

California Housing Market Outlook

California Community Colleges
Real Estate Education Center
February 20, 2009

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California Association of REALTORS®

Outline

- **Economic Conditions in US & CA**
- **CA Housing Market**
- **Local Housing Market Conditions**
- **Real Estate Finance**
- **Market Summary**
- **Membership Trends**

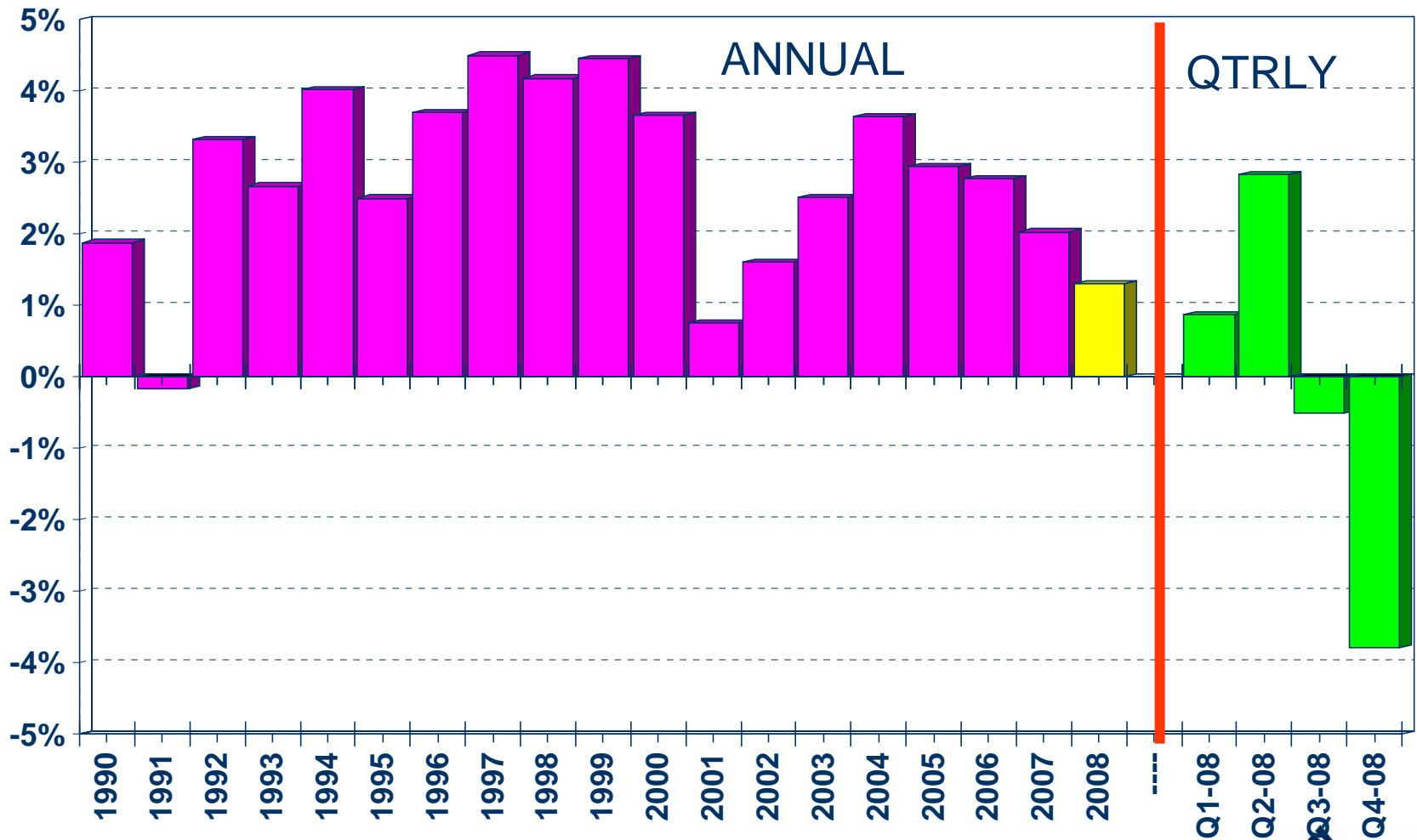
www.car.org ⇒ Economics ⇒ Speeches/Presentations

US and California Economic Conditions

Gross Domestic Product

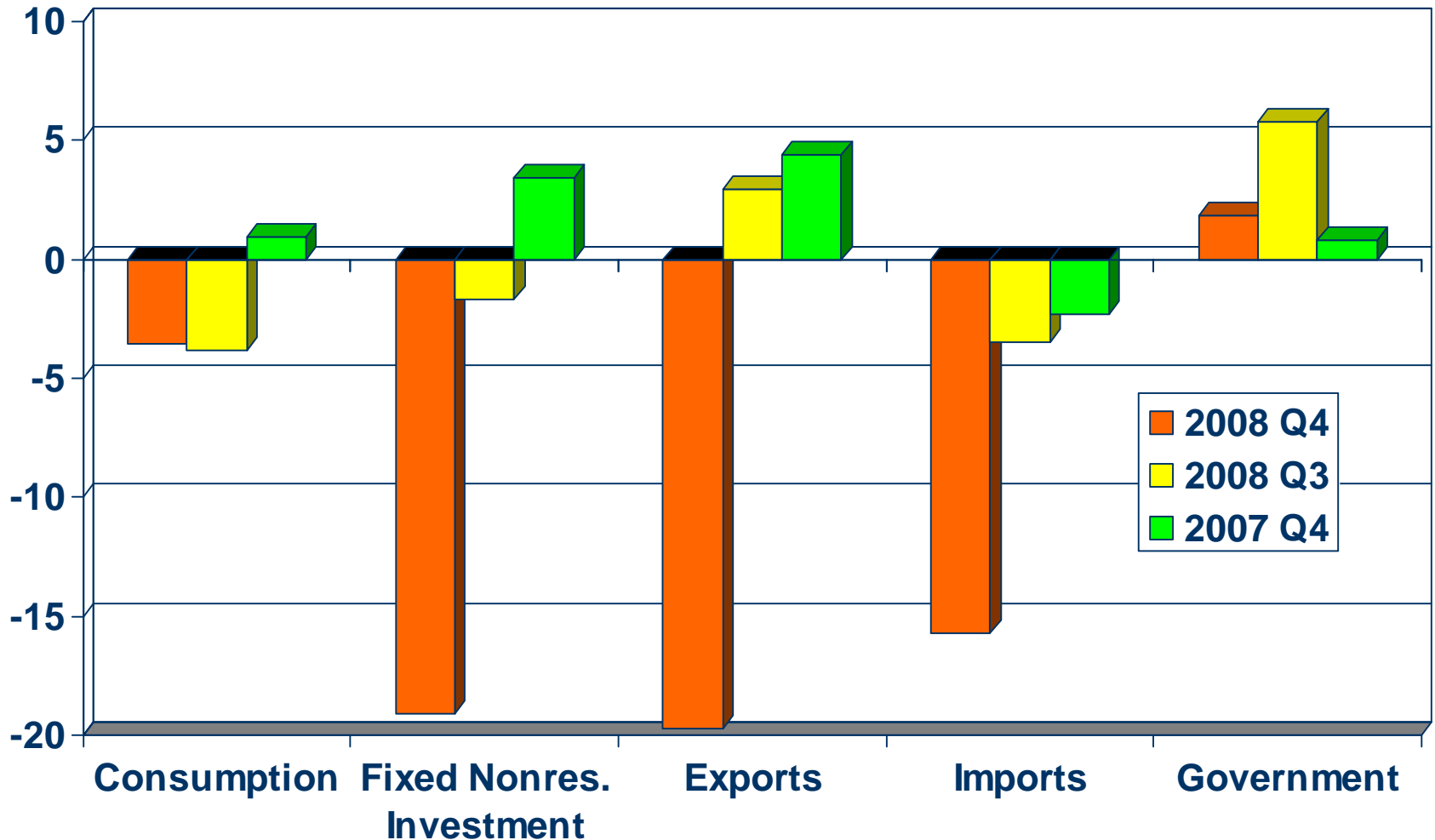
Year 2008: +1.3%; 2008: Q4 -3.8%

ANNUAL PERCENT CHANGE, CHAIN-TYPE (2000) \$



Components of GDP

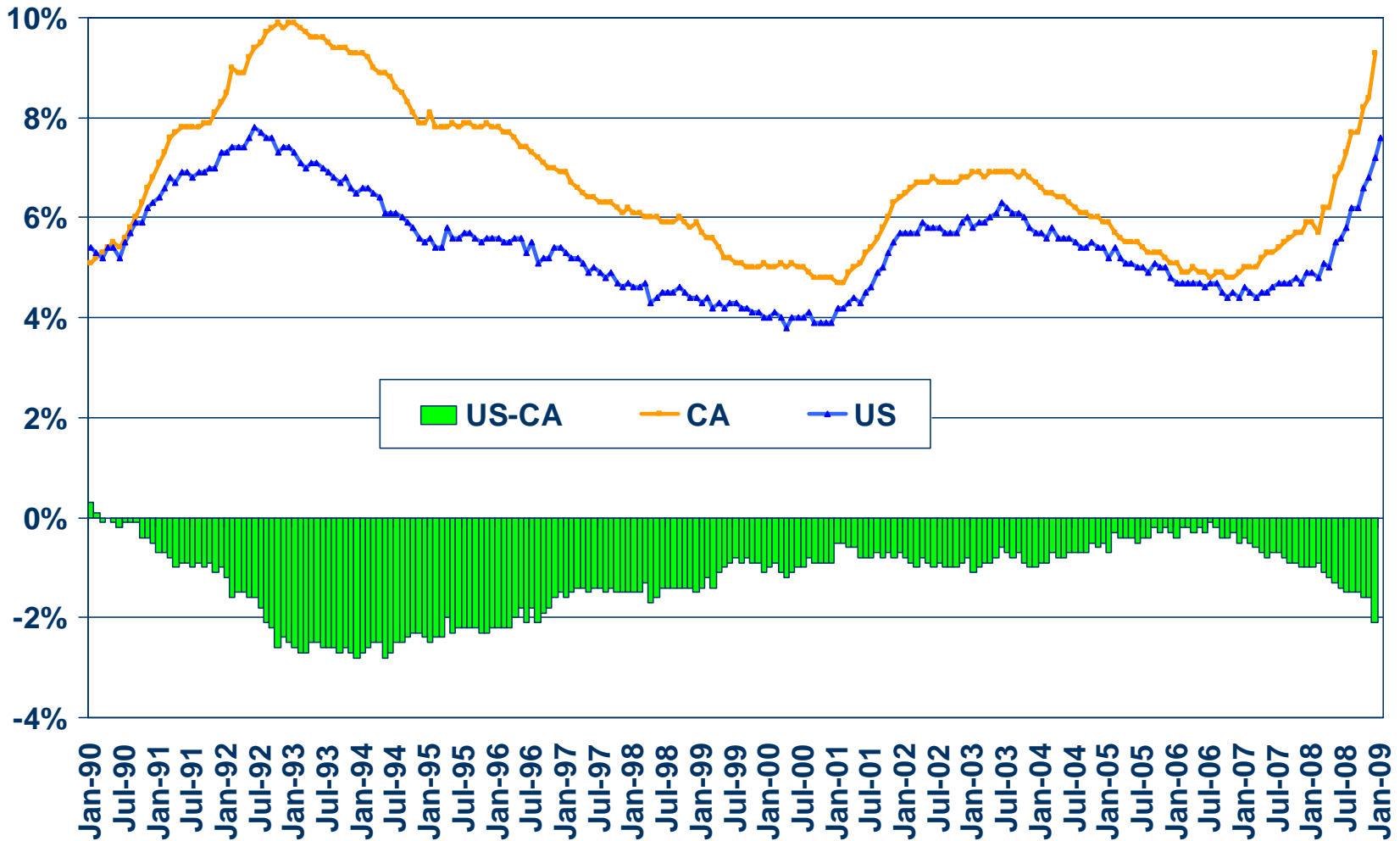
Percent Change



SOURCE: US Dept of Commerce,
Bureau of Economic Analysis

Unemployment Rate

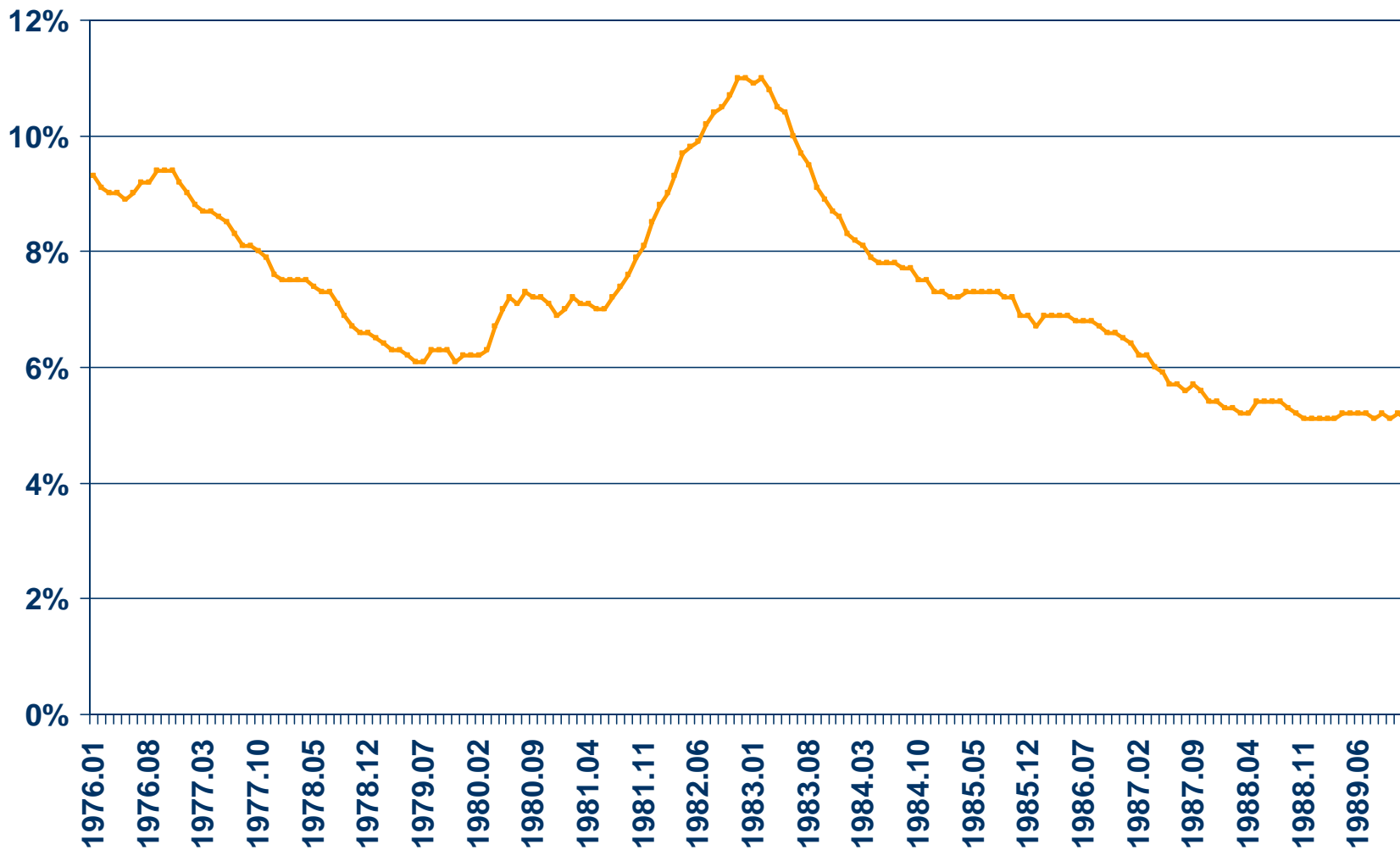
California vs. United States



SOURCE: CA Employment Development Division

Unemployment Rate

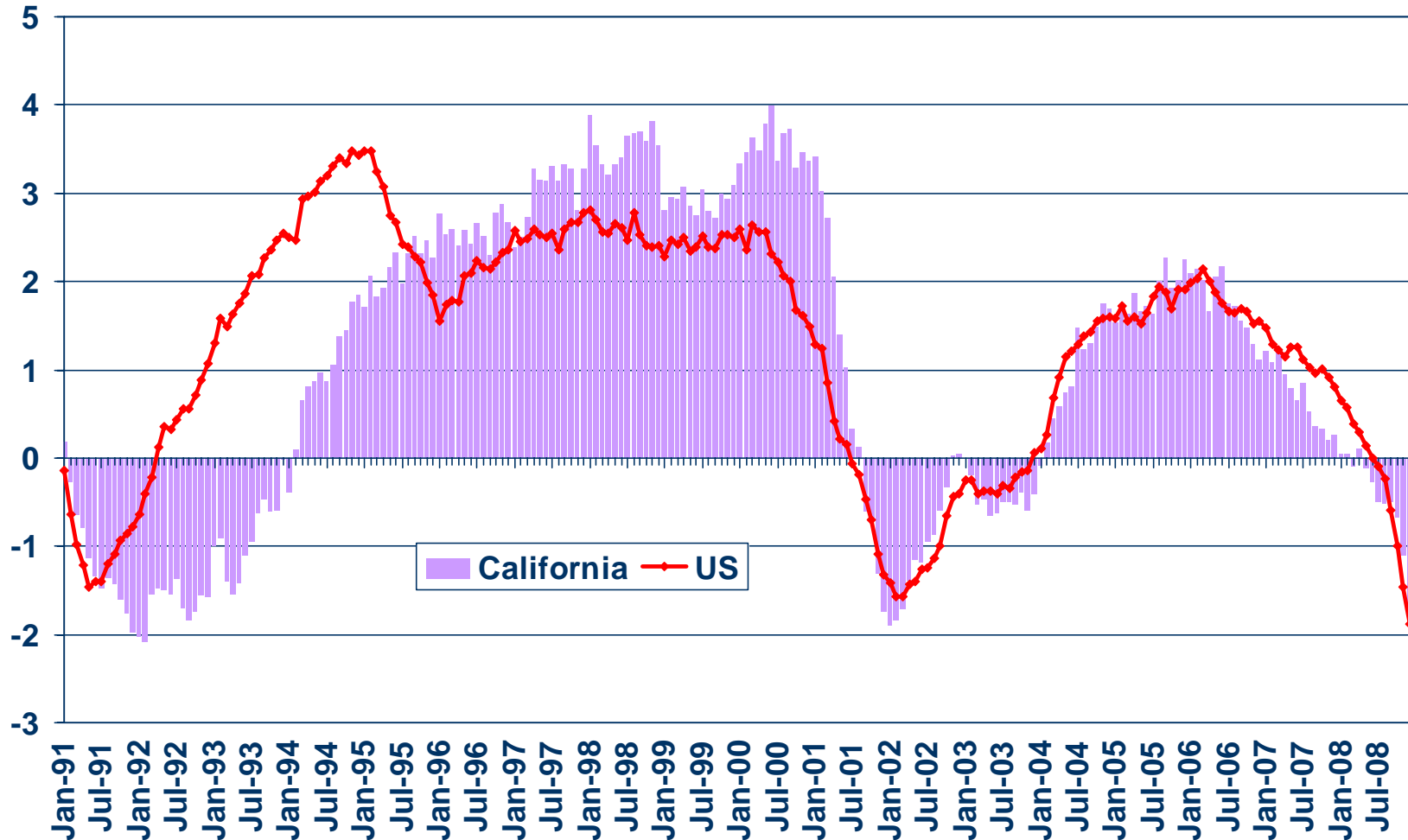
California 1976-1989



SOURCE: CA Employment Development Division

Employment Growth, California vs. U.S.

YEAR TO YEAR % CHANGE

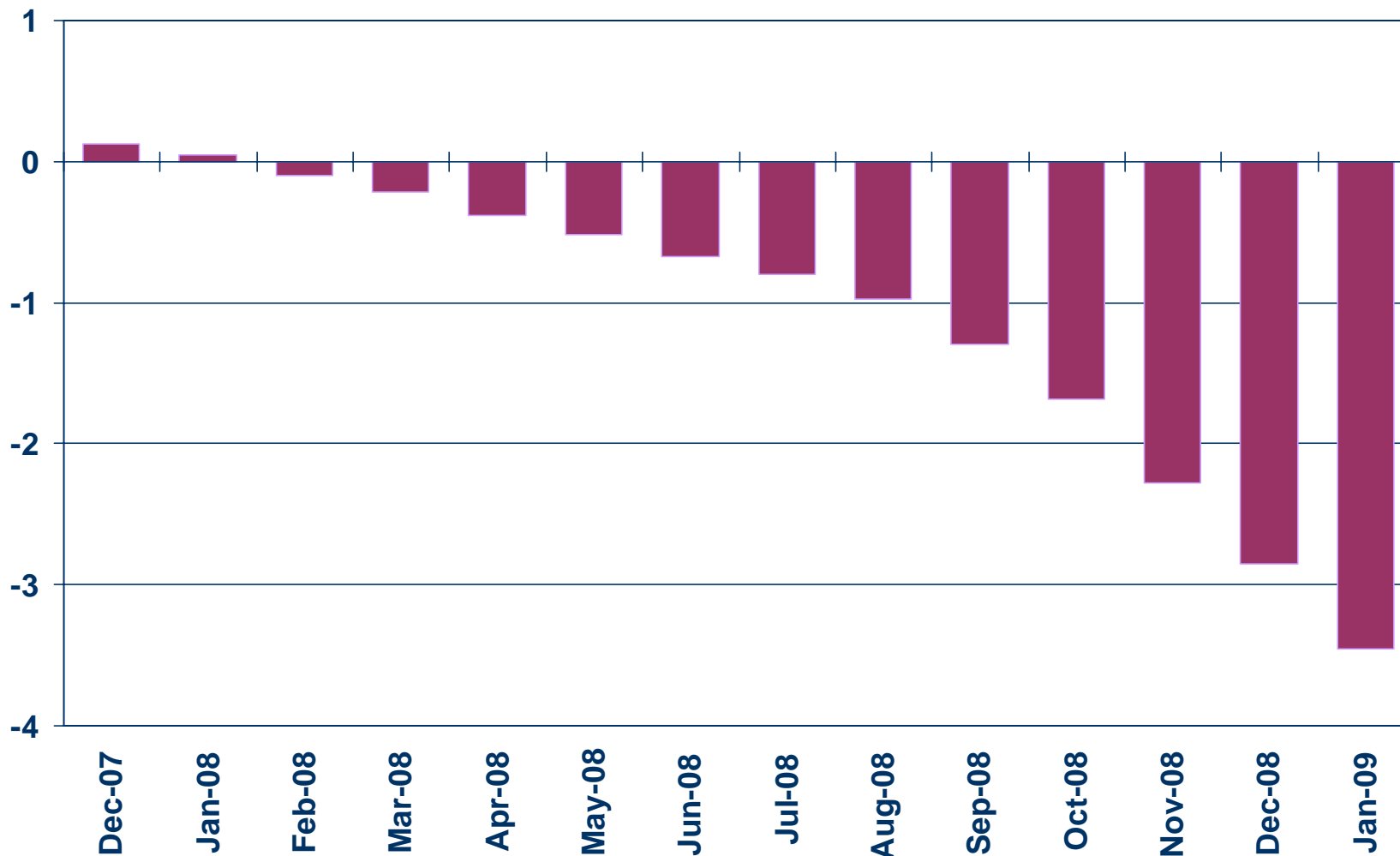


SOURCE: CA Employment Development Division

U.S. Cumulative Job Loss

December 2007 – January 2009

NONFARM JOB LOSS, MILLIONS

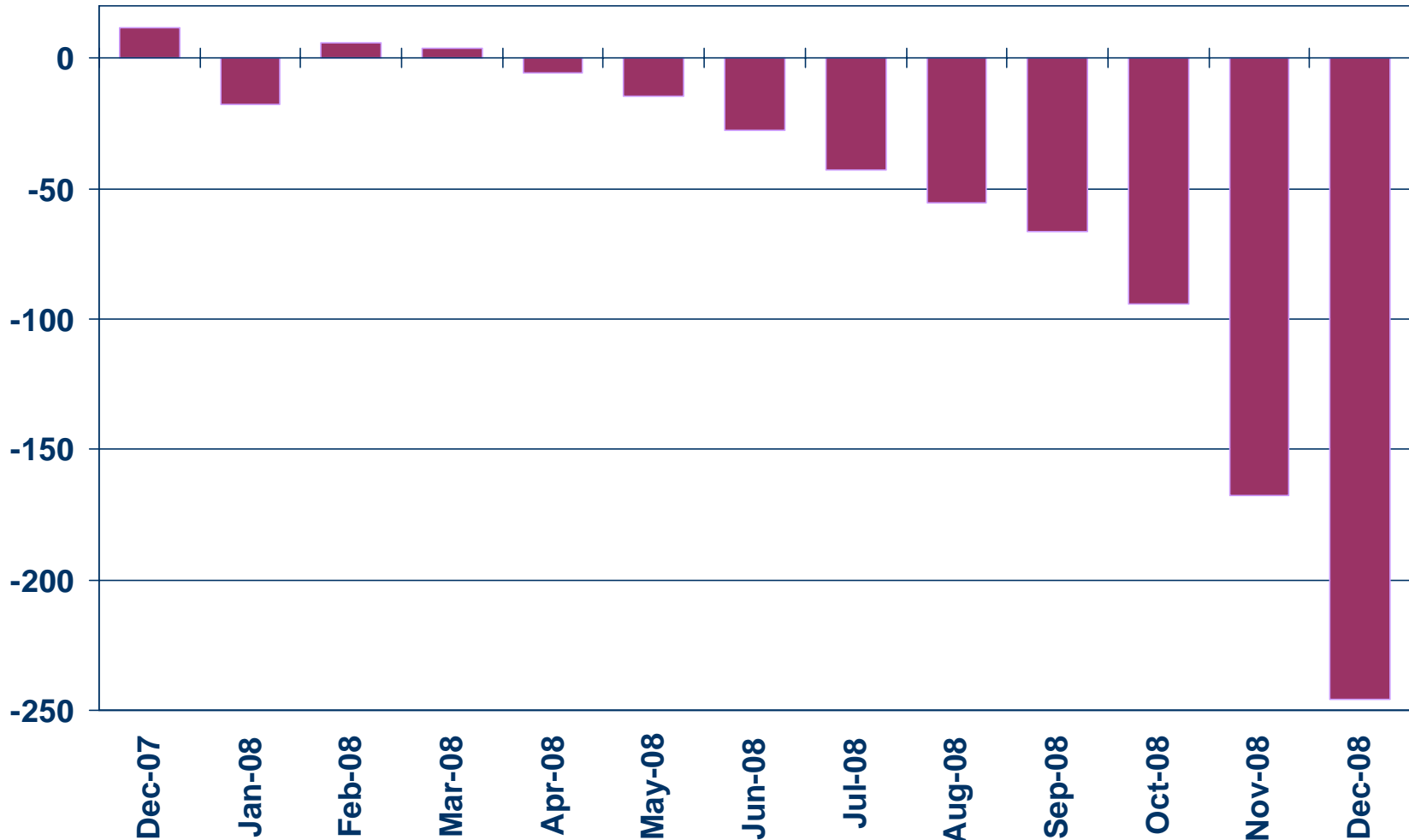


SOURCE: Bureau of Labor Statistics

California Cumulative Job Loss

December 2007 – December 2008

NONFARM JOB LOSS, THOUSANDS

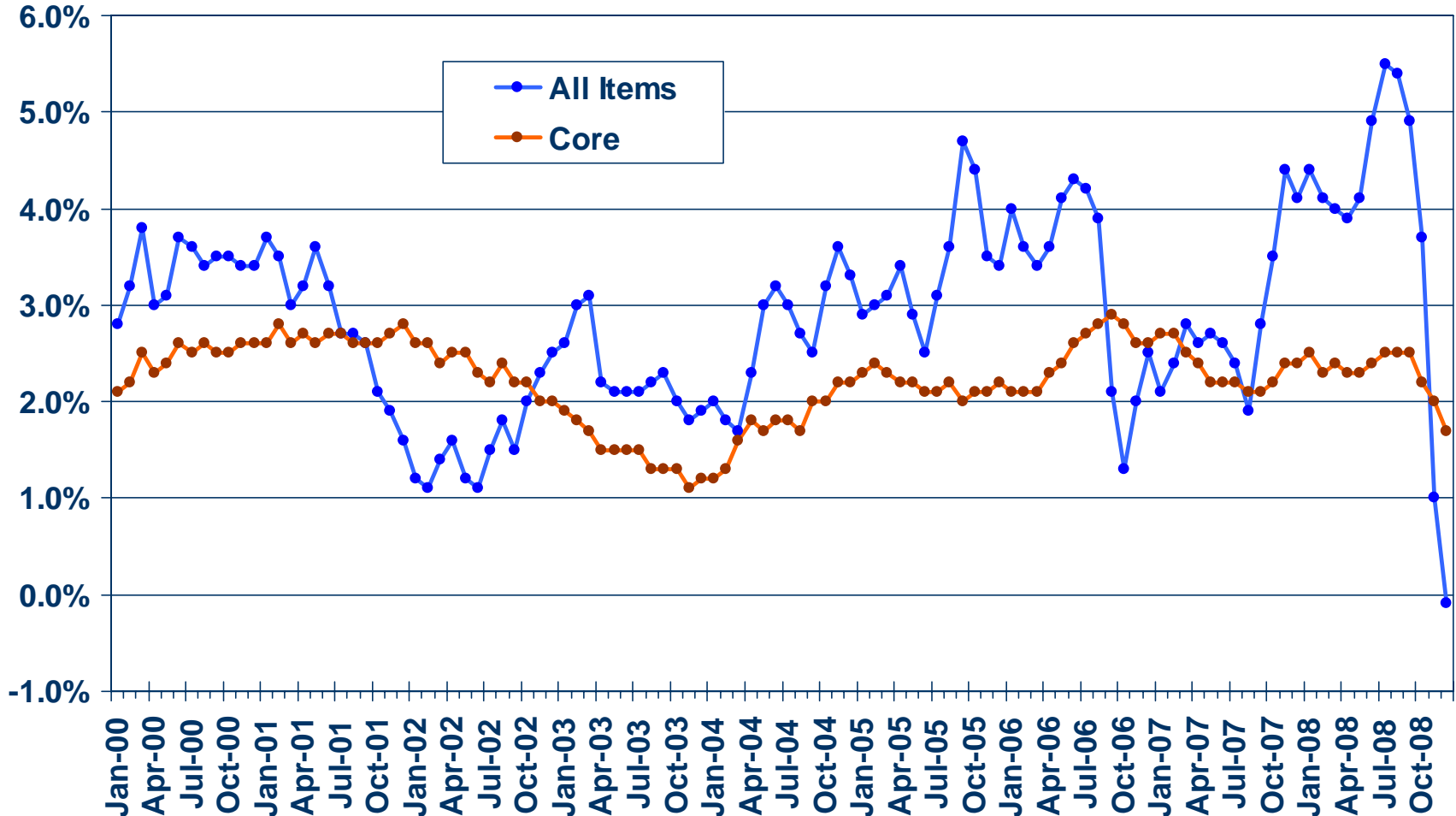


SOURCE: Bureau of Labor Statistics

Consumer Price Index

December 2008: All Items -0.1% YTY; Core 1.7% YTY

PERCENT CHANGE FROM A YEAR AGO, 100=1982-1984



SOURCE: U.S. Bureau of Labor Statistics

U.S. Economy

	2003	2004	2005	2006	2007	2008e	2009f
US GDP	2.5%	3.6%	2.9%	2.8%	2.0%	1.1%	-1.5%
Nonfarm Job Growth	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.02%	-2.2%
Unemployment	6.0%	5.5%	5.1%	4.6%	4.6%	5.7%	8.0%
CPI	2.3%	2.7%	3.4%	3.2%	2.9%	4.2%	1.2%
Real Disposable Income	2.4%	3.4%	1.2%	2.6%	3.0%	1.2%	0.8%

Forecast Date: January 2009

California Economy

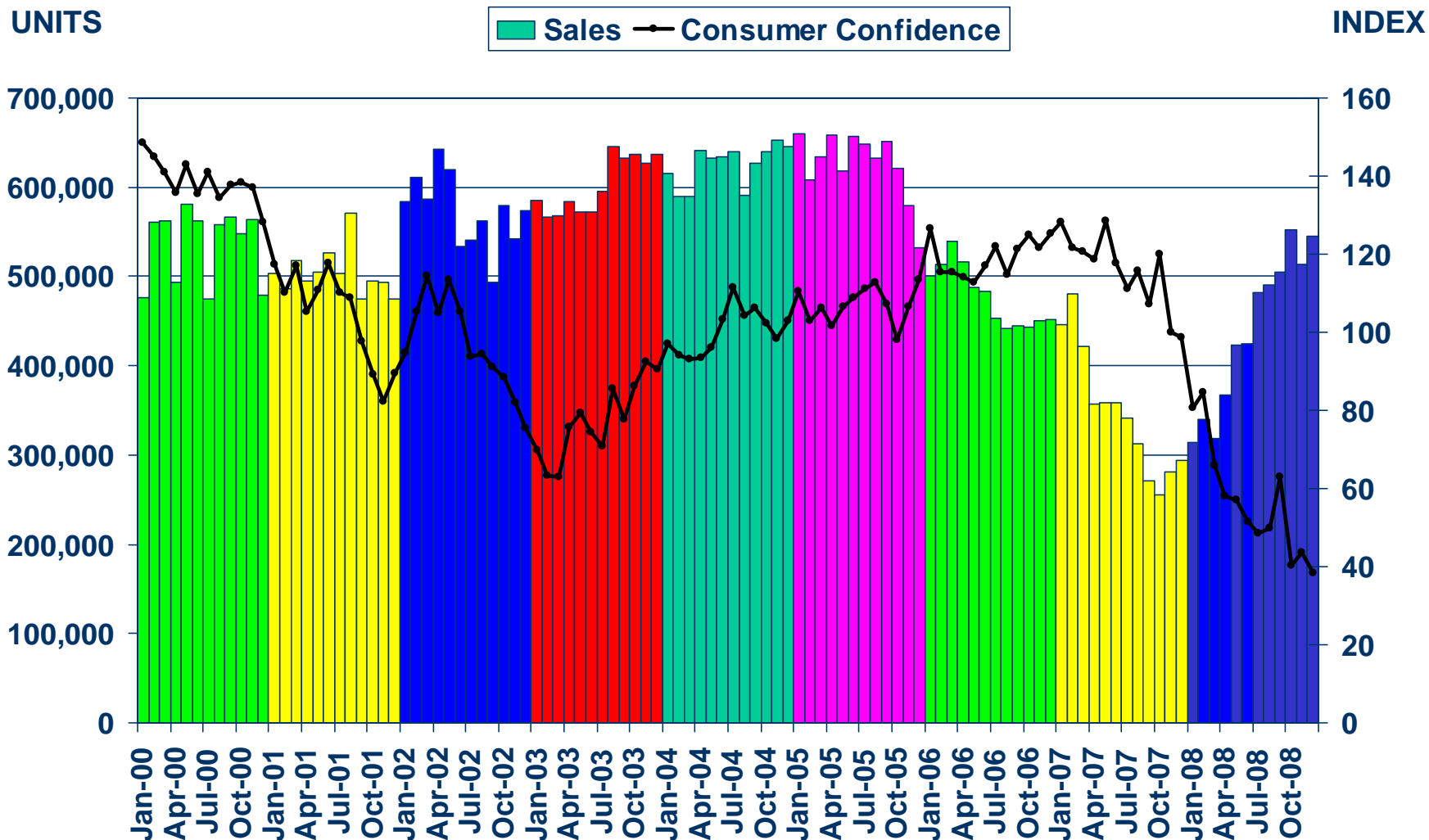
	2003	2004	2005	2006	2007	2008e	2009f
Nonfarm Job Growth	-0.5%	1.0%	1.8%	1.8%	0.7%	-0.4%	-1.0%
Unemployment Rate	6.8%	6.2%	5.4%	4.9%	5.4%	7.0%	9.4%
Population Growth	1.7%	1.5%	1.3%	1.3%	1.1%	1.1%	1.1%
Real Disposable Income, % Change	2.1%	3.1%	1.6%	1.8%	3.0%	0.6%	0.6%

Forecast Date: February 2009

California Housing Market

Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, Dec. 2008 Sales: 544,580 Units, Up 26.7% YTD, Up 84.9% YTY

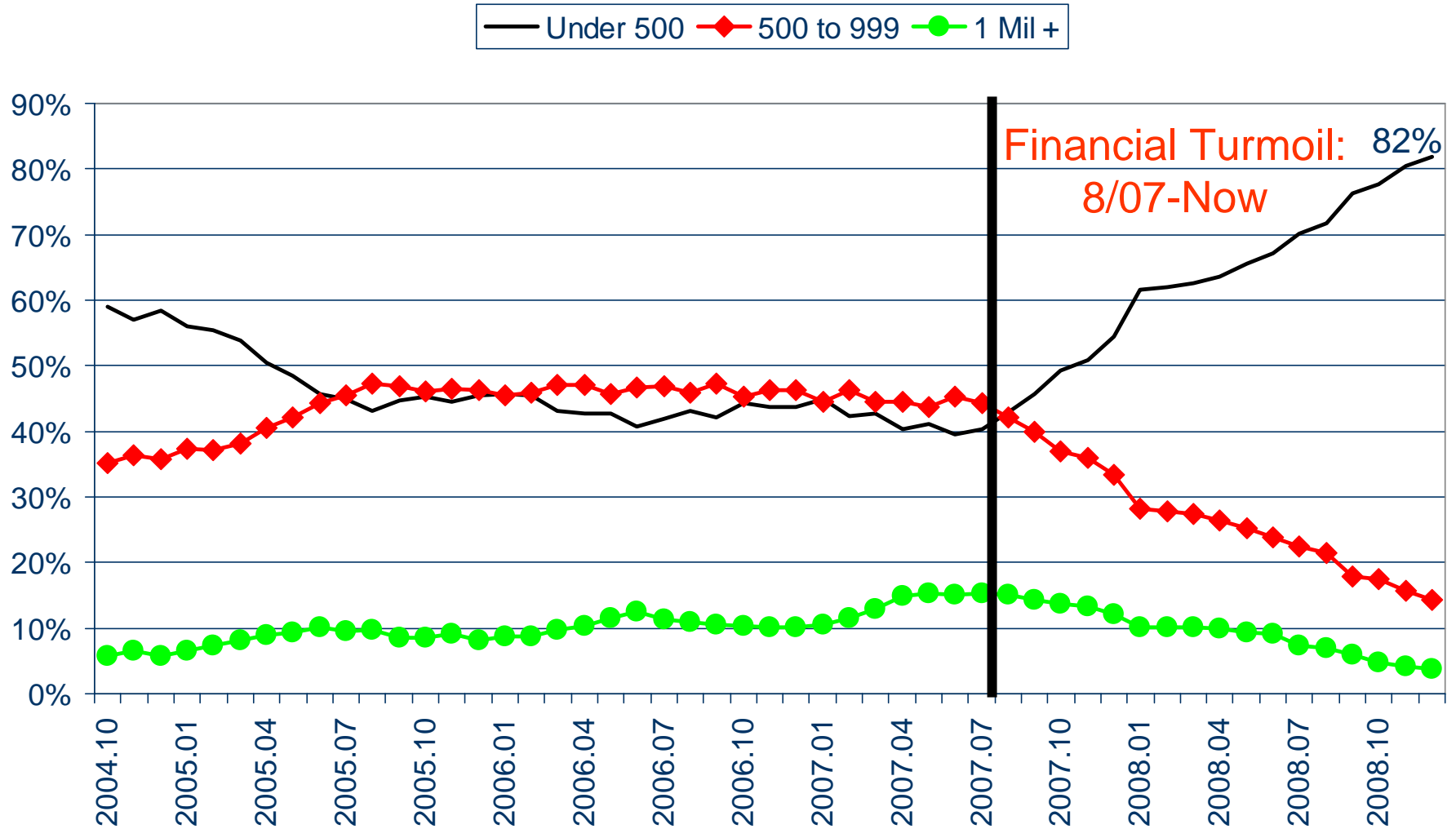


SOURCE: California Association of REALTORS®; The Conference Board

*Sales are seasonally adjusted and annualized



Sales By Price Range

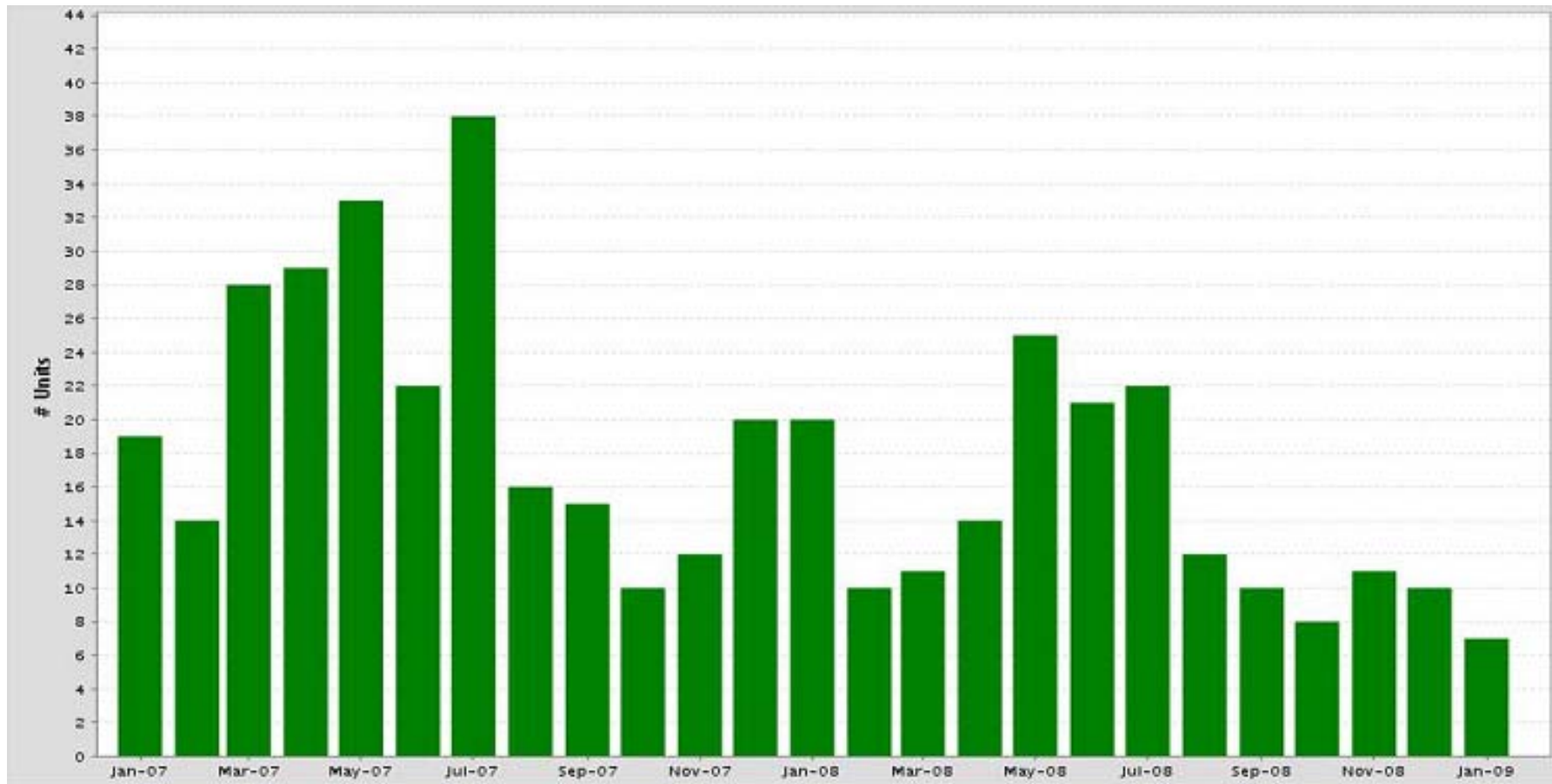


Peak vs Current Price - December 2008

Region	Peak Month	Peak Price	Dec-08 Median	% Chg From Peak
Monterey Region	Aug-07	\$798,210	\$290,070	-63.7%
High Desert	Apr-06	\$334,860	\$137,560	-58.9%
Palm Springs/Lower Desert	Jun-05	\$393,370	\$169,730	-56.9%
Riverside San Bernardino	Jan-07	\$415,160	\$190,840	-54.0%
Sacramento	Aug-05	\$394,450	\$181,660	-53.9%
CALIFORNIA	May-07	\$594,530	\$281,100	-52.7%
Ventura	Aug-06	\$710,910	\$370,750	-47.8%
Northern Wine Country	Jan-06	\$645,080	\$344,180	-46.6%
San Diego	May-06	\$622,380	\$333,030	-46.5%
San Francisco	May-07	\$853,910	\$465,640	-45.5%
Los Angeles	Aug-07	\$605,300	\$336,980	-44.3%
Santa Clara	Apr-07	\$868,410	\$512,450	-41.0%
Orange County	Apr-07	\$747,260	\$442,640	-40.8%
San Luis Obispo	Jun-06	\$620,540	\$374,320	-39.7%
Northern California	Aug-05	\$440,420	\$276,060	-37.3%

Brentwood (90040) Sales of SF Detached Homes

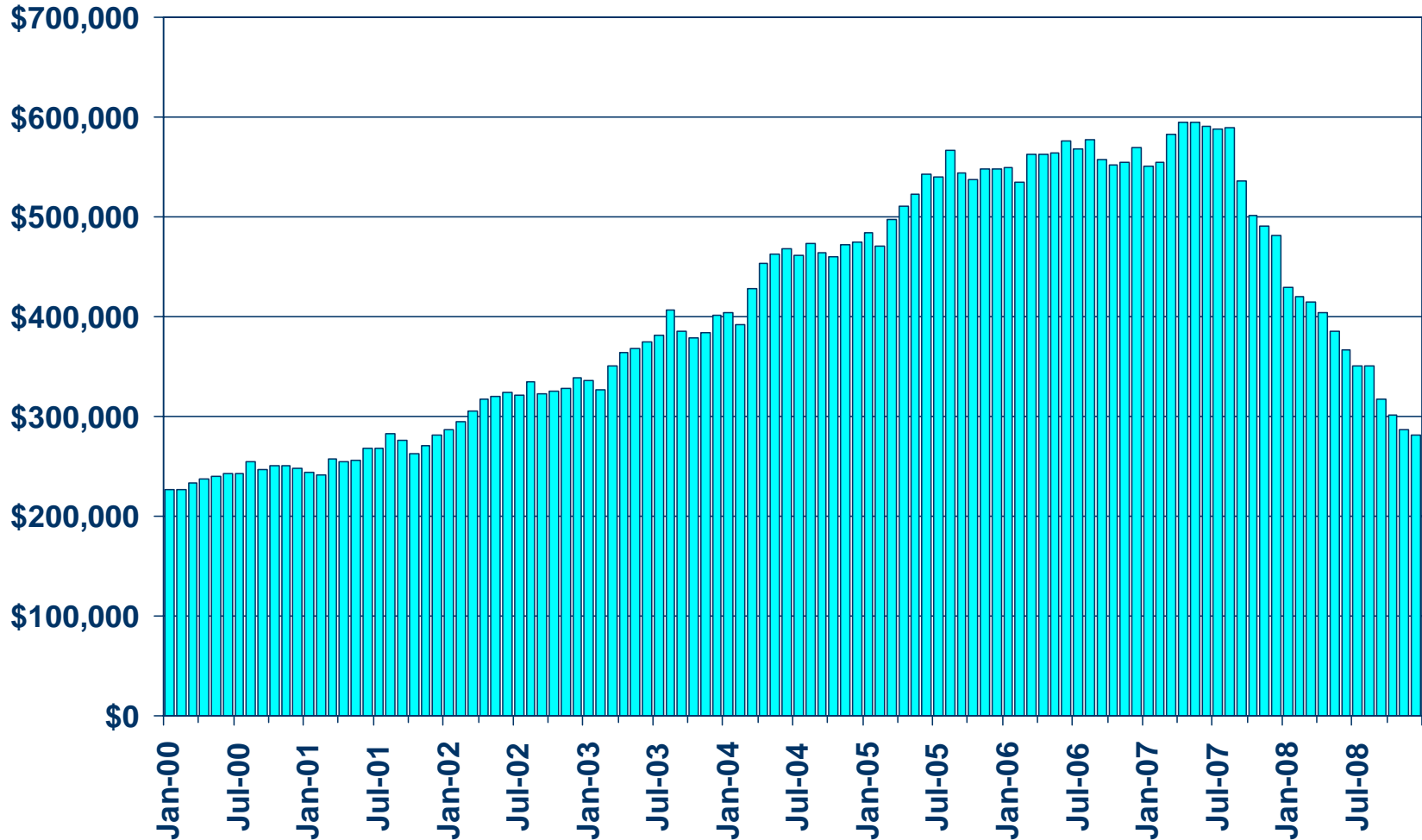
January 2009: 7 Units, Down 30.0% MTM, Down 65.0% YTY



SOURCE: Clarus Market Metrics

Median Price of Existing Detached Homes

California, December 2008: \$281,100, Down 41.5% YTY



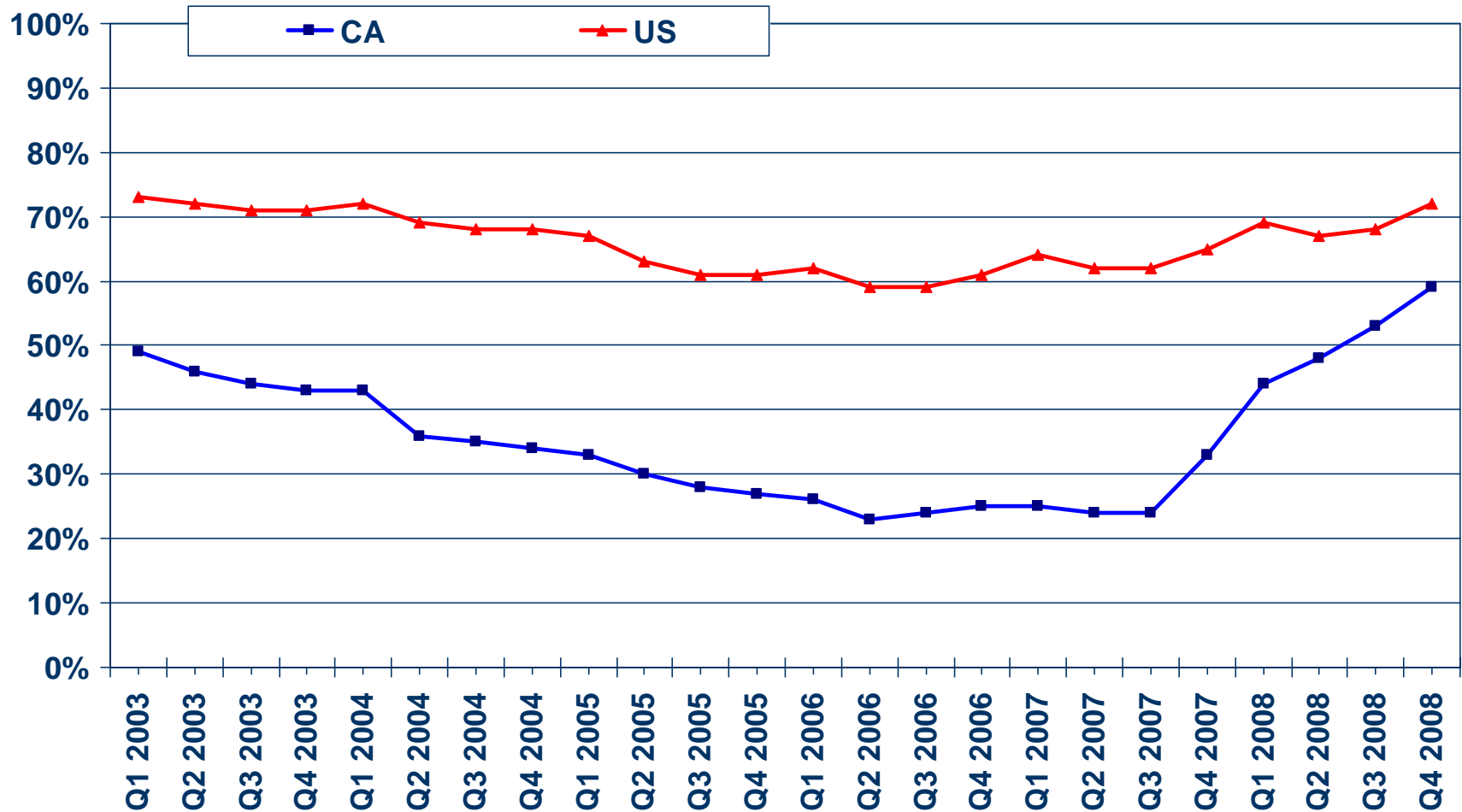
SOURCE: California Association of REALTORS®



First-time Buyer Housing Affordability Index

California Vs. U.S. 2003-2008

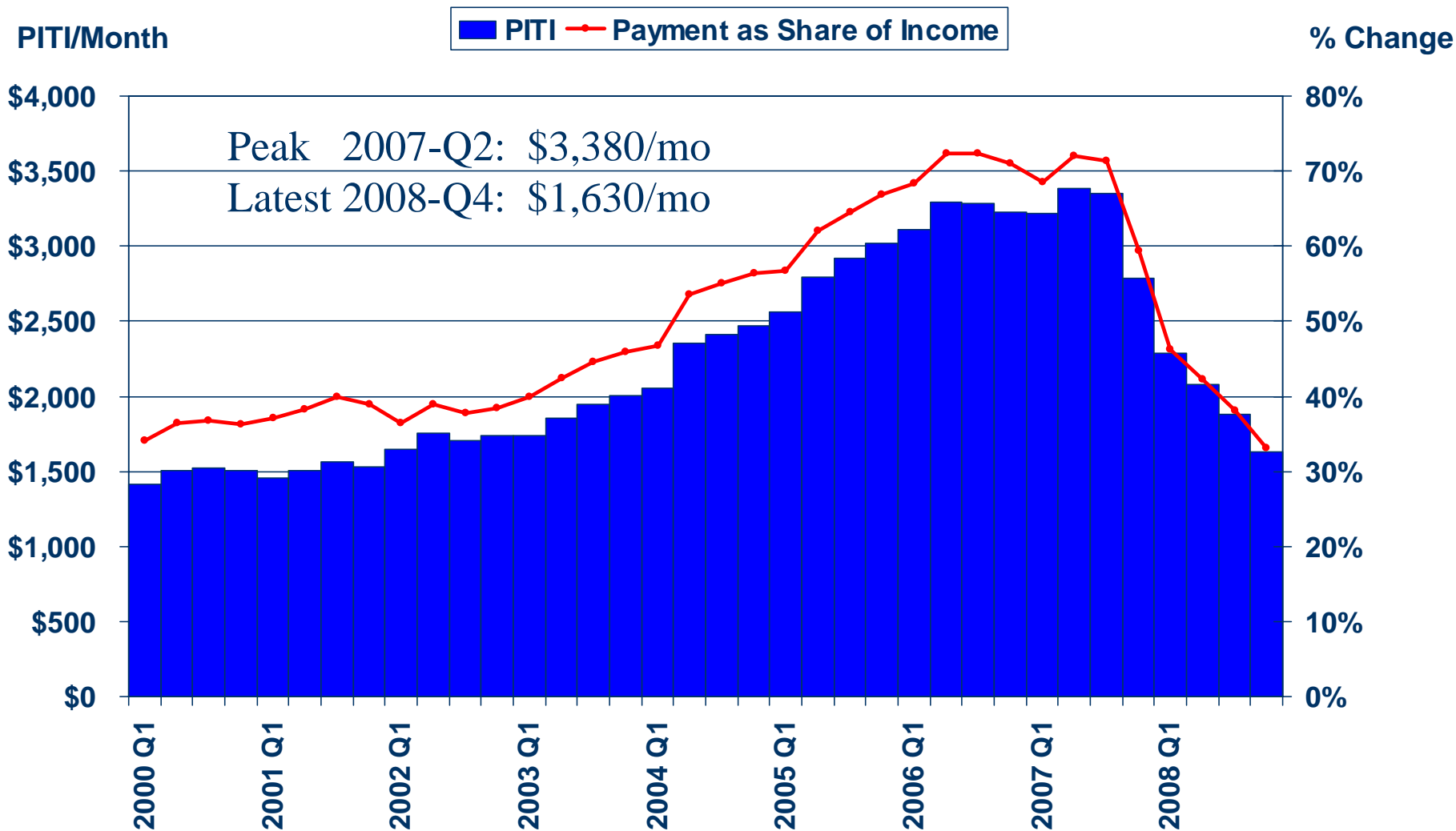
% OF HOUSEHOLDS THAT CAN BUY



SOURCE: California Association of REALTORS®



Entry-Level Monthly House Payment and Payment as Share of Median Household Income

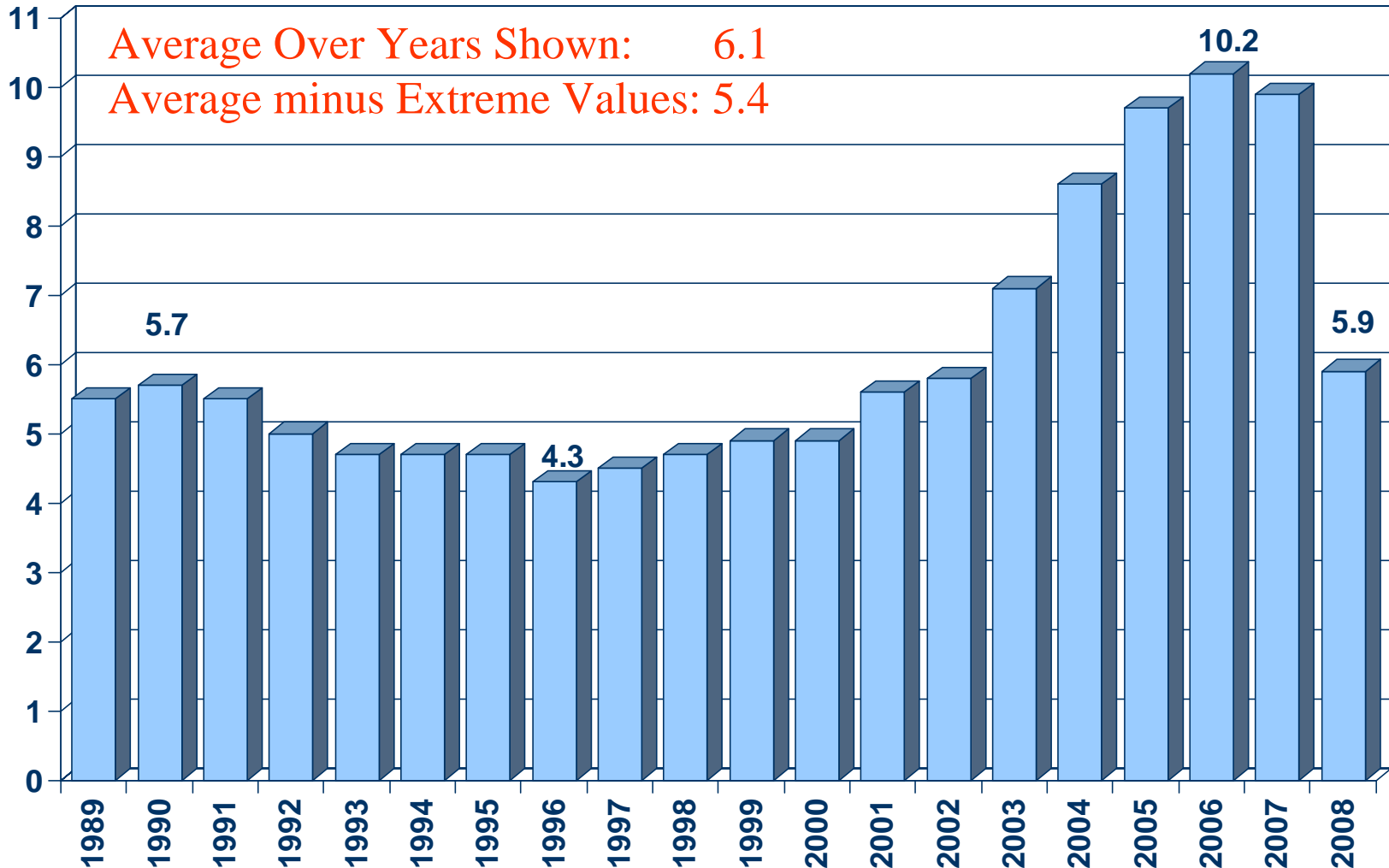


SOURCE: California Association of REALTORS®



Median Price to Median HH Income Ratio

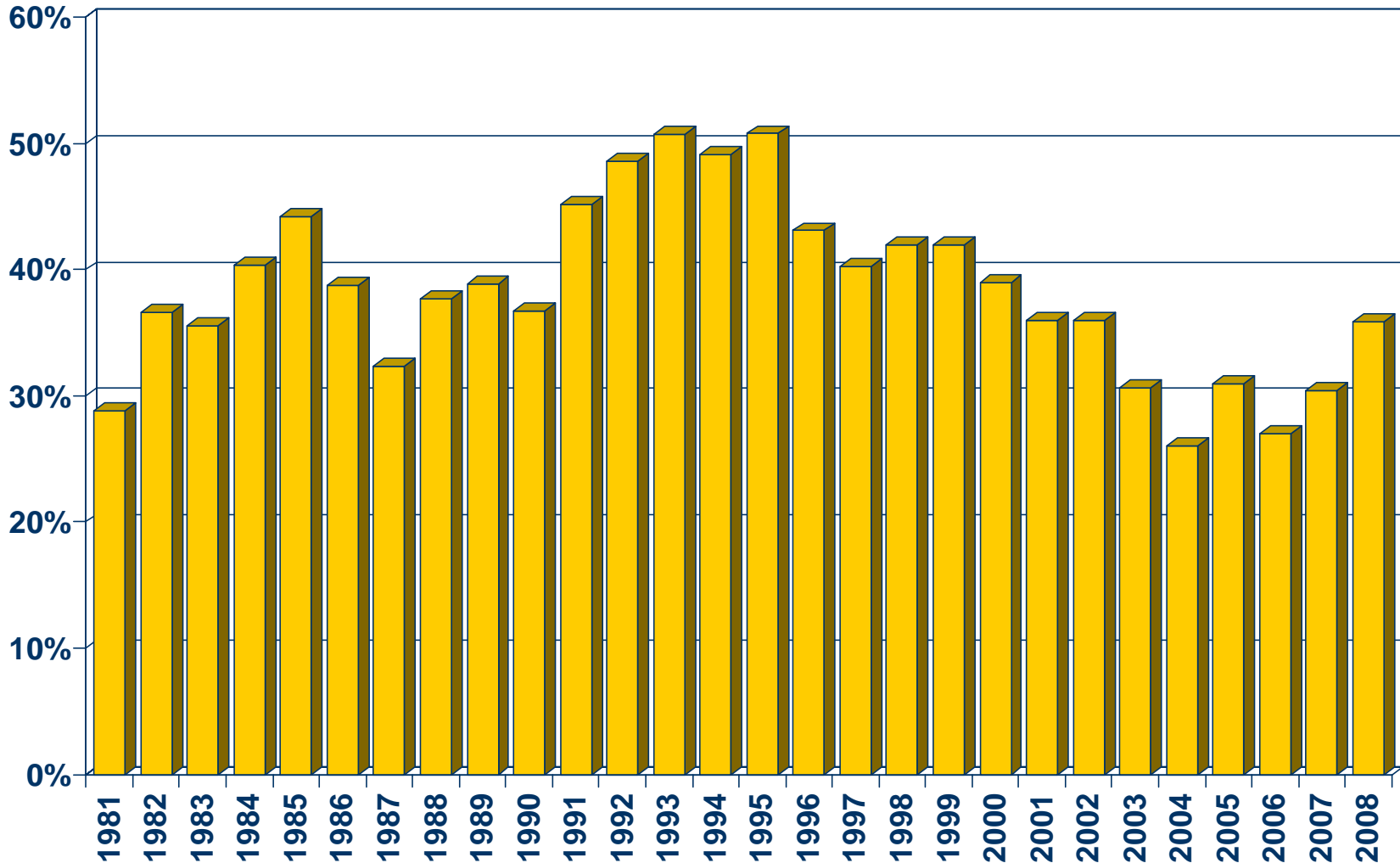
California



SOURCE: California Association of REALTORS®



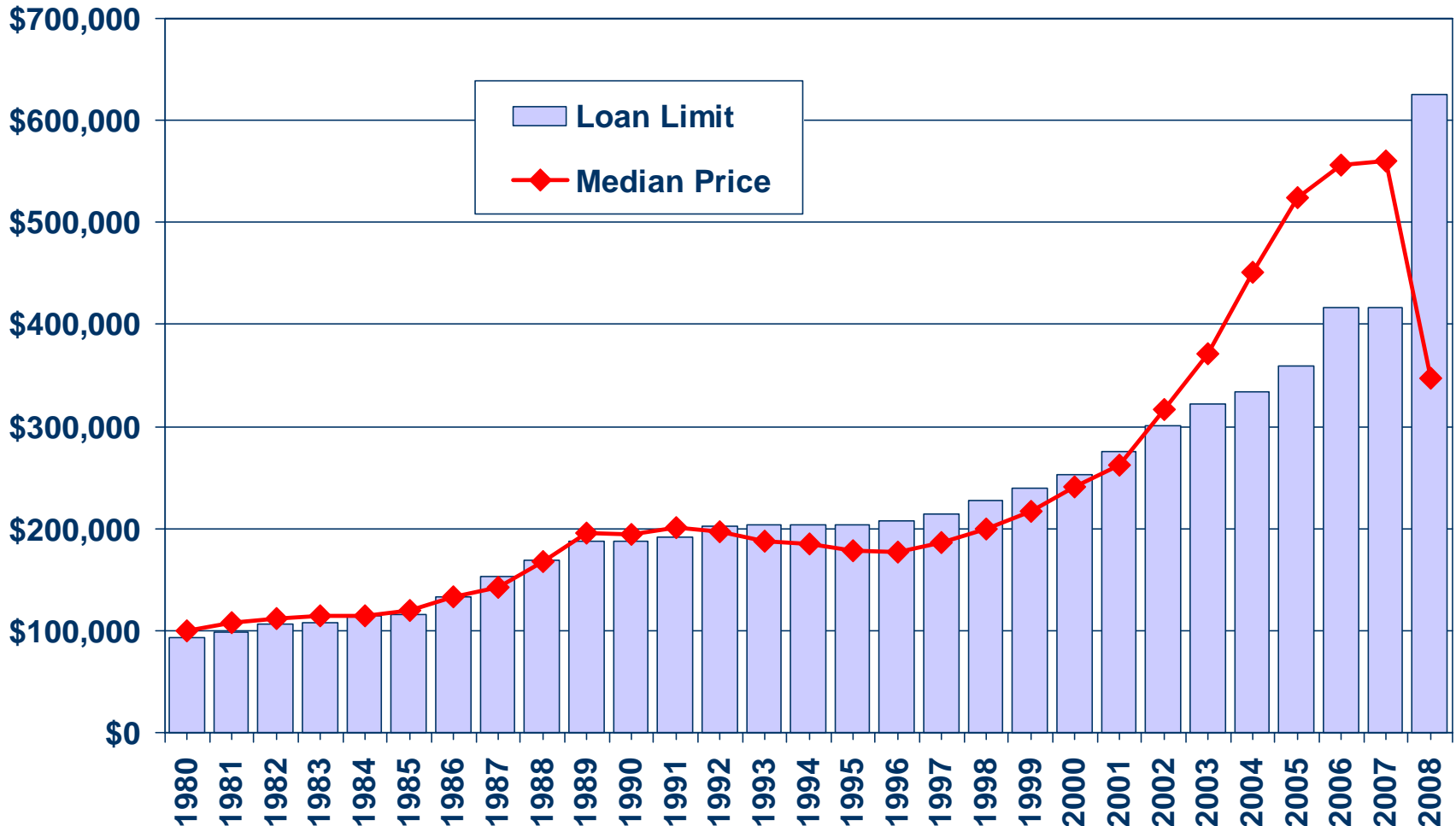
Proportion of First-Time Homebuyers California



SOURCE: California Association of REALTORS®

Annual Median Price vs. Loan Limit

California, 1980-2008



SOURCE: California Association of REALTORS®



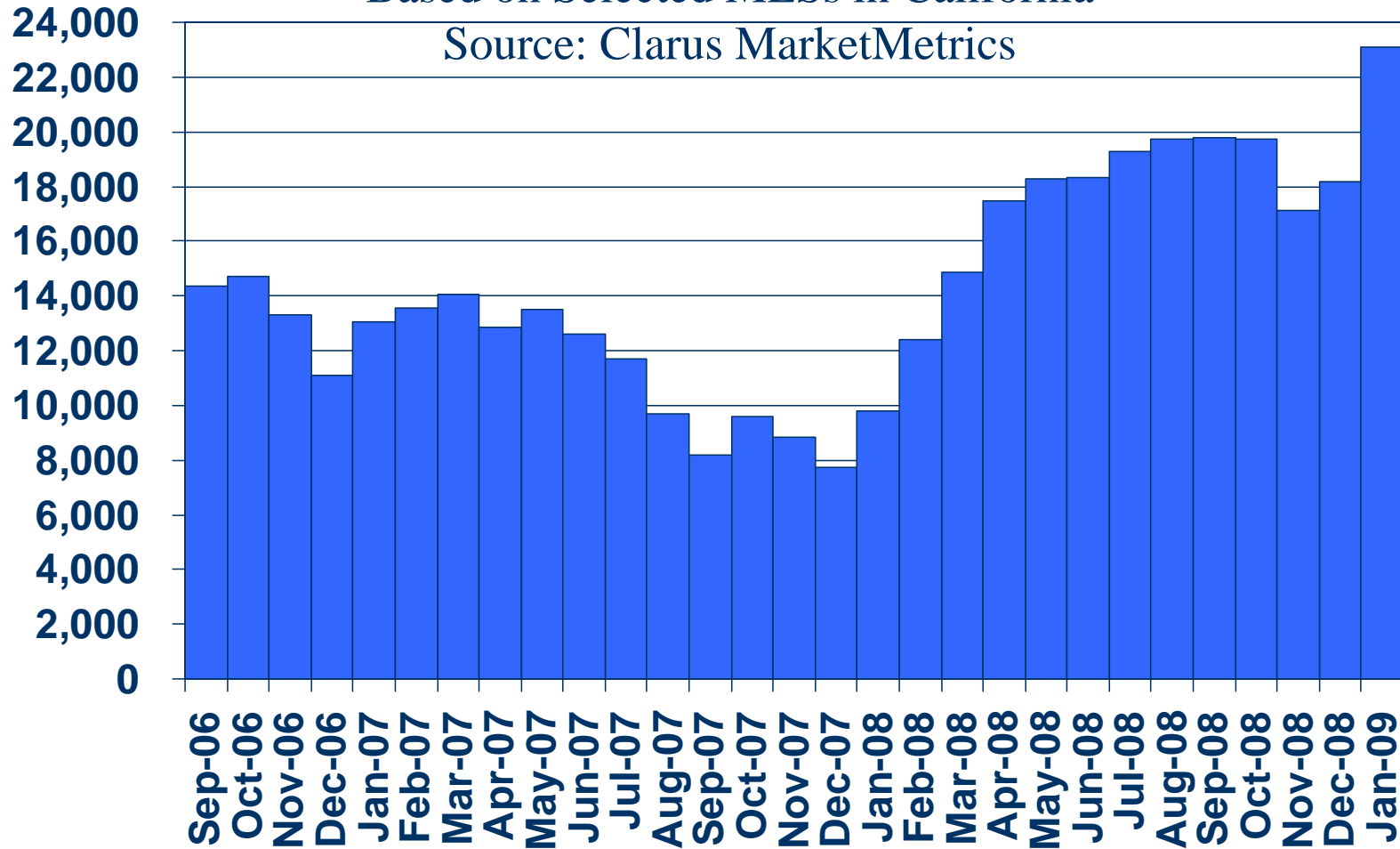
Properties Under Contract in CA

January 2009: 23,117 Units, Up 27.2% MTM, Up 136.0% YTY

UNITS

Based on Selected MLSs in California

Source: Clarus MarketMetrics

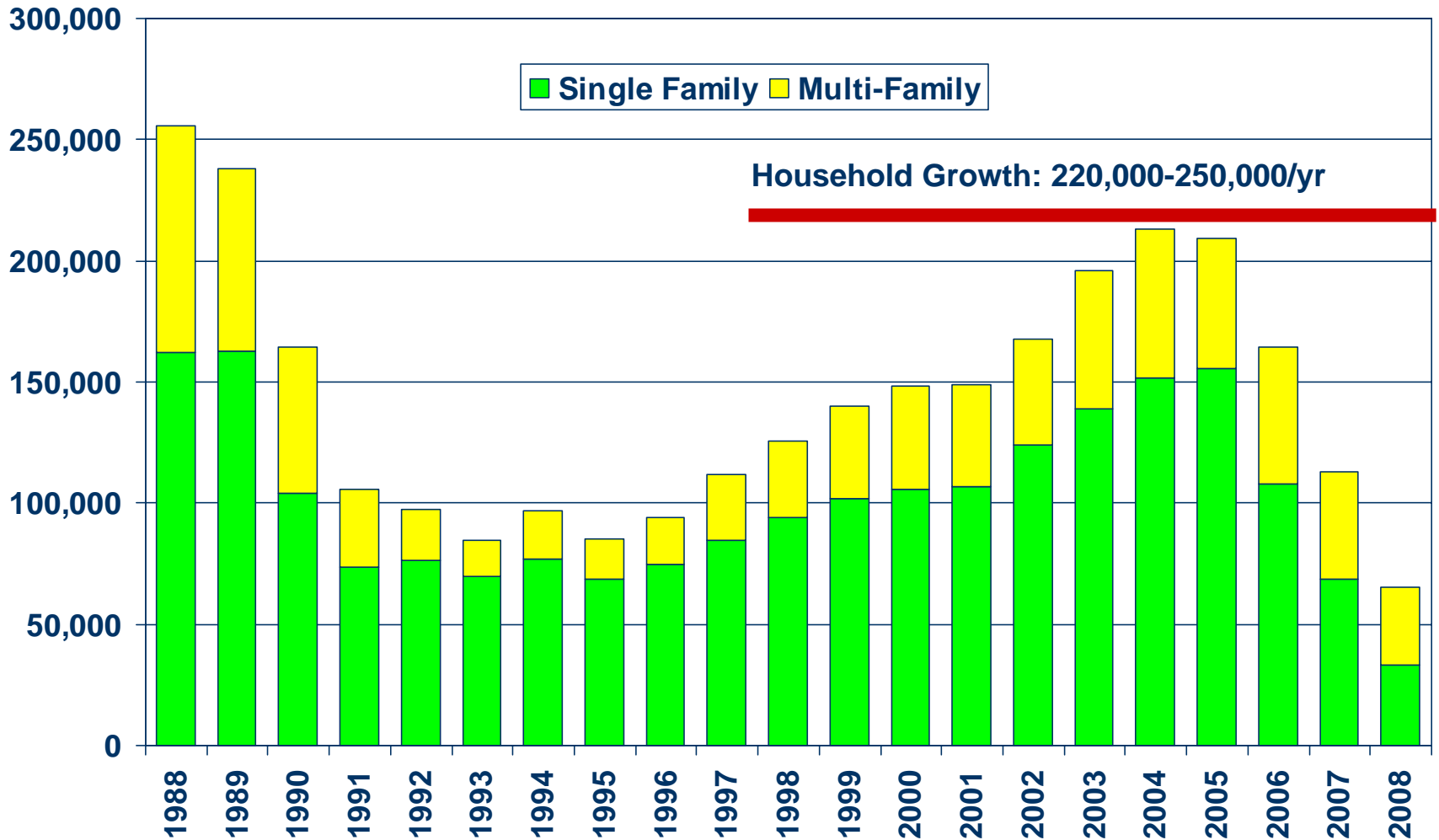


SOURCE: Clarus MarketMetrics, compiled by C.A.R.



New Housing Permits

California, 1988-2008, 2008: Down 42.2% YTD

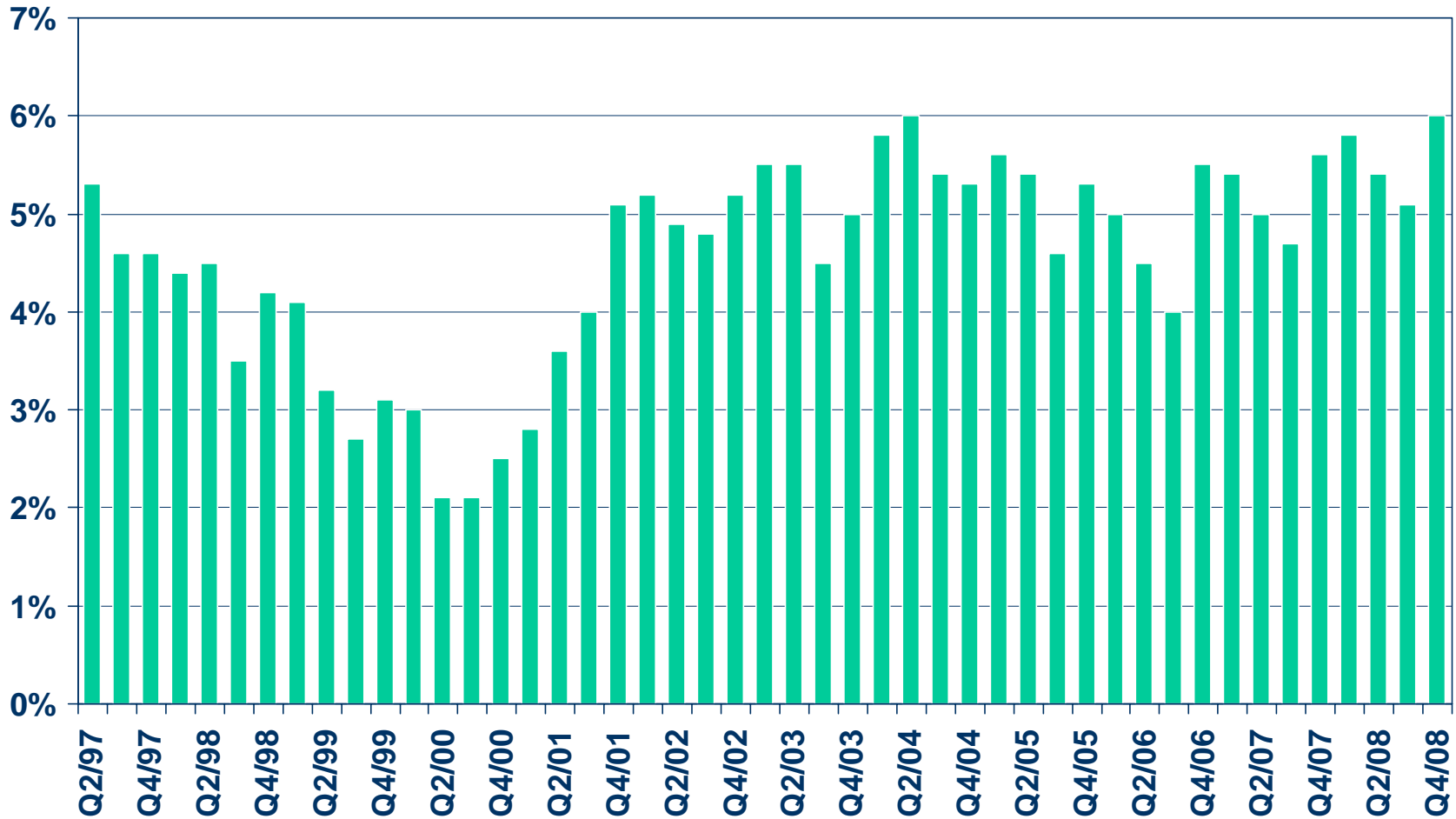


SOURCE: Construction Industry Research Board

Vacancy Rate for Class A&B Apartments

California, 2008 Q4: 6.0%

VACANCY RATE

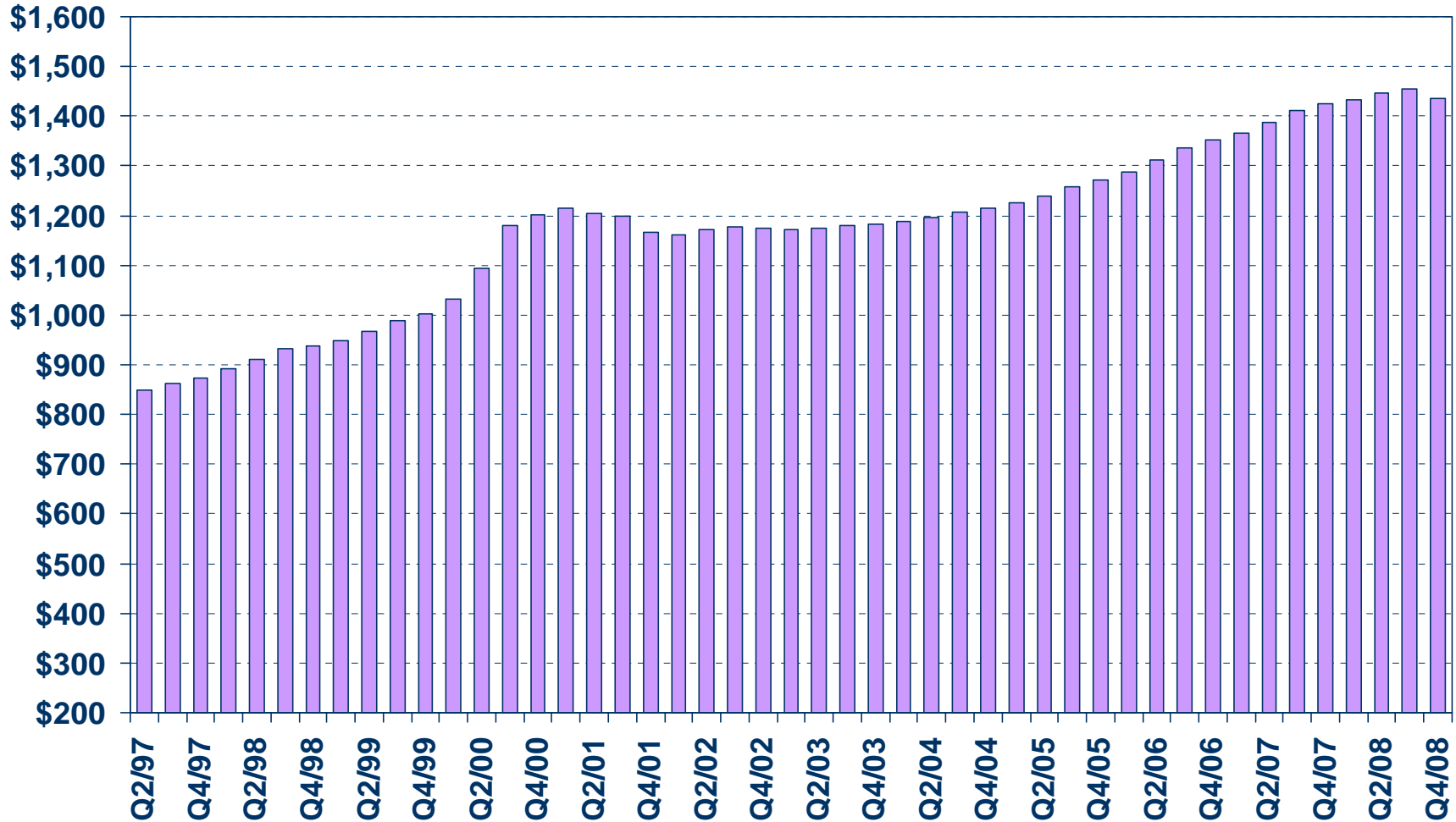


SOURCE: California Association of REALTORS®;
REALFACTS

Asking Rents for Class A&B Apartments

California, 2008 Q4: \$1,435, Up 0.6% YTY

Asking Rents

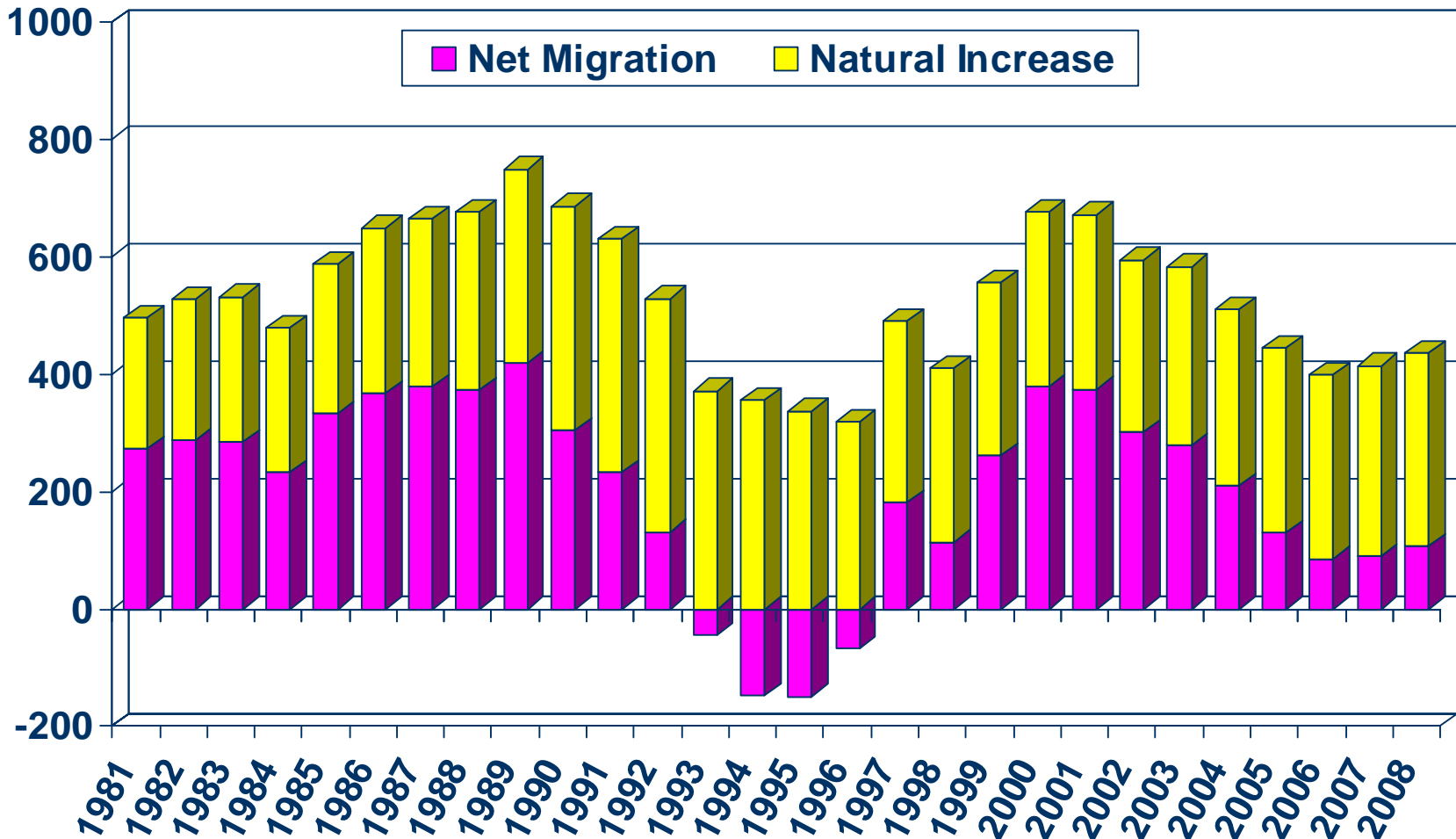


SOURCE: California Association of REALTORS®;
REALFACTS

Sources of Population Growth

California (1981-2008)

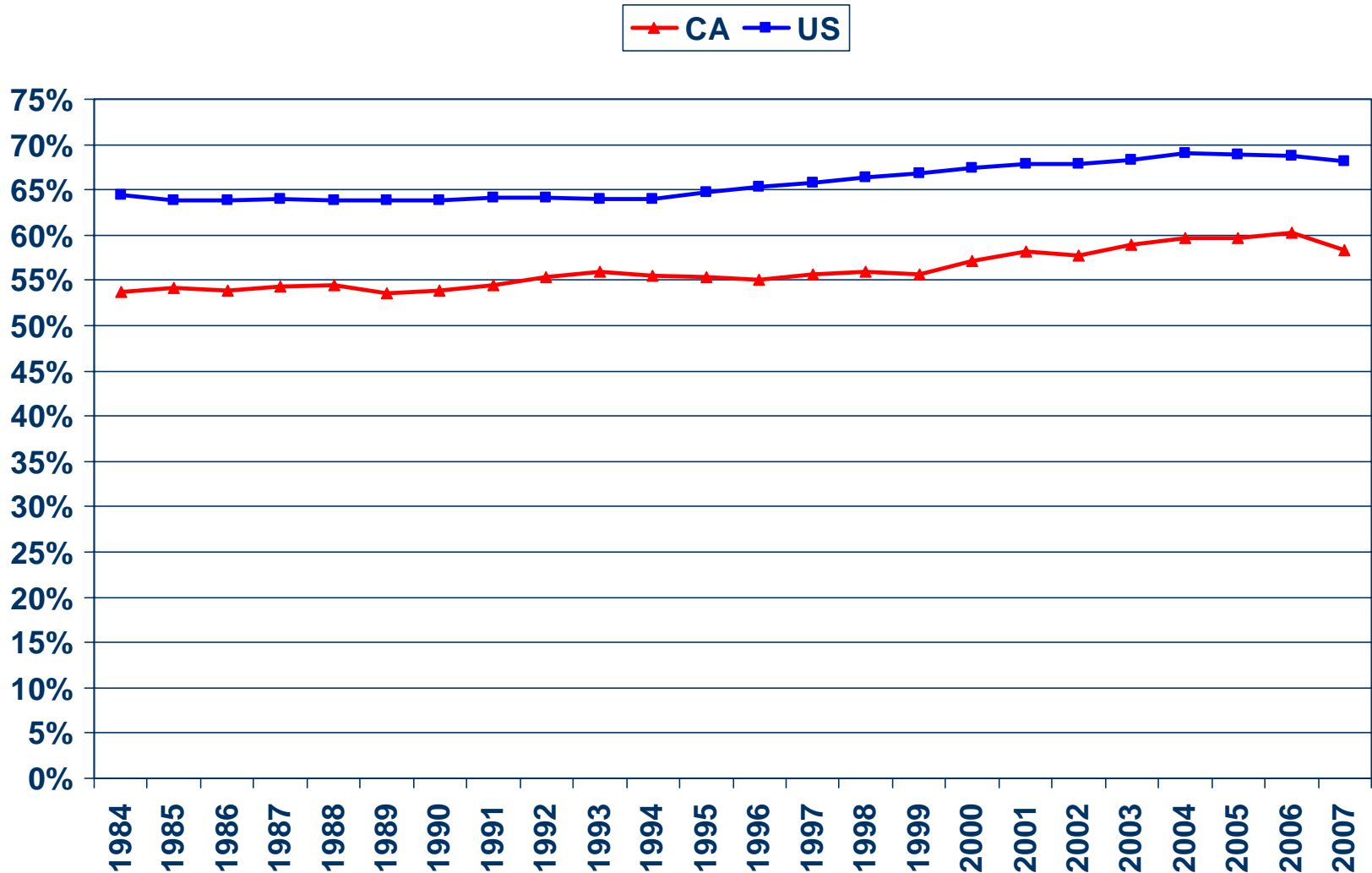
THOUSANDS



SOURCE: CA Dept. of Finance

Homeownership Rates

California Vs. U.S.



SOURCE: U.S. Census Bureau

Local Market Conditions

Nonfarm Employment By Region

(Thousands)	Nonfarm Employment December-08	Nonfarm Employment December-07	Change	Percent Change
Southern California	8,396.4	8,544.4	-148	-1.7%
Bay Area	3,241.6	3,298.9	-57.3	-1.7%
Central Valley	2,012.2	2,052.6	-40.4	-2.0%
Central Coast	501.9	508.2	-6.3	-1.2%
North Central	138.8	143.5	-4.7	-3.3%
CALIFORNIA	14,913.6	15,171.0	-257.4	-1.7%

Sales of Existing Detached Homes

Bay Area Counties

County	Dec-08	Nov-08	Dec-07	M-t-M	Y-t-Y	Y-t-D
Alameda	442	557	379	-20.6%	16.6%	-0.9%
Contra Costa	195	175	170	11.4%	14.7%	-11.4%
Marin	90	89	110	1.1%	-18.2%	-21.5%
San Francisco	208	213	211	-2.3%	-1.4%	-4.5%
San Mateo	280	270	258	3.7%	8.5%	-9.9%
Santa Clara	711	633	508	12.3%	40.0%	-3.2%
Santa Cruz	115	96	79	19.8%	45.6%	-6.6%
Solano	517	405	159	27.7%	225.2%	79.8%
Sonoma	400	353	184	13.3%	117.4%	24.7%

Median Price of Existing Detached Homes

Bay Area Counties

County	Dec-08	Nov-08	Dec-07	M-t-M	Y-t-Y
Alameda	\$ 445,161	\$ 413,942	\$ 630,401	7.5%	-29.4%
Contra Costa	\$ 622,596	\$ 588,068	\$ 724,999	5.9%	-14.1%
Marin	\$ 704,545	\$ 869,318	\$ 951,922	-19.0%	-26.0%
San Francisco	\$ 638,888	\$ 678,333	\$ 778,061	-5.8%	-17.9%
San Mateo	\$ 600,000	\$ 659,500	\$ 875,000	-9.0%	-31.4%
Santa Clara	\$ 512,450	\$ 515,000	\$ 797,000	-0.5%	-35.7%
Santa Cruz	\$ 455,000	\$ 437,000	\$ 729,000	4.1%	-37.6%
Solano	\$ 217,941	\$ 236,688	\$ 372,656	-7.9%	-41.5%
Sonoma	\$ 338,983	\$ 336,725	\$ 477,083	0.7%	-28.9%

Sales of Existing Detached Homes

Central Valley Regions

County	Nov-08	Oct-08	Nov-07	M-t-M	Y-t-Y	Y-t-D
Bakersfield	426	634	232	-32.8%	83.6%	77.2%
Fresno	648	892	325	-27.4%	99.4%	48.1%
Merced	184	201	65	-8.5%	183.1%	159.6%
Sacramento	1,718	2,103	815	-18.3%	110.8%	84.5%

Median Price of Existing Detached Homes

Central Valley Regions

County	Dec-08	Nov-08	Dec-07	M-t-M	Y-t-Y
Bakersfield	\$ 145,000	\$ 150,500	\$ 240,000	-3.7%	-39.6%
Fresno	\$ 157,499	\$ 160,298	\$ 264,179	-1.7%	-40.4%
Merced	\$ 115,333	\$ 126,315	\$ 225,000	-8.7%	-48.7%
Sacramento	\$ 181,655	\$ 184,762	\$ 285,139	-1.7%	-36.3%

Sales of Existing Detached Homes

County	Dec-08	Nov-08	Dec-07	M-t-M	Y-t-Y	Y-t-D
High Desert	1,469	1,139	413	29.0%	255.7%	90.5%
Los Angeles	4,048	3,405	2,077	18.9%	94.9%	16.4%
Orange	1,449	1,277	872	13.5%	66.2%	18.8%
Palm Springs	604	514	355	17.5%	70.1%	26.9%
Riverside/SB	2,201	1,809	627	21.7%	251.0%	105.4%
San Diego	1,786	1,819	983	-1.8%	81.7%	27.1%
Sta. Barbara Area	180	123	100	46.3%	80.0%	20.2%
Ventura	464	443	249	4.7%	86.3%	12.1%

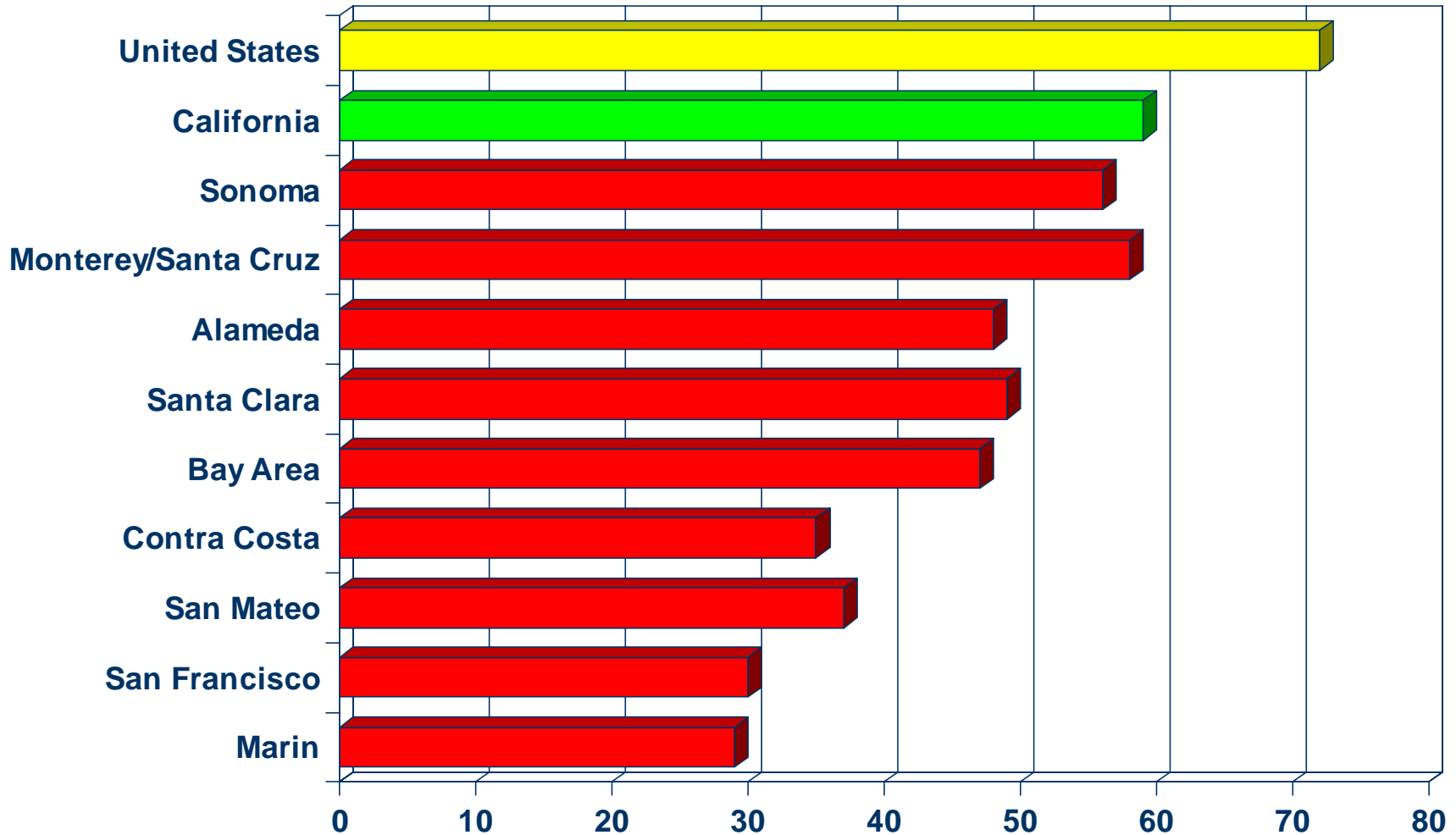
Median Price of Existing Detached Homes

Southern California Regions

County	Dec-08	Nov-08	Dec-07	M-t-M	Y-t-Y
High Desert	\$ 137,555	\$ 148,581	\$ 244,327	-7.4%	-43.7%
Los Angeles	\$ 336,984	\$ 359,242	\$ 498,496	-6.2%	-32.4%
Orange	\$ 442,640	\$ 453,056	\$ 653,614	-2.3%	-32.3%
Palm Springs	\$ 169,729	\$ 183,590	\$ 364,655	-7.5%	-53.5%
Riverside/SB	\$ 190,844	\$ 202,739	\$ 325,515	-5.9%	-41.4%
San Diego	\$ 333,029	\$ 326,765	\$ 495,497	1.9%	-32.8%
Sta. Barbara-So. Coast	\$ 875,000	\$ 1,112,000	\$ 925,000	-21.3%	-5.4%
Sta. Barbara-North Cnty.	\$ 256,451	\$ 240,908	\$ 323,809	6.5%	-20.8%
Ventura	\$ 370,754	\$ 382,588	\$ 604,729	-3.1%	-38.7%

First-time Buyer Housing Affordability

4th Quarter 2008

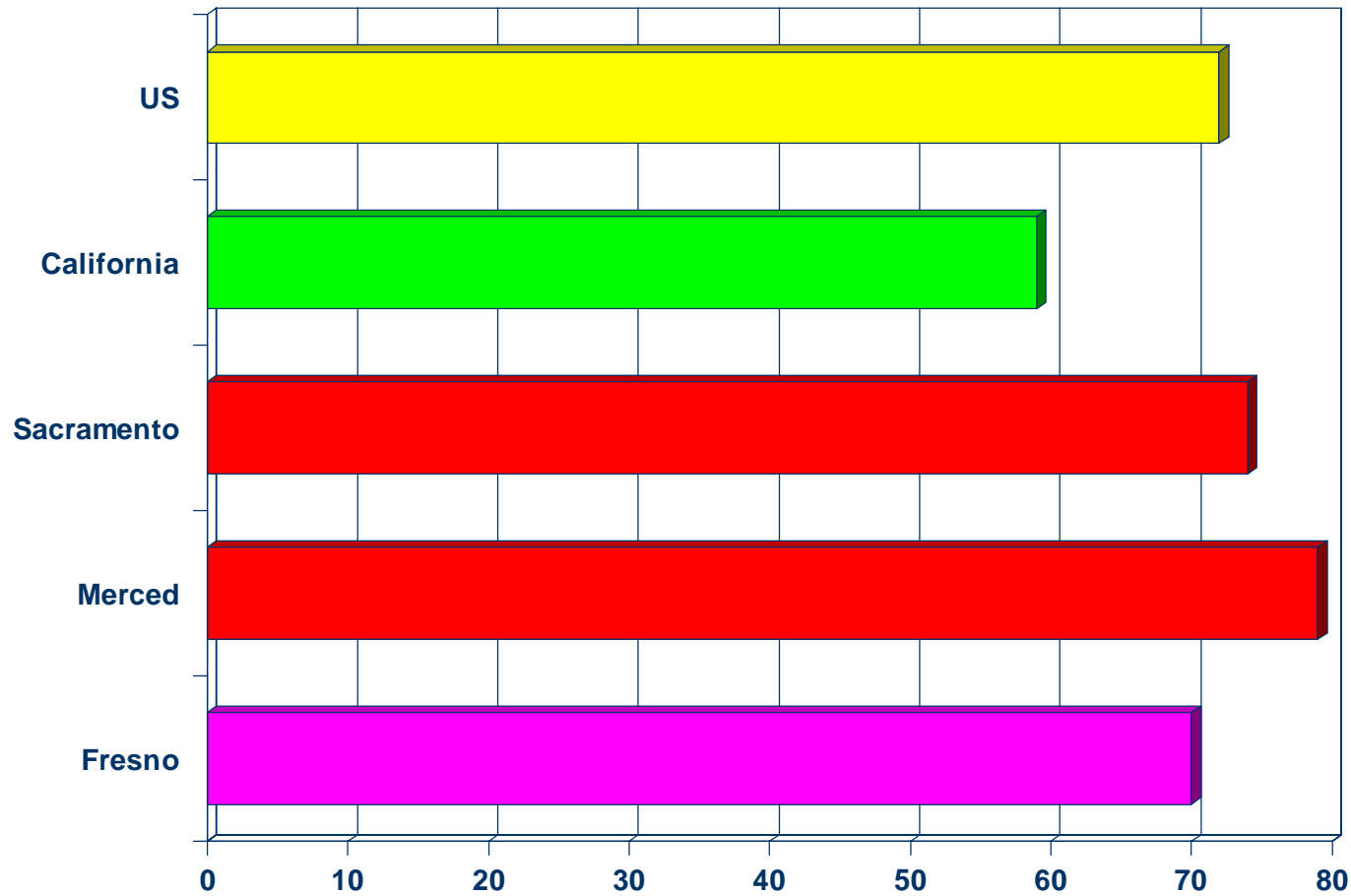


SOURCE: California Association of REALTORS®



First-time Buyer Housing Affordability

4th Quarter 2008

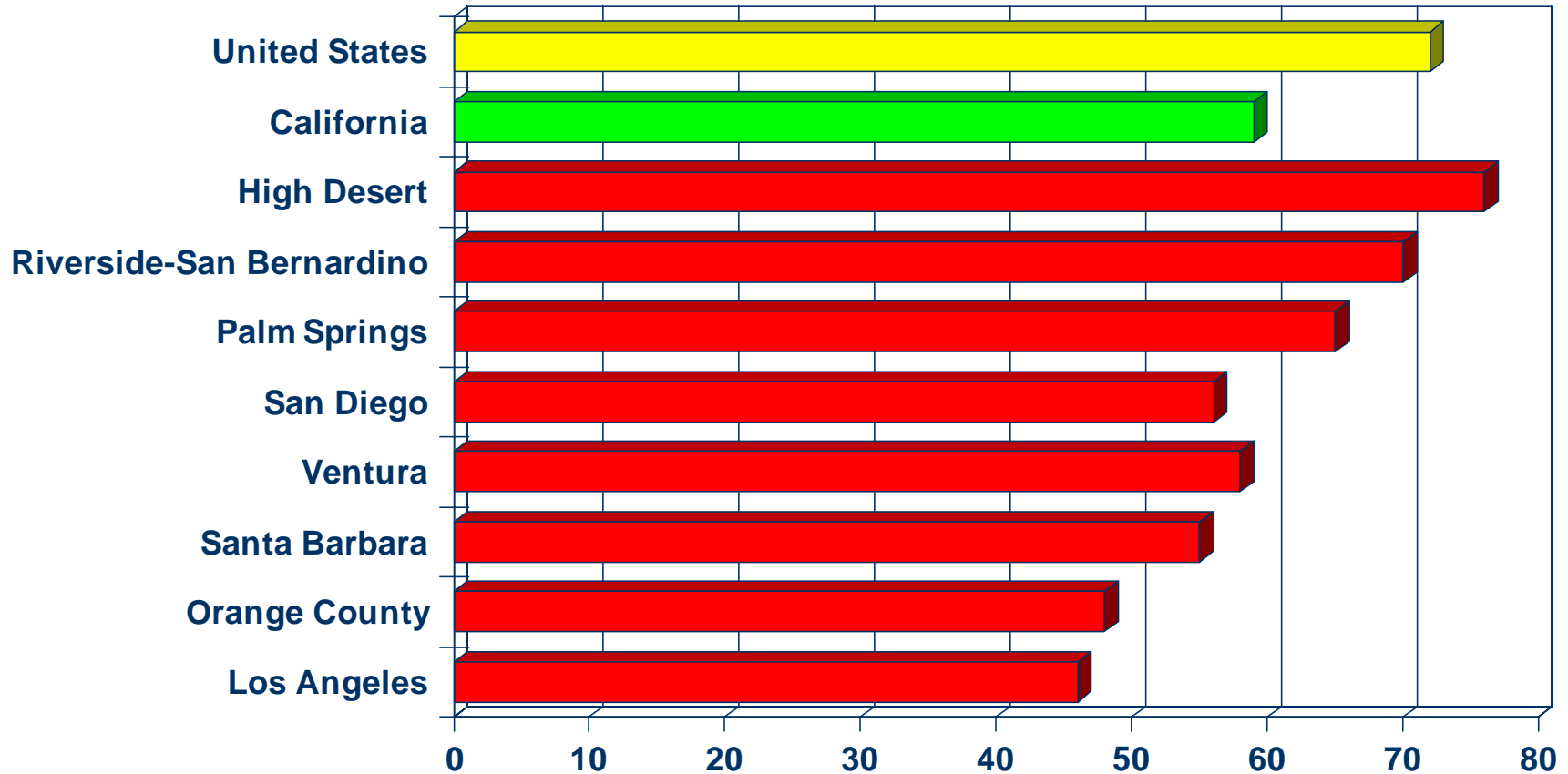


SOURCE: California Association of REALTORS®



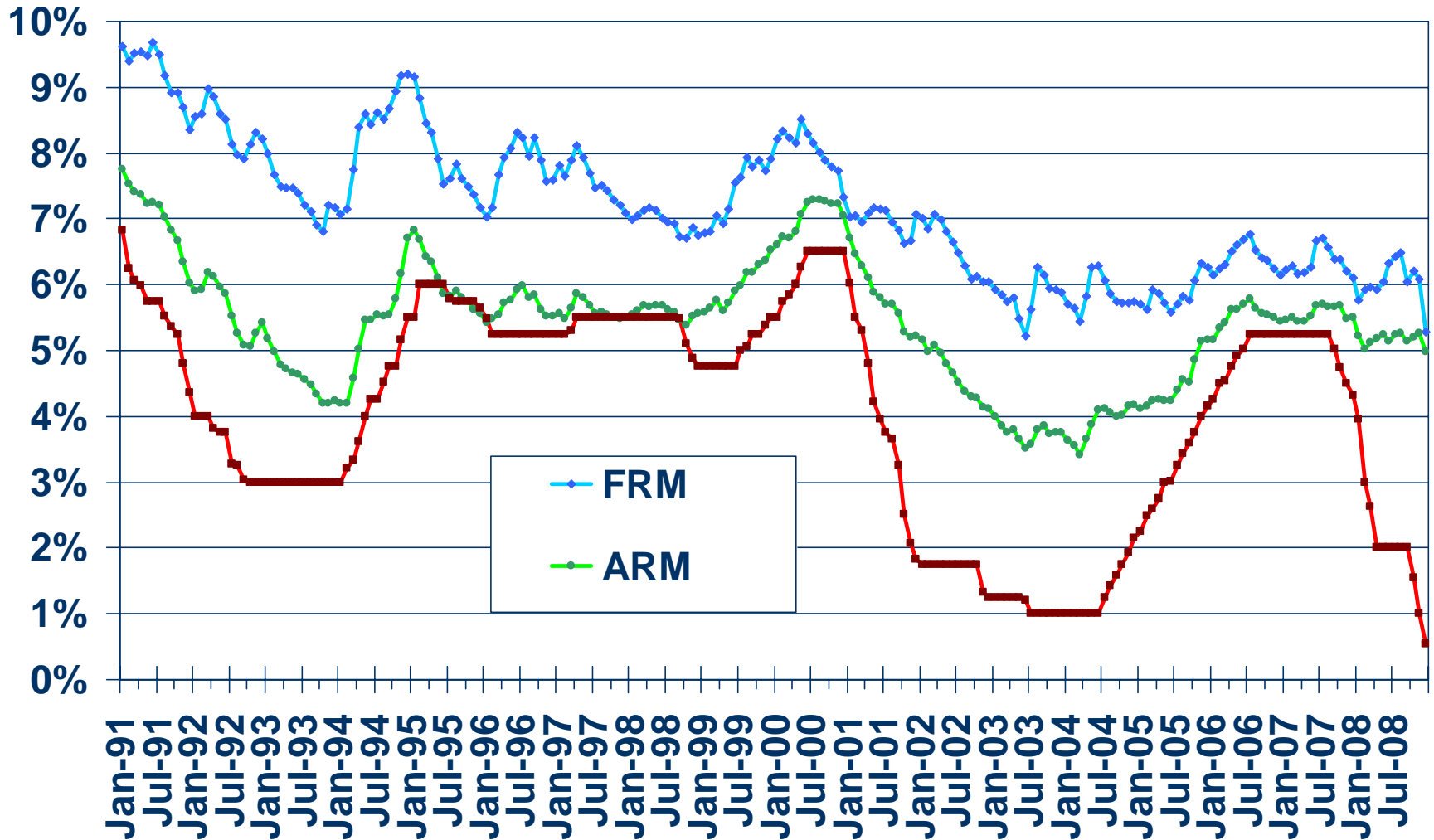
First-time Buyer Housing Affordability

4th Quarter 2008



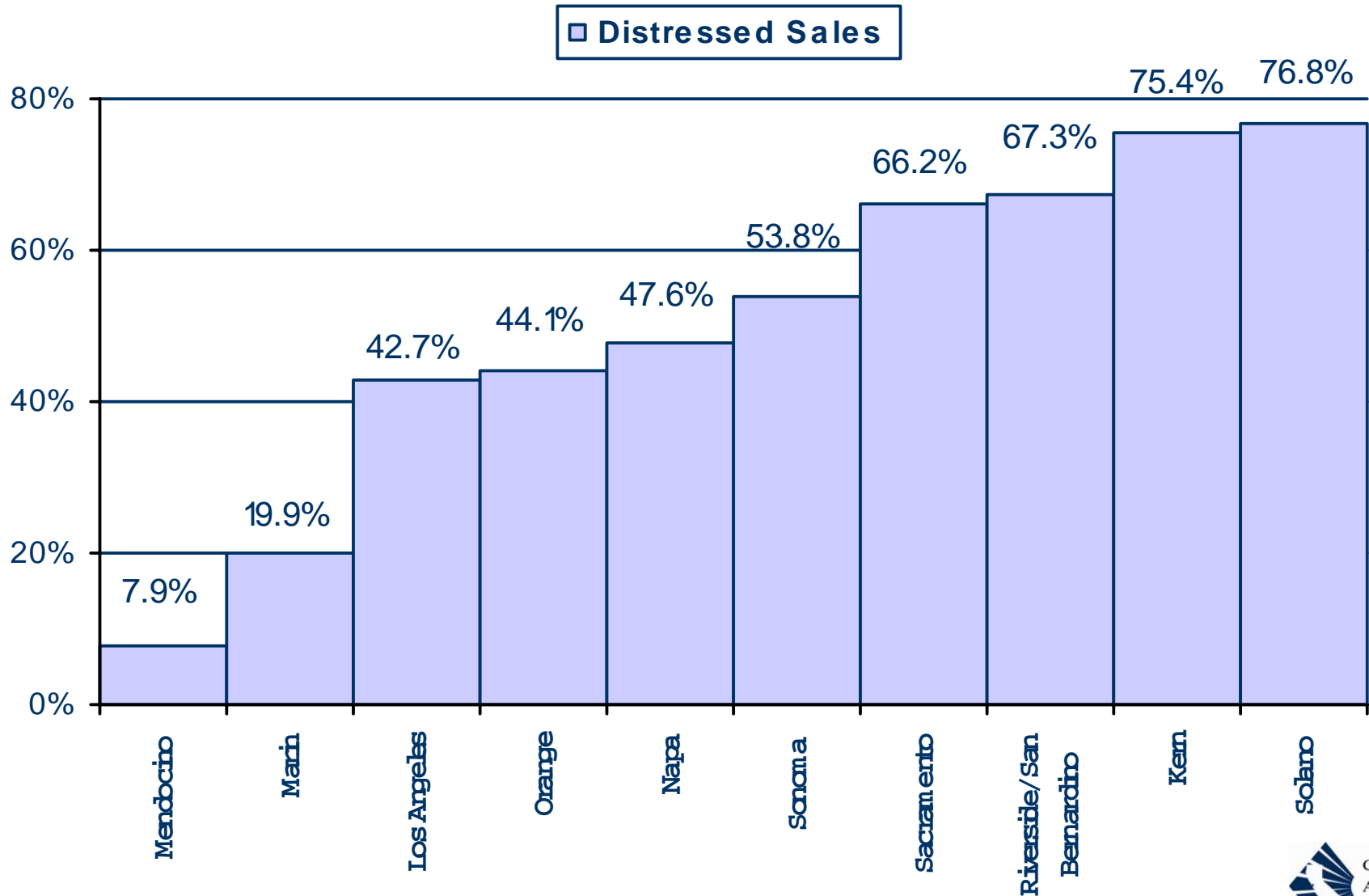
Real Estate Finance

Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation

Distressed Sales to Total Sales Ratio



Notices of Default – CA Q4-2008

Houses and Condos

Region	2008-Q4	2008-Q3	2007-Q4	QTQ %Chg	YTY %Chg
SoCal	42,826	52,895	43,146	-19.0%	-0.7%
Bay Area	11,157	15,027	12,704	-25.8%	-12.2%
Central Valley	17,888	22,072	21,946	-19.0%	-18.5%
Statewide*	75,230	94,240	81,550	-20.2%	-7.7%

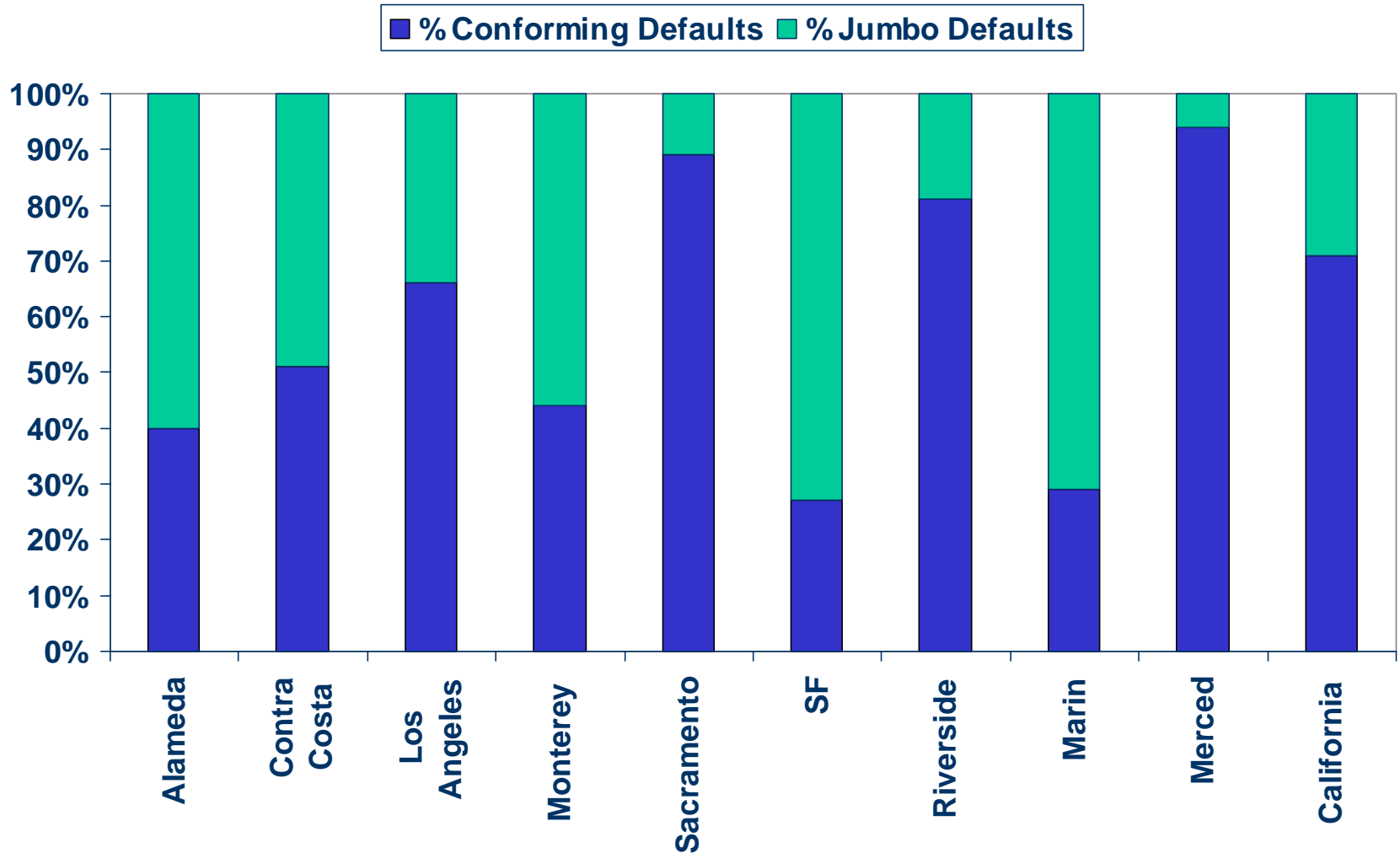
* Includes additional counties

NOTES:

- SB1137 imposed a 30-day Notice of Intent to File NOD, effective 9/08
- NODs peaked in 2008-Q2 at 121,342 filings

Defaults By Type

Selected Counties & California: Q4-2008



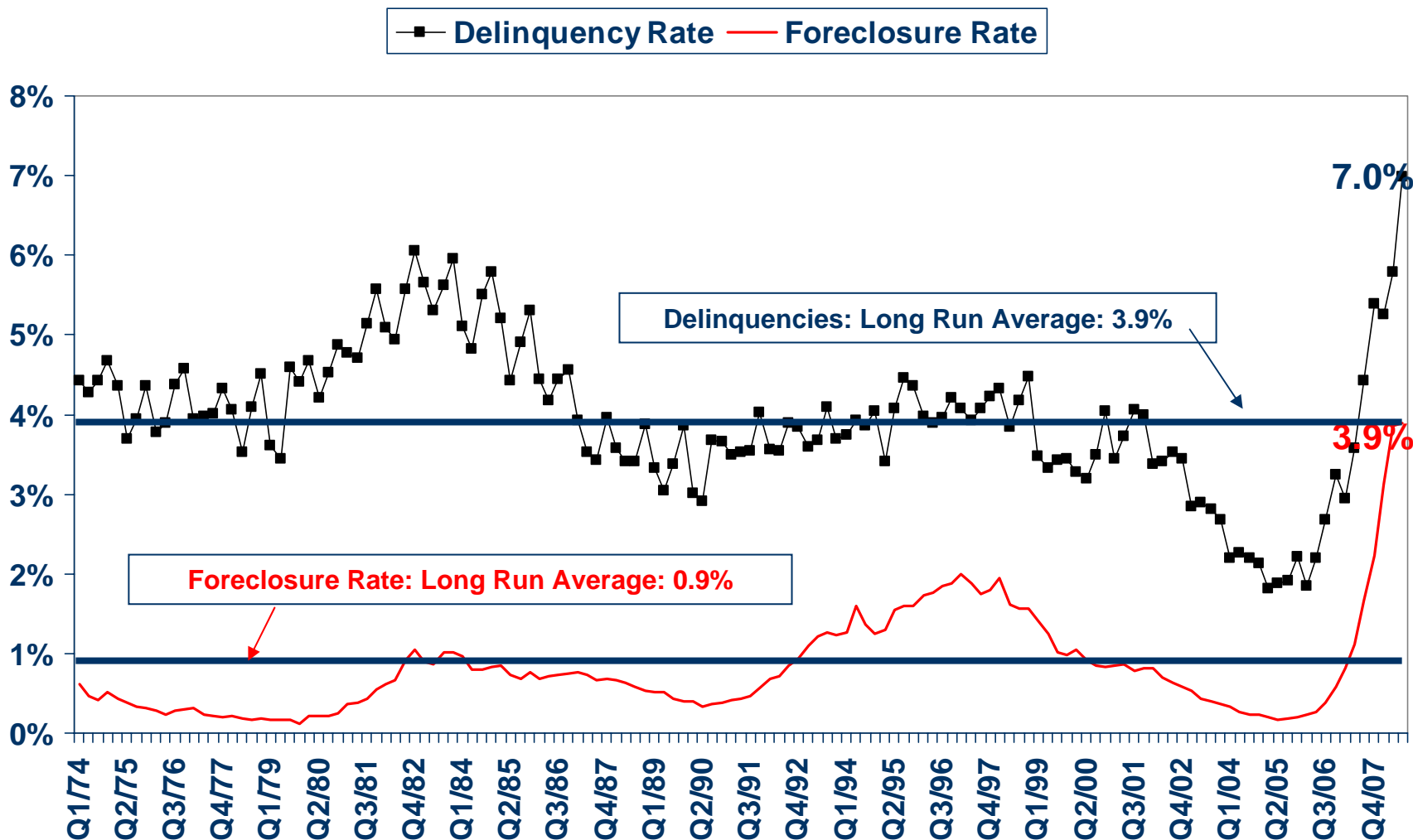
Defaults By Type

Q4-2008

Type of Default	Conforming Defaults	Jumbo Defaults
# of Defaults	45,594	18,539
% of Total Defaults	71%	29%
Share of Total Loans (Originated 2004-2006, C.A.R. estimates)*	46%	54%
Square Feet	1,463	2,031
Lot Size	7,569	9,583
Average Estimated Value	\$211,313	\$457,365
Average Estimated Total Loan Balance	\$346,067	\$667,819
Average Estimated Net Equity	(\$134,753)	(\$210,454)
Average Estimated Net Equity %	-39%	-32%
Average Loan Amount (at deed recording)	\$278,643	\$554,008
Life of Loan - Average Years	2.8	2.5

*Based on C.A.R. MPPA assuming a 10% downpayment that would imply a \$417,000 loan

Mortgage Foreclosure & Delinquency Rates



California Subprime & Alt A Loans

As of December 2008

	Sub-Prime	Alt-A
Number of All Loans in Category	403,634	673,309
Loans as % of All Housing Units	3%	5%
ARMs As % of All Loans in Category	69%	70%
Number of ARMs	278,507	472,663
Percent of ARMs...		
...Already Reset	71%	46%
...To Reset Next 1-11 Months	19%	5%
...To Reset Next 12-23 Months	4%	7%
...To Reset Next 24+ Months	5%	43%

SOURCE: FirstAmerican CoreLogic, LoanPerformance Data, U.S. Census Bureau, and Federal Reserve Bank of New York, compiled by C.A.R.



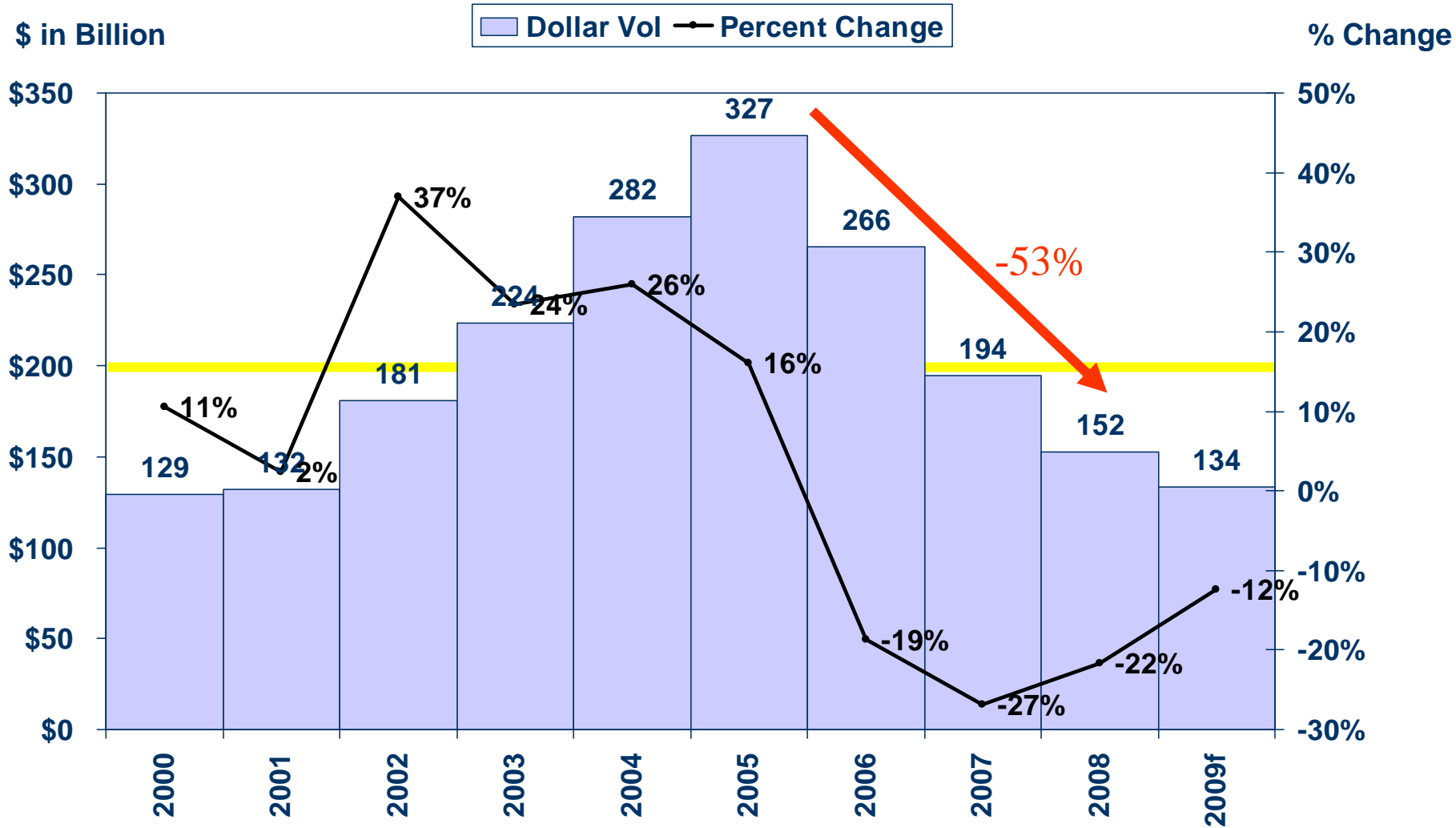
California Housing Market Outlook

California Housing Market Summary

	2003	2004	2005	2006	2007	2008	2009F
SFH Resales (000s)	601.8	624.7	625.0	477.5	346.9	439.7	475.0
% Change	5.1%	3.8%	0.03%	-23.6%	-27.3%	26.7%	8.0%
Median Price (\$000s)	\$371.5	\$450.8	\$522.7	\$556.4	\$560.3	\$346.8	\$281.1
% Change	17.5%	21.3%	16.0%	6.5%	0.7%	-38.1%	-18.9%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.3%	6.1%	5.1%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.5%	5.2%	4.8%

February 2009

Dollar Volume of Sales Peaked in '05 Down 53% Thru '08



SOURCE: California Association of REALTORS®

2009 Outlook

- **Sales**

- Distressed Properties Spur Sales
- Offset By Weaker Economic Situation
- Single-Digit Percentage Increase in Annual Sales

- **Prices**

- Distressed Properties Weigh Down Price
- 15-20% Decline in Annual Median, Mostly in First Half '09

- **Financing and Affordability**

- Rates Favorable, Tight standards
- Highest Affordability in Over 10 Years

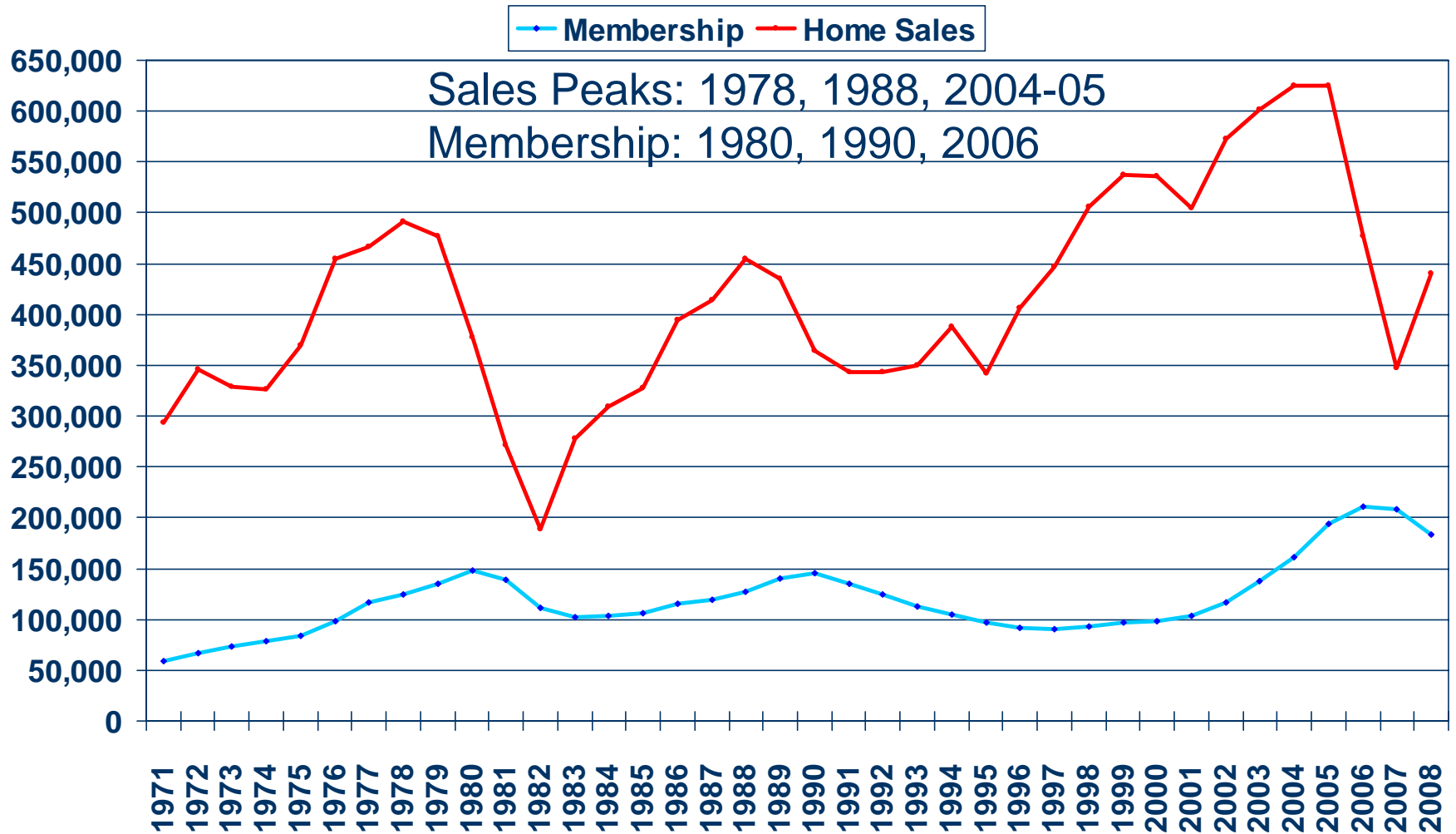
- **Foreclosures**

- Peak in Q2-Q3 2009, Peak Tempered by Loan Mods
- Growth in Alt-A/Option ARM Defaults in 2010+

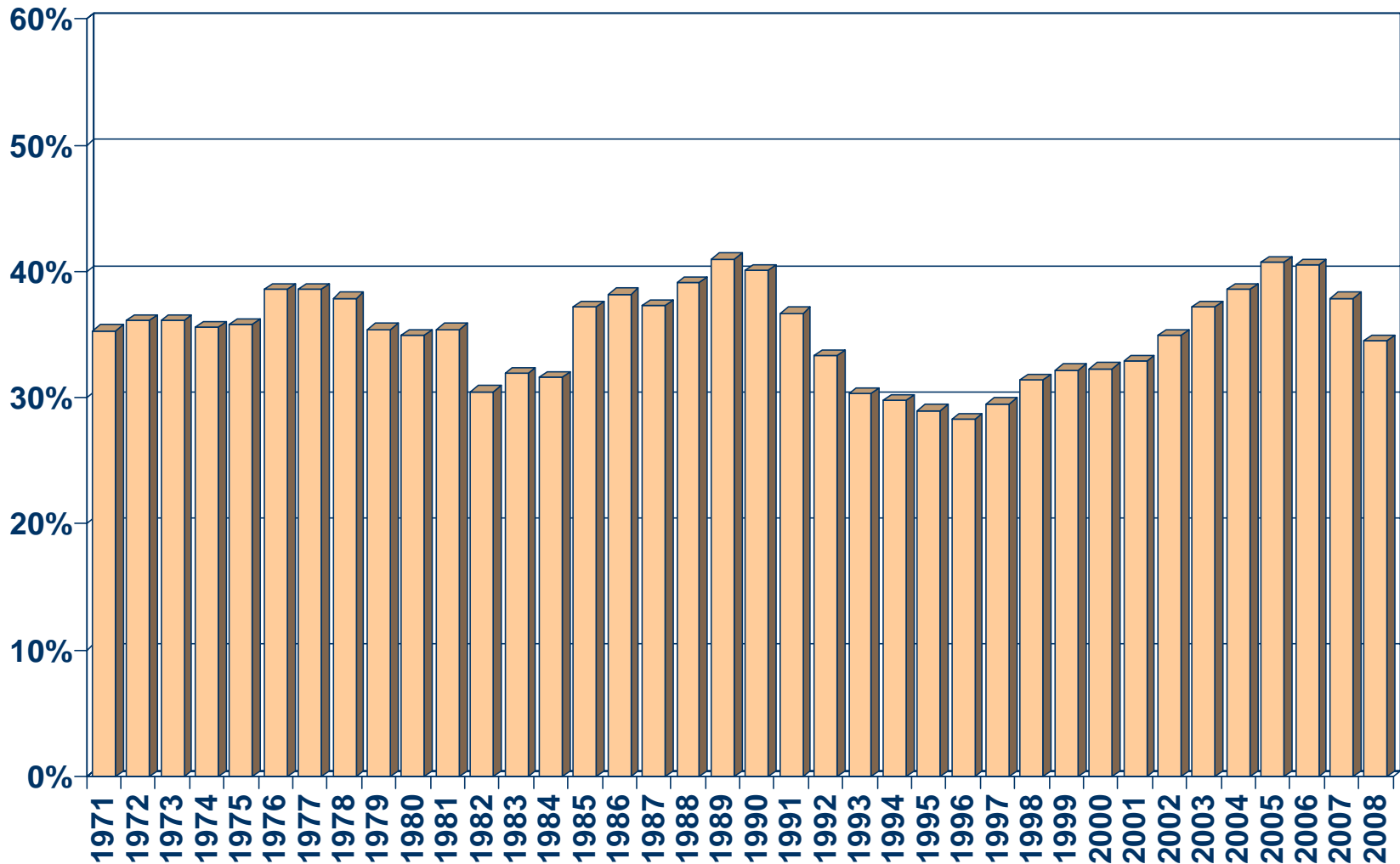
Membership Outlook

Membership vs Sales

Membership Peak Follows Sales Peak with a 2-Yr Lag

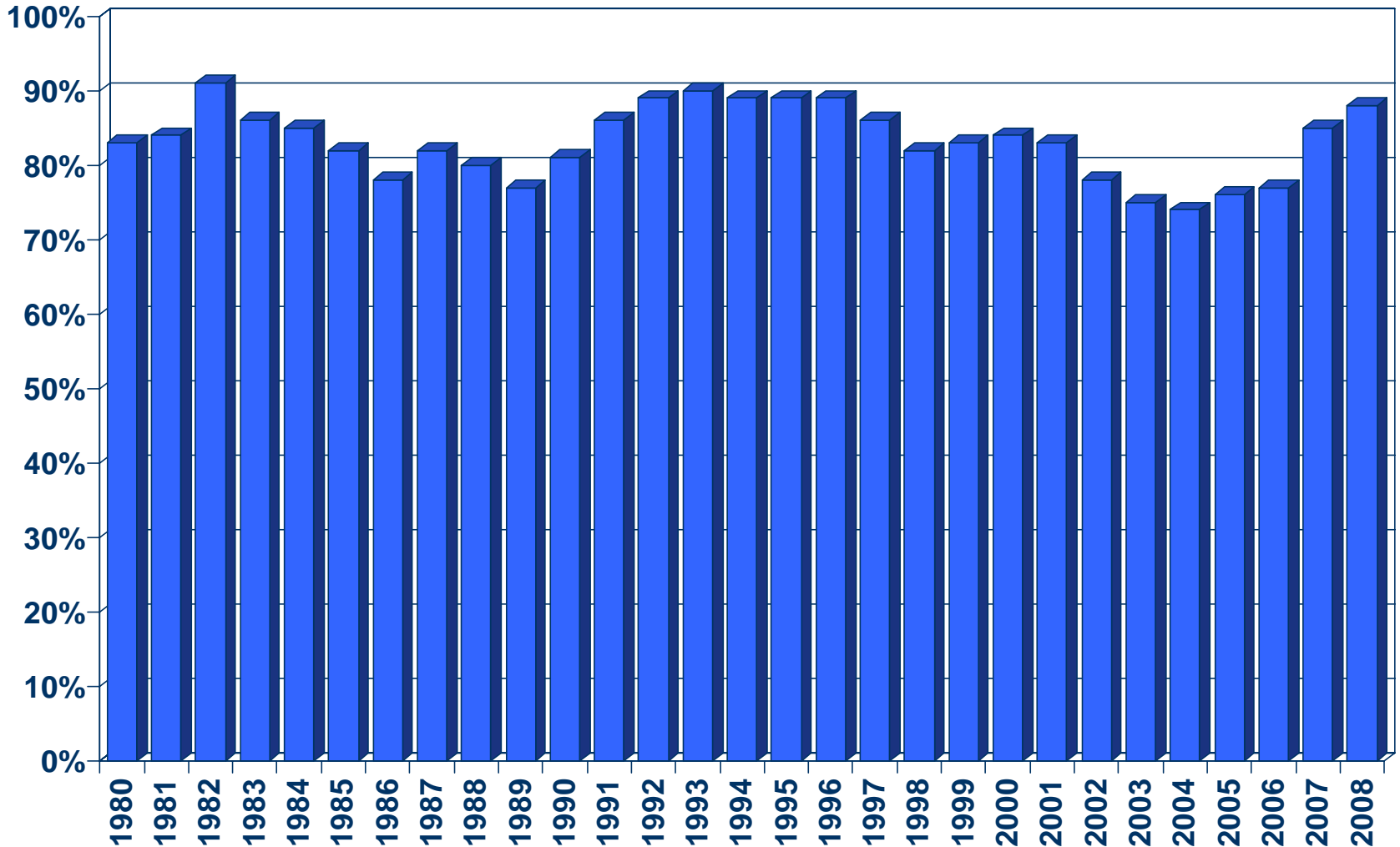


Membership As Share of Licensees



SOURCE: California Association of REALTORS®

Renewals as Share of Total Membership

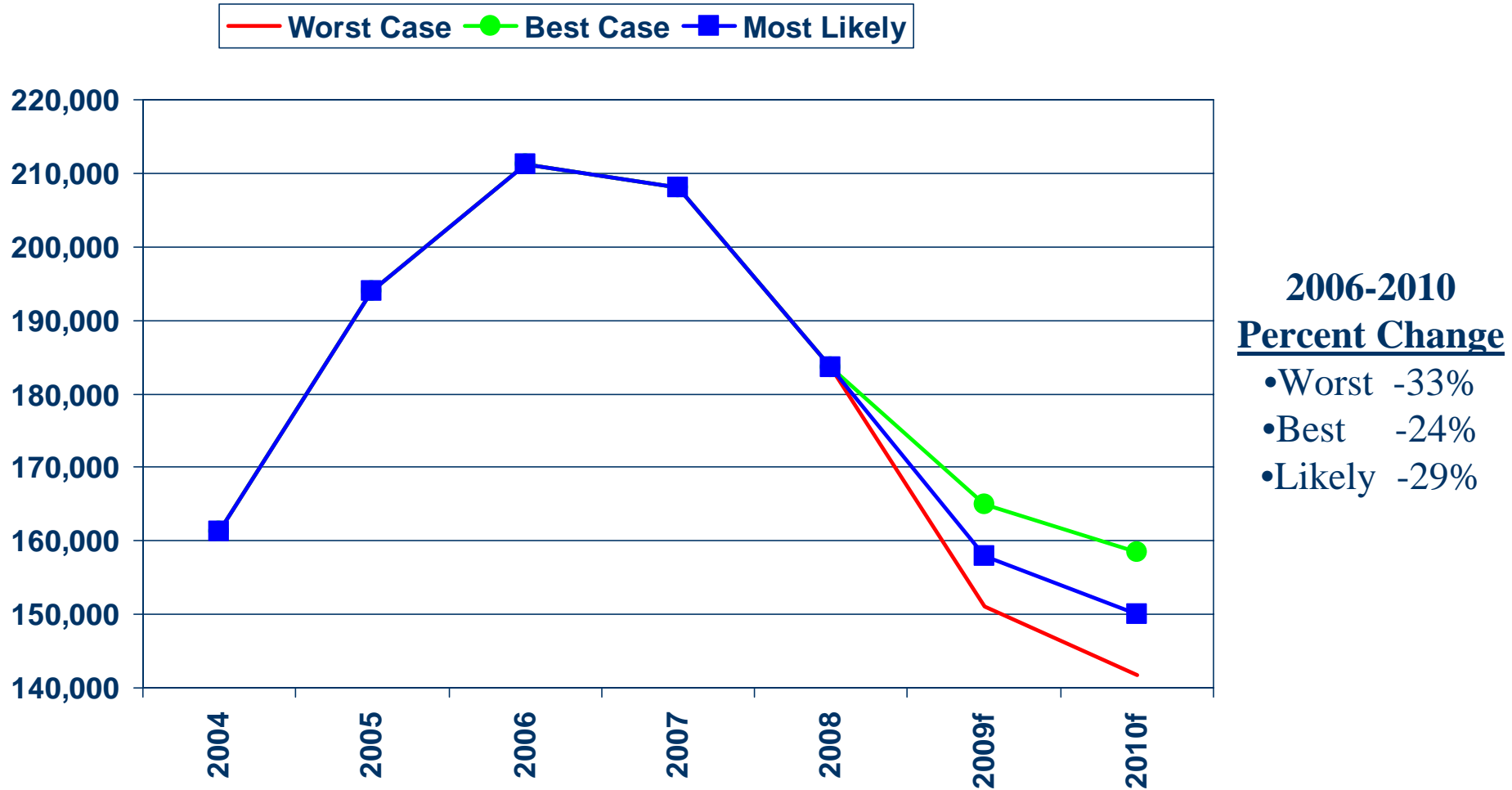


SOURCE: California Association of REALTORS®

Membership Forecast, January 2009

C.A.R. Membership Counts (thousands)							
Status	2003	2004	2005	2006	2007	2008	2009f
Renewals	103.1	119.5	142.6	162.8	176.7	162.0	142.0
New	33.9	41.7	51.4	48.4	31.0	21.8	16.0
Total	137.0	161.2	193.9	211.3	207.7	183.8	158.0
C.A.R. Membership Percentage Changes							
Status		03-04	04-05	05-06	06-07	07-08	08-09
Renewals		15.9%	19.3%	14.2%	8.5%	-8.3%	-12.3%
New		23.2%	23.1%	-5.8%	-35.9%	-29.6%	-26.8%
Total		17.7%	20.3%	8.9%	-1.7%	-11.5%	-14.1%
		03-04	04-05	05-06	06-07	07-08	08-09
Retention Rate		87%	88%	84%	84%	78%	77%

Membership Forecast Scenarios January 2009



SOURCE: California Association of REALTORS®

Past Declines in Membership

1980-1983

- 148,350 to 102,600
- 31% total decrease over 3 years: -6%, -20%, -8%

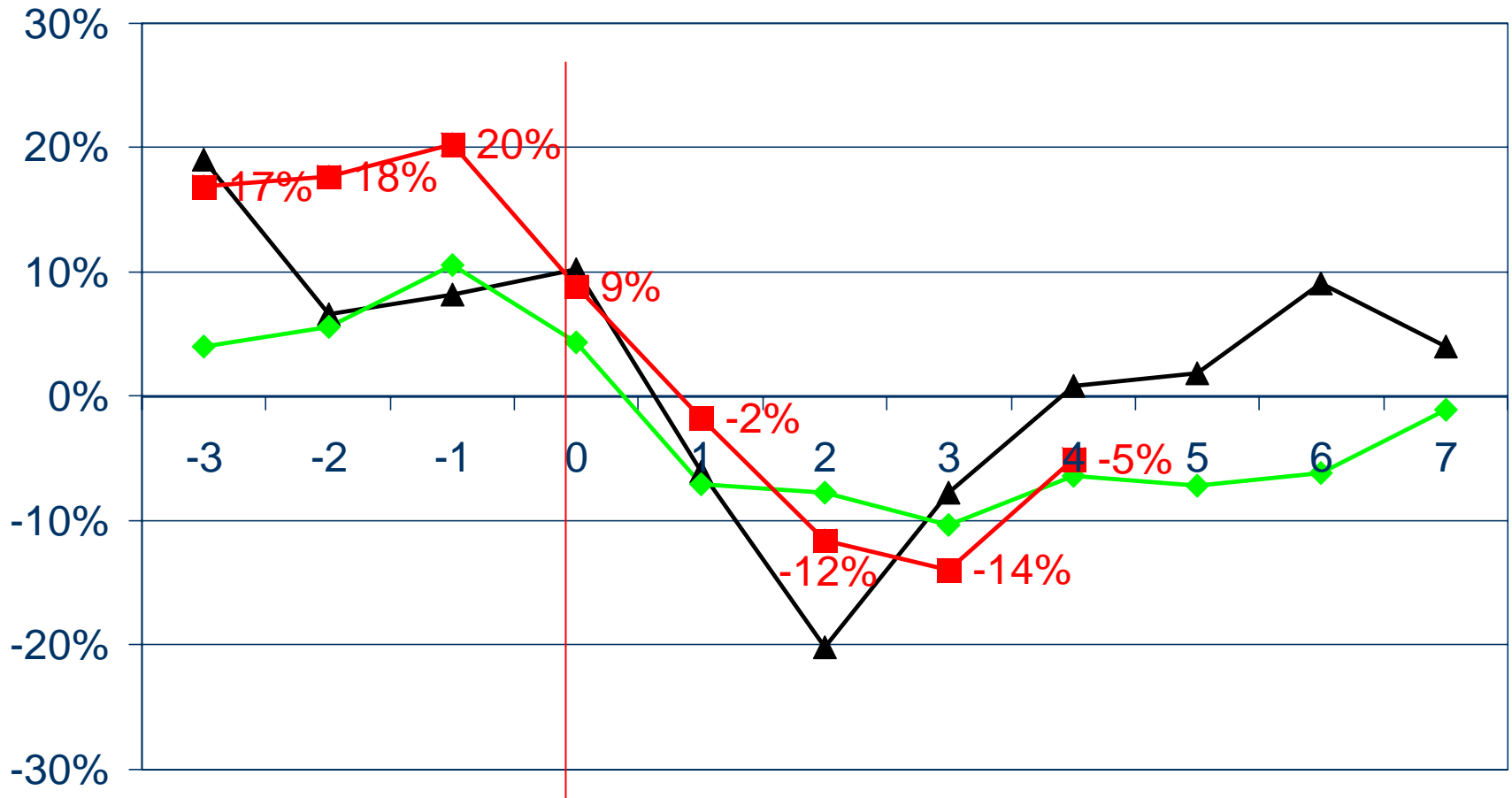
1990-1997

- 146,000 to 90,500
- 38% total decrease over 7 years

Percentage Change in Membership

Before/After Membership Peak (Peak Year = 0)

▲ Mem 1980 ◆ Mem 1990 ■ Mem 2006



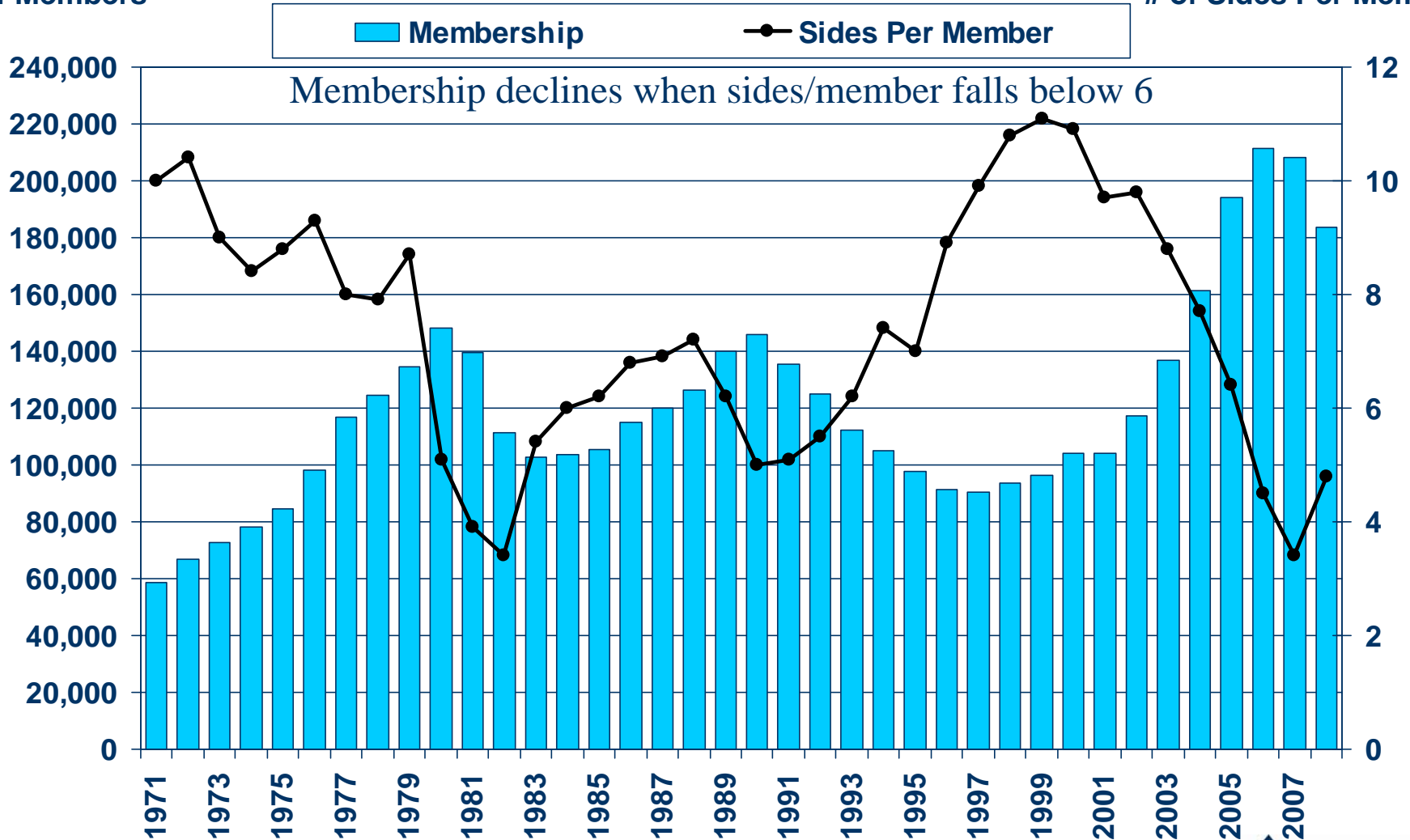
SOURCE: C.A.R.

Productivity & Competition

Average: 7.4 sides

of Members

of Sides Per Member



SOURCE: C.A.R. Membership Records

Next Week: Ventura on Wed., Feb. 24!



March 4 - Oakland Marriott City Center
March 10 - Holiday Inn Chico

April 16 - Glendale Hilton
April 28 - San Diego TBD

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 - 1 1/2 Hour Legal Forum

<http://www.realtorswat.com>

FREE Marketing Tool for C.A.R. Members!

The screenshot shows a personalized newsletter interface for Julie Smith, a REALTOR®. The header includes a 'WELCOME' message and navigation icons. The main content area features Julie Smith's photo and contact information: Julie Smith REALTOR®, 1000 Main Street, Orange, CA 92667, 714.555.1250, 714.555.1251, with links for 'Contact Me' and 'Visit My Web Site'. Below this is a 'NEWSLETTER' section and a 'FEATURES' sidebar with three articles: 'Close to the Beach', 'Exquisite Tudor Estate', and 'Architectural Gem'. The main body contains sections for 'ARTICLES & ADVICE' (with sub-sections like 'What if I get a bad inspection report?', 'Beating buyer's remorse', and 'Buying a new home'), 'HOTLINKS' (REALTOR.com, California Living Network), and 'MORTGAGE CALCULATORS' (Should I Refinance?, Estimate Payments, Fixed or Adjustable?, Should I Make Extra Payments?, Will I Qualify?, How Much Can I Afford?). A footer contains Julie Smith's contact details and 'E-MAIL ME' and 'VISIT MY WEBSITE' buttons.

Put yourself in front of your clients every month with **ClientDIRECT™** (formerly HomeOwner's Guide), the online newsletter that you can brand with your photo, listings, and more. Select real estate-related content from a large variety of professionally written articles or create your own. The choice is yours!

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www.car.org → Economics → Speeches

The End - - Thank You