



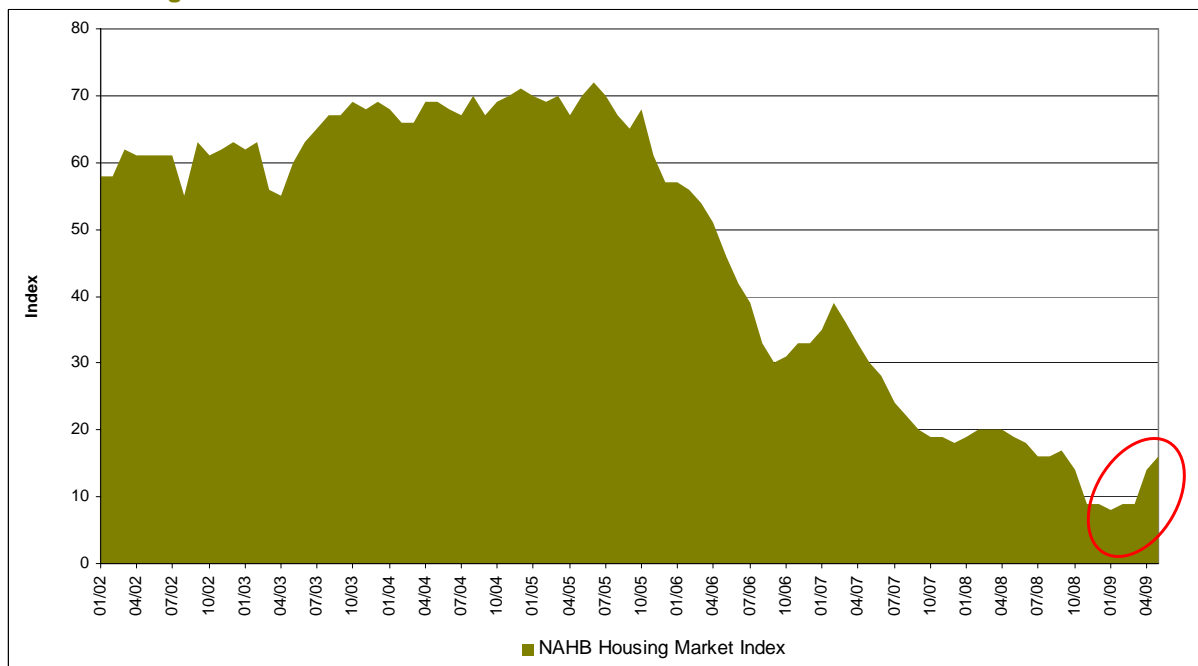
California Market Watch, May 28, 2009

Confidence Levels Improving

Not surprising, homebuilder and consumer confidence appear to be closely mirroring each other. Both hit all time lows in January/February and both hit 8 month-highs in May. While confidence is still extremely low, both consumers and builders feel like the worst is behind them and the next six months will show continued improvement.

- **According to the National Association of Home Builders, the housing-market index rose for the second consecutive month as buyer recognize low interest rates, low prices and tax incentives are creating an incredibly affordable opportunity for homeownership.** This realization has resulted in increased traffic and sales for new home builders. The Builder Confidence index rose 5 points in April and an additional 2 points in May. The current 16 points is the highest it has been since September of 2008. However, the NAHB index indicates that a “neutral” outlook is characterized by 50 points and the index is a long way off from that position. When looking out for the next six months, the index does rise to 27, closer to a more stabilized confidence level.

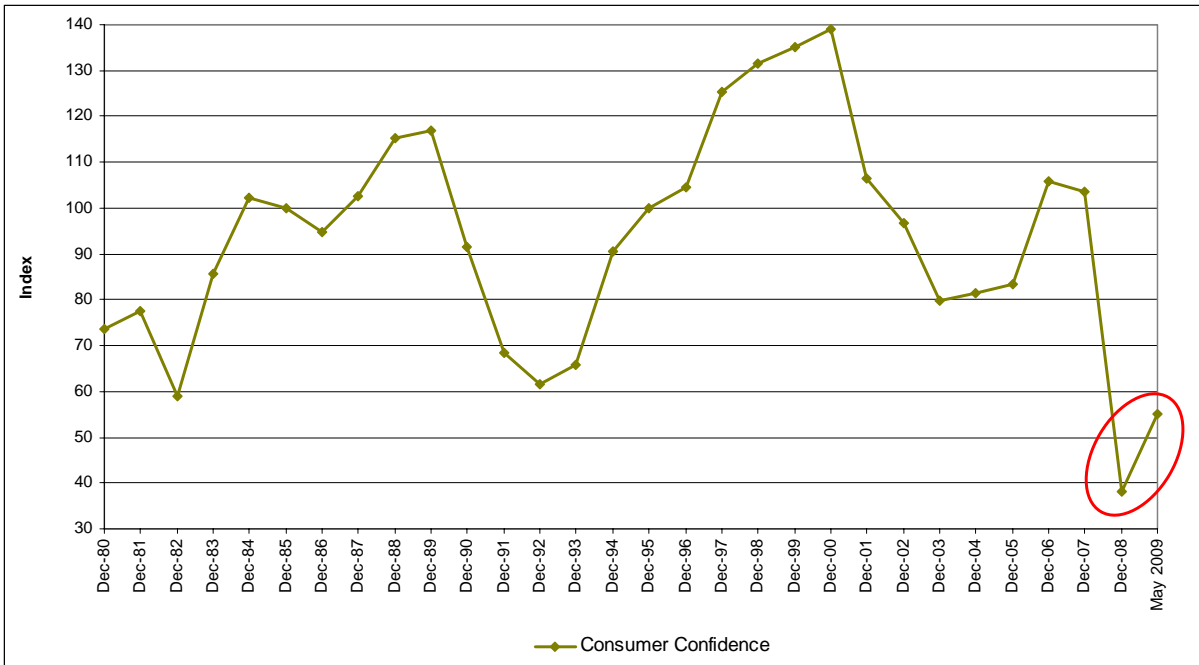
NAHB Housing Market Index



SOURCE: NAHB

- **During the last cycle, the builder confidence index never fell below 20 and only fell below 30 for five months.** This cycle, the confidence level has rated below 30 for 24 months and below 20 for all but 3 of those months, indicative of both the severity and length of the current down cycle.
- **Builder confidence is in large part driven by how much traffic they see and how many homes they sell, which is a direct result of how consumers are feeling about the economy and their personal financial stability.** Mirroring the Builder index, US consumer confidence increased in May to an eight-month high after hitting bottom in February at 25.3, the lowest level since 1967.

Consumer Confidence



SOURCE: Conference Board

- Similar to builders, consumers are hopeful about the next six months more so than current conditions.** The biggest increase in the confidence levels were seen for the future outlook with those expecting better conditions jumping from 15.7% to 23.1% and those expecting it to worsen falling from 24.4% to 17.8%.

About Meyers Builder Advisors

[Meyers Builder Advisors](#) brings together a talented pool of consultants with a strong understanding of the homebuilding industry and the market dynamics that drive it. Combined, the team boasts over 100 years of market experience, with a wide range of services including site specific analysis, strategic workouts, due diligence, and forensic analysis. The group has advised on a wide range of residential product types throughout the United States and has successfully assisted a long list of builders, developers, and financial institutions.

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