

Home Prices 2Q 2008 - Back to the Future

Foresight Analytics has released its “de-smoothed” version¹ of OFHEO’s paired-sales home price index for the second quarter. Results indicate a substantial weakening across a broad swath of housing markets.

- Home value declines intensified in the second quarter, particularly in the weakest markets. The Stockton, Riverside, Sacramento and Fresno markets in California, as well as Fort Lauderdale, FL and Las Vegas, NV experienced double-digit declines between the first and second quarters of 2008.
- Among major (Top 100) markets, Stockton stands out as especially weak, with price declines now exceeding 50%. Also in California’s Central Valley, Merced and Modesto have shown similar value declines from their peaks, falling by 56% and 49%, respectively.
- Rounding out the weakest major markets are markets in Central and Southern California, Florida and Nevada, generally with declines of 30% or more from their peaks. The Oakland-East Bay, CA market edged out Orange County, CA for tenth place among the largest markets, with a cumulative decline of 29.1% from its peak in the fourth quarter of 2005.
- Price declines have now spread to more markets, with the result that 85% of U.S. housing markets are now experiencing some sort of decline from a prior level. As we have highlighted previously, this degree of synchronization across markets far surpasses the downturns in the early 1980s and 1990s, when roughly 50% of markets were in decline at the most severe points. Although our statistics do not reach that far back in time, we believe this is the most widespread downturn in housing since the 1930s.
- Although price declines have spread to a greater number of markets, some markets are still exhibiting relative strength. These markets are generally in the South and Southeast. Markets in Texas and Oklahoma have been buoyed by the strength in the natural resources sector, in turn driven by high energy prices. Trends in these areas could turn negative if oil prices decline further.
- The broad and deep housing market downturn has resulted in prices being set back to levels from several years ago, in essence like being sent through a “time machine.” Detroit and Warren, MI have fallen to levels last seen in 1999, while Stockton, CA has fallen to levels last seen in the fourth quarter of 2000.

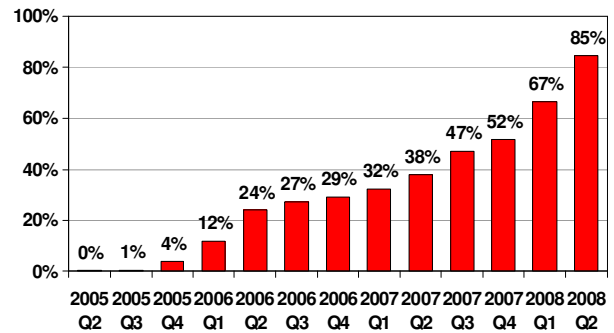
¹ See our first quarter 2008 report for more information about our de-smoothed home price index. Available at: <http://www.foresightanalytics.com/resources.php>

Hardest Hit Markets Cumulative Change from Peak to 2Q 2008 (From the 100 Largest Markets)

Metro Area (Peak)	Price Change	
	Since Peak	1Q08 to 2Q08
Stockton, CA (4Q05)	-51.7%	-19.4%
Riverside-S.B., CA (2Q06)	-36.4%	-15.8%
Sarasota, FL (1Q06)	-36.0%	-5.3%
Sacramento, CA (4Q05)	-35.9%	-10.0%
Fresno, CA (1Q06)	-32.9%	-11.2%
Bakersfield, CA (1Q06)	-32.5%	-8.0%
Fort Lauderdale, FL (1Q06)	-32.4%	-12.3%
Ventura, CA (1Q06)	-30.2%	-8.2%
Las Vegas, NV (1Q06)	-29.5%	-10.1%
Oakland-East Bay, CA (4Q05)	-29.1%	-8.9%

Sources: OFHEO, Foresight Analytics

Residential Markets In Decline Proportion of U.S. Markets



Source: Foresight Analytics

Rising Markets Cumulative Change from 1Q 2006 (From the 100 Largest Markets)

Metro Area	Price Change	
	Since 1Q06	1Q08 to 2Q08
Austin, TX	18.8%	-0.8%
Charlotte, NC	16.2%	0.7%
Greenville, SC	13.4%	2.1%
Raleigh-Cary, NC	13.2%	1.2%
Houston, TX	11.2%	0.9%
Wichita, KS	10.5%	0.1%
Nashville, TN	10.4%	0.0%
Tulsa, OK	10.1%	1.3%
Oklahoma City, OK	9.5%	2.9%
Columbia, SC	8.4%	0.3%

Sources: OFHEO, Foresight Analytics

- Among the 20 markets with the greatest “dial-back” to an earlier time, markets in California and Florida have suffered severe price declines following earlier booms, whereas markets in Michigan, Indiana and Ohio have experienced less substantial declines that followed modest rises in prices.
- Michigan markets have been set back the most, and on average are level with 2002 prices. California is next, with prices on average at 2003 levels. Other boom-bust markets, such as Nevada, Florida and Arizona have also suffered major setbacks, with prices on average reaching 2004 levels.
- When viewed against the backdrop of the depth and breadth of the housing price declines, the recent sharp deterioration of the residential mortgage market — including the meltdown of major investment banks, the government rescue of Fannie Mae and Freddie Mac and a quickening pace of bank failures — should be hardly surprising. With an increasing proportion of residential mortgages “underwater,” i.e., where mortgage balances exceed home values, we believe the recent rise in residential mortgage and construction loan defaults have not yet run their course.

**Home Price Time Machine
Markets with Greatest "Dial-Back"
As of 2Q 2008**

Market	Prices Now Closest To	Decline From Peak
Detroit, MI	1999 Q3	-21.8%
Warren, MI	1999 Q4	-18.5%
Monroe, MI	2000 Q3	-18.8%
Stockton, CA	2000 Q4	-51.7%
Muncie, IN	2000 Q4	-11.8%
Merced, CA	2001 Q1	-55.9%
Ann Arbor, MI	2001 Q1	-19.1%
Flint, MI	2001 Q1	-15.7%
Modesto, CA	2002 Q2	-48.9%
Mansfield, OH	2002 Q2	-12.2%
Kokomo, IN	2002 Q3	-8.0%
Greeley, CO	2002 Q3	-6.1%
Vallejo-Fairfield, CA	2002 Q4	-40.0%
Bay City, MI	2002 Q4	-12.2%
Salinas, CA	2003 Q2	-43.7%
Toledo, OH	2003 Q2	-9.2%
Saginaw, MI	2003 Q2	-8.2%
Yuba City, CA	2003 Q3	-38.0%
Port St. Lucie, FL	2003 Q3	-39.8%
Santa Rosa, CA	2003 Q3	-31.3%

For more information, contact:

Matt Anderson m.anderson@foresightanalytics.com
Partner

Susan Persin s.persin@foresightanalytics.com
Partner

Tel: (510) 893-1760

Web: <http://www.foresightanalytics.com>

Sources: OFHEO, Foresight Analytics

**Time Machine - State Summary
Average Price Level Equivalent
As of 2Q 2008**

2002	2003	2004	2005	2006	2007	2008
MI	CA	NV	MD	NY	SC	SD
		NH	CT	ID	MT	WY
		RI	MN	ME	ND	
		MA	DC	VT	AL	
		FL	HI	VA	TX	
		OH	NJ	WA	LA	
		AZ	CO	UT	NC	
			DE	AR	WV	
			OR	NM	OK	
			IN	AK	NE	
				KS	KY	
				GA		
				MS		
				MO		
				IA		
				IL		
				TN		
				WI		
				PA		

Source: Foresight Analytics

**Cumulative Change from Peak to 2Q 2008
100 Largest Markets**

Metro Area	Cumulative Price Change	Metro Area	Cumulative Price Change
Stockton, CA	-51.7%	Seattle, WA	-4.2%
Riverside-S.B., CA	-36.4%	Springfield, MA	-3.9%
Sarasota, FL	-36.0%	Norfolk, VA	-3.9%
Sacramento, CA	-35.9%	Portland, OR	-3.8%
Fresno, CA	-32.9%	Akron, OH	-3.8%
Bakersfield, CA	-32.5%	El Paso, TX	-3.7%
Fort Lauderdale, FL	-32.4%	Richmond, VA	-3.6%
Ventura, CA	-30.2%	Chicago, IL	-3.6%
Las Vegas, NV	-29.5%	Lake County, IL	-3.5%
Oakland-East Bay, CA	-29.1%	Hartford, CT	-2.9%
Orange County, CA	-28.8%	Colorado Springs, CO	-2.7%
West Palm Beach, FL	-28.7%	Albuquerque, NM	-2.6%
San Diego, CA	-27.2%	Syracuse, NY	-2.3%
Los Angeles, CA	-25.4%	Atlanta, GA	-1.8%
Phoenix, AZ	-24.8%	Charleston, SC	-1.8%
Tampa, FL	-24.7%	Knoxville, TN	-1.8%
Detroit, MI	-21.8%	Cincinnati, OH	-1.7%
Orlando, FL	-21.1%	Milwaukee, WI	-1.6%
Miami, FL	-19.5%	Kansas City, MO-KS	-1.4%
Warren, MI	-18.5%	Albany, NY	-1.4%
Washington DC	-17.8%	Little Rock, AR	-1.3%
San Jose, CA	-16.9%	Birmingham, AL	-1.2%
Tucson, AZ	-14.4%	Columbus, OH	-1.1%
San Francisco, CA	-13.9%	St. Louis, MO-IL	-1.1%
Bethesda, MD	-13.9%	Philadelphia, PA	-1.1%
Worcester, MA	-11.8%	Baton Rouge, LA	-1.0%
Providence, RI	-11.5%	Denver-Aurora, CO	-1.0%
Jacksonville, FL	-11.4%	San Antonio, TX	-0.9%
Boston, MA	-10.3%	Gary, IN	-0.9%
Edison, NJ	-9.4%	Austin, TX	-0.8%
Toledo, OH	-9.2%	Dallas, TX	-0.7%
Cambridge, MA	-9.0%	Dayton, OH	-0.7%
Nassau-Suffolk, NY	-8.9%	Omaha, NE	-0.7%
Poughkeepsie, NY	-8.5%	Buffalo, NY	-0.6%
Bridgeport, CT	-7.8%	Memphis, TN	-0.6%
Minneapolis, MN	-7.5%	Indianapolis, IN	-0.4%
Grand Rapids, MI	-7.2%	Pittsburgh, PA	-0.4%
Newark, NJ	-6.5%	Greensboro, NC	-0.2%
Camden, NJ	-6.4%	Charlotte, NC	*
New Haven, CT	-5.7%	Columbia, SC	*
McAllen, TX	-5.7%	Fort Worth, TX	*
Tacoma, WA	-5.4%	Greenville, SC	*
Baltimore, MD	-5.2%	Houston, TX	*
Allentown, PA	-5.1%	Louisville, KY-IN	*
New York, NY	-5.0%	Nashville, TN	*
Wilmington, DE	-5.0%	Oklahoma City, OK	*
Cleveland, OH	-5.0%	Raleigh-Cary, NC	*
New Orleans, LA	-4.8%	Rochester, NY	*
Salt Lake City, UT	-4.5%	Tulsa, OK	*
Honolulu, HI	-4.4%	Wichita, KS	*

* Market has not yet peaked.

Sources: OFHEO, Foresight Analytics