



JUNE 2008

FINGERS CROSSED? YEAH, US TOO

First it was a sigh of relief, then it was a breeze, now it is a roar. Never mind new housing starts, the Federal Reserve, Case-Shiller or the exchange rate with the Chinese Yuan; nothing can stop spring in California!

Statistics:

Statewide: The median resale price of a single-family detached home in California for April was \$403,870, a decrease of 32% from April 2007 and 2.6% from last month; *but* sales activity has increased 2.5% year-over-year. Unsold resale inventory represented a 9.2-month supply, compared to 11.3 months (CAR's revision; we said ten months at the time) for the same period a year ago. Median number of days till sale was 52 in April, *down* from 53 for April 2007.

County Statistics:

	Median Price April 2008	% Change in Median from March 2008	% Change in Median from April 2007	% Change in Sales from March 2008	% Change in Sales from April 2007
Alameda County	\$473,750	-2.82%	-19.22%	27.70%	-20.26%
Contra Costa County	\$395,000	-5.28%	-34.17%	46.07%	1.52%
El Dorado County	\$379,000	6.16%	-10.24%	10.07%	-6.13%
Marin County	\$800,000	1.01%	-13.51%	67.44%	-30.99%
Monterey County	\$375,250	-7.29%	-35.47%	51.43%	n/a
Napa County	\$495,000	5.54%	-11.45%	63.93%	-8.26%
Nevada County	\$430,000	-0.12%	-9.47%	6.98%	n/a
Northern California	\$346,260	-2.99%	-13.06%	n/a	n/a
Placer County	\$349,500	-1.55%	-21.64%	14.09%	65.22%
Sacramento County	\$232,000	-5.88%	-32.75%	35.47%	107.79%
San Benito County	\$381,750	8.30%	-34.97%	76.92%	109.09%
San Francisco Bay	\$518,000	-3.36%	-21.40%	28.83%	-15.27%
San Francisco County	\$767,000	1.59%	-2.91%	52.78%	6.51%
San Mateo County	\$670,000	-5.96%	-16.67%	67.54%	-15.86%
Santa Clara County	\$629,500	-0.40%	-11.96%	82.51%	-28.32%
Santa Cruz County	\$604,000	8.34%	-11.11%	85.37%	n/a
Solano County	\$320,000	-3.03%	-25.23%	39.74%	-2.50%
Sonoma County	\$413,500	1.35%	-19.71%	58.42%	-15.97%
Yolo County	\$302,500	-7.42%	-28.02%	31.67%	46.30%

Alameda County: The spring surge catapults Alameda County sales securely into four digits – not quite to the levels of a year ago, but the best total since August. Little slices have been disappearing from the median and add up to a decline of about \$100,000 since November.

Contra Costa County: Sales are actually better than they were a year ago while median year-over-year has declined by more than a third.

El Dorado County: Encouraging when you look at the whole picture. Sales, which have been between 130 and 180 for almost every month of the last year, are now smack in the middle of that. While median is declining here as elsewhere, it has only shed a respectable \$50,000 since April 2007.

Marin County: Sales are two-thirds of what they were a year ago but are also twice what they were in January. Median for the year has oscillated between \$750,000 and \$950,000, so the current \$800,000 is not bad; and it is also the high median for the month.

Monterey County: Only a slight decline in median for the month. Sales somewhat make up for it with a 50% increase for the month, putting the sales total over 200.

Napa County: Looking pretty good, in a fast rebound from the results of January and February. Both median and sales are at roughly 90% of April 2007 levels, and just as it does in Monterey, this looks somewhat like new money from outside the county. If the wine country is catching its breath, we are glad, because it was suffering – along with the rest of the regional second-home market – for a while.

Nevada County: This county too has weathered a slump, as both sales and median climb back through the levels of last November. Sales are poised to return to triple digits if the recovery of the regional market continues.

Placer County: Median is sliding gracefully, but recent strength in sales and a sales increase of almost two-thirds year-over-year makes Placer County one of this month's standouts. Actually, the whole Sacramento/Tahoe region is looking like itself for the first time in well over a year.

Sacramento County: Sales year-over-year more than double – a distinction that Sacramento County shares only with San Benito County. Median has declined smoothly every month since last May, but it has still only lost about a third for the year.

San Benito County: After all its struggles, this county comes out on top with a year-over-year sales increase of almost 110%. That comes at a cost of \$200,000 loss in year-over-year median, but prices should pick up as the market recovers generally. Sales have not been this high since the summer of 2006.

San Francisco Bay: Median stayed almost steady from March to November 2007, but since then has declined every month and lost almost \$110,000 in six months. Sales, on the other hand, are climbing enthusiastically and totaled over 6,000 for April, after being stubbornly below that since the beginning of September. Prices are finally finding the level that will bring buyers back into the market.

San Francisco County: A 50% leap in sales month-to-month means that this county's sales have actually *increased* – by a sliver – year-over-year. Considering that year-over-year median has declined by a trivial 3%, we have to say that San Francisco County is in good shape.

San Mateo County: Sales are coming back smartly but still are not quite at the level of a year ago, while median (broadly speaking) has declined steadily since last July and will now have to climb back up through the magic \$700,000 mark.

Santa Clara County: Santa Clara County sales are once again showing formidable volatility, nearly doubling month-over-month and climbing from three figures into a firm four figures. Considering that year-over-year median has only declined by about 12%, this is a strong showing that may continue to broaden.

Santa Cruz County: Spring is the prettiest time of year in Santa Cruz and guess what? The county had April's best month-over-month results for *both* sales and median. Year-over-year median declined barely more than 10%.

Solano County: A big month-to-month jump brings sales almost within reach of the April 2007 figure. Median has been declining steadily since its recent peak in May and is down \$110,000 year-over-year. Again, this looks like a county finally finding the price point attractive to prospects.

Sonoma County: A big jump for the month brings sales even with last July, although they are still a couple of hundred below the 2005-2006 average. Median seems to be perking up a bit and if this recovery keeps going, Sonoma will really be back on track.

Yolo County: Median is down \$120,000 or about 40% for the year. But Yolo picked up 40 sales last month for its highest sales total in our records, which go back to 2006.

*Interest Rates**: Thirty year fixed 5.95%, 5/1 ARM at 6.18%, 30-year fixed jumbo at 7.18%. The consensus seems to be that, largely because of Ben Bernanke's understanding of deflation and macroeconomic fluctuations, the Fed has done an excellent job so far of balancing the demands (and they are demands) of lending and of inflation. The "crisis," or more exactly, the acute phase of the current economic correction, may be largely behind us. But lenders are not about to go out on a limb in the way that they did two and three years ago; apparently, if you want a jumbo loan right now, you will need flawless finances and the longevity to back them up.

Inventory: Sales go up, inventory goes down. That said, we are still looking at a nine-month supply overall, which should be plenty for everybody. If sales keep up April's pace all the way into summer, though, we may see short inventories as a material factor for the first time in a couple of years.

Overall Assessment: It is June, the weather is warming up and the real estate market appears to be doing the same. Prices have stabilized in many areas, affordability has increased for many individuals and inventory is still strong. All of these factors seem to indicate one thing – that now may be one of the most opportune times in years for fence sitting home buyers to jump into the market before housing begins to swing back up.

**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 June 6, 2008, the "Agency Jumbo" rates are as follows: 30-year fixed with one point is 6.25%, the 15-year fixed with one point is 5.875% and the 5/1 ARM with one point is 5.375% for loan amounts up to \$729,750.

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