

July 20, 2008

An article titled "Housing Market Crisis? Not in St. Helena" was printed in the July 3rd St Helena Star. Katie Somple of LifeStyle Properties was one of three real estate professionals quoted. She contacted the Star to point out that the finished article indicated some inaccuracies. We asked her to correct them and offered to print her comments. Our priority is to provide accurate information to our readers so we are printing Ms. Somple's corrections in their entirety.

I cannot speak to the quotes attributed to the other real estate professionals. I will, however, clarify those attributed to me to demonstrate a more realistic status of St. Helena's (and the county's) current real estate market.

...home values in St. Helena have remained relatively steady over the last five years. This assumption was likely concluded by the statistics I provided on the median price of all homes sold in St. Helena in recent years. One should not conclude from this that St. Helena selling prices have not decreased in the last two years, and especially in 2008. The median price statistic is used to measure a *level* of value, not a literal average. The formula for determining a median price involves eliminating the highest and lowest sales and only considers the bulk of sales at a median level. It is true that St. Helena's median sold prices have hovered between the mid \$900,000 to \$1,100,000 range for the last few years, but it does not mean that actual sold prices haven't come down. For example, my personal St. Helena residence would likely have sold for \$1,600,000 in 2005. Today I believe the objective market value is closer to \$1,400,000. However, St. Helena has many facets of values and therefore a homeowner should consult a real estate professional for a detailed value analysis specific to their property and neighborhood.

...At 55 percent, Napa County has suffered the sharpest decline in home prices among nine Bay Area counties. The article did not indicate the source of this statement but MLS statistics do not reflect this, nor does my day to day real estate experiences. I have not researched the other 9 Bay Area Counties to make a comparison but I can assure you that Napa County's home values have not decreased 55% across the board in recent times. Because the valley's real estate values is so diverse, broad stroke numbers simply cannot provide accurate benchmarks, which is why I began publishing the Inside Track newsletter in 2001. It demonstrates values in each city and town to paint a clear picture of the valley's highs and lows.

If the present trend continues, there could be as many as 1,344 notices of default in Napa County in 2008, said Katie Somple of Lifestyle Properties and WineryX Real Estate, who provided the data. This number was offered as a projection based on the total number of NOD's filed in Napa County since the beginning of the year through May. The statistics were given to me by the county assessor. The 1,344 number was based on an assumption that the same number of foreclosures would occur during the remainder of 2008 as had occurred during the first five months. I had suggested the article include definitions of the three stages of foreclosure, and to clarify that a Notice of Default is not an automatic indication that a foreclosure is imminent. If a reader was not aware that the number of actual county foreclosures (Trustee Sales) represents a low conversion percentage of Notices of Defaults, 1,344 gives a scarier impression than it is. A significant indication of tough times to be sure, but without context, the number of default notices might lead a reader to think the Napa Valley is experiencing a real estate melt down instead

of a cyclical market correction further complicated and extended by nationwide economic woes and the mortgage lending crisis.

...but she pointed out that not that many homes will be involved. The number is skewed by the fact that more than one notice will be sent to several homeowners.

This statement actually refers to two things: the conversion or progress rate of how many NOD's become trustee sales, and the fact that several notices of default can be filed on one property if there is a first and a second note, and if the homeowner is habitually late, and if there are several owners holding title.

...St. Helena and, for that matter, the entire Upvalley has suffered little more than a slowdown in the time it takes to sell a house. I do not know if this conclusion was a result of speaking with me, or formed by statistics I provided, but it is not accurate. St. Helena appears to be suffering the least, or close to the least, from the recent market correction cycles affecting the valley (and nearly every other community nationwide). However, make no mistake, fewer St. Helena houses are selling, and for less money than they would have a few years ago, and it's taking twice as long to get them sold, on average. You can see proof of this in the recent on line addition of the Inside Track (www.lifestyleproperties.com/marketinfo/insidetrack/summer08).

..."the good news is that in St. Helena the median price has hovered around \$1 million and has not changed." (Please see the explanation above regarding median home prices versus average home prices). This statement was meant to infer that the long term future of St. Helena values should remain steady based on the consistent trajectory, going back 17 years, of the median home sales values (which measures levels, not literal value). It was not intended to suggest that today's real estate values are the same as a few years ago.

---Some projects that 55 homes will be sold in St. Helena in 2008 (114, she said, were sold in 2006) at a median price of \$1.043 million. This statement might lead one to believe that I keep a crystal ball on my desk! Statistics and the projections made from them are only as good as the quality/quantity of the data and the level headedness of the person analyzing them. Besides, predictions are like opinions: everybody has one. Since making projections is a slippery slope I prefer to include the applied assumptions and formulas when I make them so it doesn't sound like I'm pulling opinions out of the air. In this case an average of just under 5 residential sales had closed escrow in St. Helena since January 1st. The projection of 55 is therefore a literal assumption of multiplying 4.6 times 12 months.

Fortunately the end of spring and beginning of summer has seen a marked increase in escrows and sales. Showing activity has also increased. It could very well end up that the total St. Helena sales in 2008 will surpass the averages of the first four month's performance.

...Some said there has been at least one short sale in St. Helena, which she says happens when the value of a property is proven to be "upside down." This comment was prefaced by the fact that short sales cannot be accurately tracked through the MLS so my only factual knowledge of a short sale was a transaction my office has been involved with recently. I have no idea how many actual short sale transactions are taking place.

I encourage any homeowner or potential buyer to contact their real estate professional, or me directly, if you still have unanswered questions about the local real estate market.

I thank the author of the original article for tackling the subject and for the accuracies reported. It's a tough tiger to wrestle without a large amount of space to put everything into context.

(Katie Somple is the broker/owner of LifeStyle Properties and WineryX Real Estate in St. Helena. She can be reached for comment and questions at katie@lifestyleproperties.com, (707) 968-9100 or through her real estate blog at lifestyleproperties.com)