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The Real Estate Report

local market trends

NORTH INLAND SAN DIEGO COUNTY

Home Sales Up, Prices Down in 2011

Single-family, re-sales home sales were up 2.5% last year in San Diego County.

Unfortunately, after a nice gain of 7.1% in 2010, the median price was down last year. The median price for homes dropped 5.3%. The average price dropped 3%.

Condo sales in the county were down 5.7% compared to 2010.

The median price for condos dropped 6.8%.

THE CALIFORNIA ASSOCIATION OF REALTORS® expects the median home price to increase 1.7% in 2012. They forecast sales to increase by 1%.

“2012 will be another transition year for the California housing market, as the continued uncertainty about the U.S. financial system, job growth, and the stability of the overall economy remain,” said C.A.R. Vice President and Chief Economist Leslie Appleton-Young. “An improvement in job growth, consumer spending, and corresponding gains in housing are essential to a broader recovery in the

economy, but would-be buyers will remain cautious as they weigh these myriad uncertainties against the clear opportunities presented by today’s very affordable housing market.

“The most likely scenario is for the modest recovery to continue, and this should push sales up slightly next year by 1 percent and maintain levels that are significantly higher than those recorded during the depths of the housing downturn,” said Appleton-Young.

MARKET STATISTICS

Sales of single-family, re-sale homes were up 8.3% year-over-year in December. This is the sixth month in a row home sales have been higher than the year before.

Condo sales were up 25% year-over-year.

The median price for homes was down 5.3% year-over-year.

The median price for condos rose 2.5% year-over-year.

| Trends at a Glance | | | |
|-----------------------|------------|------------|------------|
| (Single-family Homes) | | | |
| | Dec 11 | Nov 11 | Dec 10 |
| Median Price: | \$ 345,500 | \$ 345,000 | \$ 365,000 |
| Average Price: | \$ 451,054 | \$ 452,987 | \$ 483,093 |
| Home Sales: | 1,974 | 1,690 | 1,823 |
| Pending Sales: | 3,084 | 3,585 | 2,811 |
| Inventory: | 7,850 | 8,922 | 9,205 |
| (Condos/Town Homes) | | | |
| Median Price: | \$ 205,000 | \$ 205,000 | \$ 215,000 |
| Average Price: | \$ 259,943 | \$ 251,703 | \$ 273,475 |
| Condo Sales: | 891 | 774 | 858 |
| Pending Sales: | 1,339 | 1,576 | 1,516 |
| Inventory: | 3,460 | 3,932 | 4,717 |

Inventory of both homes and condos continues to be weak. Home inventory was down 14.7% compared to last December.

Condo inventory was down 29.4% year-over-year.

Pending home sales grew by 9.7% year-over-year. That’s thirteen months in a row pending sales have been higher than the year before.

Pending condo sales were down 14.1% compared to last November.

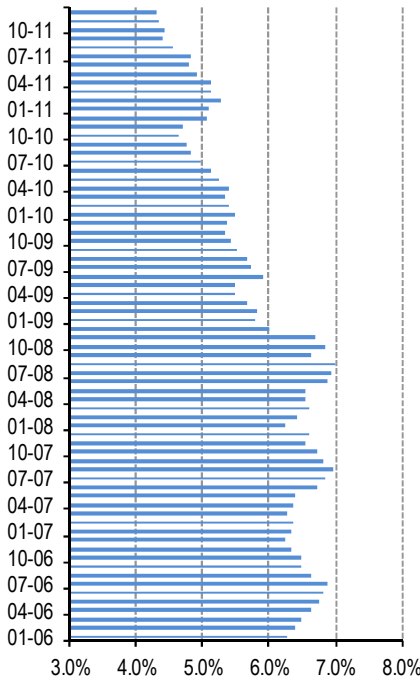
Please remember, while statistics are nice, they will not determine the price you pay or get for a property. That will come down to you and the buyer or seller.

| San Diego County | | | | | | | | | | |
|---------------------|------|------------|------------|--------|--------|------------|--------|--------|--------|--|
| SINGLE-FAMILY HOMES | | | | | | YOY Change | | | | |
| | | Prices | | | Prices | | | | | |
| Area | Year | Median | Average | Sales | SP/LP | DOI | Med | Ave | Sales | |
| SDC | 2003 | \$ 410,000 | \$ 498,756 | 28,723 | 97.5% | 54 | | | | |
| SDC | 2004 | \$ 520,000 | \$ 624,627 | 28,391 | 97.5% | 93 | 26.8% | 25.2% | -1.2% | |
| SDC | 2005 | \$ 560,000 | \$ 683,218 | 26,324 | 96.8% | 137 | 7.7% | 9.4% | -7.3% | |
| SDC | 2006 | \$ 560,000 | \$ 696,839 | 20,375 | 96.2% | 217 | 0.0% | 2.0% | -22.6% | |
| SDC | 2007 | \$ 550,000 | \$ 705,271 | 16,369 | 95.7% | 327 | -1.8% | 1.2% | -19.7% | |
| SDC | 2008 | \$ 390,000 | \$ 513,092 | 19,596 | 96.9% | 224 | -29.1% | -27.2% | 19.7% | |
| SDC | 2009 | \$ 350,000 | \$ 440,767 | 23,088 | 98.9% | 140 | -10.3% | -14.1% | 17.8% | |
| SDC | 2010 | \$ 375,000 | \$ 481,090 | 21,477 | 97.9% | 156 | 7.1% | 9.1% | -7.0% | |
| SDC | 2011 | \$ 355,000 | \$ 466,431 | 22,008 | 96.9% | 130 | -5.3% | -3.0% | 2.5% | |

| San Diego County | | | | | | | | | | |
|------------------|------|------------|------------|--------|--------|------------|--------|--------|--------|--|
| CONDOS | | | | | | YOY Change | | | | |
| | | Prices | | | Prices | | | | | |
| Area | Year | Median | Average | Sales | SP/LP | DOI | Med | Ave | Sales | |
| SCC | 2003 | \$ 278,500 | \$ 319,865 | 14,146 | 98.2% | 37 | | | | |
| SCC | 2004 | \$ 355,000 | \$ 406,286 | 14,236 | 98.4% | 95 | 27.5% | 27.0% | 0.6% | |
| SCC | 2005 | \$ 380,000 | \$ 436,562 | 14,344 | 97.7% | 161 | 7.0% | 7.5% | 0.8% | |
| SCC | 2006 | \$ 365,000 | \$ 426,361 | 10,581 | 97.1% | 233 | -3.9% | -2.3% | -26.2% | |
| SCC | 2007 | \$ 354,000 | \$ 417,743 | 8,873 | 96.4% | 296 | -3.0% | -2.0% | -16.1% | |
| SCC | 2008 | \$ 243,000 | \$ 312,004 | 9,925 | 96.9% | 215 | -31.4% | -25.3% | 11.9% | |
| SCC | 2009 | \$ 203,000 | \$ 256,251 | 11,878 | 98.9% | 140 | -16.5% | -17.9% | 19.7% | |
| SCC | 2010 | \$ 220,000 | \$ 268,824 | 11,253 | 98.9% | 153 | 8.4% | 4.9% | -5.3% | |
| SCC | 2011 | \$ 205,000 | \$ 262,335 | 10,615 | 97.3% | 119 | -6.8% | -2.4% | -5.7% | |

Mortgage Rate Outlook

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.

Jan. 6, 2012 -- Out with the old year, in with the new. After several months of improving economic reports, optimism appears to be growing for the moment that the new year will bring steadily improving economic growth. There will no doubt be challenges both expected and unexpected as 2012 progresses, and probably, some beneficial surprises as well.

Will the housing market be one of them? Could be. Sales of existing homes are nudging higher, builders are building again (at least multifamily stock) and mortgage rates, well, mortgage rates really don't get any lower than they are at the moment and are starting 2012 at approximately 60-year lows. That said, better economic news, should it persist, will tend to bump rates higher as we go.

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 slid by three basis points (.03%) from last week, easing to an average 4.26%, while the FRMI's 15-year companion lost four basis points (.05%) to finish the weekly survey at an average 3.56%. Important to homebuyers and low-equity-stake refiners, FHA-backed 30-year mortgages retreated by four hundredths of a percentage point to 3.89%, while the overall average for 5/1 Hybrid

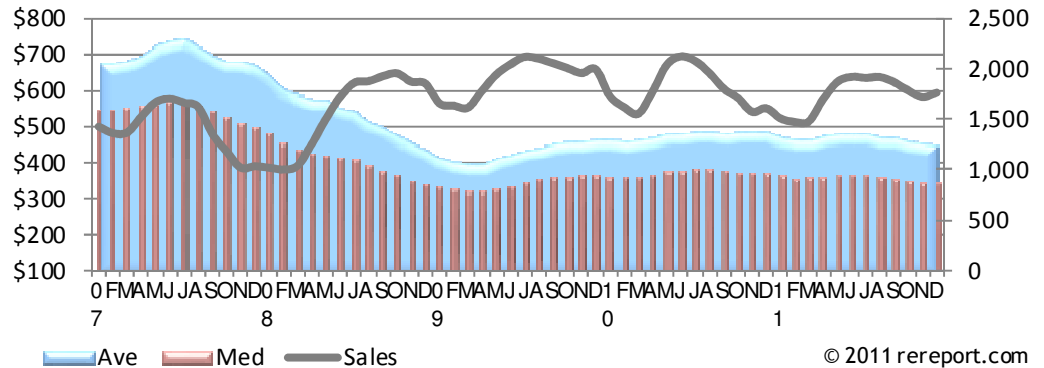
ARMs erased three basis points to end at 3.07%. All the averages are within a basis point or so of record lows.

Mortgage rates are at favorable levels, and it would take monumental economic change for better or worse to move them in either direction very much. At the moment, the warmer economic climate here is providing some much-needed distraction from the troubles in Europe, but those issues continue to influence the markets.

Will the good news continue? More clarity should come next week with the release of Retail Sales data for December, consumer borrowing, initial January consumer sentiment readings and a few other indicators. Look for little change in mortgage rates next week, perhaps a couple of basis point upward movement at most.

San Diego County — Homes: Sold Prices & Unit Sales

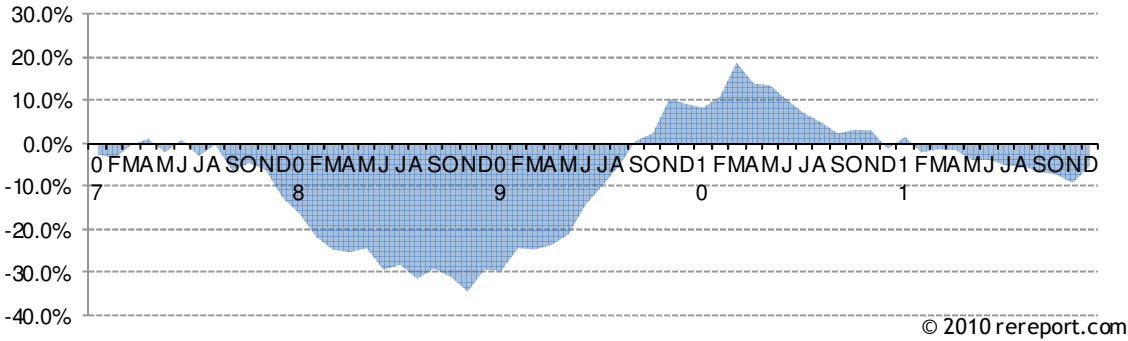
(3-month moving average — price in \$000's)



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| North San Diego County Inland - December 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 | \$ 345,500 | \$ 451,054 | 1,974 | 3,084 | 7,850 | 119 | 96.6% | -5.3% | -6.6% | 8.3% | 9.7% | -14.7% |
| North County Inland | \$ 351,726 | \$ 409,230 | 664 | 982 | 2,577 | 116 | 96.4% | -5.0% | -4.5% | 13.1% | 12.9% | -13.9% |
| Bonsall | \$ 450,000 | \$ 450,000 | 2 | 10 | 37 | 405 | 91.0% | 18.4% | 18.4% | 100.0% | 100.0% | 23.3% |
| Borrego Springs | \$ 117,100 | \$ 186,389 | 9 | 9 | 70 | 203 | 92.4% | 234.6% | 59.0% | 28.6% | 0.0% | -20.5% |
| Escondido | \$ 292,000 | \$ 352,176 | 141 | 203 | 772 | 121 | 95.6% | -4.3% | 3.0% | 2.9% | 5.7% | 24.5% |
| Julian | \$ 285,000 | \$ 337,600 | 5 | 14 | 77 | 378 | 92.2% | 14.0% | 0.5% | 0.0% | 40.0% | 6.9% |
| Mira Mesa | \$ 351,500 | \$ 366,130 | 37 | 62 | 158 | 78 | 95.9% | -3.7% | -2.3% | -9.8% | 24.0% | 6.8% |
| Poway | \$ 472,500 | \$ 597,940 | 36 | 61 | 209 | 123 | 96.7% | 1.6% | 7.2% | -5.3% | -3.2% | 9.4% |
| Ramona | \$ 265,000 | \$ 276,024 | 49 | 71 | 241 | 104 | 94.9% | -7.0% | -15.3% | 48.5% | 14.5% | 14.8% |
| Rancho Bernardo | \$ 612,500 | \$ 643,762 | 77 | 116 | 417 | 117 | 96.9% | 1.2% | -9.6% | 20.3% | 19.6% | 33.2% |
| Rancho Penasquitos | \$ 509,600 | \$ 534,757 | 29 | 31 | 123 | 95 | 96.3% | -7.3% | -8.3% | -6.5% | 19.2% | 35.2% |
| San Marcos | \$ 365,000 | \$ 370,066 | 100 | 133 | 462 | 99 | 96.7% | -6.9% | -1.8% | 22.0% | 26.7% | 25.5% |
| Scripps Miramar | \$ 649,950 | \$ 653,161 | 26 | 25 | 88 | 73 | 96.9% | 1.2% | -1.6% | -18.8% | -35.9% | -3.3% |
| Valley Center | \$ 339,900 | \$ 328,811 | 19 | 43 | 124 | 128 | 95.9% | 22.5% | -7.3% | 46.2% | 10.3% | 2.5% |
| Vista | \$ 300,000 | \$ 327,007 | 81 | 119 | 424 | 113 | 97.1% | -3.2% | 10.5% | 28.6% | 20.2% | 21.8% |

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



FORECLOSURE STATISTICS

Notices of default, the first step in the foreclosure process, in San Diego County declined 18.7% in December from the year before, and were down 24% from November.

Notices of sale, which set the date and time of an auction, and serve as the homeowner's final notice before sale, jumped 14.2% from November, but were down 14.8% 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 December, cancellations were down 17.7% from November, and were down 1.3% year-over-year.

Properties going back to the bank were down 0.4% from November, and were down 8.4% compared to December 2010.

The total number of properties that have had a notice of default filed declined by 25% in December compared to December 2010.

The total number of properties scheduled for sale declined by 33.1%, year-over-year. Both of these are very positive signs.

The total number of properties owned by banks dropped by 13.9% year-over-year.

Foreclosure statistics provided by:

<http://foreclosureradar.com>.

San Diego County — Condos: Sold Prices & Unit Sales

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

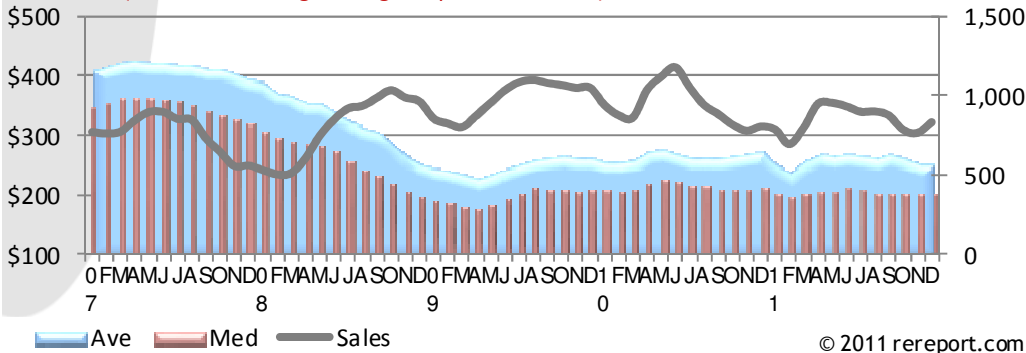


Table Definitions

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 - December 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 | \$ 259,943 | 891 | 1,339 | 3,460 | 116 | 97.2% | 2.5% | 9.1% | 25.0% | -14.1% | -29.4% |
| North County Inland | \$ 200,000 | \$ 211,907 | 166 | 280 | 648 | 117 | 97.6% | -2.4% | -2.5% | 12.2% | -4.8% | -24.3% |
| Escondido | \$ 111,500 | \$ 130,517 | 24 | 32 | 107 | 94 | 96.5% | -4.3% | 1.5% | 9.1% | -48.4% | -5.3% |
| Mira Mesa | \$ 185,000 | \$ 183,083 | 19 | 29 | 98 | 109 | 97.5% | -10.8% | -4.3% | -26.9% | 11.5% | 38.0% |
| Poway | \$ 267,500 | \$ 280,200 | 3 | 11 | 24 | 130 | 99.7% | 62.1% | 69.7% | -25.0% | 120.0% | 41.2% |
| Ramona | \$ 155,000 | \$ 180,000 | 4 | 2 | 15 | 98 | 99.1% | 16.8% | 35.6% | 100.0% | 100.0% | -6.3% |
| Rancho Bernardo | \$ 229,000 | \$ 239,958 | 48 | 76 | 295 | 137 | 96.8% | -4.2% | -2.3% | 4.3% | -3.8% | 30.0% |
| Rancho Penasquitos | \$ 197,800 | \$ 250,977 | 13 | 20 | 58 | 88 | 98.8% | -9.7% | -0.4% | 8.3% | 0.0% | -14.7% |
| San Marcos | \$ 245,000 | \$ 234,377 | 27 | 66 | 156 | 100 | 99.4% | 9.6% | 8.1% | -15.6% | 37.5% | 15.6% |
| Scripps Miramar | \$ 289,750 | \$ 292,814 | 14 | 21 | 66 | 96 | 99.6% | -16.6% | -10.0% | 0.0% | -4.5% | 3.1% |
| Vista | \$ 171,995 | \$ 167,986 | 8 | 17 | 71 | 203 | 97.6% | -0.3% | -9.7% | -55.6% | -26.1% | 18.3% |

The Real Estate Report
N. Inland San Diego County

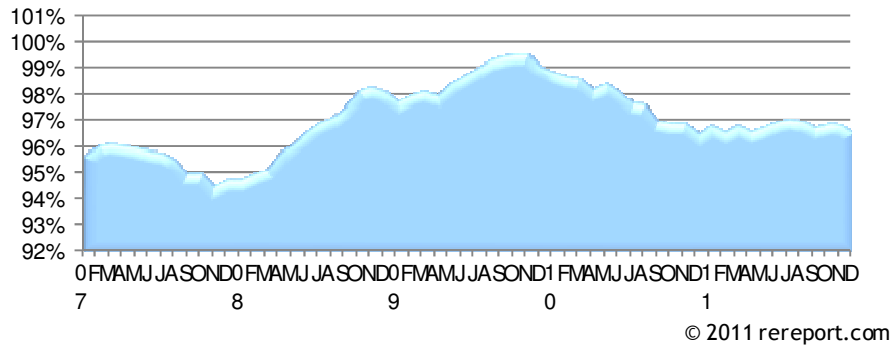


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San Diego County: Single-family Homes
Sales Price/Listing Price Ratio



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

