



# NEAL WEICHEL REALTOR®

VOLUME 1 | NUMBER 2 | SPRING/SUMMER 2008

**2008**  
- A Year in  
**Transition**

*“short”*  
**SALES**

**SCV MARKET ACTIVITY**

# A Note from Neal

Welcome to Spring's edition of "Neal Weichel, Realtor®". It has been almost eight months and a near copyright infringement violation since I have published an edition of what used to be called simply, "The Realtor", the longest I have gone in 17 years of real estate without publishing some sort of newsletter update. The fact is I have never seen eight months in this business like what I saw between July and January of this year. And when the market changes as rapidly as it has for these months, with foreclosures and short sales completely dominating the market, you want to stop, catch your breath and explain what is happening, which is varying from area to area.

Anyway, this issue addresses where we seem to be today, now that we have wrapped our arms around what is happening. Of course, for shorter more regular updates I encourage you to visit my website and my blog at [www.NealWeichel.com](http://www.NealWeichel.com)

Thanks for reading,

*Neal Weichel*

Neal Weichel



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**Saugus \$699,900**  
22207 Evening Star Court 6bd 5ba • 3720sf

# GREAT DEALS



**Canyon Country \$1,350,000**  
2701 I Cliffie Way 5bd 6ba • 4681sf



**Valencia \$699,900**  
23603 Sunderland 5bd 3ba • 2870sf

# RECENT SCV MARKET ACTIVITY

**Listings Sq. Ft. Price**

## Valencia

24007 Tango Drive	1941	\$449,000
23702 Greystone	1763	\$519,900
23603 Sunderland	2870	\$699,900
23314 Lynham Place	3460	\$849,900

### Pending (In Escrow)

26987 Cape Cod Drive	2069	\$540,000
23400 Winslow	2975	\$729,900
29211 Las Palmas Court	3736	\$799,900
25569 Oak Savannah Court	6077	\$2,900,000
25663 Oak Meadow Drive	7860	\$3,400,000

### Closings

23601 Big Sky Walk #108	1334	\$370,000
24141 Jacaranda Lane	1120	\$399,900
27872 Crown Court Circle #86	1187	\$416,000
24040 Whitewater Drive	1647	\$425,000
23913 Via Hamaca	2038	\$487,000
26820 Marina Point Lane #1	2116	\$515,000
23736 Cameron Court	1355	\$525,000
23800 Cherry Court	1693	\$519,000
23802 Robindale Place	1763	\$549,900
25680 Via Ventana	2010	\$634,000
27074 Littlefield Drive	2076	\$680,000
27305 Brighton Lane	2612	\$755,000
24324 Foxglove Place	2906	\$786,000
24220 Blossom Court	2906	\$799,900
23350 Beaumont Street	3322	\$820,000
25581 Via Velador	4104	\$1,000,000
23927 Lakeside Road	3912	\$1,150,000
26176 Quartz Mesa Lane	4158	\$1,240,000
26934 Granite Ridge Court	4129	\$1,290,000
25733 Oak Meadow Drive	5446	\$2,400,000

## Stevenson Ranch

25342 Fitzgerald Avenue	1517	\$499,900
26156 Twain	3042	\$679,900
25006 Southern Oaks Drive	2882	\$1,059,000
25652 Magnolia Lane	3853	\$1,225,000
25511 Brighton Place	3853	\$1,395,000

### Pending (In Escrow)

26008 Ohara Lane	2882	\$899,999
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### Closings

25538 Hemingway Avenue #A	1667	\$451,000
25710 Wagner Way #B	1614	\$460,000
25649 Gale Drive	2699	\$777,000
25627 Gale Drive	3106	\$789,000
25073 River Walk Lane	2882	\$899,999
24980 Old Stone Way	3193	\$1,030,000
25048 Shady Glen Court	3853	\$1,100,000
25519 Brighton Place	3569	\$1,125,000
24830 Greensbrier Drive	3510	\$1,300,000
25638 Magnolia Lane	4340	\$1,315,000

## Castaic

28646 Meadowgrass Drive	2436	\$479,900
31302 Cherry Drive	1468	\$499,900
30417 Servilla Place	2917	\$599,999

### Pending (In Escrow)

29722 Liverpool Court	2352	\$519,900
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### Closings

29077 Madrid Place	3368	\$630,000
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## Newhall

25267 Avenida Dorena #3	1145	\$299,900
24814 Rosepark Court	3133	\$1,050,000

### Pending (In Escrow)

24307 La Glorita Circle	988	\$245,000
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### Closings

26762 Whispering Leaves Drive #A	864	\$149,900
25056 Kerry Robin Drive	1334	\$370,000
23926 Canerwell Street	1500	\$420,000
24518 Valley Street	1904	\$460,000
24336 Cheryl Kelton Place	1410	\$529,000

**Listings Sq. Ft. Price**

## Saugus

28415 Seco Canyon Road #124	1059	\$343,500
21938 Lynette Lane	1858	\$499,900
28709 High Ridge Drive	2518	\$550,000
22207 Evening Star Court	3720	\$699,900
28285 Infinity Circle	3374	\$759,900
28808 San Francisquito	3366	\$1,195,000

### Pending (In Escrow)

29275 Discovery Ridge Drive	2829	\$699,900
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### Closings

26914 Via Terraza	1285	\$365,000
22333 Espuella Drive	1456	\$399,900
22832 Tamarack Lane	972	\$449,900
22415 Majestic Court	3537	\$665,000
22280 Circle J Ranch Road	2429	\$735,000
22246 Cypress Place	2827	\$750,000
28403 Horseshoe Circle	3374	\$750,000
22010 Milestone Street	3021	\$795,000

## Canyon Country

28237 Foxlane Drive	2540	\$499,900
17382 Sierra Sunrise Lane	3274	\$569,999
15325 Live Oak Springs Canyon Road	4305	\$950,000
27011 Cliffie Way	4681	\$1,350,000
26470 Macmillan Ranch Road	5706	\$1,950,000

### Pending (In Escrow)

16760 La Veda Avenue	2320	\$450,000
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### Closings

20009 Drasin Drive	860	\$395,000
20015 Gilbert	1800	\$502,500
28231 Foxlane Drive	2540	\$665,000
27865 Sand Canyon Road	1937	\$915,000

The above figures solely represent homes listed and or sold by Neal Weichel, not the market as a whole.




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# “short” SALES

I had a conversation the other day with a past client that wants me to help her find a home this Spring, and by the end of the call it was clear to me that there is no topic more important for buyers and sellers in today's market to thoroughly understand than what a “short pay” listing is compared to a foreclosure listing. First let's start with the basics.

A “short pay” or “short sale” listing is one in which the seller will get no money. They owe more than the home is worth. They *want* to sell but in order to do so they have to ask their lender-or lenders-to take less than what is owed. As such, they have little concern in most cases at what price the property ultimately sells, because they see no proceeds either way. Enter the real estate agent, anxious to make a sale. They suggest to the seller, “Let's price this well below the others to guarantee you get an offer, which we will then submit to the lender(s), to see if they will approve you for a short sale”. Seems innocent enough, but this is how the problems start.

I call short sales “maybe” listings. I have also called them frustrating, time consuming, impossible to predict and a waste of time. Here is what you need to know:

**1.** The whole process can take anywhere from 2-9 months to get a final answer from the lender if you make an offer. There are often multiple decision makers involved that will determine:

- a.** Does the seller even **QUALIFY** for a short sale? Do they have hardship? True inability to pay? Any possibility to re-finance and keep them in the home? Etc.
- b.** Does the offer price reflect a fair price for the property? Lenders aren't stupid. They may be willing to accept an offer that is close to market value but they aren't going to accept something **WAY** under it-why would they?
- c.** Who are the real decision makers and what is their agenda? Back in the 1990's most short sales were processes that took about 6-8 weeks. In almost all cases the agent dealt directly with a person skilled in evaluating what they call “loss mitigation”. In cases where there was a second trust deed (which was the majority), we dealt directly with a Private Mortgage Insurance Representative. They were motivated to get what they could to minimize their loss. Because the majority of today's defaulted loans do not involve PMI (the defaulting seller usually got an 80/20 piggyback loan or some type of loan specifically designed to avoid PMI) we now try to communicate and negotiate with 2nd Trust Deed holders that represent pools of investors that bought the Security on Wall Street. Sound complicated? It is. We often don't know who the real decision makers are and how to negotiate with them, hence the huge increase in time frames for an answer.

And then after all that, often times the answer is “NO”. “No” we won’t approve the seller, “no” we won’t accept that price, and “no” we can’t get the other investors to sign off. And it only took 3, 4, 5, 6 months of hard work to get to that. How many buyers are going to be excited about going through that??

**A “short pay” or “short sale” listing is one in which the seller will get no money.**

2. Another problem with “Short Sales” is how poor many agents are at handling them, especially with respect to pricing. I mean it isn’t for me to say how they and their client should price it, but when it is obviously so low the bank will never approve the price, something is wrong. I can look at virtually any list of homes for sale in Santa Clarita and tell which ones are short sales solely by the prices. Now ten years ago this wasn’t too big of a problem because the buyers didn’t even know about them. Today, with the internet, all buyers can see these and because the agent is not required to disclose to the public that they are short sales, they think they are “normal” listings that they can buy today. They aren’t and they can’t. Agents are not required to disclose to the public that a listing is a short sale-they only have to disclose it to other agents. As such, agents have gotten creative calling these listings “pre-foreclosures” on realtor.com as an attempt to draw calls from buyers hungry for “deals”. I’m not going to say short sales don’t sell-they do. Sometimes they are good deals. But boy are they a headache for the 80% of the time they don’t go through, and in the process of marketing them the public sure can get confused-and frustrated.

A foreclosure on the other hand is completely different. This is a home owned by a bank or lending institution. They want to sell it, they have an established price based on an appraisal and can give a buyer an answer in a matter of days-not months. These are fantastic opportunities for buyers in today’s market as they represent highly motivated sellers with prices that now are almost always are the lowest in tract. Whenever you see “bank owned”, “foreclosure” or “REO” that is a property to investigate. There are dangers-they are always sold “as-is” and often need repairs, but at least there isn’t the painful process of the short sale to go through in attempting to buy one. Many times foreclosures are properties that were short sales that didn’t get approved and went to trustee sale. For the patient buyer, sometimes they can then buy it as a foreclosure if the short sale process didn’t pan out. **nw**

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# 2008 - A Year in Transition

by Neal Weichel

Well, who could have ever predicted this?? As I suggested in my New Year Blog, “Predictions for 2008/2009”, this is a market unlike any I have seen in selling real estate for 17 years. For most parts of Santa Clarita we have seen the largest percentage and largest dollar amount of price decline in one year ever. In many tracts we have seen reductions of \$50,000 to \$90,000 in the last 9 months alone. I wrote in that blog the reasons for the decline, and the strange fact that some neighborhoods have seen relatively little price decline while some seem to be in “free fall”.

What some may not have accepted a year ago seems obvious to everyone now; virtually 80% of Santa Clarita is declining in price. The question that I now get asked daily is “How long will this last?” or “when should I buy?” Answering those questions is like predicting the future; no one can do it. However, I can give you some insight into what is happening right now in the market, and let you form your own opinions.

Personally, I believe 2008 is a year of transition where some neighborhoods will start to stabilize. I also believe there will be some tremendous opportunities *if* you know what is really happening out there and use that information to make good decisions. Hopefully buyer and seller alike can gain from the following:

**1. Short Sales and Foreclosures are Dominating the Market.** In every area in which prices are obviously declining, the majority of the homes actually selling are short sales and foreclosures. The reasons for this are obvious; buyers are driven by the idea of getting “a deal”. I speak to 20 to 30 potential buyers a week. I ask them about their needs, their time frames and their plans. Most of them express the desire for “value” or “a deal”. I hear it so often that by now I am surprised when they don’t say it! Of course they want a good deal, who doesn’t? The point is that they equate “good deal” with “distress”. One year ago this was often not the case. Foreclosures were priced about where the better condition “regular” homes were. Today they are driving prices down everywhere, and as smart buyers with good long-term thinking begin to buy up these deals, stability

will occur. As a seller, what you need to know is this: if you are in a market with significant inventory, unless you are priced aggressively or you have exceptionally desirable upgrades, location, lot size, etc, you will not sell. No seller can compete against the foreclosures unless their price is such, so *don’t try* until the market in your area stabilizes. However, if you are definitely going to sell in the next two years, it is absolutely essential that you price it aggressively and sell it now, as many areas will not stabilize for two years and at prices likely lower than today.

## **2. Interest rates will continue to go down.**

There is tremendous pressure on many levels for this to happen and until prices stabilize these rate reductions will greatly help the first time buyer as well as homeowners that need re-finance options to keep their homes. Both of these groups are integral to stability. Interest rate reductions are absolutely critical to stabilizing our market, watch them carefully and call my 800 line for weekly updates (1-800-680-8053 Extension 325). Remember, as rates go down, sales will go up.

## **3. The “right” kind of investor is coming back.**

As I have suggested before, a main reason for the problems we have today is greed. And not just from unscrupulous lenders and sub-prime loans, inflated appraisals and other things you read about. In many speculative markets (Phoenix, Vegas, Florida, The Inland Empire and, in Santa Clarita, the new homes built virtually anywhere in our valley in 2004-2006) people bought with no intention of owning long term; they bought to flip. Had this never occurred on such a large scale prices would not have risen, and subsequently fallen, the way they did in 2005/2006. Some estimates say that as many as 40% of the homes that sold in 2003-2005 were by investors that ultimately got caught short when the market peaked in May 2005. The point is, in many cases these homeowners walked away and their homes represent the foreclosure wave of the last year. Just look at all the vacant houses today for evidence of that type of buyer. They won’t be back; their tarnished credit as well as tougher lending guidelines insures that.

Quietly though is the return of what I call the “right” investor; motivated not by greed but long term potential. This is the buyer that has seen today’s prices, has roughly 25% to put down, and is buying property as a LONG term investment (most people still believe strongly in California real estate as a good long term investment). This buyer sees opportunity and has the ability to buy, rent it out and wait for future appreciation. I have dozens

of clients that have called me in the last two months to discuss just such a strategy and most plan to buy in the next year. I don't know about other areas but for our area, this strategy makes all the sense in the world. Long term growth potential for our valley is strong, rates are low, and rentals are very strong and will remain so for years. People needing places to park money are finding the stock market or cd's to be less appealing or in many cases they need the real estate component for diversification in their portfolio. Here is the point; as more of these buyers enter the marketplace stability will occur. We are already seeing it in the single family home market under \$425,000. As other buyers sense this trend (it's amazing how "in tune" buyers are these days with the market) they will gain confidence to buy. Stability becomes a self fulfilling prophecy, especially in today's market where so many buyers are renting and waiting to pounce. I wouldn't say stability is happening yet, but this one fact is a sure sign that it's beginning.

**4. Quality still sells and for top dollar.** As educated as some buyers (and agents) seem to be today, many still don't fully understand supply and demand. It may be best to use an example to illustrate. I recently listed the best home I have seen in a long time in Tesoro Del Valle. Now Tesoro is a perfect example of an area that "should" be very desirable - new, nice amenities, popular floor plans and a "Valencia" address. Unfortunately Tesoro is also an area that was primarily built and sold at the top of the market. As such, it has been hard hit by foreclosures and prices have dropped substantially. This particular model I have listed I actually sold for \$1,400,000 18 months ago (it peaked at over 1.6 million in early 2005). Today a decent (nice upgrades, view) foreclosure model match is in escrow at \$930,000!

This fact would, in the mind of many sellers or buyers spell doom for my sellers. However, this listing has a tremendous private yard, huge pool, unbelievable view and tasteful upgrades. In short, things that the buyers I know always request and rarely find. The sellers agreed to price it at \$1,330,000 fully aware of the "comps" that are all 30-40% below our price. Now why would we do that?? Because I know we will sell it. I have had agents laugh at me, appraisers question how we will ever get it to appraise (not easily), and buyers calling in suggesting I don't know the market. Still I know it will sell because there is nothing else like it and it is highly desirable. In short, very low supply equals very high demand. The proof is in the pudding, and two offers later although the property is still available, we know it will sell and the sellers will get a strong price.

Another striking example is in the Westridge Estates in Valencia. I had two custom homes listed, one at 3.4 million and one at 2.9, and both sold within a month! Understanding true supply vs. demand concepts is critical if you are a buyer contemplating buying. After all, if you plan to stay long term, wouldn't you really want the best home on the block, one that you would love living in with tremendous long term upside even if the "comps" suggest it's high for the area for the moment?. If you are a seller, you need to know how your home stacks up. Is it REALLY better than the competition in the eyes of a buyer? If so, go for it, it will sell.

**5. The escrow "fall out" rate is higher than ever.** Every seller needs to understand because of volatility in the market, opening escrow is not a guarantee of closing. Perhaps no fact frustrates sellers and agents more than this and understanding why it is happening is crucial. First, we are seeing buyers getting cold feet or changing their minds more frequently. It's difficult for anyone to prevent this entirely, but shortening up escrow periods and contingency timeframes help to keep the process moving along. Secondly, more and more, appraisals are not coming 'in at value'. Appraisers have been instructed by lenders to only look three months back for sales comparables (instead of six months which was the industry standard a year ago). What this means for today's seller is that unless they live in an area with strong market activity, if their home sells there are few 'comps' available for the appraisal, and those that exist are often distress sales that may not be 'comparable' at all. On top of that, appraisers have been instructed to adjust their values down 5% in Los Angeles County so as to future-pace the market. A short appraisal contingency and an agent that knows the "comps" and how to negotiate terms is crucial to today's seller.

**6. 2008 – a Transitional Market.** I began by suggesting that 2008 is a market in transition. Buyers are definitely starting to come back, inventory is stable at about 2100 homes – not rising as some feared. Multiple offers on short sales or foreclosure properties are common-place. In short, sales are up but prices are still going down, in some areas much more than others.

Another sign of transition is that many people are taking advantage of low rates and great selection of inventory to sell (probably at a price they don't like) and then buy up (at a price they can't believe)! Also the beginning of the return of loans is key to transitioning to stability. As easy as loans were to get a few years ago, unfortunately meant that in many cases they were going to people that

continues on page 8

continued from page 7

should not have gotten them. The correction of this problem has resulted in many people who 'should' get loans not being able to. This is starting to change.

All this can seem very confusing, (especially with the problem of 'short sale' pricing, a topic so important to address I have included my blog entry explaining it) but in actuality it is not. Those of us who worked in the late 1990's remember a market where seemingly contradictory things would simultaneously occur – sales were going up, inventory was steady, yet lower and lower priced foreclosures kept prices down. This same phenomenon is happening again. The point is that some of the overwhelming negative projections ('Prices Dropping Another 40%!') seem unlikely to happen here. There is plenty of negative data to support such projections (foreclosures at an all time high, Wall Street in crisis and more) but remember that in every market things are not always black and white, in fact they rarely are. The cold hard 'facts' don't always apply to us here in Santa Clarita. For example, in 2006 the LA Times reported that year to year prices were up over 2005 levels. The truth of the matter was that it was completely obvious to any good agent that prices were declining every single month in 2006, but because they were using median home prices

to come up with that statistic, a buyer reading it may have had the idea that prices were much more stable than they really were. This goes to show, however, that in the same way that there is a 'plateau' in an appreciating market, there is always a time period where you go from an all-out declining market to a market that is stabilizing and ready to appreciate. In general, we aren't there yet but in some neighborhoods we may be getting close.

In 1997-1998 the majority of the experts were busy 'gloom and dooming' when in fact we were quietly starting to make our way back up. However, it never happens all at once and there can be some 'false starts' along the way that do not really represent the bottom, especially in the spring and summer when real estate traffic is traditionally higher. To gain the greatest insight, watch the foreclosure numbers. Knowing how to read them is paramount to understanding where we are in our market and where we are headed. As their volume declines in your area – watch out! For now, though, they are still everywhere, sales are going up, prices are still going down and some buyers are sensing the beginning of the bottom. I will keep you posted as things develop but for now, be careful buying or selling, and if you need to buy or sell now, call me today and let's talk about it.

**nw**



**NEAL WEICHEL  
THE REALTOR®**



**VOLUME 1 | NUMBER 2  
SPRING/SUMMER 2008**

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