



# REAL ESTATE REPORT

SAN DIEGO COUNTY | APRIL 2012

## Americans More Optimistic About Home Ownership

Americans are much more optimistic about home ownership than they were a year ago, according to the second annual Prudential Real Estate Outlook Survey. Eight in 10 respondents said home ownership is very important to them.

The survey also found that despite the recession, home ownership is still central to the American dream:

- With interest rates at historically low levels, 96% agree or somewhat agree that now is a good time to buy.
- A full 70% of respondents have some degree of confidence that property values will improve over the next two years; there was an 8-point increase in those very confident or confident compared to last year.
- 63% believe that real estate is a good investment despite the recent market volatility; that's up 11 points from last year.

One of the most heartening responses in the survey concerned the strong ties between home ownership and the community; 77% of respondents agree that home ownership strengthens a sense of community. Nearly half of Gen Y respondents said a sense of community makes home ownership more important. Gen Y'ers are particularly optimistic about the road ahead with 72% expressing favorable views about the residential real estate market.

Across all generations, 94% of respondents believe that finding the right home and community are crucial to helping their family be happy.

Concurrently, a recent survey by the National Association of Builders also found that most people want to be home owners. 78% of home buyers likely to vote in the

presidential election said that "owning a home was one of the most important things in their lives." And 74% said that owning a home was "worth it," despite the volatility in housing over the last few years.

Nationwide, optimism is resulting in rising housing sales over three consecutive months, with inventories at a 6.1-month supply. According to the NAR, "normal" levels are between 5.2 months and 6 months' supply on hand.

"Given more favorable housing market conditions," said NAR chief economist Lawrence Yun in a statement, "the trend in contract activity implies we are on track for a more meaningful sales gain this year. With a sustained downtrend in unsold inventory, this would bring about a broad price stabilization or even modest national price growth, of course with local variations."

Housing inventories are down even more in California, where the supply on hand was 5.5 months, up from 4.1 months in December 2011. The gain in January inventories is seasonal, notes C.A.R., well below the 6.8-month supply in January 2011.

The number of foreclosures and short sales in California still remains high, more than 50% of the market. Prices are still suppressed, which is attracting investors and entry-level buyers. Where prices are declining while sales volume is increasing, more buyers are pouring into investment-grade and entry-level price points. Statewide, prices are averaging 46.7% below the peak set in Q1 2006.

Lender Processing Services found that by the end of 2011, delinquency rates were down, and California is no longer among the states with the most mortgage

delinquencies, despite having the second-highest unemployment rate.

While most of California began 2012 with lower sales volume and prices, Southern California sales volume rose a marginal 0.4% year-over-year, the fifth consecutive rise in five of the last six months, says DataQuick.

Affordability is fast approaching a record, with median home prices at about \$260,000, down 3.7% from the previous year. The lowest median price for the Southland was \$247,000 in April 2009, and well below the \$505,000 median of June/July 2007.

Prices reflect not only a decline in home values in the last five years, but also buyers that are choosing less expensive homes to purchase, including gravitating toward "inland foreclosures" to obtain bargains.

Foreclosures, says DataQuick, made up 32.6% of resale purchases in January 2012, while short sales were 21.3% of resales – the highest level in recent history.

The silver lining there is that lenders are approving more short sales, which prevents many homes from going into foreclosure and neglect.

Non-occupying home buyers purchased a record 26.8% of homes for sale in Southern California, with a near-record 31.4% paying all cash and a median of \$199,000. The 10-year monthly average for cash buyers is 15.1%. Low-down-payment FHA loans accounted for 31.2% of purchase loans in January 2012.

About 16% of homes sold in January were for \$500,000 or more, above the cyclical low of 13.8% in January 2009, but well below the 10-year average of 27.2%.

Southern California home buyers committed to a typical mortgage payment of \$983 – the lowest on record since May 1999. Adjusted for inflation, it's the lowest payment on record since 1988.

Lower prices coupled with near-record interest rates means that housing affordability in Southern California is the best it's been in decades.

**Advice for buyers:** Competition from cash-paying investors is stiff because

they can close quickly. Buyers should be prequalified by a lender so they can offer more and shorten the loan approval process. For buyers of more expensive homes, negotiating skills are more important than ever. Buyers should work closely with their Prudential California Realty sales professional to utilize their market knowledge before they make offers.

**Advice for sellers:** Lenders carefully consider comparables as well as days on market in determining their risk. While

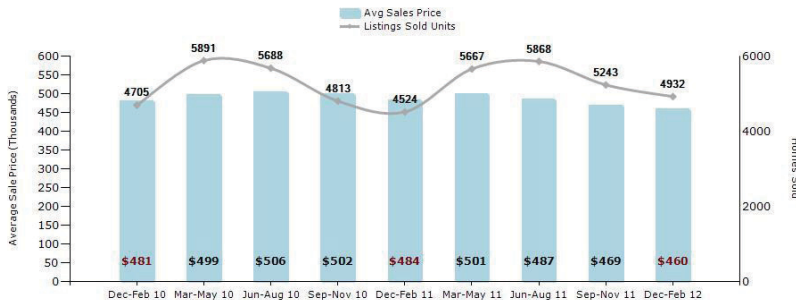
sellers in certain price ranges may see their home values rising, they should not price their homes too far above the latest comparables. Sellers of higher-priced homes may find that long days on the market are hurting home values, because prices inevitably decline when supply exceeds demand. They should price below the market and work with their Prudential California Realty sales professional to utilize their market knowledge before they choose a list price for their home.

## SAN DIEGO COUNTY

In the three months between December 2011 and February 2012, both sales volume and prices were down over the previous period for detached and attached homes. Coupled with record low interest rates, homes in San Diego County are at the most affordable level in two years.

*\*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.*

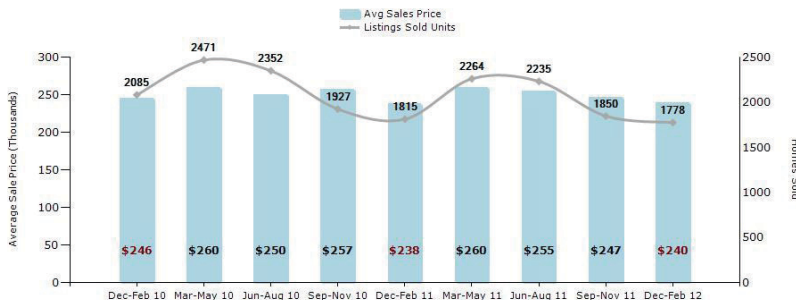
### Detached Properties - Listings Sold 3 Months Ending February 29, 2012



|                     | 1-year       |              |          | 2-year       |              |          |
|---------------------|--------------|--------------|----------|--------------|--------------|----------|
|                     | Dec - Feb 11 | Dec - Feb 12 | % Change | Dec - Feb 10 | Dec - Feb 12 | % Change |
| Average Sales Price | 484          | 460          | -5% ▼    | 481          | 460          | -4.4% ▼  |
| Homes Sold          | 4524         | 4932         | 9% ▲     | 4705         | 4932         | 4.8% ▲   |

Following the peak for sales in June through August 2011, sales volume and prices both declined in detached homes. Prices and sales volume between December 2011 and February 2012 were lower than the previous three months.

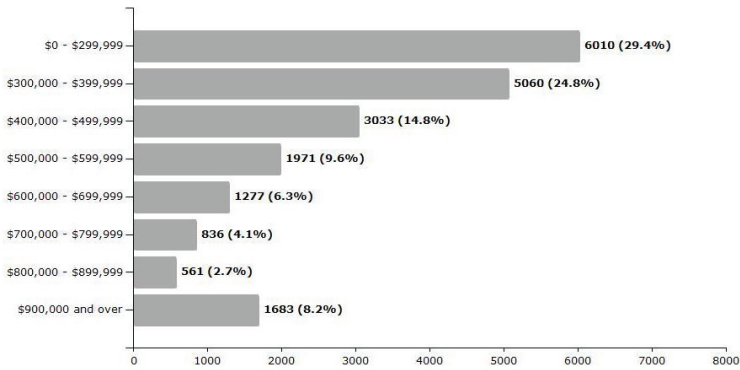
### Attached Properties - Listings Sold 3 Months Ending February 29, 2012



|                     | 1-year       |              |          | 2-year       |              |          |
|---------------------|--------------|--------------|----------|--------------|--------------|----------|
|                     | Dec - Feb 11 | Dec - Feb 12 | % Change | Dec - Feb 10 | Dec - Feb 12 | % Change |
| Average Sales Price | 238          | 240          | 0.8% ▲   | 246          | 240          | -2.4% ▼  |
| Homes Sold          | 1815         | 1778         | -2% ▼    | 2085         | 1778         | -14.7% ▼ |

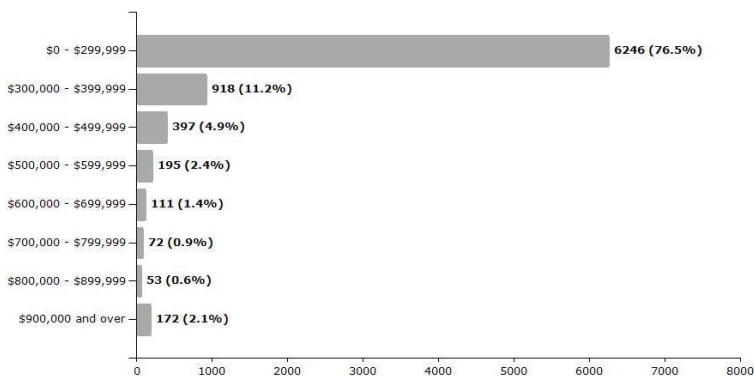
Sale prices and sales volume both declined in attached homes for the three months between December 2011 and February 2012 over the previous three months.

### Detached Properties - Listings Sold Units By Price Range



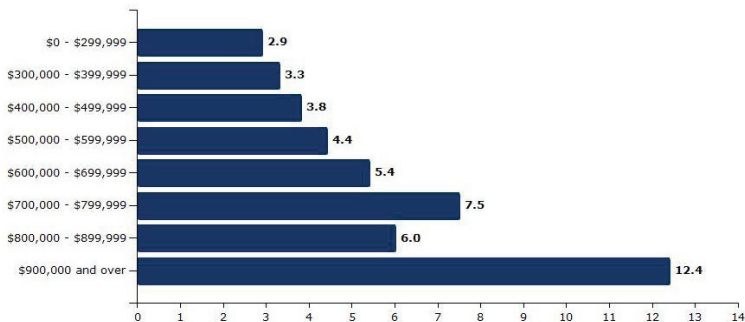
Over half the detached homes sold (54.2%) in the year ending June 30, 2011 were under \$400K.

### Attached Properties - Listings Sold Units By Price Range



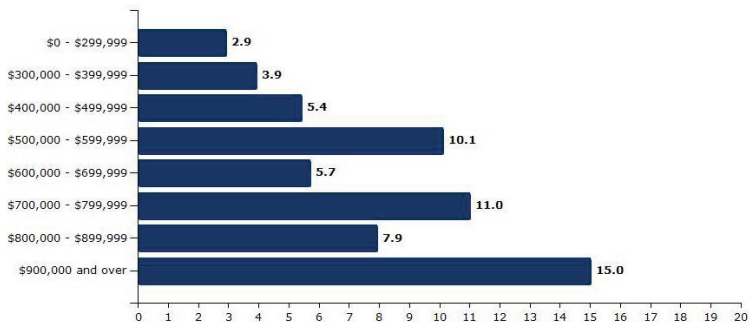
Over one-third (76.5%) of the attached homes sold between 7-1-2010 and 6-30-2011 were under \$300K.

### Detached Properties - Inventory in Months' Supply



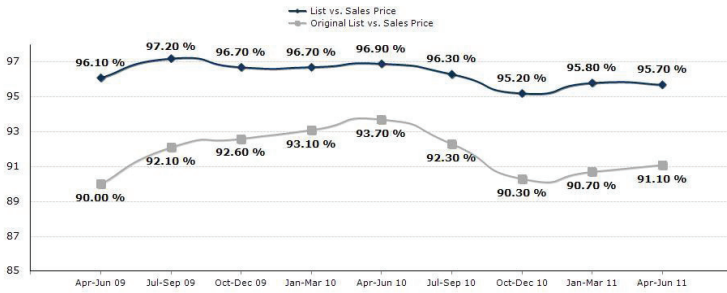
In June 2011, detached home inventories ranged from 2.9 to 12.4 months of supply. A balanced market is considered to have about six months of inventory on hand.

### Attached Properties - Inventory in Months' Supply



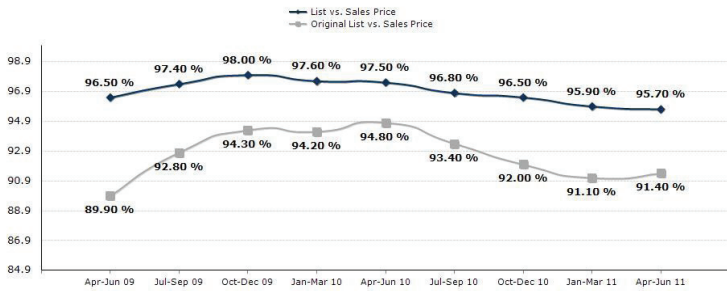
Attached home supplies in June 2011 were between 2.9 and 15 months on hand. A balanced market has about six months of inventory on hand.

### 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.



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 \$12 billion in sales volume and well over 16,000 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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