

RCFE resource

A Report for Buyers, Sellers and Investors

August 2020

WHAT'S THE VALUE OF YOUR RCFE?

For a **FREE** No Obligation Consultation CALL us at (949) 397-4506



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ORANGE COUNTY RCFE REPORT: WHY DO SOME RCFES SIT?

The housing market may be hot, yet many RCFE owners are not having any success

The ink is still wet. An RCFE homeowner has just signed the contracts that will allow the property to be listed for sale. There is excitement in the air. This is the initial step in the goal of moving on, with a new beginning. With eager anticipation, their RCFE is cleaned from top to bottom, new flowers and a fresh layer of mulch accent the landscape, every light is turned on, the RCFE is made ready for sale. They are prepared for potential buyers to come explore their RCFE. After a buyer tours the home, the sellers return and wonder whether the buyer liked the RCFE enough to bring an offer. After all, the market is incredibly hot, right? Yet, there is no offer. Showing after showing, day after day, week after week, there are no offers. Moreover, the number of showings has trickled down significantly after three months of market exposure. What is going on?

The market is currently sizzling hot with an overall Expected Market Time (the time between the signed listing contract to opening escrow) of 46 days, the hottest market since 2013. Yet, many RCFE sellers are not finding success. Incredibly, about one-third of all currently active listings have been exposed to the market for more than two months. Sitting on the market for over 60 days is to be expected in the luxury price ranges, over \$1.0 million, yet there are plenty of RCFE sellers having trouble selling in the lower price ranges as well. Between one-quarter to one-third of all RCFEs priced below \$1.0 million have been listed FOR SALE for more than two months and are still waiting for the right buyer to bring an acceptable offer to purchase. For RCFEs priced above \$1.0 million, nearly half of all listings have been marketed for over 60 days.



If the market is so hot, how come so many RCFEs are just sitting without success? The logical conclusion must be price. Price a home too high and it simply does not sell. In most cases, that is only part of the problem.

36% of the active listing inventory has been on the market for more than two months.

There has been an evolution in home buying. This also holds true for RCFEs. Back in the 1980's and 1990's, buyers were able to visualize the potential in a home and were willing to apply a bit of "elbow grease" to fix and update an RCFE if necessary. That is just not the case anymore. Chip and Joann Gaines' popular television show "Fixer Upper" revolutionized the real estate industry, along with the countless other real estate shows from flipping to fixing. As a result, there is an expectation and desire for buyers to purchase an RCFE that looks like a model.

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A Monthly Report for Buyers, Sellers, and Investors

Current Listings



Irvine, CA - FOR SALE OR LEASE

- 6 BD/4 BA RCFE
- \$1.25 M home + \$150K business
- Or \$5,500/mo lease + \$150K business

Lake Forest, CA - VACANT RCFE FOR LEASE

- 4 BD/2 BA, 2,200 sf
- \$4,500/mo

Mission Viejo, CA - RCFE FOR SALE

- 7 bed/2 baths - 2169 SF
- \$950K Residence + \$150K business

Mission Viejo, CA - RCFE FOR SALE \$852,000

- 5 bed/2bathroom - 2246 sf
- Residence only - fully leased

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WHY DO SOME RCFES SIT?

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There is a definite allure to anything that is brand new, and RCFE homes are no different. Brand new RCFEs have all the latest bells and whistles, the latest trends, the “new car smell.” Buyers gravitate to anything that has a model home look and feel. RCFEs that have been totally redone and updated are very appealing. As long as the price is right, the closer an RCFE looks to model perfect, the faster the home will fly off the market. Unfortunately, not every RCFE shows like a model. So many RCFEs are dated and need cosmetic repairs. From scuffed walls, scratched floors, carpet stains, popcorn ceilings, original door and bathroom hardware, outdated light fixtures, ceramic tile kitchens, chipped walkways, etcetera, all contributes to an RCFE that feels used and worn out. Even a 10-year old remodel may have a lot of wear and tear. It is no wonder that many RCFE sellers are sitting on the market and having a hard time selling.

When an RCFE home does not have the look and feel of a model home, it must be reflected in arriving at the Fair Market Value. A home’s Fair Market Value is determined by its location, age, condition, and improvements. RCFE homeowners can do nothing to change the location and age of an RCFE, that’s a given; however, they can address the condition and amenities. To fetch top dollar, an RCFE homeowner who has lived in and/or maintained a business in their house for years must be willing to make an investment in their RCFE. Updating and taking care of deferred maintenance will afford buyers the ability to visualize continuing the business right away. They will not have to address cosmetic issues after closing. RCFE buyers are willing to pay a premium for homes that are turnkey and have that model feel. The RCFE sellers will net more money by addressing the deferred maintenance and their home will sell more quickly.



If an RCFE seller does not address any deferred maintenance, then the price must be adjusted accordingly. Buyers subtract a lot more than it costs to take care of the deferred maintenance. It is very inconvenient and time consuming for buyers to tackle repairs after the close of escrow. It makes sense that an RCFE seller with deferred maintenance will ultimately net less money in the sale of their RCFE.

WARNING TO SELLERS: price is the most important factor in successfully selling. Overprice an RCFE in a sizzling hot seller’s market, and RCFE sellers will not find success. Instead, they will simply sit and waste valuable market time.

If you plan to place your RCFE on the market, address any issues of deferred maintenance and “freshen up” the appearance of your RCFE as much as possible before coming to market. Price your home at Fair Market Value to attract the maximum number of possible buyers. These two steps should ensure that you will find success in closing your sale at a fair price in today’s hot seller’s market.

“All Information is deemed reliable but not guaranteed”