



# THE MORGAN REPORT

New Year's-2009

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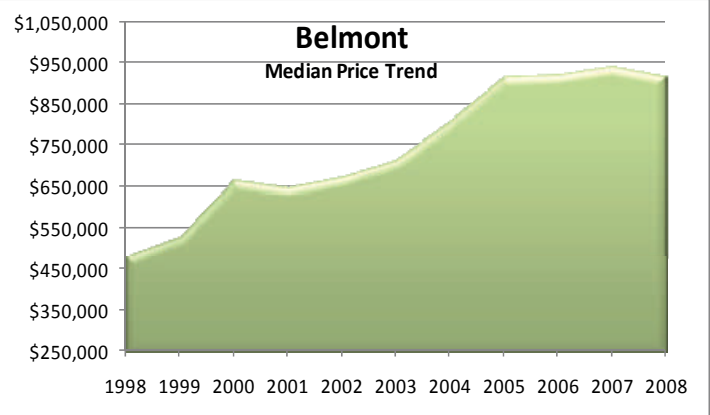
## THE YEAR IN REVIEW-2008

Those of you who have been following us for some time know that at the beginning of each year we re-cap the previous year and take a stab at where the market might be headed in the upcoming year.

Of course you expect to read the median price has dropped and in fact it has, just not as much as you may have been anticipating. While the Bay Area nine counties reported a median price drop of over 40%\* from 2007, Belmont had only a 5.4% decline and that's after we factored into our calculations slightly larger homes sold in 2008. The raw numbers, which tend to be the only ones reported, suggest a decline in median price of only 2.6% for the year.

### SALES ARE KEY

Sales are key to the survival of Realtors<sup>®</sup>, but unless you are selling your home you could probably care less how many homes sell in a given



This graph illustrates the median price for single family homes sold in Belmont over the past ten years. Note that if you purchased a home in 1998 despite this year's decrease you would have still enjoyed appreciation to the tune of 92%. If in 1998 you put 20% down on a home, without inflation you would have gained 460% of your initial investment—excluding inflation, opportunity costs, maintenance and repairs of course.

year. However, it gives us a good indication of overall market activity—with the caveat that sometimes sales are down simply because there are fewer homes to sell.

Sales of single family homes (our benchmark for all comparisons) were down from last years' 219 to a paltry 170 for the entire year in 2008—a

decrease of over 22%! Contrasted to a year of more normal market activity, (as recent as 2003 when 343 homes sold), sales are down up to 50%. Clearly we are in a period of slower than normal home sales.

► **FORECAST:** page 2

\*Source DataQuick™—November 2008

## PAST PREDICTIONS-

Before we wrote this year's forecast, we went and revisited our assessment of where the market might be headed in 2008.

Of course very few people could have predicted that the dire real estate woes would drag the entire economy to

the brink of collapse and we were no better than most.

However, for your enjoyment we've clipped a segment out of our **2008 market forecast made on January 4<sup>th</sup> 2008**—and highlighted some of our more interesting comments:

*"This is precisely why the Peninsula should fare better than other areas [in 2008]"*.

► **LOOKING BACK;** page 2



**Drew and Christine Morgan**  
*"Helping People Make Good Decisions" <sup>SM</sup>*

*"...in every market there are opportunities which should be examined."*

## FORECAST-2009

► A Year in Review

*Continued from page 1*

### HOMES LISTED FOR SALE

But were there fewer homes to sell in 2008? It's hard to believe but for the entire year, at 309, there were only a total of two fewer listings than in 2007.

### What's in store for

► FORECAST: *Continued from above*

That's a long way of saying that housing cannot recover until the economy does and the economy won't recover until housing stabilizes. Sound like a Catch-22? Well it is. And while it appeared in the second quarter of 2008 that the real estate recovery might begin in 2009, we now believe that may be pushed out at least another year. That said, any sign of a recovery will manifest with a leveling off of inventory and declining home values. A period of stagnant home values will invariably last for another year or two following a price plateau as buyers still wary of a volatile market will only reluctantly reenter the market. Most will wait too long and catch prices on the way back up but there's no telling when that will happen. We're not telling you to run out and buy a home as part of a fear based campaign, "Hurry or you may miss the bottom", but in every market there are opportunities which should be examined. We learned long ago to resist trying to explain to people why they should buy a home and rather help those who are already motivated. Like the old saying, "You can lead a horse to water..." but he has to be thirsty. This year's wild cards? Interest rates, consumer confidence the recessions and jobs, jobs, jobs!

### 2009?

With the perfunctory disclaimer that "past performance does not predict future results", we fear in 2009 it may however be quite true. We wouldn't be surprised at all to see a continuation of the stagnant real estate market which has

had a choke-hold on home sales in 2008. Interestingly, the last major downturn in real estate which began in 1989 was caused by an overall weak economy and most importantly the loss of jobs. In contrast, the current housing downturn has in effect created the recession—a reversal of past cycles.

## A LOOK BACK AT 2008

► Looking Back: *Continued from page 1*

AS FORECAST IN JANUARY OF 2008:

*"However, it's entirely possible we are on a precipice which could collapse at any time. What is [currently] impacting the Peninsula is the rising cost of energy—especially gasoline."*

*"What could have an incalculable impact would be a prolonged recession and loss of local jobs; either of these would undoubtedly bring a decrease in home values to the Peninsula."*

In 2008, Investors eventually began to snap up undervalued properties in the central valley and a few of the nine bay area counties which were hard hit by foreclosures. This had the desired effect of liquidating the tidal wave of inventory but the

undesirable effect of sinking the reported median price by skewing the sales mix to smaller homes (since smaller homes and distressed properties sell for less). The media meanwhile continued its relentless reporting of the falling median home price without appreciable application of responsible journalism. Bombarded by the media's lack of analysis, invariably many buyers were frightened by the reports of falling home values and quite reasonably and expectedly took a "wait and see" attitude. That's not to say the media's information was wrong, but they do choose what to report and what to leave out and in many cases they re-

ported numbers without the necessary perspective leading many to believe the housing situation to be far worse than it was in some areas, and far better than it was in others.

Although clearly there were several other factors which inhibited the ability of people to purchase homes—not the least of which was tighter lending standards and higher interest rates—our intrinsic evidence suggests that most credit worthy buyers on the Peninsula withheld from purchasing a home based on the fear of values spiraling down, not because they wanted to wait and "time the absolute market bottom" or couldn't get a loan.

# BELMONT HISTORY

## Water Dog Lake

If you like to hike you've no doubt discovered "Water Dog" lake in Belmont. You may also have come to the realization that it's not a destination recreational lake for waterskiing or swimming.

A more accurate description of Water Dog lake is a pond, or to be exact, a reservoir.

Around 1870 a dam was built in the hills of Belmont that would create a reservoir to supply water to the estate of William Chapman Ralston, located at the site where Notre Dame De Namur University now resides.

After Ralston's mysterious death in August of 1875 the estate of Mr. Ralston passed on to William Sharon and the reservoir became known as

"Sharon Lake".

The property surrounding the lake and the reservoir itself was purchased by the Sisters of Notre Dame in 1923 who promptly renamed the small reservoir Notre Dame Lake.

Though that name remains the official title, even the city of Belmont has recognized the more informal name Water Dog, presumably named after the salamanders that are often spotted bathing in and around her shores.

Today Water Dog lake is part of the Belmont Recreation Department official parks and walking trails. Trail heads begin on Hallmark Drive, Somerset Court, and triangulate at Lyall Street encompassing

260 acres of pristine oak studded hills. For more information on Belmont's parks and walking trails visit Belmont.gov and select Parks & Recreation.

In our next issue we'll delve into the mystery surrounding William Chapman Ralston untimely death.

*Information gleaned from "Heritage of the Wooded Hills—A Belmont History by Ria Elena MacCrisken. Available for purchase at the Belmont Historical Society 1219 Ralston Ave*

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(650) 593-4213*

*"After Ralston's mysterious death in August of 1875 the estate of Mr. Ralston passed on to William Sharon"*

## BEAUTIFUL MOUNTAIN BLOG.ORG

Our Beautiful Mountain Blog—named after the city of Belmont's literal translation—is in its third year of on-line publication.

We'd like to thank the many loyal readers who have spurred us to continue its publication by your comments and suggestions.

For those of you who have not stopped by, please do so this year.

Our emphasis is on real estate values and trends in Belmont and the Peninsula but

we strive to bring you local information and stories that affect Belmont and its citizens.

perhaps this year we'll get into video!

**Beautiful Mountain Blog**  
Discussing all things on the Bay Area peninsula.

Sponsored by  
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Last year we started our podcast series and who knows,



**Drew & Christine Morgan**  
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# Drew & Christine Morgan

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This month's drawing is for a \$50.00 gift certificate at the finest hair salon on the Peninsula—Artisan Salon in San Mateo does hair for the stars!

Artisan Salon L.L.C.

#### INSIDE THIS ISSUE:

- What to expect in 2009—a housing forecast
- Looking back—what 2008 revealed
- Our blog turns three

**Enter to win a \$50.00 Gift Certificate!**

Congratulations to [Marc Smith](#) for winning the King Chuan Dinner!

**No purchase necessary. Enter by mail or online at [MorganHomes.com](http://MorganHomes.com).**

If your property is currently listed for sale this is not intended as a solicitation of your listing. Disclaimer: This information is for entertainment purposes only and includes no legal, accounting or real estate advice nor is this intended to be specific to your situation-always consult a specialist for your specific situation.

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