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press release

Nov. 28, 2011, 9:00 a.m. EST

## Luxury Home Values Rise in Third Quarter of 2011

Los Angeles, San Francisco And San Diego All Post Modest Quarterly Increases



SAN FRANCISCO, Nov 28, 2011 (BUSINESS WIRE) -- Luxury home values rose in Los Angeles, San Diego and San Francisco in the third quarter of 2011 compared to the second quarter, according to the First Republic Prestige Home Index(TM) by First Republic Bank, a leading private bank and wealth management company.

In the quarter ended Sept. 30, 2011, the Index indicated the following:

-- Los Angeles area values rose 0.7% from the second quarter of 2011 and increased 2.5% from the third quarter a year ago. The average luxury home in Los Angeles is now \$2.01 million.

-- San Diego area values increased 1.1% from the second quarter and fell 3.9% year-over-year. The average luxury home in San Diego is now \$1.63 million.

-- San Francisco Bay Area values climbed 1% from the second quarter and declined 1.4% from a year ago. The average luxury home in San Francisco is now \$2.53 million.

"Luxury home prices in many California communities increased due to low inventories, low interest rates, and home prices that have declined over the past few years. This has improved the economics of investing in residential real estate," said Katherine August-deWilde, President and Chief Operating Officer of First Republic Bank. "All three major metropolitan areas in California experienced gains in home prices in the third quarter, which is the first time that has occurred since the fourth quarter of 2010."

First Republic Bank produces the Prestige Home Index each quarter with Fiserv CSW Inc., a leading provider of automated property valuation services and home price metrics to U.S. financial institutions. Historical results of the Index, which has tracked luxury homes since 1985, are accessible at [www.firstrepublic.com](http://www.firstrepublic.com). First Republic Bank is an active lender in the luxury home market for primary residences and vacation homes.

### Los Angeles Area Values

In Los Angeles, values have increased in three of the past four quarters. The highest end of the luxury market appeared to be the most robust, agents said.

"For homes priced at \$5 million and up, the market remains active," said Jane Brill Graven of Coldwell Banker Beverly Hills East. "There are well-qualified buyers who are looking for properties at the very top end and they have the upper hand. Owners are having to reduce prices to where the market is."

Along the beach communities, the market was largely unchanged from a year ago. "If we had more and better product, we would have had more transactions in the past 12 months," said Barry Host of South Bay Brokers in Manhattan Beach. "Buyers with money are out there, but there is also a lot of uncertainty. Unless the news starts to settle, the market will continue to bump along."

### San Diego Area Values

San Diego prices turned positive again after declining in the first half of 2011.

Despite the modest quarterly increase, luxury home prices remain soft, and many buyers remain uncertain. "We are very busy, but every single deal is a major struggle," said Lucy Kelts of Prudential California Realty in Rancho Santa Fe. "You have to talk realistically with sellers up front. We're not going to get out of this mess until the jobless rate goes down by half."

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Greg Noonan of Prudential California Realty in La Jolla said the lower end of the luxury market was picking up. "I'm seeing a bit of pent up demand in the \$1.5 million to \$3 million range. At \$4 million and above, it is a fairly soft market. Buyers are being extremely aggressive in their thinking about price. If a property is on the market for \$4 million, buyers want to pay \$3.5 million to build in some downside protection."

#### San Francisco Bay Area Values

In San Francisco and Silicon Valley, the luxury market is strong due to technology-driven wealth creation, lower interest rates and lower home prices. The market also benefitted from higher rents, which further enhances the attractiveness of residential real estate as an investment.

"The higher end market has been pretty strong," said Hugh Cornish of Coldwell Banker in Menlo Park. "There has been less inventory in the higher end and more from \$2.5 million to \$5 million. Palo Alto has been the strongest market, followed by Menlo Park and Atherton. We are seeing multiple offers, but not for every property."

In San Francisco, the higher end of the luxury market was active. "Above \$5 million, the market is healthy," said Mary Lou Castellanos of Sotheby's International Realty. "Smart money is buying now and is taking advantage of lower prices and lower interest rates. At the same time, a growing number of sellers are getting more realistic about price."

In the Wine Country, a number of high-dollar sales have taken place over the past few months. "We're seeing a real surge in the upper end of the market," said Jim Perry of Pacific Union in St. Helena. "People have been waiting on the sidelines. With interest rates so low and prices down, that's hard to pass up."

#### About The First Republic Prestige Home Index

The First Republic Prestige Home Index(TM) is the first statistical model of its kind customized to measure changes in homes valued at more than \$1 million in key California urban markets. Some common features of luxury homes in the Index: 3,000 to 6,000 square feet, three to six bedrooms, and three to six bathrooms. San Francisco Bay Area properties include a cross-section of luxury homes in Alamo, Atherton, Belvedere, Danville, Healdsburg, Hillsborough, Lafayette, Los Altos, Los Gatos, Mill Valley, Moraga, Orinda, Palo Alto, Piedmont, Portola Valley, Ross, St. Helena, San Francisco, Saratoga, Sonoma, Tiburon and Woodside. Properties in Los Angeles represent a cross-section of luxury homes in Arcadia, Beverly Hills, Calabasas, La Canada Flintridge, Encino, Los Angeles, Malibu, Marina del Rey, North Hollywood, Pacific Palisades, Pasadena, Playa del Rey, Santa Monica, Studio City and the West Los Angeles enclaves of Bel Air, Brentwood and Westwood. San Diego properties represent a cross-section of luxury homes in Carlsbad, Coronado, Del Mar, Encinitas, La Jolla, La Mesa, Poway, Rancho Santa Fe, San Diego and Solana Beach. In producing the Index, Fiserv CSW Inc. draws upon its economic database and years of experience in tracking single-family home values; collects and cross-checks data from multiple sources; achieves a weighted balance of validation elements such as repeat sales, comparable sales, and physical home characteristics; and combines this with First Republic's extensive local market knowledge.

#### About First Republic Bank

First Republic Bank [FRC +0.14%](#) and its subsidiaries provide private banking, private business banking and private wealth management. Founded in 1985, First Republic specializes in exceptional, relationship-based service offered through preferred banking or wealth management offices primarily in San Francisco, Palo Alto, Los Angeles, Santa Barbara, Newport Beach, San Diego, Portland, Boston, Greenwich and New York City. First Republic offers a complete line of banking products for individuals and businesses, including deposit services, as well as residential, commercial and personal loans. First Republic is a component of the S&P Total Market Index, the Wilshire 5000 Total Market Index(SM), the Russell 1000(R), Russell 3000(R) and Russell Global indices and six Dow Jones indices.

#### About First Republic Private Wealth Management

First Republic Private Wealth Management is the investment management, trust and brokerage group of First Republic Bank. First Republic Private Wealth Management offers objective advice and fully customized solutions with the same level of exceptional client service that has been the hallmark of First Republic Bank for more than 25 years. First

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