



REAL ESTATE REPORT

SAN DIEGO COUNTY | JANUARY 2012

New Year Begins in Optimism

Rents have risen 4% while home prices have fallen by about the same amount in 2011, according to Zillow. New jobs and falling home prices are impacting rent prices. That means that in many areas, it is more affordable to buy a home than to rent. Adjusted for inflation, the amount home buyers in Southern California are paying for their mortgages is less than at any point in the last 15 years.

California recently reported the second-largest month-over-month increase in employment gains in the nation. Many counties reported unemployment rates below 10%, including Orange, Santa Barbara, San Diego and Ventura counties. In Orange County, employment gains were the highest since spring 2009. The best news comes from San Diego, where job growth is 3.0% compared to 2.2% statewide.

The job picture is improving, but previous job losses continue to be reflected in the high numbers of distressed homes for sale — more than half of housing sales in October, says the California Association of REALTORS® (C.A.R.).

Ron Peltier, CEO of HomeServices of America, says there's a "silver lining" — banks are shifting their strategies from foreclosures to short sales and involving the home owner. "It's less costly, more efficient and a better solution to a bad problem," he told Fox News in December.

Foreclosures are about 34.1% of the market, down from 36.7% the previous

year, and well below the all-time high of 58.5% in February 2009. Short sales are about 19.5% of resale homes, up from 18.2% a year earlier, but the good news is that more banks are selling their way out. The figures show that banks are more willing to work with sellers to sell their properties at a loss rather than risk new additions to foreclosure inventories.

Year-over-year, median prices for MLS-listed homes across the state fell 8.9%, from \$305,150 to \$278,060, making affordability the best in nearly three years. Couple that with record low interest rates and you have a tremendous buying or investment opportunity. Confirmation? Both existing home sales and pending home sales were recently up 8.5% while pending sales were up 10.7% from a year ago. Inventory has dropped as well; single-family detached home inventories were recently 5.3 months of supply, down from 6.2 months' supply.

Higher conforming loan limits for FHA loans up to \$729,750 have been extended through 2013. While less than one in five loans in California is FHA-guaranteed, look for that number, along with prices, to rise in 2012 if Fannie Mae and Freddie Mac don't restore higher conforming loan limits.

Advice for buyers: In many price ranges — not all — inventories are being absorbed and prices are stable to slightly rising. Mortgage loan limits and restrictions are easing. Interest rates are still at near-record lows. These are ideal buying and

investing conditions. Choose the home you buy wisely — one that is well within conforming loan requirements and has a location and features that will serve your household's needs for years to come.

Advice for sellers: It's even more challenging for home owners to compete in today's market. The worst mistake a seller can make is to overprice a property. You're better off pricing low — or using Prudential Value Range Marketing — to attract more interest. Let your real estate professional show you the most current "comparables," based on the latest appraisal guidelines from lenders. It doesn't matter what your neighbor's home sold for four months ago if your buyer's bank appraiser isn't allowed to use it as a comparable.

Remember that your buyers and their agents will be using the same search parameters and comparables. They can instantly compare homes online and determine if your home is a good buy or overpriced compared to other similar homes.

Pricing your home is only half the battle. You also want to make sure the home closes. Don't wait for the buyer's home inspection — get one of your own in advance so you can fix trouble spots and make your home more attractive by comparison to other homes. Proper disclosures generate more trust from buyers if they see your inspection report and the steps you took to fix problems so they won't have to deal with them.

With over 3,400 sales associates in 58 offices across Southern California and the Central Coast, Prudential California Realty is the name to trust when buying or selling a home. Our agents close more than \$10 billion in sales volume and well over 14,000 transactions each year. We also provide every aspect of domestic and international relocation to corporations around the world. As one of the top five brokerages in the nation and the largest affiliate in the Prudential Real Estate international network, we have the resources and connections to protect your interests and make sure your experience is a successful one.

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SAN DIEGO COUNTY

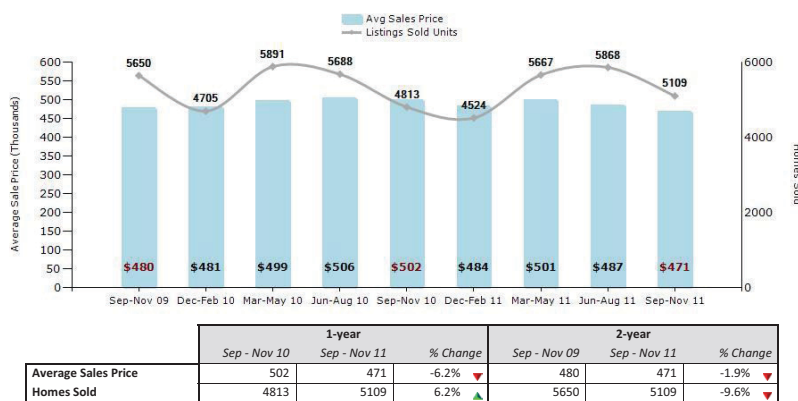
With prices several percentage points lower than a year ago, transaction volume in detached homes was higher, while it declined in attached homes under \$1 million. In the three months between September 1 and November 30, both sale prices and transaction volume were lower than the previous three-month period for both detached and attached homes.

**A balanced market is widely accepted as having three to no more than six months of inventory on hand, with market conditions favorable to both buyers and sellers. A buyer's market is characterized by conditions such as high inventories, falling prices, concessions by sellers, and incentives among other indicators. A seller's market has low inventories of homes for sale, escalating prices, and keen competition between buyers, including multiple offers.*

***Small sample sizes and large or low sales volume in metrics such as Hot and Cold Zip Codes can skew statistics. Contact your Prudential California Realty sales professional for more information.*

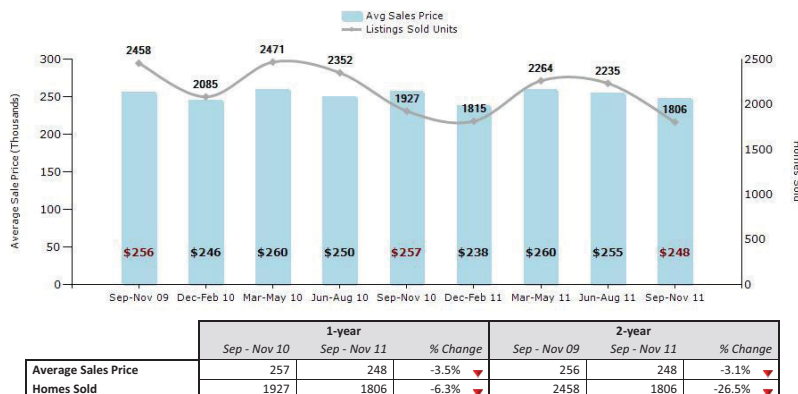
****Detached homes stand alone and share no common walls with any other neighboring home. Attached homes share at least one common wall with another home. The type of home ownership is determined by whether it is a condominium, townhome, duplex, co-operative or other.*

Detached Properties - Listings Sold 3 Months Ending November 30, 2011



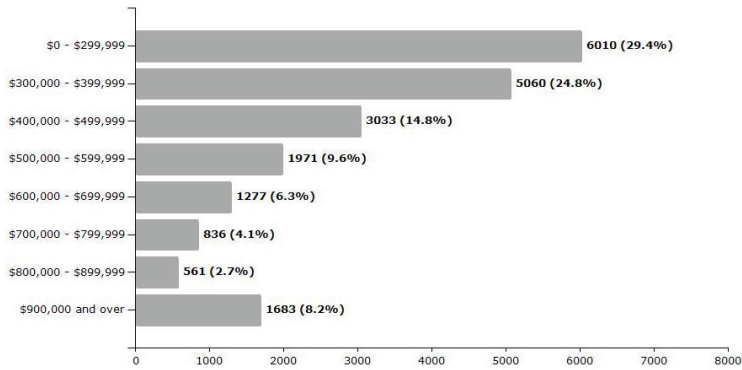
Following the year's peak for sales in June through August, sales volume and prices both declined in detached homes in the three months ending November 30, 2011.

Attached Properties - Listings Sold 3 Months Ending November 30, 2011



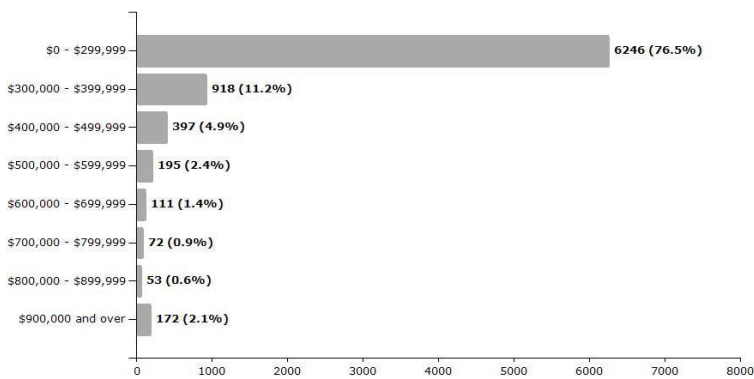
Following the year's peak for sales in March through May, sales volume and prices both declined in attached homes in the six months ending November 30, 2011.

Detached Properties - Listings Sold Units By Price Range



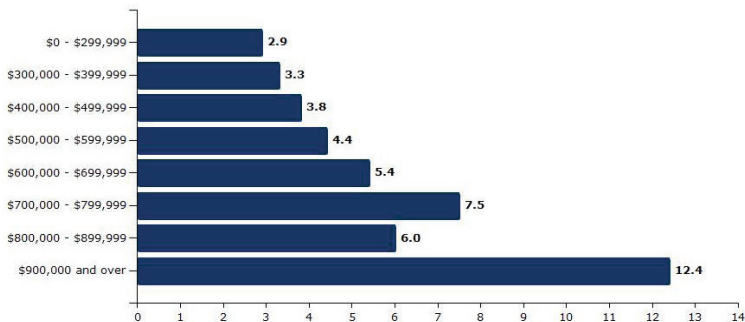
Over half the detached homes sold (54.2%) in the year ending June 30, 2011 were under \$400K.

Attached Properties - Listings Sold Units By Price Range



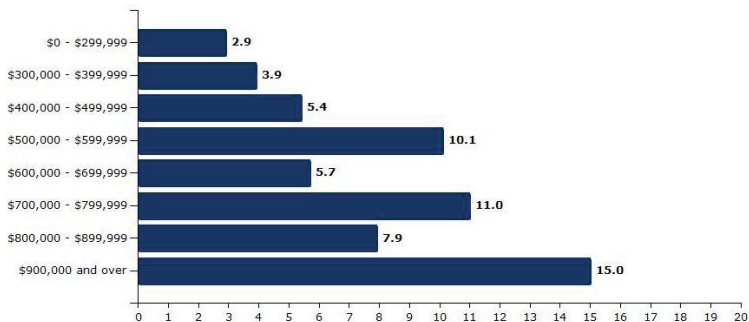
Over one-third (76.5%) of the attached homes sold between 7-1-2010 and 6-30-2011 were under \$300K.

Detached Properties - Inventory in Months' Supply



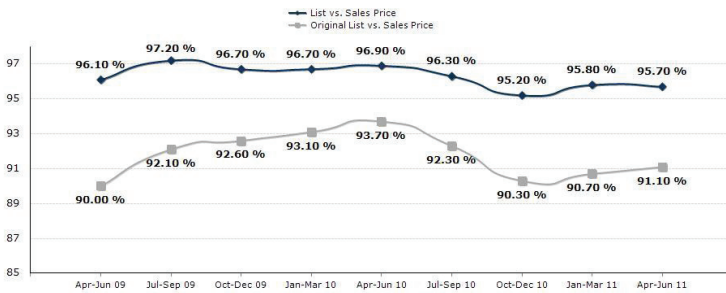
In June 2011, detached home inventories ranged from 2.9 to 12.4 months of supply. A balanced market is considered to have about six months of inventory on hand.

Attached Properties - Inventory in Months' Supply



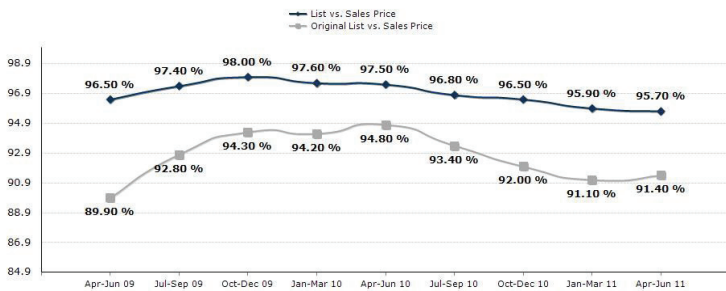
Attached home supplies in June 2011 were between 2.9 and 15 months on hand. A balanced market has about six months of inventory on hand.

Detached Properties - Sales Price Ratio



Sellers of single family homes are overpricing their homes when they first put them on the market. On average, sellers are receiving nearly 92% of the original list price and 96% of the most recently published price.

Attached Properties - Sales Price Ratio



Sellers of attached homes are overpricing their homes when they first put them on the market. On average, sellers are receiving nearly 92% of the original list price and 96% of the most recently published price.

Detached Properties - Hot & Cold Zip Codes By Average Sale Price

Property Zip	Current Quarters Apr. 2011 - Jun. 2011 Average Sale Price	Previous Quarters Jan. 2011 - Mar. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 92086 (Warner Springs)	\$233,983	\$76,000	207.9%
Zip 92003 (Bonsall)	\$619,117	\$461,098	34.3%
Zip 92054 (Oceanside)	\$510,464	\$391,975	30.2%
Zip 92091 (Rancho Santa Fe)	\$1,654,444	\$1,283,000	29%
Zip 92109 (Pacific Beach)	\$955,830	\$741,177	29%
Zip 92059 (Pala)	\$165,076	\$209,976	-21.4%
Zip 92060 (Palomar Mountain)	\$430,466	\$560,000	-23.1%
Zip 92008 (Carlsbad)	\$595,074	\$847,814	-29.8%
Zip 92101 (Downtown San Diego)	\$0	\$482,500	-100%
Zip 92036 (Julian)	\$0	\$305,000	-100%

For detached homes, Q2 2011 showed gains in five San Diego zip codes.

Attached Properties - Hot & Cold Zip Codes By Average Sale Price

Property Zip	Current Quarters Apr. 2011 - Jun. 2011 Average Sale Price	Previous Quarters Jan. 2011 - Mar. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 92113 (Logan Heights)	\$209,550	\$104,750	100%
Zip 92008 (Carlsbad)	\$513,147	\$281,142	82.5%
Zip 92106 (Point Loma)	\$380,200	\$225,333	68.7%
Zip 92054 (Oceanside)	\$500,950	\$347,942	44%
Zip 92007 (Cardiff)	\$431,500	\$302,275	42.8%
Zip 92061 (Pauma Valley)	\$395,000	\$545,000	-27.5%
Zip 92004 (Borrego Springs)	\$145,100	\$206,800	-29.8%
Zip 92065 (Ramona)	\$150,400	\$225,000	-33.2%
Zip 92114 (Encanto)	\$65,000	\$144,983	-55.2%
Zip 92091 (Rancho Santa Fe)	\$0	\$181,750	-100%

For attached homes, Q2 2011 showed gains in five San Diego zip codes.



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