

Jan. 1, 2011

With 2010 coming to a close we've prepared our annual year-end market summary on the Carmel marketplace – the end of the year Market Data summary is attached – couple of quick accompanying comments and observations:

- Carmel was a tale of two markets: Very healthy from the middle brackets down (below \$2.5M) - cool to cold above that level.

- Sales between \$1-\$2M actually exceeded any year in the past 10, even exceeding the peak of the dot com boom. Reasonably priced well located properties were in strong demand. In our little fish pond, this real estate has proven to have the most reliable demand year in and year out – very liquid real estate.

- Unlike the top of Pebble Beach (above \$8M) which enjoyed a banner year, the top of Carmel (north of \$4M) went to sleep. The traditionally high-demand Scenic Road properties lost some luster, and value. That said, we did have two closed sales above \$4M in the last quarter with another one pending – a potential sign that that market sector may have also found its footing as the year came to a close.

2010 will end as a better year than 2009 in Carmel, favoring properties below \$2.5M, with some momentum appearing to build at the top. Having worked the upper-end Carmel and Pebble Beach markets for 25 years my sense is we reached the bottom of this cycle in 2010 – should be very interesting to track the action in the first quarter of 2011 and see if what look to be emerging trends continue.

Best of the New Year to you – hope that it brings everything you're looking for.

Yours very truly,

A handwritten signature in black ink, appearing to be the initials 'MS' or similar, written in a cursive style.

Mike