Housing Prices
Single-Family Detached Homes

Thousands of $

$290K

Jan. '00

$227K

Jan. '01

139%

Jan. '02

Jan. '03

Jan. '04

Jan. '05

Jan. '06

$693K

Dec.

$568K

Dec.

ORANGE COUNTY

CALIFORNIA

Source: California Association of Realtors
## Average Annual Percentage Change In Payroll Jobs: 1998:3 to 2006:3

<table>
<thead>
<tr>
<th>Category</th>
<th>U.S.</th>
<th>California</th>
<th>Orange County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>+2.2</td>
<td>+5.5</td>
<td>+5.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>−2.6</td>
<td>−2.4</td>
<td>−2.1</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Util.</td>
<td>+0.4</td>
<td>+1.2</td>
<td>+1.2</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>+1.8</td>
<td>+1.6</td>
<td>+2.5</td>
</tr>
<tr>
<td>Government</td>
<td>+1.2</td>
<td>+1.6</td>
<td>+2.1</td>
</tr>
<tr>
<td>Total</td>
<td>+0.9</td>
<td>+1.2</td>
<td>+1.9</td>
</tr>
</tbody>
</table>
“There are a number of things which suggest at a minimum there is a little froth in this real estate market.”
History of Bubbles

- 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 U.S. Stock Market (1997-2001)
Factors Affecting Home Prices

- Demand
- Demographics
- Change in Employment
Factors Affecting Home Prices

- **Demand**
  - Demographics
  - Change in Employment

- **Supply**
  - New Homes – Permits
Factors Affecting Home Prices

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- Investors Activity/Second Home Purchases
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

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

- **Demand**
  - Demographics
  - Change in Employment

- **Supply**
  - New Homes – Permits

- **Investors Activity/Second Home Purchases**

- **Affordability**
  - Income
  - Mortgage Rates
  - Home Prices

- **Expectations**

- **Resale Housing Units**
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

ORANGE COUNTY

-15 0 15 30 45
-18.1 27.4 10.8 2.7 -6.4

'03 '04 '05 '06 '07f

CALIFORNIA

-15 0 15 30 45
16.7 21.5 16.5 6.6 -6.7

'03 '04 '05 '06 '07f
U.S. Resale Single-Family Housing Prices

Yr/Yr % Change

'93 '95 '97 '99 '01 '03 '05 '07

'07 Avg: −2.2
Change In Payroll Employment

Annual % Change

**ORANGE COUNTY**

- 2002: -0.7%
- 2003: 1.8%
- 2004: 1.9%
- 2005: 2.3%
- 2006e: 1.4%
- 2007f: 1.0%

**CALIFORNIA**

- 2002: -1.0%
- 2003: -0.5%
- 2004: 1.1%
- 2005: 1.6%
- 2006e: 1.5%
- 2007f: 0.9%

**Changes in Payroll Employment**

Housing Market in Crisis! What are the Implications?