

Jan. 1, 2011

Well, another year has come and gone – all in all, a pretty interesting one in the Pebble Beach marketplace; our annual year-end Market Data summary is attached – couple of quick accompanying comments and observations:

- Having been a student of the upper-end Pebble marketplace for 25 years now (time does fly when you're having fun) I like to think that, in addition to knowing the market and keeping an eye on the stats, I've developed an instinct for emerging patterns and trends. While the data does offer some empirical support, on a visceral level, my sense is that 2010 saw the bottom of a market cycle in Pebble.

- We clearly saw the return of demand at the top of Pebble, with 4 closed and 2 pending sales over \$8; I was fortunate enough to handle 4 of these transactions. Note that in 2009 there were only 2 sales north of 8 – we hadn't had a sale above 10 in nearly 3 years and had 4 this year – the top price paid in Pebble was the \$18.75 price paid for the new home on Cypress Drive near The Beach Club.

- Virtually all other price brackets were better than 2009 and only marginally below the 10 year historical average.

- Inventory levels are fairly balanced below \$3M but remain severely imbalanced between \$3-8M with an approximate 2 year supply in this range; for sellers in this range the challenge is to set a compelling value price on the property to distinguish it within the pack of properties out there.

Again, my sense is we witnessed a bottoming of the market cycle this year in Pebble Beach. While I'm not forecasting any significant appreciation for the next year or two, I'm looking forward to keeping an eye on the market as we move into 2011.

And, best of the New Year to you – hope that 2011 brings you everything you're looking for.

Yours very truly,

A handwritten signature in black ink, appearing to be the initials 'MS' or 'MS' with a stylized flourish.

Mike