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EARLY SUMMER 2010

Welcome to Summer. It has been a busy Spring here in Marin County and I have procrastinated in writing my newsletter due to 'overload'..

I know there is not one of you out there that does not feel this way. We are bombarded with so much input, it is hard to filter. What could be good news; the media has a way to make it sound bad. We can't deny that the housing market has been through a rocky few years. The situation is improving, but the media often distorts and exaggerates problems by focusing on the most negative aspects of the real estate industry. We do have rising home sales, improved affordability, historically low interest rates and government incentives. While a lot of the sales are the distressed properties, they are still selling. About 29 percent of Americans perceive that news organizations are getting the facts straight. A staggering 63 % say the news stories are inaccurate and about 70% believe that the news organizations attempt to cover up their mistakes...Needless to say, it is understandable why we would be feeling skeptical and in turn why we should be skeptical!

Forecasts of disaster fail to mention that real estate, like all investments runs in cycles. If you plan on owning your home for 5 years or more, the risks of a loss are relatively small. Buying a home and building equity is still the chief means off building wealth for most people. We happen to live in an area that that is not as prevalent, but it is a foundation of asset growth. Prudent buyers are now finding great purchase values that will pay off in the long run. In fact, Karl E. Case of the Case-Shiller index of home prices (our gold standard) thinks the market has reached the bottom. Housing is also at the most affordable it has been in 20 years.

While we hear stories that "1 in 4" borrowers are under water, what that means is, they paid more for their home, then what it is presently worth. What is many times left out of a story like that is; that most homeowners still have equity in their homes and nearly 24 million owner occupied homes don't even have a mortgage to pay off.

On another note and I said this before. There is no fundamental reason(s) that interest rates, including home rates, are as low as they are. We know that it keeps us borrowing, and hence spending, which keeps the economy moving. But, have we fostered a sense of complacency? Mr. Greenspan has said "we should not be fooled by today 's low rates. The government could quickly discover the limits of its borrowing capacity." Look back to late 1979 and early 1980, when the yield on the 10 year note rose 4 percentage points. That was the beginning of very high interest rates. And once the rates begin to change there is no way to go back to take advantage of them...

So, let's go buy some houses! I am enclosing a first quarter closed sales report and will have the second quarter one available to you in my next letter.

Best Regards,

