



JANUARY 2009

EVERYBODY LOOK WHAT'S GOIN' DOWN – AND UP!

Intro: Welcome 2009! As we begin this new year with new beginnings, it's only fitting that we look ahead to what may be in store for us in real estate. So how can conscientious sellers, buyers and Sales Associates find advantage in a difficult and intractable market? Read on.

Statistics:

Statewide: The median resale price of a single-family detached home in California for November was \$285,680, a decrease of 5.3 percent from October and almost 42 percent from November 2007. Unsold resale inventory in November was sufficient for 6.9 months, a steep decline from 15.3 months a year earlier. Also, median number of days till sale was 44, a welcome improvement from last year's 63.

	Median Price November 2008	% Change in Median from October 2008	% Change in Median from November 2007	% Change in Sales from October 2008	% Change in Sales from November 2007
Alameda County	\$355,000	-4.05%	-38.26%	-26.20%	78.79%
Contra Costa County	\$260,000	-7.14%	-50.10%	-26.48%	89.40%
El Dorado County	\$335,000	-13.55%	-20.29%	-24.52%	15.44%
Marin County	\$625,000	4.21%	-28.73%	-27.50%	-19.89%
Monterey County	\$260,000	-3.74%	-49.51%	-23.47%	167.21%
Napa County	\$403,000	0.75%	-28.04%	-31.01%	21.92%
Nevada County	\$346,500	-5.07%	-22.13%	-37.60%	-17.89%
Northern California	\$306,940	-1.03%	-13.44%		
Placer County	\$328,750	2.73%	-14.94%	-18.90%	5.36%
Sacramento County	\$185,000	-5.13%	-35.93%	-20.84%	81.98%
San Benito County	\$273,250	3.11%	-34.47%	-20.00%	73.33%
San Francisco Bay	\$350,000	-6.67%	-44.36%	-24.39%	12.27%
San Francisco County	\$648,000	-7.03%	-20.44%	-30.88%	-33.96%
San Mateo County	\$581,000	-5.22%	-24.55%	-25.54%	-11.25%
Santa Clara County	\$446,000	-6.11%	-36.74%	-26.43%	5.74%
Santa Cruz County	\$386,500	-15.84%	-42.70%	-31.10%	-2.59%
Solano County	\$230,750	-3.55%	-36.78%	-20.95%	111.99%
Sonoma County	\$310,000	-6.06%	-32.97%	-26.08%	44.59%
Yolo County	\$254,500	-8.78%	-28.31%	-12.95%	56.00%

Alameda County: Sales had leapt since September, but drifted down to levels similar to mid-2008. Median has declined smoothly and steadily for the last 12 months and now stands at \$355,000. But, we're beginning to think that regional recovery will improve this situation.

Contra Costa County: It's not unusual for numbers to drop from October to November and this year was no exception. Median, at \$260,000, has been dropping without a break since June 2007 when it hit its historical peak of \$600,000. Much of that discrepancy is explained by foreclosure sales at 63 percent.

El Dorado County: November sales dropped to the levels of April and may take a while to get back to 200. Median, after staying more or less level for nine months, dropped \$50,000 between October and November. But, the year-over-year decline of \$85,000 is better than most counties have experienced.

Marin County: One of only four counties whose median increased month-over-month, recovering a substantial chunk of its September-to-October decline. But the year-over-year loss of roughly \$250,000 is mid-pack and sales have fallen from about 250 in July to about 150 in November. Sales may be held back by the percentage of foreclosure resales, which is one of the region's lowest, but this slower month is somewhat of a surprise.

Monterey County: Since its recent high of \$515,000 a year ago, median has declined by about half. Until recently we could take comfort from the fact that, as rapidly as median was falling, sales were rising—nearly quadrupling in an unbroken streak since January. But between October and November, sales fell by 100. Given this market's bias toward second homes, we may see real improvement when warm weather returns.

Napa County: The last big correction in Napa's median was between September and October. Then, October-to-November saw a little uptick, containing year-over-year loss to about \$150,000. But, like many counties, sales returned to May levels in November. Again, good weather may supply the tonic that this market needs.

Nevada County: Nevada County has stumbled, but we hope only briefly. Median year-over-year has fallen by about \$100,000. If the median is going to fall by so significant a fraction, hopefully the county's sales pick up the slack.

Placer County: As usual, just a little more robust than its neighbors. Sales at 472 have lost ground from the 600s of this summer, but they're still a bit better than last November's 448. Median is actually up month-over-month, and has only lost \$60,000—about 20%—year-over-year. Placer County seems to be riding out the storm and will probably show a surge of purchasing and refinancing as soon as credit loosens up.

Sacramento County: The interesting aspect of Sacramento's numbers is the slides in median. Down \$100,000 since last November, it has been roughly cut in half since the historic high in February 2007. But, month-to-month sales have declined only 20 percent, which is far less than most. Year-over-year sales have risen more than 80 percent—from last November's 1,154 to this November's 2,100. No, those aren't the numbers we saw this summer, but sales have held up better than they have in some of the smaller counties.

San Benito County: Fighting a holding action at the moment, like so much of the Capitol Region, but median managed a slight recovery from October. Sales, not quite double those of a year ago, are triple that of last winter. The rural and outlying counties will need patience to outlast a recession that visited them too soon and seems to be staying much too long.

San Francisco Bay: Median has fallen to about half of its historical peak in June and July 2007, retreating to levels not seen since 2000. Almost half of residential sales are of foreclosed properties. With a correction over so broad a market, we'd at least like to see sustained sales activity.

From the low of 3,586 in January, Bay Area sales spurted quickly to 7,178 in June, then stayed in a narrow band between about 7,200 and about 7,600 until October. Then November saw a drop to 5,756. Sales are still up roughly 12% year-over-year, but we'd have to say that the market is not booming at the moment. There's still plenty of pent-up demand, held back primarily by the external constraint of tight credit. We're hoping that even slight improvement in the economy will restore optimism to buyers.

San Francisco County: The most notable aspect, looking back over the year, is median seemed to be on a roller-coaster ride. It started at \$814,500 a year ago, then fell to the \$730's-\$740's over the winter. It recovered to just below \$800,000 in May, but was down to \$700,000 in September and below \$650,000 in November.

But of all counties we track, San Francisco has the most saw-toothed sales graph. In our records, the low points have been January 2006 (450), February 2007 (375), and January 2008 (262). These contrast with spring and summer highs in the 600s or even 700s. So, if we figure that November's 282 is on its way to another January or February low, we can look for a rapid bounce-back. Let's hope for 550 to 570 in April or May 2009 and cross our fingers.

San Mateo County: Median has slid to \$581,000—not as bad a slide as July-August, but below \$600,000 for the first time in our records. Sales aren't the lowest we've seen, but they're down about 12% from last November's 391. Like other blue-chip counties, San Mateo is waiting for easier credit.

Santa Clara County: After spending much of this year in the 1300's-1400's, sales have declined to 1013. That's better than the 958 of a year ago, but an improvement of less than 6 percent puts Santa Clara toward the back of the activity pack. Unfortunately, median has dropped almost \$200,000 since late spring. Silicon Valley, after all, is prone to extreme reaction when the economy softens.

Santa Cruz County: A slide in October-November has median down now to \$386,500. Sales, after briefly poking its nose above 200 retreated to 113 in November, almost identical to the 116 of a year earlier. Coastside is a lovely place and hopefully an upturn in the market will dispel the clouds that seem to be looming overhead.

Solano County: Looking better than some. Median, down about 37% for the year, is on the same level with Alameda or Santa Clara. After a long rise, sales activity has suffered a sharp correction of about 21% for the month. But even with that, activity is more than double what it was last November. Solano is also this month's highest proportion of foreclosure sales at 63.6%.

Sonoma County: Sales have given back some, but not much, of the big rise that occurred between March and April. Median is at \$310,000 – a far cry from the recent peak of \$532,500 in June 2007. Unfortunately, it may duck under \$300,000 before it gets better. Again, warmer weather once it comes may improve the situation.

Yolo County: Yolo sustained a median of about \$300,000 for most of the year and we had great hopes that the figure could stay there. But the current \$254,500 represents a loss of \$100,000 year-over-year. At least a jump of 56% in sales from November to November puts Yolo in some healthy company.

Interest Rates:* To those who thought we'd never see 5% on a 30-year fixed again—guess what? It's happening! Bankrate.com gives current 30-year fixed as 5.17%, 15-year fixed at 4.84%, and 5/1 ARM at 5.77 percent. Apparently we're getting used to the world turned upside down. As for rates going lower, we've seen offers scrawled on whiteboards of 30-year fixed at 4.75% and 15-year fixed at 4.375%. If the story stopped there, we'd be in paradise.

**Area interest rates are reported to be as follows:*

Sacramento/Tahoe, San Francisco Bay Area and Silicon Valley regions: Princeton Capital reports that as of January 9, 2008, the “Agency Jumbo” rates are as follows: 30-year fixed with one point is 5.00%, the 15-year fixed with one point is 4.75% and the 5/1 ARM with one point is 6.625% for loan amounts up to \$500,000.

Overall Assessment: We continue to rely on the presumption that a prospect can qualify for a loan. There’s plenty of inventory in most neighborhoods, although to gain access to a lot of it, you will need to know your way into and around foreclosed properties. Just remember—these are hard times full of hard decisions, but if you remain educated, you will likely find yourself a step above of the rest.

Your Friend & Resource in Real Estate!



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