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The Real Estate Report

local market trends

CENTRAL SAN DIEGO COUNTY

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 21.7% compared to last July, while condo sales were down 11.5%. Year-to-date, home sales are off 4.9%, while condo sales are up 1.8%.

The median price for homes was off 1.3% from June, but it was up 6.9% 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 for homes dropped 0.4 of a point to 97.8%.

The median and average prices for condos were down 2.2% and 1% respectively year-over-year. July is the first month the median price for condos has been lower than the year before since last October.

Pending sales were down 58.6% from the year before. Pending condo sales fell 55.8%.

Pending sales and completed sales have historically tracked each other closely. The decline in pending sales is a sign that short-sales are declining. Whether or not that is a result of short-sales completing or the properties have been foreclosed on is not clear yet.

Inventory for homes rose 23.3% year-over-year. After 24 straight months with inventory lower than the year before, inventory has now been higher for the past two months. Notices of foreclosure were down in June by 24.6% from May.

Speaking of inventory, Leslie Appleton-Young, chief economist for the California Association of REALTORS® (C.A.R.), said, at a recent Silicon Valley Association of REALTORS®

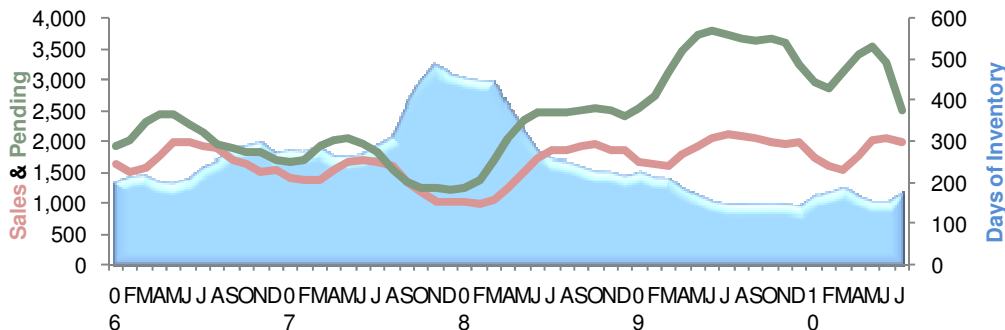
Trends at a Glance			
(Single-family Homes)			
	Jul 10	Jun 10	Jul 09
Median Price:	\$ 385,000	\$ 390,000	\$ 360,000
Average Price:	\$ 493,552	\$ 495,537	\$ 449,436
Home Sales:	1,756	2,055	2,242
Pending Sales:	1,463	2,567	3,537
Inventory:	12,869	11,357	10,436
(Condos/Town Homes)			
Median Price:	\$ 220,000	\$ 235,000	\$ 210,000
Average Price:	\$ 267,478	\$ 265,578	\$ 257,884
Condo Sales:	895	1,102	1,152
Pending Sales:	902	1,386	1,983
Inventory:	6,382	5,696	5,302

(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.

Remember, the real estate market is a matter of neighborhoods and houses. No two are the same. For complete information on a particular neighborhood or property, call me.

San Diego County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)



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HOW TO READ THE CHART

The blue area is the number of days it would take to sell all the homes for sale at the current rate of sales.

The green line shows the number of homes in escrow. Normally, this line tracks closely with the red line, which shows actual sales.

As you can see, the two lines have diverged over the past year. This is due to many homes being put into escrow as short-sales, contingent upon the banks' approval. This is being done even before the banks know about the short sale. Subsequently, many of these escrows do not close.

Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



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. Untold 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.

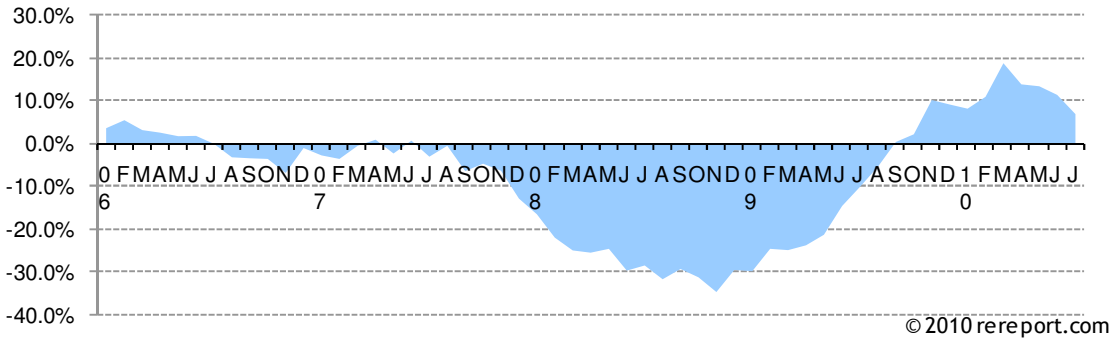
Until that better economic climate shows, we'll continue to have low mortgage rates and high unemployment, and continue in this stagnant holding pattern.

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.

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.

Central San Diego County - July 2010													
SINGLE-FAMILY HOMES									% Change from Year Before				
Prices									Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP		Med	Ave	Sales	Pend	Inven
County	\$ 385,000	\$ 493,552	1,756	1,463	12,869	220	97.8%		6.9%	9.8%	-21.7%	-58.6%	23.3%
Central San Diego	\$ 380,000	\$ 506,884	412	337	2,842	207	97.9%		4.1%	0.1%	-9.8%	-51.6%	31.1%
City Heights	\$ 241,500	\$ 248,003	24	22	118	148	100.7%		33.4%	34.9%	-20.0%	-50.0%	40.5%
Clairemont	\$ 404,250	\$ 464,159	22	17	164	224	96.7%		3.7%	7.7%	-12.0%	-60.5%	90.7%
College Grove	\$ 331,000	\$ 349,118	36	33	168	140	96.6%		-2.6%	-2.8%	24.1%	-35.3%	66.3%
Coronado	\$ 1,637,500	\$ 1,608,090	11	13	156	425	93.6%		12.9%	-0.2%	37.5%	-13.3%	-18.3%
Del Cerro	\$ 490,000	\$ 477,652	23	9	108	141	96.9%		11.0%	5.6%	15.0%	-52.6%	54.3%
Encanto	\$ 225,000	\$ 229,318	48	52	270	169	98.5%		12.5%	17.8%	-21.3%	-52.3%	28.0%
Golden Hill	\$ 257,000	\$ 311,615	13	9	75	173	98.0%		111.2%	105.7%	-18.8%	-66.7%	36.4%
La Jolla	\$ 1,380,000	\$ 1,870,410	17	16	336	593	91.0%		-11.0%	-14.0%	-37.0%	-60.0%	-0.3%
Linda Vista	\$ 360,000	\$ 383,000	17	11	92	162	97.8%		-6.3%	-0.8%	41.7%	-57.7%	104.4%
Logan Heights	\$ 186,000	\$ 190,523	19	23	85	134	101.7%		53.7%	37.6%	-17.4%	-25.8%	34.9%
Mira Mesa	\$ 397,500	\$ 413,441	32	24	171	160	98.7%		3.2%	7.0%	-22.0%	-60.0%	90.0%
Mission Hills	\$ 599,000	\$ 732,869	13	9	114	263	97.5%		-17.0%	5.9%	116.7%	0.0%	15.2%
Mission Valley	\$ 379,000	\$ 399,544	9	12	61	203	97.4%		4.4%	6.4%	-30.8%	-25.0%	125.9%
Normal Heights	\$ 442,500	\$ 485,125	20	10	111	167	99.4%		14.9%	28.6%	53.8%	-64.3%	48.0%
North Park	\$ 460,000	\$ 509,684	19	11	93	147	99.9%		14.3%	25.5%	5.6%	-59.3%	17.7%
Ocean Beach	\$ 706,000	\$ 740,417	12	4	88	220	97.6%		-11.6%	-2.9%	71.4%	-73.3%	15.8%
Old Town	\$ 501,000	\$ 516,629	10	6	50	150	95.0%		-19.2%	-11.2%	42.9%	-53.8%	51.5%
Pacific Beach	\$ 700,000	\$ 696,417	15	13	123	246	96.3%		-11.3%	-25.7%	7.1%	-13.3%	-10.9%
Paradise Hills	\$ 267,420	\$ 259,639	21	21	106	151	101.3%		7.0%	9.7%	-27.6%	-32.3%	35.9%
Point Loma	\$ 815,000	\$ 860,667	9	6	128	427	99.7%		8.7%	15.0%	-60.9%	-70.0%	40.7%
San Carlos	\$ 445,000	\$ 442,346	13	4	79	182	97.0%		-2.6%	1.2%	-13.3%	-81.8%	83.7%
Scripps Miramar	\$ 754,750	\$ 794,771	24	24	166	208	96.9%		7.1%	15.3%	-29.4%	-53.8%	61.2%
Sorrento Valley	\$ 545,000	\$ 545,000	1	0	18	540	97.7%		-22.7%	-22.7%	0.0%	n/a	28.6%
Tierrasanta	\$ 576,000	\$ 543,650	6	4	58	290	97.1%		5.7%	1.9%	-50.0%	-75.0%	65.7%
University City	\$ 725,000	\$ 725,000	2	6	56	840	95.0%		11.5%	12.7%	-71.4%	-53.8%	60.0%

San Diego County Homes: Year-Over-Year Median Price Change



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)

Central San Diego County - July 2010

CONDOS									% Change from Year Before				
Prices									Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven	
County	\$ 220,000	\$ 267,478	895	902	6,382	214	99.1%	-2.2%	-1.0%	-11.5%	-55.8%	22.3%	
Central San Diego	\$ 250,000	\$ 314,049	336	358	2,831	253	98.7%	-3.7%	-1.3%	-18.4%	-56.5%	13.8%	
City Heights	\$ 64,500	\$ 70,250	12	10	76	190	102.8%	2.4%	-27.6%	33.3%	-64.3%	1.3%	
Clairemont	\$ 170,000	\$ 224,280	5	7	46	276	97.8%	-47.4%	-29.7%	-72.2%	-75.0%	7.0%	
College Grove	\$ 142,500	\$ 137,639	17	19	100	176	100.6%	43.9%	24.9%	-29.2%	-61.2%	-2.0%	
Coronado	\$ 816,750	\$ 833,806	9	5	105	350	92.8%	17.5%	-18.7%	125.0%	-66.7%	-13.9%	
Del Cerro	\$ 250,000	\$ 277,750	10	12	55	165	96.3%	11.1%	37.2%	-23.1%	-45.5%	34.1%	
Downtown	\$ 375,000	\$ 420,662	55	78	685	374	97.4%	5.6%	0.6%	-43.9%	-32.2%	-3.0%	
Golden Hill	\$ 189,500	\$ 186,625	8	6	46	173	98.4%	-13.9%	-1.7%	-20.0%	-14.3%	64.3%	
La Jolla	\$ 575,000	\$ 732,191	17	15	227	401	95.8%	12.2%	20.1%	-34.6%	-72.2%	-3.4%	
Linda Vista	\$ 310,000	\$ 324,092	9	14	90	300	100.3%	7.5%	6.4%	-67.9%	-64.1%	45.2%	
Mira Mesa	\$ 214,000	\$ 208,026	19	17	114	180	100.5%	4.4%	-5.4%	0.0%	-60.5%	28.1%	
Mission Hills	\$ 310,000	\$ 343,969	16	19	145	272	98.2%	-21.5%	-20.3%	-36.0%	-55.8%	26.1%	
Mission Valley	\$ 247,750	\$ 254,597	32	36	194	182	97.9%	15.2%	2.9%	-17.9%	-46.3%	34.7%	
Normal Heights	\$ 160,000	\$ 222,019	13	11	85	196	100.3%	-20.0%	7.4%	44.4%	-71.1%	46.6%	
North Park	\$ 150,000	\$ 156,454	13	18	88	203	101.3%	-21.1%	-21.4%	-23.5%	-56.1%	-2.2%	
Ocean Beach	\$ 308,000	\$ 333,800	5	8	53	318	96.0%	-15.6%	-28.7%	0.0%	-46.7%	29.3%	
Old Town	\$ 195,000	\$ 216,731	13	10	83	192	98.7%	-20.7%	-18.2%	-18.8%	-60.0%	93.0%	
Pacific Beach	\$ 420,000	\$ 400,697	19	12	259	409	96.2%	-2.8%	-9.3%	-38.7%	-77.8%	32.8%	
Paradise Hills	\$ 162,500	\$ 169,429	14	20	70	150	101.9%	30.0%	27.1%	-39.1%	-56.5%	-11.4%	
Point Loma	\$ 418,250	\$ 427,667	6	2	34	170	95.9%	28.3%	59.4%	100.0%	-33.3%	6.3%	
San Carlos	\$ 160,500	\$ 185,083	12	8	31	78	100.4%	-2.6%	-10.8%	-14.3%	-33.3%	3.3%	
Scripps Miramar	\$ 312,500	\$ 321,655	22	15	74	101	98.0%	6.3%	2.9%	10.0%	-37.5%	64.4%	
Sorrento Valley	\$ 531,000	\$ 531,000	1	3	8	240	94.0%	45.5%	45.5%	0.0%	50.0%	-27.3%	
Tierrasanta	\$ 311,000	\$ 311,000	2	5	50	750	99.8%	-3.0%	-2.5%	-80.0%	-50.0%	316.7%	
University City	\$ 282,950	\$ 351,980	20	19	146	219	97.8%	-9.1%	4.2%	-16.7%	-62.0%	40.4%	

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.

The Real Estate Report

Central San Diego County



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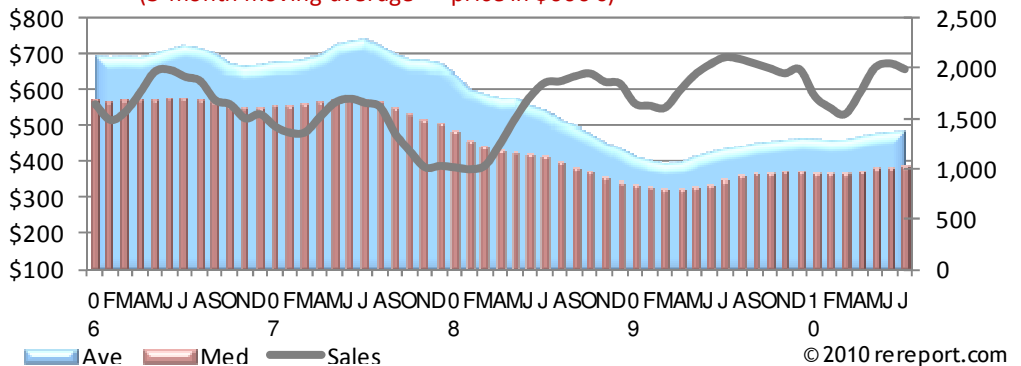
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Collectively, these observations imply that the market should see prices stabilize or edge up over the foreseeable future, yet there is still a lot of uncertainty about the rest of the year. For one thing, it remains to be seen how the housing market 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, decreases the likelihood the housing market will experience a double dip.

San Diego County — Single-family Homes: Prices & Sales

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



San Diego County — Condos & Townhomes: Prices & Sales

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

