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The Real Estate Report

local market trends

NORTH INLAND SAN DIEGO COUNTY

Is It Time to Buy a Home?

It's funny, back in 2006 and 2007 almost no one was asking that question. Instead, they were asking, "How much home can I buy?"

Wrong question at the wrong time.

Fast forward to today and buyers should be asking "how much home can I buy" and not "is it time to buy a home."

Yes, I know, a real estate agent will always say yes when asked if it's a good time to buy a home.

But, today's market offers an unprecedented opportunity. Let me explain.

First, take mortgage rates, back during the peak of the bubble in 2007 30-year mortgage rates were in the low to mid 6% range. Today? Rates are in the low to mid 4% range, a drop of 33%.

Next, the median price for single-family, re-sale homes in San Diego County peaked at \$585,000 in November 2005. It bottomed out at \$320,000 in March 2009.

The median price has averaged over \$363,000 since the beginning of the year. Yes, you missed the bottom!

O.K., so you're afraid to buy because you don't know where home prices are going. Well, no one has a crystal ball, and, as Wall Street is fond of saying, the past is no predictor of future results. But, with the Fed saying it will keep interest rates low for the next two years, that should put upward pressure on prices.

As Baron Rothschild is credited with saying, "Buy when there's blood in the streets, even if the blood is your own."

Now for the caveats, yes, there are caveats!

As always, the best homes, pristine move-in condition, in the best neighborhoods, i.e. schools, are selling first for the most money with multiple offers.

If the best neighborhood is your primary criterion, and the best homes are beyond your means, consider fixer homes or condos.

If a pristine home is your primary criterion, you will find less competition in other areas.

Trends at a Glance (Single-family Homes)			
	Jul 11	Jun 11	Jul 10
Median Price:	\$ 365,000	\$ 370,000	\$ 385,000
Average Price:	\$ 480,467	\$ 476,900	\$ 491,615
Home Sales:	1,867	1,991	1,822
Pending Sales:	3,608	3,784	2,932
Inventory:	10,494	10,421	11,870
(Condos/Town Homes)			
Median Price:	\$ 205,000	\$ 211,250	\$ 219,500
Average Price:	\$ 259,160	\$ 278,932	\$ 267,714
Condo Sales:	864	932	946
Pending Sales:	1,716	1,683	1,535
Inventory:	4,624	4,742	5,899

Also, inventory is down because the people who are underwater can't sell.

Lastly, you will need to qualify for a loan. That should be your first order of business.

You will absolutely, positively need an in-depth neighborhood market analysis to buy or sell in this market.

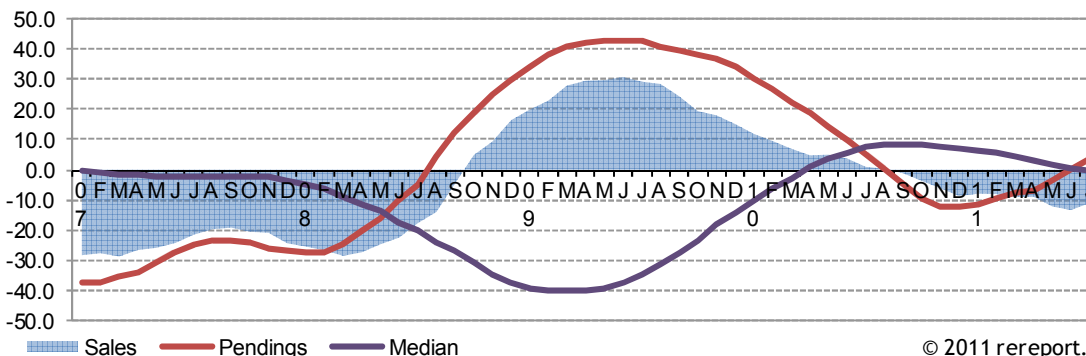
DO NOT DEPEND UPON ZILLOW FOR THIS!!!

If I could get what Zillow says my home is worth, I'd sell it in a minute. According to my calculations, Zillow has over-valued my home by 36%, and that's before selling costs!

P.S. The conforming loan limits are dropping from \$697,500 to \$546,250 for closing after September 30th. Some lenders have already stopped processing loans up to the \$662,500 limit, and all lenders will likely stop on or around September 1 for new applications.

If you were planning on using an FHA loan to purchase a home with only 3.5% down and are looking at homes priced over \$500,000, you have to purchase a home **NOW**. Otherwise, save up a little more and get a conventional loan in the future.

San Diego County Homes: Sales Momentum



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Mortgage Rate Outlook

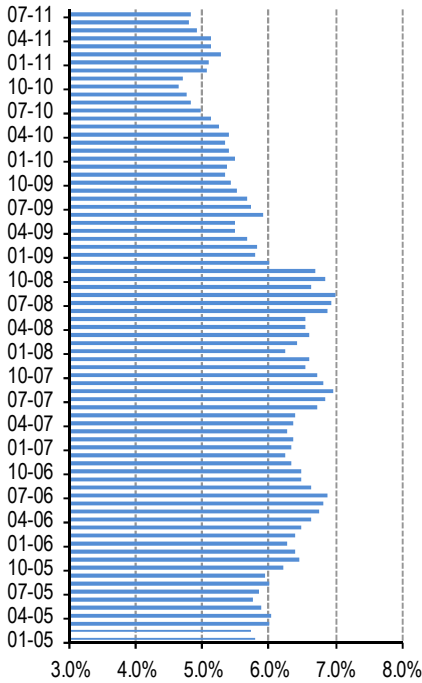
Aug. 5, 2011 -- HSH.com's broad-market mortgage tracker -- our weekly Fixed-Rate Mortgage Indicator (FRMI) -- found that the overall average rate for 30-year fixed-rate mortgages decreased by fifteen basis points (0.15), moving to an average of 4.65%, a 2011 low. FHA-backed 30-year fixed-rate mortgages, especially important to first-time homebuyers and low-equity refinancers, saw a sixteen-basis-point (0.16) decline to close the week at 4.31%. Given the wide differential in interest rates, at least some borrowers should be considering hybrid 5/1 ARMs. The five-year fixed-rate periods of these loans declined by seven hundredths of a percent to close the week at an average of just 3.29%. A borrower with a \$300,000 loan willing to accept the risk of higher future payments would save about \$20,000 over the next five years.

After a tremendous political fight, in exchange for being able to borrow more money at the moment, the debt ceiling agreement signed on Tuesday calls for spending cuts over the next ten years. This suggests that there won't be much in the way of additional spending to push

economic growth forward anytime soon, and this in turn might exacerbate a slower recovery with a lower potential for inflation. Entities on both sides of the aisle expressed unhappiness about the terms of the deal. As far as revenues go, a growing economy will produce far more in the way of this then would any changes to marginal tax rates for some or even closing tax "loopholes". Perhaps the Congress might consider ways to foster confidence by businesses, so that they will start to hire again and boost the economy.

Next week, mortgage rates will begin the week still trending downward. On Tuesday, there is a Federal Reserve Open Market Committee meeting; after this week, it's a reasonable assumption that they will be quite concerned about the fragile market psyche. We expect that the release which will accompany the meeting's close will nod toward modest growth, levelling inflation trends and troubles overseas. The Fed will of course say it is watching carefully and will employ necessary means to support the economy if it believes that it needs to do so, but will not tip

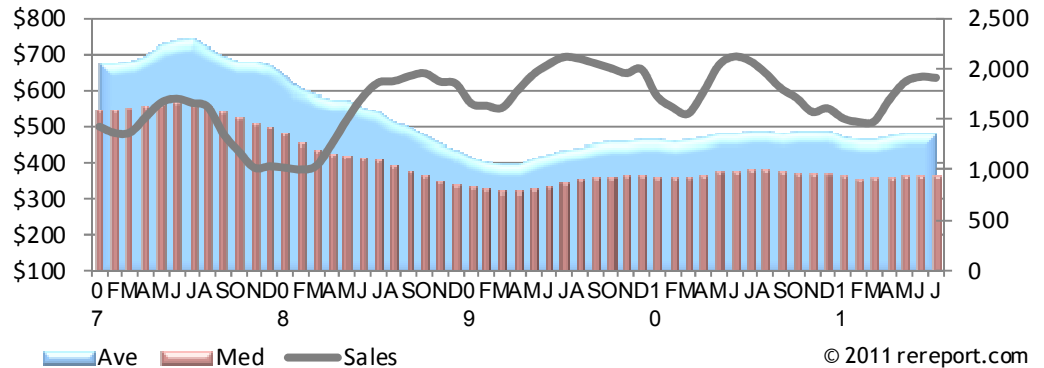
30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by HSH.com. The average includes mortgages of all sizes, including conforming, "expanded conforming," and jumbo.

San Diego County — Homes: Sold Prices & Unit Sales

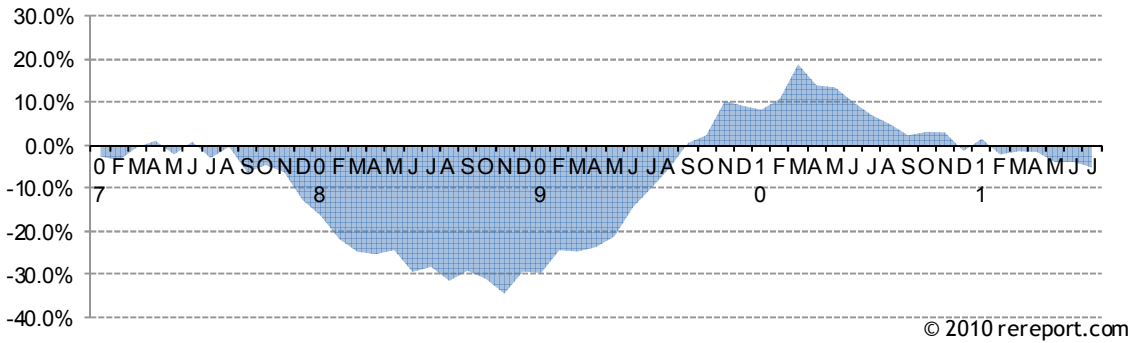
(3-month moving average — price in \$000's)



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North San Diego County Inland - July 2011												
SINGLE-FAMILY HOMES								% Change from Year Before				
Prices								Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven
County	\$ 365,000	\$ 480,467	1,867	3,608	10,494	169	97.2%	-5.2%	-2.3%	2.5%	23.1%	-11.6%
North County Inland	\$ 380,000	\$ 444,207	603	1,144	3,482	173	97.1%	-5.0%	-2.5%	5.1%	29.3%	-11.6%
Bonsall	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a
Borrego Springs	\$ 275,000	\$ 248,333	3	9	60	600	92.9%	298.6%	44.2%	0.0%	50.0%	-33.3%
Escondido	\$ 320,000	\$ 341,984	145	252	784	162	96.9%	-4.5%	-5.1%	10.7%	27.3%	-5.5%
Julian	\$ -	\$ -	0	0	0	0	0.0%	n/a	n/a	n/a	n/a	n/a
Mira Mesa	\$ 369,900	\$ 371,478	37	70	152	123	98.0%	-6.9%	-10.1%	15.6%	191.7%	-11.1%
Poway	\$ 515,000	\$ 647,529	49	81	214	131	96.3%	-18.9%	-11.3%	40.0%	285.7%	-31.4%
Ramona	\$ 299,000	\$ 291,720	35	72	242	207	97.2%	-0.3%	-13.5%	40.0%	148.3%	-10.4%
Rancho Bernardo	\$ 575,000	\$ 727,370	71	133	418	177	96.9%	-5.8%	9.9%	-6.6%	291.2%	-12.9%
Rancho Penasquitos	\$ 540,000	\$ 556,956	23	40	122	159	96.9%	-2.7%	1.1%	-30.3%	263.6%	-23.8%
San Marcos	\$ 387,000	\$ 374,023	79	145	411	156	97.6%	13.8%	2.7%	21.5%	163.6%	-18.8%
Scripps Miramar	\$ 653,500	\$ 696,909	32	57	101	95	97.5%	-13.4%	-12.3%	33.3%	137.5%	-39.2%
Valley Center	\$ 345,000	\$ 356,860	15	43	142	284	100.6%	-20.4%	-12.5%	7.1%	87.0%	-16.5%
Vista	\$ 312,500	\$ 322,552	64	134	386	181	97.5%	-8.8%	-1.1%	0.0%	226.8%	-18.7%

San Diego County Homes: Year-Over-Year Median Price Change



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FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in San Diego County declined 22.9% in June from the year before, and were down 1.4% from May.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, dropped 9.9% from May, and were down 36.7% year-over-year.

After the filing of a Notice of Trustee Sale, there are only three possible outcomes. First, the sale can be cancelled for reasons that include a successful loan modification or short sale, a filing error, or a legal requirement to re-file the notice after extended postponements.

Alternatively, if the property is taken to sale, the bank will place the opening bid. If a third party, typically an investor, bids more than the bank's opening bid, the property will be sold to the third party; if not, it will go back to the bank and become part of that bank's REO inventory.

In May, cancellations fell 2.7% from May, and were down 41% year-over-year.

Properties going back to the bank were down 18.4% from May, but were up 0.7% compared to June 2010.

The total number of properties that have had a notice of default filed declined by 34.4% in June compared to June 2010.

The total number of properties scheduled for sale declined by 25.8%, year-over-year. Both of these are very positive signs.

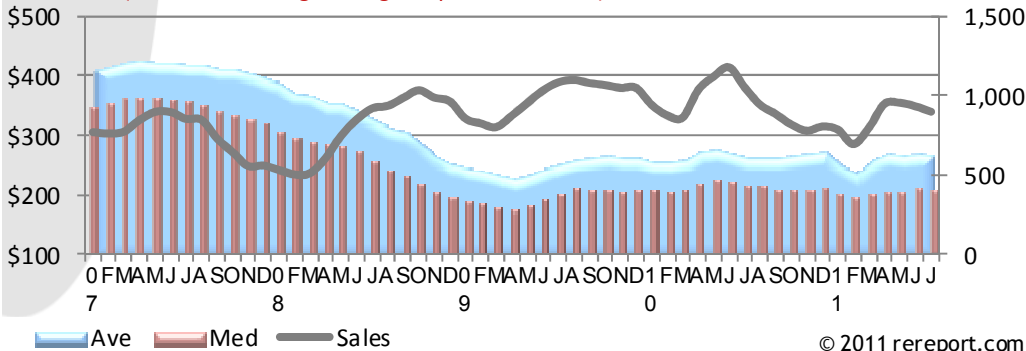
But, the total number of properties owned by banks rose by 3.4% year-over-year. There are about 6,500 properties owned by the banks. At the current rate of sales, that's a two-month supply.

All-in-all, the numbers are pretty much a mixed bag at this point.

Foreclosure statistics provided by: <http://foreclosureradar.com>.

San Diego County — Condos: Sold Prices & Unit Sales

(3-month moving average — price in \$000's)



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Table Definitions

Median Price

The price at which 50% of prices were higher and 50% were lower.

Average Price

Add all prices and divide by the number of sales.

SP/LP

Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI

Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend

Property under contract to sell that hasn't closed escrow.

Inven

Number of properties actively for sale as of the last day of the month.

North San Diego County Inland - July 2011													
CONDOS								% Change from Year Before					
Prices								Prices					
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend	Inven	
County	\$ 205,000	\$ 259,160	864	1,716	4,624	161	97.4%	-6.8%	-1.1%	-7.7%	12.8%	-20.9%	
North County Inland	\$ 205,000	\$ 208,070	177	323	834	141	97.3%	-1.0%	-5.0%	-5.3%	10.6%	-15.2%	
Escondido	\$ 123,000	\$ 117,345	21	35	87	124	97.9%	-8.0%	-15.4%	-34.4%	2.9%	-40.4%	
Mira Mesa	\$ 180,000	\$ 176,233	15	31	100	200	97.1%	-15.9%	-15.3%	-21.1%	82.4%	-12.3%	
Poway	\$ 271,000	\$ 258,004	6	9	19	95	95.3%	9.5%	4.3%	200.0%	200.0%	-13.6%	
Ramona	\$ 107,575	\$ 134,788	4	4	19	143	97.7%	-49.8%	-31.5%	-33.3%	100.0%	58.3%	
Rancho Bernardo	\$ 225,500	\$ 240,622	44	89	257	175	96.8%	-18.0%	-15.4%	-13.7%	117.1%	-18.4%	
Rancho Penasquitos	\$ 178,000	\$ 187,995	19	36	59	93	98.3%	-40.7%	-34.8%	46.2%	260.0%	-37.9%	
San Marcos	\$ 217,500	\$ 211,525	26	58	137	158	96.6%	-13.9%	-16.6%	-13.3%	141.7%	-25.1%	
Scripps Miramar	\$ 316,000	\$ 332,719	16	29	62	116	98.0%	1.1%	3.4%	-27.3%	93.3%	-16.2%	
Vista	\$ 210,000	\$ 204,959	20	27	63	95	98.4%	21.7%	19.0%	11.1%	80.0%	-12.5%	

The Real Estate Report
 N. Inland San Diego County

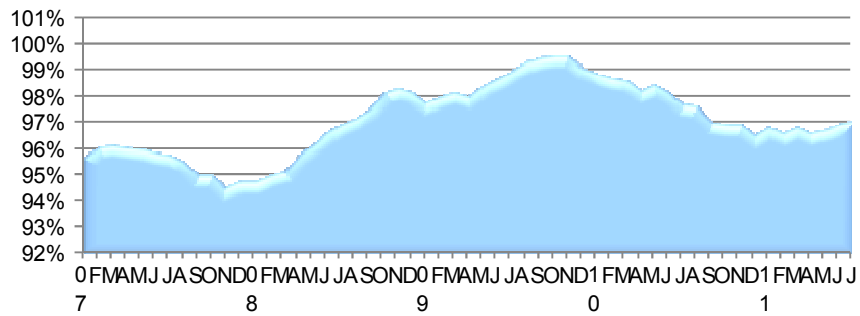
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 go to our web-site at:

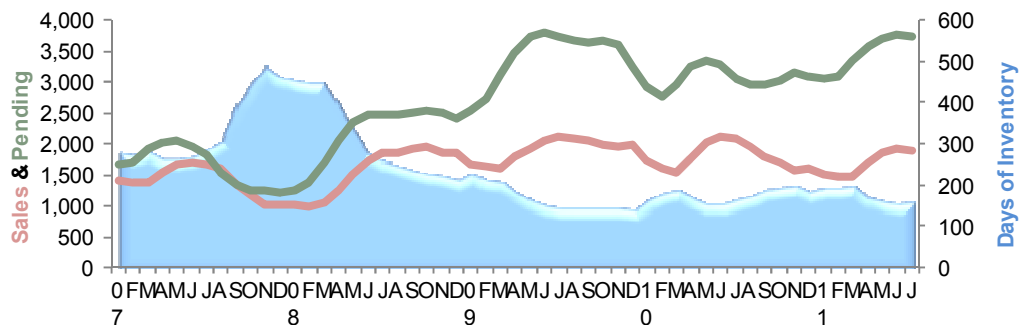
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San Diego County: Single-family Homes
 Sales Price/Listing Price Ratio



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San Diego County Homes - Sales, Pending & Days of Inventory
 (3-month moving average)



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