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The Real Estate Report

local market trends

SAN FRANCISCO

San Francisco Market Heating Up

Low inventory and high demand are pushing the local real estate market to the extreme with buyers waiving contingencies, property inspections and even appraisals.

Prices have followed with the average home price now at it's highest level since June 2010.

The high end of the market is on fire. The low end of the market is being driven by investors with cash and is also totally out of whack. 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 incredibly low. 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. If they have good jobs here, where would they go?

Lastly, forget about phantom inventory. As of March, the banks owned 659 properties in the city. That number includes homes AND condos. There

are currently 699 homes AND condos actively listed for sale. Even if the banks put all their inventory on the market, it's only one months worth! We're stuck with this market for at least the next year.

APRIL MARKET STATISTICS

The median price for homes gained 5.9% month-over-month. Year-over-year, the median price was up 5.9%.

Even more telling is the sales price to list price ratios. For the second month in a row, the ratio has been over 100%. In April, the ratio was 102.7%. This is the highest the ratio has been since September 2007.

Sales of single-family, re-sale homes rose 3.8% from March. Sales were up 13.6% year-over-year.

Condo/loft sales were up 18.2% year-over-year.

The median price for condos/lofts was up 6% compared to last April.

SALES MOMENTUM...

for homes rose one point to +10. Condo/loft momentum was flat at +3. Sales momentum is a

Trends at a Glance			
(Single-family Homes)			
	Mar 12	Feb 12	Mar 11
Home Sales:	209	171	203
Median Price:	\$ 725,000	\$ 650,000	\$ 765,000
Average Price:	969,069	1,113,371	1,054,979
Sale/List Price Ratio:	101.4%	97.6%	99.6%
Days on Market:	63	62	67

(Lofts/Townhomes/TIC)			
	Mar 12	Feb 12	Mar 11
Condo Sales:	250	170	250
Median Price:	\$ 631,000	\$ 652,500	\$ 632,500
Average Price:	749,676	747,278	764,914
Sale/List Price Ratio:	100.4%	99.7%	96.9%
Days on Market:	67	89	74

leading indicator. When sales momentum turns upward, prices follow.

IN THE MOMENTUM CHARTS: PAGE 4...

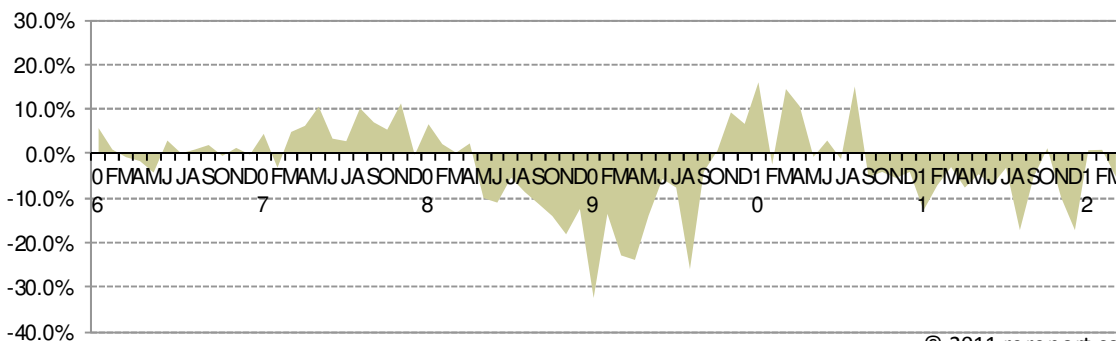
the area shows momentum for sales while the line shows momentum for the median price.

PRICING MOMENTUM...

after peaking in September 2010 at +5, was up one point to -6. Pricing momentum for condos/lofts was flat at -1.

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.

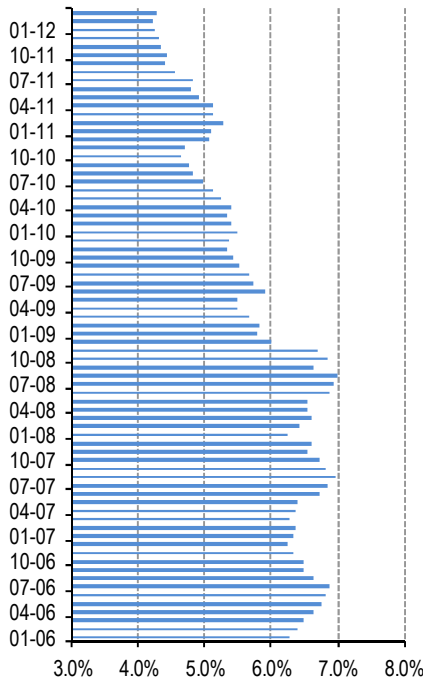
San Francisco Homes: Year-Over-Year Median Sales Price Change



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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.

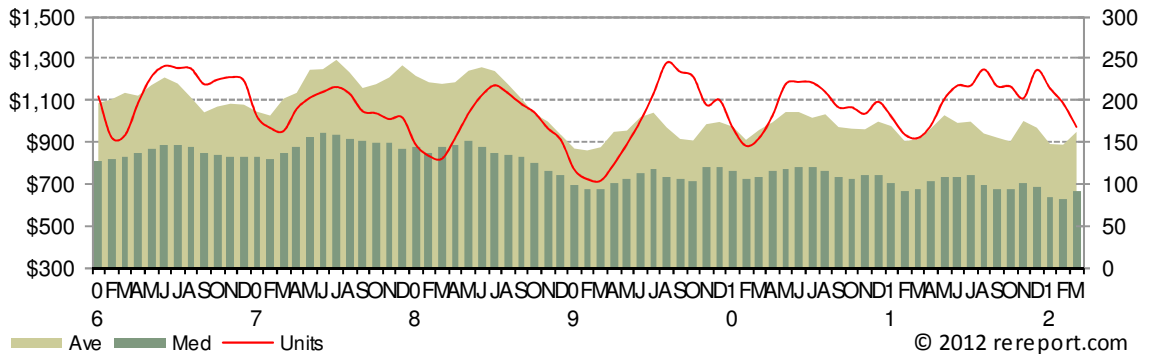
In a special question, the Fed asked lenders to compare their willingness to make a mortgage to borrowers in 2006 and 2012 using similar FICO and LTV standards. It what has been painfully obvious to even a casual observer of the mortgage market, lenders are much less willing to lend now compared to then. 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.

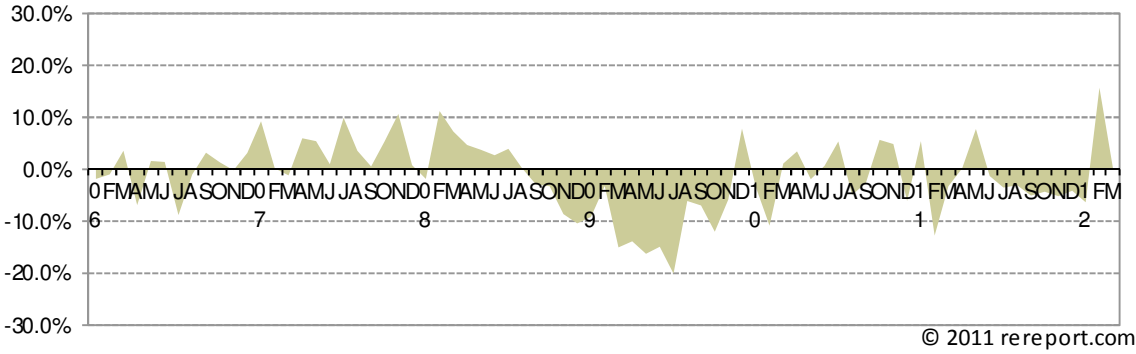
The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

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



March Sales Statistics											
(Single-family Homes)											
	Prices		Unit			Change from last year			Change from last month		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales	Median	Average	Sales
San Francisco	\$ 725,000	\$ 969,069	209	63	101.4%	-5.2%	-8.1%	3.0%	11.5%	-13.0%	22.2%
D1: Northwest	\$ 875,000	\$ 1,234,750	18	43	102.0%	2.3%	-0.2%	20.0%	25.0%	40.4%	20.0%
D2: Central West	\$ 727,000	\$ 752,580	44	64	101.9%	5.4%	0.7%	7.3%	19.6%	12.8%	37.5%
D3: South west	\$ 460,000	\$ 551,785	13	82	102.5%	2.2%	9.0%	-7.1%	1.1%	9.5%	30.0%
D4: Twin Peaks	\$ 837,500	\$ 860,800	20	67	99.7%	-6.4%	-15.3%	-13.0%	18.3%	4.9%	33.3%
D5: Central	\$ 1,457,500	\$ 1,596,594	32	54	101.9%	6.2%	2.0%	-5.9%	-7.9%	-2.4%	23.1%
D6: Central North	\$ 1,089,000	\$ 1,440,000	4	92	97.0%	-6.2%	29.1%	33.3%	18.7%	63.6%	0.0%
D7: North	\$ 2,675,000	\$ 3,274,688	8	32	100.8%	0.8%	7.8%	-38.5%	-37.8%	-41.2%	-20.0%
D8: Northeast	\$ 2,259,000	\$ 2,259,000	2	36	101.1%	-11.0%	-11.0%	0.0%	-28.6%	-28.6%	0.0%
D9: Central East	\$ 675,500	\$ 757,906	16	44	101.9%	-9.9%	-7.7%	-23.8%	1.6%	2.2%	-11.1%
D10: Southeast	\$ 457,500	\$ 444,505	52	76	102.1%	4.0%	2.0%	40.5%	0.0%	1.2%	36.8%

San Francisco Condos/Lofts: Year-Over-Year Median Sales Price Change



FORECLOSURE STATISTICS

In San Francisco, notices of default, the first step in the foreclosure process, dropped in March from the year before by 32.6%. They were up 5.4% from February.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, were down 31% from February, and down 52.8% year-over-year.

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 11.1% from February. Year-over-year, cancellations were down 19.4%.

Properties going back-to-bank rose 8.3% from February, but were down 42.7%, year-over-year.

The total number of homes that have had a notice of default filed decreased by 27.8% compared to last year.

The total number of homes scheduled for sale decreased by 39.1% year-over-year.

(Continued on page 4)

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

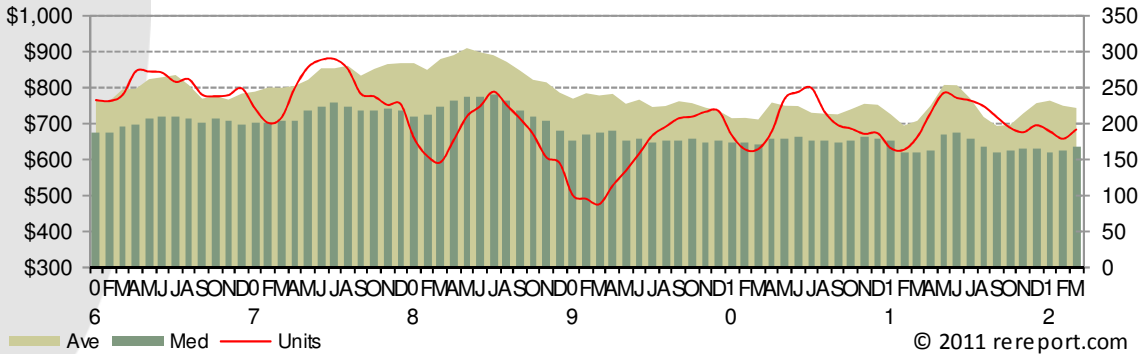


Table Definitions

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.

March Sales Statistics

(Condos/TICs/Co-ops/Lofts)

	Prices		Unit			Change from last year			Change from last month		
	Median	Average	Sales	DOM	SP/LP	Median	Average	Sales	Median	Average	Sales
San Francisco	\$ 631,000	\$ 749,676	250	67	100.4%	-0.2%	-2.0%	0.0%	-3.3%	0.3%	47.1%
D1: Northwest	\$ 635,000	\$ 664,786	21	69	100.0%	-19.0%	-12.6%	90.9%	8.1%	6.0%	75.0%
D2: Central West	\$ 702,500	\$ 689,500	4	76	99.5%	36.8%	35.5%	-33.3%	24.3%	22.0%	100.0%
D3: Southwest	\$ 251,500	\$ 237,333	6	51	99.3%	9.3%	-3.1%	50.0%	6.5%	-11.6%	50.0%
D4: Twin Peaks	\$ 391,625	\$ 404,569	8	111	99.2%	10.5%	5.2%	100.0%	33.7%	38.1%	700.0%
D5: Central	\$ 788,000	\$ 850,221	29	38	102.2%	7.2%	9.5%	-40.8%	-4.7%	-6.6%	3.6%
D6: Central North	\$ 640,000	\$ 691,935	23	70	99.7%	8.6%	12.7%	64.3%	-9.9%	-4.7%	91.7%
D7: North	\$ 967,500	\$ 1,155,372	26	44	102.2%	11.8%	-21.8%	13.0%	1.6%	20.7%	62.5%
D8: Northeast	\$ 570,000	\$ 753,590	55	77	99.7%	-6.6%	4.3%	7.8%	-7.5%	-6.6%	31.0%
D9: Central East	\$ 602,222	\$ 697,154	77	75	99.6%	2.1%	-0.6%	-7.2%	1.3%	6.3%	60.4%
D10: Southeast	\$ -	\$ -	0	0	0.0%	n/a	n/a	n/a	n/a	n/a	n/a



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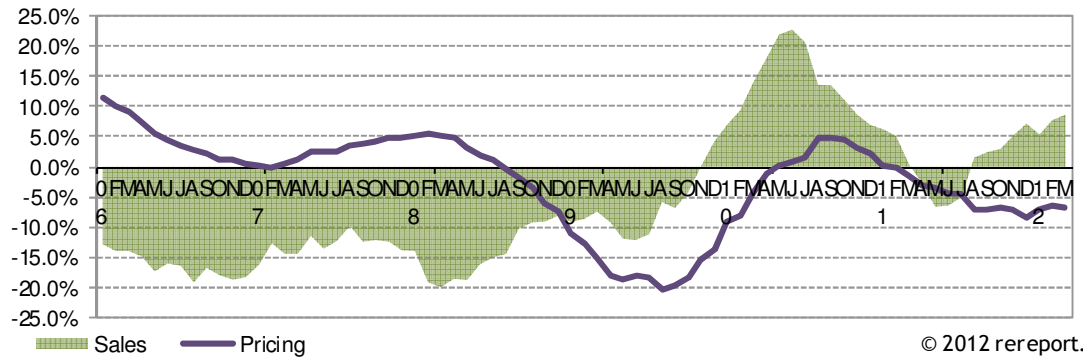
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Go online to see the full report
with the district by district breakdown:

(Continued from page 3)

The number of homes owned by the bank fell 2.4% year-over-year. Banks now own about 659 properties in San Francisco. At the current rate of sales, this is about a one and one-half months supply. Three months supply is normal.

San Francisco Homes: Sales Momentum



San Francisco Condos/Lofts: Sales Momentum

