

The MarketPulse™

Finding the Positives in Economic and Housing Conditions in 2012

By Mark Fleming

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Data as of November 2011

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Housing Statistics (Nov 2011)

HPI YOY Chg	-4.30%
HPI YOY Chg XD	-0.6%
NegEq Share	22.2%
Shadow Inventory 10/2011...1.6m	
Distressd Clearing Ratio	1.4
Distressd Discount	31.0%
New Sales (mn)	0.021
Existing Sales (mn)	0.167
Mean Actv List Price ...	\$293,000
Active DOM Mean	139
Months' Supply Listings	7.3
Closed List Price %Chg	-6.5%

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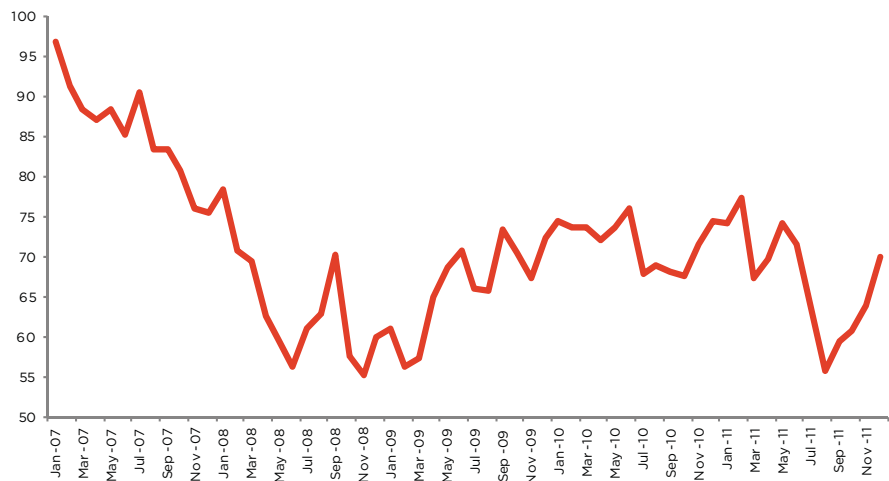
While 2011 was clearly a challenging year, there is a lot to be positive about looking ahead to 2012. Economically, while buffeted by natural disasters and fiscal policy indecisiveness at home and a European sovereign debt crisis abroad, the U.S. economy was able to stave off economic stagnation in 2011 and is likely to continue to do so in 2012. Housing statistics and the duration of the housing downturn to date indicate that 2012 may be the year we begin to turn the corner.

In the summer of 2011, economic concerns peaked as the economy appeared to be on the brink of stagnation. Since the recession officially ended, this was a nadir for the economy as consumer confidence

plummeted, concern about a double-dip recession resurfaced, and fiscal policy indecisiveness reached its zenith. In the second half of the year, and heading into 2012, most major economic statistics are exhibiting an encouraging level of stability and positive, but weak, trends. Though the pace of growth is slow, it is to be expected in an economic recovery caused by a financial crisis. Households are paying off their debts and at the same time accessing credit more easily. Surprisingly, households also added Home Equity Lines of Credit in the third quarter for the first time since the financial crisis began, which is a positive sign of access to liquidity that softens the impact of income shocks. A quarterly survey by the New York Federal Reserve Bank¹ shows that

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CONSUMER SENTIMENT INDEX
University of Michigan



Source: University of Michigan

Footnote

1 Quarterly Report On Household Debt and Credit, Federal Reserve Bank of New York, November 2011.

total household debt continues to decline, but at a slowing pace. During 2012, households will need to find their equilibrium between household debt levels and consumption. Consumer sentiment rebounded strongly in the latter part of 2011, posting a six-month high in December. While still low compared to pre-recession levels, this figure indicates an improving belief in the strength of the economy in 2012.

The labor market seems to be ever so slowly clawing its way toward recovery. In December, jobless claims were at their lowest level since 2008. The unemployment rate is proving stubbornly persistent and gains are often due to declines in the number of people participating in the labor force. The consensus is that unemployment will remain high in 2012 and that it will take a number of years to reduce the level significantly. Nonetheless, there has been consistent private sector job creation in the latter half of 2011. We can expect the persistence of unemployment to be a particularly contentious issue in the 2012 election year.

Housing is an industry with long business cycles. Typical regional housing recessions have taken anywhere from three to five years to find their bottom. The national housing recession has behaved similarly in that it has bounced along a bottom for the past two years. While prices are declining again to new lows, affordability is rising dramatically due to a combination of house price deflation along with rock-bottom mortgage interest rates. Adjusting for inflation, this has been a “lost decade”

for housing as prices are the same as at the beginning of the millennium. The time is right in 2012 for prices to begin growing again and housing

“...indications based on the latter part of 2011 are that both the broad economy and the housing market are positive for 2012.”

affordability will put a floor under any further significant declines in 2012. The spring and summer buying season in 2012 will be watched very closely for positive signs of demand.

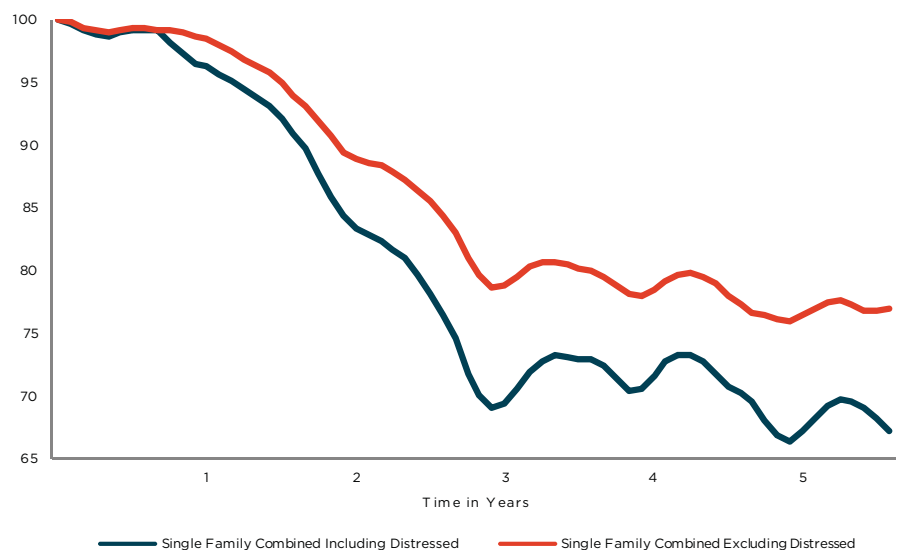
Most housing statistics basically moved sideways in the latter part of 2011. Builder sentiment is improving ever so slowly, but remains at very low levels. Housing starts are also increasing, driven mostly by multifamily starts. Even single-family housing starts began increasing at the end of 2011. Both single-family starts and permits rose at an

annualized pace of 15 percent over the six months ending in November 2011. Existing home sales also started to trend upward at the end of 2011, and were 12 percent higher in November 2011 compared to January 2011. Putting all of these statistics together indicates there is a very long way to go and that the housing market is likely to sustain these trends in 2012.

While we cannot say with a high degree of certainty what 2012 has in store for us, indications based on the latter part of 2011 are that both the broad economy and the housing market are moving toward positive growth in 2012. However, some impediments do exist including slower global economic growth, a recession in Europe, and fiscal and political uncertainty in the U.S. Taking these facts and trends together, we are bullish on the prospect of improving economic performance in 2012 from 2011.

End.

CUMULATIVE HPI DECLINE INDEXED FROM PEAK
Peak: April, 2006



Source: CoreLogic Nov 2011

Estimating the Excess Supply of Housing

By Sam Khater

There are two main drivers of real estate markets: short-term economic drivers such as interest rates, unemployment and income, and long-term drivers such as changing demographics and housing policy. This article examines one of the major long-term drivers: the imbalance between demand and supply due to excess supply, or the total number of vacant homes above the normal level of vacancies. Excess supply is important because it has implications for residential investment and therefore heavily impacts economic growth and home prices.

Every new household that is formed, in theory, will either move into an existing vacant unit or newly built one. While a fundamental framework of analysis should be straightforward, the myriad of existing inconsistent Census data make the analysis very challenging. The number and distribution of households, housing units, homeownership rates and vacancy rates can vary greatly depending on the source within the Census Bureau. For example, the Housing Vacancy Survey (HVS) and Current Population Survey (CPS) both have homeownership rates and vacancy rates that are higher and inconsistent with the Decennial Census (DC).

The Census Bureau's most recent data source, the American Communities Survey (ACS) tends to capture housing

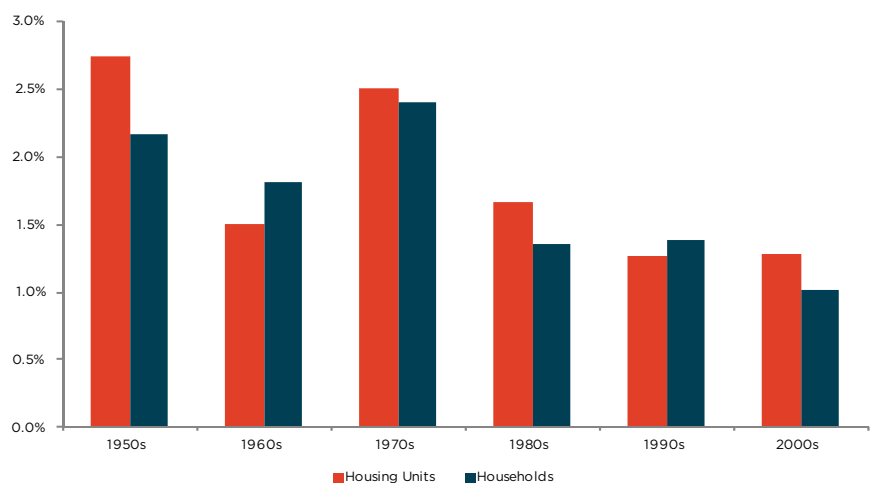
market-related trends more accurately than the HVS and CPS. However, it lacks time series data for historical comparisons. Given that the DC is the most complete enumeration of any Census source and by far has the most complete information set, the focus of this analysis is the utilization of the DC and ACS to analyze housing market supply and demand dynamics.

Household formation (i.e., demand) has increased by an average annualized rate of 1.59 percent over the last five decades. Household growth over the last two decades has slowed, increasing at an average annualized rate of 1.4 percent during the 1990s and only 1 percent during the 2000s (Figure 1). While longer-term household growth is slowing down for a variety of reasons (delayed marriages, women entering workforce, etc.), slower growth over the last

decade also reflects the impact of lower formation rates for younger households and the impact of the Great Recession on the postponement of new household formation. The net increase in housing units (i.e., supply) increased by an annualized 1.64 percent rate during the last five decades. During the 2000's growth in the number of units increased by a 1.3 percent annualized rate, well in excess of the 1 percent annualized household growth rate during that decade. While a difference of only 0.3 percent seems small, it represents 4.5 million additional vacant units that were added during the 2000s. The gross vacancy rate increased substantially in the 1950s due to an increase in the rental vacancy rate, and then stagnated for several decades before large increases in the 1980s and 2000s¹. The result of the

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FIGURE 1: DEMAND VS. SUPPLY
Average Annualized Rate



Source: Census Bureau

Footnote

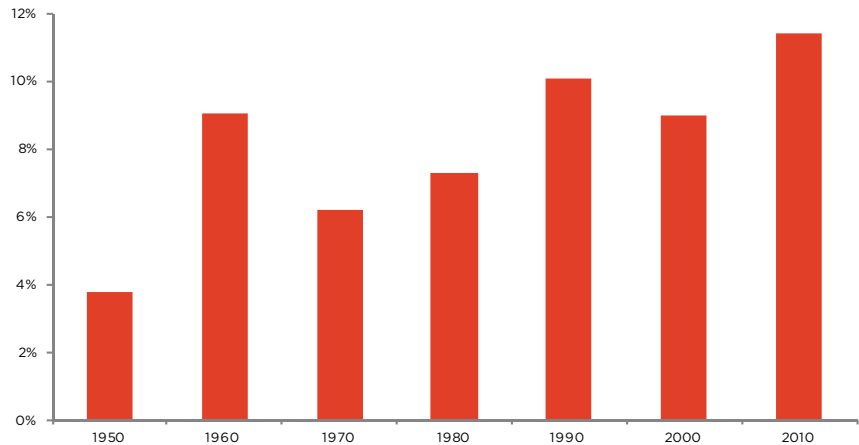
1 The gross vacancy rate is currently defined as all vacant units, which include vacant year-round units and vacant seasonal units.

much larger increase in supply during the 2000s led to an increase in the gross vacancy rate from 9.0 percent in 2000 to 11.4 percent in 2010 (Figure 2).

To determine the excess supply the equilibrium vacancy rate has to be estimated. Using a weighted average of the gross vacancy rates from the 1990 and 2000 Census Reports² reveals that the two-decade average gross vacancy rate at those points in time was 9.4 percent, or two percentage points below the current rate of 11.4 percent. In 2003, the Census Bureau produced the Housing Unit Coverage Study which indicated that the 1990/2000 Decennial Censuses undercounted the number of vacant units by 3 percent. Adjusting for the undercount would drop the excess supply to 1.3 million units from 1.4 million previously. It is possible that the same issue exists for the 2010 Census, but we will not know that for some time. Using the three-decade simple average of gross vacancy rates not adjusted for the Decennial undercount³ reveals an excess supply of 1.2 million units.

To mark forward the excess supply, we need an updated estimate of the increase in the supply and demand. We tabulated single-family and multi-family completions and manufactured housing placements to compute the gross supply and

FIGURE 2: VACANCY RATE



Source: Census Bureau

Prior to the 1960s, homes for occasional use were not categorized, which may explain the spike in vacancy rates in the 1960s. Prior to the 1980s, vacancy rates were for year-round units and for 1990 forward, it is for year-round units and for seasonal, recreational, or occasional use (i.e., vacation homes).

then removed demolitions based on historical trends to get the net increase in supply. To gauge the increase in demand, we used updated Census population estimates to estimate household growth. Given

“...it would take several years for the excess supply to be removed assuming no large policy intervention and the economy continues to grow slowly.”

the net increase in the supply and household growth between April 1, 2010 and November 2011 we estimate that the excess supply was roughly between 1.0 and 1.1 million units as of November 2011⁴.

Adding to the uncertainty in estimating excess supply is the overhang from shadow inventory. Over the last three years, real estate owned (REO) sales have averaged 800,000 units (annually), compared to 200,000 in May 2007 and the trend is expected to continue for at least the next two years (Figure 3). Not all REO properties are adding supply to the stock because a fraction of them are already vacant. However, these properties compete with new supply, especially since REO sales and new sales are geographically concentrated in suburban and exurban markets.

On the demand side, although households grew 1.0 percent during the 2000s, household growth

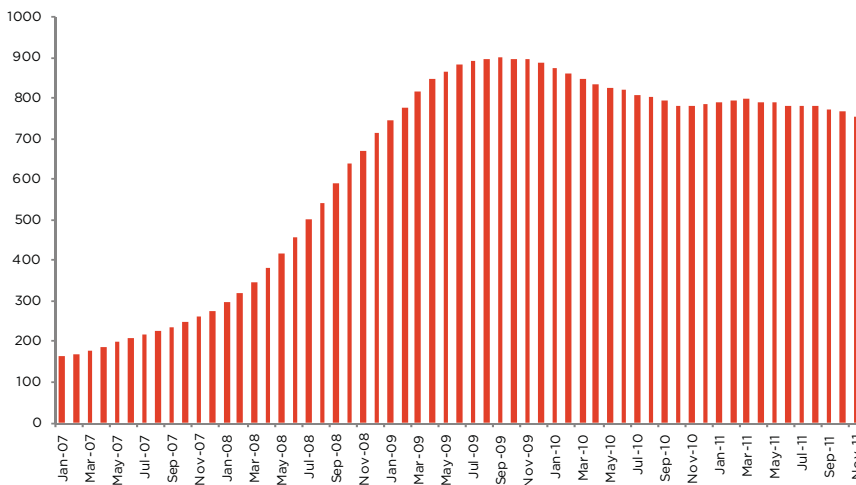
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- Calculations use 75 percent weight for 2000 Census and 25 percent for 1990 Census to give more weight to the recent decade. A weighted average was used because the 1990 housing market was in a recession, and while 2000 Census was also not a normal market, we felt it was more normal than the 1990 real estate market.
- Vacancy rate definition in 1980 only includes year-round units, however for consistency we used all units since that is the definition we were using for the 1990 to 2010 Censuses.
- New Privately Owned Housing Units Completed and Monthly Population Estimates by the Census Bureau. Historical estimates and short-term projections are used, and we assumed constant headship rates for households. We assumed 250,000 demolitions a year based on the Components of Inventory Change (CINCH) data by the Census Bureau, but given the AHS's small sample size it is very uncertain about the quality of the estimate. Municipalities collect residential demolition permits but no entity tabulates the data that we are aware of.

FIGURE 3: NEW SUPPLY: REO SALES DURING LAST 12 MONTHS

In thousands



Source: CoreLogic Nov 2011

subsidized in the latter part of the decade and reached its rock bottom in 2008 and 2009 when household growth only averaged 0.5 percent⁵. In 2010, the number of households grew by 0.8 percent, which is an improvement, but well below the prior decades' average. The latest Joint Center for Housing Studies (JCHS) projection from September 2010 estimates household growth at about 1.2 to 1.4 million or 1.0 percent to 1.1 percent a year. These projections heavily depend on age structure, headship rates, the number of people counted as heads of households, and immigration assumptions which can shift and cause large changes in projections over a few years. For example, as of March 2010 the JCHS projection was for a 1.3 million to 1.5 million more households a year⁶. The uncertainty of the economy is also driving some demographic trends as

the Census Bureau has reported that the number of households “doubling up” increased by over 2 million between 2007 and 2011 and the rise was especially concentrated among 25 to 34 years olds.

Assuming household growth will most likely continue at a pace of about 1 million per year (0.8 percent to 0.9 percent increase) over the next two years before transitioning to the longer term JCHS projections, and that there would be roughly 600,000 net new units of supply and an REO supply of 400,000 units⁷ per year, it will take many years for the excess supply to be removed assuming no large policy intervention and the economy continues to grow slowly. A large caveat to this estimate is the potential for policy intervention because, absent the REO supply, the excess supply would rapidly decline.

In September 2011, the Federal Housing Finance Authority (FHFA) and Treasury issued a request for inquiry for ideas around an REO-to-rental program. Such a program can have large implications and accelerate the removal of excess single-family supply. A program of this nature could be somewhat at the expense of a recovering multi-family market currently exhibiting declining vacancies and increasing construction activity. While the effects of this program would seem to be more distributional than solving the overall problem, it would help solve some of the vacancy and abandonment issues with the vulnerable single-family stock in the hardest hit areas.

An excess supply of housing units is negatively impacting economic growth and house prices. We estimate it to be about 1.1 million units. Given the expected supply of REO properties over the next few years and lower than usual household formation rates it will take a number of years to reduce excess supply to levels that would not significantly influence housing markets. Vacant REO are a significant portion of the overall excess supply that would otherwise decline quickly under reasonable assumptions of household formation. Therefore, policies that reduce the vacant REO supply may help to solve the problem of excess supply more quickly and remove the negative impact on house prices and economic growth.

End.
Footnote

5 ACS 1-Year Estimates.

6 Given the new Decennial Census data and most recent ACS, which were not used by the JCHS (the Joint Center used the CPS Annual Social and Economic Supplement which has different age structure and headship rates in relation to the ACS and Decennial Census), it could mean that this projection could shift in future years.

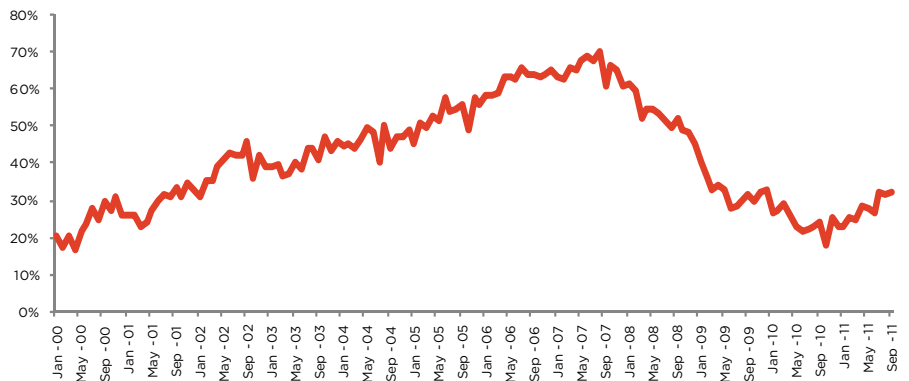
7 Assumes 800,000 REO units a year at a 50 percent vacancy rate. Anecdotally, some quarterly 10-K financial filings indicate vacancy rates of recently acquired properties at 50 percent.

The Role of Subprime Loans in Foreclosure Volumes

By Sam Khater

While it is widely known that foreclosure starts dropped due to policy interventions such as state and local moratoria, HAMP, the drop in the unemployment rate or an improving economy, less obvious are the types of loans that are driving foreclosures. The initial surge of foreclosures in 2007 and 2008 were driven by subprime loans that were sensitive to the surge in the unemployment rate and deteriorating economy. Once the economy stabilized in 2009, and as many of these loans prepaid off the lender's books, the role of the subprime loan as the primary driver of foreclosures receded. However, as

SUBPRIME SHARE OF FORECLOSURE STARTS



home prices entered a free fall period in late 2008 and early 2009 all loan types were affected, especially plain vanilla prime loans. Given that the outlook for the overall economy

remains tepid for the next couple of years, subprime loans will continue to play a role in driving foreclosures beyond 2012 and into 2013.

End.

In the News

Economy Watch: Employment Trends Index Up; Home Prices Down

Multi-Housing News- Dees Stribling - Jan 10, 2012

...CoreLogic reported on Monday that whatever steam the U.S. job market seems to be experiencing (overstated or not), that momentum hasn't budged the housing market just yet...

CoreLogic: Home Prices Down For Fourth Month

24/7 Wall St. - Jan 10, 2012

Research firm CoreLogic said that, by its measure, home prices were off for a fourth month in November. It is worth remembering that there are a number...

National Home Prices Show Little Change in Two Indices

Mortgage News Daily - Jann Swanson - Jan 10, 2012

CoreLogic, using a repeat sales index, reports that prices in the U.S. decreased 1.4 percent in November compared to October, the fourth consecutive monthly decline...

O.C. mortgage delinquency at 29-month low

Orange County Register - Jon Lansner - Jan 10, 2012

According to CoreLogic's latest late-mortgage report, 5.74% of Orange County home-loan borrowers as of October are 90 days-plus late with their house payments. It's the lowest delinquency rate...

Good News Hidden in CoreLogic HPI?

National Mortgage News - Brian Collins - Jan 9, 2012

When foreclosure and short sales are excluded from the CoreLogic home price index, it shows that values declined just 0.6% over the 12 months ending November 30...

CoreLogic: House Price Index declined 1.4% in November

Calculated Risk - Jan 9, 2012

CoreLogic ...today released its November Home Price Index (HPI®) report ... which shows that home prices in the U.S. decreased 1.4 percent on a month-over-month basis, the fourth consecutive monthly decline ...

NATIONAL SUMMARY

	Dec 2010	Jan 2011	Feb 2011	Mar 2011	April 2011	May 2011	June 2011	July 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	2009	2010	YTD 2011
Total Sales*	310	236	246	328	319	336	370	347	381	334	303	264	4241	3985	3464
-New Sales*	25	15	17	23	21	23	26	23	26	24	21	21	387	327	240
-Existing Sales*	192	141	145	198	202	220	249	236	256	223	201	167	2690	2560	2238
-REO Sales*	68	60	63	80	68	65	66	60	66	57	52	48	886	786	685
-Short Sales *	22	19	19	25	25	26	28	27	30	28	27	26	235	273	280
Distressed Sales Share	29%	33%	33%	32%	29%	27%	25%	25%	25%	25%	26%	28%	26%	27%	28%
HPI MoM	-1.0%	-2.1%	-1.8%	-0.7%	1.3%	1.5%	1.4%	0.8%	-0.3%	-0.8%	-1.2%	-1.4%	-0.2%	-0.3%	-0.3%
HPI YoY	-4.0%	-4.6%	-5.0%	-6.0%	-6.1%	-6.1%	-5.6%	-4.8%	-4.2%	-3.7%	-3.7%	-4.3%	-11.8%	-0.2%	-4.9%
HPI MoM Excluding Distressed	-0.9%	-0.2%	-0.5%	-0.3%	0.7%	0.9%	0.6%	0.3%	-0.5%	-0.7%	-0.1%	0.2%	-0.4%	-0.3%	0.0%
HPI YoY Excluding Distressed	-3.5%	-3.0%	-2.6%	-2.8%	-2.7%	-2.7%	-2.6%	-2.7%	-2.8%	-2.6%	-1.6%	-0.6%	-8.8%	-1.7%	-2.4%
90 Days + DQ Pct	7.8%	7.8%	7.8%	7.5%	7.4%	7.3%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	6.8%	8.0%	7.4%
Foreclosure Pct	3.6%	3.6%	3.6%	3.5%	3.5%	3.5%	3.5%	3.4%	3.4%	3.5%	3.5%	3.5%	2.6%	3.2%	3.5%
REO Pct	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Pre-foreclosure Filings*	138	143	125	137	116	116	116	108	135	121	124	110	2394	2067	1351
Total Auction Filings*	66	78	64	82	75	73	74	64	68	73	73	65	960	1083	789
Negative Equity Share	23.1%	23.0%	22.9%	22.7%	22.6%	22.6%	22.5%	22.4%	22.2%	22.1%	22.2%	22.2%	23.2%	23.1%	22.5%
Negative Equity*	11,090	11,026	10,969	10,907	10,896	10,884	10,882	10,828	10,773	10,720	10,774	10,757	11,009	11,050	10,856
Months Supply SDQ Homes	10.90	14.04	13.36	9.69	9.81	9.17	8.24	8.75	7.93	9.03	9.95	11.37	8.52	10.67	10.12

* Thousands of Units

TOP 25 CBSA SUMMARY NOVEMBER 2011

	Total Sales	REO Sales	Short Sales	Distressed Sales Shares	Total Sales YoY Change	Cum Dom YoY Change	Cum Sold Dom Mean YoY Change	HPI MoM	HPI YoY	90 Days + DQ Pct	Pre-foreclosure Filings	Auction Filings	Negative Equity Share	Months Supply Distressed Homes
Chicago-Joliet-Naperville, IL	4,604	998	641	35.6%	1.4%	21.2%	-6.8%	-2.5%	-10.5%	10.6%	4,769	1,403	24.9%	28.5
Los Angeles-Long Beach-Glendale, CA	5,490	1,665	852	45.8%	-13.7%	5.3%	9.2%	-0.6%	-5.7%	7.4%	5,973	2,110	23.1%	16.0
Atlanta-Sandy Springs-Marietta, GA	4,139	986	624	38.9%	4.9%	15.9%	-2.5%	-2.0%	-8.2%	8.9%	7,124	3,024	34.5%	20.7
New York-White Plains-Wayne, NY-NJ	4,336	151	222	8.6%	-9.2%	n/a	n/a	-0.8%	1.3%	8.5%	341	61	10.6%	18.6
Washington-Arlington-Alexandria, DC-VA-MD-WV	4,108	537	547	26.4%	-8.1%	n/a	n/a	-0.8%	0.2%	5.9%	2,394	444	27.7%	11.6
Houston-Sugar Land-Baytown, TX	6,257	850	296	18.3%	-1.9%	14.8%	0.7%	-0.3%	-3.4%	5.2%	1,465	1,237	10.3%	6.6
Phoenix-Mesa-Glendale, AZ	7,171	1,810	1,500	46.2%	-5.8%	n/a	n/a	0.9%	-4.9%	7.8%	5,662	3,048	52.3%	7.8
Riverside-San Bernardino-Ontario, CA	5,202	2,033	972	57.8%	-8.3%	10.6%	3.5%	-0.4%	-5.7%	10.2%	5,043	2,285	44.0%	13.4
Dallas-Plano-Irving, TX	4,455	618	277	20.1%	-1.3%	8.5%	-2.2%	-0.8%	0.2%	5.0%	3,359	846	11.2%	7.0
Minneapolis-St. Paul-Bloomington, MN-WI	2,727	500	149	23.8%	-4.6%	17.0%	5.7%	-0.3%	-7.3%	5.0%	2,171	887	17.5%	11.2
Philadelphia, PA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0%	-0.7%	5.7%	665	122	7.8%	n/a
Seattle-Bellevue-Everett, WA	2,410	571	289	35.7%	10.0%	8.7%	-9.0%	-1.6%	-4.7%	6.3%	912	867	16.6%	13.0
Denver-Aurora-Broomfield, CO	3,227	733	324	32.7%	5.5%	n/a	n/a	0.2%	1.0%	4.3%	2,104	984	22.7%	6.5
San Diego-Carlsbad-San Marcos, CA	2,451	629	547	48.0%	-10.7%	5.8%	7.2%	-0.5%	-6.8%	6.2%	1,949	758	28.3%	11.7
Tampa-St. Petersburg-Clearwater, FL	3,810	505	576	28.4%	4.8%	33.8%	1.8%	-0.1%	-7.9%	16.9%	1,674	930	47.1%	20.2
Santa Ana-Anaheim-Irvine, CA	1,787	366	407	43.2%	-21.2%	8.8%	4.1%	-1.1%	-4.8%	5.6%	1,897	570	17.5%	14.3
St. Louis, MO-IL	2,713	594	104	25.7%	-10.1%	15.6%	6.4%	-2.6%	-4.7%	4.9%	1,107	656	17.1%	8.0
Baltimore-Towson, MD	2,154	198	200	18.5%	-1.1%	n/a	n/a	-0.7%	-2.5%	7.5%	355	40	18.8%	15.3
Oakland-Fremont-Hayward, CA	2,661	646	582	46.1%	-2.7%	n/a	n/a	-0.9%	-8.4%	6.7%	2,094	1,043	29.1%	11.0
Nassau-Suffolk, NY	1,755	55	27	4.7%	4.3%	n/a	n/a	-1.3%	-1.2%	10.2%	752	106	5.4%	25.3
Warren-Troy-Farmington Hills, MI	2,081	719	134	41.0%	-27.6%	n/a	n/a	-0.3%	0.8%	6.0%	1,429	1,008	40.8%	12.6
Portland-Vancouver-Hillsboro, OR-WA	1,826	293	239	29.2%	-5.6%	n/a	n/a	-0.4%	-3.0%	5.6%	733	615	17.5%	11.9
Sacramento--Arden-Arcade--Roseville, CA	2,730	928	671	58.6%	-1.8%	1.6%	-2.2%	-0.5%	-10.0%	7.8%	2,520	1,132	40.3%	10.9
Orlando-Kissimmee-Sanford, FL	3,192	469	790	39.5%	-0.7%	10.6%	-15.0%	-0.2%	-1.2%	18.4%	1,297	902	51.9%	21.0
Edison-New Brunswick, NJ	1,483	60	123	12.3%	-16.0%	25.2%	16.3%	-1.4%	-3.3%	8.4%	314	29	13.2%	20.6

STATE SUMMARY NOVEMBER 2011

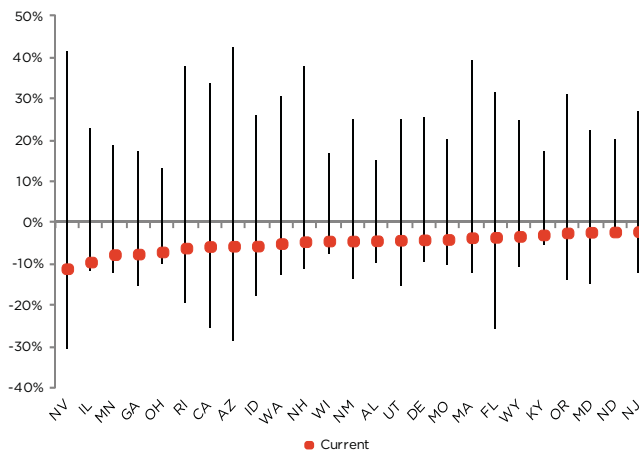
State	Total Sales	REO Sales	Short Sales	Distressed Sales Shares	Total Sales YoY Change	Cum Dom Mean YoY Change	Cum Sold Dom Mean YoY Change	HPI MoM	HPI YoY	90 Days + DQ Pct	Pre-Foreclosure Filings	Auction Filings	Negative Equity Share	Months Supply Distressed Homes
AK	665	53	23	11.4%	-18.0%	n/a	n/a	-0.8%	1.2%	2.2%	174	83	7.5%	2.7
AL	2,132	333	96	20.1%	-16.0%	n/a	n/a	-2.7%	-4.5%	5.6%	528	550	11.2%	14.5
AR	2,017	163	128	14.4%	-29.8%	17.8%	6.6%	-0.9%	-0.5%	5.0%	400	323	9.9%	7.4
AZ	9,631	2,584	1,815	45.7%	-6.7%	14.1%	0.0%	0.6%	-5.8%	7.2%	7,461	4,133	47.5%	7.9
CA	31,380	9,480	6,102	49.7%	-8.0%	7.6%	5.2%	-0.7%	-5.9%	7.2%	29,339	11,862	29.9%	12.4
CO	6,061	1,348	624	32.5%	-3.2%	n/a	n/a	0.2%	-0.1%	4.1%	4,155	1,912	20.4%	6.3
CT	1,784	212	196	22.9%	-32.4%	17.5%	6.6%	-0.9%	-2.2%	7.1%	88	248	13.0%	19.2
DC	543	37	30	12.3%	4.5%	n/a	n/a	-1.3%	2.1%	5.6%	31	5	14.0%	9.5
DE	588	94	30	21.0%	-10.9%	26.6%	16.8%	-1.6%	-4.3%	6.5%	144	226	14.3%	17.3
FL	27,904	4,330	4,390	31.2%	-0.2%	23.5%	8.7%	-0.4%	-3.7%	17.4%	11,859	7,624	44.1%	18.9
GA	7,076	1,562	737	32.5%	-0.7%	17.0%	-4.9%	-1.6%	-7.7%	7.9%	10,755	4,142	30.0%	16.5
HI	812	90	80	20.9%	-33.2%	19.4%	2.3%	1.0%	-1.6%	6.5%	253	21	9.9%	13.7
IA	4,807	270	153	8.8%	33.4%	22.9%	7.9%	-0.5%	-0.6%	4.1%	425	443	9.1%	3.1
ID	2,273	595	163	33.4%	0.7%	n/a	n/a	-0.8%	-5.8%	5.2%	1,044	528	22.4%	5.4
IL	7,901	1,436	906	29.6%	-5.4%	20.1%	-7.5%	-2.4%	-9.7%	9.1%	6,273	1,825	21.5%	21.2
IN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-0.4%	0.7%	6.5%	1,132	840	10.7%	n/a
KS	1,726	277	114	22.7%	-13.6%	n/a	n/a	-0.3%	-1.0%	4.3%	379	108	10.0%	8.0
KY	1,979	200	106	15.4%	-40.8%	n/a	n/a	-0.6%	-3.1%	5.5%	575	158	8.6%	12.2
LA	2,798	437	100	19.2%	4.8%	15.2%	-6.4%	-0.6%	-1.7%	6.1%	661	242	14.6%	9.7
MA	7,700	761	n/a	5.4%	n/a	n/a	n/a	-0.9%	-3.7%	5.6%	559	373	15.6%	6.3
MD	4,660	507	595	23.6%	-5.0%	n/a	n/a	-1.3%	-2.4%	7.9%	802	80	23.3%	16.8
ME	614	46	24	11.4%	9.7%	n/a	n/a	-2.4%	-2.0%	6.8%	177	60	8.1%	16.7
MI	8,882	3,775	329	46.2%	-33.2%	n/a	n/a	-1.2%	-0.2%	6.5%	4,109	10,263	34.8%	10.1
MN	3,874	617	175	20.5%	-11.5%	18.1%	5.8%	-0.6%	-7.8%	4.6%	2,382	1,010	16.3%	10.5
MO	5,245	1,143	197	25.5%	-7.4%	12.8%	4.9%	-2.1%	-4.2%	4.5%	1,742	1,304	15.7%	7.0
MS	n/a	n/a	n/a	88.0%	-86.1%	n/a	n/a	-0.5%	0.0%	7.4%	326	71	23.9%	n/a
MT	888	100	56	17.6%	-9.1%	n/a	n/a	-0.7%	0.9%	3.1%	270	153	8.4%	4.5
NC	6,599	642	497	17.3%	-15.0%	27.3%	6.2%	-0.2%	-0.8%	5.8%	4,598	1,790	11.8%	11.5
ND	1,039	22	19	4.0%	17.0%	n/a	n/a	-0.2%	-2.4%	1.7%	25	22	7.0%	0.9
NE	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.9%	1.9%	2.9%	234	113	9.9%	n/a
NH	1,162	197	112	26.6%	-10.6%	13.6%	6.1%	-1.4%	-4.7%	4.5%	.	182	19.2%	7.5
NJ	5,099	206	485	13.5%	-13.7%	39.0%	10.0%	-1.3%	-2.3%	10.3%	1,460	117	16.3%	24.9
NM	1,682	211	138	20.7%	-0.2%	n/a	n/a	-0.5%	-4.5%	5.6%	696	182	13.5%	8.5
NV	5,516	2,227	1,021	58.9%	3.6%	5.8%	1.1%	-0.6%	-11.2%	13.5%	1,736	2,043	58.8%	11.4
NY	10,414	312	278	5.7%	-11.7%	21.5%	11.0%	-0.5%	1.7%	7.7%	1,254	269	6.3%	14.2
OH	8,162	1,649	629	27.9%	-15.7%	14.6%	3.3%	-1.7%	-7.2%	6.8%	4,349	1,982	22.5%	12.3
OK	4,009	409	134	13.5%	-10.7%	-2.0%	8.9%	-1.0%	0.0%	5.1%	1,397	577	7.2%	5.1
OR	3,019	470	390	28.5%	-12.2%	n/a	n/a	-0.5%	-2.6%	5.6%	945	1,125	17.0%	11.5
PA	9,565	1,003	342	14.1%	2.4%	n/a	n/a	-0.6%	0.0%	5.7%	1,875	696	7.9%	8.7
RI	651	88	58	22.4%	-19.0%	18.9%	10.3%	-1.9%	-6.3%	7.3%	389	455	21.4%	14.7
SC	3,796	582	267	22.4%	-6.9%	27.3%	10.9%	1.2%	2.8%	6.6%	593	372	15.5%	11.0
SD	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-0.6%	1.3%	2.6%	n/a	n/a	n/a	n/a
TN	6,618	1,041	391	21.6%	-6.3%	n/a	n/a	-1.0%	-0.5%	6.1%	2,313	1,812	14.7%	7.1
TX	25,069	2,940	1,115	16.2%	-5.7%	12.4%	-0.7%	-0.9%	-0.6%	4.7%	10,991	4,366	9.6%	5.6
UT	3,509	759	355	31.7%	5.6%	n/a	n/a	0.1%	-4.4%	5.0%	1,997	464	20.0%	6.1
VA	6,227	1,133	604	27.9%	-10.0%	36.8%	25.0%	-0.5%	0.4%	4.0%	5,310	1,335	23.0%	8.1
VT	n/a	n/a	n/a	n/a	n/a	26.2%	9.2%	-1.8%	4.3%	3.9%	n/a	n/a	n/a	n/a
WA	5,500	1,236	544	32.4%	-4.0%	11.2%	-8.8%	-1.4%	-5.2%	6.1%	1,932	2,123	17.3%	12.9
WI	3,608	417	275	19.2%	-24.6%	21.5%	-1.9%	-1.6%	-4.6%	4.6%	1,756	1,065	14.5%	9.8
WV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-2.7%	-0.1%	4.1%	391	24	6.1%	n/a
WY	509	48	26	14.6%	29.4%	n/a	n/a	-2.7%	-3.4%	2.4%	53	59	12.9%	3.4

Prices

- ▶ The House Price Index (HPI) decreased on a month-over-month basis for the fourth consecutive month. The HPI was down about 4 percent on a year-over-year basis in November. The HPI excluding distressed sales has held up better, coming in barely positive on a month-over-month basis, and only slightly negative on a year-over-year basis. The HPI excluding distressed sales is expected to be down only modestly for the full year 2011. Nevada continues to have the largest year-over-year depreciation in the HPI. While some states have fallen from the list of largest depreciation (such as Florida and Arizona), they are still well below their peak values.
- ▶ While transactions prices remain in negative territory, prices of new listings have been recovering over the past few months. Asking prices may serve as a leading indicator to transactions prices. The discount from initial asking price to selling price has been on the decline.

YoY HPI GROWTH FOR 25 LOWEST RATE STATES

Min, Max, Current since Jan 1976

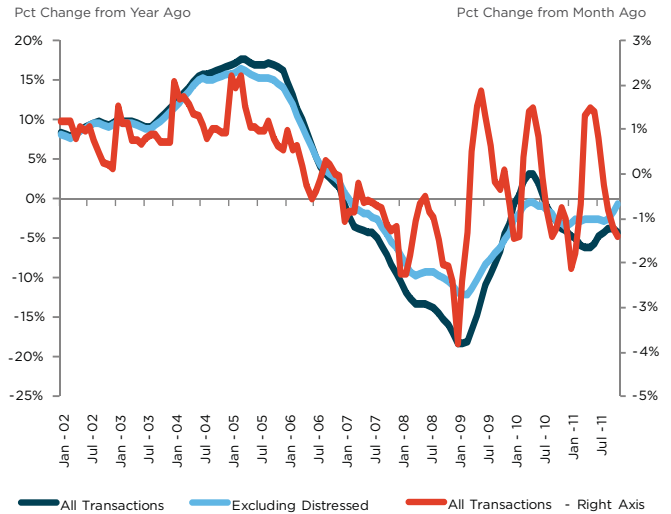


NEW LIST PRICE

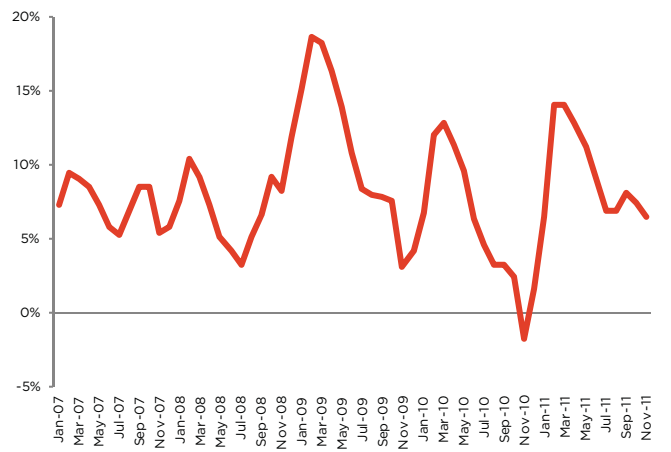
YoY Change



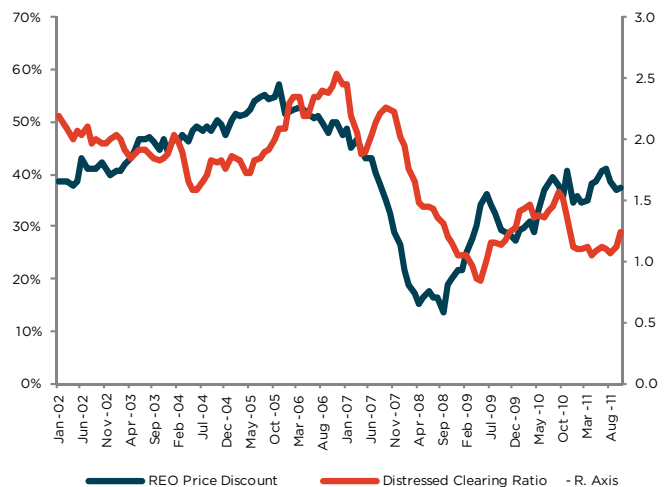
HOME PRICE INDEX



NEW LISTING/SOLD LISTING PRICE DISCOUNT



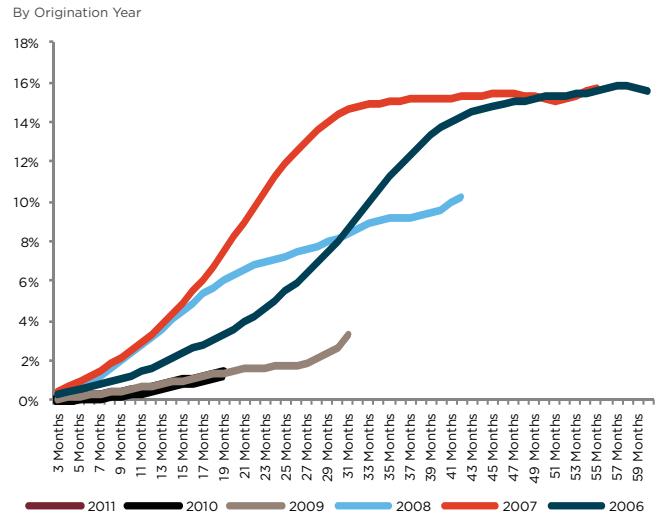
REO DISCOUNT



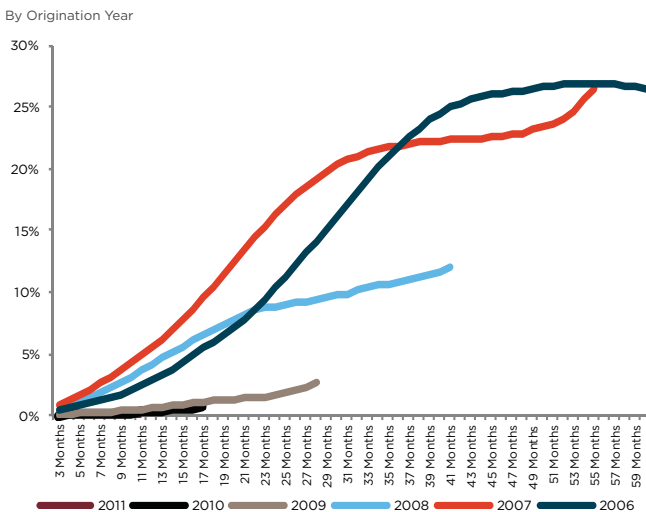
Performance

- ▶ The serious delinquency rate (90 days past due or more) has leveled to about 7 percent of outstanding mortgages. The rate continues to be driven by mortgages originated from 2006 to 2008. At a year into their lives, 2011 mortgage originations have SDQ rates well below other vintage years. While the SDQ rate is stalled out, the number of mortgages in SDQ has continued to fall on a year-over-year basis. Florida and Nevada have the highest SDQ rates at 2 to 2 and a half times the national SDQ rate.
- ▶ Auction filings, or those homes lost to foreclosure, remain high and were at about 65 thousand in November. This is little-changed from a year ago, but down from highs of two years prior as tighter rules are keeping some mortgages in REO.

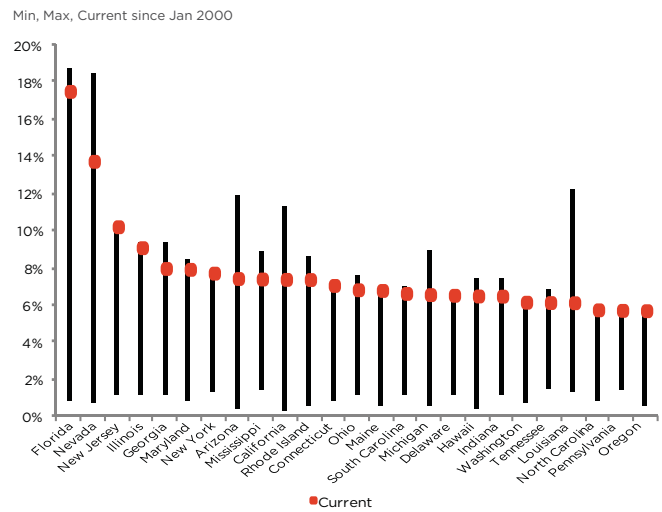
CONFORMING PRIME SERIOUS DELINQUENCY RATE



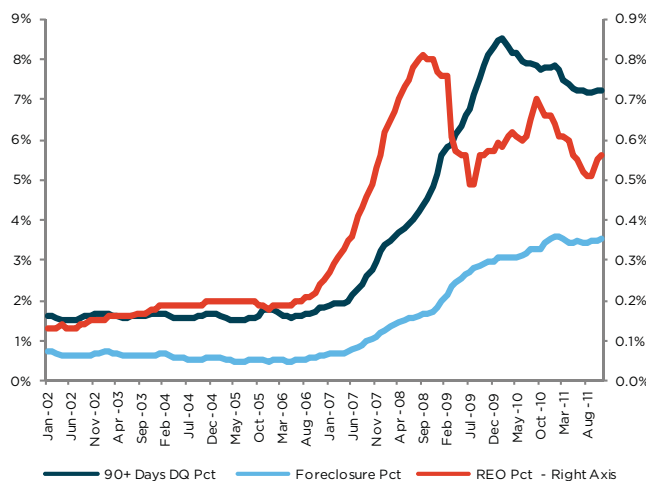
JUMBO PRIME SERIOUS DELINQUENCY RATE



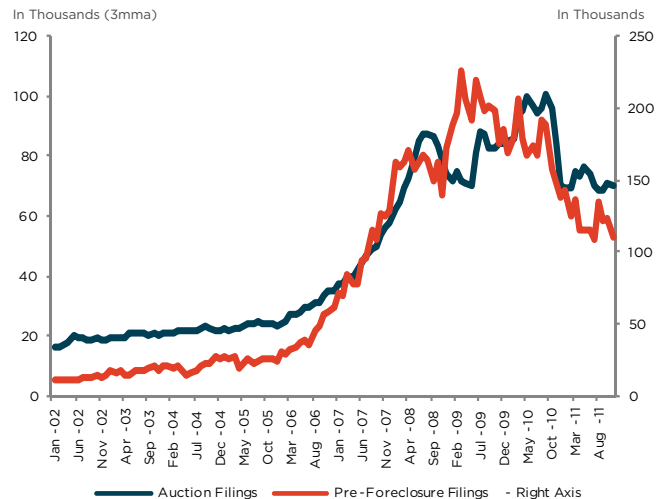
SERIOUS DELINQUENCIES FOR 25 HIGHEST RATE STATES



OVERALL MORTGAGE PERFORMANCE



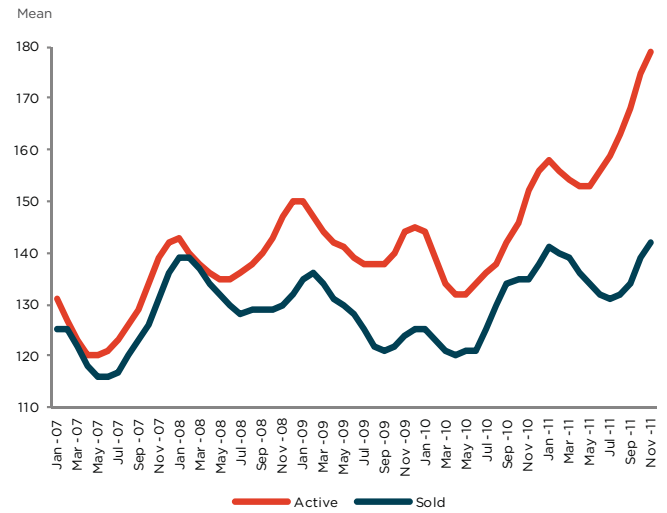
AUCTION AND PRE-FORECLOSURE FILINGS



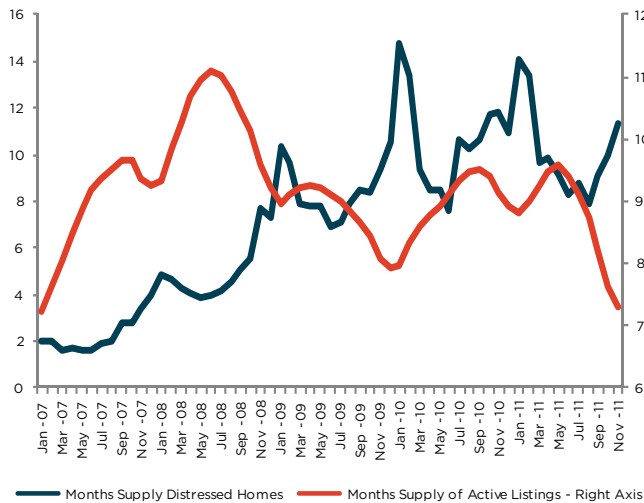
Sales

- ▶ Home sales continue to be sluggish and year-to-date through November were down 6 percent from the same period last year. Distressed sales made up 28 percent of sales in November, edging up from the prior month, but at the same share as a year ago. Distressed sales are expected to rise in the winter months, as this is the low season for healthy sales. Nevada leads the country in distressed sales share, followed by California, Arizona, Michigan, and Florida.
- ▶ The months' supply of distressed properties (those with mortgages that are seriously delinquent) has been edging up and stands at 11 months. At the same time, the months' supply of active listings (or visible inventory) has been edging down and is now at 7 months. This slow down months' supply of listing is due in a large part to a slowdown in new listings.

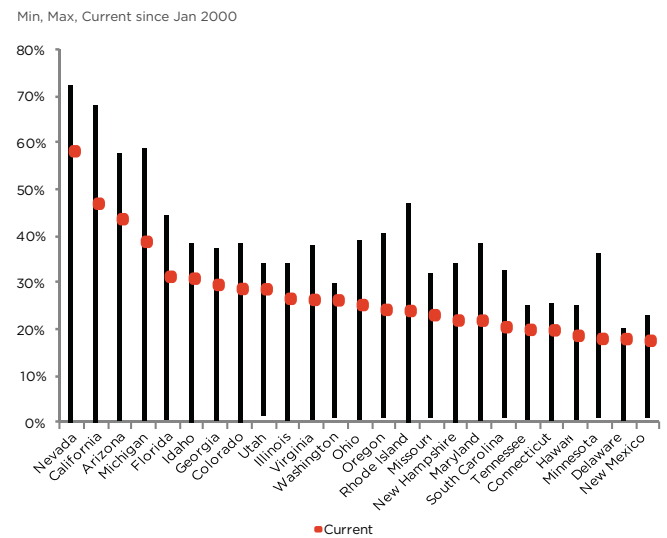
CUMULATIVE DAYS ON MARKET



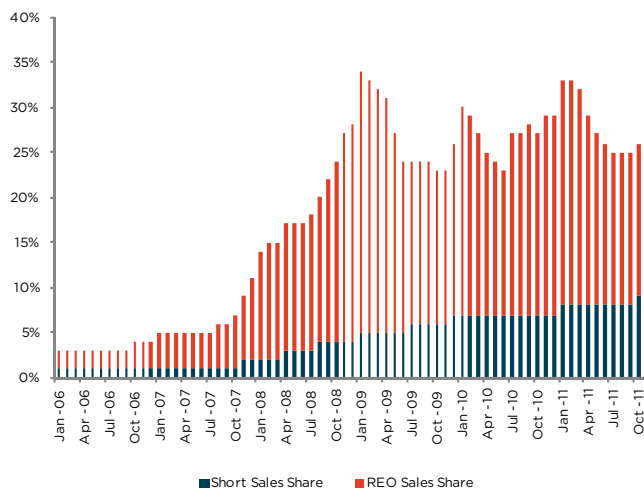
MONTHS' SUPPLY



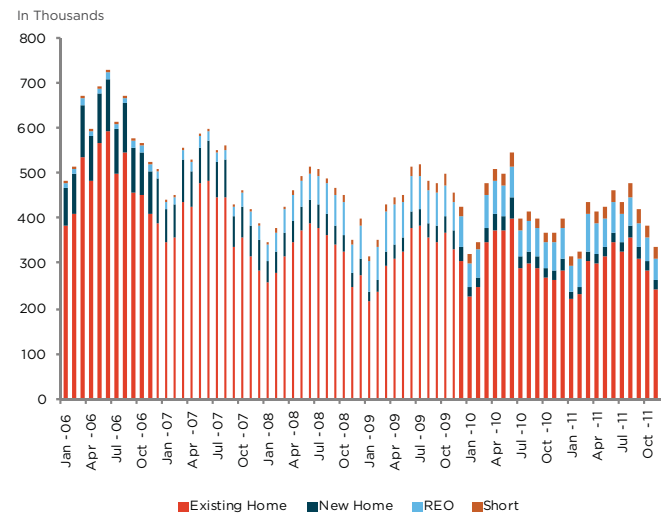
DISTRESSED SALE SHARE FOR 25 HIGHEST RATE STATES



DISTRESSED SALES AS PERCENTAGE OF TOTAL SALES



SALES BY SALE TYPE



VARIABLE DESCRIPTIONS

Variable	Definition
Total Sales	The total number of all home-sale transactions during the month.
New Sales	The total number of newly constructed residential housing units sold during the month.
Existing Sales	The number of previously constructed homes that were sold to an unaffiliated third party. DOES NOT INCLUDE REO AND SHORT SALES.
REO Sales	Number of bank owned properties that were sold to an unaffiliated third party.
Short Sales	The number of short sales. A short sale is a sale of real estate in which the sale proceeds fall short of the balance owed on the property's loan.
Distressed Sales Share	The percentage of the total sales that were a distressed sale (REO or short sale).
HPI MoM	Percent increase in HPI single family combined series over a month ago.
HPI YoY	Percent increase in HPI single family combined series over a year ago.
HPI MoM Excluding Distressed	Percent increase in HPI single family combined excluding distressed series over a month ago.
HPI YoY Excluding Distressed	Percent increase in HPI single family combined excluding distressed series over a year ago.
90 Days + DQ Pct	The percentage of the overall loan count that are 90 or more days delinquent as of the reporting period. This percentage includes loans that are in foreclosure or REO.
Foreclosure Pct	The percentage of the overall loan count that is currently in foreclosure as of the reporting period.
REO Pct	The count of loans in REO as a percentage of the overall count of loans for the reporting period.
Pre-foreclosure Filings	The number of mortgages where the lender has initiated foreclosure proceedings and it has been made known through public notice (NOD).
Total Auction Filings	Auction Filings are the notice of the auction filing that has take place. The variable represents the number of properties were sold at a public auction sale. These are where the lender conducts an auction sale and either 1) accepts a bid where the proceeds are used to repay the debt owed, or 2) takes legal possession of the property.
Negative Equity Share	The percentage of mortgages in negative equity. The denominator for the negative equity percent is based on the number of mortgages from the public record.
Negative Equity	The number of mortgages in negative equity. Negative equity is calculated as the difference between the current value of the property and the origination value of the mortgage. If the mortgage debt is greater than the current value, the property is considered to be in a negative equity position. We estimate current UPB value, not origination value.
Months Supply Distressed Homes	The months it would take to sell off all homes currently in distress of 90 days delinquency or greater based on the current sales pace.
Total Sales YoY Change	Percent increase in total sales over a year ago.
Distressed Clearing Ratio	Represents REO Sales divided by Auction Filings.
Listing Price Discount	Percentage calculated by dividing the mean new listing price by the mean sold listing price.
Cum DOM Mean YoY Change	Percent increase in cumulative days on market (DOM) for listing active at the end of the month.
Cum Sold DOM Mean YoY Change	Percent increase in cumulative days on market (DOM) for listing sold during the month.
Months' Supply of Active Listings	Active Listings divided by 12 month average of sold listings for a given month.
Seriously DQ Pct	The count of loans in serious delinquency (90 days +) as a percentage of the overall count of loans for the reporting period.

Source: CoreLogic

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