

Market *Trends*

by Albert M. Hairapetian



The
HAIRAPETIAN
Home Selling System

Affordability

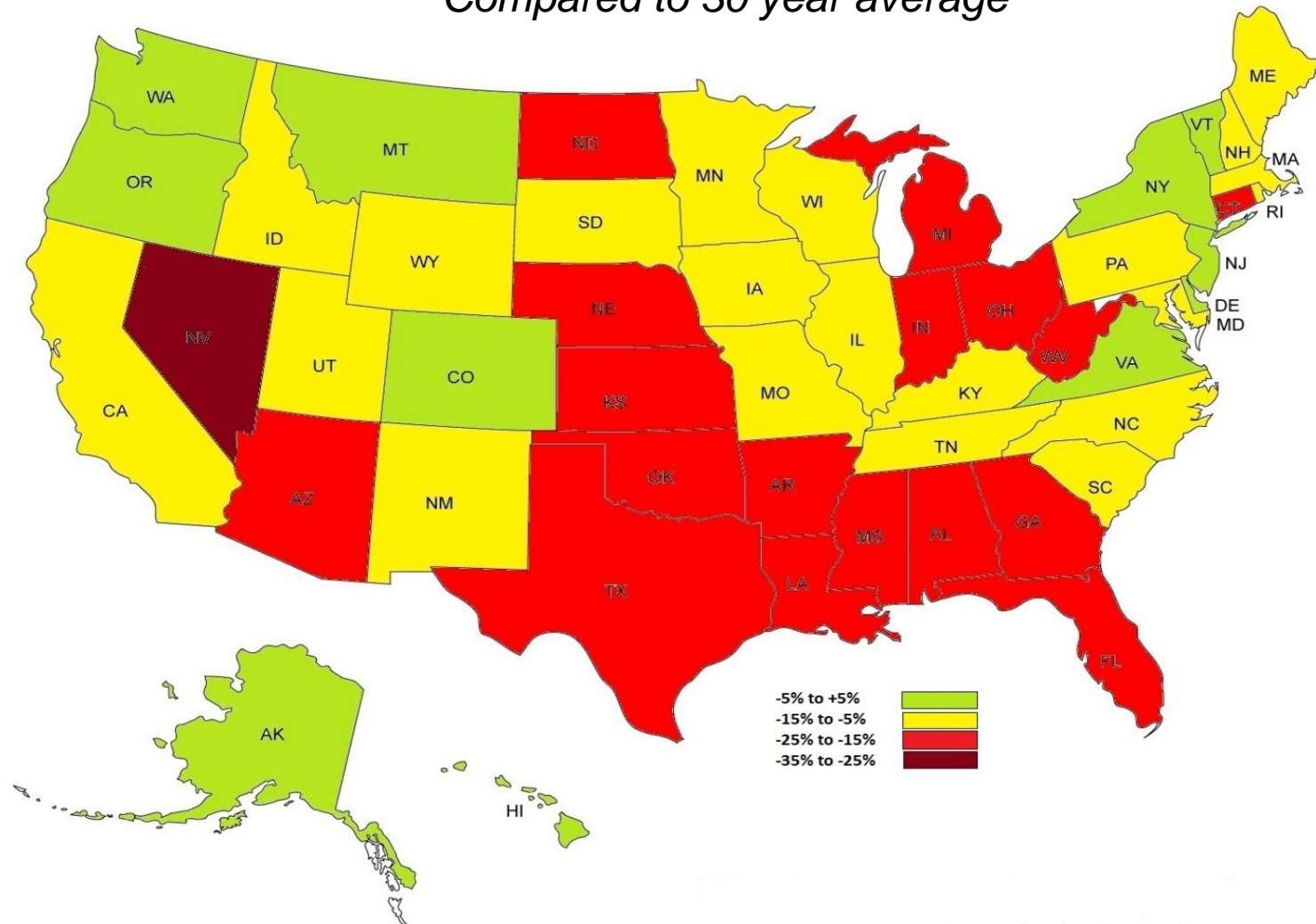
"Housing affordability has improved dramatically... The monthly mortgage payment for a median-priced single-family home is now \$700, compared to \$1,140 in 2006 —a decline of nearly 40%. Nationally, purchase mortgage payments now account for only 13% of monthly median family income, the lowest percentage on record (since 1971), and compared to 23% in the 1Q of 2006."

- David Stiff, Chief Economist at Fiserv



Housing Price-to-Income per Capita

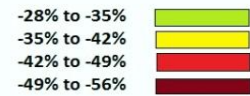
Compared to 30 year average



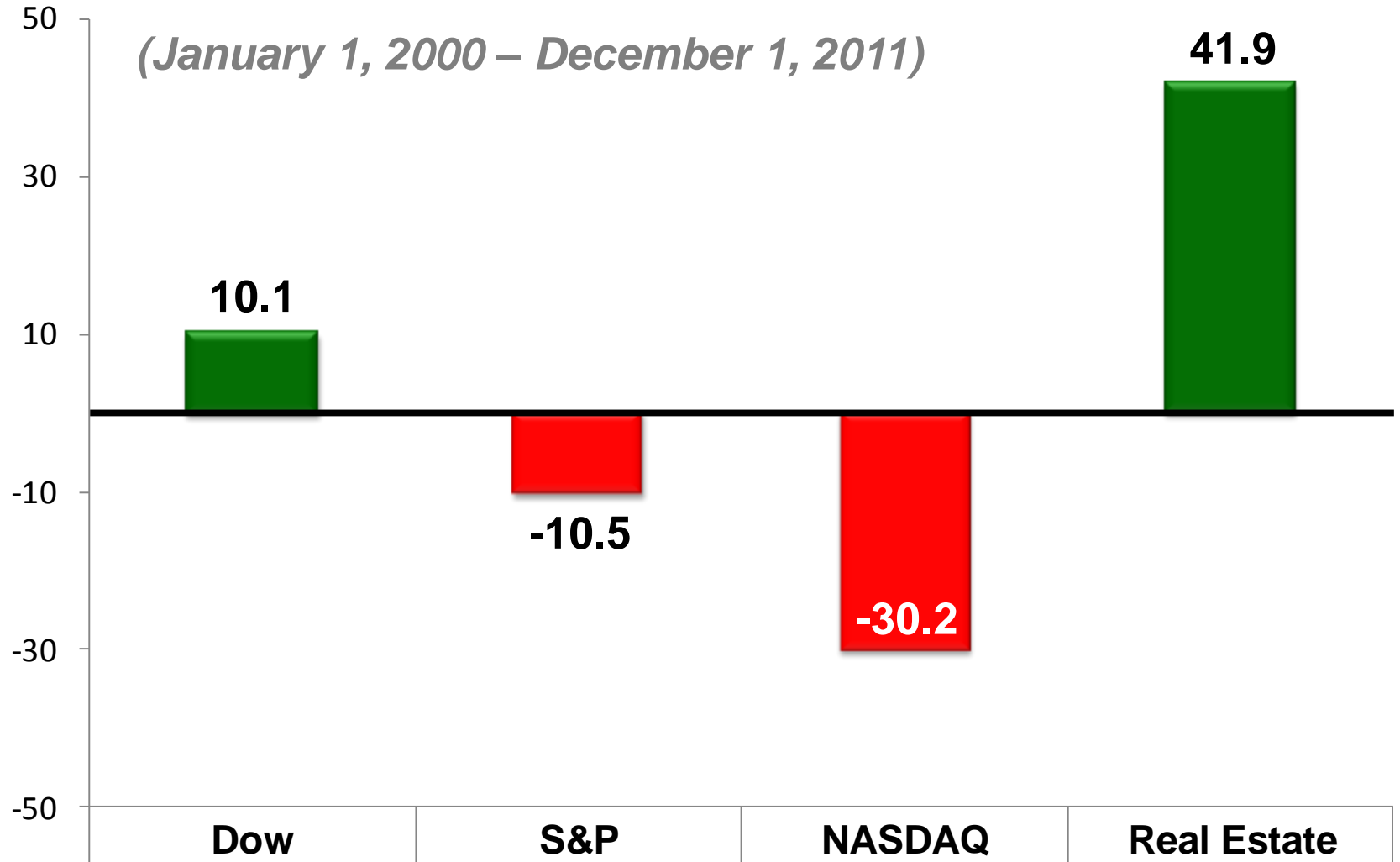
Mortgage Rates - 30 year fixed



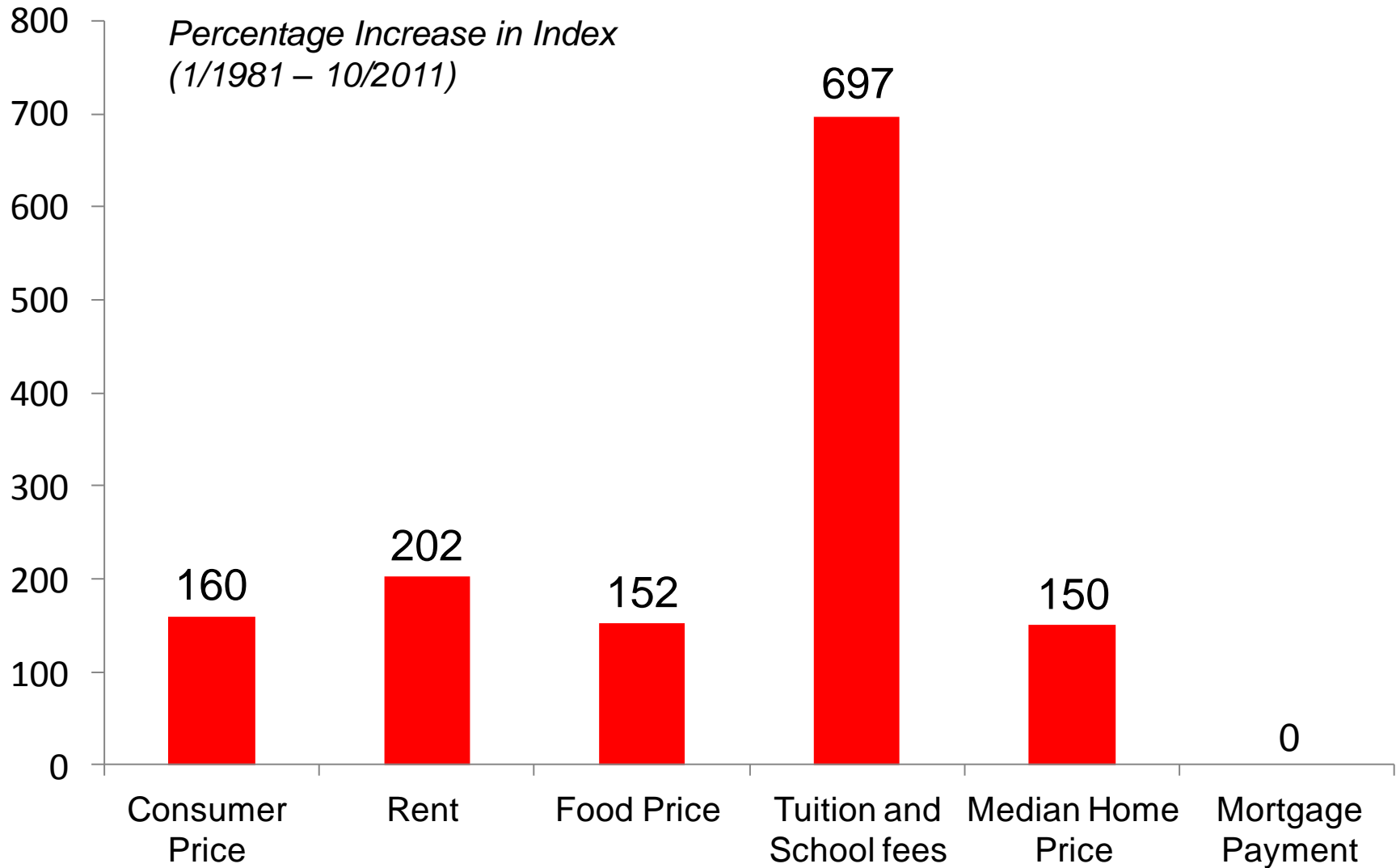
Compared to 30 year average



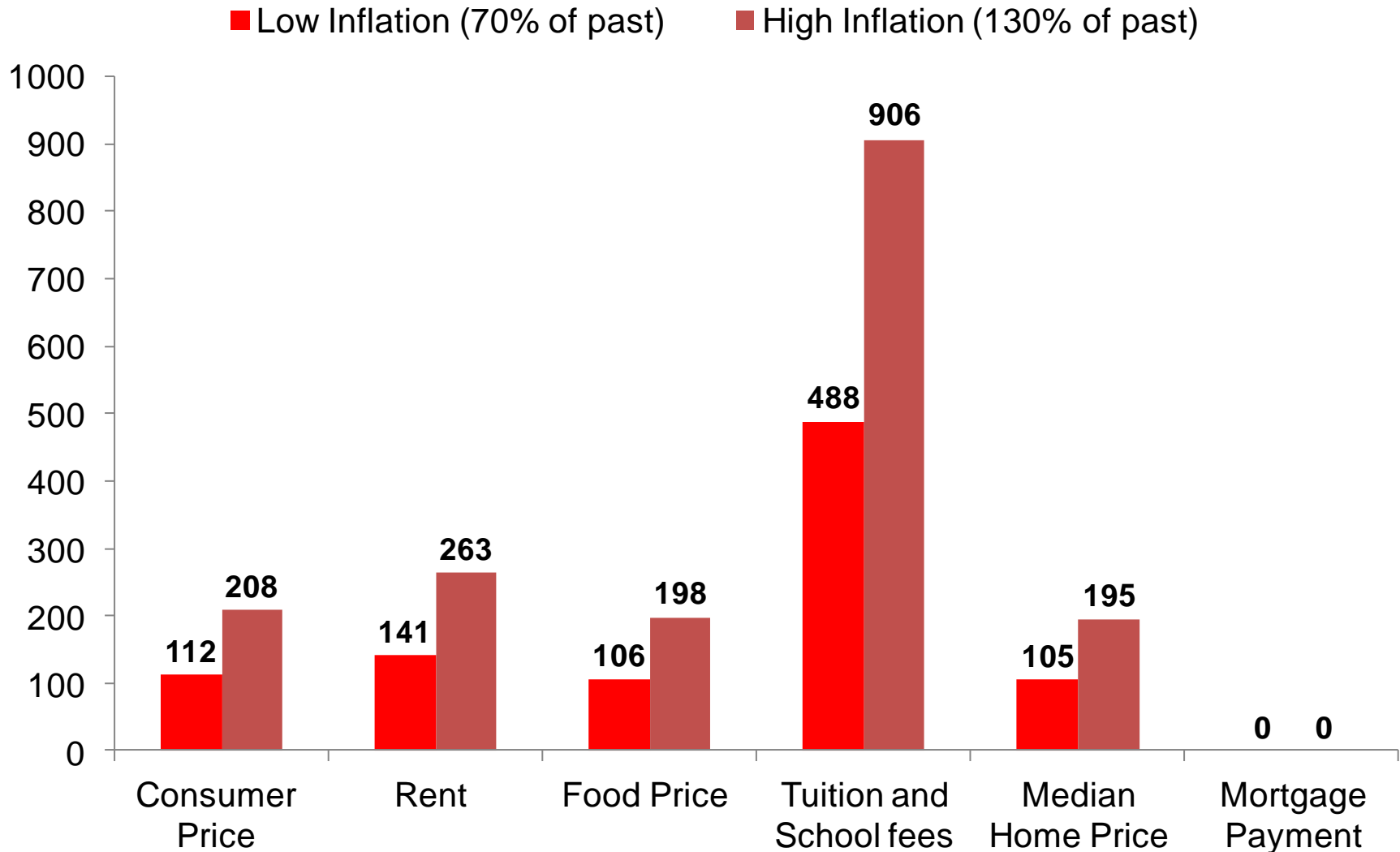
Return on Investment



Impact of Inflation Over Last 30 Years

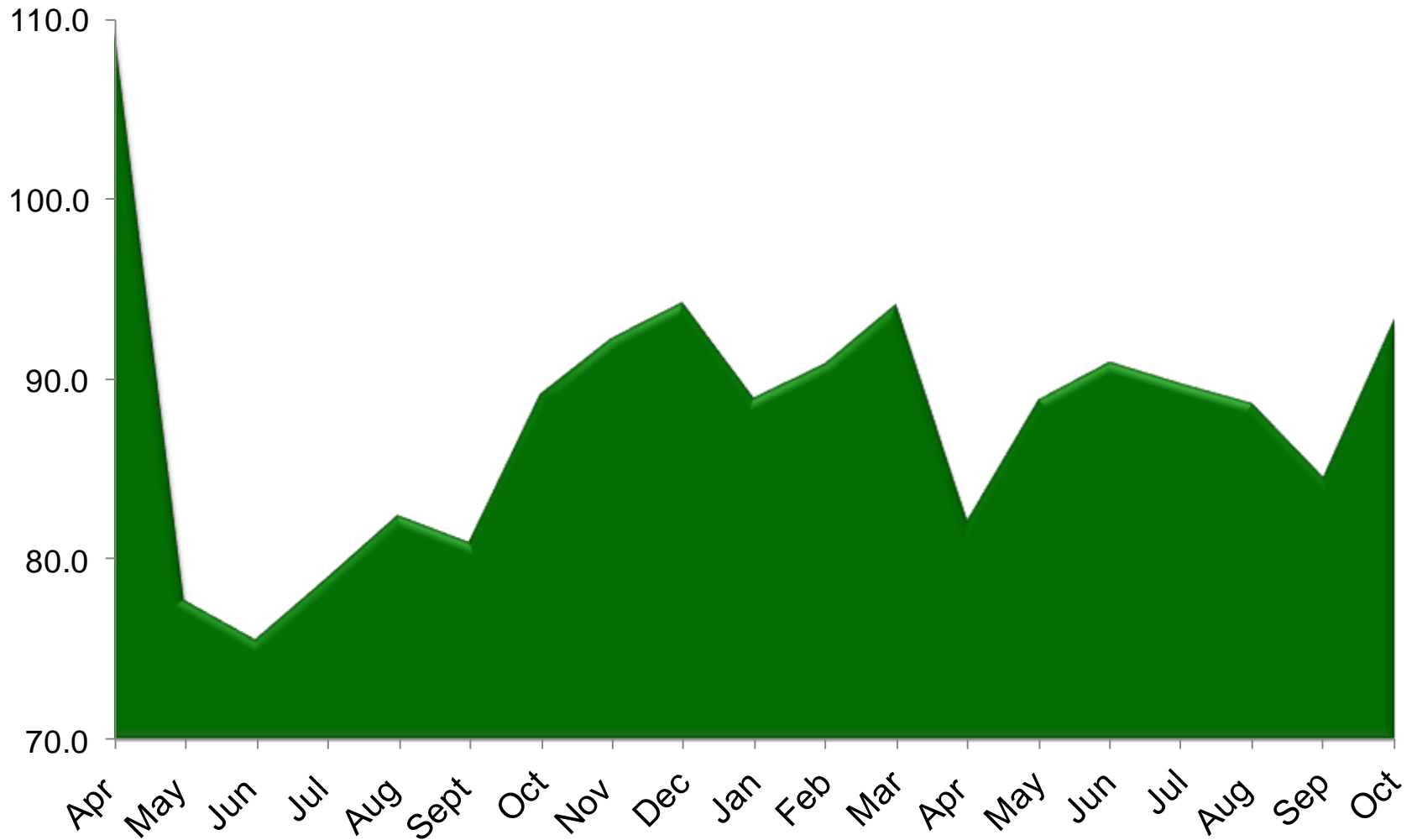


Projected Impact of Inflation Over Next 30 Years



State	Increase	State	Increase	State	Increase
Alabama	12.5%	Louisiana	20.8%	Oklahoma	27.2%
Alaska	16.7%	Maine	12.8%	Oregon	23.1%
Arizona	22.5%	Maryland	10.0%	Pennsylvania	15.1%
Arkansas	16.2%	Massachusetts	12.1%	Rhode Island	13.8%
California	7.4%	Michigan	17.3%	South Carolina	19.2%
Colorado	20.2%	Minnesota	23.2%	South Dakota	26.7%
Connecticut	7.4%	Mississippi	13.4%	Tennessee	21.5%
Delaware	28.6%	Missouri	21.0%	Texas	18.4%
D.C.	5.0%	Montana	20.9%	Utah	38.2%
Florida	10.6%	Nebraska	36.1%	Vermont	28.6%
Georgia	22.3%	Nevada	19.4%	Virginia	3.5%
Hawaii	6.4%	New Hampshire	16.7%	Washington	21.7%
Idaho	33.8%	New Jersey	13.0%	West Virginia	9.7%
Illinois	19.8%	New Mexico	16.4%	Wisconsin	29.5%
Indiana	18.6%	New York	14.5%	Wyoming	11.1%
Iowa	33.0%	North Carolina	18.3%	U.S.	17%
Kansas	22.5%	North Dakota	39.1%	Home Sales 3Q 2011-3Q 2010	
Kentucky	16.4%	Ohio	22.6%	Source: NAR	

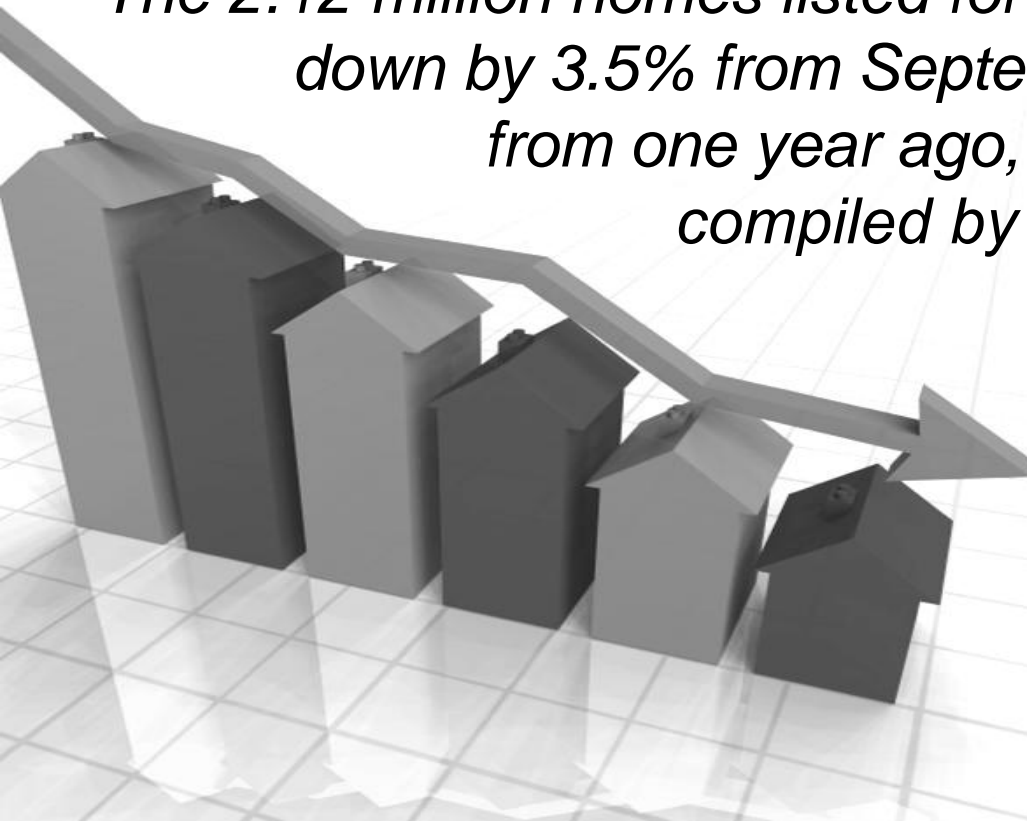
Pending Home Sales



Inventory

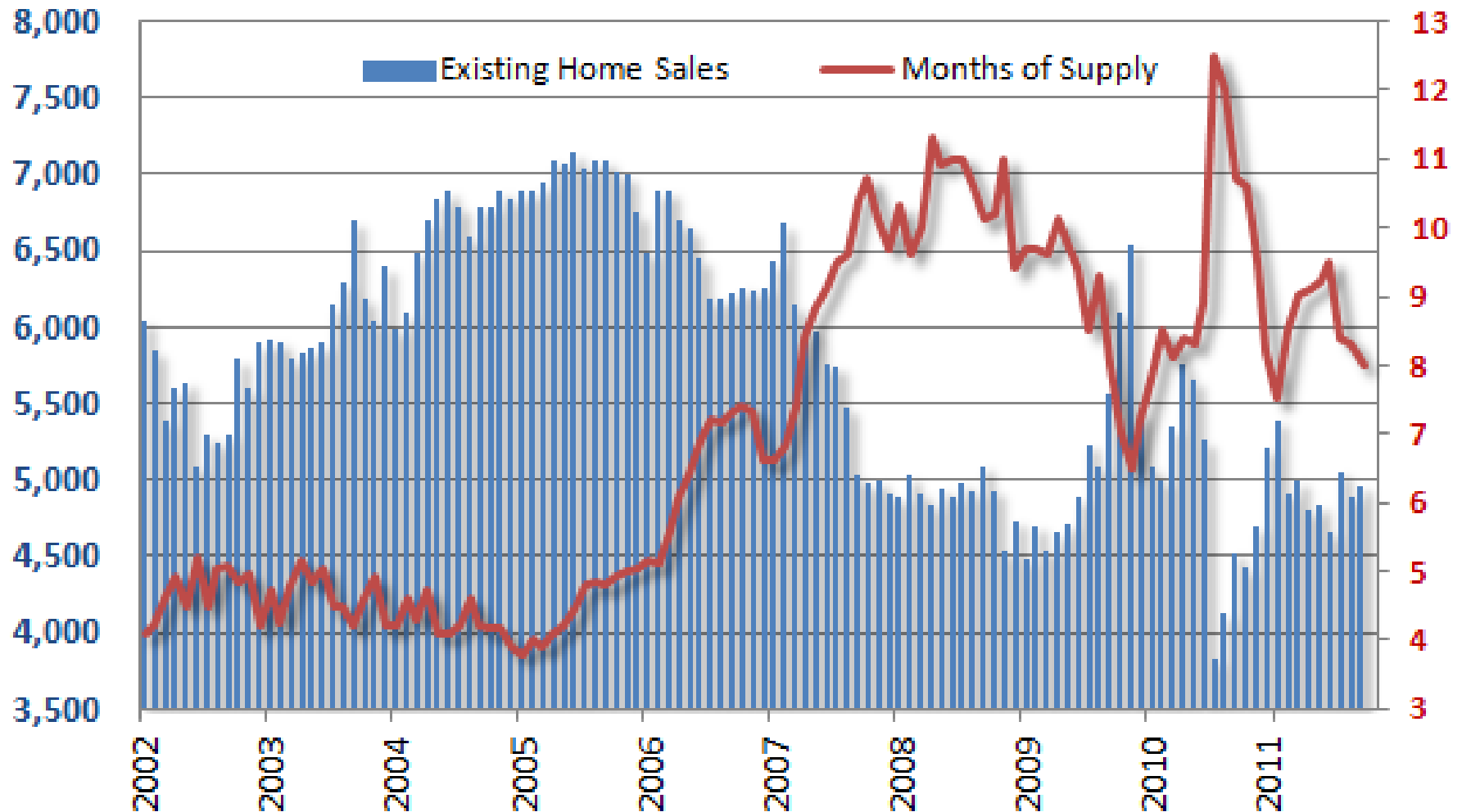
“The number of homes listed for sale fell for the fifth straight month in October, hitting the lowest level in more than four years.

The 2.12 million homes listed for sale in October was down by 3.5% from September and down by 21% from one year ago, according to data compiled by Realtor.com.”



Existing Homes Sales & Inventory

Seasonally Adjusted Annual Rate in Thousands, Source: NAR



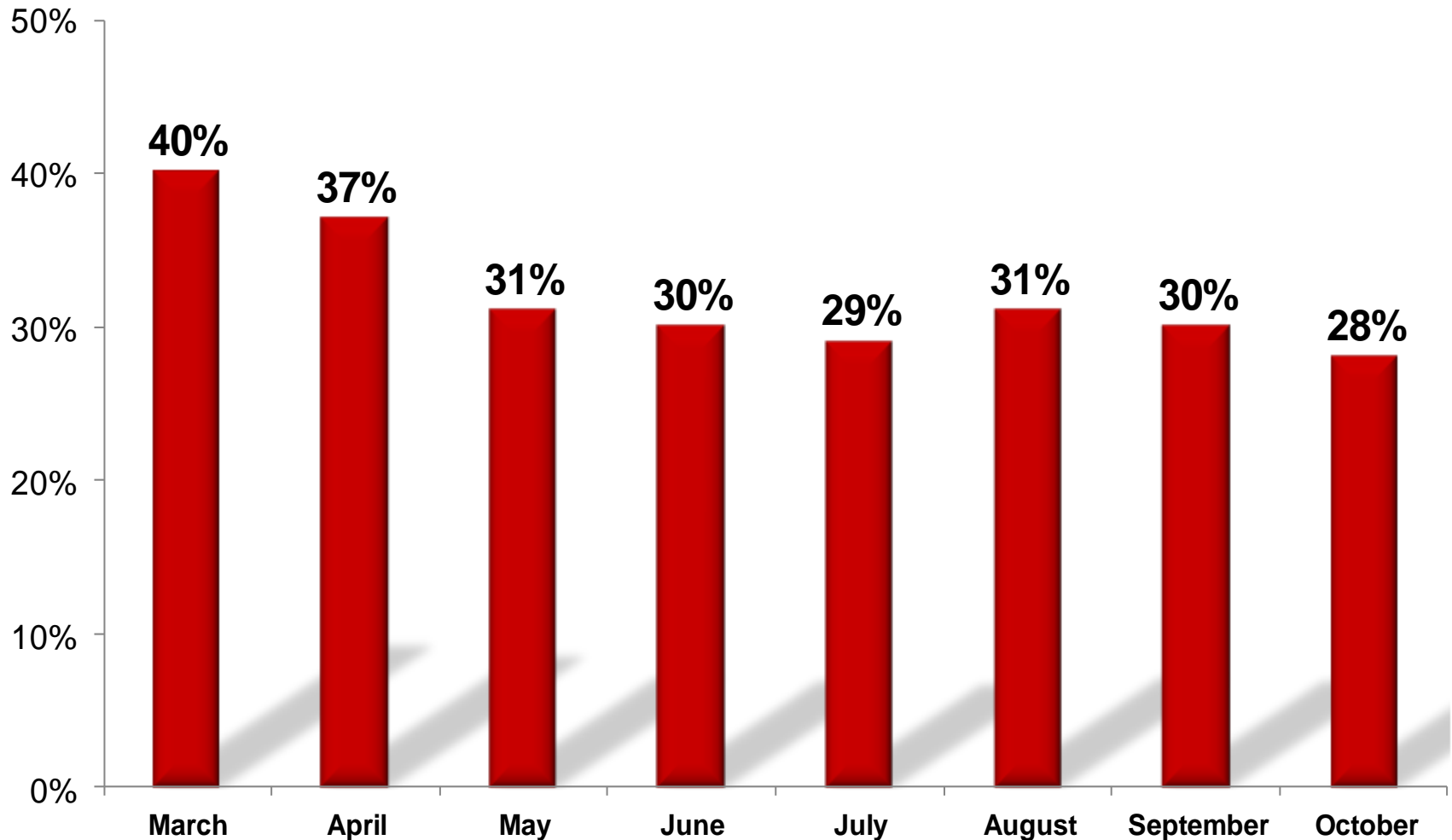
Distressed Property Sales

“In some areas we’re hearing about shortages of foreclosure inventory in the lower price ranges with multiple bidding on the more desirable properties. Realtors in such areas are calling for a faster process of getting foreclosure inventory into the market because they have ready buyers.”

- Lawrence Yun, NAR Economist



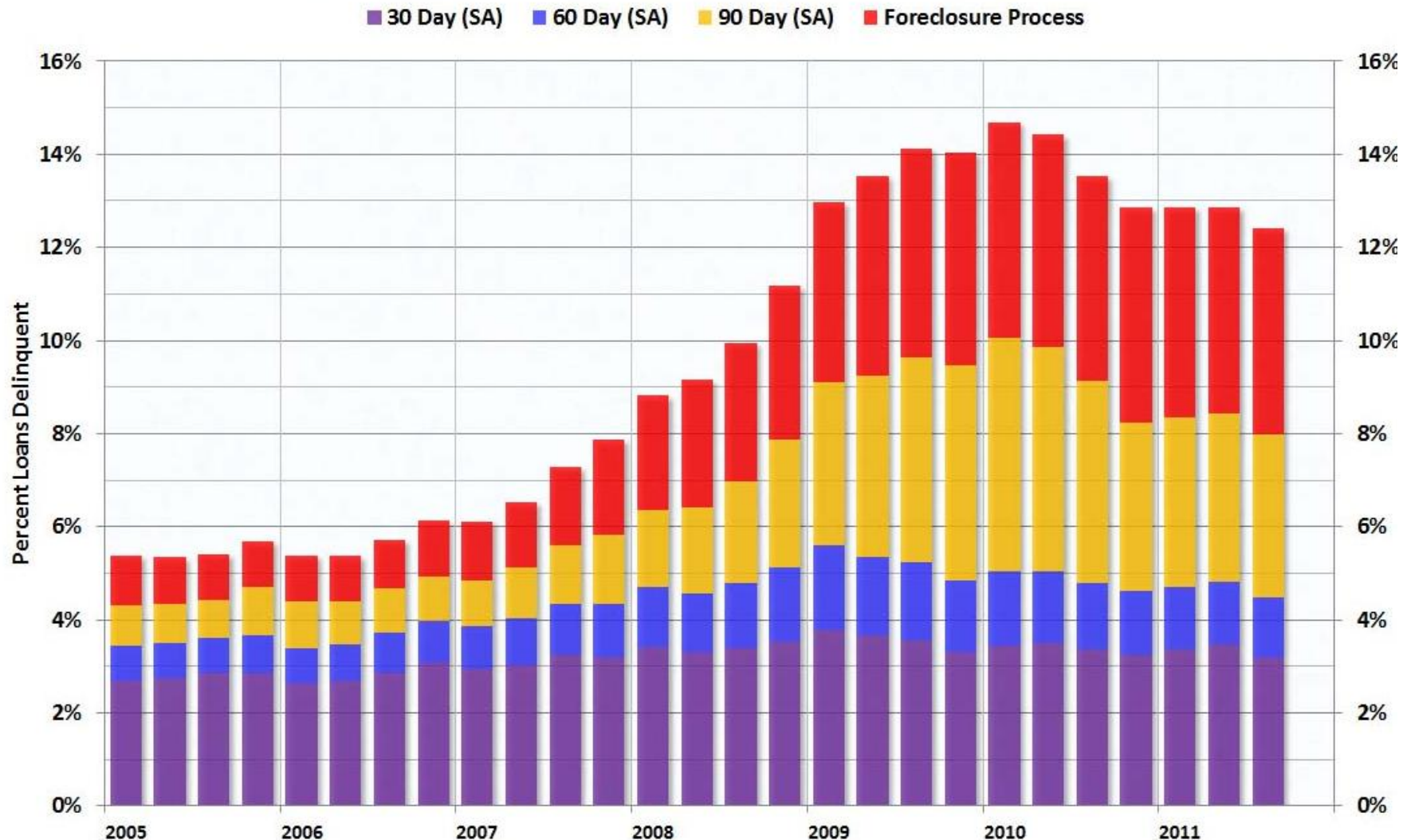
Percentage of Distressed Property Sales



Supply & Demand



Mortgage Delinquencies and Foreclosures



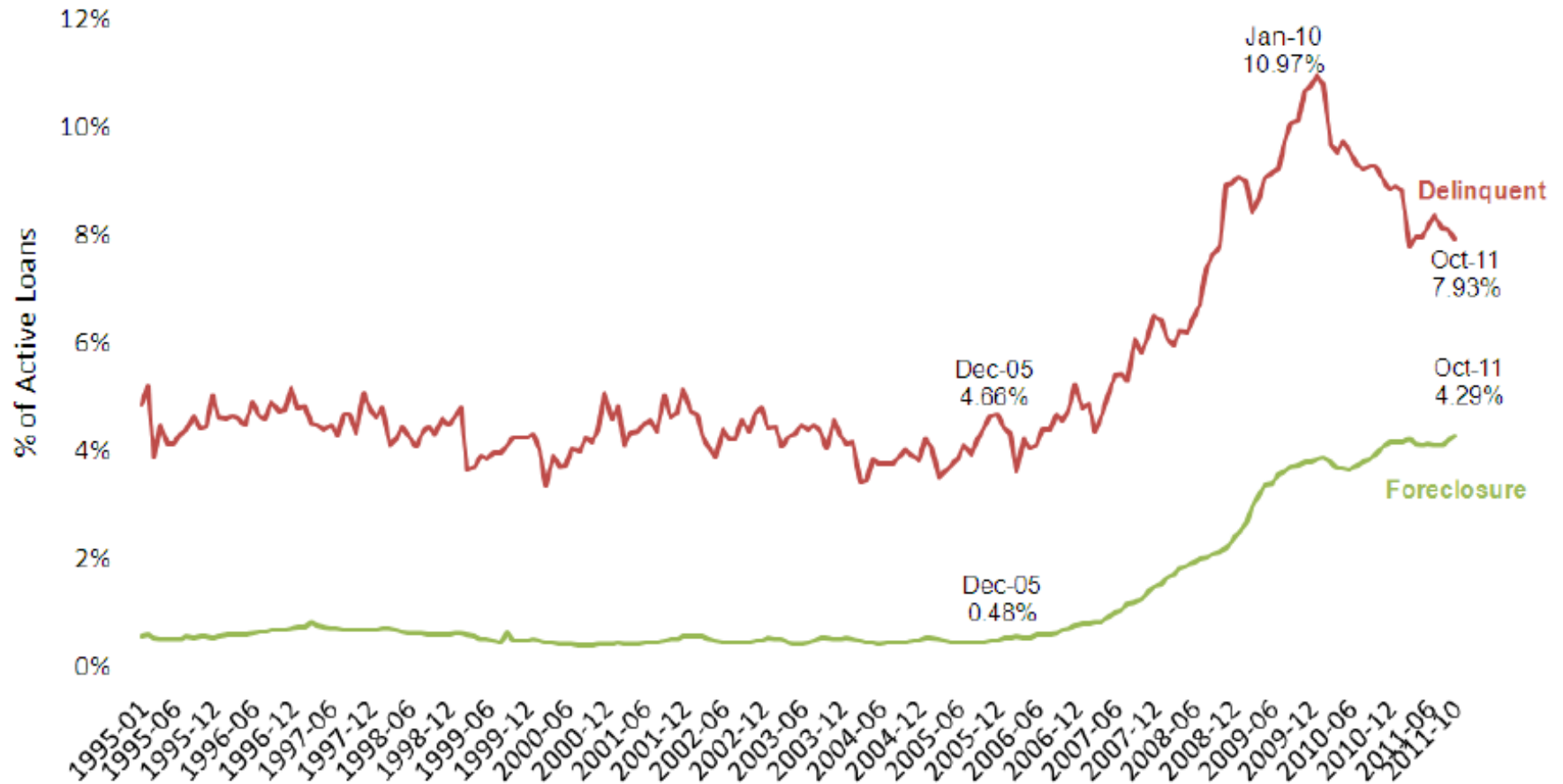
Source: MBA

<http://www.calculatedriskblog.com/>

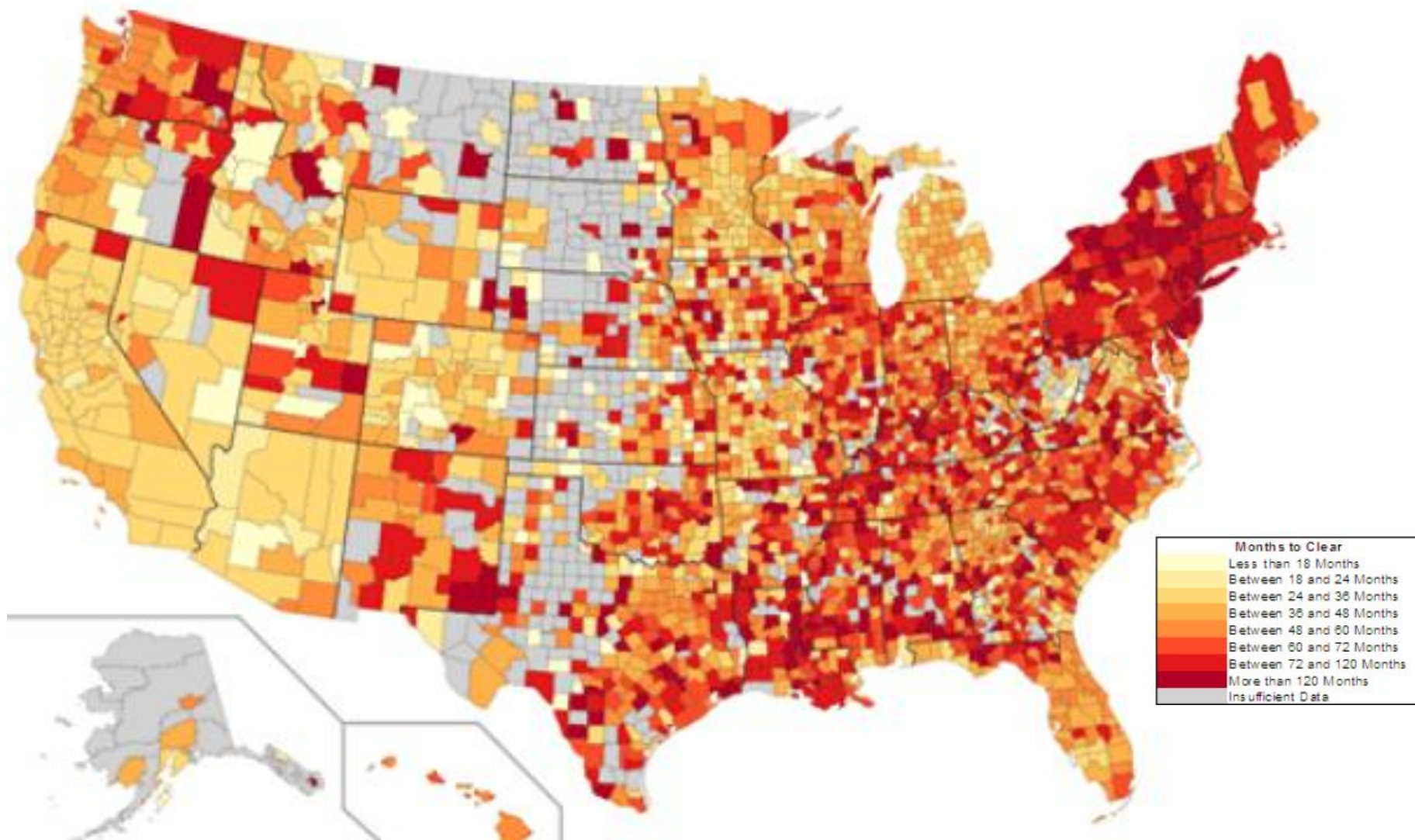
Calculated Risk 11/19/2011

DQs are down 28% from the peak, FC inventory is at historic highs

Total Delinquent and Foreclosure Percent by Month

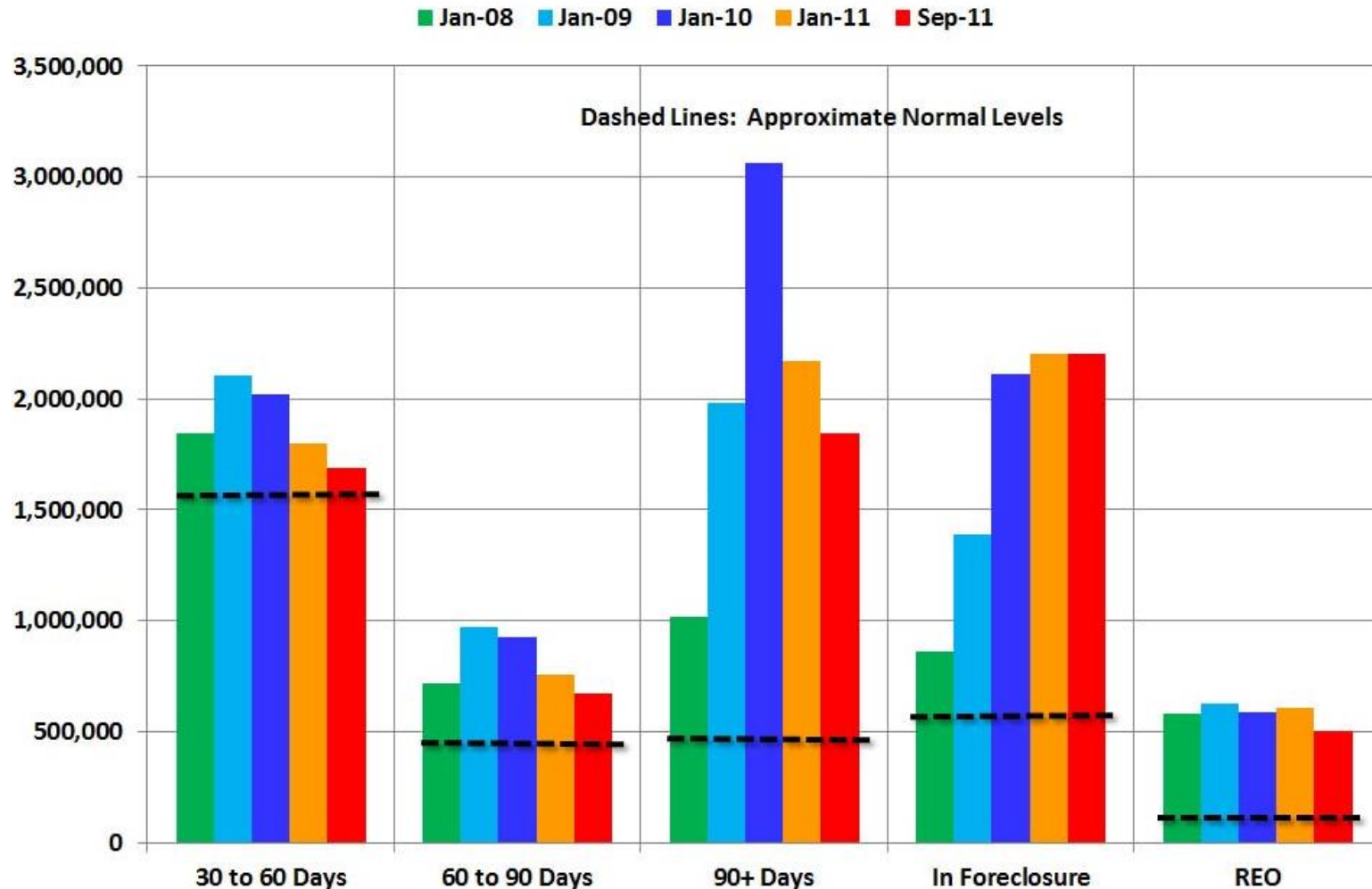


Months to Clear Shadow Inventory



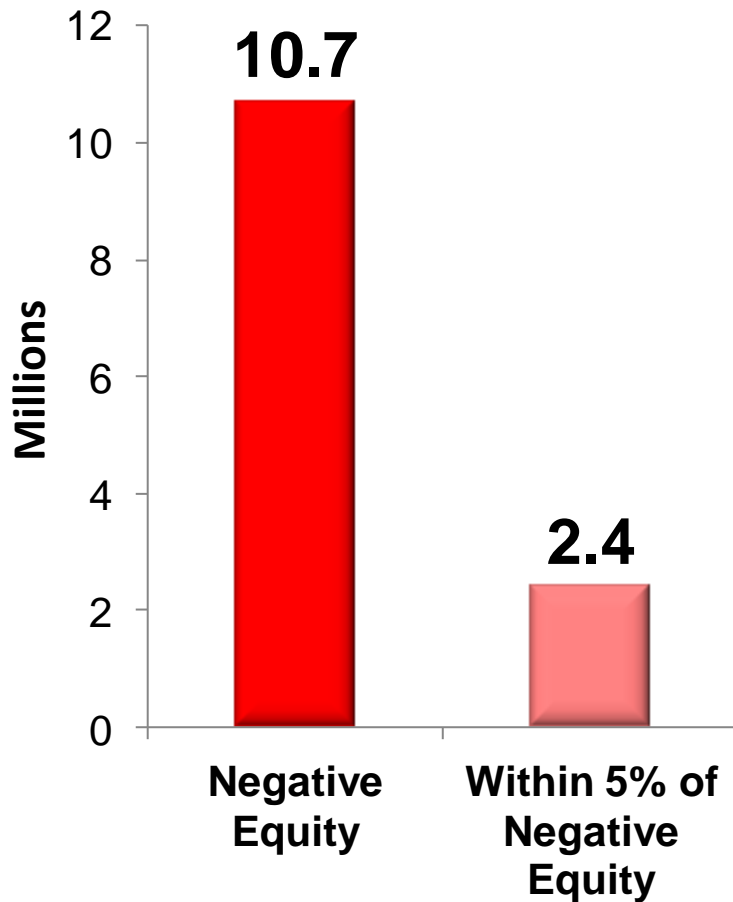
Distressed Inventory vs. Norms

Loans Delinquent, In-Foreclosure and REO

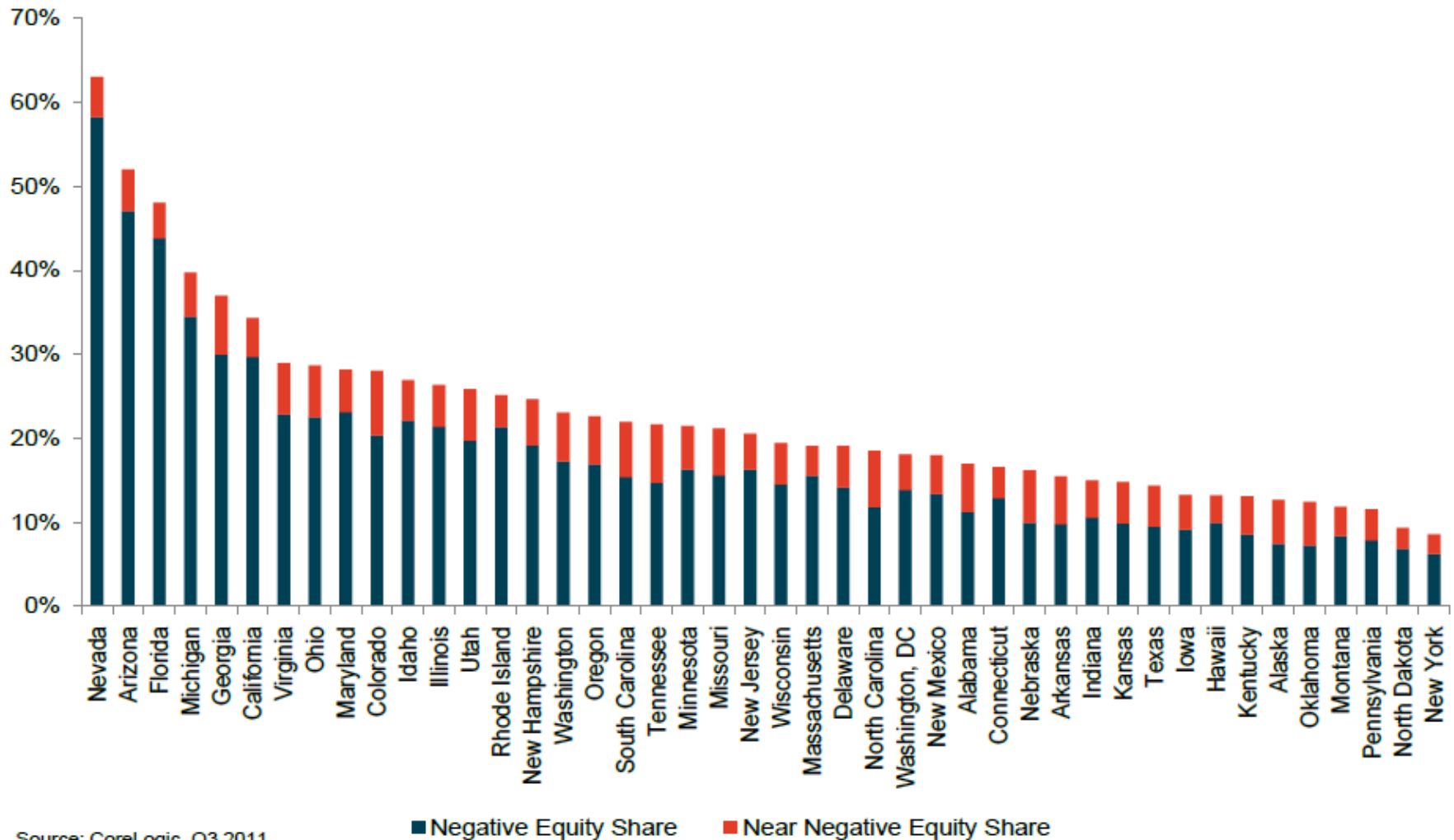


<http://www.calculatedriskblog.com/> Sources: LPS, CR Estimates

Houses In or Near Negative Equity



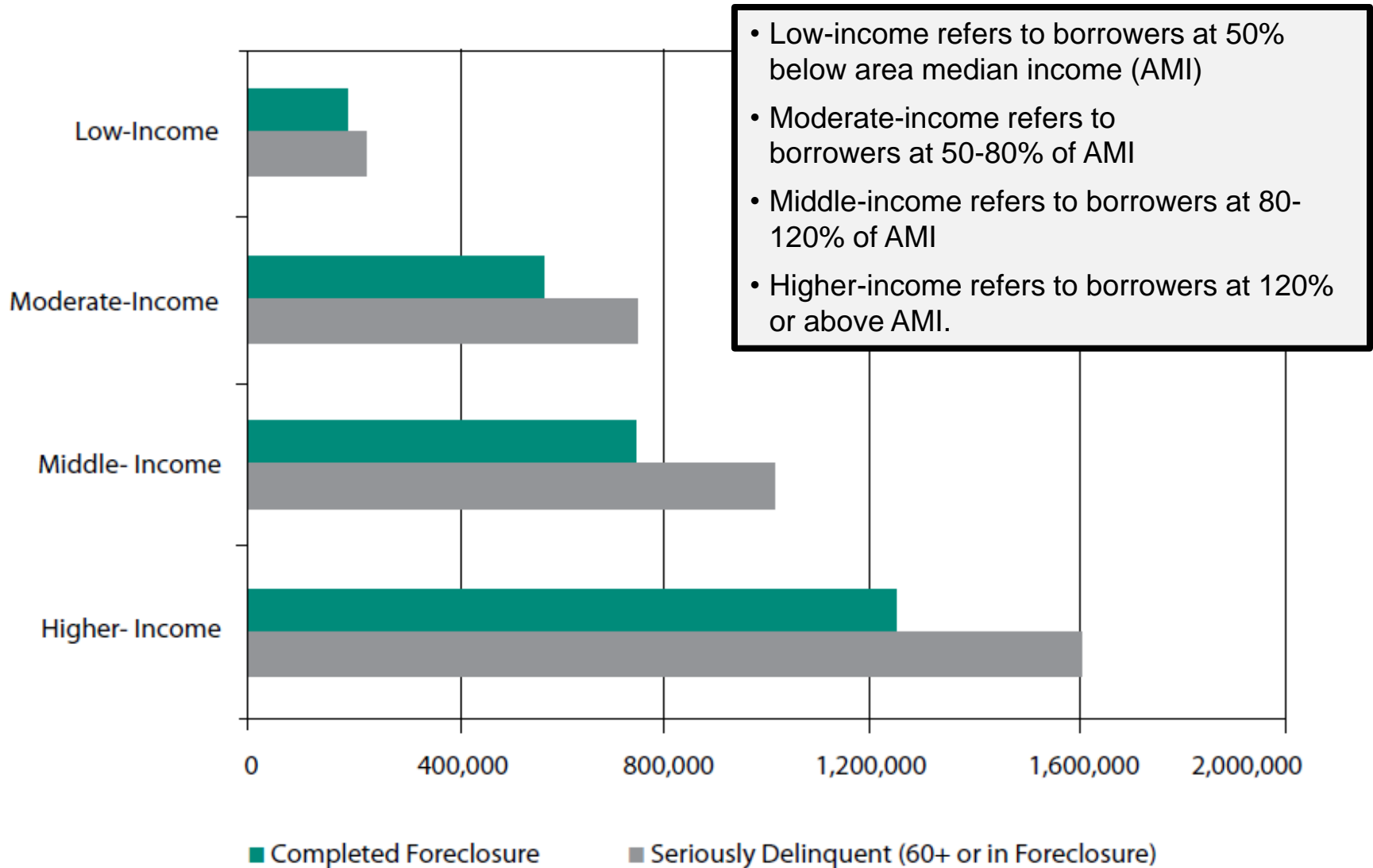
3Q 2011 Negative Equity by State



Source: CoreLogic, Q3 2011

State	Months	State	Months	State	Months
Alabama	3	Louisiana	4	Oklahoma	3
Alaska	3	Maine	16	Oregon	4
Arizona	1	Maryland	21	Pennsylvania	9
Arkansas	5	Massachusetts	6	Rhode Island	3
California	3	Michigan	2	South Carolina	8
Colorado	2	Minnesota	2	South Dakota	5
Connecticut	20	Mississippi	5	Tennessee	4
Delaware	5	Missouri	2	Texas	4
D.C.	57	Montana	2	Utah	3
Florida	8	Nebraska	3	Vermont	18
Georgia	2	Nevada	2	Virginia	3
Hawaii	10	New Hampshire	3	Washington	4
Idaho	2	New Jersey	52	West Virginia	3
Illinois	10	New Mexico	6	Wisconsin	3
Indiana	6	New York	57	Wyoming	1
Iowa	4	North Carolina	7	Months Shadow Inventory Source: USA Today 11/07/11	
Kansas	3	North Dakota	9		
Kentucky	7	Ohio	5		

Foreclosures

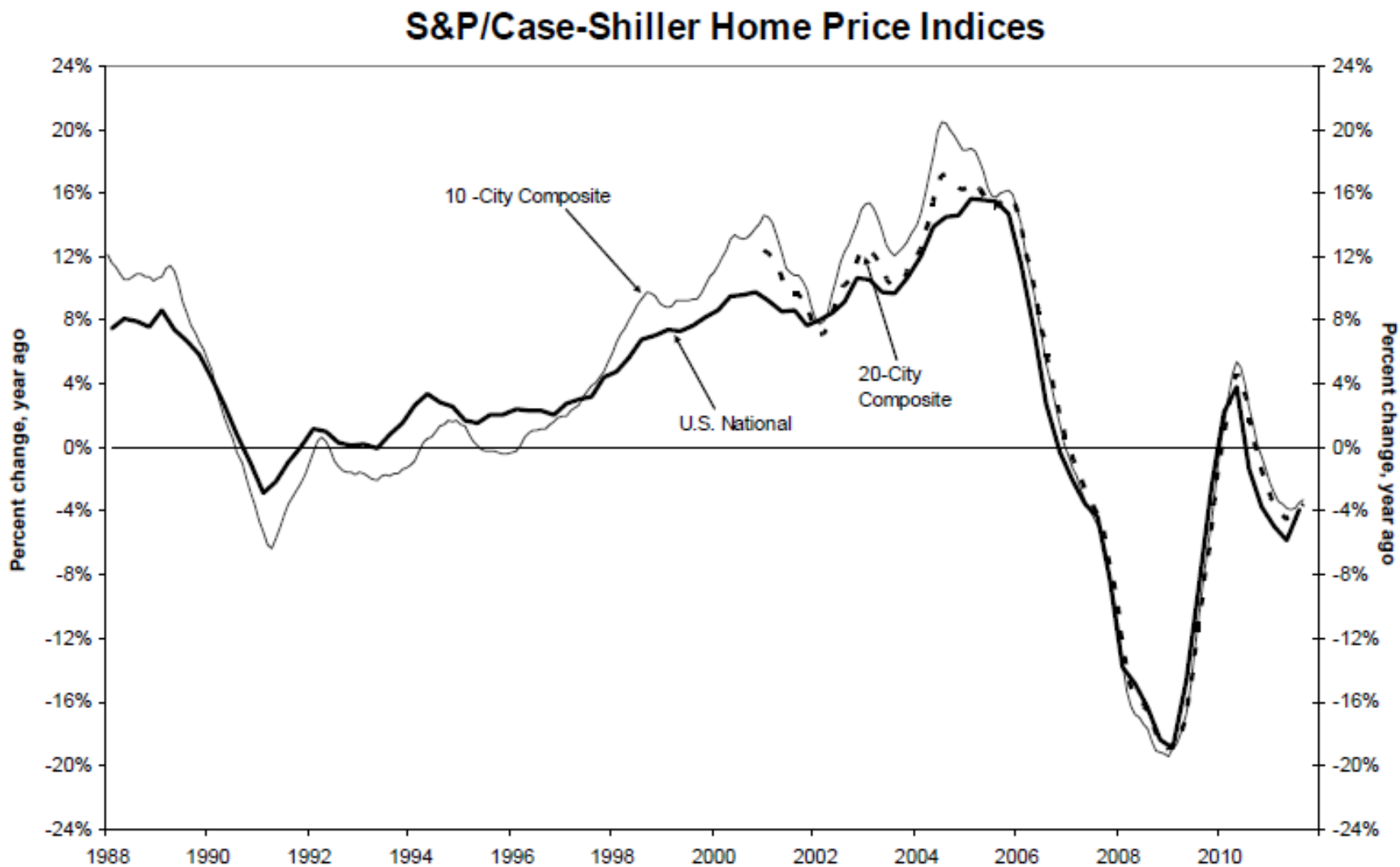


'JUMBO' Mortgage Strategic Defaults

"The ratings agency Moody's said...homeowners with jumbos now constitute "greater strategic default risk" than any other type of borrowers, including subprime. That's because an exceptionally high number of jumbo owners — many in high-cost markets hit by real estate deflation over the past several years — are stuck with persistent negative equity."

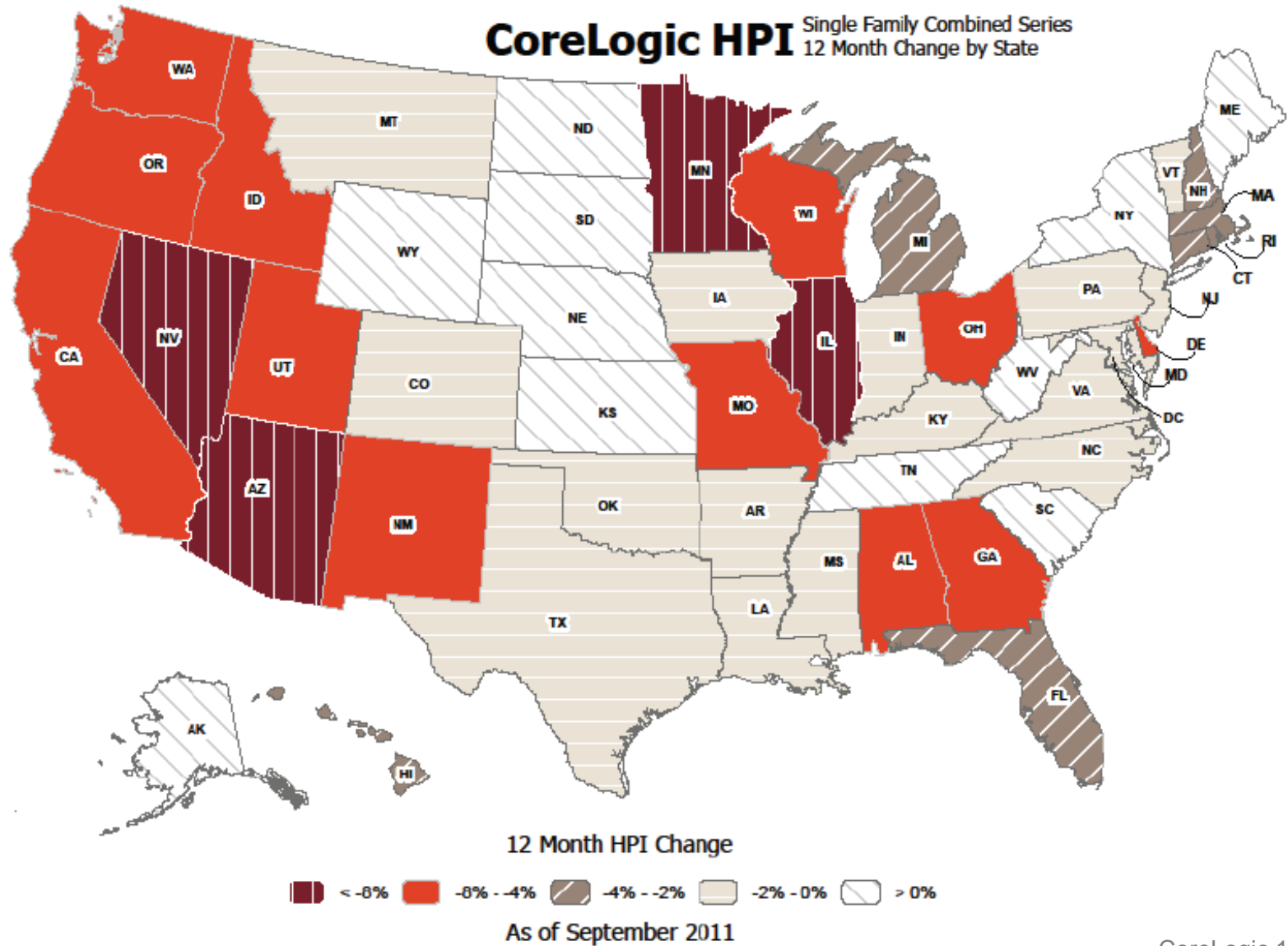


S&P Case-Shiller Home Price Indices



Source: S&P Indices & FiServ

Prices



Prices

Rising foreclosure start rates will add to the distressed property inventory and drive home prices further down, according to a report from Fitch Ratings, reflecting the impact of last year's robo-signing scandal.

More than 10% of severely delinquent loans in private-label residential mortgage-backed securities are now moving into foreclosure each month. That's nearly double the rate from a year ago.



Prices

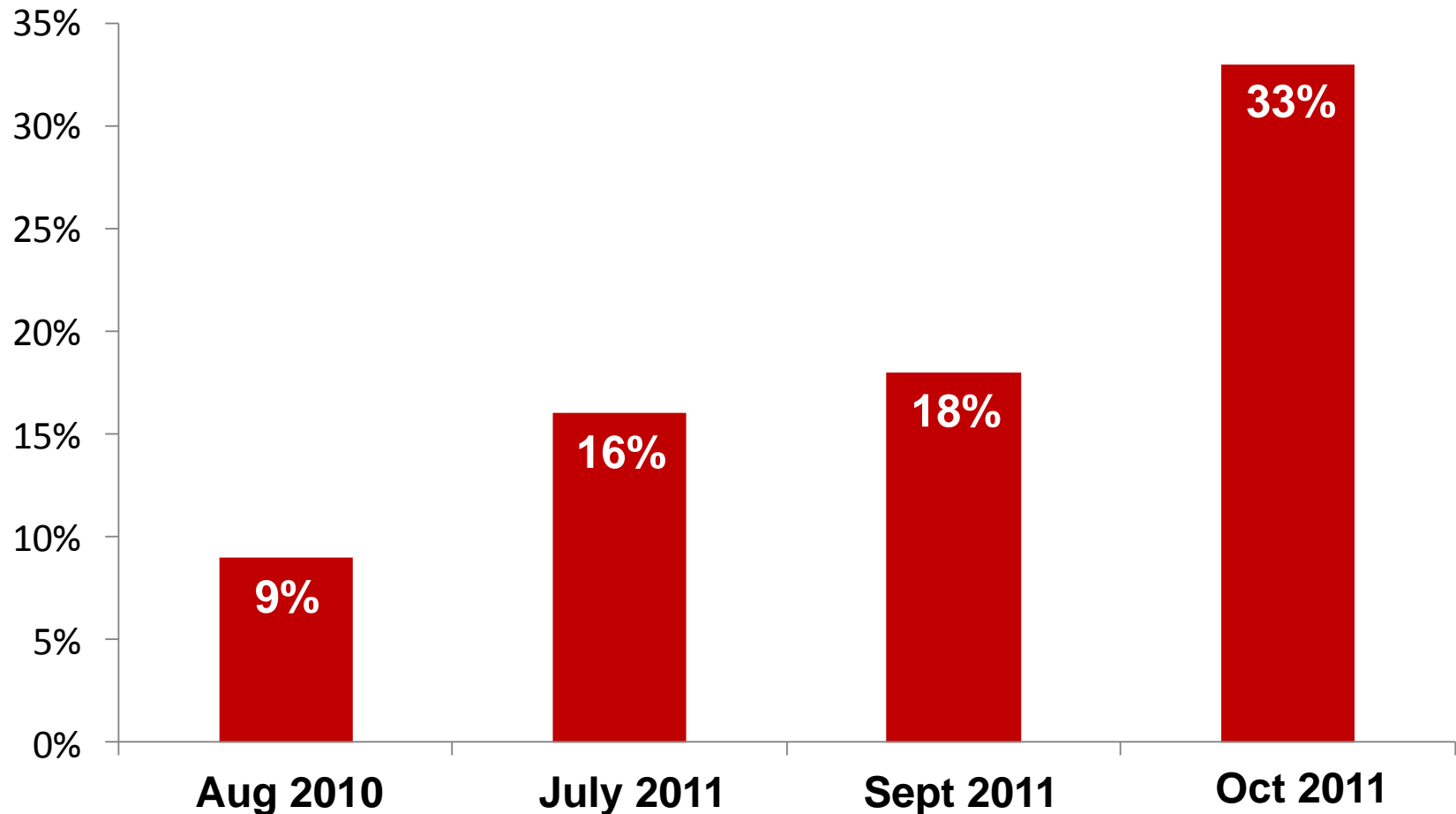
“According to
Paul Sveen,
CEO of IAS,
we are simply
seeing the
***‘calm before
the storm’***”



Prices

*“Fitch does not believe the recent rise is a sign of what’s to come. In fact, prices have not reached bottom, according to a new quarterly home price projection from Fitch, which predicts **prices will fall another 13%.**”*

Percentage of Contract Failures



“Contract failures – cancellations caused largely by declined mortgage applications or failures in loan underwriting from appraised values coming in below the negotiated price.”