

REECON ADVISORY REPORT

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Scraping Bottom Before Recovery

As economic data continue to mount, it is becoming increasingly clear that fourth quarter GDP likely fell by about 5 percent at an annual rate, the largest contraction in almost 25 years. Early data readings for January indicate a similar fate for the first quarter of this year. It is clear that weak economic activity will offer a bleak backdrop for the next two quarters for the housing markets. The housing sector is expected to scrape bottom during the first half of this year.

Most economic projections expect a dismal first half of the year for the U.S. economy with job losses mounting, a contracting industrial sector and weak consumer spending. The positive influence of an accommodative monetary policy combined with an expected fiscal stimulus package to be implemented sometime in February will likely impact the economy in the second half of the year. So the housing sector faces a serious challenge during the first half of this year.

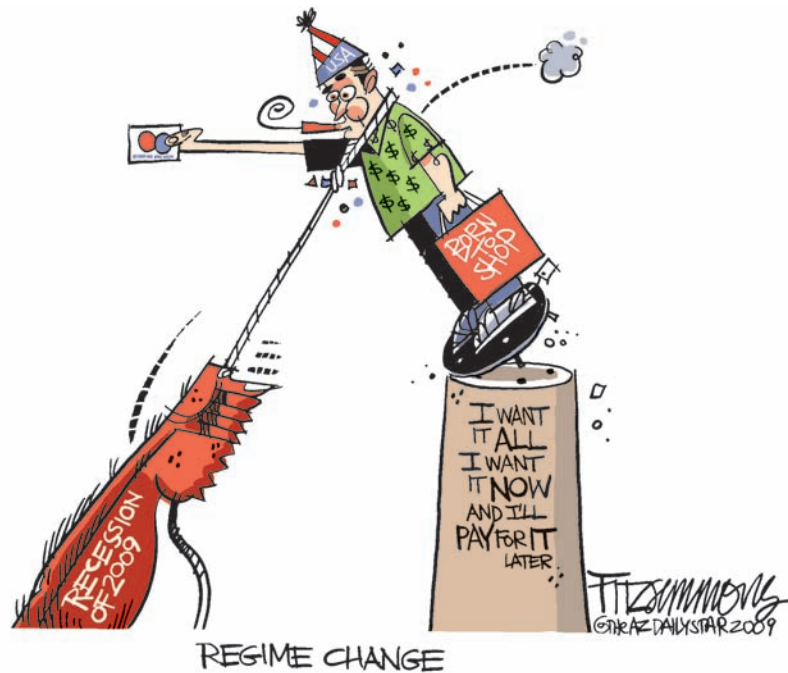
The trillion dollar question is, has the housing sector already hit bottom for home sales or can it go lower due to the economic downturn? Over a year ago it was a contracting housing sector that led to an economic downturn; now the roles are reversed. A slumping

economy is, in turn, keeping households from buying homes. Many households just do not have the financial wherewithal to purchase big ticket items like homes and automobiles. Household wealth is down considerably and millions of people are losing their jobs. There were two million job losses last year and an equal amount of losses are expected this year. Confidence has plummeted to all-time lows and businesses are cutting prices and production.

Existing home sales are now at a cyclical low registering 4.49 million annualized sales in December. Similarly, new home sales hit a cyclical low of 410,000 annualized sales in December. If the economy continues to contract and continues to shed jobs at the current pace, it is likely that home

sales have not yet hit bottom. In a previous commentary, we estimated that it is possible — in today's tighter credit underwriting environment which has essentially eliminated the Alt A and subprime mortgage products — for existing home sales to bottom out at about 4.21 million homes annualized. That was an academic exercise but given the state of the economy, may not be too far off from the current 4.49 million levels.

If there is any good news in all of this it is that the housing sector is poised to recover when the economy turns



REGIME CHANGE

Scraping Bottom Before Recovery—Continued

the corner. According to the National Association of Realtors' affordability index, affordability is at the highest level since 1973. Home values have dropped by over 20 percent as measured by the Case Shiller 20 city home price index and mortgage rates are at historical lows. Over the past several months it has been clear that there is some pent-up demand for purchasing homes because of improved affordability conditions. Mortgage applications to purchase homes have increased in response to lower mortgage rates, only for a meaningful number of households to be denied a mortgage loan because of tighter underwriting standards. The fallout rate on mortgage applications is currently at cyclical highs.

Given the current projections for a sluggish economy, it is likely that both new and existing home sales will hover near their cyclical lows during the first half of this year. Demand for home buying will be constrained by job losses, decreased wealth and income, lack of confidence, and postponed purchases due to the anticipation of falling prices. The supply of homes is likely to hover at or near double digit levels because of an increasing number of foreclosure properties adding to inventory.

On a positive note, sometime during the second half of this year, foreclosure numbers is likely to come down if government rescue programs prove effective, and the demand for home purchases is likely to increase if the recession shows signs of recovery, resulting in the beginnings of a long awaited housing recovery. Fingers and toes crossed.

This past week's economic and housing releases continued to exhibit weakness in the economy and real estate markets. Jobless claims for the week ending January 17 rose 62,000 to 589,000. This increase takes the level of jobless claims back to the high levels before the holidays. Claims are now at levels that reflect severe labor conditions. Housing starts and housing permits both fell in December to their lowest levels since World War II. Starts were down 15.5 percent in December to 550,000 while permits were down 10.7 percent to 549,000. The dramatic declines in new residential construction activity reflect a severe downturn in the building industry with no good news yet in sight.

The National Association of Home Builders' index fell to a new record low of 8 in January. This is an index of builder confidence and is consistent with the housing start and permit numbers. Builders have little confidence in the near-term outlook for their industry. According to the Federal Housing Finance Agency price report, home prices in November decreased 1.8 percent from a month earlier and 8.7 percent from a year ago. The home price declines in this report have accelerated over the past few months and there were declines registered in all nine Census Bureau regions in the nation. Finally, existing home sales for December was up 6.5 percent to 4.74 million annualized sales. Despite the increase, the level of sales remains below 5 million, reflecting a very weak housing market constrained by a deep economic recession. The months' supply fell dramatically to 9.3 in December from 11.2 in November; but most of the decline is attributed to unusual seasonal factors and the pick-up in the pace of home sales. We expect the months' supply to likely increase in the coming months.

—David Lereah

A Growing Confidence Problem

It is not an overstatement to say that confidence has played a significant role during the past decade with regard to the performance of the economy and housing markets. Who could forget the day when America shook after the terrorist attacks on September 11, 2001 and consumer and investor confidence plummeted? Consumer spending came to a halt with the exception of essential goods and services during the days following the attack, while investors seeking a safe haven invested their funds in U.S. Treasuries. The U.S. economy literally stood still for almost a month after 9-11.

Since that fateful day, the level and direction of confidence has meaningfully influenced the health of the economy and housing markets. One of the reasons for the start of the real estate boom earlier this decade was that investors and households, nervous about a fragile stock market, put their funds into more tangible and stable assets like property. Investment in real estate surged during the first half of this decade because of a rise in confidence in property ownership for investment, resort and/or first-time buying purposes. Unfortunately, rising confidence in real estate turned into speculation or, shall we say, overconfidence, and eventually the real estate boom turned into a bust.

Today, confidence is hovering near cyclical lows and that is inhibiting consumers, investors and businesses alike. There are now three major confidence indices regularly reported: The Conference Board index of consumer confidence; the University of Michigan consumer sentiment survey and the *ABC News/Washington Post* consumer comfort index. The Conference Board index registered a historic low of 38 in December suggesting that consumers' confidence is shattered, portending unfavorably for future spending. The *ABC News/Washington Post* comfort index registered 53 in the week ending January 18, approaching confidence near its all-time low. The University of Michigan sur-

vey registered its confidence index at 61.9 in January up slightly from a month ago but down from a year earlier. Consumer confidence depends on many factors such as the job situation, income, wealth, prospects of war, and so on. All of these factors have turned negative during the past year resulting in deteriorating confidence among most households. Lower confidence has decreased spending on goods and services, particularly the big ticket items like automobiles and homes.

Unfortunately, falling confidence spreads quickly throughout an economy. With the economy contracting due to less consumer spending, businesses soon lose confidence as well and, in response, cut back on production and lay off workers. Similarly, investors lose confidence in the economy and seek other avenues for their investment funds.

As for the housing markets, confidence or lack thereof has plagued housing demand for the past two years. Households are less confident today, nervous about future prospects for home values. Believing that home prices are likely to fall further this year, many households are postponing home purchases. Many potential first-time buyers are choosing to rent rather than buy; many homeowners are choosing to stay in their homes rather than trade up; and many homeowners are postponing purchasing a resort property.

On the business side, the National Association of Homebuilders, NAHB, housing market index fell to a historic low 8 in January from 9 in December. Builder confidence is at an all-time low with many homebuilders possessing little confidence for business prospects. The vicious cycle of falling confidence causing falling spending causing falling confidence permeates the housing marketplace. It is clear that a boost in confidence is a necessary ingredient to a recovery in the housing sector.

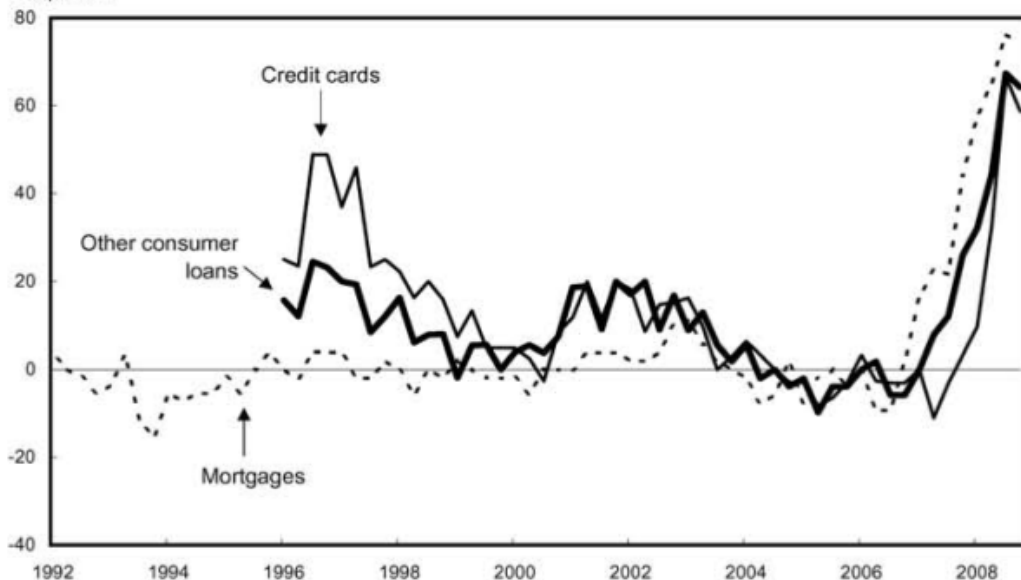
Lending Standards Ease Slightly

Larger Banks Tighten Prime Standards

Chart 2-5 Domestic Banks Tightening Lending Standards

Banks have been tightening lending standards on a variety of loan products since the end of 2007.

Net percent*



Note: "Net percent" refers to the percent of respondents tightening less the percent of respondents loosening. The values for mortgages for the second quarter of 2007 through the fourth quarter of 2008 were calculated as a weighted average of prime, subprime, and nontraditional loans using weights estimated by the Council of Economic Advisers. Source: Federal Reserve Board.

From the Economic Report of the President, January 2009

Slightly fewer banks reported tightening their lending standards for prime mortgages during the third quarter of 2008, according to the Federal Reserve's Senior Loan Officer Survey on Bank Lending Practices.

The number of banks tightening standards decreased from 75 to 70 percent, the first time the survey has shown a net decrease since banks started to crack down on standards for mortgages and consumer debt over a year ago.

Larger banks were much more likely to tighten standards during the quarter than smaller banks. About 80 percent of the largest banks, but only 55 percent

of smaller banks reported tighter standards for prime borrowers.

Of the 29 banks in the survey that originated nontraditional residential mortgages during the quarter, about 90 percent—up slightly from July—reported having tightened their lending standards on such loans. All four of the banks that responded to the survey's question about lending standards on subprime loans indicated that they had tightened their lending standards on such loans during the quarter.

Freddie Mac's Delinquencies Soar; Seeks Bailout Relief

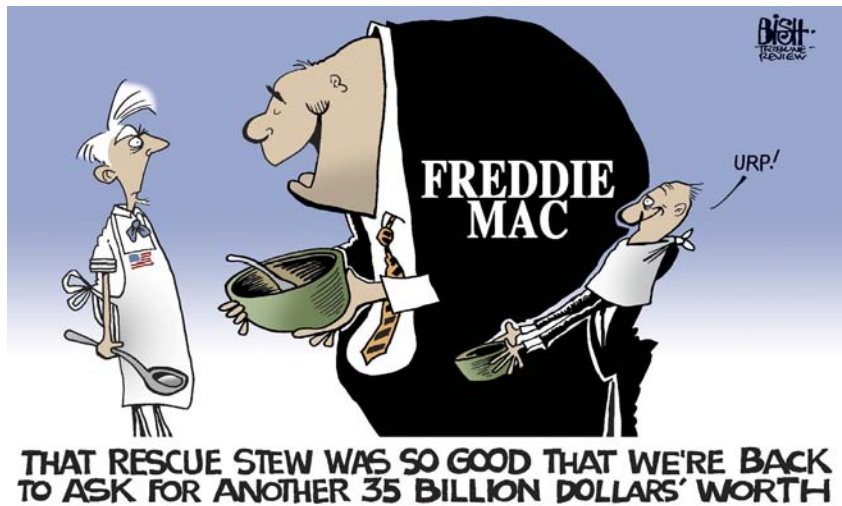
Single family delinquencies in Freddie Mac's total mortgage portfolio increased 164 percent in 2008. In December alone, delinquencies increased 13 percent over November.

The GSE's single family delinquency rate is now at 1.72 percent, but is far below the national average. The delinquency rate for mortgage loans on one-to-four-unit residential properties stood at 6.99 percent of all loans outstanding at the end of the third quarter of 2008, up 58 basis points from the second quarter of 2008, and up 140 basis points from one year ago on a seasonally adjusted basis, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey.

The MBA's delinquency rate includes loans that are at least one payment past due but does not include loans somewhere in the process of foreclosure. Freddie Mac's single-family delinquencies are based on the number of mortgages 90 days or more delinquent or in foreclosure as of period end while multifamily delinquencies are based on net carrying value of mortgages 90 days or more delinquent or in foreclosure.

Freddie Mac said late Friday that it would need an additional \$30 billion to \$35 billion in government aid as it copes with billions of dollars in losses on the bad loans .

The company disclosed in a filing with the Securities and Exchange Commission that it expected its government regulator, the Federal Housing Finance Agency, to request the money from the Treasury Department.



So far, Freddie Mac has received \$13.8 billion in aid from the Treasury. Fannie Mae has not requested any assistance but it has warned that it may. The amount of Freddie Mac's request will reflect how much the company lost in the fourth quarter, Freddie

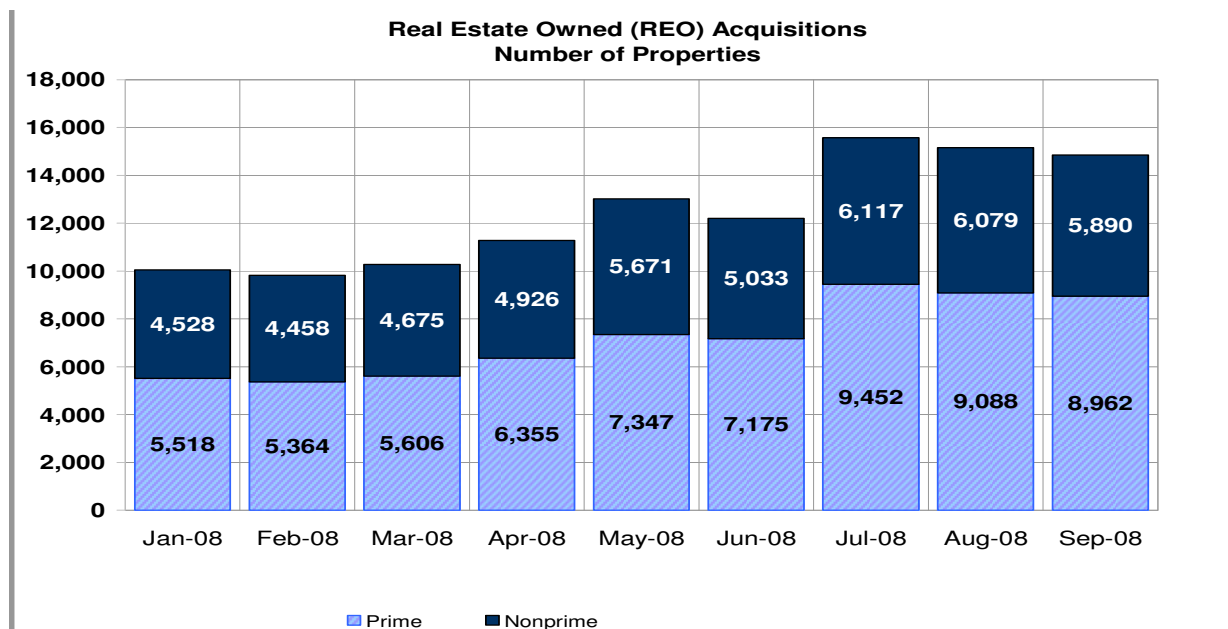
Mac said in the filing. The size of the expected request indicates that Freddie Mac may post a loss exceeding the \$25.3 billion in the third quarter.

In its third-quarter financial report, the Associated Press noted, Freddie Mac said that rising unemployment rates, tightening credit and deteriorating economic conditions caused the number of delinquent loans to rise, including prime loans made to borrowers with strong credit.

Freddie Mac also disclosed in the filing that it had settled a dispute with JPMorgan Chase, which will now collect payments on mortgages previously handled by Washington Mutual, a failed savings bank that JPMorgan acquired in September.

No End to REOs

Foreclosures Feed Real Estate Owned Property Business



Selling foreclosed properties after lenders have taken possession—known in the business as REOs or real estate owned properties—is not for everyone. Prices are lower than market values, reducing commissions. Then there’s the cost and stress of cleaning up and maintaining properties that are usually ill-maintained if not outright trashed. Finally, collecting money from slow-paying banks is a pain.

Yet REOs have been the fastest growing segment of the real estate business during the foreclosure boom. There’s no end in sight as forecasters predict as many or more foreclosure filings this year as last, when there were more than an estimated \$12 billion in REO sales. Assuming a 1.5 percent average commission per sale, REO listing agents grossed about \$184 million in fees last year.

As the wave of subprime defaults that set off the housing crisis worked its way through the system last year,

the value of REO properties improved. Now that the recession and the layoffs it is generating plays a major role in driving owners into default, the average price of a foreclosure will rise from \$161,755, the average in 2008. Sites like foreclosure.com and RealtyTrac carry dozens of listings in areas like southern California and Nevada priced for more than a million dollars.

In fact, there may even be more REOs out there than meets the eye, according to a report by *CNNMoney* over the weekend. RealtyTrac recently discovered that it has far more foreclosed properties listed in its database, which the company compiles using courthouse records, than there are listed in the multiple listing services (MLS) maintained by real estate agents. The volume of this invisible inventory could be as large 1.5 million bank-owned properties—enough to drive up inventories and depress prices.

No End to REOs--Continued

"Either lenders are overwhelmed and can't get these properties back on sale quickly" RealtyTrac spokesman Rick Sharga told *CNNMoney*, "or they're deliberately slowing down."

In most markets, demand is strong enough that banks aren't resorting to auction to dispose of inventory. Also, many borrowers are so heavily in debt that there is too little equity in foreclosure auction homes to attract investors. That means banks in some areas are buying back about four out of every five properties, swelling the inventory of REOs.

Even Fannie Mae has figured out a way to make a buck on REOs--by becoming a landlord. Two weeks ago Fannie announced a new policy that offers tenants of its REO properties a cash incentive to vacate the property or the option to sign a new month-to-month lease and pay the local market rate. The policy states, however, that the property being occupied by the renter will be listed for sale and may undergo repairs at any time the renter is occupying it—which could be a year or more. The lease will transfer to the property's new owner at the time of sale.



Industry Briefs

ULI Forecasts a Tough Year for Commercial

But now comes time for owners and investors to pay the piper, according to the *2009 Emerging Trends in Real Estate* report by the Urban Land Institute (ULI) and PricewaterhouseCoopers LLP.

"Commercial real estate was the last to leave the party, will feel the pain in 2009, and may be the last to recover," said Tim Conlon of PricewaterhouseCoopers. That will be good news for some commercial renters and, eventually, investors. "We expect to see patient, disciplined, long-term investors rewarded, and return to a back to basics approach to property management, underwriting and deal structure," Conlon added.

The one bright spot in commercial real estate is the apartment market, which *Emerging Trends* lists as the No. 1 "buy" because of the continuing pressures on residential housing. "Moderate-income apartments in core urban markets near mass transit offer the best buy," it said. The report has other advice for investors as well: Invest in publicly-held REITs. "They will lead the market's recovery." Focus on 24-hour coastal cities that attract global investment interest. And just wait. "Opportunities will surface at significant discounts."

Life Insurers Enduring Financial Pain

The debacle in the financial markets has now touched the life insurance industry in a big way. The value of most industry companies has fallen by about 30 percent from earlier this month, based on concerns that the balance sheet and earnings performance of life insurers could deteriorate further. The concern is that the large life insurance companies may need more capital as their investment portfolios that are heavily concen-

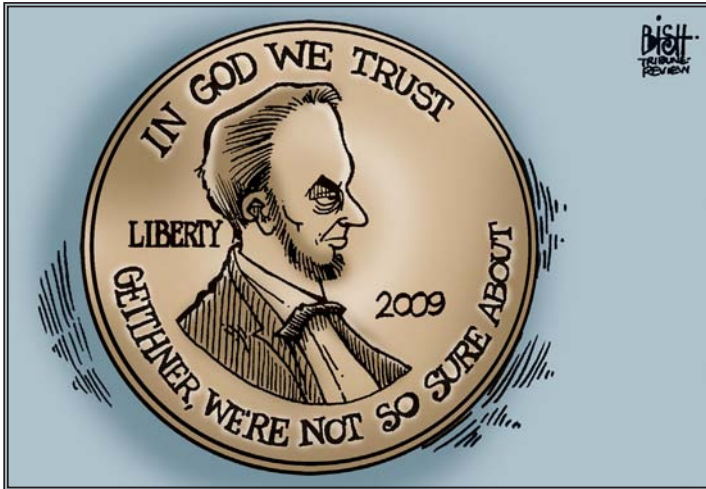
trated in the financial services industry continue to lose value at a time when it is difficult to raise capital in the private marketplace.

FHA Mortgage Portfolio Performance is Weakening

According to a Federal Housing Administration report, the default rate on the mortgages that the agency insures has been dramatically rising. About 4.31 percent of the FHA-insured loans made in the two years ending December 31 were at least 90 days delinquent. That is the highest delinquency rate in any two-year period since 2005. FHA defaults have been rising since August on a monthly basis. The deteriorating delinquency situation was somewhat expected given that the economy is experiencing a severe recession. But the dismal performance on FHA loans comes at a time when the market share of FHA business has surged, suggesting tighter controls on FHA business activity. It also brings into question whether the FHA under its current structure can handle its soaring volume of new business.

Geithner Promises Aggressive Foreclosure Initiative

New Program Due March 15



New foreclosure policies under construction at the highest levels of the Obama Administration will be aggressive, comprehensive and involve shared sacrifice by families “making hard choices,” Timothy Geithner told the Senate Banking Committee during his confirmation hearing last week.

Though mainstream media coverage focused nearly exclusively on the issues of Geithner’s delinquent payment of back taxes owed when he worked abroad for the International Monetary Fund, the Treasury-secretary designate provided a peek at the new administration’s approach to stemming foreclosures, which will be a central part of Obama’s overall economic and financial rescue plan.

According to Geithner, the policy, which is still a work in progress, will combine several different approaches already on the table. It will focus on affordability, provide aid to borrowers to help them stay in their homes, “continued vigilance” to keep mortgage spreads low, reform bankruptcy laws and retrofit existing initiatives like the discredited Hope for Homeowners program.

He spoke warmly of the loan modification program created by the Federal Deposit Insurance Corporation for IndyMac borrowers and criticized HUD’s Hope for Homeowners program, but stopped short of embracing the approach promoted by FDIC Chairman Sheila Bair. “While our goals are 100 percent in line with the goals of the Bair proposal – reducing preventable foreclosures – and I intend to work very closely with the FDIC and other Federal regulators, we are still in the process of examining all of the specific options for how best to implement a plan that would most effectively achieve this goal,” Geithner said.

Of the 65,000 IndyMac borrowers who are more than two months delinquent on their mortgages, only 7,200 were helped by the FDIC program. Fewer than 500 homeowners have applied for the \$300 billion Hope for Homeowners program, intended to help 400,000 borrowers in default.

Geithner was more certain about the role that mortgage-backed securities played in “facilitating the contagion that led to our financial crisis.” “Structured investment vehicles have complicated the ability of borrowers to obtain loan modifications...Product innovation outstripped the capacity of internal risk management and regulatory oversight to keep up. We plan to examine all possibilities for changing the tax and regulatory structure affecting mortgage loan modifications as part of our plan to reduce preventable foreclosures and keep people in their homes,” he said.

Geithner confirmed that the Obama Administration plans to spend between \$50 billion and \$100 billion in TARP rescue funds to address the foreclosure crisis. Administration sources said last week the policy is due to be released March 15.

Government Briefs

Donovan Confirmed

The Senate late Thursday elevated New York City Housing Commissioner Shaun Donovan to head the Department of Housing and Urban Development.

During his confirmation hearing, Donovan told senators that the Hope for Homeowners program had addressed only "a tiny trickle" of the problem loans.

"I think it's clear to everyone that there needs to be some changes to make sure that program is effective," Donovan said.

Several members of the committee urged him to follow the more aggressive approach taken by the FDIC, which requires some lenders to modify the terms of troubled loans.

"We are looking very closely at the FDIC program," Mr. Donovan said.

Several also complained about difficulties with the Neighborhood Stabilization Program, which is dispensing nearly \$4 billion to help state and local governments buy foreclosed properties.

Mr. Donovan expressed concern that some recipients of the money may not have experience in handling foreclosed properties. He promised an "outreach and education" campaign to help quicken the use of the funds.

Senator Richard Shelby (R-AL) expressed concerns about the financial health of the Federal Housing Administration's insurance program for single family homes. The program insures nearly \$500 billion worth of mortgages, and its reserves have fallen sharply over the past year as more homeowners fail to pay their loans. With private insurers pulling back, the program now insures 21 percent of mortgages, up from 4 percent several years ago.

Fannie Mae Lays off Hundreds

Fannie Mae has begun laying off hundreds of employees at its Washington, D.C. office to make room for more workers in its Dallas field office to help the company's foreclosure mitigation efforts.

Affected employees include those that worked in technology, administration, communications, and the company's single-family unit, which buys and bundles mortgages for securities.

Brian Faith, a company spokesman, said in a statement to *The Washington Post*, "Fannie Mae is taking steps to realign the company's organization, personnel and resources to focus on our most critical priorities, which include preventing foreclosures to help keep people in their homes and aiding in the recovery."

Fannie Mae will have the same number of employees in 2009 as it did in 2008, more than 5,500, but more of those employees will now be based in Dallas.

Foreclosure Pets Get Help

No Paws Left Behind Inc., a nonprofit organization dedicated to finding solutions to the growing phenomena of "foreclosure pets," reports that it has rescued more than 200 animals from abandoned, foreclosed properties in its first seven months of operations.

While the \$20,000 of donations it received in 2008 exceeded expectations, No Paws Left Behind says it will need to double that figure in 2009 in order to provide funding to qualifying borrowers and shelters.

"We are more than pleased with the progress No Paws Left Behind made in 2008, but industry projections show 2009 will see more foreclosure pets" says Cheryl Lang, founder of No Paws Left Behind and president of Houston-based Integrated Mortgage Solutions, a collateral protection and asset management company.

Looking Ahead

There are a number of things to look for in the week ahead to help us assess conditions in the U.S. real estate markets.

First, we will continue to monitor the vital signs related to credit flows in the U.S. financial system like the Treasury/Libor spread.

Second, we expect most of the economic releases to confirm that GDP contracted by about 5 percent in the fourth quarter of last year. The Conference Board's confidence index is expected to hover near a record low of 38 in December. The labor market continues to shed hundreds of thousands of jobs every month which is not good for confidence. The Federal Reserve's Federal Open Market Committee, FOMC, meets this week and we expect the committee to provide us with a grim outlook for the economy and hold the Federal funds rate

target in the 0 to 0.25 percent range. Durable goods orders are expected to decline in December, reflecting a sharp contraction in the manufacturing sector. We also expect jobless claims to continue their ascent due to a worsening situation in the nation's labor markets. And the advance estimate for fourth quarter GDP is expected to show that real output fell close to 5 percent, the largest quarterly drop since the 1982 recession.

New home sales are expected to hover near cyclical lows around 410,000. We expect the month's supply of new homes to fall somewhat due to the sharp declines in housing starts. Weekly mortgage applications to purchase homes are expected to increase slightly in the last week, reflecting a positive response from households to lower mortgage rates.

The Reecon Advisory Report

Editor

David Lereah

Managing Editor

Steve Cook

Economic Research

Hristina Toshkova

Web Site

Modal, Inc.

Send news releases and story suggestions to info@reeconadvisors.com. Inquiries concerning subscriptions and syndication should be directed to support@reeconadvisors.com. The Reecon Advisory Report is published by Reecon Advisors, Inc., PO Box 69, Fairfax, Virginia 22038.

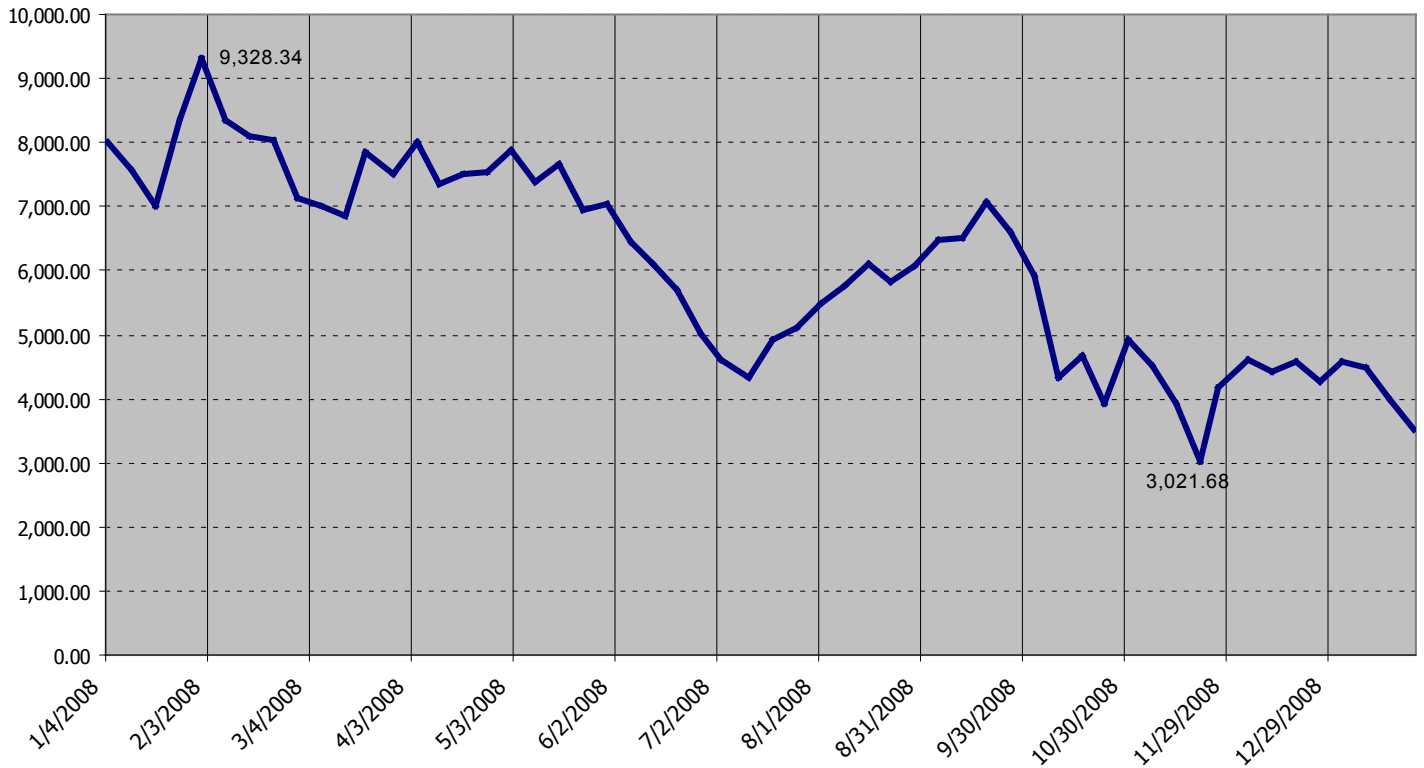
The *Reecon Advisory Report* compiles the most vital and current real estate economic data for your convenience. This wealth of data is on the next three pages.

Our weekly indicators include mortgage rates from Freddie Mac, the MBA Purchase and Refi Indices, and libor and mortgage spreads from the Treasury. Our monthly reports include the monthly inventory supply, Existing Home Sales and Pending Homes Sales Indices from the National Association of Realtors, new home sales from the Commerce Department, and new home starts and permits from the Census Bureau. Quarterly data from ten leading markets consolidate information from NAR, S&P/Case-Shiller, and OFHEO.

To illustrate conditions and trends in real estate markets, we've created two portfolios of representative property values from multiple listing services, and one portfolio consisting of stocks of publicly traded securities of companies whose fortunes are closely tied to real estate markets, such as builders, lenders and home supply retailers.

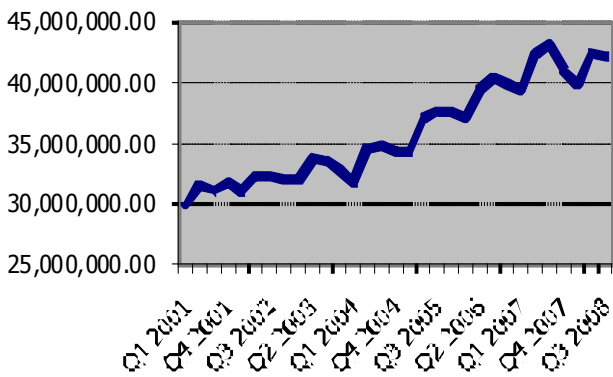
Every issue of the *Reecon Advisory Report* ends with a forecast page listing monthly mortgage rates, sales and price forecasts from economists at five leading national real estate organizations, including Fannie Mae and Freddie Mac. The final column in light green lists average forecasts consolidated from the listed sources.

Total Value of Real Estate Equities Portfolio

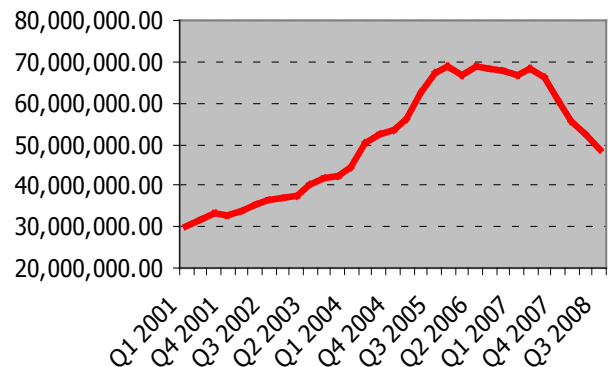


Note: The Real Estate Equity Portfolio includes Bank of America, Sun Trust Bank, Centex, Lennar Homes, PMI Group, Radian, Home Depot and Lowe's.

Total Value of Real Estate Property Portfolio 1



Total Value of Real Estate Property Portfolio 2



Note: Real Estate Property Portfolio 1 includes Charlotte (NC), Dallas (TX), Salt Lake City (UT), Houston (TX), Albuquerque (NM), and Charleston (WV). Real Estate Property Portfolio 2 includes Tampa (FL), Ft. Myers (FL), Washington (DC), Orlando (FL), Los Angeles (CA), and Las Vegas (NV).

Indicators

WEEKLY INDICATORS

Indicator	Release Date	Latest Release	Previous Release	Change from Previous Release	Next Release
30-Year Fixed Mortgage Rates	01/22/09	5.12	4.96	▲ +0.16	01/29/09
1-Year Adjustable Mortgage Rates	01/22/09	4.92	4.89	▲ +0.03	01/29/09
MBA Mortgage Purchase Index	01/22/09	303.1	295.8	▲ +2.5%	01/28/09
MBA Mortgage REFI Index	01/22/09	6,941.8	7,414.1	▼ -12.4%	01/28/09
3-Mo LIBOR/Treasury Spread	01/26/09	1.08	1.07	▲ +0.01	01/27/09
30-Year Mortgage/Treasury Spread	01/26/09	2.75	2.81	▼ -0.06	01/27/09

Sources: Freddie Mac, Mortgage Bankers Association of America

MONTHLY INDICATORS

Indicator	Release Date	Latest Release	Previous Release	Change from Previous Release	Next Release
Existing Home Sales (in million, SAAR)	01/26/09	4.74	4.45	▲ +6.5%	02/25/09
New Home Sales	12/23/08	407,000	419,000	▼ -2.9%	01/29/09
Housing Starts (in million, SAAR)	01/22/09	0.550	0.651	▼ -15.5%	02/18/09
Housing Permits (in million, SAAR)	01/22/09	0.549	0.615	▼ -10.7%	02/18/09
Pending Home Sales Index (2001=100)	01/06/09	82.3	85.7	▼ -4.0%	02/03/09
Months' Supply	01/26/09	9.3	11.2		02/25/09

Sources: National Association of Realtors, Census Bureau

QUARTERLY PRICE DATA (% Change from a year ago)

MSA	NAR Median Home Prices	OFHEO Price Index	Case-Shiller Price Indices
	Q3 2008 Next Release: 02/03/09	Q3 2008 Next Release: 02/24/09	Q3 2008 Next Release: 04/06/09
Boston	-10.0	-4.1	-4.8
Chicago	-12.4	-3.8	-10.8
Denver	-11.4	-1.0	-5.8
Las Vegas	-28.4	-26.8	na
Los Angeles	-35.1	-18.8	-29.6
Miami	-16.9	-17.9	-32.4
New York	-5.0	-4.6	-7.6
San Diego	-36.0	-17.6	na
San Francisco	-25.3	-8.0	-15.8
Washington	-24.0	-12.5	-18.4

Sources: National Association of Realtors, OFHEO, S&P/Case-Shiller.

Forecasts

Market Forecasts, December 2008																			
		NAR			NAHB			MBA			Fannie Mae			Freddie Mac			Average		
	2007	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Mortgage Rates																			
30-yr FRM	6.3	6.1	5.8	6.2	6.1	5.6	5.7	6.1	5.4	5.5	6.1	5.5	5.4	6	6	6.6	6.1	5.7	5.9
1-yr ARM	5.5	5.2	5	4.9	5.2	4.7	4.8	5.1	4.8	5.3	5.2	4.8	4.6	5.1	5.2	4.9	5.2	4.9	4.9
Housing Measures																			
(0,000)																			
EHS	5,652	4,958	5,190	5,551	4,372*	4,475*	5,037*	4,964	5,161	5,580	4,949	4,937	5,343	4,870**	4,810**	5,600**	4,957	5,096	5,491
NHS	774	486	393	446	500	450	625	497	447	566	499	464	626	na	na	na	496	435	546
Housing Starts	1,354	934	731	772	924	694	909	934	820	1,034	933	798	1,060	930	720	1,000	931	783	955
Mortgage Orig	2,423	na	na	na	na	na	na	1,824	1,981	1,917	1,909	2,034	1,837	1,781	1,600	1,800	1,838	2,008	1,877
% chg- yr ago																			
EHS	-12.8	-12.3	4.7	7.0	-22.6	2.4	12.6	-12.2	4.0	8.1	-12.4	-0.2	8.2	-13.8	-1.2	16.4	-12.3	2.8	7.8
NHS	-26.3	-37.2	-19.1	13.5	-35.4	-10.0	38.9	-35.8	-10.1	26.6	-35.5	-7.0	34.9	na	na	na	-36.0	-12.3	25.6
Housing Starts	-24.8	-31.0	-21.7	5.6	-31.8	-24.9	31.0	-31.0	-12.2	26.1	-31.1	-14.5	32.8	-31.3	-22.6	38.9	-31.2	-15.9	22.0
Mortgage Orig	-16	na	na	na	na	na	na	-24.7	8.6	-3.2	-21.2	6.5	-9.7	-26.5	-10.2	12.5	-24.1	9.2	-6.5
Median Prices																			
(\$0,000)																			
Existing Prices	218.9	198.5	199.2	208.3	na	na	na	200.7	196.9	199.5	228.7	211.8	203.2	na	na	na	209.3	202.6	203.7
New Prices	247.2	227.9	230.4	241.8	na	na	na	230.5	220	221.3	199.5	184.8	177.3	na	na	na	219.3	211.7	213.5
% chg- yr ago																			
Existing Prices	-1.4	-9.3	0.4	4.6	na	na	na	-8.3	-1.9	1.3	4.5	-7.4	-4.1	na	na	na	-4.4	-3.2	0.5
New Prices	0.3	-7.8	1.1	4.9	na	na	na	-6.8	-4.6	0.6	-19.3	-7.4	-4.1	na	na	na	-11.3	-3.5	0.8
*existing single-family home sales, excludes condos																			
**existing plus new home sales																			