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18 Years of experience in Tri Valley Real Estate



The Lyons Tri Valley Real Estate Report
November 2008

Here's a recap of important definitions.

Houses sell for current market value which is described as what buyers have paid recently for similar homes. The prices of houses go up and down strictly based on current supply and demand statistics; supply being how many houses are available for sale, demand being how many houses have sold in a given period of time. All other economic factors ... such as interest rate changes, economic conditions in the area, job creation, unemployment, etc., directly affect supply and demand. By looking at supply and demand statistics you can determine where houses prices currently are at.... and where they will be going in the future.

4 months supply of houses is considered a balanced market. Less than 4 months supply is considered a sellers market; prices go up in a sellers market. More than 4 months supply of houses is considered a buyers market; house prices go down in a buyers market. The less supply of houses available, say 1-2 months supply ... house prices may go up 10-15% per year. Eager buyers bid the prices up and market value rises. When you have a large supply of available houses, say 8-10 months supply, house prices can go down 10% per year. Prices go down because sellers who must sell reduce their asking price until they get a good contract. These lower sales prices then set the new standard for comparables and current market value goes down. One of the main reasons for lower house prices in 2008 is the bank owned REO properties. Banks sell these houses for low prices, these low prices then set the new comparables for home values in our area.

Here is a summary of what has happened in our real estate market for 2008. This foreclosure situation is still the elephant in the room; meaning, the foreclosure situation is so huge, that in addition to dragging down property values, it is dragging down the entire economy in the Tri Valley and Central Valley areas. But there is a silver lining in this. Across all Tri Valley and Central Valley cities, house prices in the lower end of the spectrum are firming up. Lower priced houses in all cities are selling fast as demand for these lower priced REO homes is strong. This is the first step needed, for the real estate market to recover and this is exactly what is currently happening. Houses in the lower price ranges in Livermore, Dublin, San Ramon, Tracy, Mountain House, Manteca, Lathrop, Danville, and Pleasanton are selling quite nicely. In 2009 the number of foreclosures should be reduced as Federal bailout, state bailout, and lender assistance will slowly be put into play. Bad loans from the failed Indy Mac bank are currently being refinanced, by the government, at up to 3% points below the homeowners old mortgage rate. Slowly, but hopefully surely, the correct steps to fix this are being taken. So the foreclosure situation should, (and the key word here is should) generally improve as we move through 2009.

What does this mean for those of you who want to buy and sell homes?? Read on...

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Here are the facts as of November 2008.

Area	Total Houses Available	Pending last 30 days	Months Supply
Livermore	421	83	5.1
Pleasanton	309	36	8.6
Dublin	186	44	4.2
San Ramon	294	55	5.4
Danville	247	39	6.3

The months supply figure is calculated by dividing the average pending sales over the past month (30 days) into the total available supply. These figures represent resale house figures only, they do not include new home supply.

House prices will stabilize once the months supply figure is reduced to a 4-5 month level. Before that happens we need to see the market start to transitionto a more balanced market.

Overall, house sales have slowed since Spring and Summer of 2008. Part of this is seasonal as house sales slow as we get nearer the holidays But the main reason for the overall slow-down is the state of the economy, the collapse of the stock market, and the fear and uncertainty that buyers now feel about purchasing a home. For home sellers it continues to be tough going, as generally, the only thing that they can do to get their home sold is to continually reduce the asking price of their property until it sells. For buyers, with the number of bank owned houses on the market, it continues to be a wonderful time to buy. For those buyers and investors with foresight It is probably one of the best times in the last 30-40 years to build a real estate portfolio that will make you very, very, wealthy once this situation starts to turn around. (And it will turn around, for the better, within a couple of years...) We continue to have outstanding opportunities to purchase and invest. Please email me for more info. Low priced houses, duplexes, and four-plexes, out in the Central Valley cities of Tracy, Manteca, Mountain House and Lathrop are currently selling at extremely fast rates.

Here is a more detailed breakdown, by city, by price range.

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Area	Houses Available	Pending last 30	Months Supply
Livermore			
\$300-\$500K	181	50	3.6
\$500-\$750K	112	15	7.8
\$750-\$1M	59	7	8.4
\$1M+	51	0	51.0
Pleasanton			
\$400-\$750K	103	20	5.2
\$750-\$1M	49	2	24.5
\$1M-\$1.5M	49	4	12.3
\$1.5M+	65	6	10.9
Dublin			
\$300-\$500K	90	24	3.8
\$500-\$750K	57	12	4.8
\$750- \$1M	31	4	7.8
\$1M+	11	3	3.7
San Ramon			
\$400-\$750K	109	31	3.5
\$750-\$1M	86	14	6.1
\$1M-\$1.5M	33	5	6.6
\$1.5M+	20	1	20.0
Danville			
\$400-\$750K	61	13	4.7
\$750-\$1M	62	13	4.8
\$1M-\$1.5M	66	5	13.2
\$1.5M+	56	2	28.0

As the facts clearly show ... lower priced houses are selling fine ...high demand...not a ton of inventory. Higher priced homes continue to struggle. Email me at realestate@tomlyons.com with your questions.

Thanks for reading.

Tom