

# The Real Estate Report

LOCAL MARKET TRENDS



SONOMA COUNTY



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## Prices and Sales Fall for Second Year in a Row

The median price for Sonoma County single-family re-sale homes declined 5.2% to \$550,000 in 2007. Sales of single-family homes fell 24.3% to their lowest level since before we started keeping records in 1998. Read the full report by clicking to the on-line report at <http://www.pacunion.com>.

### HOME SALES PLUMMET IN DECEMBER

After rising two months in a row, home sales in Sonoma County took an early vacation in December. Home sales fell

22.9% from November and were off 48% year-over-year. At 185 units sold, this is the lowest number since we've been keeping records: January 1998.

The median price for single-family, re-sale homes in Sonoma County fell 7.4% from November, and was off 18.6% year-over-year. The average price for homes lost 7.9%, month-over-month, and was down 13.8% compared to last December.

Trends at a Glance (Single-family Homes)			
	Dec 07	Nov 07	Dec 06
Median Price:	\$463,000	\$500,000	\$569,000
Average Price:	\$581,380	\$630,996	\$674,210
Home Sales:	185	240	356
Sale/List Price Ratio:	95.7%	96.0%	96.8%
Days on Market:	123	120	116

The median price for condos gained 2.7% from November, but is down 16.9% year-over-year. These numbers can, and do, swing wildly because there are so few sales. Condo sales were down 23.7%,

month-over-month, down 50% compared to December 2006.

Remember, these are statistical numbers. They can, and do, mask the truth about how much a particular piece of property is worth.

Much of the reason for the drop in prices has to do with the large number of foreclosures on the market. Once those get worked through the system, prices will start rising again.

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.

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## C.A.R.'s California Housing Market Forecast for 2008

### STATEWIDE MEDIAN PRICE DOWN, PACE OF SALES DECLINE MODERATES AFTER TUMULTUOUS 2007

Home prices throughout most of California will post modest declines next year while sales of existing homes will stabilize from the precipitous decrease experienced in 2007, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) "2008 California Housing Market Forecast".

The median home price in California will decline 4 percent to \$553,000 in 2008 compared with a projected median of \$576,000 this year, while sales for 2008 are projected to decrease 9 percent to 334,500 units, compared with 367,500 units (projected) in 2007.

"Tighter credit standards, affordability concerns, and a continued standoff between buyers and sellers will contribute to continued weakness in the market going into next year," said C.A.R. President Colleen Badagliacco. "Now is not the time for homeowners to 'test the waters' – only serious sellers should put their homes on the market in what will continue to be a challenging sales environment."

"Sales could decline more steeply in 2008 if the current liquidity crunch in the mortgage markets has a longer-than-expected duration or if interest rates unexpectedly increase," she said

"Geographically, more affordable regions such as the Central Valley and Inland Empire will experience greater softness in the resale market because of the large number of

new homes coming onto the market in recent years," said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. "Higher priced regions of the state, such as the San Francisco Bay Area and parts of San Diego, Los Angeles, and Orange counties will react more to affordability constraints."

"By price-range, the highest-priced markets – those with medians over \$1 million -- will show less stress," she said. "The lower-priced markets will continue to face fallout from the subprime crisis, tighter underwriting standards, and competition from new home developments where price-cutting has been even more severe."

C.A.R. economists also projected a 23 percent decline in sales this year to 367,500 units compared with 2006, and a 3.5 percent increase in

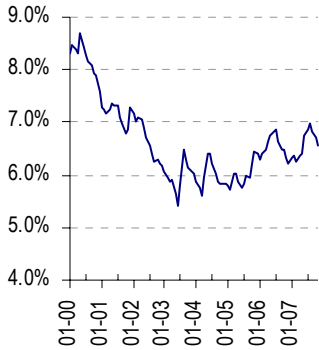
the statewide median price to \$576,000. However, the projected increase in the 2007 statewide median stands in contrast to the situation in most counties, regions, and communities of the state, where slight to modest year-to-year percentage declines have become more prevalent and will continue next year.

Historically, the last time the sales level fell below 2007's projected 367,500 units occurred in 1995, when annual sales totaled 342,540 units. Sales last fell below 2008's 334,500-unit forecast in 1985, with 328,270 units. The last time the statewide median price fell was a 0.5 percent decline in 1996. The most recent statewide median price decline greater than 4 percent was a 4.5 percent decline in 1993.

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## Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



Jan. 11, 2008 -- Mortgage rates continue their 2008 march downward, with the overall combined average of the 30-year fixed-rate mortgage sliding by 16 basis points (.16%), closing the nation's widest survey of mortgage prices at 6.31%. Hybrid 5/1 ARMs shed a whopping 23 basis points, ending the survey week at an average 5.92%.

Conforming 30-year fixed rates averaged 5.87%, their lowest point since late September 2005. The average 5/1 ARM hit its lowest point in nearly two years.

Will more rate cuts come from the Fed? It looks likely, and they could be substantial. Fed Chairman Bernanke let that be known in a speech this week, where he said "in

light of recent changes in the outlook... additional policy easing may well be necessary" and that the Fed was prepared to "take substantive additional action" to ensure that the economy continues to grow.

If so, those actions may come at the expense of the Fed's anti-inflation vigil. Price pressures have been firm, even elevated, in the past year, and show few signs of abating. If the Fed pushes the gas pedal too hard, too long, or at the wrong time, it risks sparking a bout of inflation which will spark higher -- perhaps much higher -- interest rates down the road. We may trade one set of troubles for another, but at the moment, that's tomorrow's problem, not today's. However, the Fed may be helped by slower

growth and weakening employment, which should trim price pressures over time, and hopefully just in time.

Our first full week out of the holiday season featured a light calendar of economic news. Next week brings a cascade of fresh data, including some covering housing. Along with the economy, mortgage rates have begun the year on a downward trend, and unless proven otherwise, that does seem to be the likely course for next week.

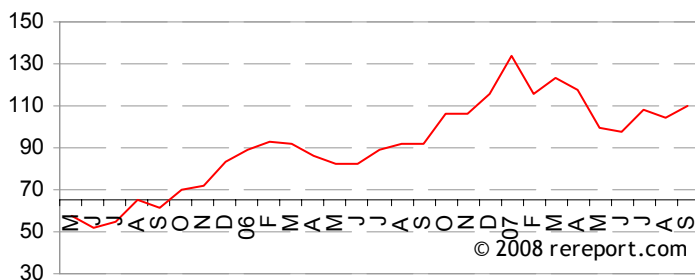
"IN LIGHT OF RECENT CHANGES IN THE OUTLOOK... ADDITIONAL POLICY EASING MAY WELL BE NECESSARY."

## December Sales Statistics

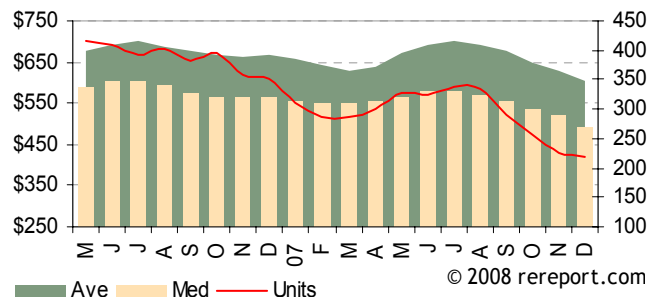
(Single-family Homes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
Bodega Bay	\$463,000	\$581,380	185	123	95.7%	-18.6%	-13.8%	-48.0%
Cloverdale	\$927,500	\$927,500	2	103	96.9%	-14.7%	-14.7%	0.0%
Cotati	\$382,500	\$374,213	8	229	98.9%	-29.8%	-67.1%	60.0%
Forestville	\$0	\$0	0	0	0.0%	-100.0%	-100.0%	-100.0%
Glen Ellen	\$234,900	\$234,900	1	116	94.3%	-33.4%	-34.5%	-75.0%
Guerneville	\$483,950	\$483,950	2	68	90.2%	-36.6%	-35.6%	-50.0%
Healdsburg	\$418,500	\$422,750	6	105	96.4%	-7.6%	-4.2%	-25.0%
Penngrove	\$856,725	\$1,246,056	8	95	93.2%	55.8%	99.3%	-55.6%
Petaluma	\$0	\$0	0	0	0.0%	-100.0%	-100.0%	-100.0%
Rohnert Park	\$602,000	\$625,395	20	146	95.8%	-5.9%	-13.3%	-63.0%
Santa Rosa	\$413,500	\$429,492	12	115	96.7%	-21.2%	-19.1%	-52.0%
Sebastopol	\$425,000	\$519,985	95	113	96.0%	-21.2%	-19.0%	-36.2%
Sonoma	\$870,000	\$994,250	4	172	95.3%	23.3%	37.8%	-50.0%
Windsor	\$690,000	\$875,909	11	112	94.3%	14.5%	9.4%	-63.3%
	\$465,750	\$571,552	10	123	98.1%	-17.7%	-9.6%	-58.3%

Sonoma County Homes: Days on Market



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



# The Real Estate Report

## Seller's Guide - Step 6: Closing

It might seem as though once a sale agreement has been signed that the selling process is complete. Not only is it not over yet, but some of the most complex aspects of a real estate transaction now begin.

A sale agreement sets not only a purchase price for the home, but also a series of terms and conditions. For instance:

- Contracts routinely depend on the ability of a buyer to obtain financing, which is why most sellers prefer buyers with pre-approval letters from lenders.
- A growing percentage of transactions involve a home inspection, or a physical review of the home by a trained and independent observer.
- Lenders will establish numerous conditions before granting a loan. They will want a title exam, title insurance to protect against title errors, termite inspections, surveys and an

appraisal to assure that the home has sufficient value to secure the loan.

### WHEN SHOULD YOU CLOSE?

With automation now available, closings can occur within a week in some areas -- at least in theory. In practice, it takes time to arrange financing, conduct inspections, obtain appraisals, locate replacement housing, contact movers, pack and actually move.

While instant closings are not practical, neither are closings too far in the future. The problem with closings much past 60 days is that loan rates are difficult to lock in. If mortgage rates go up, it's possible that the buyer will no longer be able to afford the home and thus the deal may fall through.

The result of these considerations is that most homes close 30 to 45 days after a sale agreement has been signed.

### WHAT HAPPENS?

Closing -- or "settlement" or "escrow" as it is known in some areas -- is essentially a meeting where the closing agent (the party who conducts settlement) takes in money from the buyers, pays out money to the owner and makes sure that the purchaser's title is properly recorded in local records along with any mortgage liens.

The closing agent reviews the sale agreement to determine what payments and credits the owner should receive and what amounts are due from the buyer. The closing agent also assures that certain transaction costs are paid (taxes and title searches).

Closing is also the time when "adjustments" will be made. For instance, suppose you've pre-paid taxes four months in advance. In this case, the closing agent will compensate you for the prepayment at closing by having the buyer pay you additional money.

It could also work in reverse. If you are behind on property taxes, the closing agent will reduce the money due to you at settlement by the amount of the unpaid taxes.

### HOW DO YOU PREPARE TO SELL?

It's important to look at the sale agreement and review your obligations. For instance, if you have agreed to paint a room or replace the dishwasher, such work must be completed before closing. We will discuss your agreement and the steps which must be taken to complete the transaction.

The closing agent will handle both the settlement papers and related documents.

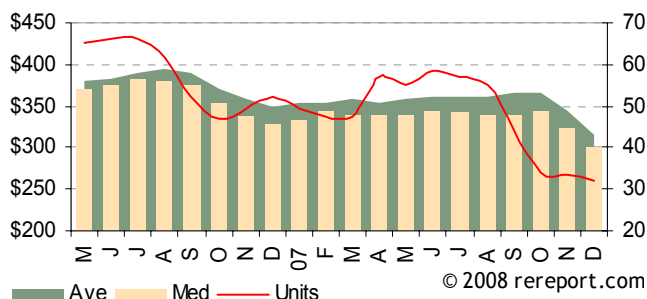
## December Sales Statistics

(Condos/Townhomes)

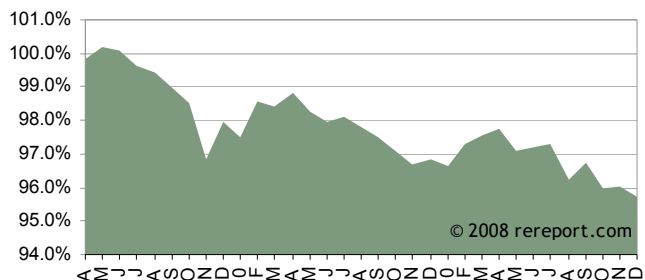
County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
Rohnert Park	\$282,500	\$297,956	29	89	97.8%	-16.9%	-13.9%	-50.0%
Santa Rosa	\$219,250	\$224,625	4	129	94.8%	-33.3%	-28.9%	-80.0%
Sonoma	\$343,000	\$340,250	4	144	95.5%	-2.4%	-2.6%	-81.8%
Sonoma	\$420,118	\$420,118	2	174	96.0%	12.3%	3.0%	-33.3%

### Sonoma County Condos: Prices vs. Sales

(3-month moving average — \$000's)



### Sonoma County Homes: Sales Price/Listing Price Ratio



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

<http://www.pacunion.com>

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

