

REAL ESTATE REPORT

SAN GABRIEL VALLEY | 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

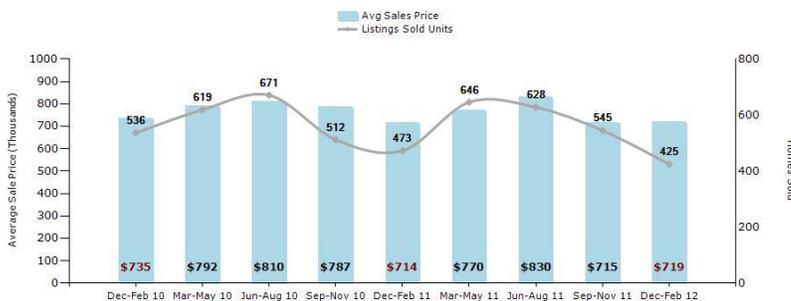
sellers in certain price ranges may see their home values rising, they should not price their homes too far above the latest comparables. Sellers of higher-priced homes may find that long days on the market are hurting home values, because prices inevitably decline when supply exceeds demand. They should 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.

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Year over year, prices rose for both detached and attached homes. Between December 2011 and February 2012, prices for both detached and attached homes were higher than the previous three-month period.

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	714	719	0.7% ▲	735	719	-2.2% ▼
Homes Sold	473	425	-10.1% ▼	536	425	-20.7% ▼

Between December 2011 and February 2012, prices rose higher for detached homes over the previous three months.

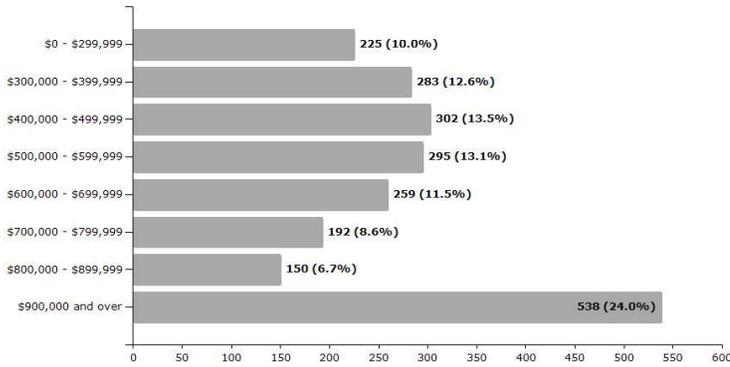
Attached Properties - Listings Sold 3 Months Ending February 29, 2012



	1-year			2-year		
	Dec - Feb 11	Dec - Feb 12	% Change	Dec - Feb 10	Dec - Feb 12	% Change
Average Sales Price	372	382	2.7% ▲	428	382	-10.7% ▼
Homes Sold	175	138	-21.1% ▼	168	138	-17.9% ▼

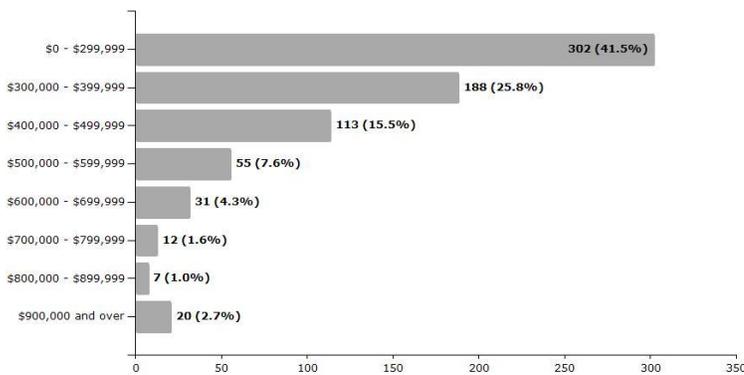
Between December 2011 and February 2012, sale prices for attached homes rose higher over the previous three-month period.

Detached Properties - Listings Sold Units By Price Range



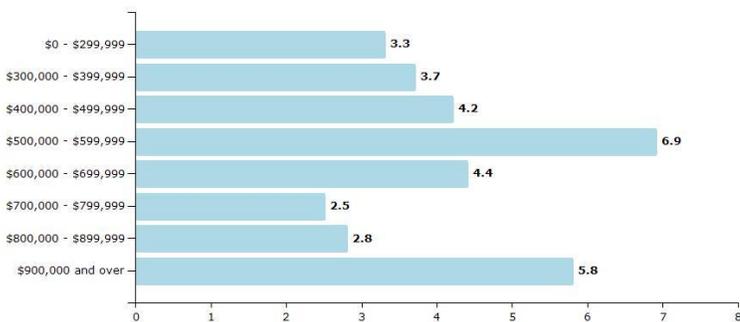
In the year ending February 29, 2012, about 24% of sales volume for detached homes was in homes priced \$900K and above.

Attached Properties - Listings Sold Units By Price Range



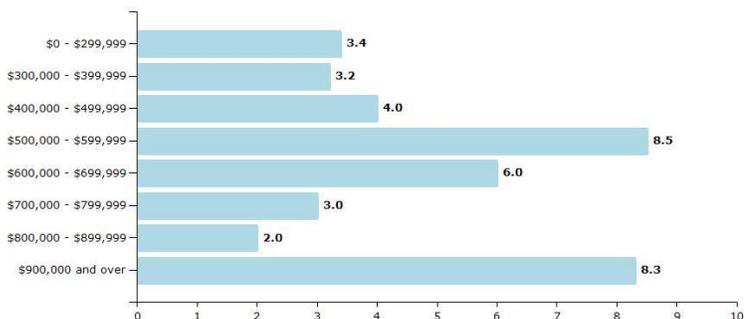
In the year ending February 29, 2012, nearly 42% of attached homes sold were under \$300K.

Detached Properties - Inventory in Months' Supply



Detached homes are in a balanced market in nearly all price ranges under \$1 million. A balanced market has approximately three to six months of supply on hand, depending on the normal sales cycle for the area.

Attached Properties - Inventory in Months' Supply



Attached homes are in a balanced market under \$500K and between \$600K and \$900K. A balanced market has approximately three to six months of supply on hand, depending on the normal sales cycle for the area.

Detached Properties - Sales Price Ratio



Sellers of detached homes are overpricing their homes when they first put them on the market. On average, sellers are receiving 94% of the original list price and 97% of the most recent 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 93.8% of the original list price and 97.1% of the most recent published price.

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

Property Zip	Dec. 2011 - Feb. 2012 Average Sale Price	Sep. 2011 - Nov. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 90041 (Los Angeles)	\$560,580	\$411,829	36.1%
Zip 91202 (Glendale)	\$771,827	\$579,500	33.2%
Zip 91780 (Temple City)	\$458,716	\$344,791	33%
Zip 91010 (Duarte)	\$289,000	\$227,500	27%
Zip 91105 (Pasadena)	\$1,246,142	\$991,269	25.7%
Zip 91776 (San Gabriel)	\$350,400	\$658,888	-46.8%

Between December 2011 and February 2012, the average sale price for detached homes rose in five zip codes over the previous period.

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

Property Zip	Dec. 2011 - Feb. 2012 Average Sale Price	Sep. 2011 - Nov. 2011 Average Sale Price	% Average Sale Price Gain/Loss
Zip 91105 (Pasadena)	\$793,176	\$581,100	36.5%
Zip 91103 (Pasadena)	\$539,000	\$395,468	36.3%
Zip 91202 (Glendale)	\$318,666	\$266,500	19.6%
Zip 91101 (Pasadena)	\$454,666	\$388,552	17%
Zip 91205 (Glendale)	\$271,250	\$237,000	14.5%

Between December 2011 and February 2012, the average sale price for attached homes rose in five zip codes over the previous period.

