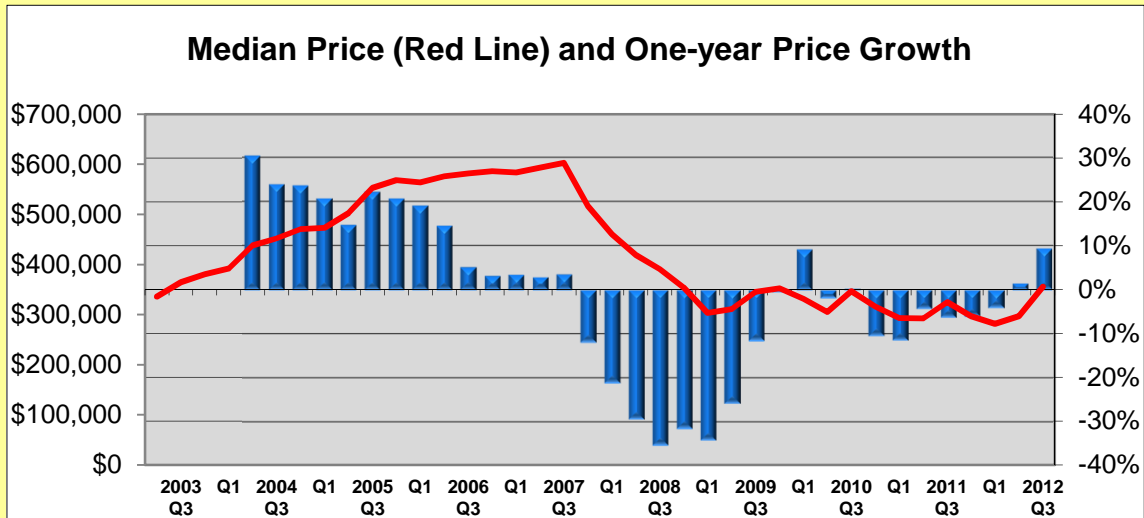


Los Angeles-Long Beach-Santa Ana Area Local Market Report, Third Quarter 2012

Today's Market...



Local Price Trends			
Price Activity	Los Angeles	U.S.	Local Trend
Current Median Home Price (2012 Q3)	\$355,700	\$183,667	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2012 Q3)	9.5%	8.5%	
3-year (12-quarter) Appreciation (2012 Q3)	2.9%	3.0%	
3-year (12-quarter) Housing Equity Gain*	\$10,100	\$5,433	The local housing price correction eliminated all of the equity gained during the housing boom
7-year (28 quarters) Housing Equity Gain*	-\$197,500	-\$43,867	
9-year (36 quarters) Housing Equity Gain*	-\$9,100	\$567	
*Note: Equity gain reflects price appreciation only			

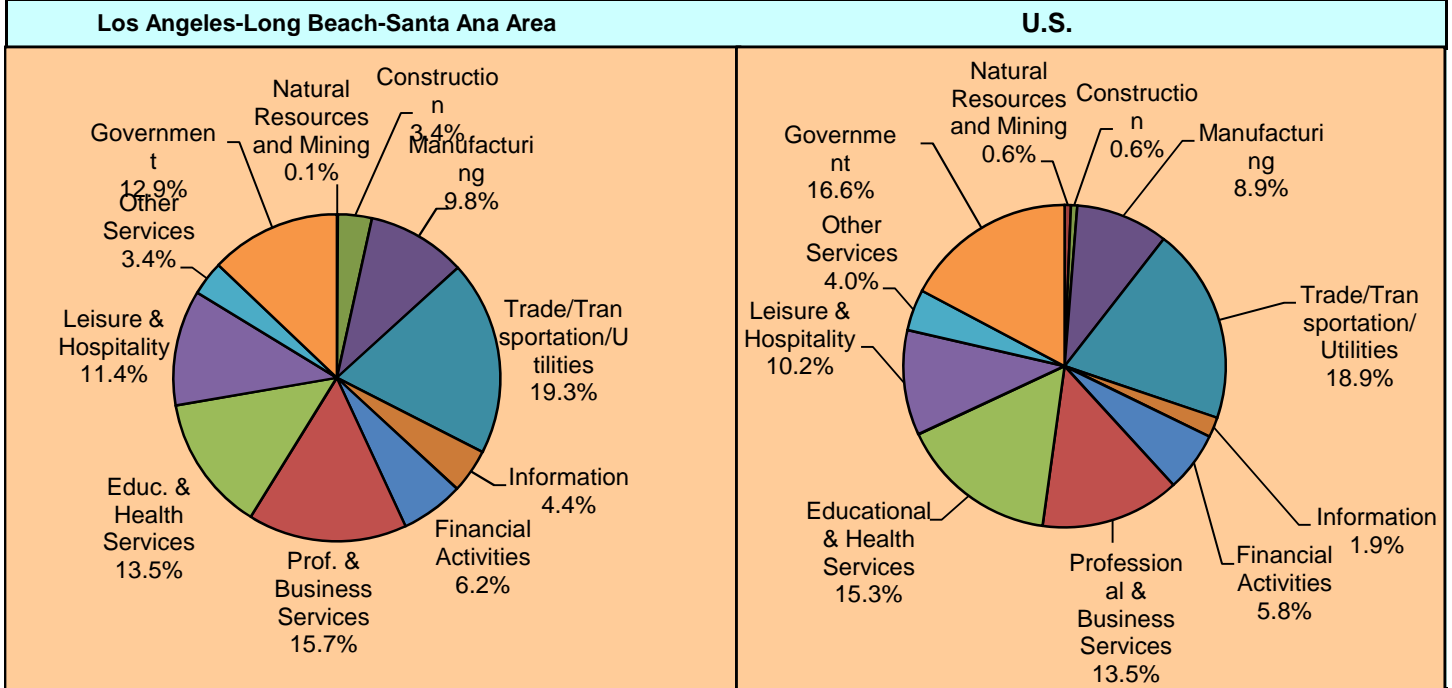
	Los Angeles	U.S.	
Conforming Loan Limit**	\$625,500	\$729,250	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$625,500	\$417,000	
Local Median to Conforming Limit Ratio	57%	not comparable	
Note: limits are current and include the changes made in November of 2011 and extended in November of 2012			

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 (Sep)	92,000	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Aug)	100,900	Not Comparable	
36-month Job Change (Sep)	139,000	Not Comparable	Los Angeles's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Sep)	9.4%	7.8%	
Year-ago Unemployment Rate	11.5%	9.0%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	1.8%	1.4%	

Share of Total Employment by Industry



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

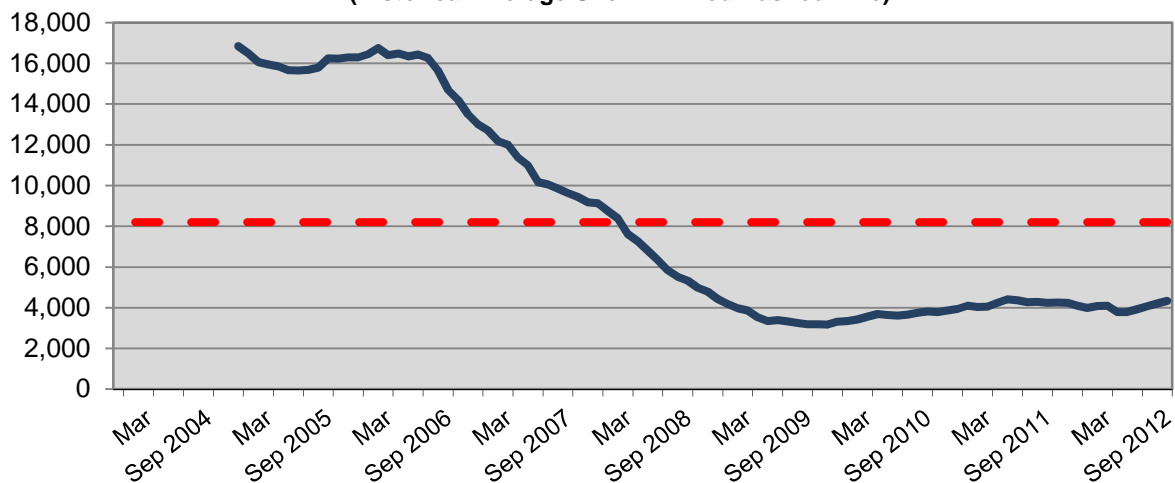
Goods Producing	NA	Information	8,500
Natural Resources/Mining/Construction	NA	Financial Activities	13,600
Natural Resources and Mining	100	Prof. & Business Services	28,500
Construction	5,100	Educ. & Health Services	9,500
Manufacturing	-6,100	Leisure & Hospitality	26,100
Service Providing Excluding Government	NA	Other Services	1,300
Trade/Transportation/Utilities	11,100	Government	-5,700

State Economic Activity Index	California	U.S.	
12-month change (2012 - Sep)	3.7%	2.8%	The economy of California has outpaced the rest of the nation and improved modestly from last month's 3.69% change
36-month change (2012 - Sep)	7.6%	7.2%	

New Housing Construction

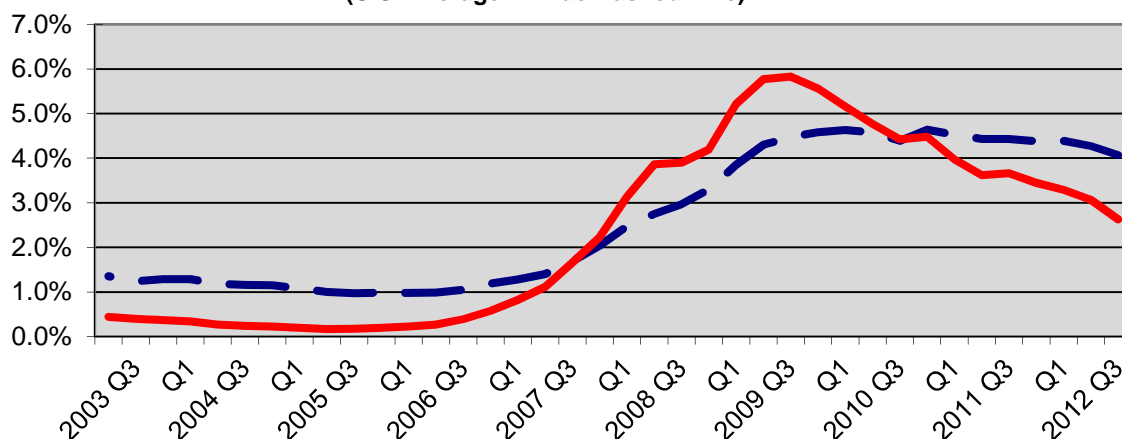
Local Fundamentals	Los Angeles	U.S.	
12-month Sum of 1-unit Building Permits through Sep 2012	4,340	not comparable	The current level of construction is 47.1% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	8,197	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more
Single-Family Housing Permits (Sep 2012) 12-month sum vs. a year ago	2.3%	17.3%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

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 and short-sales now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or distressed sales, place downward pressure on the median home prices.

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



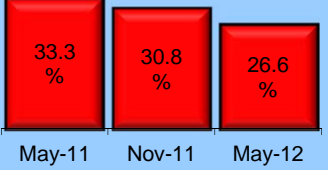
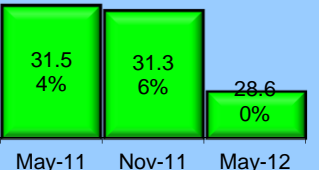
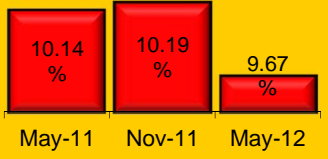
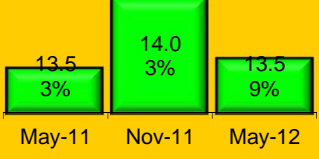
Source: Mortgage Bankers' Association

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

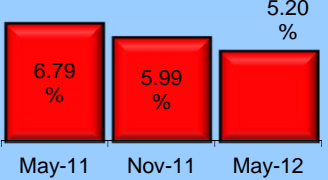
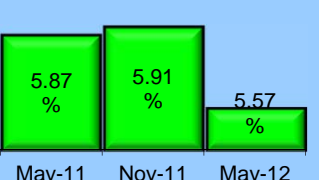
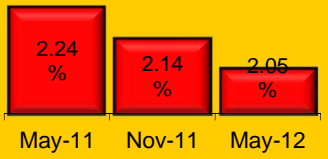
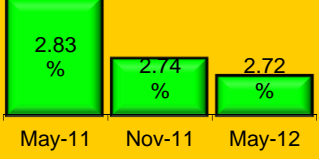
Subprime Foreclosure and Delinquency Rates

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

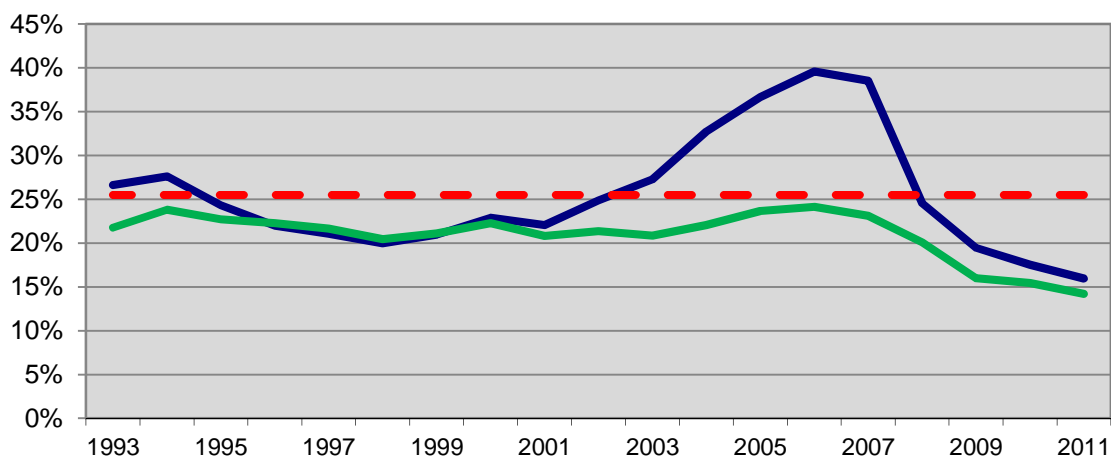
The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

Affordability

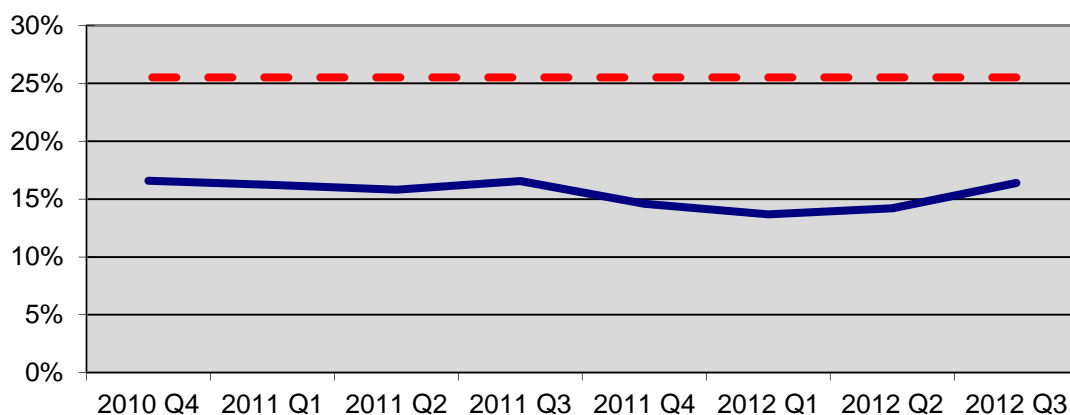


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

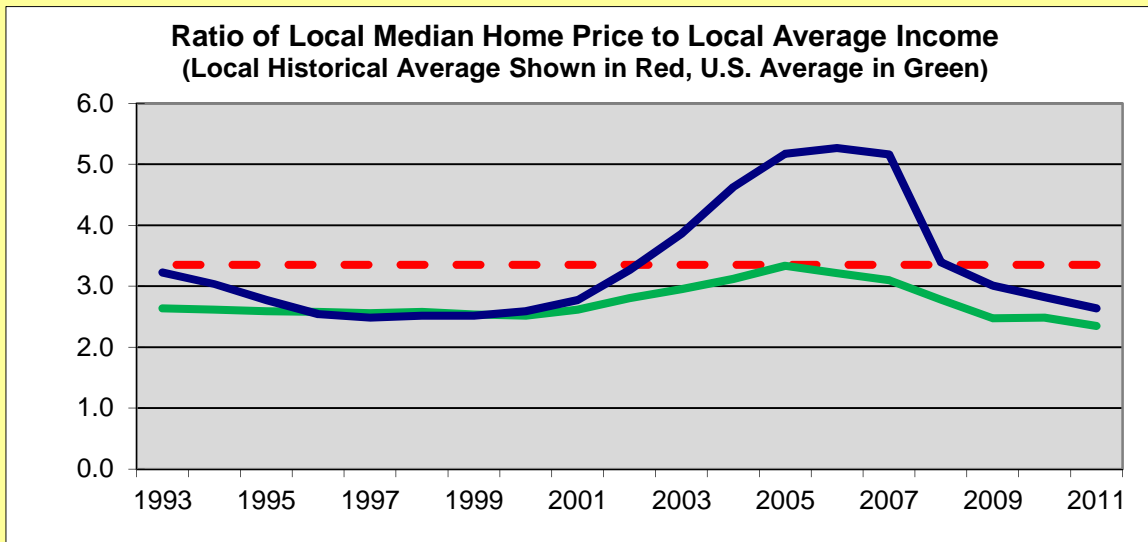


Monthly Mortgage Payment to Income	Los Angeles	U.S.	
Ratio for 2011	15.9%	14.2%	Historically strong, but weaker than the second quarter of 2012
Ratio for 2012 Q3	16.4%	13.8%	
Historical Average	25.5%	21.4%	Weaker affordability than most markets

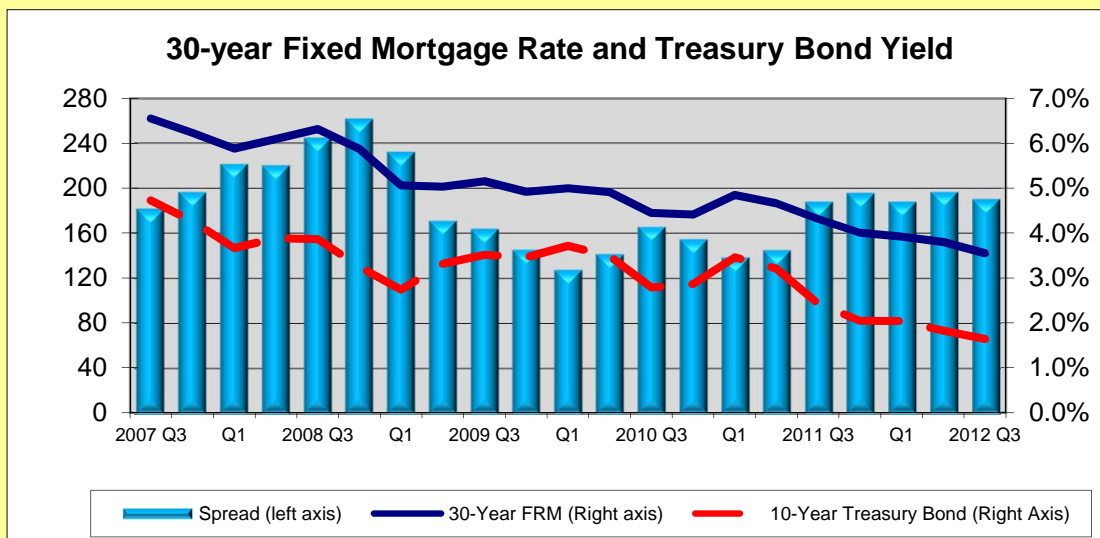
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Los Angeles	U.S.	
Ratio for 2011	2.6	2.3	The price-to-income ratio rose, but is better than the historic average
Ratio for 2012 Q3	3.0	2.5	
Historical Average	3.4	2.7	Less affordable than most markets

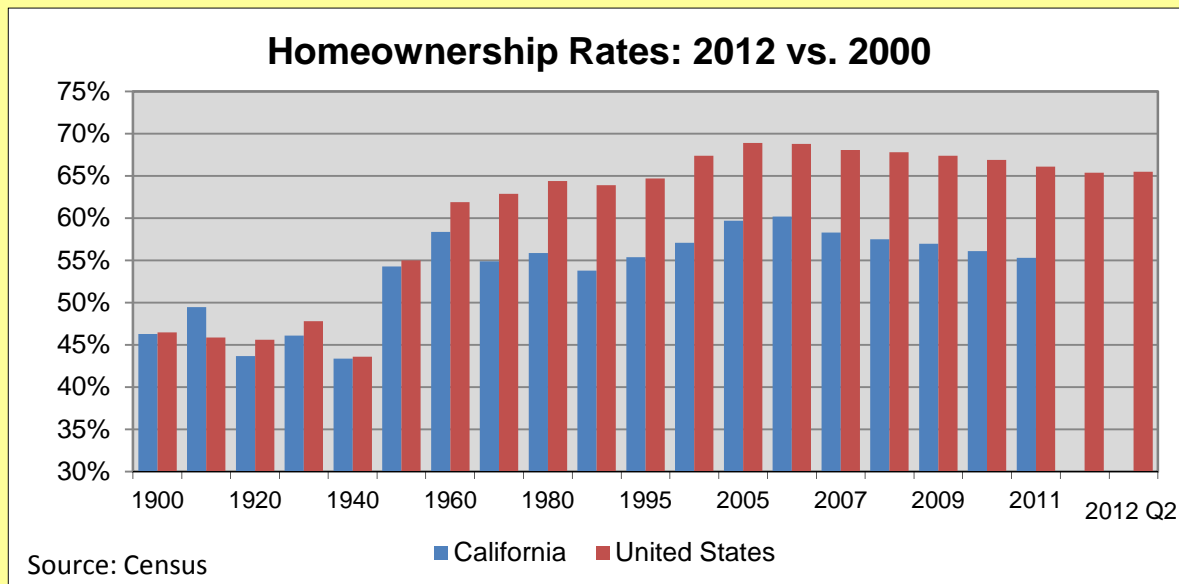


The Mortgage Market



Mortgage rates continued their amazing slide through the third quarter of 2012. Weakness in Europe combined with uncertainty surrounding the 2012 Presidential election and the potential for a fiscal cliff that could derail the economic recovery weighed on prospects for economic growth and in turn long-term Treasury rates. Helping to press rates lower was the Federal Reserve's third round of quantitative easing in which the Fed has and will continue to purchase \$40 billion dollars of Treasuries and mortgage backed securities each month to foster lower long-term borrowing costs for housing. While this third round of easing is more tightly focused on housing, the impact has been muted as banks have not passed on their lower borrowing costs to consumers. Rather, the spread between the rate that banks borrow money and then lend mortgages has increased to the banks' benefit. Banks have argued that legal fees, increased due diligence, and constraints on capacity due to high refinance volumes have kept them from passing on the benefits of their lower cost of capital. As refinance volume eases this winter and early spring, look for rates to ease modestly. A resolution of the potential fiscal cliff could create a modest bounce, but rates should remain historically low through 2013. The market should gain clarity in early 2013 on the impact of that Basel III and the Dodd-Frank legislation (QM and QRM) will have on the long-term availability of credit for home purchases.

A Closer Look...Homeownership



Homeownership Rate	California	U.S.	
2011	67.6%	66.1%	The homeownership rate in California was greater than the national average in 2011.
2000	68.9%	67.4%	

Nationally the homeownership rate rose steadily from 1940 through 2000. However, in the subsequent decade, homeownership tumbled following the housing market decline in 2006, falling from a peak of 68.9% in 2005 to 66.1% in 2011. The sharp decline was driven by nearly 4 million foreclosures since 2008 and the transformation of many homeowners into renters. Tight lending standards and a weak economy have hampered the ability of many would-be homeowners to make a purchase. Locally, the homeownership rate in California peaked at 60.2% in 2006 before declining to 55.3% in 2011.

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/