

REAL ESTATE REPORT

SAN GABRIEL VALLEY | DECEMBER 2012



Post-election Prospects for Housing Deem Positive

With the U.S. Presidential election behind us, most of the uncertainty that has held our markets in suspense is gone. Though Wall Street reacted with a temporary freefall, just as it did following the election in 2008, such volatility only improves the outlook for housing.

Home ownership has long been considered the third cornerstone of the asset-allocation pyramid, alongside stocks and bonds. While the home ownership rate has fallen from the peak of 69.2%, set in 2004, at 65.4% the rate has returned to the historical mean – where it was in 1997, says the Commerce Department. That was the year of the Tax Relief Act of 1997, one of the first federal stimulus acts that improved tax deductions for home owners.

With mortgage interest rates continuing to break records in October and still hovering near all-time lows in November, the borrowing costs for housing compared to other forms of credit are irresistible.

Further, home prices nationwide remain well below pre-recession levels. In February, prices reverted to where they were in 2002, but have steadily risen since then, according to the National Association of REALTORS®. Home prices have risen for seven straight months on buying demand, reaching a median \$183,900 in September 2012, up 11.3% from the previous year.

The Federal Reserve Bank of Atlanta found that the median credit scores for mortgage borrowers is 40 points higher than it was

in 2006, allowing many to buy homes without as much risk to themselves or to banks. National credit scores are the highest they've been in 12 years.

That brings us to the biggest challenge facing housing now – supply. Nationally, housing inventories are below the benchmark six-month level considered by many to signal a healthy, balanced market. In California, supplies are critically short in some areas and in some price ranges, to the point where sales volume is being restricted on lack of available homes.

In September, sales volume was down 5.2% from August on a tight 3.7-months' supply, says the California Association of REALTORS® (C.A.R.).

But there's still a lot of good news for buyers. Dataquick found that the typical California mortgage payment in September 2012 was 54.9% lower than the 1989 peak, and 63.9% lower than the 2006 peak (adjusted for inflation). Median California home prices peaked at \$484,000 in 2007, hit bottom at \$221,000 in 2009 and are currently at \$287,000, the highest level since August 2008.

Despite rising prices, it's still an excellent time to buy a home.

The only other question concerning housing is the fate of the mortgage interest federal deduction, one of the most popular home owner benefits there is. Pundits such as Trulia's Chief Economist Jed Kolko believe that the administration will likely let it

remain, or reduce the benefit for only the most wealthy home owners. With "blue" states such as California, Michigan and Nevada, which were hit hard in the housing downturn and still in recovery, voting overwhelmingly for President Obama, it's unlikely the administration would reward such loyalty by eliminating such a popular tax deduction.

Currently, there isn't an economic driver to compel prices backward, particularly in California. The state's foreclosures have fallen to the lowest levels in years, says Dataquick, and mortgage defaults are at the lowest they've been since Q1 2007, the onset of the housing downturn. One reason is that the jobless rate in California is declining – down to 9.7% from 11.5% by Labor Department calculations.

The median price of a single-family detached home in California was \$345,000 in September 2012, up 19.5% from \$288,700 in September 2011. It's the largest year-over-year increase since May 2010 when federal tax credits were stimulating home buying for first-timers.

This time, however, there are no tax credits and no incentives for any home buying demographic. Housing sales are decreasing in moderate price ranges on zero-to-three-month supplies, says C.A.R. Vice President and Chief Economist Leslie Appleton-Young, but they are rising in middle and upper-end price ranges where inventories aren't so constrained. "Sales of homes priced \$400,000-\$500,000 rose more than

14%, and those priced above \$500,000 increased more than 15%," she said in a November release.

In C.A.R.'s recent Annual Housing Market Survey, there was good news for sellers: 57% of home sales received multiple offers - the highest percentage in 12 years. The typical home received 4.2 offers, an increase from 3.5 offers in 2011. Additionally, the survey shows 41% of sellers sold their homes without

discounting their asking price, and homes sold in 32 days, down radically from 67 days in 2011.

Advice for buyers: With inventories at seller-market lows, you may feel homes are disappearing as soon as you find out about them. This is not the time to search for homes without hiring a real estate professional. Your agent may learn about homes coming onto the market and may be able to get you inside far sooner than

the home appears on your favorite home search site.

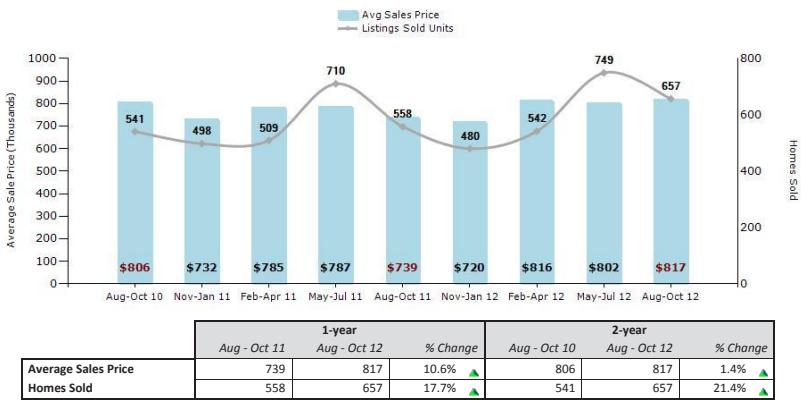
Advice for sellers: If you're wondering whether or not to put your home on the market, keep in mind that housing supply favors sellers right now. Buyers who are shopping now are highly motivated – they may have been shut out by the summer rush, or they may be transferring with a company and need to be settled by the new year.

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Year-over-year, San Gabriel Valley sale prices and transaction volume were higher for traditional homes priced under \$1 million. Between August and October 2012, sale prices rose for detached homes while attached home sales drifted lower over 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 October 31, 2012



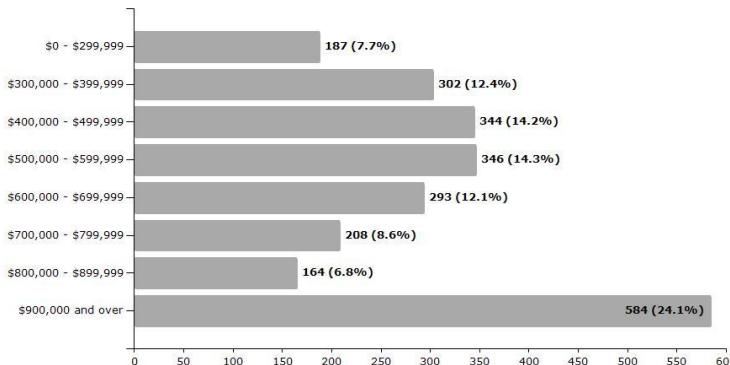
Between August and October 2012, sale prices rose while transaction volume declined for detached homes over the previous three-month period.

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



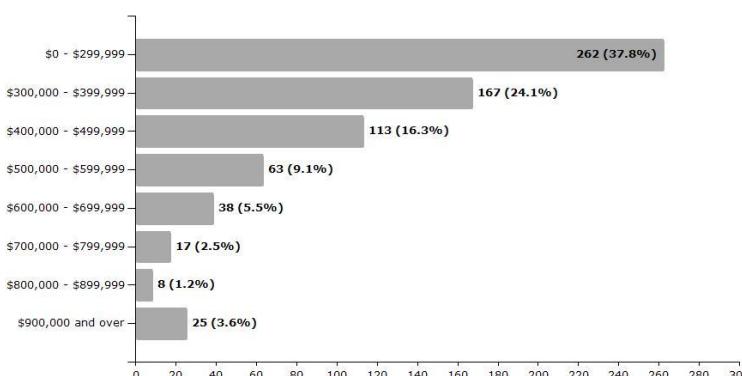
Between August and October 2012, sale prices and sales volume declined for attached homes from the previous three-month period.

Detached Properties - Listings Sold Units By Price Range



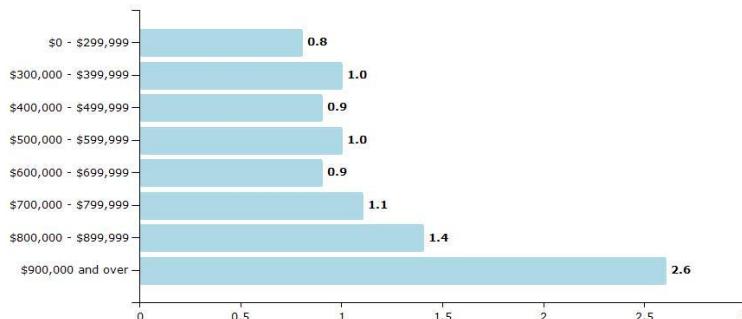
In the year ending October 31, 2012, over 24% of detached homes sold were \$900K or above.

Attached Properties - Listings Sold Units By Price Range



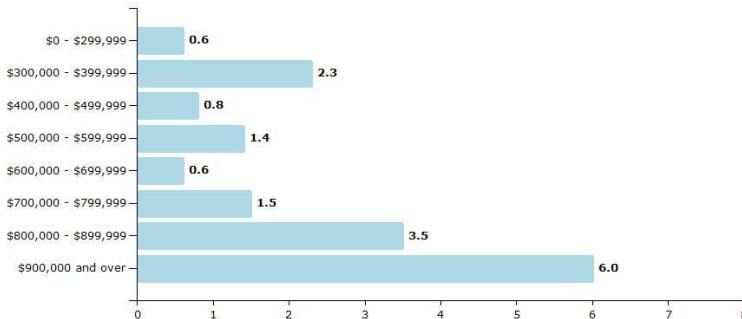
In the year ending October 31, 2012, nearly 62% of attached homes sold were under \$400K.

Detached Properties - Inventory in Months' Supply



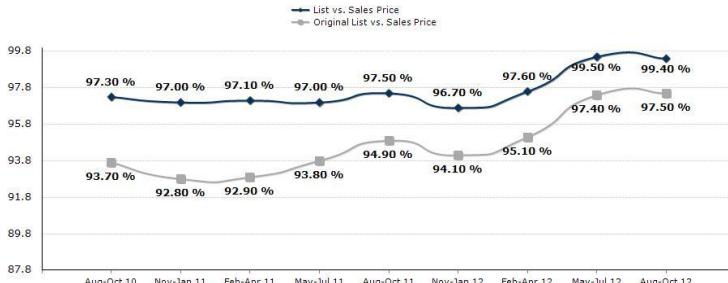
A balanced market has approximately three to six months' supply of homes on hand, depending on the normal sales cycle for the area.

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Detached Properties - Sales Price Ratio



Sellers of detached homes are pricing their homes correctly when they first put them on the market. On average, sellers are receiving 97.5% of the original list price and 99.4% of the most recent published price.

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

Property Zip	Aug. 2012 - Oct. 2012 Average Sale Price	May. 2012 - Jul. 2012 Average Sale Price	% Average Sale Price Gain/Loss
Zip 91203 (Glendale)	\$662,500	\$410,000	61.6%
Zip 91006 (Arcadia)	\$1,222,958	\$886,163	38%
Zip 91754 (Monterey Park)	\$502,683	\$384,000	30.9%
Zip 91007 (Arcadia)	\$1,243,600	\$1,045,866	18.9%
Zip 91010 (Duarte)	\$387,181	\$340,833	13.6%
Zip 91105 (Pasadena)	\$1,002,050	\$1,305,311	-23.2%
Zip 90031 (Los Angeles)	\$218,166	\$278,500	-21.7%
Zip 91106 (Pasadena)	\$1,318,769	\$1,498,011	-12%

For detached homes, the three months between August and October 2012 showed average sale price gains in five zip codes over the previous period.

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

Property Zip	Aug. 2012 - Oct. 2012 Average Sale Price	May. 2012 - Jul. 2012 Average Sale Price	% Average Sale Price Gain/Loss
Zip 91732 (El Monte)	\$380,000	\$145,500	161.2%
Zip 91754 (Monterey Park)	\$501,000	\$268,000	86.9%
Zip 91203 (Glendale)	\$416,312	\$253,333	64.3%
Zip 91101 (Pasadena)	\$513,967	\$403,977	27.2%
Zip 91103 (Pasadena)	\$548,750	\$477,875	14.8%

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