



Heated First-Time Buyer Market Changes Strategies for Buyers and Sellers

US home prices are up two months in a row, says the Federal Housing Finance Agency, overseer of Fannie Mae and Freddie Mac. The Commerce Department reported that August new home starts (a documentation of construction beginnings) rose 1.5% to an annual rate of 598,000. Building permits rose 2.7% to 579,000. Both figures were the highest since November 2008.

The National Association of REALTORS® (NAR) reports that in July, the number of pending sales contracts signed increased for the sixth month in a row, largely due to affordability and federal and state incentives.

Existing home sales inventories fell 10.8% in August to an 8.5-month supply, the lowest level of inventory since April 2007. However, sales closings slowed 2.7% after four months of rising sales volume.

NAR Chief Economist Lawrence Yun noted that nationwide, the typical mortgage payment for a median-priced home now represents less than 25% of a family's monthly income. He added that 2009 payment percentages have been the lowest on record since 1978.

California

Home sales volume increased 12% in July compared with the same period a year ago, according to the California Association of REALTORS®. Record affordability and tax incentives were the primary drivers.

July 2009 sales prices in the state declined by 19.6% to a median of \$285,480, compared to \$355,000 in July 2008.

As the tax credit draws to an end, sales are rising. Month-to-month sales in July 2009 increased 8.1% over June, and median prices rose 3.9% to \$285,480 compared to the June median of \$274,740.

“July marked the fifth consecutive month of month-to-month increases in the median price,” said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. “This was the largest increase on record for the month of July, based on statistics dating back to 1979. The yearly decline in July also was the smallest in the past 19 months.”

Foreclosures Pressure Prices

Data Quick Information Systems reports that notices of default in Southern California were up 3.8% year over year in the second quarter of 2009. According to Credit Suisse, 40% of Alt-A loans are due to reset in the next 24 months. Another wave is due to reset in mid-to-late 2010. The majority of those loans are Option adjustable rate mortgages.

First-Time Home Buyers Lead the Way

About 67% of first-time home buyers can now afford to buy a home in California, compared to 76% of first-timers nationally. Homes priced under \$500,000 accounted for 74% of the California market in July — a testament to the strength of the first-time home buyer. As of June 2009, California topped all states with a 10% market share of all FHA lending in the U.S.

Historical Comparisons Favor Today's Housing Recession

Surprisingly, California's current housing correction isn't as severe as the one the state experienced during the recession of the early 1980s, when housing sales plummeted 61% peak-to-trough between 1978 and 1982. In comparison, housing sales volume sank 44% between mid-2003 and 2007, and has steadily risen since that time.

With improved affordability comes demand. In July 2009, there was a 3.9-month supply of unsold inventory across the state — down dramatically from a 16-month supply in January 2008.

Advice for Buyers

Cash buyers are making it difficult for other buyers to compete in certain price ranges. Make it easy for the listing agent and the seller by offering a complete package so they don't have to wonder who you are and whether you can afford the home. In addition to a well-written and complete purchase offer, include the following to show the seller your offer is as good as cash:

- A personal letter indicating why you would be a good fit for this home
- Pre-approval from a major lender, like HomeServices Lending www.hslca.com
- Pre-approval is better than pre-qualification, since it requires verification of your employment, income, credit and other factors
- An earnest money deposit as close to 3% as possible
- Proof of funds for the down payment and closing costs

You may also want to consider removing contingencies earlier than called for in the contract.

Advice for Sellers

Homes in many price ranges below \$750,000 are attracting the most qualified buyers the market has seen in years. However, it's still a tale of two markets. Homes priced below 750,000 are selling quickly; for those priced above \$900,000, the buyer has the advantage. If your property is in this higher price range, it's critical to set realistic expectations based on market conditions. An experienced agent will help you price your home properly, market it aggressively, and make it easy for buyers to see it.

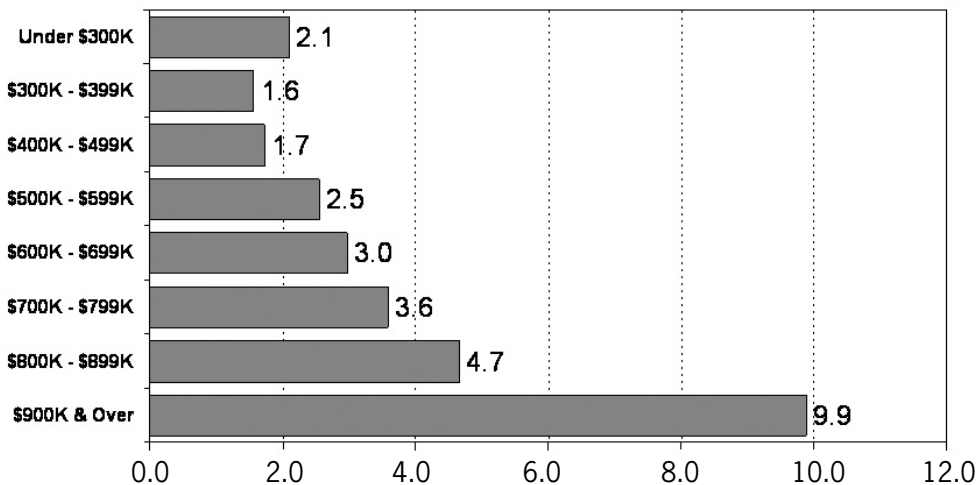
SAN FERNANDO VALLEY

The San Fernando Valley is one of the healthiest seller's markets* in Southern California with 1.8 to 5.1 months of inventory on hand in homes priced at or under \$899K. And homes priced \$900K or above are in a buyer's market, but well below other regions with 10.3 months of supply on hand.

For the first time in over a year, more homes were sold (3,992) than listed for sale (3,719) in August 2009.

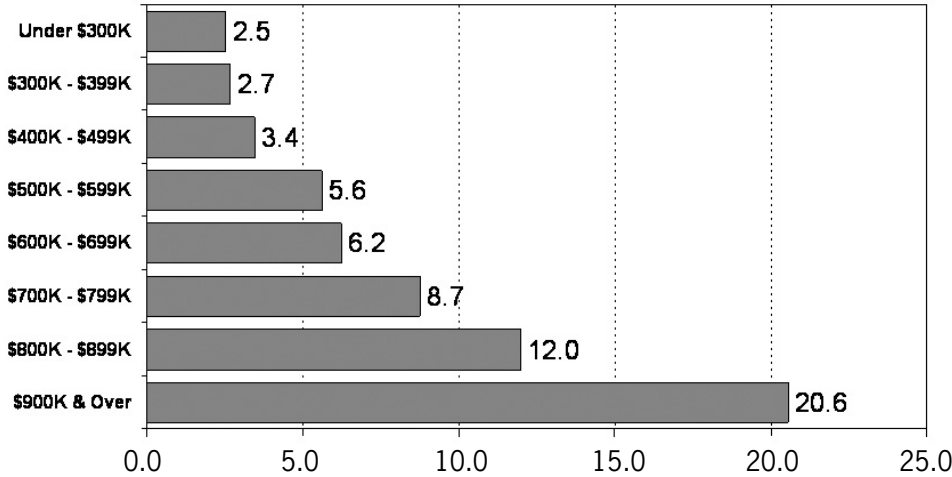
*A seller's market is characterized by fewer homes than available buyers, often with firm prices and multiple offers from buyers. A buyer's market has more homes for sale than available buyers, often with weaker pricing and larger concessions from sellers. Detached homes have no shared walls with neighbors. Attached homes have at least one shared wall with neighbors.

Detached Properties - Inventory in Months



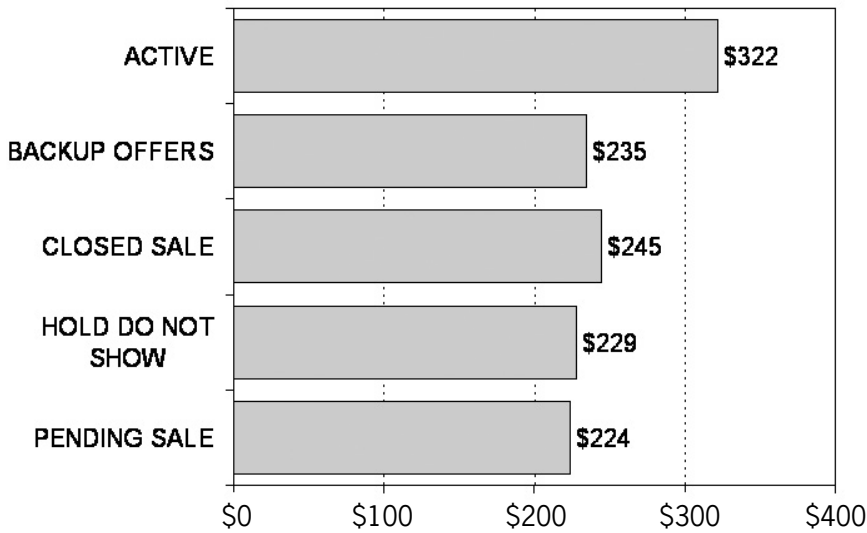
Detached homes are in a blistering seller's market in homes priced below \$899K, but luxury homes are quickly catching up with only 9.9 months of inventory on hand.

Attached Properties - Inventory in Months



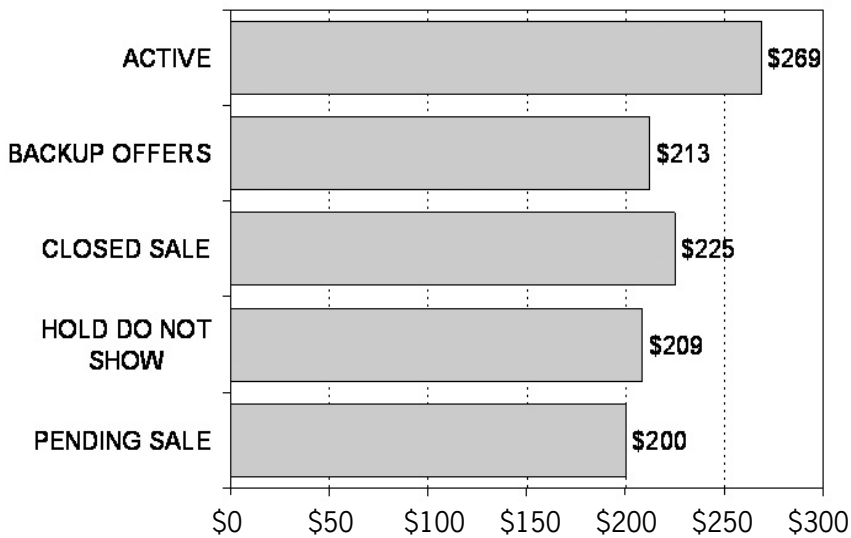
Attached homes are selling briskly under \$699K, but sales pacing is slower in the higher price ranges.

Detached Properties - List Prices Per Square Foot by MLS Status



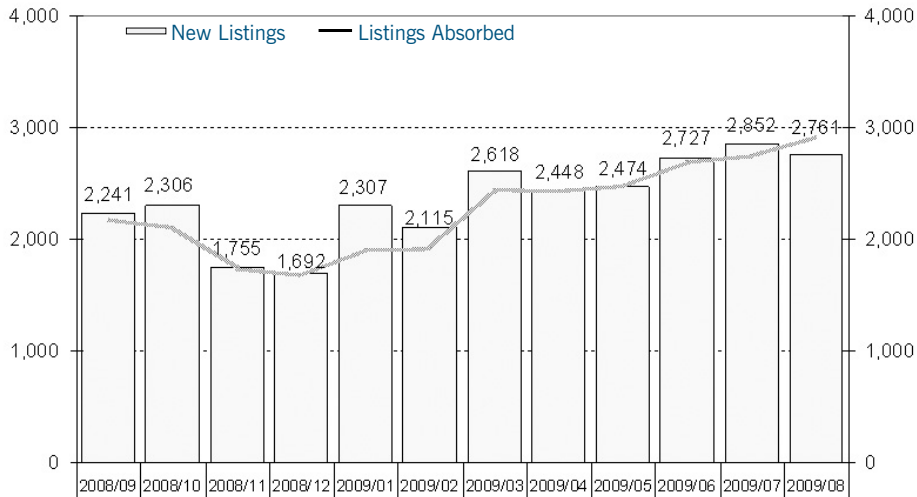
The price per square foot underscores that lower-priced properties are selling much faster than higher-priced homes, suggesting first-time home buyers are taking advantage of tax credits before they come to an end.

Attached Properties - List Prices Per Square Foot by MLS Status



Lower backup and pending offers on attached homes suggest there is still room for negotiation in the higher price ranges.

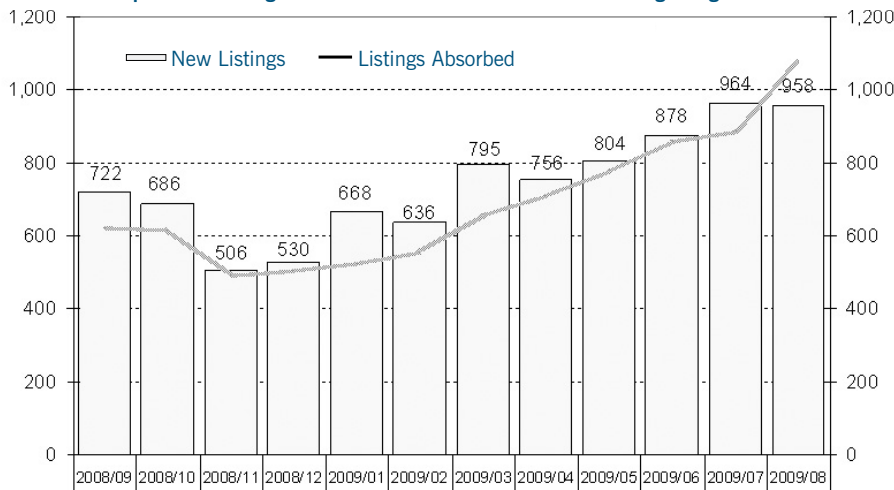
Detached Properties - Listings Taken and Absorbed - 12 Months through August 2009



New Listings	2241	2306	1755	1692	2307	2115	2618	2448	2474	2727	2852	2761
Listings Absorbed	2183	2107	1737	1688	1905	1918	2444	2435	2481	2702	2756	2916

Detached home listings are outselling existing inventories. In August 2009, 2,916 detached homes were sold in the San Fernando Valley while 2,761 entered the market.

Attached Properties - Listings Taken and Absorbed - 12 Months through August 2009



New Listings	722	686	506	530	668	636	795	756	804	878	964	958
Listings Absorbed	622	618	492	507	526	556	656	710	780	861	886	1076

For the first time in over a year, attached homes are selling faster than existing inventories. In August 2009, 1,076 units were sold compared to 958 units remaining on hand.

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