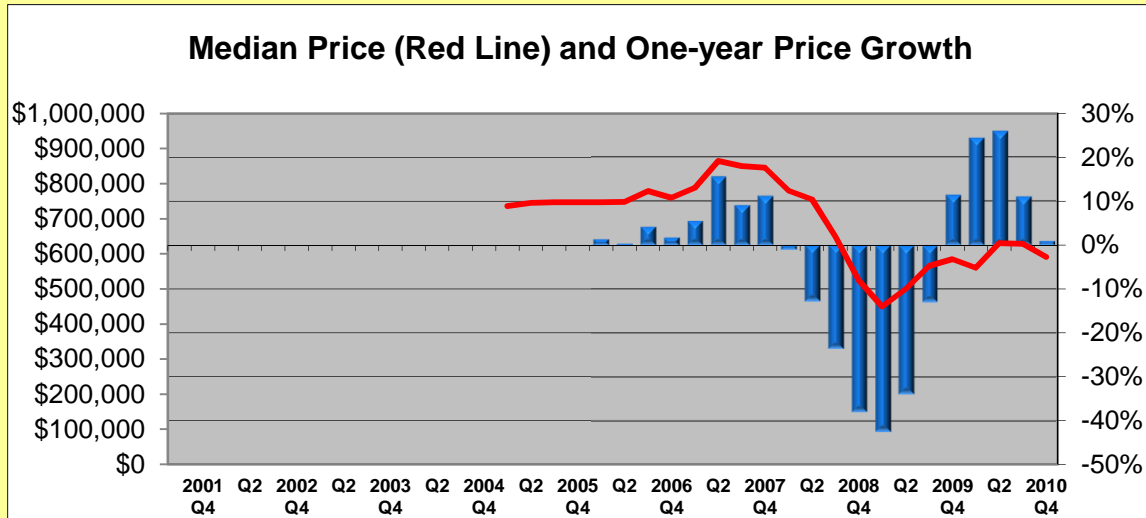


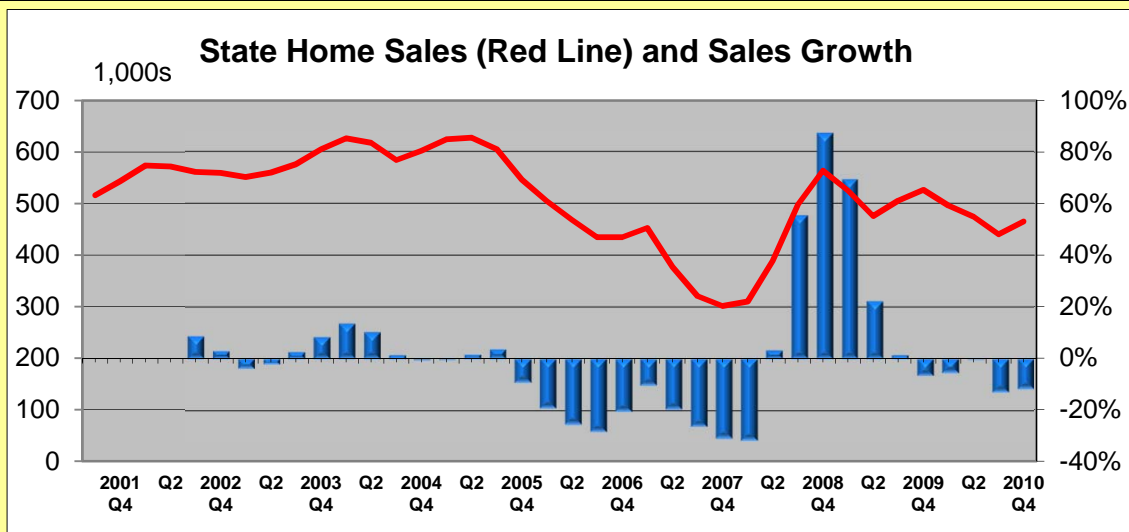
San Jose-Sunnyvale-Santa Clara Area Local Market Report, Fourth Quarter 2010



Today's Market...



	San Jose	U.S.	Local Trend
Price Activity			
Current Median Home Price (2010 Q4)	\$591,000	\$169,800	Prices are up from a year ago, but price growth is slowing
1-year (4-quarter) Appreciation (2010 Q4)	1.0%	-0.6%	
3-year (12-quarter) Appreciation (2010 Q4)	-30.1%	-18.2%	
3-year (12-quarter) Housing Equity Gain*	-\$254,300	-\$37,767	NA
7-year (28 quarters) Housing Equity Gain*	NA	-\$11,433	
9-year (36 quarters) Housing Equity Gain*	NA	\$15,933	
*Note: Equity gain reflects price appreciation only			
Conforming Loan Limit**	\$729,250	\$729,250	Not all buyers have access to government-backed financing in this market
FHA Loan Limit	\$729,750	\$417,000	
Local Median to Conforming Limit Ratio	81%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

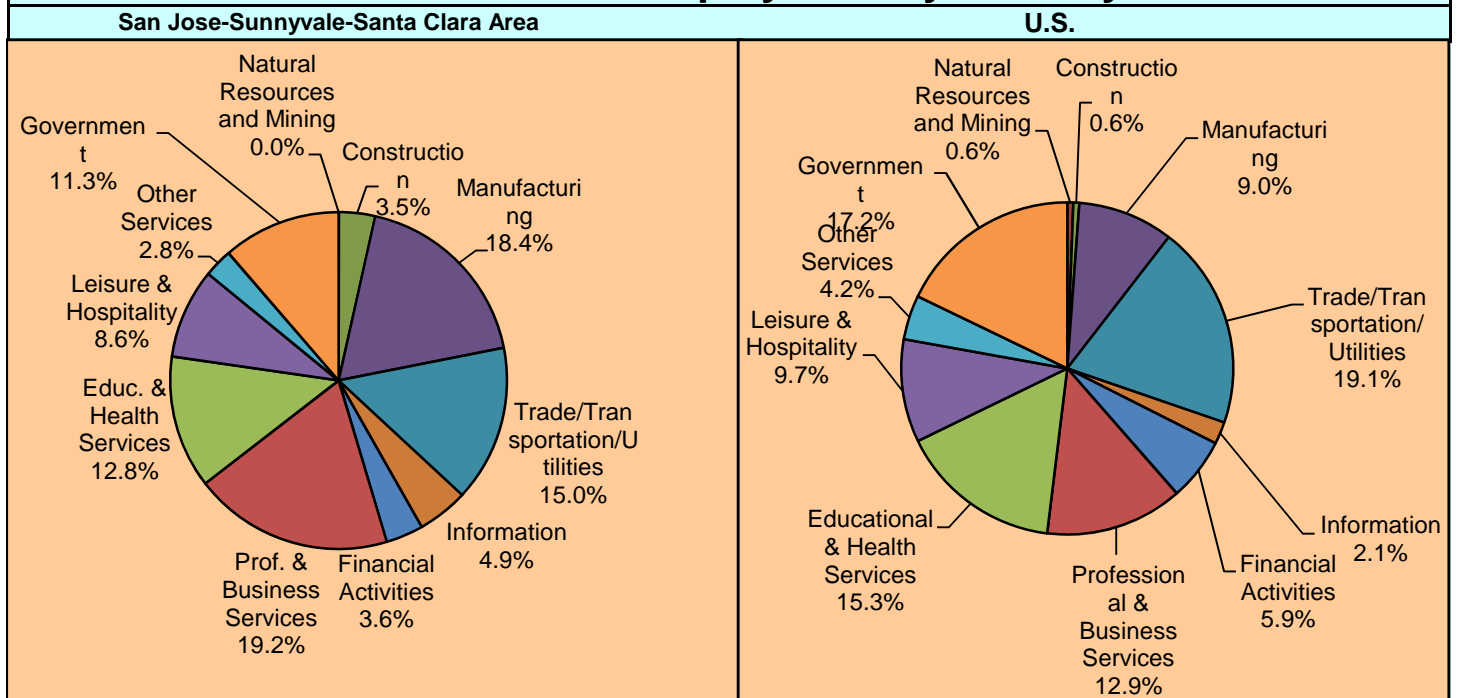


Home Sales	California	U.S.	
State Existing Home Sales (2010 Q4 vs 2009 Q4)	-11.7%	-19.5%	Local sales growth continues to be weak

Drivers of Local Supply and Demand...

Local Economic Outlook	San Jose	U.S.	
12-month Job Change (Dec)	8,500	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (Nov)	8,300	Not Comparable	
36-month Job Change (Dec)	-69,900	Not Comparable	San Jose's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Dec)	10.7%	9.4%	
Year-ago Unemployment Rate	11.5%	9.9%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	1.0%	-0.8%	

Share of Total Employment by Industry



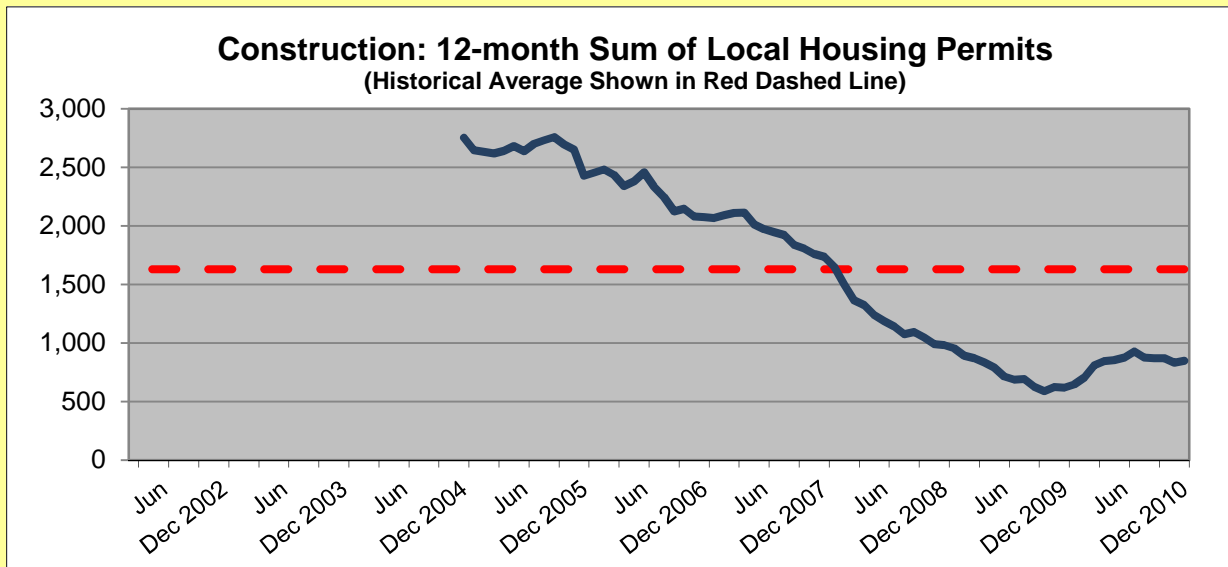
12-month Employment Change by Industry in the San Jose-Sunnyvale-Santa Clara Area

Goods Producing	NA	Information	1,100
Natural Resources/Mining/Construction	NA	Financial Activities	-300
Natural Resources and Mining	0	Prof. & Business Services	3,200
Construction	-800	Educ. & Health Services	400
Manufacturing	5,400	Leisure & Hospitality	1,800
Service Providing Excluding Government	NA	Other Services	100
Trade/Transportation/Utilities	200	Government	-2,600

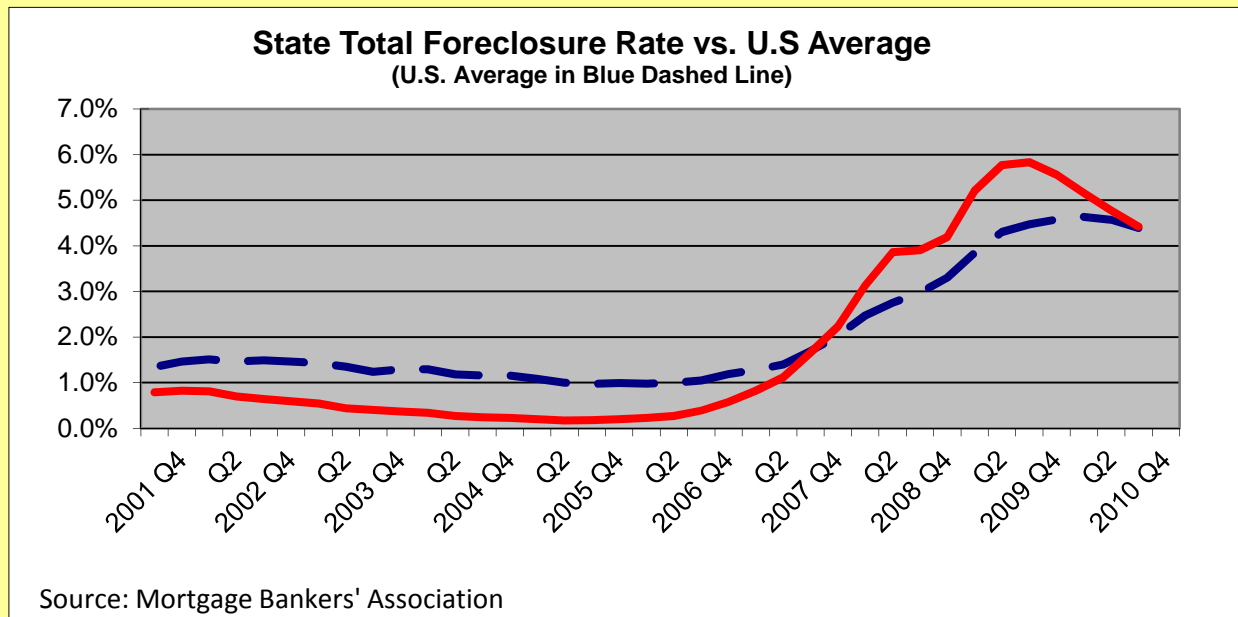
State Economic Activity Index	California	U.S.	
12-month change (2010 - Dec)	1.7%	2.2%	The economy of California is growing more slowly than the rest of the nation, but improved modestly from last month's 1.42% change
36-month change (2010 - Dec)	-5.2%	-5.1%	

New Housing Construction

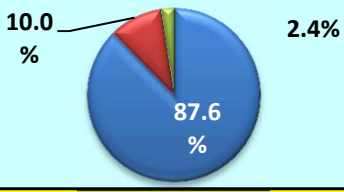
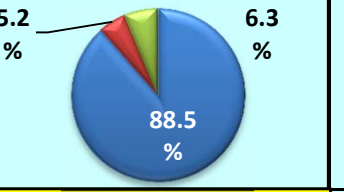
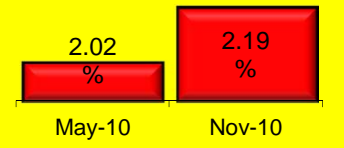
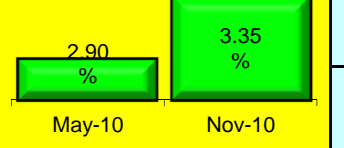
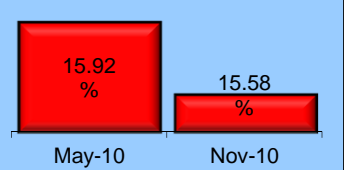
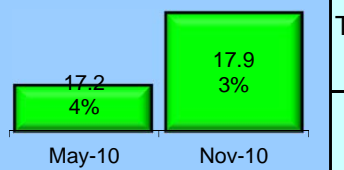
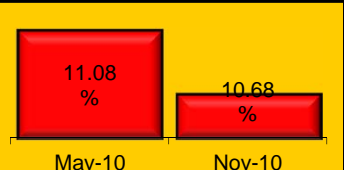
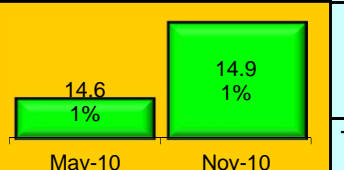
Local Fundamentals	San Jose	U.S.	
12-month Sum of 1-unit Building Permits through Dec 2010	848	not comparable	The current level of construction is 48.0% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	1,630	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more quickly
Single-Family Housing Permits (Dec 2010) 12-month sum vs. a year ago	37.2%	2.6%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized



While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.



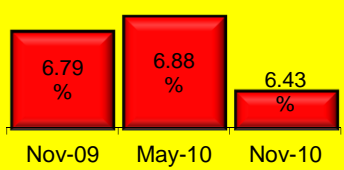
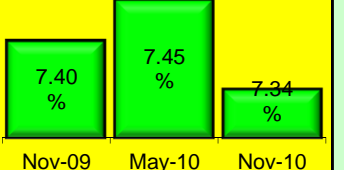
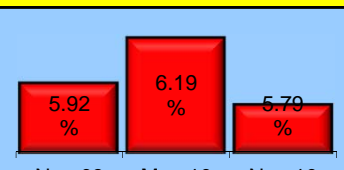
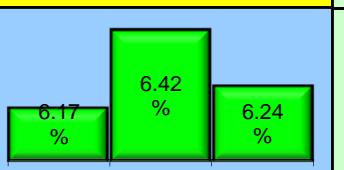
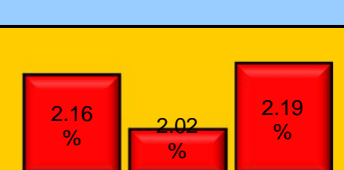
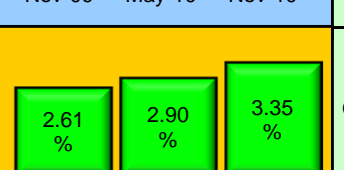
Foreclosures by Type

Monthly Market Data - November 2010	San Jose	U.S.	
Market Share: Prime (blue), Alt-A (green), and Subprime (red)			Suprime mortgages make up a larger than average share of the San Jose market, but rising prime foreclosures are also becoming a problem
PRIME: Foreclosure + REO Rate			<p>There was small local increase relative to May of last year</p> <p>Compared to the national average, today's local prime rate is low</p>
SUBPRIME: Foreclosure + REO Rate			<p>The local subprime rate eased modestly relative to May of last year</p> <p>Locally, today's foreclosure rate is low relative to the national average</p>
ALT-A: Foreclosure + REO Rate			<p>The local alt-A rate eased slightly relative to May of last year</p> <p>The November rate for San Jose is low compared to the national average</p>

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

Prime Foreclosures and Delinquencies in Process

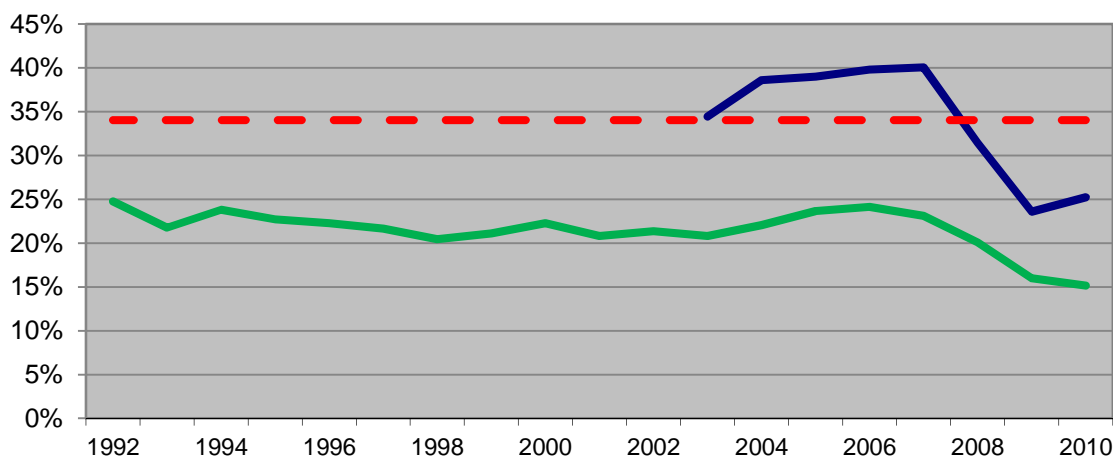
Monthly Market Data - November 2010	San Jose	U.S.	
Prime: 60-day Delinquent			The local 60-day delinquency rate fell over the 6-month period ending in November suggesting that 90-day delinquencies will decline in the near future
Prime: 90-day Delinquent			The 90-day delinquency rate in San Jose fell over the 6-month period ending in November
Prime: Foreclosure + REO Rate			The decline of both the 60 and 90-day delinquency rates over the most recent 6-month period suggests a decline in the local foreclosure rate in the near future.

Source: First American CoreLogic, LoanPerformance data

Affordability

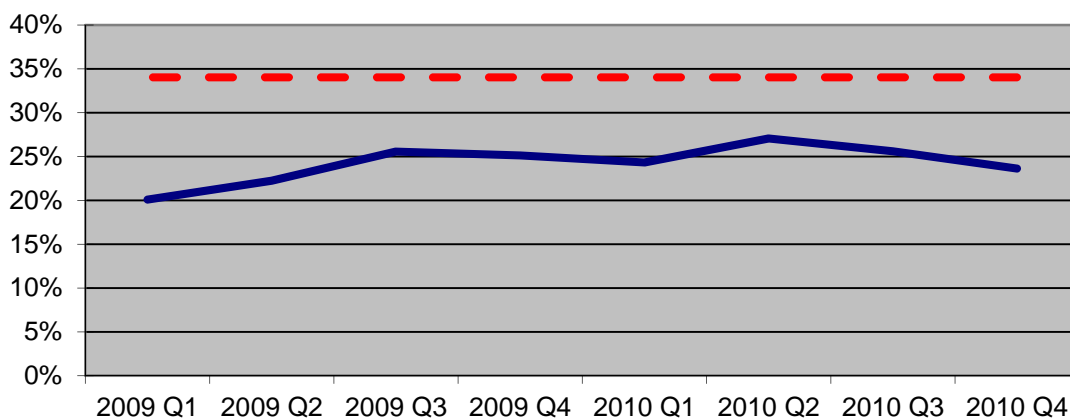


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

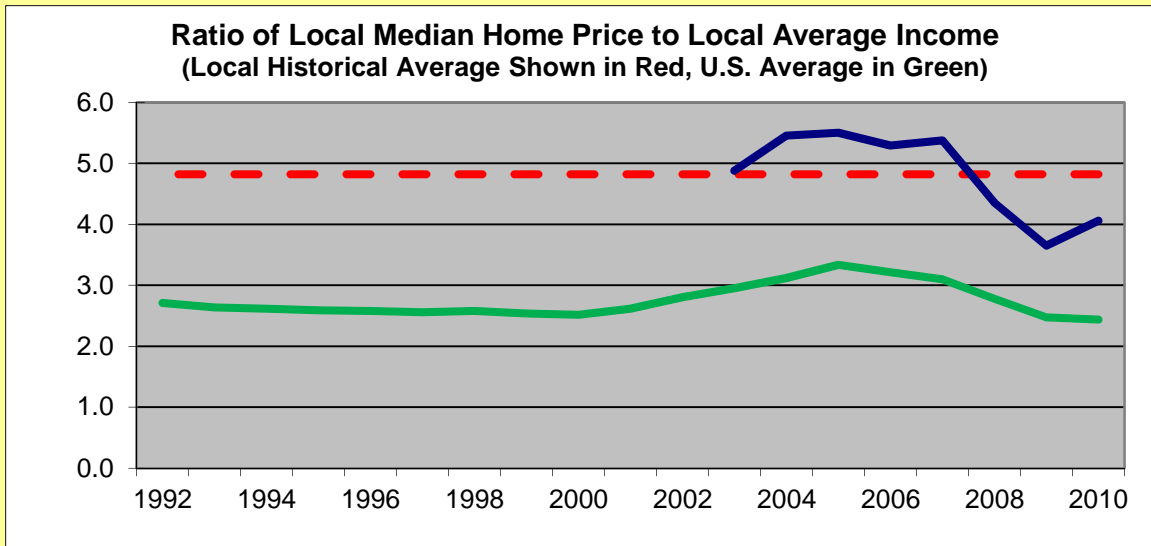


Monthly Mortgage Payment to Income	San Jose	U.S.	
Ratio for 2009	25.2%	15.1%	Historically strong and an improvement over the third quarter of 2010
Ratio for 2010 Q4	23.6%	14.1%	
Historical Average	34.0%	22.0%	Weaker affordability than most markets

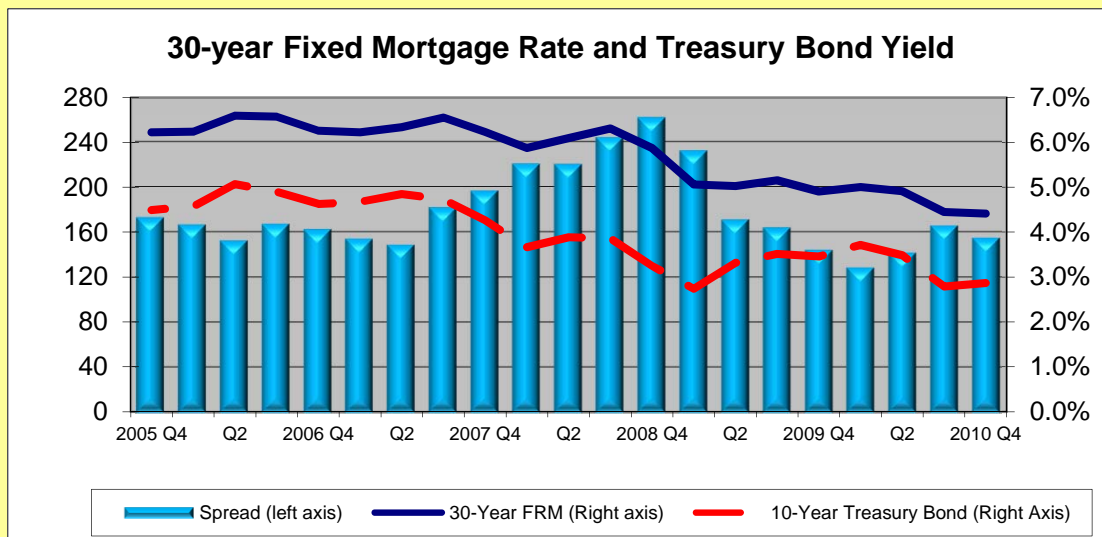
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	San Jose	U.S.	
Ratio for 2010	4.1	2.4	The price-to-income ratio has fallen and is below the historical average
Ratio for 2010 Q4	3.9	2.3	
Historical Average	4.8	2.7	Less affordable than most markets

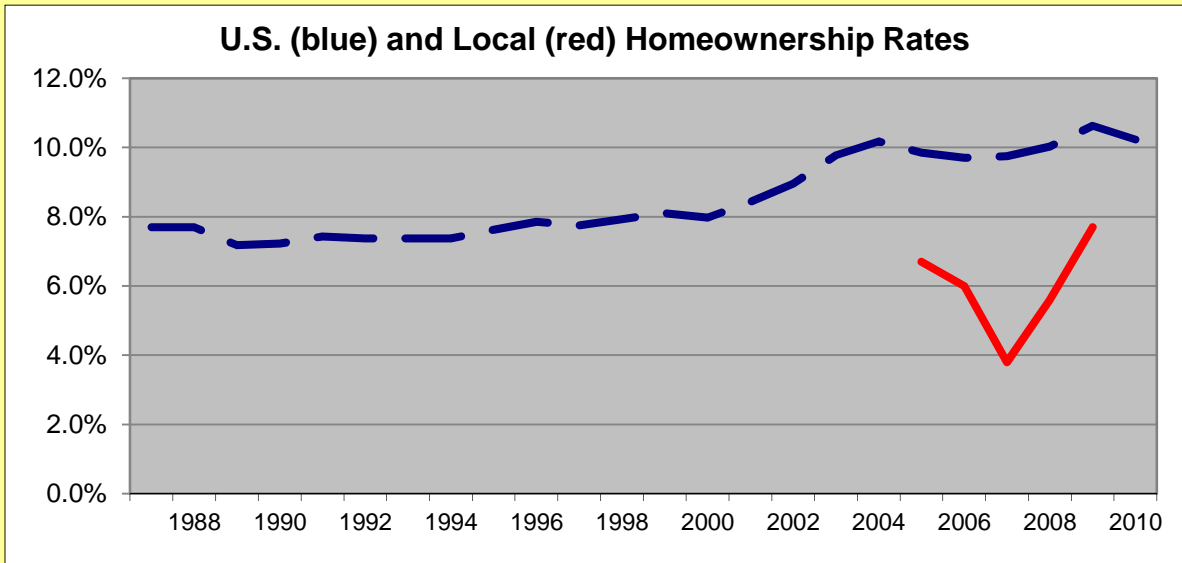


The Mortgage Market



The 10-year Treasury climbed 10 basis points to 2.9% in the 4th quarter of 2010, while the average 30-year fixed rate mortgage held steady at 4.4%. Consequently, the spread eased slightly to 155 basis points. The 4th quarter got off to a bad start with weak economic news and the “robo-signing” scandal, which threatened to slow the pace of foreclosures sales and weigh on home prices. Treasury and mortgage rates slid in October and November as a result. The 30-year fixed rate mortgage reached a record low of 4.17% in the 2nd week of November as measured by Freddie Mac. However, news of resilient consumer spending and improved production figures coupled with modest gains in employment in December and relatively strong news on the pace of home sales caused the 10-year Treasury to climb and mortgage rates followed suit. Mortgage rates remain historically low and are forecast by NAR Research to rise to 5.3% by the end of 2011.

A Closer Look...Rental Vacancy Rates



Homeownership Rate	San Jose	U.S.	
Ratio for 2009	7.7%	10.6%	The rental vacancy rate in San Jose rose in 2009
Ratio for 2010 Q4	10.3%	9.4%	
Historical Average	6.0%	8.6%	

After hovering around 8.0% for much of the late 1990s, the national rental vacancy rose to 10.2% in 2004 at the height of the real estate boom. However, as the housing market slowed, the rental vacancy rate eased slightly before jumping to 10.6% in 2009. Instead of shifting demand from home buying to renting, the sharp economic recession has forced many would-be renters to move in with parents or extended family causing the rental vacancy rate to remain elevated. Locally, there was an increase in the rental vacancy rate for San Jose from its recent peak of 6.7% in 2005 to 7.7% in 2009.

Geographic Coverage for this Report

The San Jose area referred to in this report covers the geographic area of the San Jose-Sunnyvale-Santa Clara metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

San Benito County and Santa Clara County

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforeg_statpolicy/