



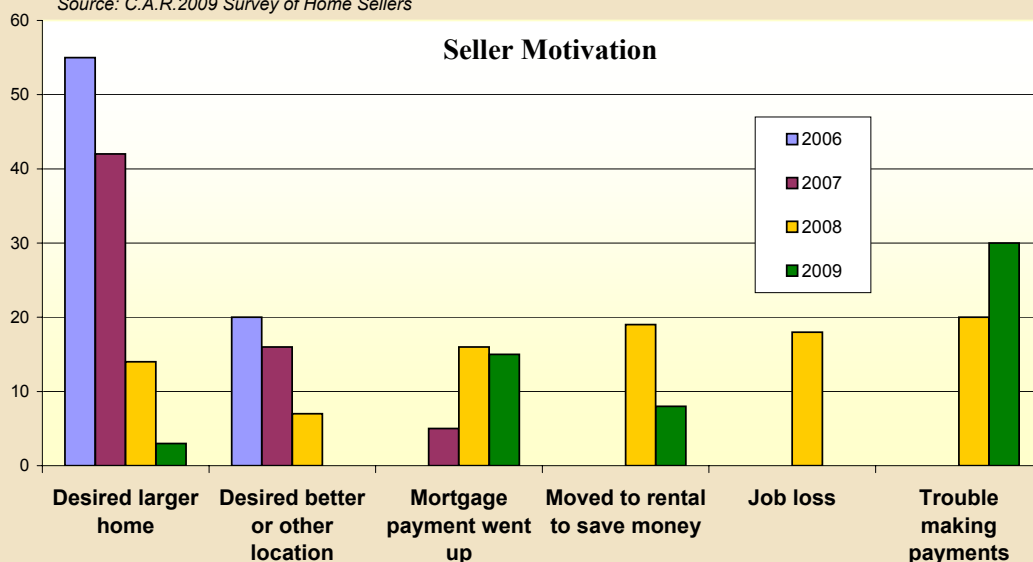
## Desire, Necessity and Opportunity in Our Local Real Estate Market

Since the change in the economy and the decline in real estate values over the last couple of years, most home owners who had any thoughts about moving to a bigger or better house have set those plans aside and have decided to wait for prices to come back up. According to a 2009 survey by the California Association of Realtors, the top reasons this year for people to sell their homes have been trouble making mortgage payments and job losses. This is a big change from two years ago when most sellers entered the market for a larger home or better location.

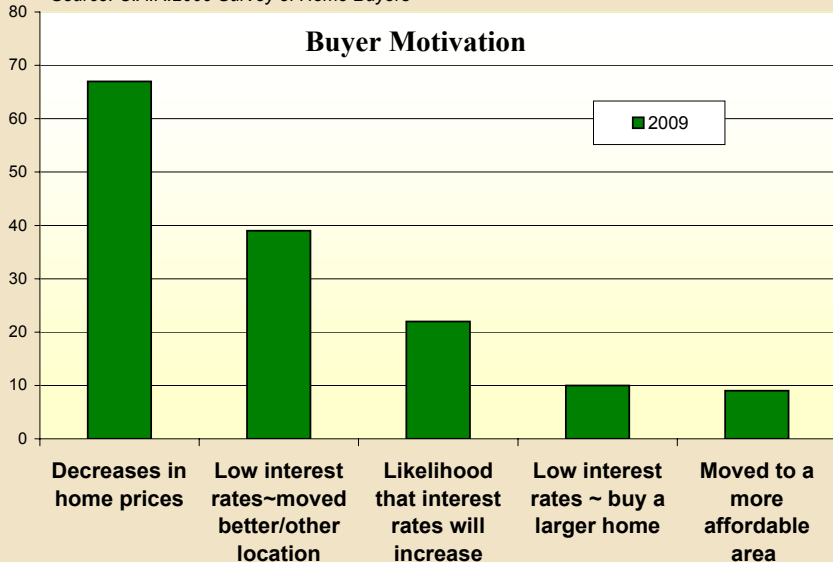
This same survey also found that the top reasons buyers made a home purchase this year were the lure of price decreases and low interest rates. In our local market, prices are down about 10% in the middle price range of the market (\$500,000 to \$750,000), and down as much as 40% in the areas hardest hit by foreclosures, in the below \$500,000 range. Prices in the million dollar and up range are down generally between 10 and 15%, mainly due to the current difficulty in obtaining jumbo financing. Competition has been getting tougher for many of our clients who are looking to buy a home. We now are observing that the low inventory in the middle ranges, for the reasons described above, has resulted in frequent multiple offers on properties priced attractively. And for those buyers who are interested in bidding on foreclosures and short sales, taking advantage of these opportunities has become a real challenge.

Besides the difficulty in general of dealing with banks and the quirks of their marketing and escrow processes, properties that are priced low and are considered to be in good neighborhoods almost always have multiple offers, but instead of the three or six offers we might see in the higher price ranges, they often have from ten to twenty offers. What's more, investors are frequently prevailing over first-time home buyers due to their ability to pay cash. We are currently representing a couple who have lost out on seven properties they made offers on in the \$350,000 price range due to competition with cash offers or higher bids.

Source: C.A.R. 2009 Survey of Home Sellers



Source: C.A.R. 2009 Survey of Home Buyers



It is the irony of this market that buyers looking for an opportunity to get a deal are running into the low inventory driven bidding wars of the past. This market is different from the past "bubble" years, however, in that the prices are lower than they were at the top of the market (although The San Francisco Chronicle reported recently that prices were up in the Bay Area by 7% from the beginning of the year), interest rates are historically low, and if you're a first-time home buyer, Obama's \$8,000 tax credit is still in effect. They have also added a \$6,500 tax credit for "move-up" home buyers.

It's been one of the most challenging years we've ever seen in our real estate market, but things are looking up. As discretionary sellers gain confidence, increased inventory in the middle ranges in particular will return the market to more normal conditions.