

December 2009

Merry Christmas, Happy New Year, Happy Hannukah, wishing all a wonderful December with family and valued friends.

Have you ever heard of a "Blue Moon"? You know, "once in a Blue Moon." Well guess what? This month you get to experience a rare but real Blue Moon! A Blue Moon is two full Moons in one month. December 2<sup>nd</sup> and again on December 31<sup>st</sup>! So have a great December and remember to enjoy your blue moon.

As you might imagine not a day goes by and someone asks me what the market will do in the next quarter. Today I want to focus on how we can get an accurate gauge on what January through March should look like and then have a peek into April through June.

This is a bit of a reach but with the right tools we can get a very good picture as to what to expect. By using pending sales we can look into the future and based on past history generate a very good idea of values in April-June.

In a healthy market we look to see that pending sales average +/- 3% below asking price. Less is better for sellers more are better for buyers:

**TOTAL MARKET:**

Active listings on Dec. 1 <sup>st</sup> 2009	1,594 homes
Average asking price	\$451,587
Pending sales	1,583 homes
Average price	\$211,282
Sold homes as of Dec. 1 <sup>st</sup> 2009	4,180
Average price	\$223,800

**BROKEN DOWN BY PRICE POINT:**

F/S	<b>\$0-\$199,900</b>	564 homes	\$144,500 average price
Pending		995 homes	\$134,100 average price
*Pending sales are averaging -7% below asking price. Trend, down.			
Sold		908 homes	\$136,768 average price
*Pending sales are averaging -2% below average sold homes.			



Trend down but this section of the market is too hot and the price and inventory too tight, I expect the trend to reverse.

<b>F/S \$200,000-\$299,999</b>	344 homes	\$248,000 average price
Pending	385 homes	\$242,200 average price
*Pending sales are averaging -2% below asking price. Right on market, good!		
Sold	430 homes	\$237,735 average price
*Pending sales are averaging +2% above average sold homes.		

Trend even but with the activity we are seeing I expect to see measurable growth in this price range with an upward trend.

<b>F/S \$300,000-\$399,999</b>	172 homes	\$351,879 average price
Pending	102 homes	\$346,200 average price
*Pending sales are averaging -2% below asking price. Right on market, good!		
Sold	99 homes	\$340,300 average price
*Pending sales are averaging +2% above average sold homes.		

Trend even, with 60% of the homes selling the winter/spring is favorable to see a floor form.

<b>F/S \$400,000-\$499,999</b>	99 homes	\$452,200 average price
Pending	53 homes	\$441,700 average price
*Pending sales are averaging -2% below asking price. Right on market, good!		
Sold	45 homes	\$440,500 average price.
*Pending sales are averaging less than a 1% of current sold homes.		

Trend down but with 53% of the homes seeing offers, it is reasonable bet that this section can stabilize by June.

<b>F/S \$500,000-\$599,999</b>	95 homes	\$555,500 average price
Pending	53 homes	\$546,500 average price
*Pending sales are averaging -2% below asking price. Right on market, good!		
Sold	32 homes	\$552,650 average price
*Pending sales are averaging -1% below current sold homes.		

Trend down, but the buyers credit can help this price point, flat is on the horizon. Volume must pick up to stabilize.

<b>F/S \$600,000-\$699,999</b>	73 homes	\$658,500 average price
Pending	10 homes	\$657,000 average price
*Pending sales are even with asking price but sales are too low to measure.		
Sold	22 homes	\$641,400 average price
*Pending sales are averaging +2 above current sold homes.		

Trend even but the volume of pending homes is too low, expect a drop on this one.  
No stabilization.

<b>F/S \$700,000-\$799,999</b>	38 homes	\$760,250 average price
Pending	3 homes	\$758,000 average price
*Pending sales are even with asking price but sales are too low to measure.		
Sold	12 homes	\$737,800 average price

\*Pending sales are averaging +3% above current sold homes.

Trend even but with pressure from price reductions of higher priced homes I expect softness here. Pending prices suggest that high value homes are reducing into this price point.

<b>F/S \$800,000-\$899,999</b>	24 homes	\$867,700 average price
Pending	2 homes	\$837,500 average price
*Pending sales are averaging -4% below current home but sale are too low to measure		
Sold	3 homes	\$833,333 average price

\*Pending sales are averaging less than a 1% difference.

Trend down. No volume, no stabilization in first half of 2010.

<b>F/S \$900,000-\$999,999</b>	28 homes	\$973,300 average price
Pending	4 homes	\$937,900 average price
*Pending sales are averaging -4% below current homes. All are short sales.		
Sold	3 homes	\$940,000 average price

\*Pending sales are averaging less than a 1% difference.

Expect trend down. Short sales dominate and many pending homes come from higher price points with reductions. No floor in sight.

<b>F/S \$1mill-\$1,249,999</b>	26 homes	\$1,143,100 average price
Pending	7 homes	\$1,162,510 average price
*Pending sales are averaging +2% over current asking prices. All are short sales.		
Sold	4 homes	\$1,128,800 average price

\*Pending sales are averaging +3% over current asking prices.

Expect strong trend down. I expect sale of each price point from \$1,250,000 down to \$800,000 to cannibalize the price point below each price segment as sellers reduce to find buyer and buyers look for the best home and cherry pick the best offerings.

<b>F/S \$1.250mill-\$1.499</b>	46 homes	\$1,380,200 average price
Pending	4 homes	\$1,408,350 average price
*Pending sales are averaging +2% over current asking prices.		
Sold	1 home	\$1,300,000 average price

\*Based on short sale history expect a strong trend down.

Too volatile to predict.

F/S **\$1.5mill-\$1.999** 44 homes \$1,787,400 average price  
Pending 4 homes \$1,700,000 average price  
\*Pending sales influenced by short sales  
Sold 3 homes \$1,661,667  
\*Pending sales and short sale trend expect a strong trend down.

Too volatile to predict.

F/S **\$2.0 mill+** 33 homes \$2,982,500 average price  
Pending 1 home \$2,780,000 average price  
\*Pending sales, not enough data.  
Sold 1 home \$2,250,000 average price  
\*Pending sales, following current sales in \$1 mill plus suggest strong trend down.

Homes from \$1.250 up are in a league of themselves. Banks have little interest in financing these homes and the volume of sales is very low. Sadly but I feel that \$350 per square foot is going to become the measure of the top of the market for a few of the best homes and many homeowners will see \$250-\$280 per square foot more the norm and \$210-\$240 will be common.

Sold homes:

	June-Aug '09	Sept-Dec '09	% difference
<\$199,900	\$136,375	\$137,770	flat
\$200-\$299	\$242,404	\$237,735	-2%
\$300-\$399	\$339,690	\$340,340	flat
\$400-\$499	\$436,900	\$440,500	flat
\$500-\$599	\$538,160	\$552,650	+3%
\$600-\$699	\$649,530	\$641,400	-1.25%
\$700-\$799	\$731,330	\$737,800	flat
\$800-\$899	\$812,320	\$833,333	+2.5%*
\$900-\$999	\$925,000	\$940,000	+1.5%*
\$1mill-\$1.249	\$1,050,000	\$1,128,800	+7%*
\$1.250-\$1.499	\$1,353,600	\$1,300,000	-4%*
\$1.5-\$1.999	\$1,900,000	\$1,661,667	-13%*
\$2mill+	\$2,675,000	\$2,250,000	-16%*

\*sales from June '09 to Dec'09 are just too few to make any fair assessment of market activity, on the other hand, the sheer number of homes for sale suggest very strongly that the market about \$800,000 is going to adjust down over the next 6 months. Trend down.

Summation of what we can expect for homes sales and values based on year end trends:

Based on current sale activity it can be anticipated that homes under \$400,000 are poised to flatten out and given a good push by making homes affordable and the home buyers credit, this price point has the potential of showing growth by the end of June.

Homes priced above \$400,000 but under \$800,000 are all on the fence. This market is trending down as much as it is showing flatness. Again the buyer credit can make a difference in this price group. A lot is going to depend on the large number of short sales in escrow and how much hidden discounts are in the offers. This section of homes will most likely lose ground but should be in a position to become stable after June.

Homes over \$800,000: Based on the number of homes for sale, the lack of strong sales and continued price reductions and a dominance of short sales, what I feel we will see is a large drop in overall value for homes over \$1million in asking price with homes in the \$800,000-\$1 million range gaining ground on paper as homes priced higher continue to reduce to sell at numbers below \$1mill.

What we are seeing is what we predicted two years ago with the market repairing from the bottom up.

Are we out of the woods? Hardly, and how the banks play out the short sales/foreclosure process in the next 120 days will affect my projections. The market wants to correct, the market is trying to correct and stabilize. Buyers have 120-180 days to make their best buys under \$400,000. Buyers buying under \$800,000 will have until July for the best market. After that the odds will go against buyers waiting for better deals and interest rates, at historic lows must adjust upwards sooner than later. Look for rates to go up before June.

New 1031 Exchange Rule is in effect: The American Job Creation Act has closed a loop hole that income properties converted from a 1031 exchange property into a residence after the exchange must be held and used as a principal residence for at least five years to qualify for the tax exemption. See your tax advisor for more information.

Kinds regards,

A handwritten signature in black ink that reads "David Morris". The signature is written in a cursive, flowing style.

David Morris