



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.

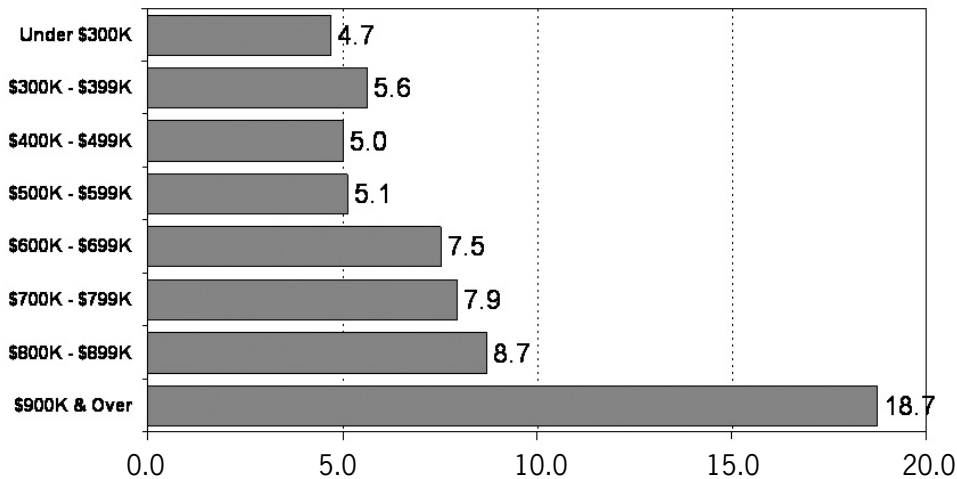
LOS ANGELES WESTSIDE

The Westside is currently enjoying one of the healthiest housing markets in years. Homes in affordable conforming loan ranges are in a seller's market* with six months' supply on hand or less. A balanced market is usually considered to be about six months' of inventory.

The market has absorbed the excess inventories of homes from January through August, but at a healthy rate. Currently, 1,861 listings are in inventory against sales of 1,533 units as of August 2009.

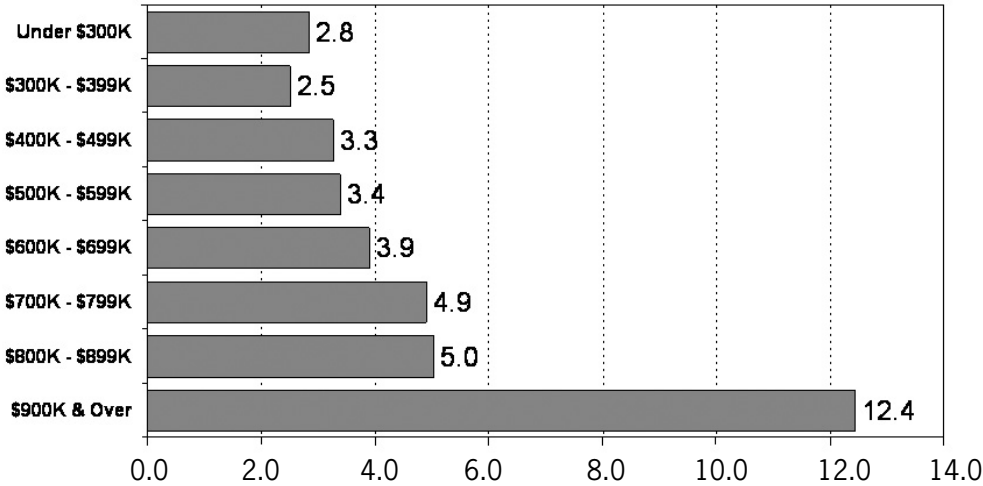
*A seller's market is characterized by fewer homes than available buyers, often with firm prices and multiple offers from buyers. A buyer's market has more homes for sale than available buyers, often with weaker pricing and larger concessions from sellers. Detached homes have no shared walls with neighbors.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

Attached Properties - Inventory in Months



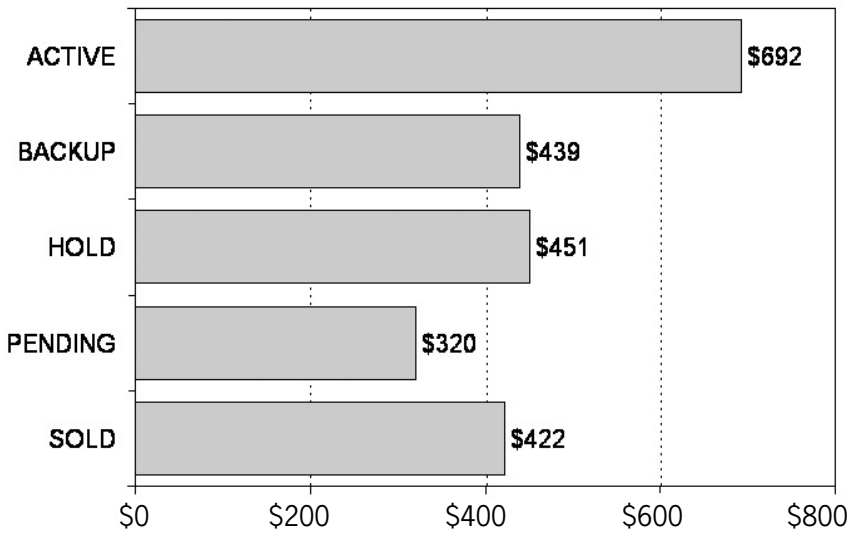
Westside attached homes are faring nearly as well as detached homes, with a seller's market in homes priced at \$599K or below. Only in the luxury range of \$900K or above is there an overhang of inventory.

Detached Properties - Inventory in Months



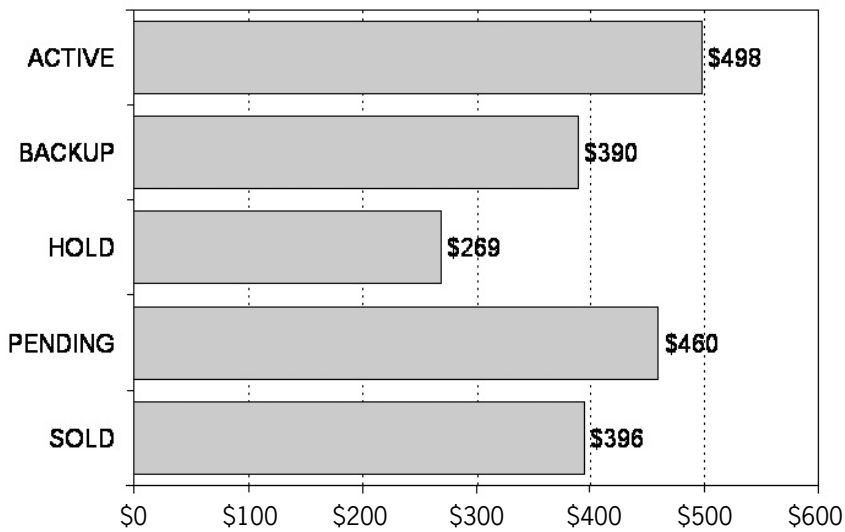
Detached homes are selling briskly, with a comfortable 2.8 to 5.0 months' supply on hand in homes priced \$899K or below.

Detached Properties - List Prices Per Square Foot by MLS Status



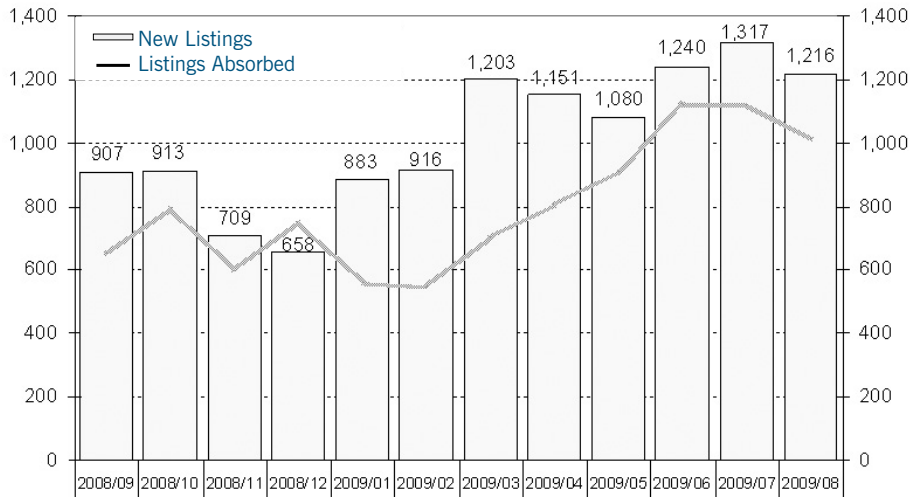
The price per square foot for detached homes underscores the higher inventories of luxury-priced homes. Higher backup prices than solds suggest that sellers are holding firm to prices. Buyers may also be taking advantage of bargains in the higher price ranges.

Attached Properties - List Prices Per Square Foot by MLS Status



The price per square foot for attached homes demonstrates that buyers have plenty of room to negotiate in the higher price ranges, underscoring the diversity of the markets by price.

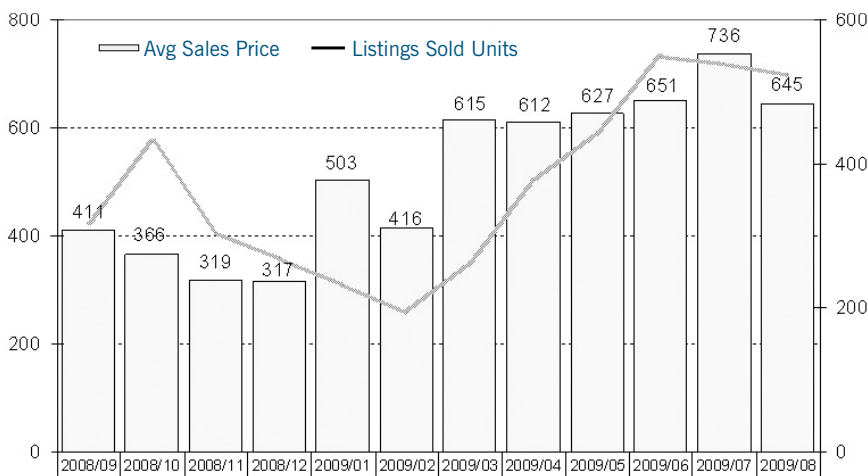
Detached Properties - Listings Taken and Absorbed - 12 Months through August 2009



New Listings	907	913	709	658	883	916	1203	1,151	1,080	1,240	1,317	1,216
Listings Absorbed	650	795	597	751	558	547	704	808	912	1,122	1,122	1,009

New listings still outpace listings absorbed, indicating buyers have choices in many price ranges.

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



New Listings	411	366	319	317	503	416	615	612	627	651	736	645
Listings Absorbed	319	431	305	269	233	194	265	375	445	550	540	524

New listings still outpace listings absorbed, indicating buyers have choices in many price ranges.

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