

The Real Estate Report

LOCAL MARKET TRENDS



SONOMA COUNTY

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Sonoma County Home Sales Up Again

Sales of single-family, re-sale homes in Sonoma County were up, year-over-year, for the eleventh month in a row in February, rising 75.1%. For the first two months of the year, home sales are up 89.1% compared to last year. In fact, home sales are higher than they've been since 2005.

The median price for homes was down 3.2% from January, a yearly decline of 29.2%. The average price gained 0.8% month-over-month, but was off 44.4% compared to last February.

The increasing number of homes sold below \$500,000 continues to have a disproportionate effect on statistical prices. Last year, the

percentage of homes sold below \$500,000 was 73.7% of all homes sold. For January, the percentage was 83.3%, while it increased to

homes between \$500,000 and \$1,000,000 only fell 2.7%, while the median price for homes above \$1,000,000 rose 7.1%.

Trends at a Glance (Single-family Homes)			
	Feb 09	Jan 09	Feb 08
Median Price:	\$305,000	\$315,000	\$430,500
Average Price:	\$371,745	\$368,842	\$668,722
Home Sales:	310	335	177
Sale/List Price Ratio:	95.9%	96.5%	94.7%
Days on Market:	109	107	140

85.5% in February. In 2007, that number was 44.2%.

The under \$500,000 segment of the market is also where the price drops are concentrated. In 2008, the median price for homes under \$500,000 dropped 21% from 2007. The median price for

Condo sales were up 95.5% year-over-year. The median price for condos fell 10.8% from January, and is now off 45.2% year-over-year.

The sales price to list price ratio for single-family home fell 0.6 of a point to 95.9%. The condo ratio lost 0.3 of a point to 97.9%.

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.

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American Recovery and Reinvestment Act Ups Loan Limits

The American Recovery and Reinvestment Act of 2009 reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans.

These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750.

For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009

limits will expire December 31, 2009.

For Santa Clara County, loan limits will be \$729,750.

The Act is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn brought about by the subprime mortgage crisis and the resulting credit crunch. The Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector.

Some of the tax relief for individuals include:

- New payroll tax credit of \$400 per worker and \$800 per couple in 2009 and 2010. Phase-

out begins at \$75,000 for individuals and \$150,000 for joint filers.

- Alternative minimum tax: a one year increase in AMT floor to \$70,950 for joint filers for 2009.
- Expansion of child tax credit: A \$1,000 credit to more families (even those that do not make enough money to pay income taxes).
- Expanded college credit to provide a \$2,500 expanded tax credit for college tuition and related expenses for 2009 and 2010. The credit is phased out for couples making more than \$160,000.
- Homebuyer credit: \$8,000 credit for all homes bought between 1/1/2009 and

12/1/2009 and repayment provision repealed for homes purchased in 2009 and held more than three years. This only applies to first-time homebuyers.

- Home energy credit to provide an expanded credit to homeowners who make their homes more energy-efficient in 2009 and 2010. Homeowners could recoup 30 percent of the cost up to \$1,500 of numerous projects, such as installing energy-efficient windows, doors, furnaces and air conditioners.
- Deduction of sales tax from car purchases, phased out for incomes above \$250,000.

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Mortgage Rate Outlook

Mar. 6, 2009 -- Eventually, the economy will show real signs of recovery, bringing with it any number of new challenges, not to mention a return to whatever may pass for 'normal' government involvement into financial markets. At present, that's well into the future, and we still have many troubles to overcome before we get there.

Before that, though, we need to arrive at a point where things have stopped getting worse. Looked at in this way, it's possible that we saw some signs of stabilization this week, but there's no way to know how firm that ground is just yet.

As has been the case of late, mortgage rates failed to move very much, even as equity markets slumped and long-term Treasuries bounced around a bit. The overall average for 30-year fixed-rate mortgage money -- HSH's Fixed-Rate

Mortgage Indicator -- declined by two basis points to land at 5.80%. The FRMI's 5/1 Hybrid ARM counterpart shed three basis points to close the survey week at 5.48%, while conforming 30-year FRMs increased by a single basis point.

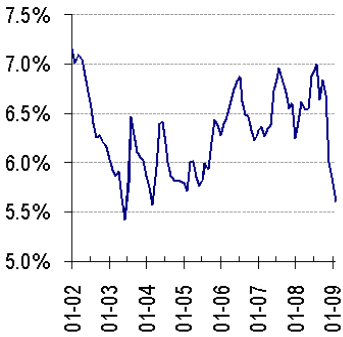
Construction spending wallowed by 3.3% during January. Declining spending on residential projects (-2.9%) was joined by commercial construction (-4.3%) and pressed further downward by a falloff in public works projects (-2.3%). Cash-strapped states have no funds to promote any sort of spending except for basics like schools, but the stimulus plan should pump some money back out via transportation projects and the like before too long.

We keep looking for signs of any bottoming, let alone improvement, in the economic picture. As far as

housing goes, we'd probably be happier if the weekly onslaught of new programs, offers, and market manipulations would simply stop, to give the industry some time to develop a better picture of where we are and where we need to go. However, there's more change afoot, with new tweaking to the all-but-dead Hope for Homeowners program likely to come before long, and a 'cramdown' bill hot on its heels. A breather would be useful to see whether the extant programs -- enacted in such haste -- have the desired (or any!) effects on the health of the mortgage and housing markets. After all, we're paying for them.

Hard to think that there's any reason for mortgage rates to break strongly in one direction or another next week, so we'll look for little change to rates again.

30-Year Fixed Mortgage Rates



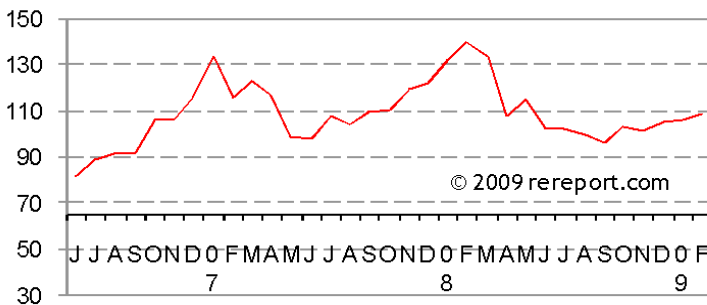
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February Sales Statistics

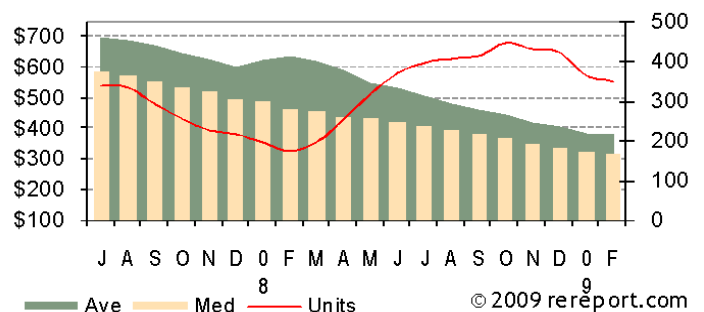
(Condos/Townhomes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
Rohnert Park	\$139,500	\$167,966	43	106	97.9%	-45.2%	-38.0%	95.5%
Santa Rosa	\$156,000	\$153,416	7	131	98.2%	-7.7%	-9.2%	600.0%
Sonoma	\$123,500	\$134,109	24	98	98.6%	-38.3%	-32.2%	118.2%
Sonoma	\$362,500	\$339,000	4	131	100.2%	-11.6%	-17.3%	300.0%

Sonoma County Homes: Days on Market



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



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Tips for a better refinance or purchase transaction

1. If the mortgage retailer you're interested in is unfamiliar to you, take the time to check them out. Not all states even require licensing of mortgage brokers. Check with the state banking department where your loan will be originated (and the state the retailer is headquartered in, if it's different). Call a local Better Business Bureau. See if they're members of local, state or national trade associations.

2. If it sounds too good to be true, it probably is. Be wary of deals which are way below the other offerings in your market, or promises of service quality which can't possibly be met (*we close in

24 hours!*) Don't be surprised if the advertised deals don't apply to your situation; they may be available only to the absolute best, top-shelf borrowers. The law only requires that the deal listed be available -- not that it's available to you.

3. Research, research, research. It's your job to know what is normal for your loan circumstance. Call lots of outlets. Get rates, points, fees and commitment periods for offers that are as similar as possible. Some of the lowest rates offered have no lock-in available, or can be obtained only if you close ASAP, so make sure that the quotes you get have

the same terms, if possible. That way, you'll soon be able to judge a good, bad or just average deals.

4. Ask questions, get answers. People in the business will sometimes talk a blue streak and expect that you understand. If you don't get it, say so. Make them explain -- to your satisfaction -- or take your business to someone who will.

5. Get it in writing, on company letterhead, and signed. This pertains to everything you negotiate in your deal, but especially any lock-in agreement (or execution) you conduct. More misunderstandings and disputes are related to lock-ins than any

other item. Under the law, verbal agreements aren't worth the paper they're not printed on.

6. Sign nothing you don't understand -- and understand everything you sign, even if you need to get outside help to do so. If legalese or contract language is difficult for you, hire a lawyer to help manage your transaction. The few hundred dollars can be very inexpensive insurance.

7. Ask how much experience they have in dealing with mortgage situations similar to yours. How long has the company been in business? How long has your salesman/broker and loan processor been in the business? More experience can mean a smoother transaction, especially if the market gets rough -- and it can help to know your loan processor.

8. If you're coming in "blind", with no referrals from friends or relatives, ask for a few references you can contact -- and follow up on them. Of course, they'll probably be the most satisfied clients the firm has worked for, but it is a place to start.

9. Make sure your "no points" loan is really "no points." You might not know that there are actually two kinds of points: Discount Points (which lower the interest rate) and percentage-based Origination Fees

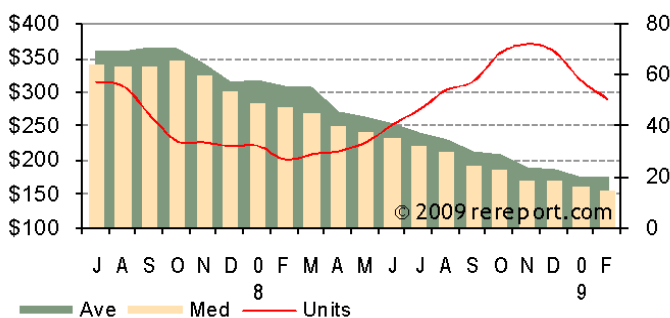
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February Sales Statistics

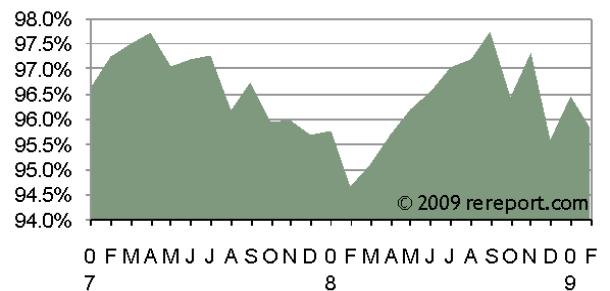
(Single-family Homes)

County	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
	\$305,000	\$371,745	310	109	95.9%	-29.2%	-44.4%	75.1%
Bodega Bay	\$722,500	\$678,700	5	133	94.8%	n/a	n/a	n/a
Cloverdale	\$246,500	\$274,280	10	112	92.9%	-45.0%	-42.3%	42.9%
Cotati	\$250,500	\$250,500	2	81	110.1%	-71.2%	-71.2%	100.0%
Forestville	\$270,000	\$345,000	5	99	93.2%	-37.9%	-20.7%	400.0%
Glen Ellen	\$400,000	\$400,000	1	86	94.8%	-83.7%	-83.7%	0.0%
Guerneville	\$144,950	\$193,317	6	83	97.8%	-52.5%	-46.5%	-14.3%
Healdsburg	\$3,007,500	\$3,007,500	2	185	83.2%	405.5%	328.4%	-60.0%
Penngrove	\$832,500	\$832,500	2	143	92.5%	0.6%	-4.3%	-50.0%
Petaluma	\$338,500	\$386,528	24	100	98.2%	-20.0%	-20.5%	9.1%
Rohnert Park	\$285,000	\$295,727	26	108	98.7%	-21.9%	-29.3%	136.4%
Santa Rosa	\$277,250	\$334,425	166	109	97.7%	-30.8%	-28.1%	124.3%
Sebastopol	\$549,900	\$677,257	7	111	90.6%	-36.1%	-25.5%	0.0%
Sonoma	\$319,500	\$314,994	18	92	94.8%	-50.4%	-74.3%	20.0%
Windsor	\$335,000	\$374,272	25	102	96.2%	-18.6%	-12.3%	108.3%

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



Sonoma County Homes: Sales Price/Listing Price Ratio



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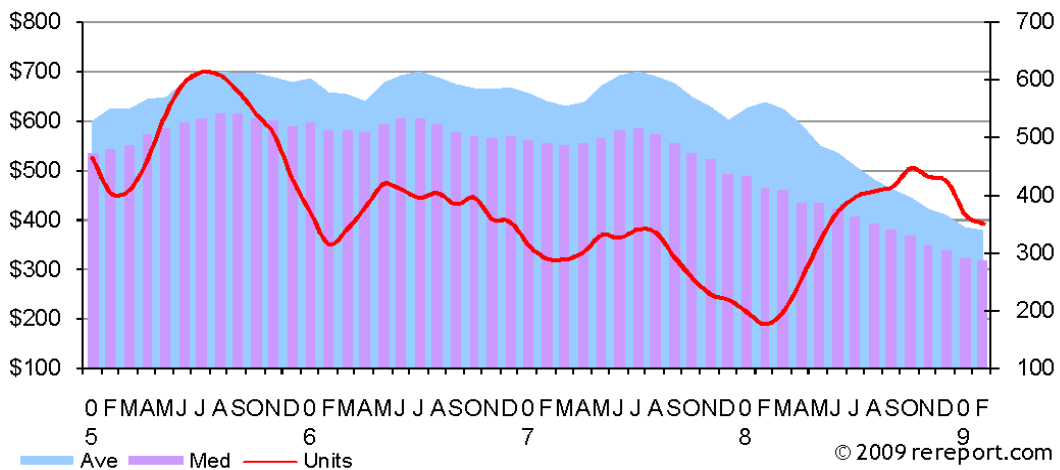
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Go online to see the full report
with the city by city breakdown:

www.HomeCharter.com

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



(Continued from page 3)

which cover some of the cost of getting you the mortgage, including commissions. A true no-points loan has neither -- and if your "no points" loan has a one-percent Origination Fee, it's actually a one-point loan.

Compare it against other one-point loans for accuracy.

10. Ask about "Prepayment Penalties" or "Early Termination Fees." Some of the lowest rates in the market, especially for ARMs, are available only on loans which carry hefty fees if the loan is refinanced in the early (the first three to five) years. If you don't

ask whether any apply to your loan, you could find a costly 'zinger' down the road.

A few other suggestions for a better mortgage experience:

Decide what kind of mortgage shopper you are before you sign up. If you prefer a retail experience like Macy's, with lots

of in-your-face customer service, you might be put off by the arms-length website and 800-number-callcenter-for-customer-service commonplace among Internet retailers. If personal contact is important for your comfort, you'll probably want to work with live (local) humans.