

The Real Estate Report

LOCAL MARKET TRENDS



SONOMA COUNTY

May/June 2012

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Sonoma Market Bounces off Bottom

Low inventory and high demand are pushing the real estate market in Sonoma County off the bottom quickly.

Multiple offers on the best properties continues to be the norm.

Low inventory is here to stay for the next year or two. We don't see that changing much in the near future for several reasons.

First, there is no new home building going on, which is necessary to relieve the pressure.

Second, many existing homeowners aren't going anywhere. If they have good jobs here, where would they go?

Lastly, forget about phantom inventory. As of March, the banks owned 1,025 properties in the county. That number includes homes AND condos. There are currently 956 homes AND condos actively listed for sale, we're not including contingent sales. Even if the banks put all their inventory on the market, it's only one month's worth!

APRIL MARKET STATISTICS

Sales of single-family, re-sale homes dropped 4.4% from March, but were up 22.7% year-over-year. That's eleven months in a row home sales have been higher than the year before.

The median price for homes rose 8.2% from March, and was up 5.8% year-over-year. The average price jumped 19.8% year-over-year. The average price is at its highest level since September 2010.

The market right now is all about momentum.

SALES MOMENTUM...

for homes jumped two points to +11. Sales momentum, which is a leading indicator, has been rising since November 2010. The effect on prices is now starting to be felt.

PRICING MOMENTUM...

peaked at +7 in September 2010. In April, pricing momentum rose one point to -5. Pricing momentum has been rising since December of last year.

WE CALCULATE...

momentum by using a 12-month moving average to eliminate seasonality. By comparing this year's 12-month moving average to last year's, we get a percentage showing market momentum.

CONDO STATISTICS...

Condo sales were off 20% year-over-year.

The median price for condos dropped 1.9% from March, and but was up 3.1% compared to last April.

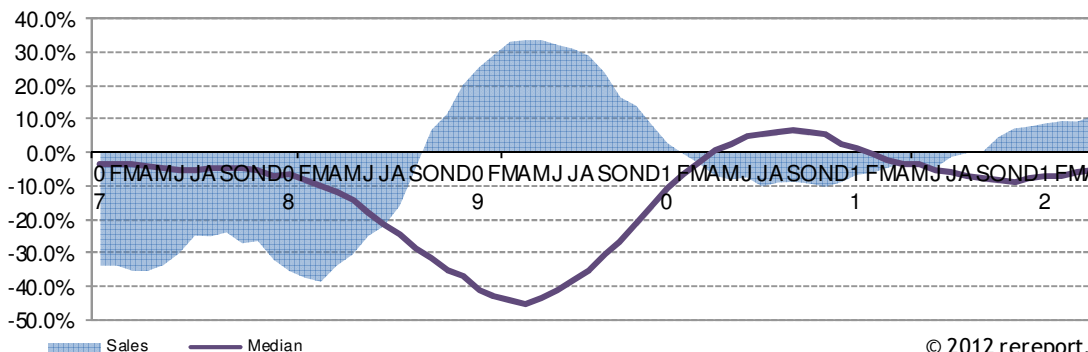
This is an extraordinarily tough market for buyers. It's important to be calm and realistic. If you don't know what to do or where to begin, give me a call and let's discuss your situation and your options.

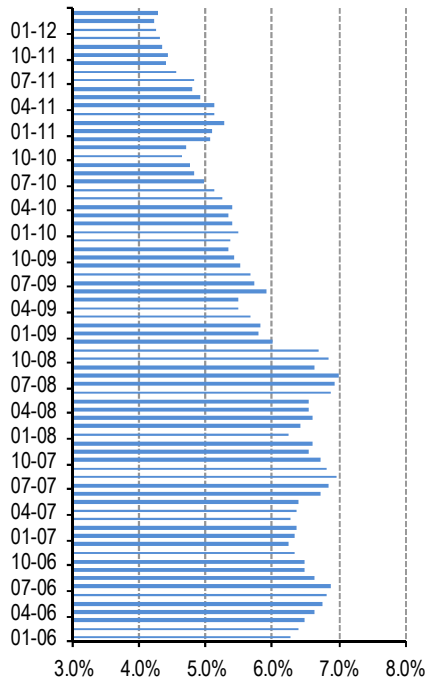
Trends at a Glance (Single-family Homes)			
	Apr 12	Mar 12	Apr 11
Median Price:	\$345,000	\$318,750	\$326,000
Average Price:	\$466,682	\$397,038	\$389,527
Home Sales:	432	452	352
Sale/List Price Ratio:	96.0%	96.1%	97.1%
Days on Market:	116	138	102

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Sonoma County Homes: Sales Momentum





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Mortgage Rate Outlook

May 4, 2012 -- Mortgage rates eased downward this week to again land at new record lows. After a hopeful late winter and early spring, the economic data began to point to a lower trajectory for growth, and that's where we find ourselves at the moment. Troubles in overseas economies continues to show, while inflation has leveled for the moment. These ingredients are the recipe for lower interest rates in general, as investors look for places to park cash away from uncertain stock markets. Once you mix in a Federal Reserve still accumulating long-term Treasuries and mortgages, you've got everything you need for rock-bottom mortgage rates.

It would be better if more borrowers could take advantage of them, though.

HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages eased by two basis points (0.02%) for the week, and at 4.15%, now stands at a new record low, the third record-setting week of 2012. The FRMI's 15-year companion also shed two basis points (.02%), slipping to a new record low of 3.39%. Important to homebuyers and low-equity-stake refinancers, already-low FHA-backed 30-year mortgages dropped by another single basis point to 3.79%, a fresh low-water mark, while the overall average for 5/1 Hybrid ARMs was unchanged, holding at an average 2.97% for the survey period, its lowest level ever.

In a special question, the Fed asked lenders to compare their willingness to make a mortgage to borrowers in 2006 and 2012 using similar FICO and LTV standards. It what has been painfully obvious to even a casual observer of the mortgage market, lenders are much less willing to lend now compared to then. The reasons are widespread, but include trouble getting mortgage insurance for borrowers, the GSEs requiring buybacks on failed loans, unclear regulations, weak home prices and more. To a degree, all of these issues rely on the other to be solved, and given the thorny issues involved, it may be some time before that happens.

That's a shame, since making it somewhat easier to get a mortgage loan would tend to foster demand, firming home prices. If prices start to rise, losses on failed loans would slow, which might allow some leeway on buybacks. Fewer failing loans would see mortgage insurers in better fiscal straits, allowing them to ease rigid rules. If the market starts to function better all around, regulators might be less tempted to make drastic changes, and new regulations might come sooner rather than later, easing the anxiety of over-regulation which has hung over the market for several years now.

It goes without saying that a functioning housing market would revive the economy in a number of ways. Presently, it's not the only facet of the economy which isn't firing on all cylinders, but it is a sizable one.

DEFINITIONS:

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

Average Price: Add 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.

April Sales Statistics

(Single-family Homes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
County	\$345,000	\$466,682	432	116	96.0%	5.8%	19.8%	22.7%
Bodega Bay	\$825,000	\$818,663	7	163	95.0%	0.6%	-6.2%	133.3%
Cloverdale	\$232,000	\$440,673	11	132	89.9%	-21.2%	26.5%	37.5%
Cotati	\$299,000	\$320,357	7	115	98.7%	-12.7%	-8.4%	75.0%
Forestville	\$190,000	\$189,167	3	23	93.8%	-15.6%	-50.4%	0.0%
Glen Ellen	\$615,000	\$1,158,574	5	179	91.0%	-40.5%	12.2%	150.0%
Guerneville	\$241,500	\$222,983	6	77	88.7%	38.8%	-1.8%	50.0%
Healdsburg	\$585,000	\$787,523	23	130	94.2%	48.3%	39.1%	187.5%
Penngrove	\$550,000	\$533,333	3	164	93.0%	-27.3%	-27.3%	-25.0%
Petaluma	\$365,000	\$412,339	57	126	98.3%	2.5%	4.3%	29.5%
Rohnert Park	\$325,000	\$314,476	21	78	98.5%	21.5%	14.6%	-19.2%
Santa Rosa	\$298,000	\$419,785	183	114	96.1%	4.8%	25.7%	17.3%
Sebastopol	\$640,000	\$732,836	13	68	97.9%	16.9%	23.0%	-7.1%
Sonoma	\$367,000	\$520,882	39	132	96.5%	-24.0%	-19.6%	50.0%
Windsor	\$339,000	\$368,838	41	90	101.2%	3.2%	13.8%	28.1%

April Sales Statistics

(Condos/Townhomes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
County	\$139,250	\$165,075	56	91	98.5%	3.1%	2.6%	-20.0%
Rohnert Park	\$130,500	\$136,689	9	25	99.4%	-2.2%	3.5%	-43.8%
Santa Rosa	\$127,500	\$145,055	22	120	99.7%	-4.5%	-6.8%	-26.7%
Sonoma	\$225,000	\$225,000	2	35	93.2%	66.7%	-5.3%	-60.0%

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Foreclosure Statistics

Notices of default, the first step in the foreclosure process, in Sonoma County jumped 27.5% in March from February. Year-over-year, notices were down 19.9%.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, dropped 17.2% from February, and were down 25.9% year-over-year.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements.

Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In February, cancellations were down 13.4% from February. They were down 30.4% year-over-year.

Properties going back-to-bank decreased 23% from February, and were down 57.7% year-over-year.

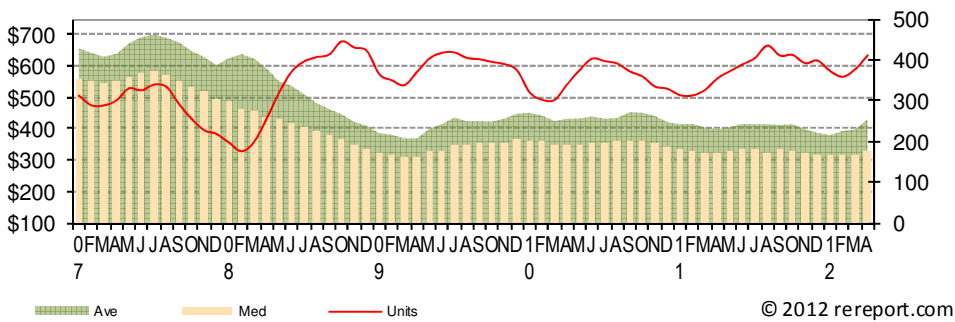
The total number of properties that have had a notice of default filed increased by 8% from February, but were down 15% year-over-year.

The total number of properties scheduled for sale decreased by 21.6% year-over-year, but were up 0.5% from February.

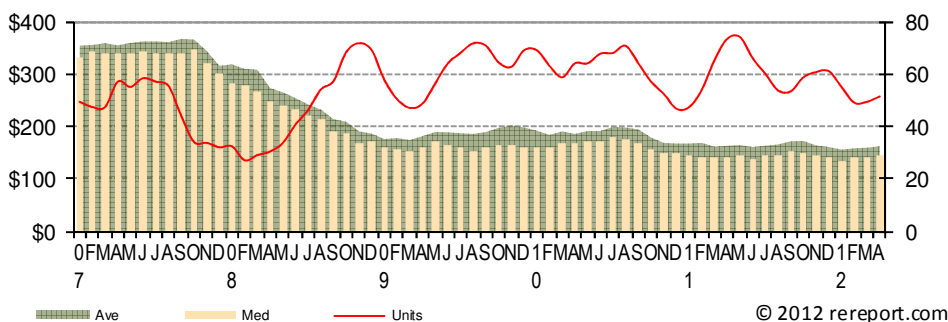
The number of properties owned by the banks was down 15.1% year-over-year. There are now approximately 1,025 properties owned by the banks.

These statistics were provided by ForeclosureRadar.com. For full details on a particular Sonoma County city, visit them.

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



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



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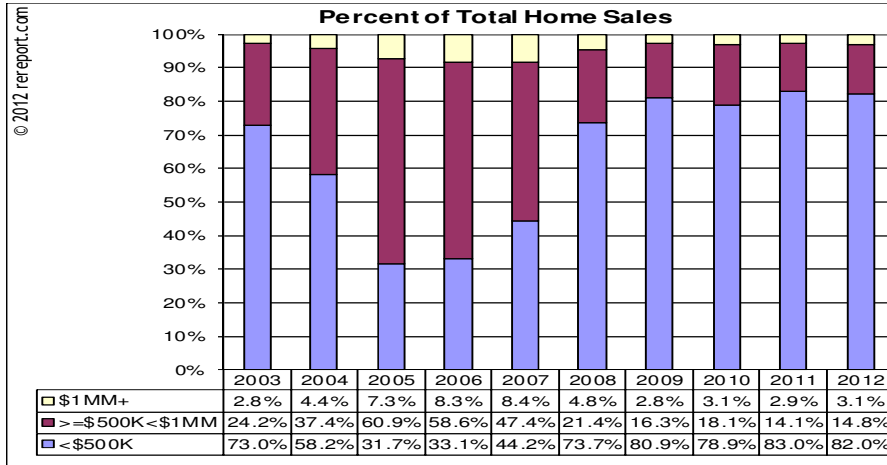
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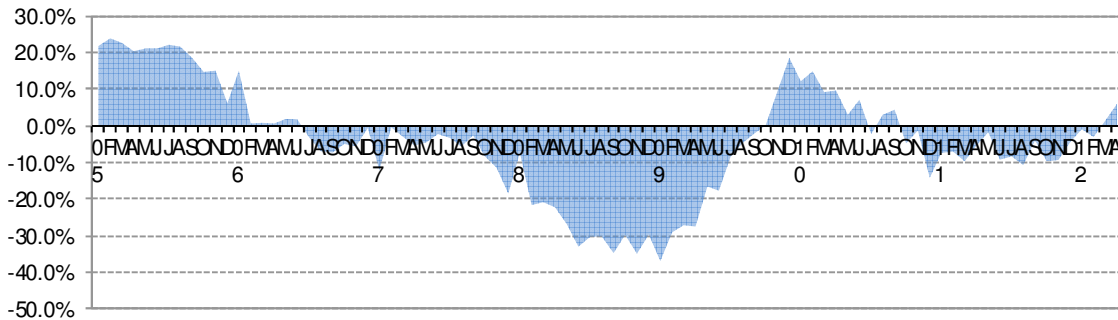
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Go online to see the full report
 with the city by city breakdown:

<http://www.pacunion.com>



Sonoma Homes: Year-Over-Year Median Price Differential



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