California Association of REALTORS®

2007 Real Estate Market Forecast

October 18, 2006

Leslie Appleton-Young

C.A.R. Vice President and Chief Economist

Leading the way...®

Overview

California Real Estate Market

What happened in 2006?

Tipping Points/Market Psychology

Economic Trends

Regional Markets

Southern California

Bay Area

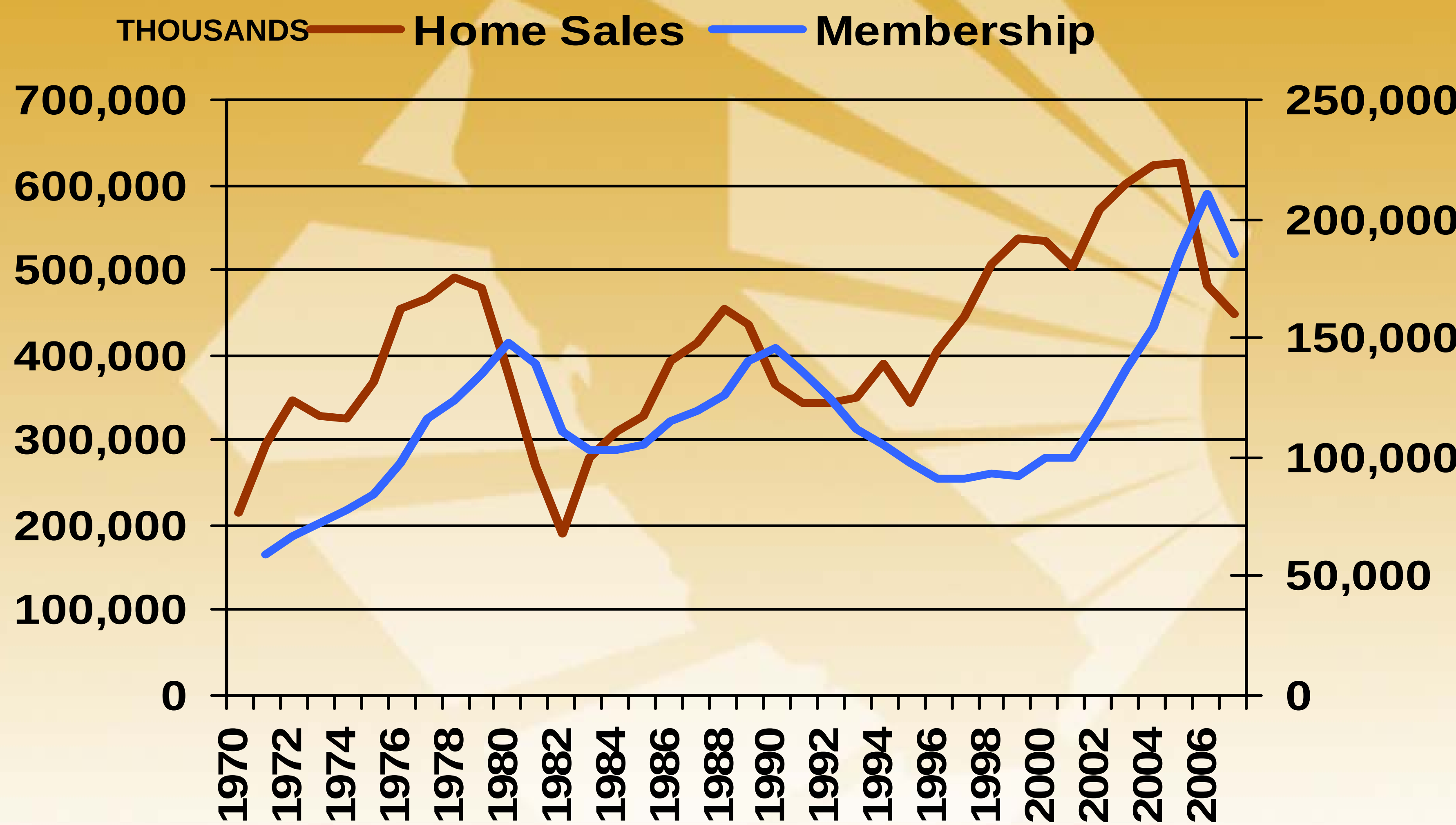
Central Valley

2007 Forecast

2007 Market Opportunities

California Real Estate Market: 2006

California's Housing Cycles and Membership
1970-2007



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California Market Stats: 2000-2005

Four Year Housing Boom

	2000	2001	2002	2003	2004	2005
SFH Resales (thousands)	535.5	504.0	572.6	601.8	624.7	625.0
% Change	-0.4%	-5.9%	13.6%	5.1%	3.8%	0.04%
Median Price ($ thousands)	$241.4	$262.4	$316.1	$372.7	$450.8	$524.0
% Change	11.0%	8.7%	20.5%	17.9%	20.9%	16.2%
30 YR FRM	8.1%	7.0%	6.5%	5.8%	5.8%	5.9%
Rate of return	2.9%	1.7%	14.0%	12.1%	15.1%	10.3%

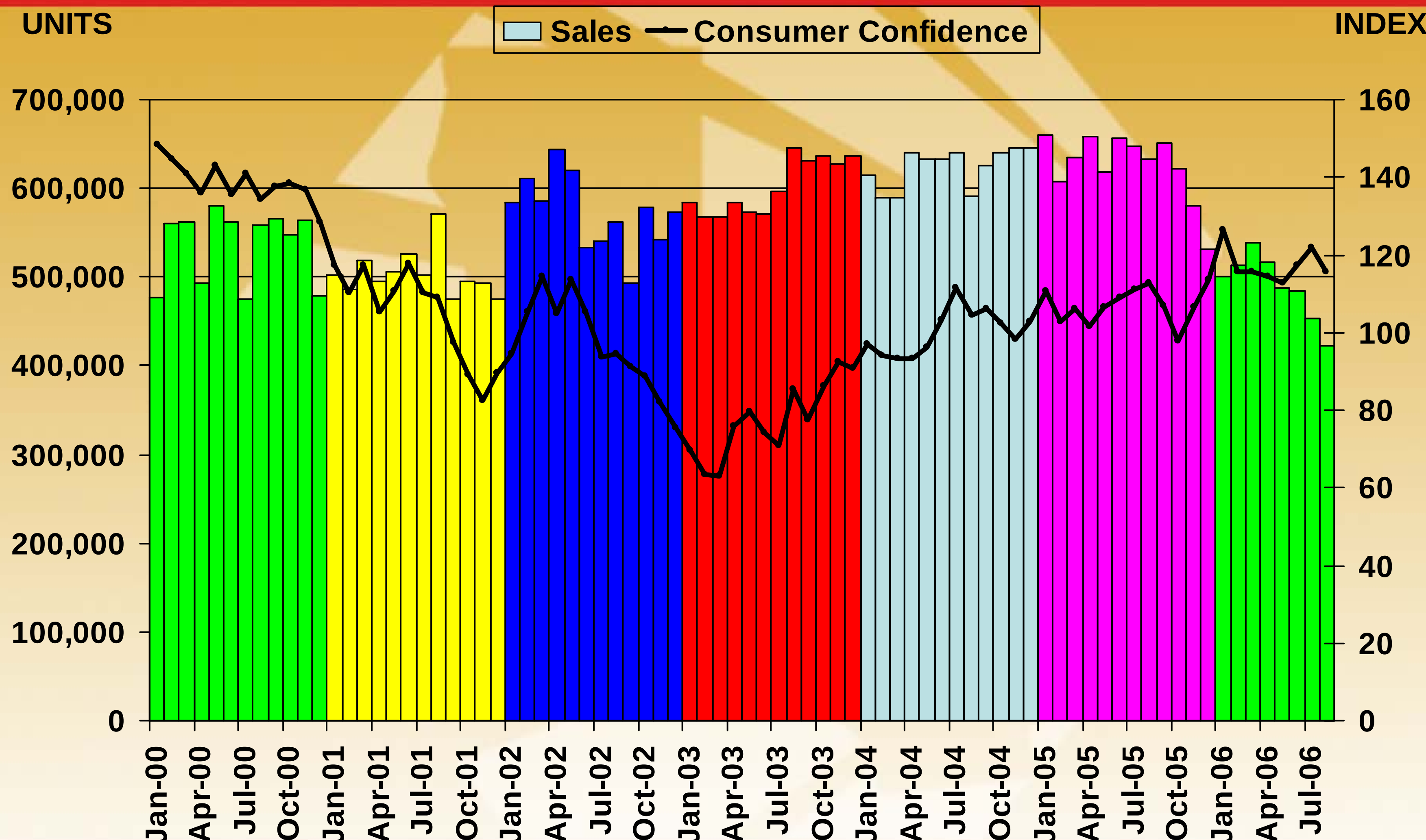
SOURCE: California Association of REALTORS®

This Time Last Year...

- We talked about a soft landing for the CA housing market with a modest decline in home sales and slower price appreciation in 2006.
- Demand would drop because of affordability constraints on first time buyers while more trade up buyers remained on the sidelines (equity, property taxes, low rate mortgage).
- Inventories would increase as sellers sought to time the market peak while investors left the market.
- We discredited the “bubble” scenario because the economy would be growing and mortgage rates would remain near all time lows . Historically, significant housing price declines are associated with economic downturns: job losses and/or high mortgage rates.

California Sales of Existing Detached Homes:2000-2006

August 2006 Sales: 422,150 Units, Down 23.4% Y-T-D, Down 30.1% Y-T-Y



SOURCE: California Association of REALTORS®;
The Conference Board

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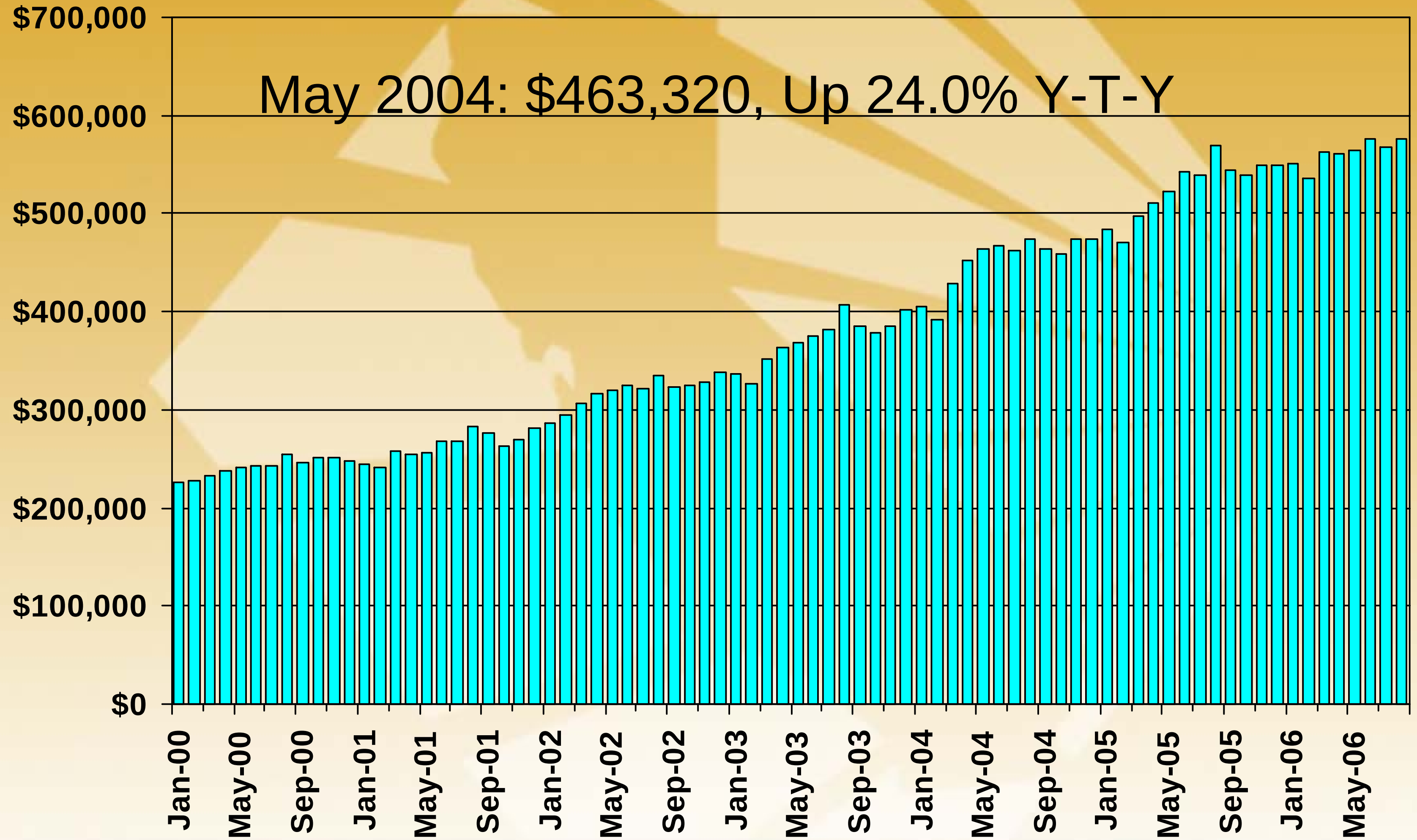
Median Price of Existing Detached Homes

California, August 2006: $576,360, Up 1.6% Y-T-Y



SOURCE: California Association of REALTORS®

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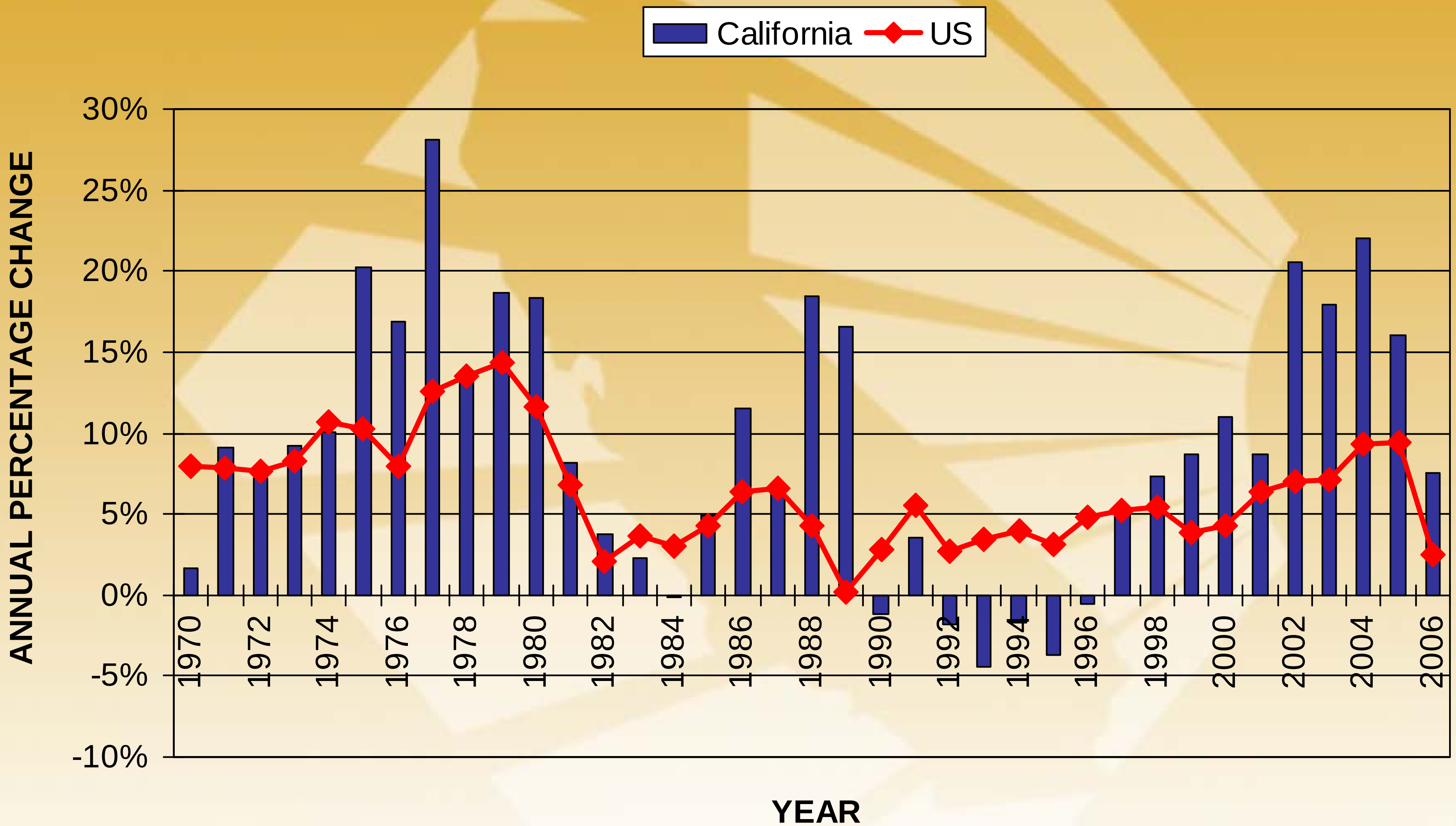
Median Price, Annual Percentage Change

California vs. U.S.: 1970-2006



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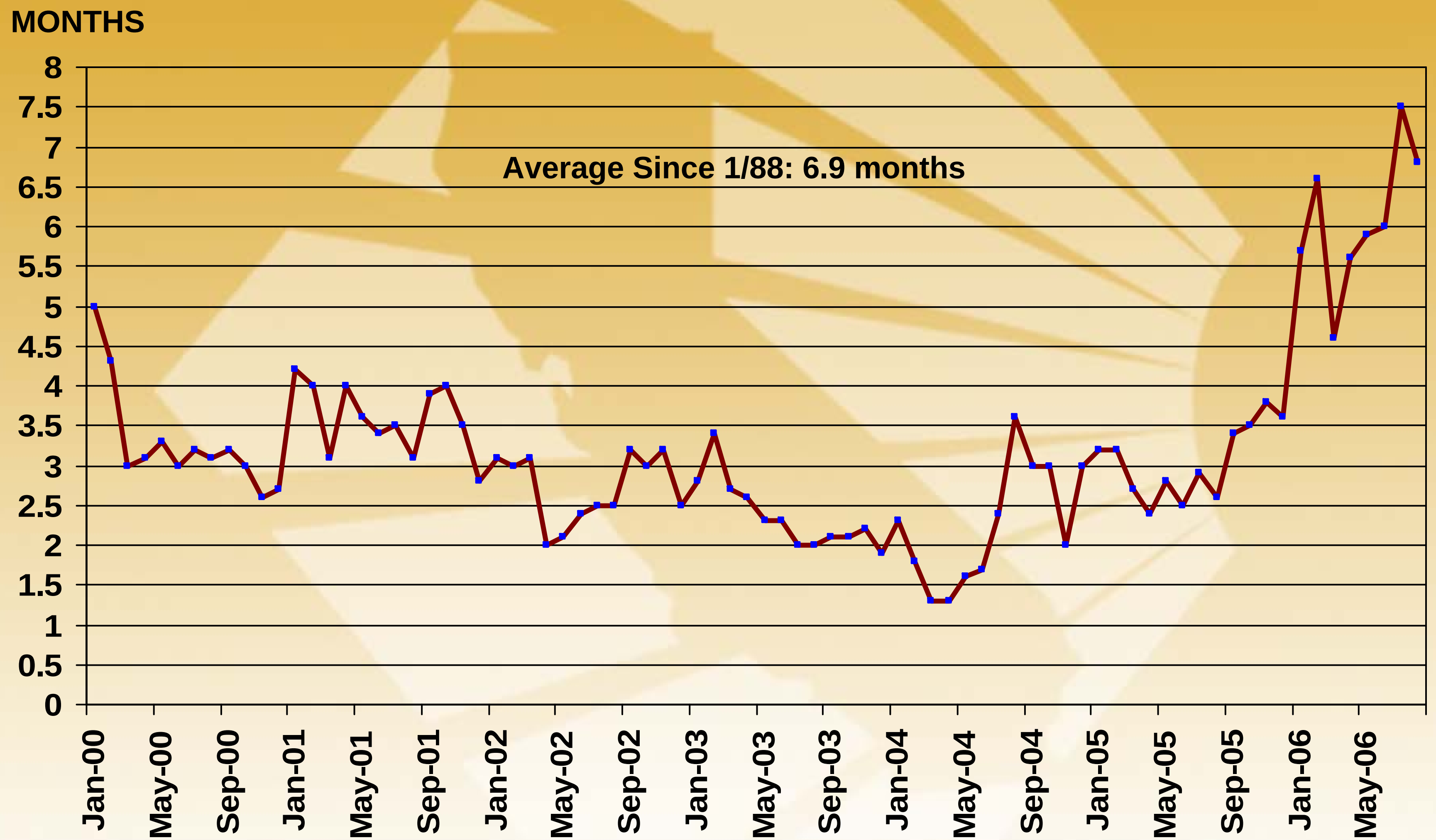
Unsold Inventory Index

California, August 2006: 6.8 Months



SOURCE: California Association of REALTORS®

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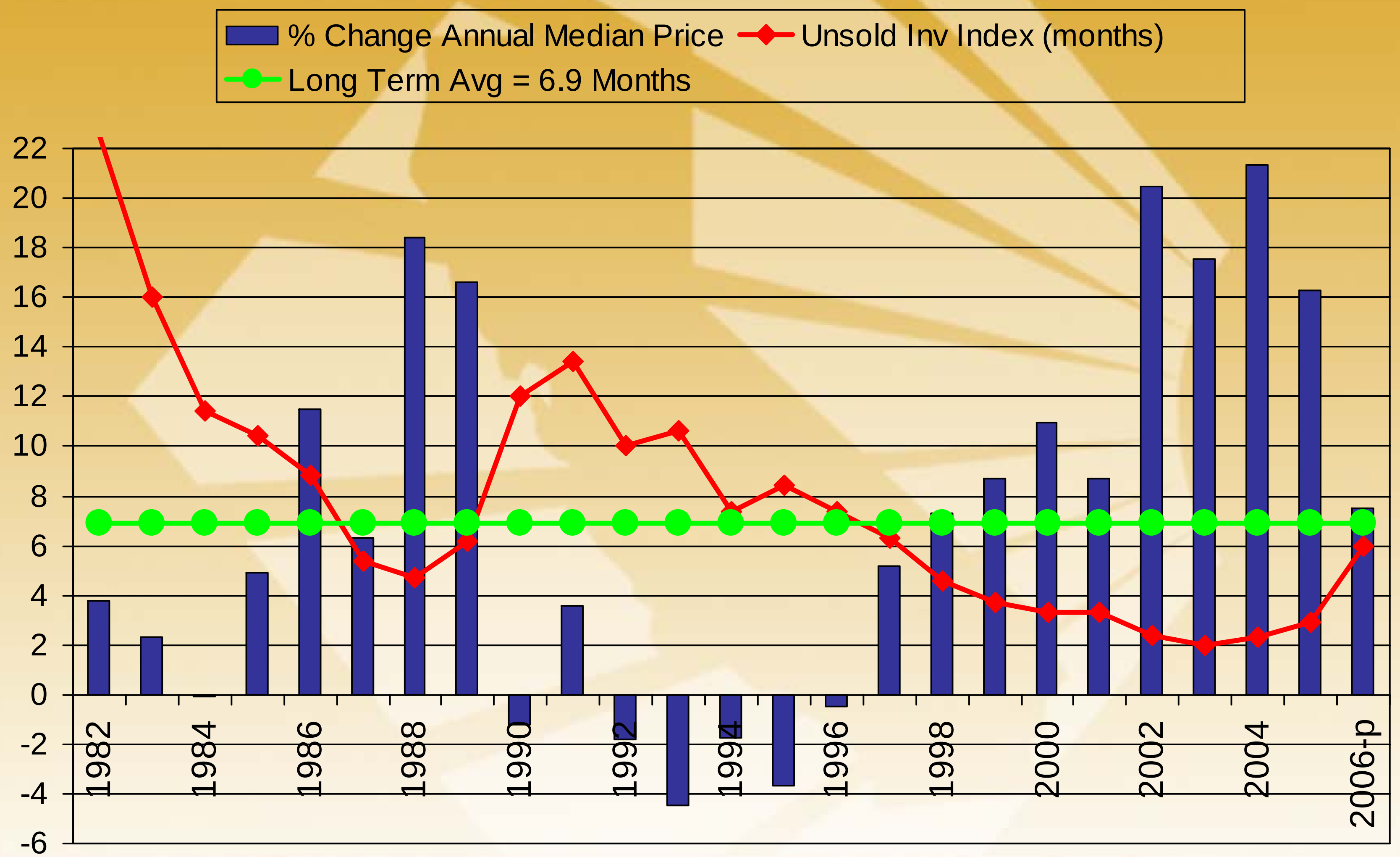
Unsold Inventory Index vs. Price Changes

California, 1982-2006



SOURCE: California Association of REALTORS®

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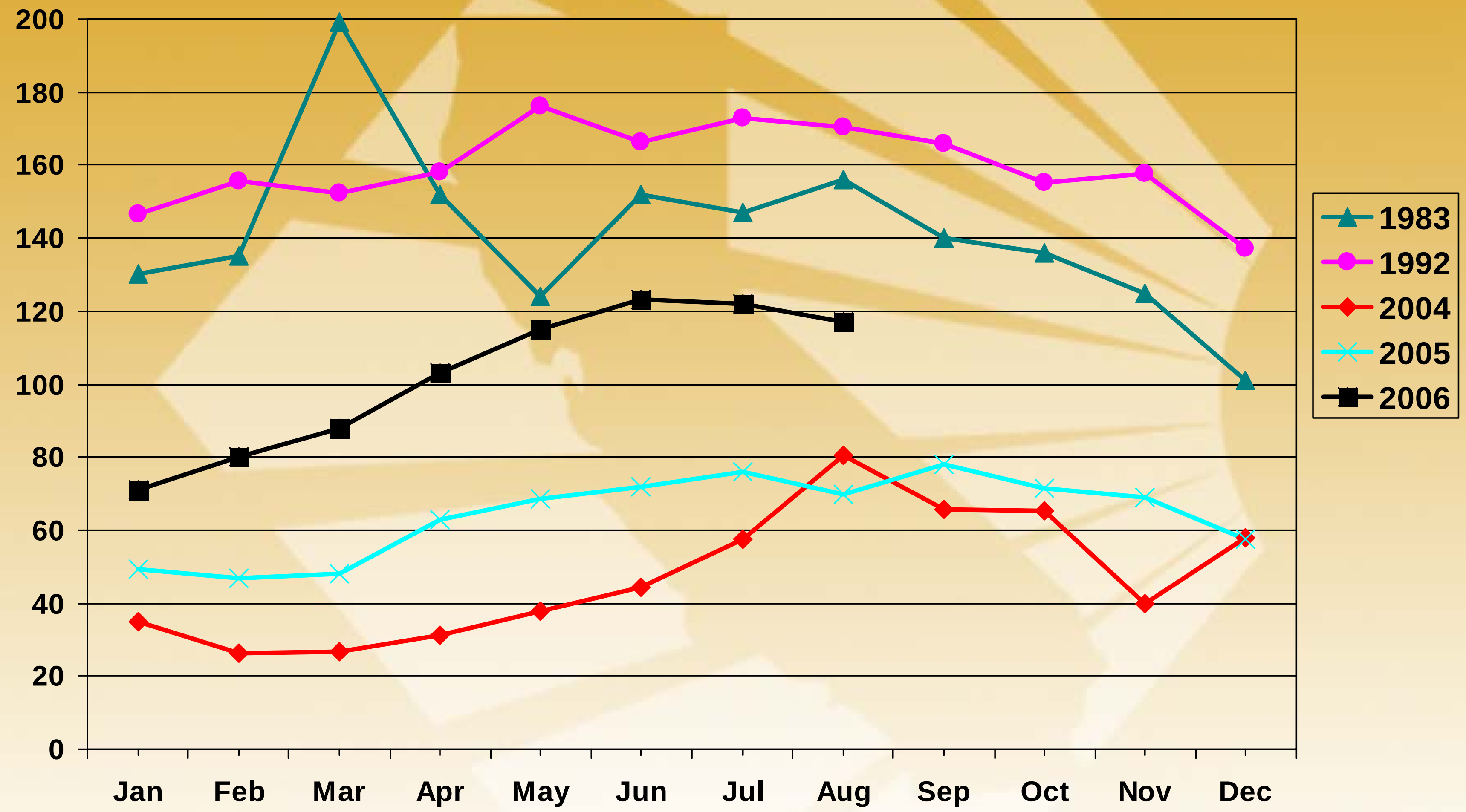
Listings by Month, Selected Years

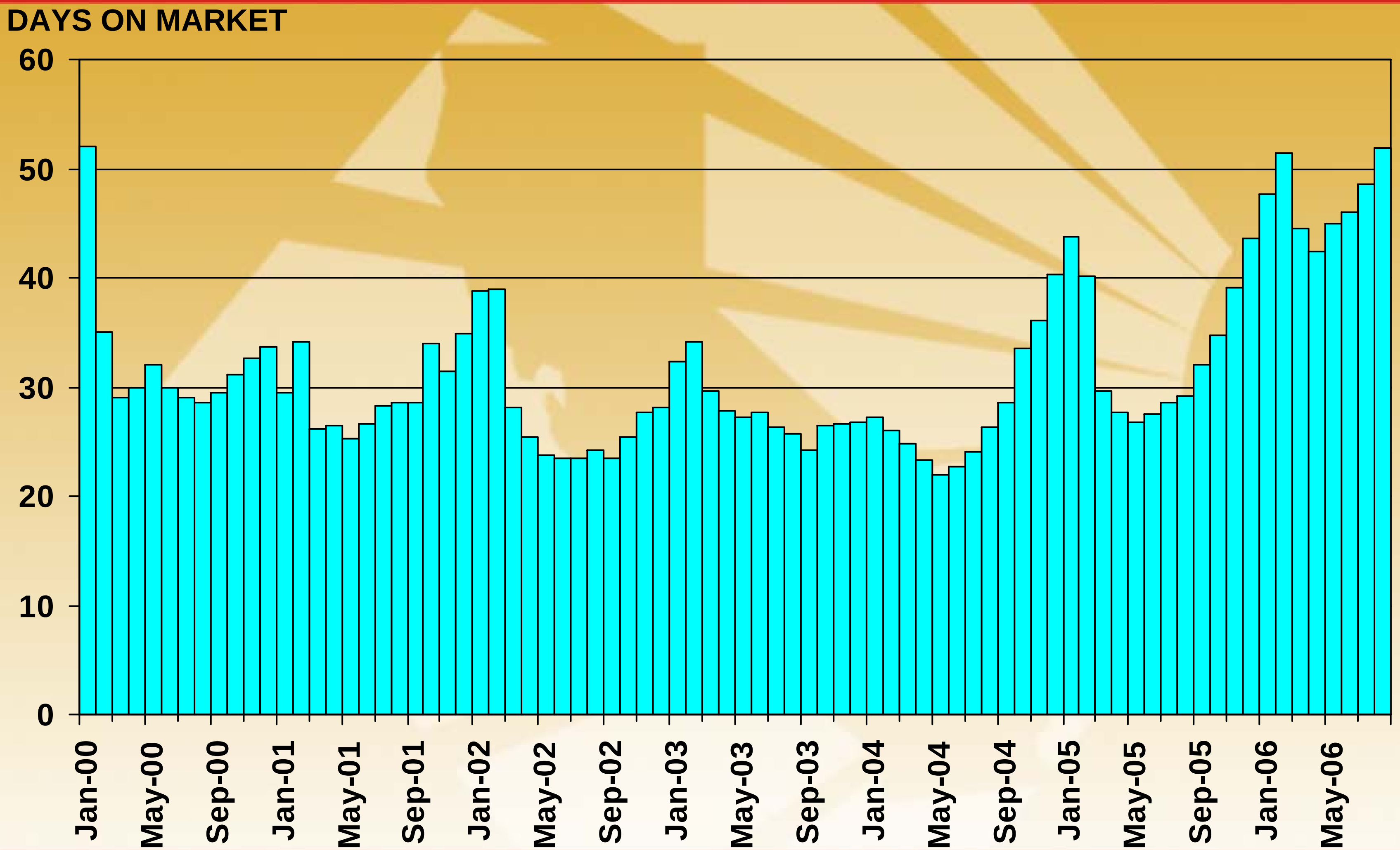
California (1982-2005 Average=100)



SOURCE: California Association of REALTORS®

Median Time on the Market

California Single-Family Homes, August 2006: 51.9 days

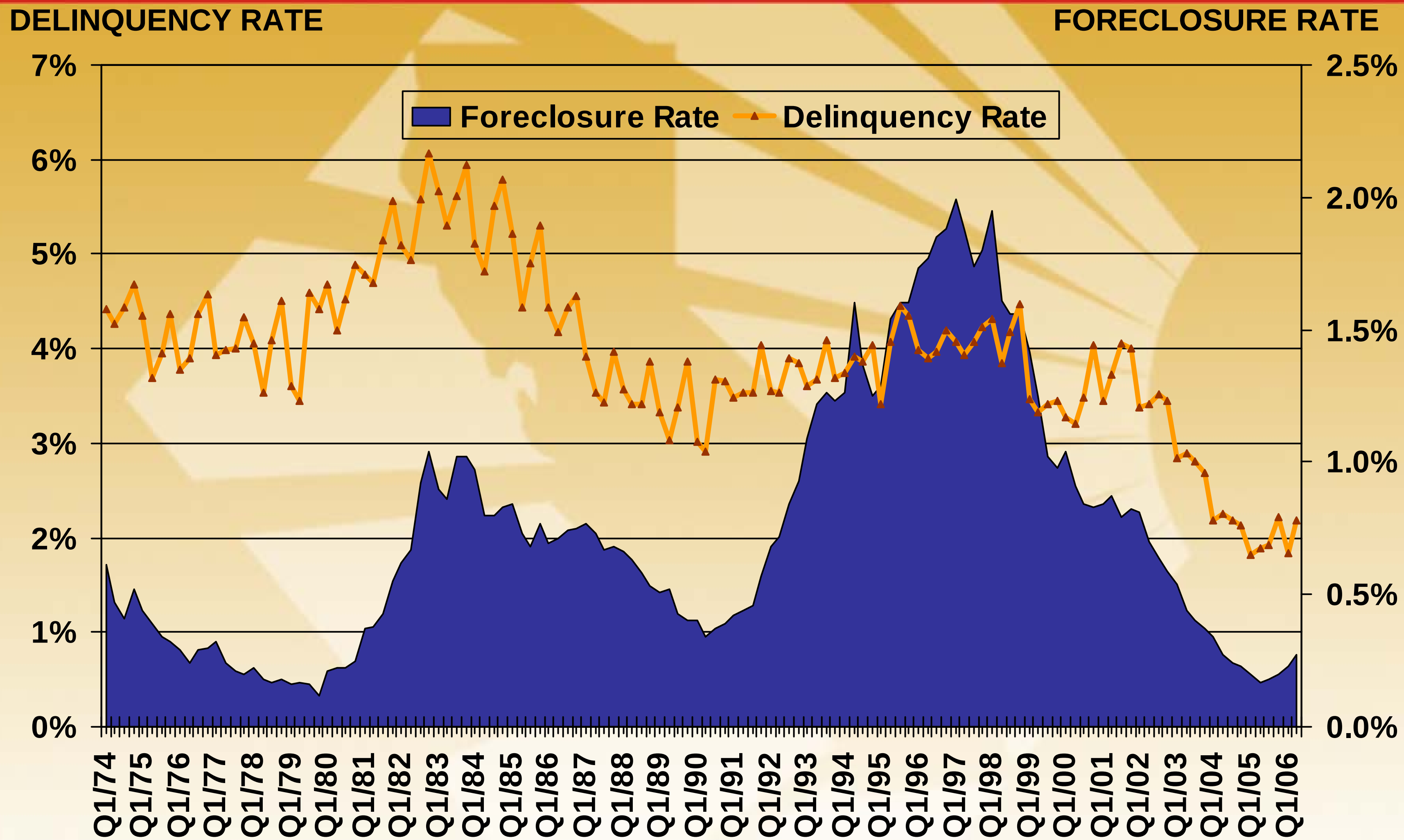


SOURCE: California Association of REALTORS®

California Association of REALTORS®

Delinquency and Foreclosure Rates

California: 1974-2006



SOURCE: Mortgage Bankers Association

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Mortgage Type by Region

MSA	Share of All Mortgages	
	ARMS	**Sub-Prime**
Los Angeles Region	63.0%	8.6%
Riverside Region	n/a	10.4%
Sacramento Region	55.0%	6.8%
San Diego Region	59.0%	4.8%
San Francisco Region	72.0%	4.3%
National Average	28.0%	10.1%

Source: NAR 2006 Market-by-Market Home Price Analysis Reports

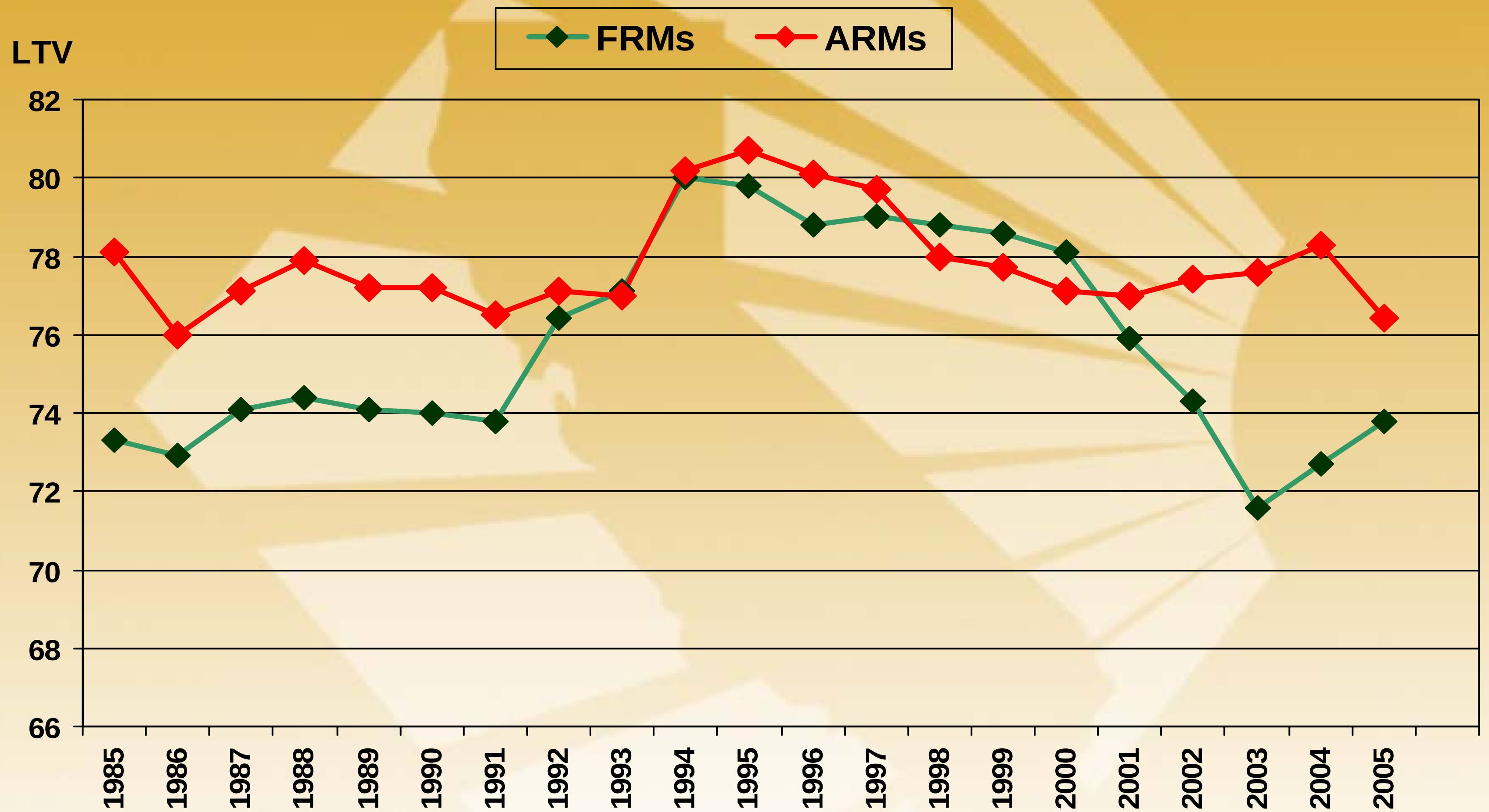
Share of Mortgages For Second Home Purchases

MSA	Second Homes
Los Angeles Region	10.1%
Riverside Region	18.2%
Sacramento Region	16.6%
San Diego Region	13.8%
San Francisco Region	8.3%
National Average	15.3%

Source: NAR 2006 Market-by-Market Home Price Analysis Reports

Loan-to-Value Ratio By Mortgage Type

-FRMs vs ARMs-



Source: Federal Housing Finance Board

How Much Are Homeowners Spending on Housing?

MSA	Mortgage Debt Servicing Cost Ratio*	
	Q1 2006	**Historical Average**
Los Angeles Region	45.1%	33.3%
Riverside Region	43.3%	29.1%
Sacramento Region	31.7%	24.1%
San Diego Region	45.0%	33.9%
San Francisco Region	41.1%	35.4%
National Average	22.0%	22.0%

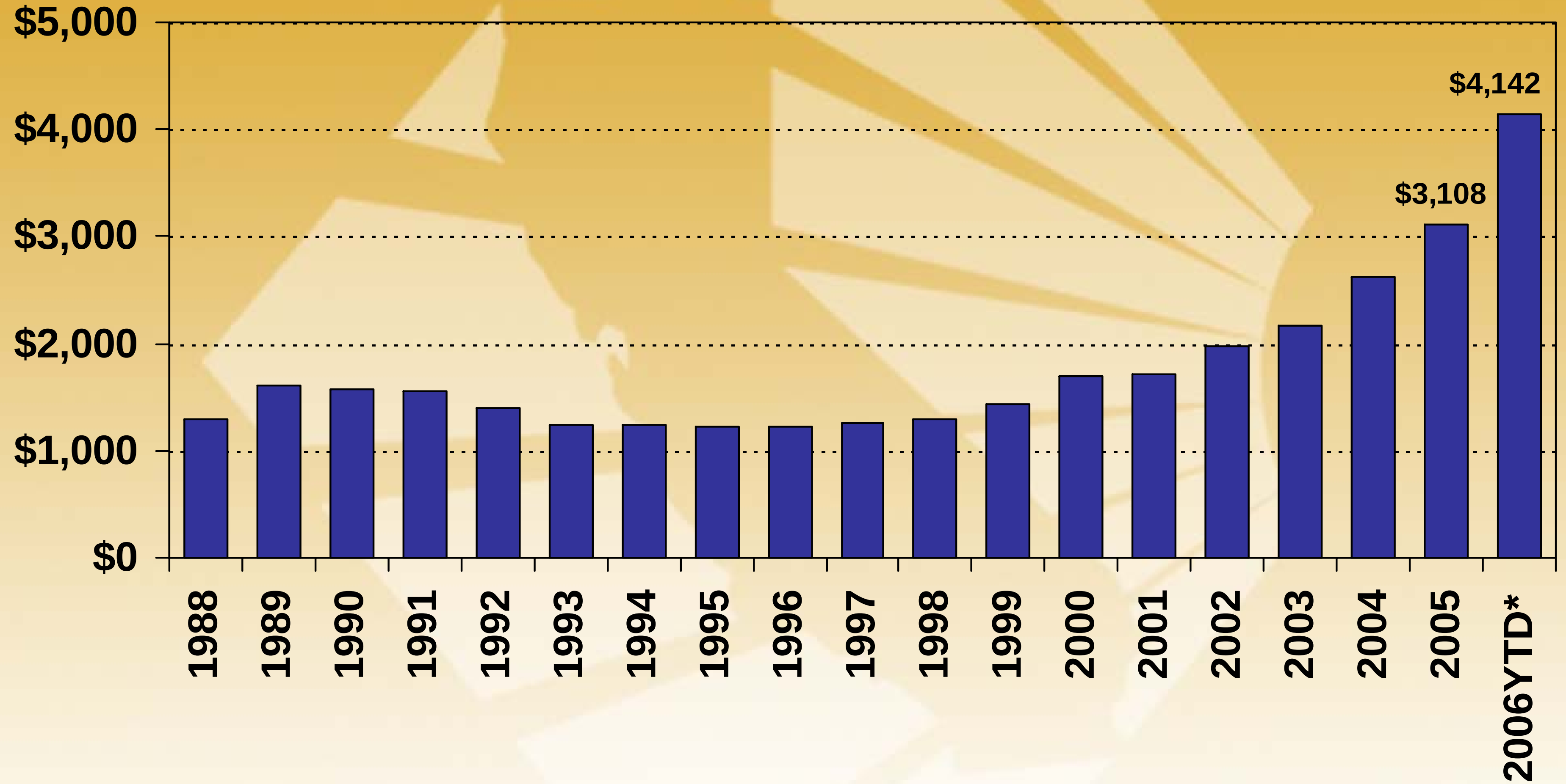
*** This ratio compares the monthly mortgage payment for a median-priced home financed at the prevailing mortgage rate to the median household income.**

Source: NAR 2006 Market-by-Market Home Price Analysis Reports

How Much of a Mortgage Payment Can Californians Afford?

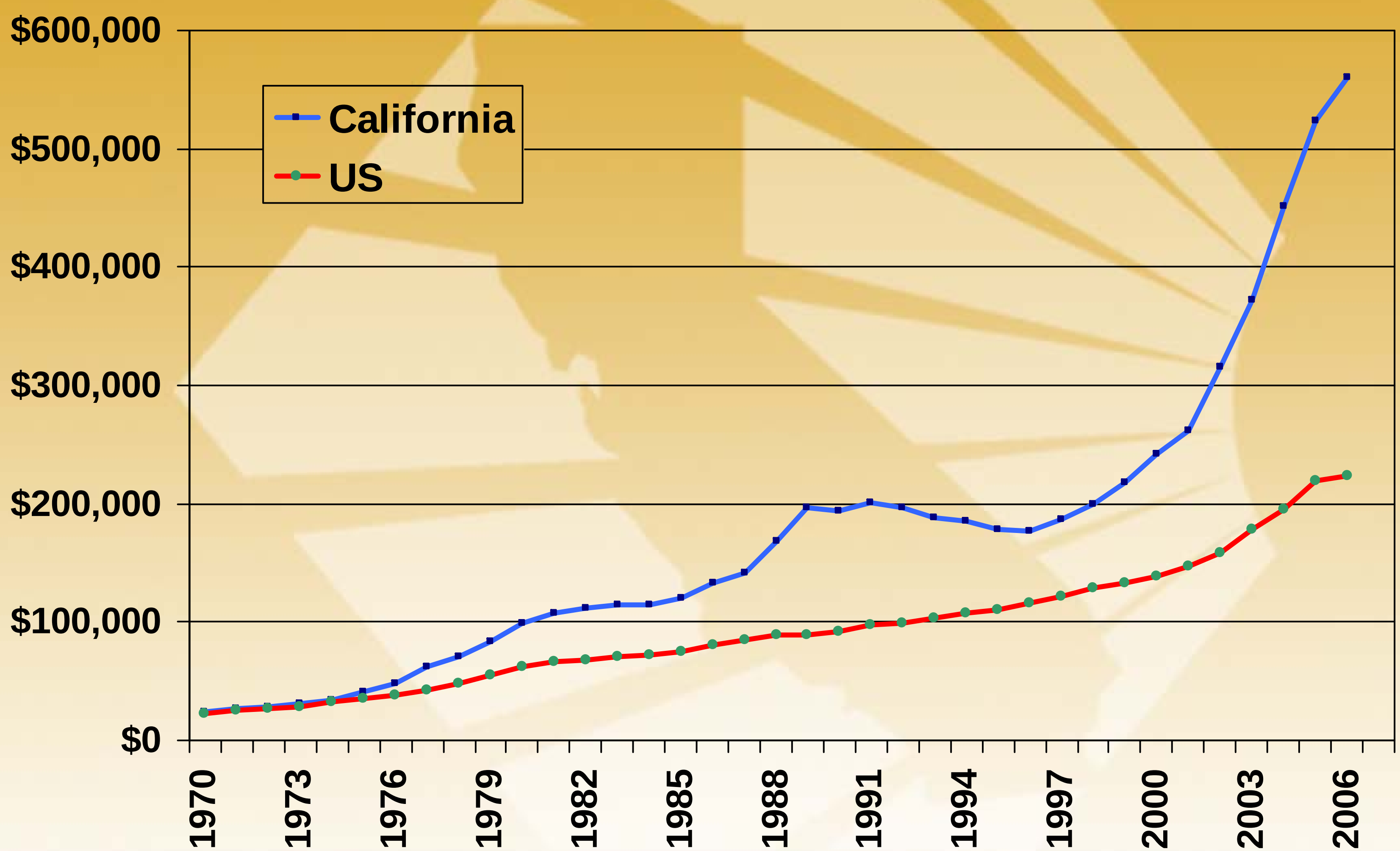
Households Earning…	Annual Income	Monthly Income	Affordable PITI @ 30% Debt-Inc. Ratio	Affordable PITI @ 40% Debt-Inc. Ratio	Affordable PITI @ 50% Debt-Inc. Ratio
…200% of Median Income	$108,300	$9,025	$2,707	$3,610	$4,512
…150% of Median Income	$81,200	$6,768	$2,031	$2,707	$3,384
…125% of Median Income	$67,700	$5,640	$1,692	$2,256	$2,820
…Median Income	$54,100	$4,512	$1,354	$1,805	$2,256
…75% of Median Income	$46,000	$3,835	$1,151	$1,534	$1,918

Monthly Mortgage Payments
Principle, Interest, Taxes, & Insurance (PITI)



* Through August 2006

California vs U.S. Median Prices



SOURCE: California Association of REALTORS®

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2006 Housing Market Survey

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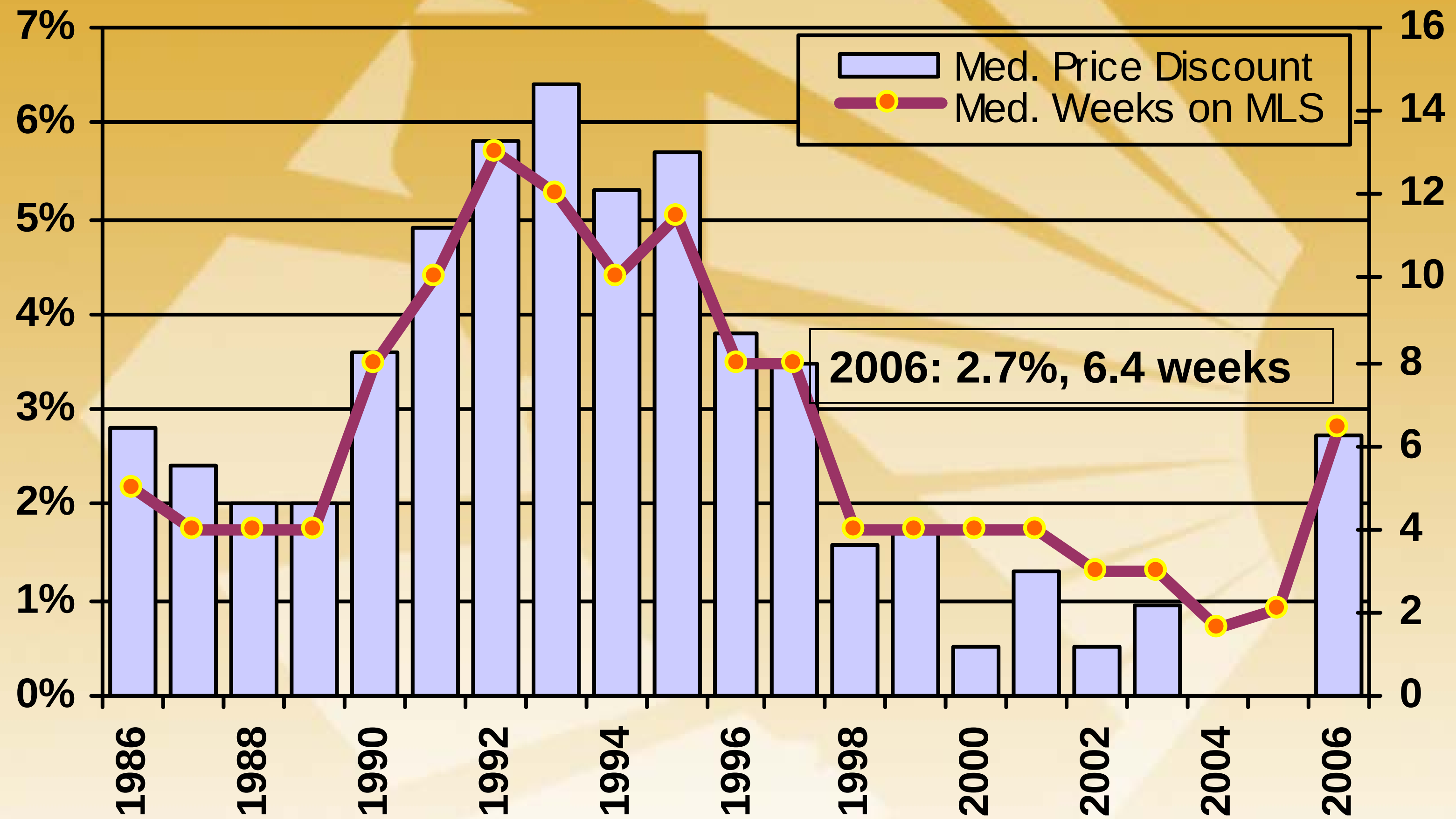
Median Price Discount And Weeks On Market



Q. What was the original list sales price of the property? What was the final sales price of the property? How many weeks did the property remain on the MLS?

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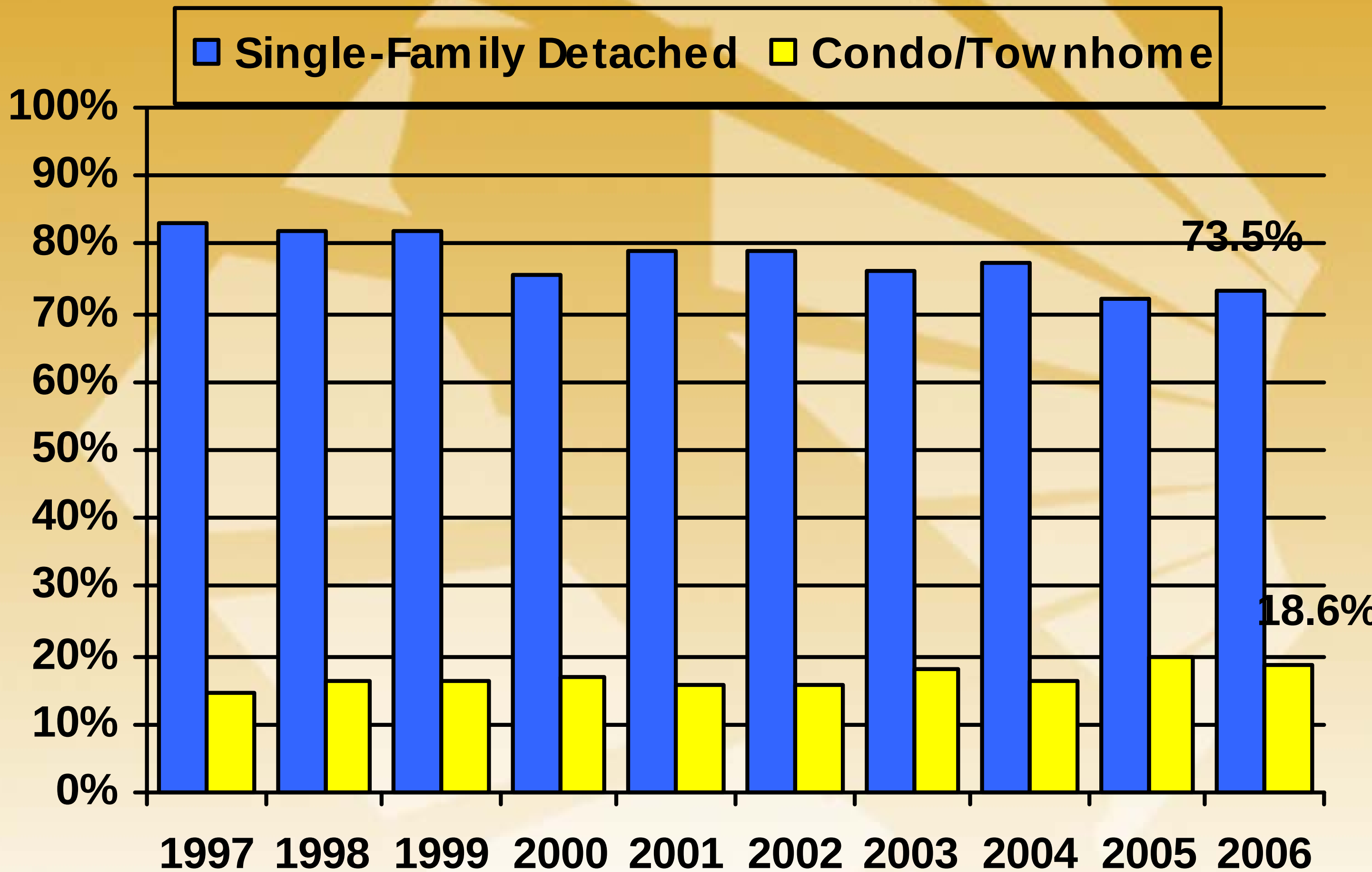
Type of Residence

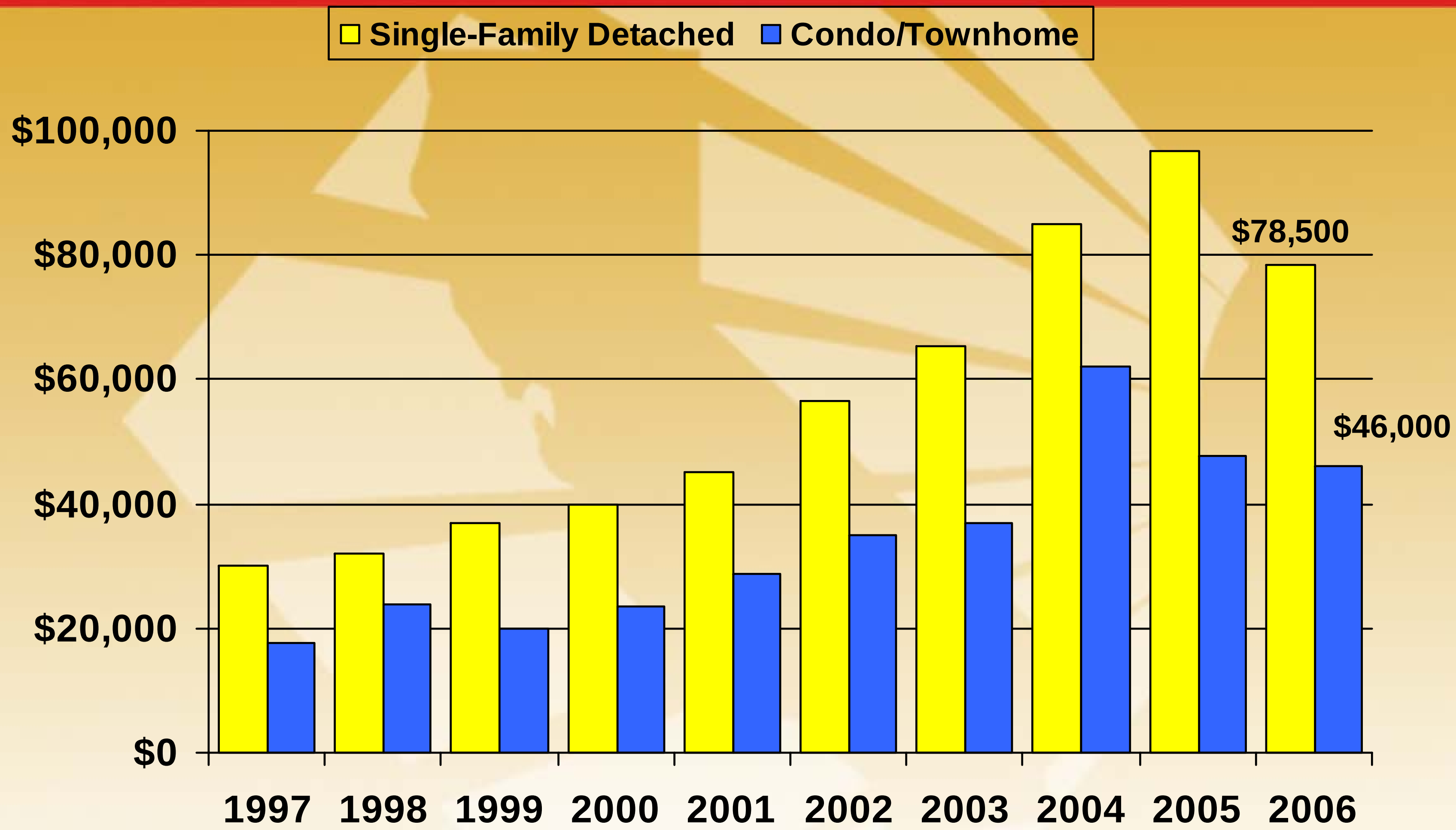


Note: Figures do not total 100% due to “other” types of homes sold.

Q. What type of residence was purchased?

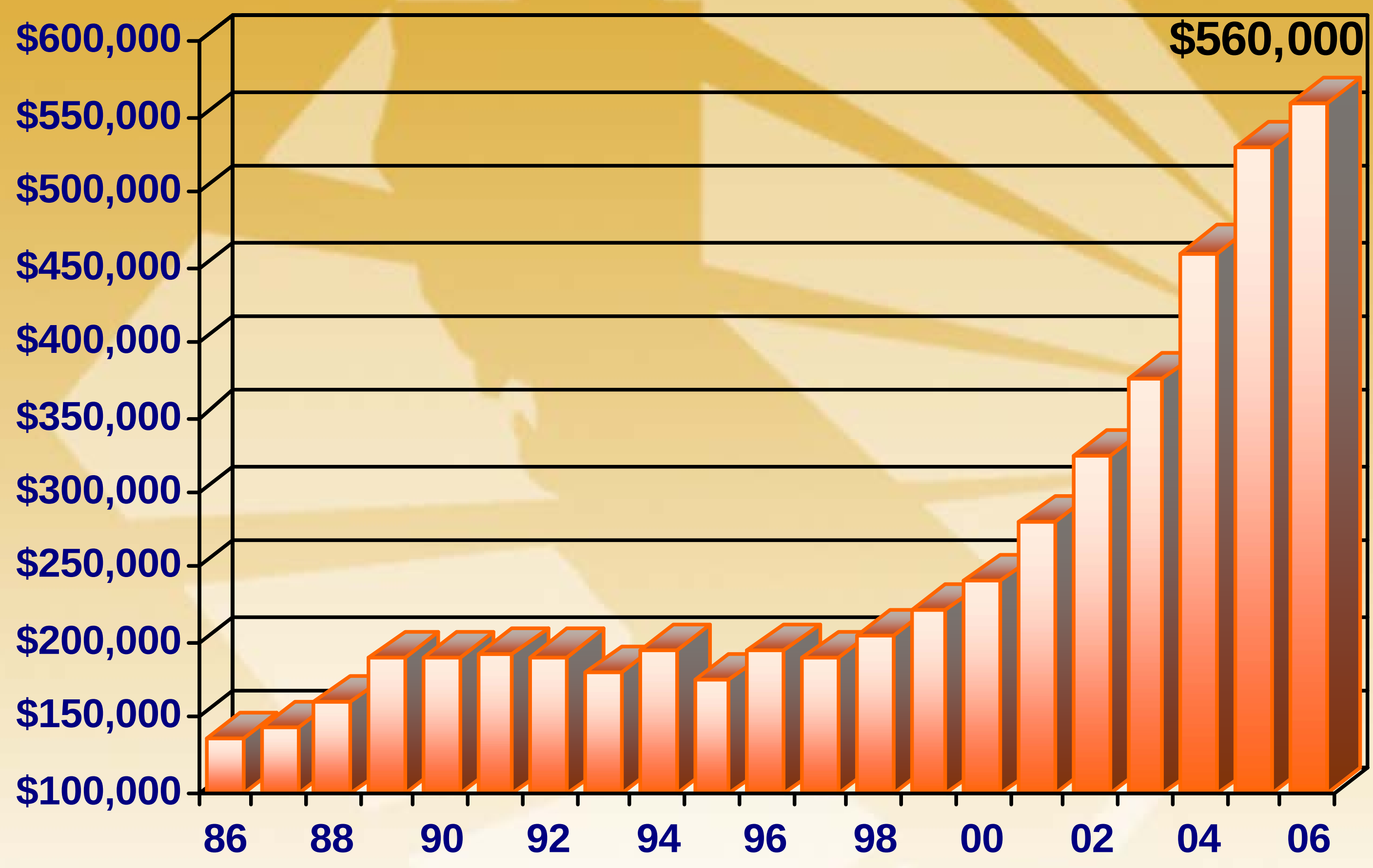
Median Downpayment

Single-Family Detached Vs. Condo/Town home



Q. What was the amount of downpayment?

Median Sales Price Of Homes Sold In California



Q. What was the final sales price of the property?

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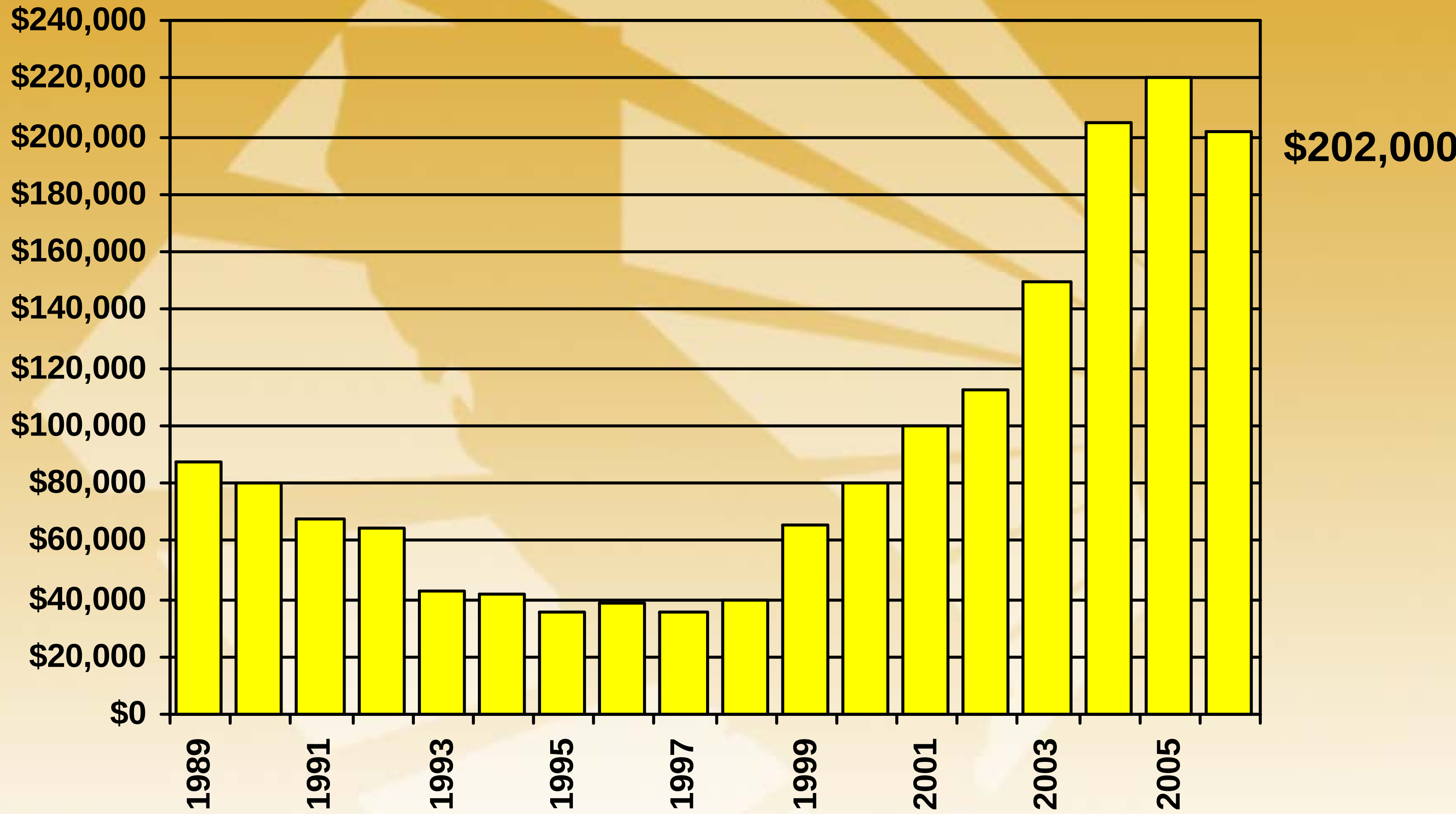
Median Net Cash To Sellers



Q. What was the net cash gain or net loss to the seller as a result of this sale?

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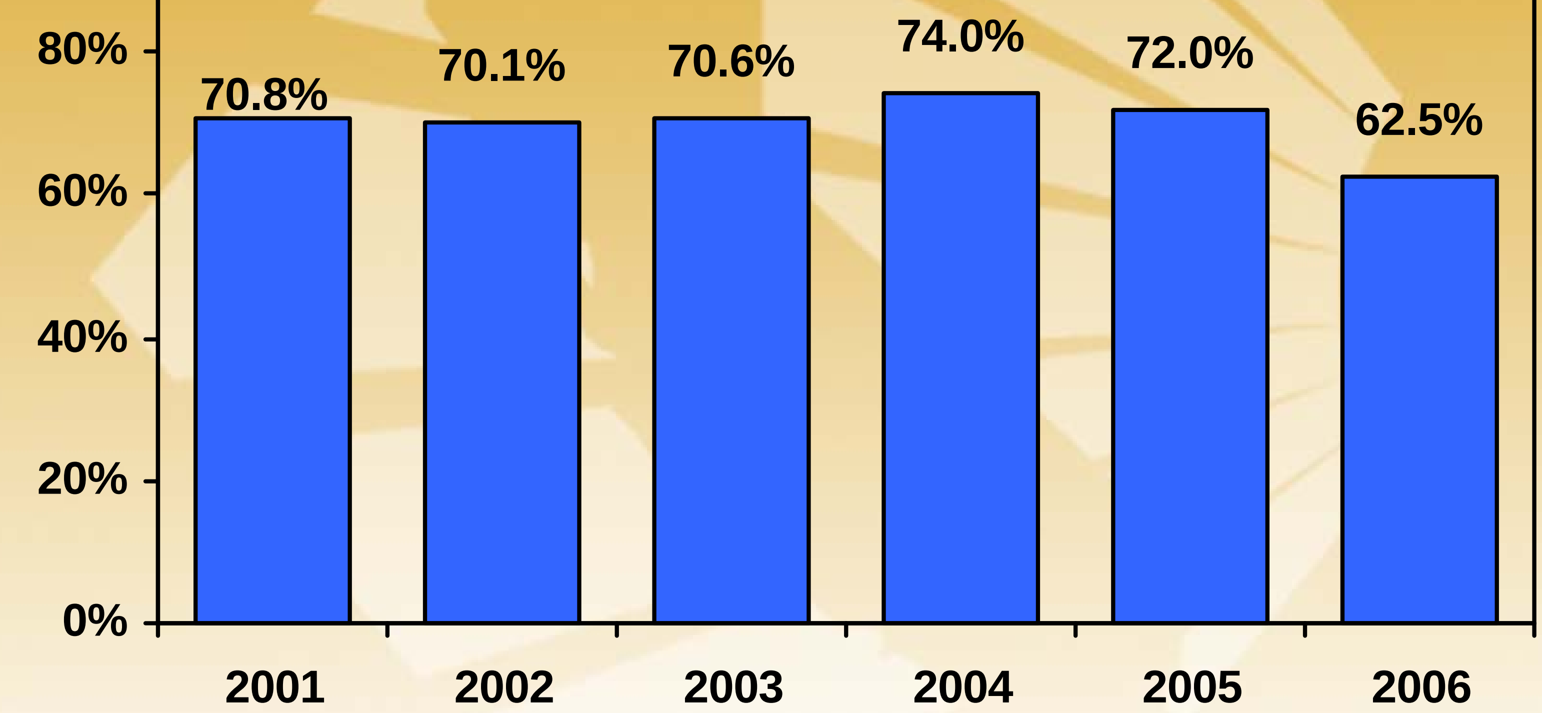
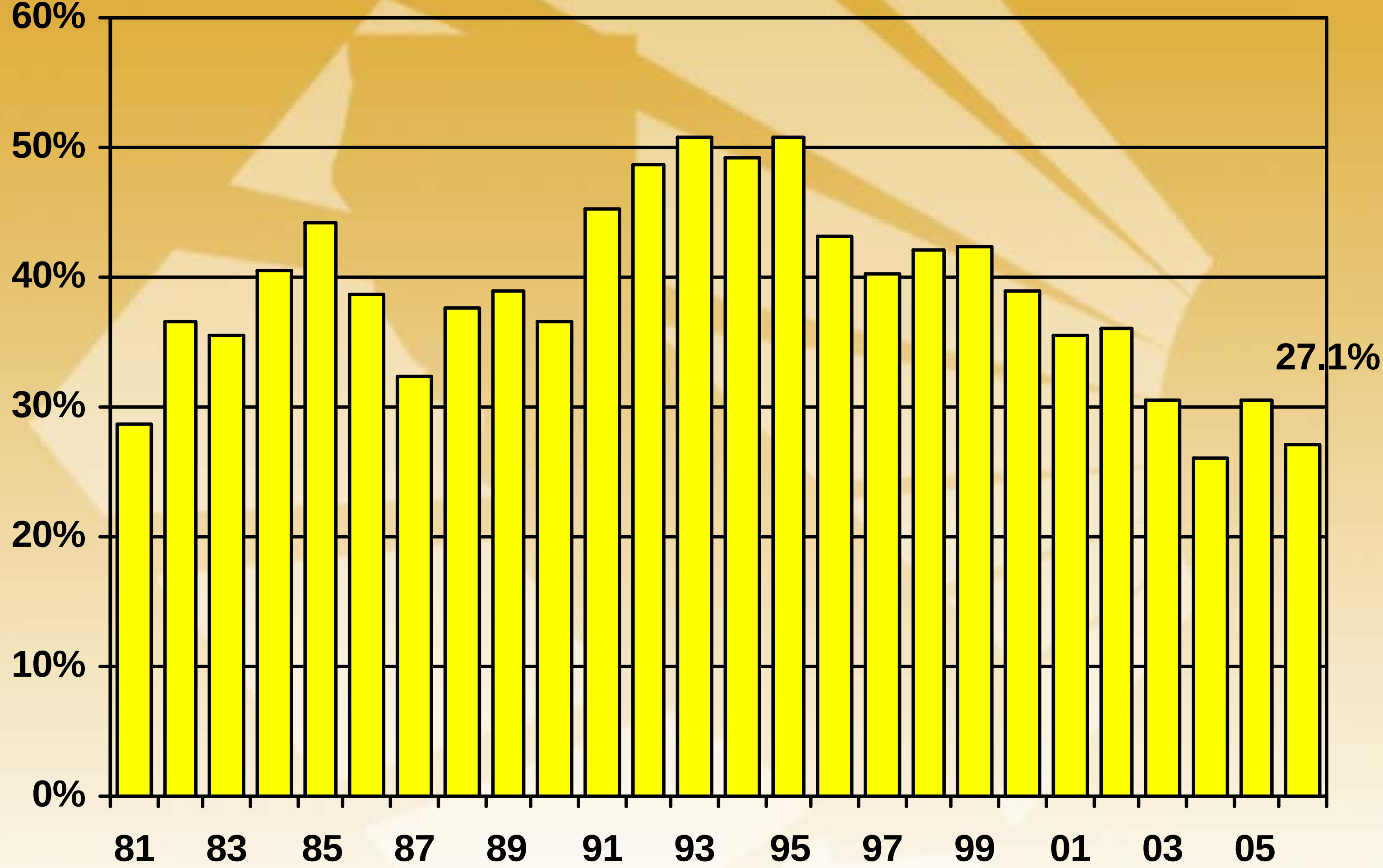
Percentage of Sellers Planning to Purchase Another Home



Q. Is the seller planning on purchasing another home?

Proportion of First-Time Homebuyers

California: 1981 - 2006



Q. Was the buyer a first-time buyer?

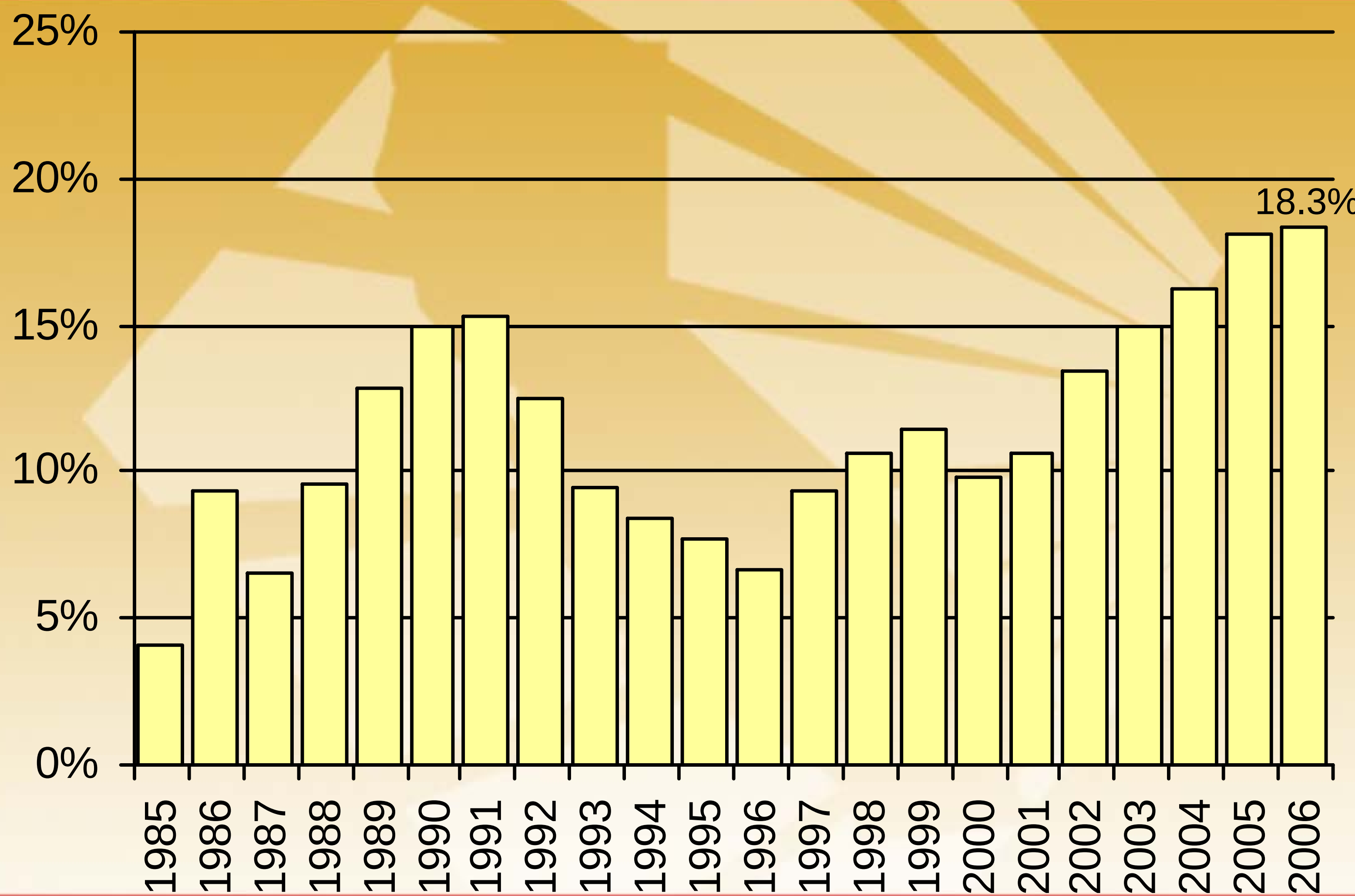
Top Reasons For Buying Home

By Region in California

	Southern California	Northern California	Rest Of California
Desired Larger Home	21%	26%	17%
Investment/ Tax Consderations	19%	14%	22%
Tired of Renting	18%	16%	17%
Desired Better Location	14%	14%	21%
Changed Jobs	7%	10%	4%
Change in Family Status	7%	5%	1%
Desired Smaller Home	3%	2%	2%
Retirement/Move to Retirement Community	2%	2%	4%
Other	10%	9%	11%
Total	100%	100%	100%

Q. What was the single most important reason for selling/buying the property?

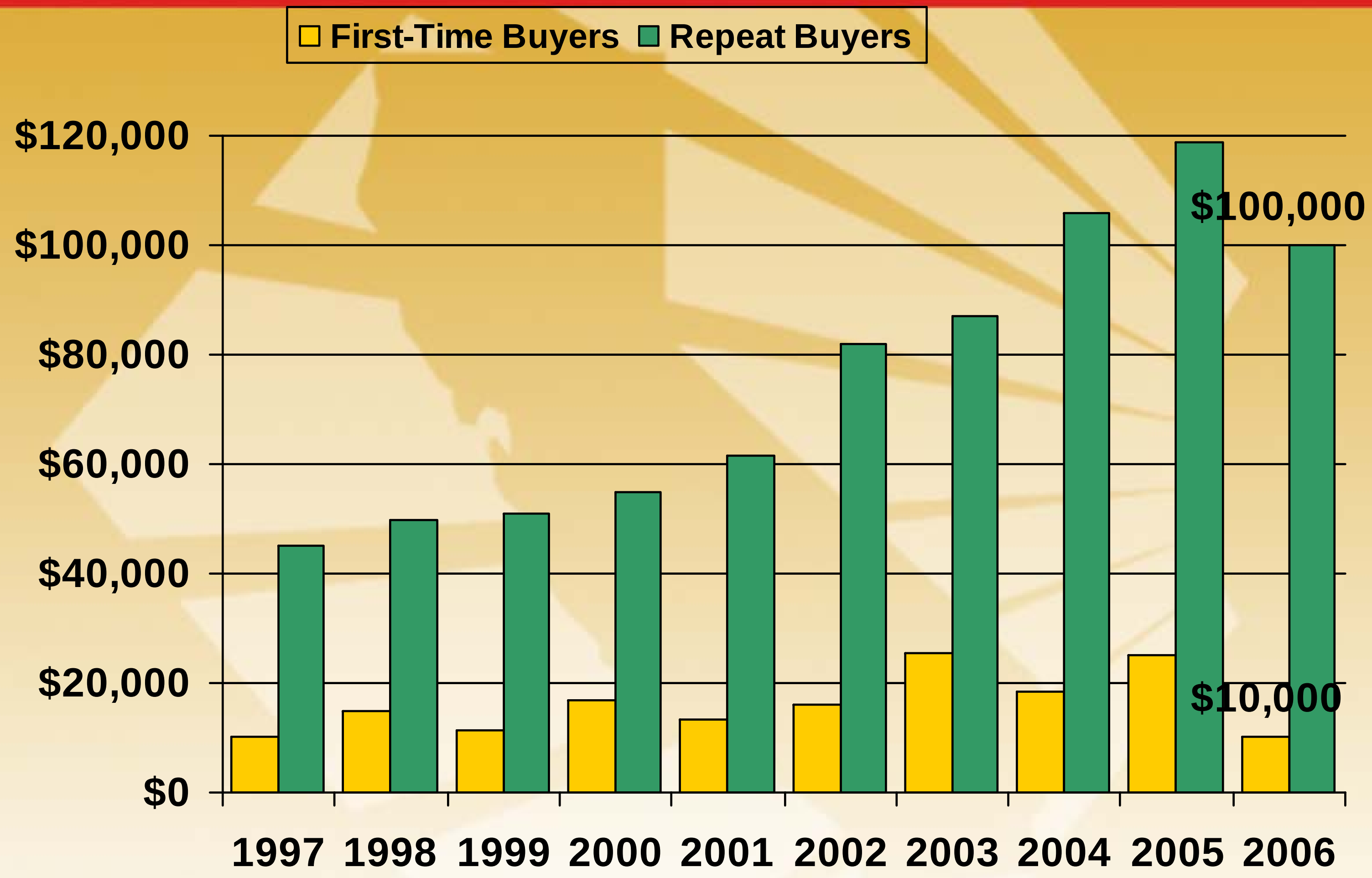
Primary Reason for Buying: Investment/Tax Considerations



- Source: CAR 2006 Housing Market Survey

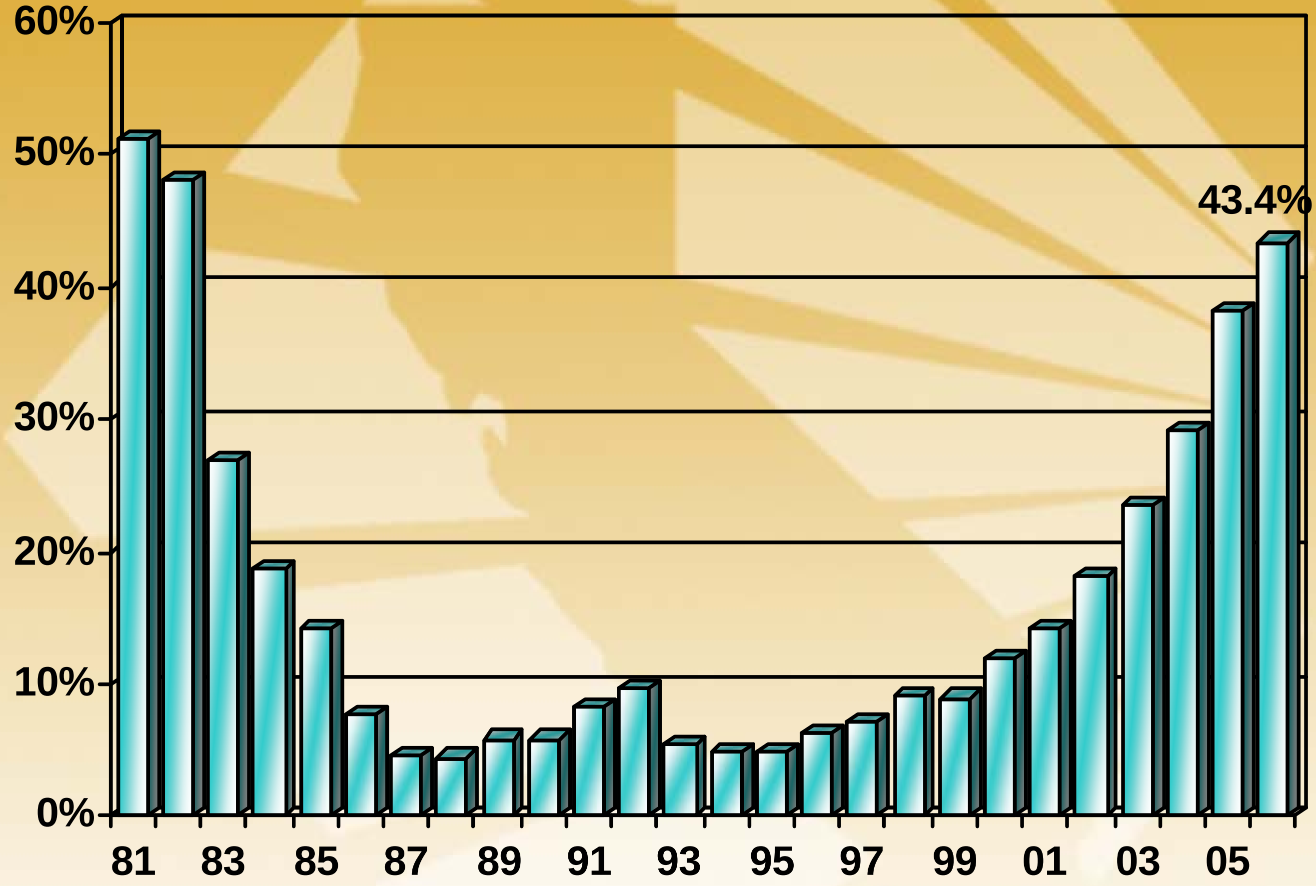
Median Downpayment

First-Time Homebuyers Vs. Repeat Homebuyers



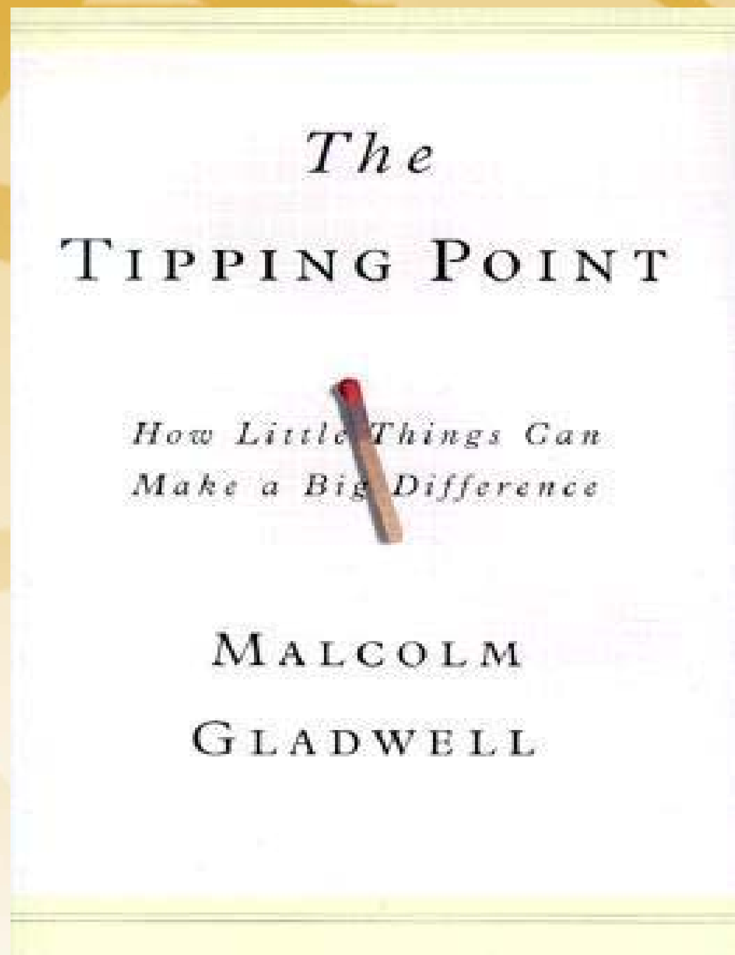
Q. What was the amount of downpayment?

Proportion of Transactions With Second Mortgages



Q. In addition to the first mortgage or assumption, was there a second mortgage?

Tipping Points

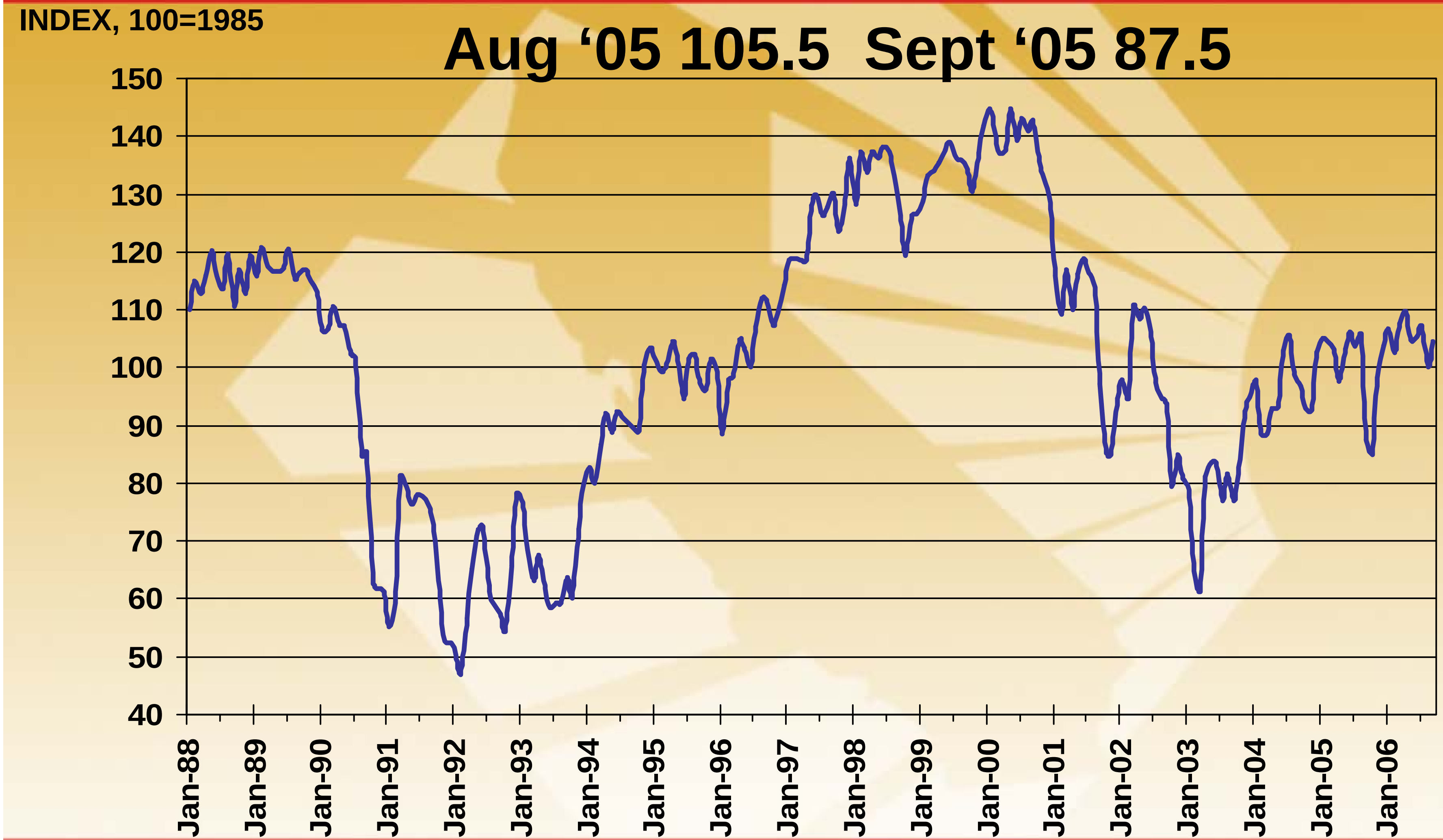

The
TIPPING POINT
How Little Things Can
Make a Big Difference
MALCOLM
GLADWELL

Key Factors

- Consumer Confidence
- Mortgage rates
- Rate of return
- Prices
- New construction

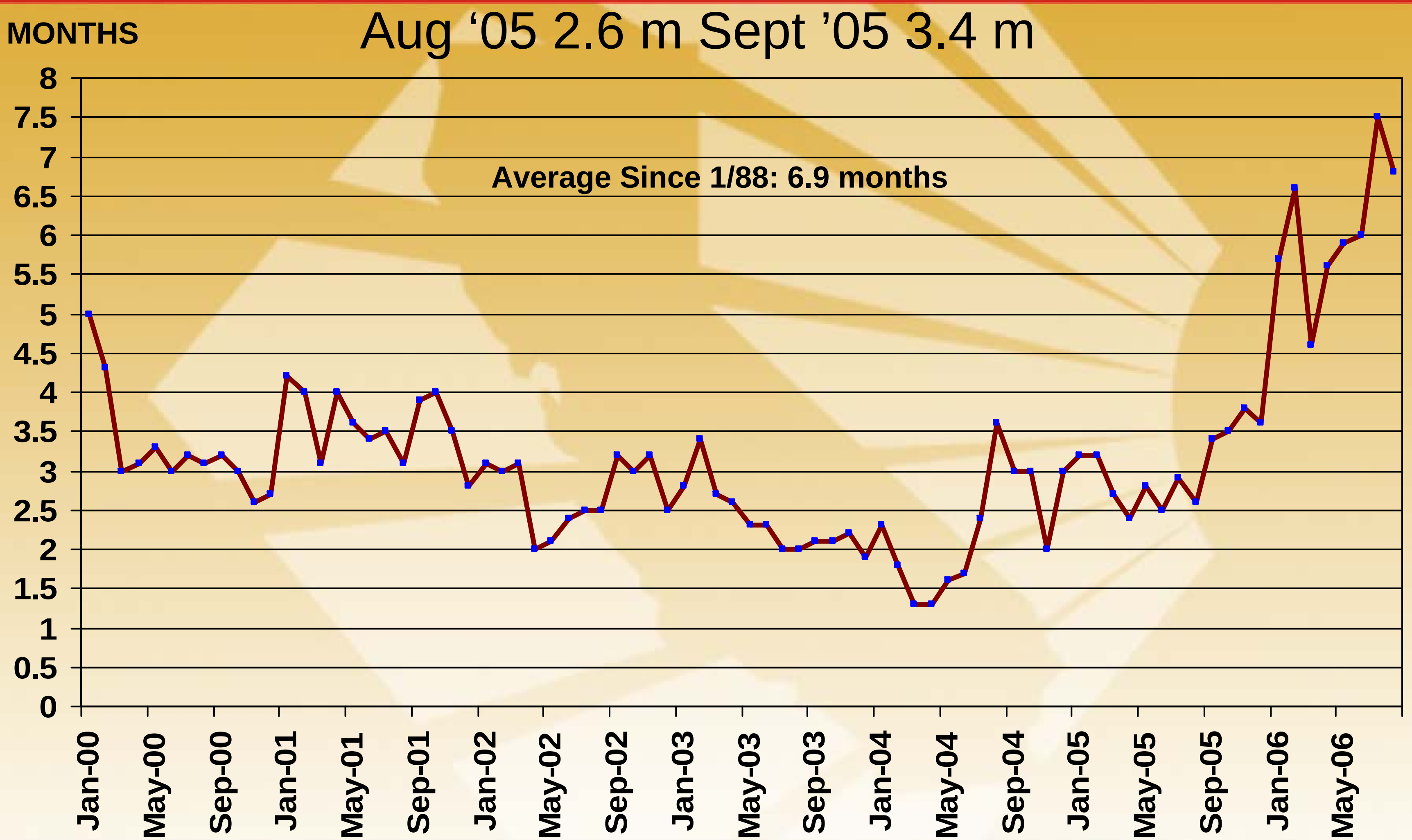
Consumer Confidence Index

September 2006: 104.5



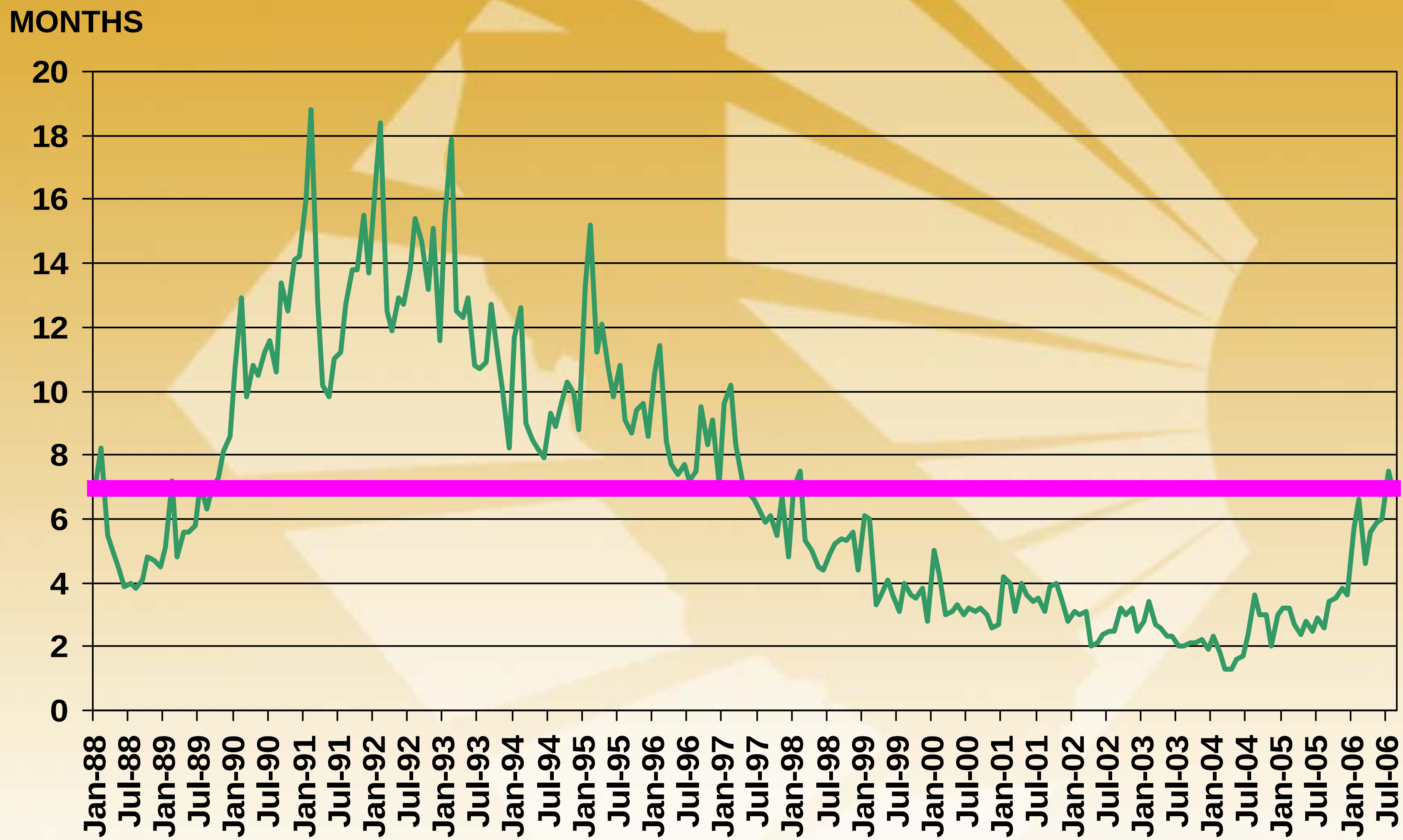
Unsold Inventory Index: 2000-2006

California, August 2006: 6.8 Months



Unsold Inventory Index:1988-2006

California, August 2006: 6.8 Months



SOURCE: California Association of REALTORS®

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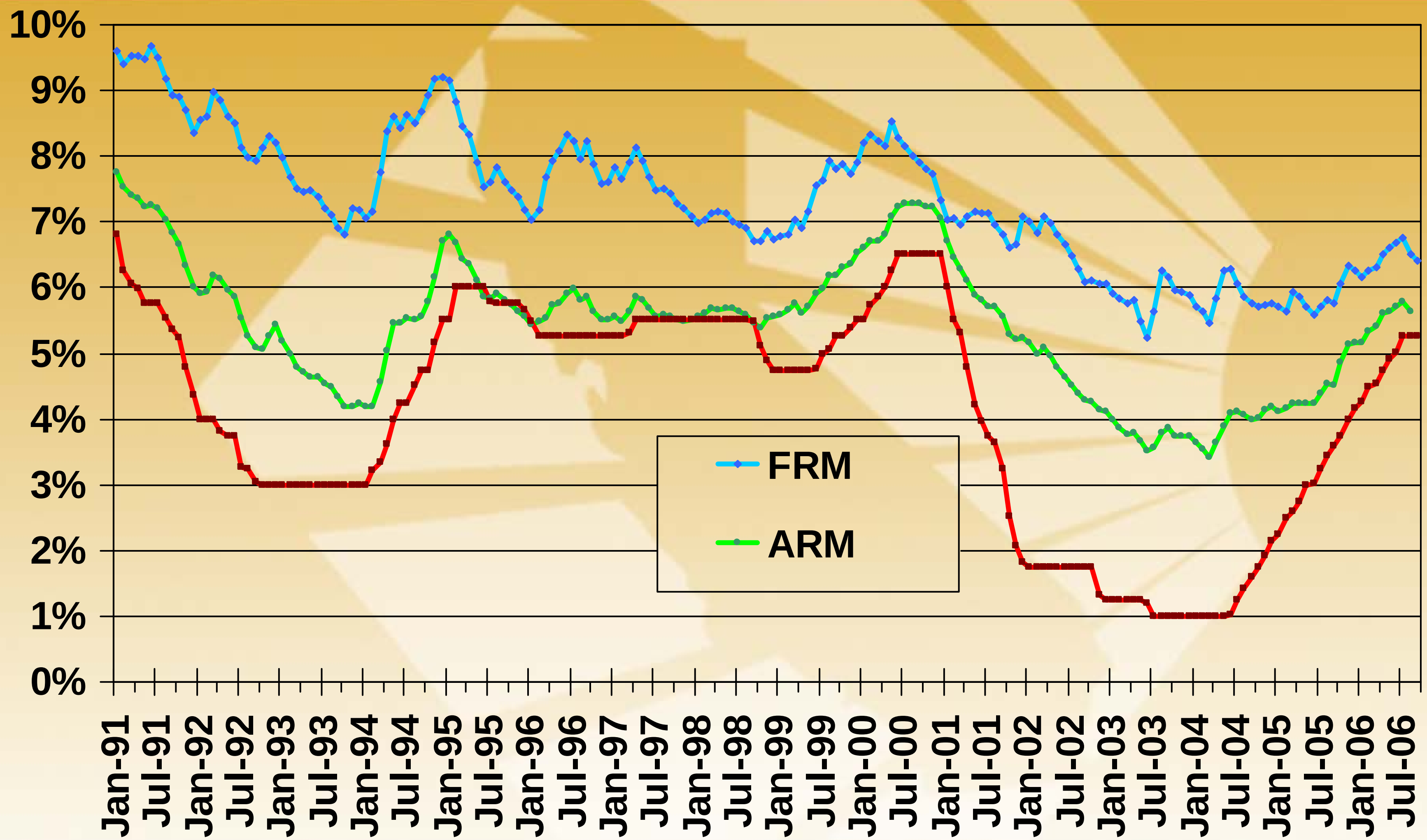
Mortgage Rates and the Fed Funds Rate

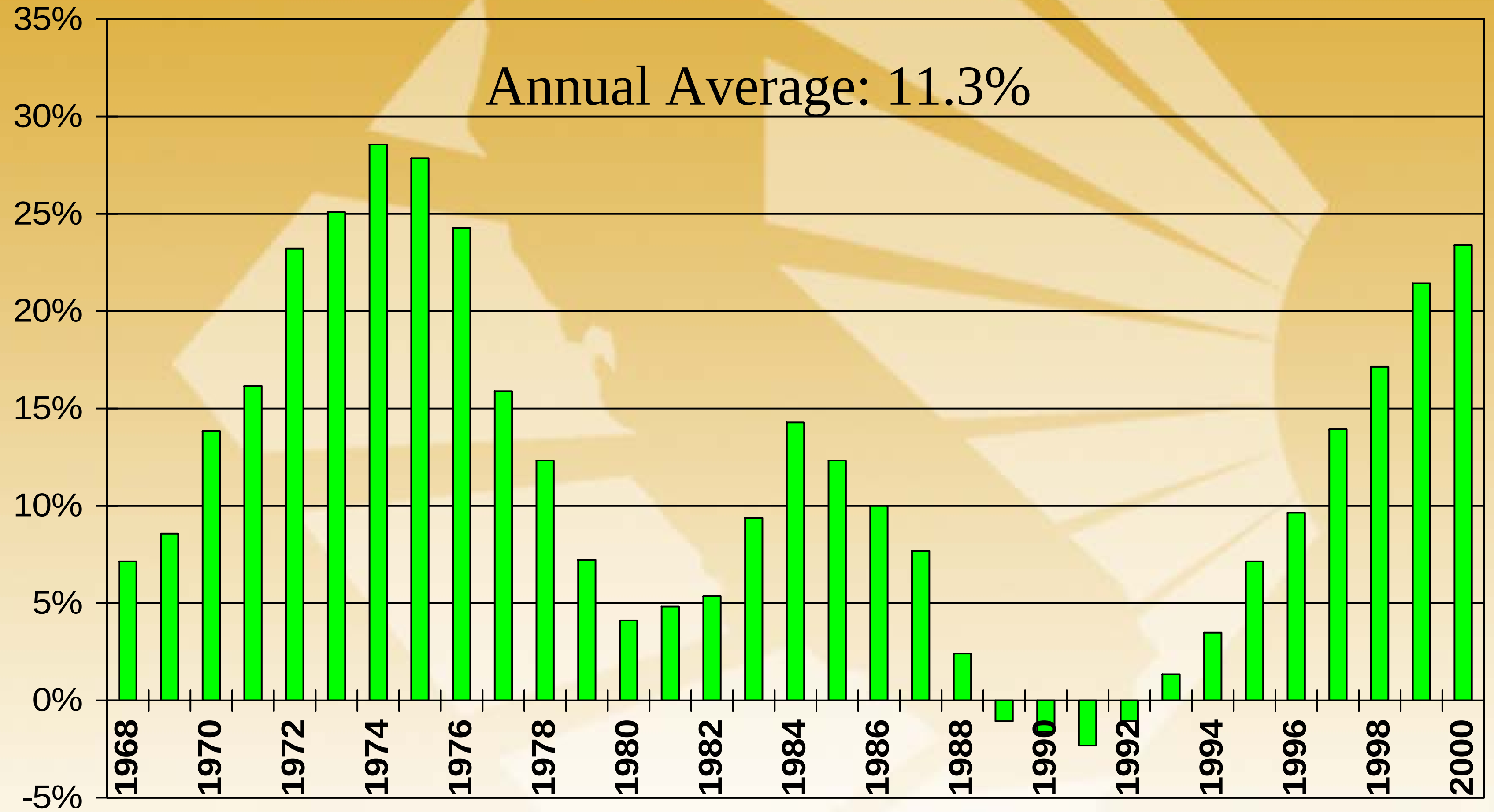
1991-2006



SOURCE: Federal Home Loan Mortgage Corporation

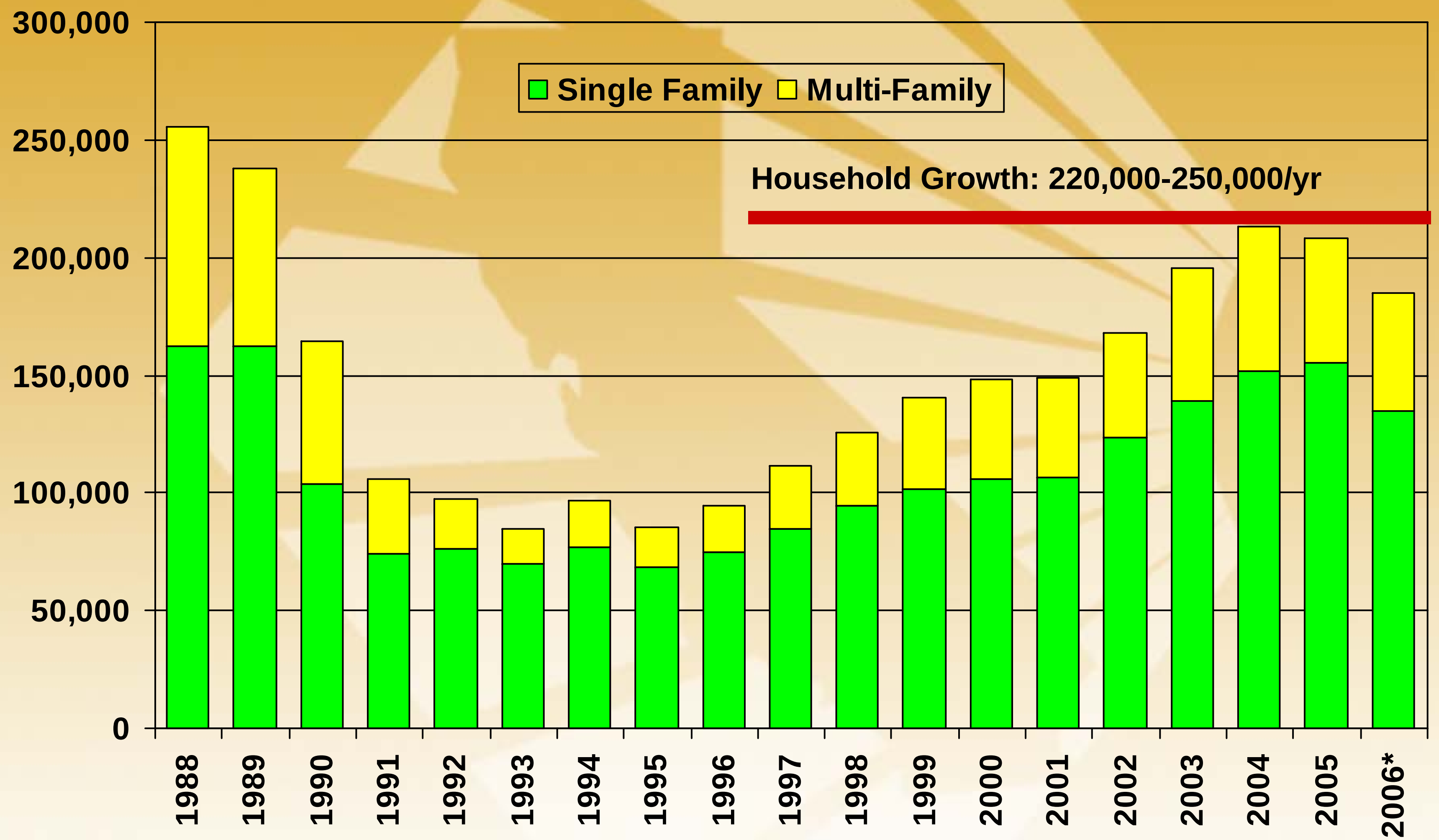
5-Year Rate of Return on Median Price Home

Purchased in Year Shown - Sold After 5 Years



New Housing Permits

California 1988-2006



SOURCE: Construction Industry Research Board
*2006 Projection from CBIA

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New Home Sales
Regions

Region	1995	1996	1997	1998	1999	2000
Bay Area	9,293	11,712	13,706	13,432	15,327	14,201
Central Valley	9,792	10,621	10,391	12,700	15,891	17,962
Southern California	26,101	30,502	32,945	37,020	39,379	42,316
3-RegionTotal	45,186	52,835	57,042	63,152	70,597	74,479
Region	**2001**	**2002**	**2003**	**2004**	**2005**	**2006 YTD***
Bay Area	14,201	11,896	11,989	12,923	15,946	6,805
Central Valley	17,962	20,881	23,493	26,692	27,154	10,399
Southern California	42,316	50,029	51,551	61,682	64,762	32,951
3-RegionTotal	82,806	87,033	101,297	107,862	116,653	50,155

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

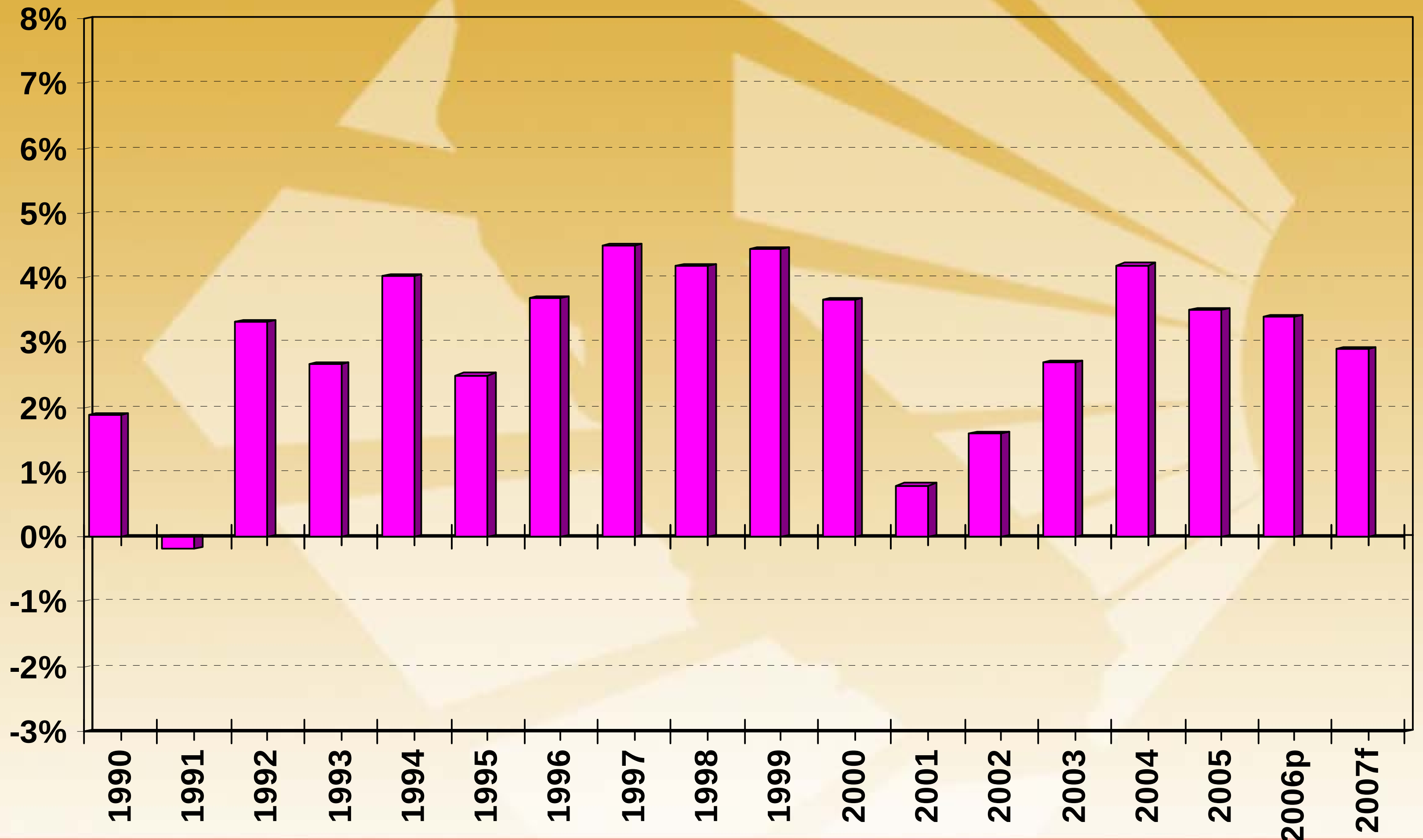
Looking Ahead to 2007:

Positive Economic News

Gross Domestic Product

2004: 4.2% 2005 3.5% 2006 3.4% 2007 2.9%

ANNUAL PERCENT CHANGE, CHAIN-TYPE (2000) $



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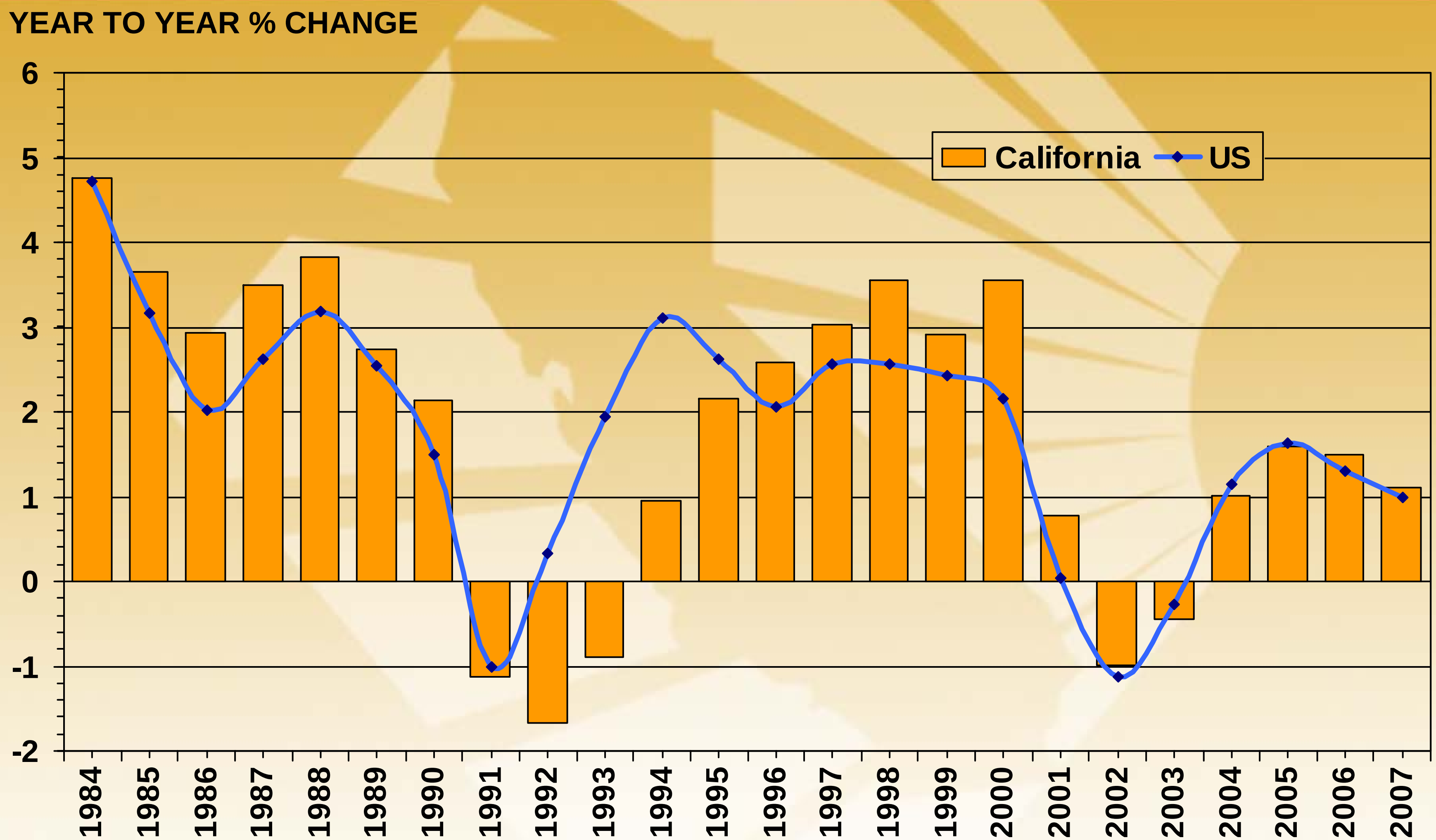
Employment Growth

California vs. U.S.



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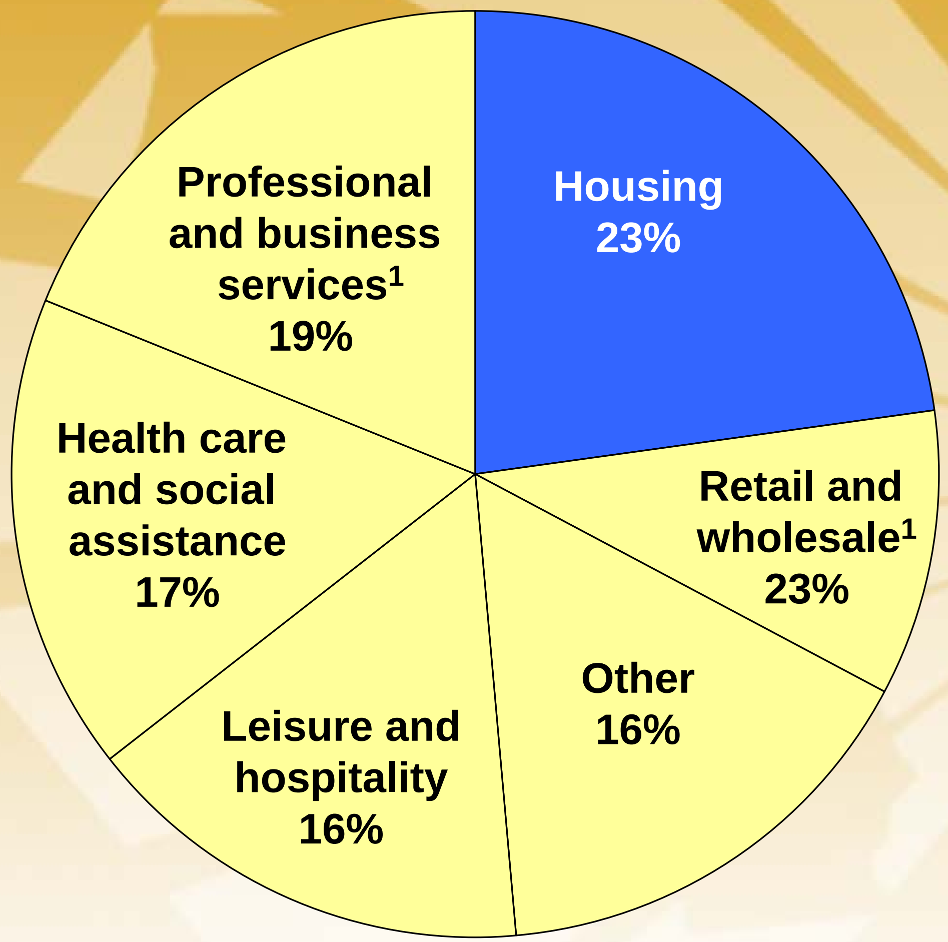
Nonfarm Employment By Region

(Thousands)	Nonfarm Employment August-06	Nonfarm Employment August-05	Change	Percent Change
Southern California	8,386.1	8,267.1	119	1.4%
Bay Area	3,201.5	3,157.8	43.7	1.4%
Central Valley	2,006.5	1,973.1	33.4	1.7%
Central Coast	497.0	491.1	5.9	1.2%
North Central	141.5	138.5	3	2.2%
CALFORNIA	15,026.3	14,834.3	192	1.3%

SOURCE: CA Employment Development Division

Share of Total Job Growth

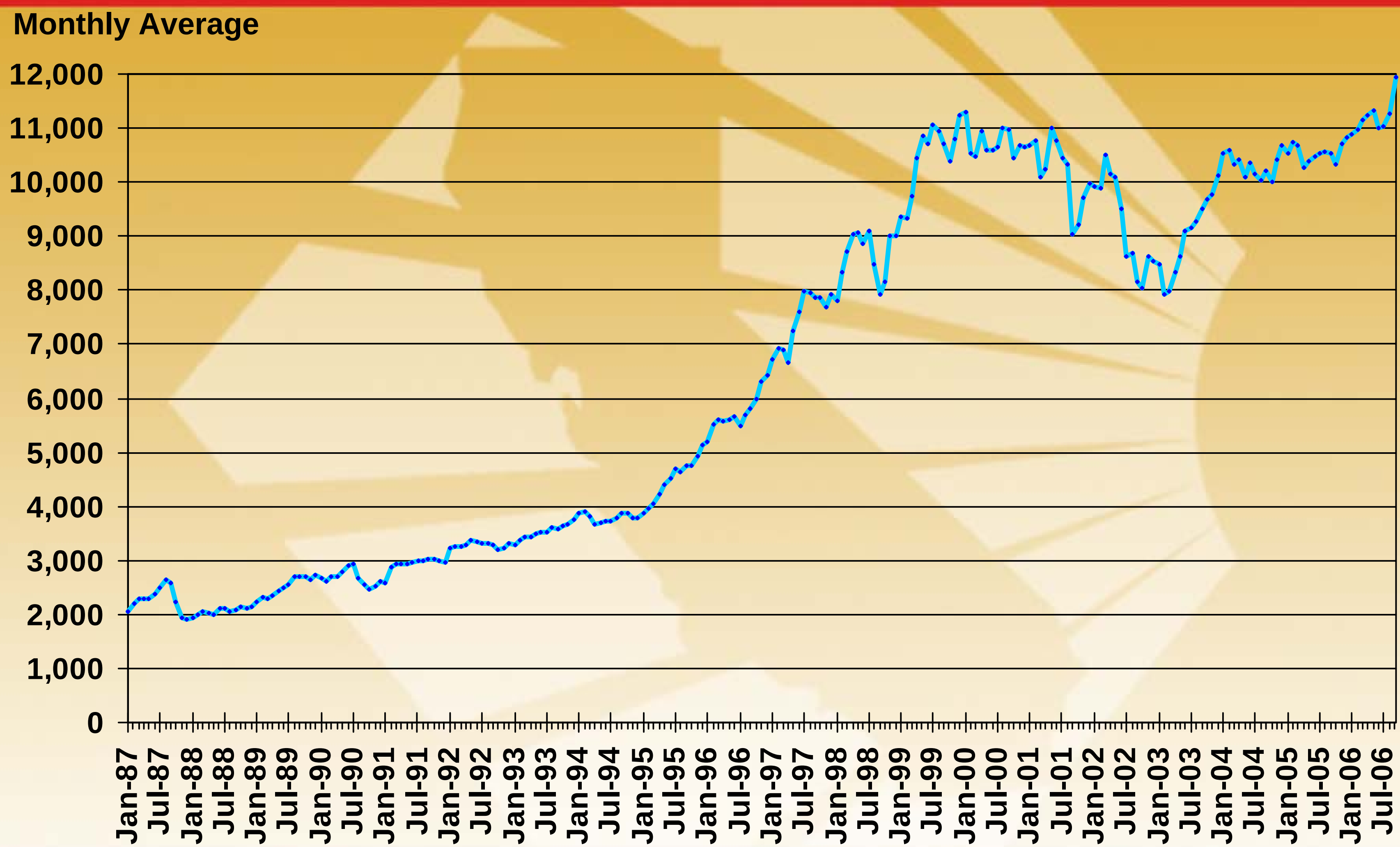
Since 3rd Qtr of 2003



Note: [1]Excluding housing

Dow Jones Stock Price

30 Industrial Index: 1987-2006



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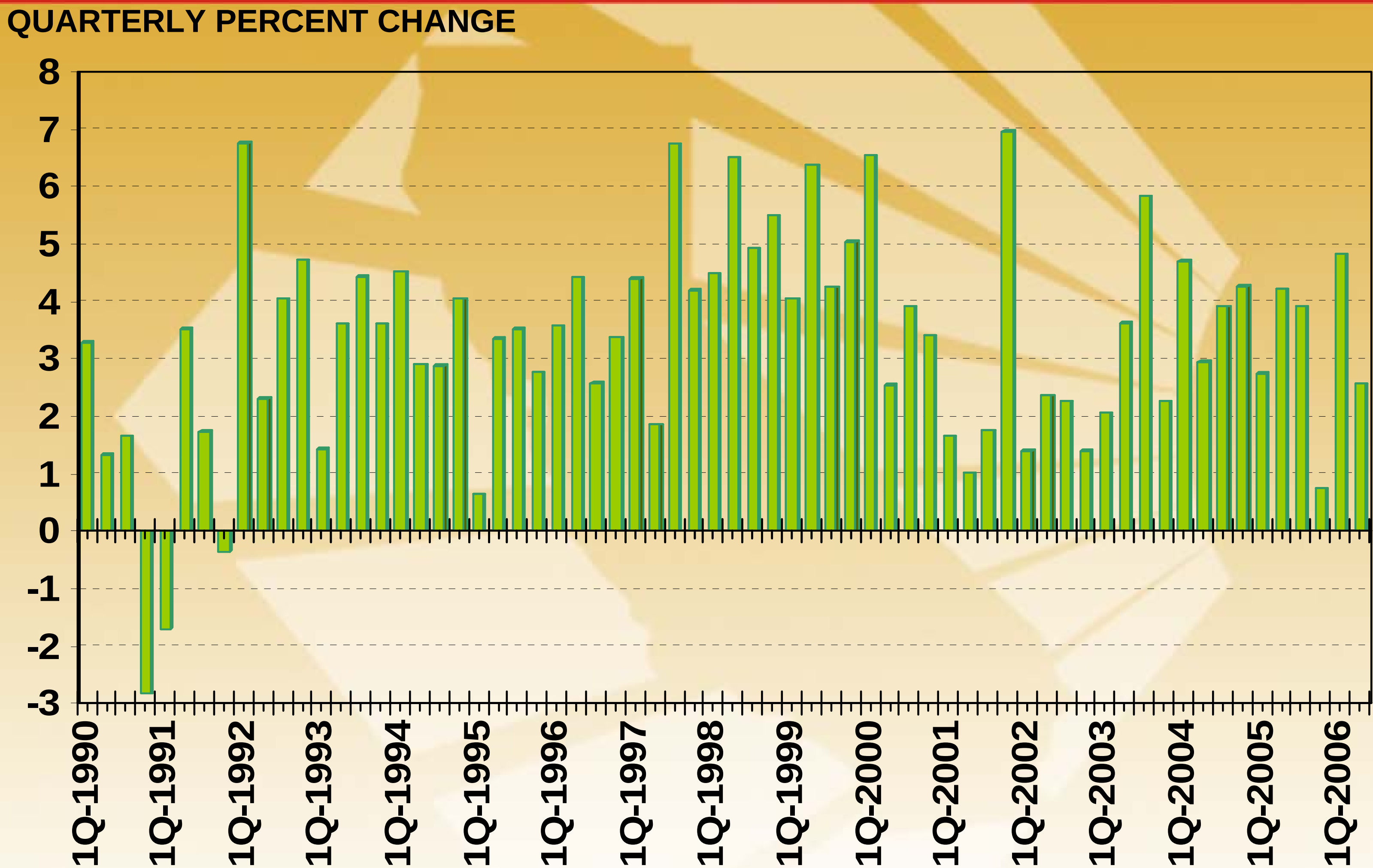
Personal Consumption

2006 Q1: +5.5% 2006 Q2: +2.6%



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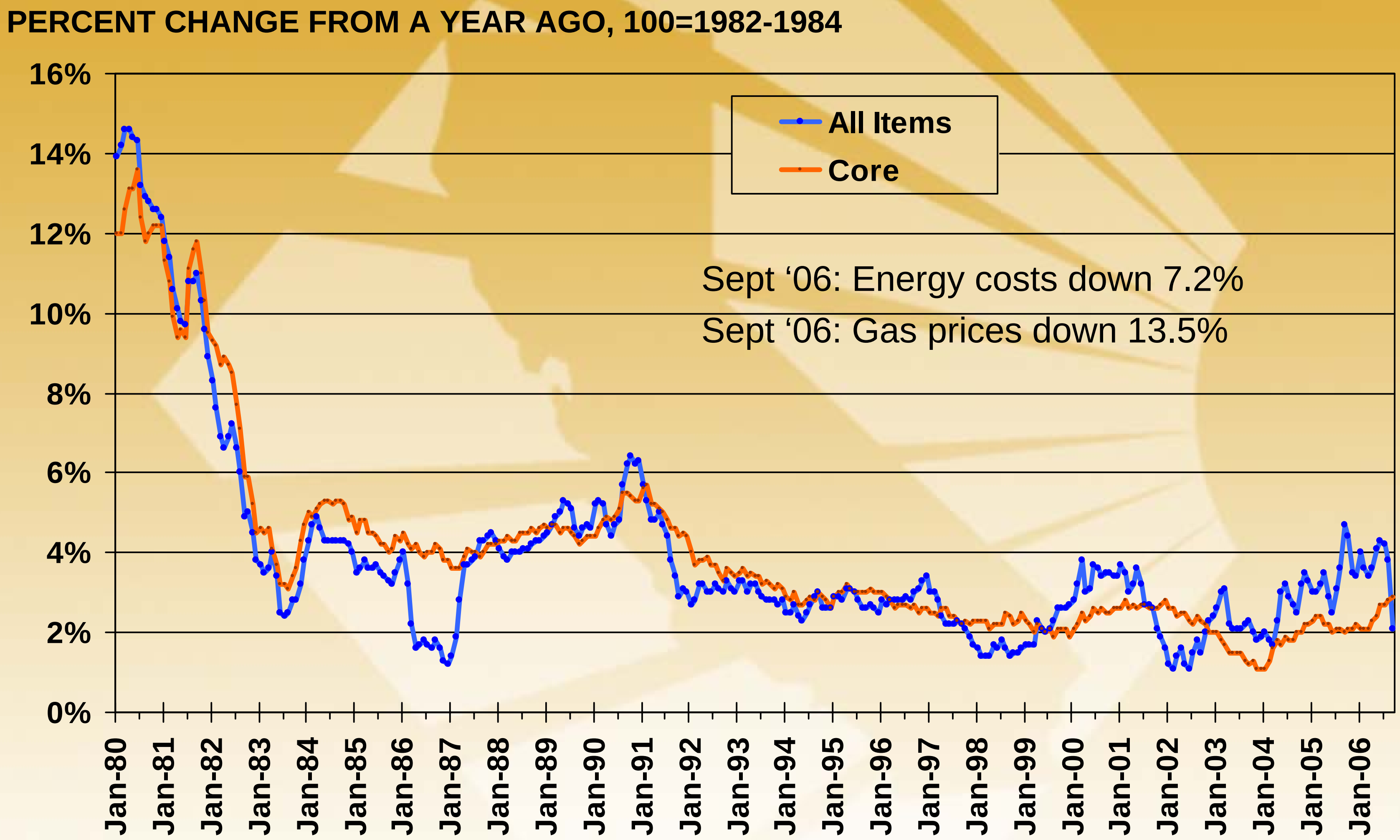
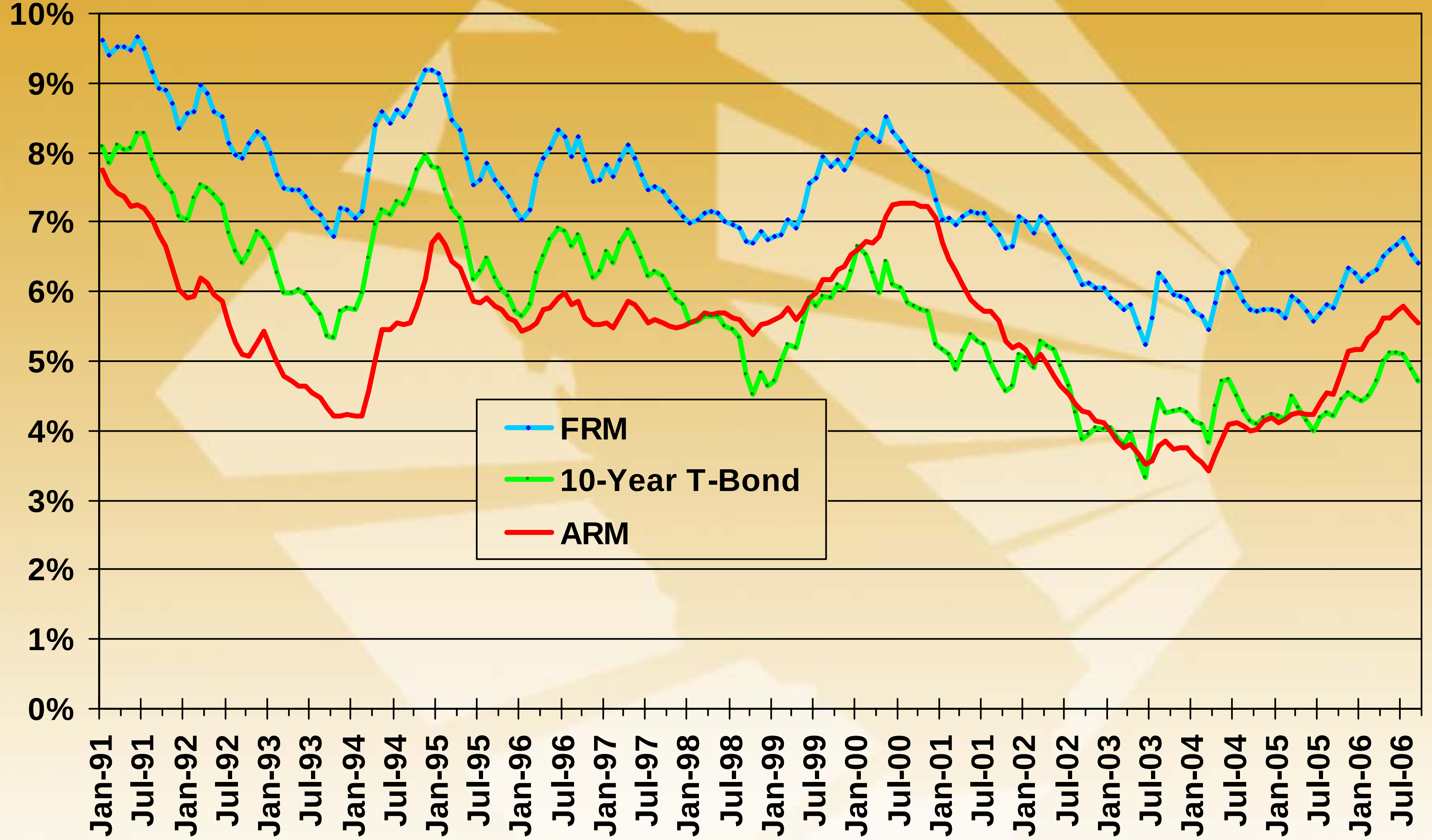
Consumer Price Index: Energy Costs Falling

September 2006: All Items 2.1% YTY; Core 2.9% YTY



30-Year FRM vs. 10-Year T-Bond

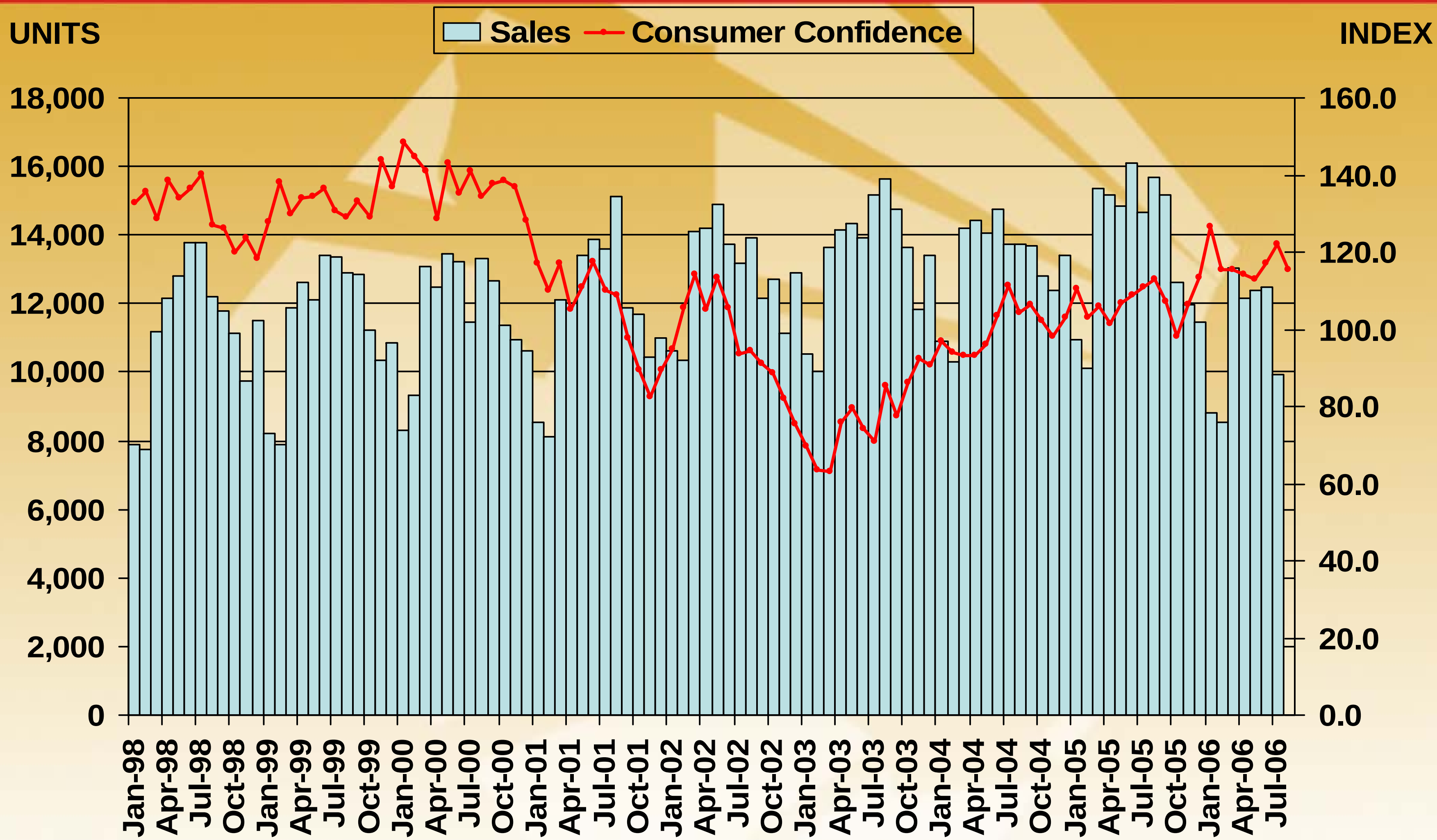


SOURCE: Federal Home Loan Mortgage Corporation – 30-yr FRM, Federal Reserve Board – 10-Year T-Bond

Southern California Region

Sales of Existing Detached Homes and Pacific West Consumer Confidence

So Cal August 2006 Sales: 11,559 Units, Down 26.8% Y-T-Y, Down 20.9% Y-T-D



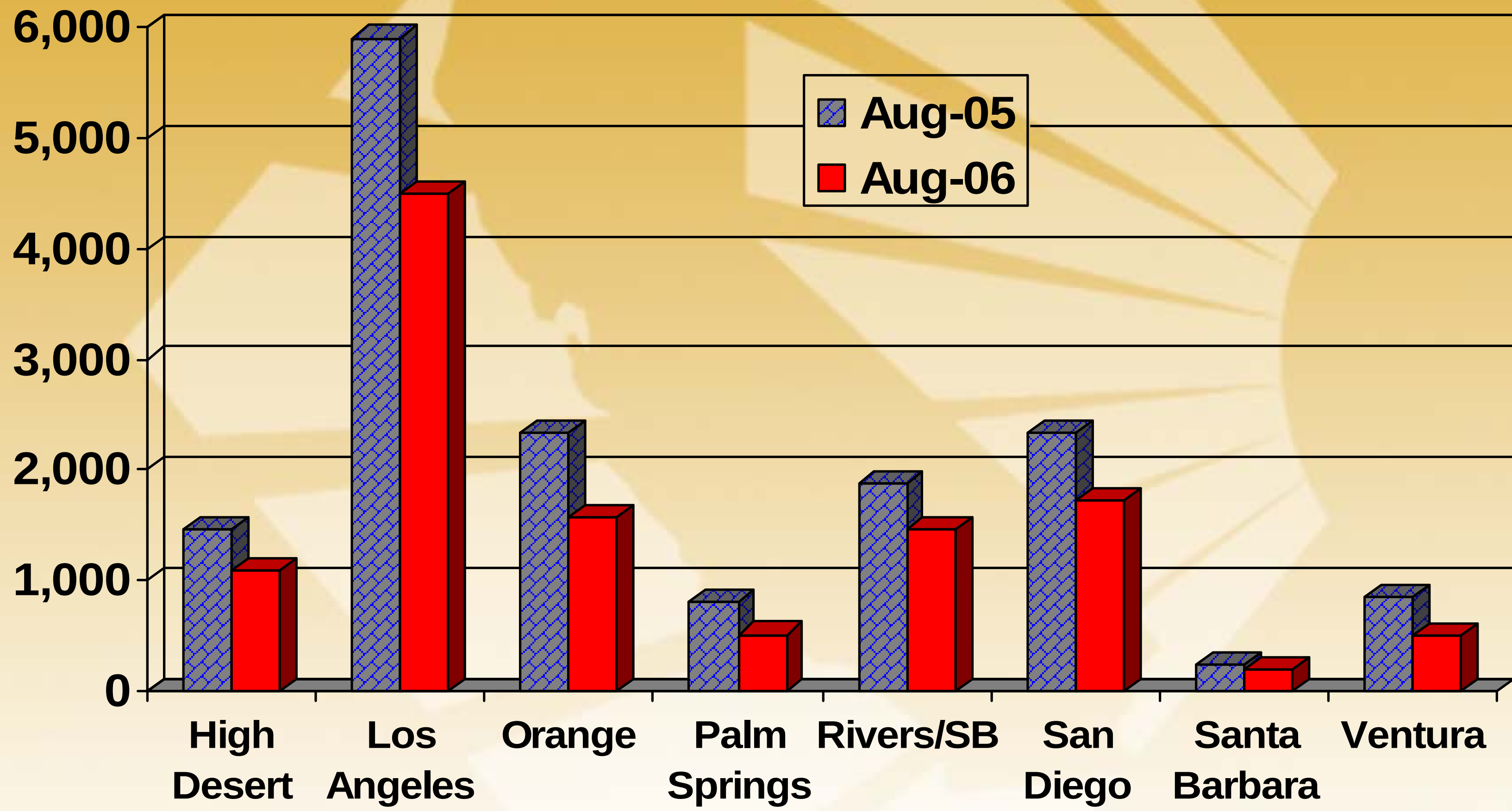
SOURCE: California Association of REALTORS®;
The Conference Board

Sales of Existing Detached Homes

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y	Y-t-D
High Desert	1,095	1,011	1,452	8.3%	-24.6%	-13.4%
Los Angeles	4,499	3,861	5,903	16.5%	-23.8%	-18.7%
Orange	1,578	1,500	2,336	5.2%	-32.4%	-29.1%
Palm Springs	512	577	797	-11.3%	-35.8%	-10.4%
Riverside/SB	1,459	1,211	1,884	20.5%	-22.6%	-22.2%
San Diego	1,727	1,591	2,329	8.5%	-25.8%	-21.5%
Sta. Barbara Area	196	155	243	26.5%	-19.3%	-26.8%
Ventura	493	491	845	0.4%	-41.7%	-30.1%

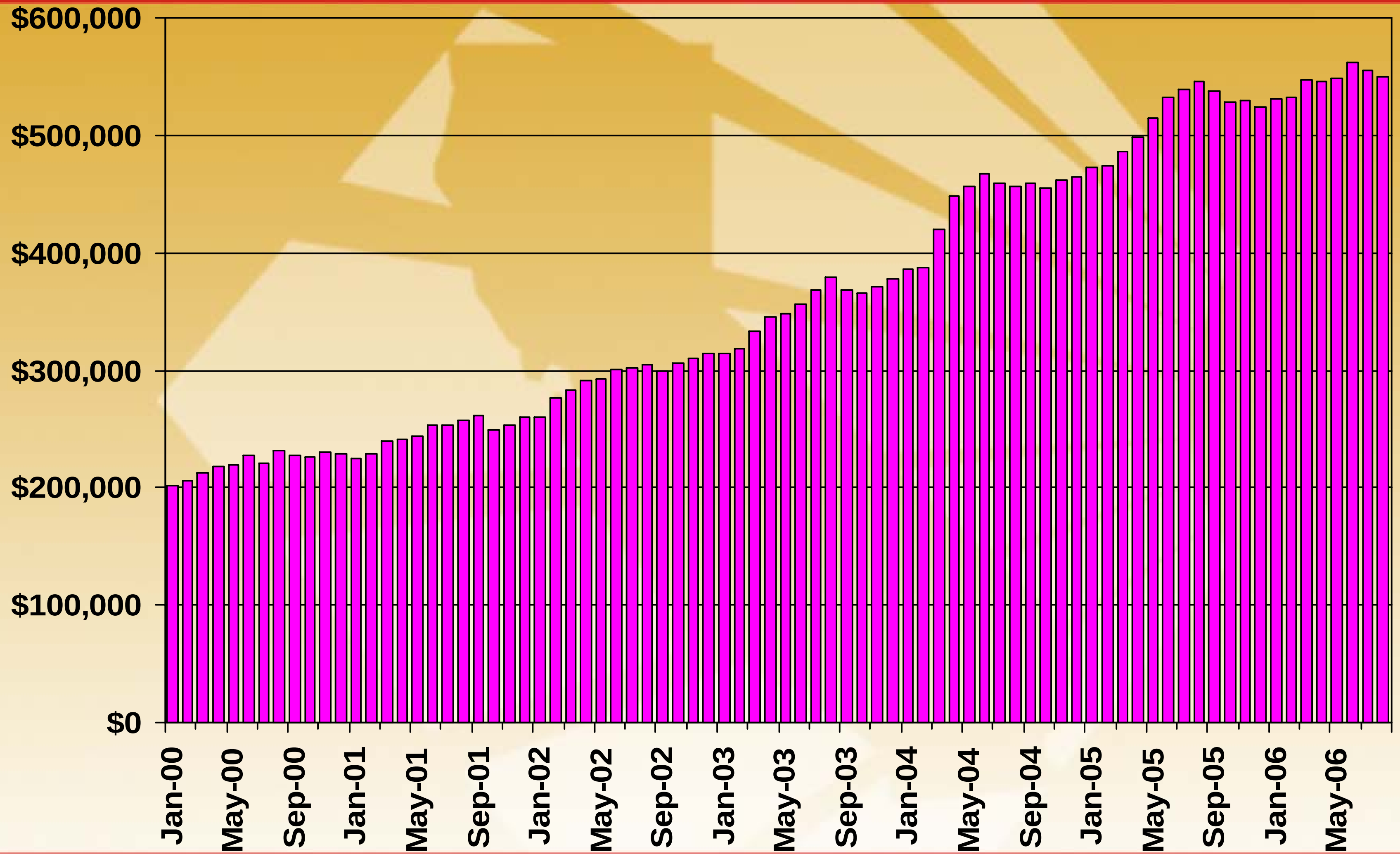
SOURCE: California Association of REALTORS®

Home Sales in Southern California Regions



Median Price of Existing Detached Homes

So Cal, August 2006: $549,990 Up 0.9% Y-T-Y



SOURCE: California Association of REALTORS®

California Association of REALTORS®

Median Price of Existing Detached Homes

Southern California Regions

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y
High Desert	$ 332,897	$ 333,333	$ 305,702	-0.1%	8.9%
Los Angeles	$ 589,736	$ 581,145	$ 564,341	1.5%	4.5%
Orange	$ 698,084	$ 710,915	$ 716,305	-1.8%	-2.5%
Palm Springs	$ 355,327	$ 357,715	$ 371,025	-0.7%	-4.2%
Riverside/SB	$ 407,403	$ 409,091	$ 385,263	-0.4%	5.7%
San Diego	$ 598,580	$ 611,997	$ 616,870	-2.2%	-3.0%
Sta. Barbara-So. Coast	$ 1,190,000	$ 1,050,000	$ 1,310,000	13.3%	-9.2%
Sta. Barbara-North Cnty.	$ 453,488	$ 455,101	$ 462,878	-0.4%	-2.0%
Ventura	$ 710,906	$ 705,257	$ 688,146	0.8%	3.3%

SOURCE: California Association of REALTORS®

California Association of REALTORS®

Supply Indicators

Southern California

	July 2006	June 2006	July 2005
Median Time on the Market	47.1 Days	44.3 Days	25.5 Days
Unsold Inventory Index	8.3 Mos.	7.1 Mos.	2.8 Mos.
Median Sales Price-to-Median List Price Ratio	94.9%	96.3%	89.1%

SOURCE: California Association of REALTORS®

New Home Sales

Southern California Counties

County	2000	2001	2002	2003	2004	2005	2006 YTD*
Los Angeles	5,662	8,720	8,116	9,527	9,641	12,016	6,247
Orange	7,629	8,531	6,372	6,712	5,666	5,287	2,681
Riverside	9,986	13,198	16,916	20,959	22,623	27,550	12,715
San Bernardino	5,611	5,194	5,847	8,282	9,102	10,239	4,806
San Diego	9,901	10,993	11,121	13,242	15,554	15,981	5,399
Santa Barbara	595	571	742	883	902	730	186
Ventura	2,932	2,822	2,437	2,117	1,274	2,031	917
So Cal Total	42,316	50,029	51,551	61,722	64,762	73,834	32,951

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

New Home Sales

Southern California Counties

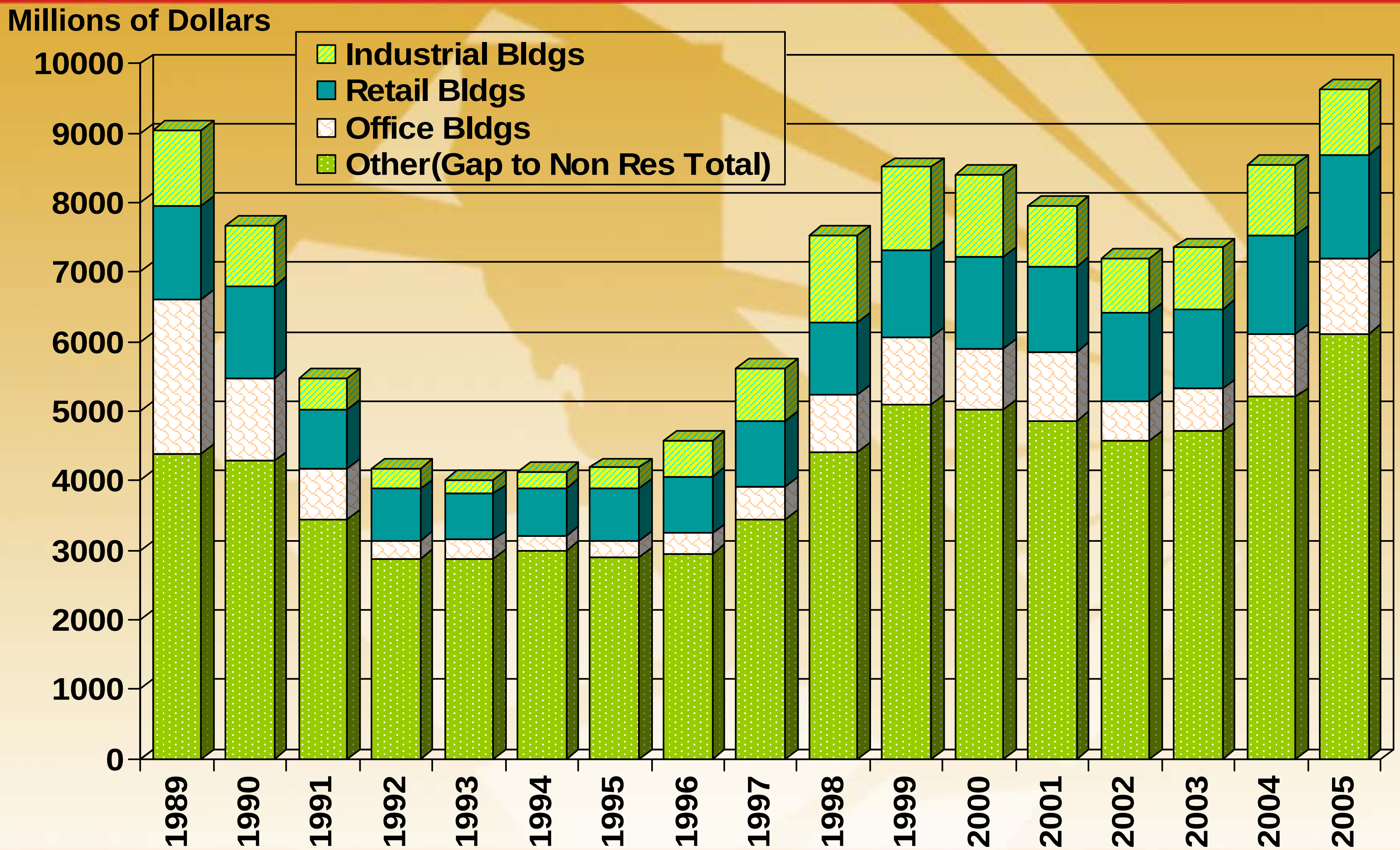
County	2000	2001	2002	2003	2004	2005	2006 YTD*
Los Angeles	13.4%	17.4%	15.7%	15.4%	14.9%	16.3%	19.0%
Orange	18.0%	17.1%	12.4%	10.9%	8.7%	7.2%	8.1%
Riverside	23.6%	26.4%	32.8%	34.0%	34.9%	37.3%	38.6%
San Bernardino	13.3%	10.4%	11.3%	13.4%	14.1%	13.9%	14.6%
San Diego	23.4%	22.0%	21.6%	21.5%	24.0%	21.6%	16.4%
Santa Barbara	1.4%	1.1%	1.4%	1.4%	1.4%	1.0%	0.6%
Ventura	6.9%	5.6%	4.7%	3.4%	2.0%	2.8%	2.8%
So Cal Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

Non-Residential Permits, Valuations

7 Southern California Counties (1989-2005)



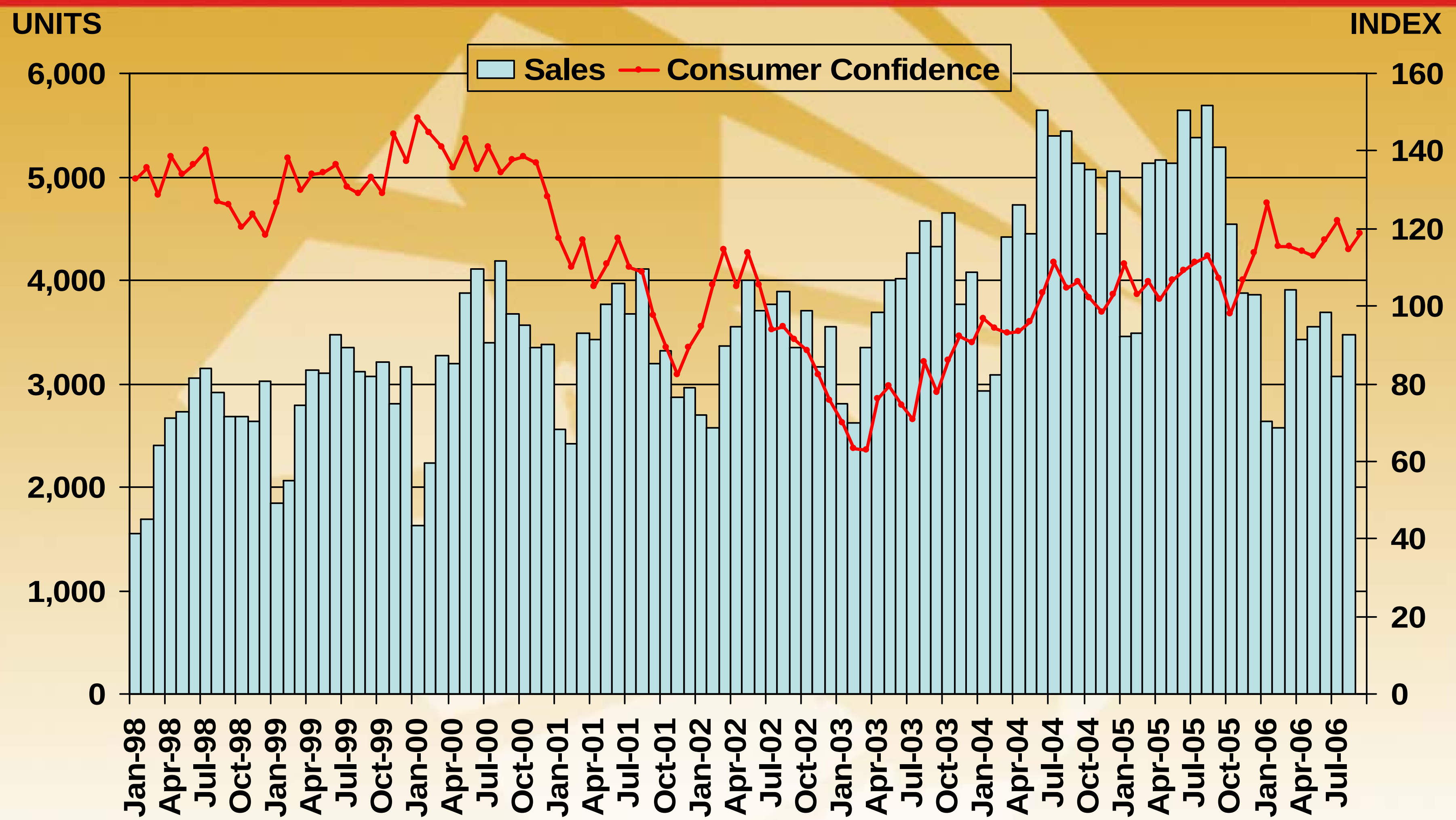
SOURCE: Real Estate Research Council of Southern California

California Association of REALTORS®

Central Valley Region

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Central Valley, August 2006 Sales: 3,466 Units, - 32.6% Y-T-D, - 39.0% Y-T-Y



SOURCE: California Association of REALTORS®; The Conference Board

California Association of REALTORS®

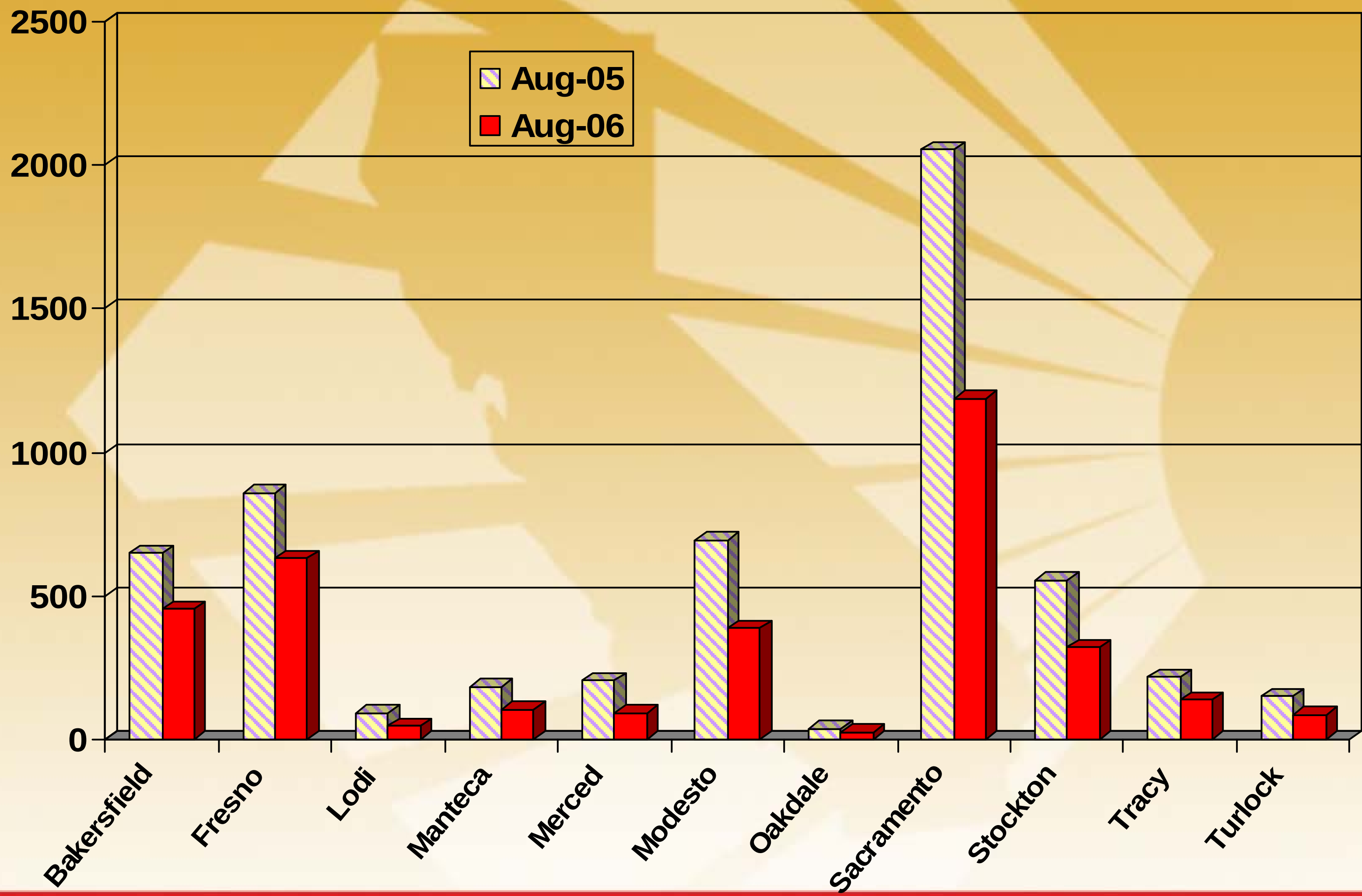
Sales of Existing Detached Homes

Central Valley Regions

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y	Y-t-D
Bakersfield	453	483	664	-6.2%	-31.8%	-19.6%
Fresno	630	576	856	9.4%	-26.4%	-22.8%
Lodi	47	38	90	23.7%	-47.8%	-41.5%
Manteca	106	78	183	35.9%	-42.1%	-39.2%
Merced	90	94	205	-4.3%	-56.1%	-41.3%
Modesto	387	320	693	20.9%	-44.2%	-33.1%
Oakdale	25	19	37	31.6%	-32.4%	-41.6%
Sacramento	1,186	1,094	2,052	8.4%	-42.2%	-36.3%
Stockton	320	248	555	29.0%	-42.3%	-38.1%
Tracy	137	98	216	39.8%	-36.6%	-34.3%
Turlock	85	49	149	73.5%	-43.0%	-39.8%

SOURCE: California Association of REALTORS®

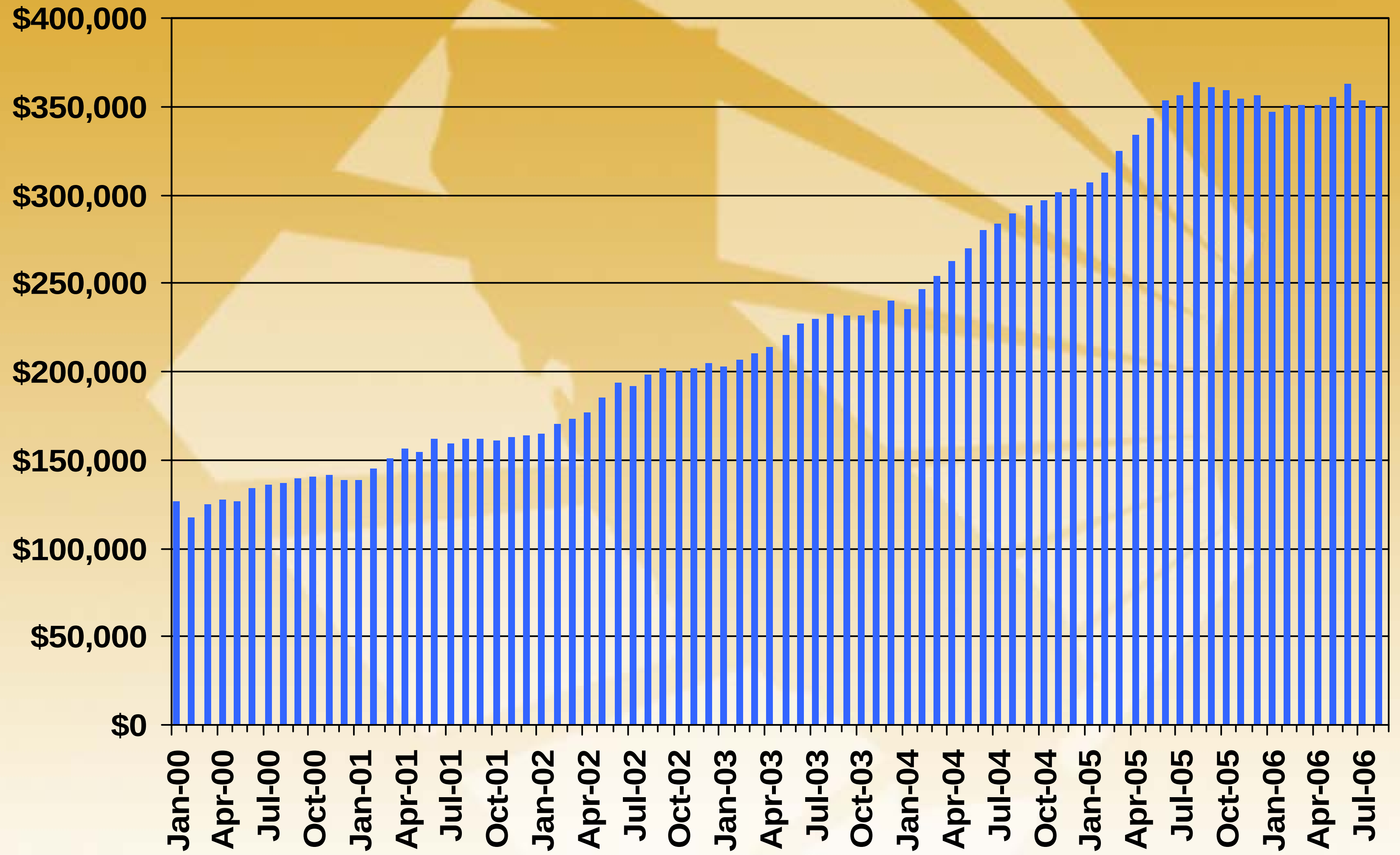
Home Sales in Central Valley Region



SOURCE: California Association of REALTORS®

Median Price of Existing Detached Homes

Central Valley, August 2006: $349,890, -3.8% Y-T-Y



SOURCE: California Association of REALTORS®

California Association of REALTORS®

Median Price of Existing Detached Homes

Central Valley Regions

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y
Bakersfield	$ 285,000	$ 295,000	$ 293,323	-3.4%	-2.8%
Fresno	$ 292,856	$ 297,841	$ 307,522	-1.7%	-4.8%
Lodi	$ 354,411	$ 379,999	$ 382,050	-6.7%	-7.2%
Manteca	$ 424,324	$ 433,333	$ 437,719	-2.1%	-3.1%
Merced	$ 266,666	$ 325,926	$ 334,810	-18.2%	-20.4%
Modesto	$ 357,631	$ 358,394	$ 350,000	-0.2%	2.2%
Oakdale	$ 364,999	$ 341,666	$ 371,052	6.8%	-1.6%
Sacramento	$ 378,177	$ 378,587	$ 394,450	-0.1%	-4.1%
Stockton	$ 358,741	$ 358,947	$ 364,639	-0.1%	-1.6%
Tracy	$ 556,818	$ 556,034	$ 554,000	0.1%	0.5%
Turlock	$ 350,999	$ 356,818	$ 357,042	-1.6%	-1.7%

SOURCE: California Association of REALTORS®

New Home Sales

Central Valley Counties

County	2001	2002	2003	2004	2005	2006 YTD*
El Dorado	793	902	1,128	1,178	1,014	342
Fresno	2,292	2,751	3,226	3,652	4,435	2,299
Placer	4,211	4,917	4,758	4,386	4,184	1,596
Sacramento	7,164	8,475	10,088	9,196	8,799	2,954
San Joaquin	3,836	3,817	5,014	5,363	4,701	1,800
Stanislaus	2,585	2,631	2,478	3,379	3,803	1,408
Central Valley Total	20,881	23,493	26,692	27,154	26,936	10,399

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

New Home Sales

Central Valley Counties

County	2001	2002	2003	2004	2005	2006 YTD*
El Dorado	3.8%	3.8%	4.2%	4.3%	3.8%	3.3%
Fresno	11.0%	11.7%	12.1%	13.4%	16.5%	22.1%
Placer	20.2%	20.9%	17.8%	16.2%	15.5%	15.3%
Sacramento	34.3%	36.1%	37.8%	33.9%	32.7%	28.4%
San Joaquin	18.4%	16.2%	18.8%	19.8%	17.5%	17.3%
Stanislaus	12.4%	11.2%	9.3%	12.4%	14.1%	13.5%
Central Valley Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

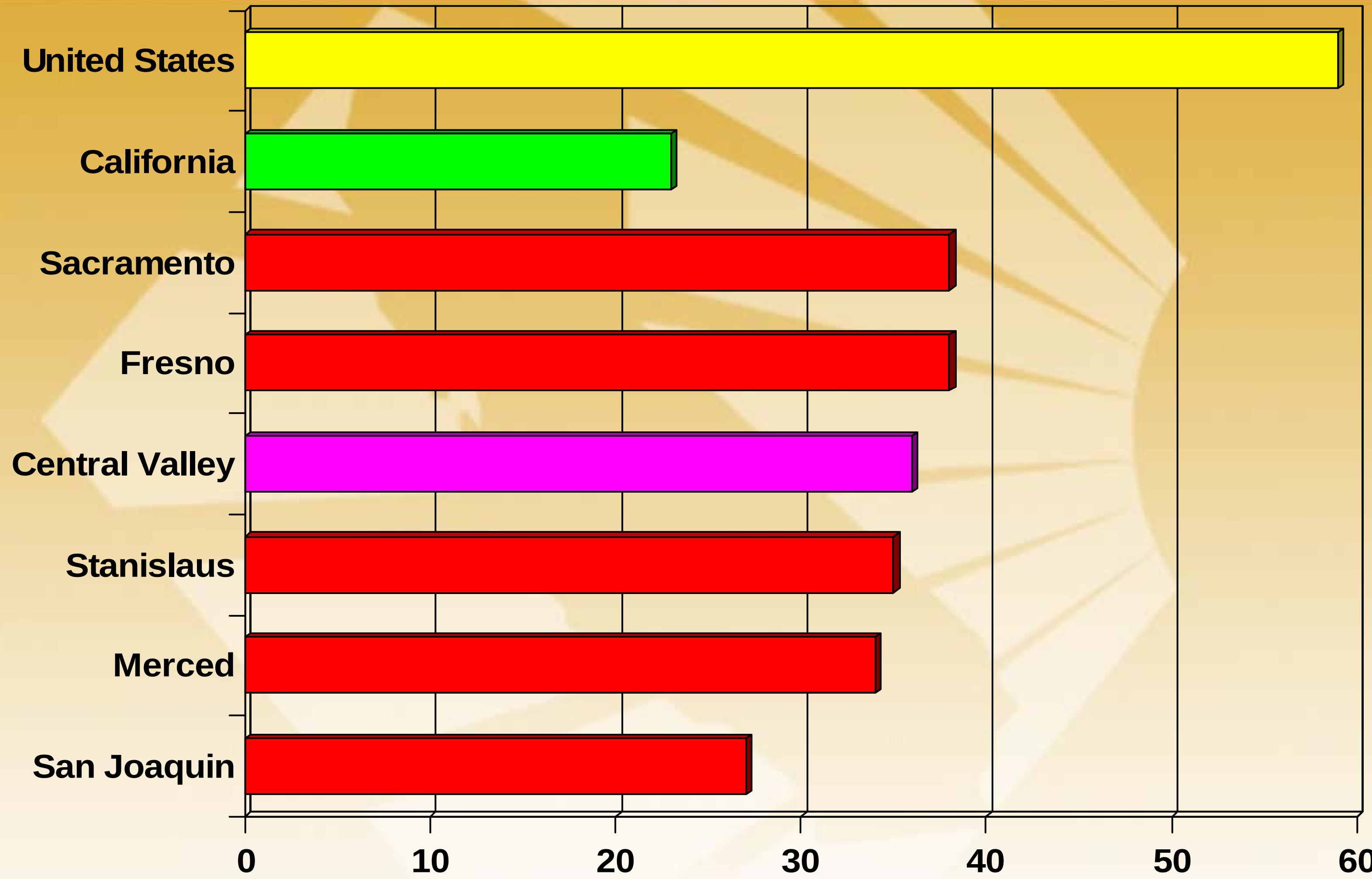
* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

California Association of REALTORS®

First-time Buyer Housing Affordability

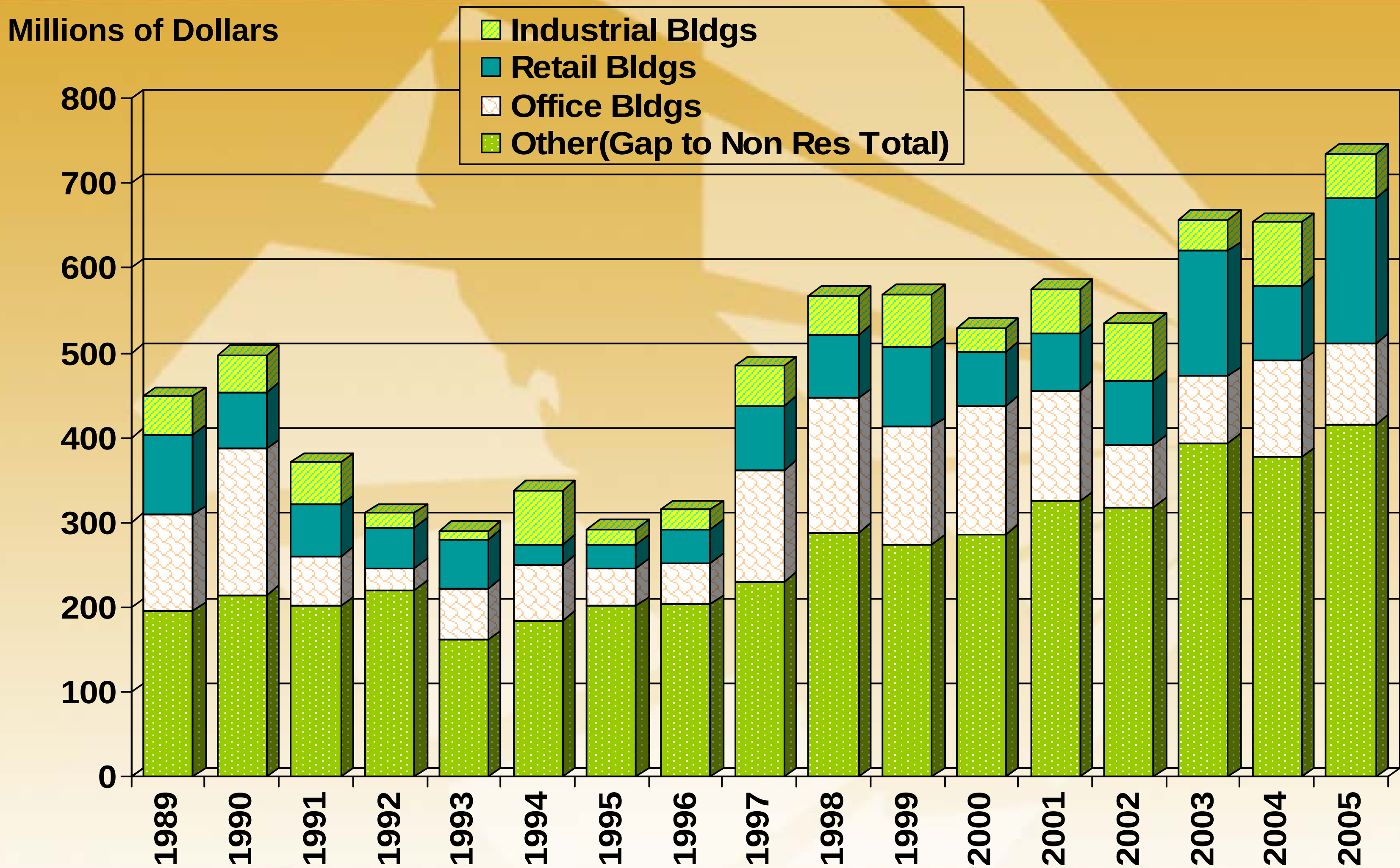
2nd Quarter 2006



SOURCE: California Association of REALTORS®

Non-Residential Permits Valuations

Sacramento County (1989-2005)

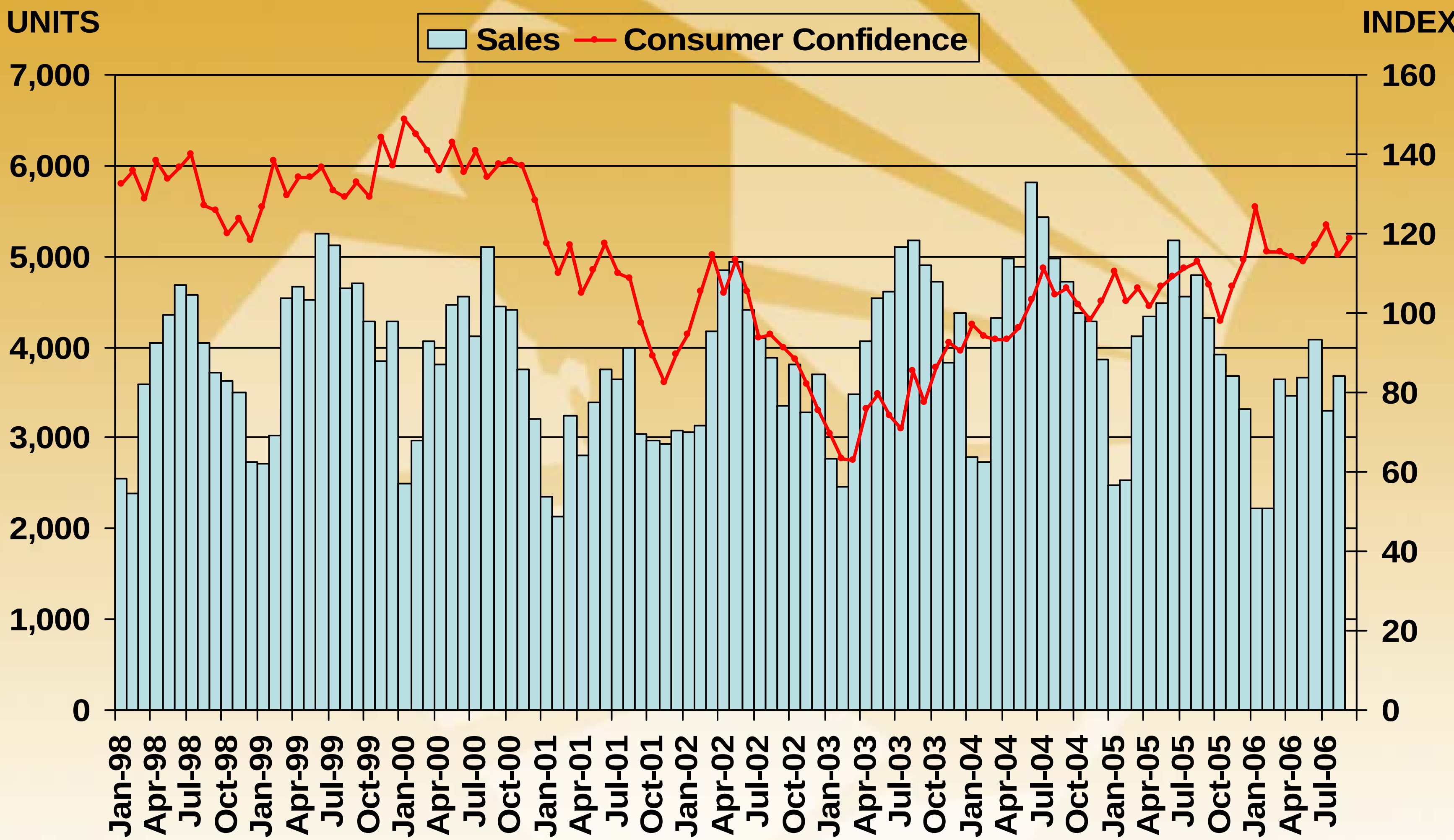


SOURCE:U.S. Real Estate Research Council of Northern California

Bay Area

Sales of Existing Detached Homes and Pacific West Consumer Confidence

Bay Area, August 2006: 3,681 Units, -19.0% Y-T-D, - 23.1% Y-T-Y



SOURCE: California Association of REALTORS®;
The Conference Board

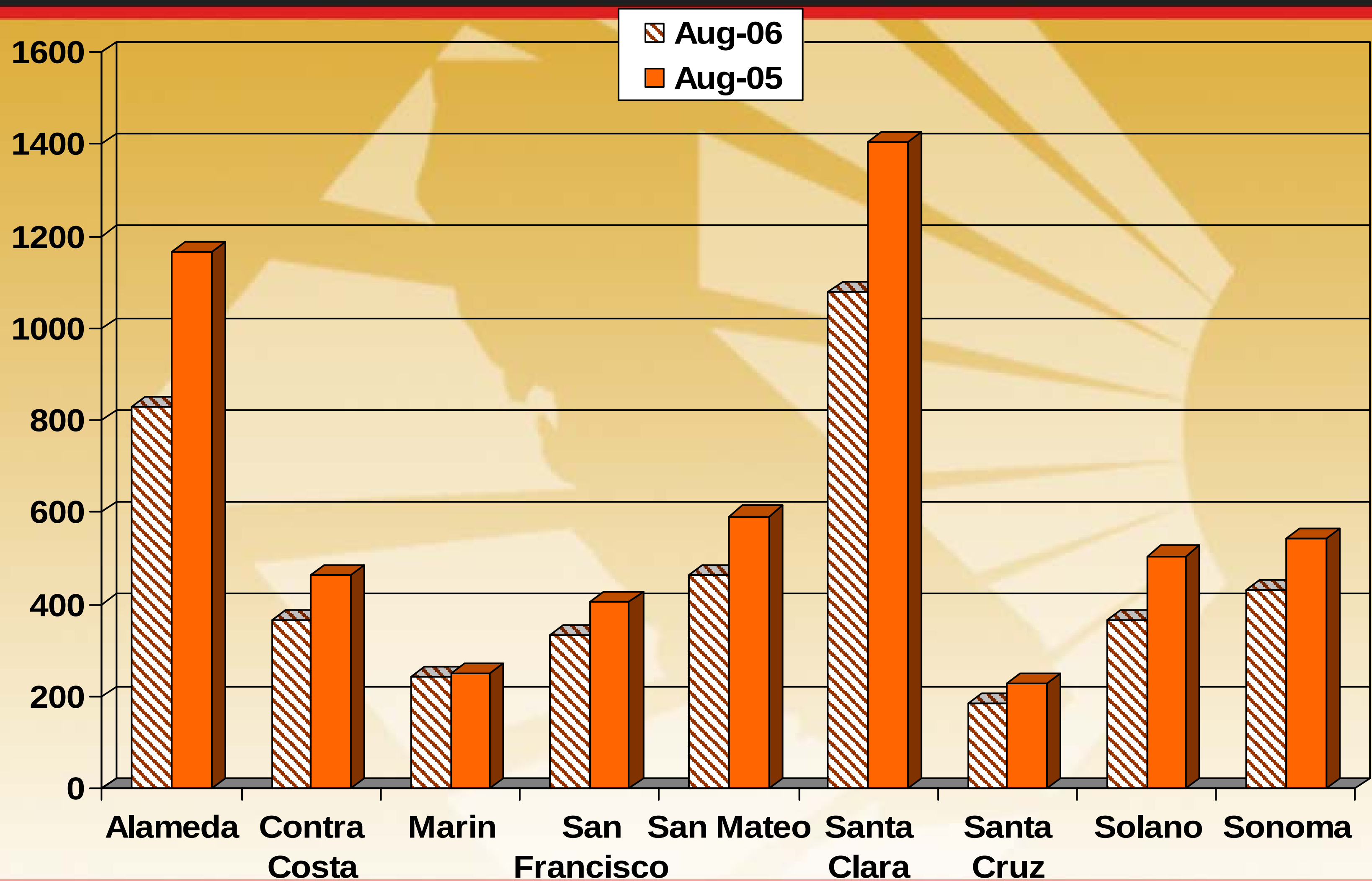
California Association of REALTORS®

Sales of Existing Detached Homes
Bay Area Counties

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y	Y-t-D
Alameda	830	721	1165	15.1%	-28.8%	-17.8%
Contra Costa	367	330	464	11.2%	-20.9%	-16.5%
Marin	241	178	250	35.4%	-3.6%	-15.9%
San Francisco	332	326	405	1.8%	-18.0%	-8.2%
San Mateo	464	476	592	-2.5%	-21.6%	-14.2%
Santa Clara	1080	973	1404	11.0%	-23.1%	-22.8%
Santa Cruz	185	147	228	25.9%	-18.9%	-16.0%
Solano	365	286	505	27.6%	-27.7%	-28.0%
Sonoma	432	338	544	27.8%	-20.6%	-25.0%

SOURCE: California Association of REALTORS®

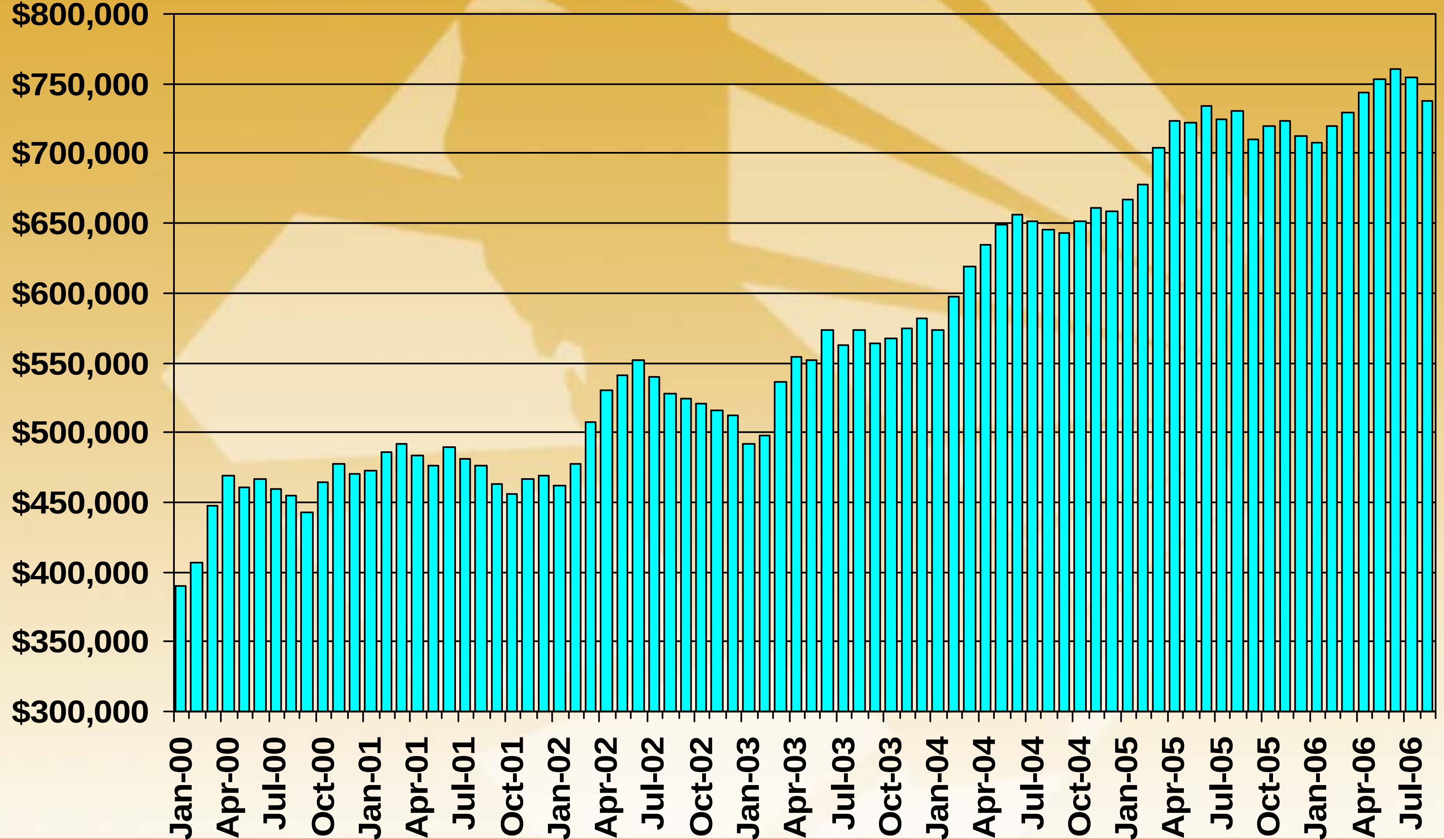
Home Sales in Bay Area Counties



SOURCE: California Association of REALTORS®

Median Price of Existing Detached Homes

Bay Area, August 2006: $737,110, Up 0.9% Y-T-Y



SOURCE: California Association of REALTORS®

California Association of REALTORS®

Median Price of Existing Detached Homes

Bay Area Counties

County	Aug-06	Jul-06	Aug-05	M-t-M	Y-t-Y
Alameda	$ 671,874	$ 673,329	$ 674,674	-0.2%	-0.4%
Contra Costa	$ 692,441	$ 694,148	$ 694,237	-0.2%	-0.3%
Marin	$ 967,187	$ 950,892	$ 994,047	1.7%	-2.7%
San Francisco	$ 851,190	$ 858,695	$ 842,060	-0.9%	1.1%
San Mateo	$ 850,000	$ 875,000	$ 890,000	-2.9%	-4.5%
Santa Clara	$ 770,000	$ 805,000	$ 760,000	-4.3%	1.3%
Santa Cruz	$ 765,000	$ 775,000	$ 783,000	-1.3%	-2.3%
Solano	$ 469,202	$ 480,952	$ 479,556	-2.4%	-2.2%
Sonoma	$ 612,222	$ 633,426	$ 648,026	-3.3%	-5.5%

SOURCE: California Association of REALTORS®

Supply Indicators

Bay Area

	August 2006	July 2006	August 2005
Median Time on the Market	49.7 Days	47.9 Days	40.9 Days
Unsold Inventory Index	3.2 Mos.	3.7 Mos.	1.6 Mos.
Median Sales Price-to-Median List Price Ratio	94.2%	94.7%	104.5%

SOURCE: California Association of REALTORS®

New Home Sales

Bay Area Counties

County	2001	2002	2003	2004	2005	2006 YTD*
Alameda	1,957	2,015	2,287	3,247	3,096	1,135
Contra Costa	4,331	3,984	4,520	4,254	4,461	2,129
Marin	133	98	239	445	531	180
Napa	542	573	384	501	430	166
San Francisco	244	724	1,065	1,549	1,042	448
San Mateo	381	328	377	530	241	99
Santa Clara	1,612	1,523	1,968	2,757	3,031	1,641
Solano	1,718	1,852	1,452	2,000	2,378	590
Sonoma	978	892	631	663	673	417
Bay Area Total	11,896	11,989	12,923	15,946	15,883	6,805

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

New Home Sales

Bay Area Counties

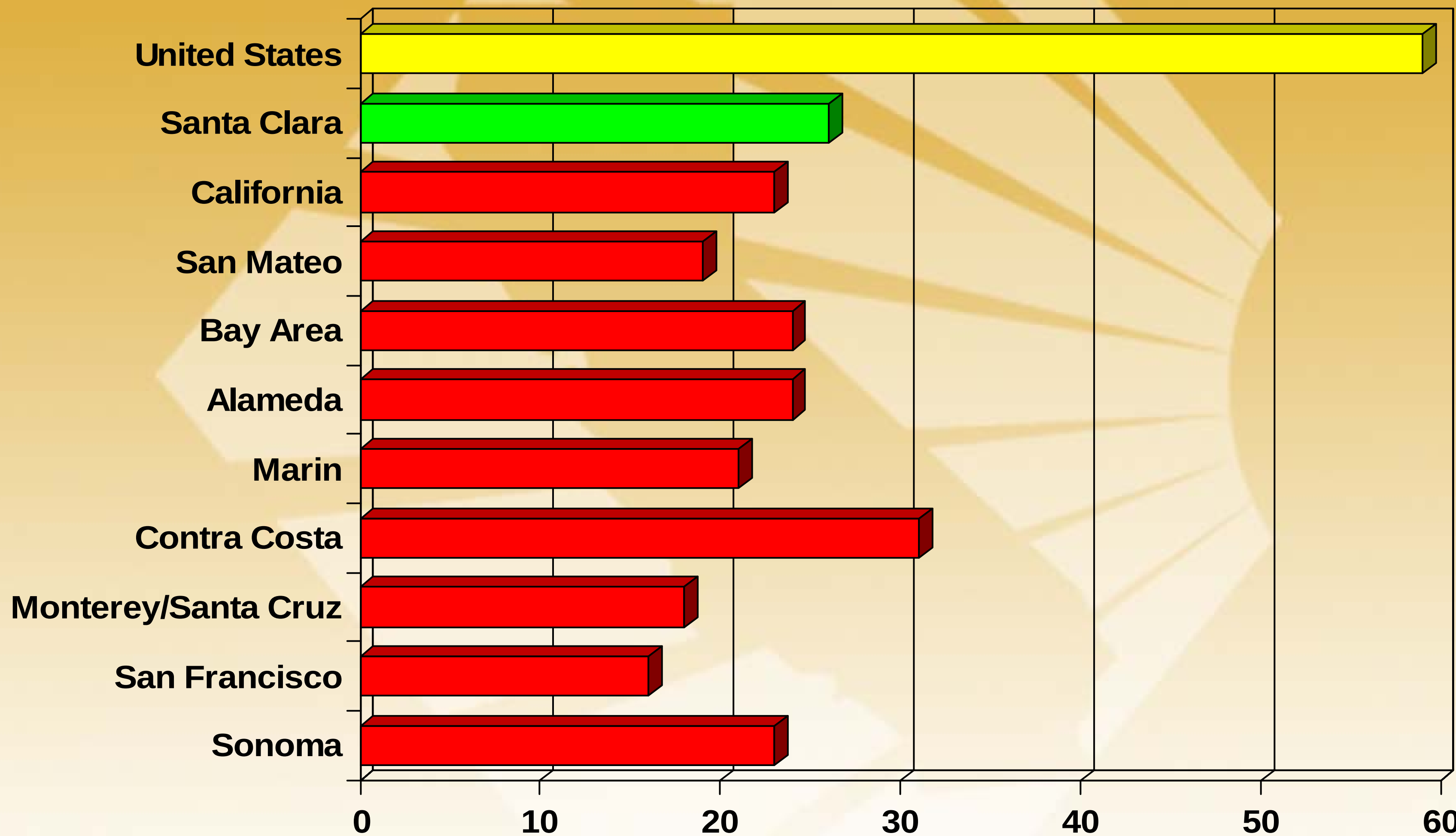
County	2001	2002	2003	2004	2005	2006 YTD*
Alameda	16.5%	16.8%	17.7%	20.4%	19.5%	16.7%
Contra Costa	36.4%	33.2%	35.0%	26.7%	28.1%	31.3%
Marin	1.1%	0.8%	1.8%	2.8%	3.3%	2.6%
Napa	4.6%	4.8%	3.0%	3.1%	2.7%	2.4%
San Francisco	2.1%	6.0%	8.2%	9.7%	6.6%	6.6%
San Mateo	3.2%	2.7%	2.9%	3.3%	1.5%	1.5%
Santa Clara	13.6%	12.7%	15.2%	17.3%	19.1%	24.1%
Solano	14.4%	15.4%	11.2%	12.5%	15.0%	8.7%
Sonoma	8.2%	7.4%	4.9%	4.2%	4.2%	6.1%
Bay Area Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Thru Quarter 2 of 2006

SOURCE: DataQuick Information Systems

First-time Buyer Housing Affordability

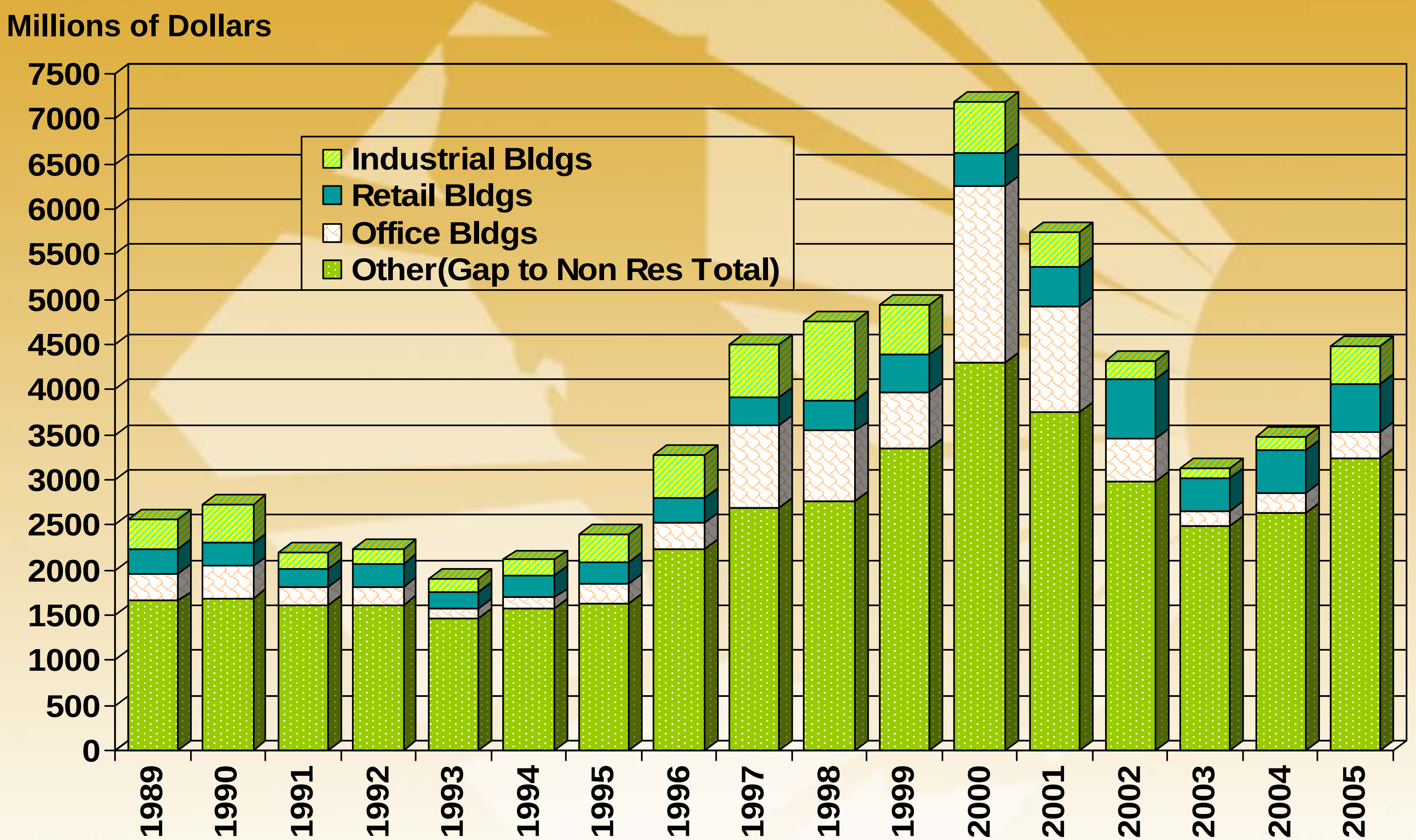
2nd Quarter 2006



SOURCE: California Association of REALTORS®

Non-Residential Permits Valuations

9 Bay-Area Counties (1989-2005)



SOURCE:U.S. Real Estate Research Council of Northern California

California Association of REALTORS®

2006 Forecast

On Uncharted Terrain …

- Because of seeming disconnect between Housing Market and Economy
  - Housing Boom kicked off when Economy was in recession
  - Driven by reduction in interest rates, demographics & wealth effect of repeat buyers, and superior returns on real estate compared to other assets
  - Present decline in activity and slowdown in market despite economic growth – driven instead by the changing calculus of market, loan quality issues and affordability.

Forecast Risks: Some Questions

1. How will housing related job losses impact the overall economy?
2. How will flat housing prices impact the demand for housing?
3. How will the decline in cash-out refi's impact consumer spending?
4. How will resets of risky mortgages impact the foreclosure rate?
5. How will real estate related office consolidations impact the commercial real estate market?

U.S. Economic Forecast

	2002	2003	2004	2005	2006e	2007f
US GDP	1.6%	2.7%	4.2%	3.5%	3.3%	2.9%
Nonfarm Job Growth	-1.1%	-0.3%	1.1%	1.6%	1.3%	1.0%
Unemployment	5.8%	6.0%	5.5%	5.1%	4.7%	4.9%
CPI	1.6%	2.3%	2.7%	3.4%	3.4%	2.5%
Real Disposable Income	3.1%	2.4%	3.4%	1.4%	3.4%	3.6%

SOURCE: California Association of REALTORS®

California Economic Forecast

	2002	2003	2004	2005	2006e	2007f
Nonfarm Job Growth	-0.7%	-0.3%	1.1%	1.5%	1.5%	1.1%
Unemployment Rate	6.7%	6.8%	6.2%	5.4%	4.9%	5.1%
Population Growth	1.8%	1.7%	1.4%	1.4%	1.2%	1.1%
Real Disposable Personal Income, % Change	3.0%	2.0%	3.7%	2.9%	2.6%	2.5%

SOURCE: California Association of REALTORS®

California Housing Market Forecast

	2002	2003	2004	2005	2006f	2007f
SFH Resales (thousands)	572.6	601.8	624.7	625.0	481.2	447.5
% Change	13.6%	5.1%	3.8%	0.04%	-23.0%	-7.0%
Median Price ($ thousands)	$316.1	$372.7	$450.8	$524.0	$560.7	$550.0
% Change	20.5%	17.9%	20.9%	16.2%	7.0%	-2.0%
30-Yr FRM	6.5%	5.8%	5.8%	5.9%	6.5%	6.7%
1-Yr ARM	4.6%	3.8%	3.9%	4.5%	5.6%	5.6%

SOURCE: California Association of REALTORS®

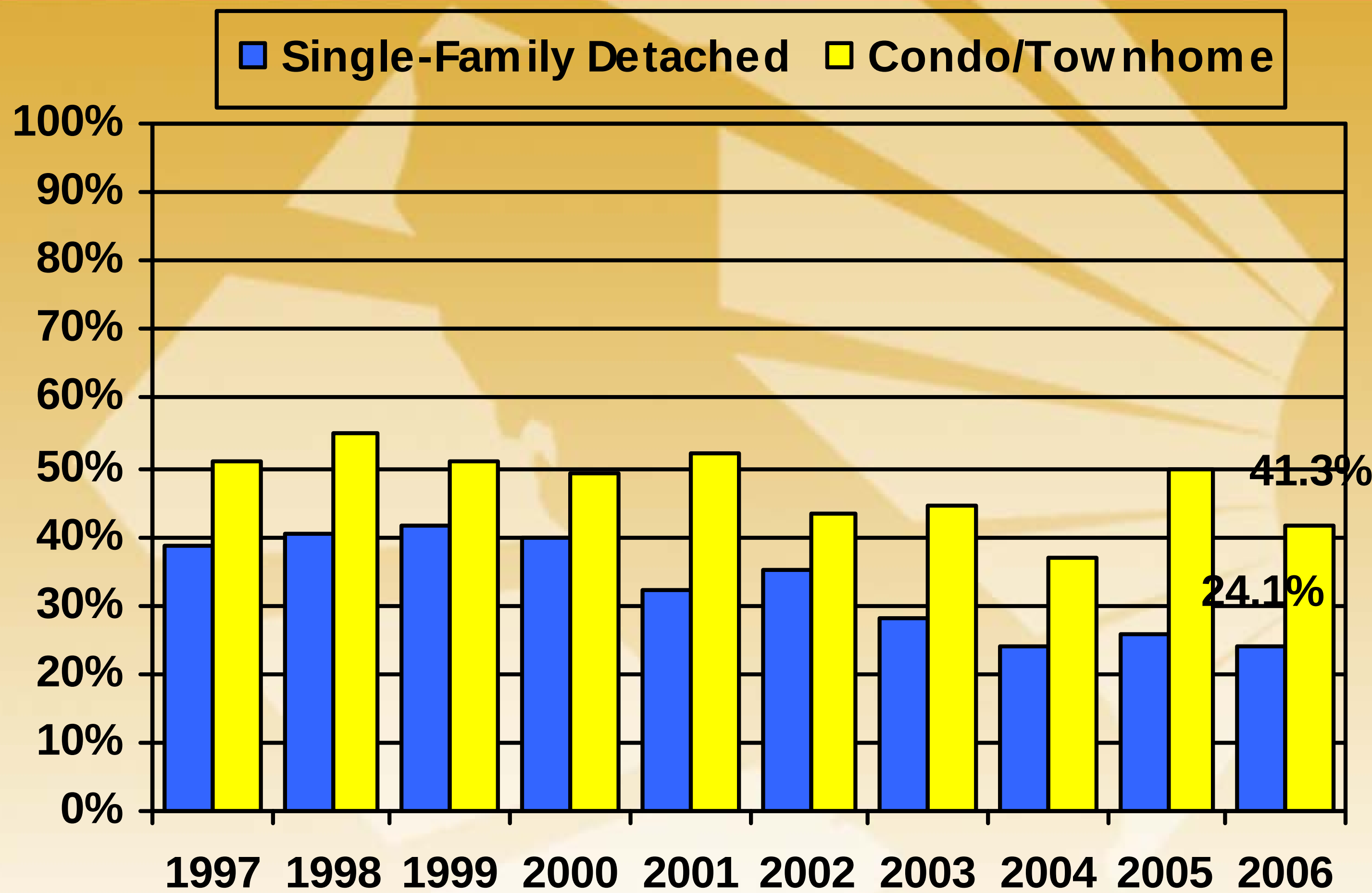
California Association of REALTORS®

2007 Market Opportunities

Leading the way...®

Proportion of First-Time Homebuyers

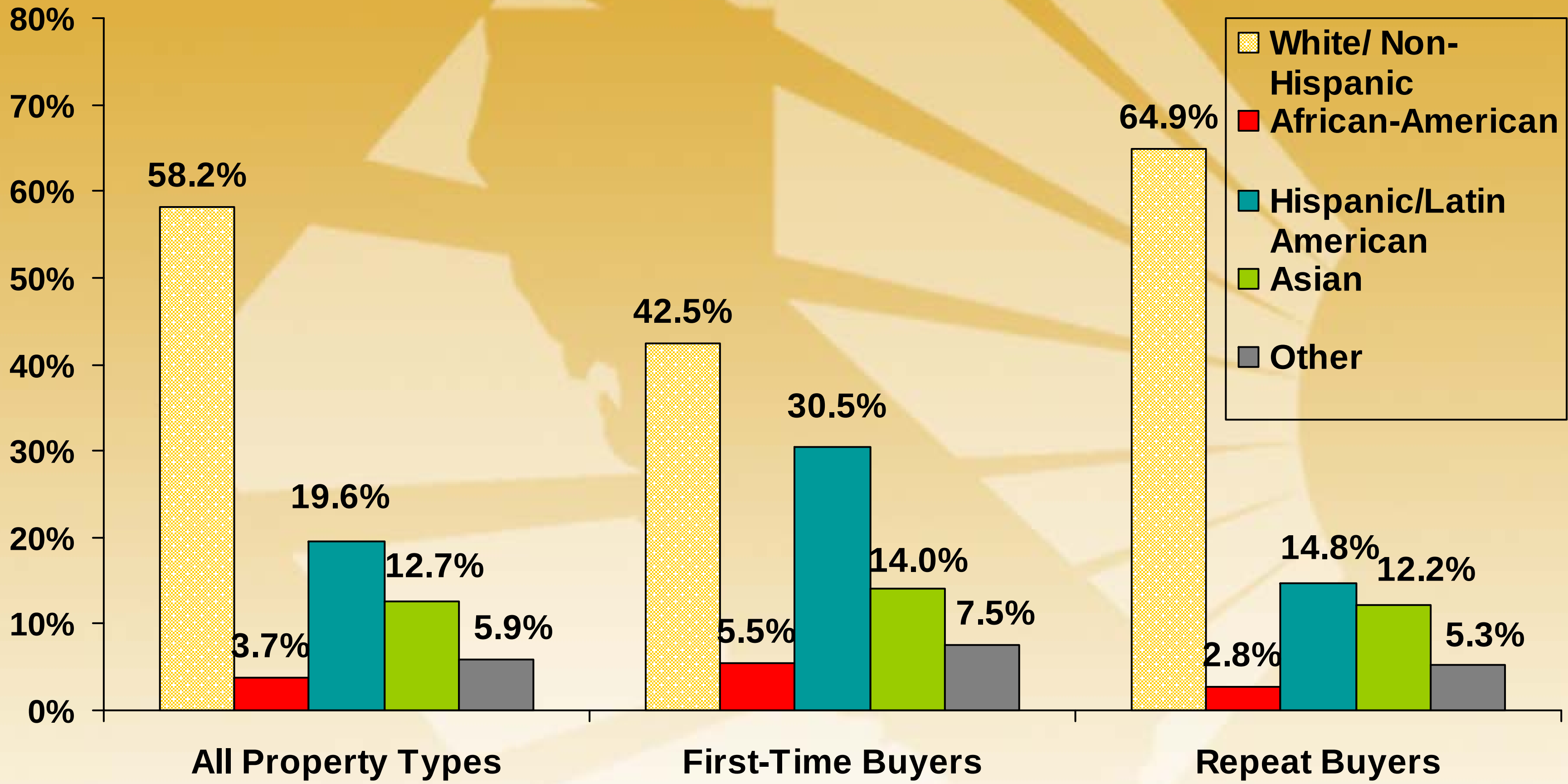
(Single-Family Detached vs. Condo/Town home)



Q. Was the buyer a first-time buyer?

Ethnicity of head of Household (Buyer)

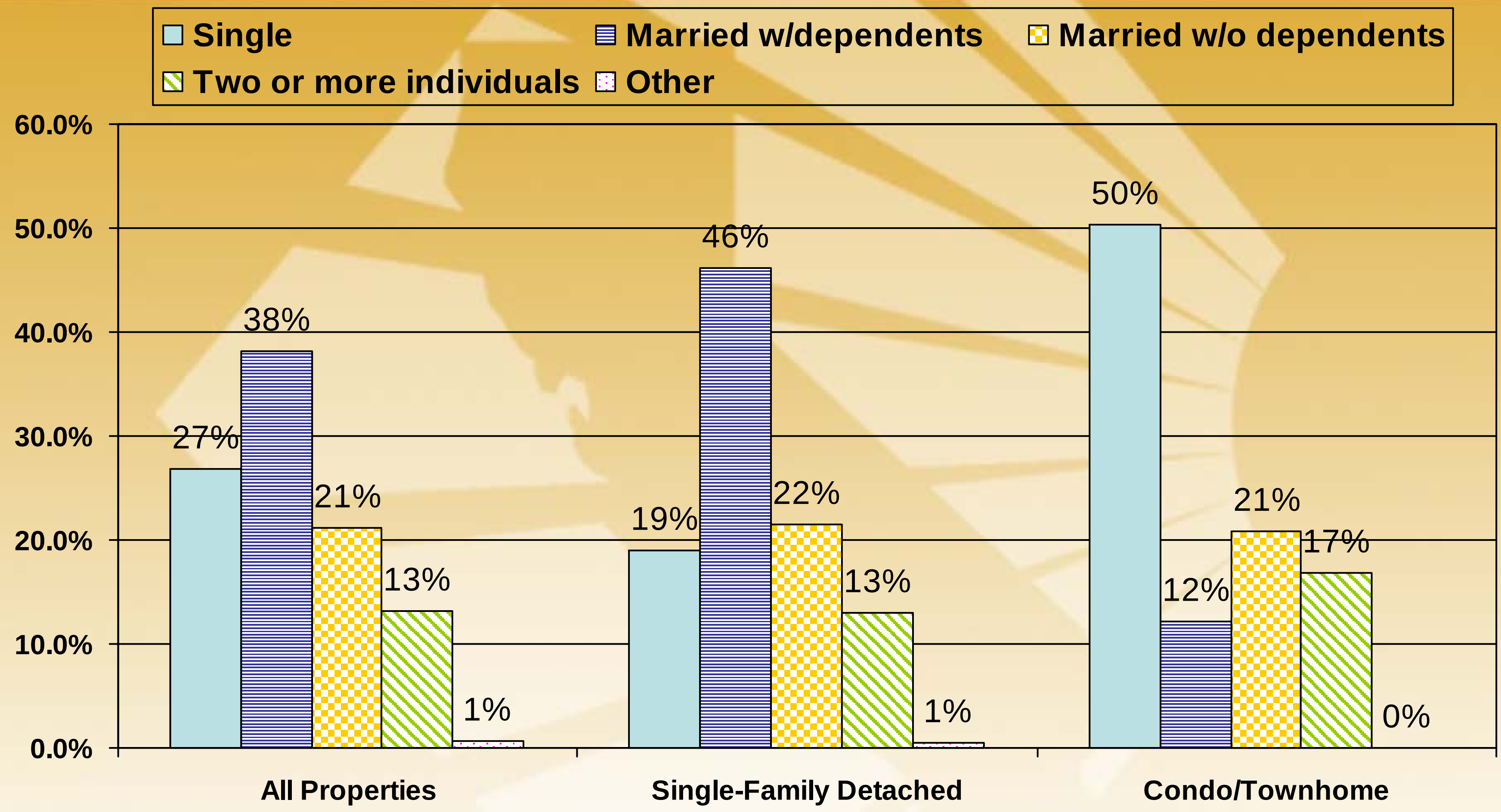
First-Time Buyer vs. Repeat Buyer



Q. What was the race/ethnicity of the head of household buying the property?

California Association of REALTORS®

Buyers Household Type



Q. What type of parties were involved?

Rent VS. Buy

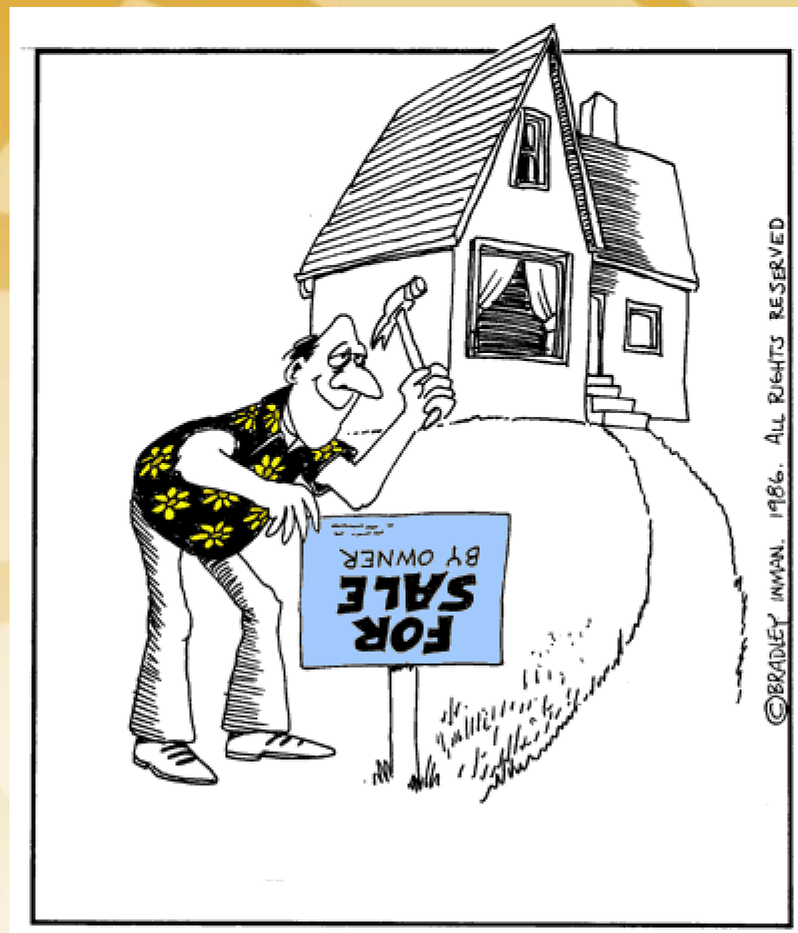
-Income Tax Advantages of Buying-

Scenario of Two Households:	Buy	Rent
Earning Same Income	$102,400	$102,400
Standard IRS Deduction*	n/a	($10,000)
Mortgage Interest Deduction	($29,500)	n/a
Property Tax Deduction	($4,900)	n/a
Total Tax Deduction	($34,400)	($10,000)
Taxable Income	**$68,000**	**$92,400**
Total Taxes Paid	($10,330)	($16,430)
Annual Tax Savings (In Year 1)	**$6,100**	**$0**

***Schedule Y-1 For Married Filing Jointly**

Mtg. & prop. tax deductions are based on the entry-level priced home of $490,000, 85% of Aug 06 Median

FSBO's: It Ain't Easy



How to Become Agent for Life

-Advice From Sellers-

"Ask me my future goals and dreams, and provide me with opportunities to get there"

"Check in with me every six months…email me properties"

"Stay in touch…cards, articles and other helpful information"

Thank You