CALIFORNIA ASSOCIATION OF REALTORS®

Economic, Market, and Membership Forecast 2010-12

Special Executive Committee Meeting

September 21, 2010

Robert A. Kleinhenz, Ph.D.
Deputy Chief Economist
CALIFORNIA ASSOCIATION OF REALTORS®

Outline

- Economic Conditions in US & CA
- Market Outlook
- Membership Outlook
- Conclusion

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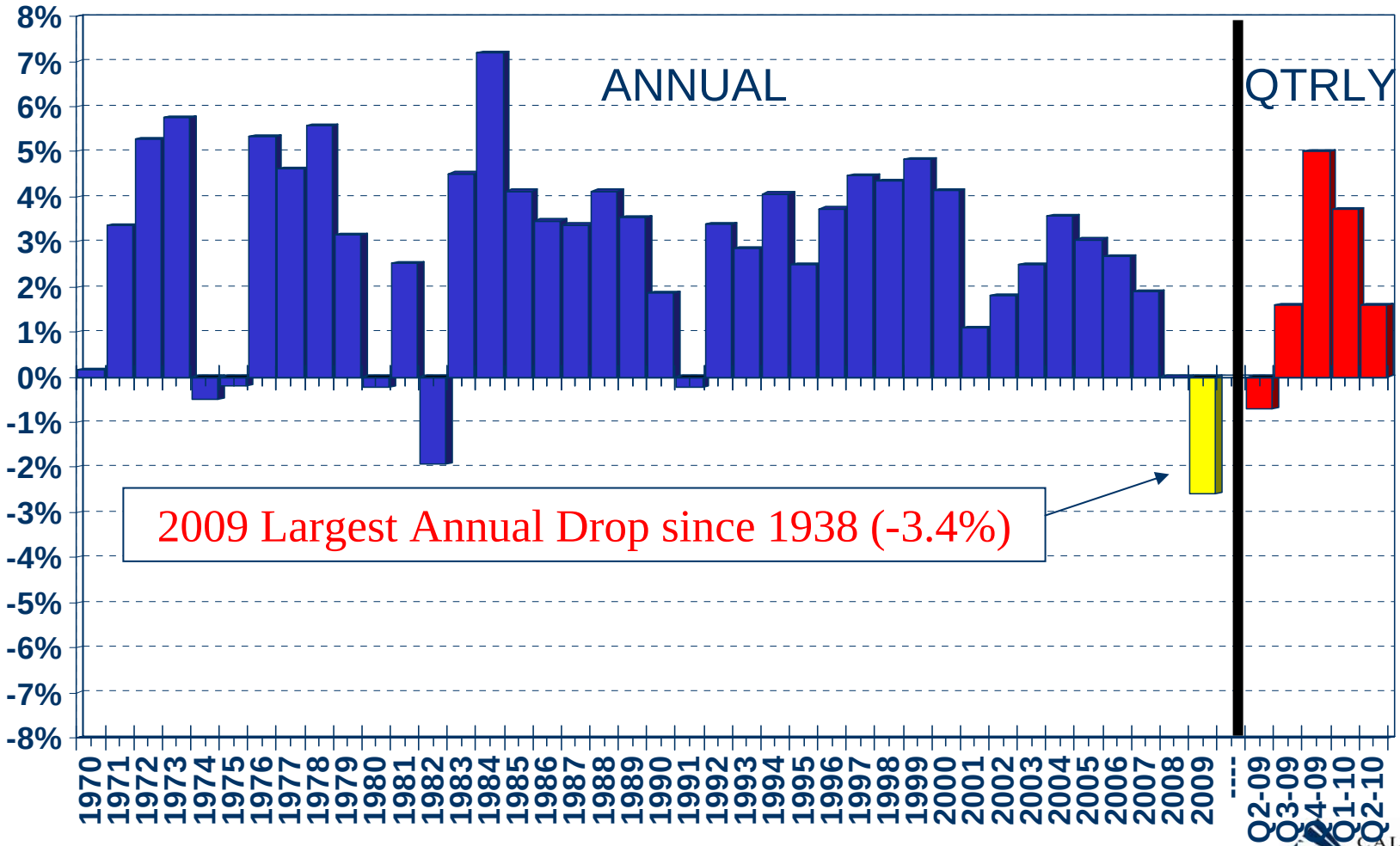
US and California Economic Conditions

Gross Domestic Product

2009: -2.4%; 2010 Q2: +1.6%

ANNUAL PERCENT CHANGE, CHAIN-TYPE (2005) $



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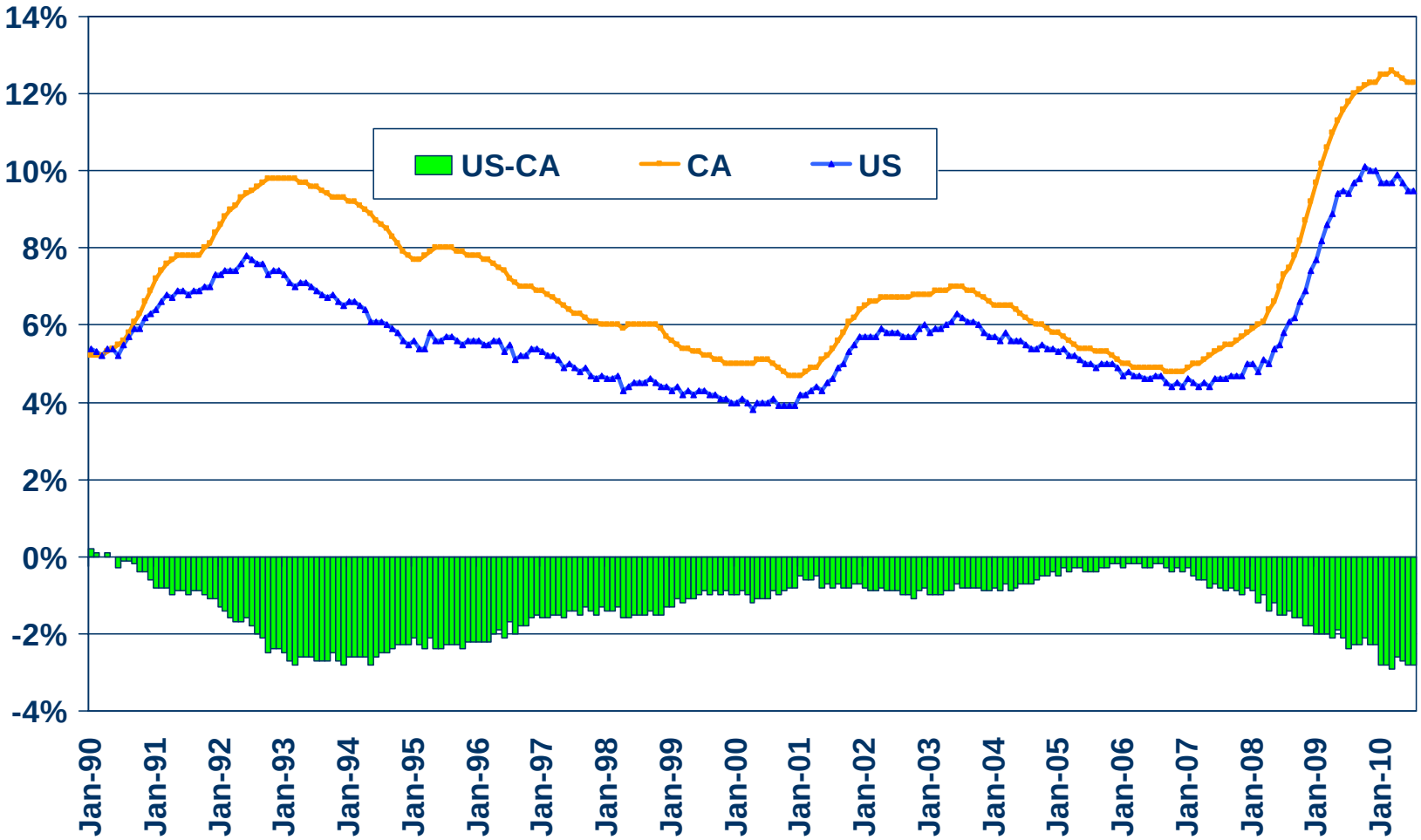
Unemployment Rate

California vs. United States



SOURCE: CA Employment Development Division

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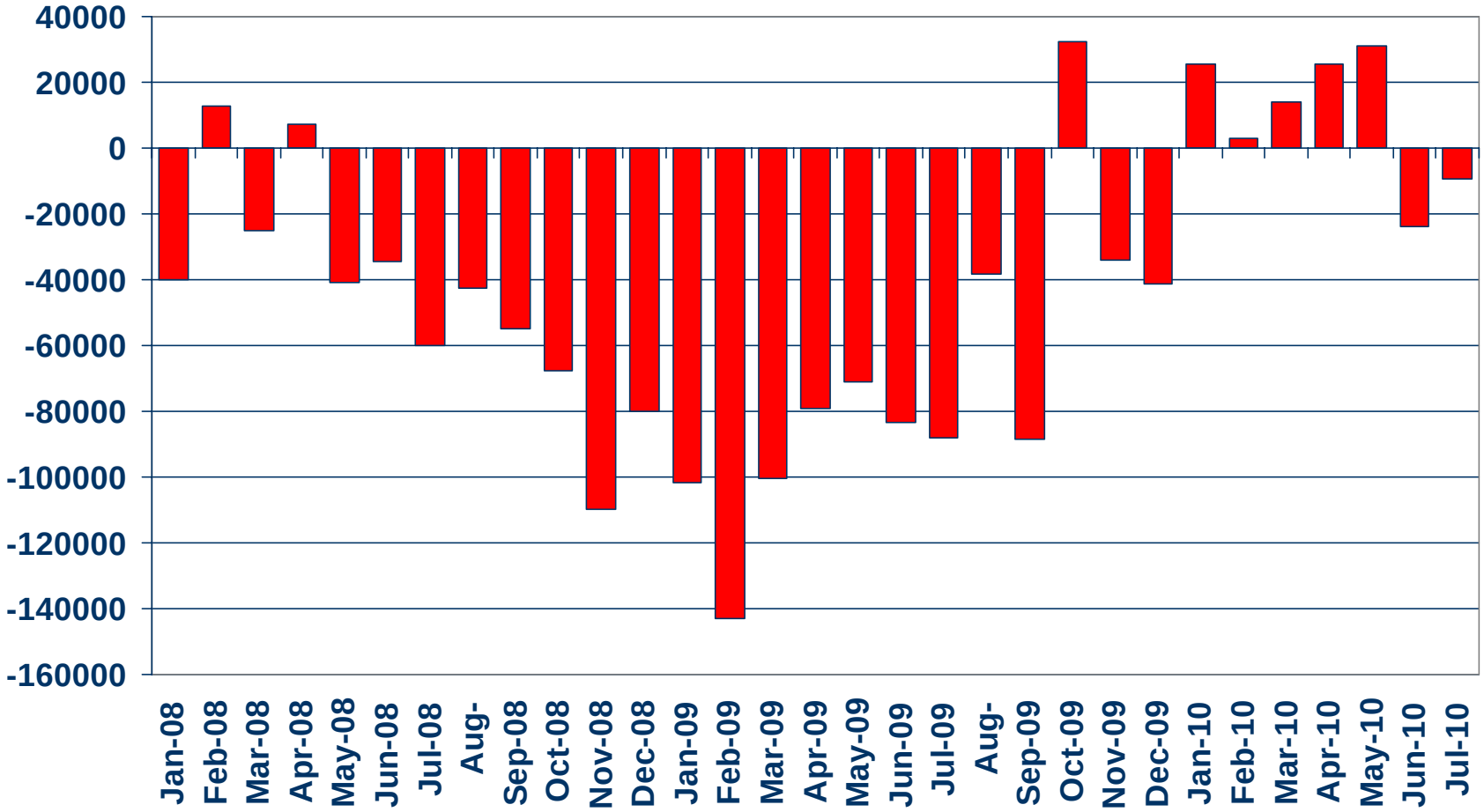
California Non-farm Job Growth
Month-to-Month Changes



SOURCE: CA Employment Development Division

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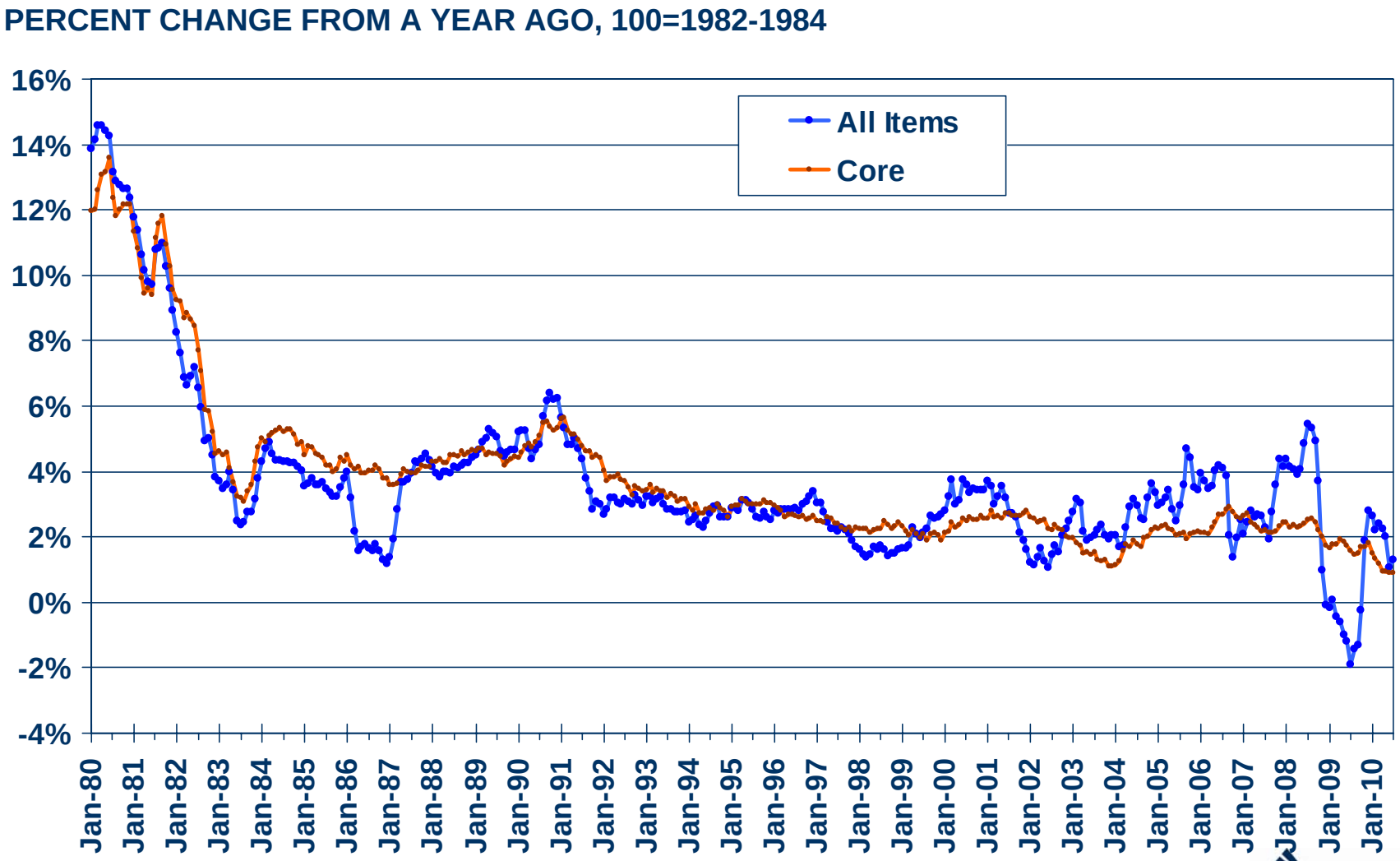
Consumer Price Index

July 2010: All Items 1.3% YTY; Core 0.9% YTY



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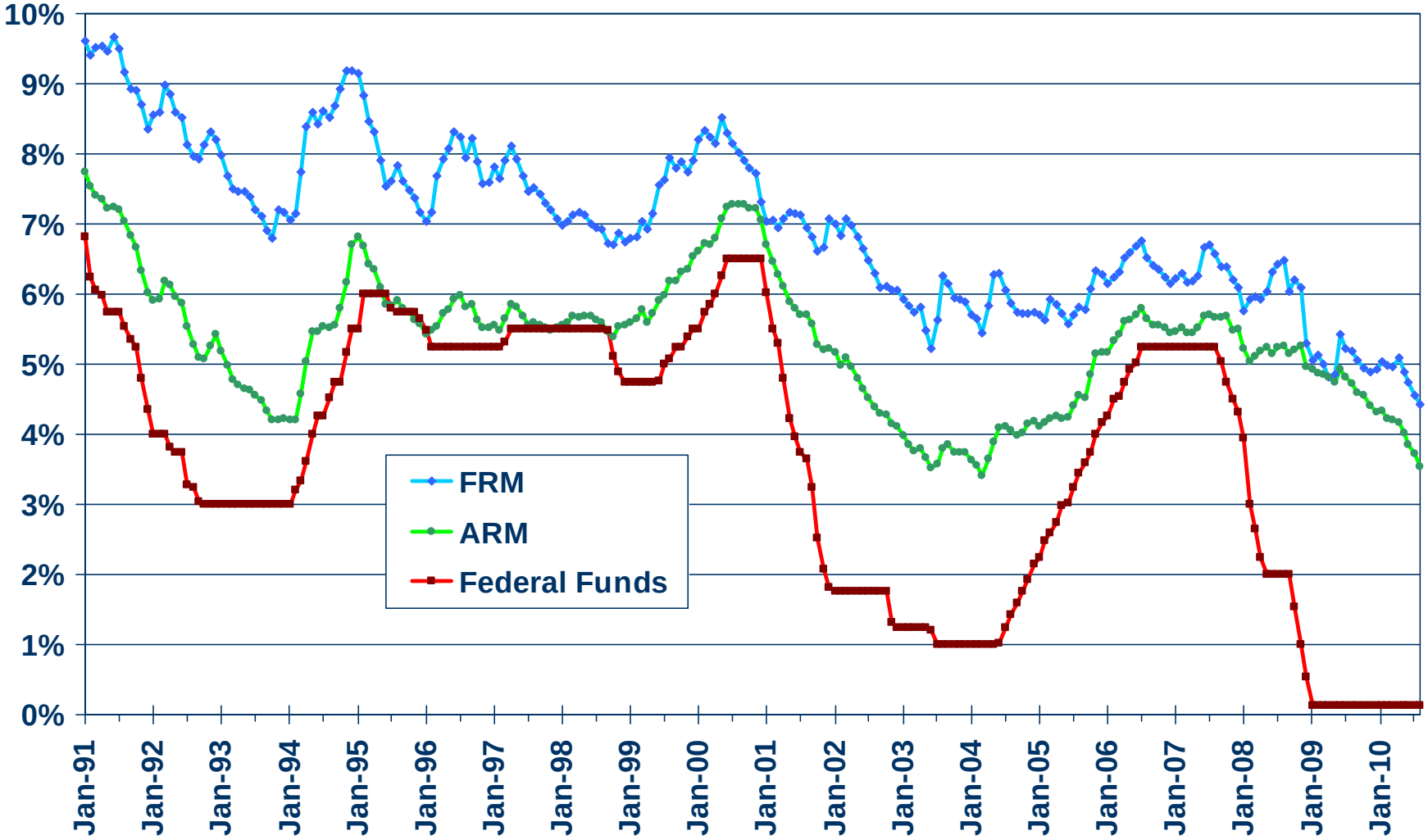
Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corporation

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U.S. Economic Outlook

	2004	2005	2006	2007	2008	2009	2010f	2011f
US GDP	3.6%	3.1%	2.7%	1.9%	0.0%	-2.6%	2.9%	2.6%
Nonfarm Job Growth	1.1%	1.7%	1.8%	1.1%	-0.4%	-4.3%	-0.3%	1.5%
Unemployment	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.7%	9.6%
CPI	2.7%	3.4%	3.2%	2.8%	3.8%	-0.3%	1.4%	1.6%
Real Disposable Income, % Change	3.4%	1.3%	4.0%	2.2%	0.5%	0.9%	1.3%	1.6%

Forecast Date: September 10, 2010

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California Economic Outlook

	2004	2005	2006	2007	2008	2009	2010f	2011f
Nonfarm Job Growth	1.0%	1.8%	1.7%	0.8%	-1.3%	-6.0%	-1.3%	1.6%
Unemployment Rate	6.2%	5.4%	4.9%	5.4%	7.2%	11.4%	12.3%	11.3%
Population Growth	1.4%	1.2%	1.1%	1.1%	1.2%	1.1%	1.0%	1.0%
Real Disposable Income, % Change	3.6%	1.3%	3.4%	1.5%	0.1%	-2.2%	0.9%	2.6%

Forecast Date: September 10, 2010

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Economic Outlook

- Recession over, slow recovery expected
- Government support in first half of 2010
- Private sector economy must accelerate thereafter
  - Business, Global Trade, Consumers
- Labor market: mixed signals, job growth in late ’10
- Inflation: in check through 2011
- Monetary policy: no rate hikes until 2011

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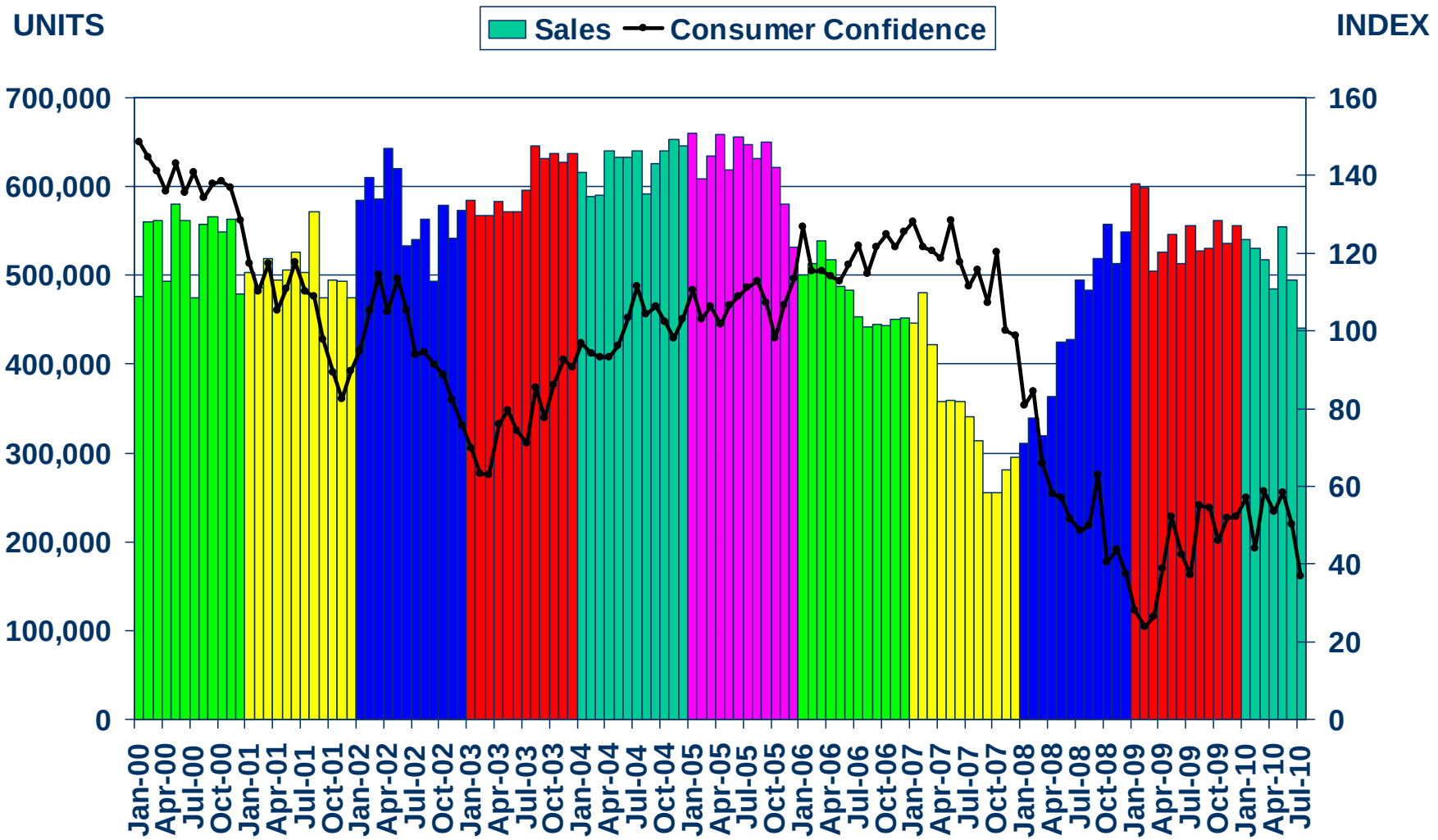
California Real Estate Market

Sales of Existing Detached Homes and Pacific West Consumer Confidence

California, July 2010 Sales: 440,370 Units, Down 20.8% YTY, Down 7.4% YTD



SOURCE: California Association of REALTORS®; The Conference Board

***Sales are seasonally adjusted and annualized**

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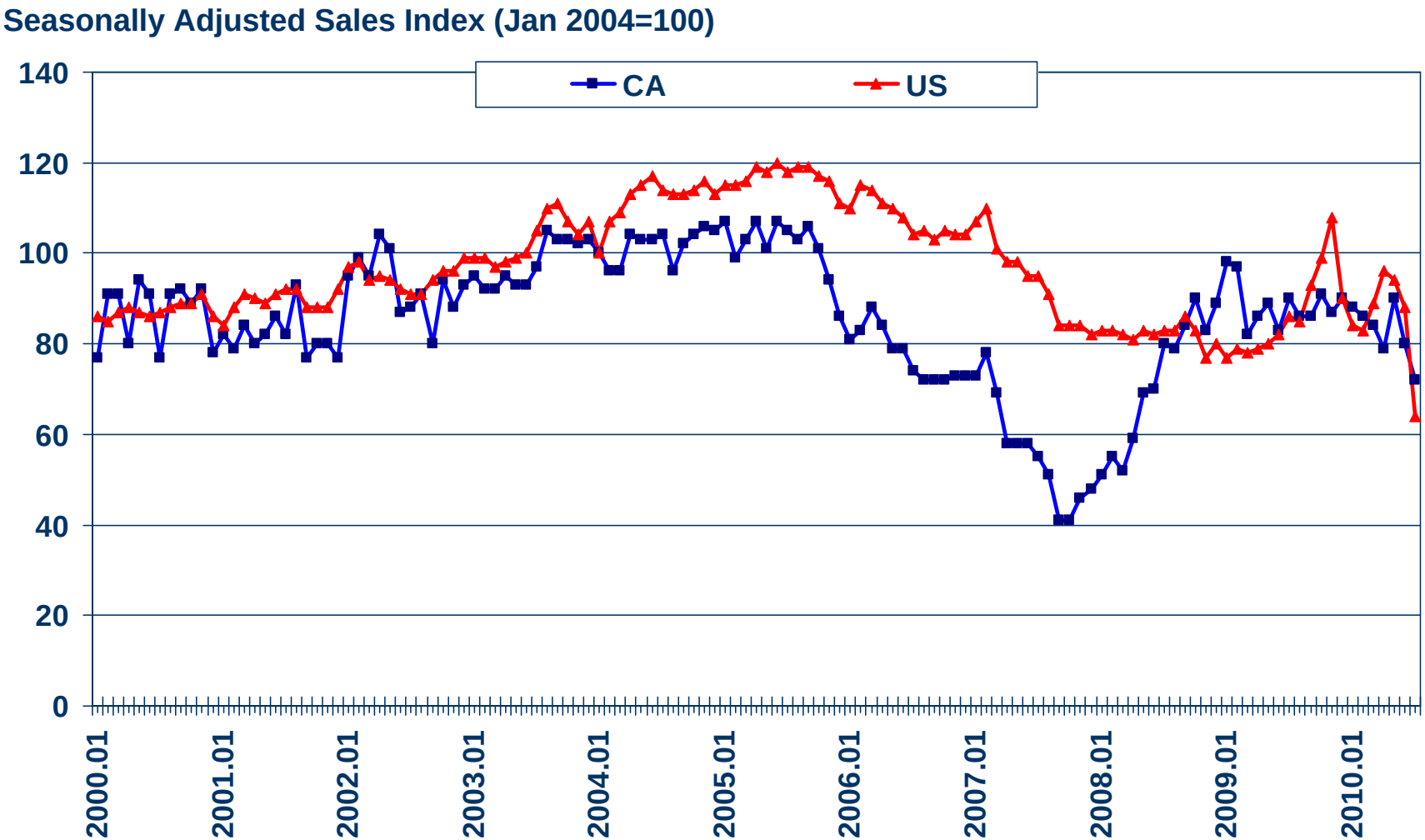
CA Sales Back to Pre-Peak Levels by mid '08

California Vs. U.S. 2000-Present



SOURCE: California Association of REALTORS®

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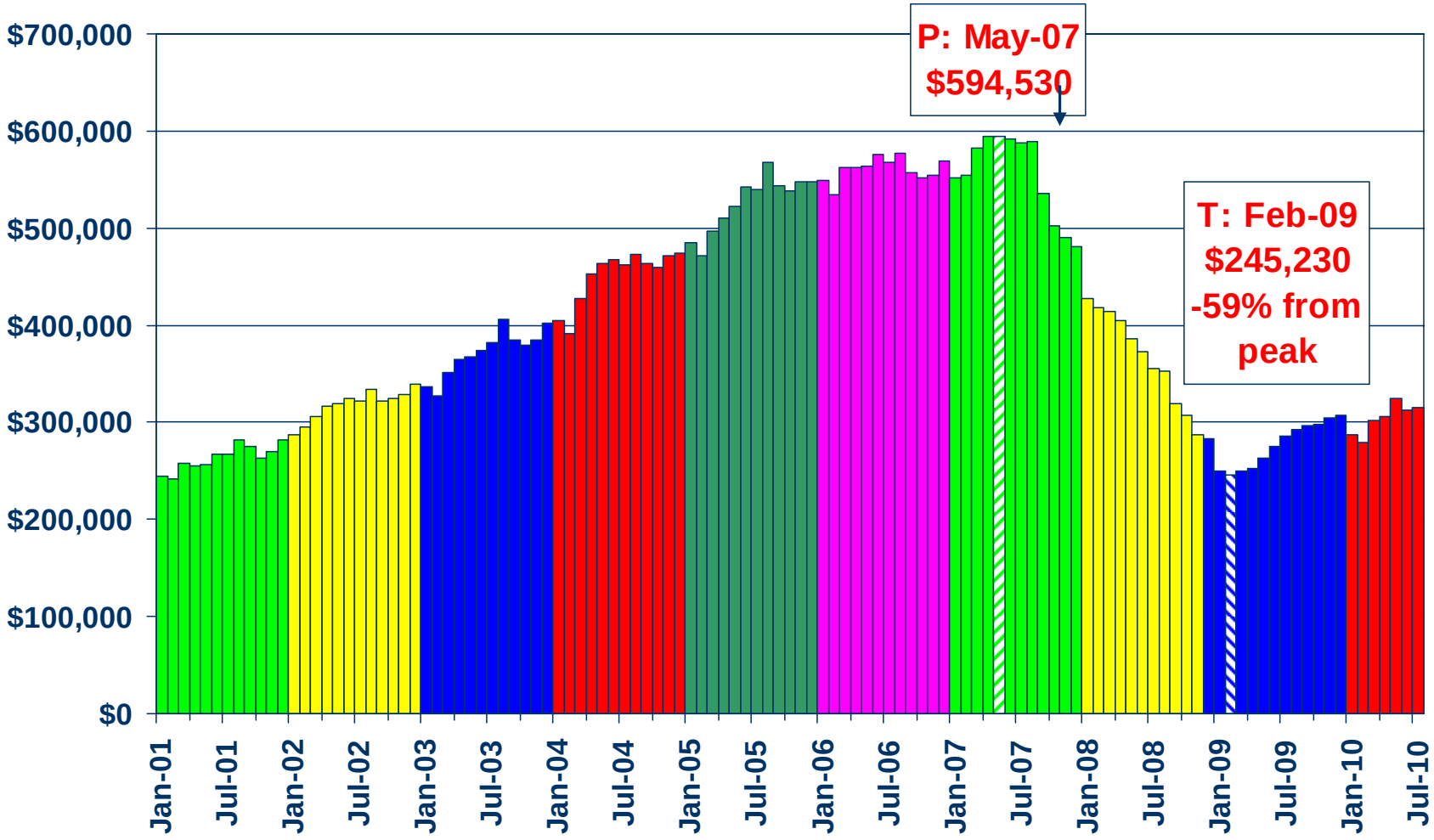
Median Price of Existing Detached Homes

California, July 2010: $314,850, Up 10.4% YTY



SOURCE: California Association of REALTORS®

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Trough vs. Current Price – Jul 2010

Region	Trough Month	Trough Price	Jul-10 Median	% Chg From Trough
San Francisco Bay Area	Feb-09	$399,040	$607,510	52.2%
Monterey Region	Feb-09	$241,130	$344,740	43.0%
Santa Clara	Feb-09	$445,000	$630,000	41.6%
Palm Springs/Lower Desert	Apr-09	$150,140	$194,320	29.4%
CALIFORNIA	**Feb-09**	**$245,230**	$314,850	**28.4%**
Ventura	Feb-09	$359,630	$444,230	23.5%
Riverside/San Bernardino	Apr-09	$156,840	$190,870	21.7%
Orange County	Jan-09	$423,100	$514,180	21.5%
High Desert	May-09	$106,210	$128,950	21.4%
San Diego	Mar-09	$326,830	$389,440	19.2%
Northern Wine Country	Feb-09	$310,950	$367,690	18.2%
Los Angeles	Mar-09	$295,100	$345,410	17.0%
San Luis Obispo	Apr-09	$338,160	$383,720	13.5%
Sacramento	Apr-09	$167,340	$186,180	11.3%
Northern California	May-10	$243,200	$247,520	1.8%

SOURCE: California Association of REALTORS®

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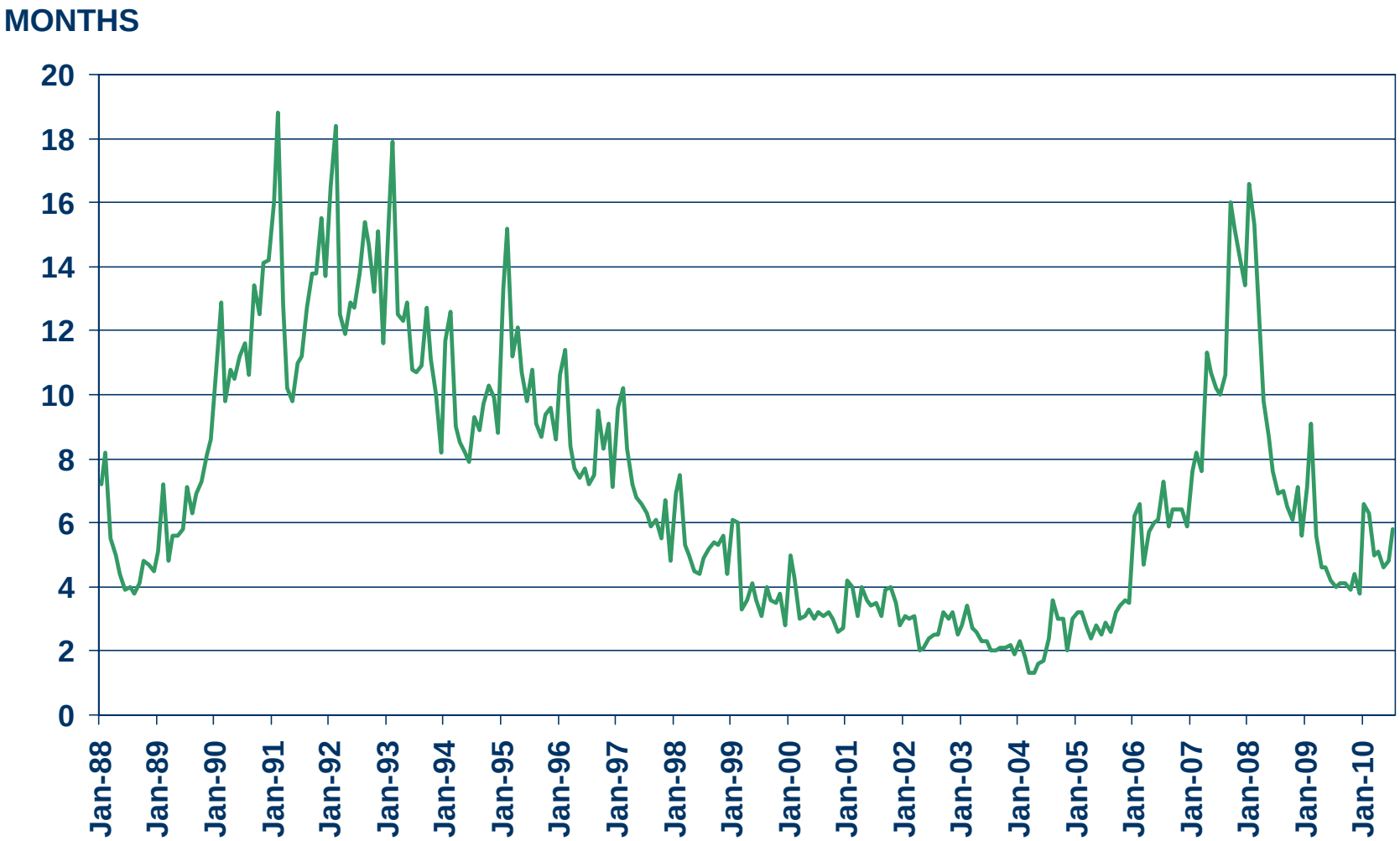
Unsold Inventory Index

California, July 2010: 5.8 Months



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

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Unsold Inventory Index (Months)

Price Range (Thousand)	Jul-10	Jun-10	Jul-09
$1,000K+	10.4	9.2	10.1
$750-1000K	6.7	5.9	5.4
$500-750K	6.0	4.8	4.0
$300-500K	5.5	4.2	3.7
$0-300K	5.1	3.0	3.3

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

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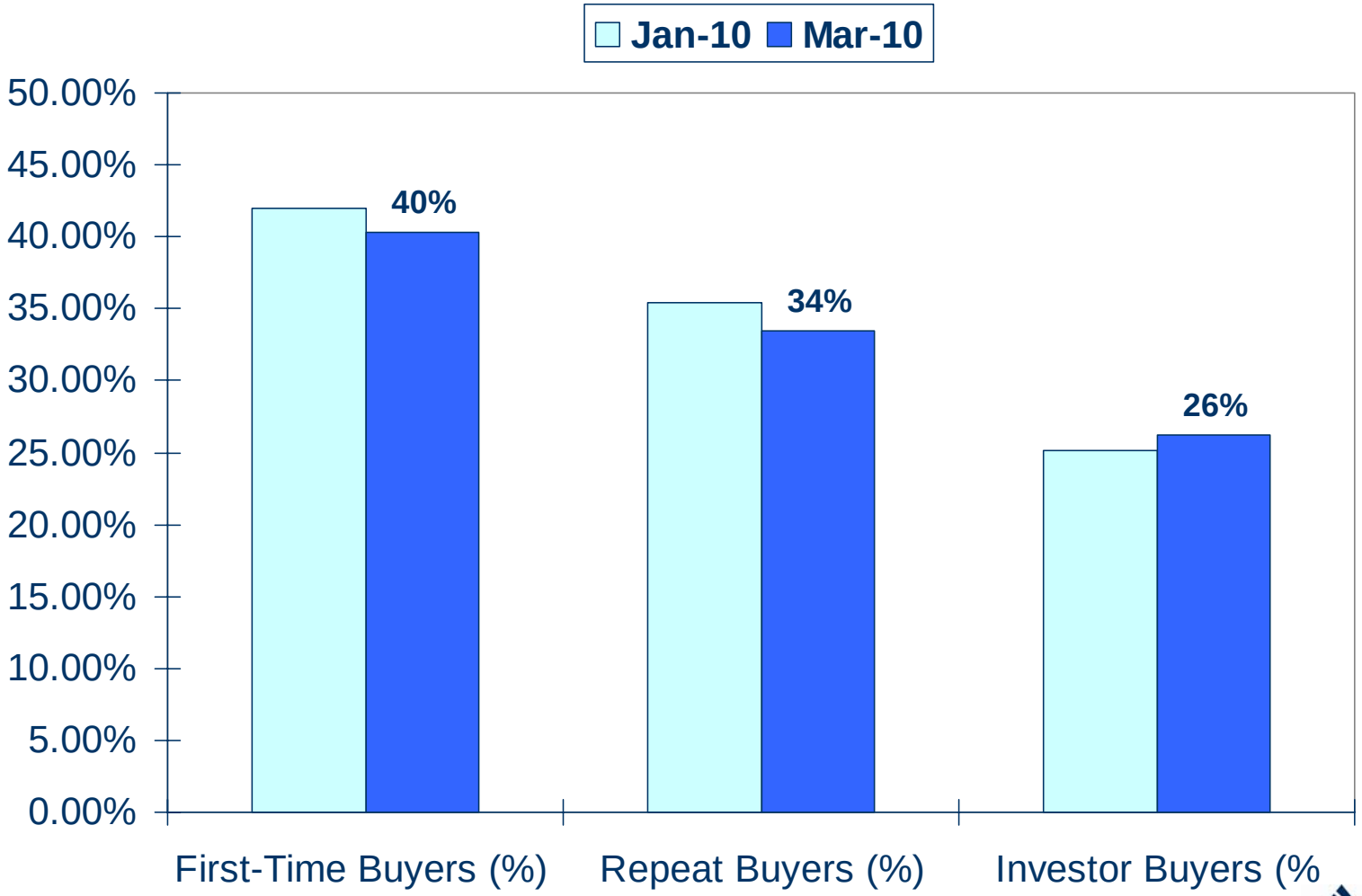
First-Timers are Largest Group of Buyers

-Average Overall Share of Buying Side of Transactions-



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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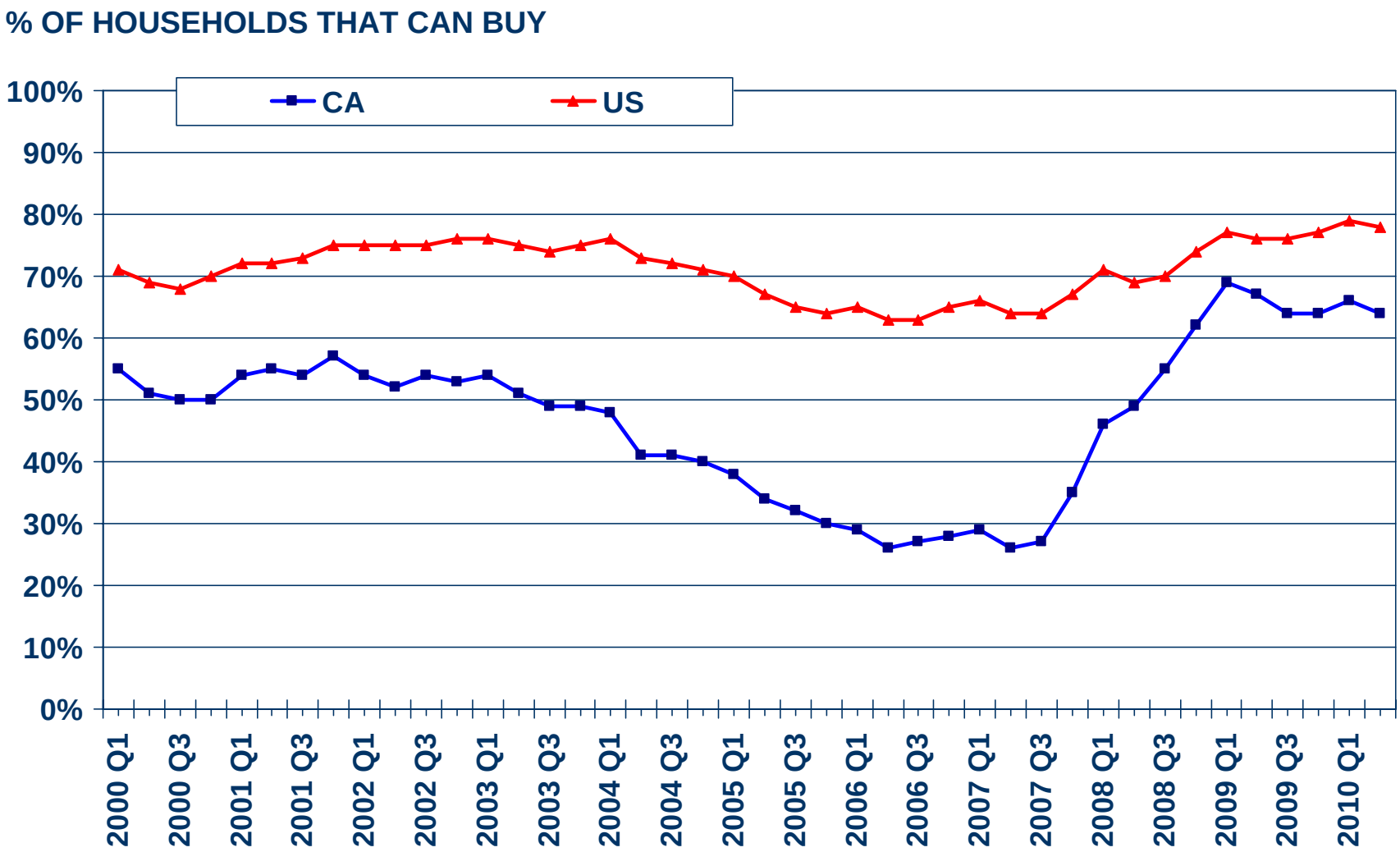
First-time Buyer Housing Affordability Index

California Vs. U.S. 2000-2010



SOURCE: California Association of REALTORS®

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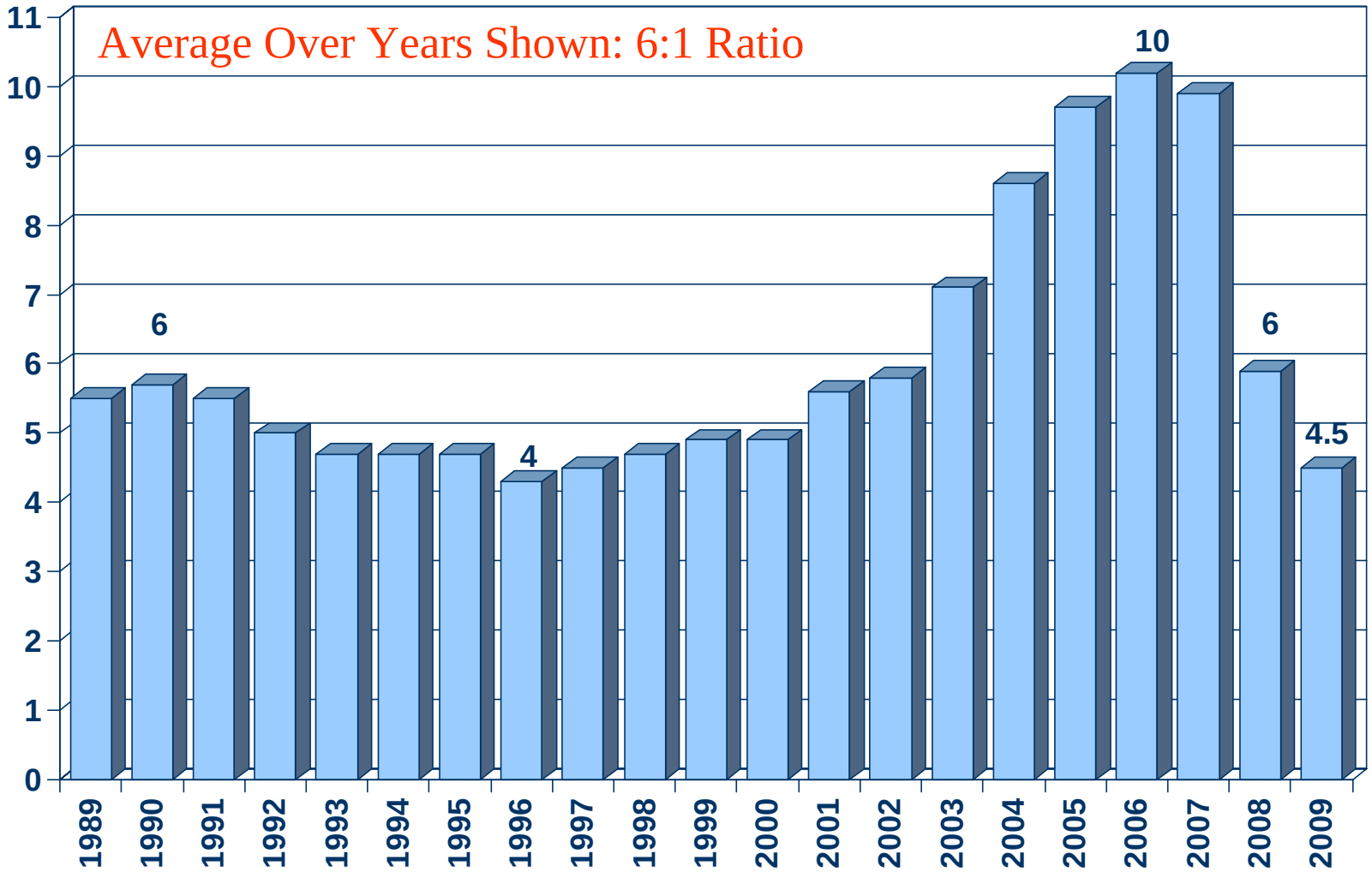
Median Price to Median HH Income Ratio

California



SOURCE: California Association of REALTORS®

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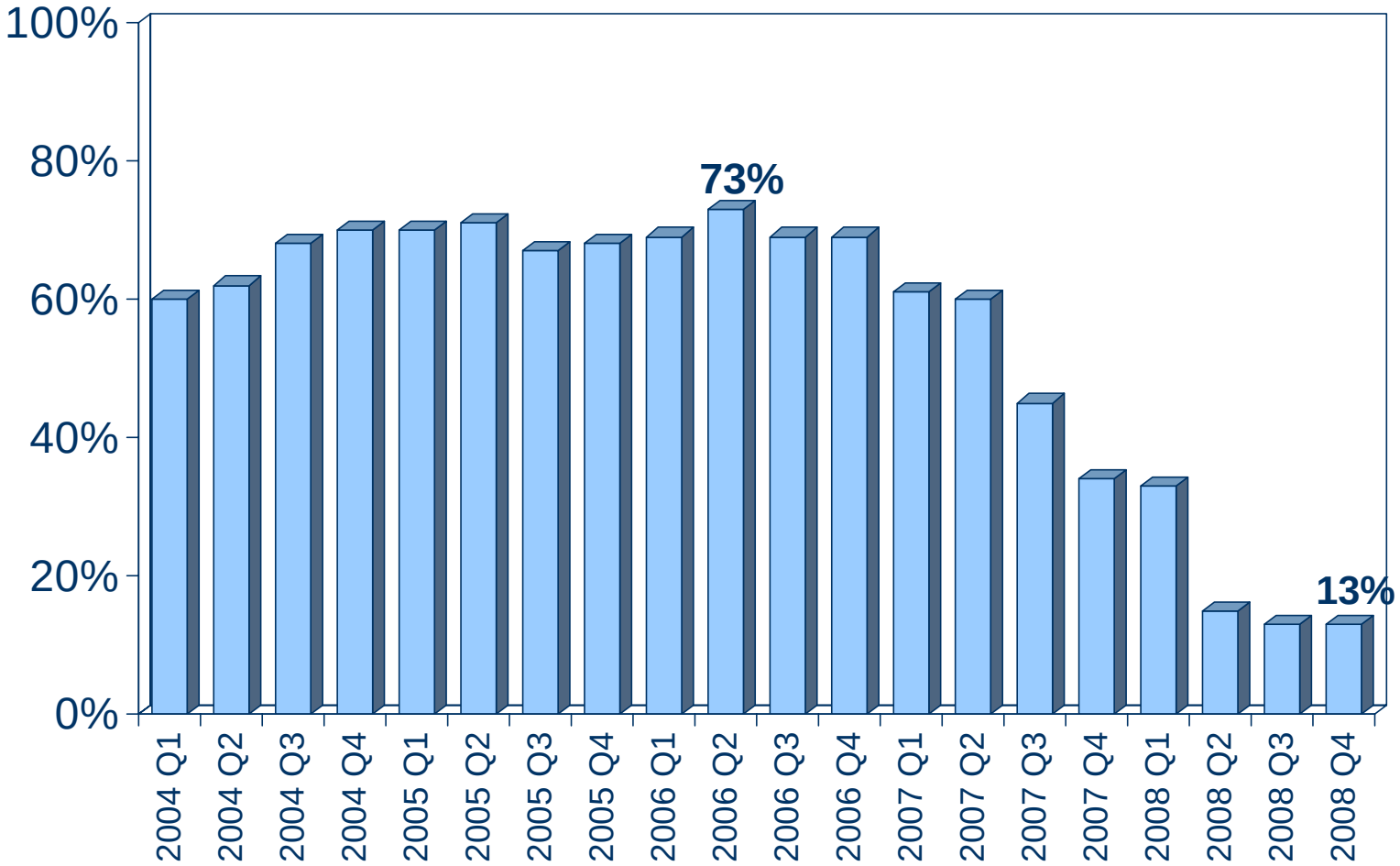
Non-GSE Share of New Mortgage Originations

2004 - 2008



SOURCE: Inside Mortgage Finance, compiled by C.A.R.

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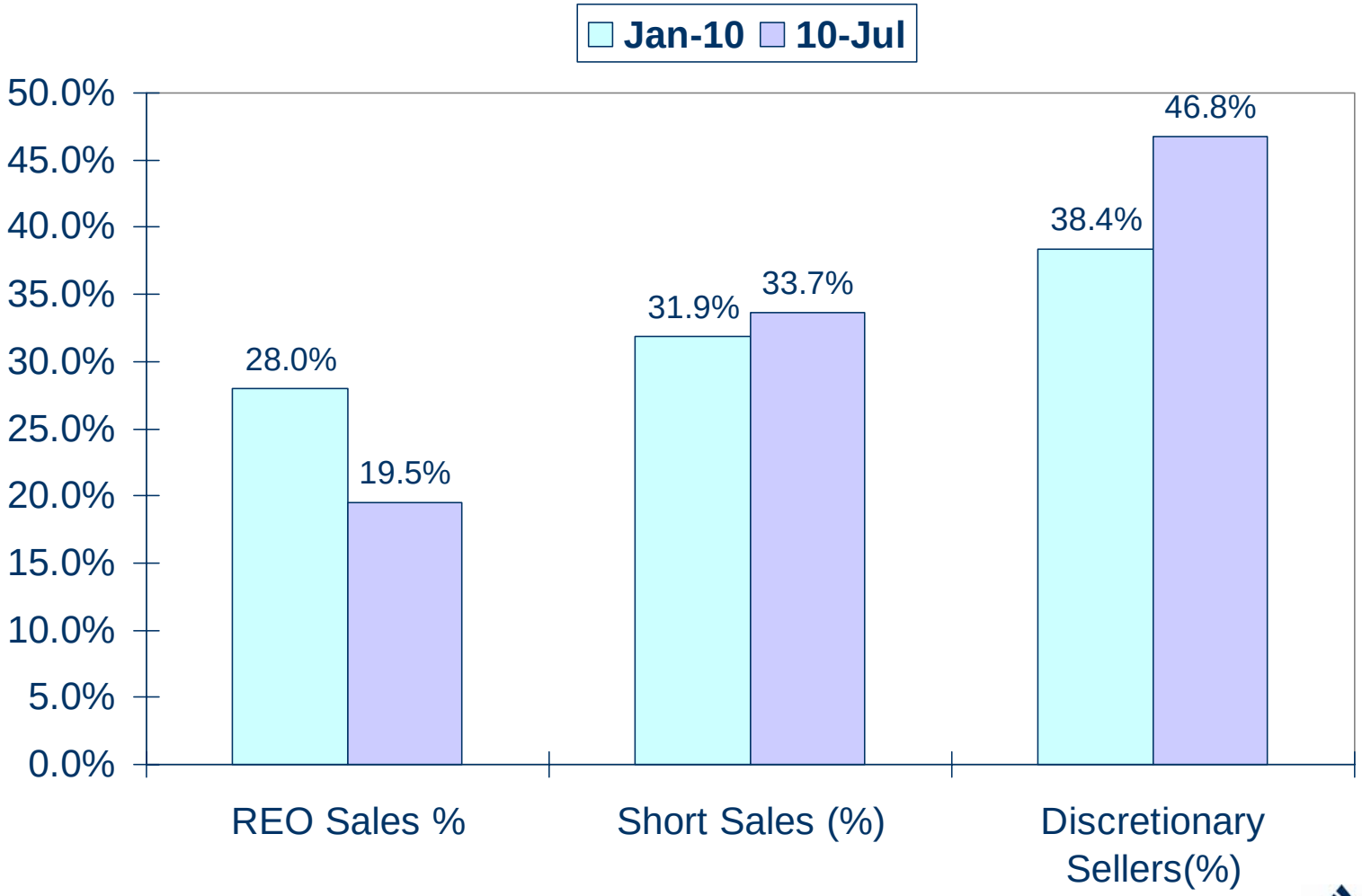
Mix of Sales Types: Jan ’10 to Jul ‘10

-Average Overall Share of Listing Side of Transactions-



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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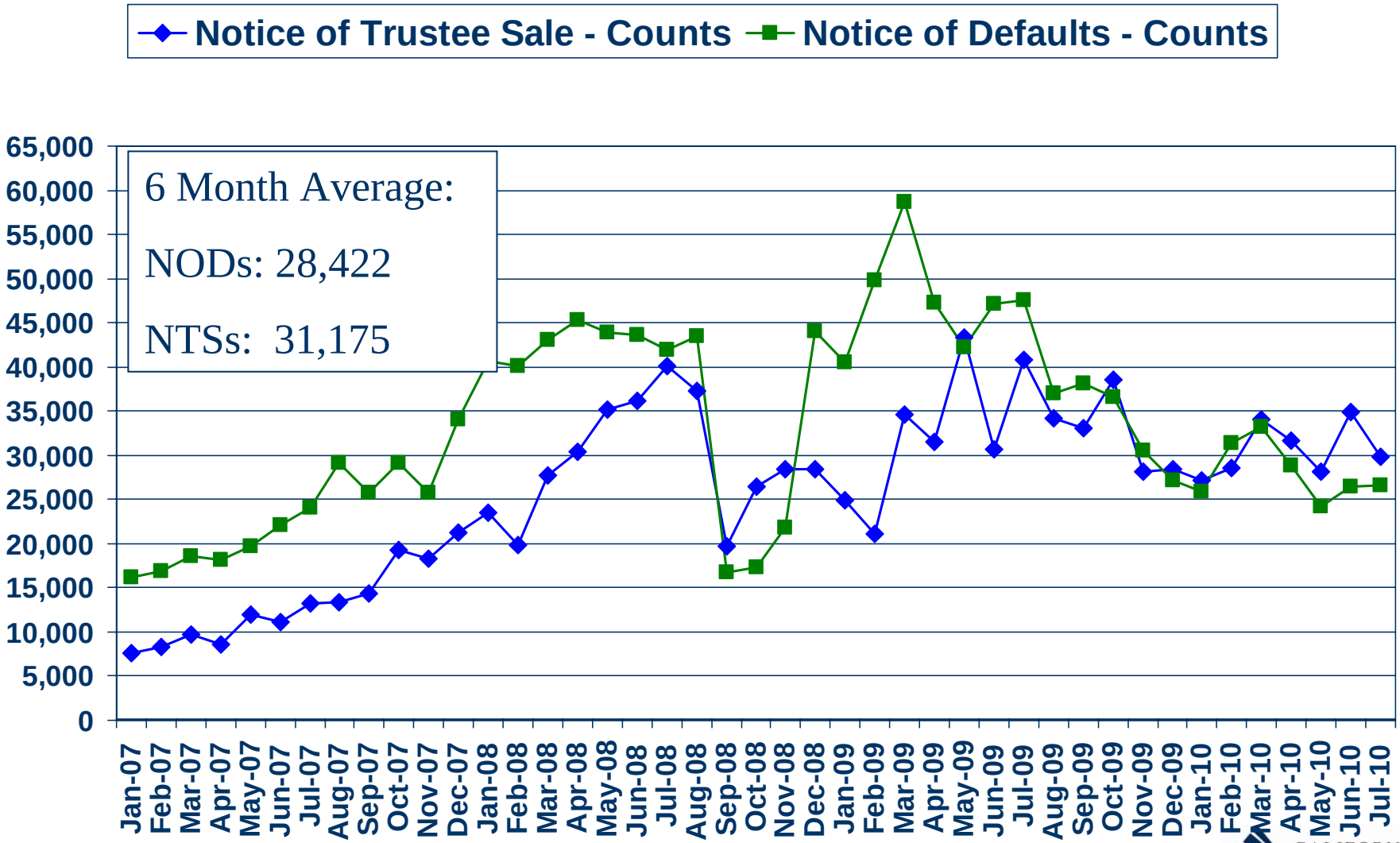
California Foreclosure Filings

Jul-10: 26,558 NODs • 29,861 NTSs



SOURCE: ForeclosureRadar.com

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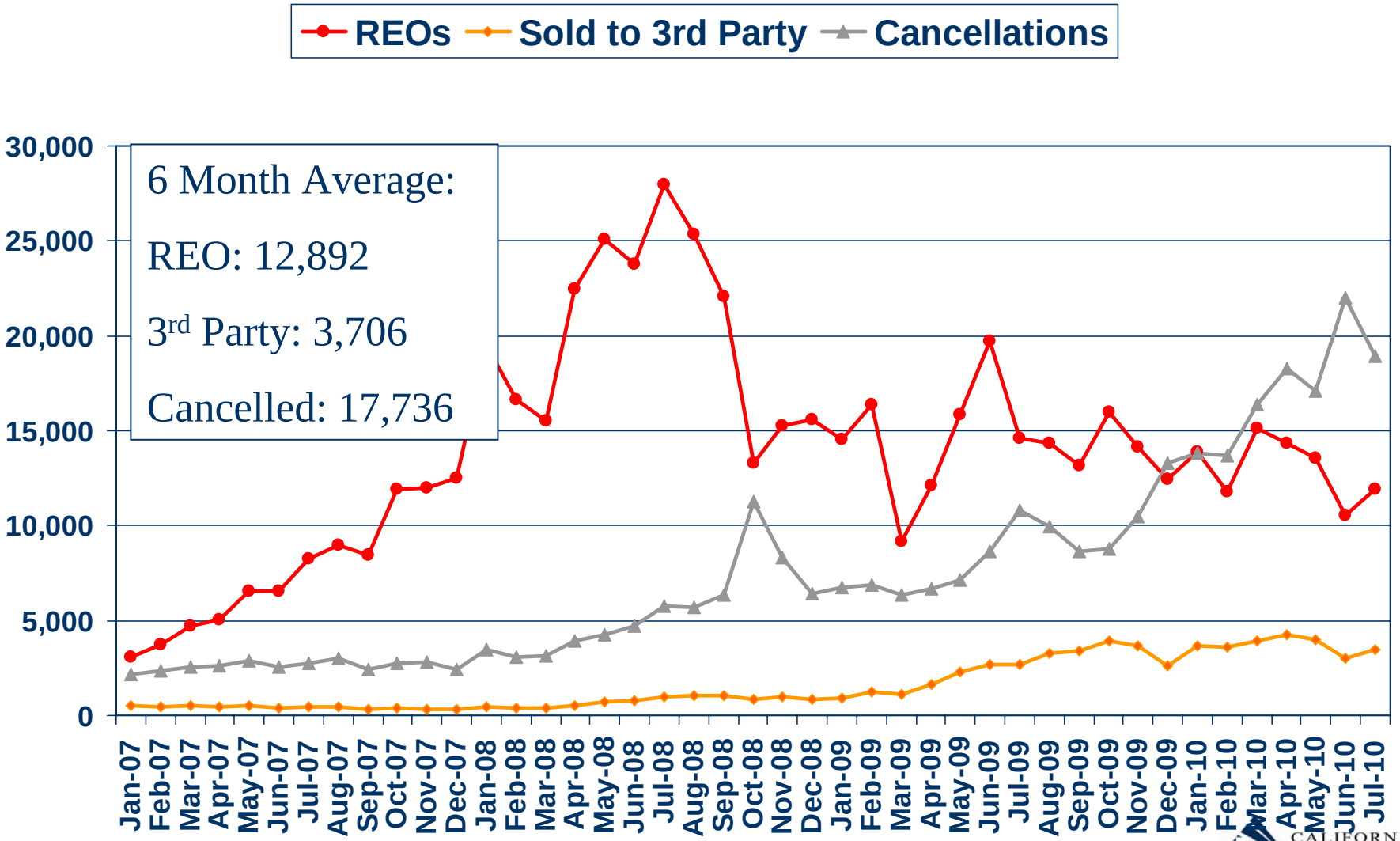
California Foreclosure Outcomes

Jul-10: 11,947 REOs • 3,487 Sold to 3rd Party • 18,959 Cancelled



SOURCE: ForeclosureRadar.com

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California Housing Market Outlook

	2003	2004	2005	2006	2007	2008	2009	2010f	2011f
SFH Resales (000s)	601.8	624.7	625.0	477.5	346.9	439.8	546.5	510.0	515.0
% Change	5.1%	3.8%	0.03%	-23.6%	-27.3%	26.8%	24.3%	-6.7%	1.0%
Median Price ($000s)	$371.5	$450.8	$522.7	$556.4	$560.3	$346.4	$275.0	$305.0	$310.0
% Change	17.5%	21.3%	16.0%	6.5%	0.7%	-38.2%	-20.6%	10.9%	1.6%
30-Yr FRM	5.8%	5.8%	5.9%	6.4%	6.3%	6.0%	5.1%	4.8%	5.7%
1-Yr ARM	3.8%	3.9%	4.5%	5.5%	5.6%	5.2%	4.7%	4.1%	4.6%

Forecast Date: September 10, 2010

Source: CALIFORNIA ASSOCIATION OF REALTORS®

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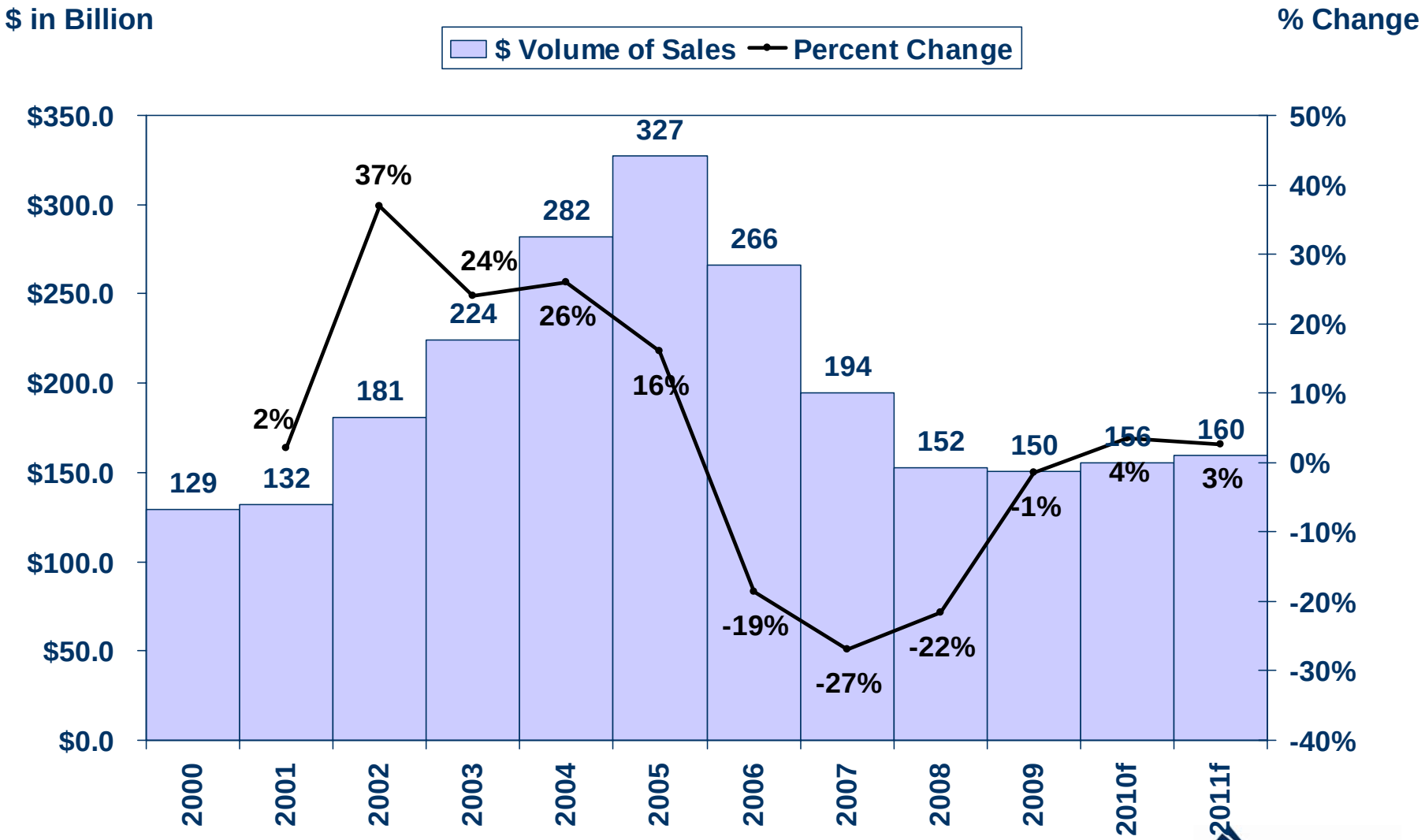
Dollar Volume in 2010
First Increase in 5 Years



SOURCE: California Association of REALTORS®

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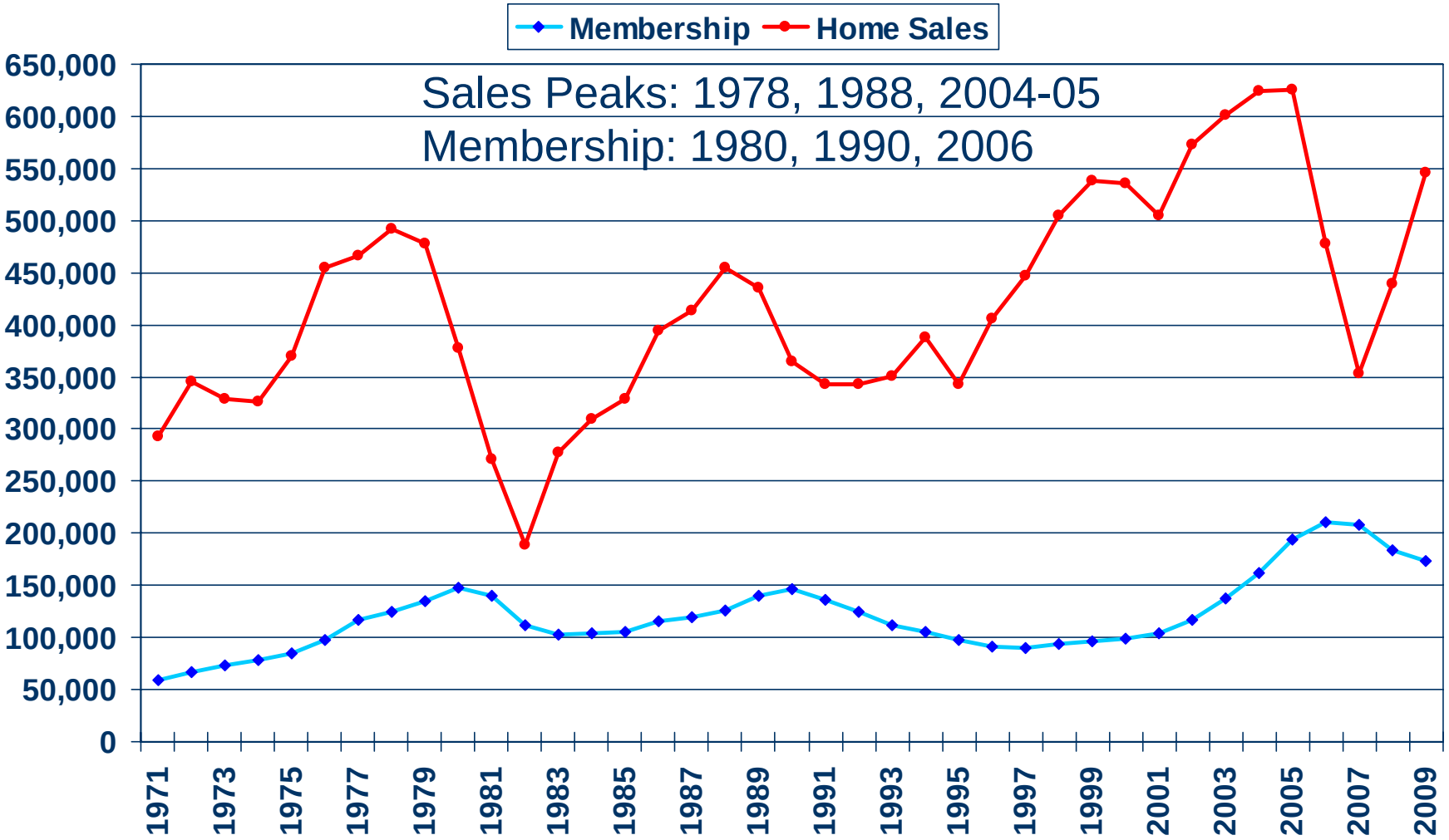
Membership Outlook 2010-12

Membership vs. Sales

Membership follows Sales with a 2-Yr Lag



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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Past Declines in Membership

1980-1983

- 148,350 to 102,600
- 31% total decrease over 3 years: -6%, -20%, -8%

1990-1997

- 146,000 to 90,500
- 38% total decrease over 7 years

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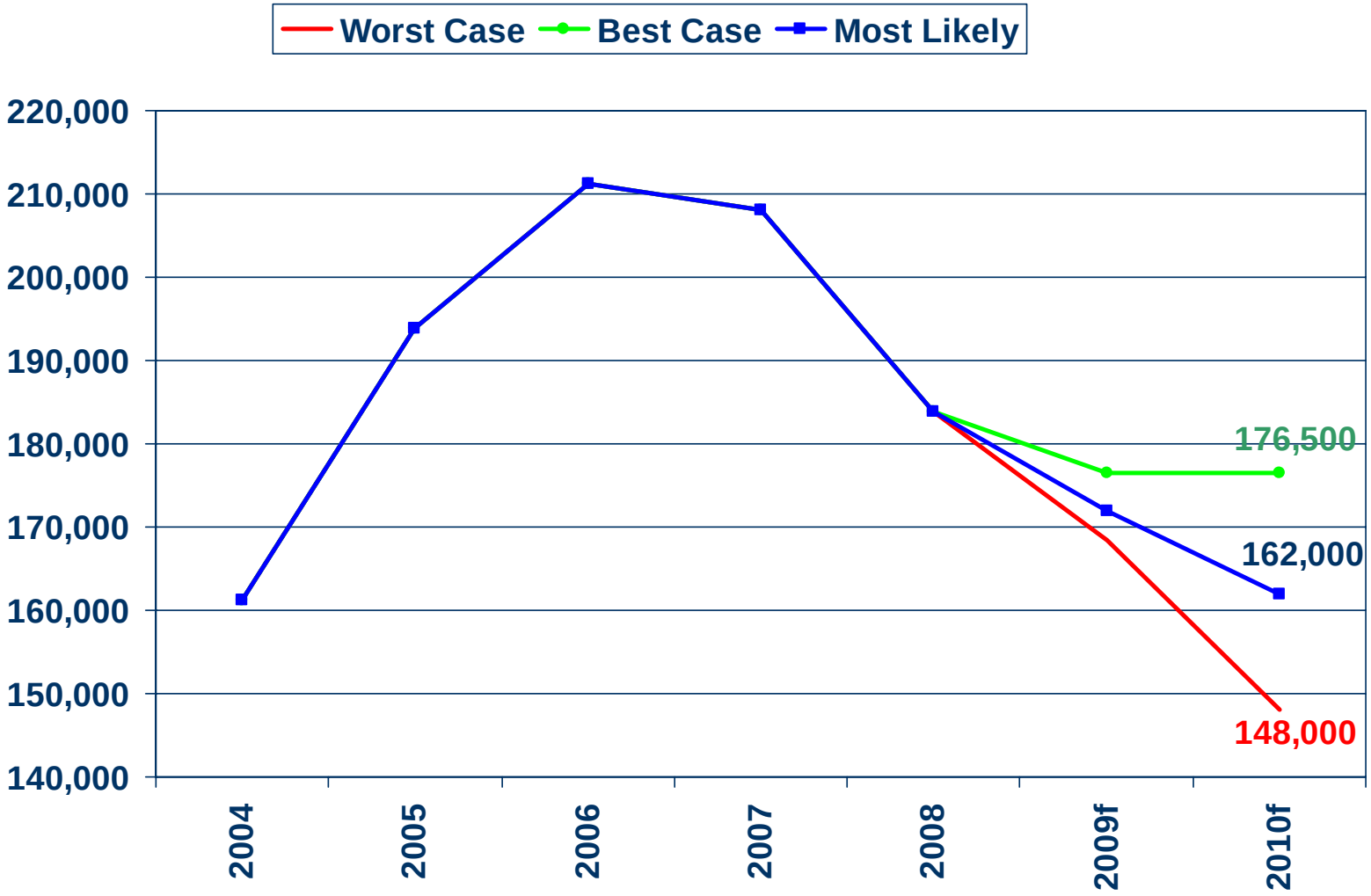
Membership Scenarios Through 2010
August 2009 Forecast



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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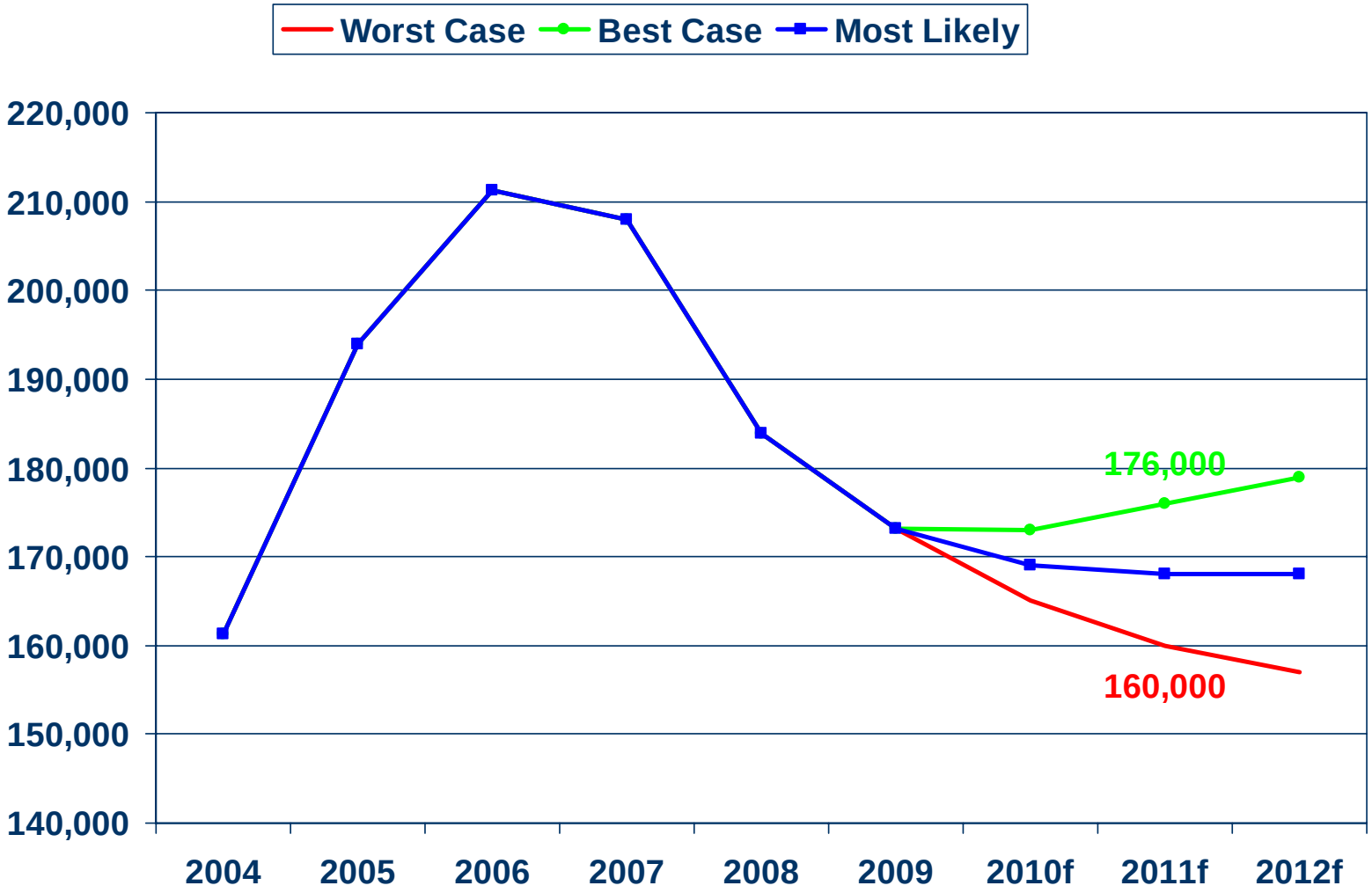
Membership Scenarios Through 2012
September 2010 Forecast



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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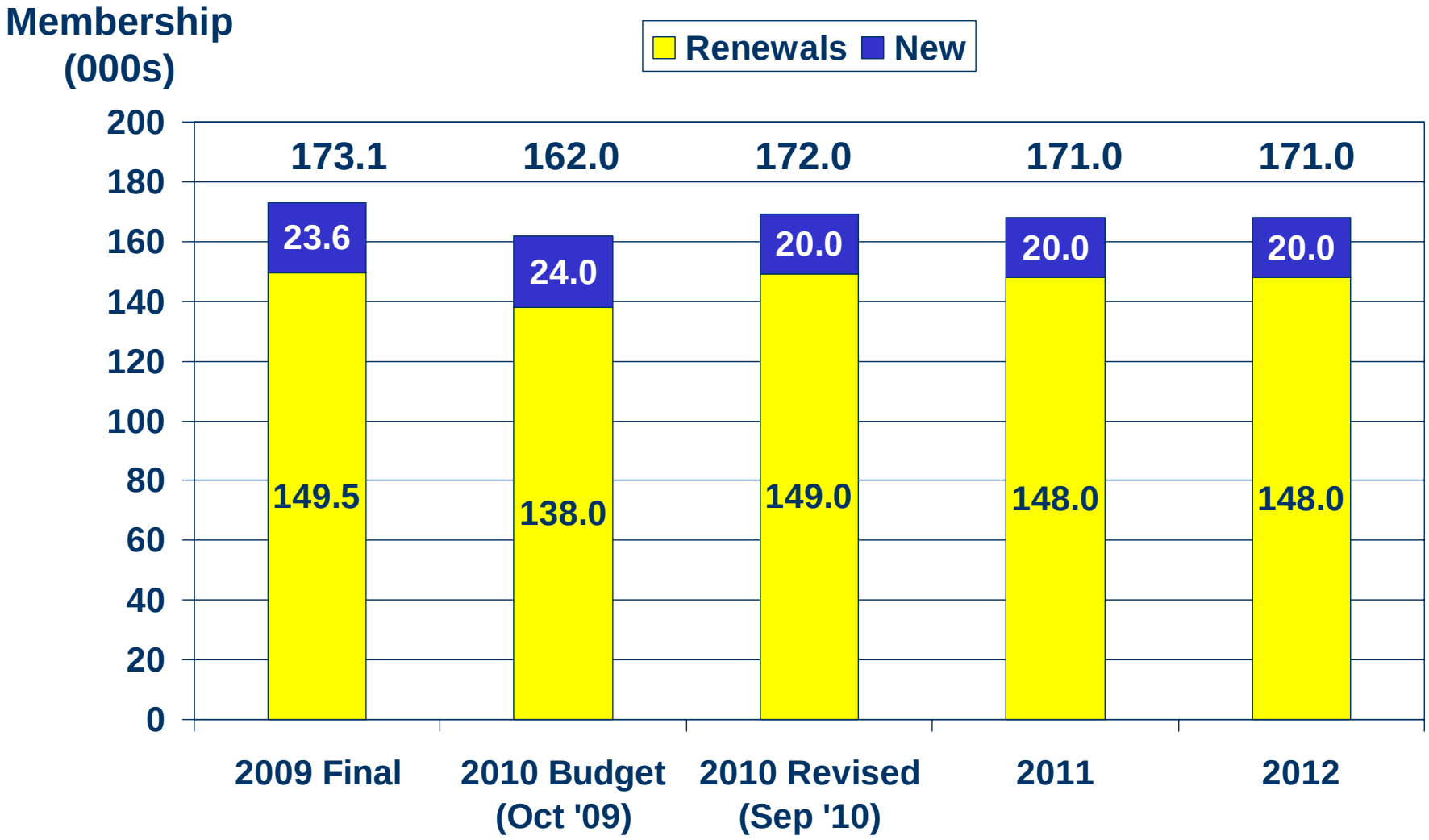
Membership Projections



Source: CALIFORNIA ASSOCIATION OF REALTORS®

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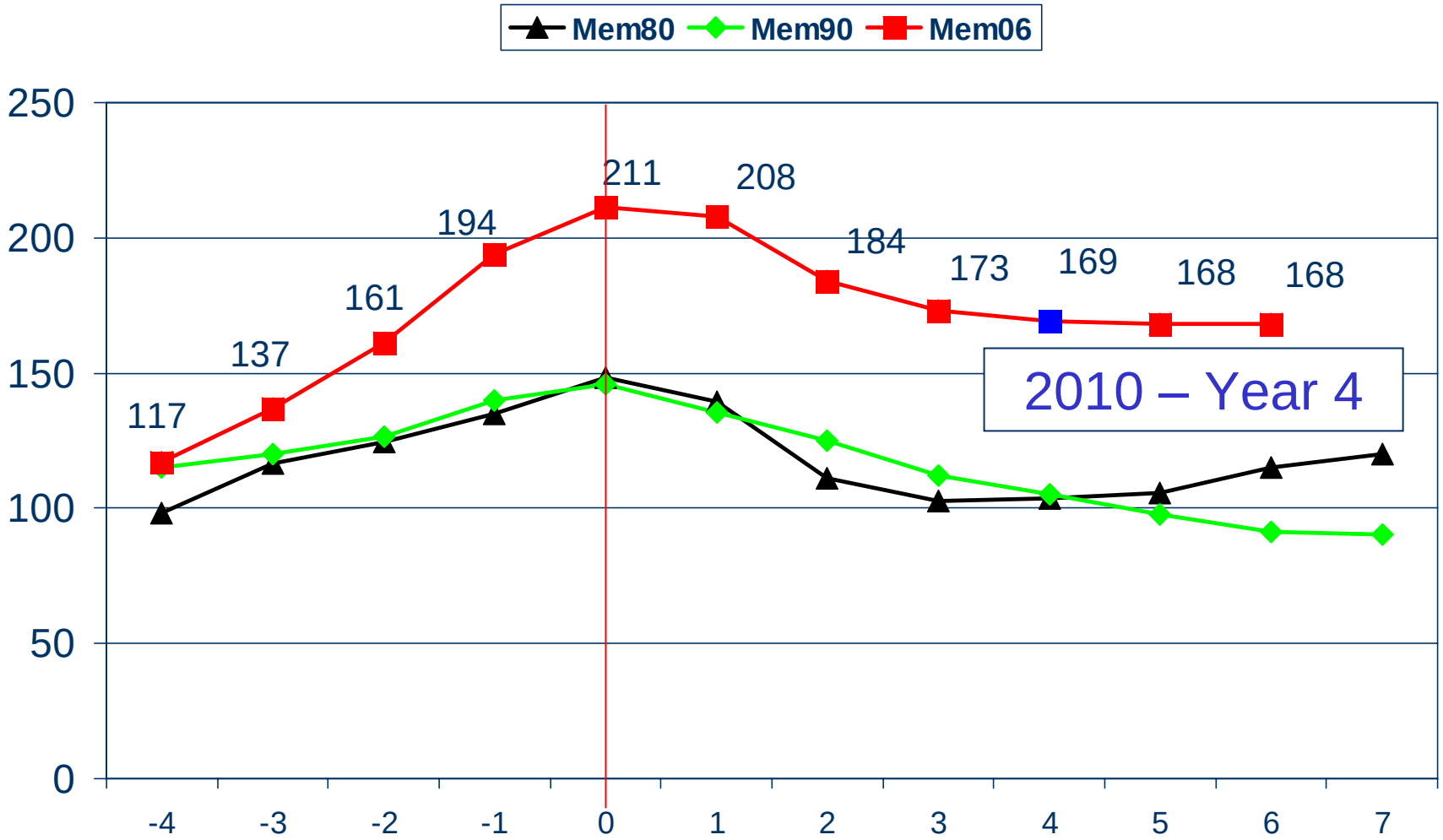
Total Membership Through Cycles

Before/After Membership Peak (Peak Year = 0)



SOURCE: C.A.R.

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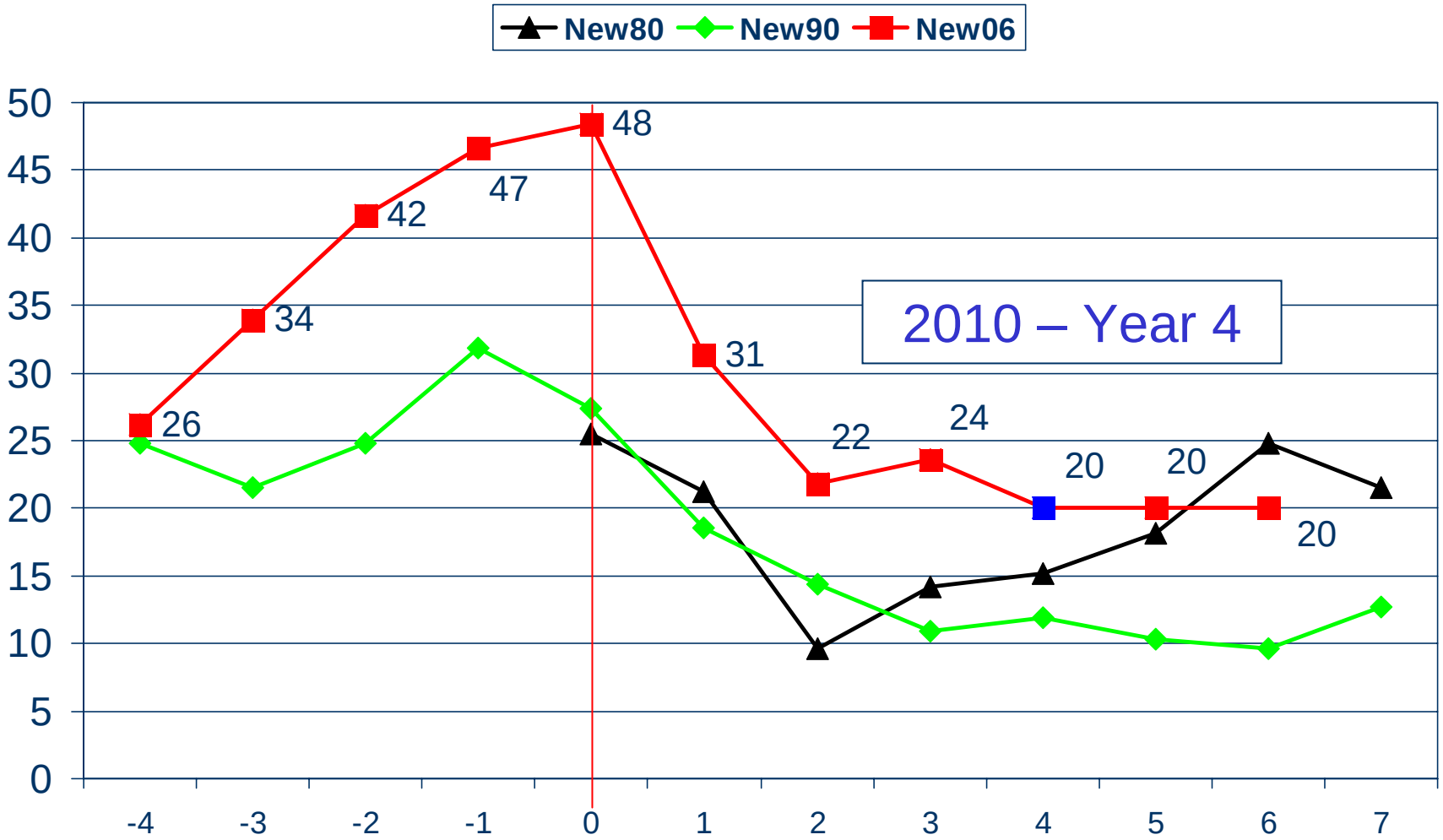
New Membership Through Cycles

Before/After Membership Peak (Peak Year = 0)



SOURCE: C.A.R.

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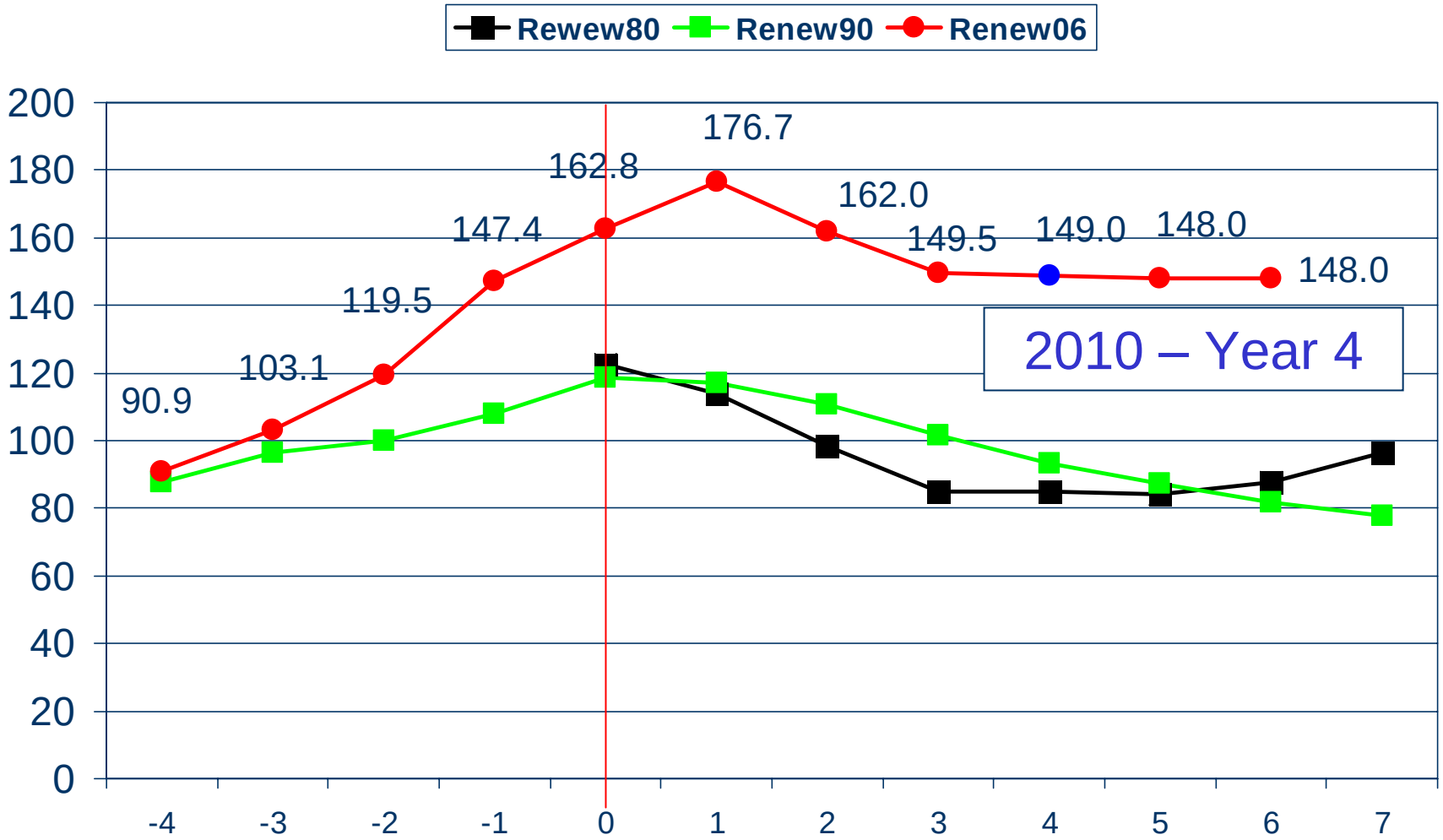
Renewing Membership Through Cycles

Before/After Membership Peak (Peak Year = 0)



SOURCE: C.A.R.

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Membership Outlook – 2010-12

C.A.R. Membership Counts (thousands)									
Status	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010f**	**2011f**	**2012f**
Renewals	119.5	142.6	162.8	176.7	162.0	149.5	149.0	148.0	148.0
New	41.7	51.4	48.4	31.3	21.8	23.6	20.0	20.0	20.0
Total	**161.2**	**193.9**	**211.3**	**208.0**	**183.8**	**173.1**	**169.0**	**168.0**	**168.0**

C.A.R. Membership Percentage Changes									
Status	**03-04**	**04-05**	**05-06**	**06-07**	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**
Renewals	15.9%	19.3%	14.2%	8.5%	-8.3%	-7.7%	-0.4%	-0.7%	0.0%
New	23.2%	23.1%	-5.8%	-35.3%	-30.4%	8.3%	-15.3%	0.0%	0.0%
Total	17.7%	20.3%	8.9%	-1.5%	-11.6%	-5.8%	-2.4%	-0.6%	0.0%

	03-04	**04-05**	**05-06**	**06-07**	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**
Retention Rate	87%	88%	84%	84%	78%	81%	86%	88%	88%

The End - - Thank You

Source: CALIFORNIA ASSOCIATION OF REALTORS®

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