

While indicative of current property values and our local market trends, the data below requires further amplification to really understand what is happening up here. Although “all markets are local” will always apply to any analysis, we have to now really consider the impact of the Global, National and Bay Area’s economies more than in the past.

The proximity, depth and breadth of the Bay Area’s economy will continue to favor us, as will future demographic trends, and our limited year-round accessible land. Generally speaking we rely principally on the professional classes to support our market, along with the still growing number of active and affluent retirees and telecommuters. If we see a significant number of professionals being let go, then we can assume that they may need to sell certain assets such as their boat, aircraft, or second home. We have not seen this happen yet with properties up here. On the plus side, we have not seen much downward movement in rents, and there are signs that current values are beginning to attract investors and home Buyers – this is not too surprising, as just about every home or condominium on the market today is priced below current (or likely future) replacement cost... For those with cash and courage – or excellent credit, there is opportunity to be found and realized. Meanwhile, the deep pocket developers continue to build... Northstar’s Ritz Carlton can now be seen in all of its splendor, as construction efforts move on to its interior, while the exclusive Martis Camp has been newly blessed with its own Northstar access ski lift. There are now 27 homes under construction here, with another 51 in design review, while its superb amenities continue to come on-line.



David Hipkins

To sell in 2009, properties will have to be precisely priced in order to get Buyer attention. Both unsold new home and new condominium inventory is shrinking, but it will take a lot to get the “spec” builders back to work, especially as hard construction costs have not softened much. The lack of both construction financing and builder appetite, combined with soft home prices, will keep lot markets in the doldrums. Our “local” sub-divisions are still not holding up as well as some of our second home communities, such as Tahoe Donner, which recorded 212 home and condominium sales last year – this is surprisingly more than sold in 2006 and 2007. Today there are 24 homes and 4 condominiums in escrow in Tahoe Donner, with 16 offers accepted since year-end – a recent and decent uptick... (see charts below).

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

TAHOE DONNER (bellwether for Greater Truckee Area)

2008 Year-End Activity Snapshot & Trends

SINGLE FAMILY HOMES

<u>Year End</u>	Unsold▶	In Escrow▶	Sold▶	Avg Sold Price	Median
2004	30	23	378	\$624.3k ◀AvgSoldPrice	\$589.0k ◀Median
2005	79	13	258	\$811.9k ▲30% from prior year	\$765.0k ▲30%
2006	84	12	179	\$817.9k ▲1%	\$710.0k ▼7%
2007	117	7	177	\$740.6k ▼9%	\$675.0k ▼5%
2008	120	17	193▲	\$742.4k ▲<1%	\$660.0k ▼2%

CONDOMINIUMS

<u>Year End</u>	Unsold▶	In Escrow▶	Sold▶	Avg Sold Price	Median
2004	1	5	75	\$352.2k ◀AvgSoldPrice	\$360.0k ◀Median
2005	14	3	61	\$413.7k ▲18% from prior year	\$445.0k ▲24%
2006	34	1	30	\$432.5k ▲5%	\$419.9k ▼6%
2007	31	0	32	\$372.8k ▼14%	\$414.5k ▼1%
2008	24	1	19▼	\$370.4k ▼1%	\$379.0k ▼9%

LOTS

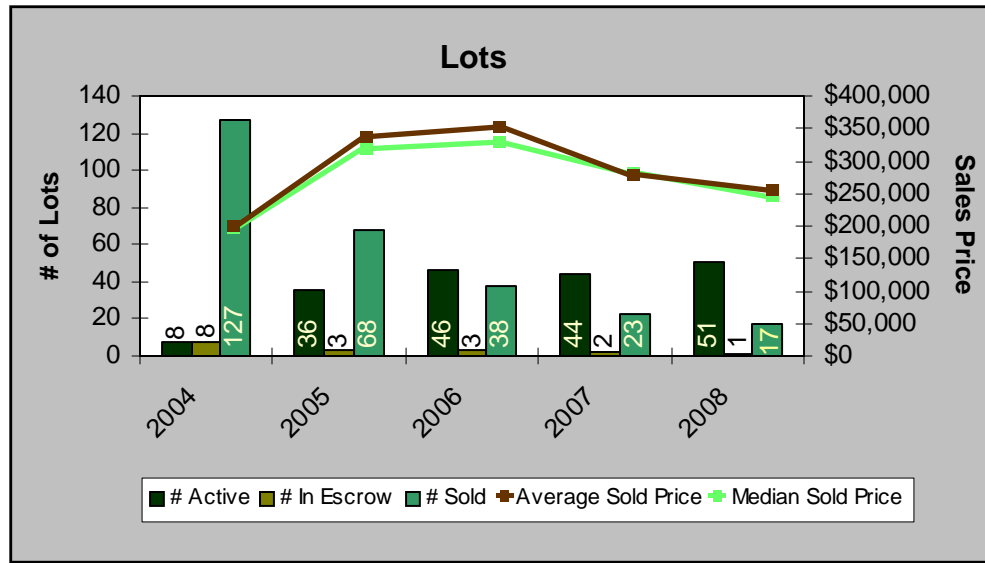
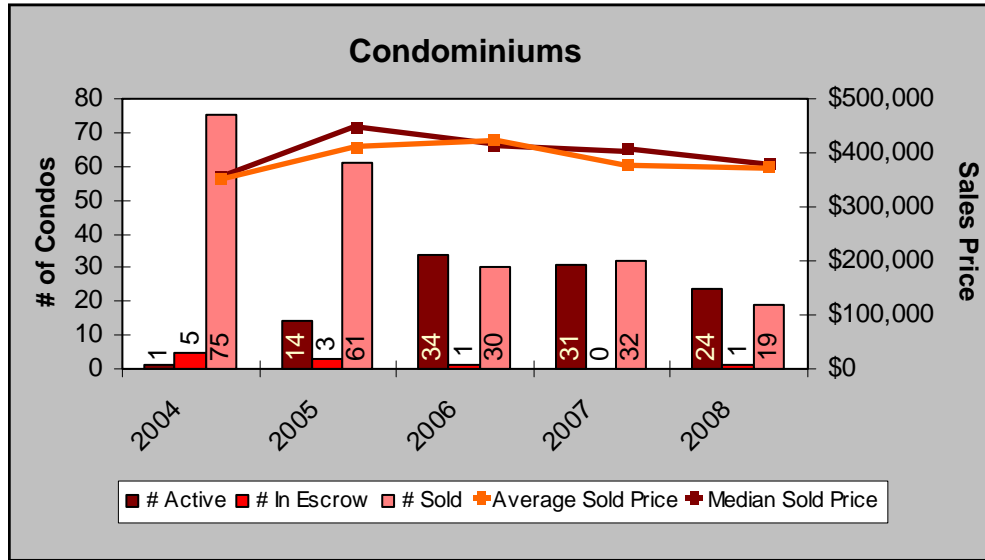
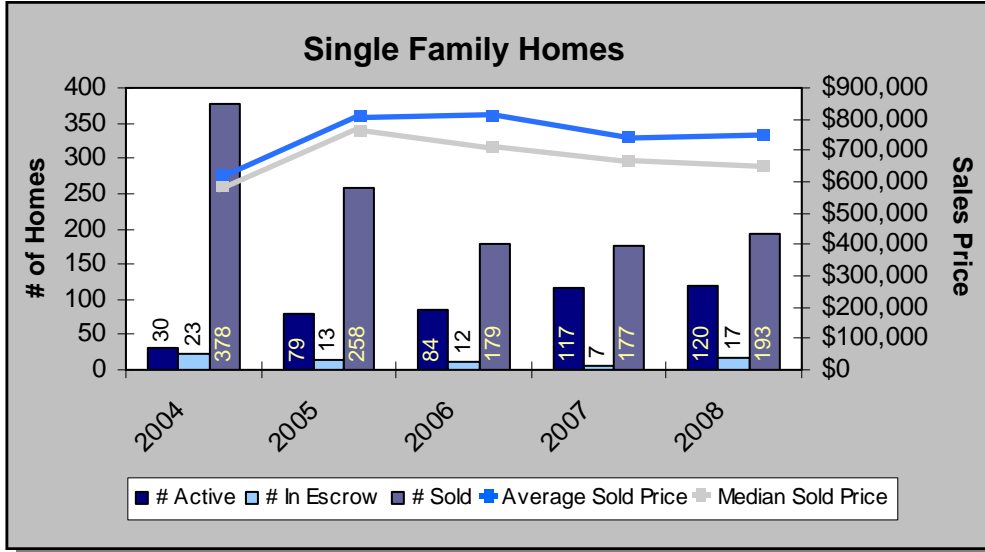
<u>Year End</u>	Unsold▶	In Escrow▶	Sold▶	Avg Sold Price	Median
2004	8	8	127	\$203.8k ◀AvgSoldPrice	\$198.5k ◀Median
2005	36	3	68	\$341.3k ▲68% from prior year	\$327.0k ▲65%
2006	46	3	38	\$353.3k ▲4%	\$335.0k ▲2%
2007	44	2	23	\$282.8k ▼20%	\$285.0k ▼15%
2008	51	1	17▼	\$260.3k ▼8%	\$250.0k ▼12%

Jessica DeClercq, my licensed assistant, and The North Woods Group team manager, is a great asset.

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

Tahoe Donner® 2008 Year-End Activity Snapshots & Trends*

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



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

Should We Buy a Home, Build or Remodel?

With just about every property, new or old, now priced at less than current replacement cost, a lot of builders advise that they don't see "spec" building as a viable enterprise for a while, as they can't compete with unsold inventory. Even some of the well established builders are now happy to bid on remodels, deck additions, defensible space, etc. just to keep their families and crews fed... For now, buy it already built – unless you have either a long time horizon, or acquired your lot a while ago. If you already own a home here, it's also a good time to consider remodeling.

Property Prices and Property Values

The market remains unforgiving for overpriced properties, and realistic sellers will continue to benefit from their overpriced competitors - especially those who lead pricing trends, rather than follow. Looking forward, as the Town and its environs approach build-out, there will be evermore of a premium attached to peaceful and private properties – and you can't go wrong with a view... remember it's about enjoyment, as well as investment...

Unlike principal residence markets, our inventory typically grows through Summer and peaks in the late Fall. Last year, unsold Tahoe Donner home inventory peaked at 181 on the 24th of August. This early peak was due to the continuing decline in new construction, which typically comes online later in the year.

Caveat Emptor

I have noticed that some "bad" properties are selling at seemingly cheap prices - but Buyers should not be seduced by cosmetics and what may appear to be just a good price – a steep and shaded North facing driveway will always remain so! There is opportunity now for Buyers to leverage into well located, practical, well built and well designed homes – it is "technical" in the High Sierra, and micro-climates, driveway orientation, rooflines, etc. have to be considered more carefully than in the lower elevations. Let me also counsel that when a rare, well located property comes available that meets your needs, don't hold off because you think the market might drop a little more, especially if you have a long ownership time horizon – a special property remains special under all market conditions – it is noteworthy that the only lot now in escrow in Tahoe Donner is a rare, well located and well oriented Golf Course lot, listed at \$360,000 - validating the tenets that over time the better located properties tend to appreciate at a faster rate, tend to sell more quickly, and under most market conditions.

Opportunities for Buyers & Sellers in 2009

Appraisers and Title Companies are now reporting an uptick in activity, concomitant with excellent interest rates. Those who already own here, have great credit, and are able to satisfy current strict lender requirements, are refinancing into more favorable loans. The really fortunate will also be able to leverage into larger, newer, or better located properties.

Generally speaking, the higher up the price point chain, the better the value. This helps explain the apparent anomaly of the increase in average sales price recorded for single family homes – Buyers generally leveraged into newer and larger homes at lower prices than they would have paid in prior years – This is validated by the fact that 2008 is the first year we have seen more large homes than small homes sell. Note that the current softened demand for custom homes continues to put pressure on the few builders still in the game, to price new construction more aggressively – precipitating subsequent price softening of the competing older homes. Of the 121 unsold Tahoe Donner homes on the market today, 23 are only two years old or newer. The **average price today for all unsold homes in Tahoe Donner is \$978,700** (median \$879,000), while the **average price of homes sold in 2008 was \$742,400** (median \$660,000). Unsurprisingly, the relatively high number of unsold higher priced homes is mostly comprised of newer construction.

The **condominium market** remains soft, but is manifesting signs of life, as Sellers are all generally now on board with property market realities and are pricing accordingly. Today's Buyers are well informed and expect real value, with some downside protection. Buyers and Sellers should note that as in other markets, **short sales** have become a fact of life, and once these sales are recorded, appraisers are now compelled to use these sold prices as "comps" when appraising properties.

Lot Sales

Unsurprisingly were soft again last year – **Tahoe Donner**, after a 20% drop in 2007, saw a further **8% drop in average sales price**. Prices are settling to more realistic levels, with the **average price of an unsold Tahoe Donner lot now at \$309,300...** The **one lot sold in Northstar last year attained \$425,000**, while the **average sold price in Grays Crossing was \$272,000**. **Old Greenwood** reported no sales, while **Lahontan averaged \$374,300...** Northstar, Old Greenwood, and Grays Crossing are **East-West Partners'** developments. **Martis Camp** had 2 resales averaging **\$825,000**, with another currently in escrow... The rare, special, and well located lots in any community can and will continue to command a relative premium.

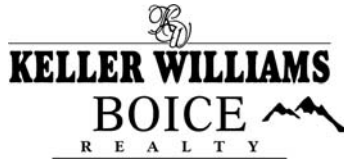
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David Hipkins
Realtor



Be Prepared...

Whether you are considering Buying or Selling this year, now would be an excellent time to familiarize yourselves with and track relevant inventory, so that you can establish your own bench marks. I can help. In these uncertain times knowledge based confidence will enable you to recognize a real opportunity, and to move forward efficiently and successfully.



Our Company sees opportunity in the current economic climate and is in expansion mode, in contrast to our competitors who have been downsizing. Last Fall we acquired the respected O'Neal Brokers & Associates in Tahoe City, along with their Dollar Hill office, and more recently, Intero's Truckee downtown office... Now with 88 agents, we are the top producers of all Brokerages who comprise the Tahoe Sierra Board of Realtors, either by total dollar volume or number of properties successfully sold in the region. We are committed to the ongoing education and training of all our agents and Brokers. I am chairman of our Education Committee, a mentor, and a member of our Leadership Council.

My **North Woods Group** has adapted successfully to current market conditions, and our apparently unique business model of incorporating an experienced Realtor as a full time webmaster continues to serve us and our clients well. Our constantly monitored and refreshed multiple websites serve a steady and growing stream of subscribers. This enables me to spend more time "in the field", and to experience and confirm trends quickly, in real-time. My "**for service that extends beyond the sale**" motto is realized by many of you, and is not possible without Jessica's or my team's support. I appreciate your positive acknowledgements of our on-going service and commitment to you, and especially your referrals.

...I enjoy my work, and welcome the opportunity to discuss our real estate market anytime! I have lived here since 1984, and know the area very well. 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. Your referrals are always appreciated, and served appropriately.

If you would like similar data or details of current availability for other Greater Truckee markets, such as Martis Camp, Lahontan, Downtown, Timilick, Northstar, Squaw Valley, Alpine Meadows, Donner & Serene Lakes, Prosser, Juniper Hills and the Juniper Creek areas, 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 family and guests safety, that heating appliance external vents not be blocked by snow, or any other obstruction.
- 2. Painting/Staining** – If it's in your plans this year, get bids now. Established and proven vendors get too busy to give free bids in the available exterior Summer working months... Interior work will also likely get the best bid if quoted for Winter completion - especially under current economic conditions...
- 3.** I maintain a constantly updated list of **local vendors and service providers** that I 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 2009. Please know that it's always a pleasure to hear from you.

Respectfully,

All Greater Truckee/Donner MLS Listings are available to you at

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David Hipkins  
Realtor