

July 2009

Wow, I am actually getting the newsletter done before the end of the month! Business has been exceptional over the last 120 days and sobering at the same time. Short sales and foreclosures are dominating the market and have not ceased in their intensity at the same time the short sale process is nearing a breakdown in the ability to respond to the need to move homes. Our Certified Distressed Property Division is super busy with the short sale process and the myths surrounding short sales continue to evolve. Do not let your friends and family members lose their homes or deal with uncertified short sale agents.

While most agents have abandoned their core business in favor of foreclosed homes and distressed sales we here have held onto our core business of normal, non-distressed sales. It is in this sector that we are doing our best. There are many buyers very willing to pay a bit more for a home that can actually close escrow and where the seller is there to provide information and cares about the home and the new buyers. Sooner than later the current market will recede and the majority of sales will be non-distressed.

Shauna has proven that she is a tough negotiator and a savvy sales person and in first full year in the business has now sold and negotiated dozens of properties. Susan in our office has become a miracle worker in dealing with very anxious home owners, and in these times everyone is anxious. In such tough times my hat is off to the best office staff an owner could ever hope to have.

So, where are we going? As I write this newsletter on a warm Saturday morning I realize that we have 120 strong sale days ahead of us before we need to prepare for the winter and early spring months. This simply means that we pretty much know what the rest of 2009 is going and now we can get our first real look at the first 6 months of 2010.

Take a look at the charts. Currently in sales on homes under \$450,000 our sales now match up to the same time period in 2002. For sales over \$450,000 and under \$1 million we are now matched up to the same time as 2000 and for homes over \$1 million dollars we are now matched up to the same period in 2005.



Prognosis: At the current rate of sales the market under \$450,000 is going to run out of easy inventory and a thin bottom is going to develop over the next 10 months. Homes priced over \$450,000-under \$1 million are going to continue to lose value for the next 10 months but with a possibility of more open lending requirements that loss can be stemmed. In this case moving more homes out from under the current jumbo loan requirements will be needed and more 20% down loans becoming available (should we ever see 10% down loans enter the market portions of this markets will improve very fast). What is needed in this category is raising conventional loan limits from \$417,000 to at least \$650,000 and jumbo loans taking over for loans above \$650,000. Will this happen? As of this writing I do not see this for 2009 but the possibility exists for 2010.

Homes over \$1 million are a much more delicate proposition. With less than 1% of the market being able to afford these homes and we have a many year supply of such homes and a huge abundance of lots for sale the future is at best questionable. I think that this section is in more trouble than originally perceived. My prognosis is that we have not seen the full effects of the property devaluations on these homes yet and the next 18 months will confirm either my astute understanding or my gross misread of this section of the market.

The big question that seems to be on homeowners' minds, is what next and how will values climb back up over the next 60 months? Again these are my thoughts and observations: I am astounded by the number of home owners (and real estate agents) that believe that the past 5 years were real and the current market is false and that the market values of '05-'06 are the measure to be used for recovery. That in the next 12 months, 18 at the most, the Reno markets will experience a 10% to a 20% increase in values over what we see today. I really do not know how to respond to this. All information that I can see says that in the next 5 years a net positive gain of 3% to 5% is what investors and homeowners can expect to see and that most positive numbers will appear in 2011. As the author of this newsletter I do not particularly want to be "right" but if I add up all of the information out there, take all that I know and add in a serious dose of what I do not know then my conclusion of a market appreciating at 1% per month or more is ludicrous in the next 18 months. Ok, I said it. Now only time will tell.

Kind regards,

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

David Morris