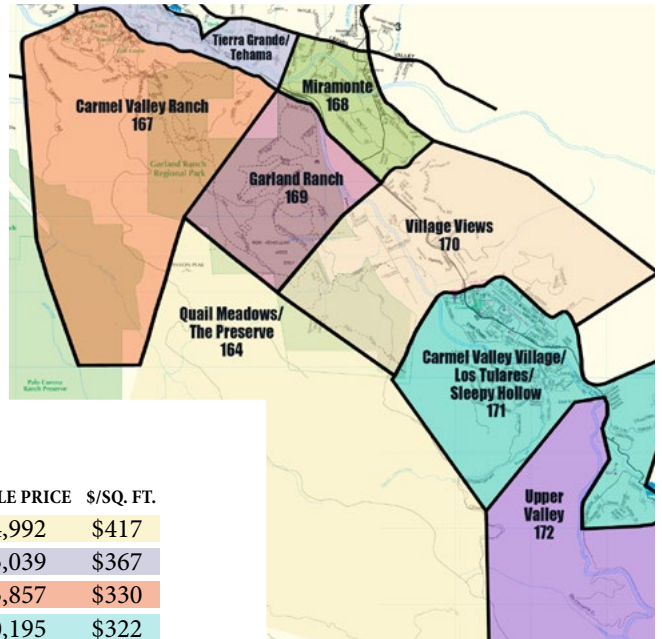




Carmel Valley pricing began a steady climb in January of 2013 that carried through the summer before bending downward for the second half of the year to a relative plateau as 2014 gets underway. There was \$145,647,985 worth of residential homes sold in the valley in 2013 compared to \$130,269,015 in 2012. Median price has remained relatively flat since January of 2009, in the \$1,000,000 range off of the highs of \$1,500,000 seen in 2006 and 2007.

The "Valley" is the most geographically diverse of our markets ranging from lots of 5,000 to 8,000 square feet in the neighborhoods located closer to the mouth of the valley, to large equestrian properties and vineyards of tens to hundreds of acres. Included in the Valley are several developments including Tehama, Carmel Valley Ranch, and The Santa Lucia Preserve. In the case of Tehama and the Santa Lucia Preserve many of the sales are lots rather than finished homes. As home prices fell following the financial crisis, lot prices moved down at an even faster rate.



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Given the size of the valley, portions of some areas are not shown on the map, Brookdale and Mid Valley are not shown at all.

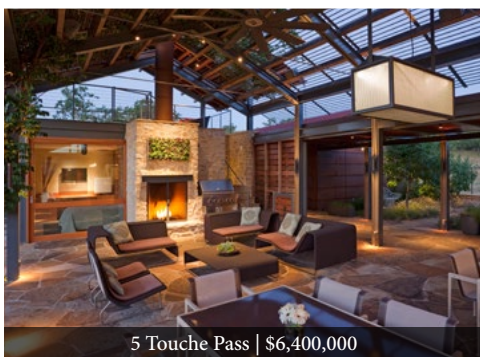
AREA	MLS AREA NO.	DAYS ON MKT.	AVG. SALE PRICE	\$/SQ. FT.
Quail Meadows/The Preserve	164	196	\$3,154,992	\$417
Tierra Granda/ Tehama		143	\$2,013,039	\$367
Carmel Valley Ranch	167	138	\$1,153,857	\$330
Carmel Valley Village/ Los Tulares/ Sleepy Hollow	171	136	\$820,195	\$322
Garland Ranch	169	103	\$1,448,200	\$590
Upper Valley/ Cachagua	172	99	\$568,600	\$300
Village Views		97	\$1,255,613	\$358
Miramonte	168	94	\$1,303,180	\$247
Mid Valley		92	\$1,685,322	\$383
Brookdale		11	\$1,115,400	\$450

CARMEL VALLEY QUARTILES

There is a significant difference between the most expensive 25% of homes in Carmel Valley and the least expensive 25%. The median price of a home in the upper tier is over four times that of a home in the lowest quartile. That upper quartile home is also three times larger than the typical home in the least expensive quartile.

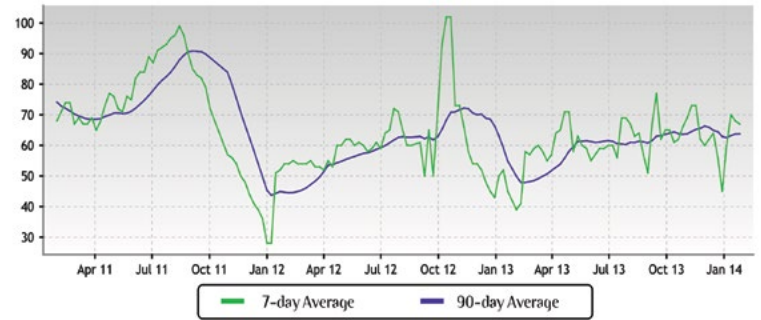
QUARTILE	MEDIAN PRICE	SQ. FT.	BEDS	BATHS	AGE	INVENTORY	DOM
Top/First	\$2,272,500	4608	4	3.8	30	16	314
Upper/Second	\$1,275,000	2715	3	2.5	40	17	275
Lower/Third	\$745,000	2502	3	2.5	33	17	229
Bottom/Fourth	\$549,000	1487	3	2.5	46	17	175

CARMEL REALTY SIGNIFICANT 2013 CARMEL VALLEY SALES



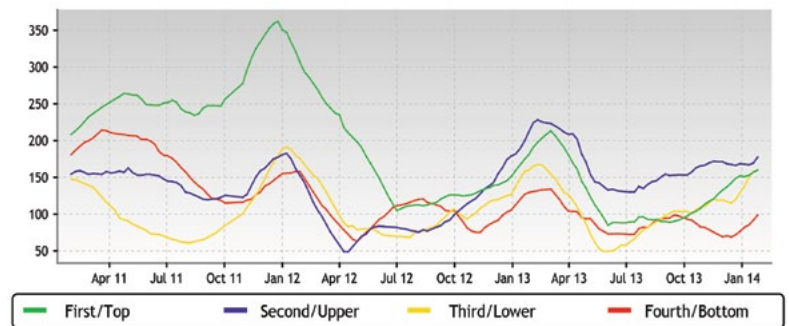
INVENTORY

Carmel Valley inventory climbed slightly over the course of 2013 but compared to the more extreme fluctuations seen in past years was relatively flat. The decline in inventory typically seen at the end of the year was not as pronounced at the end of 2013 as it had been in the previous two years.



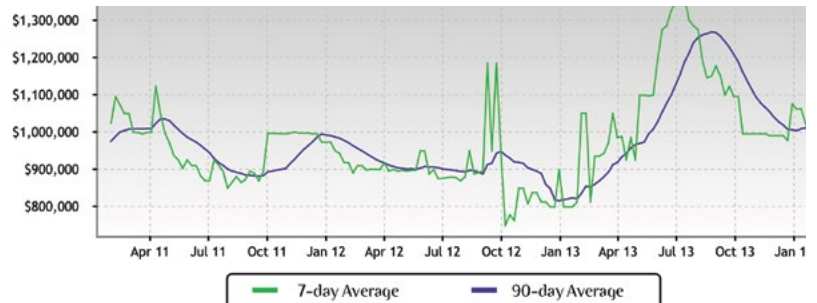
DAYS ON MARKET

Days on Market over the last several years has found its low point in the spring and begun a climb through the summer to the end of the year. That pattern repeated itself in 2013, as it had in 2012. Properties in the valley have been on the market for an average of 247 days. Half of the listings have come newly on the market in the past 175 or so days.



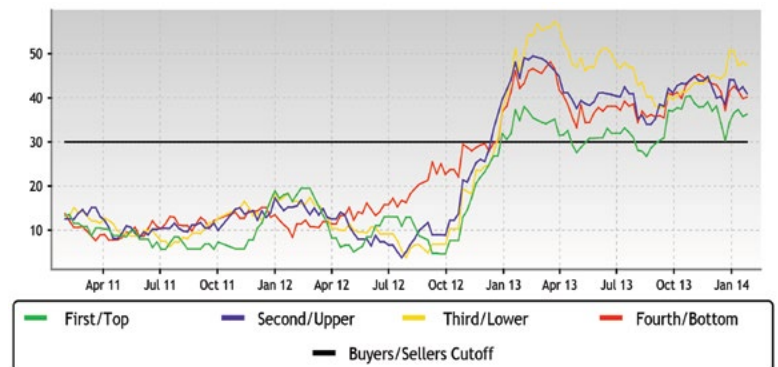
MEDIAN PRICE

After moving significantly higher in the first half of 2013, median price has settled in the \$1,000,000 range where it sits as 2014 gets under way.



MARKET ACTION INDEX

Sometimes in looking at market statistics key indicators can be running counter to each other. For example, median price might be increasing at the same time that inventory levels are increasing while days on market is relatively flat. The Market Action Index (MAI) combines these and other statistics to generate a number (indexed to 30) to provide insight into market trends. An MAI value greater than 30 typically indicates a “Seller’s market” because demand is high enough to quickly absorb available supply. An MAI under 30 indicates a “Buyer’s market” where the inventory of already-listed homes will last for several months. An index that hovers around 30 tends to indicate a balanced market where the traits of the individual house, its pricing, and specific location will be more in play than the health of the overall



Residential house prices are a function of supply and demand, and market conditions can be characterized by analyzing those factors. Watch this index for sustained changes: If the index falls into the Buyer’s Advantage zone (below 30) for a long period, prices are likely in for a downward correction.