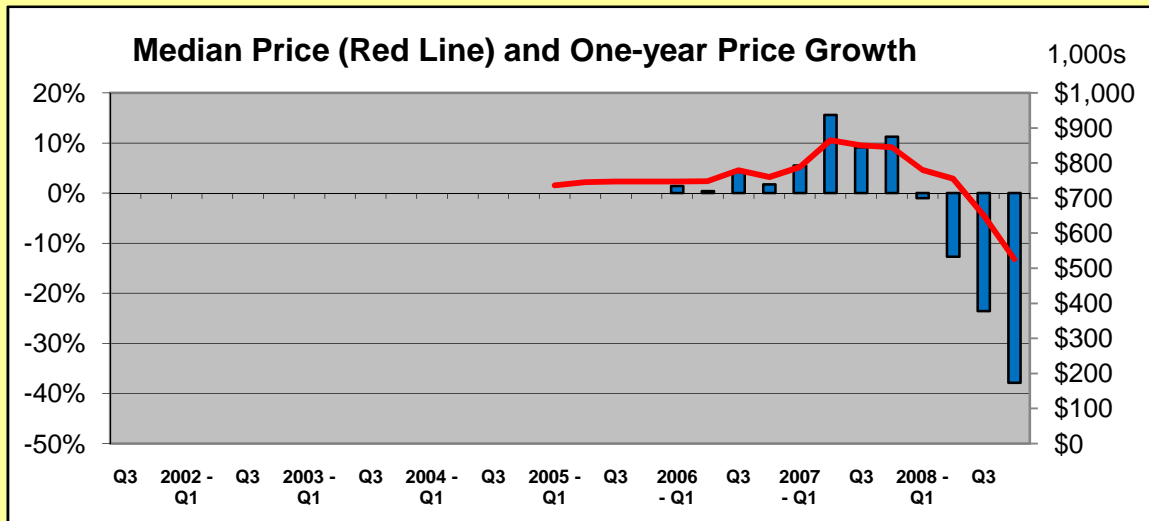


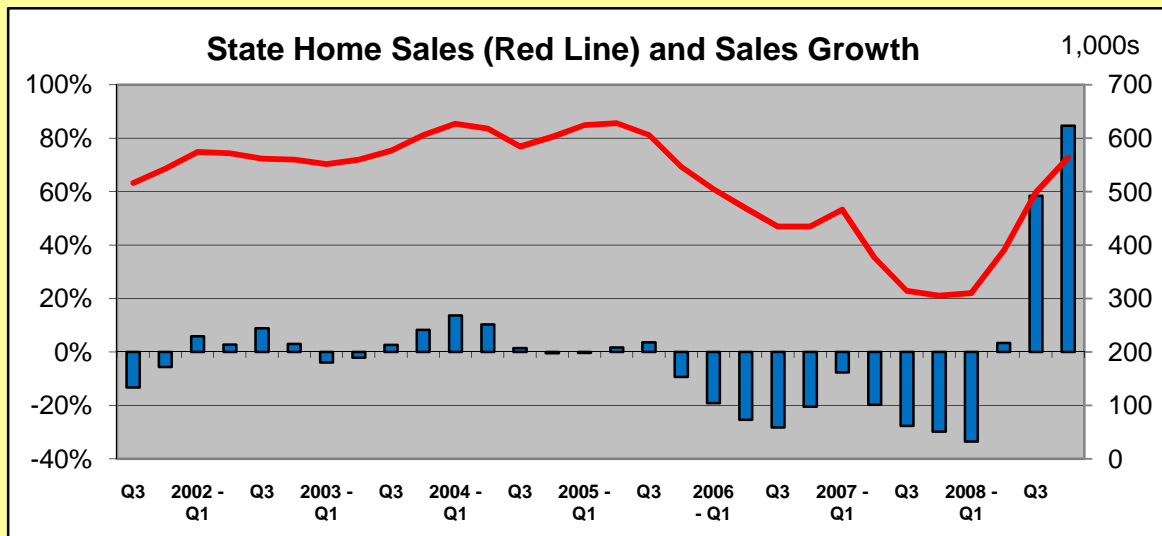


## San Jose-Sunnyvale-Santa Clara Area Metro Market Report, Fourth Quarter 2008

### Today's Market...



	San Jose	U.S.	Local Trend
<b>Price Activity</b>			
Current Median Home Price (2008 - Q4)	\$525,000	\$180,800	
1-year Appreciation (2008 - Q4)	-37.9%	-7.0%	Weak for this metro area
3-year Appreciation (2008 - Q4)	-29.7%	-19.8%	Weak for this market
3-year (12-quarter) Housing Equity Gain	-\$222,000	-\$44,567	
7-year (28 q) Housing Equity Gain	NA	-\$13,167	
9-year (36 q) Housing Equity Gain	NA	\$16,967	



Home Sales and Construction Growth	California	U.S.	
*State Existing Home Sales (Q4)	84.7%	-16.4%	Stable

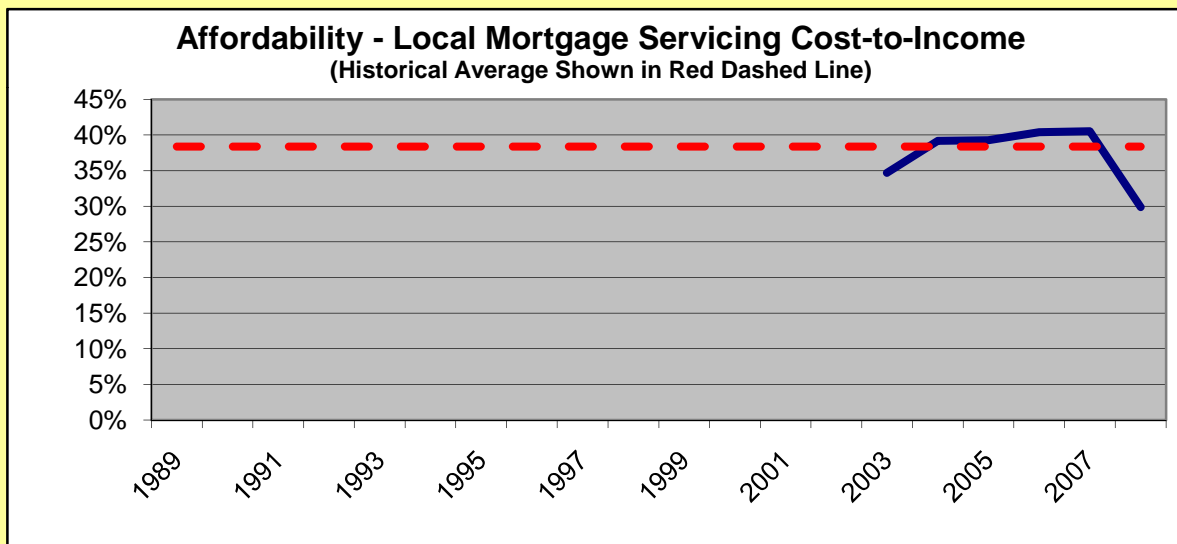
\*versus same quarter, year-ago

# Local Supply and Demand...

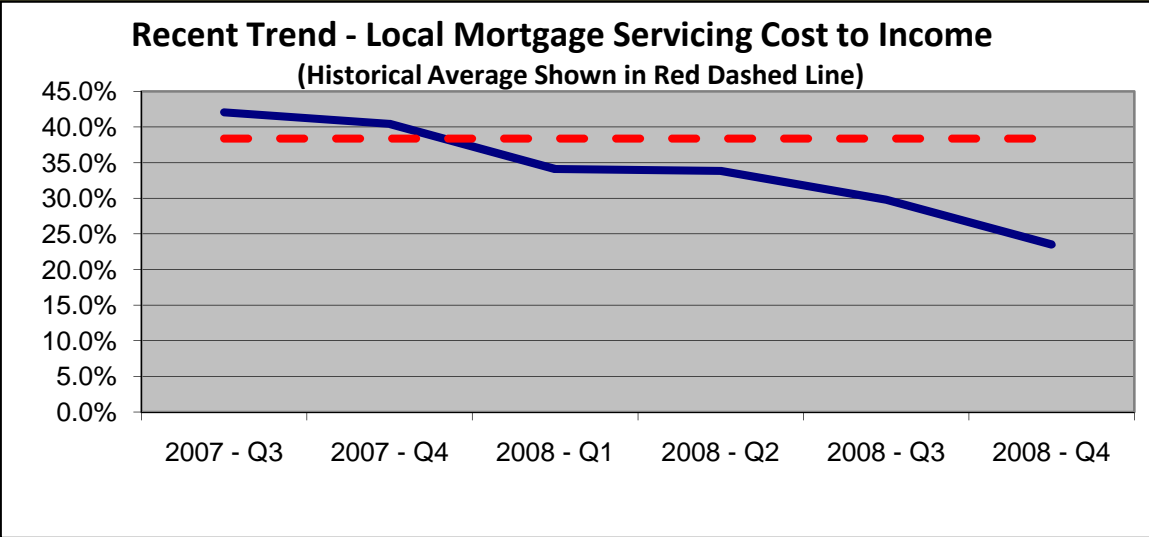
Local Economic Outlook	San Jose	U.S.	
1-year Job Additions (2008 - Dec)	-28,400	Not Comparable	Soft for this market
3-year Job Additions (2008 - Dec)	29,800	Not Comparable	Weaker than local average
State Economic Activity Index	California	U.S.	
12-month change (2008 - Dec)	-1.0%	-0.9%	Weak compared with nation
36-month change (2008 - Dec)	3.7%	4.5%	Respectable relative to the nation

Local Fundamentals	San Jose	U.S.	
1-year (12 month) Job Growth Rate	-1.4%	-0.4%	Weak compared to other markets
3-year (36 month) Job Growth Rate	1.5%	2.5%	Weaker than most metro areas
1-year Job Gain to New Single-Family Homes	-3.8	0.0	Weak compared to the national average
3-year Job Gain to New Single-Family Homes	1.0	13.9	Weak compared to the nation
** Single-Family Housing Permits (2008 - Dec)	-45.7%	-41.3%	Important to reduce supply

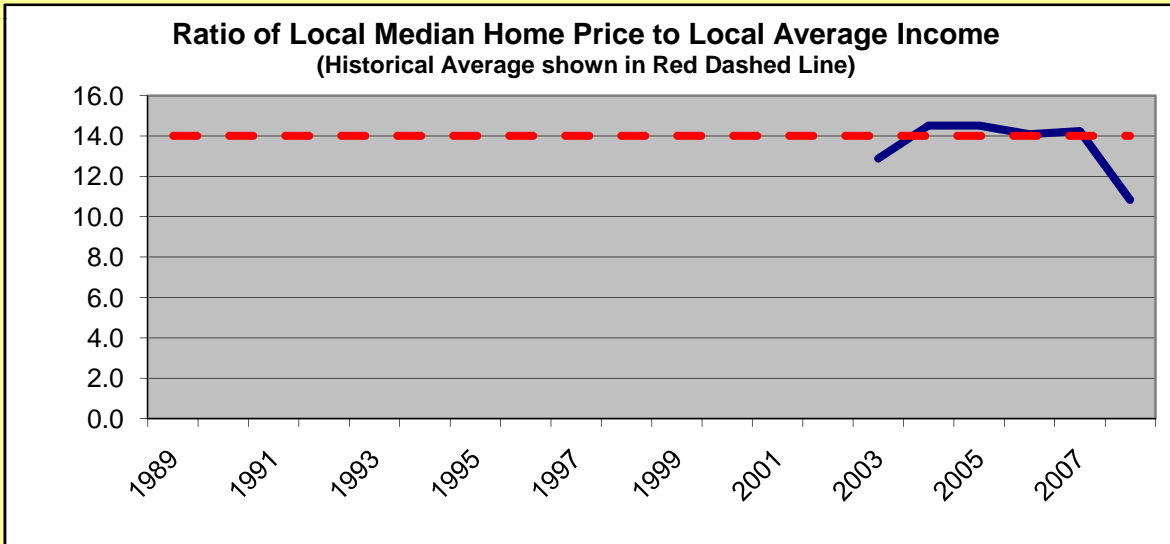
\*\*Rolling 12-month sum vs. a year ago



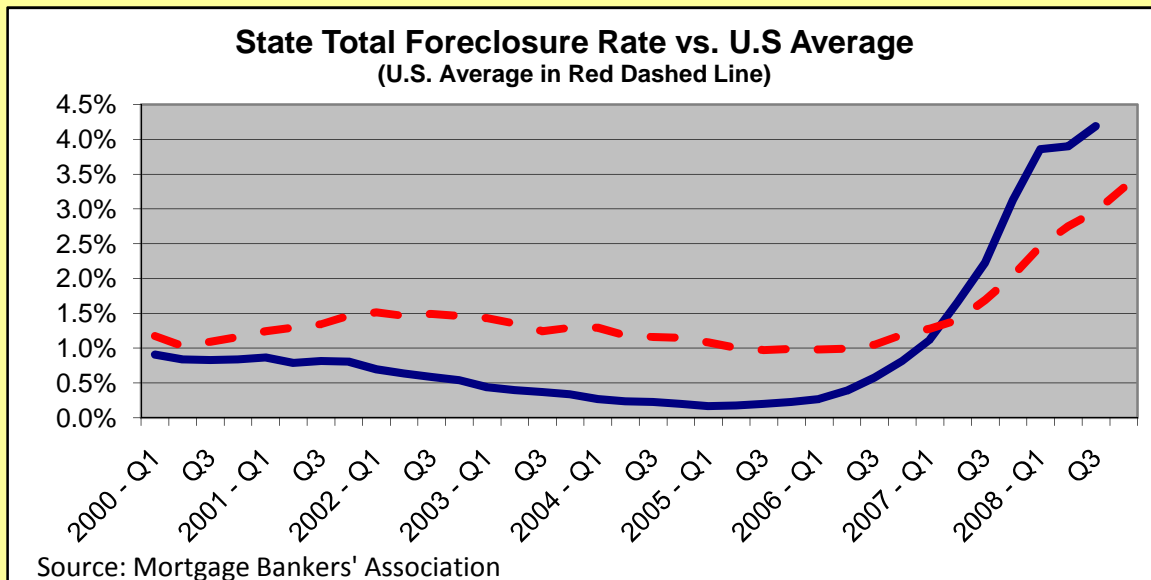
Monthly Mortgage Payment to Income	San Jose	U.S.	
Ratio for all of 2008	35.4%	21.4%	Good local affordability
Ratio for 2008 - Q4	23.5%	20.6%	Improving and historically strong
Historical Local Average	38.4%	23.2%	Weak relative to the nation



Median Home Price to Income	San Jose	U.S.	
Ratio for 2008	12.4	7.4	Good Relative to Local History
Historical Local Average	14.0	7.2	Weak Compared to Nation Average



# Looking Deeper....



Monthly Market Data - October 2008	San Jose	U.S.	
<b>PRIME</b> Market Share	81.2%	84.2%	Higher subprime exposure than average
<b>SUBPRIME</b> and <b>Alt-A</b> Market Share	18.8%	15.8%	Worrisome
<b>TOTAL</b> Foreclosure + REO Rate	1.1%	1.2%	There has been a large local increase versus a year ago
<b>TOTAL</b> Foreclosure + REO Rate (same period, 1-year earlier)	0.2%	0.5%	Compared to the national average, today's local rate is low
<b>SUBPRIME</b> Foreclosure + REO Rate	22.3%	14.0%	There has been a large local increase versus a year ago
<b>SUBPRIME</b> Foreclosure + REO Rate (same period, 1-year earlier)	6.2%	7.2%	Locally, today's foreclosure rate is low relative to the national average
<b>ALT-A</b> Foreclosure + REO Rate	8.8%	9.0%	A large local increase occurred compared to a year ago
<b>ALT-A</b> Foreclosure + REO Rate (same period, 1-year earlier)	1.2%	2.5%	Today's local rate is low compared to the national average

Monthly Foreclosure data provided by First American CoreLogic, LoanPerformance data

# The Mortgage Market

