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Increased Demand, Tighter Inventory at Entry Level

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Increased demand from first-time homebuyers motivated to purchase a home before December 1 to qualify for an \$8,000 federal income tax credit and fewer bargain-priced bank-owned properties on the market in Contra Costa County pushed home prices slightly higher in 21 of 27 communities during the fourth quarter of 2009, according to a report by the research division of Prudential California Realty based on an analysis of MLS data.

Countywide, the median price of a home sold in the fourth quarter increased by 5 percent from \$344,434 in the third quarter to \$362,467 - 11 percent higher than the fourth quarter 2008 median price of \$325,761. This higher median price and a continued decline in the average number of days a home was on the market before sale provided further evidence that the Contra Costa County existing home market is stabilizing, and that the supply of bargain-basement REOs has largely been depleted.

Locally, Antioch, Bay Point, Clayton, El Sobrante, Hercules, Oakley, Pinole, Pleasant Hill, Richmond, San Pablo and San Ramon reported increases in the median sales price for the third consecutive quarter. Quarter-over-quarter median price declines were confined to higher-priced Alamo, Danville, Kensington, Orinda and Walnut Creek. On an annualized basis, only five local markets (Bay Point, El Sobrante, Moraga, Oakley and Richmond) experienced flat or increased prices, with the remainder reporting annual declines in the single or low double-digits.

Countywide, 2,980 homes changed hands, a 10 percent drop from the third quarter and 15 percent below the fourth quarter 2008 total, when 3,524 homes were sold. Top-selling markets in the third quarter included Antioch (428 sold), Brentwood (308 sold), Richmond (304 sold), Concord (283 sold) and Pittsburg (234 sold). Sales were up year over year in 15 markets, with the largest percentage increases in higher-priced communities where foreclosures are beginning to play a role.

"Looking ahead, homebuyers can expect continued competition in most communities as low interest rates, the extension through April 30, 2010, of the \$8,000 federal tax credit for first-time homebuyers, and a new \$6,500 tax credit for current homeowners who trade up before April 30 provide motivation to buy now," says David Gardner, managing director of Prudential California Realty. "Expect short sale offers to be accepted in greater numbers as banks seek to avoid the cost of holding REO properties."

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