

PROSPERITY IS IN THE NEIGHBORHOOD

Intro: Can it be? Are sales really up? It's true. Things may not be back to where they were at the turn of the century, but we have bounced back from the January slump and have pretty much returned to the numbers we saw last summer. So, while prosperity may not be right around the corner just yet, it sure seems to be moving into the neighborhood and we hope there are only good things to come for the remainder of 2008.

Statistics:

Statewide: The median resale price of a single-family detached home in California for July was \$350,760. That's a decrease of 40.3 percent from July 2007 and 4.5 percent from the previous month. But unsold resale inventory represented a 6.7 month supply, compared to 10.7 months for the same period a year ago, and median number of days until sale was 48 in July, down from 51 for July 2007.

Sales are rebounding strongly and have increased almost 44 percent year-over-year after topping 400,000 in May and June. Affordability continues to vary sharply by region but has increased significantly almost everywhere.

California seems to have weathered the slump in sales. In January, a benchmark to which we've referred repeatedly, statewide single-family detached sales were 19,145—which DataQuick singled out as “the lowest number for any month in [our] records, which go back to 1988.” By comparison, July sales were 39,507, returning to the level of March 2007.

County Statistics: (Med = median, Ac = activity, MOM = prior/this month, YOY = prior/this year)

	CurrMed	MedMOM	MedYOY	CurrSIs	AcMOM	AcYOY
Alameda County	\$440,000	-2.22%	-28.46%	1,264	5.25%	11.66%
Contra Costa County	\$349,000	-6.93%	-40.85%	1,621	14.32%	43.45%
El Dorado County	\$388,000	2.11%	-18.32%	185	-4.15%	3.35%
Marin County	\$770,000	-8.98%	-13.12%	251	9.13%	-8.39%
Monterey County	\$300,000	-12.41%	-46.43%	325	15.25%	90.06%
Napa County	\$439,500	-0.11%	-28.54%	116	3.57%	36.47%
Nevada County	\$367,500	-6.96%	-14.34%	115	18.56%	3.60%
Northern California	\$329,380	-3.52%	-14.68%			
Placer County	\$345,000	2.99%	-19.77%	625	7.20%	99.68%
Sacramento County	\$210,000	-4.33%	-35.29%	2,579	10.97%	89.63%
San Benito County	\$323,000	8.57%	-35.43%	67	17.54%	76.32%
San Francisco Bay	\$470,000	-3.09%	-29.32%	7,586	5.68%	2.20%
San Francisco County	\$766,250	0.82%	-4.10%	468	8.33%	-4.49%
San Mateo County	\$668,500	-1.98%	-17.26%	566	22.78%	5.20%
Santa Clara County	\$592,750	-4.40%	-16.87%	1,358	3.43%	-8.06%
Santa Cruz County	\$510,000	-7.27%	-29.17%	189	-12.50%	-5.97%
Solano County	\$270,000	-9.70%	-34.94%	557	14.61%	60.98%
Sonoma County	\$360,000	-6.49%	-30.77%	482	-5.30%	7.83%
Yolo County	\$290,300	-6.35%	-28.32%	214	-21.32%	32.92%

Alameda County: July median was \$440,000, almost \$200,000 below the recent peak last August. But county sales almost tripled between January and April, and those gains have been protected as sales have stayed between 1,200 and 1,300 ever since. We're heading into fall and winter, so it's difficult to predict further increase, but properties will become more attractive if median declines further.

Contra Costa County: A nice little leap, the third month in a row, puts sales at literally five times the January figure—the first time they've been over 1,600 since October 2006. Median for the month was at \$349,000.

El Dorado County: Not following quite the same pattern as other Northern California counties; median went below \$400,000 in January, but has been bouncing around not too far below that ever since, and actually gained \$8,000 between June and July. Sales, at double January's level, are almost exactly where they were a year ago.

Marin County: Between June and July, sales climbed about 10% to 251, a figure we haven't seen since July 2007. After briefly touching \$900,000 this spring, median has settled back to a recently typical \$770,000, which is a nice match with the new \$729,000 limit for conforming mortgages.

Monterey County: A story in extremes. In May and June 2007, County median was \$600,000, and now it's \$300,000. But properties at their new lower prices are proving attractive as July sales reached 325, double the number of a year earlier and the highest figure we have on record.

Napa County: Median and sales both scarcely moved between June and July, with sales comfortably in the triple digits – a level last seen in the spring of 2007. We're having some trouble guessing which way these figures will go, but we'll bet that for August they will either stay level or increase.

Nevada County: Sales in this county have climbed every month this year and are now at more than double the January level. Median has only been below \$400,000 for the past three months, and we'd like to think that as local inventory tightens up, median will only increase.

Placer County: Frankly, this county continues to amaze. Sales are at double the January level, which is also the level of a year ago. Median so far this year has been wavering between \$345,000 and \$360,000, a fluctuation of less than five percent, which probably speaks to consistently strong demand that's keeping prices healthy.

Sacramento County: Seems poised for a revival after the past two years. For 33 months, median has declined and now sits just above \$200,000. But sales are truly absorbing inventory as they've climbed from 750 in January 2007 to more than 2,500 last month.

San Benito County: Median has decreased considerably in the last year, but seems finally to have found its footing at just over \$300,000. Sales, positively rosy, are double what they were a year ago and four times what they were at their low point in January. We're glad to have good news about this county and we hope it continues.

San Francisco Bay: Regional sales, which were at its lowest in January at about 3,500, have more than doubled and are now at last July's level of about 7,500. But median, sits at \$470,000, which is due to high proportions of foreclosed properties in certain counties, and because overhanging inventory is keeping prices artificially low. We're really interested in what these numbers will be in another year, but in the short term they might not move very much.

San Francisco County: Median, with a high of \$815,000 and a low of about \$740,000 in the last year, is now a hair below \$770,000, more or less in the middle. Sales have shaken off the acute impact of last winter and seem stable at just under 500 per month. Here as elsewhere, the new and much higher dollar limit for conforming loans should make borrowing easier at the level many people will need to buy in this county.

San Mateo County: After taking the same hit over the winter that most places did, sales have climbed to the level of a year ago. Median is still one of the Bay Area's highest at \$668,500 and will likely remain in that same neighborhood for awhile.

Santa Clara County: Median has ducked under \$600,000 for the first time in our records. But, its loss of about 20% for the year is less than most counties. This is a county that is difficult to predict and we can all hope that Silicon Valley will come up with a flock of new discoveries and reassert itself as a money machine.

Santa Cruz County: With a median of \$510,000, we're reminded that coastal counties are often afflicted by gray skies and even with drastic readjustment in prices, sales aren't quite where they were a year ago. But we're confident even so that Santa Cruz will rise again, given its adorably quirky houses, enduring taste for recreation, and fanatical devotion to a relaxed and tolerant lifestyle.

Solano County: After hitting a low of 208 in January, Solano sales have recovered nicely to the 550s, where they haven't been since 2006. Cost to the median has been heavy, with 18 straight months of decline leaving it at \$270,000, a loss of about 40% from its historical peak. But prices should recover as perked-up sales work to absorb inventory.

Sonoma County: In the past couple months, median has slid to \$360,000. But sales, at almost 500, are a little higher now than they were a year ago, and will be able to stay there if interest in the wine country revives along with the general market.

Yolo County: It's hard to believe now that, at the very beginning of 2006, Yolo's median was half a million dollars. But for most of this year it's been remarkably stable at right around \$300,000, with concurrently rewarding sales that have stayed solidly above 200 for three straight months. July wasn't quite as active as June, but we don't think that a one-month dip in sales shows any sign of turning into a trend.

Interest Rates: 30-year fixed at 6.26%, after declining more or less steadily from 6.45% over the last four weeks. 15-year fixed at 5.77%, down from a very brief excursion above 6% the last week in July. 5/1 ARM at 5.92%, where it's been more or less steadily since it surged from 5.5% a little more than a month ago. 30-year fixed jumbo at 7.36% has at least wiggled its way down from a recent high of 7.6%... but that's much less important than it was, see below. Rates in general are holding down nicely, annoyingly far from the salad days of 5% but nowhere near the real psychological barrier of 8%.

**Area interest rates are reported to be as follows:*

Sacramento/Tahoe, San Francisco Bay Area and Silicon Valley regions: Princeton Capital reports that as of September 8, 2008, the "Agency Jumbo" rates are as follows: 30-year fixed with one point is 6.0%, the 15-year fixed with one point is 5.5% and the 5/1 ARM with one point is 7.0% for loan amounts up to \$500,000.

Overall Assessment: It's such a temptation to say we're out of the woods, but we aren't quite yet. We can however recognize the good news—we've gone back to the future. Both fixer-uppers and fixed-uppers are available throughout Northern California at nearly pre-boom prices. Yes, this is a difficult market with a lot to know and a lot to understand; but for the prepared buyer, and for the prepared real estate professional, the rewards are great in proportion to the homework.

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