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Real Estate in 2009 - What's in Store for the New Year?

By Val Cook-Watkins



Val Cook-Watkins, Manager of Coldwell Banker Residential Brokerage's Orinda offices, provides the above tips. A 30-year real estate veteran, Watkins oversees a talented team of 78 real estate professionals in the East Bay. Her offices are located at 5 Moraga Way and 2 Theatre Square, Suite 211, in Orinda. She can be reached at 925-253-4600 or by e-mail at vcookwatkins@cbnorcal.com.

2008 was a year of ups and downs for the Lamorinda real estate market. Because of the desirability and strong fundamentals of our market, we certainly fared better than many other parts of the Bay Area, the state and the nation. But we certainly weren't immune from the challenges facing the nation's struggling economy.

So, the question on the minds of many is what's in store for 2009? Much of the real estate prognosis is dependent on the state of the financial system in general and real estate finance situation, in particular. The fact is, we really can't find solid traction until the financial markets stabilize. Many experts are predicting that once the fiscal stimulus package and aggressive action by the Federal Reserve kick in, the economy is likely to improve.

The California Association of Realtors has forecasted that the median home price in most areas will decline slightly next year while sales of existing homes will continue the rise as buyers take advantage of more attractive pricing. Statewide, the organization is predicting a 6 percent price decline compared to last year, but a 12.5 percent increase in sales. Many leading economists believe we will remain in recession through the first half of the year, and then begin a gradual recovery in the second half.

So what does all this mean for the local housing market? I'm cautiously optimistic that a rebound in the local market could happen this year. There are several reasons why I say that:

- Dropping Interest Rates - Interest rates are falling to their lowest levels in perhaps 50 years. Mortgage rates have dropped into the 4-5 percent range in many parts of the country, which will likely spur increased home sales.

- Improving Affordability - Because of lower prices and interest rates, more people can afford a home. CAR reports that 53 percent of the state's households can afford to buy an entry level home in California, up from 24 percent a year ago.

- Government Intervention and Job Creation - The government is currently looking at a number of options including tax benefits, home ownership credits, subsidies or interest rate stabilization, to spur the housing market. President-elect Obama's economic team is developing an economic recovery plan with an ultimate goal of creating at least 2.5 million jobs.

- Slowing of Distressed Properties - CAR expects sales of distressed properties to peak in early 2009, which would help stabilize the overall market and home prices. Federal and state action to mitigate foreclosures should help more homeowners avoid losing their homes and prevent more fire-sale prices on the market.

- Advantages of Lamorinda - The fundamentals of the Lamorinda market are solid: great schools including higher education, a strong sense of community, beautiful weather, outstanding quality of life, close proximity to San Francisco, excellent public transportation, access to many cultural opportunities, and some very well priced homes!

If you are considering buying a home, now may very well be the time to get into the market while mortgage rates are low and prices affordable. And if you are considering selling, more so than ever you need a qualified Realtor(r) who can assist you in marketing your home.

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