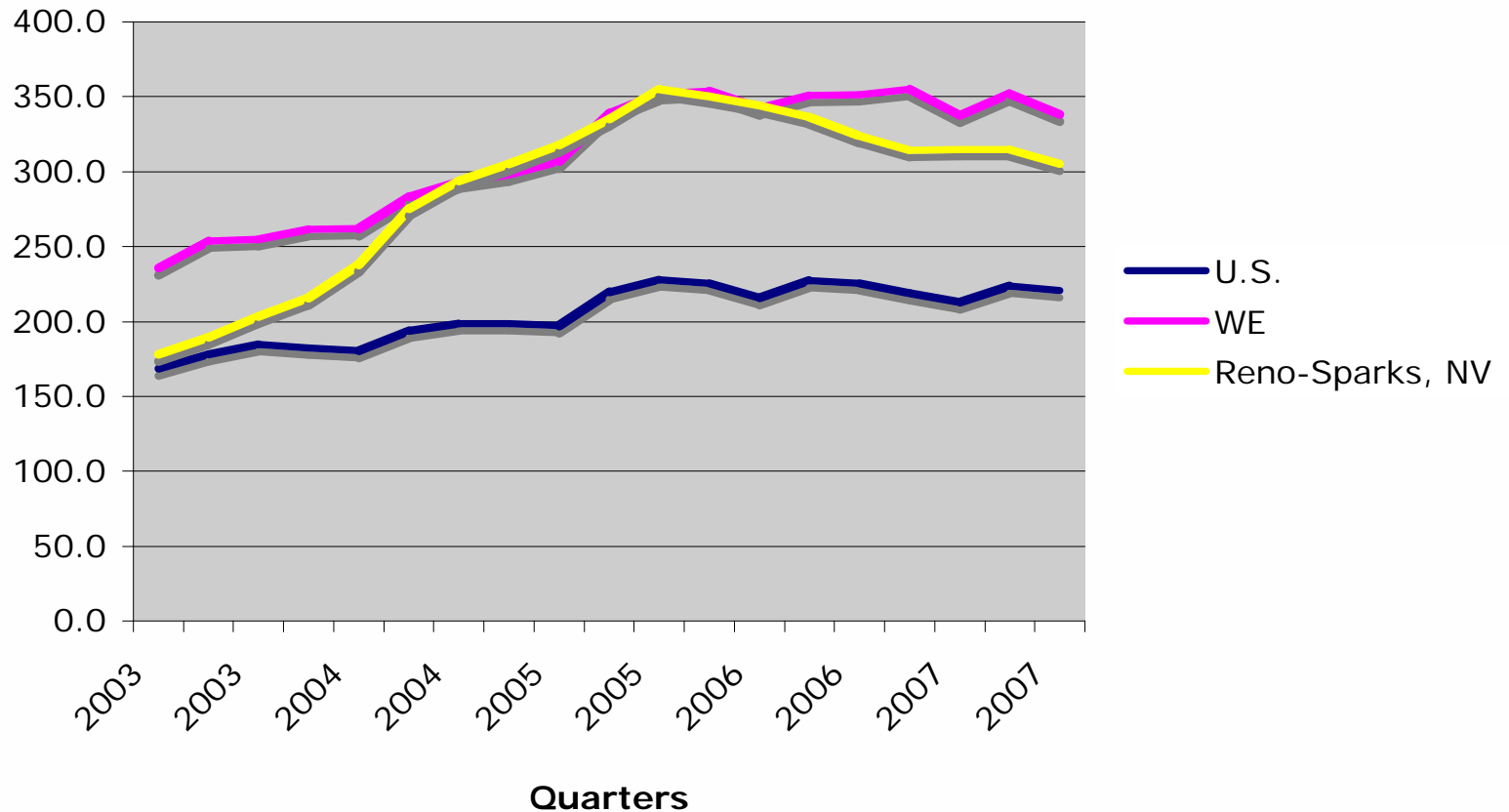


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# An Overview of Median Home Prices

# National, Western & Reno/Sparks Median Home Prices: 2003 - 3rd Quarter 07.



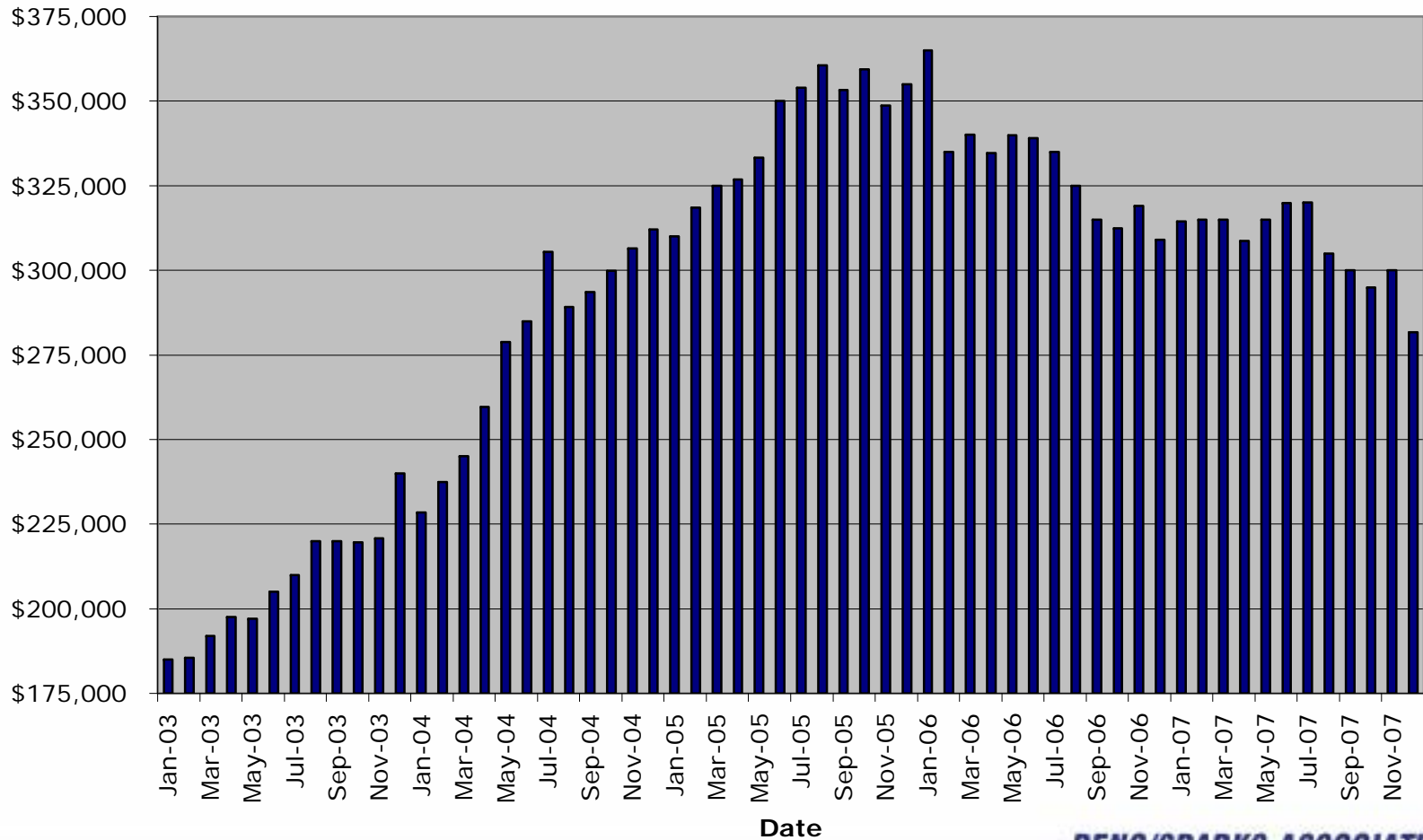
# The History of Median Home Prices in Reno/Sparks.

To put our market into perspective:

From January 2003 to January  
2006: 100% increase in median  
price for Single Family Dwellings in  
Reno/Sparks.



# Reno/Sparks Median Home Prices: Jan 03 - Dec 07.



Source: Reno/Sparks MLS, SFDs

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# A recap of median home prices for Reno/Sparks:

January '03:	\$185,000
The peak - January '06:	\$365,000
Now - December '07:	\$281,750



# The Positive Glimmer.

September 2006  
Today

\$315,000  
\$281,750



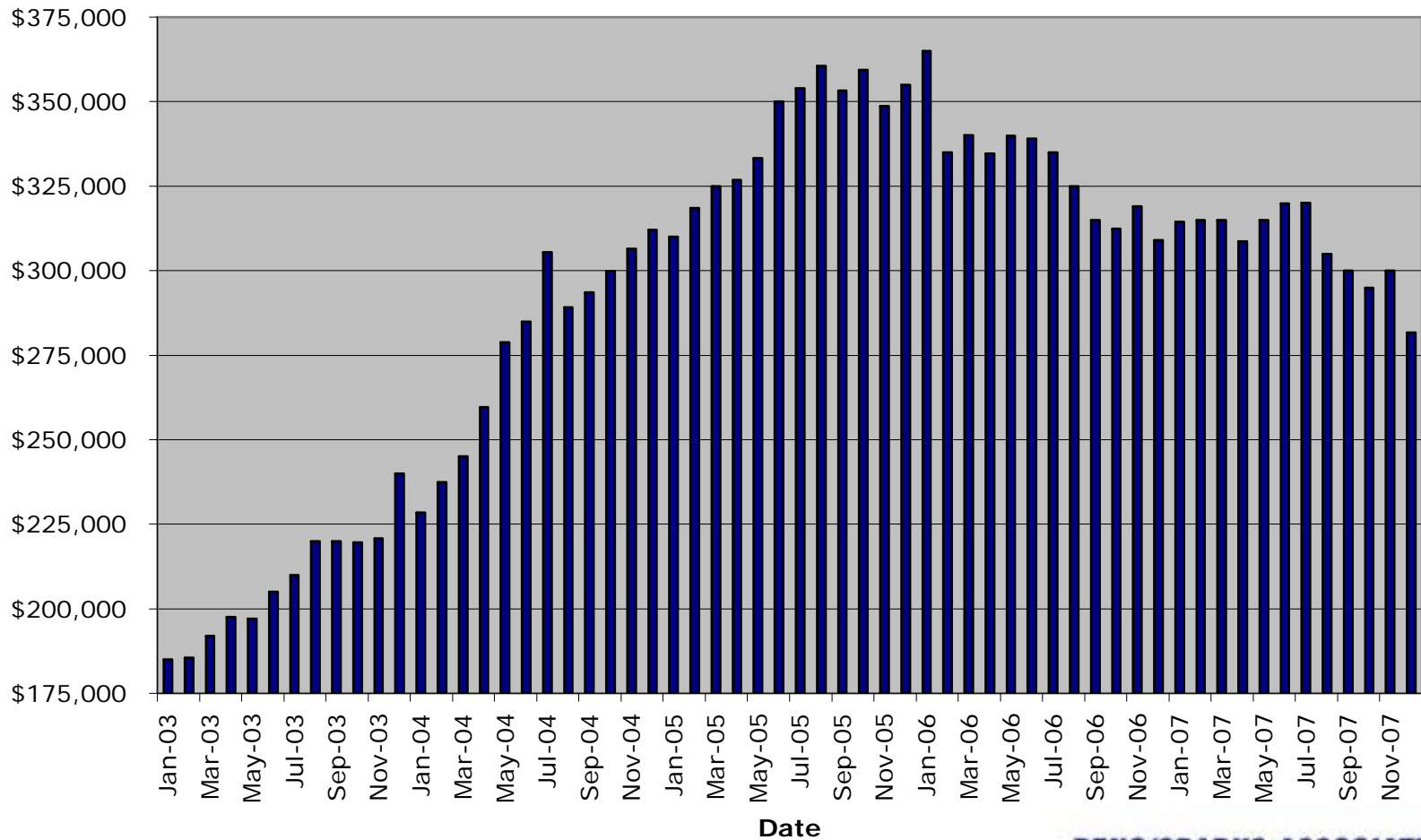
The bell curve's downward slope is starting to flatten a bit.

# Going Back in Time.

If you wanted to go back in time to get the prices you are getting today, you'd have to go back to spring of 2004.



# Reno/Sparks Median Home Prices: Jan 03 - Dec 07.



Source: Reno/Sparks MLS, SFDs

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# Inventory on Market

# Average Days on Market.

- New Cumulative Days on Market has been tracked only since October 2006.
- As of December 31, 2007, the average days on market were 137.



# Months' Supply on Market (MSI): Dec 06 - Nov 07.



Average MSI:  
12.4

Source: R/S MLS

# The Psychology of Market Cycles.

## Phase I

- The bottom; RE is a bargain

## Phase II

- Prices start to climb, people notice
- Demand drives prices up
- RE becomes over-valued

## Phase III

- Prices peak and level off

## Phase IV

- Prices begin to fall; demand falls
- People hold off until RE is under-priced again



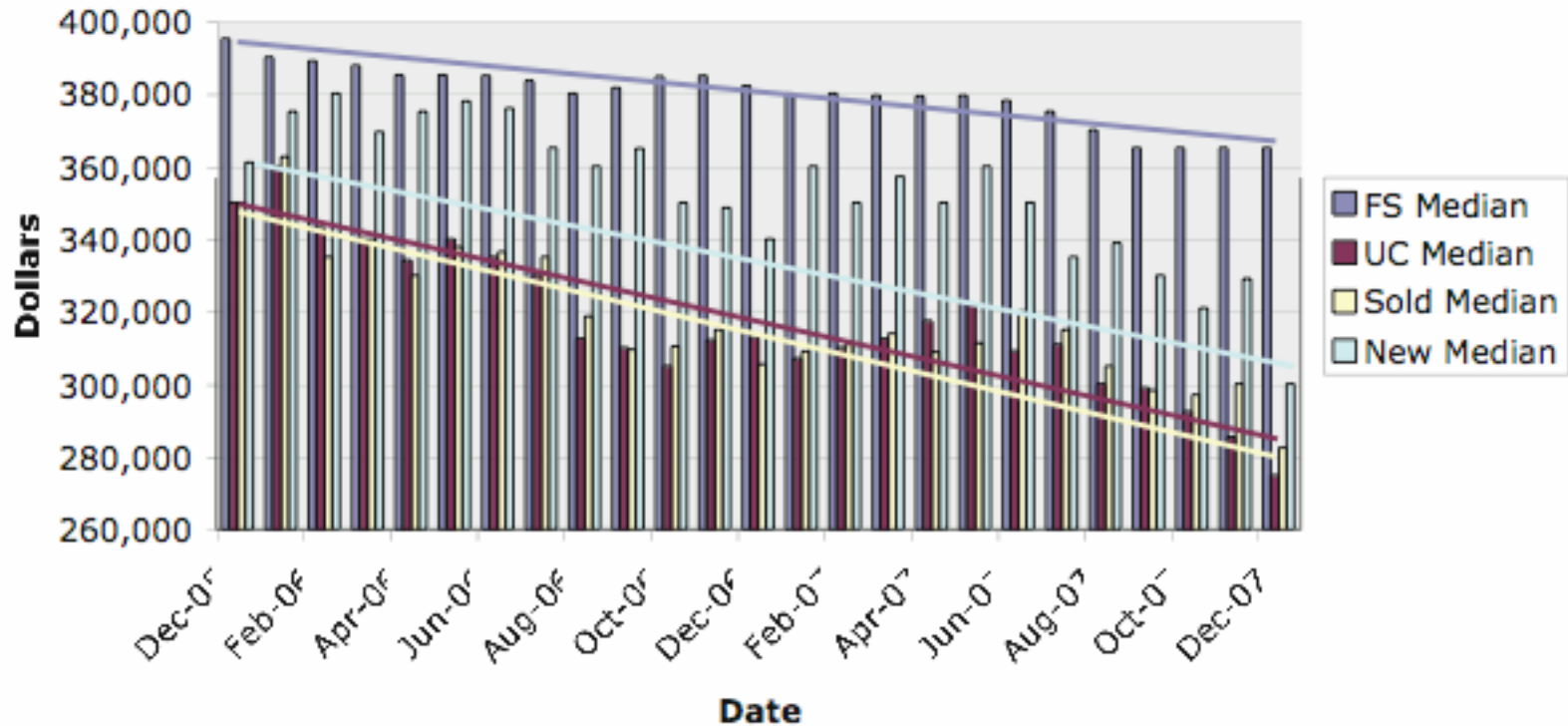
# Chasing the Market Down... a painful example.

<b>Date</b>	<b>List Price</b>	<b>Ave. Sales Price on that Date</b>
5/06	\$890,000	\$846,000
12/06	\$869,000	\$814,500
3/06	\$799,000	\$814,500
4/07	\$779,000	\$774,150
8/07	\$669,000	\$774,150
1/08	\$669,000	\$774,150

When we are in Phases 3 and 4 we see sellers  
Chasing the Market Down.

# Check out the Pricing Gaps: Dec 05-Dec 07.

Median Price (Actives - For Sales, Under Contract, Sold and New Listings)



Source: BrokerMetrics.

# A Gap Snapshot.

*December 2007*

Median price of active listings	\$359,000
Median price of pendings	\$310,900
Median price of new listings	\$299,999
Actual median sales price	\$281,500

# Impact of New Home Inventory.

As inventory decreases in new homes, there is a potential for a “switch” to flip on in resale.



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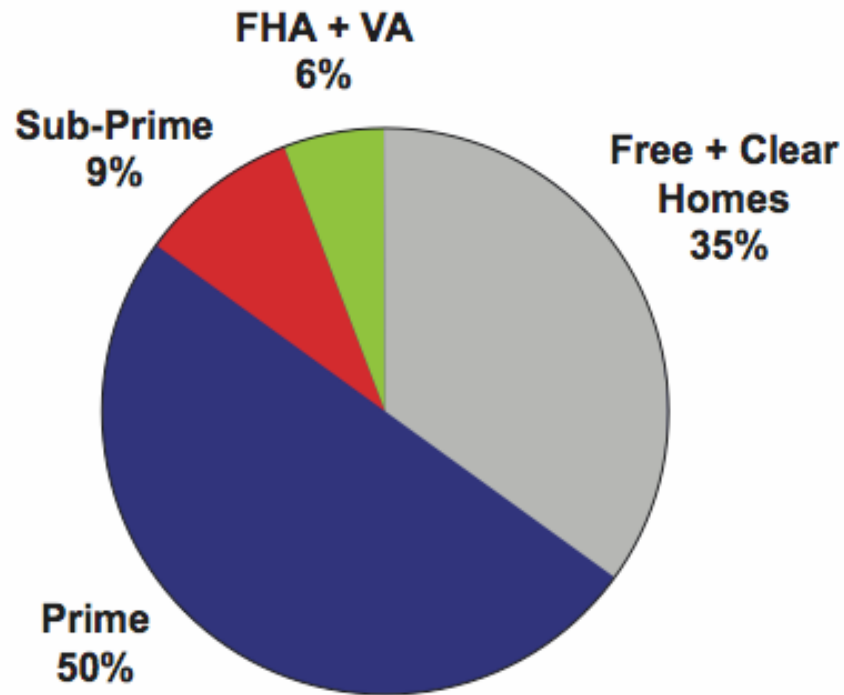
# The Sub-prime Mortgage Crisis

# The Double - or Triple - Whammy.

- Lending policies allowed unqualified borrowers into market
- Home prices decreased, ARMs reset higher, borrowers couldn't make payments and couldn't recover investment so...
- More homes back into inventory
- Lenders reversed policies in big way so buyer pool dropped

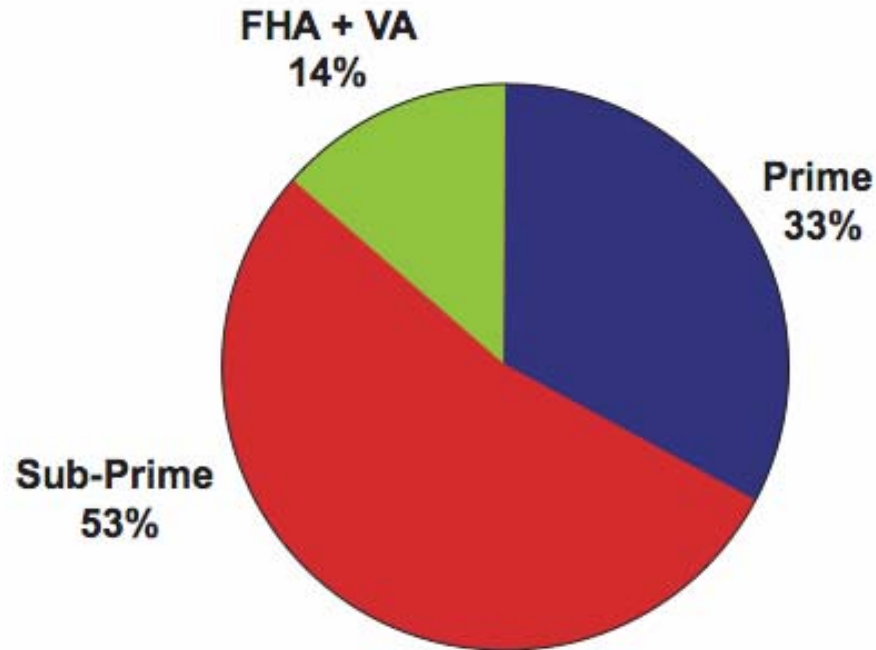


# Sub-Prime Loan Exposure Nationally.



Source: NAR

# Loans Gone Bad - Nationally.



Source: NAR

# Nevada: Clark and Washoe Foreclosures.

<b>County</b>	<b>Households</b>	<b>Total REOs</b>	<b>%/HH</b>	<b>Total Pre-foreclosures</b>	<b>%/HH</b>
Clark	512,253	11,509	2.25%	33,953	6.63%
Washoe	132,084	875	.66%	3,074	2.33%

*Source: TICOR Title*

# Notice of Defaults in Washoe County.

Year	NODs	% of Parcels	Fore-closures	% of Parcels
2002	1369	1.00%	467	0.34%
2003	1231	0.87%	294	0.24%
2004	981	0.67%	141	0.10%
2005	837	0.55%	53	0.03%
2006	1329	0.83%	125	0.08%
2007	2971	1.76%	762	0.45%

*Source: Washoe County*

# The Sub-Prime Crisis - Final Thoughts.

- We believed last year around March the market was improving, but the sub-prime crisis occurred instead.
- In Nevada, AB 440 may have added insult to injury, additional lenders pulled out of the state.



# Those with Greatest Points of Pain.

- Speculators and flippers
- People who have to sell their home due to urgent situation especially if purchased in 2005 or later
- People who fell into sub-prime morass
- Those with Negative Amortization Option ARMs and equity lines (100% borrowers)



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And Ta-DAH... the  
Predictions for 2008

# A Review of the Key Factors for our Predictions.

- MSI still high, with residual inventory priced above median
- Pipeline of NODs still wide open
- Median home pricing continuing to correct - dropped quickly late 07
- Interest rates low and may drop further
- New listings more in line with median sales price & correction line



# The Psychology of Market Cycles.

## Phase I

- The bottom; RE is a bargain

## Phase II

- Prices start to climb, people notice
- Demand drives prices up
- Real estate becomes over-valued

## Phase III

- Prices peak and level off

## Phase IV

- Prices begin to fall; demand falls
- People hold off until RE is under-priced again



**In 2006...**

...our median home  
price dropped 15%



**In 2007...**

...our median home  
price dropped 10%

**SO....**



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Are We There Yet?



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# The National Prediction for Median Home Prices.

- Lawrence Yun, chief economist for NAR is predicting a 1.5 to 2% decline nationally for 2008
- This is the second time in 40 years the median has dropped nationally. The first? 2006.



## So our Prediction for 2008...

- We predict an additional 5 to 8% decrease in the median home price for Reno/Sparks



Most of the  
Heavy Lifting  
Has Been Done,  
But We Still Have  
A Bit of Grunt  
Work Left



# So When We Will Get “There?”

- We predict we will see the bottom of the correction after the first 6 to 9 months of 2008 (we will have reached end of Phase IV)
- Then it will remain flat for rest of 2008, before it slowly starts to rise... back into a Phase I start.



# Other Predictions for 2008

- Interest rates will stay great for qualified buyers
- Sales of entry level homes will out perform other categories
- A national (R WORD) will bring pros and cons for buyers
- If local unemployment increases, it will slow correction
- As new home inventory decreases, resale will switch back faster
- Pent up buyers seeing the bottom can help turn it faster



# Back to Fundamentals: Creating New Home Buyers

- REALTOR focus on getting first timers into homes
- RSAR affordable housing specialist program ([www.nevadahousinginfo.com](http://www.nevadahousinginfo.com))
- Government will assist:
  - Raising the \$417,000 max for FHA Loan is predicted
  - New fed debt relief action implemented
  - Voluntary program to freeze increases for 5 years for some



You Probably  
Think you Know  
What We're Going  
To Say Next...



# Now IS a Great Time to Buy... IF...

- You are in for at least 5 years
- You can take advantage of rates
- You can negotiate within market dynamics (there ARE deals) - think Phase IV here...
- You like all the inventory as your potential universe
- You have a good REALTOR who can show you why a property is or is not really a good deal

