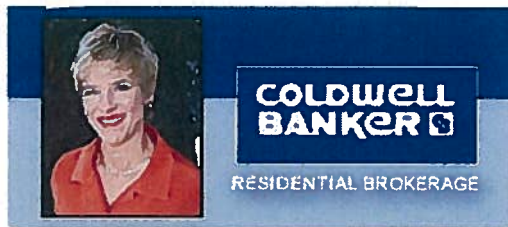




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**More Signs that Housing Market is Stabilizing as New Year**

## Begins

Last year closed on several positive notes when it came to the housing market, and a number of recently released reports suggest we could be seeing the market stabilizing and even gaining some momentum as we begin the New Year.

Noted housing economist Liz Ann Sonders of Charles Schwab said in a recent report that "we're seeing a light at the end of the housing tunnel." The senior vice president and chief investment strategist for the brokerage firm pointed out that the pending-home-sales index surged more than 7% last month to its best level since April 2010.

"At that point, housing was artificially supported by the homebuyer tax credit," she said in her new economic forecast. "The last time pending sales were at the current level without government support was June 2007." Adding to the optimism, Sonders said, was the fact that the latest construction spending report was well ahead of expectations with most of the gains in private housing.

Sonders isn't alone in her estimation that real estate could be bottoming out. In a report released Monday, Clear Capital, a real estate valuations company, predicted that prices in the San Francisco-Oakland-Fremont metropolitan area will remain flat this year versus a 4.7 percent drop in 2011.

The firm said Silicon Valley should see a 1.6 percent increase in home prices, compared with a 2.5 percent drop last year. "This region overall is doing pretty well," Clear Capital research director Alex Villacorta told the *San Jose Mercury News*.

Also encouraging was a report out Thursday that California foreclosure notices and actions decreased by 21.7 percent in 2011, although the state still had the nation's third highest foreclosure rate, according to Irvine-based data firm RealtyTrac.

The positive signals add more evidence that the housing market overall is moving in the right direction as we begin 2012.

Of course, we'll continue to face headwinds. While foreclosures declined sharply last year, the drop was in part due to legal and regulatory issues that prompted lenders to delay action on delinquent borrowers. That "shadow inventory" of distressed homes could come back on the market this year, although it's doubtful we'll return to 2010 levels again.

The jobs picture is improving, although there will be bumps along the road as we saw this week. Weekly unemployment claims spiked last week more than expected after companies let go of thousands of holiday hires.

And while predicting that the real estate market has bottomed, Schwab's Liz Ann Sonders believes the recovery in housing will be a slow and gradual one, similar to how she sees the recovery in the overall economy playing out.

Nonetheless, the economic and housing news in recent months continues to trend higher and offer reason for encouragement that 2012 will truly be a "Happy New Year."

Below is a market-by-market report from our local offices:

**North Bay** – Lack of inventory was the story in 2011, according to our Greenbrae manager. However, several listings are coming back on the market after being on hiatus for Q4, including a number that were put "on hold" and rented a few years back. Marin overall had a strong close to the year, but that strength slowed mid-December and is just now starting to perk up. Our Southern Marin manager says that the number of units sold in all of Marin per the MLS system increased 7.29% versus 2010 while the average sales price decreased 8.57%. We are seeing promising activity with offers being written and some even being ratified. Most offers recently start well below the list price and ultimately have great concessions made on both sides if there is any chance of ratification. The lower end REOs are getting the most multiple offers, as properties are available in Marin at prices lower than they ever have been in years. The northern Marin market is still quite slow going into the New Year. The inventory is still low, with 100 active properties, which have been on the market for an average of 141 days. Both prices and inventory levels are relatively unchanged. By far the majority of activity has been in lower end properties, which are being targeted by "flippers," rather than first-time homebuyers. Condos are averaging an asking price of \$249,000, with an average sold price in this time period of \$255,400 – a sold percentage of 102.6% over asking! Homes are selling right now at an average of 92% of asking price. December is ending with increased and great activity, according to our Santa Rosa

office. Phone/floor calls were strong. In Sebastopol, The majority of the sales remain under \$400k. Offers were being written on Christmas Eve and New Years Eve, which indicates plenty of demand in the market. The challenge is not enough inventory to satisfy demand.

**San Francisco** – The end of year seemed quiet, according to our Lakeside office, but the activity was more than double that in the last days of the prior year. December was a very slow listing month, the Lombard office manager says. You'd think that buyers were on vacation until a well-priced, turn-key home pops up and there're 11 offers. Hoping for a post-holiday listing surge as inventory remains thin. Still 11th hour lending problems occur on many closings. Our Market Street office reports that the last two weeks of the year seemed to indicate that much of the unsold inventory was finally spoken for. Properties that sold in the final two weeks were on the market for an average of 85 days, compared to our final quarter of around 36 days. Inventory diminished significantly toward the end of the year, and buyers saw an opportunity to go out and make deals on unsold property. We also saw a flurry of ratified contracts with very clean terms and buyers desiring to close by year-end, so perhaps tax benefits fueled a last minute surge as we approached 2012. In the Sunset district, it looks like the buyers did not take time off during the holiday season. Sales activities did not drop off during this period but remained very strong. Listing inventory is extremely slow.

**SF Peninsula** — Burlingame agents were busy all through the holidays but waiting for some inventory to come to the market. In the Previews high-end market reportedly there will be some great listings coming on in the next 30-60 days. Across the hills in Half Moon Bay, listings came off the market for the holidays but sellers are looking to re-start the marketing mid-January. Agents were busy the week between Christmas and New Year's as buyers are sensing it's a great time to buy. Our Palo Alto manager reports that the local market is seasonally slow after the holidays. Inventory is very, very low in the local communities – from entry level on up. It has definitely been a holiday market, according to the Redwood City office, with very little activity and low inventory. The San Mateo area market is showing good signs of buyer and sellers interest - more balanced than 2011, the local manager says. Per MLS of the four Hillsborough listings that closed escrow in December only two had a sales price over \$2 million and of the four homes with ratified sales in Hillsborough, only one had a list price over that level. Of the 48 homes ratified in San Mateo, one had a list price above \$2 million. There appears to be pent up demand for higher priced homes not in MLS.

**East Bay** – In Castro Valley, sales activity moved higher during the holiday period while inventory remained steady. Fremont also saw an uptick in activity with 41 ratified offers, 12 of which were multiple offers. The overall market in 2011 in Livermore was stable compared to the previous year with 1,081 closed sales versus 1,091 in 2010. But active inventory is significantly lower than a year ago. Well-priced listings that are in good condition, show well, and in a good location, will receive multiple offers. Our Oakland manager reports that ratified contracts have slowed down throughout the holiday season. Agents are still showing property and are beginning to fill their pipelines with listings and viable buyers for 2012. Inventory is quite low in the Lamorinda area, and the market was quiet lately due to the holidays. And in Walnut Creek, our local manager says that

many listings are selling with multiple offers and inventory continues to decrease. Buyers are out there looking, although there still is a lack of urgency among many.

**Silicon Valley** – It was holiday light, according to our Cupertino office, with both sales activity and inventory declining in recent weeks. A similar story was told by our Los Altos manager, who said agents saw very little activity over the holidays with few buyers out looking and fewer listings coming to market. But in Los Gatos, the typical seasonal slow-down was absent. Agents managed to attend their walk-throughs, sign offs and continue to show and sell properties amidst the hustle and bustle of the holiday season. While most of the San Jose area saw the usual holiday slowdown, the Willow Glen office reports that things were fairly busy with 20 new sales. According to our Saratoga office, the local market experienced its typical holiday slowdown. The agents working are the ones that have deals that need to close by 12/31 and those that are determined to plan for 2012.

**South County** – It was a very busy end of year in South County. Floor activity was busy, with several "come list my house" type of calls. Typically it is quiet in January, and it is proving to be anything but quiet. Lack of inventory is making it more of a challenge to find buyers a home, so multiple offer situations are very common. We are looking forward to a strong start to 2012. Our Morgan Hill office says optimism prevails as we enter 2012. Agents seemed poised to take advantage of stronger buyer confidence as interest rates and prices remain relatively low. New listings are coming on the market and "regular" listings are now outnumbering short and REO listings. With the new optimism comes opportunity—the fact remains that it is still a buyers' market and the time has never been better to purchase a home in South County.

**Santa Cruz** – 2011 is turning out to be much like 2010 in the number of home sales in Santa Cruz County. The closed single-family home sales have tracked about 5% ahead of 2010 all year long until November, when the number fell below the 2010 number by 2%. In 2011 the average closings per month were 124 units for the entire County. Currently there is exactly the same number of homes on the market in November of this year vs. last year, about 875 units. The prices have continued downward with a 24% drop in prices from last year. This is significant. In Santa Cruz County the number of bank owned properties and short sales that continue to occur has had a tremendous influence on the continued decline in prices. Currently the median price in the County is \$415,000, which was the median price (looking back) to February of 2000, 11 years ago.

Lisa Thomas

