

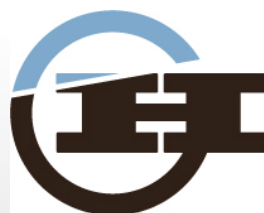
HERNHOLM GROUP'S MARKET UPDATE

DEL MAR, CA 92014

- **Current Real Estate Market Conditions for Condos & Townhomes**
- **Trends in Pricing**
- **Current Levels of Supply and Demand**
- **Value Metrics**

- **Report for the week of**
May 17, 2010

- **Presented by Hernholm Group**
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HERNHOLM GROUP

This Week

- The median list price in DEL MAR, CA 92014 this week is \$744,000. The 52 properties have been on the market for an average of 108 days.

Inventory has been tightening but days-on-market and the Market Action Index have been basically unchanged, not providing strong indication for market conditions.

Supply and Demand

- The Market Action Index has been trending lower for several weeks while prices have remained relatively stable. If inventory continues to grow relative to demand however, it is likely that we will see downward pressure on pricing.

| Real-Time Market Profile | | Trend |
|---|--------------|-------|
| Median List Price | \$ 744,000 | ↔ |
| Average List Price | \$ 901,152 | |
| Asking Price Per Square Foot | \$ 446 | ↔ |
| Average Days on Market (DoM) | 108 | ↔ |
| Inventory of Properties Listed | 52 | ↓↓ |
| Most Expensive Listing | \$ 5,995,000 | |
| Least Expensive Listing | \$ 180,000 | |
| Average Age of Listing | 31 | |
| Percent of Properties with Price Decrease | 42 % | |
| Percent Relisted (reset DOM) | 12 % | |
| Percent Flip (price increased) | 4 % | |
| Median House Size (sq ft) | 1326 | |
| Median Number of Bedrooms | 2.0 | |
| Median Number of Bathrooms | 2.0 | |

| Altos Research Value Statistics | | |
|---------------------------------|----------------|--------|
| Market Action Index | Strong Buyer's | 15.3 ↔ |

The Market Action Index answers the question "How's the Market?" By measuring the current rate of sale versus the amount of the inventory. Index above 30 implies a seller's advantage. Below 30, conditions give the advantage to the buyer.

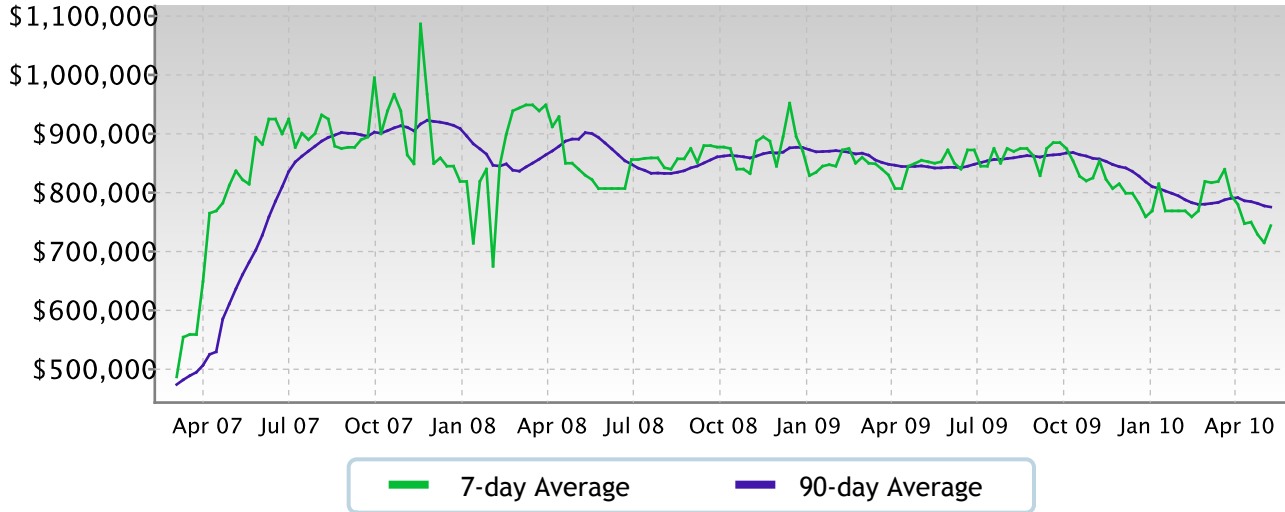
Trend Key: ↑↑ Strong upward trend ↓↓ Strong downward trend
 ↔ No change ↑ Slight upward trend ↓ Slight downward trend

Characteristics per Quartile

| Quartile | Median Price | Sq. Ft. | Beds | Baths | Age | Inventory | New | Absorbed | DOM | |
|---------------|--------------|---------|------|-------|-----|-----------|-----|----------|-----|-----------------------------------|
| Top/First | \$ 1,650,000 | 1643 | 3.0 | 2.5 | 20 | 13 | 0 | 0 | 127 | Most expensive 25% of properties |
| Upper/Second | \$ 795,500 | 1561 | 2.0 | 2.5 | 35 | 13 | 2 | 0 | 133 | Upper-middle 25% of properties |
| Lower/Third | \$ 480,000 | 1380 | 2.0 | 2.5 | 37 | 13 | 0 | 0 | 114 | Lower-middle 25% of properties |
| Bottom/Fourth | \$ 219,500 | 800 | 1.0 | 1.0 | 37 | 13 | 0 | 1 | 59 | Least expensive 25% of properties |

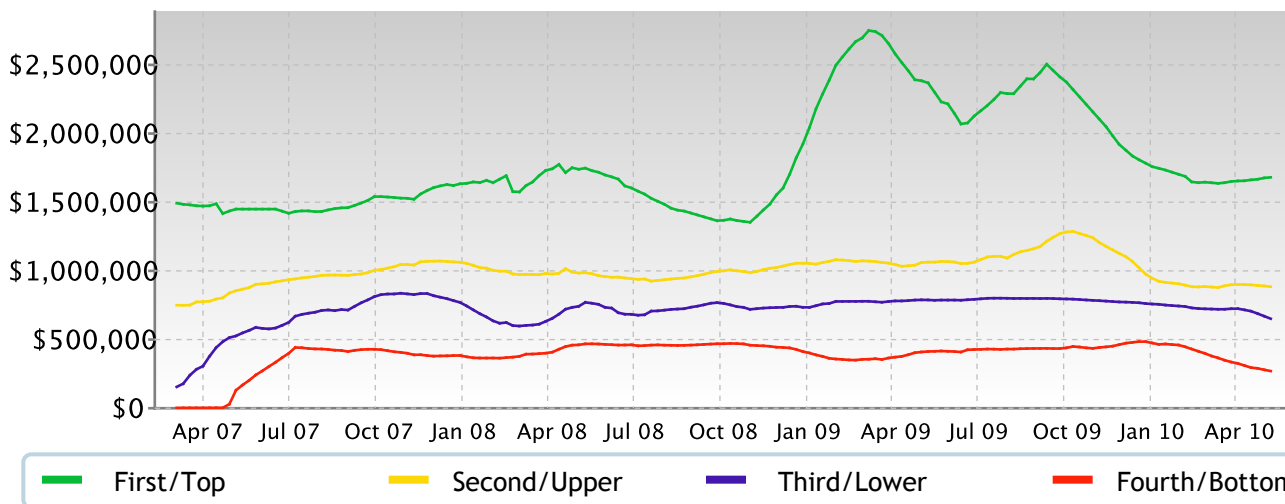
Median Price

We continue to see prices in this zip code hovering around these current levels, even though they bumped up a bit this week. Look for a persistent up-shift in the Market Action Index before we see prices move significantly from here.



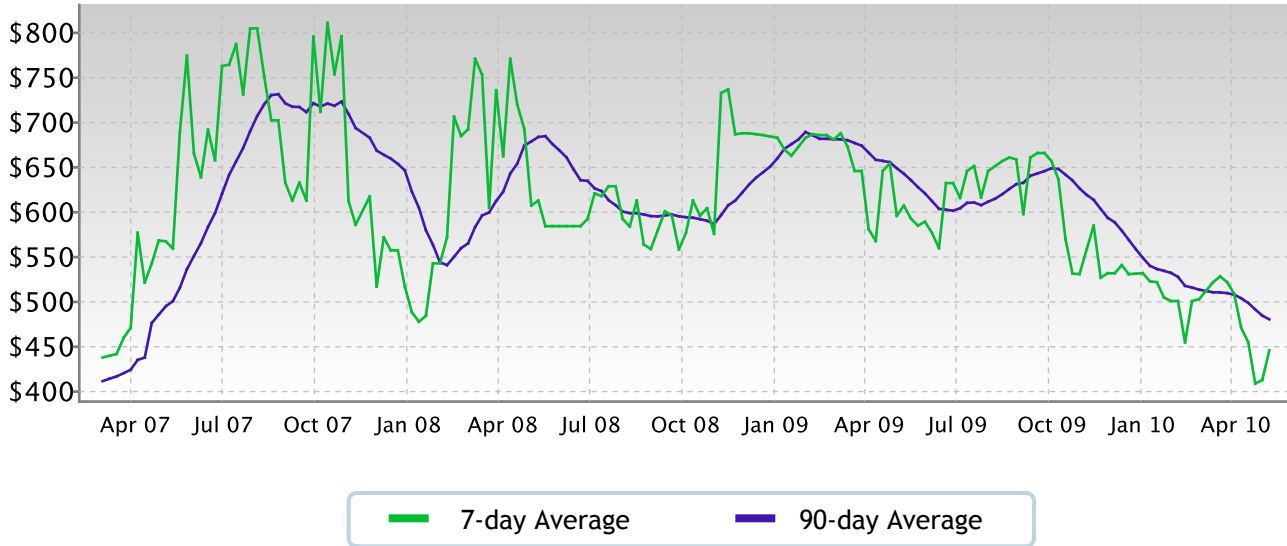
Quartile Prices

In the quartile market segments, we see the upper end of the market in this zip code showing weakness. While there is enough demand in the low end (Quartiles 3 and 4) to keep prices flat, unless there is a persistent up-shift in the Market Action Index, the entire market may resume a down trend soon.



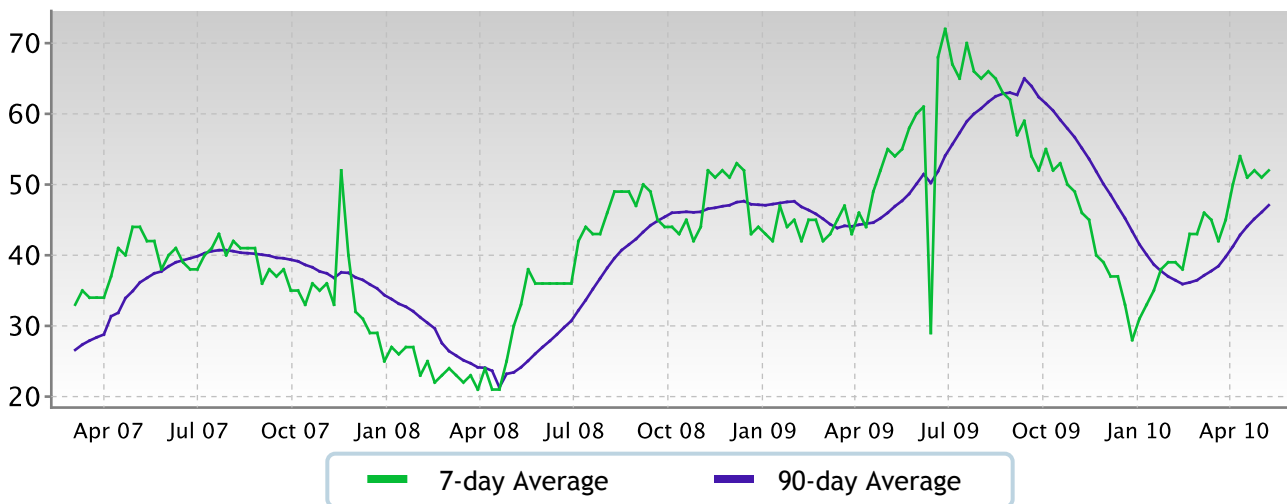
Price per Square Foot

The market plateau is seen across the price and value. The price per square foot and median list price have both been reasonably stagnant. Watch the Market Action Index for persistent changes as a leading indicator before the market moves from these levels.



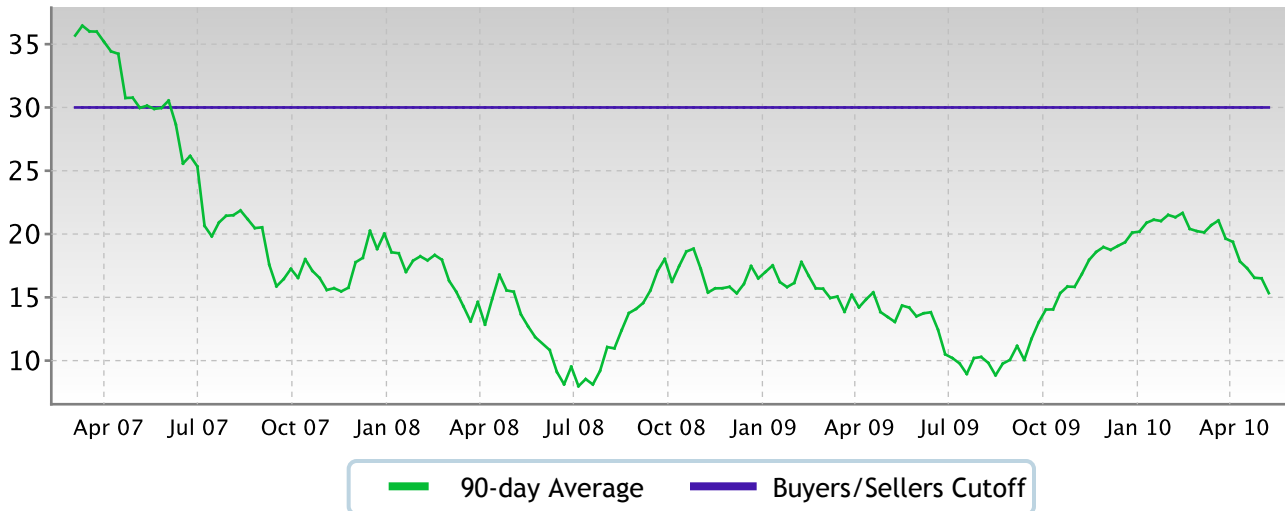
Inventory of Properties Listed for Sale

Inventory has been falling in recent weeks. Note that declining inventory alone does not signal a strengthening market. Look to the Market Action Index and Days on Market trends to gauge whether buyer interest is changing with the available supply.



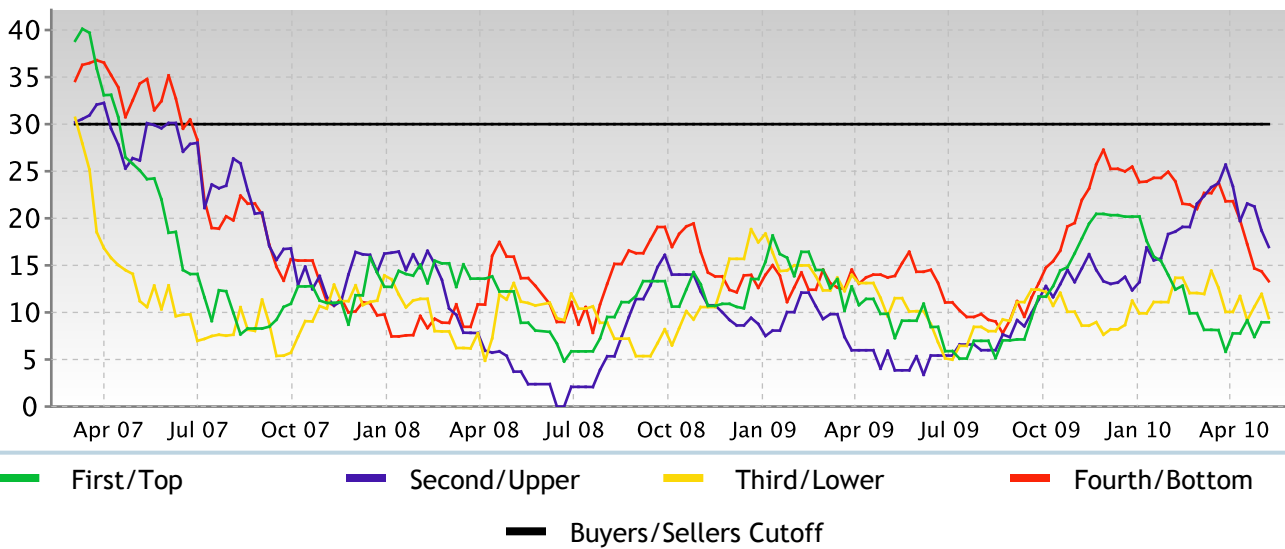
Market Action Index

The DEL MAR, 92014 market is currently quite strongly in the Buyer's Advantage zone (below 30). The 90-day Market Action Index stands at 15.33. With several months of inventory available at the current sales rate, buyers should find ample choice.



Market Action Index per Quartile

Not surprisingly, all quartiles are in the Buyer's Market zone with several months of inventory given the current levels of demand. Watch the quartiles for changes before the overall market shifts.

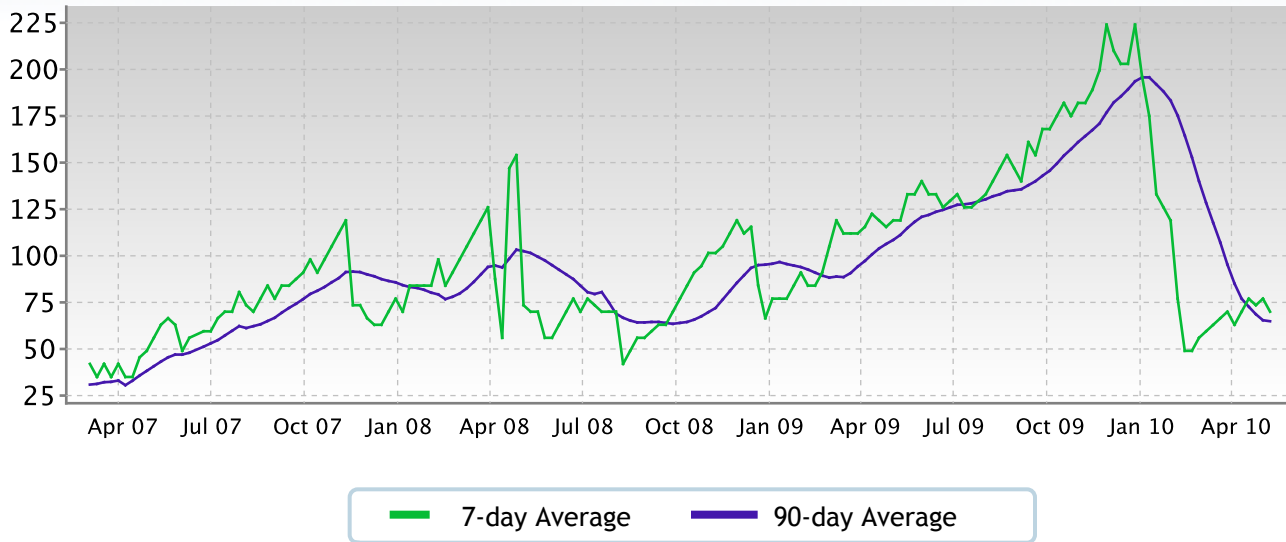


Residential house prices are a function of supply and demand, and market conditions can be characterized by analyzing those factors. Watch this index for sustained changes: if the index falls into the Buyer's Advantage zone (below 30) for a long period, prices are likely in for a downward correction.

The Market Action Index (MAI) illustrates a balance between supply and demand using a statistical function of the current rate of sale versus current inventory.

Days on Market

The properties have been on the market for an average of 108 days. Half of the listings have come newly on the market in the past 70 or so days.



Days on Market per Quartile

It is not uncommon for the higher priced homes in an area to take longer to sell than those in the lower quartiles.

