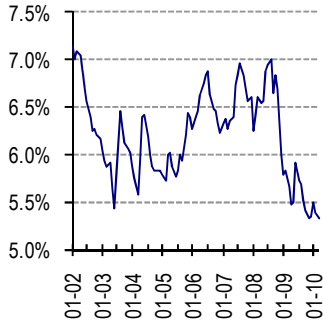


The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



DEFINITIONS:

Median Price: The price at which 50% of prices were higher and 50% were lower.

Average Price: All all prices and divide by the number of sales.

SP/LP: Sales price to list price ratio, or the price paid for the property divided by the asking price.

DOM: Days on Market, or how many days it took from when the property was listed to when it was put into escrow.

Jul. 30, 2010 -- With the deceleration in the economy now quantified, mortgage rates stopped falling this week.

As prospects for a speedy recovery begin to fade, and inflation pressures bleed from the system, interest rates are less likely to find reasons to rise anytime soon.

Each week for some 30 years, HSH has produced an overall mortgage monitor -- our Fixed-Rate Mortgage Indicator (FRMI). The FRMI includes rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so covers much of the mortgage-borrowing public. This week, the FRMI remained in record-low territory even though it lifted by two basis points (.02%) to 4.92%. For borrowers for whom a long-term fixed-rate mortgage doesn't fit the bill, the next-most popular choice is the hybrid 5/1 ARM, which finished the survey week at 3.92%.

Low mortgage rates produce benefits only to those who can access them -- namely people with incomes, good credit, equity and more. While some can, many more cannot, because they have no job to produce the income needed to participate in today's markets. Untold additional numbers have little or no equity in their

homes and cannot recast their balance sheets through conventional refinancing means.

These two issues -- jobs and underwater homeowners -- are the problems which most need addressing if we are to produce a faster economic recovery. Grandiose health care and financial market overhaul mean very little relative to the problems so many face today, and the regulatory and tax uncertainty inherent in such plans are more than likely serving as additional deterrents to the kind of hiring which would produce a better economic climate.

Until that better economic climate shows, we'll continue to have low mortgage rates and high unemployment, and continue in this stagnant holding pattern.

Next week we get all the big first-week of the month reports, including the ISM manufacturing index, auto sales, income and spending, consumer borrowing and the employment report. We'll be looking for bright spots but expect to see few coming, and so mortgage rates have little reason to do anything different than they have in recent weeks -- decline mildly.

July Sales Statistics

(Single-family Homes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
County	\$355,000	\$434,591	349	94	97.0%	-2.3%	0.5%	-19.6%
Bodega Bay	\$400,000	\$440,200	5	65	97.0%	-33.2%	-25.3%	-28.6%
Cloverdale	\$287,500	\$294,020	10	199	99.7%	22.3%	2.6%	11.1%
Cotati	\$399,025	\$399,025	2	100	98.8%	-1.5%	-0.9%	-77.8%
Forestville	\$360,000	\$362,500	4	76	94.8%	33.3%	20.4%	-42.9%
Glen Ellen	\$875,000	\$875,000	1	442	87.8%	131.2%	131.2%	-50.0%
Guerneville	\$187,500	\$205,333	6	103	100.9%	-36.7%	-33.4%	-25.0%
Healdsburg	\$558,000	\$687,111	9	106	96.8%	-11.1%	14.7%	-30.8%
Penngrrove	\$400,000	\$400,000	1	58	100.3%	-28.6%	-31.5%	-75.0%
Petaluma	\$449,000	\$456,249	35	96	95.9%	11.4%	1.1%	-25.5%
Rohnert Park	\$302,000	\$315,175	20	88	100.8%	-17.0%	-11.2%	-35.5%
Santa Rosa	\$335,000	\$398,868	170	91	97.0%	3.1%	2.3%	-17.1%
Sebastopol	\$620,000	\$634,107	14	98	98.3%	18.1%	11.9%	-36.4%
Sonoma	\$459,950	\$624,377	26	104	97.1%	-11.5%	-7.8%	-16.1%
Windsor	\$399,000	\$414,442	33	59	98.7%	5.0%	1.9%	37.5%

July Sales Statistics

(Condos/Townhomes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
County	\$172,000	\$201,246	65	93	98.5%	10.3%	8.2%	-3.0%
Rohnert Park	\$162,450	\$163,774	14	95	99.5%	8.2%	12.5%	-12.5%
Santa Rosa	\$146,500	\$156,134	22	72	98.0%	-2.3%	-2.5%	-29.0%
Sonoma	\$200,000	\$226,667	3	68	95.1%	-69.3%	-65.2%	50.0%

The Real Estate Report

Double [Dip] or Nothing?

Over the last several months, sales in the California housing market have been leveling out while the median price of homes has stayed over the \$300,000 threshold. Along with reports on weakness in the national numbers and large numbers of distressed sales across the board, the front and center question is: Are we headed for a double dip?

As far as sales are concerned, the pace has been near or above the 500,000 mark for the past two years, which is consistent with pre-peak levels of activity. The seasonally adjusted annualized rate of 492,800 existing detached home sales in June 2010 was down 4.2% from year ago levels and down 11.1% month-to-month. Despite the month-to-month and year-to-year declines, the June rate of sales was well above the trough of 254,650 homes that occurred in October 2007. Given the high levels of affordability compared to peak years, a drop off in sales to trough levels of 255,000 homes seems very unlikely.

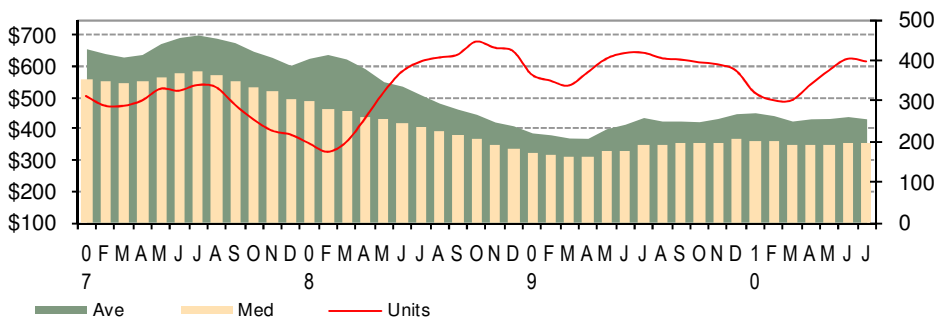
As for home prices, the California median price was \$311,950 in June 2010, 13.6% above the year ago

median of \$274,640, and up 27.2% from the trough price of \$245,230 of February 2009. While a 13.6% increase from the low point is welcome, the median actually declined over the last two months, causing concerns about a double dip in the median price. The possibility of a return to the \$245,000 range seems remote for the following reasons. First, even at current prices, affordability is more than double the levels of two and three years ago. This should continue to drive demand and prevent a significant decline in home prices. Second, despite recent increases in inventory levels (4.8 months in June) inventory in California was still below the long-run average of 7 months. Historically, inventory levels below that threshold have fueled year-to-year price gains. This would suggest that as long as inventory remains relatively low, prices should remain stable over the coming months, all else being equal.

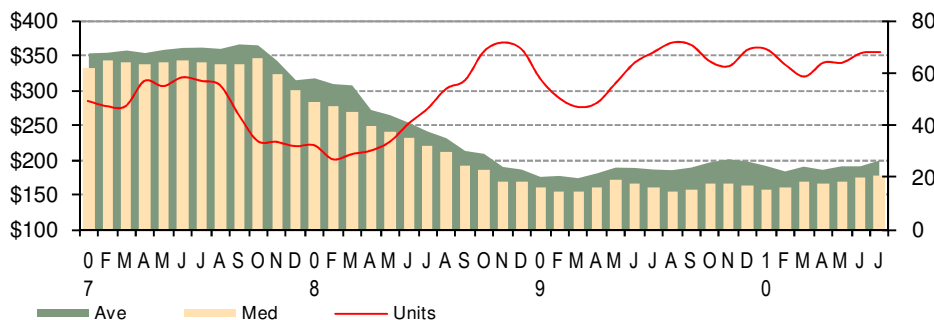
Collectively, these observations imply that the market should see prices stabilize or edge up over the foreseeable future, yet there is still a lot of uncertainty

(Continued on page 4)

Sonoma County Homes: Prices vs. Sales
(3-month moving average — \$000's)



Sonoma County Condos: Prices vs. Sales
(3-month moving average — \$000's)



THE REAL ESTATE REPORT

SONOMA COUNTY



C. Beth Robertson
Century 21 Classic Properties, Inc.

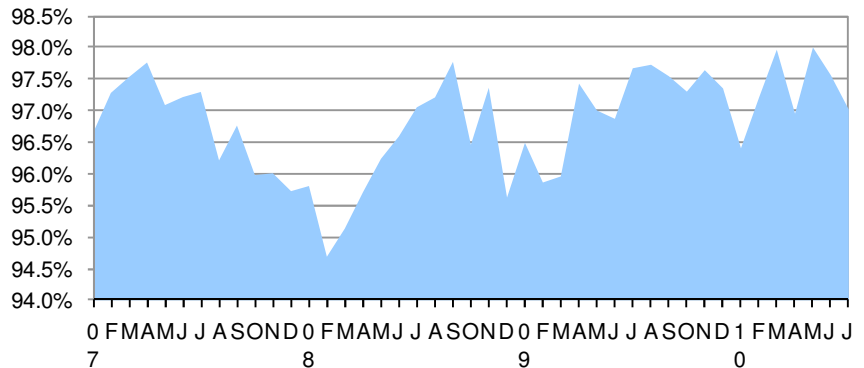
Go online to see the full report with the city by city breakdown:

<http://www.bethrobertson.com>

(Continued from page 3)

about the rest of the year. For one thing, it remains to be seen how the housing market will sustain itself now that the federal Homebuyer Tax Credits have ended. Moreover, there are long-standing concerns about a second wave of foreclosures and how it will impact housing market values. Recent changes to the HAMP loan modification program, including principal forgiveness, and similar changes to the loan modification programs of major banks, along with growing evidence that the California market has shown improvement in recent months, the likelihood the housing market will experience a double dip is small, especially in the San Francisco Bay Area where six of the top ten cities in the state with the highest median prices in June are located: Los Altos, Saratoga, Palo Alto, Los Gatos, Cupertino and Lafayette.

Sonoma County Homes: Sales Price/Listing Price Ratio



Property Sales (Year-to-Date)

