

The Real Estate Report

LOCAL MARKET TRENDS



ALAMEDA COUNTY



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Sales Slip After Fed Tax Credit Expires

Sales of both single-family, re-sale homes and condos fell in July with the expiration of the Federal tax credit.

Home sales were off 18.8% compared to last July, while condo sales were down 31.5%. This is the first time condo sales have been lower than the year before since August 2008. Year-to-date, home sales are off 6.4%. Condo sales, on the other hand, are up 15.3% year-to-date.

The high-end market has been helped by increasing access to jumbo and super-jumbo loans. Historically, and until July 2007, the spread or difference between conforming mortgage rates and jumbo rates moved within a narrow range of about 0.20%. At the trough of the market, the spread was 1.9%. Now, the spread is down to 0.5%, and the secondary market for jumbo loans is awakening. The \$1,000,000 plus segment of the market was 8.7% of all sales in July.

The median price for single-family, re-sale homes fell 2.5% from June, but it was up 15.6% year-over-year. This is the eleventh month in a row the

median price has been higher than the year before.

The sales price to list price ratio slipped 0.1 of a point to 99.7%.

Trends at a Glance (Single-family Homes)			
	Jul 10	Jun 10	Jul 09
Median Price:	\$467,500	\$479,250	\$405,000
Average Price:	\$532,981	\$554,881	\$461,122
Home Sales:	859	968	1,058
Sale/List Price Ratio:	99.7%	99.8%	99.0%
Days on Market:	36	39	50

The median price for condos was off 4.6% from June, and it was down 3% year-over-year.

The sales price to list price ratio for condos dropped 0.7 of a point to 98.7%

C.A.R. NEWS

Leslie Appleton-Young, chief economist for the California Association of REALTORS® (C.A.R.), said, at a recent Silicon Valley Association of REALTORS® (SILVAR) meeting in Palo Alto last month, in five to ten years California will experience a housing shortage.

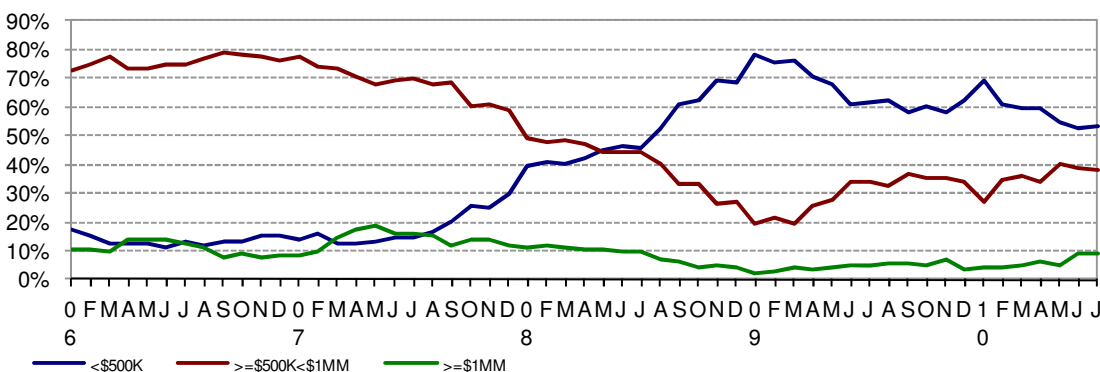
She said household growth for the state is expected to be 200,000 a year. The CBIA reports only 13,000 permits pulled in the first six months of the year.

The real estate market is very hard to generalize. It is a market made up of many micro markets. For complete information on a particular neighborhood or property, call me.

INSIDE THIS ISSUE:

SALES SLIP AFTER FED TAX CREDIT EXPIRES	1
MORTGAGE RATE OUTLOOK	2
HOME STATISTICS	2
DOUBLE [DIP] OR NOTHING?	3
CONDO STATISTICS	3
CHART: YOY PRICE DIFFERENCE	4

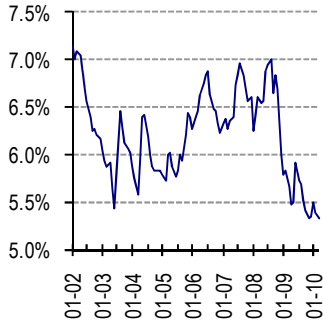
Alameda County Homes: Market Segment by percent of sales



The Real Estate Report

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



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.

SP/OLP: Sales price to the original list price ratio, or the price paid for the property divided by the original asking price.

Jul. 30, 2010 -- With the deceleration in the economy now quantified, mortgage rates stopped falling this week. As prospects for a speedy recovery begin to fade, and inflation pressures bleed from the system, interest rates are less likely to find reasons to rise anytime soon.

Each week for some 30 years, HSH has produced an overall mortgage monitor -- our Fixed-Rate Mortgage Indicator (FRMI). The FRMI includes rates for conforming, jumbo, and most recently the GSE's "high-limit" conforming products and so covers much of the mortgage-borrowing public. This week, the FRMI remained in record-low territory even though it lifted by two basis points (.02%) to 4.92%. For borrowers for whom a long-term fixed-rate mortgage doesn't fit the bill, the next-most popular choice is the hybrid 5/1 ARM, which finished the survey week at 3.92%.

Low mortgage rates produce benefits only to those who can access them -- namely people with incomes, good credit, equity and more. While some can, many more cannot, because they have no job to produce the income needed to participate in today's markets. Un-

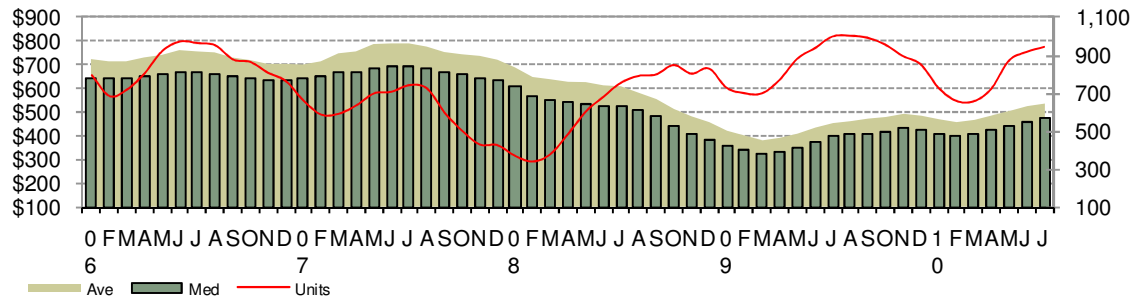
told additional numbers have little or no equity in their homes and cannot recast their balance sheets through conventional refinancing means.

These two issues -- jobs and underwater homeowners -- are the problems which most need addressing if we are to produce a faster economic recovery. Grandiose health care and financial market overhaul mean very little relative to the problems so many face today, and the regulatory and tax uncertainty inherent in such plans are more than likely serving as additional deterrents to the kind of hiring which would produce a better economic climate.

Until that better economic climate shows, we'll continue to have low mortgage rates and high unemployment, and continue in this stagnant holding pattern.

Next week we get all the big first-week of the month reports, including the ISM manufacturing index, auto sales, income and spending, consumer borrowing and the employment report. We'll be looking for bright spots but expect to see few coming, and so mortgage rates have little reason to do anything different than they have in recent weeks -- decline mildly.

Alameda County Homes: Prices & Sales
(3-month moving average — \$000's)



July Sales Statistics (Single-family Homes)

County	Prices		Unit		Change from last year			Change from last month			
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales	Median	Average	Sales
County	\$467,500	\$532,981	859	36	99.7%	15.4%	15.6%	-18.8%	-3.9%	-2.5%	-11.3%
Alameda	\$599,500	\$633,000	20	20	99.9%	-1.3%	2.6%	-28.6%	2.4%	-2.4%	-33.3%
Albany	\$649,000	\$711,857	7	15	105.0%	10.0%	16.2%	-12.5%	1.0%	-11.1%	0.0%
Berkeley	\$687,000	\$757,895	50	26	103.1%	-5.2%	-3.8%	28.2%	-13.1%	-13.8%	-16.7%
Castro Valley	\$538,975	\$526,116	40	43	98.9%	17.2%	9.1%	-11.1%	3.9%	10.2%	-9.1%
Dublin	\$642,500	\$650,268	29	33	99.1%	8.0%	6.3%	-31.0%	-4.5%	-1.4%	-3.3%
Fremont	\$636,250	\$732,453	116	39	98.8%	15.7%	17.8%	-15.3%	12.1%	9.7%	-20.0%
Hayward	\$299,000	\$336,241	87	41	100.6%	16.0%	15.5%	-35.1%	-1.6%	-3.5%	-7.4%
Livermore	\$425,000	\$490,681	55	36	99.6%	-1.2%	-0.4%	-34.5%	-3.4%	-0.8%	-45.0%
Newark	\$447,500	\$456,375	28	34	99.1%	20.9%	13.7%	16.7%	-0.5%	5.3%	-9.7%
Oakland	\$266,250	\$383,390	248	39	100.9%	77.5%	33.5%	-7.1%	16.5%	36.2%	14.8%
Piedmont	\$1,125,500	\$1,253,233	18	32	98.0%	-16.6%	-17.3%	200.0%	-18.8%	-17.4%	125.0%
Pleasanton	\$785,000	\$903,229	55	22	98.3%	9.4%	6.9%	14.6%	1.5%	9.8%	22.2%
San Leandro	\$320,000	\$340,484	55	36	99.1%	-3.0%	-3.2%	-20.3%	1.4%	-5.0%	17.0%
San Lorenzo	\$285,000	\$294,083	12	37	97.2%	-10.8%	-3.7%	-52.0%	-7.2%	-8.4%	-42.9%
Union City	\$496,500	\$486,440	38	45	98.7%	20.4%	12.5%	-20.8%	2.6%	13.5%	35.7%

The Real Estate Report

Double [Dip] or Nothing?

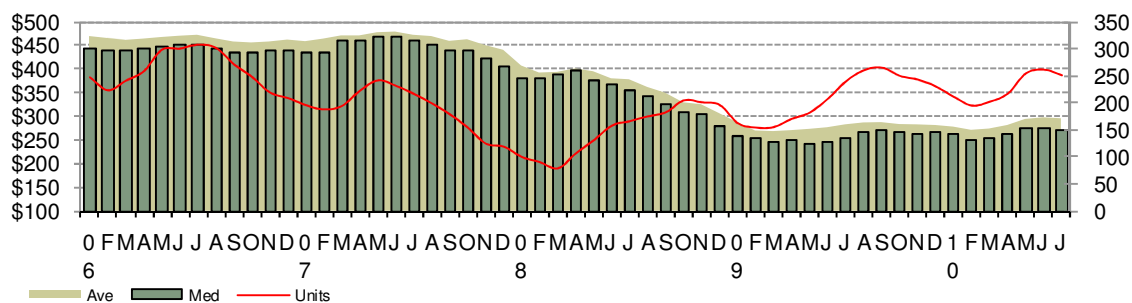
Over the last several months, sales in the California housing market have been leveling out while the median price of homes has stayed over the \$300,000 threshold. Along with reports on weakness in the national numbers and large numbers of distressed sales across the board, the front and center question is: Are we headed for a double dip?

As far as sales are concerned, the pace has been near or above the 500,000 mark for the past two years, which is consistent with pre-peak levels of activity. The seasonally adjusted annualized rate of 492,800 existing detached home sales in June 2010 was down 4.2% from year ago levels and down 11.1% month-to-month. Despite the month-to-month and year-to-year declines, the June rate of sales was well above the trough of 254,650 homes that occurred in October 2007. Given the high levels of affordability compared to peak years, a drop off in sales to trough levels of 255,000 homes seems very unlikely.

As for home prices, the California median price was \$311,950 in June 2010, 13.6% above the year ago median of \$274,640, and up 27.2% from the trough price of \$245,230 of February 2009. While a 13.6% increase from the low point is welcome, the median actually declined over the last two months, causing concerns about a double dip in the median price. The possibility of a return to the \$245,000 range seems remote for the following reasons. First, even at current prices, affordability is more than double the levels of two and three years ago. This should continue to drive demand and prevent a significant decline in home prices. Second, despite recent increases in inventory levels (4.8 months in June) inventory in California was still below the long-run average of 7 months. Historically, inventory levels below that threshold have fueled year-to-year price gains. This would suggest that as long as inventory remains relatively low, prices should remain stable over the coming months, all else being equal.

(Continued on page 4)

Alameda County Condos: Prices & Sales
(3-month moving average — \$000's)



July Sales Statistics

(Condos/Town Homes)

County	Prices		Unit		Change from last year			Change from last month			
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales	Median	Average	Sales
County	\$260,000	\$279,162	198	46	98.7%	-3.0%	-3.1%	-31.5%	-7.2%	-4.6%	-28.3%
Alameda	\$420,000	\$390,727	11	31	98.6%	-16.0%	-19.2%	22.2%	-3.3%	1.0%	-38.9%
Albany	\$345,000	\$303,333	3	64	94.7%	-6.8%	-25.4%	0.0%	-11.7%	-3.8%	-25.0%
Berkeley	\$377,500	\$376,833	6	34	101.8%	-5.6%	-4.5%	-62.5%	-6.1%	-1.7%	-25.0%
Castro Valley	\$265,000	\$299,700	5	76	95.2%	4.7%	-9.3%	66.7%	-31.8%	-42.2%	-16.7%
Dublin	\$288,000	\$295,286	7	27	98.0%	-14.0%	-3.7%	-56.3%	-18.8%	-20.0%	-73.1%
Emeryville	\$313,350	\$304,225	8	18	99.5%	-24.7%	-21.9%	-11.1%	-9.7%	-5.0%	-38.5%
Fremont	\$260,000	\$299,589	33	39	99.8%	-13.3%	-7.8%	-44.1%	-9.4%	-3.9%	-36.5%
Hayward	\$151,500	\$173,590	30	30	100.5%	-1.0%	-1.0%	-21.1%	-1.4%	-12.7%	-16.7%
Livermore	\$189,000	\$186,991	19	60	99.5%	-5.5%	-18.6%	5.6%	-10.2%	-1.8%	35.7%
Newark	\$230,000	\$268,000	3	32	102.4%	2.2%	18.1%	-57.1%	21.4%	3.6%	-76.9%
Oakland	\$322,500	\$333,867	48	71	97.5%	19.4%	16.1%	108.7%	25.4%	18.3%	-14.3%
Pleasanton	\$306,000	\$313,518	14	32	98.1%	-14.0%	-8.7%	16.7%	-18.9%	-26.9%	100.0%
San Leandro	\$155,000	\$168,833	6	52	97.2%	-15.9%	-20.0%	-40.0%	-13.5%	-10.4%	-40.0%
Union City	\$174,900	\$185,380	5	25	99.8%	-19.0%	-21.0%	-68.8%	-20.9%	-14.9%	-75.0%

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ALAMEDA COUNTY



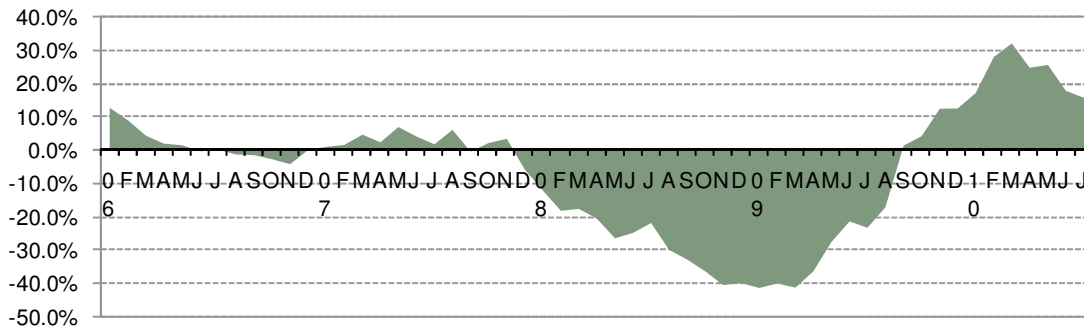
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If your home is currently listed, this is not intended as a solicitation.

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



(Continued from page 3)

Collectively, these observations imply that the market should see prices stabilize or edge up over the foreseeable future, yet there is still a lot of uncertainty about the rest of the year. For one thing, it remains to be seen how the housing market will sustain itself now that the federal Homebuyer Tax Credits have ended. Moreover, there are long-standing concerns about a second wave of foreclosures and how it will impact housing market values. Recent changes to the

HAMP loan modification program, including principal forgiveness, and similar changes to the loan modification programs of major banks, along with growing evidence that the California market has shown improvement in recent months, the likelihood the housing market will experience a double dip is small, especially in the San Francisco Bay Area where six of the top ten cities in the state with the highest median prices in June are located: Los Altos, Saratoga, Palo Alto, Los Gatos, Cupertino and Lafayette.