

# Clear Capital™ Reports Late-Summer Softening of Home Price Gains and Reduced REO Saturation Rates

National quarterly price gains (6.3%) begin to soften as we move into fall and winter; REO saturation rates (28.6%) continue to decline; Riverside, CA and Orlando, FL return quarterly gains for the first time in three years; and Baltimore, MD ends seven quarters of price declines.

**TRUCKEE, Calif. – Oct. 7, 2009** – Clear Capital ([www.clearcapital.com](http://www.clearcapital.com)), a premium provider of data and solutions for real estate asset valuation, investment and risk assessment, today released its Home Data Index™ (HDI) Market Report. Patent pending rolling quarter technology significantly reduces the multi-month lag time associated with other indices to help investors, loan servicers and individual buyers and sellers make more informed, timely and profitable decisions. This month's report features data compiled through Sept. 25, 2009.

Key report highlights include:

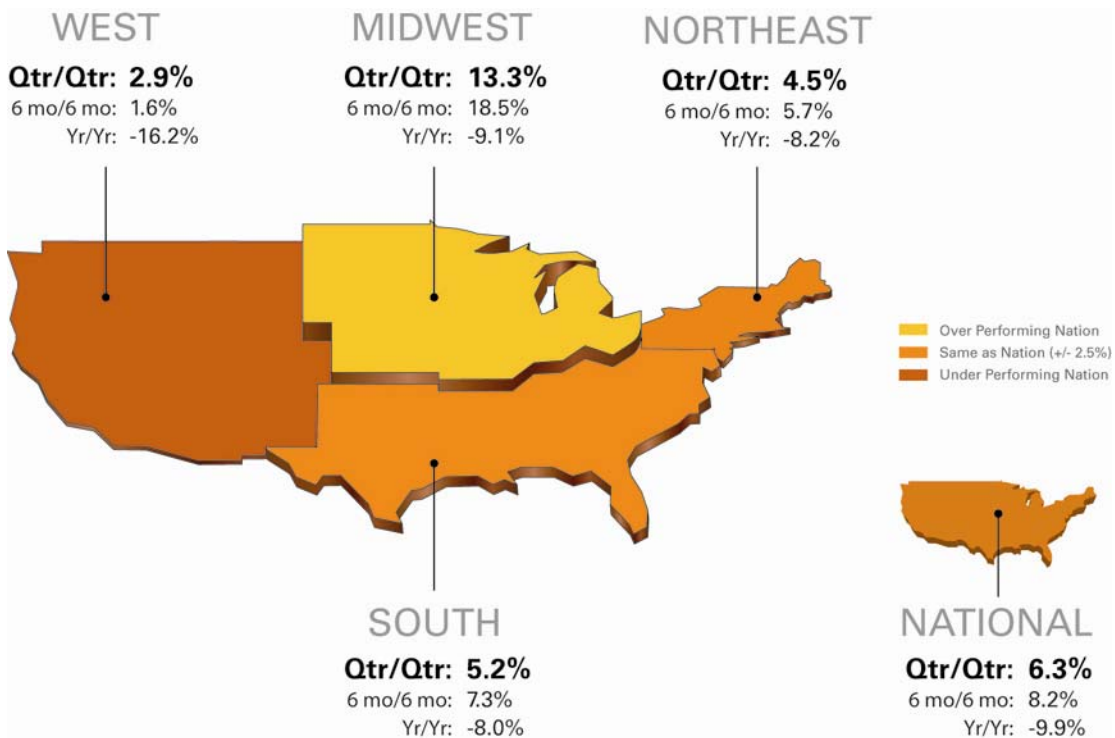
- National / Four Region Overview: National quarterly price gains soften to 6.3 percent, and the national yearly decline returns to the single digit numbers (-9.9%) for the first time since summer of 2007. The West region continues its price improvement, posting 2.9 percent quarterly and 1.6 percent six-month gains. The national real estate owned (REO) saturation rate (percentage of REOs sold to all properties sold in the last rolling quarter) dropped to 28.6 percent.
- Metropolitan Statistical Area (MSA) drilldown: Riverside, CA and Orlando, FL return first positive quarterly price gains since mid-2006, (0.5% and 1.2%, respectively).
- Micro Market Analysis: Baltimore, MD returned positive quarterly price gains (0.1%) after seven consecutive quarters of decline.

The Clear Capital HDI Market Report offers the industry, investors and lenders a near real-time look at pricing conditions not only at the national and metropolitan level, but within local markets. Clear Capital data is built on the most recent data available from recorder/assessor offices, and then further enhanced by adding the Company's proprietary market data for the most comprehensive geographic coverage available.

"As anticipated, the strong gains we've been experiencing this summer are showing signs of softening," said Kevin Marshall, Clear Capital President. "But growth remains sufficiently strong—providing hope as we head into a winter that will test the strength of the recovery."

“Prices remain low, driving investor activity into the non-REO marketplace across the nation. This is a good sign that the recovery is reaching beyond the distressed segment,” added Marshall. “Historically, investors move in at the bottom which creates confidence for the bargain hunting fair-market buyers to enter the market as well.”

## National/Four Region Market Overview (Aug. 27, 2008 - Sept. 25, 2009)



Quarterly price gains softened from last month, but remain substantial across all four regions. The national year-over-year price decline was trimmed by 2.2 percent from last month, producing the first single digit loss (-9.9%) for the nation since the summer of 2007.

Generally seen as an improvement, the national REO saturation rate declined 1.5 percentage points to 28.6 percent from last month's quarterly value of 30.1 percent. With the reported decline being 3.2 percent last month, this month's 1.5 point decline represents continued improvement, but at a slowing rate. While the rate of improvement may be slowing, the impact of declining saturation rates has been significant, with the current level being 12.3 percentage points lower than the rates of last winter.

Despite the positive signs, a year-over-year price decline reminiscent of 2007 and marked reductions of the REO saturation rate, we're still far from the 10 percent REO saturation rates seen in 2007. Amid these conditions, it's notable that the recent price gains have occurred alongside a record number of REO sales, indicating that the reductions in REO saturation has been caused by non-REO sale volumes outpacing the growth in REO sales. This demand for the non-REO segment is important if a broad recovery is to be sustained.

The quarterly gains in the Midwest (13.3%) have brought its year-over-year loss (-9.1%) close to that of the South (-8.0%) and Northeast (-8.2%), leaving the West with the lowest quarterly gains (2.9%) and largest yearly losses (-16.2%) for the group.

## Metro Markets (Aug. 27, 2008 - Sept. 25, 2009)

Qtr/Qtr Rank	Metropolitan Statistical Area	Qtr/Qtr			Yr/Yr	REO Saturation
		0%	60%	% +/-		
1	Cleveland, OH · Elyria, OH · Mentor, OH			50.8%	50.2%	32.7%
2	Louisville, KY			19.7%	-2.3%	14.9%
3	Chicago, IL · Naperville, IL · Joliet, IL			19.0%	-24.7%	33.3%
4	Milwaukee, WI · Waukesha, WI · West Allis, WI			18.8%	-16.6%	23.7%
5	Columbus, OH			17.0%	3.4%	23.9%
6	Minneapolis, MN · St. Paul, MN · Bloomington, MN			16.0%	-10.4%	39.7%
7	Birmingham, AL · Hoover, AL			14.6%	-7.2%	35.8%
8	Boston, MA · Cambridge, MA · Quincy, MA			14.2%	-5.2%	10.6%
9	New Orleans, LA · Metairie, LA · Kenner, LA			13.4%	1.5%	12.4%
10	New Haven, CT · Milford, CT			13.4%	-15.3%	18.1%
11	Memphis, TN			13.0%	-8.7%	39.0%
12	San Francisco, CA · Oakland, CA · Fremont, CA			11.9%	-16.3%	36.0%
13	Cincinnati, OH · Middletown, OH			11.5%	-6.3%	24.1%
14	St. Louis, MO			11.5%	-9.6%	38.4%
15	Providence, RI · New Bedford, MA · Fall River, MA			10.9%	-16.1%	23.2%

Spurred by a growing shift in sales to the non-REO segment of the market, the Cleveland, OH MSA paced the highest performing major markets for the fourth month in a row, maintaining price gains of more than 50 percent. Even if only the homes in the top price tier (homes valued at more than \$160,000) were counted, Cleveland would still return a 19.9 percent quarterly gain, keeping it at the top of the list.

Overall, these markets continue to produce strong quarter-over-quarter price gains, improving the year-over-year numbers for all but one of the markets (Cincinnati, OH posted a minor -0.2 percent dip from last month). Eleven of the fifteen markets saw decreased quarterly gains from those reported last month. This marks a slowing of the price rate increases they experienced over the past few months. While the slowing gains lead into the seasonally slow fall and winter months, and questions remain about the durability of the recovery, it's encouraging that REO saturation rates continued to improve among twelve of the fifteen markets. The markets of St. Louis, MO; San Francisco, CA; New Haven, CT; Columbus and Cleveland, OH; all experienced more than a two percent improvement (reduction) in REO saturation rates this past month.

The San Francisco market, inclusive of the generally lower priced areas of Oakland and Fremont, CA, appeared on the list for the first time with a strong 11.9 percent quarterly gain and a 16 percentage point drop in REO saturation from the previous quarter (March 2009 through May 2009). This places San Francisco well below its peak REO saturation rate of 59.7 percent experienced last winter, and like in other markets, reflects a broadening interest in non-REO properties.



## Lowest Performing Major Markets

Qtr/Qtr Rank	Metropolitan Statistical Area	Qtr/Qtr			Yr/Yr	REO Saturation
		-10%	10%	% +/-		
1	Las Vegas, NV · Paradise, NV			-2.3%	-36.6%	61.3%
2	Tucson, AZ			-0.5%	-19.1%	34.4%
3	Baltimore, MD · Towson, MD			0.1%	-12.4%	19.5%
4	Seattle, WA · Tacoma, WA · Bellevue, WA			0.5%	-15.2%	15.7%
5	Riverside, CA · San Bernardino, CA · Ontario, CA			0.5%	-27.1%	60.8%
6	Orlando, FL			1.2%	-33.2%	47.4%
7	New York, NY · Long Island, NY · No. New Jersey, NJ			1.6%	-14.9%	14.6%
8	Honolulu, HI			2.0%	-9.4%	9.0%
9	Philadelphia, PA · Camden, NJ · Wilmington, DE			2.1%	-5.4%	10.1%
10	Portland, OR · Vancouver, WA · Beaverton, OR			2.1%	-12.0%	18.2%
11	Dallas, TX · Fort Worth, TX · Arlington, TX			2.3%	-1.3%	50.3%
12	Houston, TX · Baytown, TX · Sugar Land, TX			3.1%	-0.6%	45.7%
13	Raleigh, NC · Cary, NC			3.3%	-2.7%	8.6%
14	Virginia Beach, VA · Norfolk, VA · Newport News, VA			3.3%	-5.8%	10.8%
15	Miami, FL · Ft. Lauderdale, FL · Miami Beach, FL			3.4%	-29.2%	40.9%

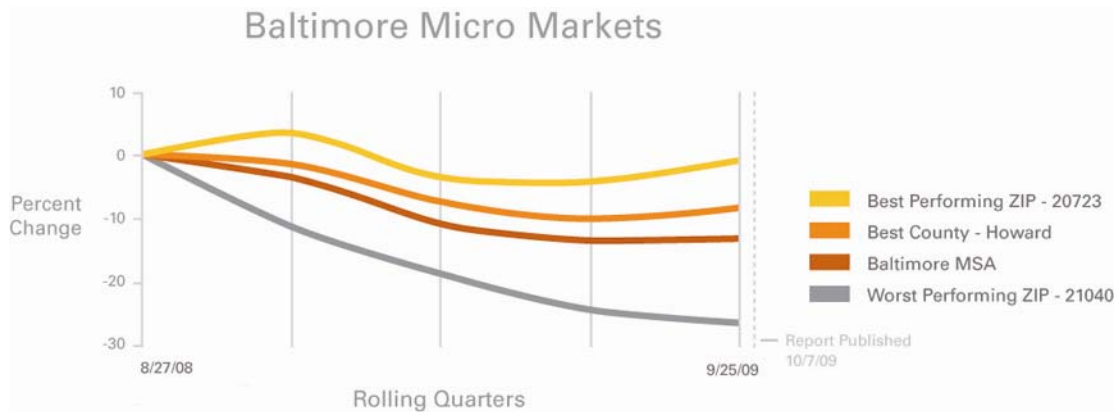
Of the lowest performing major markets, only the top two retain negative quarter-over-quarter price changes this month; an improvement over the four listed on last month's report. Orlando, FL and Riverside, CA saw their first, albeit slight, quarterly price gains since mid-2006, while Baltimore saw its first gain since the summer of 2007. Tucson, AZ faltered slightly, giving up last month's 0.3 percent gain for a loss of -0.5 percent.

Las Vegas, NV and Riverside, CA (the two highest REO saturated markets) lead the group with the largest declines in saturation from last month's numbers with 2.7 and 2.9 point declines, respectively. While Las Vegas maintained its position at the top of the lowest performing markets for the fourth consecutive month, fewer REO sales and a slight improvement in non-REO activity, helped this MSA to its softest quarterly price decline (-2.3%) since the winter of 2007. Similarly, Riverside saw a slight quarterly price gain helped by declining REO volumes and a steady number of non-REO sales.

Though most markets on this list experienced softening price declines or modest gains, several markets still have highly elevated saturation rates. Compared to the highest performing major markets, where no market had an REO saturation rate above 40 percent, the lowest performing major markets list still finds six markets above 40 percent in REO saturation. This indicates additional risk still exists for these markets unless the non-REO segment can manage to maintain strength during the upcoming winter.

## Micro Markets (Aug. 27, 2008 - Sept. 25, 2009)

This section highlights a single market every month with a deeper dive into how the micro- and macro-markets relate to each other.



Baltimore's micro markets returned to a positive quarterly gain (0.1%) after seven consecutive quarters of decline, contributing to a 21.0 percent decline in home values since its market peaked in late 2006. As a whole, the Baltimore market performed similar to much of the Northeast and South, returning modest pricing declines compared to the national decline of -31.6 percent since the market peaked. REO saturation rates in Baltimore also remained below the national rate, peaking at only 19.5 percent last spring.

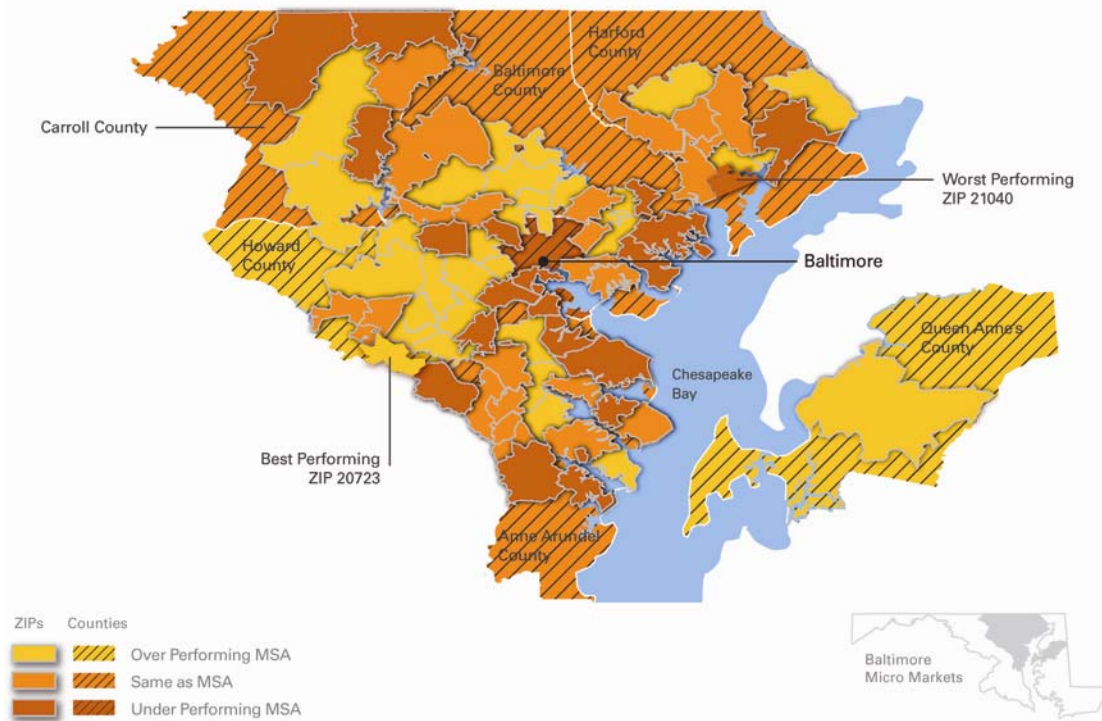
However, a disparity exists within Baltimore's micro markets, with notable differences between the REO-saturated city limits and the more distant suburbs—particularly those suburbs to the Southwest which are closer to the better performing housing markets of Washington, D.C. Within the city limits of Baltimore, REO saturation peaked last winter at 31.5 percent due to declining non-REO sales amidst growing REO activity. These conditions reflected a -17.7 percent decline in price the last year alone; significantly worse than the more suburban southern counties of Carroll (-11.7%) and Howard (-7.9%), which peaked at less than 19 percent REO saturation.

While its market has not fully recovered, the suburban city of Laurel (ZIP 20723) is proving more resilient to price declines (-0.9%) this past year than the Baltimore market as a whole. Laurel seems well-served by its location between the two metro cores of Baltimore and Washington, D.C. and its proximity to Interstate 95 and the Baltimore-Washington Parkway. Even though Laurel has seen its number of REO sales grow over the past year, in recent months the city has maintained a healthier amount of non-REO sales activity than the city's core.

Edgewood (ZIP 21040), on the other hand, continues to perform well below the Baltimore market, experiencing a -24.5 percent year-over-year price change. REO saturation in Edgewood continues to climb and has reached 34.3 percent. Combine this with its predominantly lower-tier priced homes and proximity to the Aberdeen Proving Ground, a nearby arsenal to the south; Edgewood is the worst performing ZIP in the area.

# Baltimore Micro Markets

Year-Over-Year Comparison



## Clear Capital Home Data Index™ Methodology

The Clear Capital Home Data Index (HDI) provides weighted paired sales, and price-per-square-foot index models that use multiple sale types, including single-family homes, multi-family homes and condominiums. These models are combined with an address-level cascade to provide sale-type-specific analysis for thousands of geographic areas across the country. The indices include both fair market and institutional (real estate owned) transactions. They also provide indicators of REO activity such as REO discount rates, REO days on market and REO saturation. The Clear Capital HDI generates indices in patent pending rolling quarter intervals that compare the most recent four months to the previous three months. The rolling quarters have no fixed start date and can be used to generate indices as data flows in, or at any arbitrary time period.

### About Clear Capital

Clear Capital ([www.clearcapital.com](http://www.clearcapital.com)) is a premium provider of data and solutions for real estate asset valuation and risk assessment for large financial services companies. Our products include appraisals, broker-price opinions, property condition inspections, value reconciliations, and home data indices. Clear Capital's combination of progressive technology, high caliber in-house staff and a well-trained network of more than 40,000 field experts sets a new standard for accurate, up-to-date and well documented valuation data and assessments. The Company's customers include 75 percent of the largest U.S. banks, investment firms and other financial organizations.

### Legend

**Address Level Cascade** – Provides the most granular market data available. From the subject property, progressively steps out from the smallest market to larger markets until data density and statistical confidence are sufficient to return a market trend.

**Home Data Index (HDI)** – Major intelligence offering that provides contextual data augmenting other, human-based valuation tools. Clear Capital's multi-model approach combines address-level accuracy with the most current proprietary home pricing data available.

**Metropolitan Statistical Area (MSA)** – Geographic entities defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics.

**Paired Sales Model** – Weighted linear model based on repeat sales of same property over time.

**Price Per Square Foot (PPSF) Model** – Median price movement of sale prices divided by square footage over a period of time—most commonly a quarter.

**Real Estate Owned (REO) Saturation** – Calculates the percentage of REOs sold as compared to all properties sold in the last rolling quarter.

**Rolling Quarters** – Patent pending rolling quarters compare the most recent four months to the previous three months.

*The information contained in this report is based on sources that are deemed to be reliable; however no representation or warranty is made as to the accuracy, completeness, or fitness for any particular purpose of any information contained herein. This report is not intended as investment advice, and should not be viewed as any guarantee of value, condition, or other attribute.*

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