

THE STATE OF HOUSING IN CALIFORNIA

MARKET TRENDS & THE FUTURE RECOVERY



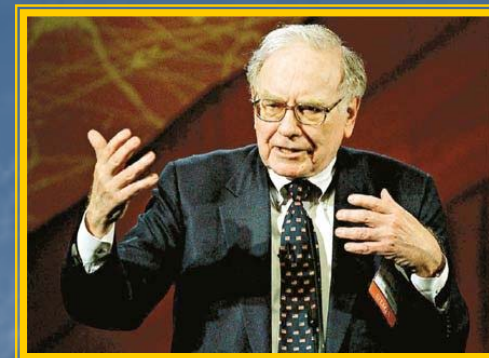
Presented By:

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California Building Industry Association

December 5, 2011

What They're Saying



- “Unemployment will fall significantly, in my view, when we get back up to a million housing starts.”

(Warren Buffett. Forbes Magazine, August, 2011)

- “As of today, our housing-related business are as bad as they’ve ever been...What has not come back...but needs to come back, is residential housing.”

(Warren Buffett, Fortune Most Powerful Woman Conference, October 2011)

What They're Saying



- "Home prices will have to rise unequivocally and perhaps by 10 percent or more before signs of a full-fledged housing recovery become unambiguous."

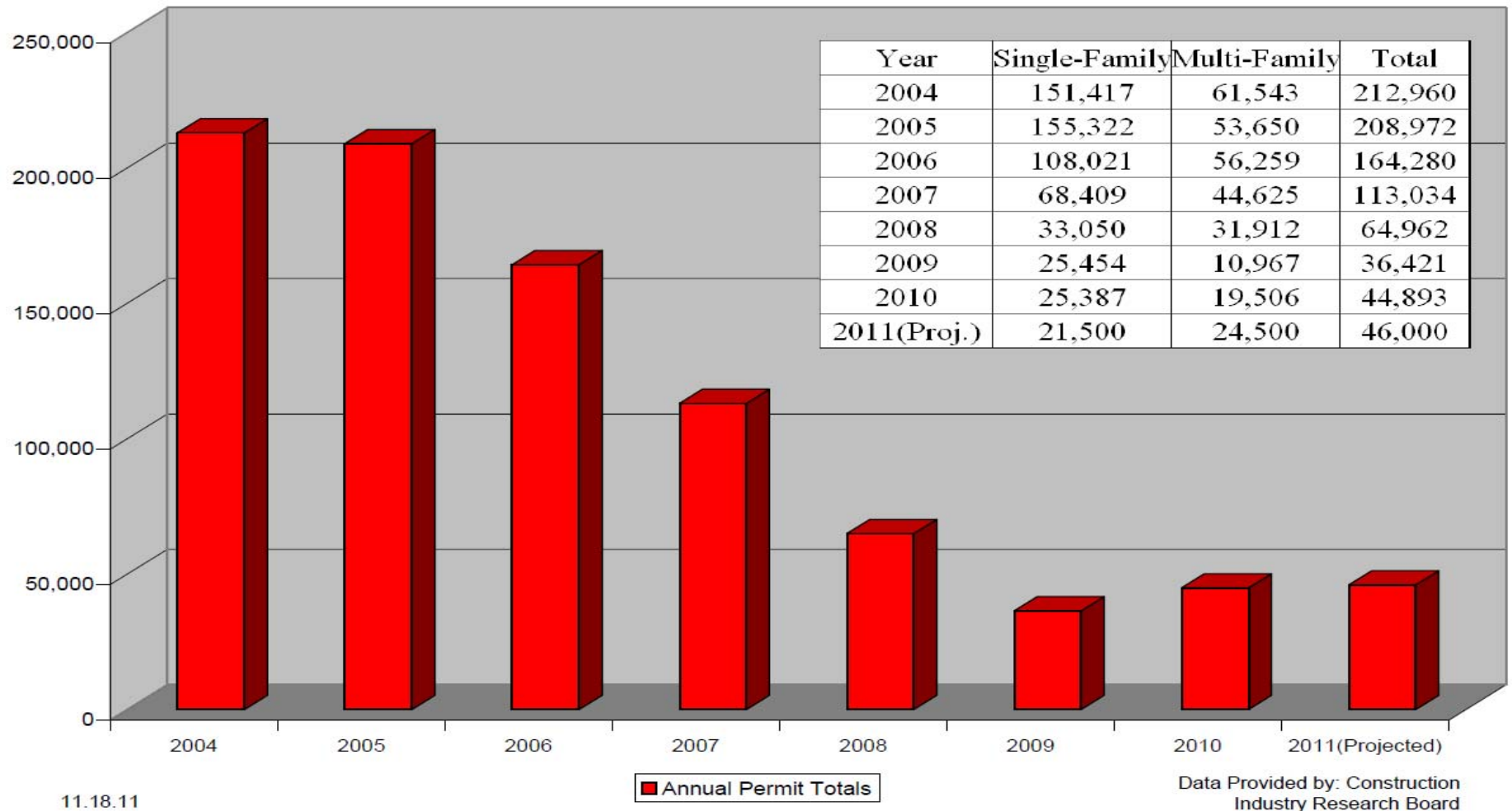
(Alan Greenspan, former Federal Reserve Chairman, February 2011)

- "Notably, the housing sector has been a significant driver of recovery from most recessions in the United States since World War II, but this time – with an overhang of distressed and foreclosed properties, tight credit conditions for builders and potential homebuyers, and ongoing concerns by both potential borrowers and lenders about continued house price declines – the rate of new home construction has remained at less than one-third of its pre-crisis level."

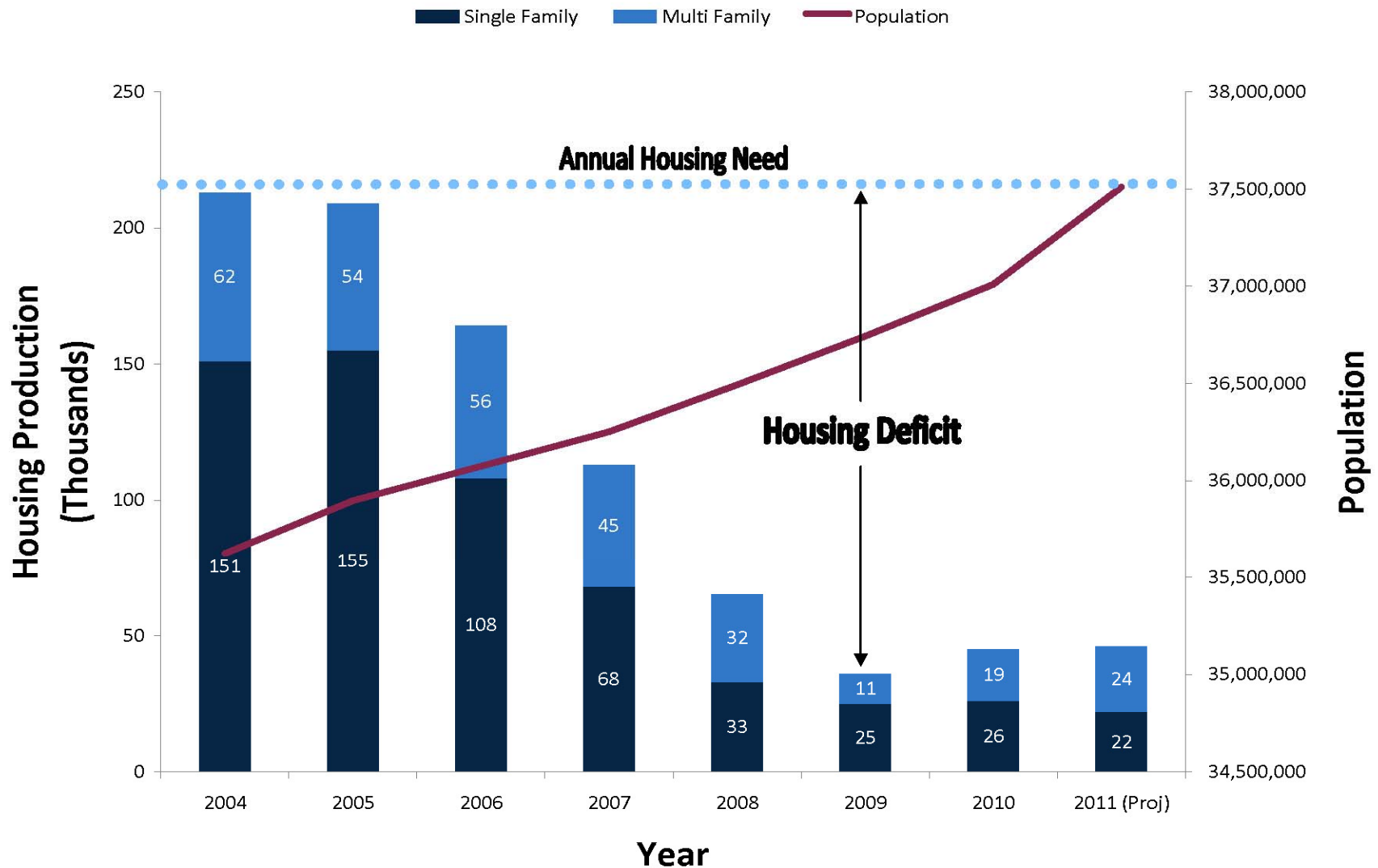
(Ben Bernanke, Federal Reserve Chairman, August 2011)

THE NUMBERS

Housing Production 2004 - 2011



California Housing Production and Population 2004-2011



Housing Source: Construction Industry Research Board (CIRB), September 2011

Population Source: DOF Demographic Data Files, 2011

CA Foreclosure Crisis

¹2010 – CA and four other states (FL, AZ, MI, IL) accounted for HALF of all U.S. foreclosures.

²2011 – CA Foreclosure Data

- Currently 272,703 homes in foreclosure (carryover from 2010)
- 1 in every 243 housing units received a foreclosure filing in October 2011

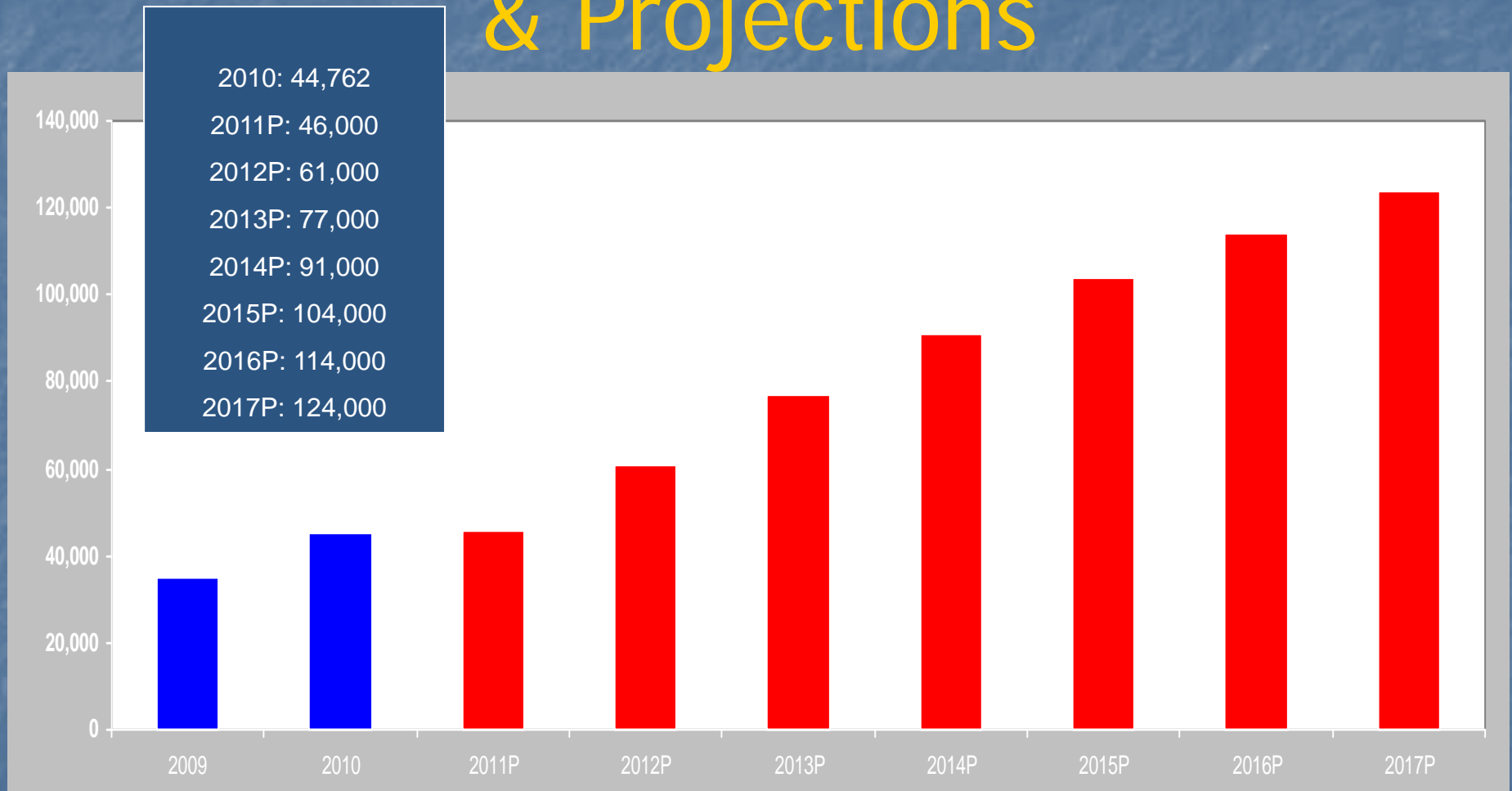
¹ California Consumer Banking. "California Foreclosure to Rise in 2011." 13 January 2011. <http://californiaconsumerbanking.com/2011/01/13/california-foreclosures-to-rise-in-2011.html>

² RealtyTrac. "CA Real Estate Trends Foreclosure Activity". <http://www.realtytrac.com/trendcenter/ca-trend.html>



WHAT A NEW CONSTRUCTION RECOVERY MIGHT LOOK LIKE

California Housing Production & Projections



Source: US Census Bureau (Blue); Projections (Red) by the Legislative Analyst's Office, "The 2012-2013 Budget: California's Fiscal Outlook." November 16, 2011

WHERE THE RECOVERY MIGHT OCCUR

California Tentative Map Data

Market/Stage	Single Family	Multi Family	Mixed	Grand Total	Maps
Bakersfield, CA	39901	1113	309	41323	305
Central Valley, CA	18457	1074	8169	27700	98
Chico, CA	1521	316	1185	3022	39
Colusa-Glenn, CA	438	73	0	511	5
Fresno, CA	23072	2289	1791	27152	234
Imperial County, CA	2111	566	6254	8931	23
Los Angeles-Long Beach, CA	19911	23908	3156	46975	370
Orange County, CA	1742	7862	247	9851	52
Riverside-San Bernardino, CA	43851	14267	1713	59831	524
Sacramento, CA	26401	5293	2844	34538	289
San Diego, CA	3665	14496	565	18726	181
San Francisco Bay Area, CA	9145	22073	10964	42182	324
Ventura, CA	1436	1703	1866	5005	47
Totals By Stage				Grand Total	Maps
Tentative Map Approved	191651	95033	39063	325747	2491

Source: Hanley Wood Market Intelligence

- Areas with higher educated workers
- Areas experiencing lower rates of unemployment (it's all about jobs)
- “Brain Hubs” like San Jose/Silicon Valley, San Francisco, parts of San Diego & Orange County

Renter Era Dawning

- High levels of foreclosures & short sales signal declines in homeownership and increases in demand for rentals
- Cash-rich investors absorbing distressed inventory
- Job picture continues to be a big negative
- Credit (mortgage) financing remains tight
- Purchasing power of consumers has been impacted
- Negative equity dampens move-up market

Gen "X"-Led Recovery

- ¹Individuals & families ages 31-45 are likely to lead the home buying recovery.
- ¹ Gen X isn't the largest but is the most mobile & has purchasing power.
- ¹"Full force in their careers.....need to accommodate growing families."
- ¹"Want something compelling, from a design and personalization standpoint."
- ¹"Connection between indoor & outdoor spaces.....perception of greater home size."

¹ NAHB. "Young Home Buyers Will Lead Housing Market Recovery." The National Association of Home Builders. March 2011.



What Policymakers Can Do to Assist a Housing Recovery

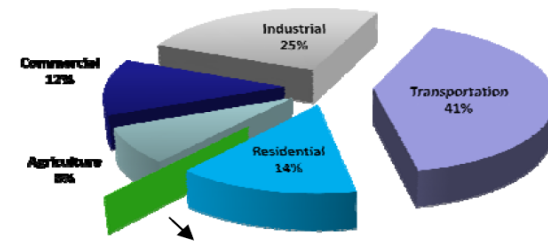
Promote Macroeconomic Policies That...

- Encourage the economy to grow at its full potential
- Enact streamlined regulatory policies that foster development
- Support state investments in core infrastructure
- Ensure an educated and skilled workforce
- Support R&D for the adoption of new technologies
- Encourage a “do no harm” approach to housing

Energy Efficiency & New Housing

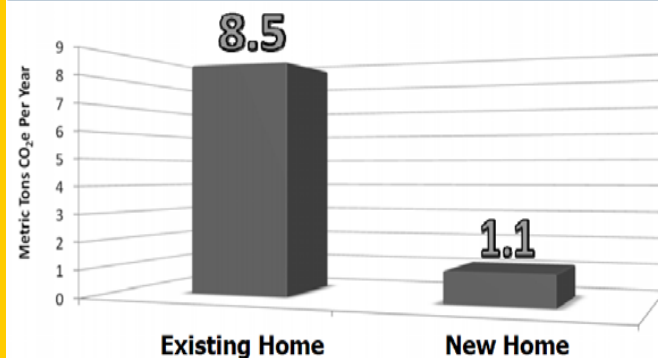
- California has a total existing housing stock of approximately 13,433,728 dwelling units.
- Of that, 9,153,400 (68%) were constructed under building standards containing NO required provisions for energy efficiency.
- **Simply put, 2 out of 3 homes in California have never had to comply with any energy efficiency mandate whatsoever.**
- Typically, new homes make up only one percent of the state's total housing stock. And, the emissions from these newly built homes are only responsible for 0.12% of annual GHG emissions in California.
- The most cost-effective reduction in GHG come from increasing the efficiency of the existing housing stock. For example, a \$5,000 investment in energy improvements reduces GHG emissions by 33% in existing homes.

GHG Impact of New Housing



Residential New Construction: one-tenth of one percent (0.12%)

GHG Savings Potential



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