



REAL TALK



SPRING 2010

MENTAL EQUITY VS. DOLLAR EQUITY

I am so glad that it is 2010!!! You can stop looking in the rear view mirror to see if that huge boulder that was threatening to mow you down last year has been stopped in its tracks. This boulder is now resting, in the event this close to the bottom manifestation turns out to be false. We are definitely bouncing along the bottom...this is a cautious call however as doomsayers are still predicting prices going even lower.

Let's take a look at what transpired the last 12 months so we can see how we arrived at this moment...and my declaration. As we crawled through the holidays a year ago and the calendar turned to 2009, people were frozen in their tracks. The constant media blitz warning us of the severe economic downturn, banks failing or combining and auto makers begging the government for bail-out money, retail chains closing and people losing jobs...YEEKS and you want to buy a house! People were hoping that as the new President took office that overnight things would be better. It just could not happen that fast. Sellers felt the rug pulled out from under them as the instability in the economy had drastically affected their plans to sell and move forward. Buyers, that still had their jobs intact, were fearful of spending and retreated. *Very tough to make a deal!*

How did this look from a statistical point of view? The dramatic picture of what happened last year going forward is categorically confirmed when looking at the actual sales volume statistics looking at the \$5 Million Dollars + category (West Los Angeles). Here is what you have:

Sales Volume, \$5 Million Dollar + (West L.A.)

2009: 143 Properties Sold

(9.5% decrease in volume)

2008: 158 Properties Sold

(40% decrease in volume)

2007: 262 Properties Sold

(24% increase in volume)

2006: 211 Properties Sold

(2% increase in volume)

2005: 207 Properties Sold

The market peaked (sales volume) in 2007 and then experienced a dramatic decrease in 2008. The market data now suggests that the rapid decrease in sales volume experienced in 2008 has now begun to slow. The market data in for the first two months of 2010 currently indicates a sales volume increase of 25% (with 14 pending sales yet to close).

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Have we have turned a corner? Since November 2009, homes in all Westside markets have been selling. The Sellers that previously had just 'Mental Equity' as their basis for pricing were able to look at sales activity that was not available this time last year. Today, there are recent sales to back up brokers' pricing for new purchases or new listings. That is not to say that we are not struggling with finding 'TRUTH', but today there are more stats out there to establish accurate values. YTD we are running 25% ahead of same time last year in sales volume. That is real!!

It is for sure that many Sellers have "Mental Equity" instead of "Dollar Equity" in their home. They are the ones that have excluded their house from the rest of the market as they declare 'they don't have to sell' and their house offers more than the guy next door! But those folks are getting fewer and fewer as transactions and therefore comparables are returning to the landscape. The *emotional stimulus package* for Buyers to step out and buy has definitely advanced in the last 60 days. There is an obvious trend happening. Now, I am not talking BOOM or anything remotely close to that, but I am seeing confidence in prices and Buyers feeling they are getting good deals after being side-lined and patient over the last year while the market was floundering.

I don't want to be misleading however. Statistics say that market time for a house to sell is 5 ½ months, but if a house is well-priced there is a Buyer that is there and ready. One critical element to the equation that has created an additional layer to buying and selling today is that getting a loan has become an art form, another word for difficult. Anyone buying a house today better have a seasoned professional handling their loan package and real estate transaction. Today's loan package is documented with tax returns and more. Expect your appraisal to have a second review. The lenders are go-go to loan, but only if the sun, moon and stars line up.

I am convinced, with the prices stabilizing and the bloat really off the high end, we will see more and more people try and move. There is pent-up demand and it is a time to take advantage of the pressure on some to sell. My recommendation, go out write offers, don't take it personally if you get rejected, you have heard 'NO' before. One of the times you make the try, however, you will find a Seller that is out of their 'Mental Equity' mode and they will make the deal. Don't miss your opportunity...it is a great time to be Buyer!