

Mission Viejo Real Estate Market Turns Up

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PRESS RELEASE¹

The real-estate market in Mission Viejo, Orange County, California has turned the corner, says economist and former California Real Estate Broker David Zetland.

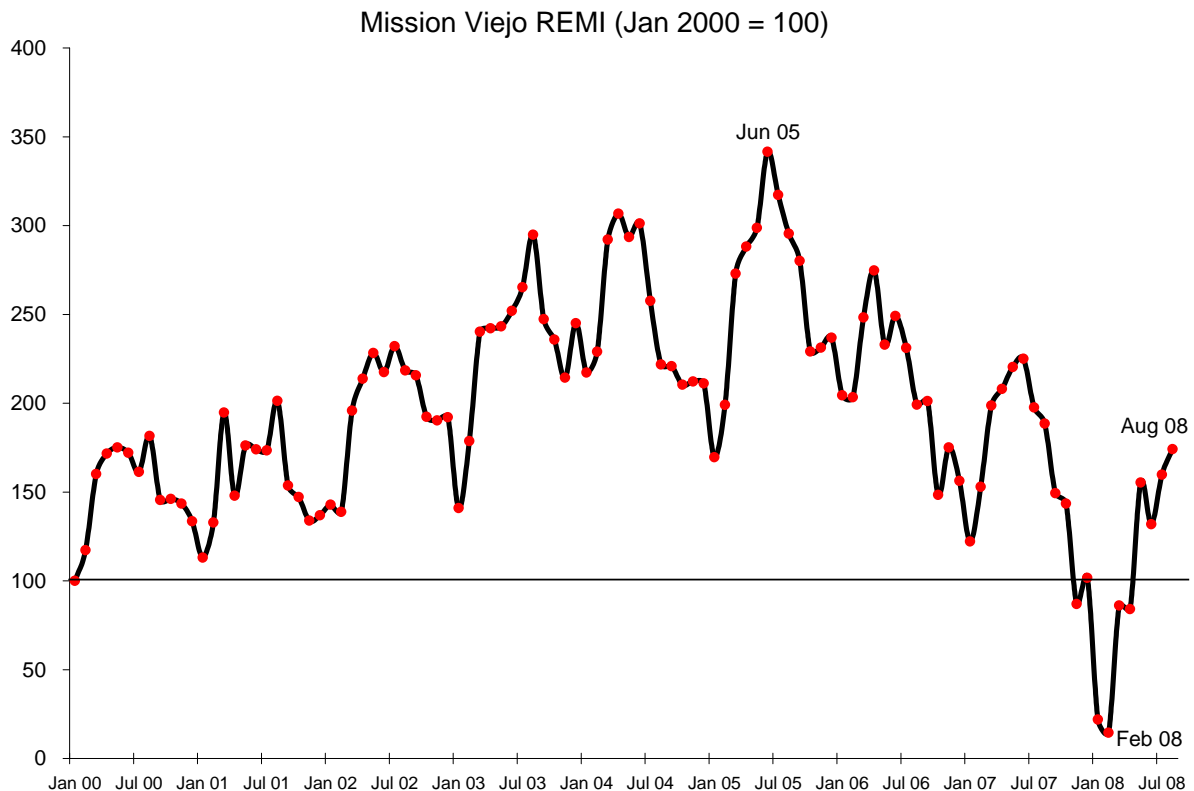
Zetland's opinion is based on the changing values of his Real Estate Market Index (REMI), an index of market liquidity that includes more information than price-based indices (e.g., the Case-Schiller Index).

The REMI has 3 components: median price, sales volume, and median days on market.²

The REMI indicates that Mission Viejo's market bottomed out in February of this year and that market activity has reached levels last seen 11 months ago.

The August 2008 REMI is higher because more houses are selling faster (i.e., sales up, days on market down)—even while prices continue to fall.

Market liquidity is getting back to normal—more deals are getting done in less time—and *liquidity is what matters most* to people interested in buying or selling houses.



¹Contact: David Zetland, Ag. & Resource Econ., UC Berkeley. (510) 499-3262; dzetland@gmail.com. For a longer explanation of the REMI and how it is calculated, visit <http://ssrn.com/abstract=1104948>.

²Because real estate markets adjust through all three components (in a slowing market, days on market rise and price and sales volume fall), price levels do not give a complete picture. Compare, for example, market conditions in February 2004 to February 2008: Although median prices are nearly identical (\$495,000 versus \$500,000), days on market rose from an average of 8 in 2004 to 148 in 2008, and the number of transactions fell from 142 four years ago to 70 last February. The REMI captures that difference, falling from 229 in 2004 to 15 in 2008, but prices do not.