

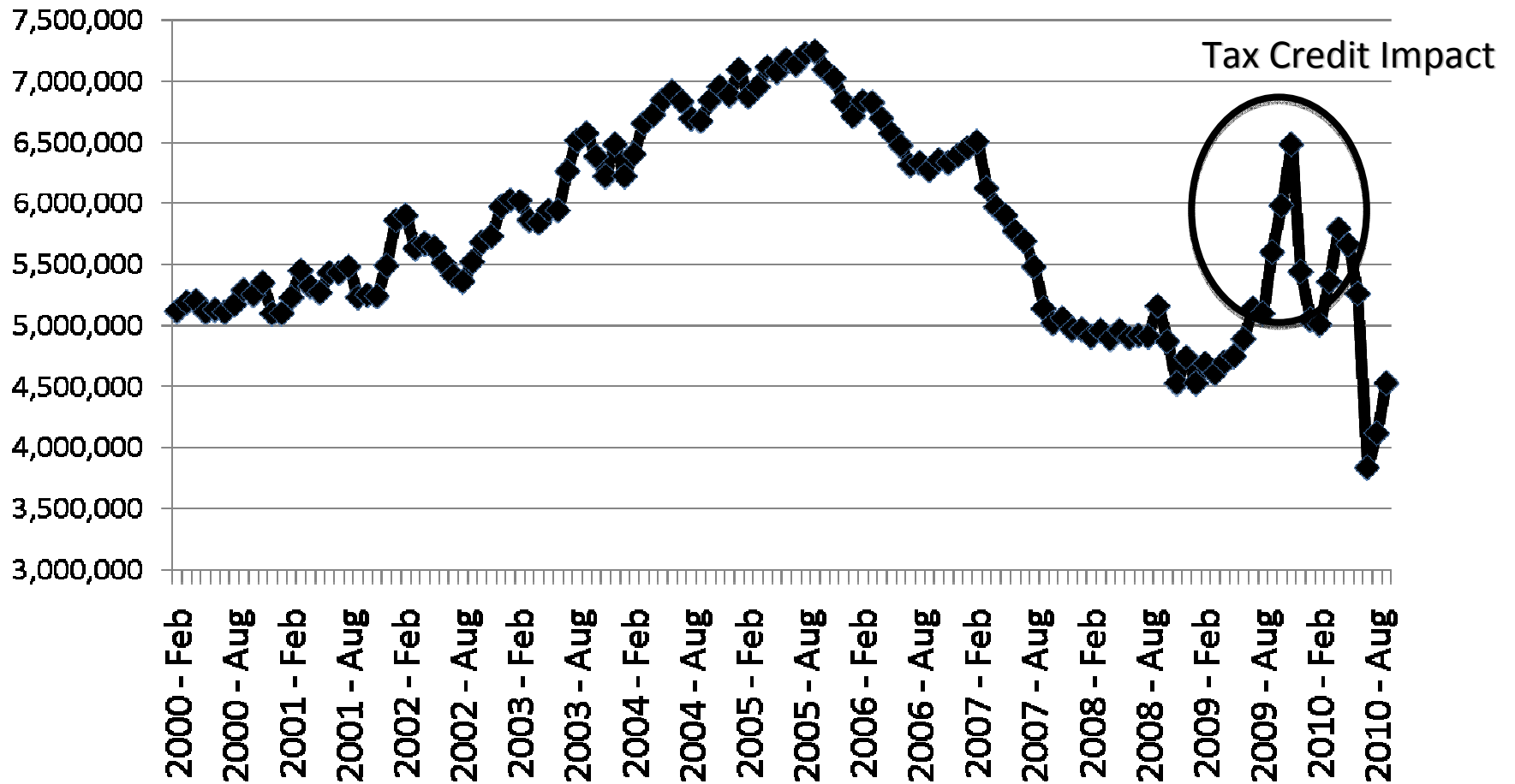
National Real Estate Market Trends and Forecast

Charles McMillian
NATIONAL ASSOCIATION OF REALTORS®

San Antonio, TX
January 4, 2011

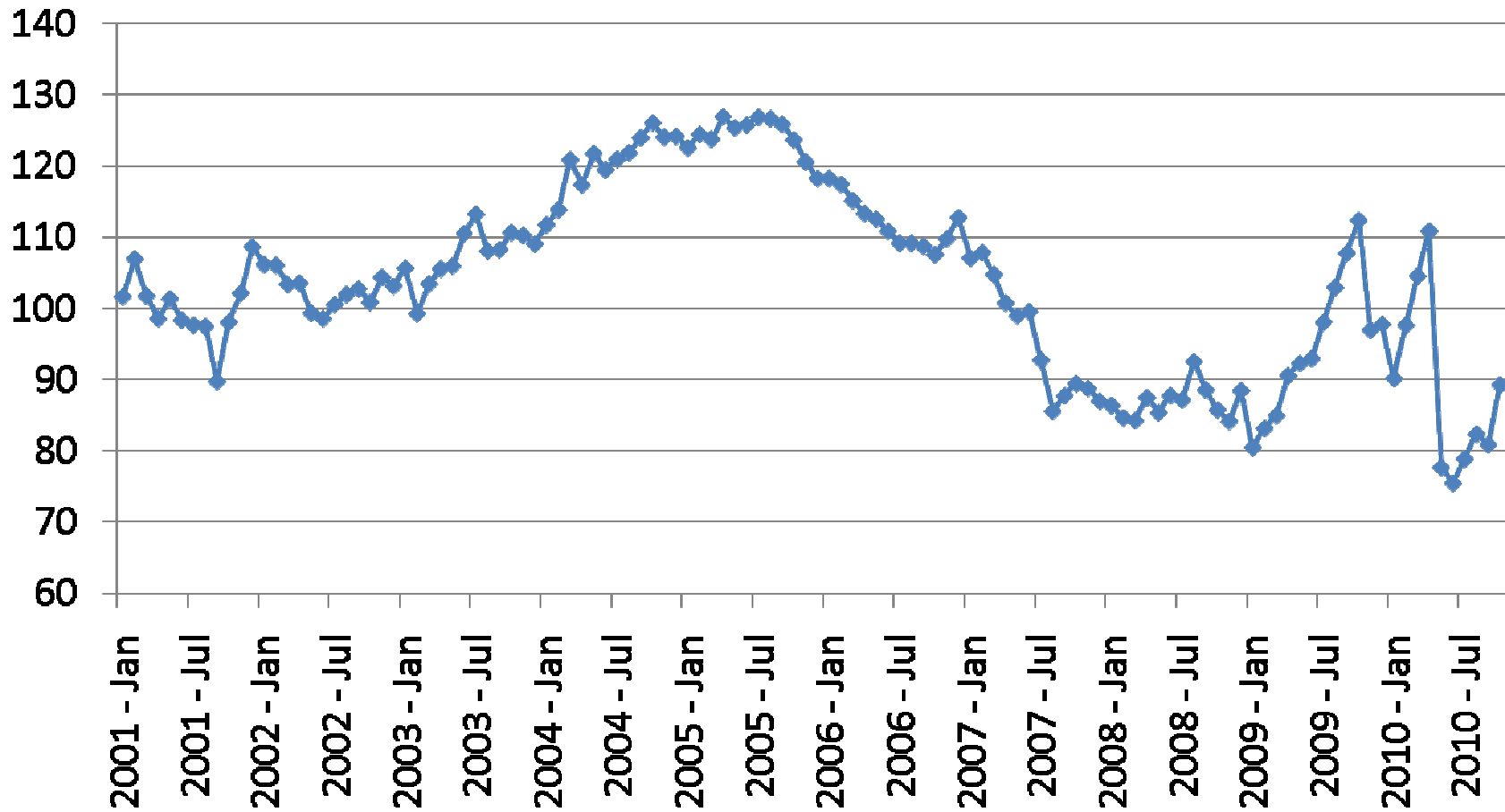
Existing Home Sales (Closings)

(slow steady recovery without homebuyer tax credit)



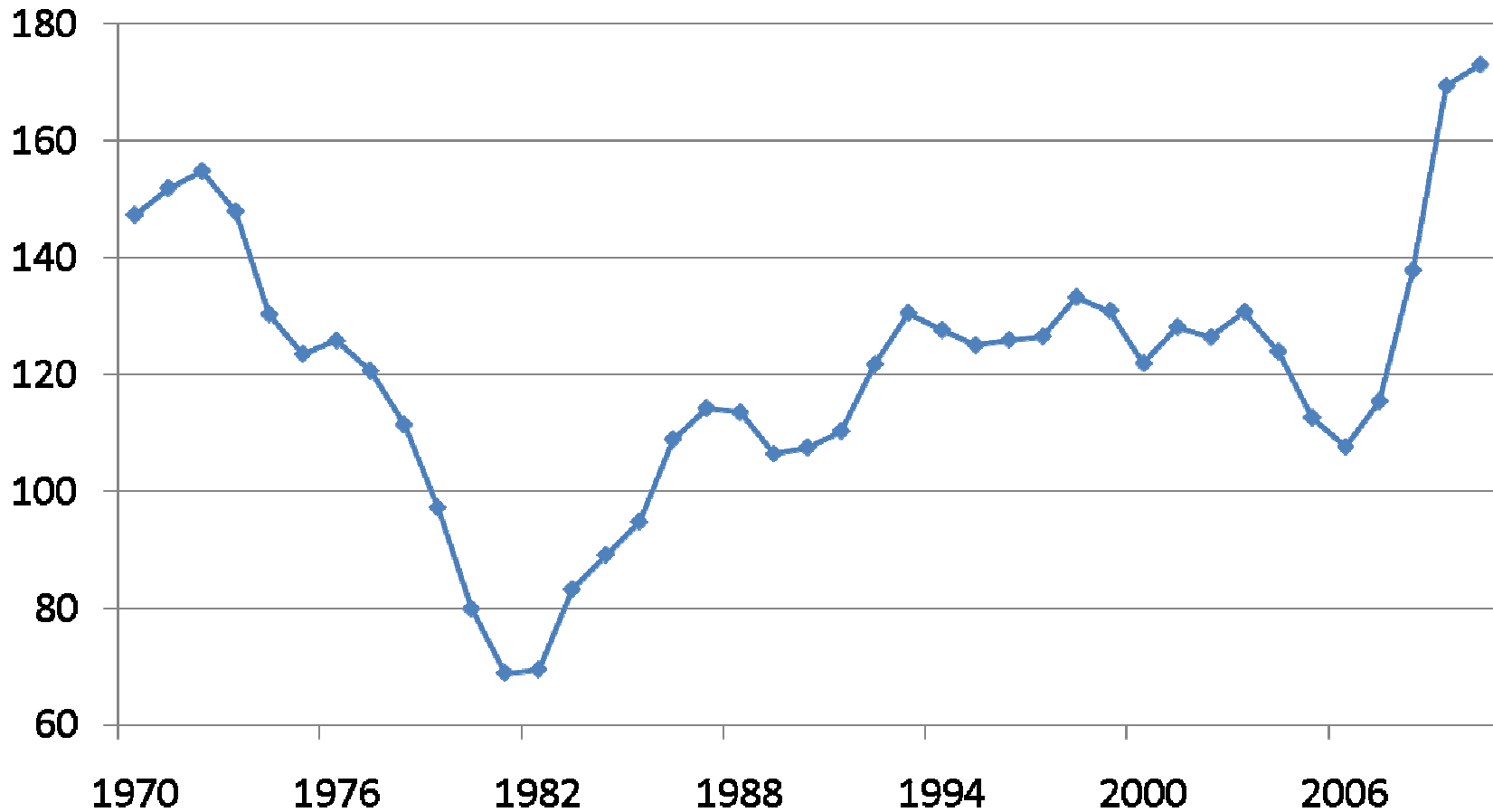
Pending Home Sales Index

(Forward looking indicator moving almost back to normal)



Housing Affordability Index

(Historical high – but index assumes constant underwriting standards)



Compelling Affordability

Monthly Mortgage to buy a Median Priced Home

	2005 Q2	2010 Q2
San Diego	\$ 2,833	\$ 1,564
Miami	\$ 1,726	\$ 853
Milwaukee	\$ 1,014	\$ 797
Kansas City	\$ 735	\$ 600

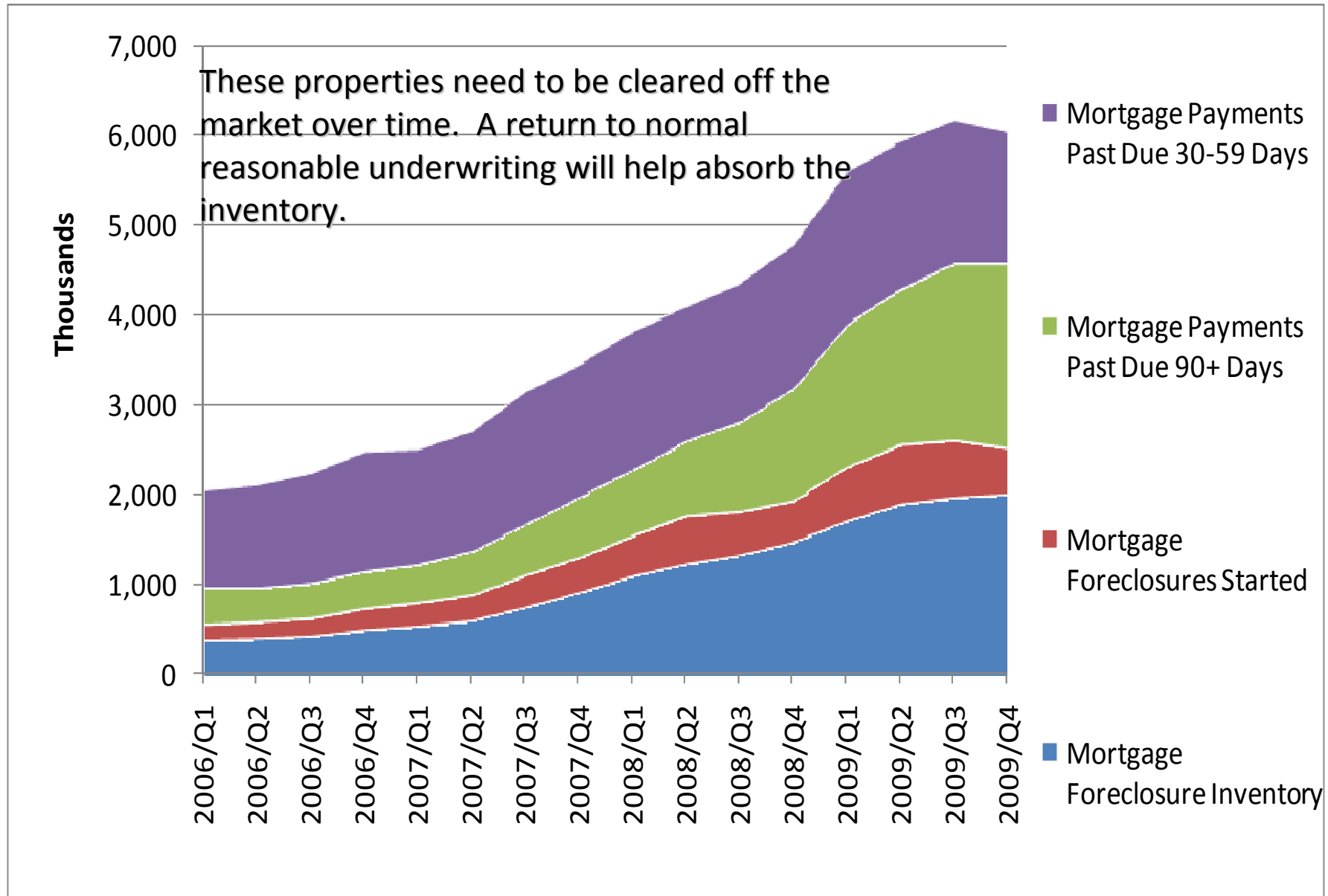
Too Strict Underwriting Standards?

Fannie and Freddie Backed Mortgage Loan Performance
(Financial losses are associated with lingering past lending mistakes and not related to newly originated mortgages)

Fannie Mae Vintage	Cumulative Default Rate after 18 months	Freddie Mac Vintage	Cumulative Default Rate after 18 months
2002	3.1%	2002	2.7%
2003	2.5%	2003	1.2%
2004	4.6%	2004	2.0%
2005	4.8%	2005	1.8%
2006	11.6%	2006	6.0%
2007	28.7%	2007	22.3%
2008	12.6%	2008	13.7%
2009	1.2%	2009	1.1%

Source: Federal Housing Finance Agency

Distressed Loans and Shadow Inventory

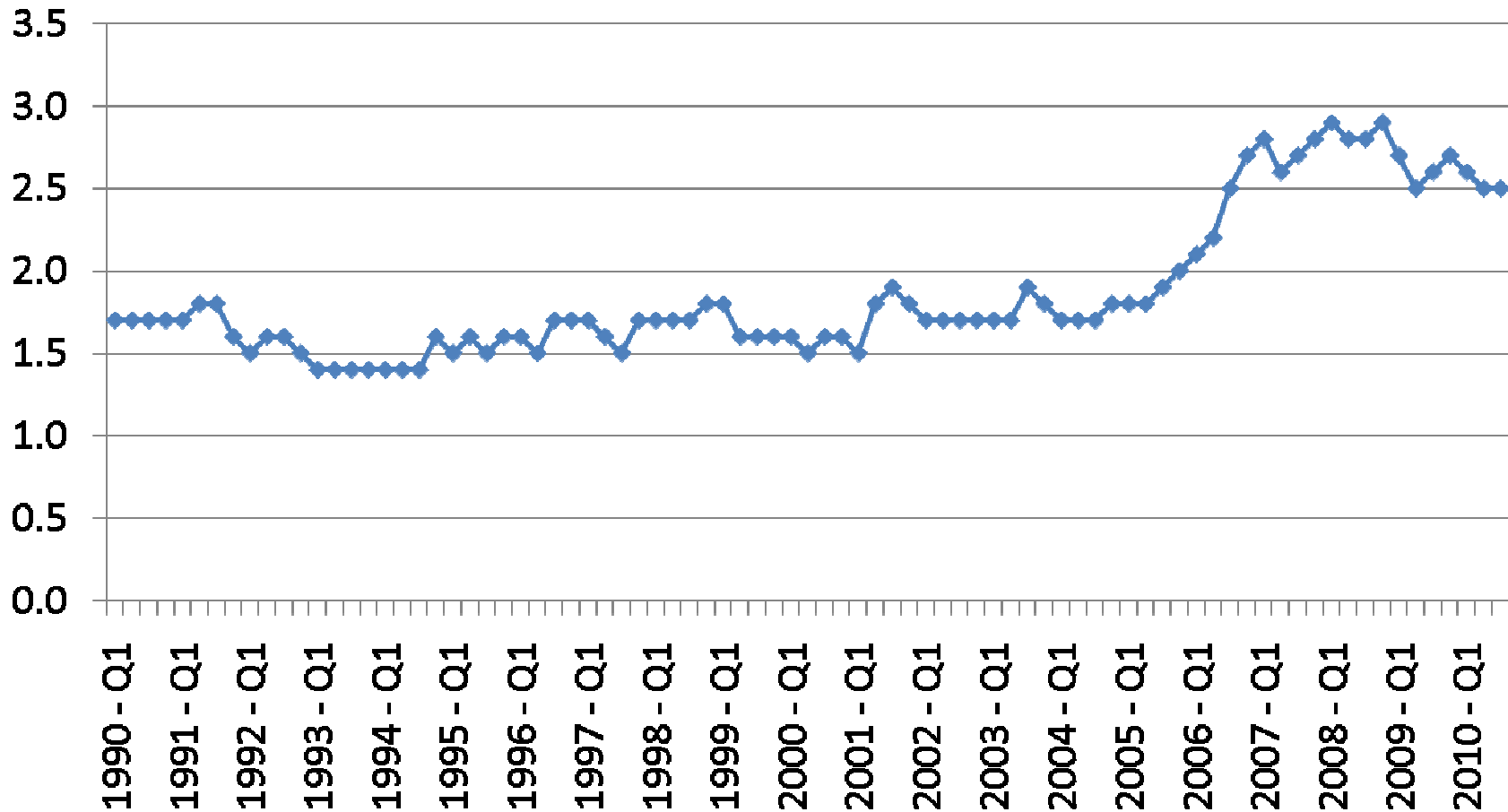


Underwater Homeowners and Short-Sales

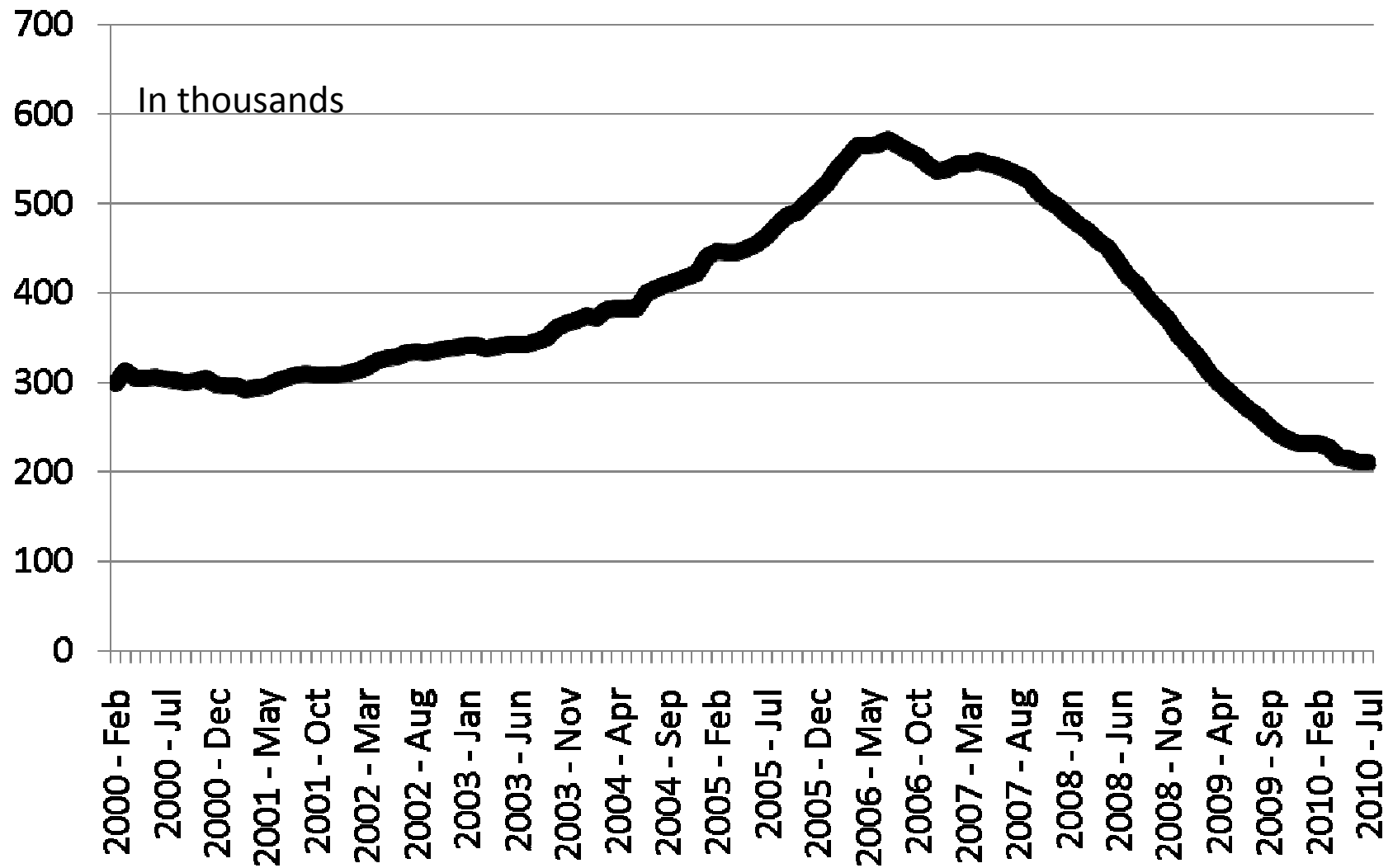
- 11 million underwater homeowners out of 75 million total homeowners
- Short-sales and Foreclosures: about 1/3 of existing home sales ... or 1.5 million per year ... after these sales, fewer underwater homeowners

Homeowner Vacancy Rate

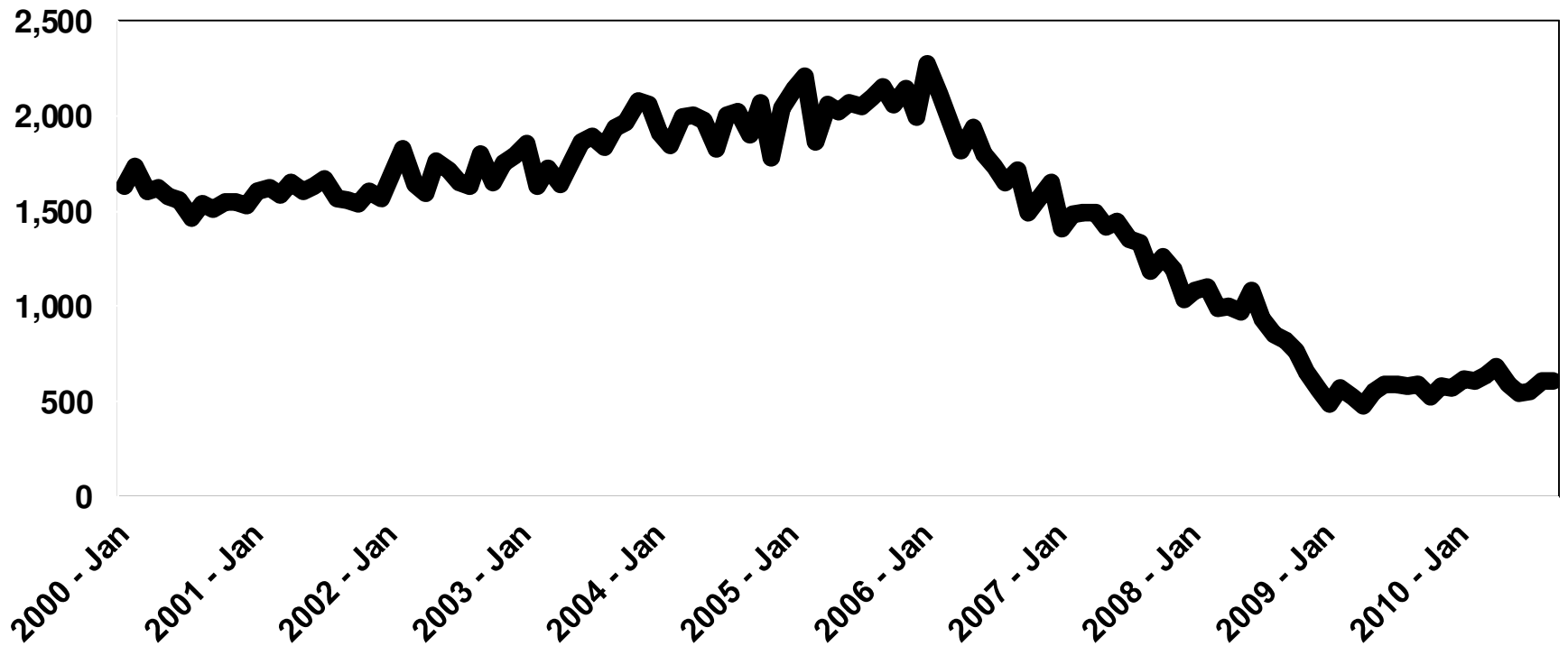
(0.8% point above normal = 600,000 above normal)



Newly Built Home Inventory

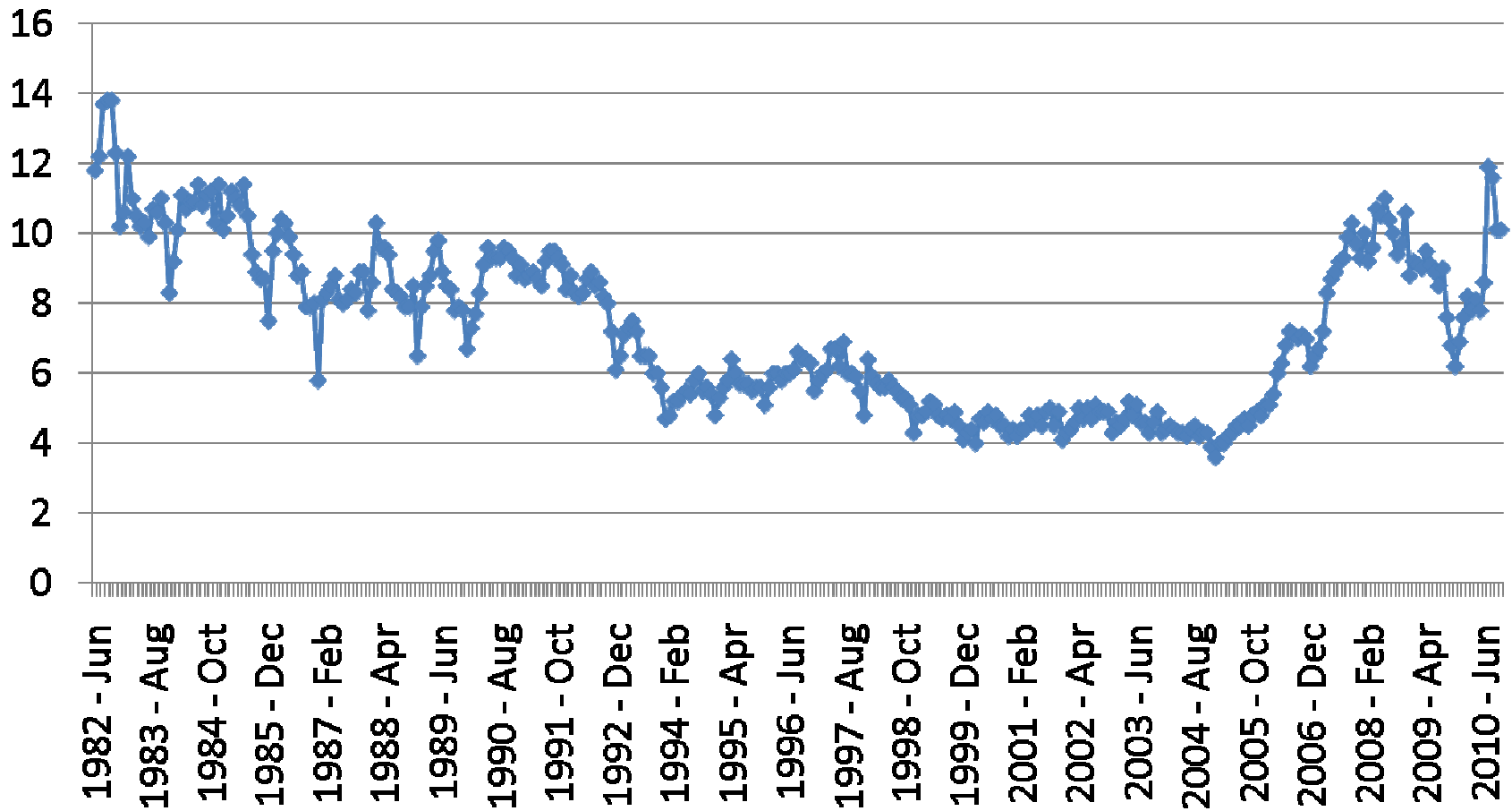


Depressed Housing Starts



Months Supply of Inventory

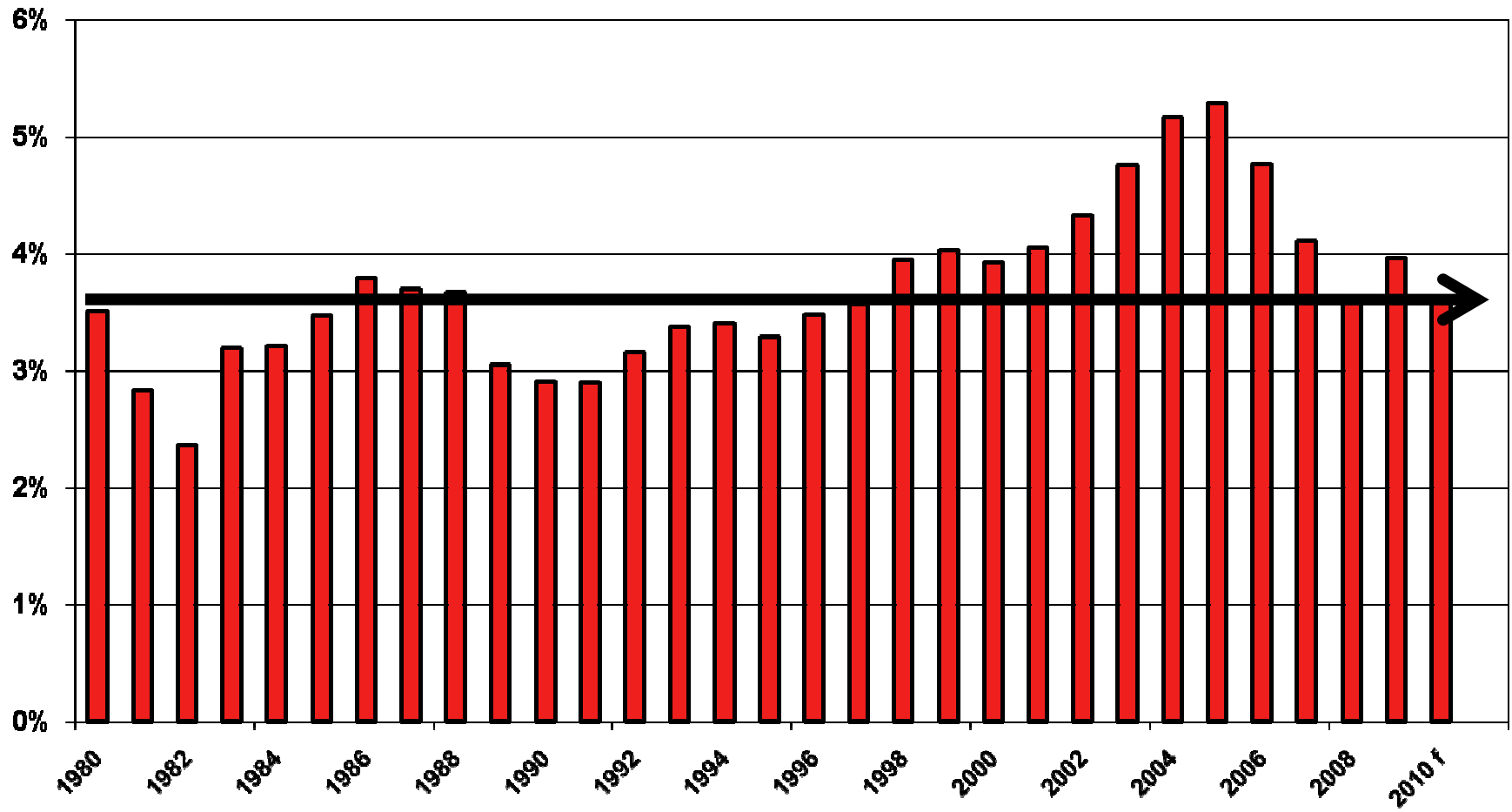
(Historic Avg. = 7.3 months)



Return to Normalcy

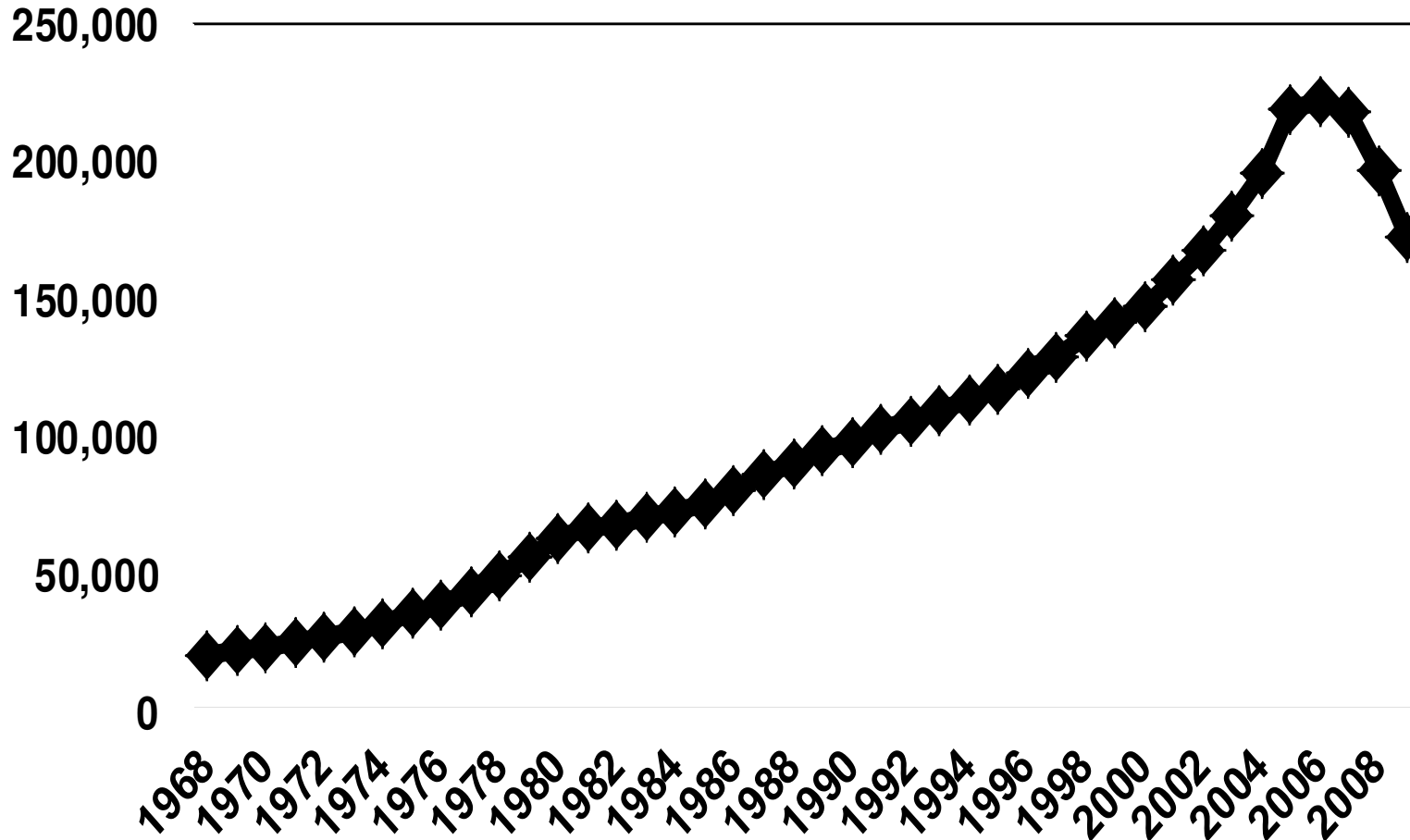
Home Sale to Payroll Jobs

(back to normal)



National Median Home Price

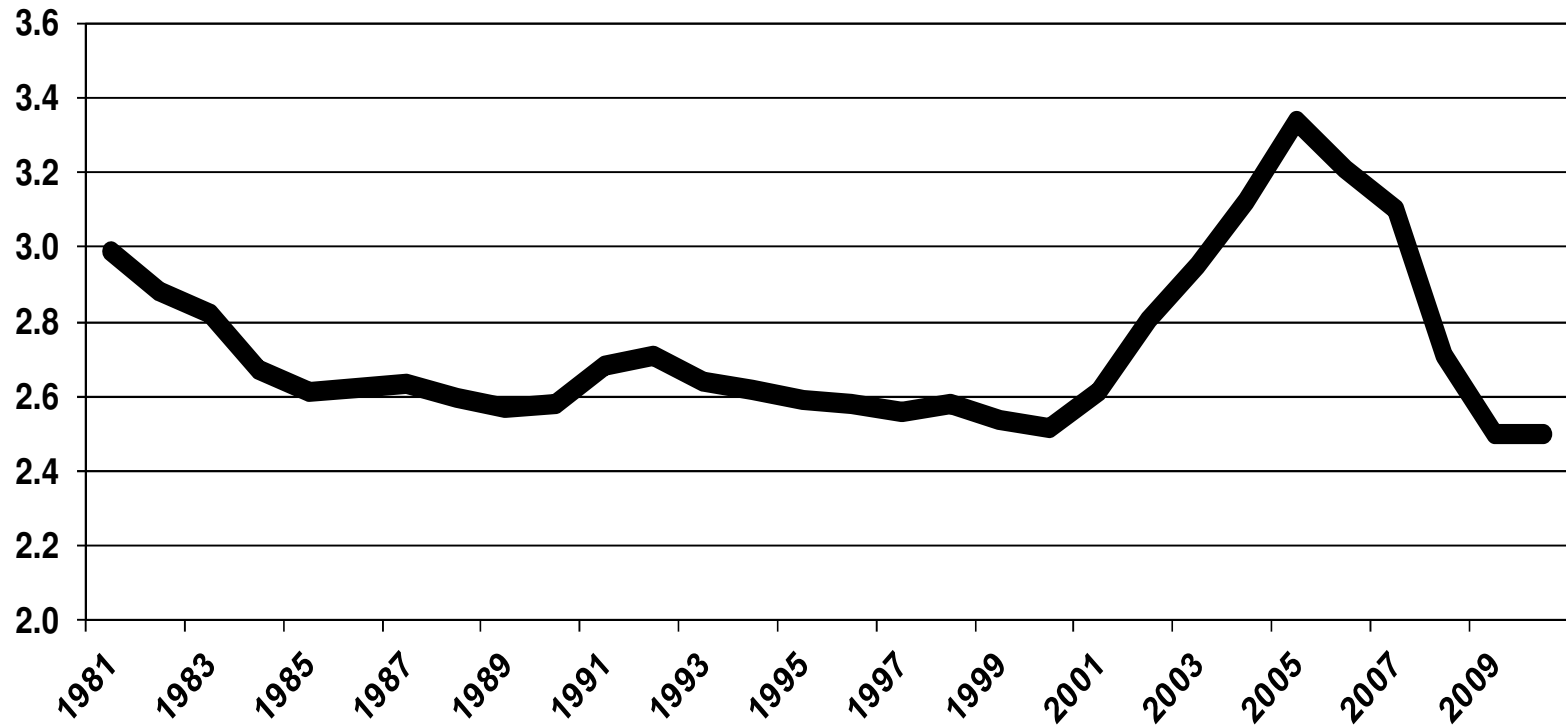
(back to long-term trend line)



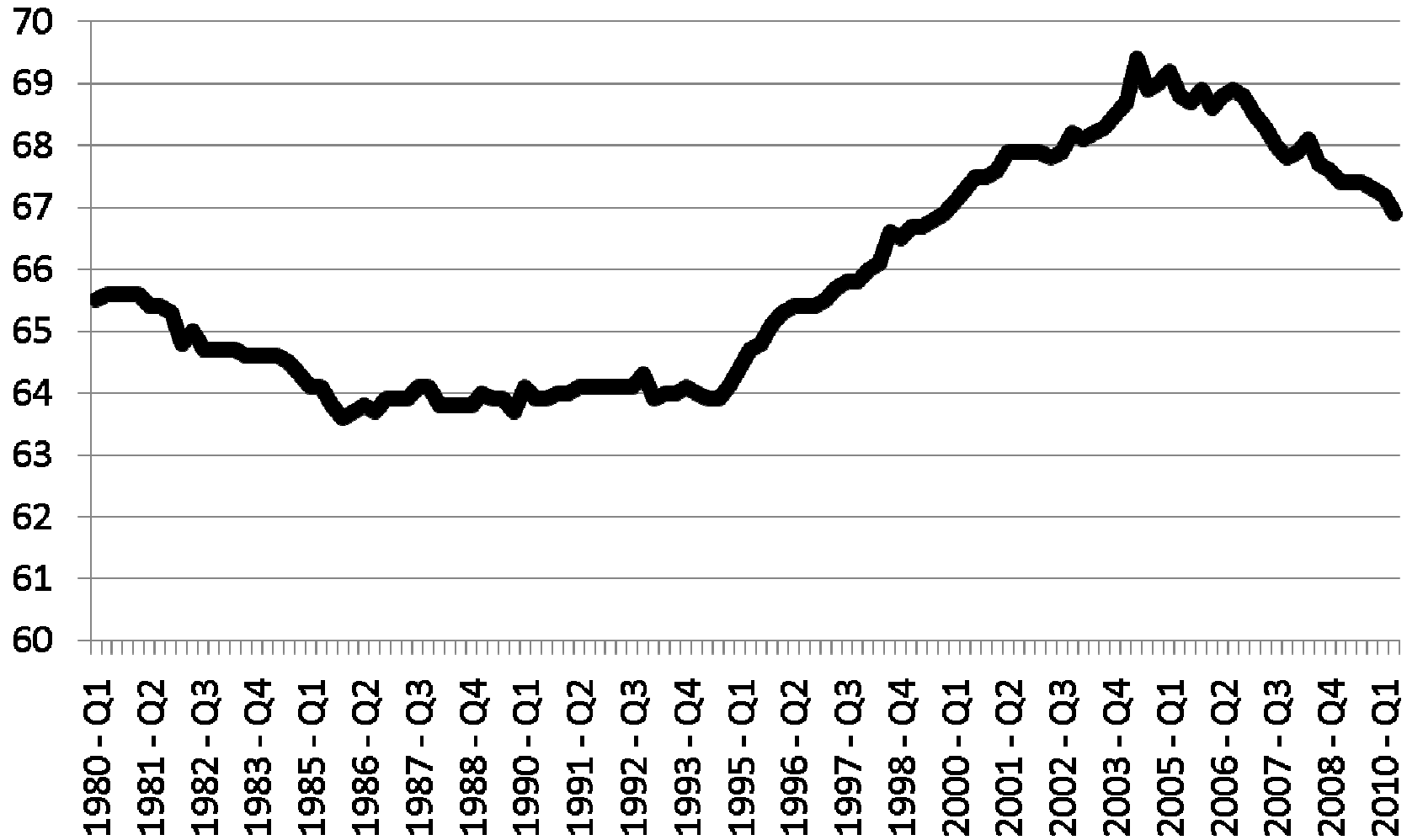
Source: NAR

Home Price-to-Income Ratio

(back to normal)

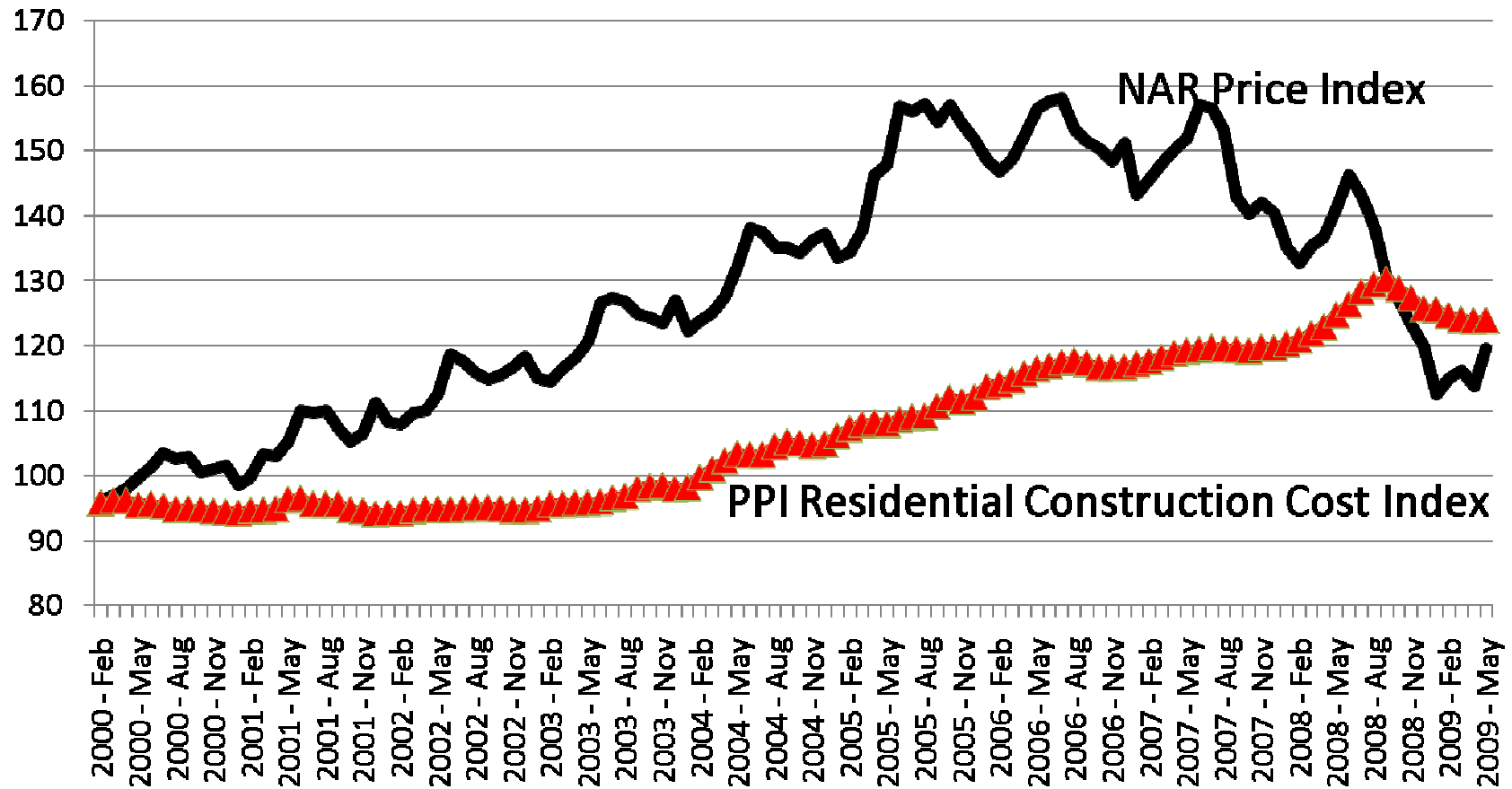


Homeownership Rate

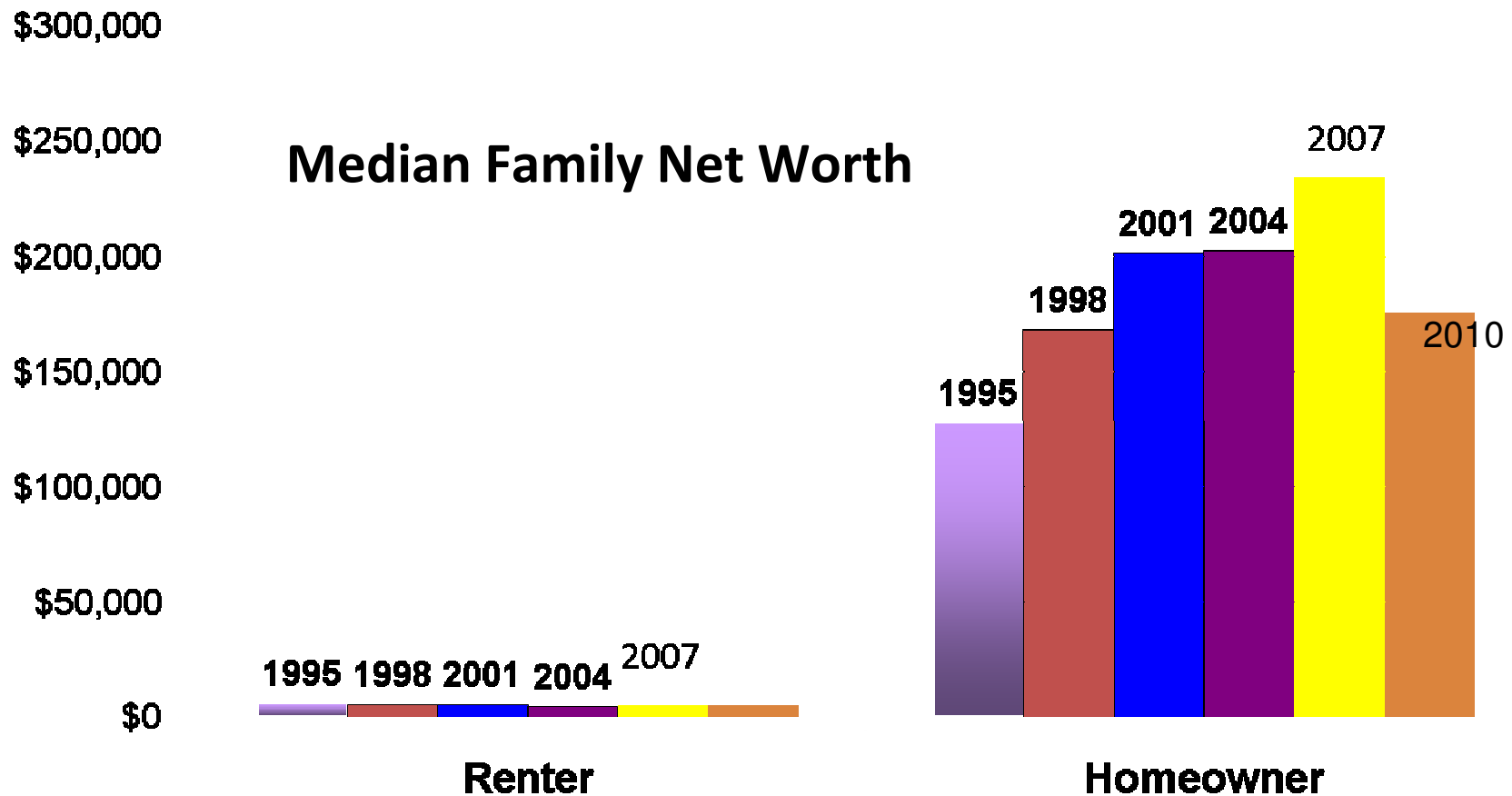


Home Price and Construction Cost

(more expensive to build compared to buying an existing property)



Long-Term Wealth Accumulation for Homeowners



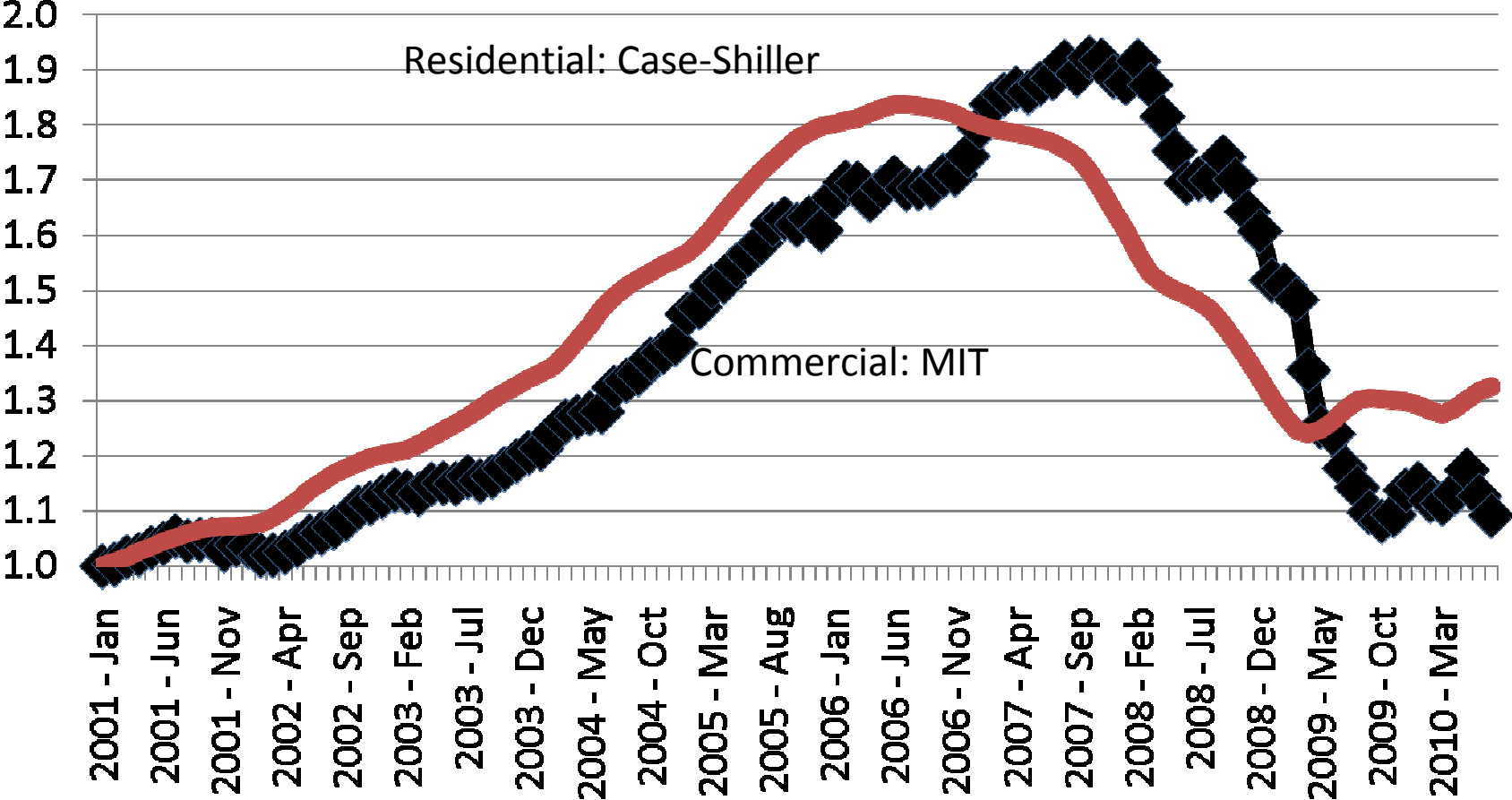
Source: Federal Reserve, NAR estimate for 2010

Baseline Outlook Cont.

- Mortgage Rates rising to 5.0% in 2011 and 5.9% in 2012
- Home values – no meaningful change in the national price in the next 2 years
- Home sales to be choppy but overall improving in line with job growth ... 5.2 million in 2011 (up from 4.8 m in 2010, but same as in 2000)
 - Affordability conditions are too compelling
 - There maybe a pent-up demand. 30 million additional people from 2000 but same home sales as in 2000.

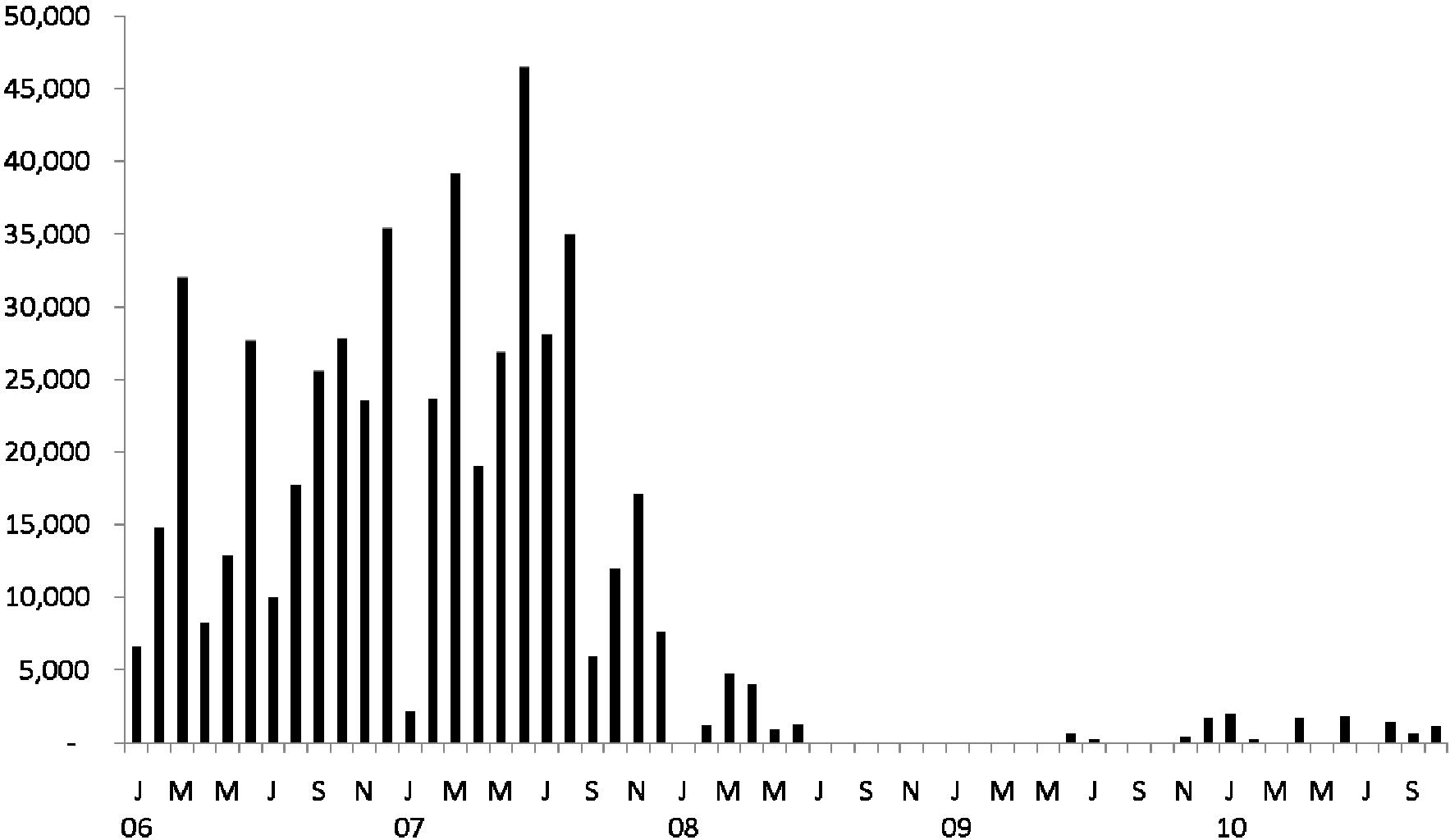
Commercial Real Estate

Real Estate Price



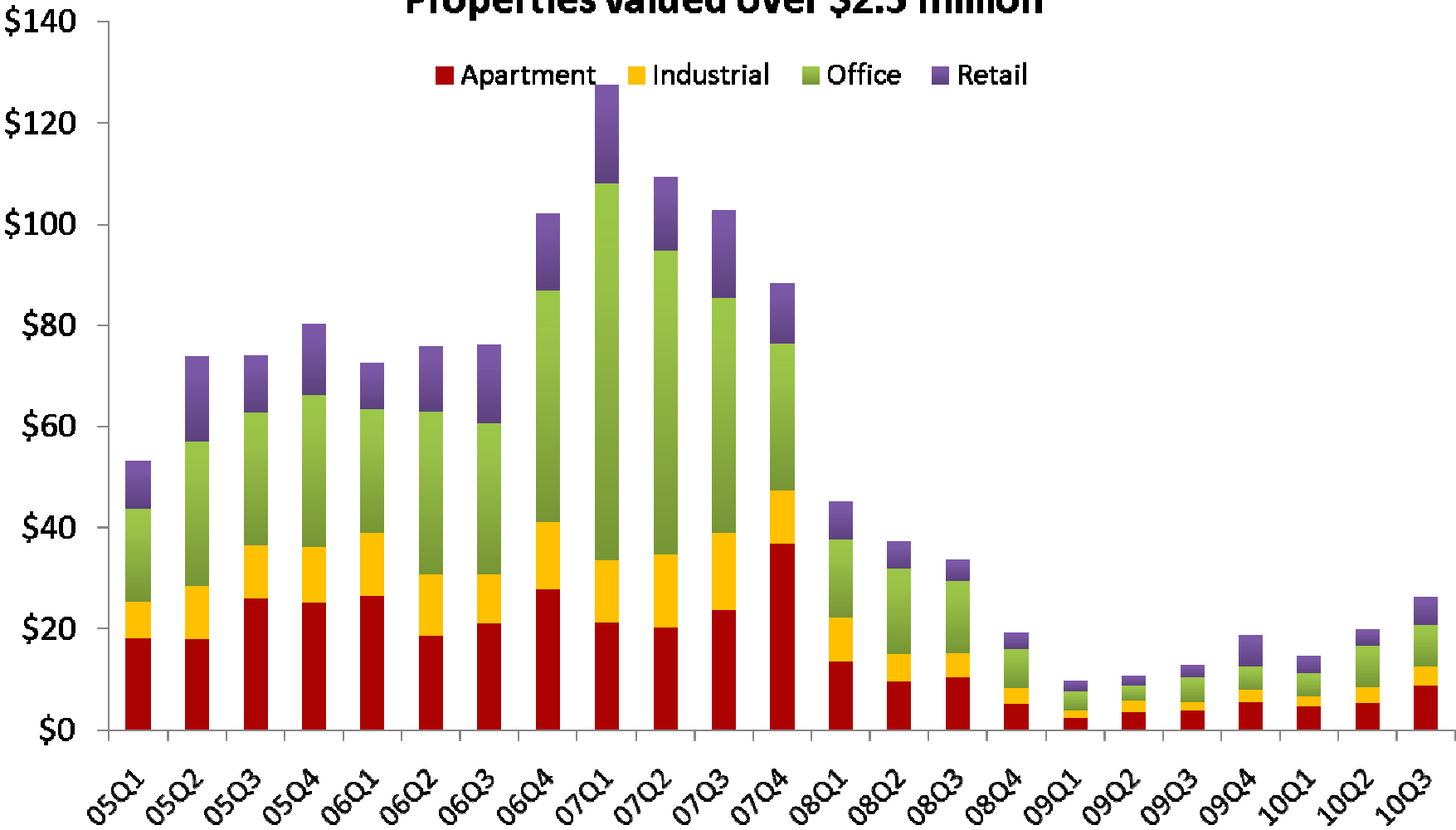
Commercial Mortgage Backed Security Issuance

■ Monthly CMBS Issuance (\$ Mil)



Source: Commercial Mortgage Alert

U.S. Sales Volume: Properties valued over \$2.5 million



Source: Real Capital Analytics