

Home Prices 1Q 2009 - Bottoming Out

Foresight Analytics has released its “de-smoothed” version¹ of FHFA’s paired-sales home price index for the first quarter 2009. Results indicate the beginnings of recovery in several of the markets that have been hardest hit by the housing downturn. We stress that these are the beginnings of a recovery — there is still a lot of lost ground to be made up.

- Some of the hardest-hit markets — including Stockton, Riverside-San Bernardino, and Sarasota — experienced price growth of at least 5% during 1Q 2009 (vs. 4Q 2008), indicating that these markets have probably hit bottom. Increased affordability, as a result of low prices and low interest rates, has attracted buyers looking for bargains. Both first-time buyers and foreclosure property buyers have been active components of the housing market.
- A few of the boom-bust markets have continued to slide downward, most notably, the South Florida markets of Miami, West Palm Beach and Fort Lauderdale.
- For the first time since 1Q 2007, the number of markets increasing in value outpaced the number of markets declining in value. For markets with a 3% or more change in value, the ratio of rising markets to falling markets was nearly 2-to-1, and for markets with a 5% or more change in value, the ratio was 3-to-1.
- We believe this is a genuine trend rather than an anomaly, as it follows some improvement in the ratio during 4Q 2008. Key elements to sustaining this trend will be the continued availability of low mortgage rates and ultimately a return to employment and income growth.
- Growth in the stronger markets — markets that have fared the best since early 2006 — has stalled, with the top 10 performing markets since 2006 registering a median growth rate of 0.3% in 1Q 2009, as compared with a 4.4% median growth rate among the markets that have experienced the greatest cumulative declines from earlier peaks. Economic weakness has impacted these markets, with Texas beginning to feel the effects of the recession, and North Carolina experiencing a sharp drop in employment.
- Sales volume has increased in some of the hardest-hit markets, another indicator that low prices are attracting buyers. California has been the clearest gainer, with 1Q 2009 annualized sales volume reach-

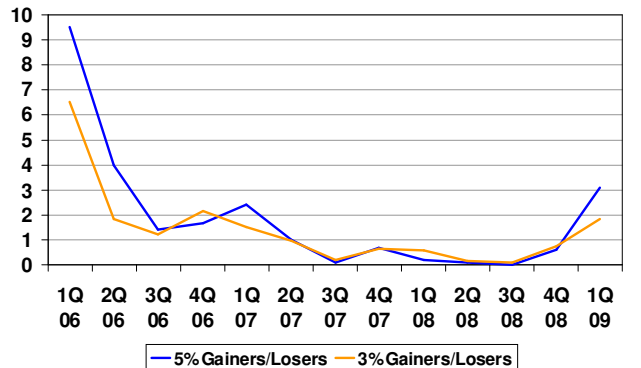
¹ See our first quarter 2008 report for more information about our de-smoothed home price index. Available at: <http://www.foresightanalytics.com/resources.php>

Hardest Hit Markets Cumulative Change from Peak to 1Q 2009 (From the 100 Largest Markets)

Metro Area (Peak)	Price Change	
	Since Peak	4Q08 to 1Q09
Stockton, CA (4Q05)	-60.7%	9.4%
Riverside-S.B., CA (2Q06)	-49.8%	5.0%
Las Vegas, NV (1Q06)	-49.5%	1.5%
Bakersfield, CA (1Q06)	-45.5%	5.4%
Fort Lauderdale, FL (1Q06)	-44.9%	-0.9%
West Palm Beach, FL (1Q06)	-43.9%	-2.0%
Sarasota, FL (4Q05)	-42.8%	11.2%
Fresno, CA (1Q06)	-42.3%	3.9%
Miami, FL (4Q06)	-41.2%	-4.9%
Sacramento, CA (4Q05)	-40.1%	5.0%

Sources: FHFA, Foresight Analytics

Home Price Gain Ratio
Ratio of Increases to Declines



Sources: FHFA, Foresight Analytics

Rising Markets Cumulative Change from 1Q 2006 (From the 100 Largest Markets)

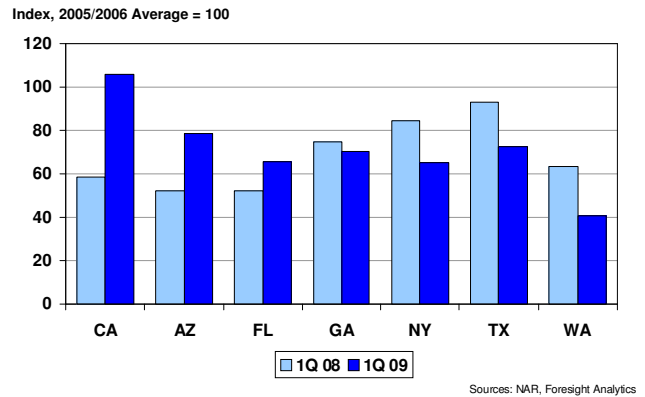
Metro Area	Price Change	
	Since 1Q06	4Q08 to 1Q09
Austin, TX	17.3%	-2.3%
Houston, TX	14.0%	0.8%
Charlotte, NC	12.4%	-1.6%
Wichita, KS	11.6%	0.7%
Greenville, SC	11.5%	0.2%
Raleigh-Cary, NC	11.0%	-1.5%
Fort Worth, TX	9.9%	1.2%
Buffalo, NY	9.6%	3.0%
Dallas, TX	8.6%	0.4%
Nashville, TN	7.7%	-1.7%

Sources: FHFA, Foresight Analytics

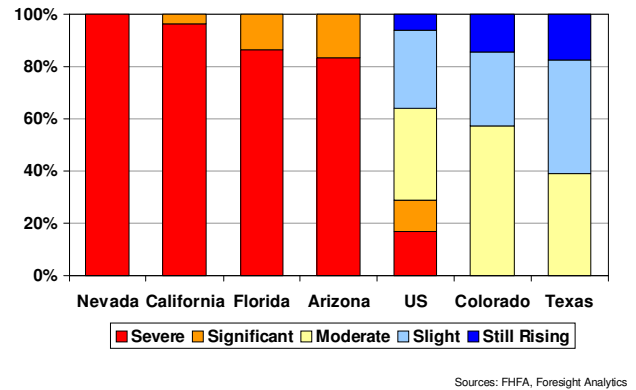
ing 560,000 units, increasing 80% from 1Q 2008 and actually exceeding the average pace during 2005 and 2006. Arizona and Florida have also experienced sales volume increases from 1Q 2008, but remain behind the pace in 2005 and 2006. Among the other major housing markets, Georgia sales volume is about even with 1Q 2008, whereas volume in New York, Texas and Washington has fallen in the last year.

- Cumulative price declines — first quarter price increases notwithstanding — have resulted in “severe” price declines of at least -20% in most of the boom-bust markets. The remainder of markets in these areas have fallen by “significant” amounts (-10% to -20%) from their peaks.
- While nearly all markets in the U.S. have experienced some sort of price declines, approximately 60% have fallen by moderate (-2.5% to -10%) amounts or more. About one-third of markets nationally have fallen by significant amounts or more.
- In Texas, almost 20% of markets were still rising as of 1Q 2009. Another roughly 40% have only suffered slight price declines (of no more than -2.5%). Colorado markets have also fared better than the nation overall, with approximately 40% of markets falling only slightly or not at all.
- The broad and deep housing market downturn has resulted in prices being set back to levels from several years ago, in essence like being sent through a “time machine.”² With the positive price trends during 1Q 2009, time has begun to “move forward” again for several markets.
- Michigan markets have been set back the most, and on average are level with 2002 prices. California and Nevada are next, with prices on average at 2003 levels. Other boom-bust markets, such as Florida and Arizona have also suffered major setbacks, with prices on average reaching 2004 and 2005 levels, respectively.
- Many Northeastern markets, such as Massachusetts, Rhode Island and Connecticut, have been set back to 2004 and 2005 levels. Post-peak price declines have generally been more moderate in these markets than in the boom-bust markets, but the run-up to peak prices had generally been more modest.

Home Sales Volume
Sales of Existing Homes, Relative to 2005/2006 Average



Home Price Declines Since Peak
Proportion of States' Markets



Time Machine - State Summary
Average Price Level Equivalent
As of 1Q 2009

	2002	2003	2004	2005	2006	2007	2008	2009
MI								
	CA	RI	CT	MN	MS	WV		SD
	NV	FL	OH	UT	NY	LA		
		NH	AZ	NM	GA	AL		
		MA	NJ	WI	TN	IA		
		DC	DE	AK	PA	TX		
			ME	WA	MO	KY		
			HI	ID	AR	MT		
			OR	VT	KS	ND		
			MD	IN	WY			
				VA	SC			
				IL	OK			
				CO	NC			
				NE				

Source: Foresight Analytics

² See our 2Q 2008 report for more discussion of the “time machine” effect. Available at: <http://www.foresightanalytics.com/resources.php>

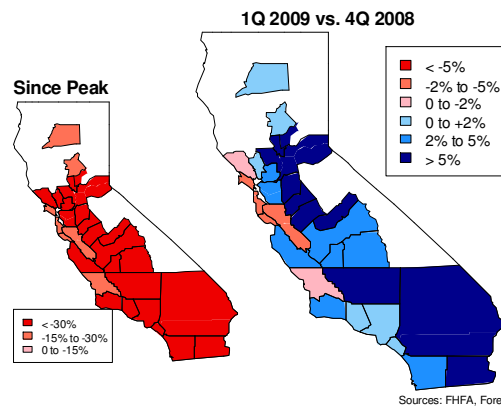
California and Florida Highlights

- Several areas in California and Florida experienced positive price growth in 1Q 2009. These areas are almost universally still far off their peak price levels of 2005 and 2006, but these gains seem to indicate the beginnings of a recovery.
- In **California**, the inland areas of Southern California and the Central Valley have experienced the steepest declines from previous peaks, but are also showing the strongest gains in 1Q 2009.
- Coastal Southern California is flattening out and could start to show positive price trends by the second half of 2009.
- In Northern California, the Bay Area still experienced price declines in the first quarter, but at a slower pace than during 2008. These areas could start to turn positive by the end of 2009.
- In **Florida**, the strongest price gains were generally in the Gulf Coast markets, such as Sarasota, Cape Coral and Naples. Tampa also experienced price gains in 1Q 2009, though not as high as the smaller Gulf Coast markets. Even after gains in the first quarter, these markets remain among those with the greatest declines from their peaks.
- The South Florida markets registered price declines during the first quarter, with the sharpest decline (-4.9%) occurring in Miami.

Outlook

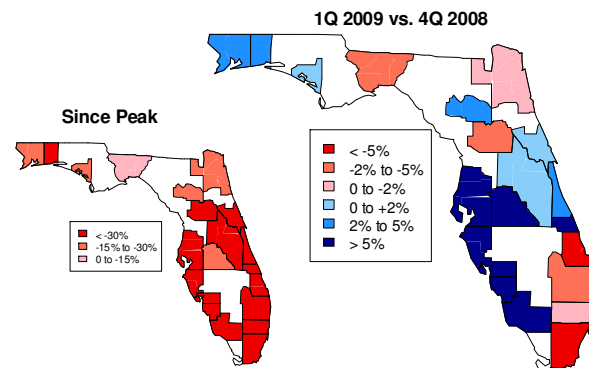
- We believe the boom-bust markets have generally reached bottom, and will continue to improve. A few notable exceptions in the near-term are South Florida and Phoenix and Nevada in the Southwest - areas that will probably experience another leg down before reaching bottom.
- With prices still so low relative to peaks from a few years ago, mortgage distress remains high and foreclosure sales activity will continue. Our measurements of foreclosure activity indicate a leveling-off from peaks earlier in the year, but will remain high for the next several quarters.
- Despite the improvement in prices, continued sharp increases are unlikely, implying a protracted period of several years until we can declare that markets have recovered.

California Home Price Changes
1Q 2009 and Cumulative Since Peak



Sources: FHFA, Foresight Analytics

Florida Home Price Changes
1Q 2009 and Cumulative Since Peak



Sources: FHFA, Foresight Analytics

For more information about our housing market outlook and implications, and how we can assist you with forecasting and strategy formulation, contact:

Matt Anderson m.anderson@foresightanalytics.com
Partner

Susan Persin s.persin@foresightanalytics.com
Partner

Tel: (510) 893-1760
Web: <http://www.foresightanalytics.com>

**Cumulative Change from Peak to 1Q 2009
100 Largest Markets**

Metro Area	Cumulative Price Change	Metro Area	Cumulative Price Change
Stockton, CA	-60.7%	Wilmington, DE	-7.7%
Riverside-S.B., CA	-49.8%	Lake County, IL	-7.2%
Las Vegas, NV	-49.5%	Richmond, VA	-6.7%
Bakersfield, CA	-45.5%	Charleston, SC	-6.5%
Fort Lauderdale, FL	-44.9%	Albuquerque, NM	-6.3%
West Palm Beach, FL	-43.9%	El Paso, TX	-6.3%
Sarasota, FL	-42.8%	Hartford, CT	-6.3%
Fresno, CA	-42.3%	Cleveland, OH	-5.5%
Miami, FL	-41.2%	New Orleans, LA	-5.4%
Sacramento, CA	-40.1%	Akron, OH	-5.0%
Ventura, CA	-38.1%	Springfield, MA	-4.8%
Phoenix, AZ	-36.4%	Philadelphia, PA	-4.5%
Oakland-East Bay, CA	-35.9%	Colorado Springs, CO	-4.0%
Orange County, CA	-34.8%	Gary, IN	-3.8%
Los Angeles, CA	-34.1%	Atlanta, GA	-3.3%
San Diego, CA	-32.8%	Milwaukee, WI	-3.1%
Orlando, FL	-31.7%	Kansas City, MO-KS	-2.8%
Tampa, FL	-31.0%	Charlotte, NC	-2.4%
Detroit, MI	-26.6%	Austin, TX	-2.3%
San Jose, CA	-25.9%	St. Louis, MO-IL	-2.1%
Washington DC	-23.0%	McAllen, TX	-2.0%
Warren, MI	-22.7%	Nashville, TN	-1.9%
Tucson, AZ	-21.5%	Knoxville, TN	-1.9%
Jacksonville, FL	-19.8%	San Antonio, TX	-1.9%
San Francisco, CA	-19.8%	Memphis, TN	-1.8%
Bethesda, MD	-19.1%	Albany, NY	-1.6%
Providence, RI	-15.9%	Cincinnati, OH	-1.6%
Worcester, MA	-14.9%	Raleigh-Cary, NC	-1.5%
Poughkeepsie, NY	-14.1%	Indianapolis, IN	-1.3%
Edison, NJ	-13.7%	Dayton, OH	-1.2%
Nassau-Suffolk, NY	-13.2%	Omaha, NE	-1.2%
Tacoma, WA	-12.8%	Columbus, OH	-1.0%
Seattle, WA	-12.4%	Greensboro, NC	-1.0%
Bridgeport, CT	-12.2%	Louisville, KY-IN	-0.9%
Boston, MA	-12.0%	Syracuse, NY	-0.9%
Baltimore, MD	-11.9%	Oklahoma City, OK	-0.8%
Newark, NJ	-11.3%	Greenville, SC	-0.7%
New York, NY	-11.1%	Columbia, SC	-0.3%
Salt Lake City, UT	-10.8%	Baton Rouge, LA	-0.2%
Cambridge, MA	-10.4%	Pittsburgh, PA	-0.1%
Portland, OR	-10.4%	Tulsa, OK	*
Minneapolis, MN	-10.3%	Denver-Aurora, CO	*
Camden, NJ	-9.7%	Birmingham, AL	*
Honolulu, HI	-9.7%	Buffalo, NY	*
Grand Rapids, MI	-9.4%	Rochester, NY	*
Allentown, PA	-9.1%	Houston, TX	*
New Haven, CT	-9.1%	Dallas, TX	*
Chicago, IL	-8.9%	Wichita, KS	*
Toledo, OH	-8.6%	Fort Worth, TX	*
Norfolk, VA	-7.9%	Little Rock, AR	*

* Market has not yet peaked.

Sources: FHFA, Foresight Analytics