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OF REALTORS®

2009 California Real Estate Market Update: Sacramento AOR

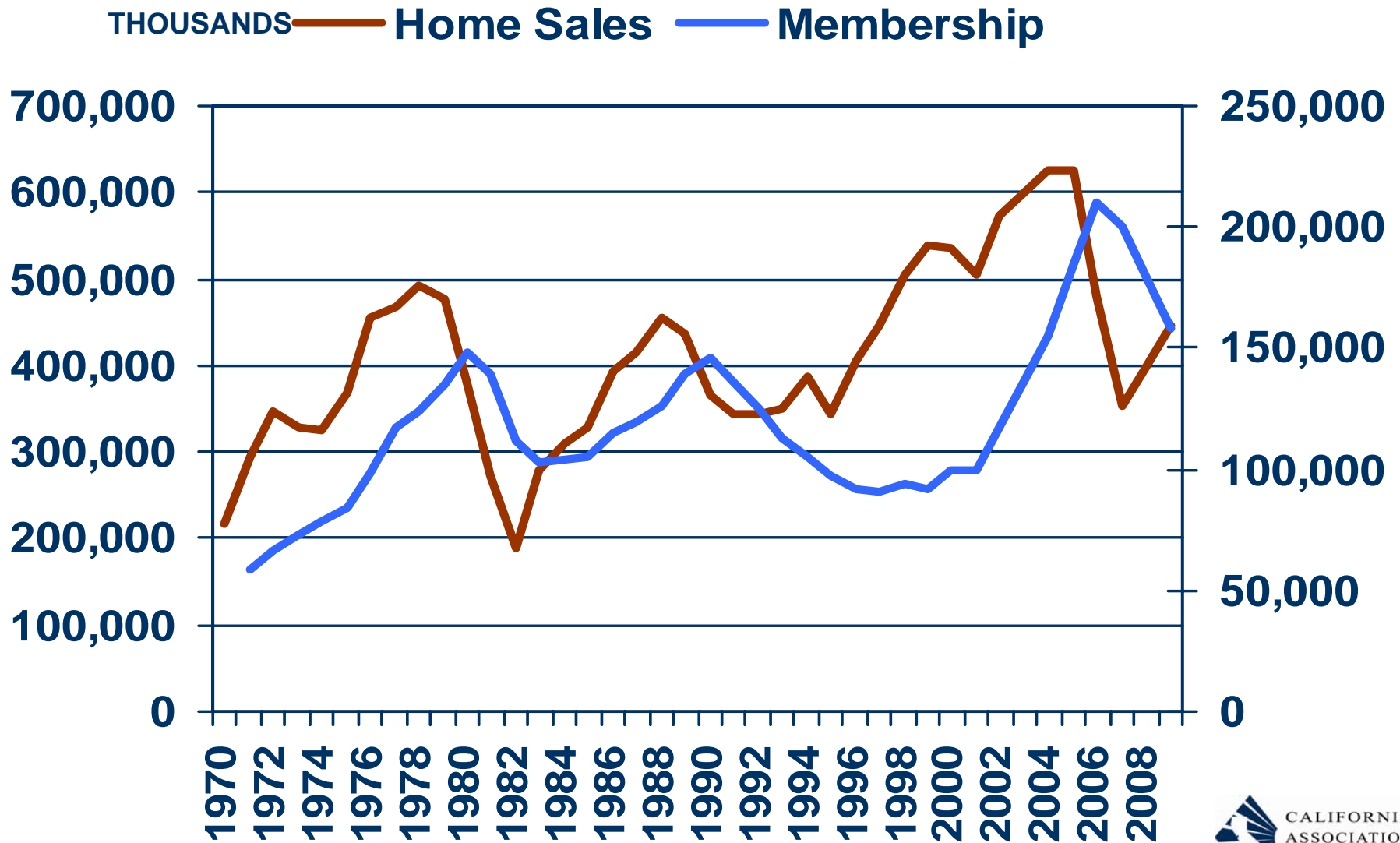
August 25, 2009

Leslie Appleton-Young

C.A.R. Vice President and Chief Economist

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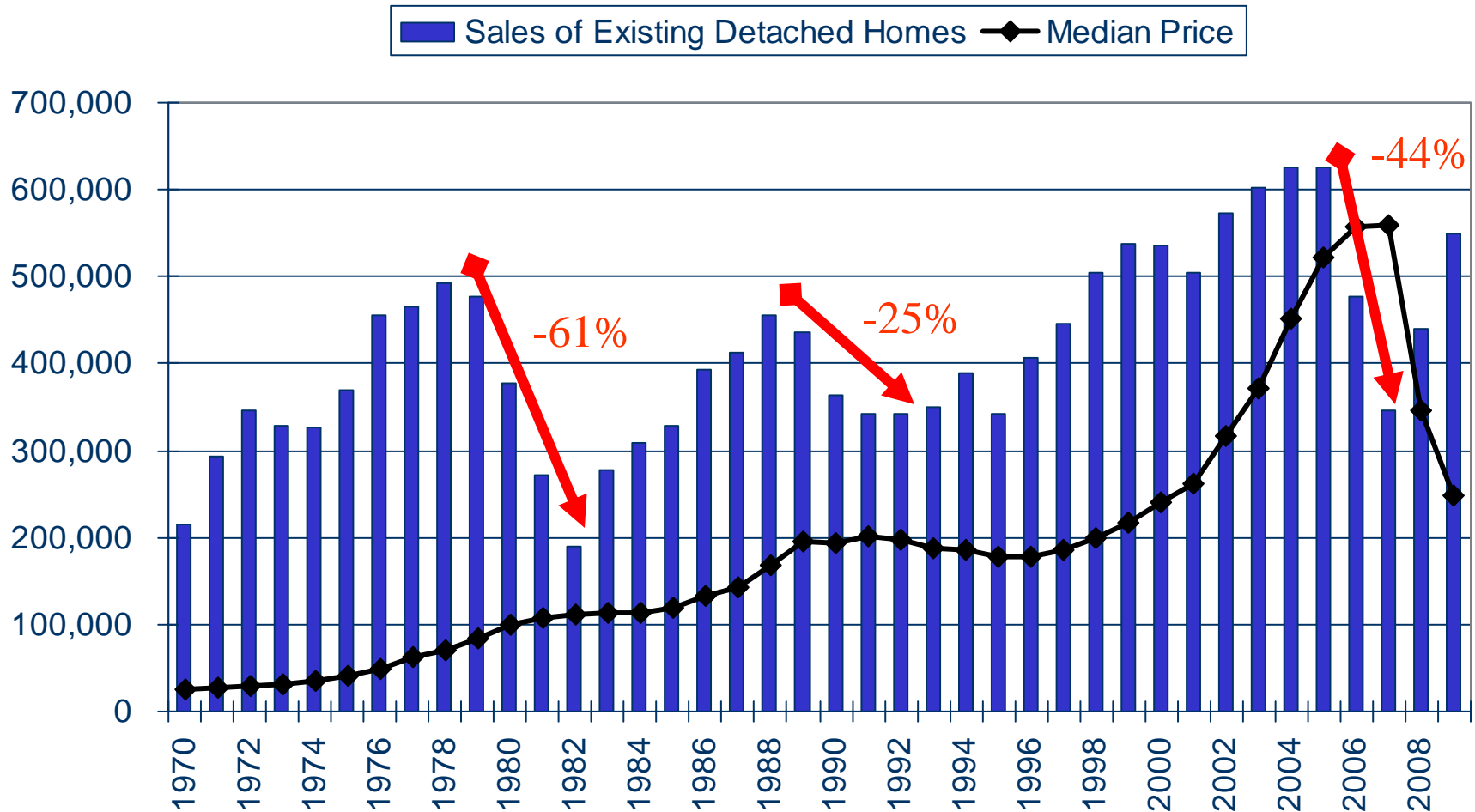
California's Housing Cycles and Membership 1970-2009



Sales Hit Bottom in 2007, Up in 2008 & 2009

California Sales of Existing Homes and Median Price

UNITS/MEDIAN PRICE \$



SOURCE: California Association of REALTORS®

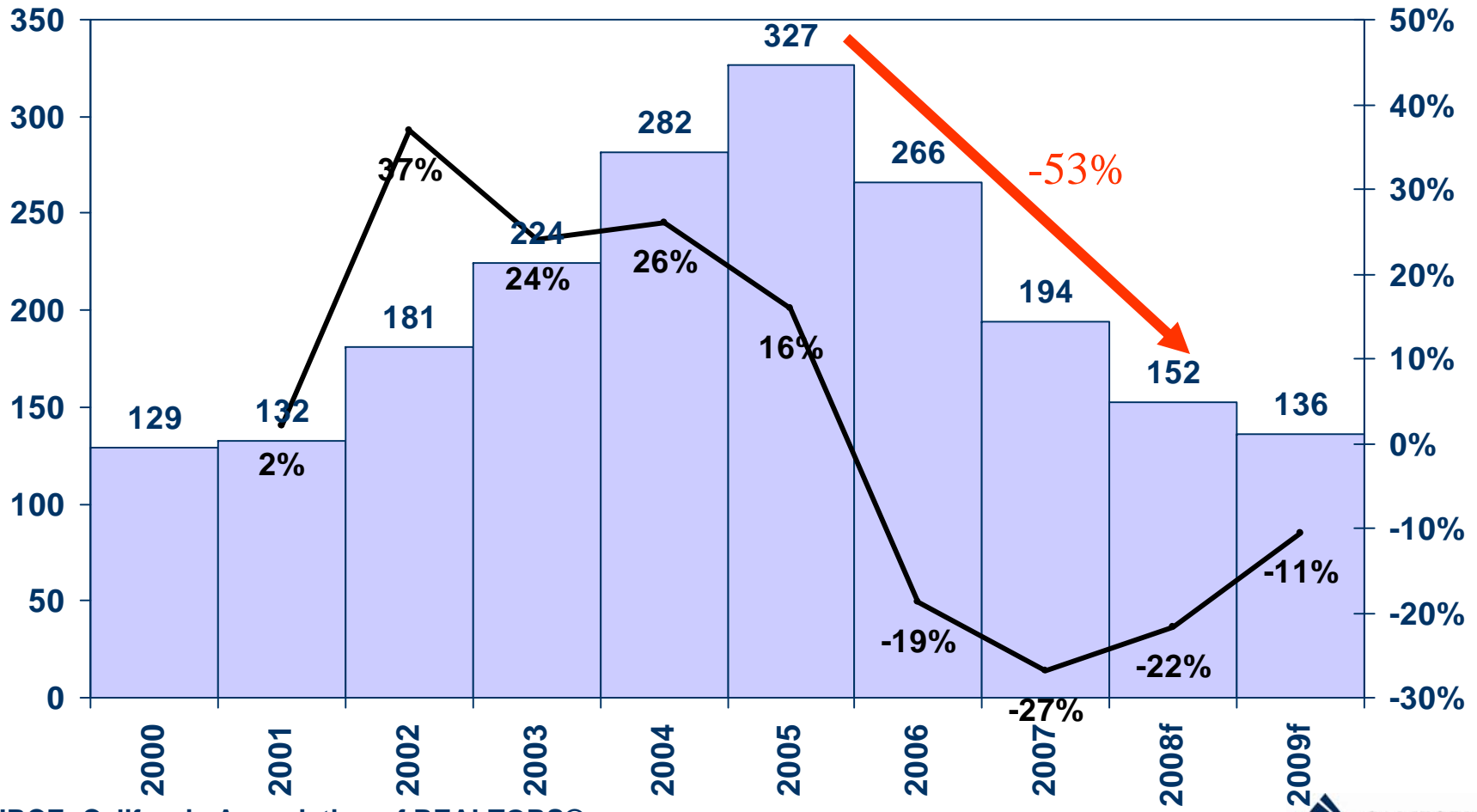


Dollar Volume of Sales Peaked in 2005 Down 53% Thru 2008

\$ in Billion

% Change

■ \$ Volume of Sales — Percent Change

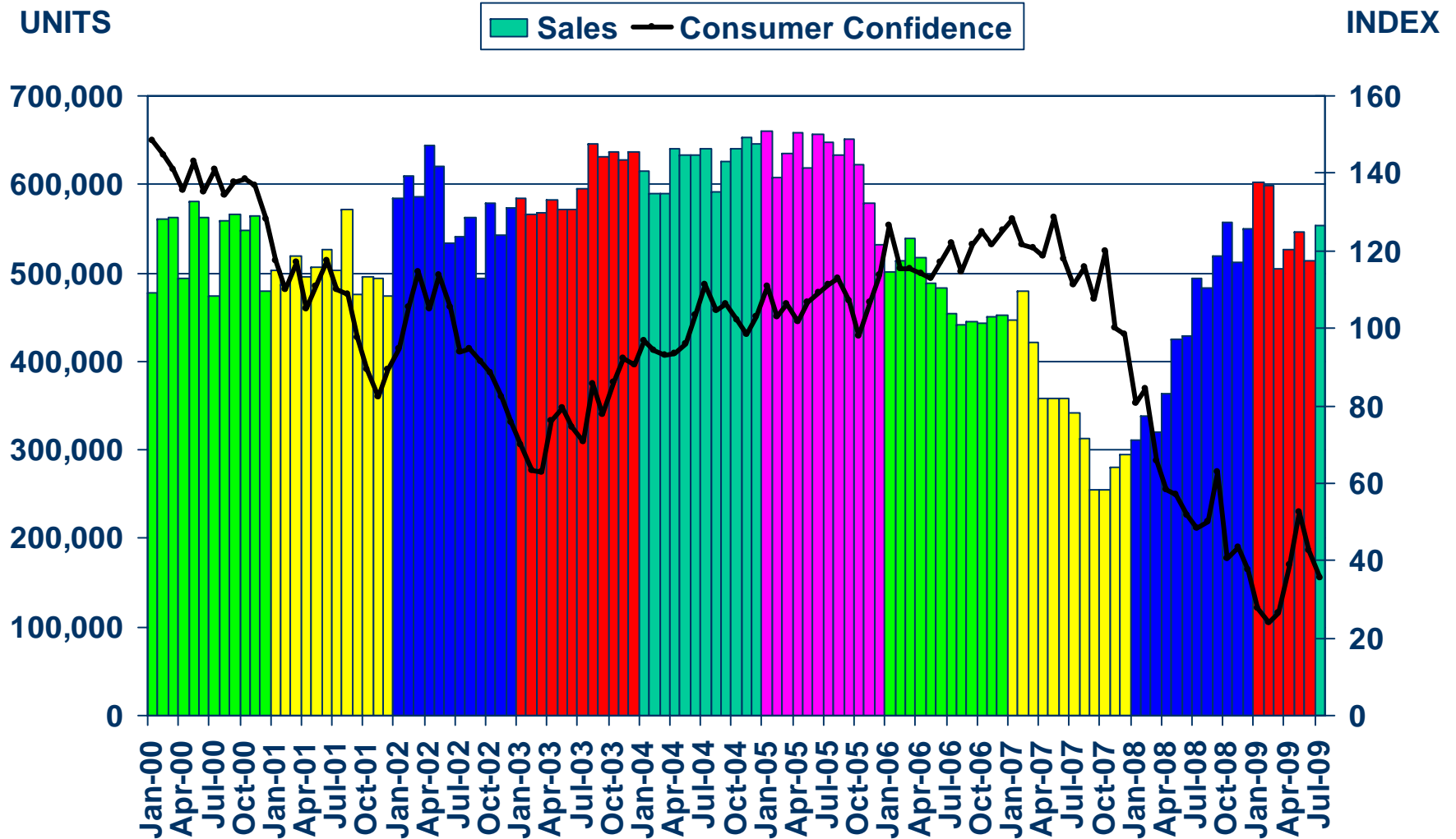


SOURCE: California Association of REALTORS®



Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, July 2009 Sales: 553,910 Units, Up 43.4% YTD, Up 12.0% YTY



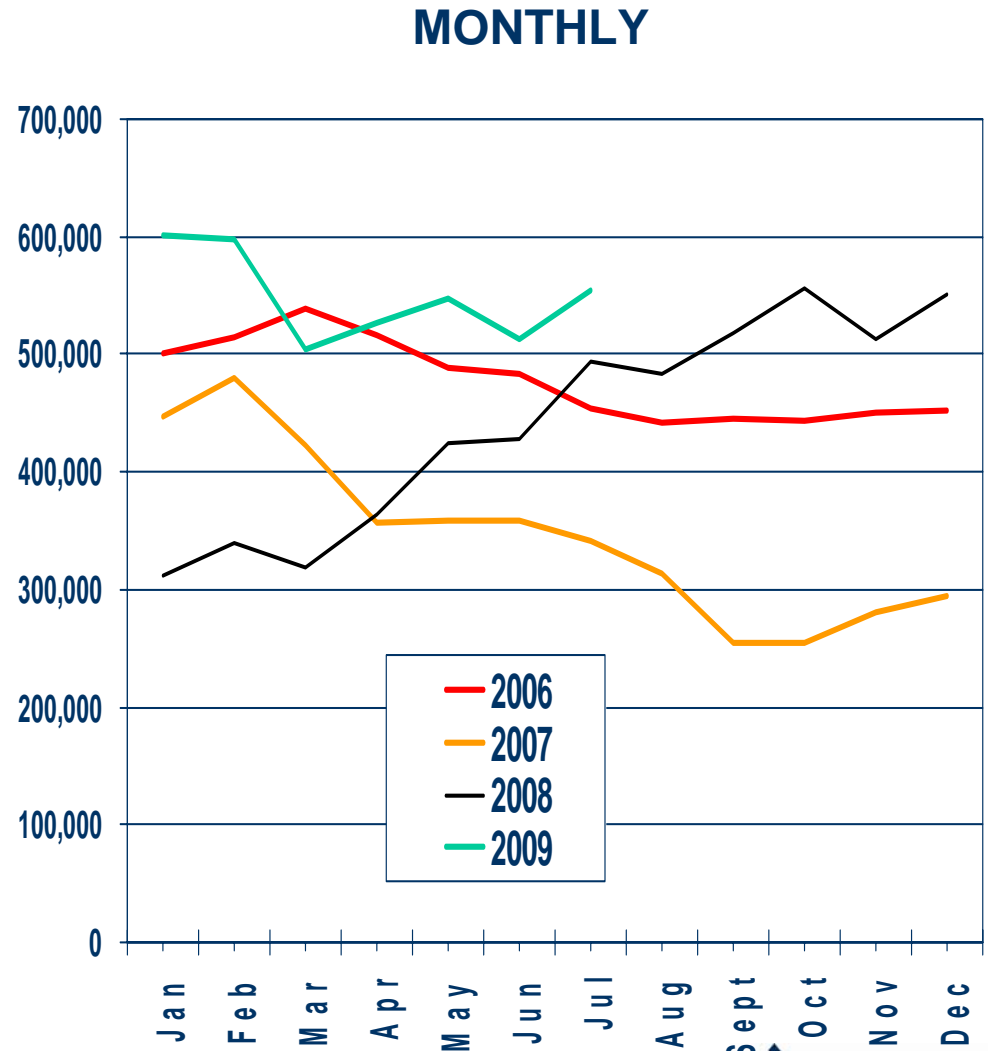
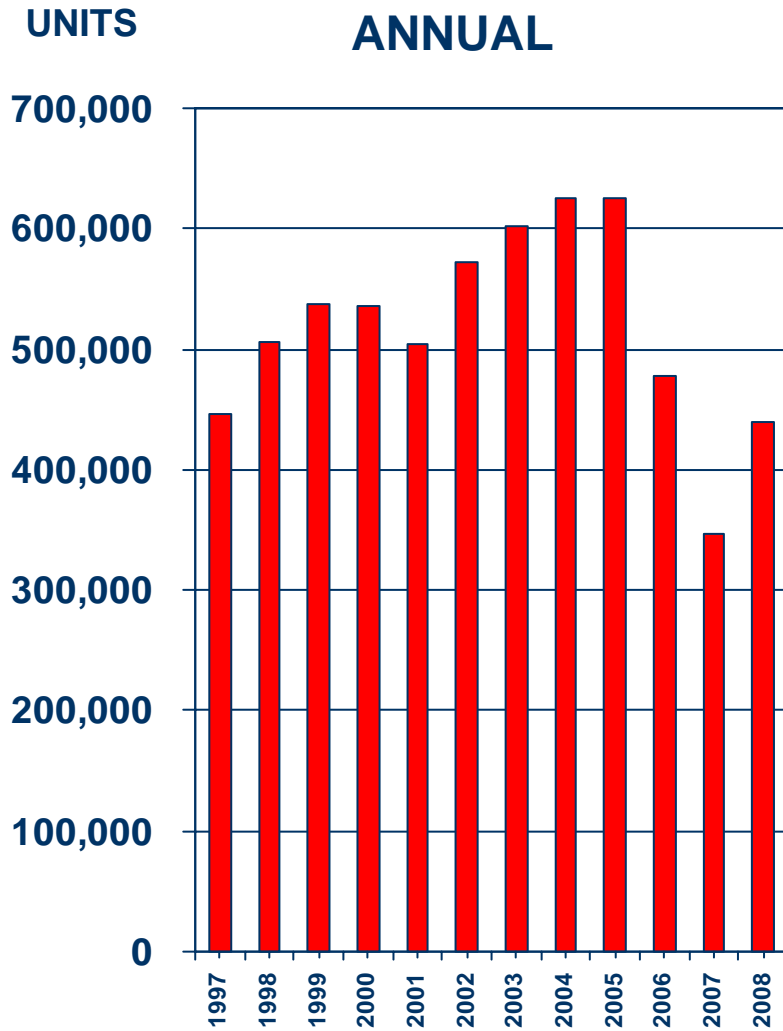
SOURCE: California Association of REALTORS®; The Conference Board

*Sales are seasonally adjusted and annualized



Sales of Existing Detached Homes

California, 2008 Sales: 439,830 Units, Up 26.8% YTY



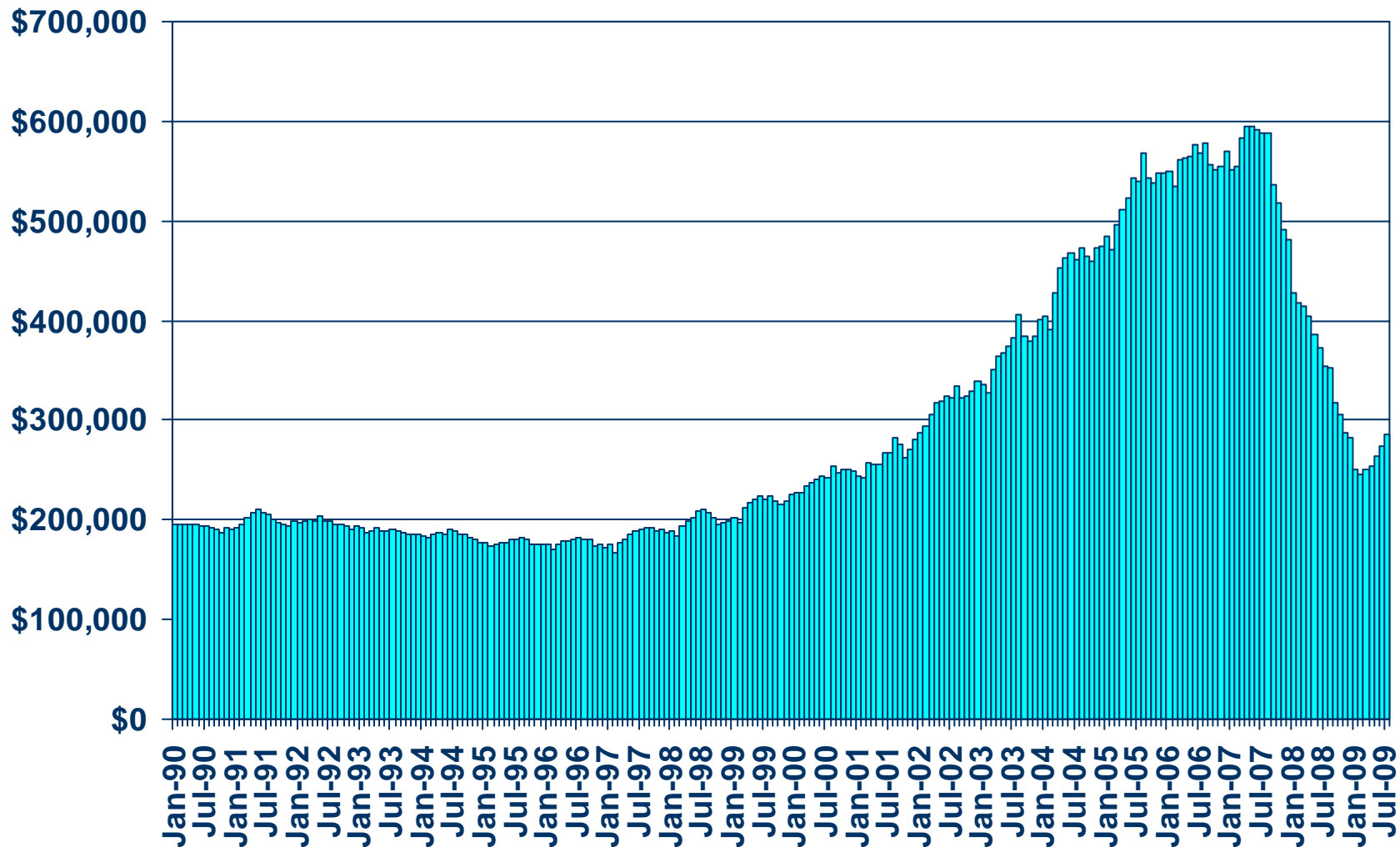
SOURCE: California Association of REALTORS®

*Sales are seasonally adjusted and annualized



Median Price of Existing Detached Homes

California, July 2009: \$285,480, Down 19.6% YTY



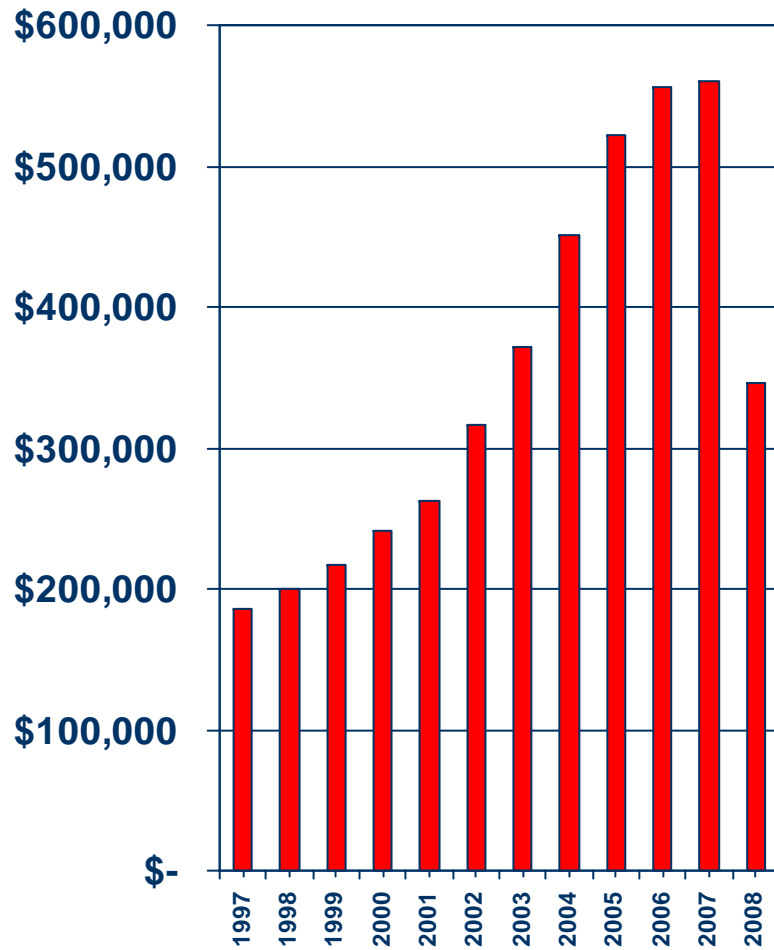
SOURCE: California Association of REALTORS®



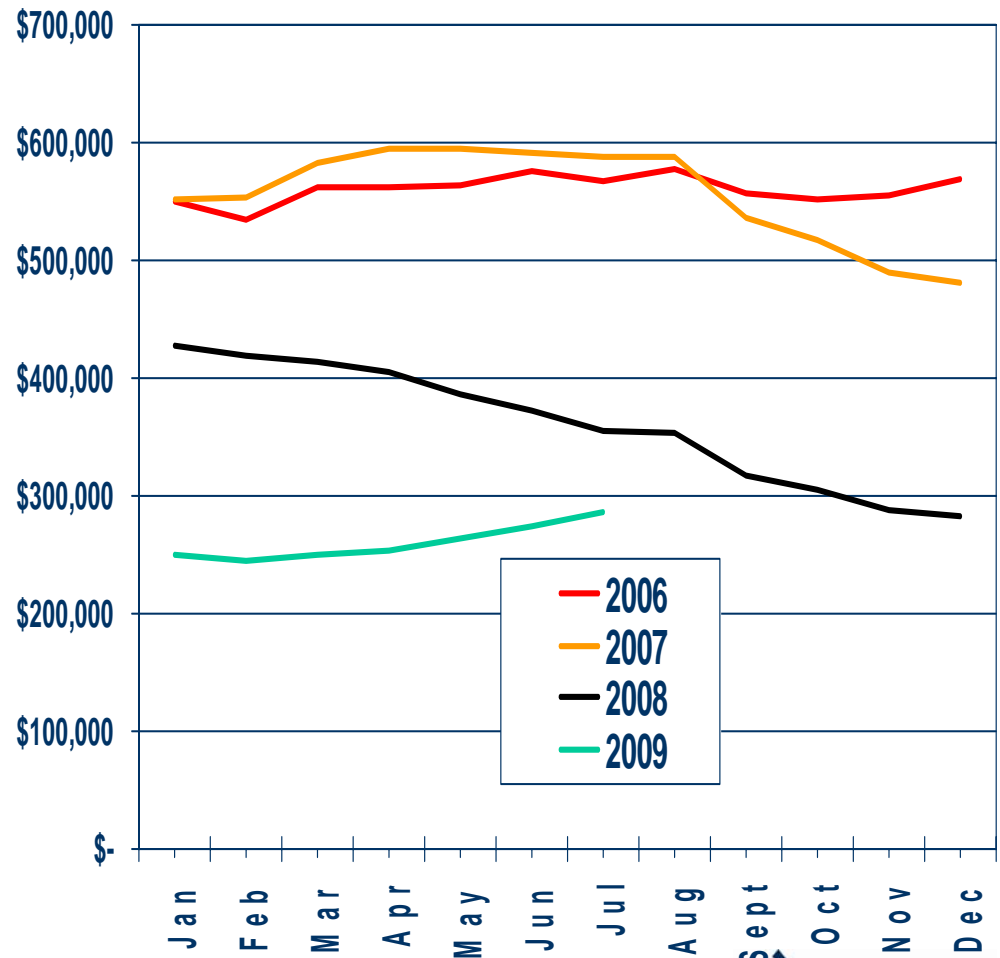
Median Price Annual Comparison

California, 2008: \$346,410, Down 38.2% YTY

ANNUAL



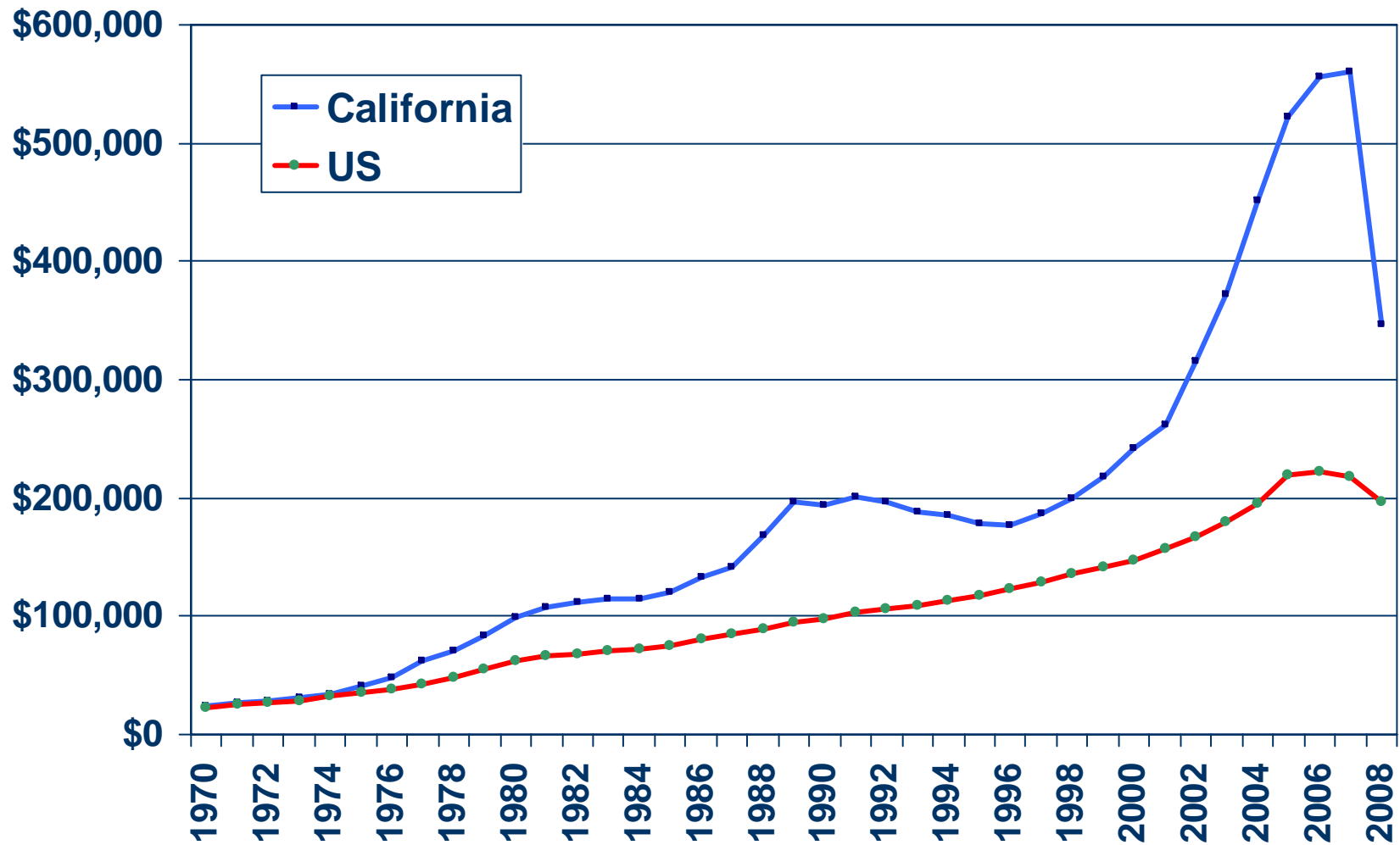
MONTHLY



SOURCE: California Association of REALTORS®

California vs U.S. Median Prices

1970-2008



SOURCE: California Association of REALTORS®



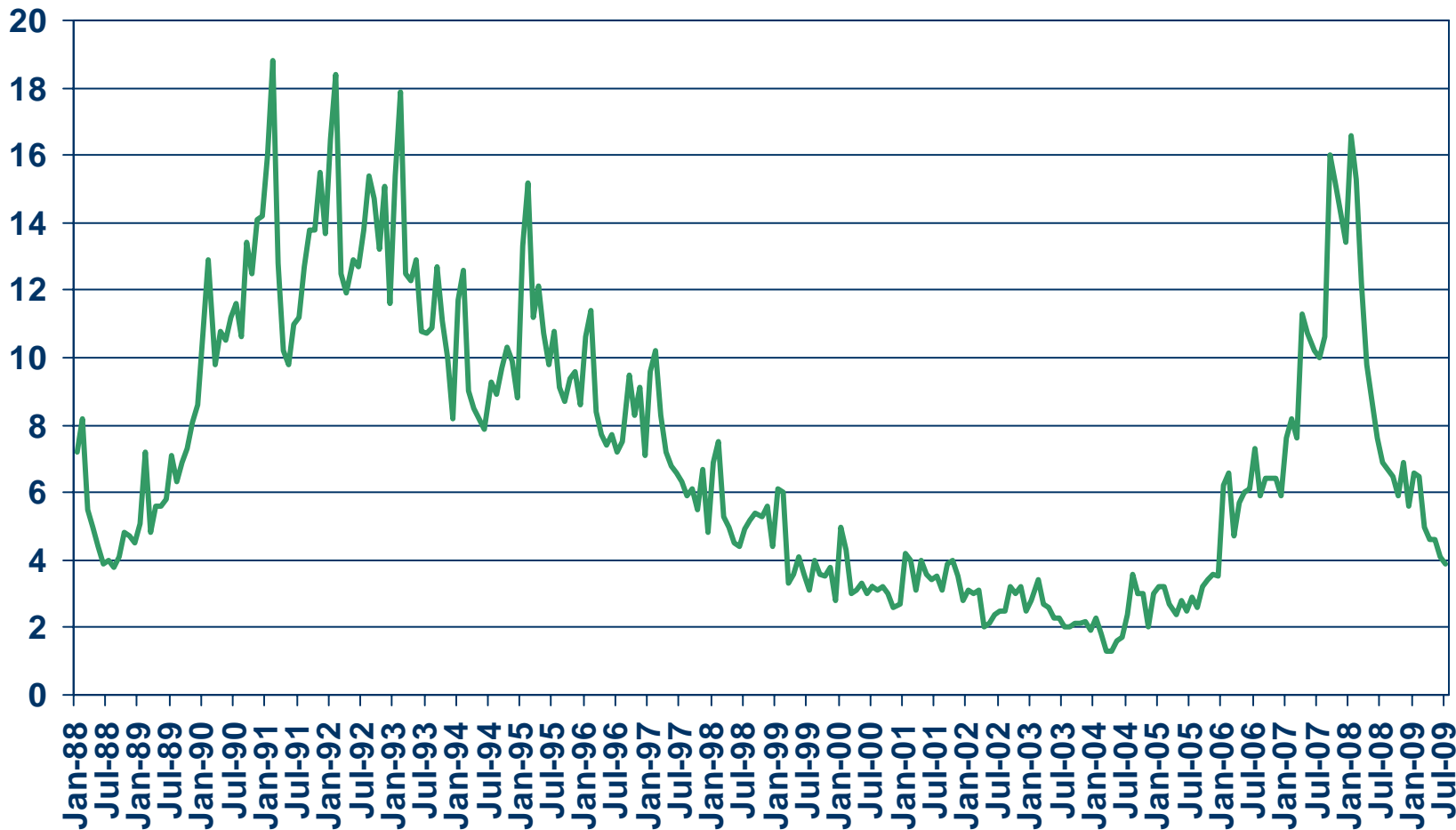
Peak vs Current Price - July 2009

| Region | Peak Month | Peak Price | Jul-09 Median | % Chg From Peak |
|---------------------------|------------|------------|---------------|-----------------|
| High Desert | Apr-06 | \$334,860 | \$110,650 | -67.0% |
| Monterey Region | Aug-07 | \$798,210 | \$283,650 | -64.5% |
| Riverside/San Bernardino | Jan-07 | \$415,160 | \$165,460 | -60.1% |
| Palm Springs/Lower Desert | Jun-05 | \$393,370 | \$163,080 | -58.5% |
| Sacramento | Aug-05 | \$394,450 | \$183,840 | -53.4% |
| CALIFORNIA | May-07 | \$594,530 | \$285,480 | -52.0% |
| Northern Wine Country | Jan-06 | \$645,080 | \$360,390 | -44.1% |
| Los Angeles | Aug-07 | \$605,300 | \$339,430 | -43.9% |
| San Diego | May-06 | \$622,380 | \$372,640 | -40.1% |
| Northern California | Aug-05 | \$440,420 | \$270,730 | -38.5% |
| San Luis Obispo | Jun-06 | \$620,540 | \$394,440 | -36.4% |
| San Francisco Bay Area | May-07 | \$853,910 | \$545,810 | -36.1% |
| Ventura | Aug-06 | \$710,910 | \$456,440 | -35.8% |
| Orange County | Apr-07 | \$747,260 | \$500,210 | -33.1% |
| Santa Clara | Apr-07 | \$868,410 | \$587,000 | -32.4% |

Unsold Inventory Index

California, July 2009: 3.9 Months

MONTHS

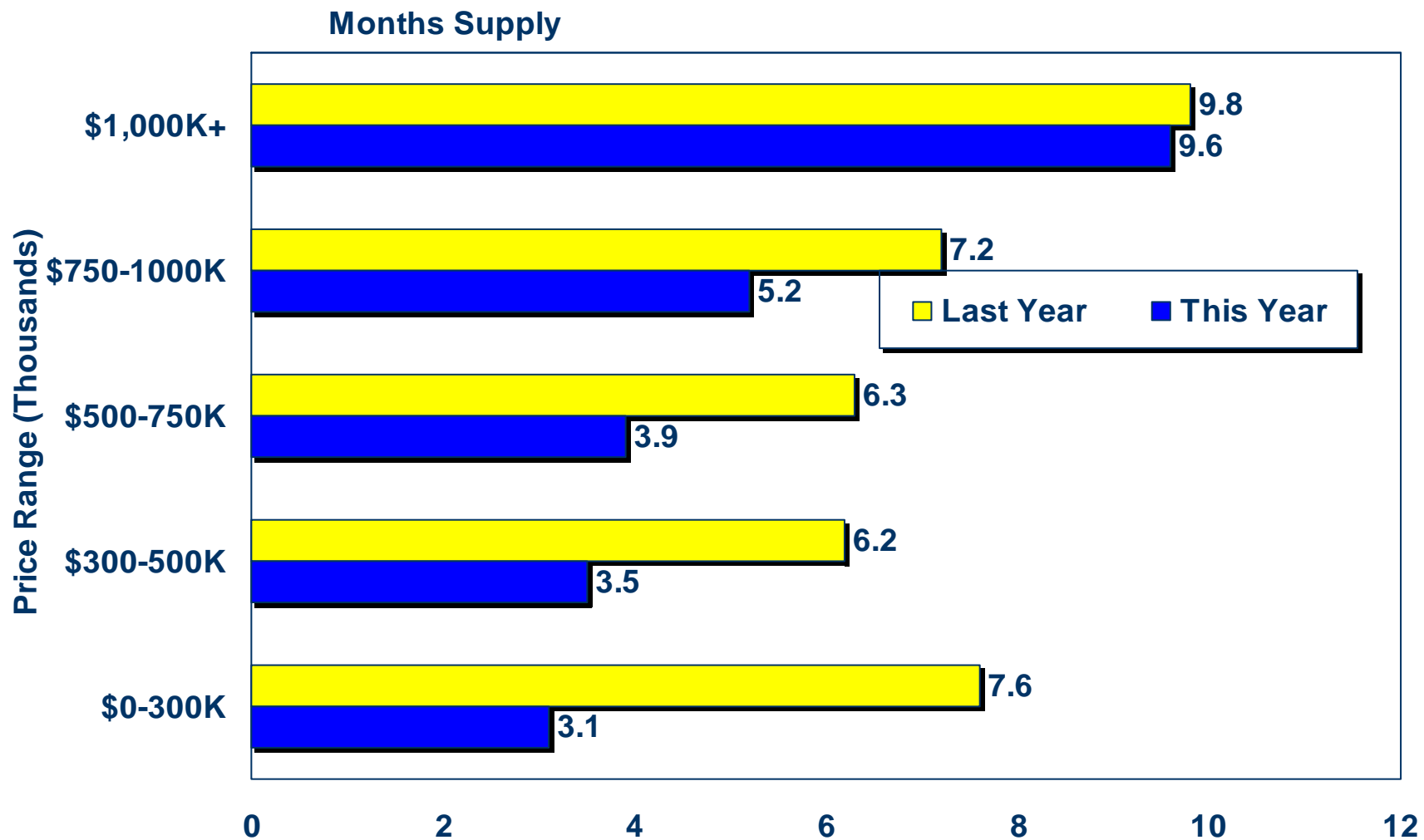


SOURCE: California Association of REALTORS®



Unsold Inventory By Price Range

California - Existing Homes July 2009 vs. July 2008



SOURCE: California Association of REALTORS®



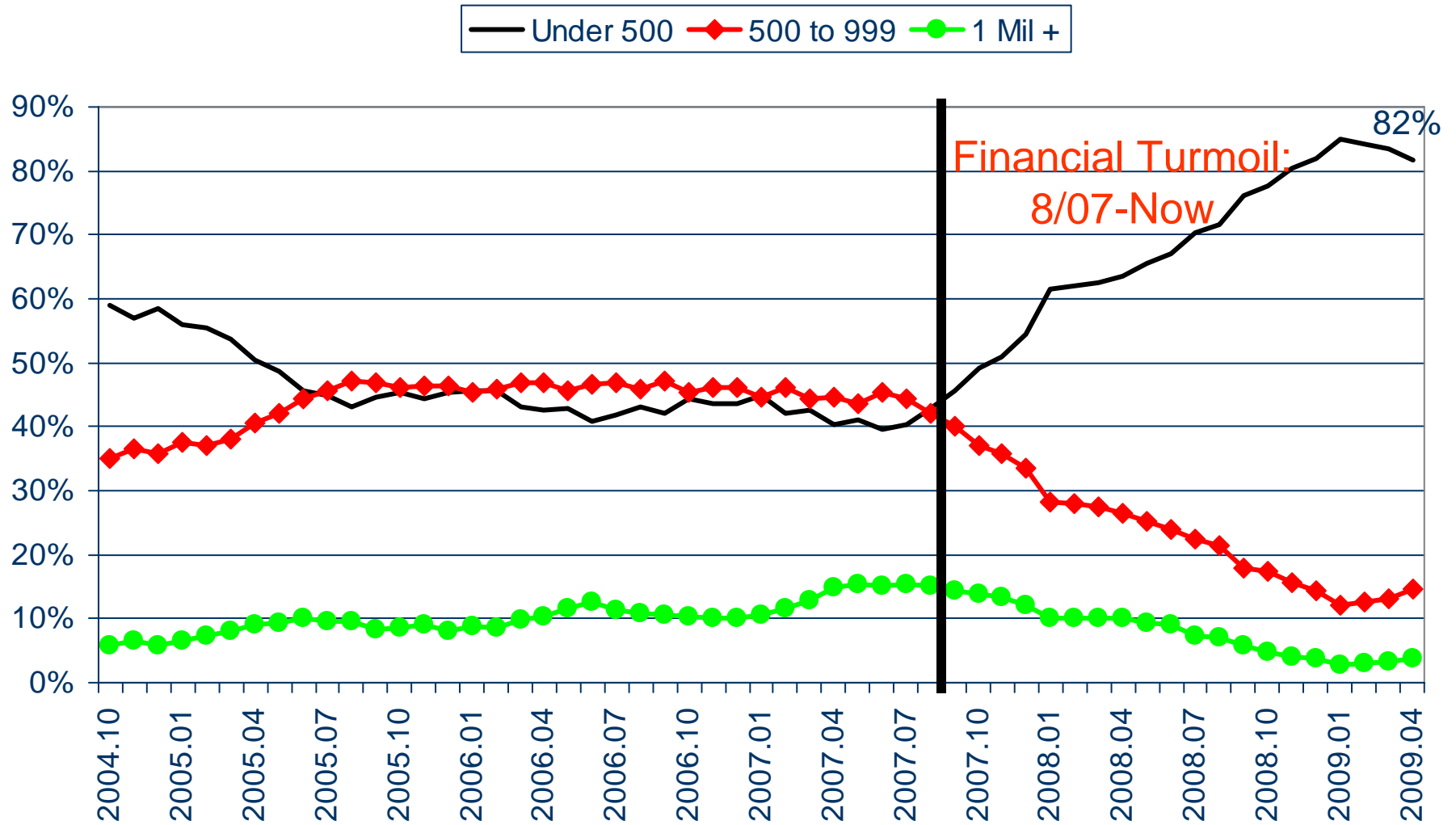
Unsold Inventory Index (Months)

| Price Range (Thousand) | Jul-09 | Jun-09 | Jul-08 |
|------------------------|--------|--------|--------|
| \$1,000K+ | 9.6 | 11.3 | 9.8 |
| \$750-1000K | 5.2 | 6.3 | 7.2 |
| \$500-750K | 3.9 | 4.1 | 6.3 |
| \$300-500K | 3.5 | 3.6 | 6.2 |
| \$0-300K | 3.1 | 3.0 | 7.6 |

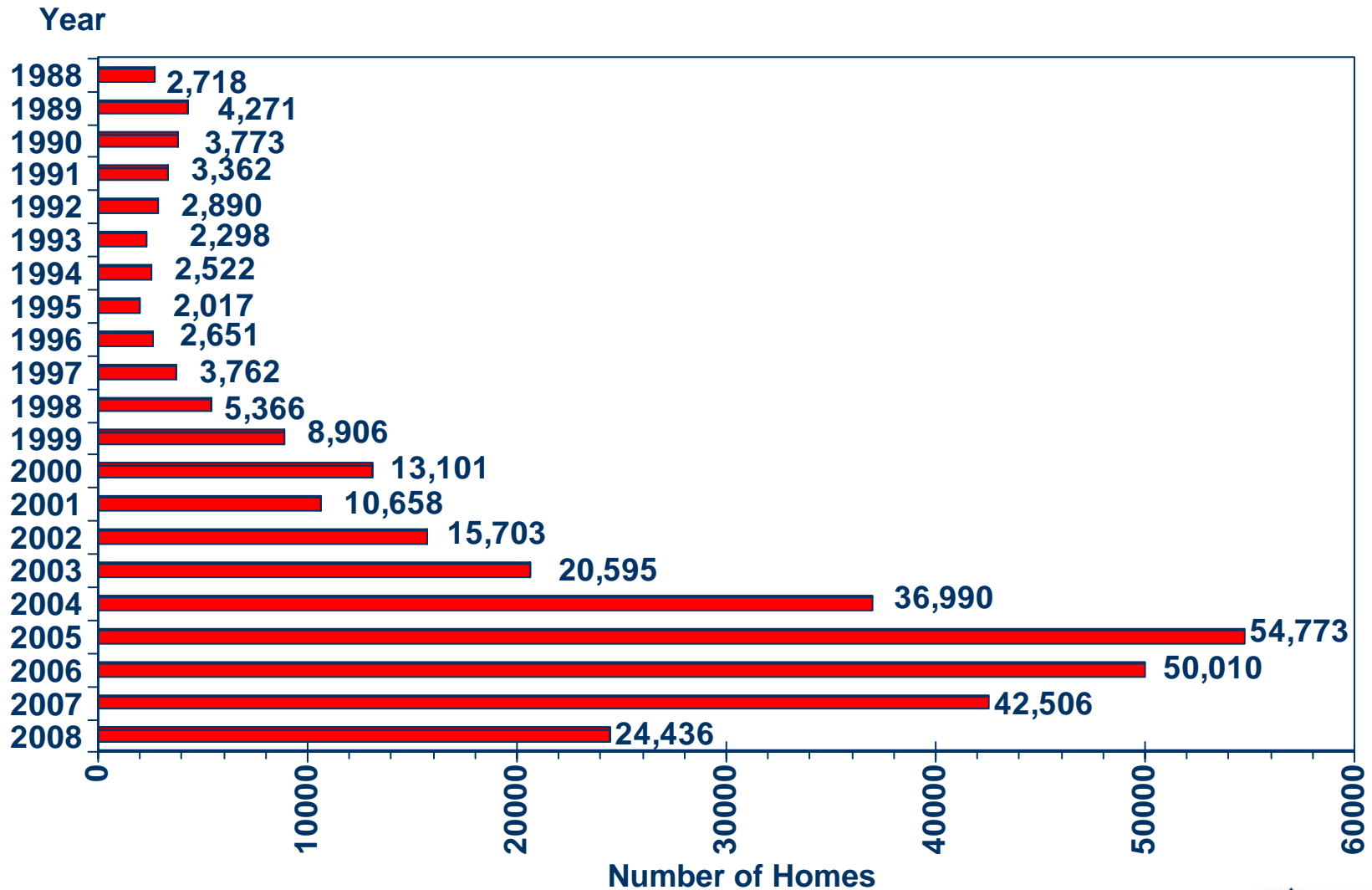
SOURCE: California Association of REALTORS®



Sales By Price Range



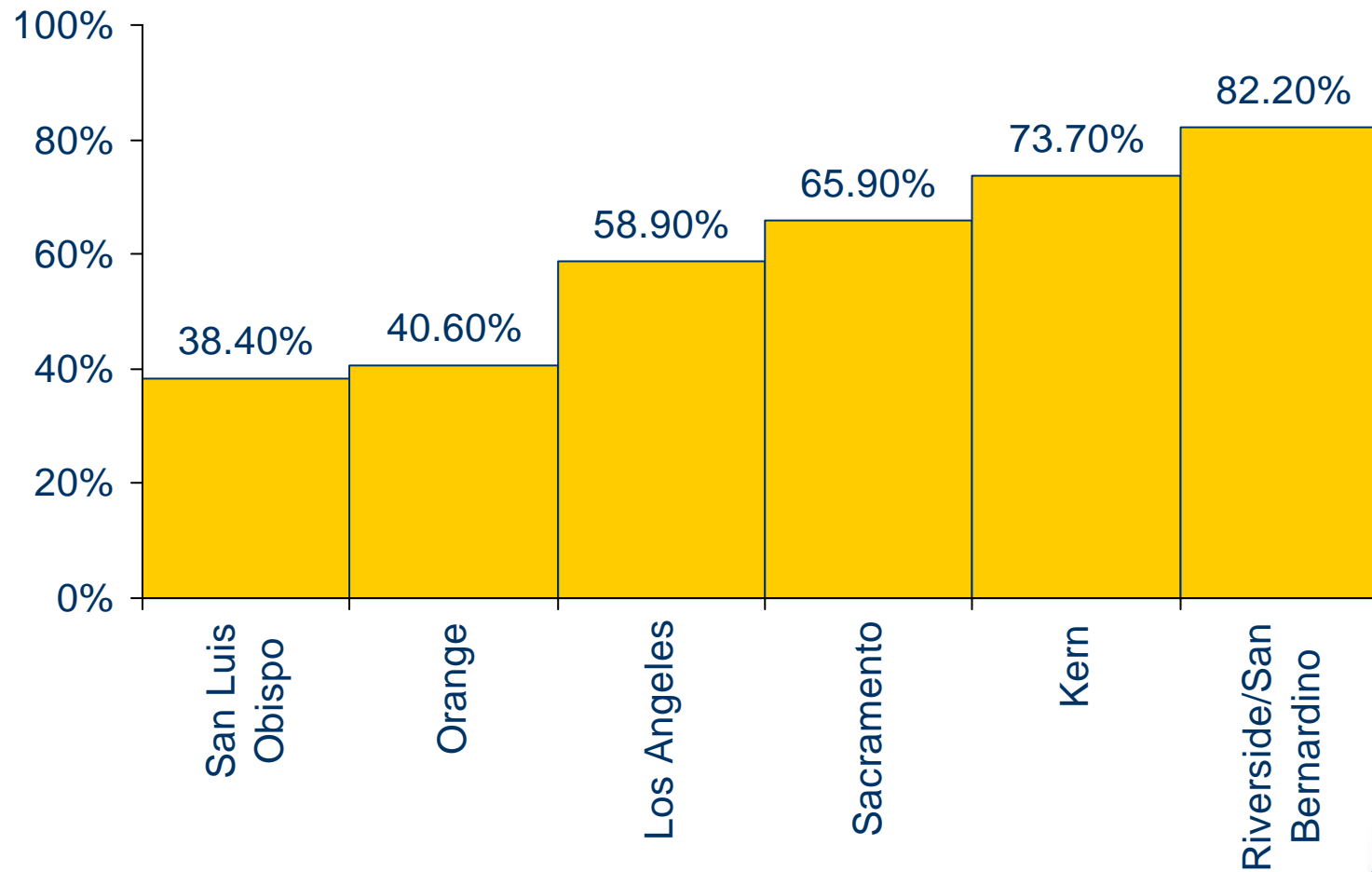
California's Million-Dollar Home Sales



Source: DataQuick Information Systems



Distressed Sales to Total Sales Ratio (July 2009)



Distressed Sales to Total Sales Ratio

| County/Region | Jul-09 | Jun-09 | Mar-09 |
|--------------------------|--------|--------|--------|
| San Luis Obispo | 38.4% | 41.8% | 50.5% |
| Orange | 40.6% | 44.5% | 56.7% |
| Los Angeles | 58.9% | 61.2% | 69.2% |
| Sacramento | 65.9% | 70.6% | 70.5% |
| Kern | 73.7% | 76.9% | 83.5% |
| Riverside/San Bernardino | 82.2% | 83.5% | 87.1% |

SOURCE: California Association of REALTORS®



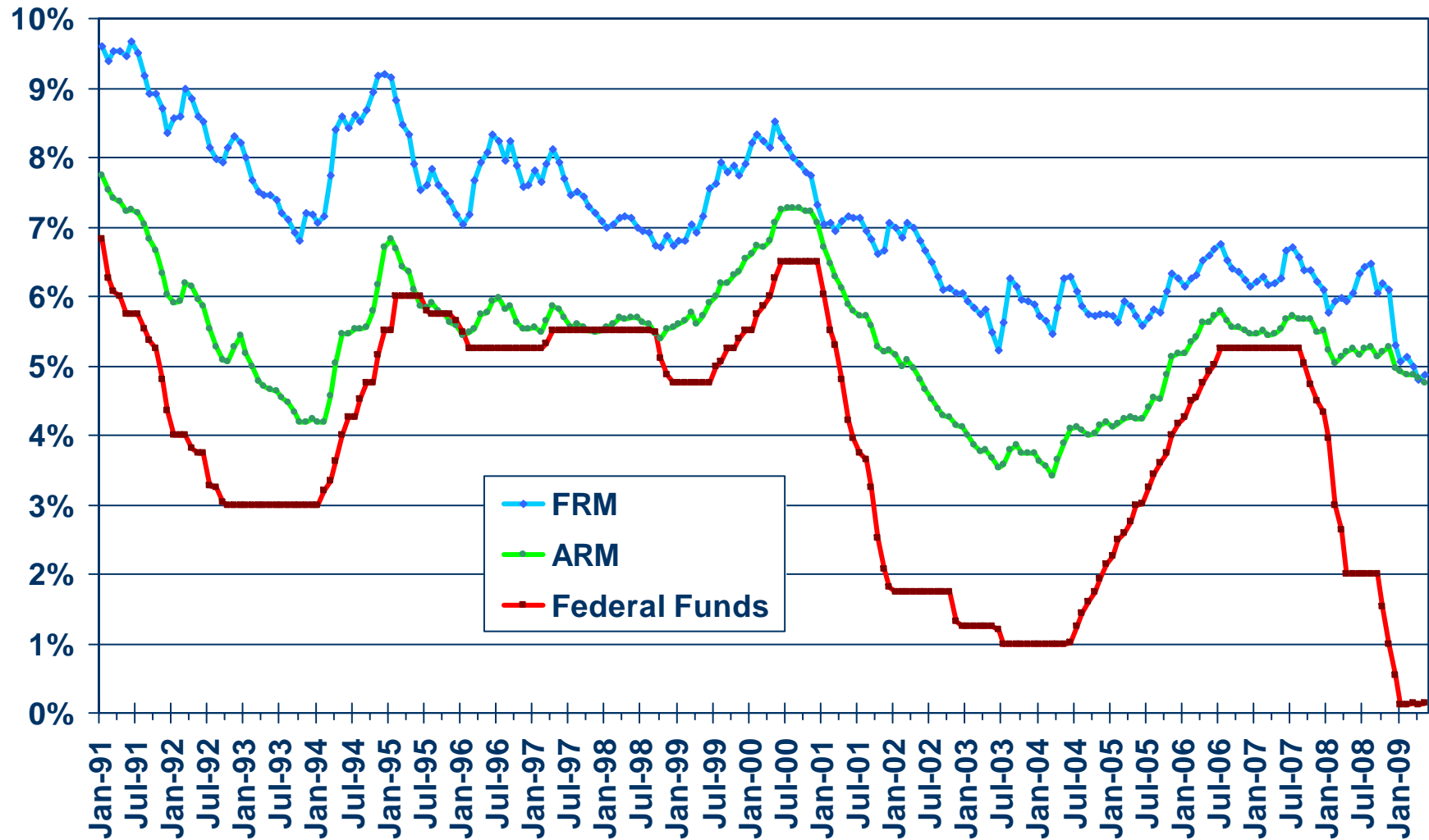


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Financing: No Shortage of Challenges

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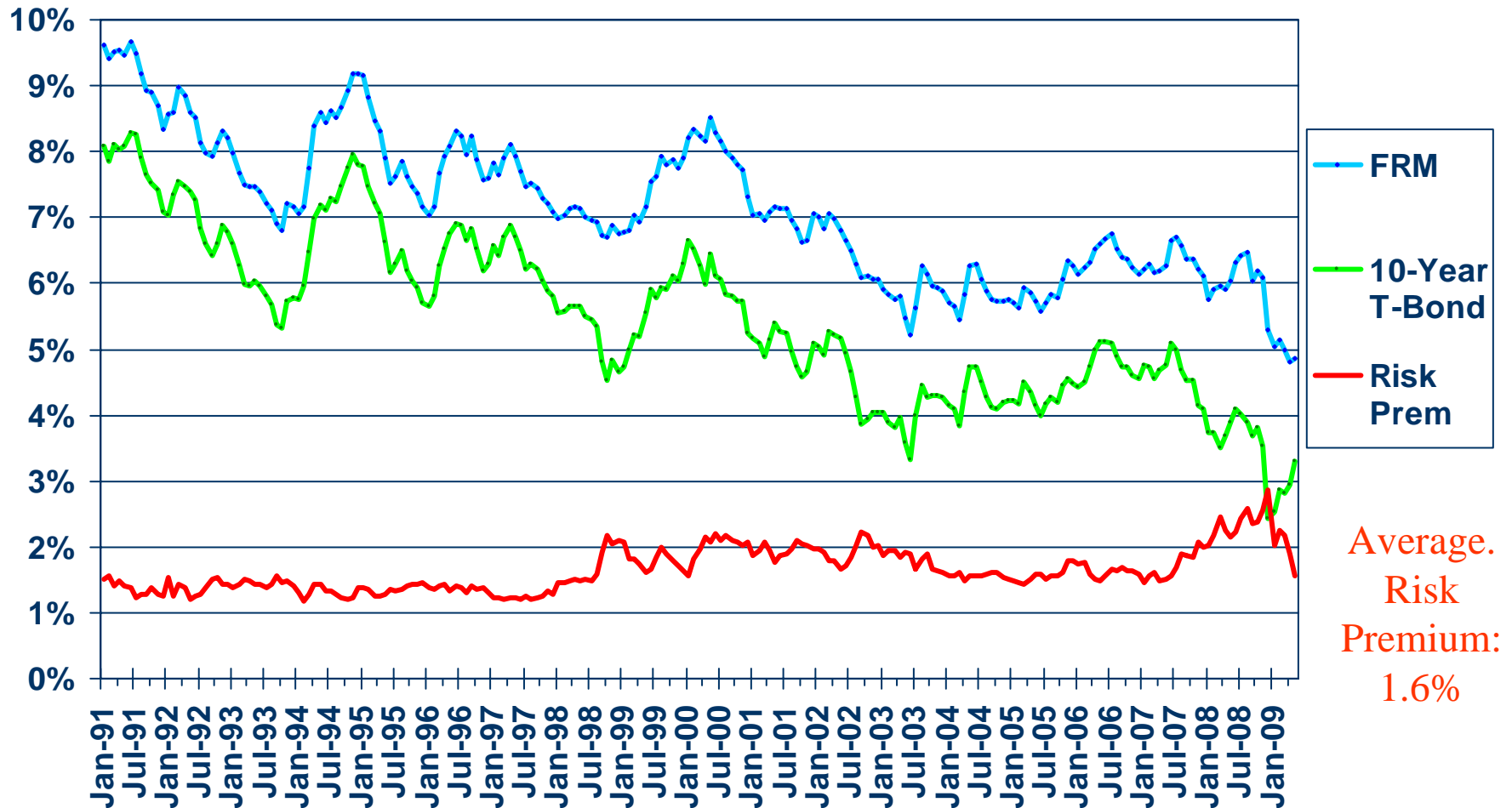
Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation

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

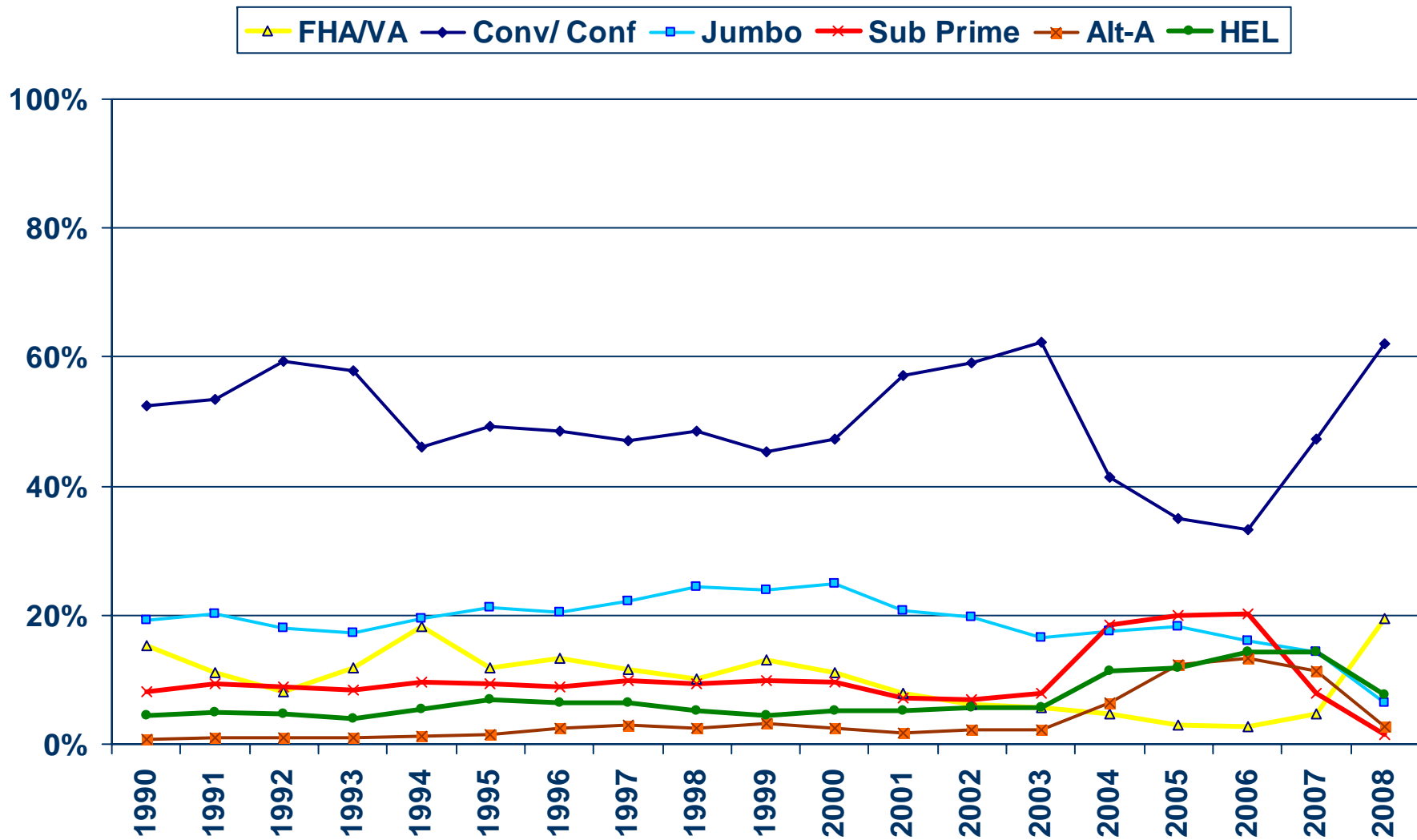
Above-Average Risk Premiums Associated With Mortgage Loans



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

US Mortgage Originations by Type

% of Dollar Volume

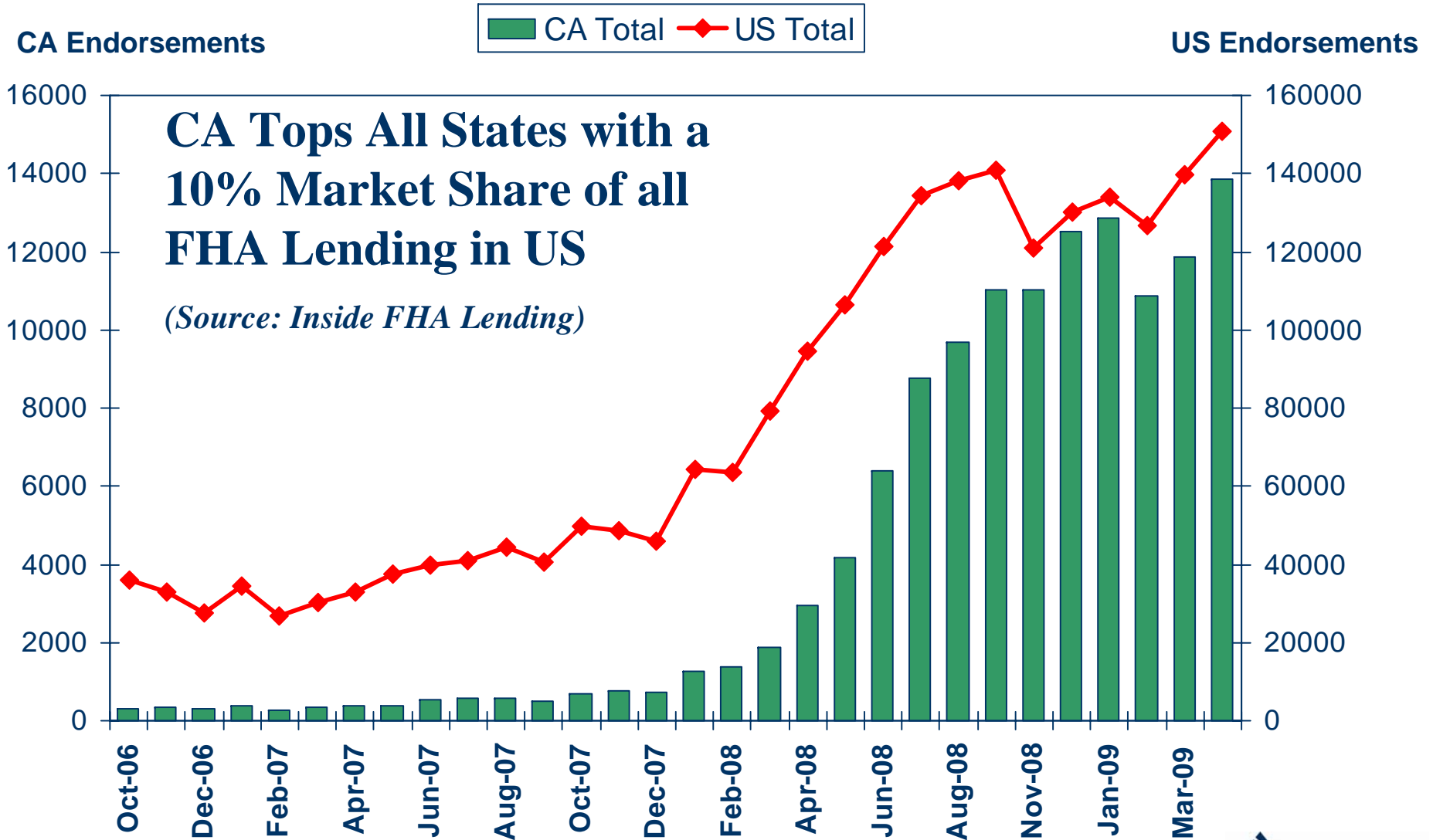


Source: Inside Mortgage Finance, compiled by C.A.R.



FHA Loans in CA

of Total Loans in CA & US

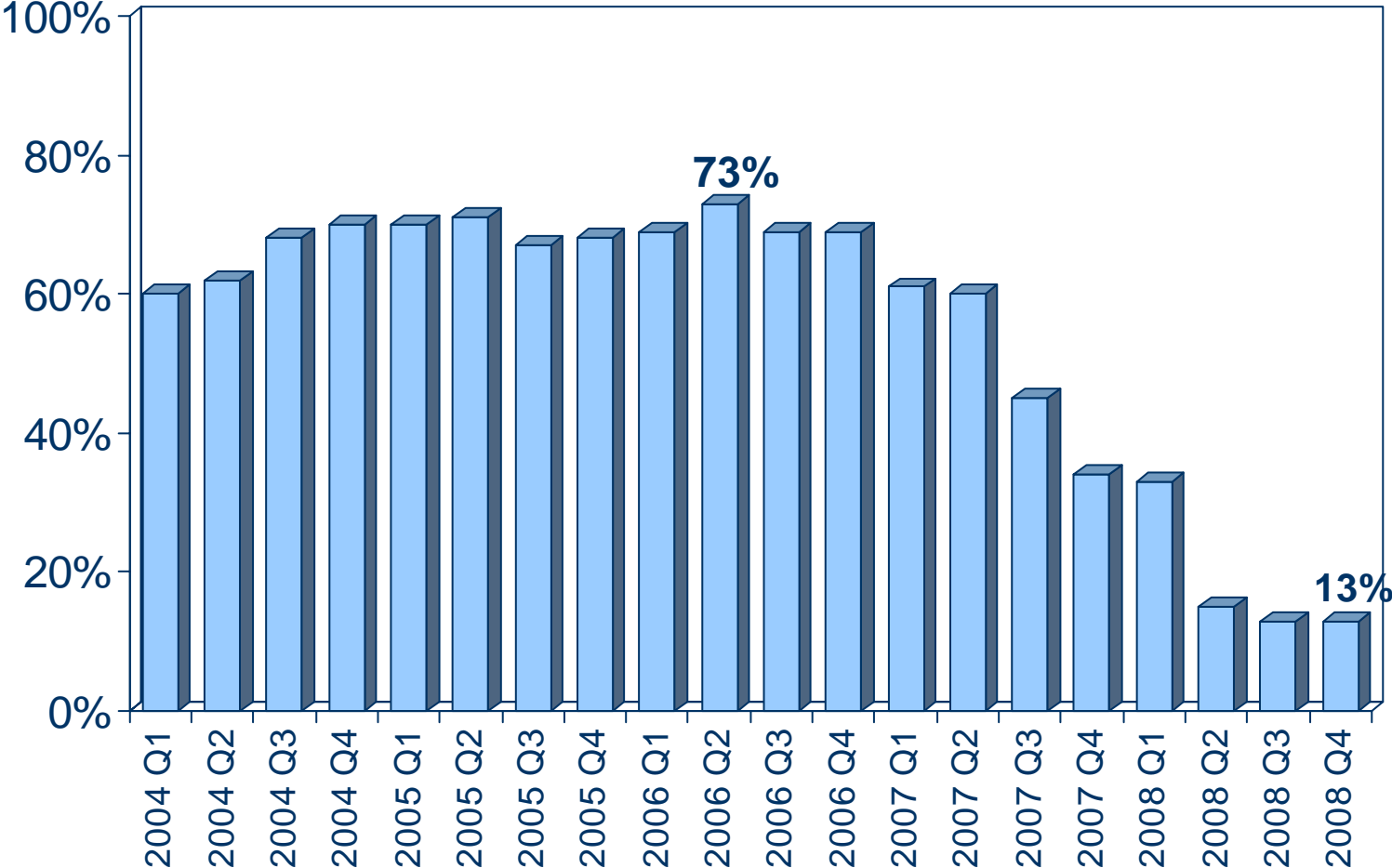


Source: HUD



Non-GSE Share of New Mortgage Originations

2004 - 2008



SOURCE: Inside Mortgage Finance, compiled by C.A.R.



Home Valuation Code of Conduct

In March of 2008 Fannie Mae and Freddie Mac worked with the New York Attorney General's Office to create the HVCC

It is a set of guidelines that lenders must follow when ordering appraisals to be able to sell their home loans to Fannie Mae and Freddie Mac

The original intent of the HVCC was to “help enhance the integrity of the home appraisal process”

The HVCC applies ONLY to Fannie Mae and Freddie

Home Valuation Code of Conduct

Delays in the Transaction

- Appraisal order may take three to five business days
- Impacts interest rate lock
- Impacts Residential Purchase Agreement contingency dates
- Impacts short escrow dates

Home Valuation Code of Conduct

Increased Costs to Consumers

- Appraisal costs have increased
- AMCs take a significant portion of total fee causing the increase in costs to consumers
- Appraiser fee income has been reduced

Home Valuation Code of Conduct

Out of Area Appraiser Being Used

- Inaccurate appraisals
- Multiple appraisal orders
- Properties falling out of escrow

Home Valuation Code of Conduct

State Level

Support SB 237 Calderon

- Creates regulation and oversight of AMCs
- Oversight with the California Office of Real Estate Appraisers

Home Valuation Code of Conduct

Federal Level

Opposed HVCC since originally announced

Support H.R. 3044

- Would place an 18 month moratorium on the HVCC

Submitted comment letters to Fannie Mae, Freddie Mac and Congress

NAR has held meetings with the N.Y. Attorney General's Office, Fannie Mae and Freddie Mac

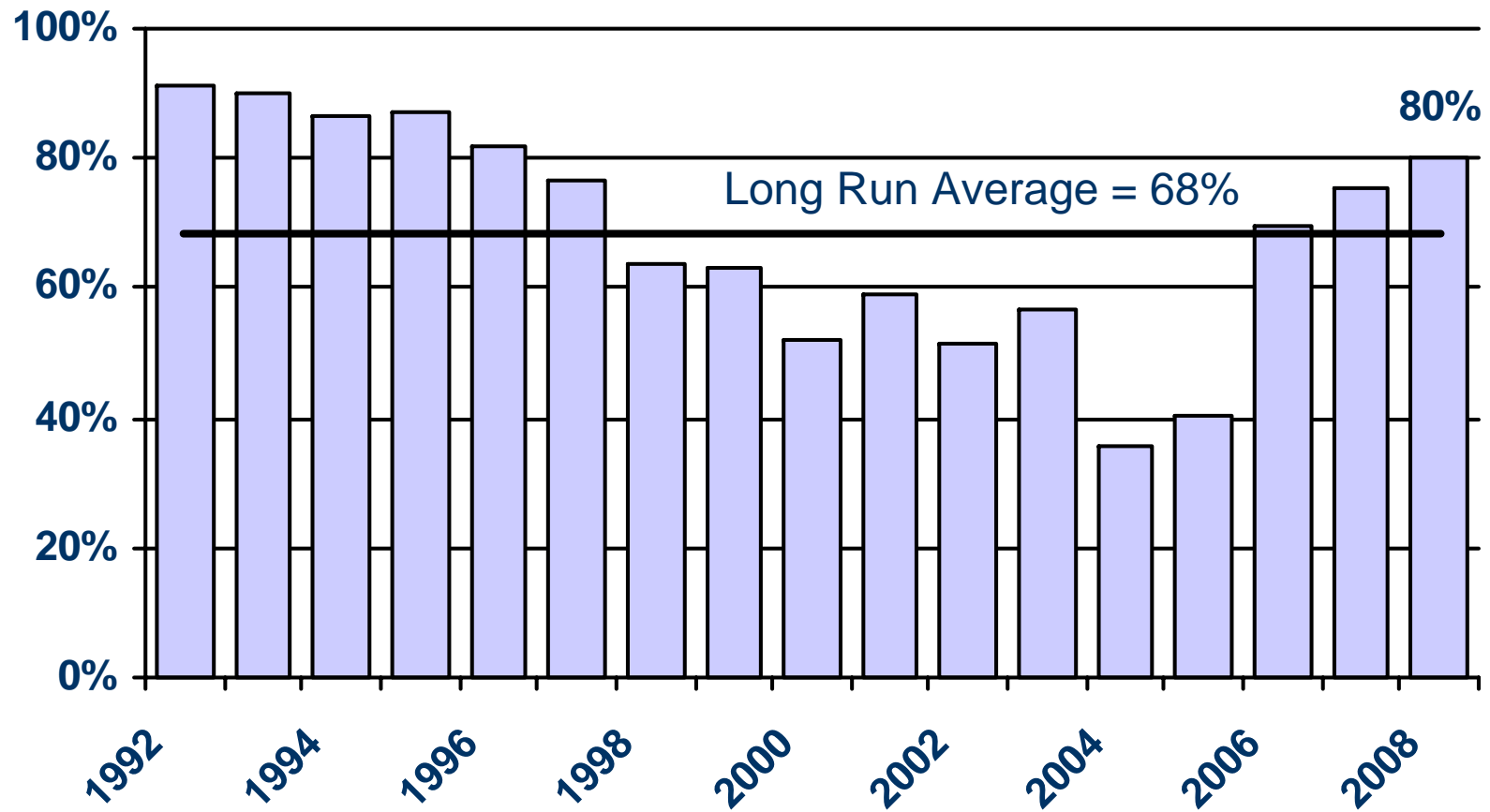


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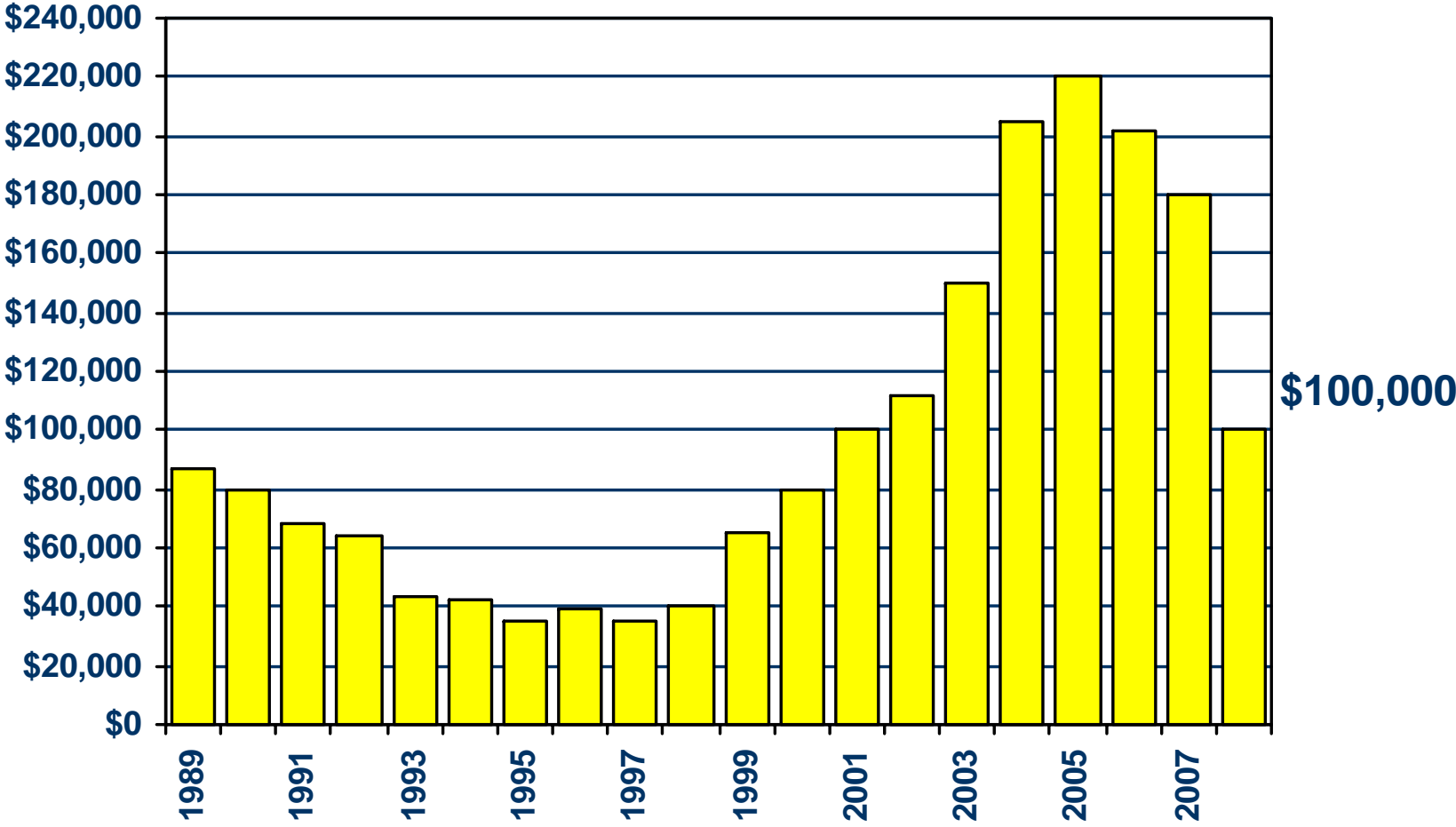
2008 Housing Market Survey: Stressful Time for Sellers

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Percent of Homes Sold with Price Discount

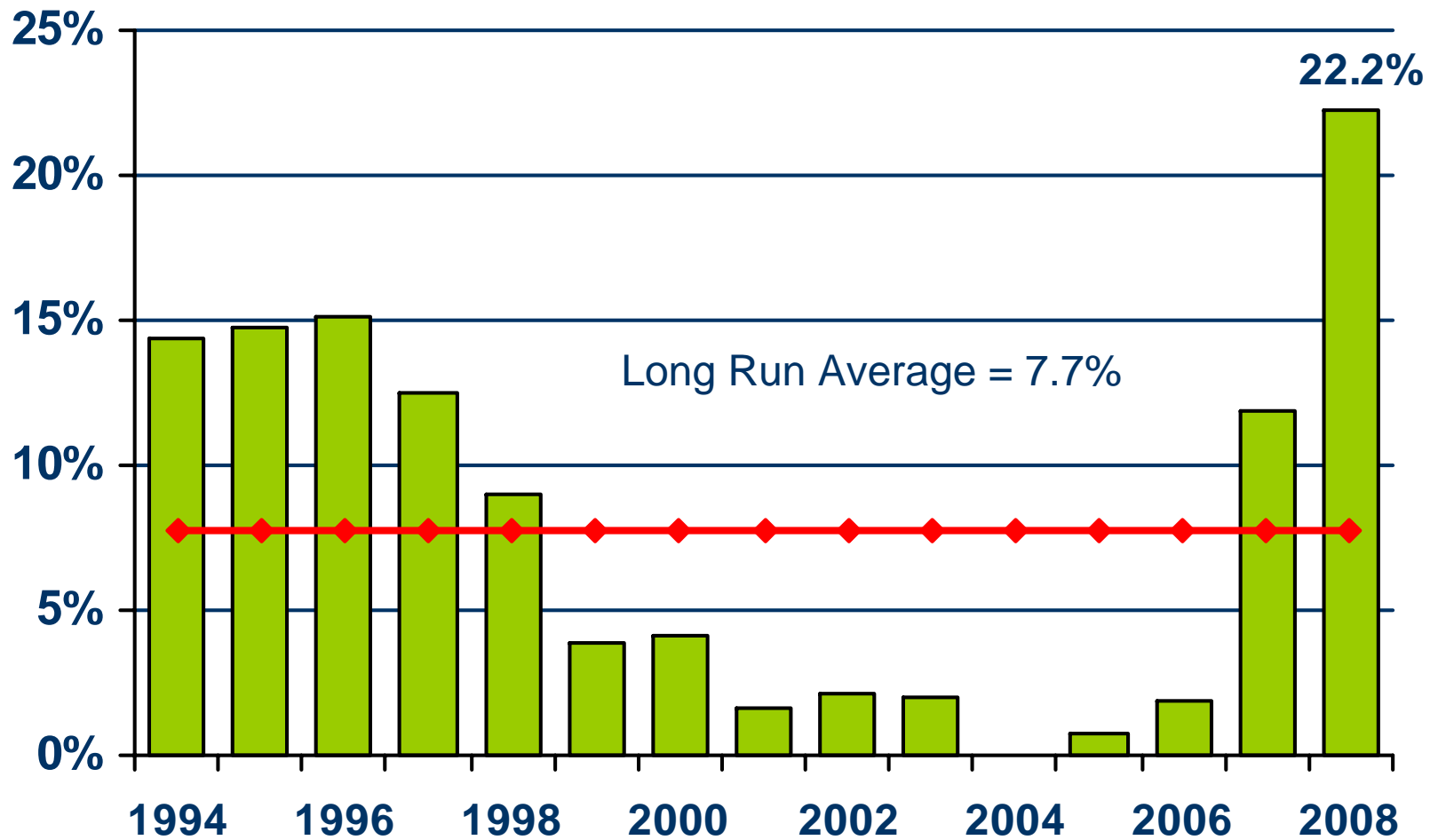


Median Net Cash To Sellers



Net Cash Loss To Sellers

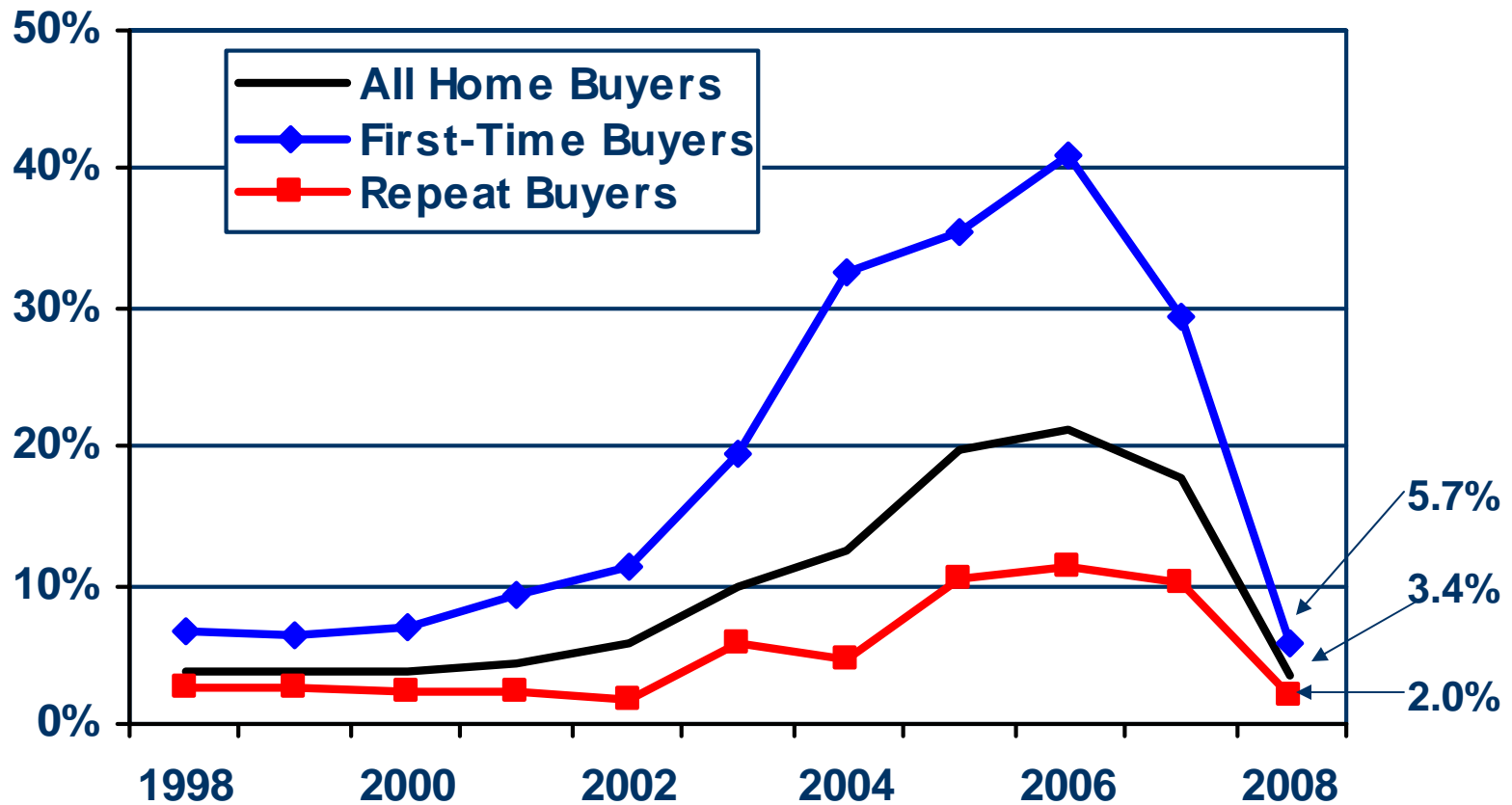
Percent of All Homes



Source: C.A.R. 2008-2009 State of the California Housing Market Report

Percent of Buyers with Zero Downpayment

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



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



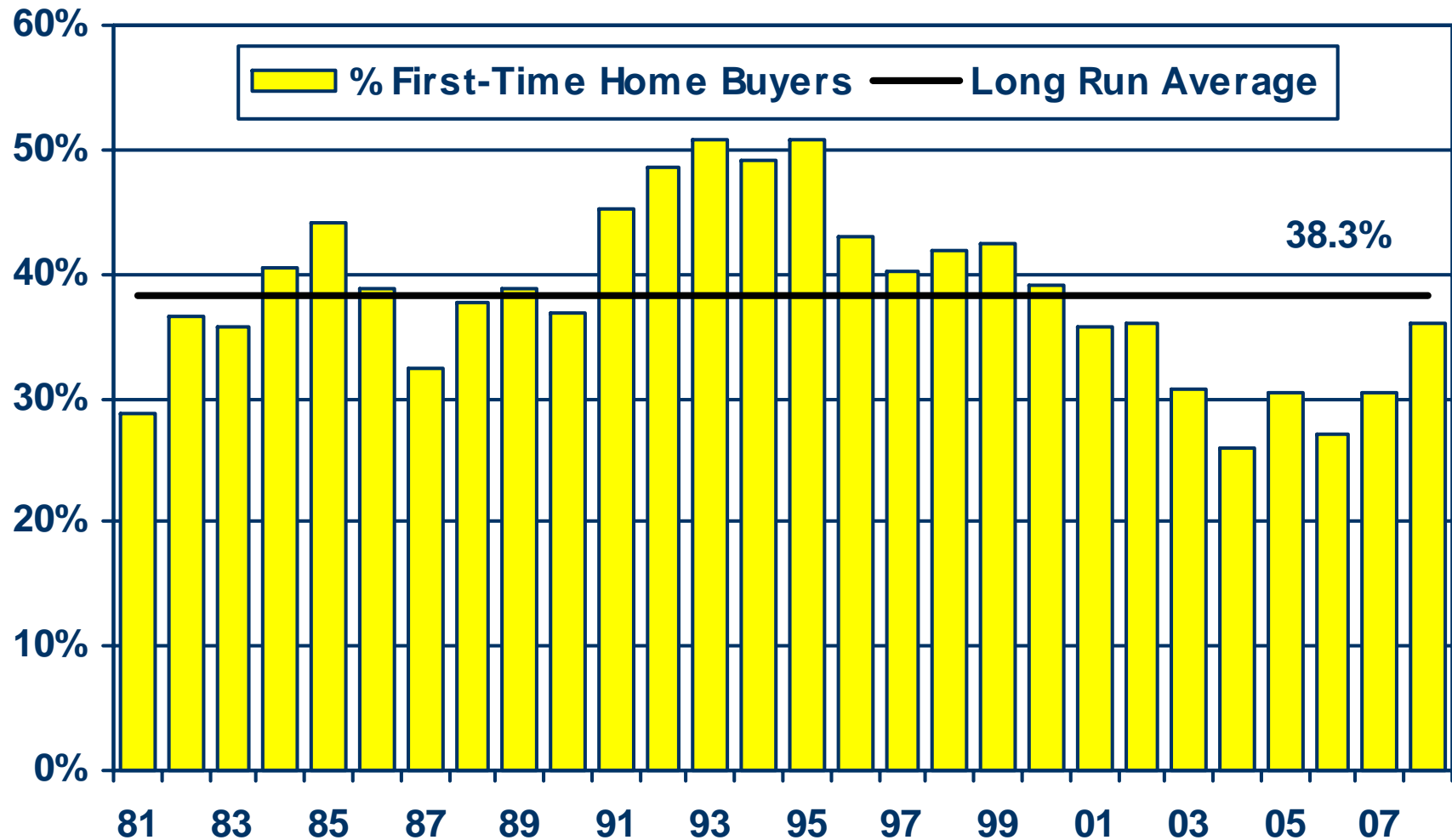
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The Bottom Line: Great Time to be a First Time Buyer

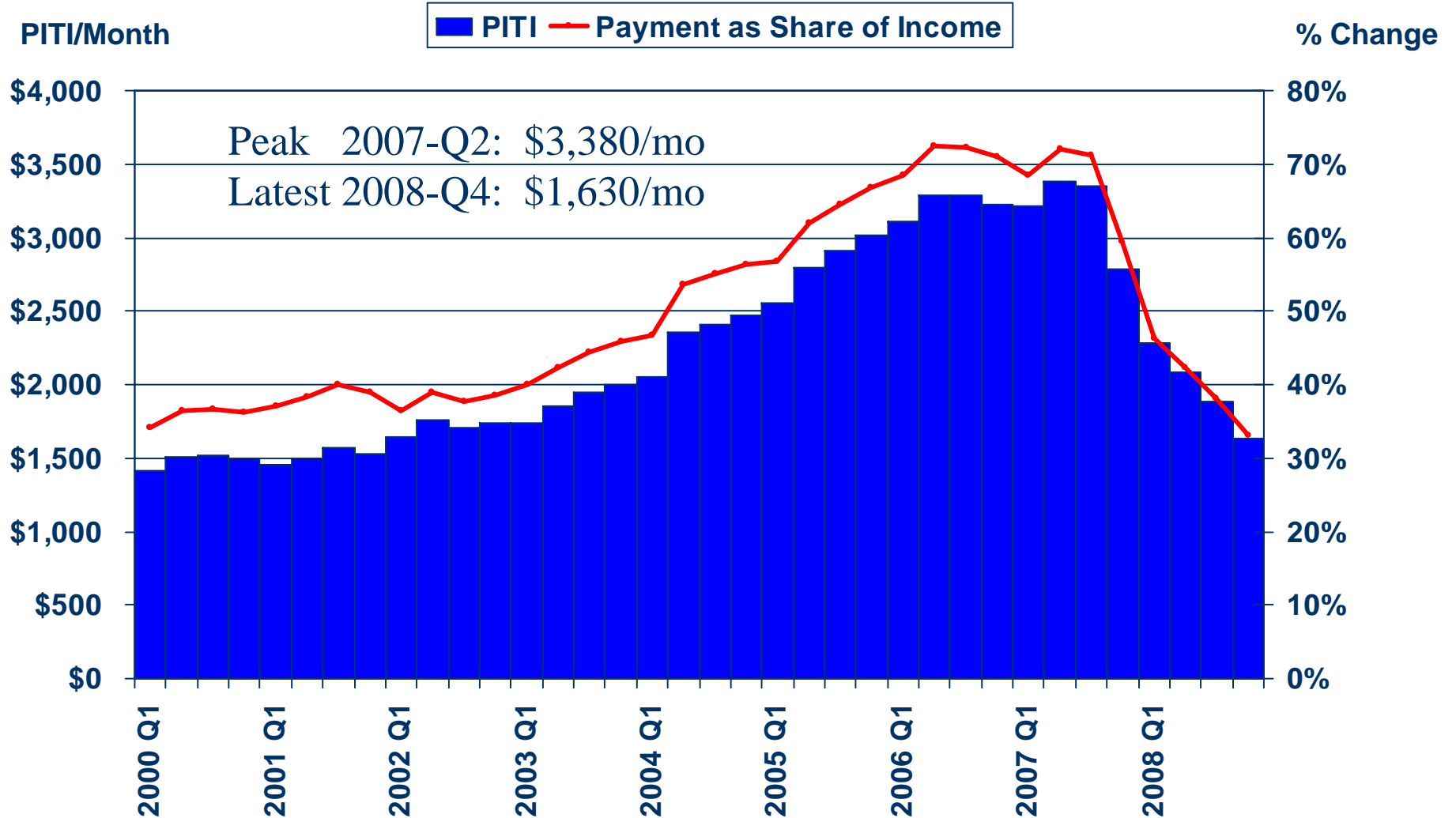
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Proportion of First-Time Home Buyers

2008: 35.9%



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



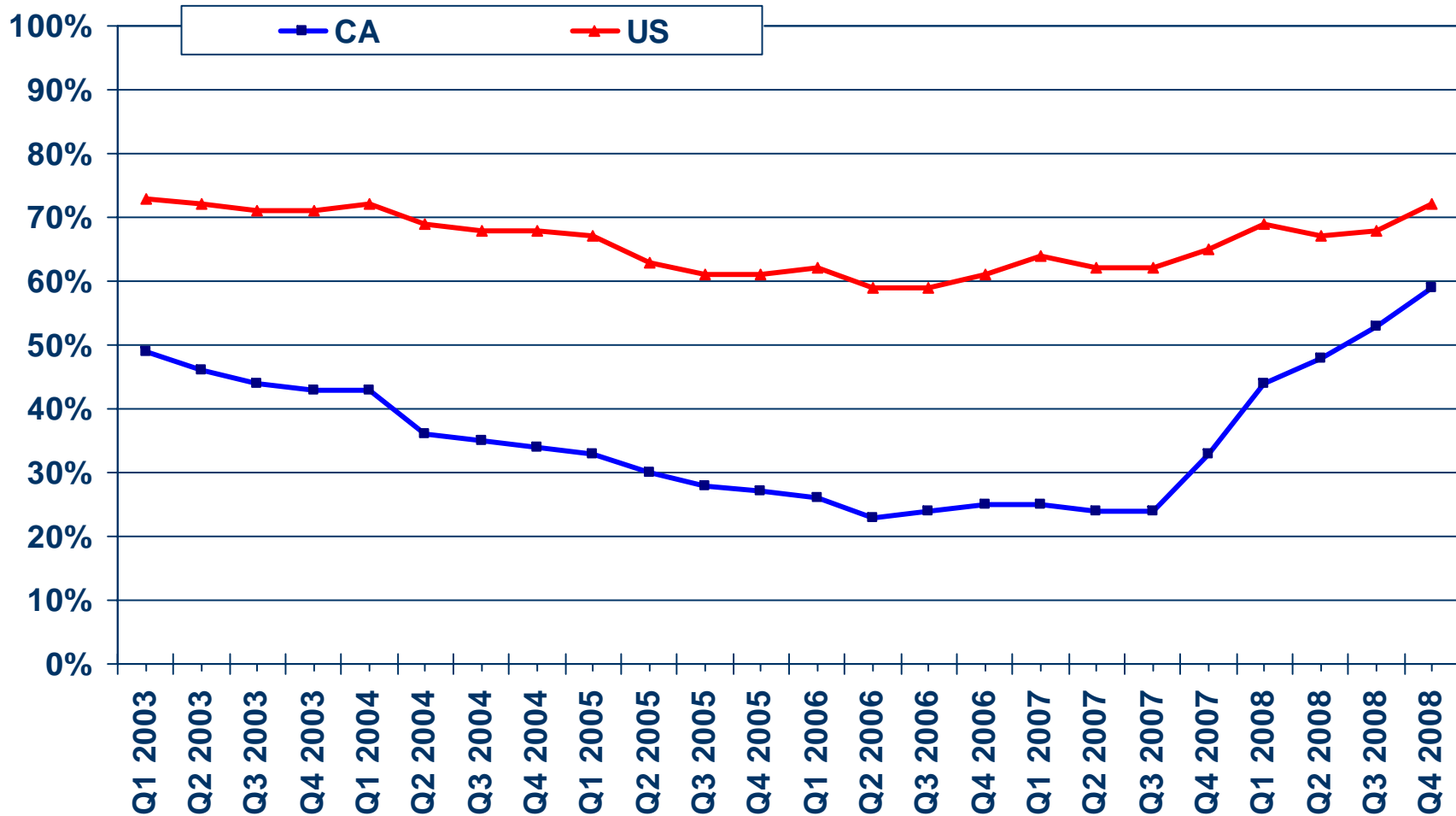
SOURCE: California Association of REALTORS®



First-time Buyer Housing Affordability Index

California Vs. U.S. 2003-2008

% OF HOUSEHOLDS THAT CAN BUY



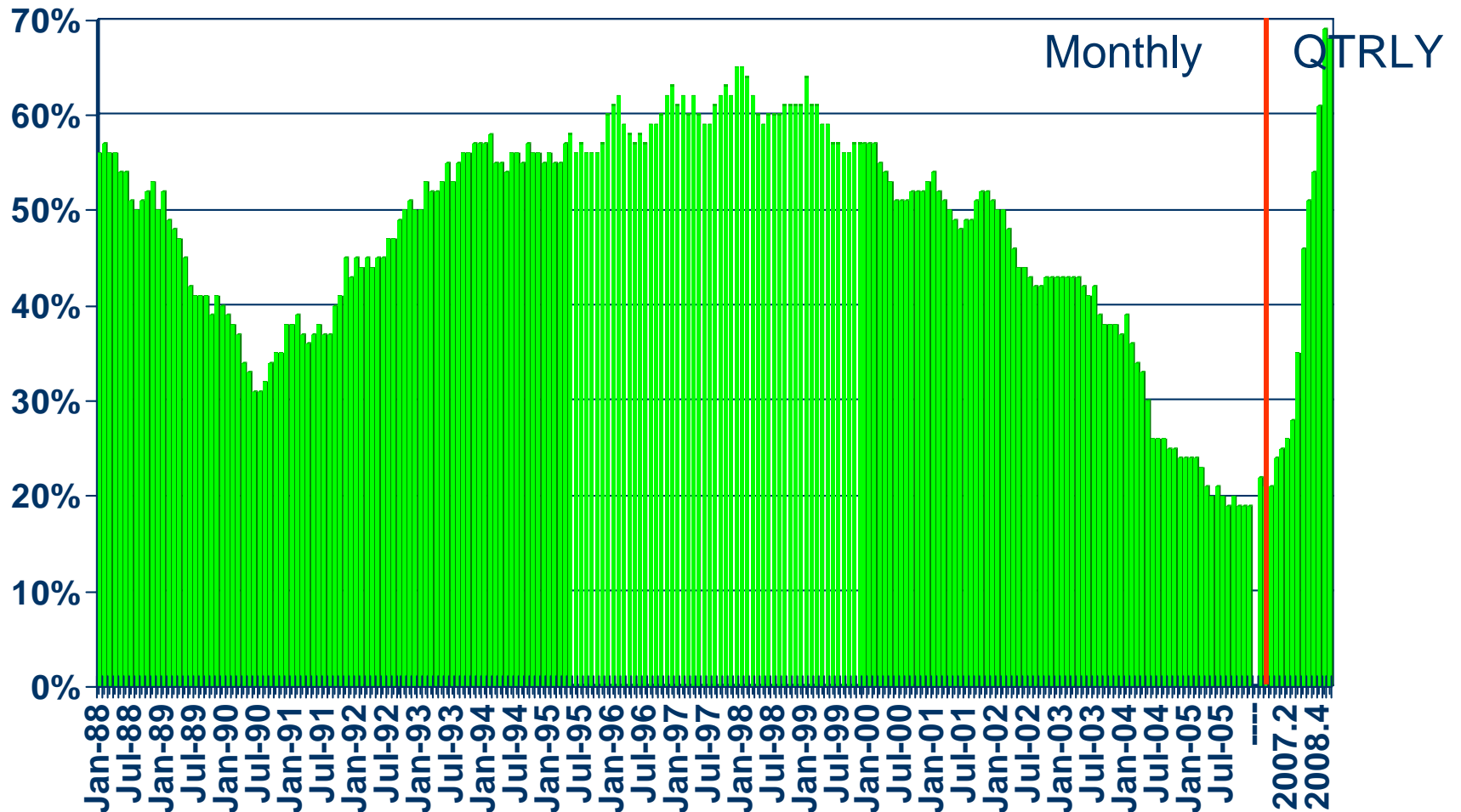
SOURCE: California Association of REALTORS®



Housing Affordability Index

Sacramento County, 2nd Quarter 2009: 68%

% OF HOUSEHOLDS THAT CAN BUY

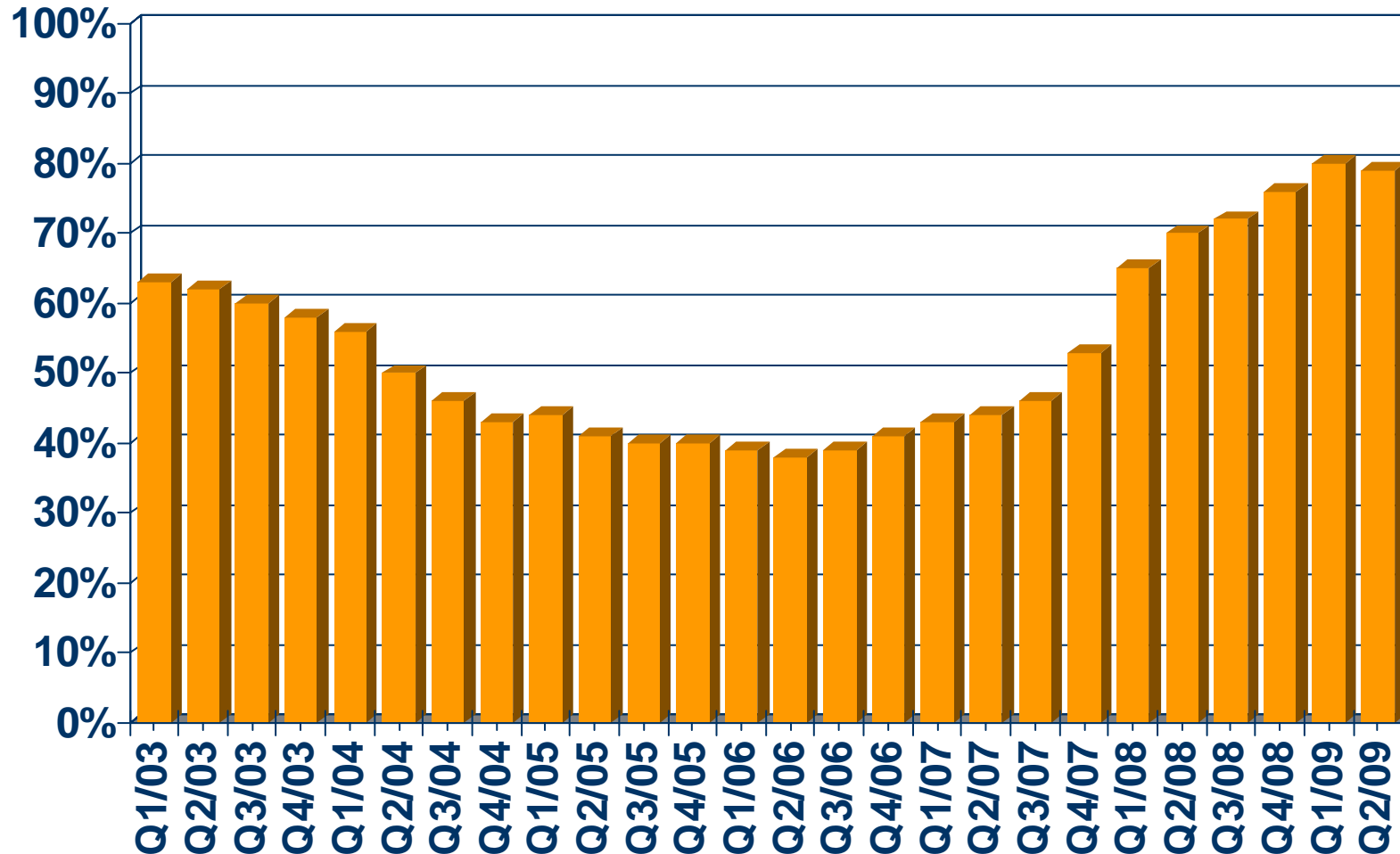


SOURCE: California Association of REALTORS®



First-time Buyer Housing Affordability Index

Sacramento County, 2nd Quarter 2009: 79%



SOURCE: California Association of REALTORS®



Notices of Default – CA Q2-2009

Houses and Condos

| Region | 2009-Q2 | 2009-Q1 | 2008-Q2 | QTQ %Chg | YTY %Chg |
|-------------------|----------------|----------------|----------------|--------------|-------------|
| SoCal | 71,055 | 80,234 | 68,444 | -11.4% | 3.8% |
| Bay Area | 19,983 | 19,438 | 18,632 | 2.8% | 7.3% |
| Central Valley | 27,737 | 29,919 | 28,883 | -7.3% | -4.0% |
| Statewide* | 124,562 | 135,431 | 121,673 | -8.0% | 2.4% |

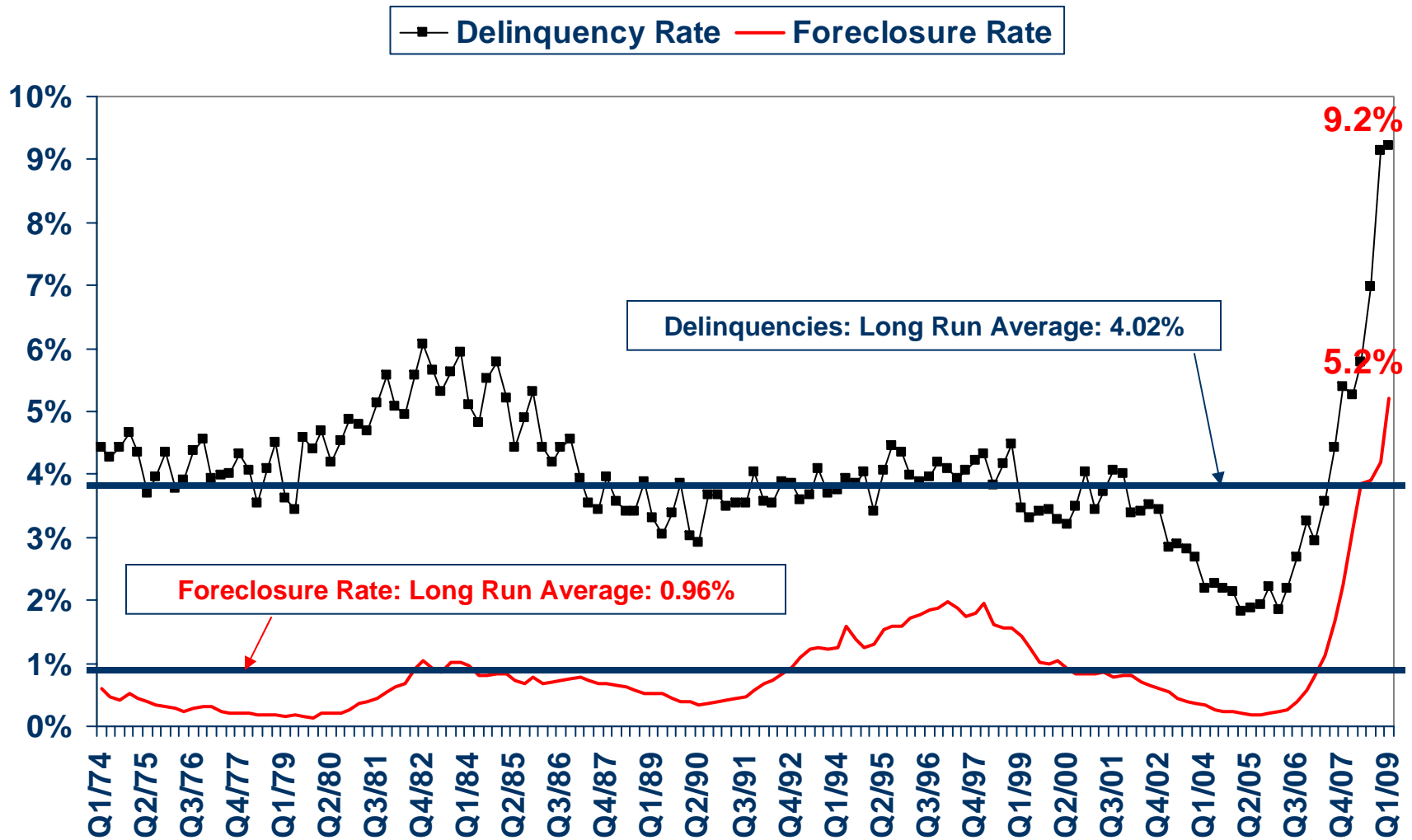
* Includes additional counties

SOURCE: Data Quick Information Systems



Mortgage Foreclosure & Delinquency Rates

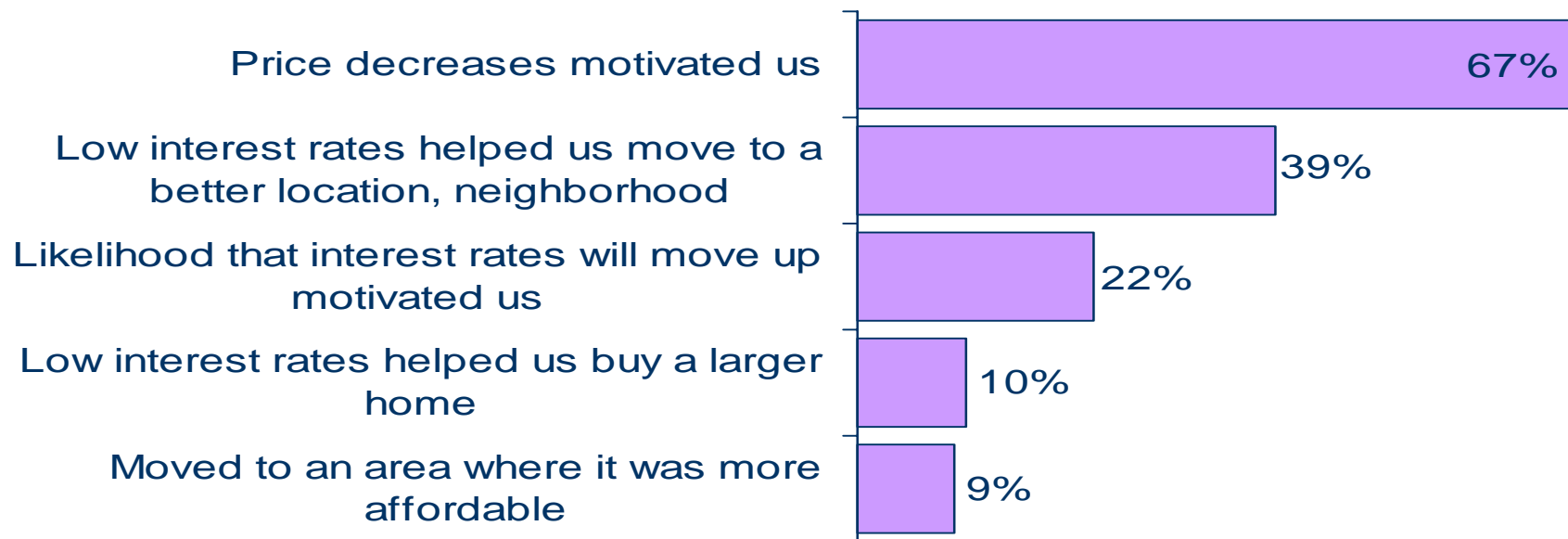
California: Q1-2009



SOURCE: Mortgage Bankers Association

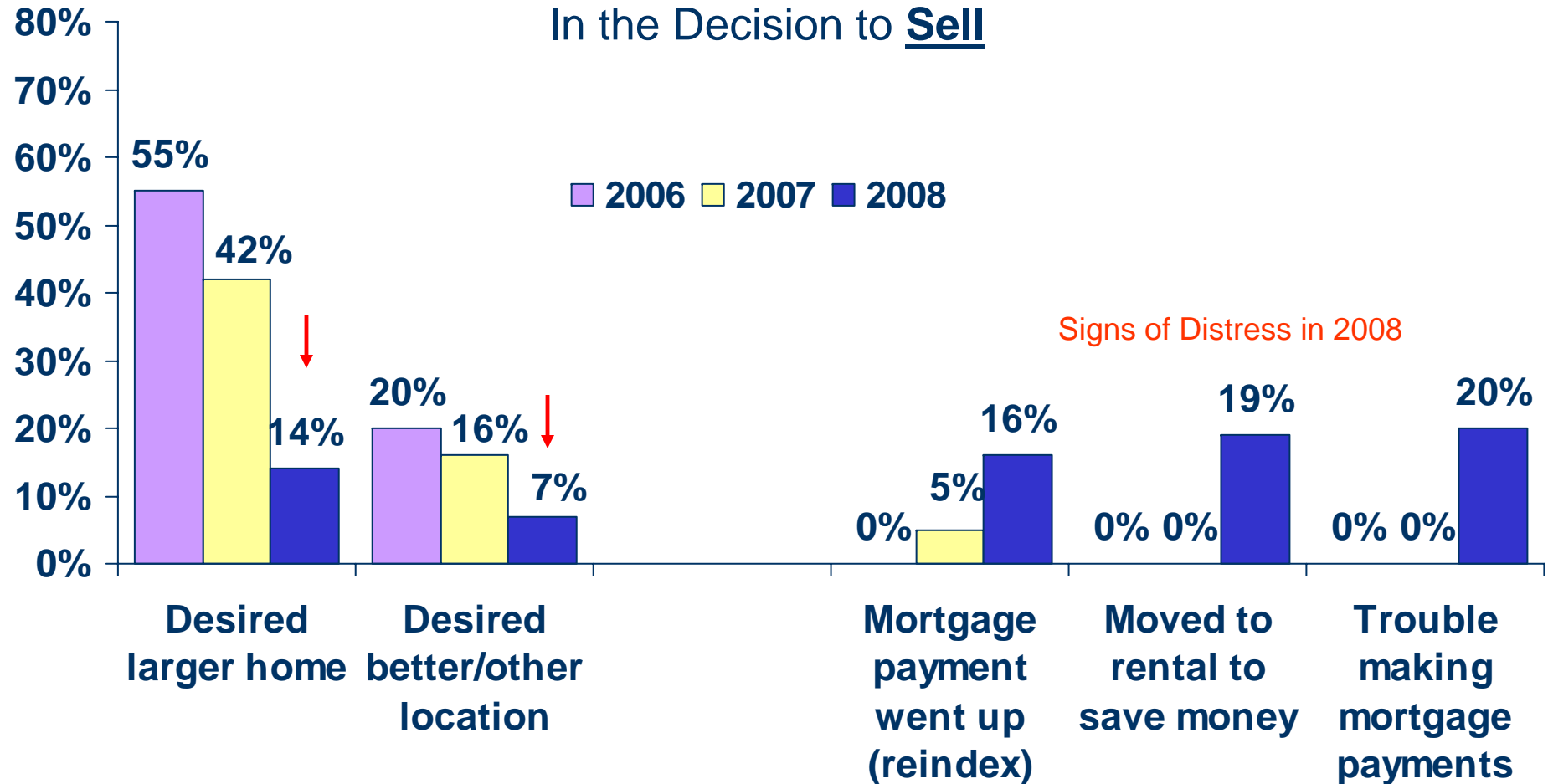
Buyers See Opportunities in This Market...

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**





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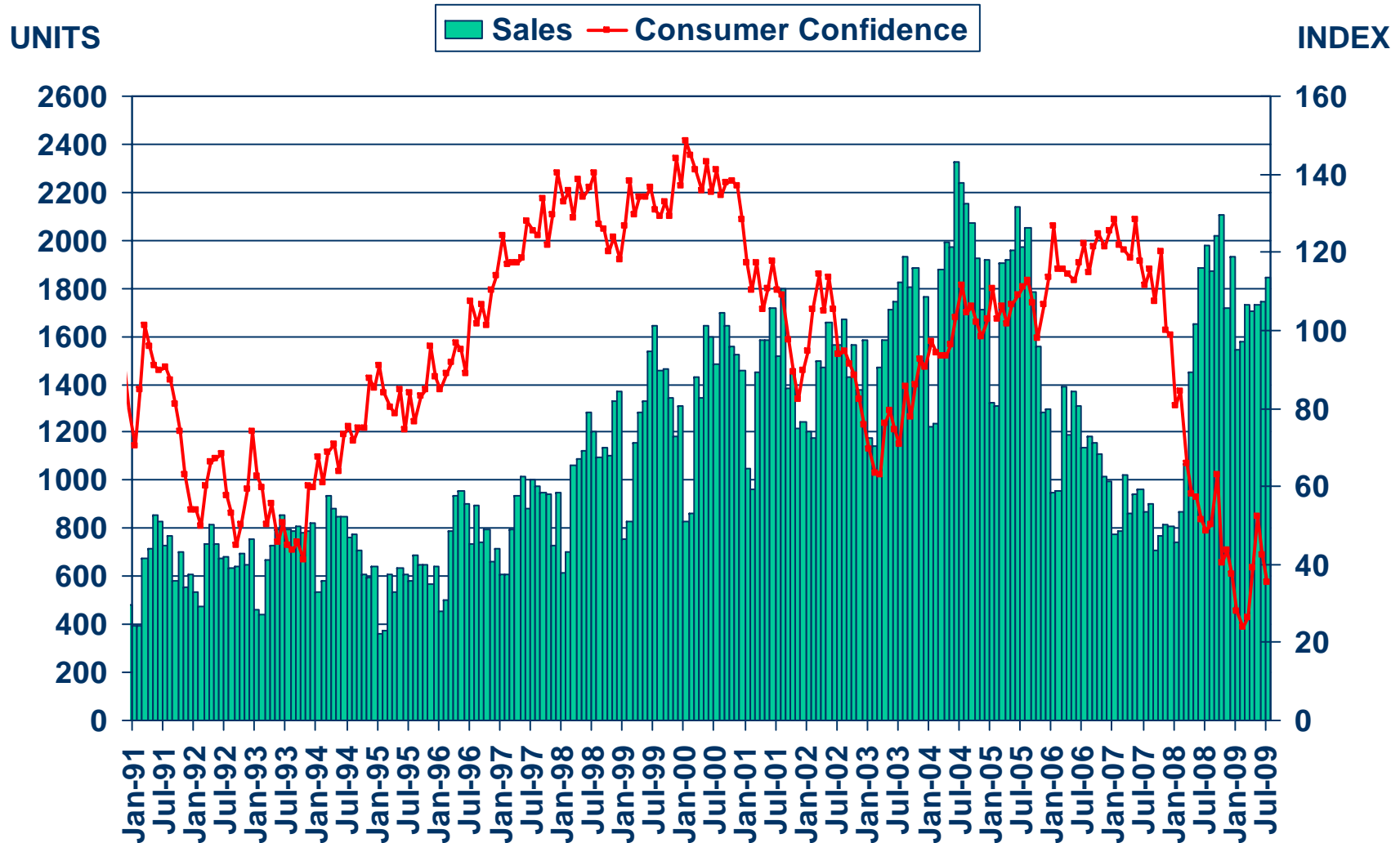
Sacramento County

Economic Profile

CALIFORNIA ASSOCIATION OF REALTORS®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Sacramento County, July 2009: 1,848 Units, Up 23.1% YTD, Down 6.7% YTY

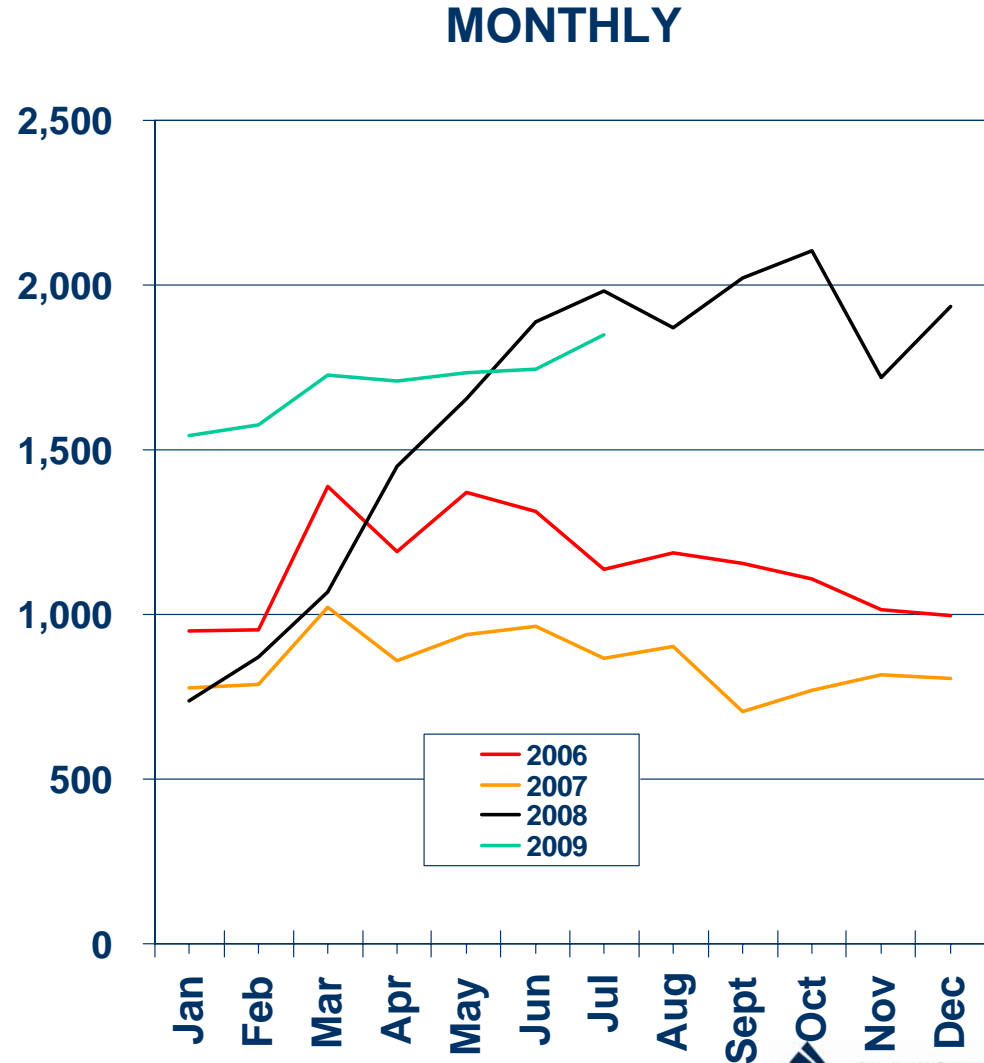
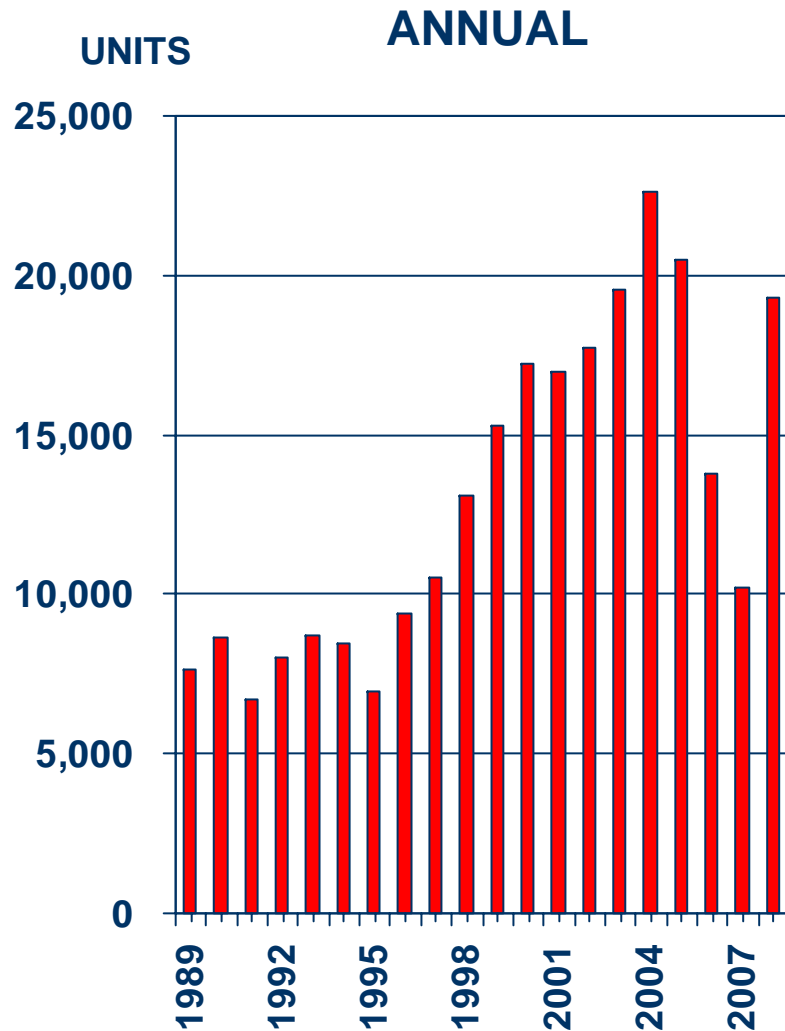


SOURCE: California Association of REALTORS®; The Conference Board



Sales of Existing Detached Homes

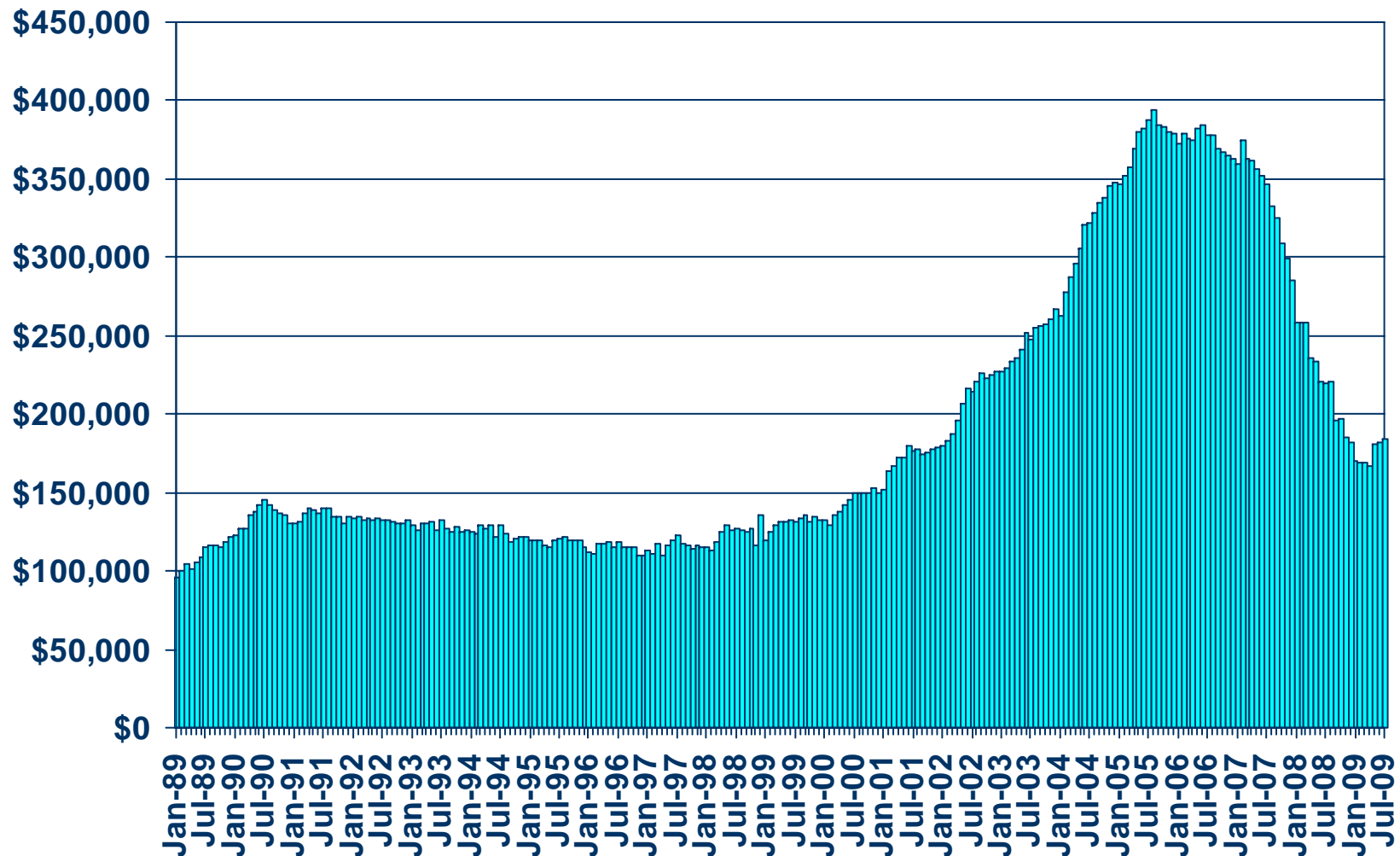
Sacramento County, 2008: 19,299 Units, Up 88.9% YTY



SOURCE: California Association of REALTORS®

Median Price of Existing Detached Homes

Sacramento County, July 2009: \$183,840, Down 16.1% YTY



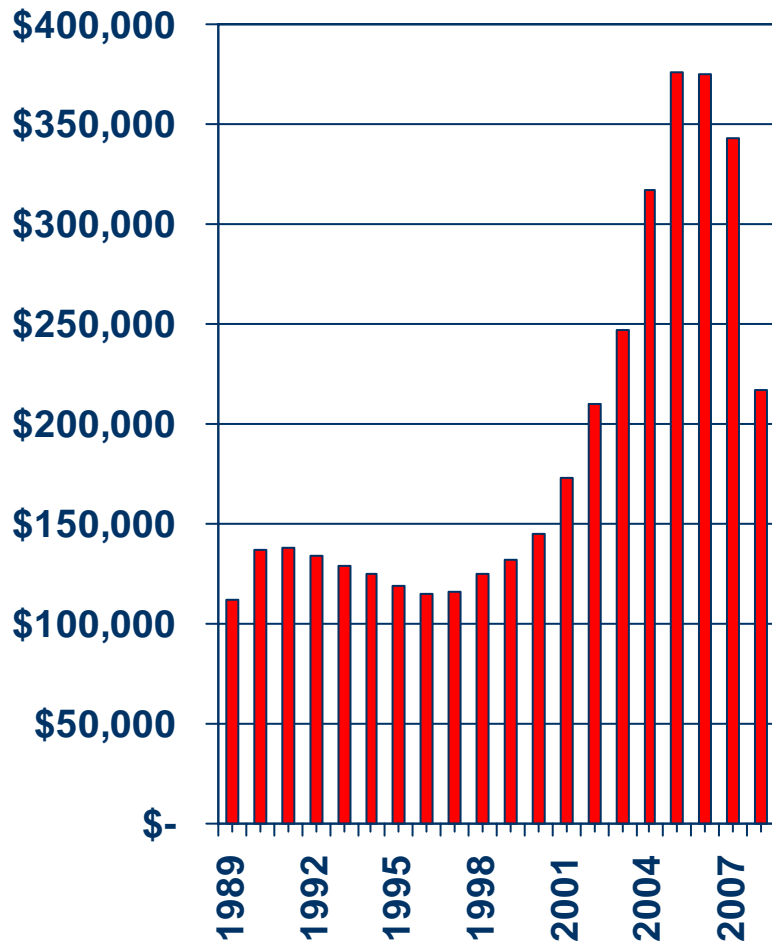
SOURCE: California Association of REALTORS®



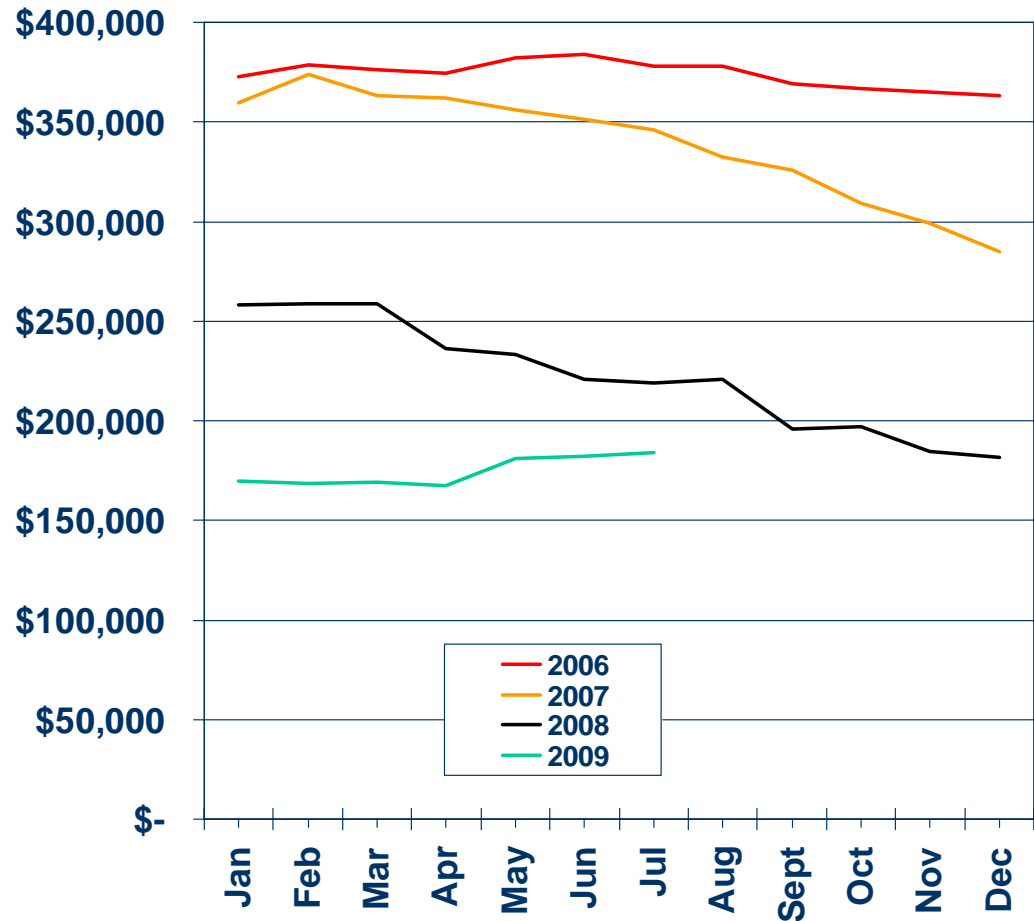
Median Price Annual Comparison

Sacramento County, 2008: \$216,660, Down 36.8% YTY

ANNUAL



MONTHLY



SOURCE: California Association of REALTORS®



Median Home Sales Price

Sacramento County

| | May-09 | May-08 | Yearly % Change |
|-------------------|-----------|-----------|-----------------|
| Sacramento County | \$175,000 | \$226,500 | -22.7% |
| Antelope | \$200,000 | \$224,000 | -10.7% |
| Carmichael | \$245,000 | \$279,500 | -12.3% |
| Citrus Heights | \$165,000 | \$200,000 | -17.5% |
| Elk Grove | \$240,000 | \$270,500 | -11.3% |
| Fair Oaks | \$287,500 | \$351,500 | -18.2% |
| Folsom | \$352,500 | \$427,000 | -17.4% |
| Galt | \$167,500 | \$221,750 | -24.5% |
| North Highlands | \$85,500 | \$125,000 | -31.6% |
| Orangevale | \$203,500 | \$265,000 | -23.2% |
| Rancho Cordova | \$235,000 | \$310,000 | -24.2% |
| Sacramento | \$130,977 | \$184,500 | -29.0% |

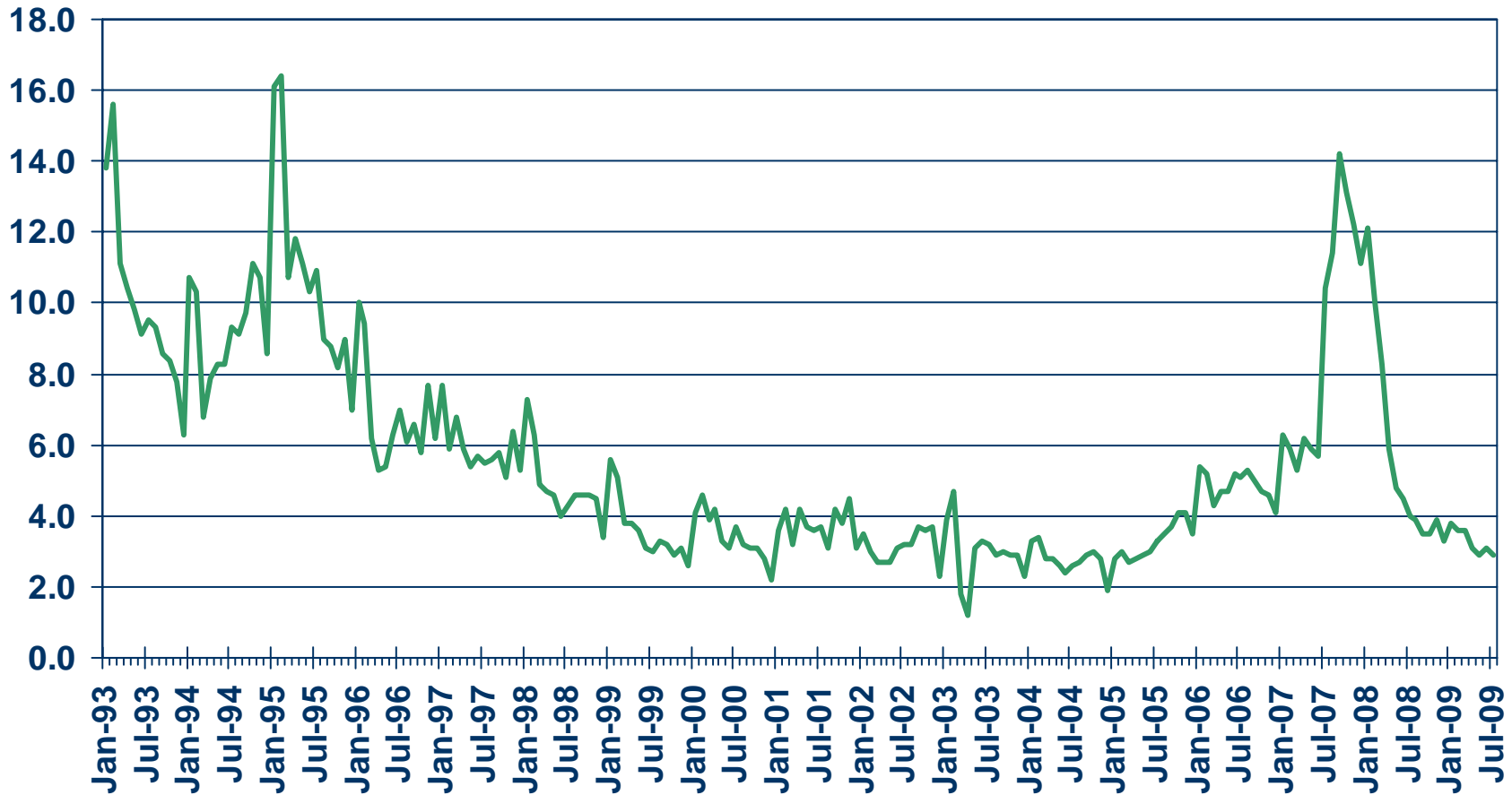
SOURCE: C.A.R.; DataQuick Information Systems. The price statistics are derived from all types of home sales -- new and existing, condos and single-family.



Unsold Inventory Index

Sacramento County, July 2009: 2.9 Months

MONTHS

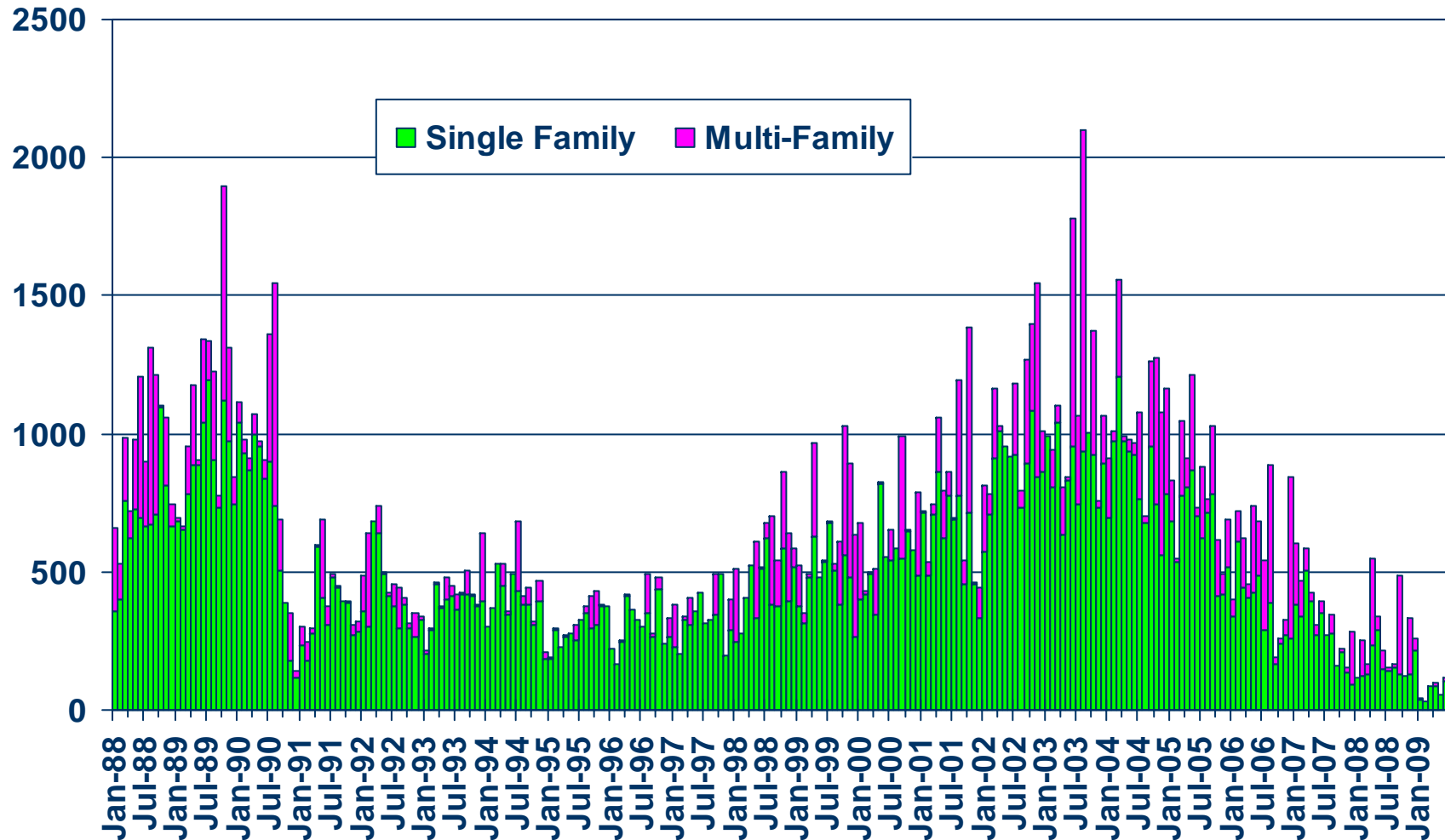


SOURCE: California Association of REALTORS®



New Housing Permits

Sacramento County, June 2009: 115 Units, Down 73.3% YTD

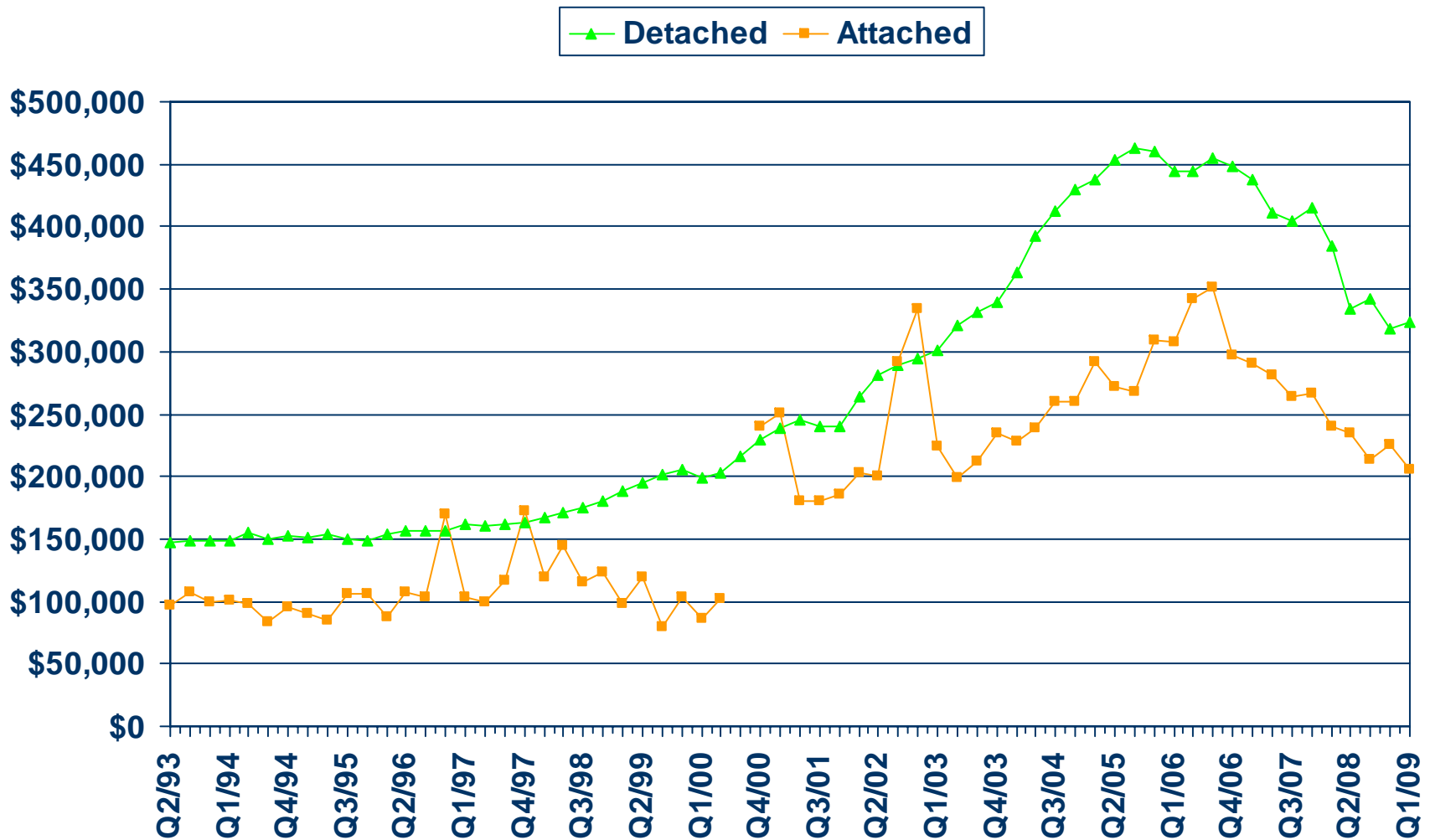


SOURCE: Construction Industry Research Board



Median Price for New Homes

Sacramento MSA 1Q09 Detached: \$323,490, Attached: \$205,990

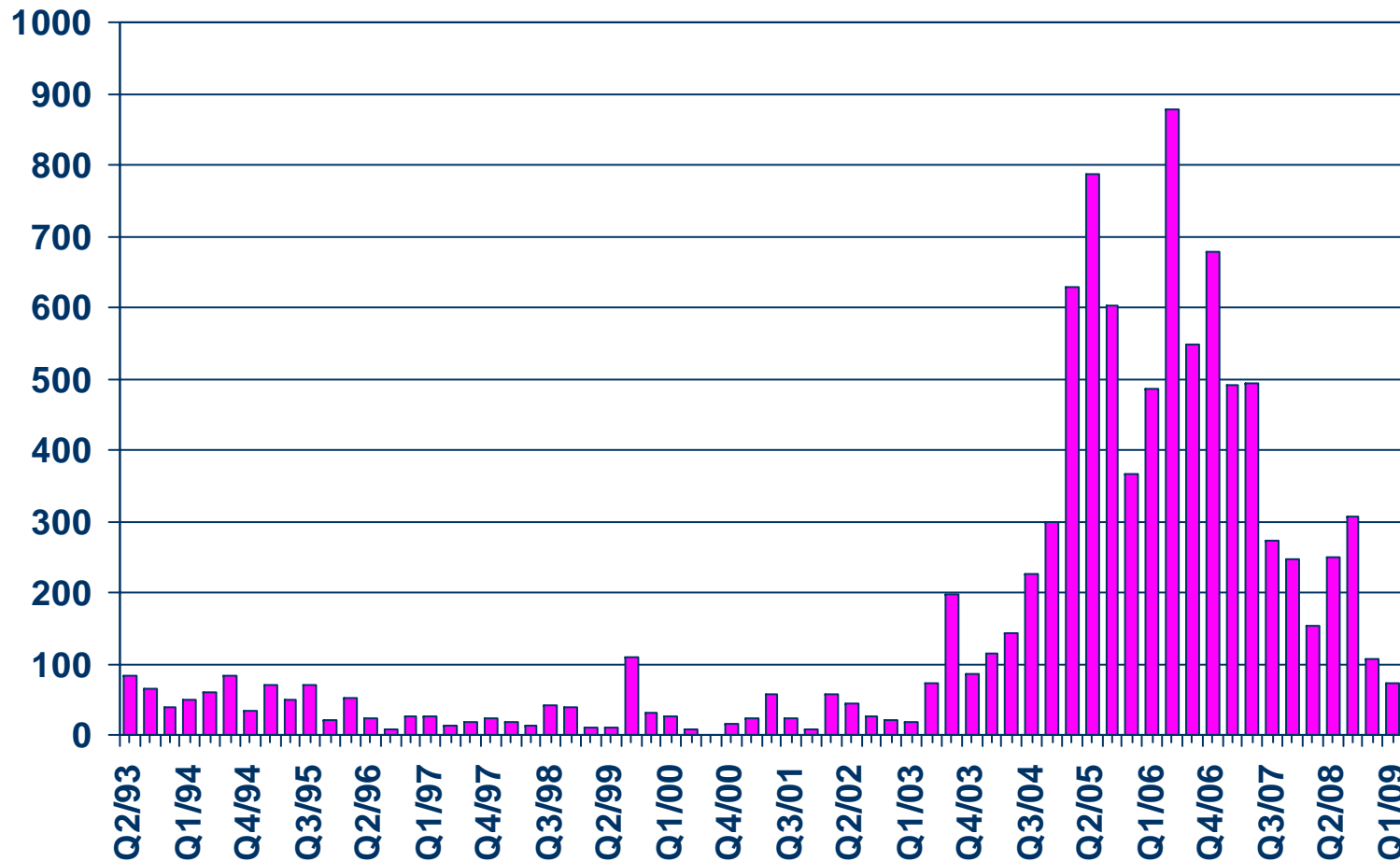


SOURCE: California Association of REALTORS®; Hanley Wood



New Home Sales

Sacramento MSA (Condo), 2009 Q1 Sales: 72 Units

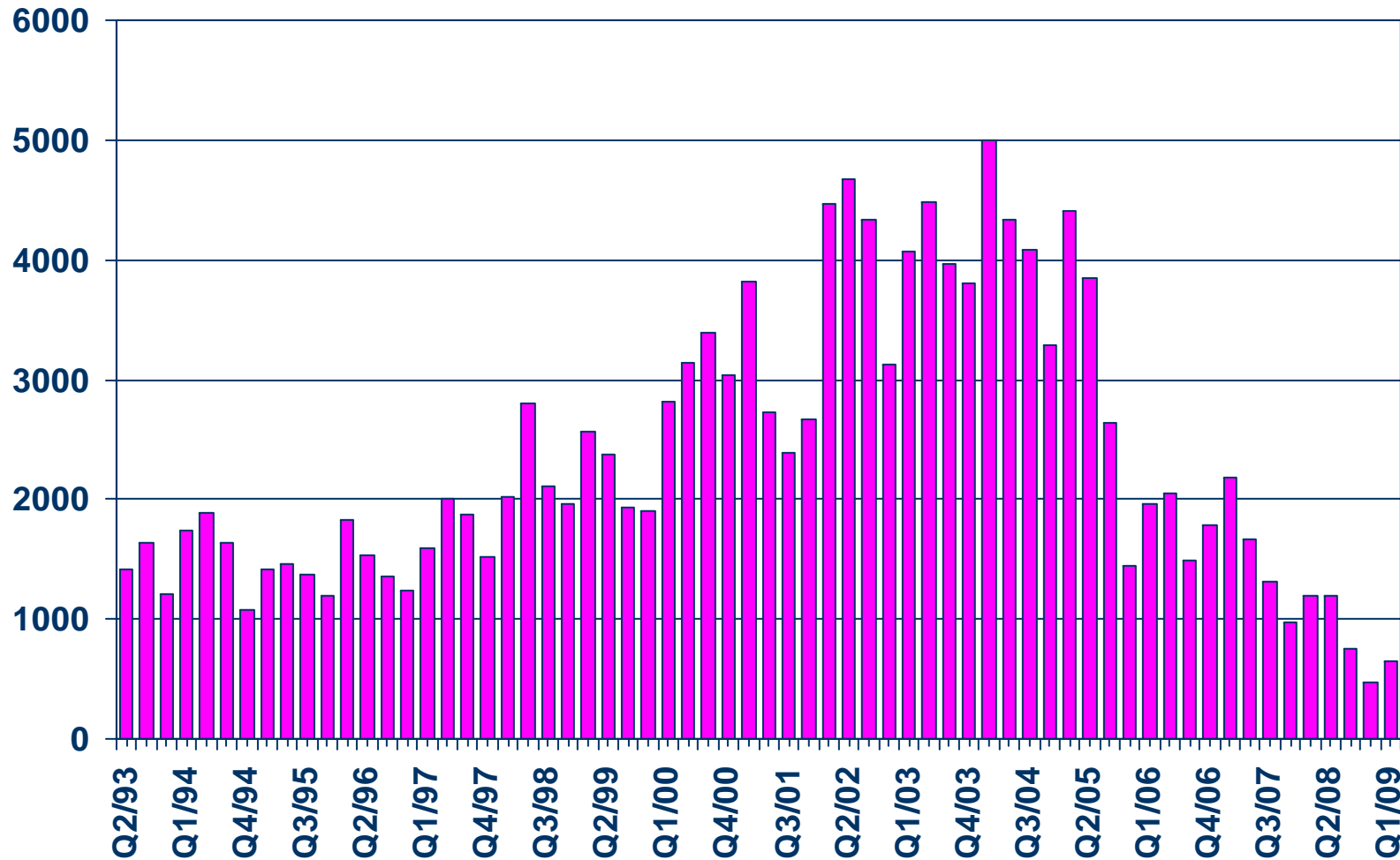


SOURCE: California Association of REALTORS®; Hanley Wood



New Home Sales

Sacramento MSA (SF Detached), 2009 Q1 Sales: 654 Units

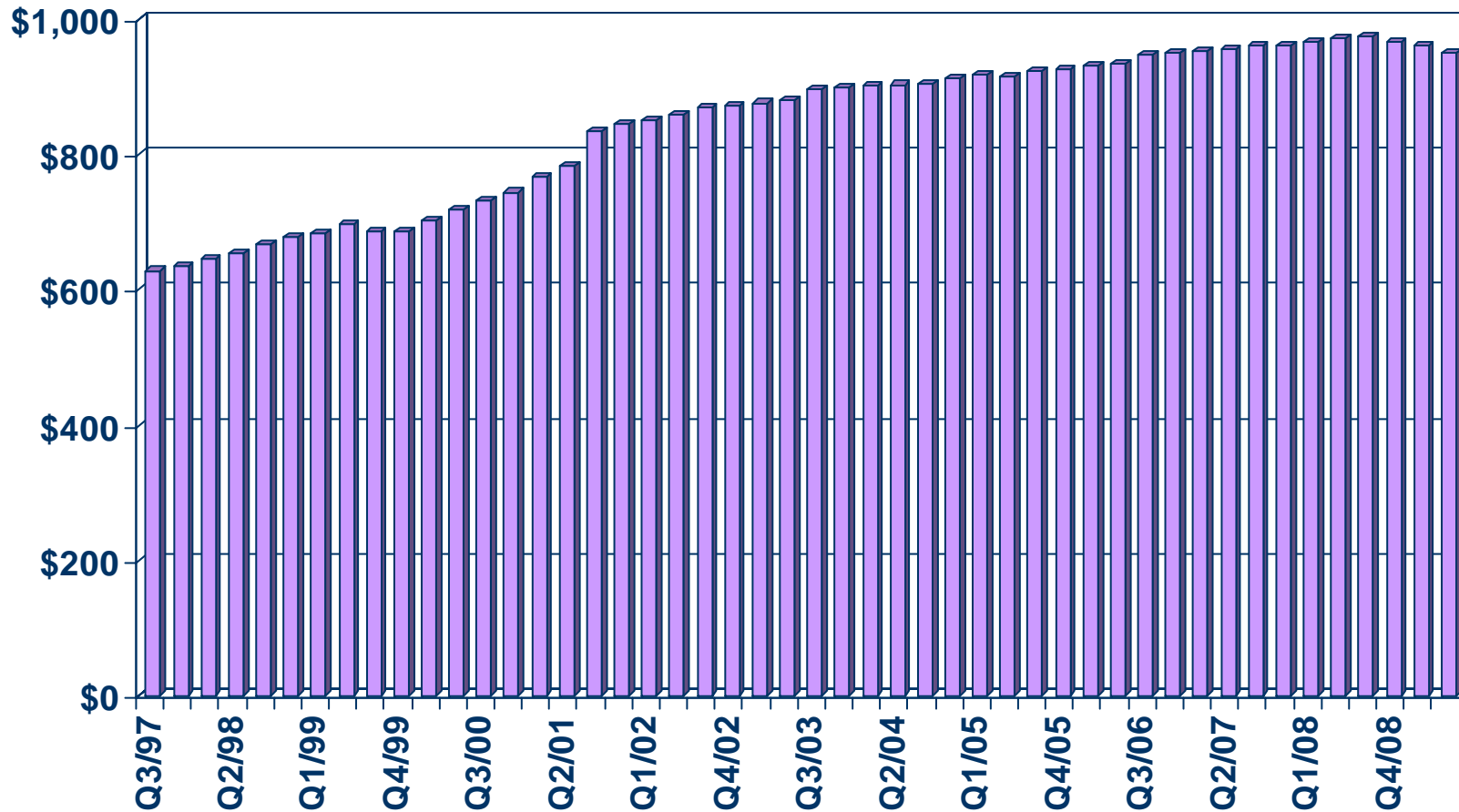


SOURCE: California Association of REALTORS®; Hanley Wood



Asking Rents for Class A&B Apartments

Sacramento MSA, 2009 Q2: \$949, Down 2.2% YTY



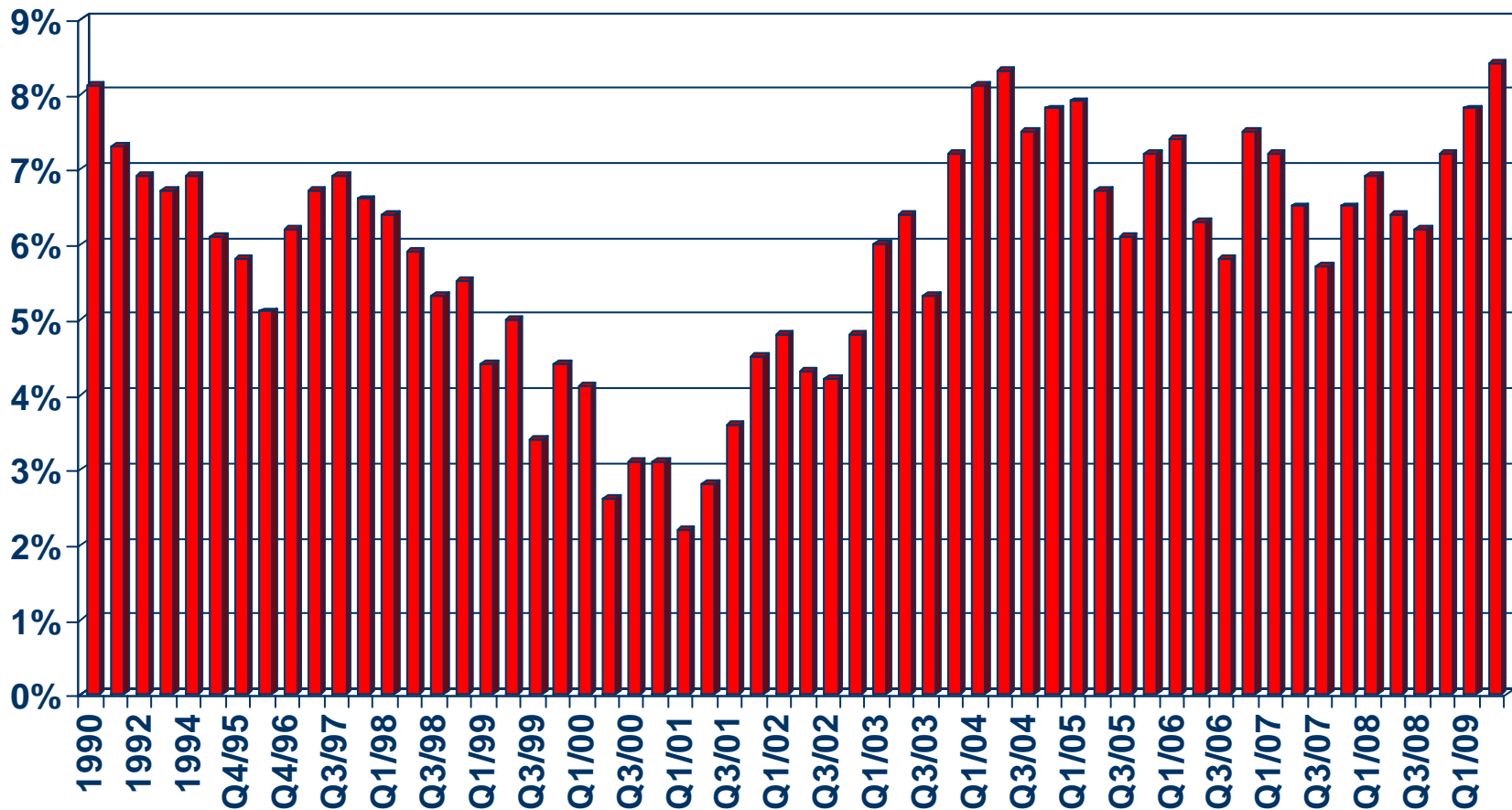
SOURCE: California Association of REALTORS®;
REALFACTS



Vacancy Rates for Class A&B Apartments

Sacramento MSA, 2009 Q2: 8.4%

VACANCY RATE



SOURCE: California Association of REALTORS®; REALFACTS



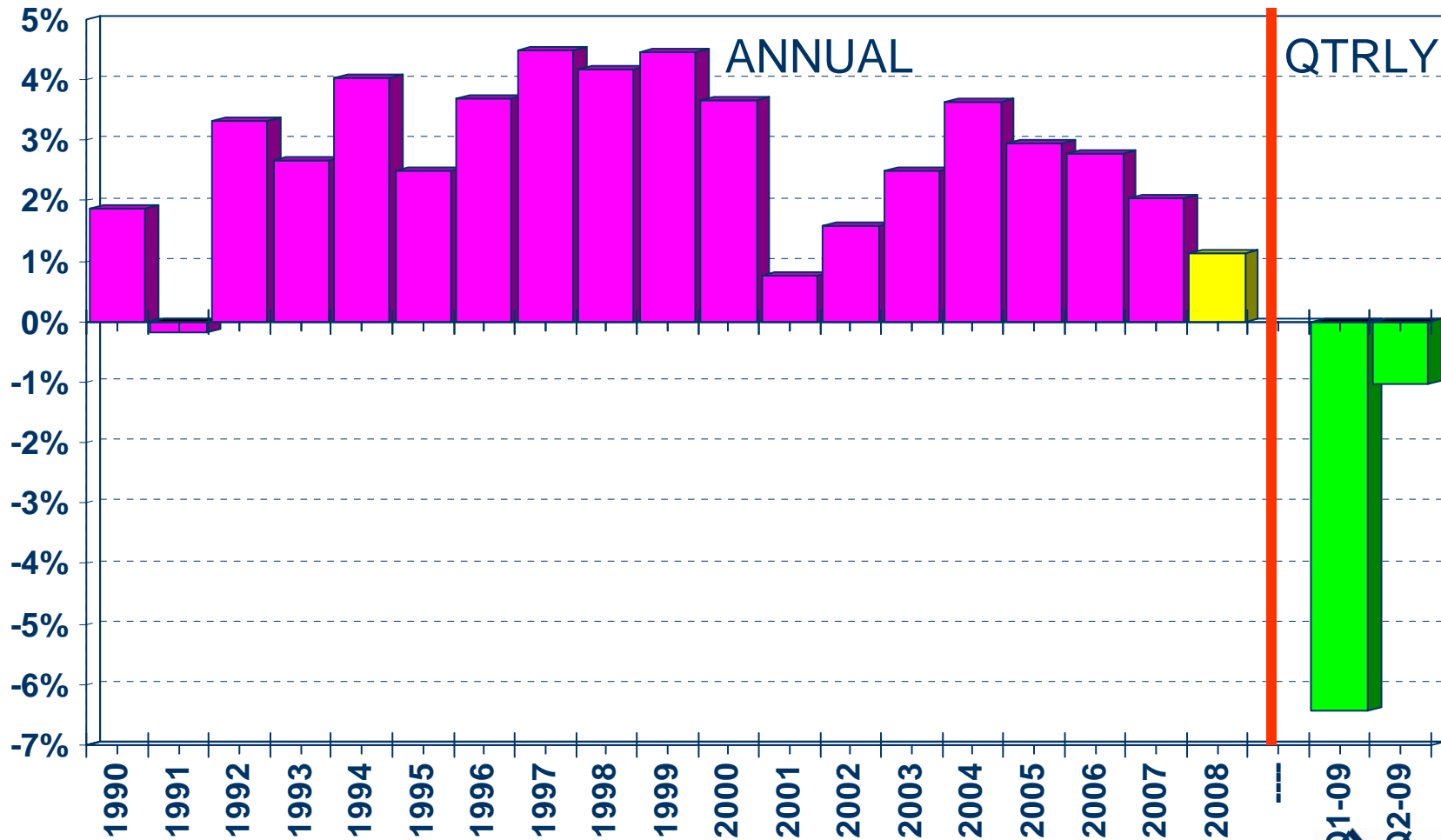
2009 Forecast



Gross Domestic Product

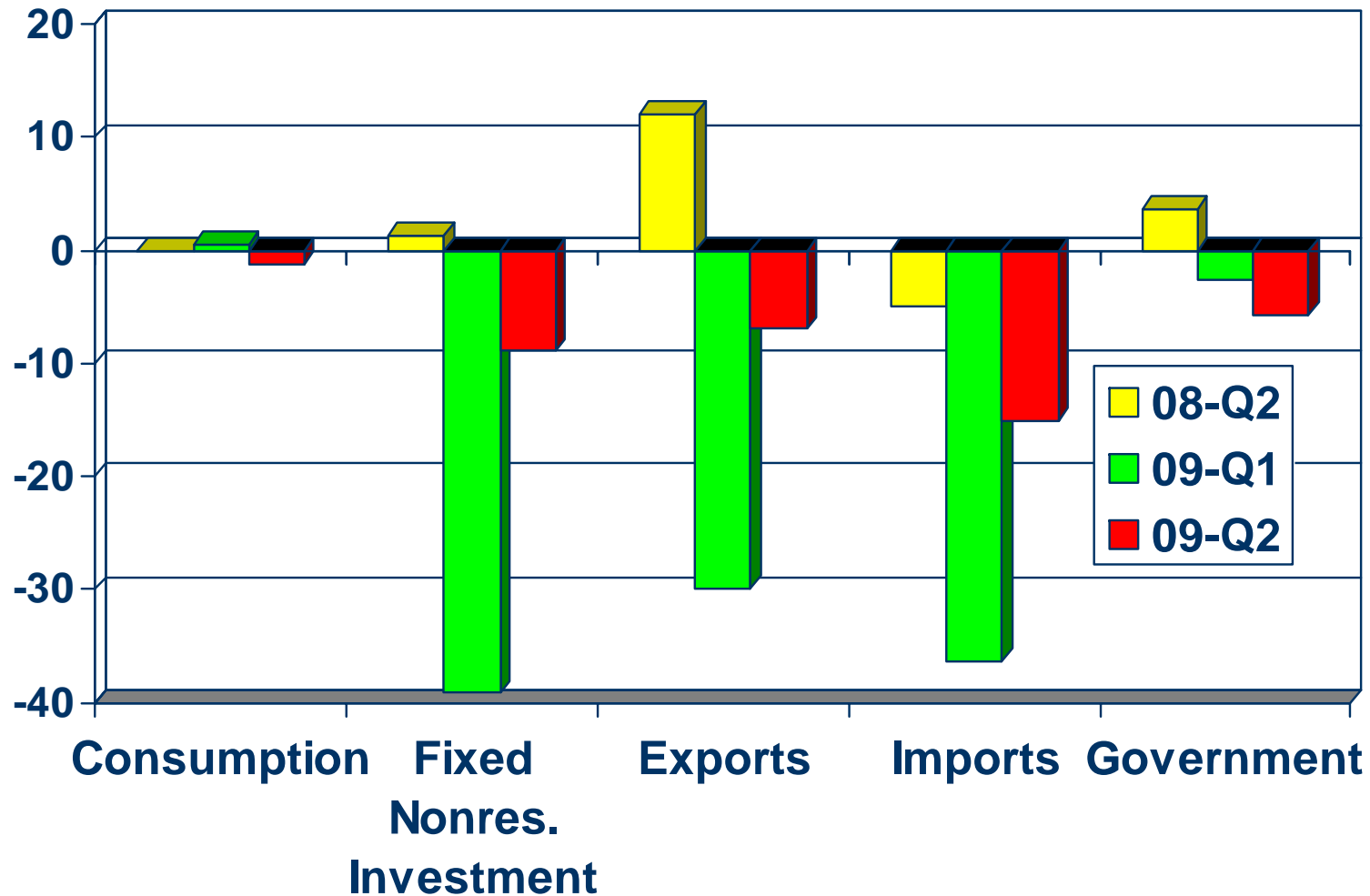
2008: +1.1%; 2009 Q2: -1.02%

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



Components of GDP

Percent Change

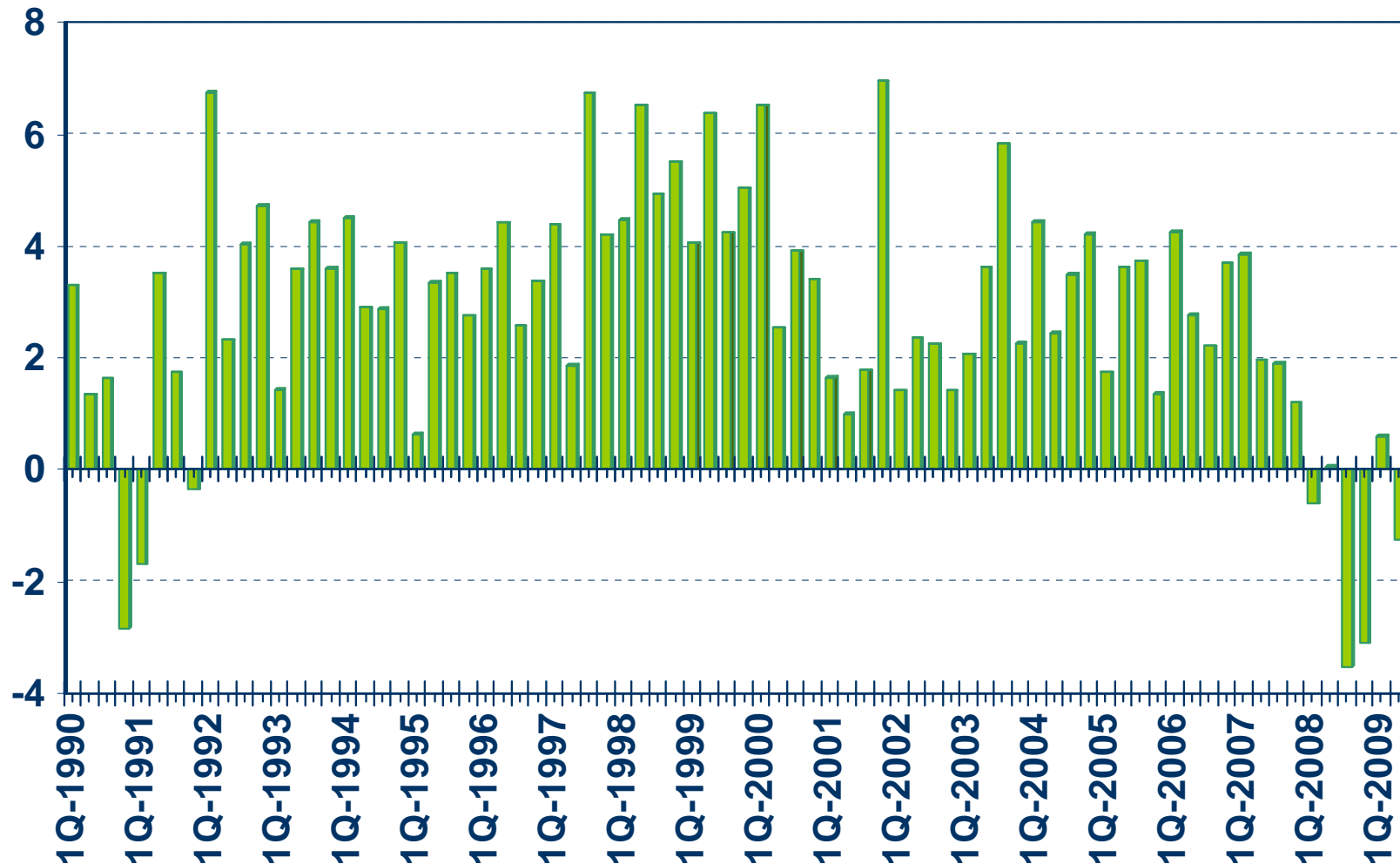


SOURCE: US Dept of Commerce,
Bureau of Economic Analysis

Personal Consumption

2009 Q2: -1.24%

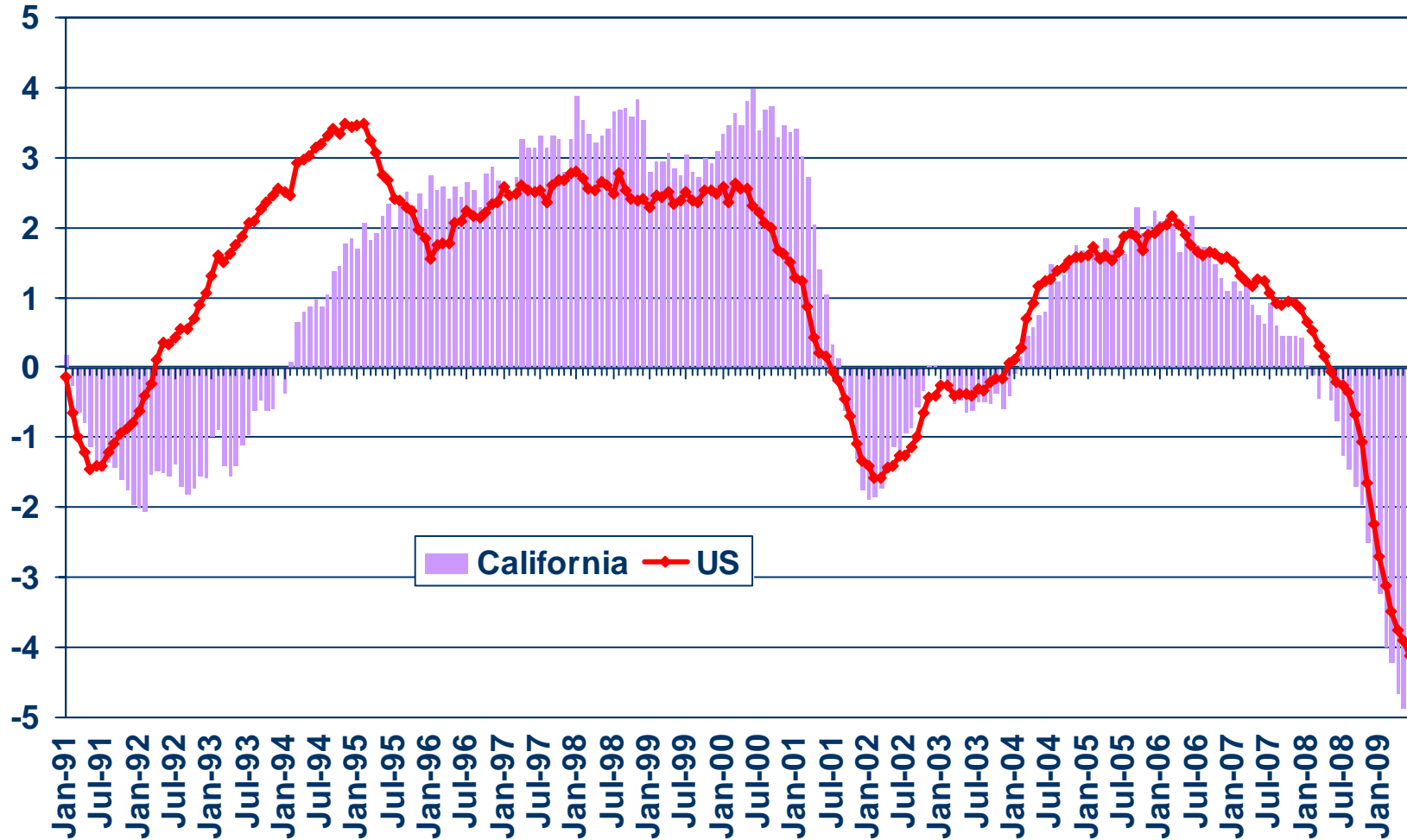
QUARTERLY PERCENT CHANGE



SOURCE: US Dept of Commerce,
Bureau of Economic Analysis

Employment Growth, California vs. U.S.

YEAR TO YEAR % CHANGE



SOURCE: CA Employment Development Division

Nonfarm Employment By Region

| (Thousands) | Nonfarm Employment June-09 | Nonfarm Employment June-08 | Change | Percent Change |
|---------------------|----------------------------------|----------------------------------|---------------|-------------------|
| Southern California | 8,034.8 | 8,439.6 | -404.8 | -4.8% |
| Bay Area | 3,119.0 | 3,278.9 | -159.9 | -4.9% |
| Central Valley | 1,932.1 | 2,018.5 | -86.4 | -4.3% |
| Central Coast | 489.7 | 506.8 | -17.1 | -3.4% |
| North Central | 132.1 | 139.4 | -7.3 | -5.2% |
| CALIFORNIA | 14,285.0 | 15,051.3 | -766.3 | -5.1% |

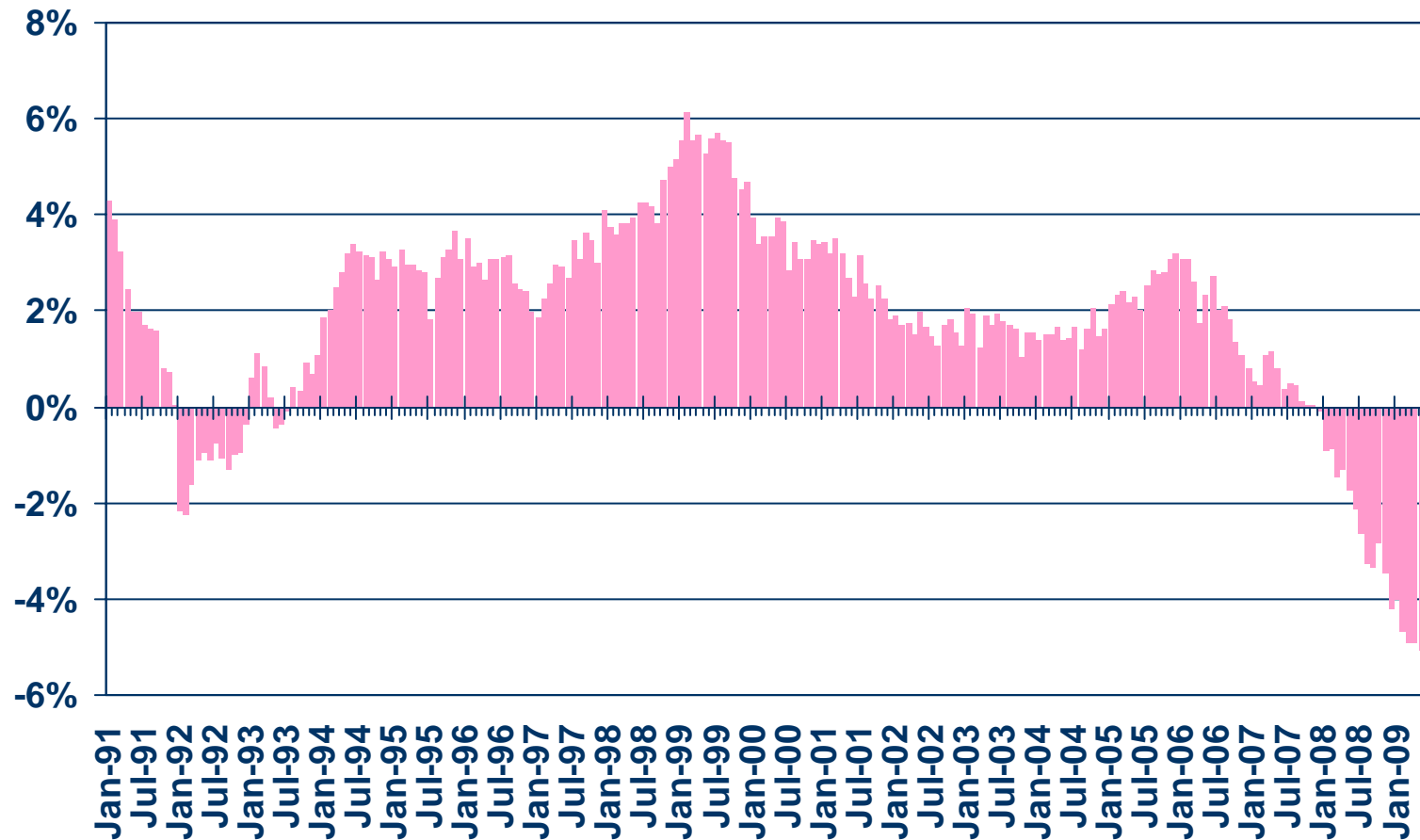
SOURCE: CA Employment Development Division



Nonfarm Employment

Sacramento-Arden Arcade-Roseville MSA, June 2009: Down 5.2% YTY

Y-T-Y PERCENT CHANGE

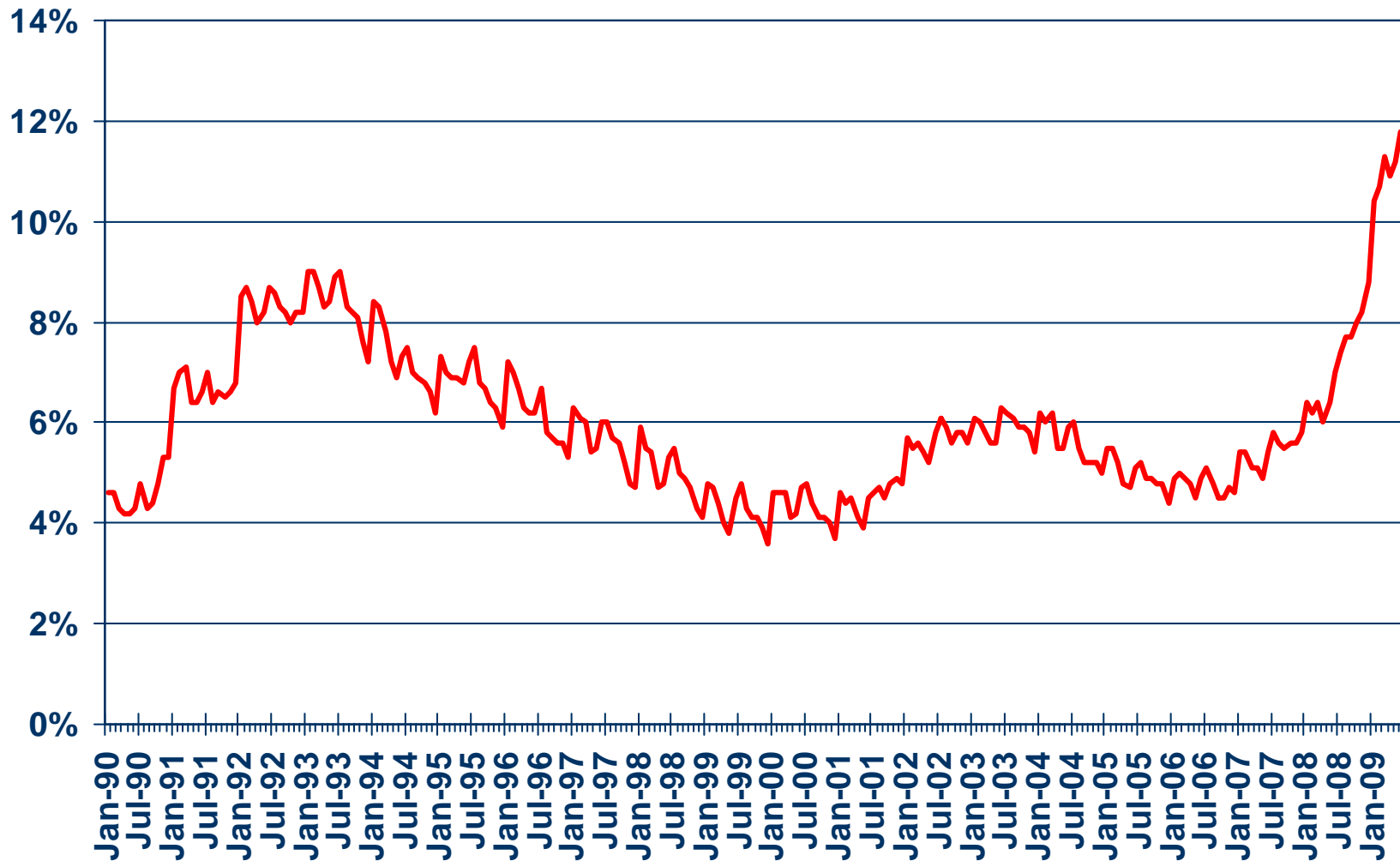


SOURCE: CA Employment Development Division



Unemployment Rate

Sacramento County, June 2009: 11.8%

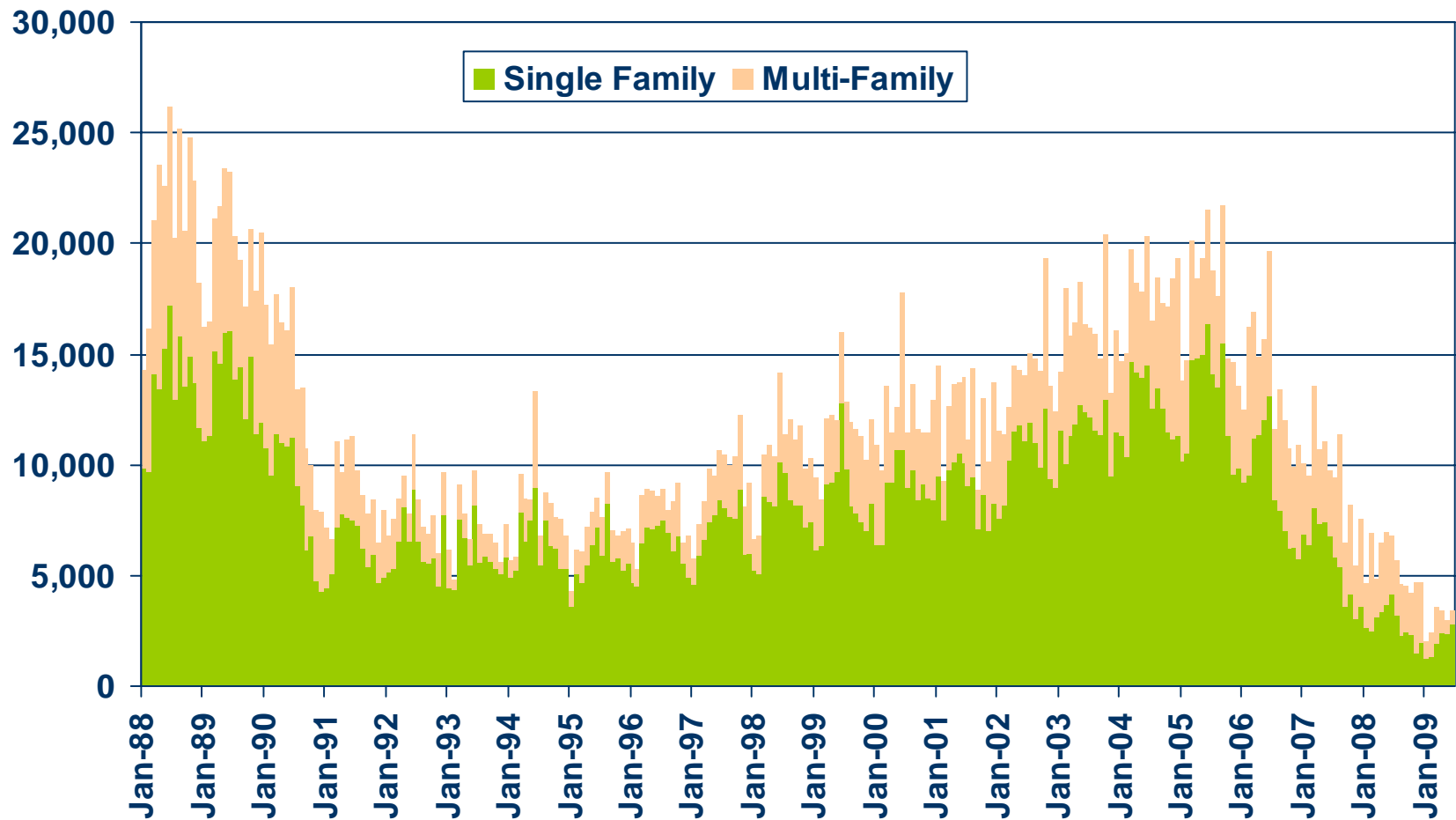


SOURCE: CA Employment Development Division



New Housing Permits

California, June 2009: 3,446 Units, Down 51.2% YTD

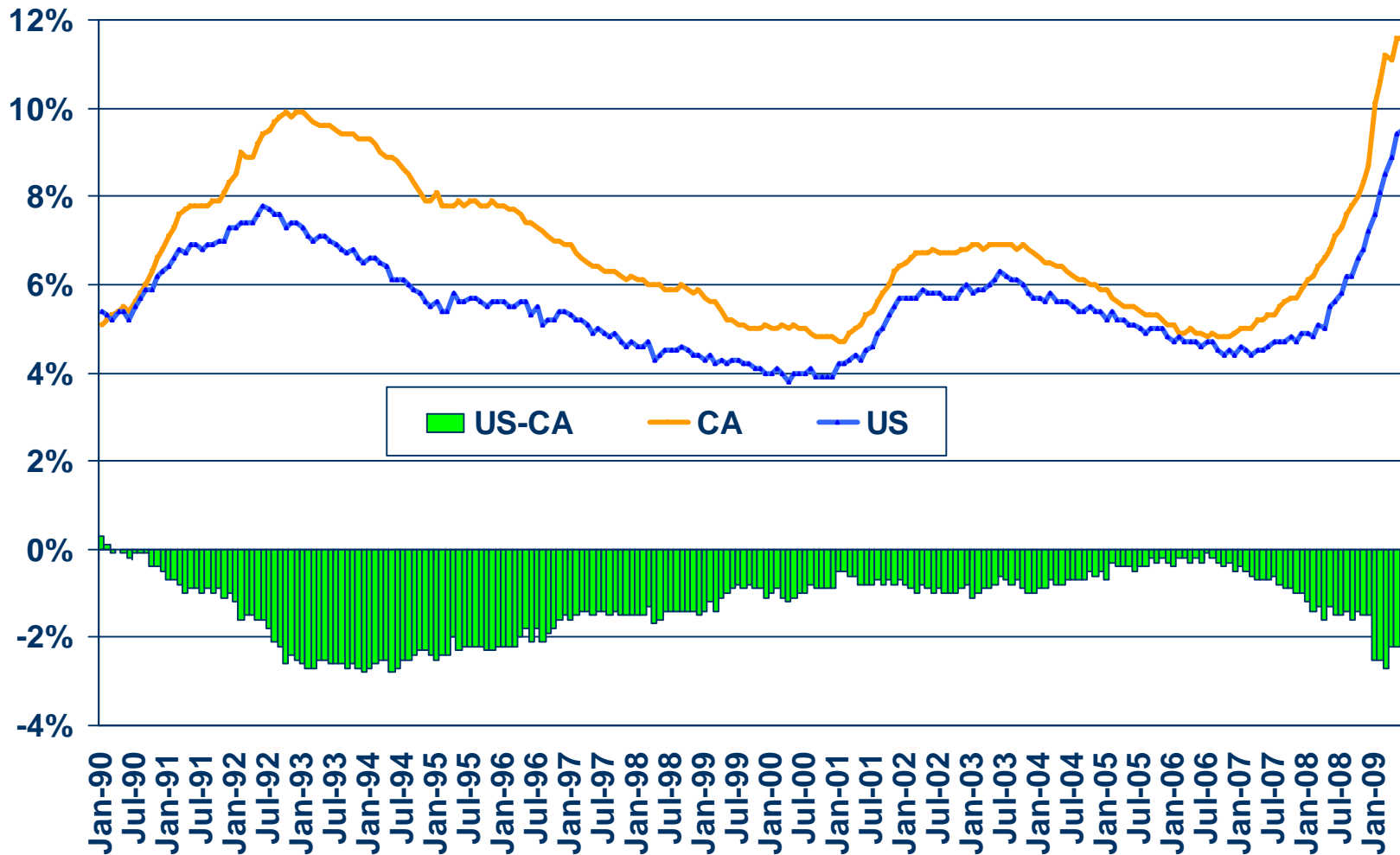


SOURCE: Construction Industry Research Board



Unemployment Rate

California vs. United States



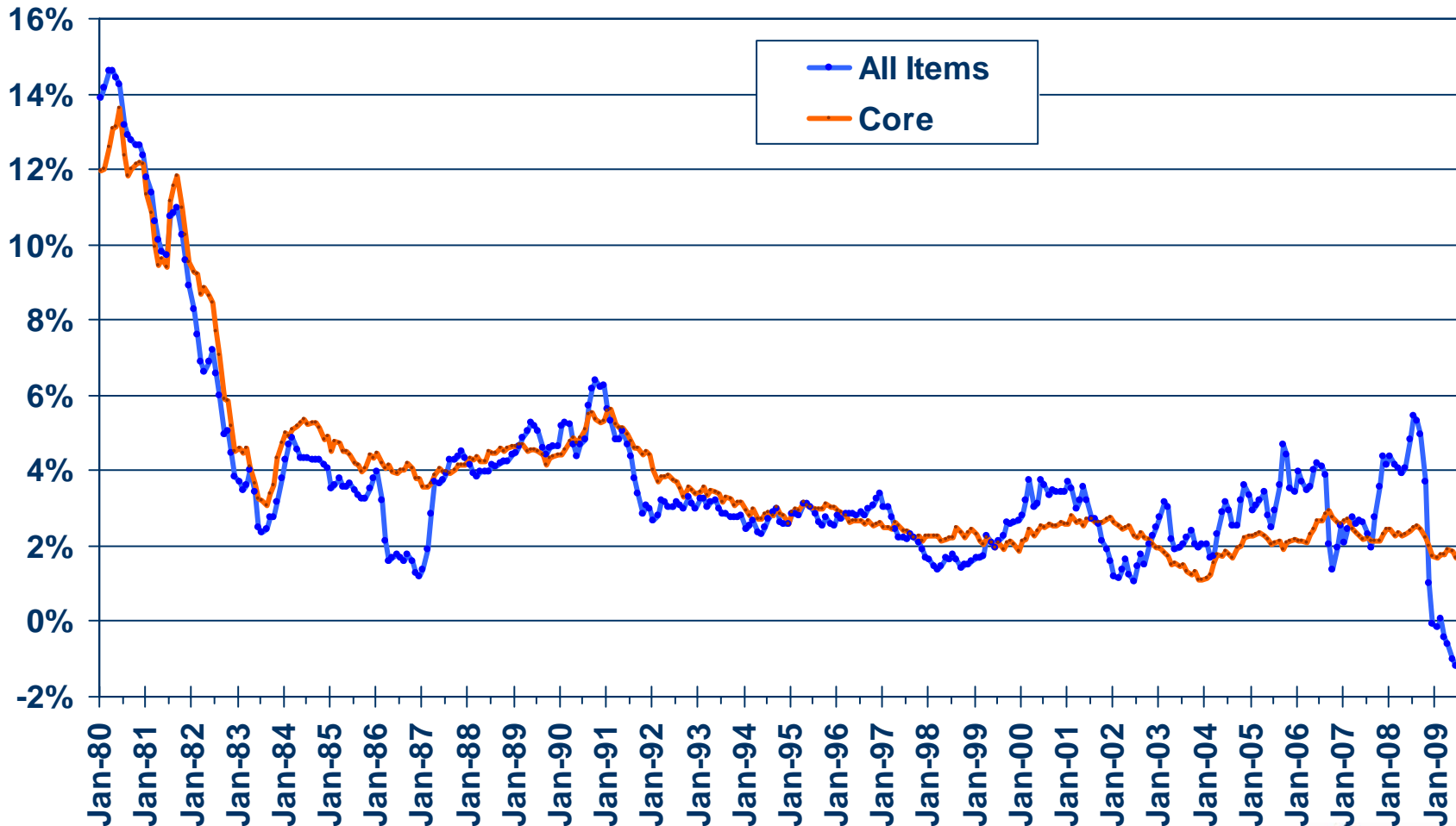
SOURCE: CA Employment Development Division



Consumer Price Index

June 2009: All Items -1.2% YTY; Core 1.7% YTY

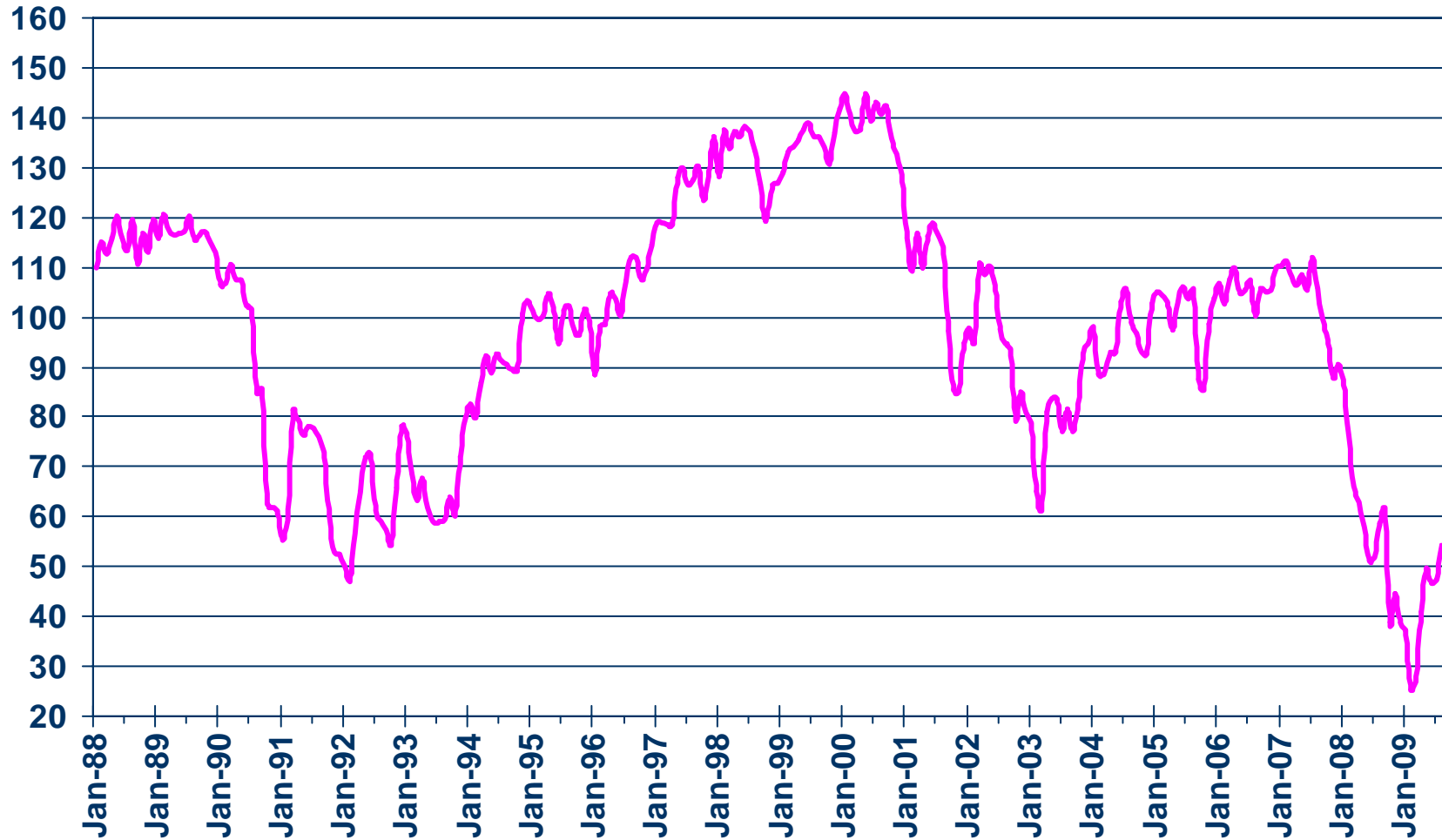
PERCENT CHANGE FROM A YEAR AGO, 100=1982-1984



Consumer Confidence Index

August 2009 54.1

INDEX, 100=1985



U.S. Economy

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009f |
|-------------------------------|-------|------|------|------|------|-------|-------|
| US GDP | 2.5% | 3.6% | 2.9% | 2.8% | 2.0% | 1.1% | -2.5% |
| Nonfarm Job Growth | -0.3% | 1.1% | 1.7% | 1.8% | 1.1% | -0.4% | -3.0% |
| Unemployment | 6.0% | 5.5% | 5.1% | 4.6% | 4.6% | 5.8% | 9.2% |
| CPI | 2.3% | 2.7% | 3.4% | 3.2% | 2.9% | 3.8% | 0.0% |
| Real Disposable Income | 2.4% | 3.4% | 1.2% | 2.6% | 2.8% | 1.3% | 1.6% |

Forecast Date: June 2009

California Economy

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009f |
|---|-------|------|------|------|------|-------|-------|
| Nonfarm Job Growth | -0.5% | 1.0% | 1.8% | 1.8% | 0.8% | -1.2% | -3.9% |
| Unemployment Rate | 6.8% | 6.2% | 5.4% | 4.9% | 5.4% | 7.2% | 11.4% |
| Population Growth | 1.7% | 1.5% | 1.3% | 1.3% | 1.1% | 1.1% | 1.1% |
| Real Disposable Income, % Change | 1.4% | 3.6% | 1.2% | 3.4% | 1.5% | 0.4% | -0.5% |

Forecast Date: June 2009

California Housing Market Outlook

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009F |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|
| SFH Resales (000s) | 601.8 | 624.7 | 625.0 | 477.5 | 346.9 | 439.8 | 550.0 |
| % Change | 5.1% | 3.8% | 0.03% | -23.6% | -27.3% | 26.8% | 25.0% |
| Median Price (\$000s) | \$371.5 | \$450.8 | \$522.7 | \$556.4 | \$560.3 | \$346.4 | \$248.0 |
| % Change | 17.5% | 21.3% | 16.0% | 6.5% | 0.7% | -38.2% | -28.4% |
| 30-Yr FRM | 5.8% | 5.8% | 5.9% | 6.4% | 6.3% | 6.1% | 5.0% |
| 1-Yr ARM | 3.8% | 3.9% | 4.5% | 5.5% | 5.5% | 5.2% | 4.8% |

June 2009

Source: CALIFORNIA ASSOCIATION OF REALTORS®





CALIFORNIA
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OF REALTORS®

In Closing....

CALIFORNIA ASSOCIATION OF REALTORS®



Mortgage Protection Program

MPP Benefits & Qualifying Criteria

FREE program designed to provide peace of mind to first-time buyers who are hesitant to enter the housing market due to concerns about potential job loss. Qualifying buyers can receive up to \$1,500 a month for up to six months in the event of job loss, a qualified co-buyer can also receive a \$750 benefit for up to six months to help pay the mortgage.

- Be a first-time home buyer – someone who has not owned property in the last three years (includes co-buyer)
- Open escrow April 2, 2009, or later, and close on or before Dec. 31, 2009 (purchase agreement cannot be dated before April 2, 2009)
- Use a California REALTOR® in the transaction
- Purchase the property in California
- Be a W-2 employee (cannot be self-employed)

Visit www.carhaf.org for application and additional program details



Thank You
lesliea@car.org

