



California Market Watch, September 22, 2008

Bay Area New Home Supply Near Jobs

According to the latest figures released by the Employment Development Department, the state shed 72,700 jobs in the last year and the unemployment rate jumped to 7.7% in August. The Bay Area's employment base has fared better than the state, with the Peninsula adding 4,600 jobs in the last year. Local builders are focusing on these growth areas, introducing new projects in regions with sizeable, relatively healthy employment nodes. This year, about 60 projects entered the Bay Area market, with the largest share near the San Francisco and San Jose employment corridors. Characteristics of supply in these areas are typically dense with small attached units, especially as compared to the larger homes further from employment corridors.

- The San Francisco MSA added 6,100 jobs in the last year and unemployment stands at 5.5%.** With positive job growth this year, builders opened eleven attached developments in the city of San Francisco. These high-density developments offer units that are typically less than 1,000 square feet with studios averaging about 450 square feet. The bulk of new construction is occurring in the Mission Bay and Rincon Hill neighborhoods. Projects are selling at an overall average rate of about five units per month, which is much better than outlying markets where an average project is struggling to maintain one new home sale per month.
- Only marginal job losses in the San Jose MSA.** In San Jose, the city added eight attached projects this year and the downtown core is experiencing an increase in residential development. Four high-rise condominium developments are under construction in downtown with units averaging about 1,100 square feet in size. Projects are achieving an overall average absorption rate of near six units per month (although not all projects would release sales figures). Other developments opening this year are smaller, infill communities located outside the heart of downtown and generally start in the high \$400,000s for a 1,400 square foot unit. These projects are not sheltered from market conditions as tightened lending practices are contributing to a slowdown, but new jobs continue to create demand for new housing.

| Employment Statistics | Non-Farm Jobs | | Year-over-Year | | Unemployment Rate | |
|--|-------------------|-------------------|----------------|---------------|-------------------|-------------|
| | August 2007 | August 2008 | # Change | % Change | August 2007 | August 2008 |
| San Jose-Sunnyvale-Santa Clara MSA | 909,800 | 908,300 | -1,500 | -0.16% | 5.0% | 6.6% |
| San Francisco-San Mateo-Redwood City Metro. Div. | 990,200 | 996,300 | 6,100 | 0.62% | 4.3% | 5.5% |
| Oakland-Fremont-Hayward Metro. Div. | 1,046,400 | 1,027,000 | -19,400 | -1.85% | 5.0% | 6.8% |
| California Total | 15,181,700 | 15,109,000 | -72,700 | -0.48% | 5.5% | 7.7% |
| Bay Area Total | 3,327,000 | 3,310,900 | -16,100 | -0.48% | -- | -- |
| Peninsula Total | 1,900,000 | 1,904,600 | 4,600 | 0.24% | 4.7% | 6.1% |

SOURCE: Employment Development Department NOTE: Nonfarm employment figures.

About Meyers Builder Advisors

Meyers Builder Advisors brings together a talented pool of consultants with a strong understanding of the homebuilding industry and the market dynamics that drive it. Combined, the team boasts over 100 years of market experience, with a wide range of services including site specific analysis, product development, strategic planning and land acquisition services. The group has advised on a wide range of residential product types throughout the United States and has successfully assisted a long list of builders, developers, and financial institutions.

For more information, contact –

Meyers Builder Advisors

2010 Crow Canyon Pl, Suite 450
 San Ramon, California 94583
 P: 925-328-1300
 F: 925-328-1304

www.builderadvisors.com

Jeffrey Meyers, Principal
M: 714-319-3888

Steve Smiley, Principal
M: 510-612-5718

Joanna Terry, Managing Director
M: 415-609-0098