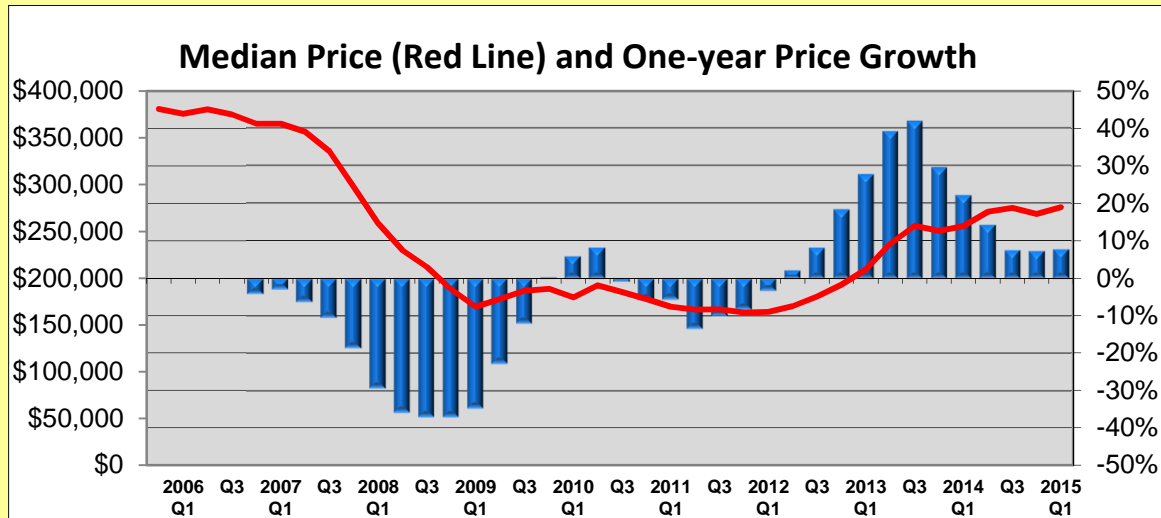


## Sacramento-Arden-Arcade-Roseville Area Local Market Report, First Quarter 2015

### Today's Market...



| Local Price Trends                         |            |           |  |
|--|------------|-----------|--|
| Price Activity                             | Sacramento | U.S.      | Local Trend  |
| Current Median Home Price (2015 Q1)        | \$275,800  | \$203,867 | Prices continue to grow relative to last year  |
| 1-year (4-quarter) Appreciation (2015 Q1)  | 7.8%       | 6.7%      |  |
| 3-year (12-quarter) Appreciation (2015 Q1) | 68.3%      | 28.8%     |  |
| 3-year (12-quarter) Housing Equity Gain*   | \$111,900  | \$45,533  | Gains in the last 3 years have extended the trend of positive price growth after the recession |
| 7-year (28 quarters) Housing Equity Gain*  | \$17,300   | \$5,333   |  |
| 9-year (36 quarters) Housing Equity Gain*  | -\$100,100 | -\$13,067 |  |

\*Note: Equity gain reflects price appreciation only

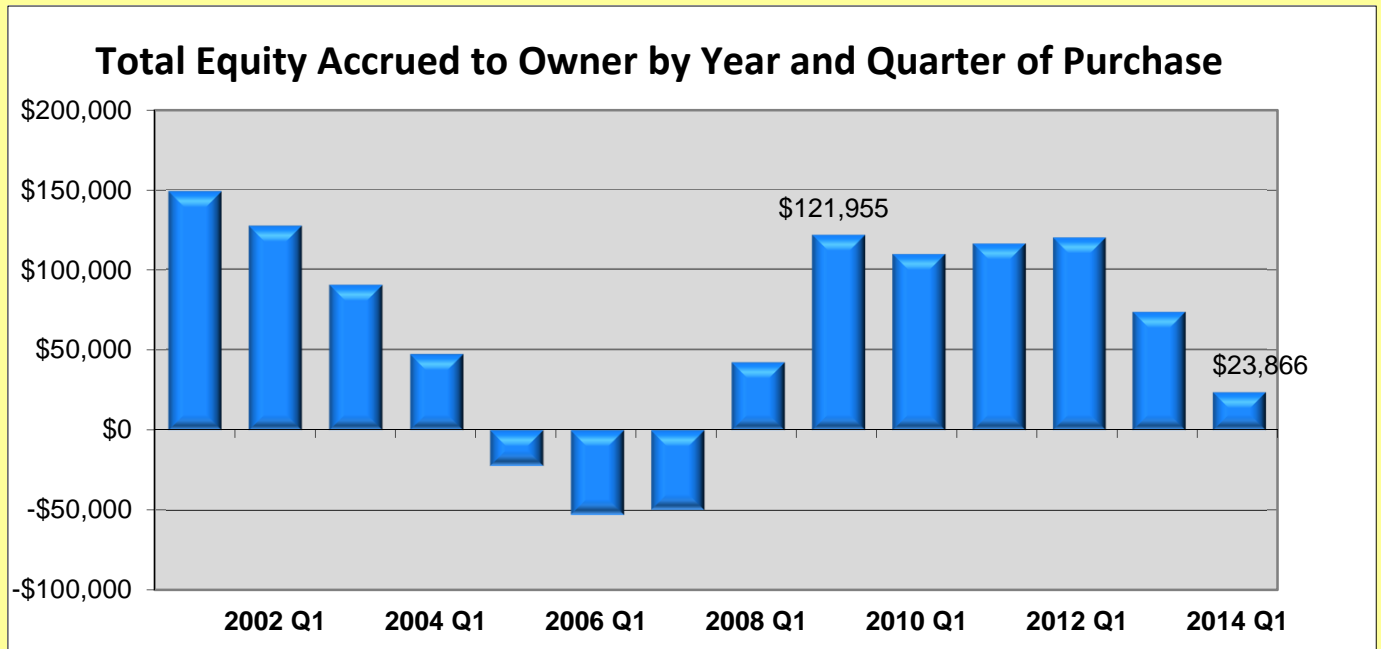
|   | Sacramento | U.S.           |   |
|---|------------|----------------|---|
| <b>Conforming Loan Limit**</b>                | \$474,950  | \$625,500      | Most buyers in this market have access to government-backed financing |
| <b>FHA Loan Limit</b>                         | \$474,950  | \$625,500      |   |
| <b>Local Median to Conforming Limit Ratio</b> | 58%        | not comparable |   |

Note: limits are current and include the changes made in November of 2012 and extended in November of 2013

#### Local NAR Leadership

The Sacramento-Arden-Arcade-Roseville market is part of region 13 in the NAR governance system, which includes all of California, Hawaii, and Guam. The 2015 NAR Regional Vice President representing region 13 is Steve Goddard.

# Benefits of Ownership: Total Equity Appreciation



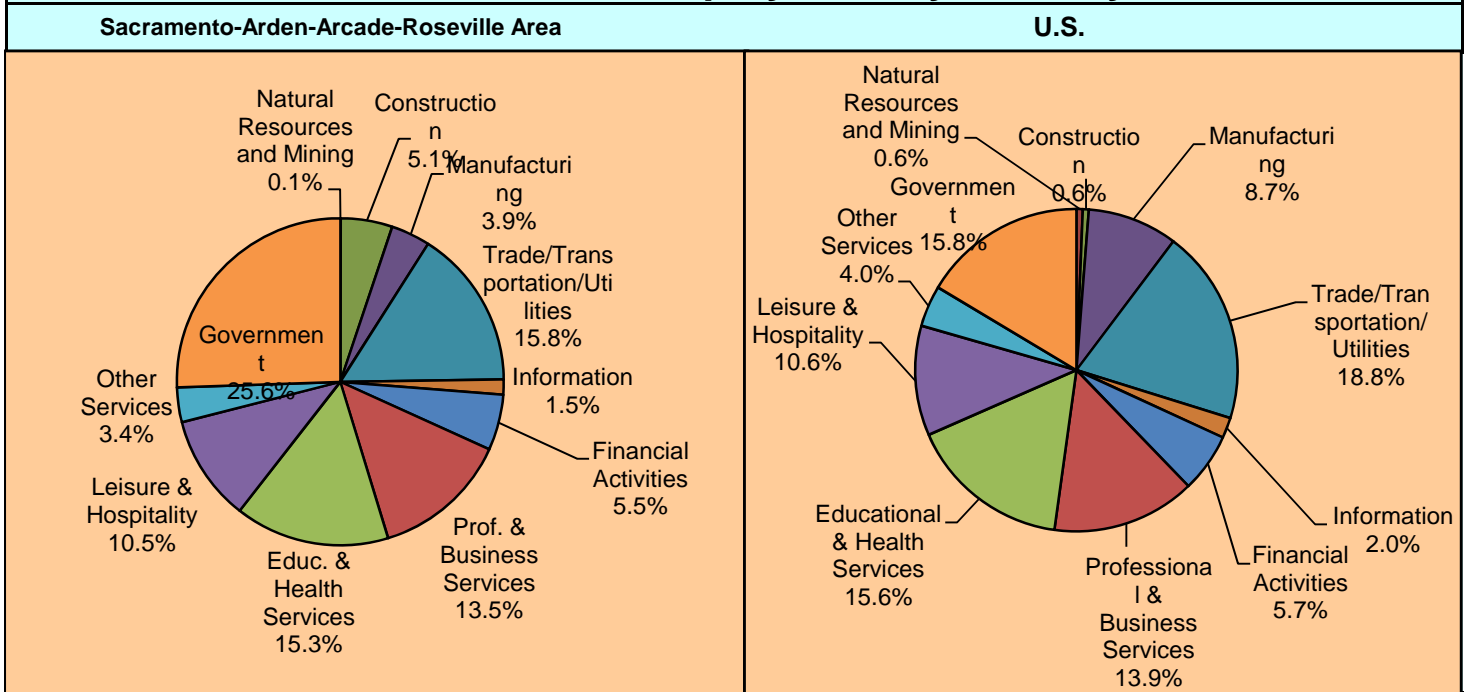
| Total Equity Gained** through 2015 Q1 from quarter in which home was of purchased |            |          |  |
|---|------------|----------|--|
| Price Activity  | Sacramento | U.S.     | Local Trend  |
| 1-year (4-quarter)  | \$23,866   | \$15,753 | Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession |
| 3-year (12-quarter)*  | \$120,214  | \$53,565 |  |
| 5-year (20-quarter)*  | \$109,835  | \$47,444 |  |
| 7-year (28 quarters)*   | \$42,423   | \$17,200 |  |
| 9-year (36 quarters)*   | \$52,495   | \$100    |  |
| If purchase in 2005, the national price peak                                      | \$22,211   | \$16,323 |  |

\*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

# Drivers of Local Supply and Demand...

| Local Economic Outlook            | Sacramento | U.S.           |  |
|-----------------------------------|------------|----------------|--|
| 12-month Job Change (Mar)         | 27,500     | Not Comparable | Employment has held up and is on an upward trend   |
| 12-month Job Change (Feb)         | 25,000     | Not Comparable |  |
| 36-month Job Change (Mar)         | 77,800     | Not Comparable | Sacramento's unemployment rate lags the national average, but has improved relative to the same period last year |
| Current Unemployment Rate (Mar)   | 6.0%       | 5.5%           |  |
| Year-ago Unemployment Rate        | 8.1%       | 6.6%           | Local employment growth is strong compared to other markets  |
| 1-year (12 month) Job Growth Rate | 3.1%       | 2.1%           |  |

## Share of Total Employment by Industry



### 12-month Employment Change by Industry in the Sacramento-Arden-Arcade-Roseville Area (Mar - 2015)

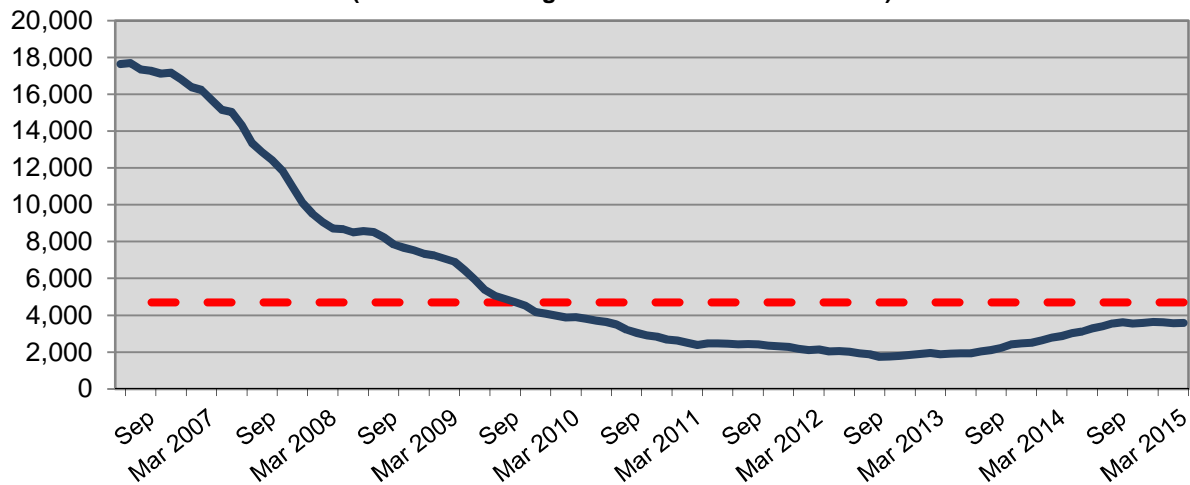
|  |       |                           |       |
|--|-------|---------------------------|-------|
| Goods Producing                        | NA    | Information               | -100  |
| Natural Resources/Mining/Construction  | NA    | Financial Activities      | 1,700 |
| Natural Resources and Mining           | 100   | Prof. & Business Services | 5,500 |
| Construction                           | 3,700 | Educ. & Health Services   | 5,100 |
| Manufacturing                          | 1,300 | Leisure & Hospitality     | 3,400 |
| Service Providing Excluding Government | NA    | Other Services            | 1,400 |
| Trade/Transportation/Utilities         | 2,100 | Government                | 3,300 |

| State Economic Activity Index | California | U.S. |  |
|-------------------------------|------------|------|--|
| 12-month change (2015 - Mar)  | 4.7%       | 3.4% | The economy of California has outpaced the rest of the nation and improved modestly from last month's 4.61% change |
| 36-month change (2015 - Mar)  | 14.3%      | 9.3% |  |

## New Housing Construction

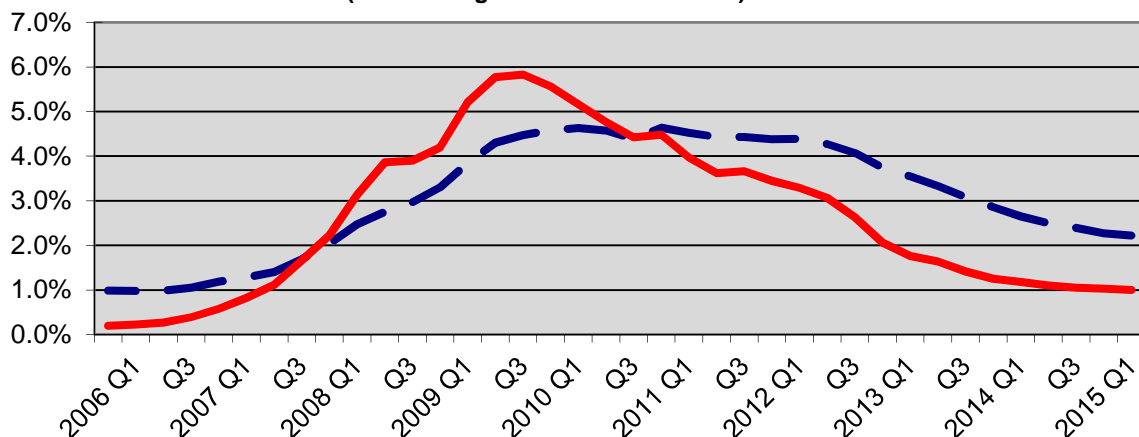
| Local Fundamentals   | Sacramento | U.S.           |   |
|--|------------|----------------|---|
| 12-month Sum of 1-unit Building Permits through Mar 2015             | 3,586      | not comparable | The current level of construction is 23.7% below the long-term average  |
| 8-year average for 12-month Sum of 1-Unit Building Permits           | 4,703      | not comparable | Reduced construction will limit new supply to the market, allowing demand to catch up with inventory more quickly |
| Single-Family Housing Permits (Mar 2015) 12-month sum vs. a year ago | 25.3%      | 3.1%           | Construction is on the rise relative to last year, suggesting that the local inventory has stabilized             |

**Construction: 12-month Sum of Local Housing Permits**  
(Historical Average Shown in Red Dashed Line)



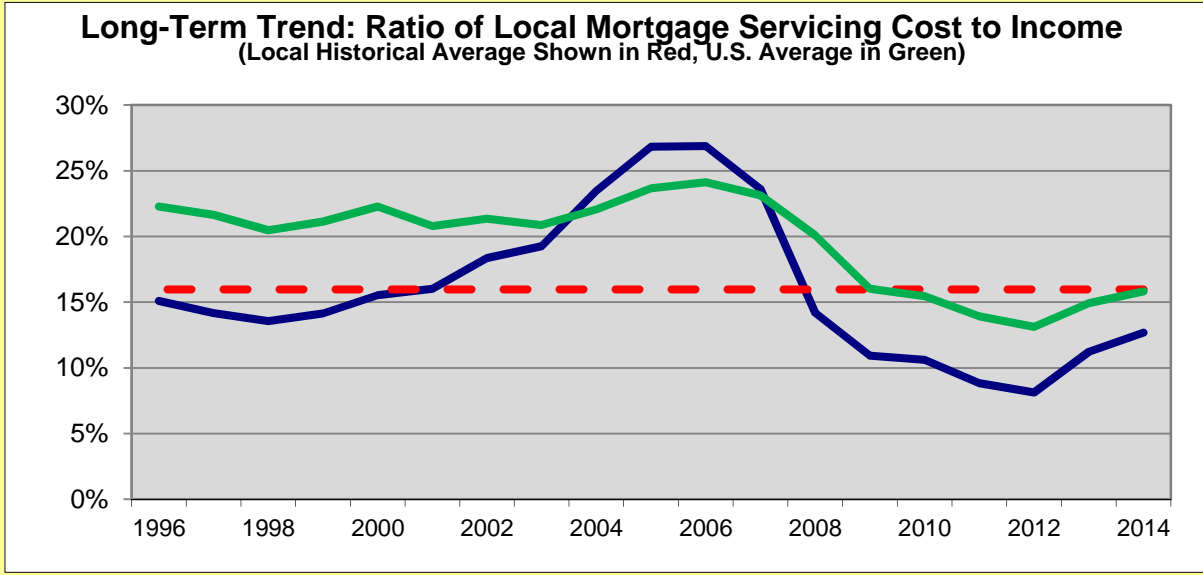
While new construction is the traditional driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or distressed sales, place downward pressure on the median home prices.

**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)

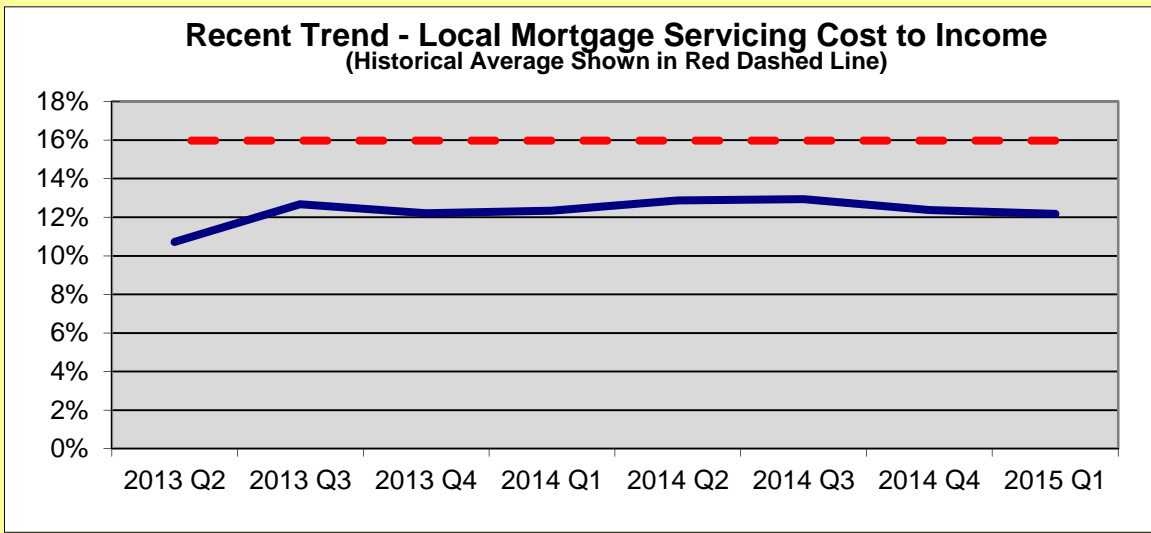


Source: Mortgage Bankers' Association

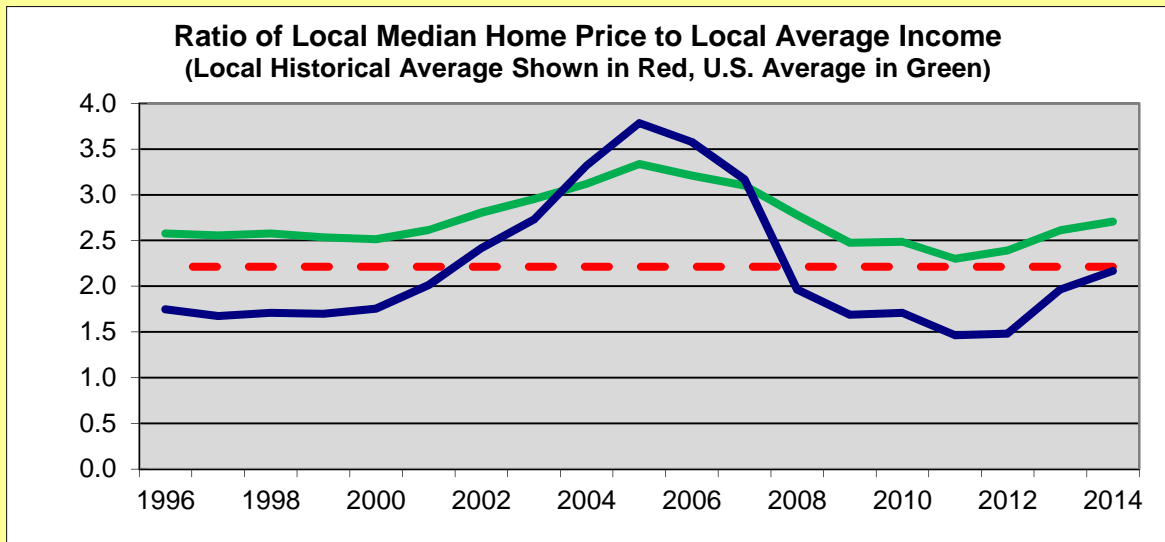
# Affordability



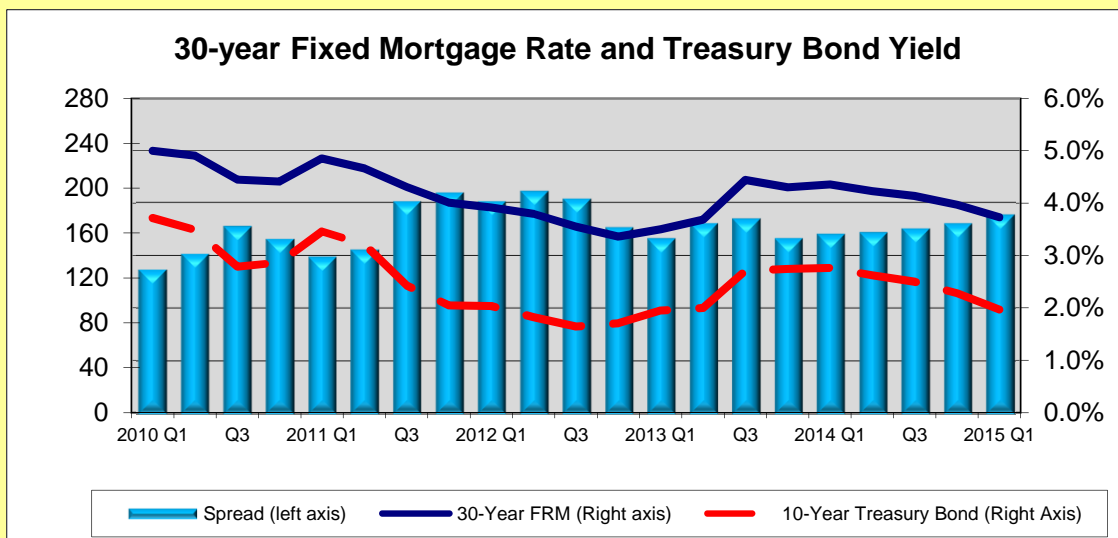
| Monthly Mortgage Payment to Income | Sacramento | U.S.  |  |
|------------------------------------|------------|-------|--|
| Ratio for 2014                     | 12.7%      | 15.8% | Historically strong and an improvement over the fourth quarter of 2014 |
| Ratio for 2015 Q1                  | 12.2%      | 14.3% |  |
| Historical Average                 | 16.0%      | 20.0% | More affordable than most markets                                      |



| Median Home Price to Income | Sacramento | U.S. |   |
|-----------------------------|------------|------|---|
| Ratio for 2014              | 2.2        | 2.7  | The price-to-income ratio rose, but is better than the historic average |
| Ratio for 2015 Q1           | 2.2        | 2.6  |   |
| Historical Average          | 2.2        | 2.7  | Affordable compared to most markets                                     |

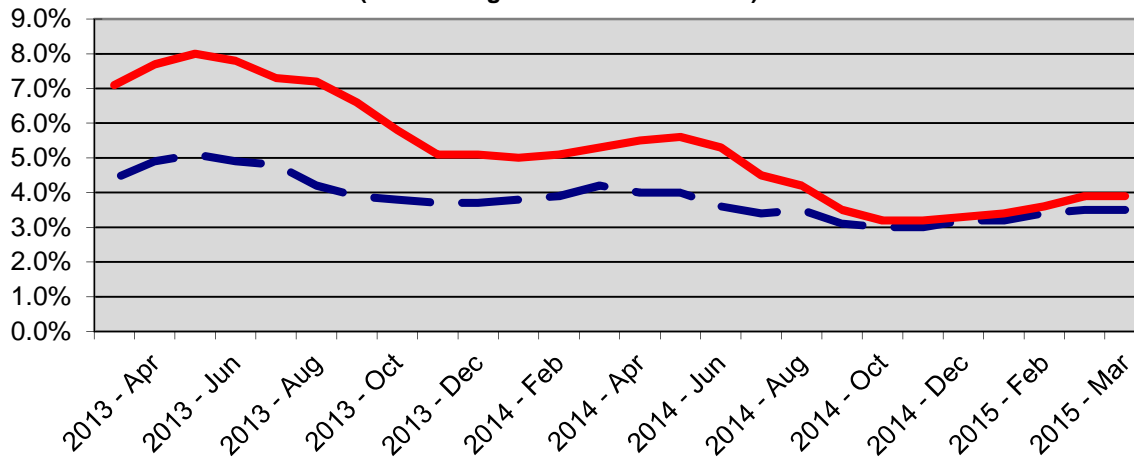


## The Mortgage Market



The headline measure of economic activity, GDP growth, swung from a soft 2.2% in the 4th quarter of 2014 to a dismal 0.2% in the 1st quarter of 2015 with some suggesting that the 1st quarter figure would be revised lower. Sharp declines in global fuel prices over the winter impacted the domestic oil industry, while a rapid rise in the value of the dollar impacted domestic manufacturers' ability to export and increased competition from importers. As a result, employment in both industries slumped in the first quarter. Compounding these issues was weakness in single family housing starts and construction. Weather was partially to blame, but builder sentiment was weak reflecting a pullback in consumer confidence. While not a recession, this economic soft patch weighed on mortgage rates in the 1st quarter which saw the average 30-year fixed rate fall from 3.97% in the 4th quarter to 3.73% in the 1st quarter of 2015. Treasury rates fell by more and as a result the spread between the two rose from 169 basis points to 176. Affordability surged on sub-4% mortgage rates that were augmented by a sharp 50 basis point cut to the FHA's annual mortgage insurance premium. NAR Research forecasts the average rate for a 30-year fixed rate mortgage to climb to 4.3% by year end 2014 and to average 5.2% in 2016 as the Federal Reserve begins to raise short term rates in response to improving domestic and international economic conditions gain steam.

### REALTOR® Price Expectations for the Next 12 Months (U.S. Average in Blue Dashed Line)



Source: NAR

| REALTOR® Price Expectations | California | U.S. |  |
|-----------------------------|------------|------|--|
| 2015 - Mar                  | 3.9%       | 3.5% | REALTORS® expect higher price growth in California than in the U.S. in the next 12 months. However, their price expectations for the local market are more modest than a year ago. |
| Prior 12 months             | 4.2%       | 3.5% |  |



## Geographic Coverage for this Report

The Sacramento area referred to in this report covers the geographic area of the Sacramento-Arden-Arcade-Roseville metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

El Dorado County, Placer County, Sacramento County, and Yolo County

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)