



# Impact of Valley Fire Recovery on Home Prices

## PURPOSE

The Lake County Association of Realtors® prepared this report evaluating changes in home prices in areas affected by the Valley Fire (the fire) at the request of Andy Lucas, Community Development Services.

- **Areas:** Anderson Springs, Cobb, Hidden Valley Lake, Loch Lomond and Middletown
- **Types of homes:** Single Family Residence (SFR or Stick Built), Manufactured Homes (built after June 1976) and Mobile Homes on Land (built pre-June 1976)

This report also looks at the state of the Lake County real estate market as a whole prior to and after the fire.

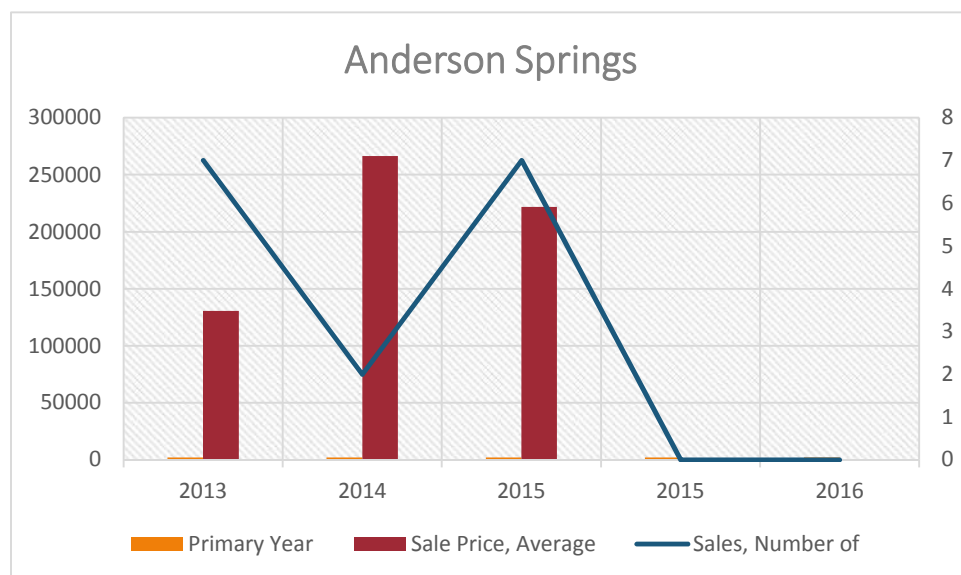
## MARKET IN BURN AREAS — PRE-FIRE AND POST FIRE

Graphs and tables for each of the burn areas cover:

- **Pre-fire data:** from January 2013 through September 2015
- **Post fire data:** from October 2015 through July 28, 2016
- **Tables** split 2015 into pre-fire (January to September) and post fire (October - December)

### ANDERSON SPRINGS

Anderson Springs lost over 90% of the existing homes, the highest percentage of any of the affected areas. As a result it is impossible to determine any post fire trends and any conclusions on price increases. Using the Cobb data, which is geographically similar and right next to Anderson Springs would be the best data. The number of sales in 2013, 2014 and 2015 pre fire also make it difficult to draw any conclusions on the trend of pricing in the area.





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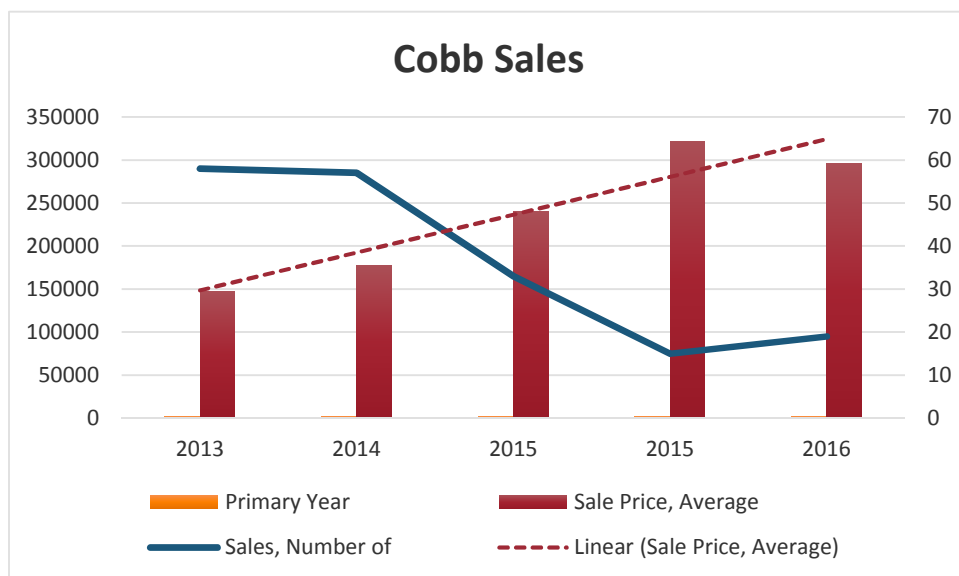
## Anderson Springs

Year	Average Sale Price	# of Sales	Comments
2013	\$130,614	7	
2014	\$266,250	2	
2015	\$221,707	7	
2015	\$0	0	Post Fire
2016	\$0	0	Post Fire

## COBB MOUNTAIN

In the three months immediately following the fire the average selling price jumped 33%. In an effort to explain the increase the median price was examined for the pre and post periods in 2015. The median pre-fire price was \$205,000 and post fire it was \$277,000 which suggest there were no major outliers contributing to the average sales price gain. The pre-fire sales had approximately fourteen sales under \$200,000 whereas the post fire sales had two sales in that category.

County wide the increase in average sales price for the pre-fire and post fire sales was 14.7%. Sales prices in Cobb show an increase also.





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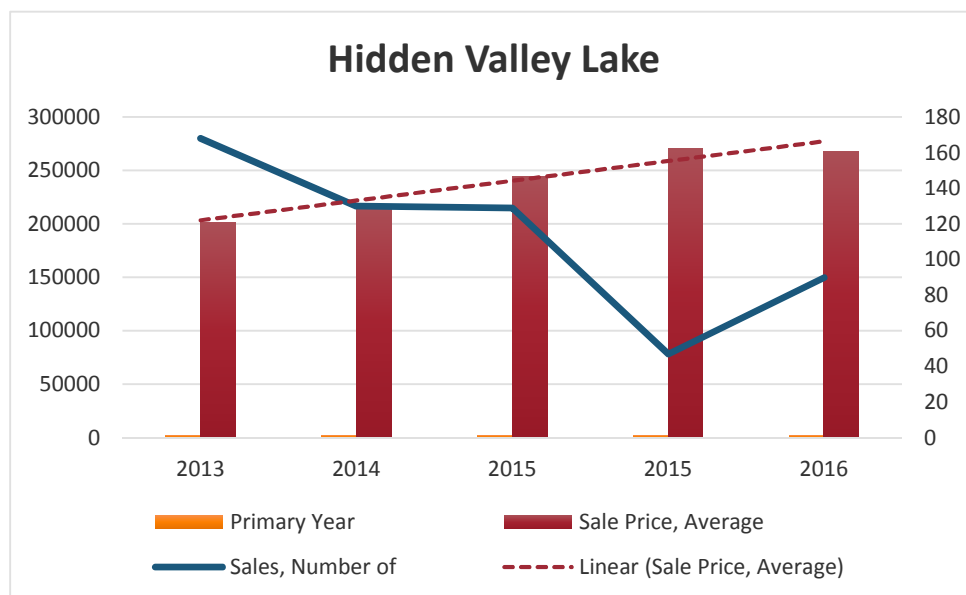
## Cobb

Year	Average Sale Price	# of Sales	Comments
2013	\$147,685	58	
2014	\$177,906	57	
2015	\$240,197	33	
2015	\$321,435	15	Post Fire
2016	\$295,995	19	Post Fire

## HIDDEN VALLEY LAKE

Much of Hidden Valley Lake is within a gated community although there are areas outside the gate, the in particular called the Ranchos. Both the gated area and the Ranchos were affected by the fire. This area as a community tends to have the most sales of any of the burn affected areas.

In the three months immediately following the fire the average selling price jumped 10.6%. This gain was more moderate than Cobb and actually under the Lake County average for the same time periods. There were triple the number of sales in Hidden Valley Lake than in the Cobb area. Both areas showed a slight decline in 2016 year to date average sales prices compared to the 2015 post fire average selling prices, however the general trend is a pricing increase.





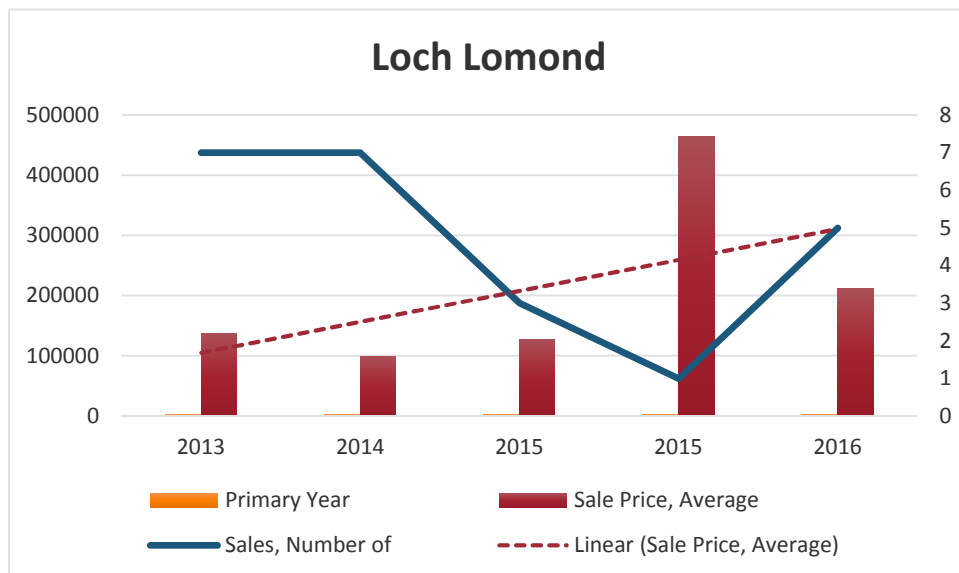
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## Hidden Valley Lake

Year	Average Sale Price	# of Sales	Comments
2013	\$201,175	168	
2014	\$218,577	130	
2015	\$244,505	129	
2015	\$270,441	47	Post Fire
2016	\$267,672	90	Post Fire

## LOCH LOMOND

The Loch Lomond area was the least affected by the fire. The number of sales in this area make it difficult to draw any conclusions. The 2015 pre fire sales all involved properties of less than acre and the 2016 post fire sales were under one acre with the exception of one property that was just over an acre. The fact that the average sales price in 2016 is well above the 2015 pre fire price is worth noting.



## Loch Lomond

Year	Average Sale Price	# of Sales	Comments
2013	\$138,129	7	
2014	\$98,429	7	



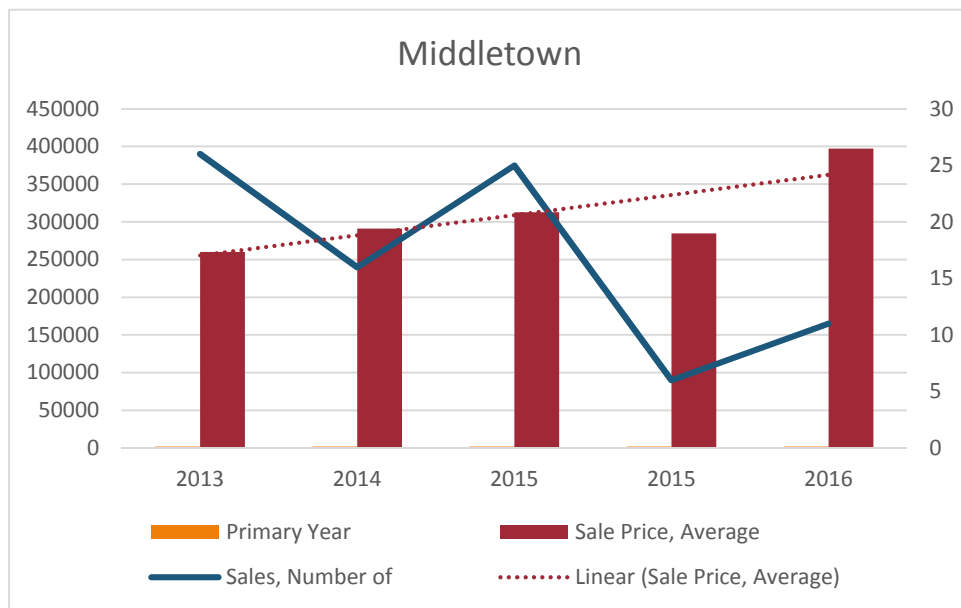
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2015	\$127,500	3	
2015	\$465,000	1	Post Fire
2016	\$211,400	5	Post Fire

## MIDDLETOWN

Geographically the Middletown area is larger than the Cobb and Hidden Valley Lake areas. Historically there are less sales in Middletown probably because the population is less dense along with less properties for sale.

In the three months immediately following the fire the average selling price declined by 9%. This trend is different from the Cobb and Hidden Valley Lake areas. In 2016 Middletown's average selling price has increased nearly 40% over the 2015 post fire average sales price. Five of the eleven 2016 sales had acreage of five acres or greater. The 2015 post fire sales had one sale over five acres and the other six sales were on properties of less than one acre which would help explain the large gain. The 2015 pre fire sales included four sales of under an acre, ten sales of an acre to five acres, and seven sales of five acres or greater. The dip in the 2015 post fire sales can be explained by the lack of sales of properties with larger acreage. The trend for sales prices is also increasing in this area.



## Middletown

Year	Average Sale Price	# of Sales	Comments
2013	\$260,150	26	
2014	\$290,925	16	

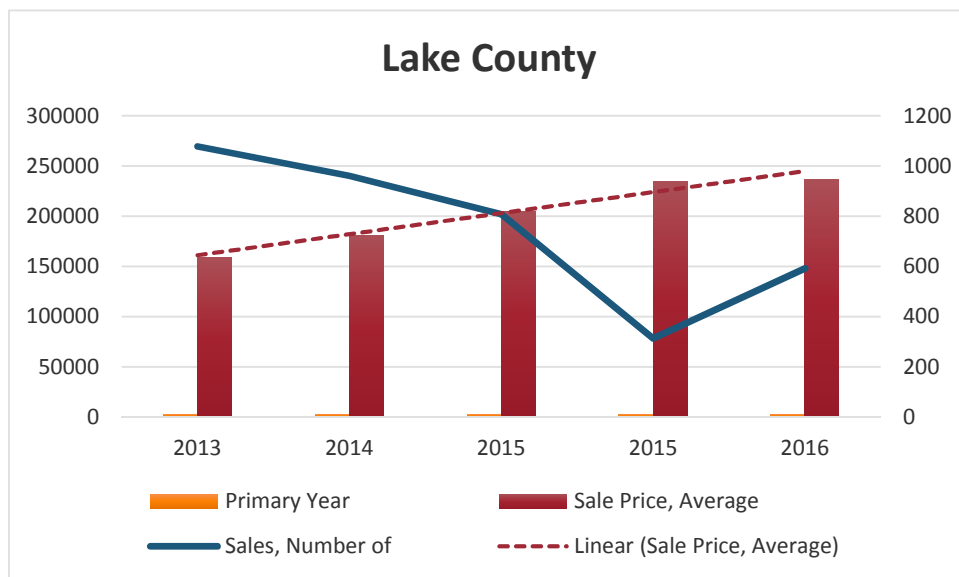


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2015	\$312,696	25	
2015	\$284,833	6	Post Fire
2016	\$397,045	11	Post Fire

### LAKE COUNTY

In 2011 the average selling price in Lake County was \$123,739, the lowest in the last ten years. From that point on the average selling price has increased each year. In general Lake County has followed the same trend that California real estate pricing has over that same time period.



### Lake County

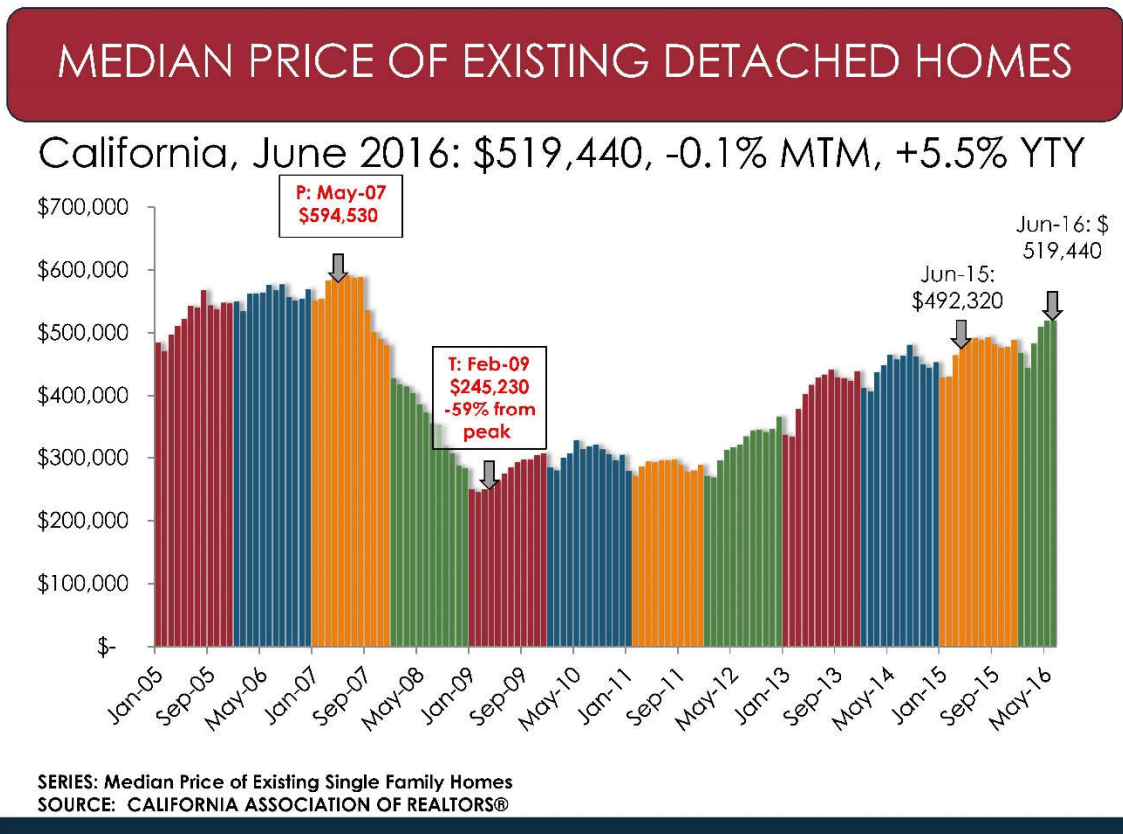
Year	Average Sale Price	# of Sales	Comments
2013	\$159,269	1079	
2014	\$180,704	962	
2015	\$204,664	808	
2015	\$234,863	314	Post Fire
2016	\$236,916	593	Post Fire

As a County 2015 post fire prices increased 14.7% over 2015 pre-fire pricing. In the first seven months of 2016 there was an additional increase of approximately 1%.



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The state of California trend is similar as depicted in the graph below, which shows data for median sales price.



### ANALYSIS OF PRICING AND NUMBER OF SALES

The Lake County trend in pricing is similar to the State of California pricing. The Lake County data suggests that 2015 post fire pricing increased more than the state's and that the fire led to an acceleration in pricing. There are a number of factors that most likely drove the pricing increases starting with the direction the market was going before the fire.

Since the fire Realtors® reported that some homeowners who lost their homes chose not to rebuild, but rather they decided to take their insurance payouts and look for an existing home somewhere else in the county.

Factors for making this type of decision varied. They included it was easier to re-buy than to rebuild, the burn areas no longer had the same esthetics that they had pre-fire, the opportunity to start anew was more appealing than returning to the previous location, families felt the need to be settled and the rebuilding process is time consuming.



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For the reasons above and other reasons not known to the writer people went out and bought replacement homes and this drove both pricing and number of unit sales up.

The percentage of sales in the last three months of 2015, i.e. the 2015 post fire period, was greater than the previous four years as illustrated in the chart below.

### Number of Lake County Sales

Month	2011	2012	2013	2014	2015	2016
Jan	81	78	80	46	58	67
Feb	80	97	66	70	59	67
Mar	88	99	95	67	71	100
Apr	96	88	93	87	89	80
May	99	124	108	87	106	92
Jun	103	100	87	109	134	100
Jul	93	110	86	99	110	96
Aug	115	90	111	96	98	
Sep	104	78	87	74	83	
Oct	81	106	85	82	91	
Nov	79	85	86	72	107	
Dec	78	85	95	73	116	
Totals for Oct-Dec	238	276	266	227	314	
Percentage of Annual sales	21.70%	24.21%	24.65%	23.60%	27.99%	

### SQUARE FOOTAGE

Determining price per square foot on homes is difficult in Lake County. The quality of homes varies and the lot sizes also vary. The price per square foot in the Multiple Listing Service (MLS) takes into consideration the home size plus the lot size and this causes a great variance in price per square foot with larger lot sizes showing a higher price per square foot. In an effort to normalize the data a search was run on the MLS with the following criteria:

**Home size** – 1300 to 1500 square feet

**Lot size** - less than ½ acre

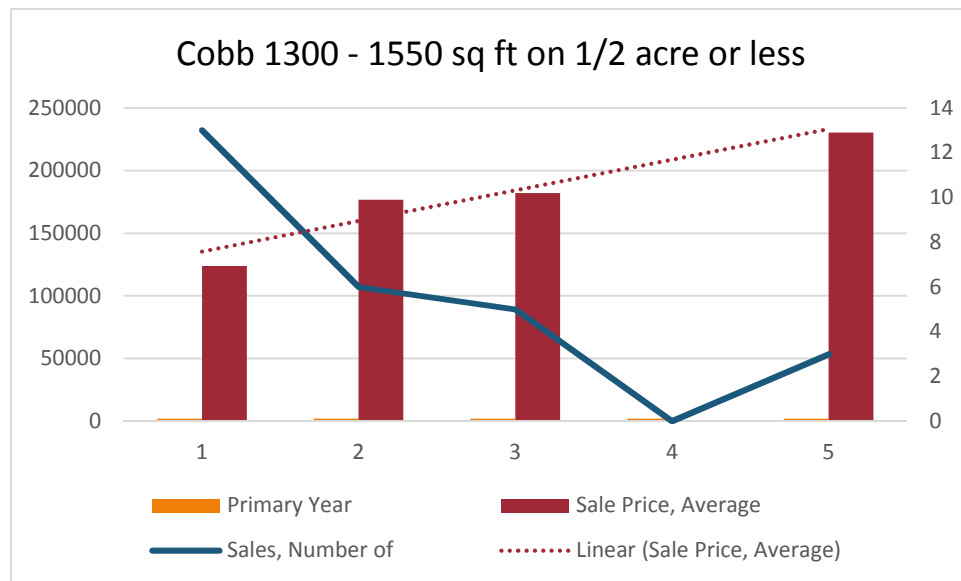




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Only two of the burn areas were considered, Cobb and Hidden Valley Lake. The other areas did not have enough sales to draw any conclusion.

Cobb had a 26% increase in prices from the 2015 pre fire period to July of 2016. Hidden Valley Lake had a 21% increase in sales price for the same time period. The data and graphs are below.

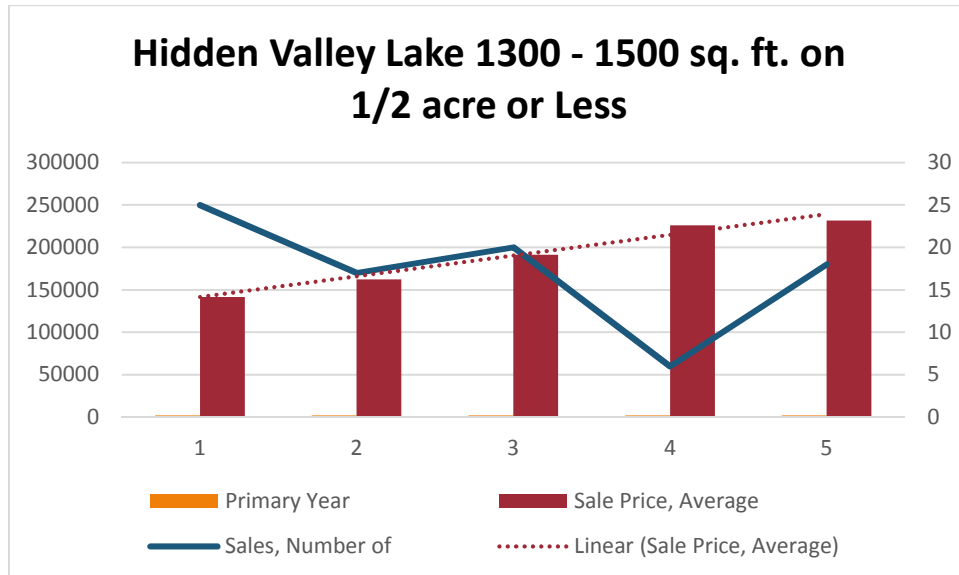


## Cobb 1300 - 1500 Square Feet Less than 1/2 Acre

Primary Year	Sale Price, Average	Sales, Number of	
2013	\$123,915	13	
2014	\$176,667	6	
2015	\$182,100	5	
2015			post fire
2016	\$230,333	3	post fire



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### Hidden Valley Lake

1300-1500 Square Feet

Less than 1/2 Acre

Primary Year	Sale Price, Average	Sales, Number of	
2013	\$141,372	25	
2014	\$162,398	17	
2015	\$191,210	20	
2015	\$225,883	6	post fire
2016	\$231,489	18	post fire

## REBUILDING

Rebuilding has been increasing in the summer months as cash and financing become available. The cost for rebuilding is estimated by Realtors® at approximately \$225 per square foot with the pricing varying based on location. Location can be looked at in two veins, the town the rebuilding is occurring in, e.g. Middletown, Hidden Valley Lake, Cobb, and the terrain that the home is being rebuilt on. Building a home on slopes can be more difficult and require additional supporting structures. To get a more accurate assessment of building costs general contractors should be contacted.



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To rebuild homes contractors must comply with new building codes that have been implemented in recent years. The most notable requirement is sprinkler systems for the inside of homes. This requirement can add approximately \$5,000 per home.

Overall the cost of rebuilding will be greater because of new requirements, general inflation of material cost and labor cost and possibly supply and demand factors, i.e. there will be a number of homes to be rebuilt and only so many contractors to complete the job.

### CONCLUSION

Sales prices are on the increase in Lake County, the burn areas and the state of California. Properties that were burned down are subject to more stringent building codes and are more expensive to build than the original home. Some homes especially in Anderson Springs will be subject to new sewer/septic regulations that will add to the cost of rebuilding.