

The Real Estate Report

LOCAL MARKET TRENDS



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Median Home Price Ends Year on Up Note

The median price for single-family, re-sale homes rose to \$385,000 in December. This is the highest price the median has been since July 2008. The median price was up 18.5% compared to last December

Although home sales were down 12.7% year-over-year last month, we expect sales to be strong through the Spring selling season because of the extension, and expansion, of the first-time home buyers tax credit of \$8,000 for buying a principal residence. First-time buyer is a buyer who has not owned a principal residence in the three-year period prior to the purchase. There are some income limits. For full information, see: <http://federalhousingtaxcredit.com>.

In addition, the tax credit was expanded to include move-up buyers. The tax credit for move-up buyers is \$6,500. A move-up buyer is a person who has owned and resided in the same home for at least five consecutive years of the eight years prior to the purchase date. Again, for full info, see the web site cited above.

P.S. The tax credit expires April 30th. You need to have a signed contract by then and close the sale within 60 days to qualify for the credit.

Condo sales continued strong last month by gaining 20.8% over November, and they were up 50% year-over-year. For the year, condo sales were up 27.9%. See the Annual Report for further details. The median price for condos fell 4.4% from November, and was off 11.1% year-over-year.

rose in 2009 for the second year in a row: up 8.9%. Prices fell for the fourth year in a row. The median price was off 12.3%, while the average price lost 14.9%.

The good news in all this is that prices bottomed out in the first quarter and started strengthening the last nine months of the year. See our monthly chart for Sonoma County below which shows the 3-month moving average since January 2005 for single-family, re-sale homes.

Buyers are out there, but they're looking for bargains. Which begs the question, what is a bargain?

A deal has little to do with the sales price to list price ratio. Remember, you are going to have to live in that home and that neighborhood. The most important thing is to find a home, in a neighborhood, you want to live in. If the house is fairly priced, make an offer. But understand, if the house is fairly priced, or even a little underpriced, and it is a good house in a good neighborhood, there will be multiple offers. If you find such a home, you can't hesitate.

It is endemic among buyers that the deals are in bank-owned or short-sale property. But, banks have the property appraised before they put it on the market, and they price it at, or just a little below, market value. Which is why we're seeing multiple offers and prices starting to go over asking.

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 for an evaluation of your home's worth, call me

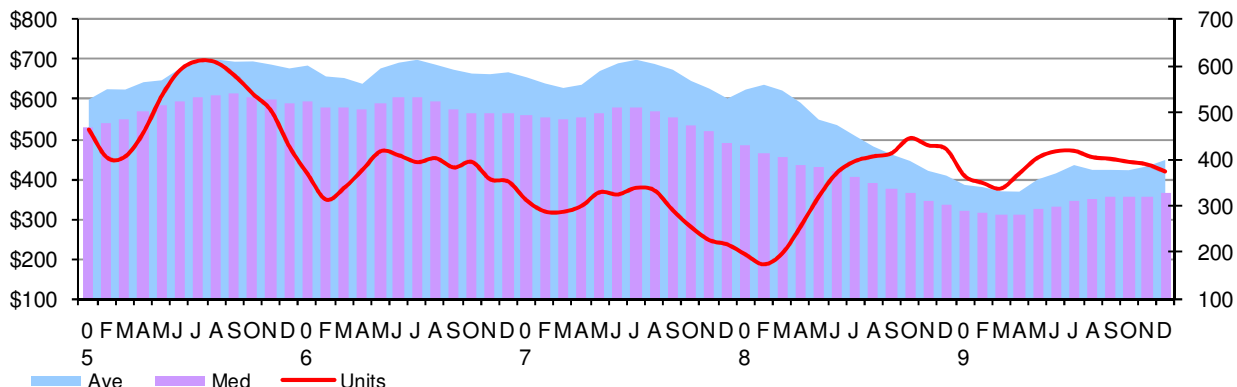
INSIDE THIS ISSUE:

FHA MORTGAGE PROGRAM IMPORTANT TO HOUSING	1
MORTGAGE RATE OUTLOOK	2
CITY STATISTICS	2
PENDING HOME SALES UP NINTH MONTH IN A ROW	3
CONDO STATISTICS	3
PRICE & SALES CHART	4

The Annual Report

The best that can be said about last year is it's over!
Sales of single-family, re-sale homes in Sonoma County

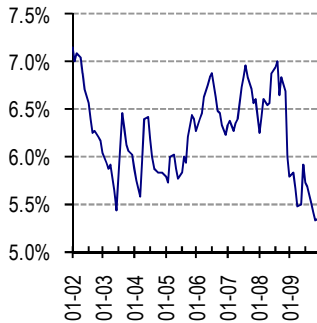
Sonoma County Homes: Prices and Sales
(3-month moving average — \$000's)



The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Dec. 31, 2010 -- Residential mortgage rates bumped higher this week, ending 2009 on a rising note. Even with the four-week lift in rates, we are no worse off than we were as recently as mid-November, and still far, far below the June 2009 highs.

The overall average for 30-year fixed-rate mortgages tracked by HSH.com's FRMI found the indicator of conforming, jumbo and expanded conforming rates rising to 5.59%, an 11 basis point increase. For Hybrid 5/1 ARMs, the average overall rate tipped 14 basis points higher, closing the holiday-shortened survey week at 4.85%. As expected, rates moved higher for both conforming and jumbo loans this week.

One of the factors which has been helping rates to firm over the last few weeks is that the Federal Reserve ended its program of purchas-

ing Treasury obligations, leaving the market to fend for itself. Compared to other market supports, the Fed's program wasn't a huge one, but did act as a sponge during times of excess supply, where demand in the private market was insufficient to mop up all the debt being issued. Over the last couple of weeks, that absorption capacity would have come in handy, since there has been a cascade of supply at a time of the year when there is considerably less demand to provide balance. With the laws of supply and demand being what they are, too much supply forces down the price of an item, and in the case of bonds, falling prices mean rising yields... and rising yields translate to firmer mortgage rates.

A three-day weekend is on tap, and markets are subdued. If typical sea-

sonal patterns hold, even next week -- the first of 2010 -- will still have a soft tenor to it. After that, we'll start to see more typical market activity, and that should in turn provide some sense for the direction of interest rates for the mid-winter period. At the moment, rates have firmed to some degree, disappointing refinancees somewhat. Homebuyers, usually less needful of rock-bottom interest rates to foster a transaction, will probably shrug and move forward, provided rates don't continue to step higher in the coming days. At the close of this week, it seems that rise in underlying rates crested on Monday and has settled, so mortgage rates should halt their rise for next week, too.

For the 2010 Outlook for Rates, see: <http://www.hsh.com/2010-Outlook.html#wmt>

2010 California Real Estate Market Forecast

"California's housing market continued its strong sales rebound this year, resulting from the continued pace of distressed properties coming to market," said C.A.R. President James Liptak. "This follows two years of double-digit sales declines in 2006 and 2007. Looking ahead, we expect sales to moderate to a more sustainable pace."

"After experiencing its sharpest decline in history, we expect the median price to rise modestly next year," Liptak added. "2010 will mark the beginning of the 'new normal' for California's housing market. This 'new normal' likely will feature a steady stream of sales driven by distressed properties in the low end of the market, coupled with moderate home-price appreciation."

The median home price in California will rise 3.3 percent to \$280,000 in 2010 compared with a projected median of \$271,000

this year, according to the forecast. Sales for 2010 are projected to decrease 2.3 percent to 527,500 units, compared with 540,000 units (projected) in 2009.

"Housing in California has become a tale of two markets," Liptak said. "The low end continues to attract first-time buyers and investors, with a resulting shortage in the number of homes for sale. Sellers at the high end, however, continue to be challenged by the ability of home buyers to secure financing as well as their concerns about where prices are headed. While demand from first-time buyers for low-end properties will continue throughout next year, sales could be impacted if discretionary sellers do not return to the market by the second half of 2010.

"2009 marked a unique opportunity for first-time home buyers," Liptak said. "Homes were more affordable than they have

been in years, interest rates hovered near historic lows, and the federal tax credit helped more than 1 million people become homeowners nationwide. Now is the time for Congress to extend the federal tax credit and to expand it to all buyers, not just first-timers."

"With distressed properties accounting for nearly one-third of the sales in 2010, inventory will be relatively lean, under six months during the off-season months, and a roughly four-month supply during the peak season," said C.A.R. and Vice President Leslie Appleton-Young. "We expect the median price to decrease slightly through the remainder of 2009 and into next year, then rise before leveling off next summer. For the year as a whole, home prices are forecast to reach \$280,000."

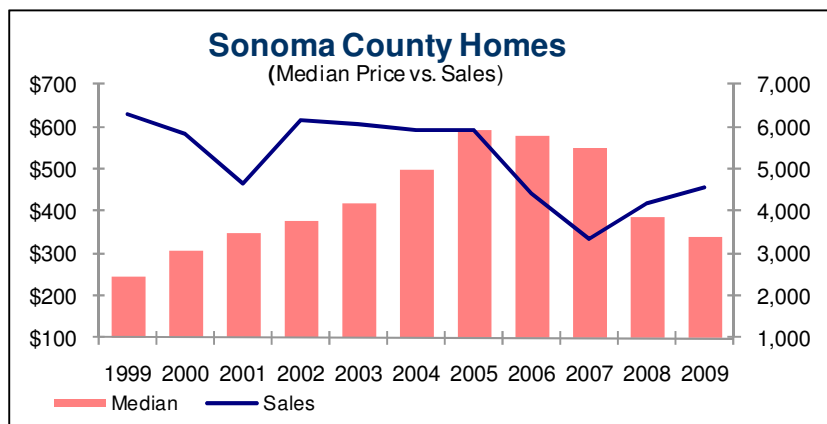
"Although it appears at this time that lenders are closely monitoring

the flow of distressed properties onto the market, there could be an exertion of downward pressure on home prices should a heavier than expected wave of foreclosures come to market next year," she said.

"The wild cards for 2010 include foreclosures, loan resets, the labor market, and the California budget crisis, as well as the actions of the federal government," Appleton-Young said.

The Real Estate Report

Sonoma County (Single Family Homes)								
Date	Prices		Other			Percent Change		
	Average	Median	Sold	DOM	SP/LP	Average	Median	Sold
1998	\$256,576	\$218,950	6,125	56	98.1%			
1999	\$294,547	\$244,000	6,298	54	98.1%	14.8%	11.4%	2.8%
2000	\$366,220	\$305,000	5,838	42	99.1%	24.3%	25.0%	-7.3%
2001	\$422,824	\$348,000	4,657	68	97.6%	15.5%	14.1%	-20.2%
2002	\$434,191	\$375,000	6,150	70	98.2%	2.7%	7.8%	32.1%
2003	\$486,498	\$420,000	6,063	67	98.4%	12.0%	12.0%	-1.4%
2004	\$571,652	\$499,000	5,921	62	99.2%	17.5%	18.8%	-2.3%
2005	\$674,388	\$591,000	5,923	57	99.2%	18.0%	18.4%	0.0%
2006	\$673,785	\$580,000	4,444	87	97.8%	-0.1%	-1.9%	-25.0%
2007	\$656,258	\$550,000	3,364	105	96.9%	-2.6%	-5.2%	-24.3%
2008	\$486,889	\$387,500	4,209	102	96.4%	-25.8%	-29.5%	25.1%
2009	\$414,585	\$340,000	4,585	102	97.1%	-14.9%	-12.3%	8.9%



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.

Sonoma County (Condos & Town Homes)								
Date	Prices		Other			Percent Change		
	Average	Median	Sold	DOM	SP/LP	Average	Median	Sold
1998	\$138,176	\$124,500	610	20	98.6%			
1999	\$133,202	\$125,000	519	44	99.1%	-3.6%	0.4%	-14.9%
2000	\$169,701	\$163,375	518	25	100.7%	27.4%	30.7%	-0.2%
2001	\$217,335	\$210,000	601	54	99.1%	28.1%	28.5%	16.0%
2002	\$243,248	\$234,950	986	57	99.5%	11.9%	11.9%	64.1%
2003	\$270,535	\$260,000	1,084	56	99.8%	11.2%	10.7%	9.9%
2004	\$320,571	\$315,000	1,086	49	100.6%	18.5%	21.2%	0.2%
2005	\$382,138	\$370,000	986	43	100.7%	19.2%	17.5%	-9.2%
2006	\$374,968	\$363,000	675	77	98.8%	-1.9%	-1.9%	-31.5%
2007	\$352,466	\$334,900	545	106	98.6%	-6.0%	-7.7%	-19.3%
2008	\$227,007	\$200,000	588	100	95.8%	-35.6%	-40.3%	7.9%
2009	\$187,738	\$159,250	752	99	98.0%	-17.3%	-20.4%	27.9%

THE REAL ESTATE REPORT

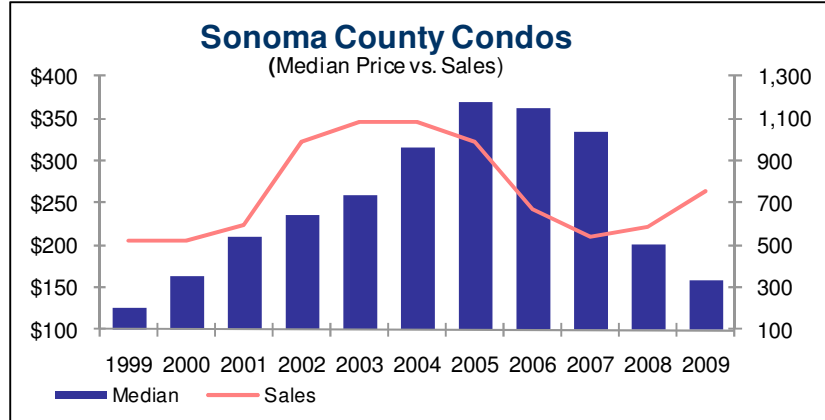
SONOMA COUNTY



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

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



Sonoma County Homes: Sales Price/Listing Price Ratio

