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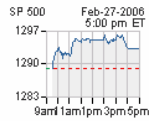
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30 YR BOND	46.46	0.30

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## Business

# Luxury home sales at record

By Staff report

Published: Friday, February 24, 2006 10:49 PM PST

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Luxury-home values rose double-digits to all-time highs in San Francisco and other state markets in 2005, though the appreciation slowed significantly in the fourth quarter, according to the First Republic Prestige Home Index.

The index, which has tracked luxury homes — those of more than \$1 million — since 1985, found that San Francisco Bay Area home values rose 1 percent from the third quarter of 2005 to the fourth quarter of 2005 and gained 13.2 percent for the year. The average luxury home in San Francisco is now a record \$2.88 million, up \$336,000 from a year ago.

"In 2005, luxury-home values in California appreciated at double-digit rates, although the momentum clearly slowed in the second half of the year," said Katherine August-deWilde, chief operating officer of First Republic Bank (FRC), San Francisco.

"Continuing demand and limited inventory in some markets may result in increased luxury-home prices in 2006, but at a very modest level compared to the past two years. In markets where inventories spike, values will be impacted," August-deWilde said.

First Republic Bank produces the luxury home index each quarter with Fiserv CSW Inc. (FISV), a data provider.

In San Francisco, the 13.2 percent increase in 2005 followed a gain of 13.7 percent in 2004, 0.3 percent in 2003, 3.6 percent in 2002 and a decline of 7.1 percent in 2001. Since December 2002, the average luxury home in San Francisco has increased more than \$651,000 to almost \$2.9 million.

"I think 2006 is going to be a very strong year — it has definitely started out that way," said Janet Feinberg Schindler of Sotheby's International Realty in San Francisco. "There are lots of buyers and inventory is truly low." A lack of properties has also produced a growing number of private sales at top dollar before they come to market. "As buyers and agents scramble for inventory, we may see more quiet sales," Schindler said.

Val Steele, an agent with Coldwell Banker in San Francisco, said 2006 has started modestly. "I think it will be a late spring market," Steele said. "The market has been slow, but only because of a lack of inventory." In 2006, Steele also said she expects more activity at the high end of the luxury market, which she said is undervalued.

In the East Bay, D.J. Grubb of The Grubb Co. in Oakland said the market is realigning after a strong 2005, but he sees growth for 2006. "The market isn't going through an identity crisis and I don't think there is a bubble, but we are seeing a healthy correction. What is surprising is all the money in the marketplace. There are a lot of all-cash offers or those with minimal financing."

In Los Angeles values rose 0.7 percent from the third quarter of 2005 to the fourth quarter of 2005 and rose 16 percent for the year. The average luxury home in Los Angeles is now a record \$2.29 million, up \$316,000 from a year ago.

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