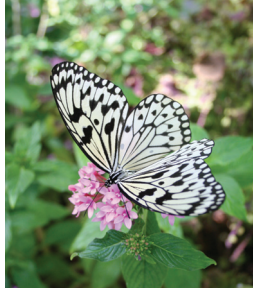


REAL ESTATE REPORT

SAN DIEGO COUNTY | AUGUST 2011



Record Affordability Improves Housing Sales

Nationally pending home sales up 8.2%

Pending home sales across the United States, a forward-looking indicator based on signed contracts, rose 8.2% in May after a revised 11% decrease in April. On a year-over-year basis, pending sales are up 13.4%.

Another bright spot nationally: for the first time in over eight months, housing sales prices are higher. Prices rose 0.7% in 13 out of the 20 cities viewed, according to the S&P/Case-Shiller Index.

The real news here is that, despite the national press coverage, consumers not only continued to buy houses, they paid more for them for the first time in a long time.

The improvement in housing sales is undoubtedly due to record affordability, as the median family income can afford the median priced home using only 13% of income. That's less than half of the government-imposed limit of 28%, not including other debts.

California and the Southland

In California, interest rates remain historically low, making housing affordability very attractive. In May, the latest month information is available, the typical monthly mortgage payment for buyers in Southern California was \$1,154. Adjusted for inflation, that's a whopping 50% lower than the typical payment in 1989, and 59% below the housing price peak of July 2007. Since May, mortgage interest rates have dropped to about 4.5%, which raises affordability to historic levels.

Pending sales rose in California, just as they did across the nation. They were up 12% in May 2011 over the previous year – the first year-over-year increase in California since November 2009. Here are some highlights from Trendgraphix, Inc. for major Southern California markets as of the end of June 2011:

Central Coast: Pending sales increased by 12%. 98% of homes sold for under \$1 million; 2% of the homes sold for between \$1 million and \$2 million; and 0% of the homes sold for over \$2 million. The average price per square foot increased 2% during the month of June to \$196.

Santa Barbara County: Pending sales decreased by 21% during the month of June 2011. 66% of the homes sold for under \$1 million; 22% of the homes sold for between \$1 million and \$2 million; and 12% of the homes sold for over \$2 million. The average price per square foot increased 0.6% during the month of June to \$521.

Los Angeles County: Pending sales increased by 16% during the month of June 2011. 82% of the homes sold for under \$1 million; 12% of the homes sold for between \$1 million and \$2 million; and 6% of the homes sold for over \$2 million. The average price per square foot increased 5% during the month of June to \$387.

San Fernando Valley: Pending sales have increased by 22% during the month of June 2011. 94% of the homes sold for under \$1 million; 5% of the homes sold for between \$1 million and \$2 million; and 1% of the homes sold for over \$2 million. The average price per square foot increased 2% during the month of June to \$250.

San Gabriel Valley: Pending sales have increased by 10% during the month of June 2011. 83% of the homes sold for under \$1 million; 12% of the homes sold for between \$1 million and \$2 million; and 5% of the homes sold for over \$2 million. The average price per square foot increased 22% during the month of June to \$389.

West LA: Pending sales increased by 11% during the month of June 2011. 69% of the

homes sold for under \$1 million; 19% of the homes sold for between \$1 million and \$2 million; and 11% of the homes sold for over \$2 million. The average price per square foot decreased 2% during the month of June to \$516.

Orange County: Pending sales increased by 14% from May to June. 92% of the homes sold for under \$1 million; 7% of the homes sold for between \$1 million and \$2 million; and 2% of the homes sold for over \$2 million. The average price per square foot decreased 5% during the month of June to \$294.

San Diego County: Pending sales increased by 3% in the month of June. 95% of the homes sold for under \$1 million; 4% of the homes sold for between \$1 million and \$2 million; and 1% of the homes sold for over \$2 million. The average price per square foot remained the same during the month of June at \$238.

Southwest Riverside: Pending sales increased by 20%. 100% of homes sold for under \$1 million; 0% of the homes sold for between \$1 million and \$2 million; and 0% of the homes sold for over \$2 million. The average price per square foot increased 1% during the month of June to \$100.

Why Buyers Should Act Now

Housing sales are being driven by two key factors – jobs and affordability. Affordability will be impacted by the planned expiration of higher conforming loan limits, currently in place for most Southern California markets.

On October 1, 2011, the temporary higher loan limits of \$625,500 and \$729,950 will expire. According to C.A.R., the change will reduce the number of eligible homes by 25% in Los Angeles and nearly 10% in San Diego. Combined with higher down payment and credit score requirements, it will be more costly

and difficult for buyers to qualify to buy a home at the best rates in the fall.

housing supplies and prices are all in the buyer's favor.

What is not known is whether the pending expiration of loan limits combined with lower prices and interest rates will spark home buying in California the same way tax credits did more than a year ago.

Advice for home sellers: With more competition from foreclosures coming onto the market, sellers won't be able to compete on price, but they will definitely have the advantage when it comes to condition. Clean homes in good repair make a strong statement.

Advice for home buyers: The affordability of today's homes is solid. Act now while interest rates, loan qualifying limits,

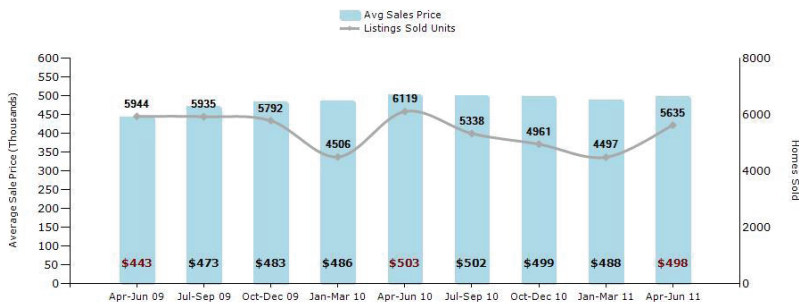
SAN DIEGO COUNTY

Q2 sale prices and transaction volume are both up over Q1 in single family homes as well as in condos/townhomes. The overcorrection in pricing is bringing out traditional and investment buyers.

**A balanced market is widely accepted as having 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.*

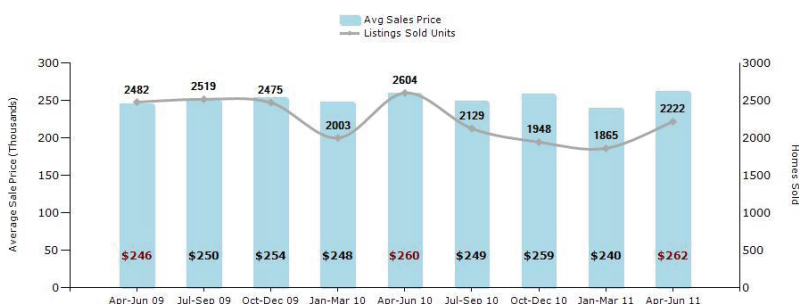
Detached homes stand alone and share no common walls with any other neighboring home. Attached homes share at least one common wall with another home. The type of home ownership is determined by whether it is a condominium, townhome, duplex, co-operative or other.

Detached Properties - Listings Sold by Calendar Quarter 9 Quarters through May 31, 2011



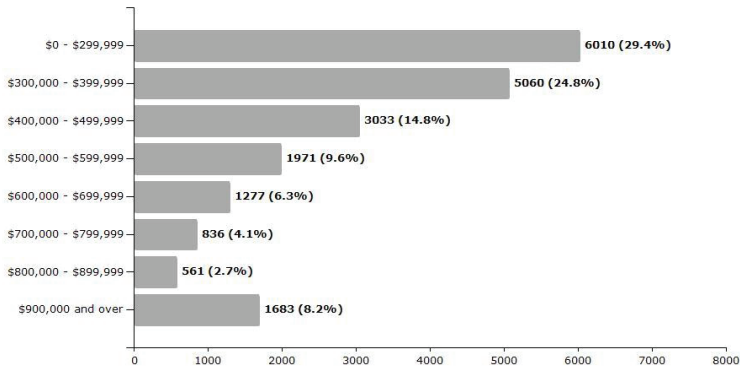
In Q2 2011, detached housing sale prices and transaction volume are still competing with accelerated sales boosted by tax incentives a year ago, but are up over Q1.

Attached Properties - Listings Sold by Calendar Quarter 9 Quarters through May 31, 2011



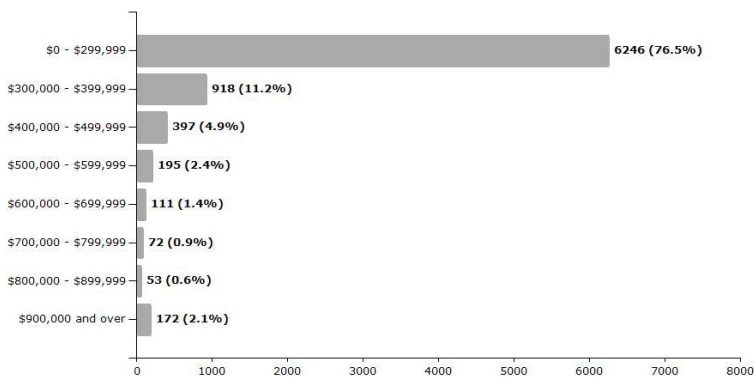
In Q2 2011, attached housing sale prices and transaction volume are still competing with accelerated sales boosted by tax incentives a year ago. Sale prices and transaction volume are up over Q1.

Detached Properties - Listings Sold Units By Price Range



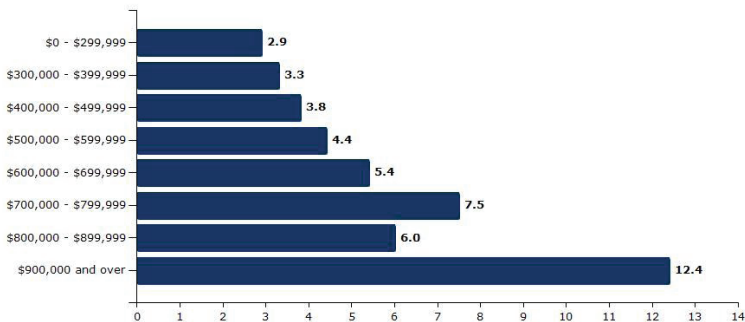
Over half the detached homes sold (54.2%) in the year ending June 30, 2011 were under \$400K.

Attached Properties - Listings Sold Units By Price Range



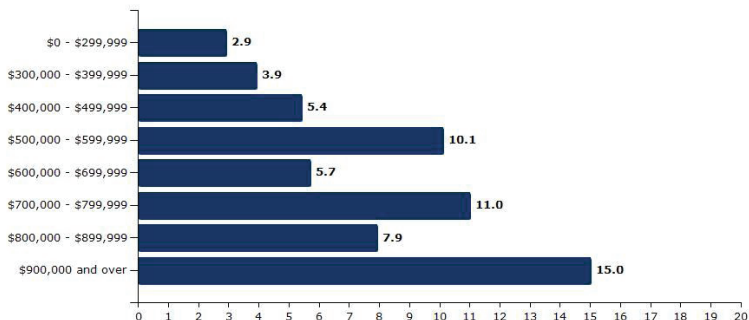
Over one-third (76.5%) of the attached homes sold between 7-1-2010 and 6-30-2011 were under \$300K.

Detached Properties - Inventory in Months' Supply



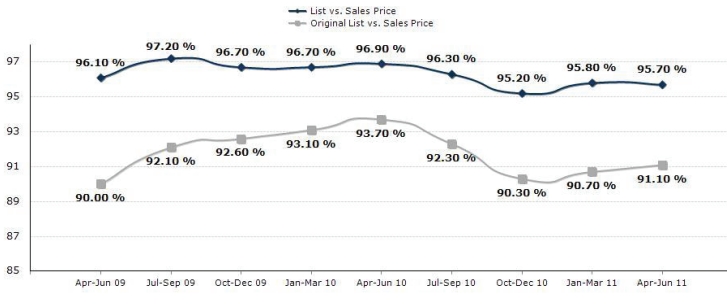
In June 2011, detached home inventories ranged from 2.9 to 12.4 months of supply. A balanced market is considered to have about six months of inventory on hand.

Attached Properties - Inventory in Months' Supply



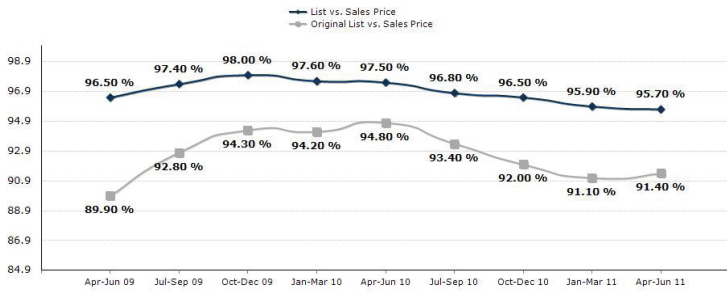
Attached home supplies in June 2011 were between 2.9 and 15 months on hand. A balanced market has about six months of inventory on hand.

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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