

CRISIS!

September 17, 2008

Dear Friends and Clients,

I asked Leslie if I could write this month's newsletter because there's so much to talk about in the news today!

A Western myth is that the Chinese word for "crisis" is composed of two characters:

Crisis = Danger + Opportunity

Actually, that's not true, but more on that later...

One of our clients, Dr. Wu, generously wrote the characters on the left for us this week (thanks much Joe!). Vast numbers of books, seminars and articles have dealt with this concept, and it's a great concept that applies to the real estate market today.

As I write this, AIG has just been bailed out by us (the taxpayers) for \$85 billion. The Feds allowed a 158 year old blue blood company (Lehman Brothers) to fail. A 94 year old rock of a Wall Street company (Merrill Lynch) was sold at fire sale prices to B of A. Two huge giants (Fannie and Freddie) were in essence taken over by the Federal government last week, and the list goes on.

So – what's the big picture for all us "little people" (as Leona Helmsly once famously said) in Ventura County? ***Especially*** if you're thinking about buying a home?!

Danger. Let's start here. What perils await someone thinking about buying a home in this market? Obviously, the big danger is that prices will continue to decline. But by how much do you think? Are we at (or close to) the bottom? Or will there be continuing declines?

Opportunity. It's been said people vote with their feet and *with their wallet*. We track (as a leading indicator) homes that have just gone into escrow ("Pendings"). On our blog at www.VenturaRealEstateBlog.com we publish those monthly numbers and compare them to the previous year (2007). How are people "voting" in Ventura, Oxnard and Camarillo? You'll have to check our blog for specific numbers, but the short answer is: the market is screaming, especially in Oxnard.

Why? Because many people sense a powerful **Opportunity**. In an interview with Larry King Wednesday night, Donald Trump was asked his opinion of the market. He stated "It's both a very tough time and a great opportunity. There are great opportunities right now for people when you say average family. It's an unbelievable time to buy a house." I'm not saying you should listen to The Donald's advice, but it was interesting.

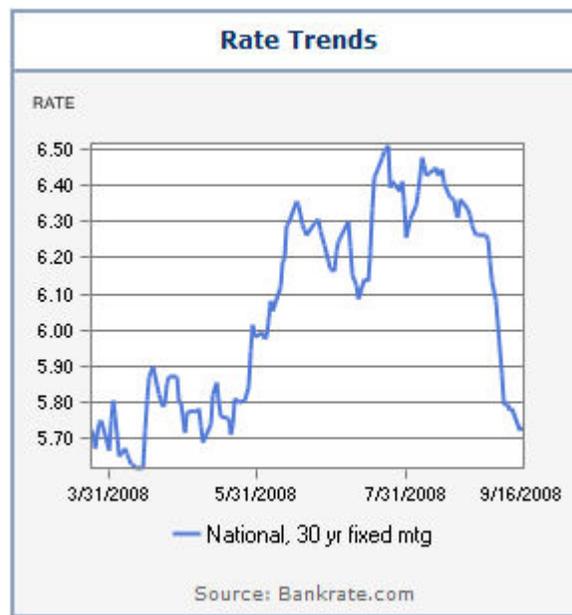
DON NELSON TEAM

674 COUNTY SQUARE DRIVE | SUITE 203 | VENTURA | CALIFORNIA | 93003 | P 805.659.2000

Leslie opened up 4 new escrows this past week. But nevertheless, we always ask our buyers very bluntly: "How would you feel if the home you're buying today goes down in value?" Inevitably, these buyers understand the potential **Danger** but also appreciate the **Opportunity**.

The general response is an acknowledgment of the **Danger**, but these buyers know they are buying their home, not as an investment like stocks or bonds, but as shelter for their family. Obviously, we all want our homes to go up in value. And many believe this correction in values will, with hindsight, prove to have been a fabulous buying **Opportunity**.

Another reason people are getting into the market is because of changes to the interest rates as shown here for the 6 month graph from BankRate.com. On the Monday after the Feds took over Fannie and Freddie, the interest rate for a 30 year, fixed rate mortgage dropped by over ½% - that's HUGE! In ONE DAY! In our business, that's a big deal!



Now on to current home owners. Earlier this summer, I put on a presentation to about 100 or so people for the American Association of Individual Investors chapter meeting at the Pierpont Inn. I started out "**I feel poor!** Poor I tell you! Why? Because Leslie and I own real estate and we've lost hundreds of thousands of dollars!"

And you've "lost" lots of "money" too! But like the old saying "this too shall pass", I believe this too shall pass and we'll see property values go back up (the issue is – when?!?). So just hang in there! For more real estate stuff, visit us at:

- **DonNelsonTeam.com** and
- **VenturaRealEstateBlog.com**

Last, we love your referrals! If you know anyone thinking of buying or selling, please tell them about us!

** See www.pinyin.info/chinese/crisis.html about how a misunderstanding about Chinese characters has led many astray!