NEWS ON
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THE TREND!

California	
Median Price-SFH	**Date**
$294,230	**07/11**
$295,210	**06/11**
$318,550	**07/10**
Sales change Prior Month -4.1%	
Sales change Prior Year 4.5%	
Sacramento	
Median Price - SFH	**Date**
$168,060	07/11
$165,850	06/11
$186,180	07/10
Sales change Prior Month -8.9%	
Sales change Prior Year 15.6%	
Source C.A.R Research Dept.	

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Next Issue:

Should you Pay less Property Taxes?

Can First-time Homeowners Move Up?

Many pundits and interested persons have been asking what has seemingly been a simple question, "Can first-time homeowners move up the ladder of home ownership?" This question has many implications in today's real estate market, especially since our last article touched on the rental market, which has been strong. For many home buyers over the past five years, equity or lack thereof has been especially an acute problem. In this article we will examine some of the glaring issues posed, and their effect on the current market

It used to be that first-time home buyers, stayed in their homes and with an average increase of 3-4% equity build-up, they could sell their home and move to a bigger and/or better home in five years using equity from their sale. Since 2006, this foundation that was relied on by most home buyers has been put under intense pressure, and in most part set aside. These home owners are now staying in their homes, looking outwards as their "investments" sit idle doing little to their financial portfolio, and in some part derailing it. This situation has the stalling and cascading effect on home sales, and especially as prospective first-time entrants to the market see the futility of home ownership. And on the higher end of the market, these home owners who want to downsize, relocate or retire see few move-up buyers, since the middle and bottom of the market see little movement.

With high unemployment, there are fewer buyers for all homes along the spectrum. Those currently employed are quite nervous to make any drastic moves such as either buying a new home, or making a move-up purchase, when they can sit still and watch how the economy turns out.

The foreclosure debacle, see our June article here, http://is.gd/fYqSY makes the problem even more severe. As more homes flood the market, the depression of current home prices become inevitable. In Bloomberg News report on August 24, see link, http://is.gd/4tR1hr the second quarter of the year ended up with 5.9% erosion of home value. One would think that with historically low interest rate (in the low 4%), and low home prices many buyers will jump back into the market, but not so. Recently, most financial analysts have been advising their clients to buy real estate. Check out the Smart Money online article, on this page, http://is.gd/IVEvBW for more information. One of the few bright spots in the market is the activity of investors who are seeing the value of low interest, low prices and higher rents. Even the government is considering renting some of the Fannie/Freddie homes instead of diluting the market with more homes.

Another conceivable problem for the peril faced by especially the first-time home buyer, and the real estate market as a whole, is very stringent credit requirement, with banks so nervous to lend. Most buyers face endless task of proving their credit worthiness. At a recent Bank of America short sale symposium which I attended, the bank claimed that due to the likelihood of buying back the loans they make, they take meticulous steps to make sure they can resell the loans to Fannie/Freddie. I see few judicious business people who will argue with that assertion, but it is a big drag on the market.

With these momentous problems, I see more employment as the single most effective panacea. Until then, most first-time homebuyers in particular, and the general homeownership will be seeing difficulties in moving real estate properties. But least we forget, when one does the rent/own analysis in several parts of the country, it is leaning more to home ownership.

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