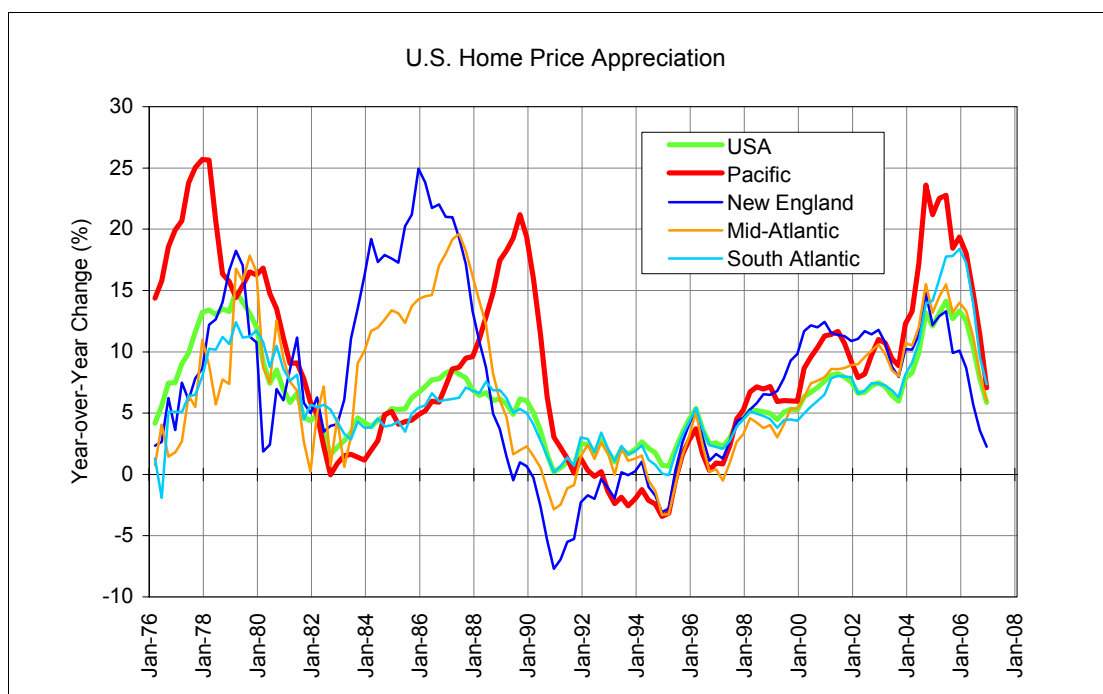


Securitization & Real Estate Update 3/1/07

OFHEO 2006Q4 update shows U.S. home price appreciation slowing, but still positive overall

1 March 2007

During the fourth quarter U.S. home price appreciation rose 1.12% quarter-to-quarter, an increase of 4.47% on an annualized basis, according to the Office of Federal Housing Enterprise Oversight (OFHEO).¹ Nationwide, home prices steadied over the last six months of 2006, as 2006Q3 results showed quarterly appreciation of 1.03% or 4.11% annualized. Despite the slight increase in home prices from the third quarter, the longer-term national trend continues to point to a slowing housing market. Today's figure signals the fourth consecutive quarter that U.S. year-over-year home price appreciation has slowed, from a level of 13.25% as of the fourth quarter of 2005 down to a current rate of 5.87%. Although this figure is smaller than some of the substantial price gains witnessed in recent quarters, the fact that home prices are still rising somewhat contradicts the pervasive pessimism surrounding the housing market. Home price growth of 5.9% year-over-year continues to outpace the Consumer Price Index, excluding shelter, which rose just 0.9% from year-end 2005.



Source: Office of Federal Housing Enterprise Oversight, Bloomberg (HPI)

Looking at results on a state level, certain states displayed the cooling off that we have expected for some time. California experienced quarterly home price depreciation in 21 of OFHEO's 26 ranked

¹ Russell, C. and S. Mullin, *House Price Index for the Fourth Quarter of 2006*, Office of Federal Housing Enterprise Oversight, press release (1 Mar 2007). See <http://www.ofheo.gov/media/pdf/4q06hpi.pdf>

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metropolitan areas. As a result, California reported a quarterly decrease of 0.38% in home prices from the third quarter. Nevada, which had the fastest statewide appreciation just two years ago, was down 0.16% in the quarter. At the same time, New York posted quarterly appreciation of 1.32%, Florida 0.77%, Texas 1.25%, and Illinois 1.00%. In total, five states experienced quarter-to-quarter home price depreciation, as Hawaii lead the way with a 0.80% or 3.20% annualized decrease in prices. On the other hand, Utah led the states posting quarterly appreciation with a quarterly rate of 3.67% or 14.68% annualized.

When examining Metropolitan Statistical Areas (MSAs) for areas that are prominent in MBS deals, Miami-Miami Beach-Kendall, FL ranked as the 13th fastest appreciating MSA with a 1-year increase of 15.30%, up 1.86% from the third quarter. OFHEO’s “Bottom 20” MSA ranks, which list the areas with the slowest home price appreciation, contained four California MSAs. Santa Barbara-Santa Maria-Goleta, CA was the worst performer in the state and had 1-year home price depreciation of 4.2%, a decrease of 3.65% from the third quarter. Some other key MSA statistics were:

MSA	Appreciation/Depreciation Rate	
	Quarter-to-Quarter	1-year
Bridgeport-Stamford-Norwalk, CT	-1.13%	2.30%
Dallas-Plano-Irving, TX	0.62%	4.11%
Fort Lauderdale-Pompano beach-Deerfield Beach, FL	-1.14%	7.41%
Las-Vegas-Paradise, NV	0.06%	5.36%
Los Angeles-Long Beach-Glendale, CA	0.13%	9.20%
Naples-Marco, FL	-2.08%	7.94%
New Orleans-Metairie-Kenner, LA	1.51%	12.58%
New York-White Plains-Wayne, NY/NJ	0.70%	6.14%
Pensacola-Ferry Pass-Brent, FL	-1.32%	1.87%
Phoenix-Mesa-Scottsdale, AZ	0.78%	9.04%
Riverside-San Bernardino-Ontario, CA	0.39%	8.50%
Sacramento-Arden-Arcade-Roseville, CA	-1.20%	-2.41%
San Diego-Carlsbad-San Marcos, CA	-0.90%	0.18%
San Francisco-San Mateo-Redwood City, CA	-1.19%	2.06%
Sarasota-Bradenton-Venice, FL	-0.68%	3.29%
Tampa-St. Petersburg-Clearwater, FL	1.64%	11.42%

Source: Office of Federal Housing Enterprise Oversight (OFHEO)

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