

### C. Western Region

This section of the September forecast examines the real estate market in five western states. Real estate has long been characterized largely by location and despite of all the recent changes in the market, this sentiment still holds true. The relative local impact of the recent downturn in the housing market has been directly related to activity in local markets immediately prior to the downturn. In other words, places like Las Vegas, which enjoyed massive increases in property values through 2006 are also experiencing the sharpest corrections. Furthermore, these locations were often the most susceptible for widespread speculation and fraud as individuals attempted to take advantage of the rapidly increasing prices.

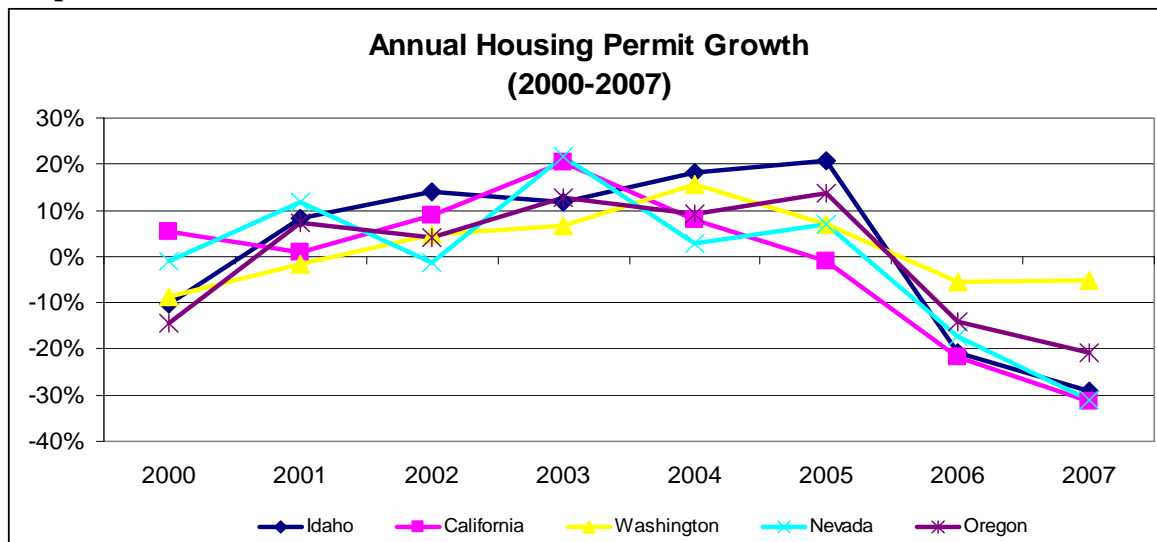
The following two sections look at two main components of the housing sector. First, the shift in permit activity is noted and discussed. Meanwhile the second section addresses prices and affordability, as measured by the National Homebuilders Housing Affordability Index. In the case of prices and affordability each state's largest metropolitan area is used for comparison.

#### *Permits*

There have been two dramatic shifts occurring in housing permits over the past two years. The first is the obvious rapid decline in the number of units that are being permitted. The second, somewhat less obvious, is the shift from single-family toward multi-family permits. The market is moving in both of these directions to correct for the over-building which characterized both the market in general, and the new single-family home market in particular.

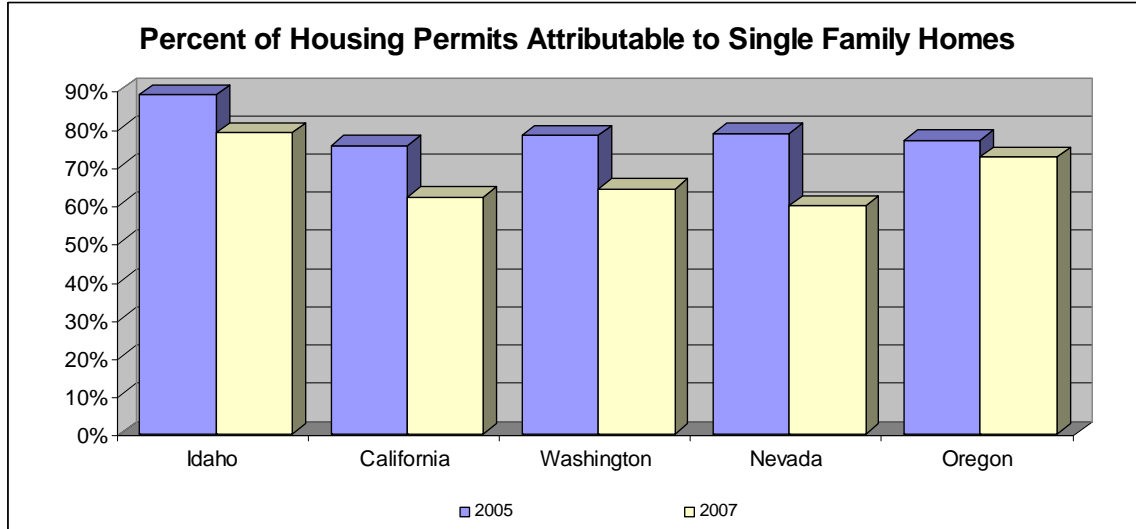
Graph W.1 shows the year-over-year growth in the number of housing permits by state for the five western states. Washington and Oregon have largely been the most stable in terms of growth, again reflecting the fact that neither state experienced the dramatic increases in activity and prices that characterized California and Nevada.

**Graph W.1**



Graph W.2 examines the rapid shift from single family to multi-family construction. From 2005 to 2007, Nevada saw the proportion of permits attributable to single family homes drop from 79 percent to 59 percent. This is due not only to the overall decline of permit activity, but also a result of record foreclosures pushing homeowners into the market for rental properties.

**Graph W.2**



**Prices & Affordability**

The most expensive real estate markets in the region remain in California. In spite of the recent year-over-year declines of more than 25 percent, prices in Los Angeles remain nearly twice the national median. As a result, although the prices have come down in many markets, they still remain relatively unaffordable, based on the National Homebuilders Association Housing Affordability Index, which measures the percentage of homes affordable to households earning the median income. Graph W.3 compares the relative prices and affordability of five western cities and the nation.

**Graph W.3**

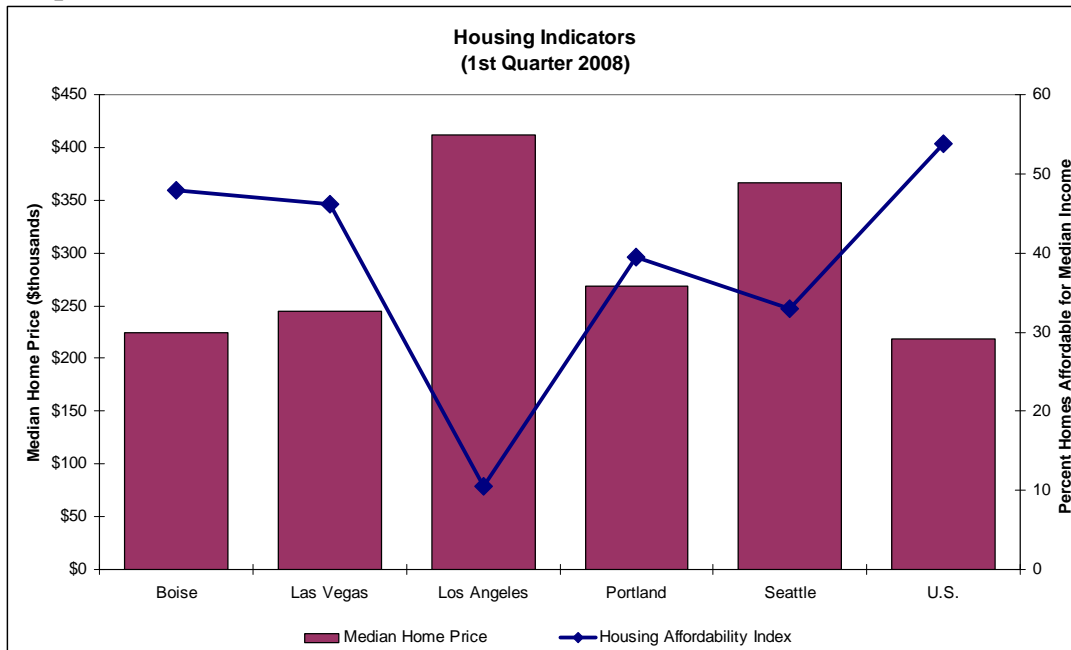


Table W.1 summarizes the Standard & Poors/Case Shiller Housing Price Index for June 2008. Of note, four western cities – Las Vegas, Los Angeles, San Francisco, and San Diego – are among the top five cities in terms of price declines in the last twelve months. Portland and Seattle, meanwhile, are among those weathering the storm with much more modest declines. Also, nearly half of the cities showed month-over-month increases from May. A sign that the market may be turning a corner in large parts of the country.

**Table W.1**  
**Standard & Poors/Case-Shiller Home Price Index**  
**(June 2008)**

<b>Metro Area</b>	<b>Home Price Index</b>	<b>Change from May</b>	<b>Year-over-year change</b>
Atlanta	125.08	0.60%	-8.10%
Boston	162.32	1.20%	-5.20%
Charlotte	133.64	0.40%	-1.00%
Chicago	150.25	0.20%	-9.50%
Cleveland	109.67	0.70%	-7.30%
Dallas	122.38	0.70%	-3.20%
Denver	131.64	1.50%	-4.70%
Detroit	92.68	-0.10%	-16.30%
<i>Las Vegas</i>	<i>158.51</i>	<i>-1.60%</i>	<i>-28.60%</i>
<i>Los Angeles</i>	<i>195.74</i>	<i>-1.40%</i>	<i>-25.30%</i>
Miami	189.87	-1.70%	-28.30%
Minneapolis	141.5	1.00%	-13.90%
New York	194.22	0.20%	-7.30%
Phoenix	153.19	-2.60%	-27.90%
<i>Portland</i>	<i>175.03</i>	<i>-0.30%</i>	<i>-5.80%</i>
<i>San Diego</i>	<i>175.37</i>	<i>-1.50%</i>	<i>-24.20%</i>
<i>San Francisco</i>	<i>159.83</i>	<i>-1.80%</i>	<i>-23.70%</i>
<i>Seattle</i>	<i>178.28</i>	<i>-0.20%</i>	<i>-7.10%</i>
Tampa	175.11	-1.10%	-20.10%
Washington	197.39	-0.90%	-15.70%

**Source: Standard & Poor's and FiservData**