



# R P X M O N T H L Y H O U S I N G M A R K E T R E P O R T

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January 2009

## ***Key Characteristics***

- On a year-over-year basis, the decline in home sales slowed in January, indicating significant demand for homes at “motivated” prices. Sales across the 25 MSAs tracked by Radar Logic declined 6% in the year ending January 2009, versus 36% in the prior year. Eight of the MSAs saw transaction activity increase and 12 more saw transactions decrease less than a year earlier.
- Month-over-month declines in home sales from September 2008 through January 2009 reflect the historical seasonal pattern. According to the National Association of Realtors, the historical pattern continued with an increase in existing-home sales during February, the traditional start to the spring buying season.
- Motivated sales, which now account for over a third of all transactions in the 25 MSAs tracked by Radar Logic, have started to exhibit the seasonal patterns that characterize housing markets on the whole.
- The growth of motivated sales as a share of total transactions contributed to a 23% year-over-year decline the 25-MSA RPX Composite from January 2008 to January 2009.
- Year-over-year price dynamics improved in Milwaukee, St. Louis and Sacramento. In Milwaukee, home prices increased 1% from January 2008 to January 2009. In Sacramento, year-over-year price declines slowed from 27.8% between 2007 and 2008 to 27% between 2008 and 2009. In St. Louis, year-over-year declines slowed from 7.6% in January 2008 to 6.5% in January 2009.
- Price fixings for RPX forwards imply that participants in the RPX market expect home prices to fall at least into next year.

## ***Discussion***

On a year-over-year basis, the decline in home sales slowed in January, indicating significant demand for homes at “motivated” prices. Total home sales across all 25 metropolitan statistical areas (MSAs) tracked by Radar Logic declined 6% from January 2008 to January 2009, versus 36% from January 2007 to January 2008. Eight of the 25 MSAs displayed an increase in transaction counts compared to January 2008, and 12 more MSAs saw transaction counts decrease less in the year ending January 2009 than in the prior year.

The slowing annual rate of decline in transactions was due to large increases in motivated sales, which Radar Logic defines as sales to third parties at foreclosure auctions and sales of foreclosed homes by financial institutions and foreclosure service firms. While the rapid increase of motivated sales reflects the increase in foreclosures over the last year, it also reflects significant demand for homes that are priced at “motivated” discounts. Motivated sales in the 25 MSAs increased by over 100% in each of the two years leading up to January 2009. From January 2007 to January 2008, motivated sales increased 119%, and from January 2008 to January 2009, motivated sales increased by another 106%, resulting in more than a fourfold increase in just two years. All other sales decreased 44% between January 2007 and January 2008, and 28% between January 2008 and January 2009. The increase in motivated sales and decrease in other sales caused motivated sales to

increase from 5% of total sales in January 2007 to 17% of total sales in January 2008 and 36% of total sales in January 2009.

Since 2000, the beginning of Radar Logic's historical data, total transactions in the 25 MSAs have generally fallen from September through January on a month-over-month basis and then started their spring rally in February. Data from Radar Logic and the National Association of Realtors (NAR) show that, in most of the country, the same seasonal pattern occurred in 2008 and 2009. According to Radar Logic data, sales in most MSAs followed their historical seasonal pattern from September through January. Transactions across all 25 MSAs fell 17% in January, which was significantly larger than the 5% decline in the same period a year earlier, but the price decline last January was smaller than average for that time of year and the decline this January was within historical norms. According to existing home sales figures published by NAR, sales in most regions of the U.S. increased this February in accordance with the historical pattern, but the western markets were a notable exception. According to NAR, existing home sales in the West continued to decline through February, in contrast to the historical pattern displayed by the western MSAs tracked by Radar Logic, which have displayed transaction count increases in every February since the beginning of Radar Logic's data history.

Over the last year, as motivated sales increased to over a third of all transactions in Radar Logic's 25 MSAs, they started to exhibit the seasonal patterns that characterize housing markets on the whole. From December 2007 - when motivated sales accounted for roughly one-eighth of all transactions - through March 2008, motivated sales grew by no less than 16% a month. They showed no sign of the seasonal slowing displayed by market-wide sales figures in most MSAs. In September 2008, when motivated sales had grown to a quarter of all transactions, they started to replicate the seasonal trends displayed by other sales. As market-wide home sales started to descend toward their winter lows, the month-over-month growth of motivated sales slowed to 3% from 11% in August. In the following months, motivated sales declined along with all other sales. However, notwithstanding their month-over-month declines in recent months, motivated sales remain at very high levels relative to previous years. Moreover, motivated sales continue to increase as a share of total sales because all other sales are declining much more quickly. Since the beginning of the seasonal downturn in September, motivated sales have decreased roughly 14% while other sales have declined 50%. In January 2009, motivated sales decreased 6% from December, while other sales decreased 22%.

The growing share of motivated sales has put pressure on RPX prices. On average, the 25-MSA composite price for motivated transactions was 36% lower than the composite price for other transactions between January 2008 and January 2009. Consequently, the rise of motivated sales from 17% to 36% of transactions during that period played a significant role in the decrease of the 25-MSA composite price for all sales. The 25-MSA RPX Composite fell by 23% from January 2008 to January 2009. Had the relative proportions of motivated sales and other sales remained constant at January 2008 levels, the price decline in the Composite would have been closer to 19%.

Year-over-year price dynamics improved in Milwaukee, St. Louis and Sacramento. In Milwaukee, where the housing market has performed relatively well throughout the housing crisis, home prices increased 1% from January 2008 to January 2009. This is in contrast to a 0.8% decline from January 2007 to January 2008. In Sacramento, one of the worst performing MSAs during the housing crisis, year-over-year price declines slowed from 27.8% between 2007 and 2008 to 27% between 2008 and 2009. Likewise, the year-over-year decline in the RPX price for St. Louis slowed from 7.6% in January 2008 to 6.5% in January 2009.

Home prices declined on a year-over-year basis in 24 of the 25 MSAs tracked by Radar Logic. Phoenix saw the largest year-over-year price declines in January. Home prices in Phoenix fell 36.9% from January 2008 to January 2009 compared to 14.6% from January 2007 to January 2008.

Price fixings for RPX forwards imply that participants in the RPX market expect home prices to fall at least into next year and then to rise again in 2011. Fixings imply that the 25-MSA RPX Composite will fall 21.7% from January 30, 2009, to the end of the year and 26% from January 30, 2009, to the end of 2010.

### Exhibit 1: 25 Metropolitan Statistical Areas (MSAs, Ranked by 1-Year % Change)

Jan 2009 Rank	Dec 2008 Rank	MSA	PPSF	Jan 2009 vs. Jan 2008	Jan 2008 vs. Jan 2007	Jan 2009 vs. Dec 2008	Jan 2008 vs. Dec 2007
1	4	Milwaukee, WI	\$106.90	1.0%	-0.8%	1.0%	-6.0%
2	1	Philadelphia, PA	\$139.39	-5.8%	-1.0%	-3.3%	0.5%
3	3	St. Louis, MO <sup>1</sup>	\$94.10	-6.5%	-7.6%	-5.5%	-4.7%
4	2	Columbus, OH	\$84.69	-7.6%	-2.4%	-3.4%	0.5%
5	6	Charlotte, NC	\$87.55	-8.4%	3.9%	-0.1%	-0.4%
6	5	Cleveland, OH	\$75.72	-10.8%	-6.1%	-3.4%	-0.5%
7	7	Denver, CO	\$111.76	-12.5%	-9.1%	-6.3%	-4.1%
8	10	Seattle, WA	\$181.42	-13.7%	-1.4%	-4.1%	-3.0%
9	8	Atlanta, GA	\$78.47	-14.2%	-9.2%	-2.5%	0.4%
10	17	Washington, DC	\$178.76	-16.5%	-8.7%	3.6%	-6.7%
11	11	Jacksonville, FL	\$94.23	-17.2%	-3.9%	-5.1%	-0.5%
12	9	New York, NY	\$241.69	-17.2%	2.1%	-3.8%	2.0%
13	12	Chicago, IL	\$138.75	-19.2%	-3.2%	-3.3%	1.3%
14	15	Detroit, MI	\$75.13	-20.7%	-13.2%	-4.9%	-6.4%
15	13	Minneapolis, MN	\$113.33	-20.9%	-7.2%	-5.7%	-0.4%
16	14	Boston, MA	\$158.32	-23.7%	-9.0%	-7.8%	-1.2%
17	16	Tampa, FL	\$87.70	-25.1%	-15.6%	-5.2%	-3.1%
18	19	Los Angeles, CA	\$237.77	-26.9%	-16.6%	-2.0%	-1.8%
19	21	Sacramento, CA	\$121.00	-27.0%	-27.8%	-3.3%	-4.0%
20	20	San Diego, CA	\$190.56	-27.9%	-21.2%	-3.2%	-2.1%
21	22	San Jose, CA	\$297.82	-28.8%	-8.8%	-2.5%	-4.3%
22	18	Miami, FL	\$122.42	-30.5%	-14.4%	-4.2%	1.1%
23	23	Las Vegas, NV	\$93.87	-31.3%	-25.4%	-3.9%	-4.7%
24	24	San Francisco, CA	\$238.53	-35.1%	-13.3%	-6.8%	-6.8%
25	25	Phoenix, AZ	\$85.59	-36.9%	-14.6%	-3.7%	-2.2%
		Manhattan Condo <sup>2</sup>	\$1,136.84	0.1%	11.9%	-3.7%	0.3%

Source: 28-Day RPX value for each MSA as of 1/30/2009

■ = positive ■ = neutral ■ = negative

<sup>1</sup> Historical prices used to calculate changes in St. Louis include late-arriving data not included in published series

<sup>2</sup> Manhattan Condo is a subset of the New York MSA

### Exhibit 2: Metro Areas Ranked by 2-Year and 5-Year Annualized Change

Rank	MSA	% Change
1	Milwaukee, WI	0.1%
2	Charlotte, NC	-2.4%
3	Philadelphia, PA	-3.4%
4	Columbus, OH	-5.0%
5	St. Louis, MO	-7.1%

Rank	MSA	% Change
1	Las Vegas, NV	-28.4%
2	Sacramento, CA	-27.4%
3	Phoenix, AZ	-26.6%
4	San Francisco, CA	-25.0%
5	San Diego, CA	-24.6%

Rank	MSA	% Change
1	Seattle, WA	4.8%
2	Philadelphia, PA	4.1%
3	Milwaukee, WI	4.0%
4	New York, NY	2.5%
5	Washington, DC	1.7%

Rank	MSA	% Change
1	Detroit, MI	-8.2%
2	Sacramento, CA	-7.0%
3	San Diego, CA	-6.5%
4	Boston, MA	-5.8%
5	San Francisco, CA	-4.9%

Source: 28-Day RPX™ analytics as of 1/30/2009

### Exhibit 3: Transaction Counts<sup>1</sup>

MSA	Jan 2009 vs. Jan 2008	Jan 2008 vs. Jan 2007	Jan 2009 vs. Dec 2008	Jan 2008 vs. Dec 2007
Sacramento, CA	47.9%	-16.0%	-10.3%	-1.3%
Los Angeles, CA	43.2%	-43.0%	10.5%	20.7%
San Jose, CA	38.7%	-45.4%	-3.6%	2.4%
San Francisco, CA	37.4%	-39.6%	-13.7%	-17.8%
San Diego, CA	25.0%	-2.1%	-2.6%	35.5%
Phoenix, AZ	17.5%	-46.7%	-7.7%	7.7%
Boston, MA	10.0%	-25.2%	-18.0%	-20.7%
Washington, DC	7.5%	-23.2%	-26.9%	-21.4%
Chicago, IL	-0.3%	-49.1%	-22.4%	-30.7%
Miami, FL	-9.6%	-42.5%	-26.3%	-10.2%
Tampa, FL	-11.4%	-38.2%	-28.6%	-18.8%
Detroit, MI	-15.5%	-31.6%	21.3%	27.7%
Denver, CO	-16.6%	-18.1%	-20.2%	-7.6%
Atlanta, GA	-18.3%	-38.4%	-24.8%	-0.5%
Philadelphia, PA	-19.0%	-24.9%	-14.3%	-15.4%
Minneapolis, MN	-22.1%	-34.9%	-29.2%	-7.4%
Cleveland, OH	-26.1%	-32.7%	-29.9%	7.2%
Jacksonville, FL	-26.2%	-47.9%	-38.7%	-26.9%
Seattle, WA	-32.8%	-40.5%	-14.1%	-15.7%
Las Vegas, NV	-38.7%	-48.5%	-47.1%	2.1%
Milwaukee, WI	-39.4%	-37.6%	-37.1%	-24.2%
New York, NY	-40.6%	-30.3%	-24.8%	-1.7%
St. Louis, MO <sup>2</sup>	-40.8%	-15.0%	-6.3%	-23.7%
Columbus, OH	-43.9%	-25.6%	-31.0%	-7.3%
Charlotte, NC	-59.9%	-18.5%	-25.7%	-8.0%
Manhattan Condominium	-56.1%	-0.5%	-12.8%	38.1%

Source: 28-Day RPX™ analytics as of 1/30/2009

<sup>1</sup> Transaction counts represent the transactions included in the calculation of the RPX Daily Prices and may not reflect transaction volume in the market.

<sup>2</sup> Historical transactions used to calculate changes in St. Louis include late-arriving data not included in published series

### Exhibit 4: Transaction Counts: Motivated<sup>3</sup> vs. Other Sales

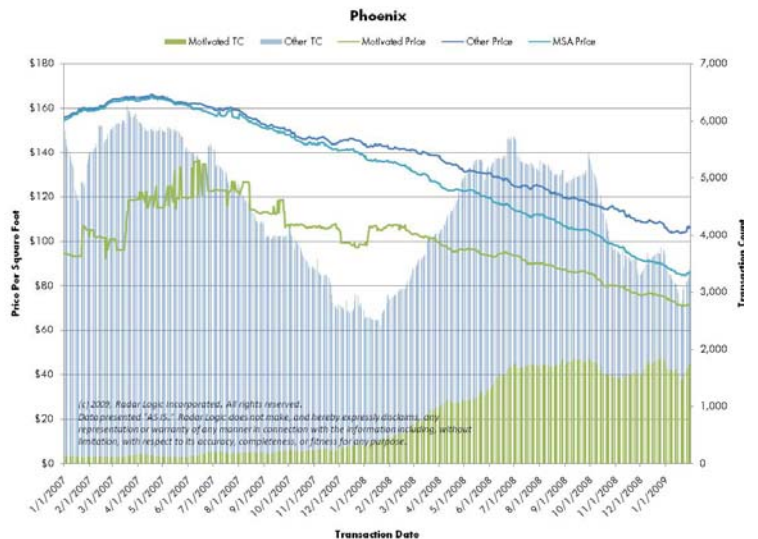
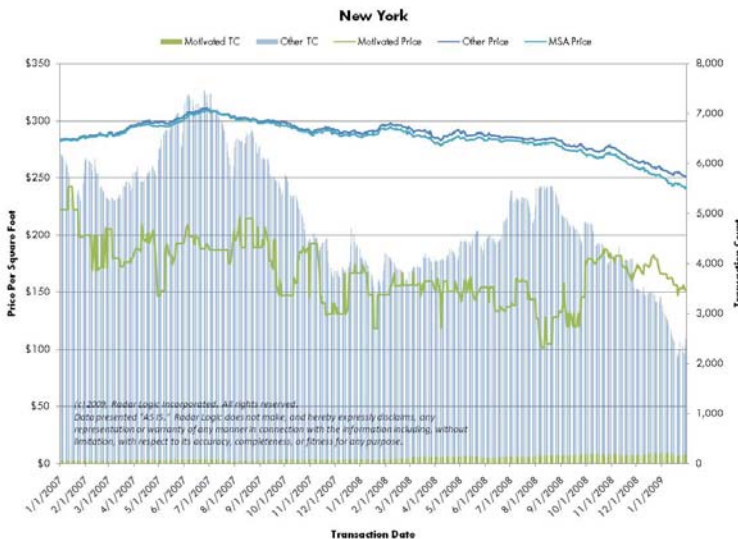
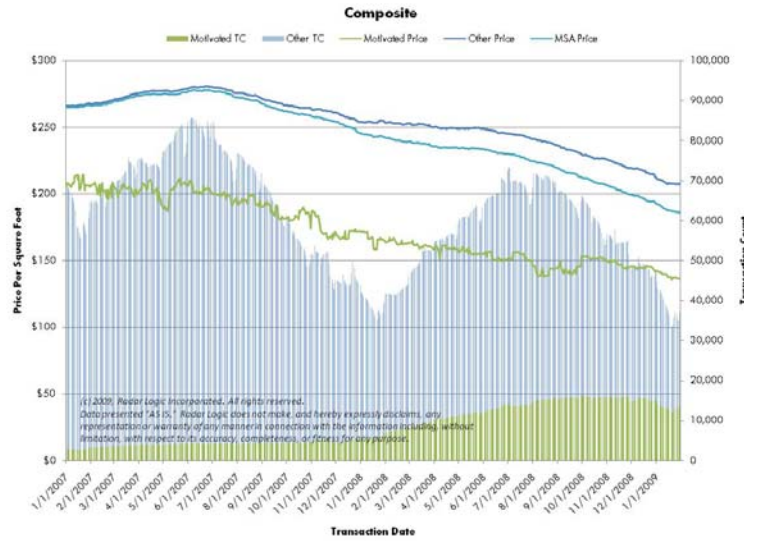
	Jan 09 % Motivated Sales	Jan 08 % Motivated Sales	Jan 09 vs. Jan 08 T.C. Change (Motivated)	Jan 09 vs. Jan 08 T.C. Change (Other)	Jan 09 vs. Dec 08 T.C. Change (Motivated)	Jan 09 vs. Dec 08 T.C. Change (Other)
Composite	36.2%	16.5%	105.6%	-28.2%	-5.7%	-22.1%
Los Angeles	45.9%	22.4%	193.3%	-0.2%	8.6%	12.1%
Miami	23.3%	7.5%	181.8%	-25.1%	-11.0%	-30.0%
New York	7.5%	2.2%	107.7%	-43.9%	-5.5%	-26.0%
Phoenix	51.6%	16.1%	277.1%	-32.3%	-2.7%	-12.4%

Source: 28-Day RPX™ analytics as of 1/30/2009

<sup>3</sup> Radar Logic defines motivated sales as foreclosure auction sales and liquidity-driven sales by financial institutions and foreclosure service firms.

## Exhibit 5: Tradable MSAs

The following graphs contain MSA price data and transaction counts available from Radar Logic.

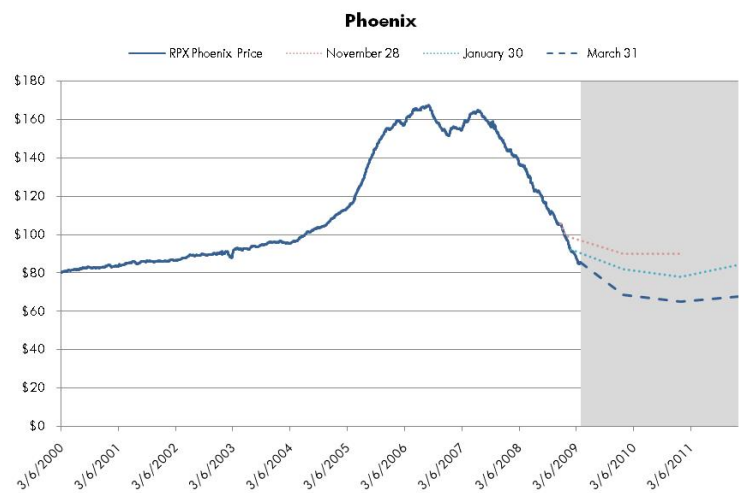
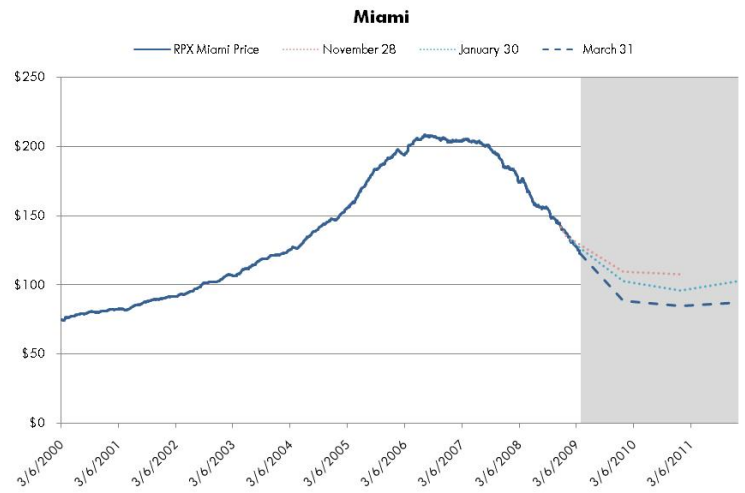
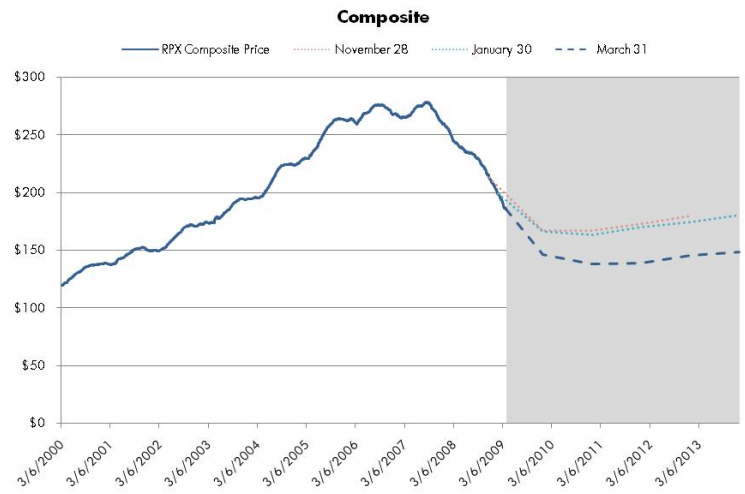
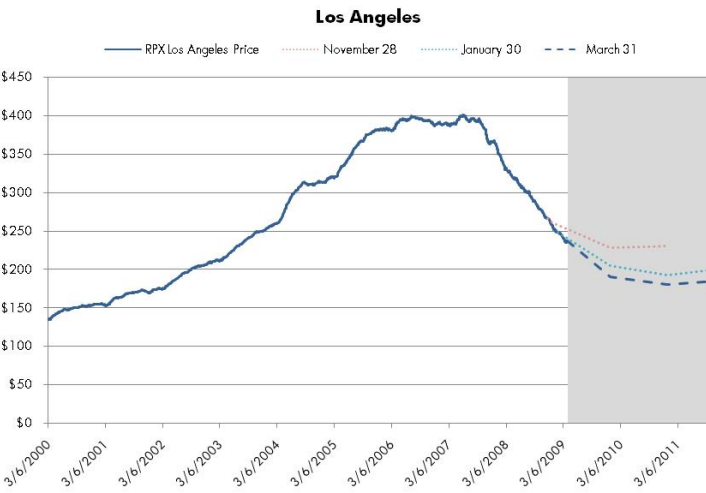


Source: 28-Day RPX™ analytics as of 1/30/2009

## Exhibit 6: RPX Forwards: Historical Fixings

Price fixings are established each trading day by a dealer poll and represent the midmarket expectation for the reference value to be published on the contract expiration date. Reference values represent the simple average of the 28-day RPX Daily Prices from the last five publication dates of each quarter (which correspond to transaction dates 63 days earlier).

For the following charts, the RPX prices are plotted on a publication date basis. The names of the series indicate the dates in 2008 and 2009 those price fixings were published.



## Exhibit 7: Forward Contract Implied HPA (Cumulative) as of 3/31/2009

	28-day RPX on 1/30/2009	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13
25 MSA Composite	\$186.39	-21.7%	-26.0%	-25.4%	-21.9%	-20.3%
Los Angeles, CA	\$237.77	-19.7%	-23.9%	-21.8%	N/A	N/A
Miami, FL	\$122.42	-27.3%	-30.6%	-28.5%	N/A	N/A
New York, NY	\$241.69	-21.4%	-27.6%	-27.6%	N/A	N/A
Phoenix, AZ	\$85.59	-20.0%	-24.1%	-21.1%	N/A	N/A

Source: Official 28-Day RPX fixings as of 3/31/2009

## **About Radar Logic**

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset, via property derivatives marketed by major financial institutions.

RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot. Data in the RPX Monthly Housing Market Report reflect the 28-day aggregated value of Radar Logic Daily Prices. The price per square foot metric used significantly reduces the influence of property sizes on overall housing price trends, which can skew results.

The Daily Prices for each MSA are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual MSAs. The RPX Monthly Housing Market Report is published 63 days after the last transaction date of every month, providing insight and detailed analysis of Radar Logic's 25 MSAs and the Manhattan Condo market. This study is based on the premise that there is not a national housing market; rather, each MSA, while having some economic influences in common, is influenced primarily by local conditions.

The February 2009 RPX™ Monthly Housing Market Report will be released on May 1, 2009, at 12:01 AM EST.

## **RPX Analytics & Research**

Radar Logic offers specialized analytic services which allow real estate and financial professionals to view current and historical price per square foot and transaction count trends for all markets and sub-markets we track. MSAs can be segmented by location (zip code and county), property type (single family, multi-family and condo), property size, date range, and sale price. The database is derived from our neutral, public source records.

Our data provide a means for all entities associated with or affected by housing prices to maintain market data streams on a constant, neutral and daily updated basis.

For additional insight on this report or for inquiries about research or analytic products, please contact:

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