

2009 Year End Status, Statistics and 2010 Trends

2009 was a year where our market grew from strength to strength with each successive quarter, at least on a unit sale basis, with agents claiming by the end of the year that they could have sold even more homes if we had more inventory. Sales were no doubt aided by the continuing slow but inexorable decline in prices, relatively low inventory in some sub-markets, and Buyers' growing awareness that properties can be bought now for less than the cost to build them (especially given that construction costs are significantly higher up here in the High Sierra than in lower elevations). Meanwhile, both short sale and foreclosed properties are being absorbed relatively efficiently by our market, with the "great deals" attracting multiple offers. However, patience is still called for when dealing with short sales after initial negotiation and acceptance, as the banks are generally still struggling to cope with their National inventory – there remain a lot of frustrated Buyers, Sellers, and agents out there in this regard, including this writer!



David Hipkins

Current and future demographic trends, and the finite nature of our year-round accessible properties continue to favor us. "All markets are local" and we are blessed here in that we rely mainly on the professional classes to support our market, along with the growing number of active and affluent boomer retirees and telecommuters. Northstar's gorgeous Ritz Carlton is now operational, providing a substantial boost to local employment and our community, while our premier resort community, Martis Camp, continues to flourish, reporting stellar sales while more of its superb amenities continue to come online. Additionally, the weather has cooperated nicely this Winter, with lots of snow being delivered in a timely manner for public holidays, providing yet another fillip for our local economy, as well as our State's resources. This historically tends to boost a good "next year" for both property sales and ski-leases!

As in recent years, properties must be realistically priced and in good shape to get Buyer attention. At some point in our future the lack of new homes will eventually result in getting the "spec" builders back in business, but the lack of both construction financing and appetite for risk, combined with soft home prices, will keep our lot markets relatively dormant, as long as "old" can continue to be had for significantly less than "new".

Market overview data is on the first page of this report, and in graph format on the second – for a better understanding of current market dynamics and trends, please read the subsequent pages or call me.

TAHOE DONNER (bellwether for Greater Truckee Area)

2009 Year-End Activity Snapshot & Trends

SINGLE FAMILY HOMES

Year End	Unsold ▶	Under Contract ▶	Sold ▶	Avg Sold Price	Median
2005	79	13	258	\$811.9k ◀	\$765.0k ◀
2006	84	12	179	\$817.9k ▲ 1% from prior year	\$710.0k ▼ 7%
2007	117	7	177	\$740.6k ▼ 9%	\$675.0k ▼ 5%
2008	120	17	193	\$742.4k ▲ <1%	\$660.0k ▼ 2%
2009	73	24	227 ▲	\$610.2k ▼ 18%	\$565.0k ▼ 14%

CONDOMINIUMS

Year End	Unsold ▶	Under Contract ▶	Sold ▶	Avg Sold Price	Median
2005	14	3	61	\$413.7k ◀	\$445.0k ◀
2006	34	1	30	\$432.5k ▲ 5% from prior year	\$419.9k ▼ 6%
2007	31	0	32	\$372.8k ▼ 14%	\$414.5k ▼ 1%
2008	24	1	19	\$370.4k ▼ 1%	\$379.0k ▼ 9%
2009	22	9	34 ▲	\$293.7k ▼ 21%	\$310.5k ▼ 18%

LOTS

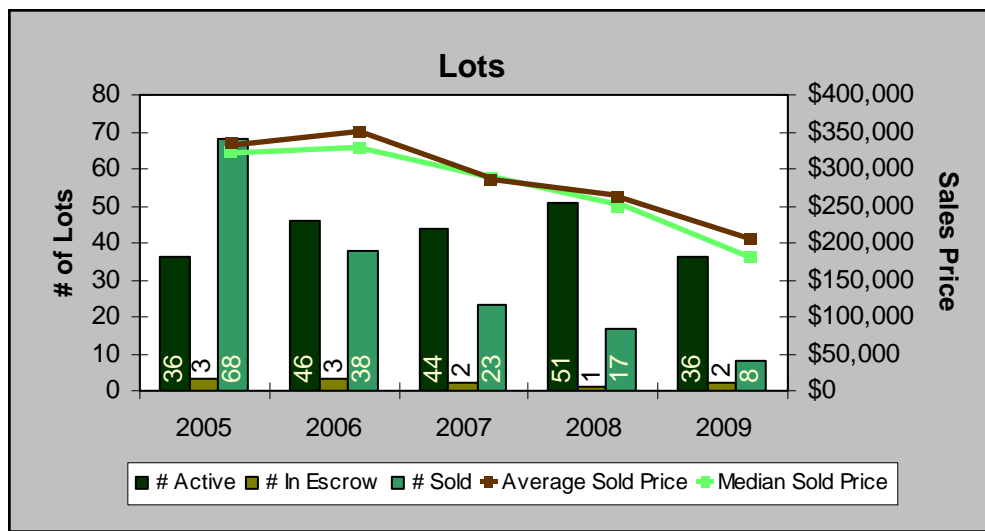
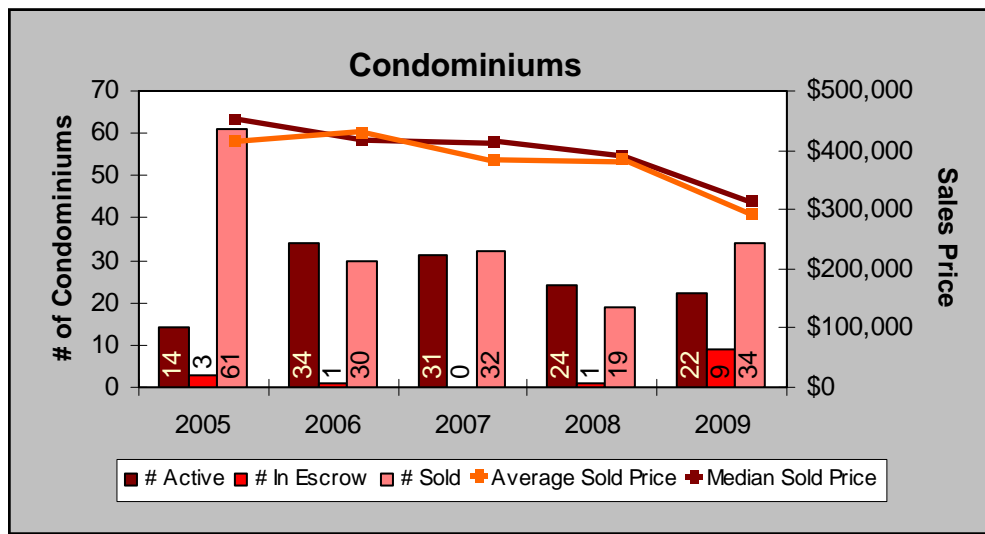
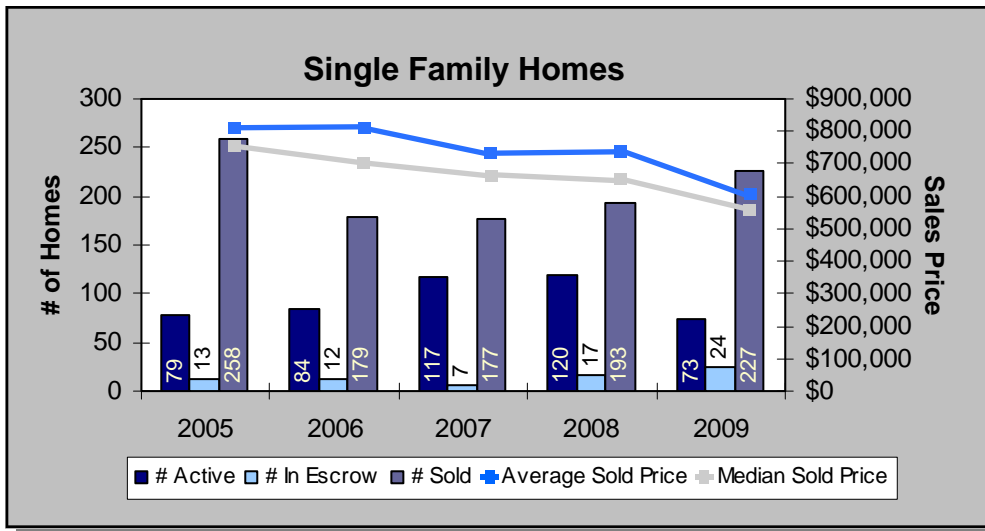
Year End	Unsold ▶	Under Contract ▶	Sold ▶	Avg Sold Price	Median
2005	36	3	68	\$341.3k ◀	\$327.0k ◀
2006	46	3	38	\$353.3k ▲ 4% from prior year	\$335.0k ▲ 2%
2007	44	2	23	\$282.8k ▼ 20%	\$285.0k ▼ 15%
2008	51	1	17	\$260.3k ▼ 8%	\$250.0k ▼ 12%
2009	36	2	8 ▼	\$207.2k ▼ 20%	\$185.0k ▼ 26%

Jessica Ferguson, my licensed assistant and The North Woods Group team manager, is a valuable asset. Should I not be readily available, Jessie can be contacted at 530-550 5152 during normal business hours.

DATA SOURCE: Tahoe Sierra Board of Realtors MLS - Data is deemed reliable but not guaranteed
All Greater Truckee/Donner MLS Listings are available to you at www.davidhipkins.com

Tahoe Donner® 2009 Year-End Activity Snapshots & Trends*

*Tahoe Donner, consisting of about 6,000 properties, is chosen as an **indicator for the Greater Truckee market** as historically it generates over 50% of total dollar volume and over 50% of unit sales annually in this area. Note that in a community of about **5,000 single family homes**, the percentage of available properties is remarkably low.



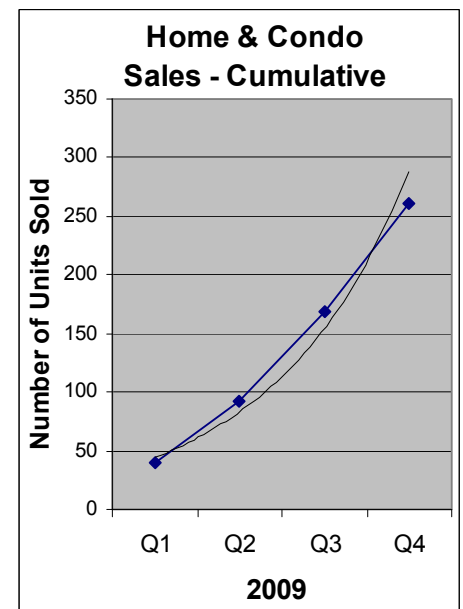
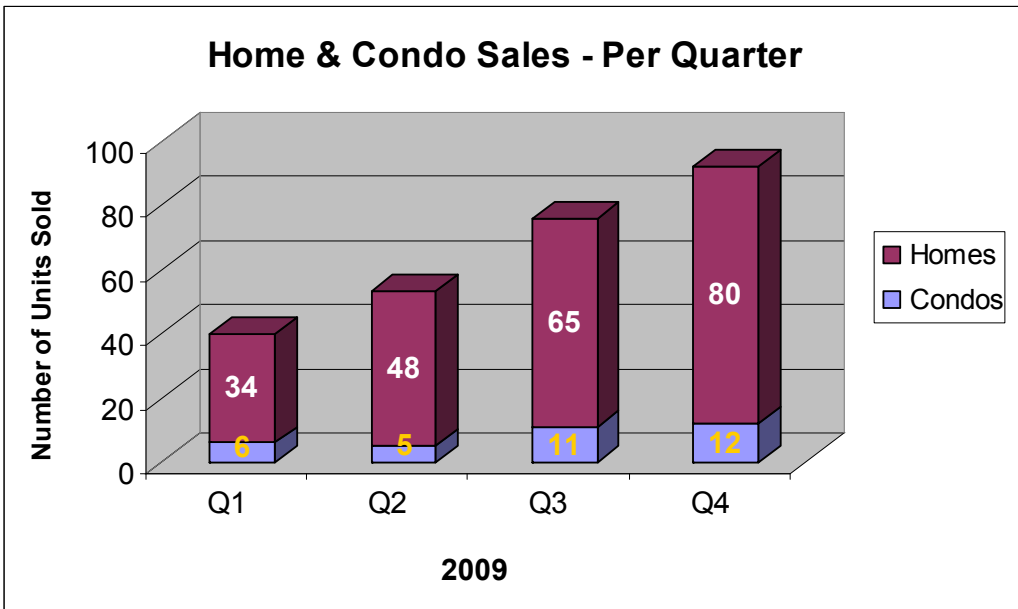
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Should We Buy a Home, Build, Remodel – or upgrade?

I proffer similar advice to last year - with just about every property now priced at less than current replacement cost, a lot of builders won't see "spec" building as a viable enterprise this year, as they can't compete with unsold inventory. Even well established builders are now anxious to bid on remodels and deck additions... So buy it already built, unless you have a long time horizon, or acquired your lot a while ago. If you already own a home here, it's logically also a good time to consider remodeling, or moving to a larger home if current or future family needs mandate this – especially as your smaller home is where most of the current Buyer demand is currently being experienced – so you can sell relatively high, and buy relatively low...

Property Prices and Property Values

This past year's Tahoe Donner sales tables and graphs (see below) beautifully illustrate the typical annual rhythm of our market, as well as the attention, appetite, and demand that our market still commands, no matter what the economy continues to throw at us. The current and past data also bodes well for our property values in the years ahead – bottom line – people continue to want to live and play here – we haven't sold this many properties since 2005, and more significantly, we haven't ended a year with this many properties (35) under contract since 2002. Note that property values here last peaked in 2006, and home, condominium, and lot average and median sold prices are now just about where they were in 2004.



Last year, unsold Tahoe Donner home inventory peaked at 174 on the 23rd of August, and as in 2008, this historically early peak was due to the dearth of new construction, which typically comes online later in the year, given the climate constraints that dictate our building Season. Note that there are almost 5,000 homes in this community.

Looking forward, as the Town and its environs approach build-out, there will be evermore of a premium attached to peaceful and private properties, as well as those with views... Well located properties that incorporate some or all of these attributes will always fare well, as Buyers typically want a nice contrast to their urban homes, and to really feel that they are in the mountains and forests. Additionally, I counsel that the easier it is to get your second home, the more you will use it. Don't lose sight that it's about enjoyment, as well as investment...

Sellers - the market will remain particularly unforgiving for overpriced properties in these times, and realistic sellers will continue to benefit and "bounce" off their overpriced competitors. Lead pricing trends – don't follow – for when you do decide to adjust and play catch-up, your price (and yield) will likely be lower. Evaluate trends and your competitors logically and objectively, which I know can be difficult for what can be an emotional enterprise – it's business, so look ahead to beyond your closed sale.

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Caution

There remains opportunity for Buyers to leverage into well located, practical, and well built homes – but it is “technical” in the High Sierra, and micro-climates, driveway orientation, rooflines, etc. always have to be selected and considered carefully. When searching in the Summer, it is vital to look at all properties through the filter of “winter eyes”. Let me also counsel that when a good, well located property is available that meets your needs, then carpe diem – especially if you have a long ownership time horizon. A special property remains superior under all market conditions. Note that the only lot now in escrow in Tahoe Donner is a rare Donner Lake view property, listed at \$499,000 – it went under contract after just a couple of days on the market. Similarly this time a year ago, I advised you that the only lot in escrow then was a well located golf course lot... This further validates the tenet that over time better located properties tend to appreciate at a faster rate and tend to sell more quickly, even under the most difficult market conditions.

Opportunities for Buyers & Sellers in 2010

Interest rates remain historically low, but the Feds have announced that they will cease their buy-back of mortgage backed securities by the end of March, which will put upward pressure on rates as the year progresses – however, the experts currently advise us that the 30 year fixed rate mortgage will likely remain under 6% through 2010.

A year ago I advised that the apparent anomaly of our average and median home prices holding up so well in 2008 could be explained by the fact that Buyers then were generally focused on the remaining new and large distressed “spec” homes that were being sold for less than their cost of construction, which concomitantly artificially boosted these statistics. These large, new homes were successfully absorbed, and 2009 saw Buyer activity then move to the lower end properties, especially with the subsequent tightening of credit, which helps explain the 18% drop in average sales price attained in 2009... I would sum this up by stating that the data has now caught up with reality! Note that 7 of the 63 Tahoe Donner single family homes on the market today are only two years old or newer, a significant drop in “new” inventory, especially in a market where “spec” building has traditionally been our biggest industry – this phenomena can be extrapolated to our other sub-markets. More than ever, the higher up the price point chain, the better the value that Buyers can realize. The **average list price today for all unsold homes in Tahoe Donner is \$819,900** (median \$759,000), while the **average price of homes sold in 2009 was \$610,200** (median \$565,000).

The **condominium market** saw strong unit sales recorded in 2009. Traditionally an uptick in condominium sales often marks an overall firming of property values, as the lower priced single family homes become less available and start to appreciate, encouraging single family home Buyers on more of a budget to also consider condominiums. **Pinyon Creek, Winter Creek, Stoneridge** and other local town home markets currently offer exceptional values for recently constructed properties.

Lot Sales

With the exception of Martis Camp, lot sales remain unsurprisingly anemic – **Tahoe Donner**, after an 8% drop in 2008, saw a further **20% drop in average sales price**, but with such thin data, (only 8 sold) the stats should be viewed accordingly. The **average price of an unsold Tahoe Donner lot is now \$281,400**... The **2 lots sold in Northstar last year attained an average sales price of \$512,000**, while the **average sold price in Grays Crossing was \$72,900 with 8 sales**. **Old Greenwood** reported **3 sales, averaging \$202,000**, while **Lahontan’s 13 sales averaged \$214,900**... The magnificent **Martis Camp** had planned on selling 25 lots in 2009, but ended the year instead with an impressive **50 lots sold at an average price of \$700,000**, with an additional 3 resales through our MLS averaging **\$611,700**. The beautiful homes on the rise there bode well for Truckee’s future, as does our newly minted Ritz Carlton.

Be Prepared...

Whether you are considering Buying or Selling, now would be an excellent time to familiarize yourselves with relevant inventory and trends, so that you can establish and monitor your own bench marks. This is what I do - I can help. In these times knowledge based confidence will enable you to recognize opportunity, and to subsequently move forward efficiently and successfully. Note that the best local real estate opportunities in 2009 often resulted in a substantial number of multiple offers.

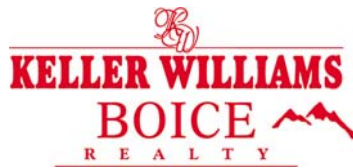
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Our Company and owner saw opportunity at the onset of the current economic calamity and expanded accordingly, in contrast to our competitors. Our acquisitions of the respected O'Neal Brokers & Associates in Tahoe City and the local Intero branch, allied with the opening of our downtown office has been rewarded... With 85 agents, 2009 saw us remain the top producers of all Brokerage members of the Tahoe Sierra Board of Realtors, measured either by total dollar volume or the number of properties successfully sold in the region. We are committed to the ongoing support, education and training of all our agents, a hallmark of Keller Williams' offices. I add that Lynette and I are proud and happy to have owned a (albeit small) piece of this enterprise since its birth.

Early 2009 happily marked my 250th successful transaction for a Tahoe Donner Buyer or Seller, complementing my ongoing sales in our other local markets, and 2010 marks my 26th consecutive year as resident in our beautiful community. My **North Woods Group** continues to adapt successfully to current market conditions, and our unique business model of incorporating an experienced Realtor as a full time webmaster to constantly update and monitor our multiple websites continues to serve us and our clients well. This enables me to spend more time "in the field", and to experience and confirm opportunities quickly. My "**for service that extends beyond the sale**" credo has been utilized by many of you these past years, and this level of support is made possible with Jessica's and my team's support. We appreciate your positive acknowledgements of our on-going service and commitment to you, and in turn do know that I value and appreciate **your referrals** immensely. I am pleased to report that Jessica successfully represented her first client in 2009 as a Realtor in her own right, which adds to her experience and value in supporting both me and my clients. This is part of her ongoing career development, and she will be adding to this experience, but her primary responsibility remains to provide support and assistance to myself and you.

I enjoy my work, and welcome the opportunity to discuss our real estate market anytime! All my contact data is below. I know that you all lead busy lives, so please feel comfortable to call me in the evenings. I usually take calls 7 days a week, up to 10:30 pm. Please share this report with friends, family or colleagues who may find this of value.

If you would like similar data or details of current availability for other Greater Truckee markets, then please contact me. My website is also a good resource - you can request "push" emails of all the latest listings that meet your desired selection criteria, within 24 hours of their being listed.

Home Owners – Reminders...

- 1. It is vital** for your safety that heating appliance external vents not be blocked by snow, or any other obstruction.
- 2. Painting/Staining/Upgrades & remodel work** – get bids now. Established and proven vendors typically are too busy to give free bids in the Summer months... Interior work will also likely yield the best bid if quoted for Winter completion, especially in light of the current economy...
- 3.** If you haven't already done so, **close the foundation crawl space vents under your home** if it's part of your winterizing routine. It is very **important to open them up again by late Spring** to avoid moisture build up.
- 4.** I maintain a constantly updated list of **local vendors and service providers** that we have personally used, and who also come highly recommended by my colleagues and clients – call me if you need a proven local resource.

I wish You and Yours a Happy, Healthy, and prosperous 2010. Please know that it's always a pleasure to hear from you.

Respectfully,



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