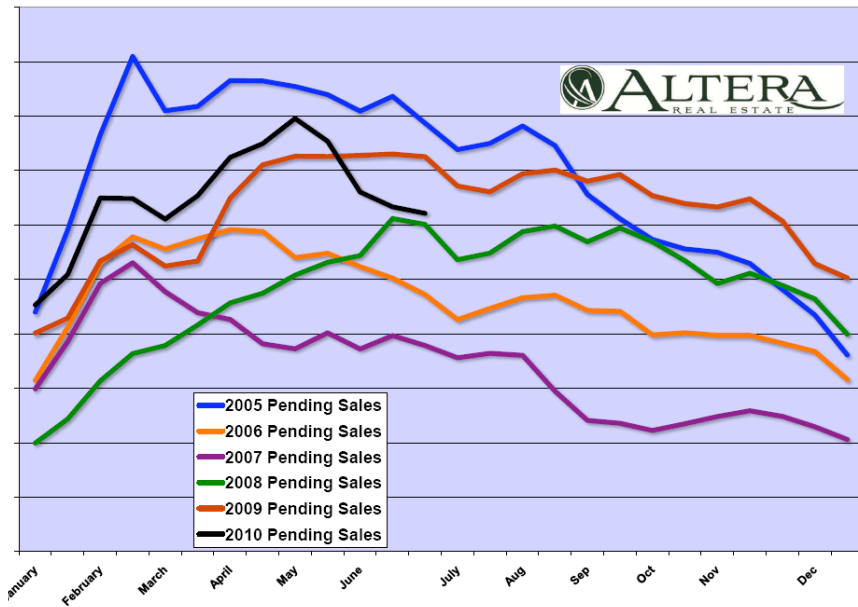


Orange County Housing Report

June 24, 2010

Demand Dynamics appear Normal Again

Orange County Pending Sales Year Over Year
Prior 30 Day Snapshot



After dropping nearly 22%, Orange County housing demand dynamics now appear to be entering a normal summer cyclical pattern.

Housing Demand: *Over the last 5 years the average decrease in demand was 3.2% for this time of year. This year it decreased only 2%.*

Whatever the reason - the end of school, graduation, the start of summer - demand typically drops at this time of year. The only difference this year is that demand had already dropped 20% due to the end of the Federal first time home buyer tax credit. When demand reached 3,979 pending sales on April 29th, the height for 2010, and the highest threshold in almost five years, there was a rush to purchase by first time home buyers. The first time buyer's segment of the market accounted for 25% of Orange County's housing activity. With so many of them pushing to purchase by a deadline, it left a void in demand for the six weeks that followed the credit expiration. It wasn't until the past two weeks that the normal housing pattern for Orange County reemerged. Earlier in the year, the market was following a normal pattern as well, until March and April. Demand grew by 30% in those two months, and then subsequently, dropped almost 22% in May and June. Demand, the number of new pending sales over the prior month, decreased by 60 in the past two weeks and now totals 3,107. For the second report in a row, demand is less than the prior year with 522 fewer pending sales compared to 2009. Demand will typically fall at the end of June and the beginning of July, and then begin to climb again at the end of July. With the distraction of the Fourth of July weekend coming up, this seems fairly accurate.

Active Listing Inventory: *The inventory has continued to grow, unabated since the beginning of the year.*

Last year the inventory dropped by 36%. This year, however, the Orange County housing inventory has grown by 3,034 homes, a 43% increase. In the past two weeks, the inventory has grown by 345 homes, a 3% increase, and now totals 10,469. This is also the second report in a row where the inventory is higher than last year. Last year the inventory was at 9,188 homes, 1,274 fewer than today. The drops in demand is partially to blame for the increase in the inventory, but keep in mind that it was still increasing when demand was at its highest level in years.

	Current Actives 1/7/2010	Current Actives 6/24/2010	Difference
O.C. \$0-\$250k	1,144	1,399	22%
O.C. \$250k-\$500k	2,200	3,347	52%
O.C. \$500k-\$750k	1,467	2,350	60%
O.C. \$750k-\$1m	767	1,154	50%
O.C. \$1m-\$1.5m	620	832	34%
O.C. \$1.5m-\$2m	358	425	19%
O.C. \$2m-4m	518	692	34%
O.C. \$4m+	292	357	22%

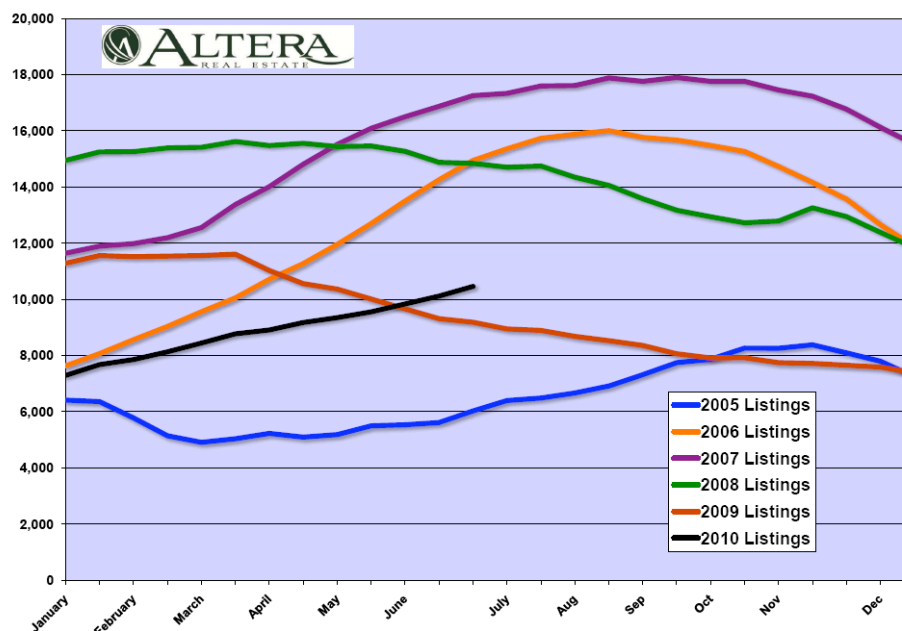
All price ranges have experienced an increase in inventory, **especially** homes between \$250,000 and \$1 million. For homes priced between \$500,000 and \$750,000, the inventory has increased by 60%. The reason for the increase in inventory is because there are many homeowners who have held off on selling their home while waiting for the market to turn around. Homeowners have heard about the hot market in the lower ranges with a lot of activity, multiple offers and homes selling for very close to their asking prices, and in many cases, above their asking prices. The problem is that many of these same homeowners have also heard the median price in Orange County has increased, and are placing their homes on the market at unrealistic price levels, thousands above the most recent comparable and pending sales. Median prices have increased, but more as a matter of the mix of homes the median is taken from, than real appreciation.

Buyers in today's market have become "spreadsheet buyers," pouring over the comparables and not wanting to pay much more than the last buyer. With demand hot, many are willing to pay a bit of a premium to purchase their dream home, but more along the lines of an extra \$5,000, not \$15,000 or more. As long as the overall economy's health is in limbo and more distressed homes are hitting the market, buyers will be unwilling to pay an extravagant premium to own a home. As a seller, it is imperative to carefully consider all recent comparable sales, taking into account location and amenities, and price accordingly.

Foreclosures and Short Sales: *Since October 1, 2009, the distressed inventory has grown by 37%.*

The active distressed inventory has increased from 2,346 homes on October 1st and now totals 3,217, levels not seen since May of 2009. The distressed inventory now represents 31% of the current active inventory. Last year at this time, there were 2,919 distressed homes on the market, representing 32% of the active inventory. The number of foreclosed properties within the active listing inventory has increased by 29 homes in the past two weeks from 530 to 559. The expected market time for foreclosed properties is 1.52 months, an exceptionally HOT seller's market. Short sales, where a

Orange County Active Listing Inventory Year Over Year



homeowner attempts to sell a home for less than the total outstanding loans against a home, requiring lender approval, increased by 108 homes over the past two weeks and now total 2,658. The expected market time for short sales is 2.28 months, still a HOT seller's market.

Interest Rates: *Interest rates are at a 60-year low that will NOT last.*

Everybody is so focused on price and the current historically low interest rates have become an expected part of our real estate market. However, with all of the money that the Federal government has poured into our economy, there is a real threat of major inflation on the horizon. One of the only ways to counter the threat is to raise rates. Due to the lackluster economy, the Federal Reserve is currently stuck and unable to raise rates in the short term, but sooner or later they will be forced to make a change. Rates are predicted to increase to 6% over the course of the next year. As interest rates rise, buyers can afford less of a home. For example, a buyer with an income of \$100,000 and putting 20% down, a rise in interest rates from 5% to 6% equates in a drop in home affordability from \$590,000 to \$540,000, a \$50,000 drop. Buyers waiting for that "good buy" may find it next year, but at a price, with higher rates and a **larger** monthly payment.



	Current Actives 6/24/2010	Pendings (Last 30 Days)	Market Time (In Months) 6/24/2010	2-Weeks Ago 6/10/2010	4-Weeks Ago 5/28/2010	1-Year Ago 6/25/2009	2-Years Ago 6/26/2008	Average Active List Price 6/24/2010
Aliso Viejo	200	90	2.22	2.18	2.00	0.98	2.74	\$465k
Anaheim	491	201	2.44	1.95	1.87	1.33	4.77	\$365k
Anaheim Hills	194	60	3.23	3.12	2.62	2.00	4.55	\$850k
Brea	98	35	2.80	2.58	3.36	2.53	2.79	\$591k
Buena Park	164	70	2.34	2.46	1.89	1.42	3.58	\$424k
Corona Del Mar	183	25	7.32	6.28	6.67	10.86	15.27	\$3.1m
Costa Mesa	212	62	3.42	2.81	2.40	2.05	6.44	\$595k
Coto De Caza	117	29	4.03	2.57	2.97	5.88	7.05	\$2.3m
Cypress	106	34	3.12	2.06	1.81	1.25	2.47	\$493k
Dana Point	287	52	5.52	4.91	5.16	5.04	8.19	\$1.7m
Dove Canyon	18	13	1.38	1.36	1.73	2.73	6.00	\$787k
Foothill Ranch	44	17	2.59	1.74	1.48	0.80	2.86	\$504k
Fountain Valley	136	38	3.58	2.98	2.71	1.63	2.87	\$568k
Fullerton	400	142	2.82	3.35	2.85	1.89	4.38	\$583k
Garden Grove	282	100	2.82	2.17	1.98	1.62	3.75	\$420k
Huntington Beach	667	169	3.95	4.04	3.85	2.45	4.69	\$812k
Irvine	726	235	3.09	3.03	2.75	2.38	3.85	\$988k
La Habra	157	60	2.62	2.51	2.35	1.42	5.46	\$381k
Ladera Ranch	153	56	2.73	2.12	1.91	1.58	5.19	\$806k
Laguna Beach	373	28	13.32	10.06	11.39	23.00	15.74	\$3.7m
Laguna Hills	118	55	2.15	2.49	2.44	2.44	5.50	\$1.0m
Laguna Niguel	359	104	3.45	3.37	2.78	3.04	4.89	\$892k
Laguna Woods	389	64	6.08	6.68	6.20	6.86	8.26	\$217k
Lake Forest	173	88	1.97	2.33	2.26	1.49	3.01	\$496k
Mission Viejo	369	150	2.46	2.40	2.52	1.81	3.53	\$574k
Newport Beach	592	68	8.71	8.61	8.18	11.62	11.64	\$2.3m
Newport Coast	150	31	4.84	6.33	5.32	9.09	20.00	\$4.4m
Orange	392	129	3.04	3.36	2.91	1.84	5.15	\$687k
Placentia	140	42	3.33	3.00	2.98	1.43	5.23	\$451k
Portola Hills	15	16	0.94	1.33	2.00	1.50	3.58	\$382k
Rancho Santa Marg.	172	83	2.07	1.73	1.53	1.31	2.84	\$386k
San Clemente	443	106	4.18	3.62	4.24	4.25	6.86	\$1.0m
San Juan	186	50	3.72	4.05	3.57	3.86	6.10	\$1.7m
Santa Ana	540	226	2.39	2.32	2.23	1.77	5.86	\$356k
Seal Beach	276	39	7.08	6.09	4.39	5.92	6.12	\$432k
Talega	83	26	3.19	2.62	2.41	3.07	4.43	\$840k
Tustin	279	114	2.45	2.39	2.19	2.37	4.26	\$882k
Villa Park	37	6	6.17	8.00	3.08	5.67	11.50	\$1.7m
Westminster	171	46	3.72	2.85	3.02	1.70	4.76	\$466k
Yorba Linda	369	85	4.34	3.95	3.13	3.54	5.86	\$796k
All of O.C.	10,462	3,107	3.37	3.19	2.98	2.53	4.94	\$1.0m
O.C. \$0-\$250k	1,399	543	2.58	2.36	2.17	1.96	4.08	\$175k
O.C. \$250k-\$500k	3,347	1,343	2.49	2.38	2.21	1.40	4.08	\$386k
O.C. \$500k-\$750k	2,350	729	3.22	3.04	2.89	2.23	4.07	\$626k
O.C. \$750k-\$1m	1,154	276	4.18	4.10	3.70	4.27	6.23	\$867k
O.C. \$1m-\$1.5m	832	134	6.21	5.59	5.04	8.80	9.23	\$1.3m
O.C. \$1.5m-\$2m	425	62	6.85	7.49	8.76	11.62	13.25	\$1.8m
O.C. \$2m-4m	692	35	19.77	15.42	12.38	19.72	20.02	\$2.8m
O.C. \$4m+	357	6	59.50	44.50	29.75	56.86	26.38	\$8.2m

*Data tabulated from SoCalMLS. This data may not reflect all real estate activity in the market. Not all cities are listed but are included in the O.C. totals.

Due to Range Price listings, "All of O.C." and the total of the seven ranges do not add up and are slightly off.





Attached Homes

	Current Actives 6/24/2010	Pendings (Last 30 Days)	Market Time (In Months) 6/24/2010	2-Weeks Ago 6/10/2010	8-Weeks Ago 5/28/2010	1-Year Ago 6/25/2009	2-Years Ago 6/26/2008	Average Active List Price 6/24/2010
All of O.C.	3,867	1,228	3.15	3.06	2.82	2.42	5.15	\$449k
O.C. \$0-\$250k	1,287	478	2.69	2.51	2.26	2.16	4.44	\$171k
O.C. \$250k-\$500k	1,692	617	2.74	2.72	2.56	1.79	4.99	\$369k
O.C. \$500k-\$750k	489	98	4.99	5.17	4.34	3.84	5.00	\$611k
O.C. \$750k-\$1m	182	24	7.58	6.96	6.00	9.42	9.16	\$857k
O.C. \$1m+	231	17	13.59	11.55	15.47	20.31	21.53	\$1.9m

Current Actives Vacant

34.4%

Detached Homes

	Current Actives 6/24/2010	Pendings (Last 30 Days)	Market Time (In Months) 6/24/2010	2-Weeks Ago 6/10/2010	8-Weeks Ago 5/28/2010	1-Year Ago 6/25/2009	2-Years Ago 6/26/2008	Average Active List Price 6/24/2010
All of O.C.	6,570	1,878	3.50	3.28	3.08	4.82	8.47	\$1.3m
O.C. \$0-\$250k	102	66	1.55	1.34	1.43	4.82	8.47	\$212k
O.C. \$250k-\$500k	1,641	724	2.27	2.10	1.93	3.38	6.97	\$404k
O.C. \$500k-\$750k	1,861	631	2.95	2.75	2.66	3.85	8.46	\$629k
O.C. \$750k-\$1m	970	252	3.85	3.80	3.44	5.84	6.83	\$869k
O.C. \$1m-\$1.5m	707	122	5.80	5.17	4.46	8.45	8.30	\$1.3m
O.C. \$1.5m-\$2m	380	60	6.33	7.33	8.43	12.04	11.41	\$1.8m
O.C. \$2m-\$4m	640	32	20.00	14.98	11.76	20.26	14.66	\$2.9m
O.C. \$4m+	348	6	58.00	43.50	31.91	26.31	22.08	\$8.2m

Current Actives Vacant

19.8%

All Homes

	Current Actives 6/24/2010	Pendings (Last 30 Days)	Market Time (In Months) 6/24/2010	2-Weeks Ago 6/10/2010	4-Weeks Ago 5/28/2010	1-Year Ago 6/11/2009	2-Years Ago 6/12/2008	Average Active List Price 6/24/2010
All of O.C.	10,462	3,107	3.37	3.19	2.98	2.53	4.94	\$1.0m
O.C. \$0-\$250k	1,399	543	2.58	2.36	2.17	1.96	4.08	\$175k
O.C. \$250k-\$500k	3,347	1,343	2.49	2.38	2.21	1.40	4.08	\$386k
O.C. \$500k-\$750k	2,350	729	3.22	3.04	2.89	2.23	4.07	\$626k
O.C. \$750k-\$1m	1,154	276	4.18	4.10	3.70	4.27	6.23	\$867k
O.C. \$1m-\$1.5m	832	134	6.21	5.59	5.04	8.80	9.23	\$1.3m
O.C. \$1.5m-\$2m	425	62	6.85	7.49	8.76	11.62	13.25	\$1.8m
O.C. \$2m-4m	692	35	19.77	15.42	12.38	19.72	20.02	\$2.8m
O.C. \$4m+	357	6	59.50	44.50	29.75	56.86	26.38	\$8.2m

Current Actives Vacant

25.1%



*Data tabulated from SoCalMLS. This data may not reflect all real estate activity in the market. Not all cities are listed but are included in the O.C. totals.

Due to Range Price listings, "All Homes," "Attached" and "Detached" totals do not add up and are slightly off.



	Current Actives 6/24/2010	Number of Foreclosures & Short Sale Actives 6/24/2010	% of Active Inventory 6/24/2010	Attached	Current Actives 6/24/2010	Number of Foreclosures & Short Sale Actives 6/24/2010	% of Active Inventory 6/24/2010
Aliso Viejo	200	99	49.5%	All of O.C.	3,867	1,562	40.4%
Anaheim	491	293	59.7%	O.C. \$0-\$250k	1,287	679	52.8%
Anaheim Hills	194	53	27.3%	O.C. \$250k-\$500k	1,692	764	45.2%
Brea	98	34	34.7%	O.C. \$500k-\$750k	489	122	24.9%
Buena Park	164	77	47.0%	O.C. \$750k-\$1m	182	23	12.6%
Corona Del Mar	183	16	8.7%	O.C. \$1m+	231	1	0.4%
Costa Mesa	212	73	34.4%	Detached			
Coto De Caza	117	22	18.8%	All of O.C.	6,570	1,644	25.0%
Cypress	106	41	38.7%	O.C. \$0-\$250k	102	77	75.5%
Dana Point	287	57	19.9%	O.C. \$250k-\$500k	1,641	840	51.2%
Dove Canyon	18	4	22.2%	O.C. \$500k-\$750k	1,861	455	24.4%
Foothill Ranch	44	16	36.4%	O.C. \$750k-\$1m	970	151	15.6%
Fountain Valley	136	37	27.2%	O.C. \$1m-\$1.5m	707	80	11.3%
Fullerton	400	142	35.5%	O.C. \$1.5m-\$2m	380	26	6.8%
Garden Grove	282	112	39.7%	O.C. \$2m-\$4m	640	29	4.5%
Huntington Beach	667	169	25.3%	O.C. \$4m+	348	4	1.1%
Irvine	726	168	23.1%	All Homes			
La Habra	157	87	55.4%	All of O.C.	10,462	3,217	30.7%
Ladera Ranch	153	73	47.7%	O.C. \$0-\$250k	1,399	756	54.0%
Laguna Beach	373	29	7.8%	O.C. \$250-\$500k	3,347	1,604	47.9%
Laguna Hills	118	40	33.9%	O.C. \$500k-\$750k	2,350	577	24.6%
Laguna Niguel	359	123	34.3%	O.C. \$750k-\$1m	1,154	174	15.1%
Laguna Woods	389	25	6.4%	O.C. \$1m-\$1.5m	832	81	9.7%
Lake Forest	173	90	52.0%	O.C. \$1.5m-\$2m	425	26	6.1%
Mission Viejo	369	140	37.9%	O.C. \$2m-4m	692	29	4.2%
Newport Beach	592	62	10.5%	O.C. \$4m+	357	4	1.1%
Newport Coast	150	8	5.3%	County High Shares - Account for 32%			
Orange	392	130	33.2%	Portola Hills	15	10	66.7%
Placentia	140	52	37.1%	Anaheim	491	293	59.7%
Portola Hills	15	10	66.7%	Santa Ana	540	306	56.7%
Rancho Santa Marg.	172	96	55.8%	Rancho Santa Marg.	172	96	55.8%
San Clemente	443	129	29.1%	La Habra	157	87	55.4%
San Juan	186	44	23.7%	Lake Forest	173	90	52.0%
Santa Ana	540	306	56.7%	Talega	83	42	50.6%
Seal Beach	276	8	2.9%	Aliso Viejo	200	99	49.5%
Talega	83	42	50.6%	County Low Shares - Account for 4%			
Tustin	279	76	27.2%	Newport Coast	150	8	5.3%
Villa Park	37	5	13.5%	Laguna Woods	389	25	6.4%
Westminster	171	52	30.4%	Laguna Beach	373	29	7.8%
Yorba Linda	369	115	31.2%	Corona Del Mar	183	16	8.7%
All of O.C.	10,462	3,217	30.7%	Newport Beach	592	62	10.5%

Orange County Distressed Breakdown

	Current Actives	Pendings (Last 30 Days)	Market Time (In Months)
Total Foreclosures	559	367	1.52
Total Short Sale	2,658	1,168	2.28

*Data tabulated from SoCalMLS. This data may not reflect all real estate activity in the market. Not all cities are listed but are included in the O.C. totals. Due to Range Price listings, "All Homes," "Attached" and "Detached" totals do not add up and are slightly off.

