

Market comments, June, 2008

There is a general lack of confidence among consumers as the media blasts them with messages about doom and gloom in the marketplace. Smart buyers will purchase in some of the best of conditions buyers have seen in years but the thin volume of transactions will cause many good brokerages to go under and close. The relationship between brokers and agents will need to be revisited as many brokers will struggle with balancing operating expenses.

Both agents and brokers need to revisit their unique selling proposition and redefine what it is they do to create value. What they did last year and last month is no longer of value to consumers and is viewed as a commodity. Consumers are now better informed and have access to the same data that agents do. Access to data is not a value proposition anymore. Helping consumers to understand and utilize the overabundance of data is a value proposition. The industry needs to reinvent the value it delivers to a new breed of hyper-informed consumers who want a higher level of value than is being delivered today.

Getting an accurate sense of the current market value of your home is more of an art than a science. If you live in a housing development where all the homes are similar to one another, it's easier to establish value than it is if you live in an area with extreme variability in home size, quality, amenities and condition.

To add to the mix, the real estate and finance markets are continually changing. As these markets change, so does the value of our home.

The statistics quoted in the media don't offer much help in terms of understanding the current value of a single home. The National Association of Realtors tracks the sales of existing homes in terms of median sale price. During a period of time, half the homes sold for more than the median price and half sold for less.

When the median price increases, this can reflect higher overall home values. Or, it can simply mean that more expensive than inexpensive homes

sold during a period. A decrease in the median price usually indicates that more inexpensive than expensive homes sold during that period. Many foreclosure properties are in the lower price ranges. In areas where the median sale price is declining dramatically, a higher volume of lower-priced foreclosure sales could be a contributing factor.

Regardless of price range, foreclosures tend to sell for about 15 percent below the rest of the inventory.

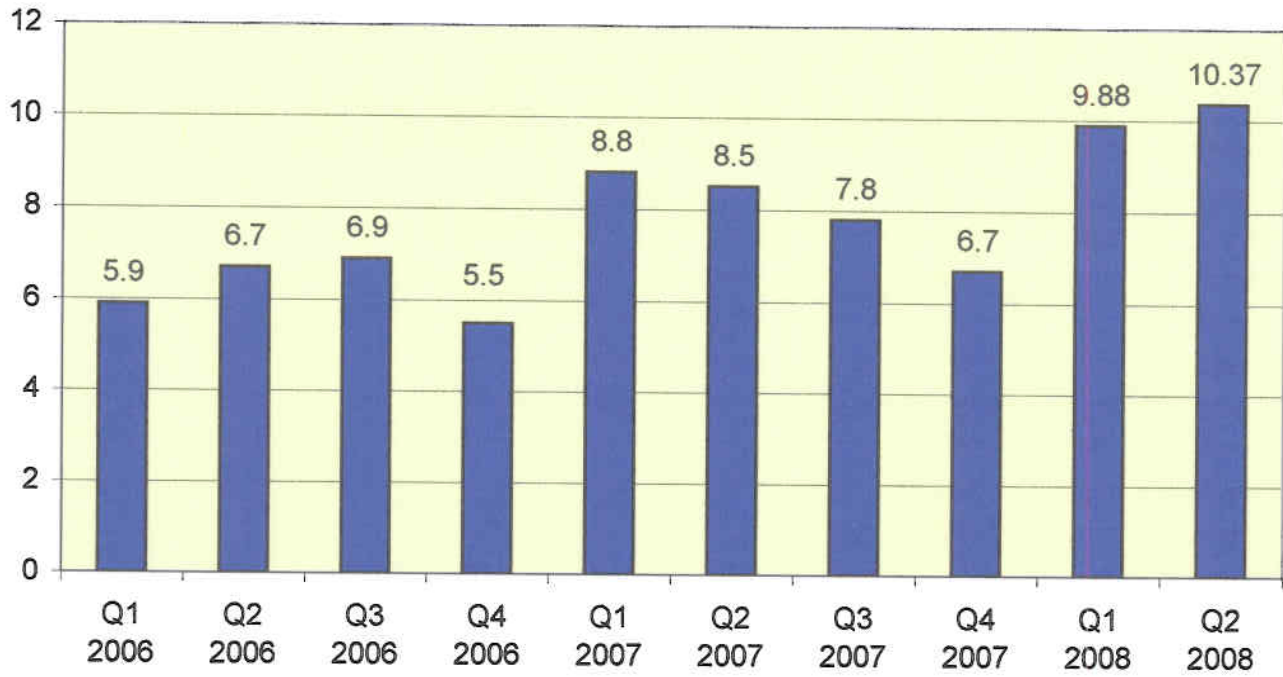
Changes in median price at the national level gives you little information about changes in home values in your area. For example according to NAR, the national median sale price of existing homes declined 7.7 percent in March from a year ago. The California Association of Realtors reported that the median sale price of home in the San Francisco Bay Area was down 10.2% from March, 2007. DataQuick Information Systems which tracks sales throughout the US. Said the median price of resale homes in the Bay Area declined 20.4% in March from a year ago. However, Contra Costa County, one of the nine counties that comprise the Bay Area, the median sale price dropped by almost 33% from a year ago. This was attributed to that fact that 44% of the sales in March were foreclosures.

The residential housing market is so localized that our clients needs us to realistic gauge the current market value of a home. Remember what people hear on the national front may not be indicative of our local market.

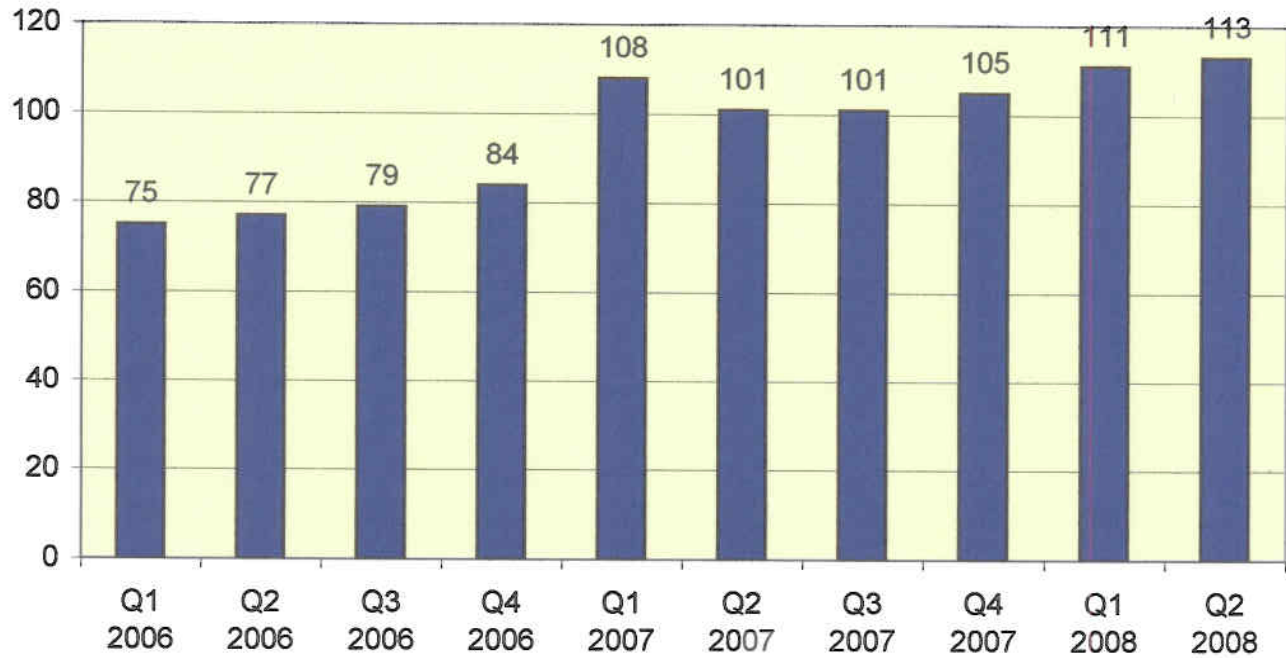
Foundation of the housing revival that comes in four steps.

1. First, the return of first-time buyers will shrink the overhang of new houses for sale.
2. Second, because so few new homes are being built, first-timers will start buying existing homes from owners who want to move up but have been trapped by the dearth of buyers. Their improved fortunes, though, come with a big caveat: The prices of new homes are now lower than comparably-sized homes. It's as if used cars are selling for more than new ones. That can't last. So move-up buyers are going to have to accept less than they had hoped to get for their current homes. They'll get a big break as they trade up, however. Unless they bought at the height of the boom, they'll still sell at a profit. They can then use that equity to buy bigger homes at bargain prices. During the bubble, homebuilders started pushing up home sizes to 3,500 square feet or more. It's those behemoths that are selling for the steepest discounts today.
3. Next, housing starts should start rising, probably next year. The increase, however, will be slow and gradual. For the next two years at least, homebuilders will compete ferociously with existing home sellers for customers.
4. Eventually, the glut of existing homes will disappear as well. The excess of new-home buyers over new homes being built makes that inevitable. But the oversupply is so enormous that the healing process could take as much as three more years. Only then will prices in former bubble markets start rising again.

**MARKET BALANCING**  
**Month of Supply of Inventory**  
**Whatcom County MLS Areas for Residential Listings**



**MARKET BALANCING**  
**Average Days on Market - Active Listings**  
**Whatcom County MLS Areas for Residential Listings**



Inventory Analysis USF June 2008  
 Single Family Residential Listings

	Area	# Sold YTD	Avg. Sold per Mo.	Active Listings*	Months of Supply
870	Ferndale	120	20.00	187	9.35
880	Blaine/Birch Bay	87	14.66	248	17.00
885	Lynden	83	13.83	129	9.30
850	Sudden Valley	52	8.66	105	12.00
860	Bellingham	422	70.33	553	7.80
895	Mt. Baker/Deming	43	7.16	61	8.50
865	Meridian	11	1.83	37	20.00
890	Nooksack Valley	45	7.50	74	10.00
	TOTALS	863	143.83	1394	9.70

\*Active Single Family Listings as of 6/30/08

Price Range in 000's	# Sold YTD	Avg. Sold per Mo.	Active Listings*	Months of Supply
200-249	109	31.83	217	6.80
250-299	108	31.16	249	8.00
300-349	56	18.66	185	10.00
350-399	41	12.00	155	13.00
400-449	29	8.16	93	11.30
450-499	23	6.16	102	16.50
500-549	7	2.66	55	20.60
550-599	7	2.00	52	26.00
600-649	4	1.16	37	44.50
650-699	11	2.00	50	25.00
700-749	2	0.83	22	26.50
750-799	3	0.83	39	46.80
800-849	3	0.66	12	58.50
850-899	1	0.50	25	50.00
900-949	1	0.50	5	10.00
950-999	1	0.83	17	20.40
1000+	2	1.00	72	72.00

USF Inventory Analysis  
 Single Family Residential Listings: Bellingham Neighborhoods  
 Thru June 2008

Elementary Schools	# Sold YTD	Avg. Sold per Mo.	Active Listings*	Months of Supply
Alderwood	10	1.66	11	6.60
Birchwood	8	1.33	12	9.00
Carl Cozier	26	4.33	36	8.70
Columbia	24	4.00	11	2.75
Geneva	19	3.16	24	7.50
Happy Valley	27	4.50	56	12.50
Larrabee	11	1.83	15	8.00
Lowell	20	3.33	29	8.70
Northern Heights	26	4.33	36	8.30
Parkview	18	3.00	7	2.30
Roosevelt	23	3.83	23	6.00
Silver Beach	31	5.16	51	9.90
Sunnyland	24	4.00	23	5.75

\*Active Single Family Listings as of 6/30/08

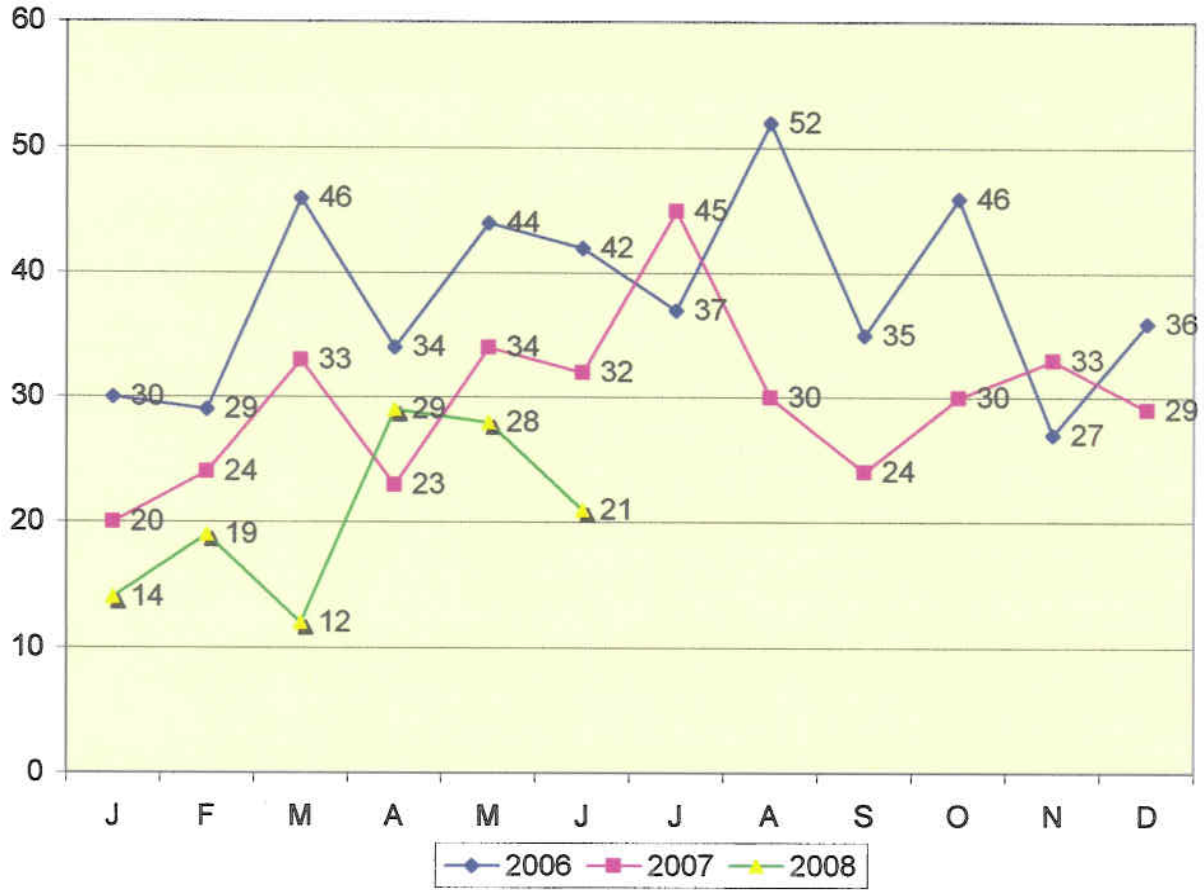
Inventory Analysis NSF thru June 2008  
 Single Family Residential Listings

	Area	# Sold YTD	Avg. Sold per Mo.	Active Listings*	Months of Supply
870	Ferndale	22	3.67	26	7.00
880	Blaine/Birch Bay	23	3.83	39	10.00
885	Lynden	9	1.50	32	21.30
850	Sudden Valley	12	2.00	32	16.00
860	Bellingham	78	13.00	81	6.20
895	Mt. Baker/Deming	4	0.66	13	19.50
865	Meridian	1	0.16	4	24.00
890	Nooksack Valley	9	1.50	12	8.00
	TOTALS	158	26.32	239	9.00

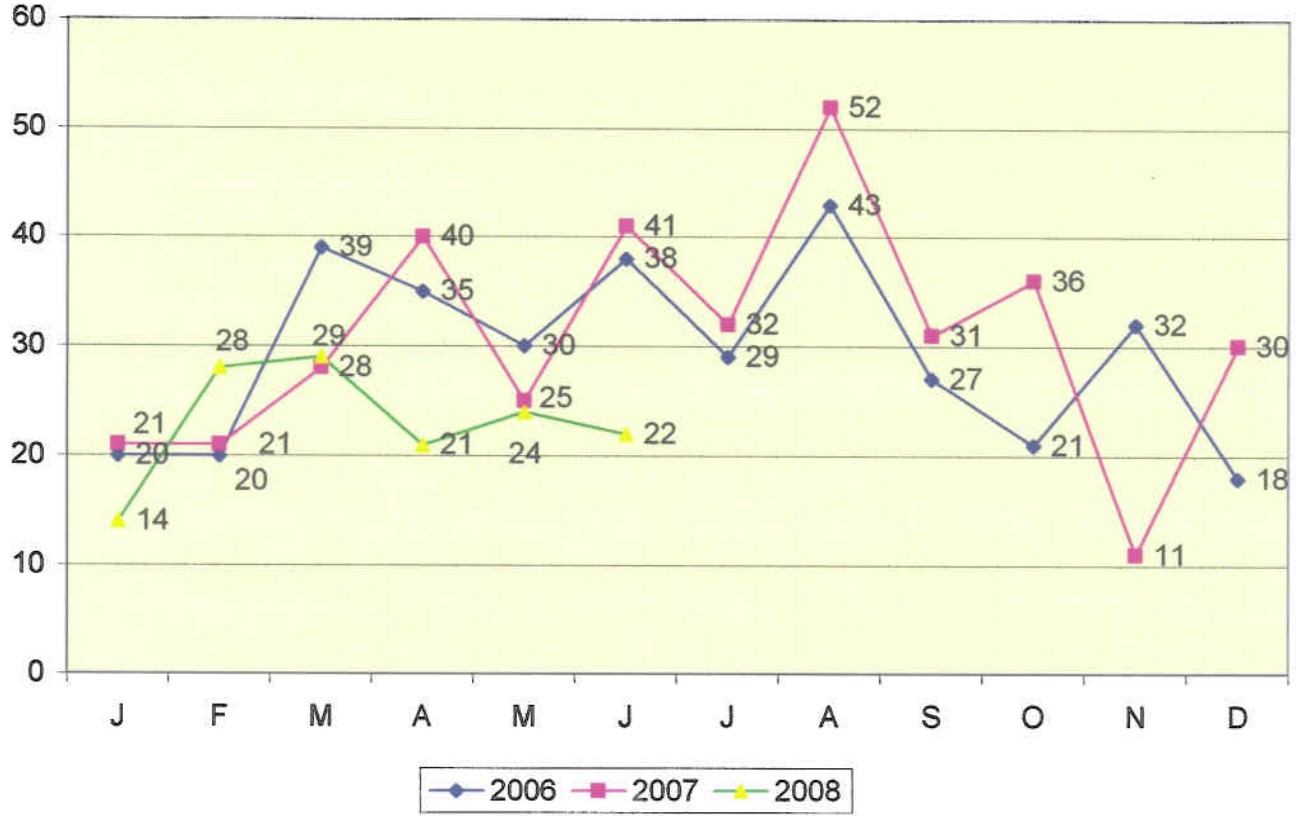
\*Active Single Family Listings as of June 2008

Price Range in 000's	# Sold YTD	Avg. Sold per Mo.	Active Listings*	Months of Supply
200-249	32	5.33	26	4.81
250-299	44	7.33	33	4.50
300-349	24	4.00	33	8.25
350-399	16	2.66	48	18.00
400-449	15	2.50	16	6.40
450-499	7	1.16	15	13.00
500-549	5	0.83	7	8.40
550-599	3	0.50	9	18.00
600-649	4	0.66	8	12.00
650-699	1	0.16	9	56.00
700-749	2	0.33	3	9.00
750-799	1	0.16	6	37.50
800-849	1	0.16	2	12.50
850-899	1	0.16	2	12.50
900-949	0	0.00	0	0.00
950-999	0	0.00	3	0.00
1000+	0	0.00	16	0.00

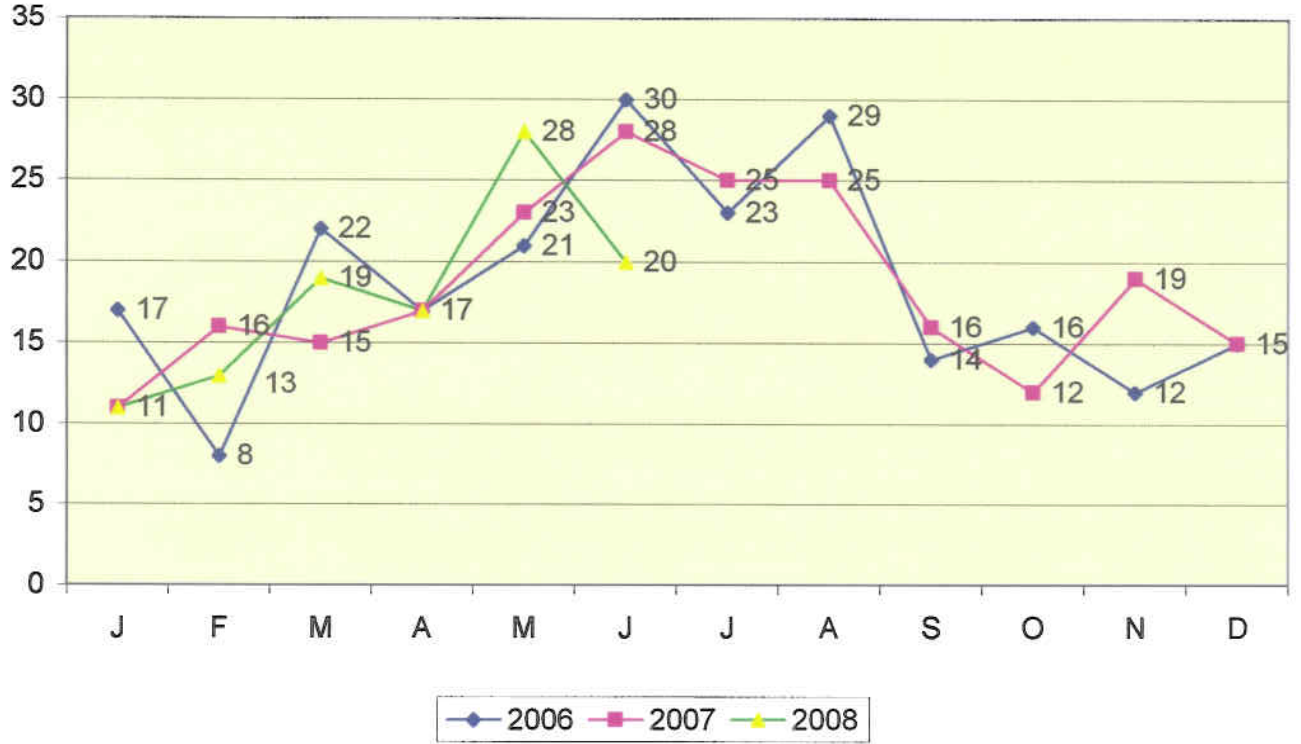
**BLAINE/BIRCH BAY CLOSED SALES DISTRIBUTION**  
**2006 - June 2008**



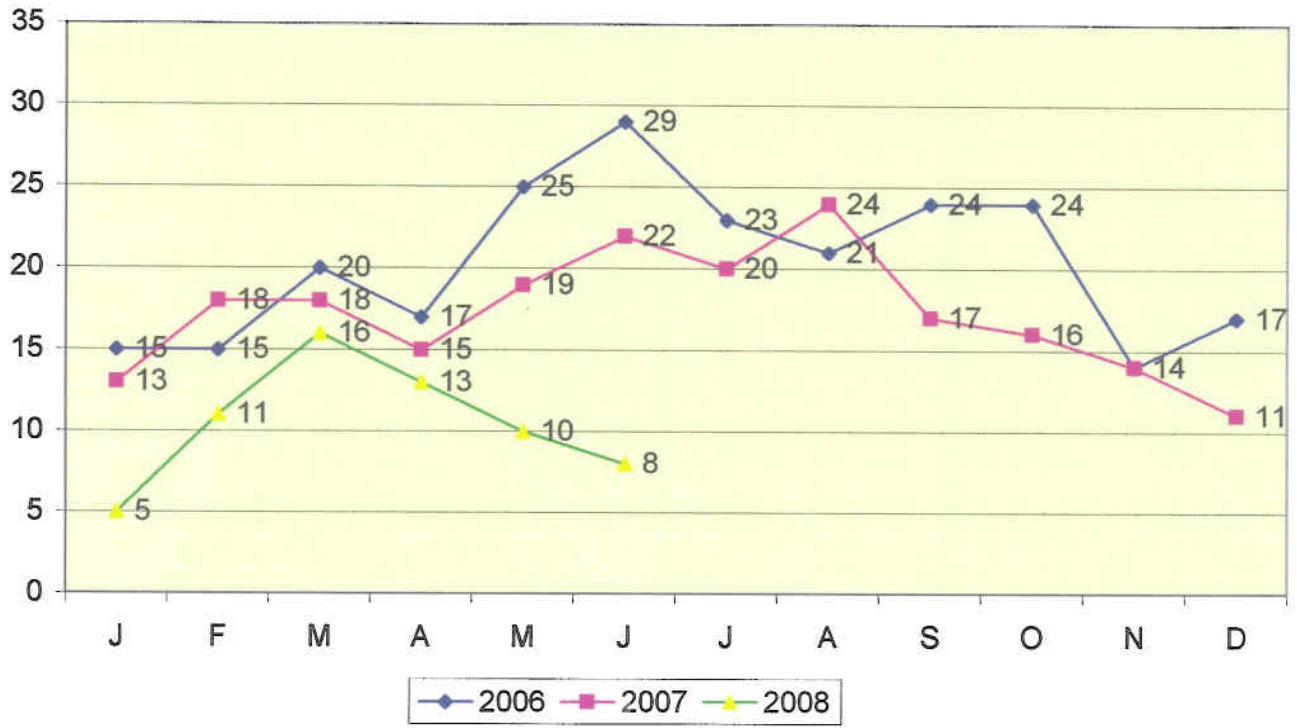
**FERNDALE CLOSED SALES DISTRIBUTION**  
**2006 - June 2008**



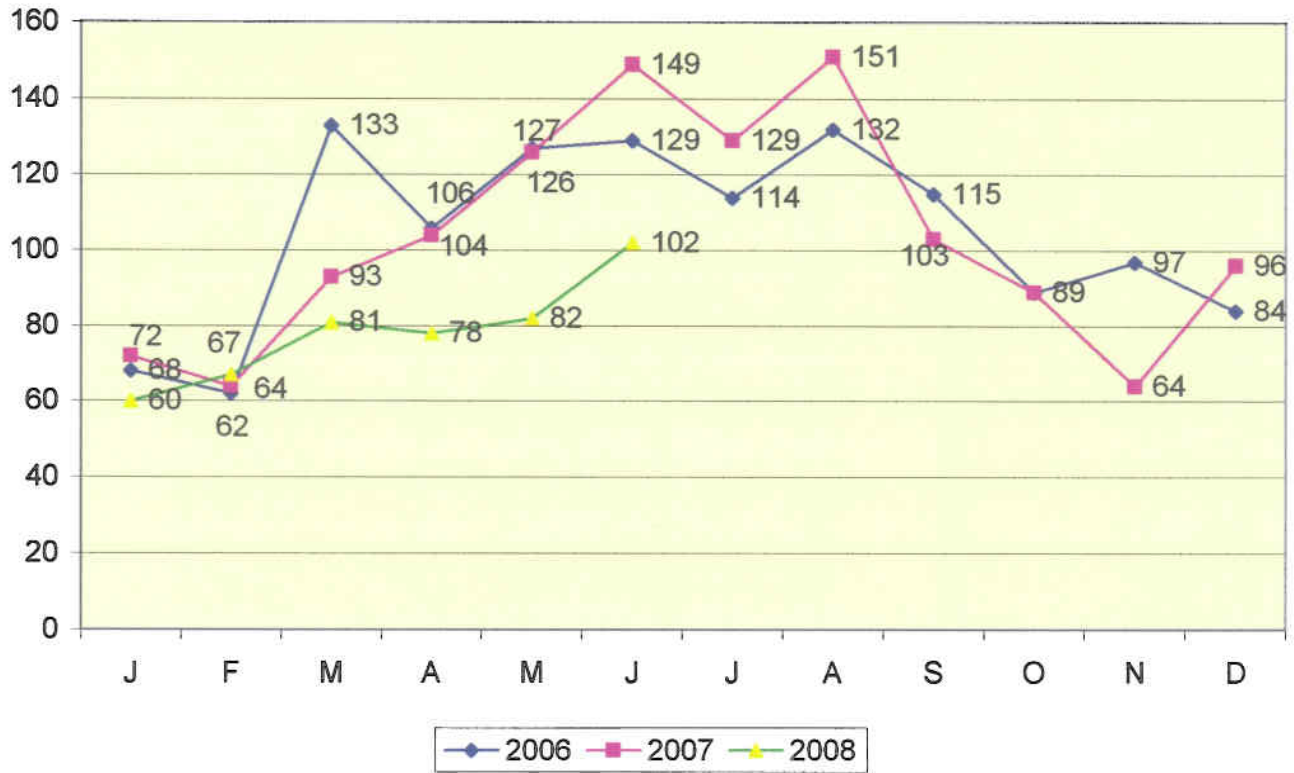
**LYNDEN CLOSED SALES DISTRIBUTION**  
**2006 - June 2008**



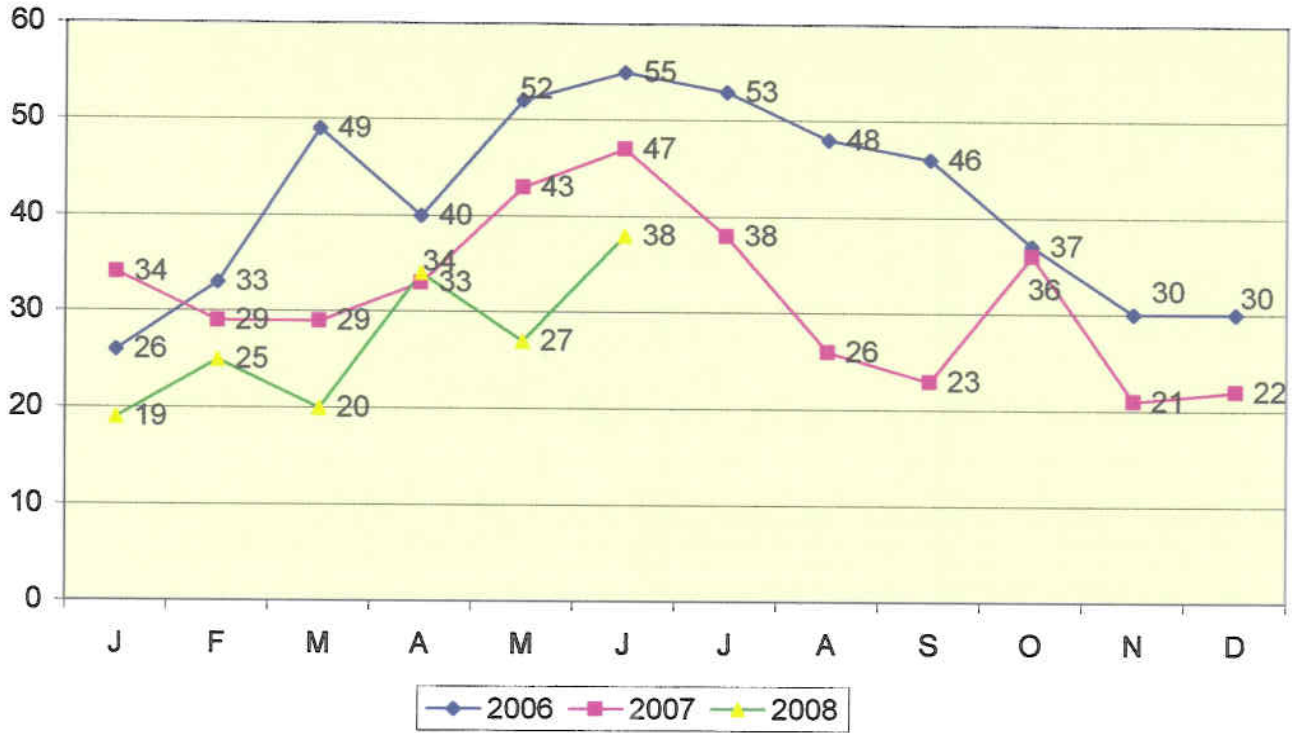
### SUDDEN VALLEY CLOSED SALES DISTRIBUTION 2006 - June 2008



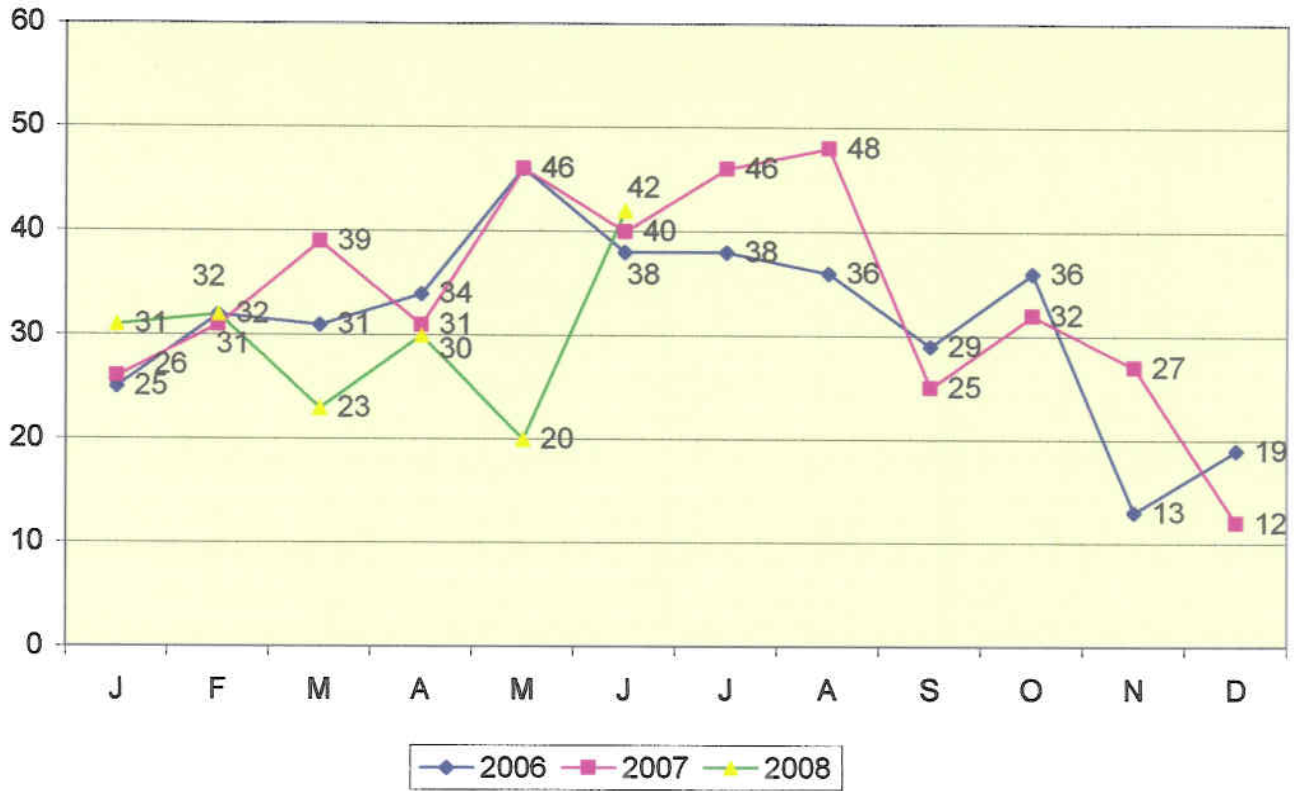
### BELLINGHAM CLOSED SALES DISTRIBUTION 2006 - June 2008



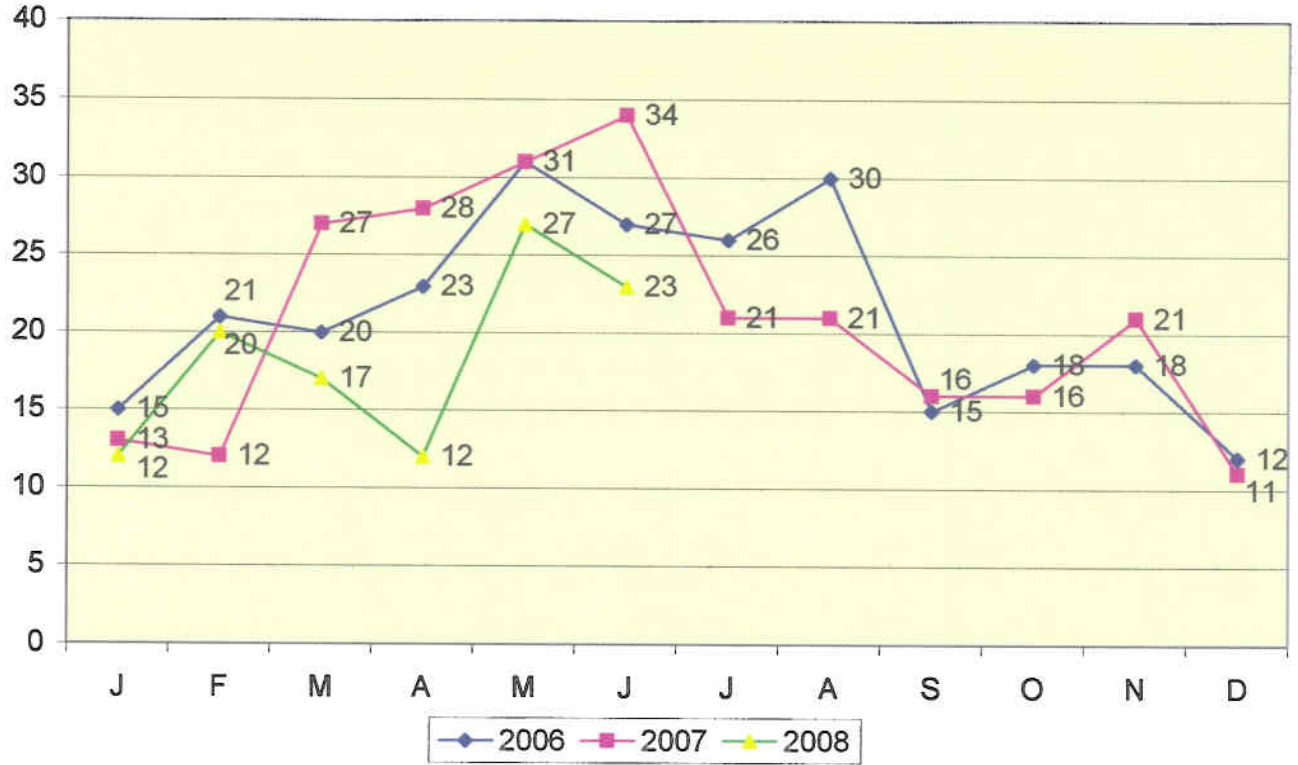
### BLAINE/BIRCH BAY PENDING SALES DISTRIBUTION 2006 - June 2008



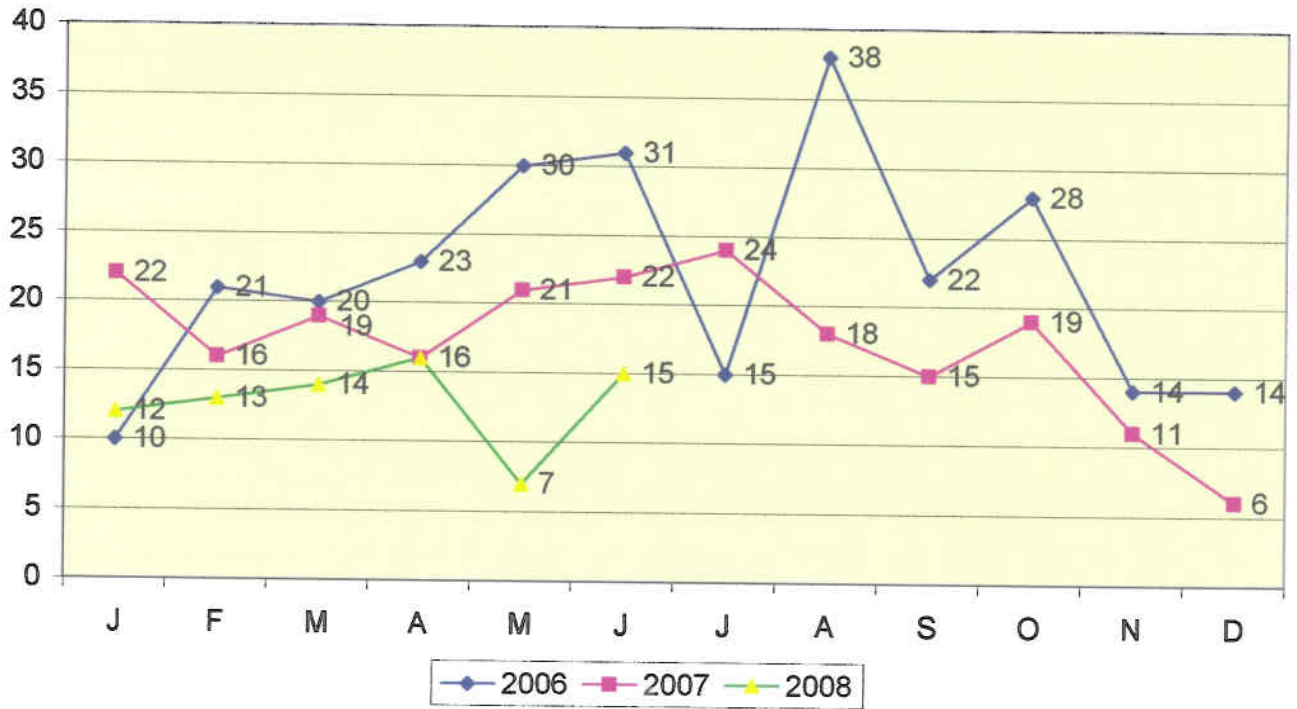
**FERNDALE PENDING SALES DISTRIBUTION**  
**2006 - June 2008**



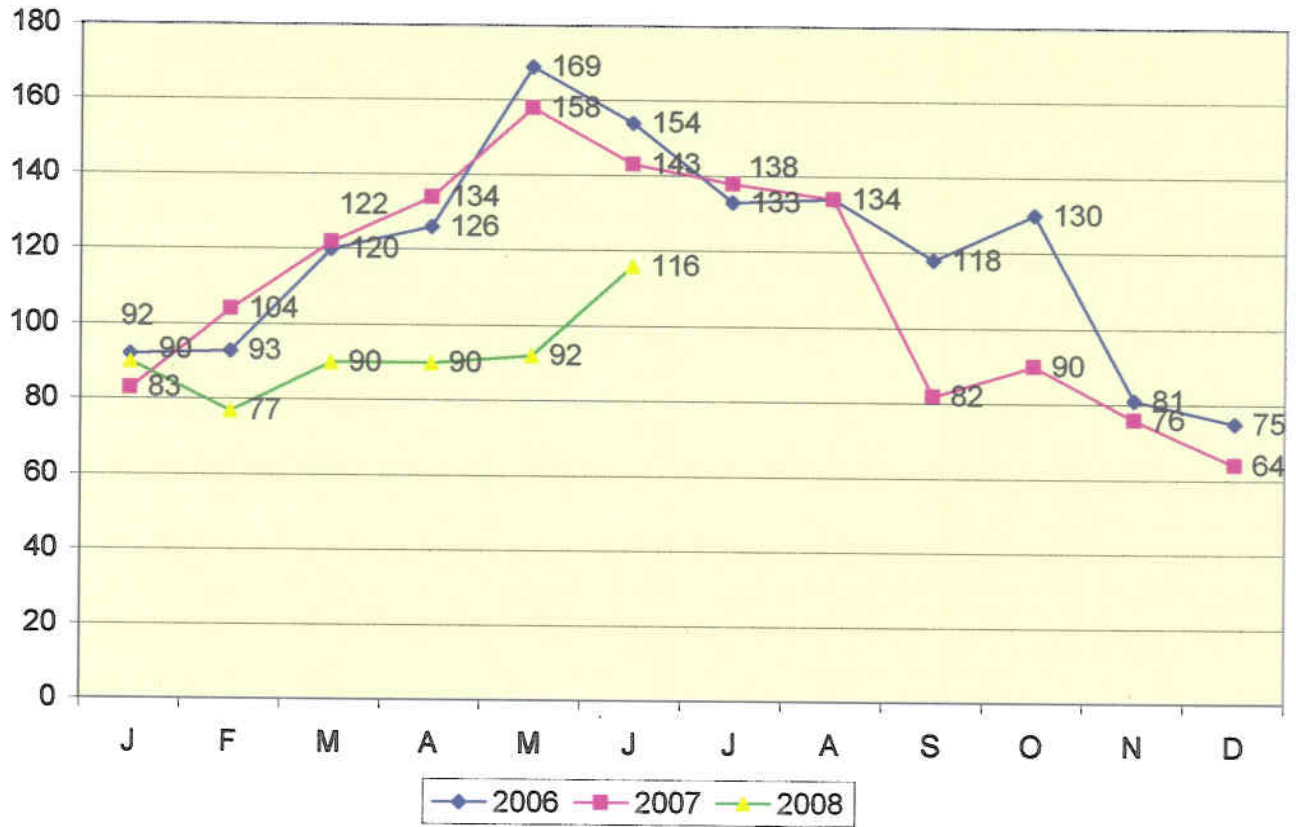
**LYNDEN PENDING SALES DISTRIBUTION**  
**2006 - June 2008**



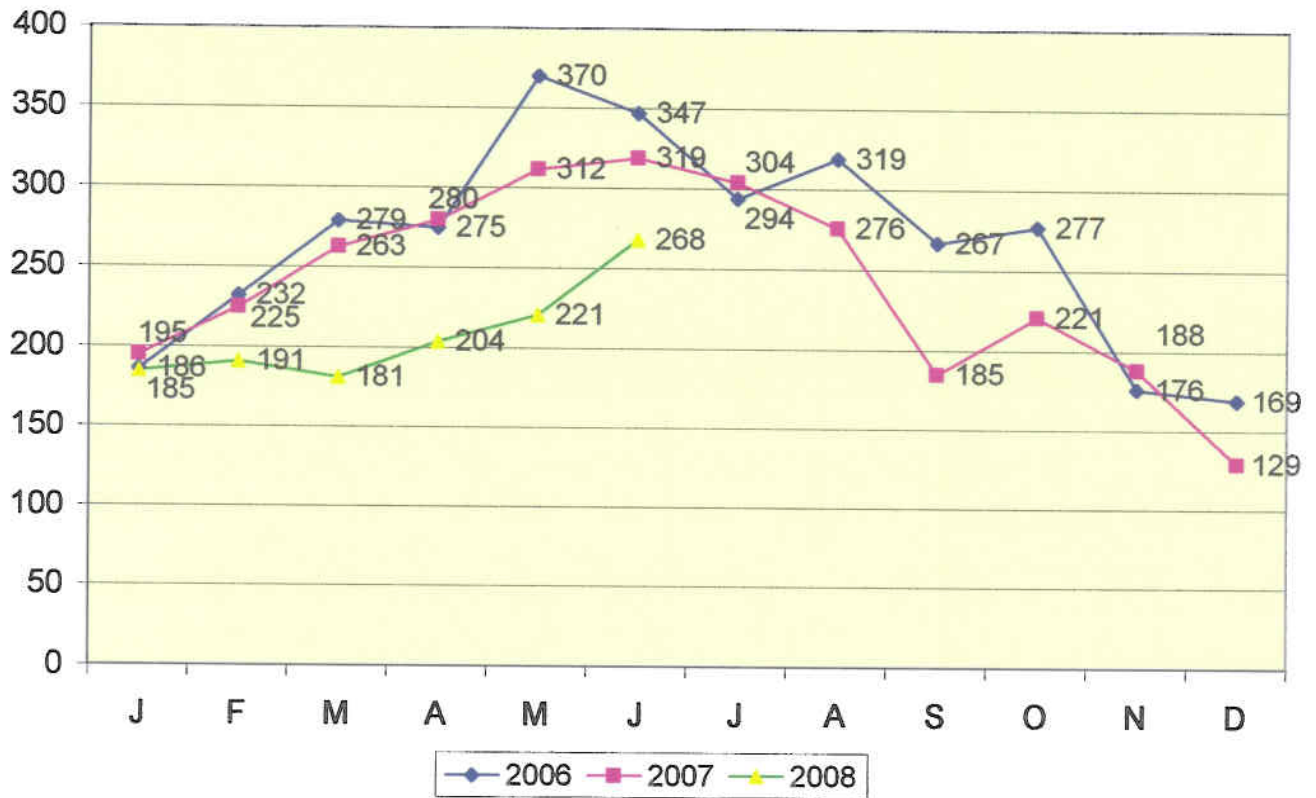
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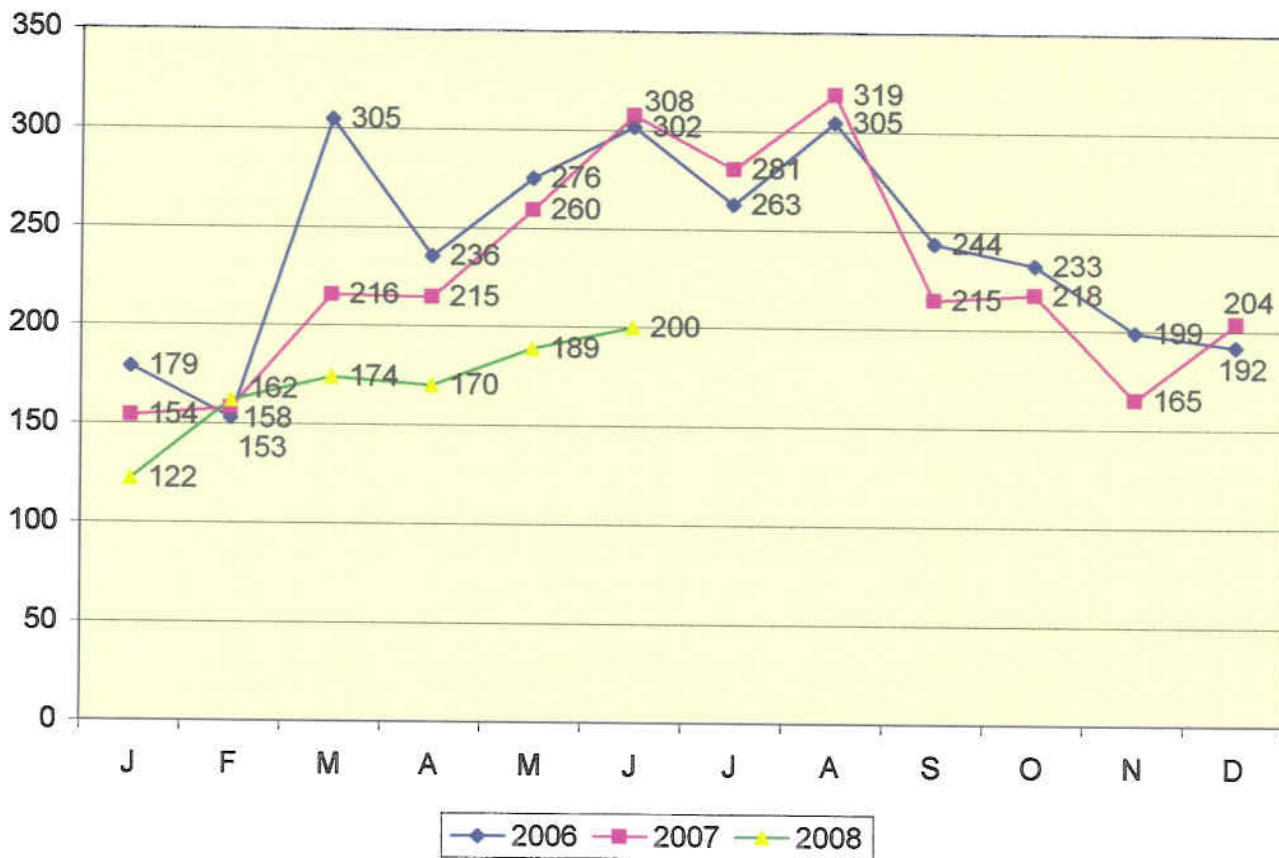
### BELLINGHAM PENDING SALES DISTRIBUTION 2006 - June 2008



### WHATCOM COUNTY PENDING SALES DISTRIBUTION 2006 - June 2008



### WHATCOM COUNTY CLOSED SALES DISTRIBUTION 2006 - June 2008



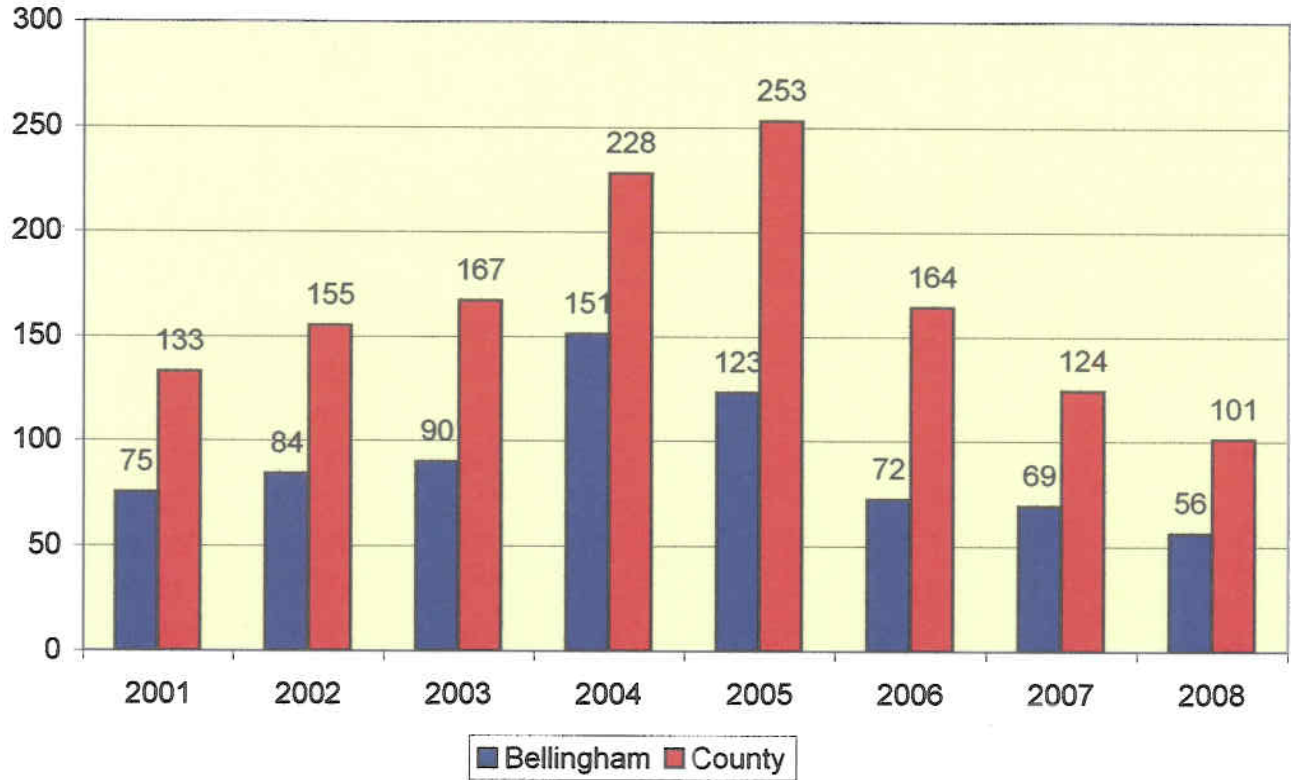
*Thru June (2006,2007,2008) Analysis Whatcom County*

	2006	2007	2008
<u>Residential (Units)</u>			
<i>Active Listings</i>	1617	1861	1758
<i>Pendings</i>	1689	1614	1250
<i>Solds</i>	1446	1311	1017
<i>Median S.P.</i>	\$280,000	\$293,000	\$283,000
<i>Months of Inventory</i>	6.7	8.5	10.3
<u>New Residential</u>			
<i>Active Listings</i>	337	292	237
<i>Pendings</i>	286	236	196
<i>Solds</i>	236	201	162
<i>Median S.P.</i>	\$320,000	\$330,000	\$304,000
<i>Months of Inventory</i>	8.5	8.7	8.7
<u>Condominium</u>			
<i>Active Listings</i>	527	554	494
<i>Pendings</i>	415	446	321
<i>Solds</i>	324	298	279
<i>Median S.P.</i>	\$195,000	\$189,250	\$191,000
<i>Months of Inventory</i>	9.75	11	10.6

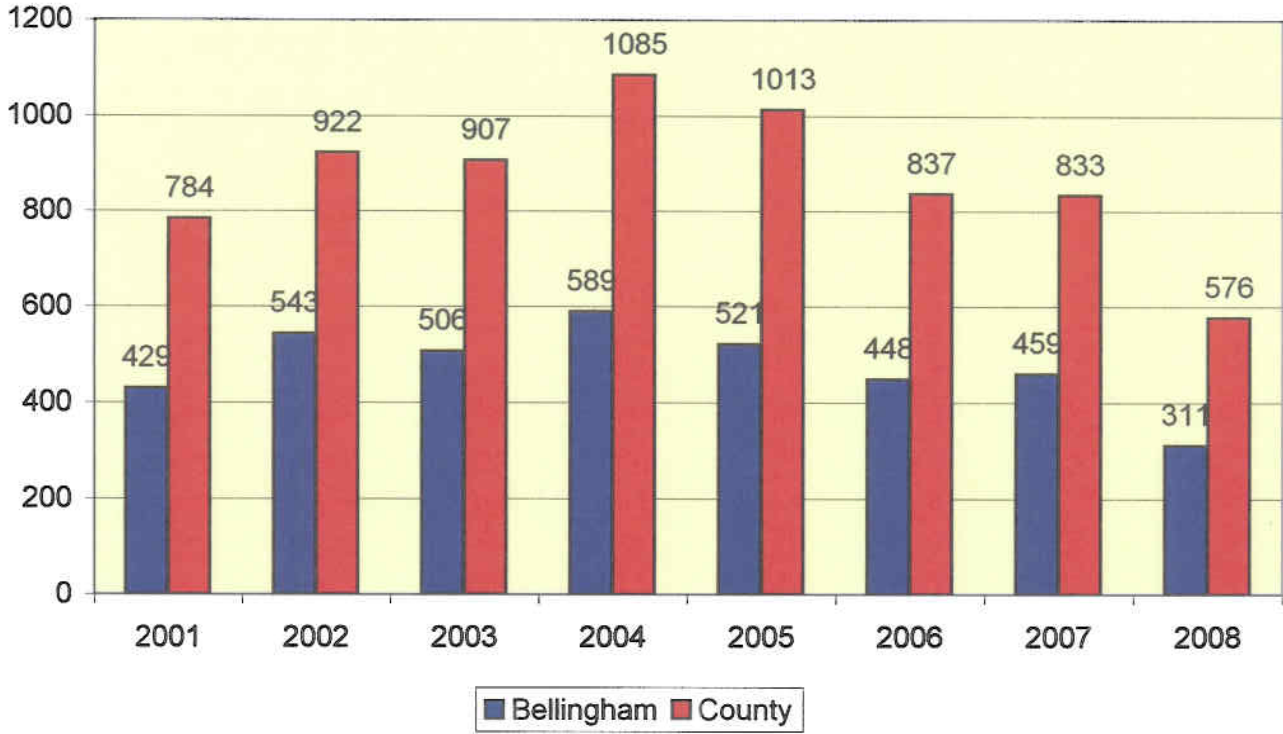
*Thru June (2006,2007,2008) Analysis Bellingham*

	2006	2007	2008
<u>Residential (Units)</u>			
<i>Active Listings</i>	620	702	653
<i>Pendings</i>	750	744	555
<i>Solds</i>	625	608	470
<i>Median S.P.</i>	\$300,000	\$315,000	\$308,000
<i>Months of Inventory</i>	6	7	8.3
<u>New Residential</u>			
<i>Active Listings</i>	118	110	81
<i>Pendings</i>	126	82	88
<i>Solds</i>	91	62	80
<i>Median S.P.</i>	\$320,000	\$345,000	\$300,000
<i>Months of Inventory</i>	7.75	10.6	6
<u>Condominium</u>			
<i>Active Listings</i>	393	342	324
<i>Pendings</i>	316	320	221
<i>Solds</i>	239	208	203
<i>Median S.P.</i>	\$195,000	\$183,000	\$197,000
<i>Months of Inventory</i>	9.8	9.8	9.5

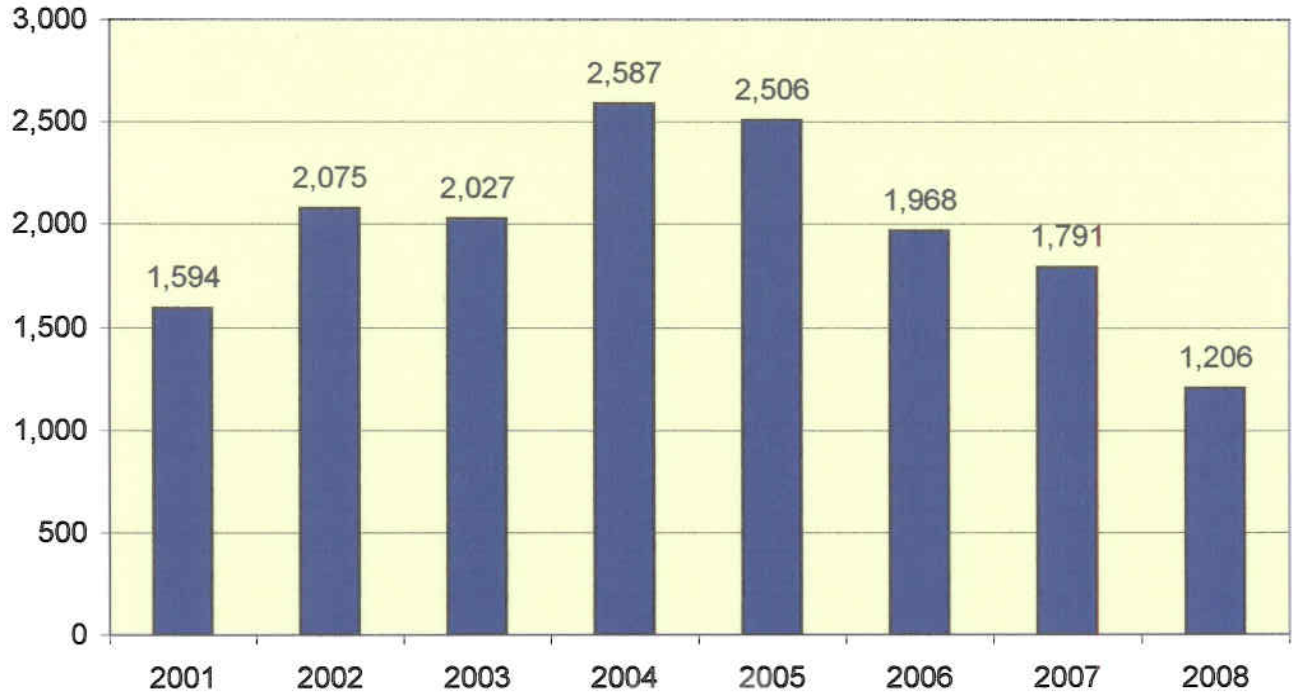
**BELLINGHAM (including Sudden Valley/WHATCOM COUNTY)**  
**Number of Homes Sold 2nd Qtr. 2001-2008**  
**New Single Family**



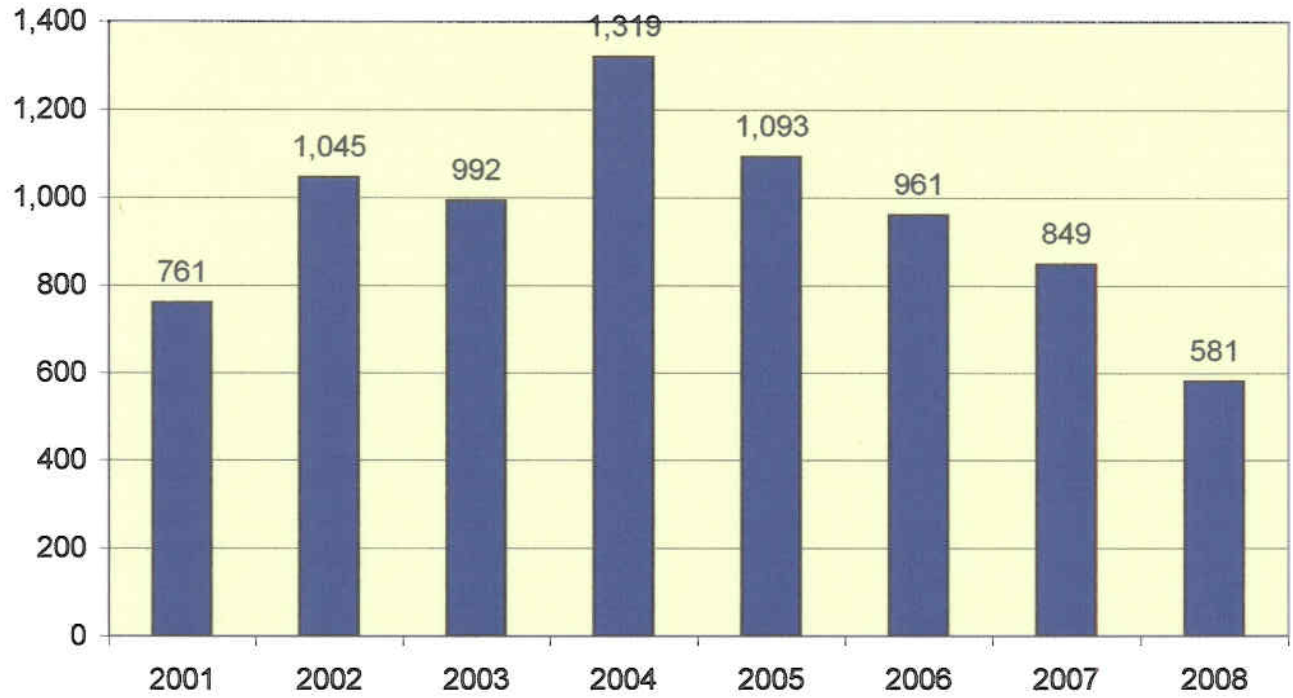
**BELLINGHAM (including Sudey Valley)/WHATCOM COUNTY**  
**Number of Homes Sold 2nd Qtr. 2001-2008**  
**Used Single Family**



**PROPERTIES SOLD IN WHATCOM COUNTY**  
**Number of Properties Sold**  
**2nd Quarter 2001-2008**



**PROPERTIES SOLD IN BELLINGHAM**  
**Number of Properties Sold**  
**2nd Quarter 2001-2008**



	850	895	885	880	870	865	890	860
Statistics you Should Know 1st half-07 vs. 1st half-08								
Total Active residential listings	138	126	157	323	230	36	95	653
Compared to last year at this time	\$145	143	164	315	274	28	90	702
Average list price	\$350,000	\$308,000	\$420,000	\$471,000	\$423,000	\$501,000	\$338,000	\$496,000
Average market time	119	123	116	129	95	124	90	113
Compared to last year at this time	89	107	83	110	102	76	91	103
List price vs. sales price ratio	97.34	96.1	97.81	96.25	98.44	97.9	95.05	98.872
Compared to last year	98.53	96.75	97.5	94.81	98	95.11	97.99	96.8
Number of sales YTD	63	61	96	123	138	12	54	470
Average sales price	\$272,500	\$202,000	\$326,000	\$266,000	\$303,000	\$425,000	\$298,000	\$368,000
Compared to last year	\$298,500	\$166,000	\$312,000	\$332,000	\$340,000	\$322,000	\$292,000	\$370,000
Overall appr or depr	-9%	21%	5%	-20.00%	-11%	32%	2%	0%