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Home Price Index Shows First Annual Increase in Over Three Years, But Shadow Inventory and End of Tax Credit Program May Result in Further Declines

Home Prices Increase from a Year Ago

National home prices, including distressed sales, increased by 0.3 percent in February 2010 compared to February 2009, according to First American CoreLogic and its LoanPerformance Home Price Index (HPI). This was an improvement over January's year-over-year price decline of 0.5 percent.* Excluding distressed sales, year-over-year prices increased in February by 0.6 percent; an improvement over the January non-distressed HPI which fell by 1.1 percent year-over-year.

On a month-over-month basis, the national average home price index fell by 2.0 percent in February 2010 compared to January 2010, which was steeper than the previous one-month decline of 1.6 percent from December to January. Prices are typically weak in the winter months, so seasonal effects may be driving this one-month change.

Forecast Shows a Sluggish Recovery

The HPI forecast turned less optimistic in the latest update, showing a softer recovery than in previous forecasts. Our forecasts for the inventory of homes for sale have risen as interest rates are expected to rise, tax credits expire, and slower than expected sales over the winter due to the weather are all adding to the inventory. Collectively these effects act to contract demand (put downward pressure on prices). **

- After a modest increase this spring and summer, the national single-family combined index is projected to decline by 3.4 percent from February 2010 to February 2011 assuming the expiration of current Federal Housing Stimulus programs.
- During the first thirteen months of the Federal Housing Stimulus programs, home sales and home prices stabilized. It is likely that the collective set of federal programs, including the home buyer tax credit, Federal Reserve MBS purchases, and Federal foreclosure prevention programs, contributed to the housing market stabilization.



- In order to better analyze the potential effects of expiration vs. extension of the Federal Housing Stimulus programs, a new First American CoreLogic report has been released – “A Simulation: Measuring the Effects of the Housing Stimulus Programs on Future House Prices.” Two simulations, one with the Federal Housing stimulus extended and one with the Federal Housing stimulus ending in April 2010, revealed that the forecasted year-over-year growth rates between the two scenarios ranged from a decline of 4.2 percent if the tax credits are removed to an increase of 4.1 percent if the tax credits are extended.

The full report is available at

http://www.loanperformance.com/infocenter/whitepaper/Tax_Credit_White_Paper_final_0410.pdf

- 29 of the 45 largest Core Based Statistical Areas (CBSAs) are projected to experience continued price depreciation on a year-to-year basis according to the current forecast, compared to only 14 out of 45 in last month’s forecast.
- Markets that are expected to experience the largest amount of price depreciation through February 2011 are Detroit (-16.4 percent), Seattle (-5.8 percent), Atlanta (-4.5 percent), Cleveland (-4.1 percent) and Indianapolis (-3.8 percent). Markets that are expected to experience the biggest appreciation are Denver (5.2 percent), Las Vegas (5.0 percent), Riverside, CA (3.0 percent), and Houston (3.0 percent).
- The preponderance of distressed sales continues to exert downward pressure on the indices. When distressed sales are excluded from the data, the forecast becomes significantly more optimistic about the future direction of home prices outside of this market segment. The national HPI is projected to increase 4.9 percent year-to-year when these transactions are omitted from the analysis. The same is true of many states and CBSAs. For example, there is a 10-percentage point difference in the year-to-year HPI forecasts for California when distressed sales are included (-1.8 percent) compared to when they are not (8.0 percent.)



Highlights as of February 2010

- Including distressed transactions, the peak-to-current change in the national HPI (from April 2006 to February 2010) is -30.6 percent. Excluding distressed properties, the peak-to-current change in the HPI is -21.7 percent.
- When distressed sales were included, Idaho (-13.7) moved into first place as the top-ranked state for annual price depreciation in February, followed by Nevada (-12.9 percent), Florida (-8.5 percent), Illinois (-8.3) and Oregon (-7.7 percent). All of these states also showed month-over-month decreases in their HPI between January and February. The distressed share in Idaho increased by about 11 percentage points over the past year, pulling down the annual price appreciation. The HPI for Idaho excluding distressed sales showed a much smaller annual decline (-5.2 percent).
- Excluding distressed sales, the worst five states for year-over-year price declines changes slightly. Nevada (-12.0 percent) is the top decliner, followed by Michigan (-9.1 percent), Florida (-7.5 percent), Arizona (-7.1 percent) and Utah (-5.8 percent).
- The five best states for year-over-year price appreciation excluding distressed sales are North Dakota, Hawaii, the District of Columbia, California, and Maine.
- Including distressed sales, 58 of the top 100 CBSAs declined on a year-over-year basis in February. This is down from 65 CBSAs in January. Orlando-Kissimmee, FL held the spot of top decliner, with a 14.8 percent year-over-year decline in February.

“February’s year-over-year increase in the HPI breaks through an important psychological barrier,” said Mark Fleming, chief economist for First American CoreLogic. “While the increase in the HPI is encouraging, expectations for increased inventory as federal housing stimulus expires moderates our forecast for 2010. Prices will continue to bounce along the bottom while inventory levels remain elevated.”



February HPI for the Country's Largest Core Based Statistical Areas (CBSAs):

CBSA	February 2010 12-Month HPI		12-month Forecast	
	Change by CBSA		(February 2010 - February 2011)	
	Single Family Combined	Single Family Combined Excluding Distressed	Single Family Combined	Single Family Combined Excluding Distressed
Boston-Quincy, MA	6.4%	0.6%	2.0%	-0.5%
Washington-Arlington-Alexandria, DC-VA-MD-WV	4.5%	4.9%	1.7%	5.2%
Houston-Sugar Land-Baytown, TX	4.0%	1.0%	3.0%	2.4%
Dallas-Plano-Irving, TX	3.1%	0.9%	0.9%	1.9%
Los Angeles-Long Beach-Glendale, CA	-0.2%	2.1%	-2.6%	7.2%
Atlanta-Sandy Springs-Marietta, GA	-2.3%	-0.6%	-4.5%	1.1%
New York-White Plains-Wayne, NY-NJ	-2.3%	-0.1%	0.5%	2.7%
Philadelphia, PA	-2.9%	-2.8%	-1.1%	0.6%
Miami-Miami Beach-Kendall, FL	-7.8%	-7.3%	0.5%	4.3%
Chicago-Naperville-Joliet, IL	-8.8%	-4.7%	-2.8%	4.0%

Source: First American CoreLogic, LoanPerformance HPI as of February, 2010.



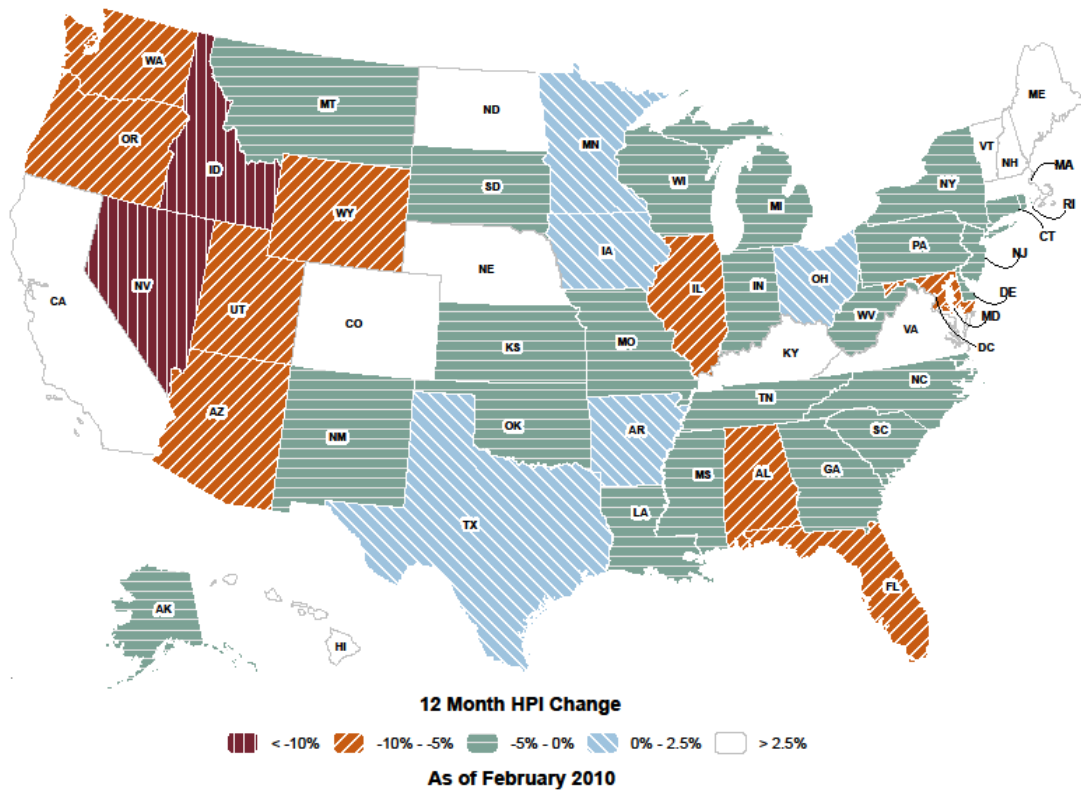
February HPI State and National Ranking:

State	February 2010 12-Month HPI		12-month Forecast (February 2010 - February 2011)	
	Change by State		Single Family Combined	Single Family Combined Excluding Distressed
	Single Family Combined	Single Family Combined Excluding Distressed	Single Family Combined	Single Family Combined Excluding Distressed
National	0.3%	0.6%	-3.4%	4.9%
Idaho	-13.7%	-5.2%	-2.2%	7.6%
Nevada	-12.9%	-12.0%	2.4%	1.2%
Florida	-8.5%	-7.6%	-1.6%	2.3%
Illinois	-8.3%	-4.8%	-2.8%	4.2%
Oregon	-7.7%	-4.8%	-3.2%	-0.2%
Alabama	-7.7%	-4.0%	-0.6%	3.9%
Maryland	-7.5%	-3.2%	-1.5%	5.3%
Arizona	-6.7%	-7.1%	2.0%	4.4%
Wyoming	-6.7%	-4.7%	-2.5%	0.0%
Utah	-6.3%	-5.8%	-1.3%	1.0%
Washington	-5.9%	-4.4%	-4.8%	-0.4%
Michigan	-4.7%	-9.1%	-9.7%	-9.8%
Kansas	-4.4%	-3.1%	-3.6%	2.5%
New Jersey	-3.7%	-2.3%	0.7%	5.9%
West Virginia	-3.5%	-2.2%	-1.0%	2.9%
Tennessee	-3.4%	-1.7%	-2.3%	2.1%
Pennsylvania	-3.1%	-1.5%	-1.3%	2.4%
Georgia	-2.9%	-1.2%	-3.7%	1.4%
Mississippi	-2.9%	0.2%	-0.6%	2.9%
North Carolina	-2.3%	-2.2%	-1.2%	0.9%
Alaska	-2.3%	-1.8%	-1.2%	5.1%
Louisiana	-1.8%	0.8%	0.6%	3.5%
Wisconsin	-1.8%	-1.8%	-1.1%	2.6%
New Mexico	-1.5%	0.0%	-1.0%	6.1%
Montana	-1.4%	-0.8%	0.3%	1.4%
Rhode Island	-1.4%	-4.8%	7.4%	3.4%
Missouri	-1.1%	-0.2%	-2.5%	2.3%
Oklahoma	-1.1%	-2.2%	-0.4%	-0.1%
South Carolina	-1.0%	0.0%	0.1%	3.6%
Delaware	-0.8%	1.7%	-0.1%	4.8%
Connecticut	-0.5%	-1.1%	-1.3%	4.8%
Indiana	-0.3%	-0.9%	-2.5%	2.2%
New York	-0.3%	1.8%	0.5%	5.9%
South Dakota	-0.2%	1.4%	0.7%	4.1%
Minnesota	0.1%	-1.9%	-2.0%	1.5%
Iowa	0.6%	-0.1%	1.4%	3.4%
Arkansas	0.9%	1.0%	1.7%	1.3%
Texas	1.7%	0.2%	1.1%	1.7%
Ohio	2.5%	0.0%	-1.1%	1.4%
New Hampshire	2.5%	0.5%	0.7%	3.7%
District of Columbia	2.5%	5.4%	-0.8%	5.4%
Kentucky	2.5%	2.0%	0.9%	3.5%
California	2.8%	4.6%	-1.8%	8.0%
Nebraska	2.8%	1.9%	0.6%	4.2%
Hawaii	3.4%	7.6%	-1.3%	5.5%

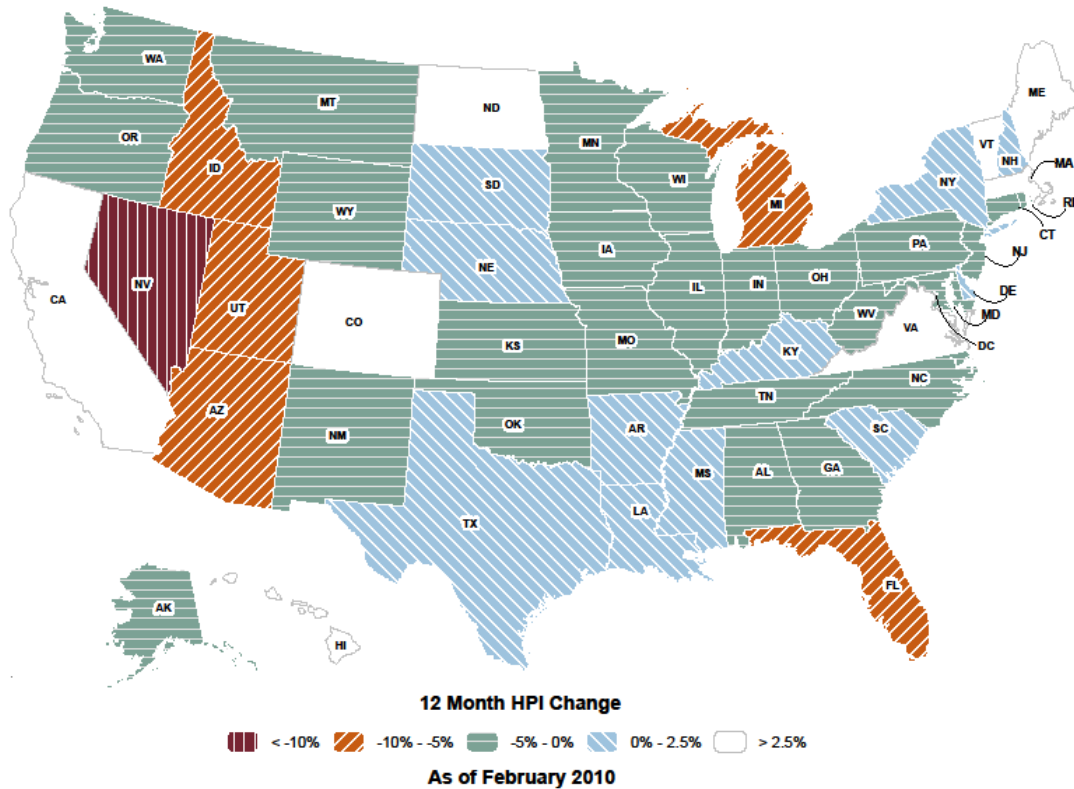


Colorado	4.6%	4.1%	3.8%	8.5%
Massachusetts	5.6%	2.9%	6.0%	6.0%
Virginia	6.2%	3.7%	7.4%	10.1%
Vermont	8.7%	3.3%	3.2%	5.1%
North Dakota	9.0%	8.6%	6.7%	7.7%
Maine	11.9%	4.4%	3.7%	7.1%

Source: First American CoreLogic, LoanPerformance HPI as of February 2010.



Source: First American CoreLogic, LoanPerformance HPI, 12 month change by state; single family combined series.



Source: First American CoreLogic, LoanPerformance HPI, 12 month change by state; single family combined excluding distressed series.

*January's decline was revised downward from -0.7 percent to -0.5 percent to reflect updated public record data. Revisions with public record data are standard, and to ensure accuracy, First American CoreLogic incorporates the newly released public data to provide updated results.

**The Federal Housing Stimulus artificially boosted demand and restricted supply. Specifically, the homebuyer tax credit and MBS purchases have made housing more affordable and led to more sales than would have otherwise occurred. Additionally, Federal foreclosure mitigation programs have decreased the supply of housing inventory. The influence of Federal housing stimulus outweighs seasonal market influences, particularly the increase in sales in the spring of 2009. The current forecast reflects expectations of sales moving forward without continued fiscal stimulus.



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Methodology:

The First American CoreLogic LoanPerformance HPI incorporates more than 30 years worth of repeat sales transactions, representing more than 55 million observations sourced from First American CoreLogic's industry-leading property information and its LoanPerformance securities and servicing databases. The LoanPerformance HPI provides a multi-tier market evaluation based on price, time between sales, property type, loan type (conforming vs. nonconforming), and distressed sales. The LoanPerformance HPI is a repeat-sales index that tracks increases and decreases in sales prices for the same homes over time, which provides a more accurate "constant-quality" view of pricing trends than basing analysis on all home sales. The LoanPerformance HPI provides the most comprehensive set of monthly home price indices and median sales prices available covering 6,070 ZIP codes (58 percent of total U.S. population), 519 Core Based Statistical Areas (CBSA, 85 percent of total U.S. population) and 898 counties (81 percent of total U.S. population) located in all 50 states and the District of Columbia. Full-month February 2010 state-level and top CBSA-level data can be found at www.loanperformance.com/products/hpi.aspx.

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