

Tom Lyons—Real Estate Consultant
925-216-1105
realestate@tomlyons.com
17 Years of experience in Tri Valley Real Estate



The Lyons Tri Valley Real Estate Report
September 2008

Hi Everyone!

There will be no real estate numbers in this months real estate report. Instead, I'd like to give a quick summary of the real estate facts for September 2008, followed by a conversation of the dynamics that are shaping the real estate market here in the Tri Valley.

The numbers and facts for September 2008 are basically the same as those discussed in July and August of this year. In the lower prices ranges Say from \$300K to \$500K ... supply is low, on average 3-4 months supply. Low prices driven by bank owned REO's and short sales have increased buyer demand and many of these lower priced homes continue to sell quickly. When banks put out houses at attractive prices Well, there are buyers by the dozens waiting in line to snap them up. First time homebuyers are the main driving force behind this. Lower home prices means that houses are now more affordable than they have been in 8—10 years.

In the middle price ranges, say from \$500K to \$1M ... there is approx a 5-6 month supply of homes in our Tri Valley cities. If the house is priced low (in the buyers mind) they sell quickly. Bank owned REO's are driving this market also.

In our higher price ranges ... say \$1M and higher, sales continue to be sluggish. But once again, the buyers out there are waiting for the best deals ... and when a house is priced below current market value (CMV) ... it tends to sell quickly. But for most of the higher priced homes ... there is a 9-12 months supply available. This means that prices on these higher homes is continuing to drop.

The real estate dynamics that have been shaping this market, and will continue to do so for the foreseeable future, is of course, these heart wrenching, complicated, headline grabbing foreclosure situations. Bank owned properties taken back in foreclosure, and short sales where sellers owe more on the property than the house is worth, continue to dominate the real estate landscape.

Approximately 60% of the present day sales involve a home in some stage of foreclosure.

There is good news, however in all of this

Tom Lyons—Real Estate Consultant
925-216-1105
realestate@tomlyons.com
17 Years of experience in Tri Valley Real Estate



***The Lyons Tri Valley Real Estate Report
September 2008***

The good news is that this increased buying activity, at the lower end of the market, is the first real step towards a recovery for real estate here in the valley.

Why is this the first real step towards recovery in our local real estate market?

And how will this recovery work?

Say that the guy who owns the \$1M dollar house wants to sell it. Who's the buyer? The buyer is the guy in the \$700K house who needs to sell his house first. Who buys his \$700K house? The family in the \$500K house that just had another baby and needs more space. Who buys this family's \$500K house? The young family that has the \$350K starter house.

This is how the process works. The starter homes ... the homes bought by first time home-buyers ... are the ones that need to sell first. This jump starts the entire process, so that the more expensive homes sell as well. So increased sales of entry level homes is the first key towards real estate recovery. This is how it works. Every time we have had a real estate slowdown in the past it has been the increase in sales at the starter home level that has helped speed up any real estate recovery.

The second part of the puzzle is this. Before the young family in the starter home can trade up in houses They need for their house to appreciate in value so that they have the equity needed to buy a larger home. So house appreciation is necessary before the entire local real estate market can benefit.

When will this home appreciation start again? Once we work our way through this entire foreclosure situation. House prices, in our cities, will not appreciate in value while bank owned REO's hit the market at such low prices. Plus, interest rates need to stay at low levels so that house payments are affordable.

Once the Federal housing bill becomes effective in October 2008 and once the presidential elections are concluded, we should start to see more improvement to this entire foreclosure mess.

Tom Lyons—Real Estate Consultant
925-216-1105
realestate@tomlyons.com
17 Years of experience in Tri Valley Real Estate



***The Lyons Tri Valley Real Estate Report
September 2008***

Here are the opportunities that the current real estate market present to us here in the Bay Area and especially here in our Tri Valley area.

Because of the number of REO's and short sales, it remains a wonderful time to purchase a home. The opportunities have never been better for first time home buyers, or for real estate investors. This window of opportunity, for buyer, will close, probably in 2009 as by then we will have worked our way through the majority of this foreclosure mess.

I hope you find this report helpful. If you know of someone who would like to receive this report please email me at realestate@tomlyons.com. I plan to update this report and send it out on a monthly basis.

If you have any questions about the foreclosure process, please email me at realestate@tomlyons.com

Thanks for reading.

Tom