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The Real Estate Report

local market trends

NORTH COASTAL SAN DIEGO COUNTY

San Diego Market Bottoms Out

Low inventory and high demand are pushing the real estate market in San Diego County off the bottom, slowly.

Multiple offers on the best properties in the entry-level market are being fueled by investors. Interestingly, the investors are not flipping these properties, rather, they are renting them out.

Low inventory is here to stay for the next year or two. We don't see that changing much in the near future for several reasons.

First, there is no 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? Plus, too many are still underwater and can't sell.

Lastly, forget about phantom inventory. As of March, the banks owned about 5,000 properties in the county. That number includes homes AND condos. In April, there were about 3,100 properties sold. Even if the banks put all their inventory on the market at once, it's only one seven weeks worth!

So, there it is. The market has reached bottom, but there probably won't be a major move to the upside until employment starts rising.

MARKET STATISTICS

Sales of single-family, re-sale homes were up 7.9% year-over-year in April. This is the tenth month in a row home sales have been higher than the year before.

The median price for homes was flat year-over-year, which is a nice change from the previous fourteen months of prices being lower year-over-year. Much of this weakness in price is coming from the move-up and high-end markets. In the entry-level market, prices are firming.

The move-up market is moribund and we expect it to stay that way until prices start rising and homeowners get back above water.

Pending home sales, another good indicator of market movement, were up 41.4% year-over-year. That's seventeen months in a row pending sales have been higher than the year before.

The market right now is all about momentum.

Trends at a Glance (Single-family Homes)			
	Apr 12	Mar 12	Apr 11
Median Price:	\$ 360,000	\$ 359,900	\$ 360,000
Average Price:	\$ 467,242	\$ 468,170	\$ 473,960
Home Sales:	2,156	1,973	1,998
Pending Sales:	4,227	4,118	2,989
Inventory:	7,751	7,833	11,775
(Condos/Town Homes)			
Median Price:	\$ 210,000	\$ 190,000	\$ 206,000
Average Price:	\$ 277,216	\$ 280,186	\$ 269,000
Condo Sales:	938	888	1,024
Pending Sales:	1,774	1,714	1,402
Inventory:	3,281	3,287	5,481

SALES MOMENTUM...

for homes jumped 0.5 of a point to +3. Sales momentum, which is a leading indicator, has been rising since July 2011. The effect on prices is now starting to be felt, albeit weakly

PRICING MOMENTUM...

Which had been on the down-swing the past sixteen months, moved upward in April, gaining 0.2 of a point to 5.4.

WE CALCULATE...

momentum by using a 12-month moving average to eliminate seasonality. By comparing this year's 12-month moving average to last year's, we get a percentage showing market momentum.

CONDO STATISTICS...

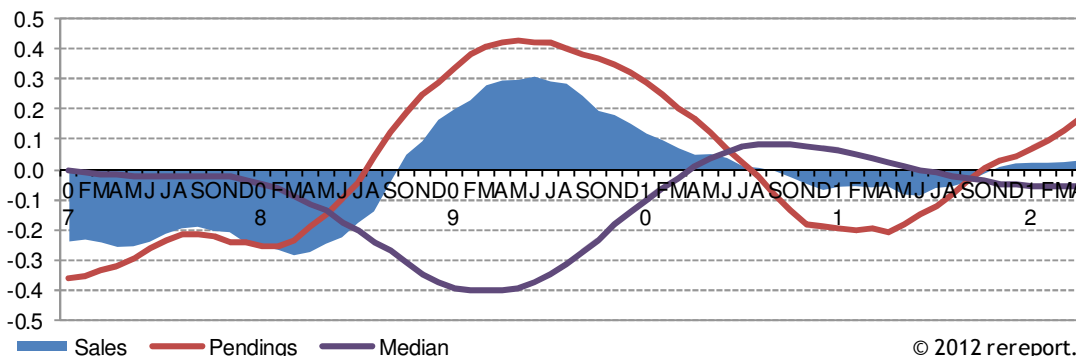
Condo sales were down 1.9% year-over-year.

The median price for condos dropped 0.1% year-over-year.

Pending condo sales were up 26.4% year-over-year.

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.

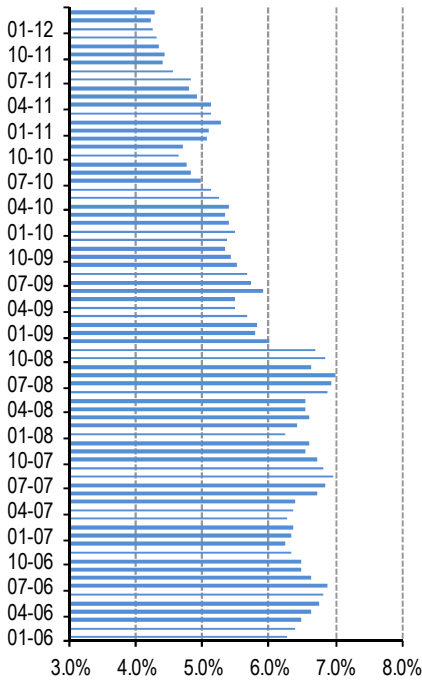
San Diego County Homes: Sales Momentum



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Mortgage Rate Outlook

30-Year Fixed Mortgage Rates



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.

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.

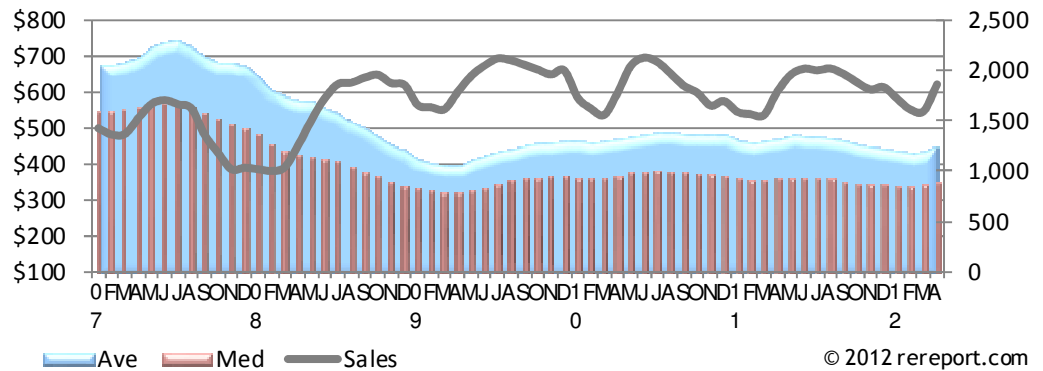
HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages eased by two basis points (0.02%) for the week, and at 4.15%, now stands at a new record low, the third record-setting week of 2012. The FRMI's 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.

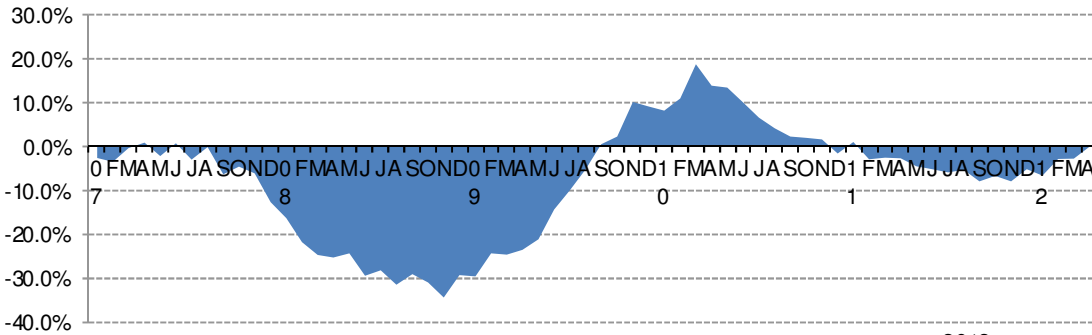
San Diego County — Homes: Sold Prices & Unit Sales (3-month moving average — price in \$000's)



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North San Diego County Coastal - April 2012													
SINGLE-FAMILY HOMES									% Change from Year Before				
Prices									Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP		Med	Ave	Sales	Pend	Inven
County	\$ 360,000	\$ 467,242	2,156	4,227	7,751	104	97.4%		0.0%	-1.4%	7.9%	41.4%	-34.2%
N. County Coast	\$ 465,000	\$ 667,014	558	1,041	2,325	121	96.6%		0.2%	0.5%	16.3%	44.0%	-28.4%
Cardiff by the Sea	\$ 957,500	\$ 1,243,970	6	7	31	150	95.2%		-7.4%	11.9%	50.0%	-56.3%	-38.0%
Carlsbad	\$ 610,500	\$ 649,701	122	197	361	86	96.7%		-1.7%	-10.2%	48.8%	69.8%	-22.2%
Carmel Valley	\$ 824,000	\$ 1,018,060	38	73	154	118	96.5%		-8.3%	6.9%	5.6%	28.1%	-31.6%
Del Mar	\$ 1,200,000	\$ 1,370,670	15	36	102	197	93.6%		-9.4%	-7.4%	-16.7%	33.3%	-32.5%
Encinitas	\$ 922,500	\$ 932,565	37	90	169	132	95.6%		33.2%	20.3%	5.7%	60.7%	-22.5%
Fallbrook	\$ 292,500	\$ 340,232	58	112	278	139	96.6%		-10.2%	-6.2%	11.5%	31.8%	-23.6%
La Jolla	\$ 1,650,000	\$ 1,854,160	29	57	187	187	93.4%		17.9%	25.0%	7.4%	111.1%	-34.8%
Oceanside	\$ 322,500	\$ 317,713	153	258	475	90	97.4%		-2.7%	-9.5%	31.9%	52.7%	-36.2%
Rancho Santa Fe	\$ 1,490,000	\$ 1,910,870	19	42	223	340	95.3%		-20.4%	-13.2%	18.8%	0.0%	-17.1%
San Marcos	\$ 350,900	\$ 388,991	97	188	292	87	96.9%		-1.4%	13.2%	6.6%	56.7%	-39.0%
Solana Beach	\$ 1,070,000	\$ 1,112,860	7	11	40	166	97.3%		11.0%	18.4%	75.0%	-21.4%	-23.1%
Vista	\$ 327,825	\$ 344,665	74	158	305	120	97.6%		5.8%	11.1%	-17.8%	42.3%	-30.8%

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



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FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in San Diego County dropped 16.8% in March from the year before, but were up 18.1% from February.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, dropped 15.3% from February, and were down 20.9% 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 February, cancellations were up 23% from February, but were off 26.3% year-over-year.

Properties going back to the bank dropped 17.2% from February, and were down 64.1% compared to March 2011.

The total number of properties that have had a notice of default filed declined by 10.1% in March compared to March 2011.

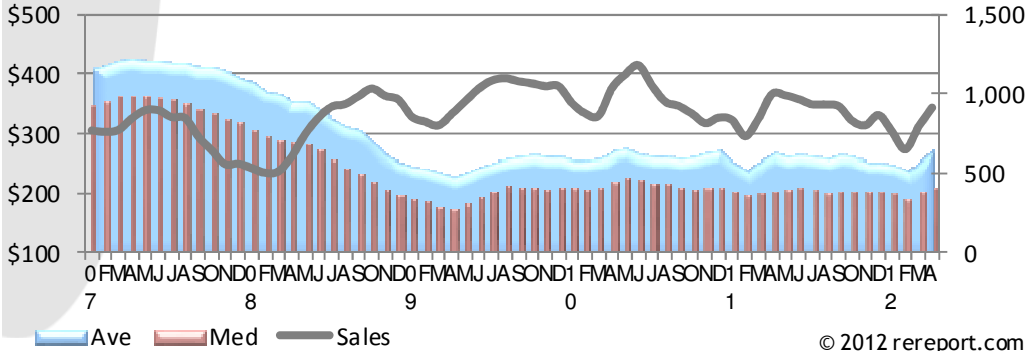
The total number of properties scheduled for sale declined by 23.9%, year-over-year. Both of these are very positive signs.

The total number of properties owned by banks dropped by 25.3% year-over-year. That still leaves about 5,000 bank-owned properties in the county, which is approximately seven weeks of supply.

Foreclosure statistics provided by: <http://foreclosureradar.com>.

San Diego County — Condos: Sold Prices & Unit Sales

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



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North San Diego County Coastal - April 2012

CONDOS										% Change from Year Before				
Prices								Prices						
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven		
County	\$ 210,000	\$ 277,216	938	1,774	3,281	101	97.9%	-0.1%	5.0%	-1.9%	26.4%	-40.0%		
N. County Coast	\$ 302,500	\$ 357,683	236	412	836	103	97.2%	-5.7%	-0.4%	25.5%	46.1%	-36.3%		
Cardiff by the Sea	\$ 325,000	\$ 488,500	7	11	17	70	97.8%	-22.3%	-4.7%	-12.5%	37.5%	-26.1%		
Carlsbad	\$ 295,000	\$ 304,918	50	85	166	96	98.2%	-5.6%	-8.7%	38.9%	73.5%	-28.1%		
Carmel Valley	\$ 382,500	\$ 404,330	30	38	67	65	98.1%	15.9%	9.7%	57.9%	52.0%	-33.0%		
Del Mar	\$ 641,500	\$ 620,750	6	15	24	116	95.6%	24.6%	9.7%	-33.3%	200.0%	-47.8%		
Encinitas	\$ 337,250	\$ 374,747	24	23	49	59	97.1%	-3.1%	-6.3%	100.0%	21.1%	-47.3%		
La Jolla	\$ 405,000	\$ 648,000	26	65	163	182	95.8%	-11.5%	5.9%	18.2%	97.0%	-32.9%		
Oceanside	\$ 165,000	\$ 210,060	69	125	239	100	96.7%	-1.9%	-6.2%	-29.6%	35.9%	-37.3%		
Rancho Santa Fe	\$ 425,000	\$ 425,000	1	2	9	261	94.7%	26.3%	31.0%	50.0%	100.0%	-66.7%		
San Marcos	\$ 226,100	\$ 212,331	18	78	106	171	99.4%	-13.0%	-9.1%	-43.8%	50.0%	-27.9%		
Solana Beach	\$ 535,000	\$ 587,173	13	20	45	100	97.2%	-8.5%	-5.9%	160.0%	53.8%	-43.0%		
Vista	\$ 141,813	\$ 149,912	10	25	50	145	98.7%	-8.5%	-9.9%	42.9%	13.6%	-34.2%		

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.



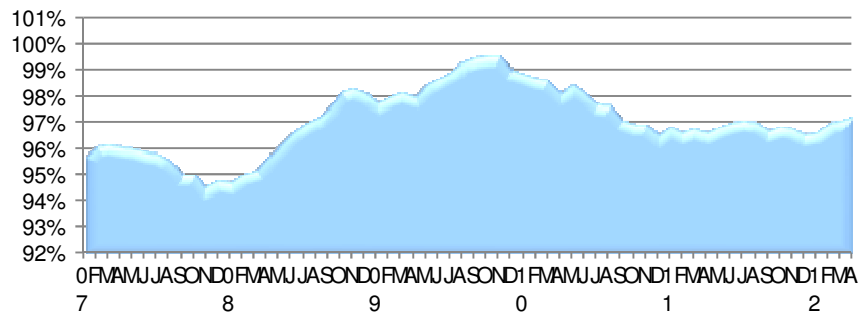
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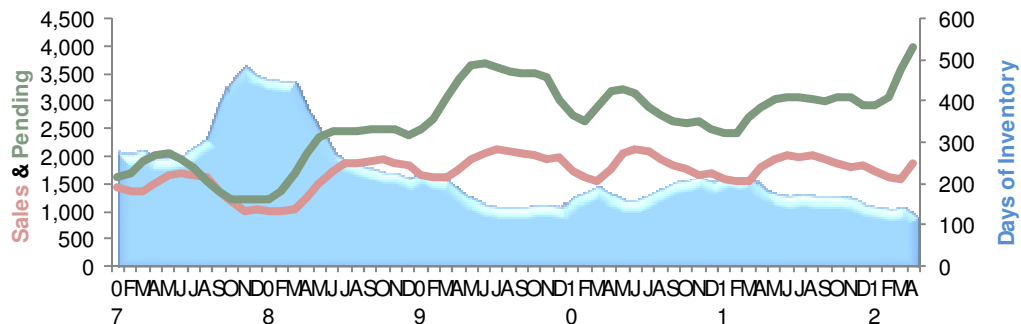
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San Diego County: Single-family Homes
Sales Price/Listing Price Ratio



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



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