

Media Advisory



Bloomberg.com

U.S. economy: Consumer confidence, house prices slide

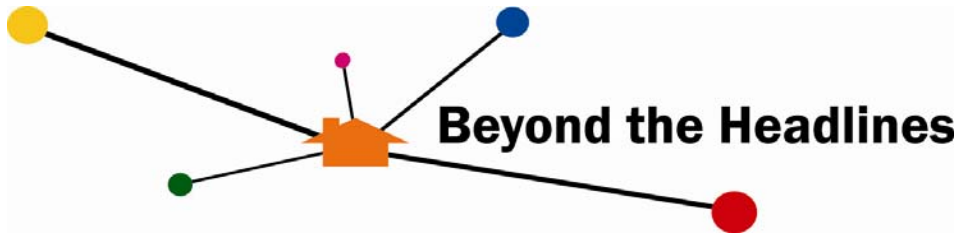
Consumer confidence plunged to a 16-year low in June and home prices fell in April for the twenty-first consecutive month as measured by the Standard & Poor's/Case-Shiller Home Price Index for 20 cities. Separately, Federal Reserve Chairman Ben Bernanke said Tuesday that recent economic data suggest the U.S. is on the brink of a recession.

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- The Conference Board reported that its confidence index fell from 57.2 in May to 50.4 in June thanks to the housing downturn, higher unemployment and the rising cost of food and fuel. The last time the index was this low was in February 1992, when the economy was beginning to recover from the 1990-91 economic downturn.
- The S&P/Case-Shiller index fell by 15.3 percent in April from the previous April, continuing March's 14.4 percent year-over-year decline. However, eight of the 20 cities included in the index experienced month-over-month increases in prices. That shows cities "are beginning to sort themselves into the bad and not-so-bad," said economics professor and index co-founder Karl Case. "It's not like the whole market is collapsing."
- California cities included in the index continued to experience price declines: In Los Angeles, the index fell 2.2 percent from March to April and 32.1 percent year over year. San Diego was down 2.6 percent for the month and 22.4 percent compared with April 2007, and San Francisco declined 2.2 percent in April and was 22.1 percent below last April's index.

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aX6aDvhPpltY&refer=home>



[Thomson Reuters](#)

U.S. home slump harder to reverse than usual - Harvard

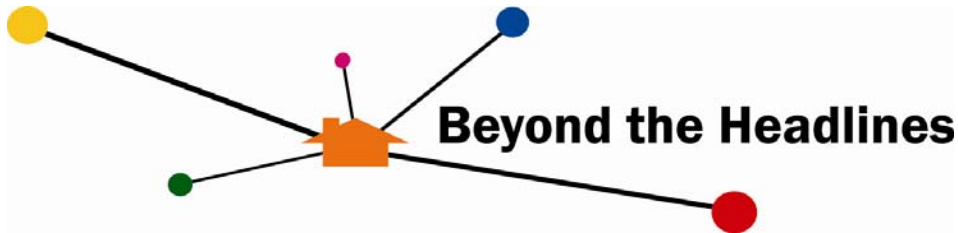
The nation's two-year-old housing market downturn is as bad as any since World War II and record foreclosures and tighter credit will make it more difficult to reverse, according to a report issued Monday by Harvard University's Joint Center for Housing Studies. Any housing recovery is unlikely to occur until potential homebuyers believe prices have hit bottom, observers say.

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- Homebuyers remain on the sidelines as they face the highest mortgage rates in nine months and stricter lending criteria. The Federal Reserve's efforts to keep interest rates low with the hope of stimulating buyer activity has largely fallen on deaf ears as potential homebuyers watch prices continue to slide in many areas of the nation courtesy of a large inventory of foreclosed properties for sale.
- Director Nicolas Retsinas observed that housing markets "historically recover only after the economy has entered a recession and a combination of falling mortgage interest rates and house prices have improved housing affordability. It will take longer to rebound given the unusually high levels of foreclosures and constrained credit markets. The slump in housing markets has not yet run its full course."
- The report concludes: "...if the economy slips into a recession or job losses keep racking up, household growth and homeownership demand could fall even more."

To read the full story, please click here:

<http://www.reuters.com/article/marketsNews/idUSN2347133320080623?sp=true>



[Los Angeles Times](#)

California unemployment hits 6.8%

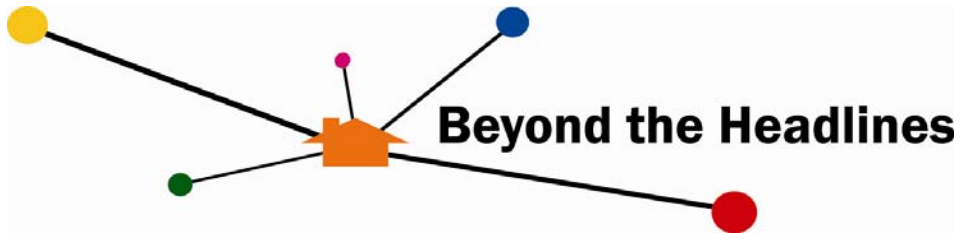
California's unemployment rate hit 6.8 percent in May, 1.5 percent higher than a year ago and its highest level in five years due to continued weakness in construction and real estate, the state's Employment Development Department reported. The employment outlook is expected to worsen at least through the end of 2008.

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- California's unemployment rate trails four other states: Michigan, Rhode Island, Alaska and Mississippi. Some 1.26 million Californians were unemployed in May, up 115,000 from April and 300,000 higher than in May 2007. The state posted a net loss of 10,900 jobs in May, primarily in construction. However, there were net gains in jobs in education and health services, natural resources and mining, information, leisure, and hospitality.
- The state's employment situation could worsen later this year under the weight of state and local government budget cuts and a threatened actor's strike.
- Economists say an employment recovery may be as long as a year off. That's when the construction sector is expected to benefit from billions of dollars in public infrastructure projects approved by California voters.

To read the full story, please click here:

<http://www.latimes.com/news/printedition/front/la-fi-caljobs21-2008jun21,0,5760427.story>



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Fannie, Freddie Fail to Relieve Housing by Shunning Jumbo Loans

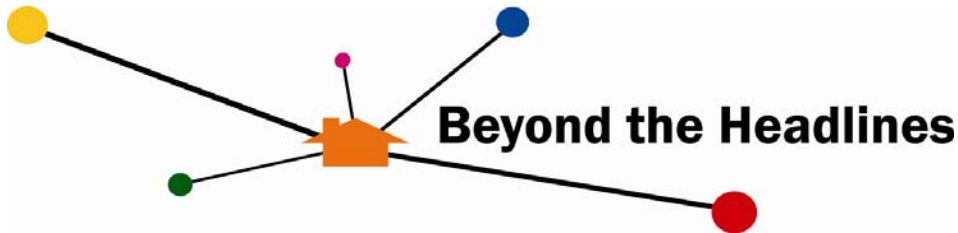
Despite being granted the ability to purchase jumbo loans in March, the nation's two government-chartered mortgage finance companies have done little to improve access to mortgages in high-cost markets like California and instead have focused on reversing their own losses by purchasing their own mortgage-backed securities, according to critics who say their actions may have worsened the housing downturn.

KEEP THIS IN MIND...

- Jumbo loans of more than \$417,000 accounted for about one-third of the mortgage market last year and represented a fifth of all mortgage applications in May, sources say. Since March, however, Fannie Mae has packaged only \$24 million in jumbo loans into securities while Freddie Mac has packaged about \$220 million. Meanwhile, the two companies invested more than \$32.4 billion to buy their own securities, according to regulatory filings.
- The NATIONAL ASSOCIATION of REALTORS® (NAR) had projected the two companies would buy \$150 billion in jumbo loans this year. UBS AG now predicts that total may be less than \$74 billion. Freddie Mac has said it would buy between \$10 billion and \$15 billion in jumbo loans this year.
- The two companies own or guarantee almost half of the \$12 trillion in U.S. residential mortgage debt. They experienced record losses totaling \$11.8 billion over the last three quarters as mortgage defaults climbed to 30-year highs.

To read the full story, please click here:

<http://www.bloomberg.com/apps/news?pid=20601103&sid=a57eFJtEHSI&refer=us>



In Other News...



[Forbes](#)

America's shrinking beach communities

To read the full story, please click here:

http://www.forbes.com/realestate/2008/06/17/beach-property-tips-forbeslife-cx_mw_0617realestate.html



[The New York Times](#)

Fallout from bad loans rocks regional banks

To read the full story, please click here:

http://www.nytimes.com/2008/06/19/business/19bank.html?_r=1&scp=1&sq=regional+banks&st=nyt&oref=slogin



[North County Times](#)

High-end neighborhoods also suffering

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<http://www.nctimes.com/articles/2008/06/21/business/zc2bc04ea3c5290028825746d005839ed.txt>



[Sacramento Bee](#)

Home sales up for 2nd month

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<http://www.sacbee.com/103/story/1024693.html>



[San Francisco Chronicle](#)

Exodus of SF's middle class

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/06/22/MNJJ10NPSK.DTL>

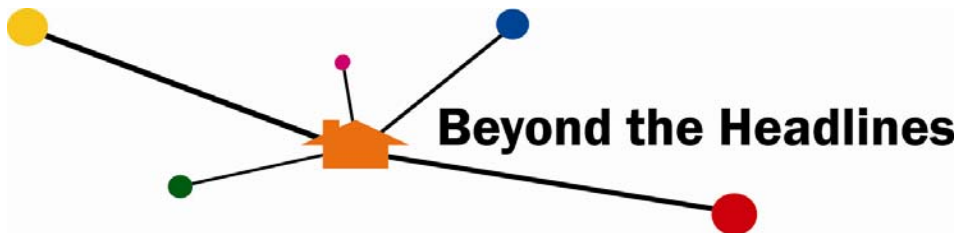


[San Jose Mercury-News](#)

Signs of life for real estate?

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http://www.mercurynews.com/realestatenews/ci_9620792



What you need to know about the market

- The economic downturn is causing some Baby Boomers to downsize or postpone retirement, but they still are in no hurry to pay off their mortgages, according to the annual “Affluent Boomers at 60” survey from Oakland-based Bell Investment Advisors. Historically, most seniors paid off their mortgage before retiring. Not so today. More than 55 percent of those surveyed who currently hold a mortgage don’t intend to pay off their loan until their 70s, if then. That could change if the economy worsens or the slowdown is prolonged. One in four Baby boomers already are changing their retirement plans and 40 percent are “downsizing” their lifestyles. More than one quarter (28 percent) have lost a job in recent months or know someone over age 60 who has. As a result, 22 percent say they are cutting down on charitable contributions, 21 percent are changing vacation plans, 18 percent are reducing the amount they are saving, and 11 percent are postponing retirement entirely. Sixty-nine percent say the economy is causing them to change to a more conservative investment strategy. The survey included equal numbers of men and women born in 1948, all of whom reported investable assets of \$1 million or more.
- The rapid rise in gas prices is causing similar lifestyle changes on America’s highways and byways, particularly those leading to and from the suburbs. The U.S. Dept. of Transportation reported that American drivers reduced the number of miles they drove in March by 4.3 percent over the same month a year ago. Now, Coldwell Banker says 81 percent of the agents it surveyed said their clients increasingly are looking to urban housing as a way to cut commuting costs. A third study by CEOs for Cities, a government-business coalition, said higher gasoline prices will push new housing developments closer to the urban core in many U.S. cities and cause home values to decline in those suburbs where there are few transit options for commuters.
- The percentage of American households headed by homeowners experienced its most significant decline in two decades at the end of the first quarter of 2008, according to the U.S. Census Bureau. Only 67.9 percent of households were headed by homeowners, down from a record 69.1 percent achieved in 2005. Renter households increased from 30.9 percent to 32.2 percent, erasing gains achieved in recent years. The jump in renter households was not unexpected: it simply happened far faster than anticipated. The Joint Center for Housing at Harvard University projected the number of renters would increase by 1.8 million between 2005 and 2015. Instead, the housing market decline and subsequent dramatic rise in foreclosures pushed 1.5 million additional households into rental housing between 2005 and 2007 alone. Not surprisingly, rents have increased by about 11 percent and vacancy rates have fallen in many urban markets over the same period.