

Real Estate Trends and Outlook

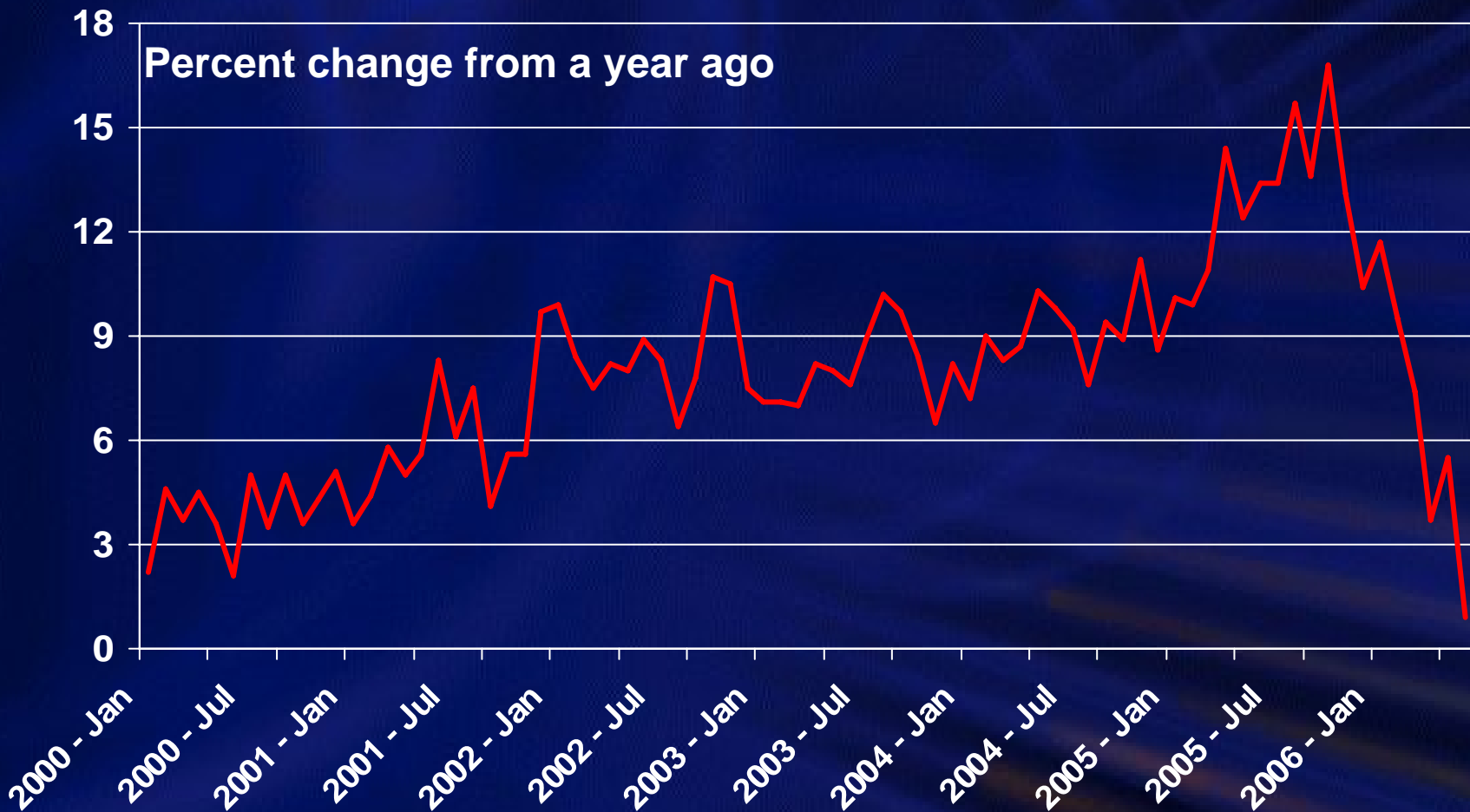
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National Association of REALTORS®**

**Presentation at REOMAC Conference in Chicago
September 28, 2006**

Home Price Appreciation

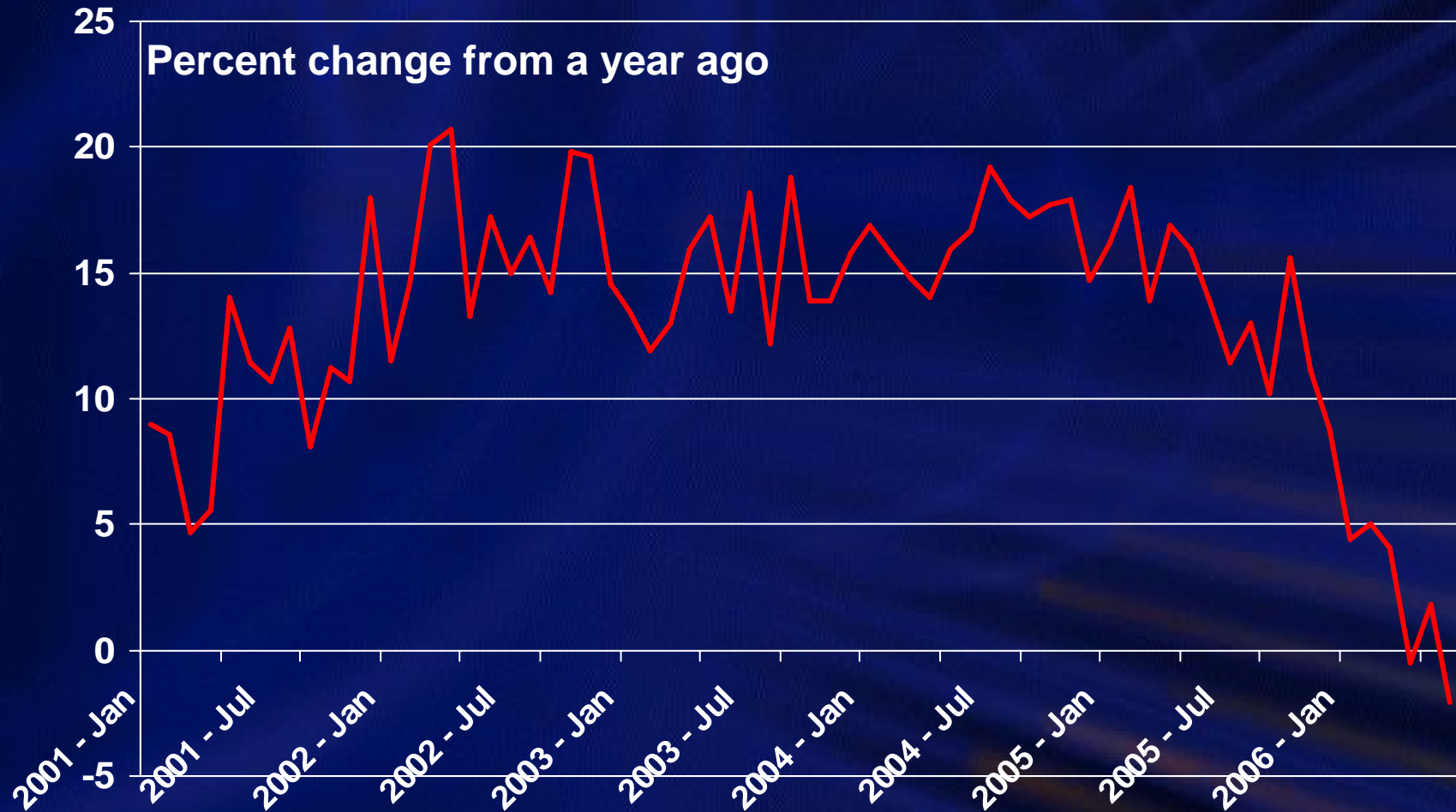
— Price Growth (vs year ago)



Source: NAR

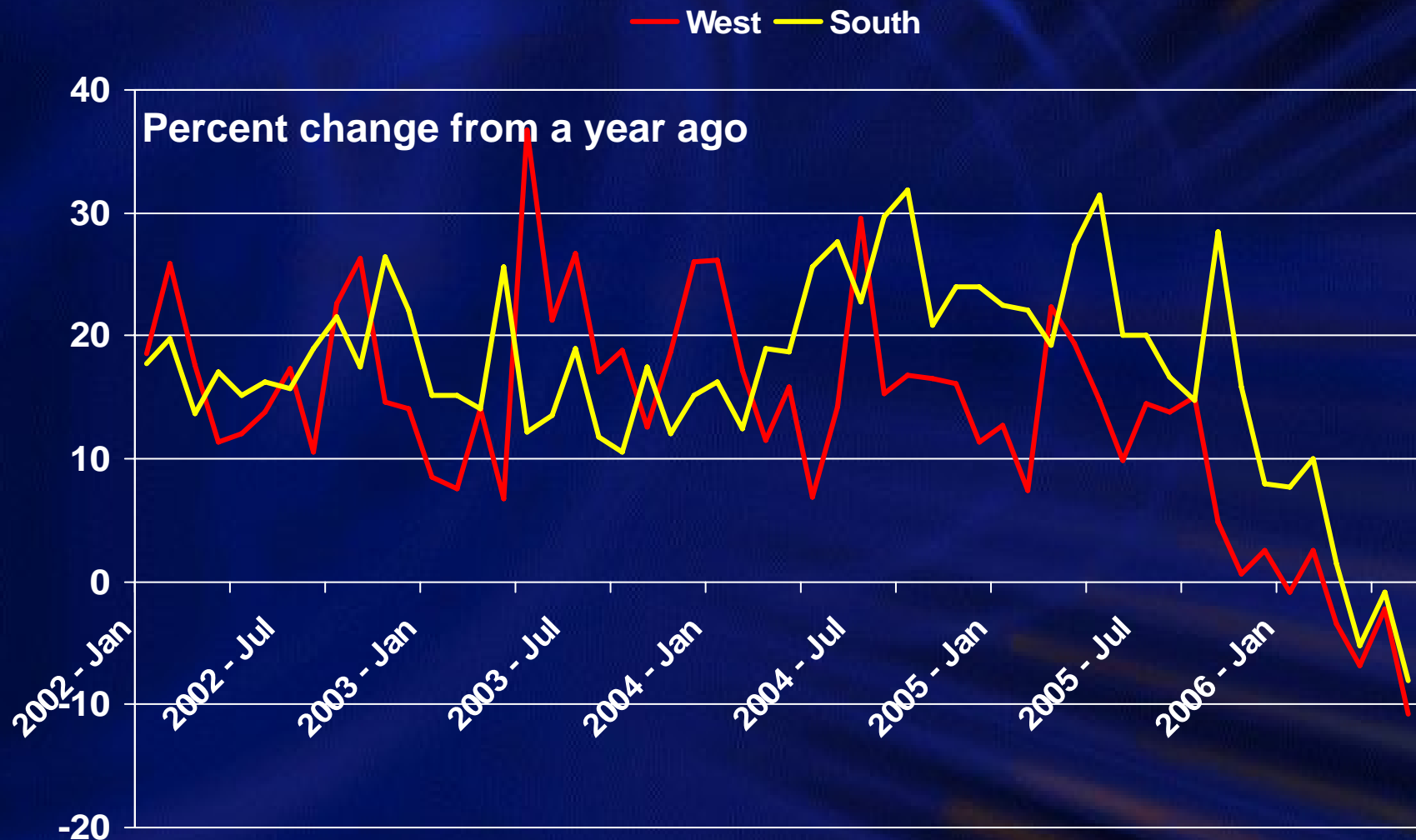
Condo - Price Depreciation

— Price Growth (vs year ago)



Source: NAR

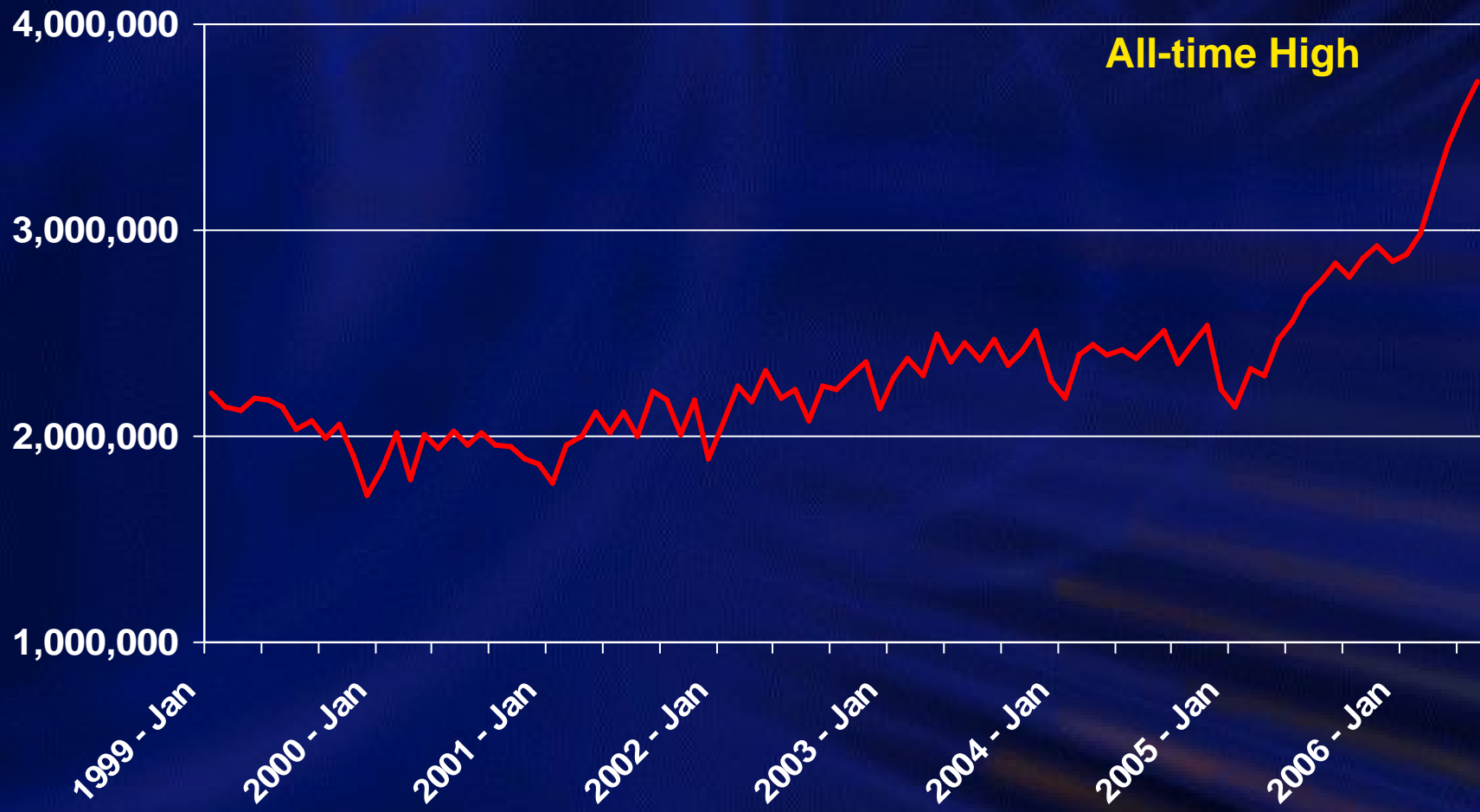
Condo – Significant Price Depreciation in West and South



Source: NAR

Housing Inventory

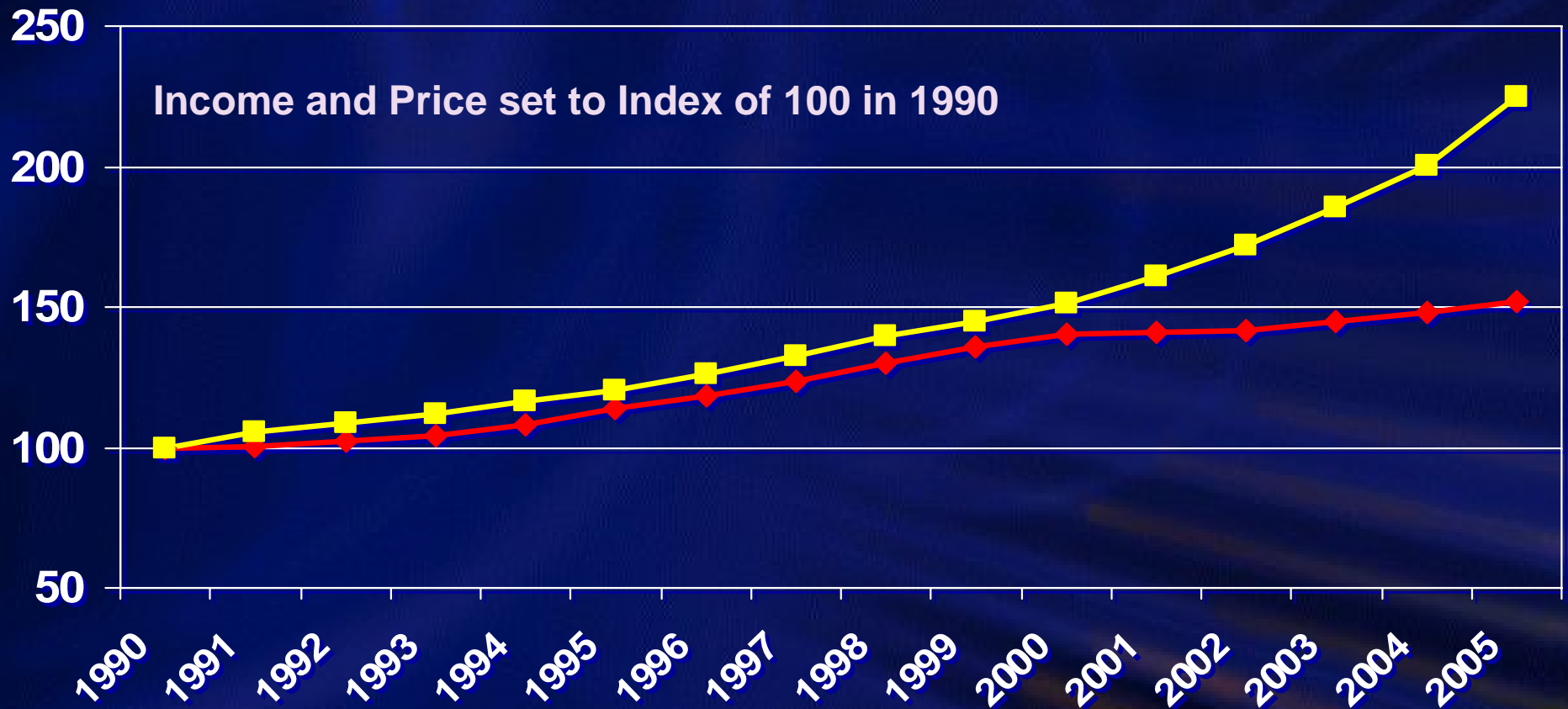
— # total homes on the market



Source: NAR

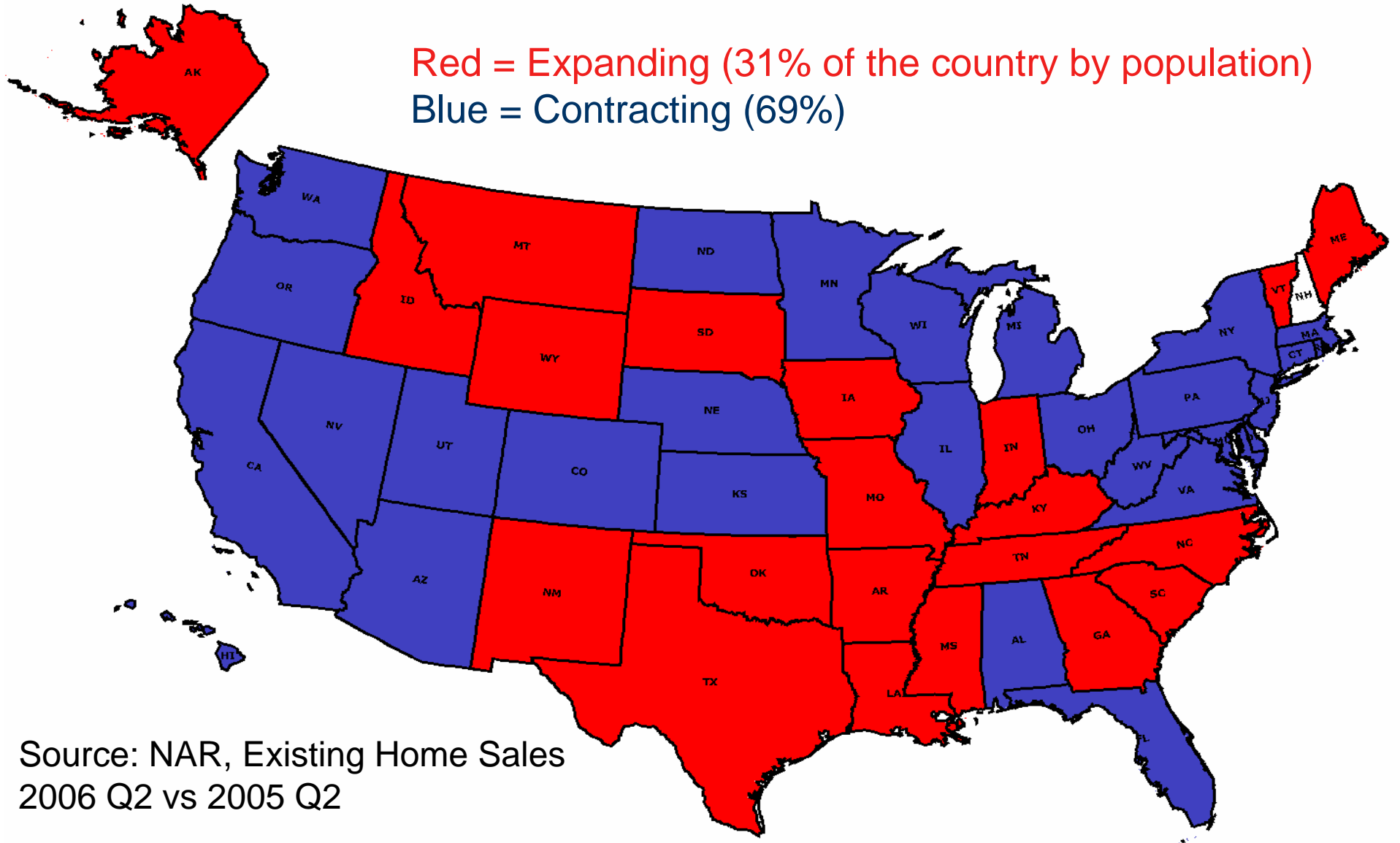
Income Not Keeping Pace With Home Prices

◆ Income ■ Home Price



Source: NAR

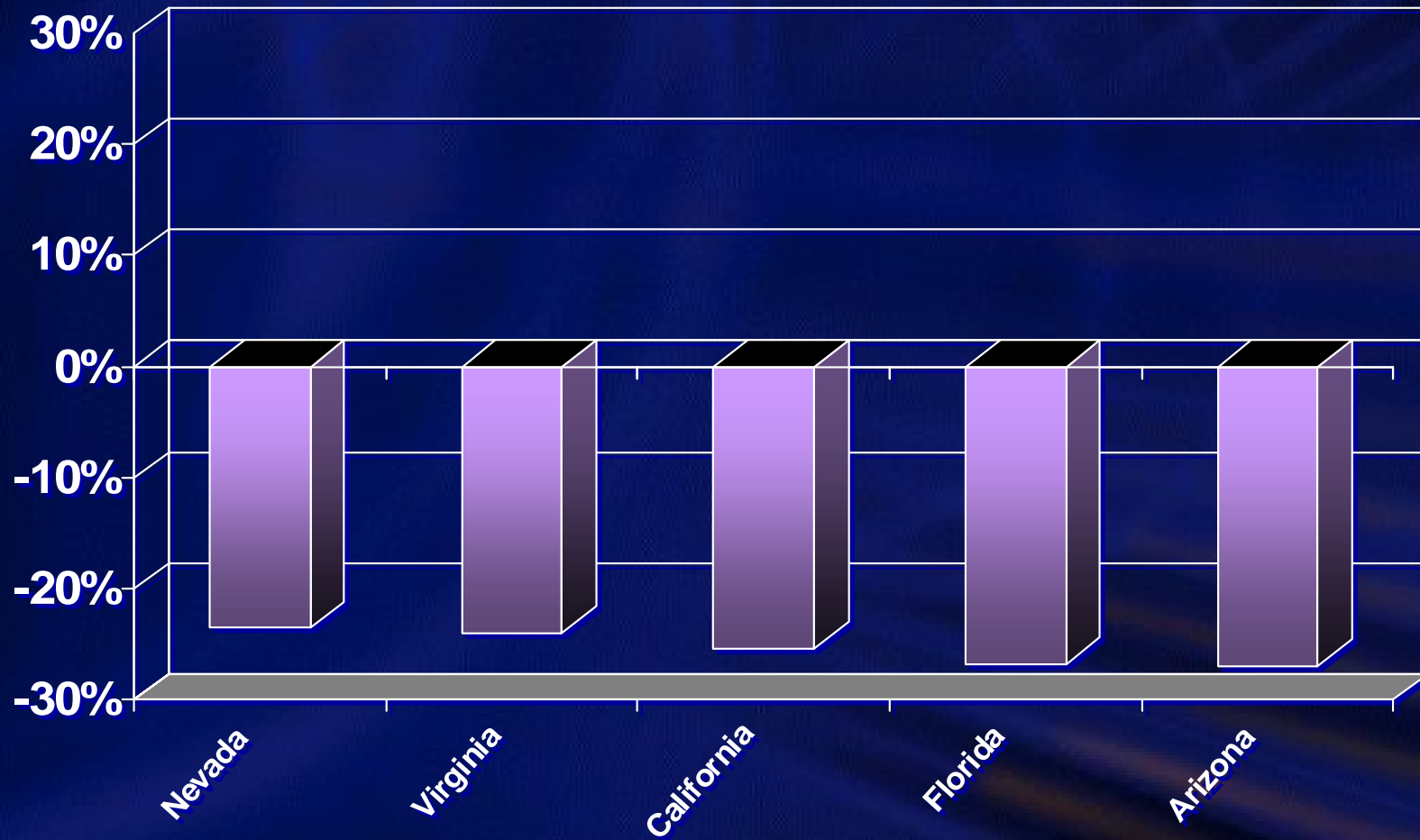
A Divided Real Estate Nation



Source: NAR, Existing Home Sales
2006 Q2 vs 2005 Q2

Cooling Markets

(Existing Home Sales: 2006 Q2 vs 2005 Q2)



Source: NAR

Cooling Metro Markets

(Existing Home Sales: 2006 Q2 vs 2005 Q2)

MSA	Sales	Prices
Las Vegas, NV	-20%	+6.3%
Phoenix, AZ	-31%	+11.8
Miami, FL	-23%	+2.0%
Sarasota, FL	-29%	+0.2%
Washington, DC	-21%	+3.3%
San Diego, CA	-22%	+1.2%
Sacramento, CA	-35%	+0.8%
Boston, MA	-9%	+0.6%

Source: NAR

Price Decelerations and Declines

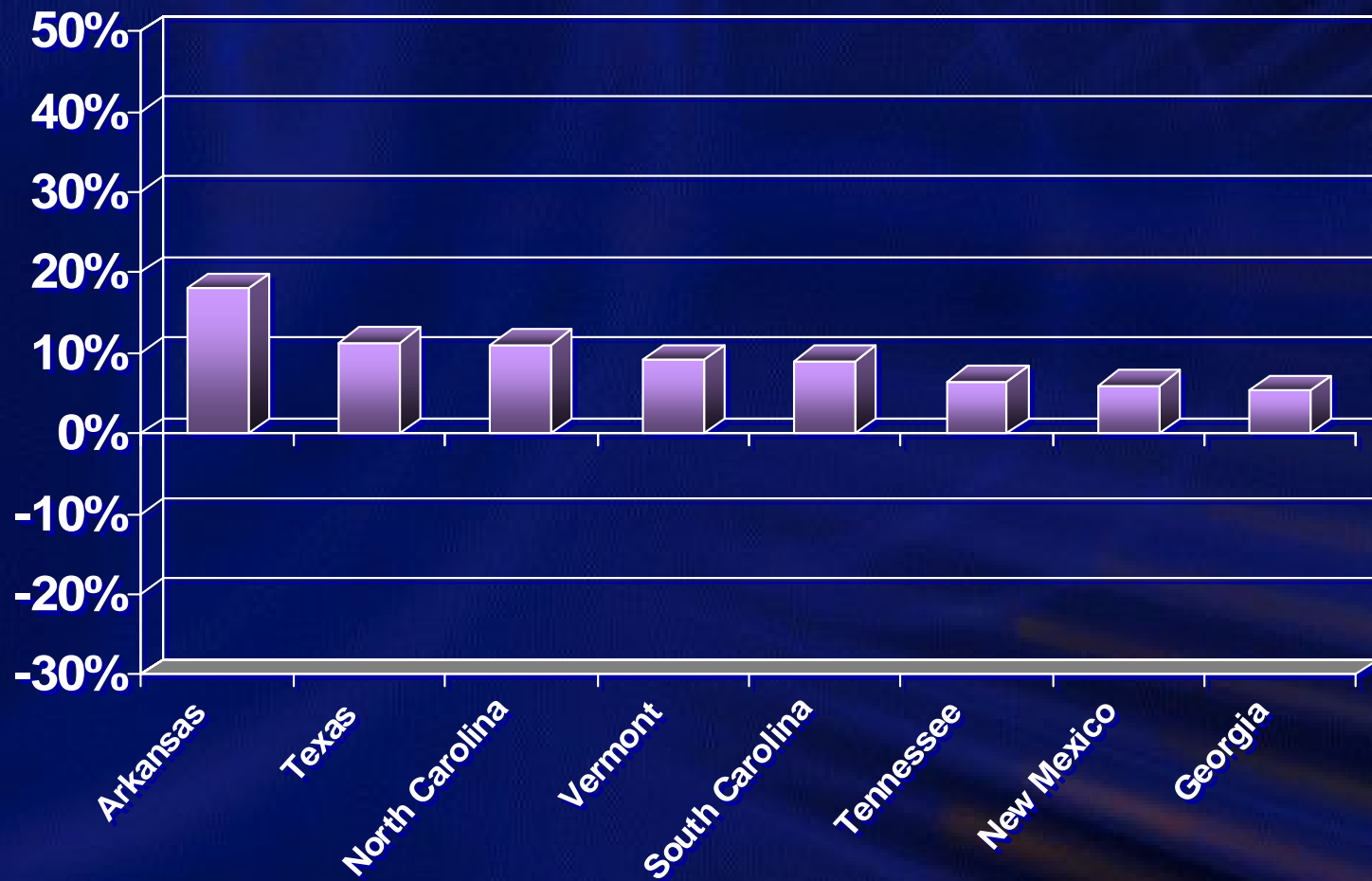
(Existing Home Sales: 2006 Q2 vs 2005 Q2)

MSA	2005 Q2	2006 Q2
Boston	7%	1%
Cape Coral – Ft. Myers	45%	2%
Chicago	9%	5%
Detroit	0%	-8%
Honolulu	28%	11%
Miami	32%	2%
Phoenix	47%	12%
San Diego	8%	1%
Washington DC	26%	3%

26 MSAs had price declines in 2006 Q2

Still, One-third of the Country is Expanding

(Existing Home Sales: 2006 Q2 vs 2005 Q2)



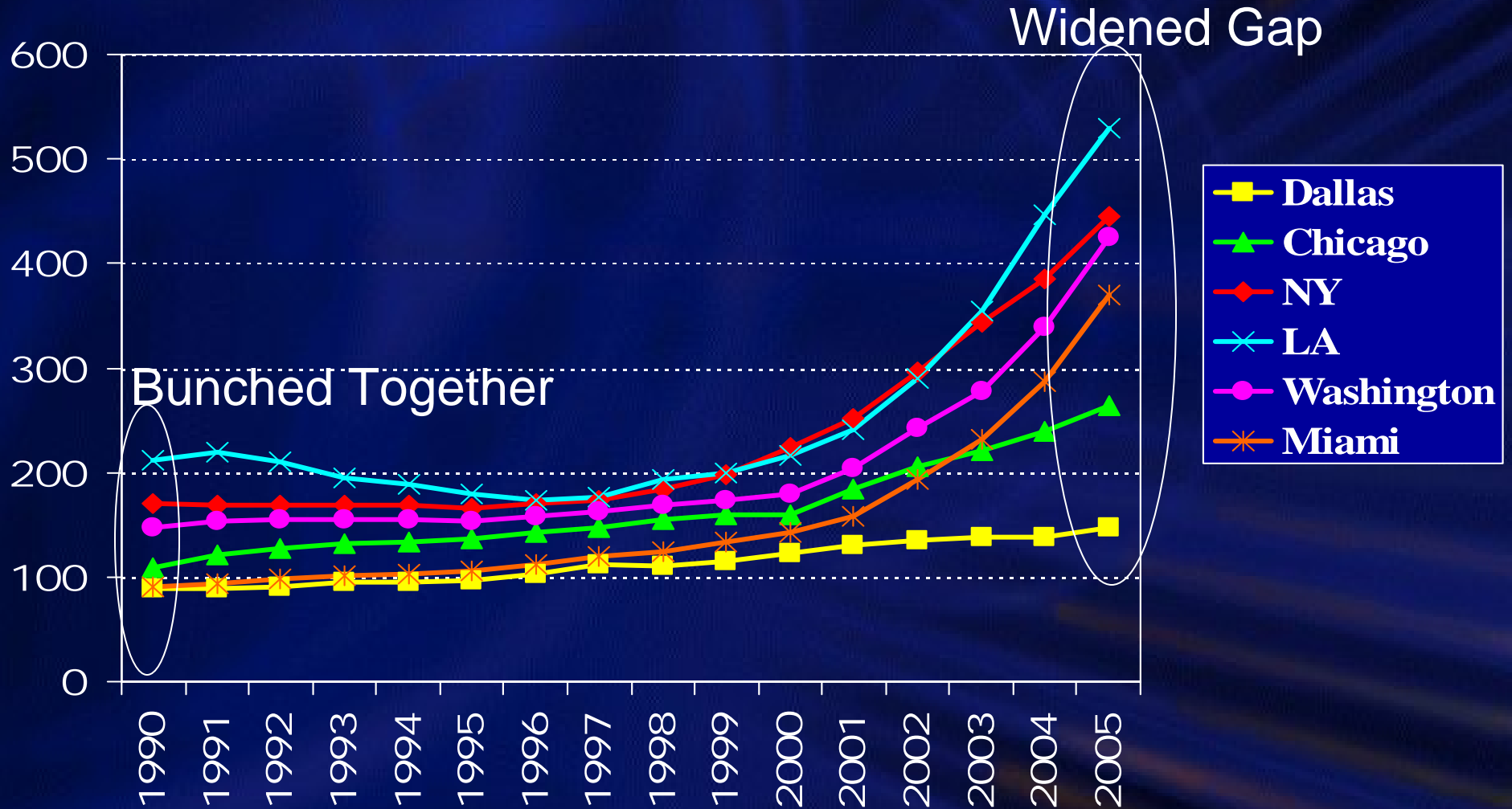
Source: NAR

Price Accelerations and Recovery

(One-year gain in 2006 Q2 and 2005 Q2)

	2005 Q2	2006 Q2
Baton Rouge	6%	27%
Birmingham	4%	9%
Charleston, SC	1%	10%
Houston	2%	7%
Portland	17%	19%
Raleigh	7%	12%
Salt Lake City	5%	12%

Metro Home Prices: Moderate to Unsustainable

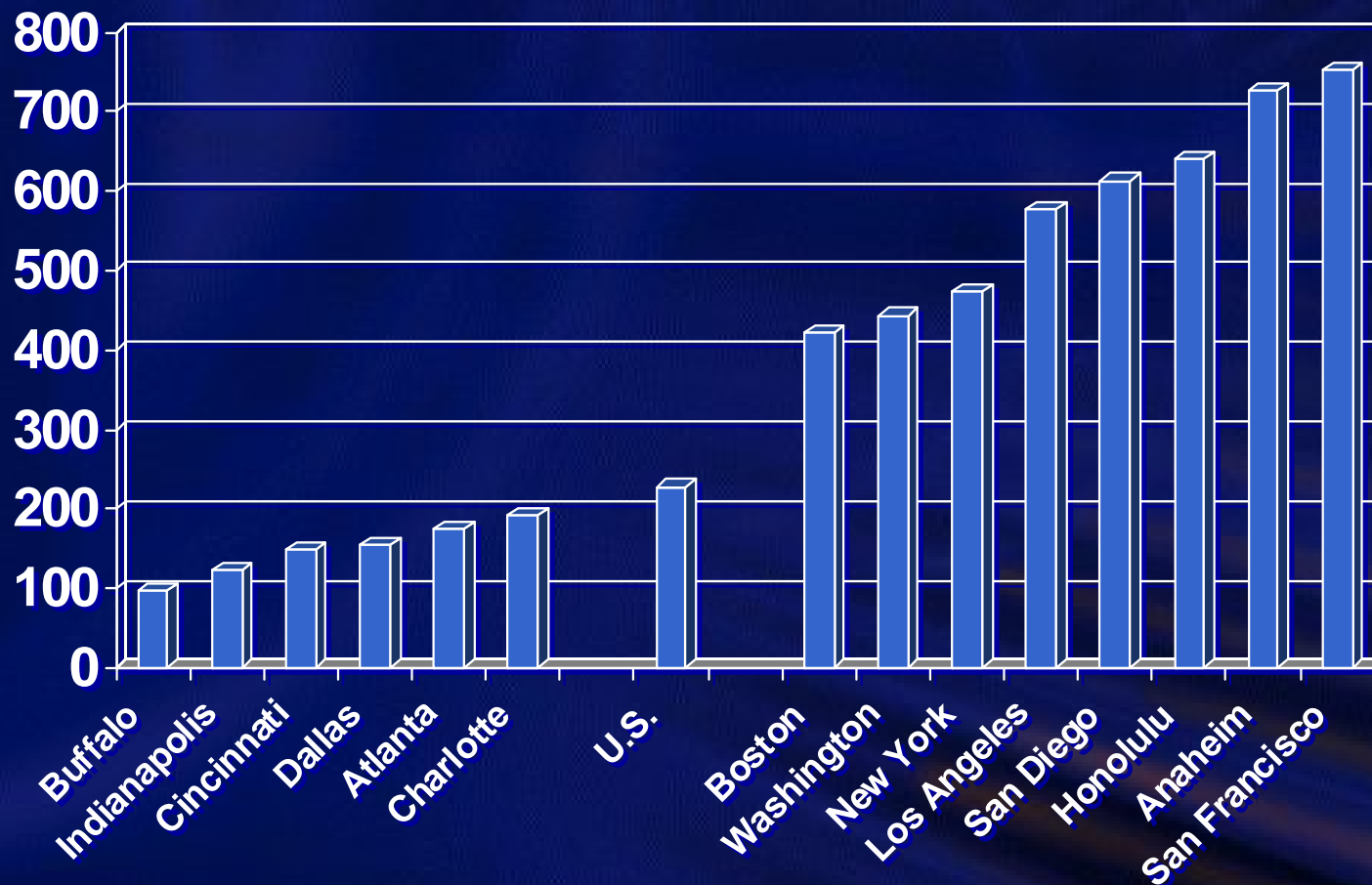


Source: NAR

Home Price Distribution

(2006 Q2)

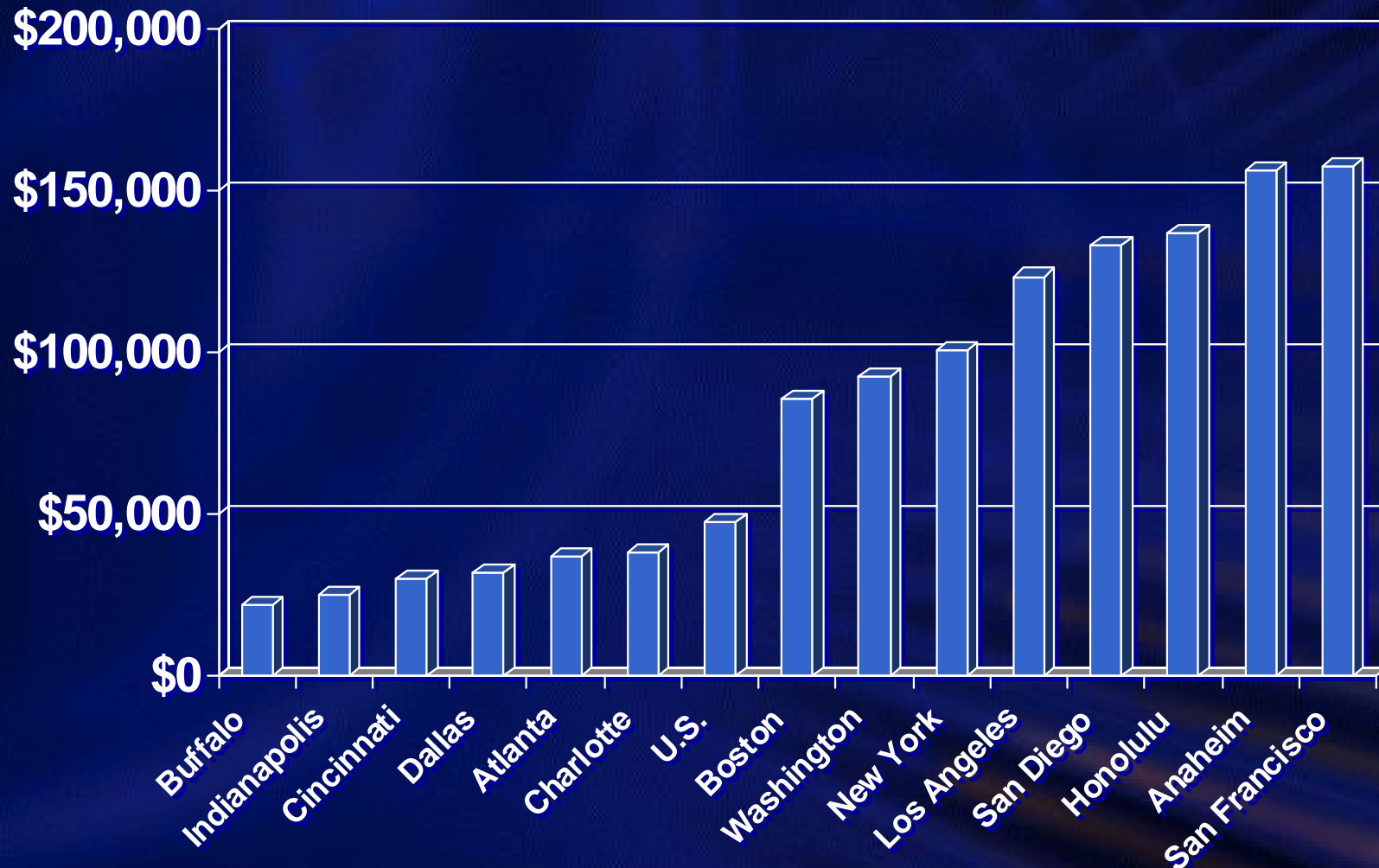
■ Median Price in \$ thousands



Source: NAR

Income Required to Buy a Typical Home

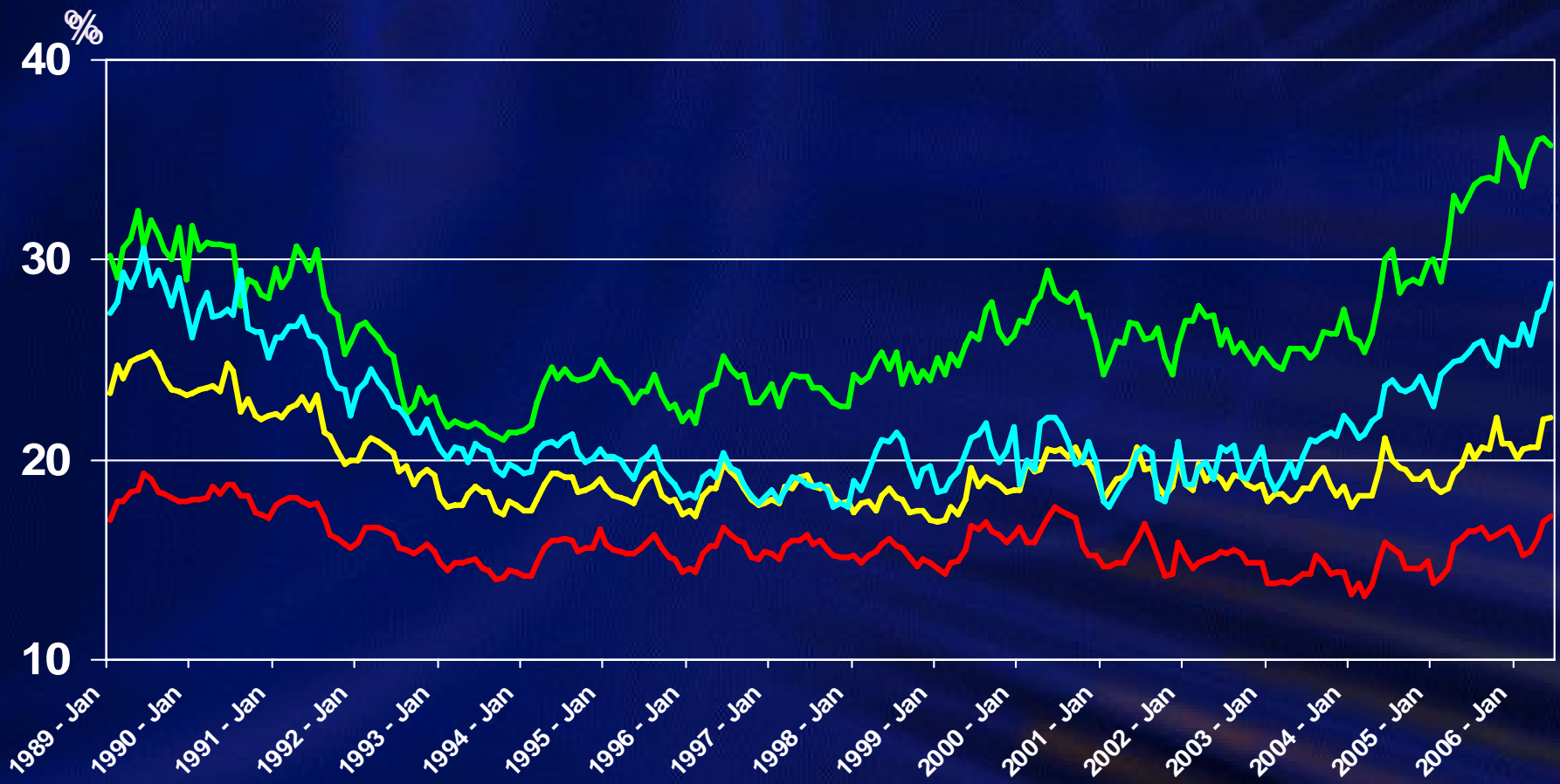
@6.6% mortgage rate and 20% downpayment



Source: NAR

Mortgage Obligation to Income – Worrisome in the West

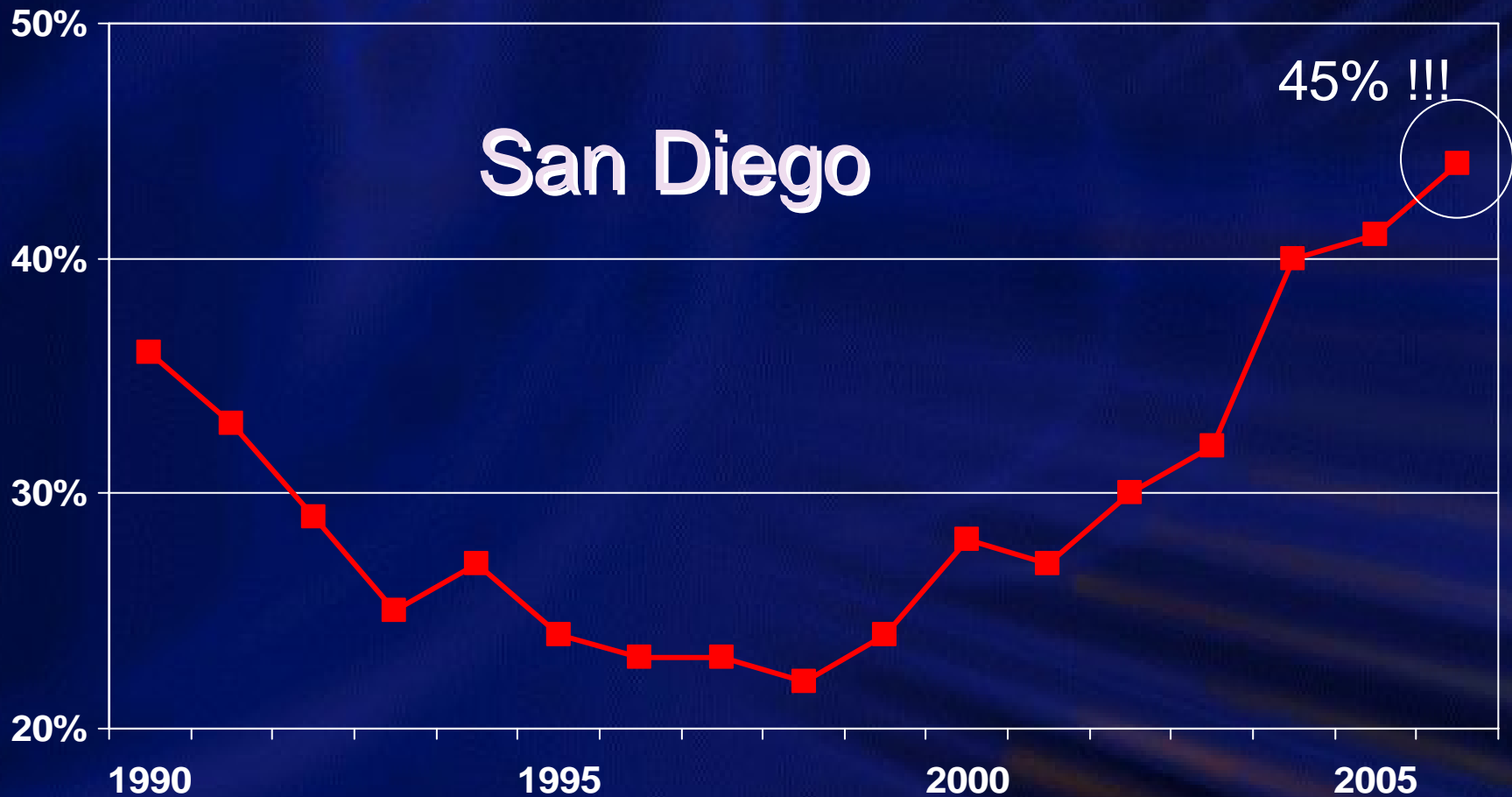
— South — West — Northeast — Midwest



Source: NAR

Mortgage Obligation to Income Very High in Some Markets

■ debt service to buy a median priced home by a middle income family



Source: NAR

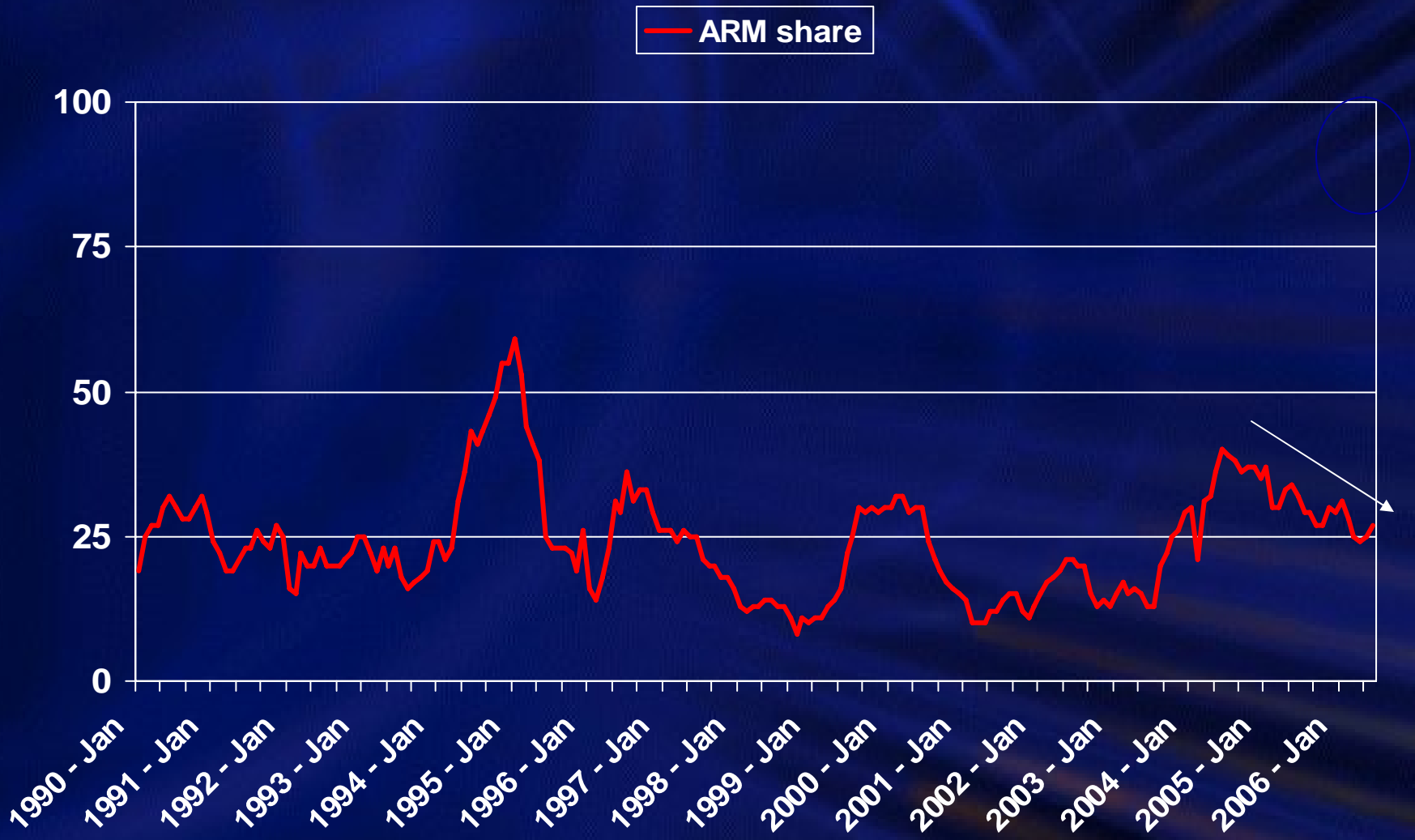
Mortgage Obligation to Income Historical High in Some Markets

■ debt service to buy a median priced home by a middle income family



Source: NAR

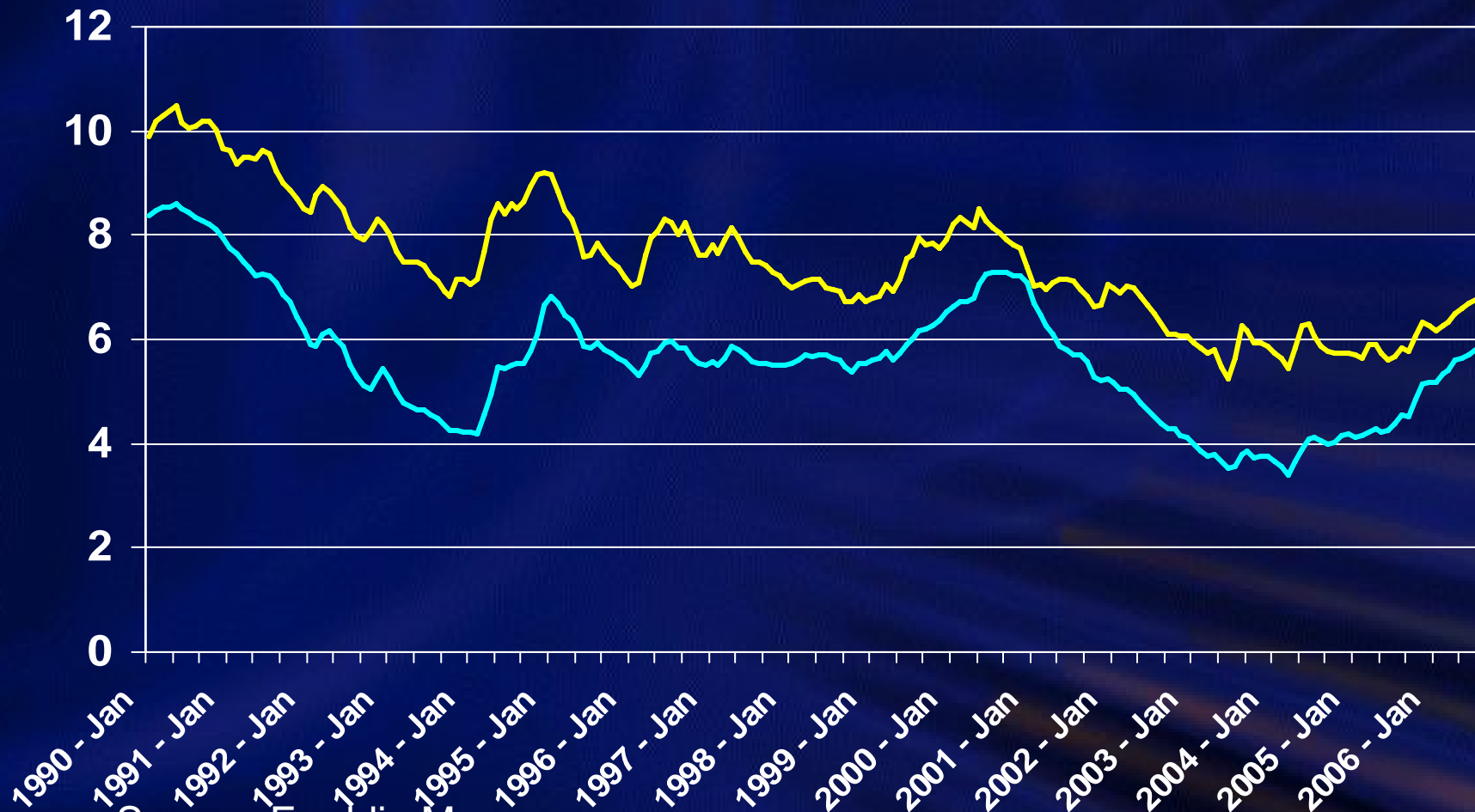
Adjustable Rate Mortgage Declining



Source: NAR

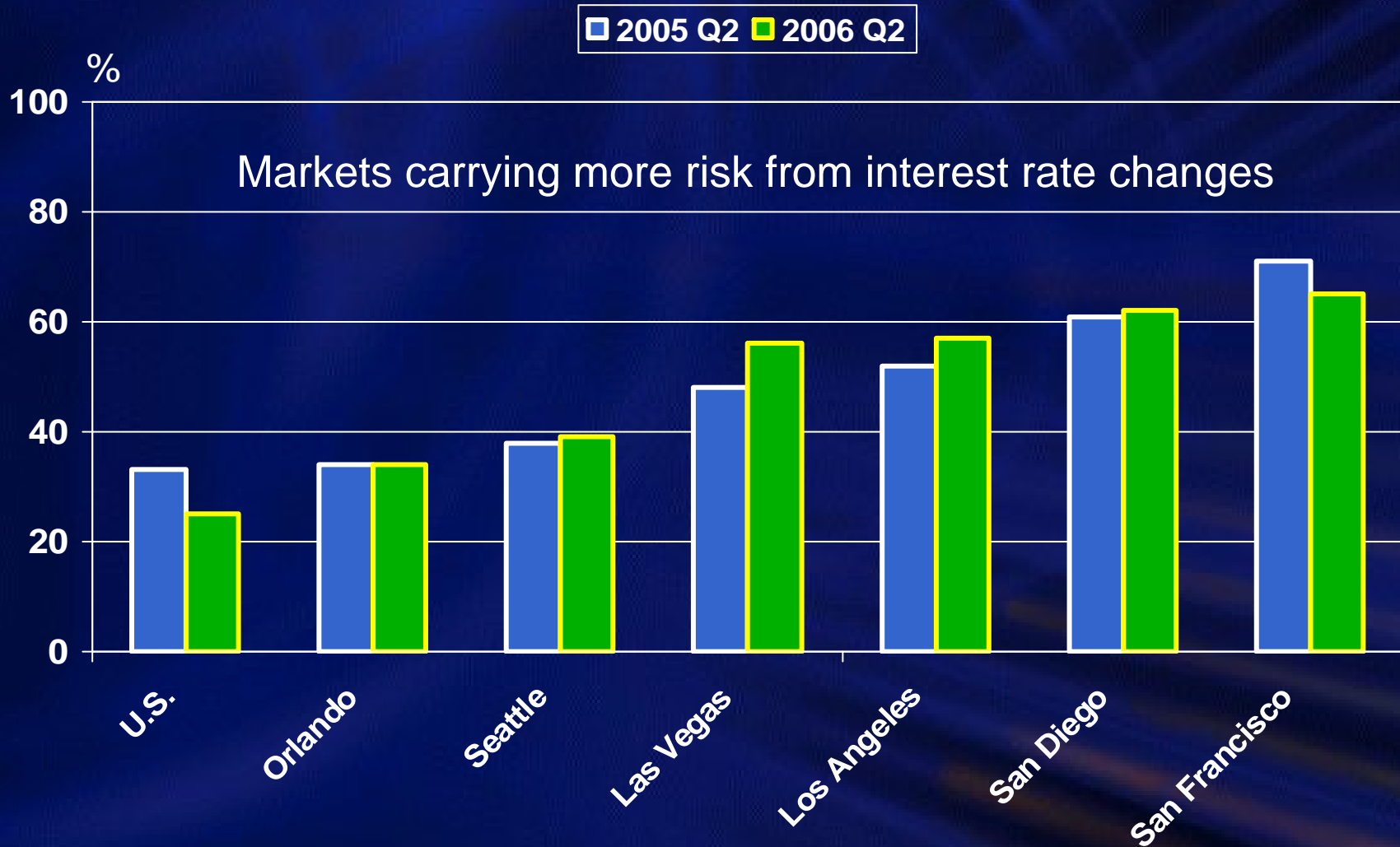
Due to Narrowing Gap -- Short & Long

— 1-year ARM — 30-year fixed



Source: Freddie Mac

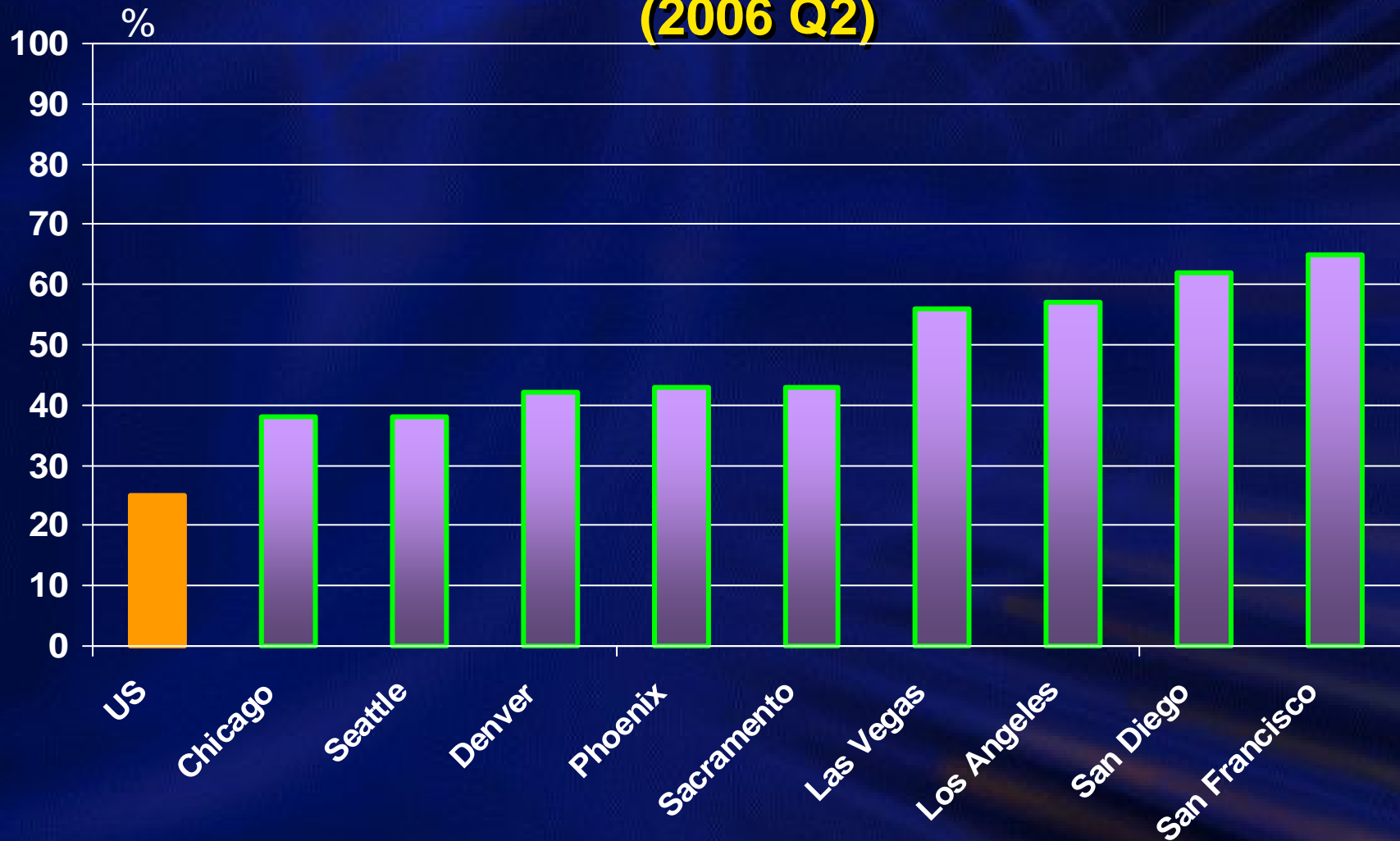
But, Some Markets Experiencing Very High or Rising ARMS



Source: FHFB

Markets with High Adjustable Rate Mortgages

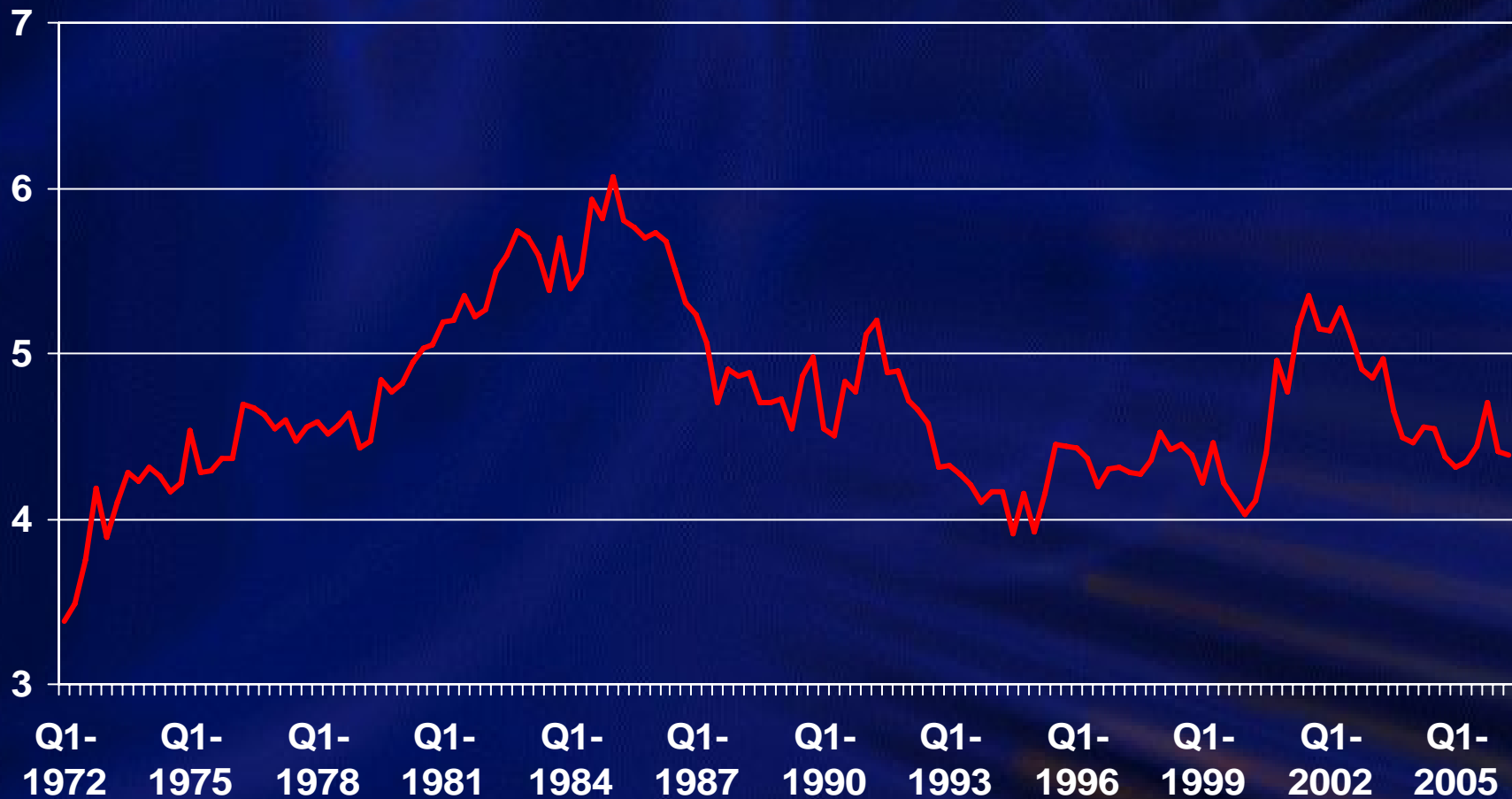
(2006 Q2)



Source: FHFB

Mortgage Delinquency Rate

— Delinquency Rate



Source: MBA

Mortgage Foreclosure Rate

— Foreclosure Rate

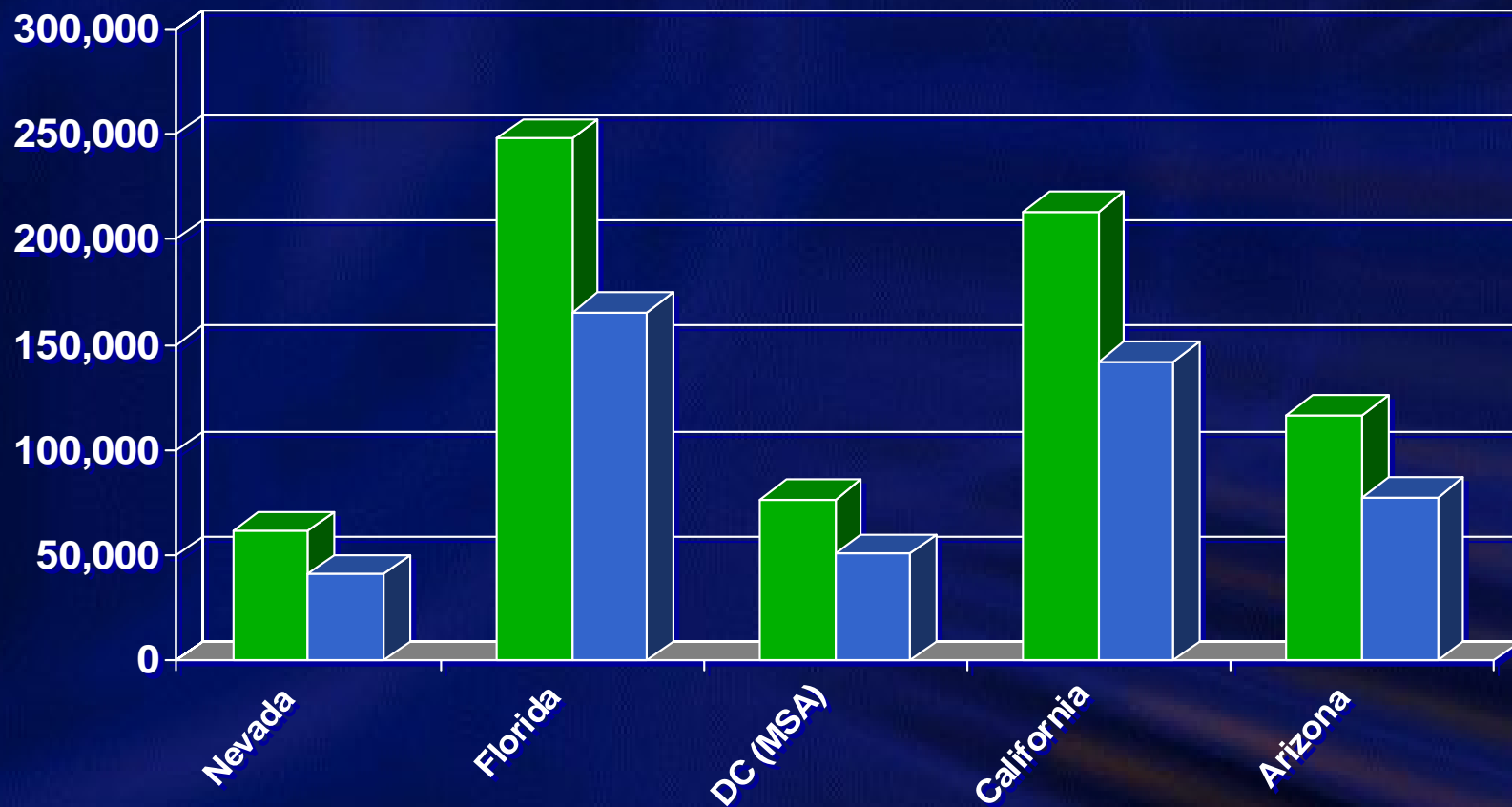


Source: MBA

States with Declining Home Sales, But Housing Needs/Demand Growing

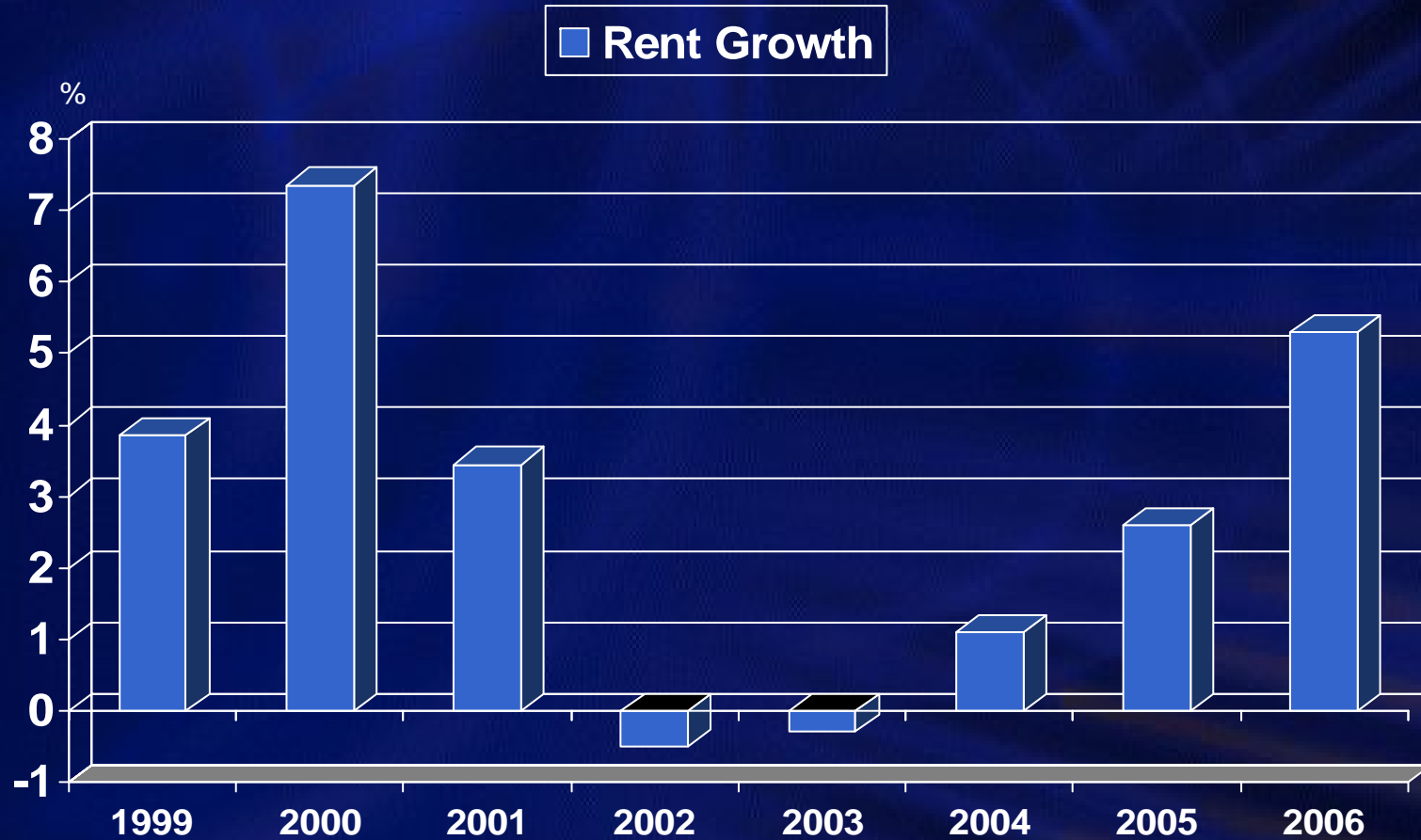
(June 2005 to June 2006)

■ Job Gains ■ Housing Unit Needs



Source: BLS, NAR Estimates

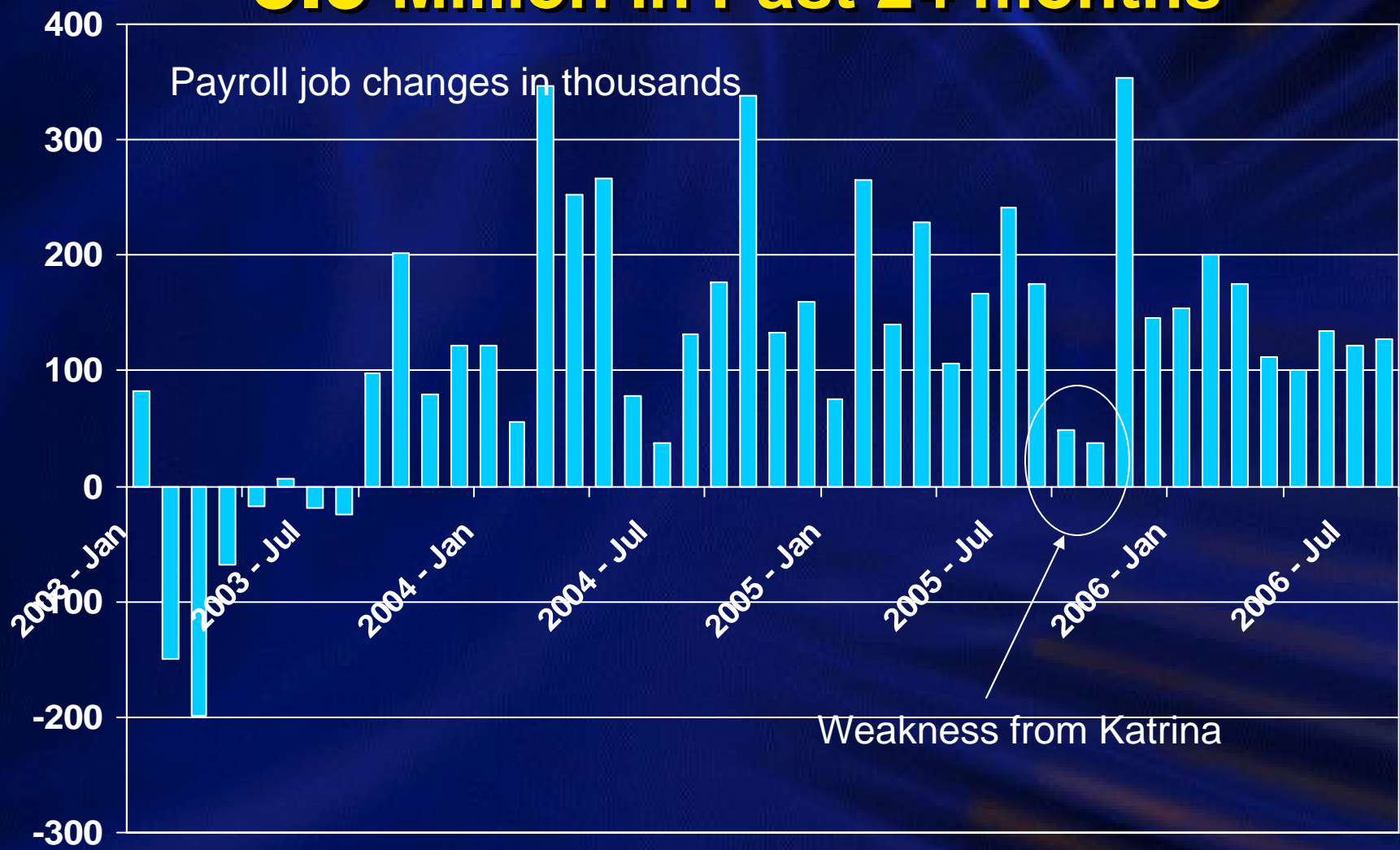
Investor Sales Evidently Falling Now, But Rents Rising Solidly



Source: NAR forecast, Torto-Wheaton Research

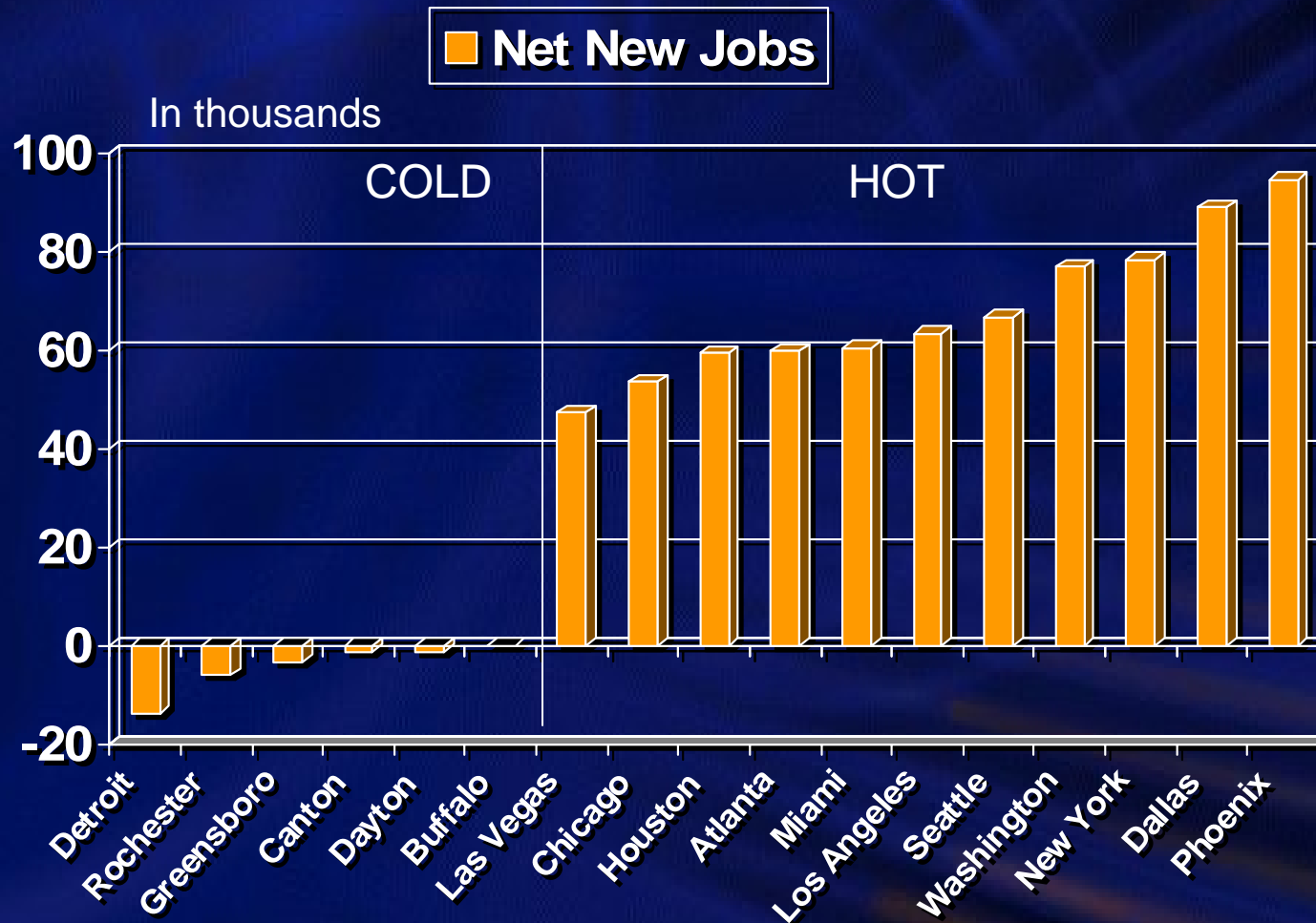
Steady Job Gains

3.9 Million in Past 24 months



Source: BLS

Job Gains/Losses in the Recent 12 months



New Orleans has 178,400 fewer jobs (not included above)

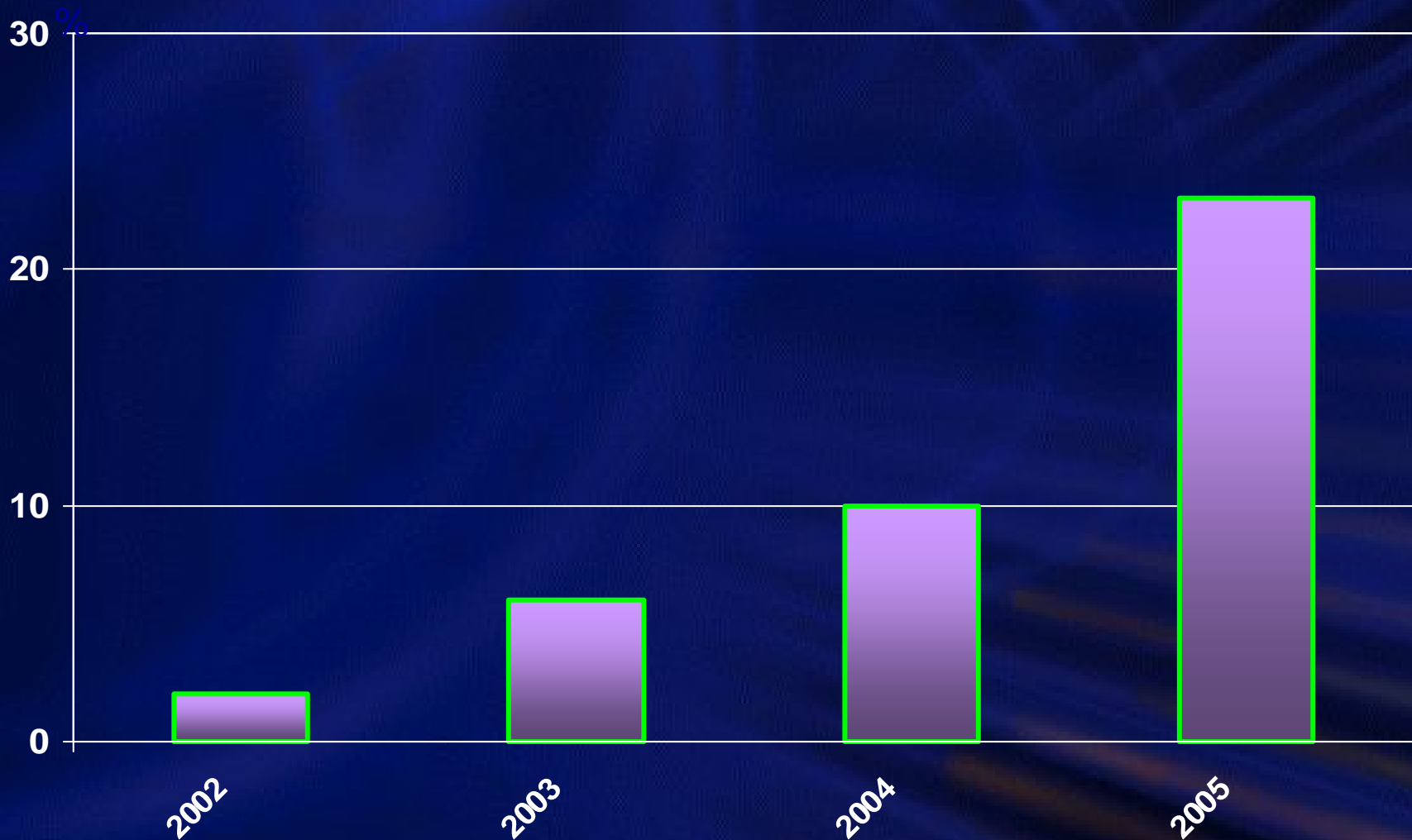
Source: BLS

Prices Do Decline

(mostly in the late 80s or early 90s)

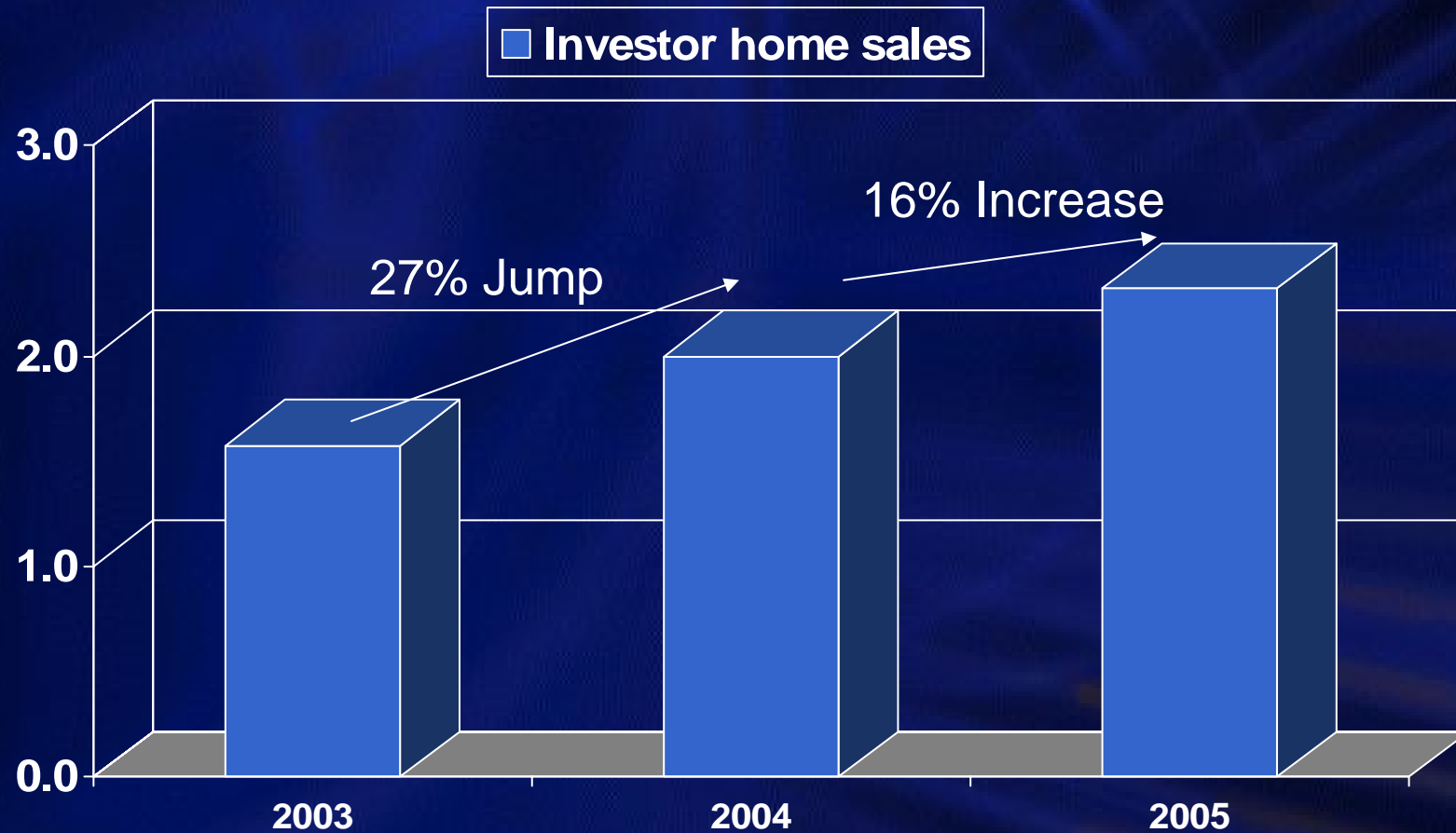
	Peak to Trough Decline	Duration	Time required to climb back to original peak
Boston	7.2%	2 years	7 years
New York	10.0%	7 years	11 years
Los Angeles	21.4%	7 years	9 years
San Francisco	3.8%	4 years	7 years
Houston	23.1%	5 years	9 years
Honolulu	24%	9 years	13 years

Interest-Only Mortgages

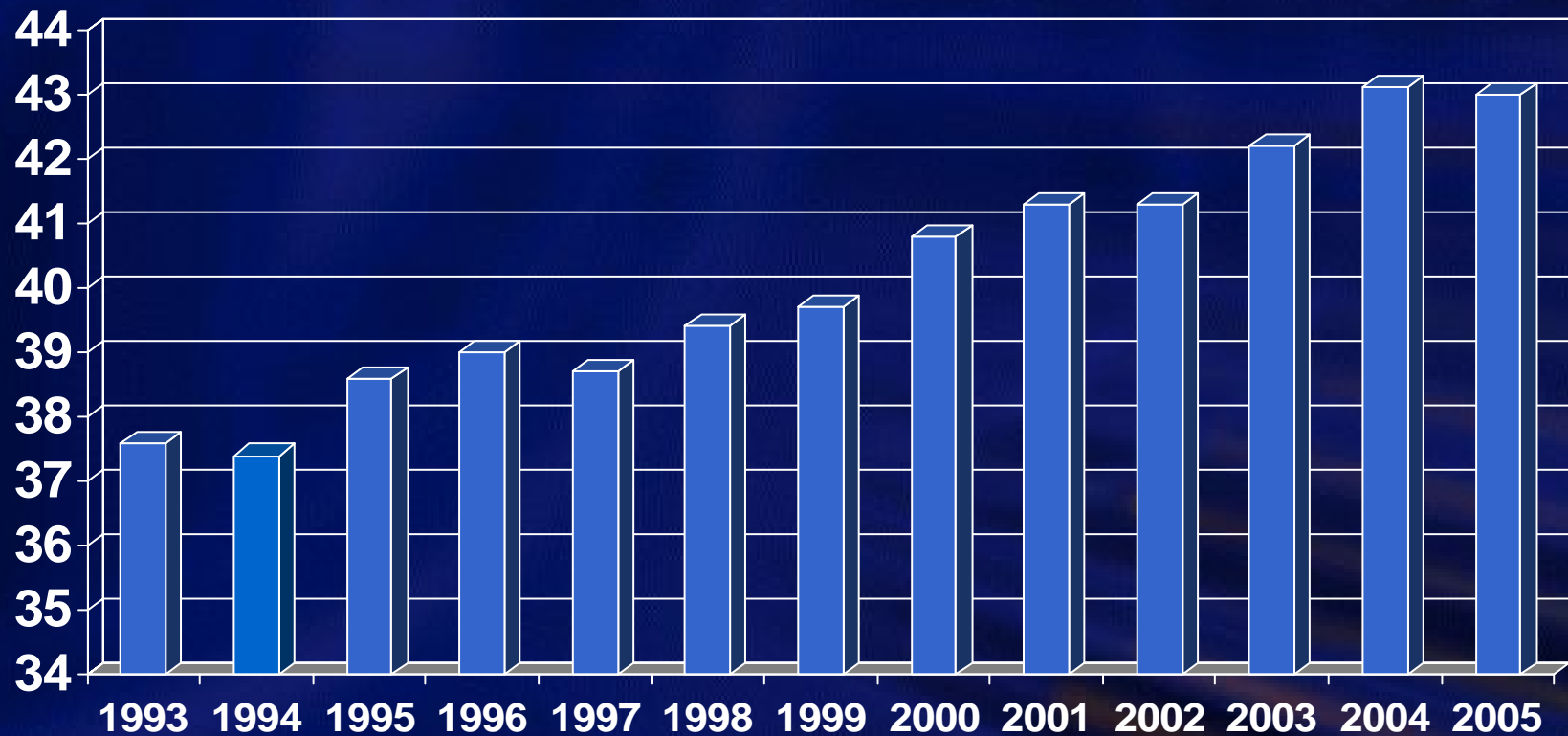


Source: Loan Performance

Investor Sales Historically Strong



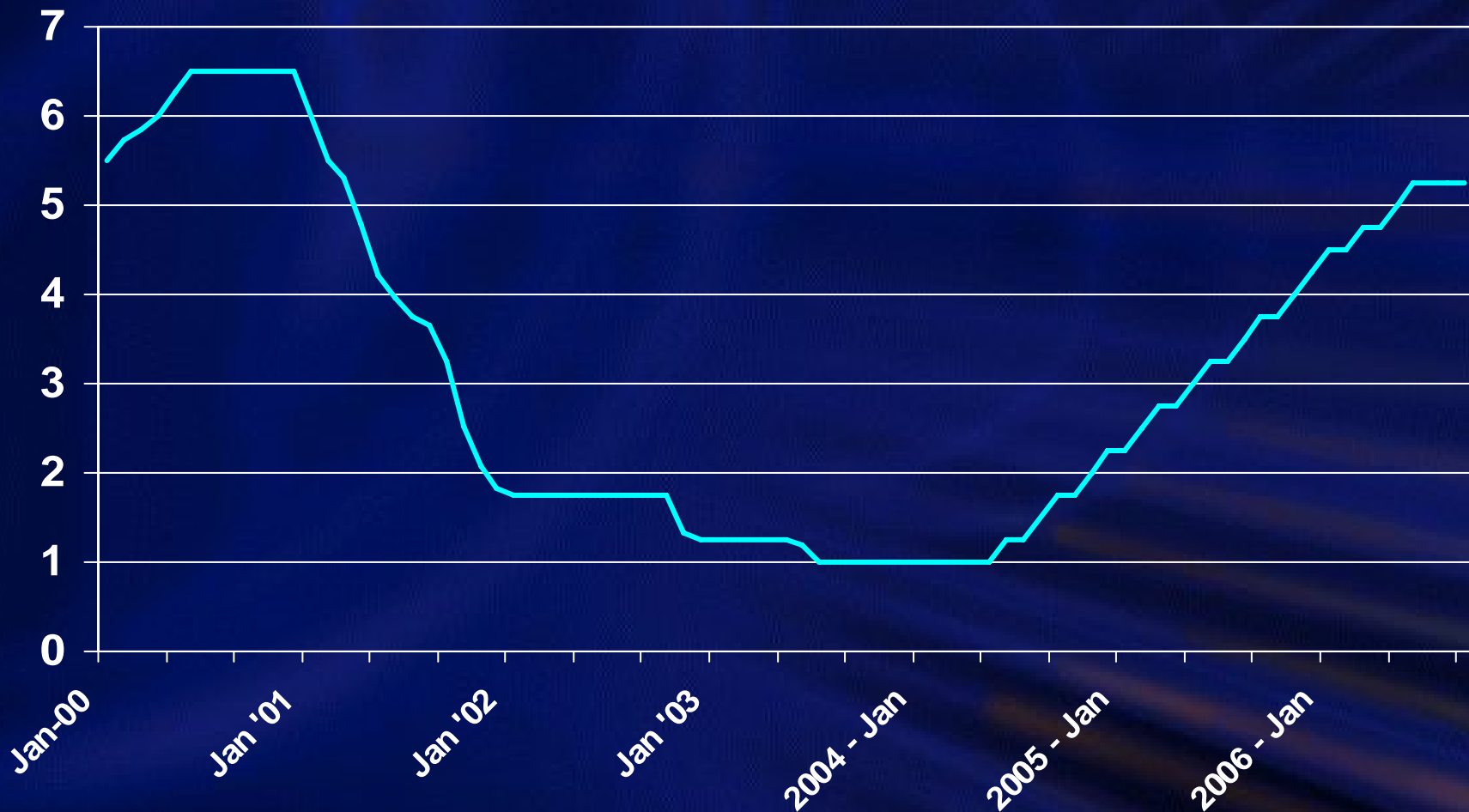
Homeownership Rate Among the Young (Under 35 years old)



Source: Census

Fed Rate Hikes to Restrain Inflation, But Need to be Mindful of ...

— Fed Funds Target Rate (%)



Risks of Over-tightening

- **Sluggish Economy (Recession?)**
- **Tumbling Housing Sector**
- **Leading to rising delinquencies and foreclosures**
- **Wary Consumers (from home equity losses)**

Scenarios/Probability of Popping

Mortgage Rate	Home Sales Change in 2007	Home Price Growth in 2007
6.9% (baseline)	-1.7%	2.2%
7.3%	-7.0%	0.2%
7.8%	-16.0%	-2.5%

Economic Outlook

	2005	2006	2007
GDP	3.2%	3.4%	2.9%
Unemployment Rate	5.1%	4.8%	4.9%
CPI Inflation	3.4%	3.5%	2.4%
3-month Treasury	3.1%	4.8%	4.8%
10-year Treasury	4.3%	4.8%	5.1%

Housing Outlook

	2005	2006	2007
Existing-Home Sales	7.1 million	6.5 million	6.4 million
New Home Sales	1.3 million	1.1 million	1.0 million
Housing Starts	2.1 million	1.9 million	1.7 million
30-Year FRM	5.9%	6.5%	6.9%
1-Year ARM	4.5%	5.6%	5.7%
Existing-Home Price Growth	12.4%	2.8%	2.2%