

## September 2008

Like Wall Street, the real estate industry is feeling the painful effects of loose lending practices, bad mortgage loans, and dare I say, Greed. Prospective home buyers and sellers need to be aware about what is happening in order to make smart decisions. Following are some top trends in Real Estate.

### Homes in foreclosure have reached record highs

While we in the bay area seem to be somewhat sheltered, the number is expected to reach 2 million nationwide by the end of the year. REO's (Real Estate Owned properties) can be a good deal for buyers that feel confident in the property. REO's have no disclosures or recourse.

### Home prices continue to fall

Again, here in Marin the average sales price has not fallen, although our volume is down by 35%. The markets that are fairing better now are at a lower price point than before. The sales of condos and single family homes in Novato are on the rise and some of this may be due to short sales and REO's.

### Borrowers will have a harder time getting a mortgage

We are seeing tightened lending standards, more criteria for borrowers to meet (including very high FICO scores), limiting non-traditional loans, and the fact that borrowers will need to have some 'skin in the game'. While there will still be some federal and state assisted loans, they are harder to find here in Marin.

### Mortgage rates are still at historic lows

After the bailout of Fannie and Freddie, rates of 30 year fixed mortgages fell from 6.35% to 5.93% in a week. They continue to be low, but could rise if the government has to borrow money to finance all the bailouts. Remember that before the 1990's interest rates were in the double digits, and that in turn brought home prices down.

### Bigger is not better

While the average size of the American family has decreased, the homes have become disproportionately larger. Fortunately with the 'greening' of America, homeowners are looking to save money on maintenance, utilities and taxes and are forgoing McMansions. The importance of eco-friendly attributes has never been higher. Think radiant floor heating, Energy Star rated appliances, on-demand water heaters and non-toxic materials. The trend is also to urban areas, to escape long commutes and high gas prices.

### Flipping is out, buying and holding is in

A larger inventory of unsold homes means more bargains. Investors are taking advantage of these conditions and know that this is a good time to buy and hold. Here in the Bay Area, we are blessed with all the attributes that make this a desirable place to live.

### Technology and networking are changing our buying/selling habits

80% of home buyers now use the internet to search for homes before they contact an agent. While agents are still an integral part of the process, buyers and sellers are also turning to online swapping and auctions to trade properties. It has never been more important to select an agent that knows your micro markets, and who will go that extra mile to make your transaction a little less stressful.

So, by the time this reaches you all, we will have heard the first Presidential debate, we will hopefully have more certainty in our financial markets, and I won't be glued to the News. The following is a good site to access a fact sheet on the Treasury proposal. [www.treasury.gov/press/releases/hp1150.htm](http://www.treasury.gov/press/releases/hp1150.htm)

Warm regards to you all, Corey

