RPX MONTHLY HOUSING MARKET REPORT

Release Date: August 25, 2011 June 2011

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Housing Markets Continue to Show Weakness

Early Signals Suggest We Are Going To See Another Leg Down

RPX futures are expected to begin trading on the CBOE Futures Exchange (CFE) early next month.

We believe contracts will trade initially at a significant discount to spot RPX prices given widespread pessimism about the housing market and continued evidence that housing is poised for further weakness. Ultimately we expect housing to recover, and believe RPX futures prices will eventually reflect that view. Given the volatility and uncertainty of other asset markets, it seems to us that, at a price, US housing is a good place to invest.

Most recent indicators point to weakness in the housing markets.

- The RPX Composite price, which tracks housing values in 25 major metropolitan markets in the United States, declined 4.7 percent year over year through June.
- The RPX Composite price increased less from January to June than in any other year on record apart from 2008, when home prices were in freefall throughout the year (see Exhibit 5). RPX prices typically increase in the first half of the year, reach their peak midsummer and decline in the last half of the year due to seasonal factors. As such, we are not likely to observe additional appreciation this year. If autumn 2011 is characterized by the rapid declines observed in autumn 2010, then the RPX Composite will reach new lows by next January.
- The 25-metropolitan-area RPX transaction count declined 6.6 percent in June on a year-over-year basis. This was the largest June-over-June decline since 2008 and the fourth largest on record. While the RPX transaction count increased on a month-over-month basis in June, the seasonal pattern in years past suggests that it has probably reached its seasonal peak and will likely decline through the end of the year.
- According to the National Association of Realtors, existing-home sales declined 3.5 percent in July to a seasonally adjusted annual rate of 4.67 million from 4.84 million in June. The supply of homes on the market at the current sales pace turned higher to 9.4 months from 9.2 in June and 9.1 in May.
- Sales of new single-family houses, as reported by the Census Bureau, declined 0.7 percent to a seasonally adjusted annual rate of 298,000 from 300,000 in July. The latest new-home sales report out of the Census Bureau also includes significant downward revisions for the seasonally adjusted annual rates for May and for June.
- Applications for mortgages to buy homes dropped to a 13-month low in the week ended Aug. 12, even as borrowing costs tumbled, according to the Mortgage Bankers Association.
- The delinquency rate for mortgage loans on one-to-four-unit residential properties increased in the second quarter to 8.44 percent of all loans, according to the 2nd Quarter 2011 National Delinquency Survey released by the Mortgage Bankers Association. According to Jay Brinkmann, Chief Economist at the MBA, "… it is clear that the downward trend we saw through most of 2010 has stopped. Mortgage delinquencies are no longer improving and are now showing some signs of worsening."
- Distressed sales are likely to increase as a percent of total home sales over the next six months. The ratio of distressed to total sales varies seasonally because non-distressed sales exhibit greater seasonal variation than distressed sales. The ratio reaches its low for the year in June and July, when non-distressed sales reach their

seasonal high, and then increases through January, as non-distressed sales progress to their seasonal trough (see Exhibit 8). This seasonal variation amplifies seasonal volatility in home price indices as sales of foreclosed homes, which on average across major US metropolitan areas sell for about 40 percent less than all other homes, make up a larger share of the transactions used to calculate indices in the winter and a smaller share in the summer.

The stagnation of the housing markets could very well drag on the overall economy.

In August 2010 we warned that a sluggish housing market could hamper the economic recovery and even hasten a return to recession. In our RPX Monthly Housing Market Report for June 2010, published August 26, 2010, we warned that “weakening housing demand coupled with a large and growing overhang of unsold homes make it likely that housing prices will fall by the end of the year, perhaps to new lows. If home prices make another large move downward, the chances of a second U.S. economic downturn will increase.” (As it turned out, we were right about prices reaching new lows by the end of 2010.) This week, another prominent housing market observer raised similar concerns. Karl Case, co-founder of the S&P/Case-Shiller home price index and professor emeritus of economics at Wellesley College in Massachusetts, told Bloomberg news that "there's a dramatic effect on an economy when a major sector is flat out. If housing takes another leg down, it's an accelerator. It's going to make a recession happen faster and deeper."

The Federal Government has requested public input on a plan to dispose of REO held by Fannie Mae, Freddie Mac and FHA via bulk sales to investors who will then offer the properties for rent. We have some concerns about the proposed strategy.

As we mentioned in the June 2010 report and have repeated many times since, the oversupply of homes for sale, potentially for sale (i.e., vacant but held off the market) and in the foreclosure process weighs heavily on housing values and delays the recovery of the housing market. Real estate owned (REO) by banks and other financial institutions makes up a large portion of the supply overhang. In an effort to reduce the excess supply of housing and cut the considerable cost of maintaining and protecting REO inventories held, directly or indirectly, by the Federal Government, the Federal Housing Finance Agency (FHFA), in consultation with the U.S. Department of the Treasury and Department of Housing and Urban Development, is seeking input on new options for selling the REO inventories at Freddie Mac, Fannie Mae and the Federal Housing Agency. Based on the official request for information released by the FHFA, it appears that the government’s preferred plan is to reduce the REO inventories of the government sponsored enterprises via bulk sales to investors who will then convert the properties to rentals.

While we appreciate the attention that the Federal Government has focused on the housing market, we have concerns about the bulk sales approach. First, unless careful steps are taken to prevent it, we fear that bulk sales of REO properties could have an adverse effect on the appraised values of homes, and therefore home sales. In the course of a REO bulk sale, the individual homes included in the sale will be effectively valued below REO properties sold individually, and far below comparable homes sold in non-distressed sales. A bulk sale could therefore create a large number of low-priced “comps” that lead to misleadingly low appraisals for REO properties sold individually and homes sold in non-distressed sales. The low appraisals could then scuttle home sales. Even if local appraisers do not use the bulk-sale properties as comps, there are many automated valuation models (AVMs) that would likely incorporate the prices of those homes unless there was some way to designate them as bulk-sale properties. This issue should be taken into consideration by anyone trying to implement a bulk sale program.

Our second concern is that bulk sales will require the Enterprises to record a loss on the REO properties relative to the principal balance of the defaulted loans. We believe these losses, which will ultimately be passed to taxpayers, could be huge.

We plan to propose an alternative strategy to the FHFA. Our strategy will take a two-pronged approach to reducing the Entreprises’ REO inventories. The first prong prevents the addition of new REO properties to the Enterprises’ portfolios by restructuring distressed mortgages rather than foreclosing on them. We have developed a novel yet simple plan for replacing distressed mortgages with a bundle of securities, including debt and equity elements, which can be distributed to investors. The second prong of the strategy entails the Enterprises renting out the properties in their REO portfolios through partnerships with private-sector property managers while retaining ownership of the properties. We believe our two-pronged strategy will reduce the REO portfolios of the Enterprises and reduce the oversupply problem currently facing the housing market while avoiding a devastating loss to taxpayers. We will publish our recommendations next month.

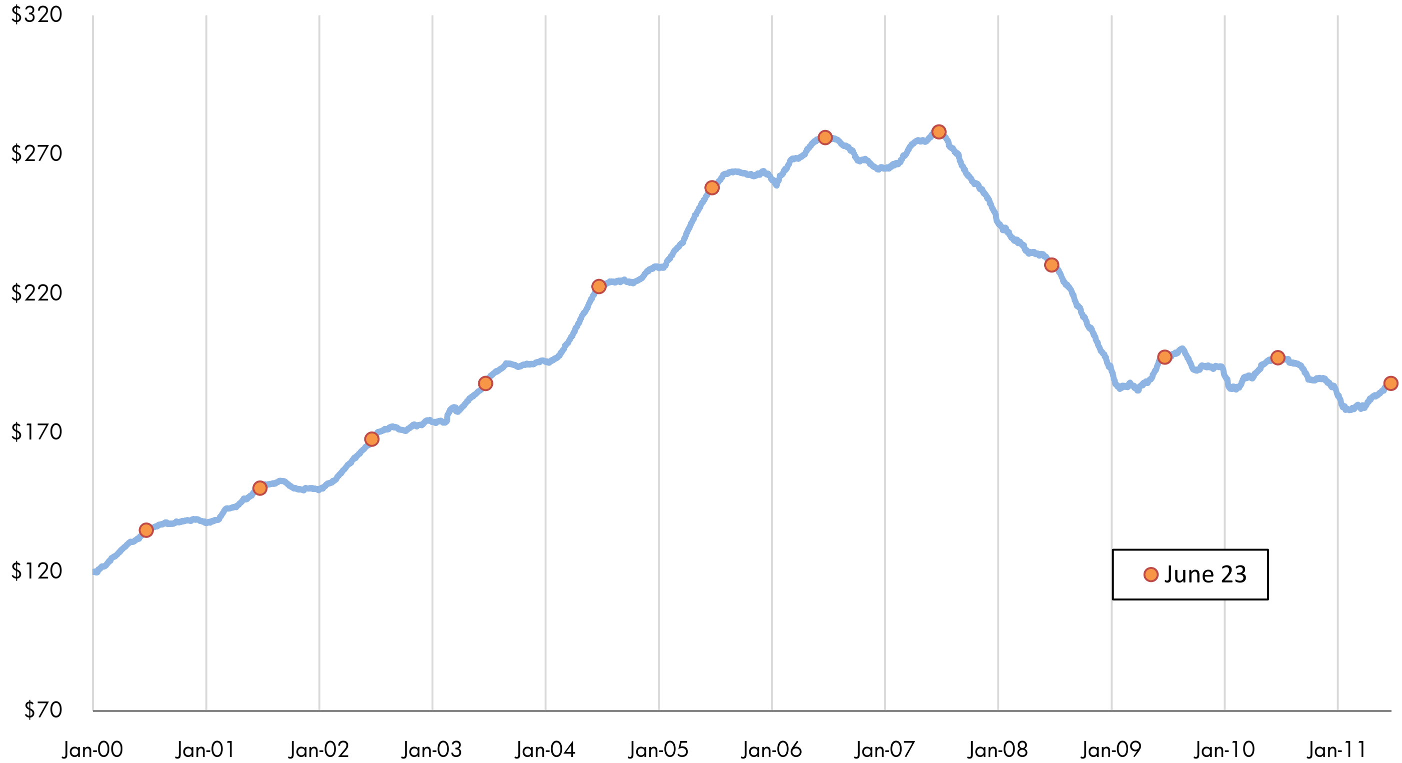
The S&P/Case-Shiller Composite Home Price Indices for June 2011 will exhibit their largest month-over-month increases in a year, perhaps longer, but they will remain well below their June 2010 levels. We expect them to begin to decline again in two or three months.

Last month, we predicted that the S&P/Case-Shiller 10-City composite for May 2011 would be about 154 and the 20-City composite would be roughly 141. In fact, the 10-City composite was 153.64 and the 20-City composite was 139.87.

This month, we expect the June 2011 10-City composite index to be about 156 and the 20-City index to be roughly 142.

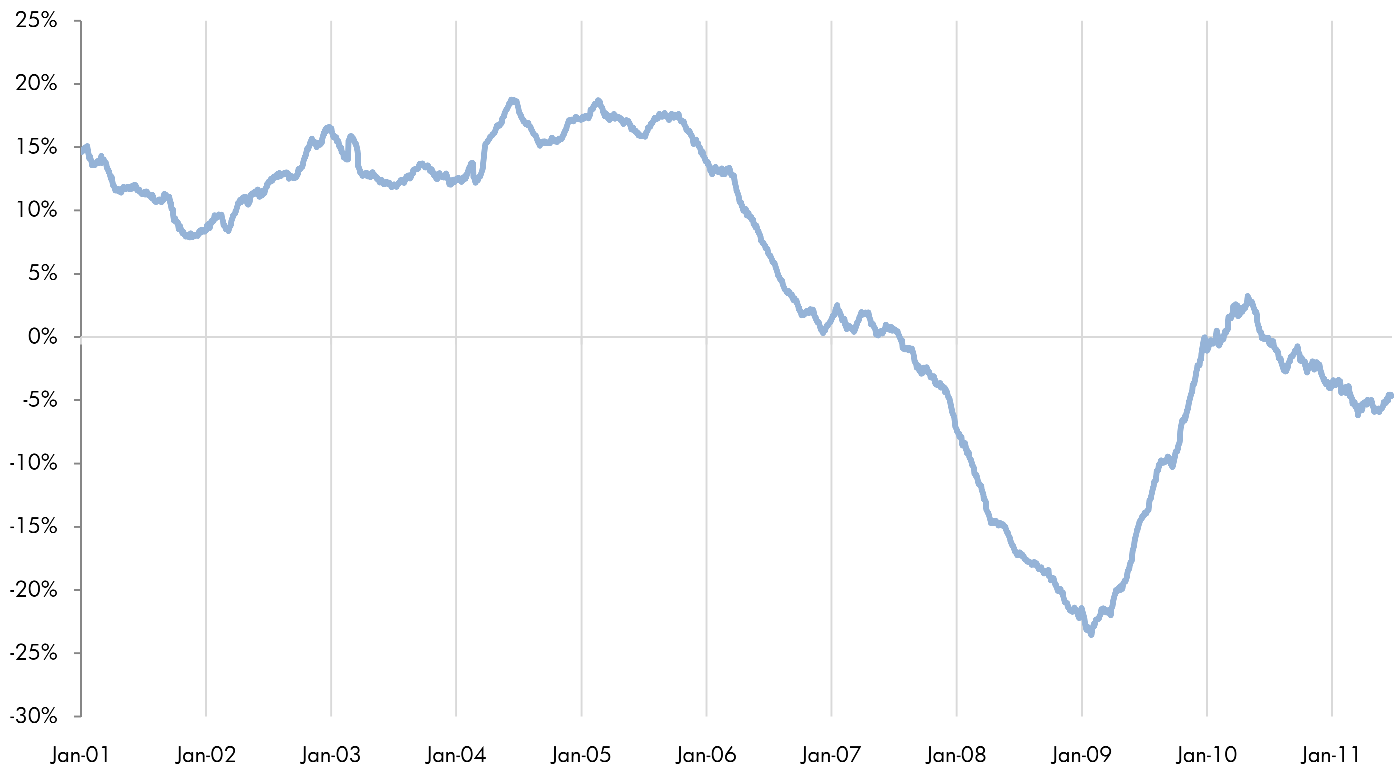
We expect RPX values to decline in coming months, as noted above, and we expect that similar declines will be observed in the S&P/Case-Shiller Composite indices. However, the declines in the S&P/Case-Shiller indices will likely be delayed by one or two months relative to the declines in the RPX due to the smoothing inherent in the Case-Shiller methodology.

Exhibit 1: 25-MSA RPX Composite Price (28-Day), 2000-2011



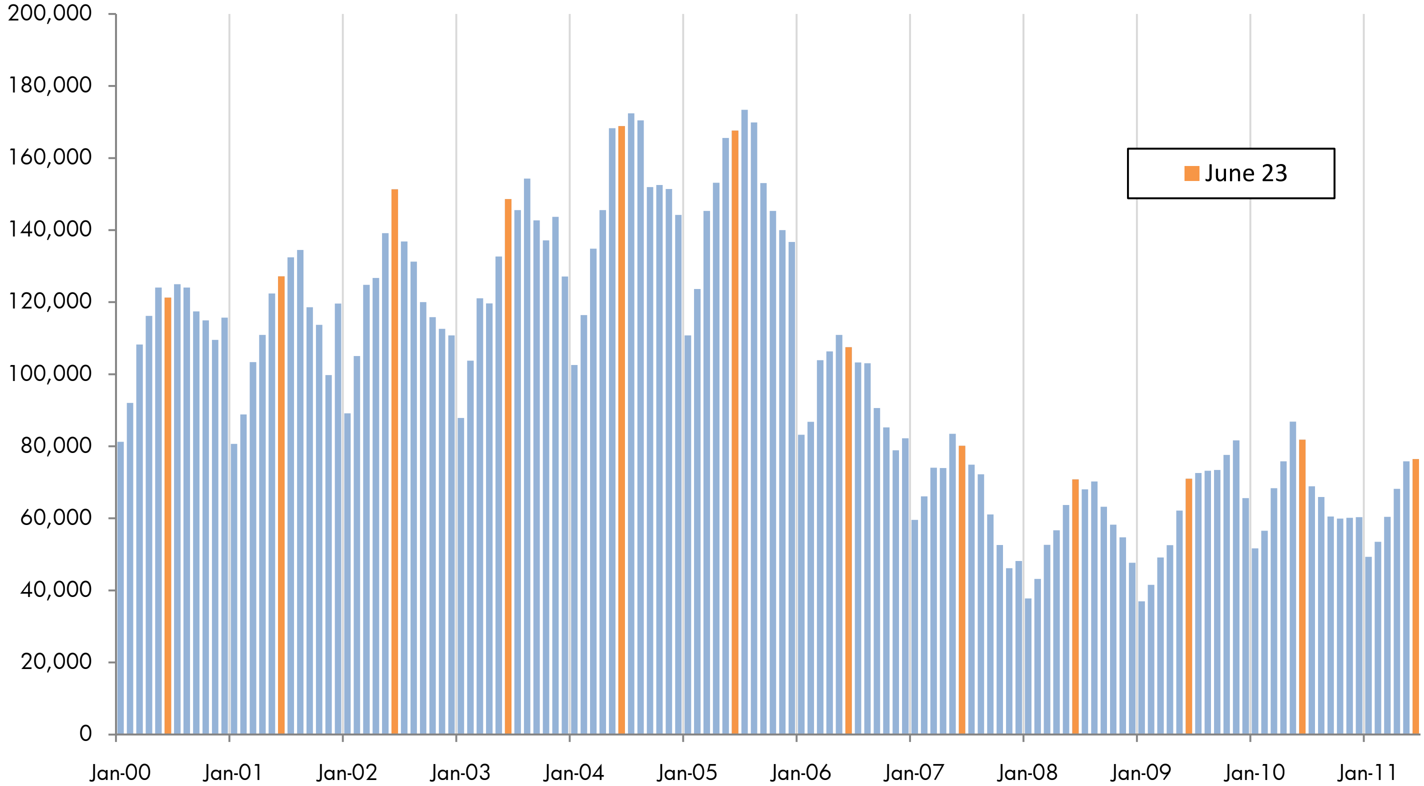
Source: Radar Logic, 28-Day RPX™ Composite price as of 6/23/2011

Exhibit 2: Year-Over-Year Change in 25-MSA RPX Price (28-Day), 2001-2011



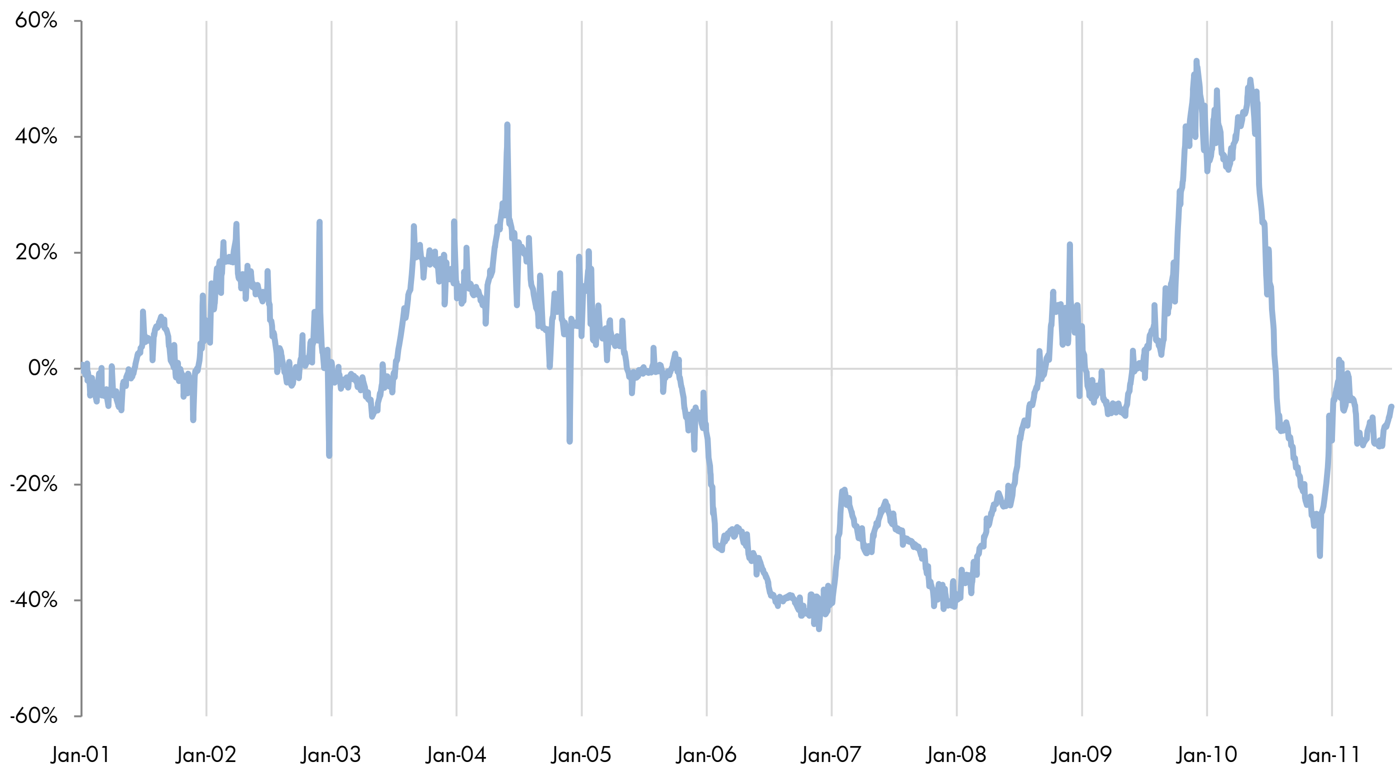
Source: Radar Logic, 28-Day RPX™ Composite price as of 6/23/2011

Exhibit 3: 25-MSA RPX Transaction Count (28-Day), 2000-2011



Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 6/23/2011

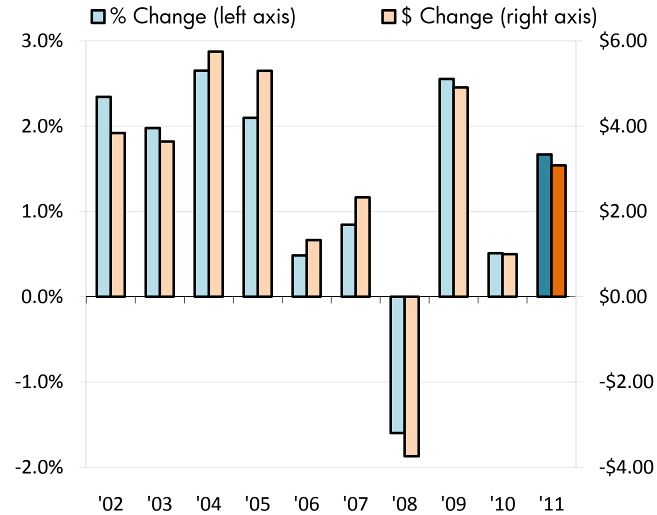
Exhibit 4: Year-Over-Year Change in 25-MSA RPX Transaction Count (28-Day), 2001-2011



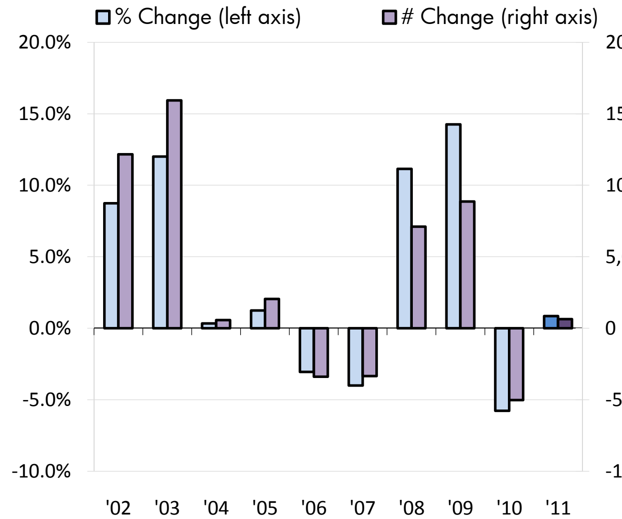
Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 6/23/2011

Exhibit 5: Month-to-Month, Year-to-Date and Year-to-Year Change in the RPX Composite Price and Transaction Count vs. Past Years

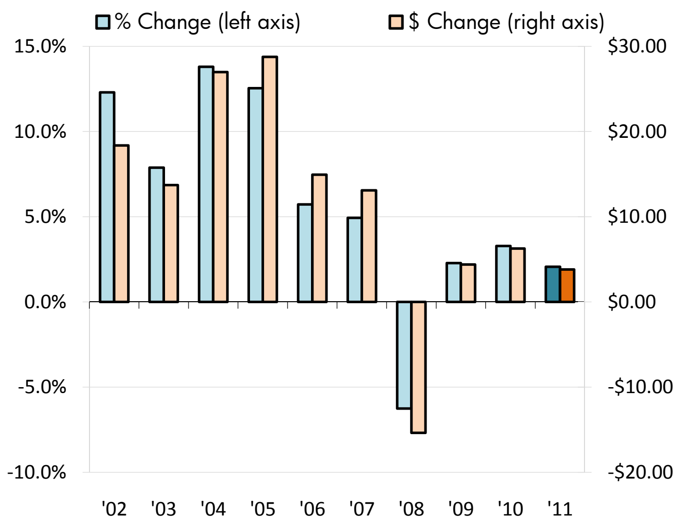
Month-over-Month Change in the 25-MSA Composite Price through June 23



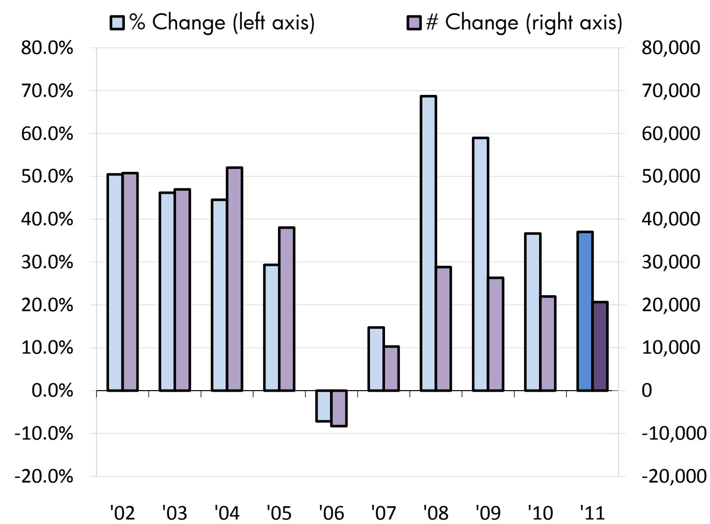
Month-over-Month Change in the 25-MSA Transaction Count through June 23



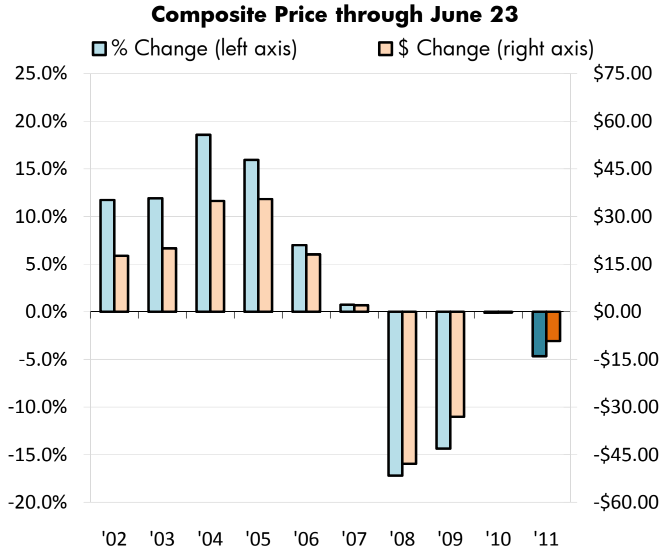
Year-to-Date Change in the 25-MSA Composite Price through June 23



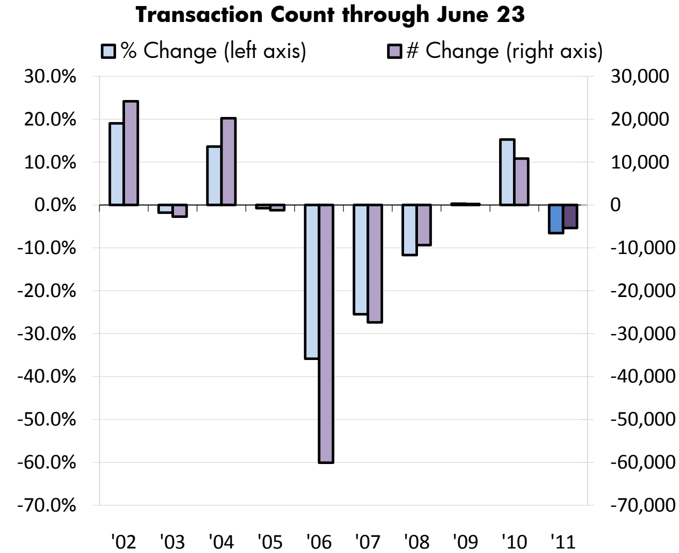
Year-to-Date Change in the 25-MSA Transaction Count through June 23



Year-over-Year Change in the 25-MSA Composite Price through June 23

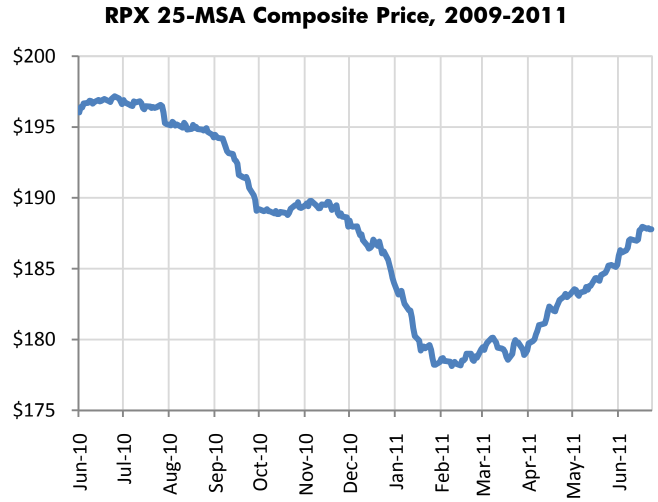


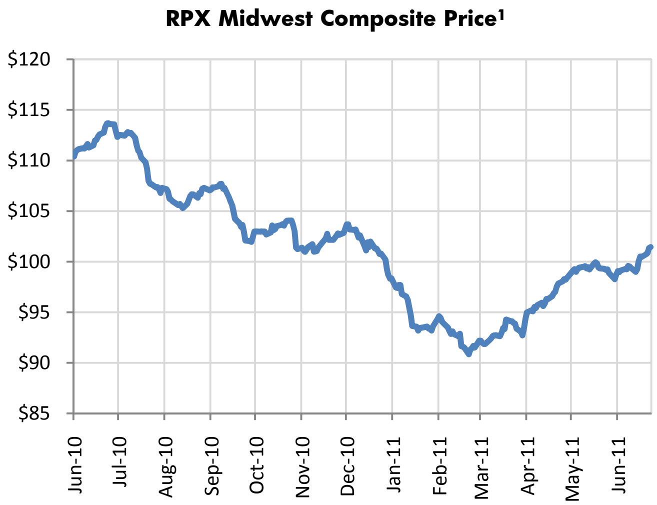
Year-over-Year Change in the 25-MSA Transaction Count through June 23

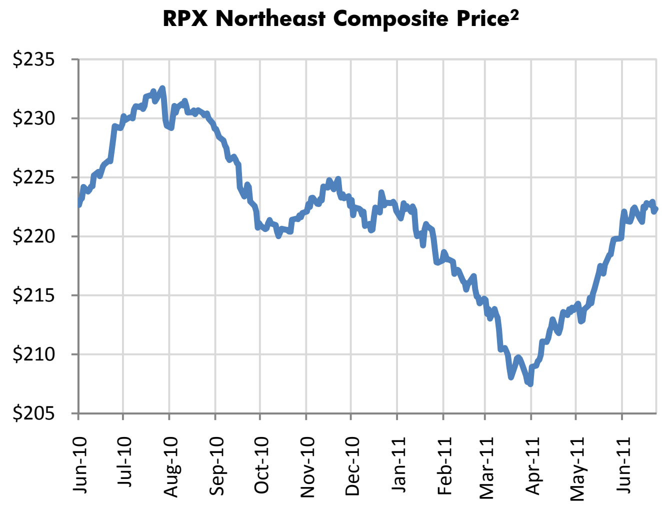


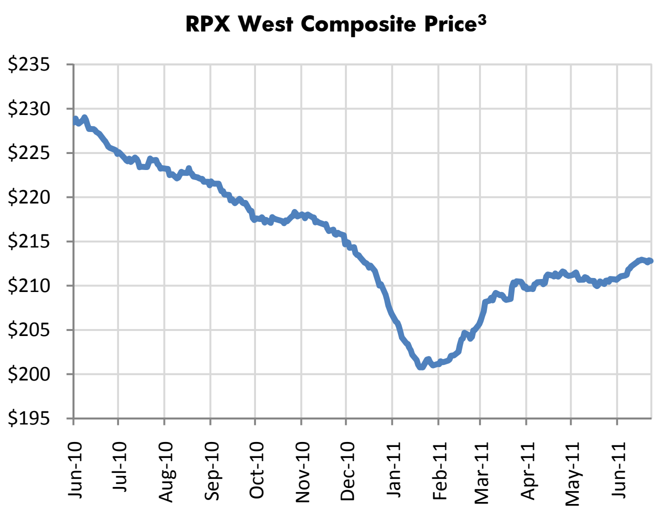
Source: Radar Logic, 28-Day RPX™ Composite prices and transaction counts as of 6/23/2011

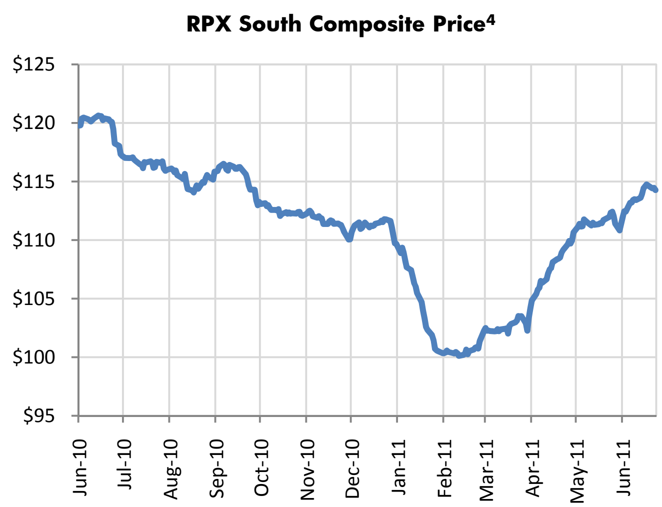
Exhibit 6: 28-Day Regional RPX Composite Prices











Source: Radar Logic, 28-Day RPX™ values as of 6/23/2011

[1] The RPX Midwest composite is a weighted average of RPX values for Chicago, Cleveland, Columbus, Detroit, Minneapolis, Milwaukee and St. Louis.
[2] The RPX Northeast composite is a weighted average of RPX values for Boston, New York and Philadelphia.
[3] The RPX West composite is a weighted average of RPX values for Denver, Las Vegas, Los Angeles, Phoenix, Sacramento, San Diego, San Francisco, San Jose and Seattle.
[4] The RPX South composite is a weighted average of RPX values for Atlanta, Charlotte, Jacksonville, Miami, Tampa and Washington, DC.

Exhibit 7

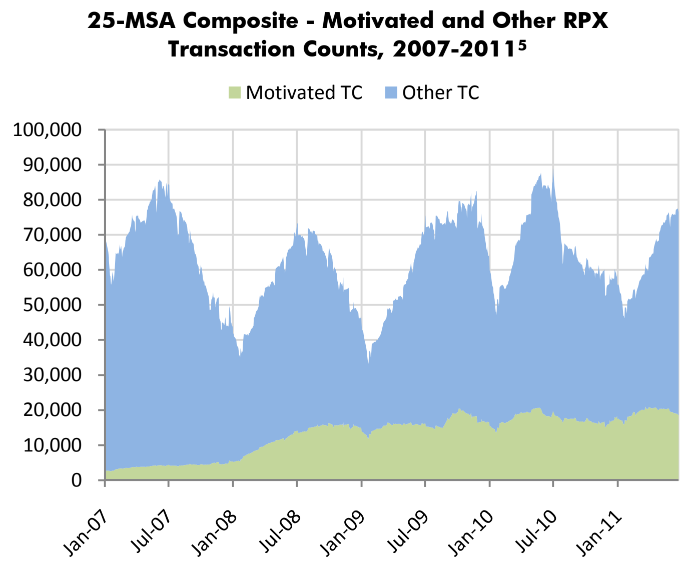


Exhibit 8

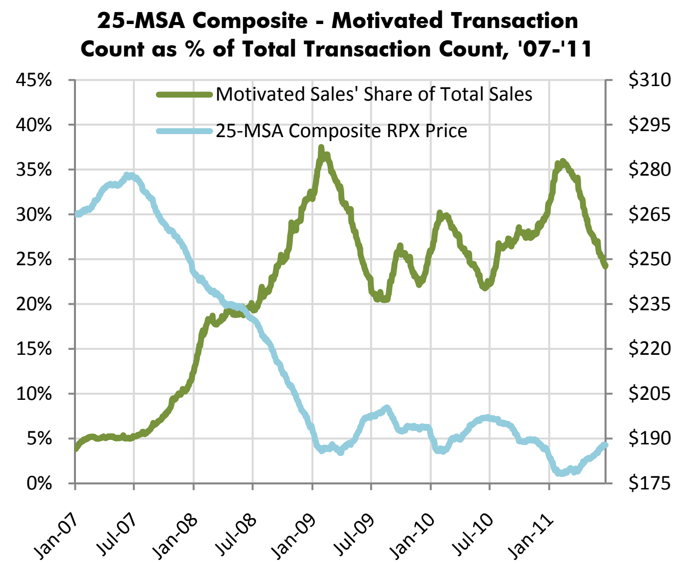


Exhibit 9

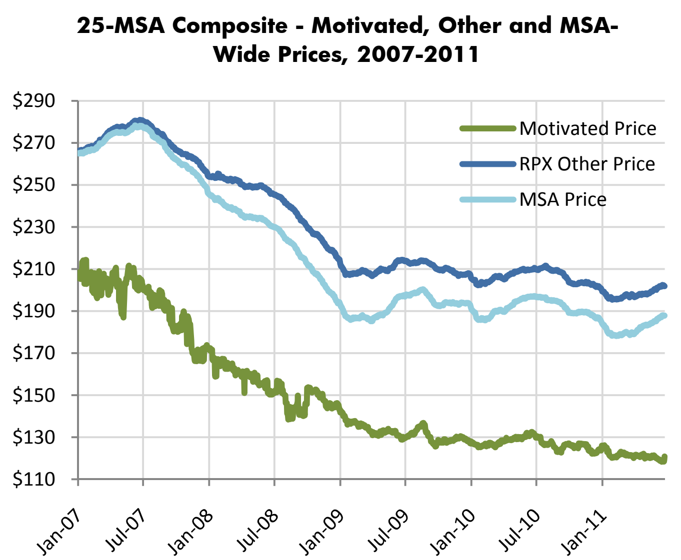


Exhibit 10

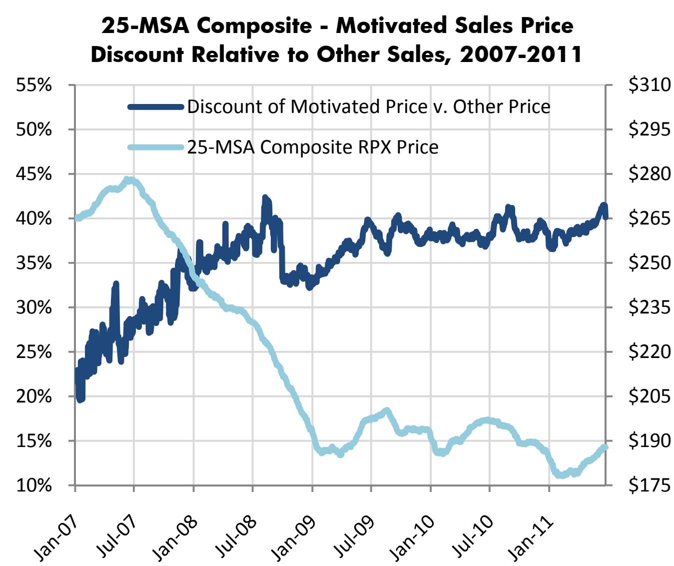
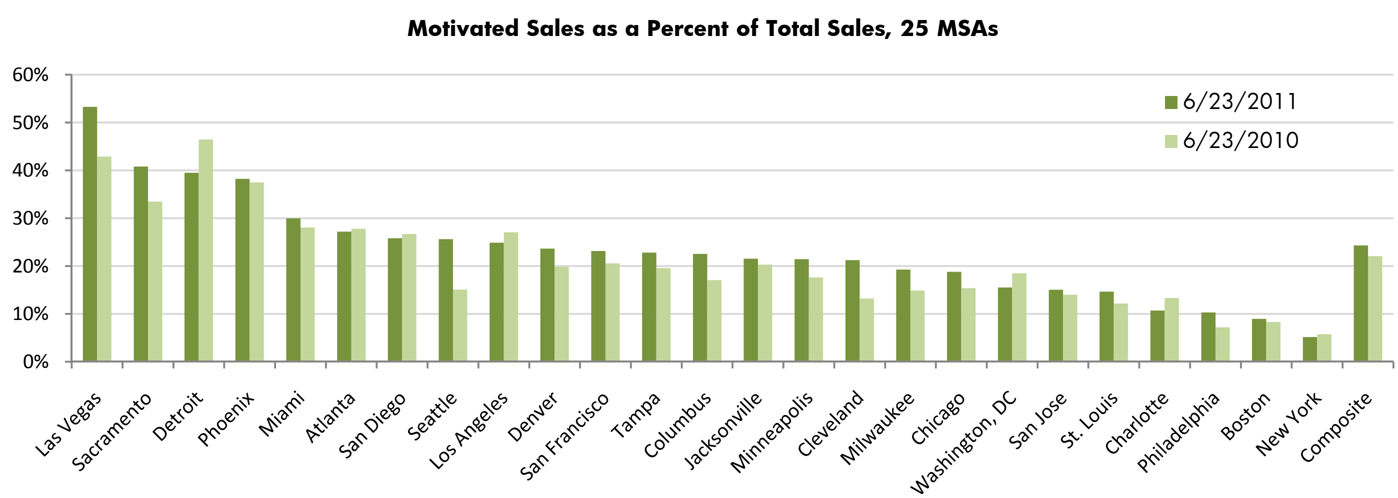


Exhibit 11



Source: Radar Logic

[5] The shaded areas depicting motivated and other transaction counts are stacked.

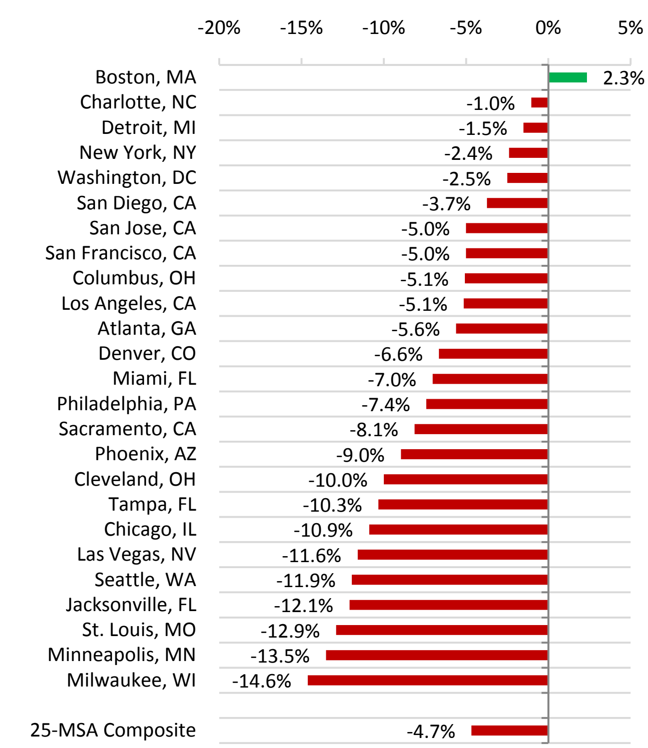
Exhibit 12: Radar Logic Daily Prices in 25 Metropolitan Statistical Areas (Ranked by 1-Year % Change)

June 2011 Rank	May 2011 Rank	MSA	PPSF	June 2011 vs. June 2010	June 2010 vs. June 2009	June 2011 vs. May 2011	June 2010 vs. May 2010
1	6	Boston, MA[6]	$212.73	2.3%	3.0%	11.6%	1.4%
2	2	Charlotte, NC	$93.38	-1.0%	-2.5%	0.3%	0.5%
3	9	Detroit, MI	$62.62	-1.5%	-12.3%	11.0%	4.2%
4	1	New York, NY	$238.48	-2.4%	0.8%	0.2%	2.8%
5	3	Washington, DC	$174.60	-2.5%	-3.3%	3.0%	2.1%
6	4	San Diego, CA	$207.38	-3.7%	5.6%	0.1%	-1.1%
7	13	San Jose, CA	$340.05	-5.0%	10.1%	2.8%	-1.2%
8	14	San Francisco, CA	$273.34	-5.0%	5.1%	2.2%	-2.3%
9	10	Columbus, OH	$88.48	-5.1%	-1.3%	2.7%	-0.4%
10	7	Los Angeles, CA	$243.62	-5.1%	-0.1%	1.0%	-1.1%
11	17	Atlanta, GA	$74.22	-5.6%	-4.6%	4.5%	-0.5%
12	5	Denver, CO	$124.59	-6.6%	2.4%	0.8%	1.5%
13	8	Miami, FL	$96.77	-7.0%	-13.5%	-1.1%	-1.4%
14	21	Philadelphia, PA	$131.04	-7.4%	-3.0%	4.6%	0.9%
15	24	Sacramento, CA	$111.83	-8.1%	-3.9%	3.9%	-0.8%
16	16	Phoenix, AZ	$73.57	-9.0%	-5.0%	-1.3%	-2.2%
17	18	Cleveland, OH	$67.13	-10.0%	-10.5%	3.7%	3.3%
18	19	Tampa, FL	$75.89	-10.3%	-7.8%	1.4%	1.2%
19	15	Chicago, IL	$116.99	-10.9%	-9.4%	2.8%	4.6%
20	20	Las Vegas, NV	$67.90	-11.6%	-8.0%	-2.0%	-0.9%
21	25	Seattle, WA	$151.01	-11.9%	-7.0%	-0.3%	-4.1%
22	23	Jacksonville, FL	$81.63	-12.1%	0.1%	5.2%	5.0%
23	11	St. Louis, MO	$94.89	-12.9%	3.0%	-1.6%	3.7%
24	22	Minneapolis, MN	$104.05	-13.5%	-3.3%	-0.6%	2.6%
25	12	Milwaukee, WI	$94.92	-14.6%	-6.7%	-2.7%	4.3%
		25-MSA Composite	$187.79	-4.7%	-0.1%	1.7%	0.5%
		Manhattan Condo[7]	$1,066.32	5.8%	5.4%	-2.9%	-1.1%

Source: 28-Day RPX™ value for each MSA as of 6/23/2011

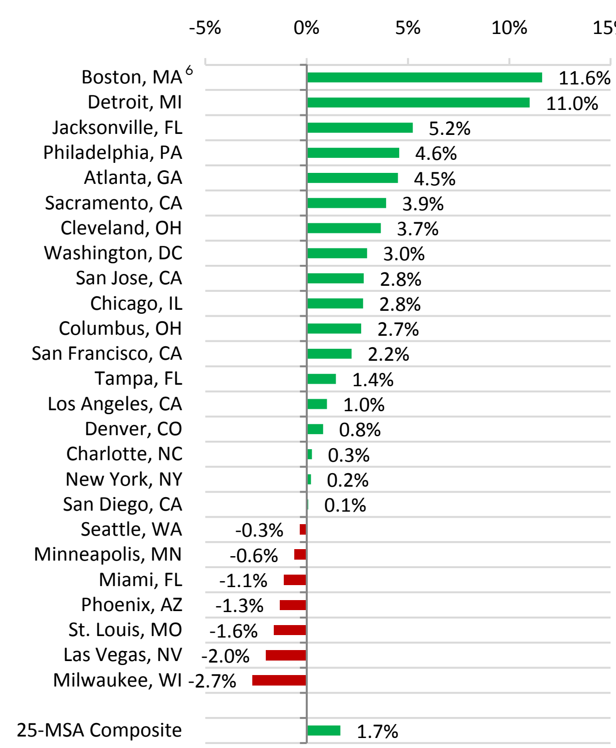
= positive = neutral = negative

Exhibit 13: Radar Logic Daily Prices Year-Over-Year Change



Source: 28-Day RPX™ value for each MSA as of 6/23/2011

Exhibit 14: Radar Logic Daily Prices Month-Over-Month Change



Source: 28-Day RPX™ value for each MSA as of 6/23/2011

[6] Extreme volatility in Boston data is due to inconsistent access to deed records from certain counties within the Boston MSA and may not reflect actual market trends.

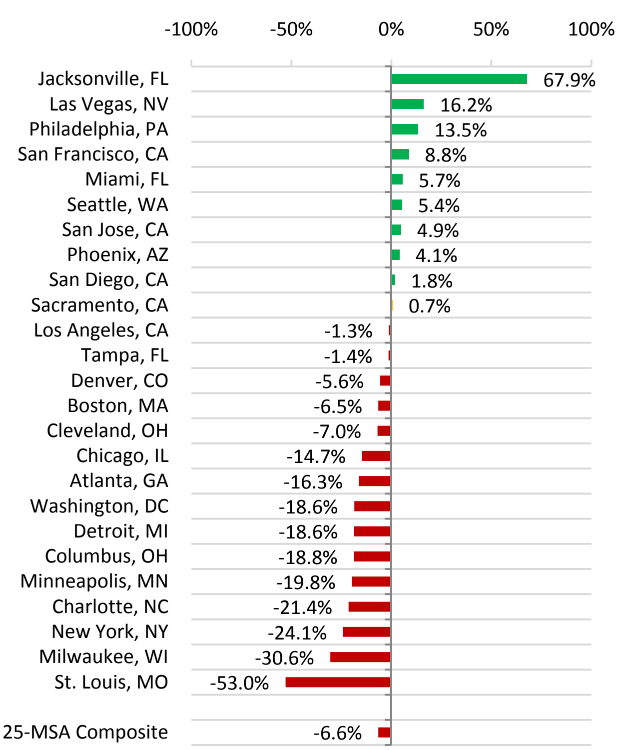
[7] Manhattan Condo is a subset of the New York MSA.

Exhibit 15: Transaction Counts[8]

MSA	June 2011 vs. June 2010	June 2010 vs. June 2009	June 2011 vs. May 2011	June 2010 vs. May 2010
Jacksonville, FL	67.9%	-28.7%	-10.5%	-34.4%
Las Vegas, NV	16.2%	8.2%	-1.3%	-9.5%
Philadelphia, PA	13.5%	17.9%	7.5%	35.5%
San Francisco, CA	8.8%	5.8%	1.0%	-14.1%
Miami, FL	5.7%	36.7%	-7.4%	-5.4%
Seattle, WA	5.4%	-7.1%	2.3%	-18.6%
San Jose, CA	4.9%	-9.9%	-2.3%	-21.2%
Phoenix, AZ	4.1%	1.3%	-10.2%	-8.7%
San Diego, CA	1.8%	-4.1%	-1.4%	-13.5%
Sacramento, CA	0.7%	9.0%	-4.9%	-8.5%
Los Angeles, CA	-1.3%	-2.5%	-3.9%	-12.5%
Tampa, FL	-1.4%	18.9%	-7.4%	-8.9%
Denver, CO	-5.6%	6.4%	0.5%	-13.9%
Boston, MA[9]	-6.5%	13.9%	105.8%	-5.6%
Cleveland, OH	-7.0%	3.2%	4.6%	-21.3%
Chicago, IL	-14.7%	54.5%	14.4%	-2.2%
Atlanta, GA	-16.3%	18.6%	-1.4%	-7.6%
Washington, DC	-18.6%	7.2%	11.9%	1.8%
Detroit, MI	-18.6%	92.0%	0.3%	-2.1%
Columbus, OH	-18.8%	19.4%	6.0%	-7.9%
Minneapolis, MN	-19.8%	35.3%	0.9%	6.1%
Charlotte, NC	-21.4%	-0.5%	-11.6%	-14.6%
New York, NY	-24.1%	52.0%	3.2%	25.7%
Milwaukee, WI	-30.6%	37.4%	12.0%	6.3%
St. Louis, MO	-53.0%	-1.6%	-44.6%	-24.3%
25-MSA Composite	-6.6%	15.3%	0.9%	-5.8%
Manhattan Condo	11.4%	95.4%	0.0%	-1.8%

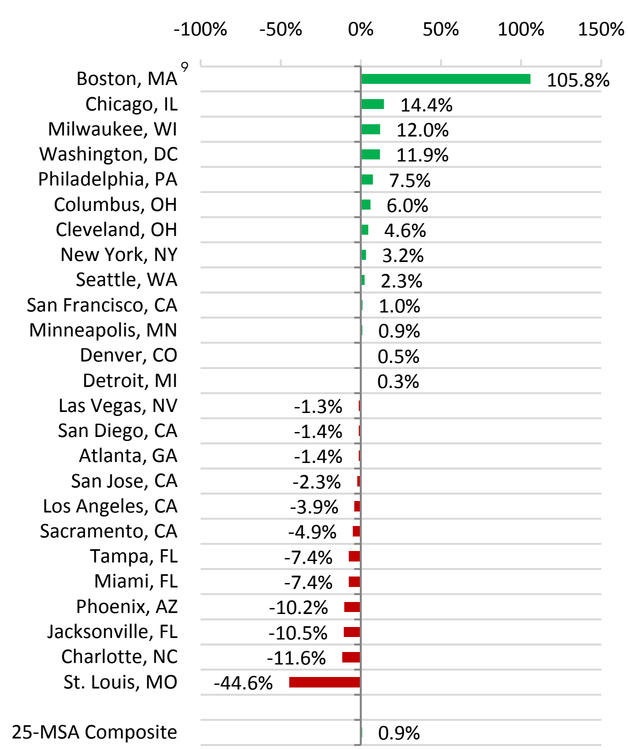
Source: 28-Day RPX™ analytics as of 6/23/2011

Exhibit 16: Transaction Counts Year-Over-Year Change



Source: 28-Day RPX™ value for each MSA as of 6/23/2011

Exhibit 17: Transaction Counts Month-Over-Month Change



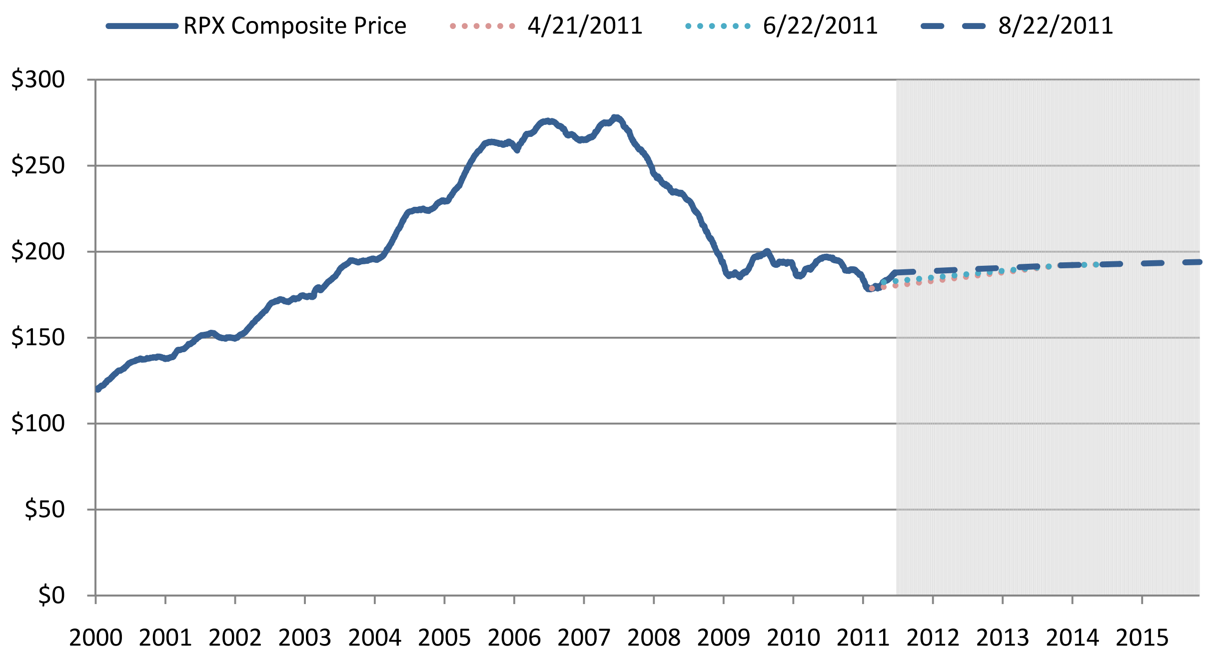
Source: 28-Day RPX™ value for each MSA as of 6/23/2011

[8] Transaction counts reflect the transactions included in the calculation of the Radar Logic Daily Prices and may not reflect transaction volume in the market.
[9] Extreme volatility in Boston data is due to inconsistent access to deed records from certain counties within the Boston MSA and may not reflect actual market trends.

RPX Forward Price Fixings

Price fixings are established each trading day by a dealer poll and represent the midmarket expectation of the reference value to be published on the contract expiration date. For the chart below, the 25-MSA RPX Composite Prices are plotted on a publication-date basis. The names of the series indicate the dates those price fixings were published.

Exhibit 18: Historical Fixings for RPX Composite Forwards



Source: Official RPX Daily Fixings as of 8/22/2011

Exhibit 19: Cumulative Home Price Appreciation Implied by RPX Composite Forward Fixings as of 8/22/2011

28-Day RPX on 6/23/2011	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
$187.79	1.2%	1.7%	2.2%	2.8%	3.3%

Source: Official RPX Daily Fixings as of 8/22/2011

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 provides 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 no national housing market; rather, each MSA, while having some economic influences in common, is influenced primarily by local conditions.

The July 2011 RPX™ Monthly Housing Market Report will be released on September 22, 2011, at 4:00 PM EDT.

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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