

May 2010

Good news? Yes good news! I took the time to break out our special condition sales from traditional sales. Traditional sales are sellers that can sell if they want to and special condition sales are foreclosed or short sale homes involving the banks. All we hear today is the special condition market is all that is selling, so I decided to look a bit closer.

24% of homes for sale in our area are special condition. 80% of the homes in escrow are special condition and 63% of actual closings are special condition, so it is safe to say that special conditions do in fact rule. But wait, does that mean there is no hope to sell if you are not distressed? Look a bit closer. If you are a home owner trying to sell a home under \$299,000 and you will not price your home in line with the distressed market, well it does not look all that promising but what about home owners with homes over \$300,000? While distressed sales pretty much dominate across the board the lopsidedness disappears. Where as only 16% of the traditional homes under \$299,999 are in escrow versus the 84% of distressed sales, as we go up in price point the numbers improve with 25% of the homes \$750,000-\$999,999 being able to sell all the way up to 52% of the homes priced \$300,000-\$499,999. What is also true is that overall buyers will pay more for traditional sale if the seller is willing to price realistically against the other homes with an average spread of 4-6% premium for traditional home sales!

It appears that homes priced under \$749,999 are getting much more competitive with the total markets while homes over \$750,000 are staying disconnected, with as much as a 25% differential between asking and selling prices. A difference of 3% is what the market looks for in a competitive average spread between asking and sold homes in a healthy market so any spread greater than 5% is a sign the sellers are ignoring the market.

Not a day passes when a seller will ask when the market is going to rebound and by that they mean make up much of the lost ground. Let's see if I can answer this from a bit of a different view point. First, if as a seller you are looking to recover the lost value from 2004 onwards you are not going to in the next decade. Sorry.

To get meaningful a price raise in the greater Reno/Sparks area will require some or all of the following conditions be met. :



#1 Jobs. The economy of Reno/Sparks must grow to match any price increase. Not just basic jobs but work that pays well. Until the standard of living rises in Reno home prices can move little if at all. You gotta qualify for a loan folks, full document loans.

#2 Business relocation to Reno/Sparks. That equates to jobs, more and better paying jobs and population growth and higher demand for homes.

#3 Personal relocation (i.e. the proverbial California - other states are very welcomed as well - coming here to retire creating demand).

#4 California becoming healthy. California becoming healthy will drive more retirees to us and will drive more company relocations to us.

#5 Economic stabilization of Northern Nevada.

The housing market cannot recover and grow until all conditions above are met. Simply put, for homeowners waiting for market conditions to lift their boats they are in for a very long wait, measured in years, maybe a decade.

Possibly the biggest deterrent to getting a fire going in Reno/Sparks is the apathetic attitude I keep seeing. Excuses for why homes are not selling and a blind refusal to give up the roaring years of 2002-2006. Those days are gone and unless you as the reader know something I do not know (and please share) those years, the free money, no questions asked market is not coming back to save anyone.

It is so important to look at homes that are selling. If you want to sell (not "need" to sell) price for the market that exists and do not wait for the market to come to you because it is not going to. Price realistically, price using only pending and sold information in the last 120-180 days and change your course in 30 days as you need to and you will receive offers on your home. Desperation is not the code word to sell, it is realism. If you want 10% or more for your home over your segment of the market and are willing to wait you are not a seller but a dreamer. We all need to get through this nightmare of a market but ignoring it by overpricing your home is not going to help anyone in the long run it hurts everyone, especially the seller themselves.

The number of buyers waiting in the wings is absolutely huge. Invite them into your home with the real market in mind and you will be shocked at the level of real interest in Reno/Sparks real estate.

Kind regards,

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

David Morris