



Bill McBride of Calculated Risk

By: Jim the Realtor

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Description: We will be talking with Bill McBride of the top-rated economics blog, Calculated Risk. In early 2005, Bill began posting articles to support this theory that the U.S. housing bubble was ready to burst, and since has become one of the most influential bloggers in the world. His blog has attracted a diverse and witty commentariat, which brings additional perspective and entertainment.

[Start of Transcript]

Jim the Realtor

(0:36): Stevie Ray to get started. Welcome everybody to blogtalkradio with Jim the Realtor. Very happy to have Bill McBride with us tonight, a senior executive back in the day, retires in the 1990s, and I think just how you can _00:54_. It's up until about 2005 when he noticed the housing market really getting clocked in, noticed that bubble grew in there and thought he'd start a little blog called Calculator Risk and I guess we can say the rest is history. Probably the most successful economics blog on the planet. I'd like to welcome Bill McBride. Welcome Bill.

Bill McBride

(1:19): Hello, everybody. Thanks for having me, Jim.

Jim the Realtor

(1:22): My pleasure. I'll ask a couple of questions to get started. You are tracking a wide variety of economic data points. You're probably as well versed in what's happening around the world as anybody. The recession, everyone says that it has ended. What do you think of that? Do you think we're gonna see another recessionary period? We got another deep common on recession. What's happened over there? What's your take the chances of another recession?

Bill McBride

(1:56): Well, there is a possibility, but I actually think it's unlikely anytime soon.

Jim the Realtor

(2:03): Well, dodge a bullet.

Bill McBride

(2:05): Yeah, you know. If Europe comes apart, that could definitely draw us into a recession, and there are other obvious head wins to the economy. Physical policy in the US is tightening and we're still de-leveraging from the housing bubble. So there's all kinds of problems. But back in September, I think that a number of people jumped on the, you know, what was it, a new recession starting now and I think they misread the theories at that time. Well, clearly, they did because here we are five months later and there's still no recession.

Jim the Realtor

(2:44): Would you say that we're really actually seeing more good news lately? It seems like we are.

Bill McBride

(2:51): That's just because of low expectations. You know, when everybody's looking for a recession, any positive news looks good.

Jim the Realtor

(3:01): That really looks good.

Bill McBride

(3:03): Yeah. The news has not been accurate. When you look back at this last year, it was a weak economic year. We had some excuses, tsunami in Japan, the __3:15__ spring in high oil prices, that debt ceiling debate that just slammed the economic for about a month. It' never been



really good but yet it survived all that.

Jim the Realtor

(3:30): Yeah.

Bill McBride

(3:31): And you know, I think looking at next year, I think it's just gonna be basically more of the same, hopefully without all those events and maybe we'll get a little better growth, but we're looking at more of the same.

Jim the Realtor

(3:45): Do you expect that the political season is gonna play role in how the economy does? Is there any connection there?

Bill McBride

(3:52): Well, if we get one of these insanity things where, you know, they take right down to the end, I think in two months -- we just got the extended unemployment benefits and the payroll tax cut for two months -- that will go right down to the wire. I don't think that they will take down the economy even if no matter what they do. But, you know, who knows. Political season is a weird talk. I don't think it will have a big effect directly on the economy.

Jim the Realtor

(4:36): About the local -- you're in Orange County. We've seen that Orange County and San Diego real estate markets, there are lot of similarities. What do you see around your neighborhood in Orange County on the ground as far as houses sell and not sell and shenanigans? What's it like there?

Bill McBride

(4:54): Well, the shenanigans -- that's why I love reading your blog and watching your videos. The short sell nonsense is ridiculous. I see this all the time. A listing will come on and it's already pending or back-up offers only contingent. And it's listed at a ridiculously low price that's I'm looking at it I'm going oh, wow! That's a good price.

Jim the Realtor

(5:23): Yeah, I'll take that one.

Bill McBride

(5:25): It's a bogus price. It's really kind of -- it's sad. It distorts the market as far as you never really get all excited about those and then they're finding out those aren't real. They already have somebody lined up or trying to get through the bank. I don't know if they're you know. I assume it's not on the up and up every time. That's kind of my assumptions, especially since I've been reading your site. But in my area, the big thing right now is there's almost no inventory.

Jim the Realtor

(5:59): Same here.

Bill McBride

(6:00): Yeah. The inventory has really dried up. Now, a lot of people I have seen over the last couple of years have leased their homes when they moved. So, there's inventory coming because I think they're just waiting for a better market. And of course this is January and this is the low point of inventory anyway and also we have received very little foreclosures going on right at the moment. So it's really hard to say. I don't know if -- I don't really know how good the market is because this is January. Ask me in March. Have me back in March.

Jim the Realtor

(6:37): Get back at around spring time to see how it's going.

Bill McBride

(6:41): Well, how's your area looking? How's San Diego looking? Orange County?

Jim the Realtor



(6:44): Just like that, very similar. I hope there are banking executives listening to this. Please flood the market with your foreclosures. We need inventory. We'll sell all of them, especially in the more expensive areas where there's hardly any inventory. We would love to take those bank deals off your hands. Please flood the market. And I'm convinced and I haven't found anybody yet that believes me. I'm convinced that if they did flood the market, prices would go up and that is so contrary to what you see and hear on the mainstream media. They figure oh, well, there'll be more down leg because of foreclosures. Well, it depends on what your inventory level is. When your inventory is close to zero, and when we're talking inventory of well priced home. There's lots of homes less than way too high.

Bill McBride

(7:41): Yes.

Jim the Realtor

(7:42): But for the ones that are well priced, they go flying up the market and when I say it's close to zero, it is close to zero for the well priced inventory. You'd put a bunch of bank properties on that are just around the camps, don't even have to be way under, just about where the camps are, people will come if they want a bank deal. They wanna have bragging rights around the barbecue this summer and be able to tell people I got a bank deal and no pay, regular price. It doesn't have to be discounted. And if you're a banker and you hear that, take me up on it. Don't think you got a discount on 20-30, well you got to discount them off what's your notice, I'll admit that. But you're gonna have to do that...

Bill McBride

(8:28): They have to give way.

Jim the Realtor

(8:30): That's common. I think the bankers have already thrown in the towel. They know they're gonna be taking a hit and it's just a matter of now or later. Well, if you wanna, in fact let's just make a deal. Instead of selling all these Oreos in bulk to all the insiders, why don't you just send them all out __08:50__ to everybody and sell them for retail cause I know there's thinking right now how much am I gonna have to knock off and sell in bulk to my insider buddy and if I'm an insider, I'm gonna be telling oh man, you're gonna have to knock off 25% and they don't ask you. They can sell for retail right now and whether you're a banker or a guy who moved and rented house out, don't be thinking it's a bad time to sell your house. It's a great time to sell house as far as the demand. Everybody wants to get a mortgage rate of 4%. There's lots of people that will buy your house but she's not gonna get peak pricing, and as long as you're okay with that, don't worry about to be in demand. Just put your house in the market for a reasonable price and they'll sell.

Bill McBride

(9:40): I think definitely people can sell. It just takes so long for people to realize that their house is worth 30% less than they thought or 40% less or whatever the number is, right? So, you know - - it takes years for people to come in terms with that. You know, they have to see a few houses like their own sell for that lower price before they're convinced that that's actually the lower price, but you know, as far as -- as far as this, that Oreo program bulk sell, I think that you're gonna see that more in like Florida, in the judicial state as opposed to the non-judicial states like California. I don't -- and even if there is some bulk sells in California, it will probably be in Inland Empire or Sacramento areas. I don't think you're gonna see them in your area.

Jim the Realtor

(10:32): Yeah, that's the thing. It's the judicial states that really got it bad and where they really need to expedite the process. We really don't have a problem in California.

Bill McBride

(10:44): No, I think California -- I mean California still has a lot coming but it's nothing -- it's nothing like New York or New Jersey or Florida. I mean, those states are just -- it is so backed up in the courts. The half the states are judicial and they're all backed up and non-judicial states, they have really made the most progress. I'm sure that there's some non-judicial areas. I think Nevada is non-judicial. Arizona maybe, too, and sure. They just have problems. They have so many homes in the pipeline. But they've made progress there, too. California is in better shape than those states definitely.

**Jim the Realtor**

(11:27): Yeah, there was just an article a couple of weeks ago about those investor groups from China all loving that Nevada real estate buy and after that even looking at it, happy to be taking it off at today's prices and just renting them out, not even -- and literally coming later to just take a tour. That's sounds like frenzy thinking to me and if it ends up being that there's bunch of foreigners that will come here and scoop up all this cheap real estate in America, that could -- they could create their own frenzy and we may not even see it or feel it until it gets cooked.

Bill McBride

(12:10): Yeah, I don't think that hurts us though, as long as they're not leveraged here. Even if they're leveraged in China, I don't think it hurts us here.

Jim the Realtor

(12:20): Objection to your comments. That was once you're opinion on what you think about Mitt's La Jolla house, that \$12 million _12:27_ tear it down.

Bill McBride

(12:32): You know, it's -- that seems expensive to me.

Jim the Realtor

(12:40): How about the timing? That was 2008. He had to have known he was gonna be running for president then he just figured that no one would notice or no one would care that right about the time he is heading full steam in the election, people would be -- bloggers with cameras would be pointing out that he's tearing down a \$12 million house and build an 8100 square feet. It sounds like he is so far above everybody else financially that he doesn't even care, and I don't know.

Bill McBride

(13:14): Well, you know I don't really wanna get too much in the politics Jim, but I'll tell you this. He is obviously gonna run into the issue. I mean, he was from a very, very wealthy family and then he made a lot of money himself and so he was obviously gonna run into the issue whether he is not in the 1% even the top 101% of wealth and income and so I guess it's gonna be an issue for him anyway that he's got to address so I don't think this makes much difference.

Jim the Realtor

(13:45): Yeah.

Bill McBride

(13:46): funny that Tiger Woods' life is doing the same thing.

Jim the Realtor

(13:50): I'll comment that relatively, it's pretty normal that people will spend that kind of money, pay all cash and then redo it from scratch. That happens plenty and they just have been --

Bill McBride

(14:04): It happens all the time in Coastal Orange County, right along the ocean, house could have been built 15 years ago and the new owner will tear it down. It happens all the time it's because the main value is so expensive. You're not buying the house, you're buying the land.

Jim the Realtor

(14:29): And if you look on the bubbling for I put the photo on there, the house next door seems got to be about twice the size it is. So, he should -- well kind of just fit the neighborhood there so it may not even been that noticeable by the time it get done. I think a lot of similar really between La Jolla, Del Mar, and Laguna as far as expense of ocean front real estate. I'm sure -- look if you added up Laguna, Corona del Mar, Newport Beach. Oh, it's probably a lot more expensive money was, but the same kind of idea for just the MegaRich coming in and buying it up and really not being too affected by the economy at all. I think that it really shows how separate the market is because you got all this other people who think there's lots of problems come in. We should wait, we should wait, we should wait, but the MegaRich, they don't even care and well, they might care but it's not stopping them from making big investments like that and I wanna know if that's gonna end up having a role on it, or people gonna finally say, "Well looks like the high ends doing pretty



good, I guess it's okay." I think people are...

Bill McBride

(15:54): Or they gonna take to the streets and get all upset.

Jim the Realtor

(15:57): Yeah, more _15:58_.

Bill McBride

(15:59): Yeah, you know I don't even think it's just the MegaRich, I think it's the lower rich level too. I mean I've seen a lot of \$3 or \$4 million home and so, it's not -- they're not flying it off then of the table here but they're still moving. So it's not just the 10, 20, or 30 million _16:23_ house it can be \$30 million like 10 or 20 million something by the time it's done, right? I think that the rich houses are interesting but that's not what most people are interested in.

Jim the Realtor

(16:37): No.

Bill McBride

(16:39): I think probably one of the things it's really interesting right now is the new housing policy. There's coming through -- not just this bulk sells that's coming but we should get the mortgage settlement. I think I suspect in the next two months and that I think is gonna -- that will probably open the door to a lot more foreclosures and also a lot more modifications in that. So, we might -- in a way I think that that might be being kind at the same time is this REO, the _17:15_ bulk sells idea and a lot of people don't even notice this but in that fed white paper, they're talking about a guidance for the banks that they can also take they're own loans and actually rent the properties out. Usually, when the bank forecloses, they're suppose to move it on but now they're gonna allow them during this period to go ahead and have some sort of REO to rental program at the same time. So, that's another little piece of the puzzle.

Jim the Realtor

(17:50): Do you that in the end this is gonna work? Do you think all the different programs were finally have a cumulative of the fact that and kind of just all give washed out and it ends up working?

Bill McBride

(18:04): Well, I think it indicates the flood of new REOs. I don't think that when these REOs start coming I think that this little lessen the impact on the market, in the low end areas they would get flooded again, you know Florida and Nevada or in Arizona. Your area, the North County, San Diego I don't think there's that many REOs coming because I'm sure there's still quite a few but it's nothing like those other areas. So, and you know what there's another housing policy that I should mention too is the HARP refinance program that they put in place last year.

Jim the Realtor

(18:47): Yes.

Bill McBride

(18:47): There are number of people who's asking me, "Hey, where is that? How come we haven't seen the refinance?" Well, the answers are really simple, there were two phases to it. The first phase was a manual phase where you could submit along for refinance that's underwater but you can't re-signed up in the middle of the reps warrantees, but the original loan.

Jim the Realtor

(19:10): Yeah.

Bill McBride

(19:11): It's in the whole idea this HARP underwater refinance program for the banks. The interest on the bank side was -- is it, "Hey, wait a second, they're gonna let them go and all the reps and warrants on the original loan" and that starts in March when they get the automated system in place. So, that's when I expect that you're gonna start seeing a lot more refinances under that



program, probably, 1 to 2 million, something like that.

Jim the Realtor

(19:37): Yeah.

Bill McBride

(19:39): And that will be a nice pick up that -- nice activity of refinance and those people are gonna be much less motivated to the fall. Now they're paying 4.25% or something on __19:53__.

Jim the Realtor

(19:55): I think the people around California for sure across the country. I would think it's probably well across from coast to coast and should have that kind of benefit and if there's gonna end up being with some 8 to 10 million and foreclosure of 1 or 2 million of them and that being save by that refinance program where they end up big in and then figure out how to get qualified for that refinance and get that low rate and not their payment down by 300 to 500 bucks a month. If those people figure, "Well that's better enough, at least they did some for me, they wouldn't check it out I would think."

Bill McBride

(20:39): I think they're much more likely to stick it out if say get that refinance. We got to remember, you have to get to be current to get that and so these are people that is haven't already defaulted and so they're probably already have jobs or still have jobs. They're already making the mortgage payment. They're probably not happy with it, but they're making it. They're gonna so much better off in the lower rate.

Jim the Realtor

(21:11): I think they only had to be current for three months too so people might forget the length, but for a couple of years they can barely all saying, "Get back in the game, make three months payments and qualified."

Bill McBride

(21:21): Yeah, if you're doing it for a couple of years you had to catch all the way back up though, but if you -- I did hear that _21:29_ seems a little bit of improvement on the short-term once though, delinquencies and they're attributing it to this program coming. So, we might start seeing that. That's just to slow the next flood of foreclosures. So, all of the housing policy will make a big impact? No. But that will probably help a little bit? Yeah. That's kind of my reaction.

Jim the Realtor

(22:01): I think the qualifying for those is virtually nothing to. I don't think they're even check their credit?

Bill McBride

(22:07): No it is not. It is nothing. It's what you're gonna to do is show up and have the loan.

Jim the Realtor

(22:13): Yeah.

Bill McBride

(22:13): Own the house and have the loan and _22:13_ and then you reify. I think they had to turn their income but I think I had to go back and look, but they're really don't have...

(22:28): Yeah, but you know they've been working with the second and third lenders and most of them are just gonna ahead and allow the first to be reified at the same amount because it's actually puts them in a better position too.

Jim the Realtor

(22:29): Probably all I think that I could hold that up is that if you have a second or third loan on top of your first.

(22:51): Yeah. Because they fell in the tower, I think. At this point, I'm sure this, they're figuring, "Well as we do that because if we foreclose we're gonna get nothing anyway so, _22:58_ let that



first go and maybe we save this one."

Bill McBride

(23:01): Yeah, but the only way to second and third to get money is those are personal liabilities and so they can get, they pursue on my judgment that you can, they don't pursue everybody because it's not worth their time. They just try to pick and choose who they think still has the money. It's a nightmare all a way around. They've much rather go ahead and let the borrower refinance and keep making their payments.

Jim the Realtor

(23:31): Thinking of that REOs to rentals, but second of the view with the market ranch you think. That's another question from the comments section, you think ranch are gonna get other up.

Bill McBride

(23:43): I don't think that's gonna have a negative, negative is a bad word because some people think negative means the rent was going down. I don't think that that's to push rents down at all. I've talked to some of the apartment landlords and they are not concerned. They think that it's just -- there'll be some markets where there will be quite a few but most market does not gonna be that many. If they sell thousand homes to some investor group, how much is that? That's \$200 million at 200 thousand homes. Something like that. So, in their talking selling this and billion dollar blocks, I think I heard that somewhere and some way before 5 thousand homes. It will impact some areas to have that many homes, that's gonna be Florida or Phoenix or something to have that many, but I don't think the apartment owners are gonna really get it.

Jim the Realtor

(24:54): No. They'll spread them all around, I think.

Bill McBride

(24:57): What will resides part of what did this program is gonna be is to offer to rent the house to the person getting foreclosed on. That was part of it.

Jim the Realtor

(25:09): Yeah. And the fact that being -- I think that will work. I think of one of the reason that it wouldn't work is that people are so addicted to the free rent that whether they have actually pay rent or mortgage they don't wanna do either. They're gonna get one, but we love that, I think most of most day.

Bill McBride

(25:28): Yeah, what's their choice? Pay rent there or move in with some friends or pay rent in an apartment. The amounts will just stay. They like the house and pay the rent. I don't know that's what I would guess would happen.

Jim the Realtor

(25:43): If they all stay, we won't even notice. We won't even know what's going on. We'll just see people on the foreclosure roles and getting their foreclosure cancelled and wondered, "Geez, how come to cancellation rate went up again?"

Bill McBride

(25:57): Yeah. We will see this is in the delinquency stat, all of a sudden they will be following off because we receive -- and especially the in foreclosure once they will be going away and they won't be showing up on the market and though probably being announcing that they've sold some houses I hope, hope that's transparent, but it's not gonna be that many of those they sell, it's not gonna be a million homes. It's gonna maybe -- I don't know what the total amount will be a bit.

Jim the Realtor

(26:32): Yeah. It would be 100 in San Diego, 100 in Orange County, 200 in LA and by the time they've worked better around the country they will get enough to make some investors happy and...

Bill McBride



(26:46): Yeah, they're gonna try to group them geographically. But part of the problem is that you gonna get enough on your books to sell to an investors and there has been some discussion that saying, "Okay, we're gonna sell you a thousand homes and here is the first hundred" and albeit this quality and we will adjust the price when we finally get up. Because they're not gonna have them all just piled up on their books to sell because they are to spread out. Somebody doesn't want three homes in Sacramento and two homes in Chicago. An investor he can manage that.

Jim the Realtor

(27:27): I got news for, I mean gonna like the fan-made portfolio in San Diego is really bad. I don't how that it end up happened in. I like to hear Angelo Mozilo described how countrywide giving up their loans but when they look at it they were selling all the high-end mortgages on Wall Street and all the lower-end ones to Fannie and Freddie because now when you look at all the Fannie Freddie foreclosures, they're all in the poorer parts of town and literally there is rarely any Fannie and Freddie foreclosures along the coast or any high dollar area in San Diego, maybe one a year.

Bill McBride

(28:12): Well, because their loan amount was 417,000 back then.

Jim the Realtor

(28:17): Yeah. And if you got a Fannie loan, you kept it and you're fine because your property is worth a lot more.

Bill McBride

(28:23): Yeah. Nobody was underwater in the coastal areas with the \$417,000 loan, that's just that simple, but if you to the Inland Empire or east part of San Diego you will see plenty of those homes.

Jim the Realtor

(28:39): I wonder how the investors are gonna be driving the properties because if they're, "Oh, yeah. We're gonna pulls ups there down here in San Diego." "Well, San Diego, yeah I wanna get La Jolla man. Let's cover some port away." We're not in La Jolla, we're in Leamington and they're in for a route of way, they're not gonna be get any beach land property sort of Fannie Freddie.

Bill McBride

(29:06): Well, I think they know what they're getting generally and besides they're gonna put this under a rental management, they're gonna have to have a manager that goes out and rent the property and make sure it's maintained and everything. This is the complete site and scene. We were talking about earlier the Chinese investors coming in. I mean they're gonna go out. Don't look what their properties are gonna be. So let me asked you this Jim, can you tell me how many is listening to us.

Jim the Realtor

(29:43): The last count I saw here it was 11,000.

Bill McBride

(29:47): Okay, and do you have a call in for people or you will do it later?

Jim the Realtor

(29:52): Phone lines are open. Let's give out the phone number. It's on the blog but let me say it for people who are listening. Please call and feel free, Bill will take your questions. I guess call-in the number toll free (877) 317-7373, Richard stand by taken the calls (877) 317-7373 and people are commenting on Calculated Risk. I'm taken some of those questions.

Bill McBride

(30:23): Okay.

Jim the Realtor

(30:27): I'm reading them here. Critical update notification wanna know her Fannie Freddie getting another bailout or give the re-package notes to have significant demand from any entity other than the Fed. It's kind of interesting, what they're gonna do when they do that No Doc reify



program. What happens to those loans, are you gonna be selling? No, sir. In bulk to people in a securitized those.

Bill McBride

(30:59): Yeah, that's a good question. I don't really have the answer for it.

Jim the Realtor

(31:04): Well, Fed will be standing by if we need them.

Bill McBride

(31:08): Well, you know yeah, yeah definitely. The question, I think the key question here is with his bulk sale program is this that way to maximize the return to the tax payers and I don't really know. Why can't Fannie and Freddie higher managers to the rent certain properties in the areas instead of flooding the area is in not and sell it to investors and then partial amount over time. I think that would make more sense to me. I'm actually surprised that they want to move them off the bulks, but what we don't know yet are the details of this program. There has been some discussion or participation too on the part of Fannie and Freddie, so may be you know they may be participating in the returns in five years. So, it's hard to say as far as whether or not this will cost more money for tax payers. I think the goal is do not flood certain markets with REO and the thought is that that would cost taxpayers more.

Jim the Realtor

(32:20): Yeah.

Bill McBride

(32:22): That's what the Fed white paper was suggesting.

Jim the Realtor

(32:25): Yeah, I hope they take that local view of the two that they really pinpoint those areas that had been hit the hardest and use those as ones for the rental program.

Bill McBride

(32:41): I think they're going to do exactly that.

Jim the Realtor

(32:44): I hope they're paying attention at also.

Bill McBride

(32:46): Yeah, well that's why I think -- I don't think you're gonna have any of them in your area.

Jim the Realtor

(32:50): No, I think so.

Bill McBride

(32:51): I mean where were they would be in some of the poor areas of Oceanside or something? I just don't see any happening there. Now, if you go out to the Escondido, it's possible. But they're not -- the Escondido is still doesn't have much inventory either. Is that right?

Jim the Realtor

(33:08): No.

(33:10): How did you get example because I listed one today, that's Fannie Mae foreclosure. __33:17__ and Lomita, San Diego city proper. This is one where the guy was placed it up, busted up, windows broken out, kitchen blown up. Nobody will live in their of course when we took over and been in foreclosure for long time and a guy was trying to short sale it for 169, couldn't find a buyer our BPO-1 and 149. Well they price it at 175, hits the market that was yesterday. I already got three cash offers in on it at 175 or higher and it really made me think there are investors out there that are so starve for product. They were on the bank anything is cheap. Anything that looks like they need to fix in they save for it. That's what we're looking for, we can add value.

Bill McBride



(33:10): This is a...

(34:19): Well that's why they don't intend a lot of areas, there is no reason for this, this bulk sale program. [Crosstalk] Yeah, there are plenty of investors. I know investor groups out there that they're dying for properties and they can't find them anymore. So, they don't need this. They just - in those areas they can just sell what they get and they now go right away just like you're describing. But I do think there's other part of the country that -- and like what we're taking about earlier in the judicial states, some of the judicial states, they're gonna get hit by that and not New York probably, but Florida definitely.

Ralph

(34:40): Yeah, hi Jim, Bill and Jim I really enjoyed both blogs. Hey, the European debt situation, my investment portfolio is kind of on hold as I wait to see what's going to happen to Europe because Bill as you indicated, if Europe goes down and drain it will pull lost with them. It's really confusing how you can have a central bank that is in lender of last resort and I wonder how long do you think the Southern tear of countries like Italy and Spain, will put up with the pain of such high interest rates. I mean, I got to tell you truly kind of annoying to have to get up every morning and check the Italian two-year and 10-year bond rate. I mean, it's kind of ridiculous. I mean will they do that moving do that for years or when will they say "No, we're not doing this" and just pull out of the Europe.

Jim the Realtor

(34:58): Yeah. I think both Florida for sure is the one that has the average time of foreclosure being 600 some days now, so they need some help. How about speaking of all these investors and flippers, they are not represented in a Case-Shiller index because Case-Shiller ignores it, any sale that was repeat sale in the last 12 months. Do you think that the Case-Shiller is kind of under reporting the actual enthusiasm price wise in the market?

Bill McBride

(35:37): Well, it does seem to be missing some of what you're seeing. I think that's true, but in general I think the Case-Shiller is pretty good as a broader geographical measure. When we talk about this price index is we're kind of have to remember where we're coming from. When I started my blog in January 2005, everybody used large, medium price for houses or a few analyst followed over index which is now the FHFA index which is...

Jim the Realtor

(36:16): Yeah.

Bill McBride

(36:17): Which is a Fannie and Freddie property only and of course in general the worse of the worse along were not Fannie and Freddie? Also the OFA, now FHFA index didn't go up anywhere in nearer as high is the Case-Shiller and so it didn't crash in nearest much either. That's all we had and you know I actually pulled up the first article in L.A. times that mentioned Case-Shiller and it was like in May of 2007 and now everybody thinks, "Oh, Case-Shiller you know that's the measure that people use it." It's hardly been around. Now, it was being constructed before them but it wasn't publicly available and people don't reporting on it. Now, we have a several price indexes, everyone of them has got an issue, but you know the Case-Shiller, CoreLogic of probably the two that are most followed because CoreLogic used by the federal reserve and then there is several others you know __37:19__, FMC, which price to do there on the quality of the property and it's in Radar Logic and ClearCam, I mean I could just go and on. There's all kind of price index is out there and there is more being introduced, the LPS and then the prize are conservancies just introduce one is the other repeat sale index. The good news is they're all pretty much show in the same things like differences, but the pretty much that same thing.

Jim the Realtor

(37:46): Yeah, I think that's what we should be watching right. The trend, through the trend that's important you just do overall.

(37:52): Picture that they're showing?

Bill McBride



(37:52): Yeah.

(37:55): Yeah. I mean their all showing that seasonally, the prices are falling probably more than seasonally, so they are actually really falling. But I think this lack of inventory that we were talking about earlier that's probably slow that declining down, and then usually the seasonal tax will be over by March, and then we kind to see how much inventories gonna come on. If you could tell me how much inventory was gonna come on the market I could probably give you a guess but how much prices are gonna fall. So, right now I can't really tell.

Jim the Realtor

(38:33): We have callers. We got Ralph. Let's get Ralph on the line. He wants to ask you a question. Hey, Ralph, welcome.

Bill McBride

(39:57): Well, Ralph thanks for the question and most of the blog readers know how to be drag and kicking to spend too much time in Europe and I think I spend more time that I want, but probably not enough time. It's really is a key issue right now and it's really hard to tell what's gonna happen. I think on the one side you have to look and remember that the policy makers are all absolutely committed to keeping the Eurozone together. So they're going to -- whenever push comes to show they're gonna try to do something. It's all been half measures and it's all been a little bit too late seemingly. They responding in the crisis, but they will continue to do whatever they can the hold this thing together. That's why when I wrote a post on Europe, it's hard to tell, I mean obviously it could fall apart when this Greece deal have to be met by the end of February. There is no haircut by then and they don't reach in agreement then that could start really unraveling, but my guess is that there will probably come to some sort of agreement. It just because that's they always seems to get right to the end and standing at the edge of the cliff and they said, "Oh, we better to do something." So, that's kind of -- I think they will continue to do that this year. Now, to me is the longer term question is how long will the citizens of each of those countries that are really some of them are in depression now and a lot of them in recession. How long will they put up with this? I think that's the key question is you know they go both everyone once in a while __41:49__ is up for election in April. France is getting hit too hard yet, so I don't know who's gonna win there, but you know at some point people are gonna say, "I've had enough of this and we're gonna vote in somebody that is kind of take us off the Euro" and they don't have forever to fix this problem.

Ralph

(42:12): Do you expect that will get to December of this year and the Italian longer term bond rates will still be 7%?

Bill McBride

(42:27): I don't really know. I think that -- some of the analyst that I talk to, the European analyst to think that these high yields are gonna force for aggressive action some time before mid year and it's unclear to me what that more aggressive action would be, but there has been some talk of laying out a path to Eurobonds. So, if countries like Spain and Italy and -- there __43:03__ time program already. If their meeting certain physical targets then they will go ahead and issue Eurobonds, which basically means Germany backing them, to bring those rates down. And so, we could see something like that, you know the next meeting of the European leaders is towards the end of January, I think it's January 30th. One of the key elements of that meeting is how to discuss growth as opposed to just austerity. To me, if they can start offering some sort of programs to get growth in countries like Italy and Spain, that would be a big step forward. It's going to take a lot of steps. Yes, we don't have lender of the past resort in Europe, that's a strange structure, but you make it a lender of last resort if you get the physical agreements together and just issuing Eurobonds would be a big plus, and then I think the ECB, if you get the physical agreements together, a tighter physical union, and the ECB may be able to allow it to do more. In other words, I don't know.

Ralph

(44:17): Bill and Jim thank you very much, I appreciate the...

Jim the Realtor

(44:20): Thanks for your call.



Bill McBride

(44:24): Doesn't Bernanke come in and save the day?

Jim the Realtor

(44:33): Bernanke?

Bill McBride

(44:35): Yeah. Let me just start blown morphed money

Jim the Realtor

(44:39): To Europe, no, no, I don't think so.

Bill McBride

(44:41): Yeah. You don't think so?

Jim the Realtor

(44:42): No, not to Europe. So, I mean, this is a problem that you really can't fix.

Bill McBride

(44:49): Because kind of opened the door with that thing a couple of weeks ago, where you...

Jim the Realtor

(44:57): Well, doing dollar slot is if...

Bill McBride

(44:59): Yeah, the dollar slot.

Jim the Realtor

(45:01): Yeah, that's just making sure that everybody can get as many dollars as they want, but that's to the central banks of the individual countries and there's very little risk with that operation. That's just intended to take -- finding pressure off. It's not gonna lower rates like if -- what you really need to lower those rates is the ECB to step in by the bonds. If you were gonna be acting like a central bank of its own country at the zero-bound, well you sure couldn't do this if we were in the serious economic problem because then you get inflation too.

Bill McBride

(45:46): Yeah.

Jim the Realtor

(45:49): Right now, you can do it and that's why the FED is doing it. There's people that think that their FED's actions gonna lead you inflation, but they've continuously been wrong because they're not looking at the overall problem. We're in a liquidity trap, there is no question about it. In the US, I think they're in one over there too.

Bill McBride

(46:08): So, the FED really does not have paying left, they've done everything they're gonna do. They're on their own over there and you got to figure out why it will start sooner or later, right? Right, it's gonna be right around the corner.

Jim the Realtor

(46:19): Well, that's my concern and then you start electing really strange politicians like they did in Hungary and the -- I don't know, you can't just let this fester forever. Eventually, you have to get some growth, you can have the -- I mean, how many years in a row has the Greece economy shrunk? Is it four or five now? I mean, it's -- if I was forecasting for Greece, I would say further recession next year.

Bill McBride

(47:01): No.

Jim the Realtor



(47:05): I mean -- and that's a compounding problem because you know they have so much death in death service, the shrinking economy, they really just can't even service it so the more they shrink, the worse their situation gets and then the young people leave. The people that -- you're gonna need to grow the economy, they all leave and go work somewhere else.

Bill McBride

(47:29): Is that enough for Europe tonight?

Jim the Realtor

(47:30): I think that covers Europe. I want Tom Stone to call in. Tommy, I want to get you ___47:39___ Northern California. He has commented on the blog. Let's take another question over here. You're talking about the apartment conversions, the condos, people are talking about the big one by or at least one that is talking about where they're now selling for one third the conversion price back from 2005 and 2006, and I think that's true, but there's a lot of them that were sold at the peak and now nobody wants some, you can't finance them, and if there was some advice to give, it is be very careful about buying anything at the condo because the financing is extremely tough now and that's what's gonna make it worse, that's gonna keep that spiral going the wrong way and I don't think anyone's gonna change that. Fendi Freddie is not gonna be going out on the ___48:46___ to find condos, especially apartment conversions. So, watch yourself for those. And what's crazy is that LGS is buying them up, because -- he has had about a third, his buying out a third of pig pricing condos in La Mesa and running them out for a great return where you're buying them for like 70,000 or 75,000 and renting them up for 750 a month, or 800 a month. And why was that? Buying them cash works great and he had bought exactly in the same complex back in the 80s and let them run up to 90 and sold them all at the peak and he has gone through the same cycle on the same building. Yeah, I think it's worse now when it comes to condos because there is no -- there's very little financing available at the condos. They don't have very much owner occupancy.

Bill McBride

(49:56): Even though these are good, it seems like a good deal for the investors to come and get a nice return, the problem is it's gonna be hard for them to ever sell them.

Jim the Realtor

(50:08): Yeah, they got to hang on forever.

Bill McBride

(50:10): Yes, they do get a nice return and I think that they just plan on holding them. Who are they gonna sell them to if half the building or 75% of the building is now renters? Because like you say there's no financing.

Jim the Realtor

(50:26): And.

Bill McBride

(50:30): That's a long-term rental, which is fine, I mean especially if they're make a nice return on them.

Jim the Realtor

(50:37): And your other concern is the HOA. Well, the HOA still have enough money to stay and solve it because that can come back to ___50:43___ if they're going to start doing assessment.

Bill McBride

(50:47): Exactly.

Jim the Realtor

(50:50): Zach just wants to know who is else is landing now. There is, we understand, one, two, I can name two lenders, Mutual of Omaha Bank is being very aggressive in doing portfolio lending in San Diego, doing lot loans, construction loans, all of them portfolio, all of them five-year, seven-year, 10-year short-term fix that flipped to adjustables just like the old days. Union Bank, they're going -- I think they're going up to 1.5 million with 20% down, which is pretty hard to find, and doing the same kind a thing five-year, seven-year short-term fix, interest only and you got to qualify. There's still not any -- I haven't seen anybody offering easy qualifinancing so that hasn't changed, but I think that's good. I don't really wanna see easy qualifinancing answer. Let's just



keep it to qualifiers. If FHA wants to do 55% back in ratios, that's bad enough. Let that be your easy money, you got one or the way that you can get easy money. You can keep that in qualifiers on to get qualified and that will be the last resort, but you are gonna pay for it too that MI on FHA is pretty heavy. So hopefully, that will help make up for it. But I wouldn't say there is really any, other than those couple of examples. Not really any change in Fannie and Freddie finding anything, it's all the same. I think it's great. It's back that where it used to be. As far as qualifying where you have to have jobs and everything, which is good. And...

Bill McBride

(52:50): You sell some homes that are probably too expensive for Fannie and Freddie mortgages unless they are coming with big down payments. How about if they're getting their loans or are they making big down payments?

Jim the Realtor

(53:04): Big down payments. I had one that close to about two months ago, whereas Union Bank deal with 25% down over a million. But people, yeah, the executive vice-president types where they have the income, they are very comfortable in their job, don't worry about getting laid off and confident putting up 25%. I think that's good. When there is 10% on employment, there is 90% that people work in and there is enough for them that are at least feeling uncomfortable enough that they are out there looking for others, I got more buyers right now looking for houses, and then I got houses to sell. There is a backlog of buyers on my list and I think most realtors can say that around town. They are struggling to find houses to sell. People are holding out, I don't blame people for waiting until a good house comes at a good price and there is just not very many of those and then once you find them, you get into these getting worse and things go crazy. Here we are over Christmas, one of Rancho Santa Fe that comes on and __54:28__ 10 offers on it over Christmas week. And it just goes to show you there is many people on the hunt all the time looking for deals and beating them up. A lot of them, they have enough 5% or 10% over this price.

Bill McBride

(54:45): Here we have something interesting happening here last year is probably in the March/April timeframe when the people thought the economy was getting better last year in 2011. Actually, a lot of bidding work is going on. But by the end of the summer, it seem like even the same priced properties had few more bidder on them or you can sat for a little while. So you know it sounded like from what you are seeing, you saw the bidding wars all year. It seems a little more economic dependent here.

Jim the Realtor

(55:20): There is definitely abs and flows. And it's not on every property, that's for sure. This one, I am thinking about a ranch in Santa Fe, build in the 50s and had never been touched. But just like it did in __55:34__ on this bill. And just 899 on 2 hectares right in the __55:37__ at Rancho Santa Fe. There hasn't already been anything in the __55:42__ under a million. We thought it by now there will be quite a few, but literally nothing. And it was -- they even had some other issues about it because really, when you get into a place like that, it is not like you blow them all up and start over without any problem. They look at it and it's pretty hard when you are doing your plans and are pretty strict. Oh, we do have some callers. Let's take some calls.

Bill McBride

(56:12): Okay.

Jim the Realtor

(56:16): Hello, welcome. You are on with Bill. Alright, here we go. Alright, here we go. You are on with Bill, go ahead.

Caller 1

(56:24): Who's on?

Jim the Realtor

(56:27): You are...? I didn't catch your name.

Caller 1

(56:30): It's Critical Update.

**Jim the Realtor**

(56:33): Critical Update, how are you doing? Yeah, how are you doing?

Caller 1

(56:37): I have a lot of names on this blog here. I was kind of curious if Bill actually believes that China is a currency manipulator?

Bill McBride

(56:47): Great question. Are they currency -- yeah of course they are.

Caller 1

(56:56): Are all nations states you have essential bank or currency manipulator?

Bill McBride

(57:01): Not necessarily.

Caller 1

(57:03): Not necessarily.

Bill McBride

(57:06): Yeah, I would say that China definitely qualifies, you see. You know, they keep the exchange rate -- you know, if they hold the exchange rate in a very neural range and they manipulate it to whatever they want it to be. The most countries with a central bank don't, they say if are hoping for their currency to drop or rise, but they don't go out and fix it, you know fix the exchange rate. I think China qualifies.

Caller 1

(57:41): Do you think that we're gonna have the soft landing because they have whatever tools and the toolbars are available to manipulate that type of economic? You know, it is almost like, that's like. I am concerned because everybody was so ready for China to fall you know, there is no question if they got housing problems, it's their.

Bill McBride

(58:18): Well, you know its -- the problem with China, it is very opaque. So it really hard to see. Now, it's not hard to see that there are many extra vacant units over their housing units. My dad has been over there recently and he says that it's just amazing. I had been following Yoram Bauman, sorry I mispronounced his name. The standup comedian economist was over there for the last six months, he just had everywhere these vacant units and they are still building. So there is no question that there is, you know they have what would appear to us to be a huge housing double. A bigger question is how was it all financed? They have different rules over there. People buy condos to try to build out. They are just you know, just bare walls and you didn't __59:18__ until a year or two ago, you have never even paid any taxes on. You could still -- it was a good place to park your money. You know, you just buy these condos in these new buildings and then you don't build them out then you don't have to pay ant taxes. There was a lot of that going on a few years ago and how much of that has been going over the last year too. I don't know. I do think that there has been a shift to more financing and of course, more debt could lead to a financial crisis eventually.

Caller 1

(59:48): Or they are going to have another house instead.

Bill McBride

(59:52): Are they going to have another what?

Caller 1

(59:54): A massive stimulus. That looks like they are gonna start lowering rates. Whatever the result or requirement is, that's coming down. So they want to feed their people with more money, right?

Bill McBride



(1:00:06): Yeah. One of the sites I read all the time is my competitor's China site.

Caller 1

(1:00:14): Oh yeah. That's a great site.

Bill McBride

(1:00:16): Yeah. And he you know, I had the feeds on the site of my blog, but unfortunately 1:00:21 got hacked somehow, so I just have a link to its blog. But the -- you know, he says that China, they are just doing you know the slam on the brake, slam on the gas pedals. Slam on the brake, slam on the gas pedals. This is not a great way to die.

Caller 1

(1:00:34): And now it was like no gas pedal.

Bill McBride

(1:00:38): Right now, it is all gas pedal. When that's going to stop working, I don't know. You know, I -- a few years ago when people said that there is a China bubble and they were gonna implode, I talked to several people over there and kind of came to the conclusion that yeah, probably eventually, but not in the next year. You know now we are further down the road and it's still really hard to tell. You know that's why I read my competitor's site because I don't know. He is over there. You know he is...

Caller 1

(1:01:10): Yeah, I don't know either. It just seems like you know, China is the one everybody wants to watch. And we will see what happens I guess.

Bill McBride

(1:01:23): Yeah. You know, it's -- I know I was talking to the NLC on the day and we were joking. We longed through the days when we can just spend most of our time analyzing the US economy.

Caller 1

(1:01:39): Well, I appreciate you have taken my call.

Bill McBride

(1:01:40): Yeah, thanks for calling.

Jim the Realtor

(1:01:41): Thanks for calling.

Bill McBride

(1:01:45): There is Tom.

Jim the Realtor

(1:01:47): Hello Tom. Welcome.

Caller 2

(1:01:49): Well, hello Jim. Tom Stone here.

Bill McBride

(1:01:52): Hey Tom.

Jim the Realtor

(1:01:54): I'm glad you called.

Caller 2

(1:01:56): It's going well. It's really good to hear this program. I guess you have probably the highest rating once Jim has hosted. I was calling up with two questions. One, do you see greater bifurcation between the high end to the middle range and the low end? In the future, do you think the high end will hold up better? And how do you see that being hit the various price if you will broke it into thirds? And the second is what do you see in a way of geographical distribution of



price corrections? Do you see any particular areas in California that you think will do pretty well?

Bill McBride

(1:02:35): Definitely.

Jim the Realtor

(1:02:38): That's a major bit.

Caller 2

(1:02:42): That's why I'm asking it.

Jim the Realtor

(1:02:45): Well said, bro.

Bill McBride

(1:02:46): Go ahead. Go ahead Jim and then I will try to answer too. I'll tell you this Tom. One area that has held up really well is San Marino and the reason is a lot of Chinese buying. And you know, that's pretty much high end properties.

Caller 2

(1:03:06): Yes.

(1:03:07): You know, so there can be some local issues like that that destroyed everything. So you know I just kind of exclude that when from everything else I look at. That's hard. You know in general, crisis move somewhat the same overtime. It's funny that usually the high end areas are the last to see the vast effects. You know usually -- and that's what I was expecting England empire would collapse and then it would move in to 1:03:34, then you know then the 1:03:38 get to the coast, the kind of thing. And that's kind of how this is played out, we finally seeing some of them at the coast, but it is not an enormous hit, but we are seeing big price drops.

(1:03:48): Yeah.

Bill McBride

(1:03:49): Yeah, we have seen 30% price drops that had been on the coastal Orange County, at least. You know, so...

Caller 2

(1:03:57): I am seeing more than that now here of 45% price drops, new range stuff and they are still not yet moving.

Bill McBride

(1:04:09): Why don't you tell everybody where you at?

Caller 2

(1:04:12): I am in Sebastopol, California, which is halfway between Bodega Bay and Santa Rosa. And I am looking at hubs that I will consider in the midways that was not sold for about \$800,000 at the peak, they are down under about \$575,000 and they are not moving. I am talking about really clean homes with a good floor grounds and a very solid neighborhood. I am also seeing a tremendous stock of homes at a million dollar deposit on the market and not many of them seem to be well priced. They are not moving.

Bill McBride

(1:04:49): What's the employment center that's driving most sales? Isn't Sebastopol kind of after?

Caller 2

(1:04:57): Sebastopol has a tremendous number of people that have retired here and also with money. It's very much in an hourglass economy and always has been with a -- a large percentage of wealthy people. The people who cater to them in the middle who are middle class and a working class. And it changed over the boom because a lot of people wanted moved here from the schools and with the creative financing as they could. The second highest use of creative financing in



Sonoma County of any county in the US. So we actually have people commute to San Francisco from Sebastopol.

Bill McBride

(1:05:46): Yeah. You know I think that is definitely going to be part of the problem there is -- right now, it's hard for people to be moved out buyers or moving up or take their money out of the house and retire to an area like that. So, there is a certain group of people that would move into that area that aren't there right now. Whereas like San Diego and Orange County you know, the economies are actually doing pretty well. You know much better than they were. And so you know then there is a demand on housing. So I think that area is probably seen as later. You have to get some people that you know once again have a little equity in their house, can sell it and then move up there and retire.

Caller 2

(1:06:34): That is a good percentage that would drive the higher rent here. We have people who sell out in San Francisco in a good neighborhood and want to retire at the country. So Silicon Valley money. And we have a few people who can move their job...

Bill McBride

(1:06:52): Then you should benefit there. People who are the telecommuters.

Caller 2

(1:06:58): We get that. But again, it is the situation, where they only want a certain class of property. They want something with a certain amount of anchorage. They want a home of quality and there is a very limited supply. There is a very limited supply of good quality properties and that's quite I think I have seen a real bifurcation in the market with the good properties on the high ends still bringing a very high price perhaps 30% below peak. And stuff that in the mid range, if its going to sell out it has to be just above 50% off peak and in very good shape.

Bill McBride

(1:07:38): How many sales were there in your market place last year roughly?

Caller 2

(1:07:43): A little under 300 for this greater Sebastopol area.

Jim the Realtor

(1:07:49): That's a pretty small market. Yeah, it's a small market.

Caller 2

(1:07:53): It's a very small market. The town is 7800. I would probably define greater Sebastopol more 1:07:58 than most people. Its -- the agents here usually work up a brought of geographical area and get a lot of their income on places like Healdsburg, Windsor, Santa Rosa and so on, all the way out to the coast. But no, we don't have a large number of sales. We have greater Sebastopol, as defined officially is about 25,000 people.

Jim the Realtor

(1:08:28): It's small.

Bill McBride

(1:08:29): To give you a comparison, my primary market is in La Jolla and Carlsbad. It's about 300,000 people. Last year, we had 2500 sales, 2554 of detached homes only in that stretch and that was a 4% increase over 2010. Pricing, it was pretty flat too. We have averaged 380 square foot in 2010, and last year, it was 375. So it's about the same.

Caller 2

(1:09:05): That's a movement. We have a lot of homes on the market last year. They dropped off inventories to them, but pricing for the most part was just not good. So as we're having a hard time coming to terms with prices as they are what people will pay to short sales were not handled well, and the 1:09:31 hasn't hit yet. I don't know -- I have heard rumors that the chase of bankrupt are going to be putting on the market. And if they...

**Bill McBride**

(1:09:43): Yeah, they say that every year. Every year, right about this time. Right about the start of the year, you will hear and then it's never in the papers. You hear it being filtered out through employees and stuff, and you will think "Oh I am getting ___1:09:56___ I don't believe in anything of this anymore.

Caller 2

(1:10:01): Well, I can't get into the _1:10:03_ market here. You know it's controlled by just few offices, but I am watching one that auction last, last, week. It was sold last Friday for \$377,000 with a bit over \$700,000 old. I went back to the bank and went for auction of \$377, 000 and I am going to wait to see how fast that hits the market with three years without a payment. The Bank of America re-filed the bankruptcy and then was like with the full closure and went through with it in just look at the split, they delayed for 2-1/2-years and then they refilled the full closure and just went right through. So I am sure he is to see how fast that will go through and I think that will be an indication about to me. Although, they are actually going to you know, put these things on the market.

Jim the Realtor

(1:10:59): Correct. Now Bob L. J. is asking a question. Did you take on Tom and Bill, both of this saying that was three journals in mainstream media are both saying that housing got a bottom and now is the time to buy builders, build our stuff. What do you think about that, Bill? Is that a good time to begin into builders?

Bill McBride

(1:11:25): That is not something I give advice on, Jim. So...

Jim the Realtor

(1:11:28): I don't go on yet.

Bill McBride

(1:11:30): I have seen some analysts saying -- they are definitely saying that. Like John Burns here in Orange County is definitely -- he is pretty bullish on housing for next year. He is calling through 20% increase in new home sales next year. At the same time, I have seen other analysts who think will move sideways for a whole another year. I am kind of in the -- we are gonna see a pick-up next year, but not big. So less than 20%, but not a whole flat year. But I thought we might see a little pick-up at the second half of this year and that never happened. So you know it's hard for builders. You know, that's what they need is to sell more homes and also selling that prices and it's hard. You know one thing, as long as we supply of the stress properties, it's hard for them to sell their homes. This is why I am paying so much attention to the level of inventory right now because it is thin and it doesn't really pick-up as strong as it should in March and April, then maybe the new home builders will do a little better.

Jim the Realtor

(1:12:43): Around Carlsbad and Sumida, they is a couple of new tracks that are selling homes and what they are selling is in a great value. You can't say I am just stealing one here. Places that had struggled quite a bit, few months ago. I can take the two different ones that have had a pretty good run and I think they stand a benefit from 10 inventories as much as anybody, if they can get houses out of the ground and pricing just about where everything else is, people would much prefer to buy a new home and resell if they can, if they can dull it all the way up they want. I have got one in Escalon right now where they were given -- we talking into, they weren't given it. We talked them into a \$70,000 upgrade allowance on a million dollar home, we though that was pretty good because that really deck it up. It already came with quite a few options and with the extra \$70,000; we did literally completely finished home with everything done. You know, that's the ___1:13:58___ of a toothbrush. And...

Bill McBride

(1:14:02): You know Jim, this is one of the things that I hear all the time is "Hey, where are these new homes that are being built?" Now, the truth is that \$300,000 range is very low. I mean its record low right? But that's -- you know they are being built like in -- in areas like which we are discussing. Of course, there are ___1:14:22___ something being build in Vegas, which blows my mind, but their lower priced homes. I actually saw some ants of some new homes going up in Vegas just a couple of weeks ago. So there are homes being built around the country and it's going up from \$300,000 this year to 320 or 330 or 340 next year or by 2012, that is still going to be a



new record low year. So yet it all look good on the numbers to see a 10% increase or 15% increase, so I think it's possible. You know, I wouldn't be surprised if we go flat for another year, but it seems like that there is a little bit of pick-up in certain areas and then... Hey, you have got a barking dog there?

Caller 2

(1:15:18): Oh yeah, that's Tom. As far as the home builders, I cannot comment on that. I can't say that Katie Holmes has been building down in Petaluma and they are selling them one by one. There is a new home development in Santa Rosa that are on the low end that they are selling. And Sebastopol itself which are bird bank, but in a look that __1:15:41__ humanity ordered on a development data. Not on the best part of town and there had been trouble selling those and there was also an infill development, which went to full closure and they have been sitting down on the sole for a while. Its ready to build and the current price while it is below the cost -- there is current price below to what they put into the infrastructure. The roads, the retaining walls, the gradient and it doesn't quite tends a lot of the price they are asking. There would be a good project -- if you could go to the right price because there is very real demand for a new house in Sebastopol. There hasn't been an infill development here in a while and it's pretty much the last place you can put one.

Bill McBride

(1:16:34): Yeah.

Caller 2

(1:16:36): I would watch it since they have brought ground on it and you will go into a full closure. I talked to the asset manager about it and _1:16:44_ on the agent handling it. I think that in a little while somebody will come along with some cash to getting a loan to do the development is not going to be that easy. You know that's what one of those problems, I see if there is just not much financing for small developments. And...

Bill McBride

(1:17:06): Tom, you too have some competing outlets on the market. You know, it sounded like you have houses just sitting, right?

Caller 2

(1:17:14): We have houses that are just sitting. It really depends on the area. In Sebastopol, if you build new houses, they were suitable for retirees, smaller houses, single level, make them green, putting electric cars charging stations to satisfy the City Council. They would sell and they would sell fast, you will be sold out in probably eight months. It's a small development, its 11 lots, but it's the kind of thing somebody could make a dollar on and I don't see it moving and I don't really expect to see that so, for about another year, they are asking a 1.4 million, I think 1.1 million, a 150 million and it would _1:18:05_ out. Not a huge profit, not a killing, but just a solid dollar. But I think what's holding people back is the lack of financing and a lack of certainty. People are just worried about putting their money out there for what 18 months to 2 years and especially since the City Council here. You have to make a lot of deal to get a project approved and if you are going by that in the wrong way, you can end up stalled for three or four years.

Bill McBride

(1:18:39): How many realtors were in your market?

Caller 2

(1:18:43): In Sebastopol itself, there are at least 200 active agents.

Bill McBride

(1:18:48): For 300 sales a year. Unbelievable.

Caller 2

(1:18:52): No. No. If you talk about the sales that made you have to include the surrounding areas of Petaluma, Penngrove, Santa Rosa, Healdsburg, and Windsor are the top agents in my office that sell all over the county. They might do forced sales in Sebastopol and 8 or 10 in other parts of the county. It's...



Jim the Realtor

(1:19:17): By the year?

(1:19:24): Wow, that is...

Bill McBride

(1:19:27): Well, if you -- you know it only depends on the dollar I am out of the sale.

Caller 2

(1:19:29): What year? I think our top agent in our office did about 20 sales.

(1:19:35): We have got several people who specialize in high end properties and if you are selling \$30 million to \$40 million a property, you are doing fine.

Bill McBride

(1:19:45): Oh yeah, you are doing good. Let's say that's part of it though here there is at least 10,000 realtors. Last year, there was 21,000 houses that sold in San Diego County detached only. That's pretty competitive and I think that helps sales when there is so many people that are out there scrambling for sales, if they just know what they are doing. And I think that's really part of the problem, there is not many realtors who have recalibrated that can handle today's current market condition and give people good advice. I don't know, but I think there is a lot of people stuck in the old way and they have never changed. They just list a property and they will just wait and sit there for months and months, and I am gonna wait because someone to me and pays my price. And they start acting just like sellers. And did you see that around Sebastopol, I would guess she probably did it. She probably get some old school age there like they hold out.

Caller 2

(1:20:53): I do see that, but I pay attention with the people who do a good job. If you are talking a country property and you want to sell it, you have got the usual stuff 1:21:03 open house, as brokers open houses. But they get the wall tested, they get to pass streetboard. They have it on the MLS. They have the information out there that makes it easier to go through with the deal at the guts of the asker. Because a lot of the deals were country properties out here fall through it because somebody gets into 1:21:25 and they find out there is a problem. There is a permit problem or they didn't understand the conservation easement, and that is on the MLS when you go in. There is much less likely that a deal will follow through. It indicates other agents that are dealing with the professional a big help. But yeah, we have -- we approaches if -- I had one person complaining the other day that they wanted to see a buyer's agent. Like I said, "Well look, I will put it on the MLS and I'll give you a call." It wasn't "let's go look a tree house" and take a pencil on paper, tell me what do you like about and what you don't. There wasn't anything personal, I was just putting it all on the MLS and I will give you a call. Where is the service? We are a service industry.

(1:22:27): Yeah. You got me started. You know, with one man willing to drive over this planning department and sit down with the planner to clear up the point with my client, I am not doing my job. You know, and... [Crosstalk] Oh my dad was a good appraiser for 30 years you know, I grew up talking to people in the business and his best friend made a lot of money in this business. And you know, I go to 1:22:55 because I got great service. I go to my local market full crest because there is never line, they call somebody up to counter if they have more of their customers in line. You know, the price is all about the same as anywhere else. The service is better.

Bill McBride

(1:23:13): Well, around here you will got to check yourself up. [Crosstalk] Those are stories. They don't like having people helping anymore around here. You go to run the cash register yourself.

Caller 2

(1:23:28): Well, you have to do that with one of the fruit stands here, but its 1:23:30, you come in and pick up for your organic apples for 50 cents a pound and leave your DVs or personal check or your cash. It's a small town. And we are an hour away from San Francisco which is a really different wall. And actually, I like it.

Jim the Realtor

(1:23:54): Good. We got another. Did you ask? Hang on Tom or you want to... we are gonna take



another call here.

Caller 2

(1:24:01): You take another call. I am standing outside because the cell reception is better out here and it's getting kind of cold. Thanks very much for having Bill McBride on.

Bill McBride

(1:24:10): Thanks Tom.

Jim the Realtor

(1:24:12): My pleasure. Tom thanks for calling in.

Caller 2

(1:24:14): Anyway. Just do it again and do it again in a month. Alright, goodbye now.

Jim the Realtor

(1:24:23): Bye. Bill, we are already over an hour. Do you want to keep going? There is people that have questions if you do?

Bill McBride

(1:24:30): May be another 10 minutes. I'm gonna catch my bedtime you know.

Jim the Realtor

(1:24:34): Alright. We will make it quick. I never know what to say about these guys handle SDTFS. Is there a way to say that or is that just initials?

Caller 3

(1:24:46): That's the initials. When I was...

Jim the Realtor

(1:24:48): Initials? What...

Caller 3

(1:24:48): When I was -- short for around that's where I found you know I was using SBTFs. Well, I slept with it.

Jim the Realtor

(1:24:56): Go ahead. What's your question? I am glad to hear from you.

Caller 3 (1:24:58): Well, first I want to make a comment that you know usually guys are firmed some nice areas. And I don't see that either, but you know I am hoping that you guys are right.

Caller

(1:25:03): __1:25:33__ but actually what I wanted to talk about was the commercial real estate because as I'm going around through the mall and looking at the office supply stores, it still doesn't look right to me. I mean, I'm looking and I'm thinking, "Man, these guys are not doing well." So, I was just -- you say the economy is going to be coming back but boy, I don't know where.

Jim the Realtor

(1:25:11): Where are you?

Caller

(1:25:13): Well, I'm living in Oklahoma, but the properties we have are South of Eight, from the Barhill to Lemon Grove. So, yeah.

Jim the Realtor

(1:25:28): Okay.

(1:26:02): Well, I think usually, the commercial real estate is one of the last areas to recover so there's an article in the Wall Street Journal tonight about the office rent rollover problem, where these guys, as their tenant's rent leases expire, they're moving out and this is killing the office



landlords. So -- we've seen that similar problem for malls. Each time a large tenant's lease expires, they either want a big price reduction or they just move out because there is plenty of space out there. So I think that there're still problems in commercial real estate. The good news on that is that it looks like the office vacancy rate has peaked as far as malls -- the most recent report, yeah, it looks like it's just moving sideways at a very high level and so there's still a lot of pain still to come in that area. So, I think what you're seeing is accurate. Well, we could dodge a bullet on that because I'll tell you what I see, the people that own these buildings, there's buildings around where I'm at that have been sitting vacant for years, the whole building and they must be rich enough that they can just hold out and not lower their price. I'll give you a great example. A friend of mine owns this shopping center in Vista that they haven't done any improvement to rent it out from buck's square foot. All small businesses, mom and pop shops, a couple of restaurants, a liquor store, just your typical Vista corner shopping center, have no problem, have zero vacancy, happy to keep it fully rented, everything's fine. The guy across the street remodels his, it's all the big fancy Albertsons, everything else and that had been three or four years ago. He's charging 250 a foot and the place is half empty. Well, he can afford it. The guy has got big money and he's going to wait until someone comes along and pay this 250 a foot. Well, that's to -- on that corner, that gives you both ends of the spectrum. If you really need the money, the guys that are asking the 250 can just lower their price and there's going to be people that will pick them up on it. The fact, I did a little video tour around Carlsbad of commercial real estate and I'm going to go back and do that again, and you're going to see -- I don't know exactly when that was but it's probably two years ago. I'm going to go buy the same exact buildings and they're still going to be sitting vacant. It's incredible. Lower your price. People will come and rent or buy your buildings if the price was lower, and they just must be fat and happy that they can just sit (Crosstalk)

Caller

(1:29:10): I was talking with my wife about commercial real estate landlords. It's like, "Wow, they have a totally different opinion of what's going on." They think that whenever a lease ends, they can jack the price, no matter how the business is doing. You see, so many -- these little businesses have to close because the rent goes up. Like, "Well, you were happy with the rent before, but now you want more." And the space is just going to go vacant for another year, two years, who knows? Well, actually, I kind of suspect how they're doing it, but I don't know for sure. I just know that all those little family groups are willing to hang on to it and they're making their money off of the maintenance. Wow. But anyway, thanks a lot for doing the show and...

Jim the Realtor

(1:30:03): You bet. Thanks for calling in.

Bill McBride

(1:30:05): Thanks for calling in.

Caller

(1:30:06): I got to say thanks Aviva. Bye, bye.

Bill McBride

(1:30:13): Hey Jim, I do definitely do that video that goes the same places that for the commercial real state, that would be very interesting.

Jim the Realtor

(1:30:22): Yeah. That would be fine and I know one of the guys sets the broker on this one complex, I'll get his take on it. Let's take Jerry's call. Jerry, how are you doing? Thanks for calling in.

Jerry

(1:30:35): Yeah. Hi guys. Just first of all thanks to Bill. I was 24 when I stumbled across Calculated Risk and, yeah, it definitely changed the future for me as far as getting suck into ___1:30:48___ five housing level so thanks for that.

Bill McBride

(1:30:53): Yeah, I've got somebody to do, okay.

Jerry

(1:30:57): My question is I'm a computer programmer by trade and so I'm up in Bend, Oregon, which is I think kind of major blogger of couple of times as well as Naples, Florida we're kind of bit



tight as far as just like the _1:31:11_ center and stuff, but I wrote a program back to the day when I first stumbled across you to scrape the county data here and trend the numbers and I'm curious like beside Case-Shiller, what other data sources are out there that utilize, that could help forecast localized markets more than maybe just national markets.

Jim the Realtor

(1:31:40): Well, you know, you could -- yeah, that's a good question. The guys that put Case-Shiller together actually do all the little local markets, but they charge for that. I cannot find anybody that I could afford. I mean -- _1:31:54_ job, but I did just -- it doesn't make sense once you start breaking that.

Bill McBride

(1:32:00): Yeah. I'm trying to think if most people probably do not go down to that level of market without paying for the data unfortunately.

(1:32:19): I think LPS also does that. Yeah, I think that's a real problem. But you know Jerry, I think at some point you have to not rely so much on the indexes as to just looking around at supply and demand and trying to figure out how many people are still moving into the area and how many more foreclosures are going to come online.

Jerry

(1:32:19): Sure, I think.

(1:32:50): Yeah. That's my interesting project right now, but I think my interest here right now is I couldn't go out to the county, my program goes up the county and downloads the actual PDF document, which are static images and it converts those images into _1:33:04_ text and then that uses a bunch of regular expressions to graph the _____ so I can actually forecast for it. Normally, you can go to the county records here and look to see when those documents are posted, but I am actually going inside the documents with my program and _1:33:20_ and the data that I was just going to share with you is looking at 2011 and 2012 up here in Bend, Oregon. We were looking at in my table here. Really looking at 150, maybe 170 homes scheduled to be sold roughly per month, but then August was the biggest month of 578, but now we're starting to trend back down so I don't know if anybody doing _1:33:47_ being able to get to that type of data to as far as [crosstalk]

Jim the Realtor

(1:33:56): Yeah. Well, first of all, you got to remember that a lot of those sales get postponed.

Jerry

(1:34:00): Yeah, we have a recession I think or they find and notice and then take it back basically. You know what's up with that?

Bill McBride

(1:34:09): Jim may be able to answer that better than I can, but it happens a lot of time.

Jim the Realtor

(1:34:14): What happens?

Jerry

(1:34:17): Where they -- do notice the sale and then they pull it back and do it again. They file over and over again. Instead of -- I've been to the trustee auctions here in North County and vast majority of the scheduled homes that are to be sold are postponed. And it's just the way it works. I talk to the auction years about it and they say, "We do not know." There could be all kinds of _1:34:44_ they are trying to work with the seller and the borrower to do a loan modification or they're trying to work on a short sale or maybe they don't even have their paperwork completely together yet. And for whatever reason, every time I go, it's like 70%, 80%, 90% of them are postponed.

Jim the Realtor

(1:35:00): You know the thing is just that I bet you in your area the prices of houses are below the replacement cost, which says sure the price can fall further if there's a whole bunch of supply that comes on the market and there's really no demand, but it's hard to get crashed, whereas in 2005, it was easy to get crashed and so I think the concept of trying to time it perfectly is not the



way to go. I think you just start looking around making offers that you think is reasonable and you don't keep yourself at 4%, 5% or 10%. Now, there are areas in the country that would be much more nervous. Some of these -- I do not know, is Oregon or judicial state or non-judicial state, I don't know what's down my head.

Bill McBride

(1:35:06): Very frustrating.

Jerry

(1:35:08): Yeah. So, it makes it really hard to anticipate actually what's going to be sold on a particular day. So, when you're looking at those documents and pulling out those future dates, that's the current schedule, but those will probably be all moved out again. I don't know. I'm trying to do 1:35:31. If I go back like 10, 15, 20 years like what, 5 a month, 6 a month now. So, that's why I'm just kind of still concerned that -- yeah, I think it's accurate with , which is kind of 1:35:45 for me I'll probably be buying a house after six years, seven years almost, which is -- it doesn't put your life to the bottom anymore.

(1:36:52): I can't recall either.

Jim the Realtor

(1:36:55): Yeah, but send an email I'll find out for you because -- but the judicial state, I think people should be aware of that, and if you're a judicial state with a big backlog of foreclosed homes, I will be a little more nervous. Yeah, I think one thing that you don't want to do is to try to time the bottom perfectly after you did do a great job of missing the buying 1:37:22 I will just start looking around and if something, you get a feel for what the prices are and make a few bad offers. I have made more bad offers in my life. Yeah, we had 1:37:36 right now, I'm going to ask Jim if you really -- we've asked about doing offers that are like 7% below list price for like Freddie and Fannie, and he really discouraged us from doing that. Is that all would you say to that guy?

Bill McBride

(1:37:55): I don't know what it hurts. If it's a property that you just got a buy and the price is awesome, then yeah, offer a little closer, but if it's just another Fannie foreclosure and you could take it or leave it, how does he know? He doesn't know. If it's the same as it is in San Diego and a Fannie Mae foreclosure, you just upload the offer straight to Fannie Mae. He doesn't know. There's no one that he can even talk to. If there is even a listing agent that's going to handle it, it goes off to Fannie Mae in the sky and who cares.

Jerry

(1:38:37): Is it the thing with Freddie Mac?

Jim the Realtor

(1:38:41): I haven't talked with Freddie Mac lately. I don't know what they've done. We are doing a lot of these because we are the REO listing agents for him and literally when someone -- they want to call me. They want to send the offer to me so I don't know. They put me out of it now. They want you to build the record of Fannie from some crazy reason and you can't call them, they don't call us, you just get an email back yes or no, we either took your offer or we 1:39:13, but given a try at 7%, 10%, 12% under lease is pretty normal I think. I think that's especially in an area like that, where it's going to be slow, there isn't going to 1:39:27, the Bend Real Estate Market is not on fire.

Jerry

(1:39:33): Definitely not...

Jim the Realtor

(1:39:34): You really don't have anything to lose.

Caller

(1:39:37): Yeah, I agree with Jim on this.

Jim the Realtor

(1:39:40): Wait, wife is checking it. She deals with Fannie more than me. What's their policy on that? 5%? No hon, how much you see Fannie may not 1:39:54 off. What are they accepting under lease. 1:39:58, yeah that's another thing. Fannie is really picky like -- they were just



like regular emotional sellers. When it's fresh on the market, they don't want a décor. They're not going to bend on price.

Jerry

(1:39:40): 60 days or like one year.

Jim the Realtor

(1:40:15): 60 days later. Yeah, I'd say make an offer of 7% and see what they say. There are a lot more willing to deal, ___1:40:22___ been on the market a couple of months just like regular sellers.

Jerry

(1:40:27): This conversation was awesome. Thanks so much.

Jim the Realtor

(1:40:30): Your realtor has access to a lot of data. If you're looking to get data of the track trends that MLS has, all the sales on there and virtually every MLS in the country doesn't publish it. It's like it's some big secret still. I don't know what the big deal is. I try to publish it as much as I can to give people a hand. Have your realtor give you the last 12-month sales history and see if you can work with that.

Jerry

(1:40:58): Yeah. Thanks for that. ___1:41:01___ I don't know, I think we might just pick for a broker unfortunately and then I don't know, my last thing of ___1:41:12___ to Bill is that anybody on the site is doing ___ more to me, but I've definitely gone into I think pulling apart of the bubble trough learning and kind of self-fitting and actually the ___1:41:27___ all that stuff and I don't know if anybody else ___ given that type of stuff, but I love ___ data too, that's more just -- I'm a data nut as well so anybody has interest in that, I'd be great too.

Bill McBride

(1:41:44): Okay. We'll post something on the comments that people can get hold of you and I'm sure there are other people doing similar stat.

Jerry

(1:41:55): Go guys. Thanks so much for the call.

Bill McBride

(1:41:57): Okay. Thanks for the call.

Jim the Realtor

(1:41:59): Yeah. Thanks for the call and barfly others on the blog are demanding that Rob Dough call in. Robert call in please, 877 317 7373.

Bill McBride

(1:42:14): I'm going to go here pretty soon Jim. ___1:42:16___.

Jim the Realtor

(1:42:18): I appreciate you being with Bill ___1:42:20___ and we should do it again. I still -- I set up a little more time. If you want to check out -- obtain a couple of these other questions and we can check the blog for other comments and if you can check in, if anyone has got a question of you and we will schedule again real soon.

Rob Dough-caller

(1:42:41): Okay. Thanks for having me Jim.

Jim the Realtor

(1:42:43): Thanks Dough. I appreciate your participation. Talk to you soon.

Rob Dough-caller

(1:42:47): Okay. Okay. Bye.

**Jim the Realtor**

(1:42:49): Bye. I'm going to -- we'll take a couple of more __1:42:54__ a few people, but Chuck you got a question about affordability.

Chuck

(1:42:59): Yeah. Yeah. I got a question about affordability in a couple of different pockets, yes, but it seems to me that the traditional major of what an affordable price is about 4-1/2 to 5-1/2 times annual household income depending on how you're majoring any X conservative number. Are we at that level of affordability in most neighborhoods in California do you think?

Jim the Realtor

(1:43:35): Covering the whole state access so, but it really depends on how you look at it. When they look at in San Diego for example, they want to say, "Well, what's the median price?" and I don't know what it is exactly. It's like three and a quarter now. Because over San Diego County, that has 3 million people. There's lot of homes that they're selling for three and a quarter and less so medium price three and a quarter, and if it's figured at four or five times income, the median income in San Diego is about 60, 000, you have pretty much there. Of course, that doesn't mean much. When you go jump in your car and look around, there were three and a quarter _1:44:21_.

Chuck

(1:44:24): I guess that is the bag who was the countywide matrix that is probably the \$64,000 quite for maybe three in a quarter. It is quite as your county office you still in San Diego County, we're talking about the inland areas as well. I mean if you look at the traditional middle class or upper middle class areas, do you think that the _1:44:48_ that you know this is why asking I feel a lot of _1:44:52_ part I feel this was since 2000 in the North County that I would say or traditionally, middle class upper or middle class areas by San Diego standards, you get over towards five more valley in southboard, not quite on the coast will be _1:45:10_ and you feel this 800,000 million list that equates _1:45:17_ also that come up \$200,000 and I am wondering if there is still a little bit of bottom line quality out there with some of the buyers or who do you think that all the movements were seen out there is pretty full, but people can afford the homes that buy in _1:45:43_ making afford the loan and the mortgage in Southland.

Jim the Realtor

(1:45:49): What people go through of a pretty dramatic shift in their economic beliefs and how much there will in the hold out because when you first look into a house as you are holding out you are going to wait for that perfect buy and then six, nine, or 12 months later and some people go two or three years. I had it last year, I had I think it was a handful people that I had been with for two to three years looking for a house. It finally gets in the point where "Just get this over with Jim". I going to buy something and everybody gets into that cycle and that is who your competing with people who are further along on that cycle and there will on the pay more because they going to get it over with. I think you probably saying that at four to five metric still are being used. People are staying on the blog Joseph so that's wait too much. Thank you again, you really going to be I think historically more like three overall, but in the higher price areas it is four or five times median income. Well we said it feels like it is kind of balanced when you get four or five because that is somewhat better than it was and there was a play worse about 10 in San Diego.

Chuck

(1:47:20): No. It was - I am up with Orange County. It was like that and one last question, kind of on the same day in that, and one of things that I saw in Orange County take capitals also San Diego, as you know you had traditional pockets, affluents where the high-ended or staying in Newport beach, Balboa Island and that was all done in San Diego yet as obviously La Jolla, Del Mar, Rancho Santa Fe and you started seeing this expansion in __1:47:58__, you call them the big bombers of 4000 square foot _1:48:03_ in the areas that were _1:48:05_ known for high end thousand prior to great that kind of market and do you think that in a way, they kind over, over built that I mean there are enough people out there with that kind of money for how many units there are, if you total of all the units in La Jolla, in Del Mar, in Solana Beach and Rancho Santa Fe, and Fairbanks ranch, in Salford. I mean there is really back many household that can afford that kind of money.

Jim the Realtor

(1:48:38): Yes.



Chuck

(1:48:41): Really?

Jim the Realtor

(1:48:42): So far.

(1:48:47): I date for an answer.

Chuck

(1:48:47): Yeah.

(1:48:50): Well you know, you are always predicted on the blog that made it high-end and got a lot more to graph.

Jim the Realtor

(1:48:56): Well it is a -- I do not know if we're going to know. We need inventory to figure it out, we need to literally have well priced homes come on the market in that cell. That is the only way we ever know, so far it really gets well priced sales.

Chuck

(1:49:12): Although in our assessment, we are getting a little bit more around a million and under.

Jim the Realtor

(1:49:19): I think there is such a gradual descent on pricing that it is really not that apparent. If you are only drop and like to deal at the 1:49:30 it has barely dropped and it 4% that it was over the last 12 months. It is hard to feel that when they after it day to day because you have only one or two good deals and another house isn't and a lot of marked selling and that is the reality, the buyers are on the street.

Chuck

(1:49:52): Well, except to figure out what the case they share their numbers because it is hard to figure out what that aggregate as they are looking at. It is deal with up in Orange County over the bottom and fell out first, the top that was in 1:50:06 and so all the sun yet is deep to set and then you had now the top enders medium range is selling a little bit and the bottom end is s kind of bottomed out and so that change at the eye of 1:50:19 and kind of distorts the number as opposed to looking at just slight that how from history and so forth.

Jim the Realtor

(1:50:29): I appreciate you calling in Chuck.

Chuck

(1:50:30): Hey, thanks.

Jim the Realtor

(1:50:35): This is Robert.

Robert

(1:50:37): Hello, hey Jim.

Jim the Realtor

(1:50:39): Robert thanks for calling.

Robert

(1:50:41): You are welcome, is everything going down there at San Diego?

Jim the Realtor

(1:50:45): It was going good, where are you calling from?

Robert



(1:50:49): Ventura County.

Jim the Realtor

(1:50:50): This is it, Dean Robert is it?

(1:50:50): It is Rob Dough?

Robert

(1:50:52): Yes it is.

(1:50:54): Yeah.

Jim the Realtor

(1:50:59): Thanks for calling in.

Robert

(1:51:02): You're welcome. Hey, I love hearing all those talk, especially like the regional news. Some calls in from __1:51:10__ and here I am calling in from Ventura, you have got the San Diego area caller and of course Jim, Bill has been just fantastic on his Calculated Risk blog and he is respected from Orange County.

Jim the Realtor

(1:51:28): Incredible, we all have a great that of gratitude to say the least. That was kind of __1:51:40__ answer. He is a full time blogger. I wonder he is doing a lot of advertising issues, I wonder how a bit of advertising are pretty happy with him.

Robert

(1:51:52): Well I would hope so, I mean this is probably the new model for honest information, the advertising is independent from the content you know I mean they are linked as far as topical subject, but he does not have to fill of this content to rule on to use the advertisers.

Jim the Realtor

(1:52:16): Yeah. That is unique compared to previous. He has got a lot of field trip.

Robert

(1:52:23): I just dropped my near daughter off and you see Davies this weekend. You shall know he has neuroanatomy and neurobiological __1:52:39__. Of course it was a great time because it is probably the last time and that I have all my family together for a road trip. The oldest just pick up great jobs here in Ventura County for major agricultural farm doing the genetic modifications.

Jim the Realtor

(1:53:01): Beautiful.

Robert

(1:53:02): But so much about me, let us talk about water. I see the same thing here in Ventura County that you talking about as far as very highest staff continues to just come on the market, finding the buyer, find the seller and the deal gets done and its shorter, but the rest of the market does not even exists. Are you going to see any of that getting got in care anytime soon or do you think that just going to achieve being the way that things going?

Jim the Realtor

(1:53:47): I think it is going to keep going that way. I think if I just take my personal take on at my business that I do with my people there, it is a higher income area. That is incredible that there is enough doctors, attorneys, __1:54:12__ commerce, Sony and other smaller companies that have apparently enough higher paid people that they keep coming to buy this houses and then you had mixed in people who come with the big down payments and they don't really have to have a big time job, they just have the money and whether they got it from a previous sale or the house now or at the peak whether the parents gave it to them or they inherited it, I do not know where it is coming from, but it is still, well it is up to about 30% of the sales around here are cash sales, yeah purchasing, __1:54:51__.

**Robert**

(1:54:54): I think you fit upon something that people are really climbing onto you yet and that is there is a huge group of what do you come up greatest generation. People that were born in the 30s that where in the small cohort, I mean you know the 30s was not a big time for birth so well it was concentrated even in the middle classes and of course, the 50s to the 70s that was a big urge in middle class and all these people are starting to pass on their living, their inheritance to their children and I think what you have seen is a lot of people that are getting the big check from the state on deciding this is the time to get a house.

Jim the Realtor

(1:55:49): Then the people who get that kind of money, they might have some field for the market, they might have been reading some blogs, but once that money hits their account, it is usually money that feels like its free, it almost feels like it's a lot of money and all of the sudden, all of the concerns about the market and the future in Europe and somehow that all just kind of goes away, they go out and find the house they like and buy it and that is it, boom its over and they will live happily ever after.

Robert

(1:56:25): Exactly yes.

Jim the Realtor

(1:56:26): They do not really care about the economy or anybody else or the blogs.

Robert

(1:56:33): Oh well, yeah. They have a point because if you're buying a house to live in, not buying the house to invest it, there's a lot of workings out there these days. If you like the house and you can afford it, all of a sudden it doesn't matter how many zeros are possibly in.

Jim the Realtor

(1:56:57): It's really been incredible that it's all across the board, even the higher end ones, more than half a million and up. I guess it's probably where the wealth tends to congregate anyway, but we're talking about last night. There's two different neighborhoods in Cardinal Valley that in 2010, being at hardly any sales, and in 2011, they had like a dozen each starting at a million and a half and up. And how do you go from virtually zero to 20+ sales in that price range overnight practically in one year. It's hard to explain it. I always like to point out that I see it so I think I can comment on it. The wife has a lot to do with it. They want to blab. They want to raise a family. They want to get settled with someone else. But why do I have to pay a little over 1.5 million? Where did they come from? They were renting. They were literally first-time home buyers. We have looked for two years. Yeah. And his wife said they had enough. Let's get this over with.

Robert

(1:58:23): The nesting instinct is very hard to overcome with logic at least, but I think you hit 1:58:32 and another thing is the demographic bulge. There is thing called the baby echo in 1990. This had a real huge peak of bulge. The tail-end of the baby boomers start in their kids and the start of their kids having their first kids, and in 1990, we had like 4.1 million people born. They are now 22. They're getting out to college, they are ready to buy a house and of course it is not a spike, it is a big 1:59:08 curve around that so they're the people from 1988, who are now 25, who have been in the market, who have been working for a few years with college groups, and all of those people are starting to get itchy.

Jim the Realtor

(1:59:21): Every month of every year that starts to bring forth more people.

Robert

(1:59:26): Yup.

Jim the Realtor

(1:59:28): I'm gonna run out of time, I wish you and I could talk all night. Maybe we should have one, where you're the special guest.

Robert



(1:59:32): Not a chance. This is bad enough. Believe it or not, I'm actually out in New York and I'm picking up a few tomatoes on the lower level.

Jim the Realtor

(1:59:48): Gotcha.

Robert

(1:59:49): And I'm just one of those twitchy people that have no sense of talking.

Jim the Realtor

(1:59:55): Rob, thanks for calling in. We're wrapping up. It's going to turn off any second. No, wait, wait. We got time? You're still there? Oh, they saved it. We got a minute. Oh.

Robert

(2:00:05): We have one whole minute to say. Oh, gush. We got to talk about Bill and just give him praises for all the good work he does, the chart fund, everything else.

Jim the Realtor

(2:00:19): Yeah. There was that one call who said that Bill's work on the blog really saved him from buying a house at the peak. There has to be several thousand of people who feel like that. Bill, if you're listening to this later, on behalf of all those people, they want to say thank you. You have done them a great service and keep up the good work.

Robert

(2:00:40): He'll do that. Absolutely. Alright, everyone have a good night. I'm going to go in. Get knocked down. It's getting more cold out here. It's almost like 60.

Jim the Realtor

(2:00:50): Alright Robert, talk to you soon.

Robert

(2:00:52): Bye.

Jim the Realtor

(2:00:53): Alright, bye. No, it's not going on. No, we're done. But they keep the recording going. Right there it goes and by there. Yeah, I think we got -- it's probably live now, but I think we got hung up on. So, I'm going to get ahead and end it now. Thanks everyone for listening and we'll do it again soon. Next will be in about two weeks, we'll be on with __2:01:24__, looking forward to chat with him. Please call in and we'll have another good conversation. Thanks so much. This is Jim the Realtor.

[End of Show Transcript]