

The Real Estate Guru: Answering Housing Market Questions #2

By Phil Immel

Question: Dear Guru, how much extra value does an ocean view add to a home?

Answer: In Dana Point and other coastal areas, an ocean view obviously enhances value. To what extent? It is very subjective and differs on every home, as each location is unique. A Realtor will input certain fields in the MLS that give a general idea of some of the location terms we hear. However, the only way to evaluate for certain is to visit the property with an experienced local agent. Some of the primary terms you hear include these:

1. Peek-A-Boo View: This is when you see a slice of the ocean.
2. Unobstructed View: This means when, no rooftops of other homes are obstructing the line-of-sight where the sea meets the land.
3. Catalina Island View: Do you see all of it end-to-end or a portion? The island gives a perspective like a painting, to add to amazing ocean views during the day and spectacular sunsets especially when it's backlit. The more you can see of Catalina Island enhances a home's value.
4. Whitewater View: Value increases when you can see the magic of waves crashing. It is mesmerizing and therapeutic. Additionally, if you can see the waves crash, you are likely to hear them, too. Nature at its best!
5. Rock View: This is when the waves crash over the rocks near the surfline. A large swell can blast against the rocks and spray several feet into the air. Tantalizing, to say the least.
6. Sand View: To see the beach view with the tide expanding and contracting adds to the beauty and value as well.
7. Distance View of the Ocean or Harbor: Watching surfers catch waves while sailboats pass by and powerboats cruise creates a spectacular visual experience. It adds life to the pristine beach lifestyle.
8. Whales, Dolphins and Birds: If your home is oceanfront, you will be able to see whales migrating, dolphins playing, and pelicans flying by in formation at eye-level from your backyard.

In summary, a better combination of the views will enhance your home's value from hundreds of thousands to millions of dollars. When in doubt, have a Licensed Appraiser or Coastal Realtor ascertain a more precise value. Don't bother with Zillow's "Zestimate" or the technology sites' algorithms. Unlike investment or commercial real estate, residential real estate values have an emotional value that may exceed a logical price by as much as 20-50%.

Question: My wife and I recently had our first child and want to buy a home in the next year. Apartment living is not conducive to having a child. I read many real estate articles and listen to podcasts, and I'm thoroughly confused if I should wait a couple of years or start sooner. Guru®, what do you suggest?

Answer: Welcome to fatherhood. I am a proud father of three children, now all adults. After four decades of representing first-time buyers, I relate to the current conundrum young families face in California when searching for a home.

Orange County is one of the most expensive areas in the country to own a home, especially after the hyperactive appreciation in the past two years. Homes increased nearly 40% post-pandemic. Why? Because of artificially low mortgage rates due to the government's effort to restart the economy—combined with a severe shortage of inventory (listings).

The initial volatility in the stock market and housing market should stabilize later this year. Generally, there's an overreaction to raising rates and then they recess back somewhat. I would start actively shopping for a home while the market adjusts. Don't expect property values to drop. The headlines are sensationalized. What's happening is overzealous agents and sellers are severely overpricing listings, and 25% of them are being reduced daily. The list price, that is—not sales prices. Why? Because there is still a historic shortage of active listings—50% fewer listings in Orange County than pre-pandemic levels.

High demand and low supply are keeping values firm. And it is expected to remain that way for the foreseeable future. Foreclosures are virtually non-existent. Much tighter loan underwriting since the 2008 debacle has greatly increased the quality of loans, so equity in homes has skyrocketed in recent years. This is the opposite of 2008. Any borrower in financial trouble can sell the house and come out with significant cash. All the doomsday headlines in the media are selling papers, but remember to read the details and look at accurate data. Generally, the fourth quarter is the best time to buy a house, because sellers get real about the new market, and seasonality hits the slowest months due to the holidays. Mortgage rates will improve but will not go back to 3%. Rents will continue to escalate. At some point, you have to jump in. Get prequalified now, monitor rates, and pull the trigger sooner than later. Interview a great and knowledgeable buyer's agent and get started now. Good luck!

Have a real estate question? Email Phil Immel at phil@realestateguru.com. Visit realestateguru.com. The Guru has more than four decades of experience listing and selling homes in South Orange County. As a licensed real estate broker, Phil majored in Real Estate at San Diego State University and is also an expert in mortgage, title, escrow, appraisal and negotiations.