

The Real Estate Report

LOCAL MARKET TRENDS



SAN FRANCISCO

June/July 2009



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Property Sales & Prices Continued Rising in May

Sales of single-family, re-sale homes and condos continued rising last month as we move through the Spring selling season. Home sales were up 26.4% from April, off 21% year-over-year. Year-to-date, home sales are down 21%.

Condo sales were up 10.2% month-over-month, but off 40.6% compared to May 2008. Year-to-date, condo sales are off 38.4%.

The median price for single-family homes rose for the second month in a row, the first time it has done that since April/May 2008. The median price rose 6.5% from April, but was down 13.9% year-over-year. The average price also rose,

gaining 3% month-over-month, but down 24.4% compared to last May.

The median price for loft/condos in San Francisco gained 1.7% from

Sales price to list price ratios for single-family homes fell 0.5 of a point to 97.8%. The ratio for condos rose 0.1 of a point to 97.4%.

The chart on page four shows the median price difference compared to the year before.

Days on market fell one day to 65 for homes, but was up five days to 75 for condos.

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, or for an evaluation of your home's worth, call me.

Trends at a Glance (Single-family Homes)			
	May 09	Apr 09	May 08
Home Sales:	177	140	224
Median Price:	\$756,000	\$710,000	\$878,250
Average Price:	\$997,030	\$968,387	\$1,318,214
Sale/List Price Ratio:	97.8%	98.3%	100.8%
Days on Market:	65	66	38

April, but was down 16.5% year-over-year. The average price for condos rose 0.5% month-over-month, but was off 12.5% year-over-year.

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The Basics: 2009 First-Time Home Buyer Tax Credit

As part of its plan to stimulate the U.S. housing market and address the economic challenges facing our nation, Congress has passed legislation that grants a tax credit of up to \$8,000 to first-time home buyers.

WHO QUALIFIES?

First-time home buyers who purchase homes between January 1, 2009 and December 1, 2009.

To qualify as a "first-time home buyer" the purchaser or his/her spouse may not have owned a residence during the three years prior to the purchase.

WHICH PROPERTIES ARE ELIGIBLE?

The 2009 First-Time Home Buyer Tax Credit may be applied to primary residences, including: single-family homes, condos, townhomes, and co-ops.

HOW MUCH WILL THE CREDIT BE?

The maximum allowable credit for home buyers is \$8,000. Each home buyer's tax credit is determined by two factors:

The price of the home—the credit is equal to 10% of the purchase price of the home, up to \$8,000.

The buyer's income—single buyers with incomes up to \$75,000 and married couples with incomes up to \$150,000—may receive the maximum tax credit.

IF THE BUYER(S)' INCOME EXCEEDS THESE LIMITS, CAN HE/SHE STILL GET A CREDIT?

Yes, some buyers may still be eligible for the credit.

The credit decreases for buyers who earn between \$75,000 and

\$95,000 for single buyers and between \$150,000 and \$170,000 for home buyers filing jointly. The amount of the tax credit decreases as his/her income approaches the maximum limit. Home buyers earning more than the maximum qualifying income—over \$95,000 for singles and over \$170,000 for couples are not eligible for the credit.

WILL THE TAX CREDIT NEED TO BE REPAID?

No. The buyer does not need to repay the tax credit, if he/she occupies the home for three years or more. However, if the property is sold during the three-year period, the credit will be recouped on the sale.

TAX CREDIT CAN BE USED ON CLOSING COSTS

FHA-approved lenders received the go-ahead to develop bridge-loan products that enable first-time buyers to use the benefits of the federal tax credit upfront, according to eagerly awaited guidance from the U.S. Department of Housing and Urban Development on so-called home buyer tax credit loans that was released today.

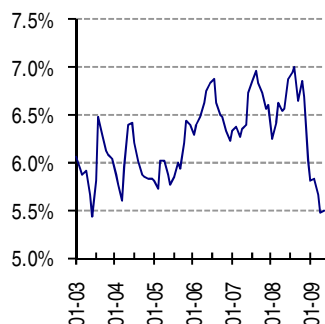
Under the guidance, FHA-approved lenders can develop bridge loans that home buyers can use to help cover their closing costs, buy down their interest rate, or put down more than the minimum 3.5 percent.

The loans can't be used to cover the minimum 3.5 percent, senior HUD officials told reporters on a conference call Friday morning.

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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



June 12, 2009 -- After rising for several weeks, and going over 4% for a time, the 10-year T-bill fell to 3.79% late Friday. That may not presage a huge fall in mortgage interest rates, but should be sufficient to stop and at least partially reverse the upward trend.

The strong flare in rates -- attributed to a number of concerns, from inflation potential, undisciplined fiscal policy, and a moderating recession -- serve as a reminder that even in this great period of government intrusion, private markets still retain considerable power.

For this week, HSH's overall measure of the cost of mortgage credit -- our Fixed-Rate Mortgage Indicator (FRMI), inclusive of conforming, jumbo and "high-limit" conforming data -- moved 22 basis point higher

to land at 6.04%, the highest such reading since November 28, 2008, the week when the Federal Reserve first began its programs to manipulate mortgage rates. For 5/1 Hybrid ARMs, the overall average moved 20 basis point upward, finishing the survey week at 5.44%.

Conforming and FHA-backed loans make up the majority of the marketplace. For those, the increase this week was 29 and 36 basis points respectively, with a zero-point 30-year Conforming loan averaging 5.80%.

The rise in rates has certainly put a damper on refinancing plans. According to the Mortgage Bankers Association of America, applications for refinancing have slumped sharply over the past couple of weeks. However, a low interest rate

is just one of the components of a successful home purchase transaction, and applications of purchase-money mortgages continues to firm slightly from very low levels. It's worth noting that the lift in rates may push more homeowners over into the "loan modification" camp, since payment relief can't be obtained by refinancing in the open marketplace.

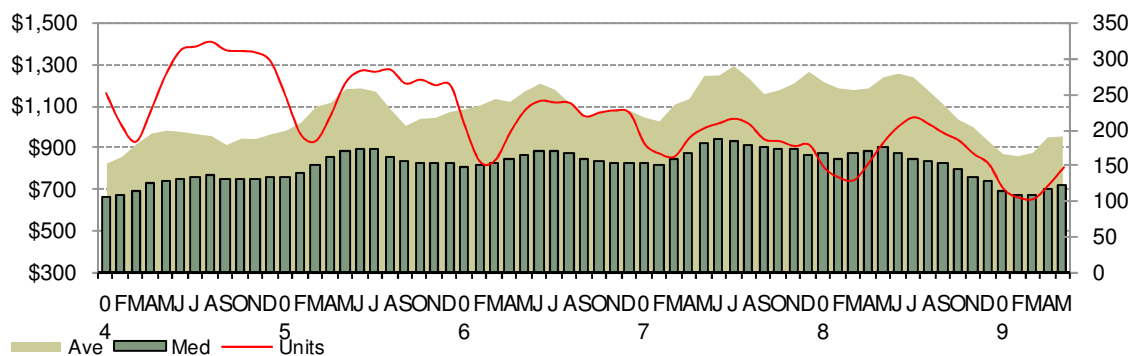
If history is any guide, mortgage rates have overshot on the upside, just as they overshot on the downside. However, there are a lot of things which could produce further upset, including an inability of the private market to continue to absorb wave after wave of new Treasury debt coming into the market.

May Sales Statistics

(Single-family Homes)

	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
San Francisco	\$756,000	\$997,030	177	65	77.0%	-13.9%	-24.4%	-21.0%
D1: Northwest	\$841,500	\$1,306,562	16	78	88.6%	-41.3%	-31.7%	-38.5%
D2: Central West	\$743,000	\$754,323	31	56	94.9%	-11.0%	-12.5%	-39.2%
D3: Southwest	\$522,750	\$581,450	14	54	95.0%	-18.3%	-12.2%	40.0%
D4: Twin Peaks	\$797,000	\$844,500	18	49	96.5%	-26.7%	-27.8%	-33.3%
D5: Central	\$1,003,000	\$1,319,070	25	50	96.5%	-22.8%	-8.8%	-28.6%
D6: Central North	\$1,575,000	\$1,575,000	1	35	105.1%	60.9%	29.7%	-66.7%
D7: North	\$2,400,000	\$2,639,036	14	76	93.6%	-32.3%	-42.7%	0.0%
D8: Northeast	\$1,410,000	\$1,730,000	3	209	87.2%	-61.6%	-52.9%	50.0%
D9: Central East	\$777,000	\$814,639	18	52	97.1%	-13.7%	-14.7%	20.0%
D10: Southeast	\$480,000	\$472,762	37	82	28.9%	-15.8%	-15.7%	-9.8%

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



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Pending Home Sales Up Third Month in a Row

Record low mortgage interest rates boosted pending home sales for the third consecutive month, with some benefit now from the first-time buyer tax credit, according to the National Association of Realtors®.

The Pending Home Sales Index, a forward-looking indicator based on contracts signed in April, rose 6.7 percent to 90.3 from a reading of 84.6 in March, and is 3.2 percent above April 2008 when it was 87.5.

Lawrence Yun, NAR chief economist, said buyers are responding to very favorable market conditions. "Housing affordability conditions have been at historic highs, but now the \$8,000 first-time buyer tax credit

is beginning to impact the market," he said. "Since first-time buyers must finalize their purchase by November 30 to get the credit, we expect greater activity in the months ahead, and that should spark more sales by repeat buyers."

The Pending Home Sales Index in the Northeast shot up 32.6 percent to 78.9 in April and is 0.8 percent above a year ago. In the Midwest the index rose 9.8 percent to 90.4 and is 11.1 percent above April 2008. The index in the South slipped 0.2 percent to 93.0 in April but is 3.5 percent higher than a year ago. In the West the index rose 1.8 percent to 94.8 but is 2.9 percent below April 2008.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said there are numerous buyer assistance programs around the country. "Some states are offering bridge loans that allow first-time buyers to use the tax credit for downpayment and closing costs, but there are many other local government and nonprofit programs available to buyers, depending on location," he said.

"Just last week, HUD announced that qualifying buyers can use the tax credit for closing costs on FHA loans, to buy down the interest rate or make a larger downpayment. Buyers who are wondering about their options should contact a Realtor®, who

can advise consumers on the housing assistance programs and resources available in a given area."

NAR's Housing Affordability Index² is in record territory. The affordability index rose to 174.8 in April from an upwardly revised 171.9 in March, and was the second highest monthly reading on record after peaking at 176.9 in January of this year. The HAI is a broad measure of housing affordability using consistent values and assumptions over time, which examines the relationship between home prices, mortgage interest rates and family income; tracking began in 1970.

A median-income family, earning \$60,900, could afford a home costing \$296,800 in April with a 20 percent downpayment, assuming 25 percent of gross income is devoted to mortgage principal and interest. Affordability

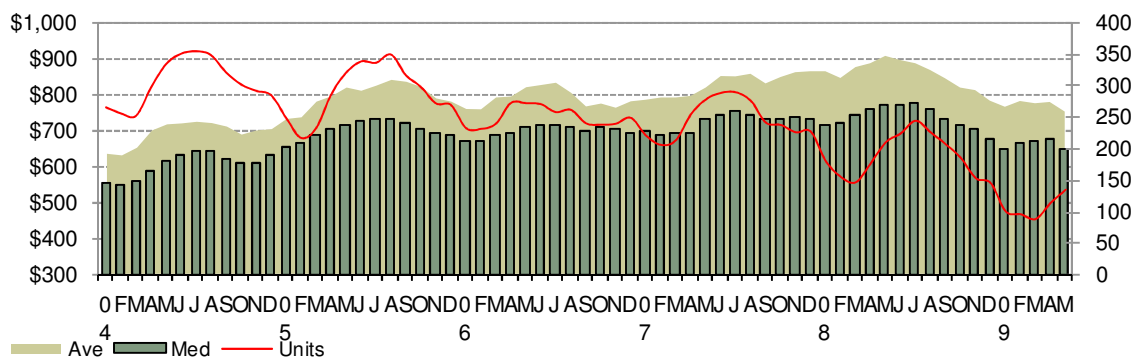
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May Sales Statistics

(Condos/TICs/Co-ops/Lofts)

	Prices		Unit			Change from last year		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales
San Francisco	\$660,000	\$779,548	151	75	97.4%	-16.5%	-12.5%	-40.6%
D1: Northwest	\$695,000	\$725,692	13	81	101.0%	-19.2%	-24.2%	-23.5%
D2: Central West	\$709,500	\$806,000	4	88	92.9%	1.1%	9.5%	-20.0%
D3: Southwest	\$300,000	\$300,000	1	68	100.0%	-21.1%	-33.5%	-66.7%
D4: Twin Peaks	\$482,500	\$482,500	2	40	102.3%	-20.4%	-14.2%	-60.0%
D5: Central	\$615,000	\$699,000	25	66	98.7%	-28.3%	-22.3%	-40.5%
D6: Central North	\$740,000	\$719,962	13	74	96.3%	10.4%	14.7%	-56.7%
D7: North	\$815,000	\$1,153,947	19	74	96.9%	-17.7%	-2.3%	-45.7%
D8: Northeast	\$789,500	\$1,036,167	24	73	96.1%	2.9%	9.9%	-58.6%
D9: Central East	\$547,500	\$630,967	44	72	98.2%	-32.8%	-28.0%	-20.0%
D10: Southeast	\$372,500	\$399,790	6	150	92.8%	6.6%	8.2%	50.0%

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



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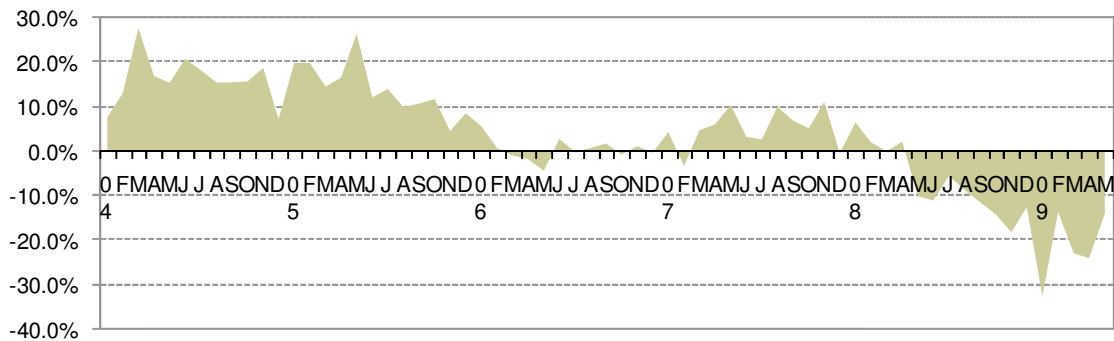


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Go online to see the full report
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San Francisco Homes: Year-Over-Year Median Price Change



(Continued from page 3)

conditions for first-time buyers with the same income and small downpayments are roughly 80 percent of that amount. The affordable price was well above the median existing single-family home price in April, which was \$169,800.

Yun cautions that the reporting sample for pending home sales is smaller than that of existing-home

sales, so it is subject to greater variability. "In addition, the relationship between contracts on pending home sales and closings on existing-home sales is taking longer than in the past for several reasons," he said. "Mortgage processing time has increased, it is taking many months to close on those homes requiring short sales with lender approval, and some

sales are falling through at the last moment."

The total number of existing-home sales is expected to improve but with dramatic local market variation in the timing of recovery. "The market has already bottomed in some areas, but this is an unusual housing cycle with some areas improving rapidly while others languish or decline," Yun said.