

2010 Housing Market Recap

It is evident that 2010 was a year of transition in the Coastal housing market when looking at the key housing indicators, which are the median price and the total number of sales.

In our marketplace, the median price at The Sea Ranch dropped 18.8% to \$619,000 while Gualala median fell 22.6% to \$349,000.00. The Sea Ranch had 50 homes close escrow, up 1 sale from 2009, and Gualala saw 31 sales up 2 from 2009.

There was a significant amount of activity in the lower end of the market. The abundance of short sales and bank owned properties in the Gualala area is creating some once-in-a-life-time opportunities. The good news is that the inventory is dropping at an impressive rate compared to what we had a year ago. These transactions have been making up a good part of the market, but have also been driving down home prices. We still have concerns about the "shadow inventory" which is bank repossessed properties that will eventually be released back to the market, owners who are attempting mortgage modifications that may not be approved and owners who are waiting for the market to improve. A significant increase in the inventory in any price range will typically drive prices down further.

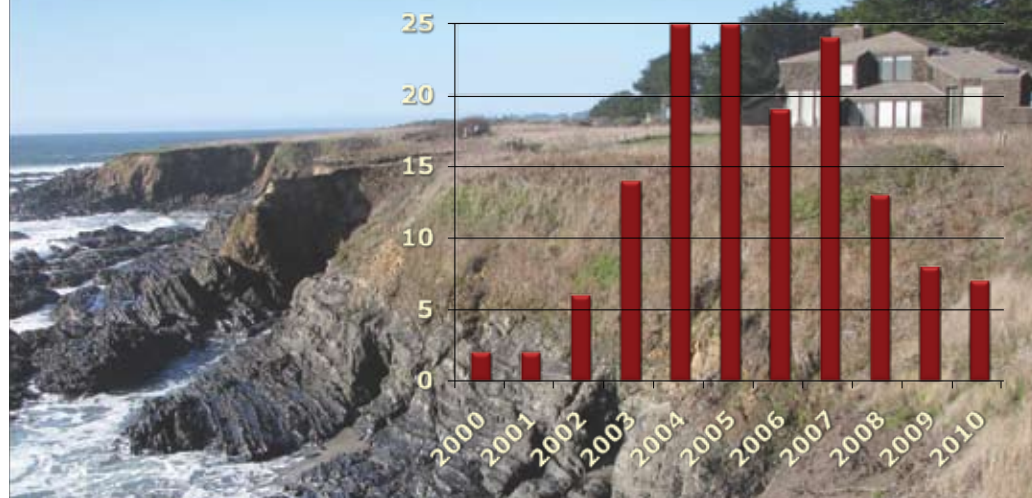
After enjoying years of appreciation and a strong seller's market, The Sea Ranch housing values dropped in 2010. Fear of the unknown and hope that it was a temporary fluctuation created a stagnant market in the beginning of the year, while buyers and sellers waited to see what could happen. Eventually, after a brief period of stabilization, values did decline and the local real estate market was forced to reflect the changes of the market through lower asking prices in order to move active inventory. The last quarter of 2010 saw a significant increase in the total number of escrows. Leading us to believe that the second surge may have started!

"The rise in buyer contact activity may signal the early stages of a second surge of home sales this spring," said Lawrence Yun, Chief Economist for the National Association of Realtors. "The healthy gain hints home prices are continuing to flatten. We need a second surge to meaningfully draw down inventory and definitely stabilize home values."

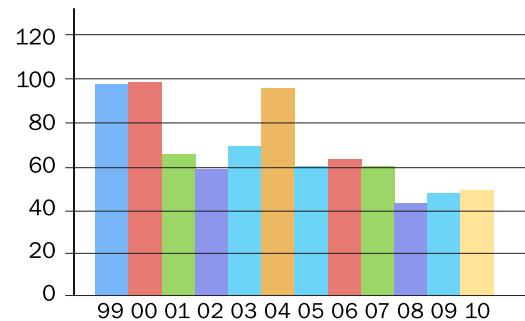
2011 Forecast

Now that the government incentives that stimulated the housing market statewide, such as the first time buyer credit, have run their course, the market must operate on its own. While we still anticipate 2011 will be another year of transition, it will continue to move forward to stabilization. There are still some variables that will prevent the housing market from reaching a full recovery in the near term: the possibility of another recession, Federal economic policies, negative equity homeowners and the shadow inventory. Despite these uncertainties, there are some tremendous opportunities for buyers, investors and second home purchasers. These opportunities will pave the way to recovery in 2012 and beyond.

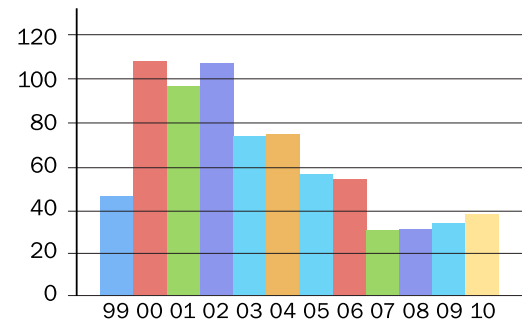
Coastal Million Dollar Homes Sold



The Sea Ranch Home Sales

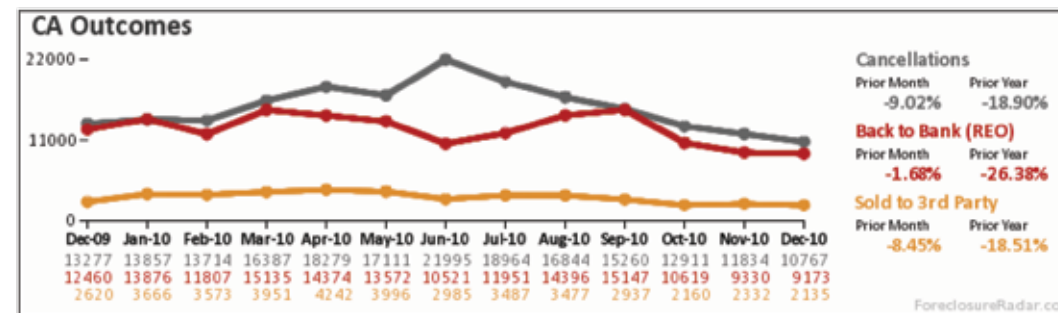
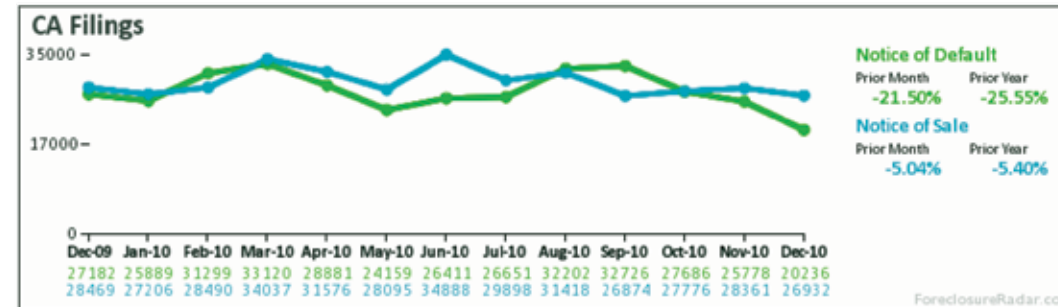


Gualala Area Home Sales



Foreclosure Overview Report

- Preforeclosure
- Auction
- Bank Owned
- Sold to 3rd
- Cancelled



JAN-DEC 2010

HOUSE SALES

AREA	#	LOW	HIGH
Anchor Bay	6	\$252,500	\$900,000
Annapolis	1	\$349,000	
Elk	0		
Gualala	22	\$195,000	\$2,070,000
Irish Beach	3	\$220,000	\$785,000
Iversen	1	\$410,000	
Manchester	2	\$299,000	\$382,500
Point Arena	6	\$241,000	\$340,000
Sea Ranch	50	\$267,000	\$1,420,000
Timber Cove	5	\$214,000	\$709,000

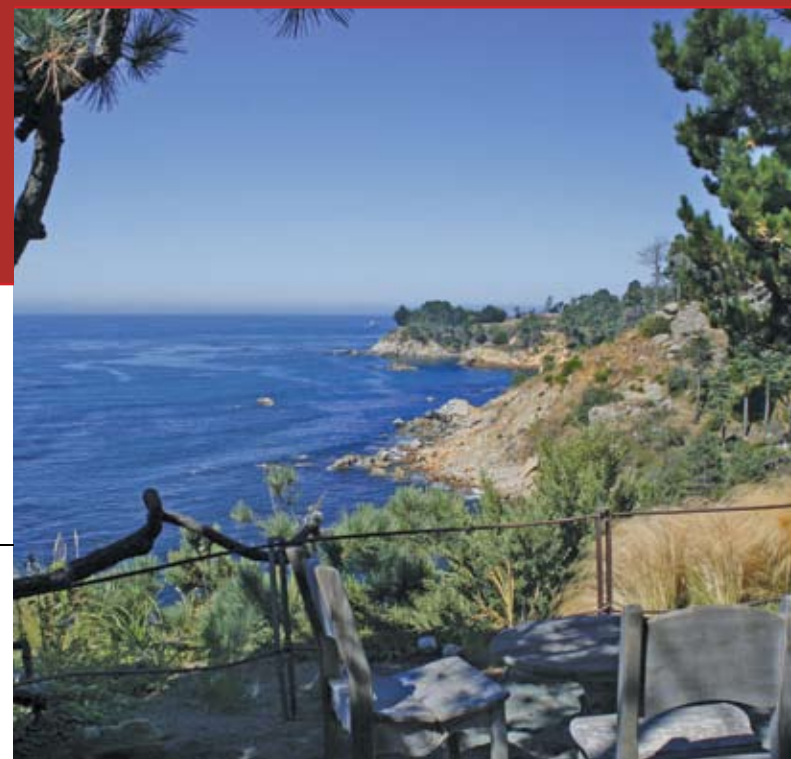
TOTAL SALES 96

LAND SALES

AREA	#	LOW	HIGH
Anchor Bay	4	\$83,000	\$225,000
Annapolis	0		
Elk	0		
Gualala	6	\$45,000	\$350,000
Iversen	3	\$145,000	\$850,000
Irish Beach	3	\$41,500	\$75,000
Manchester	3	\$28,500	\$249,000
Point Arena	3	\$132,000	\$250,000
Sea Ranch	7	\$69,500	\$580,000
Timber Cove	3	\$500,000	\$1,000,000

TOTAL SALES 32

2010 MARKET REPORT



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**An analysis of
the Luxury Real
Estate market of
Mendocino and
Sonoma counties**



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