



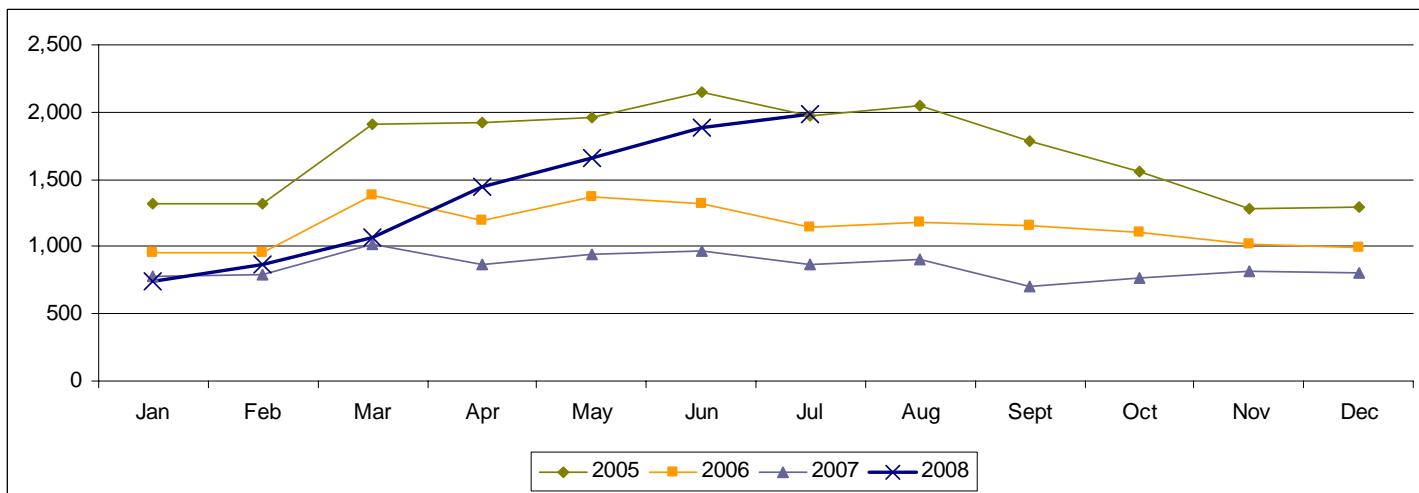
California Market Watch, October 23, 2008

Foreclosures Boosting Sacramento Sales

According to RealtyTrac, California holds the second highest foreclosure rate in the nation. Most foreclosures are occurring in Southern California counties, with Los Angeles adding the highest volume in the State. In August, the top Northern California counties with the largest number of properties that received foreclosure filings include Sacramento (ranked 5th highest), San Joaquin (ranked 7th highest), followed by Contra Costa and Alameda Counties. While Sacramento sales volumes are climbing, it is important to keep in mind that many of these sales are due to the county's high rank in foreclosures. With numerous foreclosures resulting in rock-bottom prices, Sacramento buyers are being lured back into the market.

With further price declines, sales are picking up. During the early part of the decade, Sacramento County experienced strong appreciation rates, making the county an appealing investment. Existing home prices more than doubled in just four years. Sacramento was one of the first counties in Northern California to feel the impact of the housing market downturn, as sales dropped 9% in 2005, 33% in 2006 and another 26% in 2007. The tide turned in 2008 as sale volumes increased. It is no wonder since all home prices are down 33% from a year ago, according to DataQuick Information Systems. The significant decline in resale home price is impacted by foreclosures. Buyers are looking for the best bargains and they are finding them in Sacramento. As compared to other counties in the metro area, prices have fallen most significantly in Sacramento, down \$102,250 as compared to one year earlier. According to DataQuick, Sacramento sales of all homes spiked 65% in August as compared to last year. RealtyTrac is reporting 15,911 foreclosed homes in the county, and new foreclosure filings were reported on 5,971 properties in August. Buyers are finding deals and sales have rebounded to near 2005 levels according to the California Association of Realtors' latest monthly data.

Sacramento County Monthly Sales



SOURCE: California Association of Realtors

September holds a brief deceleration. California's September foreclosure volumes demonstrate a momentary slowdown. According to figures released by ForeclosureRadar, California's foreclosure sales fell almost 62% in September as compared to August. This is likely impacted by California State Senate Bill 1137, which began in September and enacts further requirements before lenders declare foreclosures. The bill has apparently slowed down the number of default notices filed in the state and will impact the volume of Sacramento foreclosures as well, but this may only provide a brief hiccup. Conditions contributing to foreclosures are still around - ARM's are still adjusting, housing values are still lower than some households owe on their home and continued job loss is expected.

What do these trends mean for new home builders? It is important for new home builders to understand their local market and in Sacramento there is heavy competition from the foreclosure market. New home sales in Sacramento are down almost

50% where they were one year ago, as builders are losing buyers to good deals provided by the foreclosure market. Builders should emphasize the value of choice, allowing buyers to customize their home upon move-in, to distinguish the opportunity in owning a new home versus a foreclosed home.

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.

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