

# Housing Market in Crisis!

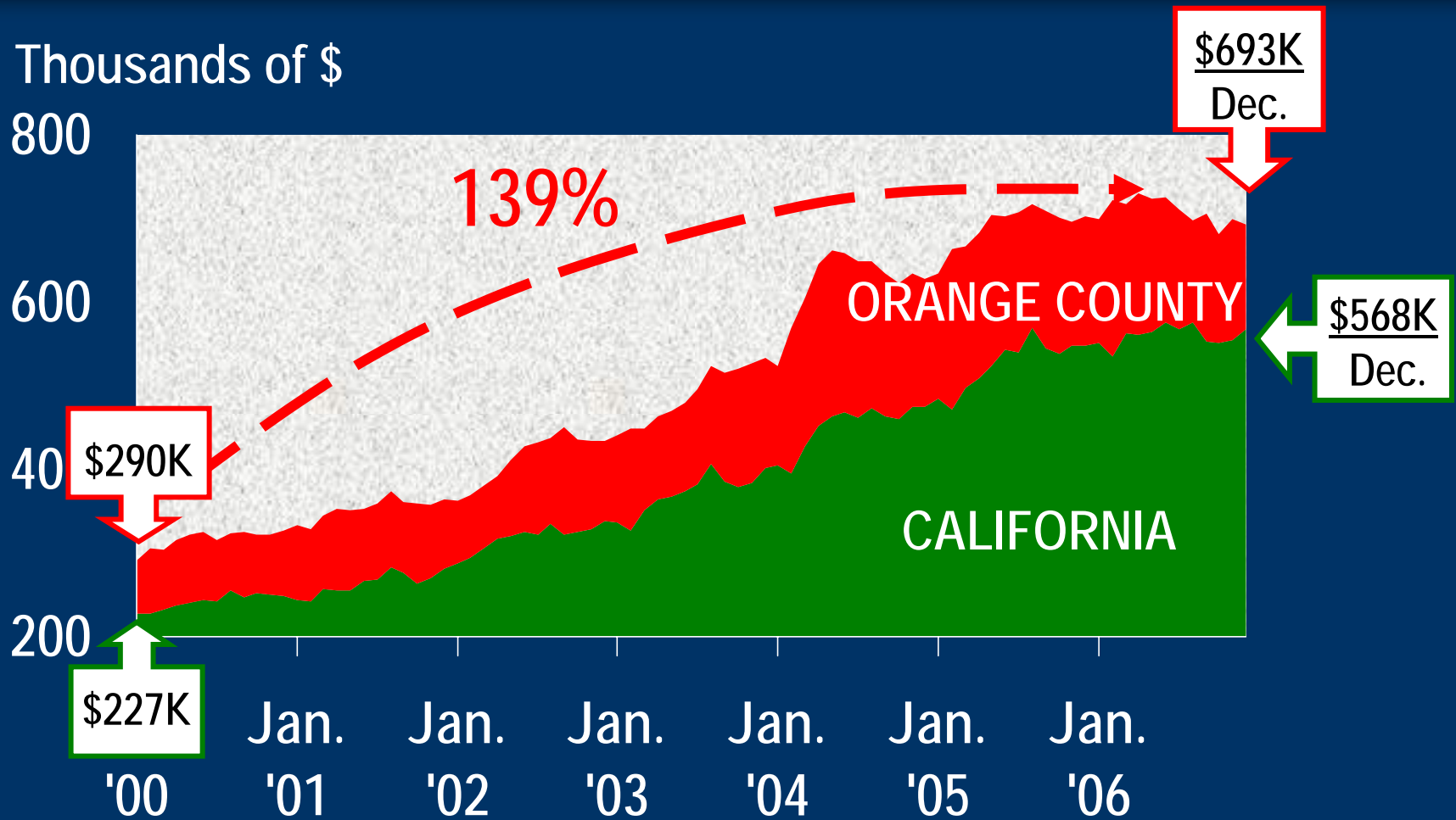
## What are the Implications?



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# Housing Prices

## Single-Family Detached Homes




Source: California Association of Realtors

# Average Annual Percentage Change In Payroll Jobs: 1998:3 to 2006:3

Category	U.S.	California	Orange County
Construction	+2.2	+5.5	+5.6
Manufacturing	-2.6	-2.4	-2.1
Trade, Transportation & Util.	+0.4	+1.2	+1.2
Financial Activities	+1.3	+2.6	+4.2
Services	+1.8	+1.6	+2.5
Government	+1.2	+1.6	+2.1
Total	+0.9	+1.2	+1.9

# A Housing Bubble ?





“There are a number of things which suggest at a minimum there is a little **froth** in this real estate market.”









# *History of Bu**X**bles Froth*

- 
- A decorative graphic of several translucent, iridescent bubbles in shades of blue, purple, and pink, scattered around the text on the slide.
- The Tulip Bubble in Holland (1634-1638)
  - The South Sea Company Bubble in Britain (1711-1720) (Producing Machine Guns)
  - The Stock Market Prior to The Great Depression (1929-1932)
  - The Japanese Stock Market (1984-1989)
  - The U.S. Stock Market (1997-2001)

# *Factors Affecting Home Prices*

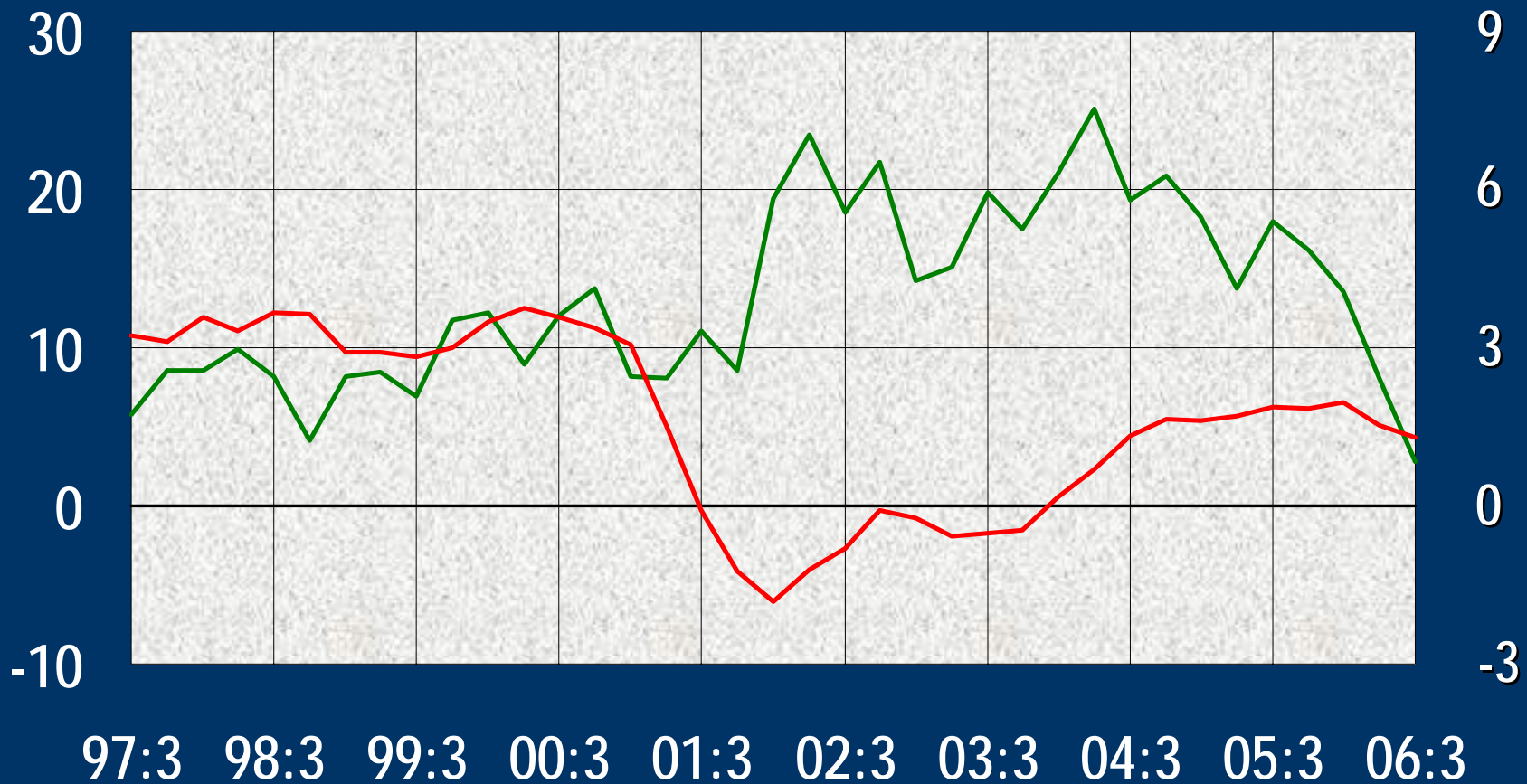
- Demand
  - ✓ Demographics
  - ✓ Change in Employment



# California Job Growth And Home Prices

HOME PRICES - %

JOB GROWTH - %



# *Factors Affecting Home Prices*

- Demand
  - ✓ Demographics
  - ✓ Change in Employment
- Supply
  - ✓ New Homes – Permits



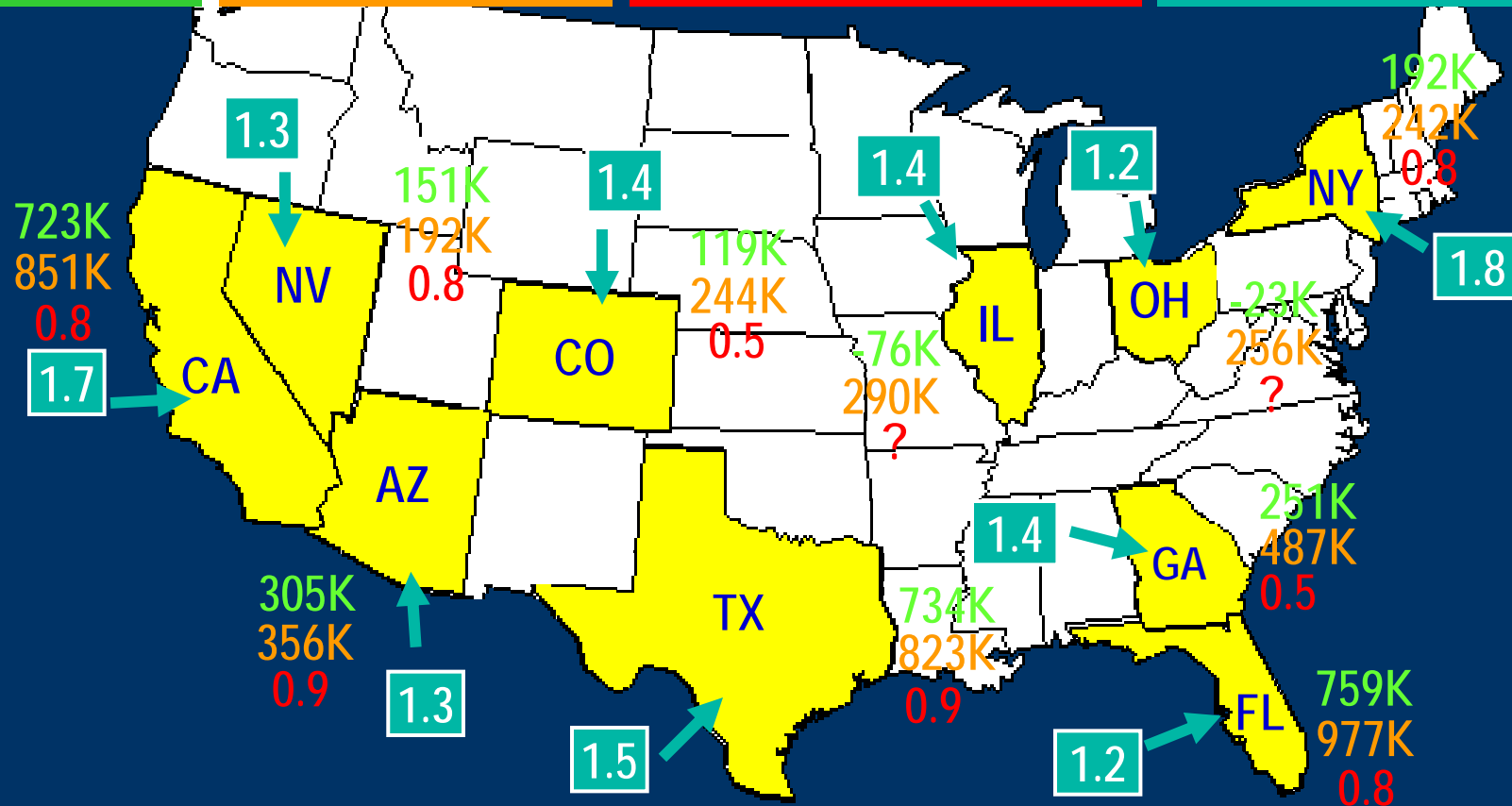
# Change in Civilian Employment & Housing Supply 2000-2005

Employment

Permits

Employment / Permits

Long-term Ratio 80-00



# *Factors Affecting Home Prices*

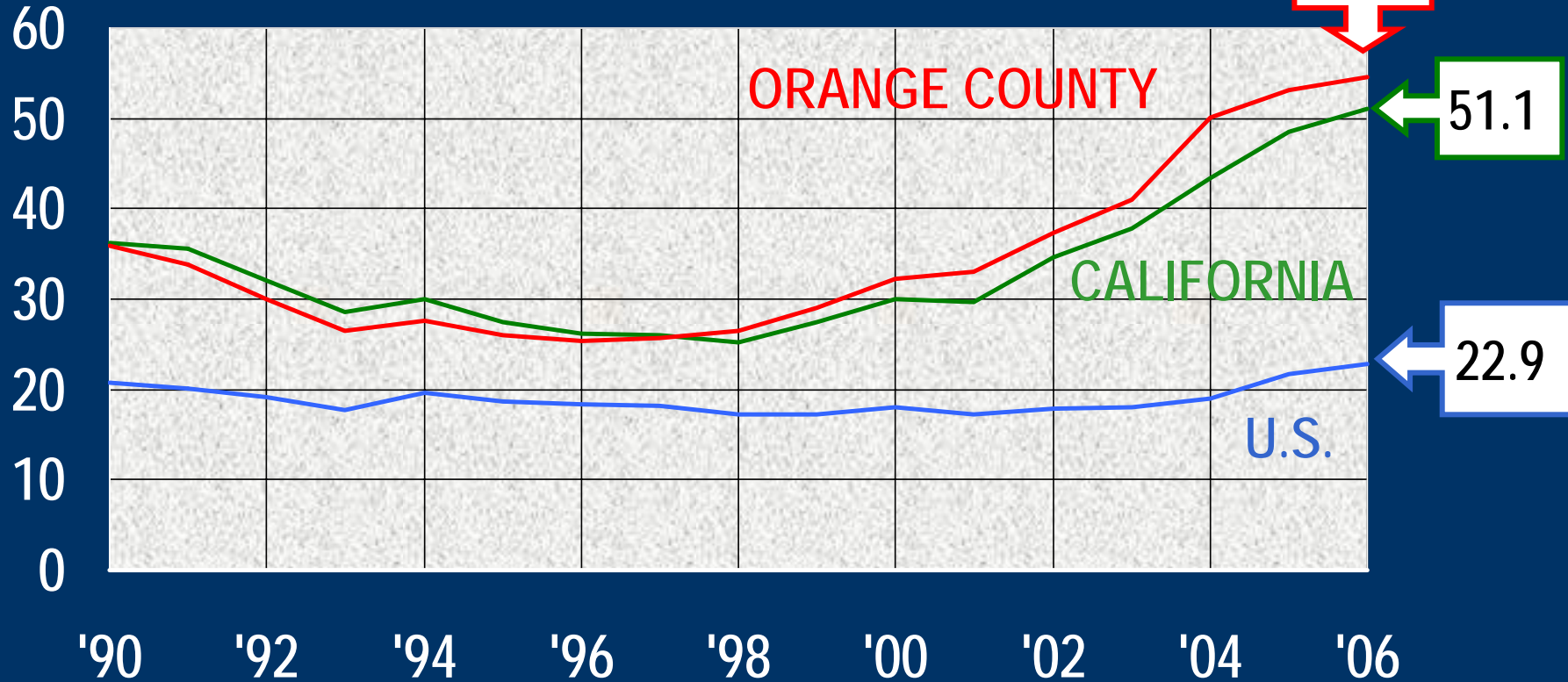
- Demand
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# *Factors Affecting Home Prices*

- 
- Demand
    - ✓ Demographics
    - ✓ Change in Employment
  - Supply
    - ✓ New Homes – Permits
  - Investors Activity/Second Home Purchases
  - Affordability
    - ✓ Income
    - ✓ Mortgage Rates
    - ✓ Home Prices

# Percent Of Median Family Income Needed For Mortgage Payment On Median-priced Home

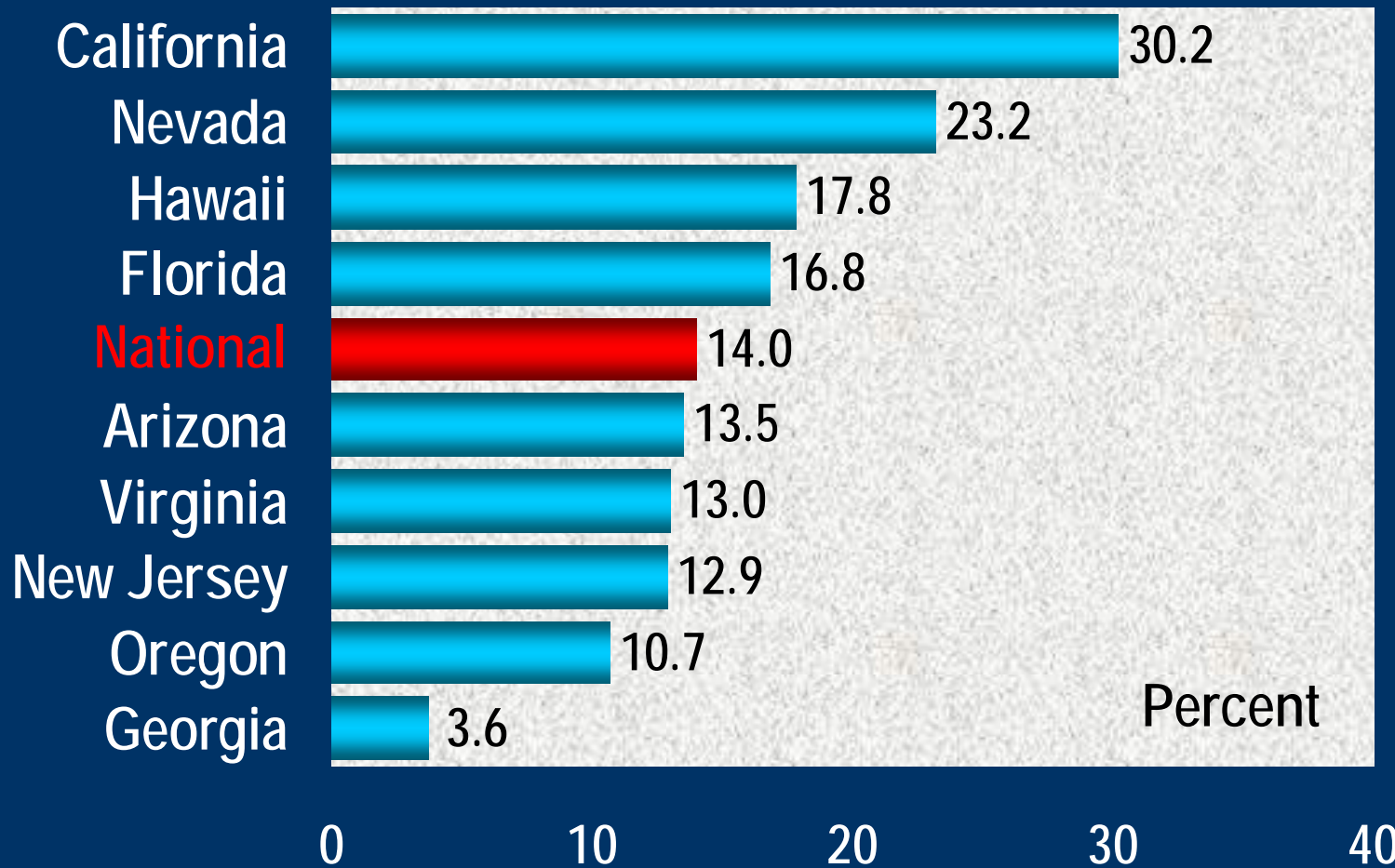
Percent



*After tax annual payments based on 20% down including property taxes.*



# Loans That Are Option ARMs



Source: First American Loan Performance.

\* As of August 2006

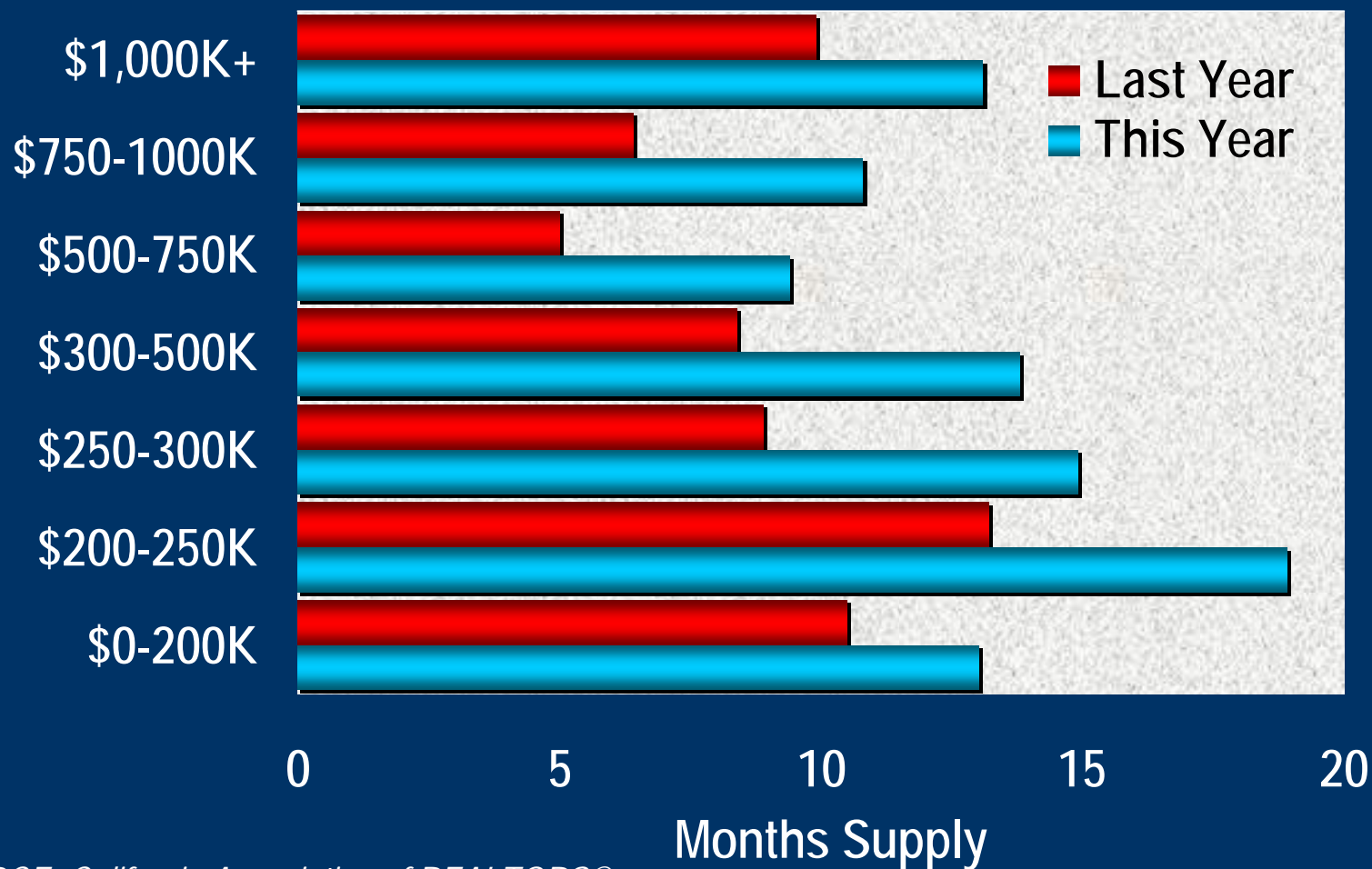
# *Factors Affecting Home Prices*

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  - ✓ Home Prices
- Expectations
- Resale Housing Units

# Unsold Inventory By Price Range

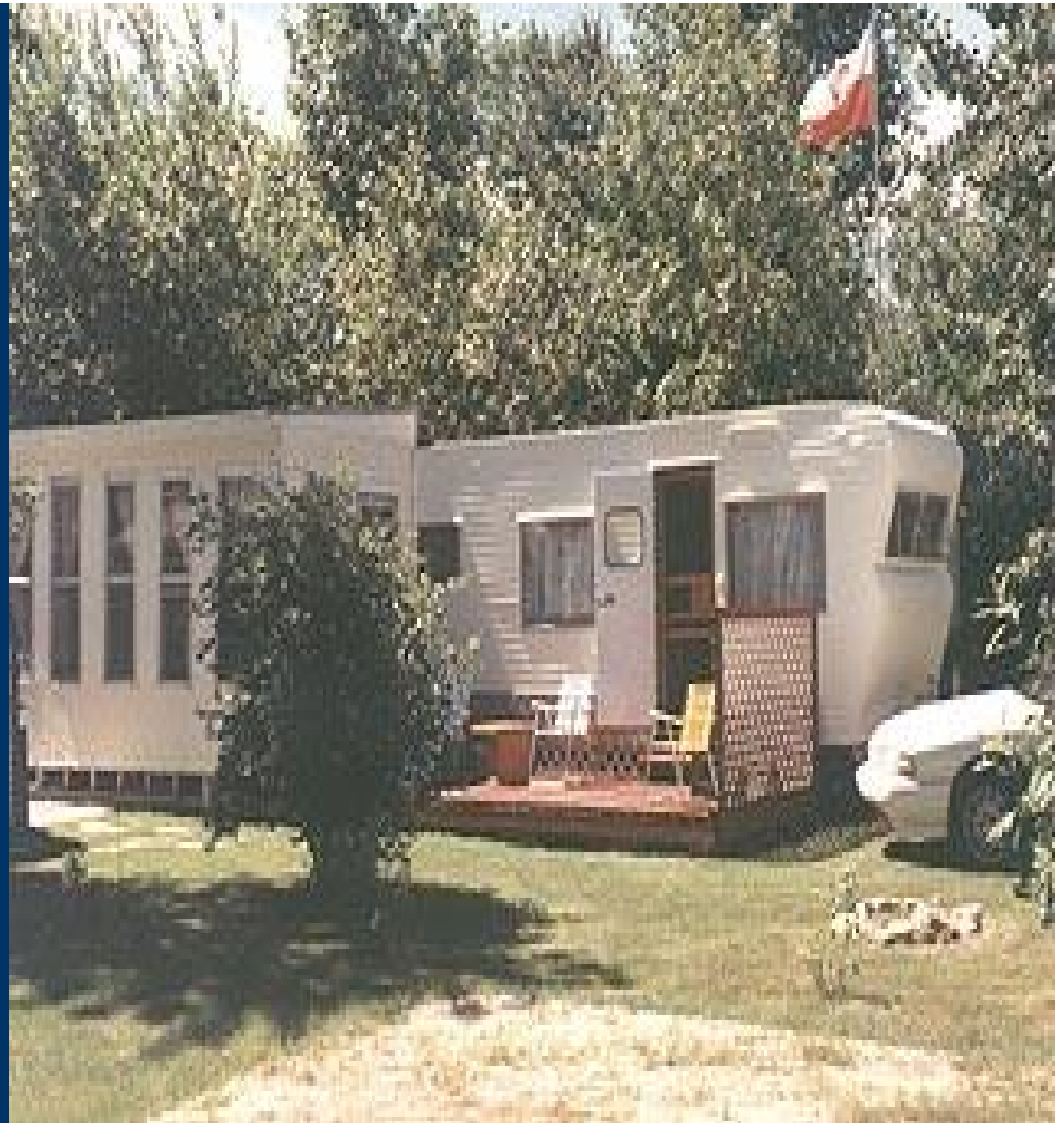
## Orange County Existing Homes Nov. '05 vs. Nov. '06

Thousands of \$



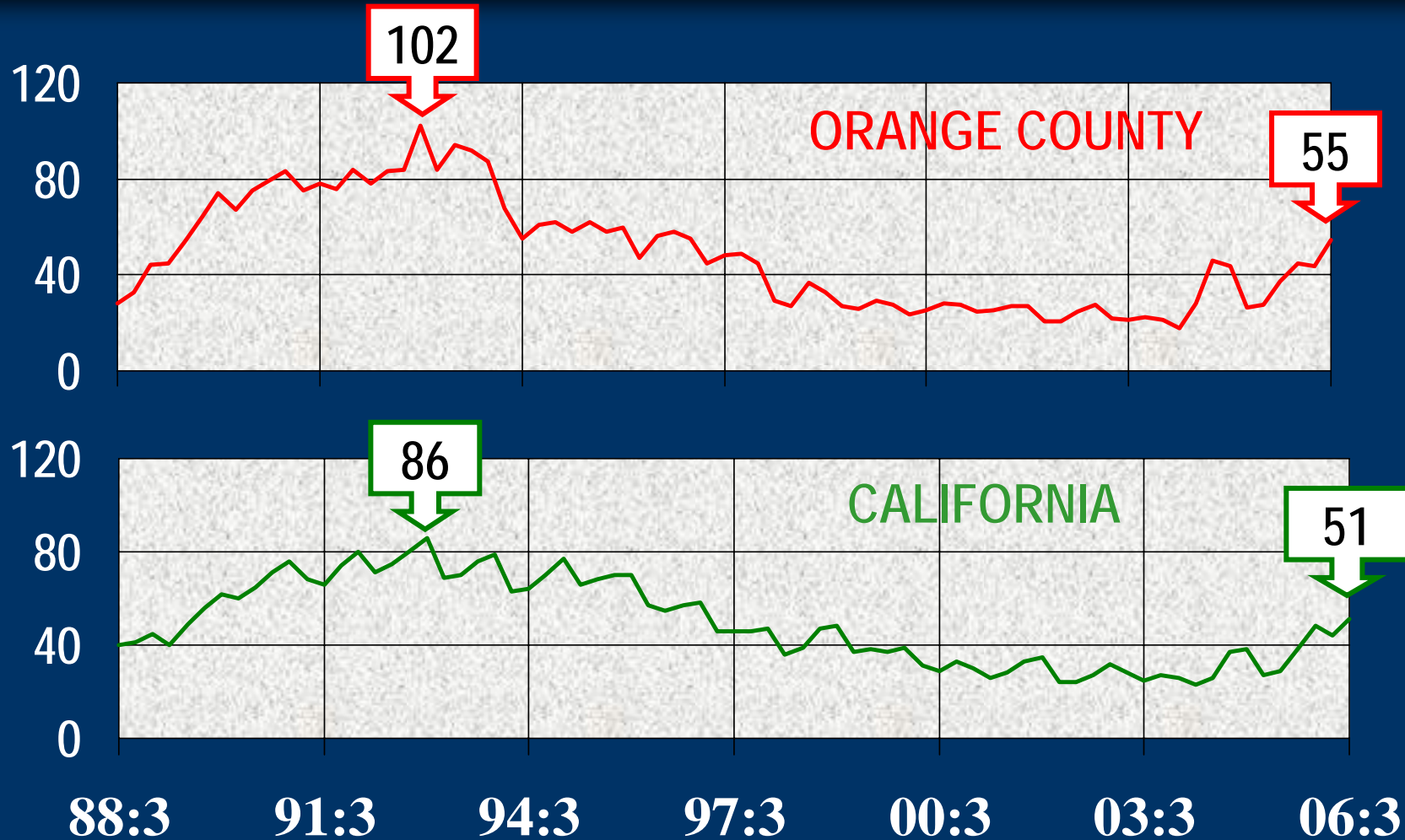
SOURCE: California Association of REALTORS®

**Adibi  
Residence**



# Median Time On The Market

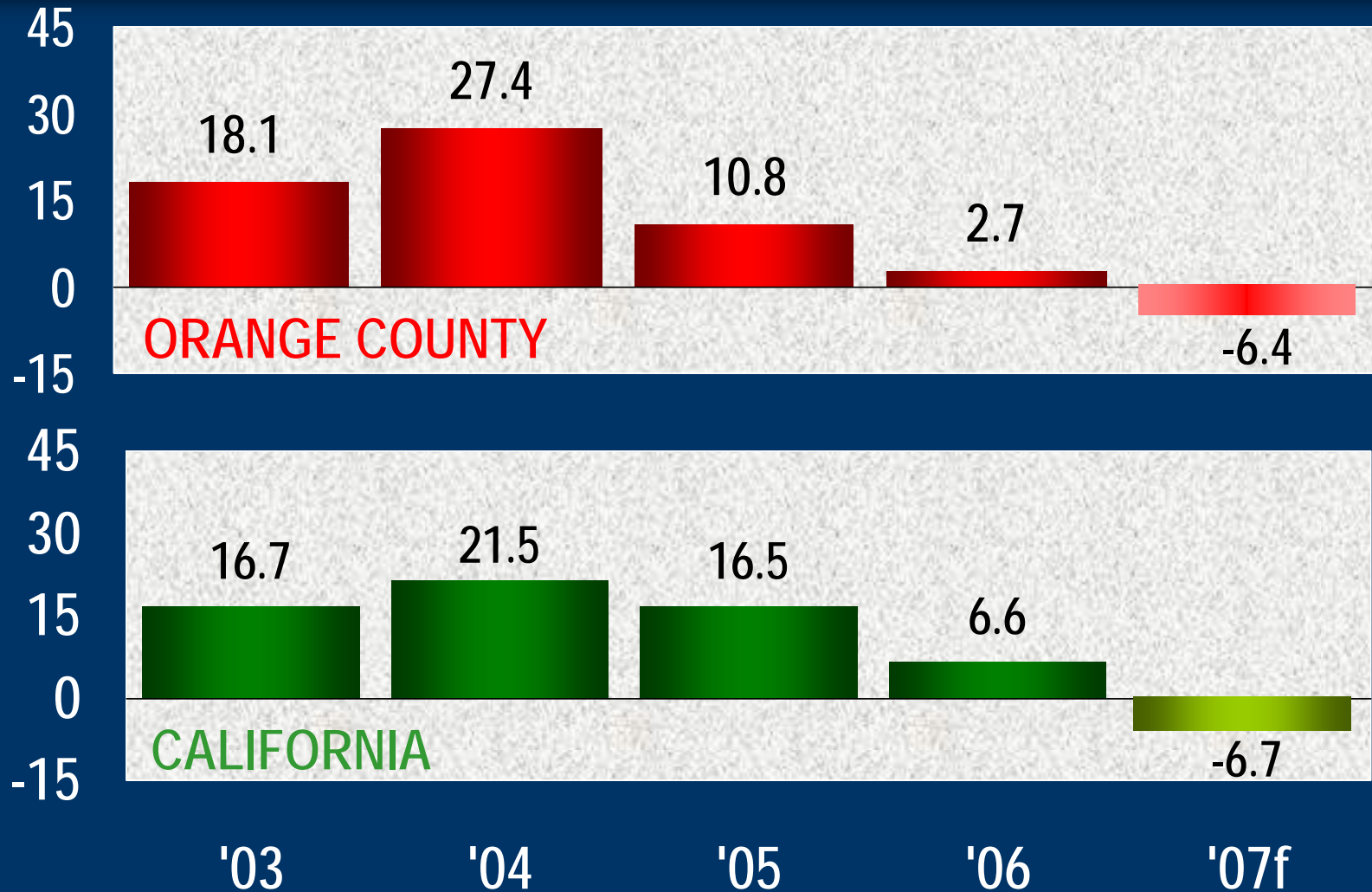
Number of Days



Source: California Association of Realtors

# Resale Single-family Housing Prices

Annual % Change



Source: California Association of Realtors

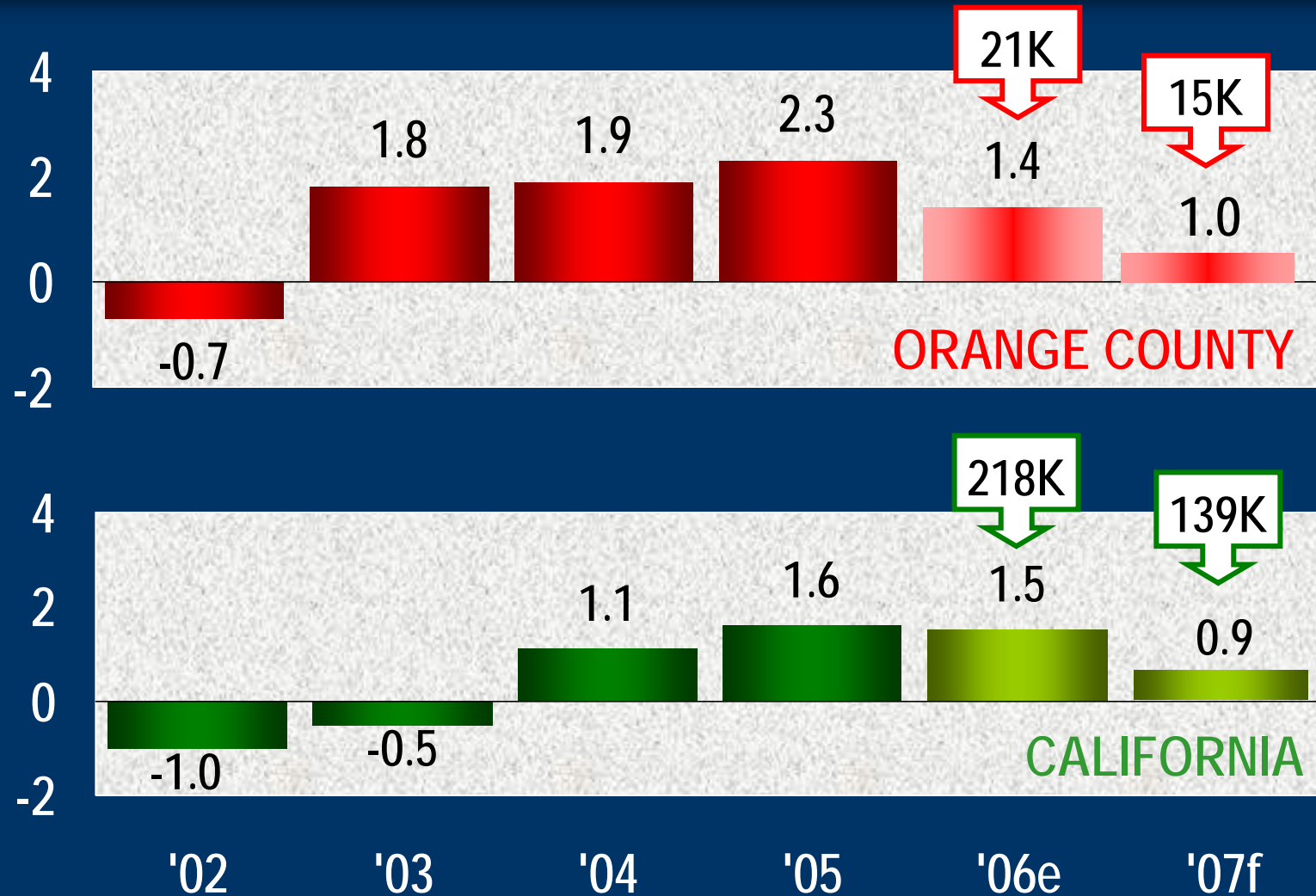
# U.S. Resale Single-Family Housing Prices

Yr/Yr % Change



# Change In Payroll Employment

Annual % Change





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