

Framing the Impact of the Subprime Problem on the East Bay

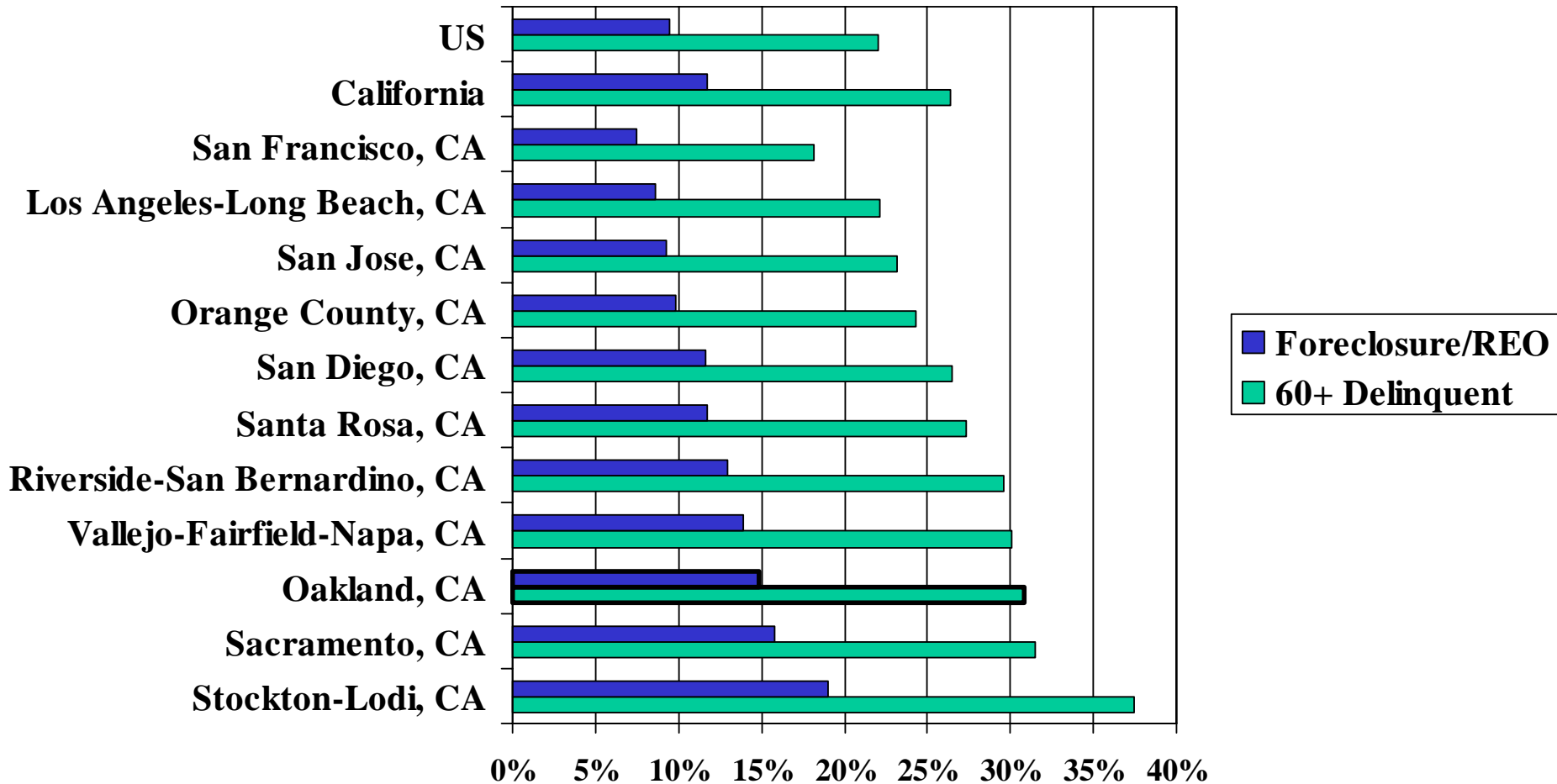
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2/14/2008

East Bay Delinquencies and Foreclosures

- 12.4% of loans are subprime, compared to 16.2% statewide and 5.6% in San Francisco
- Only 1.2% of prime loans are in delinquent, less than 0.5% in foreclosure
- Over 30% of East Bay subprime loans are delinquent, and 15% are in foreclosure

Share of Subprime Loans Delinquent or in Foreclosure, November 2007

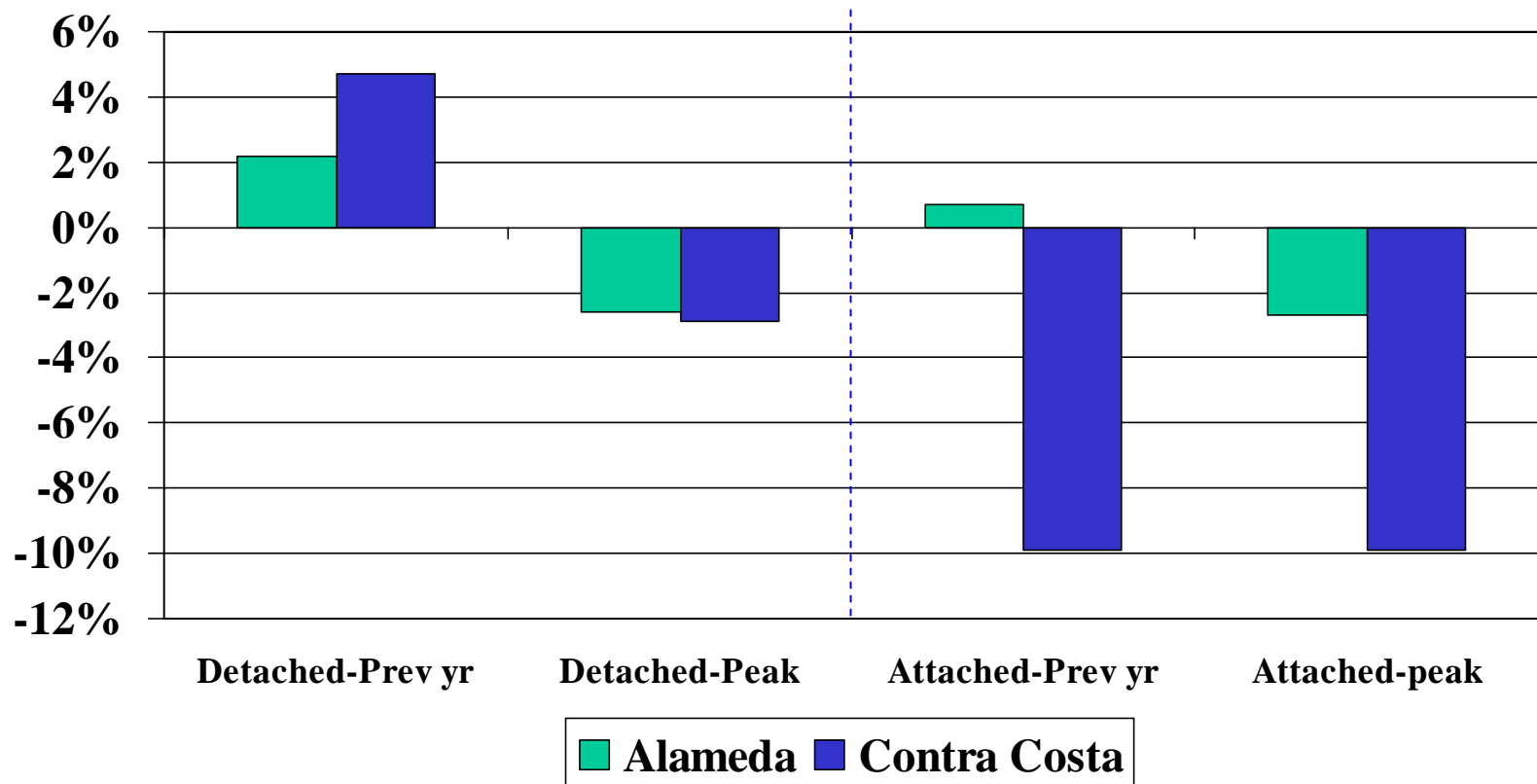


Source: First American CoreLogic, LoanPerformance.

Home Sales and Prices

- Sales have dropped 30% to 40% in the East Bay from a year ago
- As of October, East Bay median prices were down 1.4% to 2.5%, compared to a 15% drop in Solano, 10% in Sonoma, and gains of 3% to 4% in the west and south Bay.
- Price changes vary widely by area. At the low end, detached prices have dropped by as much as 20% or more; low end attached home declines have been higher.

Median Price Change by Housing Type Alameda and Contra Costa Counties (Q3 2007 change from previous year and from peak)

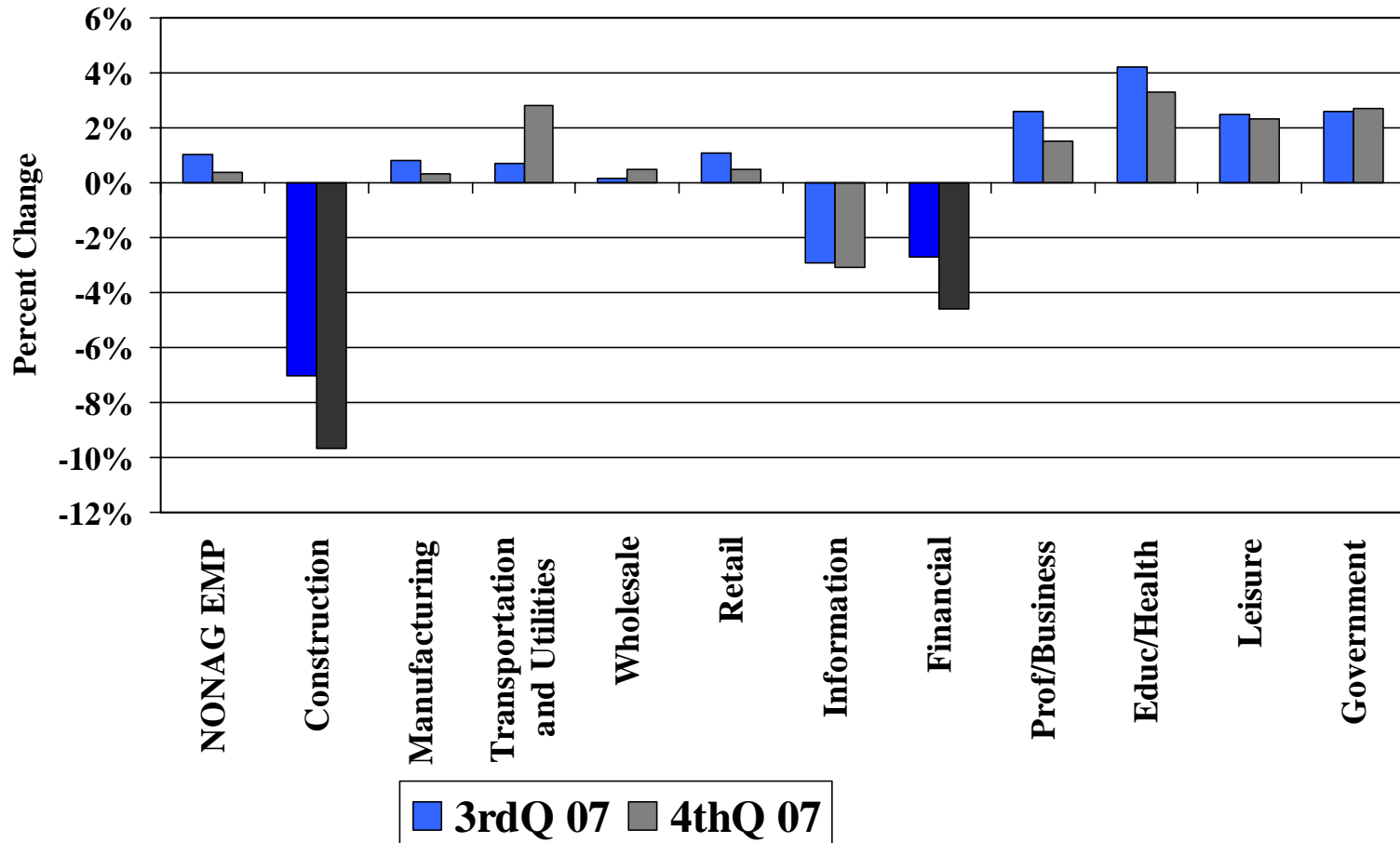


Source: FCREUE from zip code summaries provided by IHP Capital.

Building Activity and Employment

- Single family permits have dropped by 20% in the last year, and multi-family permits are down by over 50%
- Overall employment growth was up only 0.4% 4th quarter 2007
- Most employment losses are in real estate related sectors--construction down 10%, finance down 5%

Annual Oakland MSA Job Change by Industry Q4 2006 and Q4 2007



Local Public Sector Fallout

- Support for displaced families
- Support for displaced workers
- Local revenue impacts
 - Proposition 13 will cushion property tax impacts
 - There is no cushion for transaction related revenue effects
 - Newer communities are vulnerable for value declines and building cutbacks
- Local revenue losses may be magnified by state and federal cutbacks