

RCFE resource

A Report for Buyers, Sellers and Investors

September 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: A WAVE OF FORECLOSURES?

Foreclosures and short sales have played an exceedingly small part in the RCFE housing market for years, yet many feel that is about to change.

Parents worry about their kids all the time. Often, their minds jump to the worst-case scenario. Similarly, due to the recession, everybody is jumping to the worst-case scenario for housing, the inevitable wave of foreclosures to come.



It is crucial to immediately point out the simple fact that just because the economy is in the midst of a recession does not mean that the housing market, and by extension, the market for RCFEs, will tank, values must go down, and many RCFE homeowners will lose their homes due to foreclosures or short sales. In fact, in the past five recessions, only two have led to declines in real estate values, the recession that began in 1991 and the Great Recession that started in 2008. Both were fueled by asset bubbles in housing that eventually popped. The recession in 1991 was powered by the savings and loan crisis. The Great Recession was driven by subprime lending and risky investments in mortgage securities. Thus, a wave of foreclosures ensued.

Today, there are only a total of 11 foreclosures and 7 short sales to purchase in all of Orange County, the lowest level since 2007.

Today, the supply of RCFE homes to purchase is low, demand is high, and RCFE values are on the rise. Multiple offers are once again the norm. Well-priced RCFEs with minimal deferred maintenance are flying off the market and into escrow. And, tight lending qualifications continue to be the bedrock and strength of housing. Even with the strength, many RCFE owners are worried that the housing market will tank again, and a wave of foreclosures will

inevitably follow. As a result, everyone is jumping to the worst-case scenario in their collective minds: housing must suffer. The current COVID-19 recession was instigated by a forced stop of the economy, which allowed United States citizens the ability to hunker down and flatten the curve in the spread of the Coronavirus. It was the pandemic that caused the recession and not a single sector of the economy.

Foreclosures and short sales make up less than half a percent of the listing inventory and demand.

This is precisely why this recovery has been distinctly different than a customary recovery. Housing has seen a "v-shaped" recovery, and so has manufacturing and retail sales.

There are about 4 million homeowners in active forbearance, which is 7.5% of all active mortgages. Of all current forbearances which are past due on their mortgage payment, most will have plenty of equity to tap into that will allow them to sell, avoiding the short sale or foreclosure route. **The bottom line: do not count on a wave of foreclosures or short sales due to the economic fallout of the COVID-19 recession.**

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A Monthly Report for Buyers, Sellers, and Investors

Current Listings



FOR SALE:

LAGUNA HILLS - RCFE FOR SALE

- 6 BDR/3 BA, 1800 SF
- \$850K Residence + \$115K business

COMING SOON:

COSTA MESA - RCFE FOR LEASE

- 8 BDR/4 BA, 2293 sf
- LICENSED FOR 15 BEDS
- \$14,000/MO + PURCH OF BUSINESS

COSTA MESA -

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ANAHEIM - RCFE FOR LEASE

- 7 BDR/3 BA, 2500 SF
- \$5000/MO + \$150k FOR BUSINESS

SANTA ANA - RCFE FOR SALE

- 7 BDR/4 BA, 2656 SF
- \$1.050M RESIDENCE + \$190K BUSINESS

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COVID-19 PRIMES SENIOR LIVING FOR RISE OF SMALL-HOUSE MODELS

The COVID-19 pandemic has affected the senior housing industry in unprecedented ways. Administrators of senior housing facilities are evaluating the best ways to maintain adequate infection control in their communities, where people living in concentrated quarters are at greater risk of contracting and spreading the virus.

Many believe that small-house senior living may be better-suited to handle the disruptions of the COVID-19 era. Jim Stroud, co-founder and former chairman of Dallas-based Capital Senior Living, had a small-house vision and opened seven small-house buildings in Carrollton, Texas. He thinks it's only a matter of time before the "big box" senior living companies embrace the small-house trend, too.

From architects to providers, there is a sense that small-house senior living may emerge from the current era as a more attractive option, especially if it can prove its worth in preventing the spread of COVID-19. And it seems to be doing so, compared to many larger nursing homes, where COVID-19 has run rampant.

The newest models being developed according to the small-house concept have all private resident rooms, many with private bathrooms. Some of the newest homes are multi-story, with each floor being self-contained. Due to the high prices of real estate, many developers are going vertical.

Some say the small-house model was a solution waiting for a problem. Many families would prefer to put their loved ones in a compartmentalized setting with just a few people than a gigantic wing that comes off like a hospital.



Perhaps the "smaller is better" concept is going to be the end result of planning for future senior housing options because it has shined in infection control during this pandemic.

RCFE REPORT

A Wave of Disclosures

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While there may be a bit more distressed properties in 2021, a slight rise, it will pale in comparison to the Great Recession. Nobody should expect any type of a deal on an RCFE anytime soon, especially with mortgage rates that dipped below 3%, reaching yet another record low.