

March 2009

"You can't have a better tomorrow...if you are thinking about yesterday all the time."
-Charles F. Kettering

How about a bit of better news for the real estate market? As of March 1, 2009 we are **up** over the first 60 days of 2008 by 7% in sales volume.

This month we are going to focus on what is selling and what has closed in the first 60 days of the year. Agents are working four times harder to get half the results to help correct this market. The real issue here is what the banks with government support/underwriting will do to help keep the momentum going forward.

This week the treasury department gave out the guidelines for the programs to assist distressed home owners. It still appears that for homeowners who do not have a super strong FICO score and are seriously upside down and/or with loss of income (but can qualify for a loan in line with the current homes current, lower value) is to short sale the home, create more bad loans, destroy the home owner's credit for 2 years and lock that buyer out of buying a lesser more affordable home.

What we need are balanced loans, 10% loans to qualified buyers and a conventional loan available for the mid-range home buyers (in other words our lending rules that we had pre-1997). In addition, we are now dealing with financial services and attorneys advising sellers to let their homes go into foreclosure, to expect that it will take a year to foreclose and the homeowner can expect a 30 days notice to vacate and put the year's worth of payments into their savings. Oh, one last note, I hear a lot from the "have's" that the "have not's" should not be helped with "their" tax dollars out of this mess. The facts are that everyone has now experienced a significant roll back of value and it is continuing, unabated.

Unless your home had more than 50% equity in 2006 with a 40% rollback you are much closer to a short sale than you can image today. We are beginning to see home owners that bought as far back as 10 years ago that cannot believe they have such little equity. With 75% of homes in escrow today being distressed, every distressed sale is pulling the market down.

If you went to the hospital with an open artery gushing blood, the first thing that the doctors would do is stop the bleeding before debating if you did the damage to yourself out of stupidity. This is a good time to mention the value of 15 year loans!



In the last 60 days some parts of the market are performing well and there are some hints that the median price point did not fall this last month. Here are some early winter numbers:

2,536 homes are for sale today and 1,284 of those homes are distressed sales. 951 homes are in escrow today and of those sales 791 of the homes in escrow are distressed sales.

"Experience is what you get...when you don't get what you want".

-Dan Stanford

Now for what is selling for homes under \$415,000:

Area	# Homes in Escrow	Ave. Listing Price	# Closed Escrows	Ave. Sales Price
121	64	\$235,855	32	\$238,018
122	10	\$316,530	12	\$280,908
143	61	\$270,162	24	\$279,728
161	5	\$328,770	0	n/a
163	14	\$288,964	19	\$300,729
165	5	\$345,680	3	\$355,000
171	6	\$354,617	2	\$203,000
182	45	\$307,899	36	\$225,572
183	65	\$220,189	46	\$228,898

These sales are really very good and are ahead of 2008 for the first 60 days of the year. Clearly the numbers are not pretty but this volume is something to look at. For example if area 143 (South Meadows) keeps up this pace, that will be 366 homes sold under \$415, 000 in 12 months. That is more homes sold than in 2008 and we are at the low end of our sales season. 400 plus sales are very possible with one exception; I am not sure we have 400 homes priced below \$415,000 to sell in 2009. Yes, I am saying that demand could exceed supply for the lowest homes. Sales are up 13% over last year! So what else is selling?

Homes priced from \$415,000 to \$999,999:

Area	Units Sold or in Escrow
121	3
122	9
143	6
161	6
163	12
165	22
171	5
182	1
183	9

Sales are down by 23% (ouch, but this is to be expected). IF conventional limits could be raised from \$417,000 to a more realistic \$750,000 you will see much more activity in this price point but for now, we have to deal with jumbo loan policies within this very important price range.

Homes priced over \$1,000,000:

Area	Units Sold or in Escrow
121	0
122	1
143	0
161	2
163	3
165	5
171	3
182	0
183	0

Seven figure home sales equal 2008 sales year-to-date.

I am a proponent of 15 year loans. Today, many readers have lost equity in their homes and either want to wait for the market to come back (figure on 7-10 years) or are actually underwater but do not need to sell, at least today. Switch to a 15 year loan. In 5 short years, less than it will take to correct this market you can build equity at a fantastic rate. In 10 years you will have built equity which will easily exceed "the wait for the market to come back to me approach."

For example:

Take a \$300,000 loan at 5.5% for 30 years, monthly P.I. \$1,696. 15 years to pay the P.I. off is \$2,440 per month*. Paying \$744 more per month knocks 15 years off of your payment. Or \$133,920 in extra payments saves you \$305,280. It's up to you but what can you do with an extra \$300,000 over 15 years?

*This is a matter of also buying what you can afford, not the lowest payment to buy the most home.

What is far more important in a monthly payment-conscious society is that in 15 years on a 30 year loan you still owe close to 90% of the principal. In the same time, the 15 year loan is paid off. But what if you know for certain that you will be in the home only 7 years? The principal pay down will still be significant that even if your home stayed totally flat, with no growth (or even lost value) you would have equity to sell and put money in your pocket.

Today if you are upside down but know that you have no need to sell add as little as \$100 per month to your payment and the results will astonish you, add more and shortly this market will just be a bad dream.

If you would like more specific information, just give me a call. If you have a friend or family member who could benefit from this information, give me their name and phone number and I will contact them personally.

A NEW SERVICE FOR YOU!

We have opened a new service here at the DMG to assist our clients and their friends & families.

Distressed Home Consulting for over-encumbered homes/sellers (i.e. "underwater"), owners facing short sales or possible foreclosure, how to re-finance, what to do if you can not refinance, options and strategic advice. With 30 years of experience I can help you and your loved ones navigate their way through this market and make smart decisions. My first hour of counseling is free and open to all. Please call me with any questions and to set a time to meet.

Kind regards,

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

David Morris