

2nd Quarter Summary

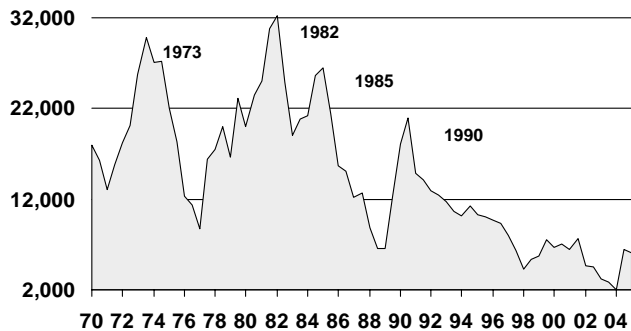
- Continued same
- Home prices up - some slowing
- Home sales down - not a problem
- Residential & construction lending up
- Residential permits down, non-residential up
- New home inventory down slightly - and still low
- Defaults & foreclosures down
- Residential vacancy rates down, rents up
- Employment up
- Short rates up, mortgage rates barely up
- Inflation rates down

Unsold New Tract Housing Mid-Year 2005

- 6,118 homes in inventory
- Down from 6 months ago - 5 %
- Up from a year ago + 210 %
- 19 % of the level in 1982
- 29 % of the level in 1990
- 6 % of the West
- 1 % of the U.S.

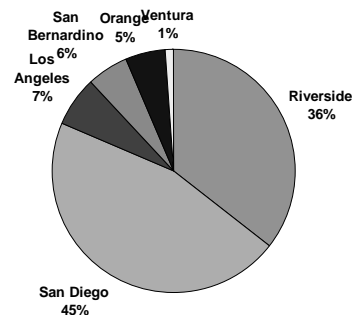
Source: RERCSC and Residential Trends, San Diego.

Unsold New Tract Housing Southern California, 1970 - 2005



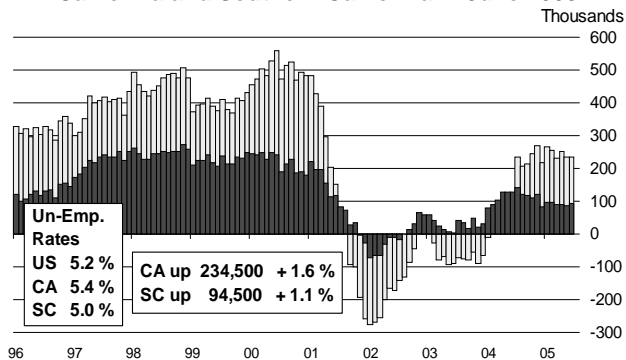
Source: RERCSC and Residential Trends.

Unsold New Housing Across Counties - Mid-Year 2005



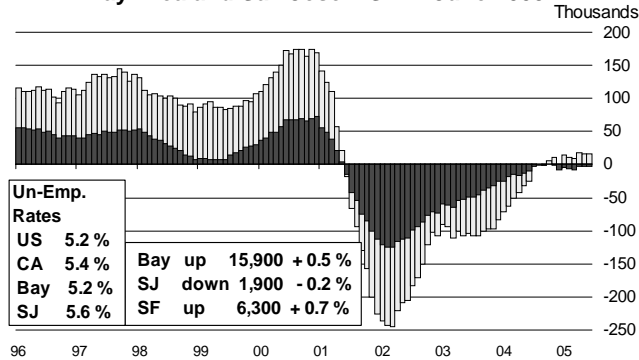
Source: RERCSC and Residential Trends.

Year-to-Year Change in Employment California and Southern California - June 2005

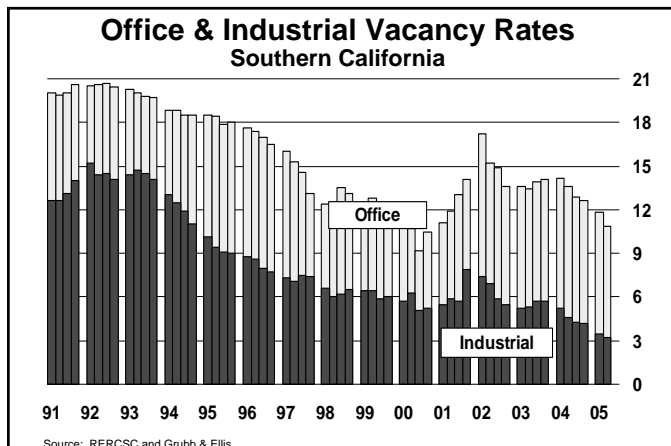
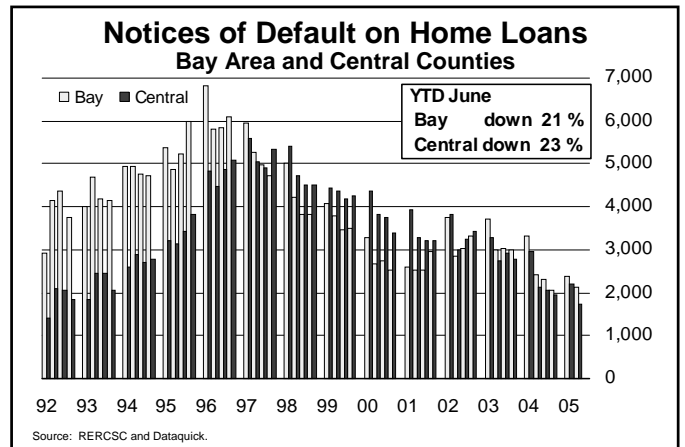
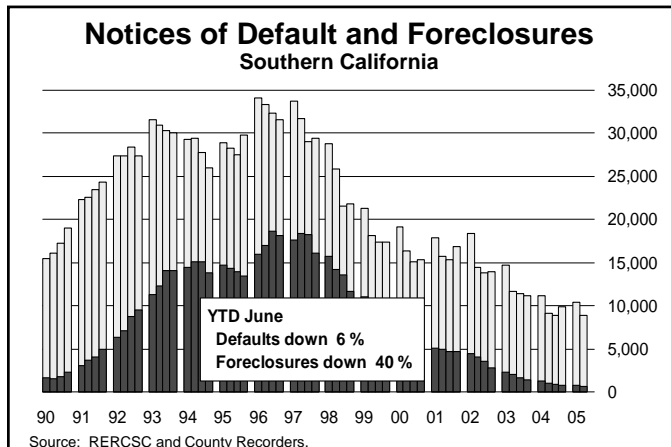
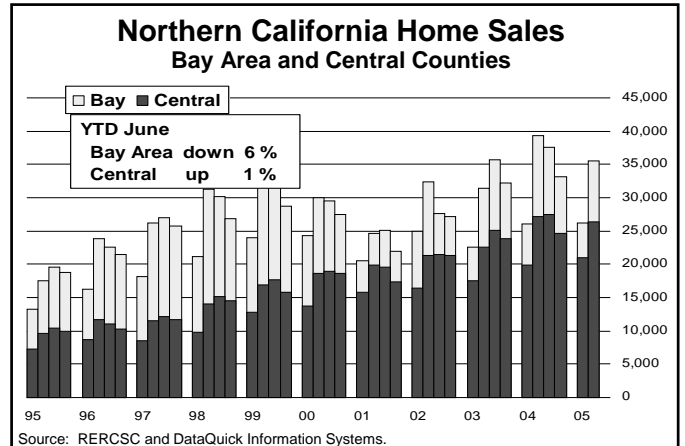
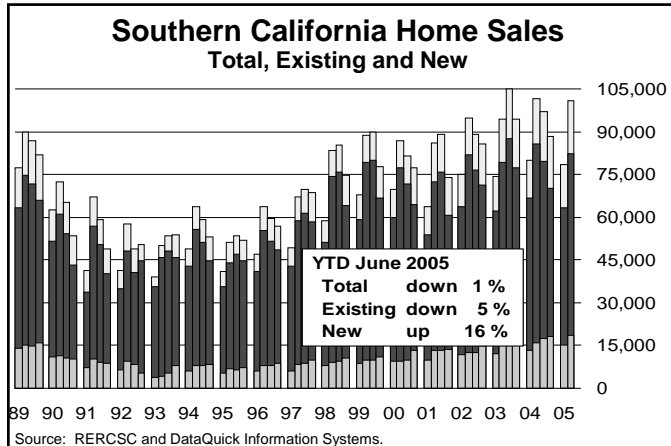


Source: RERCSC and EDD, 2005 Benchmark.

Year-to-Year Change in Employment Bay Area and San Jose MSA - June 2005



Source: RERCSC and EDD, 2005 Benchmark.

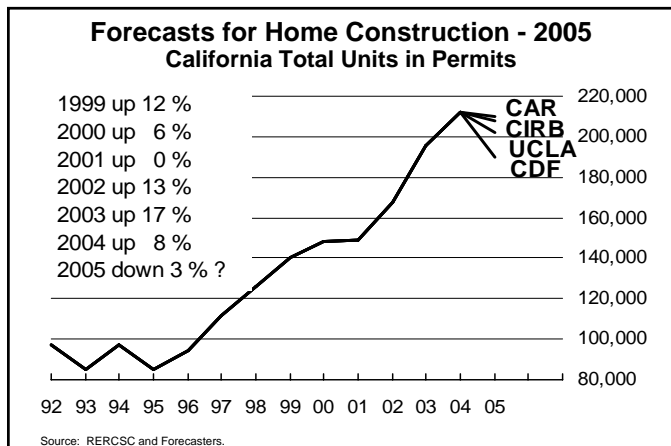
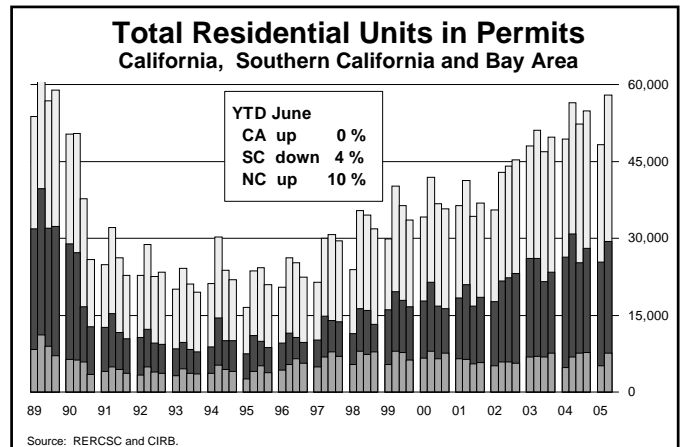
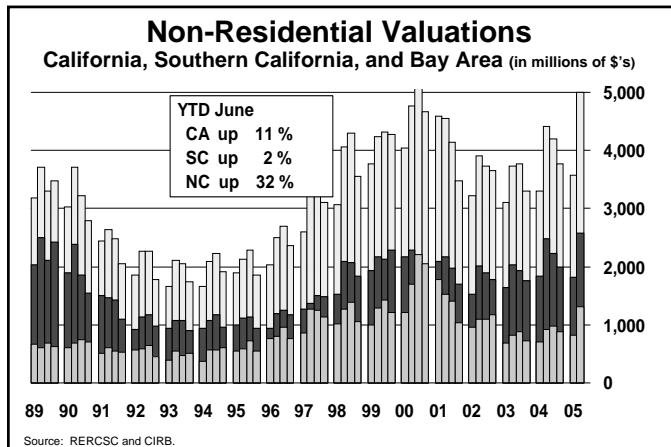
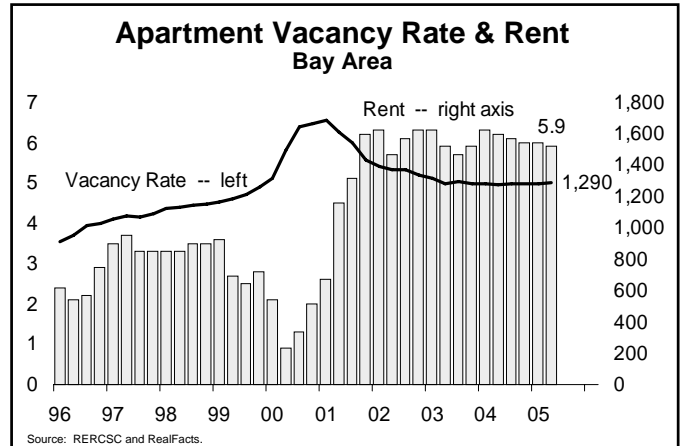
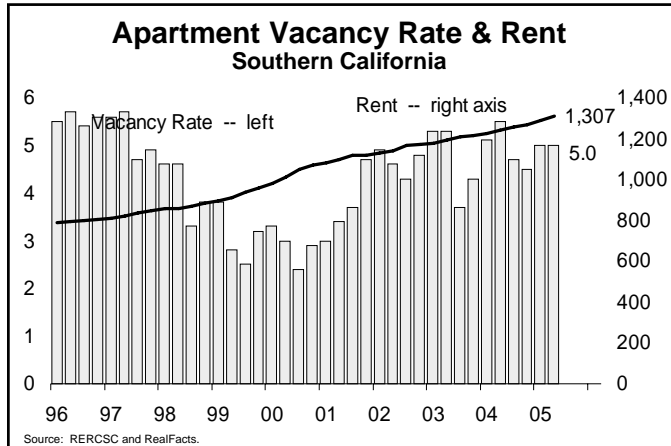


Inflation Rates

Los Angeles, San Francisco & U.S., June 2005

	<u>LA</u>	<u>SF</u>	<u>US</u>
■ CPI	3.6	1.1	2.5
■ Housing Costs	5.5	1.0	2.7
■ Homeowners	5.9	0.1	2.2
■ Residential Rent	6.3	0.5	2.9

Source: RERCSC and BLS.



- ### Year Ahead Outlook - No Change
- **Strong and slowing**
 - Long-term interest rates up - how fast, how high ?
 - Home prices up - rate of increase slowing
 - Home sales and residential permits slowing
 - Residential rents and vacancies unchanged
 - Non-residential permits down, vacancies up
 - Employment and Economy Improving
 - **Problems**
 - High home prices, bubble?, bubbles burst
 - High leverage, variable rates, Freddie/Fannie
 - **To watch: Employment, inflation, and mortgage rates**