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California Housing Market Outlook 2008

WCR Coachella Valley

March 7, 2008

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California Association of REALTORS®

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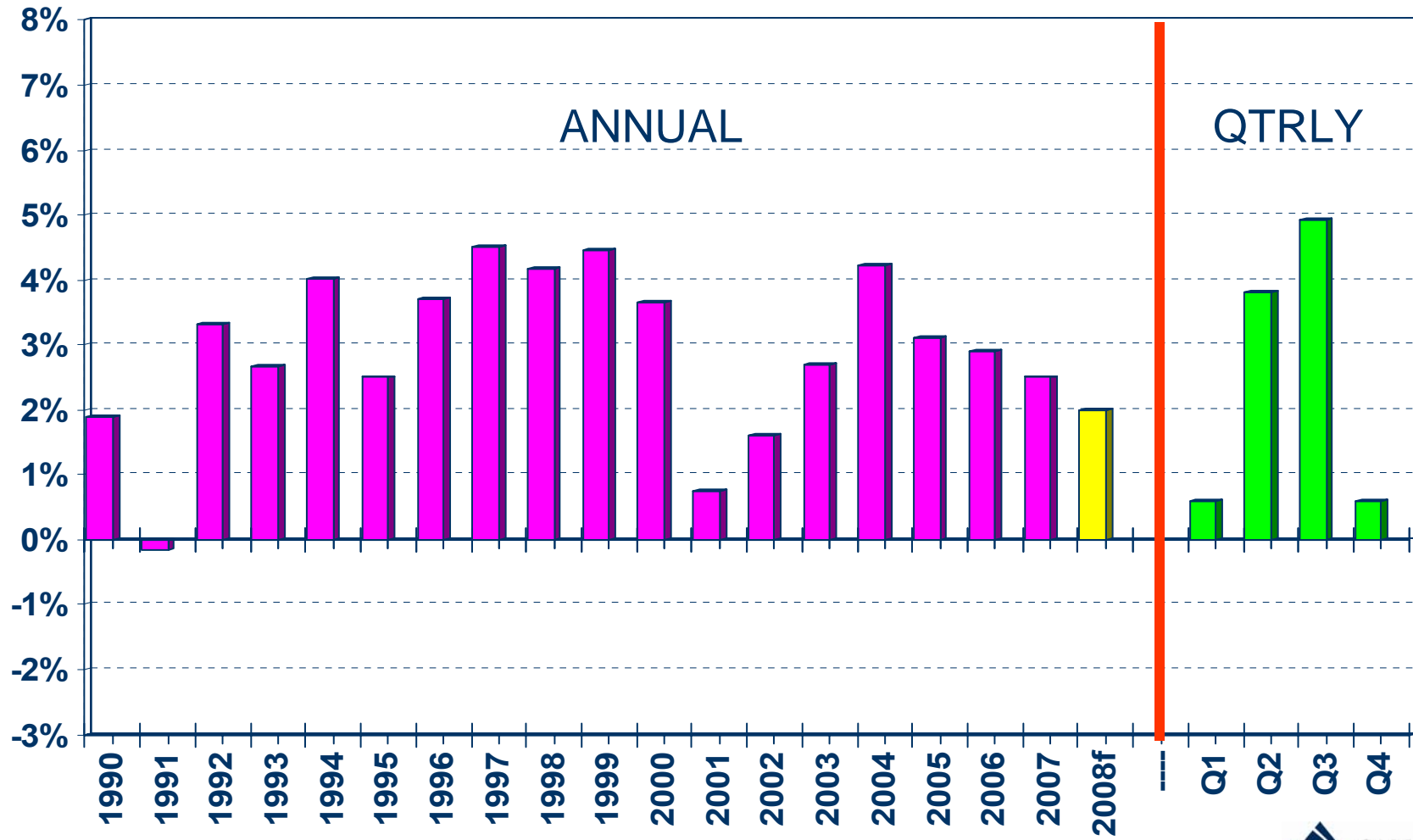
Economic Outlook

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Gross Domestic Product

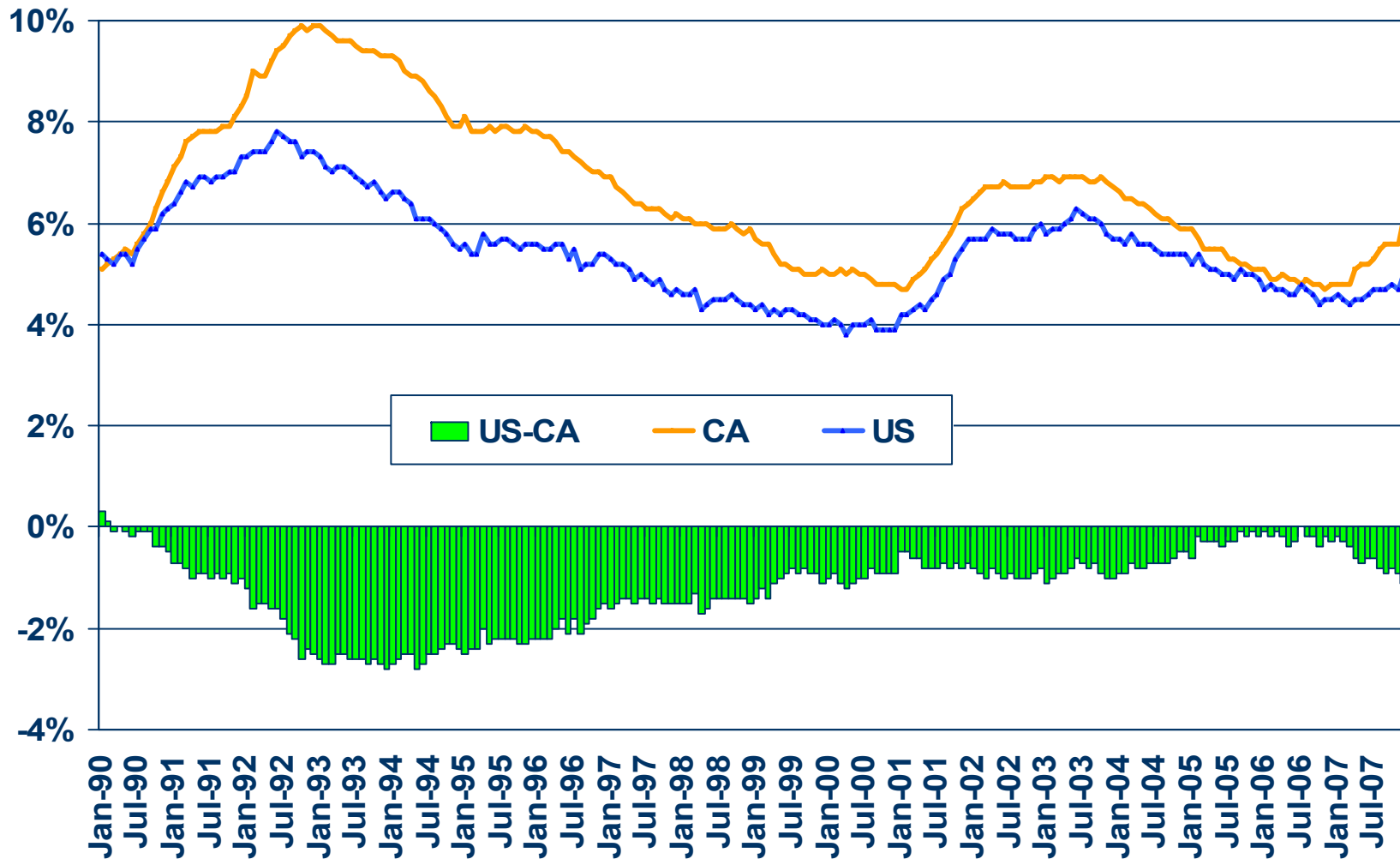
Year 2007: +2.5%; 2007 Q4: +0.6%

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



Unemployment Rate

California vs. United States

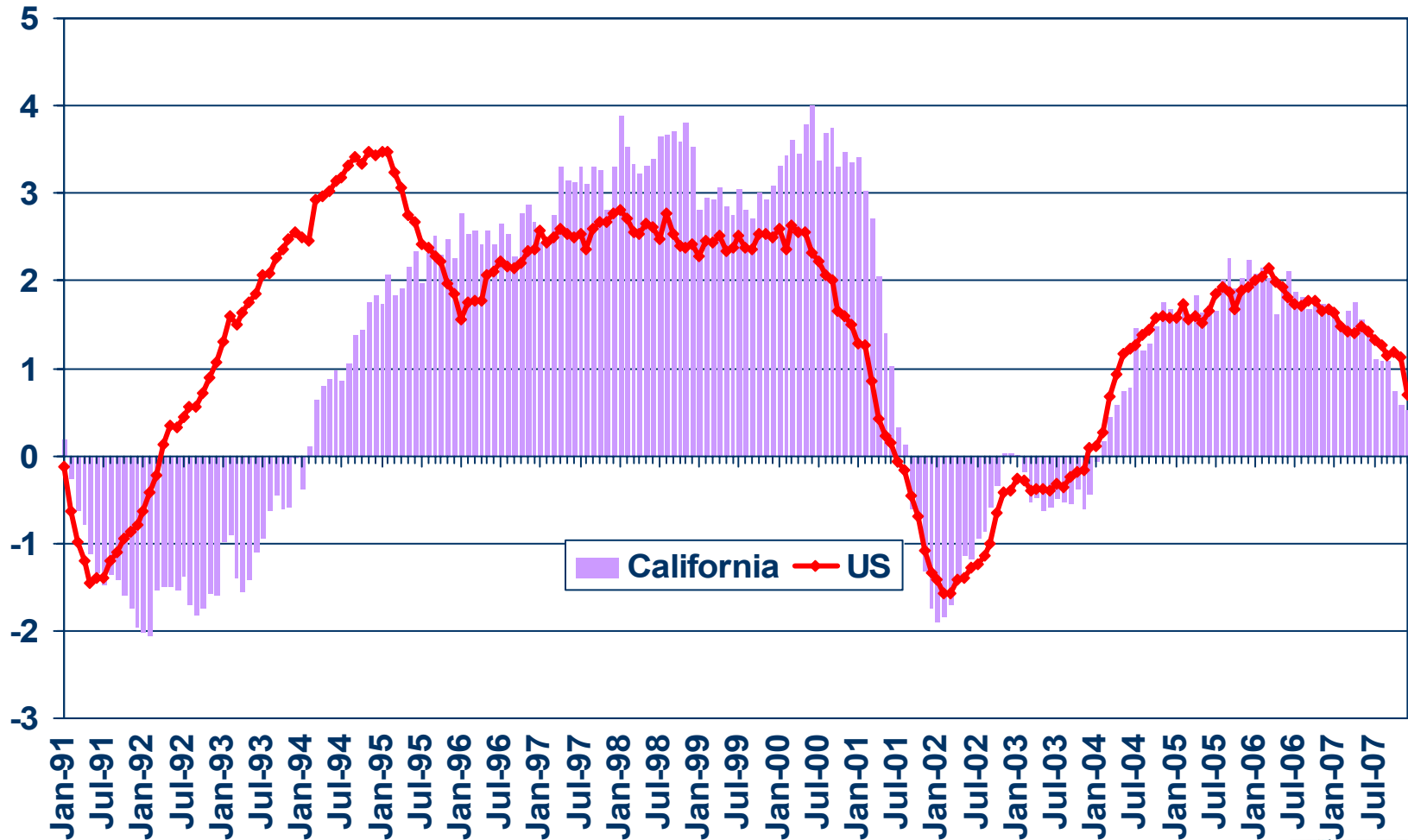


SOURCE: CA Employment Development Division



Employment Growth, California vs. U.S.

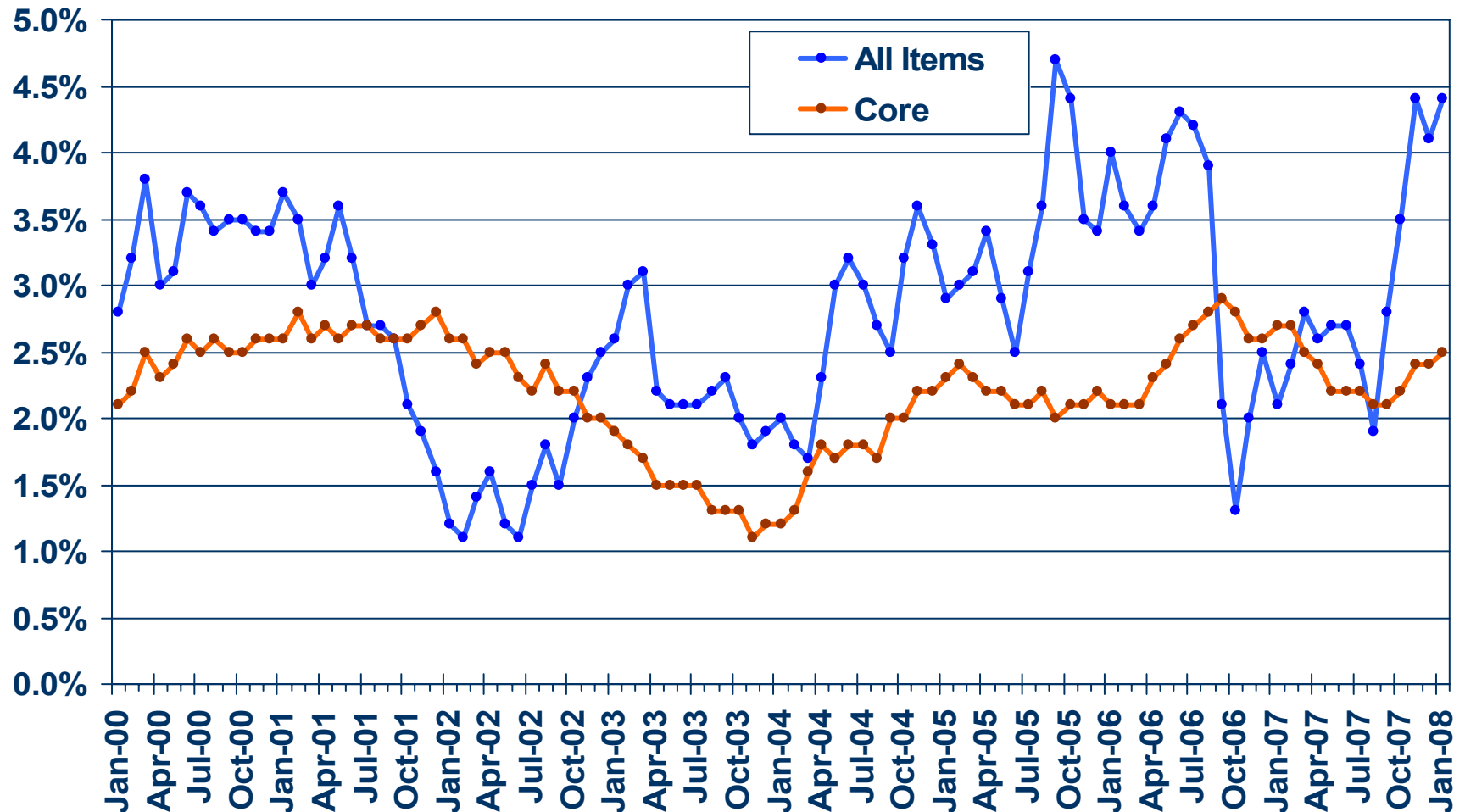
YEAR TO YEAR % CHANGE



Consumer Price Index

January 2008: All Items 4.4% Y-T-Y; Core 2.5% Y-T-Y

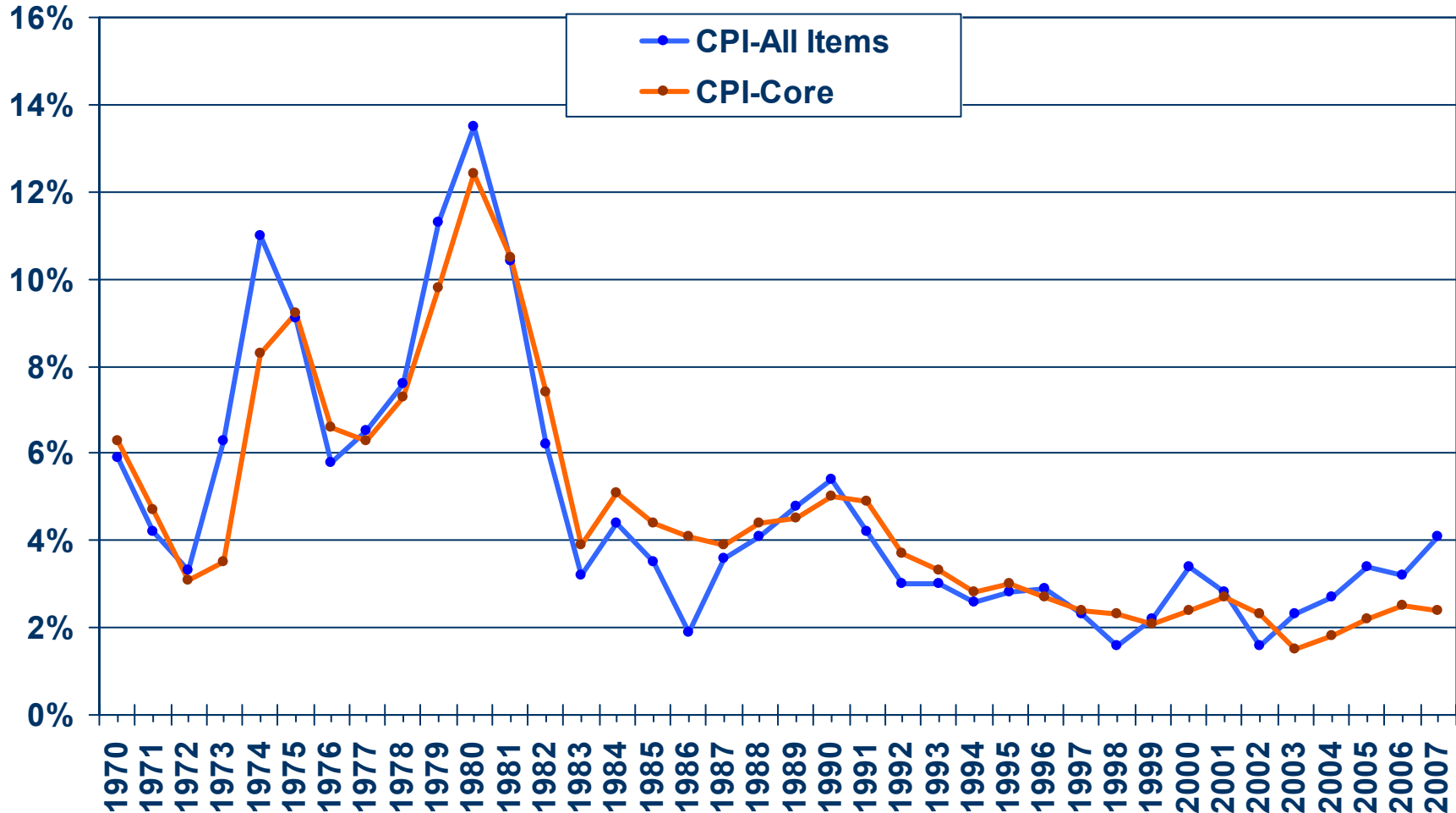
PERCENT CHANGE FROM A YEAR AGO, 100=1982-1984



Historically Low Inflation In Past 20 Yrs

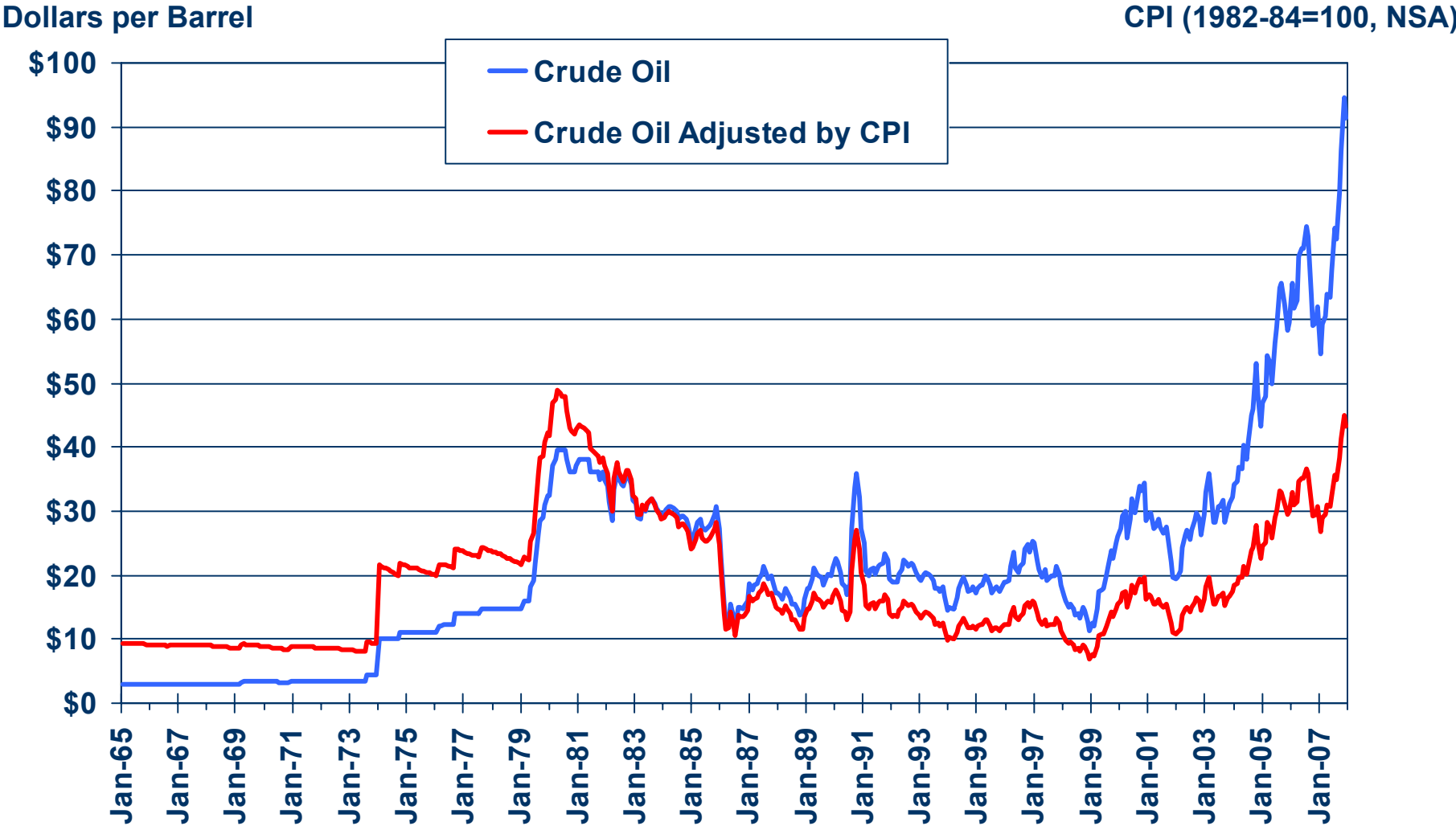
Year 2007 Inflation: 2.4%

PERCENT CHANGE FROM A YEAR AGO, 100=1982-84



Crude Oil Prices At Historic Highs

West Texas Intermediate, Adjusted by CPI



U.S. Economic Forecast

	2003	2004	2005	2006	2007	2008f
US GDP	2.5%	3.6%	3.1%	2.9%	2.5%	2.0%
Nonfarm Job Growth	-0.3%	1.1%	1.7%	1.8%	1.3%	0.8%
Unemployment	6.0%	5.5%	5.1%	4.6%	4.6%	5.2%
CPI	2.3%	2.7%	3.4%	3.2%	4.1%	3.1%
Real Disposable Income	2.4%	3.4%	1.2%	2.6%	3.2%	2.0%

California Economic Forecast

	2003	2004	2005	2006	2007	2008f
Nonfarm Job Growth	-0.5%	1.0%	1.8%	1.9%	1.3%	0.9%
Unemployment Rate	6.8%	6.2%	5.4%	4.9%	5.2%	5.7%
Population Growth	1.7%	1.5%	1.3%	1.3%	1.1%	1.1%
Real Disposable Income, % Change	2.1%	4.1%	1.0%	2.5%	3.2%	3.0%

Economy through 2008

- GDP Growth below par: ~1 to 2%
- Weak but positive job growth for US, CA, and its regions
- Unemployment rate up slightly
- Inflation a concern but in check
- Uncertainty about economy, credit crunch, and housing market



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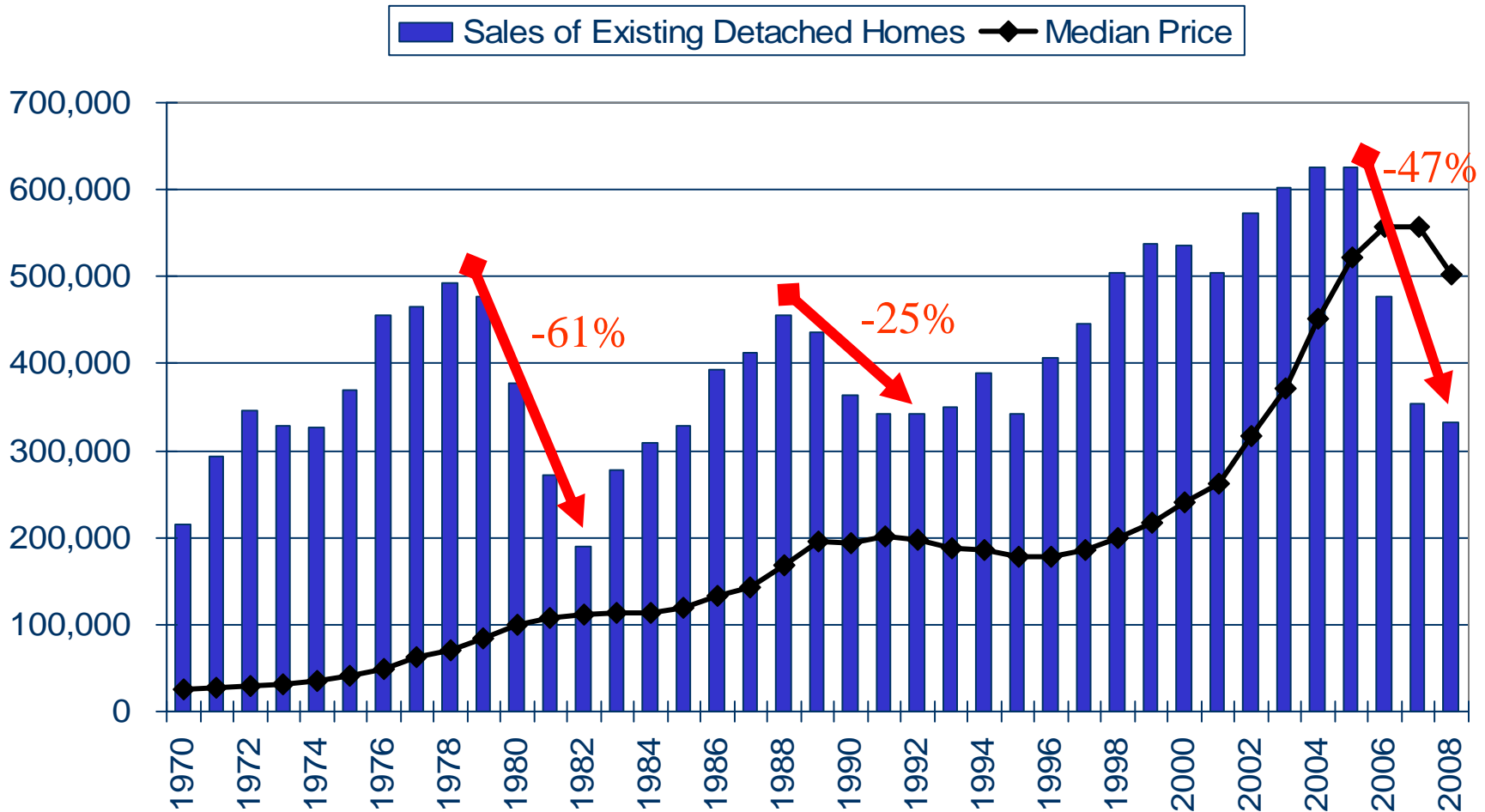
Market Outlook

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Sales More Volatile Than Prices

California Sales of Existing Homes and Median Price

UNITS/MEDIAN PRICE \$

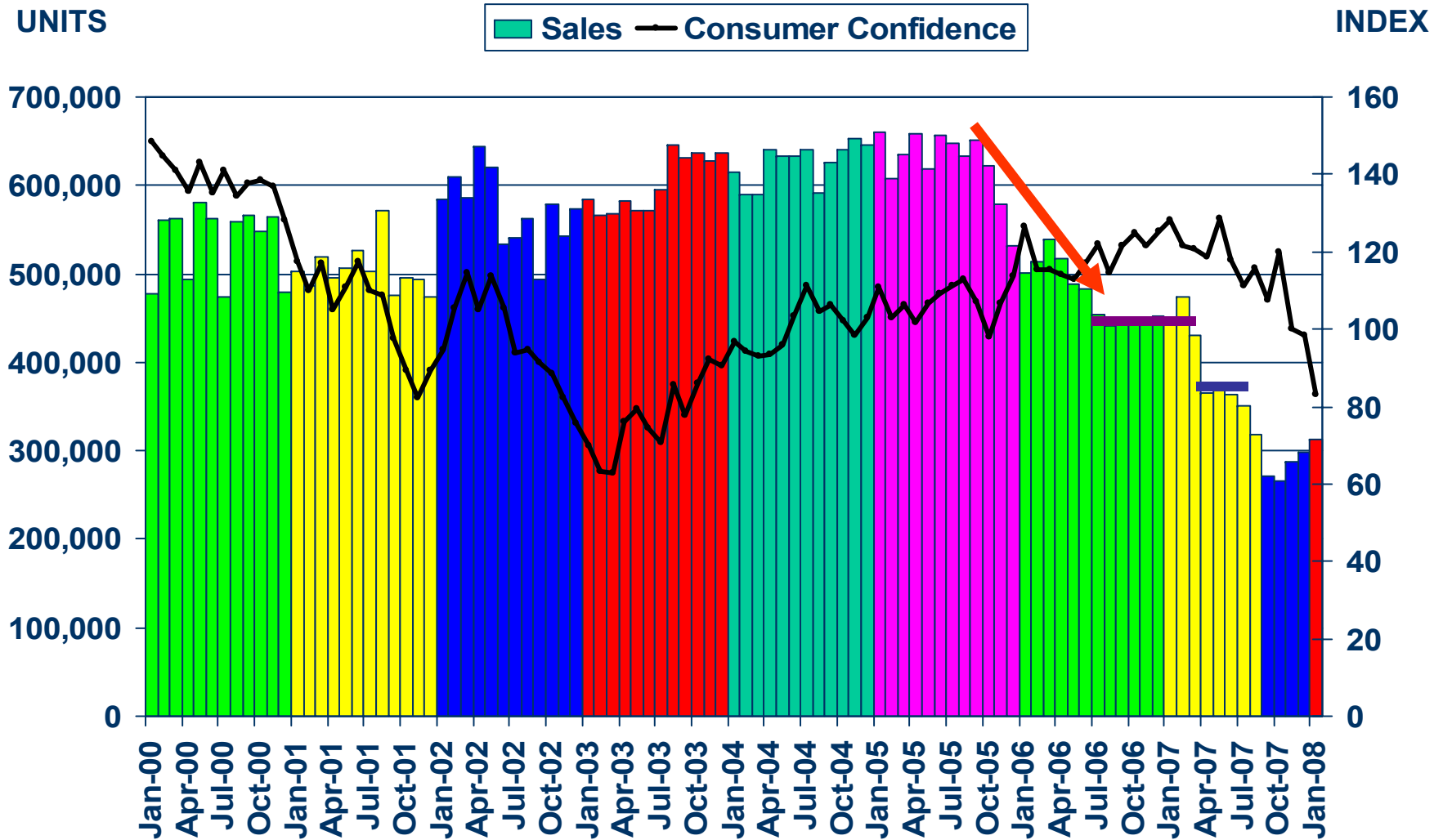


SOURCE: California Association of REALTORS®



Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, January 2008 Sales: 313,580 Units, Down 29.8% Y-T-D, Down 29.8% Y-T-Y



SOURCE: California Association of REALTORS®;
The Conference Board



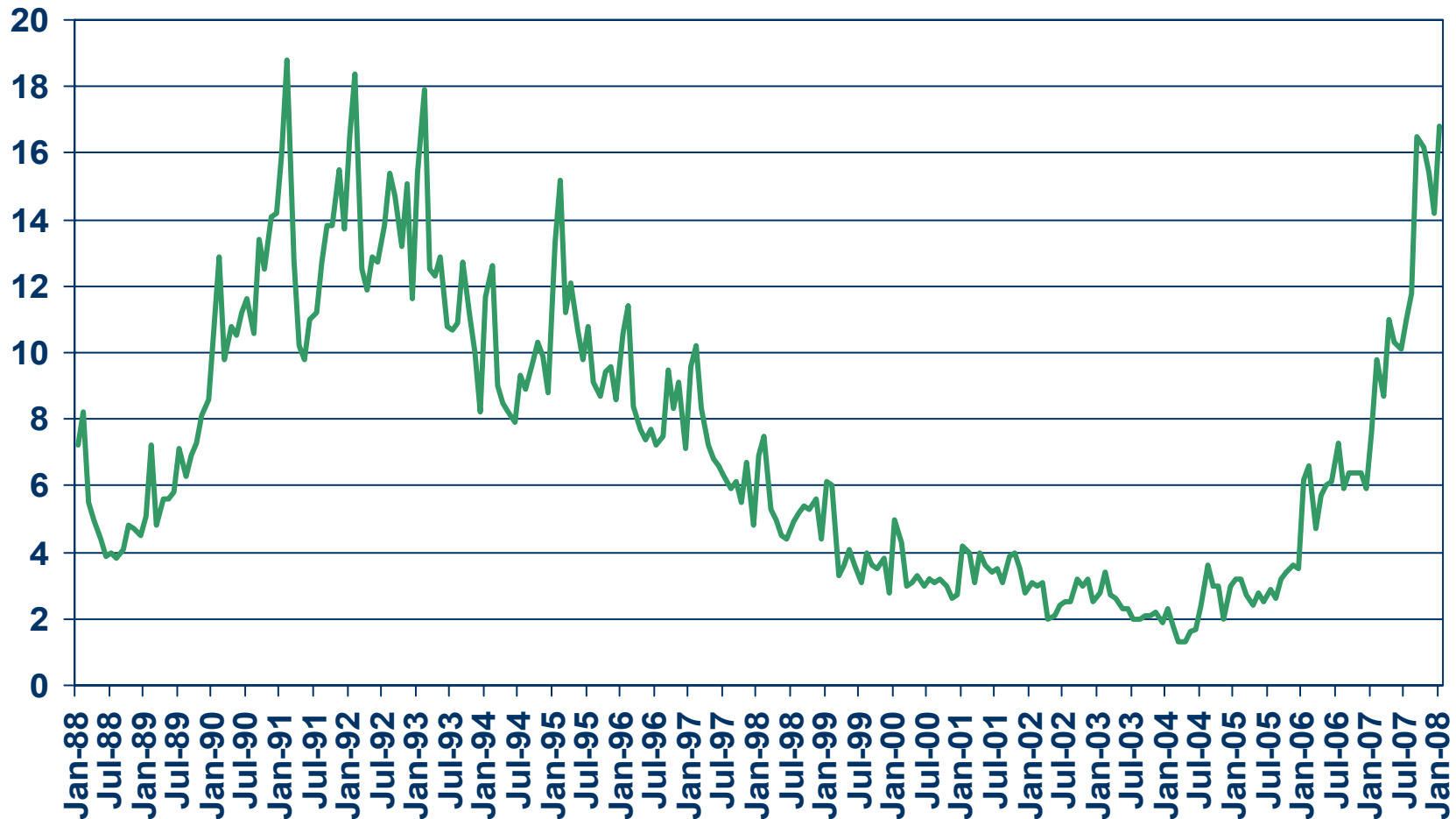
Variability Among Local Markets

Region	Peak Month	Peak Price	Jan-08 Median	% Chg From Peak
Sacramento	Aug-05	\$394,450	\$258,230	-34.5%
High Desert	Apr-06	\$334,860	\$234,310	-30.0%
Riverside San Bernardino	Jan-07	\$415,160	\$298,010	-28.2%
CALIFORNIA	Apr-07	\$597,640	\$430,370	-28.0%
Monterey Region	Aug-07	\$798,210	\$580,560	-27.3%
Northern Wine Country	Jan-06	\$645,080	\$490,180	-24.0%
Northern California	Aug-05	\$440,420	\$340,170	-22.8%
San Diego	May-06	\$622,380	\$482,420	-22.5%
Los Angeles	Aug-07	\$605,300	\$469,420	-22.4%
San Francisco	May-07	\$853,910	\$691,390	-19.0%
Palm Springs/Lower Desert	Jun-05	\$393,370	\$319,440	-18.8%
Orange County	Apr-07	\$747,260	\$609,030	-18.5%
Ventura	Aug-06	\$710,910	\$590,380	-17.0%
Central Valley*(Aug 2007)	Aug-05	\$363,680	\$309,740	-14.8%
San Luis Obispo	Jun-06	\$620,540	\$531,250	-14.4%
Santa Clara	Apr-07	\$868,410	\$750,000	-13.6%

Unsold Inventory Index

California, January 2008: 16.8 Months

MONTHS

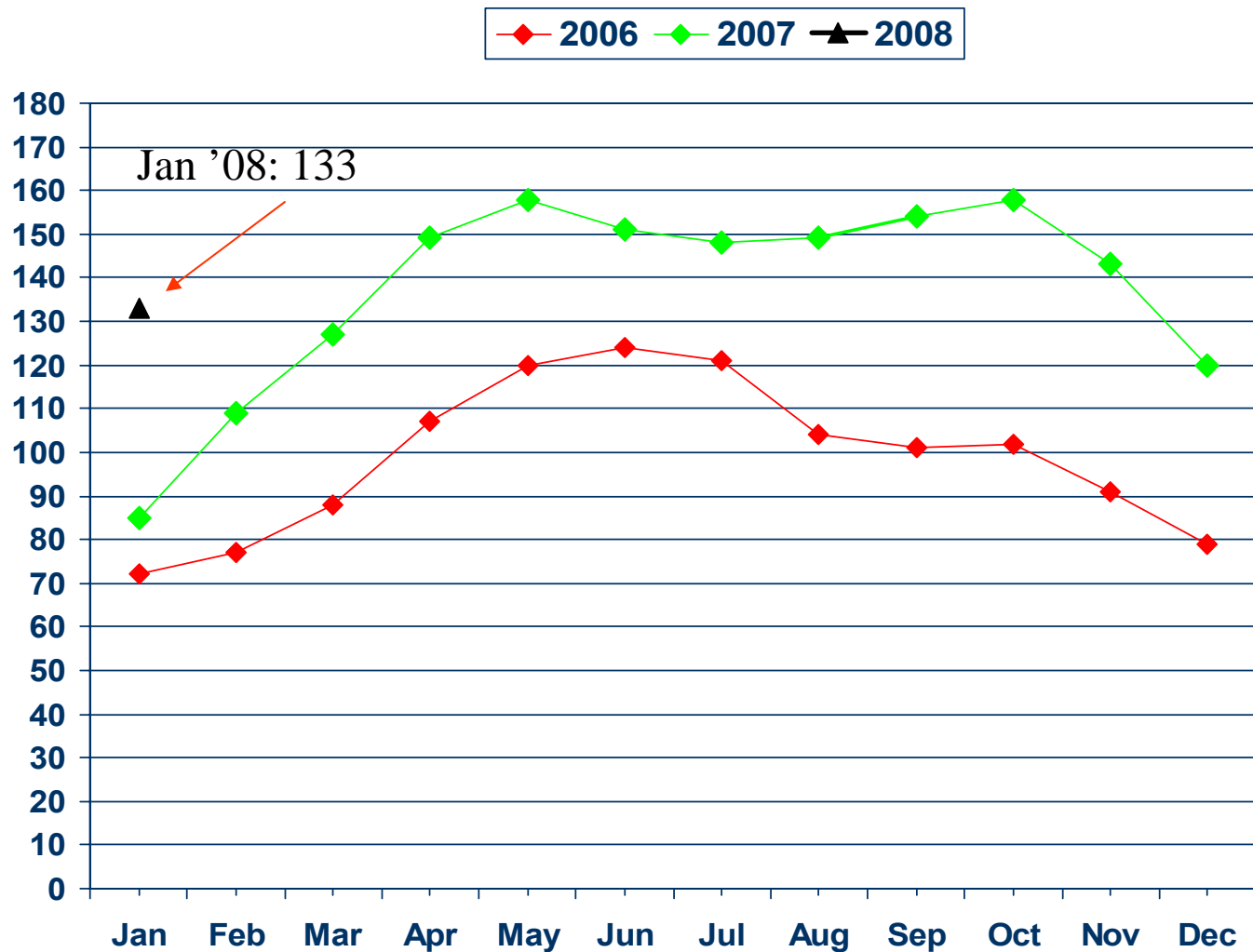


SOURCE: California Association of REALTORS®



Listings by Month, Selected Years

California (1982-2007 Average=100)



Record High:
 March 1983 200
 May 1992 176

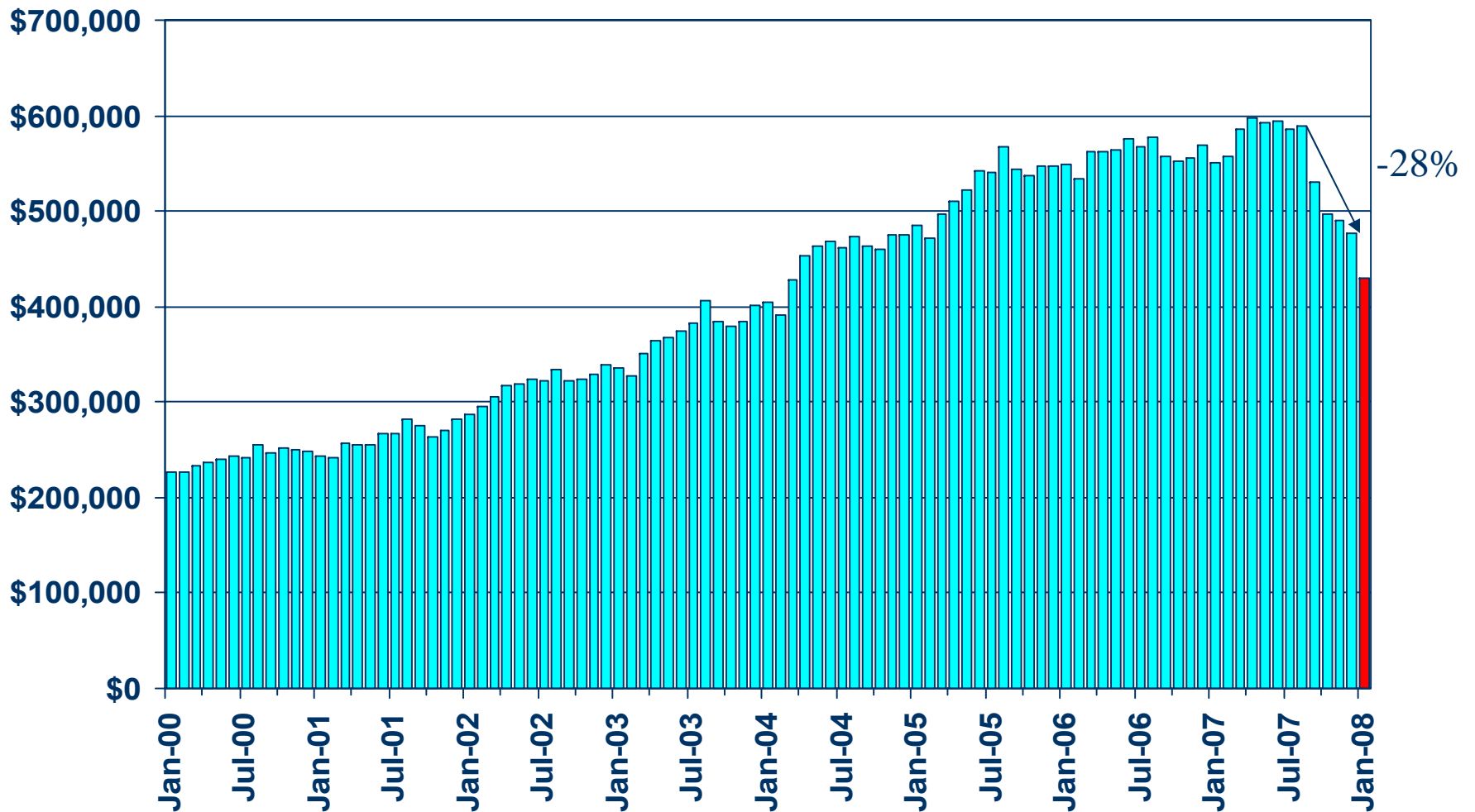
Record Low:
 Feb 2004 26

SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

California, January 2008: \$430,370, Down 21.9% Y-T-Y

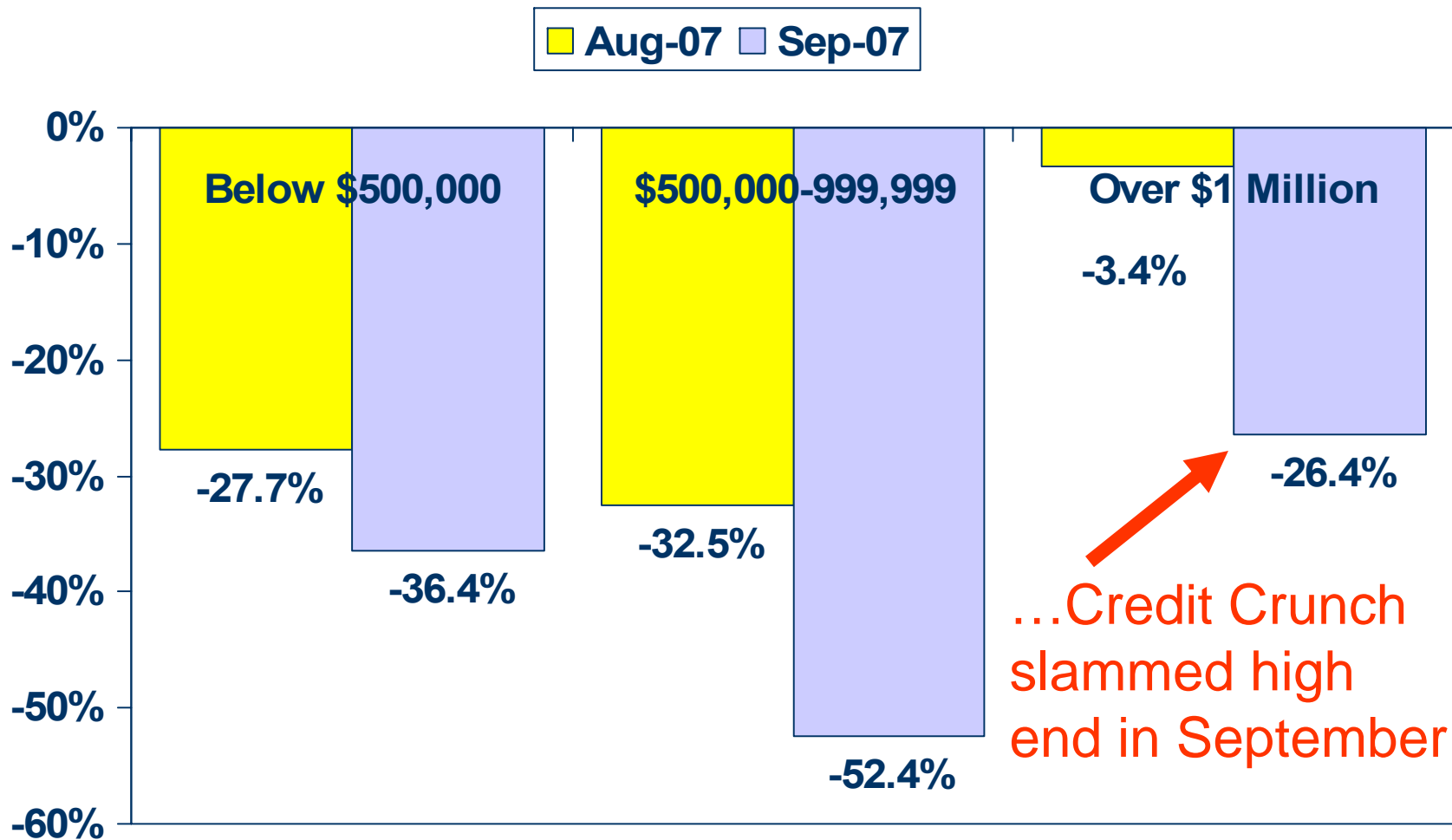


SOURCE: California Association of REALTORS®



Lower Price Ranges Hit Hardest, but...

Percentage Change in Sales YTY



...Credit Crunch slammed high end in September

SOURCE: California Association of REALTORS®



Credit Crunch ≠ Tighter Underwriting

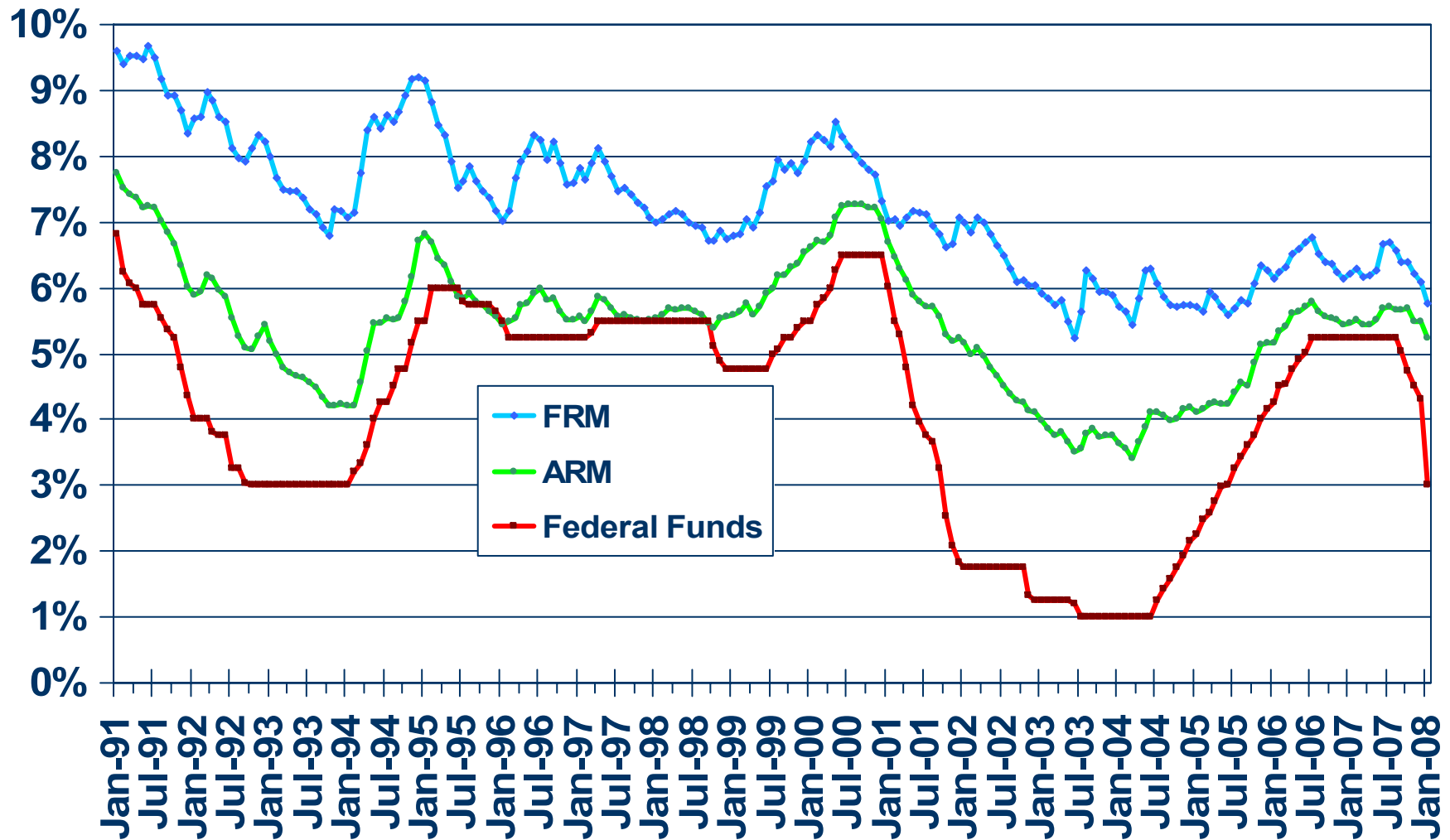
Tighter Underwriting Standards

- Subprime and other less-qualified borrowers initially.
- Later spread to well-qualified borrowers.

Credit or Liquidity Crunch

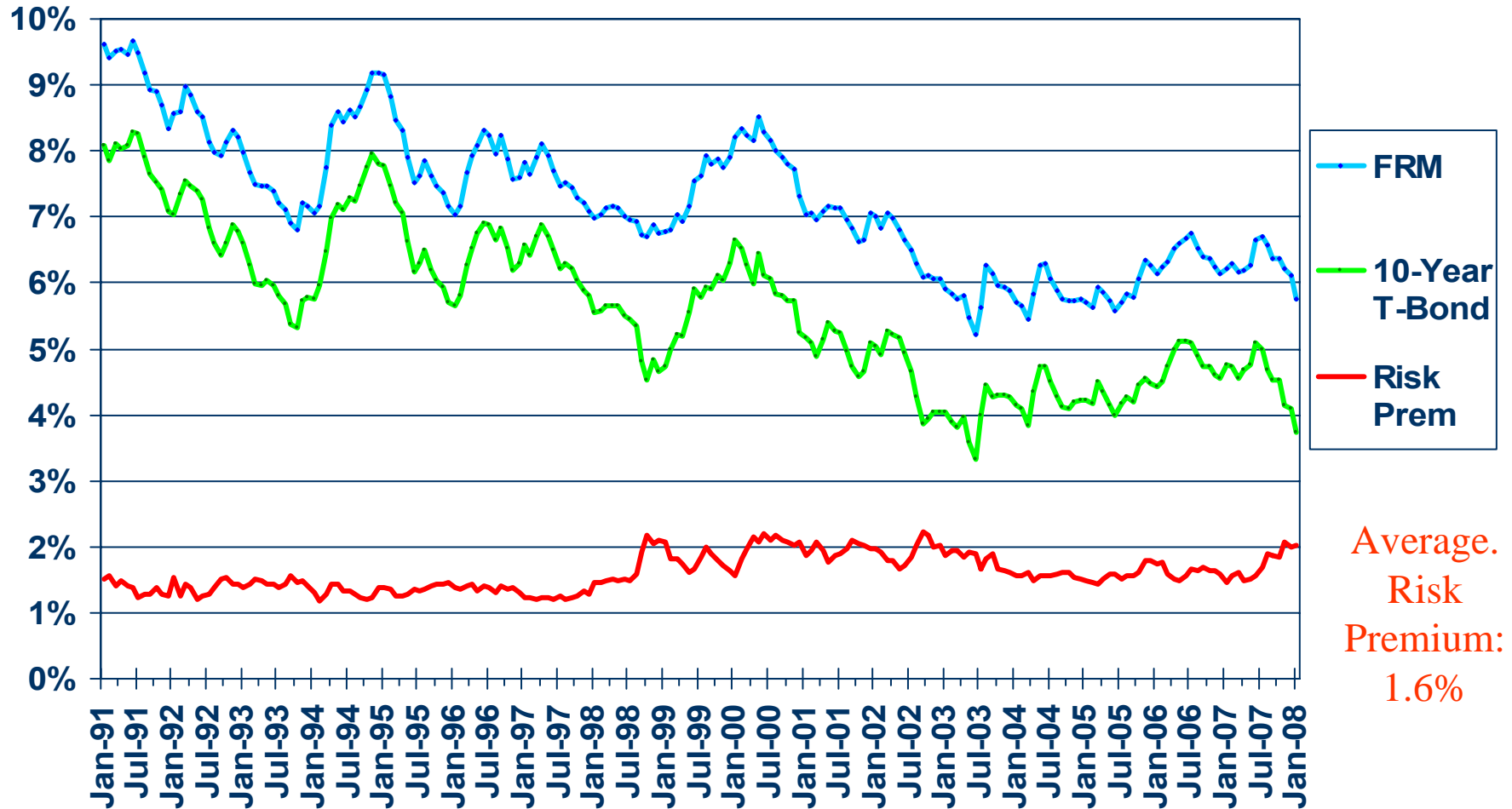
- Investors who normally provide funds to Lenders on sidelines. Source for jumbo loans.
- \$\$\$ in safe havens (Treasuries) because of risk elsewhere.
- Fewer \$\$\$ available, even for well-qualified borrowers in recent months.

Mortgage Rates



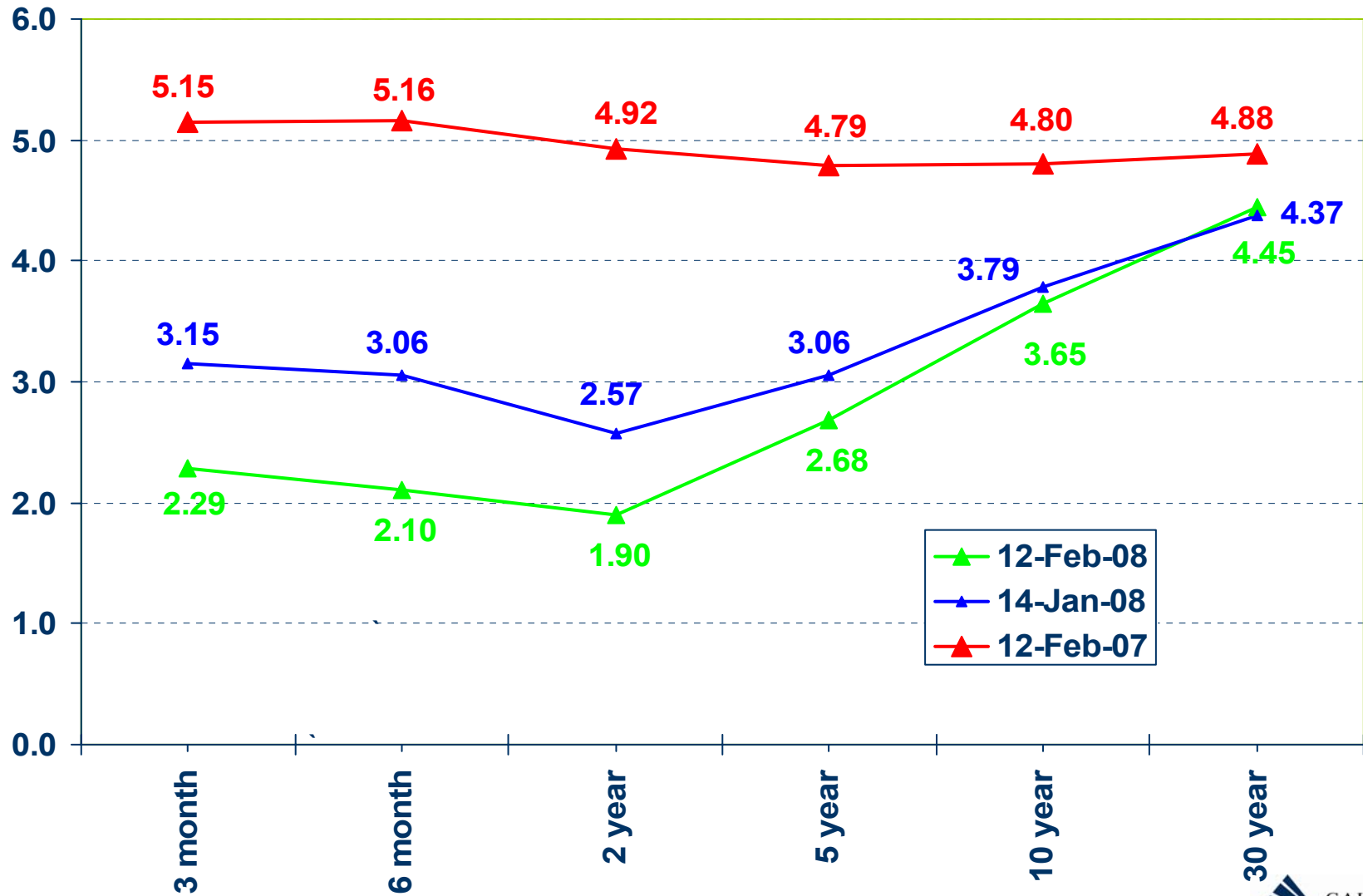
SOURCE: Federal Home Loan Mortgage Corporation

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



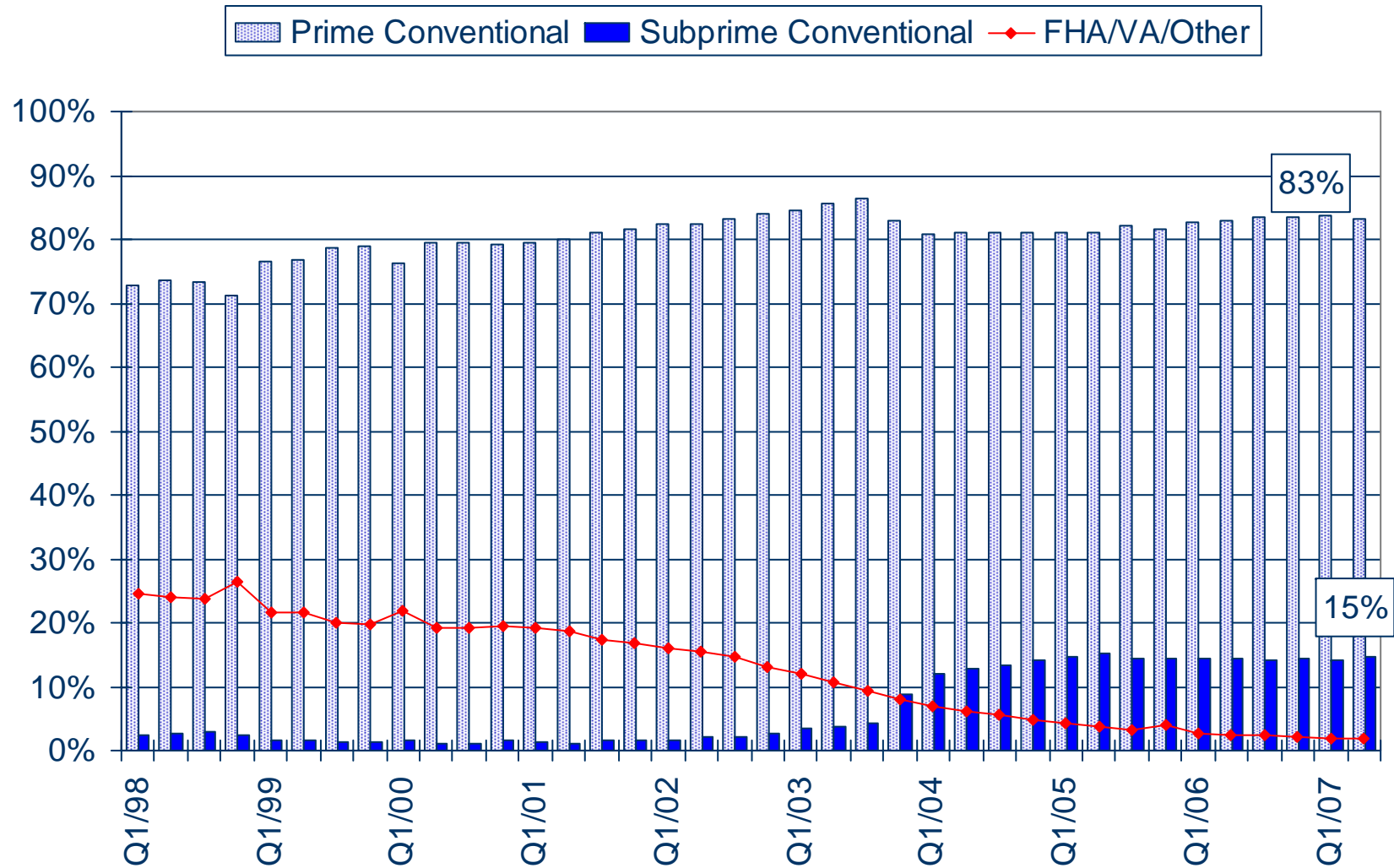
SOURCE: Federal Home Loan Mortgage Corporation – 30-yr FRM
Federal Reserve Board – 10-Year T-Bond

Treasury Yield Curve

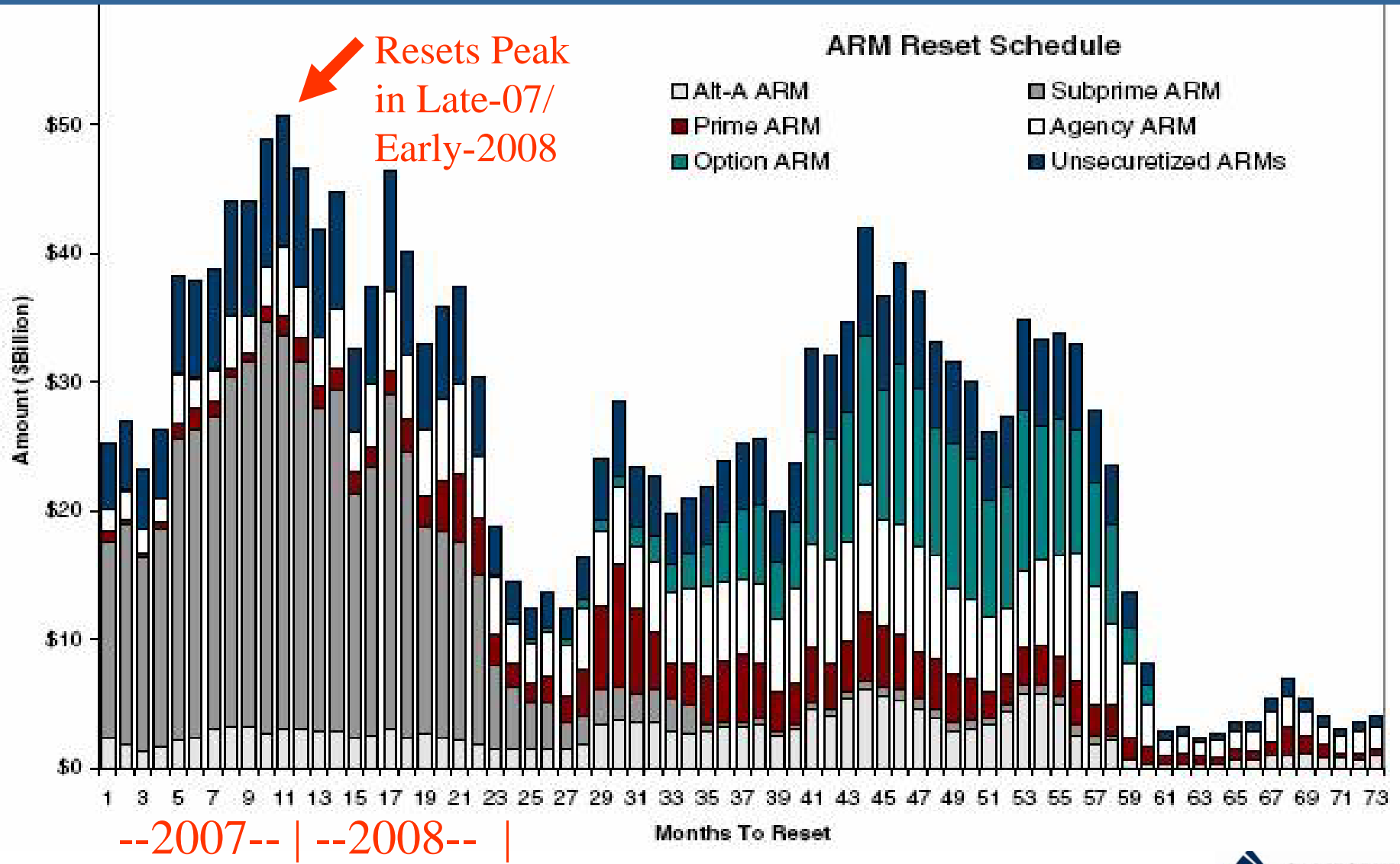


Prime, Sub-Prime, & Other Loans

As a Percentage of All Loans Outstanding in California



Adjustable Rate Mortgage Reset Schedule



Source: Credit Suisse Jan 2007

Notices of Default – California Houses & Condos

Region	2007- Q4	2007- Q3	2006- Q4	QTQ % Change	YTY % Change
Southern California	43,146	41,062	21,605	5.1%	99.7%
San Francisco Bay Area	12,704	10,427	5,362	21.8%	136.9%
Central Valley	21,946	17,842	9,245	23.0%	137.4%
Rest of State	3,754	3,240	1,782	15.9%	110.7%
Statewide	81,550	72,571	37,994	12.4%	114.6%

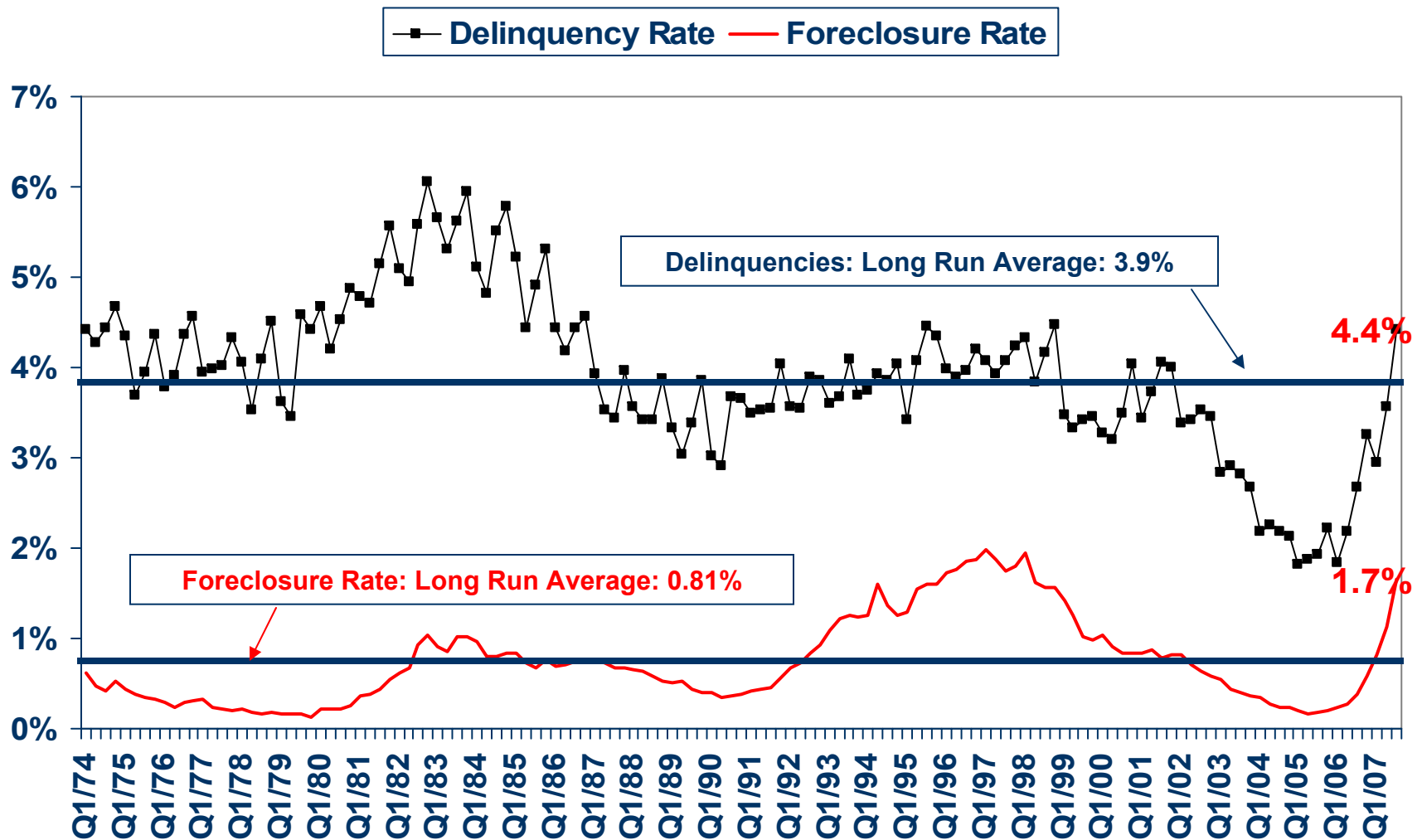
•Record High NODs: 81,550 in Q4-2007

•Record Low NODs: 12,417 in Q3-2004



Mortgage Foreclosure & Delinquency Rates

California



Framing the Sub-Prime* Situation

Right \$\$\$ House & Right Mortgage

- Not in trouble - no fix necessary

Right \$\$\$ House but *Wrong Mortgage*

- Can refinance out of problem

Wrong \$\$\$ House and Wrong Mortgage

- Defaults, workouts, foreclosures, etc.

Troublesome
Categories

* Really should be “Non-Prime” Situation

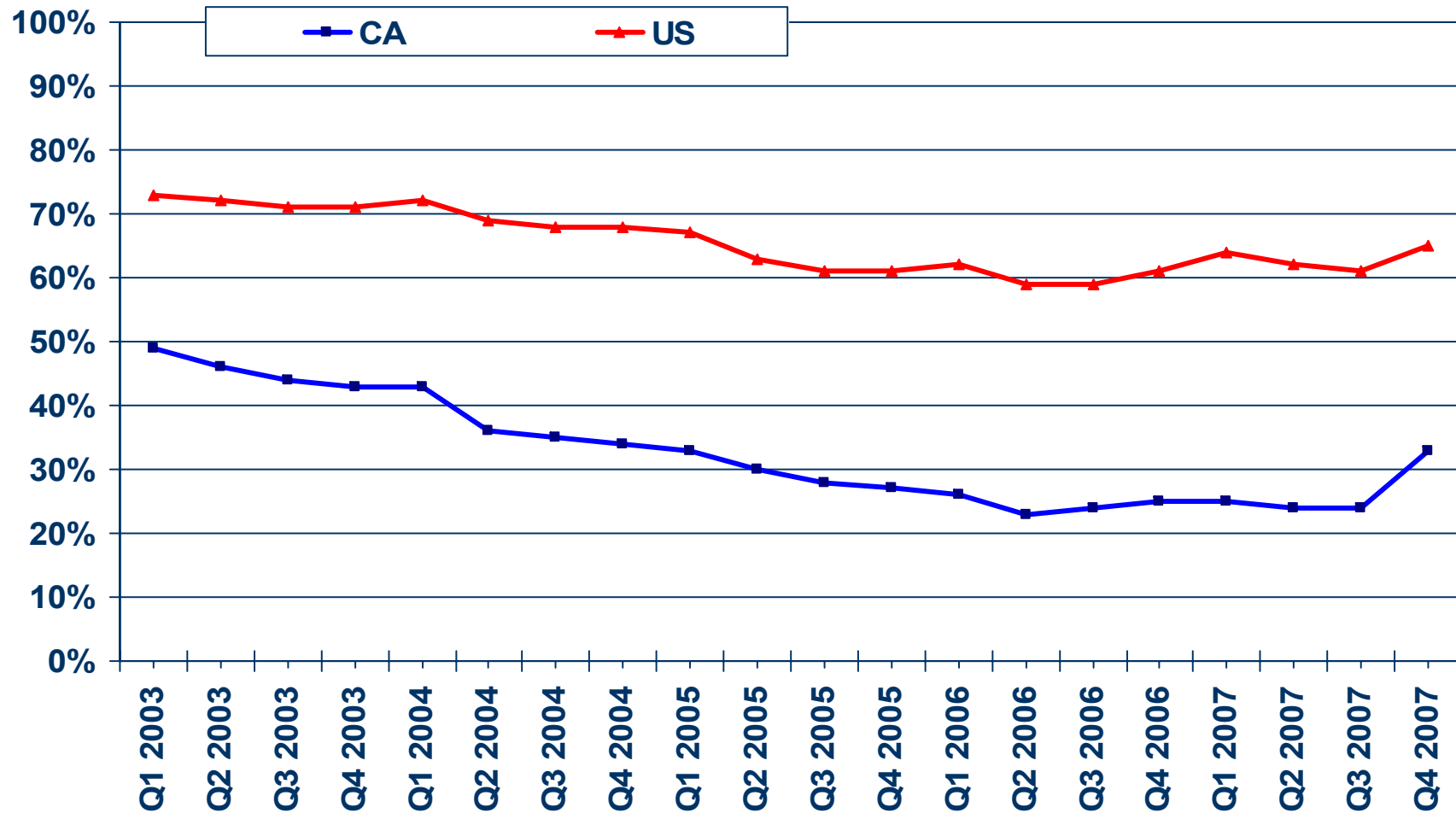
Demand & Affordability

- Affordability Key to Health of Market
- Market Turned When Affordability Constrained Sales
- Steady/Lower Prices & Steady Interest Rates >>> Affordability Improves

First-time Buyer Housing Affordability Index

California Vs. U.S. 2003-2007

% OF HOUSEHOLDS THAT CAN BUY



SOURCE: California Association of REALTORS®





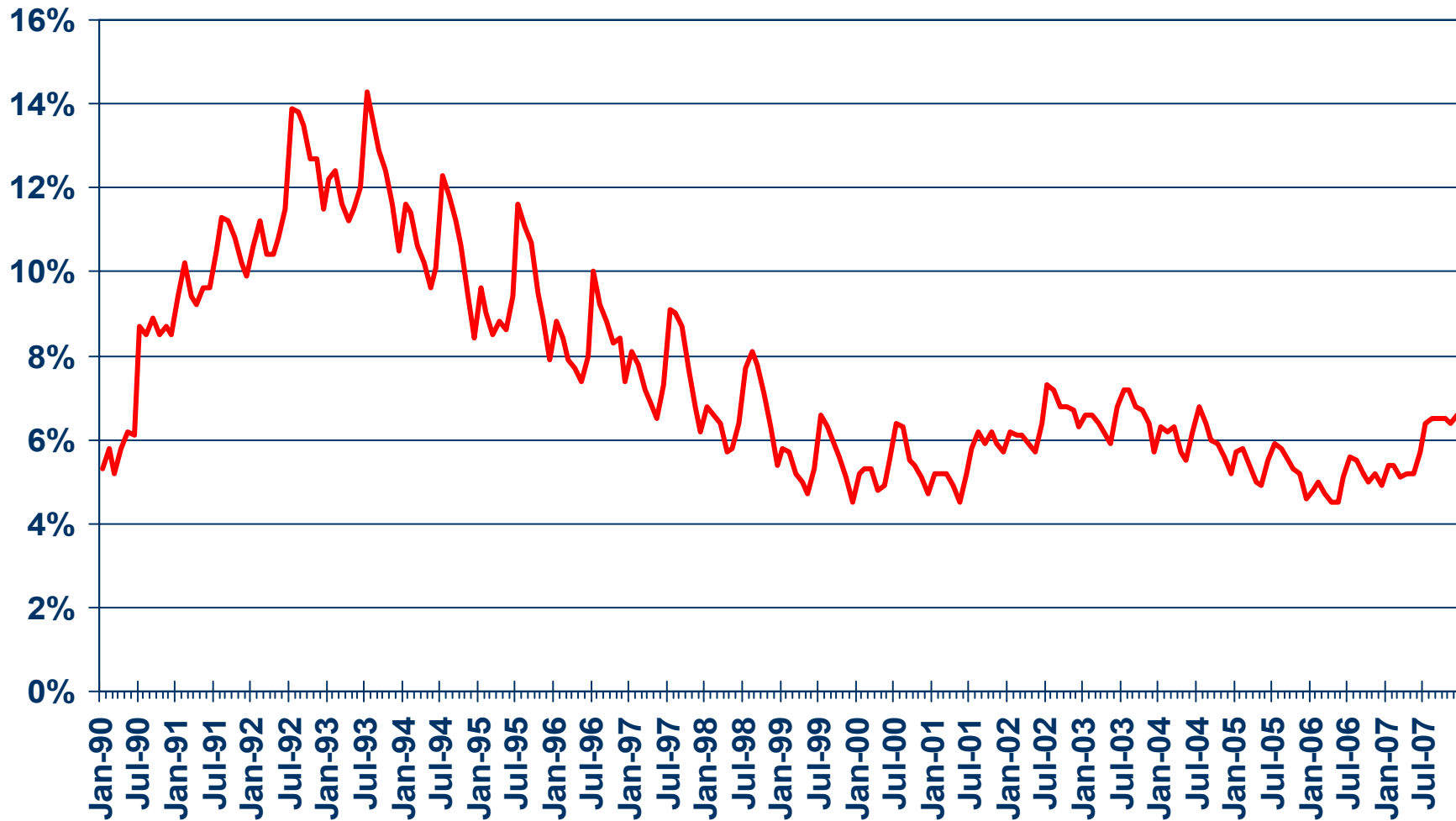
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Local & Regional Outlook

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Unemployment Rate

Riverside County, December 2007: 6.6%



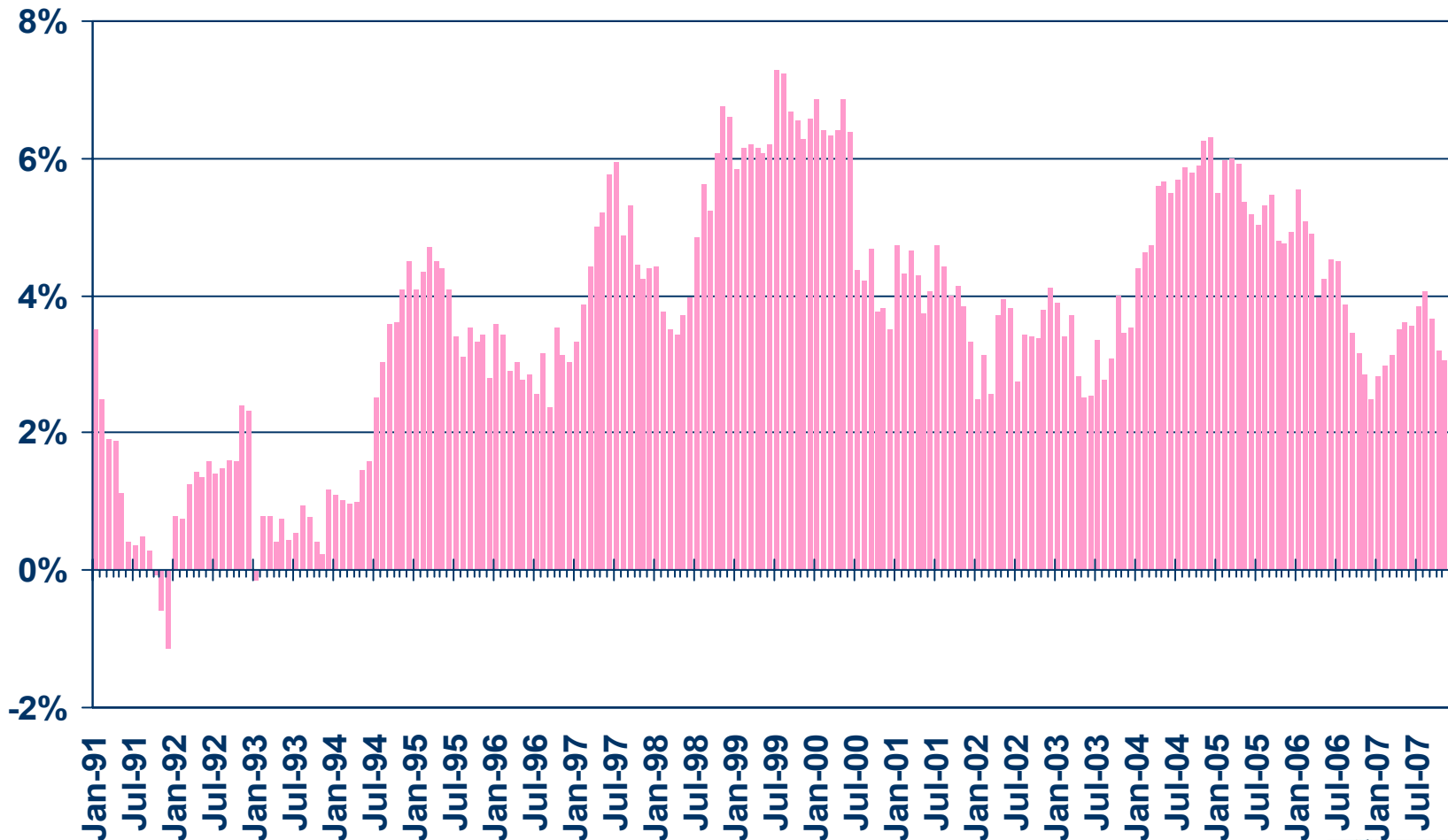
SOURCE: CA Employment Development Division



Nonfarm Employment

Riverside/San Bernardino Metropolitan Area, December 2007: Up 2.5% Y-T-Y

Y-T-Y PERCENT CHANGE



SOURCE: CA Employment Development Division



Nonfarm Employment

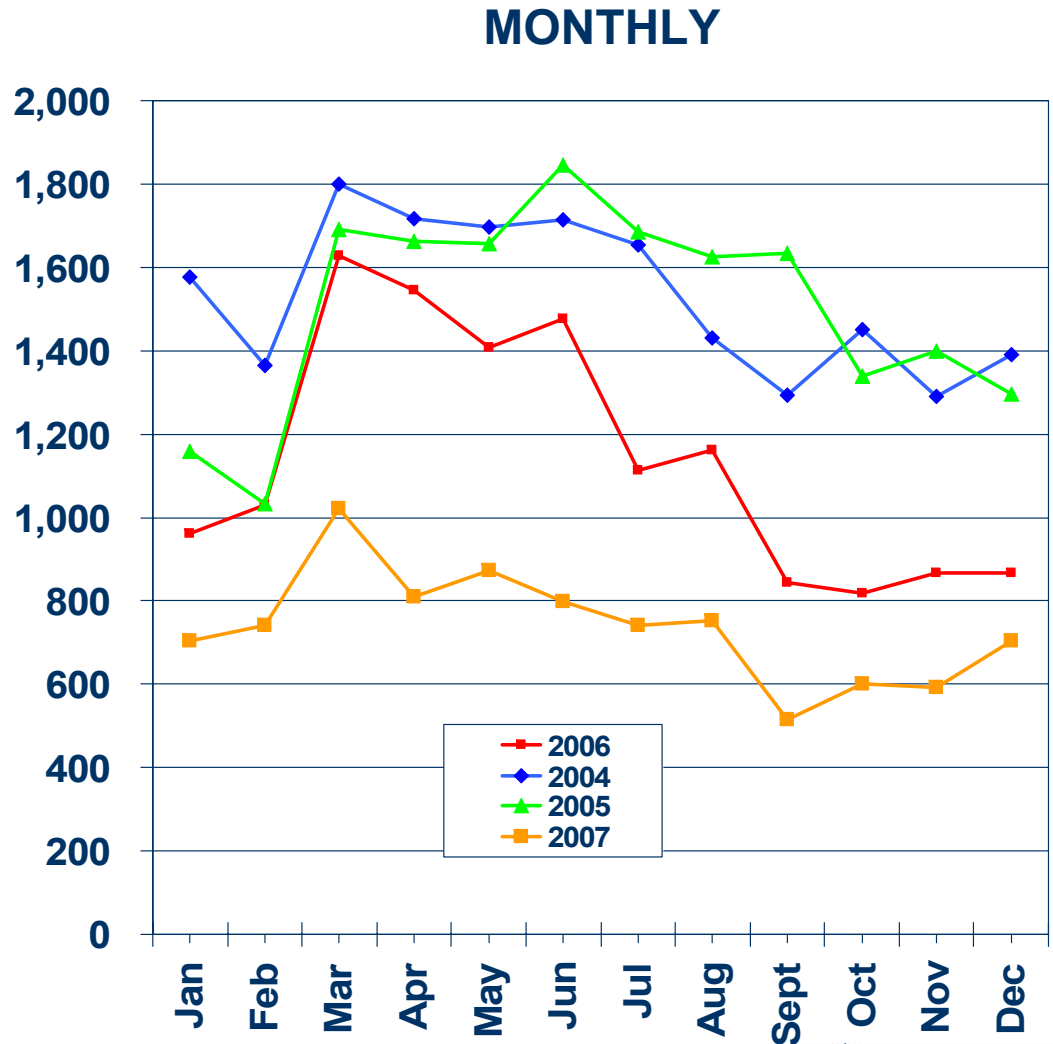
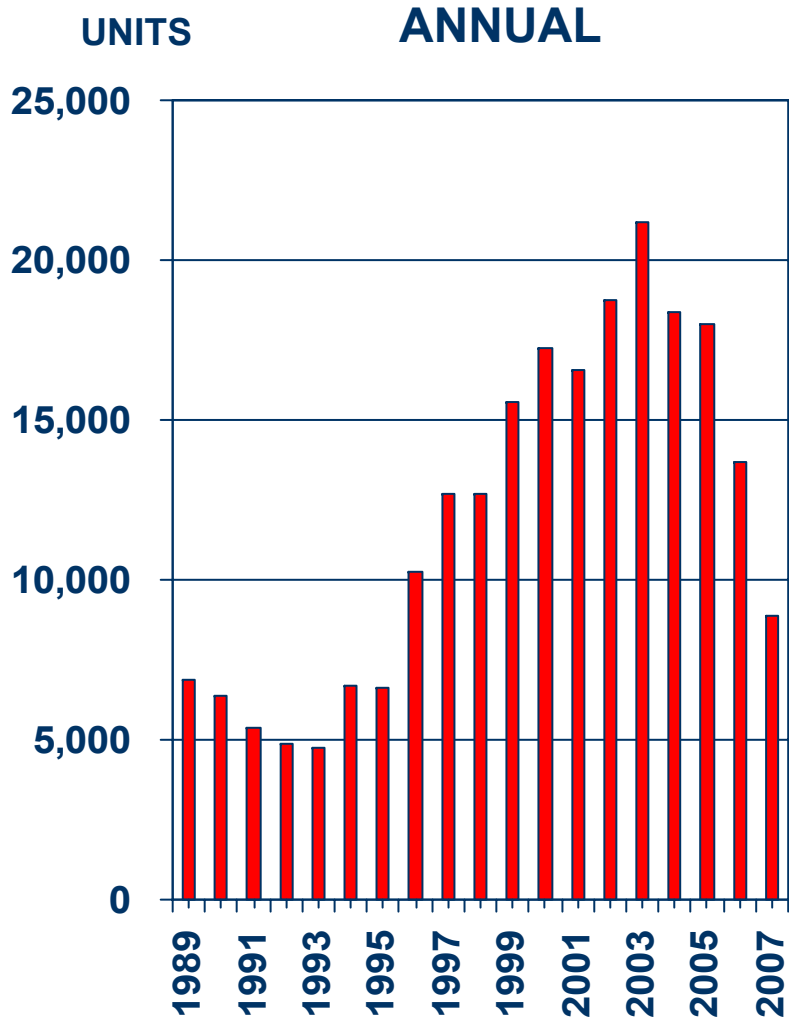
(Thousands)	Nonfarm Employment Dec 2007	Nonfarm Employment Dec 2006	Change	Percent Change
Los Angeles	4,185.7	4,155.2	30.5	0.7%
Orange County	1,533.5	1,540.1	-6.6	-0.4%
Riverside/SB	1,328.4	1,296.0	32.4	2.5%
San Diego	1,328.3	1,313.7	14.6	1.1%
Ventura	302.9	302.4	0.5	0.2%
Total	8,678.8	8,607.4	71.4	0.8%

SOURCE: California Economic Development Dept.



Sales of Existing Detached Homes

Riverside County, 2007: 8,852 Units, Down 35.5% Y-T-Y



SOURCE: California Association of REALTORS®



Sales of Existing Detached Homes

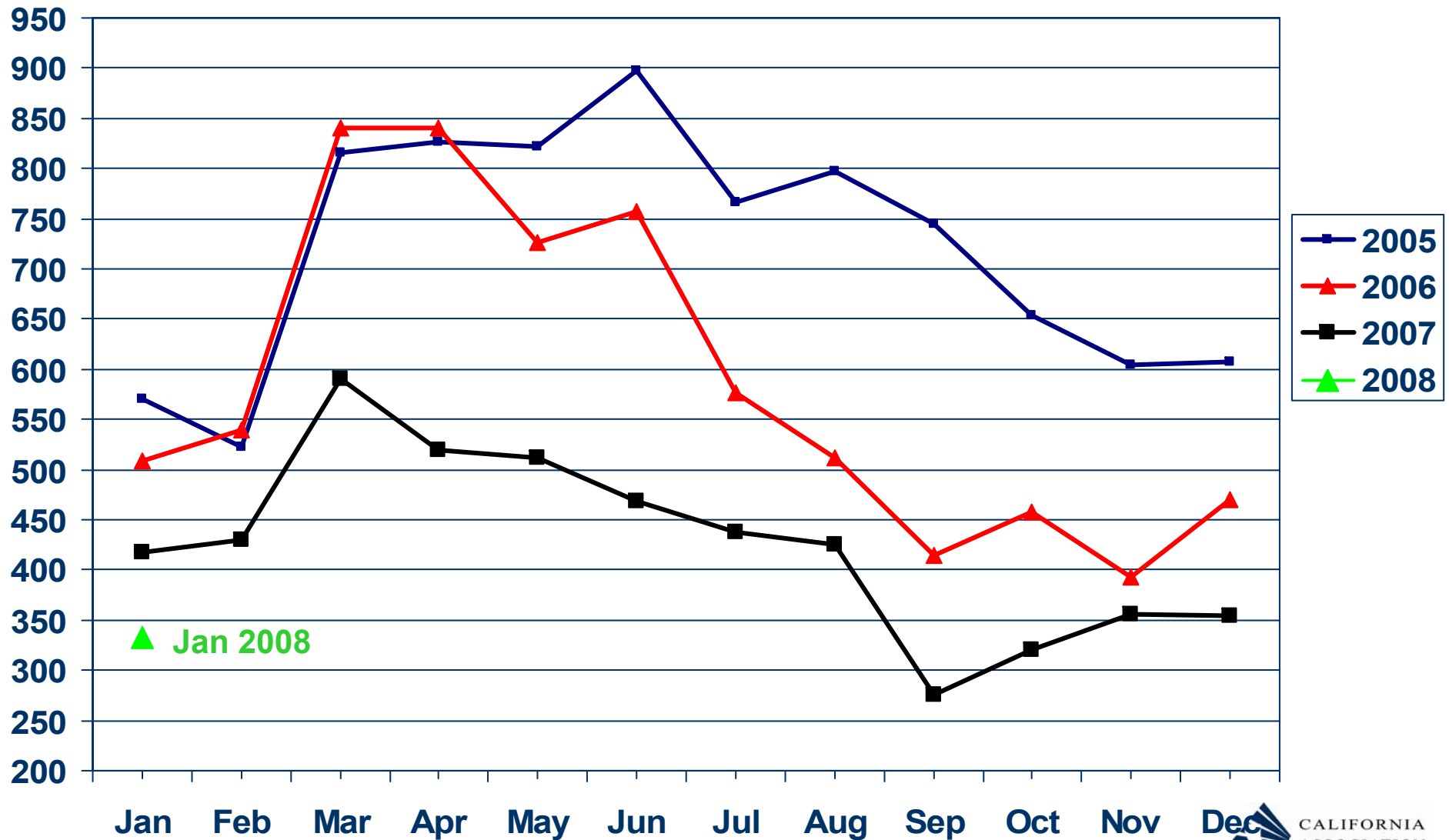
County	Jan-08	Dec-07	Jan-07	M-t-M	Y-t-Y	Y-t-D
High Desert	393	413	643	-4.8%	-38.9%	-38.9%
Los Angeles	2,069	2,073	3,343	-0.2%	-38.1%	-38.1%
Orange	634	910	1,028	-30.3%	-38.3%	-38.3%
Palm Springs	353	355	417	-0.6%	-15.3%	-15.3%
Riverside/SB	701	627	860	11.8%	-18.5%	-18.5%
San Diego	876	983	1,100	-10.9%	-20.4%	-20.4%
Sta. Barbara	95	99	101	-4.0%	-5.9%	-5.9%
Ventura	195	249	316	-21.7%	-38.3%	-38.3%

SOURCE: California Association of REALTORS®



Sales by Month

Palm Springs/Lower Desert



SOURCE: California Association of REALTORS®

Median Price of Existing Detached Homes

Southern California Regions

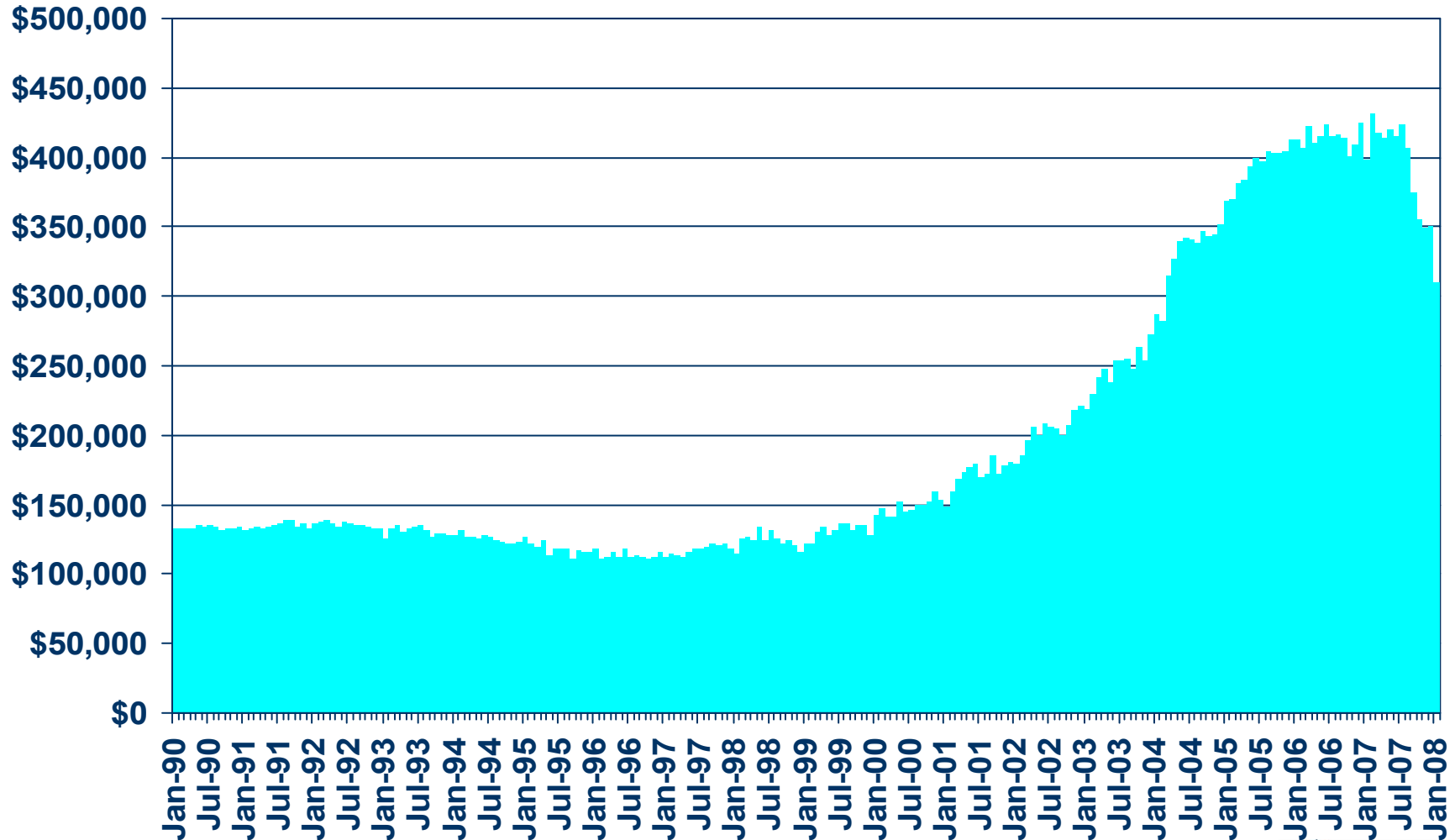
County	Jan-08	Dec-07	Jan-07	M-t-M	Y-t-Y
High Desert	\$234,310	\$244,330	\$ 317,380	-4.1%	-26.2%
Los Angeles	\$469,420	\$487,470	\$ 574,920	-3.7%	-18.4%
Orange	\$609,030	\$638,390	\$ 688,610	-4.6%	-11.6%
Palm Springs	\$319,440	\$364,660	\$ 348,900	-12.4%	-8.4%
Riverside/SB	\$298,010	\$325,520	\$ 399,680	-8.5%	-25.4%
San Diego	\$482,420	\$495,500	\$ 581,780	-2.6%	-17.1%
Ventura	\$590,380	\$604,730	\$ 664,400	-2.4%	-11.1%

SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

Riverside County, January 2008: \$309,270, Down 22.4% Y-T-Y

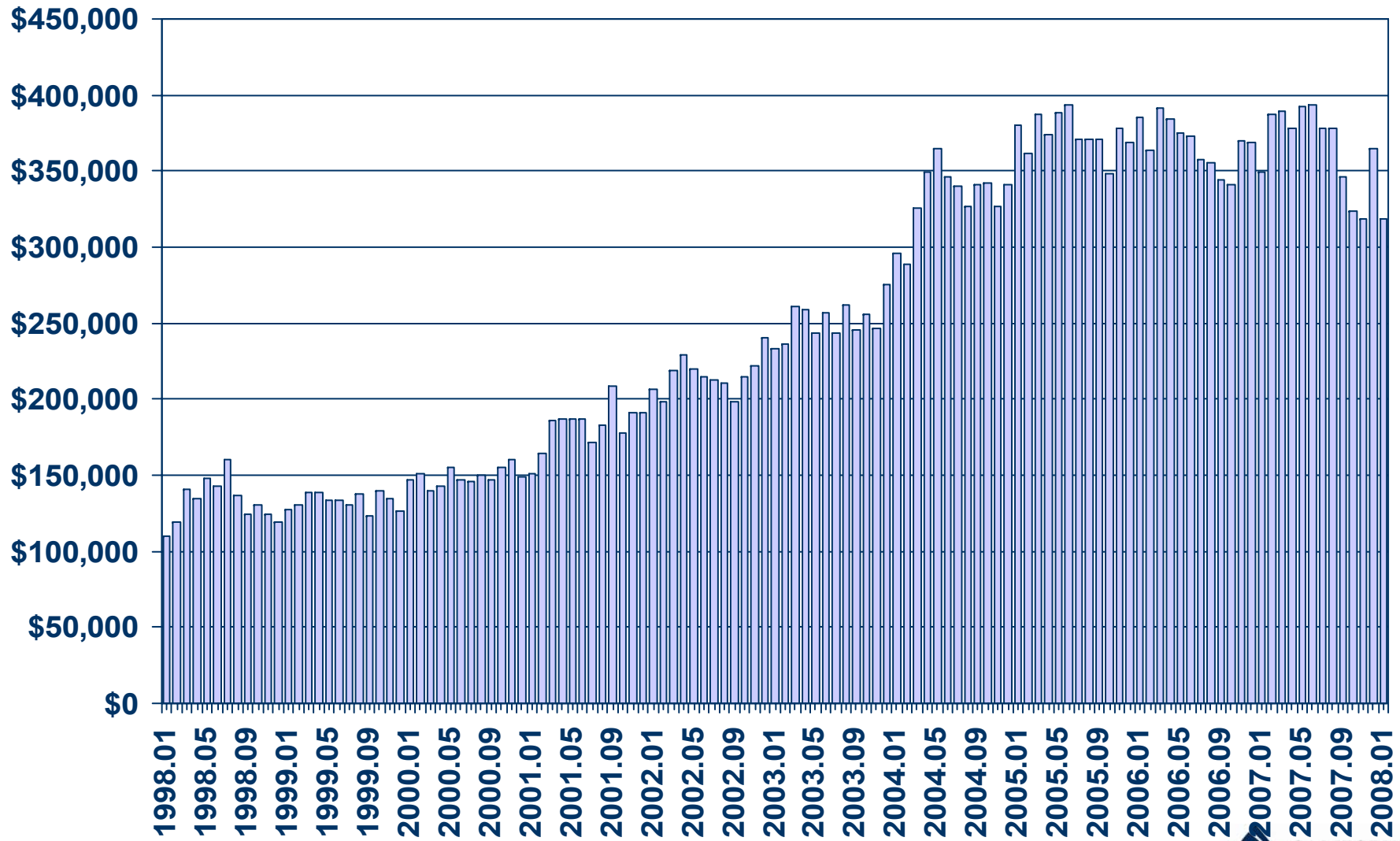


SOURCE: California Association of REALTORS®



Median Price of Existing Detached Homes

PS/Lower Desert, January 2008: \$319,440 Down 8.4% Y-T-Y



SOURCE: California Association of REALTORS®



Median Home Sales Price

Riverside County

	Jan-08	Jan-07	Yearly % Change
Banning	\$258,500	\$280,000	-7.7%
Beaumont	\$320,000	\$387,000	-17.3%
Cathedral City	\$270,000	\$360,000	-25.0%
Corona	\$431,000	\$576,000	-25.2%
Desert Hot Springs	\$190,000	\$294,000	-35.4%
Hemet	\$235,000	\$320,000	-26.6%
Indio	\$312,841	\$360,000	-13.1%
La Quinta	\$550,000	\$620,000	-11.3%
Lake Elsinore	\$330,000	\$418,500	-21.1%
Menifee	\$319,500	\$411,000	-22.3%
Moreno Valley	\$275,000	\$385,000	-28.6%
Murrieta	\$345,000	\$497,000	-30.6%
Palm Desert	\$375,000	\$438,000	-14.4%
Palm Springs	\$305,000	\$368,000	-17.1%
Perris	\$275,000	\$370,000	-25.7%
Rancho Mirage	\$525,000	\$700,000	-25.0%
Riverside	\$370,000	\$420,000	-11.9%
San Jacinto	\$254,500	\$347,000	-26.7%

SOURCE: C.A.R.; DataQuick Information Systems. The price statistics are derived from all types of home sales -- new and existing, condos and single-family.



Median Home Sales Price

Riverside County

	Jan-08	Jan-07	Yearly % Change
Sun City	\$253,750	\$379,500	-33.1%
Temecula	\$402,000	\$499,000	-19.4%
Wildomar	\$350,000	\$470,750	-25.7%
Winchester	\$340,000	\$464,000	-26.7%

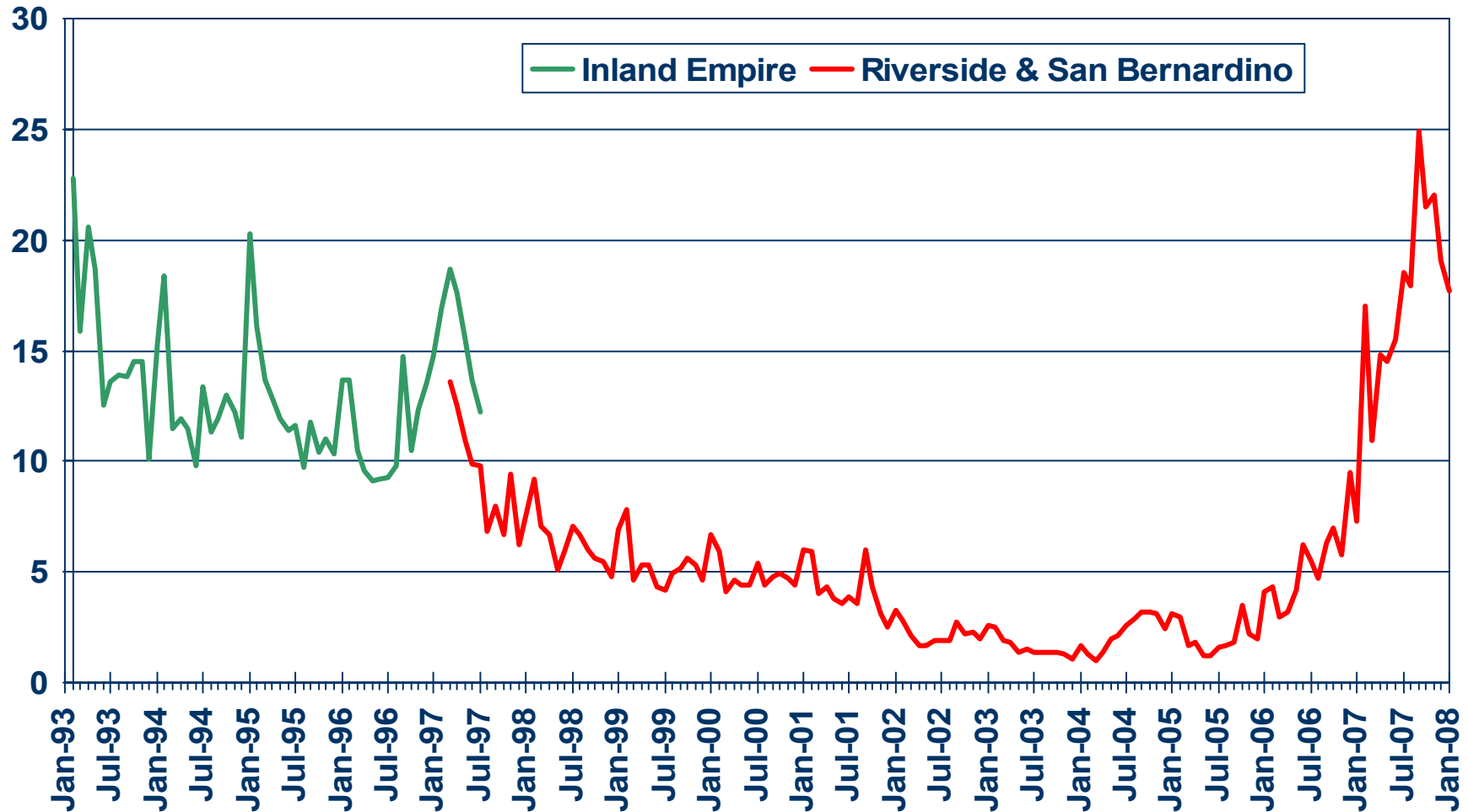
SOURCE: C.A.R.; DataQuick Information Systems. The price statistics are derived from all types of home sales -- new and existing, condos and single-family.



Unsold Inventory Index

Riverside and San Bernardino Counties, January 2008: 17.7 Months

MONTHS

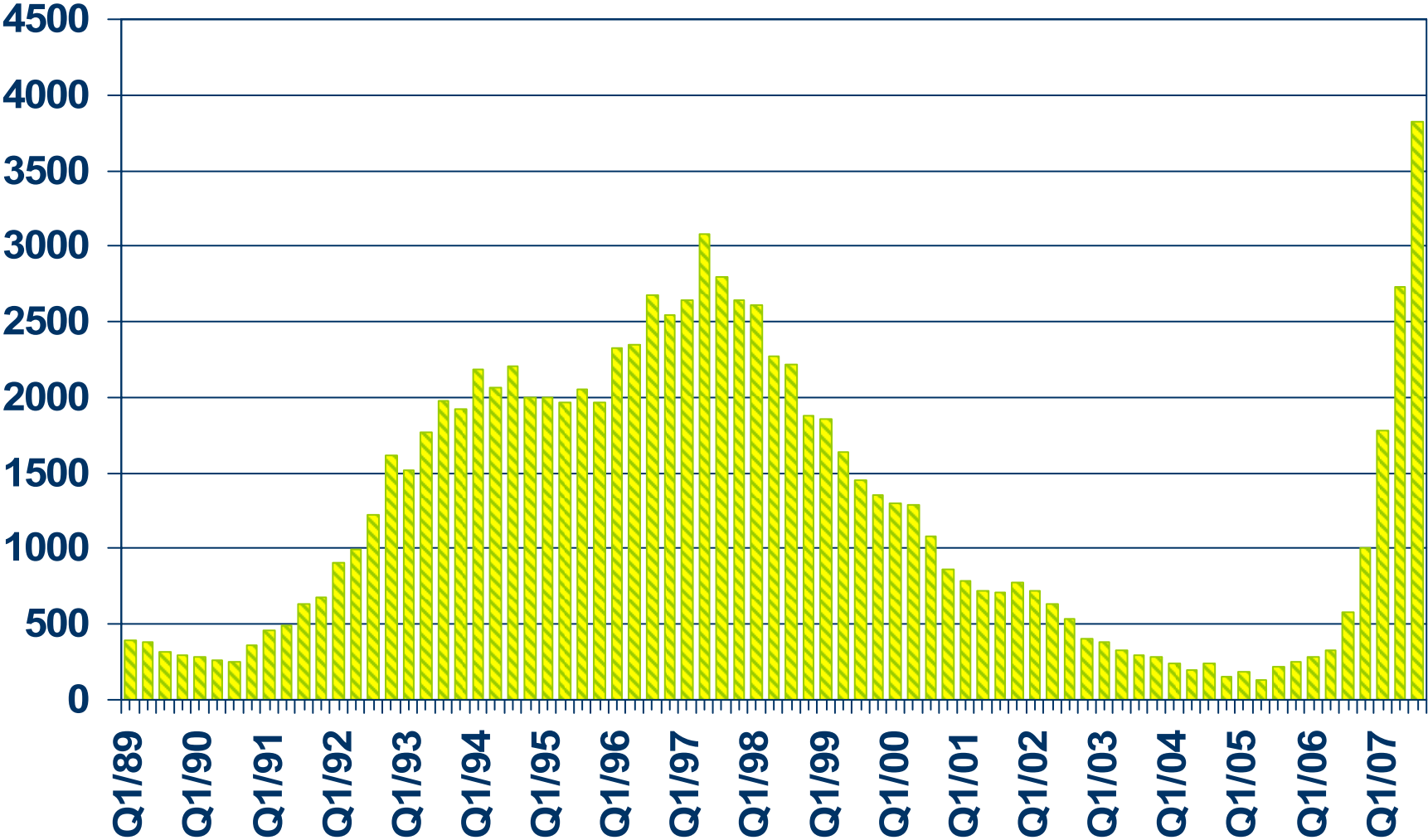


SOURCE: California Association of REALTORS®



Foreclosures

Riverside County



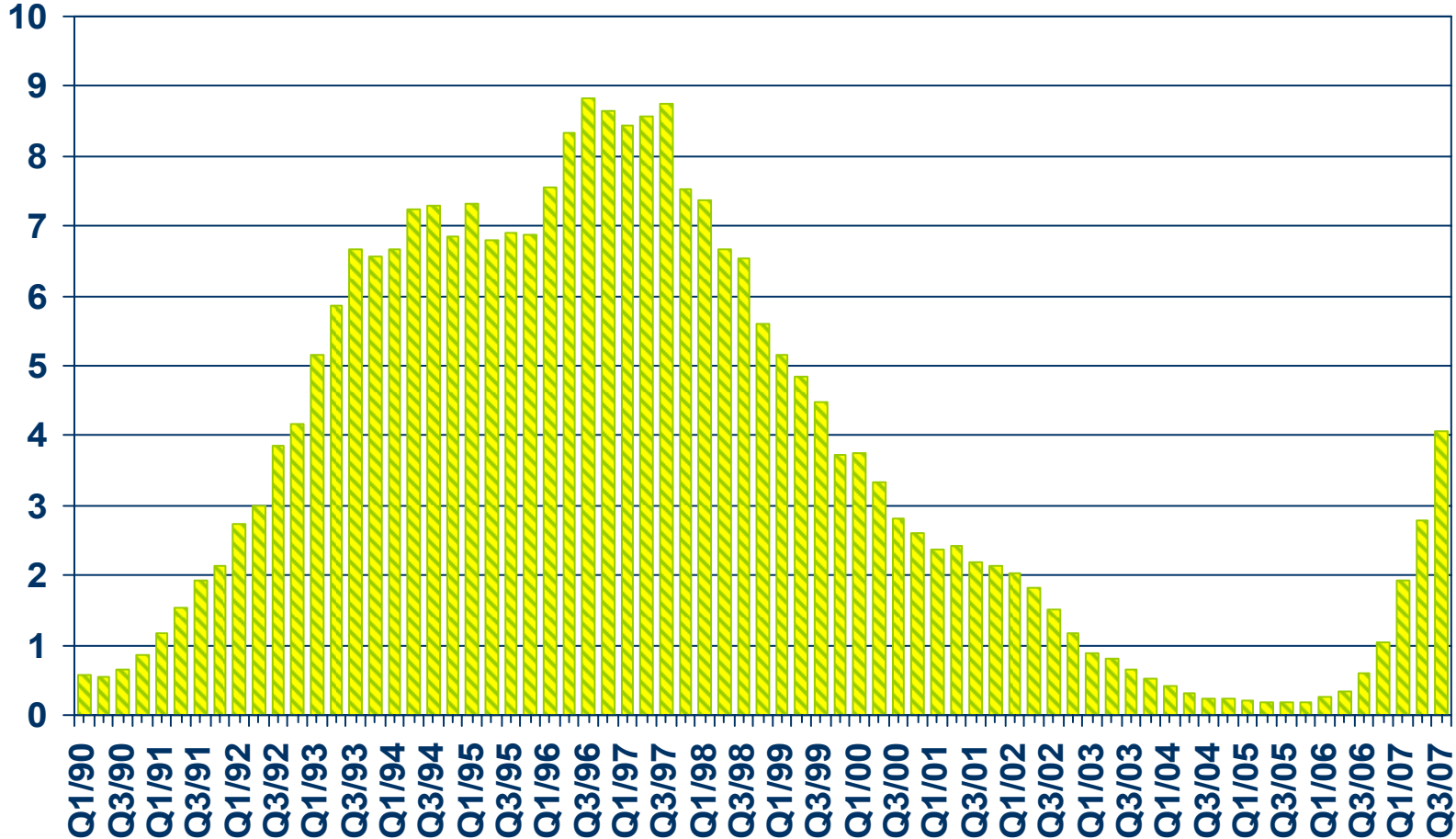
SOURCE: Real Estate Research Council



Foreclosures

Los Angeles County

THOUSANDS

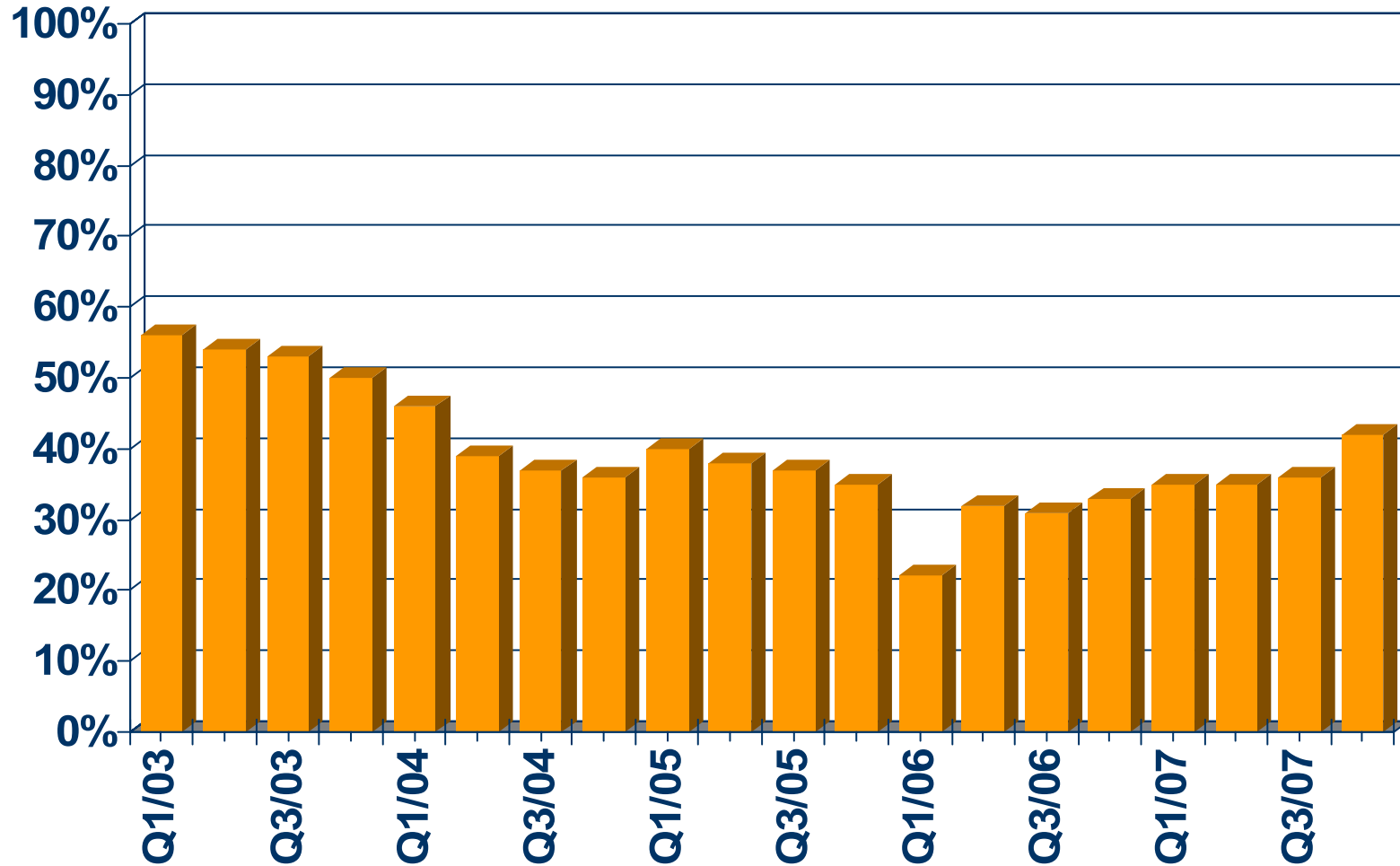


SOURCE: Real Estate Research Council



First-time Buyer Housing Affordability Index

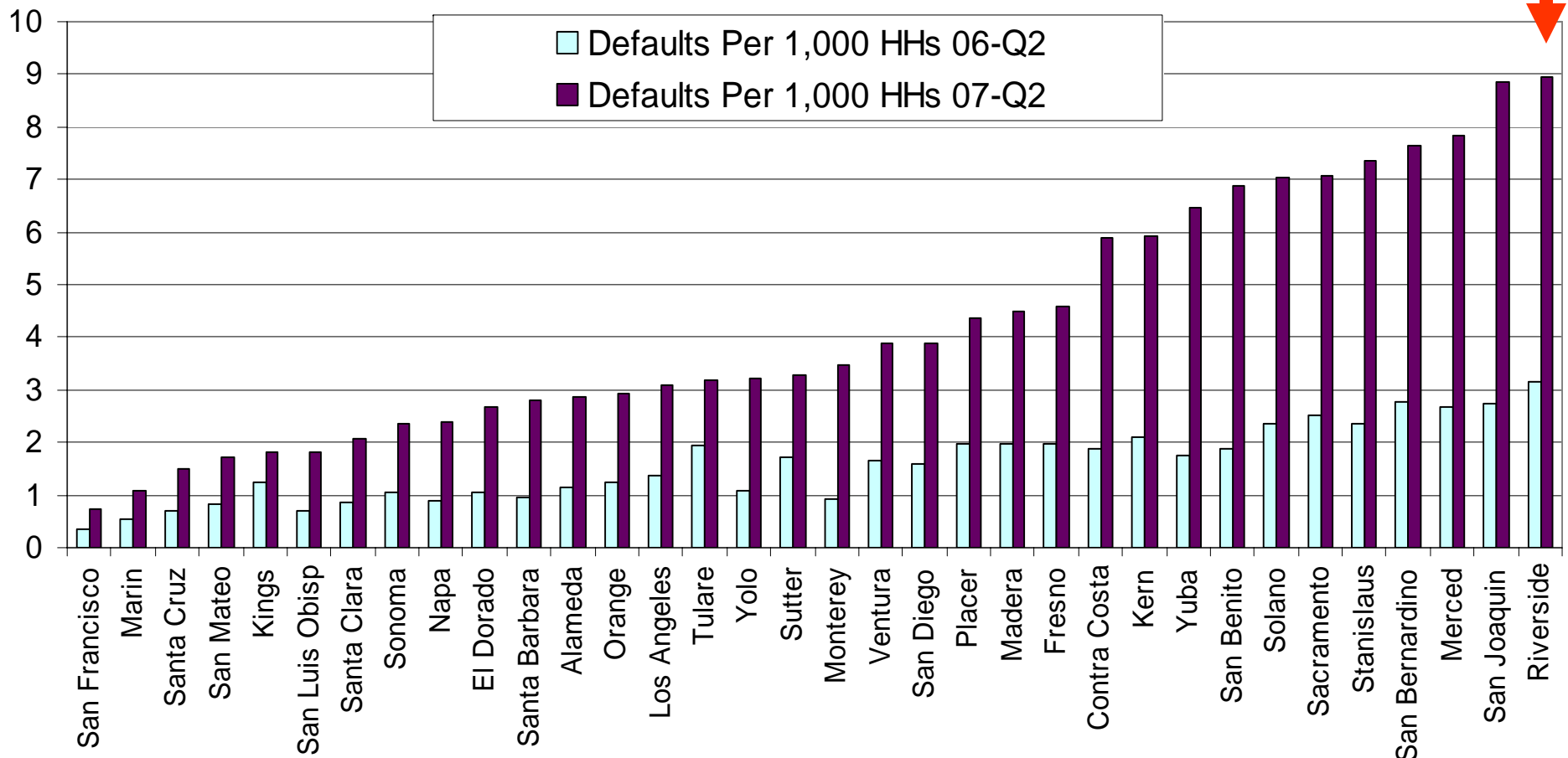
Riverside County, 4th Quarter 2007: 42%



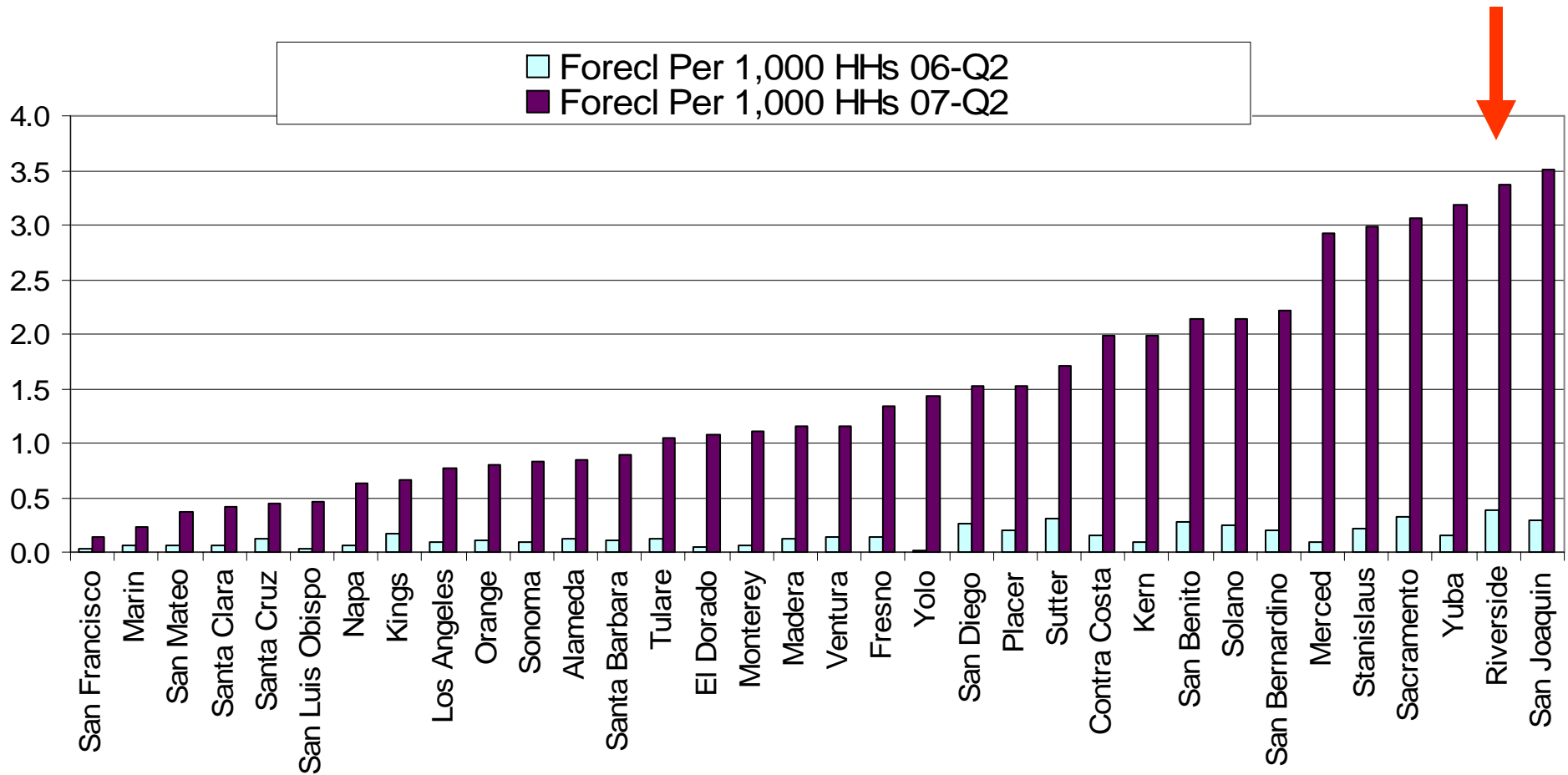
SOURCE: California Association of REALTORS®



Defaults Per Household by County



Foreclosures Per Household by County





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California Forecast

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California Housing Market Forecast

	2003	2004	2005	2006	2007	2008f
SFH Resales (thousands)	601.8	624.7	625.0	477.5	353.3	332.1
% Change	5.1%	3.8%	0.04%	-23.6%	-26.0%	-6.0%
Median Price (\$ thousands)	\$372.7	\$450.8	\$524.0	\$556.6	\$558.1	\$505.1
% Change	17.9%	20.9%	16.2%	6.2%	0.3%	-9.5%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.3%	6.1%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.5%	5.0%

Summary

- Existing Home Sales: 2007: -26%, 2008: -6%
- Statewide Median Price: Moderate decrease (5-10%)
- Low end weak... Payment resets, Foreclosures
- High end weak... Credit/Liquidity Crunch
- Tighter Underwriting Standards... maybe too tight
- Affordability to remain low, THEREFORE...
- No sign of significant recovery in next 6-12 months

The Bottom Line for Households

- Homeowners in positive equity position if bought before 2005, so don't panic!
- Sell if you must, hold if you can.
- If you must sell, then price home to sell and not to sit.
- Buyers should not expect bargains in most markets.
- Find a home that meets needs and fits budget...buy it!
- Opportunities for investors, but must do homework.

Thank You!