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LANSNER ON REAL ESTATE
By Jonathan Lansner and Jeff Collins

ADVE

Short sales: Difficult but doable

August 1st, 2009, 12:01 am · 57 Comments · posted by Jeff Collins



Torelli Realty was Costa Mesa's leading brokerage this past year.

According to Brea real estate consultant Pat Veling, the independent 16-agent office handled the sale of 49 homes in the 12 months ending on June 30, with a total value of \$31.7 million. The brokerage "consistently outperforms much larger companies and offices" in that city, Veling said.

We recently interviewed founder and president Valerie Torelli to get her take on the local housing market today.

Us: How tight is the market for distressed properties in your world? Any recent changes in conditions?



Valerie: If a short sale or foreclosure becomes available at a saleable price, there are multiple offers on it. This is especially noted in the below-\$500,000 price range where demand exceeds supply by far over last year.

Us: We hear stories of multiple bids and prices above ask. Anecdotes, or solid trend, in distressed properties?

Valerie: With the interest rates where they are (still historically low), the FHA deals back in the game with their low 3.5% downs and coupled with the government buyer's rebate, makes for strong sales. Especially when the mortgage payment is equal or slightly higher than the rental payment would be on the same piece of property. It makes sense to buy when the math works.

Us: What kind of buyers are you seeing for distressed properties, in general?

Valerie: There are multiple bids and the investors, and all-cash buyers, are winning out. Those willing to close quickly without a lot of contingencies are the big winners here.

However, the FHA has put a moratorium on the investors in that they cannot enter contract to sell to a buyer until 90 days has elapsed from their acquiring the property. Even conventional banks are looking at that as being flipped to make sure the value (appraisal) comes in.

Us: And what's surprising?

Valerie: Two things really stand out: The first is the unrealistic expectations that many have regarding the price they can pick up a distressed home for.

A home comes on the market in the Halecrest area of Costa Mesa. Clearly, by ANY stretch of the imagination \$80,000 to \$100,000 (in this case about 25%) below market. A short sale! So the listing agent is obviously setting up a bidding war or as we call it an eBay situation. Auction time and the highest bidder wins.

There was no less than 50 people there looking at the home, many truly not getting that the short sale bank would never let it go THAT much below market and that consumers would bid it up to its true value.

You also have buyers that wanted to bid 10% below even that asking price. I hear this quite a bit: "10% below." Maybe it is coming from seminars on how to purchase foreclosures, but it has no basis in fact.

I also heard very often of totally unrealistic offers "because the bank wants it off their books." That's another urban legend. The banks have a duty to their investors and to protect the other properties in the area that the banks have a vested interest in — in the

form of outstanding mortgages within the community. The banks do not want to further erode the equity position they currently have.

Us: We've heard buzz that some banks are actually doing true short sales now. What have you heard about that and difficulty of completing such sales today?

Valerie: We have completed 100% of all our short sales, but not because of the banks helping. In every single case but one, if we were not contacting them several times a week, they would not close.

The banks (every one of them) are a mess, overwhelmed, undereducated (lack of effort on the bank employees part), with systems (or lack thereof) that vary from negotiator to negotiator, even within the same departments. The banks are willing to close and always have been, but lack structure and an understanding of the process. Usually the original buyer has not waited around the 90-plus days to close and to just resubmit another name under the same terms can restart the whole process instead of a mere name change. Difficult yes, but doable.

Us: Any guess to when we'll see a market bottom — whether in your neighborhoods or in the regional overall? Why?

Valerie: Bottom has occurred already in the under \$400,000 range. We still have people waiting for the \$200,000 range which isn't going to happen. When you can rent homes out for more than the mortgage payment, investors swoop in and rightfully so. Numbers (rental incomes) don't lie, it makes financial sense to invest.

The upper prices have some adjusting to do. Properties over a million, the McMansions that never fit the neighborhood, will take the largest hit. Beside the monthly payments that surprise, you really need a job to qualify, (making many properties) ... out of reach of most people in Orange County.

There appears to be a profound shift in people's outlook: wants vs. needs, sustainability of the home. Consumers are looking for quality, a quieter lifestyle without the pressure of having the biggest and best home in the neighborhood.

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Kevin Tran says:

[August 1, 2009 at 7 am](#)

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It is 100 percent right Valerie. I bought a house in Garden Grove since September 2008 last year with a price of 400,000 with 20 percent down. Our mortgage payment is less than renting. I believe bottom already happened since last summer. Most renters like me bought house last years are winners. Good luck Renters.

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NationalBubble.com says:

[August 1, 2009 at 9 am](#)

Kevin, congratulations for buying your home in Garden Grove. Now go out and get the best home security system you can buy. You are going to need it.

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Jc says:

[August 1, 2009 at 11 am](#)

Nb Kevin tran is happy and used to what you suggest because is where he belongs the vietnam community.

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Olivas Salone says:

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Yeah so bubbie can't break in and steal the silverware

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CP says: