



Single Family Residential Forecast 2008

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**COLDWELL
BANKER** 

RESIDENTIAL BROKERAGE



2007

The Year the Recovery Didn't Happen

What did
happen?

Separating
Facts
From
Hype



John Darkow/Columbia Daily Tribune



HOUSE PRICE INDEX

Office of Federal Housing Enterprise Oversight

- 3rd Quarter 2007 showed first quarterly decline **-0.4%** since 4th Quarter 1994
- The National Annual Price Change was an increase of **+1.8%**, the lowest since 1995

Top 5 States	
Utah	+12.89%
Wyoming	+11.77%
Montana	+7.74%
New Mexico	+7.39%
Washington	+6.98%

Bottom 5	
Michigan	-3.74%
California	-3.59%
Nevada	-2.42%
Massachusetts	-2.31%
Rhode Island	-2.24%

Source: Office of Federal Housing Enterprise Oversight News Release 11/29/2007



HOUSE PRICE INDEX

New England States for 2007

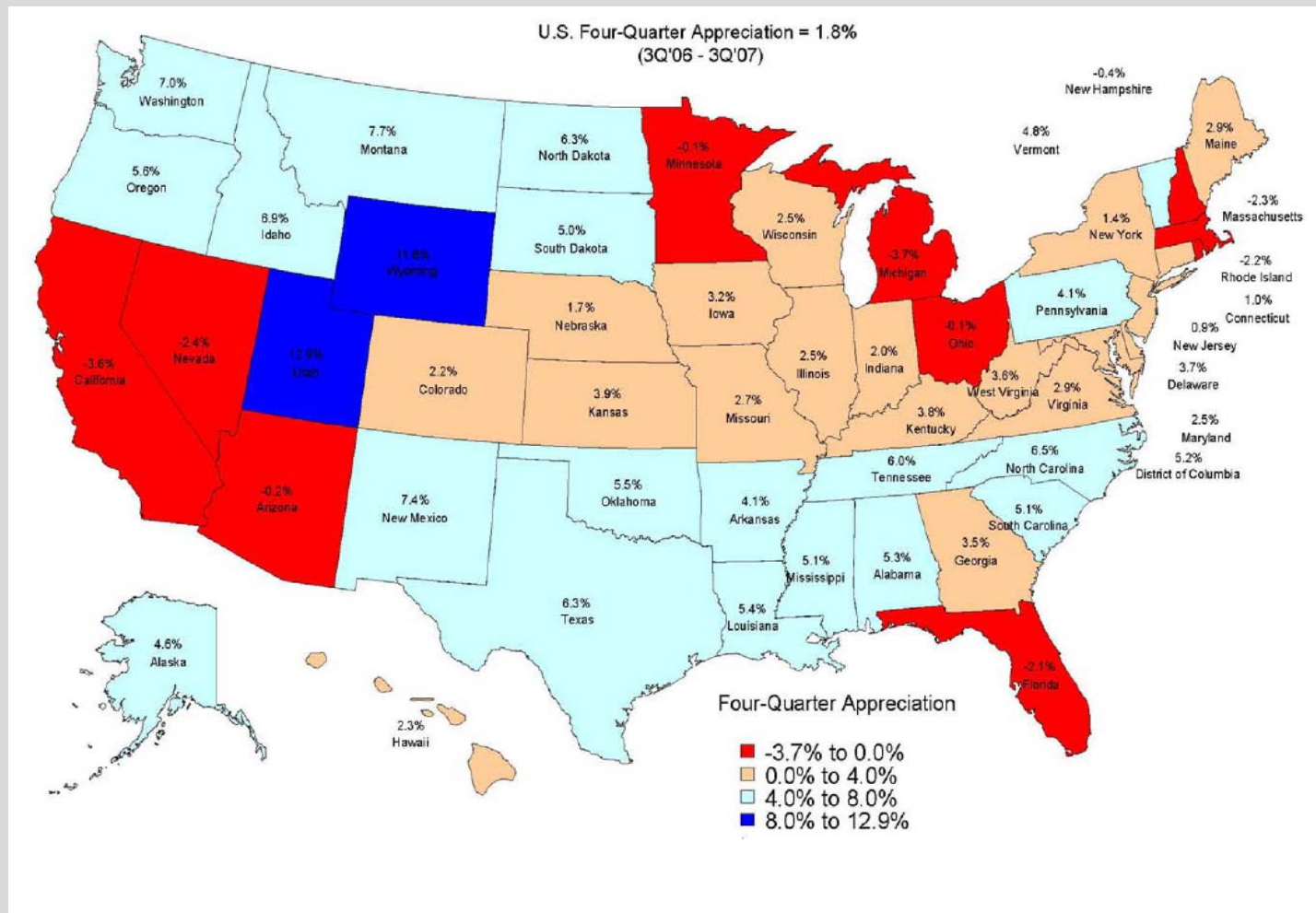
State	Rank	1 – Year Results
Maine	29	+2.88%
New Hampshire	45	-0.42%
Vermont	19	+4.82%
Massachusetts	48	-2.31%
Connecticut	40	+0.97%
Rhode Island	47	-2.24%

Source: Office of Federal Housing Enterprise Oversight News Release 11/29/2007



HOUSE PRICE INDEX

Four Quarter Appreciation by State



Source: Office of Federal Housing Enterprise Oversight News Release 11/29/2007



S & P/ Case-Shiller Home Price Index

Through October 2007

- Leading Measure of U.S. Home Prices shows an annual decline of just over **-6%** for its 10 and 20 Composite Metro indices.
- The steepest decline was in Miami at **-12.4%** followed by Tampa, San Diego, Detroit and Las Vegas.
- In this index, only Charlotte, NC, Portland, OR, and Seattle, WA experienced positive annual growth rates.
- Why does this index paint a different picture?



Differences Between S & P/ Case-Shiller & HPI

- HPI includes refinance appraisals as well as purchase prices.
- HPI uses data from conforming, conventional mortgages provided by Freddie Mac and Fannie Mae.
- The S & P/Case-Shiller uses information from county assessor and recorder offices.
- HPI weights price trends equally for all properties.
- The S & P/Case-Shiller is value weighted so price trends for more expensive homes have a greater influence.
- S & P/Case-Shiller does not have data from 13 states.
- The HPI is calculated using data from all states.

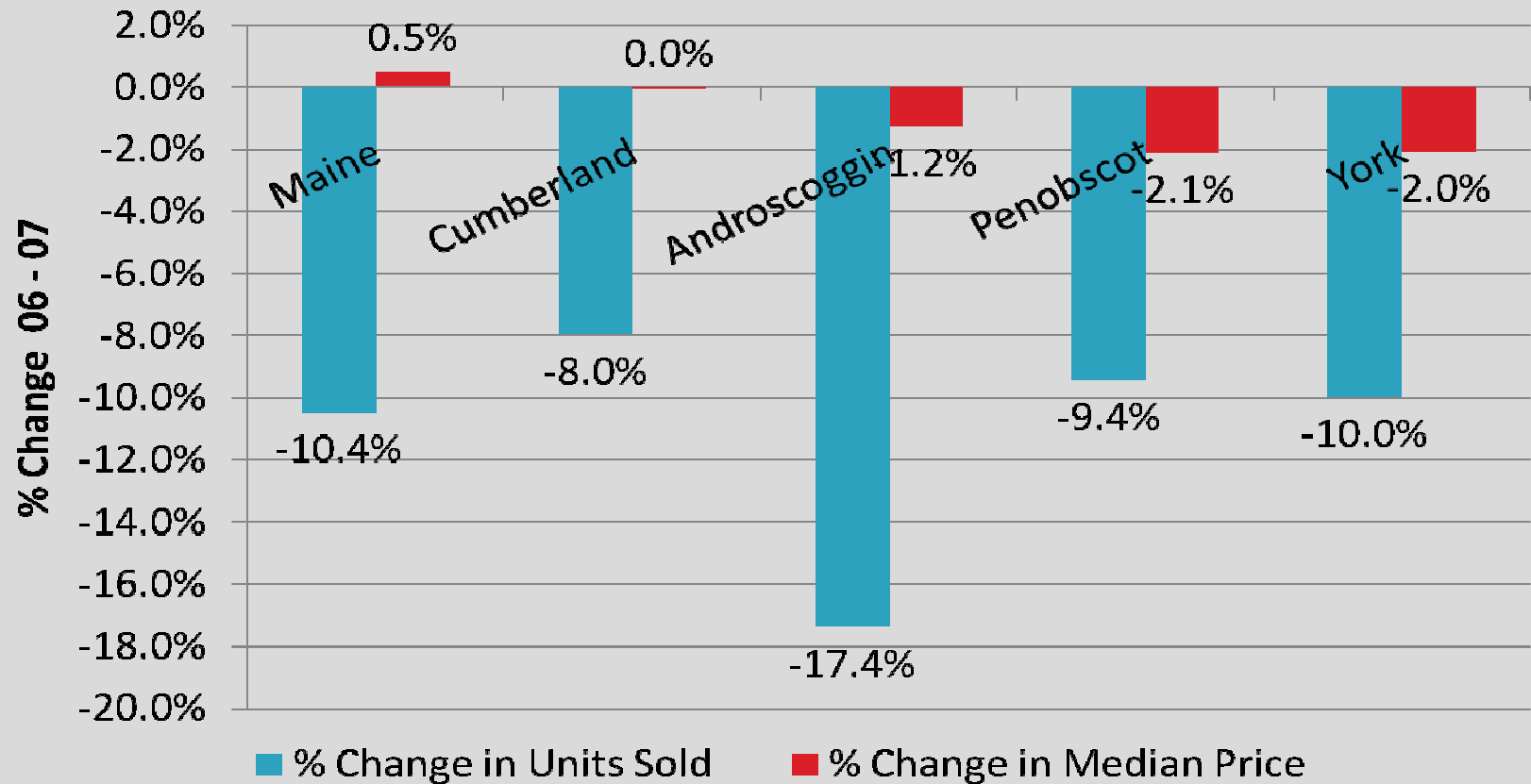


The State of the U.S. Housing Industry Depends On Who You Listen To

- HPI v. S&P/Case-Shiller
- Home Sale Prices v. # of Home Sales: On 11/21/2007 NAR released a report that home sale prices actually rose in most metropolitan markets. The AP lead on the same press release emphasized the negative statistic that the # of home sales had fallen in 46 states during the 3rd Quarter. Both were correct. *RISMedia*
- In the same NAR press release, Lawrence Yun, NAR Chief Economist said: “The housing market correction is clearly focused on transaction volume and not in home prices.”



State & County Sales 2006 v. 2007



Based on information from the Maine Real Estate Information System, Inc. for the period 1/1/2006 – 12/31/2007. Provided by an individual user of MREIS. MREIS has not reviewed the contents and does not make any representations, warranties, or guarantees regarding the accuracy, timeliness or completeness of any statistical information and data provided.



Local Results by Town

Median Prices 2006 v. 2007

	2006	2007	% Change
Yarmouth	340,000	372,500	9.6%
Augusta	129,900	139,000	7.0%
Portland	232,500	245,000	5.4%
York	388,000	400,000	3.1%
Bangor	148,575	149,500	0.6%
Cape Elizabeth	375,000	375,000	0.0%
Lewiston	149,950	149,950	0.0%
Saco	245,000	245,000	0.0%
Auburn	154,950	154,500	-0.3%
Waterville	121,000	120,000	-0.8%
Westbrook	219,450	217,168	-1.0%
Biddeford	217,500	215,000	-1.1%
Gorham	255,000	250,000	-2.0%
Brunswick	244,450	239,362	-2.1%
South Portland	226,000	218,500	-3.3%
Cumberland	367,500	345,000	-6.1%
Scarborough	357,485	332,500	-7.0%
Falmouth	450,500	418,750	-7.0%
Freeport	374,750	314,225	-16.2%

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Median Price Data Things to Consider

- Median sales price means that half the homes sold for more and half sold for less.
- Good for tracking trends at state, county, or regional levels, but loses relevance as the sample size gets smaller.
- Does not factor in what you get for the median price over time. For example, say a \$250,000 price in 2006 bought a 3 bedroom, 1.5 bath home but in 2007 it gets you a 4 bedroom, 2 bath home. The median price didn't change but the value it purchased did.

Remember, real estate prices are local, and are a function of location, condition, supply and demand. As a result, an individual home buyer or home seller's experience may vary from statistical trends.



The Mortgage Market Factor

- Recovery in housing market will rely on a number of mortgage-market related factors:
 - Availability of financing:
 - 100% financing and no-doc loans are gone
 - Jumbo rates are high
 - Impact of short-sales and foreclosures on housing inventory
 - Interest rates
- Financing is available for financially qualified buyers:
 - Conventional loans with PMI (now tax-deductible)
 - FHA, VA, MSHA loans
 - Buyers need some downpayment money and proof of income and assets.

Information provided by:





The Mortgage Market Factor

FHA Modernization Legislation

- Will lower down payment requirements
- Allows FHA to insure bigger loans
- More pricing flexibility

- Has passed Congress and President is awaiting a clean FHA modernization bill that he can sign into law

- Once implemented it will have a big impact on Maine's housing market
 - Loan limit in Cumberland County is currently \$260,000 – this bill will increase the limit to \$417,000

 - Increased loan limit will work for a high percentage of Maine borrowers



The Mortgage Market Factor

Sub-prime Shakeout

- As USA Today reported earlier this month, “about half the subprime ARM loans are concentrated in a handful of states” and Maine is not one of them.

% of subprime loans by state:

▪ Maine	0.3%
▪ Massachusetts	1.8%
▪ New Hampshire	0.4%
▪ California	17.3%
▪ Florida	12.3%

- Foreclosures and short sales will not have the impact here that they will in other states.
- National initiatives underway to reduce the number of defaults and foreclosures:
 - FHASecure
 - Temporary freeze on interest rate reset
 - HopeNow Alliance

Information provided by:

NE MOVES
Mortgage, LLC
An Affiliate of Coldwell Banker Residential Brokerage



2008 Forecast



Large number of variables may impact 2008 market

- Presidential election year
- Economic recession?
- Lingering effects of subprime financial shock
- Impact of foreclosures on inventory levels
- Media reporting
- Buyer and Seller behavior hard to predict



National Predictions



- Existing-home Sales volume to drop from 6.48 million in 2006 to 5.66 in 2007 and remain flat for 2008.
- Median existing-home price down 1.9% in 2007 to \$217,600 and stay flat in 2008.
- New home sales projected at 773,000 in 2007 (from 1.05 million in 2006) and declining to 669,000 in 2008.
- Median prices for new homes down 2.1% in 2007 and remain flat in 2008
- Housing starts 1.36 million in 2007 and 1.09 million in 2008.
- 30-year fixed-rate mortgage should rise slowly to 6.3% at the end of 2008.

Source: NAR Press Release 1/8/2008



National Predictions



- Expect housing starts and home sales to trend down and reach bottom around the end of Q3 2008.
- Total existing-home sales for 2008 will be down by about 13% from 2007.
- New home sales down 15% in 2008 from 2007 to 666,000 units.
- Median prices for new and existing homes are expected to decline in 2008 by about 2%.
- Residential purchase mortgage originations will decline about 18% in 2008.
- The 30-year fixed-rate mortgage rate will trend up modestly reaching 6.2% by Q4 of 2008.

Source: Mortgage Bankers Association Press Release 1/14/2008



National Predictions



- The housing recovery should begin in 2008 with a trough in home sales in Q1 2008 and a bottom for housing starts around mid-year.
- New homes sales for 2007 forecast at 828,000 and will decline by 5.6% to 781,000 in 2008.
- Total housing starts of 1.363 million are projected for 2007, declining by 11.9% to 1.2 million in 2008.
- Single-family starts are expected to show a 50% decline from their peak in Q1 of 2006 to a trough in early 2008.

Source: NAHB Press Releases dated 11/28/2007 and 12/19/2007



NEEP The New England Economic Partnership

Serving Its Members With Timely Forecasts And Insightful Analysis

Fall Economic Outlook Conference 11/13/2007

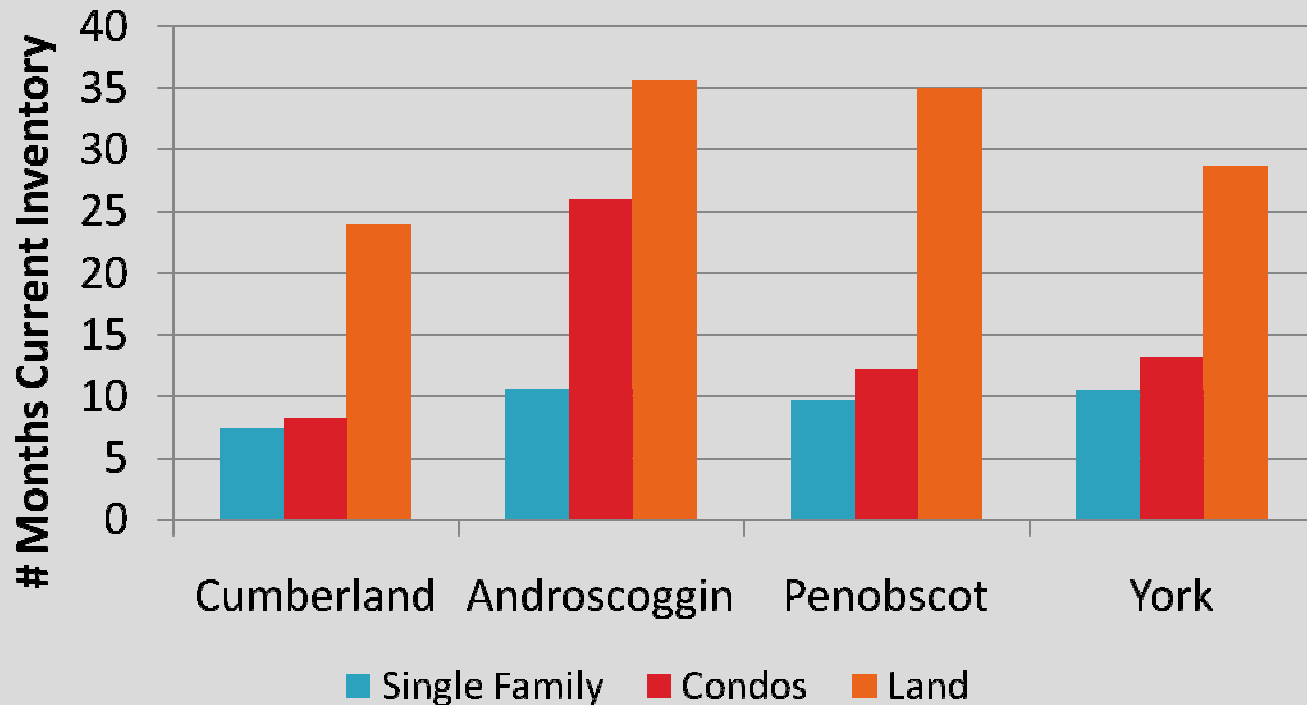
“ The end of the decline in regional housing prices appears to be on the horizon. Housing prices in the region are expected to decline through Q2 2008, with the sharpest decline anticipated in the last quarter of 2007. A slow and modest recovery is expected to follow the decline. The peak-to-trough decline in the region’s median housing prices is expected to be just below 10 percent.”

Source: NEEP Press Release dated 11/13/2007



Absorption Analysis by County

(as of 2/16/2008)



Compares current listing count across all prices to pending plus sold for last 12 months to determine # months available inventory on the market.

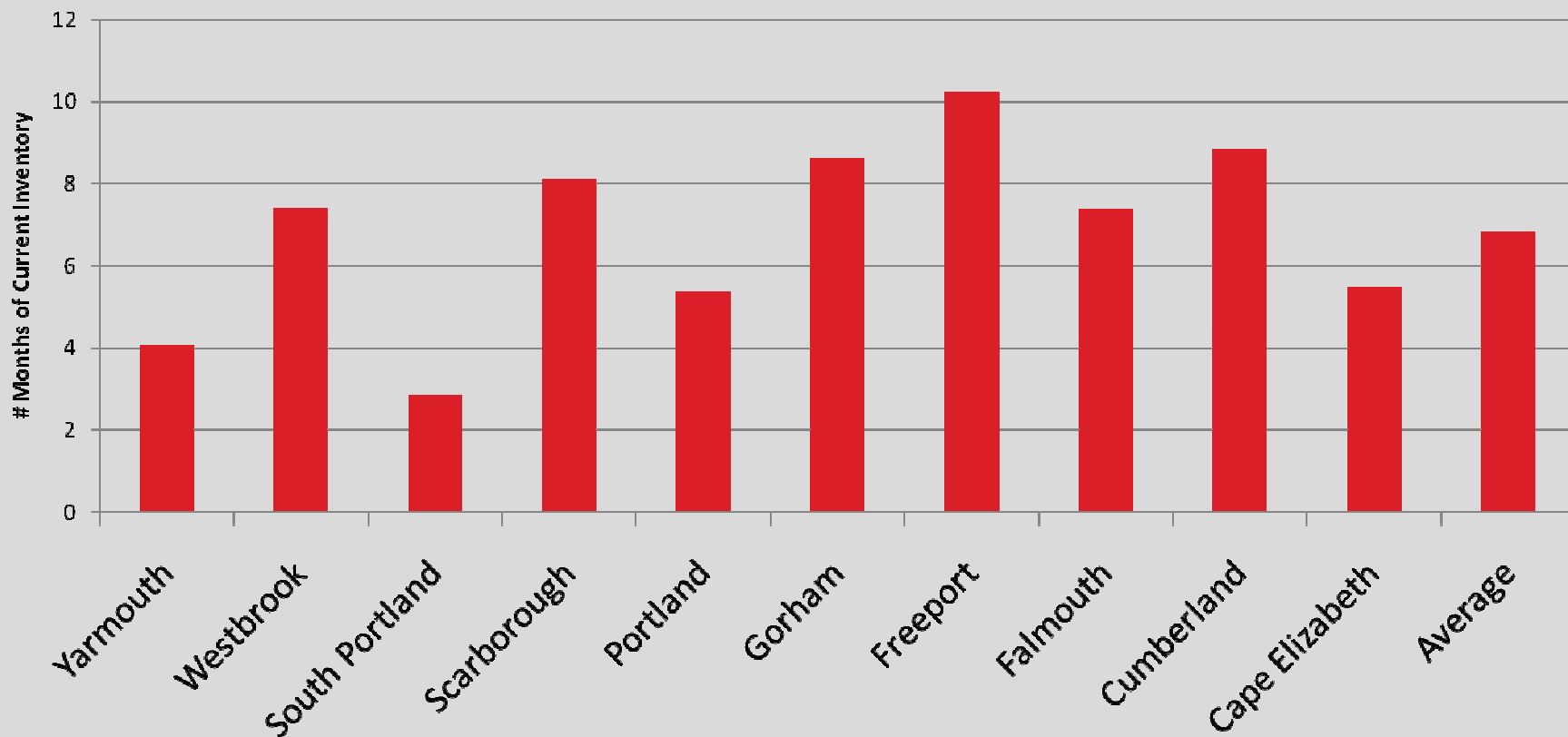
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Local Absorption Analysis

As of 12/20/2007

Single Family Homes



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Local Forecast

- Inventory levels about the same as this time last year.
- Prices finally trending down during 4th quarter 2007 – will probably continue to soften for the first quarter or two in 2008.
- Market should bottom out this year – probably in 2nd quarter
- Low interest rates and prices at or near bottom of cycle make this a terrific time to buy
- Will remain a buyers market through 2008 – sellers need to be realistic.



Reasons for Optimism

There are many reasons Maine and the Portland region will continue to be attractive places to live, work, and vacation:

- Maine named the second-safest and fourth-healthiest state in the nation. (Morgan Quitno Press, 2006)
- Portland named as one of the top 100 “Best Performing Cities” in the nation. (Milken Institute, 2006)
- Portland named among top 12 thriving and emerging world travel destinations for 2007 by Frommer’s Travel Guides
- Portland Ranked #2 in Self Magazine’s 2006 Healthiest Cities for Women
- Portland ranked #20 in Inc. Magazine’s 2006 Boom Town List of Hottest Cities for Entrepreneurs.
- Portland noted as one of two “Best Cities for Mid-Level Professionals” in Kiplinger’s Personal Finance magazine, June 2007



Anne Weigel, Realtor

Anne is a 20-year real estate veteran with an extensive background in brokerage, development, management, and leasing of commercial and residential properties. She has held management positions for a number of highly-regarded real estate companies including: Trammell Crow Company, Weingarten Realty, Dead River Properties, and Ram Management, Co., Inc. In 2002, Anne joined Coldwell Banker Residential Brokerage to pursue a long-desired career in residential brokerage. Her sales performance has been exceptional, and she is now a multi-million dollar producer assisting clients with their residential and investment real estate needs in the Greater Portland market.

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