

Overview of the

23

ANNUAL

SAN ANTONIO HOUSING FORECAST

2008



www.LawyersTitleSA.com

Housing Forecast

SAN ANTONIO

- Microsoft / Lowes – Potential 500 New Jobs
- 2 Billion Allocated to Fort Sam / Medical Center
- 1.8 Billion Bond Passing (School Districts)
- Real Estate Prices Reasonable
- Production Reasonable
- Corporate Headquarters
 - AT&T
 - USAA
 - Tesoro
 - Microsoft
 - Clear Channel

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Real Estate is LOCAL

Negative Spin From National Media Does Not Portray Actual Real Estate at the Local Level

- 2007 2nd Best Year in History of San Antonio
- Interest Rate Still Strong
- Funds Available for Qualified Buyers
- Safer Mortgage Products
- Buyer's Market for First 9 Months of 2008
- Price Appreciation 7.89%

Housing Forecast

CONCLUSION

- **Positive**
 - **Good Job Growth**
 - **Unemployment 3.9% in Texas**
 - **Housing Price Appreciation**
 - **6.6% - 5 Year History**
 - **5.1% - 10 Year History**
 - **Closings Exceeded Starts in 4th Quarter
Reducing Inventory of New Homes**
 - **Population Growth Estimates for San Antonio
for Next 40 years**
 - **109% - 148% Increase**
 - **Approximately 3.0% Per Year**
 - **2007 Comparable to 2005; 2nd Best Year in
History of Housing for San Antonio**

Housing Forecast

CONCLUSION

- **Negative**
 - **Weaker Consumer Confidence**
 - **Large New Home Inventory**
 - **Weaker Resale Market**
 - **Foreclosure Increase**
 - **Sale Price Fluctuation**
 - **Mortgage Loan Uncertainty**
 - **Recession Fears**
 - **Subprime Lending Concerns**



Real Estate is
Local.

The 2008 San
Antonio
Housing Forecast

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2007 was comparable to our “**second best year**” for resale single family home sales in San Antonio.



Real Estate Market = Cyclical



**“History does not
repeat itself – at best
it sometimes
rhymes”**

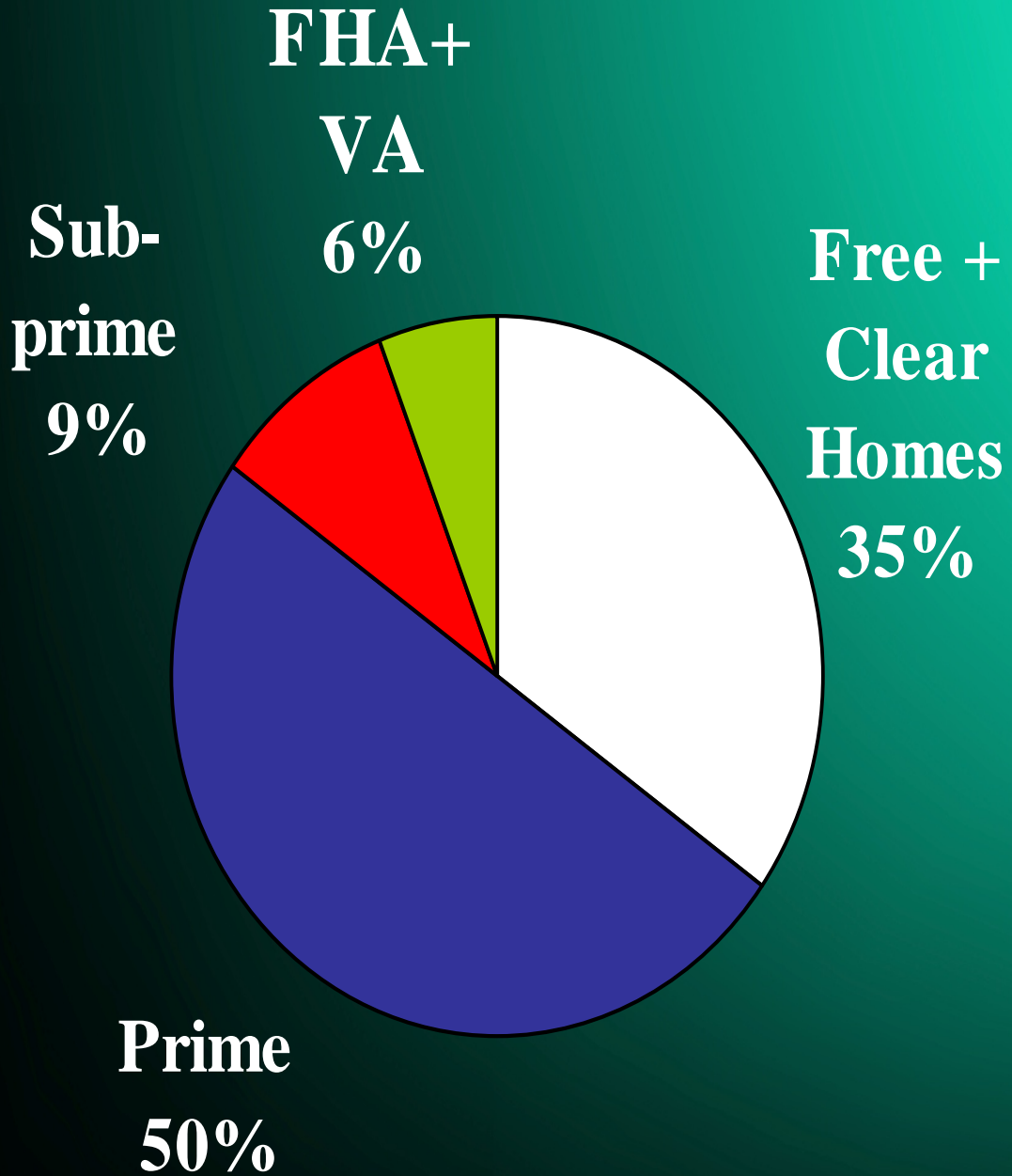
-Mark Twain

2007 Challenges

- Housing price declines (not San Antonio or Texas)
- Lower Home Sales
- Lower New Home Construction
- Job Cuts in Construction and Lending
- Subprime Loan Problems
- Rising Foreclosures



Subprime Loan Exposure

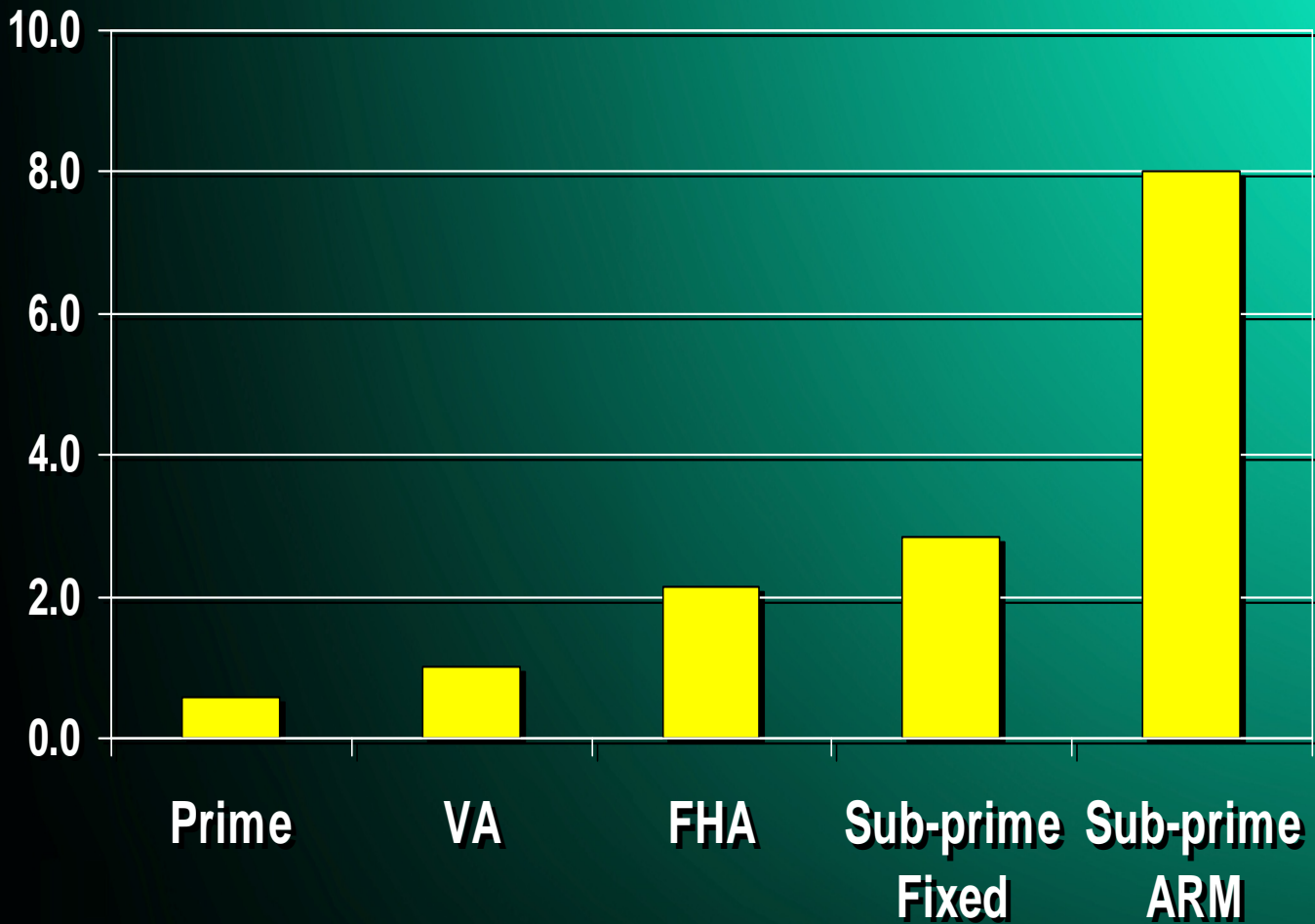


Source: NAR Estimate

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Foreclosure Rates by Loan Type 2007 Q2



Biggest Challenge of 2007



The Media's Negative Spin on ALL Real Estate

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2008 = The Year of Opportunity



All
Real
Estate
is
LOCAL

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2008 = The Year of Opportunity

- Job growth
- Affordable
Interest Rates
- Price
Appreciation
- Plentiful
Mortgage
Funding

All
Real
Estate
is
LOCAL

National Housing Outlook

	2006	2007	2008
Existing-Home Sales	6.48 million	5.67 million	5.69 million
New Home Sales	1.05 million	0.80 million	0.69 million
Housing Starts	1.80 million	1.35 million	1.14 million
30-Year FRM	6.4%	6.4%	6.5%
1-Year ARM	5.5%	5.6%	5.1%

More 2008 Opportunities

- Safer & Affordable Mortgage Products
 - Prime Borrowers: low favorable conforming rate loans
 - Jumbo Borrowers: rates coming down
 - Non-Prime Borrowers: moving away from risky subprime loans
- Temporary Tax Break



At a Glance:

Price Changes from October 2006 to October 2007

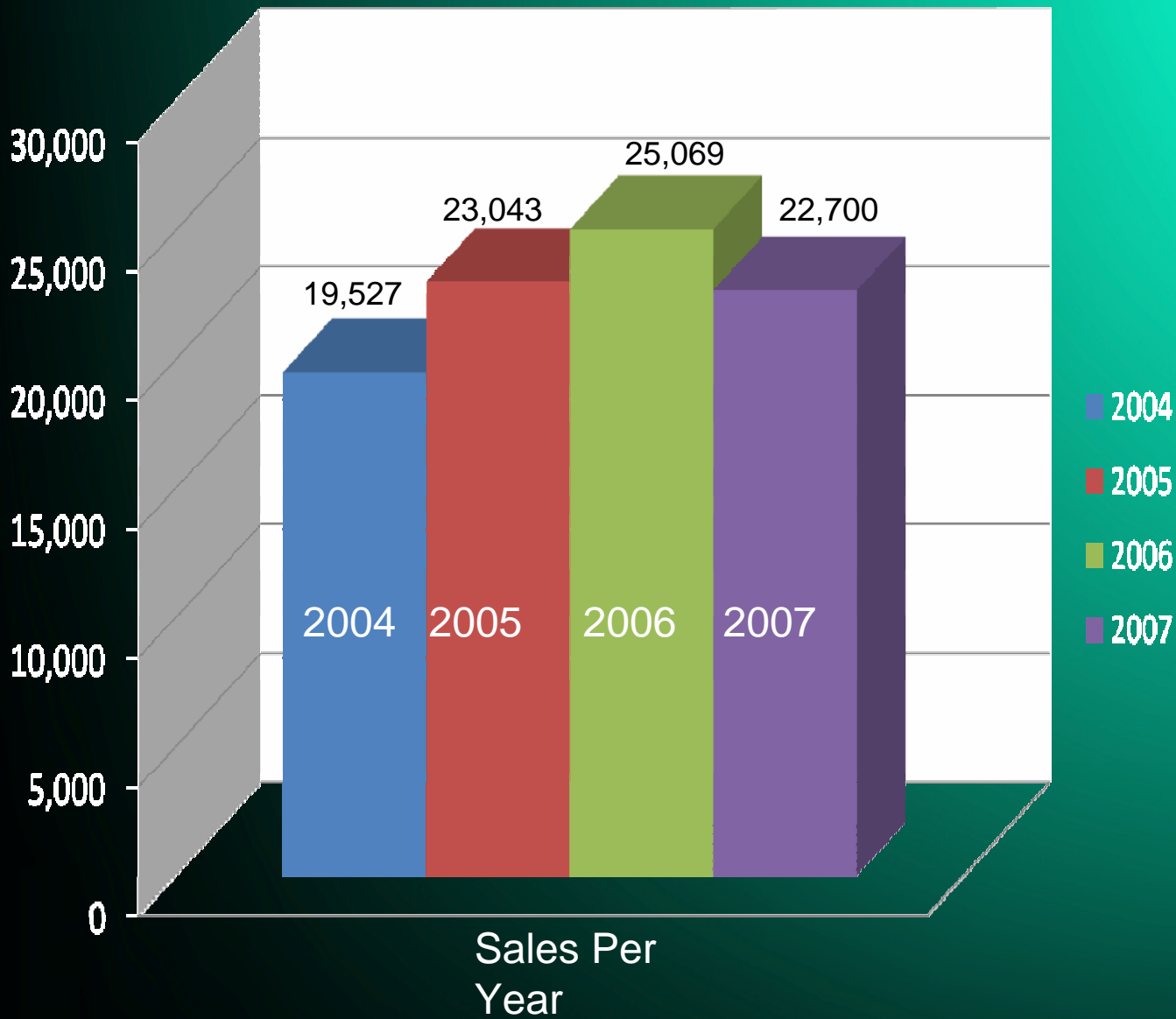
Source: First American Corporation's Loan Performance Home Price Index

Honolulu, HI	17.91%
Salt Lake City, UT	11.63%
<i>Austin-Round Rock, TX</i>	<i>8.62%</i>
<i>San Antonio, TX</i>	<i>7.89%</i>
<i>Houston-Sugar Land- Baytown, TX</i>	<i>4.52%</i>
<i>Dallas-Fort Worth-Arlington, TX</i>	<i>3.92%</i>
Philadelphia, PA	-0.61%
St. Louis, MO-IL	-2.76%
Detroit-Warren-Livonia, MI	-3.16%
Miami-Miami Beach-Kendall, FL	-4.85%
Cleveland-Elyria-Mentor, OH	-8.10%
Washington-Arlington-Alexandria, DC-VA-MD-WV	-8.11%
Phoenix-Mesa-Scottsdale, AZ	-10.08%
Los Angeles-Long Beach-Santa Ana, CA	-10.45%
Las Vegas-Paradise, NV	-11.65%
Riverside-San Bernardino-Ontario, CA	-15.70%

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Resale/Existing Family Home Sales

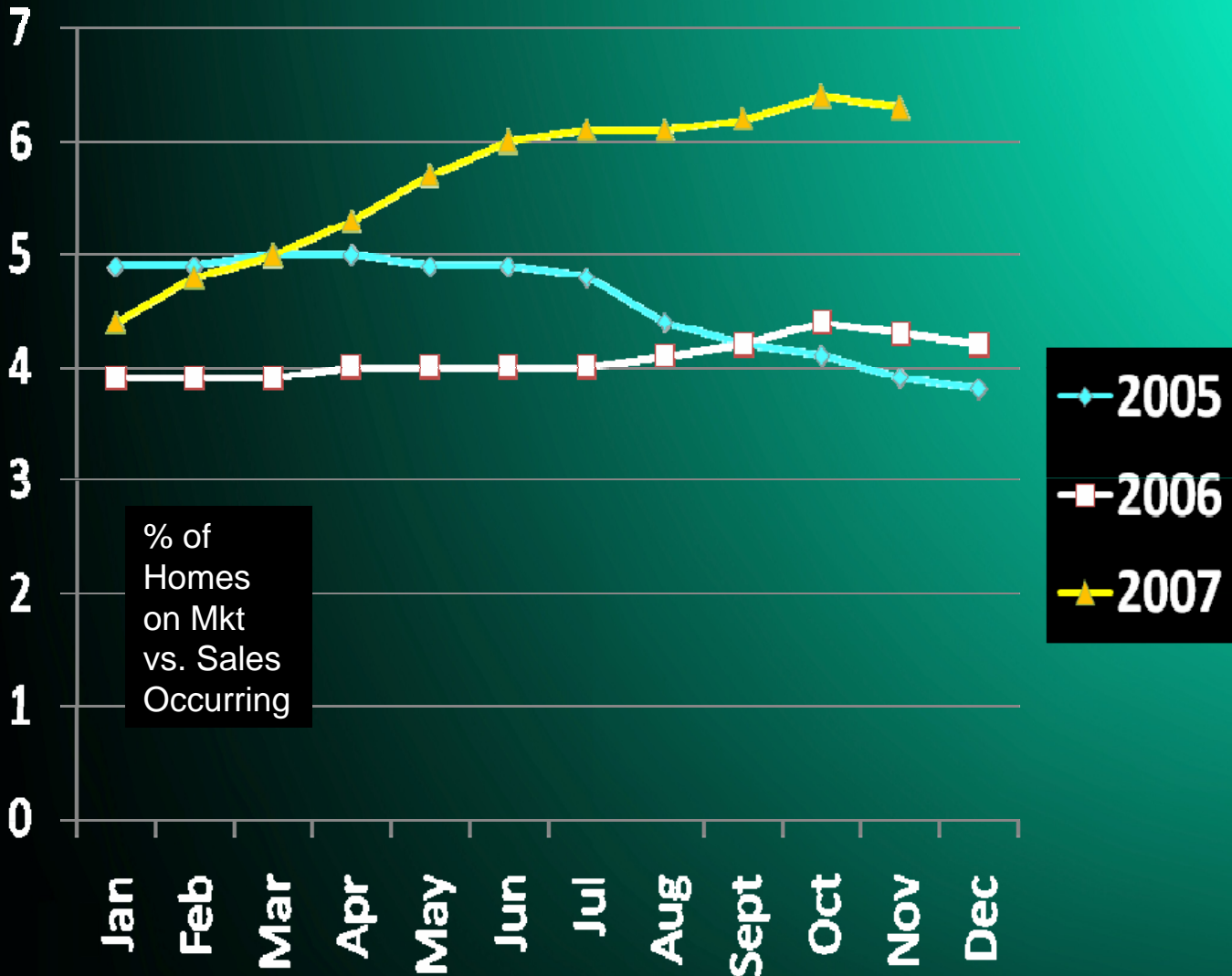


Source: MLS

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Inventory: Resale Market



% of Homes on Mkt vs. Sales Occurring

Source: MLS

Inventory: Resale Market

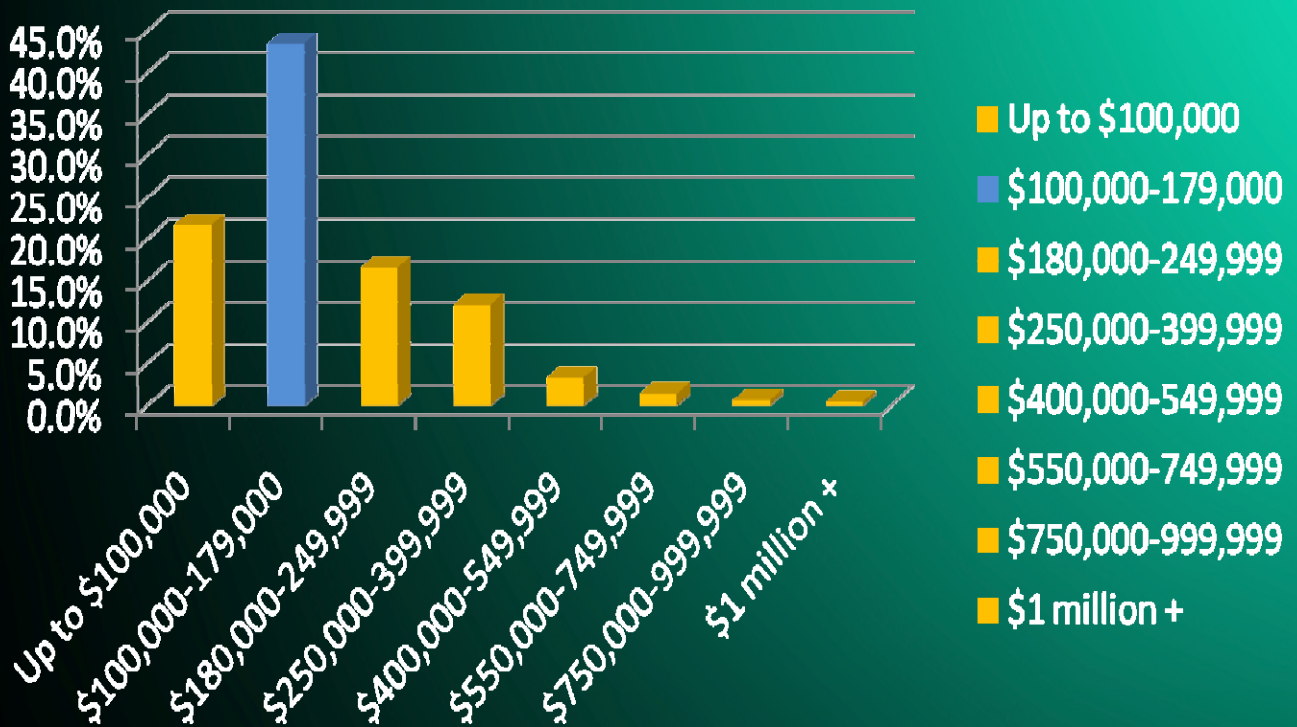
Single Family Inventory Level:
12,000 listings (year end 2007)
9,300 listings (year end 2006)



This shows an increase in the listing inventory of existing/resale homes of approximately 29%.

2007 Prices of Existing/Resale Homes

Percentage of Sales



Single Largest Subset in the Price Distribution Chart:



\$120,000 - \$139,999

at 12.8% of Sales!

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2007 Prices of Existing/Resale Homes

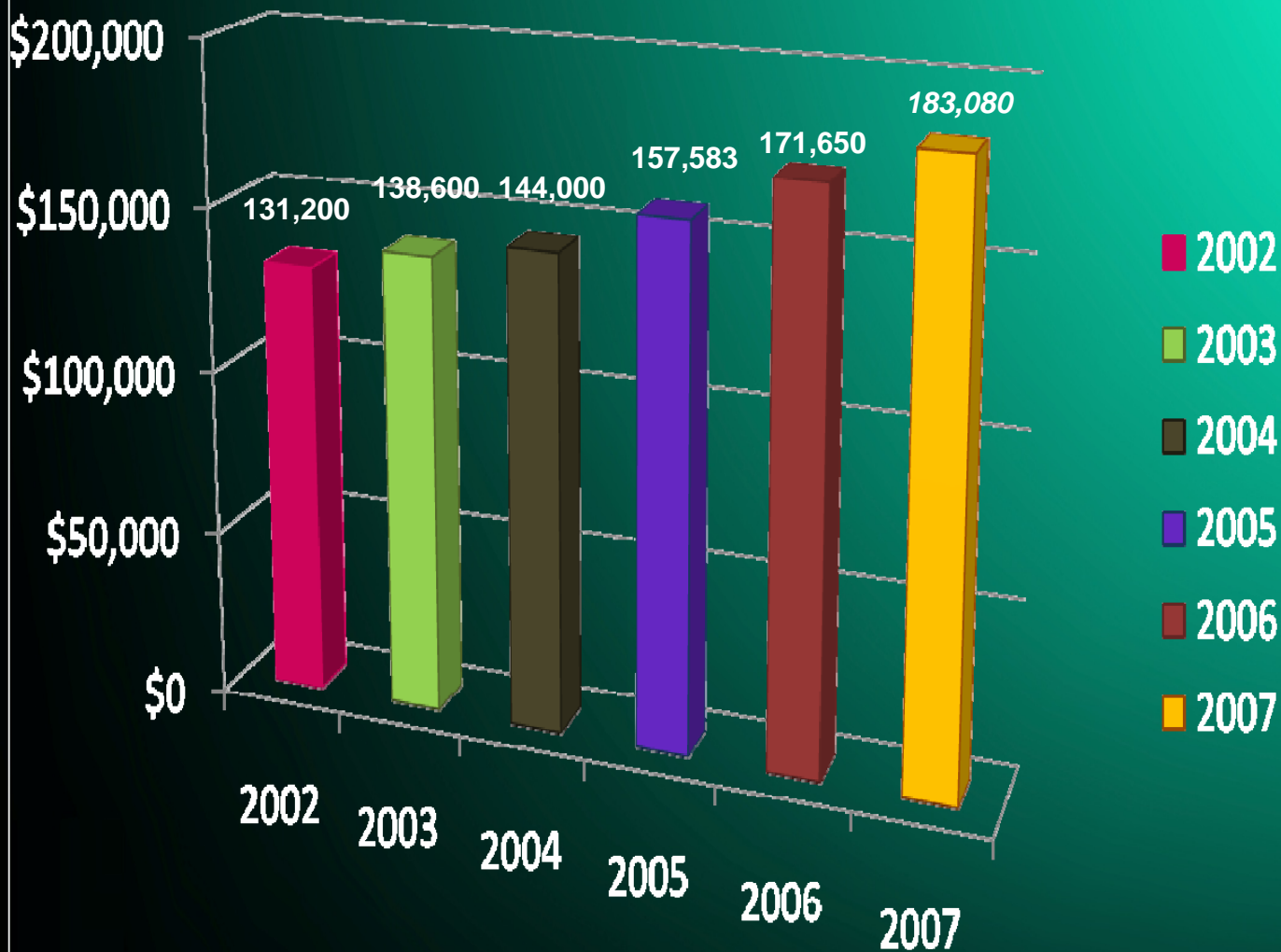
- Average Sales Price for 2007 Single Family Homes = \$183,080
 - An Increase from \$171,650 in 2006
- Median 2007 Sales Price : \$150,100
 - An Increase from \$142,200 in 2006

Source: MLS

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Average Sales Price from 2002-2007

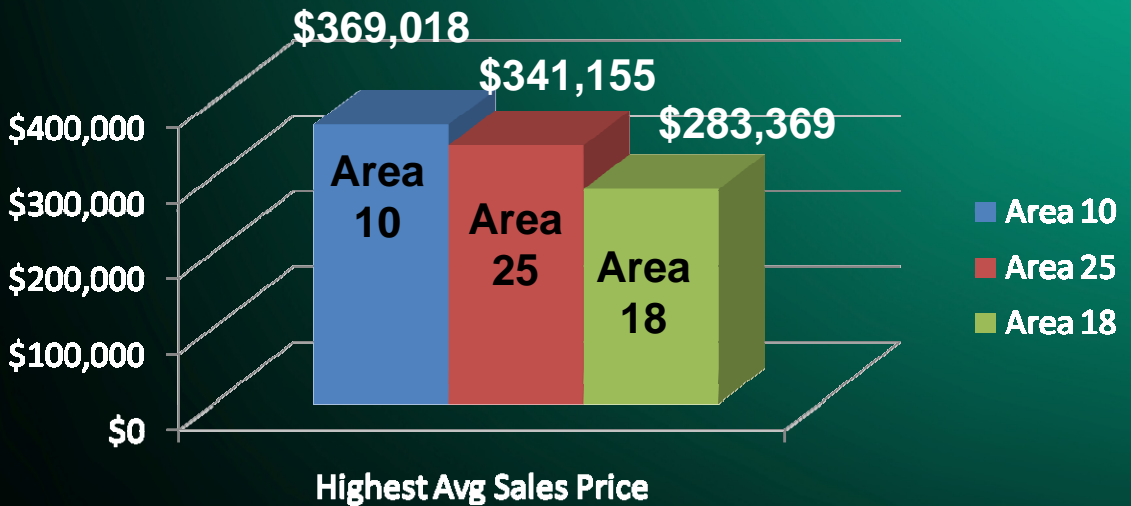
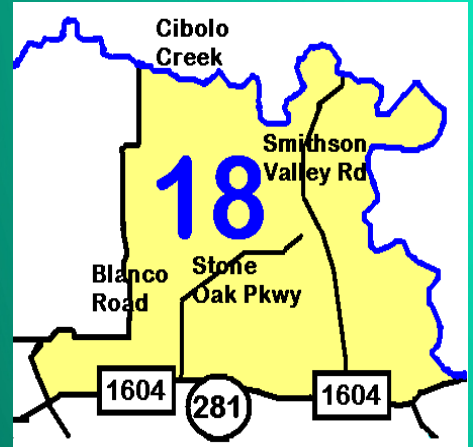
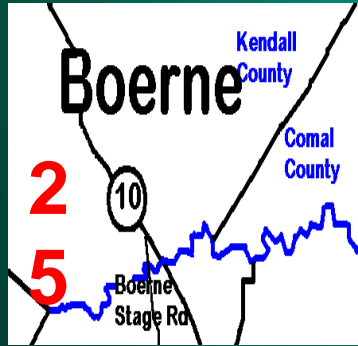
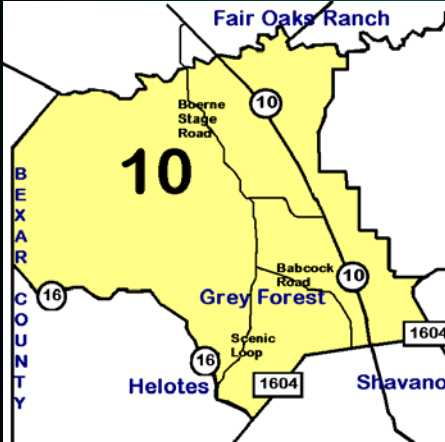


Source: MLS

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Highest Average Sales Price by Area: Resale Market

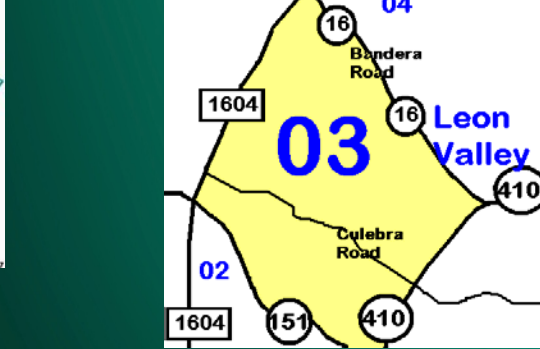
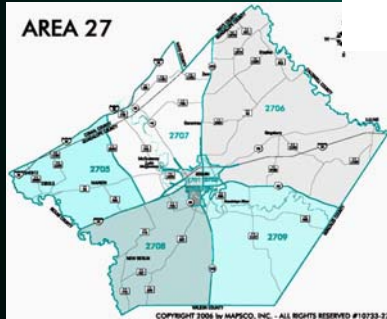
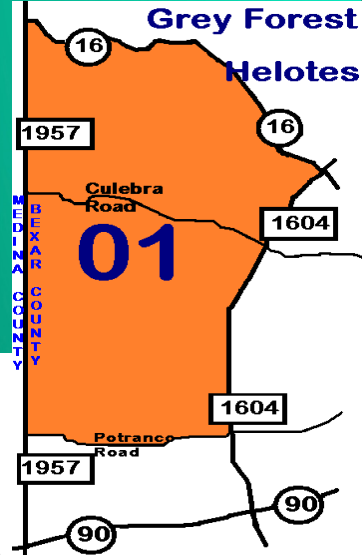
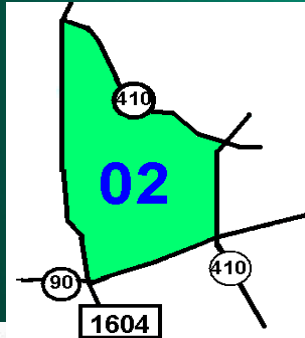
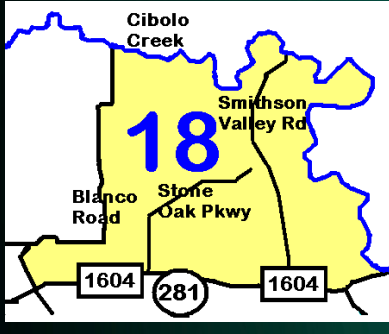


Source: MLS

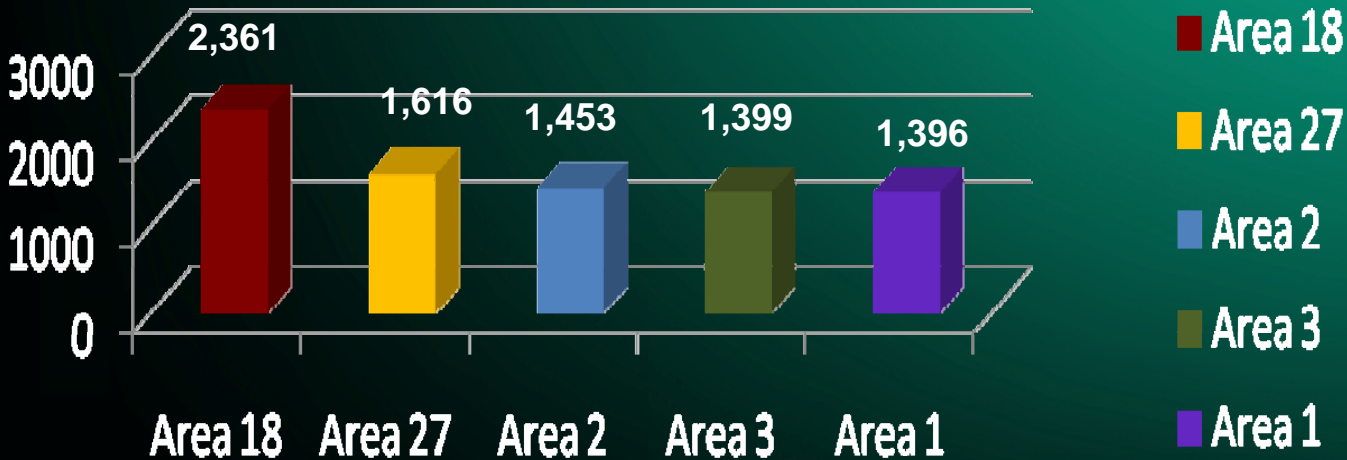
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Largest Number of Sales by Area: (Resale Market)



Highest Sales



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Source: MLS

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**Strength of
the Market:**

**The Price
Appreciation
Experienced
in 2007**



San Antonio Subdivisions

<u>Subdivision</u>	<u>Yr 2005</u>	<u>\$/Sq Ft</u>	<u>YR 2006</u>	<u>\$/Sq Ft</u>	<u>YTD 2007</u>	<u>\$/Sq Ft</u>
Alamo Heights	\$347,806	\$164.00	\$436,149	\$181.00	\$419,011	\$190.00
Bluffview	\$417,058	\$105.00	\$445,066	\$116.00	\$481,571	\$125.00
Braun Station	\$135,382	\$73.00	\$144,130	\$80.00	\$158,773	\$82.00
Camino Bandera	\$185,072	\$74.00	\$193,476	\$78.00	\$214,012	\$81.00
Castle Hills	\$238,512	\$83.00	\$251,094	\$94.00	\$281,784	\$98.00
Churchill Estates	\$196,060	\$81.00	\$217,168	\$91.00	\$215,480	\$95.00
Colonies North	\$133,851	\$74.00	\$131,905	\$81.00	\$141,740	\$87.00
Deerfield	\$256,159	\$92.00	\$294,792	\$101.00	\$317,809	\$105.00
Dellview	\$78,934	\$67.00	\$87,893	\$75.00	\$92,076	\$77.00
Elm Creek	\$410,905	\$116.00	\$458,819	\$131.00	\$490,666	\$132.00

Source: MLS



San Antonio Subdivisions (cont.)

<u>Subdivision</u>	<u>Yr 2005</u>	<u>\$/Sq Ft</u>	<u>YR 2006</u>	<u>\$/Sq Ft</u>	<u>YTD 2007</u>	<u>\$/Sq Ft</u>
Encino Park	\$182,585	\$75.00	\$189,405	\$82.00	\$207,541	\$88.00
Fair Oaks Ranch	\$379,460	\$120.00	\$414,922	\$132.00	\$435,169	133.00
Harmony Hills	\$142,431	\$75.00	\$145,770	\$85.00	\$161,587	\$87.00
Hidden Forest	\$177,285	\$80.00	\$189,884	\$86.00	\$211,625	\$91.00
Hunters Creek	\$233,027	\$88.00	\$261,430	\$101.00	\$280,674	\$103.00
Longs Creek	\$119,346	\$63.00	\$138,957	\$66.00	\$143,439	\$74.00
Monte Vista	\$377,941	\$177.00	\$385,882	\$149.00	\$419,937	\$161.00
Northwest Crossing	\$107,652	\$63.00	\$119,877	\$71.00	\$129,088	\$72.00
Oakwell Farms	\$314,514	\$113.00	\$339,276	\$125.00	\$383,190	\$139.00
Olmos Park	\$484,763	\$169.00	\$510,773	\$170.00	\$656,875	\$208.00

Source: MLS

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San Antonio Subdivisions (cont.)

<u>Subdivision</u>	<u>Yr 2005</u>	<u>\$/Sq Ft</u>	<u>YR 2006</u>	<u>\$/Sq Ft</u>	<u>YTD 2007</u>	<u>\$/Sq Ft</u>
Olympia	\$175,487	\$78.00	\$189,364	\$82.00	\$206,941	\$88.00
Rogers Ranch	\$337,414	\$98.00	\$363,517	\$108.00	\$386,279	\$113.00
San Pedro Hills	\$133,604	\$71.00	\$147,618	\$79.00	\$168,689	\$84.00
Shavano Park	\$435,537	\$120.00	\$489,087	\$129.00	\$593,389	\$164.00
Stone Oak	\$192,440	\$77.00	\$187,396	\$85.00	\$194,325	\$82.00
Terrell Hills	\$411,665	\$139.00	\$399,514	\$150.00	\$527,166	\$176.00
The Dominion	\$611,197	\$197.00	\$714,047	\$157.00	\$820,019	\$184.00
The Vineyards	\$269,729	\$91.00	\$267,418	\$94.00	\$276,229	\$99.00
Timberwood Park	\$234,108	\$93.00	\$267,262	\$105.00	\$289,406	\$109.00
Westcreek	\$143,885	\$64.00	\$157,325	\$69.00	\$158,412	\$74.00

Source: MLS



So what does all of this mean?

- Sales are down from 2006; numbers are comparable to 2005 (approx. 8%) 
- San Antonio experienced healthy price appreciation of home sales in 2007 (approx. 7%) 
- NAR predicts decline in existing home sales for first half of 2008; potential increases by mid-2008

So what does all of this mean?

- All “Real Estate is LOCAL”
 - Approx. 85,400 new jobs over the next 5 years (Source: Economist Ray Perryman)
 - Affordable interest rates (6.5% or less)
 - Price Appreciation (San Antonio continues to see steady price appreciation)

2008 Metrostudy



January 7, 2008

Greater San Antonio Builders Association

The U.S. Economy and Housing Markets

PRESENTED BY Dr. David W. Berson

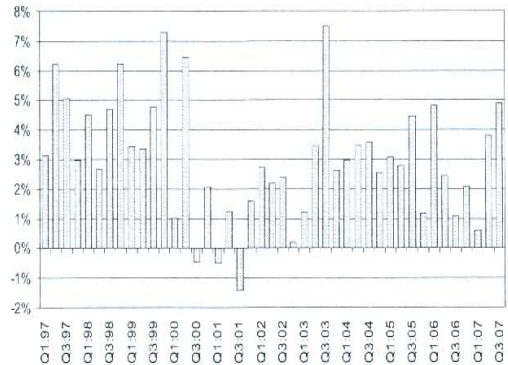
Senior Vice President

Chief Economist & Strategist

The PMI Group, Inc.

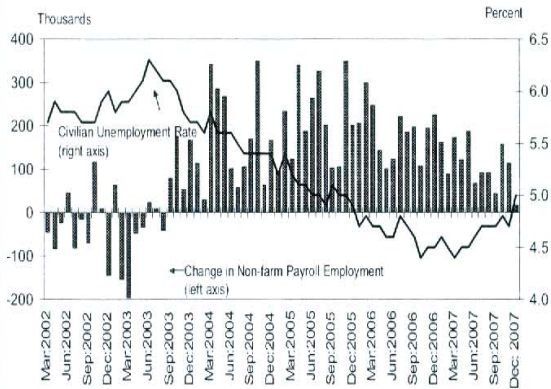


Real GDP Growth: Looks Good (But Can it Last?)



Source: Bureau of Economic Analysis/Haver Analytics

Non-farm Payroll Employment and Civilian Unemployment Rate: How Much Is The Job Market Slowing?



Source: Bureau of Labor Statistics/Haver Analytics

Consumer Sentiment: Still Slipping



Source: University of Michigan/Haver Analytics

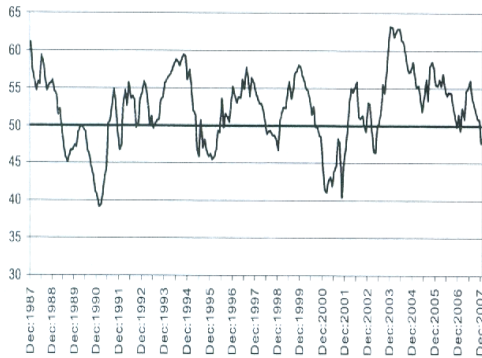
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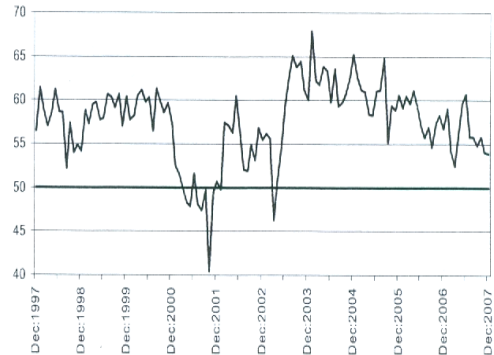
2008 Metrostudy

**ISM Manufacturing Index:
Below 50 Trouble Ahead?**



Source: Institute for Supply Management Analytics

**ISM Non-Manufacturing Index:
Down, But Not Out.**



Source: ISM/Haver Analytics

New Houses Sold: A Steep Decline



Source: Census Bureau/Haver Analytics

Existing Home Sales: Also A Steep Decline



Source: National Association of Realtors/Haver Analytics

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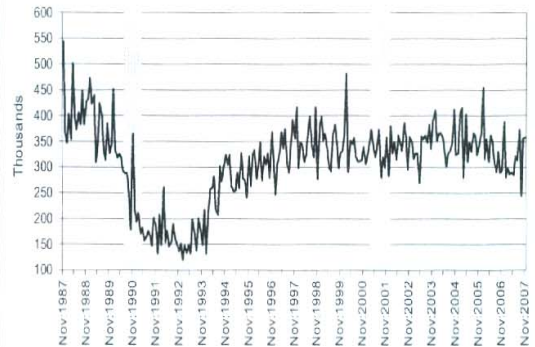
2008 Metrostudy

Single-Family Housing Starts: A Serious Housing Recession



Source: Census Bureau/ Haver Analytics

Multifamily Housing Starts: Fairly Stable



Source: Census Bureau/ Haver Analytics

New Single-Family Houses For Sale: A Big Number, But Still Understated



Source: Census Bureau/ Haver Analytics

Months' Supply of New Homes: Bad News, But Also Understated



Source: Census Bureau/ Haver Analytics

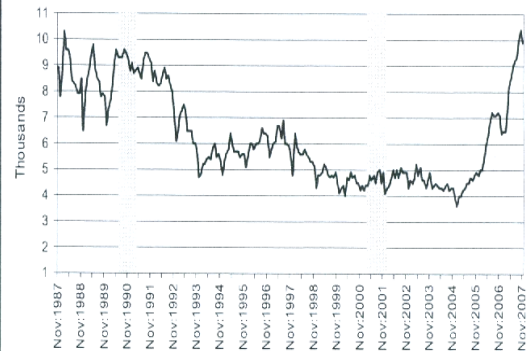
2008 Metrostudy

Existing Single-Family Homes for Sale: Near Record Highs



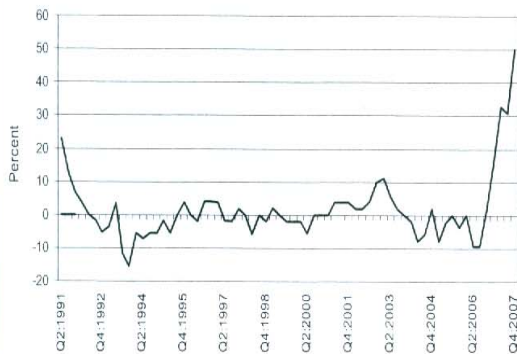
Source: National Association of Realtors/ Haver Analytics

Months' Supply of Single-Family Homes on the Market: Near Record Levels



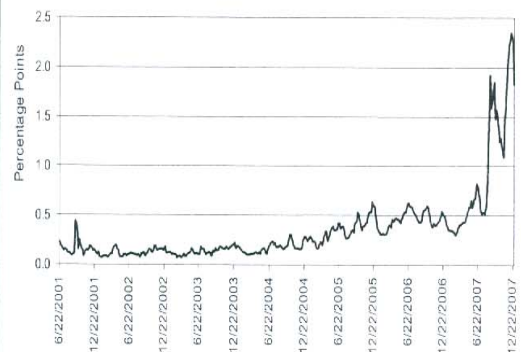
Source: National Association of Realtors/ Haver Analytics

Fed Senior Loan Survey: It's Harder To Get A Mortgage Today



Source: Federal Reserve Board/Haver Analytics
Haver Estimates

The "TED" Spread: Higher Suggests Market Dislocations



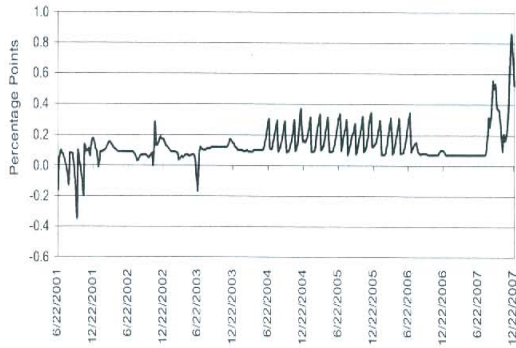
Source: Haver Analytics

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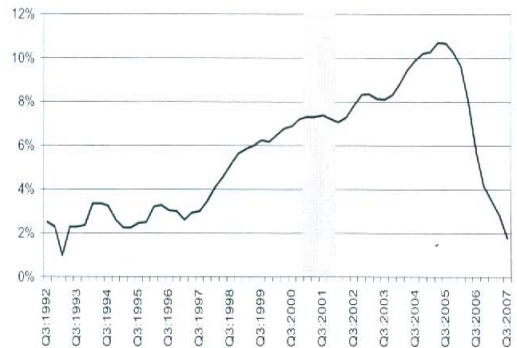
2008 Metrostudy

LIBOR Has Surged Relative To Fed Funds: Another Sign of Market Dislocation



Source: Haver Analytics

Conforming House Prices Have Stopped Rising



Source: Office of Federal Housing Enterprise Oversight/Haver Analytics. Percent Change - Year to Year

But A Broader Measure Suggests Sharp Home Price Declines



Source: S&P, Fiserv, and Macro Markets LLC/Haver Analytics
Percent Change - Year to Year

MBA: Volume Index: Mortgage Loan Applications for Purchase



Source: Mortgage Bankers Association/Haver Analytics
Index: March 16, 1990 = 100

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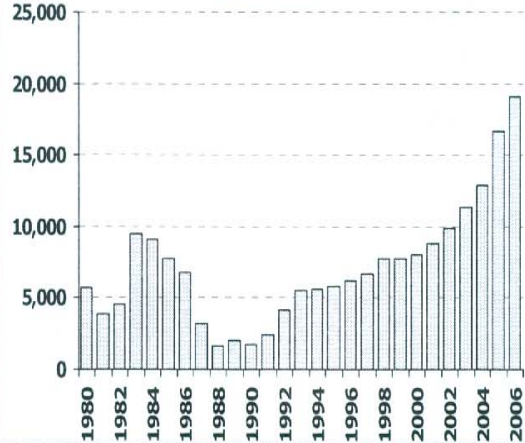
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2008 Metrostudy

San Antonio Housing Growth

Is There an Upside?

San Antonio Single Family Annual Starts
1980-2006



Source: Metrostudy

Population Growth

1980-2000

SAN ANTONIO

Year	Population	Net Change	% Change
1980	1,088,710		
		+236,039	+22% (2.2% annually)
1990	1,324,749		
		+386,954	29% (2.9% annually)
2000	1,711,703	+623,993	57% (2.9% annually)

SOURCE: Texas State Data Center and Office of the State Demographer

Population Growth

1980-2000

TEXAS

Year	Population	Net Change	% Change
1980	14,229,191		
		+2,757,319	+19% (1.9% annually)
1990	16,986,510		
		+3,865,310	+23% (2.3% annually)
2000	20,851,820	+6,622,629	47% (2.4% annually)

SOURCE: Texas State Data Center and Office of the State Demographer

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2008 Metrostudy

Population Growth

2000-2040

SAN ANTONIO-Scenario 1

Year	Population	Net Change	% Change
2000	1,711,703		
2010	2,049,511		
2020	2,403,103		
2030	2,741,919		
2040	3,040,117	+1,328,414	78% (1.7% annually)

SOURCE: Texas State Data Center and Office of the State Demographer

Population Growth

2000-2040

SAN ANTONIO-Scenario 2000-2004

Year	Population	Net Change	% Change
2000	1,711,703		
2010	2,030,892		
2020	2,335,858		
2030	2,584,700		
2040	2,750,105	+1,038,402	61% (1.5% annually)

SOURCE: Texas State Data Center and Office of the State Demographer

Population Growth

2000-2040

TEXAS-Scenario 1

Year	Population	Net Change	% Change
2000	20,851,820		
2010	26,058,565		
2020	32,736,693		
2030	41,117,624		
2040	51,707,500	+30,856,000	148% (3.7% annually)

SOURCE: Texas State Data Center and Office of the State Demographer

Population Growth

2000-2040

TEXAS-Scenario 2000-2004

Year	Population	Net Change	% Change
2000	20,851,820		
2010	25,105,646		
2020	30,252,539		
2030	36,332,880		
2040	43,581,928	+22,730,108	109% (2.73% annually)

SOURCE: Texas State Data Center and Office of the State Demographer



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