



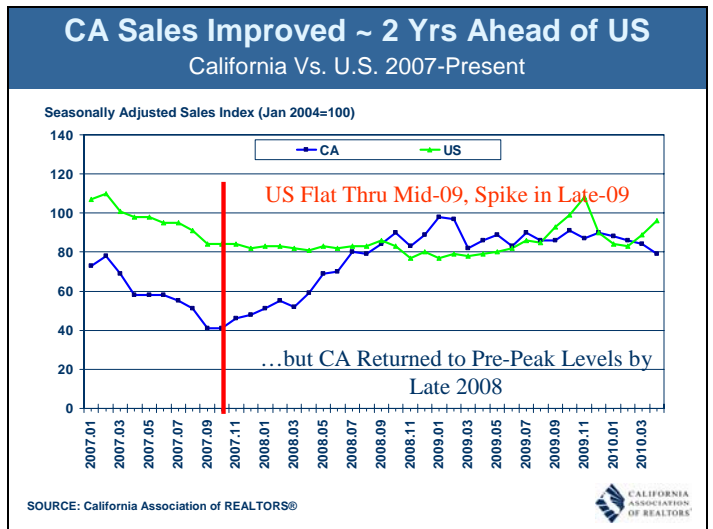
Divergence in National, State, and Regional Markets

California's home sales trajectory diverged from the national trend almost two years ago. Sales in both California and the US bottomed out in late 2007, but statewide sales rebounded to pre-peak levels by late 2008 and sustained those sales levels since then. In certain regions where distressed sales were prominent, sales declined against record or near record sales levels of a year ago.

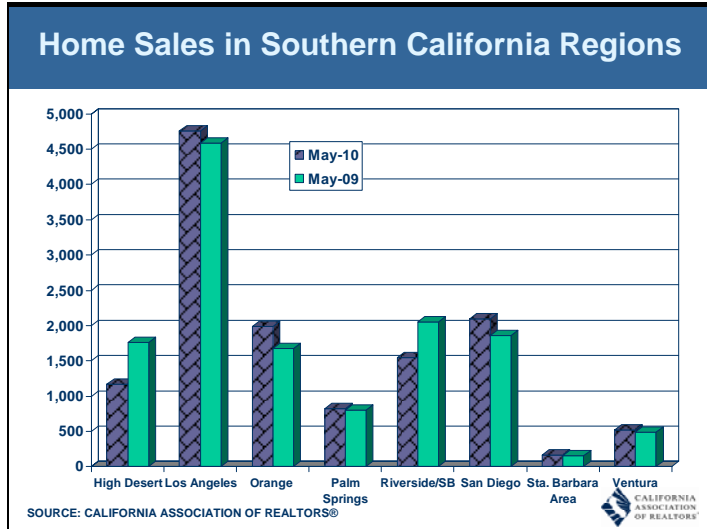
Statewide Sales Jump From April to May, But National Figures Fell Over Same Time Period

Existing single-family home sales in California registered a seasonally adjusted annualized rate of 552,800 in May, increasing 14.1 percent month-to-month from revised April sales of 484,640 homes. The April-to-May sales increase was the biggest monthly gain since July 2008, and was due in part to buyers who took advantage of both the federal and California state tax credits. This explains the slight 1.2 percent year-to-year gain in California sales for May.

By contrast, US sales have shown little upward momentum after hitting bottom in December 2007, with the exception of a bounce to 5.7 million sales of existing single-family homes in late 2009 as the November deadline for the 2009 federal first-time buyer tax credit loomed. National sales rose earlier this year from 4.6 million homes in February to 5.06 million in April—the highest level since November 2009—then fell 1.6 percent to 4.98 million homes in May. Even so, the US sales figure in May was 17.5 percent higher than a year earlier



Inland Regions of State Experience Sharp Year-To-Year Decline in Sales



Steep price declines in much of the state pushed sales to pre-peak levels by late 2008, well ahead of the national market. This was especially true in those parts of California with very high levels of distressed sales. For example, monthly sales in the Riverside/San Bernardino and High Desert regions rose to record high levels during late 2008 and the first part of 2009 as large numbers of distressed sales were pushed through the market. Sales during those months actually exceeded the levels achieved during the peak years for the California housing market in the middle of the last decade. Shifting forward to 2010, sales in these parts of the state remained strong, but have pulled back significantly compared to a year earlier, with sales in the Riverside/San Bernardino region down 25.1 percent from May of last year and sales in the High Desert declining by 33.8 percent over the same period.

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