

# Lake Forest Real Estate Market Report – Oct. 2018

Herb and I would like to give our Lake Forest friends our take on the how the market is doing in Lake Forest. *Remember, real estate market trends are LOCAL.* What is happening in Lake Forest may be different than what is happening in other cities in Orange County. Many news reports refer to the entire US housing market, the California housing market or the Orange County market. **This report is about Lake Forest only.**

Herb and I have been Lake Forest real estate specialists since 1998. We have closed hundreds of transactions in the city over the past twenty years. We live in Lake Forest, raised our daughters here and have intimate knowledge of the community and the various neighborhoods. Many appraisers contact us for our local knowledge.

**So here's our take:**

## The report is based on the following criteria:

- ✓ Single family detached homes.
- ✓ Located in Lake Forest North and Lake Forest South.
- ✓ Does not include new homes.
- ✓ Data compares these time periods: 1/1/18 to 5/30/18 and 6/1/18 to 10/21/18.

**SALES VOLUME: DOWN 13%**

**SALES PRICE: FLAT**

## SO WHY HAS THE LAKE FOREST MARKET STOPPED APPRECIATING?

Most experts agree that the reason for this shift is due to historically high home prices coupled with the increase in interest rates. These two factors are pricing many buyers out of the market. It looks like the FED is planning on raising rates again before the end of the year and several more times during 2019. Many buyers simply cannot afford to buy in this market. *Even though the inventory is extremely low, prices are not increasing.* Other factors include the recent "tax cut" which capped the amount of mortgage interest, property tax and state tax a homeowner can deduct. This is especially problematic for higher priced homes.

## **SO IS THIS "SHIFT" IN THE MARKET JUST A BLIP ON THE RADAR, OR A SIGN OF A CONTINUING TREND? Stay tuned. Only time will tell.....**

**Historical Real Estate Trends:** Since 1980 there have been 3 major market periods in which prices declined:

**1980 – 1983:** Home values decreased approximately 20 – 25%. At that time rapid inflation caused the FED to increase the discount rate too much and too fast which caused mortgage interest rates to increase to 15+% thus having a downward pull on home prices. **This downturn lasted approx. 4 years, and was followed by 7 years of appreciation.**

**1991 – 1997:** The local Orange County economy was not as diversified as it is now. It relied heavily on aerospace and defense spending, which was extremely reduced due to the national economic recession at that time. Secondly, in 1994 the county of Orange filed chapter 9 bankruptcy which set a negative tone for OC home prices. Home values dropped 30%.

**This downturn lasted approx. 6 years, and was followed by 10 years of appreciation.**

**2007 – 2012:** Major economic recession. The housing bubble burst. Home prices peaked in early 2006 and started to decline in late 2006. Prices reached new lows in 2012. On December 30, 2008, the Case Shiller home price index reported the largest drop in its history. Prices in Lake Forest dropped 33+%. **This downturn lasted approx. 6 years and has been followed by 6 years of appreciation to date.**