

General Overview of Real Estate and Sub-Prime Mortgage Situation in the USA

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Source: Lawrence Yun, Ph.D. Senior Economist, NATIONAL ASSOCIATION OF REALTORS®

Negative News Media !

- **Bubbles Will Burst**
- **Balloons Will Pop**
- **Prices Will Fall 30% to 40%**
- **Housing Downturn Will Send Economy into Recession**

Current Housing Market Situation

- **Housing – A Drag to the Economy**
- **18-month Housing Recession Near Over**
- **Stabilizing Home Sales**
- **Home Inventories Falling - Modestly**
- **Builders Cutting Production**
- **Months Supply Topped Out**
- **Mortgage Applications Stabilized**
- **Mortgage Rates – Still Favorable**
- **Home Price Declines Attracting Buyers**
- **Housing Affordability Improving**
- **Lag Variables Rising – Delinquencies and Foreclosures**

All Real Estate is Local

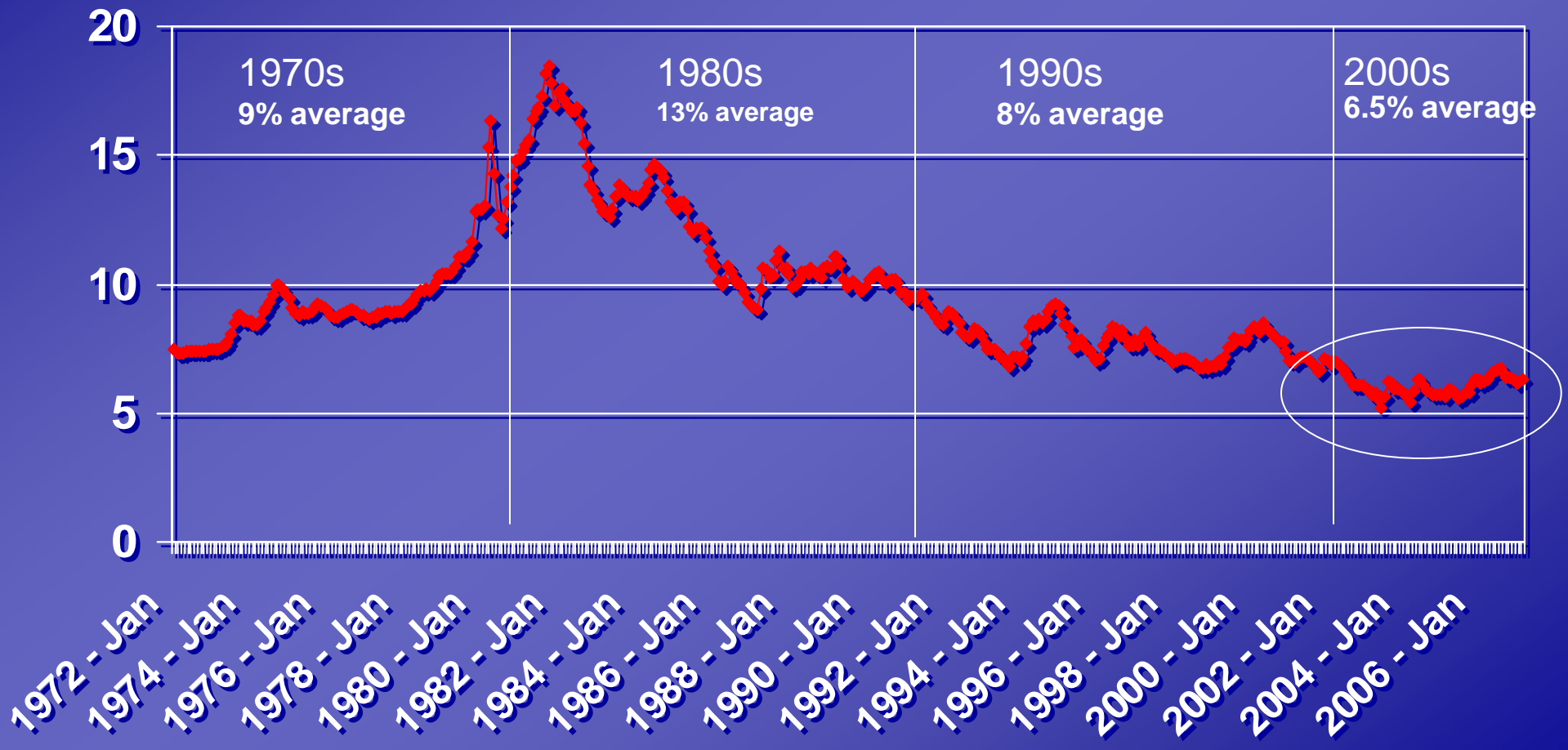
- **Local Demand and Supply**
- **Local Employment**
- **Local Politics**
- **Prices Go Up or Down in Local Markets**

Unique Housing Cycle

- *Past declines associated with*
 - Job losses
 - Very high double-digit mortgage rates
- *Current declines occurring while*
 - Jobs being created
 - Rates at near historic lows
 - Good economic fundamental
- *Current declines from*
 - Affordability problems in previously hot markets
 - Investor flight
 - Psychology/Media scare

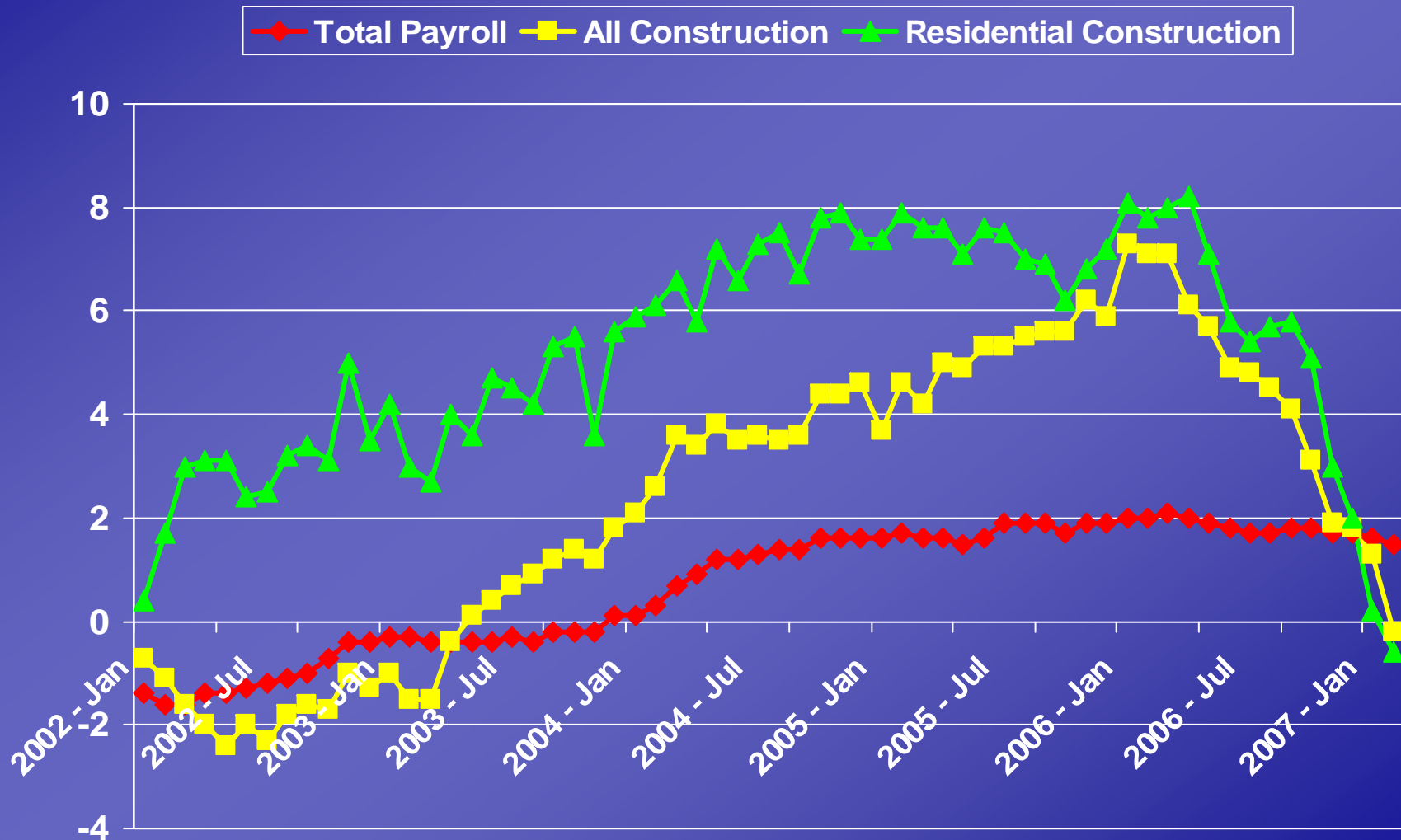
Rates -- Near 45-year Lows

◆ Mortgage Rate



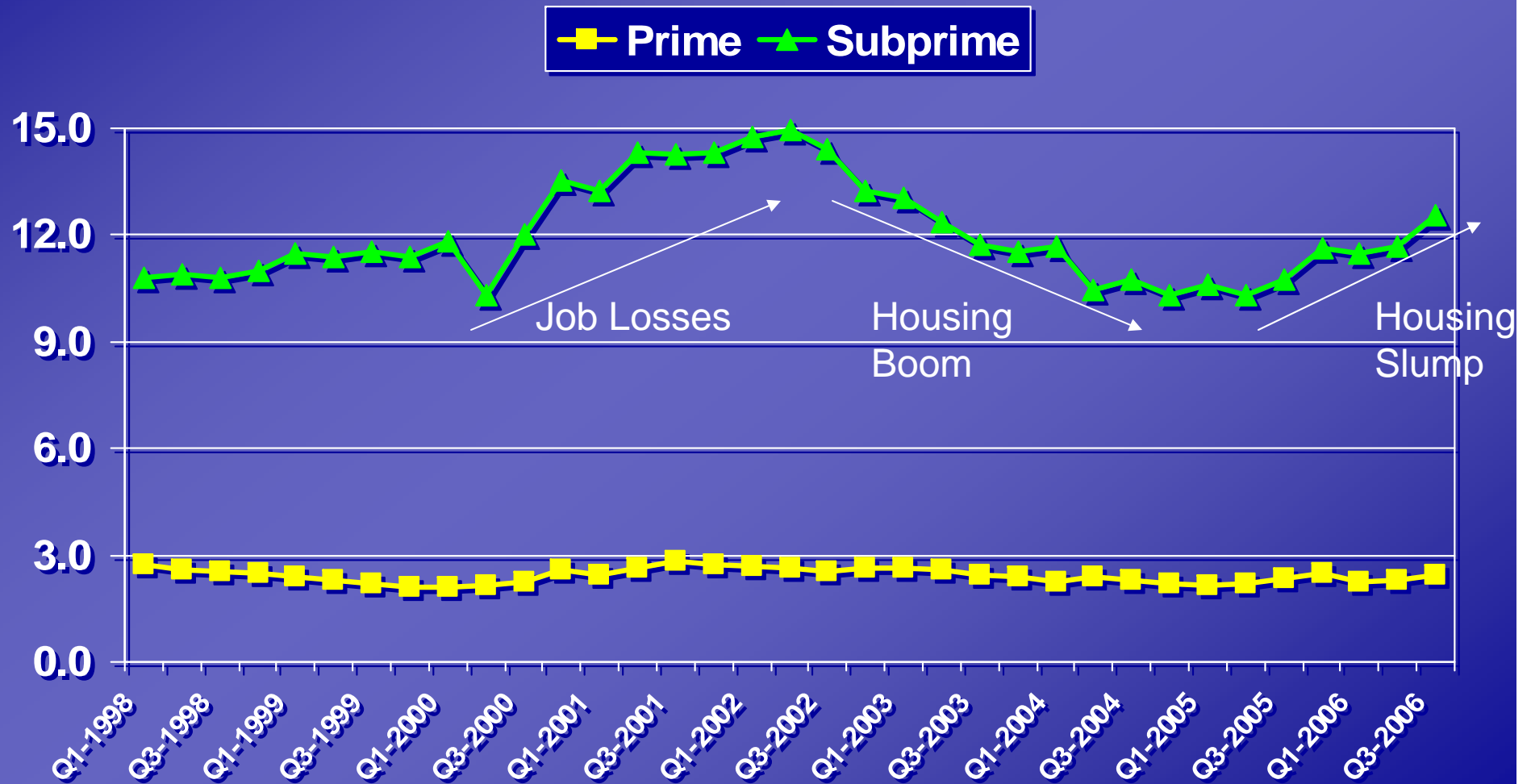
Source: Freddie Mac

Construction Jobs Now Falling



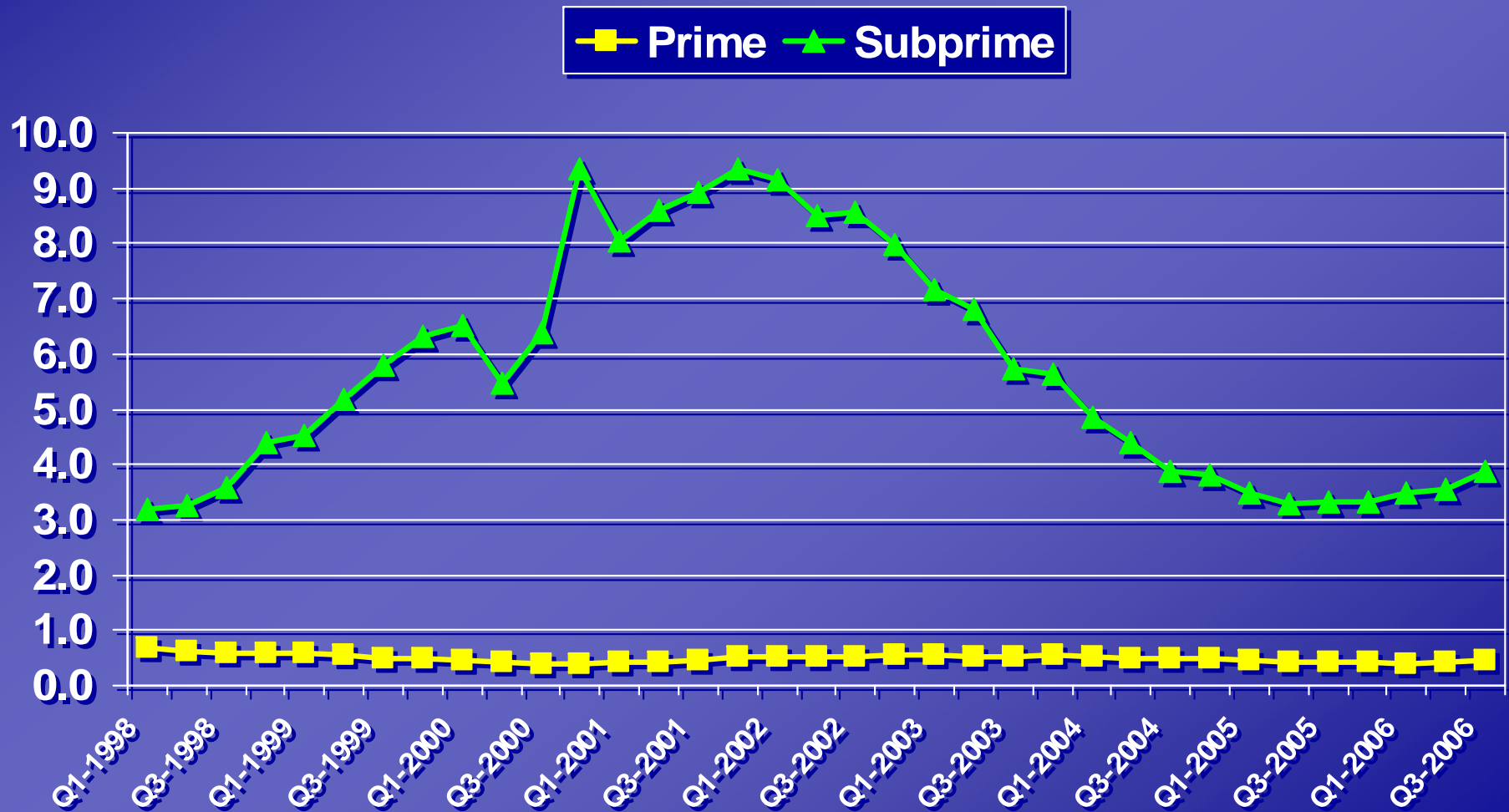
Source: NAR

Mortgage Delinquencies



Source: MBA

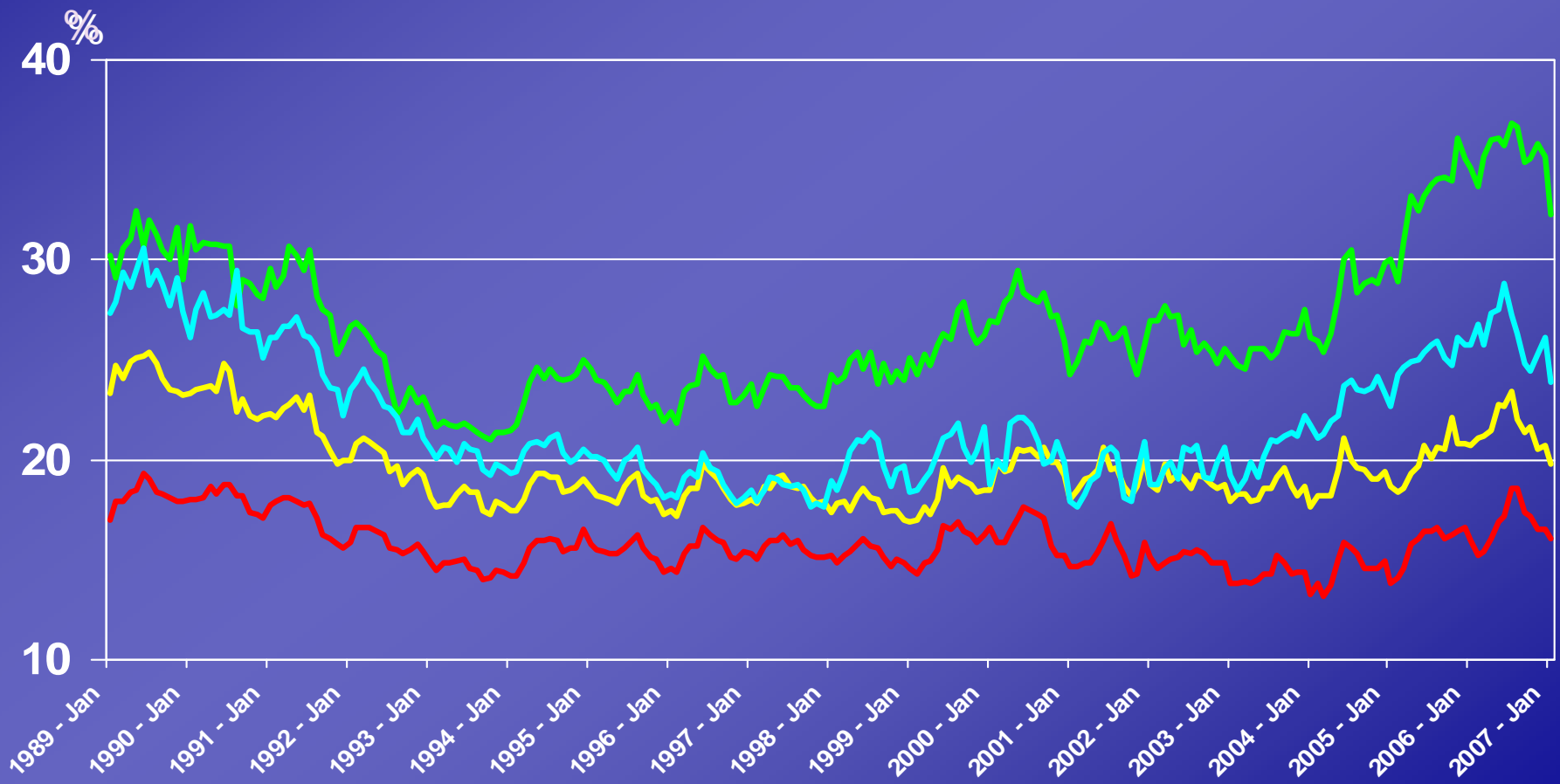
Mortgage Loan Foreclosures: All Action in the Subprimes



Source: MBA

Mortgage Obligation to Income – Worrisome in the West

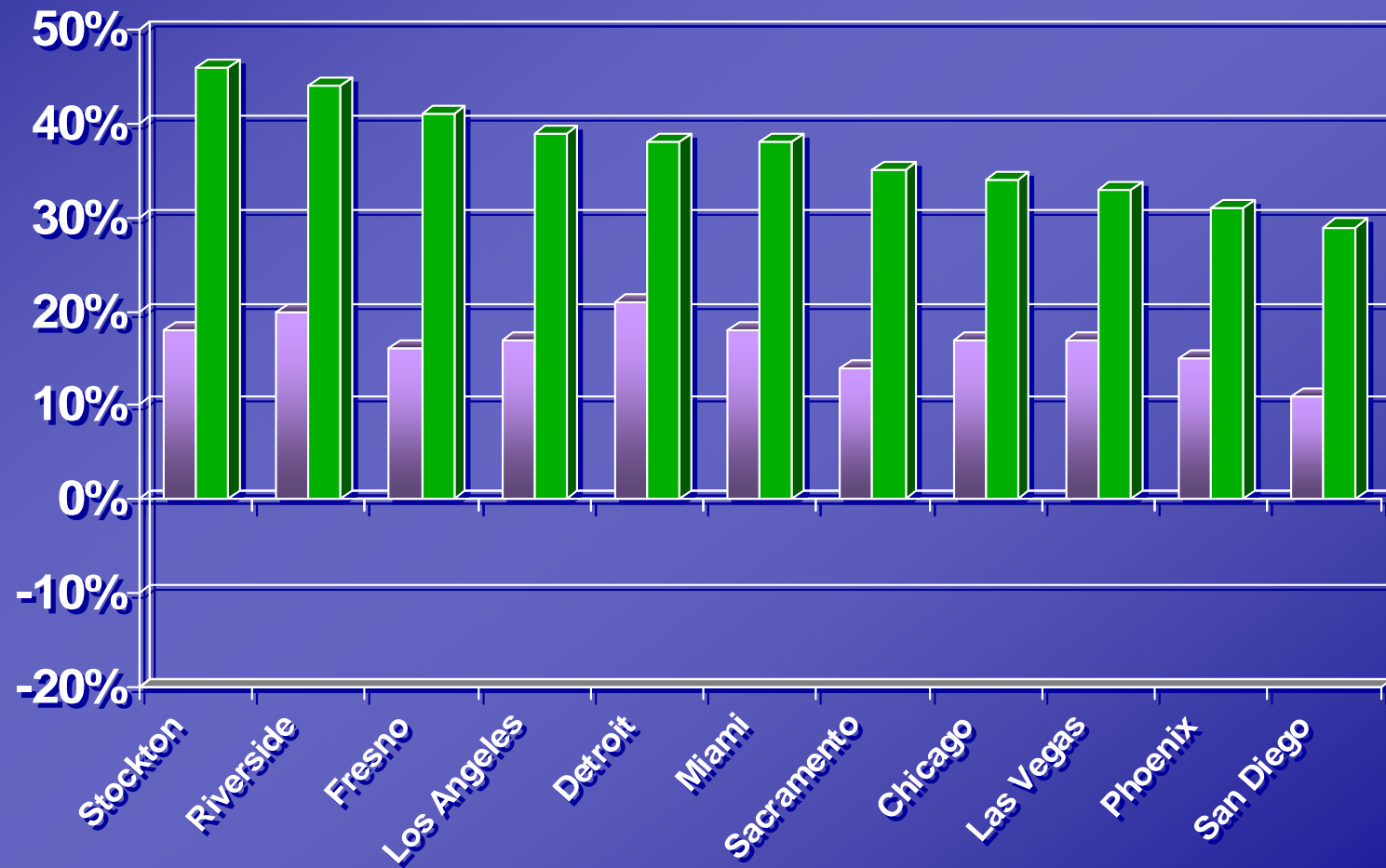
— South — West — Northeast — Midwest



Source: NAR

High Sub-prime Originations during the Boom

(2004 and 2005)



Source: HMDA

Reasons Why Real Estate Will Expand & Prices Will Grow In Next 10 years

- Baby Boomers
- Boomer Children
 - *Second largest population group*
 - *Soon to be first-time homebuyers*
- Projected Low Environment
- Birth Rate Above Death Rate
- Health Care Tech – Retirees Living Longer
- High Immigration Growth
- Projected Low Interest Rate Environment

US Housing Price General Summary

- House prices were basically flat in the second quarter despite tightening credit policies, rising foreclosure rates, and weakening buyer sentiment,” said Lockhart. “Significant price declines appear localized in areas with weak economies or where price increases were particularly dramatic during the housing boom.”
- Source: www.oftheo.gov

National Housing Outlook

	2006	2007	2008
Existing-Home Sales	6.48 million	6.42 million	6.66 million
New Home Sales	1.06 million	0.95 million	0.98 million
Housing Starts	1.80 million	1.50 million	1.56 million
30-Year FRM	6.4%	6.5%	6.5%
1-Year ARM	5.5%	5.5%	5.2%
Existing-Home Price Growth	1.0%	1.2%	3.1%

Thank You!

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