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The Real Estate Report

local market trends

NORTH COASTAL 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®

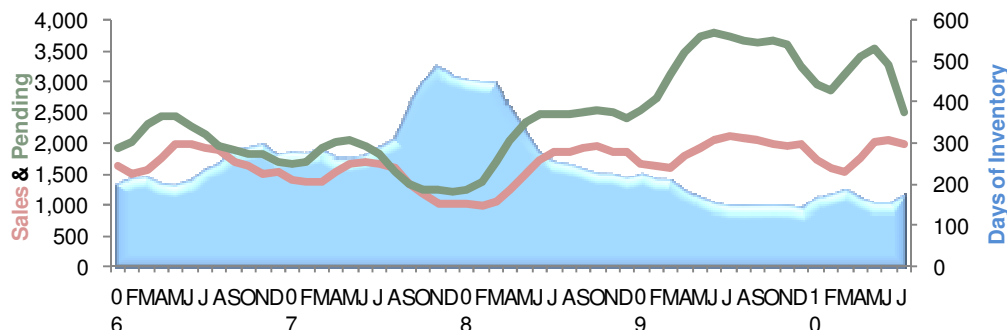
Trends at a Glance			
(Single-family Homes)			
	Jul 10	Jun 10	Jul 09
Median Price:	\$ 385,000	\$ 390,000	\$ 360,000
Average Price:	\$ 493,552	\$ 495,537	\$ 449,436
Home Sales:	1,756	2,055	2,242
Pending Sales:	1,463	2,567	3,537
Inventory:	12,869	11,357	10,436
(Condos/Town Homes)			
Median Price:	\$ 220,000	\$ 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.

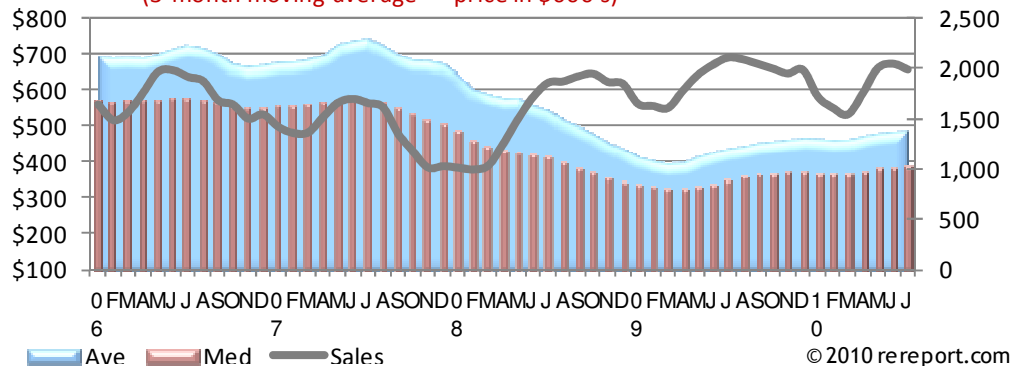
Until that better economic climate shows, we'll continue to have low mortgage rates and high unemployment, and continue in this stagnant holding pattern.

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.

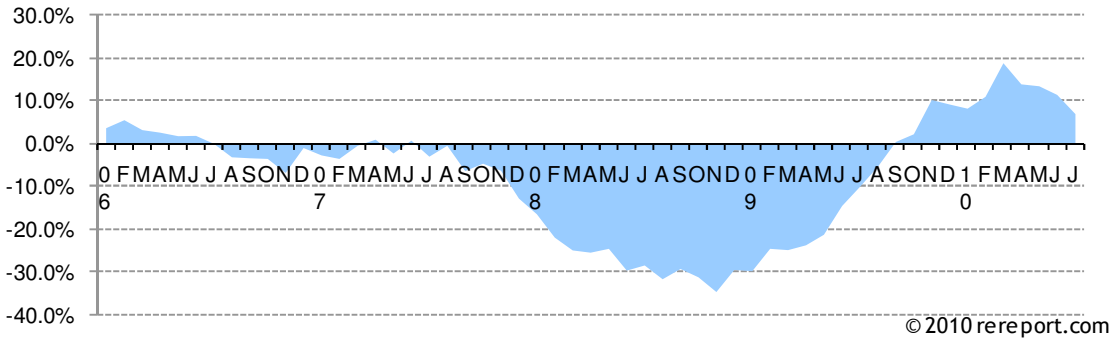
San Diego County — Single-family Homes: Prices & Sales

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



North San Diego County Coastal - 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%
N. County Coast	\$ 529,900	\$ 699,538	441	290	3,623	246	96.3%		24.7%	11.7%	-26.5%	-65.4%	10.3%
Cardiff by the Sea	\$ 1,429,130	\$ 1,455,820	4	1	55	413	88.9%		71.7%	49.9%	-42.9%	-66.7%	-8.3%
Carlsbad	\$ 666,900	\$ 682,284	95	58	486	153	96.8%		6.0%	-1.4%	23.4%	-55.7%	20.9%
Carmel Valley	\$ 928,750	\$ 1,022,550	34	5	270	238	96.7%		9.3%	4.7%	-20.9%	-91.9%	5.1%
Del Mar	\$ 1,030,000	\$ 1,349,000	5	7	160	960	92.7%		-17.6%	-21.9%	-50.0%	-58.8%	-1.8%
Encinitas	\$ 862,500	\$ 1,007,560	38	25	271	214	95.8%		29.7%	37.3%	-20.8%	-43.2%	13.4%
Fallbrook	\$ 351,950	\$ 399,072	44	37	428	292	97.8%		0.6%	-0.4%	-35.3%	-57.5%	16.0%
La Jolla	\$ 1,380,000	\$ 1,870,410	17	16	336	593	91.0%		-11.0%	-14.0%	-37.0%	-60.0%	-0.3%
Oceanside	\$ 337,750	\$ 333,225	114	85	749	197	96.3%		3.9%	2.7%	-41.5%	-66.4%	30.7%
Rancho Santa Fe	\$ 2,025,000	\$ 2,194,150	20	9	328	492	89.9%		-8.0%	3.4%	53.8%	-59.1%	-16.3%
San Marcos	\$ 340,000	\$ 364,161	65	55	506	234	97.5%		-10.9%	-4.1%	-33.7%	-59.6%	19.3%
Solana Beach	\$ 928,500	\$ 991,833	6	6	65	325	98.0%		-7.1%	-36.6%	-14.3%	-14.3%	-24.4%
Vista	\$ 342,500	\$ 326,233	64	41	475	223	98.9%		14.2%	2.6%	-39.0%	-76.3%	17.0%

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?

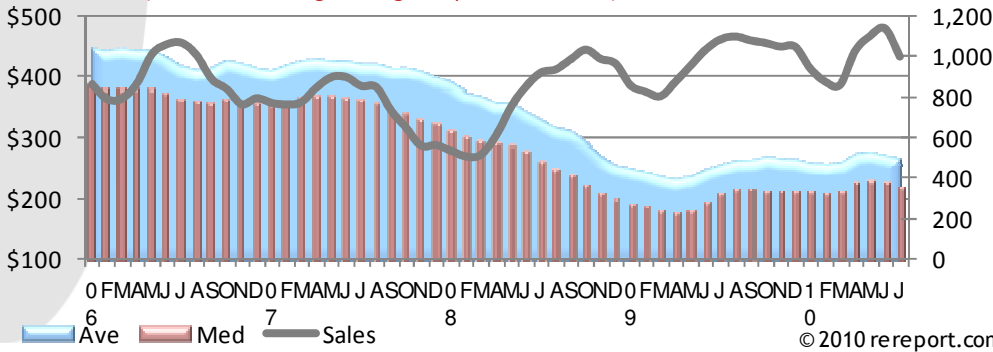
As far as sales are concerned, the pace has been near or above the 500,000 mark for the past two years, which is consistent with pre-peak levels of activity. The seasonally adjusted annualized rate of 492,800 existing detached home sales in June 2010 was down 4.2% from year ago levels and down 11.1% 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)

San Diego County — Condos & Townhomes: Prices & Sales

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



North San Diego County Coastal - 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%		
N. County Coast	\$ 303,000	\$ 351,506	197	159	1,463	223	98.4%	-3.8%	-4.5%	-12.4%	-59.9%	24.4%		
Cardiff by the Sea	\$ 383,000	\$ 516,600	5	2	36	216	93.9%	-13.0%	30.8%	66.7%	-60.0%	71.4%		
Carlsbad	\$ 360,000	\$ 377,169	35	38	240	206	99.1%	4.3%	10.8%	-22.2%	-41.5%	62.2%		
Carmel Valley	\$ 452,000	\$ 446,300	21	16	122	174	97.7%	6.4%	7.2%	-22.2%	-64.4%	16.2%		
Del Mar	\$ 244,090	\$ 336,780	6	3	56	280	100.0%	-58.6%	-42.8%	200.0%	-57.1%	-8.2%		
Encinitas	\$ 356,000	\$ 339,214	7	11	95	407	97.9%	-9.3%	-8.0%	-50.0%	-50.0%	61.0%		
La Jolla	\$ 575,000	\$ 732,191	17	15	227	401	95.8%	12.2%	20.1%	-34.6%	-72.2%	-3.4%		
Oceanside	\$ 166,000	\$ 200,471	70	53	516	221	98.8%	0.6%	3.0%	-26.3%	-61.0%	28.0%		
Rancho Santa Fe	\$ 724,500	\$ 702,833	6	0	20	100	98.0%	-1.1%	-1.1%	0.0%	-60.0%	46.7%		
San Marcos	\$ 252,500	\$ 253,755	30	24	183	183	97.9%	16.1%	14.2%	36.4%	-56.4%	33.6%		
Solana Beach	\$ 650,000	\$ 666,750	8	6	62	233	94.0%	26.2%	30.1%	0.0%	-66.7%	8.8%		
Vista	\$ 172,500	\$ 172,289	18	15	72	120	102.4%	19.8%	10.3%	50.0%	-63.4%	1.4%		

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
N. Coast San Diego County



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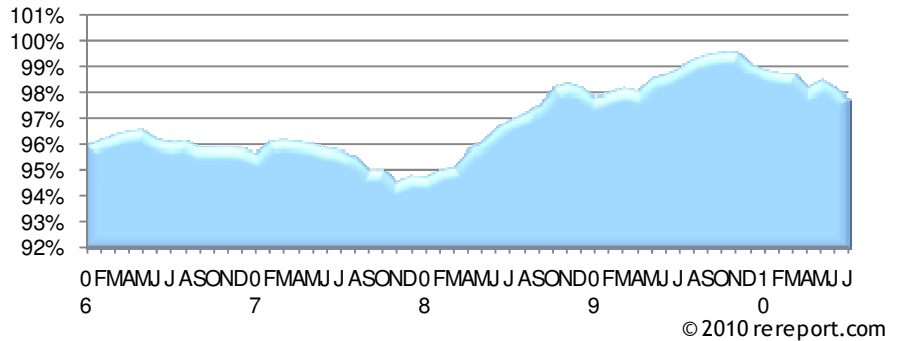
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Collectively, these observations imply that the market should see prices stabilize or edge up over the foreseeable future, yet there is still a lot of uncertainty about the rest of the year. For one thing, it remains to be seen how the housing market 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
Sales Price/Listing Price Ratio



Property Sales
(Year-to-Date)

