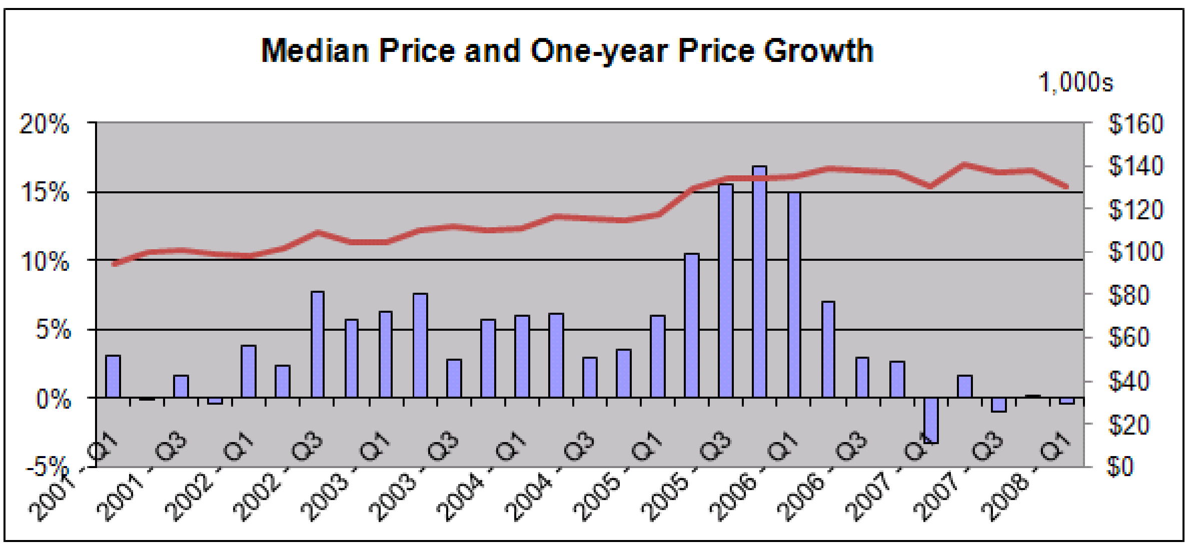
How to Read NAR's Local Market Updates

Structure and Method

The Local Market Reports (LMRs) are formatted into 3 sections: summary activity (prices and sales), local fundamentals (economic and housing demand), and a final section that describes unique statistics that are shaping the current market. For the fall of 2008, we are focusing on foreclosures.

A statistic by itself is of little use. It can only be useful if it can be compared with another time period or benchmark that gives it a meaningful interpretation. Our staff has elected to compare the local market with the U.S. average when appropriate as well as historical comparisons within the local market.

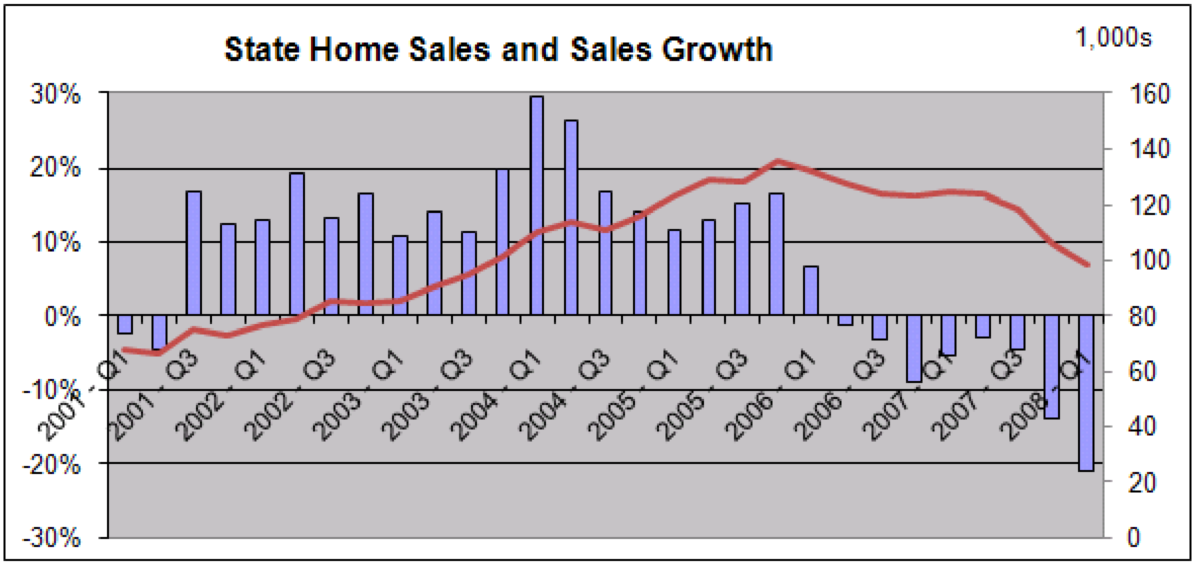
October 2008



	Mobile	U.S. Average
Price Activity		
1-year Appreciation (2008 Q2)	-0.4%	-7.2%
3-year Appreciation (2008 Q2)	10.6%	-0.6%
3-year Housing Equity Gain	$12,500	-$1,100
7-year Housing Equity Gain	$35,200	$54,467
9-year Housing Equity Gain	$129,900	$60,800

The median price change data is shown both as a level or dollar amount and as a rate of change over various time periods. Comparing on a year-over-year basis eliminates seasonal fluctuations. As housing is a long-term asset, it is important to show the long-term benefits to owning housing. Hence, we have included the equity gains from housing over the long-term.

The average home tenure is 7 years, so we have coupled comparison values around this period. Some households may in fact hold their home longer, boosting their equity gain. The equity gain in this report is simply the change in the median home price: equity from payment of mortgage principle is not accounted for.



Home Sales and Construction Growth		
*State Existing Home Sales(2008 Q2)	-20.9%	-22.2%
** Single-Family Housing Permits (2008 June)	-29.0%	-38.9%

*versus same quarter, year-ago
**Rolling 12-month sum vs. a year ago

Like the prices, home sales and construction are compared to the same period one year earlier to account for seasonal fluctuations. It is important to note both volume as well as change since the change numbers are dramatic, but are deceptively large when viewed from a long-term perspective.

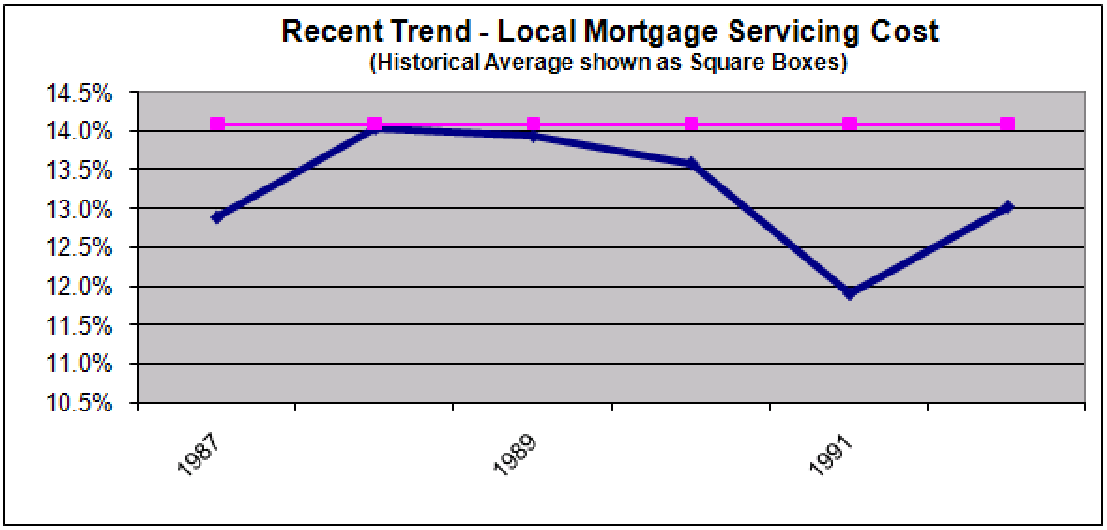
Local Economic Outlook		
1-year Job Additions (2008 June)	1,400	Not Comparable
3-year Job Additions (2008 June)	8,900	Not Comparable
State Economic Activity Index		
12-month change (2008 June)	-0.1%	1.3%
36-month change (2008 June)	6.4%	7.5%

Local Demand Fundementals		
1-year Job Growth Rate	0.8%	-0.1%
3-year Job Growth Rate	5.1%	2.9%
1-year Job Gain to New Single-Family Homes	0.7	-0.1
3-year Job Gain to New Single-Family Homes	1.2	0.8

The section on market fundamentals gives context to local market conditions. New employment is a factor that creates demand for housing. Potential home buyers need a steady income stream and equity to make a purchase so this correlation is strong. However, the newly employed need time to develop the confidence and equity to make a purchase and employment can experience broad short-term swings, so we include a 3-year view.

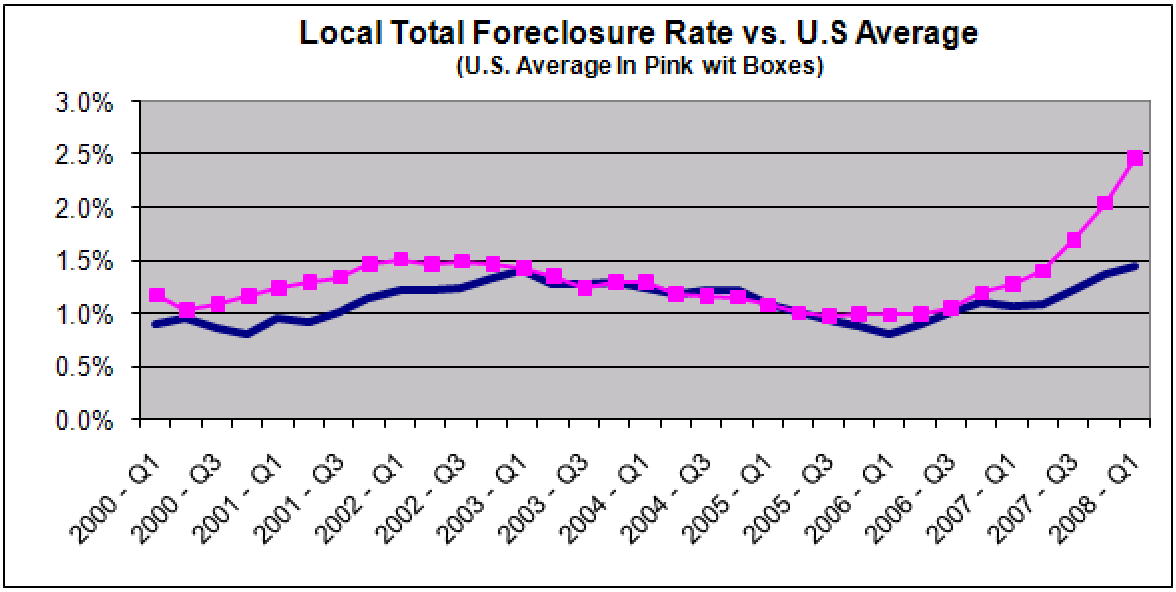
The economic activity index, published by the Federal Reserve Bank of Philadelphia, incorporates a number of state economic indicators, such as employment and gross state product into one index, which is used as a measure of the health of a state's economy. Again, comparing the short-term with the long-term changes gives perspective on whether short-term changes are dramatic or small relative to recent trends.

Monthly Mortgage Payment to Income		
Ratio for 2007	13.6%	22.6%
Ratio for Q1 2008	13.0%	20.3%
Historical Local Average	14.1%	22.8%



The section on fundamentals also includes tables and graphs on local affordability conditions. Falling mortgage rates improved affordability during the housing boom, but moderating prices are driving changes in affordability today. Consequently, we focus on the long-term and short-term changes in the monthly service cost of a mortgage (monthly payment) using the current 30-year fixed rate and the median price over a 30-year period. This calculation does not include taxes, insurance, or other expense. A measure below the historical average can suggest that a local market is in an affordable situation. In short, neither prices nor mortgage rates provide adequate justification for coloring a market as affordable or not. A buyer will run the numbers specific to his or her situation before buying.

Not pictured here, but also included are data on the monthly mortgage servicing cost both for the long-term as well as for the most recent 6 quarters. The latter pattern shows recent dynamics where as the former puts the recent changes into a historical context for balance. The ratio of median home price relative to median household income is also presented because it is widely cited in the media. However, this measure does not factor in the financing options available to buyers, which makes it a second-best measure of affordability.



Monthly Market		
State Foreclosure Rate (2008 Q1)	1.4%	2.5%
State Foreclosure Rate (2007 Q1)	1.1%	1.3%
State: Total Foreclosure Volume	8,655	Not Comparable
State: Total Mortgages Serviced	601,049	Not Comparable
State Prime Loan Foreclosure Rate (2008 Q1)	0.9%	1.2%
State Subprime Foreclosure rate (2008 Q1)	9.4%	17.1%

The final section of this report focuses on trends that are driving the current state of the housing market. Risky lending between 2005 and 2007 has caused a wave of foreclosures in the sub-prime ARM sector. However, the erratic and often shocking foreclosure figures can be deceptive. Some measures of foreclosures can double count and therefore overstate the actual foreclosure situation. This section highlights where foreclosures are rising the most (sub-prime ARMs) and how they fit into the local context as a whole and in a historical context.

Some Notes on Data Usage

Every attempt was made to include the best data possible. If one data source is not available for a particular metro area, a second-best solution was substituted. For instance, the Bureau of Labor Statistics does not provide employment figures for all metro areas from its Establishment Survey. Where this data is not available, we have substituted figures from the Bureau of Labor Statistics' Household Survey.

Not all data series are complete. We attempt to complete as many calculations as possible, but when data is missing (e.g. median home price) some calculations cannot be made.

Data Sources

Housing Price and Sales Statistics – The National Association of Realtors
Labor statistics – U.S. Bureau of Labor Statistics (Establishment Surveys and Household)
Housing Permits Data – U.S. Census Bureau
Foreclosure Data – Mortgage Bankers’ Association of America
State Economic Index - Federal Reserve Board of Philadelphia