



## Perna Properties Group December 2007

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### Featured Property



MLS#: 06625069

City: Libertyville

Beds: 5

Baths: 3

Price: \$624,900

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### Waiting Room

by Lawrence Yun, Vice President, NAR Research

Several positive developments in the credit market will pave the way for improving housing market conditions going into 2008. The worst of the credit crunch concerns we saw in August are clearly over. A bold move by the Federal Reserve in cutting the federal funds rate by 50 basis points helped liquidity. Even more importantly, the Fed's action bolstered the confidence of financial investors that the Fed will not permit a freezing of credit in the marketplace. Consequently, markets have settled down and mortgage rates are now more favorable compared to those in August.

But it's interesting to note that credit in the conforming loan market (those loans under \$417,000 and those that meet the guidelines of Government Sponsored Enterprises like Freddie Mac and Fannie Mae) has been widely available throughout the recent crisis. It was the jumbo loan market that was particularly hard hit, with the spread over conforming loans rising to over 150 basis points, rather than the historic average of 20 to 30 basis points. The spread as of early October

#### U.S. Economic Outlook

In spite of high inventory, home price declines have been modest. In fact, more than half of the metro areas posted price gains over the last year.

#### The Forecast:

One reason underlying recent home price gains in some areas and minimal losses in others is the fundamentally sound economy.

### FSBO transactions remain at record lows according to latest NAR survey.

The 2007 NAR Profile of Home Buyers and Sellers released last week found that the level of for-sale-by-owner transactions remains at a record-low market share of 12 percent, the same as in 2006. The level of FSBOs has declined since reaching a cyclical peak of 18 percent in 1997. Four out of 10 FSBO properties were not placed on the open market – 39 percent were “closely held” between parties who knew each other in advance, such as family or acquaintances. Factoring out properties that were not placed on the open market, the actual number of FSBOs is 7 percent – the rest are unrepresented sellers in private transactions. Other survey findings:

- 79 percent of home buyers and sellers used a real estate professional, up from 77 percent over the past three years.
- Nearly nine out of 10 buyers were very satisfied with their agent's knowledge of the process.
- More than eight out of 10 sellers and nearly nine out of 10 buyers would definitely or probably use the same agent again or recommend him or her to others.
- 82 percent of home buyers who used the Internet to search for a home purchased through a real estate agent (in contrast with 65 percent of non-Internet users, who were nearly twice as likely to purchase directly from a builder, or more than three times as likely to buy from an owner they knew before the transaction).

### Some More Interesting Quotes

“There are large local variations, but for the nation as a whole, closed transactions in the fourth quarter will be their weakest in seven years. The subprime loan bust, the still not-back-to-normal



## Brighter Days Ahead

One principal reason underlying those price gains or minimal price losses is our fundamentally sound economy. The unemployment rate is low at under 5%. Job gains continue with 110,000 additions in September on top of 89,000 job gain in August. (The initial read of August job creation showed a net loss before being revised to that 89,000 positive figure.) Over four million net new jobs have been created in the past 24 months -- the time period since home sales began to decline. Recall, the last cycle when inventory rose to comparably similar heights was back in the early 1980s and early 1990s, both corresponding to years of job cuts. The current high-inventory condition is unique in that respect and untested in history.

.....the economy will grow a bit faster next year. More active economic activity will not necessarily mean a higher inflation. In fact, inflation is projected to decelerate – from 2.8% this year to 2.4% in 2008. That is good news because inflation will be the key in holding down rates on 30-year mortgages. The Fed interest rate cut helped with adjustable rates, home equity loans, and in lessening the burden on re-setting rates. But the Fed does not have direct control over 30-year rates. Rather it is the expectations for inflation that truly impact those rates. With inflation coming under better control, mortgage rates will remain low.

providers to assist them help in aiding their mortgagors in financial stress avoid foreclosure. My position is as a Loss Mitigation Consultant – I work with the financially stressed homeowner and his mortgage servicer to find an avenue avoiding foreclosure; preferably one where the homeowner maintains his ownership.

FYI: Come March of 2008 Fannie & Freddie will require a FICO Score of 720 for a conventional mortgage loan that today requires a score of 680.

All Real Estate Markets are **local**. We read or hear of the bad sales situation Residential Real Estate is in and it is true, but not everywhere. Florida and California lead the nation in the local residential real estate market downturn by far. Existing residential real estate sales in Illinois are down too, but much less. Sales price in Illinois is up 1.6% to down 6% from 2006 depending on what local market in the state you look at. My chart on the “Standard Home” does not look good through November. But of course this is the “down” season for Real Estate here. I still think that existing residential sales will be slightly up next year, but new housing sales will continue down and will continue bringing downward pressure on existing home sale prices. Our 4<sup>th</sup> quarter is looking very weak.

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### HOMES SOLD IN GREATER CHICAGOLAND AREA NORTH\*:

STANDARD HOME = Detached single family 4 bedroom, 2 1/2 baths, basement & 2 car garage.

As of 11/30/07:

MONTHS AGO	24	12	9	6	3	2	1	12 Month Trend
# SOLD	3,904	1,659	1,274	681	182	90	12	↓
TIME to SELL(days)	113	139	135	142	165	178	163	↑
SOLD \$	\$456,628	\$461,611	\$466,018	\$455,404	\$420,930	\$416,456	\$462,058	↓
FINAL ASK \$	\$484,313	\$480,584	\$484,704	\$475,300	\$438,401	\$431,369	\$453,854	↗
CHNG TM TO SELL	-	26	-4	7	23	13	-15	↑
% CHNG TM TO SELL	-	23%	-3%	5%	16%	8%	-8%	↑
CHNG SOLD \$	-	\$4,983	\$4,407	-\$10,614	-\$34,474	-\$4,474	\$45,602	↓
% CHNG SOLD \$	-	1%	1%	-2%	-8%	-1%	11%	↓
# SOLD PER MONTH	163	138	142	114	61	45	12	↓
# CURRENT LISTINGS							1,126	
# MONTHS SUPPLY	6.9	8.1	8.0	9.9	18.6	25.0	93.8	↑
	11/05-11/06	11/06-11/07	3/07-11/07	6/07-11/07	9/07-11/07	10/07-11/07	Nov-07	

\*MLS Areas Barringtons, Elgin, Chicago Area North, North Shore, and North West Regions & Lake County.

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