

2009 California & Bay Area Real Estate Market Outlook

November 24, 2008

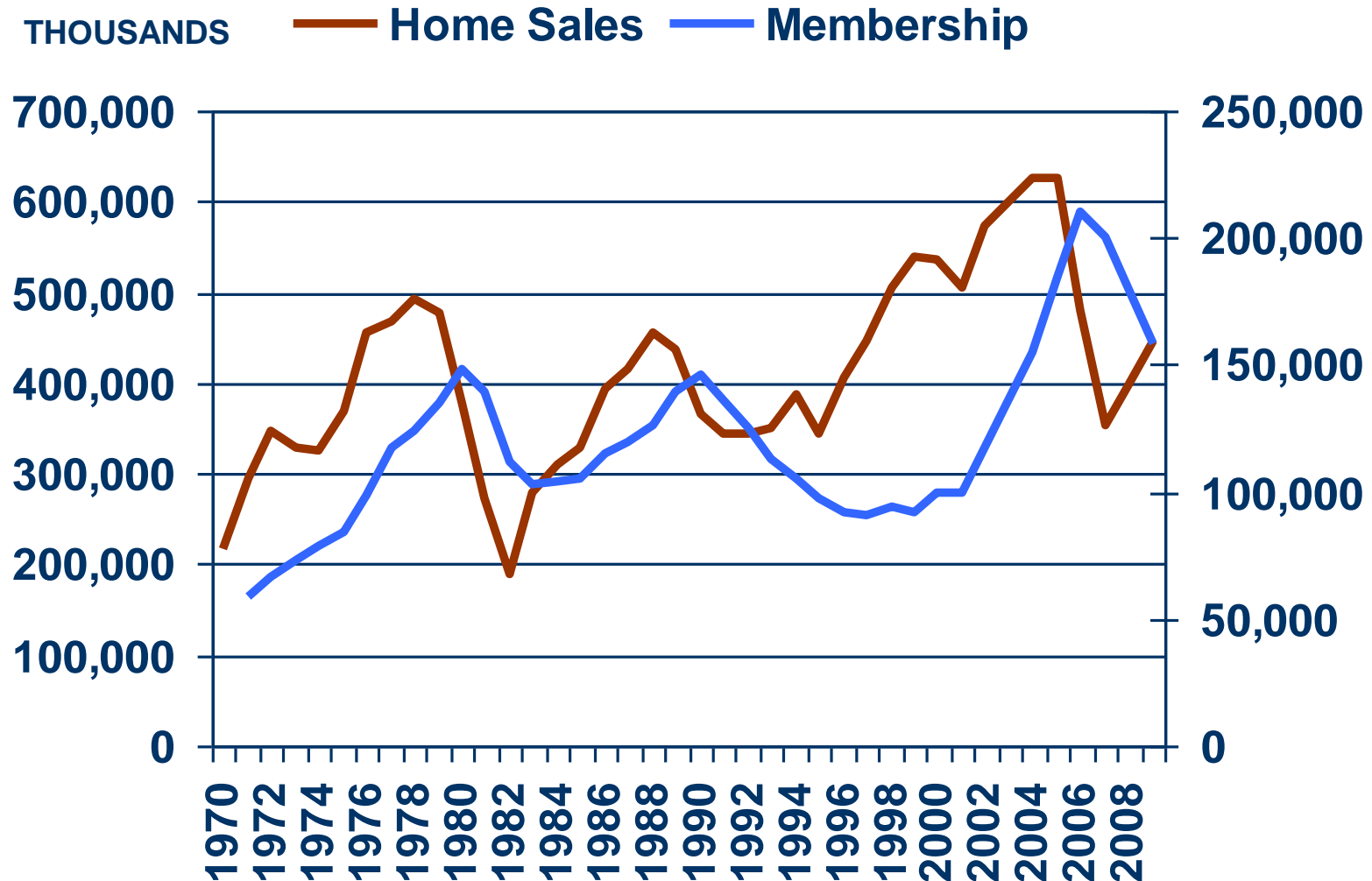
Fairmont Hotel

Leslie Appleton-Young

C.A.R. Vice President and Chief Economist

California Real Estate Market: 2008

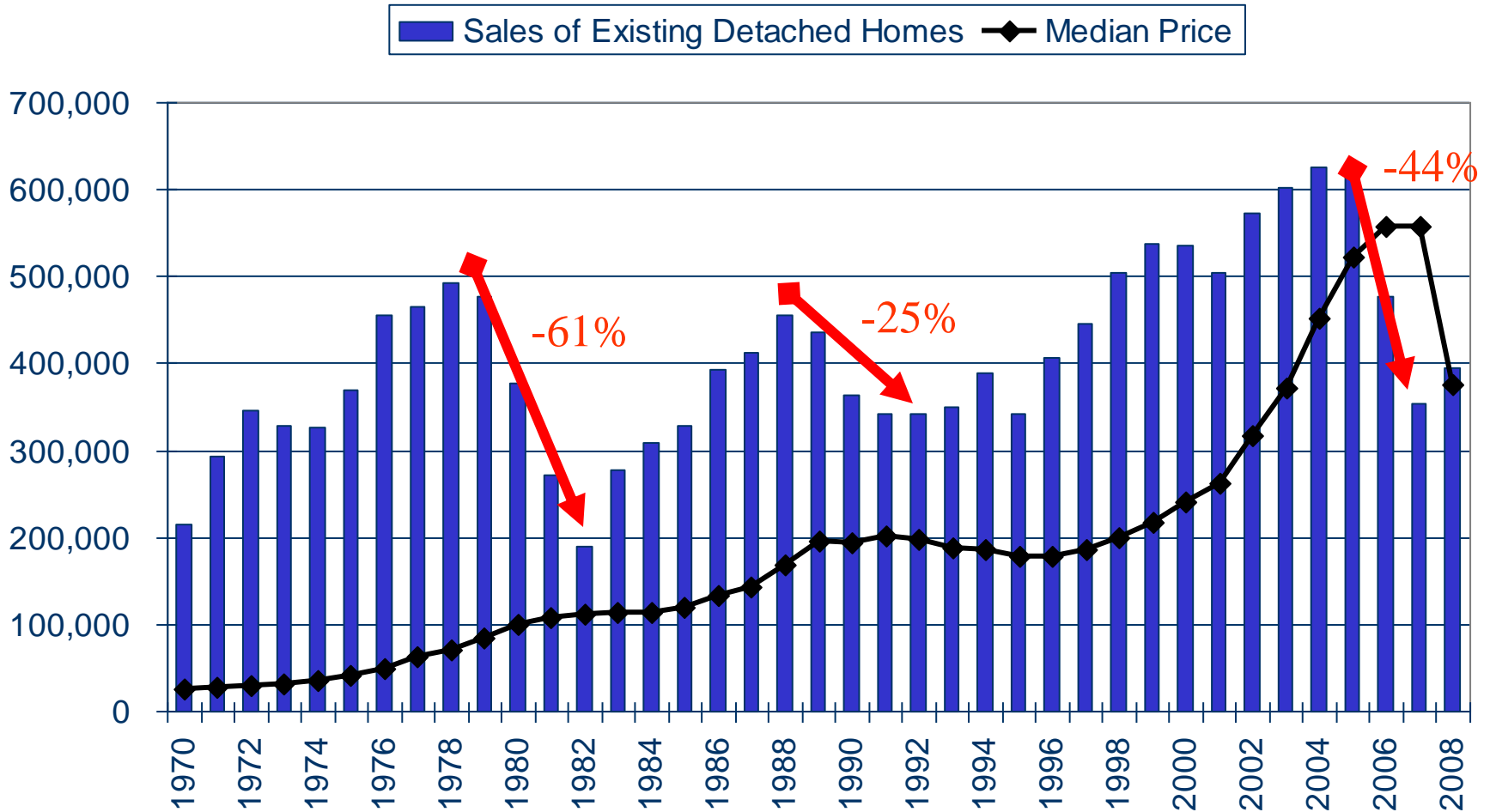
California's Housing Cycles and Membership 1970-2009



Sales Hit Bottom in 2007, Up in 2008

California Sales of Existing Homes and Median Price

UNITS/MEDIAN PRICE \$

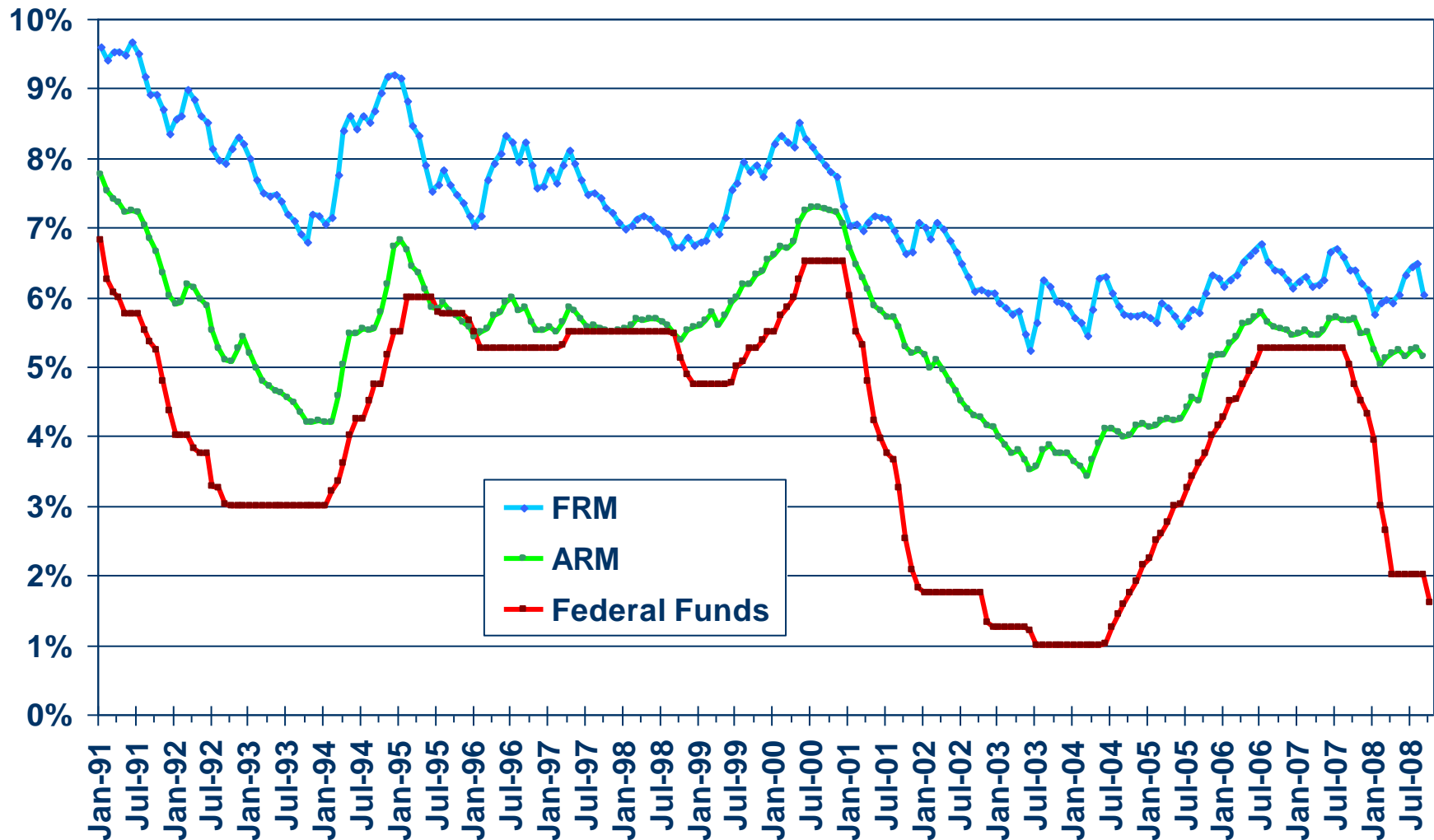


SOURCE: California Association of REALTORS®



Fed Funds, FRM and ARM Rates: 1991 – 2008

FF Rate reduced from 6.5% to 1% between 2001-2004; Fueled housing boom

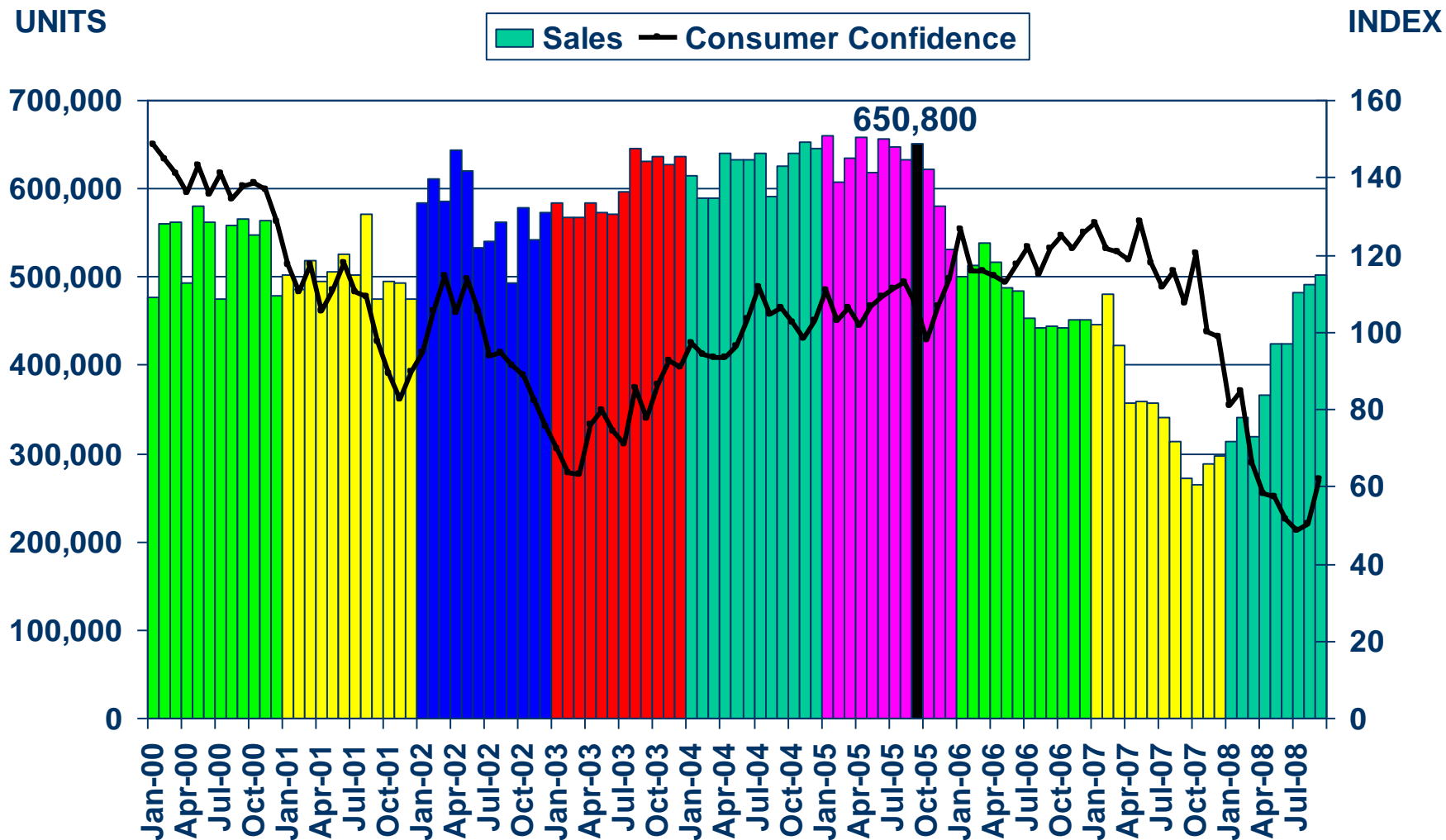


SOURCE: Federal Home Loan Mortgage Corporation



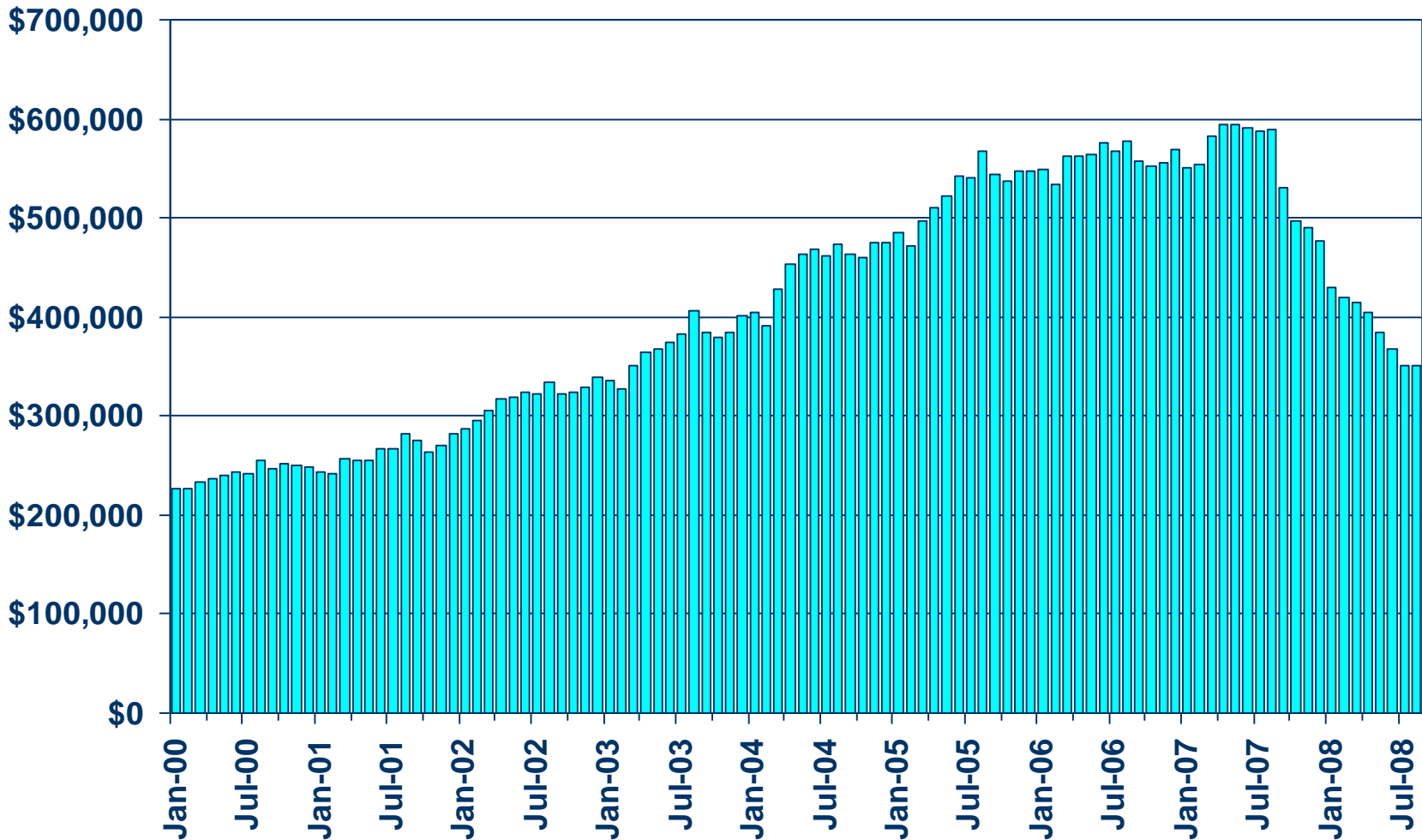
Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, September 2008 Sales: 502,190 Units, Up 2.7% YTD, Up 96.7% YTY



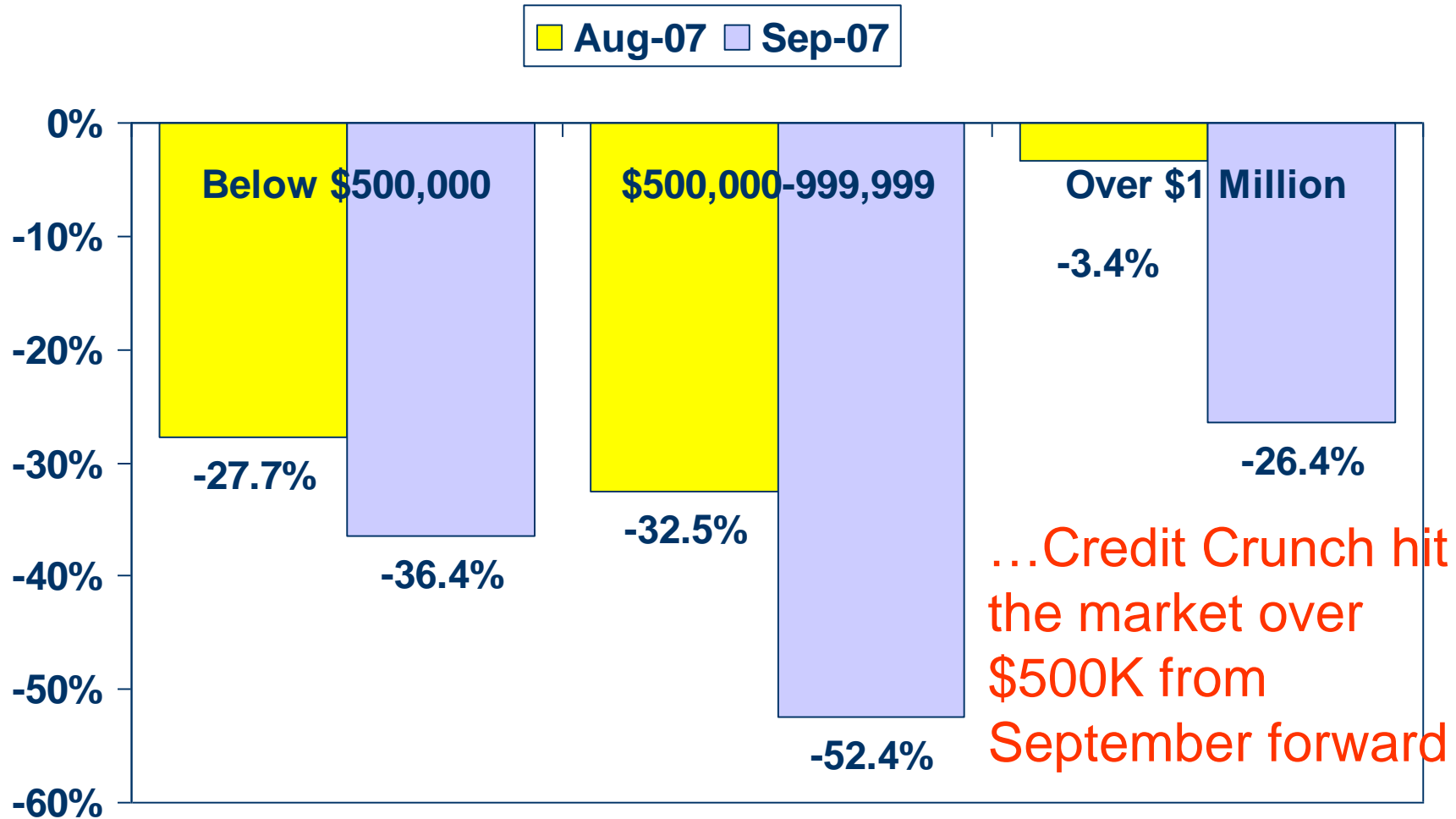
Median Price of Existing Detached Homes

California, September 2008: \$316,480, Down 40.9% Y-T-Y



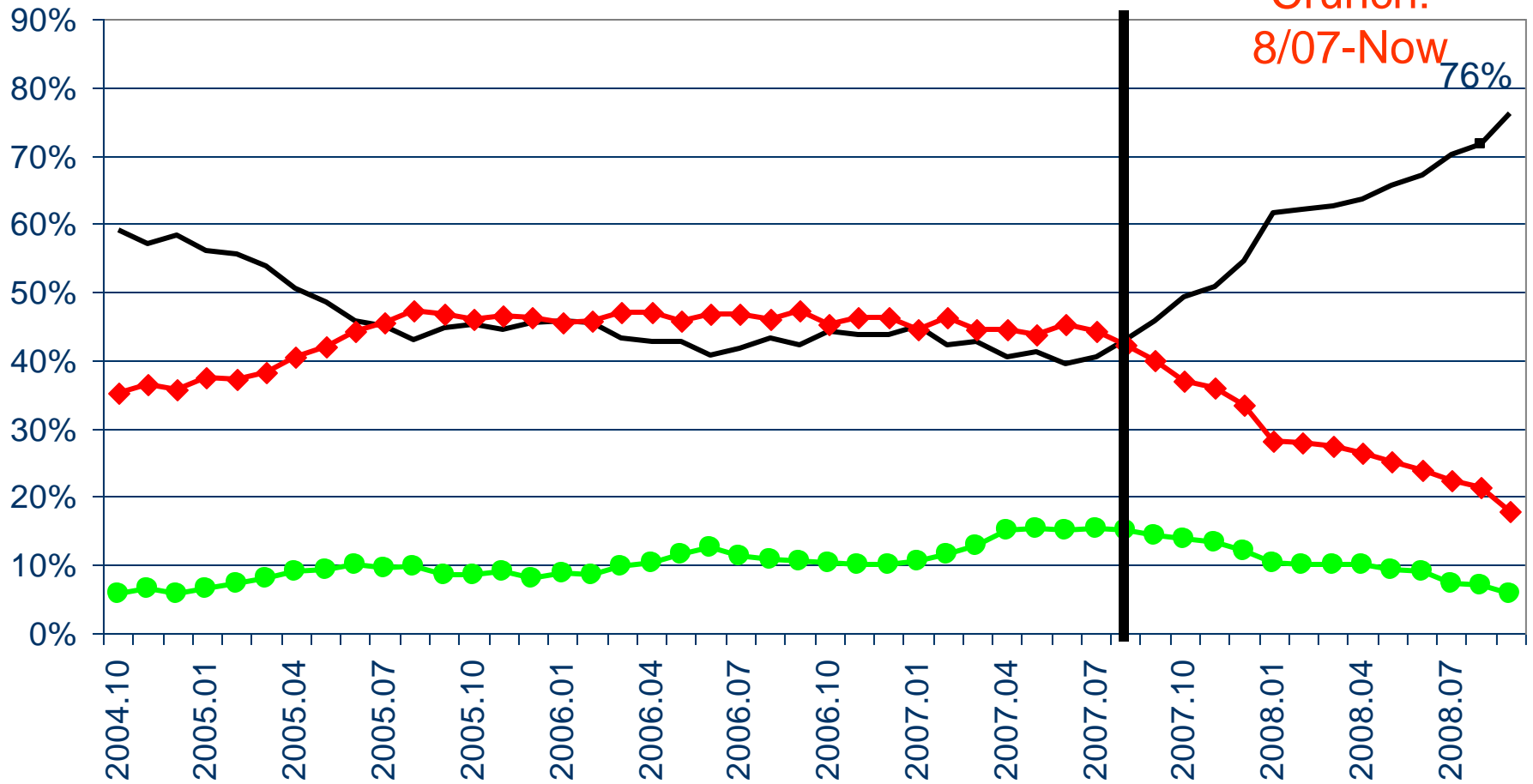
Lower Price Ranges Hit Hardest, but...

Percentage Change in Sales YTY



Sales By Price Range

— Under 500 ◆ 500 to 999 ● 1 Mil +

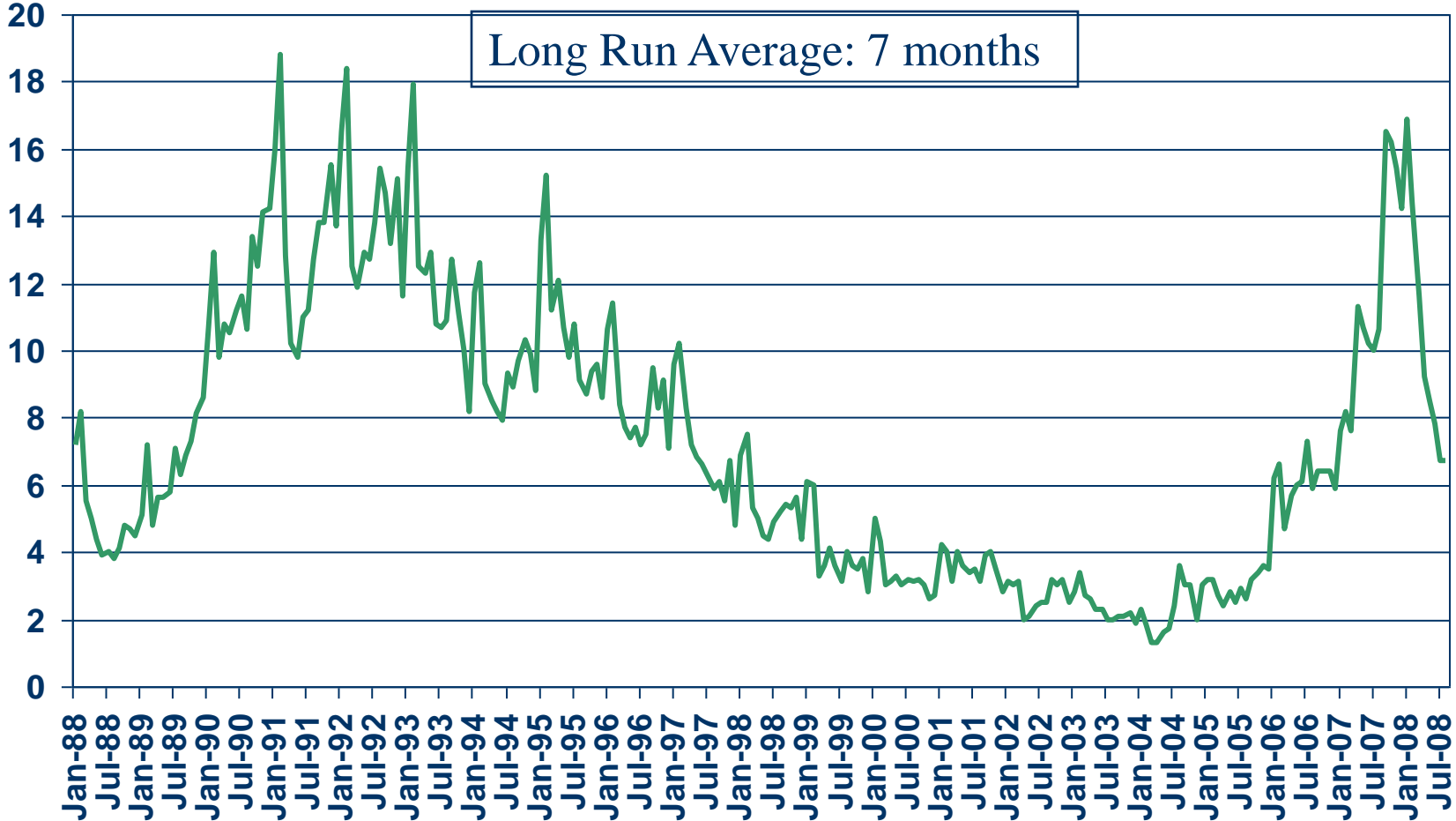


Crunch:
8/07-Now
76%

Unsold Inventory Index

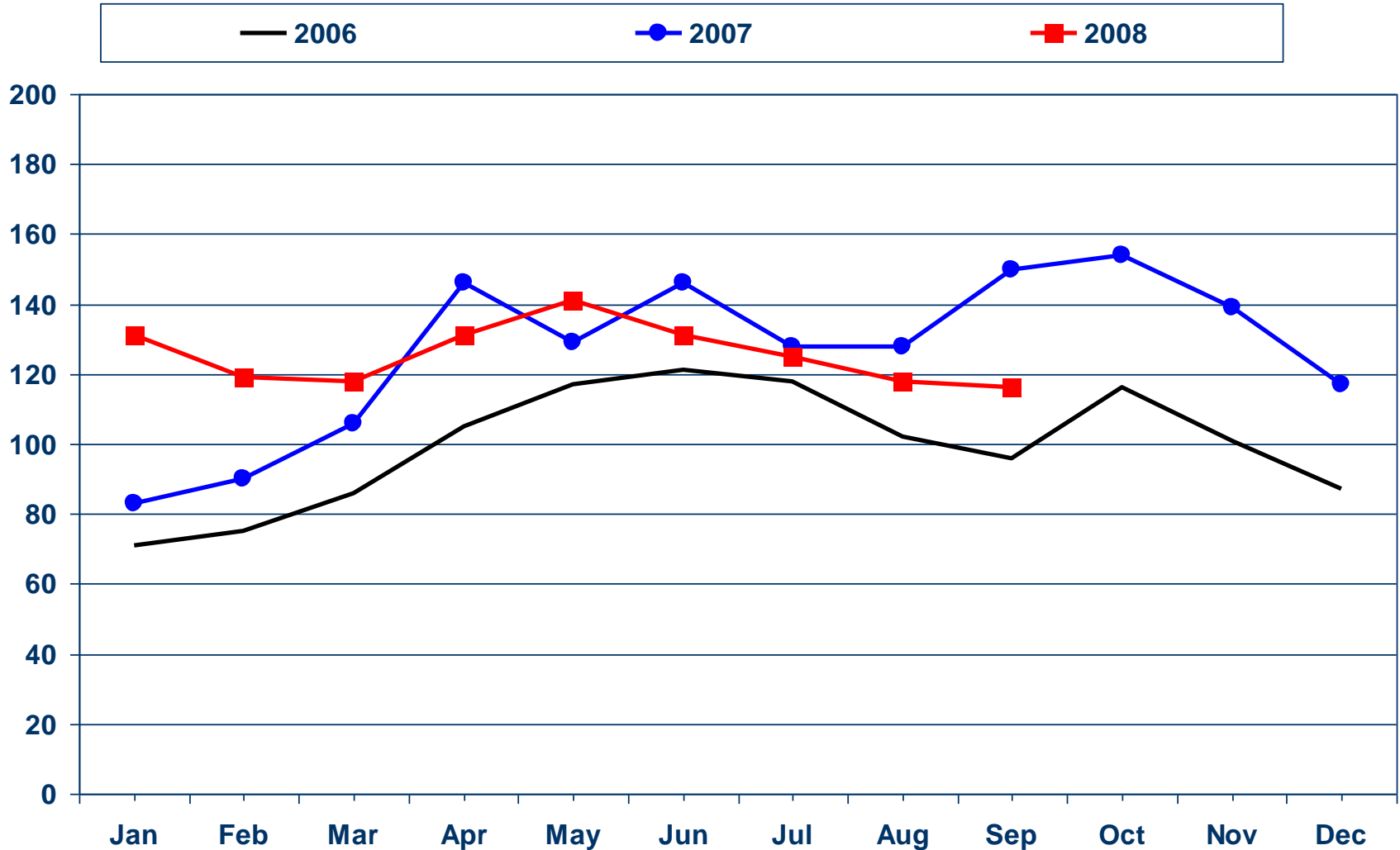
California, September 2008: 6.5 Months

MONTHS



Listings by Month, Selected Years

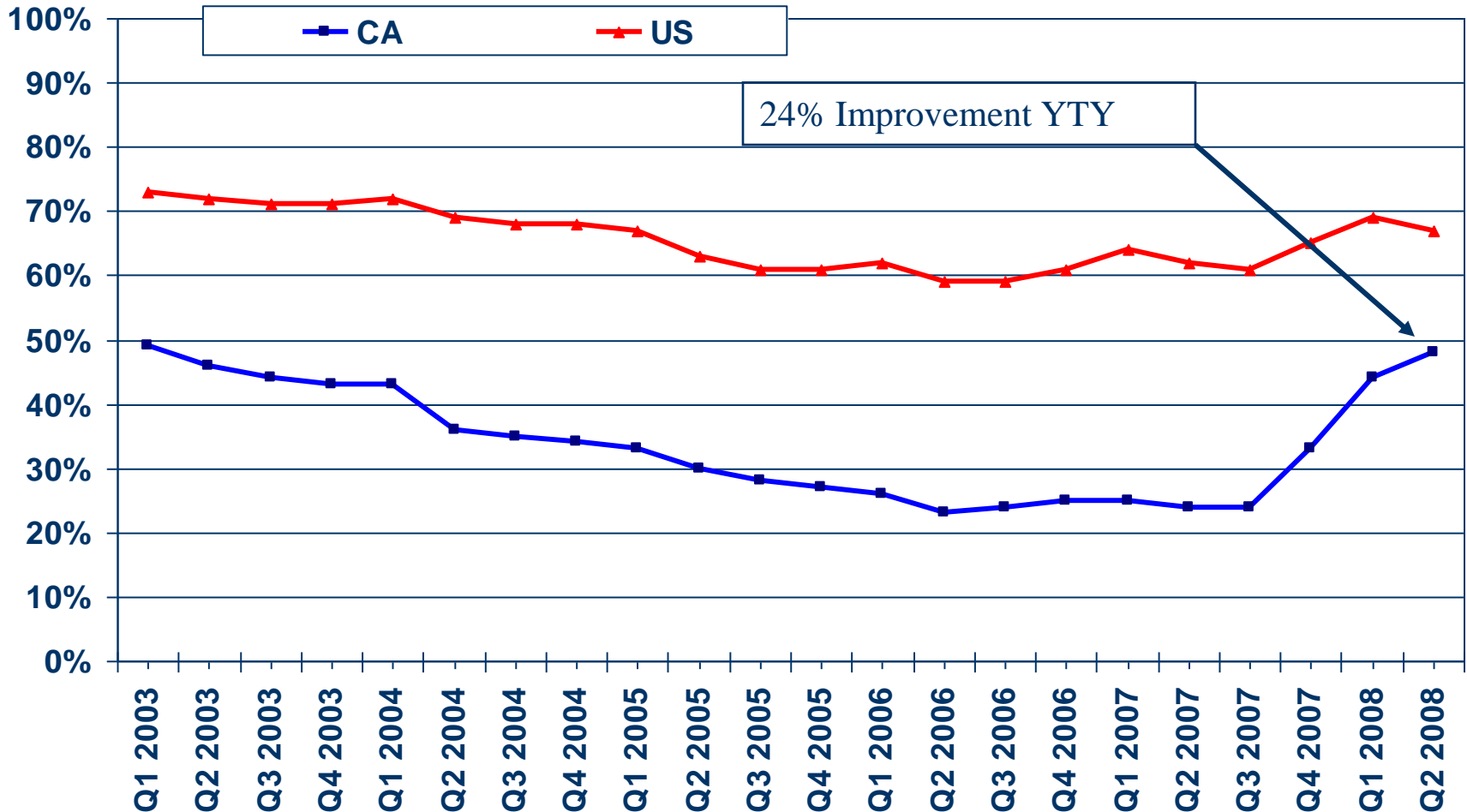
California (1982-2007 Average=100)



First-time Buyer Housing Affordability Index

California Vs. U.S. 2003-2008

% OF HOUSEHOLDS THAT CAN BUY

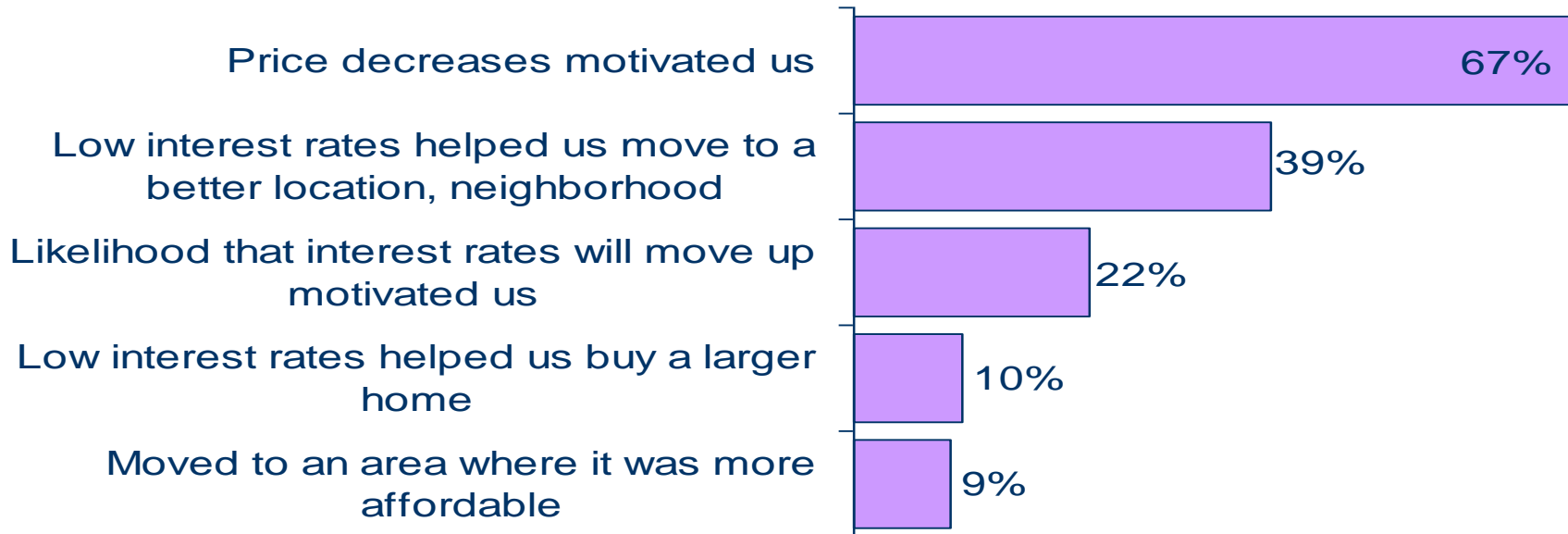


SOURCE: California Association of REALTORS®



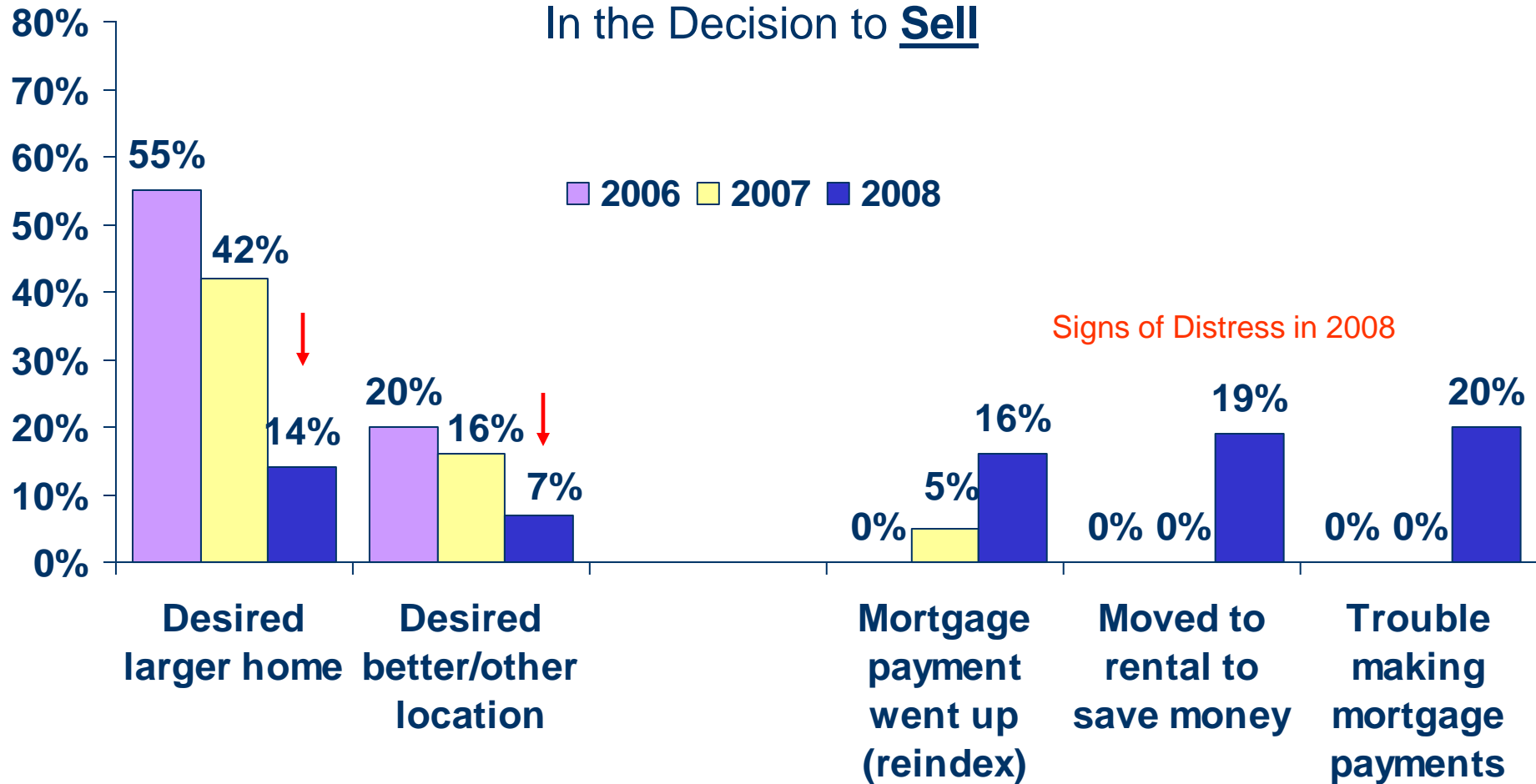
Buyers See Opportunities in This Market...

The Role Of Market Conditions In The Decision To Buy

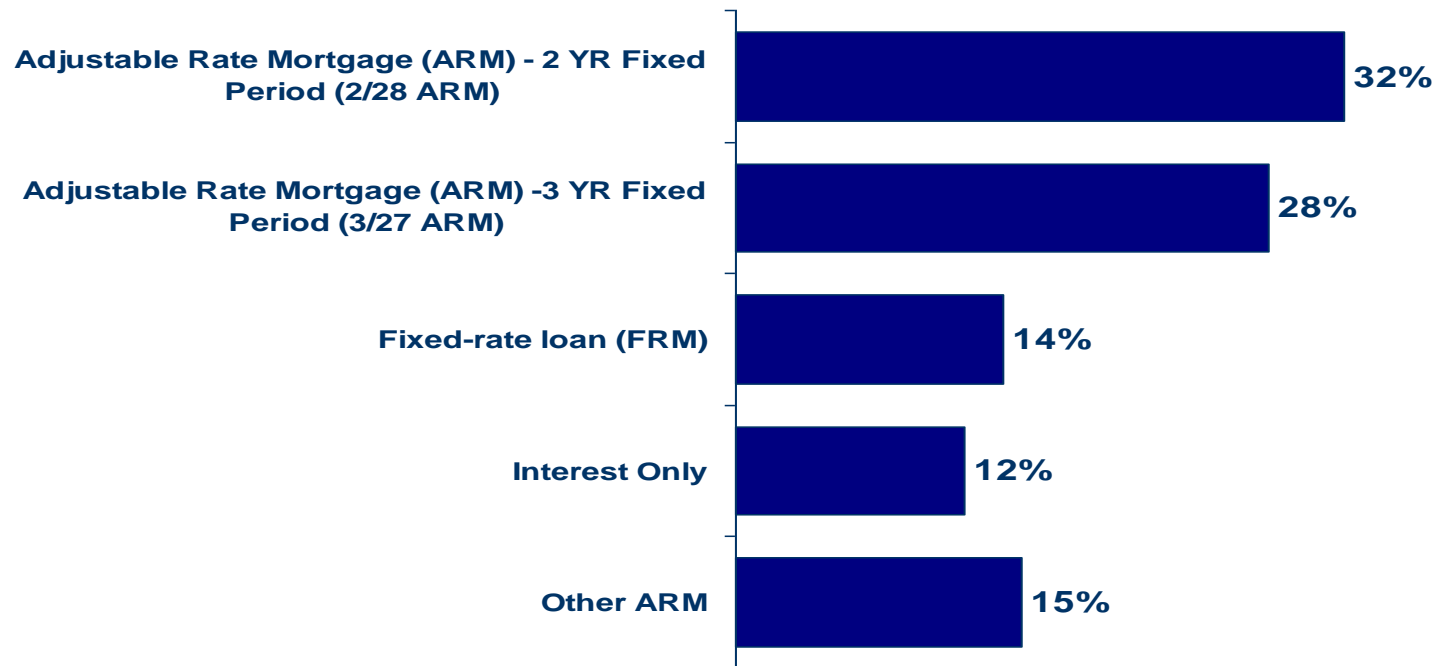


...While Sellers Are Reacting to Financial Stress

The Role of Market Conditions In the Decision to Sell



Type of Mortgages Among Sellers



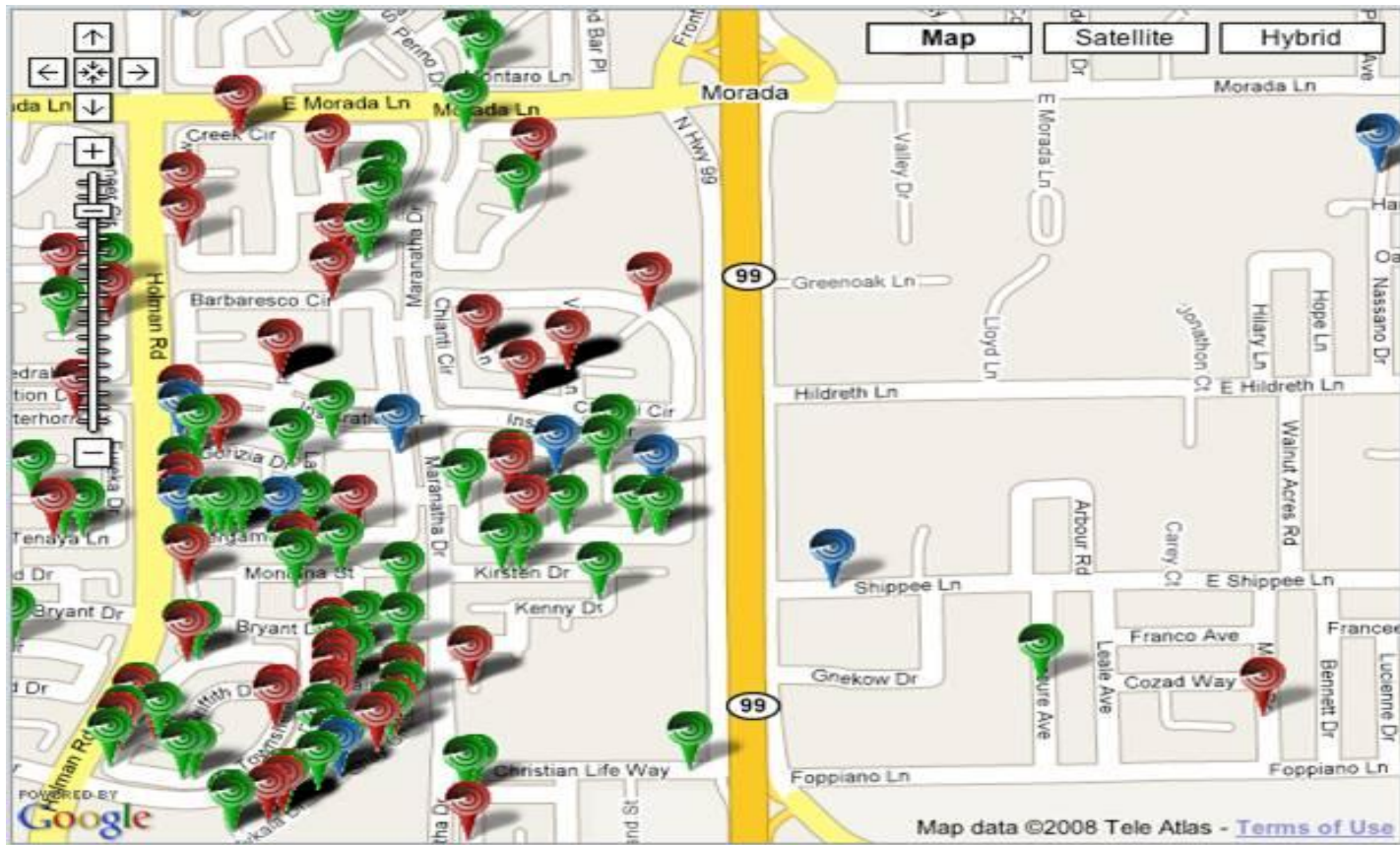
Regional Markets

Peak vs Current Price-September 2008

Region	Peak Month	Peak Price	Sep-08 Median	% Chg From Peak
Monterey Region	Aug-07	\$798,210	\$347,920	-56.4%
High Desert	Apr-06	\$334,860	\$159,720	-52.3%
Sacramento	Aug-05	\$394,450	\$195,900	-50.3%
Palm Springs/Lower Desert	Jun-05	\$393,370	\$199,810	-49.2%
Riverside San Bernardino	Jan-07	\$415,160	\$217,730	-47.6%
CALIFORNIA	May-07	\$594,530	\$316,480	-46.8%
Northern Wine Country	Jan-06	\$645,080	\$369,180	-42.8%
San Diego	May-06	\$622,380	\$373,620	-40.0%
San Luis Obispo	Jun-06	\$620,540	\$375,000	-39.6%
Ventura	Aug-06	\$710,910	\$431,770	-39.3%
Los Angeles	Aug-07	\$605,300	\$376,790	-37.8%
San Francisco	May-07	\$853,910	\$554,730	-35.0%
Orange County	Apr-07	\$747,260	\$498,640	-33.3%
Santa Clara	Apr-07	\$868,410	\$600,000	-30.9%
Northern California	Aug-05	\$440,420	\$321,320	-27.0%

Stockton: A Tale of Two Cities

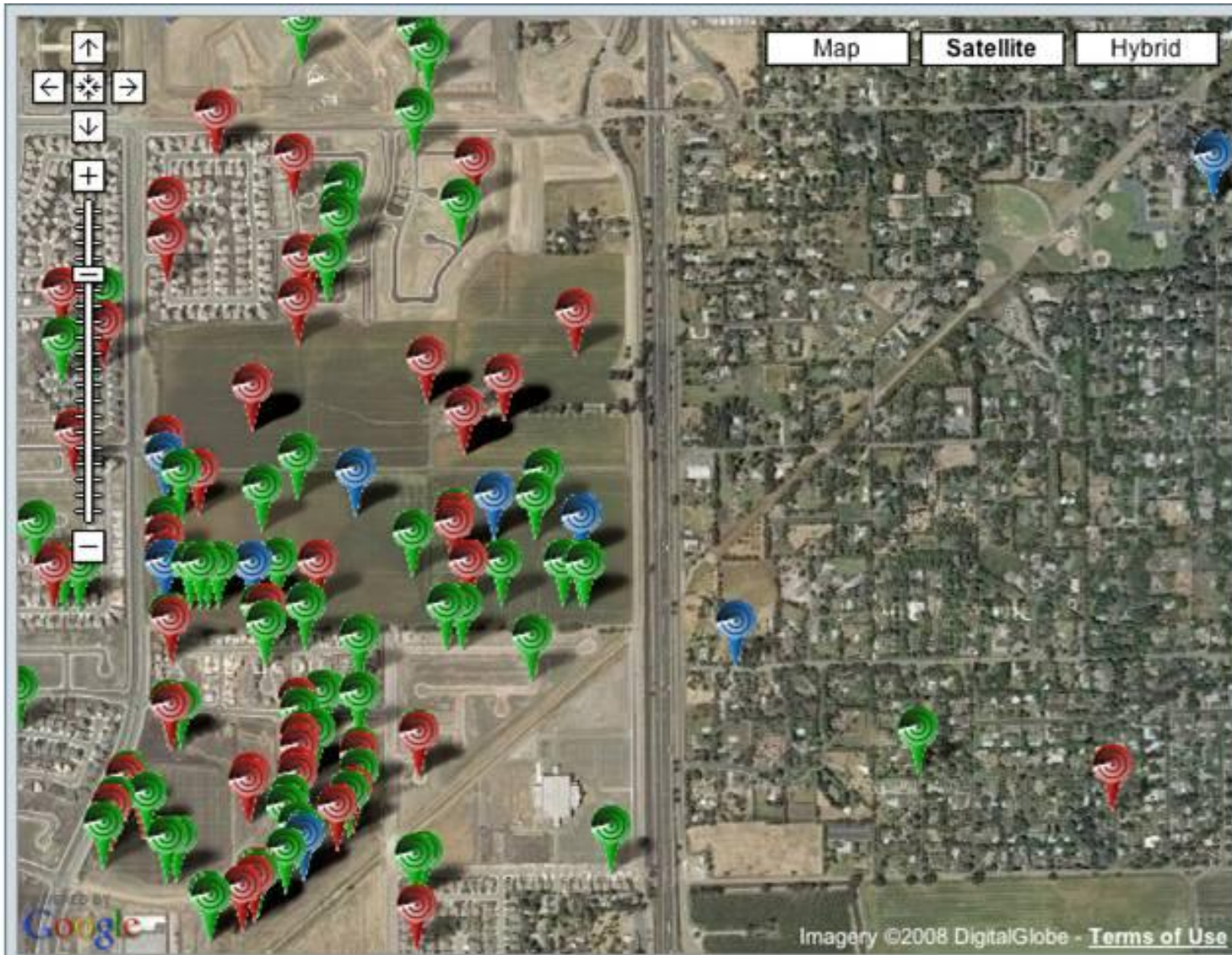
Foreclosure Mapping



Source: Foreclosure Radar

Stockton: A Tale of Two Cities

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



Bay Area

Economic Profile

Nonfarm Employment

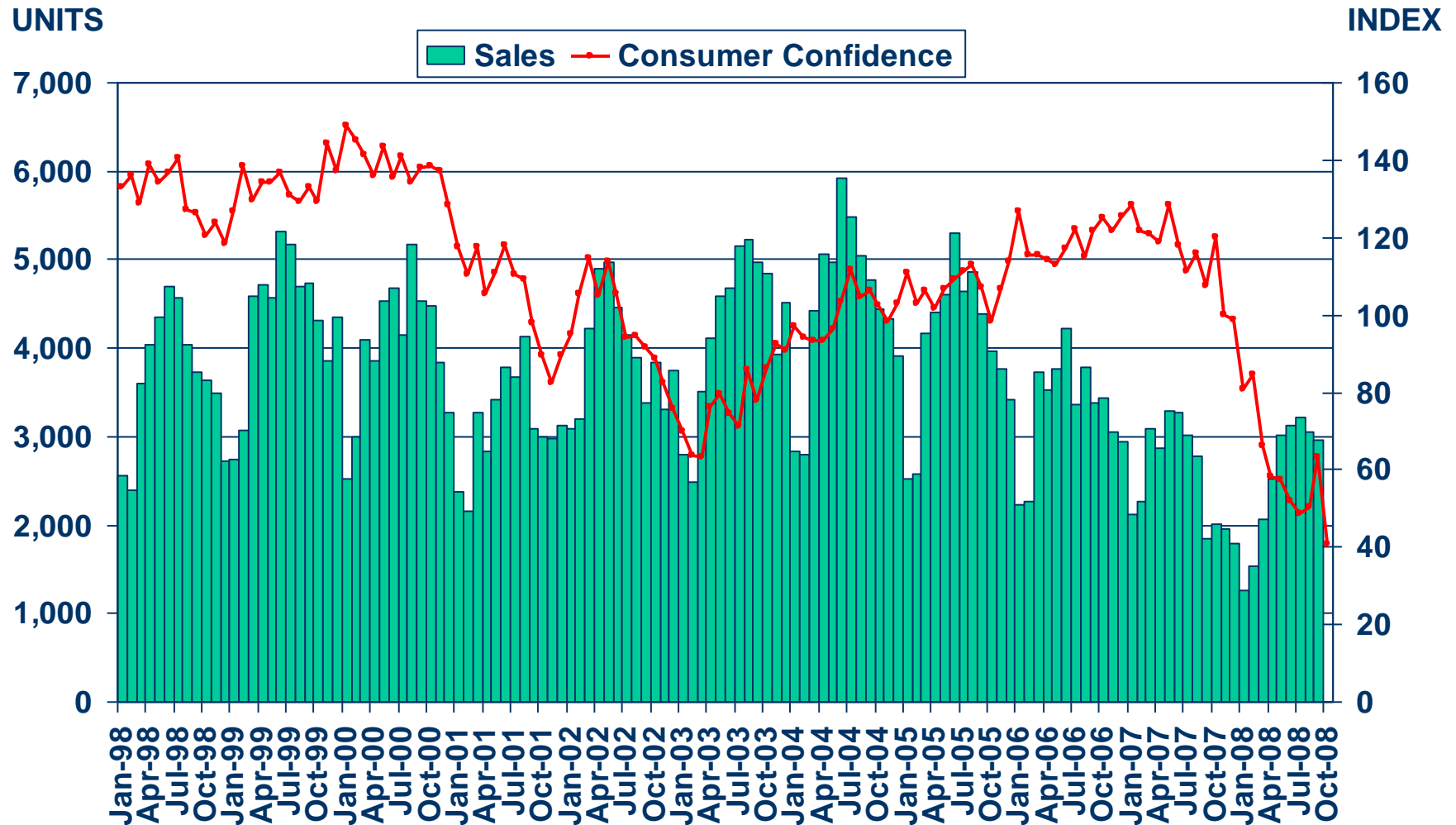
Bay Area Region

	Nonfarm Employment (Thousands)			% Change
	Sep 2008	Sep 2007	Change	
San Francisco	998.3	993.4	4.9	0.5%
Oakland	1,027.7	1,049.1	-21.4	-2.0%
San Jose	908.8	908.1	0.7	0.1%
Napa/Solano	125.7	128.1	-2.4	-1.9%
Sonoma	191.1	191.8	-0.7	-0.4%
Total	3,251.6	3,270.5	-18.9	-0.6%

SOURCE: California Economic Development Dept.

Sales of Existing Detached Homes and Pacific West Consumer Confidence

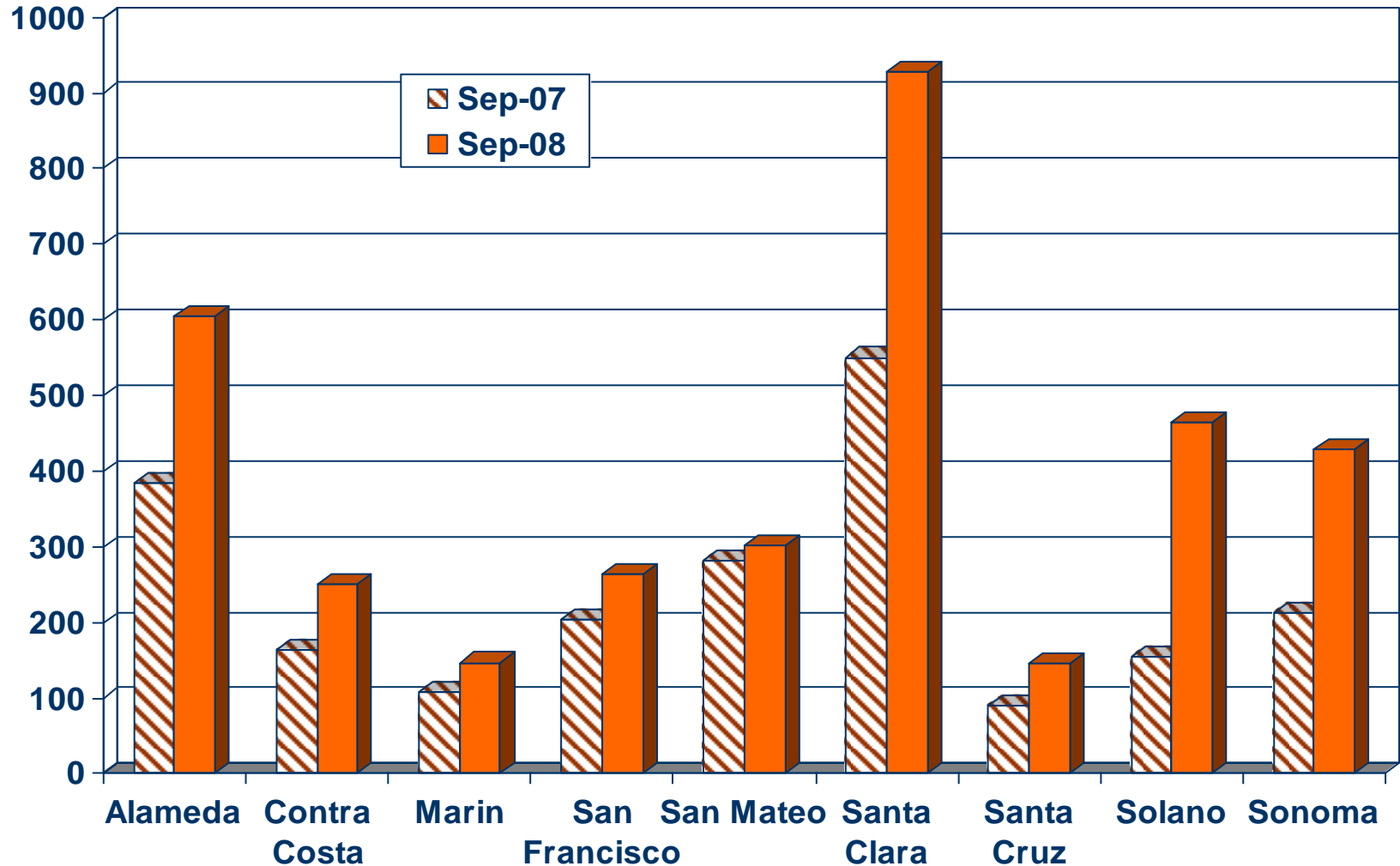
Bay Area, Sept. 2008: 2,959 Units, Down 7.4% YTD, Up 60.3% YTY



SOURCE: California Association of REALTORS®;
The Conference Board



Home Sales in Bay Area Counties



SOURCE: California Association of REALTORS®



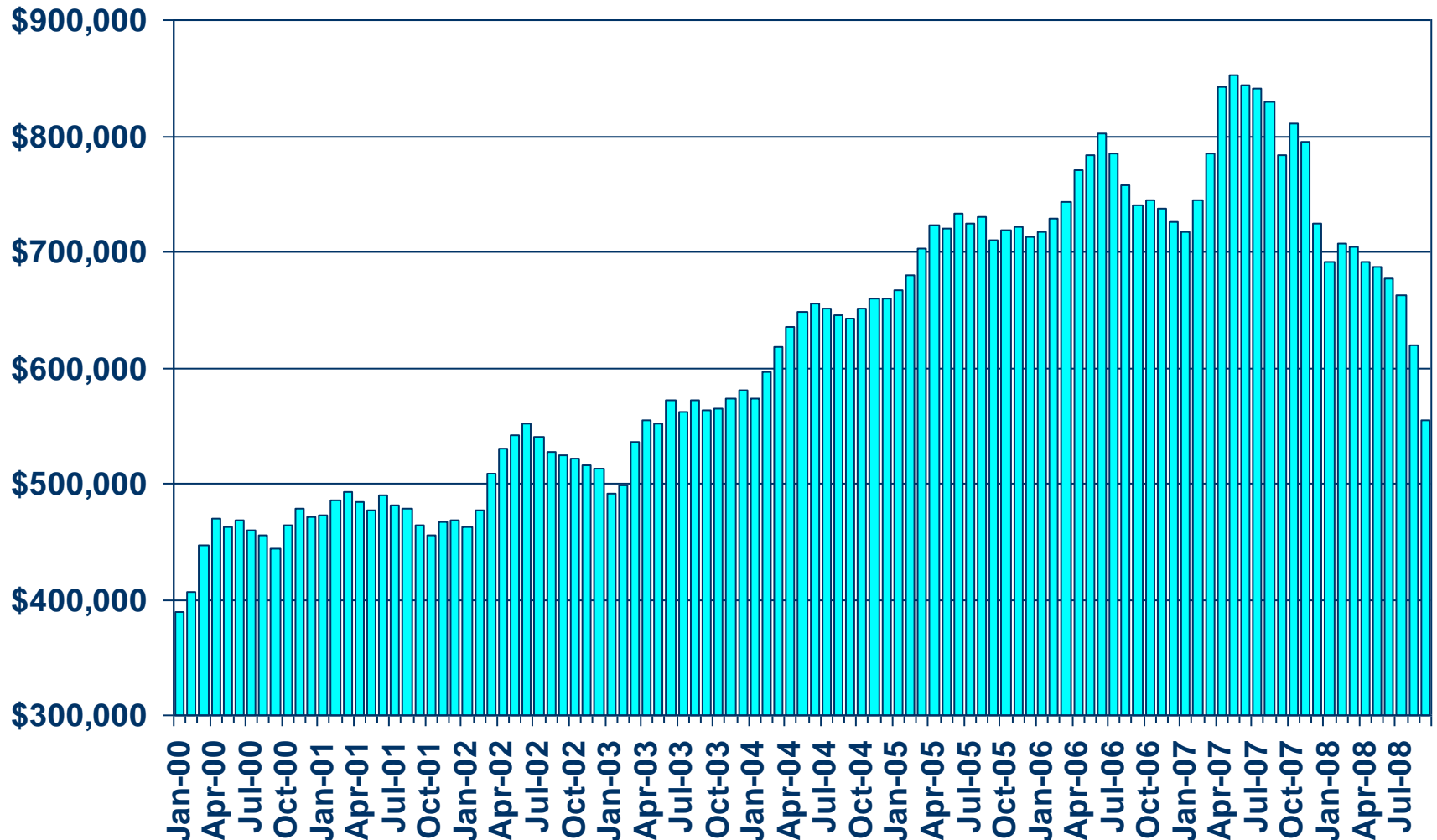
Sales of Existing Detached Homes

Bay Area Counties

County	Sep-08	Aug-08	Sep-07	M-t-M	Y-t-Y	Y-t-D
Alameda	604	659	385	-8.3%	56.9%	-9.0%
Contra Costa	251	264	164	-4.9%	53.0%	-18.2%
Marin	147	156	108	-5.8%	36.1%	-21.4%
San Francisco	264	271	204	-2.6%	29.4%	-4.1%
San Mateo	301	388	281	-22.4%	7.1%	-14.4%
Santa Clara	928	908	550	2.2%	68.7%	-11.1%
Santa Cruz	145	155	90	-6.5%	61.1%	-13.8%
Solano	464	404	154	14.9%	201.3%	46.3%
Sonoma	428	398	213	7.5%	100.9%	8.2%

Median Price of Existing Detached Homes

Bay Area, September 2008: \$554,730, Down 29.2% YTY

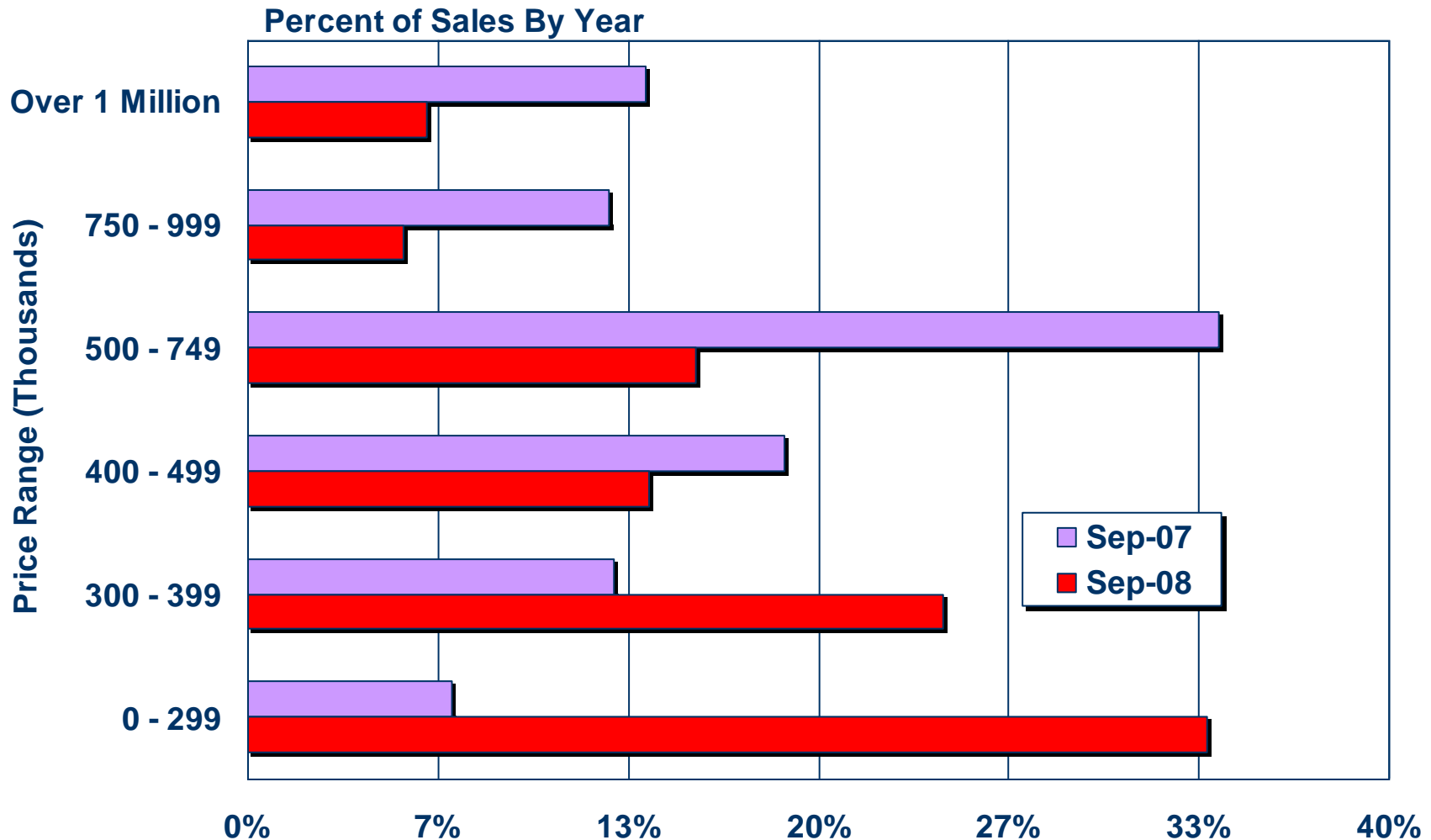


SOURCE: California Association of REALTORS®



Sales By Price Range

Bay Area – Existing Homes – September 2008 vs. Sept. 2007



Median Price of Existing Detached Homes

Bay Area Counties

County	Sep-08	Aug-08	Sep-07	M-t-M	Y-t-Y
Alameda	\$ 468,367	\$ 514,974	\$ 669,594	-9.1%	-30.1%
Contra Costa	\$ 699,561	\$ 701,298	\$ 795,918	-0.2%	-12.1%
Marin	\$ 899,390	\$ 929,999	\$ 1,019,231	-3.3%	-11.8%
San Francisco	\$ 698,597	\$ 789,773	\$ 839,843	-11.5%	-16.8%
San Mateo	\$ 752,625	\$ 787,500	\$ 908,717	-4.4%	-17.2%
Santa Clara	\$ 600,000	\$ 650,000	\$ 845,000	-7.7%	-29.0%
Santa Cruz	\$ 475,000	\$ 582,000	\$ 702,500	-18.4%	-32.4%
Solano	\$ 264,935	\$ 267,592	\$ 407,692	-1.0%	-35.0%
Sonoma	\$ 362,773	\$ 382,945	\$ 580,592	-5.3%	-37.5%

Supply Indicators

Bay Area

	September 2008	August 2008	September 2007
Median Time on the Market	53.0 Days	52.6 Days	42.6 Days
Unsold Inventory Index	6.3 Mos.	6.0 Mos.	10.1 Mos.

Notices of Default – Bay Area

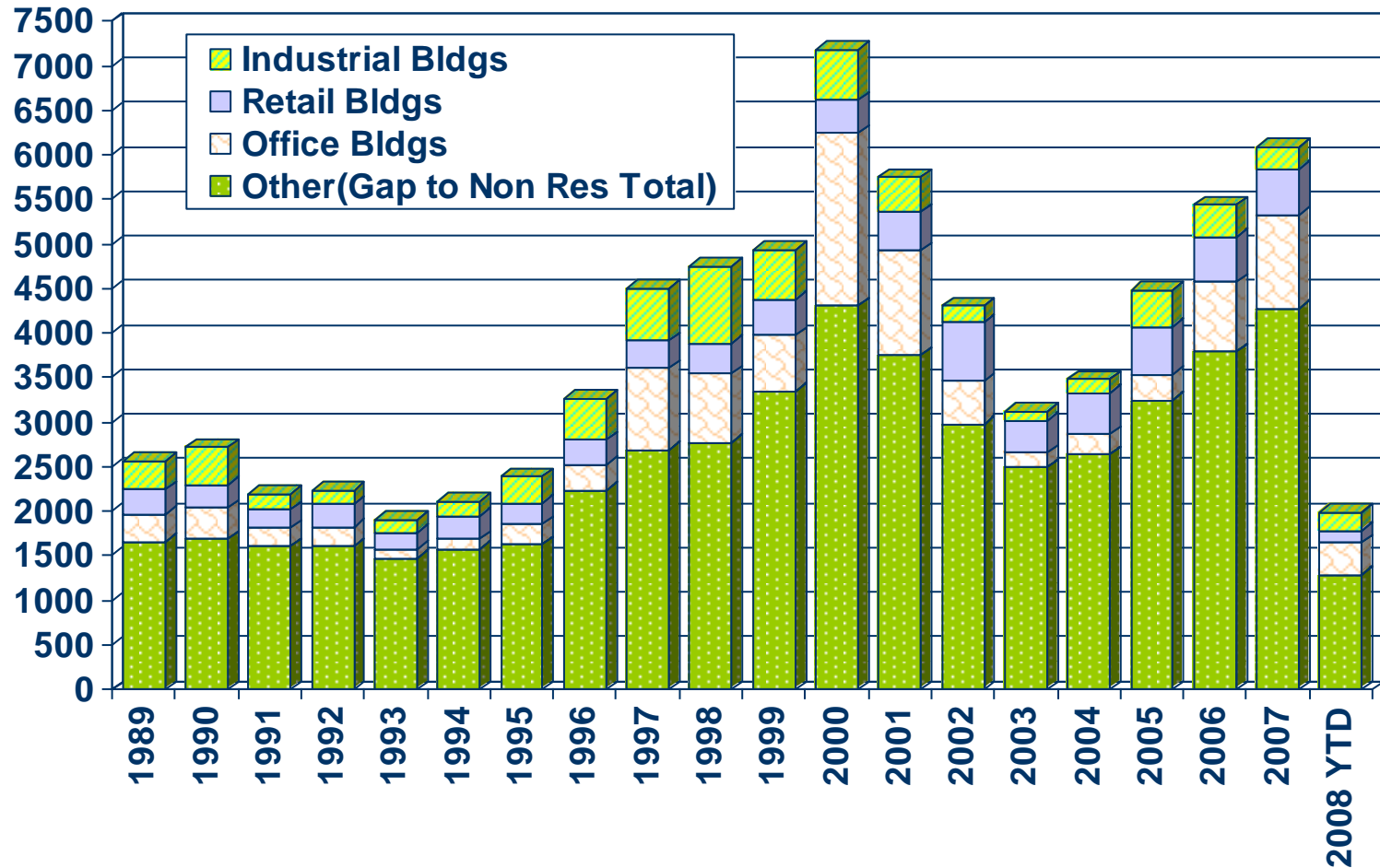
Houses and Condos

County/Region	2008Q3	2008Q2	2007Q3	QTQ%Chg	YTY%Chg
San Francisco	353	418	252	-15.6%	40.1%
Alameda	3,482	3,812	2,126	-8.7%	63.8%
Contra Costa	4,103	5,046	3,216	-18.7%	27.6%
Santa Clara	2,814	3,751	1,655	-25.0%	70.0%
San Mateo	797	1,066	581	-25.2%	37.2%
Marin	258	284	172	-9.2%	50.0%
Solano	1,934	2,427	1,513	-20.3%	27.8%
Sonoma	1,021	1,376	749	-25.8%	36.3%
Napa	265	336	163	-21.1%	62.6%
Bay Area	15,027	18,516	10,427	-18.8%	44.1%

Non-Residential Permits Valuations

9 Bay-Area Counties (1989-2008)

Millions of Dollars



SOURCE: U.S. Real Estate Research Council
of Northern California

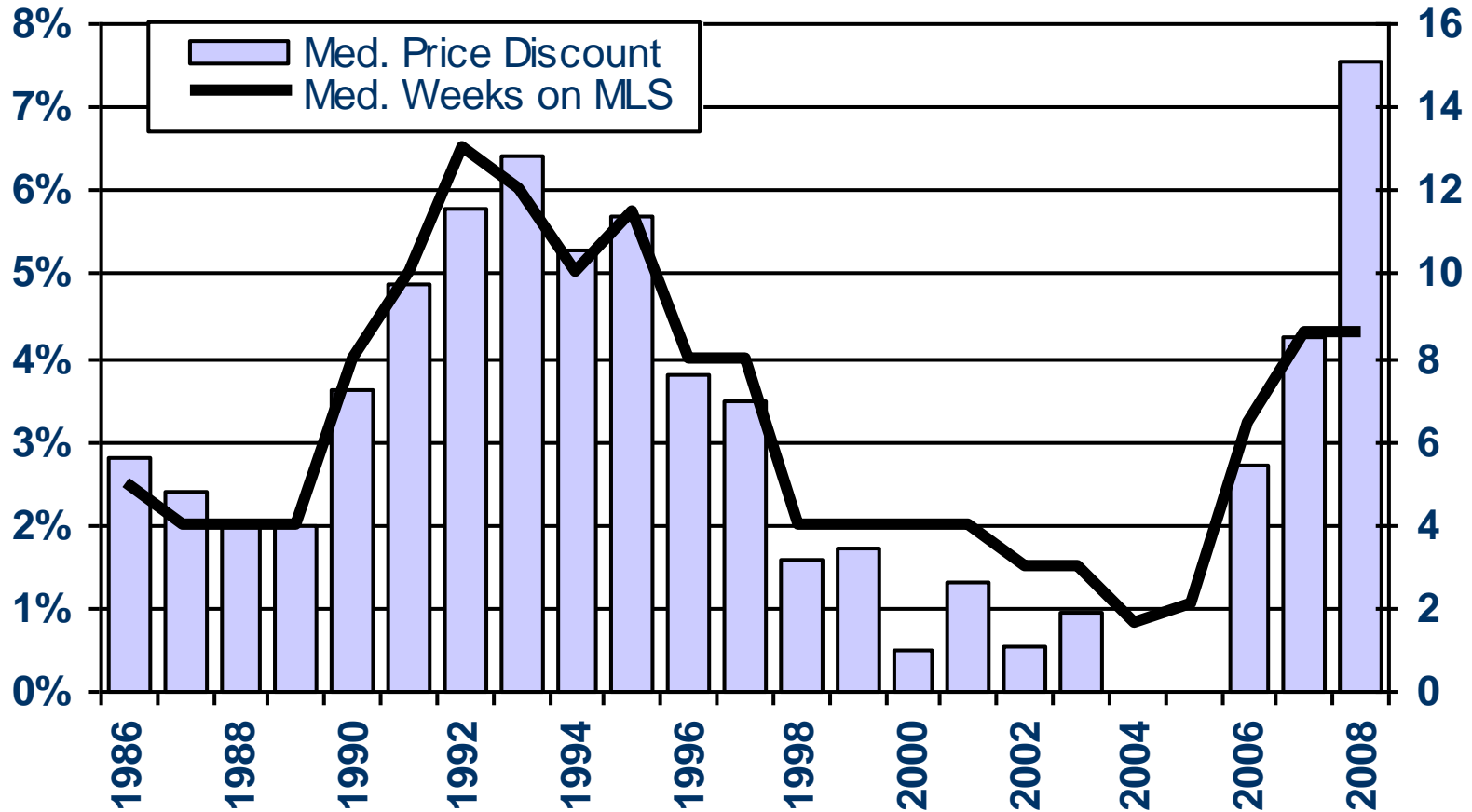
2008 Housing Market Survey

Median Price Discount and Weeks on Market

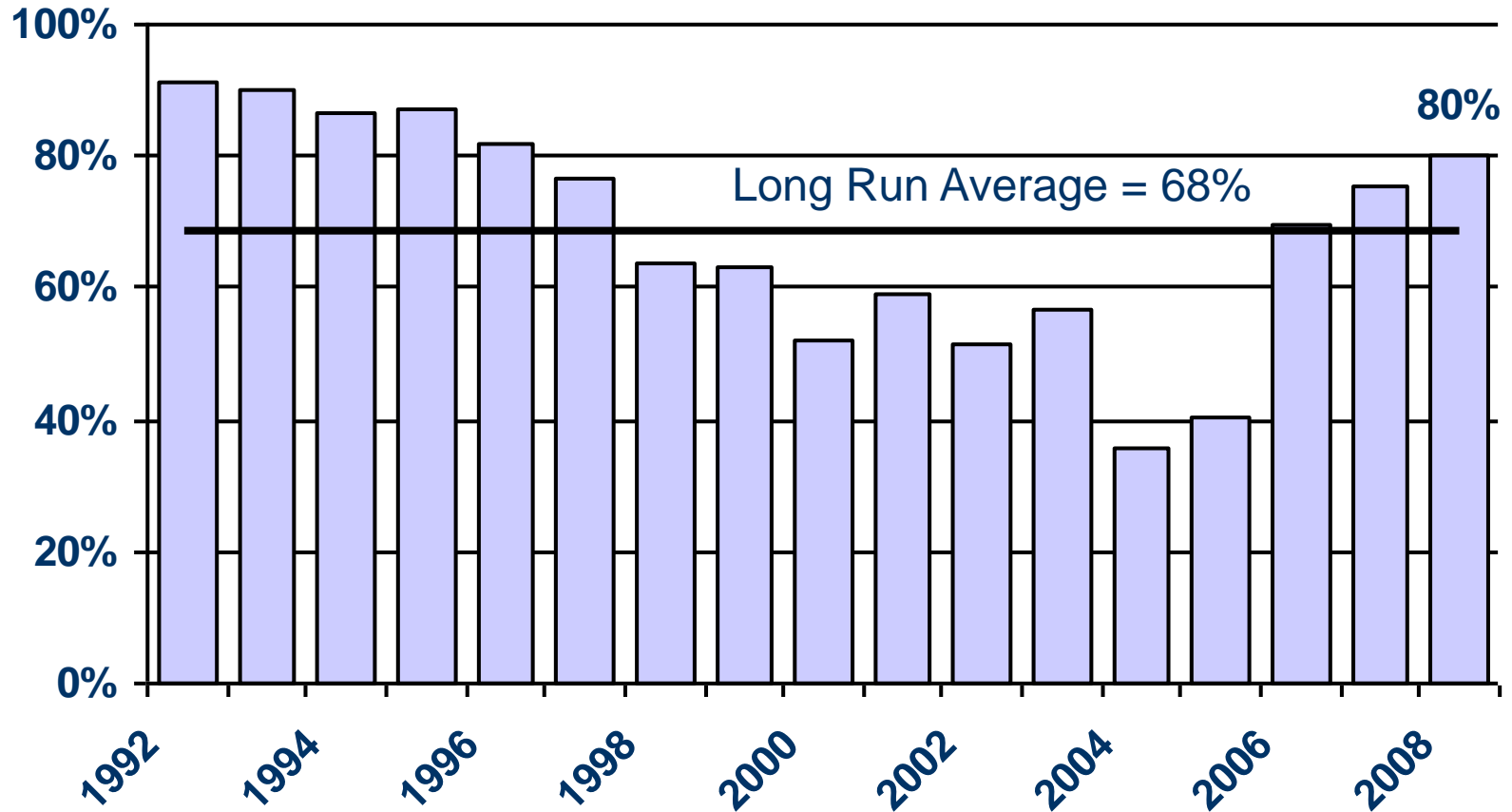
2008: Discount 7.5%, Time on Market: 8.6 weeks

Median Price Discount

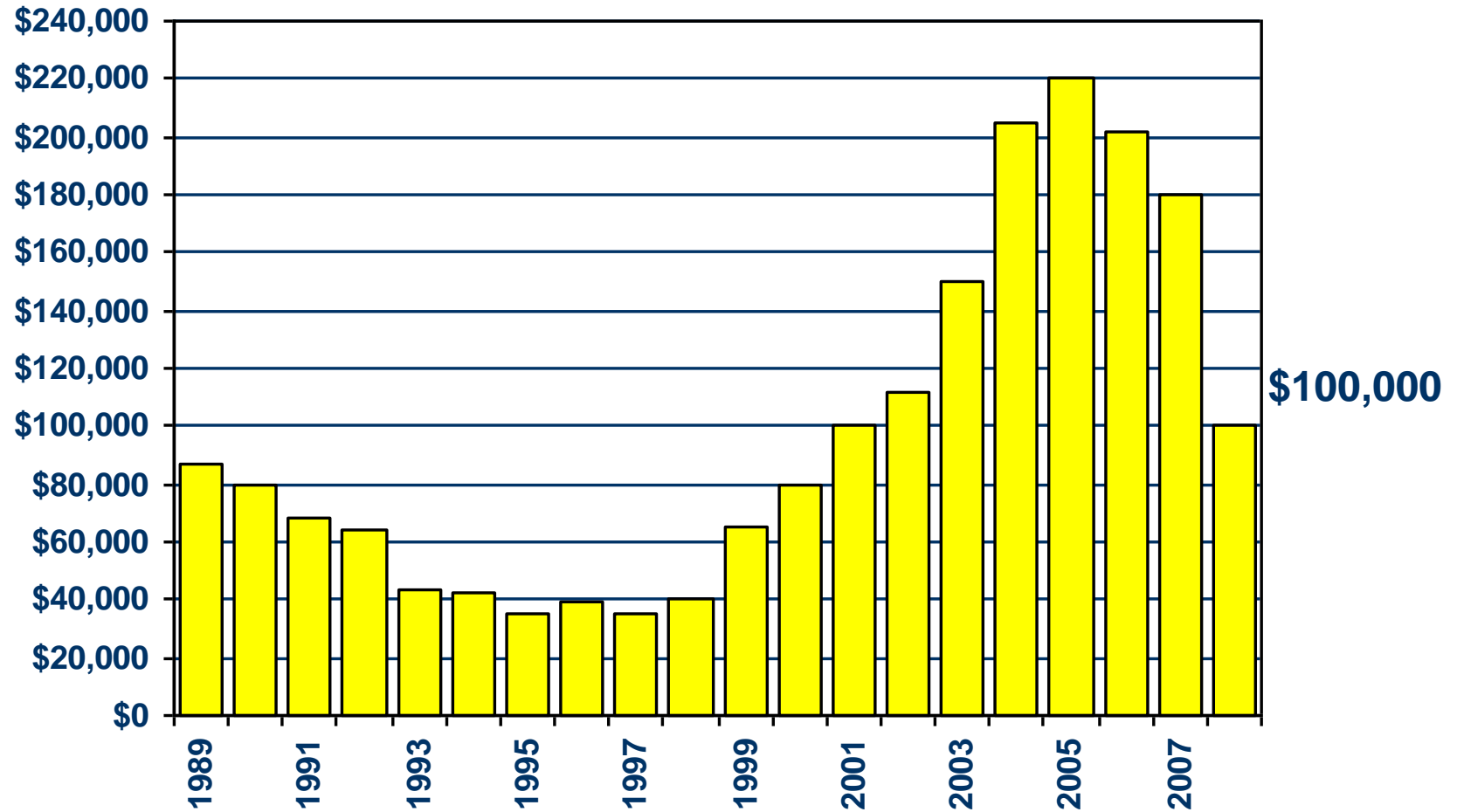
Weeks on MLS



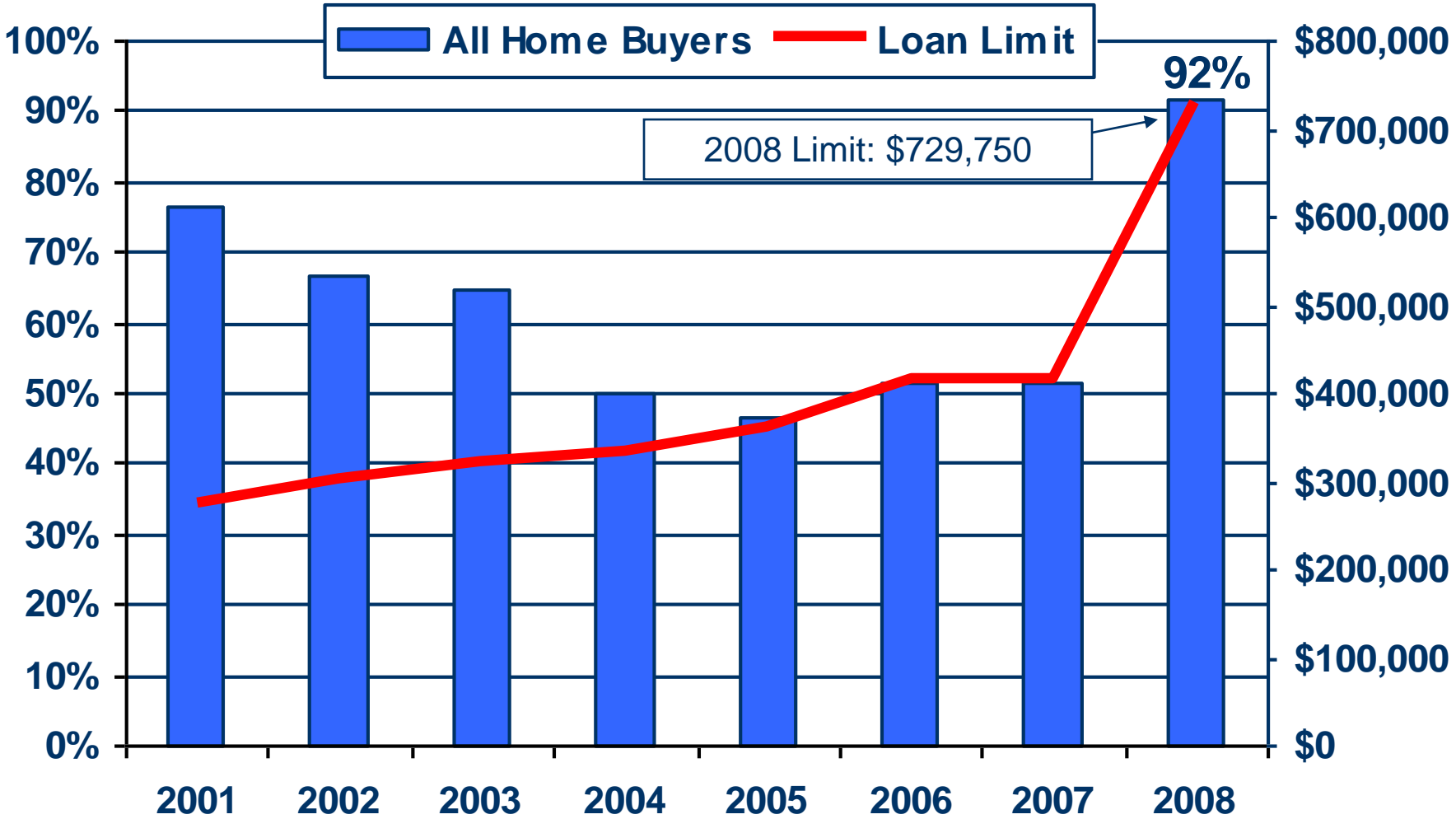
Percent of Homes Sold with Price Discount



Median Net Cash To Sellers

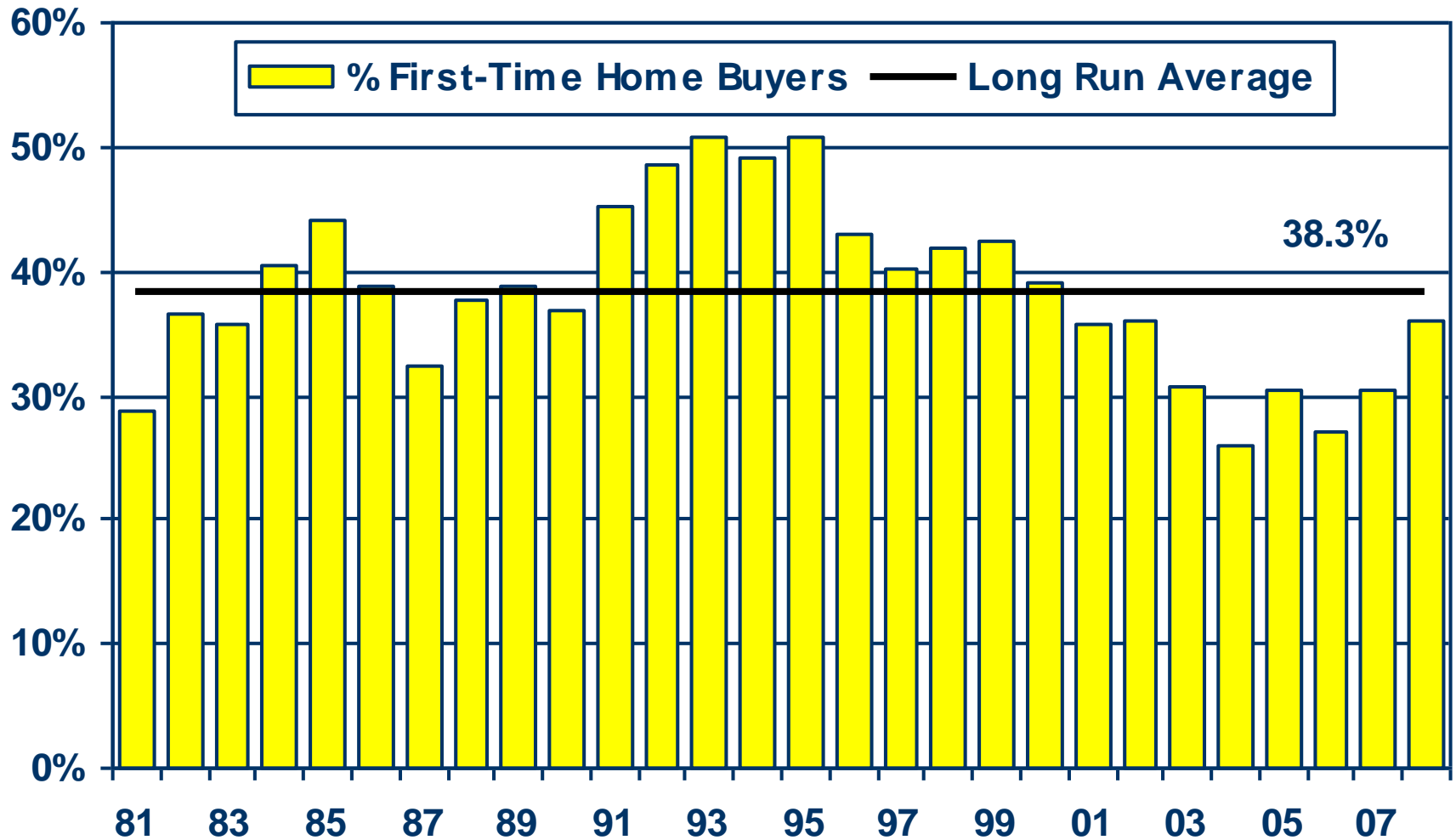


Percent of Loans Below the Maximum Conforming Loan Limit (New First Mortgage)



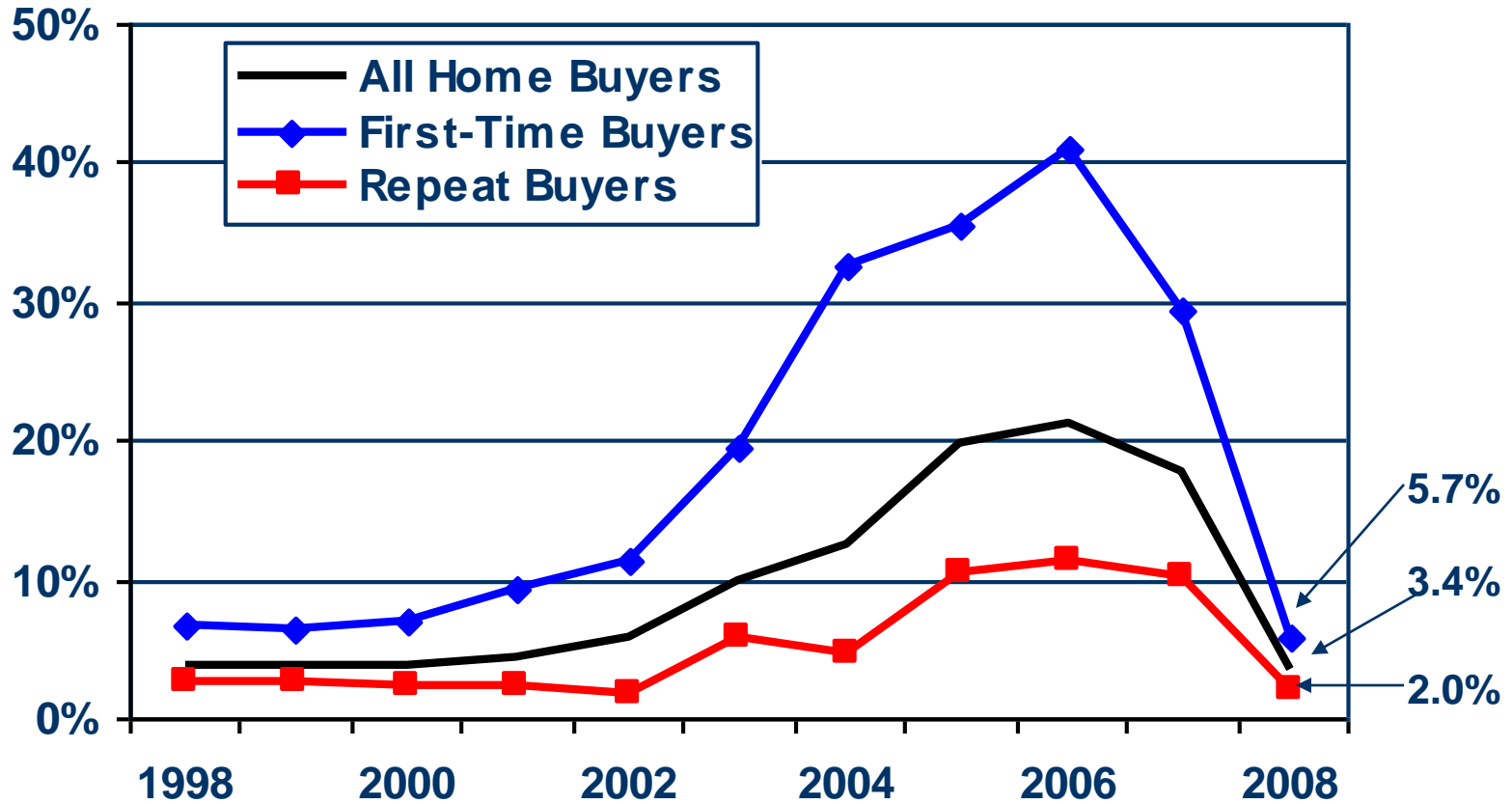
Proportion of First-Time Home Buyers

2008: 35.9%



Percent of Buyers with Zero Downpayment

First-Time Buyers vs. Repeat Buyers: 1998 - 2008



Source: C.A.R. 2008 Annual Housing Market Survey

2009 Forecast



California Housing Market Forecast

	2003	2004	2005	2006	2007	2008e	2009f
SFH Resales (000s)	601.8	624.7	625.0	477.5	353.3	395.6	445.0
% Change	5.1%	3.8%	0.04%	-23.6%	-26.0%	12.0%	12.5%
Median Price (\$000s)	\$372.7	\$450.8	\$524.0	\$556.6	\$558.1	\$381.0	358.0
% Change	17.9%	20.9%	16.2%	6.2%	0.3%	-31.7%	-6.0%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.3%	5.9%	6.2%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.6%	5.2%	5.3%

Forecast Date: October 2008

Thank You
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