



## NATIONAL ECONOMIC PERSPECTIVE

Adj  
by Ad



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## Agenda

- I. National Economy
- II. Sacramento Economy
- III. Sacramento Housing
- IV. Pricing Predictions
- V. Wrap Up

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### Job Growth Has Been Solid But Future Uncertain

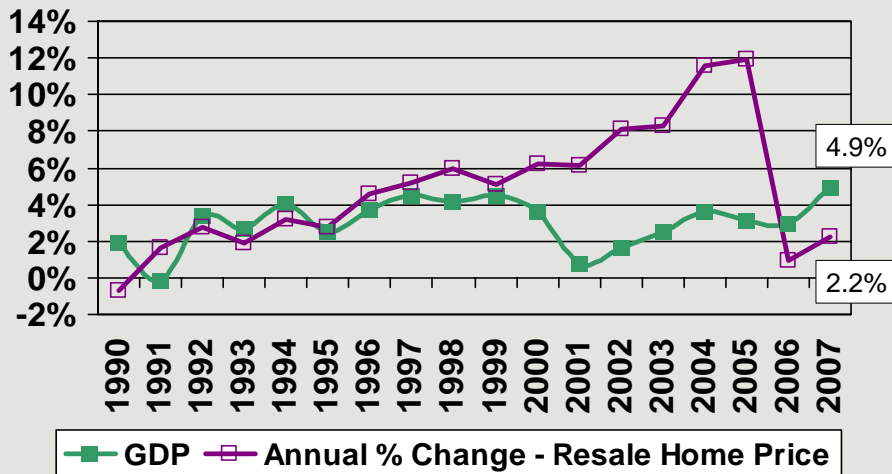


2007\* – Oct 2007 vs. Oct 2006  
Source: Bureau of Labor Statistics; Sullivan Group

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### Will Home Price Drops Be the Anchor for GDP?

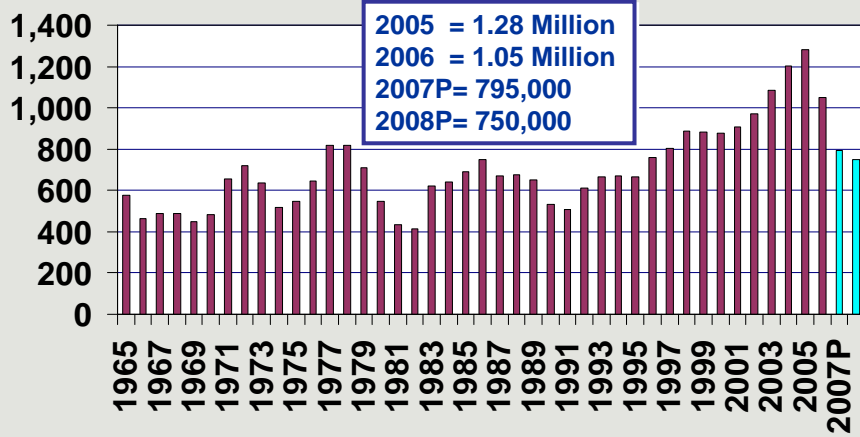


Source: Bureau of Economic Analysis, released November 29, 2007; Economy.com; Sullivan Group

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## U.S. New Home Sales in 2007 Continue Downward ~ 2008 Expected Lower Still

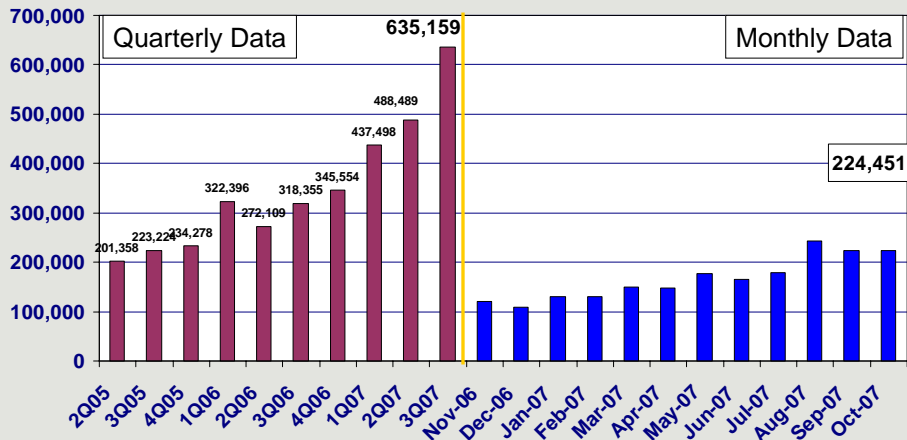


Source: U.S. Census Bureau; Sullivan Group

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## Total U.S. Foreclosures: Up and Up



Source: RealtyTrac, released November 29, 2007; Sullivan Group

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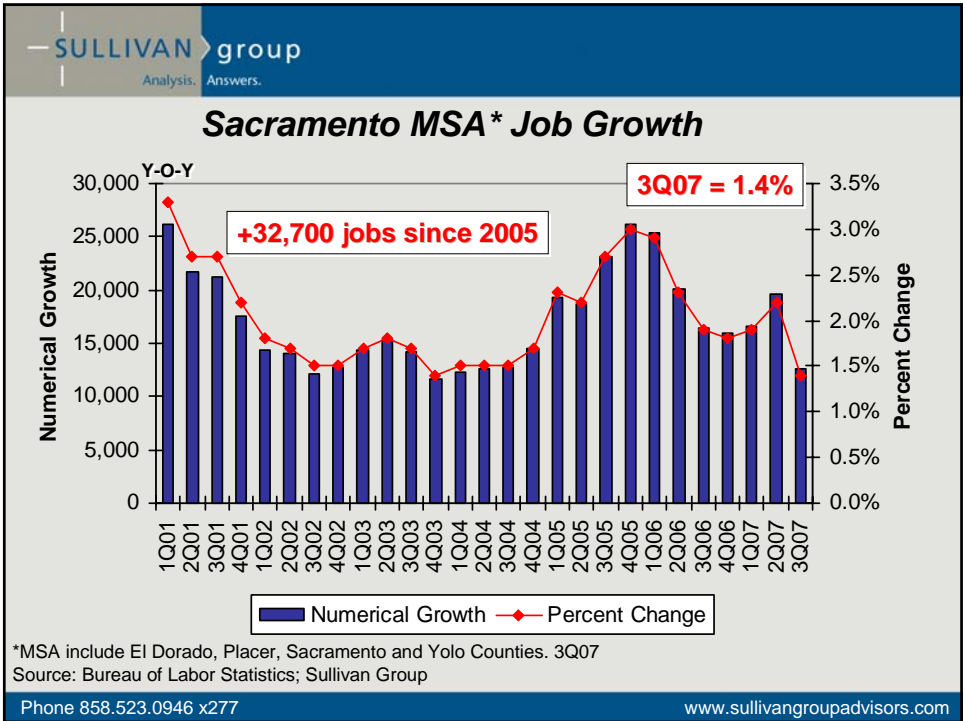
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Analysis. Answers.

## SACRAMENTO ECONOMIC AND HOUSING PERSPECTIVE

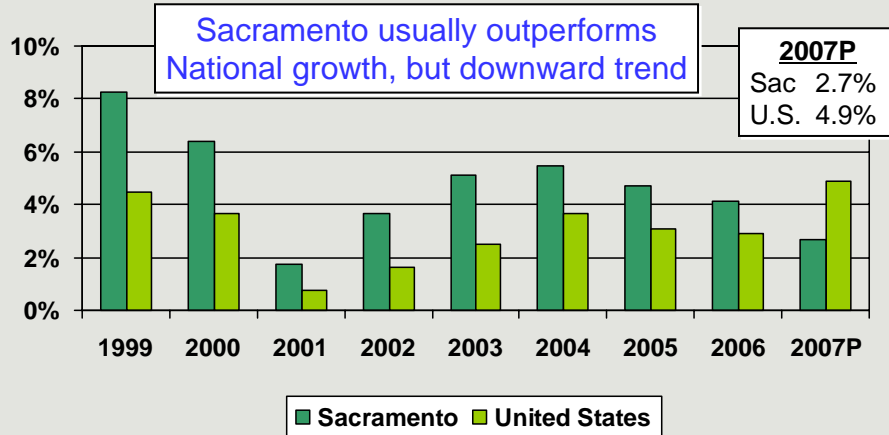
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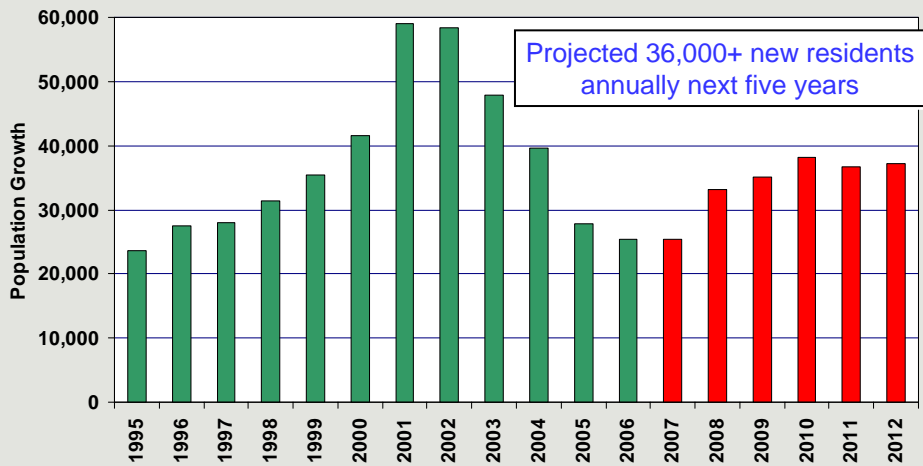
### Sacramento MSA\* GMP Growth

Solid but Reflects Real Estate Slow Down



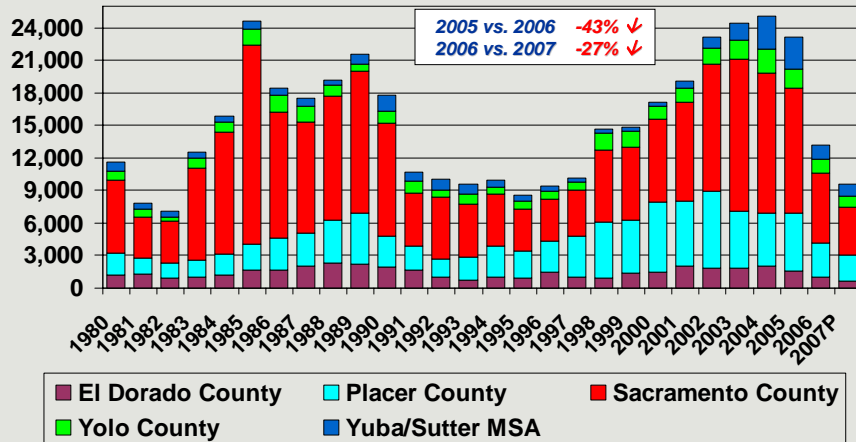
\*Sacramento MSA includes El Dorado, Placer, Sacramento and Yolo Counties. 2007 is forecasted.  
Source: Economy.com; Sullivan Group

### Sacramento MSA Annual Population Growth



Source: Economy.com; Sullivan Group

### Sacramento Area Permits Peaked in 2004 and Have Slid Since

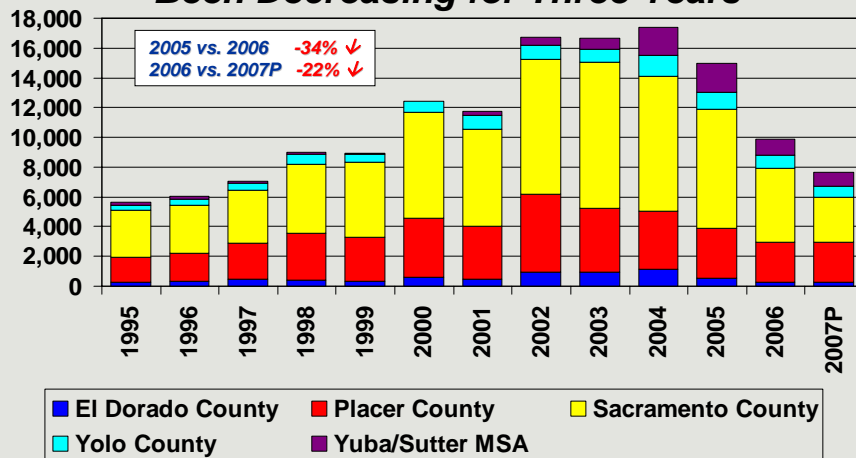


2007\* annualized using data through October.  
Source: SOCDS; Sullivan Group

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### Sacramento Area New Home Sales Have Been Decreasing for Three Years



2007\* annualized using data through October  
Source: Hanley Wood; Sullivan Group

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## Foreclosure Activity Ranking

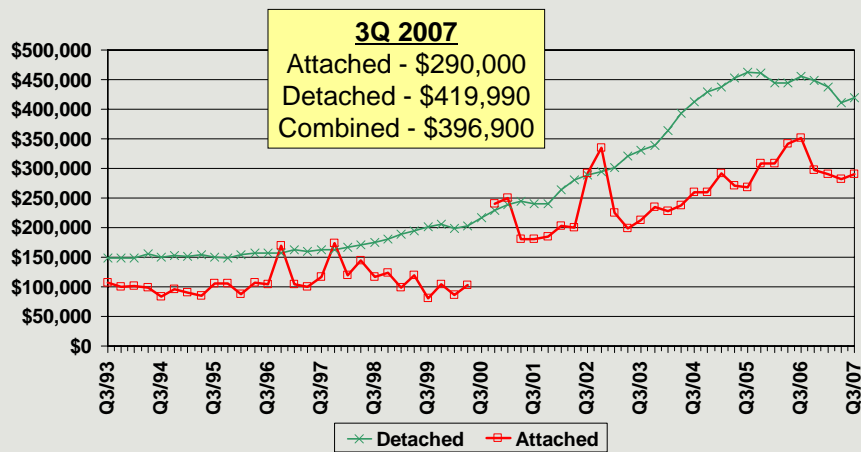
Rank	MSA	Foreclosure Filings	1 Filing for Every # HH
1	Stockton, CA	7,116	31
2	Detroit/Livonia/Dearborn, MI	25,708	33
3	Riverside/San Bernardino, CA	31,661	43
4	Ft. Lauderdale, FL	16,595	48
5	Las Vegas/Paradise, NV	14,948	48
6	Sacramento, CA	15,479	48
7	Cleveland/Lorain/Elyria/Mentor, OH	16,332	57
8	Miami, FL	15,484	60
9	Bakersfield, CA	3,947	64
10	Oakland, CA	13,245	71
13	Fresno, CA	3,687	79
43	San Jose/Sunnyvale/Santa Clara, CA	3,245	192
87	San Francisco, CA	940	775

Source: RealtyTrac, 3<sup>rd</sup> Qtr. 2007; Sullivan Group

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## New Home Median Price Sacramento MSA

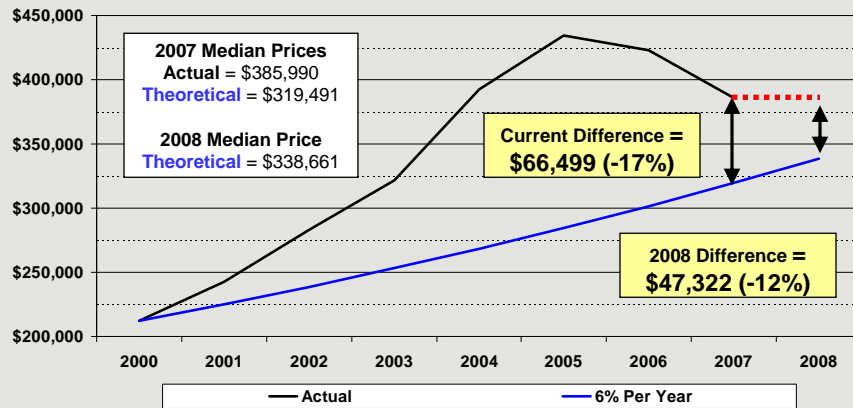


Source: Hanley Wood; Sullivan Group

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### What Would Prices Have Been Like In A "Moderate" Market in Sacramento

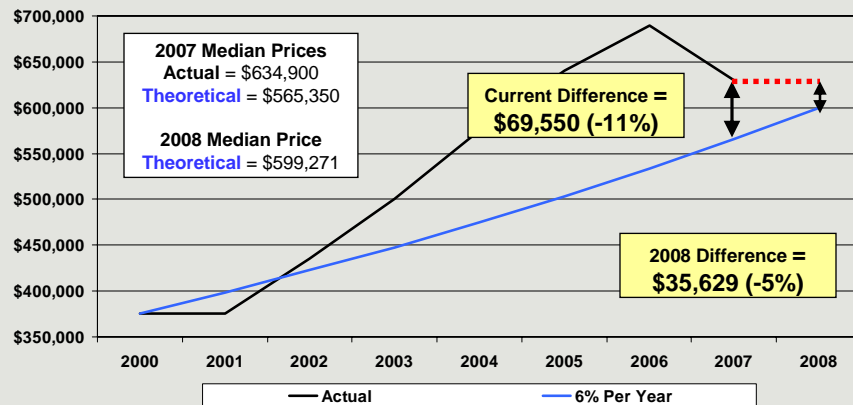


Source: Hanley Wood; Sullivan Group

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### What Would Prices Have Been Like In A "Moderate" Market in the Bay Area

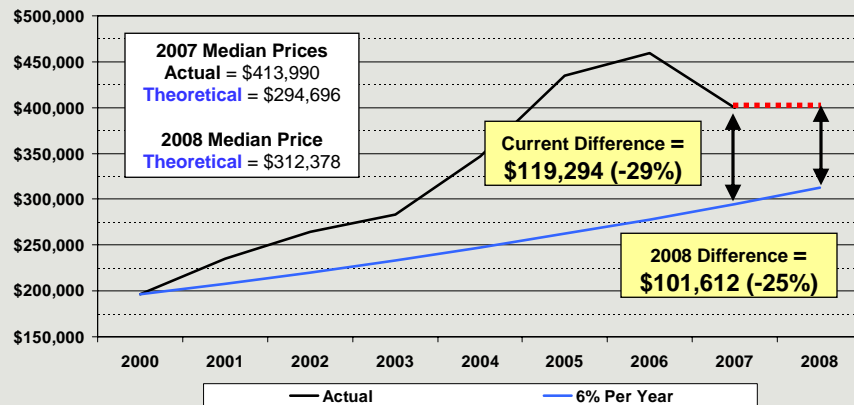


Source: Hanley Wood; Sullivan Group

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## What Would Prices Have Been Like In A "Moderate" Market in Central Valley



Source: Hanley Wood; Sullivan Group

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## What to Watch for in Sacramento

- ✓ Builders cut local staff or moved operations to Bay Area
- ✓ Housing slump continues, will impact other sectors and economy (e.g., franchisees)
- ✓ Foreclosures continue heavy through 2008
- ✓ Buyer's still "wait and see"
- ✓ No land market
- ✓ Pricing likely moving downward next year
- ✓ Sales at best status quo 2008
- ✓ Economy could slow, further impacting housing
- ✓ Timing to recovery? ... Not yet

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