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FOR THE BEST IN PEBBLE BEACH & CARMEL

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Well, the second quarter in our local Carmel and Pebble Beach markets did generate a few interesting empirical observations; as always, some market plusses and minuses.

Our updated market summary sheets are attached. By way of background, the second quarter is traditionally a slow quarter, the weather can be dicey, tax season in the mix and wrapping up with the end of the school year, graduations and the like. With that backdrop, I was very interested to see the market activity, particularly in Carmel, which outpaced Pebble last quarter. The biggest market story was the resurgence of Carmel's Scenic Road marketplace, with 4 closed sales along Scenic and one pending sale. After a couple years of being in the doldrums, that's a huge move in Carmel's highest priced real estate. That said, the current sales prices reflect a 20+% decline from their peaks, which seemed to act as the necessary catalyst to draw interest.

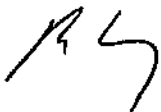
Inventory is swelling in Carmel between \$3-5M and warrants watching going forward. Interestingly enough, the two highest priced closed transactions were off market properties on Scenic – an interesting dimension to our local markets; as an aside, the highest priced home closed in Pebble last quarter was also an off-market home that closed at \$11.2M

Pebble lost gas with closed sales (only 5 closed sales in the quarter) but, as a forward-indicator, there are 8 pending sales – collectively, on track to match the rolling 10 year average. That said, there are 29 properties on the market between \$1-\$2M and we're well below the average sales there year to date – this price range is in for some pain until supply and demand find a healthier balance. It's also notable that, but for the off market \$11.2 sale mentioned above, the top of the market went to sleep last quarter. While supply is not excessive at the top, some price correction is likely to be expected there as well.

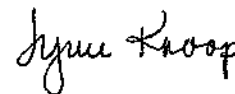
Again, very interesting market out there. Clear demand for quality product value-priced. Bottom of Pebble has challenges. Sweet spot is in Carmel ( \$1-\$3M, well located) more than holding its own. Not all bad after all; the typically softer second quarter.

As always, don't hesitate to contact us with any questions on the market or if we can be of help in any way.

Yours very truly,



Mike Canning



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