

# The Real Estate Report

LOCAL MARKET TRENDS



SONOMA COUNTY

June/July 2009



**Mark Stornetta**

**Alain Pinel Realtors**

640 Broadway

Sonoma, CA 95476

(707) 815-8749

mark@markstornetta.com

http://www.winecountry-realestate.com

## Sonoma County Home Prices Jump in May

The median price for single-family, re-sale homes rose 11.1% from April, and, at \$350,000, was at its highest since last October. Year-over-year, the median price was down 16.7%, and that is the lowest price differential since January 2008.

The price increase can be attributed to an increase in sales in the move-up market, \$500,000 to \$1,000,000,

and in the million dollar plus market. Sales in the move-up market increased to 19.5% of all sales last month compared to only 13.2% in April. Sales in the million dollar plus market rose to 5.4% from 2.1%.

Sales of single-family, re-sale homes in Sonoma County were up, year-over-year, for the fourteenth month in a row in May,

Trends at a Glance (Single-family Homes)			
	May 09	Apr 09	May 08
Median Price:	\$350,000	\$315,000	\$420,050
Average Price:	\$463,293	\$367,842	\$542,889
Home Sales:	410	431	369
Sale/List Price Ratio:	97.0%	97.4%	96.2%
Days on Market:	111	112	115

rising 11.1%. Year-to-date, home sales are up 42.6% compared to last year.

Condo sales were up 106.3%, year-over-year, in May. Year-to-date, condo sales are up 71.2%. The median price for condos

slipped 2% from April, and was off 25.1% year-over-year. The average price gained 0.1% month-over-month, but was off 22.4% compared to last May.

The time it takes from when a home was listed for sale to when it was put under contract fell one day to 111 days. The average days on market for condos dropped eight days to 119 days.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or property, or for an evaluation of your home's worth, call me.

### INSIDE THIS ISSUE:

2009 FIRST-TIME HOME BUYER TAX CREDIT	<b>1</b>
MORTGAGE RATE OUTLOOK	<b>2</b>
CITY STATISTICS	<b>2</b>
PENDING HOME SALES UP THIRD MONTH IN A ROW	<b>3</b>
CONDO STATISTICS	<b>3</b>
PRICE & SALES CHART	<b>4</b>

## The Basics: 2009 First-Time Home Buyer Tax Credit

As part of its plan to stimulate the U.S. housing market and address the economic challenges facing our nation, Congress has passed legislation that grants a tax credit of up to \$8,000 to first-time home buyers.

### WHO QUALIFIES?

First-time home buyers who purchase homes between January 1, 2009 and December 1, 2009.

To qualify as a "first-time home buyer" the purchaser or his/her spouse may not have owned a residence during the three years prior to the purchase.

### WHICH PROPERTIES ARE ELIGIBLE?

The 2009 First-Time Home Buyer Tax Credit may be applied to primary residences, including: single-family homes, condos, townhomes, and co-ops.

### HOW MUCH WILL THE CREDIT BE?

The maximum allowable credit for home buyers is \$8,000. Each home buyer's tax credit is determined by two factors:

The price of the home—the credit is equal to 10% of the purchase price of the home, up to \$8,000.

The buyer's income—single buyers with incomes up to \$75,000 and married couples with incomes up to \$150,000—may receive the maximum tax credit.

### IF THE BUYER(S)' INCOME EXCEEDS THESE LIMITS, CAN HE/SHE STILL GET A CREDIT?

Yes, some buyers may still be eligible for the credit.

The credit decreases for buyers who earn between \$75,000 and

\$95,000 for single buyers and between \$150,000 and \$170,000 for home buyers filing jointly. The amount of the tax credit decreases as his/her income approaches the maximum limit. Home buyers earning more than the maximum qualifying income—over \$95,000 for singles and over \$170,000 for couples are not eligible for the credit.

### WILL THE TAX CREDIT NEED TO BE REPAYED?

No. The buyer does not need to repay the tax credit, if he/she occupies the home for three years or more. However, if the property is sold during the three-year period, the credit will be recouped on the sale.

### TAX CREDIT CAN BE USED ON CLOSING COSTS

FHA-approved lenders received the go-ahead to develop bridge-loan products that enable first-time buyers to use the benefits of the federal tax credit upfront, according to eagerly awaited guidance from the U.S. Department of Housing and Urban Development on so-called home buyer tax credit loans that was released today.

Under the guidance, FHA-approved lenders can develop bridge loans that home buyers can use to help cover their closing costs, buy down their interest rate, or put down more than the minimum 3.5 percent.

The loans can't be used to cover the minimum 3.5 percent, senior HUD officials told reporters on a conference call Friday morning.

# The Real Estate Report

## Mortgage Rate Outlook

June 12, 2009 -- After rising for several weeks, and going over 4% for a time, the 10-year T-bill fell to 3.79% late Friday. That may not presage a huge fall in mortgage interest rates, but should be sufficient to stop and at least partially reverse the upward trend.

The strong flare in rates -- attributed to a number of concerns, from inflation potential, undisciplined fiscal policy, and a moderating recession -- serve as a reminder that even in this great period of government intrusion, private markets still retain considerable power.

For this week, HSH's overall measure of the cost of mortgage credit -- our Fixed-Rate Mortgage Indicator (FRMI), inclusive of conforming, jumbo and "high-limit" conforming data -- moved 22 basis point higher

to land at 6.04%, the highest such reading since November 28, 2008, the week when the Federal Reserve first began its programs to manipulate mortgage rates. For 5/1 Hybrid ARMs, the overall average moved 20 basis point upward, finishing the survey week at 5.44%.

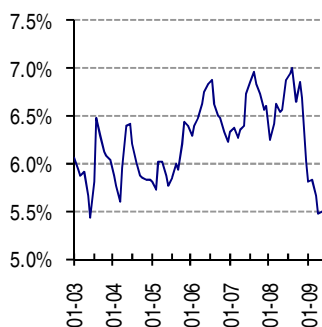
Conforming and FHA-backed loans make up the majority of the marketplace. For those, the increase this week was 29 and 36 basis points respectively, with a zero-point 30-year Conforming loan averaging 5.80%.

The rise in rates has certainly put a damper on refinancing plans. According to the Mortgage Bankers Association of America, applications for refinancing have slumped sharply over the past couple of weeks. However, a low interest rate

is just one of the components of a successful home purchase transaction, and applications of purchase-money mortgages continues to firm slightly from very low levels. It's worth noting that the lift in rates may push more homeowners over into the "loan modification" camp, since payment relief can't be obtained by refinancing in the open marketplace.

If history is any guide, mortgage rates have overshot on the upside, just as they overshot on the downside. However, there are a lot of things which could produce further upset, including an inability of the private market to continue to absorb wave after wave of new Treasury debt coming into the market.

30-Year Fixed Mortgage Rates



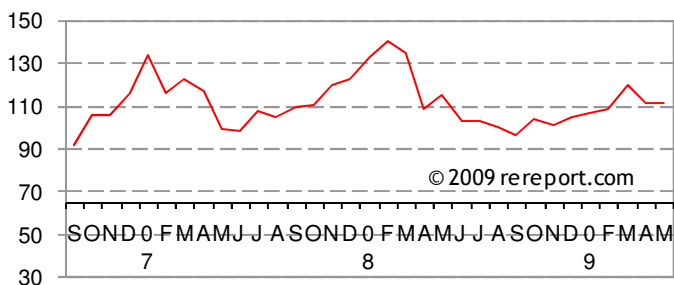
“THE RISE IN RATES HAS CERTAINLY PUT A DAMPER ON REFINANCING PLANS.”

## May Sales Statistics

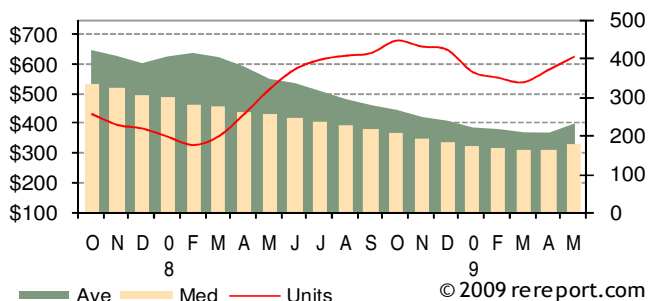
(Condos/Townhomes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
Rohnert Park	\$171,500	\$192,829	66	119	97.3%	-25.1%	-22.4%	106.3%
Santa Rosa	\$150,000	\$169,650	15	100	99.1%	-25.9%	-19.8%	150.0%
Sonoma	\$155,000	\$163,289	31	118	98.1%	-25.1%	-25.7%	72.2%
Sonoma	\$275,000	\$318,376	7	144	95.7%	-36.8%	-26.8%	250.0%

Sonoma County Homes: Days on Market



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



# The Real Estate Report

## Pending Home Sales Up Third Month in a Row

Record low mortgage interest rates boosted pending home sales for the third consecutive month, with some benefit now from the first-time buyer tax credit, according to the National Association of Realtors®.

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in April, rose 6.7 percent to 90.3 from a reading of 84.6 in March, and is 3.2 percent above April 2008 when it was 87.5.

Lawrence Yun, NAR chief economist, said buyers are responding to very favorable market conditions. "Housing

affordability conditions have been at historic highs, but now the \$8,000 first-time buyer tax credit is beginning to impact the market," he said. "Since first-time buyers must finalize their purchase by November 30 to get the credit, we expect greater activity in the months ahead, and that should spark more sales by repeat buyers."

The Pending Home Sales Index in the Northeast shot up 32.6 percent to 78.9 in April and is 0.8 percent above a year ago. In the Midwest the index rose 9.8 percent to 90.4 and is 11.1 percent above April 2008. The index in the South slipped 0.2

percent to 93.0 in April but is 3.5 percent higher than a year ago. In the West the index rose 1.8 percent to 94.8 but is 2.9 percent below April 2008.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said there are numerous buyer assistance programs around the country. "Some states are offering bridge loans that allow first-time buyers to use the tax credit for downpayment and closing costs, but there are many other local government and nonprofit programs available to buyers, depending on location," he said.

"Just last week, HUD announced that qualifying buyers can use the tax credit for closing costs on FHA loans, to buy down the interest rate or make a larger downpayment. Buyers who are wondering about their options should contact a Realtor®, who can advise consumers on the housing assistance programs and resources available in a given area."

NAR's Housing Affordability Index<sup>2</sup> is in record territory. The affordability index rose to 174.8 in April from an upwardly revised 171.9 in March, and was the second highest monthly reading on record after peaking at 176.9 in January of this year. The HAI is a broad measure of housing affordability using consistent values and assumptions over time, which examines the relationship between home prices, mortgage interest rates and family income; tracking began in 1970.

A median-income family, earning \$60,900, could afford a home costing \$296,800 in April with a 20 percent downpayment, assuming 25 percent of gross income is devoted to mortgage

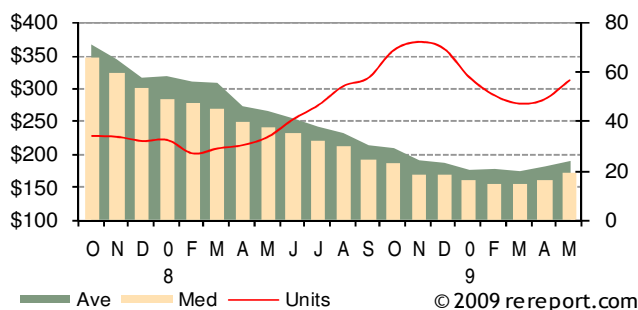
(Continued on page 4)

## May Sales Statistics

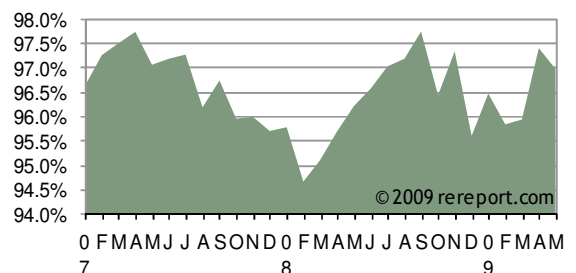
(Single-family Homes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
	\$350,000	\$463,293	410	111	97.0%	-16.7%	-14.7%	11.1%
Bodega Bay	\$687,500	\$687,500	2	102	90.2%	-43.2%	-43.2%	0.0%
Cloverdale	\$289,950	\$307,450	12	130	95.0%	-31.4%	-31.0%	20.0%
Cotati	\$285,000	\$293,750	4	71	102.2%	-28.3%	-26.1%	100.0%
Forestville	\$248,000	\$276,400	5	70	99.2%	n/a	n/a	n/a
Glen Ellen	\$210,000	\$210,000	1	262	95.5%	-68.6%	-68.6%	0.0%
Guerneville	\$145,000	\$188,750	4	64	96.0%	-61.1%	-55.3%	-42.9%
Healdsburg	\$732,500	\$887,242	19	175	93.5%	40.9%	6.5%	72.7%
Penngrove	\$655,000	\$625,000	3	68	98.5%	-20.8%	-28.2%	-25.0%
Petaluma	\$389,950	\$418,362	48	116	98.2%	-26.1%	-29.1%	41.2%
Rohnert Park	\$340,500	\$346,347	26	81	100.0%	-15.4%	-17.1%	-13.3%
Santa Rosa	\$302,800	\$406,803	192	106	96.6%	-22.5%	-10.3%	10.3%
Sebastopol	\$550,000	\$557,296	19	132	98.6%	-7.6%	-23.0%	-17.4%
Sonoma	\$416,000	\$786,431	32	97	96.7%	-37.2%	-14.2%	-3.0%
Windsor	\$338,000	\$350,530	27	109	100.7%	-20.0%	-19.4%	-3.6%

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



Sonoma County Homes: Sales Price/Listing Price Ratio



# THE REAL ESTATE REPORT

## SONOMA COUNTY



**Mark Stornetta**

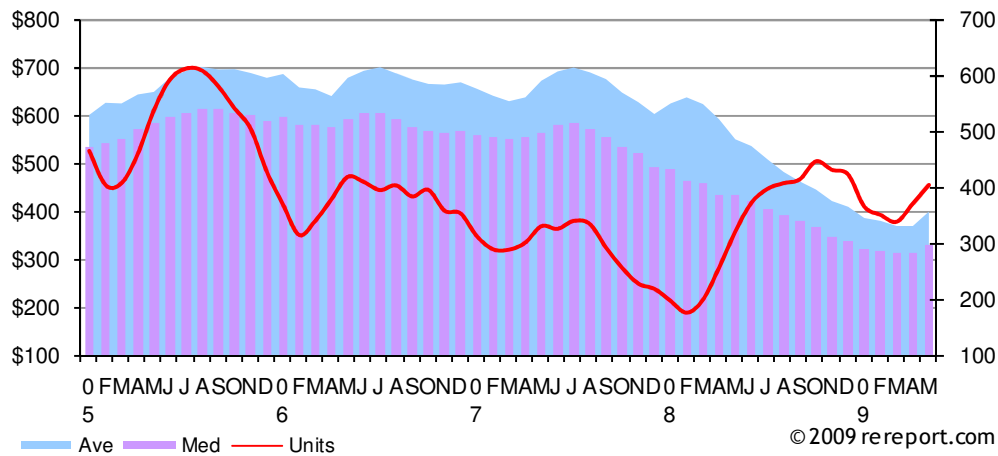
**Alain Pinel Realtors**

640 Broadway  
Sonoma, CA 95476

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

<http://www.winecountry-realestate.com>

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



(Continued from page 3)

principal and interest. Affordability conditions for first-time buyers with the same income and small downpayments are roughly 80 percent of that amount. The affordable price was well above the median existing single-family

home price in April, which was \$169,800.

Yun cautions that the reporting sample for pending home sales is smaller than that of existing-home sales, so it is subject to greater variability. "In addition, the relationship between contracts on pending home sales and closings on existing-home sales is taking

longer than in the past for several reasons," he said. "Mortgage processing time has increased, it is taking many months to close on those homes requiring short sales with lender approval, and some sales are falling through at the last moment."

The total number of existing-home sales is expected to

improve but with dramatic local market variation in the timing of recovery. "The market has already bottomed in some areas, but this is an unusual housing cycle with some areas improving rapidly while others languish or decline," Yun said.