

After the Storm

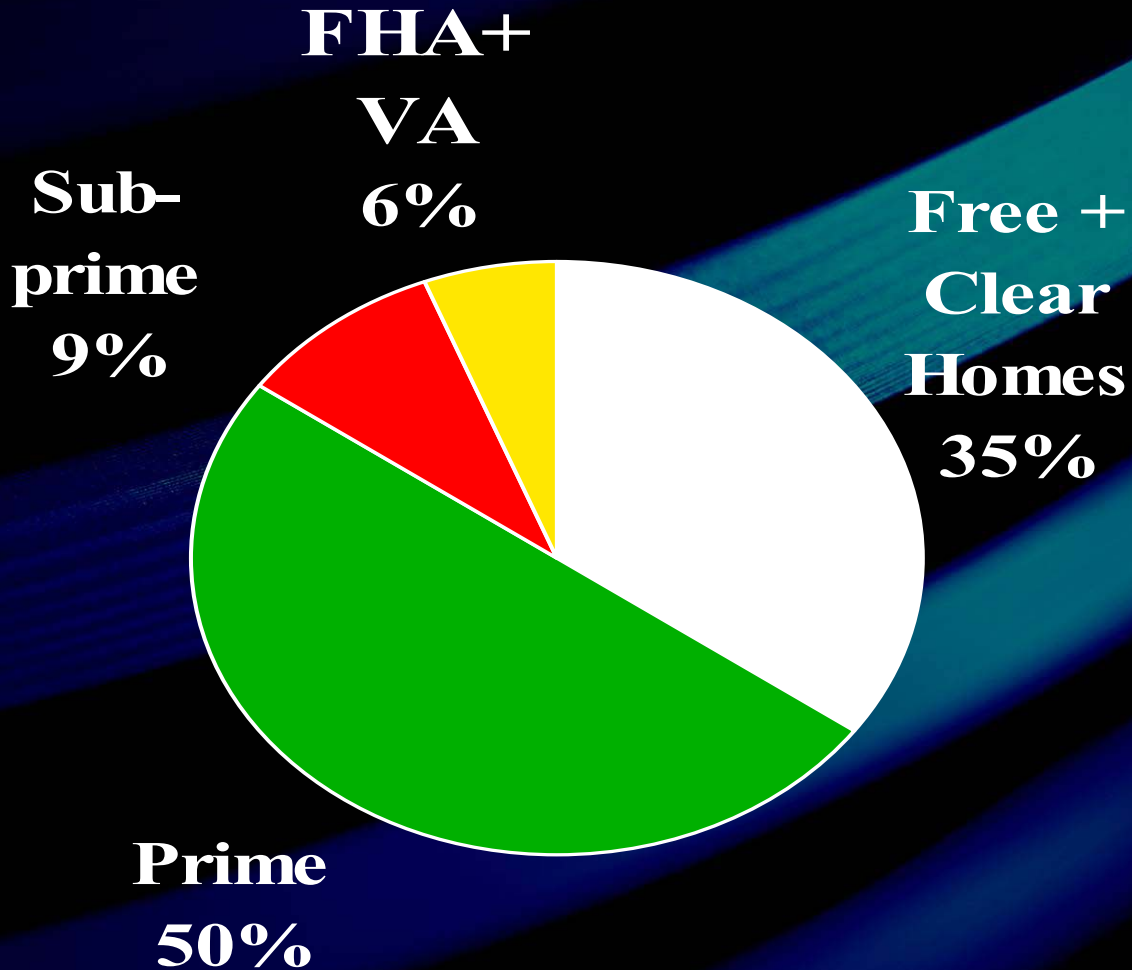
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NATIONAL ASSOCIATION OF REALTORS®

Presentation at NAR Leadership Summit
Chicago, IL
August 17, 2007

Subprime Loan Implosion

- Homeowners facing higher resetting rates and foreclosures
- Wall Street reassessing risk
- Sub-prime brokers desperate for Wall Street funding
- Potential homebuyers left out in the cold

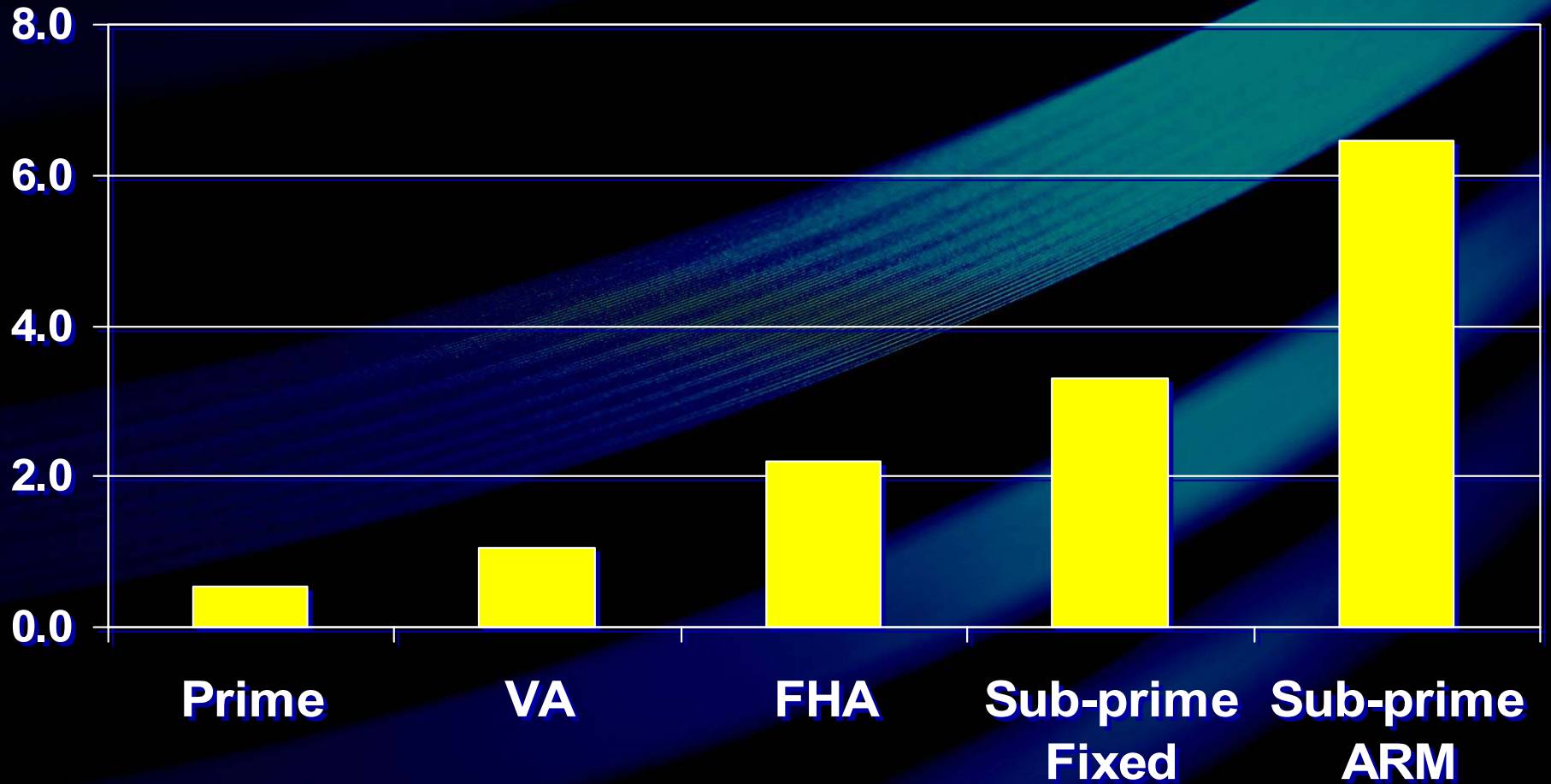
Subprime Loan Exposure



Source: NAR Estimate

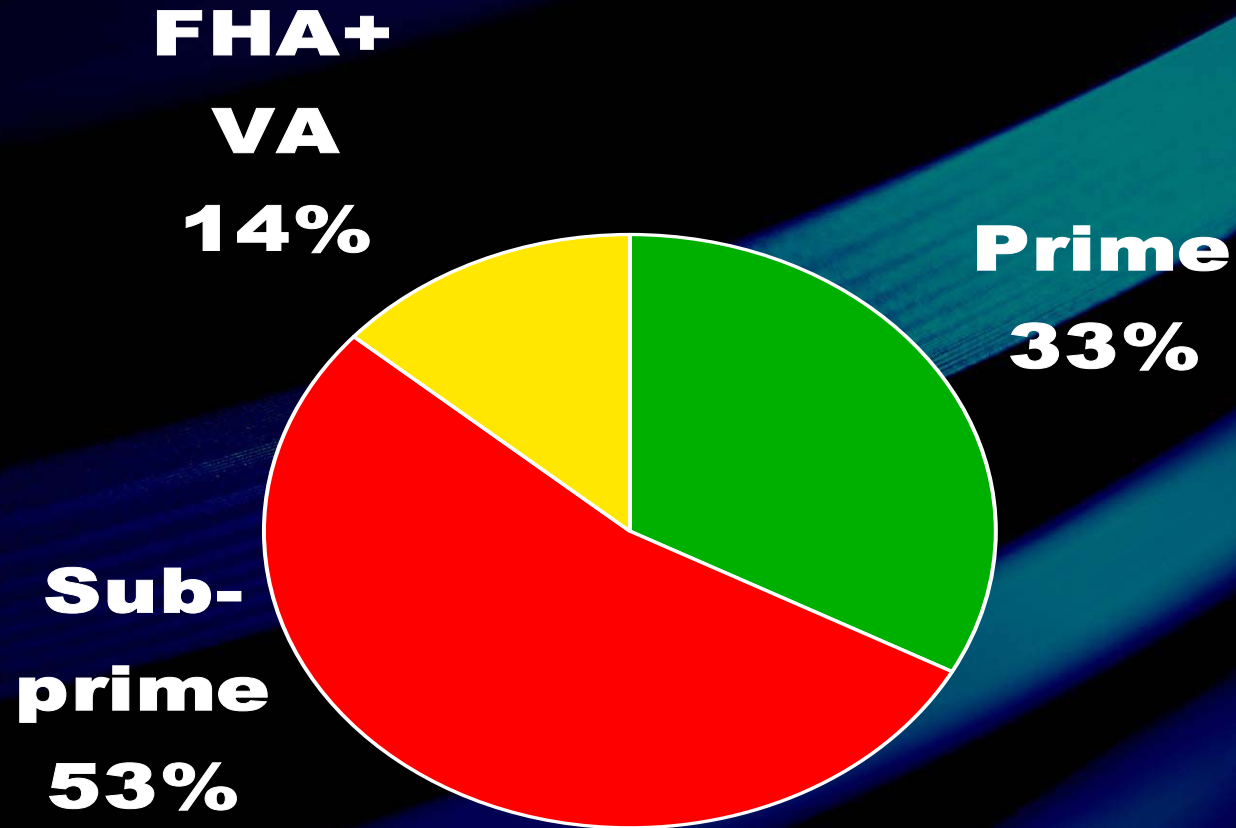
Foreclosure Rates by Loan Type

2007 Q1



Data: MBA

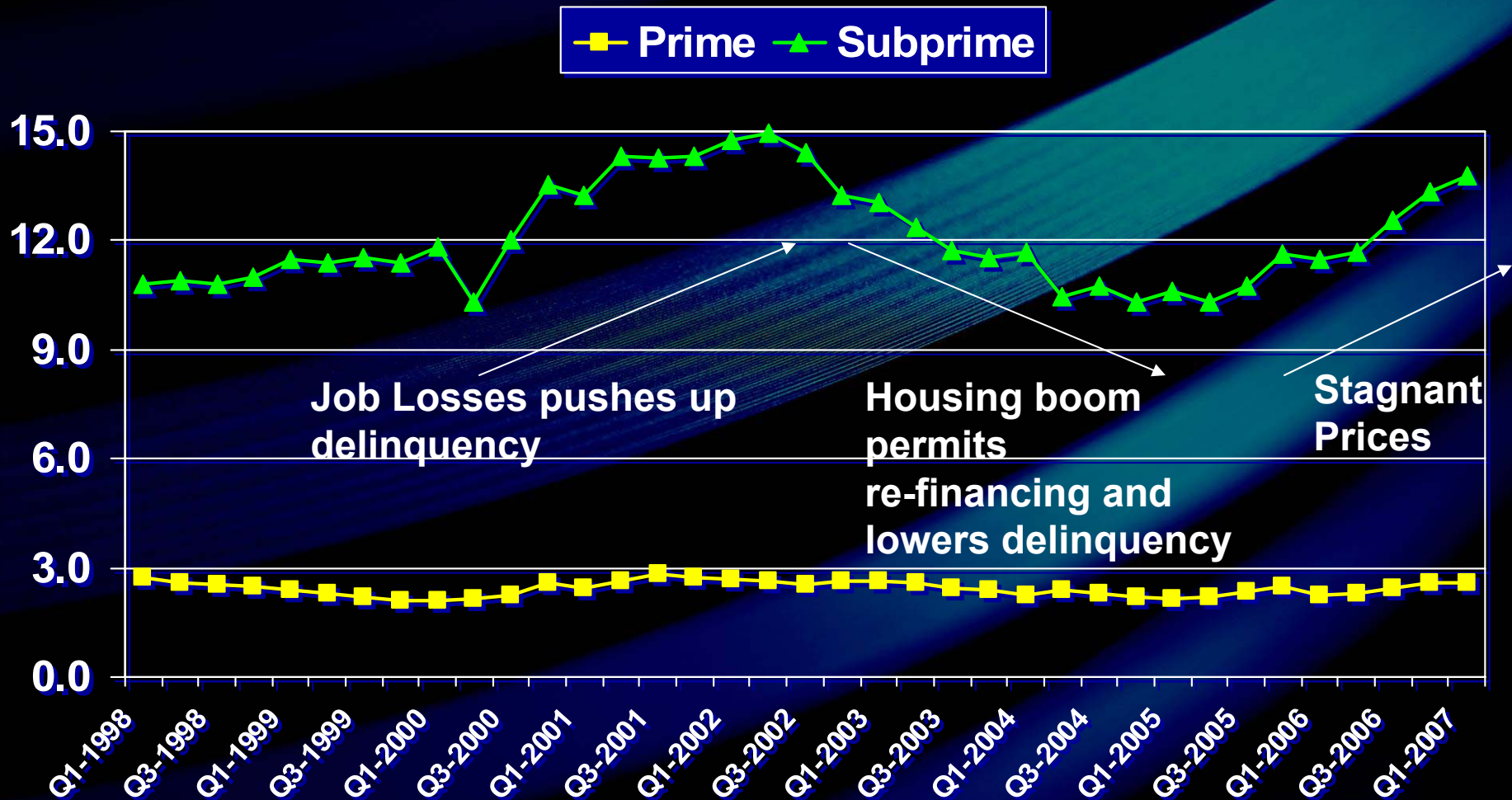
Foreclosed Homes



Source: NAR Estimate

National Mortgage Delinquencies

(Big swings for subprime; no real change in prime)



Data: MBA

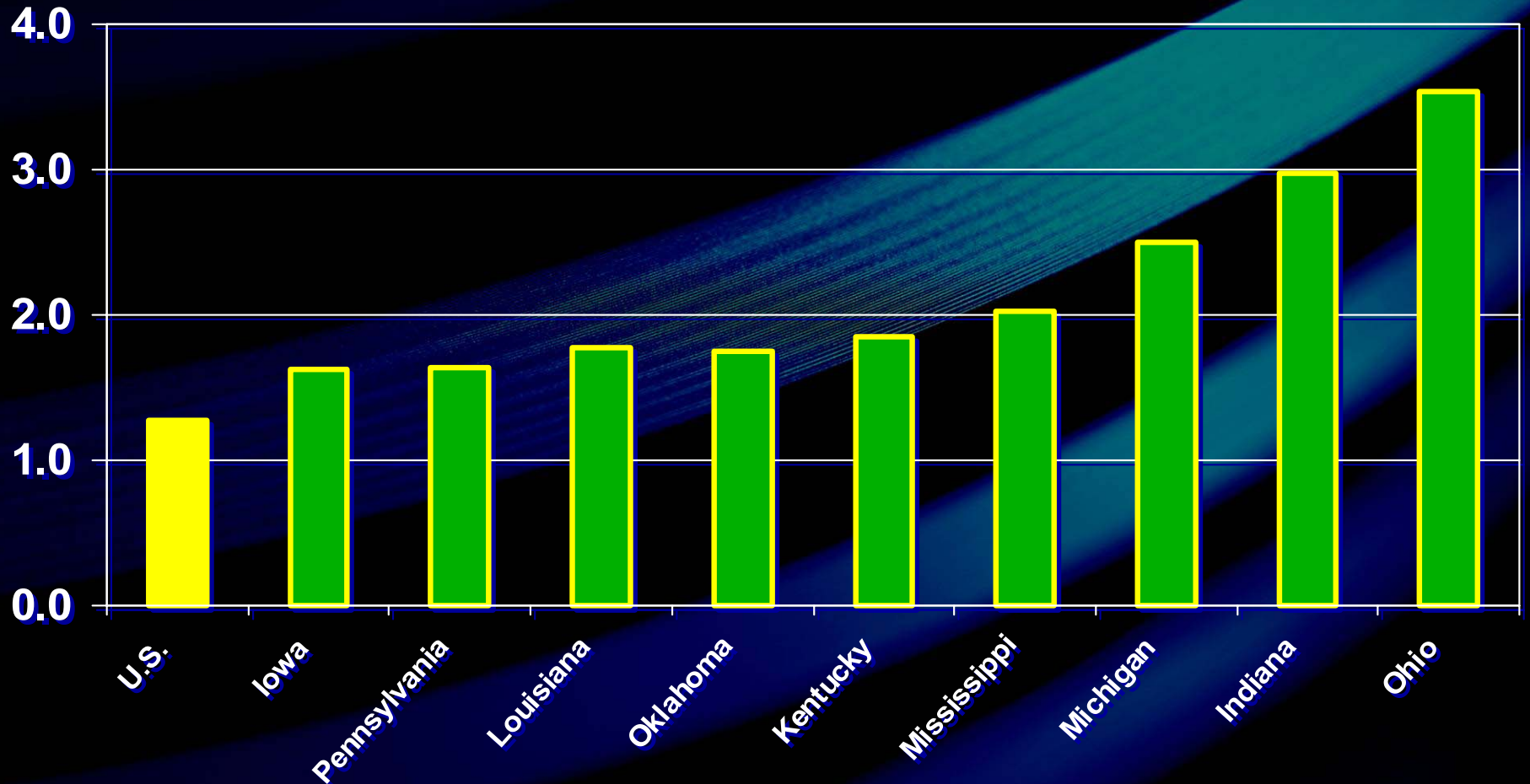
Rising Foreclosures

Percent change in foreclosure rate in 2005 Q1 vs 2006 Q4



High Foreclosure States

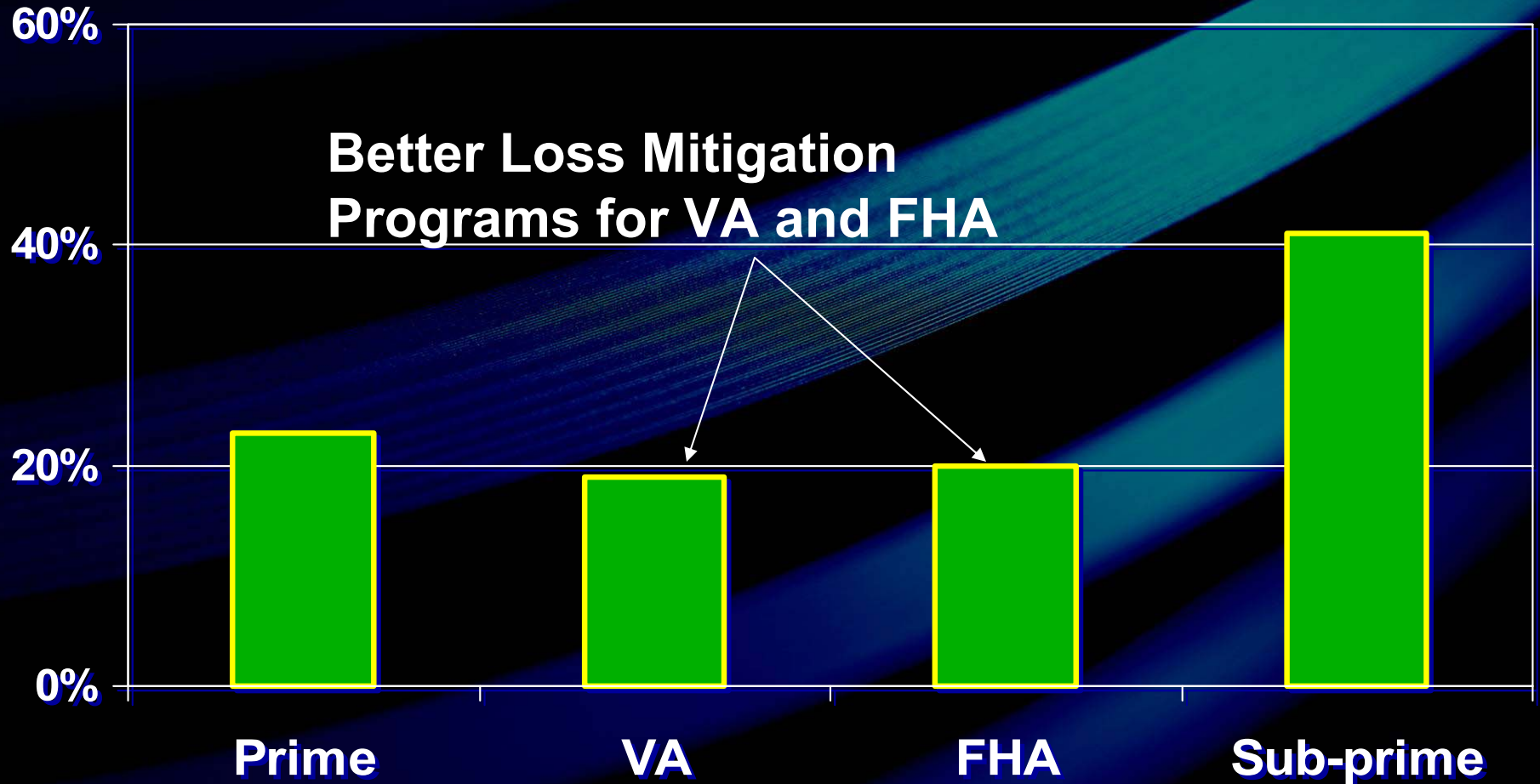
(2007 Q1)



Data: MBA

Delinquency to Foreclosure

(Latest Foreclosure/Delinquency ratio)



Not All Markets are Suffering ... States with Falling Foreclosures

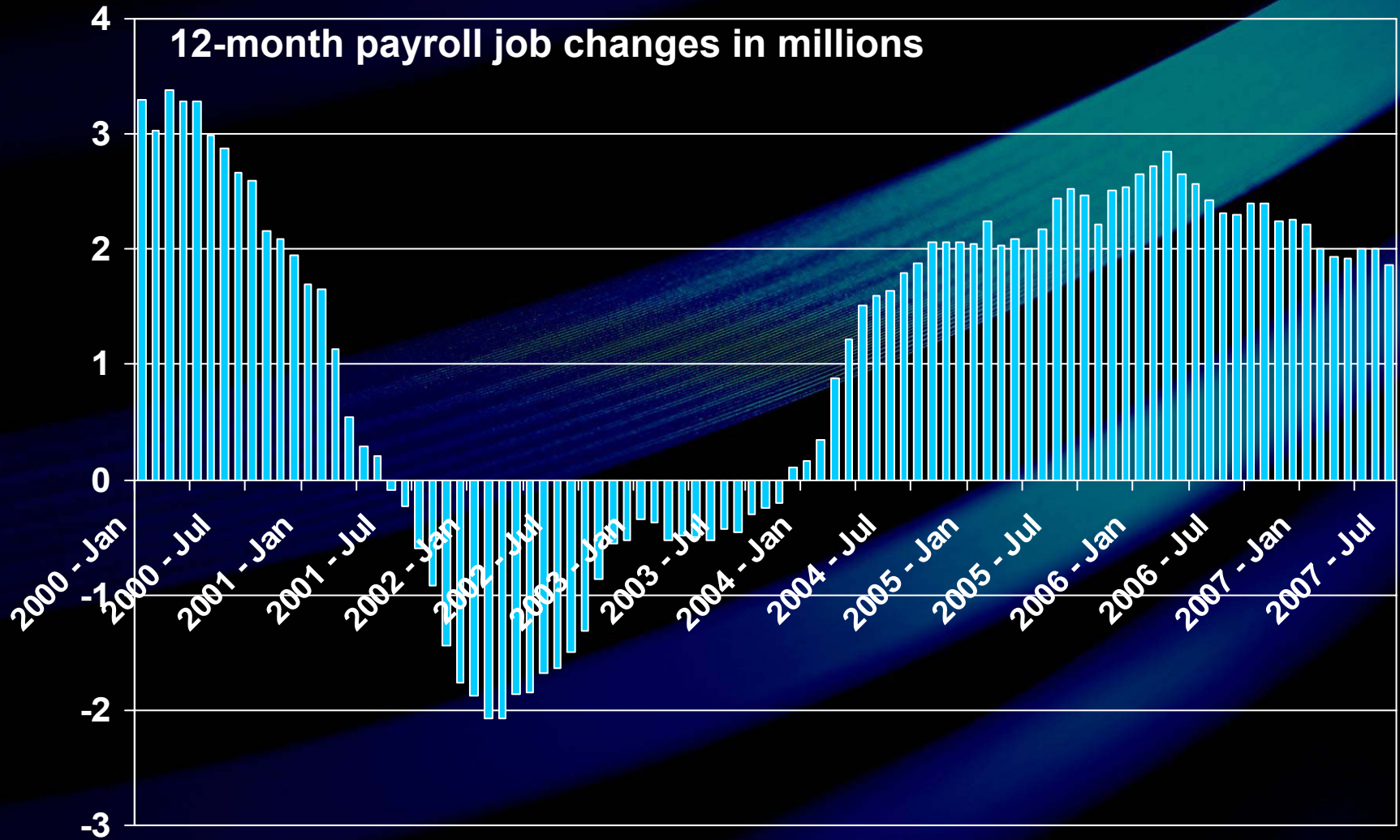
Percent change in foreclosure rate in 2005 Q1 vs 2006 Q4



Healthier Future Market

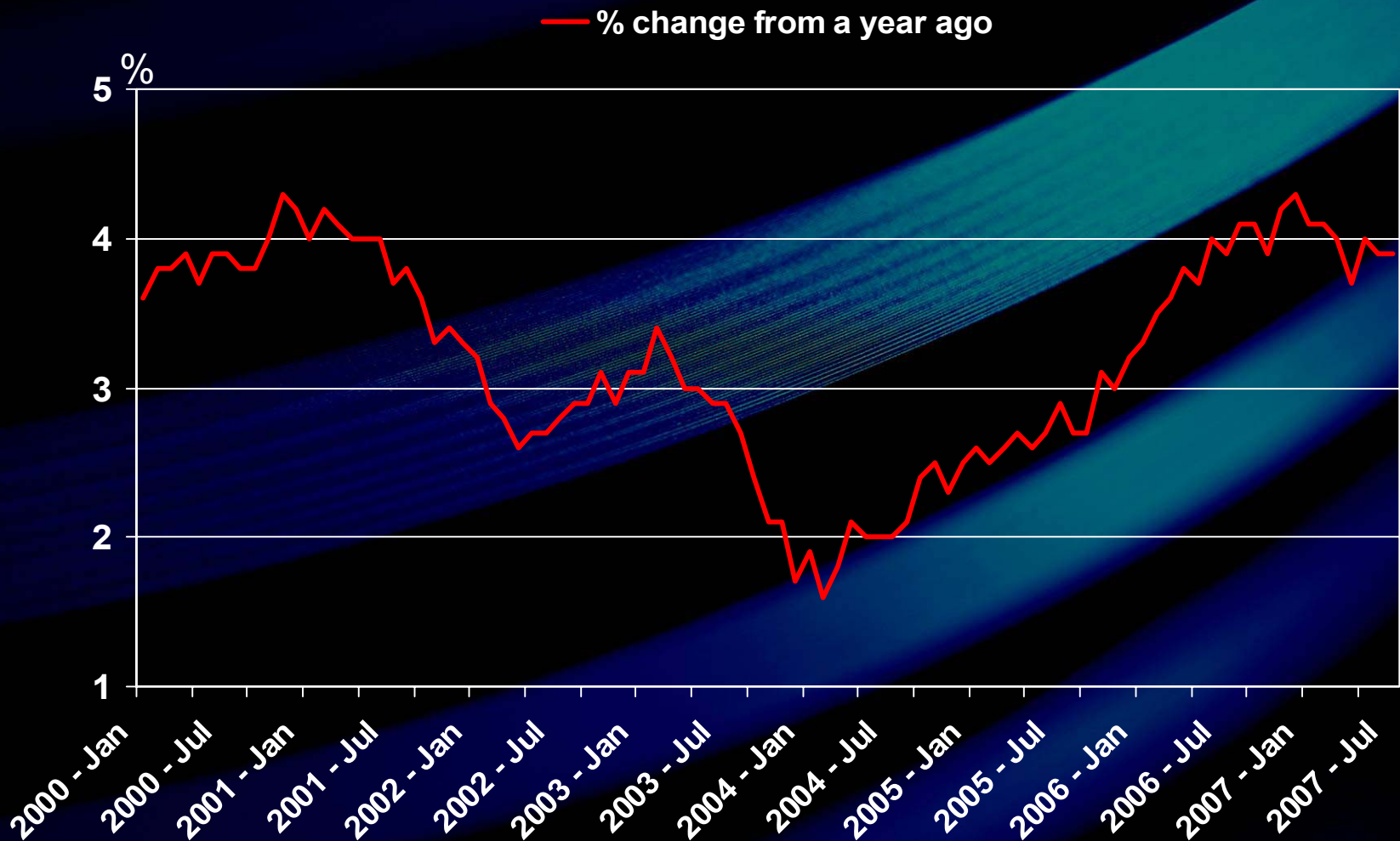
- **Job growth leads to accumulating and releasing of pent-up housing demand**
- **Cut back in new home construction thins out inventory and strengthen home prices**
- **Shift to “traditional” products**
 - **Reckless lenders going belly up**
 - **Wall Street tightening**
 - **FHA revival**
 - **Higher prevalence of fixed-rate mortgages**
- **Short-term Pain from lower home sales**
- **Long-term Gain from lower defaults**

Steady U.S. Job Gains Near 2 Million in Past 12 months



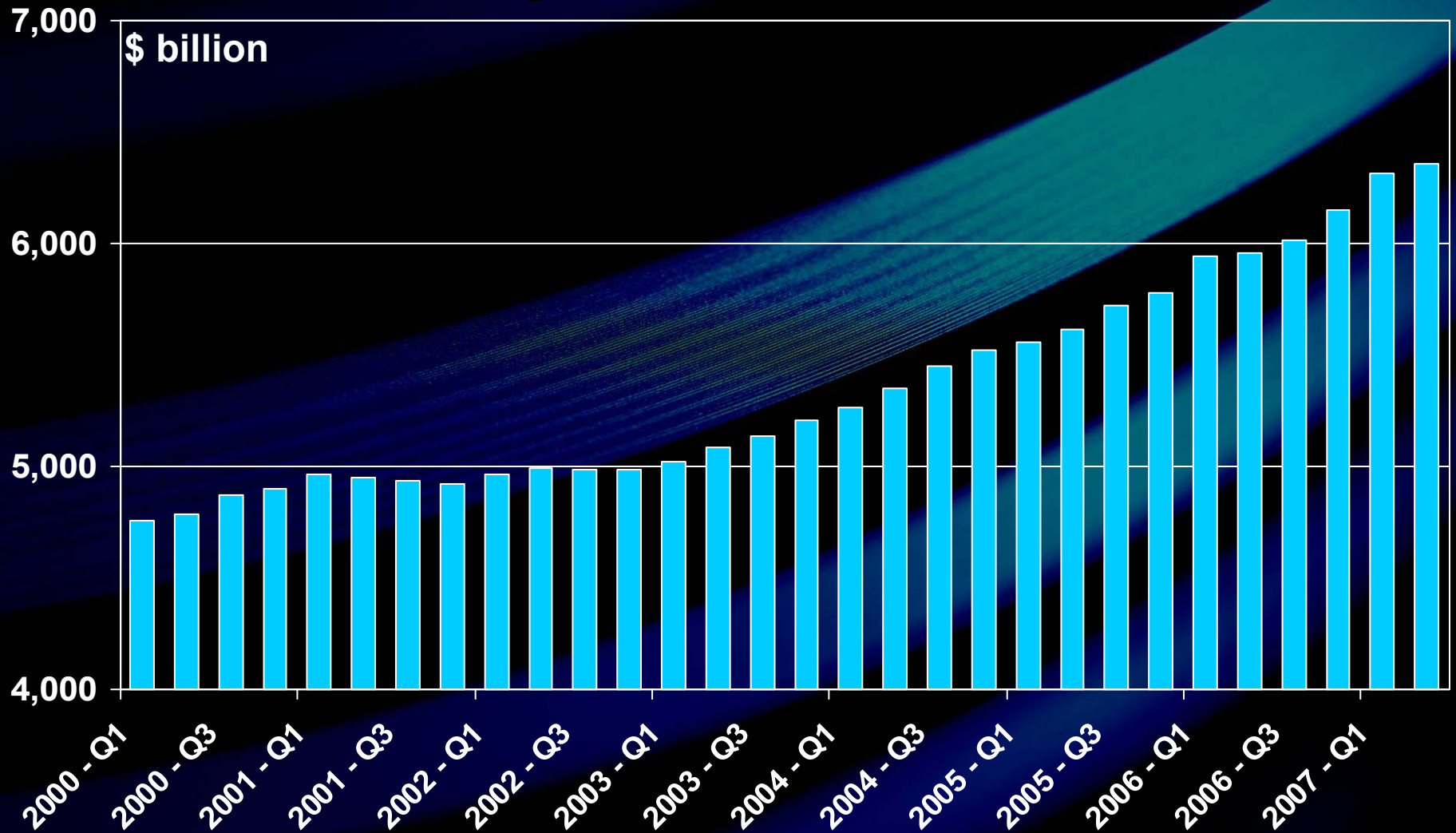
Source: BLS

Wage Growth Picking Up



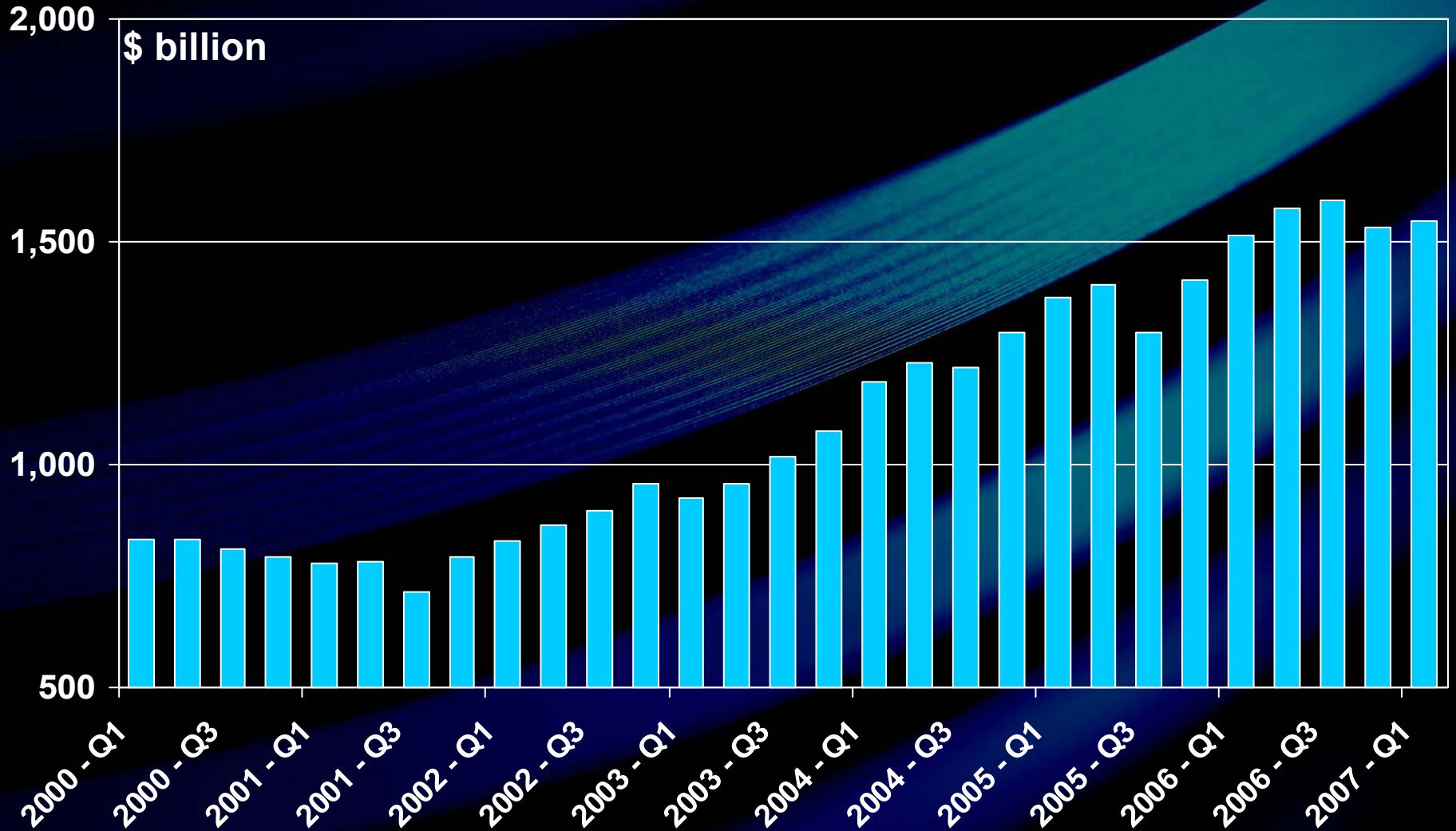
Source: BLS

Aggregate U.S. Wages and Salary Disbursement



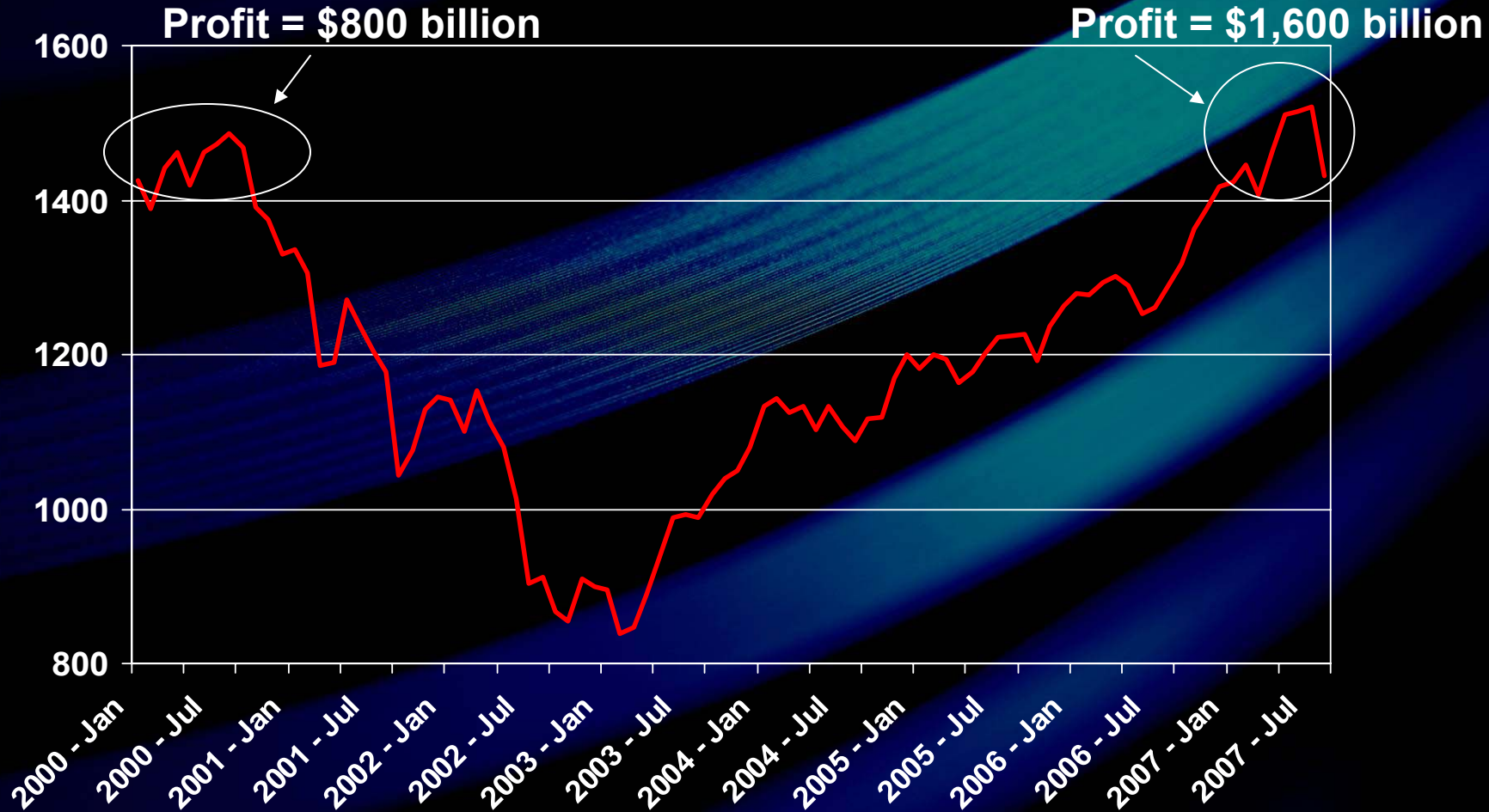
Source: BEA

Corporate Profits – Record High



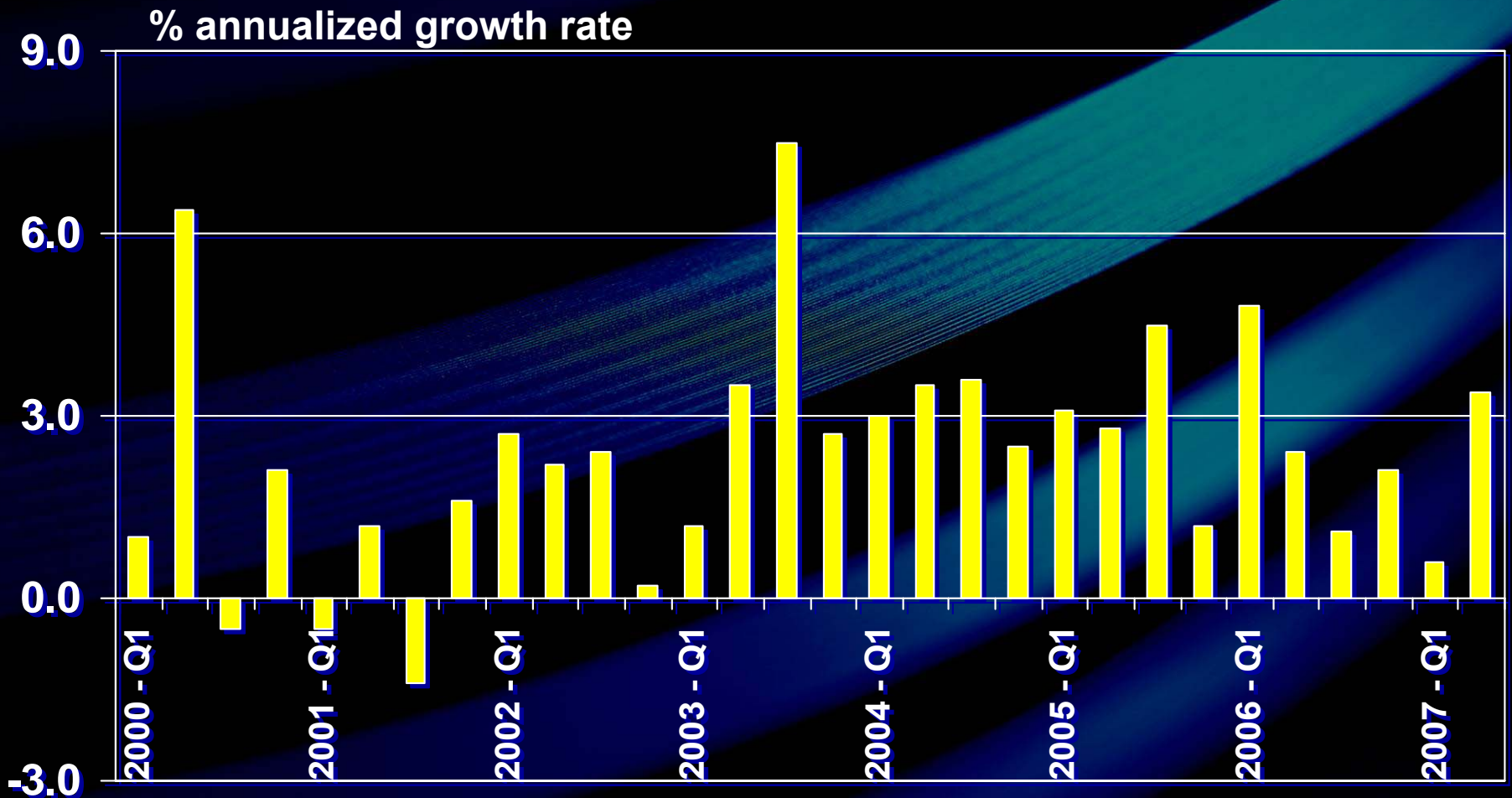
Source: BEA

S&P 500 Index

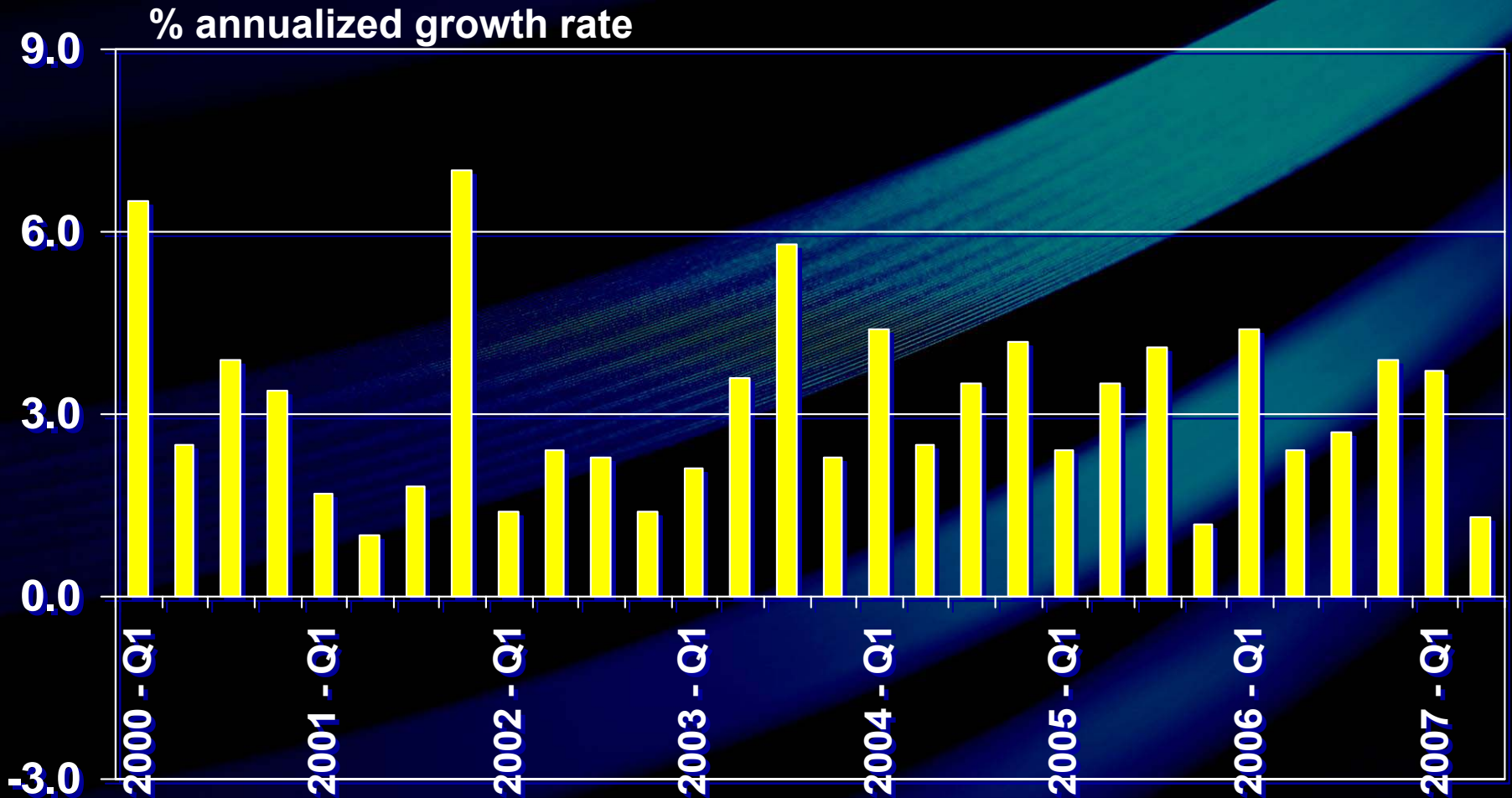


Source: NYSE

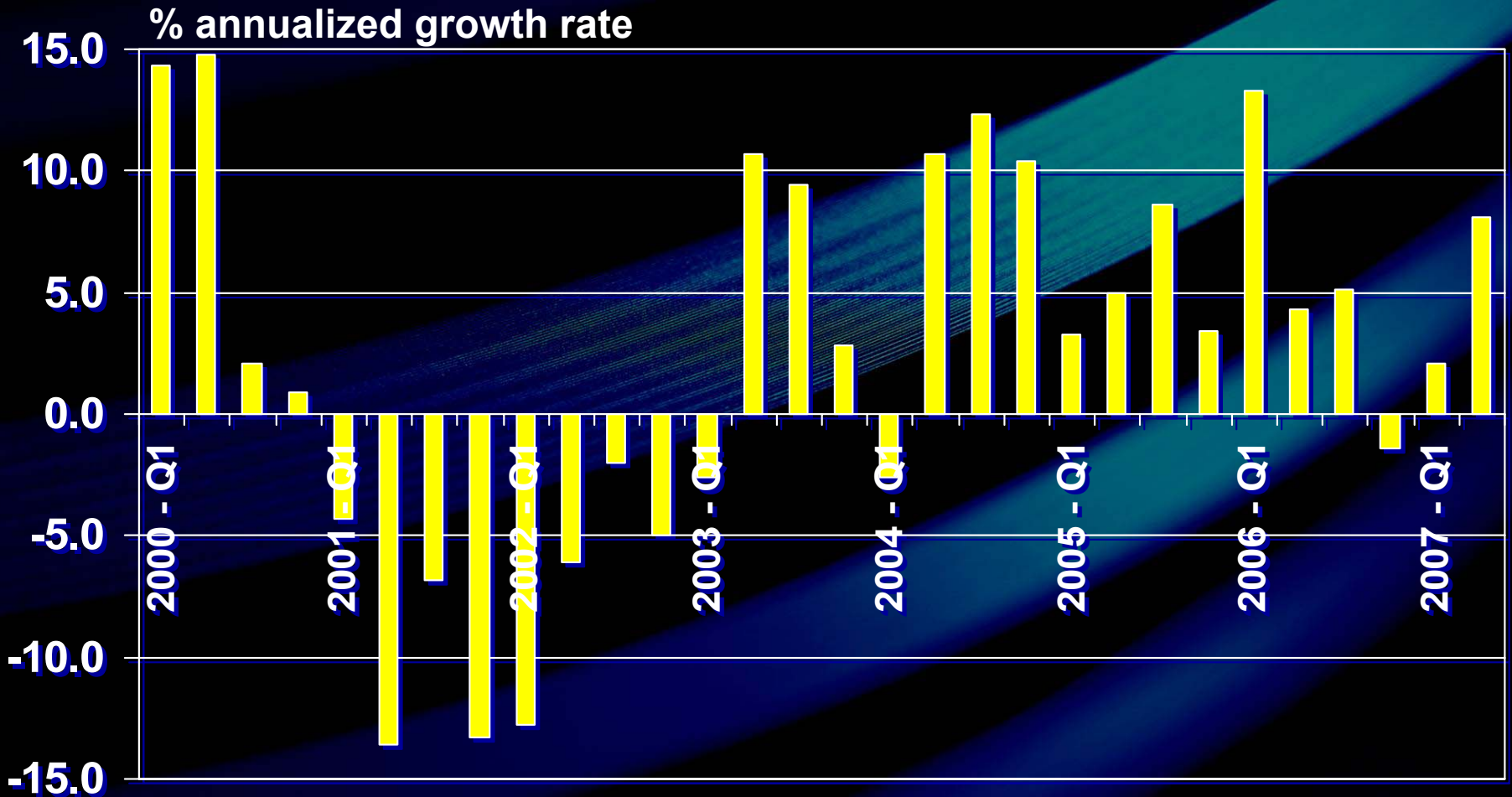
Economic Growth



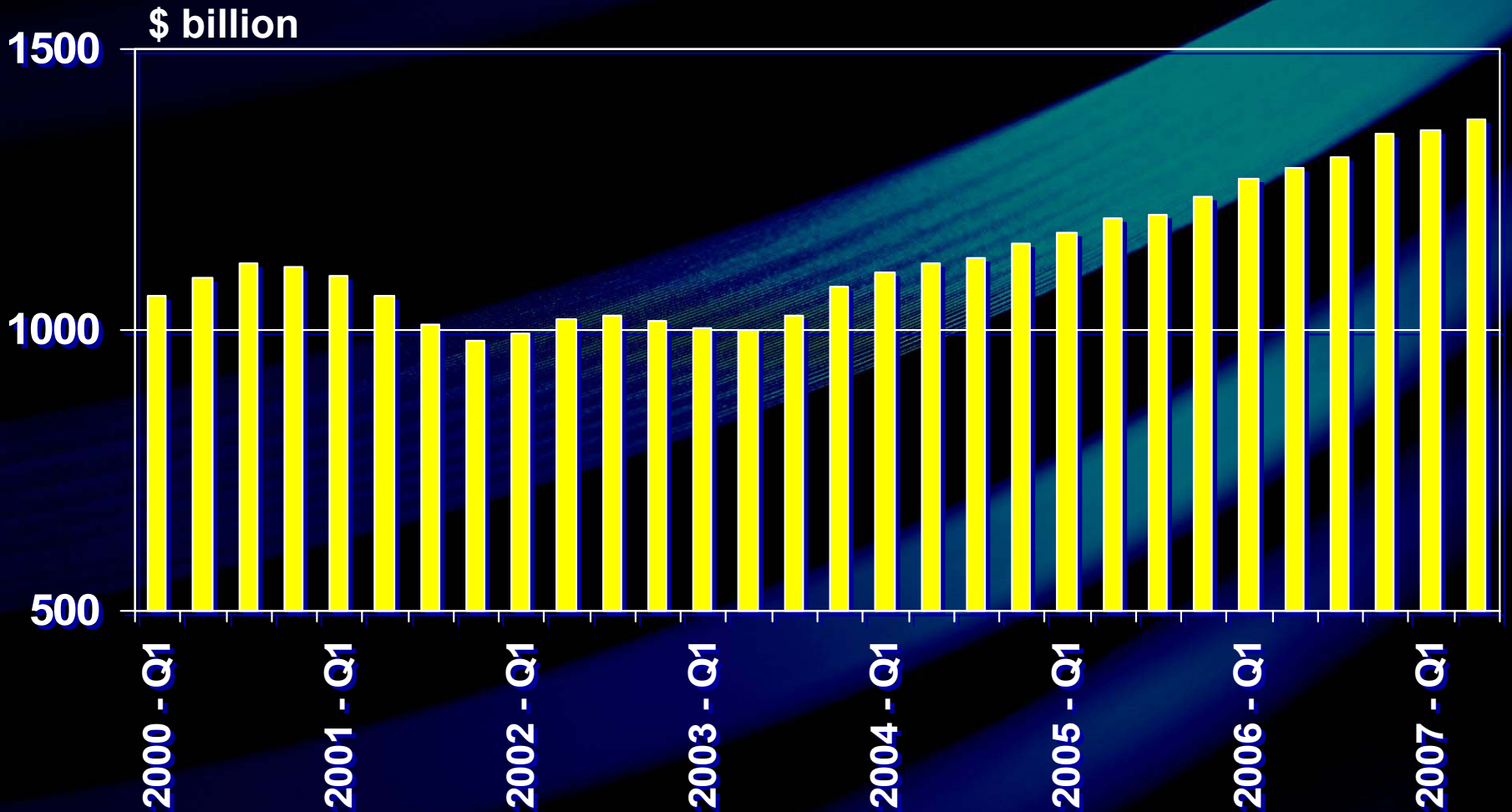
Consumer Spending



Business Spending

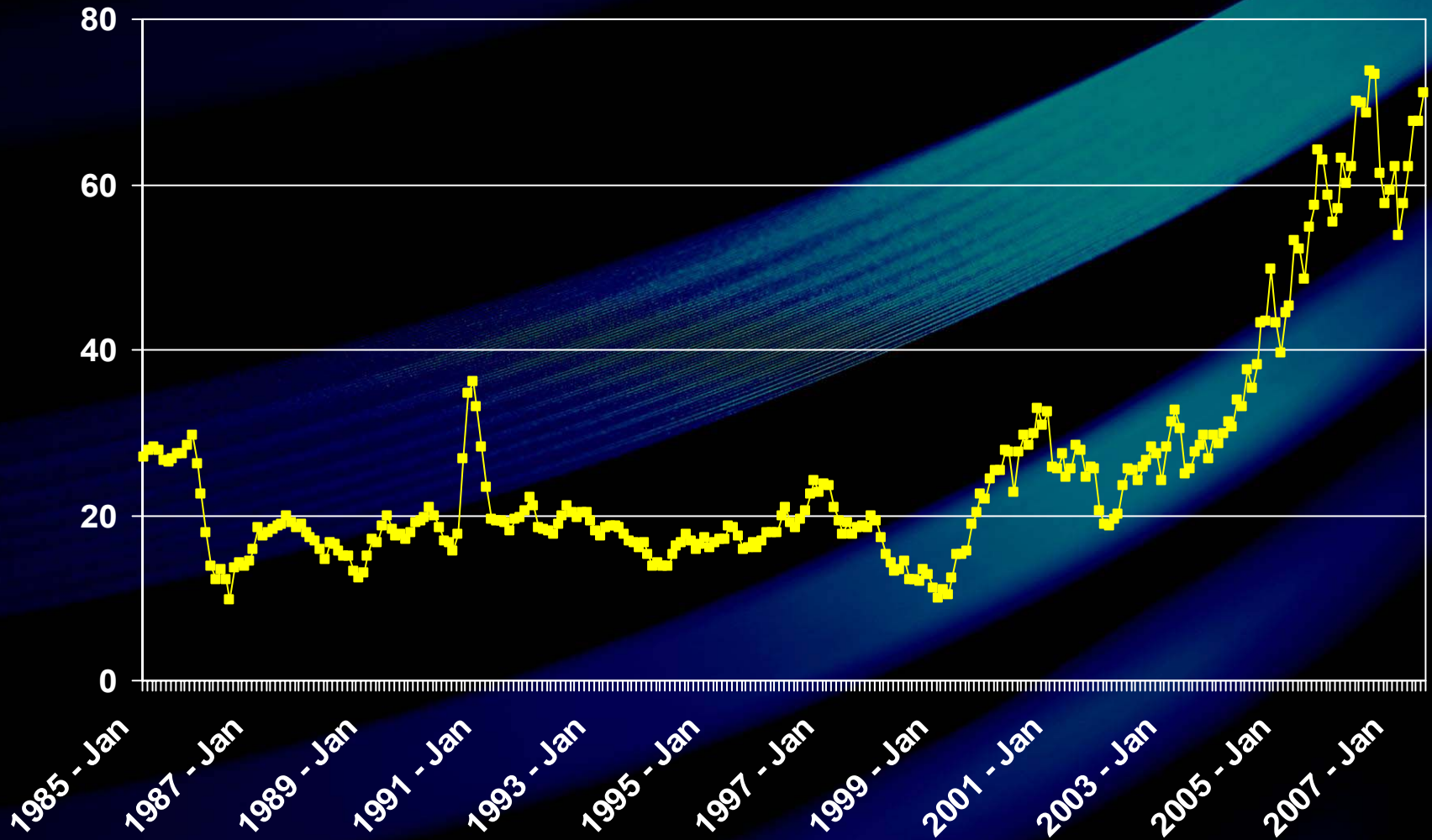


Export Growth



Worry Spot - Oil Price

\$ per barrel



Source: Wall Street Journal

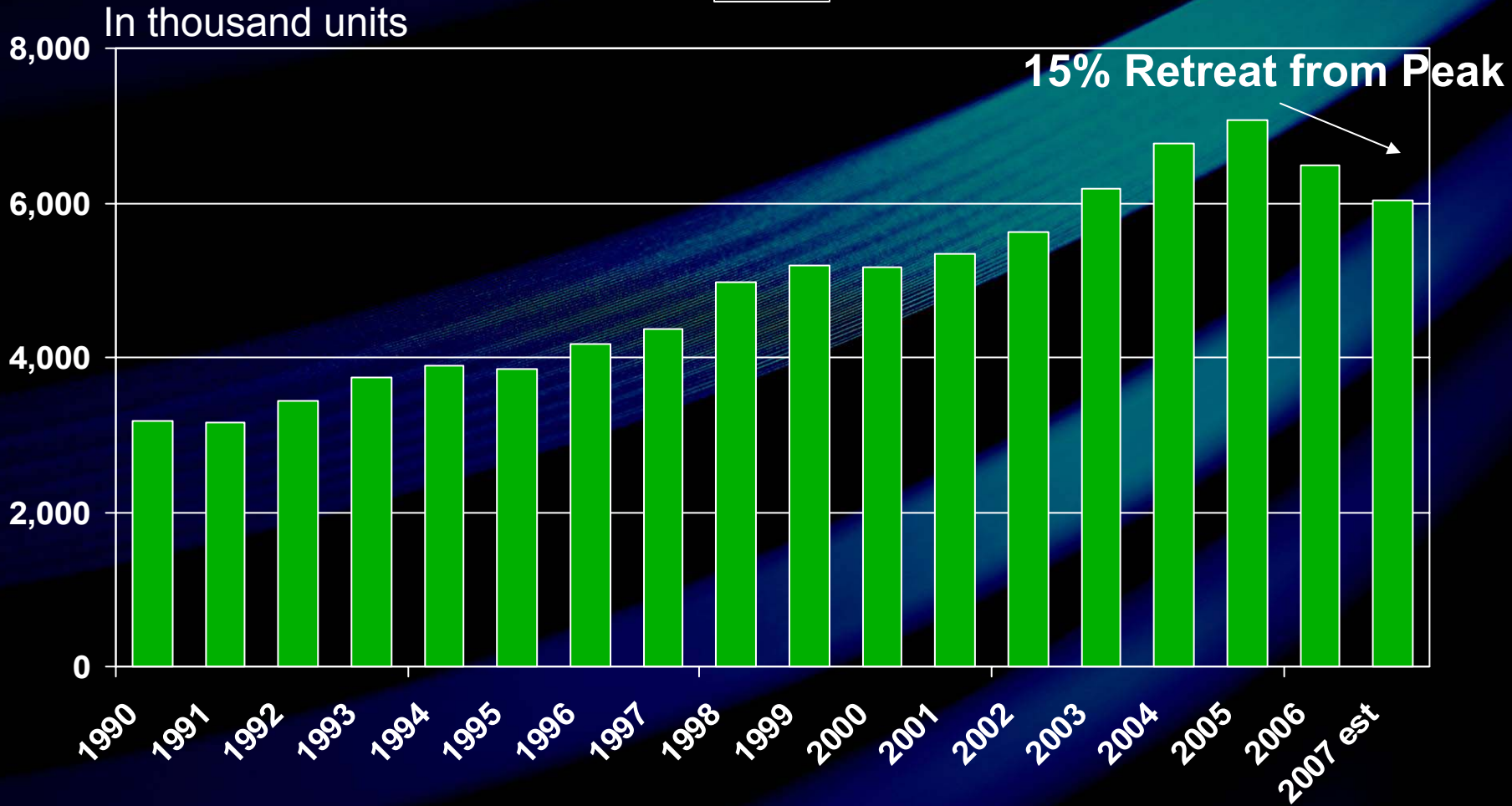
Economic Outlook

	2006	2007	2008
GDP	3.3%	2.0%	2.8%
CPI Inflation	3.2%	2.6%	2.4%
Job Growth	1.9%	1.5%	1.5%
Unemployment Rate	4.6%	4.6%	4.7%

The Fed cuts rate in early 2008

U.S. Existing-Home Sales

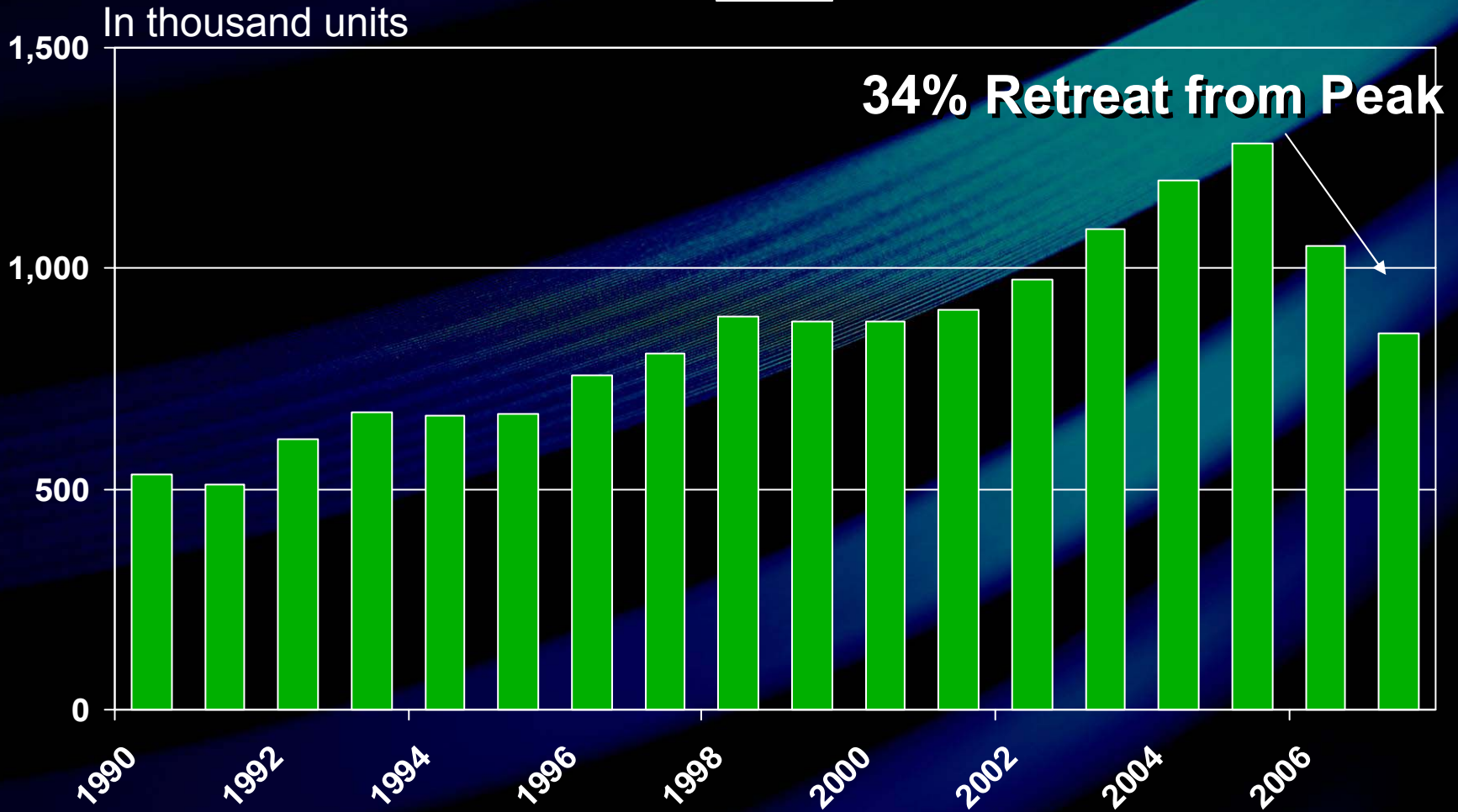
EHS



Source: NAR

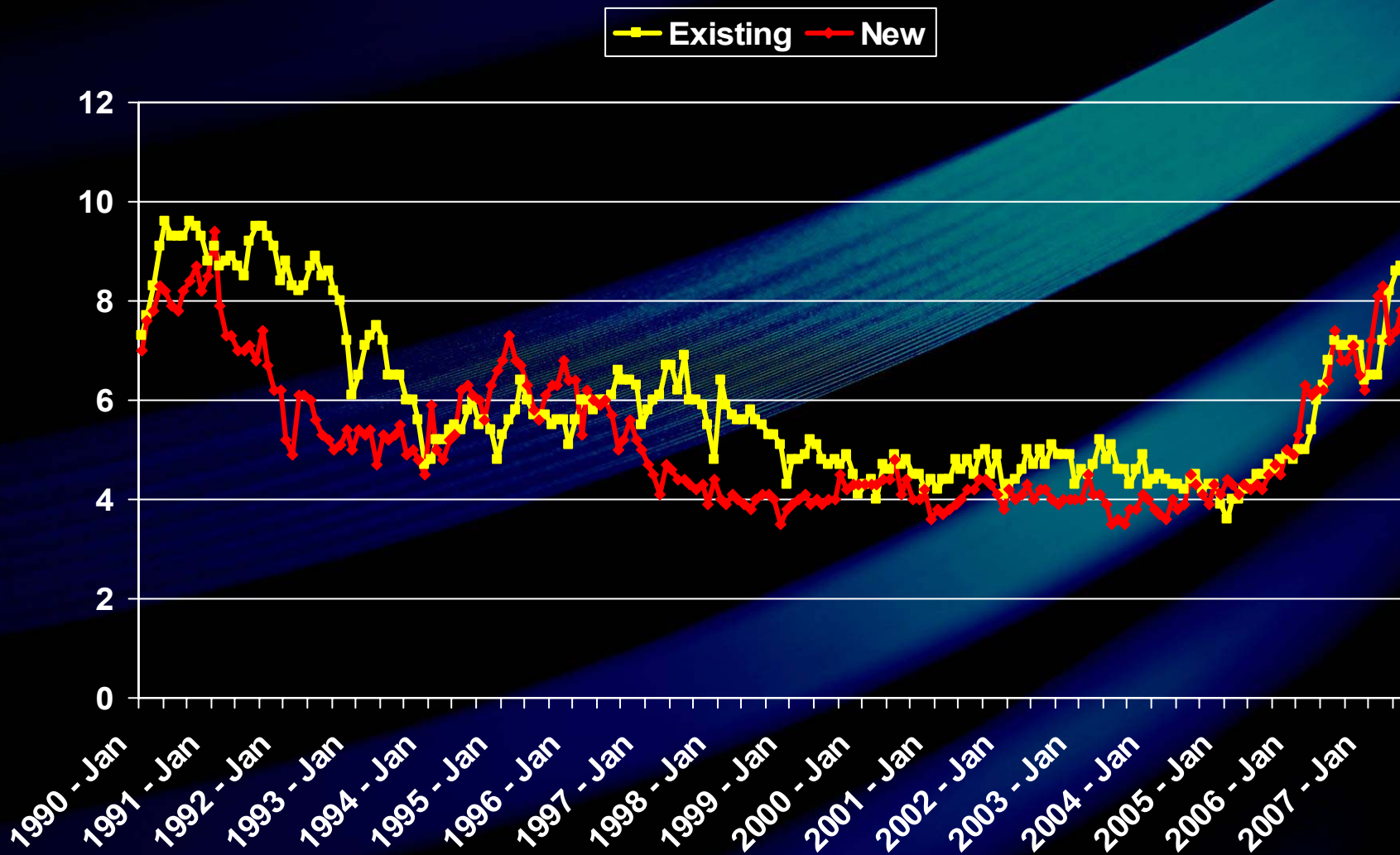
U.S. New-Home Sales

■ NHS



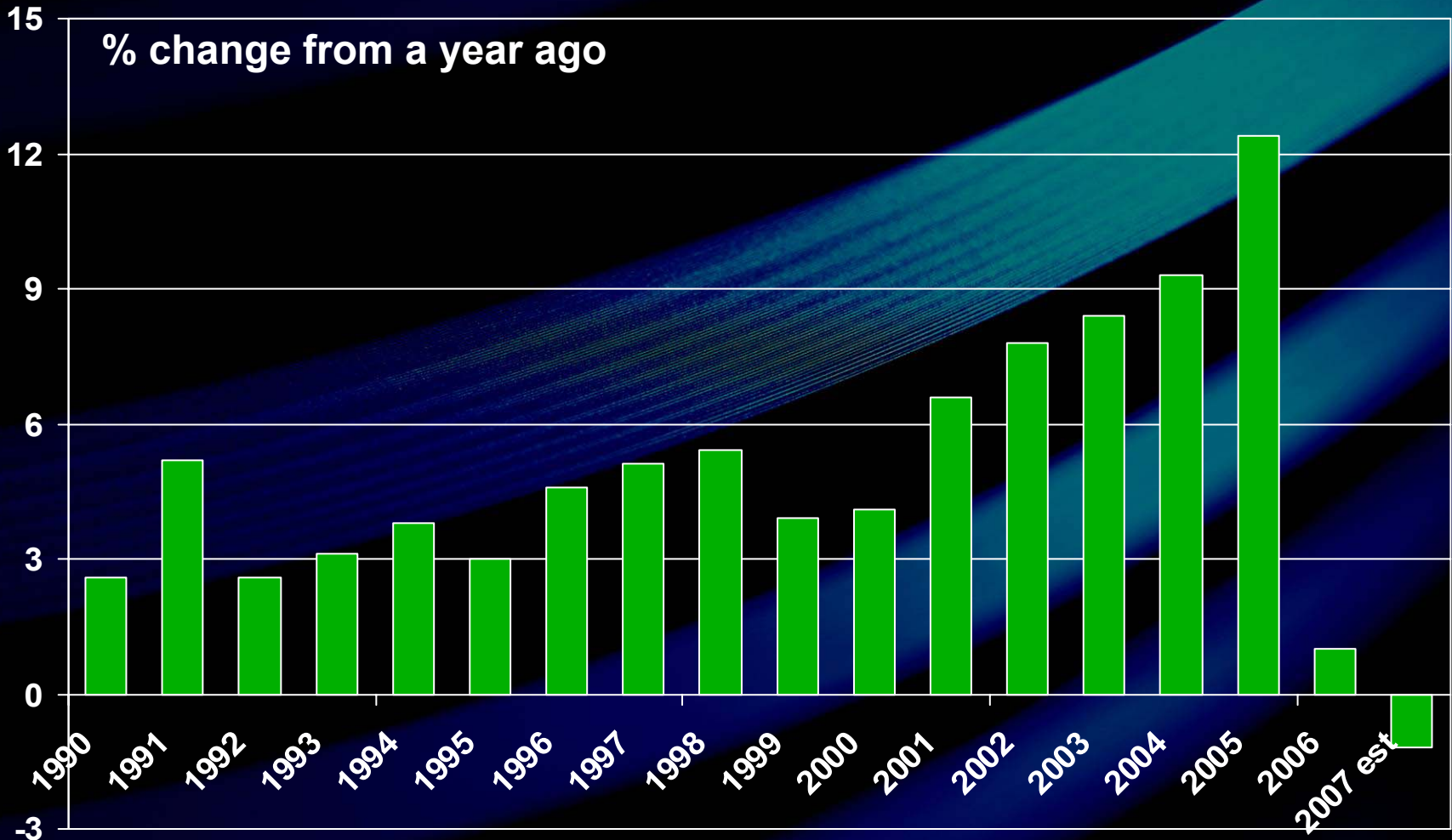
Source: NAR, Census

Inventory of Homes



Source: Census

Home Price Growth

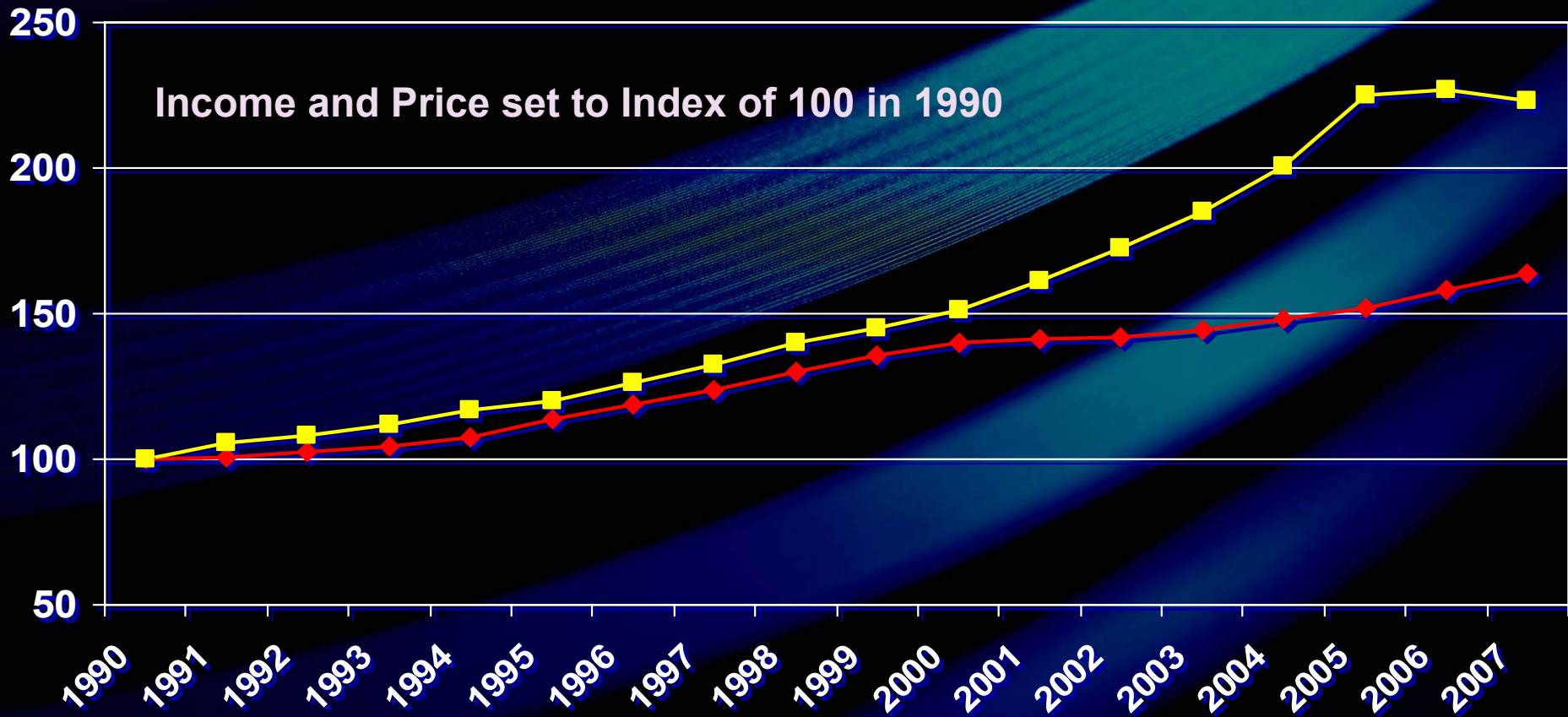


Source: NAR

Something appears Out of Whack!

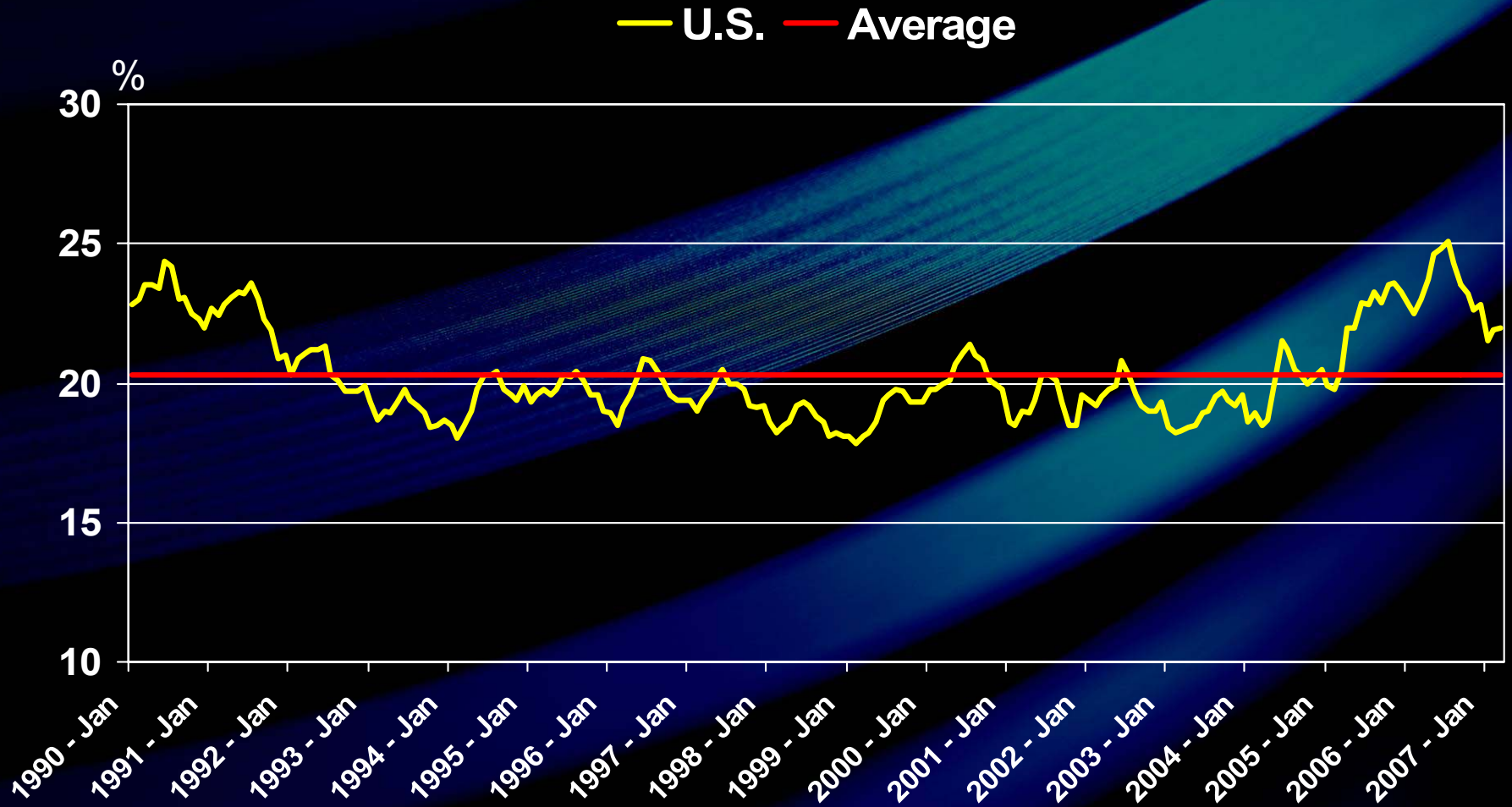
◆ Income ■ Home Price

Income and Price set to Index of 100 in 1990



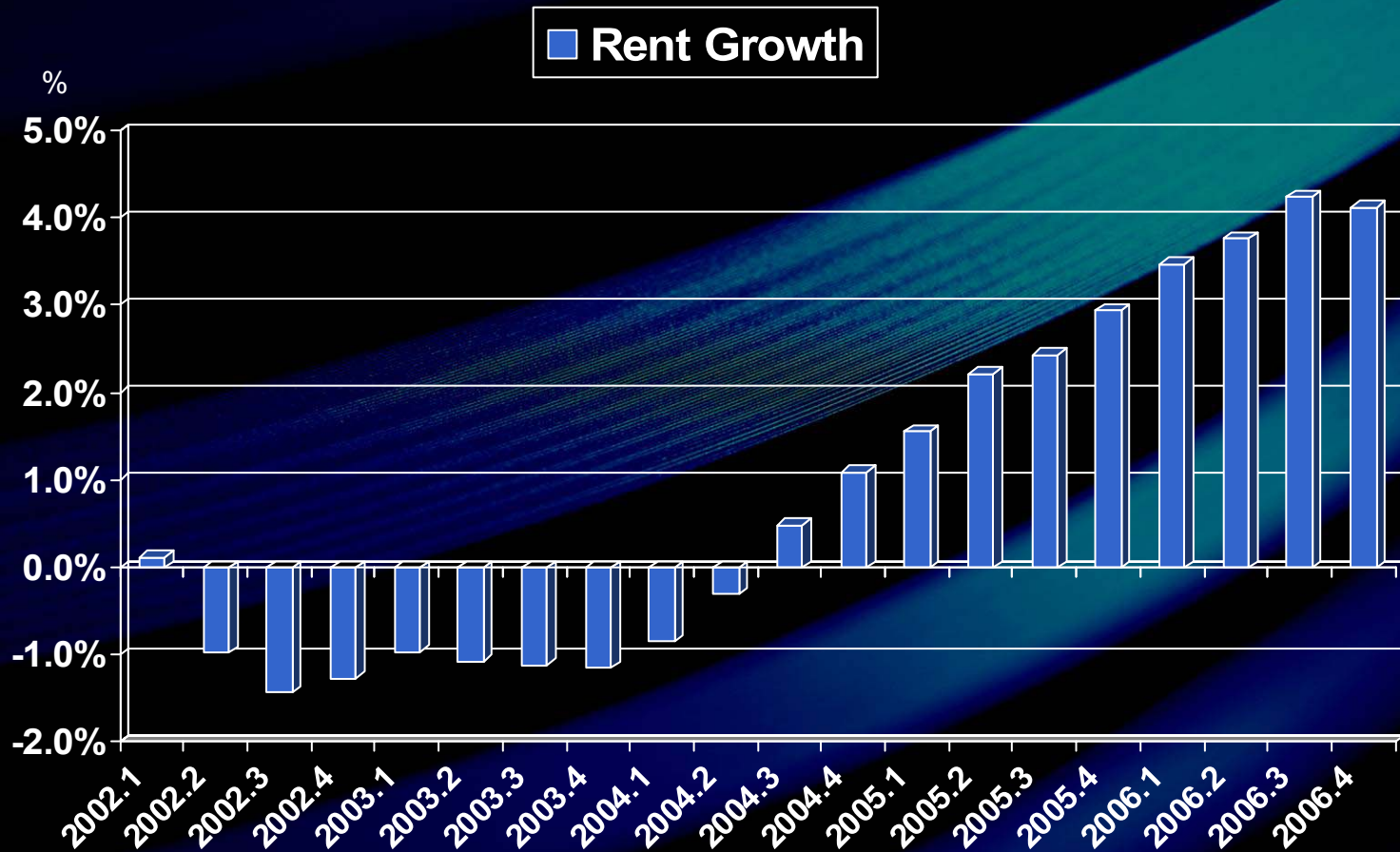
Source: NAR

Mortgage Obligation to Income Manageable



Source: NAR

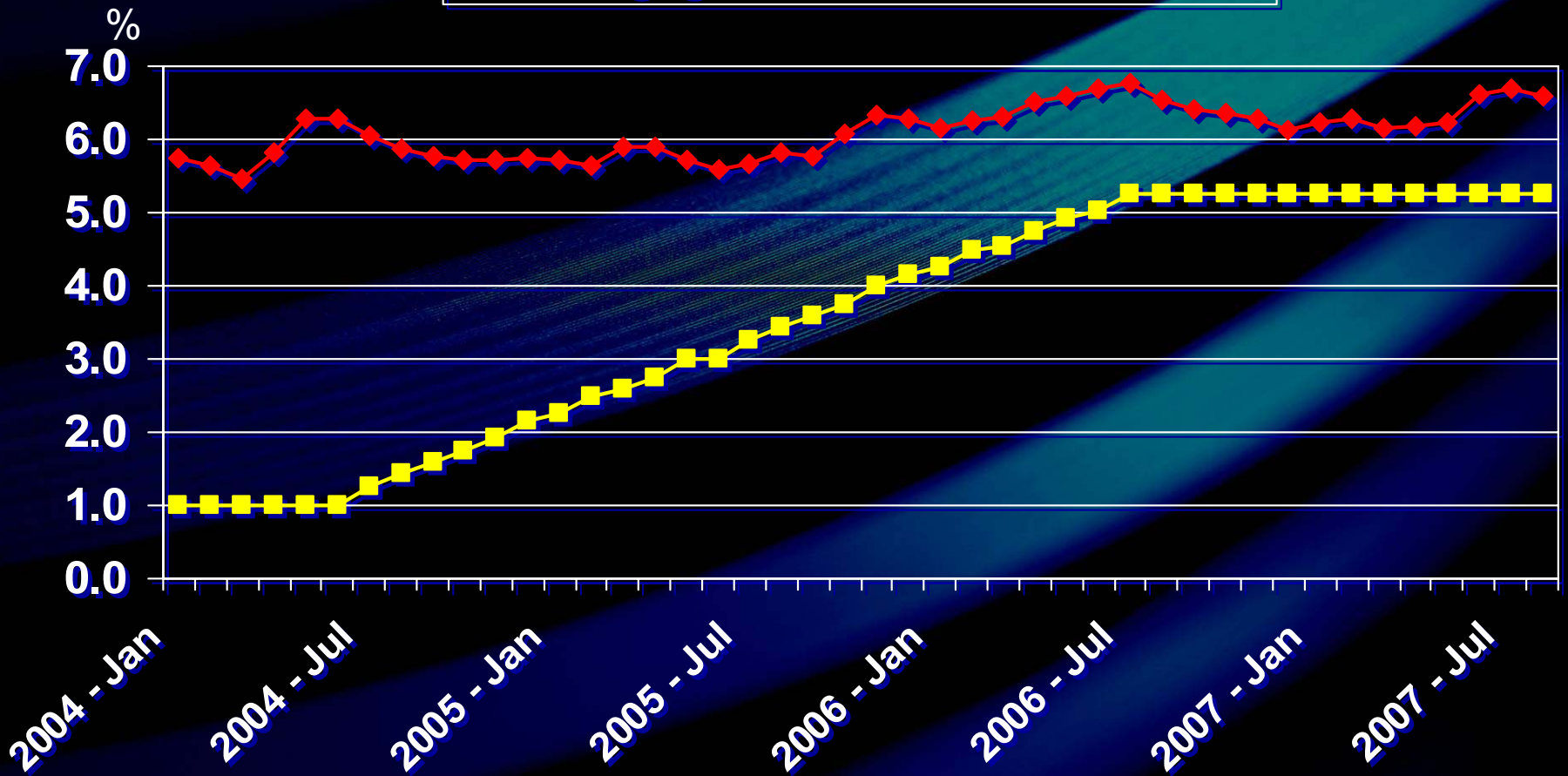
Renters Getting Squeezed



Source: Torto-Wheaton Research

Fed Controls on Short Rates Only

◆ Mortgage Rate ■ Fed Funds Rate



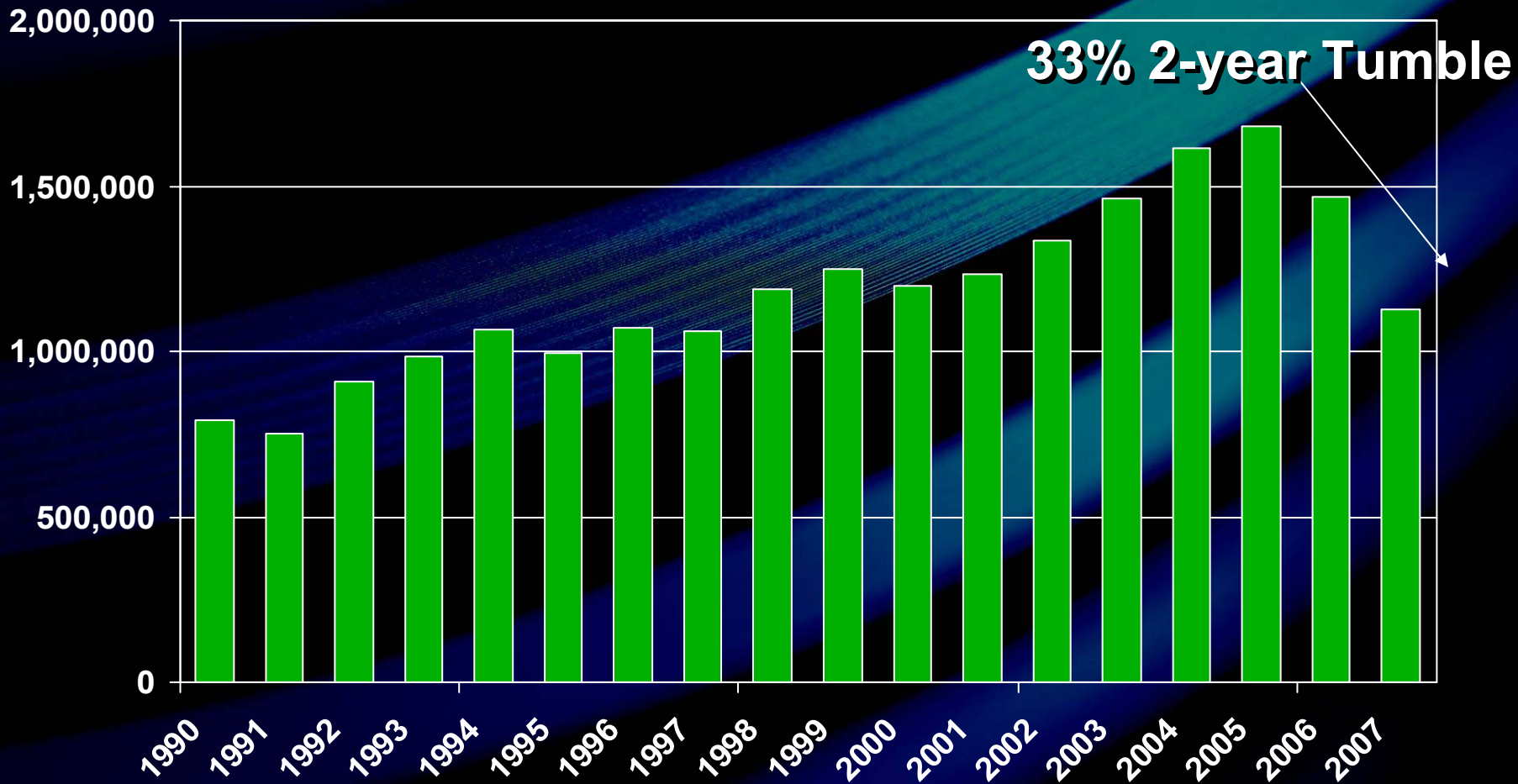
Source: Freddie Mac, Federal Reserve

House prices 'to soar 40 percent within next five years'

- **News from National Housing Federation in U.K. ... August 2007**
- **U.K. home prices soared 156% past 10 years ... twice as fast as U.S. home prices**
- **Not building Enough Homes! Housing Shortage!**

U.S. New Single-Family Construction

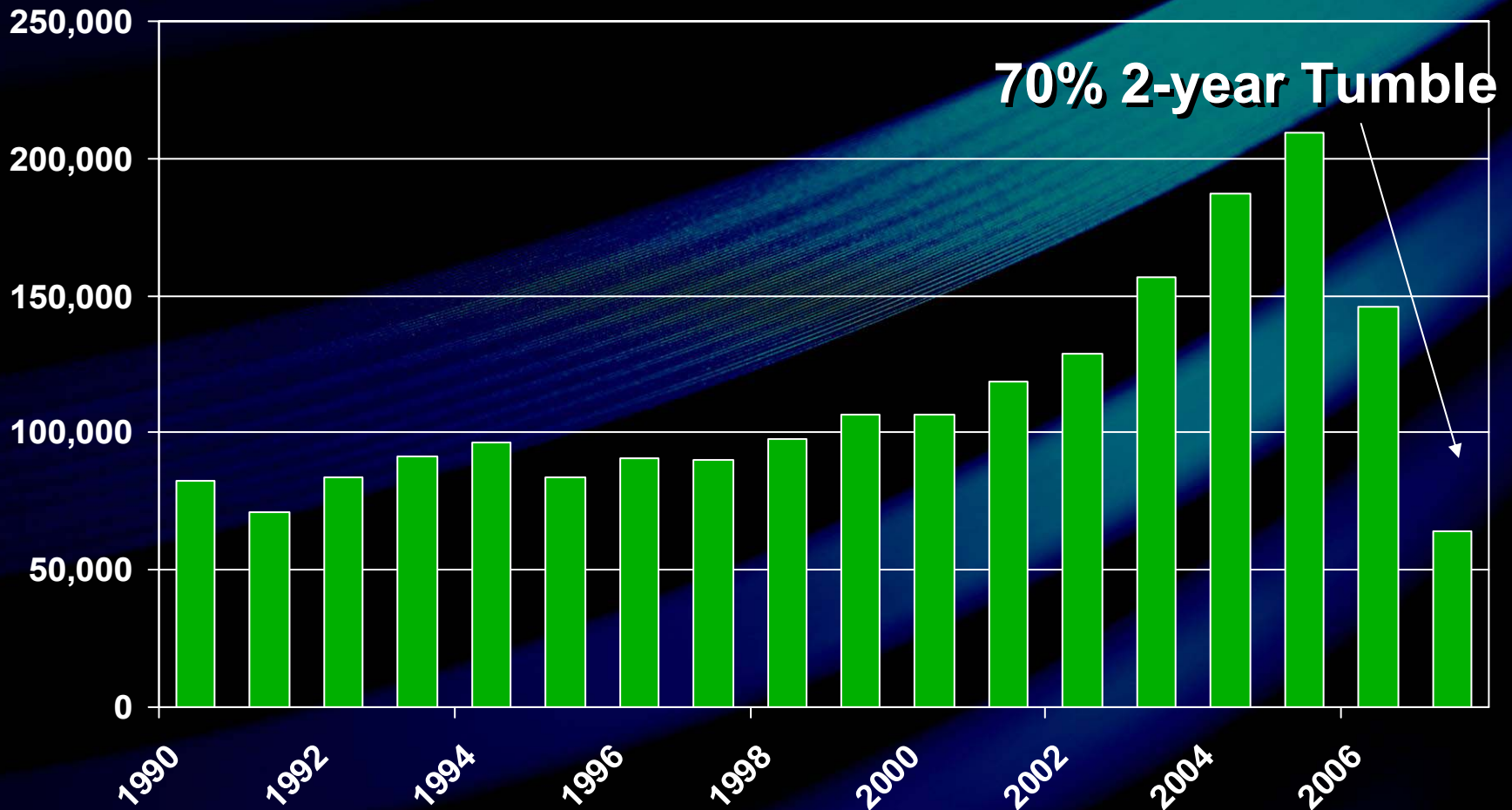
Starts



Source: Census

Florida New Single-Family Construction

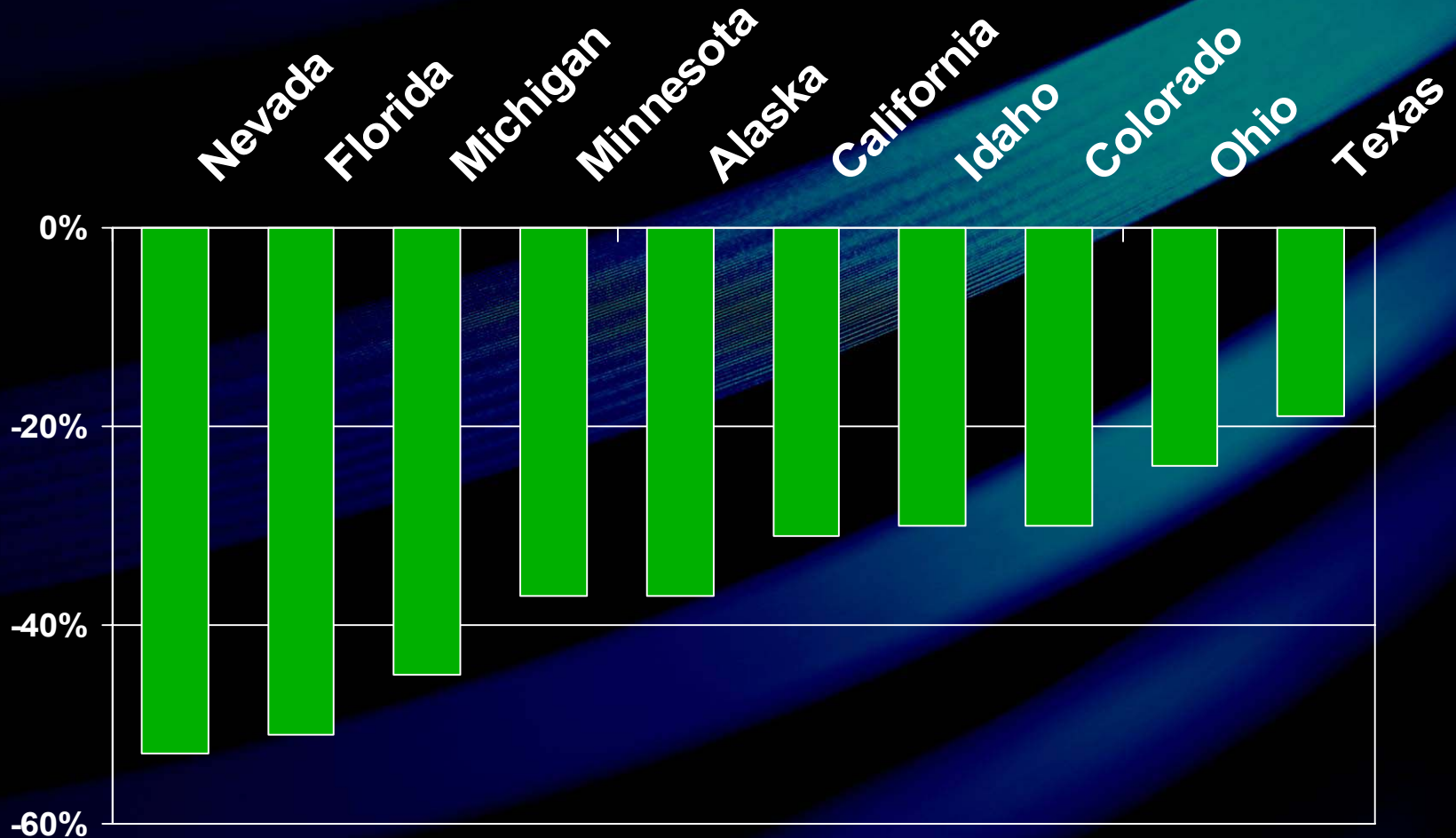
Starts



Source: Census

States with Sharp Construction Contraction

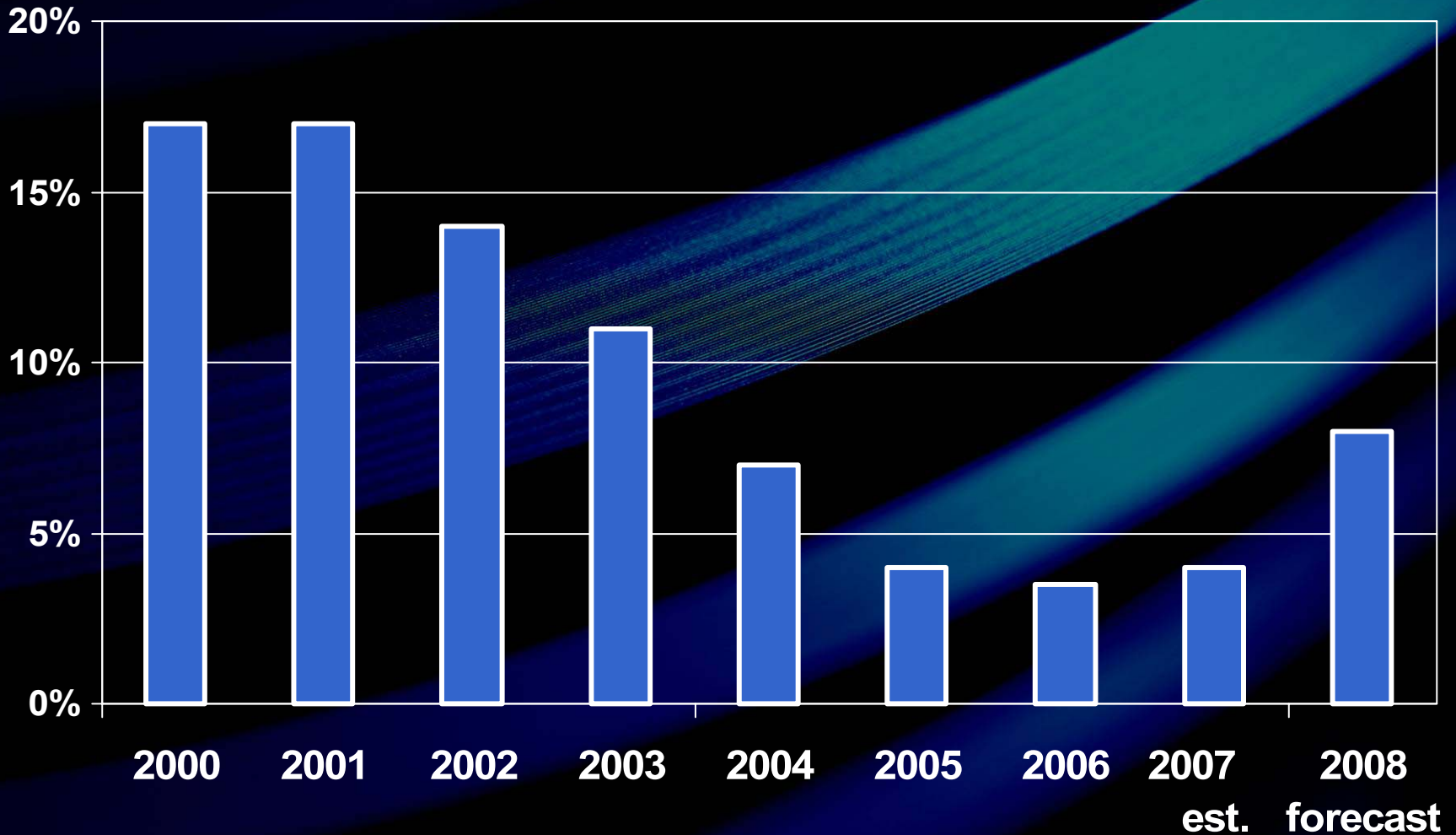
(YTD May 2007 vs YTD May 2006)



Buyers Lining Up ?

	2005	2007	Difference
Total Home Sales	8.4 million	6.9 million	- 1.5 million
Subprime Loans	1.6 million	800,000 (?)	- 800,000
Jobs	133.7 million	138.0 million	+ 4.3 million
Wage + Salary	\$5.7 trillion	\$6.4 trillion	+ \$700 billion
Household Wealth	\$52 trillion	\$57 trillion	+ \$5 trillion
Home Prices	\$219,600	\$219,300	- \$300
Mortgage Rates	5.9%	6.5%	+ 0.6% points

FHA Market Share for Home Purchase

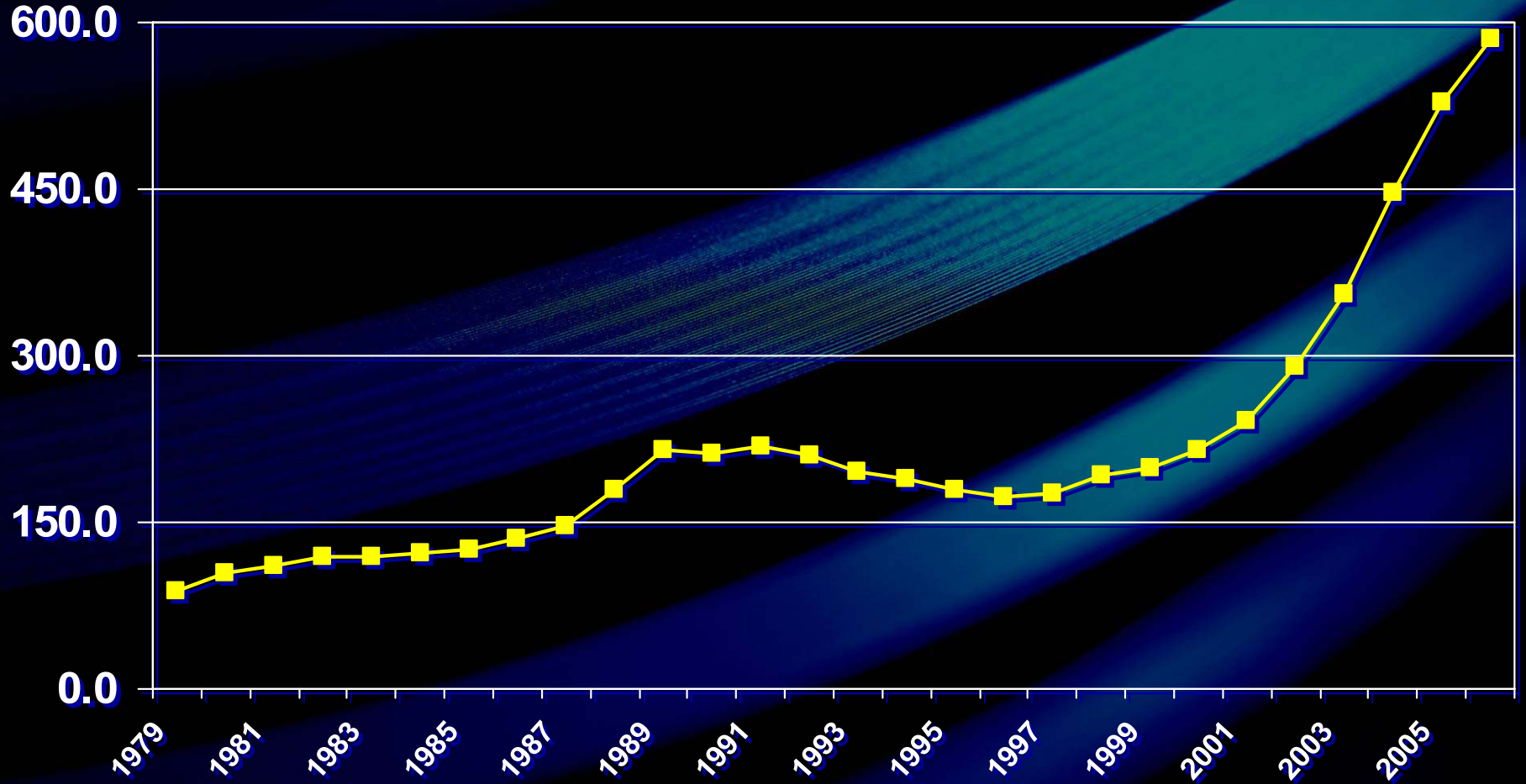


Source: HMDA, NAR estimate

National Housing Outlook

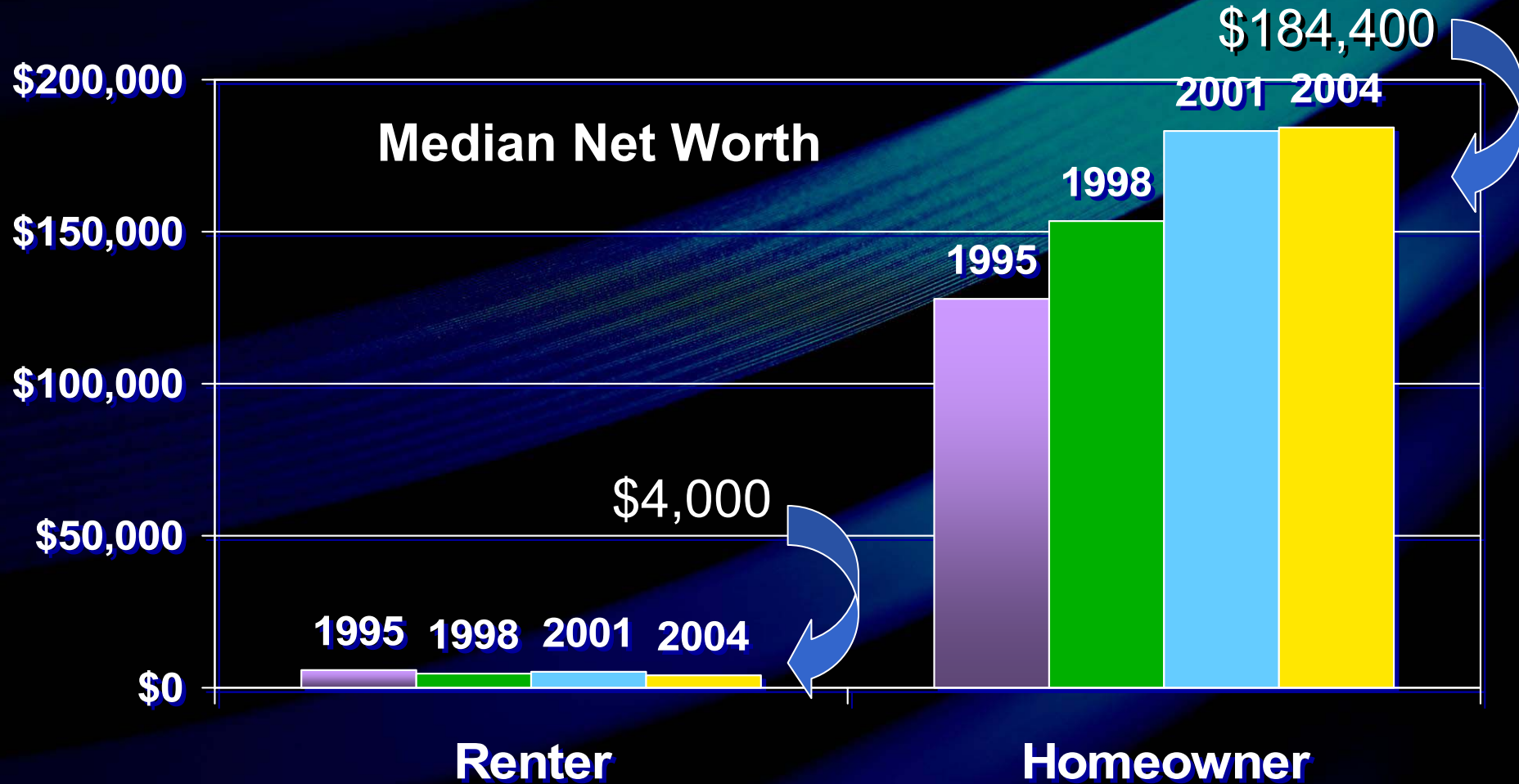
	2006	2007	2008
Existing-Home Sales	6.48 million	6.04 million	6.38 million
New Home Sales	1.05 million	0.85 million	0.85 million
Housing Starts	1.80 million	1.43 million	1.40 million
30-Year FRM	6.4%	6.5%	6.6%
1-Year ARM	5.5%	5.5%	5.2%
Existing-Home Price Growth	1.0%	-1.2%	2.0%

Median Home Price in Los Angeles



Source: NAR

Best Evidence: Household Wealth Accumulation



Source: Federal Reserve