



R P X M O N T H L Y H O U S I N G M A R K E T R E P O R T

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Key Characteristics

- For January 2008, of the 25 Metropolitan Statistical Areas examined, two residential markets show price increases, two markets are neutral (+/- 1%) and 21 markets show declines on a year-over-year basis. However, of the 21 declining MSAs, six show price increases from December 2007 to January 2008.
- Transaction velocity¹ is consistent with low seasonal expectations in New York, Los Angeles and Miami - the three MSAs we examined for seasonal transaction velocity and prices. Seasonal price movements are higher than expected in New York, lower than expected in Los Angeles, and as expected in Miami.
- We segmented the New York, Los Angeles and Miami MSAs by price range. The luxury market is outperforming the real estate market in New York and Los Angeles and underperforming in Miami—a possible result of investment activity in certain Miami neighborhoods over the past few years.

Market Characteristics

MSA Values

The first month of 2008 continues to show prices in most cities below what they were one year ago. Exhibit 1 ranks all 25 cities tracked by Radar Logic by year-over-year change in price per square foot (PPSF) for properties sold. Two markets show a net year-over-year appreciation, two markets are neutral (within +/- 1%) and 21 markets are negative. Since last month, Milwaukee's appreciation has been reduced to a neutral ranking and Washington, D.C.,

and Seattle now show year-over-year depreciation. Charlotte and New York continue to show year-over-year appreciation at levels above their December 2007 rates. Although there are a greater number of MSAs showing year-over-year declines since last month (21 versus 20), nine of the 25 MSAs show year-over-year returns above or equal to those exhibited in December 2007. Sacramento had the largest decline from last year, dropping 27.8%.

Las Vegas and San Diego also declined more than 20% from last year, at -25.4% and -21.2%, respectively.

Exhibit 2 ranks markets as leading and trailing for annualized 2-year and 5-year returns. The markets leading in 2-year returns are the same as in the December 2007 report, although the rankings have shifted. New York now appears on the leading 5-year chart with a 9.0% annualized return over the last five years. Los Angeles and Boston are now among the 5-year leading and trailing metro areas, respectively.

Exhibit 1: 25 Metro Residential Areas (1-Year % Change)

Rank	Prior Rank	MSA	Code	PPSF	% Change
1	3	Charlotte, NC	CH	\$95.54	3.9%
2	4	New York, NY	NY	\$292.07	2.0%
3	1	Milwaukee, WI	MW	\$105.80	-0.8%
4	6	Philadelphia, PA	PH	\$148.05	-0.9%
5	5	Seattle, WA	SE	\$210.21	-1.4%
6	7	Columbus, OH	CO	\$91.63	-2.4%
7	23	St. Louis, MO	SL	\$105.66	-3.0%
8	8	Chicago, IL	CG	\$171.78	-3.2%
9	9	Jacksonville, FL	JX	\$113.80	-3.9%
10	15	Cleveland, OH	CL	\$84.91	-6.1%
11	11	Minneapolis, MN	MN	\$143.34	-7.2%
12	2	Washington, DC	DC	\$214.07	-8.7%
13	10	San Jose, CA	SJ	\$418.54	-8.8%
14	14	Boston, MA	BO	\$207.39	-9.0%
15	16	Denver, CO	DV	\$127.71	-9.1%
16	18	Atlanta, GA	AT	\$91.41	-9.2%
17	12	Detroit, MI	DT	\$94.79	-13.2%
18	13	San Francisco, CA	SF	\$367.28	-13.3%
19	20	Miami, FL	MI	\$176.02	-14.4%
20	17	Phoenix, AZ	PX	\$135.74	-14.6%
21	19	Tampa, FL	TA	\$117.08	-15.6%
22	21	Los Angeles, CA	LA	\$325.42	-16.6%
23	22	San Diego, CA	SD	\$264.17	-21.2%
24	24	Las Vegas, NV	LV	\$136.61	-25.4%
25	25	Sacramento, CA	SC	\$165.66	-27.8%

Source: 28-Day RPX™ value for each MSA as of 1/31/2008

■ = positive ■ = neutral ■ = negative

¹ Transaction volume represents the transaction counts included in the calculation of the RPX Daily Prices and may not reflect transaction volume in the market.

² In the Manhattan Condominium market, transaction count increased by 38.1% in January 2008 over December 2007, while prices remained flat.

Seasonality

In Los Angeles, December is typically the month with the lowest transaction volume¹, and in three of the last four years prices have in turn declined from November to December, with the exception being the boom year of 2004. In previous years, the increase in volume from December to January has been accompanied by a corresponding increase in price. This year, the Los Angeles price per square foot declined 1.8% from December 2007 to January 2008, but transaction volume rebounded 20.7%, its greatest December to January increase since 2004.

The story is reversed in Miami, where transaction volume declined 10.2% from December 2007 to the end of January 2008—well within the normal range for recent history—while price per square foot increased 1.1%. This is consistent with each of the past three years, in which prices have declined month-over-month from November to December, and increased in January.

New York shows both a larger-than-usual price increase from December 2007 to January 2008 and a smaller-than-usual decline in transaction volume, in part due to the secular increase in Manhattan sales relative to the rest of the MSA².

Price Segmentation

Looking only at national statistics obscures the dynamics of individual metropolitan areas, just as looking only at MSA-level prices risks missing dynamics that can vary based on property type and socioeconomic characteristics of smaller areas. To see how areas that have been characterized by a greater concentration of higher priced housing have fared relative to the mainstream markets, Exhibit 3 divides the zip codes of New York, Los Angeles and Miami into segments based on what percentage of transactions from 2004 to 2006 occurred above

Exhibit 2: Metro Areas Ranked 2-Year and 5-Year Annualized Change

Leading 5 Metro Areas (2-year Annualized % Change)		
Rank	MSA	% Change
1	Seattle, WA	6.0%
2	Charlotte, NC	4.0%
3	New York, NY	3.7%
4	Milwaukee, WI	3.3%
5	Philadelphia, PA	1.1%

Leading 5 Metro Areas (5-year Annualized % Change)		
Rank	MSA	% Change
1	Miami, FL	10.4%
2	Seattle, WA	9.4%
3	Washington, DC	9.1%
4	New York, NY	9.0%
5	Los Angeles, CA	8.6%

the 90th percentile of the MSA by total sale price. We then examined price trends in these segments over the past year.

In New York, the high-end market has been supporting prices in the MSA; even as the price per square foot in the mainstream market (Tier 3) has declined 4.2% over the last year, prices in the middle tier have increased 1.9%, while the top tier trended upwards at an even greater rate.

In Los Angeles, price per square foot in the high-end zip codes is declining, but is outperforming the rest of the MSA: while Tier 3 has declined 20.1%, Tiers 1 and 2 have declined by more modest amounts: 11.2% and 12.3%, respectively.

In Miami, our definition of the high-end market included not only traditionally wealthy areas but also formerly booming investment locations. The mainstream market has declined the least—15.7% over the last year versus declines of 18.6% and 21.9% in the higher-end markets.

Is there any light at the end of the tunnel?

For the better part of last year we have been bombarded with bad news about the housing markets. There is little doubt that the “bubble” has burst, and the RPX prices have declined significantly in most housing markets.

- The Office of Federal Housing Enterprise Oversight (OFHEO) reported January 2008 home price declines of 1.1% from December 2007 and a decline of 3.0% from January 2007. It also reported that home prices have fallen 4.1% from their peak in April 2007.
- The National Association of Realtors (NAR) announced year-over-year declines of 23.8% in existing-home sales from February 2007 to February 2008.
- The Commerce Department announced a 29.8% decline in sales of new homes from February 2007 to February 2008.
- According to RealtyTrac, foreclosure filings in February 2008 were approximately 220,000; up 60% from February 2007.

Will the bad news ever stop? We believe the details are important and in the details we see potential positive influences.

First, residential real estate is a complex asset class with varying geographic dynamics. It is large—\$23 trillion aggregate value, according to the Federal Reserve. The notion of a national market, the basis for much of the bad news, is over-simplified in its interpretation. Home values are affected by location, and the dynamics across broad geographies can be radically different.

Second, residential real estate is a long-cycle asset. Some estimates suggest that the average homeowner moves every seven to ten years, sometimes even less frequently. Homeowners who do not have to sell can sit out during price softness and wait for values to recover. Motivated sellers are more likely to be transacting at today’s lower values.

Third, residential markets exhibit distinct seasonal patterns. Most of the markets we follow show transactions in seasonal declines in the winter months followed by upswings in the spring and summer. In many of the RPX markets, prices reflect similar patterns. Coupling this seasonal lull in activity with the increase in motivated sellers, it is not surprising that the RPX prices are down.

Finally, home buyers tend to use mortgage credit to purchase homes. Not unlike other leveraged assets, increases in interest rates and/or decreases in credit availability will likely push values down. It is no secret that the mortgage markets have been under pressure—loans are simply not as easy to obtain as they were a couple of years ago.

If we step back and ask some basic questions, we may be surprised by the answers.

Should we expect the national bad news to apply equally across all MSAs?

No. Of our 25 MSAs, two show signs of price improvement year-over-year. From December 2007 to January 2008, 16 MSAs show either price improvement or less deterioration than in the November 2007 to December 2007 numbers (see Exhibit 4). During the same time period, ten MSAs show improvement or less deterioration in transaction count. NAR shows a similar month-over-month trend in its most

Trailing 5 Metro Areas (2-year Annualized % Change)		
Rank	MSA	% Change
1	Sacramento, CA	-17.6%
2	Las Vegas, NV	-13.7%
3	San Diego, CA	-11.9%
4	Detroit, MI	-11.2%
5	Phoenix, AZ	-8.4%

Trailing 5 Metro Areas (5-year Annualized % Change)		
Rank	MSA	% Change
1	Detroit, MI	-2.3%
2	Denver, CO	-1.1%
3	Cleveland, OH	-0.6%
4	Columbus, OH	-0.3%
5	Boston, MA	0.6%

recent release, reporting a 2.9% increase in existing-home sales in February 2008.

Are we at a point in the seasonal cycle when we should expect lower volumes and prices?

Yes. In fact, according to our historical database, all of our 25 MSAs are at or near their seasonal low in transaction volumes in January. The 25-MSA Composite historically shows a decline from December to January. However, its transaction volume declined 5.0% from December 2007 to January 2008, up from a decline of 11.7% during the same time last year. The next few months are when one might expect growth in transactions.

Exhibit 3: Price Segmentation³

New York: 1-year PPSF change		
Rank	Tier	% Change
1	Tier 1	21.2%
2	Tier 2	1.9%
3	Tier 3	-4.2%

Los Angeles: 1-year PPSF change		
Rank	Tier	% Change
1	Tier 1	-11.2%
2	Tier 2	-12.3%
3	Tier 3	-20.1%

Miami: 1-year PPSF change		
Rank	Tier	% Change
1	Tier 3	-15.7%
2	Tier 2	-18.6%
3	Tier 1	-21.9%

■ = positive ■ = neutral ■ = negative

³ Tier 1 consists of zip codes where > 25% of transactions were in the top decile; Tier 2 - 10-25%; Tier 3 - all remaining zip codes.

Exhibit 4: Metro Areas (PPSF: 1-Year % Changes and 1-Month % Changes)

MSA	December 2007 1-Year % Change	January 2008 1-Year % Change	Difference	November 2007 to December 2007	December 2007 to January 2008	Difference
Atlanta, GA	-11.3%	-9.2%	2.2%	-3.4%	0.4%	3.8%
Boston, MA	-7.5%	-9.0%	-1.5%	-3.8%	-1.2%	2.6%
Charlotte, NC	2.1%	3.9%	1.9%	0.7%	-0.4%	-1.1%
Chicago, IL	-4.3%	-3.2%	1.1%	-5.7%	1.3%	7.0%
Cleveland, OH	-8.2%	-6.1%	2.0%	-5.1%	-0.5%	4.5%
Columbus, OH	-2.1%	-2.4%	-0.3%	-2.8%	0.5%	3.3%
Denver, CO	-8.9%	-9.1%	-0.2%	-1.3%	-4.1%	-2.8%
Detroit, MI	-6.7%	-13.2%	-6.5%	1.2%	-6.4%	-7.6%
Jacksonville, FL	-4.4%	-3.9%	0.5%	-1.3%	-0.5%	0.7%
Las Vegas, NV	-21.0%	-25.4%	-4.4%	-4.7%	-4.7%	0.1%
Los Angeles, CA	-14.7%	-16.6%	-1.9%	-4.8%	-1.8%	3.0%
Miami, FL	-14.4%	-14.4%	0.0%	-4.5%	1.1%	5.6%
Milwaukee, WI	4.9%	-0.8%	-5.7%	0.4%	-6.0%	-6.4%
Minneapolis, MN	-6.2%	-7.2%	-1.1%	-3.7%	-0.4%	3.3%
New York, NY	1.4%	2.0%	0.7%	-1.2%	2.0%	3.2%
Philadelphia, PA	-2.0%	-0.9%	1.1%	-1.3%	0.5%	1.8%
Phoenix, AZ	-10.3%	-14.6%	-4.3%	-1.6%	-2.2%	-0.6%
Sacramento, CA	-23.7%	-27.8%	-4.1%	-7.2%	-4.0%	3.2%
San Diego, CA	-19.0%	-21.2%	-2.2%	-3.0%	-2.1%	0.8%
San Francisco, CA	-7.0%	-13.3%	-6.3%	-7.1%	-6.8%	0.3%
San Jose, CA	-5.2%	-8.8%	-3.6%	-3.7%	-4.3%	-0.6%
Seattle, WA	0.9%	-1.4%	-2.3%	-2.1%	-3.0%	-0.9%
St. Louis, MO	-20.3%	-3.0%	17.3%	-15.9%	19.1%	35.0%
Tampa, FL	-13.6%	-15.6%	-2.0%	-2.3%	-3.1%	-0.9%
Washington, DC	2.4%	-8.7%	-11.1%	2.4%	-6.7%	-9.0%

■ = positive ■ = neutral ■ = negative

Are these transaction and price declines the result of a lack of demand?

Not entirely; lower prices may reflect discrepancy in current seller motivation versus buyer motivation. As mentioned above, January is a seasonal low for home buying. Meanwhile, a number of sellers in the market do not have the option of holding out until prices improve—such as those who are over-leveraged or are accountable to investors looking to minimize financial risk. Like home builders who feel pressure to get rid of inventory quickly, many banks and lenders experience the same pressure when dealing with homes from foreclosure and choose to sell the properties either through auction or the sale of an REO (Real Estate Owned). These motivated sellers may attract bargain hunters and transactions may begin to increase. Also, the decline in new housing starts could lead to a needed reduction in future inventory. As mentioned, we are heading into the traditional buying season.

Is the current mortgage credit tightness likely to continue?

As noted in our December 2007 RPX Monthly Housing Market Report, Congress, the Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA) have worked in concert to provide substantial amounts of new credit for conforming mortgages. Many of the higher priced cities have received increases in their conforming loan limits. The higher caps will allow Fannie Mae and Freddie Mac to purchase larger conforming mortgages and, as a result, potentially offer lower rates to thousands of home buyers.

The FHA will also be able to insure larger mortgages, reducing risk to mortgage purchasers. Several of the 25 RPX MSAs are expected to experience an increase in their conforming mortgage limit, allowing access to capital for more borrowers. New York, Los Angeles and San Francisco are among several markets that have had their mortgage limits set to the highest possible cap of \$729,750. As this new Federal funding works its way into the lending system, we may see increases in transactions corresponding with the increase in new loans.

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.

Data in the RPX Monthly Housing Market Report reflects the 28-day aggregated value of Radar Logic Daily™ Prices. The price per square foot metric used 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 RPX Monthly Housing Market Report is published 63 days after the last transaction date of every month, providing insight and detailed analysis of Radar Logic's 25 MSAs. This study is based on the premise that there is not a national housing market; rather, each MSA, while having some economic influences in common, is influenced primarily by local conditions.

The February 2008 RPX™ Monthly Housing Market Report will be released on May 2, 2008, at 9:00 AM EST.

For additional insight on this report or for inquiries about research products, please contact:

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