

REAL ESTATE REPORT

SAN GABRIEL VALLEY | MARCH 2012



Local Housing Supply Reveals Shortages in Some Price Ranges, Areas

One thing about the housing market is that it never stays the same. For the first time in months, or maybe years, the outlook for spring is overwhelmingly positive and bullish for housing.

A frequent featured guest on major networks, Ron Peltier is CEO of HomeServices of America, the second-largest real estate group in the nation. He commented that “The year 2012 will be a transformational year from correction and continued distress to stabilization and minimal recovery, and slow, steady growth going forward.”

He believes that the U.S. population is growing at approximately 3 million households a year, yet we are currently forming half that number. This means pent-up demand for home ownership as the costs to own drop below the cost to rent in many areas.

“Home prices have corrected to 2002 levels,” said Peltier. “Affordability for home buying is now at an all-time high. Today’s home values are realistic and when looking at the low interest rates and the overall economics of ownership, the monthly cost to own a home today is the same as it was in 1981.”

In addition to unprecedented affordability, other good news is making buying a home easier:

- FHA government-guaranteed loans were restored to higher temporary borrowing limits, already resulting in more sales volume in high-cost areas such as Southern California
- National unemployment rates dropped to 8.4%

- Banks approved more short sales and foreclosure write-offs, allowing stagnant inventory to move through the pipeline
- Mortgage interest rates reached new record lows

But wait – aren’t prices supposed to fall further? Don’t count on it in Southern California.

According to the California Association of REALTORS®, the median price of an existing, single-family detached home rose 1.8% to \$285,920 in December 2011, up from \$280,960 in November. Sales volume has risen for three months in a row to the highest level in a year. Year-over-year, sales are up for the sixth year in a row.

Dataquick found that housing sales surged in December in Southern California, with activity strongest in homes priced under \$300,000 and sold to a record share of “absentee” buyers. Counting new and resale single-family and condo sales, volume was up 14.0% over November, slightly more than the historical 13.2% increase between November and December.

By price segment, luxury homes lost the spotlight to entry-level homes, which leapt 5.9% in transaction volume, bringing the median price down to \$270,000 from \$275,000 in November. Distressed homes accounted for 52.5% of Southland resales.

Non-occupying home buyers – investors and second-home buyers – purchased a record 26.4% of homes sold in December. Cash buyers purchased one-third of all homes, and paid a median price of \$202,500.

Southland home buyers committed to the lowest monthly mortgage payment since January 1988, an affordable \$1,026, down from \$1,049 in November and \$1,205 in December 2010. Adjusted for inflation, payments are 55.8% lower than they were in 1989 and 63.8% lower than they were at the most recent peak, July 2007.

Clearly, these data are offering buy-now signals, as well as sell-now signals, particularly for underwater home owners. But it’s not enough to know whether home prices are up and down, it’s also important to know why the data are changing, and whether that data is relevant to your situation and your goals.

That’s where the importance of local data from your Prudential California Realty real estate professionals comes in. You may be surprised to learn that prices aren’t falling in your neighborhood, or in your price range. It all depends on supply.

In California, and especially Southern California, there is such demand for affordable traditional homes that there are real shortages developing in many areas. Investors, cash buyers, and first-time home buyers are all seeking affordable traditional homes.

For example, detached homes under \$300K are selling as fast as they can close.

Orange County – detached homes – 3.1-month supply
San Diego County – 2.4-month supply
San Fernando Valley – 2.2-month supply
San Gabriel Valley – 1.9-month supply

Santa Barbara County – 2.2-month supply
 Santa Maria and the Santa Ynez Valley – 2.2-month supply
 Southwest Riverside – 3.3-month supply
 Ventura County – 2.2-month supply
 Westside Los Angeles – 3.4-month supply

priced \$600K to \$699,999. Santa Barbara has only a 2.1-month supply of homes priced \$500K to \$599,999. The San Gabriel Valley has only 2.8 months' supply of homes between \$700K and \$799,999.

supply of condos and townhomes – at any price.

To obtain the most recent sales data for your area, contact your local Prudential California Realty sales professional.

And there are shortages in other price ranges besides entry level. Due to the restoration of higher loan limits in high-priced areas, Westside Los Angeles has only a 2.8-month supply of homes

Attached homes are also selling rapidly. The San Fernando Valley has only a month's supply of condos and townhomes priced \$700K and above. Southwest Riverside has less than two months'

Advice for buyers: If you've been on the fence, 2012 is the year to take action.

Advice for sellers: In most markets and price ranges you can put your home on the market with confidence.

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Following the year's peak for sales in May through July 2011, sales volume declined in traditional homes under \$1 million. Year over year, prices declined for detached homes, but have rallied for attached homes since May 2011 through January 2012. Coupled with record low interest rates, homes are more affordable than they've been in months.

*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.

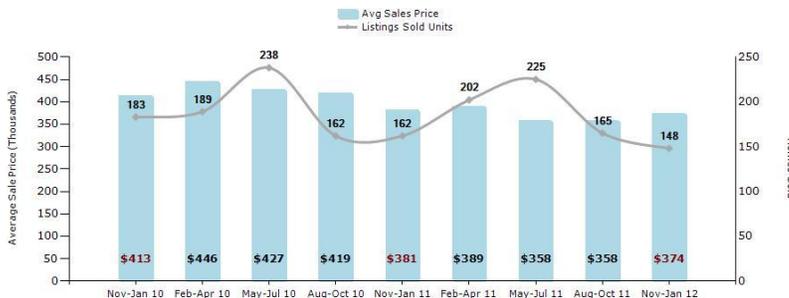
Detached Properties - Listings Sold 3 Months Ending January 31, 2012



	1-year			2-year		
	Nov - Jan 11	Nov - Jan 12	% Change	Nov - Jan 10	Nov - Jan 12	% Change
Average Sales Price	732	722	-1.4%	758	722	-4.7%
Homes Sold	498	475	-4.6%	615	475	-22.8%

In the three months between November 2011 and January 2012, detached homes were more affordable than they've been in over two years.

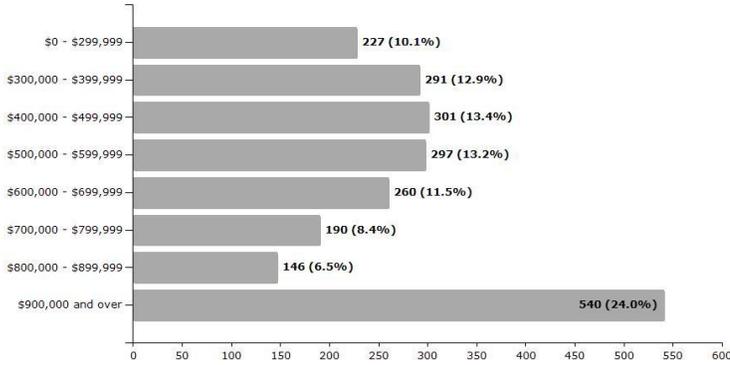
Attached Properties - Listings Sold 3 Months Ending January 31, 2012



	1-year			2-year		
	Nov - Jan 11	Nov - Jan 12	% Change	Nov - Jan 10	Nov - Jan 12	% Change
Average Sales Price	381	374	-1.8%	413	374	-9.4%
Homes Sold	162	148	-8.6%	183	148	-19.1%

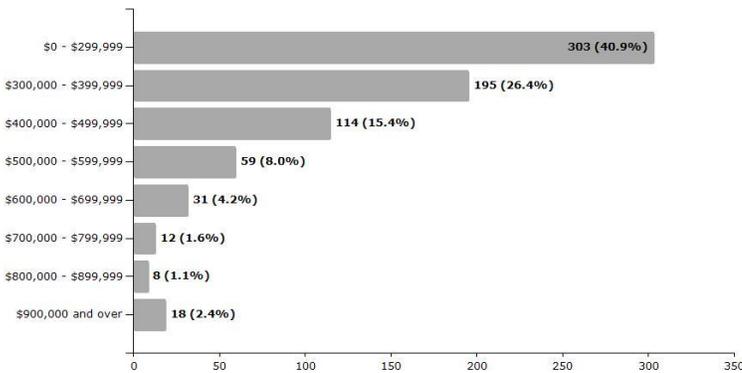
In the three months between November 2011 and January 2012, attached homes rose higher in price, but remain affordable compared to a year ago.

Detached Properties - Listings Sold Units By Price Range



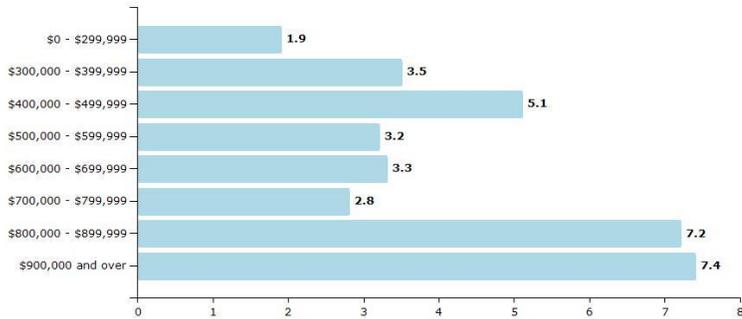
In the year ending January 31, 2012, sales volume for detached homes is comfortably spread across all price points, with 24% of sales at \$900K and above.

Attached Properties - Listings Sold Units By Price Range



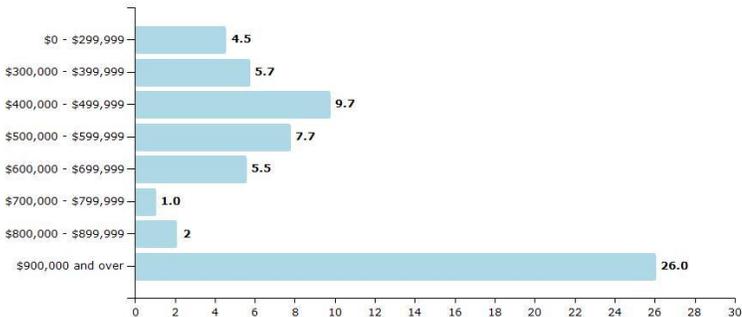
In the year ending January 31, 2012, nearly 41% of attached homes sold were under \$300K.

Detached Properties - Inventory in Months' Supply



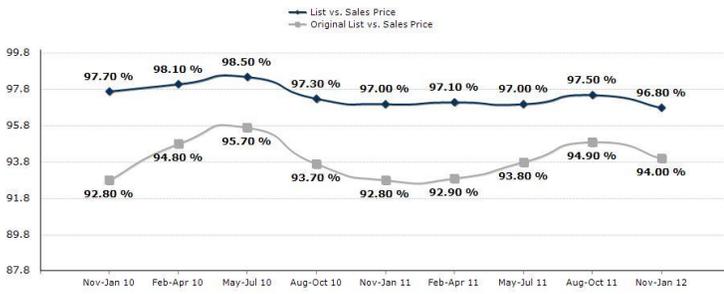
Detached homes are in a balanced market in all price ranges under \$1 million. A balanced market has approximately three to six months of supply on hand, depending on the normal sales cycle for the area.

Attached Properties - Inventory in Months' Supply



Attached homes are in a balanced market under \$400K 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 96.8% of the most recent published price.

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