Press Release

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Government REO Inventory Will Drive Housing Market for Some Time, According to an Analysis by Radar Logic

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New York, NY – June 24, 2010 – As the government-sponsored enterprises (GSEs) and Federal agencies involved in housing finance sell their collective inventory of over 200,000 repossessed homes, they will generate significant pressure on prices, according to the April 2010 RPX Monthly Housing Market Report released today by Radar Logic Incorporated. And with their large position in the delinquent mortgage pipeline, their influence over home prices could last for years.

Foreclosed homes currently sell at significant discounts to the unpaid balances of the mortgages they back, generating a loss for the seller (i.e., the lender, mortgage investor or government agency) at every sale. As Fannie Mae, Freddie Mac, the Department of Housing and Urban Development (HUD) and the Department of Veterans Affairs (VA) sell their REO ("real estate owned") inventories for less than the book value on their loans, they generate billions in losses for taxpayers. When the huge numbers of government-insured mortgages in the intermediate stages of default or foreclosure are taken into account, losses from future government REO sales could reach hundreds of billions of dollars.

"For over a year now we have been saying that the GSEs and other Federal agencies will play a critical role in the success or failure of the housing recovery due to their huge holdings of foreclosed homes," said Michael Feder, President and CEO of Radar Logic. "Now their role is more critical than ever before. The potential cost to taxpayers resulting from the government's current policies is enormous. We can't help but wonder if there isn't a better approach."

Other key observations in the April 2010 RPX Monthly Housing Market Report include:

- The Federal Government's REO inventory, including homes owned by Fannie Mae, Freddie Mac, HUD and the VA, has increased steadily for over 24 months and now accounts for approximately 46% of the total REO inventory. This is the government's largest share of total REO since the beginning of the housing bust. The Federal Government's share of total motivated sales (i.e., sales of foreclosed homes by financial institutions) has also increased steadily for over 20 months, and this trend shows little sign of slowing. As the largest owner and seller of foreclosed properties, the Federal Government has unprecedented control over the nation's housing supply and, therefore, home prices.
- The 25-MSA RPX Composite price posted slight gains in April on both a month-over-month and a year-over-year basis. The Composite increased 1% relative to its March 2010 level and 2.4% relative to April 2009. The month-over-month increase in the 25-MSA RPX Composite price during the month of April was comparable in scale and direction to the April gains in four of the five years since the housing boom peaked in 2006. The only exception was April 2008, when the Composite declined just over 1%.

- Midwestern MSAs led month-over-month advances in MSA-level home prices, with the composite price for the region increasing 3.5% relative to March, though it remained 8.8% below its level a year ago. The Western region posted the largest year-over-year gain, 7.5%, and increased 1% compared to March. Prices in the Northeast increased 0.7% month-over-month but were essentially flat (+.1%) year-over-year. Prices in Southern MSAs remained flat month-over-month (+.5%) but were 4.3% lower than they were a year ago.
- The 25-MSA transaction count increased 44.1% year over year in April, and 11.2% month over month. The year-over-year gain was the largest for the month of April since the beginning of Radar Logic's historical data in January 2000. The month-over-month gain was the largest on record for the month of April in percentage terms, but as RPX transaction counts are still well below peak levels, the April 2010 transaction count increase ranked third in absolute terms.
- Motivated sales accounted for 25.5% of total sales in April, down from 27.7% in March and 30.5% in April 2009. Motivated sales' share of total sales has declined as the 25-MSA motivated transaction count has increased more slowly than the 25-MSA other transaction count. From April 2009 to April 2010, the motivated transaction count increased 20.7% while the other transaction count increased 54.4%. Similarly, the motivated transaction count increased 2.5% from March to April, 2010, during which time the other transaction count increased 14.5%. The month-over-month increase in the 25-MSA other transaction count in April 2010 was the largest such increase during the month of April since the beginning of Radar Logic's historical data.

The complete April 2010 RPX Monthly Housing Market Report is available on Radar Logic's website: http://www.radarlogic.com/rlresearch/.

Report Methodology

The RPX Monthly Housing Market Report is produced by Radar Logic Incorporated, a New York-based real estate data and analytics company. These reports provide insight and detailed analysis of Radar Logic's 25 Metropolitan Statistical Areas (MSAs) and the Manhattan Condo market. This study is based on the premise that each of the MSAs, while having economic influences in common like credit and mortgage rates, is influenced primarily by local conditions.

Data in the RPX Monthly Housing Market Report reflect the 28-day aggregated value of Radar Logic Daily™ Prices. The price per square foot metric used is a powerful tool for analyzing housing markets because it significantly reduces the influence of property sizes on overall housing price trends, which can skew results. The Daily Prices for each MSA are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual MSAs.

The May 2010 RPX Monthly Housing Market Report will be released on July 22, 2010, at 4:00 PM EDT.

About Radar Logic

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset, via property derivatives marketed by major financial institutions. RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot.

For more information on Radar Logic and the RPX, including licensed dealers, please visit www.radarlogic.com.

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