

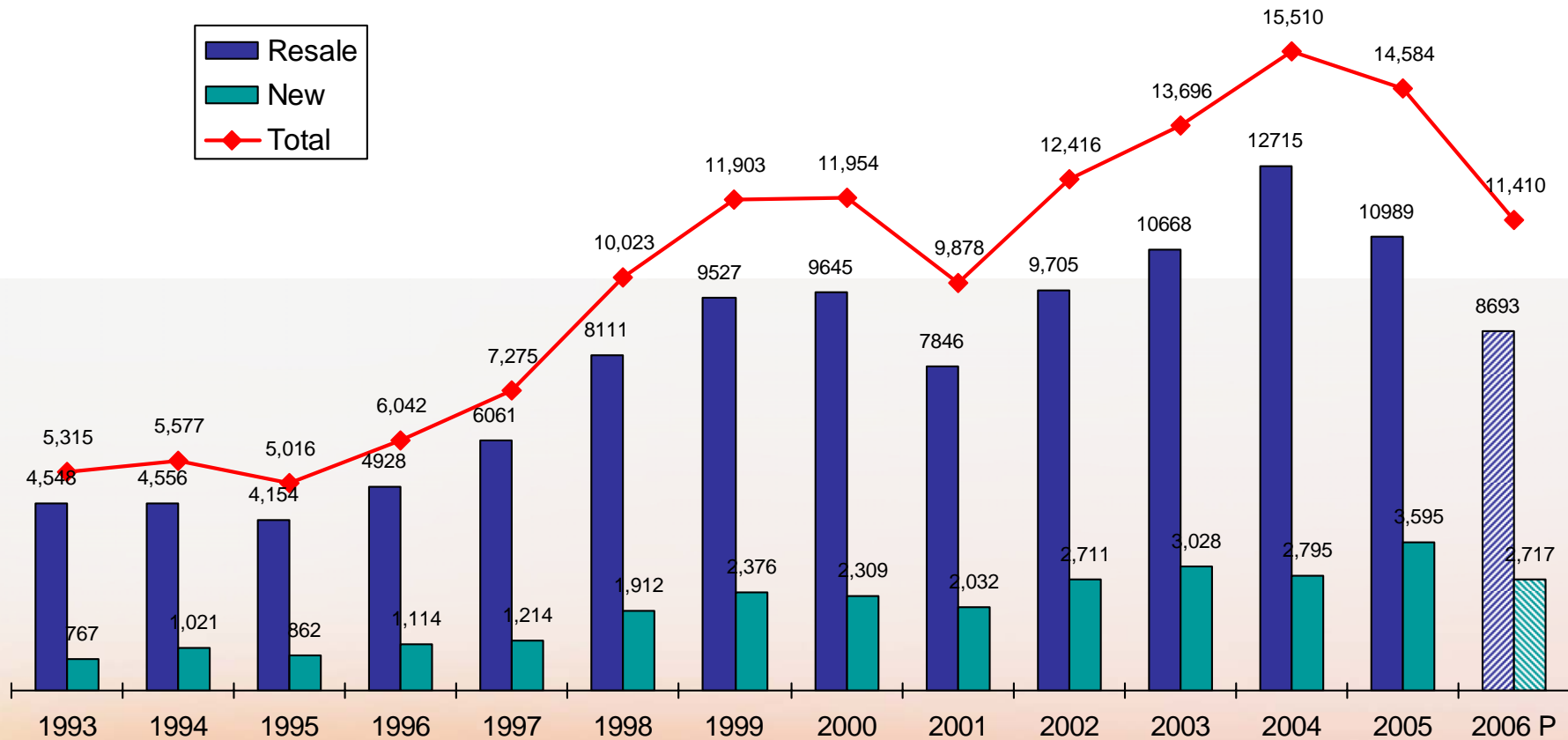
The State of Real Estate in the Coachella Valley

Tuesday, October 24, 2006

The Desert Sun

Home Sales – Long Term Trend Coachella Valley

Home Sales began to decline after the record 2004 peak.



% Chg vs YA

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 P
Total Sales		4.9	-10.1	20.5	20.4	37.8	18.8	0.4	-17.4	25.7	10.3	13.2	-6.0	-21.8



Source: Data Quick

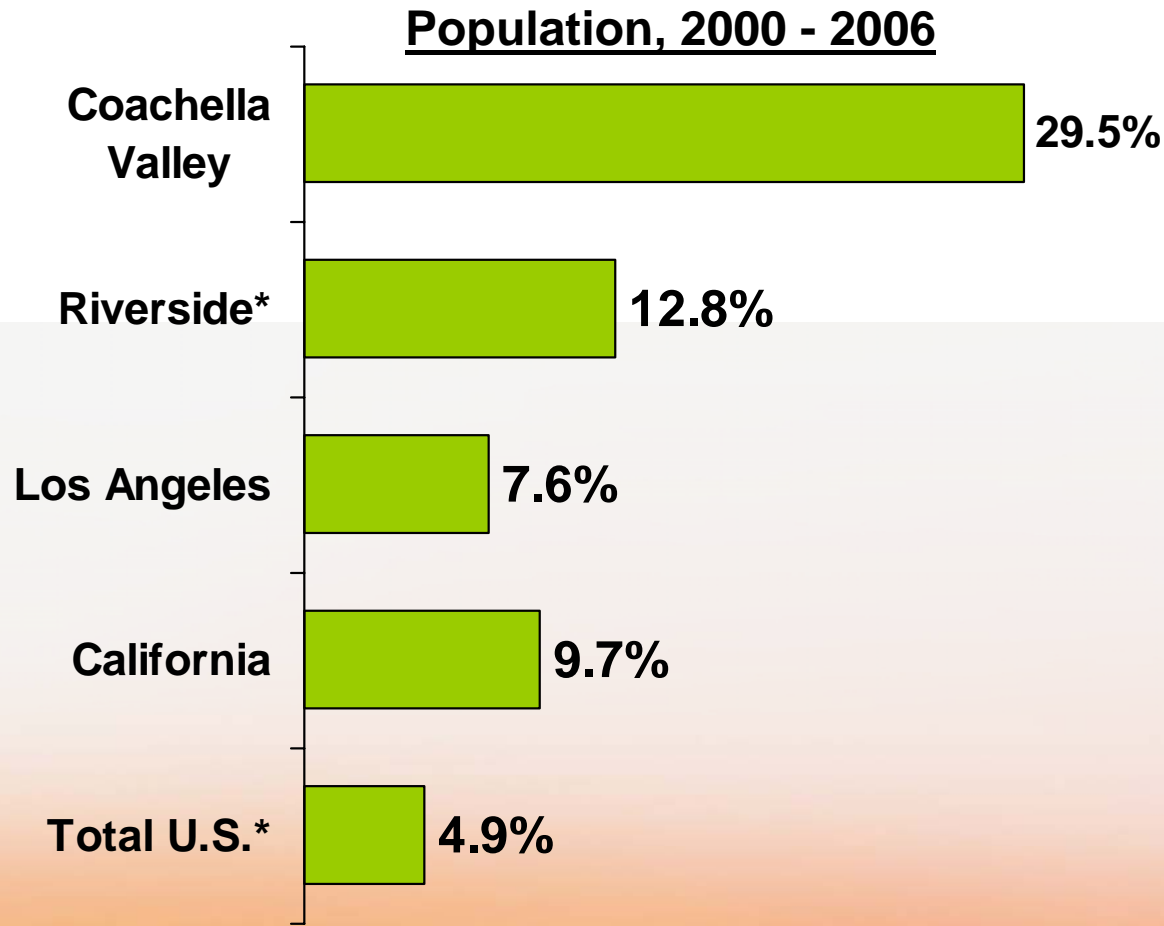
P = Projected. Projections assume no change in momentum through the end of 2006.

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Coachella Valley Growth

far exceeds surrounding metros, the state and the nation.



* City of Riverside

Source: California Department of Finance, Claritas, * 2000-2005



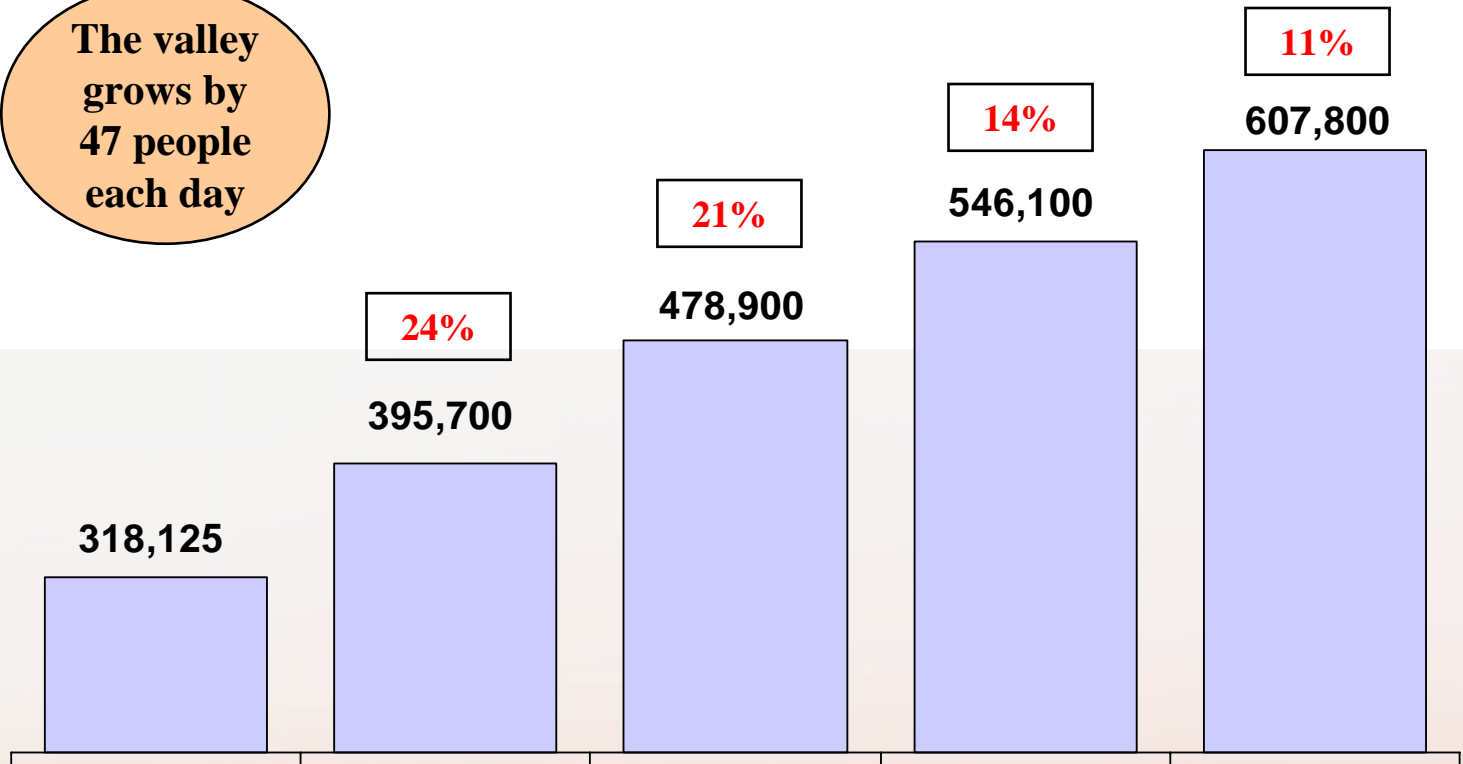
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Projected Population Growth in

the Coachella Valley will continue to fuel real estate growth.

The valley grows by 47 people each day



Actual Growth

	2000	2005	2010 (P)	2015 (P)	2020 (P)
Population		77,575	83,200	67,200	61,700
Households*		27,219	29,193	23,579	21,649

* Assumes 2.85 persons per household

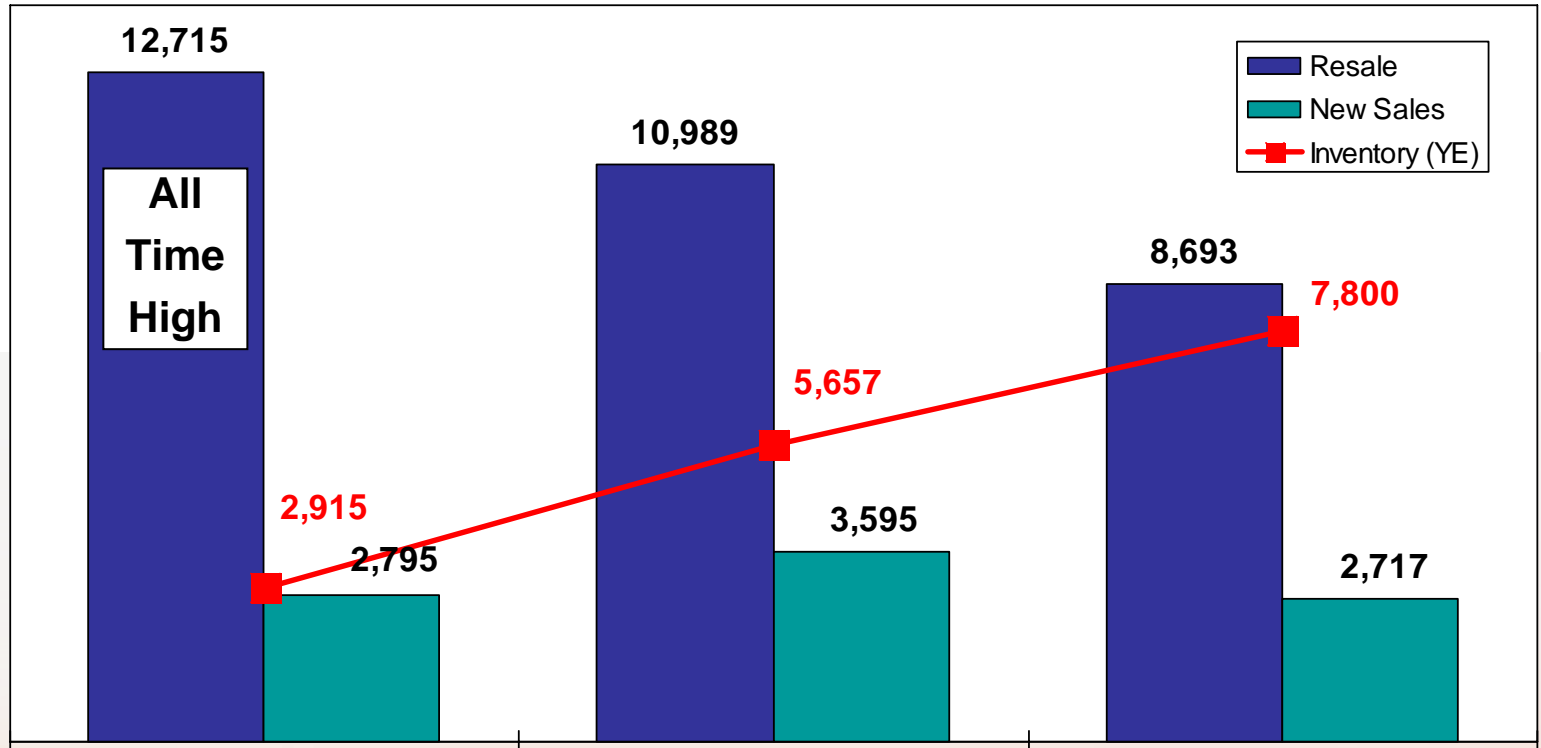
Source: Department of Finance, Riverside County Center for Demographic Research, October 2005



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Home Sales and Unsold Resale Inventory



<u>% Chg vs. YA</u>	2004	2005	2006 P
Resale	+19.2	-13.6	-20.9
New	-7.7	+28.6	-24.4
Inventory	NA	+94.1	+37.9



Source: Data Quick, California Desert Assoc. of Realtors

P = Projected

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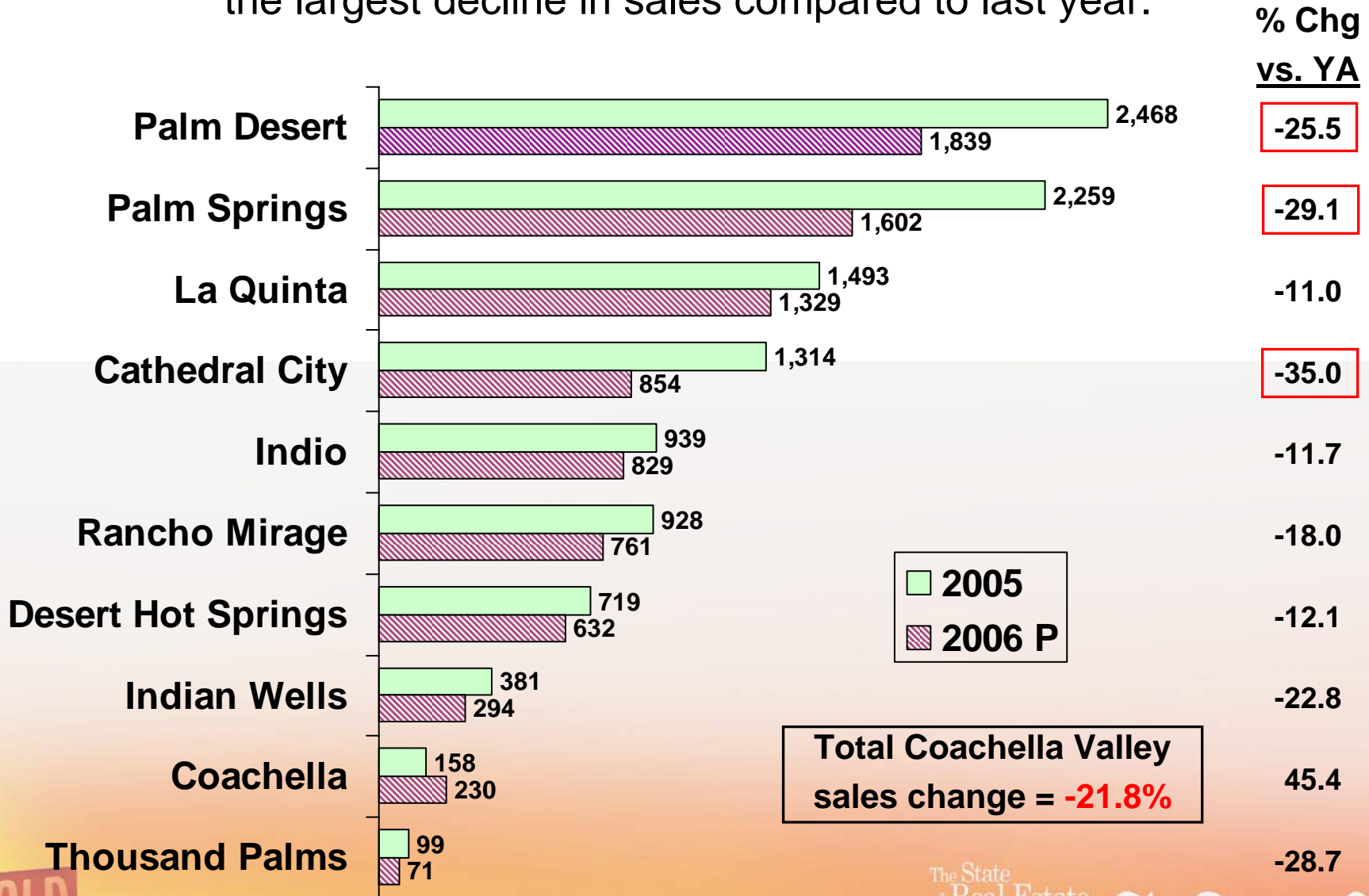
SOLD

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Coachella Valley Home Sales by City

Cathedral City, Palm Springs and Palm Desert are predicted to have the largest decline in sales compared to last year.



Source: Data Quick

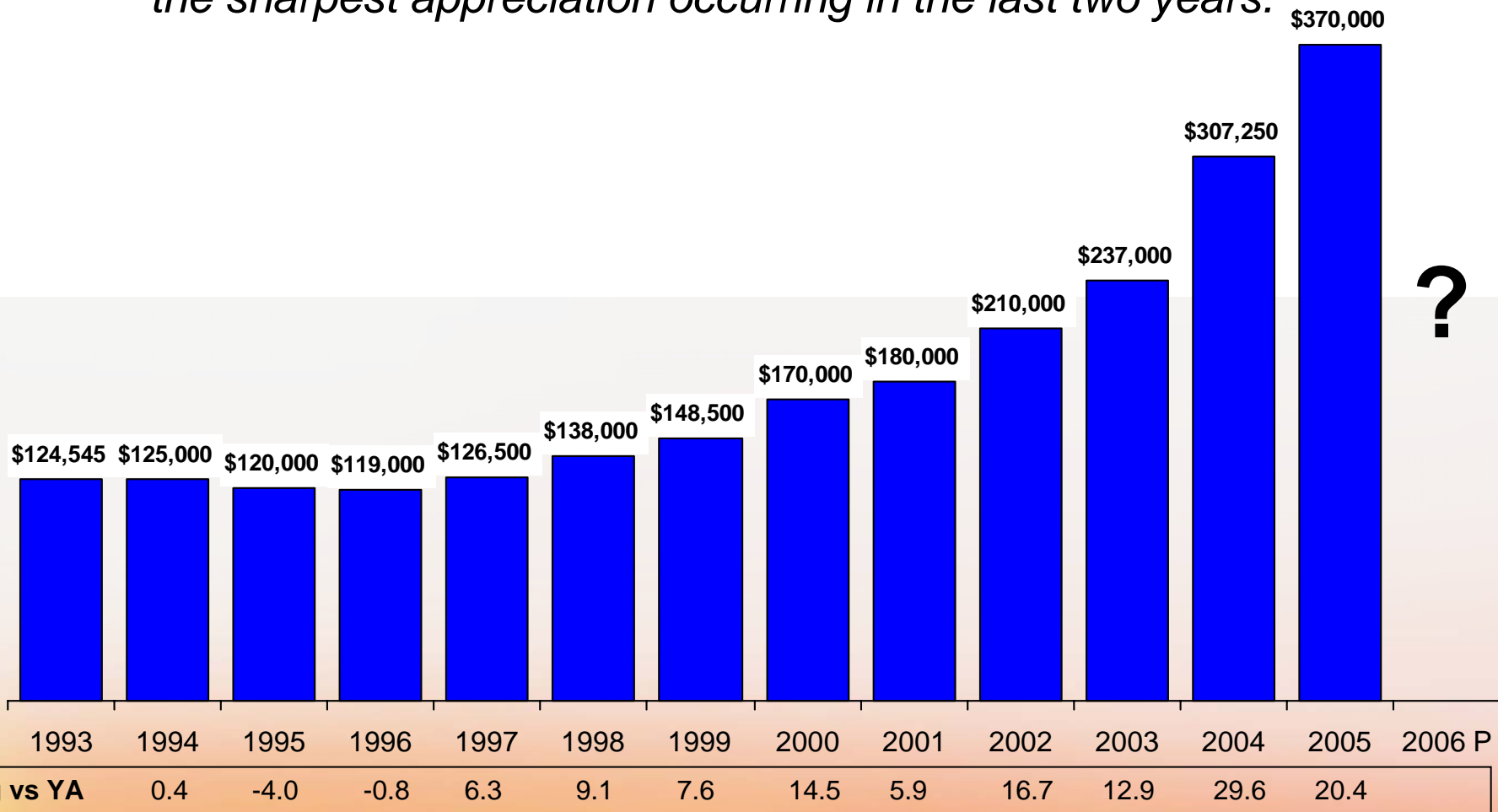
P = Projected

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Median Home Prices (Resale & New) Coachella Valley

The median home price has more than tripled in the past 10 years, with the sharpest appreciation occurring in the last two years.



Source: Data Quick

P = Projected

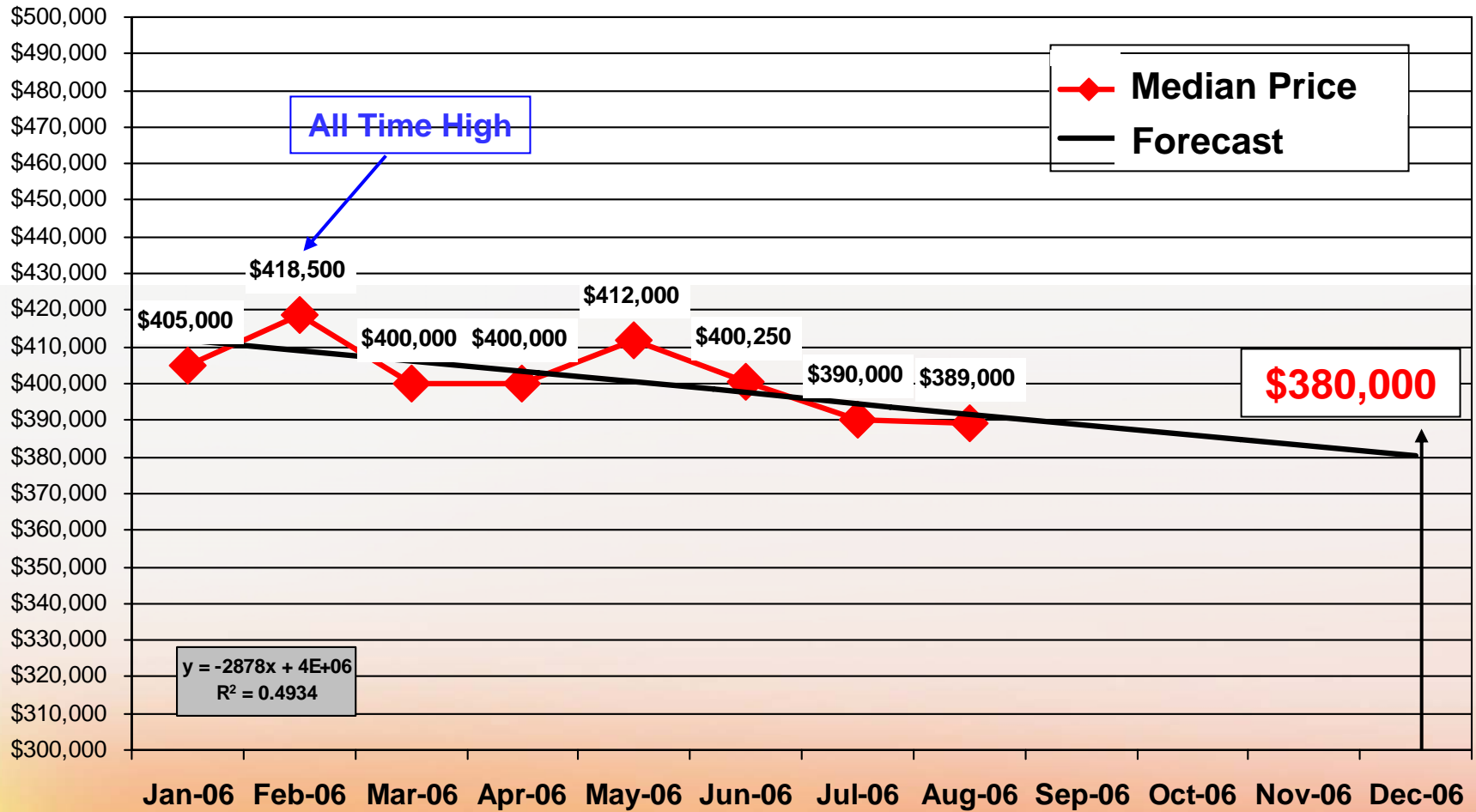
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Median Home Prices (Resale & New)

Recent Trend: 2006 Monthly YTD

Coachella Valley



Source: Data Quick

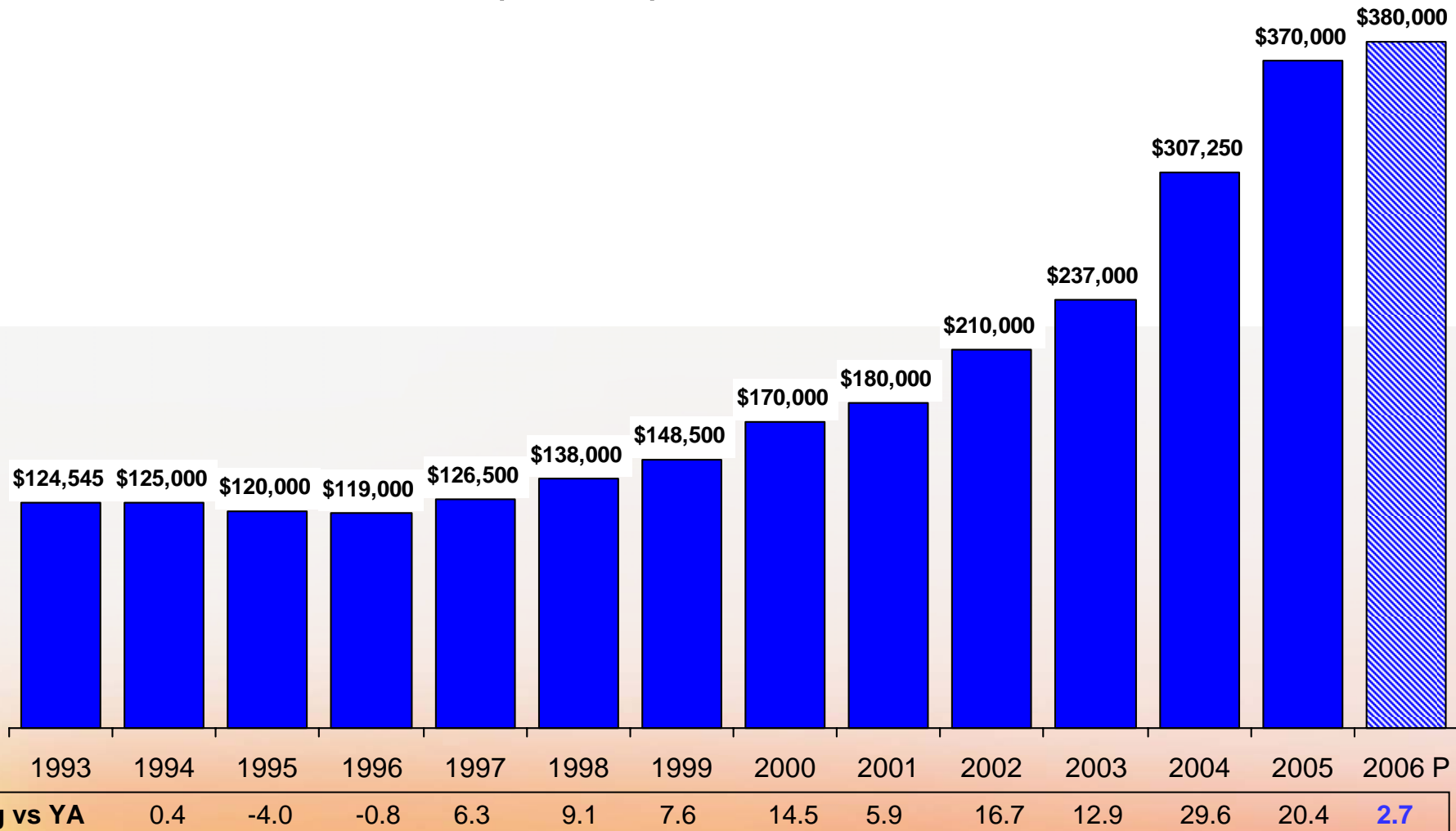
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Median Home Prices (Resale & New)

Coachella Valley

2006 median price is predicted to exceed 2005.



Source: Data Quick

P = Projected

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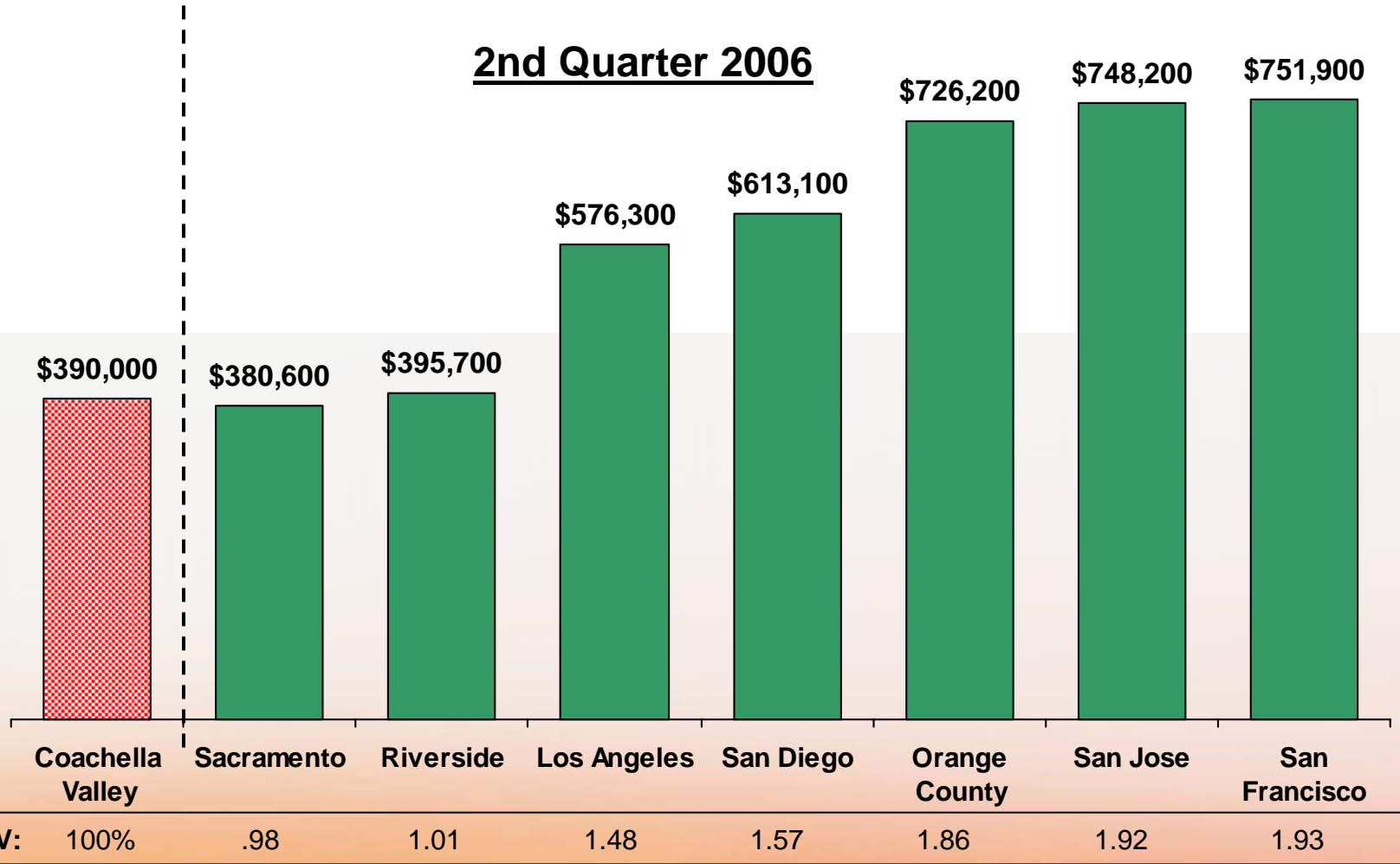
Factors Influencing The **2007 Real Estate Market** And Beyond



Single Family Median Home Prices

Coachella Valley vs. Other Metro Areas (MSA's*)

Coachella Valley remains a solid value relative to other California metro areas.

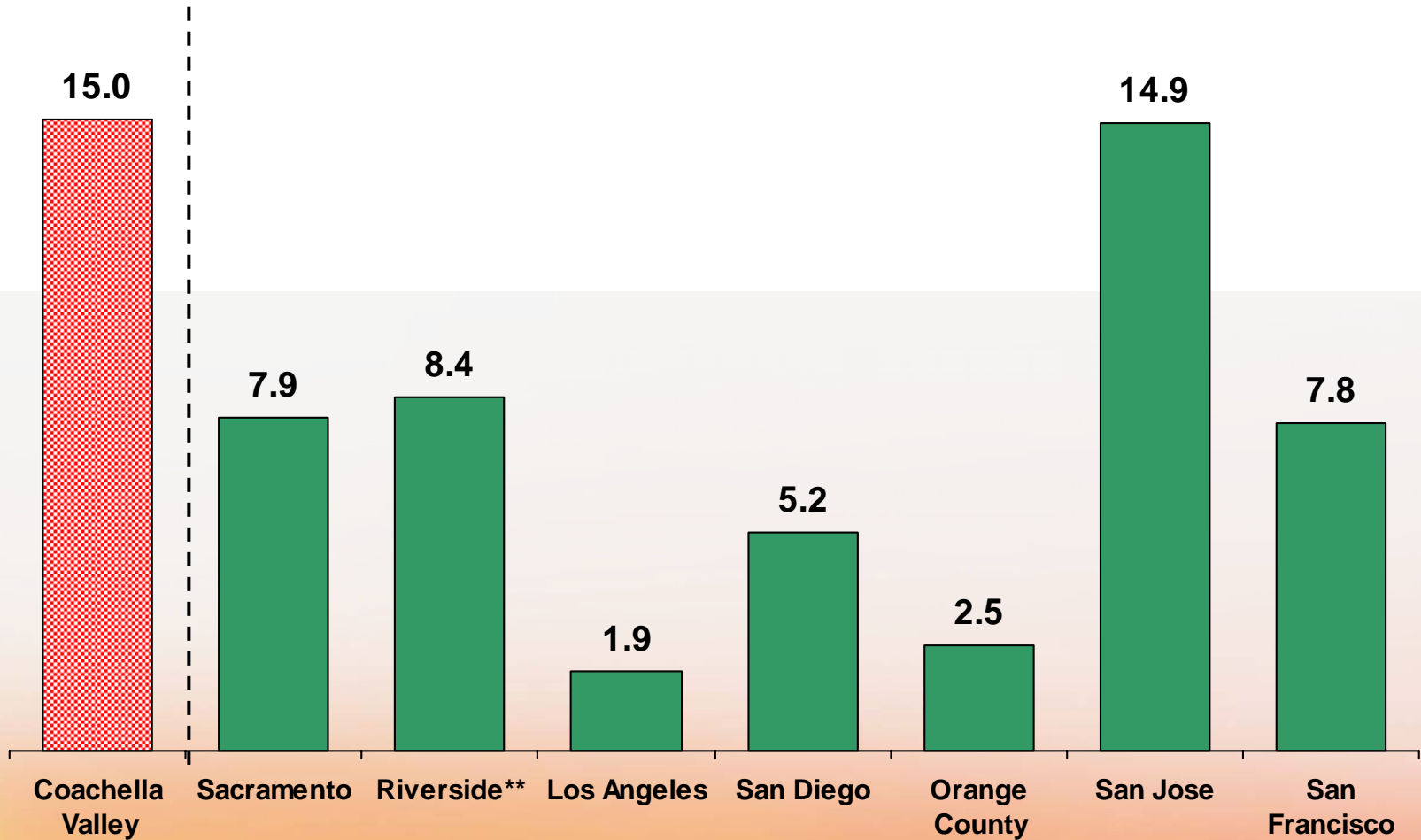


* Metropolitan Statistical Areas. Riverside excludes Coachella Valley
 Source: California Association of Realtors, Data Quick

Affordability Index*

Coachella Valley vs. Other Metro Areas

Coachella Valley's affordability index, while low, far exceeds most other areas.



Source: California Association of Realtors, Data Quick

* % of homes sold that families making the median household income could afford.

** Metropolitan Statistical Area, excludes Coachella Valley

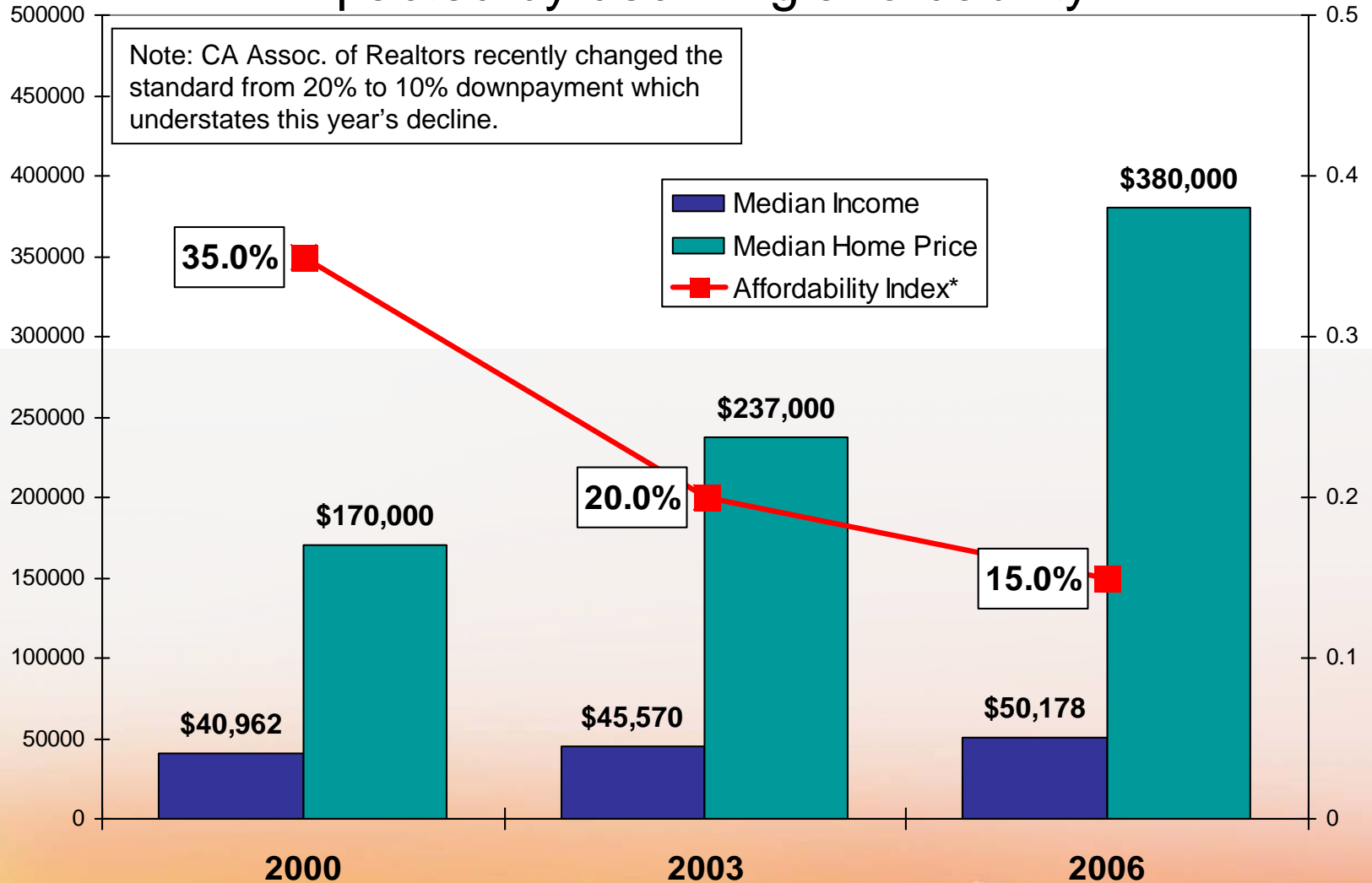


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Coachella Valley Affordability Index* Trend

Future real estate market performance could be adversely impacted by declining affordability.



Source: California Association of Realtors, Data Quick

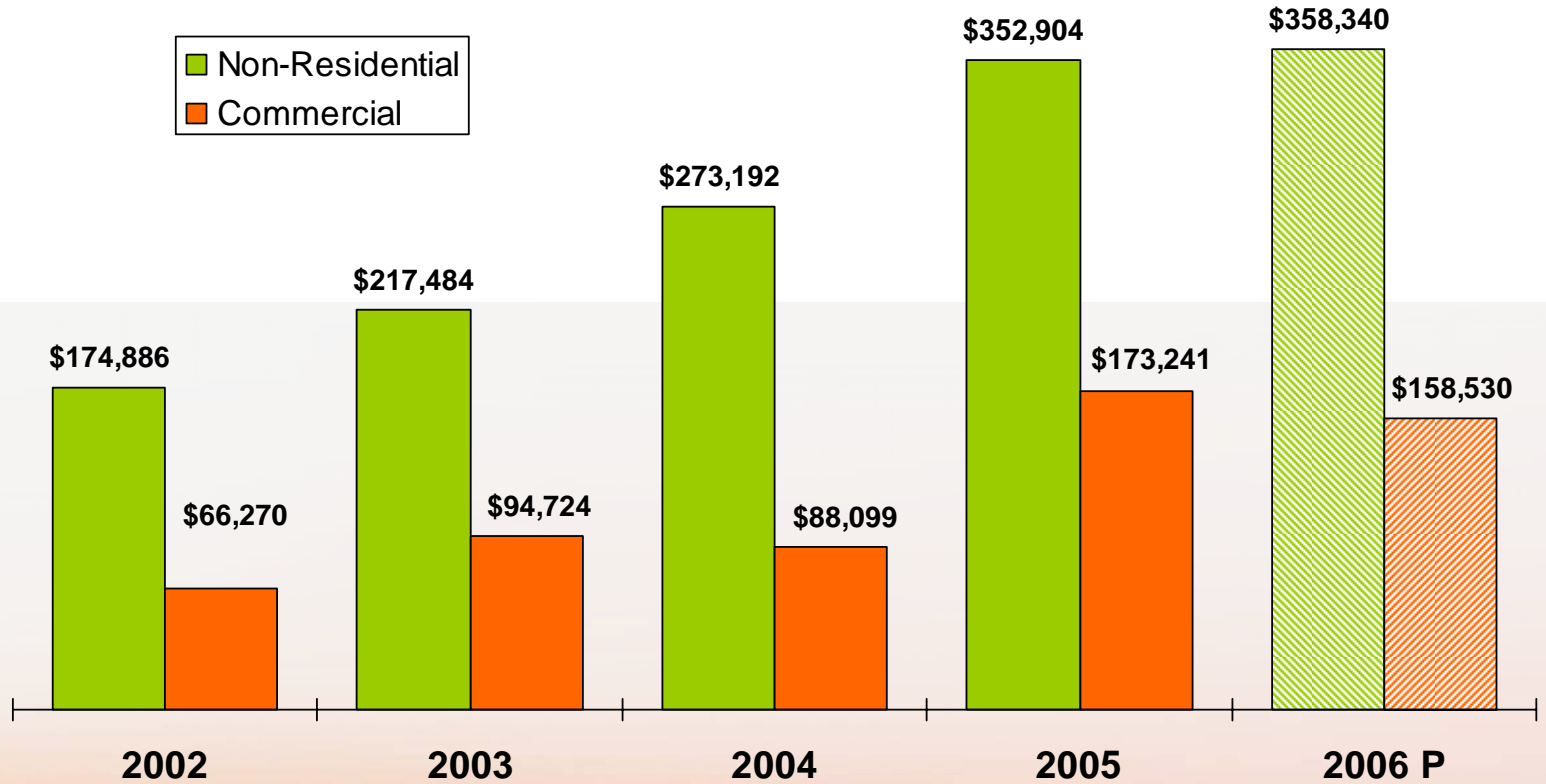
* % of homes sold that families making the median household income could afford.



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Non-Residential Real Estate Building Permit Valuations (000)



% Chg vs. YA

	2002	2003	2004	2005	2006 P
Non-Residential	NA	+24.4	+25.6	+29.2	1.5
Commercial	NA	+42.9	-7.0	+96.6	-8.5



Source: Data Quick, California Desert Assoc. of Realtors

P = Projected

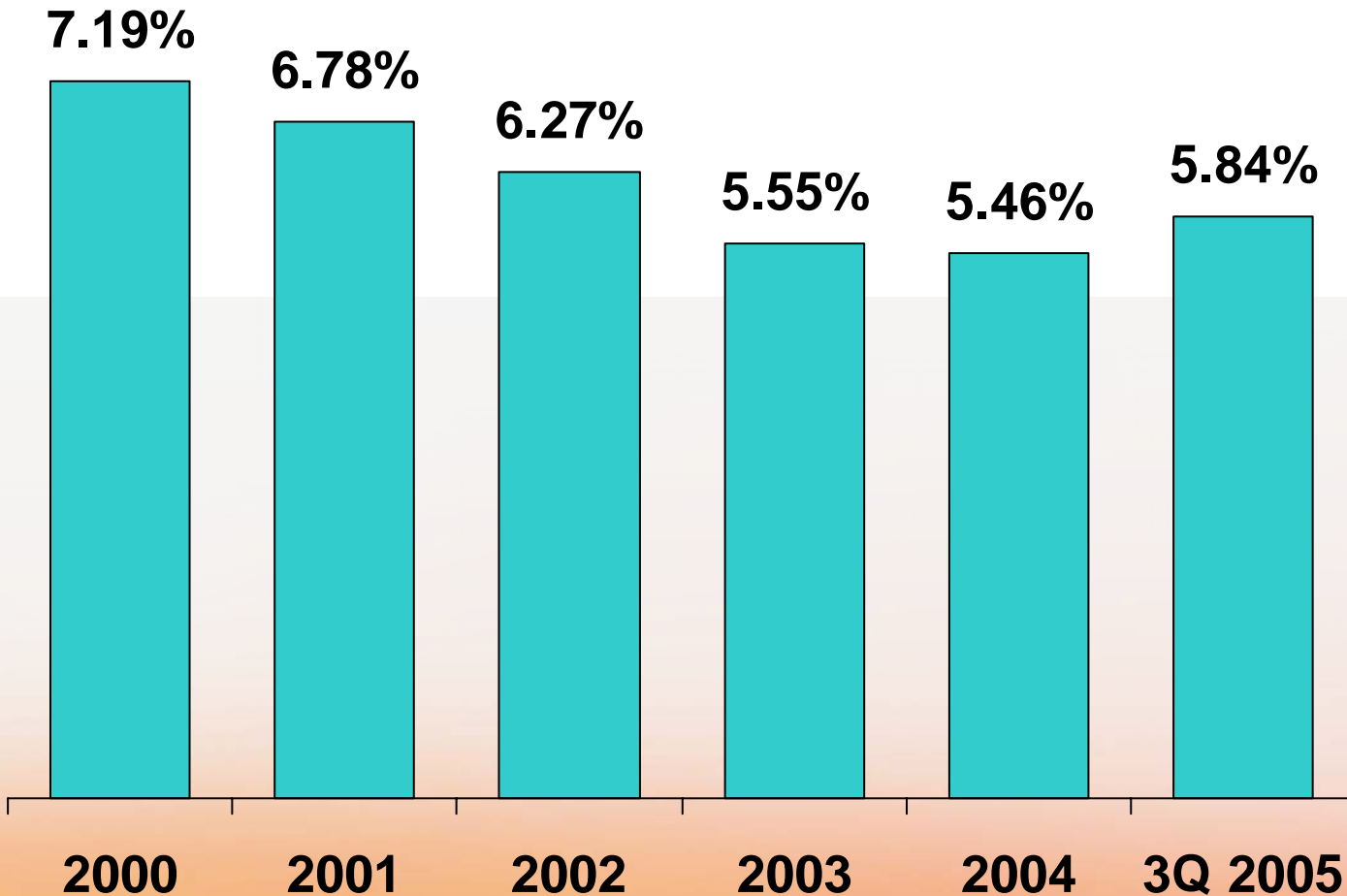
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Mortgage Rate History

Los Angeles-Long Beach-Riverside Metro Area

Conventional mortgage rates remain historically low, but started to creep upwards in 2005.

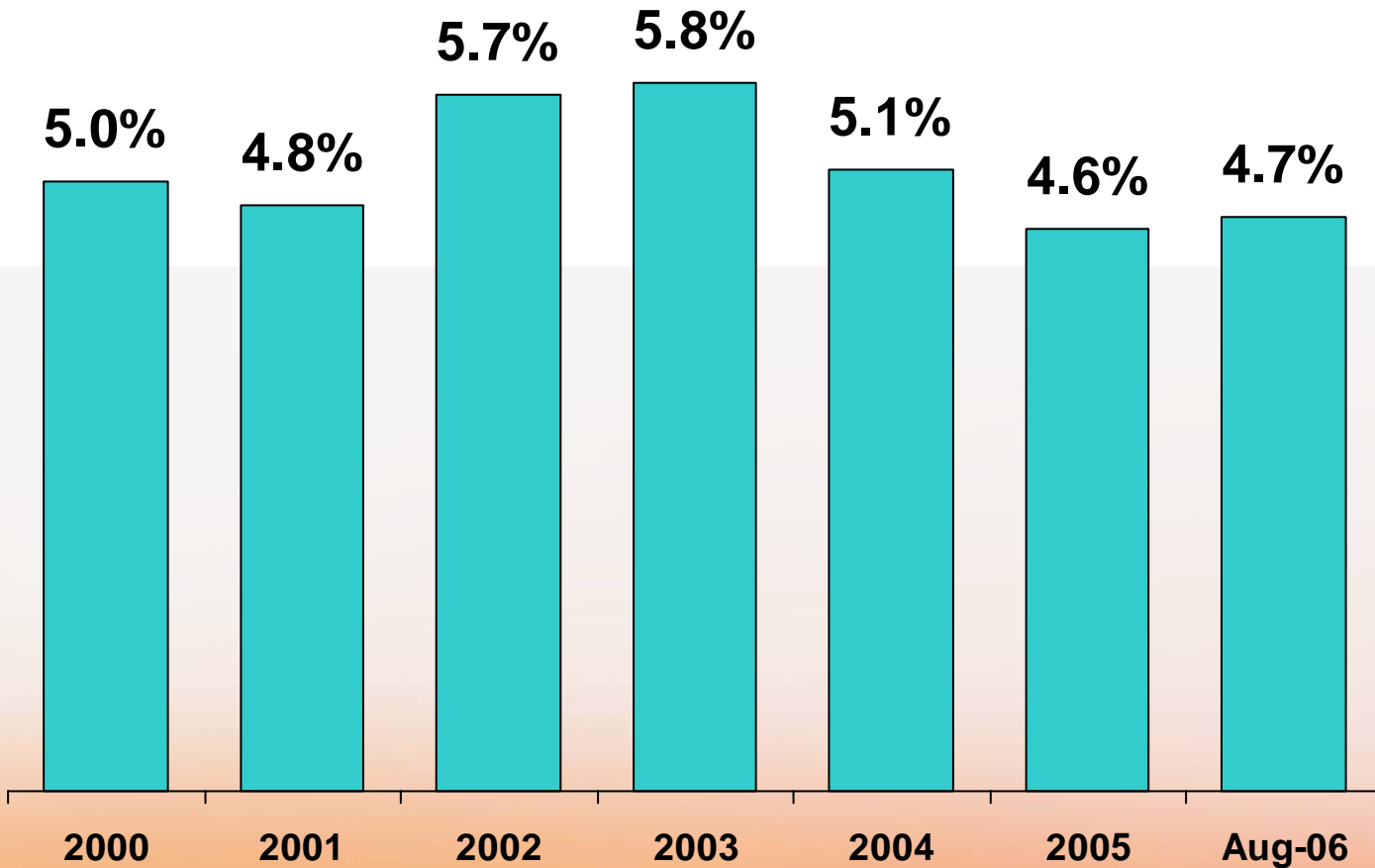


Source: Federal Housing Finance Board



Unemployment Rate: Coachella Valley

Coachella Valley employment remains healthy.



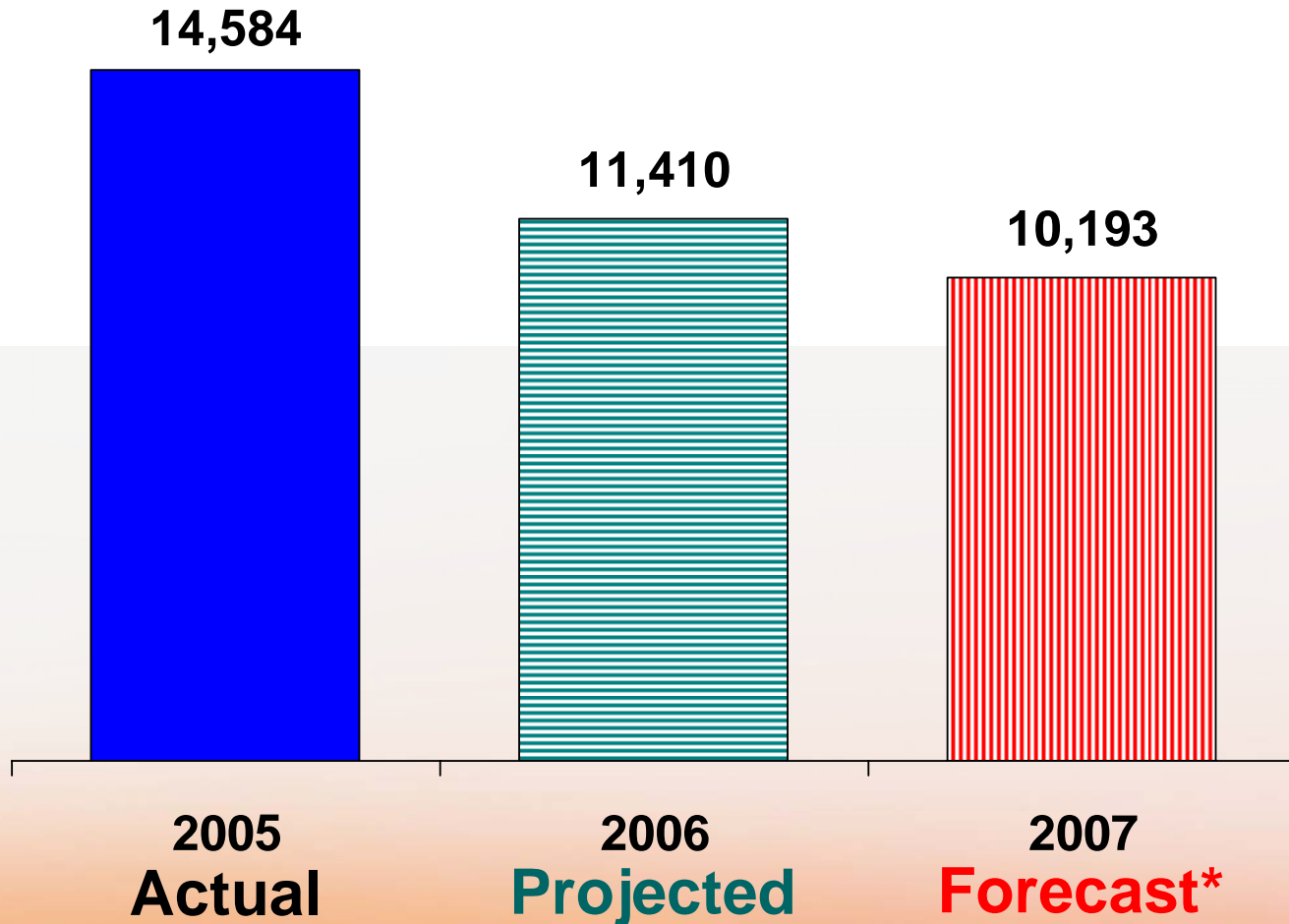
Source: Labor Market information (ca.gov)

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2007 Forecast* -- Total Home Sales

While at a slower rate than 2006, sales declines are forecasted to continue into 2007.



* Forecast methodology was a modified multiple regression.

Source: Data Quick, California Desert Assoc. of Realtors P = Projected



2007: Minimizing the 'Correction' Impact

- Education/Public Relations

- Buyers need to know that market fundamentals remain solid and that home values will continue to appreciate.
- Sellers who purchased one or two years ago with the intention of turning a profit quickly may need to accept smaller returns.

- Marketing

- New and creative approaches should be considered and The Desert Sun and desertsun.com can help.

- Quality Job Creation

- Collaboration with community leaders and business organizations to attract businesses requiring a more skilled and educated workforce.

- Non-Traditional Customers

- Empowering potential buyers who have traditionally been excluded from the real estate market, for example:
 - Hispanics, and
 - Younger, first time buyers
- Creative programs and financing could bring more of these households into the fold while stimulating market growth.

