000. They can't afford a home even remotely comparable to the one they sold. They lost \$500,000 playing this market game.

Now, for the article above. There are some statistics missing from it. The big one is how many homes were sold over the last year. According to the Orange County Multiple listing service over 29,000 homes changed hands last year. This number doesn't include the new homes. If Colorado as a state had the same number of homes transfer, that's 0.11% of the inventory is a foreclosure property. Let's assume that the entire state of Colorado sold more than Orange County. They are a state and we are a county. That's an even smaller percentage of the inventory. This is a really small number. But according to the article, it looks like a really big one.

So, what does this mean...we are in a normal market where some areas are moving up and some down. There is lots of inventory to choose from and out of that inventory, there are a few who will give you a really great deal.

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