

Wealth Management Research–Americas

The Yin & Yang of Housing

Presentation to the Turnaround Management Associates – Portland, Oregon

Jonathan Woloshin, CFA

Executive Director & Co-Head of Sector Research

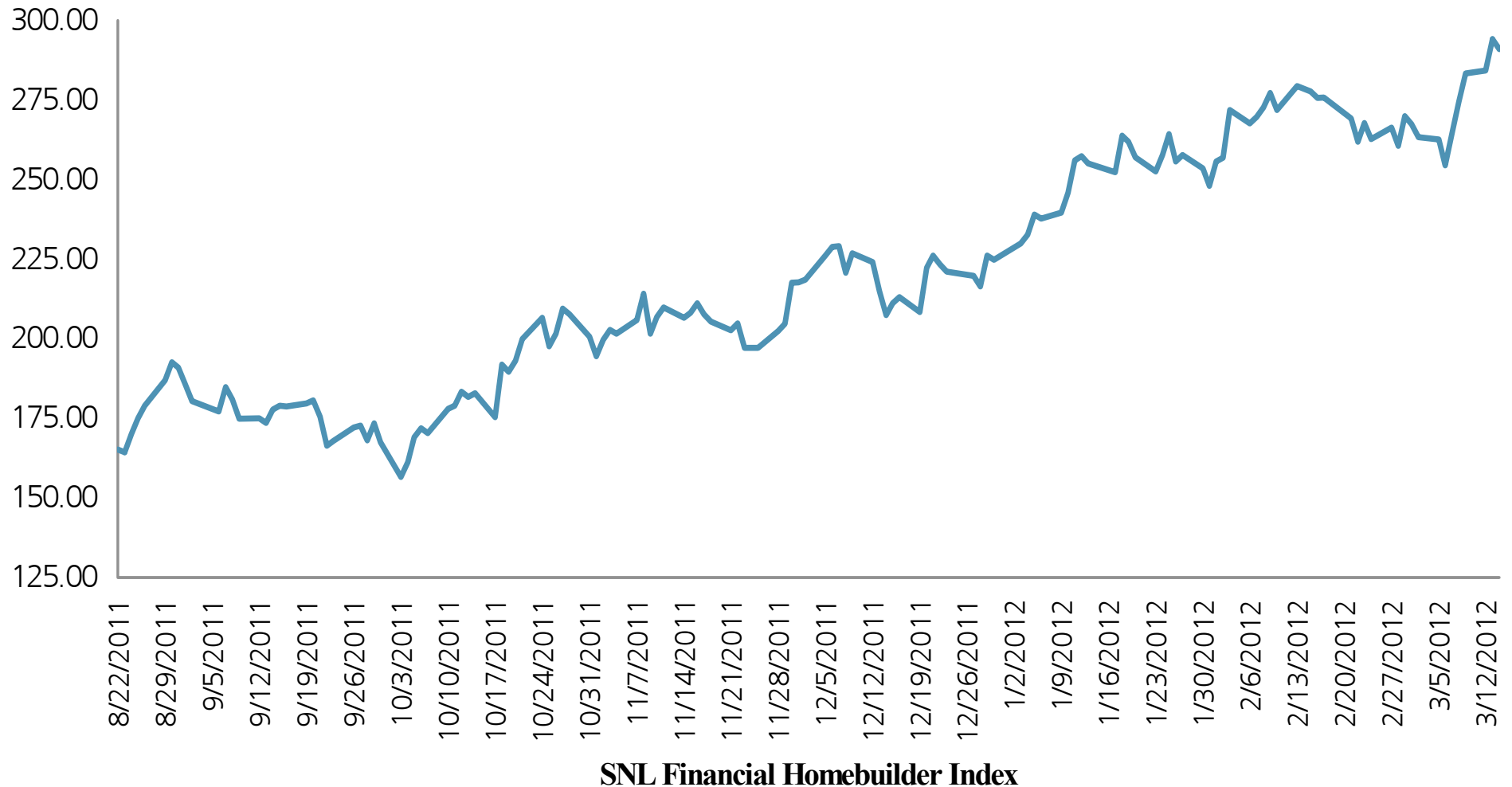
This report has been prepared by UBS Financial Services, Inc.

Analyst certification and required disclosures begin on 61

April 2012



Tonight Were Gonna Party Like Its.....2005

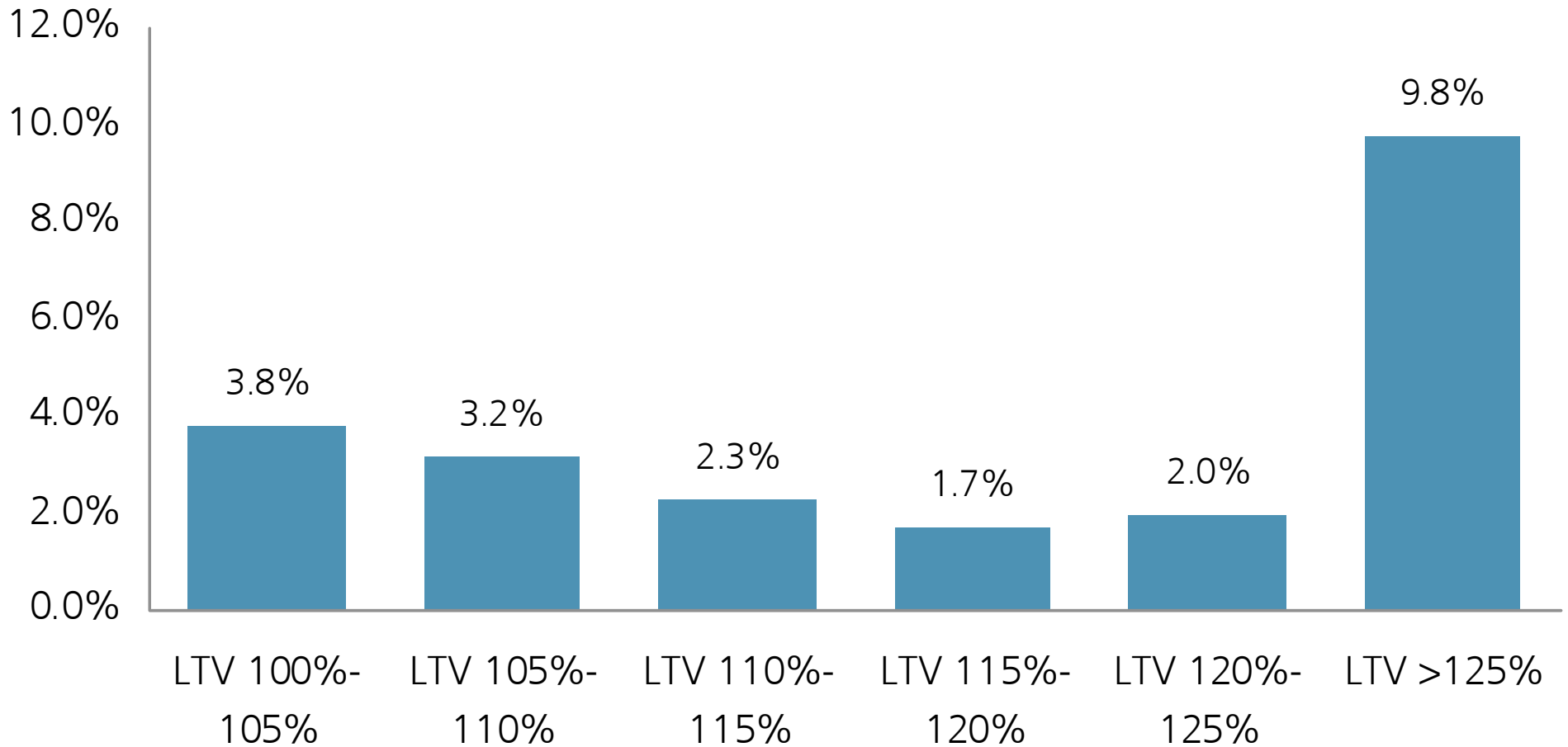


Source: SNL Financial



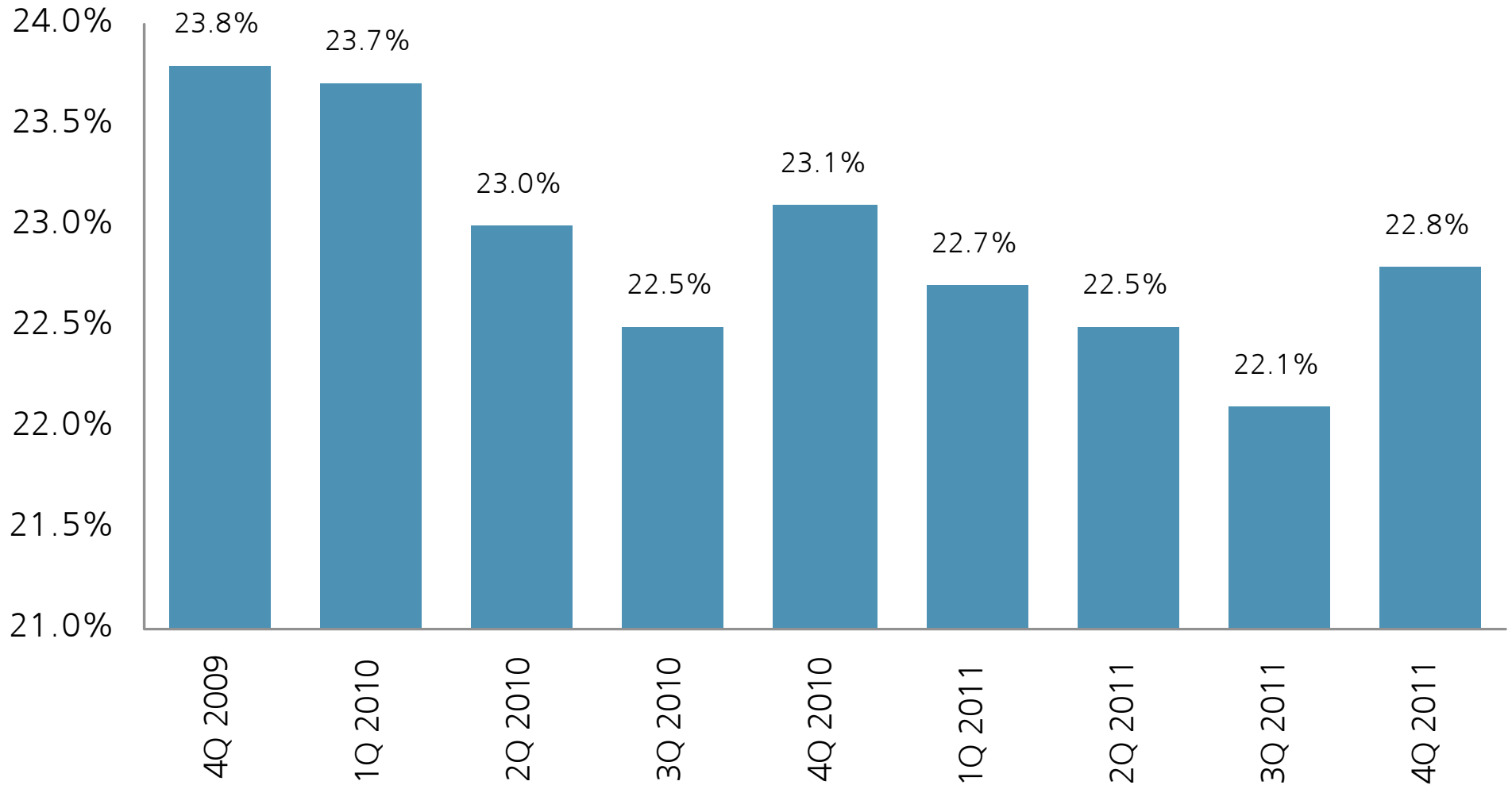
Negative Equity

Distribution of Negative Equity



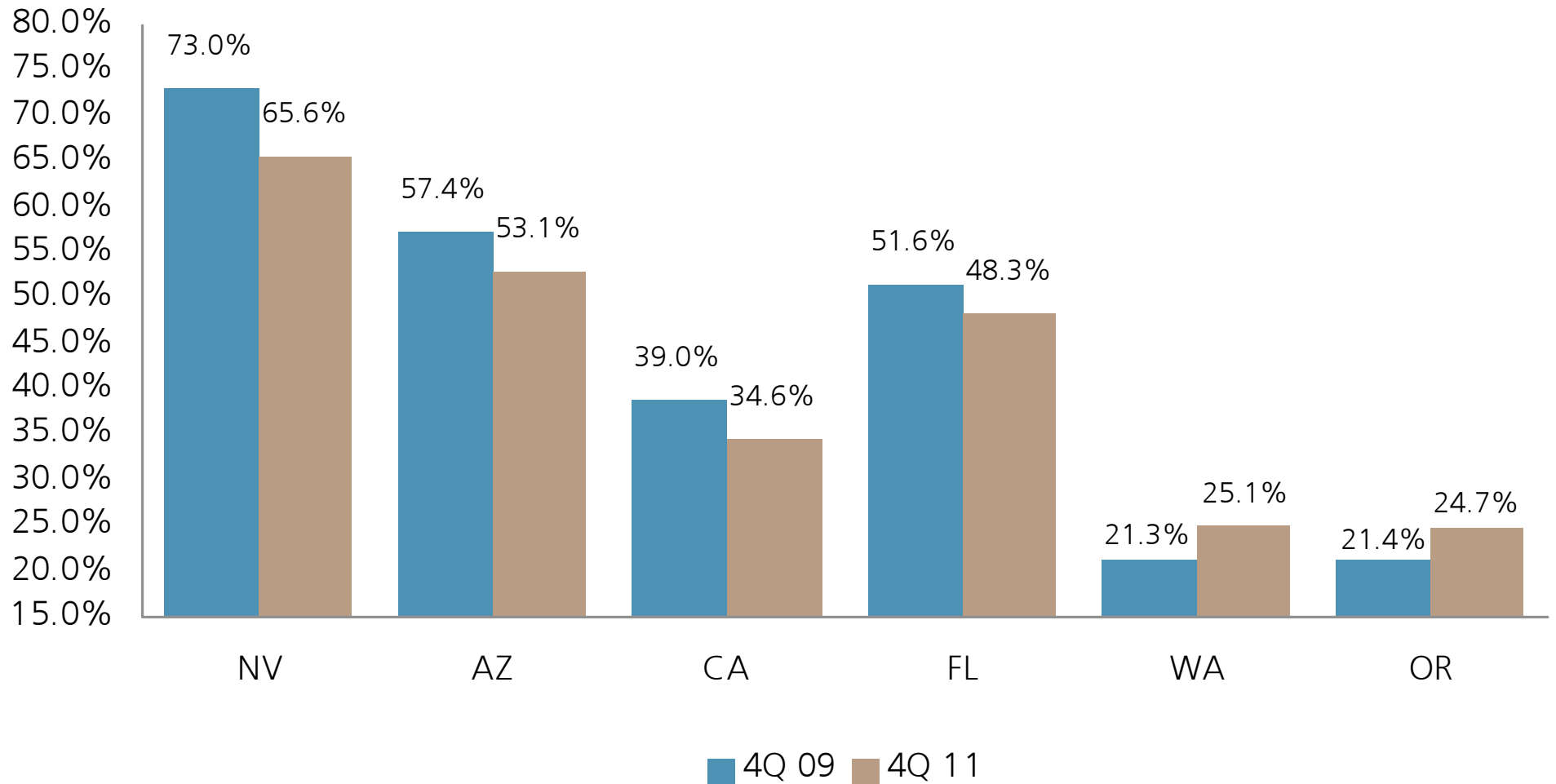
Source: First American Core Logic

Negative Equity Trends



Source: First American Core Logic

Negative Equity for Selected States



Source: First American Core Logic



Negative Equity & Mortgage Refinancing

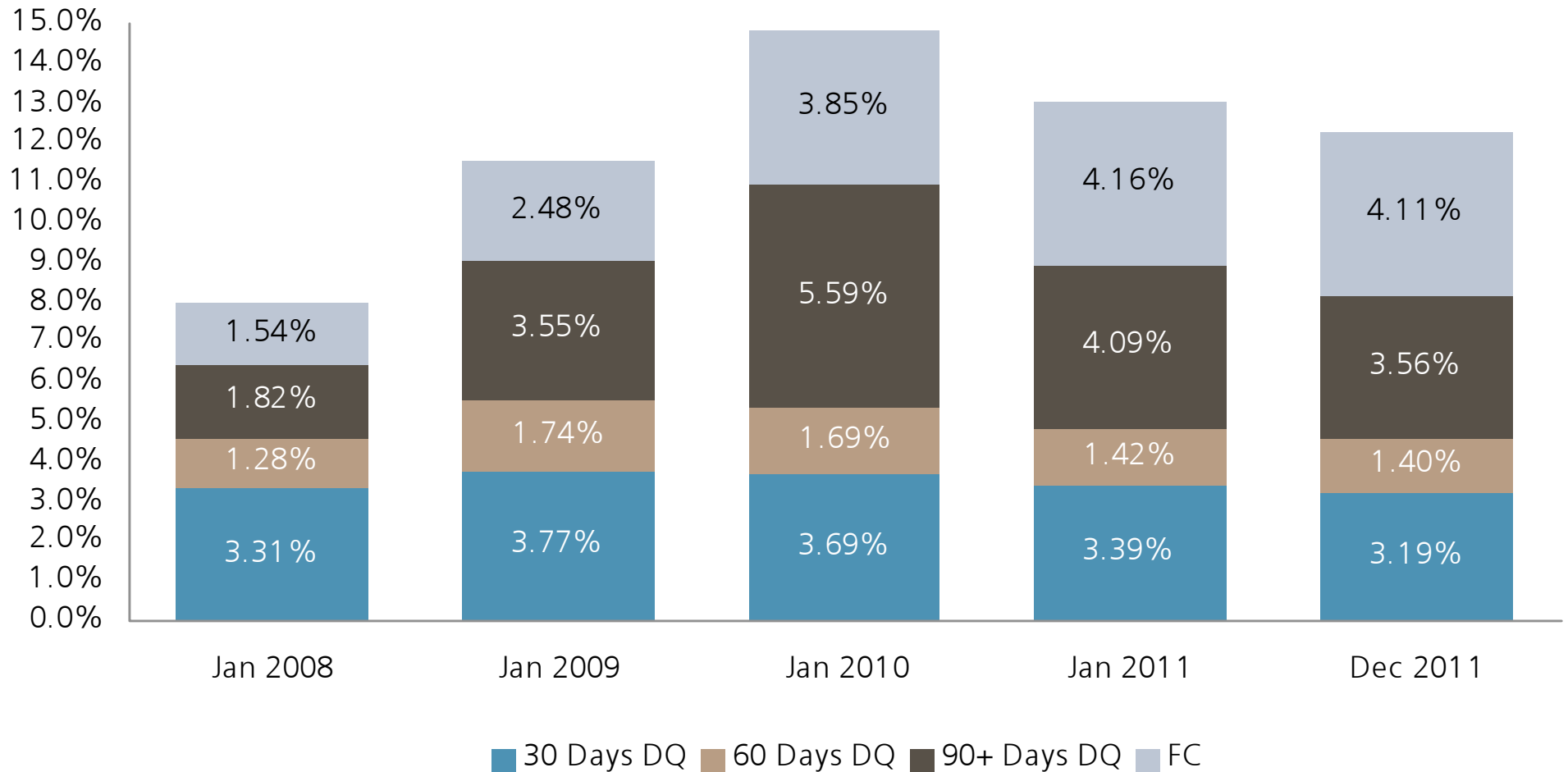
	Original Home Purchase in 2006	Scenario # 1 HARP Refinance of Original Purchase	Scenario # 2 Strategically Default & Purchase New Home
Home Price	\$400,000	\$300,000	\$300,000
Mortgage Rate	6.25%	4.00%	4.50%
Monthly Payment	\$2,340	\$1,693	\$1,444
Original LTV	95%	118%	95%
5 Year Forward LTV (A)	118%	107%	87%

A) Assumes home value from original purchase declines 25% and then remains flat for five years.

Source: First American Core Logic

Loan Delinquencies

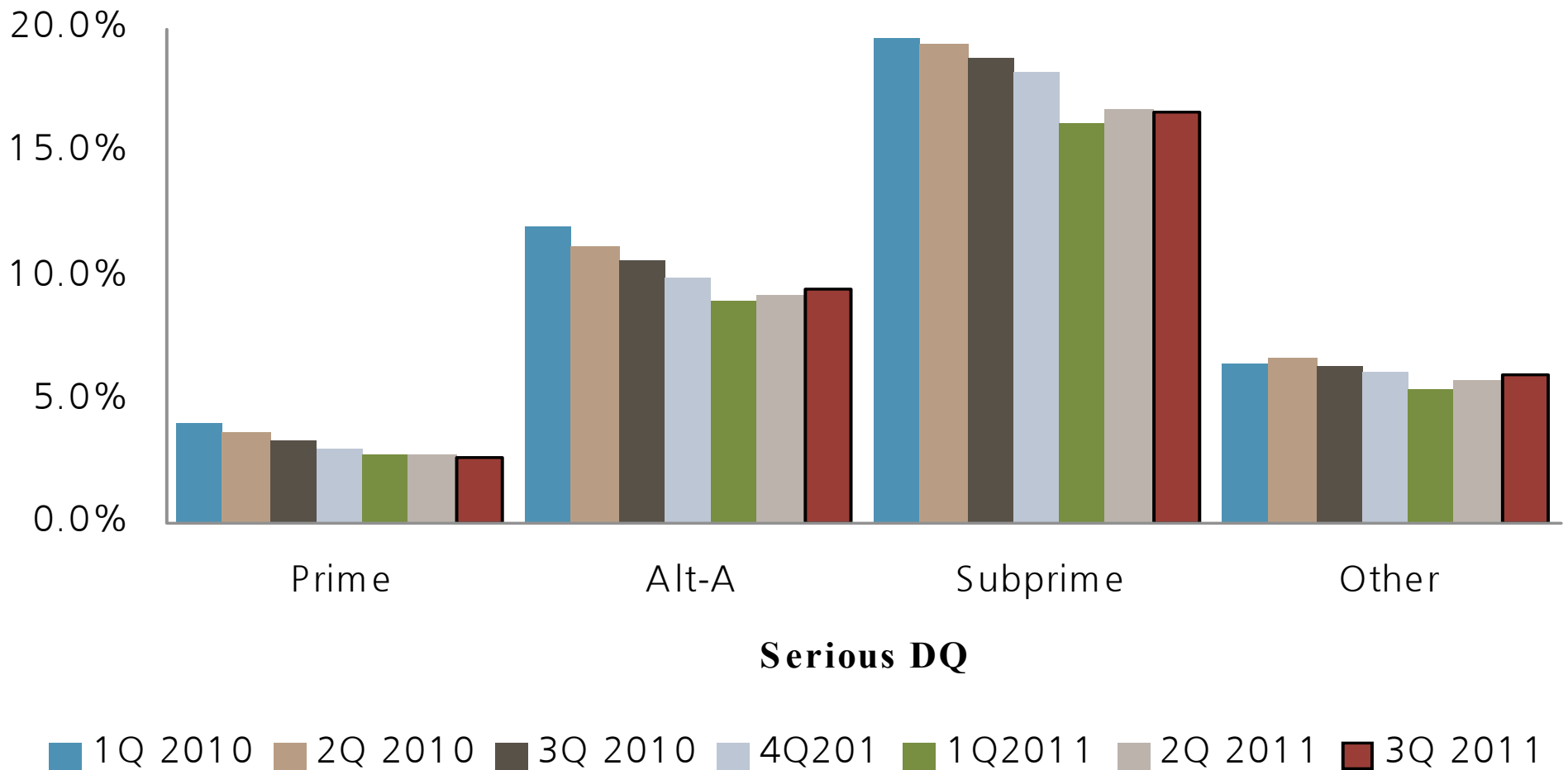
Delinquency Trend by Severity



Source: LPS

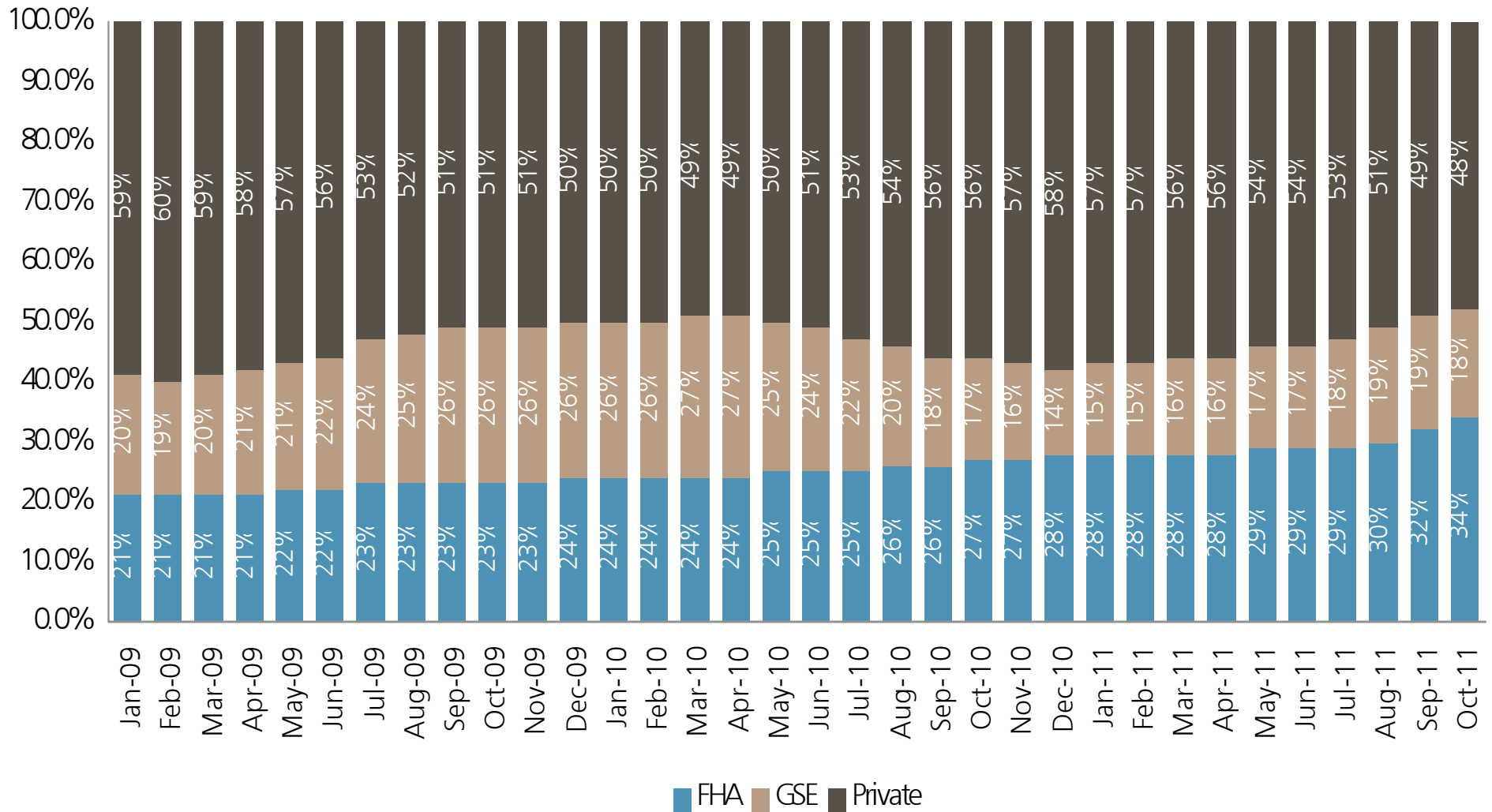


Serious Delinquency Trend by Loan Quality



Source: OCC/OTS

90+ Day DQ by Issuer

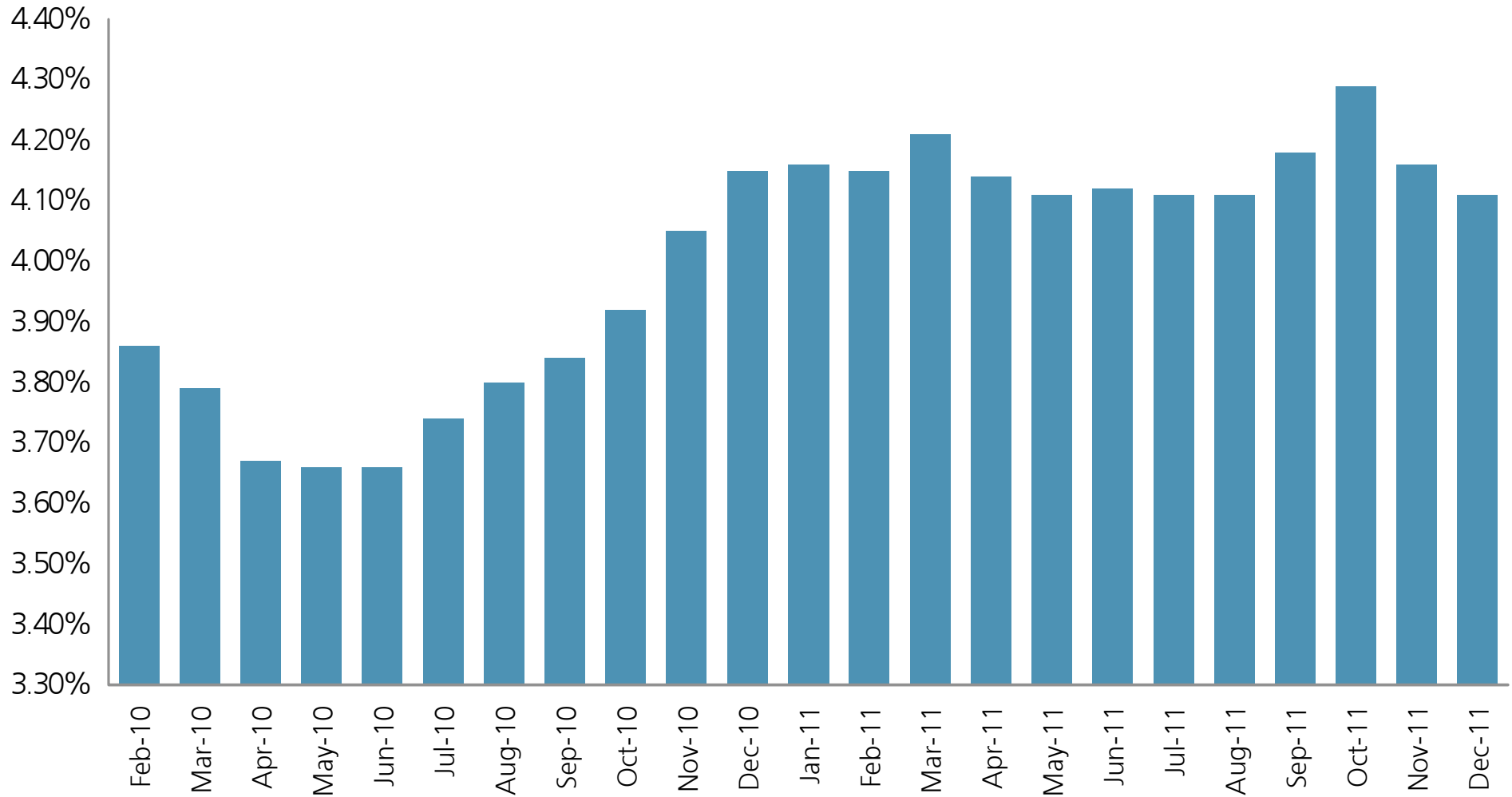


Source: LPS



Foreclosures

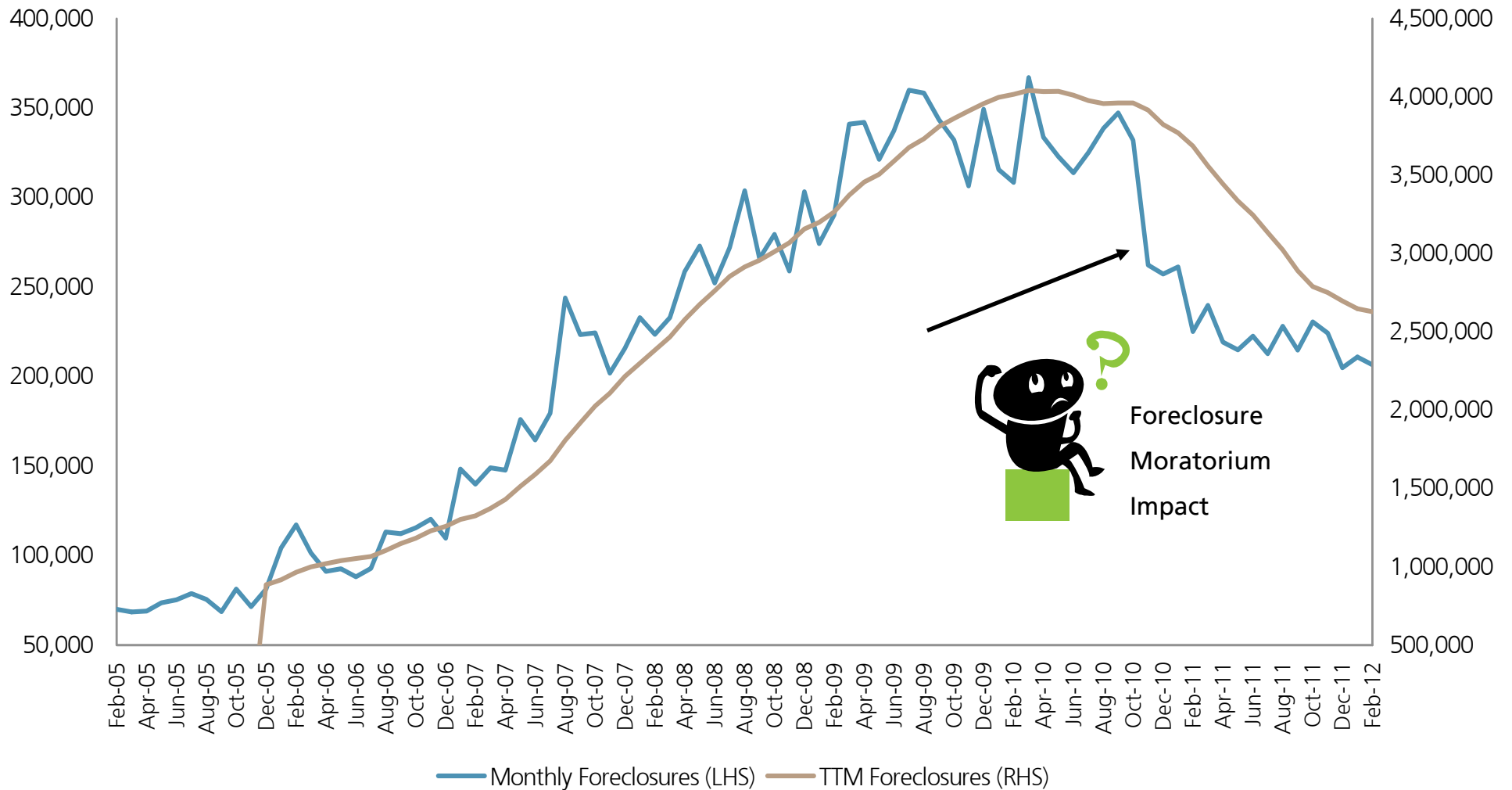
Foreclosure Inventory



Source: LPS



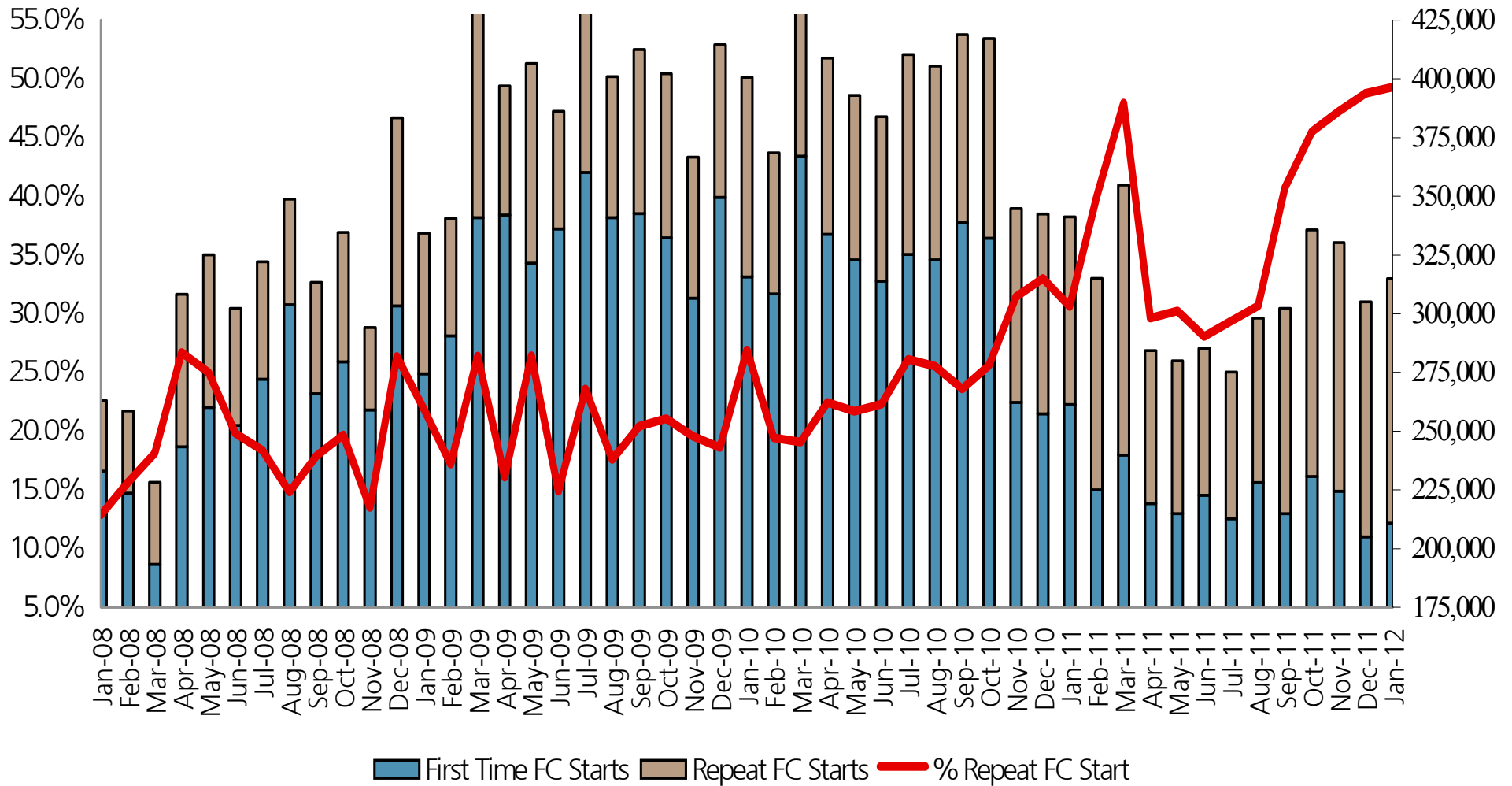
Monthly & Trailing 12 Months Foreclosures



Source: RealtyTrac



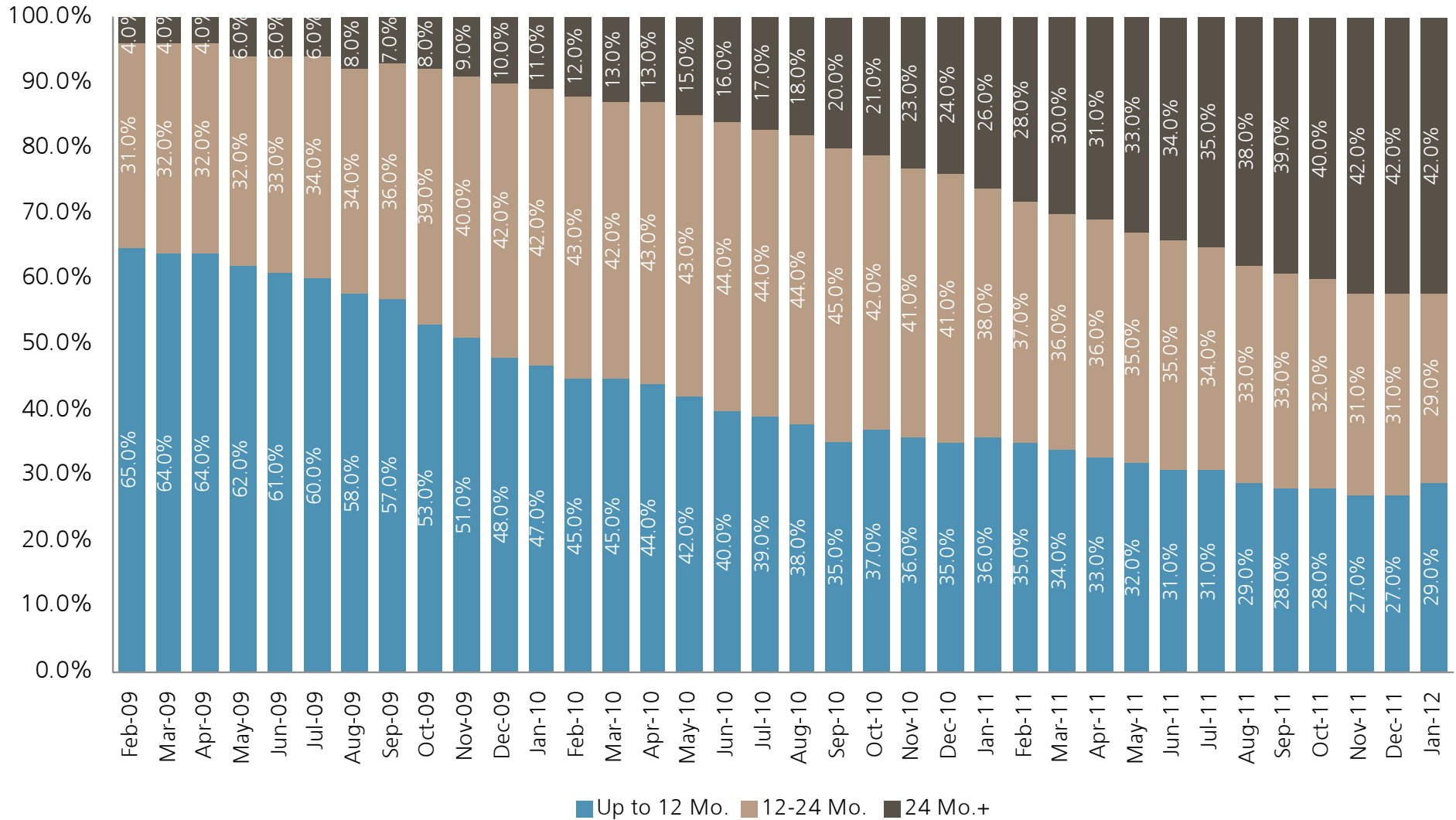
Repeat Foreclosures



Source: LPS, RealtyTrac, UBS Estimates



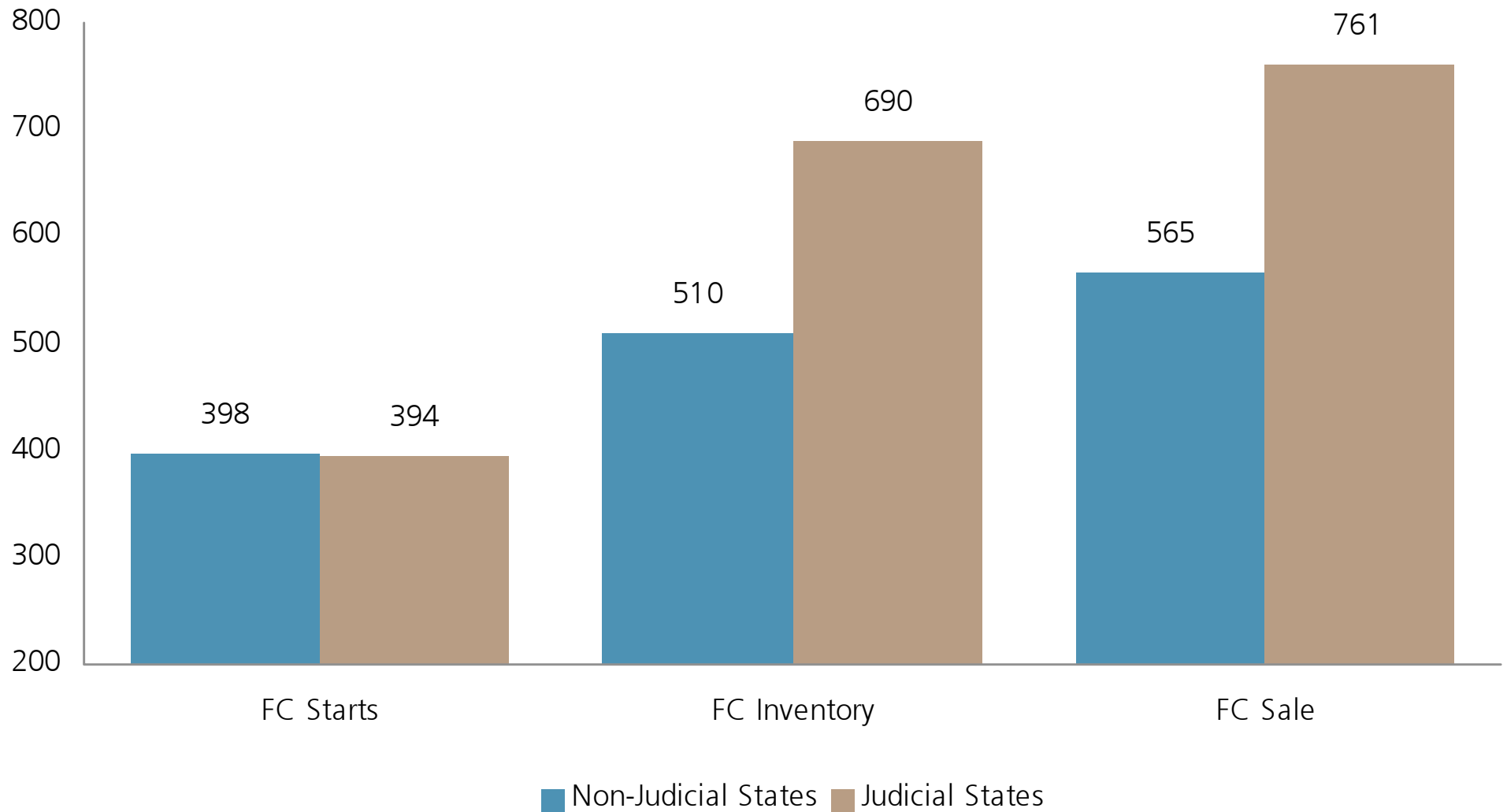
Non-Paying Status of Loans 90+ Days DQ and in Foreclosure



Source: LPS, RealtyTrac



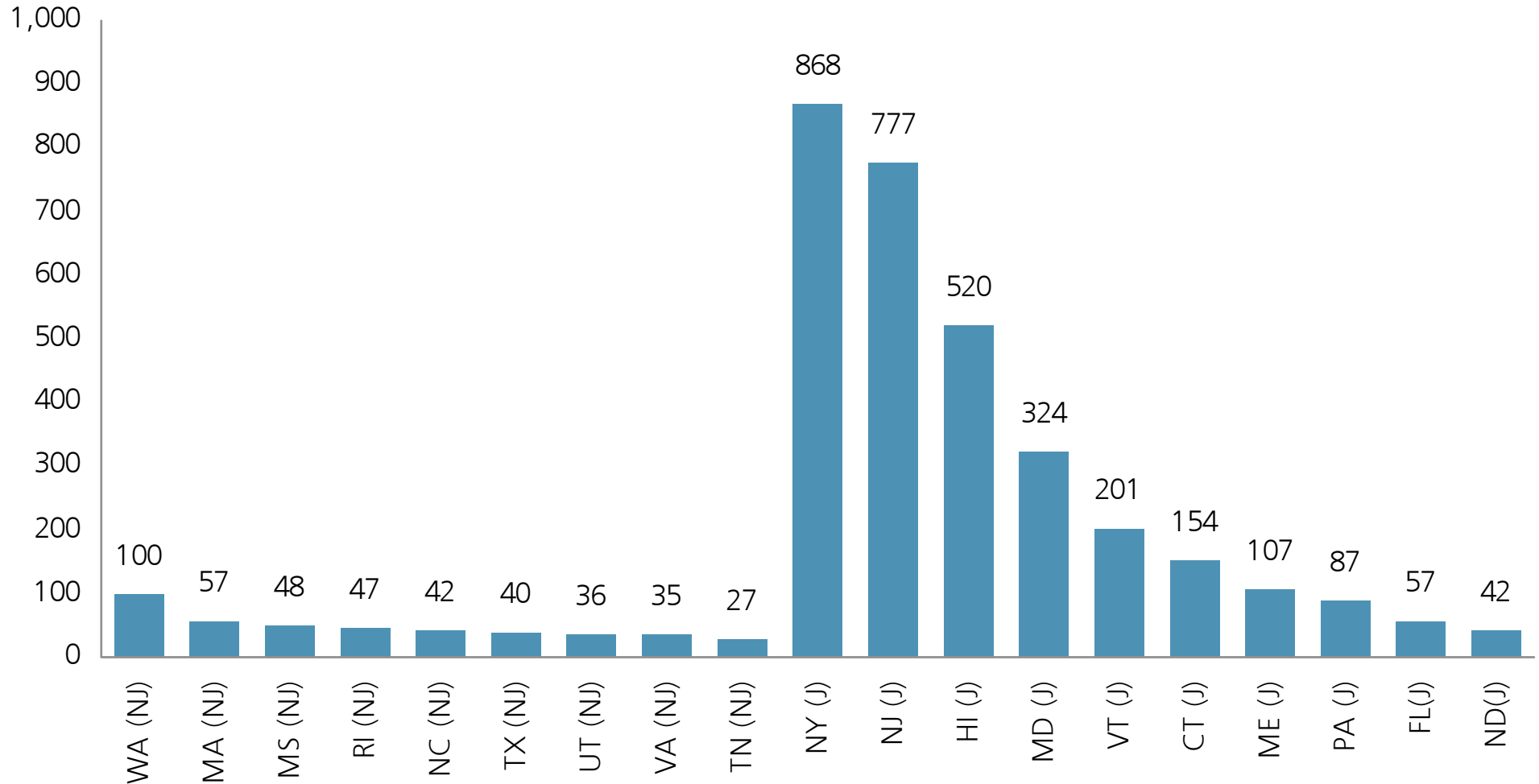
Foreclosure Timeline – State Law Matters



Source: LPS



90+ Day DQ and Foreclosure Pipeline – Judicial vs. Non-Judicial

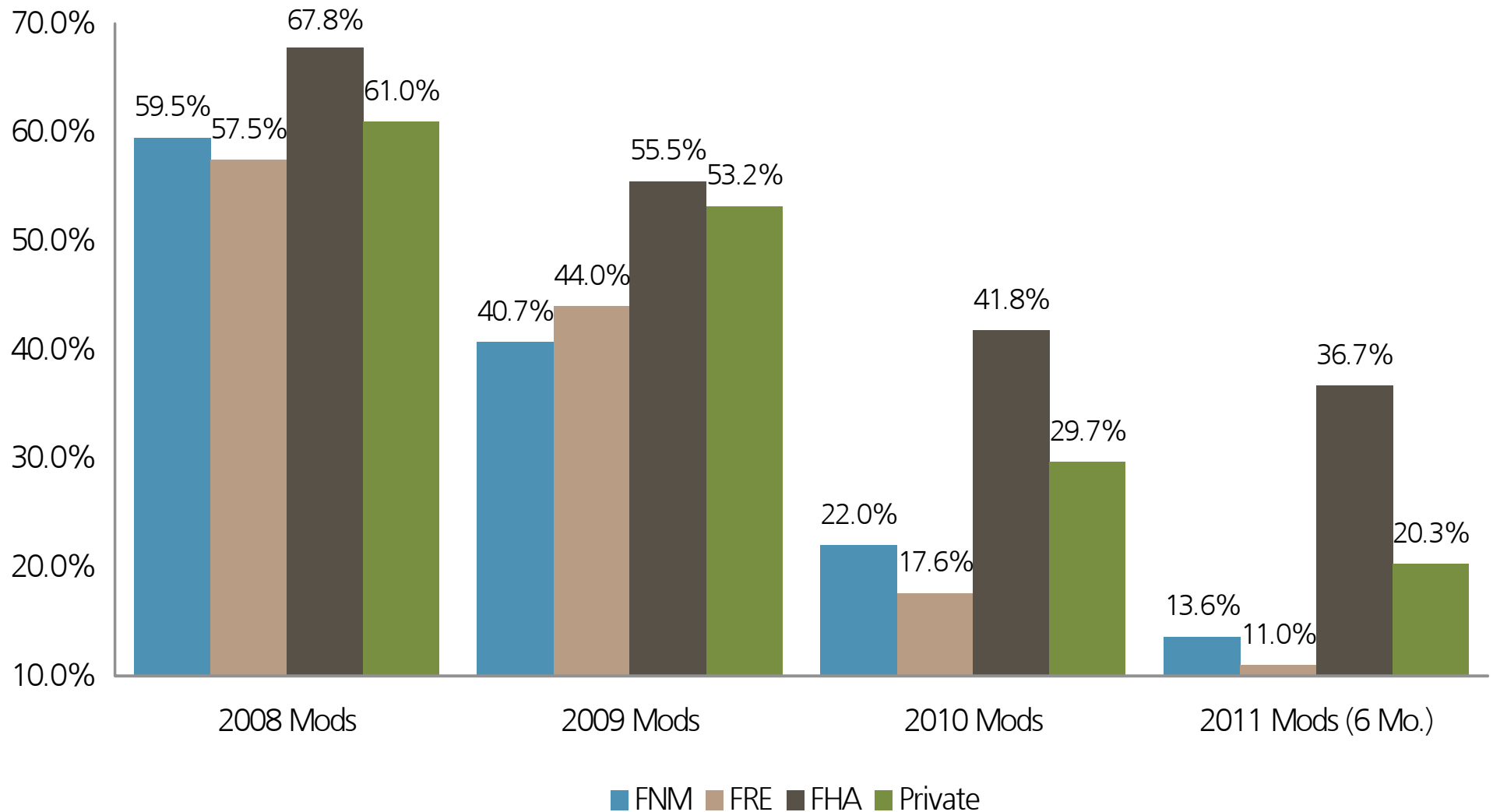


Source: LPS



Mortgage Modifications

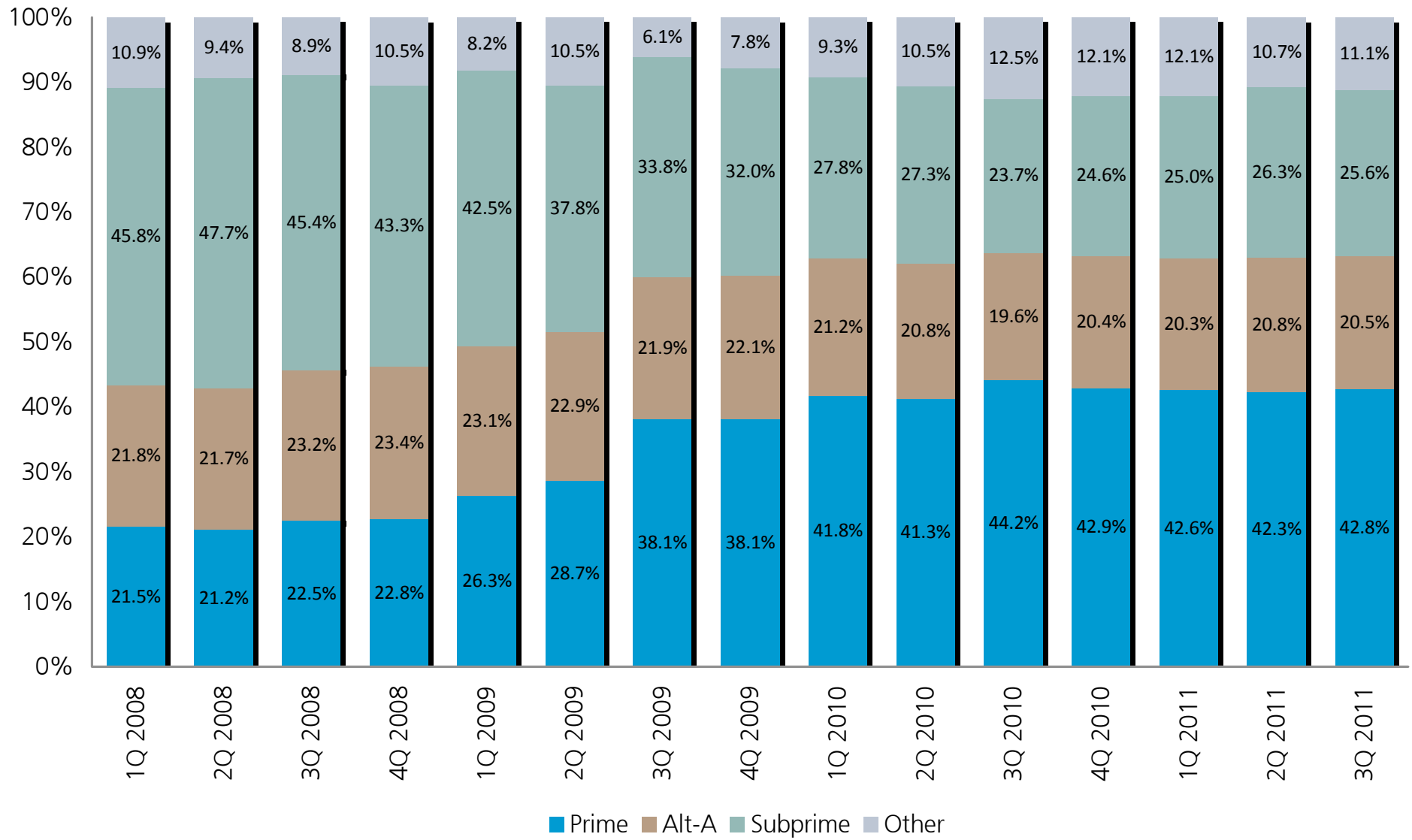
Re-Default Rates on Modified Loans



Source: OCC/OTS



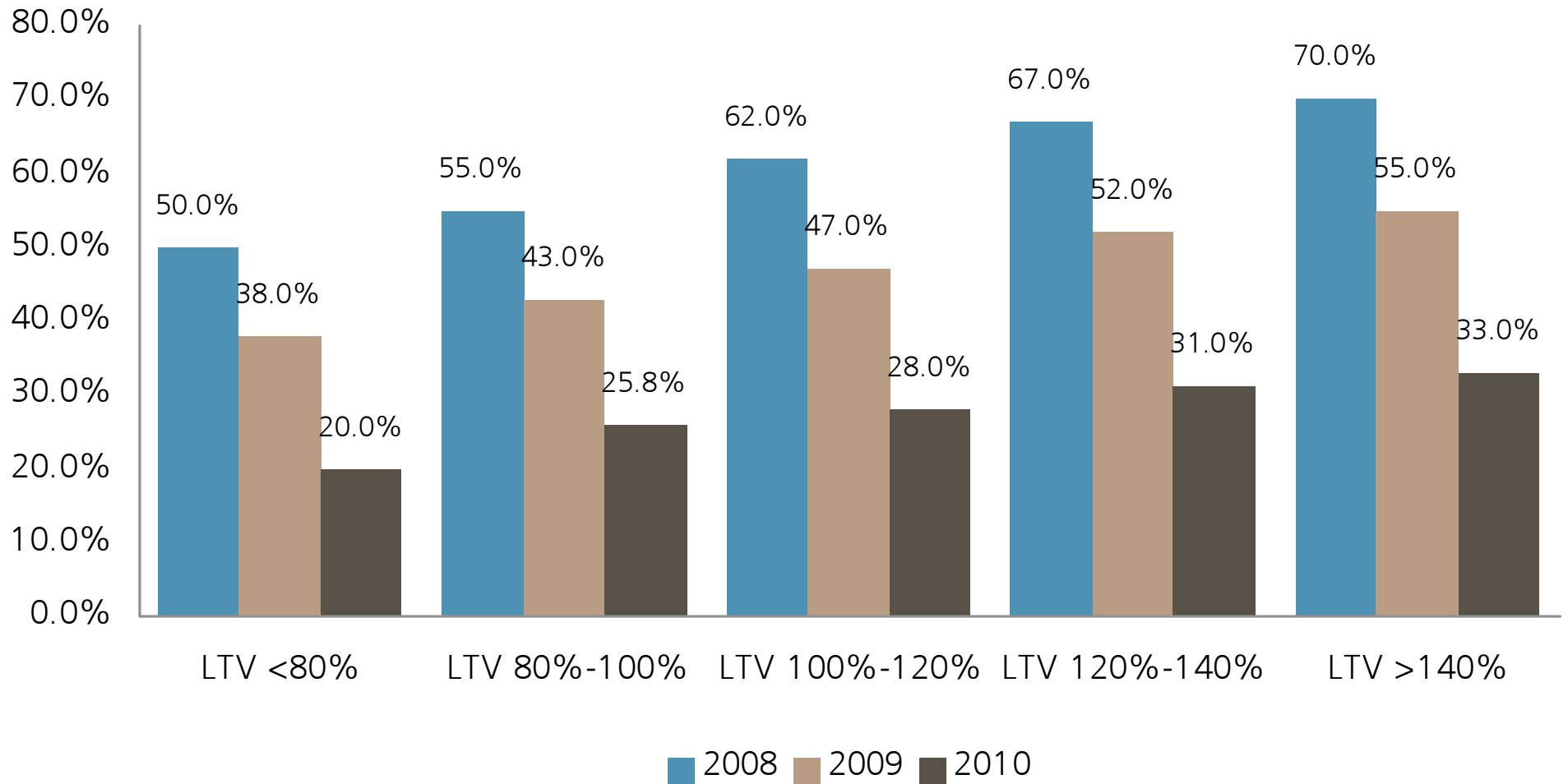
Composition of Mortgage Modifications



Source: OCC/OTS

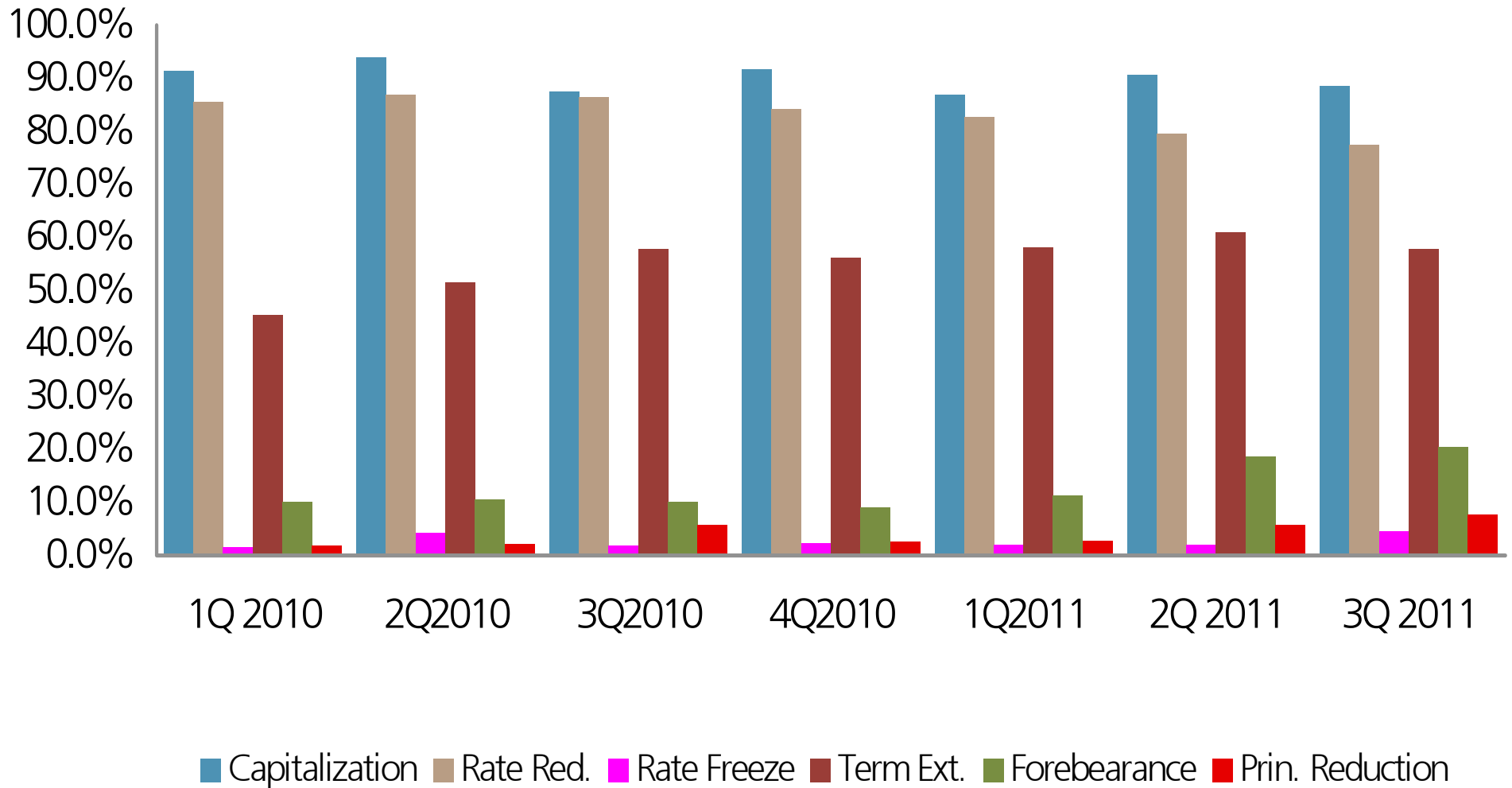


Re-Re-Default Rates on Modified Loans (No This Is NOT A Typo)



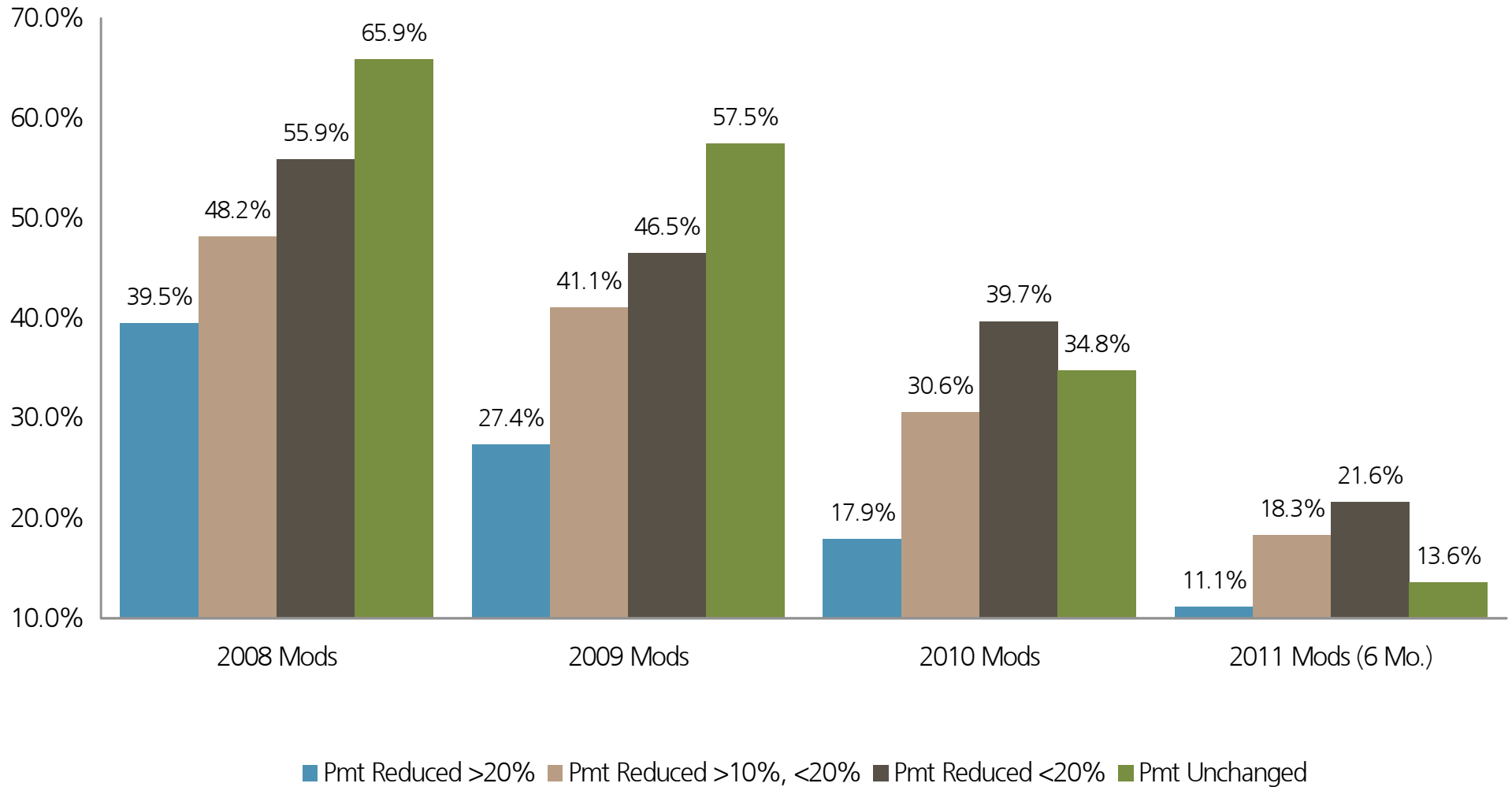
Source: Corelogic

Mortgage Modification Actions



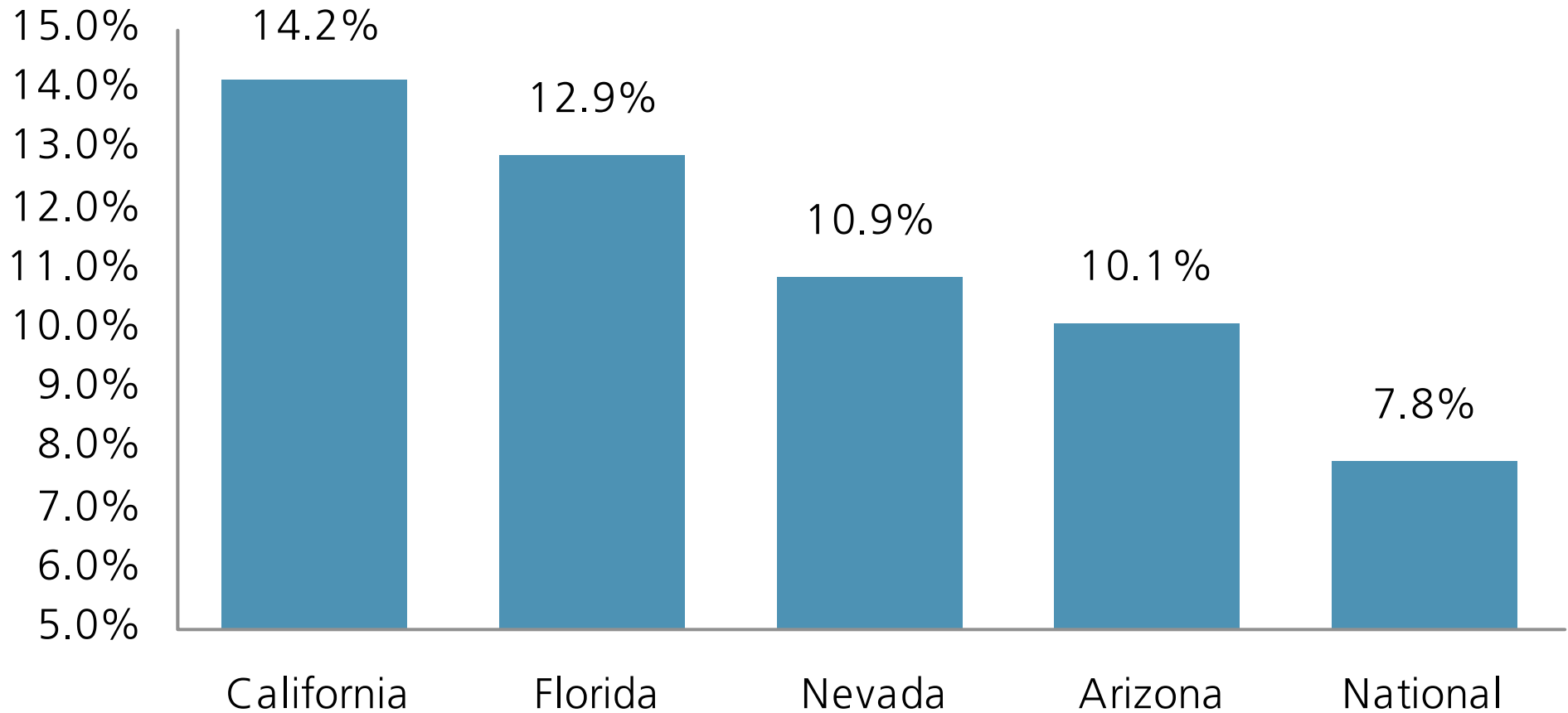
Source: OCC/OTS

Re-Default Rates With Payment Reduction



Source: OCC/OTS

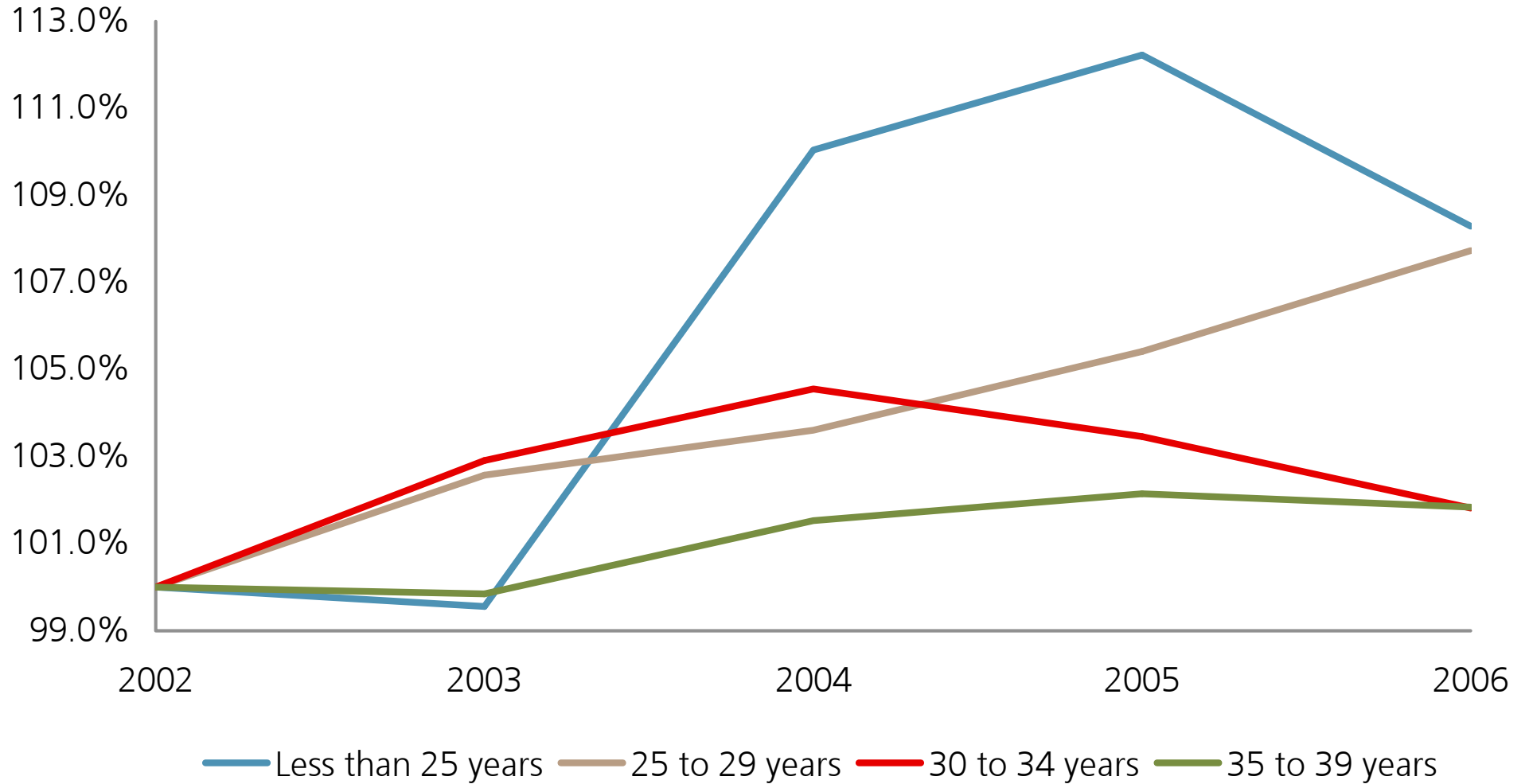
Use of Principal Reduction in the “Sand States”



Source: First American Corelogic

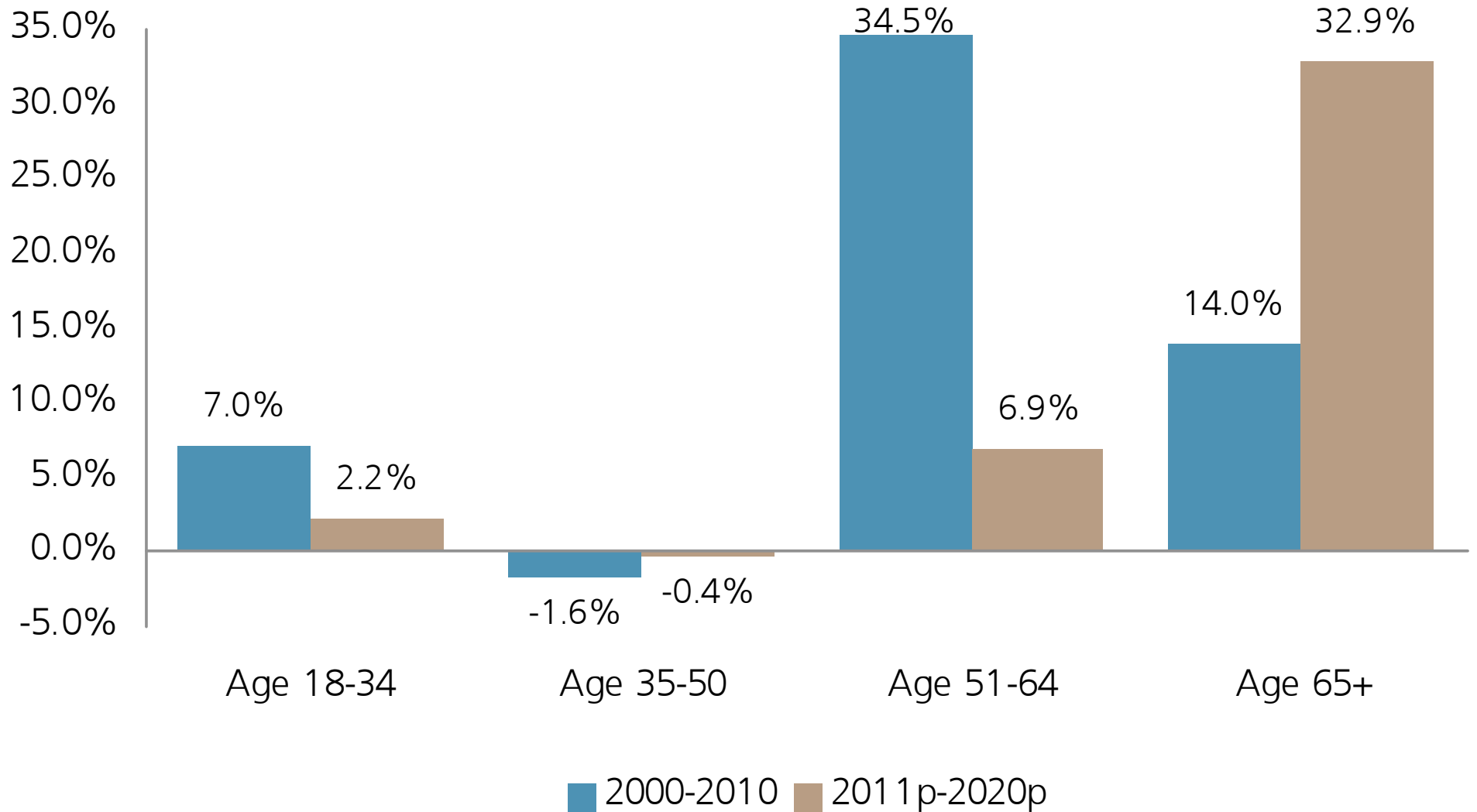
Demographic Considerations

Growth in Homeownership by Age Range



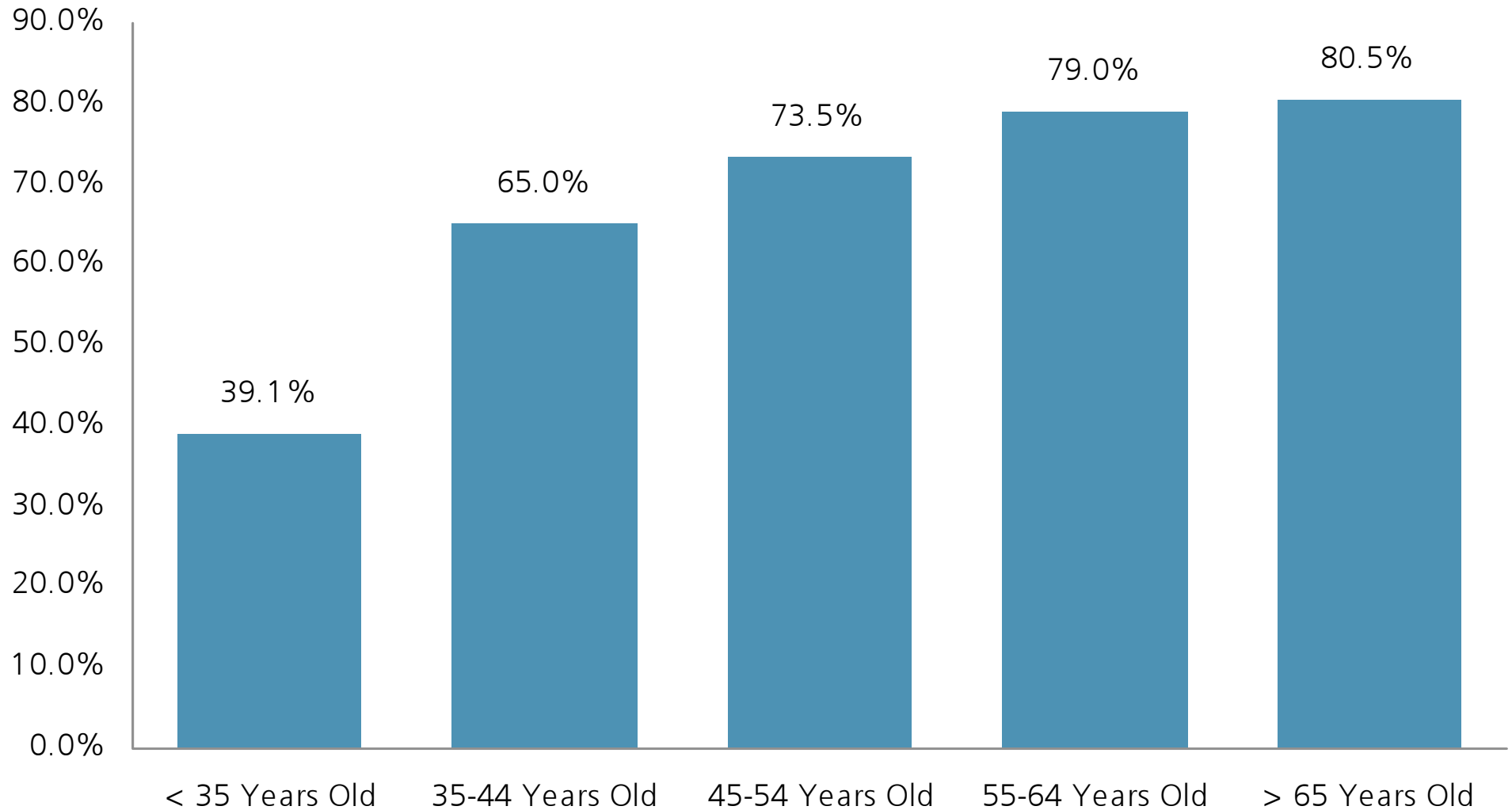
Source: US Census

Population Growth Rate by Age Range



Source: US Census

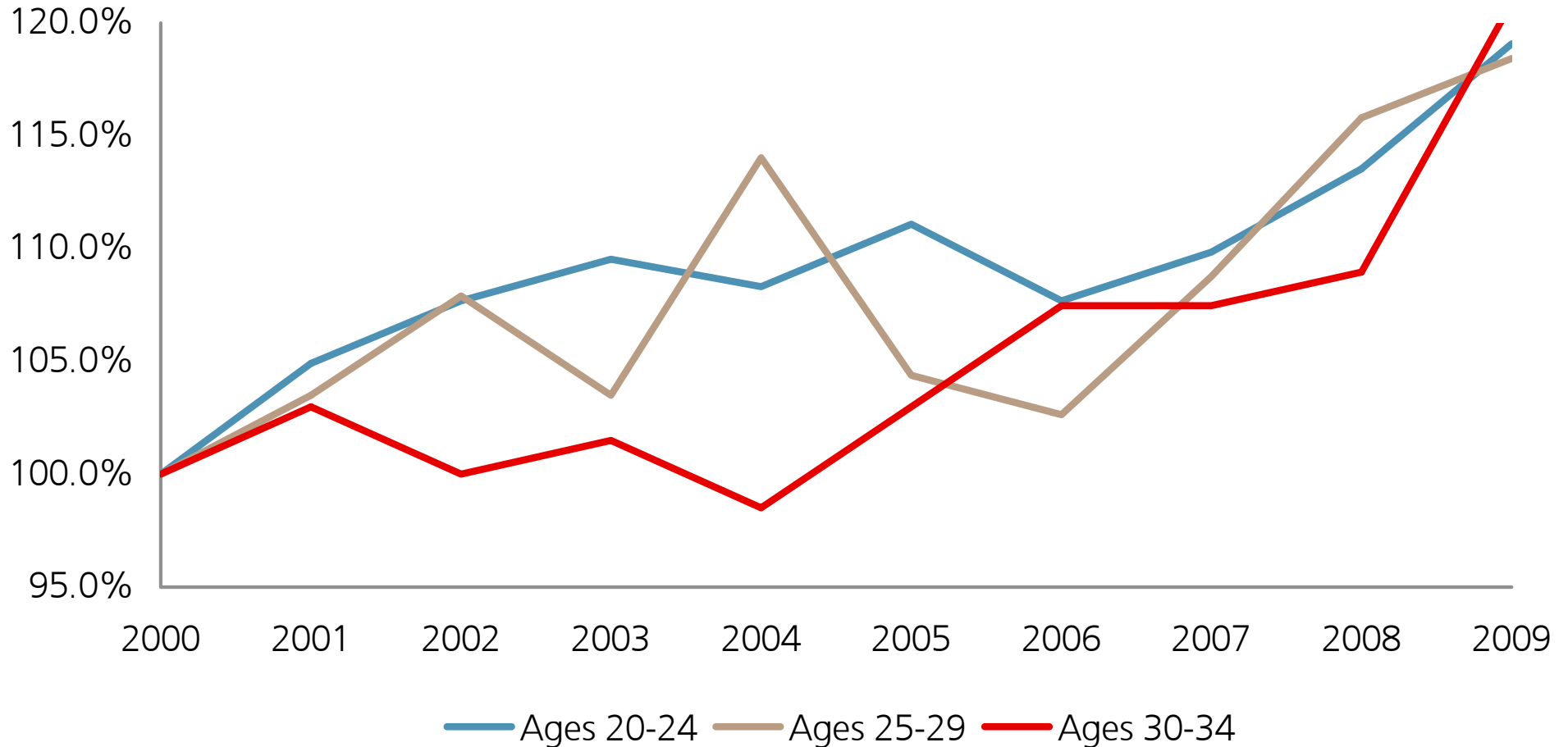
Homeownership Rate Trends by Age Bracket



US Census

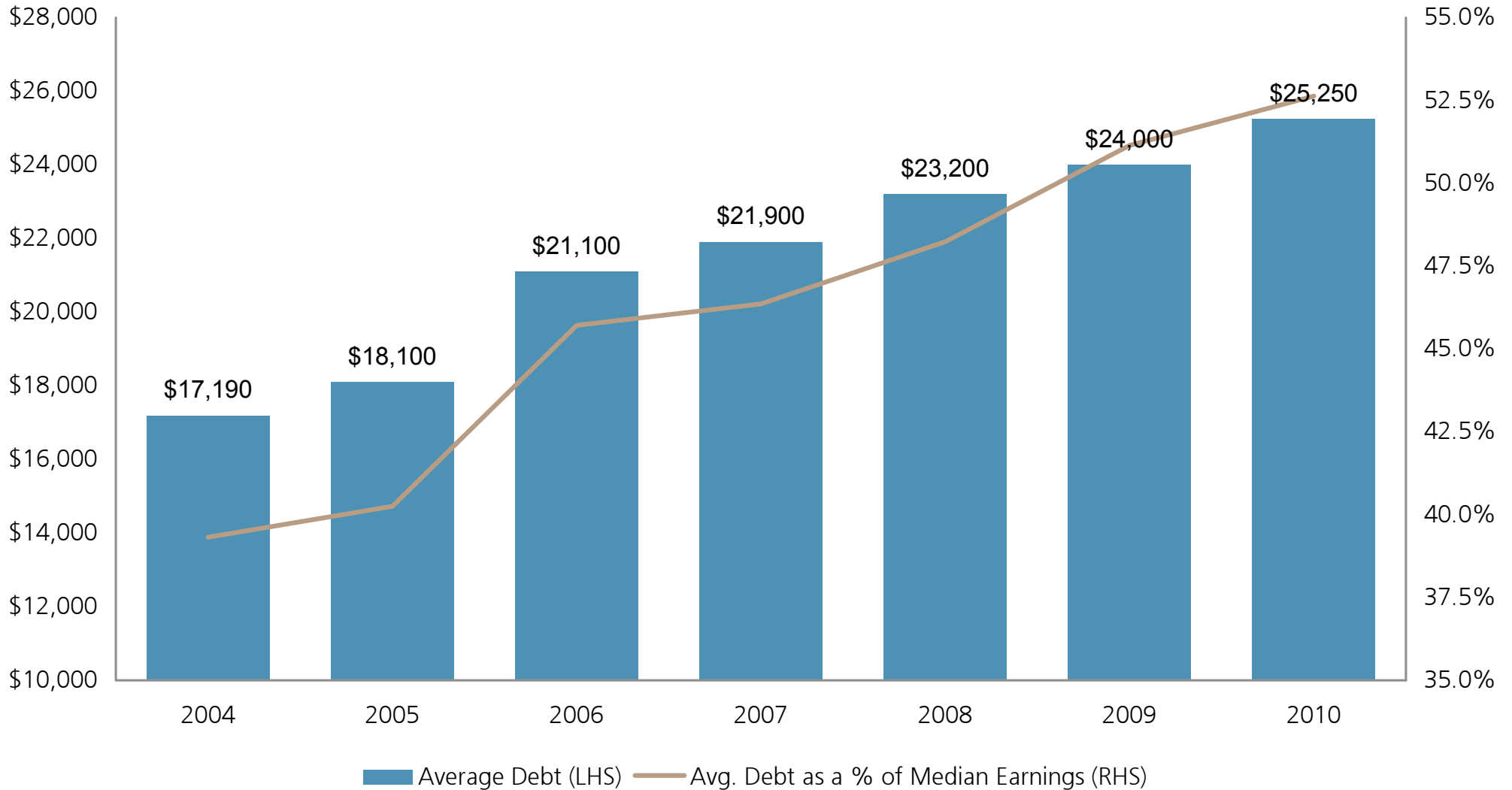


College Enrollment Population Trends 2000-2009



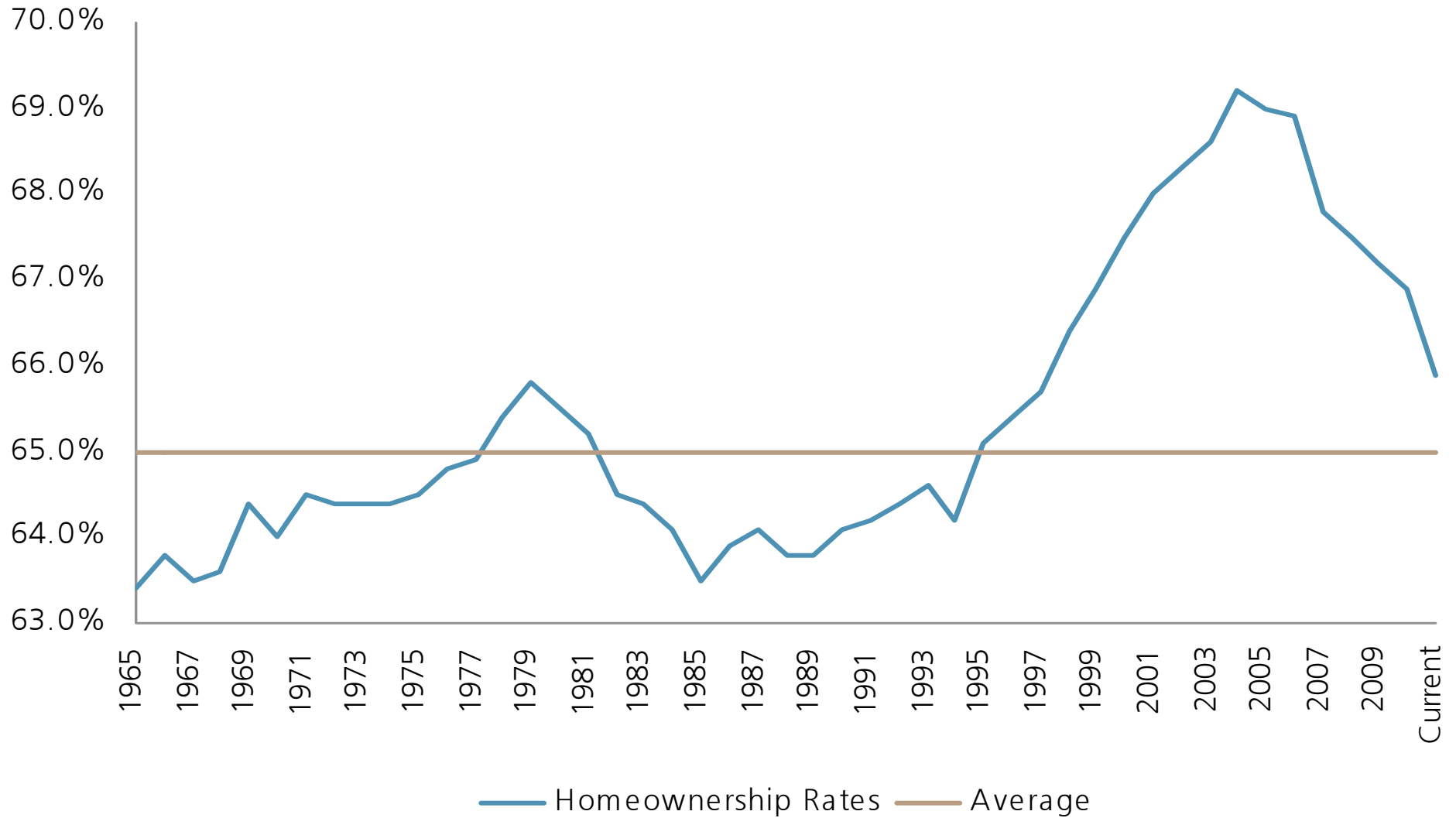
Source: US Census, US Dept. of Education

Average Debt Levels of College Graduates



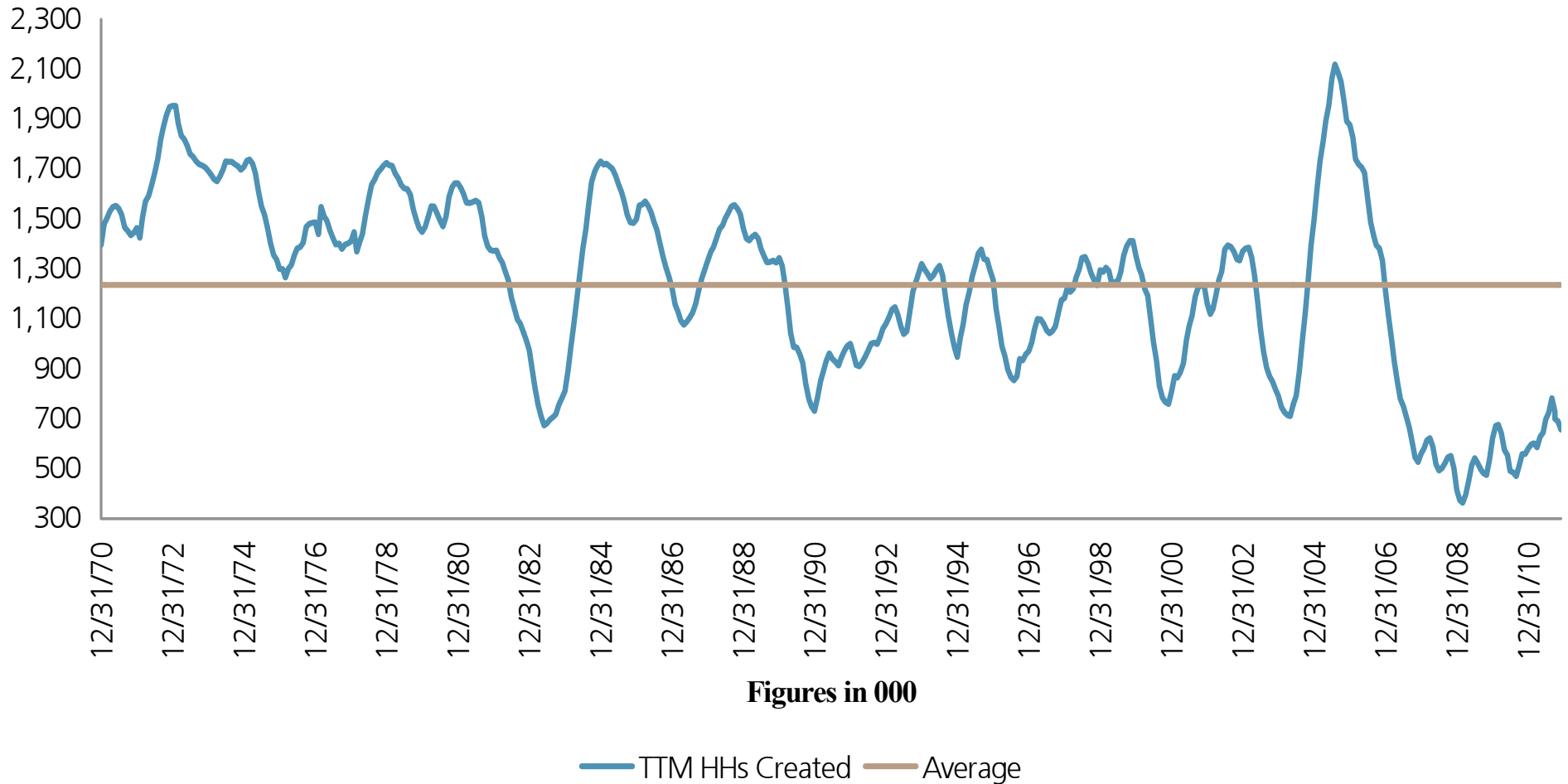
Source: The project on Student Debt, Institute for College Access & Success

Homeownership Rate Trends



-
- The Desire & Need For Mobility
 - Labor Insecurity Driving Rental?
 - Rising Gas Prices Favoring Infill/Urban Locations?

Trailing 12 Month Household Formations

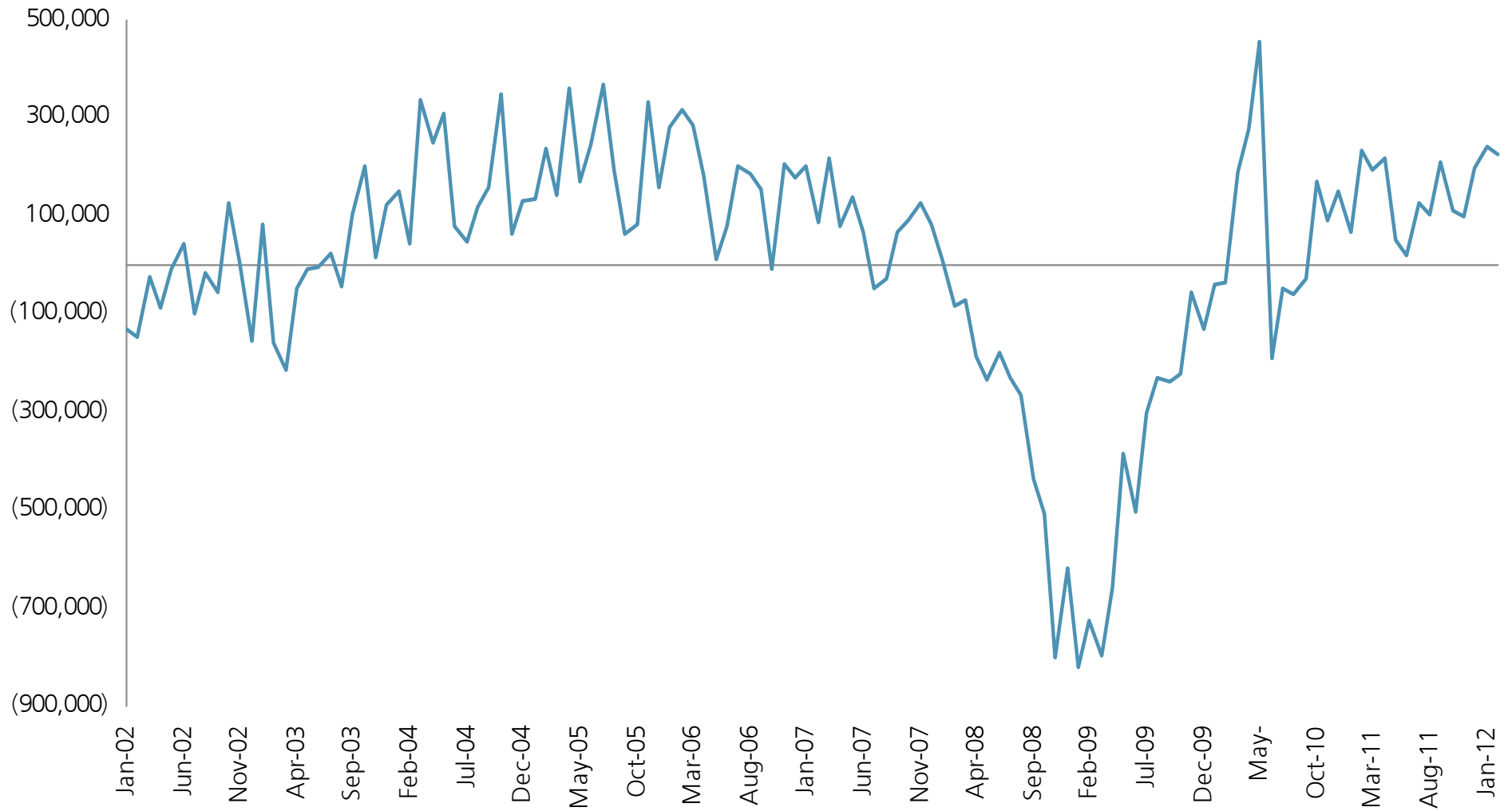


Jobs, Jobs, Jobs

"Look, John's last-minute economic plan does nothing to tackle the number one job facing the middle class, and it happens to be, as Barack says, a three-letter word: jobs. J-O-B-S,"

Joe Biden – October 15, 2008

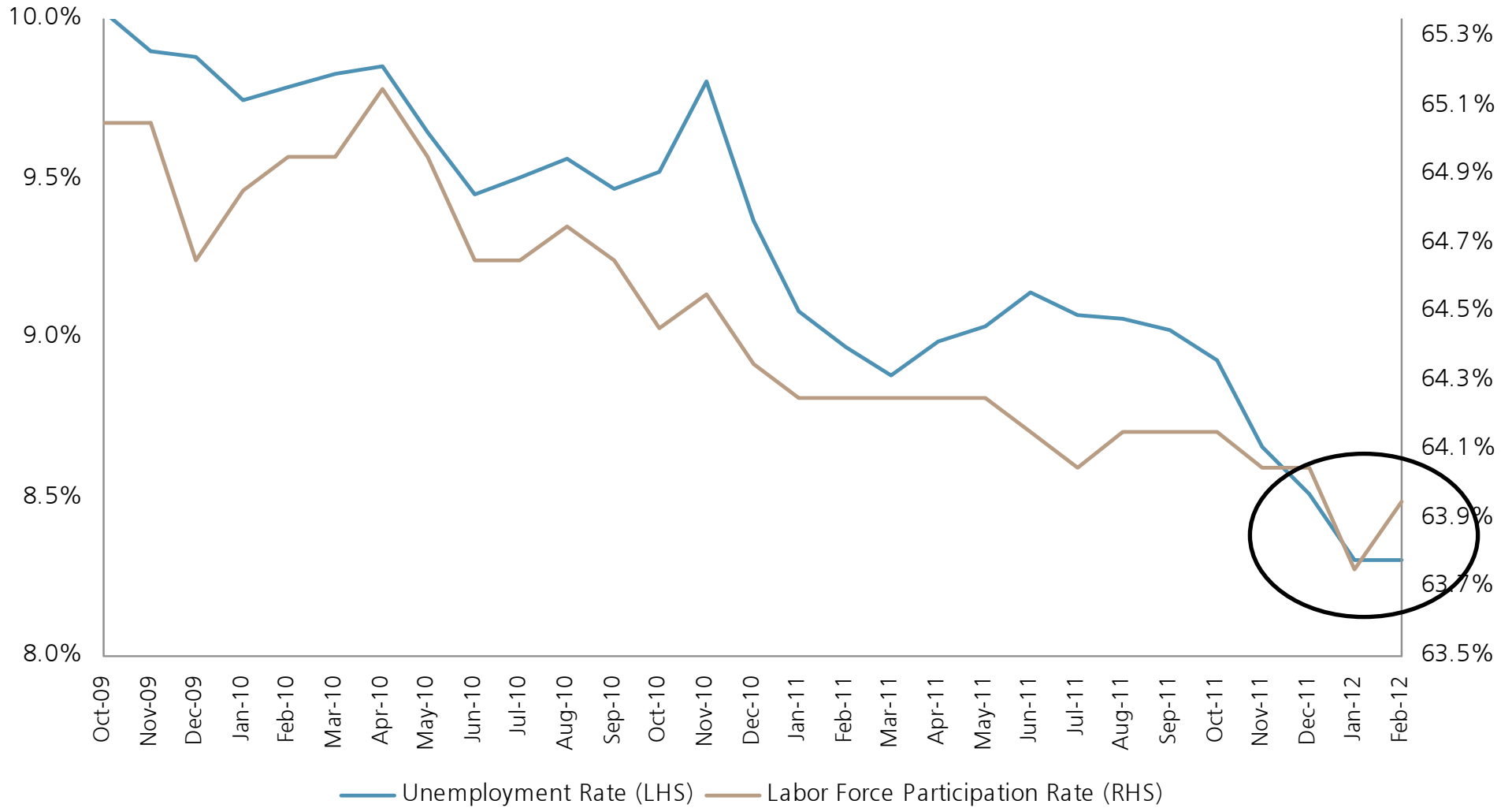
Non-Farm Payroll Additions (Deletions)



Source: BLS



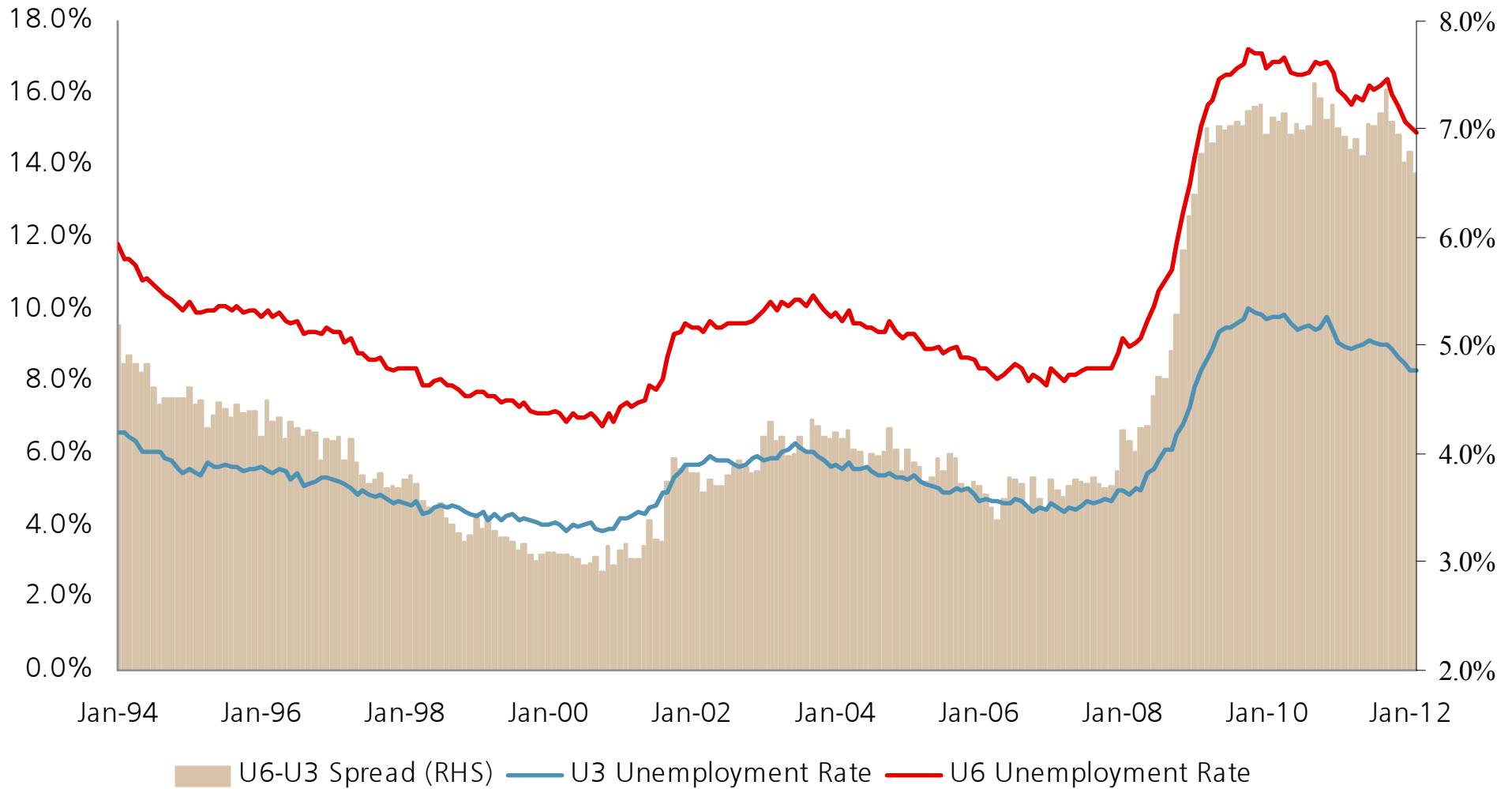
Unemployment Rate & Labor Force Participation



Source: BLS



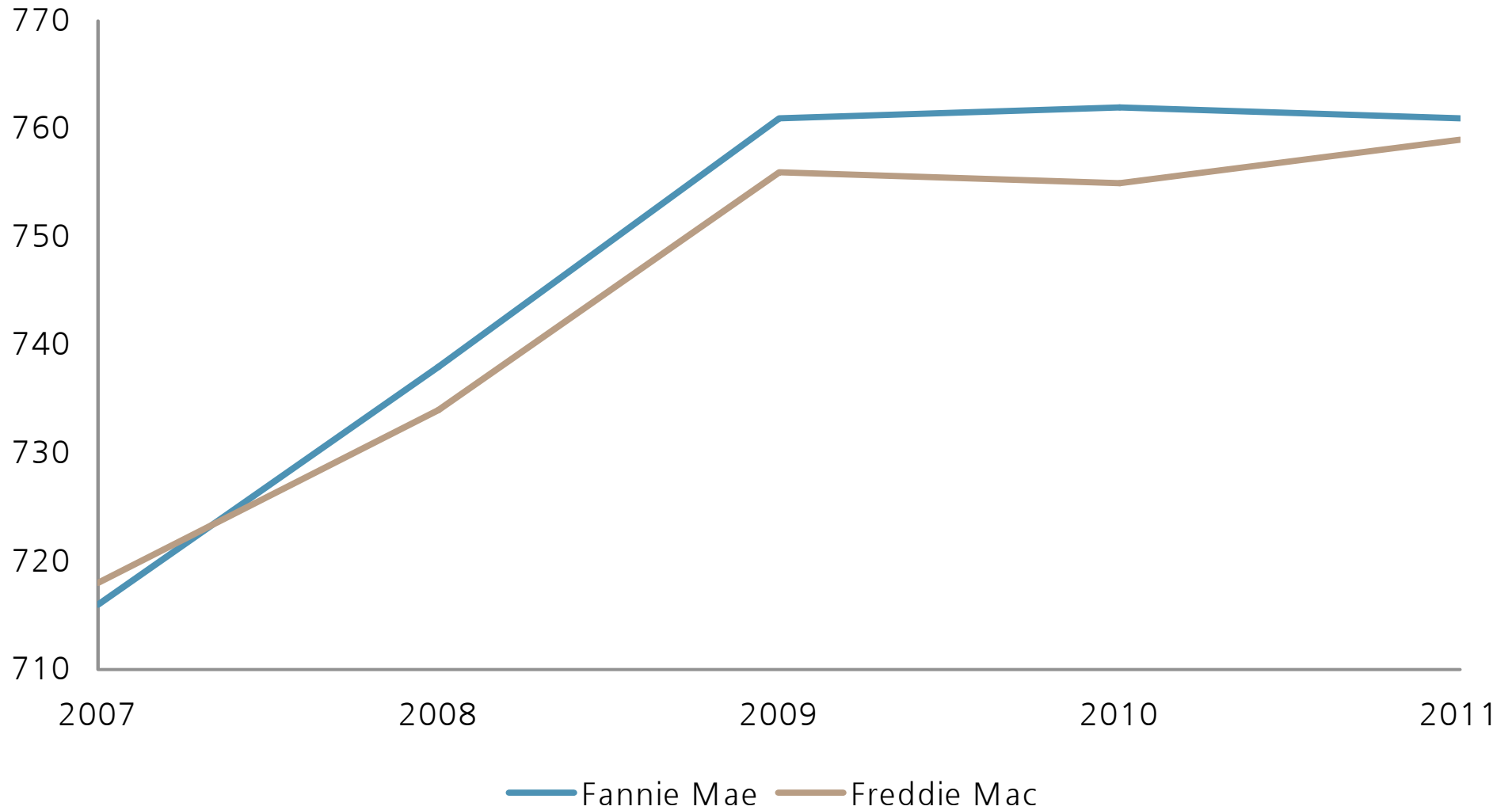
Unemployment Rate - Reported (U3) vs. Total (U6)



Source: BLS

Underwriting & Access to Credit

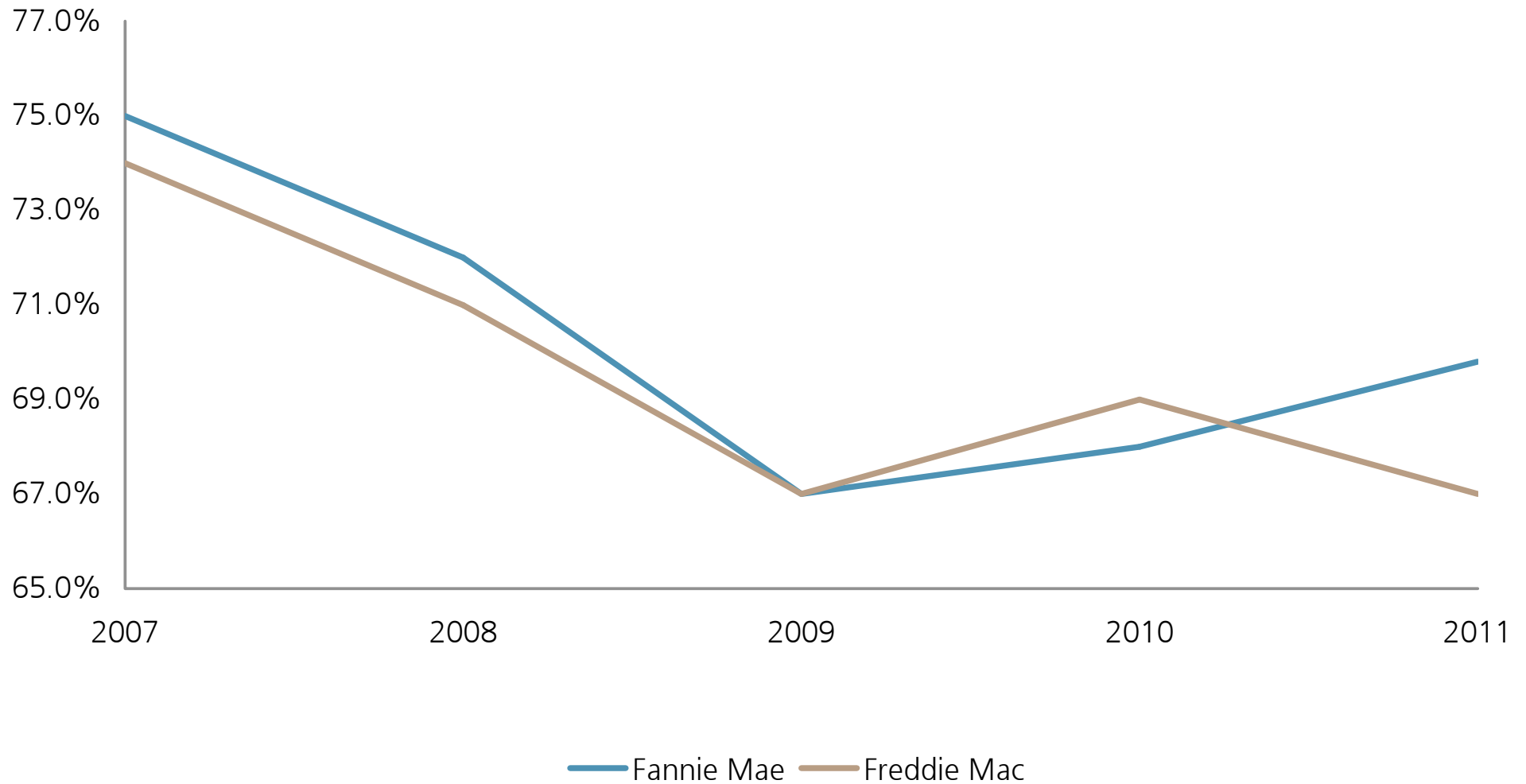
Agency Underwriting - FICO Score Trends



Source: FRE, FNM

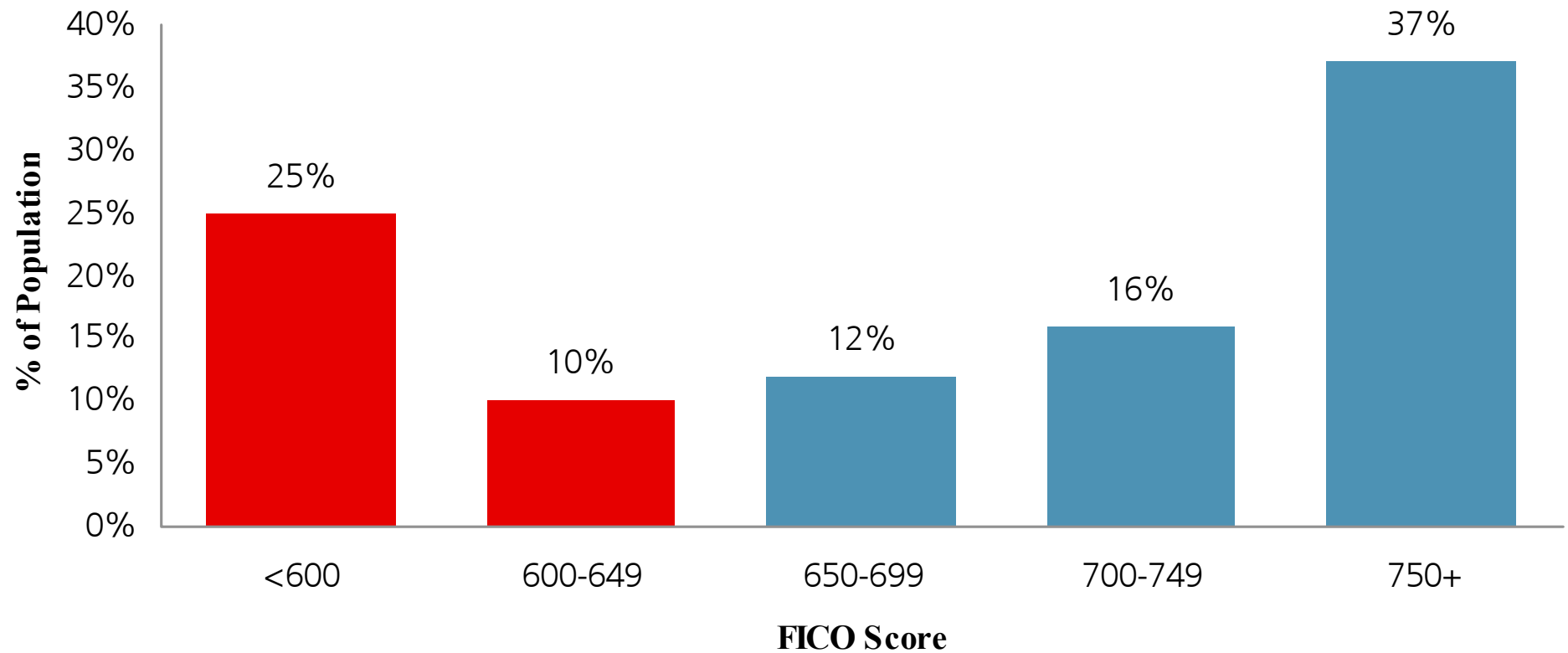


Agency Underwriting - Loan-to-Value Trends



Source: FRE, FNM

U.S. Population Segmented by FICO Score

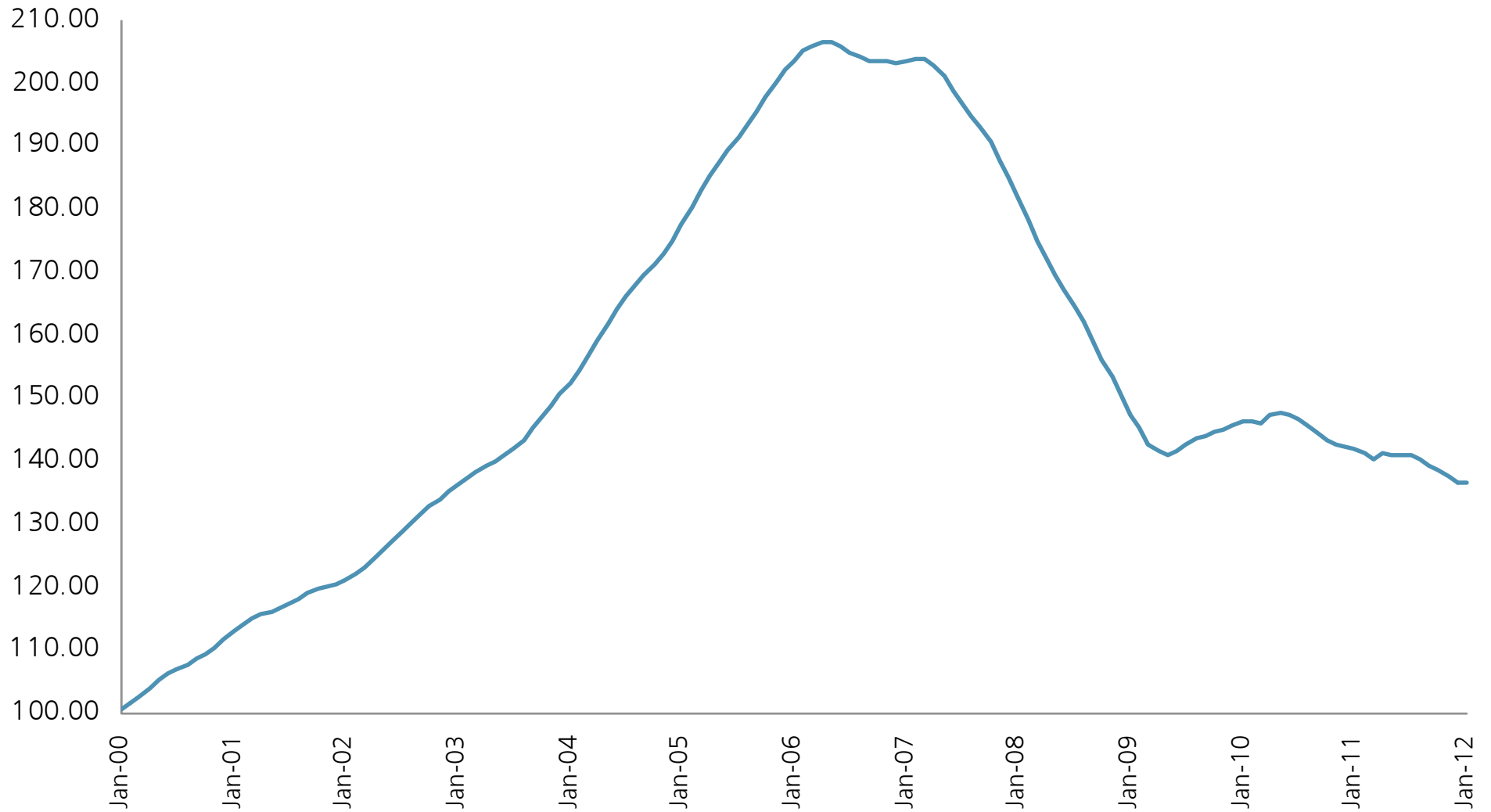


Source: FICO

-
- When Will The Appraisal Pendulum Normalize?
 - What Will The Impact Of The Mortgage Servicing Settlement Be On Future Lending
 - Will The Private Sector Begin To Displace FNM/FRE/FHA?
 - Further Political/Regulatory Risks For Private Lenders?

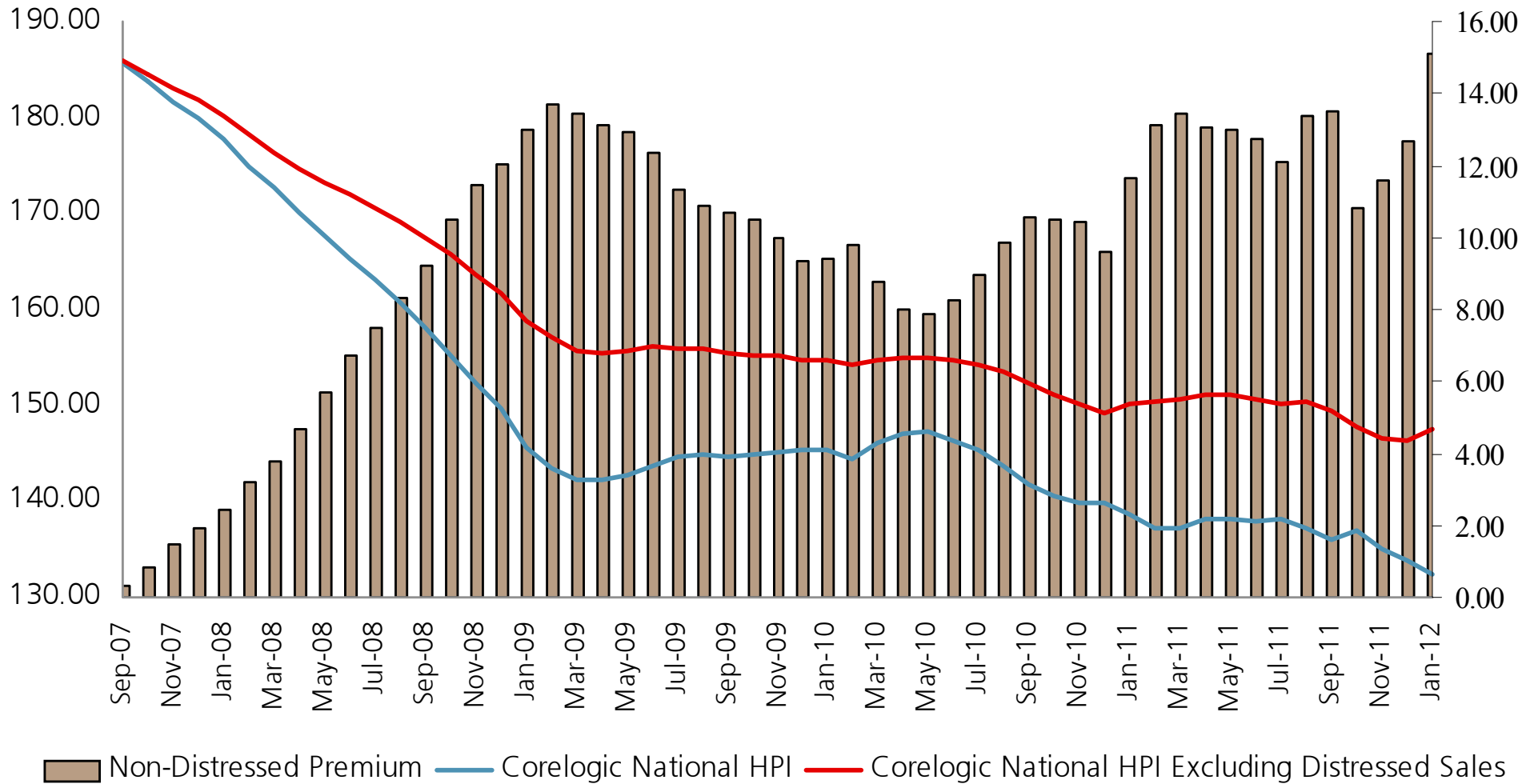
Home Prices

Case-Schiller 20 City Index



Source: S&P Case-Schiller

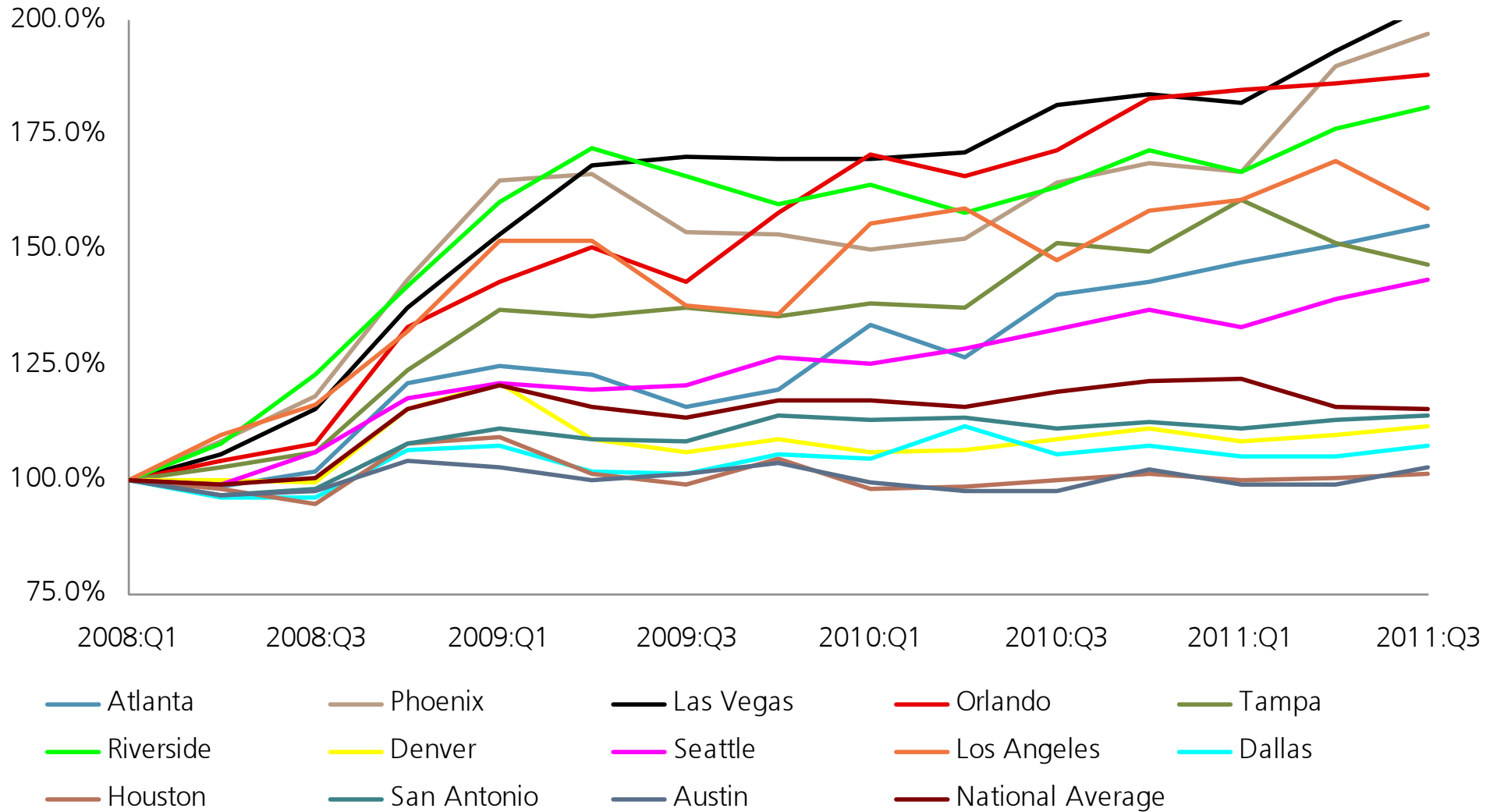
The Impact of Distressed Sales



Source: First American Core Logic



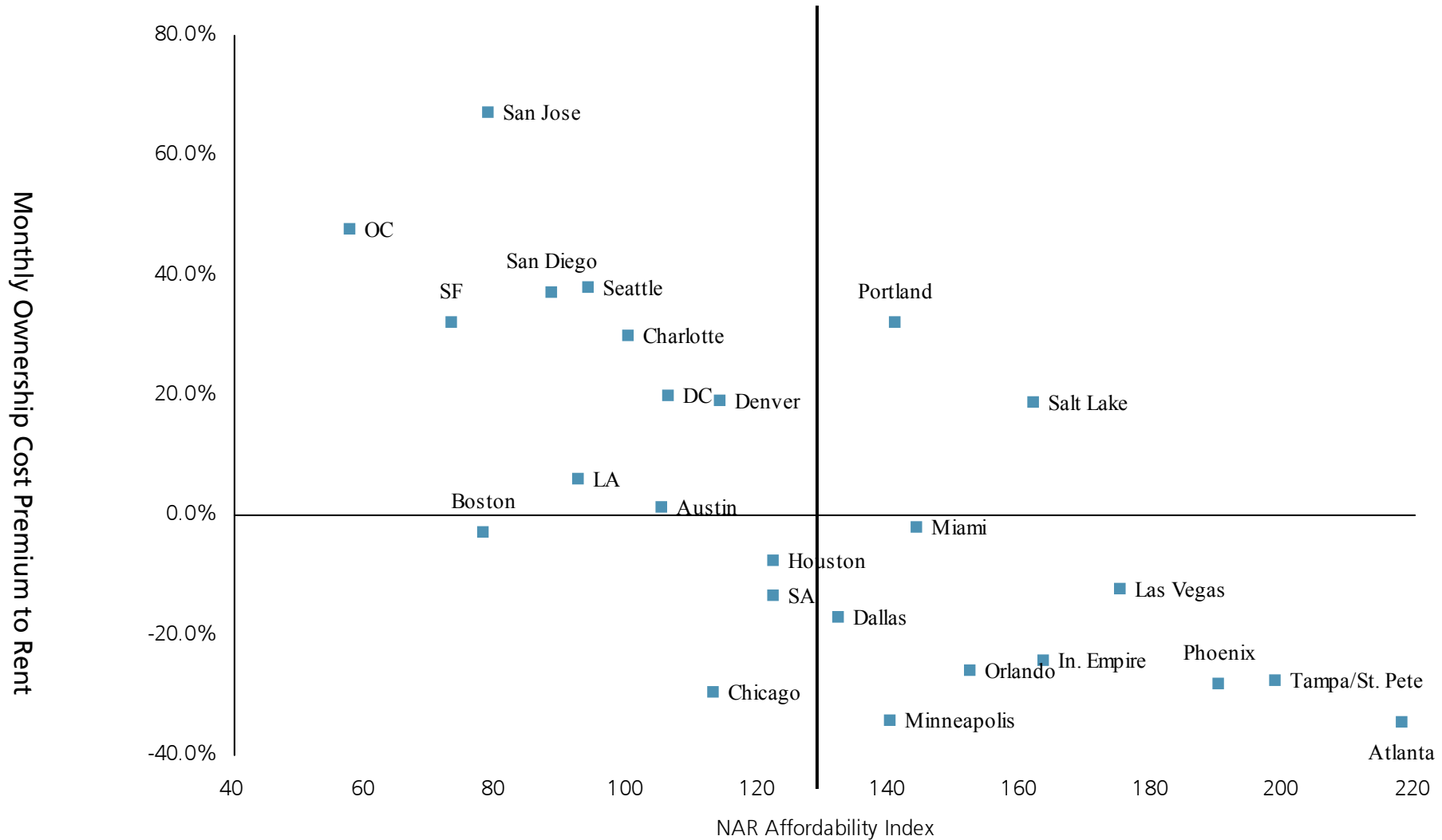
Affordability On The Rise



Source: US Census, NAR, FHFA



Monthly Ownership Costs vs. 3 Bedroom Apartment Rental

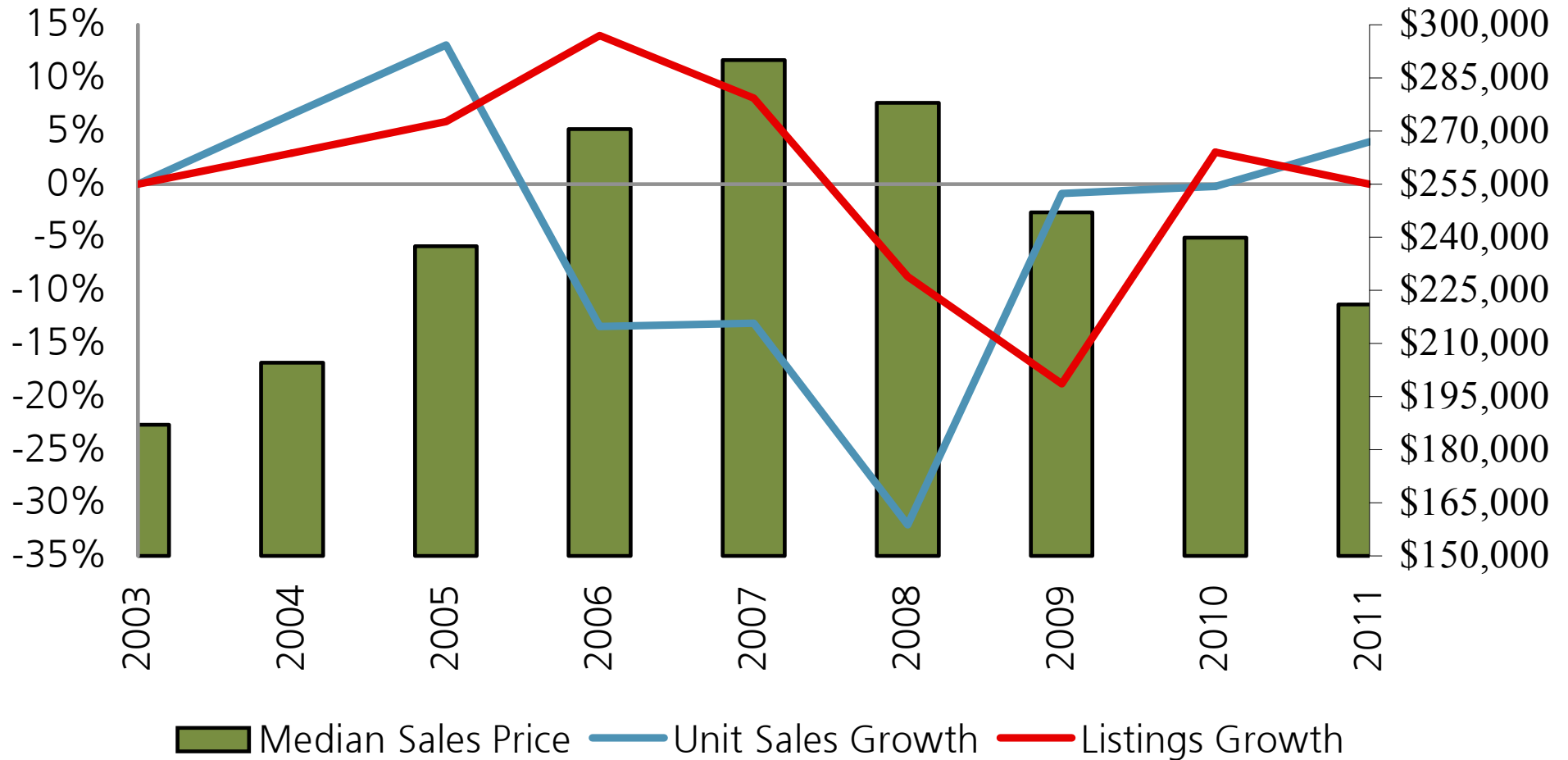


Source: NAR, Axiometrics, Fannie Mae, Freddie Mac, CBRE, UBS Estimates



Local Market Data

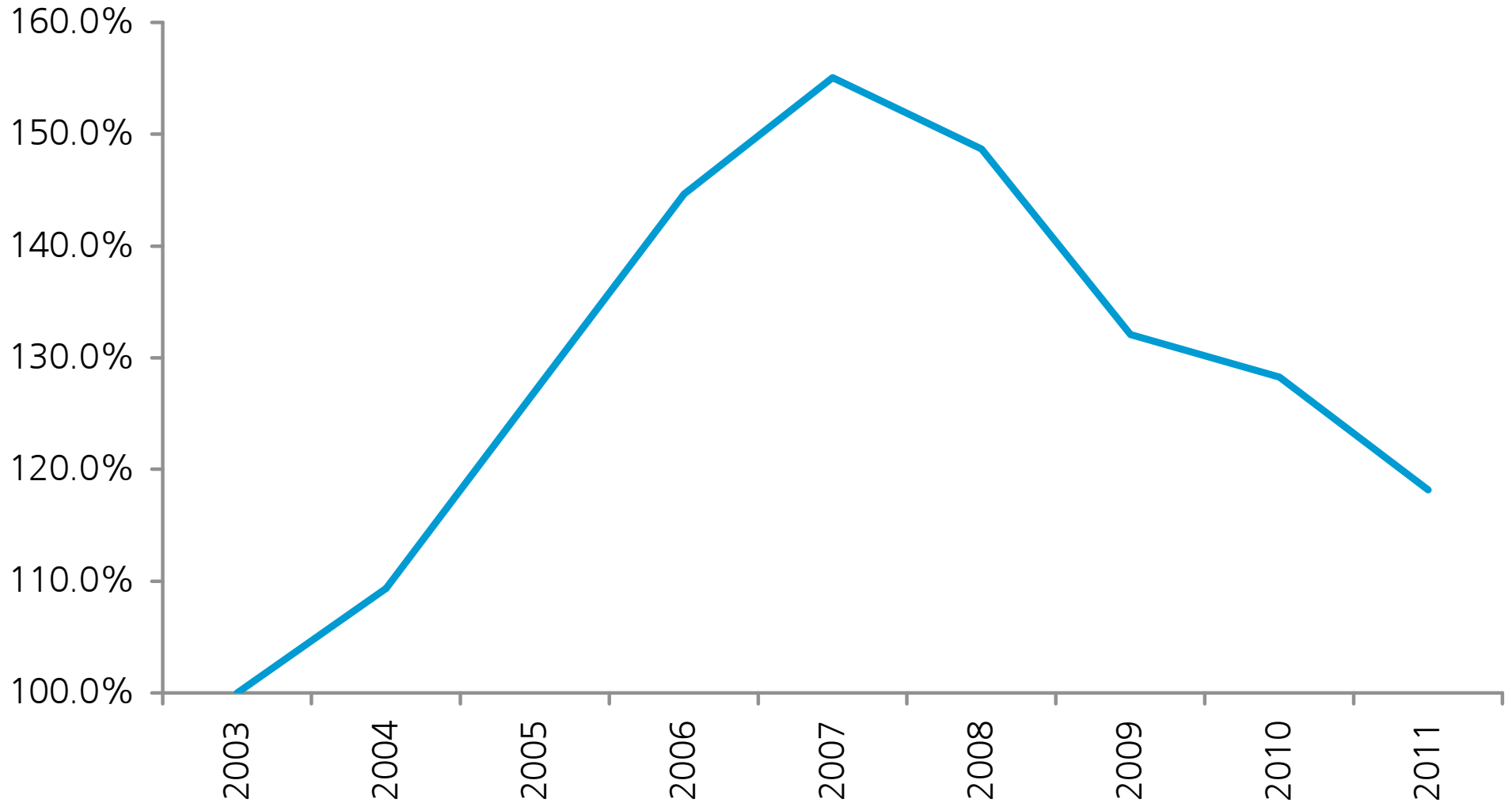
Portland Area Market Summary Time Series



Source: RMLS



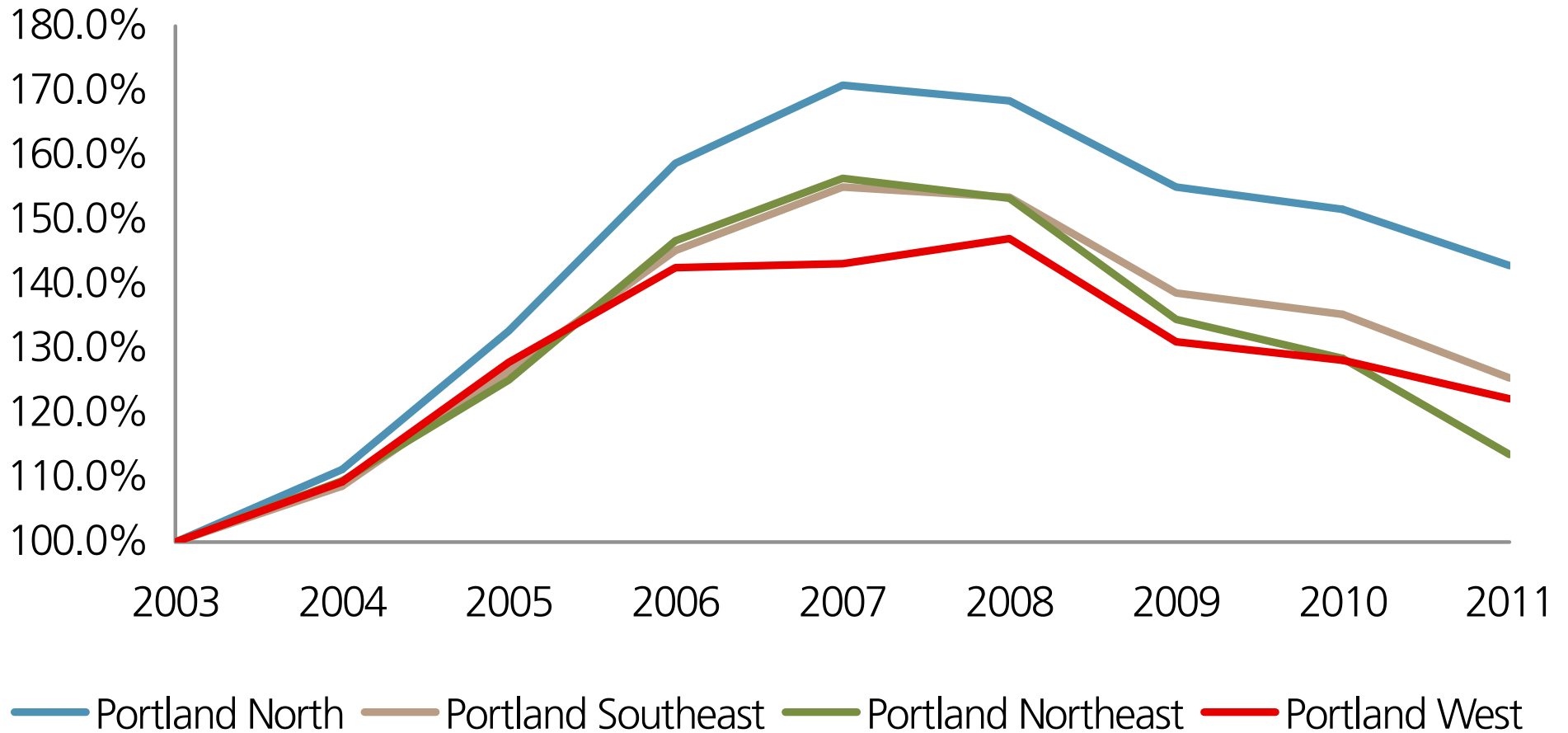
Portland Area Indexed Home Prices



Source: RMLS



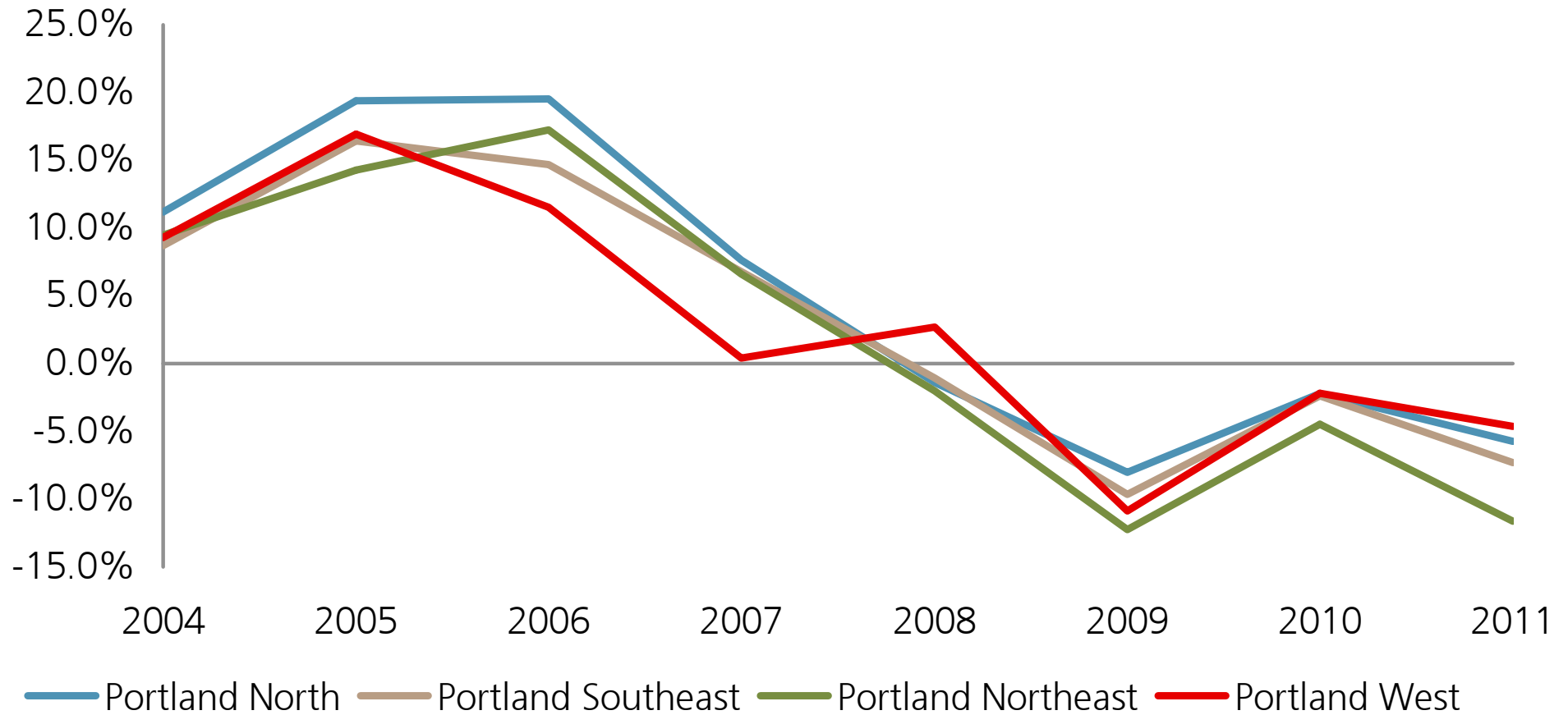
Portland Metro Indexed Home Prices



Source: RMLS



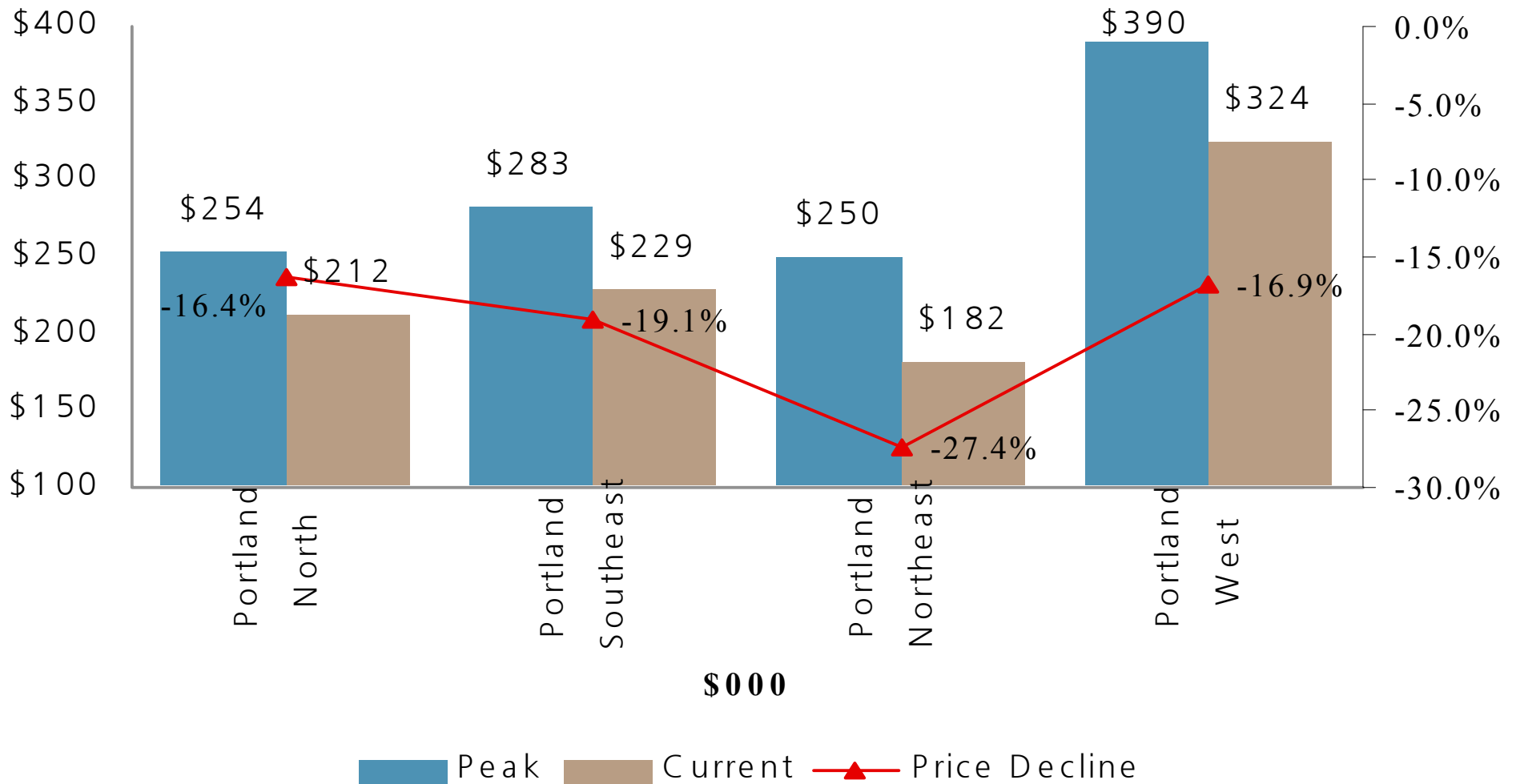
Portland Metro Annual Home Price Changes



Source: RMLS



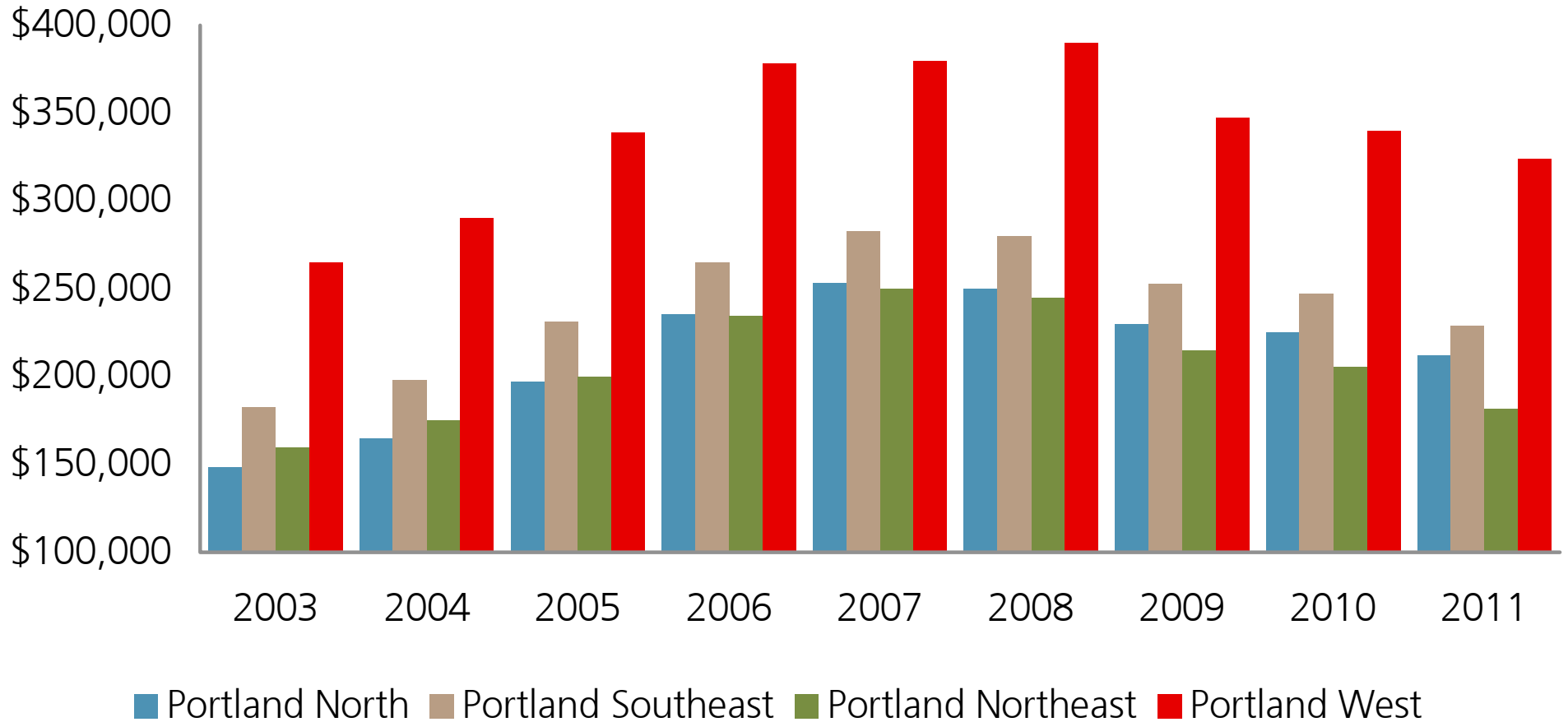
Portland Metro Home Prices Declines From Peak



Source: RMLS

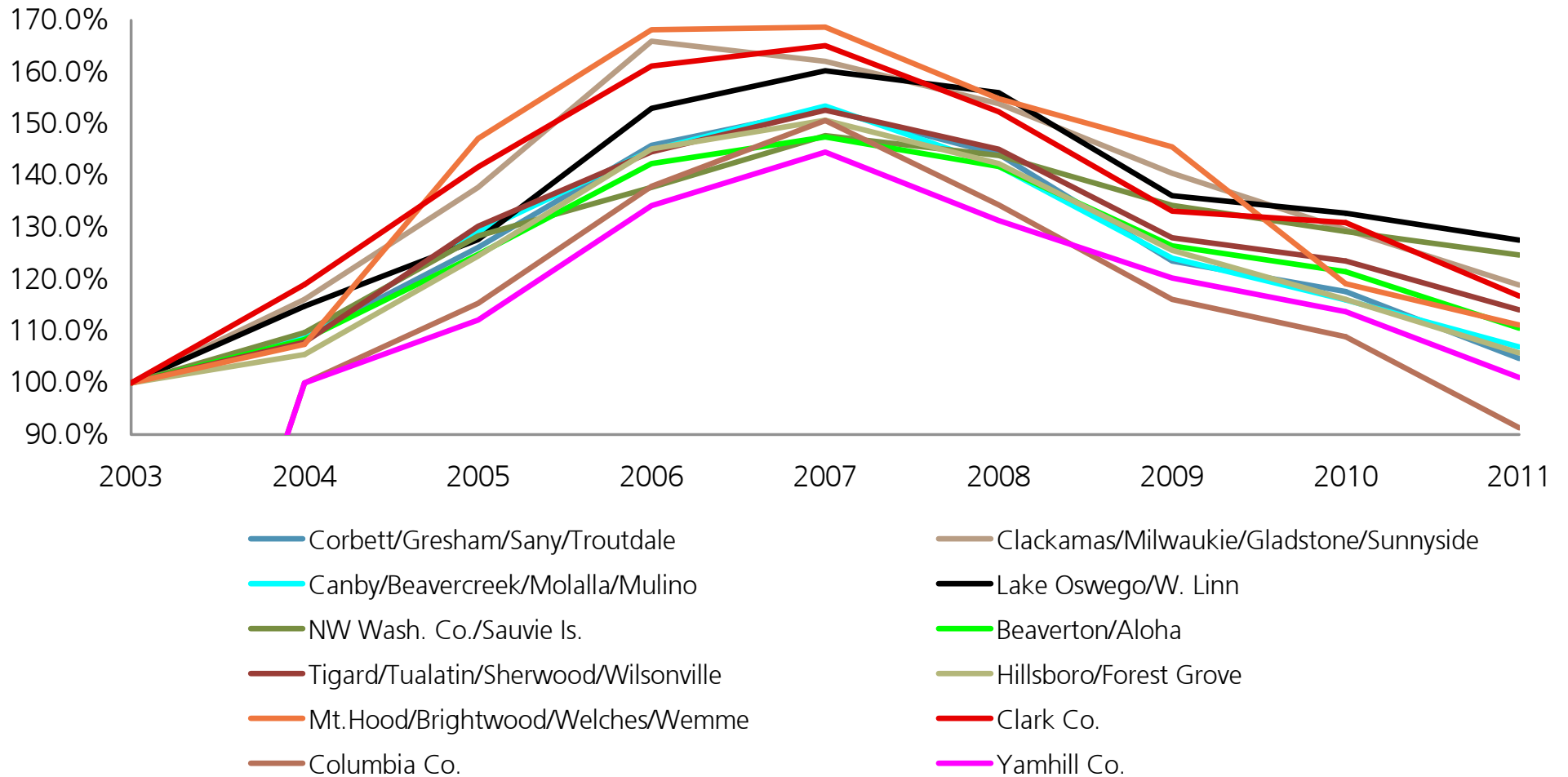


Portland Metro Home Price Time Series



Source: RMLS

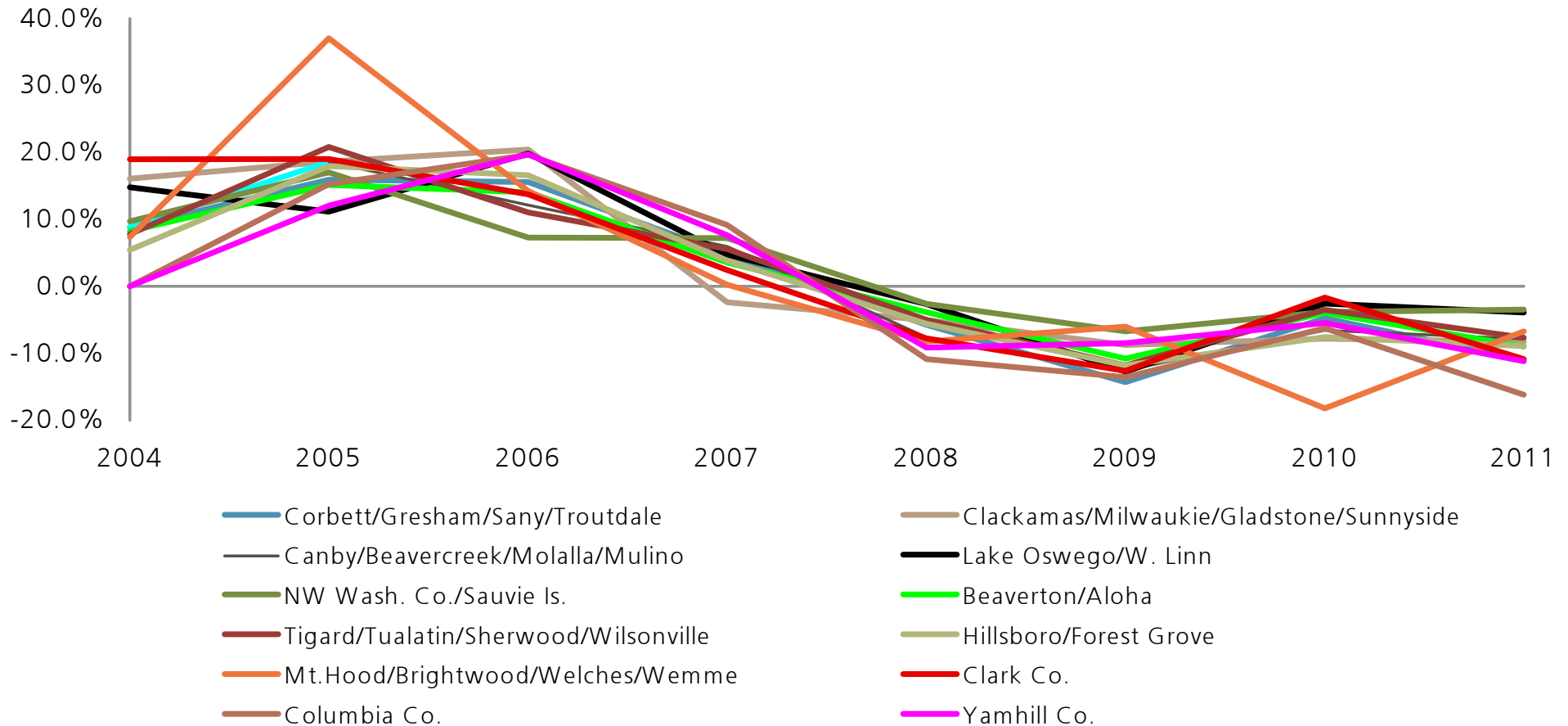
Suburban Portland Indexed Home Prices



Source: RMLS



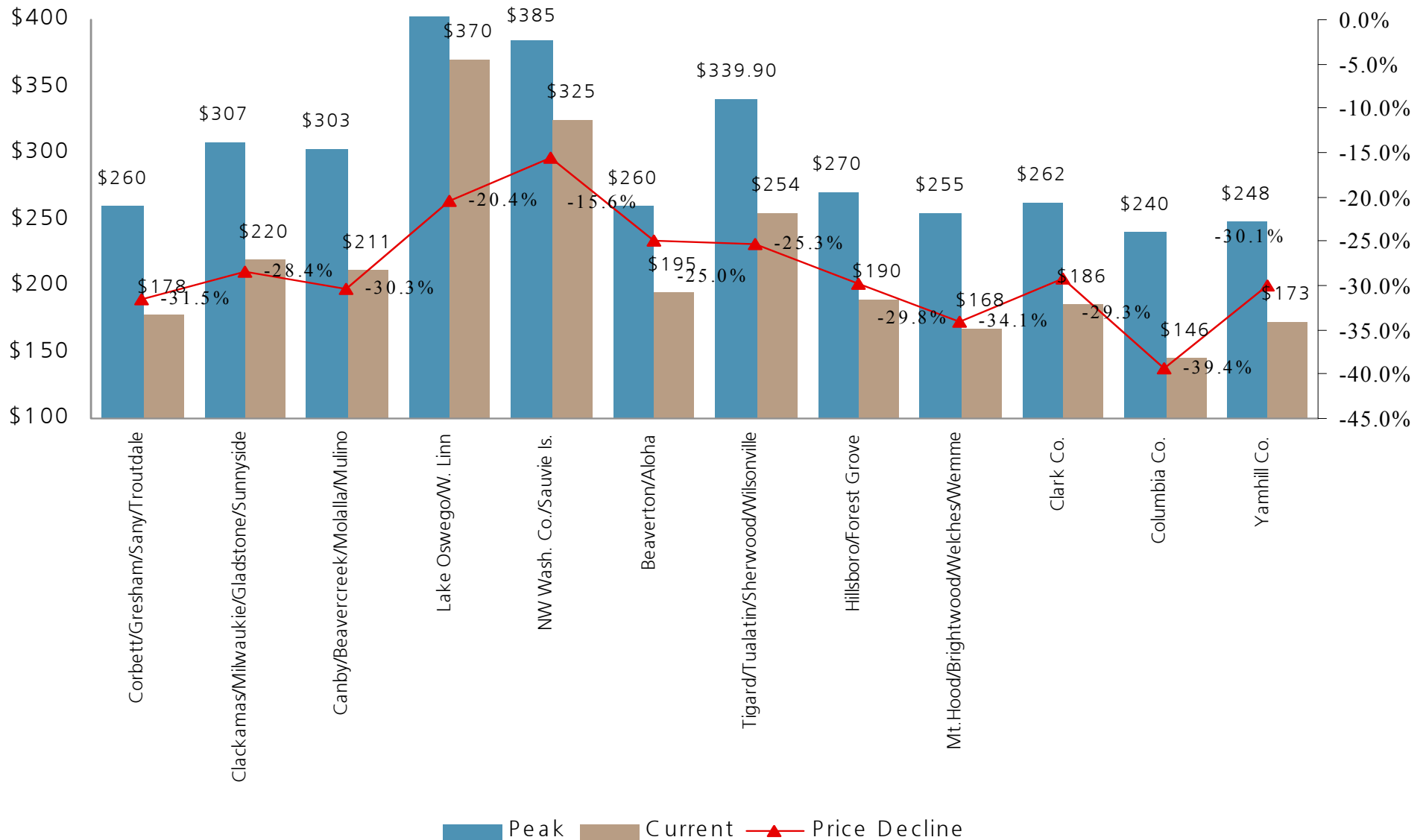
Suburban Portland Annual Home Price Changes



Source: RMLS



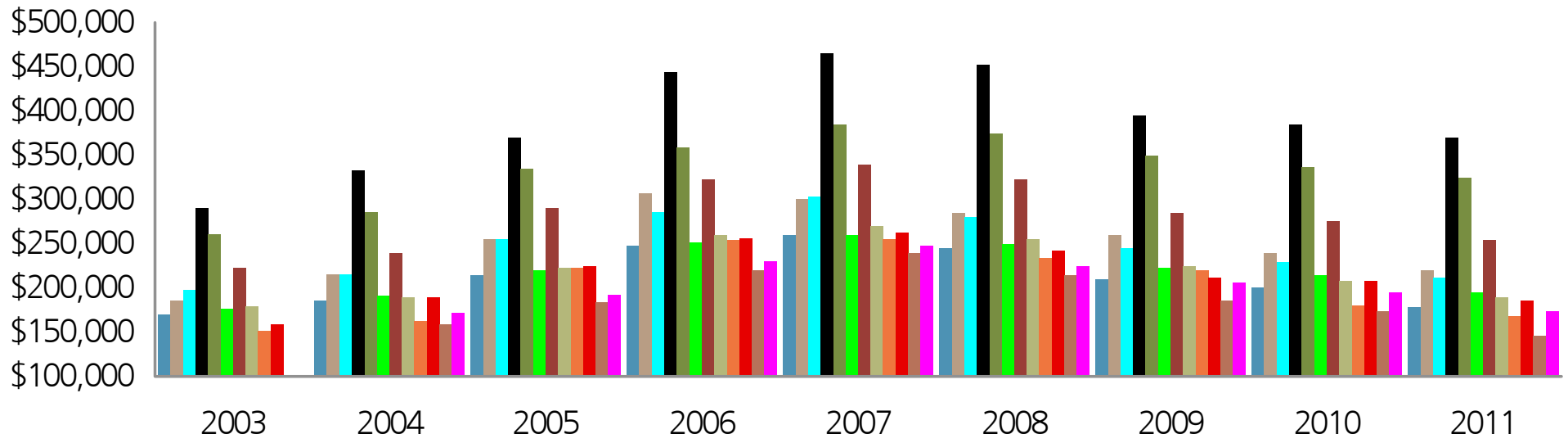
Suburban Portland Home Price Declines From Peak



Source: RMLS



Suburban Portland Home Price Time Series



- Corbett/Gresham/Sany/Troutdale
- Canby/Beavercreek/Molalla/Mulino
- NW Wash. Co./Sauvie Is.
- Tigard/Tualatin/Sherwood/Wilsonville
- Mt. Hood/Brightwood/Welches/Wemme
- Columbia Co.
- Clackamas/Milwaukie/Gladstone/Sunnyside
- Lake Oswego/W. Linn
- Beaverton/Aloha
- Hillsboro/Forest Grove
- Clark Co.
- Yamhill Co.

Source: RMLS



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American Campus Communities 1. American Capital Agency Corp 1, 2, 3, 4, 5, 6, 7, 8. Annaly Capital Management 1, 2, 3, 4, 6, 7, 8. Apartment Investment & Management Comp. 1. AvalonBay Communities, Inc. 1, 2, 4, 5, 6, 7, 8. Beazer Homes 1, 5. Boston Properties, Inc. 1. BRE Properties, Inc. 1, 2, 4, 6, 7, 8. Camden Property Trust 1, 2, 3, 5, 6, 7, 8, 9, 10, 11. CBL & Associates Properties, Inc. 1. CHIMERA INVESTMENT CORPORATION 1, 5, 9. Choice Hotels International, Inc. 1. Colonial Properties Trust 1, 2, 5, 6. Corporate Office Properties Trust 1. CSX Corp. 1, 2, 5, 6, 7, 10, 11, 12. D.R. Horton Inc. 1, 3, 8, 10, 11. DDR Corp. 1, 2, 5, 6. Digital Realty Trust 1, 2, 6. Douglas Emmett, Inc. 1. DuPont Fabros Technology 1, 5. EastGroup Properties, Inc. 1. Equity Residential 1. Essex Property Trust, Inc. 1, 5. Federal Realty Investment Trust 1, 3, 8. FedEx Corp. 1. General Growth Properties, Inc. 1, 2, 6. Government Properties Income Trust 1, 2, 6, 7. Hatteras Financial Corp 1. HCP Inc. 1, 2, 5, 6, 7. Health Care REIT Inc. 1, 2, 4, 5, 6, 7, 8, 9. Home Properties, Inc. 1. Hovnanian Enterprises 1. Hyatt Hotels Corp 1, 2, 6, 7. Kansas City Southern 1, 2, 6, 10, 11. KB Home 1, 10, 11, 13. Kilroy Realty Corporation 1. Kimco Realty Corporation 1, 2, 4, 5, 6, 7, 8, 10, 11. Las Vegas Sands Corp. 1, 2, 5, 6. Lennar 1, 2, 6, 7. M/I Homes Inc. 1. Macerich Co 1. Mack-Cali Realty Corp. 1. Marriott International, Inc. 1, 10, 11. MDC Holdings, Inc. 1. Meritage Corporation 1, 6. Metro-Goldwyn-Mayer Inc.. MFA Mortgage Investments Inc. 1, 3, 5, 8, 9. Mid-America Apartment Communities, Inc. 1, 2, 5, 6, 7. National Retail Properties, Inc 1, 2, 5, 6, 7. Norfolk Southern Corp. 1, 2, 4, 6, 8, 10, 11, 12. NVR, Inc. 1. Parkway Properties, Inc. 1. Pennsylvania REIT 1, 6. Piedmont Office Realty Trust 1. Post Properties Inc. 1. Pro-Logis. Public Storage, Inc. 1, 2, 5, 6, 7. Pulte Homes 1, 2, 3, 6, 8, 10, 11. Ramco-Gershenson Properties Trust 1. Realty Income Corporation 1, 2, 5, 6, 7. Regency Centers Corp. 1, 5. Ryland Group 1, 10, 11. Senior Housing Properties Trust 1, 2, 5, 6, 7. Simon Property Group 1, 2, 5, 6, 7, 10, 11. SL Green Realty Corp 1, 2, 6, 13. Standard Pacific Corp. 1. Starwood Hotels & Resorts Worldwide, Inc 1, 12. Tanger Factory Outlet Centers 1, 7. Taubman Centers, Inc. 1. Toll Brothers 1, 10, 11. UDR Inc. 1. Union Pacific Corp. 1, 10, 11, 12. United Parcel Service 1, 2, 3, 4, 5, 6, 8, 10, 11, 14. Ventas Inc. 1, 2, 5, 6, 7, 10, 11. Vornado Realty Trust 1, 2, 6, 7. Weingarten Realty Investors 1. Wynn Resorts Limited 1, 2, 5, 6, 7, 13.

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