



THE TREND!

California	
Median Price	Date
\$306,820	12/09
\$304,520	11/09
\$283,060	12/08
Sales change Prior Month 4.0%	
Sales change Prior Year 1.7%	
Sacramento	
Median Price	Date
\$189,140	12/09
\$188,480	11/09
\$181,660	12/08
Sales change Prior Month 14.5%	
Sales change Prior Year -15.0%	
Source C.A.R. Research Dept.	

SACRAMENTO

Ph: 916.675.1177

Fx: 916.405.4470

BAY AREA

Ph: 510.344.0024

HOUSTON

Ph: 713.952.6092

Fx: 281.668.5002

## The No Principal Reduction Mantra

In this New Year, the continuation of the market pulse from last year is ever present. The market is showing so many conflicting signals that we have to digest several sources of information to have a better handle on the direction of the market.

For instance, new home sales fell unexpectedly by 7.6% last month, bringing to an end one of the industry's weakest year on record. The Commerce Department said December sales fell to a seasonally adjusted annual rate of 342,000 from a revised November pace of 370,000.

On the contrary, home prices rose for the sixth straight month in November with 14 of 20 metro areas posting improvements from the month before, mostly due to tax credits. Interestingly,

prices are still 30% below their May, 2006 highs.

Mortgage rates in 2010 are expected to rise due to the Fed's impending expiration of purchase of mortgage-backed securities, which reduced interest rates in 2009.

Accordingly to the National Association of Realtors, sales of previously occupied homes fell almost 17% in December, the largest monthly drop in 40 years.

With 1 in 3 homeowners underwater or owing more on their mortgage than their house is worth, there is more work to be done to rebalance the real estate market.

And the job market is still very bleak, so it is very unlikely to witness any significant recovery, other than a stabilization in the market in the current year.

This brings us to the title of the article. The current position of the Obama administration is non-support for any reduction in principal owed on house mortgages, according to a release from the administration on January 20th. The current program has exclusively focused on reducing mortgage payments through interest rate reductions and changes to loan terms. But most state officials and experts has contended that principal balances need to be brought in line with current home prices to forestall foreclosures since 70% of modified loans result in increased principal amount.

With several moving parts, to successfully calibrate a soft landing of the real estate market, addressing issues raised herein is imperative.

*Al Som-Any, MBA, Broker*

## Real Estate Update..Upward Trend in Prices

In our September 2009 article, we stated that the bottom of the real estate market was reached in the second quarter of 2009, please see the article here; [www.washingtonreal.com/Newsletter](http://www.washingtonreal.com/Newsletter).

The recent article in the Wall Street Journal (WSJ) and our investigation with recent list-

ings and sales support our assertion. According to WSJ, California's Unsold Inventory Index (UII) shrank to 5-year low at 3.8 months in December 2009 from 5.6 months in December 2008. for existing single family homes. Our investigation into high foreclosure areas in Sacramento county such as Natomas and Elk Grove areas, show that in

the former area, houses sold an average of 37 days in December, 09 compared to over the 60 days a year earlier. WSJ states that median price of single-family homes rose to \$306,820, an 8.4 % rise year-over-year. Multiple offers are so common that bidding wars has started once again due to low interest and reasonable home prices.

*Al Som-Any*

