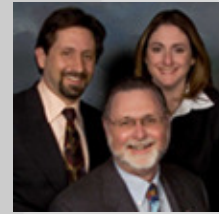


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The Real Estate Report

local market trends

MONTEREY COUNTY

Monterey County Market Continues to Heat Up

Low inventory and high demand are pushing the local real estate market into multiple offers with the attendant frustration of the losing bidders.

Inventory, or lack thereof, is at ten year lows.

Prices have yet to respond to the situation. We expect prices to start showing some strength in the coming months.

The high end of the market, however that is defined in a particular city, is solid. The low end of the market is being driven by investors with cash and is seeing the most activity. The middle market, the move-up market is soft because the entry-level homeowners are still underwater.

What's next?

That's hard to tell because inventory is so low and is putting constraints on the market breaking out. We don't see that changing much in the near future for several reasons.

First, there is not a lot of new home building going on, which is necessary to relieve the pressure.

Second, many existing homeowners aren't going anywhere. Many of them are still underwater and can't sell without taking a big loss.

Lastly, forget about phantom inventory. As of March, the banks owned 816 properties in the county. That number includes homes AND condos. There are currently 697 homes AND condos actively listed for sale.

Even if the banks put all their inventory on the market, it's less than four weeks worth!

We're stuck with this market for at least the next year.

MARCH MARKET STATISTICS

The median price for single-family, re-sale homes rose 8% last month compared to the year before. The median price has been up, year-over-year, for the past six months in a row.

Home sales were up 0.8% year-over-year.

Pending home sales were up 30% year-over-year. Usually, this bodes well for the future. Unfortunately, in this multiple offer environment, many of these pending sales are not closing because the proper-

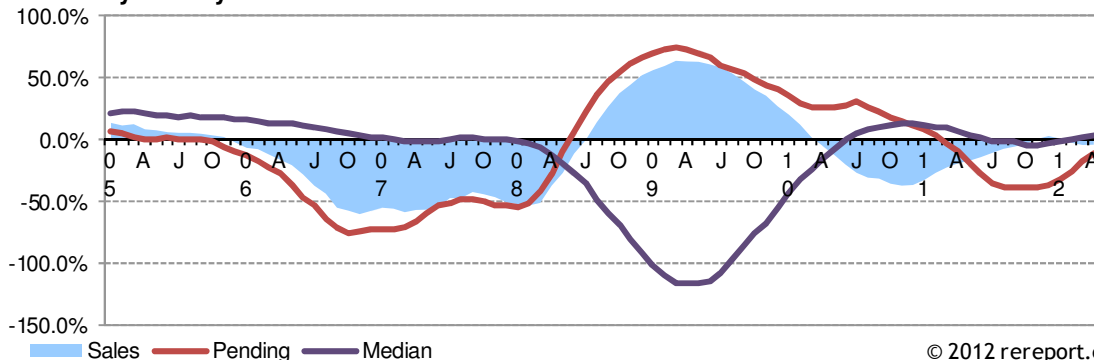
Trends at a Glance			
(Single-family Homes)			
	Apr 12	Mar 12	Apr 11
Median Price:	\$ 270,000	\$ 315,000	\$ 250,000
Average Price:	\$ 427,438	\$ 476,740	\$ 458,496
Units Sold:	262	262	260
Pending Sales:	733	726	564
Inventory:	615	616	746
Sale/List Price Ratio:	97.8%	97.5%	97.1%
Days on Market:	89	82	78
Days of Inventory	68	70	83

ties don't appraise, the buyers can't qualify for a long, or they get cold feet.

Pending sales, in a normal market, track closed sales very closely. But, since 2008, the disparity between pending and closed sales has widened to historically high levels.

This is an extraordinarily tough market for buyers. It's important to be calm and realistic. If you don't know what to do or where to begin, give me a call and let's discuss your situation and your options.

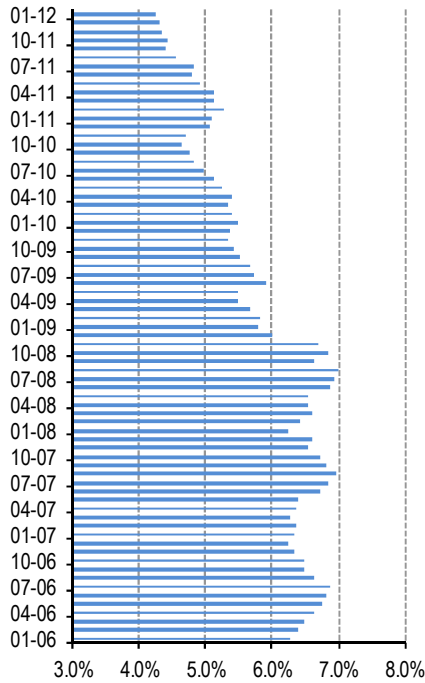
Monterey County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



May 4, 2012 -- Mortgage rates eased downward this week to again land at new record lows. After a hopeful late winter and early spring, the economic data began to point to a lower trajectory for growth, and that's where we find ourselves at the moment. Troubles in overseas economies continues to show, while inflation has leveled for the moment. These ingredients are the recipe for lower interest rates in general, as investors look for places to park cash away from uncertain stock markets. Once you mix in a Federal Reserve still accumulating long-term Treasuries and mortgages, you've got everything you need for rock-bottom mortgage rates.

It would be better if more borrowers could take advantage of them, though.

HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages eased by two basis points (0.02%) for the week, and at 4.15%, now stands at a new record low, the third record-setting week of 2012. The FRMI's 15-year companion also shed two basis points (.02%), slipping to a new record low of 3.39%. Important to homebuyers and low-equity-stake refiners, already-low FHA-backed 30-year mortgages dropped by another single basis point to 3.79%, a fresh low-water mark, while the overall average for 5/1 Hybrid ARMs was unchanged, holding at an average 2.97% for the survey period, its lowest level ever.

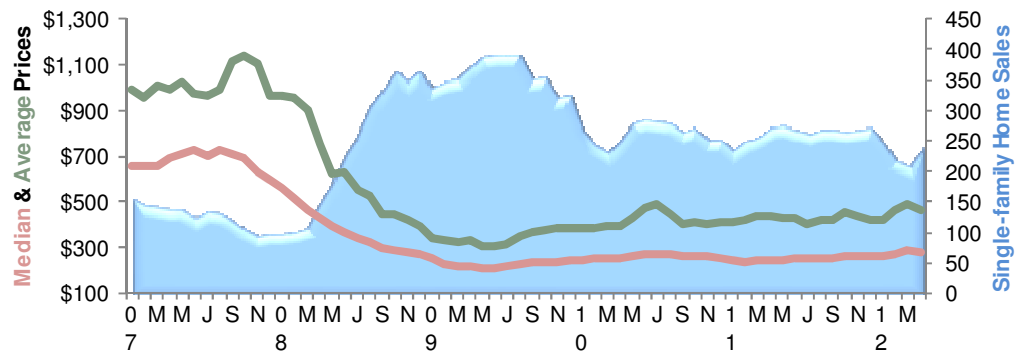
In a special question, the Fed asked lenders to compare their willingness to make a mortgage to borrowers in 2006 and 2012 using similar FICO and LTV standards. It what has been painfully obvious to even a casual observer of the mortgage market, lenders are much less willing to lend now compared to then. The reasons are widespread, but include trouble getting mortgage insurance for borrowers, the GSEs requiring buybacks on failed loans, unclear regulations, weak home prices and more. To a degree, all of these issues rely on the other to be solved, and given the thorny issues involved, it may be some time before that happens.

That's a shame, since making it somewhat easier to get a mortgage loan would tend to foster demand, firming home prices. If prices start to rise, losses on failed loans would slow, which might allow some leeway on buybacks. Fewer failing loans would see mortgage insurers in better fiscal straits, allowing them to ease rigid rules. If the market starts to function better all around, regulators might be less tempted to make drastic changes, and new regulations might come sooner rather than later, easing the anxiety of over-regulation which has hung over the market for several years now.

It goes without saying that a functioning housing market would revive the economy in a number of ways. Presently, it's not the only facet of the economy which isn't firing on all cylinders, but it is a sizable one.

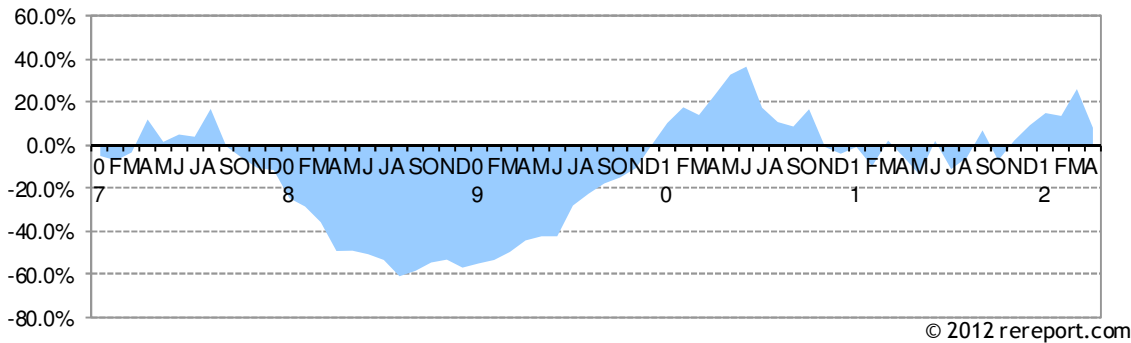
Monterey County Homes - Prices & Sales

(3-month moving average—prices in \$000's)



Monterey County - April 2012													
Single-Family Homes								% Change from Year Before					
Prices								Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven	
County	\$ 270,000	\$ 427,438	262	733	615	68	97.8%	8.0%	-6.8%	0.8%	30.0%	-17.6%	
Carmel	\$ 977,500	\$ 1,085,740	18	39	137	221	94.3%	-15.0%	-25.0%	20.0%	34.5%	-7.4%	
Carmel Valley	\$ 740,000	\$ 803,500	15	23	74	143	97.7%	-6.6%	-51.0%	87.5%	15.0%	-26.7%	
East Salinas	\$ 189,950	\$ 200,994	32	62	13	12	101.6%	10.1%	4.0%	-5.9%	-27.1%	-60.6%	
Marina	\$ 280,000	\$ 302,773	11	35	9	24	97.9%	-13.8%	-4.4%	83.3%	34.6%	-69.0%	
Monterey	\$ 495,000	\$ 494,312	16	27	34	62	94.6%	1.2%	-29.6%	77.8%	-15.6%	-55.8%	
North County	\$ 266,000	\$ 269,793	15	71	46	89	102.0%	-19.5%	-23.1%	-25.0%	-10.1%	-11.5%	
North Salinas	\$ 222,000	\$ 228,027	41	140	38	27	99.2%	12.4%	9.1%	5.1%	2.9%	-40.6%	
Pebble Beach	\$ 995,000	\$ 1,458,060	9	17	73	235	97.3%	24.4%	-16.2%	0.0%	112.5%	-28.4%	
Pacific Grove	\$ 524,900	\$ 609,950	16	37	44	80	98.5%	-6.7%	-6.7%	33.3%	131.3%	-42.1%	
Seaside	\$ 267,500	\$ 299,182	11	48	17	45	99.1%	-4.5%	1.1%	-47.6%	-7.7%	-41.4%	
Salinas MH	\$ 485,000	\$ 703,876	17	41	72	123	94.7%	-31.7%	-3.8%	30.8%	5.1%	-33.9%	
South County	\$ 153,000	\$ 162,013	47	125	34	21	97.4%	-1.3%	4.1%	9.3%	-15.5%	-53.4%	
South Salinas	\$ 218,750	\$ 218,562	8	59	19	69	93.6%	-22.6%	-25.1%	-42.9%	31.1%	-48.6%	

Monterey County Homes: Year-Over-Year Median Price Change



FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in Monterey County jumped 20% in March from February. Year-over-year, notices were down 33.1%.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, fell 15.9% from February. Year-over-year, they were down 32.6%.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements.

Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In March, cancellations were down 23% year-over-year.

Year-over-year, properties going back to the bank declined 56.3%, which is very good news. They decreased 29.7% from February.

The total number of homes that have had a notice of default filed rose 15.5% from February. Year-over-year, the total number of properties with a notice filed decreased 19.4%.

The total number of homes scheduled for sale decreased by 33.4% year-over-year.

The total number of bank-owned properties in Monterey County declined by 18.9% from last March.

For further details and a city-by-city breakdown of foreclosure statistics, go to <http://foreclosureradar.com>.

Monterey County Condos- Prices & Sales

(3-month moving average—prices in \$000's)

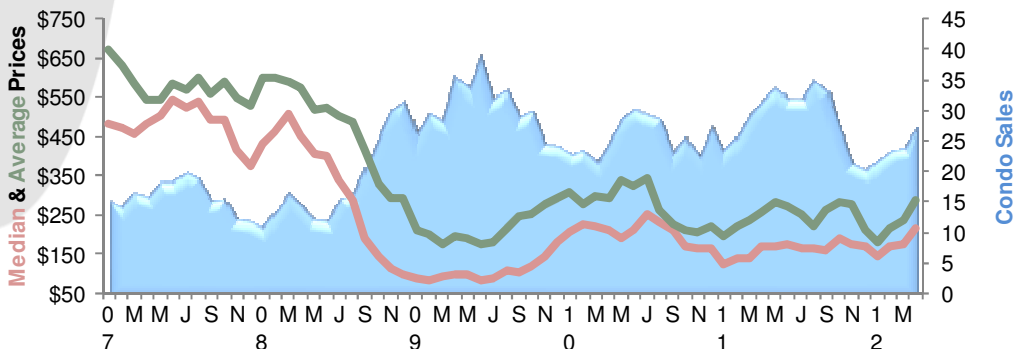


Table Definitions

Median Price

The price at which 50% of prices were higher and 50% were lower.

Average Price

Add all prices and divide by the number of sales.

SP/LP

Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI

Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend

Property under contract to sell that hasn't closed escrow.

Inven

Number of properties actively for sale as of the last day of the month.

Monterey County - April 2012

Monterey County - April 2012												
Condos/Townhomes								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend2	Inven
County	\$ 287,000	\$ 340,767	29	68	82	82	98.1%	63.8%	28.7%	-9.4%	-5.6%	-19.6%
Carmel Valley	\$ 600,000	\$ 616,667	3	11	22	213	93.4%	34.1%	31.0%	-62.5%	22.2%	37.5%
Monterey	\$ 202,500	\$ 252,062	8	24	21	76	99.8%	-37.3%	-32.4%	60.0%	100.0%	10.5%
North Salinas	\$ 119,277	\$ 119,277	2	11	4	58	100.0%	53.1%	43.1%	-60.0%	-50.0%	-33.3%
Pacific Grove	\$ 398,000	\$ 425,200	5	1	4	23	94.0%	n/a	n/a	n/a	n/a	n/a

THE REAL ESTATE REPORT

Monterey County

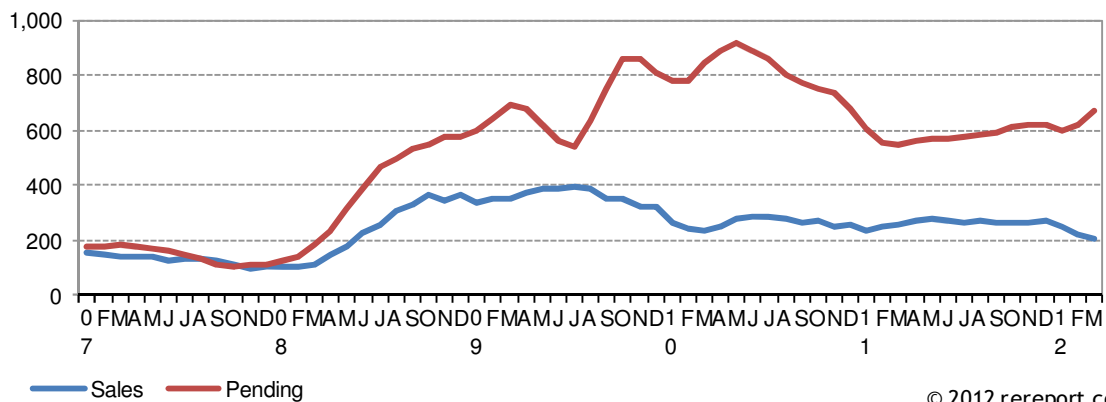


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Go online to see the full report
with the city by city breakdown:

Monterey County Homes: Pending & Existing Home Sales
(3-month moving average)



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