

# The Real Estate Report

LOCAL MARKET TRENDS



CONTRA COSTA COUNTY

August/September 2010



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## Sales Slip After Fed Tax Credit Expires

Sales of single-family, re-sale homes in July dropped 1% from June, and were off 3.7% year-over-year. This is the first year-over-year drop in home sales since February 2009. Year-to-date, home sales are up 18.5%.

The average price for single-family, re-sale homes fell 9.3% from June. It was off 2.2% year-over-year.

Pending home sales were down 20.5% from June, and were off 19.8% year-over-year.

Inventory continues to be a bright spot, as far as sellers are concerned, as inventory is now closely tracking closed sales, see table below. Inventory was down 4.8% from June. It is now 62.7% lower than last July.

Speaking of inventory, Leslie Appleton-Young, chief economist for the California Association of REALTORS® (C.A.R.), said, at a recent Silicon Valley Association of REALTORS® (SILVAR) meeting in Palo Alto last month, in five to ten years California will experience a housing shortage.

She said household growth for the state is expected to be 200,000 a year. The CBIA reports only 13,000 permits pulled in the first six months of the year.

Condo sales were up 5.2% from July, but were off 4.2% year-over-year.

Pending sales were down 17.2% compared to last July, and inventory was down for the twenty-eighth month in a row, off 56.2% year-over-year.

The average price for condos rose 7.5% from

June, but was off 0.4% from July 2009.

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

P.S. The FHA requires all condo projects to be re-certified before they will make a loan. To find out if the condo project you're interested in is eligible, go here:

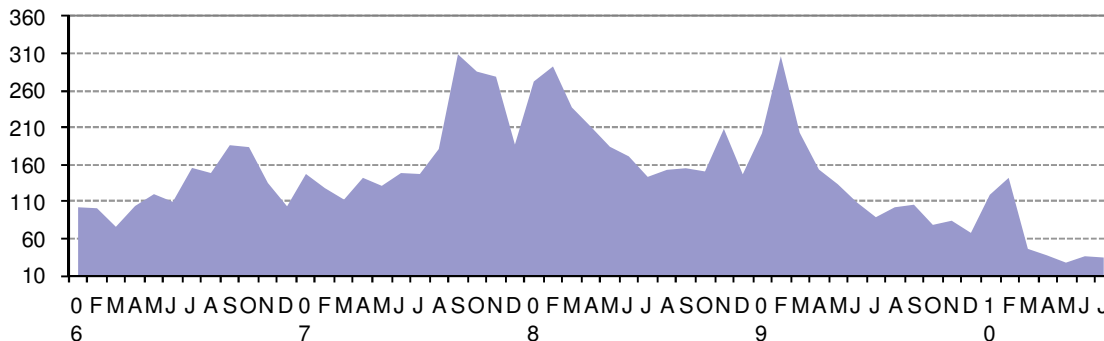
<https://entp.hud.gov/idapp/html/condlook.cfm>.

Trends at a Glance (Single-family Homes)			
	Jul 10	Jun 10	Jul 09
Average Price:	\$654,793	\$721,902	\$669,560
Home Sales:	414	418	430
Pending Sales:	380	478	474
Inventory:	458	481	1,228
Days of Inventory:	34	36	89

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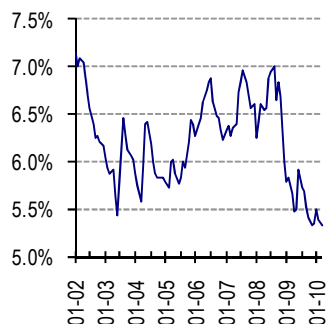
Contra Costa County Homes: Days of Inventory



# The Real Estate Report

## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Jul. 30, 2010 -- With the deceleration in the economy now quantified, mortgage rates stopped falling this week. As prospects for a speedy recovery fade, and inflation pressures bleed from the system, interest rates are less likely to find reasons to rise anytime soon.

Each week for some 30 years, HSH has produced an overall mortgage monitor -- our Fixed-Rate Mortgage Indicator (FRMI). The FRMI includes rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so covers much of the mortgage-borrowing public. This week, the FRMI remained in record-low territory even though it lifted by two basis points (.02%) to 4.92%. For borrowers for whom a long-term fixed-rate mortgage doesn't fit the bill, the next-most popular choice is the hybrid 5/1 ARM, which finished the survey week at 3.92%.

Low mortgage rates produce benefits only to those who can access them -- namely people with incomes, good credit, equity and more. While some can, many more cannot, because they have no job to produce the income needed to participate in today's markets. Untold additional numbers have little or no equity in their

homes and cannot recast their balance sheets through conventional refinancing means.

These two issues -- jobs and underwater homeowners -- are the problems which most need addressing if we are to produce a faster economic recovery. Grandiose health care and financial market overhaul mean very little relative to the problems so many face today, and the regulatory and tax uncertainty inherent in such plans are more than likely serving as additional deterrents to the kind of hiring which would produce a better economic climate.

Until that better economic climate shows, we'll continue to have low mortgage rates and high unemployment, and continue in this stagnant holding pattern.

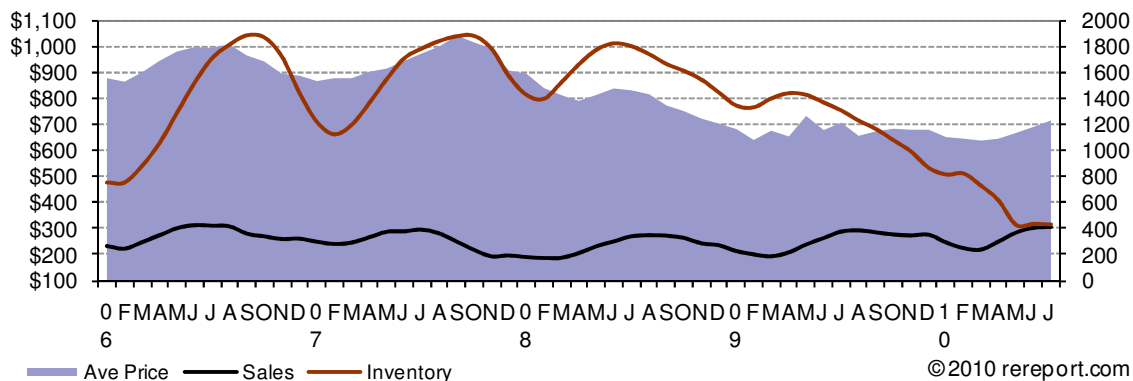
Next week we get all the big first-week of the month reports, including the ISM manufacturing index, auto sales, income and spending, consumer borrowing and the employment report. We'll be looking for bright spots but expect to see few coming, and so mortgage rates have little reason to do anything different than they have in recent weeks -- decline mildly.

## July Sales Statistics

(Single-family Homes)

County	Average Price	Change from last year				Change from last month						
		Sold	Pend.	Inven.	Average	Sold	Pend.	Inven.				
Alamo	\$654,793	414	380	458	-2.2%	-3.7%	-19.8%	-62.7%	-9.3%	-1.0%	-20.5%	-4.8%
Blackhawk	\$1,402,778	9	16	19	0.0%	0.0%	-11.1%	-84.6%	6.7%	-50.0%	-38.5%	-42.4%
Clayton	\$913,725	4	6	8	-15.9%	-20.0%	-25.0%	-89.7%	-29.0%	-73.3%	-53.8%	-46.7%
Concord	\$590,577	13	8	10	-0.2%	-7.1%	-46.7%	-78.3%	3.8%	116.7%	-20.0%	-50.0%
Danville	\$324,581	109	88	95	-1.5%	4.8%	-24.8%	-30.7%	-7.8%	26.7%	-24.1%	-3.1%
El Cerrito	\$929,390	47	48	60	1.3%	-6.0%	-11.1%	-64.9%	-2.5%	-26.6%	6.7%	22.4%
Kensington	\$558,683	14	n/a	n/a	-8.4%	-17.6%	n/a	n/a	4.9%	-22.2%	n/a	n/a
Lafayette	\$1,080,875	4	n/a	n/a	30.3%	-20.0%	n/a	n/a	54.8%	-60.0%	n/a	n/a
Martinez	\$1,016,336	22	25	32	1.8%	-4.3%	-21.9%	-67.0%	-15.2%	-24.1%	-26.5%	-20.0%
Moraga	\$338,366	34	38	39	-5.8%	-5.6%	-25.5%	-67.2%	-11.6%	-20.9%	-13.6%	-27.8%
Orinda	\$951,733	15	5	19	0.0%	0.0%	-28.6%	-47.2%	10.4%	87.5%	-64.3%	46.2%
Pleasant Hill	\$1,078,700	20	17	24	0.8%	-9.1%	-5.6%	-69.2%	6.5%	5.3%	-15.0%	0.0%
San Ramon	\$484,125	28	21	30	-0.2%	-3.4%	-25.0%	-38.8%	-6.6%	-9.7%	-4.5%	20.0%
Walnut Creek	\$743,030	63	74	61	-2.1%	-10.0%	-14.0%	-47.0%	5.5%	5.0%	-7.5%	3.4%
	\$742,942	48	32	60	-0.9%	-5.9%	-15.8%	-62.3%	4.0%	26.3%	-37.3%	22.4%

Contra Costa County Homes: (3-month moving average — \$000's)



# The Real Estate Report

## Double [Dip] or Nothing?

Over the last several months, sales in the California housing market have been leveling out while the median price of homes has stayed over the \$300,000 threshold. Along with reports on weakness in the national numbers and large numbers of distressed sales across the board, the front and center question is: Are we headed for a double dip?

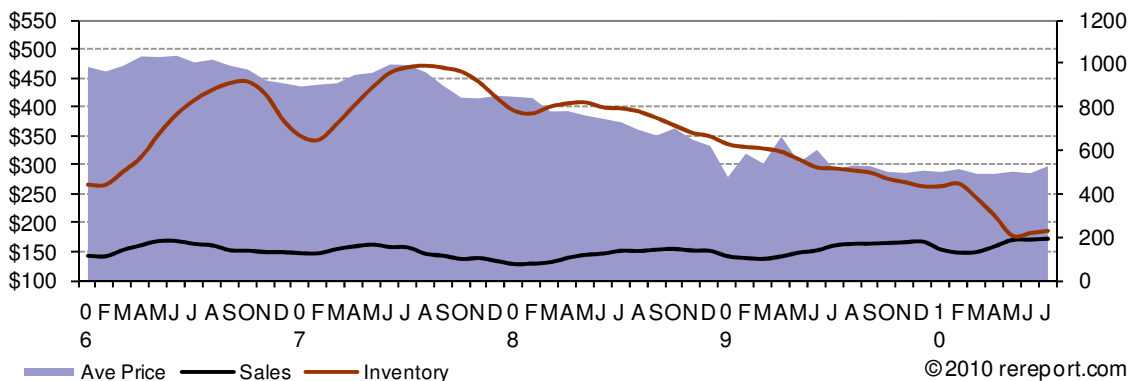
As far as sales are concerned, the pace has been near or above the 500,000 mark for the past two years, which is consistent with pre-peak levels of activity. The seasonally adjusted annualized rate of 492,800 existing detached home sales in June 2010 was down 4.2% from year ago levels and down 11.1% month-to-month. Despite the month-to-month and year-to-year declines, the June rate of sales was well above the trough of 254,650 homes that occurred in October 2007. Given the high levels of affordability compared to peak years, a drop off in sales to trough levels of 255,000 homes seems very unlikely.

As for home prices, the California median price was \$311,950 in June 2010, 13.6% above the year ago median of \$274,640, and up 27.2% from the trough price of \$245,230 of February 2009. While a 13.6% increase from the low point is welcome, the median actually declined over the last two months, causing concerns about a double dip in the median price. The possibility of a return to the \$245,000 range seems remote for the following reasons. First, even at current prices, affordability is more than double the levels of two and three years ago. This should continue to drive demand and prevent a significant decline in home prices. Second, despite recent increases in inventory levels (4.8 months in June) inventory in California was still below the long-run average of 7 months. Historically, inventory levels below that threshold have fueled year-to-year price gains. This would suggest that as long as inventory remains relatively low, prices should remain stable over the coming months, all else being equal.

(Continued on page 4)

July Sales Statistics (Condos/Townhomes)												
County	Average	Change from last year			Change from last month							
	Price	Sold	Pend	Inven.	Average	Sold	Pend.	Inven.	Average	Sold	Pend.	Inven.
County	\$303,845	182	169	229	-0.4%	-4.2%	-17.2%	-56.2%	7.5%	5.2%	-22.8%	-6.5%
Clayton	\$322,800	2	2	6	-10.6%	-33.3%	0.0%	20.0%	-17.4%	n/a	100.0%	200.0%
Concord	\$113,248	33	43	39	1.5%	-10.8%	-18.9%	-41.8%	-4.3%	0.0%	-23.2%	-23.5%
Danville	\$386,233	15	19	16	-1.8%	7.1%	5.6%	-51.5%	-18.2%	0.0%	0.0%	-20.0%
Martinez	\$211,400	5	5	12	5.1%	-16.7%	-16.7%	-47.8%	-13.0%	-61.5%	-44.4%	-7.7%
Moraga	\$484,857	7	3	10	11.1%	0.0%	-25.0%	-60.0%	-8.7%	75.0%	-57.1%	11.1%
Pleasant Hill	\$331,500	10	9	9	-0.4%	-9.1%	-30.8%	-40.0%	11.0%	25.0%	-10.0%	-35.7%
Rossmoor	\$285,200	31	41	49	0.4%	-6.1%	0.0%	-71.8%	2.7%	-3.1%	10.8%	4.3%
San Ramon	\$374,656	39	22	34	-7.2%	-4.9%	-37.1%	-40.4%	-0.3%	25.8%	-40.5%	17.2%
Walnut Creek	\$336,966	38	23	49	-1.4%	5.6%	-23.3%	-55.0%	-3.4%	8.6%	-43.9%	-7.5%

Contra Costa County Condos: (3-month moving average — \$000's)



# THE REAL ESTATE REPORT

## CONTRA COSTA COUNTY

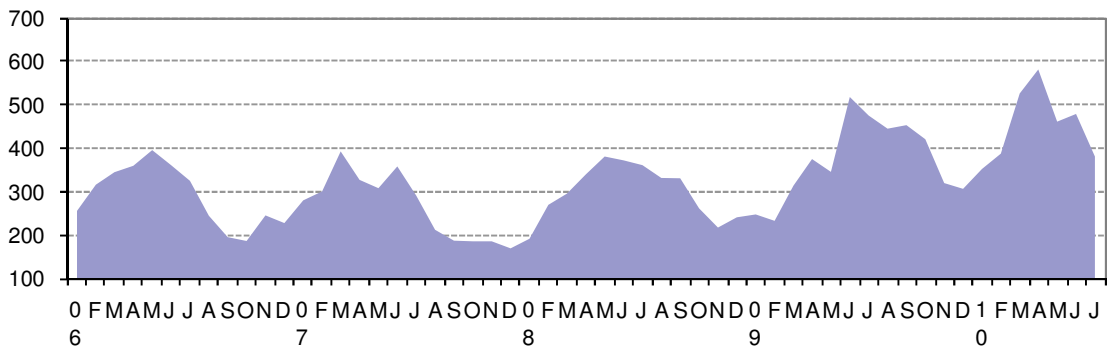


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Go online to see the full report  
with the city by city breakdown:

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### Contra Costa County Homes: Pending Sales



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Collectively, these observations imply that the market should see prices stabilize or edge up over the foreseeable future, yet there is still a lot of uncertainty about the rest of the year. For one thing, it remains to be seen how the housing market will sustain itself now that the federal Homebuyer Tax Credits have ended. Moreover, there are long-standing concerns about a second wave of foreclosures and how it will impact housing market values. Recent changes to the

HAMP loan modification program, including principal forgiveness, and similar changes to the loan modification programs of major banks, along with growing evidence that the California market has shown improvement in recent months, the likelihood the housing market will experience a double dip is small, especially in the San Francisco Bay Area where six of the top ten cities in the state with the highest median prices in June are located: Los Altos, Saratoga, Palo Alto, Los Gatos, Cupertino and Lafayette.