

THE STARKS REPORT

A Shifting Market: What Does It All Mean?

Great news for California homeowners: Prices in May were up **11.7%** over last year. Gains in the Inland Empire were even more dramatic, at **17.6%**. The flipside of that coin is that *sales* decreased by **9.6%**.

This is what usually happens at the peak of a bull market: Sellers push prices as high as they can, until buyers begin to balk. Does it mean we're on the verge of another bust? Not likely. In fact, you could say it's just a healthy market adjustment.

One important signal is the *Affordability Index*, which dropped 11 points since last year, to **33%**. Today's prices have become unaffordable for many buyers, based on income. A similar thing happened in the boom days of the last decade, but the problem then was masked by loose lending practices. Prices kept skyrocketing, and you know what happened next ...

The market distortions that caused the crash aren't present today — which is a good thing. It's still a great time to sell—as the price increases show. You just have to be realistic when you set a price. Call us for a current pricing analysis. We can also send you a *Market Snapshot* of your neighborhood via email.



Laurel Starks,
President
Starks Realty Group

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*Call me anytime—
I'd love to hear from
you!*

Market Statistics

Existing Single Family Homes—May 2014

	Median Price	Year Prior	% Change	Sales Volume	Avg. Days on Market
California	\$465,960	\$417,140	11.6%	-11.2%	31.6
Los Angeles County	\$411,640	\$365,990	12.5%	-12.2%	38.7
Inland Empire	\$280,060	\$264,010	17.6%	-9.6%	46
Orange County	\$698,260	\$679,820	6.5%	-13.7%	49.6

Note: Real estate sales typically vary with the seasons. Spring and summer are usually the strongest sales periods. By fall, families are focused on settling in for the school year, and sales drop off. That trend continues through the Christmas holidays and into the new year. By spring, more buyers are beginning to look at homes again, hoping to move by summer.

Because of that variability, month-to-month changes aren't always the best indicators of long-term trends. On the other hand, comparing statistics with the same month a year before can provide a good sense of where the market is headed.

The Lowdown on Lending

Mortgages have become *slightly* more available recently, due to loosened lending standards announced by the FHA and VA. The *Mortgage Credit Availability Index*, an indicator issued by the Mortgage Bankers Association, rose from **115.1** in May 2014 to **115.8** in June.

That wasn't enough to boost loan originations, which remained at their lowest level in 14 years. And that could get worse as interest rates rise.

Another drag on mortgage lending—and therefore, home sales—is the new FHA loan limits instituted at the first of the year.

As we've noted before, the FHA limit for a single-family home in Los Angeles and Orange counties is now **\$625,500**—down from **\$729,750** in 2013.

In San Bernardino and Riverside counties, the limit is now **\$355,350**—down from **\$500,000**.

These new limits effectively cut a huge swath of potential buyers out of the market—especially in the move-up sector.

At the same time, some big lenders may be turning away from FHA loans altogether. JPMorgan Chase reduced its FHA originations in the second quarter of 2014, in the wake of huge litigation costs. The FHA and VA have sued the megabank for writing defective loans, costing it some \$600 million.

Understandably, that has affected the bank's willingness to risk getting slapped again. "Until they come up with a safe harbor or something, we are going to be very, very cautious in that line of business," CEO Jamie Dimon has said. "The real question for me is should we be in the FHA business at all."

If that attitude prevails among the nation's big lenders, it could further dampen loan availability.

On the bright side, buyers who can qualify for financing (or don't need it), will find favorable market conditions and ample inventories to choose from.

The housing sector always oscillates between a seller's and a buyer's market. For now, the pendulum is swinging toward buyers.

JUST LISTED



Corona

- * 5 Bedrooms
- * 3 Baths
- * 2,940 Sq. Ft.
- * Downstairs BR

Sold for \$499,000

IN ESCROW



West Covina

- * 3 Bedrooms
- * 2 Baths
- * 1,834 Sq. Ft.
- * Huge lot!

Sold for \$450,000

SOLD



Rancho Cucamonga

- * 4 Bedrooms
- * 3 Baths
- * 2,400 Sq. Ft.
- * Cul-de-sac home

Sold for \$440,000

It's an International Market Now

Not long ago, I put an attractive, luxury home on the market at a competitive price. Other homes in the area were selling like hotcakes, so I was confident we'd have offers within a day or so. But instead, the house sat—for weeks. Not even a phone call. The home was in an affluent Chinese-American neighborhood, and I began to suspect I was missing something. To get some perspective, I reached out to an acquaintance who is also an expert in *feng shui*.

If that term means little to you, it means a lot to people from certain Asian cultures. It has to do with the relationship between people and their environment, and the flow of energy or life-force, known as *qi* (pronounced *chee*). It is especially pertinent when folks are considering a home to purchase.

I asked my expert to look at some photos of the house and identify any feng shui issues. It didn't take her long. "It's the front window," she said. "It's positioned wrong."

Prospective buyers—particularly those from Asian backgrounds—were looking at that photo and dismissing the house immediately. I substituted a different photo, and the phone began ringing. The house sold within a week.

That's one example of the cultural distinctions that crop up in real estate—especially in Southern California where so many buyers come from other places. Los Angeles was noted recently as the top city for property searches by international buyers. A large number of those buyers are from Asia—and they pay cash.

To catch their interest, a home must be feng shui-compliant. Some elements are inherent in the property, such as the placement of the house, the street number, the position of the doors. But other things can be improved with a little strategic planning. It's virtually impossible for the uninitiated to grasp all the relevant factors, so Starks Realty Group has a feng shui master that we call on for advice.

Getting advice from experts is always a safe course. Sometimes, a little knowledge makes all the difference.

Feng Shui Matters

You may not be familiar with the elements of feng shui as they relate to your home. But if you're selling to people who are, you'll benefit by learning, and maximizing the positive features of the property. When in doubt, don't hesitate to call in an expert.



The placement of a home and the surrounding topography can affect its energy flow—and therefore, its desirability.

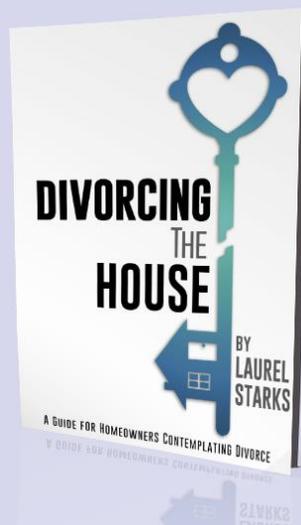


Feng shui recognizes five elements in our physical environment, each with its own energy and associated color. The colors you choose should be harmonious and reflect the type of energy you want for each room.



Numbers are important in feng shui. Your address may convey positive or negative things to your prospective buyer.

Watch for
Laurel's
**NEW
BOOK:**
**Coming
Soon!**





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Newsletter

3rd Quarter 2014

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The Starks Realty Group Is Getting Fit!

That's right—we're on our way to health and happiness this summer with our 66-Day *FitBit Challenge!*

Everyone in our office is committed to walking a certain distance every week. Those who meet the mark receive a monetary reward. Those who don't ... have to pay!

No one's getting rich so far, but together we've lost a total of **40 pounds**.

And our total miles are equivalent to a walk from **Los Angeles to Denver!**

So, what are you doing to stay fit this summer?

Starksrealtygroup.com

888-407-0784

Los Angeles | Orange County | Pasadena | Rancho Cucamonga

ABOUT US

Starks Realty Group is led by Laurel Starks, a nationally-recognized Realtor with Keller Williams Realty and nationwide speaker on real estate subjects.

We're a full-service team, and all our members are licensed by the California Bureau of Real Estate.

We have three departments: our *Listing Division*, *Buyer's Division*, and *Administrative Division*.

Our passion is *servicing* our clients, with expertise, superb service, and cutting edge practices. We offer a wide range of support services to both buyers and sellers during the critical transitions of their lives.