

2nd Quarter Summary

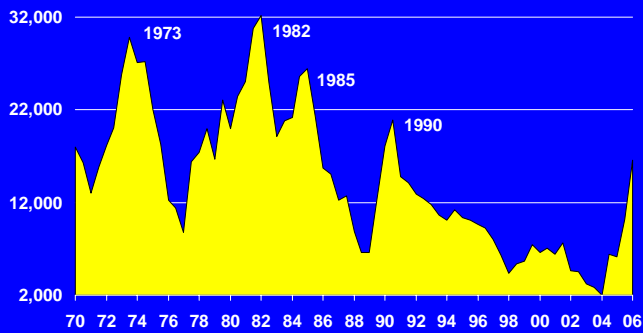
- > Strong signs of slowing in the 2nd quarter
- > Home prices up Rate of increase falling fast
- > Home sales down Large decrease
- > New home inventory up Large increase
- > Residential lending down, construction lending up
- > Residential permits down, non-residential up
- > Defaults & foreclosures up
- > Residential vacancy rates down, rents up
- > Employment up Slowing
- > Short rates up, mortgage rates up
- > Inflation rates up

Unsold New Tract Housing Mid-Year 2006

- 16,595 homes in inventory
- Up from 6 months ago + 62 %
- Up from a year ago + 171 %
- 52 % of the level in 1982
- 79 % of the level in 1990 – highest since
- 14 % of the West
- 3 % of the U.S.

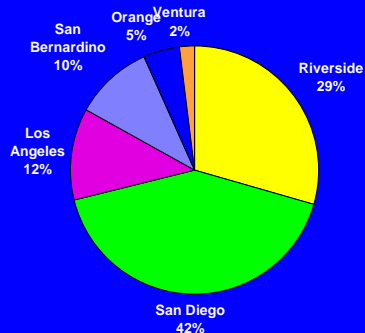
Source: RERCSC and Residential Trends, San Diego.

Unsold New Tract Housing Southern California, 1970 - 2006



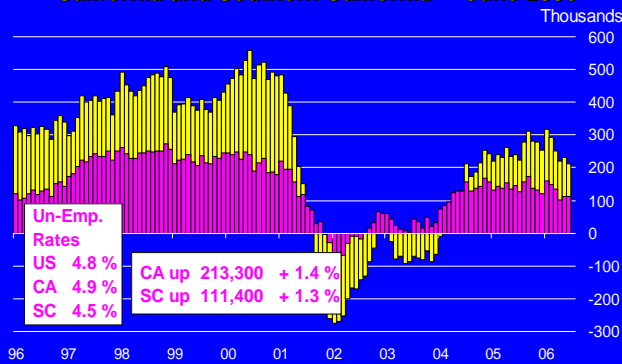
Source: RERCSC and Residential Trends.

Unsold New Housing Across Counties - Mid-Year 2006



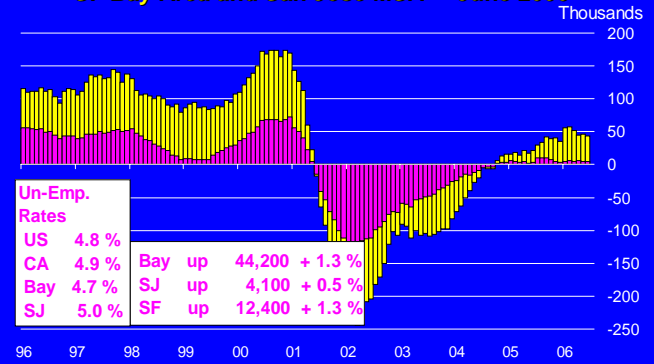
Source: RERCSC and Residential Trends.

Year-to-Year Change in Employment California and Southern California - June 2006

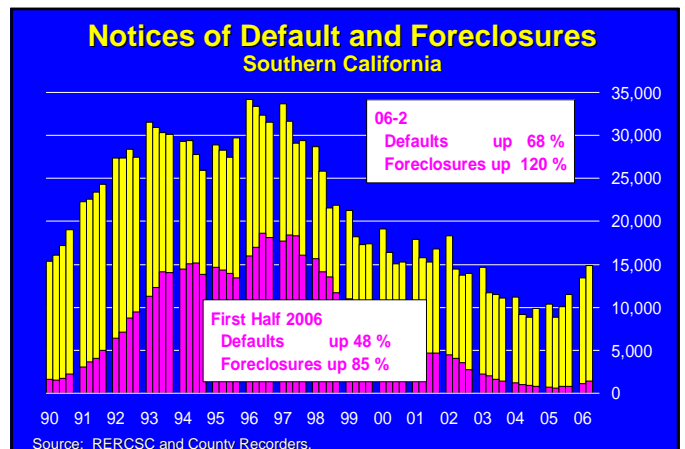
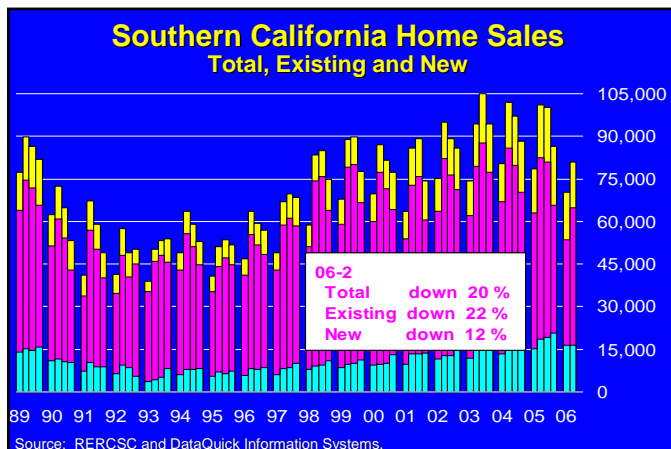
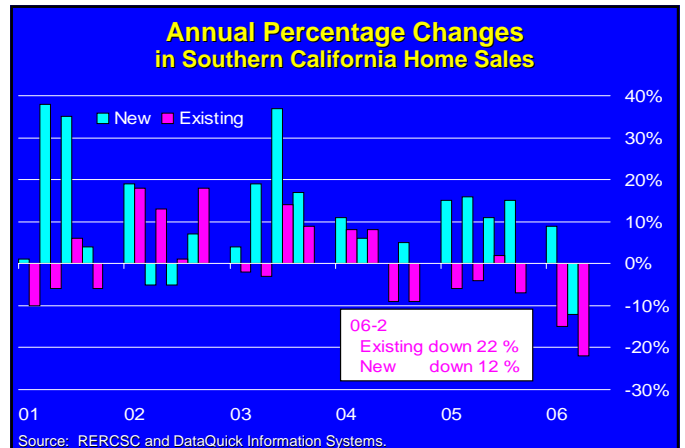
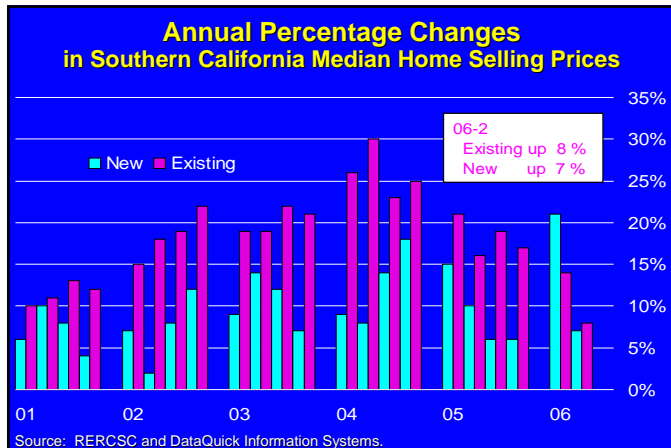


Source: RERCSC and EDD, 2005 Benchmark.

Year-to-Year Change in Employment SF Bay Area and San Jose MSA - June 2006



Source: RERCSC and EDD, 2005 Benchmark.

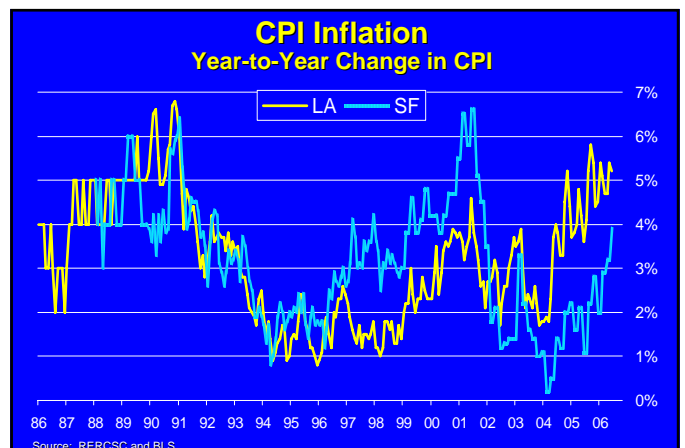


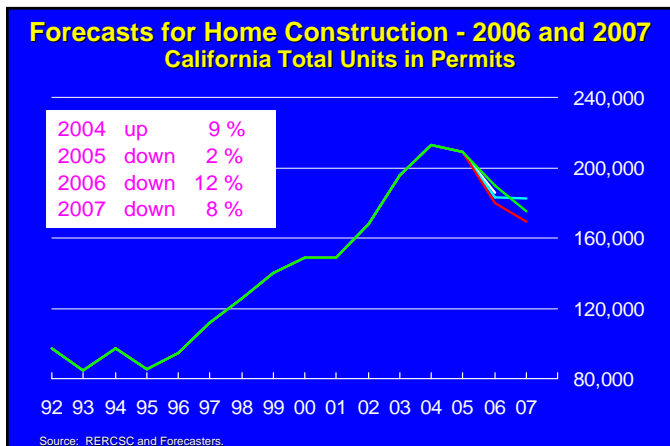
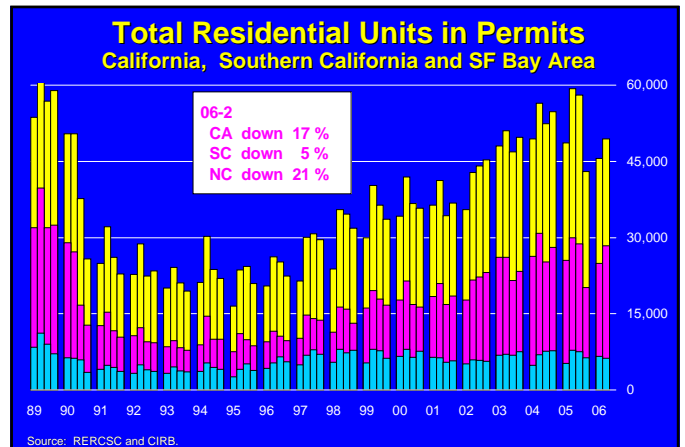
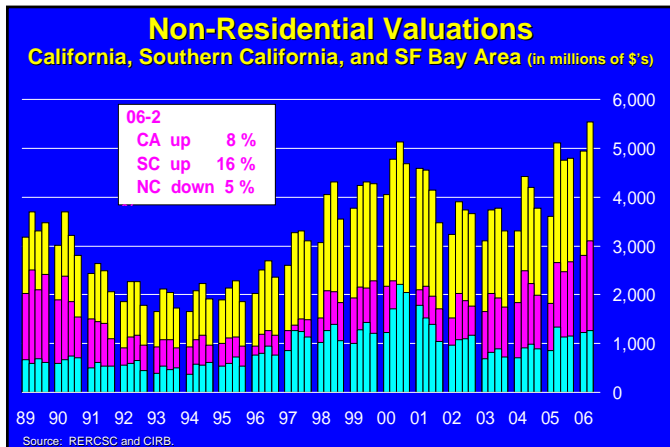
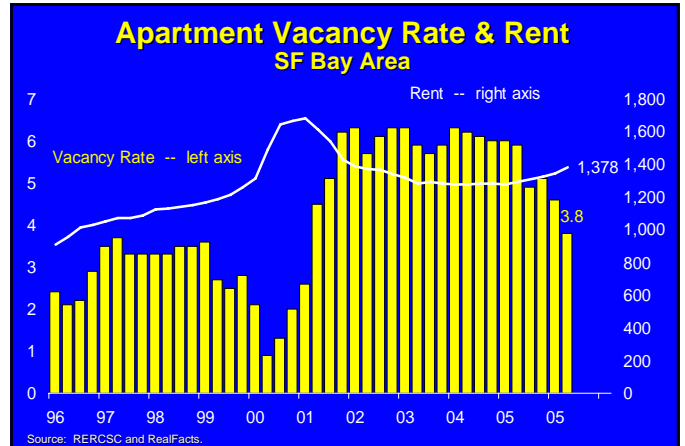
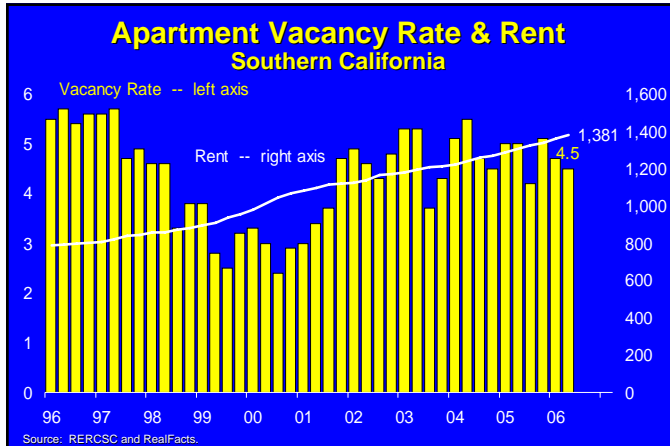
Inflation Rates

Los Angeles, San Francisco & U.S., June 2006

	<u>LA</u>	<u>SF</u>	<u>US</u>
■ CPI	5.2	3.9	4.3
■ Housing Costs	5.6	2.7	4.2
■ Homeowners	5.2	1.9	3.6
■ Residential Rent	6.1	1.3	3.5

Source: RERCSC and BLS.





- ### Year Ahead Outlook – More Slowing
- Inflation and long-term interest rates up
 - Home prices unchanged or edging down
 - Home sales and residential permits down
 - Residential rents and vacancies unchanged
 - Non-residential permits down, vacancies up
 - Economy and employment growth slowing
 - Home ownership markets weak
 - Apartment rental markets strong
 - Non-residential slowing
 - To watch: Employment, inflation, and mortgage rates
 - The Unanticipated Shock