

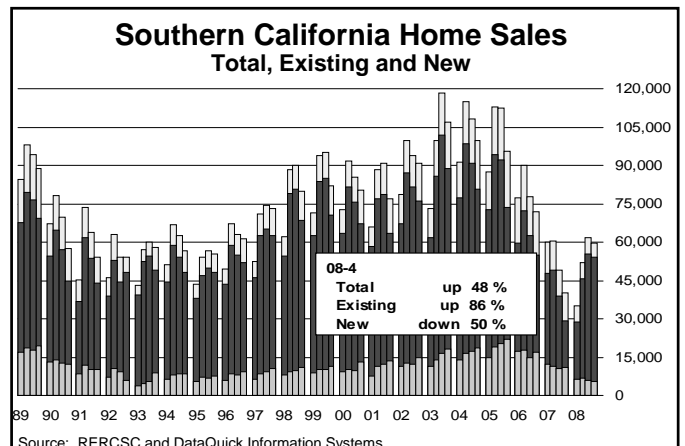
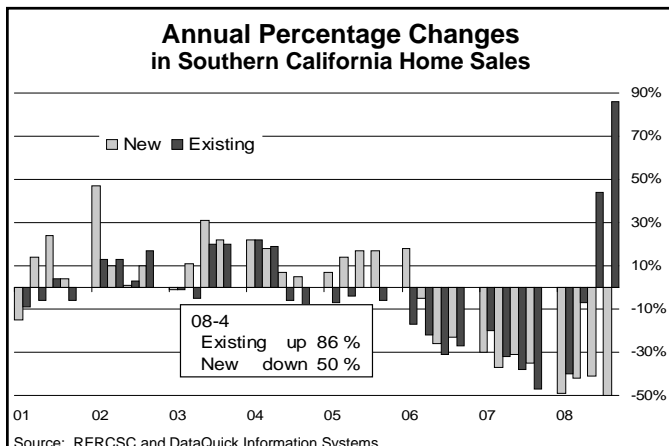
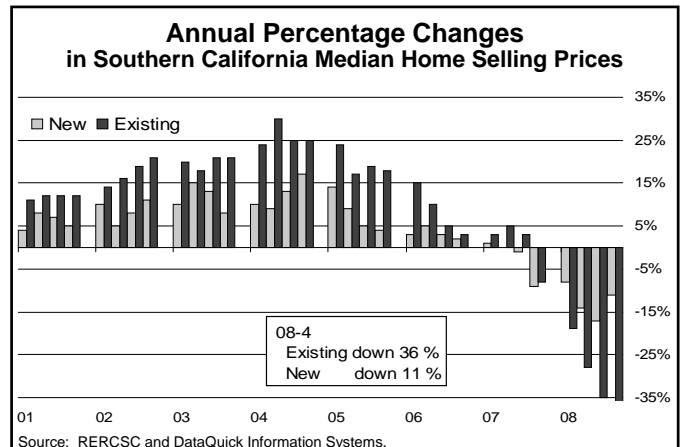
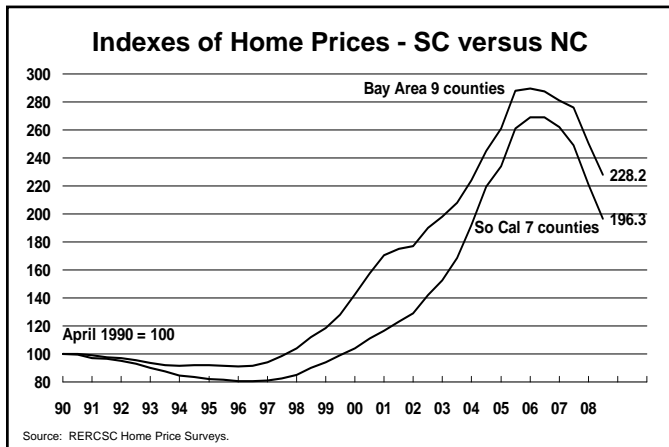
**Real Estate Research Council
 of Southern California**

4th Quarter 2008 Update

Michael Carney

Cal Poly University, Pomona
 March 19, 2009

- ### 4th Quarter Summary
- Deterioration continues
 - Home prices down, falling faster
 - No sign of a bottom in home prices
 - Existing home sales up (foreclosure resales)
 - New home sales down
 - New tract housing inventory down
 - Residential permits down, non-residential down
 - Residential and construction lending down
 - Defaults & foreclosures up (big slowdown)
 - Residential rents up, vacancy rates down
 - Employment down, another large drop
 - Short rates down, mortgage rates down
 - Inflation plummets to zero

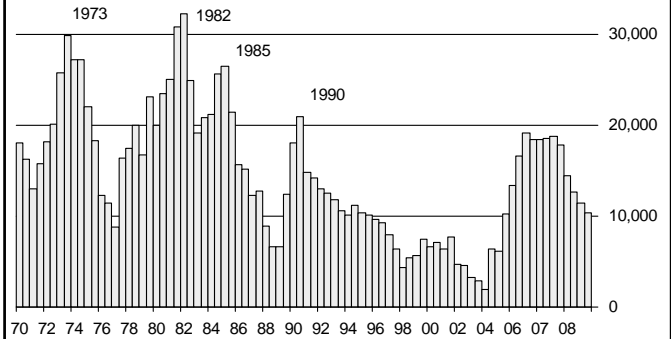


Unsold New Tract Housing Year-End 2008

- 10,325 homes in inventory
- Down from 6 months ago - 18 %
- Down from a year ago - 42 %
- 32 % of the level in 1982
- 49 % of the level in 1990
- 12 % of the West
- 3 % of the U.S.

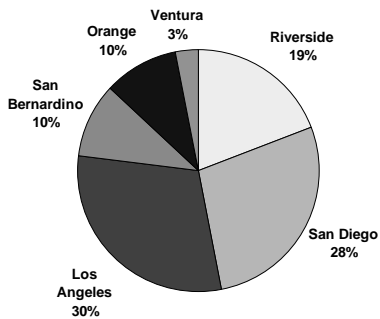
Source: RERCSC and MarketPointe, San Diego.

Unsold New Tract Housing Southern California, 1970 - 2008



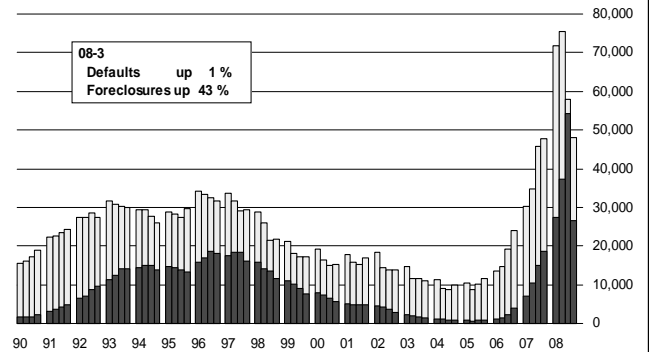
Source: RERCSC and MarketPointe, San Diego.

Unsold New Housing Across Counties - Year-End 2008



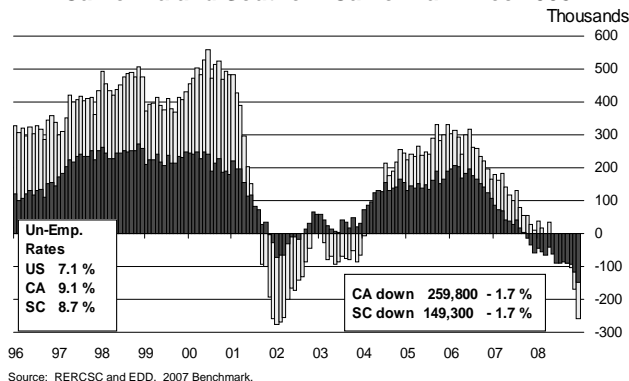
Source: RERCSC and MarketPointe, San Diego.

Notices of Default and Foreclosures Southern California



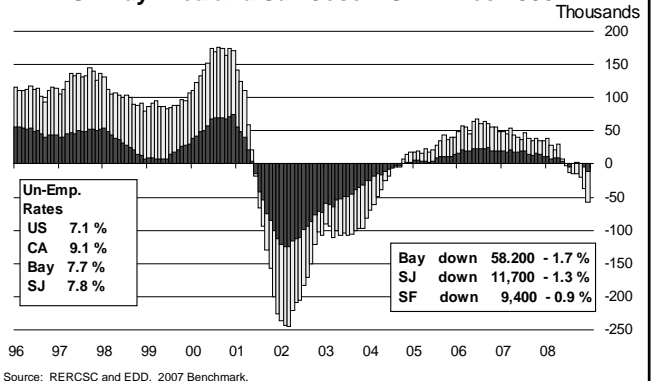
Source: RERCSC and County Recorders.

Year-to-Year Change in Employment California and Southern California - Dec 2008

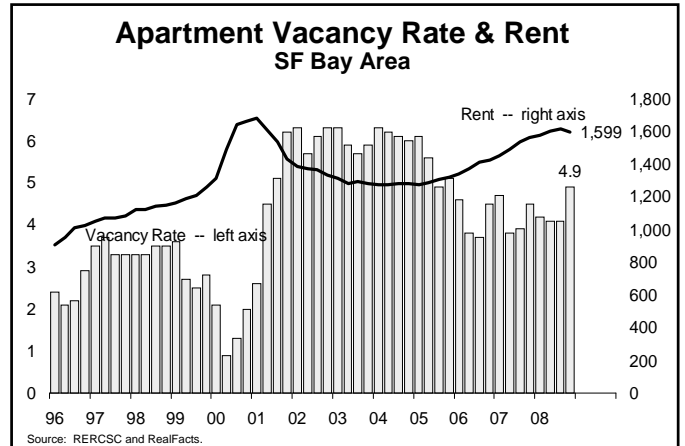
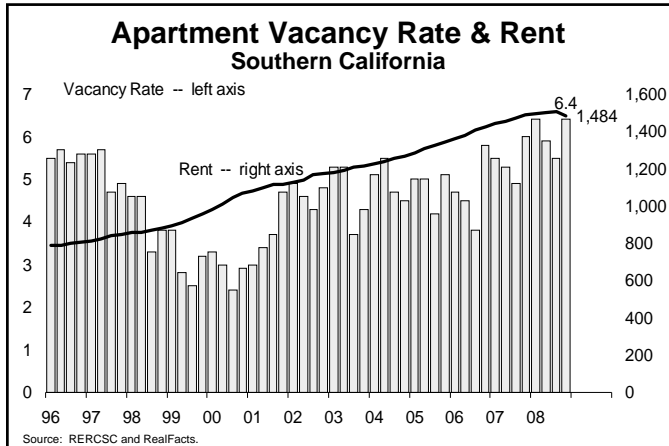


Source: RERCSC and EDD, 2007 Benchmark.

Year-to-Year Change in Employment SF Bay Area and San Jose MSA - Dec 2008



Source: RERCSC and EDD, 2007 Benchmark.

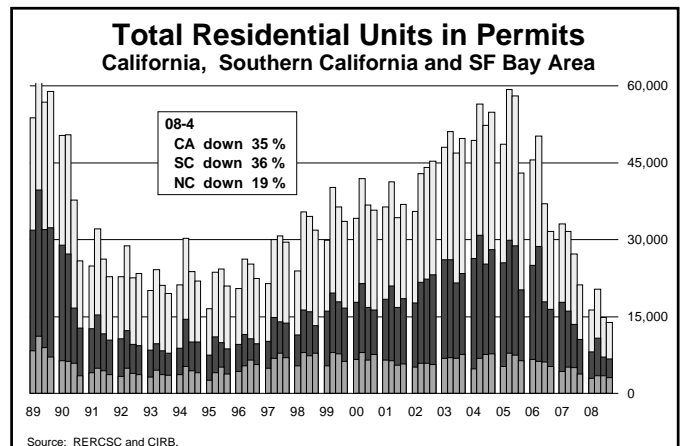
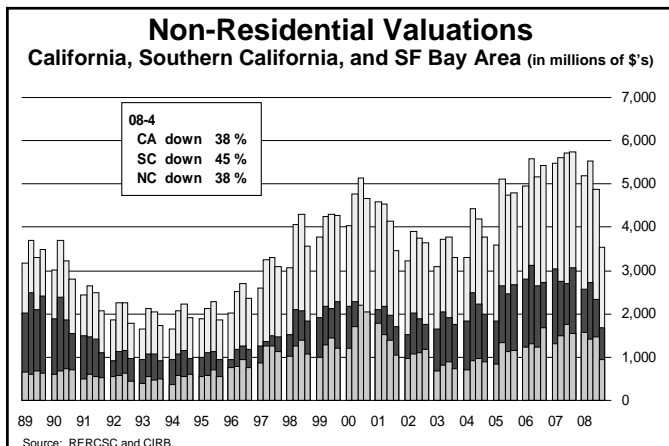
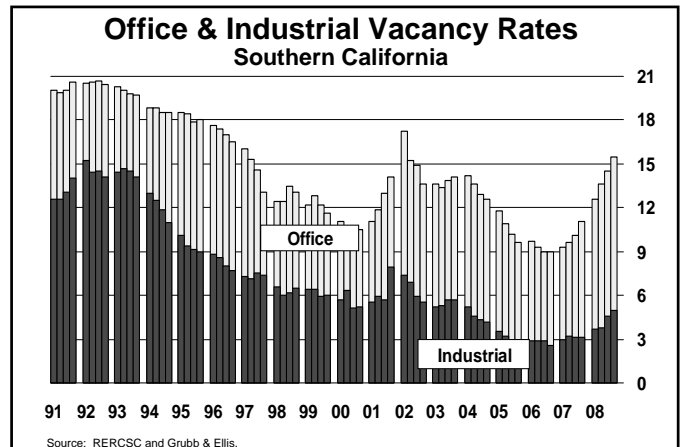


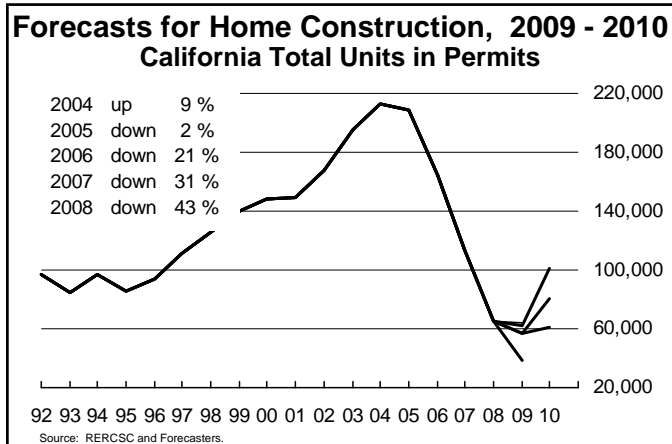
Inflation Rates

Los Angeles, San Francisco & U.S., Dec 2008

	<u>LA</u>	<u>SF</u>	<u>US</u>
■ CPI	0.1	0.0	0.1
■ Housing Costs	2.5	1.9	2.4
■ Homeowners	3.4	3.2	2.1
■ Residential Rent	3.8	4.1	3.4

Source: RERCSC and BLS.





2009 & 2010 Outlook – Further Declines

- **Home ownership markets weak**
 - Home prices down, slowing rate of decline**
 - Existing home sales up, new down**
 - Residential permits down**
 - Where's the financing for home loans?**
- **Apartment rental markets softening**
 - Residential rents down and vacancies up**
- **Non-residential permits down, vacancies up**
- **Economy and employment down – recession**
- **Higher inflation (!), and long-term interest rates up**