

# Housing Today

David M. Blitzer  
Managing Director & Chairman of the Index  
Committee  
Standard & Poor's

January 30, 2009

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.  
Copyright (c) 2006 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved.

The McGraw-Hill Companies

## For more information...

---

See

[www.homeprice.standardandpoors.com](http://www.homeprice.standardandpoors.com)

For monthly press release, complete data  
and index methodology.



## Topics

---

- **Disclaimer**
- **Housing Today**
- **How we got here**
- **Financial Fallout**
- **Where we're going**
- **Measurements and reality**

5.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## Standard & Poor's

---

- **S&P publishes the S&P/Case-Shiller Home Price Indices which I will use in today's discussion..**
- **My position at S&P is in Index Services and includes oversight of our home prices indices.**
- **S&P also publishes ratings on various kinds of fixed income securities**
- **I am not part of S&P's Ratings Services and I will not discuss S&P ratings nor any other issues related to S&P's ratings.**

6.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

---

# Housing Today

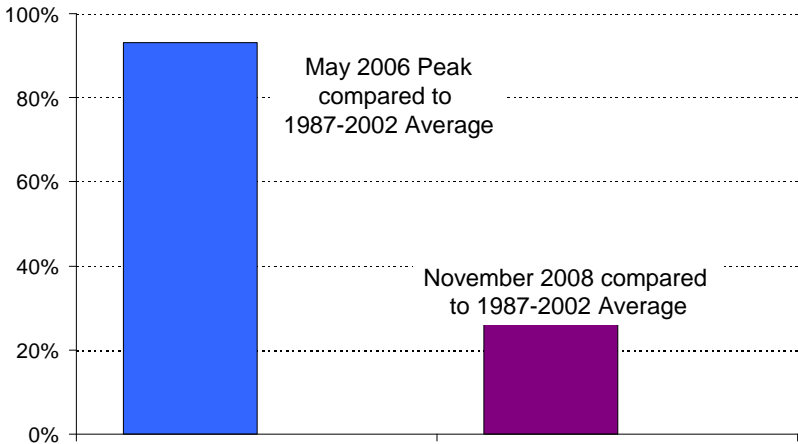
---

7. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## Houses Over Valued

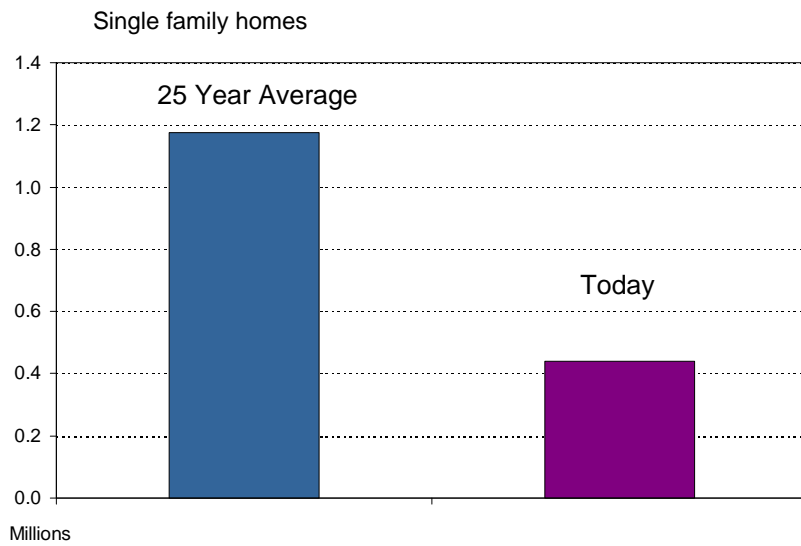
Inflation adjusted data based on CPI and S&P/Case-Shiller 10-City Composite



8. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## Housing Starts Way Down

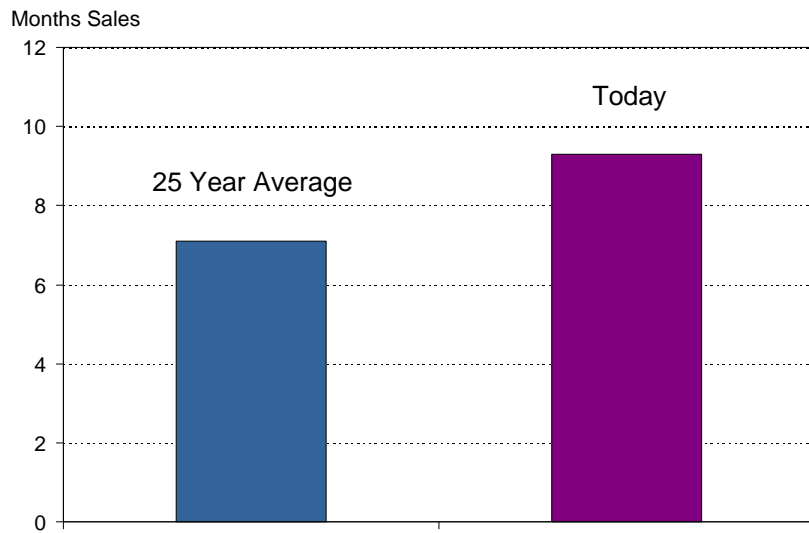


9.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## Existing Home Inventories High

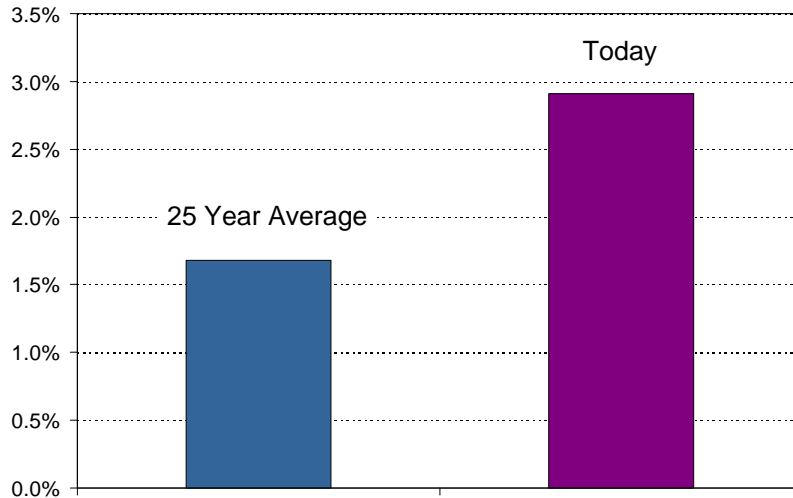


10.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



### Mortgage Rates Spread Over 10 year Treasuries



Based on 30 year fixed rate mortgages, data from St. Louis FRB

11. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



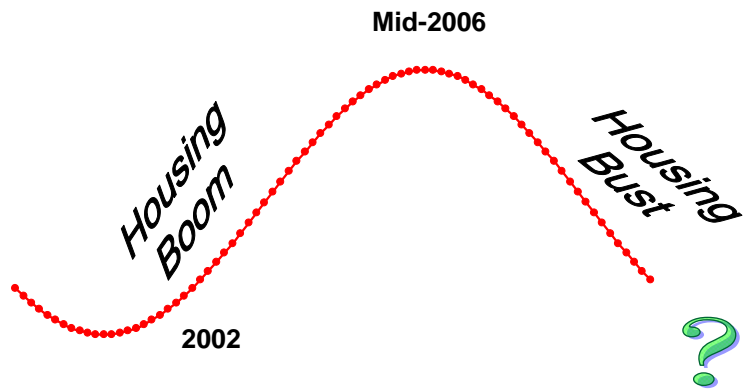
### Where we are

Home Prices Overvalued	+34%
Housing Starts very weak	-62%
Existing Homes Inventory Overhang	+31%
Wide Mortgage rate spread over 10 yr Treasury	+123 bp

12. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## Where are we?



13. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## The Boom

### Setting the stage

- Avoiding stocks after the bear market of 2000-2002
- Easy money and low interest rates
- Ongoing policy efforts to spur home ownership

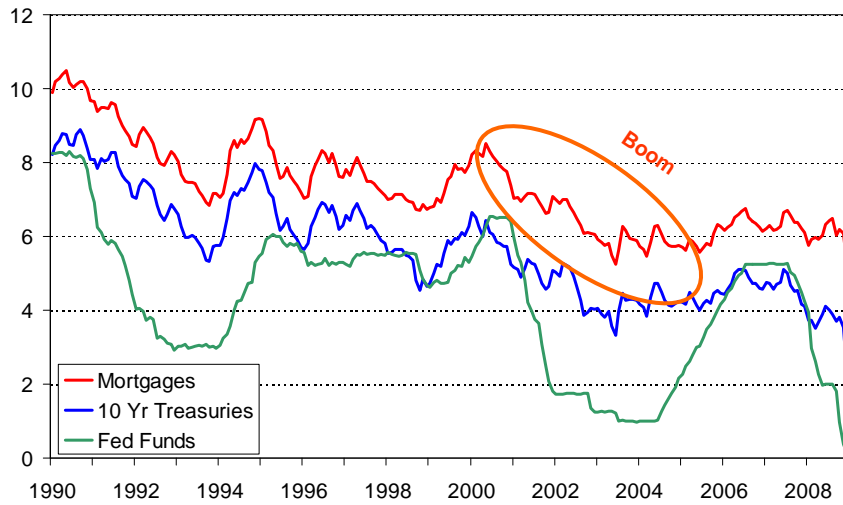
### Results

- Construction boom
- Rapid mortgage expansion
- Rising house prices

14. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## Interest Rates

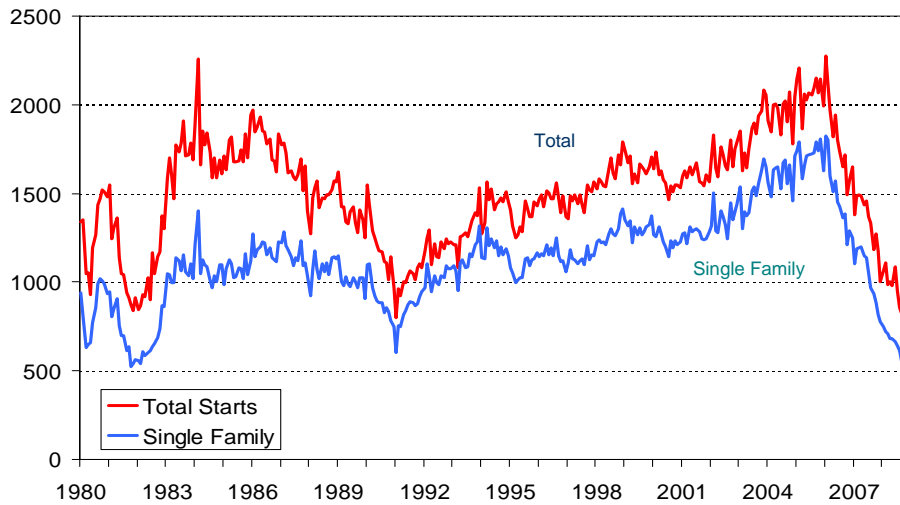


15.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## Booming Housing Starts

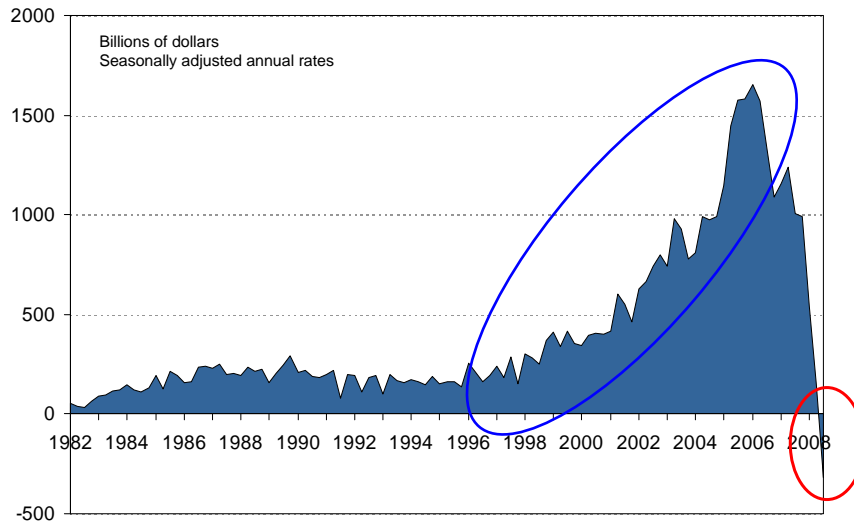


16.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## Net Increase in Home Mortgages

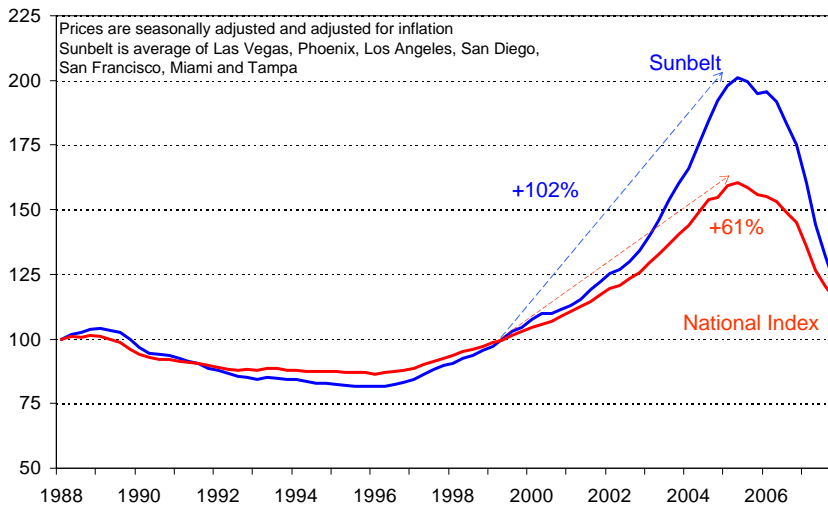


Flow of Funds table F 217, Federal Reserve

17. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## Where Home Prices Surged

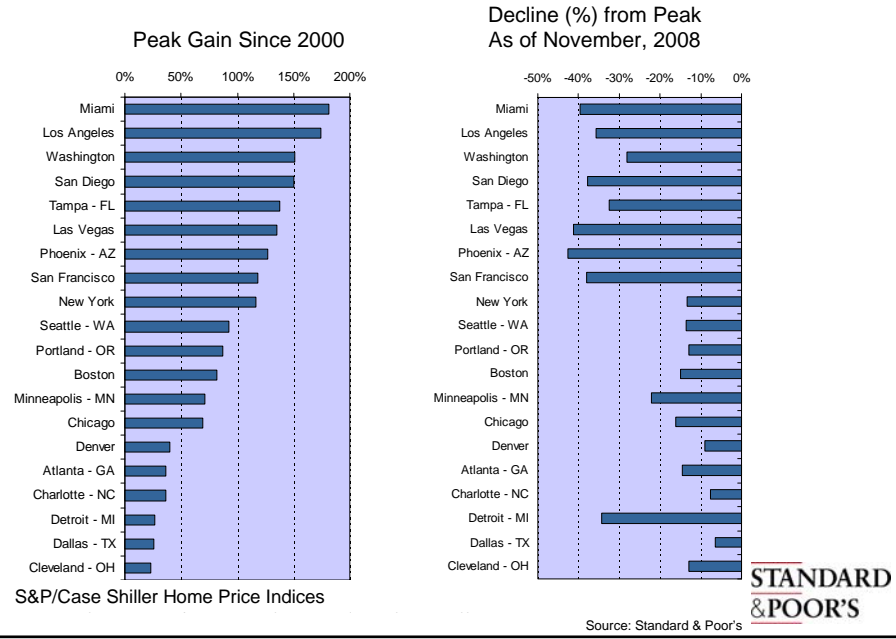


Source: S&P/Case-Shiller Home Price Indices, U.S. CPI

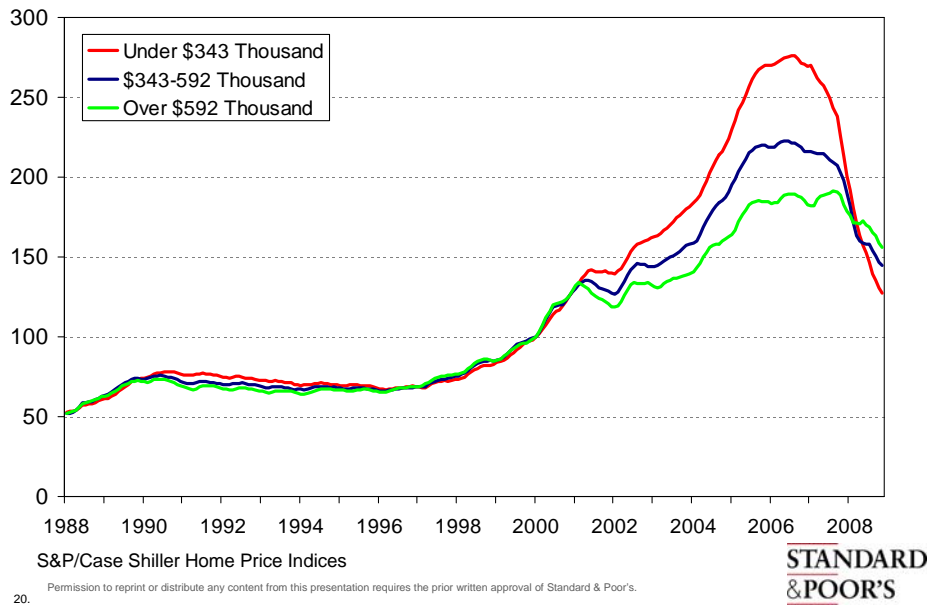
18. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

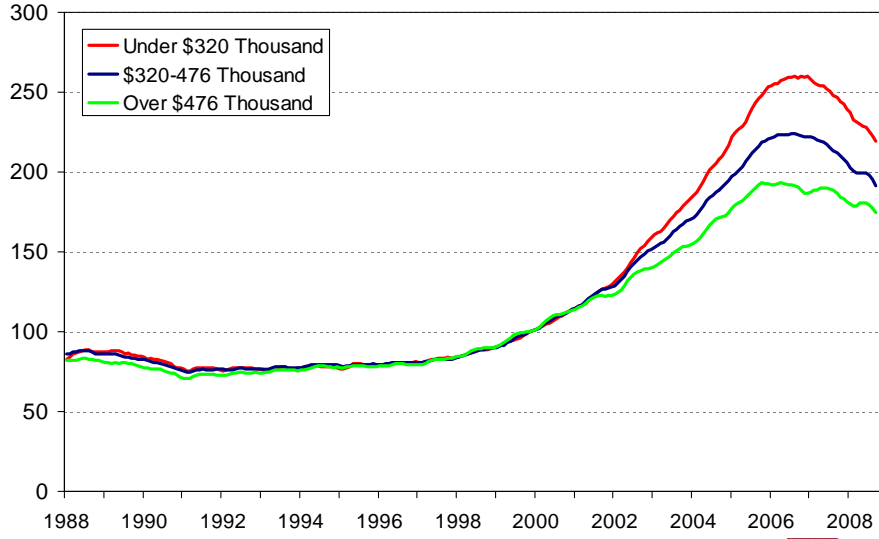
## Regional Trends



## Tiered Home Price Indices for San Francisco



### Tiered Home Price Indices for New York

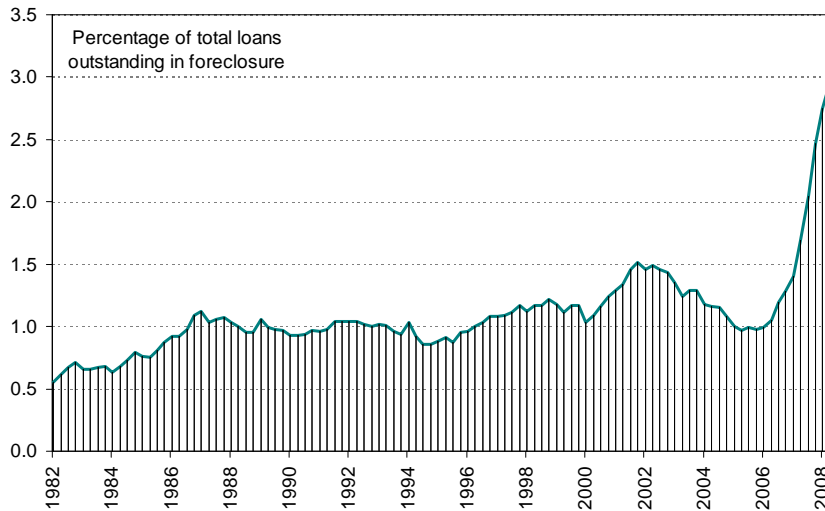


S&P/Case Shiller Home Price Indices

21. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



### Foreclosures

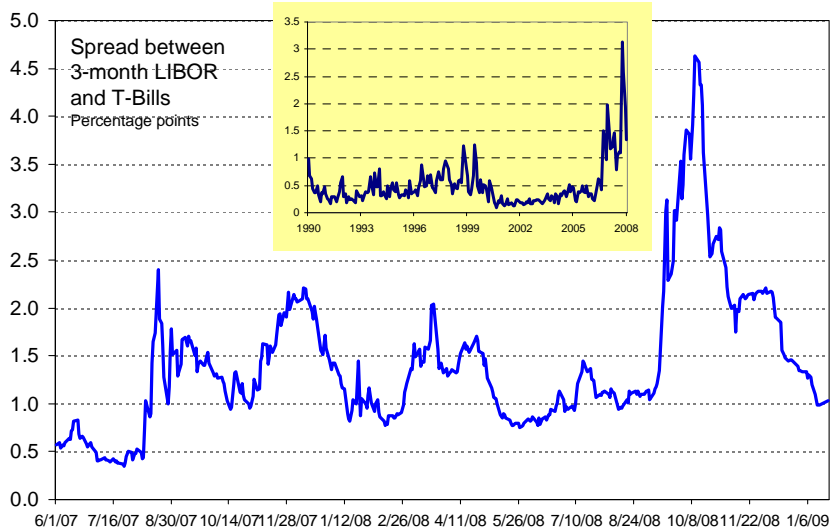


Mortgage Bankers Association data via Bloomberg

22. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.



## The TED Spread



23. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## What Next...

- **Credit crisis resolution will take time**
- **Recession began December 2007, will last into second half 2009 and be longest since WW 2**
- **unemployment rate forecasts range from a peak over 8% up to 10%**
- **Home prices continue to slide..**
  - David Wyss, S&P chief economist – Bottom is Q1-2010, about 33% below the peak – prices now down 24%
  - Strong regional pattern intact with Sunbelt worst hit section

24. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## What happened?

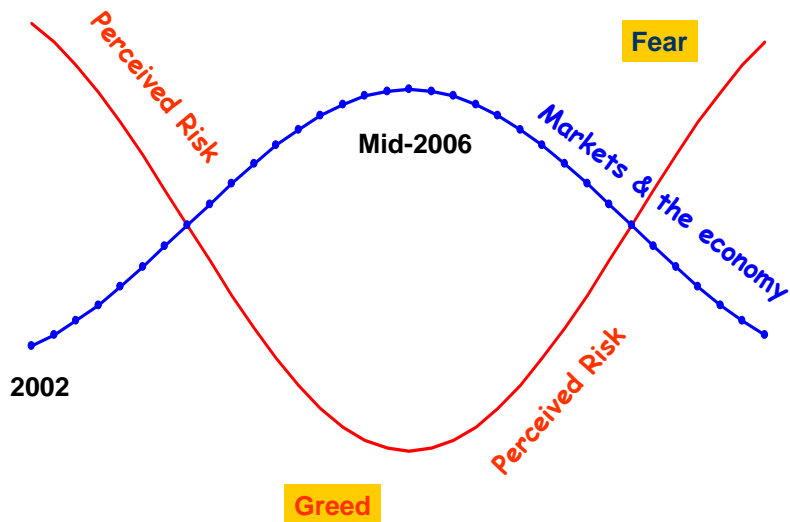
### ***Boom and Bust...***

- *Risk Perceptions*
- *Disappearing information*

25. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

## The Risk Cycle



26. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

STANDARD  
& POOR'S

---

**To understand the risks, what should we watch?**

**Prices**

27. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

### **S&P/Case-Shiller® Home Price Indices**

**The most accurate measure of U.S. home price trends**

The national index

20 metro area indices

Two multi-city composites

Tiered Low/Mid/High Price indices

28. Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## S&P/Case-Shiller® Home Price Indices

---

- **Indices use the repeat sales method to assure accuracy in markets because no two houses are alike.**
  - Repeat sales derives the price changes from the changes on individual homes from one time the home is sold to the next time its sold,
  - The eliminates problems found in using medians or averages when the mix of homes being sold each month is constantly changing.
  - The repeat sales approach can be applied to entire housing markets, to geographic regions or to segment such as low-price homes.

29.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## S&P/Case-Shiller® Home Price Indices

---

- **The S&P/Case-Shiller® does not include new homes**
  - New homes sales are a separate market from sales of existing homes
  - Economic conditions have different impacts on home builders than on individual home owners.
- **S&P/Case-Shiller® Indices cover the entire market for a given geographical area**
  - Other repeat sales indices exclude some homes based on financing terms
- **Residential real estate markets move at a different pace than the financial markets**
  - While it may take a few seconds to buy or sell 100 shares of a stock, it takes days, weeks or months to buy or sell a home. Data frequencies need to reflect market speed and conditions.

30.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## **S&P/Case-Shiller® Indices and Foreclosures**

---

- **S&P/Case-Shiller® indices are based on arms-length transactions.**
- **If a lender forecloses on a home and the home is sold, that sale will be included in the S&P/Case-Shiller® data.**
  - If the title and ownership of a home is transferred from the borrower to the lender to satisfy the mortgage without an arms-length transaction, that title transfer will be excluded from the data.
- **S&P/Case-Shiller® indices reflect the price impact of foreclosures and defaults.**

31.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

---

# **Thank you**

For more information:

[www.homeprice.standardandpoors.com](http://www.homeprice.standardandpoors.com)

for S&P/Case-Shiller Home Price Indices  
data and methodology

32.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

## Disclaimer

- Standard & Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. Standard & Poor's does not undertake to advise of changes in the information in this presentation. "Standard & Poor's", "S&P" and "S&P 500" are trademarks of The McGraw-Hill Companies, Inc.
- This presentation has been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. Standard & Poor's makes no representation with respect to the accuracy or completeness of the presentation, whose content may change without notice. Standard & Poor's disclaims any and all liability relating to these materials, and makes no express or implied representations or warranties concerning the statements made in, or omissions from, these materials. No portion of this presentation may be reproduced in any format or by any means including electronically or mechanically, by transcribing, recording or by any information storage or retrieval system, or by any other form or manner whatsoever, without the prior written consent of Standard & Poor's.
- Standard & Poor's does not guarantee the accuracy and/or completeness of the S&P/Case-Shiller U.S. Home Price Index, any data included therein, or any data from which it is based, and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor's makes no warranty, express or implied, as to results to be obtained from the use of the S&P/Case-Shiller U.S. Home Price Index. Standard & Poor's makes no express or implied warranties, and expressly disclaims all warranties of suitability with respect to the S&P/Case-Shiller U.S. Home Price Index or any data included therein. Without limiting any of the foregoing, in no event shall Standard & Poor's have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.
- Standard & Poor's does not sponsor, endorse, sell, or promote any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of the S&P/Case-Shiller U.S. Home Price Index. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this presentation. Prospective investors are advised to make an investment in any such fund or vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or vehicle.
- Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.
- Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

33.

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.

**STANDARD  
& POOR'S**

**STANDARD  
& POOR'S**

[www.standardandpoors.com](http://www.standardandpoors.com)

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.