

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% |

SOURCE: California Association of REALTORS®



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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% |

SOURCE: California Association of REALTORS®

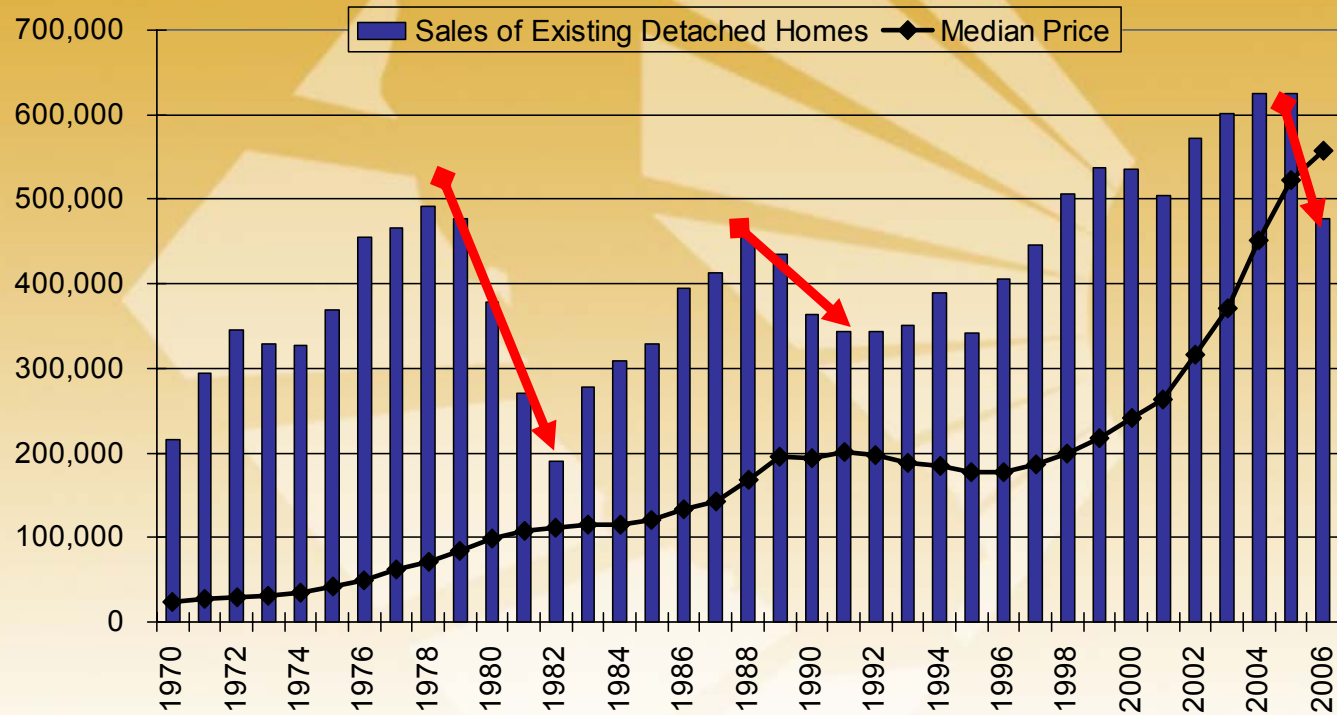


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Sales More Volatile Than Prices

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% |

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