

Local Home Sale Trends Since 2006

The two questions on everyone's mind are: 1) how much has the market dropped; and 2) has it hit bottom yet? The first one is easy to answer with real numbers, while the second is not, however, based on our professional experience we can provide a forecast of future trends.

To answer the first question, we took a look at the statistical data beginning in the peak years of 2006 and 2007, including a wide range of cities and neighborhoods in the analysis. From examining the data, we found that there are many sub-stories. Some communities, such as Richmond, have seen substantial loss of value, mostly due to foreclosures. Others areas, such as Rockridge, have more modest but still significant drops in the median price. This is largely a result of the decline in the sale of luxury homes (over \$1 million), due to the difficulty in securing super jumbo loans caused by

the credit crisis. In the past year, Berkeley has seen an increase in REOs (bank-owned properties) and short sales (where the loan amount is greater than the home's value), as well as a significant drop in sales of \$1 million plus homes. In 2006, Berkeley had 132 sales of homes over a million dollars, 134 in 2007, 100 in 2008, and during the first 6 months of 2009, there have been only 29 such sales. These factors contribute to the sudden decline in the median sales price.

With the exception of parts of Richmond, where sales volume is relatively high because of distressed homes being bought by first-time buyers and investors, the number of homes on the market remains considerably down from past highs. We believe this is due in large part to sellers holding onto their homes as they attempt to ride out the down market. This lack of inventory has created two side effects. First, buyers have less choice in available listings, which means it typically takes longer for them to find their "perfect" home. Second, when a well-priced property that shows well hits the market, it frequently will receive multiple offers. We also continue to have over-bidding, the amounts determined by many factors including list price.

Now to the more difficult question of whether the market has stabilized or if it will continue to slide. A recent informal poll of knowledgeable local Realtors shows that most of us believe the worst is over, and that we're "bouncing along the bottom" waiting for the overall economic outlook to improve. Most of us think that we may continue along the bottom through this year's end, and then perhaps there will be a slow and steady recovery of 2% to 3% over the coming years.

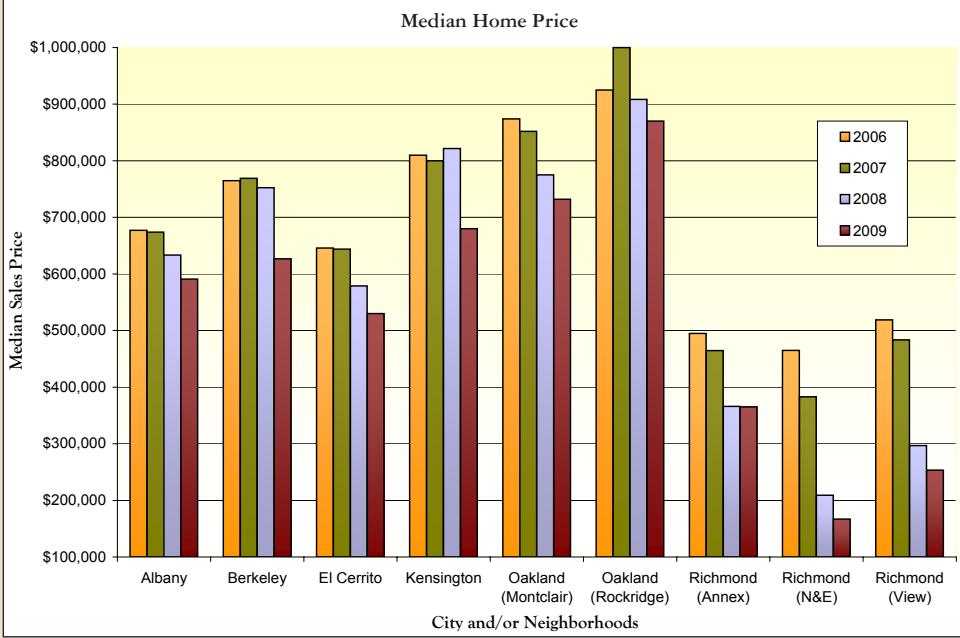
As we know, statistics can be subject to a wide range of interpretations. We've provided just a glimpse of an overview of the market and a brief analysis. We invite you to call or write us to discuss the trends as well as how the market is doing in your specific locality. Given the wide swing of median home prices across a relatively small geographic area, the unique location of each property is worth a special analysis that we are happy to provide.

SALES TRENDS ~ THROUGH 2ND QUARTER 2009 ~ SFR BY CITY (NEIGHBORHOOD) ~ 2006 TO 2009

Source EBRDI ~ data deemed reliable but not guaranteed

City	Median Sales Price						Total Sales Volume			
	2006	2007	2008	2009 *	Change 2008-09	Change 2006-09	2006	2007	2008	2009 *
Albany	\$677,000	\$674,000	\$633,500	\$591,000	-7%	-13%	106	102	72	33
Berkeley	\$765,000	\$769,000	\$752,375	\$626,708	-17%	-18%	572	467	444	190
El Cerrito	\$646,000	\$644,000	\$579,000	\$530,000	-8%	-18%	246	209	156	73
Kensington	\$810,000	\$800,000	\$821,776	\$680,000	-17%	-16%	69	49	50	23
Oakland (Montclair)	\$874,000	\$852,000	\$775,000	\$732,000	-6%	-16%	192	179	162	61
Oakland (Rockridge)	\$925,000	\$1,000,000	\$908,500	\$870,000	-4%	-6%	131	161	122	44
Richmond (Annex)	\$495,000	\$464,500	\$366,000	\$365,000	0%	-26%	51	31	23	13
Richmond (N&E)	\$465,000	\$383,000	\$209,000	\$167,062	-20%	-64%	163	104	212	113
Richmond (View)	\$519,000	\$483,500	\$297,000	\$253,500	-15%	-51%	97	78	68	48

* First 6 months of 2009



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