

Housing In Real Time-California

NABE Regional/Utility Roundtable

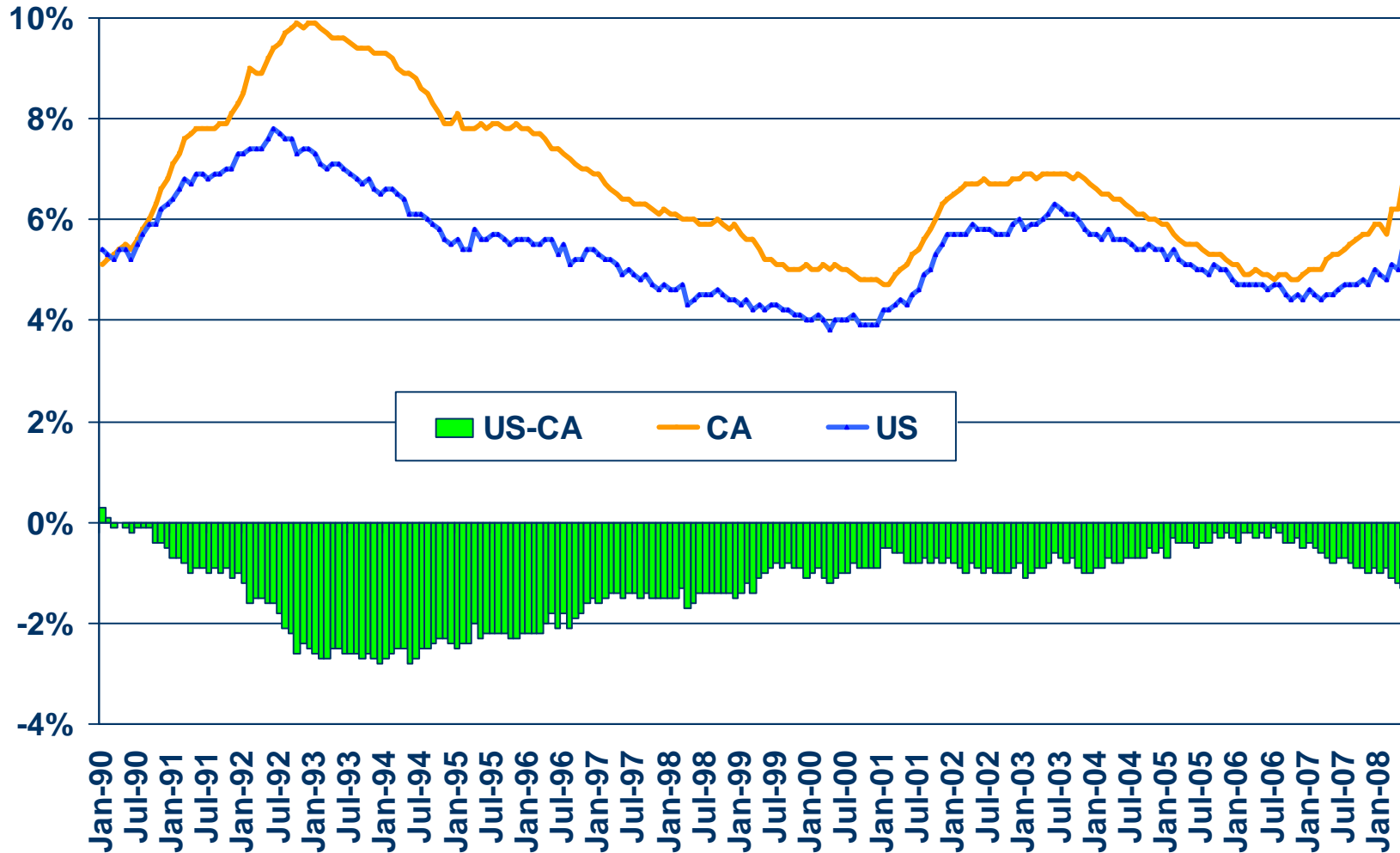
July 24, 2008

Robert A. Kleinhenz, Ph.D.
Deputy Chief Economist
California Association of REALTORS®

Economic Outlook

Unemployment Rate

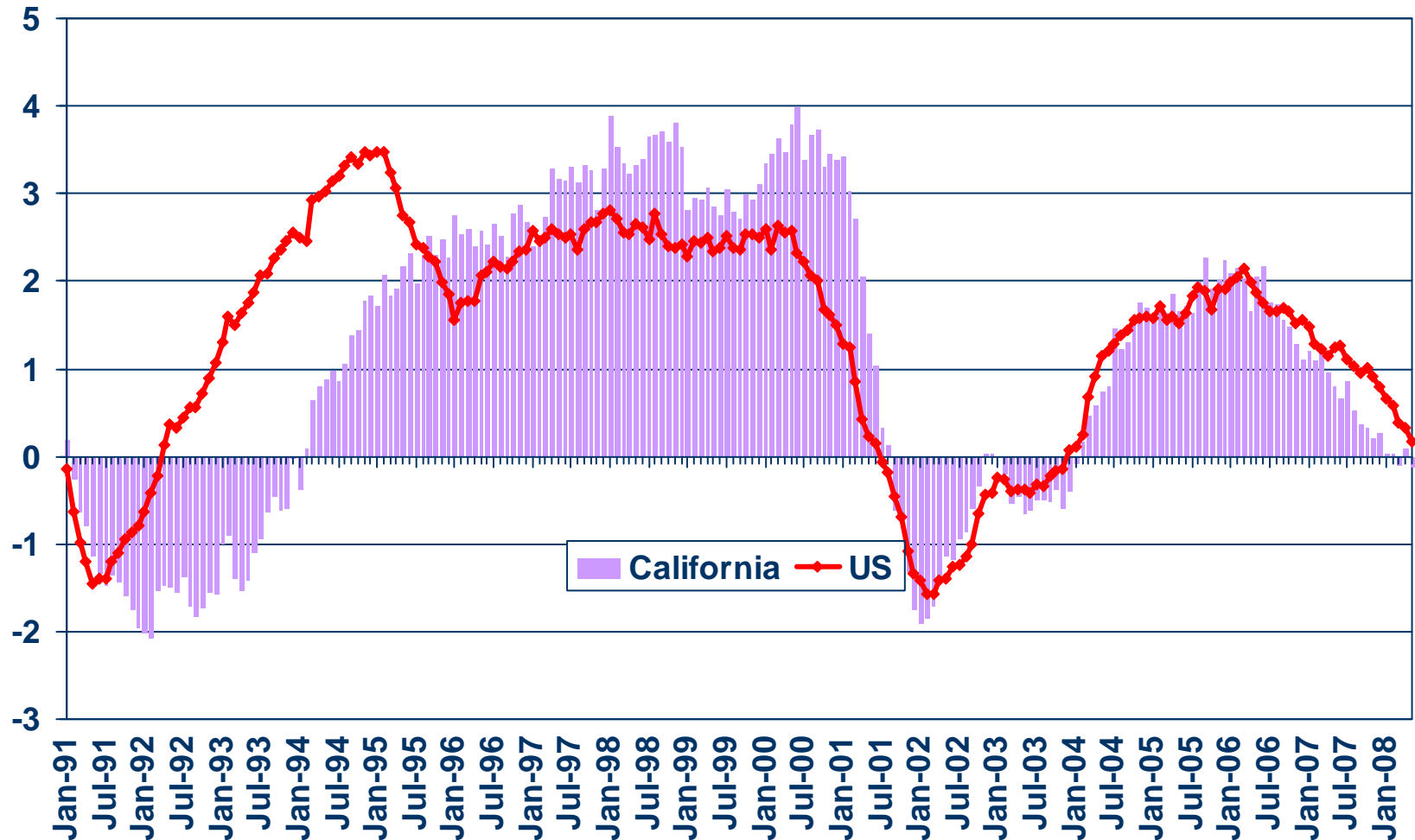
California vs. United States



SOURCE: CA Employment Development Division

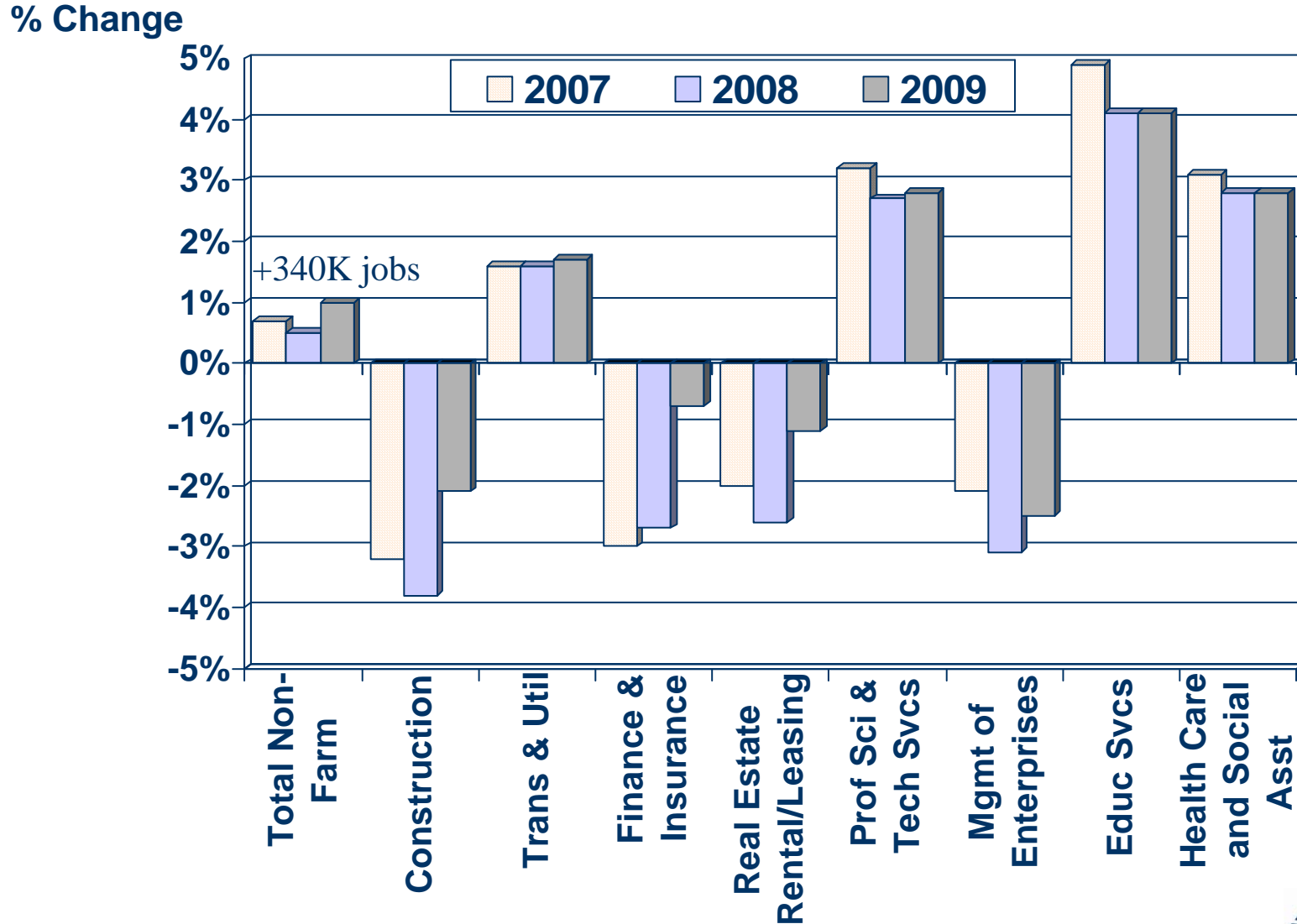
Employment Growth, California vs. U.S.

YEAR TO YEAR % CHANGE



Two Track Economy: R.E. vs. Other

YTY % Changes in California 2007-2009



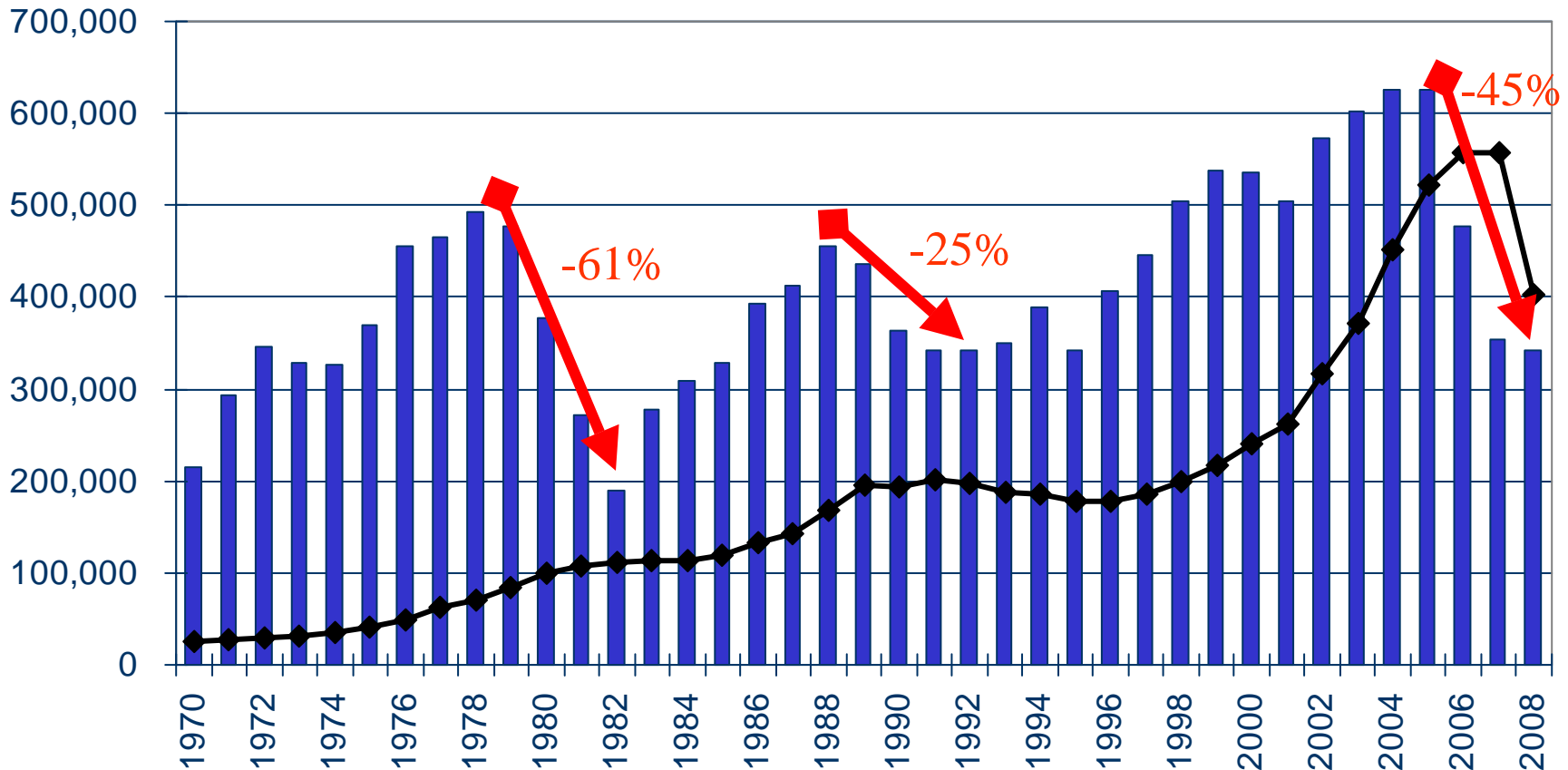
California Housing Market Outlook

Sales Trough Expected in 2008

California Sales of Existing Homes and Median Price

UNITS/MEDIAN PRICE \$

■ Sales of Existing Detached Homes ◆ Median Price

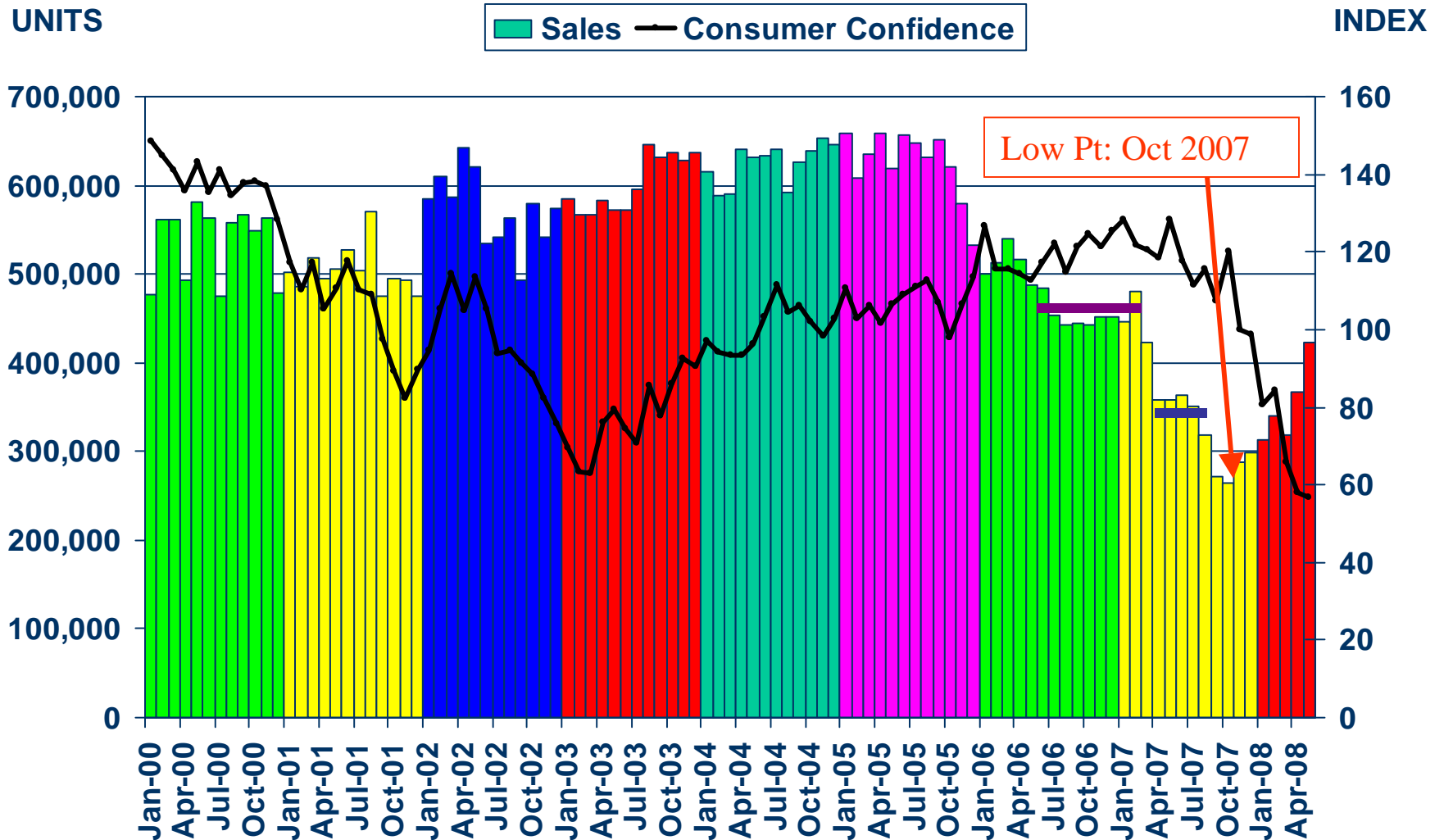


SOURCE: California Association of REALTORS®



Sales of Existing Detached Homes & Pacific West Consumer Confidence

California, May 2008 Sales: 423,700 Units, Down 14.6% Y-T-D, Up 18.1% Y-T-Y

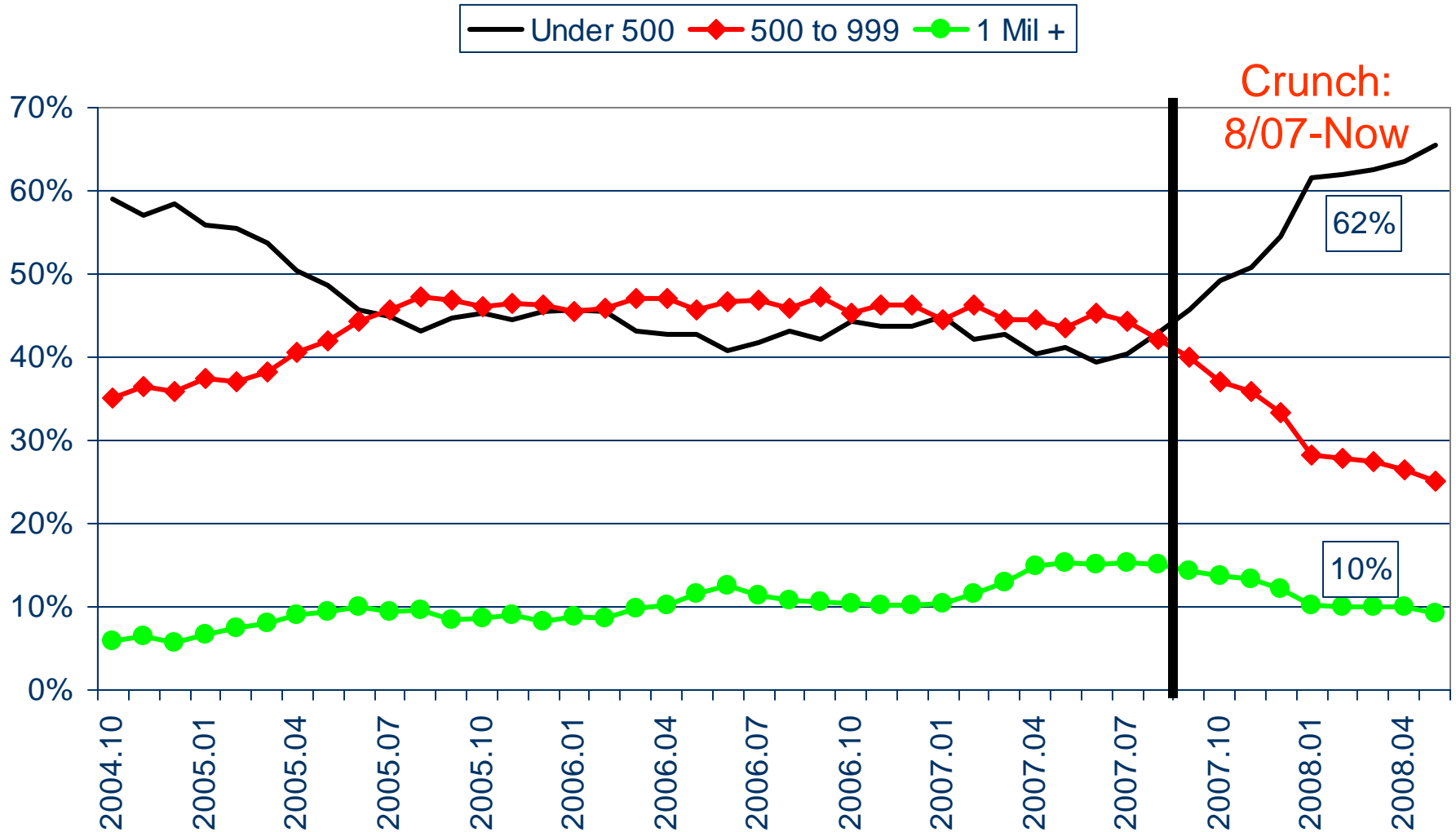


SOURCE: California Association of REALTORS®;
The Conference Board



Sales By Price Range

As a Share of Existing Detached Sales in California



REO and Short Sales

Comprise a Large Share of Activity in Many Parts of State

Region	REO/Short Sales to Total Sales (YTD)	REO/Short Sales to Total Sales (April 08)
Solano	64%	NA
Sacramento	63%	64%
Lake County	50%	NA
Riverside/San Bernardino	44%	58%
Sonoma	37%	41%
Napa	36%	41%
Alameda	33%	35%
Mendocino	25%	33%
Los Angeles	19%	29%
Marin	13%	15%
San Diego	5%	NA

Source: Local Associations and MLSs, Compiled by C.A.R.

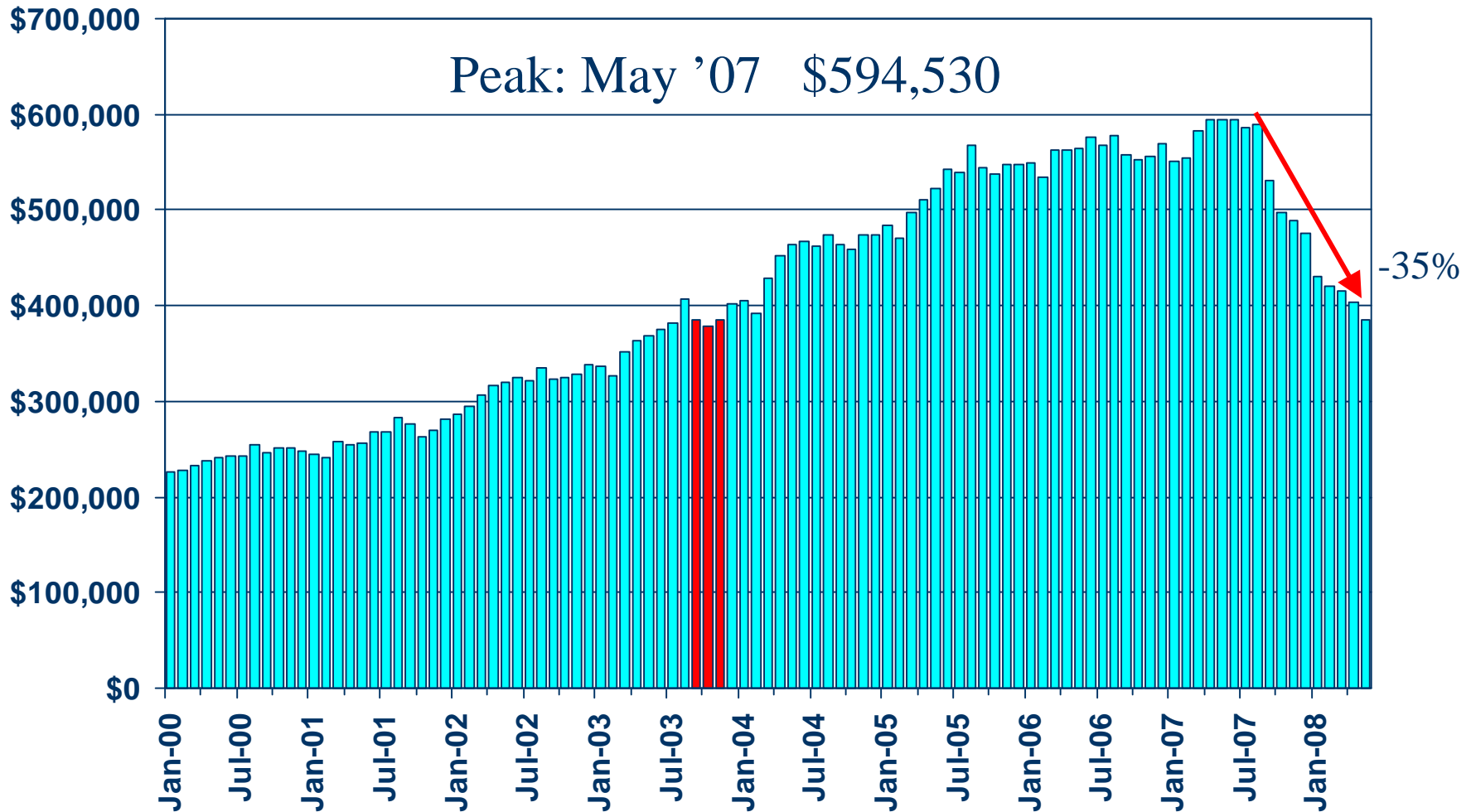


Peak vs Current Price-May 2008

Region	Peak Month	Peak Price	May-08 Median	% Chg From Peak
Monterey Region	Aug-07	\$798,210	\$444,740	-44.3%
Sacramento	Aug-05	\$394,450	\$233,230	-40.9%
High Desert	Apr-06	\$334,860	\$200,740	-40.1%
Riverside San Bernardino	Jan-07	\$415,160	\$257,660	-37.9%
CALIFORNIA	May-07	\$594,530	\$384,840	-35.3%
Northern Wine Country	Jan-06	\$645,080	\$442,270	-31.4%
Ventura	Aug-06	\$710,910	\$487,790	-31.4%
Los Angeles	Aug-07	\$605,300	\$422,160	-30.3%
Orange County	Apr-07	\$747,260	\$523,890	-29.9%
San Luis Obispo	Jun-06	\$620,540	\$442,310	-28.7%
San Diego	May-06	\$622,380	\$446,610	-28.2%
Palm Springs/Lower Desert	Jun-05	\$393,370	\$283,480	-27.9%
Northern California	Aug-05	\$440,420	\$337,870	-23.3%
San Francisco	May-07	\$853,910	\$686,810	-19.6%
Santa Clara	Apr-07	\$868,410	\$769,650	-11.4%

Median Price of Existing Detached Homes

California, May 2008: \$384,840, Down 35.3% Y-T-Y



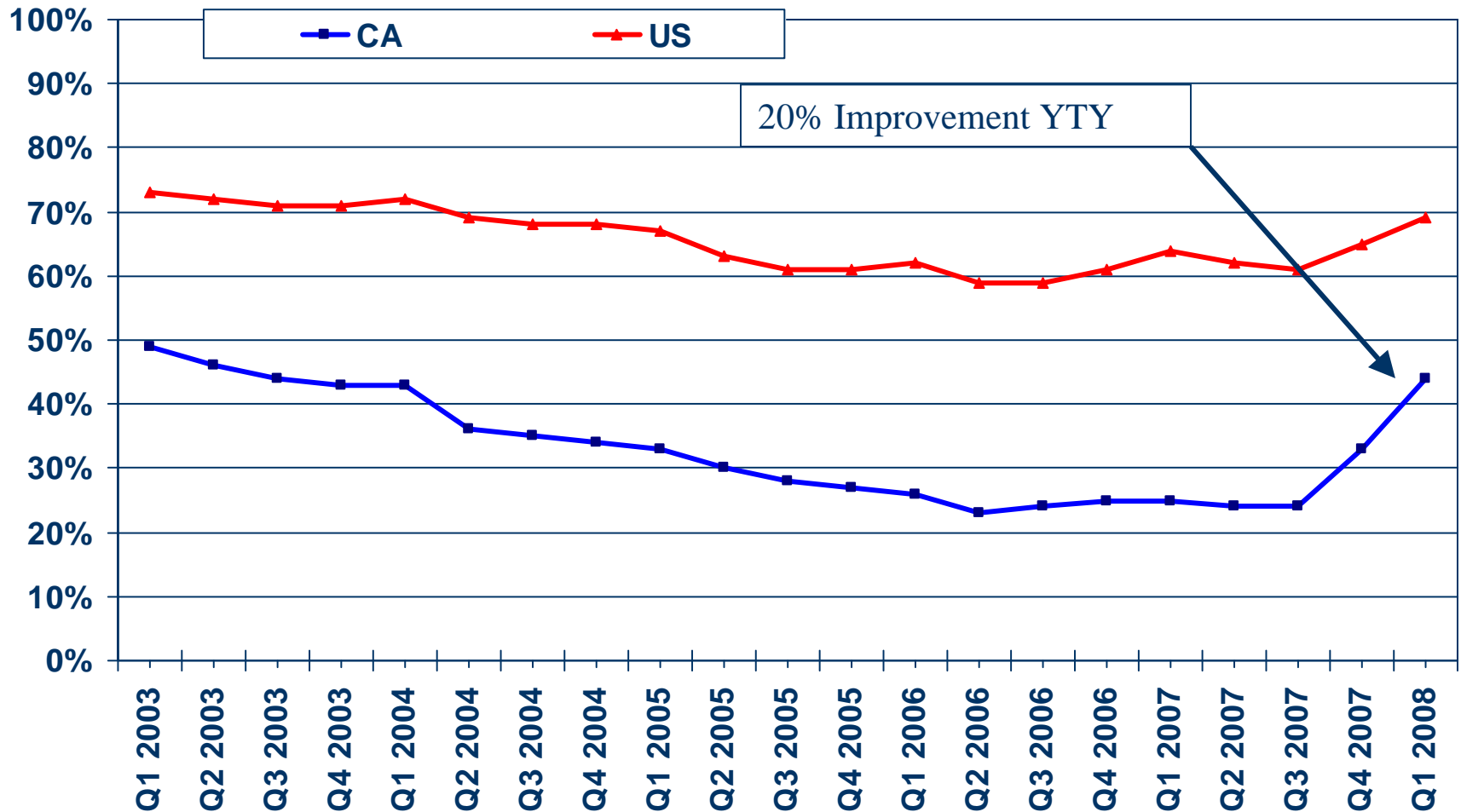
SOURCE: California Association of REALTORS®



First-time Buyer Housing Affordability Index

California Vs. U.S. 2003-2008

% OF HOUSEHOLDS THAT CAN BUY



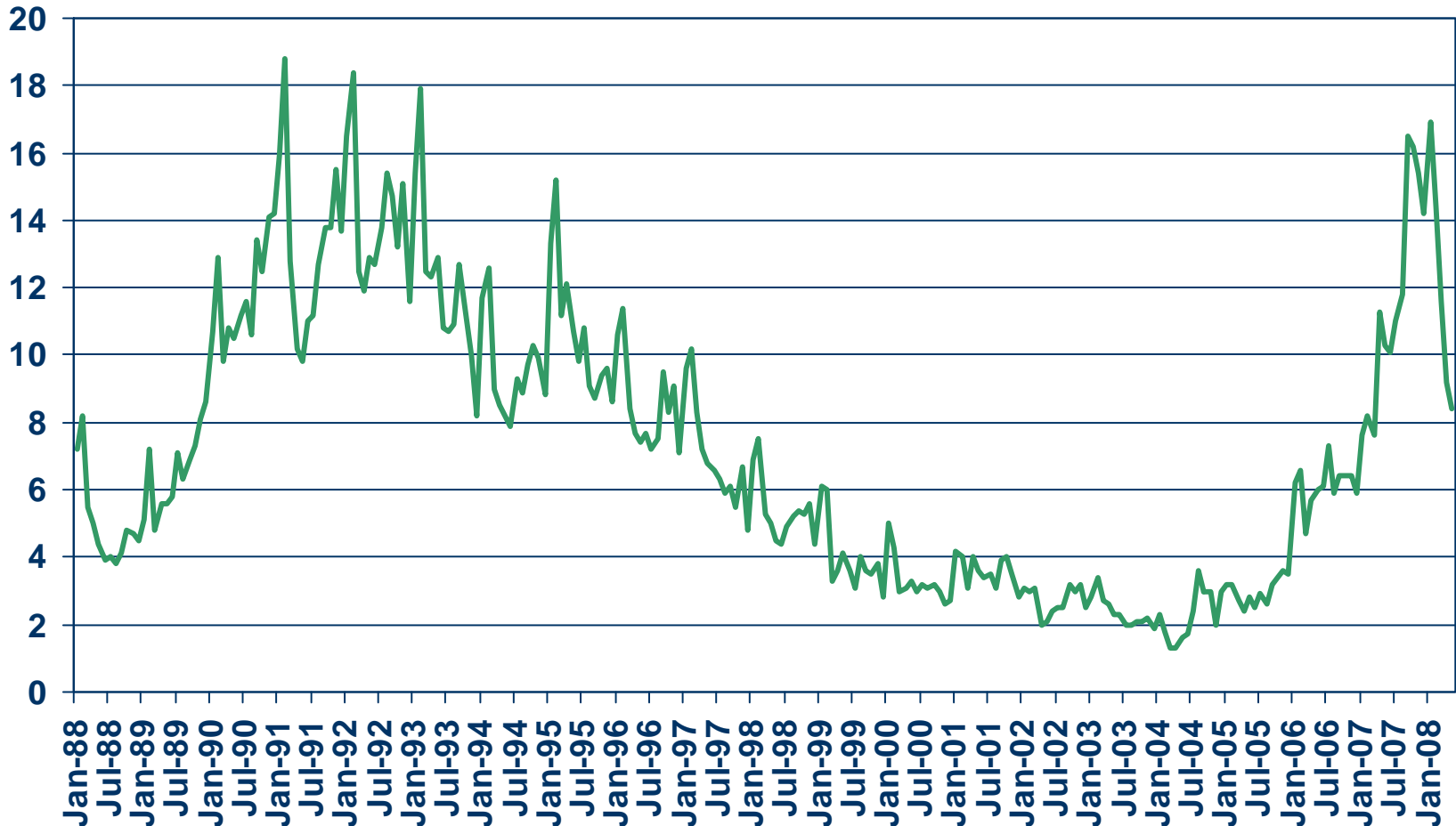
SOURCE: California Association of REALTORS®



Unsold Inventory Index

California, May 2008: 8.4 Months

MONTHS

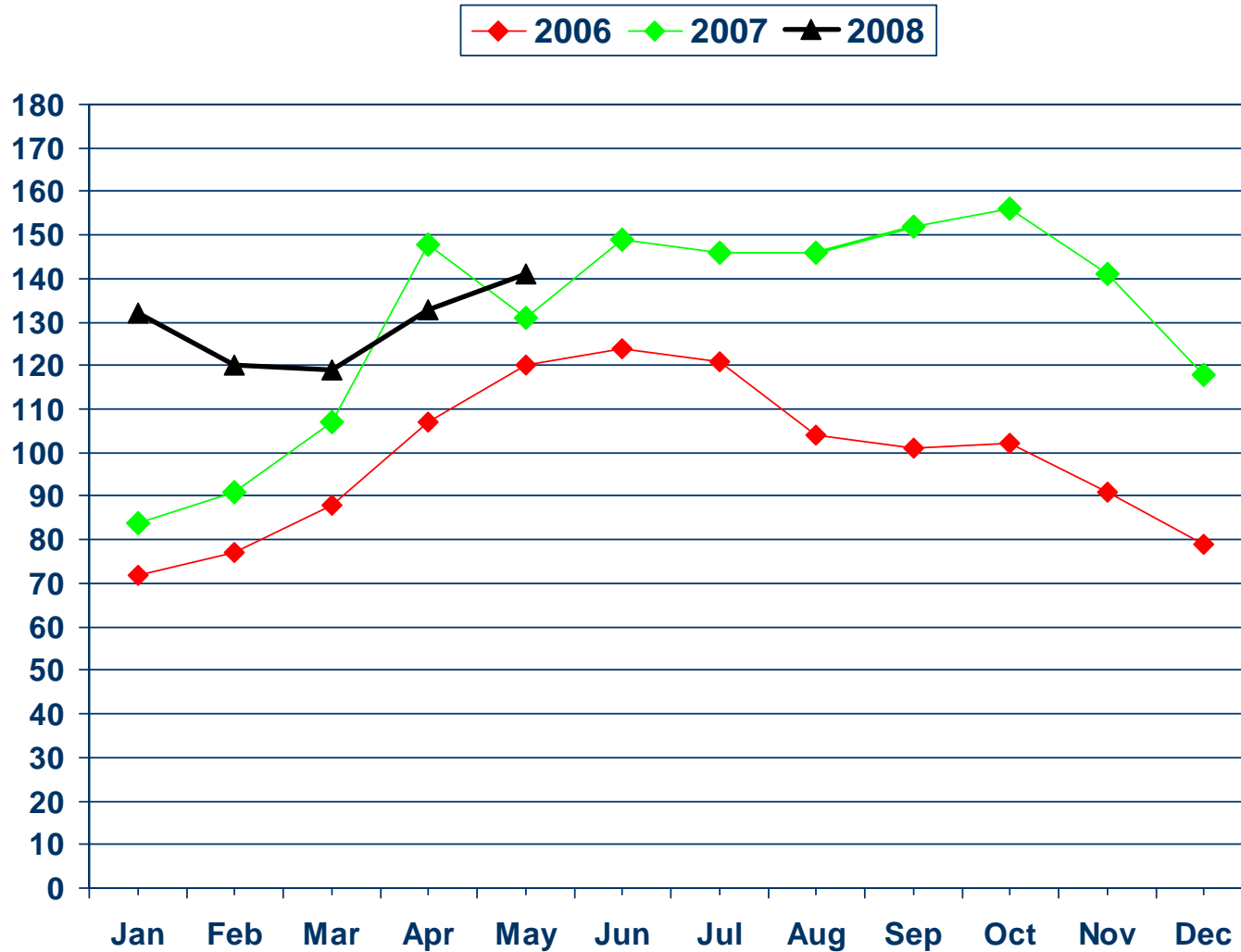


SOURCE: California Association of REALTORS®



Listings by Month, Selected Years

California (1982-2007 Average=100)



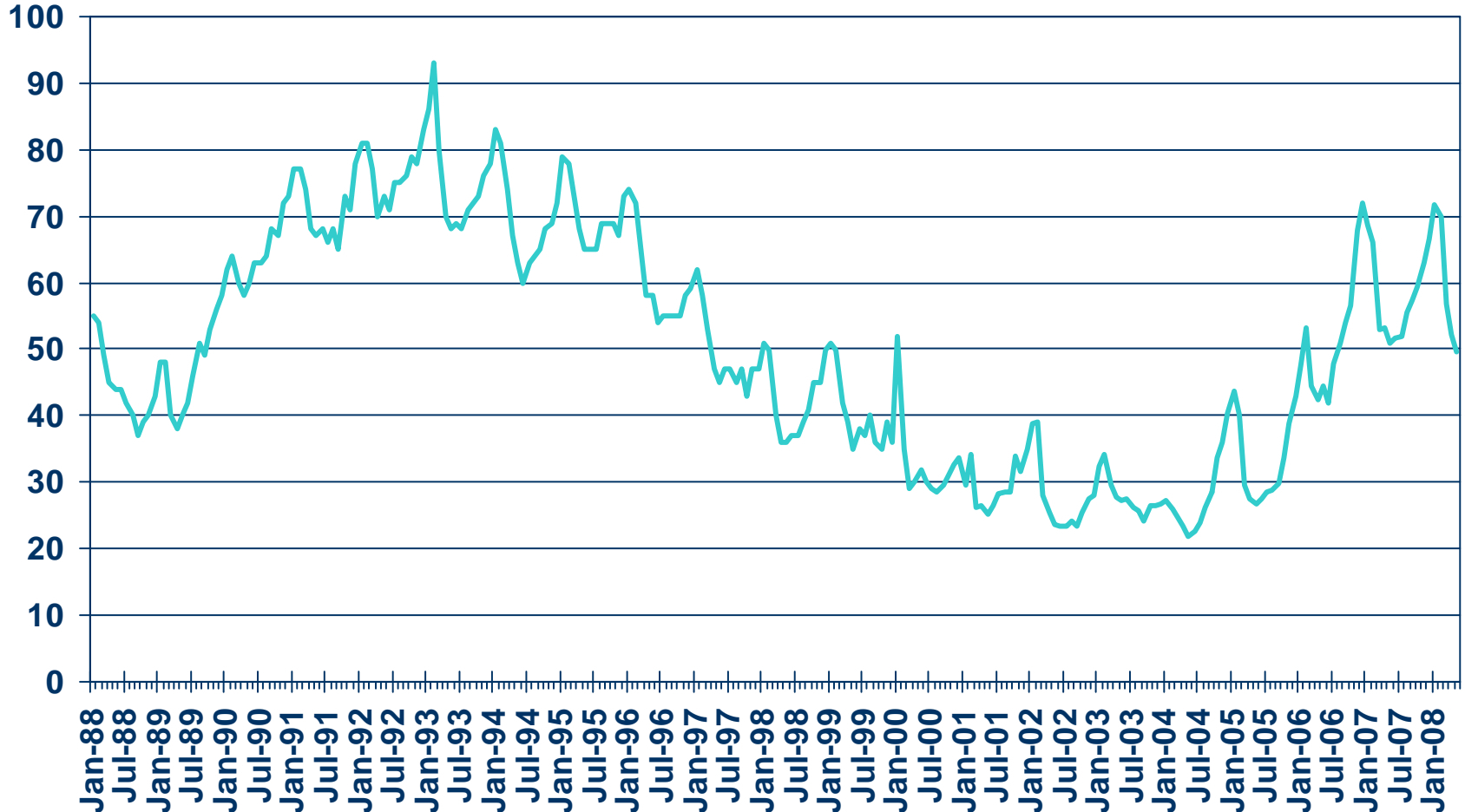
Record High:
Mar 1983 200
May 1992 176

Record Low:
Feb 2004 26

Median Time on the Market

California Single-Family Homes, May 2008: 49.7 days

DAYS ON MARKET

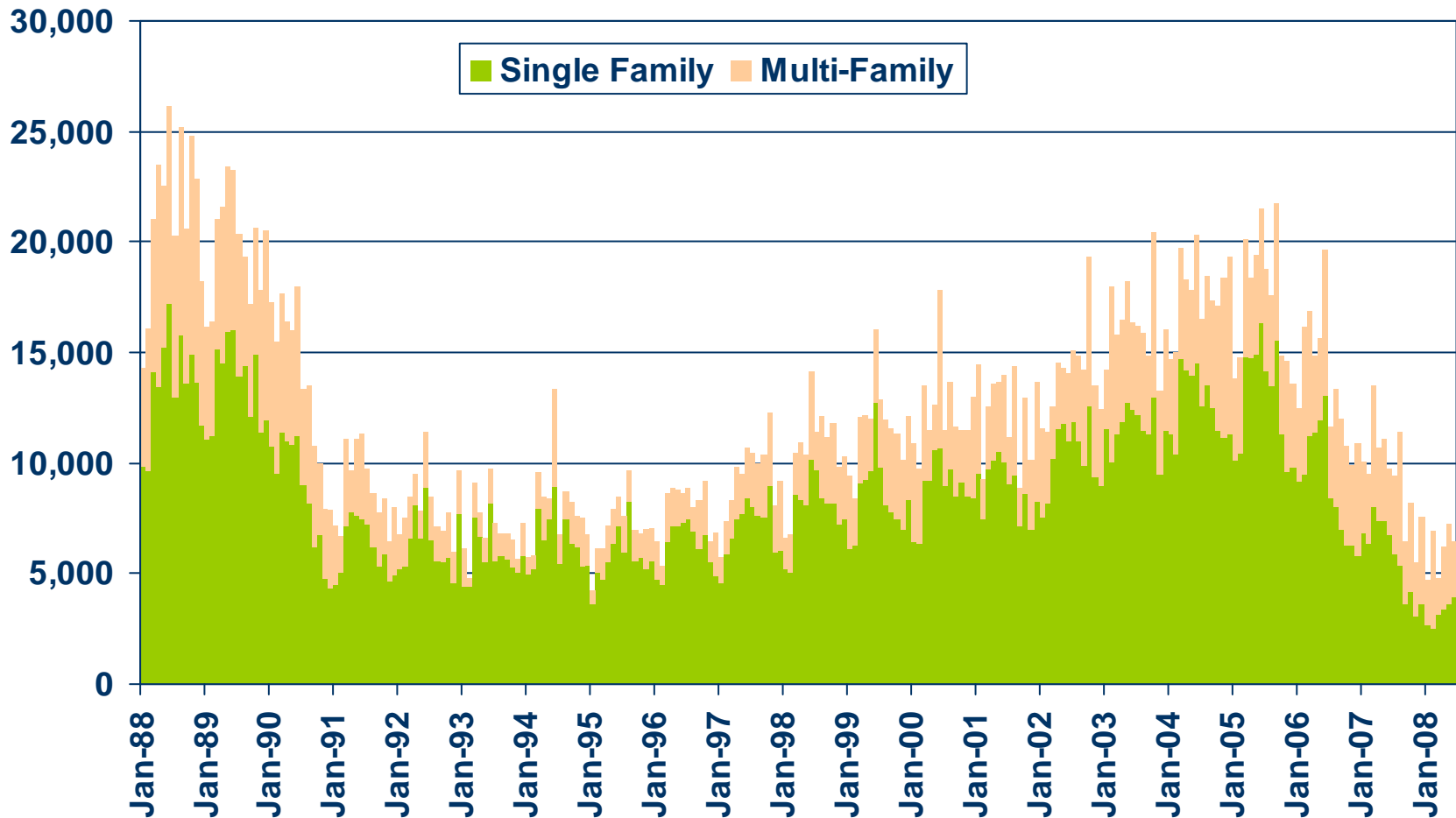


SOURCE: California Association of REALTORS®



New Housing Permits

California, June 2008: 6,443 Units, Down 43.9% Y-T-D

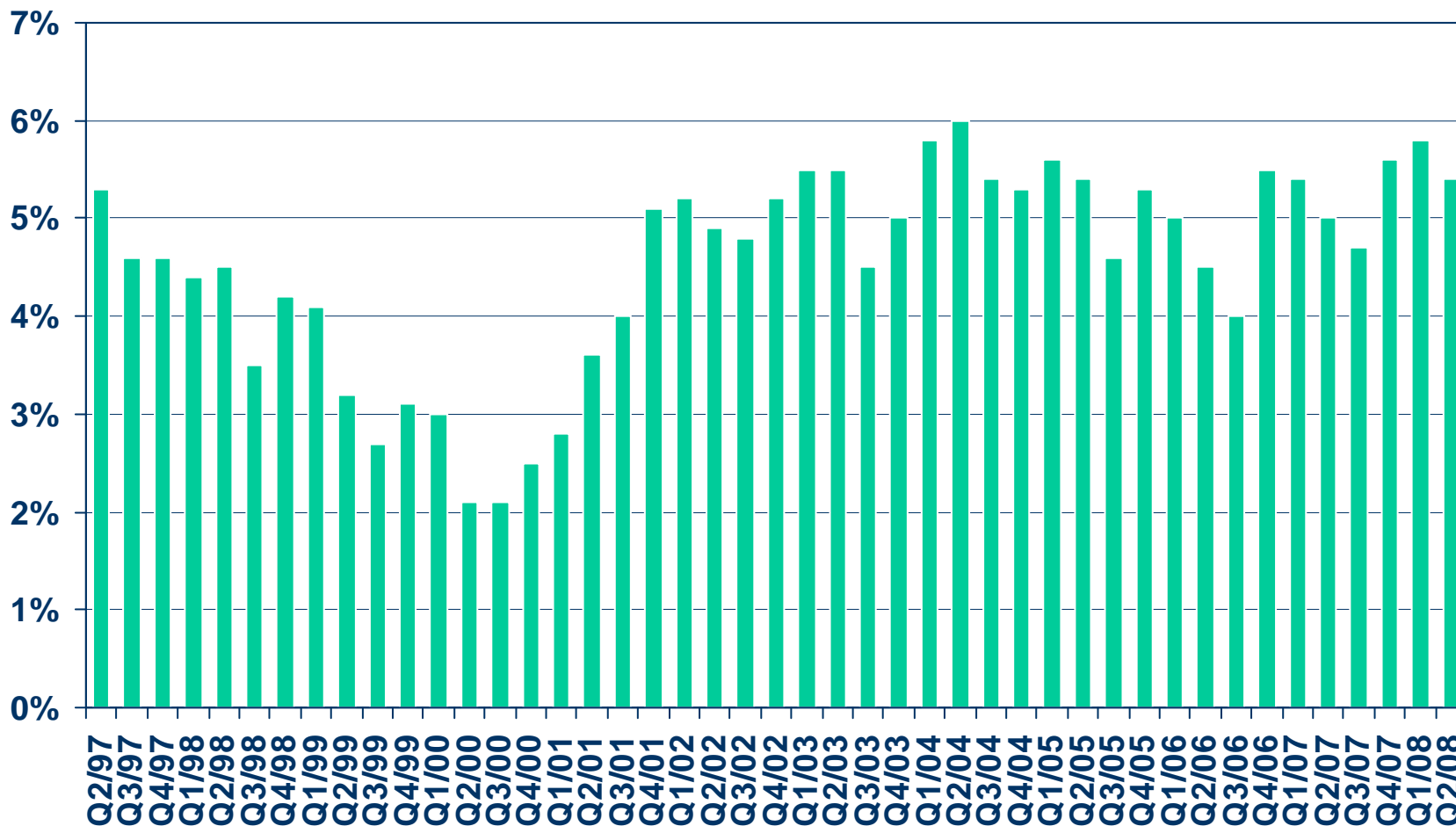


SOURCE: Construction Industry Research Board

Vacancy Rate for Class A&B Apartments

California, 2008 Q2: 5.4%

VACANCY RATE

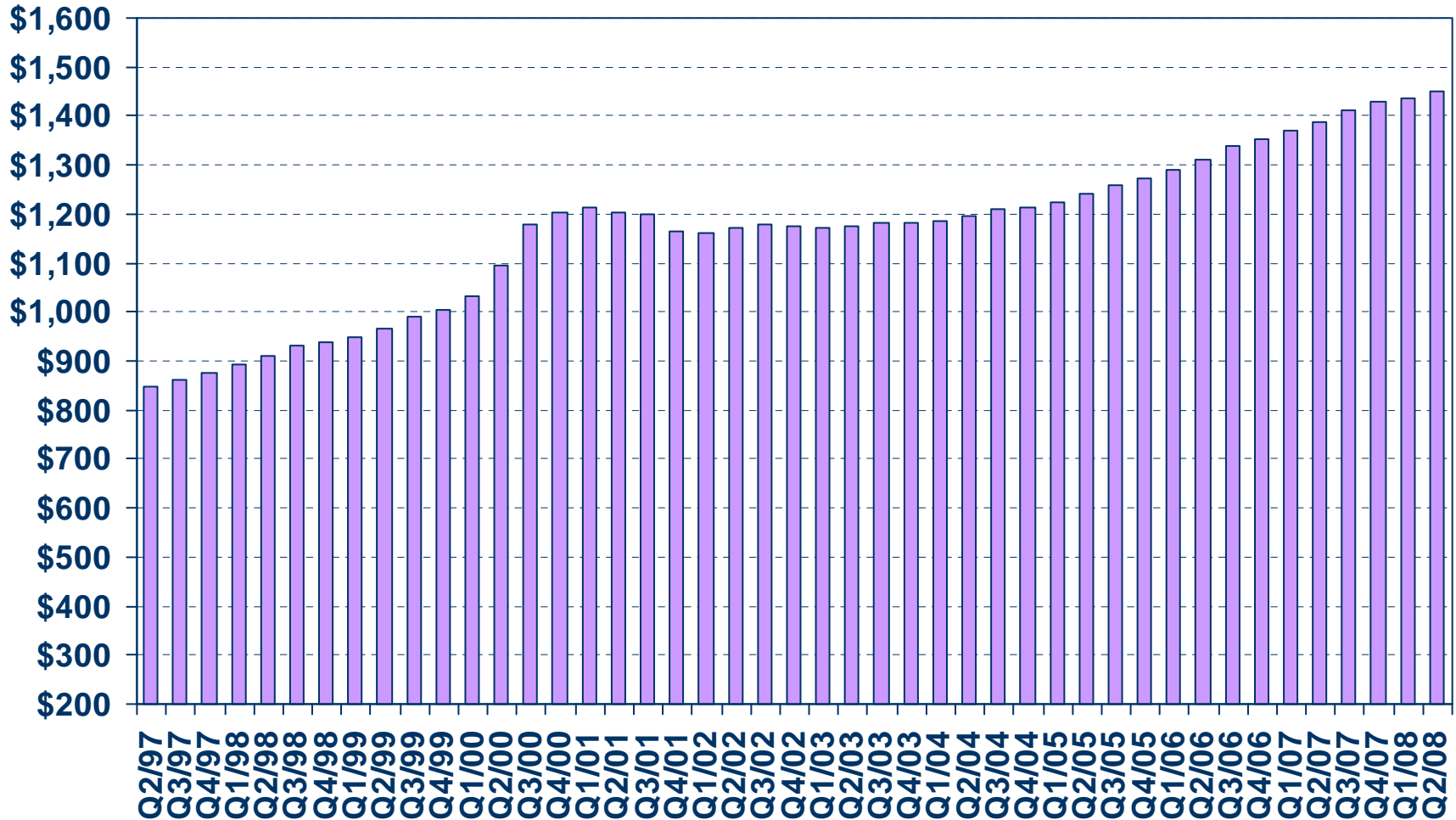


SOURCE: California Association of REALTORS®;
REALFACTS

Asking Rents for Class A&B Apartments

California, 2008 Q1: \$1,449, Up 4.4% Y-T-Y

Asking Rents

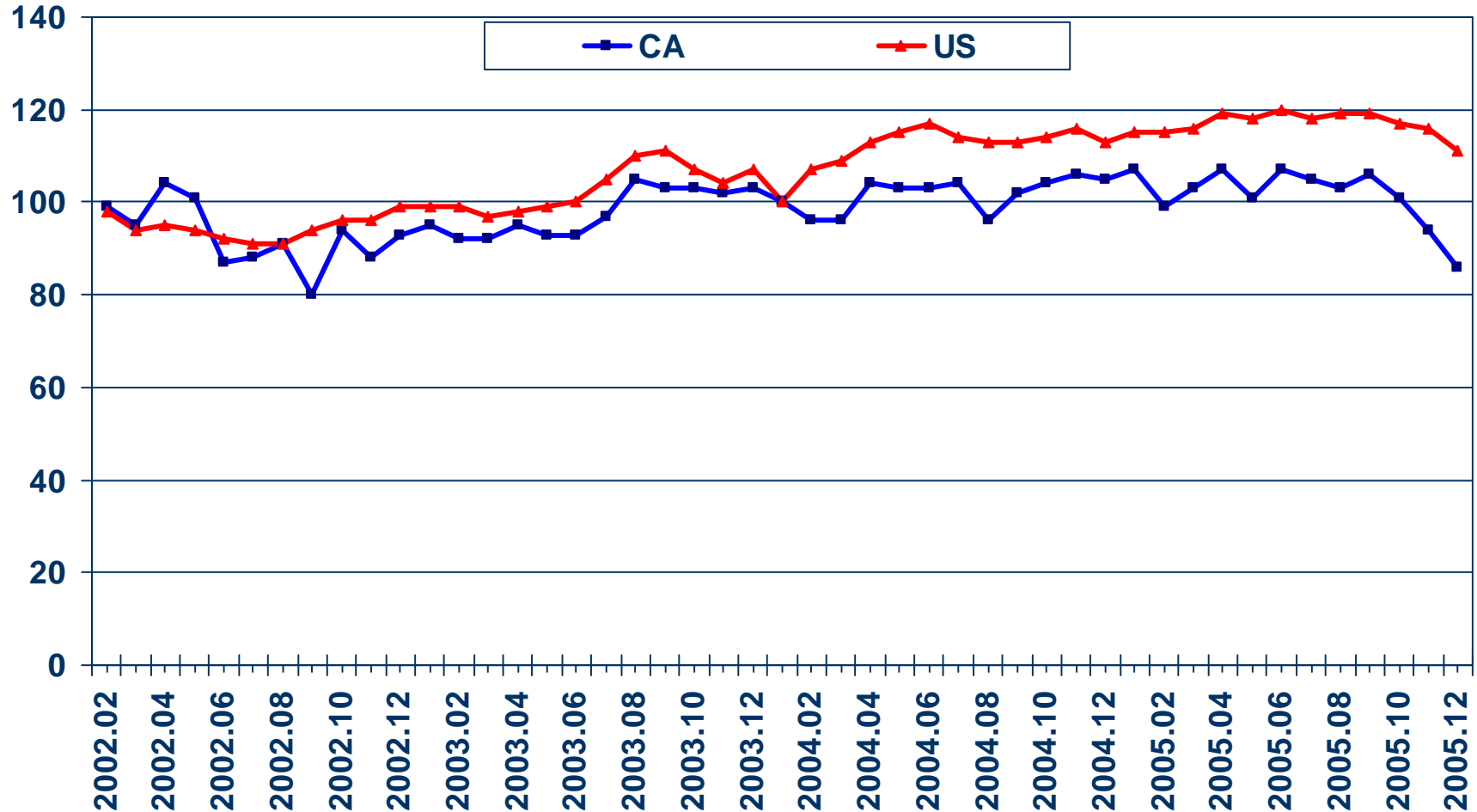


SOURCE: California Association of REALTORS®;
REALFACTS

US Sales Outpaced CA During Upswing

California Vs. U.S. 2002-2005

Sales Index (Jan 2004=100)



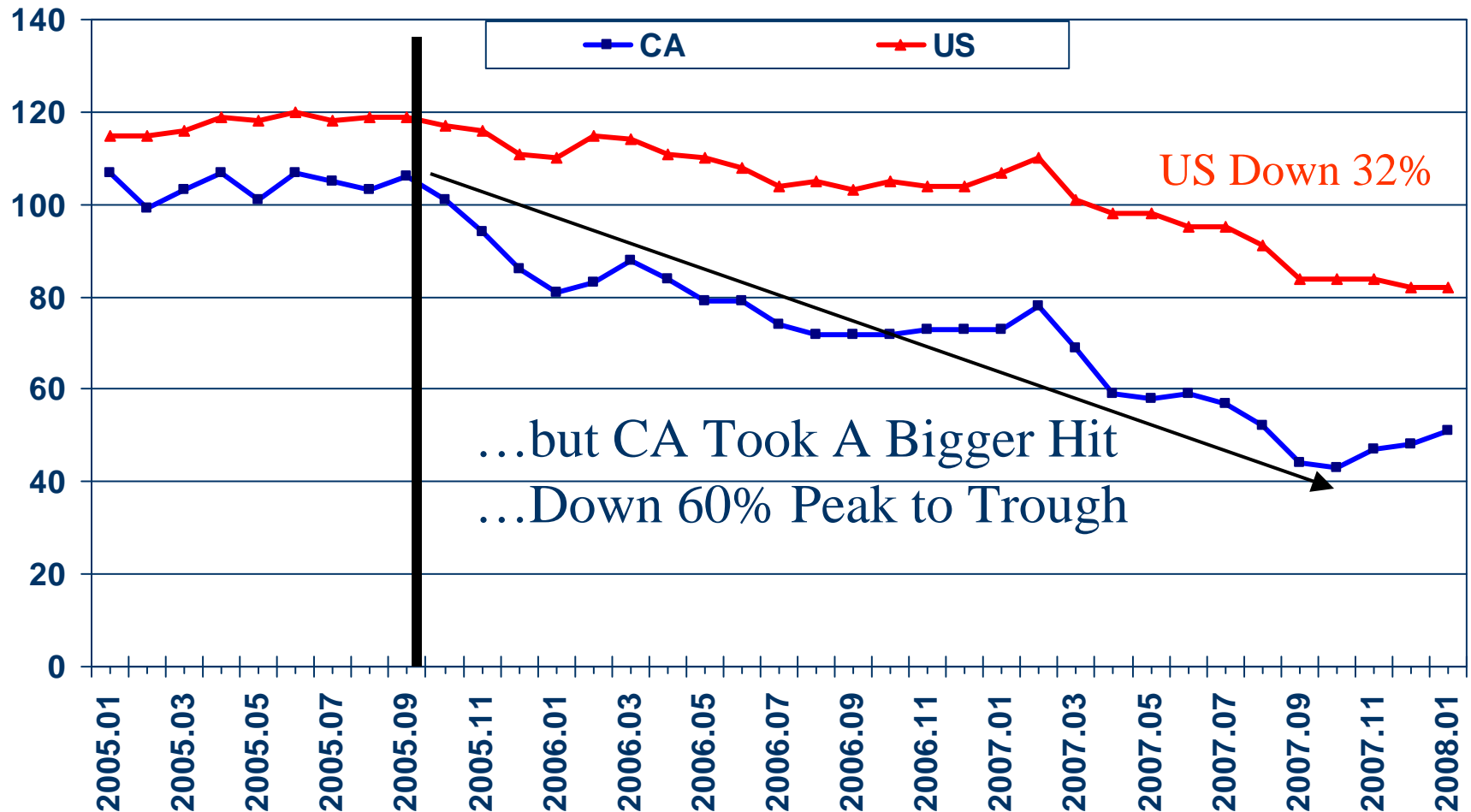
SOURCE: California Association of REALTORS®



Both US & CA Sales Slid in Late-2005 ...

California Vs. U.S. 2005-2007

Sales Index (Jan 2004=100)



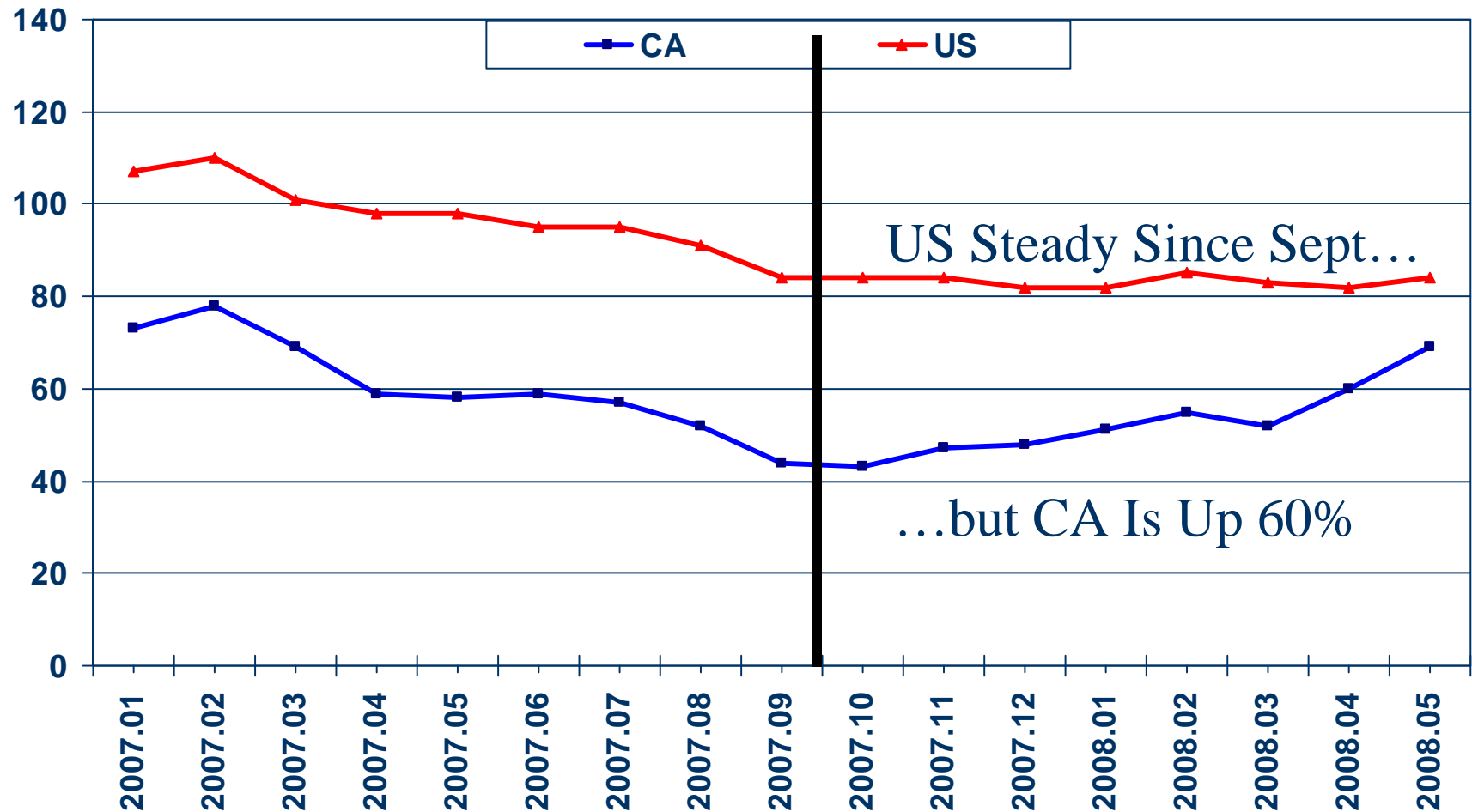
SOURCE: California Association of REALTORS®



Are CA Sales Improving Ahead of US?

California Vs. U.S. 2007-Present

Sales Index (Jan 2004=100)



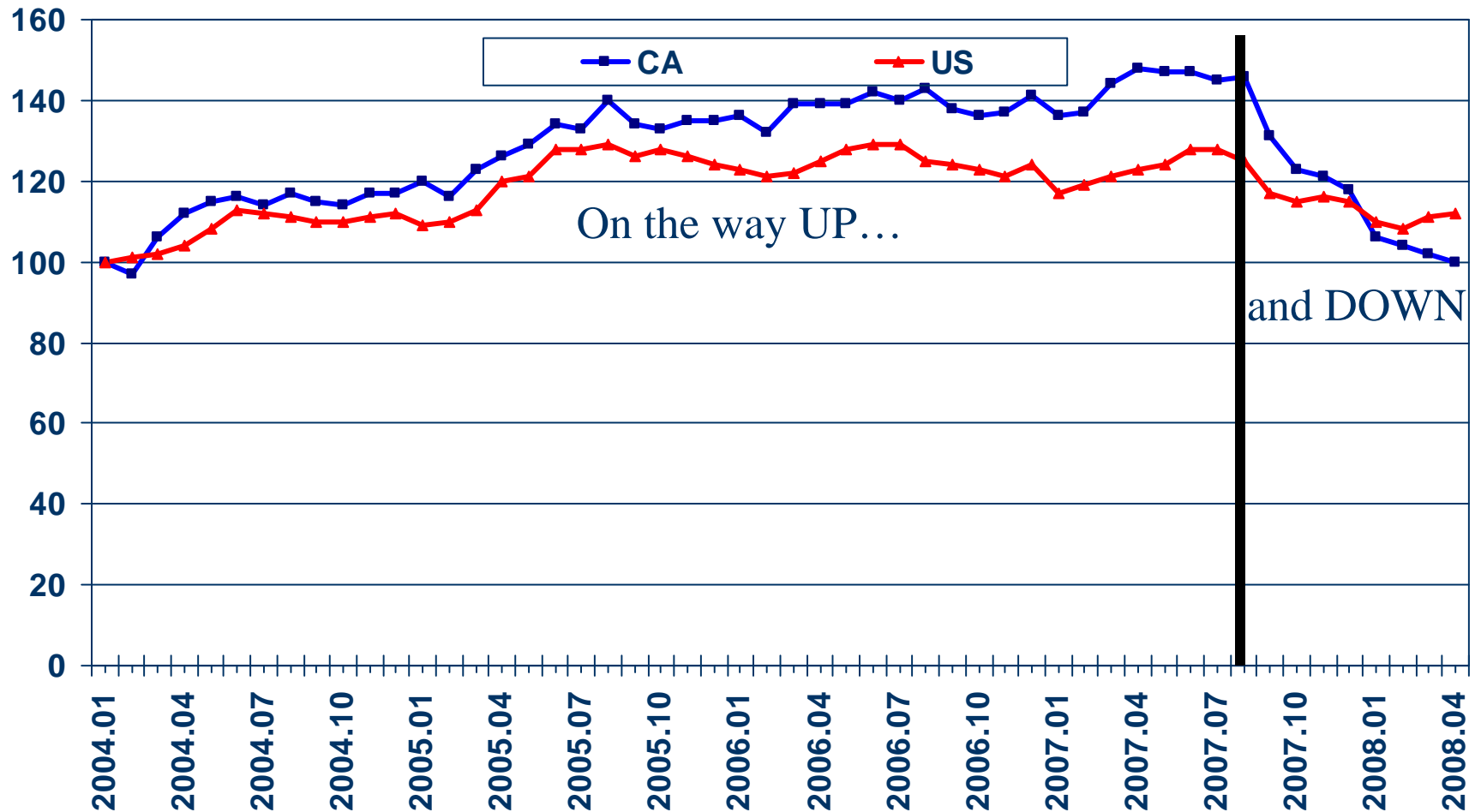
SOURCE: California Association of REALTORS®



CA Outpaced US in Price Changes...

California Vs. U.S. 2004-Present

Price Index (Jan 2004=100)



SOURCE: California Association of REALTORS®



Regional Outlook

Sales of Existing Detached Homes

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y	Y-t-D
High Desert	898	683	543	31.5%	65.4%	1.3%
Los Angeles	3,894	3,211	3,544	21.3%	9.9%	-20.3%
Orange	1,667	1,286	1,339	29.6%	24.5%	-12.0%
Palm Springs	581	559	511	3.9%	13.7%	-7.1%
Riverside/SB	1,438	1,064	811	35.2%	34.2%	12.8%
San Diego	1,201	1,544	1,546	-22.2%	-22.3%	-17.8%
Sta. Barbara Area	170	162	138	4.9%	23.2%	-1.5%
Ventura	363	391	416	-7.2%	-12.7%	-24.8%

Sales of Existing Detached Homes

Bay Area Counties

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y	Y-t-D
Alameda	705	572	700	23.3%	0.7%	-23.2%
Contra Costa	263	228	349	15.4%	-24.6%	-32.4%
Marin	164	145	238	13.1%	-31.1%	-32.5%
San Francisco	288	267	290	7.9%	-0.7%	-11.2%
San Mateo	360	351	460	2.6%	-21.7%	-24.6%
Santa Clara	888	676	1024	31.4%	-13.3%	-29.2%
Santa Cruz	125	113	151	10.6%	-17.2%	-33.6%
Solano	339	278	229	21.9%	48.0%	1.2%
Sonoma	364	335	340	8.7%	7.1%	-13.4%

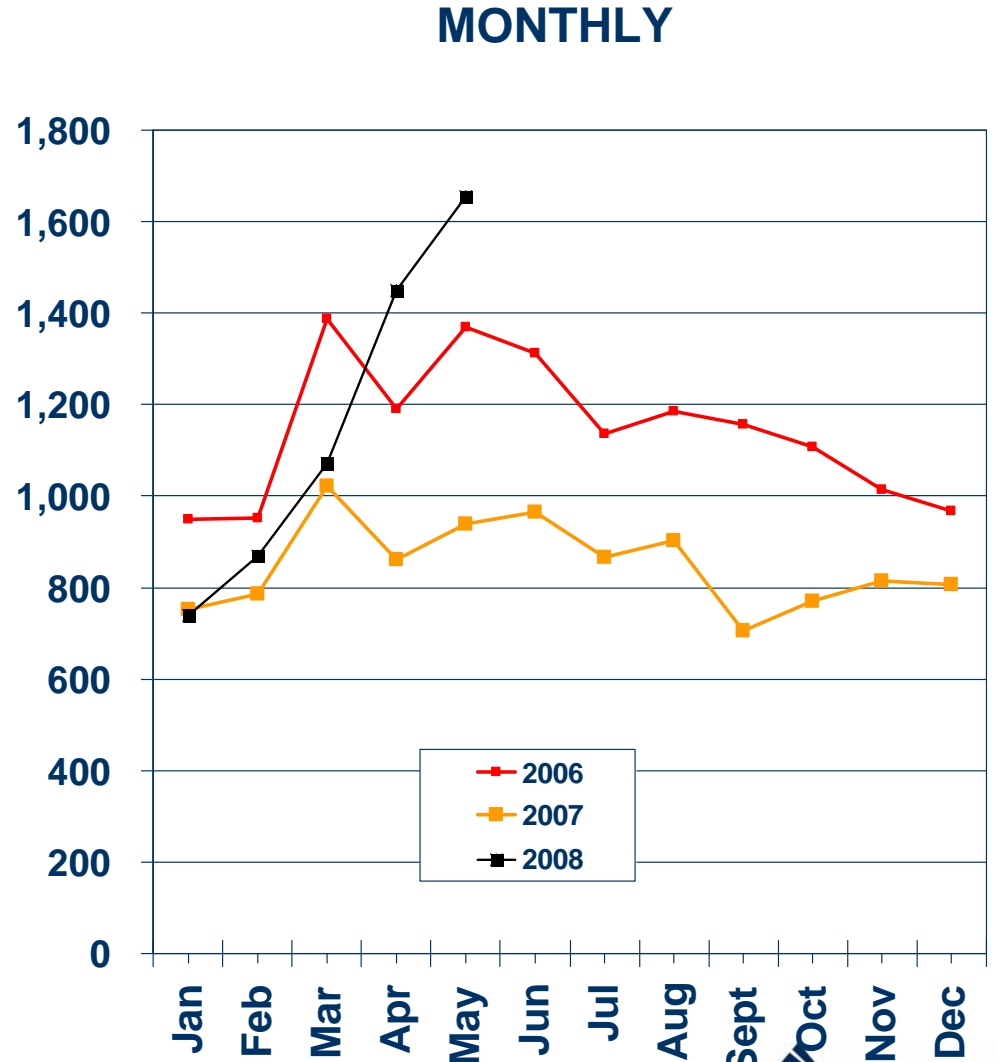
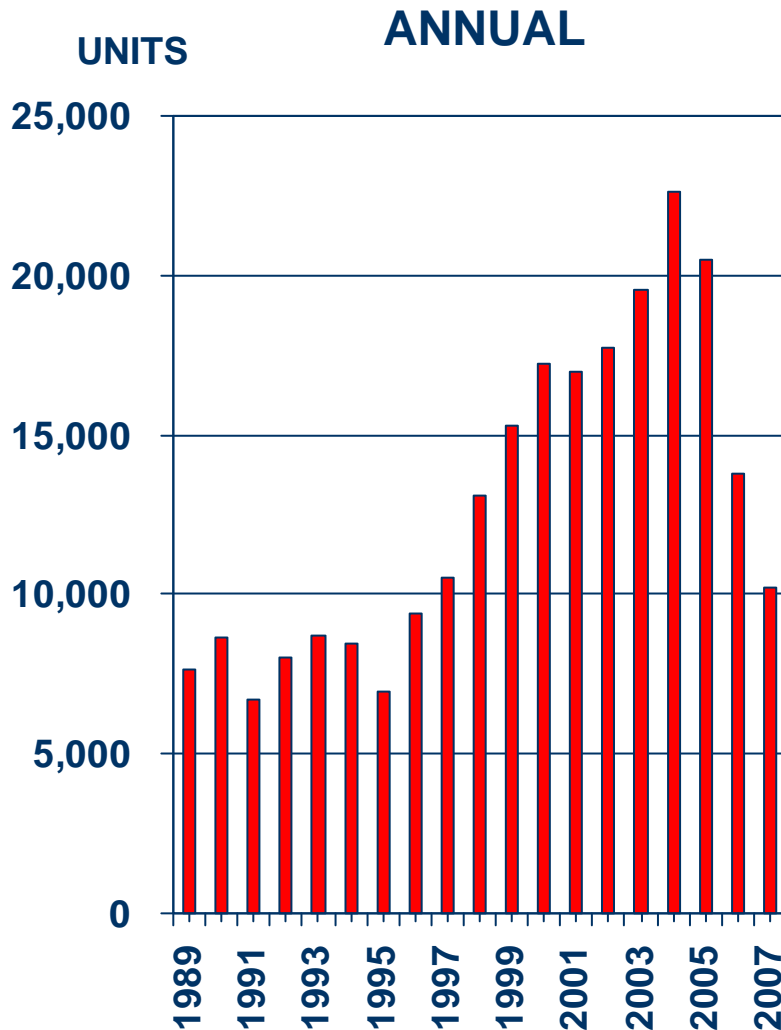
Sales of Existing Detached Homes

Central Valley Regions

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y	Y-t-D
Bakersfield	468	425	265	10.1%	76.6%	30.0%
Fresno	599	478	471	25.3%	27.2%	1.8%
Merced	195	138	55	41.3%	254.5%	99.0%
Sacramento	1,654	1,451	940	14.0%	76.0%	31.9%

Sales of Existing Detached Homes

Sacramento County, 2007: 10,218 Units, Down 25.7% Y-T-Y



SOURCE: C.A.R.

Median Price of Existing Detached Homes

Southern California Regions

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y
High Desert	\$ 200,739	\$ 210,864	\$ 313,547	-4.8%	-36.0%
Los Angeles	\$ 422,160	\$ 435,498	\$ 596,693	-3.1%	-29.2%
Orange	\$ 523,893	\$ 578,014	\$ 714,130	-9.4%	-26.6%
Palm Springs	\$ 283,481	\$ 304,023	\$ 392,201	-6.8%	-27.7%
Riverside/SB	\$ 257,659	\$ 278,795	\$ 396,014	-7.6%	-34.9%
San Diego	\$ 446,614	\$ 443,521	\$ 612,369	0.7%	-27.1%
Sta. Barbara-So. Coast	\$ 1,199,000	\$ 1,170,000	\$ 1,345,500	2.5%	-10.9%
Sta. Barbara-North Cnty.	\$ 297,825	\$ 301,852	\$ 442,857	-1.3%	-32.7%
Ventura	\$ 487,790	\$ 496,534	\$ 699,481	-1.8%	-30.3%

SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

Bay Area Counties

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y
Alameda	\$ 545,188	\$ 572,368	\$ 722,044	-4.7%	-24.5%
Contra Costa	\$ 756,465	\$ 777,778	\$ 882,281	-2.7%	-14.3%
Marin	\$ 1,120,370	\$ 1,029,762	\$ 1,032,895	8.8%	8.5%
San Francisco	\$ 863,924	\$ 811,274	\$ 932,352	6.5%	-7.3%
San Mateo	\$ 850,000	\$ 872,500	\$ 950,000	-2.6%	-10.5%
Santa Clara	\$ 769,650	\$ 752,500	\$ 855,000	2.3%	-10.0%
Santa Cruz	\$ 617,500	\$ 675,000	\$ 779,000	-8.5%	-20.7%
Solano	\$ 302,500	\$ 327,358	\$ 458,695	-7.6%	-34.1%
Sonoma	\$ 436,781	\$ 450,000	\$ 616,438	-2.9%	-29.1%

Median Price of Existing Detached Homes

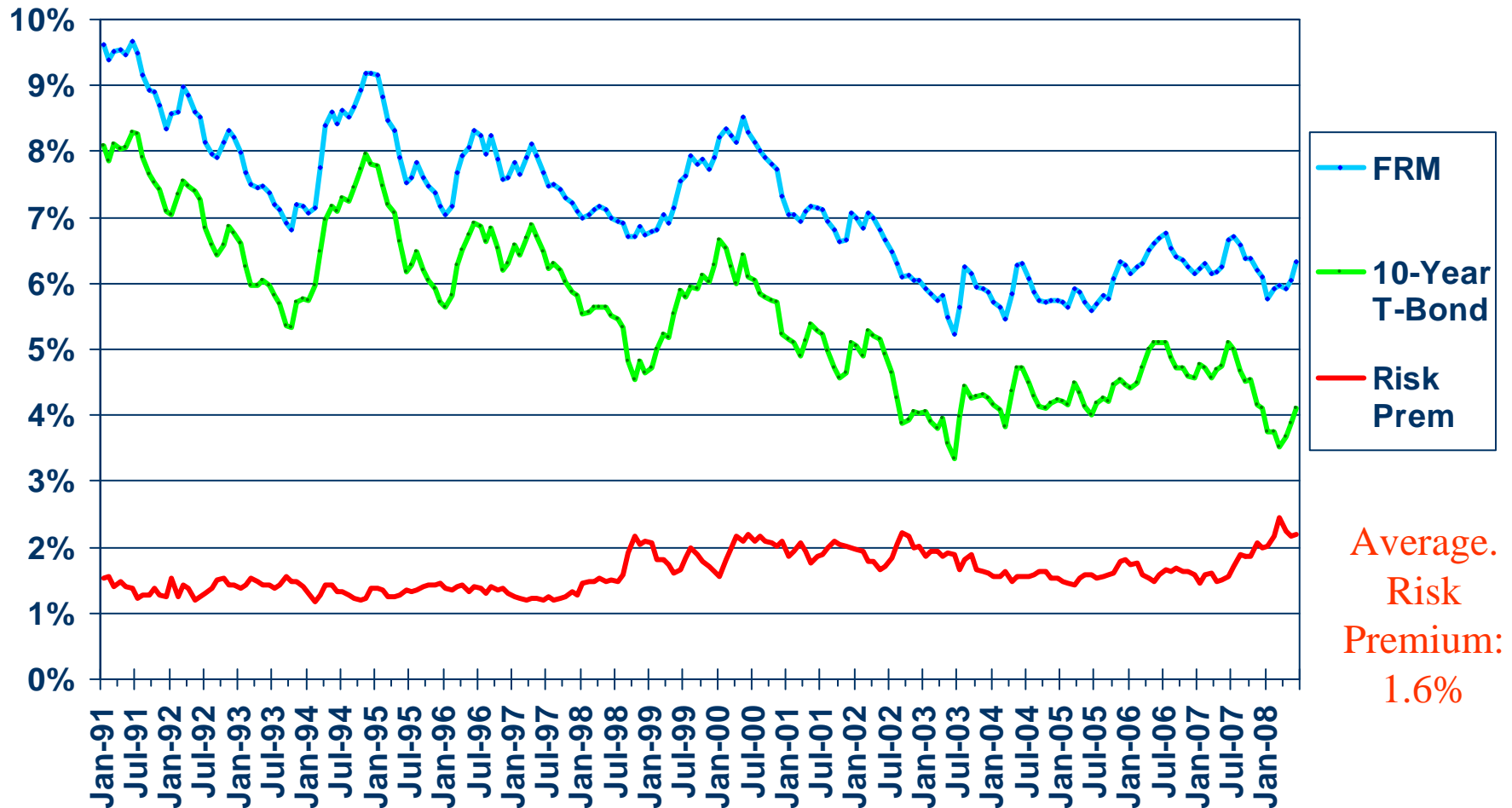
Central Valley Regions

County	May-08	Apr-08	May-07	M-t-M	Y-t-Y
Bakersfield	\$ 208,540	\$ 209,950	\$ 272,009	-0.7%	-23.3%
Fresno	\$ 214,648	\$ 234,302	\$ 293,154	-8.4%	-26.8%
Merced	\$ 160,769	\$ 182,000	\$ 273,214	-11.7%	-41.2%
Sacramento	\$ 233,229	\$ 235,942	\$ 356,104	-1.1%	-34.5%

Real Estate Finance: Mortgage Rates and Woes

30-Year FRM vs. 10-Year T-Bond

Above-Average Risk Premiums Associated With Mortgage Loans



SOURCE: Federal Home Loan Mortgage Corporation – 30-yr FRM
Federal Reserve Board – 10-Year T-Bond

Notices of Default – CA

Houses and Condos

Region	2008 Q1	2007 Q4	2007 Q1	QTQ %Chg	YTY %Chg
SoCal	65,309	43,146	26,748	51.4%	144.2%
Bay Area	16,398	12,704	6,730	29.1%	143.7%
Central Valley	26,793	21,946	11,054	22.1%	142.4%
Statewide*	113,676	81,550	46,760	39.4%	143.1%

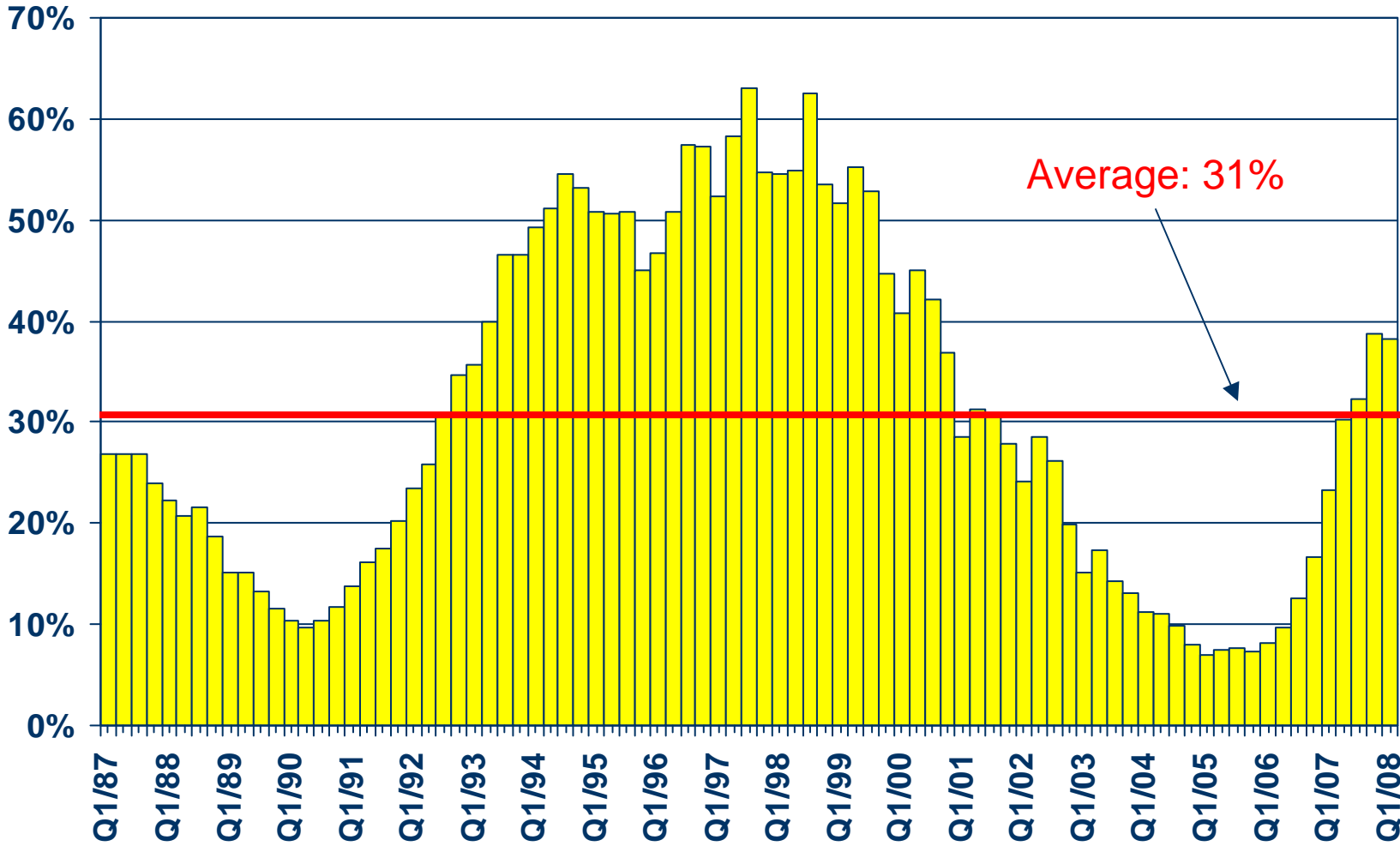
* Includes additional counties

SOURCE: Data Quick Information Systems



Ratio of Foreclosure to Notices of Default

Southern California

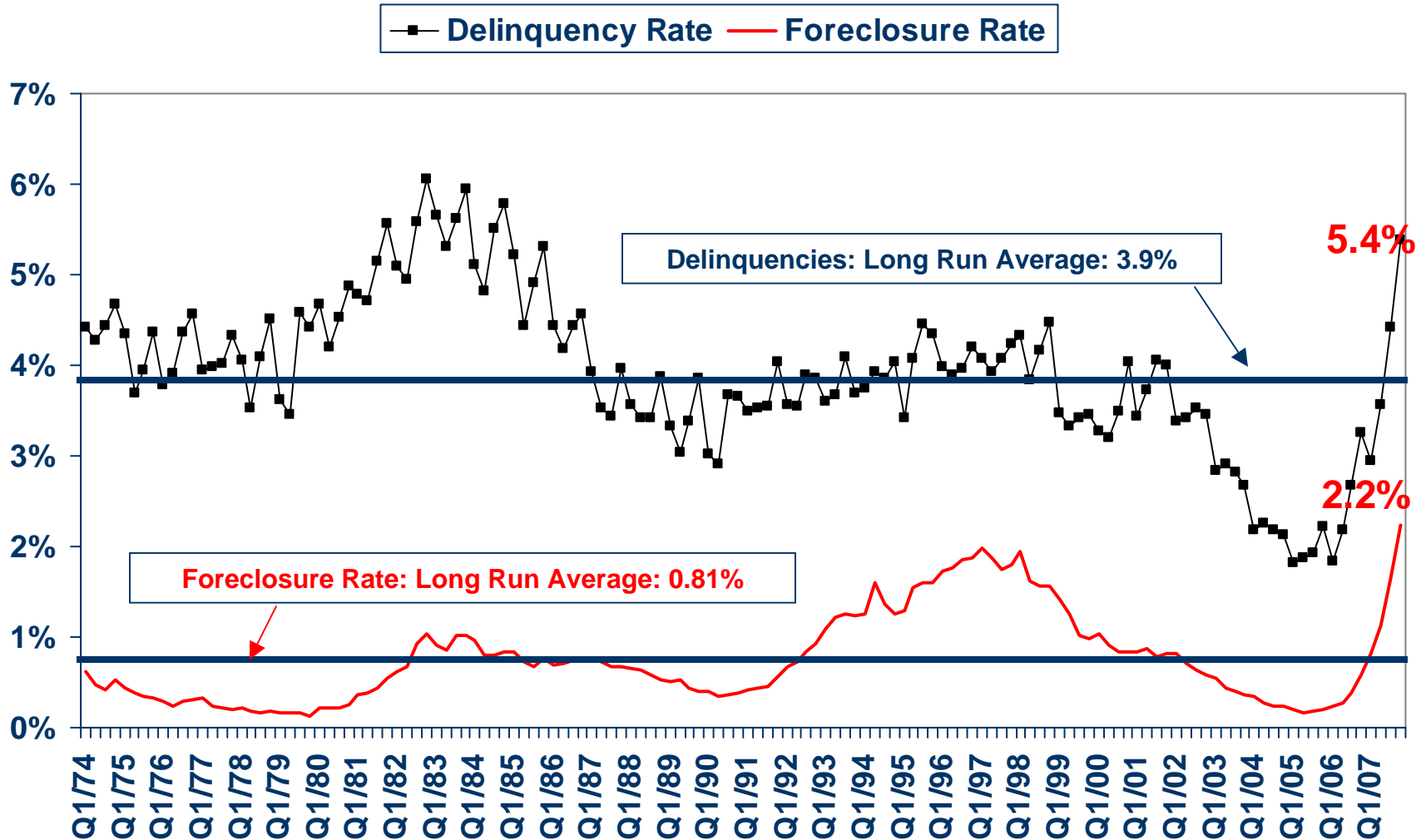


SOURCE: Real Estate Research Council



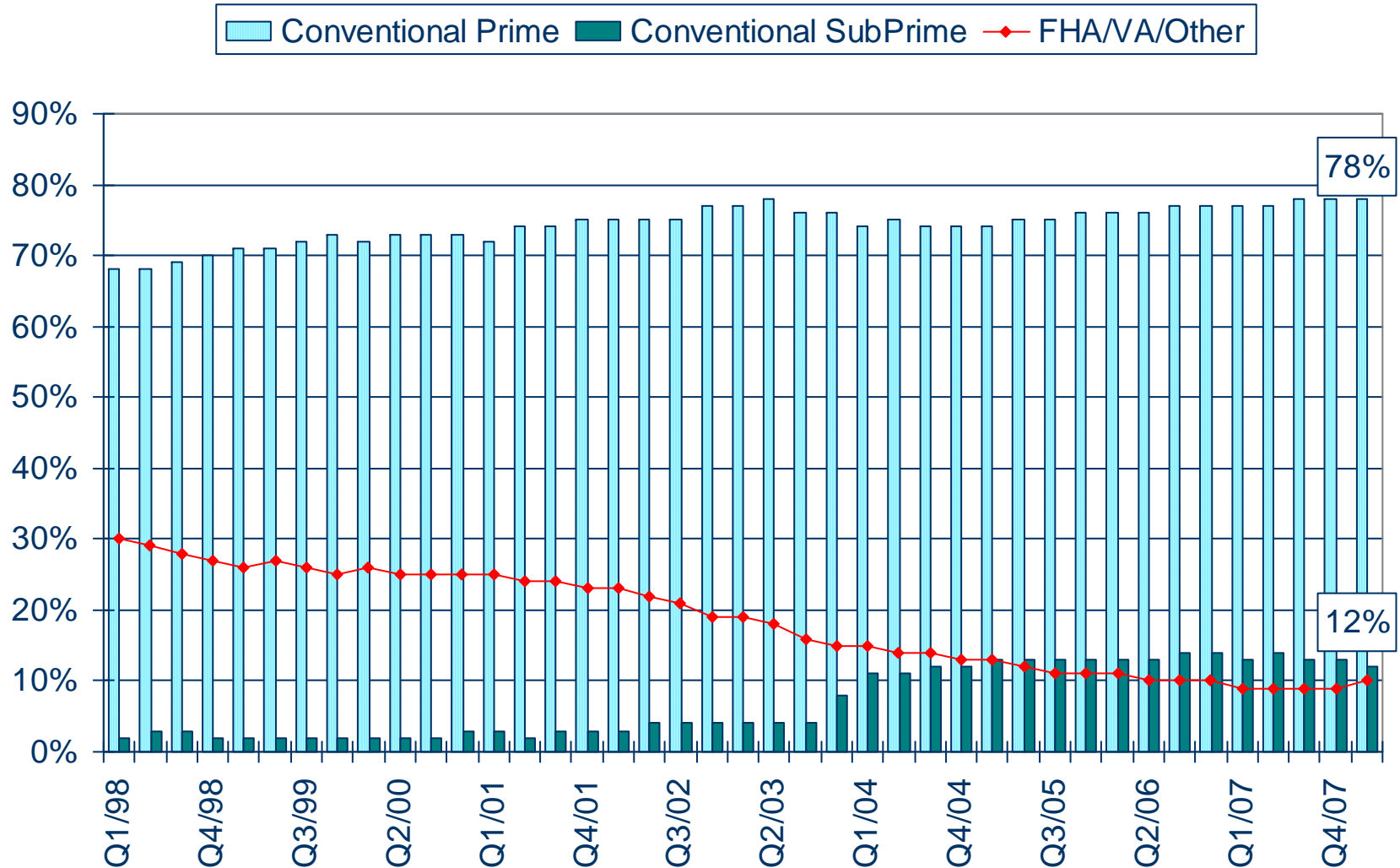
Mortgage Foreclosure & Delinquency Rates

California, Historical Rates for All Loans

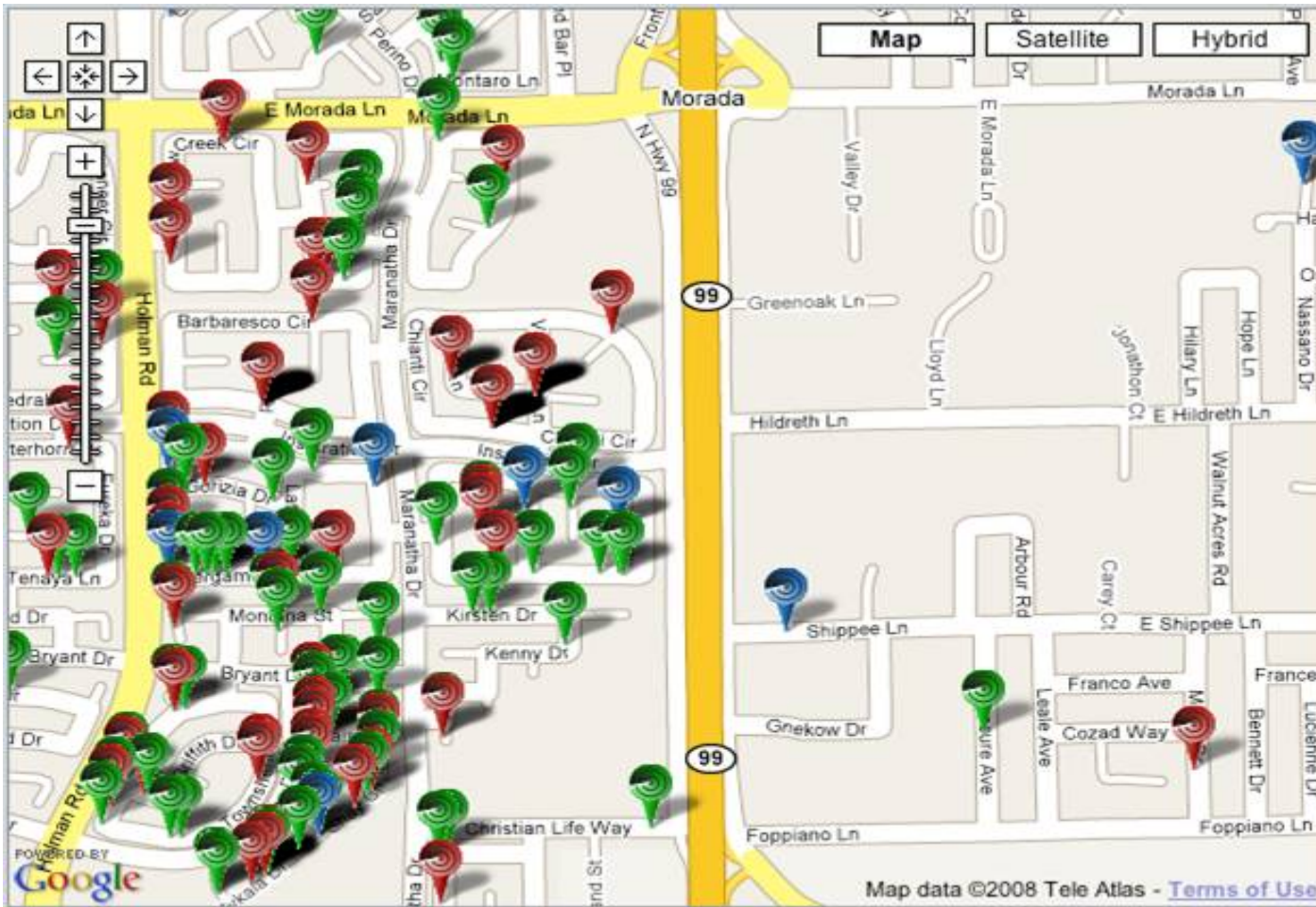


Prime, Sub-Prime, & Other Loans

As a Percentage of All Loans Outstanding in United States



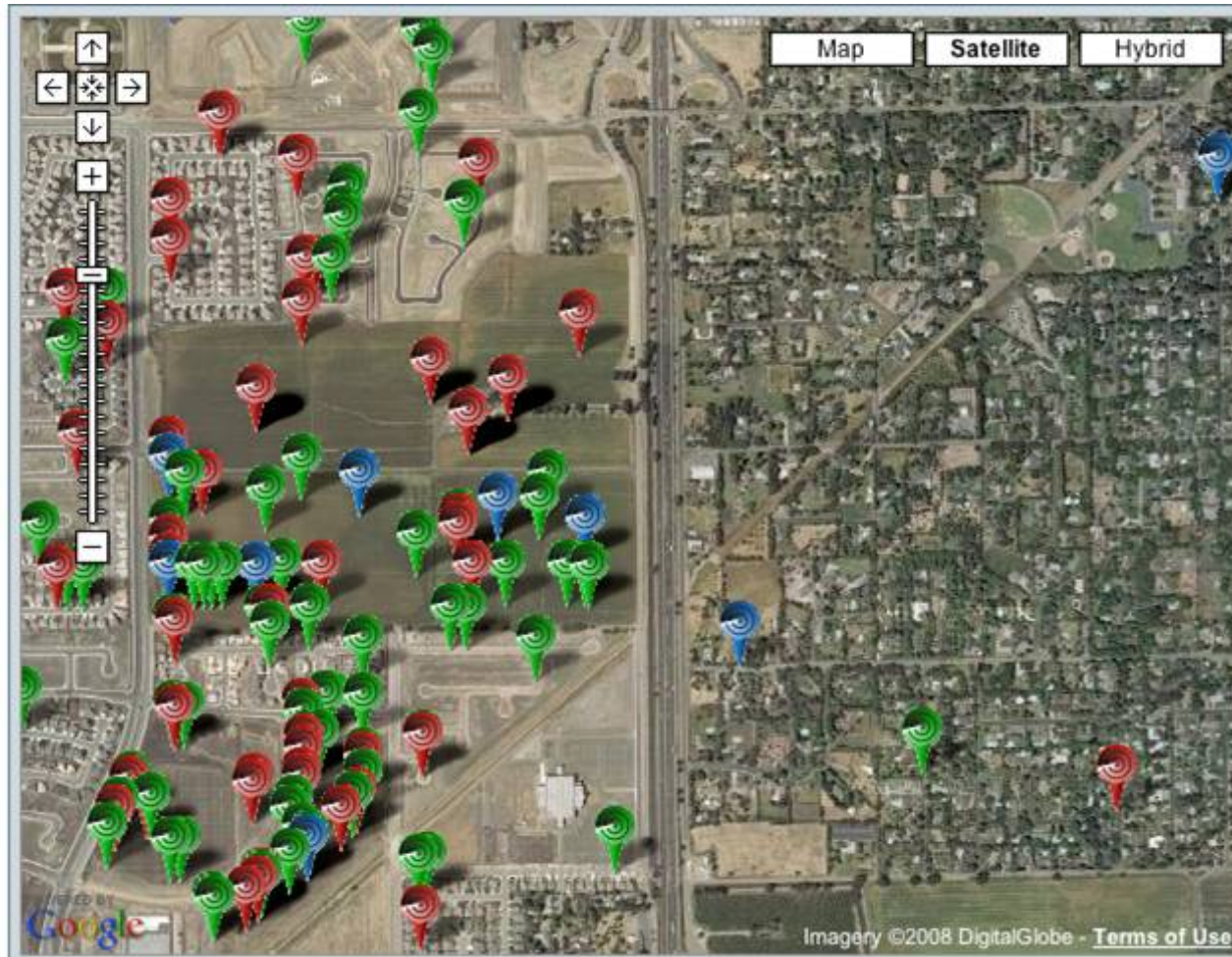
Stockton: A Tale of Two Cities Foreclosure Mapping



What's
Wrong
With this
Picture?

Stockton: A Tale of Two Cities

<http://www.foreclosureradar.com/>



Nothing!

Foreclosures
often are
localized...

- New areas
- First-time buyers

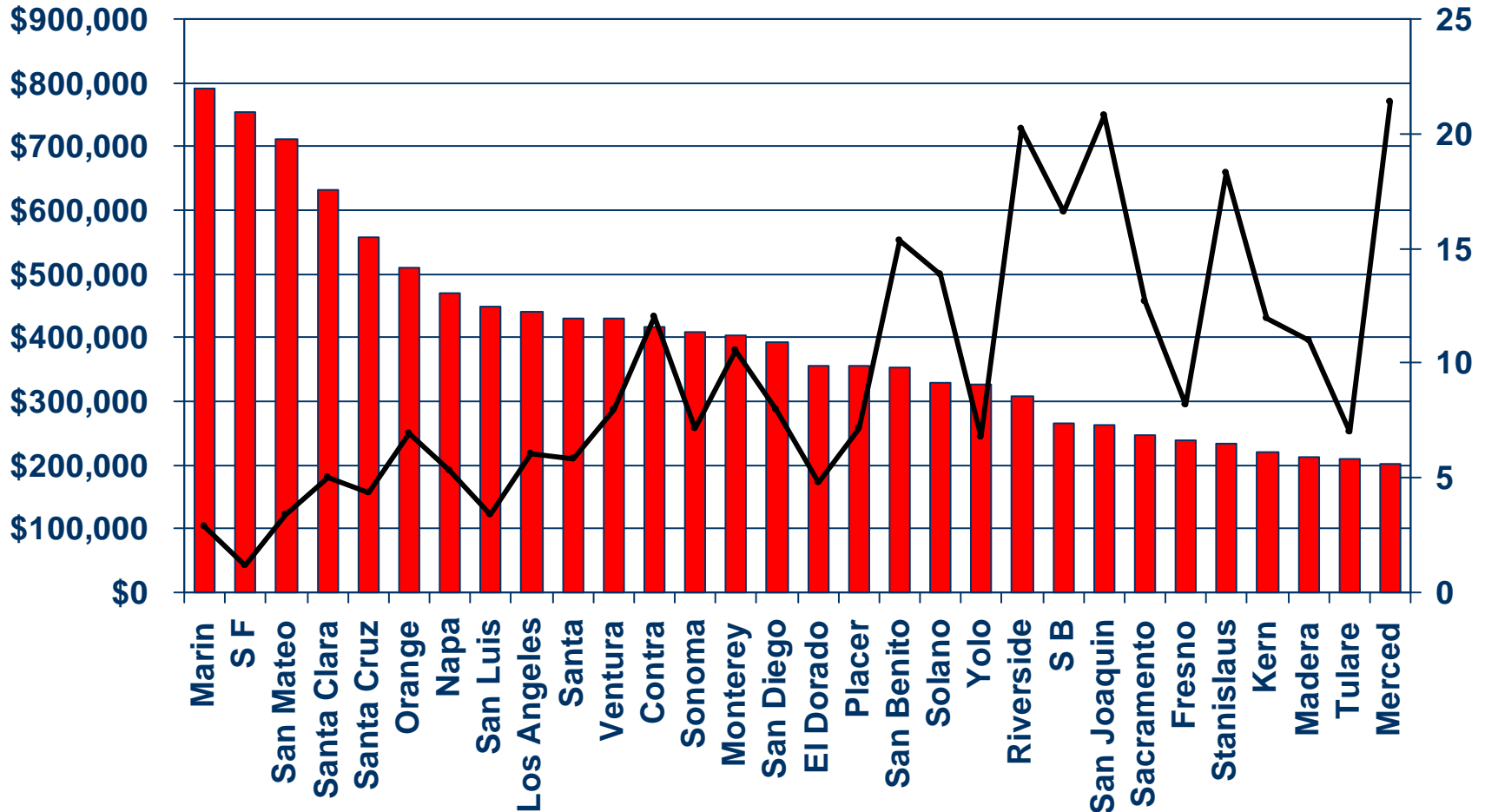
Default Rates vs Median Price

In CA Counties – Inverse Relationship?

Median Price

■ March 2008 Median Price — Defaults/1,000 HHs 08-Q1

Default Rate



SOURCE: Dataquick Information Systems



Housing Market Forecast

California Housing Market Forecast

	2003	2004	2005	2006	2007	2008f
SFH Resales (thousands)	601.8	624.7	625.0	477.5	352.8	342.3
% Change	5.1%	3.8%	0.04%	-23.6%	-26.1%	-3.0%
Median Price (\$ thousands)	\$372.7	\$450.8	\$524.0	\$556.6	\$558.1	\$402.0
% Change	17.9%	20.9%	16.2%	6.2%	0.3%	-28.0%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.3%	5.7%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.6%	5.2%

Summary

- Existing Home Sales: 2007: -26%, 2008: -3%
- Statewide Median Price: Continuing decrease (-28%)
- Low end weak... Payment resets, Foreclosures
- High end weak... Credit/Liquidity Crunch
- Tighter Underwriting Standards... maybe too tight
- Affordability improves but confronts tight underwriting
- More signs of stabilization in next 6-12 months