



RPX MONTHLY HOUSING MARKET REPORT

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May 2011

Quinn W. Eddins, Director of Research

Weak Fundamentals Undermine Expected Seasonal Strength in Home Prices

*The Absence of Spring Strength Foreshadows New Lows in the Fall
So Far, Our 2010 Year-End Predictions Have Been Mostly Accurate*

The RPX Composite Price declined year over year, and the rate of decline is increasing.

The RPX Composite Price declined 5.9 percent year over year in May, which was the fastest rate of year-on-year decline since September 2009 (see Exhibit 2). Year-over-year declines have been accelerating since June 2010.

The RPX Composite Price has underperformed in 2011 relative to past years.

As of May 19, the RPX Composite Price was virtually the same as it was on January 1. While the RPX Composite increased somewhat during April and gained 1.2 percent month-over-month in May, these gains have barely offset declines in January. In contrast to this year's performance to date, the RPX Composite Price increased significantly over the same period during seven of the past ten years.

Home prices usually increase in the spring due to seasonal factors, and the bulk of the gains typically occur by May. The lackluster performance of the RPX Composite Price to date means that we are almost assured to see new post-bust lows in the fall, when seasonal strength comes to an end and softening demand pulls housing prices downward.

All twenty-five metropolitan areas included in the RPX Composite Price exhibited year-on-year declines in home prices.

The largest year-over-year declines were observed in the West and Midwest: the RPX price for Seattle decline the most (-14.7 percent), followed by Sacramento (-11.9 percent) and Milwaukee (-11.6 percent). The smallest declines were in the Northeast and South: The RPX New York price declined the least (-0.4 percent), followed by the prices for Charlotte (-1.1 percent) and Washington, DC (-4.6 percent).

Nationwide, most metropolitan areas exhibited month-on-month price gains in May, but most major markets in California exhibited declines.

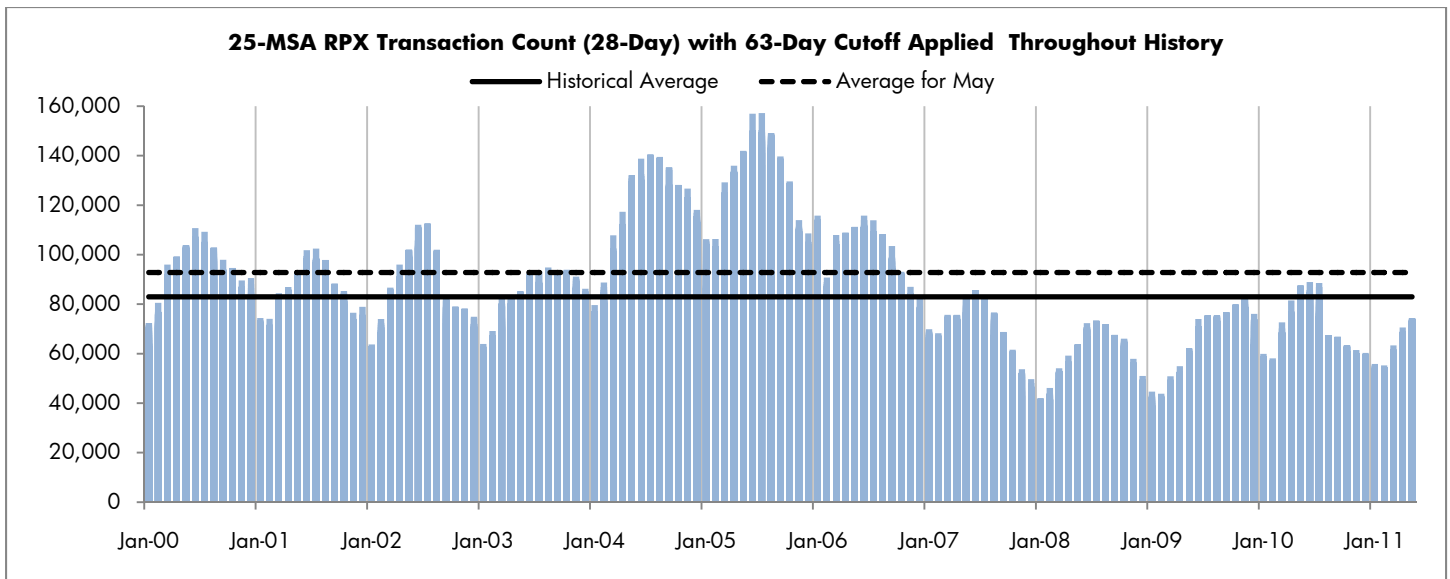
Eighteen of the 25 metropolitan areas exhibited month-over-month gains in prices (see Exhibit 14). Of the seven metro areas to post month-over-month price declines, six are in the West and four - Los Angeles, San Francisco, Sacramento and San Jose - are in California. San Diego is the only California metro area we track to post a month-over-month gain in home prices, and that gain (0.1 percent) was the smallest recorded. The early waning of seasonal strength in California is significant because housing market trends in California have proven in the past to be a bellwether for trends in the rest of the country.

The 25-metropolitan-area RPX transaction count declined 13.4 percent year over year. The rate of decline has been increasing since February.

The 25-MSA RPX transaction count remains well below its long-term average levels.

To see how current sales volumes compare to “normal” volumes, we retroactively applied a 63-day cutoff to all historical transaction dates. As our data history contains values for dates prior to the launch of “live” publication, more recent RPX transaction counts reflect the time constraint associated with live publication (i.e., transaction records received after the RPX prices for a given date are published cannot be included in the calculation of those prices) while older RPX transaction counts do not reflect such a constraint. By applying a 63-day cutoff throughout history we enable an apples-to-apples comparison of current volumes and historical volumes.¹ The results are displayed in the chart below.

The adjusted transaction count for May 19, 2011, is 11 percent lower than the average adjusted transaction count since January 2000 and 20 percent lower than the average adjusted transaction count during the month of May since 2000. Given the excess supply of homes in most markets, recent weakness in sales activity relative to long-term averages can be attributed to persistently soft demand. Housing demand has languished since the bust due to wide-spread negative equity, tight lending standards, high down payment requirements, weak consumer confidence and uncertainty over future home prices. Home sales will not return to “normal” until these fundamental factors improve.



PROGRESS ON PREDICTIONS

At the end of 2010 we made a number of predictions about what would happen in US housing markets during 2011. While the final assessment of the accuracy of our predictions will have to wait until data is available through the end of the year, the following is a brief mid-year status report.

To read our predictions in their entirety, visit Radar Logic's [website](#).

Foreclosures

Prediction: “We expect foreclosures to increase moderately...”

Status: **Thus far this prediction has proven inaccurate.** Procedural delays in the foreclosure process arising from the robo-signing scandal continue to constrain foreclosure filings. According to RealtyTrac, total foreclosure filings hit a 42-month low in May.

Defaults

Prediction: “Likely to remain elevated...”

Status: **This prediction has also proven to be off the mark, at least thus far.** Process delays are also slowing defaults. According to RealtyTrac, May defaults were at the lowest level since December 2006.

¹ For more information on the transition from historical prices to “live” prices, please see the discussion of stale data in Radar Logic's General Disclosures, www.radarlogic.com/disclosure_disclaimer.html.

Delinquencies

Prediction: "...likely to remain elevated..."

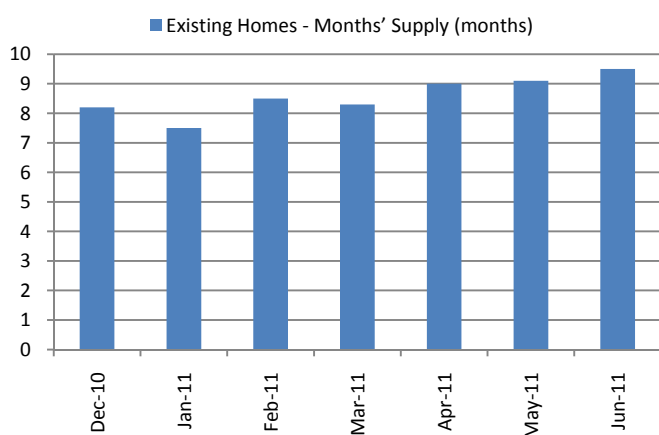
Status: **So far this prediction has proven to be correct.** According to the Mortgage Bankers Association's latest National Delinquency Survey, the delinquency rate on one-to-four-unit residential properties increased to a seasonally adjusted rate of 8.32 percent of all loans outstanding as of the end of the first quarter of 2011, an increase of seven basis points from the fourth quarter of 2010.

"Visible" Supply

Prediction: "Flat to up moderately."

Status: **Thus far this prediction has been accurate.** According to the latest figures from the National Association of Realtors, there were 3,765,000 homes for sale during June 2011, 5.8 percent more than in December 2010. This translates into a 15.9 percent increase from a 8.2-month supply in December 2010 to a 9.5-month supply in June 2011.

Existing Homes - Months' Supply (months)



Source: National Association of Realtors ®

Existing Homes for Sale (thousands, SA)



Source: National Association of Realtors ®

"Shadow" Supply

Prediction: "The number of underwater homes... will continue to increase..."

Status: **This prediction has proven incorrect thus far.** According to CoreLogic's latest Negative Equity Report, 10.9 million homeowners were underwater in their mortgages during the first quarter of 2011, accounting for 22.7 percent of all homes with mortgages. This represented a 2 percent decline from 11.1 million underwater homes in the fourth quarter of 2010.

Transactions (as measured by the RPX transaction count)

Prediction: "...flat to down slightly"

Status: To control for seasonal factors we consider the year-over-year change in the RPX transaction count when assessing the accuracy of this prediction. **When we do so we find that the prediction has been accurate to date.** The 25-MSA RPX transaction count declined 13.4 percent year-over-year through May 2011.

Motivated Sales

Prediction: "...a significant increase..."

Status: **Again, we consider the year-over-year change in the RPX motivated transaction count when assessing the accuracy of this prediction and find it to be inaccurate.** The motivated transaction count declined 1.4 percent year over year through May 2011.

Other Sales (i.e., all sales not identified as motivated sales)

Prediction: "We expect these sales to decrease rapidly..."

Status: **This prediction has been accurate on a year-over-year basis.** The other transaction count declined 17.2 percent year over year through May 2011.

RPX Prices

Prediction: "Likely to decline during the year..."

Status: **This prediction has also been accurate on a year-over-year basis.** The 25-MSA RPX Composite Price has declined 5.9 percent year over year through May.

Motivated Prices

Prediction: "Overall, we expect motivated prices to be flat to down slightly."

Status: **This prediction has been accurate with regard to the year-over-year change in motivated prices.** The 25-MSA Composite Motivated price has declined 6.7 percent year over year as of May.

Other Prices

Prediction: "... we expect to see... upward pressure on MSA-wide RPX prices for other sales..."

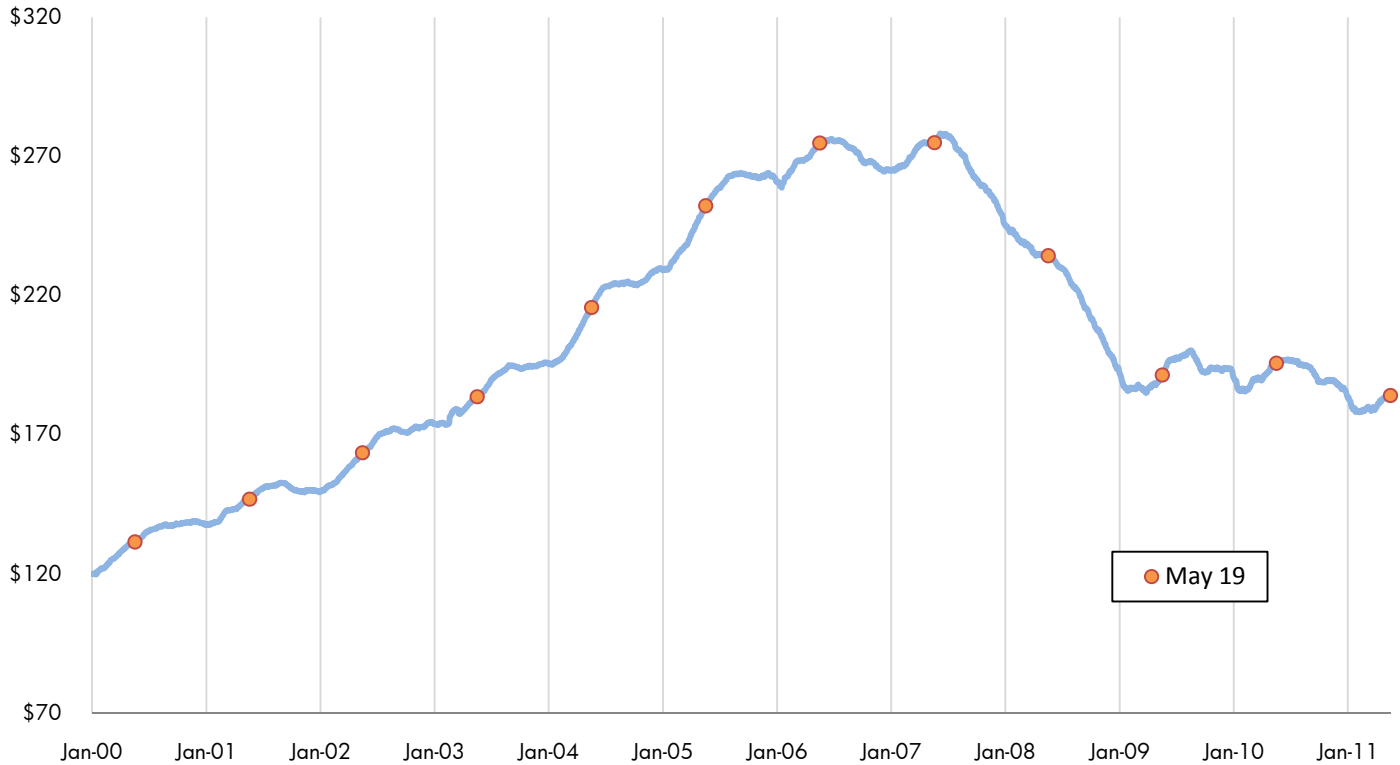
Status: **This prediction has been inaccurate to date on a year-over-year basis.** The 25-MSA Composite Other price has declined 4.9 percent year over year.

The S&P/Case-Shiller Home Price Composite Indices for May 2011 will exhibit month-over-month gains for the second month in a row.

Last month, we predicted that the S&P/Case-Shiller 10-City composite for April 2011 would be about 153 and the 20-City composite would be roughly 140. In fact, the 10-City composite was 152.51 and the 20-City composite was 138.84.

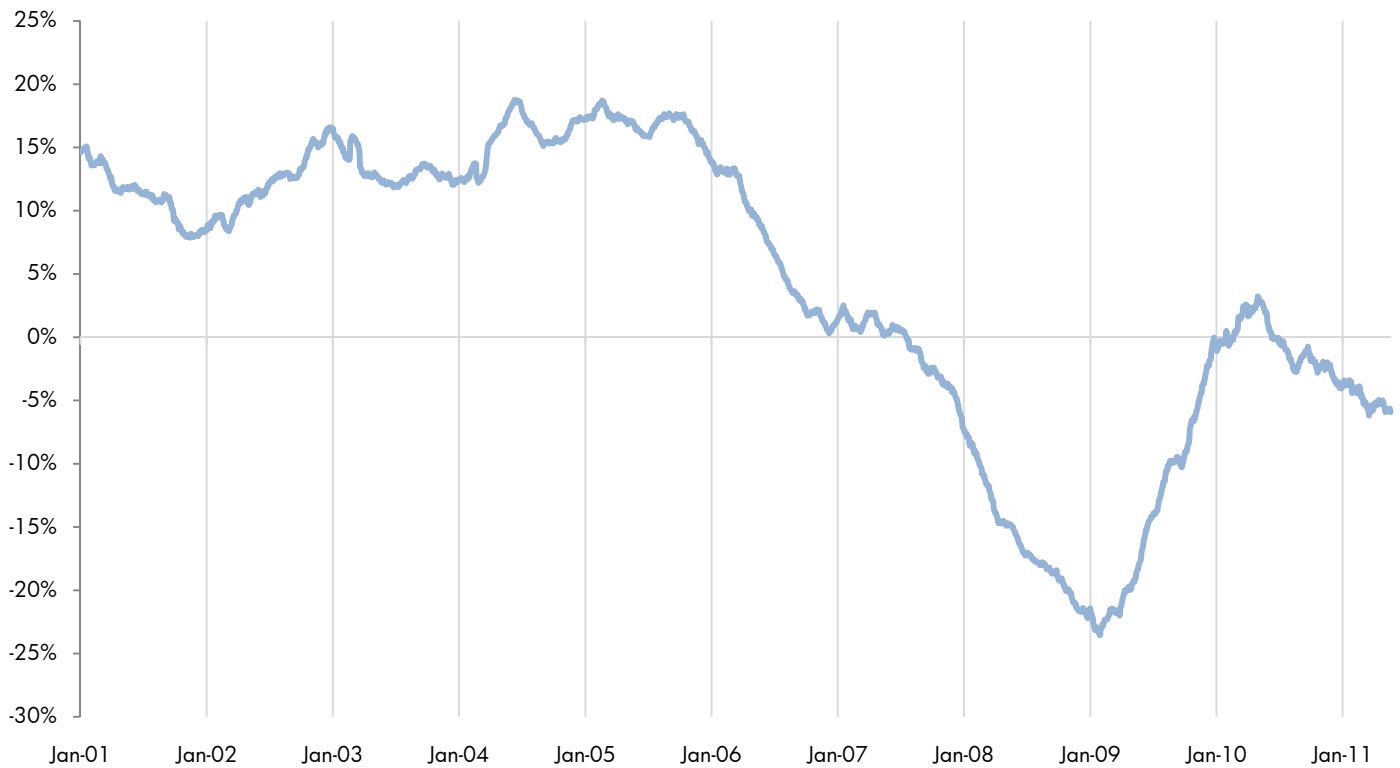
This month, we expect the May 2011 10-City composite index to be about 154 and the 20-City index to be roughly 141.

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



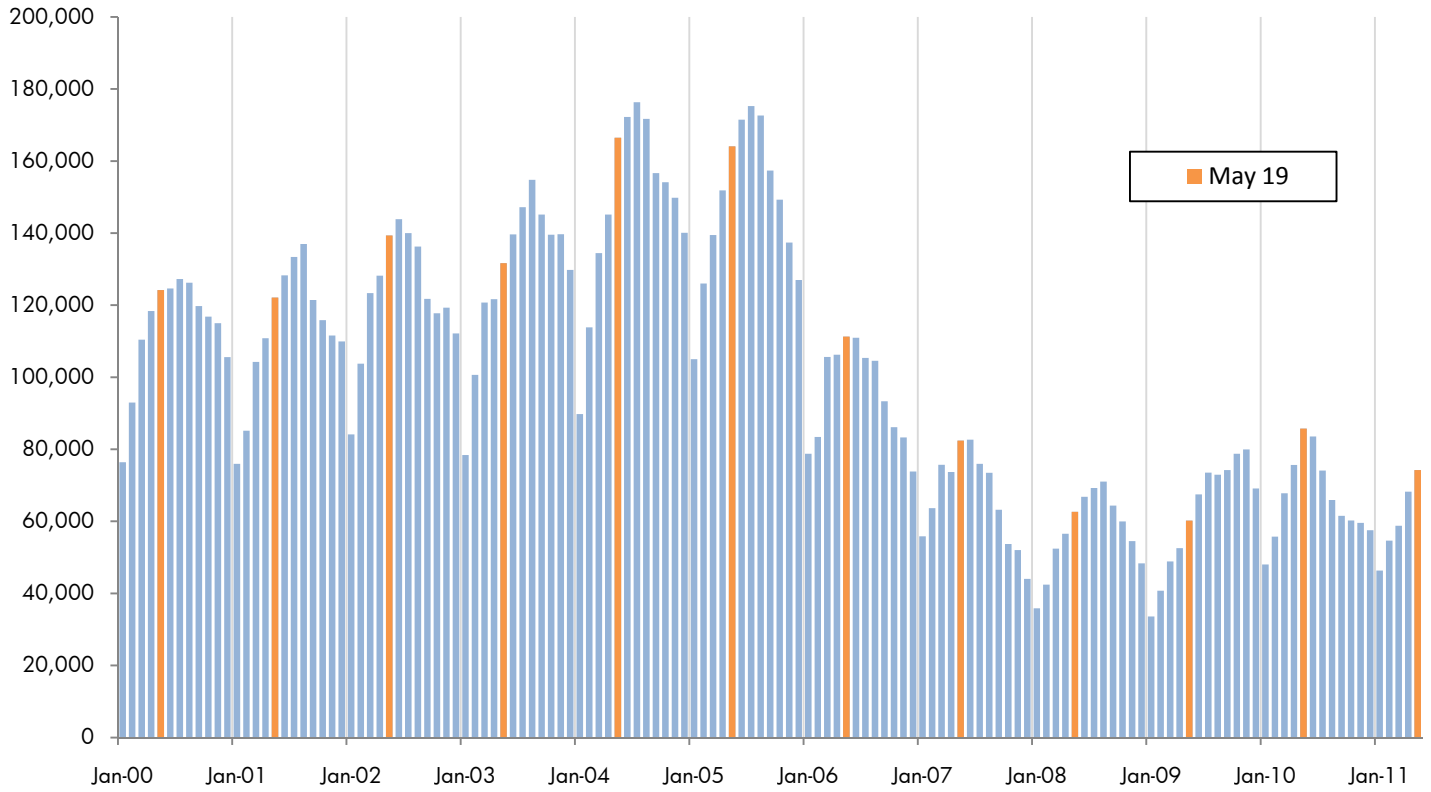
Source: Radar Logic, 28-Day RPX™ Composite price as of 5/19/2011

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



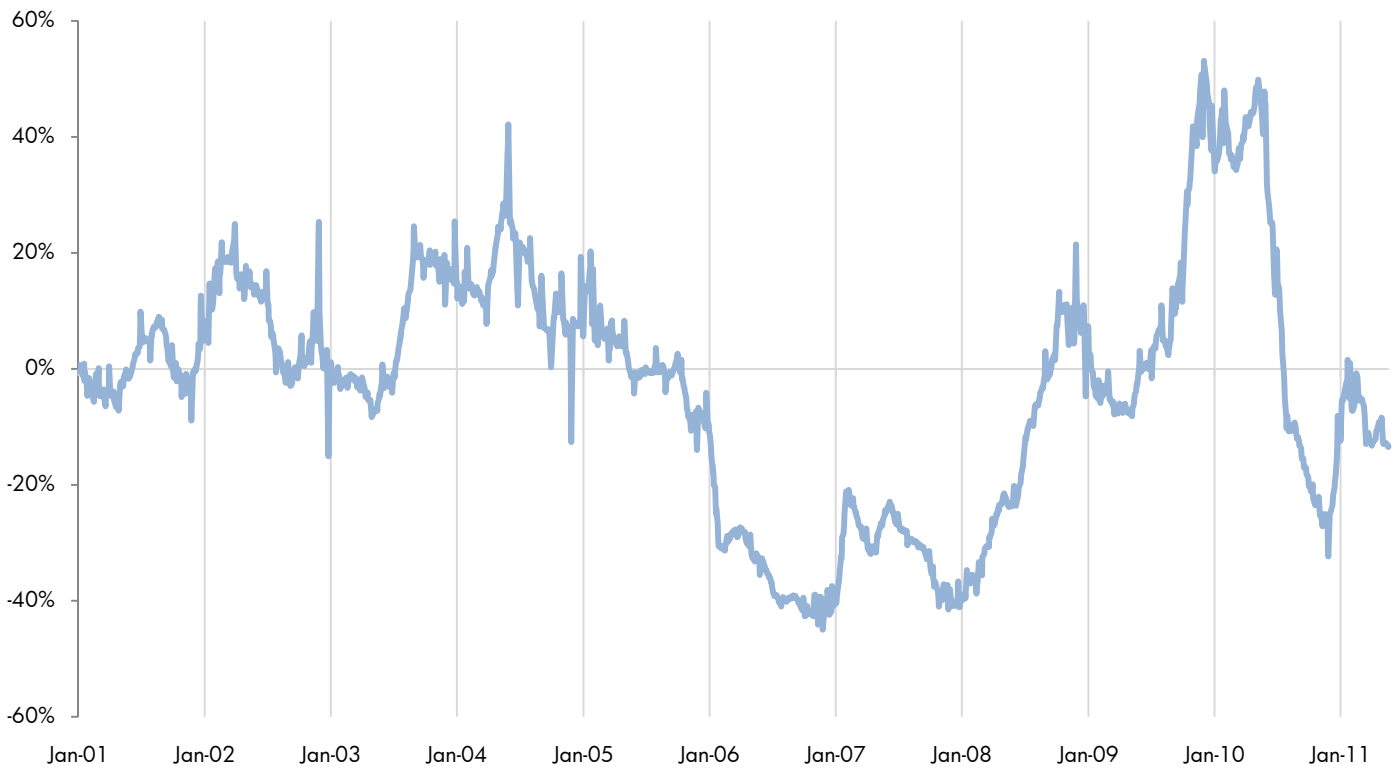
Source: Radar Logic, 28-Day RPX™ Composite price as of 5/19/2011

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



Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 5/19/2011

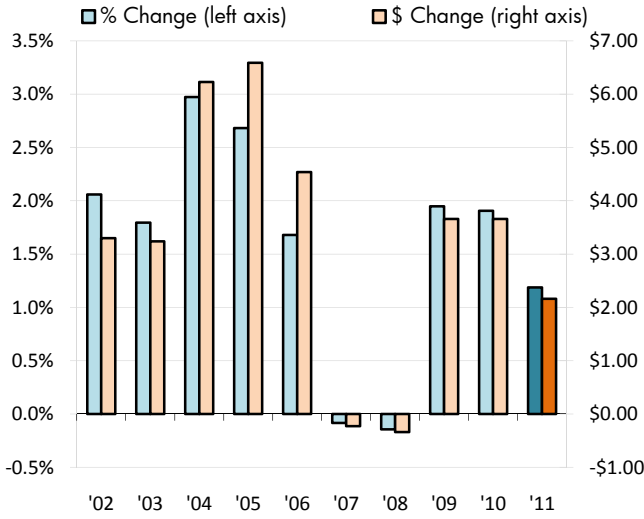
Exhibit 4: Year-Over-Year Change in 25-MSA RPX Transaction Count (28-Day), 2001-2011



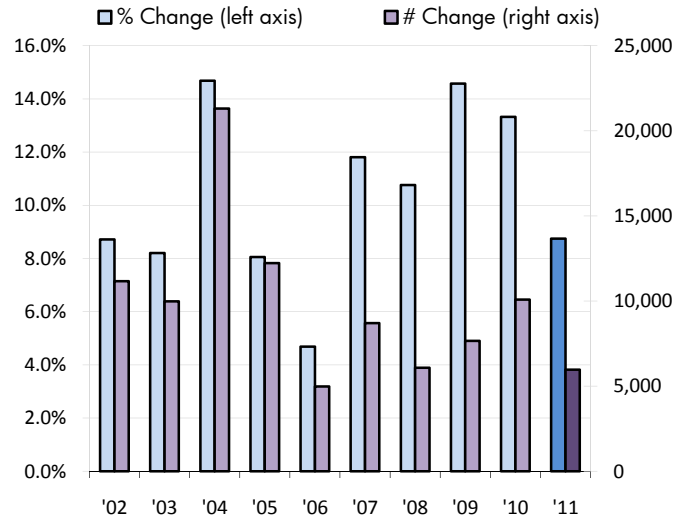
Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 5/19/2011

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

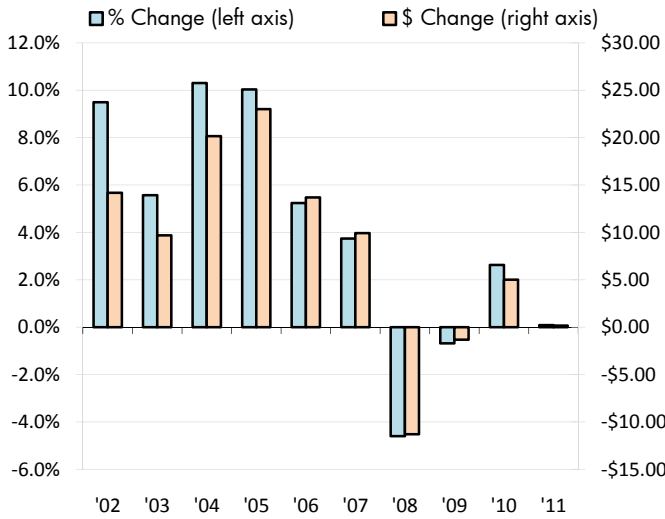
Month-over-Month Change in the 25-MSA Composite Price through May 19



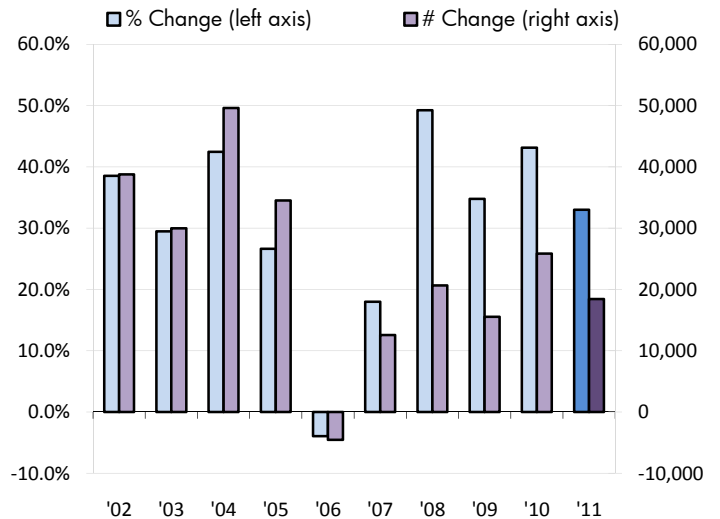
Month-over-Month Change in the 25-MSA Transaction Count through May 19



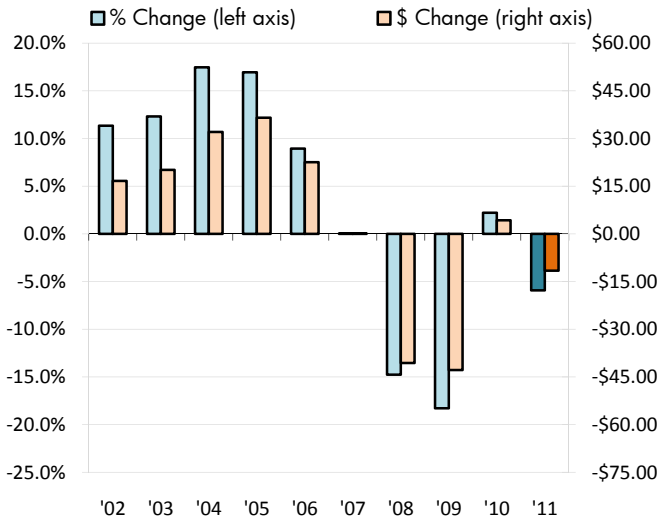
Year-to-Date Change in the 25-MSA Composite Price through May 19



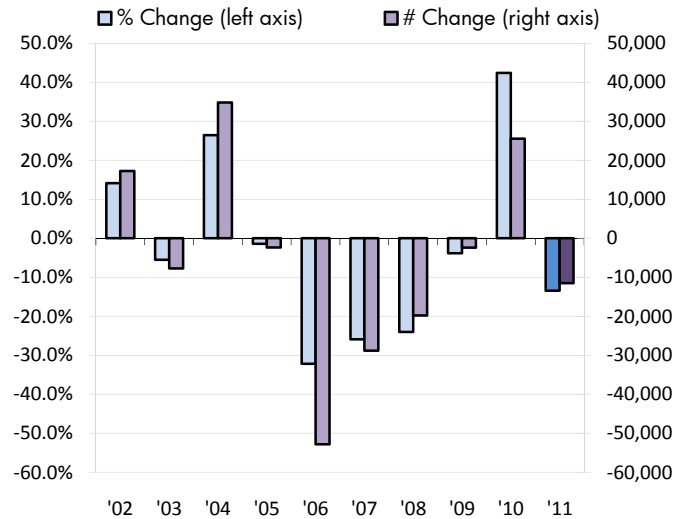
Year-to-Date Change in the 25-MSA Transaction Count through May 19



Year-over-Year Change in the 25-MSA Composite Price through May 19



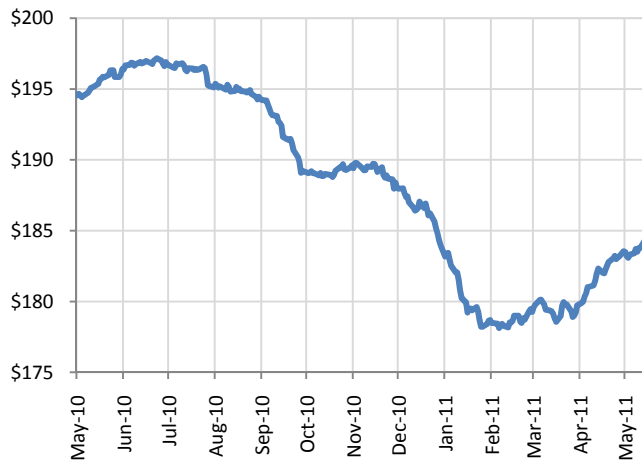
Year-over-Year Change in the 25-MSA Transaction Count through May 19



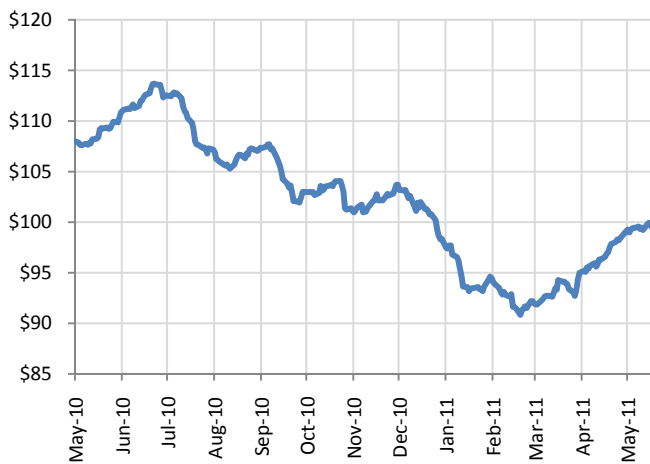
Source: Radar Logic, 28-Day RPX™ Composite prices and transaction counts as of 5/19/2011

Exhibit 6: 28-Day Regional RPX Composite Prices

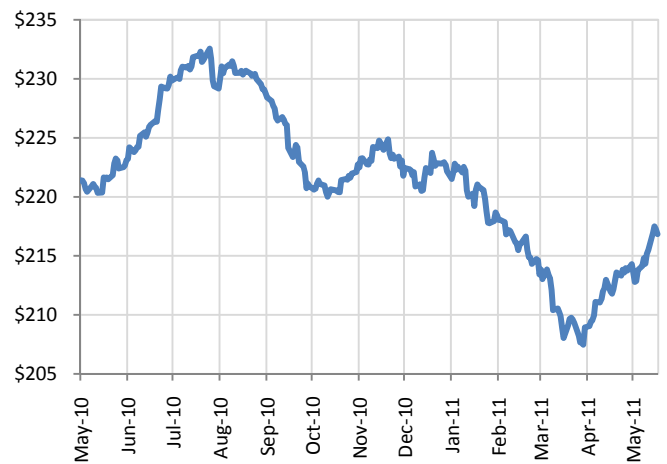
RPX 25-MSA Composite Price, 2009-2011



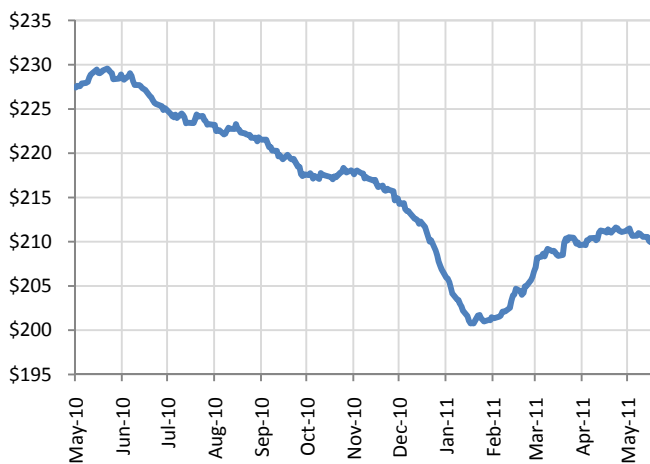
RPX Midwest Composite Price²



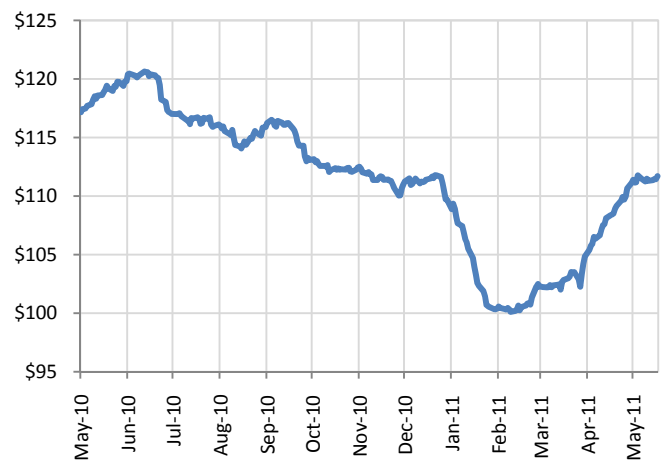
RPX Northeast Composite Price³



RPX West Composite Price⁴



RPX South Composite Price⁵



Source: Radar Logic, 28-Day RPX™ values as of 5/19/2011

² The RPX Midwest composite is a weighted average of RPX values for Chicago, Cleveland, Columbus, Detroit, Minneapolis, Milwaukee and St. Louis.
³ The RPX Northeast composite is a weighted average of RPX values for Boston, New York and Philadelphia.
⁴ 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.
⁵ The RPX South composite is a weighted average of RPX values for Atlanta, Charlotte, Jacksonville, Miami, Tampa and Washington, DC.

Exhibit 7

25-MSA Composite - Motivated and Other RPX Transaction Counts, 2007-2011⁶

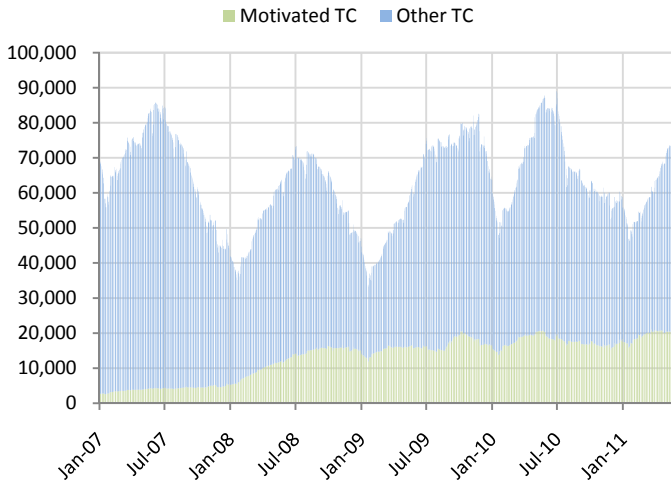


Exhibit 8

25-MSA Composite - Motivated Transaction Count as % of Total Transaction Count, '07-'11

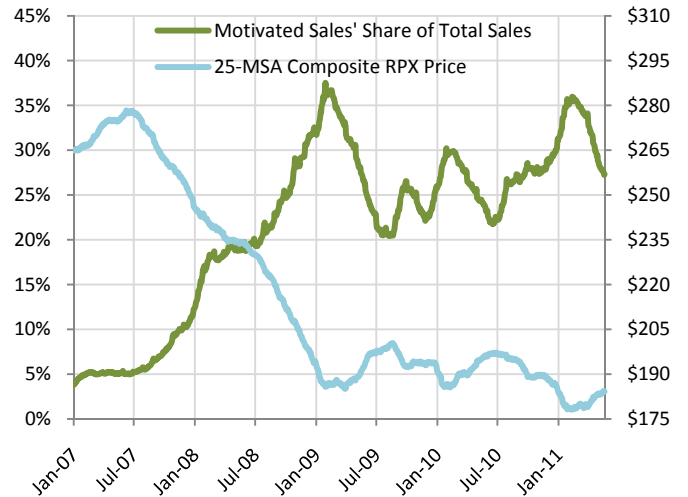


Exhibit 9

25-MSA Composite - Motivated, Other and MSA-Wide Prices, 2007-2011

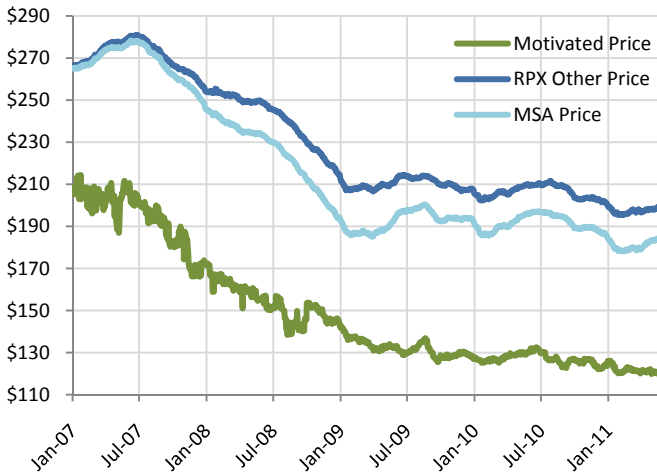


Exhibit 10

25-MSA Composite - Motivated Sales Price Discount Relative to Other Sales, 2007-2011

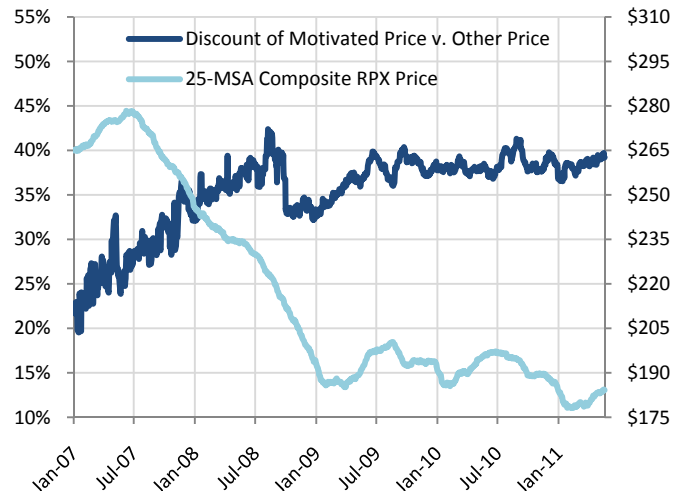
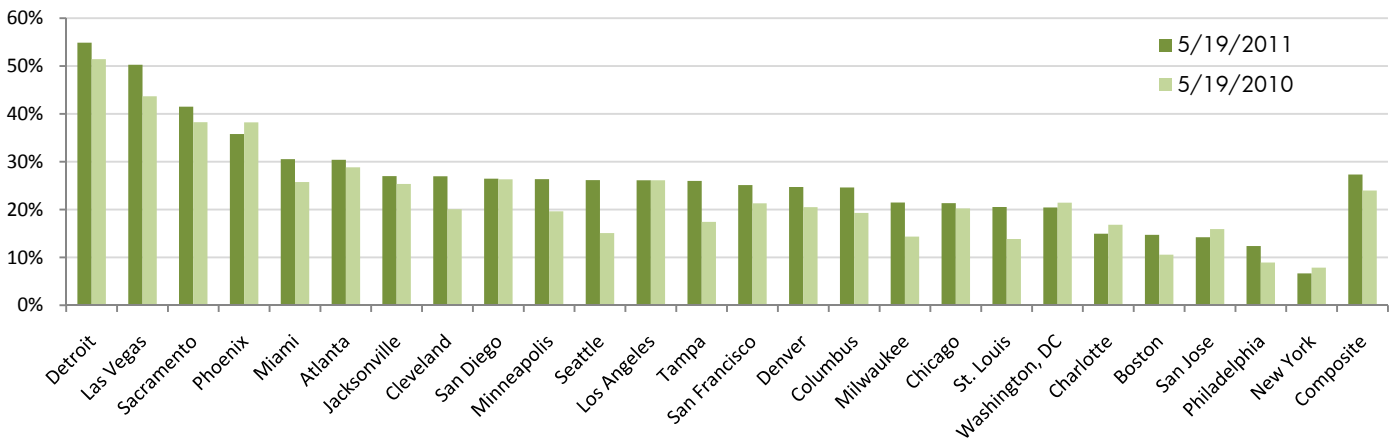


Exhibit 11

Motivated Sales as a Percent of Total Sales, 25 MSAs



Source: Radar Logic

⁶ The shaded areas depicting motivated and other transaction counts are stacked.

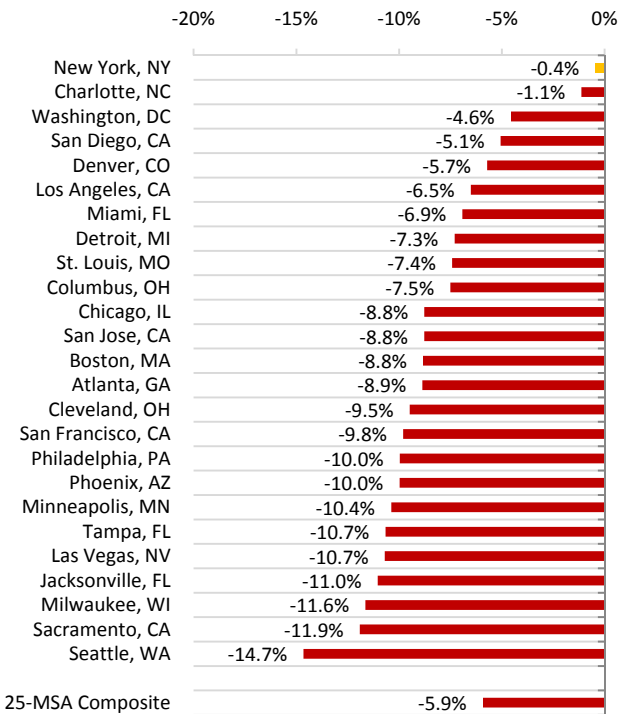
Exhibit 12: Radar Logic Daily Prices in 25 Metropolitan Statistical Areas (Ranked by 1-Year % Change)

May 2011 Rank	April 2011 Rank	MSA	PPSF	May 2011 vs. May 2010	May 2010 vs. May 2009	May 2011 vs. April 2011	May 2010 vs. April 2010
1	1	New York, NY	\$236.78	-0.4%	0.7%	0.3%	0.0%
2	4	Charlotte, NC	\$91.93	-1.1%	0.3%	4.5%	3.0%
3	2	Washington, DC	\$169.19	-4.6%	0.1%	3.0%	5.7%
4	6	San Diego, CA	\$207.65	-5.1%	9.0%	0.1%	0.7%
5	12	Denver, CO	\$124.06	-5.7%	5.9%	4.5%	2.2%
6	7	Los Angeles, CA	\$242.18	-6.5%	3.8%	-0.3%	1.1%
7	11	Miami, FL	\$97.35	-6.9%	-9.3%	4.1%	3.2%
8	21	Detroit, MI	\$56.13	-7.3%	-13.5%	3.0%	-1.4%
9	13	St. Louis, MO	\$96.93	-7.4%	1.3%	4.3%	2.8%
10	8	Columbus, OH	\$86.61	-7.5%	2.3%	3.1%	5.0%
11	17	Chicago, IL	\$114.15	-8.8%	-11.6%	3.0%	0.9%
12	3	San Jose, CA	\$328.87	-8.8%	14.7%	-1.2%	5.9%
13	25	Boston, MA ⁷	\$185.10	-8.8%	8.1%	22.3%	4.1%
14	9	Atlanta, GA	\$71.19	-8.9%	0.8%	1.4%	4.3%
15	22	Cleveland, OH	\$64.83	-9.5%	-10.8%	1.3%	-1.5%
16	5	San Francisco, CA	\$265.51	-9.8%	10.8%	-1.1%	5.5%
17	14	Philadelphia, PA	\$125.49	-10.0%	-3.1%	0.7%	1.8%
18	15	Phoenix, AZ	\$74.48	-10.0%	-0.6%	1.0%	0.9%
19	18	Minneapolis, MN	\$104.65	-10.4%	-2.1%	2.3%	1.9%
20	16	Tampa, FL	\$74.66	-10.7%	-8.0%	1.3%	1.3%
21	20	Las Vegas, NV	\$69.28	-10.7%	-3.8%	-0.7%	-1.2%
22	24	Jacksonville, FL	\$78.32	-11.0%	-4.6%	2.8%	-0.3%
23	10	Milwaukee, WI	\$96.35	-11.6%	-10.2%	-2.7%	2.8%
24	19	Sacramento, CA	\$108.26	-11.9%	-1.0%	-1.2%	0.1%
25	23	Seattle, WA	\$150.73	-14.7%	-4.6%	-0.6%	2.0%
25-MSA Composite			\$184.15	-5.9%	2.2%	1.2%	1.9%
Manhattan Condo ⁸			\$1,089.13	7.9%	5.5%	6.3%	-0.8%

Source: 28-Day RPX™ value for each MSA as of 5/19/2011

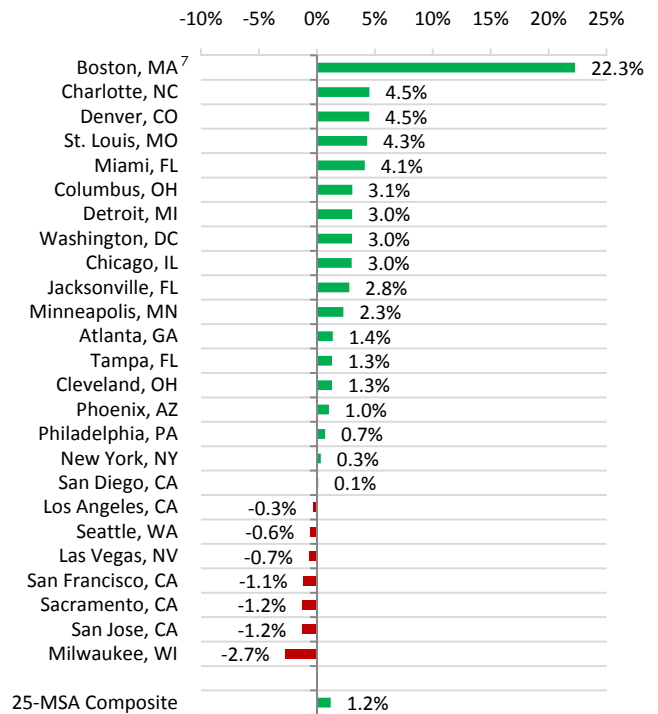
■ = positive ■ = neutral ■ = negative

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



Source: 28-Day RPX™ value for each MSA as of 5/19/2011

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



Source: 28-Day RPX™ value for each MSA as of 5/19/2011

⁷ 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.

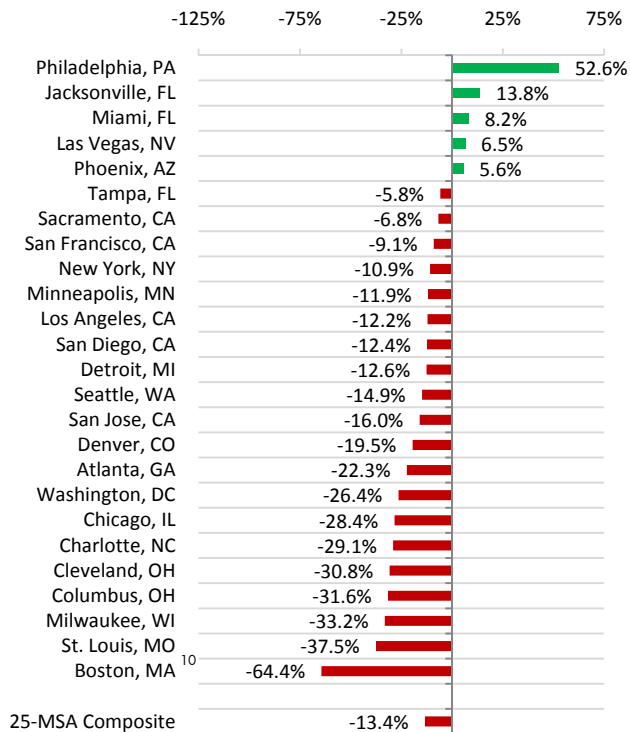
⁸ Manhattan Condo is a subset of the New York MSA.

Exhibit 15: Transaction Counts⁹

MSA	May 2011 vs. May 2010	May 2010 vs. May 2009	May 2011 vs. April 2011	May 2010 vs. April 2010
Philadelphia, PA	52.6%	43.8%	46.2%	4.2%
Jacksonville, FL	13.8%	25.4%	-1.9%	-4.7%
Miami, FL	8.2%	54.9%	-4.0%	7.2%
Las Vegas, NV	6.5%	64.8%	4.3%	8.2%
Phoenix, AZ	5.6%	16.6%	3.7%	-0.8%
Tampa, FL	-5.8%	45.1%	-7.4%	8.8%
Sacramento, CA	-6.8%	28.0%	4.6%	15.8%
San Francisco, CA	-9.1%	38.6%	7.4%	15.9%
New York, NY	-10.9%	45.9%	4.3%	12.8%
Minneapolis, MN	-11.9%	59.7%	26.4%	27.2%
Los Angeles, CA	-12.2%	23.7%	0.3%	6.8%
San Diego, CA	-12.4%	21.1%	-0.7%	5.8%
Detroit, MI	-12.6%	120.4%	13.4%	13.5%
Seattle, WA	-14.9%	38.9%	15.5%	11.8%
San Jose, CA	-16.0%	31.7%	18.5%	21.5%
Denver, CO	-19.5%	29.1%	12.4%	15.9%
Atlanta, GA	-22.3%	51.1%	37.3%	13.1%
Washington, DC	-26.4%	30.8%	9.3%	29.4%
Chicago, IL	-28.4%	90.8%	6.6%	21.4%
Charlotte, NC	-29.1%	52.6%	19.1%	25.0%
Cleveland, OH	-30.8%	59.6%	4.6%	31.6%
Columbus, OH	-31.6%	66.3%	24.5%	31.0%
Milwaukee, WI	-33.2%	63.4%	0.0%	15.8%
St. Louis, MO	-37.5%	78.8%	14.9%	30.1%
Boston, MA ¹⁰	-64.4%	32.1%	163.3%	15.0%
25-MSA Composite	-13.4%	42.4%	8.7%	13.3%
Manhattan Condo	8.7%	149.0%	18.0%	6.7%

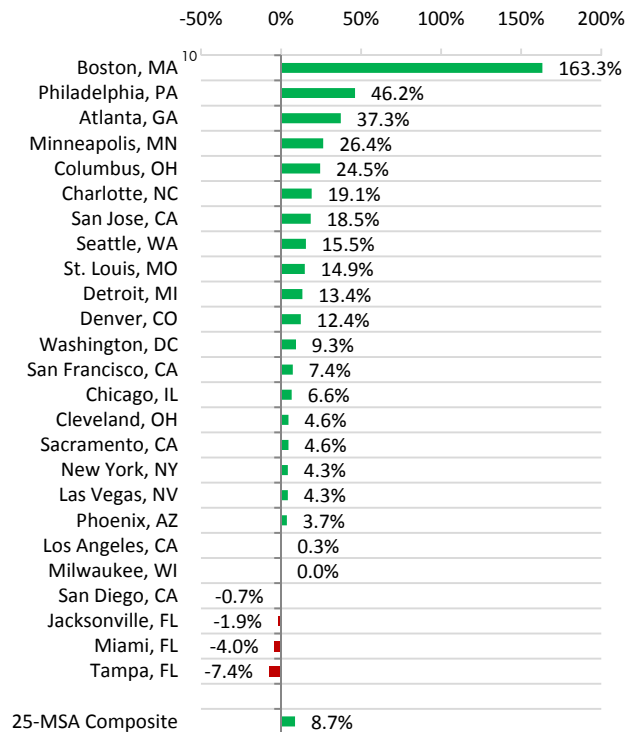
Source: 28-Day RPX™ analytics as of 5/19/2011

Exhibit 16: Transaction Counts Year-Over-Year Change



Source: 28-Day RPX™ value for each MSA as of 5/19/2011

Exhibit 17: Transaction Counts Month-Over-Month Change



Source: 28-Day RPX™ value for each MSA as of 5/19/2011

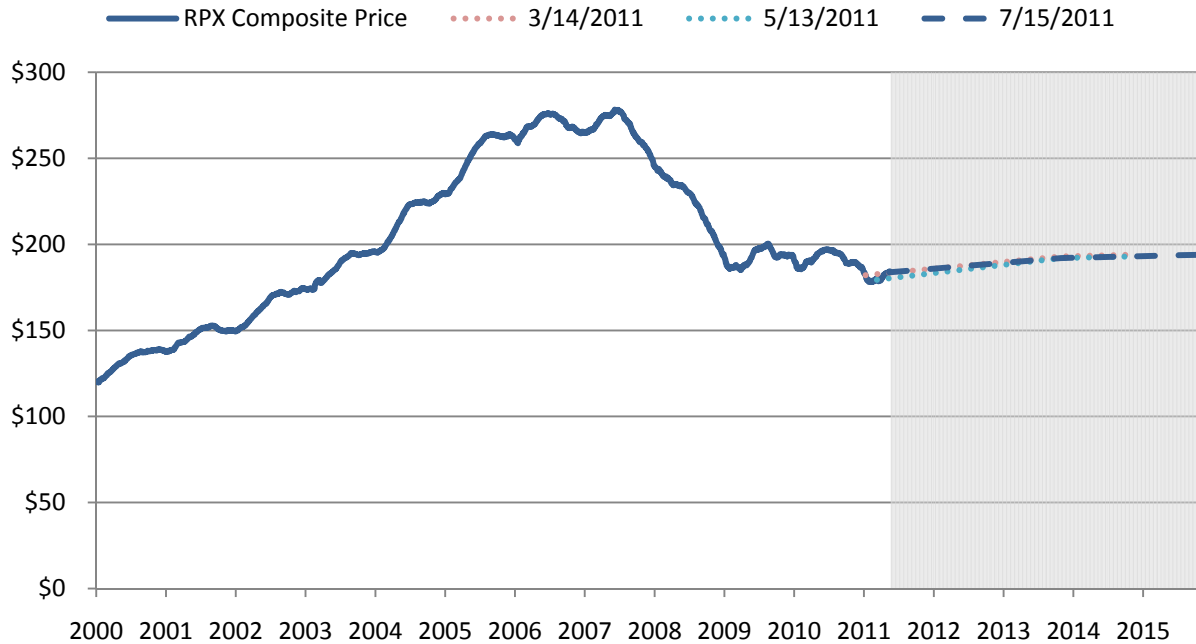
⁹ Transaction counts reflect the transactions included in the calculation of the Radar Logic Daily Prices and may not reflect transaction volume in the market.

¹⁰ 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 7/15/2011

Exhibit 19: Cumulative Home Price Appreciation Implied by RPX Composite Forward Fixings as of 7/15/2011

28-Day RPX on 5/19/2011	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
\$184.15	3.2%	3.7%	4.3%	4.8%	5.3%

Source: Official RPX Daily Fixings as of 7/15/2011

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 June 2011 RPX™ Monthly Housing Market Report will be released on August 25, 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:

Radar Logic Incorporated

180 Varick Street, Suite 502

New York, NY 10014

212.965.0300

info@radarlogic.com

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