

# weekly market watch

Your weekly Bay Area real estate market update *by Rick Turley*



## It's On The Table!

There's no question that the government's first-time homebuyer tax credit has spurred a significant amount of sales this year. Latest estimates show that some 400,000 additional sales occurred this year due to the first time home buyer tax credit, which is about 8% of all sales this year.

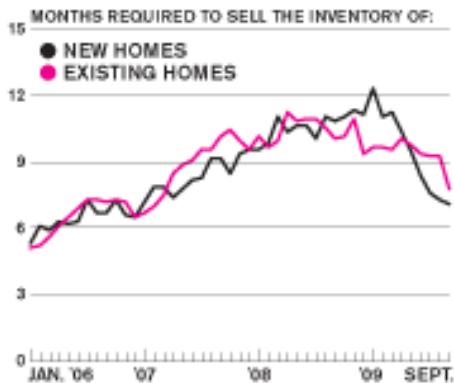
In the latest news, The Senate has reached a compromise on extending and expanding the \$8,000 tax credit for first-time home buyers. While its passage remains uncertain, this plan would extend the existing credit for first-time homebuyers, worth up to \$8,000, while offering a new credit of up to \$6,500 for some existing homeowners. The reduced credit would be available to homeowners who have been in their current residence for a consecutive five-year period in the past eight years. Lawmakers in Washington also raised the qualifying income limits to \$125,000 for single taxpayers and \$250,000 for joint taxpayers, from the current \$75,000 and \$150,000. Under the Senate compromise, buyers must have sales agreements in hand by April 30, but they will have until June 30 to go to settlement, said the sources. The measure still faces votes in the full Senate and the House.

The U.S. Senate won't vote until next week at the earliest. As soon as they do we intend to create a piece that will allow you to communicate the news to your clients.

This week, *Business Week* reported "The broad improvement in the housing indicators in recent months leaves no doubt that the long-awaited housing recovery is finally under way." The article went on to report: "Policy alone cannot explain the 24% gain in existing home sales since January, nor the 22% increase in new-home purchases, the 40% rise in single-family housing starts, and the recent upturn in home prices. The primary driver is historically high affordability. Fixed 30-year mortgage rates are at 5%, a multi-decade low, and prices have plunged a total of 30% since May 2006, based on the Standard & Poor's Case-Shiller Home Price Index. By that price gauge, homes are well undervalued relative to both rents and aftertax income."

Take a look at this graph which indicates the recent decline of inventory, of both new and existing homes in the US. When inventory levels drop and demand is on the rise, what typically follows is rising home prices.

## THE SHRINKING SUPPLY OF UNSOLD HOMES



Data: U.S. Census Bureau, National Association of Realtors, IHS Global Insight

Now let's take a local look at this past week in Bay Area Real Estate:

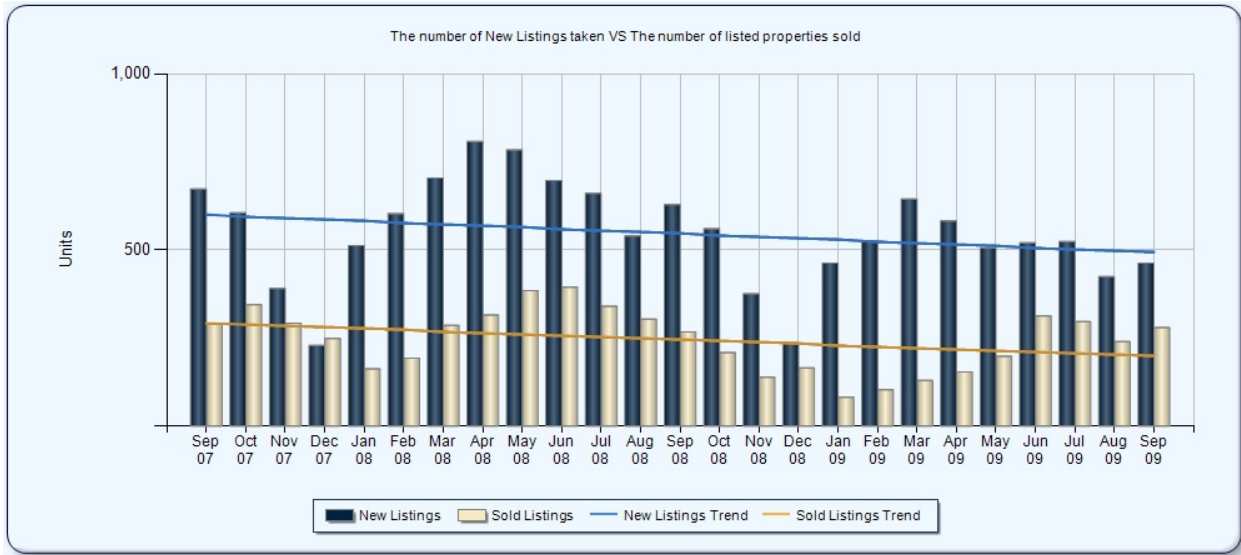
- East Bay**—Castro Valley reported the market is starting to slow with less multiple offers to compete with. One Agent was thrilled that her recent offer was one in only five. Yet there are so many pendings, one Agent was recently lamenting that by the time a listing hits the MLS, it goes pending. That is partially true, especially in the low income markets. What a great time to be a seller! One of our recent listings, a short sale, was on the market less than a week, taking 14 offers. So, we are encouraging our Sellers that now is the time. Danville reported inventory continues its descent. We have very little inventory in San Ramon or Dublin - only about 1 month supply. Fremont reports there appears to be an increase in activity as buyers try to purchase before the first time home buyers tax credit expires. Livermore reports for the past week in the Tri-Valley market active listings are up; in Pleasanton they were down; and in Dublin they remain stable. Pending sales in Livermore and Pleasanton were up this week and remain stable in Dublin. Oakland reports sales are in all price ranges, the upper end is moving better. The hottest properties are in the \$500K to \$700K range and go in multiple offers if priced right. Sales have been very consistent, but take longer to close because there are so many short sales. Walnut Creek reports a few more REO listings have hit the market, more short sales approved by lenders. Inventory is extremely low. The lack of inventory is having an impact on sales.
- Monterey County**—The market continues on in its slower but steady pace, with many more sales in lower price ranges, but at least a smattering of higher priced properties in Carmel, Pebble Beach or down the coast.
- North Bay**—Greenbrae reported a tear down property in Kentfield for about \$650,000 received 11 offers and went well over asking price. Most offers were all cash. Still plenty of bigger activity in Marin with Agents reporting steady traffic at open houses. Southern Marin reported buyers are more cautious, few attending open houses, fewer homes being open. Santa Rosa reported Agents are managing their client's expectations and finding a way to win the multiple offer. Sometimes it's how the offer is packaged that wins the day. Could use some inventory! Sebastopol reported almost every offer under \$500k is a multiple offer mostly in the double

digits. If every offer we wrote was accepted our openings would be double digits too! There has been a noticeable slowdown of new listings across the board.

- **Peninsula**—Half Moon Bay reported it is sensing a slow down with less inventory. MLS tour sheet reflects all the retours, many with price reductions and few new listings. Menlo Park El Camino reported a bit of a sea change in the market-not much new inventory, only three new listings on tour this week which is very, very low. Menlo Park Santa Cruz Avenue reported very slow open house activity this last week. Many listings are receiving price reductions as new inventory is limited. Pricing is critical. 52% of the listings on the Menlo Park Atherton Broker tour have price reductions and 82% are retours. Palo Alto Downtown reported the market is generally slow. We feel like the holiday season has started early. The activity is reflective of that. Sales are down in our area. San Mateo reported a look at its pending sales (SFR) of its six main communities; here is a breakdown of the total and the percentage of short sales plus REOs. Belmont 31 pending sales (35% SS/REO), Burlingame 27 pending sales (33% SS/REO), Foster city 12 pending sales (18% SS/REO), Hillsborough 22 pending sales (23% SS/REO), Redwood shores 10 pending sales (10% SS/REO), San Mateo 109 pending sales (52% SS/REO). Most of San Mateo SS/REO is in entry level areas.
- **San Francisco**—The Lakeside office reported sales are slowing down. The whole process of buying real estate has been delayed from beginning to end. Lombard reports a good week for ratified contracts, including some more stale listings that finally got reduced appropriately. Most multiple offers were again in and around the entry level price. A couple of commercial deals having to close all cash, as commercial paper a huge challenge. Market Street reports Agents are working harder to keep the deals in contract. We've had delays closing lately due to appraisal problems. Open house attendance this weekend was good throughout the city even though Tuesday Broker's tour was quiet. Van Ness reports we did close 20 deals this week ranging from \$549K to \$4.5 million (10 being over 1 million). The market remains strong in our areas.
- **Santa Cruz County**—October looks to be a fairly active sales month for the three offices. However, there is a real lack of inventory and those sellers who do not have to sell in this market are not. Escrow times are longer due to completing the financing aspect of the transaction and we are holding our breath on many deals until the end of the transaction. All in all - there is activity, and still a guarded optimism about the market - with buyers looking for the extension of the tax credit.
- **Silicon Valley**—Cupertino reports well priced and well presented properties get lots of attention. We had 11 offers on a Sunnyvale townhouse that went way over what it will appraise for. The buyer is aware and will make up the differential in cash. Los Altos reports the market seems to have slowed a bit as we head toward the end of the month and into the winter weather. Almaden reported inventory continues to shrink and put pressure on what little remains. Almaden, Cambrian and Blossom Valley homes are all receiving multiple offers. San Jose Main reports excellent activity in lower price range of \$250k-550k. Active weekend for open houses in all price ranges. Multiple offers common with properties of \$700k and less. Saratoga reported the market seems to be about the same for us. The bank owned and short sales seem to dominate the market. Homes in Saratoga under \$2,000,000 are selling easily, but the upper end is slow.
- **South County**—Hollister reports it is still lacking listing inventory. Clients are hoping the first time home buyer credit is extended due to the inability to secure a property by the end of November. Cash buyers prevail. Morgan Hill reported October saw a decrease in the number of properties going into contract. Most selling Agents feel challenged as the inventory is low and multiple offers are the norm for moderately priced homes. The fact remains, however, that

once a property is put into contract, appraisals are often sending buyers and sellers back to the negotiating table. The overall market is improving--but improvement is being measured in small and sporadic increments.

With so much focus on the entry level and lack of inventory, I thought it would be good to include some market data on inventory in a higher price tier – homes between \$1M and \$2M. The graph below shows a 2 yr history on new listings and closed listings as reported monthly from our local MLS for San Mateo, Santa Clara, Santa Cruz, and Monterey Counties.



Description	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09
New Listings	673	605	390	229	512	603	704	808	784	697	660	540	628	560	375	236	462	524	644	582	506	520	524	424	462
Sold Listings	290	344	292	248	162	192	286	315	384	394	340	303	267	208	138	165	81	103	129	153	198	312	296	239	279

Notice that the trend lines are nearly parallel; there has been a fairly steady demand for the amount of new listings coming to the market. Most agents will tell you that there is not enough new inventory at this price point. If the market feels sluggish at all, it's probably due to lack of good inventory –not because homes are not selling. September 09 has nearly the same amount of sales as September 08, but a year ago there were about 35% more homes coming on the market in September. And the absorption rate this year is even better when you compare to September 07. You can run all these comparisons and many more for your City or County and any price points in Market Trends in MyREcAfe.

We will keep you posted on the pending legislation regarding Homebuyer Tax Credit, as well as the latest on extension of the Conforming Loan Limits.

Until then – Have a great week!

*Rick*