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2008 Real Estate Market Forecast

October 10, 2007

Leslie Appleton-Young

C.A.R. Vice President and Chief Economist

 Leading the way...®

Overview

California Real Estate Market:

- *2007 Recap*
- *2007 Forecast*
- *Sub-Prime, Credit Crunch*
- *Timeline of Events*
- *Underlying Economic Fundamentals*



Overview

- **Regional Markets – Mixed Performance**

Southern California

Bay Area

Central Valley

Central Coast

Northern California

Northern Wine Country

- **2008 Forecast**
- **2008 Market Opportunities**



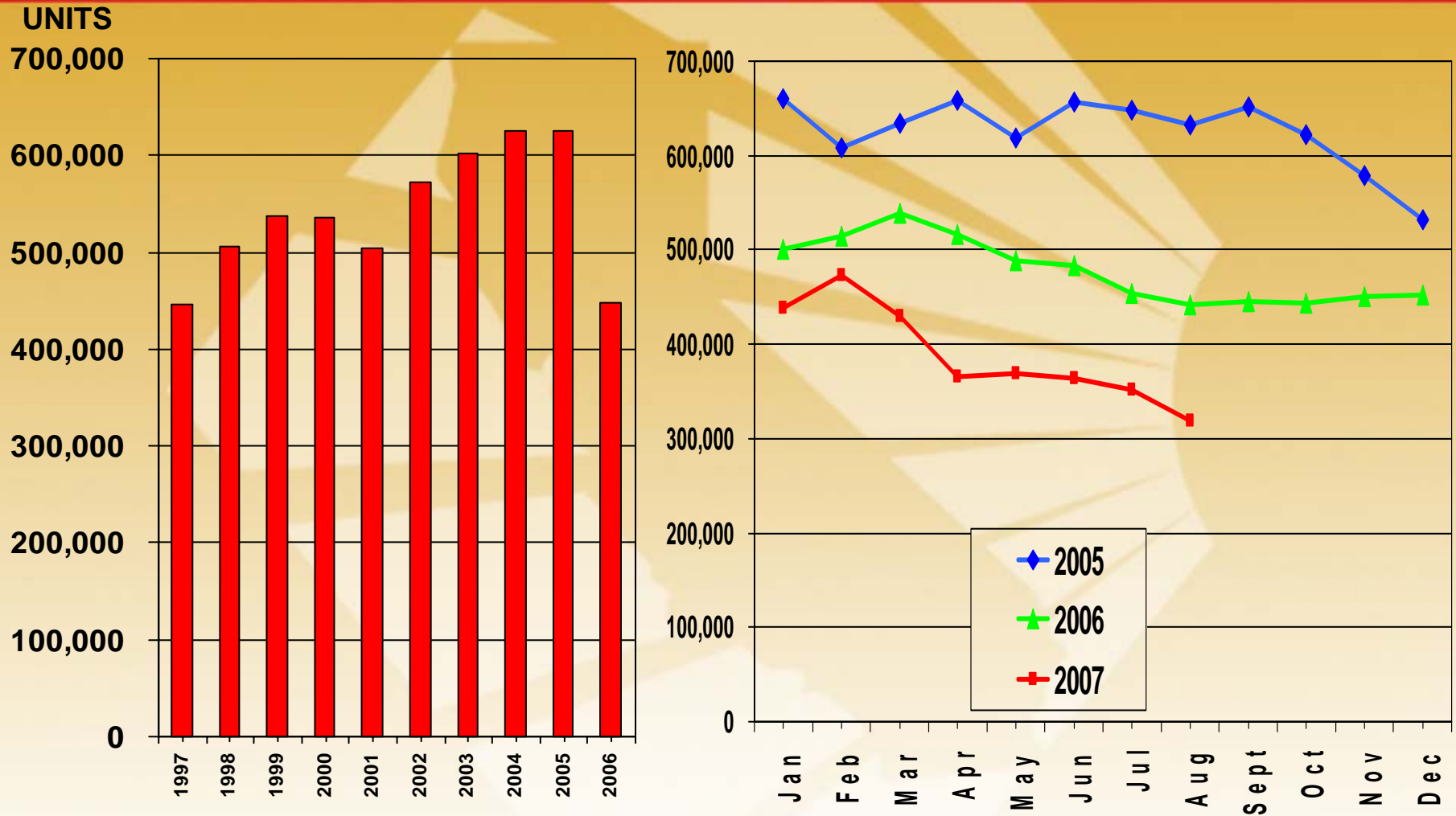
California Real Estate Market: 2007



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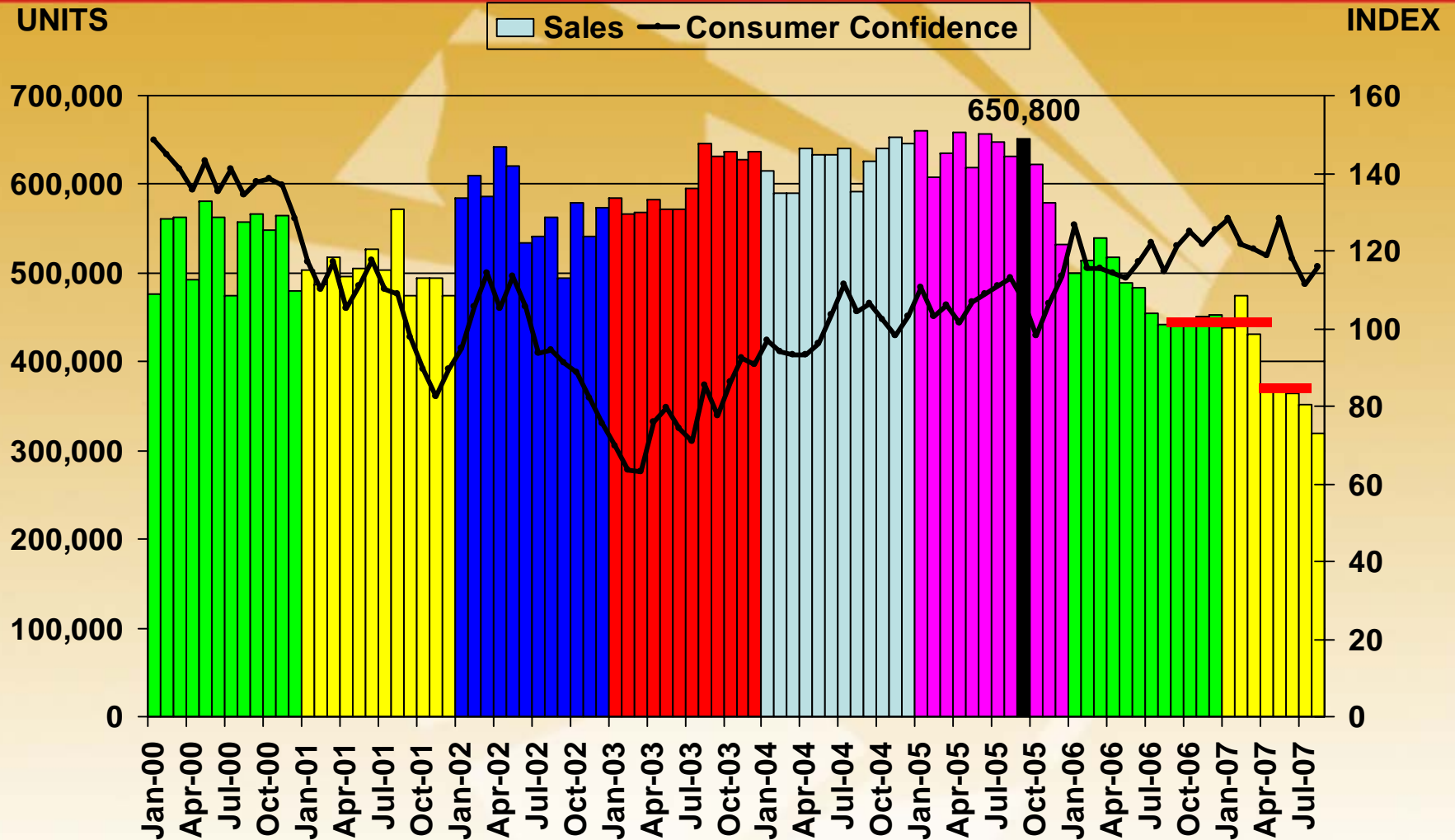
Sales of Existing Detached Homes Annual Comparison

California, 2006 Sales: 477,460 Units, Down 23.6% Y-T-Y



Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, August 2007 Sales: 319,200 Units, Down 20.9% Y-T-D, Down 27.8% Y-T-Y
 2007 projected: 367,500; lowest since 1995's 342,540



SOURCE: California Association of REALTORS®;
 The Conference Board



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Statewide Market Weaker Below \$1 Million

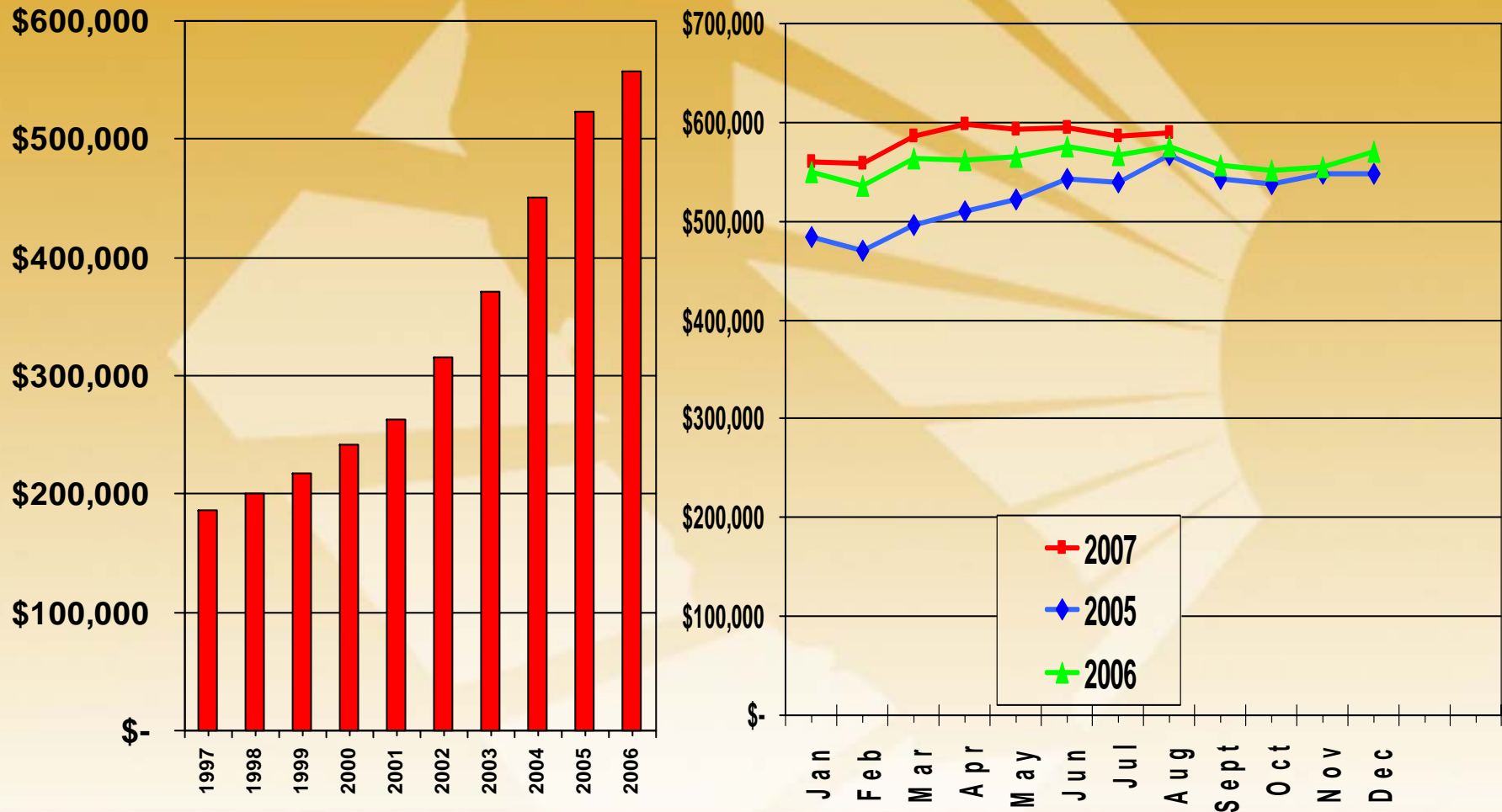
High end stable

- Below \$500,000
 - **Sales down 24.6% YTD**
- \$500,000 to \$999,999
 - **Sales down 24.2% YTD**
- \$1 million and above
 - **Sales down 0.5% YTD**



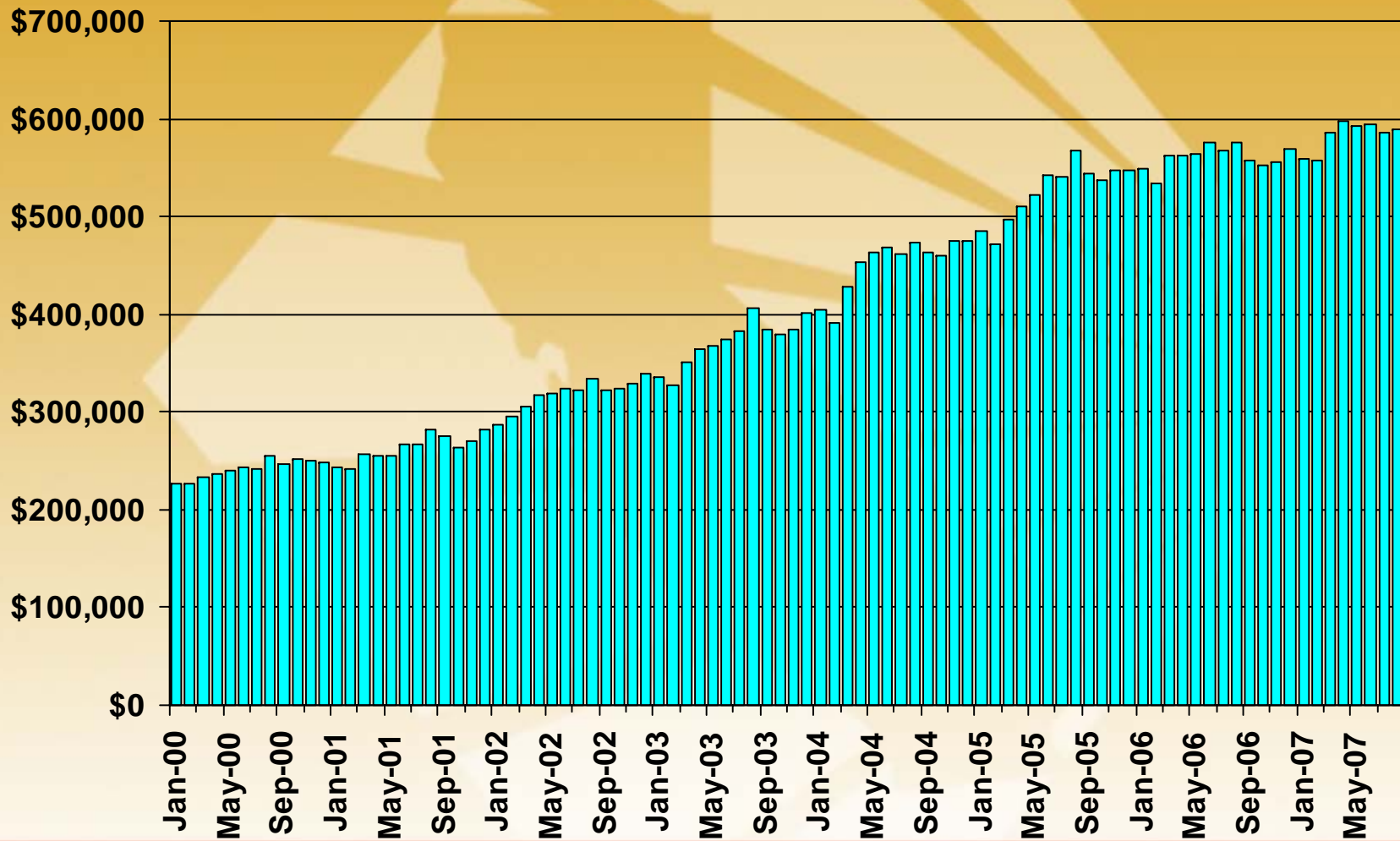
Median Price Annual Comparison

- California, 2006: \$556,640, Up 6.5% Y-T-Y



Median Price of Existing Detached Homes

California, August 2007: \$588,970, Up 2.0% Y-T-Y



SOURCE: California Association of REALTORS®



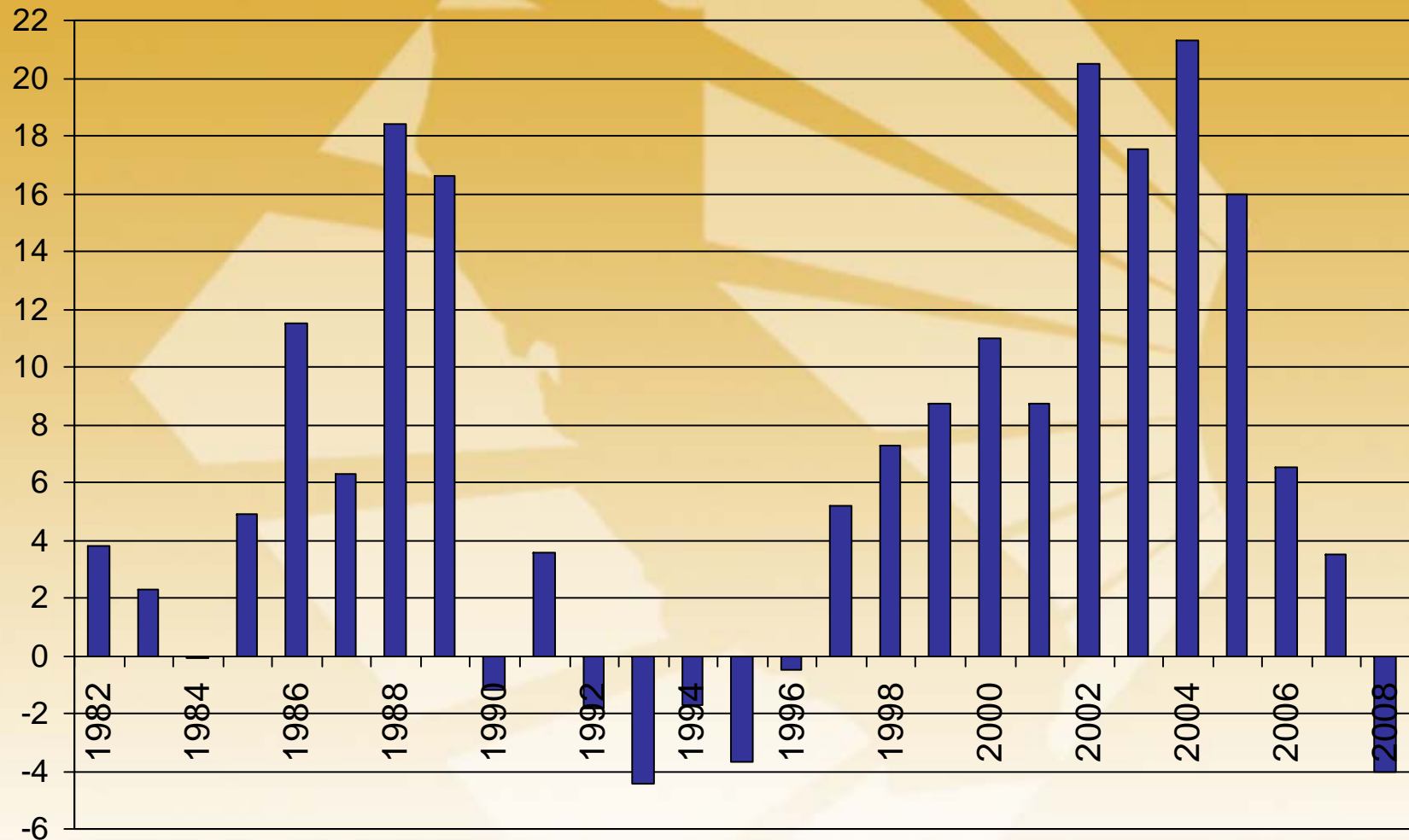
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Variability Among Local Markets

Region	Peak Month	Peak Price	Aug-07 Median	% Chg From Peak
Northern California	Aug-05	\$440,420	\$370,390	-15.9%
Sacramento	Aug-05	\$394,450	\$332,510	-15.7%
Central Valley	Aug-05	\$363,680	\$309,740	-14.8%
High Desert	Apr-06	\$334,860	\$287,390	-14.2%
Riverside San Bernardino	Jan-07	\$415,160	\$377,130	-9.2%
Northern Wine Country	Jan-06	\$645,080	\$600,000	-7.0%
Ventura	Aug-06	\$710,910	\$669,870	-5.8%
Orange County	Apr-07	\$747,260	\$710,380	-4.9%
San Diego	May-06	\$622,380	\$595,070	-4.4%
Palm Springs/Lower Desert	Jun-05	\$393,370	\$377,920	-3.9%
San Luis Obispo	Jun-06	\$620,540	\$598,400	-3.6%
San Francisco	May-07	\$853,910	\$832,760	-2.5%
Santa Clara	Apr-07	\$868,410	\$860,000	-1.0%
Monterey Region	Aug-07	\$798,210	\$798,210	0.0%
Los Angeles	Aug-07	\$605,300	\$605,300	0.0%



Annual Percent Change in Median Price California 1982-2008f

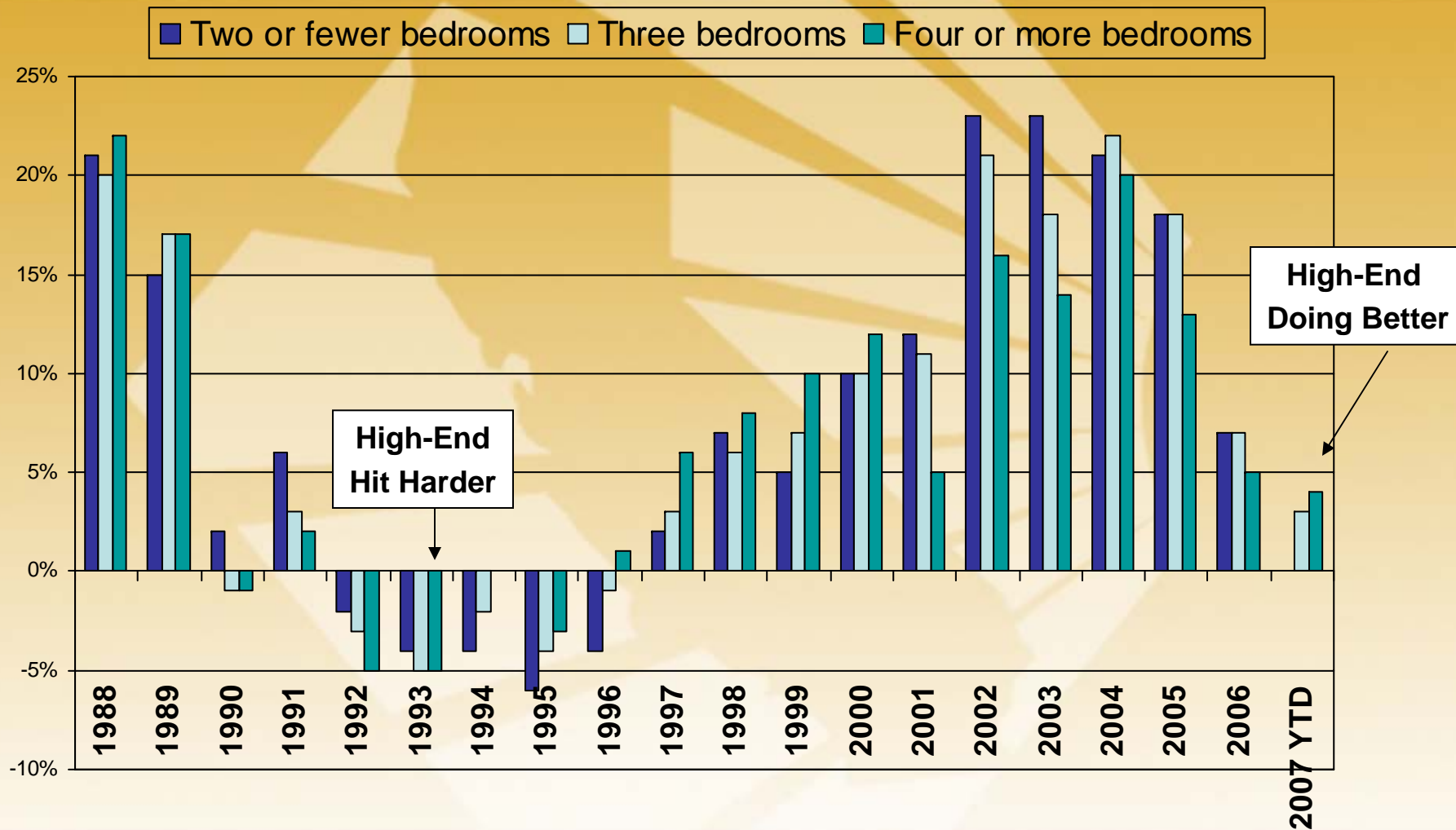


SOURCE: California Association of REALTORS®



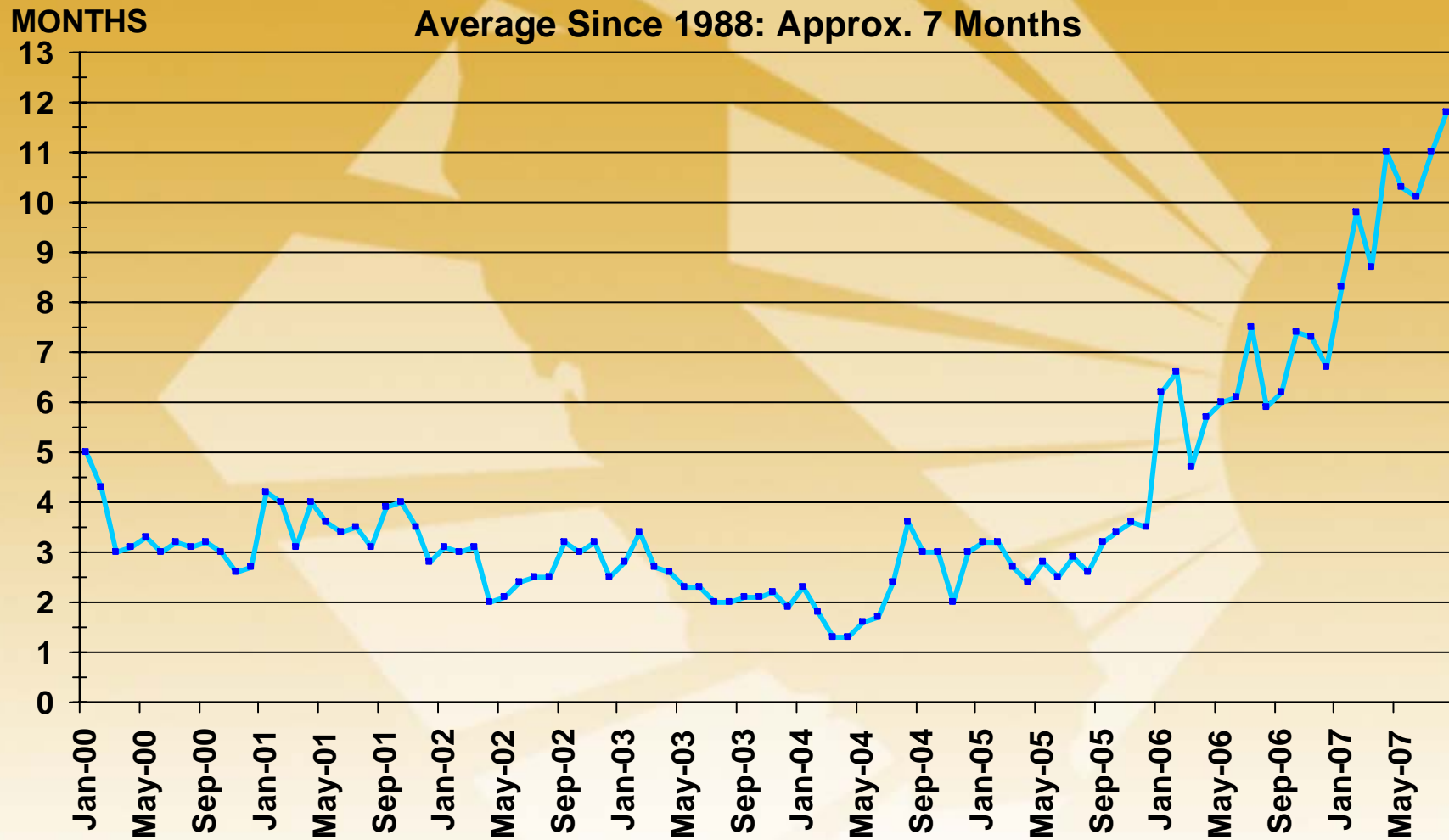
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Year-to-Year Price Change By Number of Bedrooms



Unsold Inventory Index

California, Aug 2007: 11.8 Months



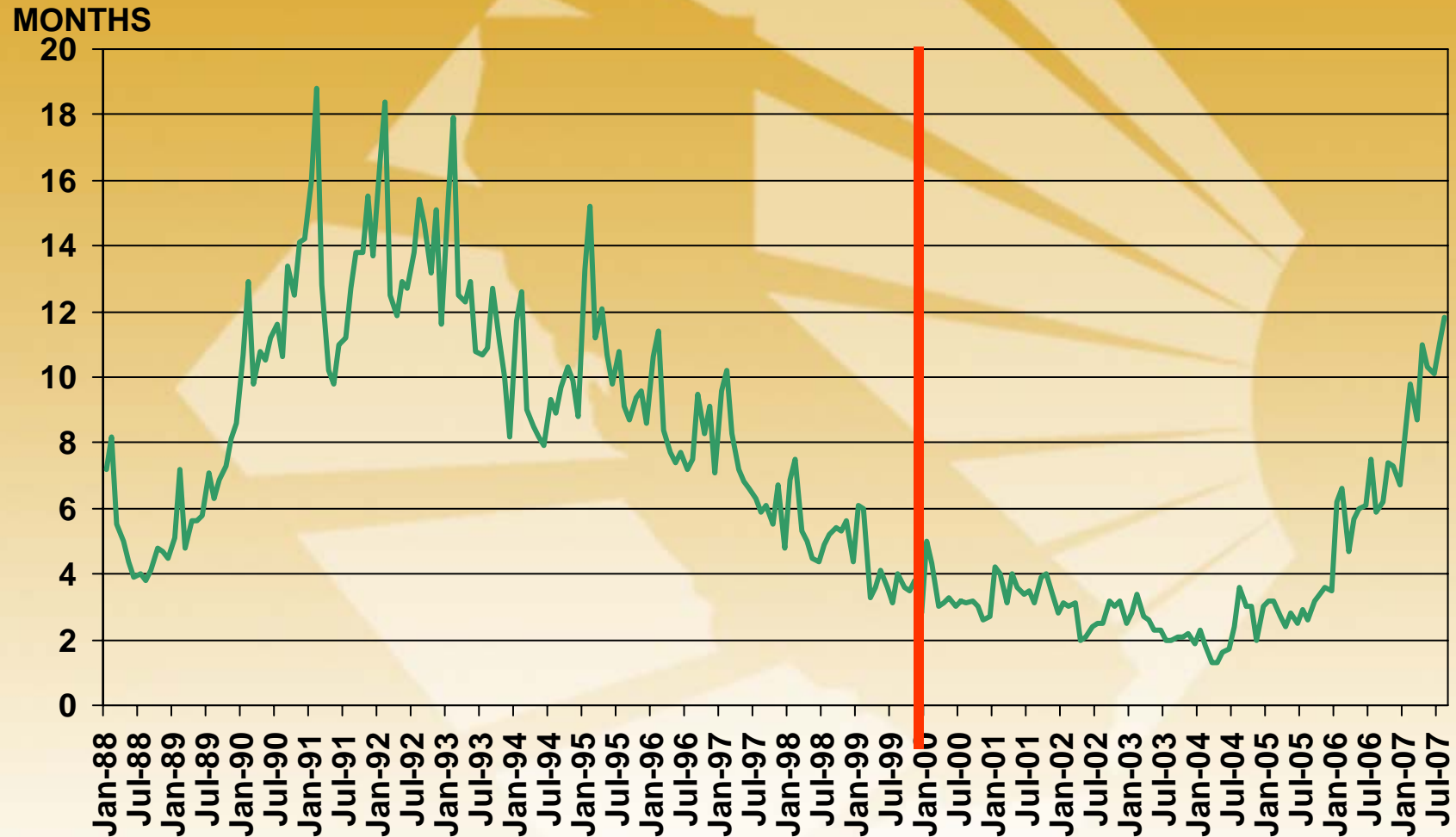
SOURCE: California Association of REALTORS®



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Unsold Inventory Index

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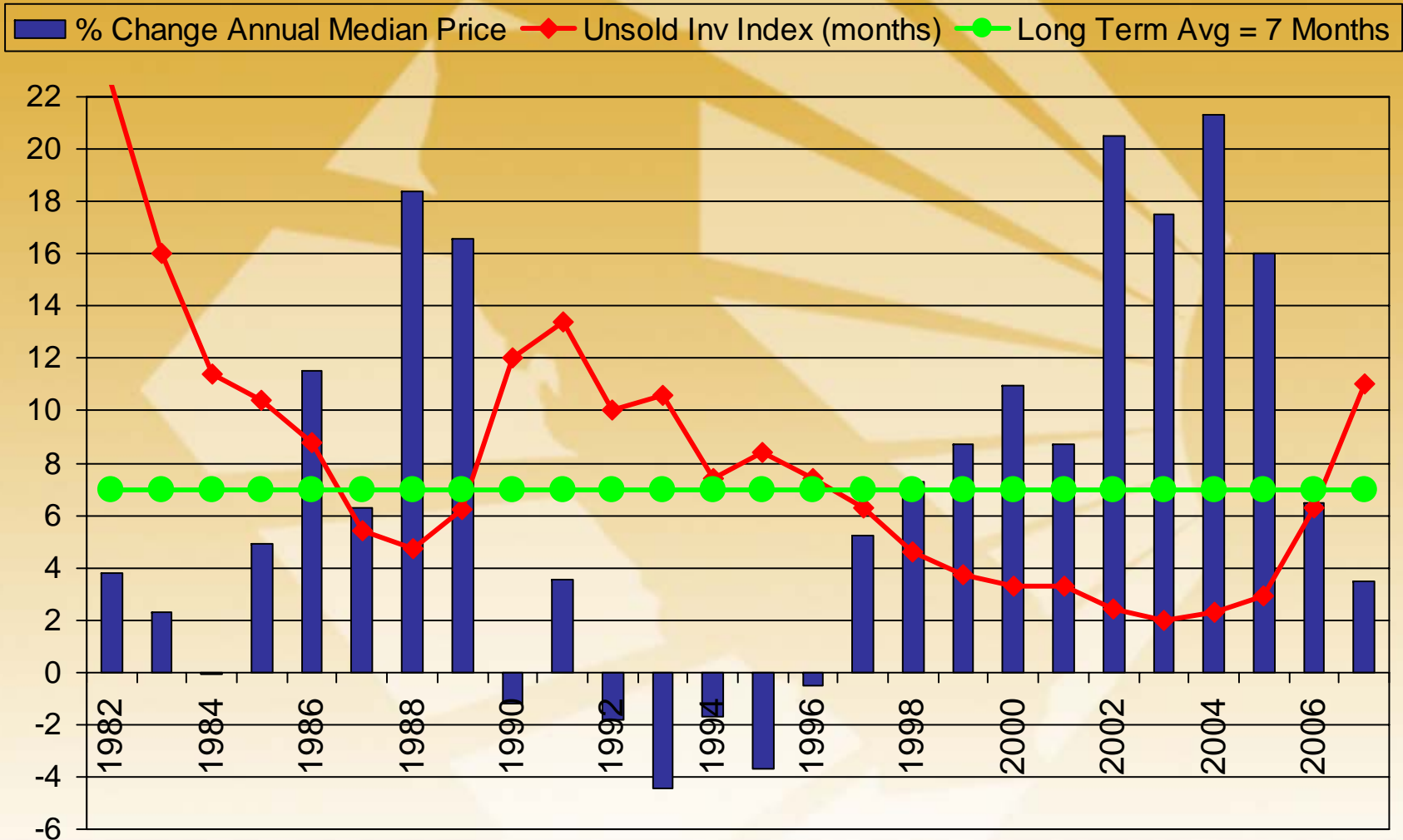


SOURCE: California Association of REALTORS®



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Unsold Inventory Index vs. Price Changes California, 1982-2007



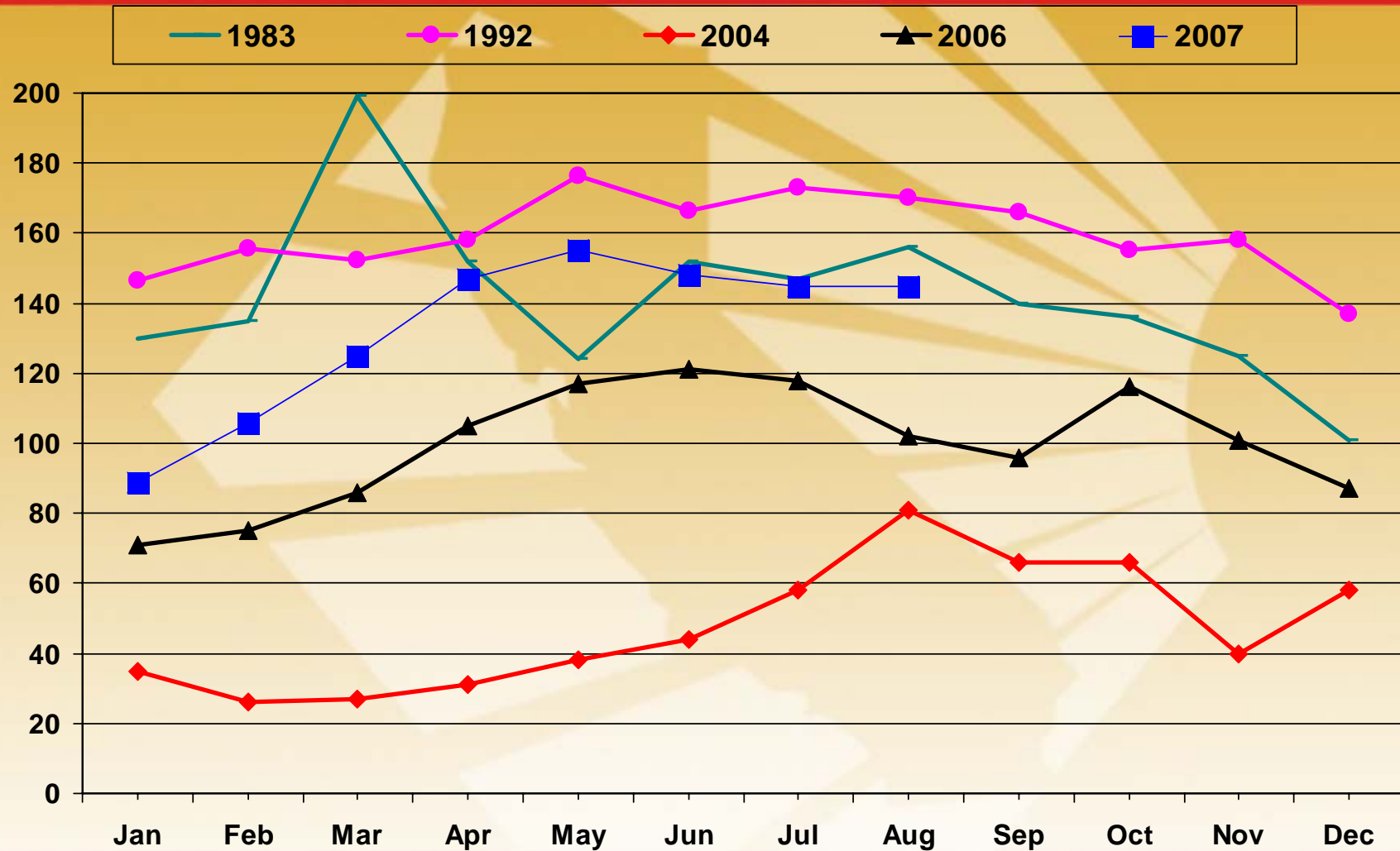
SOURCE: California Association of REALTORS®



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Listings by Month, Selected Years

California (1982-2007 Average=100)



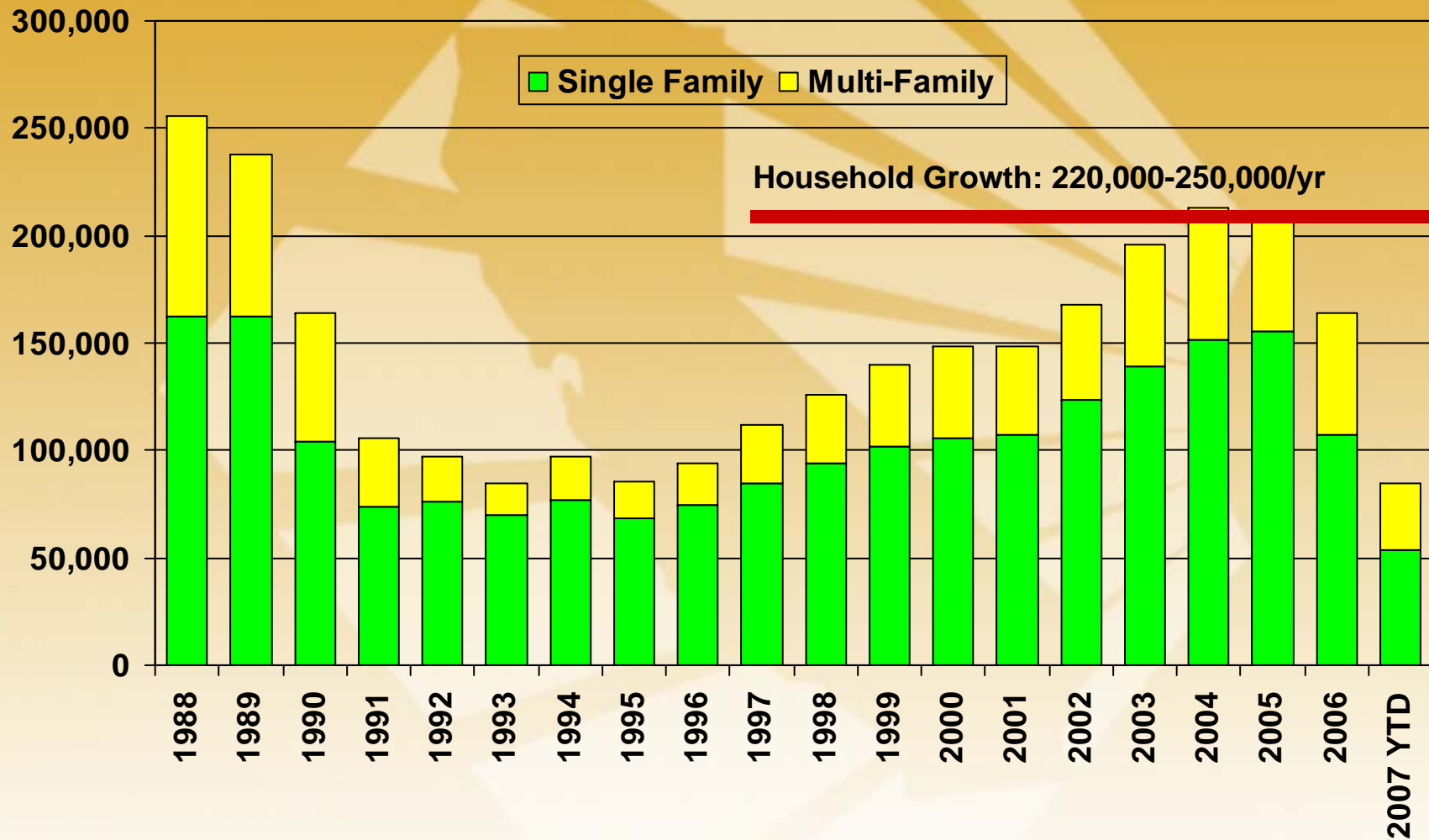
SOURCE: California Association of REALTORS®



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CA New Housing Permits: 1988 - 2007

Down 30.0% Y-T-D in 2007



SOURCE: Construction Industry Research Board



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2007 Forecast vs. Actual



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California Housing Market Forecast 2007 Forecast vs. Actual

	2005	2006	2007f	2007p
SFH Resales (thousands)	625.0	477.5	444.1	367.5
% Change	0.04%	-23.0%	-7.0%	-23.0%
Median Price (\$ thousands)	\$524.0	\$560.7	\$550.0	\$576.0
% Change	16.2%	7.0%	-2.0%	3.5%



This Time Last Year...

- If we had continued to remain at a sales level above the 445,000-450,000 range, our forecast would have held.
- It did not, WHY?
 - **Inventory build up: foreclosures, new construction**
 - **Credit crunch**
 - **Consumer confidence/expectations of lower prices**
 - **Affordability constraints**
 - **Tighter lending standards**
 - **No urgency in the market**



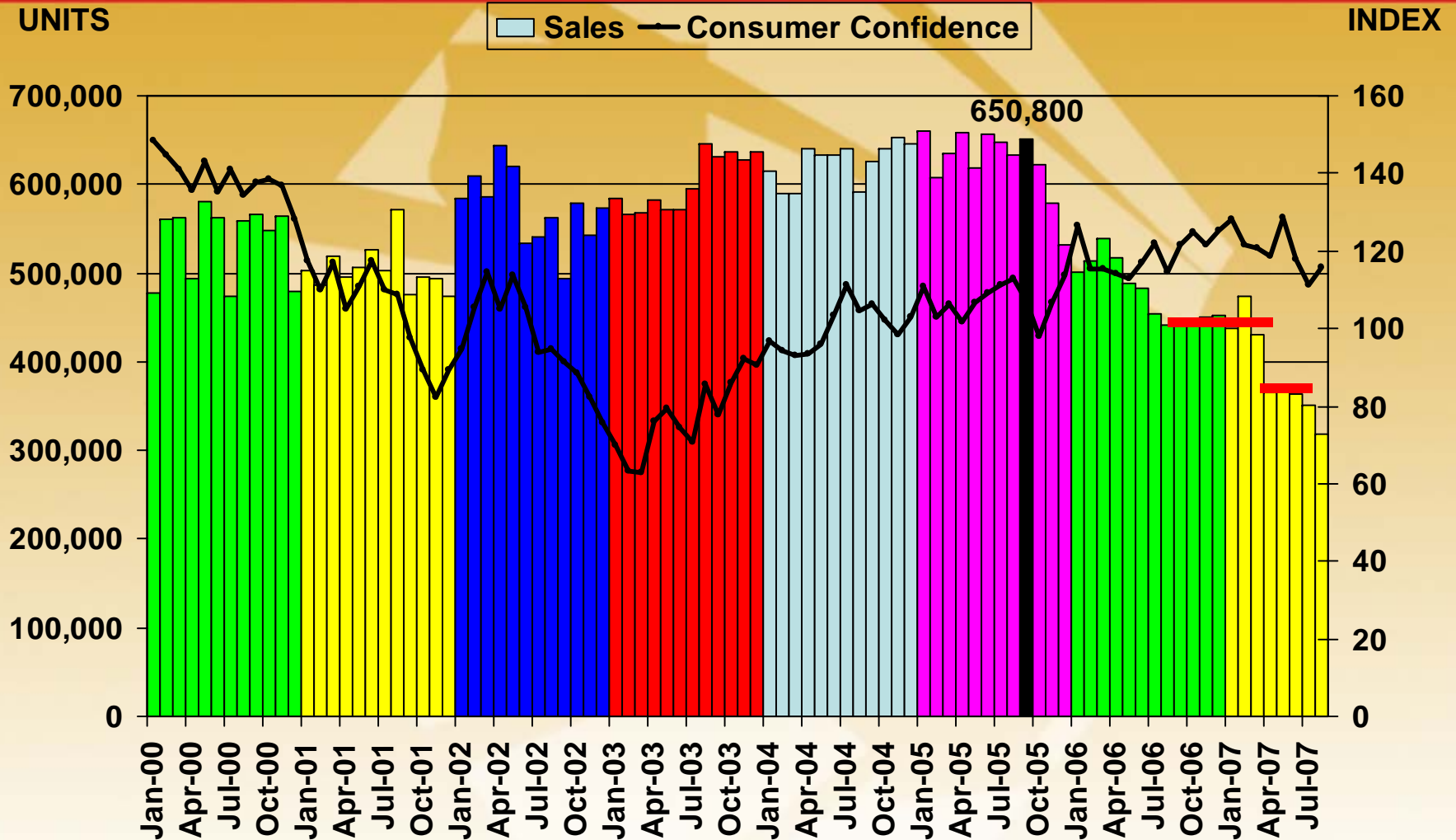
This Time Two Years Ago...

- We talked about a soft landing for the CA housing market with a **modest** decline in home sales and slower price appreciation in 2006.
- Demand would drop because of affordability constraints on first time buyers while more trade up buyers remained on the sidelines (equity, property taxes, low rate mortgage).
- Inventories would increase as sellers sought to time the market peak while investors left the market.
- We discredited the “bubble” scenario because the economy would be growing and mortgage rates would remain near all time lows . Historically, significant housing price declines are associated with economic downturns: job losses and/or high mortgage rates.



Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, August 2007 Sales: 319,200 Units, Down 20.9% Y-T-D, Down 27.8% Y-T-Y



SOURCE: California Association of REALTORS®;
The Conference Board



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California Market Stats: 2000-2005

Four Year Housing Boom

	2000	2001	2002	2003	2004	2005
SFH Resales (thousands)	535.5	504.0	572.6	601.8	624.7	625.0
% Change	-0.4%	-5.9%	13.6%	5.1%	3.8%	0.04%
Median Price (\$ thousands)	\$241.4	\$262.4	\$316.1	\$372.7	\$450.8	\$524.0
% Change	11.0%	8.7%	20.5%	17.9%	20.9%	16.2%
30 YR FRM	8.1%	7.0%	6.5%	5.8%	5.8%	5.9%
Rate of return	2.9%	1.7%	14.0%	12.1%	15.1%	10.3%



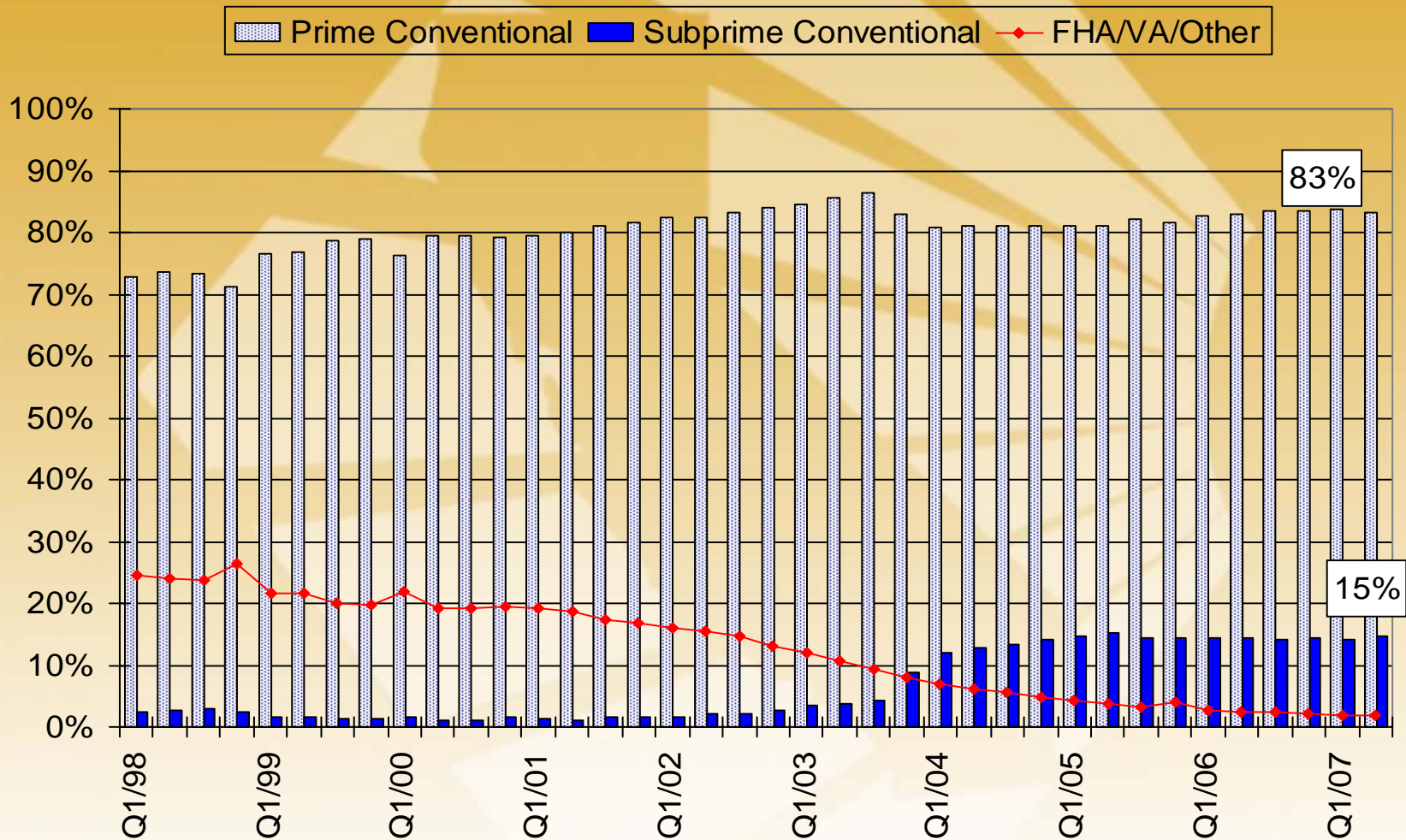
Sub-Prime Fall-out and Foreclosures



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Prime, Sub-Prime, & Other Loans

As a Percentage of All Loans Outstanding in California



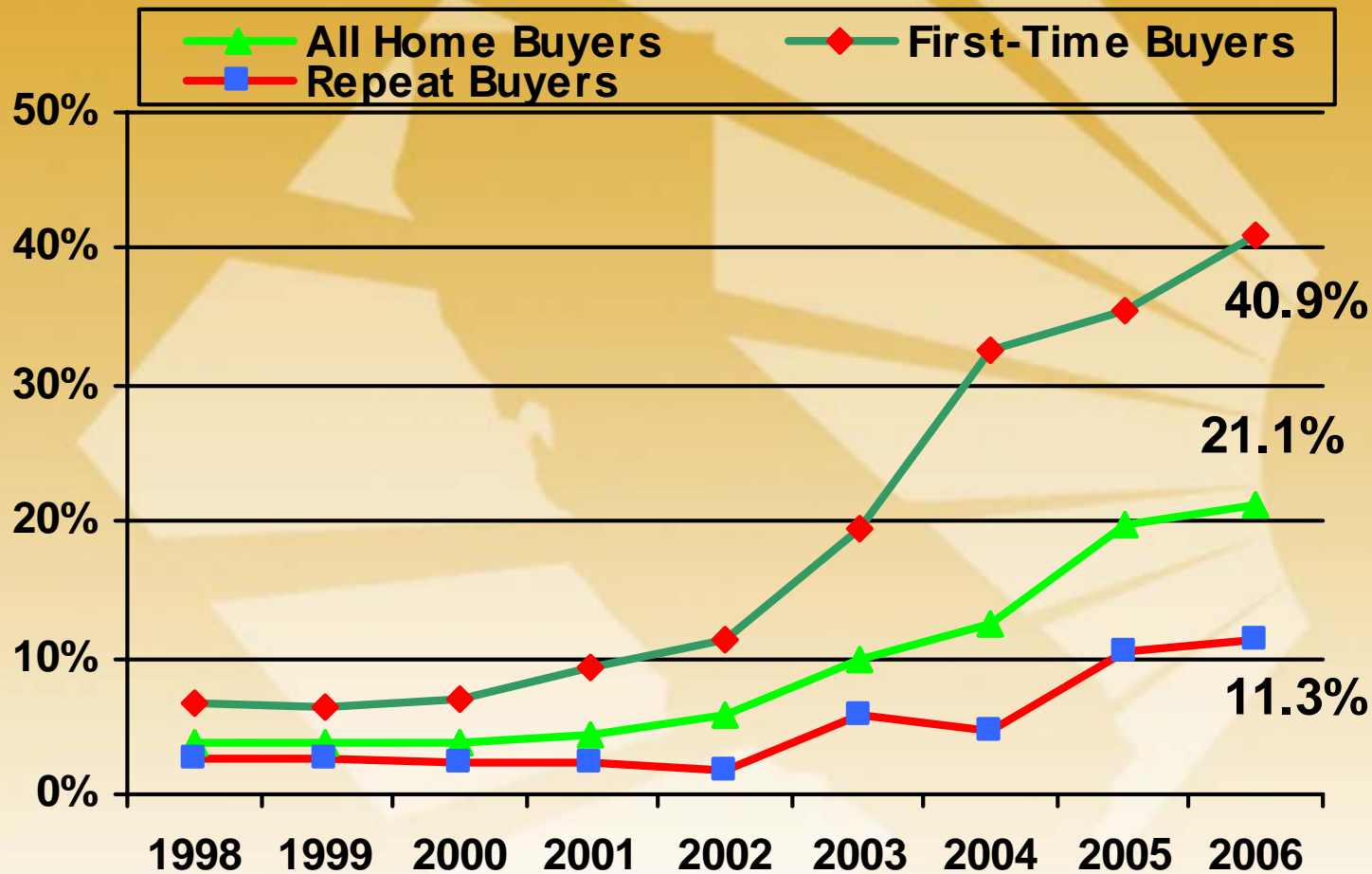
SOURCE: Mortgage Bankers Association, C.A.R.



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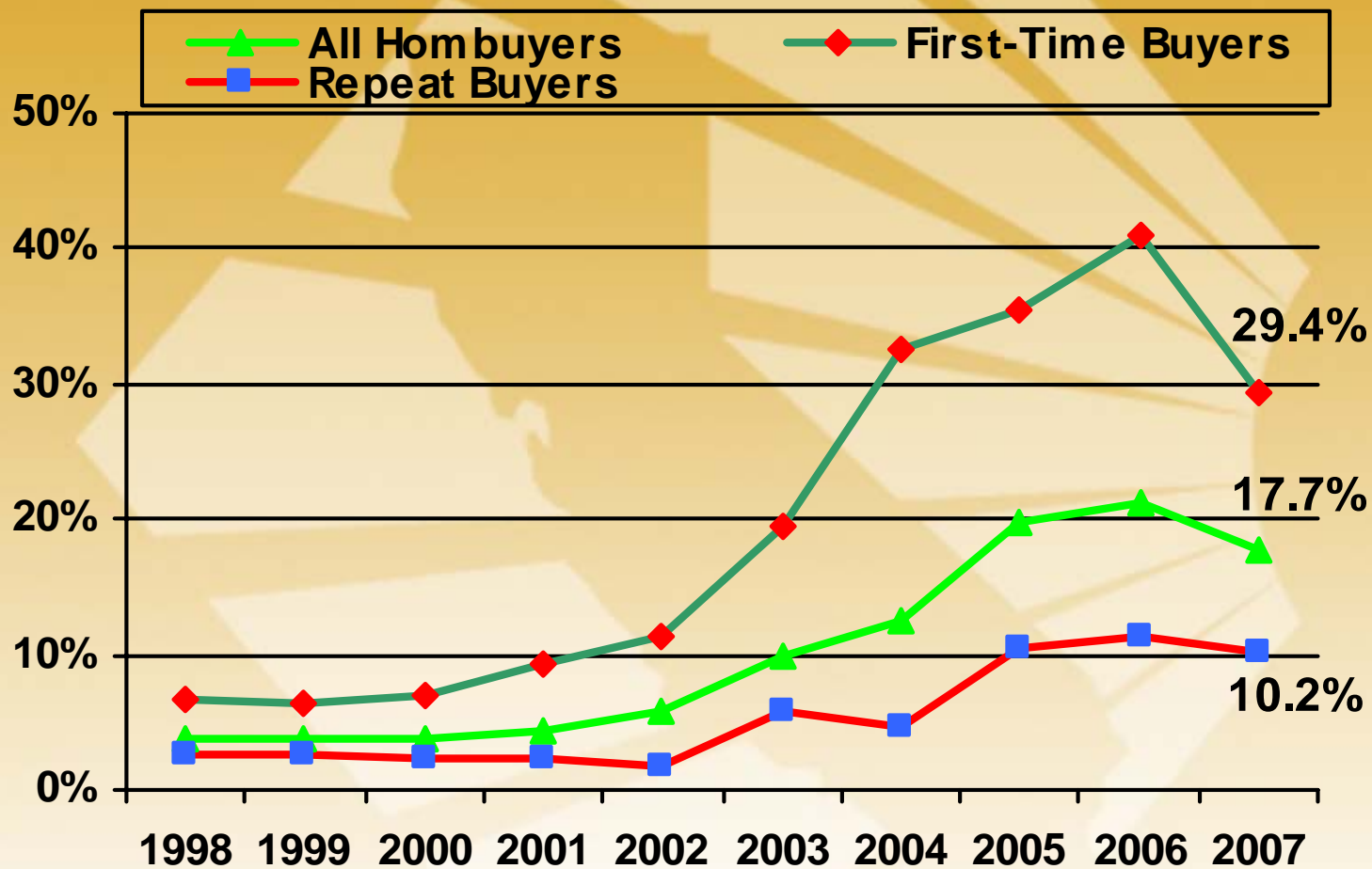
Percent of Buyers with Zero Downpayment

First-Time Buyers vs. Repeat Buyers: 1998 - 2006



Percent of Buyers with Zero Downpayment

First-Time Buyers vs. Repeat Buyers: 1998 - 2007



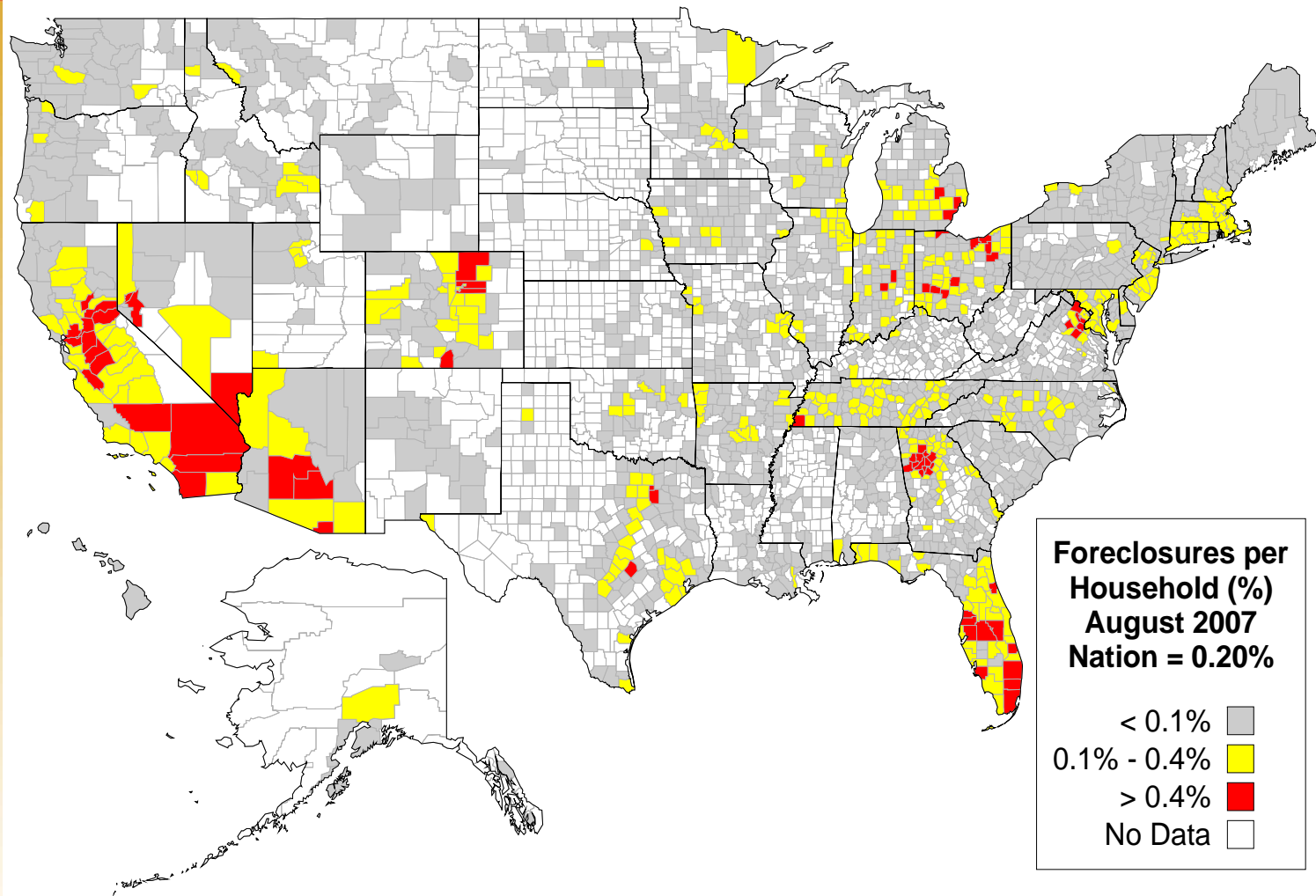
SOURCE: C.A.R. 2007 Annual Housing Market Survey



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Foreclosures per Household

August 2007 RealtyTrac

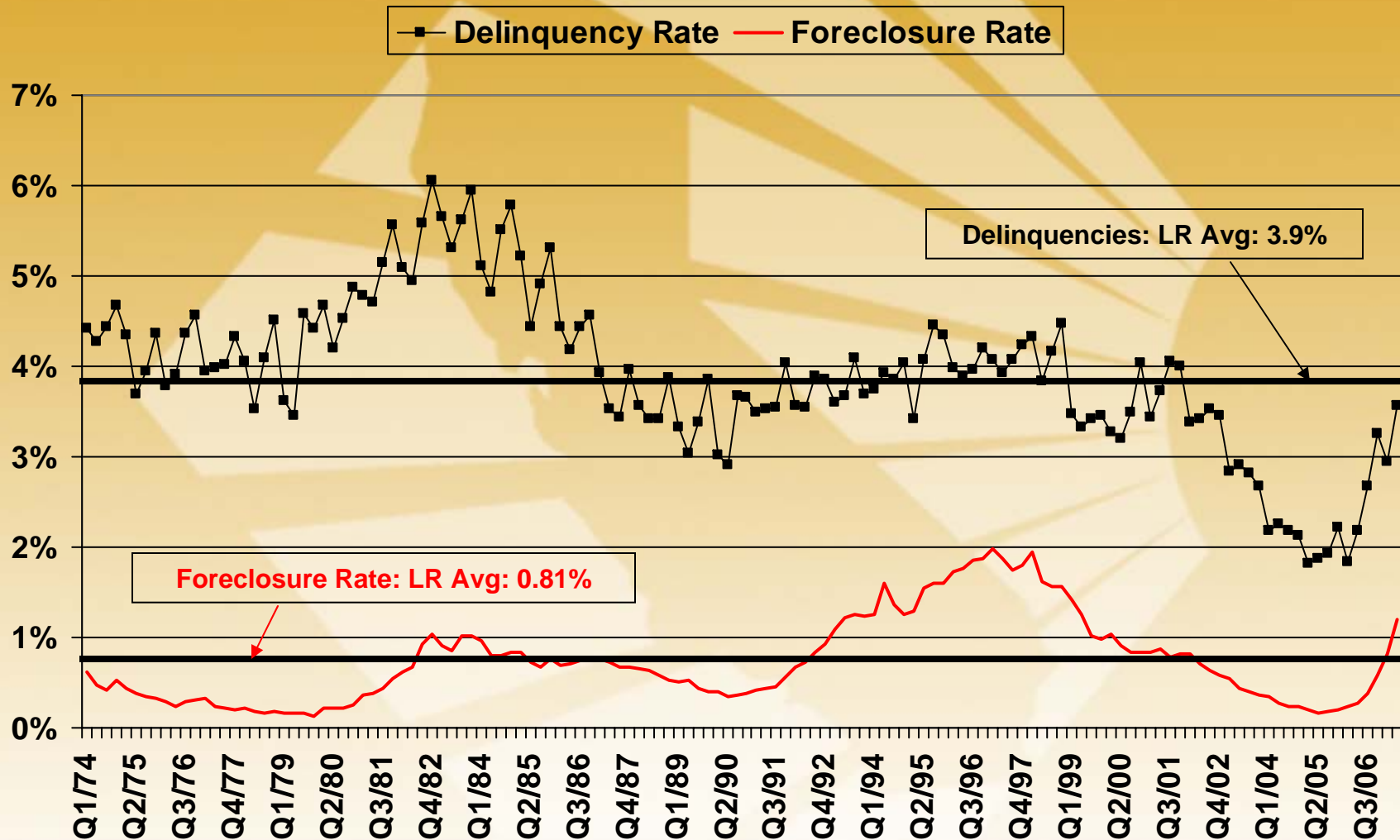


Source: RealtyTrac, SF Fed



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Mortgage Foreclosure & Delinquency Rates California



Notices of Default – California Houses & Condos

Region	2007- Q2	2007- Q1	2006- Q2	QTQ % Change	YTY % Change
Southern California	30,828	26,748	12,271	15.3%	151.2%
San Francisco Bay Area	7,696	6,730	2,910	14.4%	164.5%
Central Valley	12,964	11,054	4,703	17.3%	175.7%
Statewide	53,943	44,532	20,909	21.1%	158.0%

- Record High NoDs: 61,541 in Q1-1996
- Record Low NoDs: 12,417 in Q3-2007



Framing the Sub-Prime Situation

3 Types of Homeowners in Sub-Prime Category:

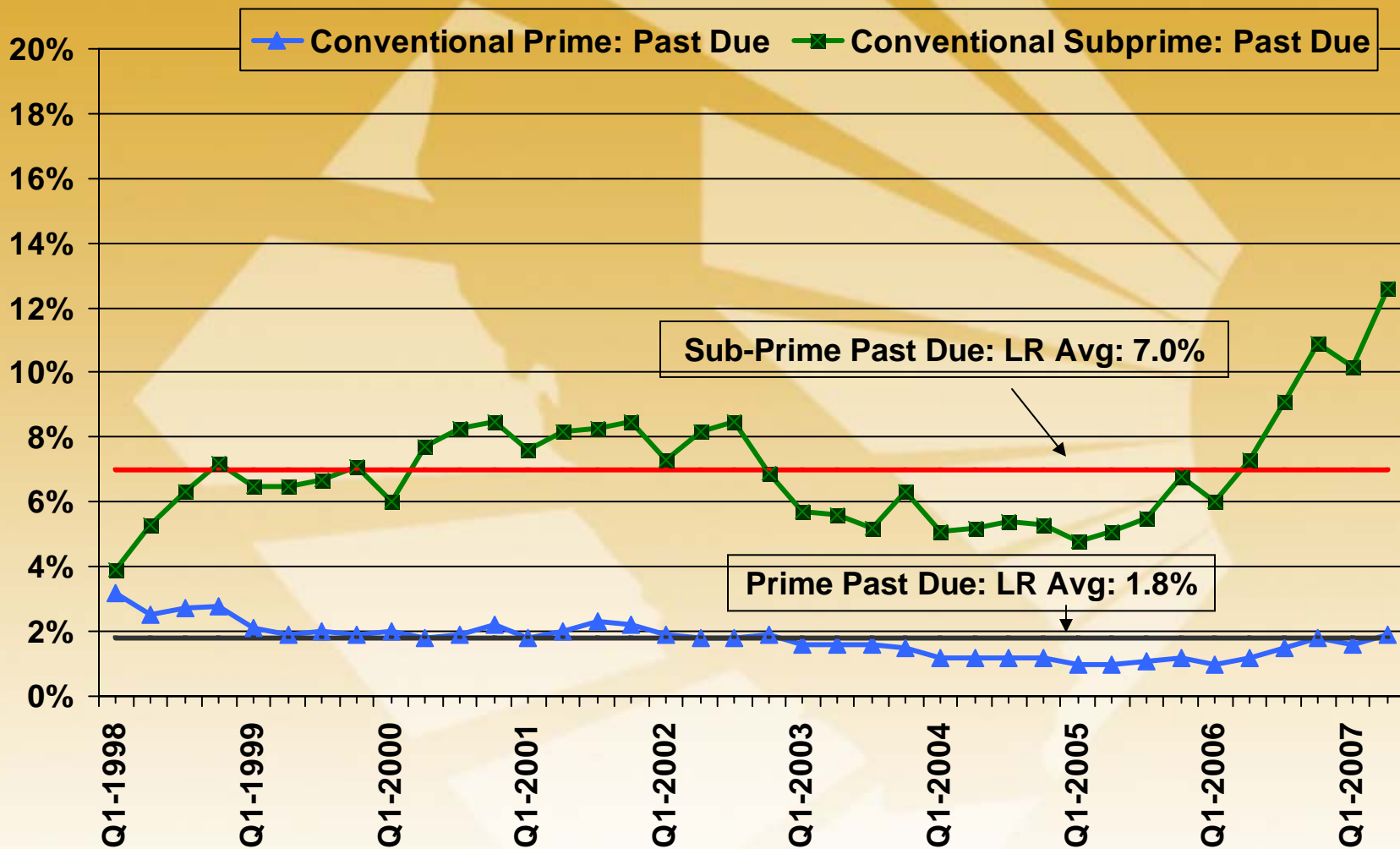
- **Right \$\$\$ House & Right Mortgage**
 - Not in trouble - no fix necessary
- **Right \$\$\$ House & *Wrong Mortgage***
 - Refinance, but end is not near
- ***Wrong \$\$\$ House & Wrong Mortgage***
 - Mortgage resets, foreclosures, etc.

Troublesome
Categories



Prime Versus Sub-Prime Past Due

California Q2-2007



SOURCE: Mortgage Bankers Association



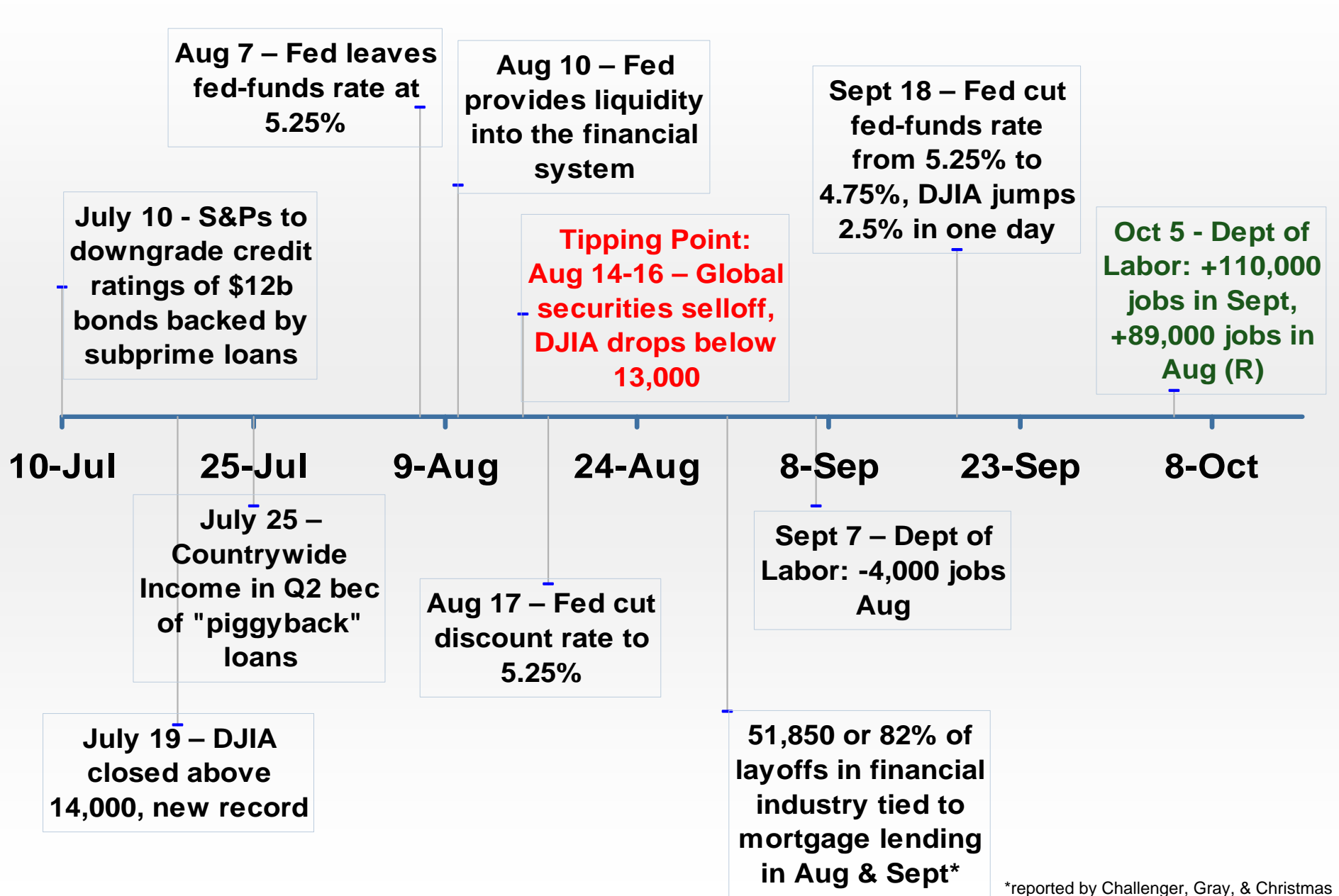
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Credit/Liquidity Situation

- **Credit Crunch emerges in July/August**
- Sub-prime defaults spurred volatility in financial markets
- Investors supply credit for mortgage market
- Nervous Investors sell off of mortgage-backed securities
 - **Translates into less money to lending institutions**
 - **Less money to fund home loans**
- Much tighter lending standards
 - **Mortgage lenders pulling back – require higher credit scores, “exotic” products disappear**
- Impact on CA market: Sales to slow through year end



Timeline of Events Surrounding Credit Crunch



*reported by Challenger, Gray, & Christmas

Bernanke Bounce: September 18, 2007

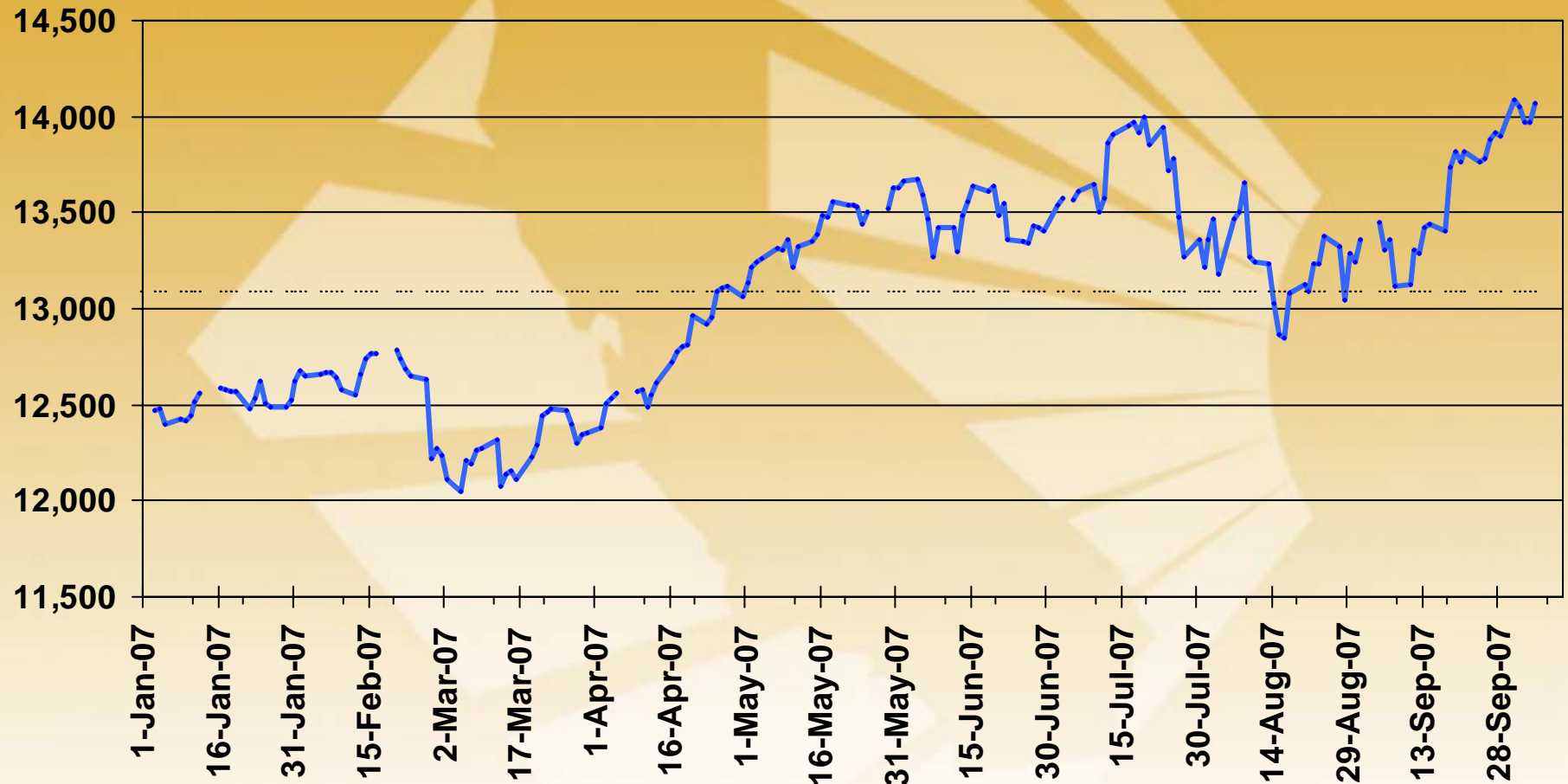
- “...tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth.”
- Unexpectedly large .5% cut in Fed Funds rate from 5.25% to 4.75%. First cut in over four years
- Dow up 336 points, biggest 1 day gain since 2002
- Prime rate cut to 7.75% by key banks – will affect \$800 billion in credit card debt
- Goal: Boost confidence and prevent recession



Dow 30 Industrial Index

7/19/07 14,000 ----- Market Turmoil ----- 10/9/07 14,164

Daily Close



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SOURCE: Dow Jones

Economic Fundamentals

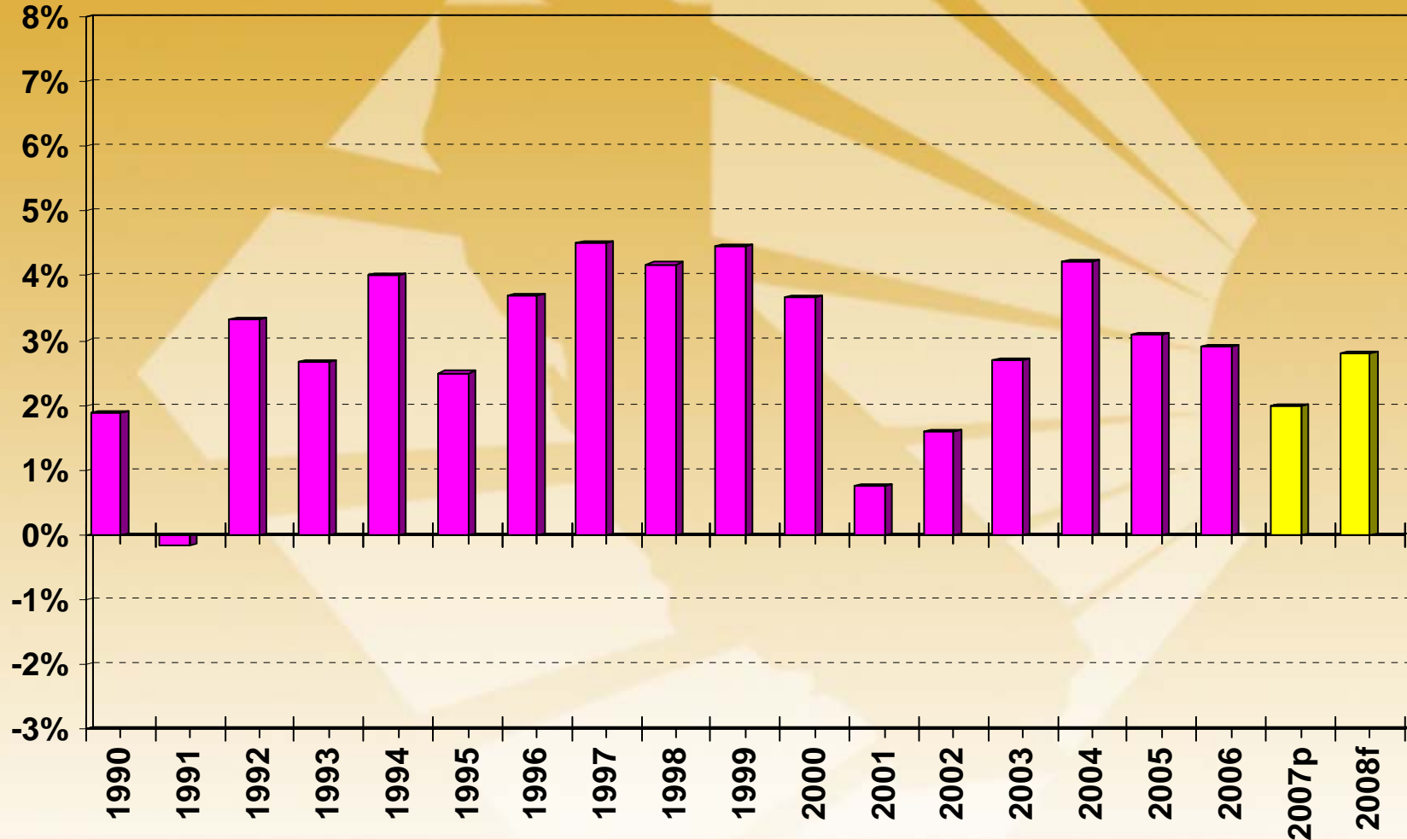


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Gross Domestic Product

Year 2006: 2.9%; 2007 2.0%

ANNUAL PERCENT CHANGE, CHAIN-TYPE (2000) \$



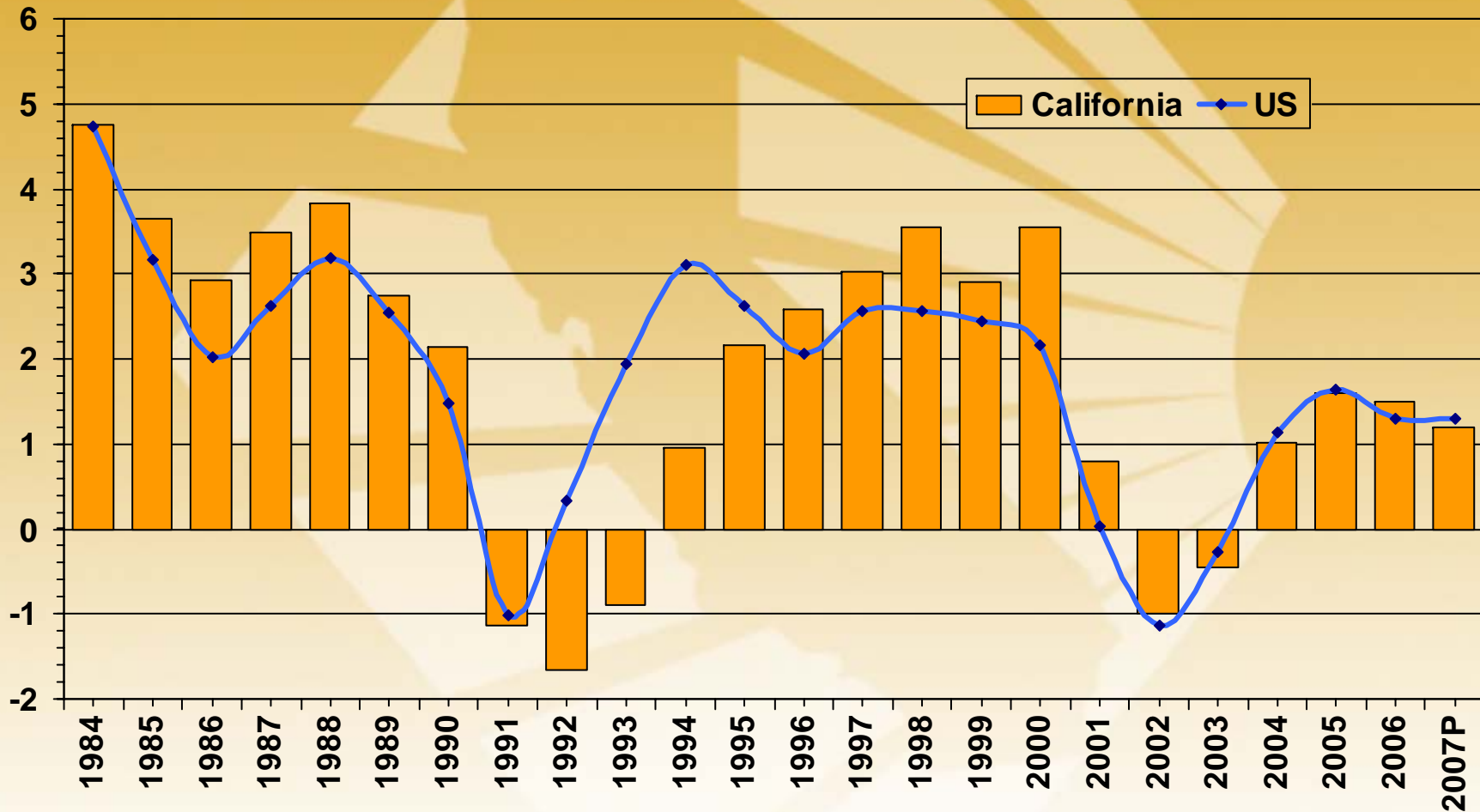
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SOURCE: Bureau of Economic Analysis

Employment Growth, California vs. U.S.

2007P: CA 1.2% US 1.3%

YEAR TO YEAR % CHANGE



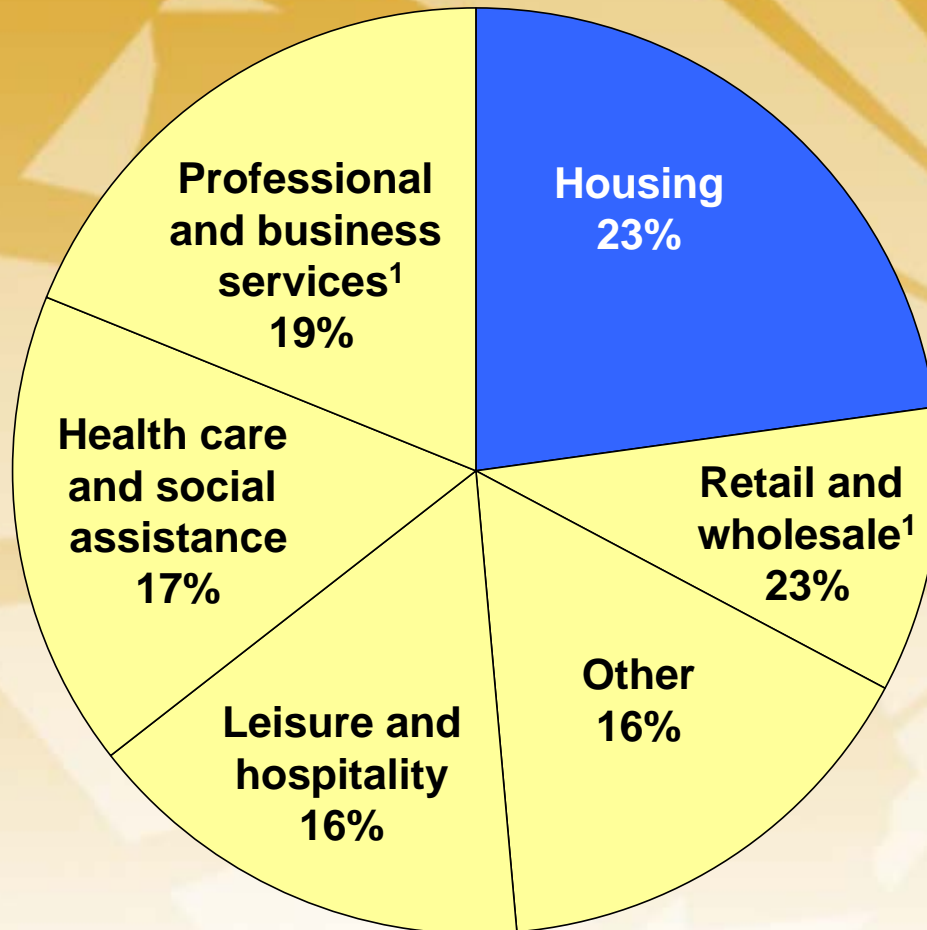
SOURCE: CA EDD, Bureau of Labor Statistics



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Share of Total Job Growth

Q3 2003 – Q3 2006



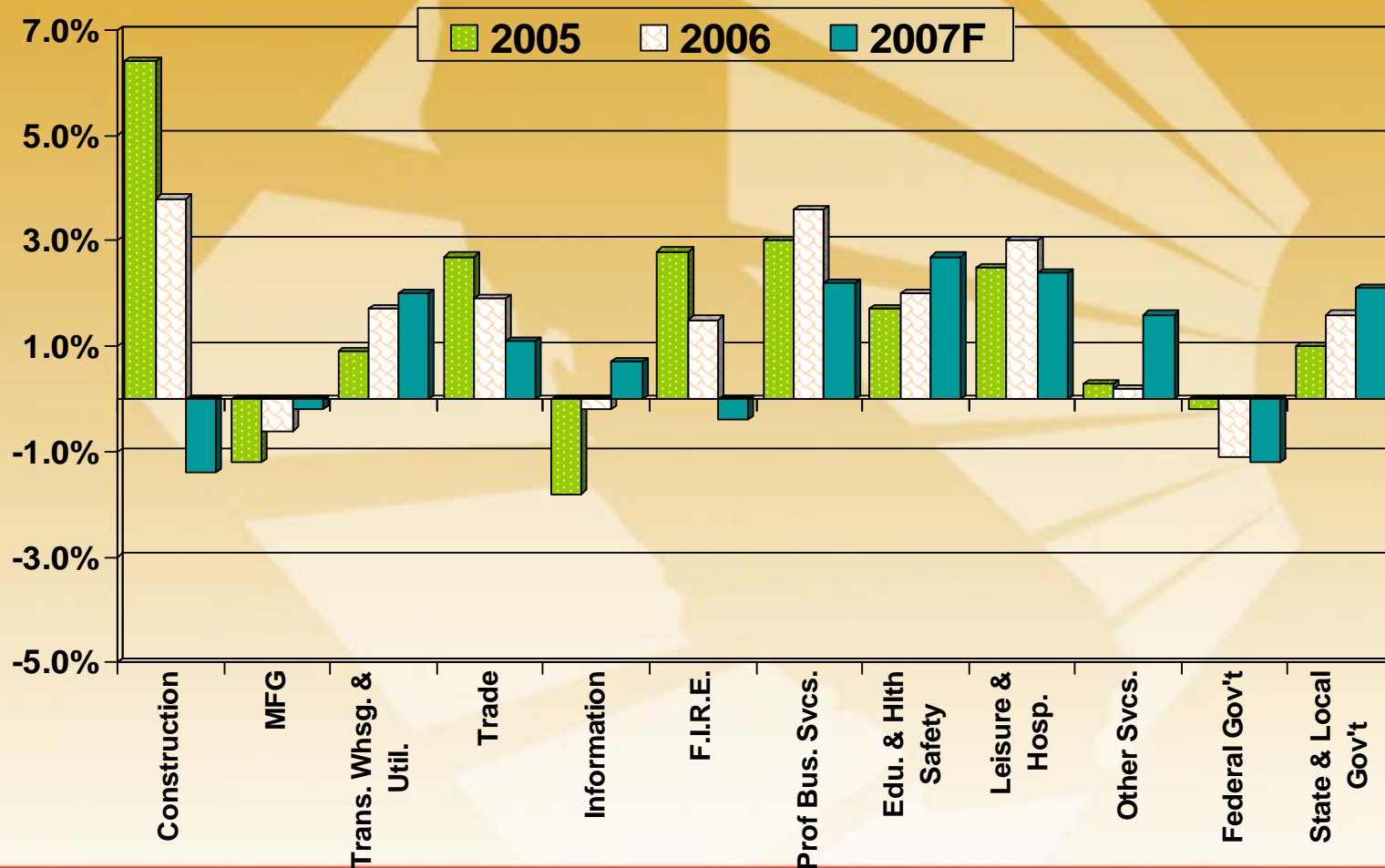
Note: ¹Excluding housing



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Year-to-Year % Change in Jobs California 2005-2007

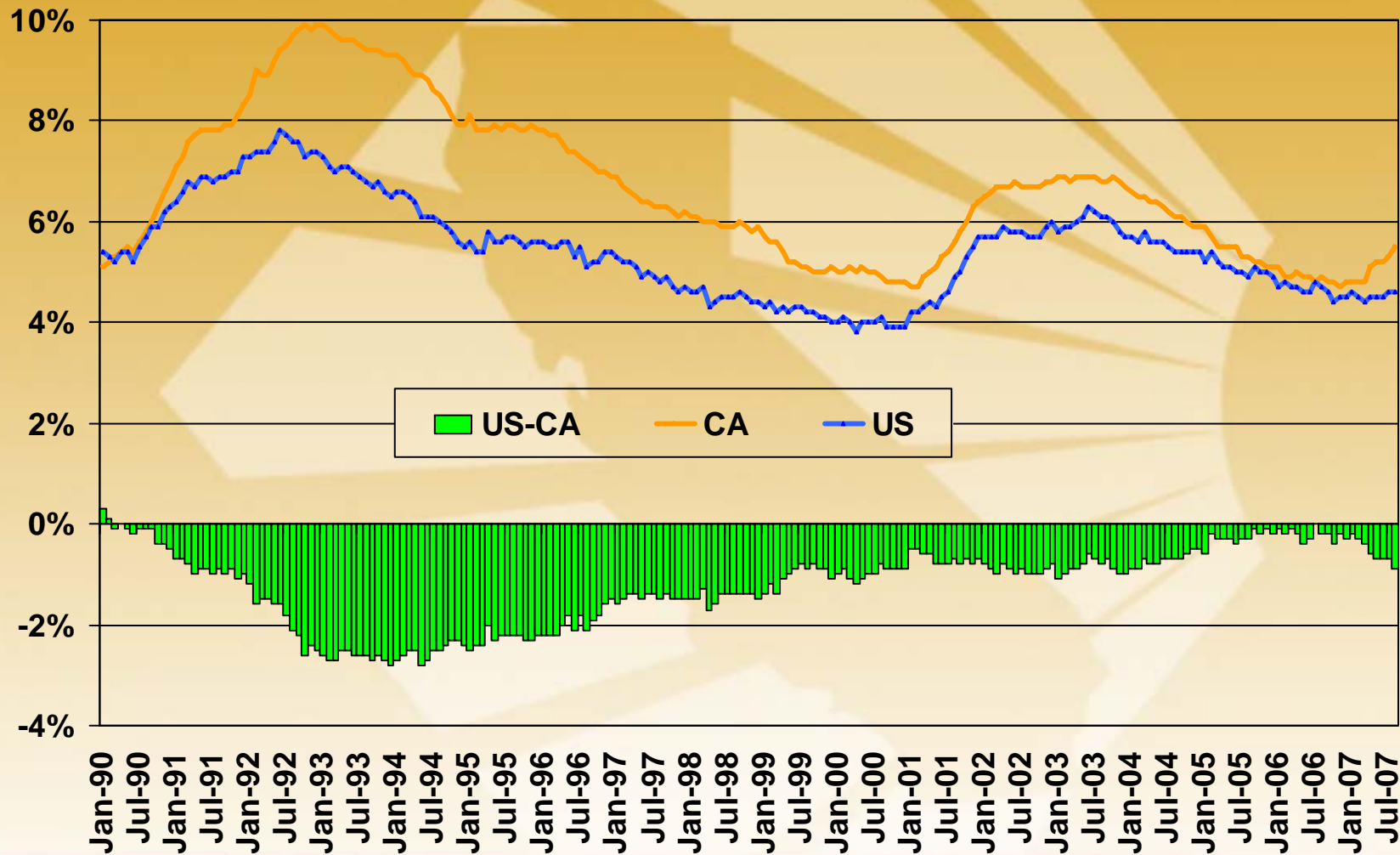
% Change



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SOURCE: CA EDD, UCLA Anderson Forecast

Unemployment Rate California vs. United States



SOURCE: CA Employment Development Division



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Nonfarm Employment By Region

(Thousands)	Nonfarm Employment August-07	Nonfarm Employment August-06	Change	Percent Change
Southern California	8,545.6	8,443.6	106.4	1.3%
Bay Area	3,270.0	3,222.5	56.6	1.8%
Central Valley	2,042.1	2,019.1	30.5	1.5%
Central Coast	500.8	497.5	4.4	0.9%
North Central	144.8	142.8	3.2	2.2%
CALIFORNIA	15,273.7	15,110.4	163.3	1.1%

SOURCE: CA Employment Development Division

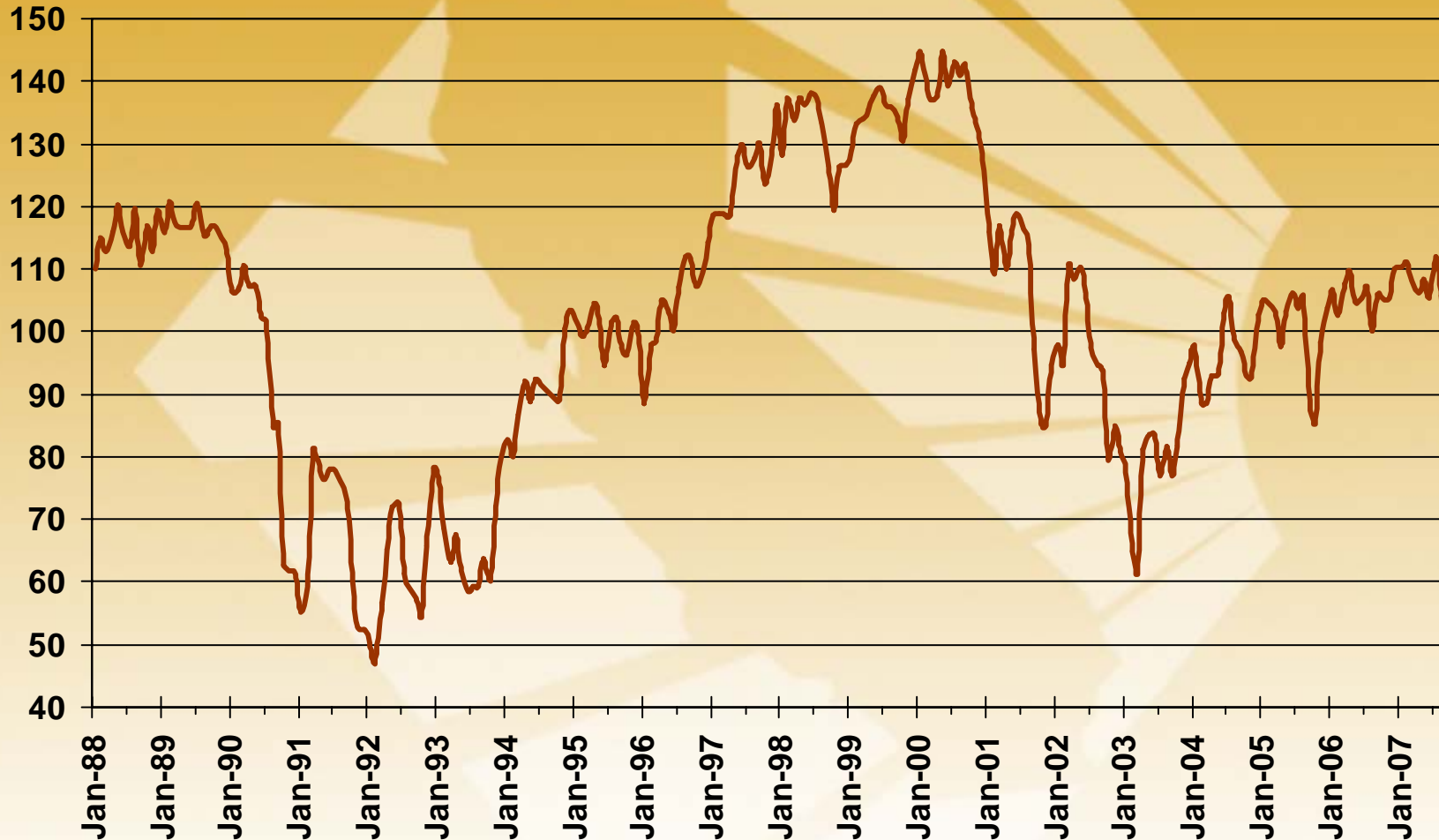


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Consumer Confidence Index

August 2007: 105.6, Sept 2007: 99.8

INDEX, 100=1985



SOURCE: The Conference Board

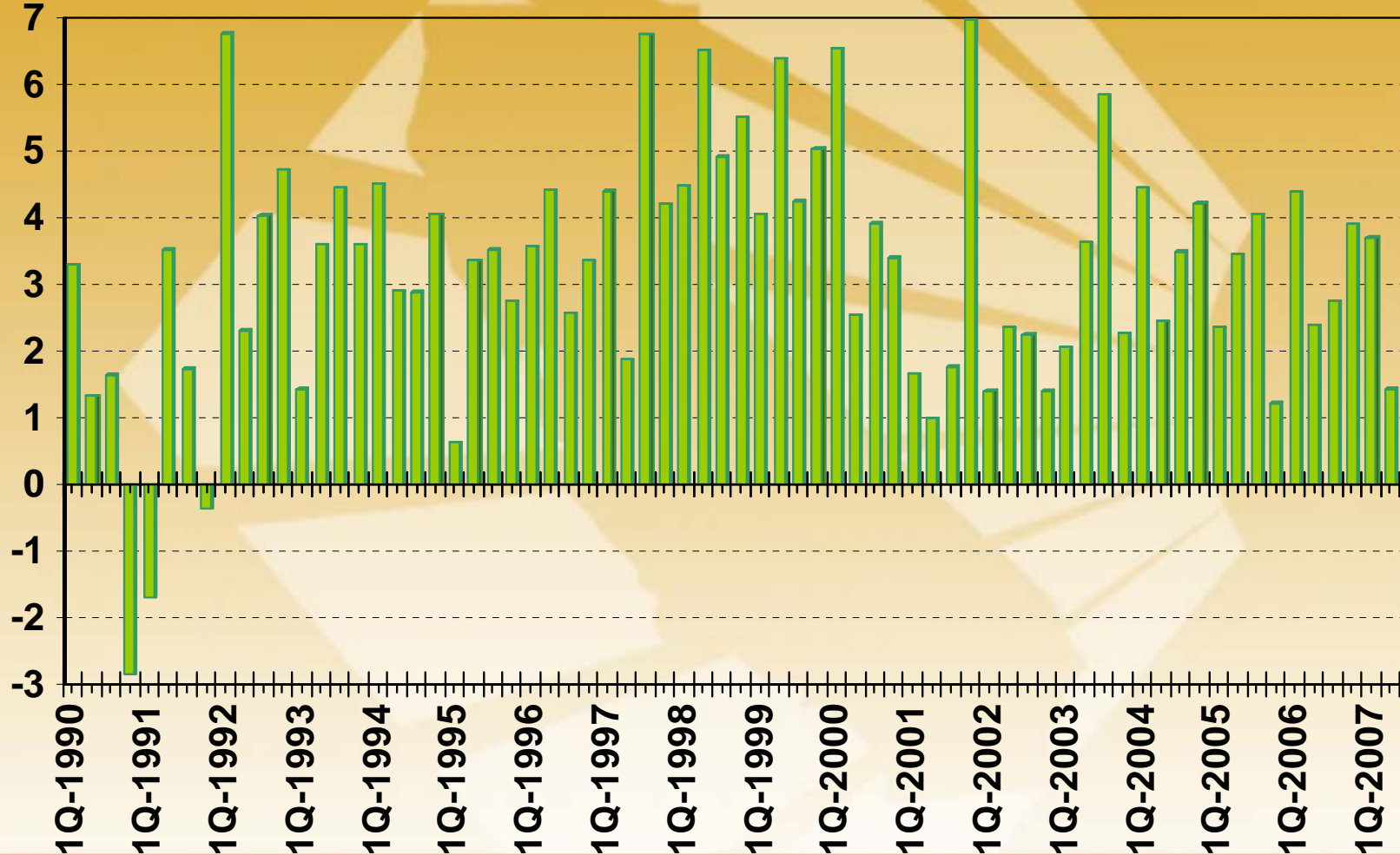


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Personal Consumption

2007 Q2: +1.4%

QUARTERLY PERCENT CHANGE

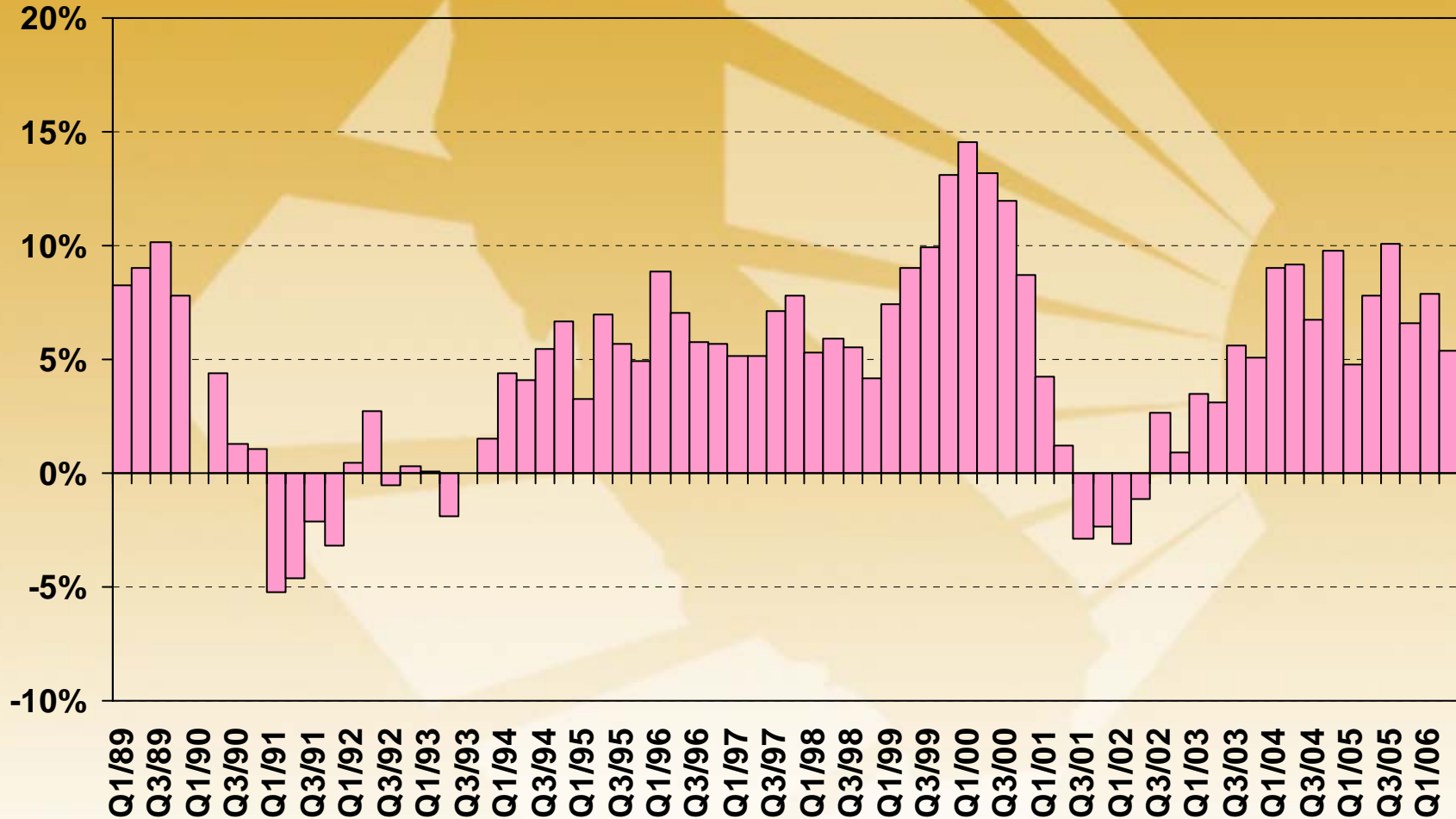


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SOURCE: Bureau of Economic Analysis

Taxable Sales California

ANNUAL PERCENT CHANGE



SOURCE: California State Board of Equalization

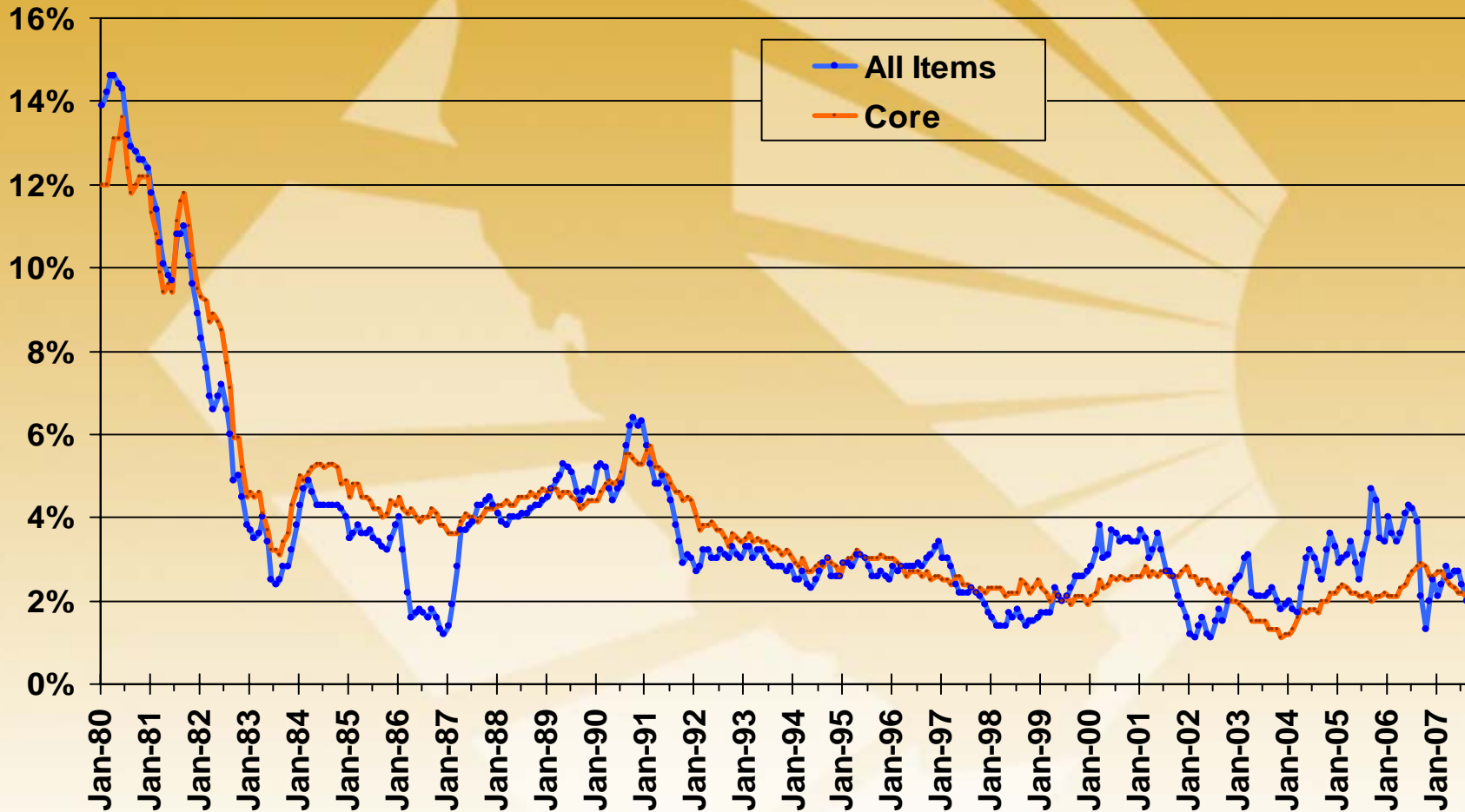


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Consumer Price Index

August 2007: All Items 2.0% Y-T-Y; Core 2.1% Y-T-Y

PERCENT CHANGE FROM A YEAR AGO, 100=1982-1984



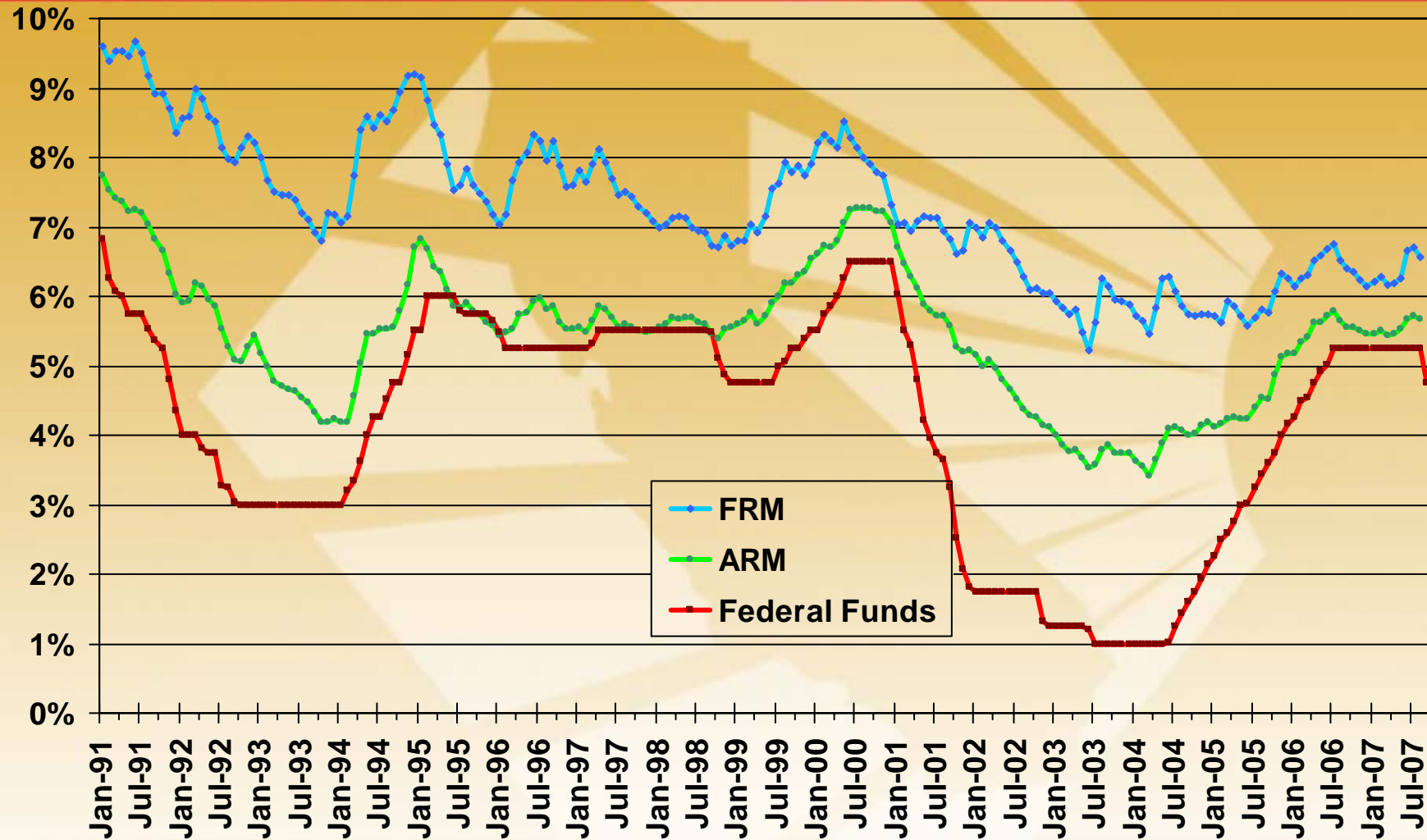
SOURCE: Bureau of Labor Statistics



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Mortgage Rates

Fed cuts to 4.75% on 9/18/07



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SOURCE: Federal Home Loan Mortgage Corporation


Economy through 2008: Razor's Edge

- Sub par economic growth (below 3.0%)
- Weak but positive job growth
- Unemployment rate up slightly
- Inflation a concern but in check
- Uncertainty about economy/credit crunch
- **KEY CONCERN:** Will turmoil in the housing market tip the economy into recession?



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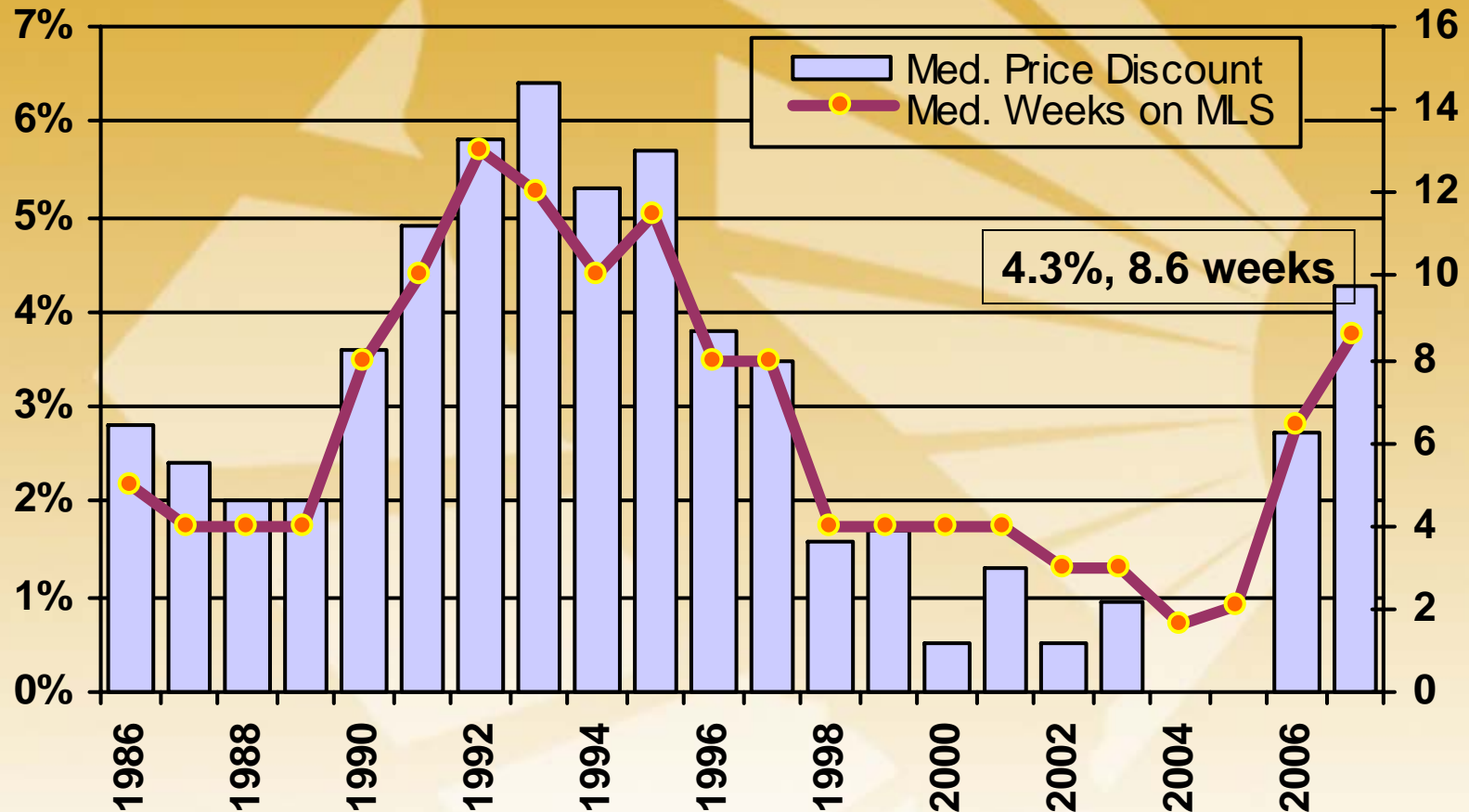
2007 Housing Market Survey

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Median Price Discount And Weeks On Market

Median Price Discount

Weeks on MLS

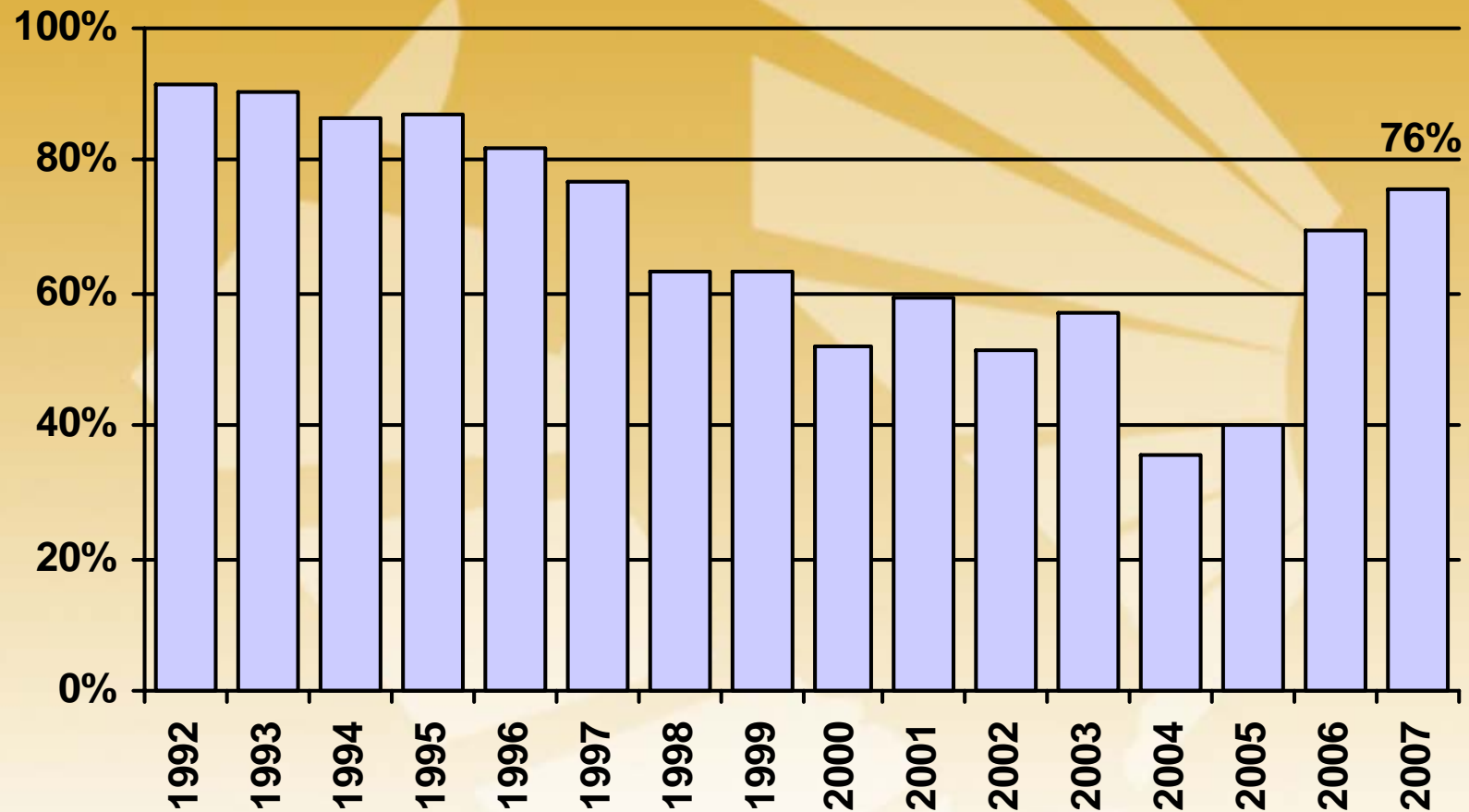


Q. What was the original list sales price of the property?
 What was the final sales price of the property? How
 many weeks did the property remain on the MLS?



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Percent with Price Discount

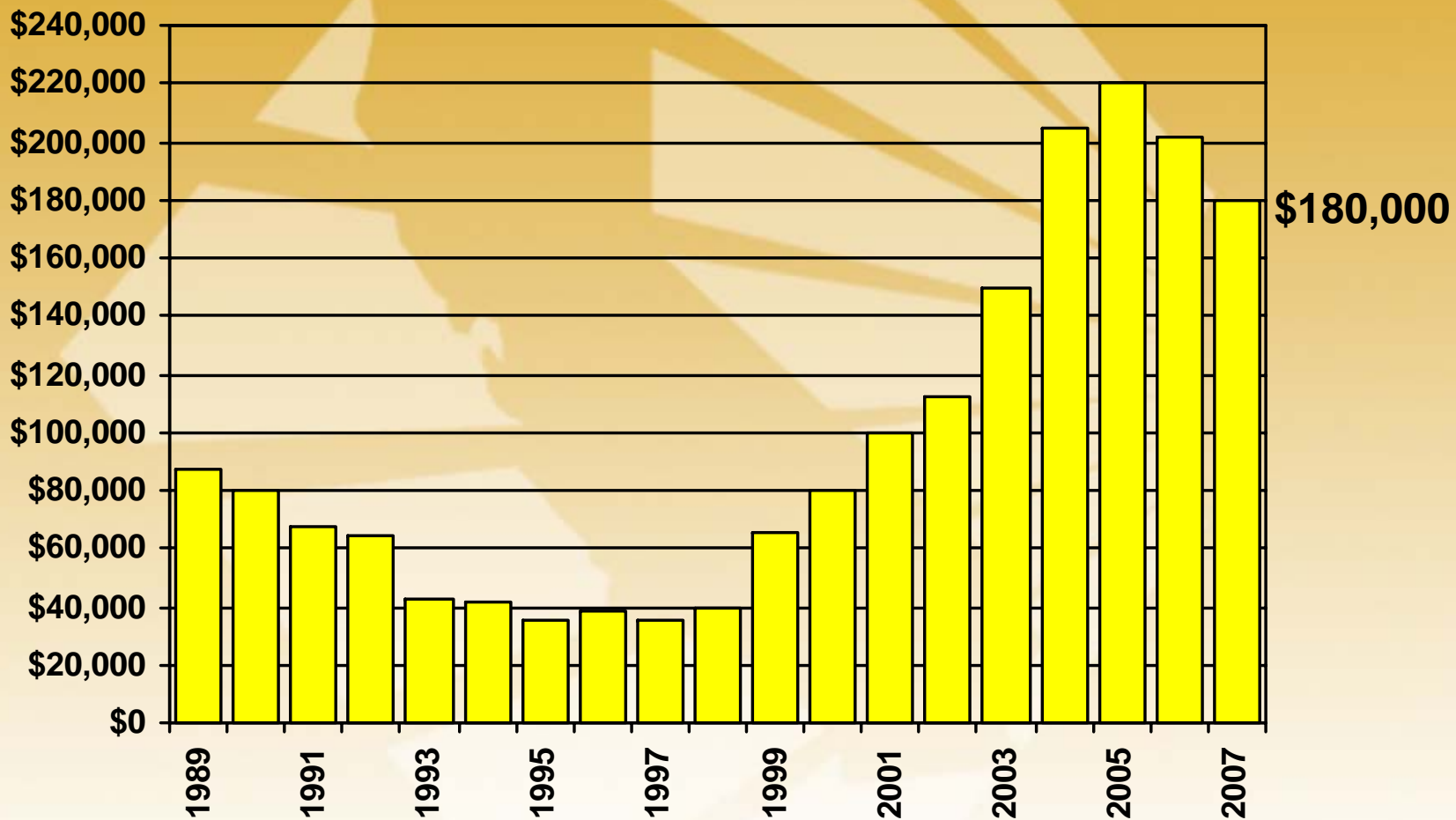


Q. What was the original list sales price of the property?
What was the final sales price of the property?



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Median Net Cash To Sellers

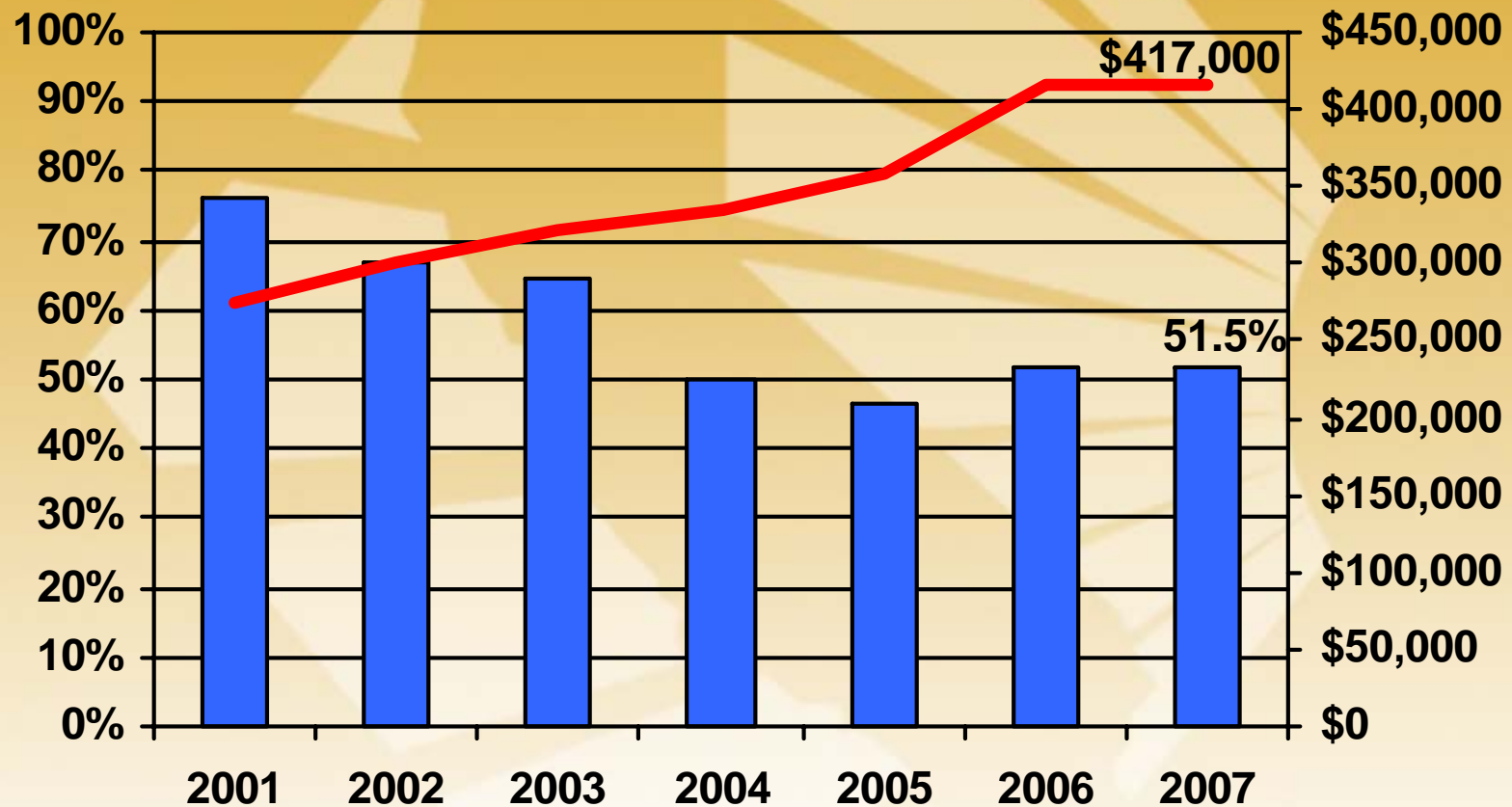


Q. What was the net cash gain or net loss to the seller as a result of this sale?



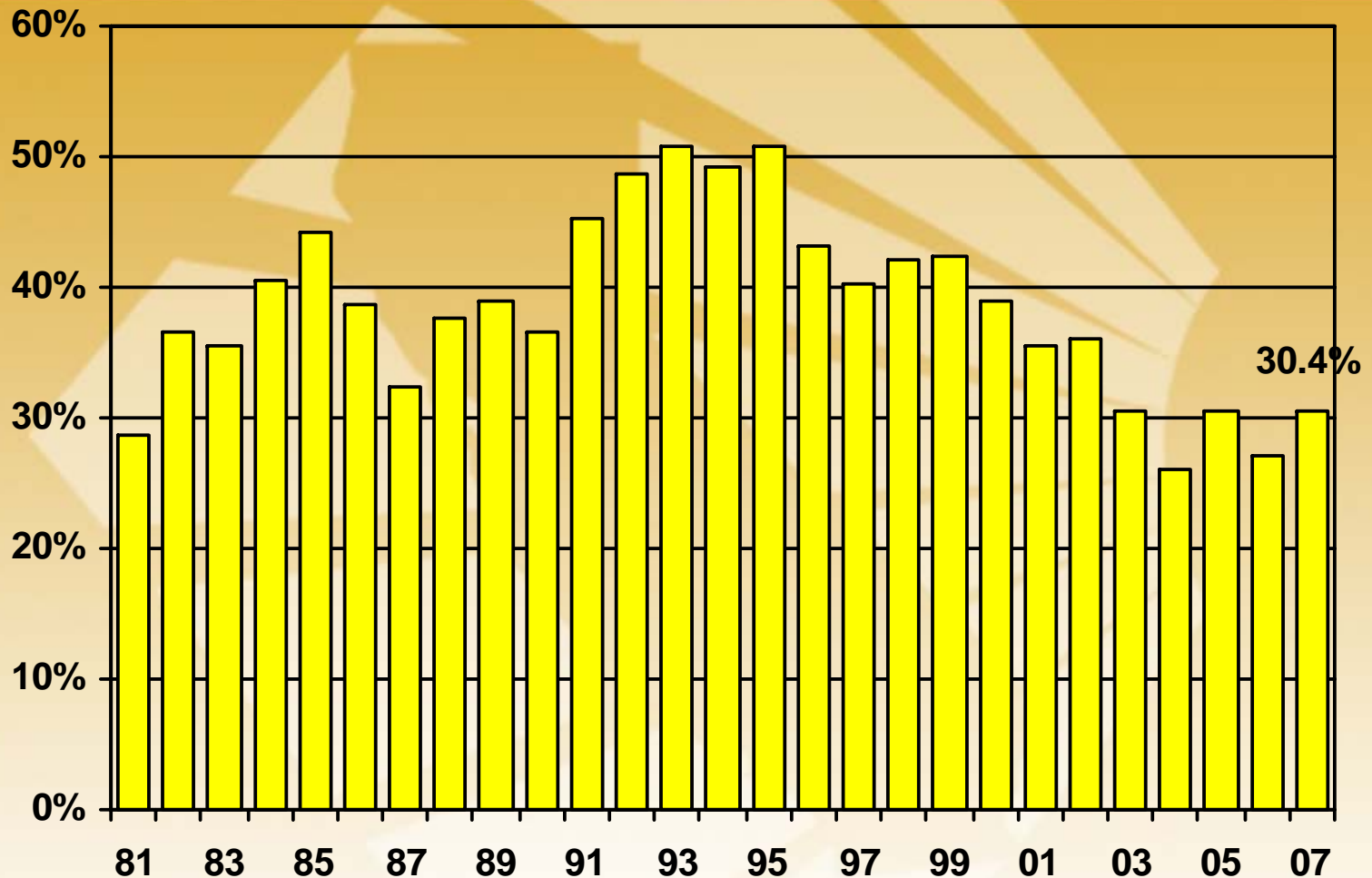
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Percent of Jumbo Loans and Loan Limit (New First Mortgage)



Proportion of First-Time Homebuyers

California



Q. Was the buyer a first-time buyer?



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Mixed Market Performance Across Regions



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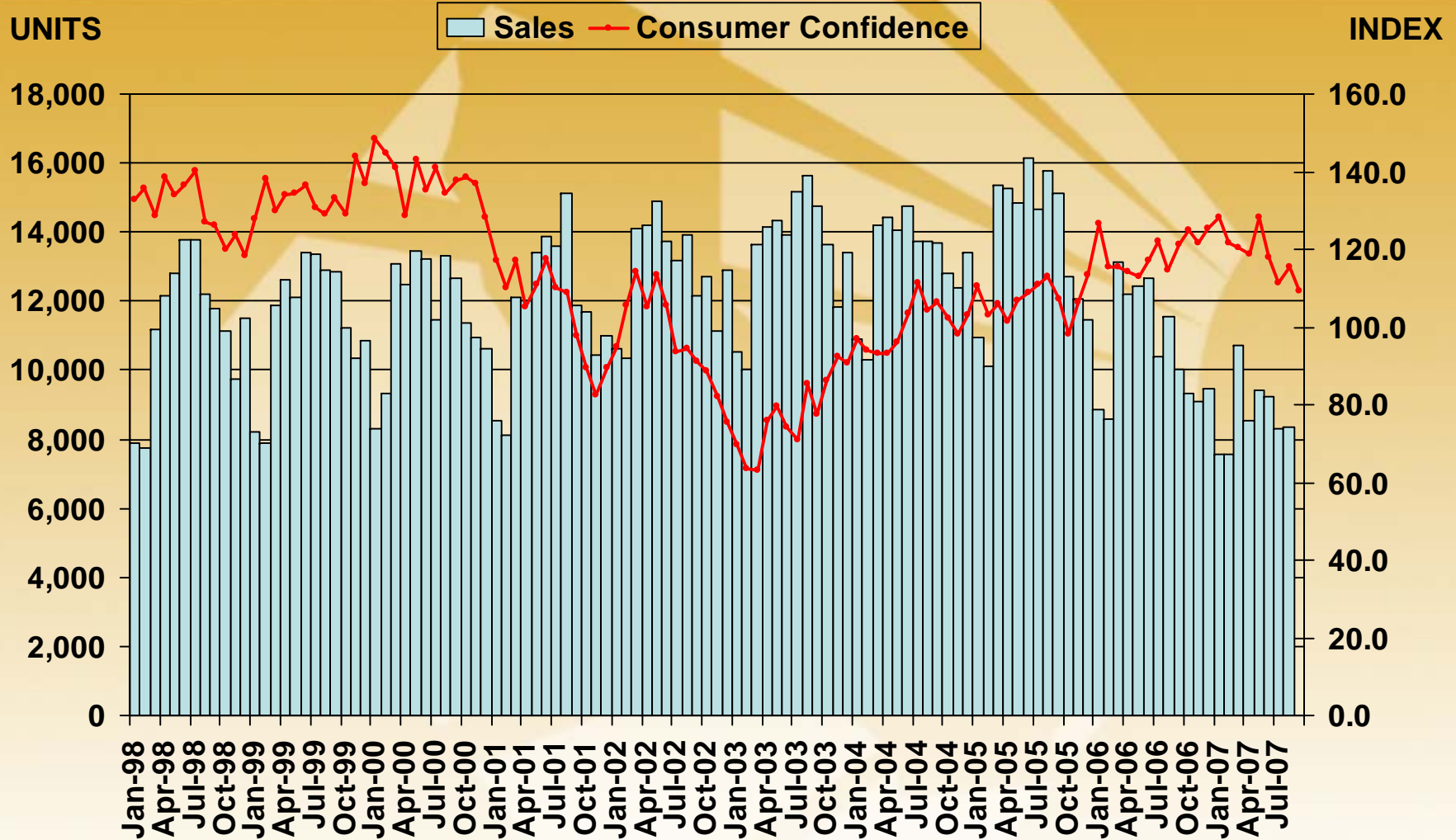
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Southern California Region

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Southern California August 2007 Sales: 8,329 Units, Down 27.9% Y-T-Y, Down 22.5% Y-T-D

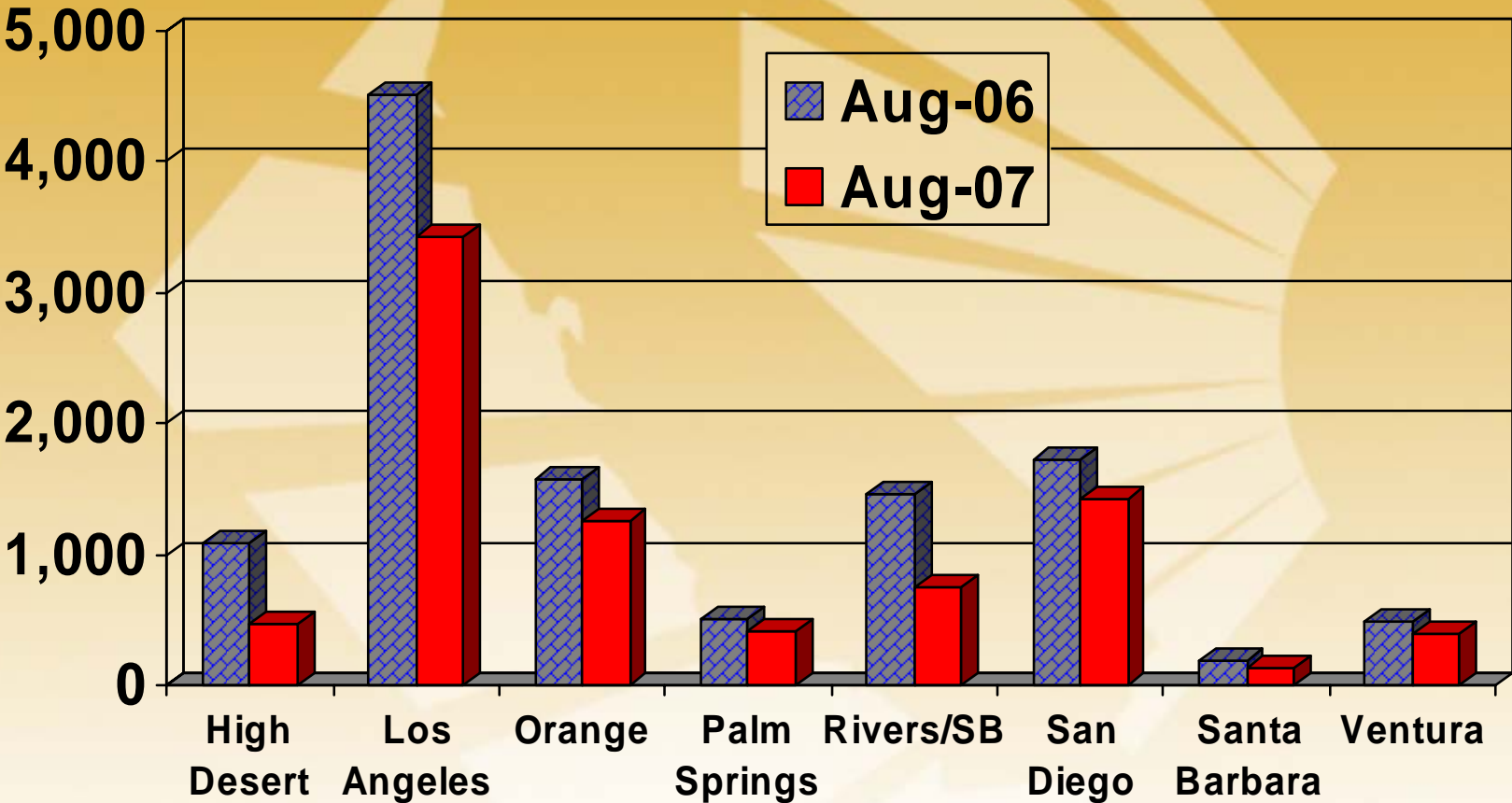


SOURCE: California Association of REALTORS®;
The Conference Board



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Home Sales in Southern California Regions



SOURCE: California Association of REALTORS®



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New Home Sales

Southern California Counties

County	2000	2001	2002	2003	2004	2005	2006	2007 YTD*
Los Angeles	6,331	7,387	8,042	9,121	9,905	12,065	12,369	5,682
Orange	7,478	5,928	6,256	6,436	5,840	5,494	5,204	2,089
Riverside	10,257	13,491	17,263	20,702	24,048	28,732	25,232	7,267
San Bernardino	5,149	5,049	5,830	8,048	9,584	10,894	10,291	3,143
San Diego	9,259	9,570	10,591	12,131	14,812	15,902	11,659	4,351
Santa Barbara	568	588	798	828	933	754	399	206
Ventura	2,965	2,935	2,439	2,244	1,385	2,192	2,154	736
So Cal Total	42,007	44,948	51,219	59,510	66,507	76,033	67,308	23,474

* Thru Q2 2007



Year-to-Year Change in New Home Sales

Southern California Counties

County	2000	2001	2002	2003	2004	2005	2006	2007 YTD*
Los Angeles	7.3%	16.7%	8.9%	13.4%	8.6%	21.8%	2.5%	-14.2%
Orange	-4.7%	-20.7%	5.5%	2.9%	-9.3%	-5.9%	-5.3%	-26.2%
Riverside	11.4%	31.5%	28.0%	19.9%	16.2%	19.5%	-12.2%	-47.2%
San Bernardino	7.8%	-1.9%	15.5%	38.0%	19.1%	13.7%	-5.5%	-39.3%
San Diego	-0.8%	3.4%	10.7%	14.5%	22.1%	7.4%	-26.7%	-24.6%
Santa Barbara	25.4%	3.5%	35.7%	3.8%	12.7%	-19.2%	-47.1%	-0.5%
Ventura	1.6%	-1.0%	-16.9%	-8.0%	-38.3%	58.3%	-1.7%	-24.0%
So Cal Total	3.9%	7.0%	14.0%	16.2%	11.8%	14.3%	-11.5%	-33.6%

* Thru Quarter 2 of 2007

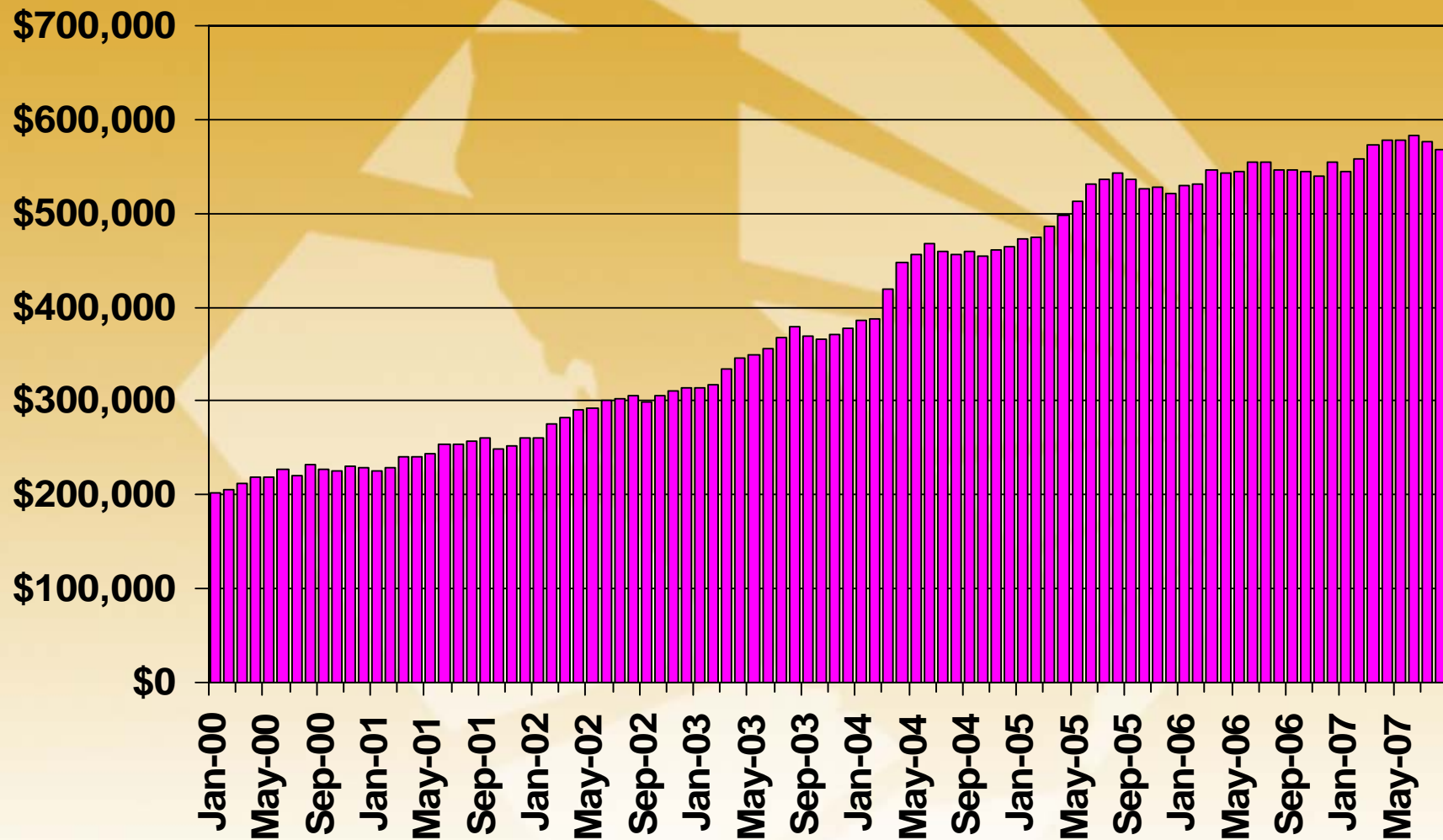
SOURCE: DataQuick Information Systems



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Median Price of Existing Detached Homes

Southern California, August 2007: \$576,230 Up 3.8% Y-T-Y



SOURCE: California Association of REALTORS®



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Median Price of Existing Detached Homes

Southern California Regions

County	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
High Desert	\$ 287,394	\$ 296,218	\$ 332,897	-3.0%	-13.7%
Los Angeles	\$ 605,305	\$ 592,303	\$ 589,736	2.2%	2.6%
Orange	\$ 710,383	\$ 709,717	\$ 698,084	0.1%	1.8%
Palm Springs	\$ 377,921	\$ 378,312	\$ 355,327	-0.1%	6.4%
Riverside/SB	\$ 377,127	\$ 393,066	\$ 407,403	-4.1%	-7.4%
San Diego	\$ 595,070	\$ 601,731	\$ 598,580	-1.1%	-0.6%
Sta. Barbara-So. Coast	\$ 1,262,500	\$ 1,175,000	\$ 1,190,000	7.4%	6.1%
Sta. Barbara-North Cnty.	\$ 390,740	\$ 386,110	\$ 453,488	1.2%	-13.8%
Ventura	\$ 669,871	\$ 682,926	\$ 710,906	-1.9%	-5.8%



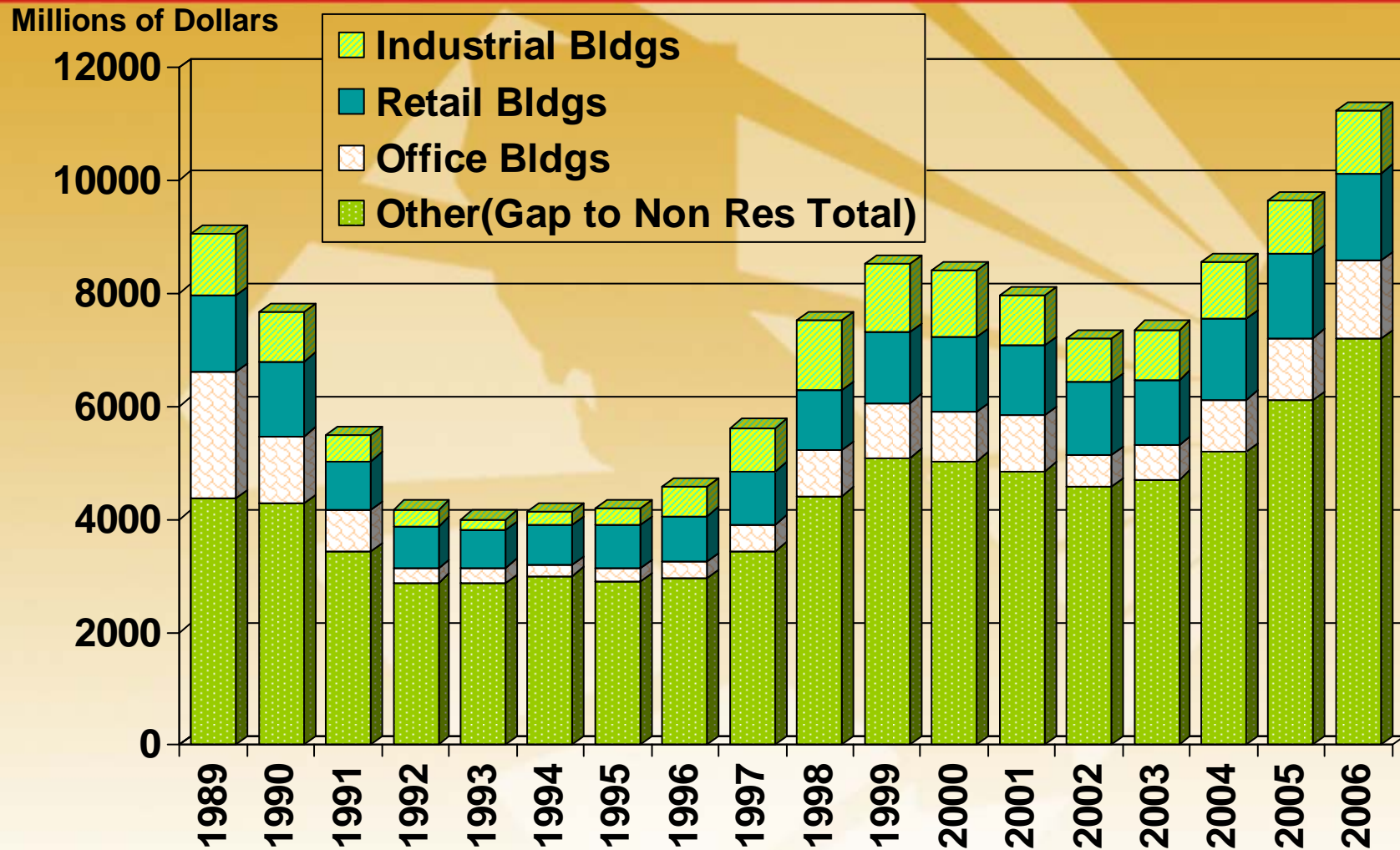
Notices of Default – So CAL

County/Region	2007Q2	2007Q1	2006Q2	QTQ%Chg	YTY%Chg
Los Angeles	10,393	8,843	4,586	17.5%	126.6%
Orange	2,984	2,644	1,255	12.9%	137.8%
San Diego	4,383	3,931	1,778	11.5%	146.5%
Riverside	6,648	5,750	2,287	15.6%	190.7%
San Bernardino	5,141	4,357	1,839	18.0%	179.6%
Ventura	1,059	965	452	9.7%	134.3%
SoCal*	30,828	26,748	12,271	15.3%	151.2%

* Includes additional counties



Non-Residential Permits, Valuations 7 Southern California Counties (1989-2006)




SOURCE: Real Estate Research Council
of Southern California



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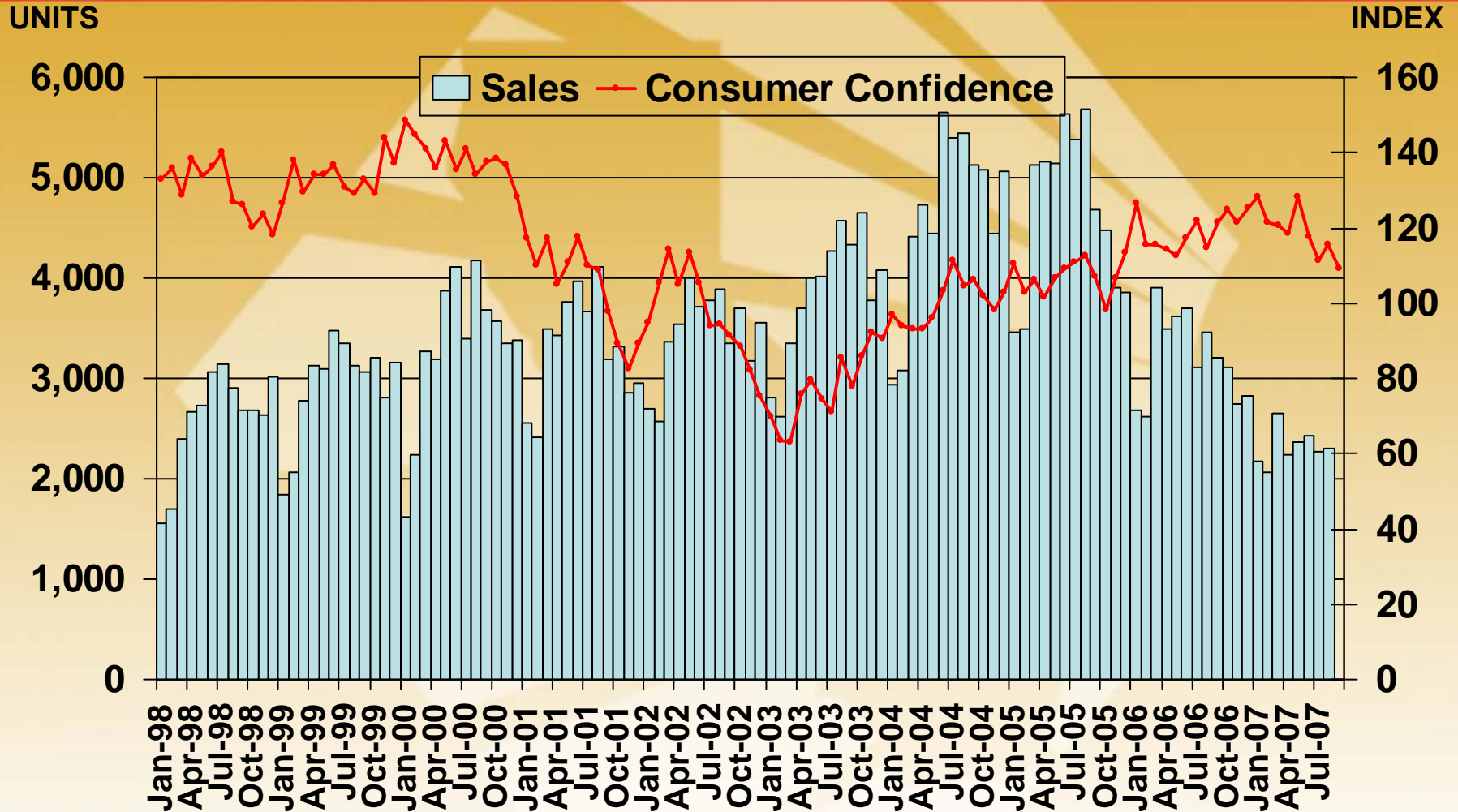
CALIFORNIA ASSOCIATION OF REALTORS®

Central Valley Region

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Central Valley, August 2007 Sales: 2,296 Units, Down 30.5% Y-T-D, Down 33.8% Y-T-Y

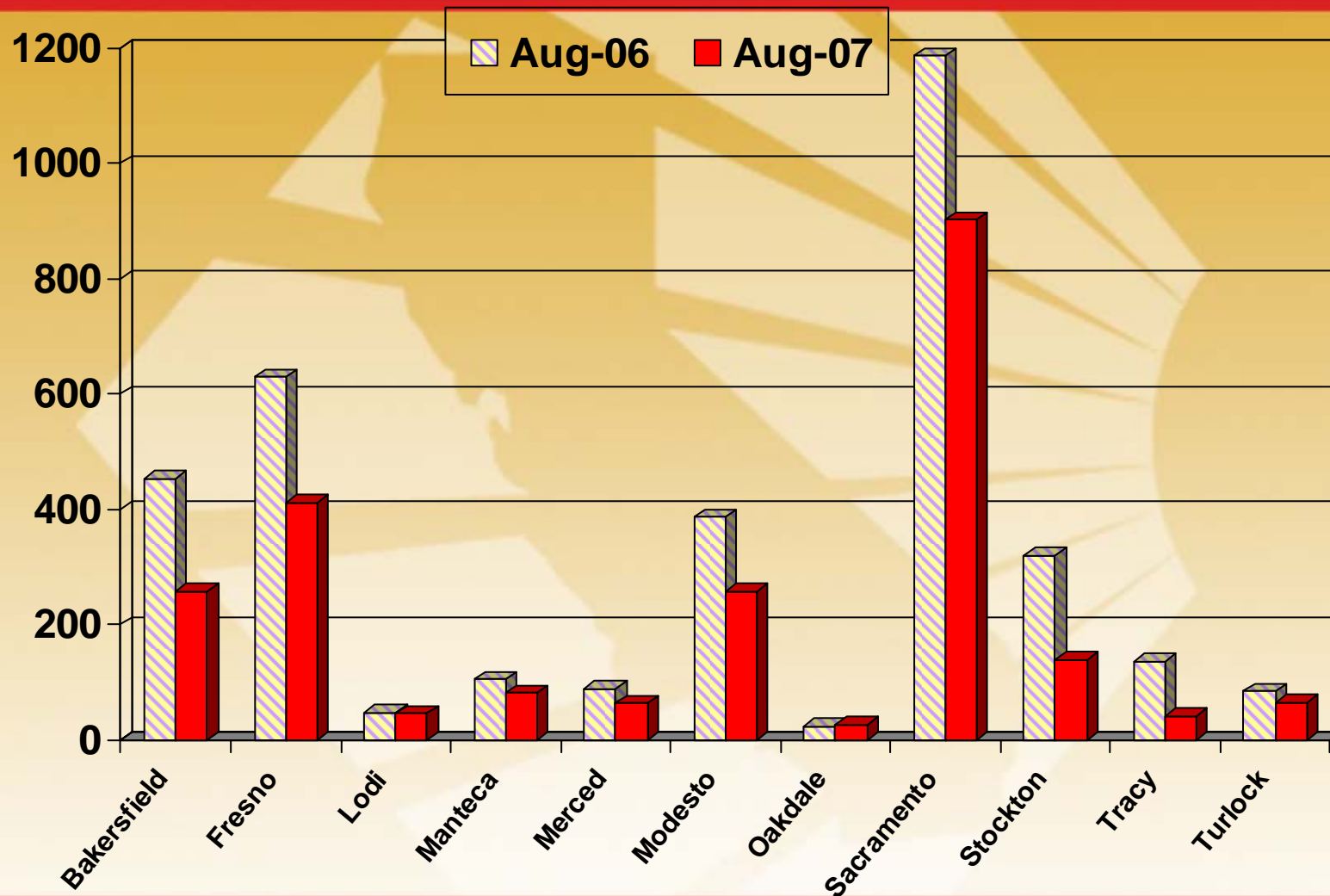


SOURCE: California Association of REALTORS®;
The Conference Board



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Home Sales in Central Valley Region



SOURCE: California Association of REALTORS®



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New Home Sales

Central Valley Counties

County	2001	2002	2003	2004	2005	2006	2007 YTD*
El Dorado	780	930	1,127	1,214	1,062	597	181
Fresno	2,250	2,879	3,220	3,792	4,374	4,679	1,875
Placer	4,002	5,017	4,649	4,544	4,363	3,160	1,350
Sacramento	7,119	8,770	9,897	9,603	9,470	5,946	1,952
San Joaquin	3,765	4,100	5,565	5,826	5,274	3,795	1,213
Stanislaus	2,363	2,599	2,557	3,832	4,313	2,796	886
Central Valley Total	20,279	24,295	27,015	28,811	28,856	20,973	7,457

* Thru Q2 2007



Year-to-Year Change in New Home Sales

Central Valley Counties

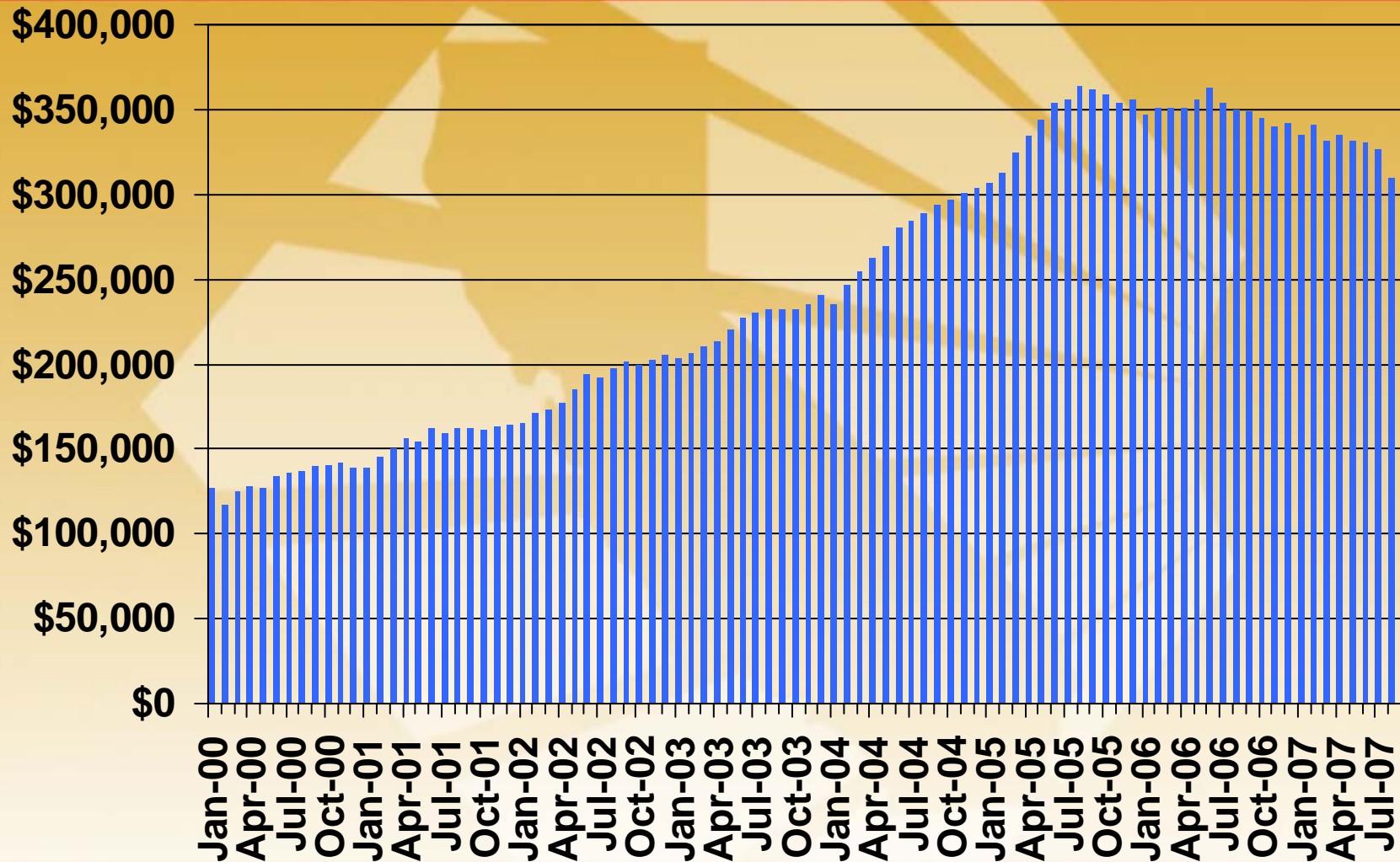
County	2001	2002	2003	2004	2005	2006	2007 YTD*
El Dorado	25.8%	19.2%	21.2%	7.7%	-12.5%	-43.8%	-46.6%
Fresno	15.0%	28.0%	11.8%	17.8%	15.3%	7.0%	-20.2%
Placer	6.3%	25.4%	-7.3%	-2.3%	-4.0%	-27.6%	-16.9%
Sacramento	29.7%	23.2%	12.9%	-3.0%	-1.4%	-37.2%	-35.5%
San Joaquin	-5.4%	8.9%	35.7%	4.7%	-9.5%	-28.0%	-36.7%
Stanislaus	27.9%	10.0%	-1.6%	49.9%	12.6%	-35.2%	-41.5%
Central Valley Total	14.9%	19.8%	11.2%	6.6%	0.2%	-27.3%	-30.8%

* Thru Quarter 2 of 2007



Median Price of Existing Detached Homes

Central Valley, August 2007: \$309,740, Down 11.5% Y-T-Y



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Central Valley Regions

County	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Bakersfield	\$270,000	\$273,975	\$285,000	-1.5%	-5.3%
Fresno	\$271,067	\$286,494	\$292,856	-5.4%	-7.4%
Lodi	\$352,941	\$357,692	\$354,411	-1.3%	-0.4%
Manteca	\$374,999	\$390,322	\$424,324	-3.9%	-11.6%
Merced	\$250,000	\$285,714	\$266,666	-12.5%	-6.2%
Modesto	\$322,273	\$330,769	\$357,631	-2.6%	-9.9%
Oakdale	\$420,000	\$409,091	\$364,999	2.7%	15.1%
Sacramento	\$332,509	\$346,217	\$378,177	-4.0%	-12.1%
Stockton	\$297,413	\$330,000	\$358,741	-9.9%	-17.1%
Tracy	\$473,529	\$450,000	\$556,818	5.2%	-15.0%
Turlock	\$316,667	\$328,333	\$350,999	-3.6%	-9.8%



Notices of Default – Central Valley

County/Region	2007Q2	2007Q1	2006Q2	QTQ%Chg	YTY%Chg
Sacramento	3,840	3,234	1,352	18.7%	184.0%
San Joaquin	1,983	1,721	604	15.2%	228.3%
Placer	627	518	276	21.0%	127.2%
Kern	1,593	1,297	549	22.8%	190.2%
Fresno	1,380	1,116	590	23.7%	133.9%
Madera	215	184	92	16.8%	133.7%
Merced	642	511	214	25.6%	200.0%
Tulare	428	436	258	-1.8%	65.9%
Yolo	232	197	77	17.8%	201.3%
El Dorado	222	219	86	1.4%	158.1%
Stanislaus	1,286	1,141	407	12.7%	216.0%
Central Valley*	12,964	11,054	4,703	17.3%	175.7%

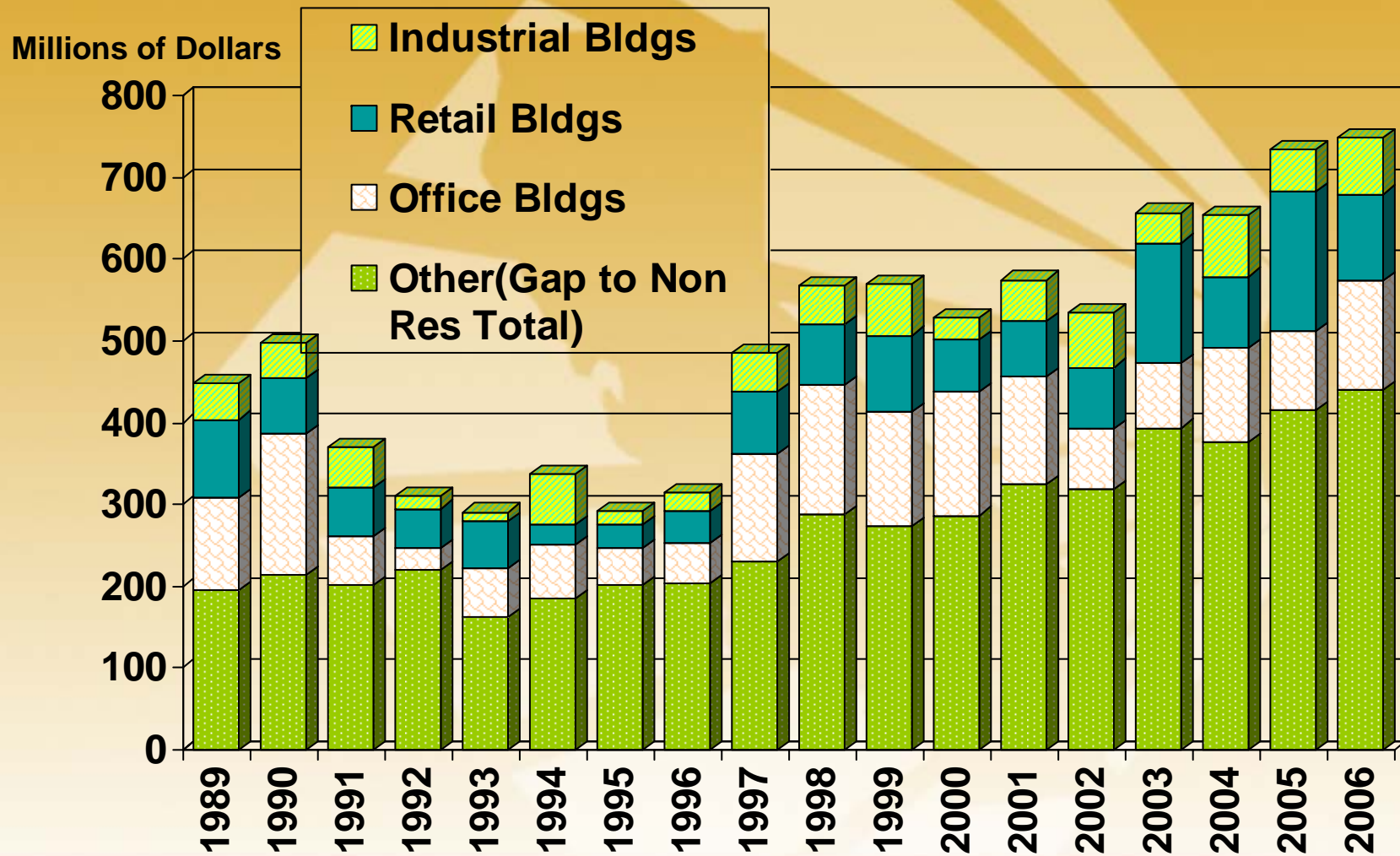
* Includes additional counties



CALIFORNIA ASSOCIATION OF REALTORS®

SOURCE: California Association of REALTORS®

Non-Residential Permits Valuations Sacramento County (1989-2006)




SOURCE: U.S. Real Estate Research Council
of Northern California



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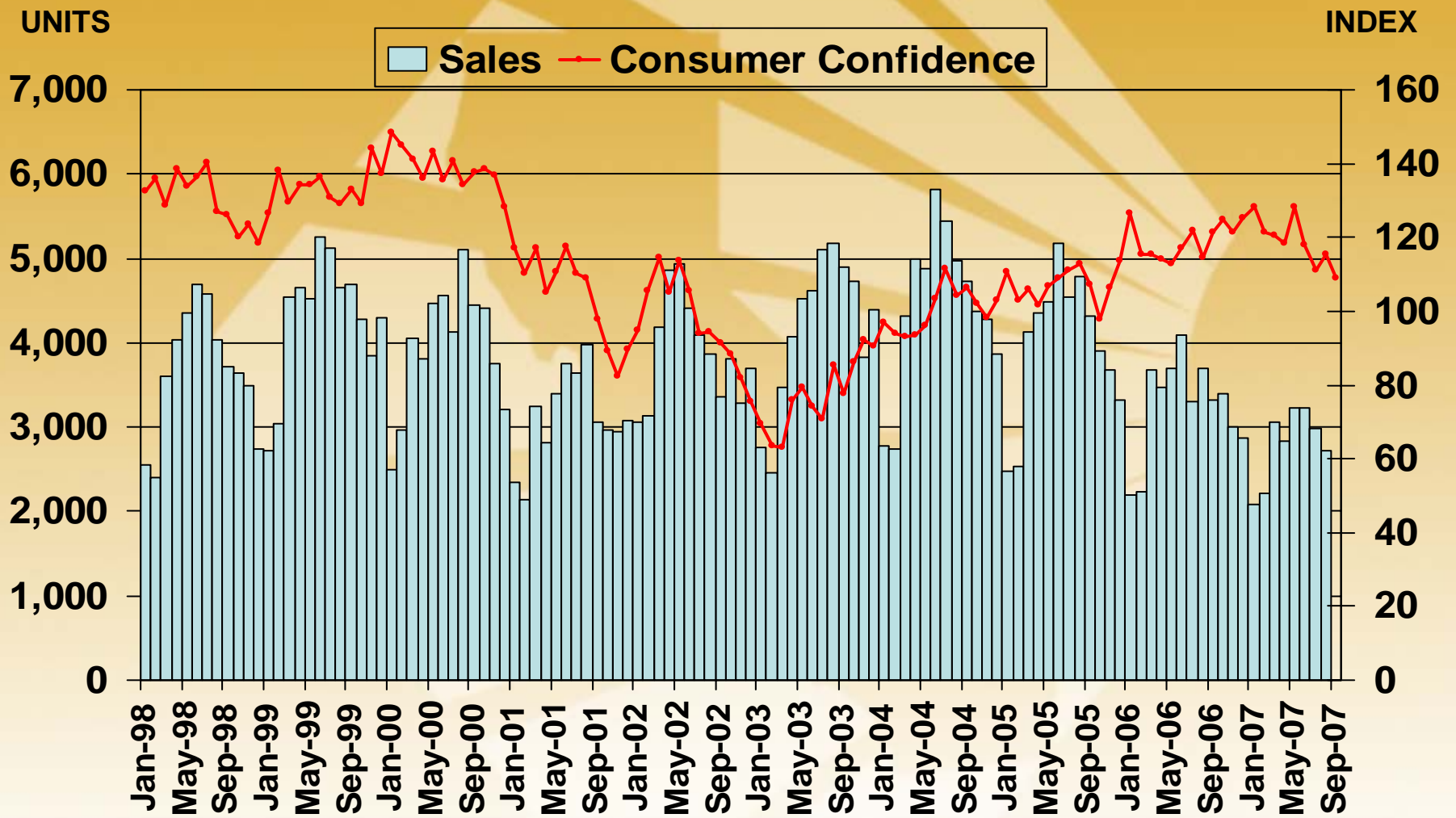
CALIFORNIA ASSOCIATION OF REALTORS®

Bay Area

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Bay Area, August 2007: 2,718 Units, Down 15.3% Y-T-D, Down 26.5% Y-T-Y

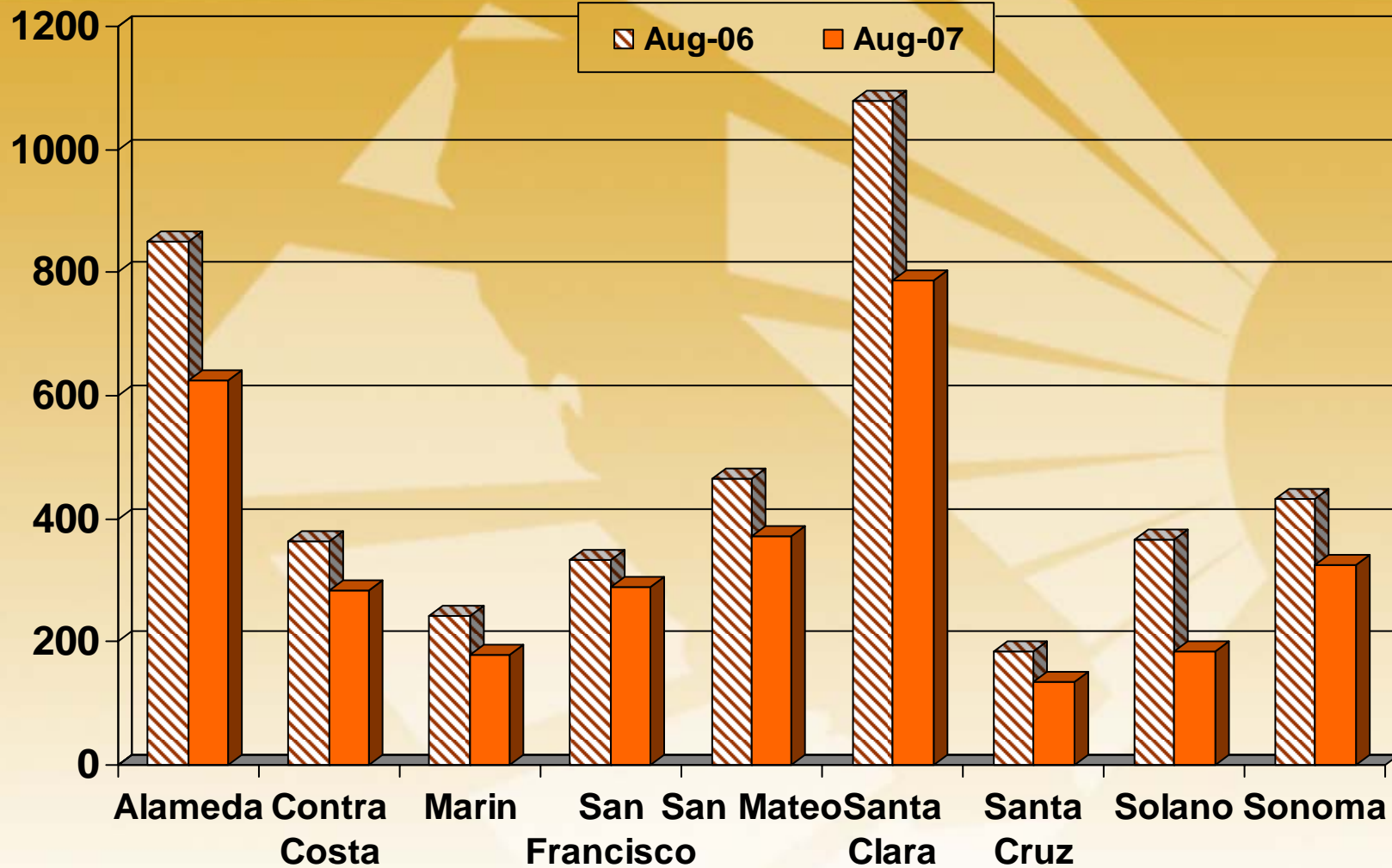


SOURCE: California Association of REALTORS®;
The Conference Board



CALIFORNIA ASSOCIATION OF REALTORS®

Home Sales in Bay Area Counties



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

New Home Sales

Bay Area Counties

County	2001	2002	2003	2004	2005	2006	2007 YTD*
Alameda	1,798	1,875	2,372	3,269	3,367	2,429	1,299
Contra Costa	3,644	4,015	4,285	4,402	4,548	5,050	1,688
Marin	131	105	259	471	565	277	22
Napa	530	598	390	540	420	296	75
San Francisco	263	734	1,111	1,459	1,009	1,121	655
San Mateo	348	363	415	586	280	209	296
Santa Clara	1,660	1,645	1,900	3,108	3,670	3,595	1,725
Solano	1,742	1,853	1,528	2,248	2,638	1,327	478
Sonoma	1,068	1,262	795	877	850	905	477
Bay Area Total	11,184	12,450	13,055	16,960	17,347	15,209	6,715

* Thru Q2 2007



Year-to-Year Change in New Home Sales

Bay Area Counties

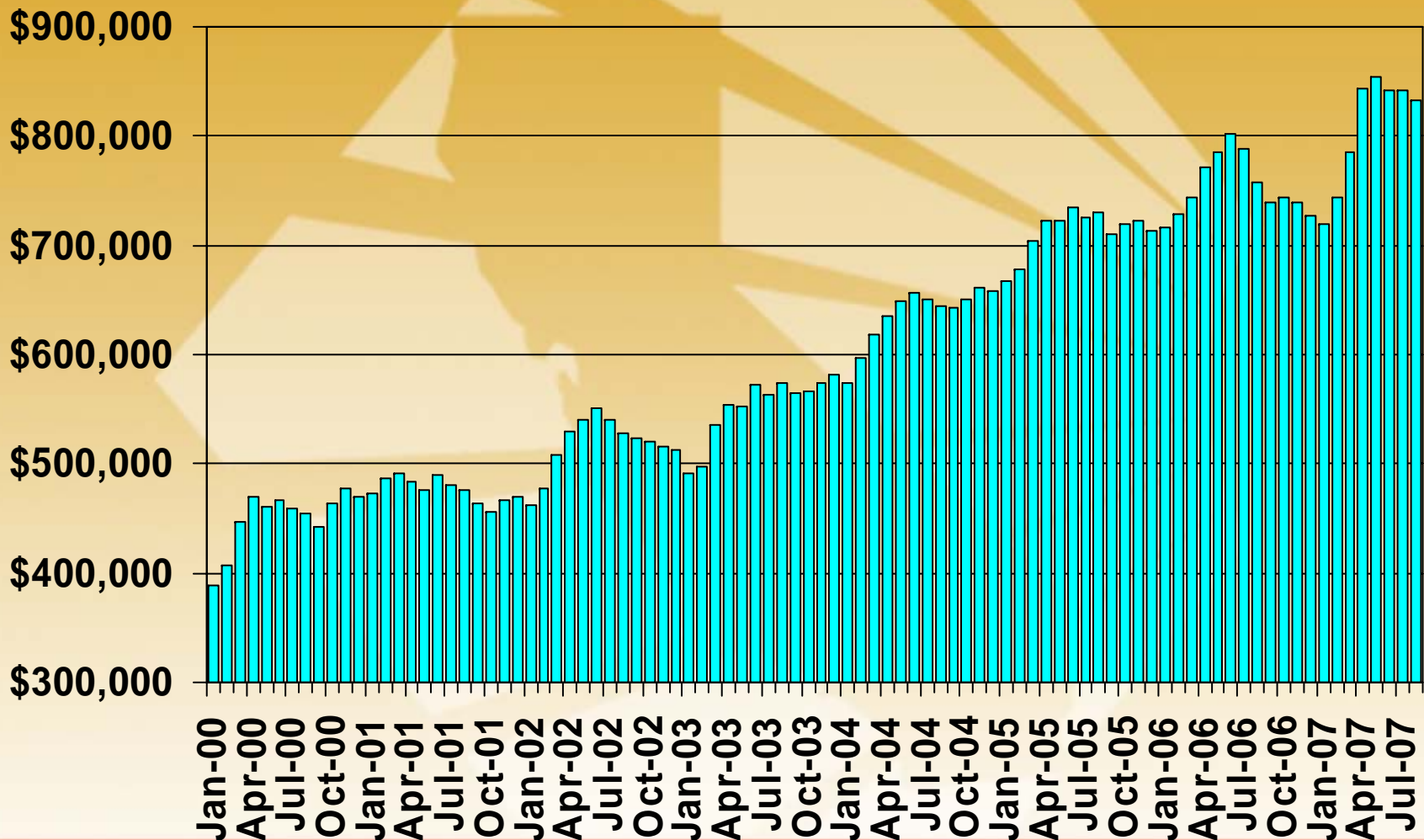
County	2001	2002	2003	2004	2005	2006	2007 YTD*
Alameda	-36.1%	4.3%	26.5%	37.8%	3.0%	-27.9%	8.3%
Contra Costa	-6.4%	10.2%	6.7%	2.7%	3.3%	11.0%	-21.2%
Marin	-56.5%	-19.8%	146.7%	81.9%	20.0%	-51.0%	-88.4%
Napa	68.3%	12.8%	-34.8%	38.5%	-22.2%	-29.5%	-56.9%
San Francisco	-18.3%	179.1%	51.4%	31.3%	-30.8%	11.1%	28.7%
San Mateo	-50.6%	4.3%	14.3%	41.2%	-52.2%	-25.4%	171.6%
Santa Clara	-35.6%	-0.9%	15.5%	63.6%	18.1%	-2.0%	-10.2%
Solano	36.9%	6.4%	-17.5%	47.1%	17.3%	-49.7%	-23.3%
Sonoma	-39.8%	18.2%	-37.0%	10.3%	-3.1%	6.5%	2.8%
Bay Area Total	-20.0%	11.3%	4.9%	29.9%	2.3%	-12.3%	-8.4%

* Thru Quarter 2 of 2007



Median Price of Existing Detached Homes

Bay Area, August 2007: \$832,760, Up 9.9% Y-T-Y



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes Bay Area Counties

County	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Alameda	\$ 711,895	\$ 705,546	\$ 686,393	0.9%	3.7%
Contra Costa	\$ 883,445	\$ 908,823	\$ 809,524	-2.8%	9.1%
Marin	\$ 1,064,285	\$ 984,154	\$ 967,187	8.1%	10.0%
San Francisco	\$ 876,506	\$ 898,195	\$ 851,190	-2.4%	3.0%
San Mateo	\$ 950,000	\$ 1,011,000	\$ 850,000	-6.0%	11.8%
Santa Clara	\$ 860,000	\$ 856,500	\$ 770,000	0.4%	11.7%
Santa Cruz	\$ 794,200	\$ 780,000	\$ 765,000	1.8%	3.8%
Solano	\$ 417,347	\$ 446,825	\$ 469,202	-6.6%	-11.1%
Sonoma	\$ 597,826	\$ 596,456	\$ 612,222	0.2%	-2.4%



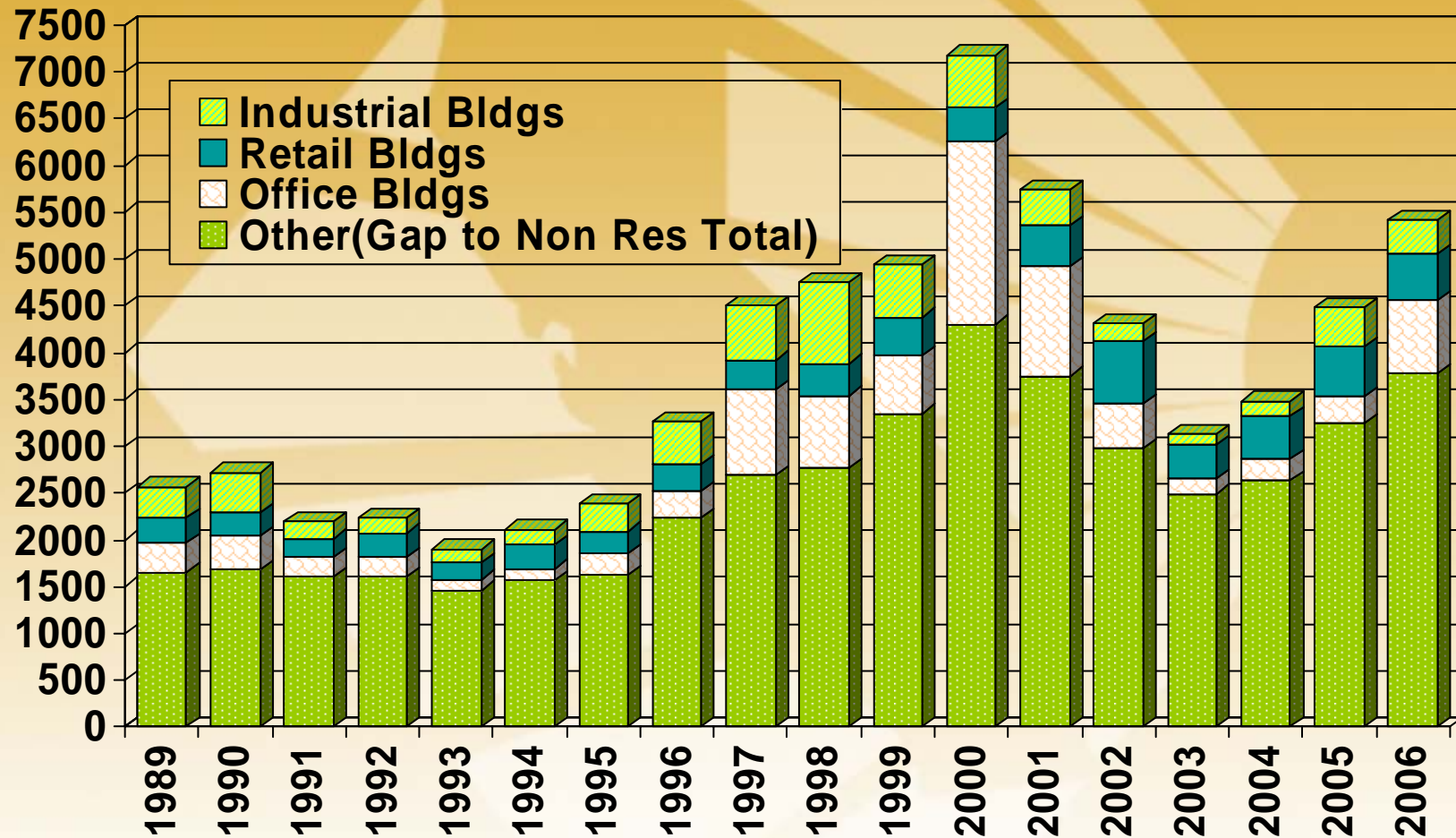
Notices of Default – Bay Area

County/Region	2007Q2	2007Q1	2006Q2	QTQ%Chg	YTY%Chg
San Francisco	257	216	127	19.0%	102.4%
Alameda	1,612	1,578	649	2.2%	148.4%
Contra Costa	2,316	1,969	725	17.6%	219.4%
Santa Clara	1,275	1,058	530	20.5%	140.6%
San Mateo	463	382	222	21.2%	108.6%
Marin	118	118	58	0.0%	103.4%
Solano	1,065	914	350	16.5%	204.3%
Sonoma	462	407	202	13.5%	128.7%
Napa	128	88	47	45.5%	172.3%
Bay Area	7,696	6,730	2,910	14.4%	164.5%



Non-Residential Permits Valuations 9 Bay-Area Counties (1989-2006)

Millions of Dollars




SOURCE: U.S. Real Estate Research Council
of Northern California



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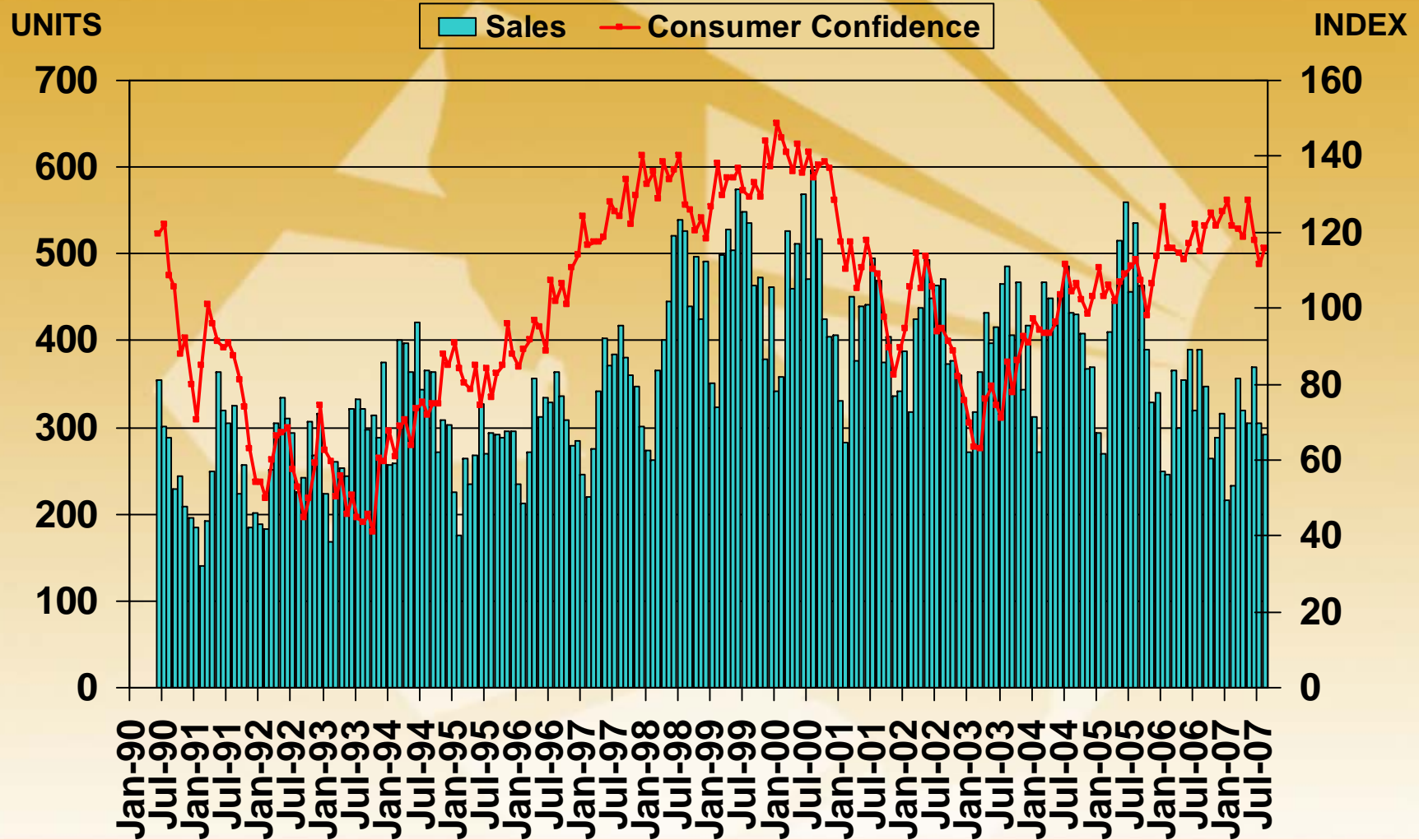
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Central Coast

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Central Coast, August 2007: 291 Units, Down 8.3% Y-T-D, Down 25.2% Y-T-Y

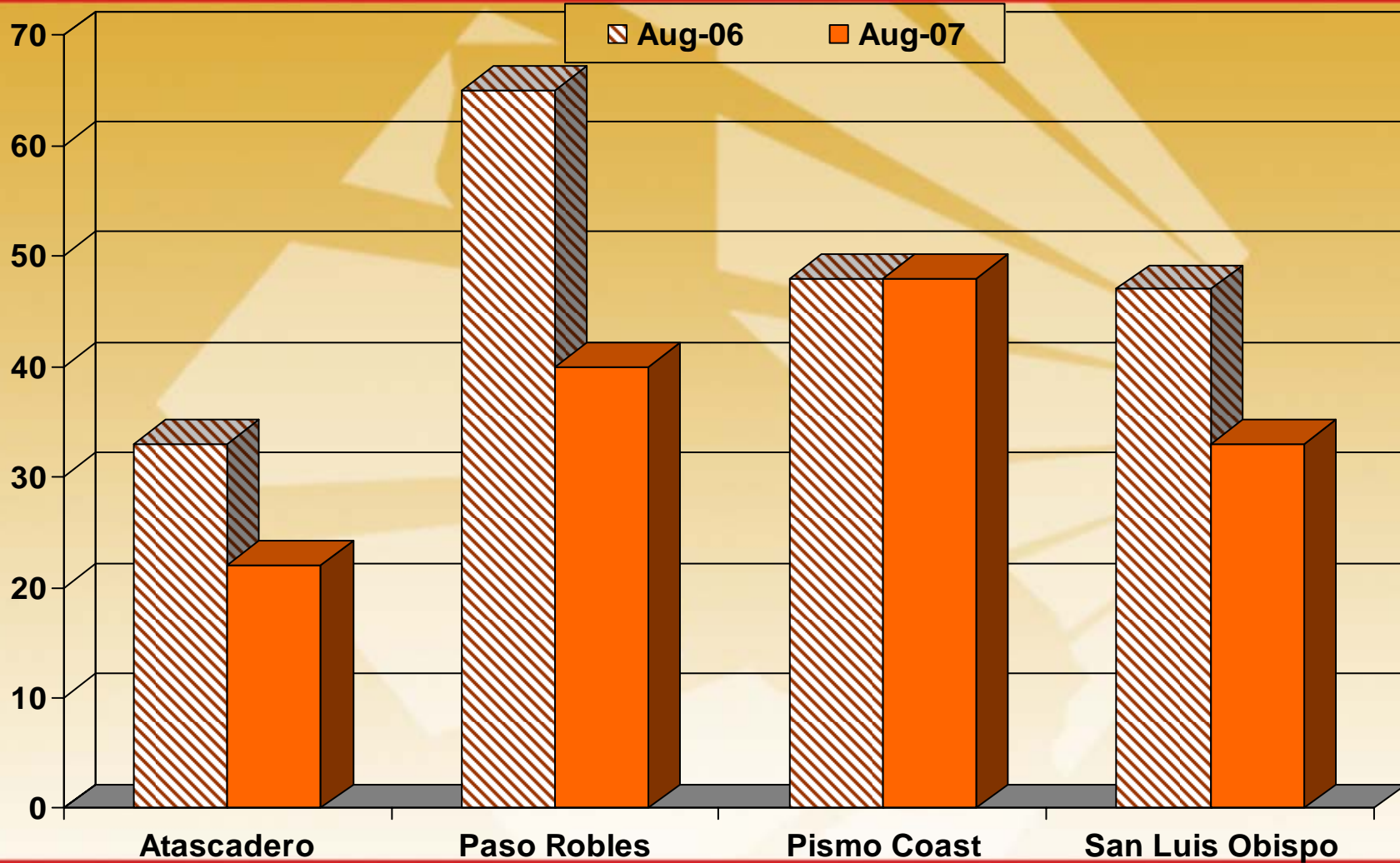


SOURCE: California Association of REALTORS®;
The Conference Board



CALIFORNIA ASSOCIATION OF REALTORS®

Home Sales in San Luis Obispo County

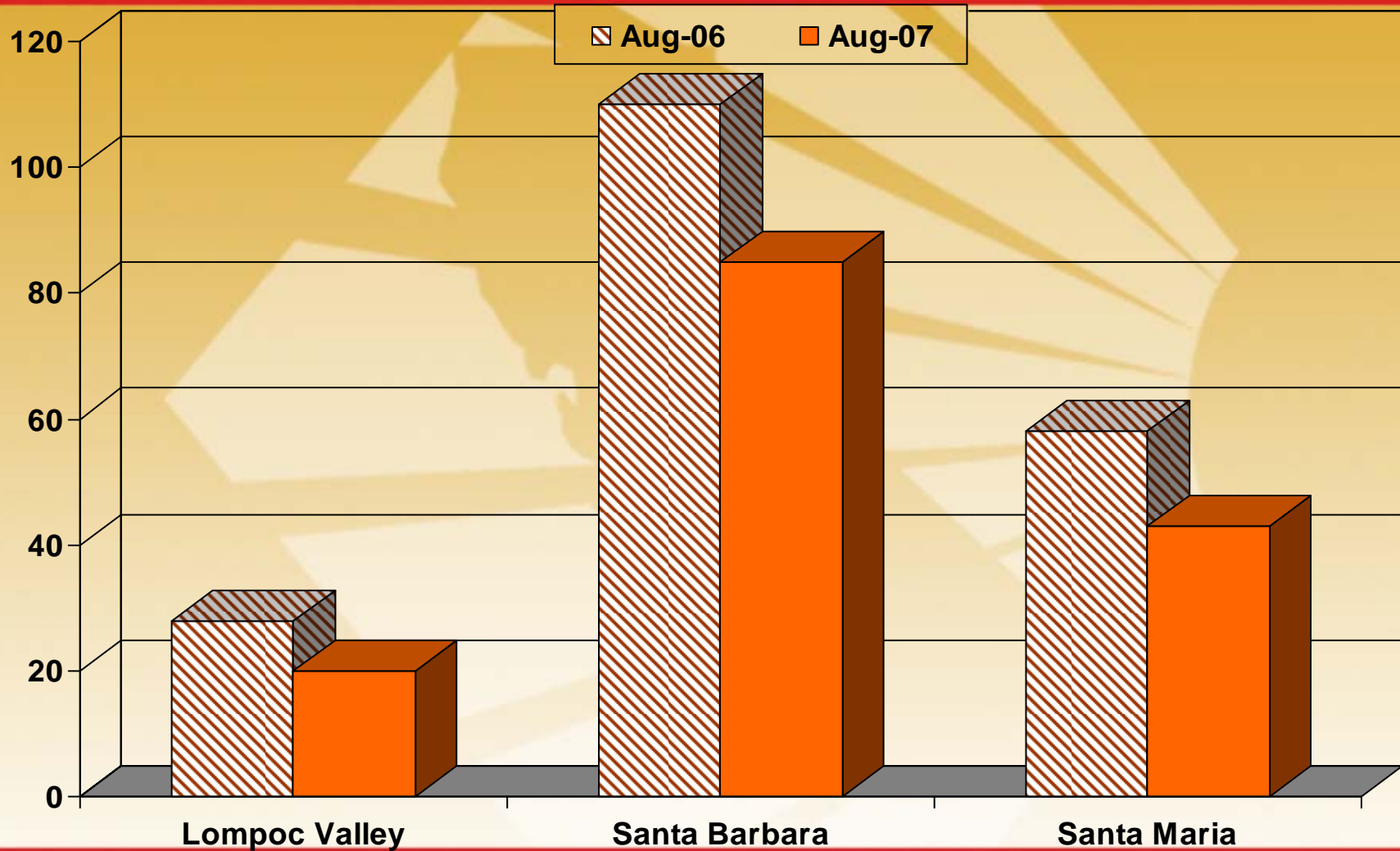


SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Home Sales in Santa Barbara County



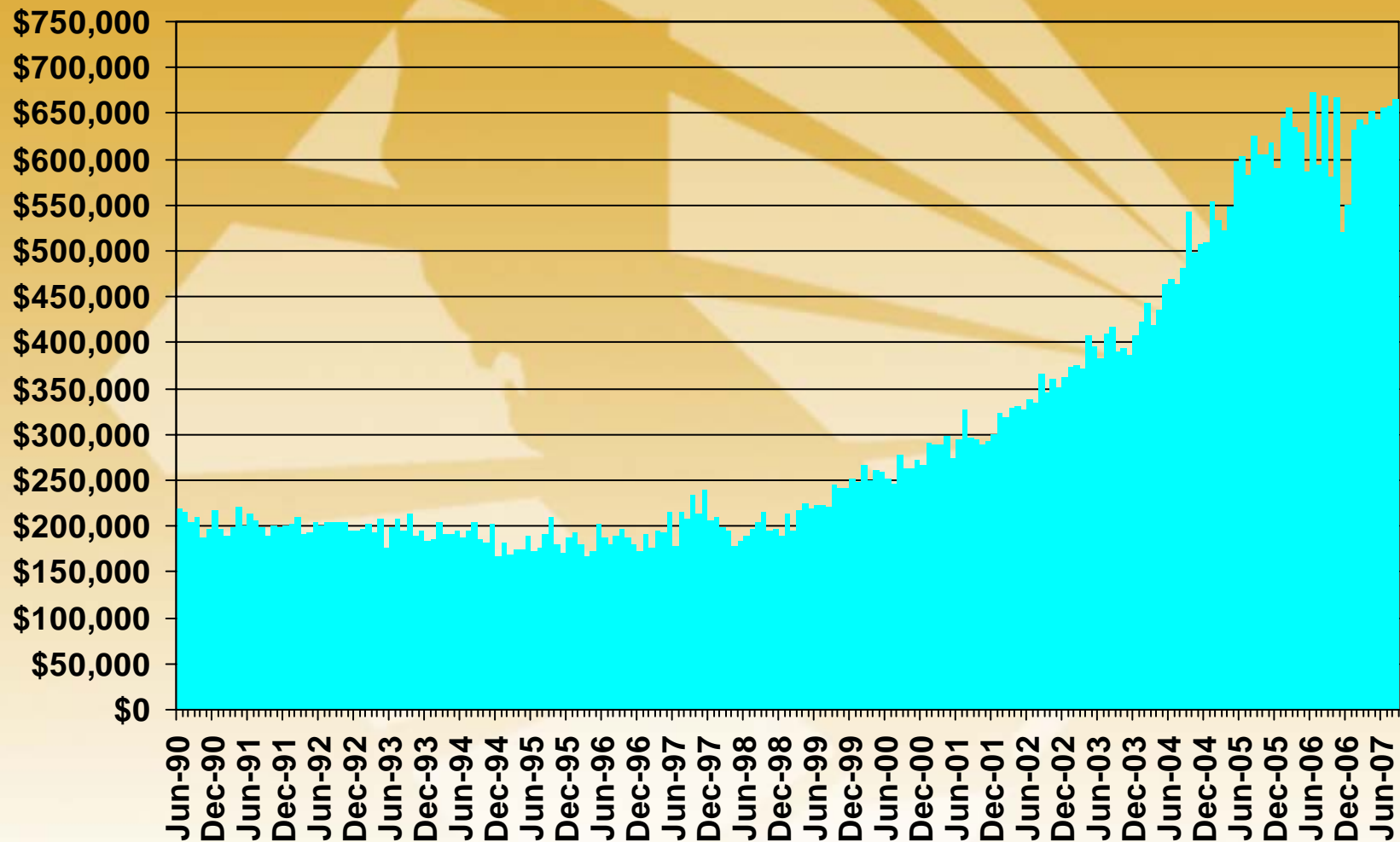
SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Central Coast, August 2007: \$664,583, Down 0.8% Y-T-Y



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

San Luis Obispo County

Region	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Atascadero	\$ 466,666	\$ 511,364	\$541,667	-8.7%	-13.8%
Paso Robles	\$ 484,615	\$ 483,333	\$524,038	0.3%	-7.5%
Pismo Coast	\$ 714,285	\$ 625,000	\$676,470	14.3%	5.6%
San Luis Obispo	\$669,642	\$672,618	\$684,523	-0.4%	-2.2%

Santa Barbara County

Region	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Lompoc Valley	\$ 372,727	\$ 342,857	\$ 423,077	8.7%	-11.9%
Santa Barbara	\$ 1,242,187	\$ 1,125,000	\$ 1,157,894	10.4%	7.3%
Santa Maria	\$ 402,941	\$ 415,000	\$ 466,666	-2.9%	-13.7%



Foreclosure Activity

Houses and Condos


Notices of Default					
County/Region	2007Q2	2007Q1	2006Q2	QTQ%Chg	YTY%Chg
Santa Barbara	434	372	147	16.67%	195.2%
San Luis Obispo	208	181	79	14.92%	163.3%

Recorded Trustee Deeds			
County/Region	2007Q2	2006Q2	YTY%Chg
Santa Barbara	137	16	756.3%
San Luis Obispo	52	4	1200.0%



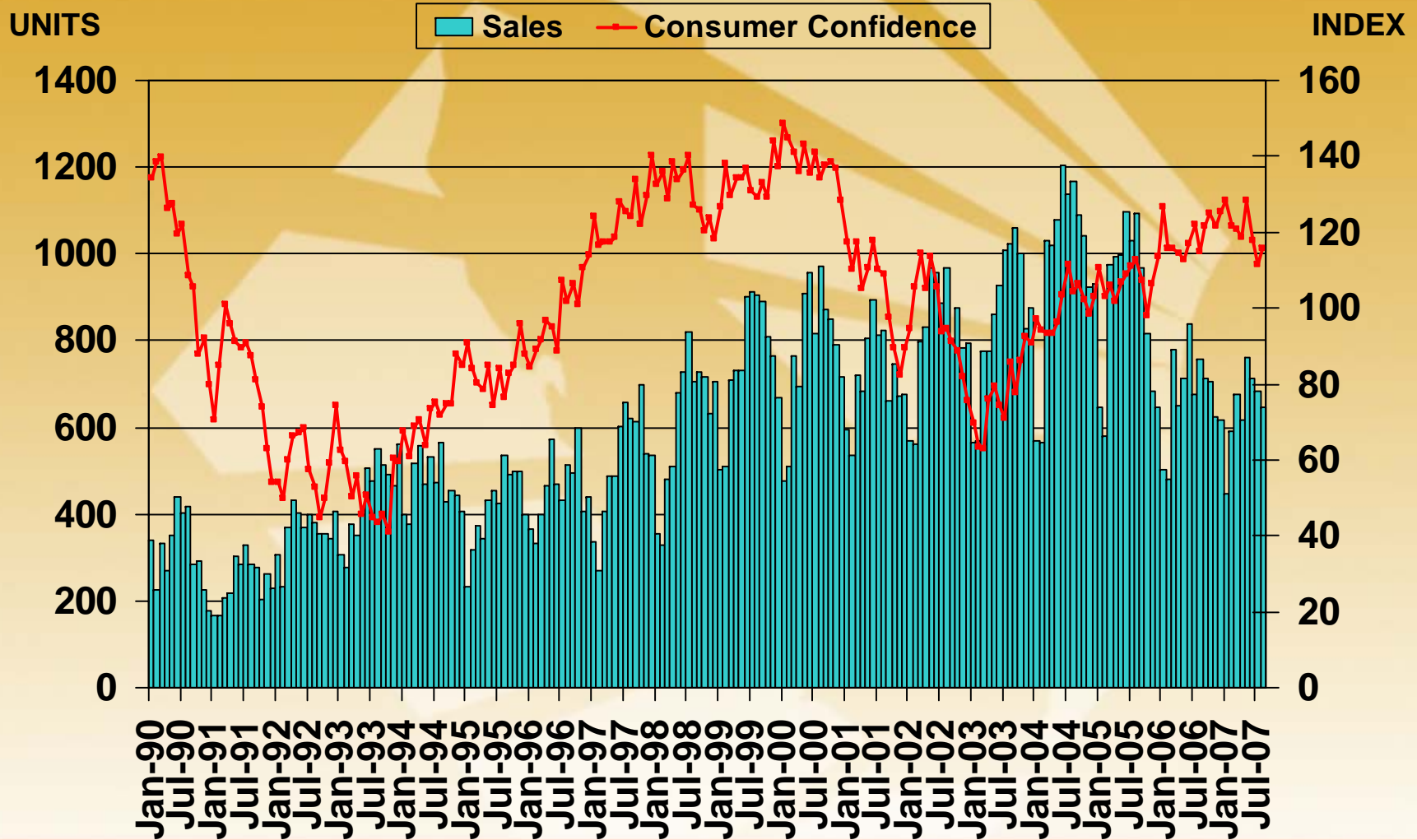
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Northern California

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Northern California, August 2007: 648 Units, Down 4.9% Y-T-D, Down 14.4% Y-T-Y

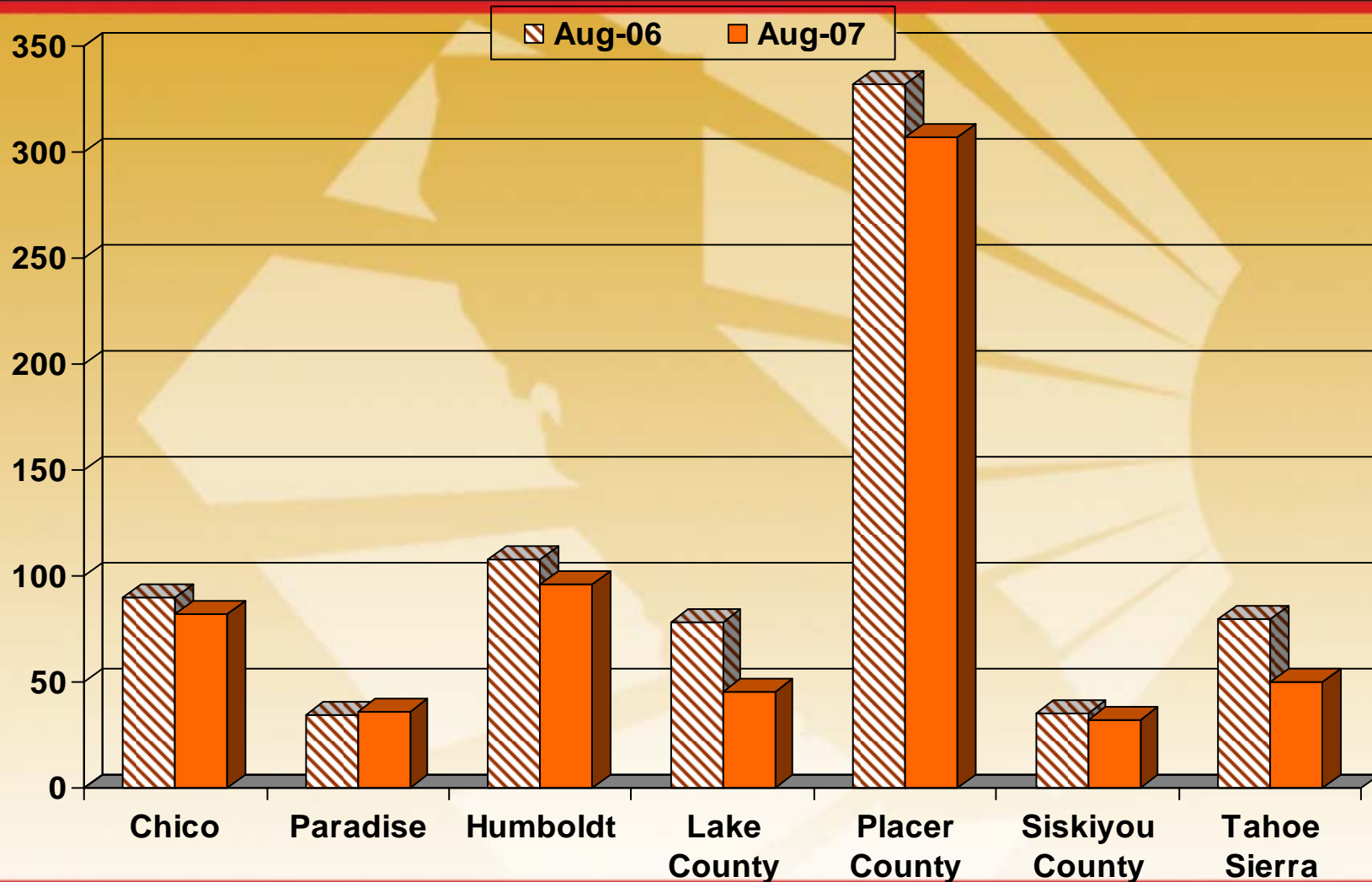


SOURCE: California Association of REALTORS®;
The Conference Board



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Home Sales in Northern California



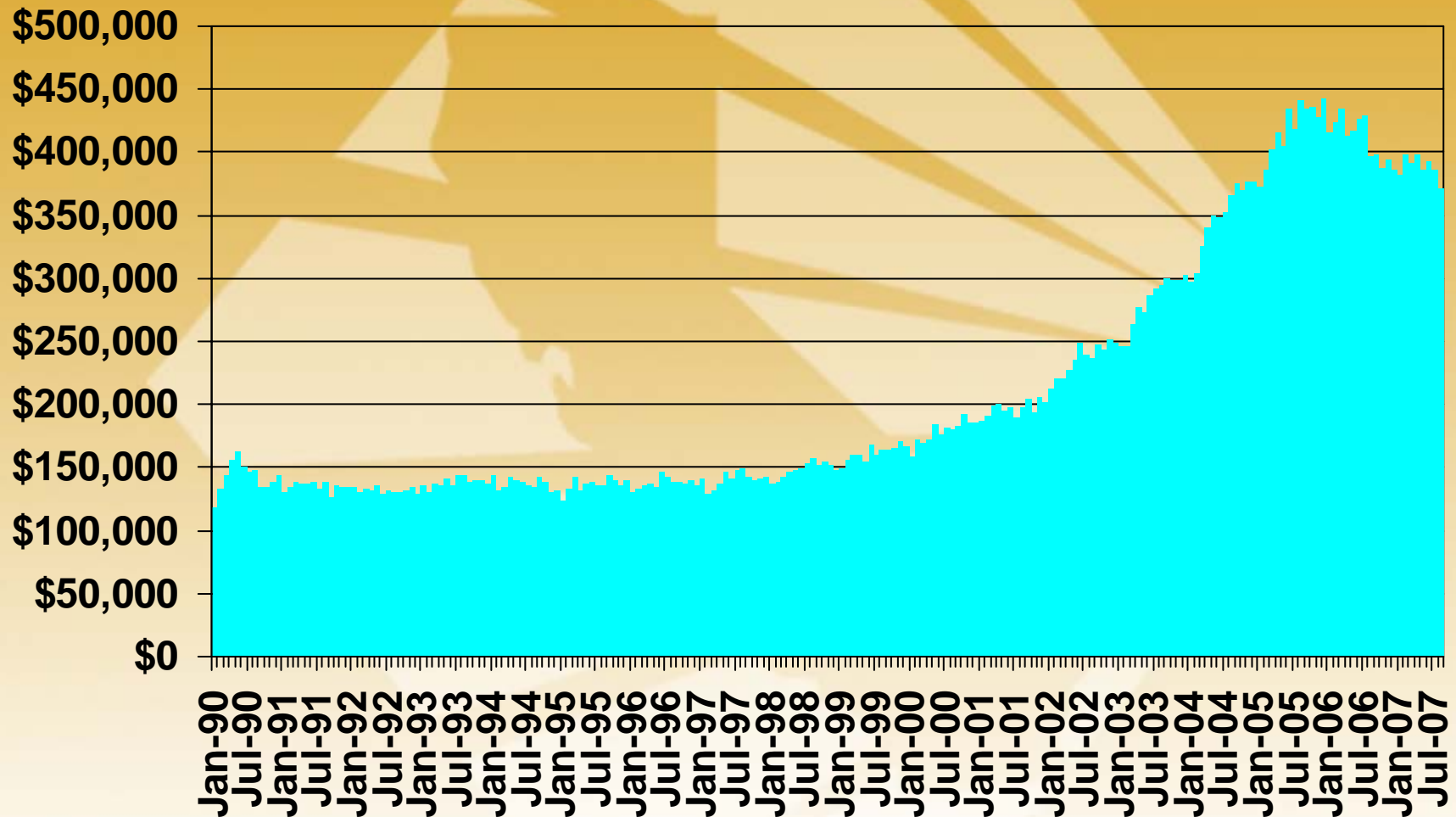
SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Northern California, August 2007: \$370,390, Down 6.6% Y-T-Y



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Region	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Chico	\$ 308,333	\$ 334,482	\$ 321,621	-7.8%	-4.1%
Paradise	\$ 272,727	\$ 292,856	\$ 300,000	-6.9%	-9.1%
Humboldt	\$ 307,407	\$ 328,750	\$ 293,181	-6.5%	4.9%
Lake County	\$ 243,749	\$ 286,538	\$ 320,000	-14.9%	-23.8%
Placer County	\$ 431,060	\$ 451,973	\$ 467,326	-4.6%	-7.8%
Siskiyou County	\$ 207,143	\$ 271,875	\$ 262,500	-23.8%	-21.1%
Tahoe Sierra	\$ 607,142	\$ 683,823	\$ 641,666	-11.2%	-5.4%

SOURCE: California Association of REALTORS®




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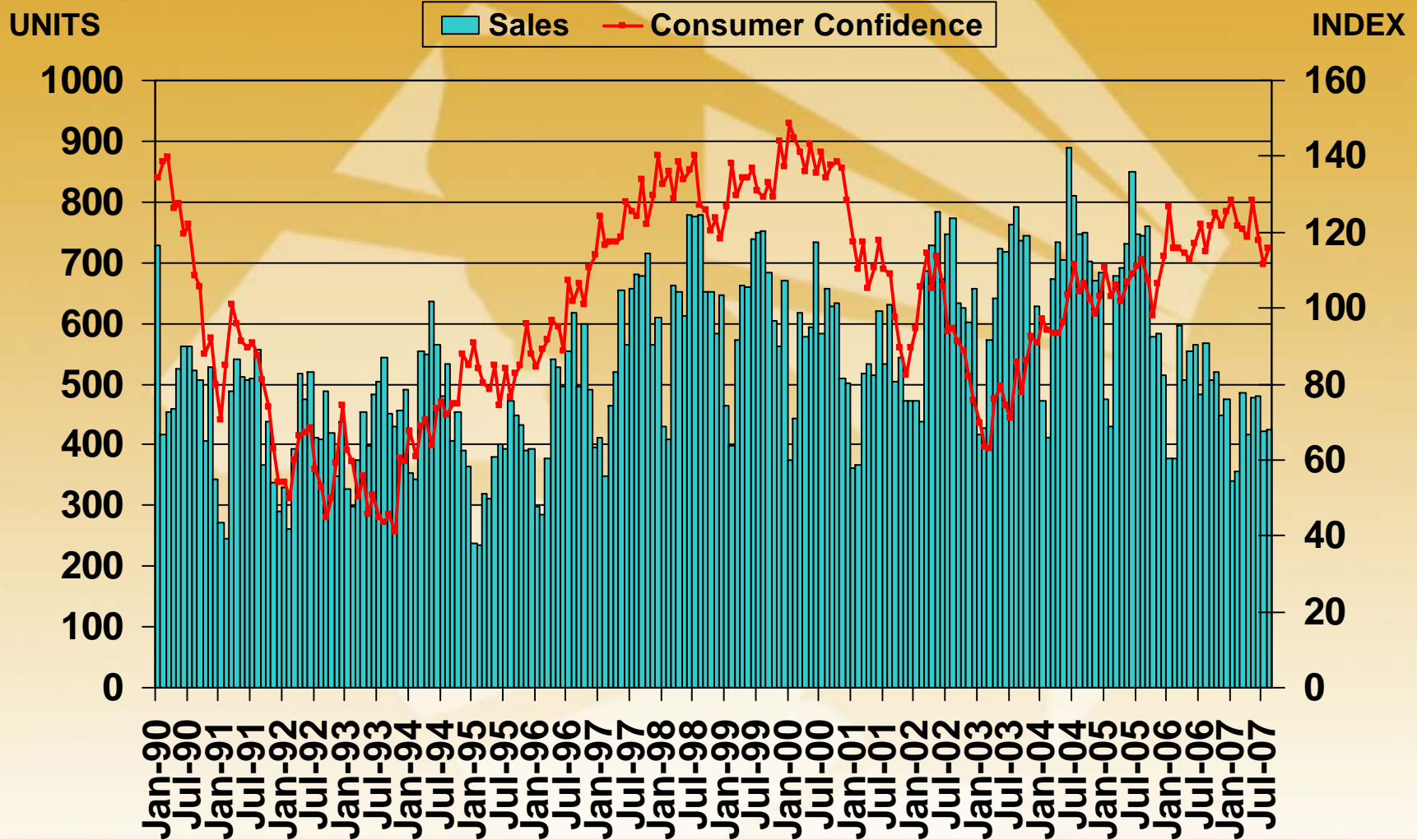


Northern Wine Country

 Leading the way...®

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Northern Wine Country, August 2007: 426 Units, Down 15.5% Y-T-D, Down 25.0% Y-T-Y

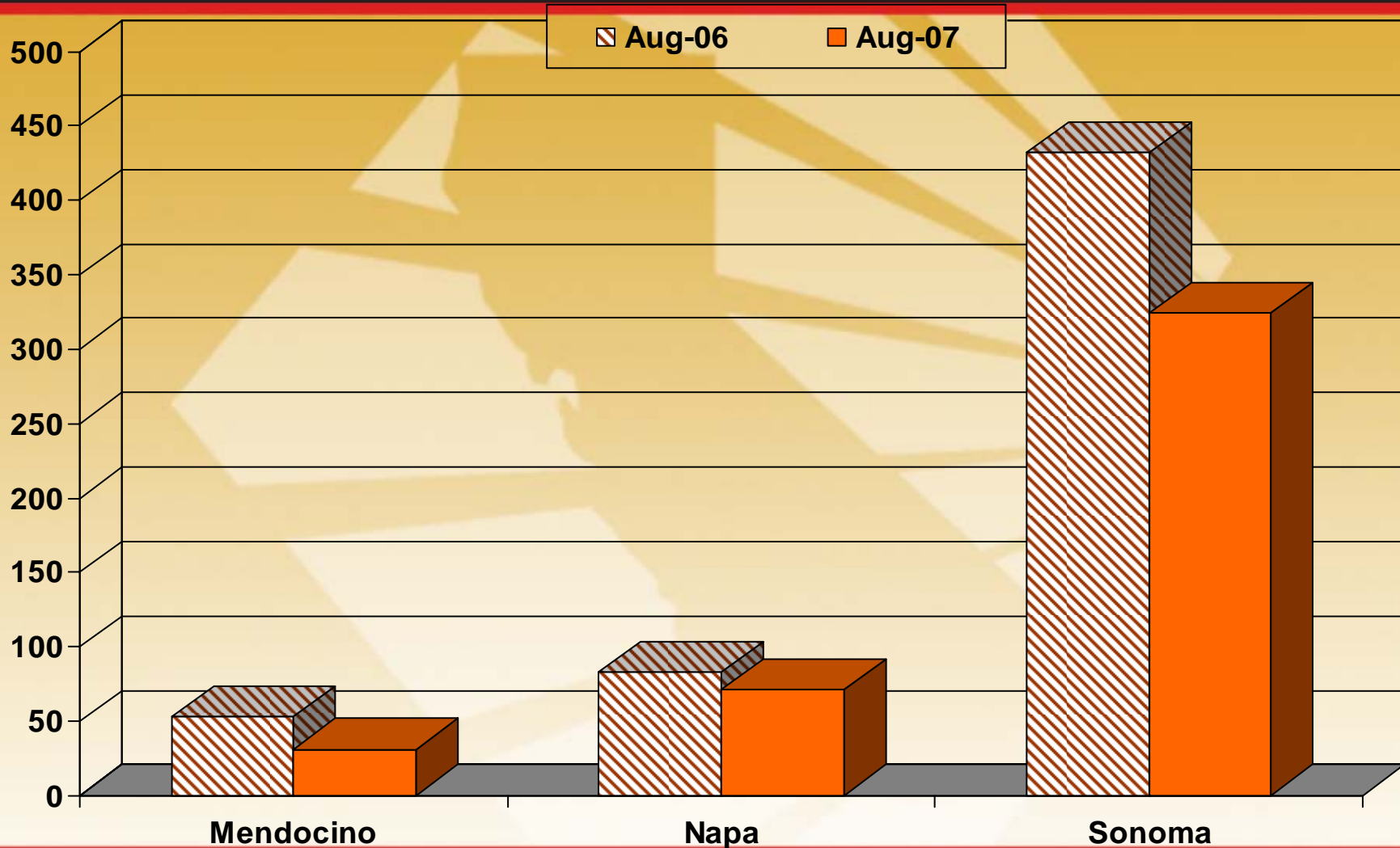


SOURCE: California Association of REALTORS®;
The Conference Board



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Home Sales in Northern Wine Country



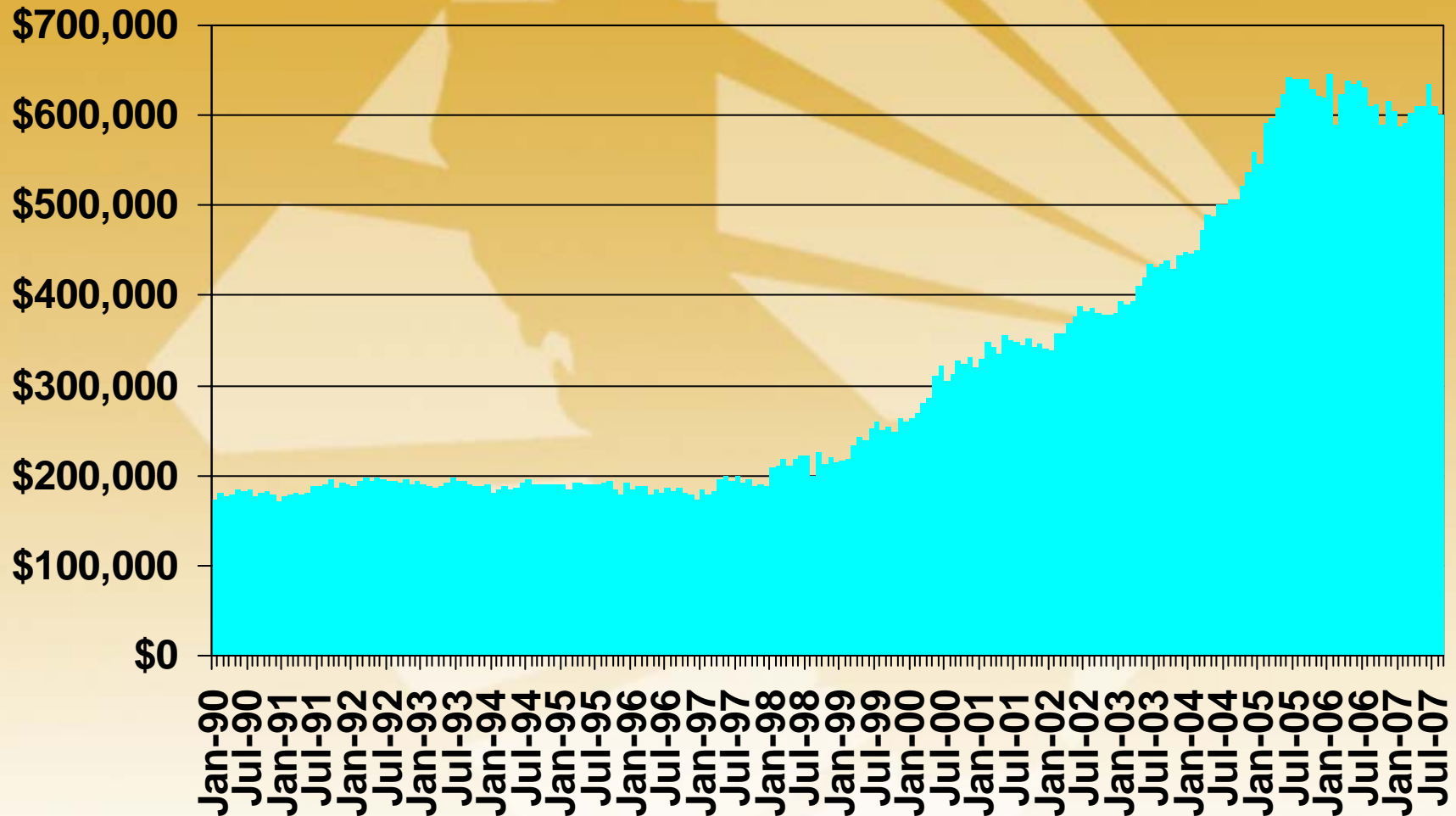
SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Northern Wine Country, August 2007: \$600,000, Down 1.6% Y-T-Y



SOURCE: California Association of REALTORS®



CALIFORNIA ASSOCIATION OF REALTORS®

Median Price of Existing Detached Homes

Northern Wine Country

Region	Aug-07	Jul-07	Aug-06	M-t-M	Y-t-Y
Mendocino	\$431,250	\$553,571	\$392,856	-22.1%	9.8%
Napa	\$673,386	\$704,545	\$729,166	-4.4%	-7.6%
Sonoma	\$597,826	\$596,456	\$612,222	0.2%	-2.4%



2008 Forecast



CALIFORNIA ASSOCIATION OF REALTORS®

U.S. Economic Forecast

	2003	2004	2005	2006	2007p	2008f
US GDP	2.5%	3.6%	3.1%	2.9%	2.0%	2.7%
Nonfarm Job Growth	-0.3%	1.1%	1.7%	1.8%	1.3%	1.0%
Unemployment	6.0%	5.5%	5.1%	4.6%	4.6%	4.9%
CPI	2.3%	2.7%	3.4%	3.2%	2.9%	2.3%
Real Disposable Income	2.4%	3.4%	1.2%	2.6%	3.4%	3.2%



California Economic Forecast

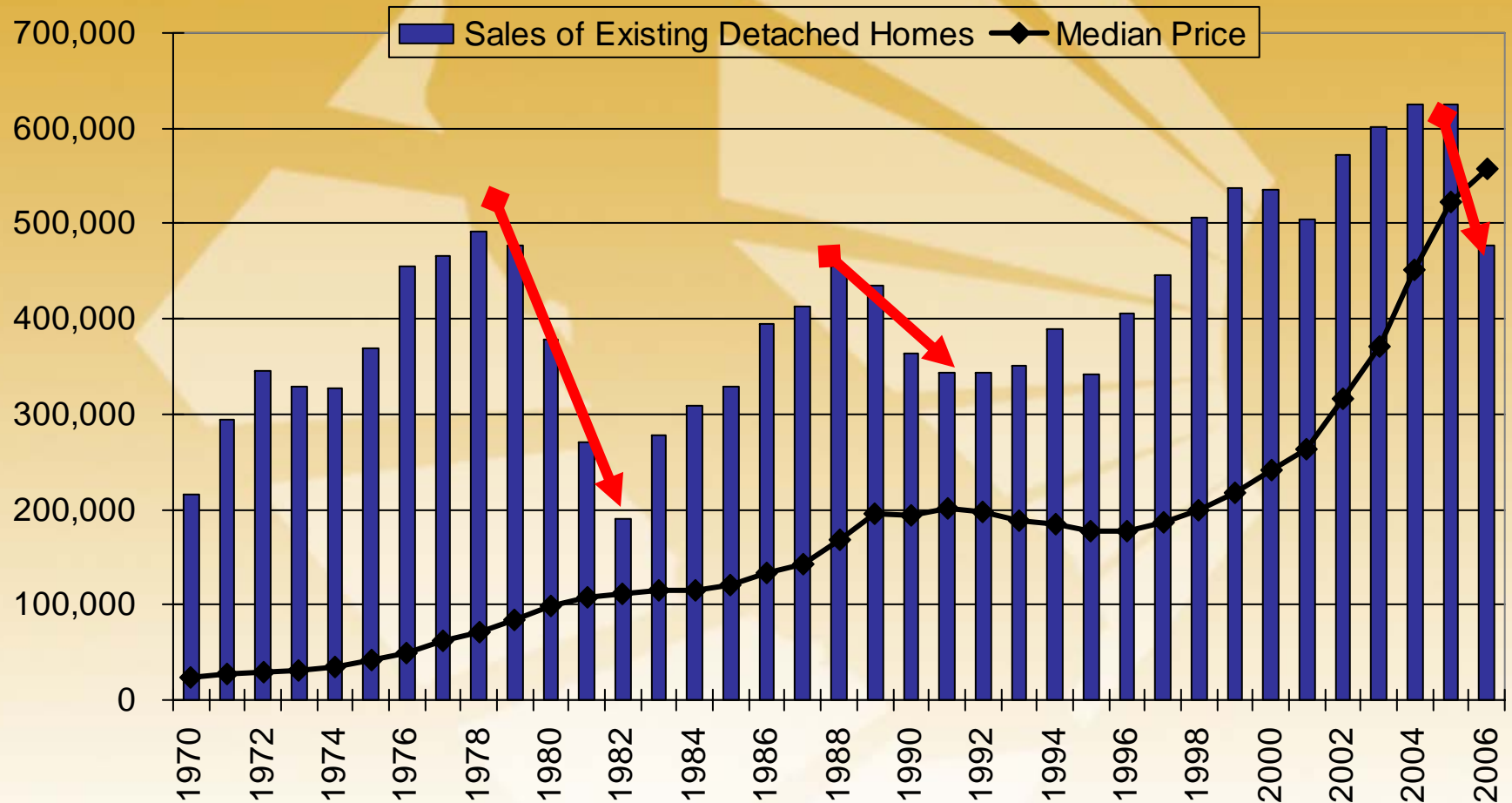
	2003	2004	2005	2006	2007p	2008f
Nonfarm Job Growth	-0.5%	1.0%	1.8%	1.9%	1.3%	0.9%
Unemployment Rate	6.8%	6.2%	5.4%	4.9%	5.2%	5.7%
Population Growth	1.7%	1.5%	1.3%	1.3%	1.2%	1.1%
Real Disposable Income, % Change	2.1%	4.1%	1.0%	2.5%	2.6%	2.6%



Sales More Volatile Than Prices

Price Stickiness in Down Market ...Most Owners Don't Sell

UNITS/MEDIAN PRICE \$



SOURCE: California Association of REALTORS®



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California Housing Market Forecast

	2003	2004	2005	2006	2007p	2008f
SFH Resales (thousands)	601.8	624.7	625.0	477.5	367.5	334.5
% Change	5.1%	3.8%	0.04%	-23.6%	-23.0%	-9.0%
Median Price (\$ thousands)	\$372.7	\$450.8	\$524.0	\$556.6	\$576.0	\$553.0
% Change	17.9%	20.9%	16.2%	6.2%	3.5%	-4.0%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.5%	6.5%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.5%	5.2%


SOURCE: California Association of REALTORS®



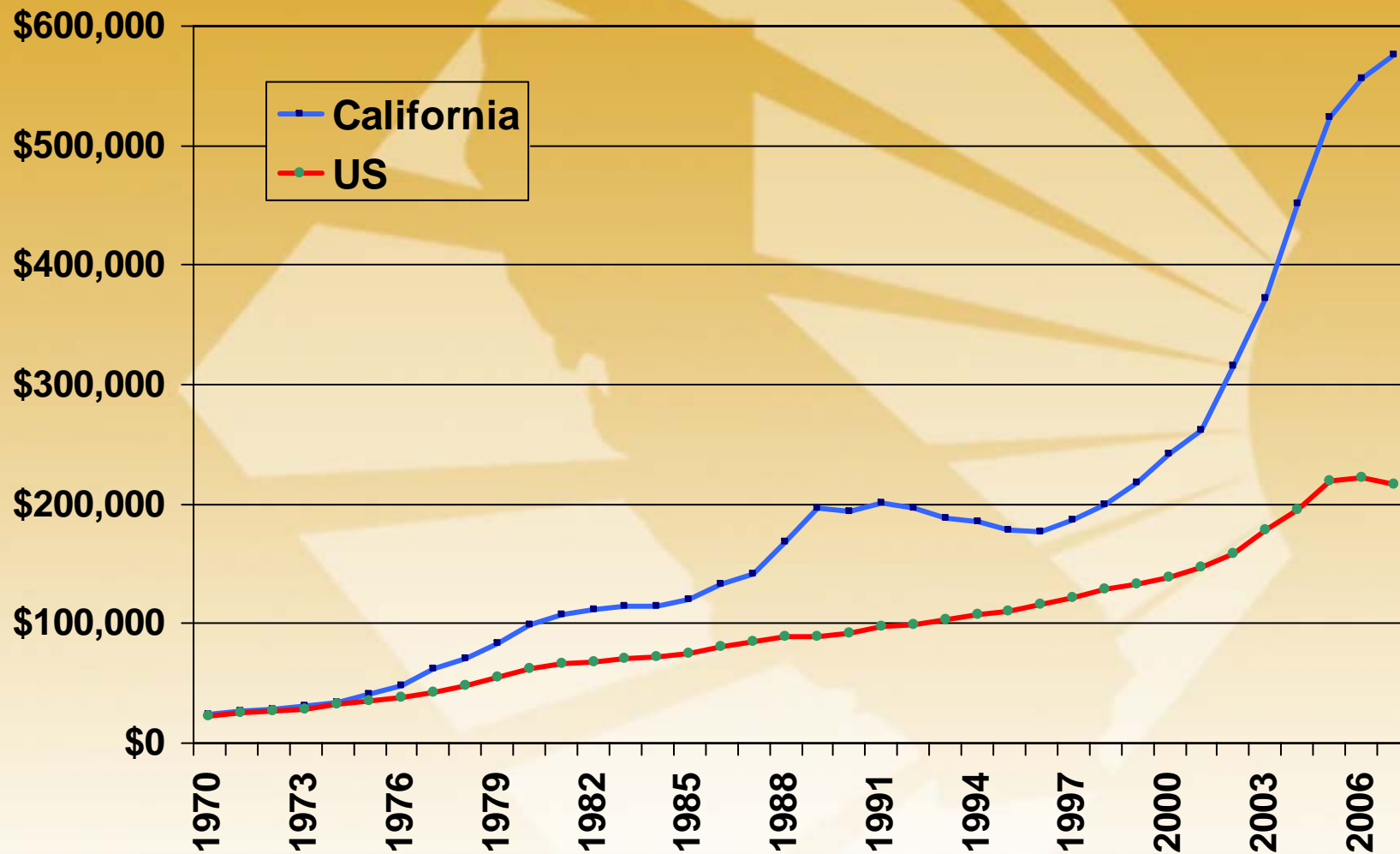
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Closing Comments

 Leading the way...®

California vs U.S. Median Prices



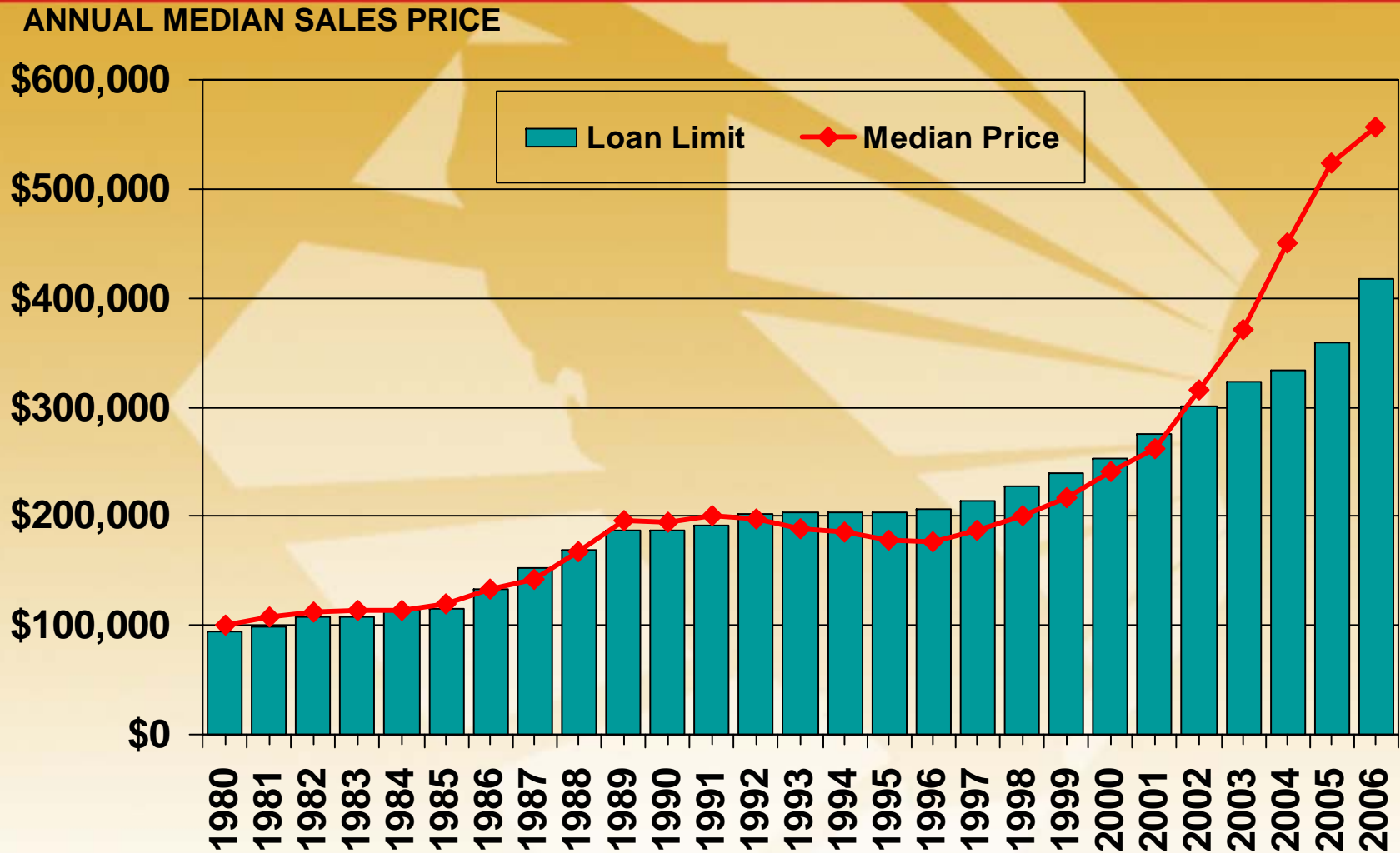
SOURCE: California Association of REALTORS®



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Loan Limit vs. Annual Median Price

California, 1980-2006

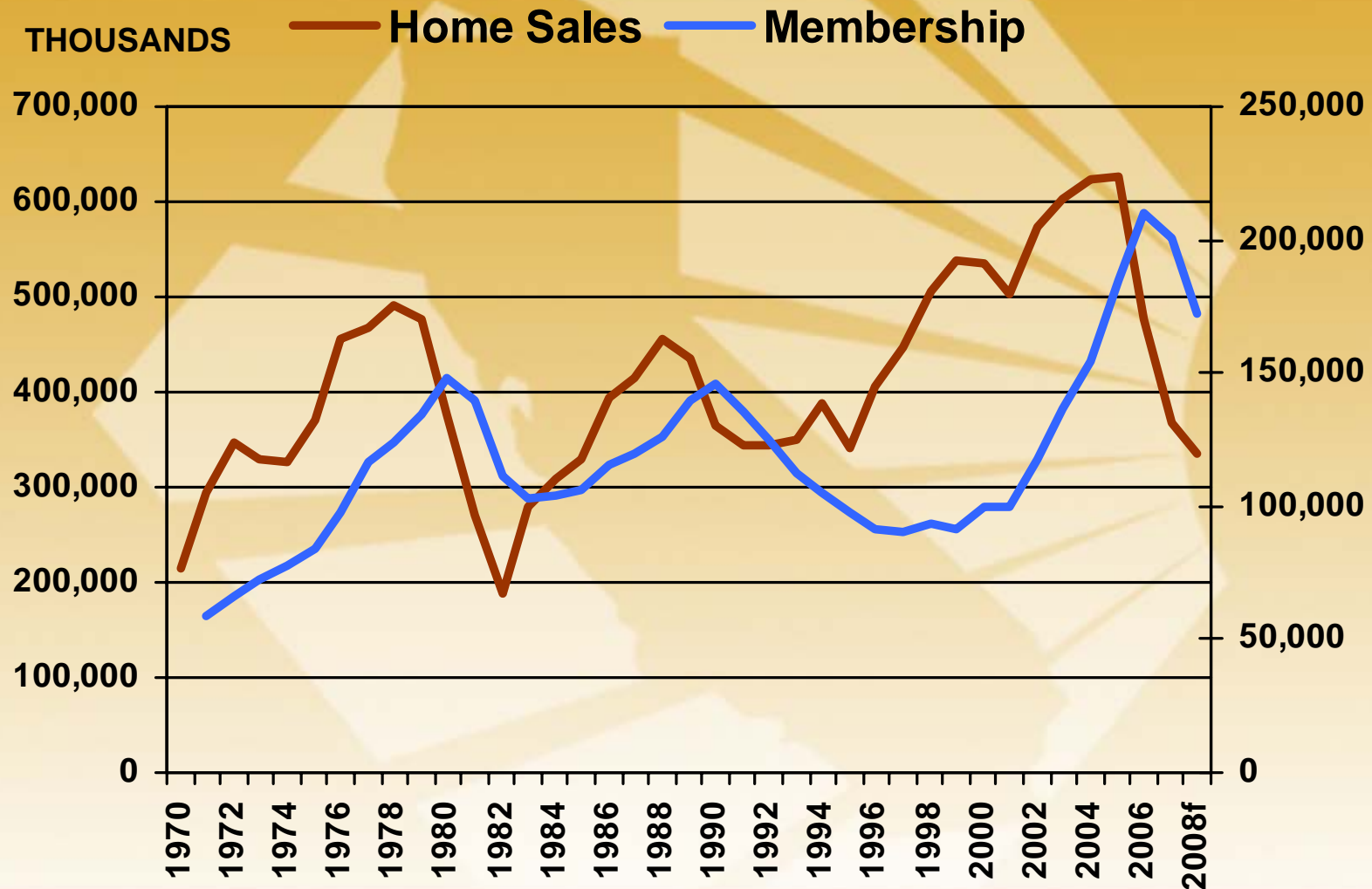


SOURCE: California Association of REALTORS®



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California's Housing Cycles and Membership 1970-2007





Biggest Key To Success in 2007

-From Top Producers-

- “People will not take the time to properly research and understand the market, particularly in these conditions. They need to know I am doing it for them, which is why I **will not reduce my marketing spending** in this market.”
- “Continuing to **advertise on the Internet ... not cutting marketing.**”
- “I have earned a reputation as a **market expert.** I need to **really know the market statistics,** so prospects know how experienced and knowledgeable I am.”



What it's all about...

We did the impossible.....bought a house in Southern California! Papers sent to escrow today!

Please make a note of our new address

Moving day is Sunday September 30th, so come help, please!

3 tiny bedrooms, 1 full bath, 1 3/4 bath, laundry room, two car garage, fire place, swimming pool, the empty lot next door, and a lot of fixing up to do 1200 square feet



What it's all about...



CALIFORNIA ASSOCIATION OF REALTORS®

Thank You
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