

... Resulting in Disproportionate Price Distribution Between Supply and Demand

Share by Price Segment

Price Segment	Sales (% to Total)	Active Listings (% to Total)
\$0 - \$199k	9.1%	8.3%
\$200 - \$299k	16.7%	14.0%
\$300 - \$399k	15.9%	13.9%
\$400 - \$499k	14.2%	11.8%
\$500 - \$749k	21.8%	19.5%
\$750 - \$999k	10.0%	11.2%
\$1,000 - \$1,999k	9.6%	13.0%
\$2,000k+	2.6%	8.3%

SERIES: Sales and Active Listings of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Where is the inventory?

Long-Time Homeowners are not moving as in the past

- Low rate on current mortgage

- Low property taxes

- Capital gains hit

- Where can I afford to go?

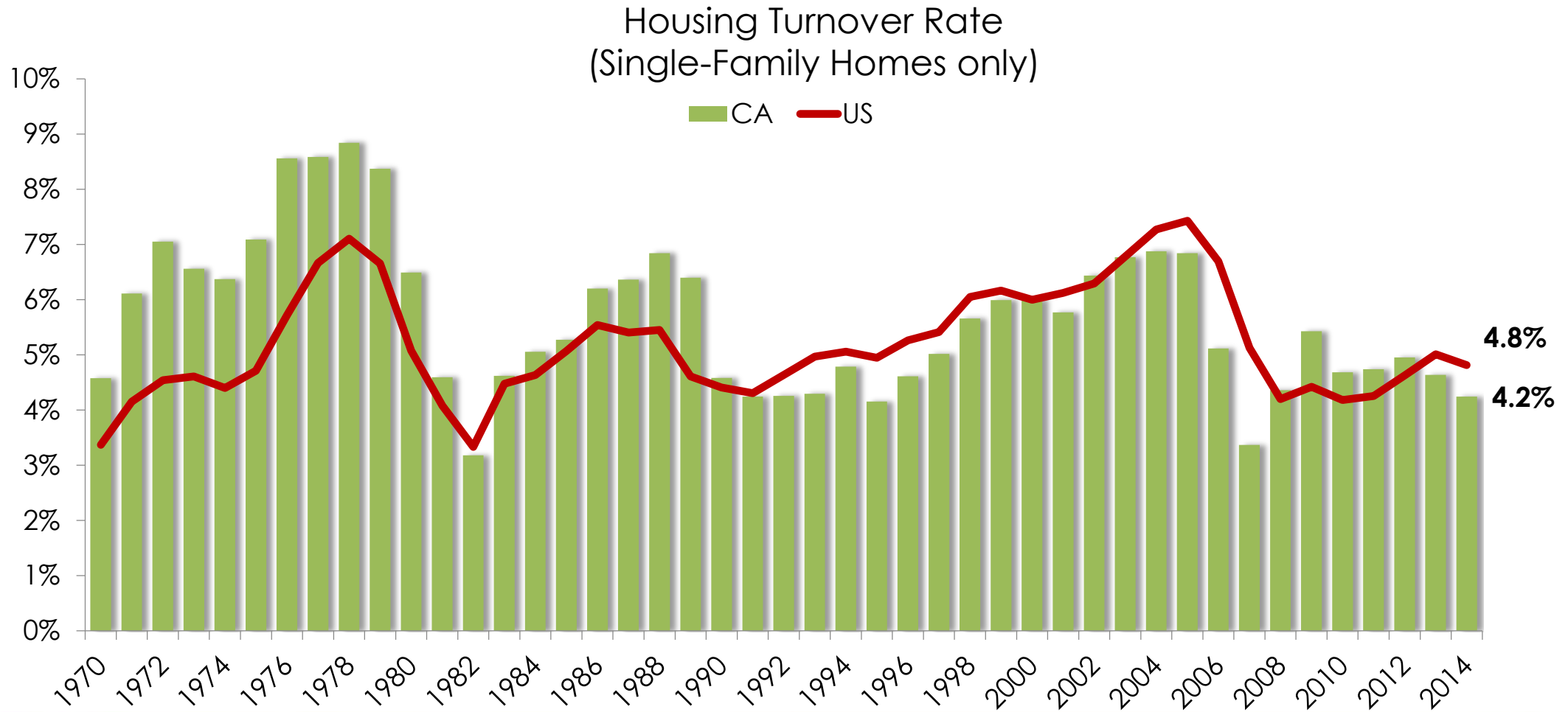
- Could not qualify for a mortgage today

- Remodel and stay

Are we headed for the “European Model” where children inherit the home of their parents?

One more thing...Secular decline in marriage

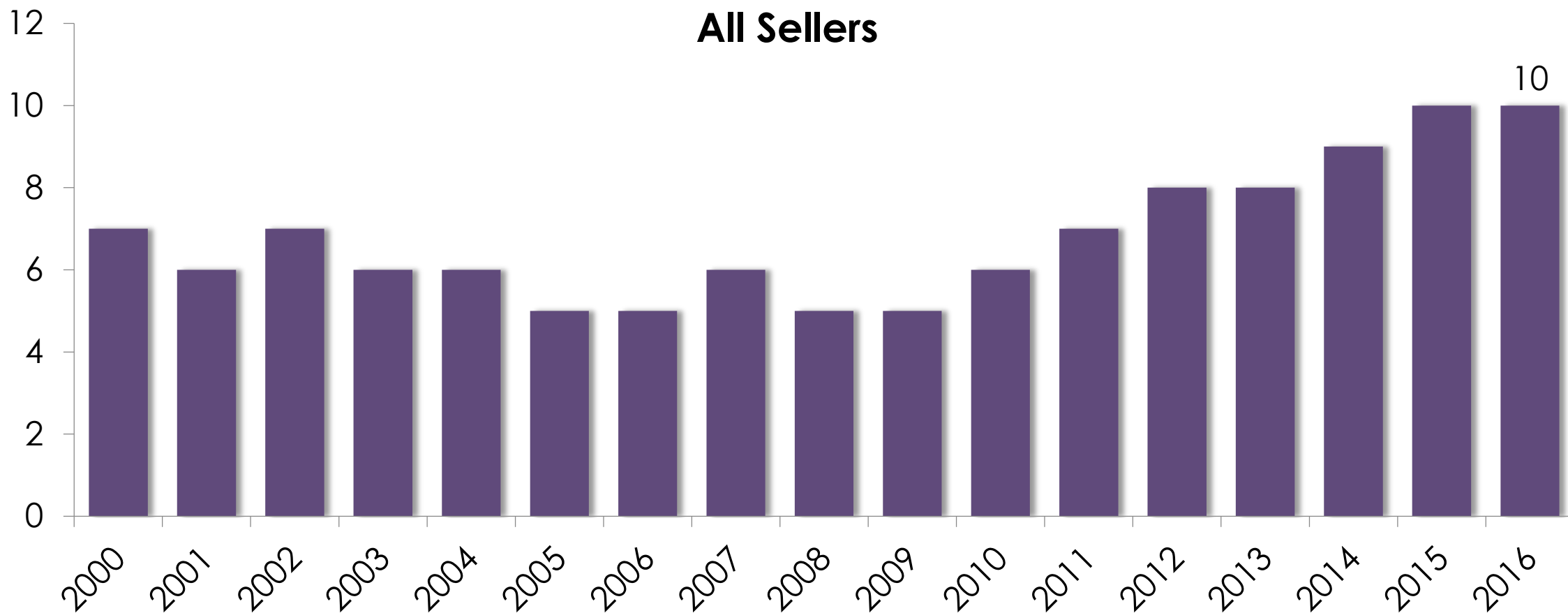
Fewer housing units being turned over since the Great Recession



SERIES: Percent of existing single-family homes being sold

SOURCE: Census Bureau, American Community Survey, Moody's Analytics, C.A.R.

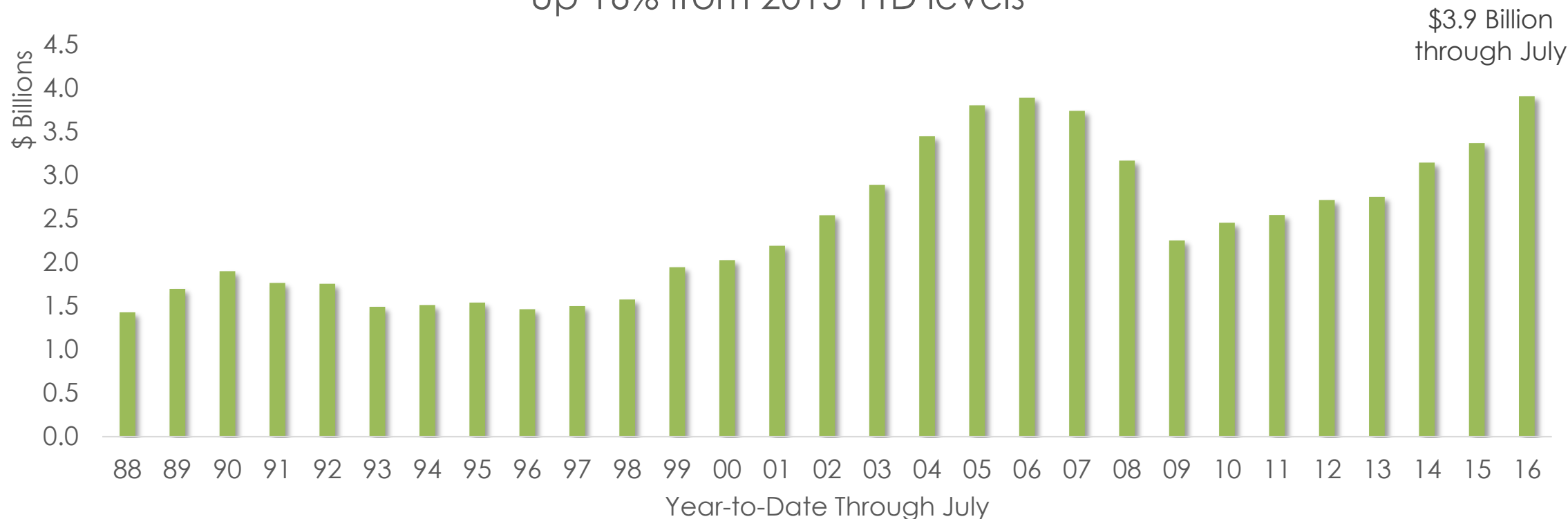
Years Owned Home Before Selling



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Owners Investing in Staying Put ?

Alterations/Additions Reach All-Time High & Gaining Steam
Up 16% from 2015 YTD levels

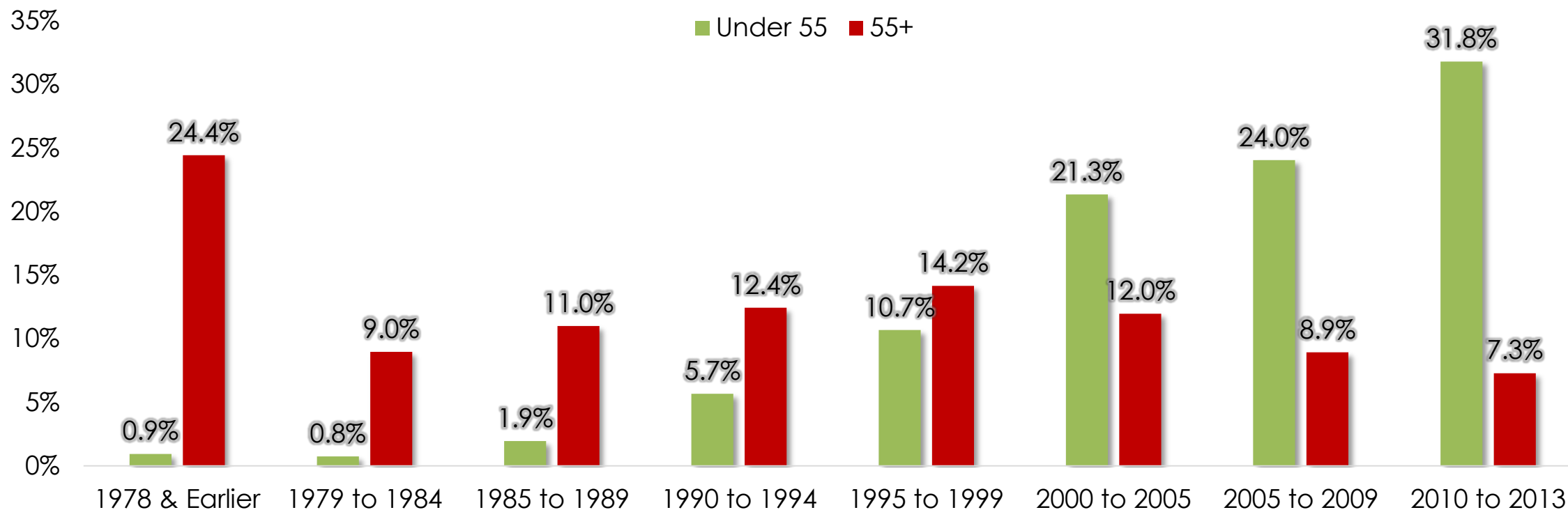


SOURCE: California Homebuilding Foundation (CHF)/Construction Industry Research Board (CIRB)
Downloaded from Moody's Analytics

Boomers Not Moving as Often

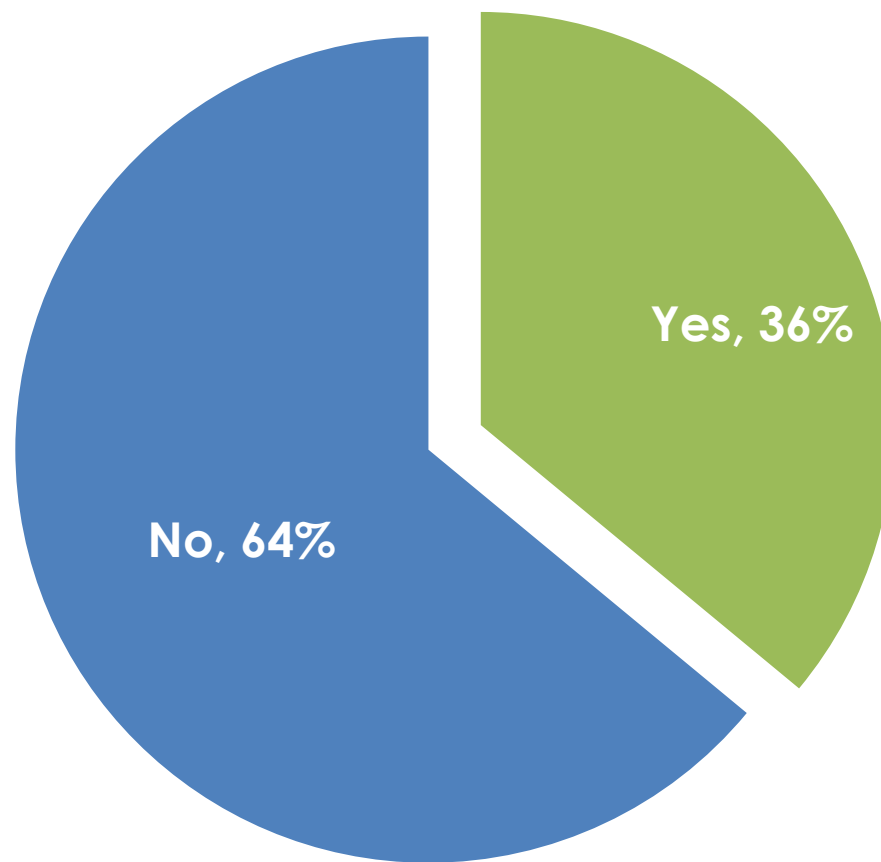
71% of Californian's aged 55+ haven't moved since 1999

California Homeowners by Length of Tenure, 2013



SERIES: Distribution of Home Ownership by Year Moved In
SOURCE: U.S. Census Bureau, 2013 American Housing Survey

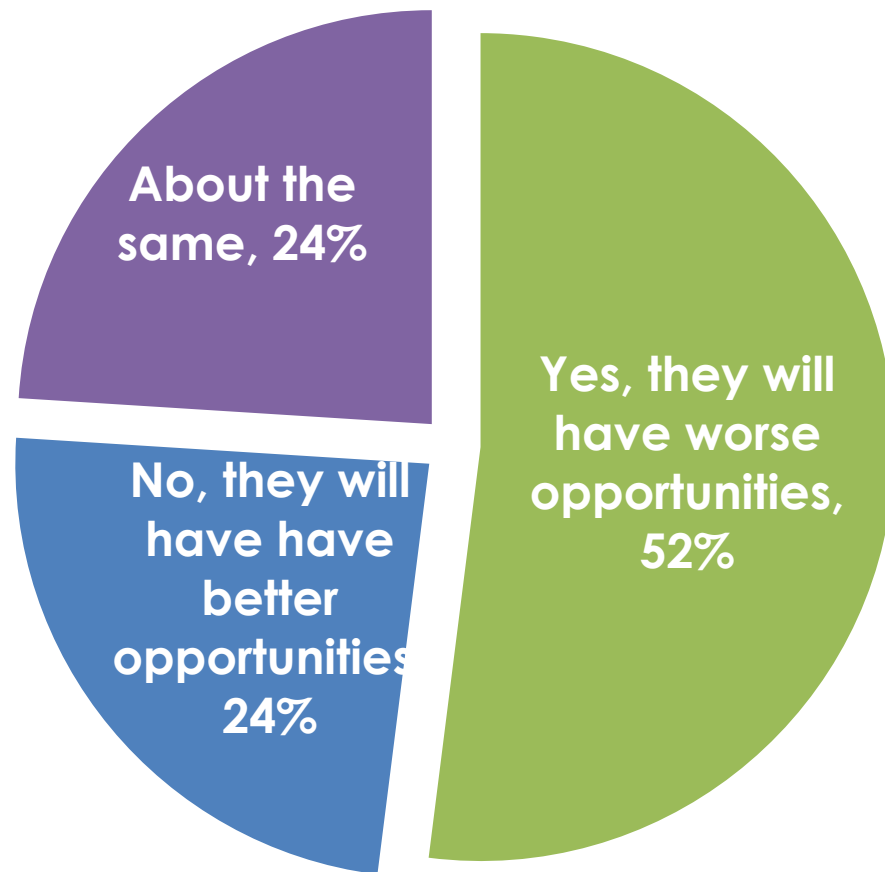
Majority Do Not Plan to Sell Home When they Retire



Do you plan to sell your current home when you retire?

SERIES: 2016 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

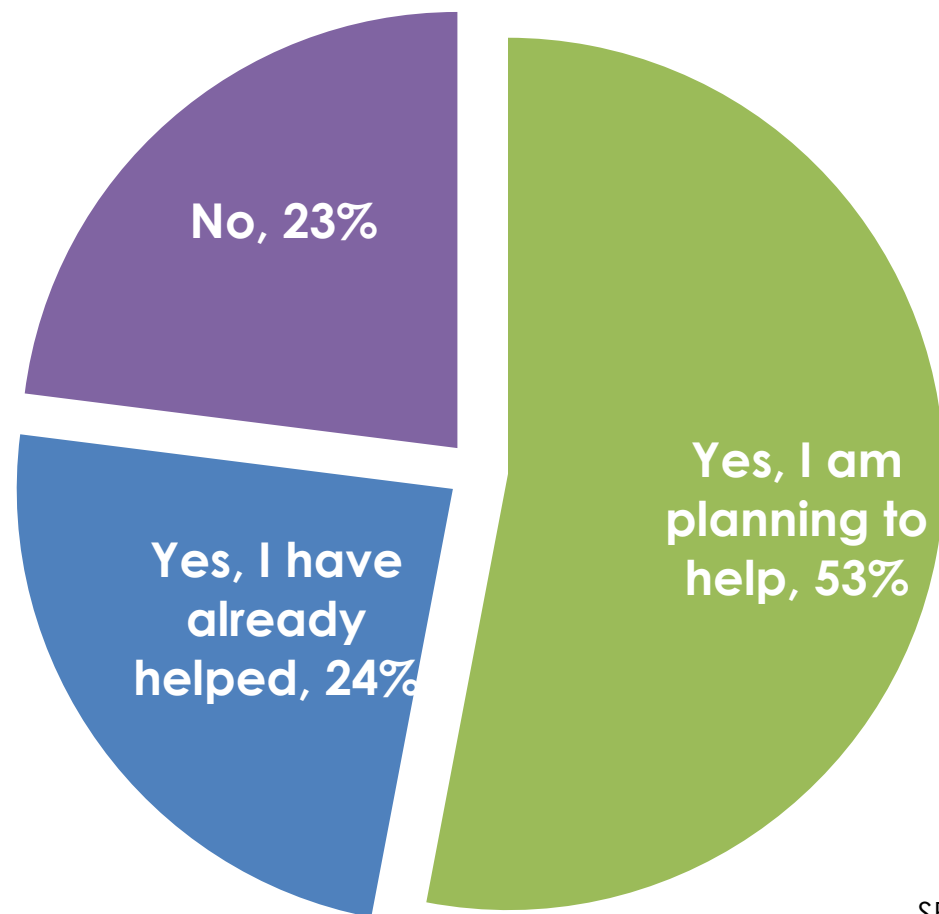
Do you worry about your children not having the same opportunities to succeed as you did?



Do you worry about your children or grandchildren not having the same opportunities to succeed as you did?

SERIES: 2016 Generations / Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

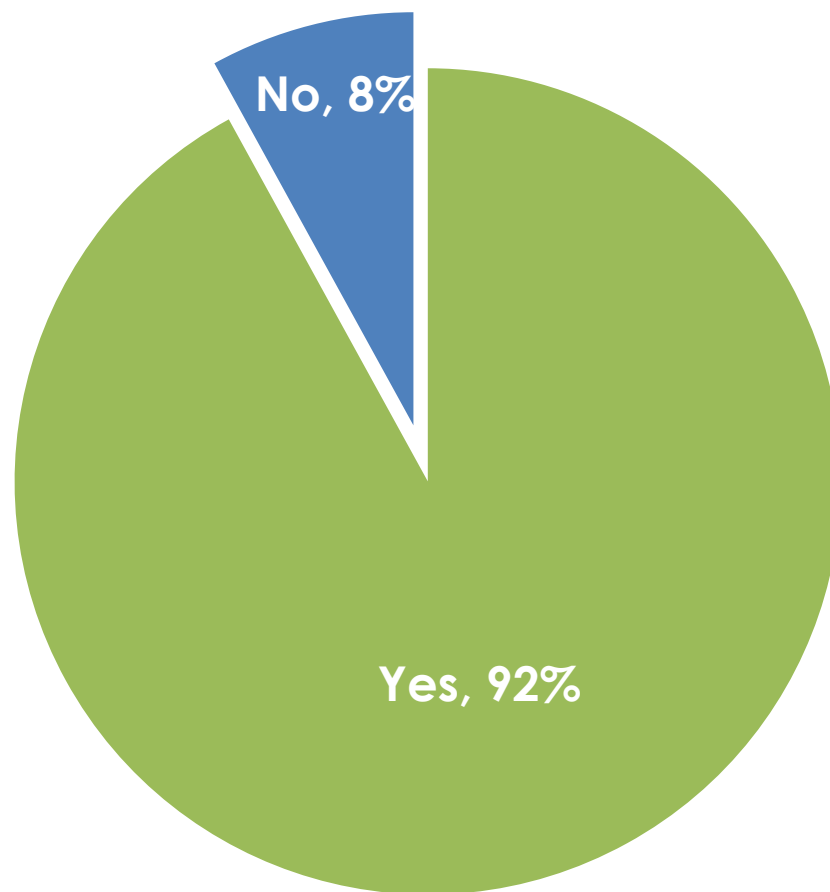
Time to talk: $\frac{3}{4}$ Plan of have already Helped Children with Down Payment



Are you planning to provide help for your children to buy a home by contributing to their down payment or mortgage payments?

SERIES: 2016 Generations / Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

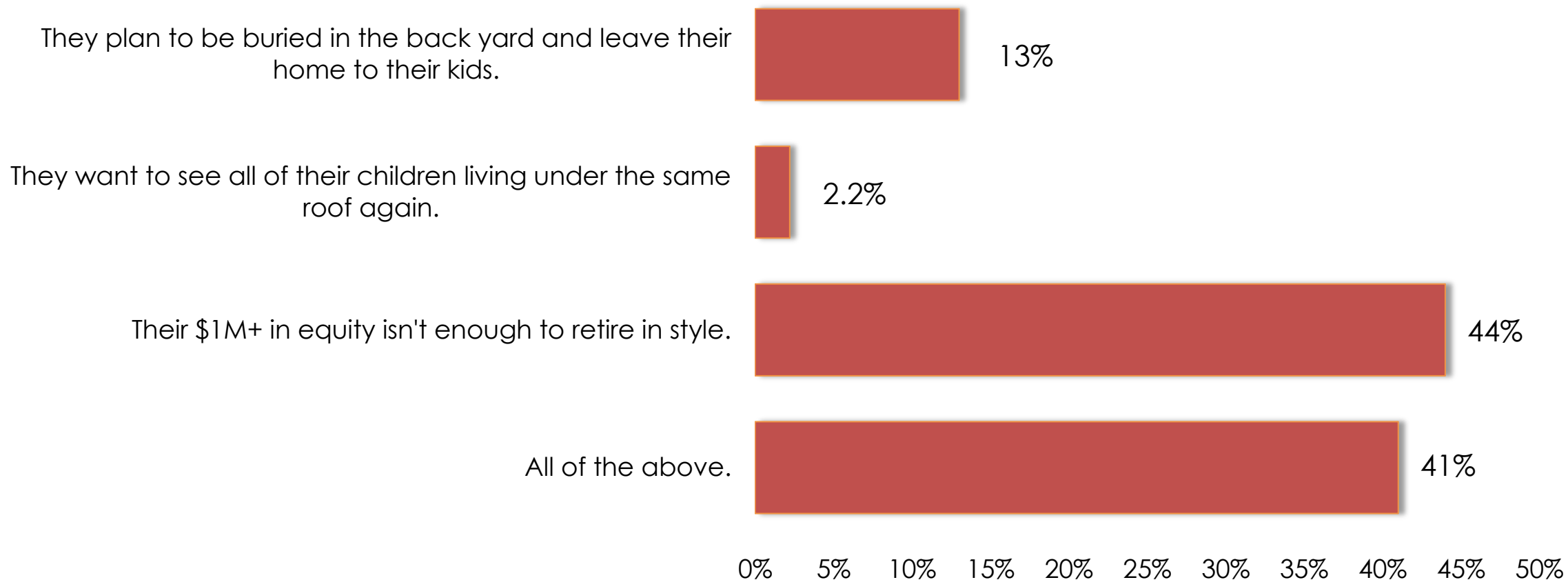
Most Have Equity in their Home



Do you have equity in your home?

SERIES: 2016 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Baby Boomers Not Moving Because...

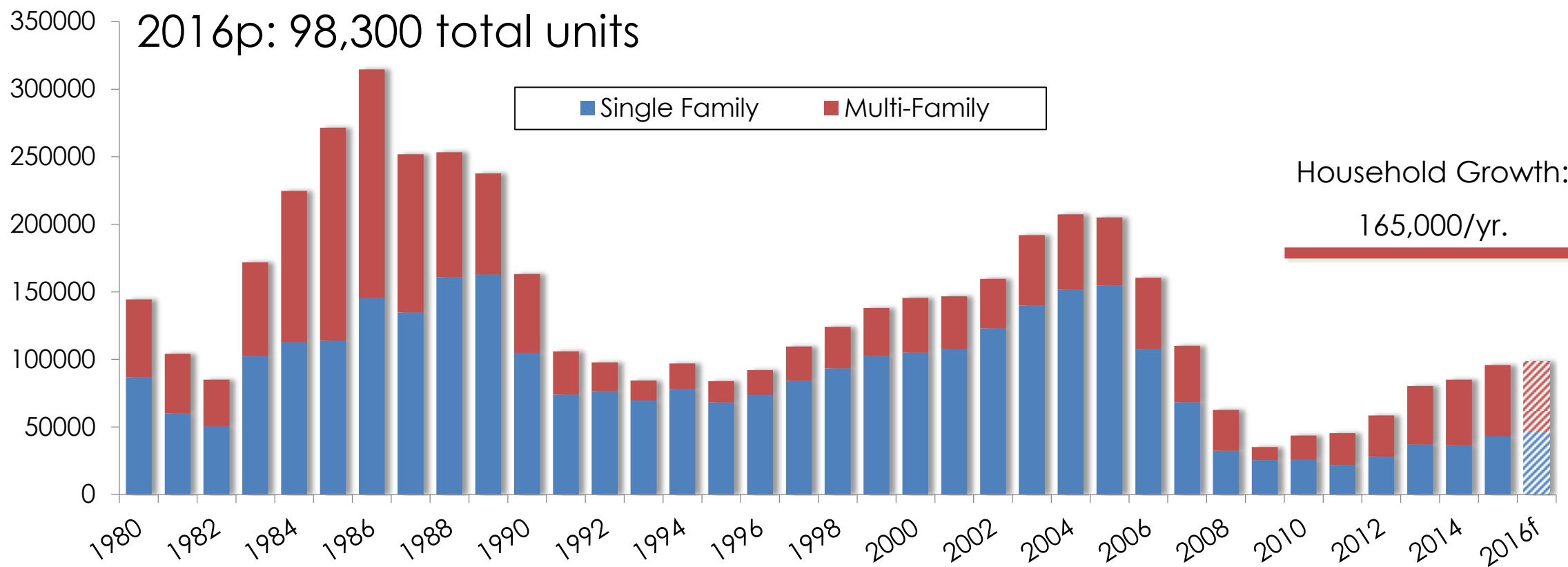


Q11 - Why aren't Baby Boomers moving?

"Missing" 65,000 New Units Annually

2015: 95,822 (42,959 sf, 52,863 mf)

2016p: 98,300 total units



SERIES: California New Housing Permits
SOURCE: Construction Industry Research Board

What Would NIMBYs Rather Do?

Fund Elon Musk's
colony on Mars.
(27%)

Watch constant re-
runs of "Keeping
Up With The
Kardashians." (25%)

Cut off their right
arm. (18%)

Give away their
first-born. (16%)

Shop at Smart &
Final. (13%)

Q10 - What would NIMBYs rather do than allow new housing development?

Three of the Top 10 Markets in Need of More Housing Constructions Are in California

Top 10 Markets in Need of More Single-Family Housing Starts

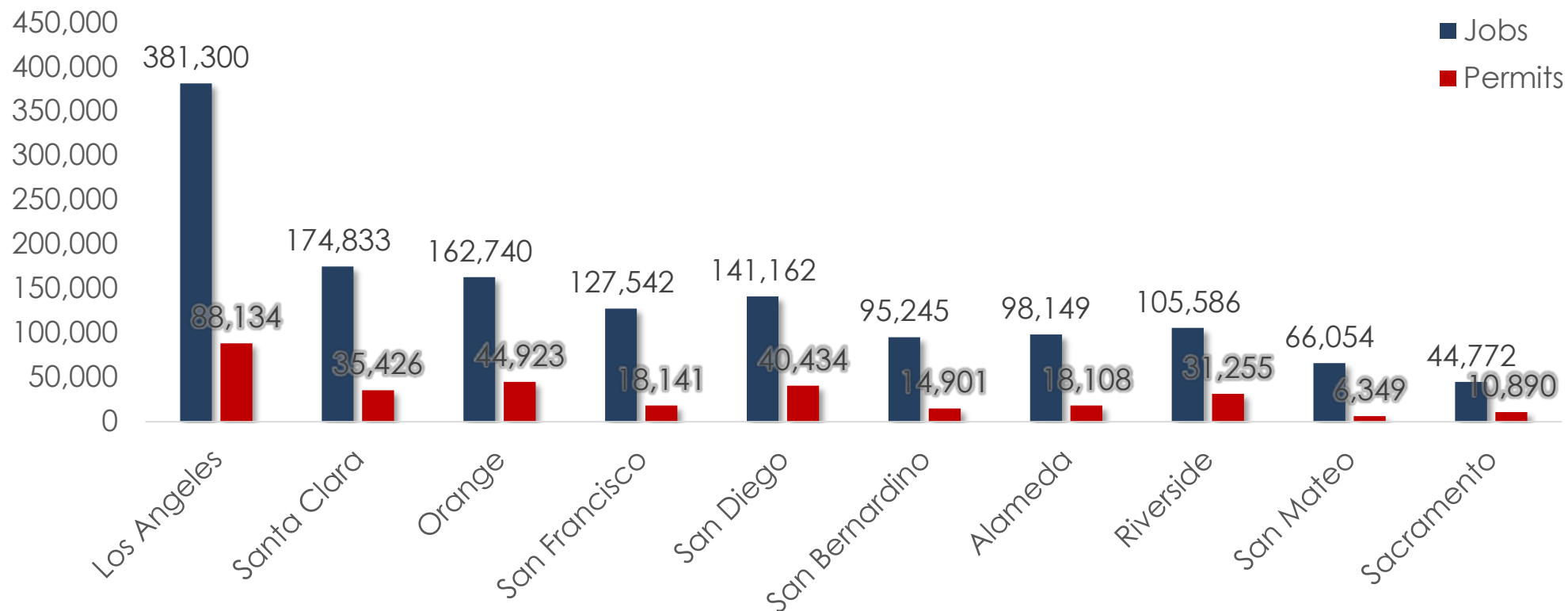


Metro Area	# of permits required
1. New York	218,541
2. Dallas	132,482
3. San Francisco	127,412
4. Miami	118,937
5. Chicago	94,457
6. Atlanta	93,627
7. Seattle	73,135
8. San Jose, CA	69,042
9. Denver	67,403
10. San Diego	55,825

SOURCE: National Association of Realtors®, Census Bureau

Most Underbuilt Counties in California

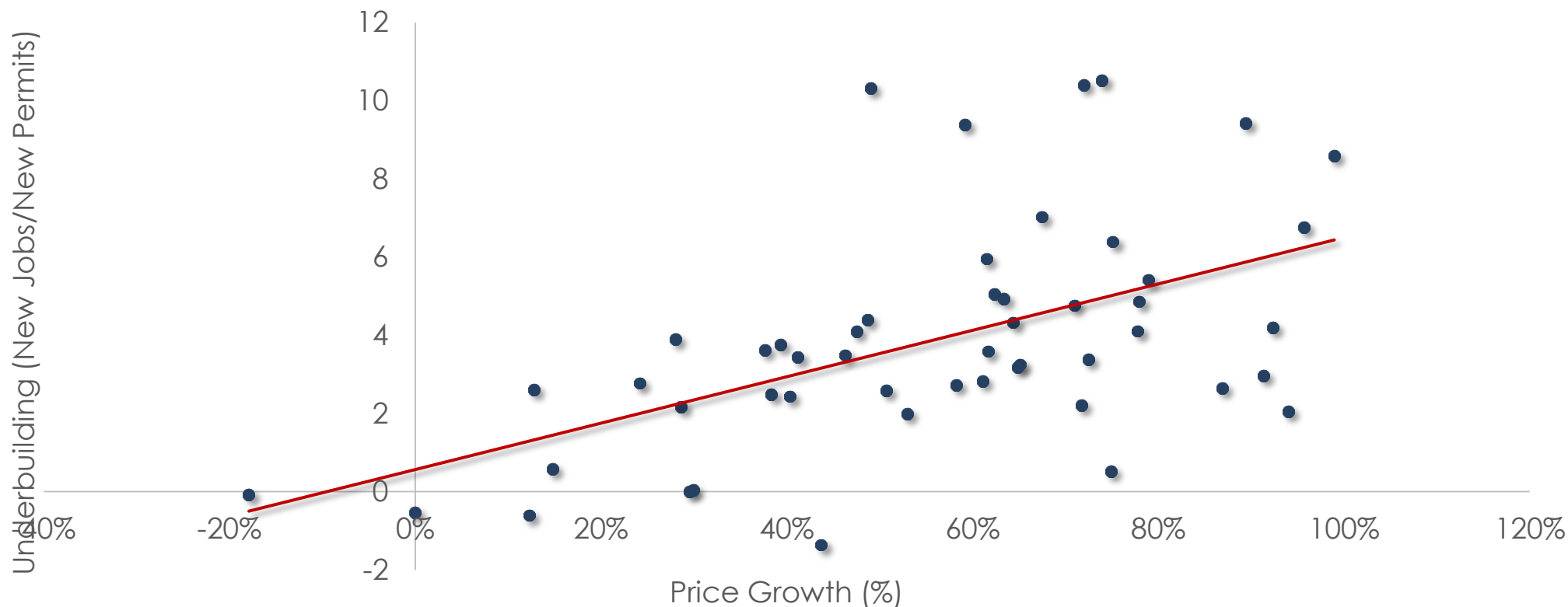
New Jobs vs. New Permits (2010-2015)



SOURCE: California Employment Development Department, Construction Industry Research Board

The More "Underbuilding", the Higher the Price Growth

CA Underbuilding and Price Growth (2010-2015)

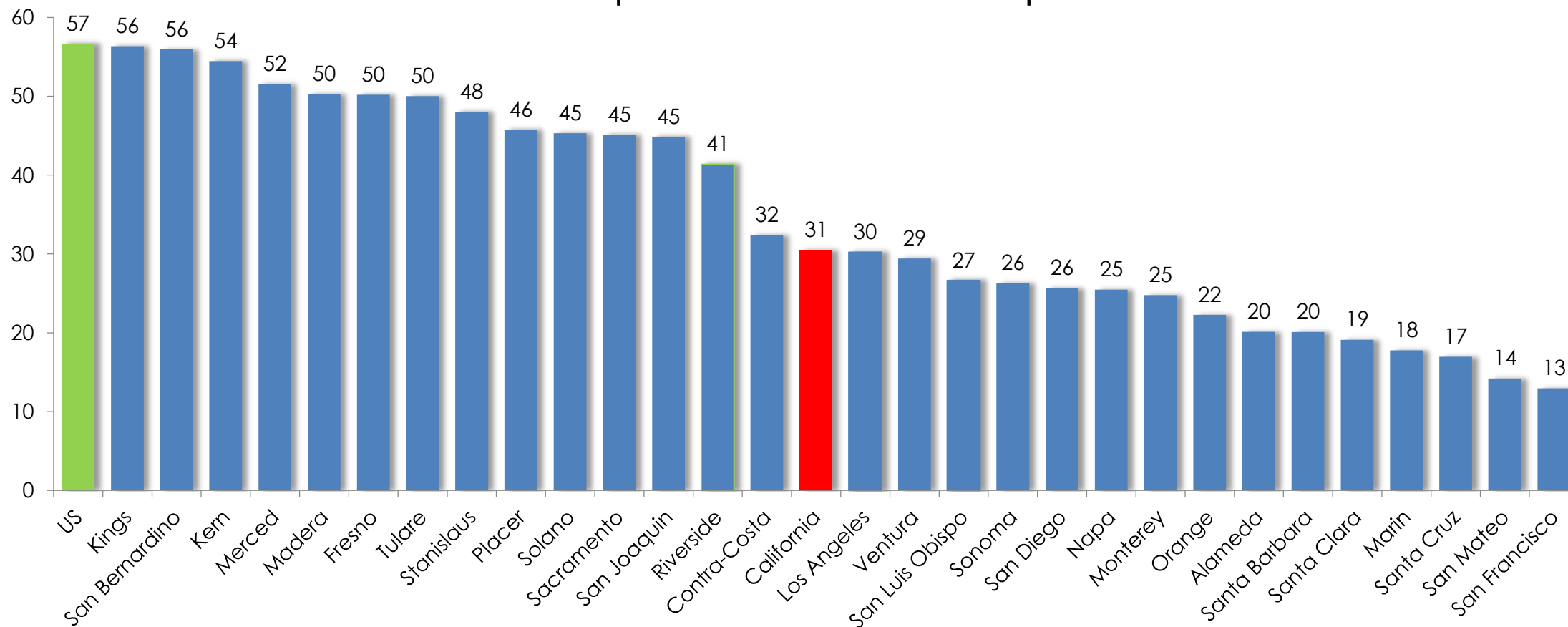


SERIES: Nonfarm Job Growth, New Housing Permits, Existing Median Prices
SOURCE: CA EDD, C.A.R., Construction Industry Research Board

Affordability

Housing Affordability In CA: by county

2016-Q2: % able to purchase median-priced home



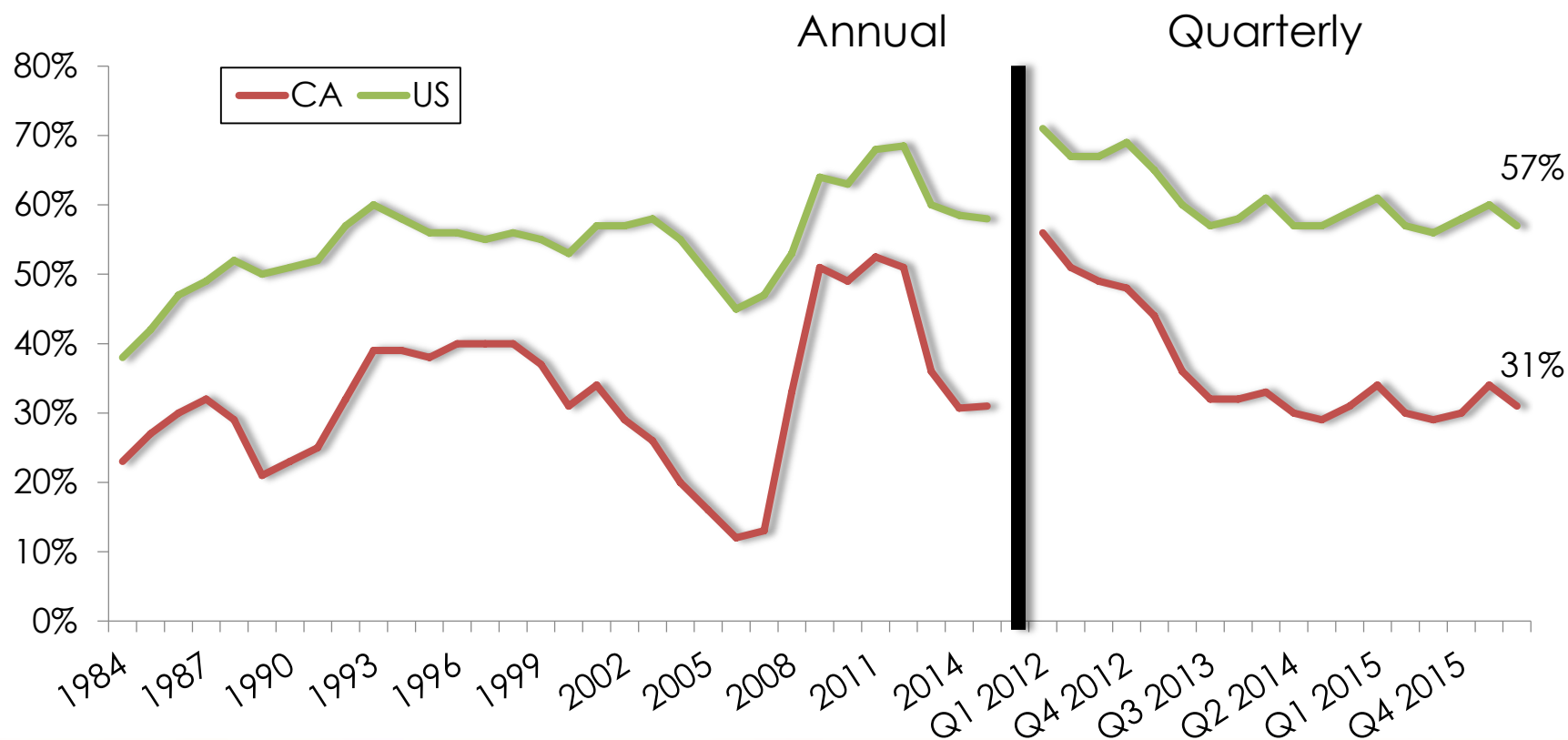
SERIES: Housing Affordability Index

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Housing Affordability peaked q1 2012 prices v. low rates and income growth

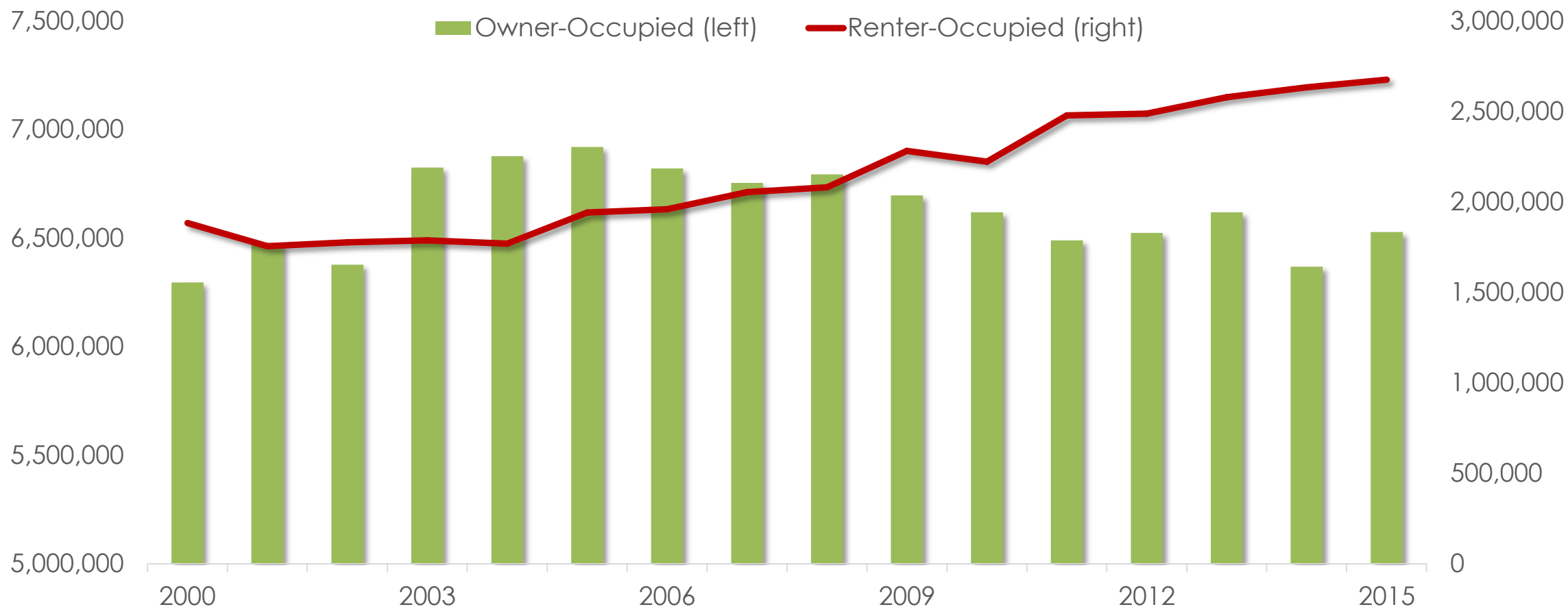
California vs. U.S. – 1984-2016

% OF HOUSEHOLDS THAT CAN
BUY A MEDIAN-PRICED HOME



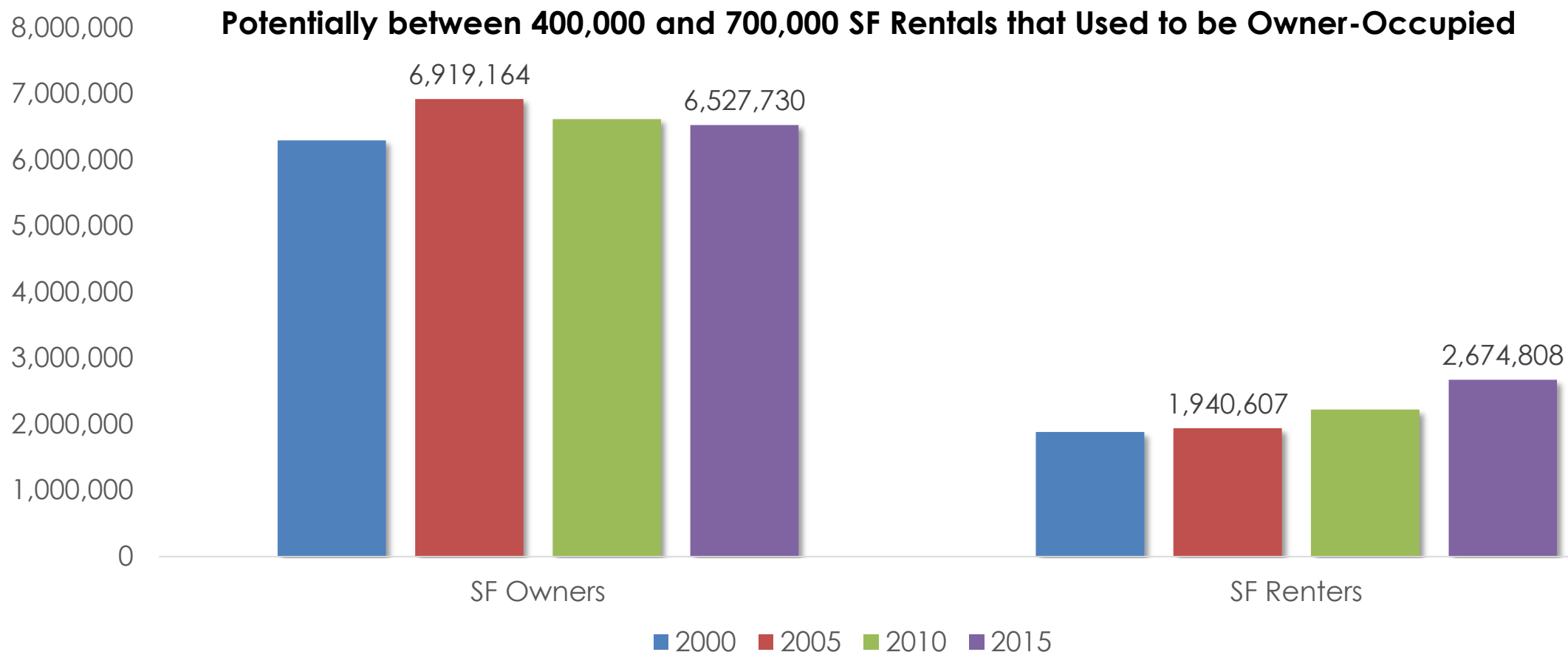
SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

California's Single-Family Housing Stock



SOURCE: U.S. Census Bureau, Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS)
Downloaded from the National Bureau of Economic Research (NBER)

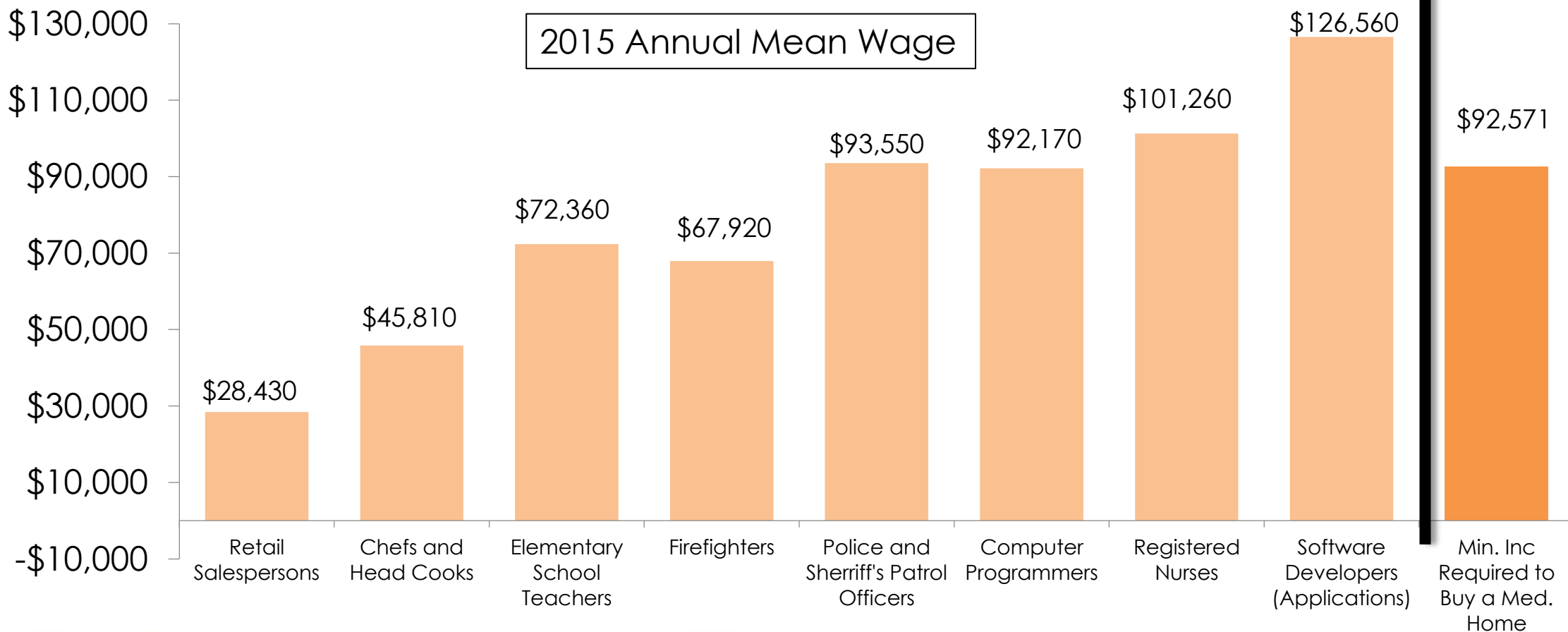
More Single Family Units Now Rentals



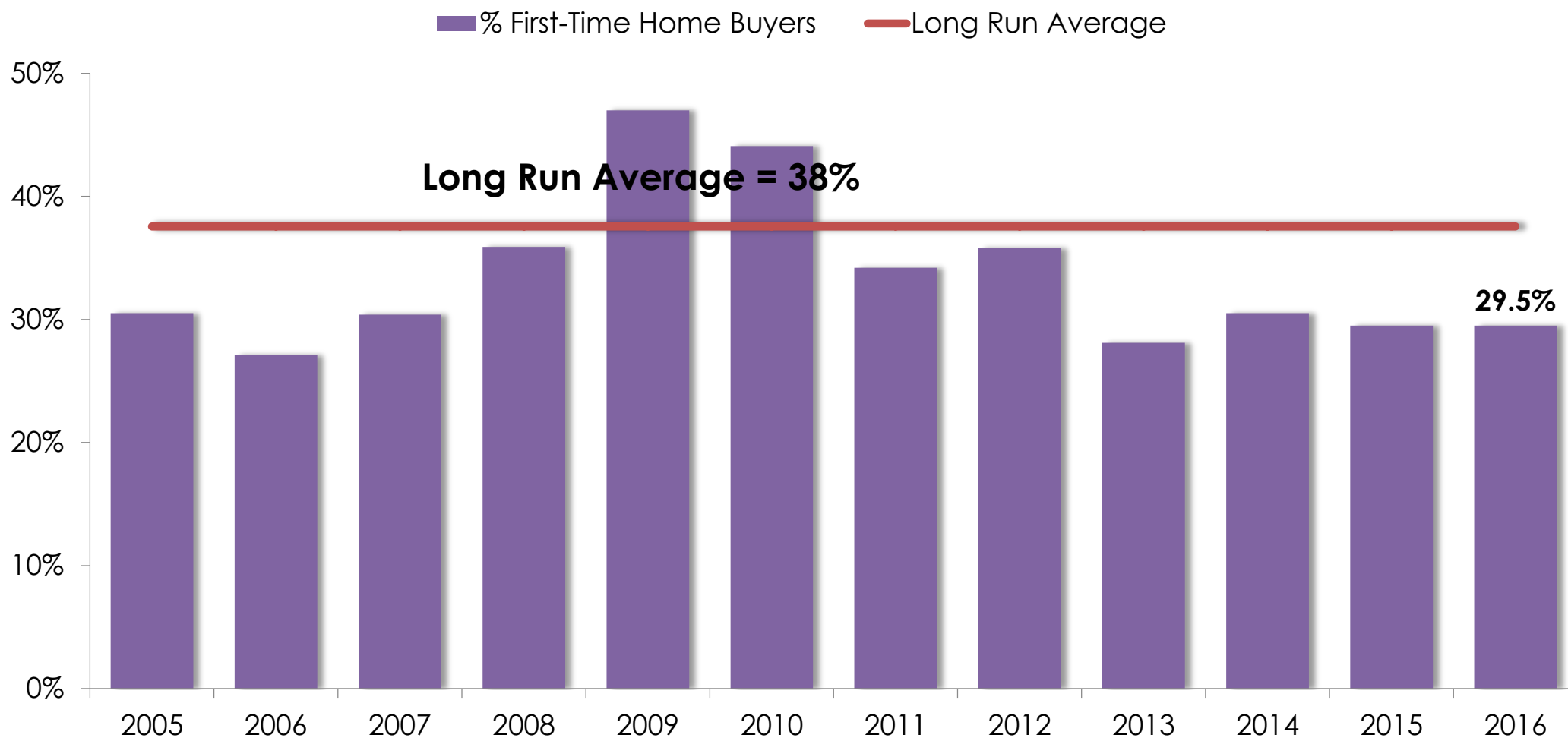
SOURCE: U.S. Census Bureau, Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS)
Downloaded from the National Bureau of Economic Research (NBER)

Wages v. Income Required to Qualify

California



Share of First-Time Buyers remains Below Long-Run Average



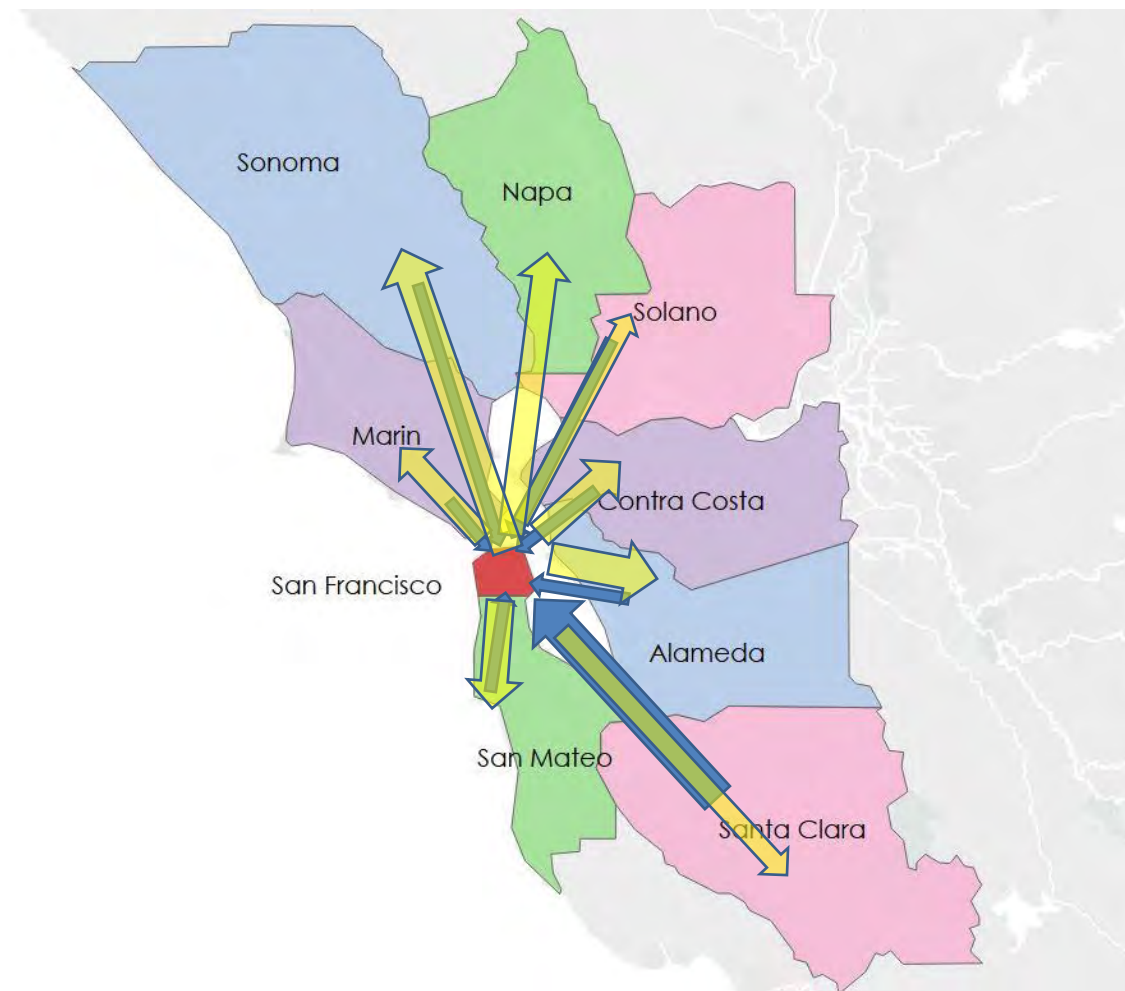
Los Angeles: Net Exit to Inland Empire and Kern County

County Moved To/From	Total Number Moved to Los Angeles County	Total Number Moved from Los Angeles County	Total Net Migration
Inland Empire	25,777	50,531	-24,754
Kern	2,466	10,460	-7,816
Orange	23,887	31,435	-7,548
San Diego	8,916	7,240	1,676
Ventura	7,464	7,543	-79



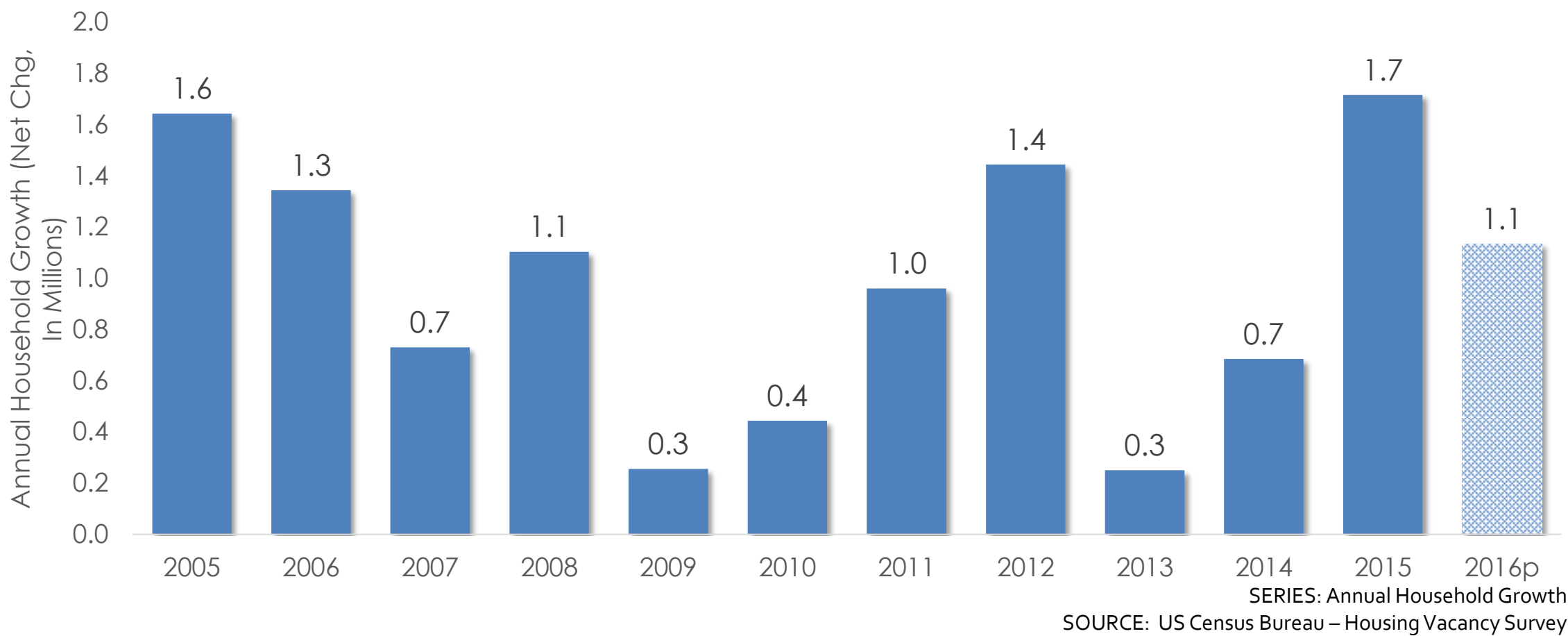
San Francisco: Affordability & Jobs Drive Migration

County Moved To/From	Total Number Moved to San Francisco County	Total Number Moved from San Francisco County	Total Net Migration
Alameda	3983	10345	-6362
San Mateo	6161	7984	-1823
Contra Costa	1856	2998	-1142
Sonoma	557	1602	-1045
Marin	1428	1918	-490
Napa	0	243	-243
Solano	796	815	-19
Santa Clara	4041	2691	1350



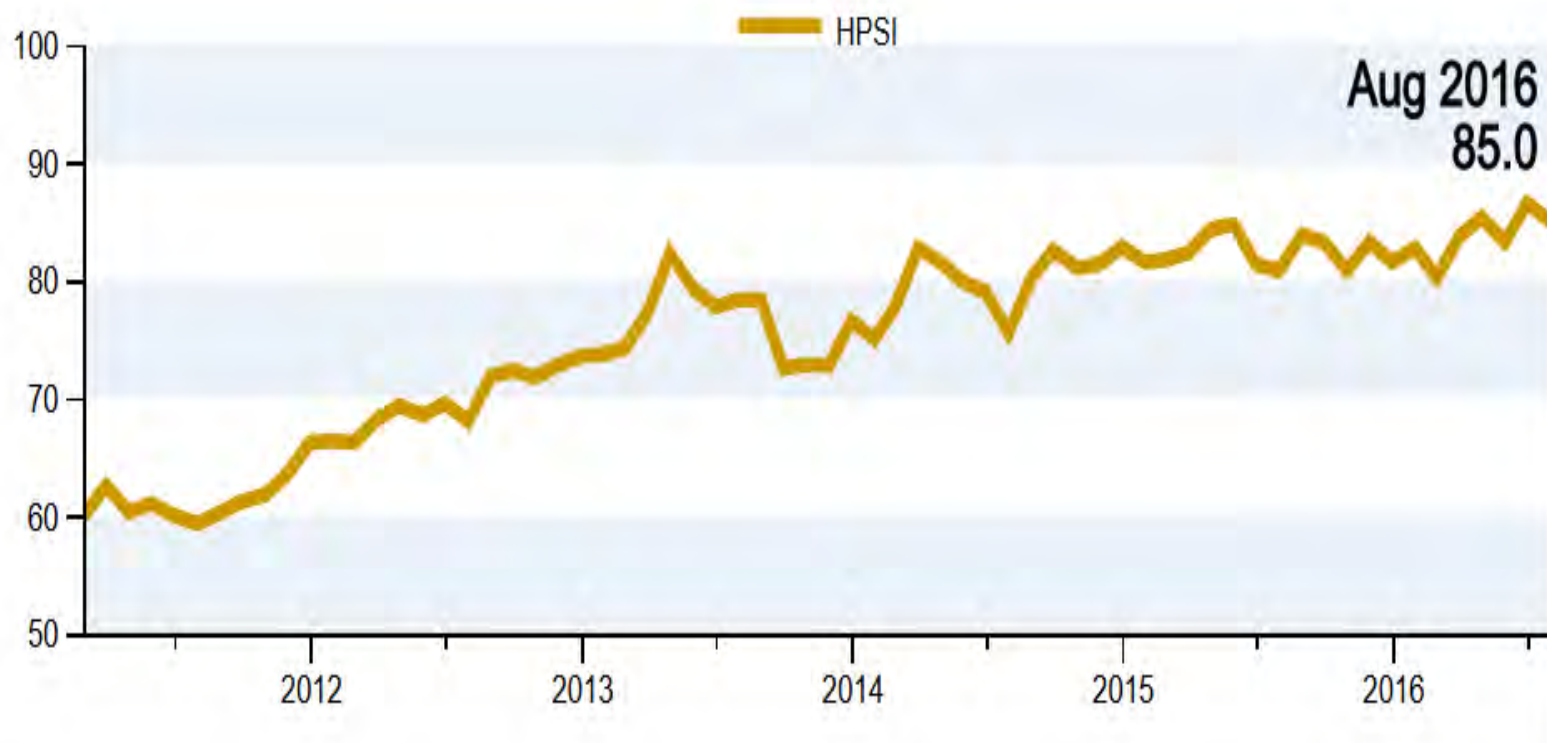
Demand & Desire for Homeownership

CA Household Growth Rebounding from Great Recession



Home Purchase Index Continued to Climb from Same Period of Last Year

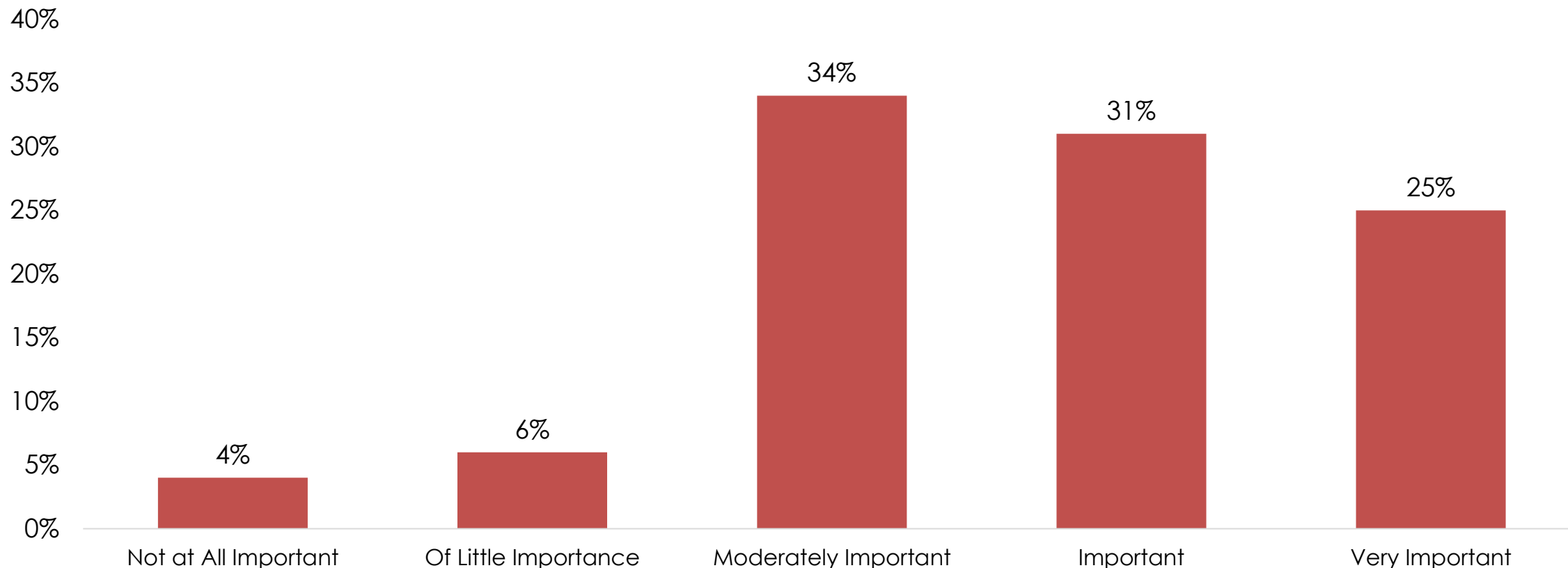
At the national level, consumer sentiment remains positive.



"Consumers have a fairly optimistic 12-month outlook on housing at the end of the summer home-buying season, supported by increased job confidence and more favorable expectations regarding their personal financial situations compared with this time last year,"

SERIES: Home Purchase Sentiment Index
SOURCE: Fannie Mae

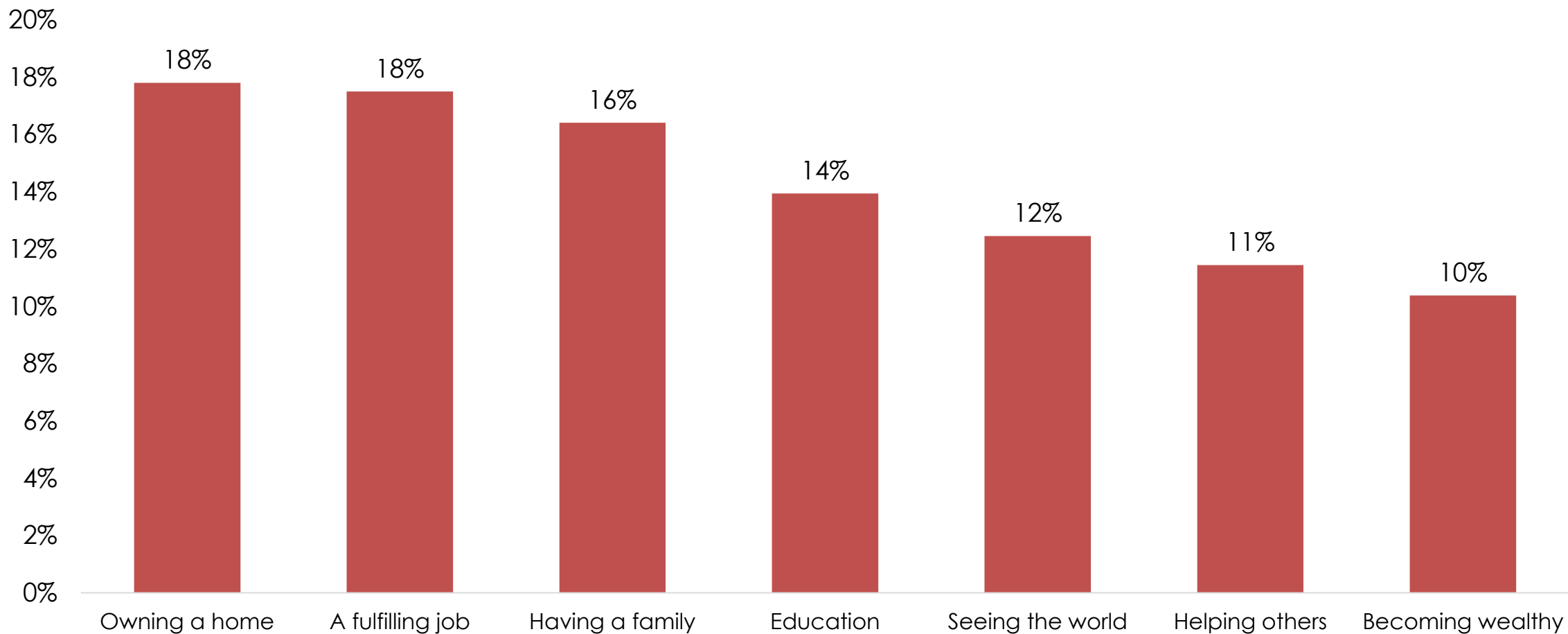
Millennials: American Dream is still Important



How important is fulfilling the 'American Dream' to you?

SERIES: 2016 Generations / Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

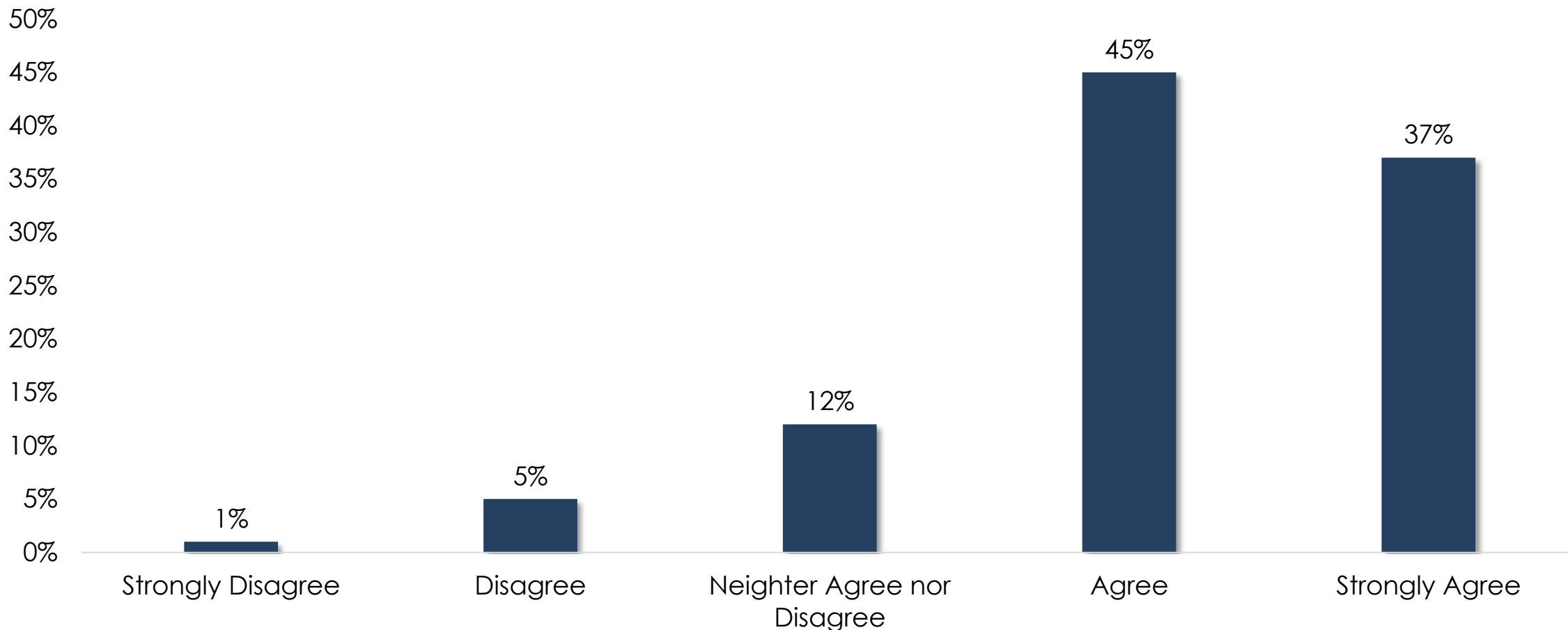
...And Homeownership is part of it



Which factors contribute to your ideal of the 'American Dream'

SERIES: 2016 Generations / Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

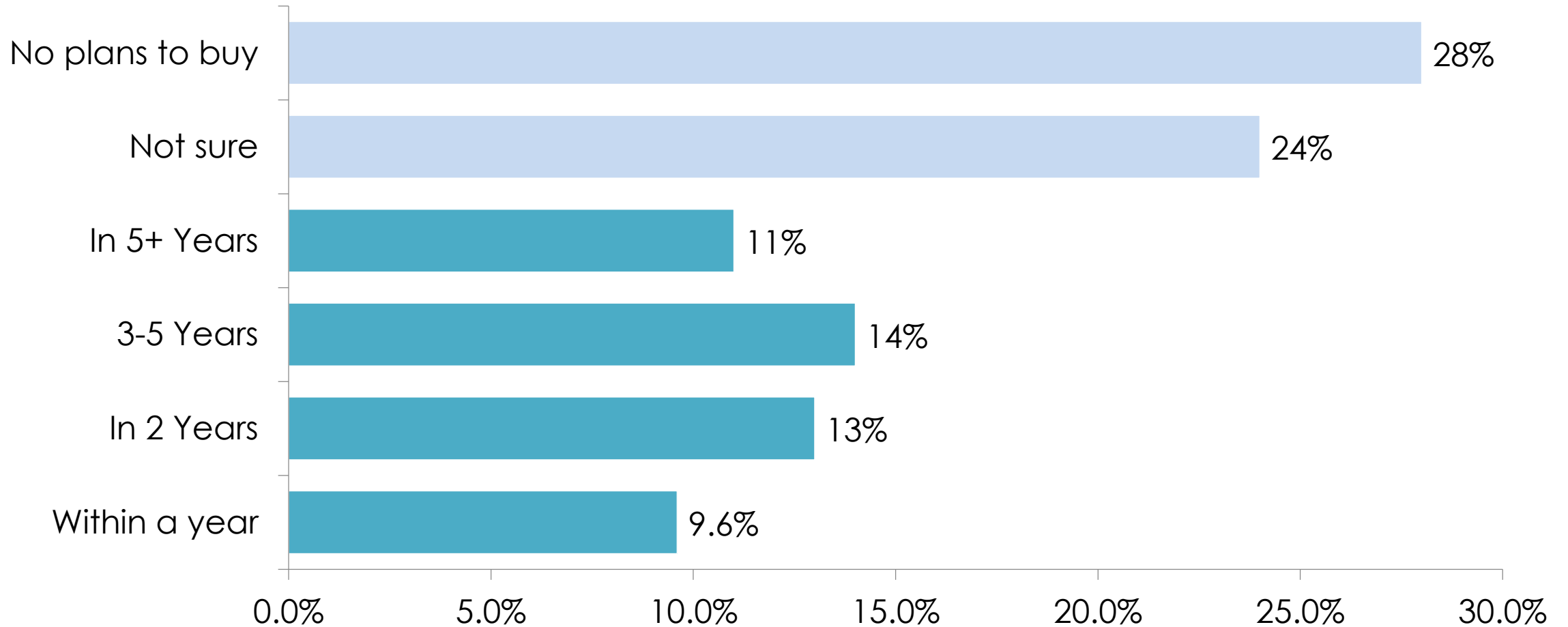
Many Millennials Also Believe Buying a Home Is a Safe Investment



Q. Do you think home purchase is still a safe investment?

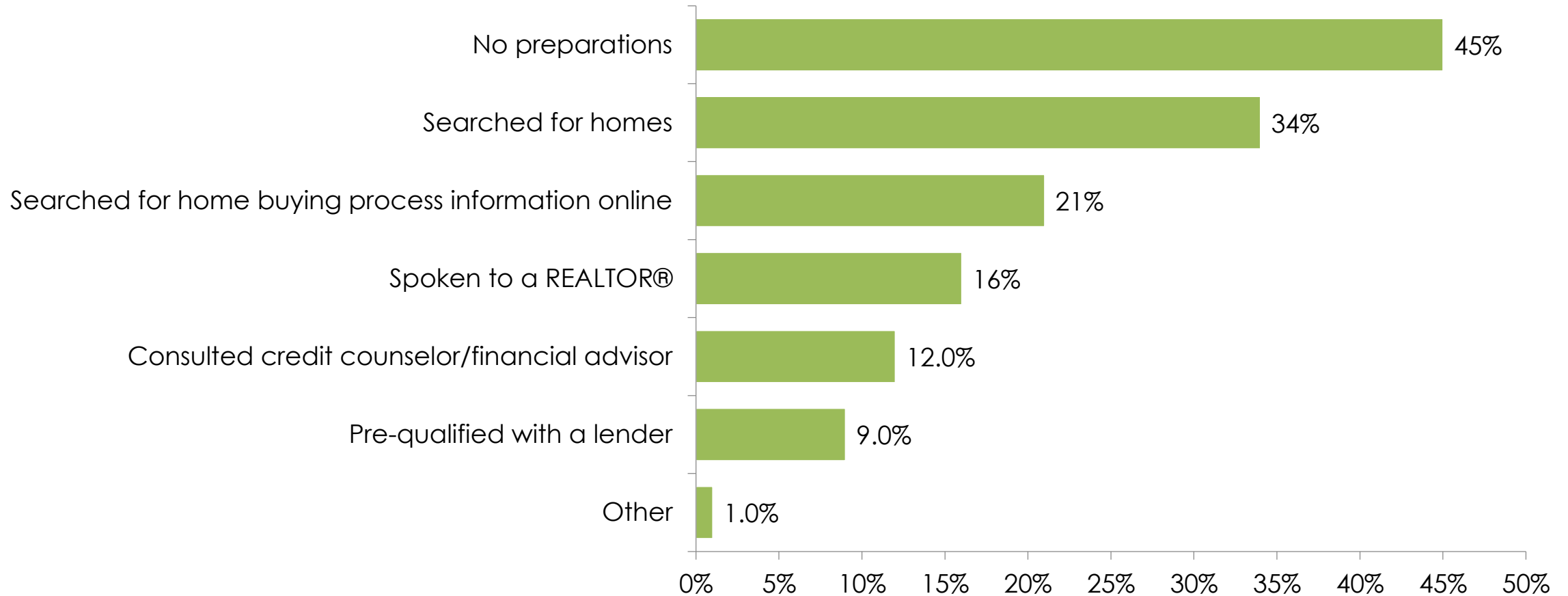
SERIES: 2016 Generations / Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Nearly ½ Renters Plan to Buy a Home



Q. When do you plan to buy your next home?

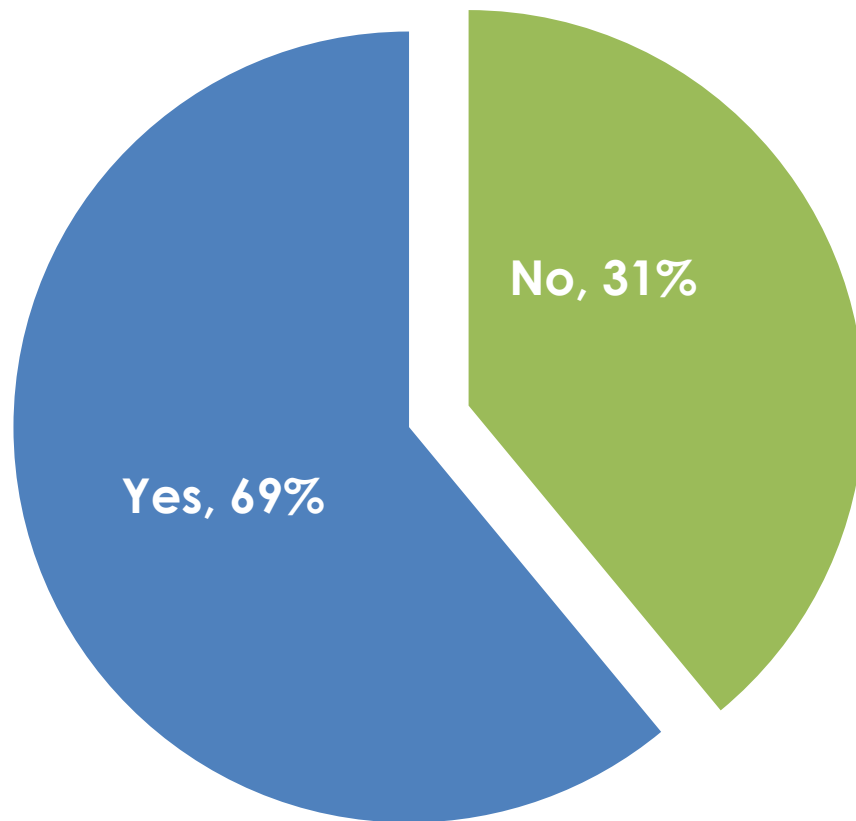
55% of Renters Have Made Preparations to Buy a Home



Q. Have you made any of the following preparations to buy a home? Please select all that apply.

69% of Millennial renters would look into purchasing if knew about lower down-payments

All Millennial Owners

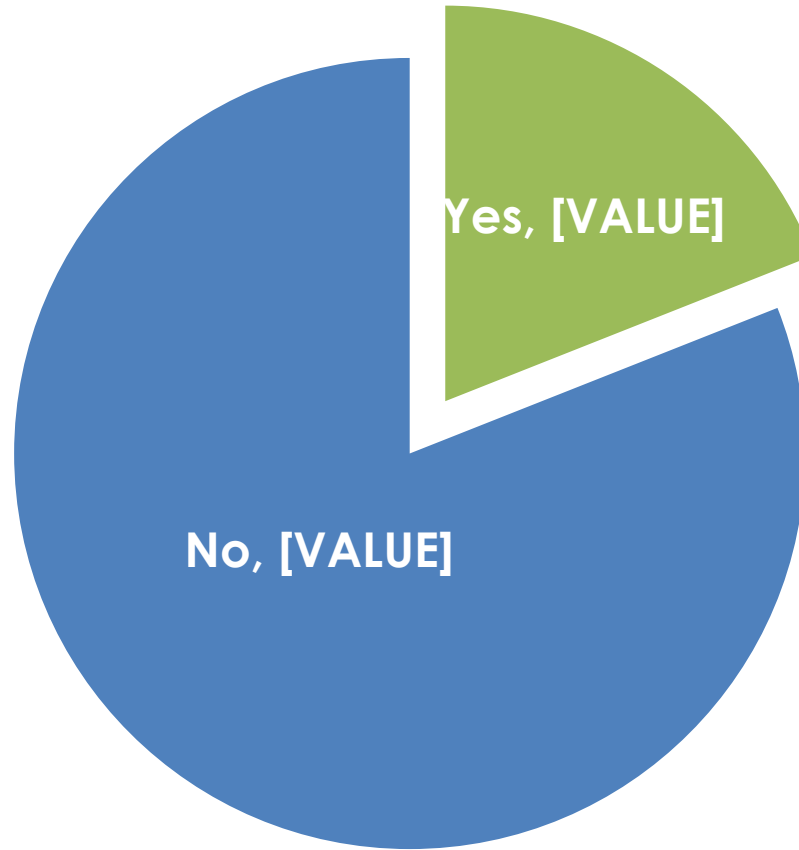


If You knew you could qualify with lower down-payment, would you start to look for a house?

SERIES: 2016 Generations / Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Only 19% Know about FHA Loans

Are you aware of FHA Loans?

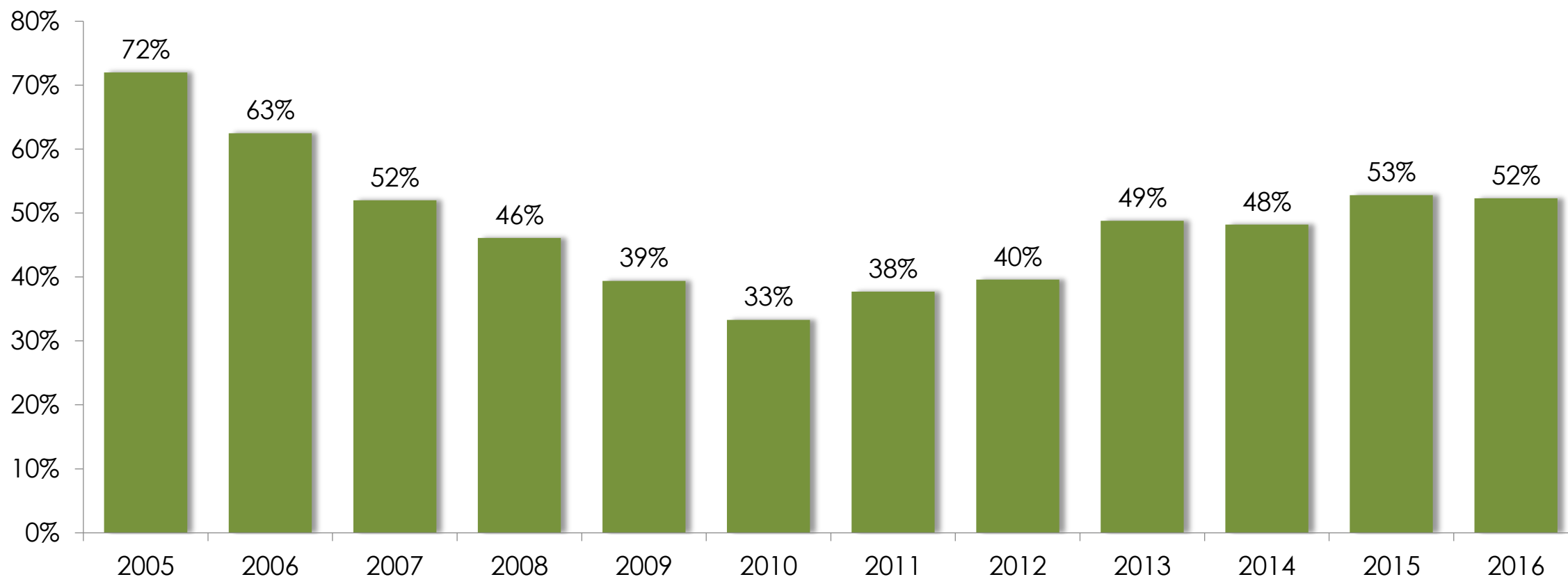


FHA backed loans only require a 3.5% down-payment.

SERIES: 2016 Generations / Millennials Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

2016: Market Conditions Annual Housing Market survey

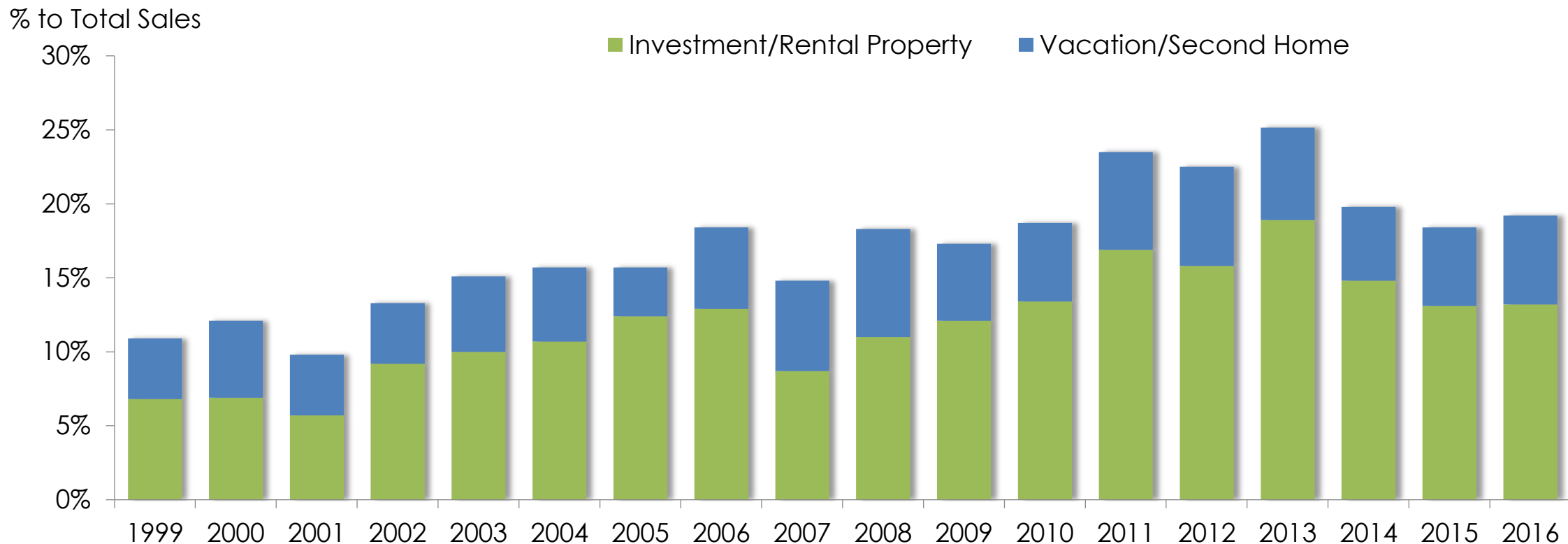
Sellers - More than Half Plan to Buy Another Home



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Investor Buyers? Dropping Still Have Demand in Lower-Priced Segments

Demand for Investment Properties remained at the Lowest level since 2009



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

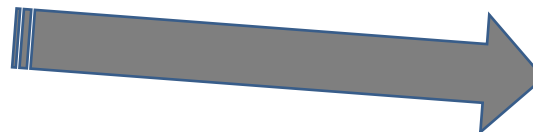
Investors : Still Buying to Rent



2014: 30%
2015: 26%
2016: 20%



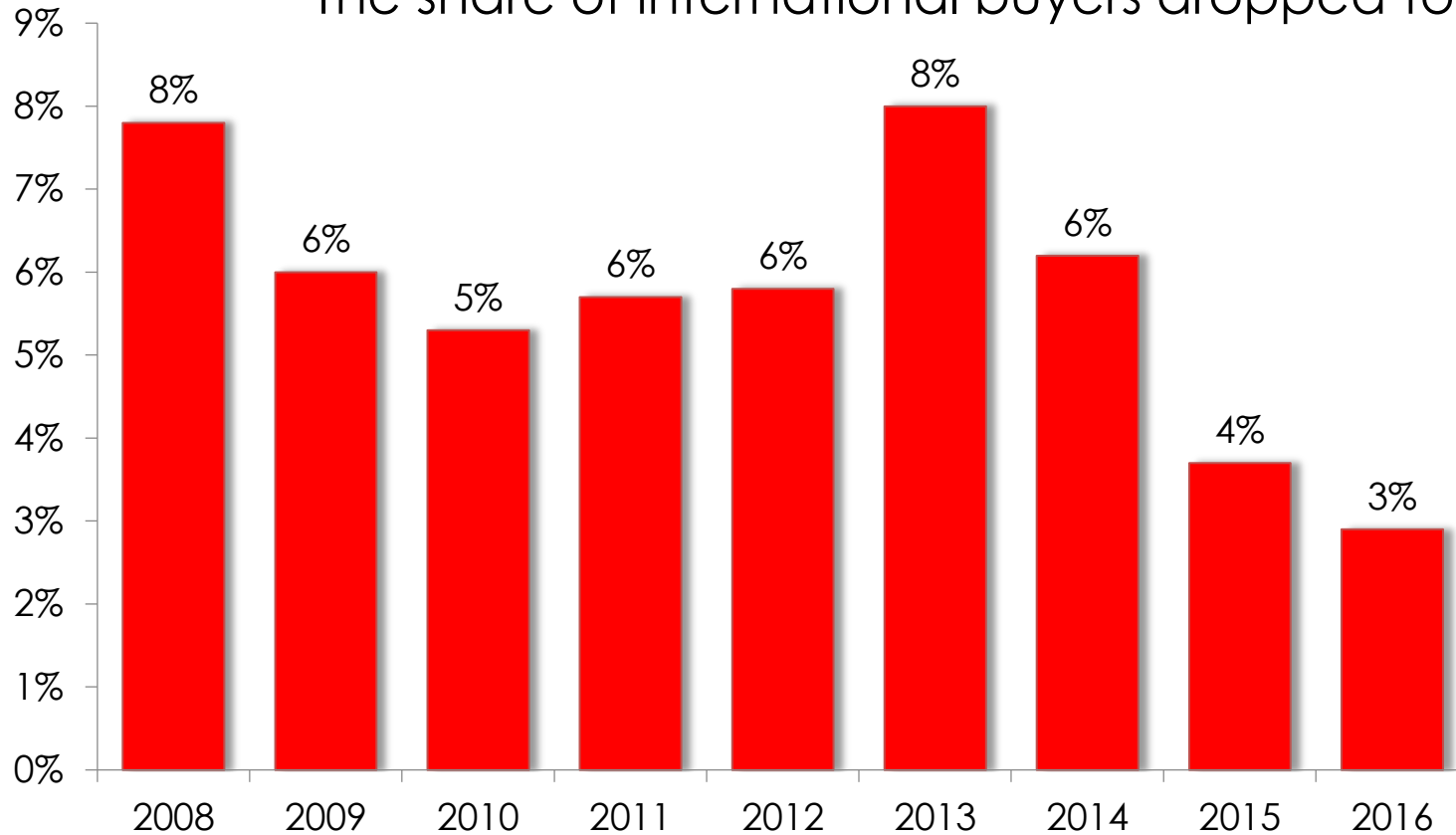
2014: 70%
2015: 74%
2016: 80%



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

International Buyers Dropping

The share of international buyers dropped to the lowest level in 9 years



Q. Was the buyer an international buyer – a person who was a citizen of another country who wished to purchase residential real estate in the U.S.?

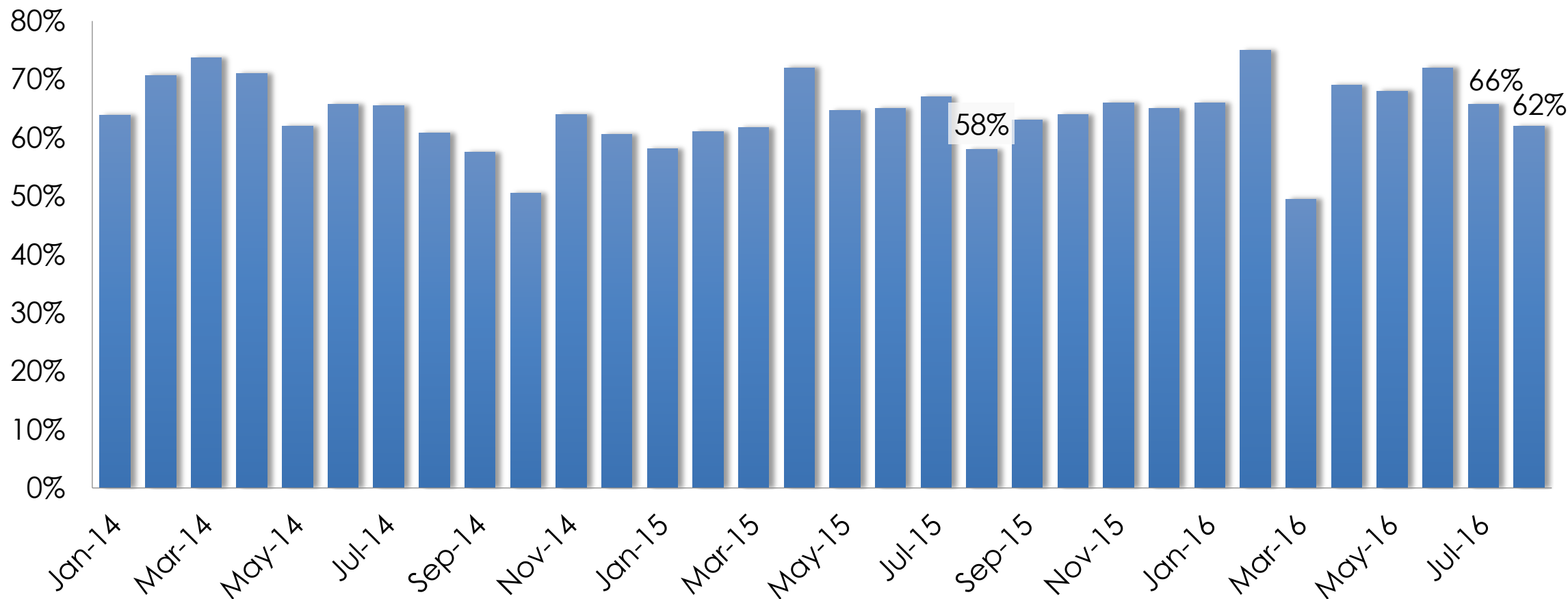
SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Market Remained Competitive, as a Result of Tight Supply



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

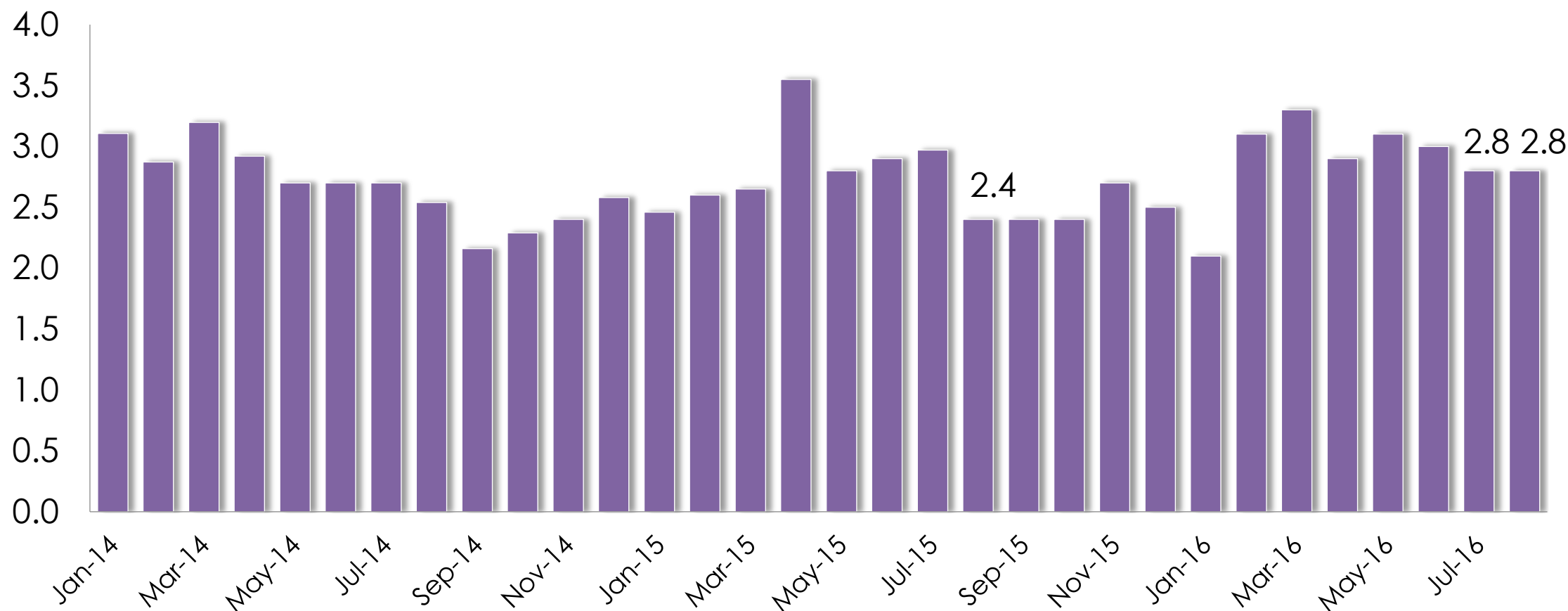
62% of Properties Received Multiple Offers



Q: How many offers did the seller in your last closed transaction receive?

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS® Market Pulse Survey

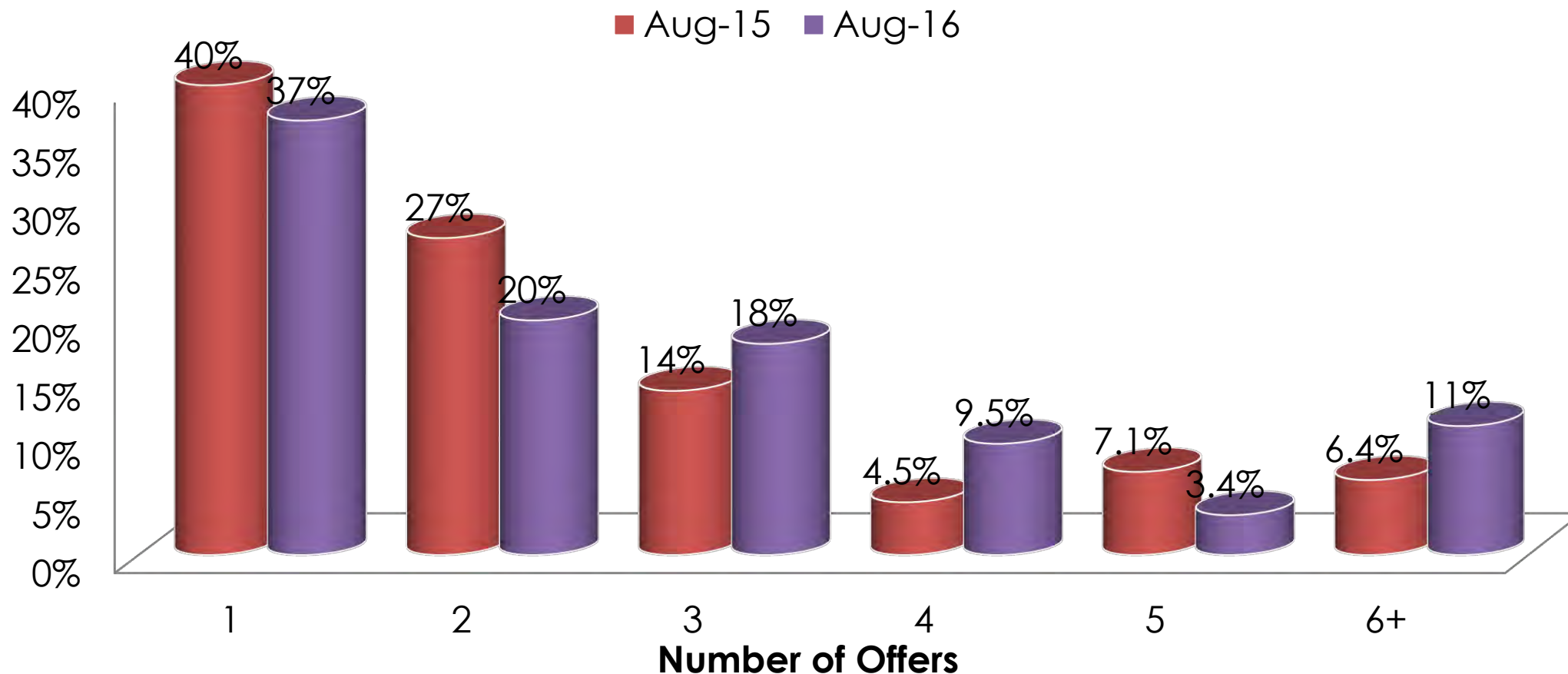
Number of Offers Steady



Q: How many offers did the seller in your last closed transaction receive?

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS® Market Pulse Survey

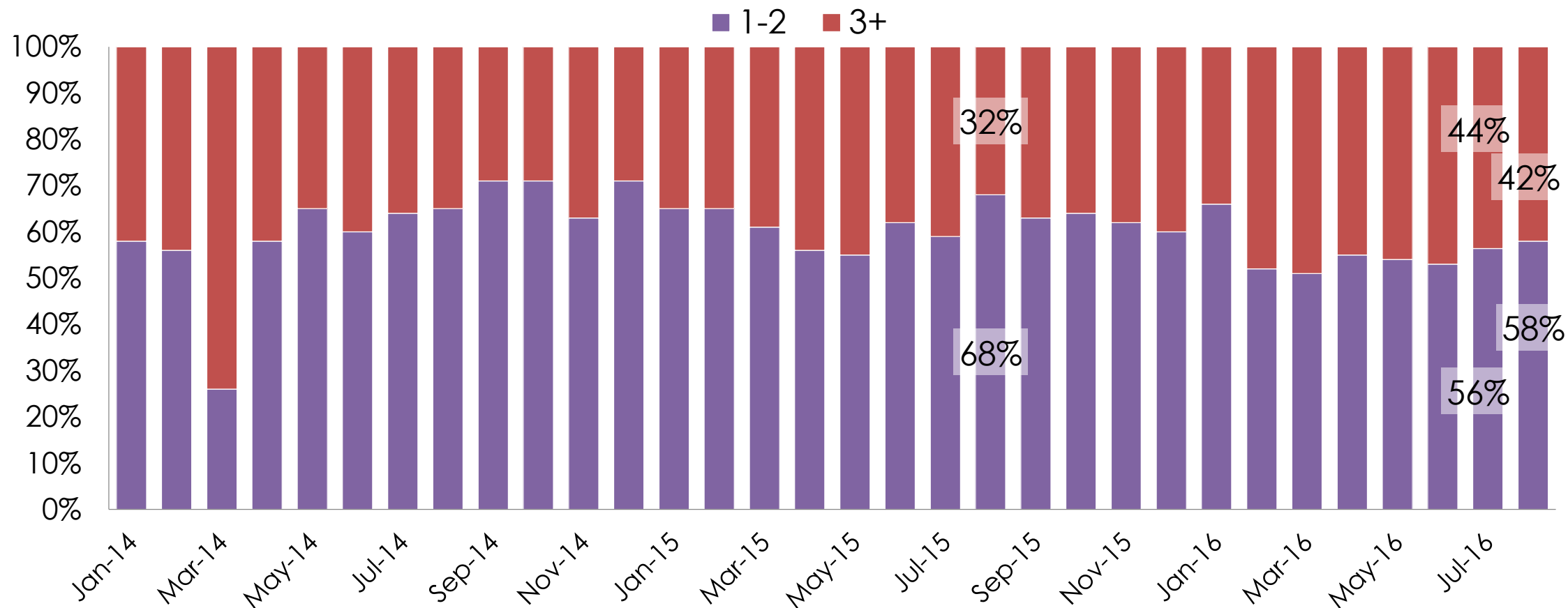
More Properties Received 3+ Offers than Last Year



Q: How many offers did the seller in your last closed transaction receive?

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS® Market Pulse Survey

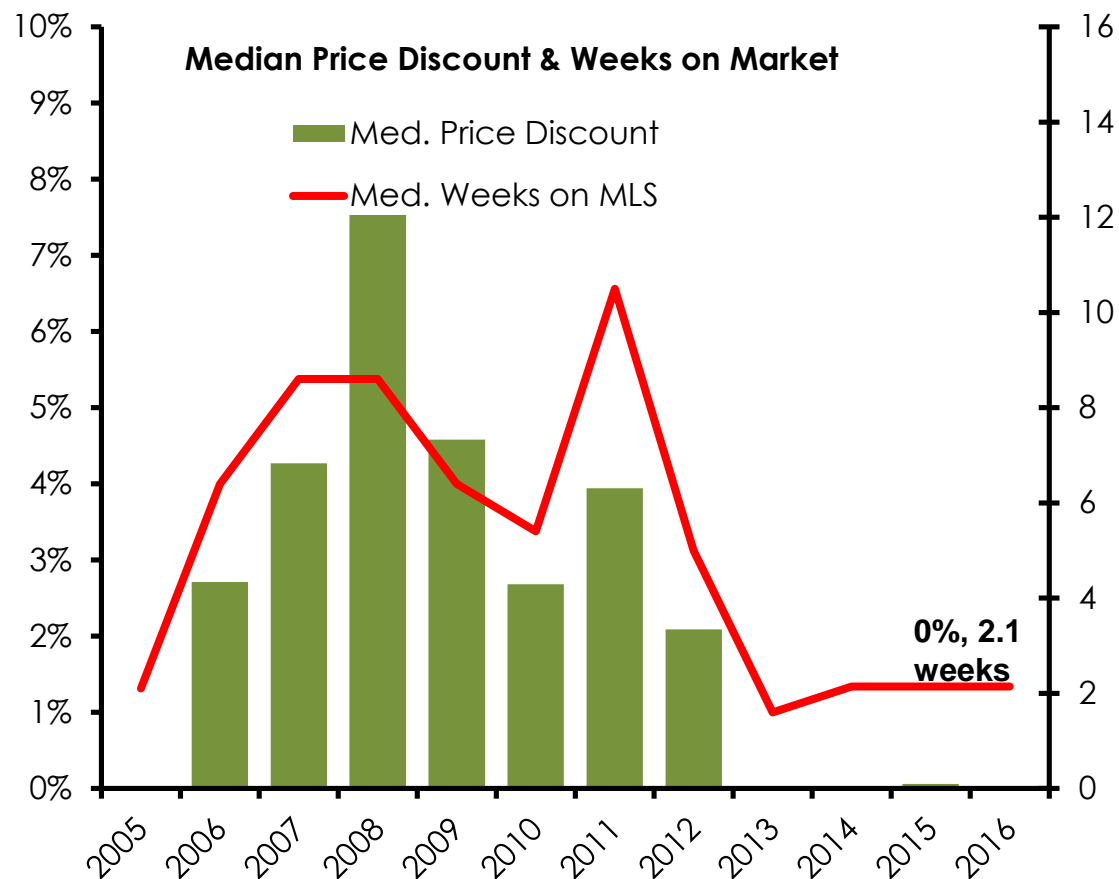
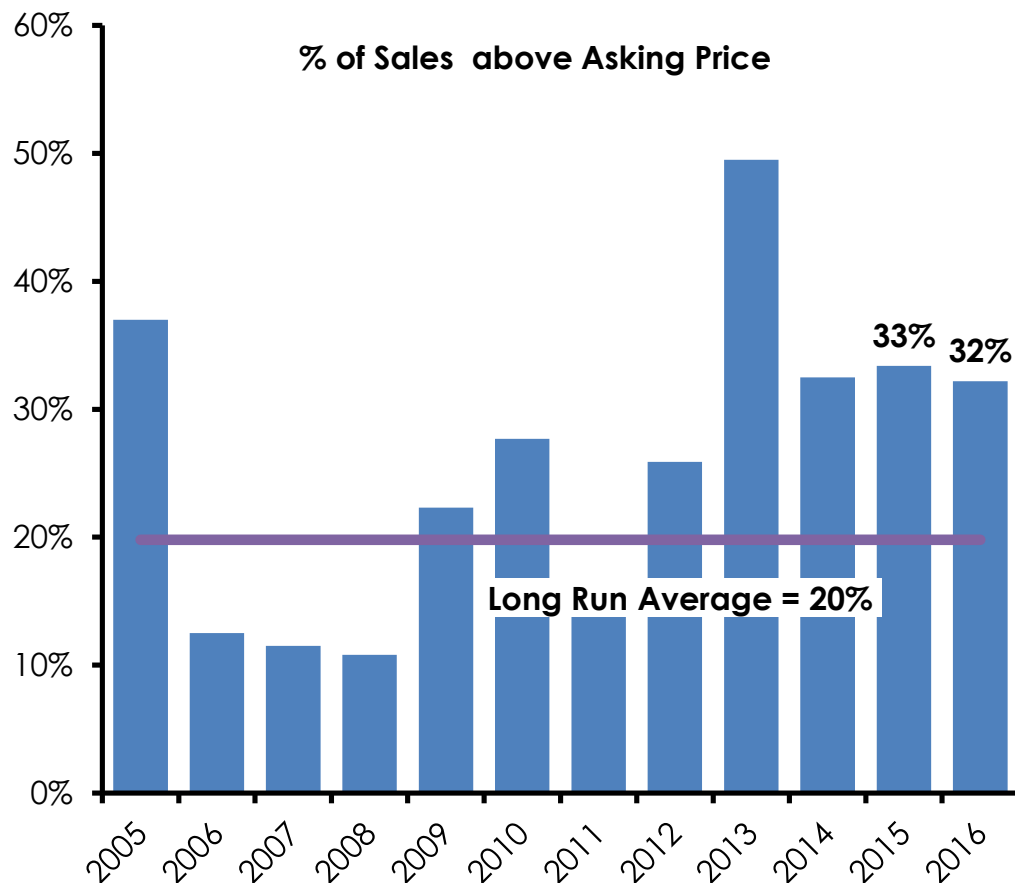
Proportion of 3+ Offers Up From A Year Ago



Q: How many offers did the seller in your last closed transaction receive?

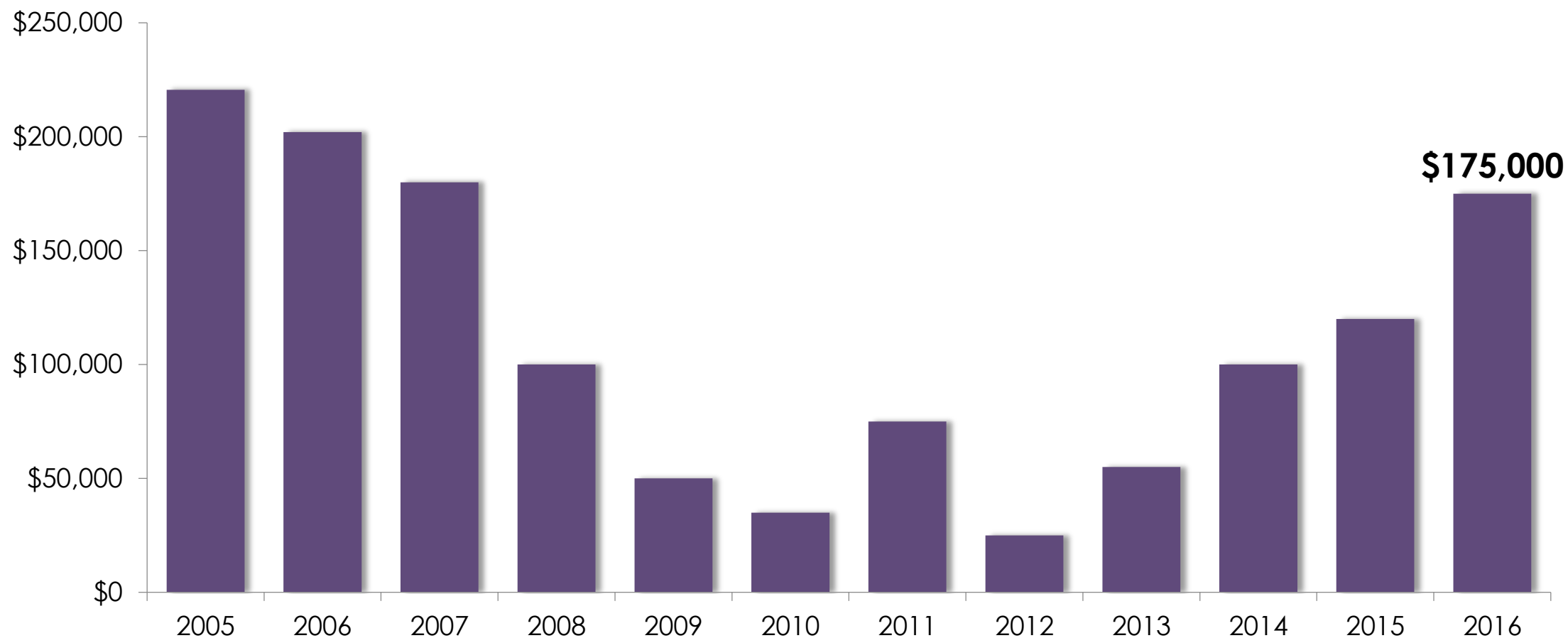
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS® Market Pulse Survey

Tight Supply Also Pushed up Home Prices, as one-third of Homes Were Sold above the Asking Price



SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

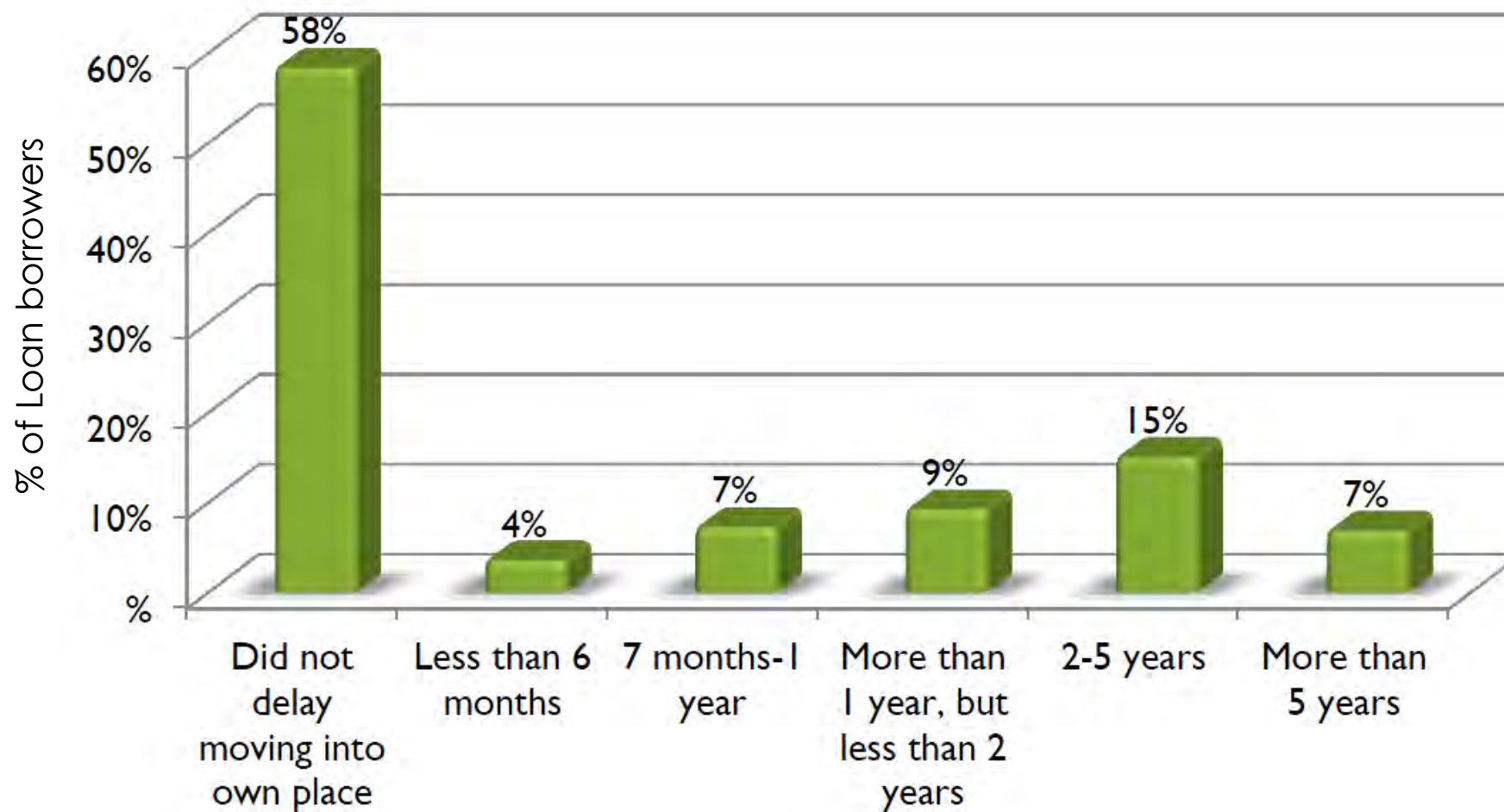
Net Cash Gain to Sellers Highest since 2007



Q. What was the net cash gain or net loss to the seller as a result of this sale?

SERIES: 2016 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

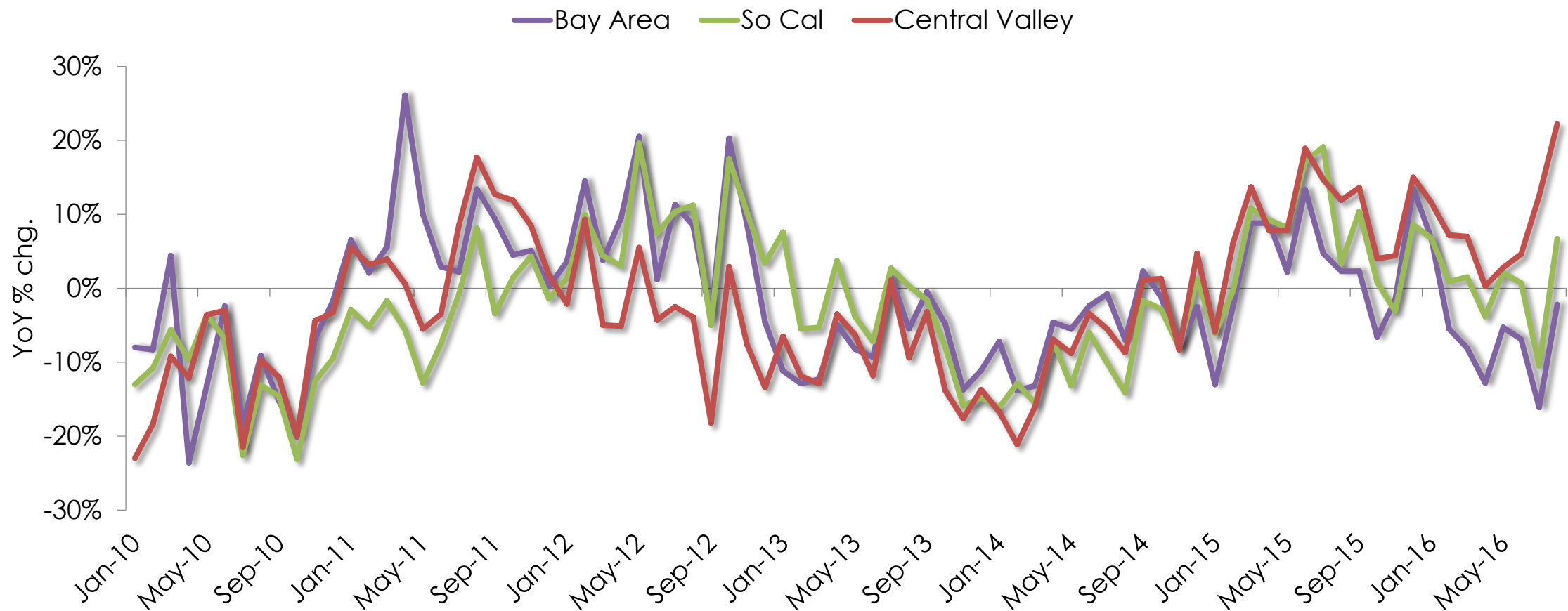
Student Debt Delayed Decisions to Move out of Family Member's Home After College?



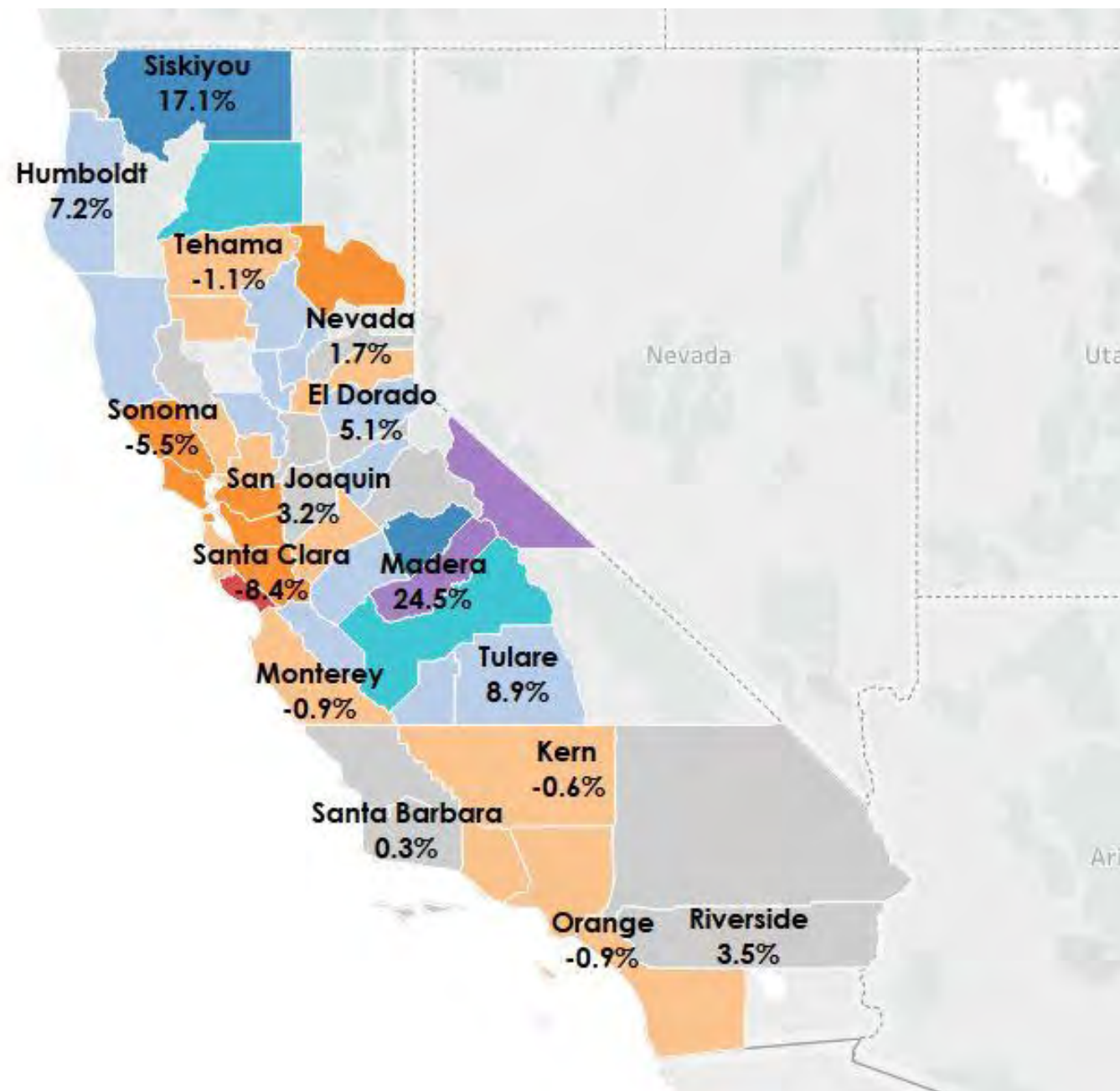
SERIES: 2016 Student Loan Debt and Housing Report
SOURCE: National Association of Realtors®

Regional Housing Markets

Sales Growth by Region

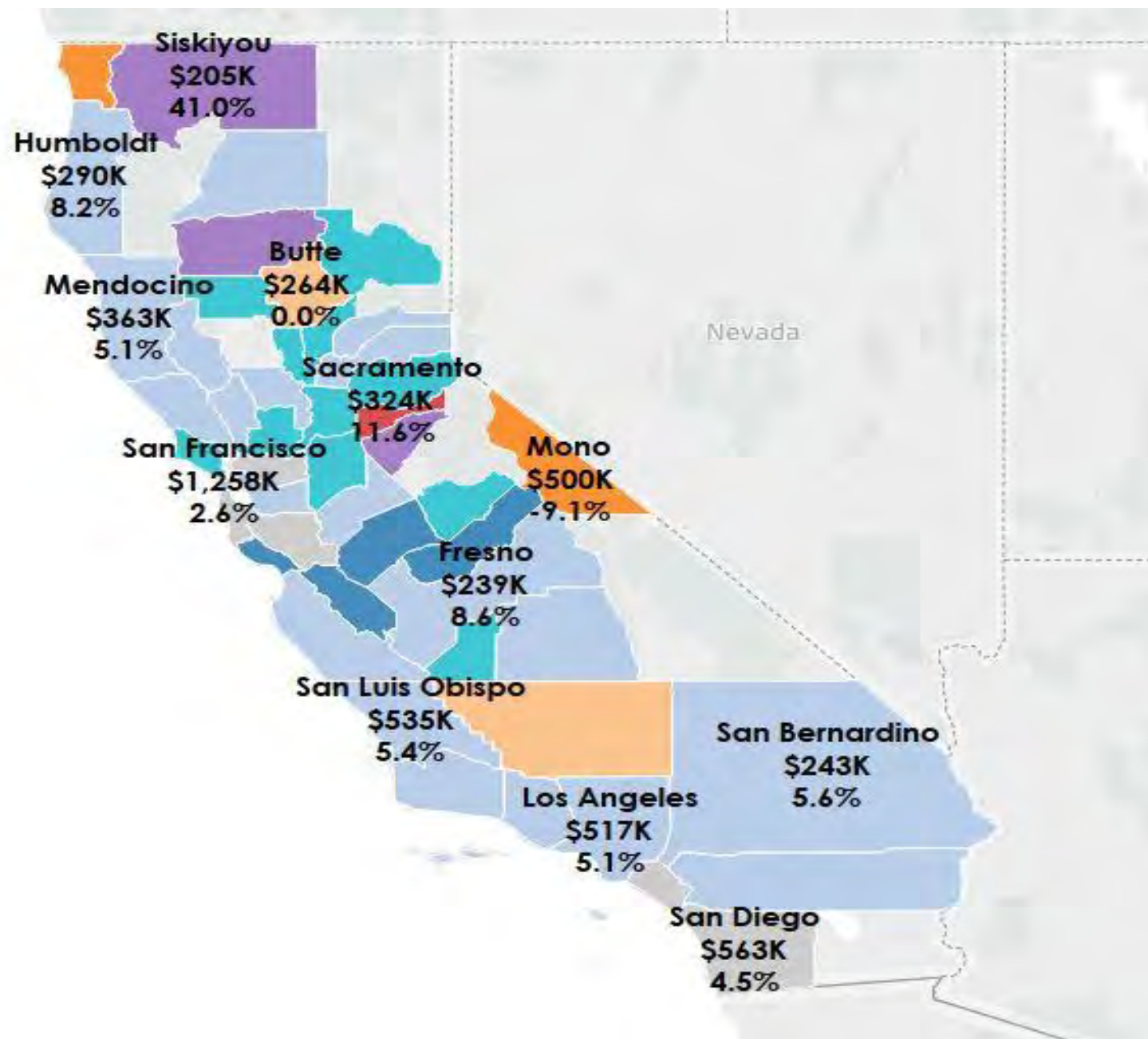


SERIES: Existing Single Family Sales, Not Seasonally Adjusted
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®



2016 California YTD Sales

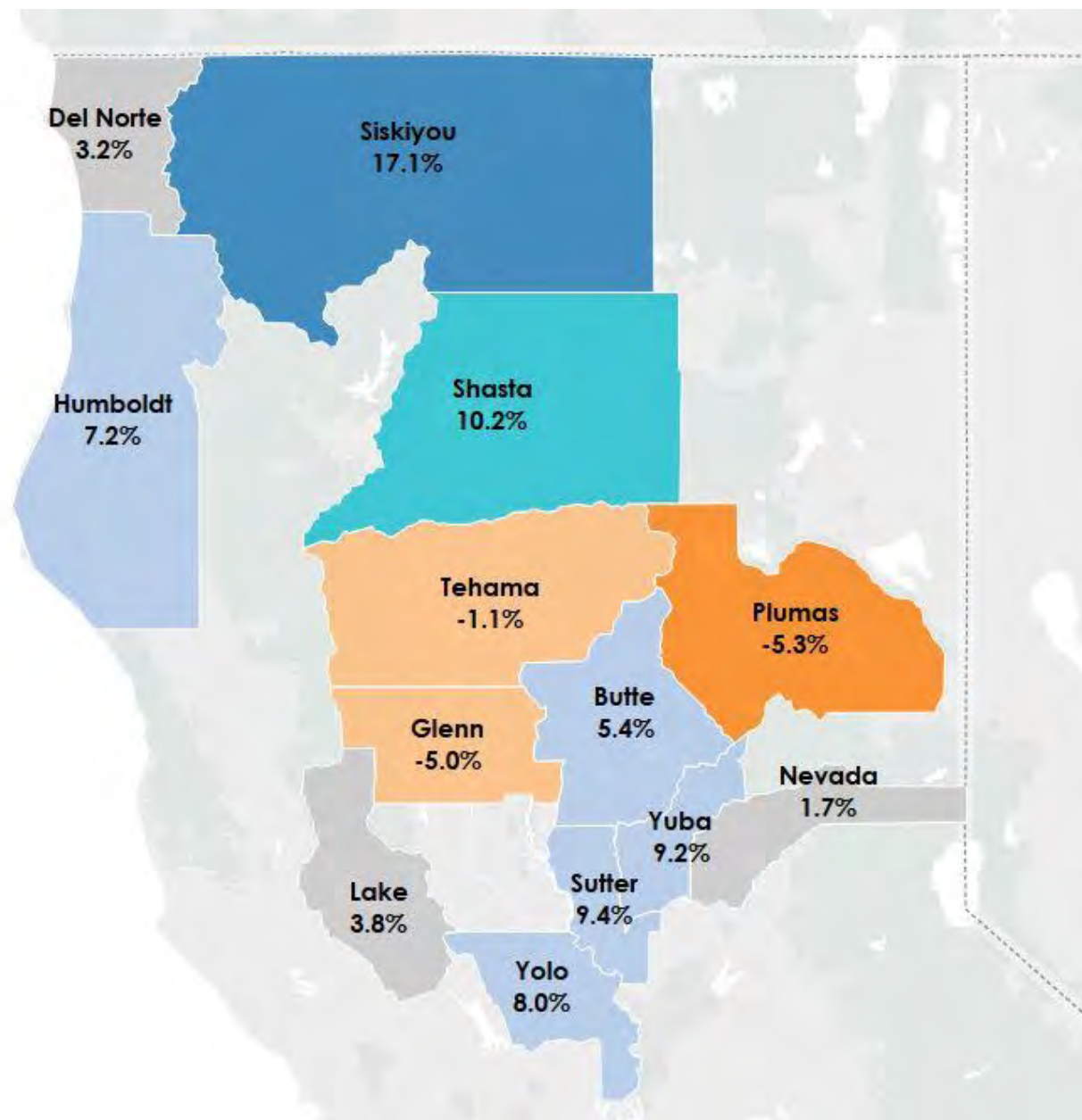
- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%



2016 California Median Prices YTY

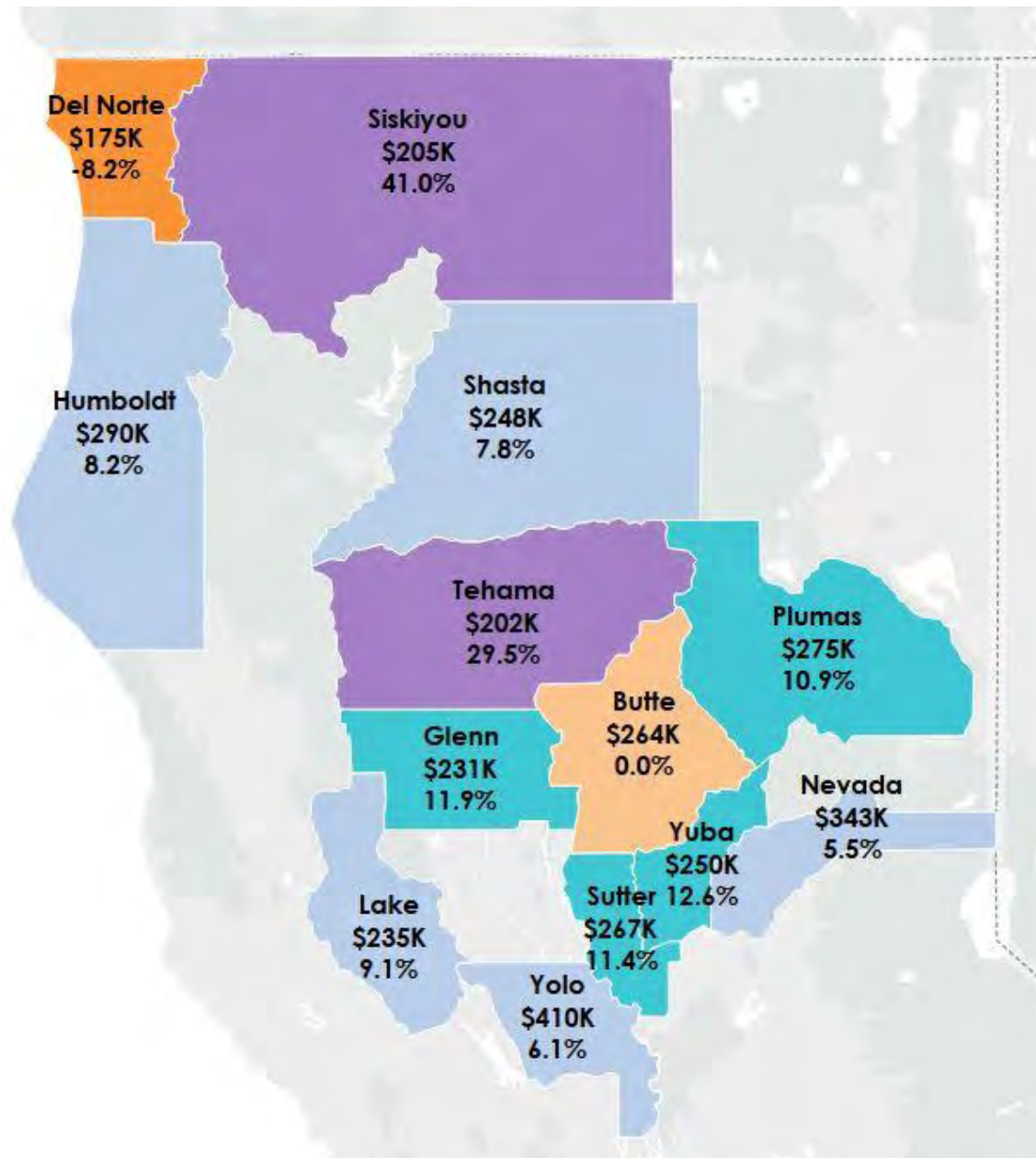
Northern California

Sales 4.3% YTD 12.6% YTY		Median Price \$362,540 8.6% YTY	
UII 3.7 Months	MTM 28.8 Days	Price NA Per Sq Ft	Sales NA To List Ratio



2016 Northern CA YTD Sales

- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%



2016 Northern CA Median Prices YTY



Northern Wine Country

Sales
-2.7% YTD
1.0% YTY

Median Price
\$569,000
7.4% YTY

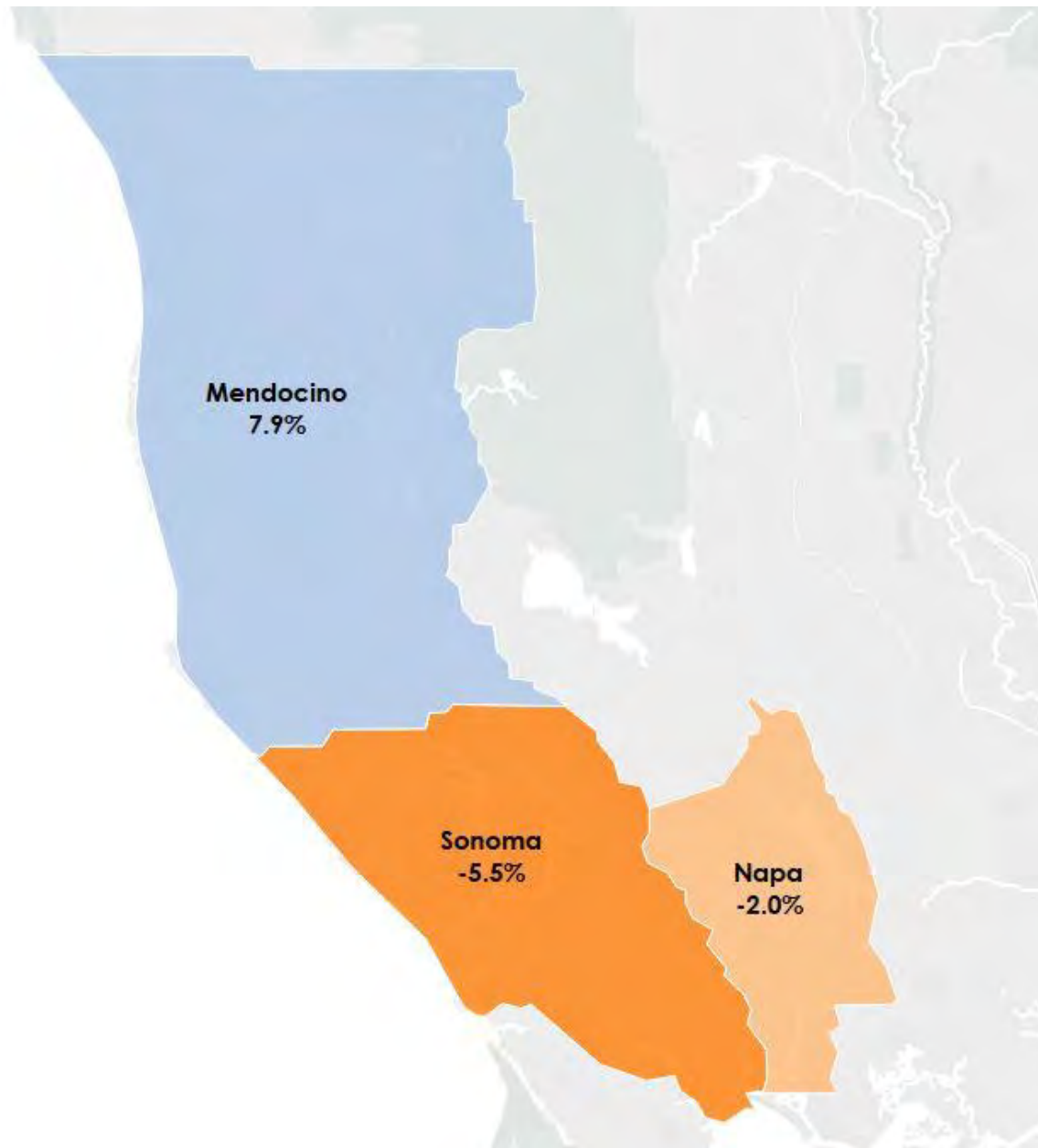
UII
3.5
Months

MTM
50.1
Days

Price
\$358
Per Sq Ft

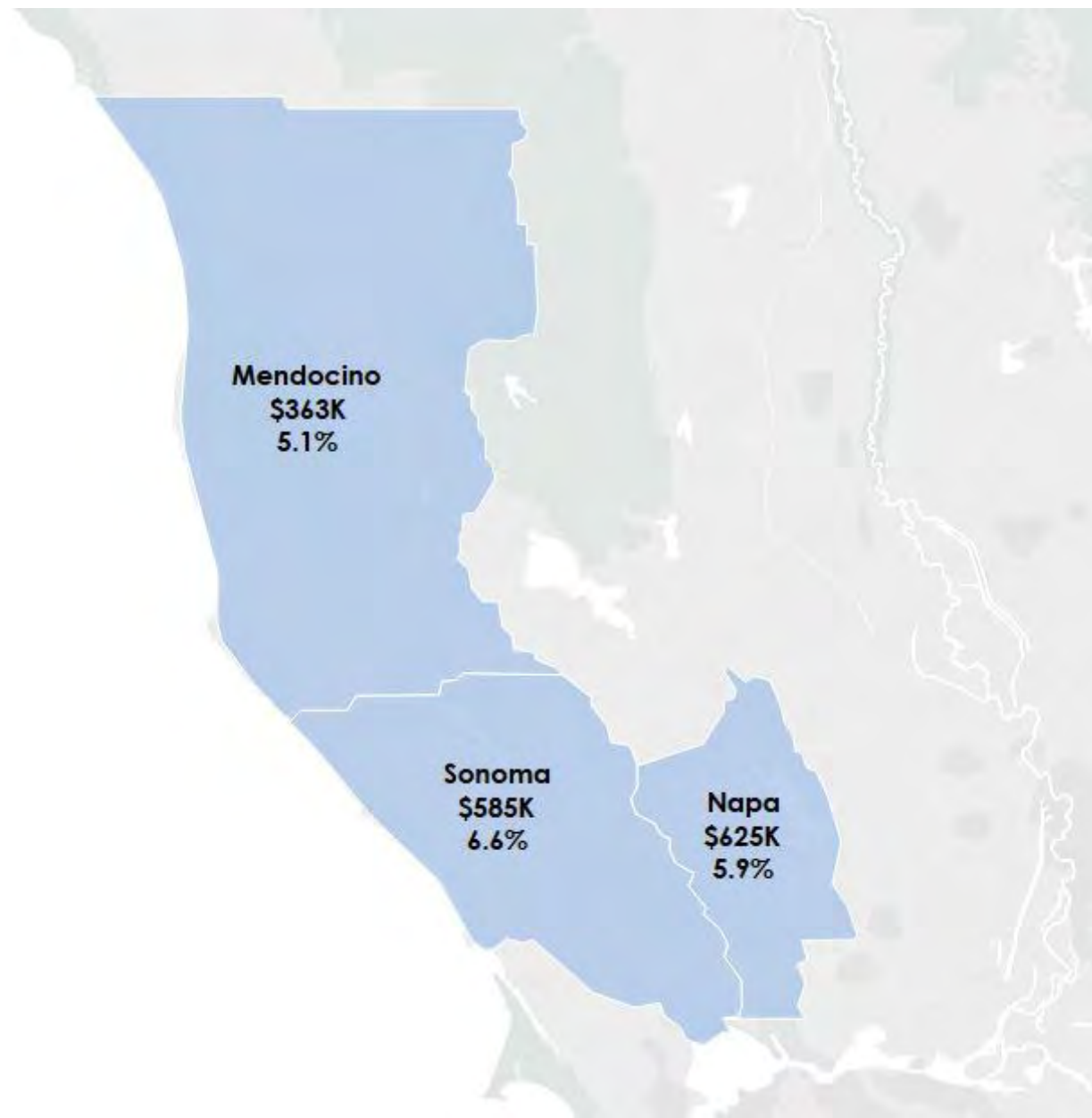
Sales
98.9%
To List Ratio

2016 Northern Wine YTD Sales



- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%

2016 Northern Wine Median Prices YTY



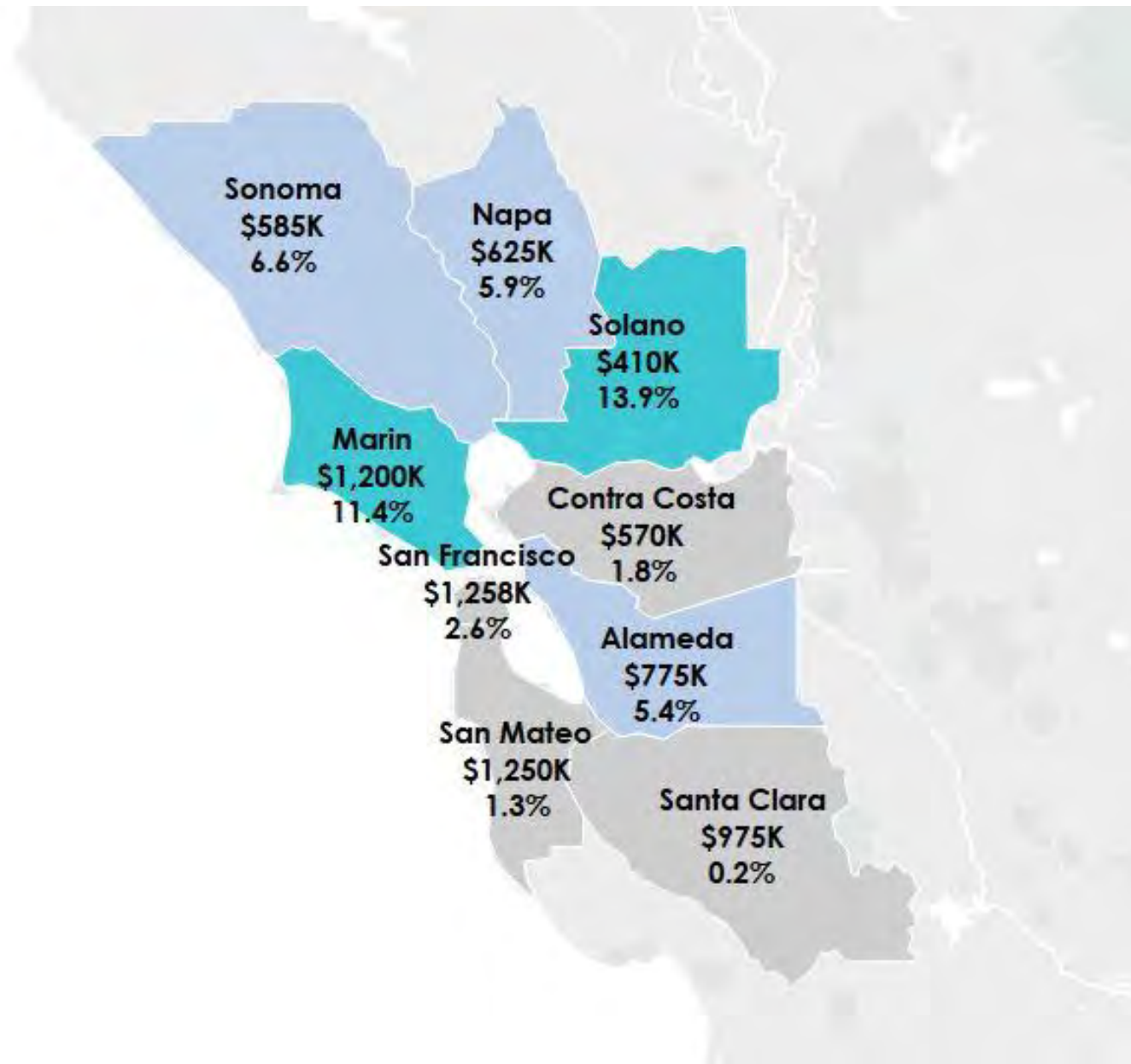
- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 10% and under

Sales -7.4% YTD -2.2% YTY		Median Price \$777,160 3.8% YTY	
UII 2.4 Months	MTM 23.5 Days	Price \$456 Per Sq Ft	Sales 101.1% To List Ratio



2016 Bay Area YTD Sales

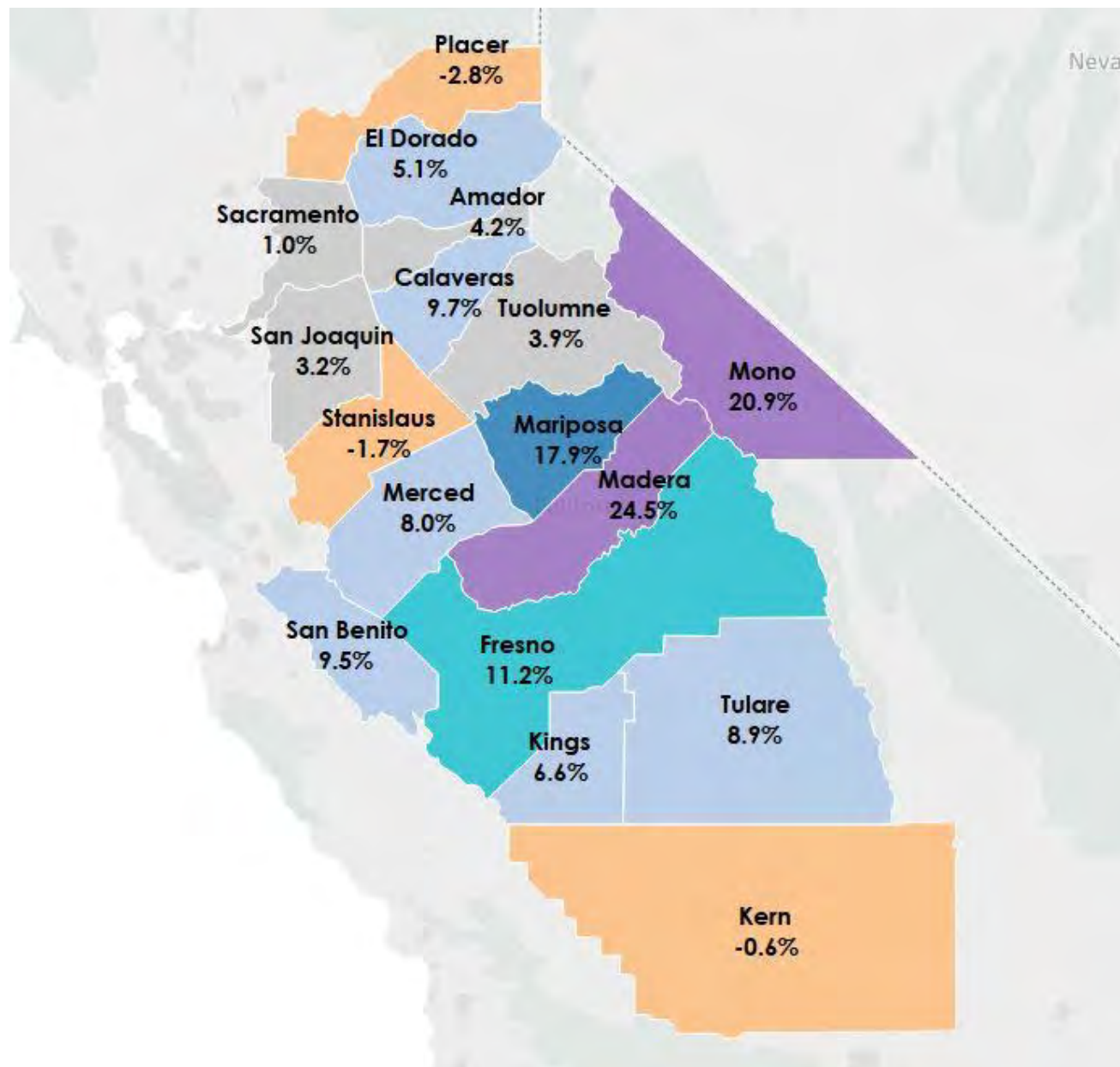
- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%



2016 Bay Area Median Prices YTY

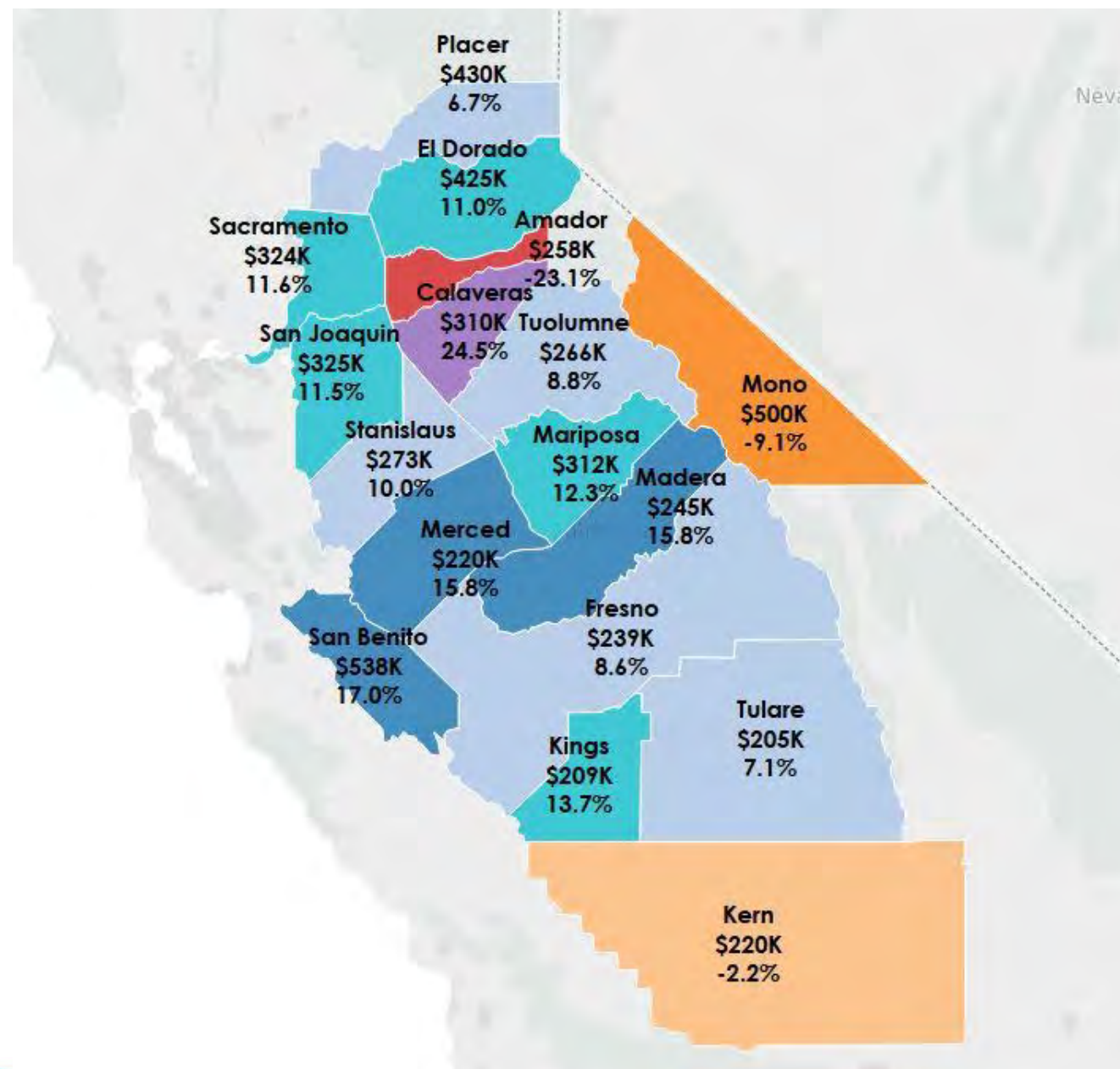


Sales 3.7% YTD 8.4% YTY		Median Price \$290,750 7.3% YTY	
UII 3.2 Months	MTM 23.1 Days	Price NA Per Sq Ft	Sales NA To List Ratio



2016 Central Valley YTD Sales

- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- -5% to 0%
- -10% to -6%
- -15% to -11%



2016 Central Valley Median Prices YTY



Sales
0.1% YTD
4.9% YTY

Median Price
\$648,900
17.0% YTY

UII
4.3
Months

MTM
28.8
Days

Price
\$358
Per Sq Ft

Sales
97.7%
To List Ratio



2016 Central Coast YTD Sales

- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%



2016 Central Coast Median Prices YTY



Sales
-0.1% YTD
6.6% YTY

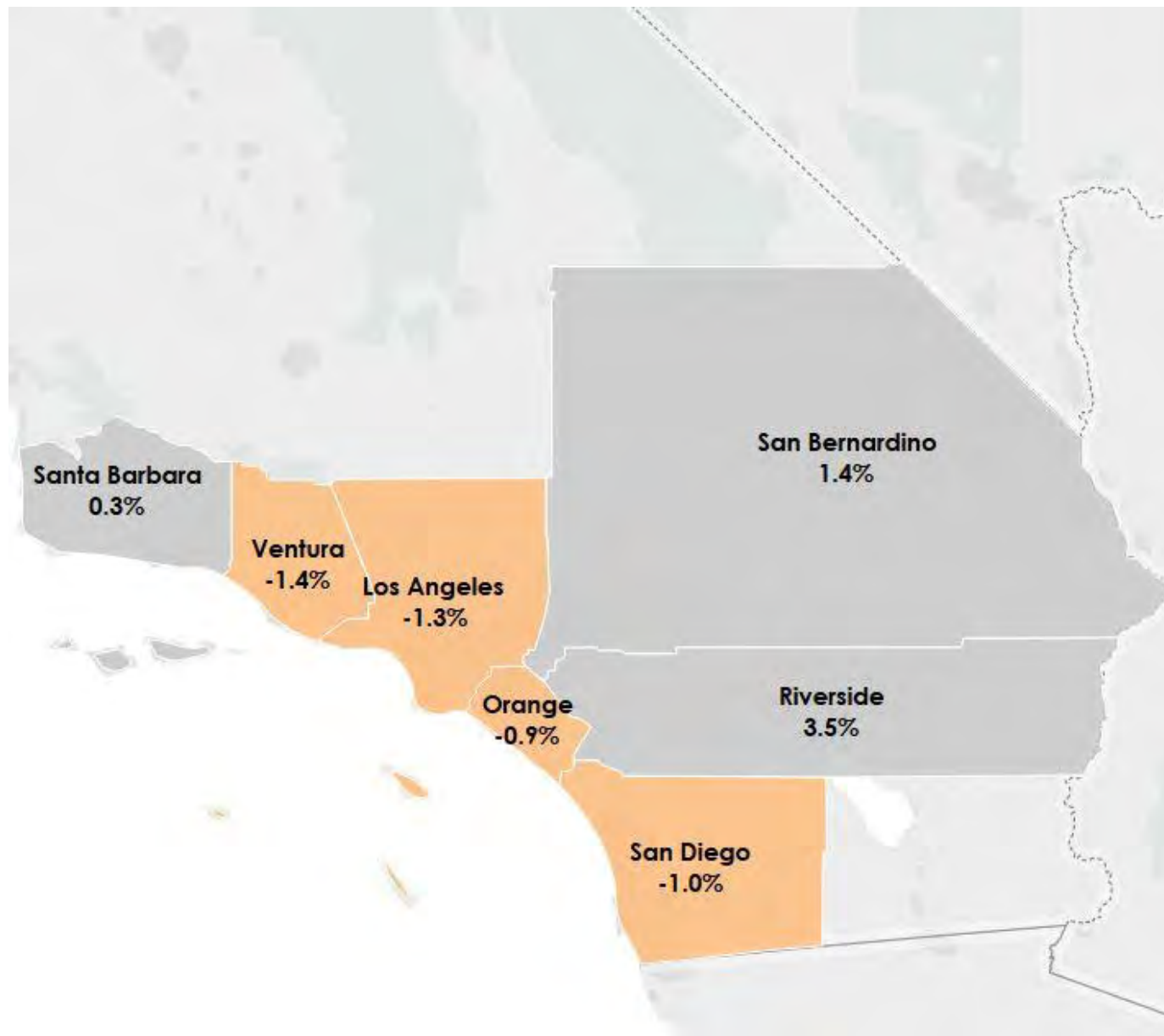
Median Price
\$496,930
6.1% YTY

UII
3.6
Months

MTM
40.2
Days

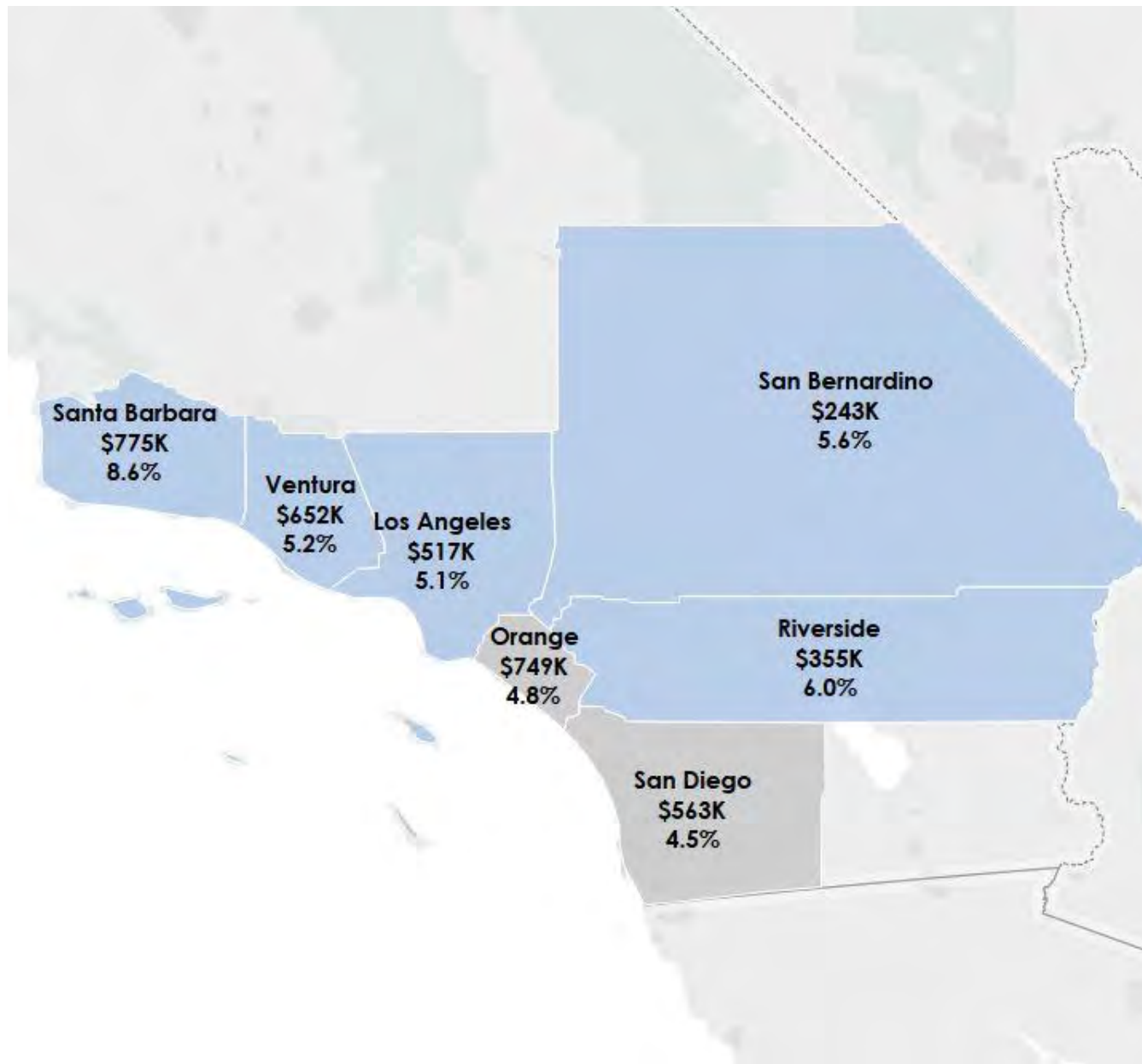
Price
\$281
Per Sq Ft

Sales
98.5%
To List Ratio

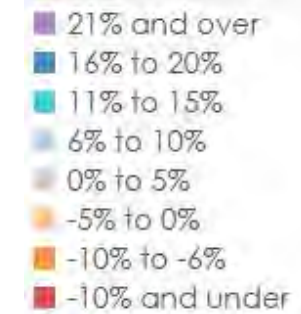


2016 Southern Cal YTD Sales

- 21% and over
- 16% to 20%
- 11% to 15%
- 6% to 10%
- 0% to 5%
- 5% to 0%
- 10% to -6%
- 15% to -11%



2016 Southern Cal Median Prices YTY



2017 Forecast

U.S. Economic Outlook

	2011	2012	2013	2014	2015	2016p	2017f
US GDP	1.8%	2.3%	2.2%	2.4%	2.4%	1.5%	2.2%
Nonfarm Job Growth	1.2%	1.7%	1.7%	1.9%	2.1%	1.8%	1.4%
Unemployment	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.7%
CPI	3.1%	2.1%	1.5%	1.6%	0.1%	1.4%	2.1%
Real Disposable Income, % Change	2.5%	3.2%	-1.4%	2.7%	3.4%	2.7%	2.7%
30-Yr FRM	4.5%	3.7%	4.0%	4.2%	3.9%	3.6%	4.0%

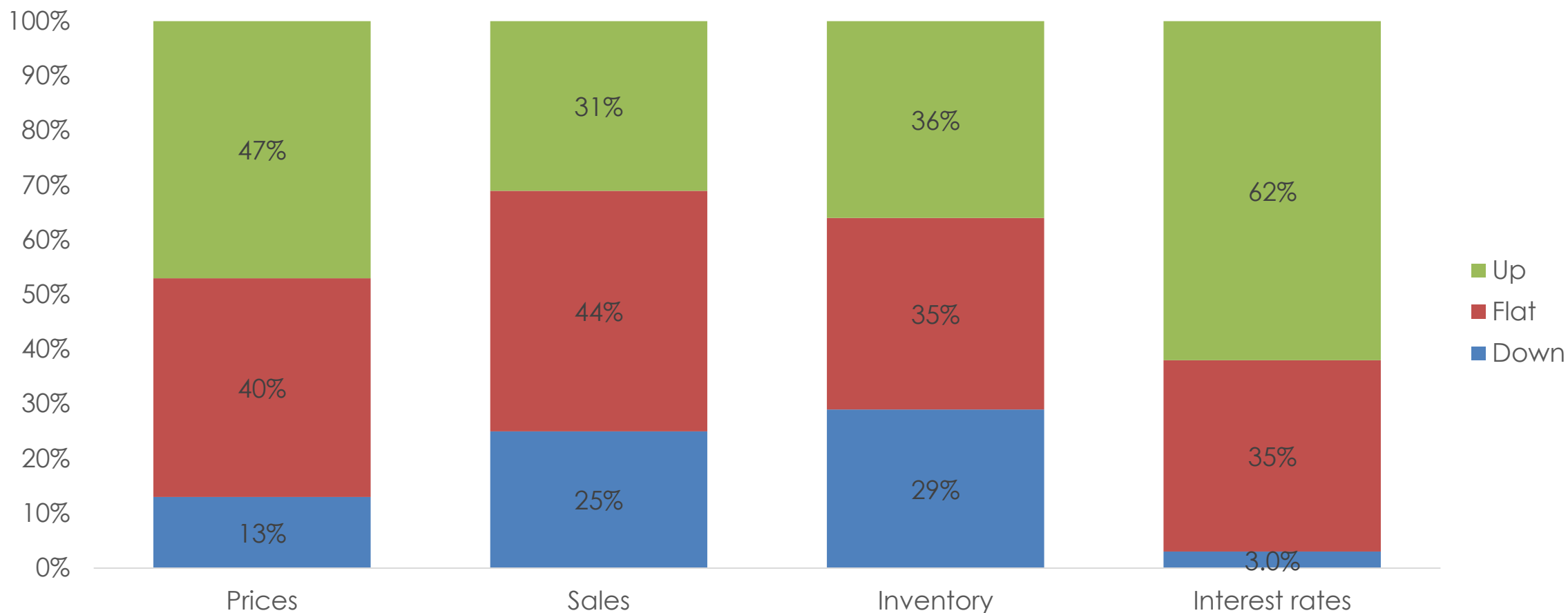
SERIES: U.S. Economic Outlook
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

California Economic Outlook

	2011	2012	2013	2014	2015	2016p	2017f
Nonfarm Job Growth	1.1%	2.4%	3.0%	2.2%	2.7%	2.3%	1.6%
Unemployment Rate	11.8%	10.4%	8.9%	7.5%	6.2%	5.5%	5.3%
Population Growth	0.7%	0.7%	0.9%	0.9%	0.9%	1.0%	1.0%
Real Disposable Income, % Change	3.5%	4.7%	-1.1%	3.2%	3.6%	2.9%	3.5%

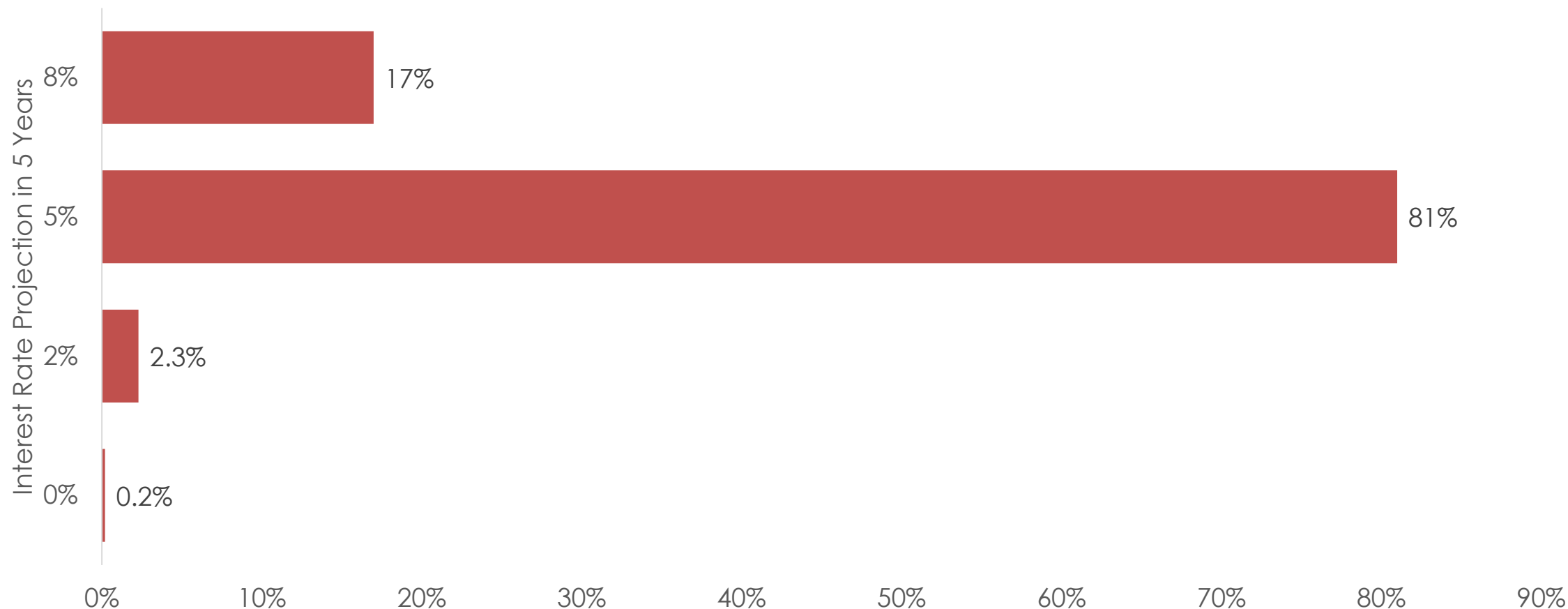
SERIES: CA Economic Outlook
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Varying Market Expectations for 2017



Q1 - What do you think will happen to the California real estate market in 2017?

Interest Rate Projected at 5% in 5 Years



Q3 - Today the 30 year fixed rate mortgage is at 3.5%. Where do you think it will be in five years?

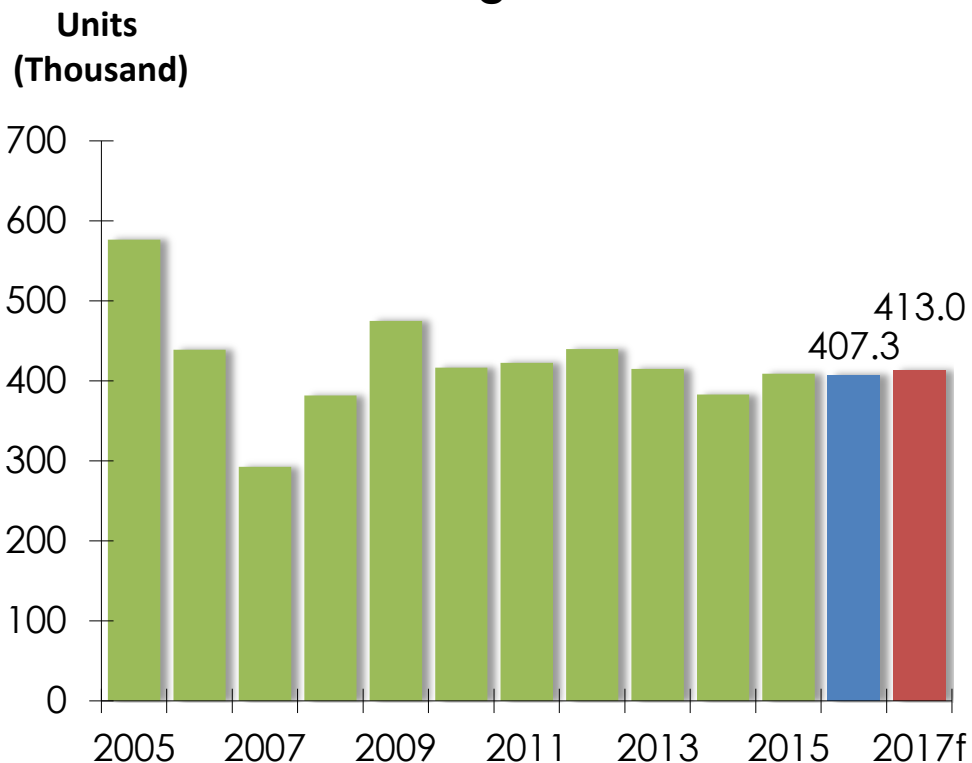
California Housing Market Outlook

	2011	2012	2013	2014	2015	2016p	2017f
SFH Resales (000s)	422.6	439.8	414.9	382.7	408.8	407.3	413.0
% Change	1.4%	4.1%	-5.9%	-7.8%	6.8%	-0.4%	1.4%
Median Price (\$000s)	\$286.0	\$319.3	\$407.2	\$446.9	\$474.4	\$503.9	\$525.6
% Change	-6.2%	11.6%	27.5%	9.8%	6.2%	6.2%	4.3%
Housing Affordability Index	53%	51%	36%	30%	31%	33%	29%
30-Yr FRM	4.5%	3.7%	4.0%	4.2%	3.9%	3.6%	4.0%

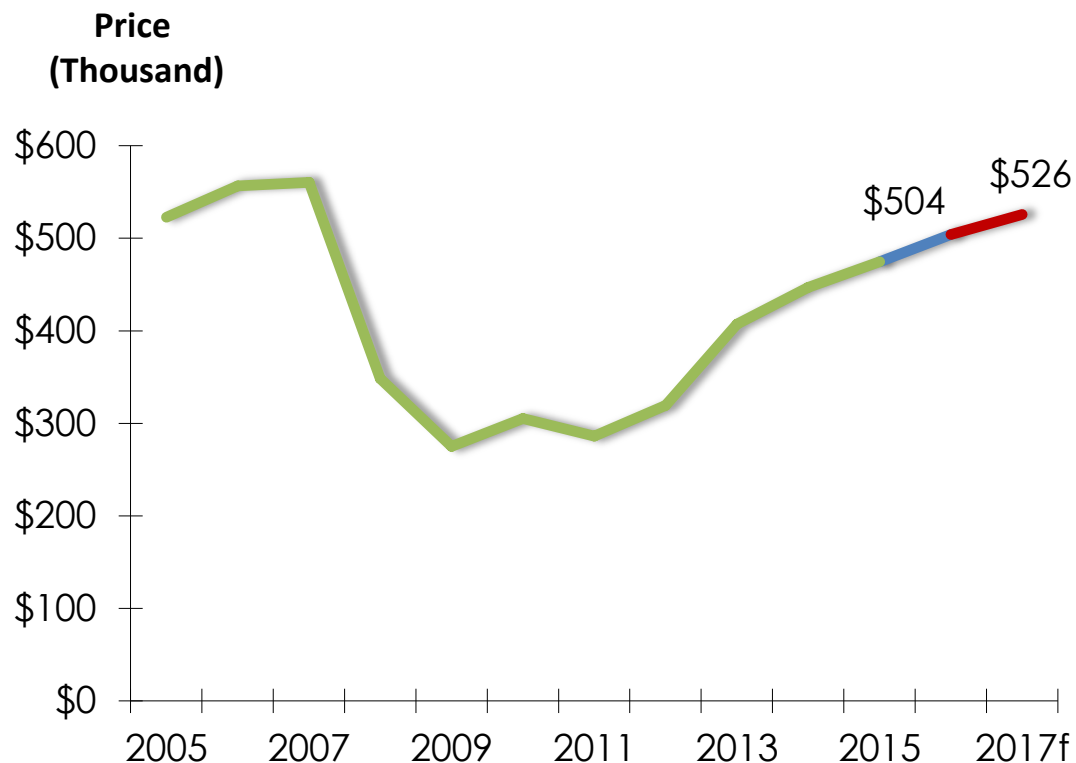
SERIES: CA Housing Market Outlook
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

Sales down for 2016 but Improve in 2017; Price will Grow Steadily this Year and Next

Sales of Existing Detached Homes



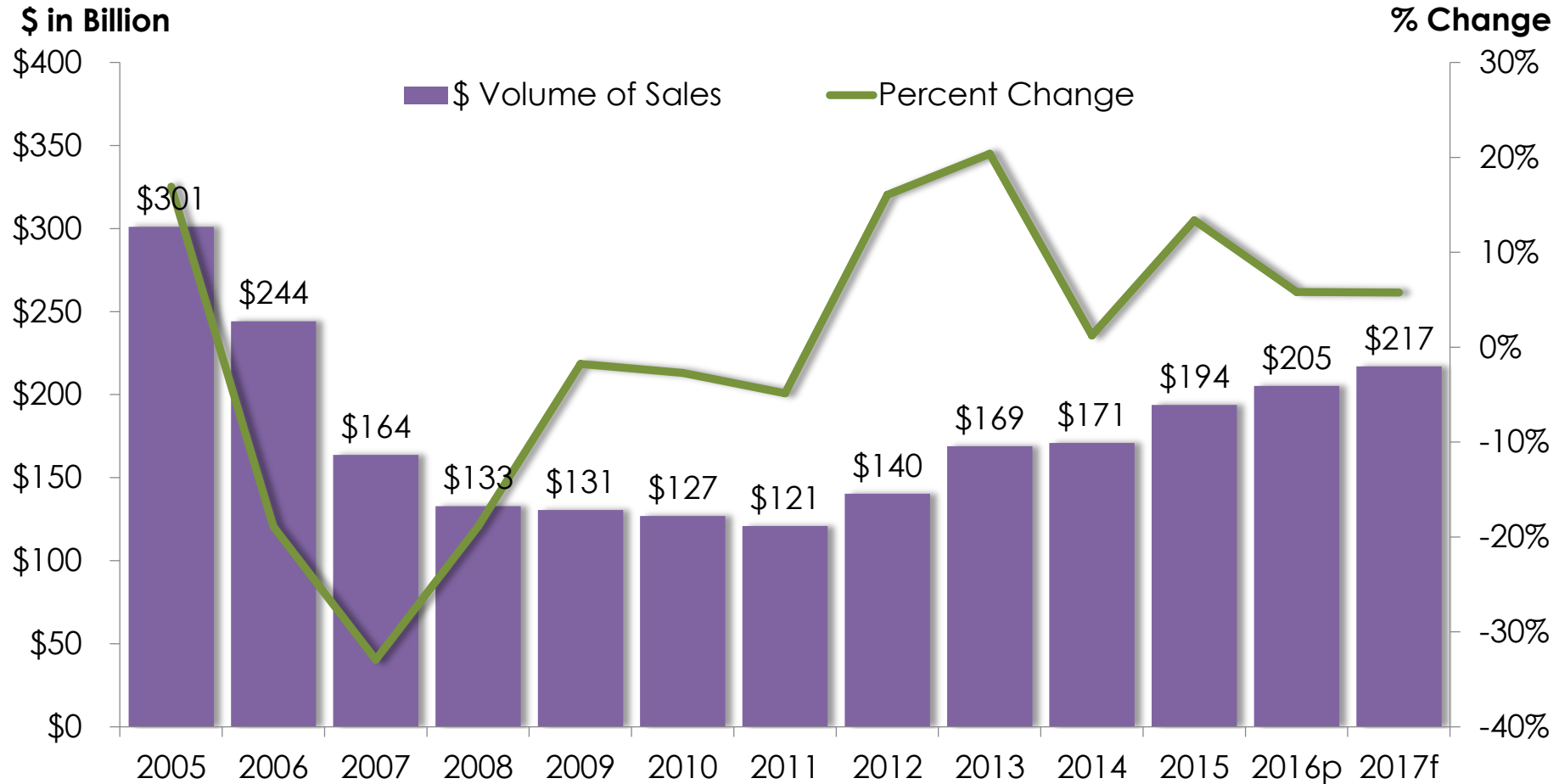
Median Price



SERIES: CA Housing Market Outlook
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

CA: Dollar Volume

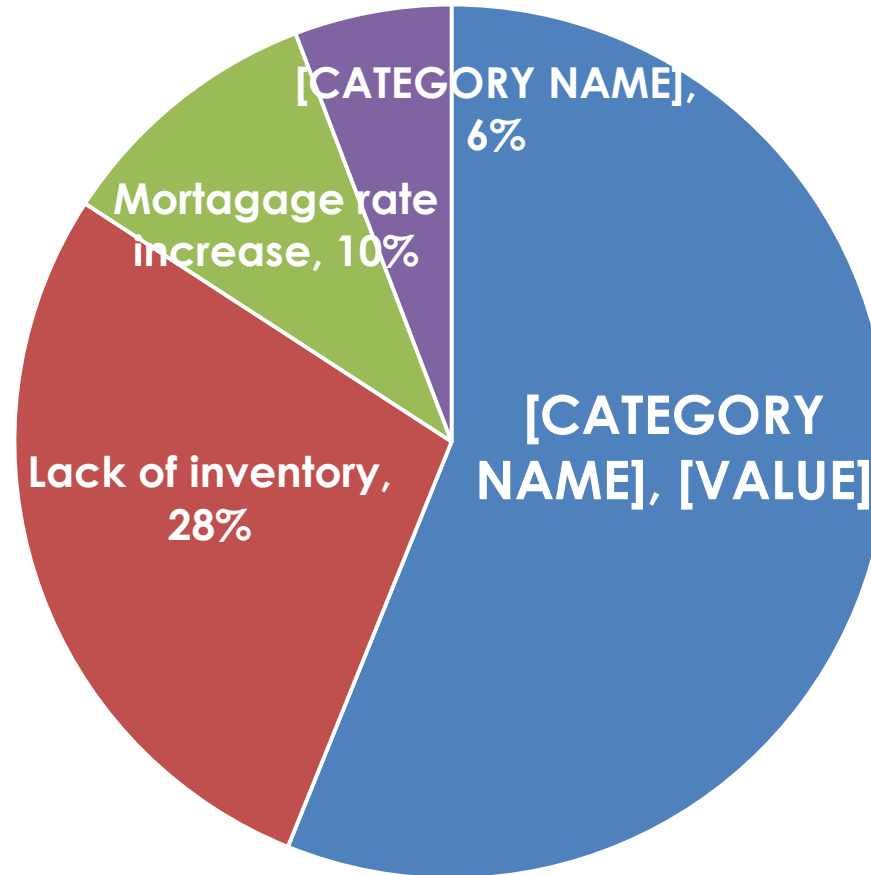
Up 5.8% in 2016, Up 5.8% in 2017



SERIES: CA Housing Market Outlook
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

2017 Challenges & Opportunities

Lack of Affordability Biggest Challenge



Q2 - What will be the biggest challenge for the housing market in 2017?

2017 Wild Cards

- Unexpected rise in rates
- Economic collapse
- Tech giants crumble...
- Other Black Swans
- Hit to equities
- Global instability

2017 Opportunities

- Up your game – Always a good option
- What business are YOU in?
- Educate first time-home buyers – talk to their parents
 - Become well versed on down payment assistance programs, debt management and improving credit to turn renters into buyers.
- Don't give up on international buyers
- Stay involved & stay current
- Get married!

Thank – You