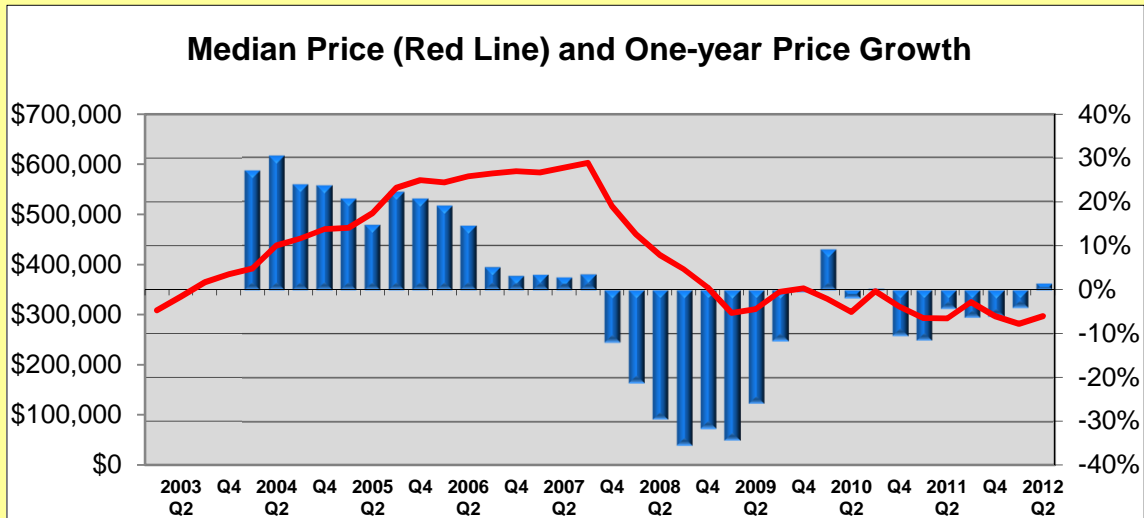


## Los Angeles-Long Beach-Santa Ana Area Local Market Report, Second Quarter 2012

### Today's Market...



Local Price Trends			
Price Activity	Los Angeles	U.S.	Local Trend
Current Median Home Price (2012 Q2)	\$296,800	\$181,133	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2012 Q2)	1.5%	7.4%	
3-year (12-quarter) Appreciation (2012 Q2)	-4.6%	3.9%	
3-year (12-quarter) Housing Equity Gain*	-\$14,300	\$6,767	The local housing price correction eliminated all of the equity gained during the housing boom
7-year (28 quarters) Housing Equity Gain*	-\$206,100	-\$39,267	
9-year (36 quarters) Housing Equity Gain*	-\$39,400	\$4,100	
*Note: Equity gain reflects price appreciation only			

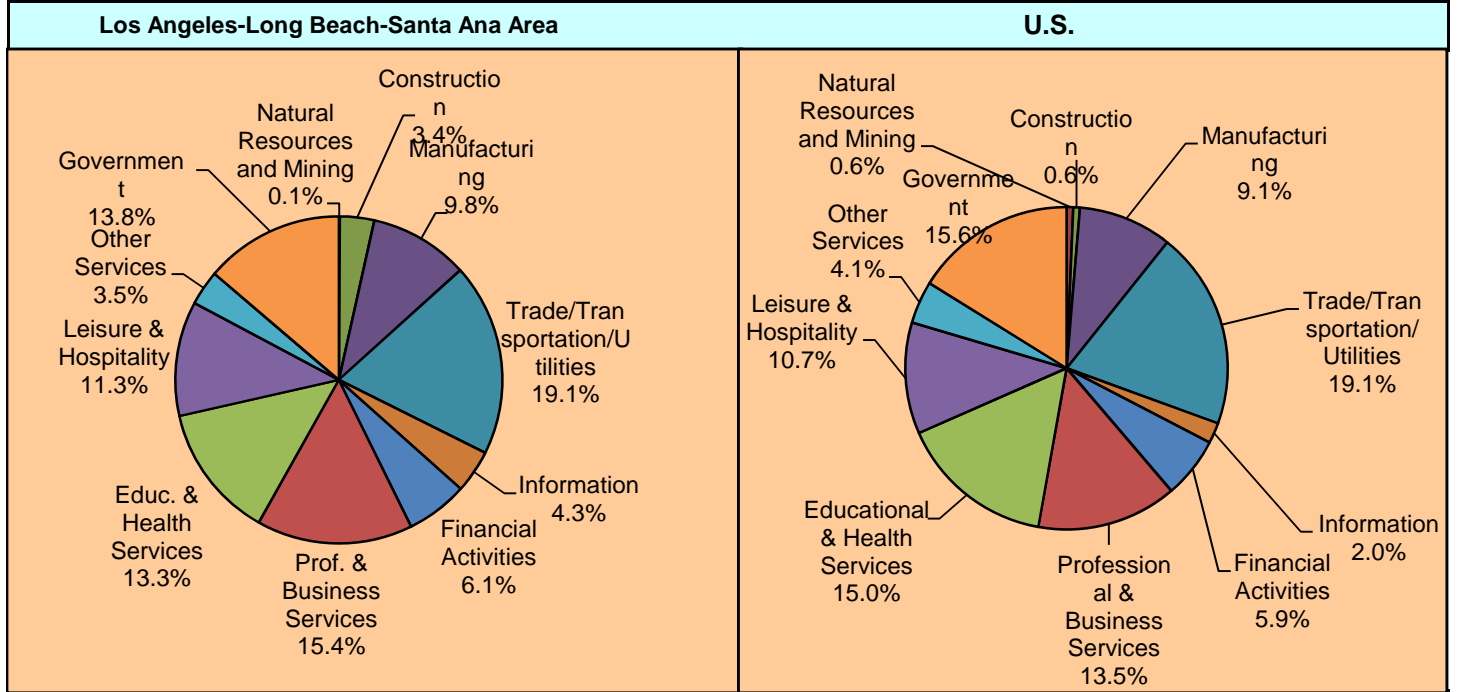
	Los Angeles	U.S.	
<b>Conforming Loan Limit**</b>	\$625,500	\$729,250	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$625,500	\$417,000	
<b>Local Median to Conforming Limit Ratio</b>	47%	not comparable	
Note: limits are current and include the changes made in November of 2011			

Local NAR Leadership
The Los Angeles-Long Beach-Santa Ana market is part of region 13 in the NAR governance system, which includes all of California, Hawaii, and Guam. The NAR Regional Vice President representing region 13 is Bill E. Brown.

# Drivers of Local Supply and Demand...

Local Economic Outlook	Los Angeles	U.S.	
12-month Job Change (Jun)	88,400	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (May)	67,900	Not Comparable	
36-month Job Change (Jun)	47,400	Not Comparable	Los Angeles's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Jun)	10.3%	8.2%	
Year-ago Unemployment Rate	11.7%	9.1%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	1.7%	1.4%	

## Share of Total Employment by Industry



### 12-month Employment Change by Industry in the Los Angeles-Long Beach-Santa Ana Area (Jun - 2012)

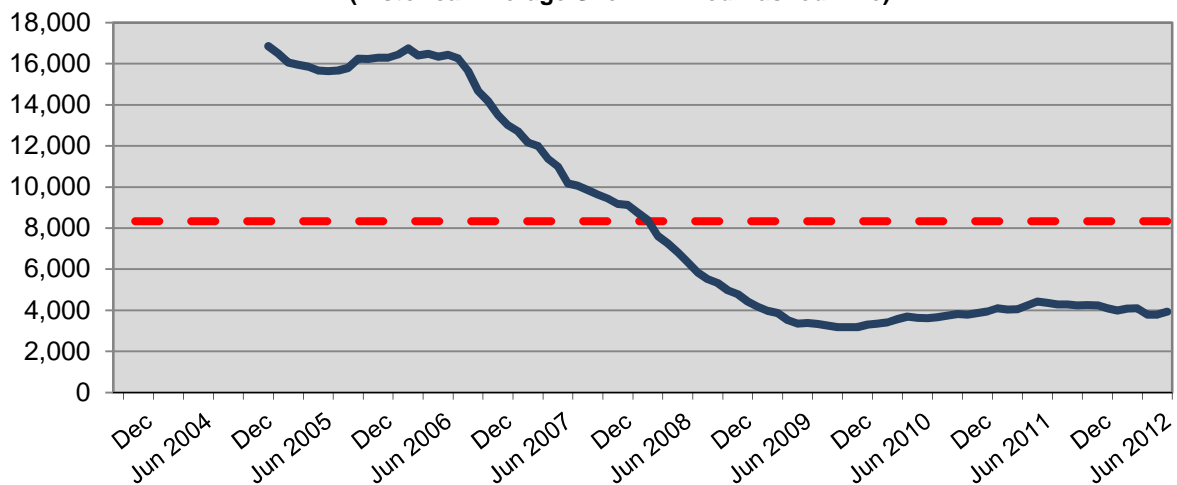
Goods Producing	NA	Information	8,700
Natural Resources/Mining/Construction	NA	Financial Activities	7,600
Natural Resources and Mining	200	Prof. & Business Services	27,500
Construction	4,400	Educ. & Health Services	16,100
Manufacturing	-5,200	Leisure & Hospitality	22,800
Service Providing Excluding Government	NA	Other Services	2,100
Trade/Transportation/Utilities	15,500	Government	-11,300

State Economic Activity Index	California	U.S.	
12-month change (2012 - Jun)	3.3%	2.7%	The economy of California has outpaced the rest of the nation and improved modestly from last month's
36-month change (2012 - Jun)	5.6%	5.9%	

## New Housing Construction

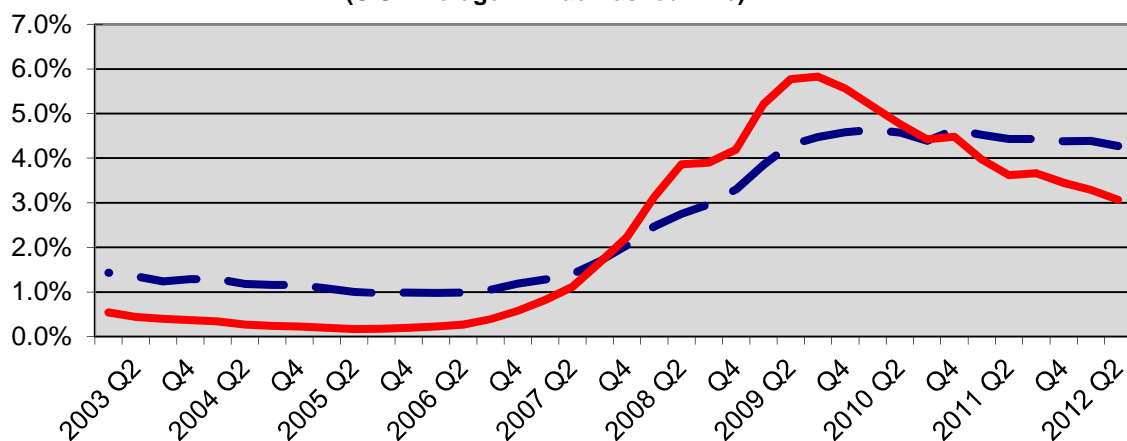
Local Fundamentals	Los Angeles	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2012	3,925	not comparable	The current level of construction is 52.9% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	8,329	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more
Single-Family Housing Permits (Jun 2012) 12-month sum vs. a year ago	-10.1%	11.2%	Construction is down from last year, but appears to have bottomed.

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.

**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)



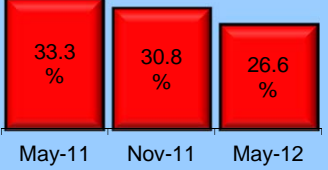
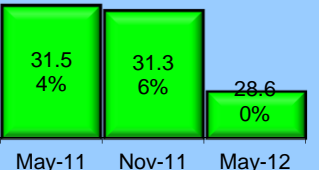
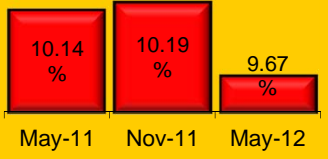
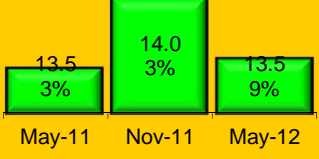
Source: Mortgage Bankers' Association

## Composition of Mortgaged Homes in Local Area

Monthly Market Data - May 2012	Los Angeles	U.S.	
Prime Mortgages Outstanding (estimate)	1,395,724	48,892,651	There are nearly 13.6 prime loans for every subprime mortgage in the Los Angeles market, which is less than the national average of 14.4 suggesting that subprimes make up a greater share of the local market than on average.
Subprime Mortgages Outstanding (estimate)	102,349	3,405,908	

Source: First American CoreLogic, LoanPerformance data

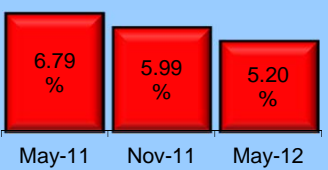
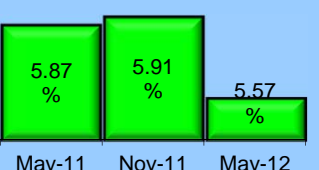
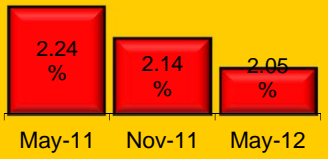
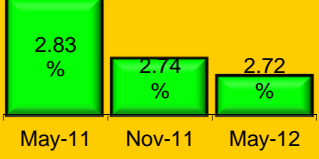
## Subprime Foreclosure and Delinquency Rates

Monthly Market Data - May 2012	Los Angeles	U.S.	
<b>Subprime: 90-day Delinquent</b>			The 90-day delinquency rate for subprime mortgage in Los Angeles fell over the 6-month period ending in May
<b>Subprime: Foreclosure + REO Rate</b>			The recent decline of the 90-day delinquency rates suggests that local foreclosure rates will continue to decline in the near future.

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

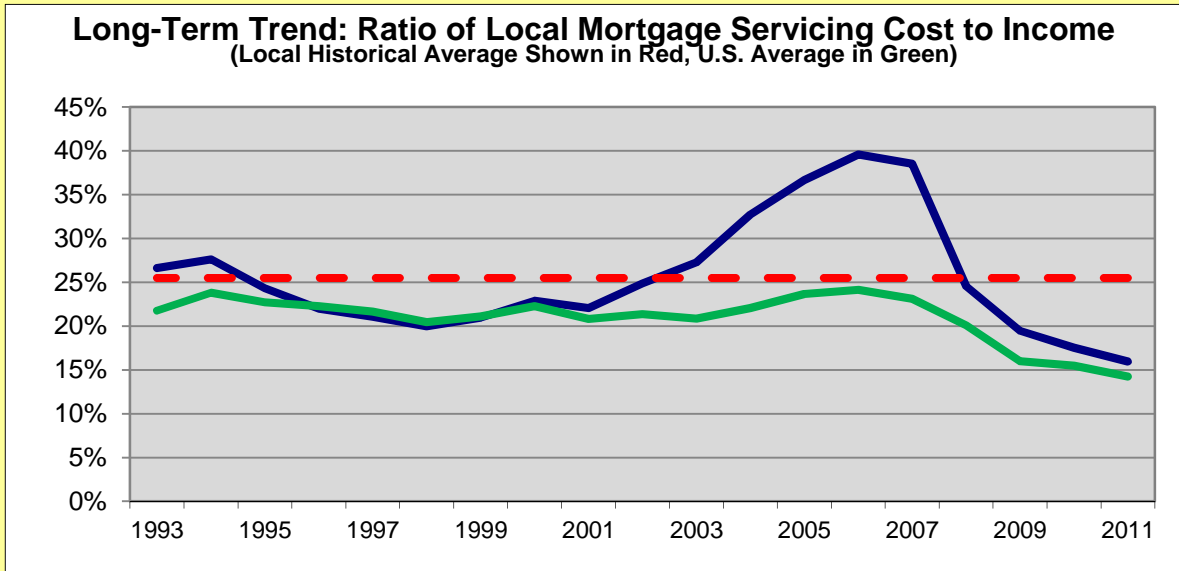
## Prime Foreclosure and Delinquency Rates

Monthly Market Data - May 2012	Los Angeles	U.S.	
<b>Prime: 90-day Delinquent</b>			The 90-day delinquency rate in Los Angeles fell over the 6-month period ending in May
<b>Prime: Foreclosure + REO Rate</b>			The recent decline of the 90-day delinquency rates suggests that local foreclosure rates will continue to decline in the near future.

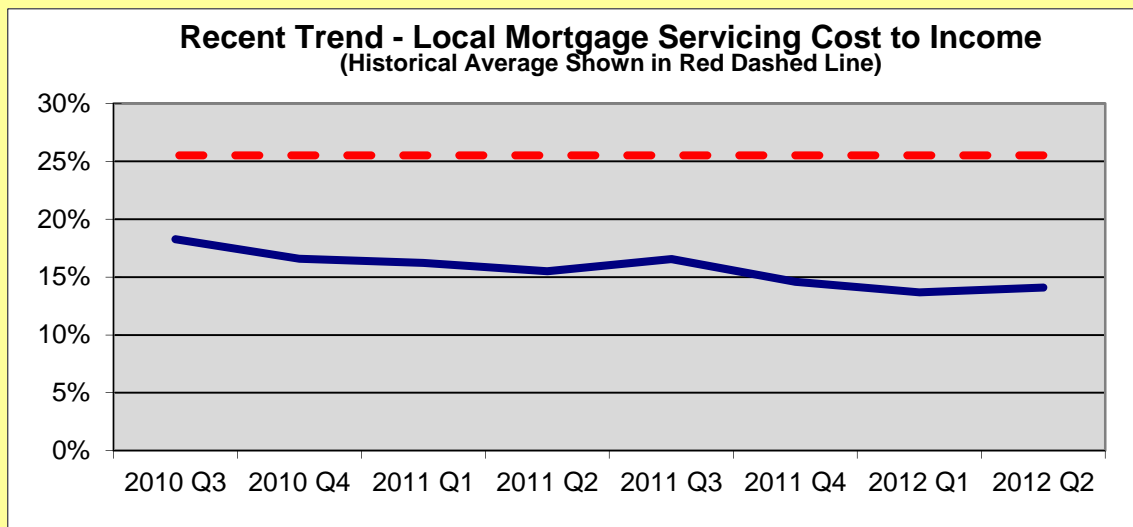
The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

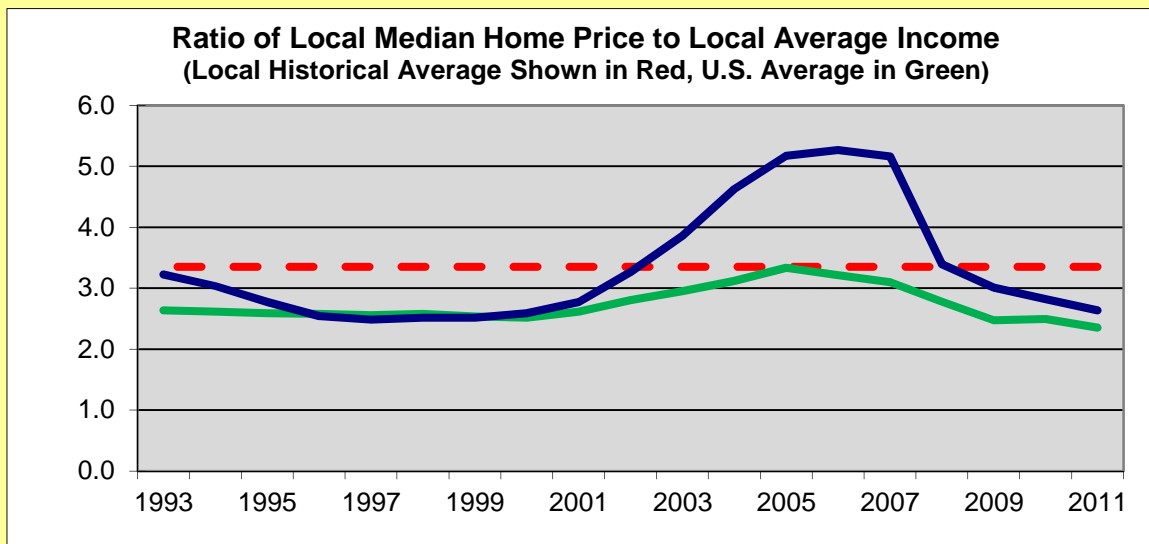
# Affordability



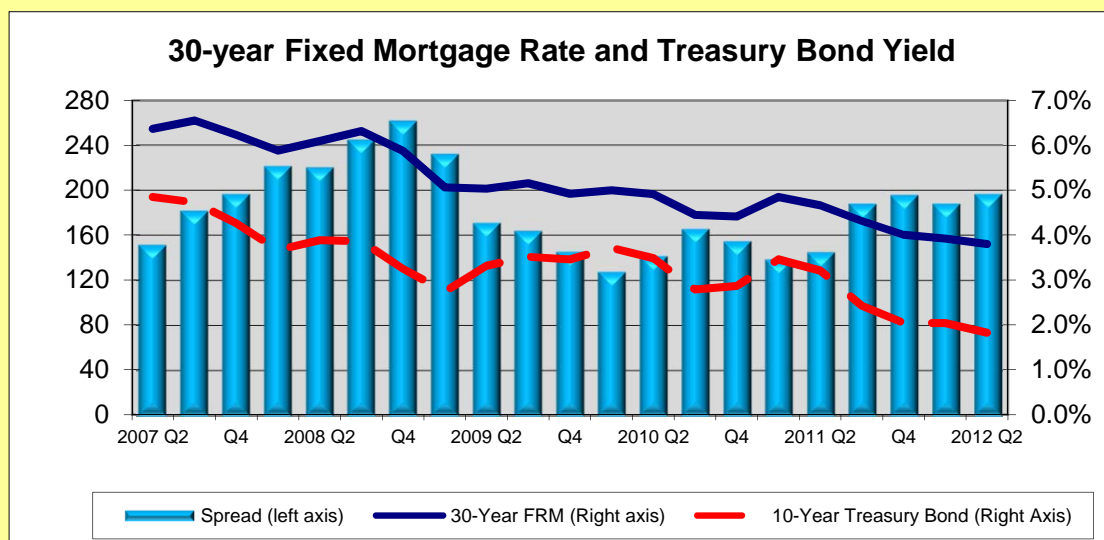
Monthly Mortgage Payment to Income	Los Angeles	U.S.	
Ratio for 2011	15.9%	14.2%	Historically strong, but weaker than the first quarter of 2012
Ratio for 2012 Q2	14.1%	14.1%	
Historical Average	25.5%	21.4%	Weaker affordability than most markets



Median Home Price to Income	Los Angeles	U.S.	
Ratio for 2011	2.6	2.4	The price-to-income ratio rose, but is better than the historic average
Ratio for 2012 Q2	2.5	2.5	
Historical Average	3.4	2.7	Less affordable than most markets

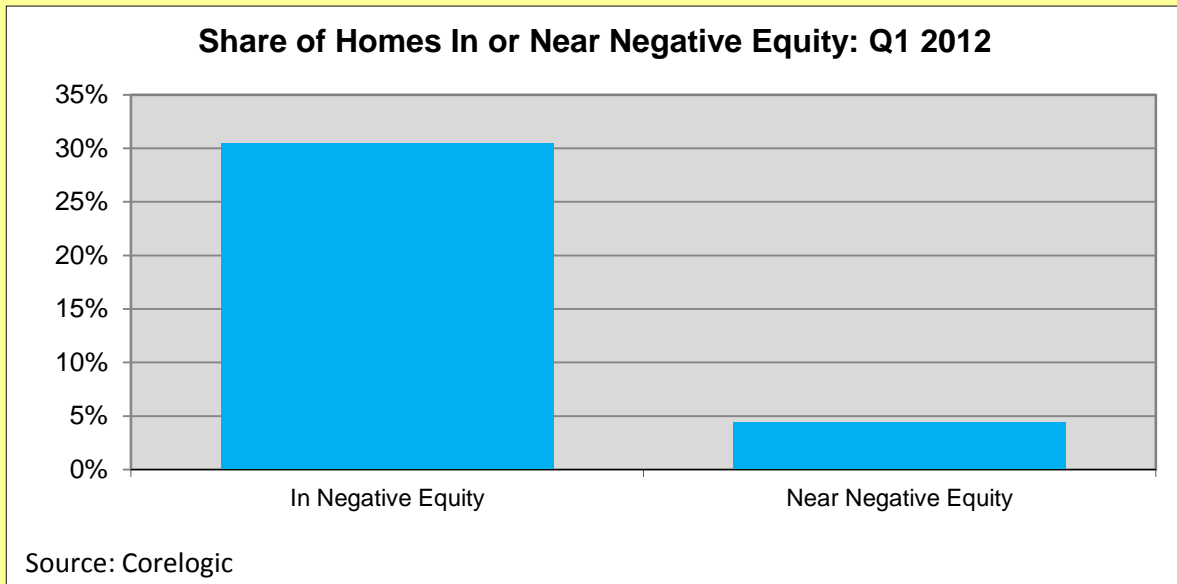


## The Mortgage Market



Mortgage rates continued their downward trajectory in the 2nd quarter of 2012 on news of domestic economic softening and weak employment growth, but more largely renewed weakness in Europe. The two trends drove the 10-year Treasury rate sharply lower, which was followed by the average 30-year fixed rate mortgage, but not in lockstep. As a result the spread between the two rose, which is typical when rates fall sharply due to increase interest rate risk on the part of mortgage investors whose costs rise as borrowers refinance. Regulatory concerns are also causing originators to hold onto more of the spread. Despite the low rates, access to them remains tight with average FICO scores today well above what they were prior to the housing boom and bust. Rates are likely to remain historically low through the end of the year as concerns on Europe are likely to reemerge. Furthermore, the Federal Reserve has made it clear that it intends to keep long-term mortgage rates low through 2013 and into 2014. The result should be an environment of historically low mortgage rates though there may be some upward drift by year's end.

# A Closer Look...Underwater Mortgages



Share of Mortgages	California	U.S.	
In Negative Equity	30.5%	23.7%	The share of mortgaged homeowners underwater in California is greater than the national average.
Near Negative Equity	4.4%	4.9%	

The strong price growth this spring has had an important impact on the housing market. Rising prices lifted many homeowners out of negative equity, improving confidence, enabling them to sell without a loss, and reducing the risk that they might roll into foreclosure. Stronger prices make short sales more attractive to banks and alleviate the weight of distressed sales on the sale prices of neighboring homes. According to Corelogic, the number of underwater homeowners eased by roughly 700,000 to 11.4 million in the 1st quarter of 2012 or roughly 23.7% of all mortgaged homeowners. An additional 2.3 million were in near-negative equity or had less than 5% equity, also a decline from the 4th quarter. However, given the large number of low-down payment FHA purchases in recent years, this latter figure is less threatening. Statewide, 30.5% of mortgaged homeowners in California or roughly 2,070,000 owe more on their mortgage than the home is worth. Another 4.4% or nearly 299,000 have less than 5% equity in their home.

## Geographic Coverage for this Report

The Los Angeles area referred to in this report covers the geographic area of the Los Angeles-Long Beach-Santa Ana metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Los Angeles County and Orange County

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)