

LOS ANGELES/VENTURA COUNTIES CALIFORNIA MARKET

Southern California's home ownership markets continued to worsen in the 4th quarter of 2008. While home sales increased due in part to a flood of bank REO properties on the market at bargain prices, all other measures including home prices, home sales, residential building permits, purchase lending, construction lending, deeds, trust deeds and reconveyance deeds all continued to fall. Mortgage defaults and foreclosures eased slightly due to a recent law that delayed filings and the GSE's putting a moratorium on filings in the last quarter of 2008. Unemployment continued to rise (at a more rapid pace), and rental housing softened as rents declined and vacancy rates went up. Interest rates fell and the CPI inflation rates dropped to near zero. All of the housing market indicators going into 2009 predict a continuation of the declining housing market.

Home prices

Southern California home prices are now 40% below their peak in 2007 and this rapid decline is leading experts to predict that the housing slump will be worse than originally thought. We have already surpassed the severe downturn of the early 1990's when home values only plunged 19%; however that was over a 6 year period ending in 1997. Prices in some counties now have fallen more than that in just this last year.

The data below provides 1 year information on Two Southern California Counties.

Existing House prices	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Los Angeles	\$485,000	\$475,000	\$455,000	\$450,000	\$437,000	\$430,000	\$410,000	\$390,000	\$363,000	\$359,000	\$340,500	\$320,000
Ventura	\$ 555,000	\$500,000	\$481,750	\$485,000	\$467,500	\$454,000	\$450,000	\$444,000	\$411,000	\$412,000	\$365,000	\$356,000

*Information collected from DataQuick

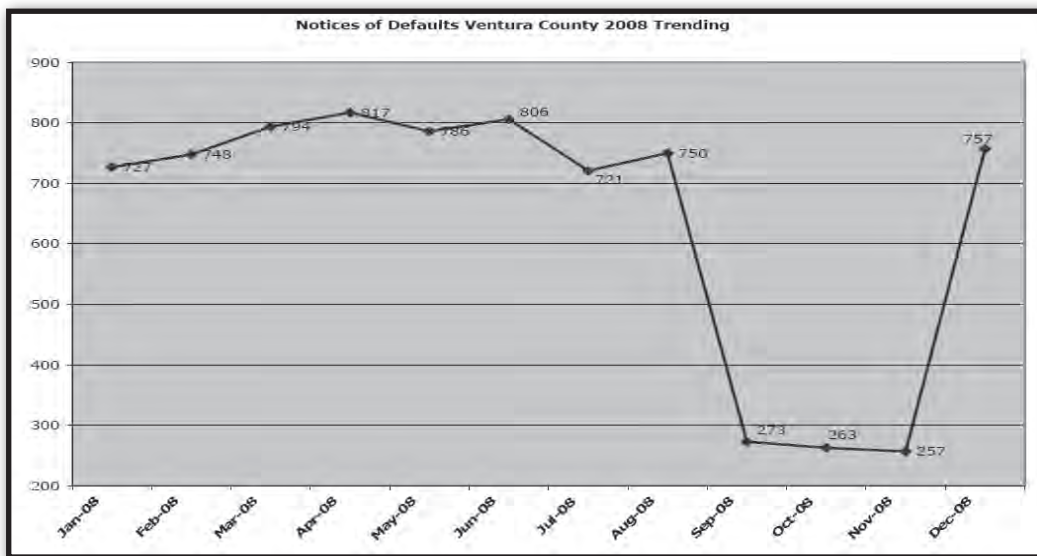
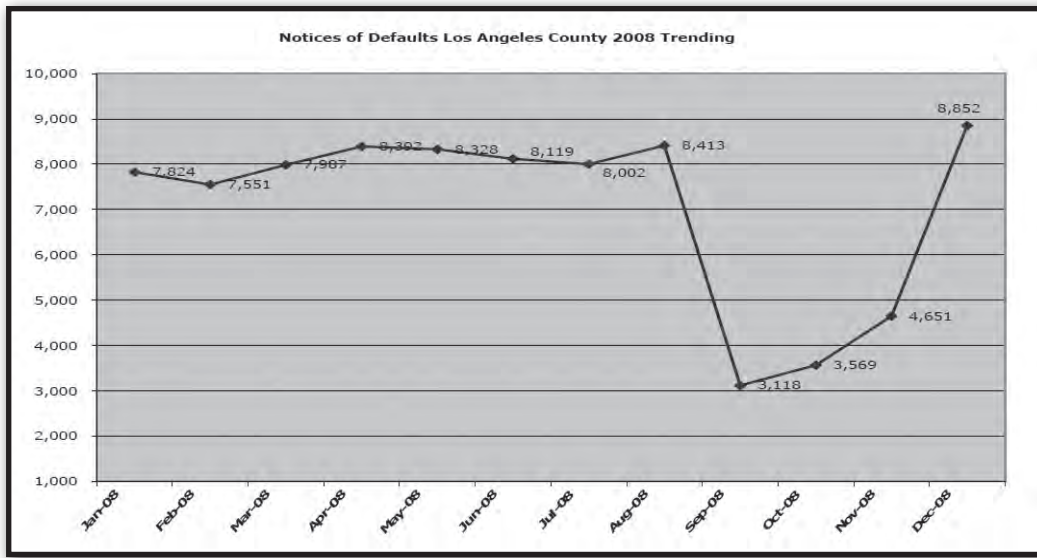
Home Sales (*)

Southern California's 4th quarter total home sales soared 48% from a year ago fueled by a large inventory of lender owned homes on the market at what buyers perceive as "Low" prices. All of this activity was restricted to the existing home markets as "New" homes sales plunged 50%.

Recorded Activity (***) & (*)

Trustees deeds recorded (foreclosures) also soared again, but at a slower pace increasing just 43% over 2007. This slowdown is attributed to the GSE's enacting a moratorium on foreclosures during the last quarter of 2008 and continuing into the 1st quarter of 2009. According to the Los Angeles Times, public records show that foreclosure resales are the fastest growing proportion of the home sales market. Up to 50% of existing home sales in Southern California sold in 2008 were lender owned.

Notice Of Default	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Los Angeles	7,824	7,551	7,987	8,392	8,328	8,119	8,002	8,413	3,118	3,569	4,651	8,852
Ventura	727	748	794	817	786	806	721	750	273	263	257	757



EMPLOYMENT & ECONOMY (**& *)

From the 3rd quarter 2007, Southern California's unemployment rate edged up to 8.7%. The consumer price index (CPI) is forecasted to plummet to .1% in 2008. Due to lower revenues from declining property taxes, strained state and local budgets are anticipated to make cutbacks in services and staffing. Most sources indicate weakness in the economy will continue through 2009.

Sources of Data: *Cal Poly Pomona Real Estate Research Council (RERC); **Los Angeles County Economic Development Corporation (LAEDC); *** DQ News.com (DataQuick)



For additional or more current information on the residential market in Los Angeles and Ventura Counties, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

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