



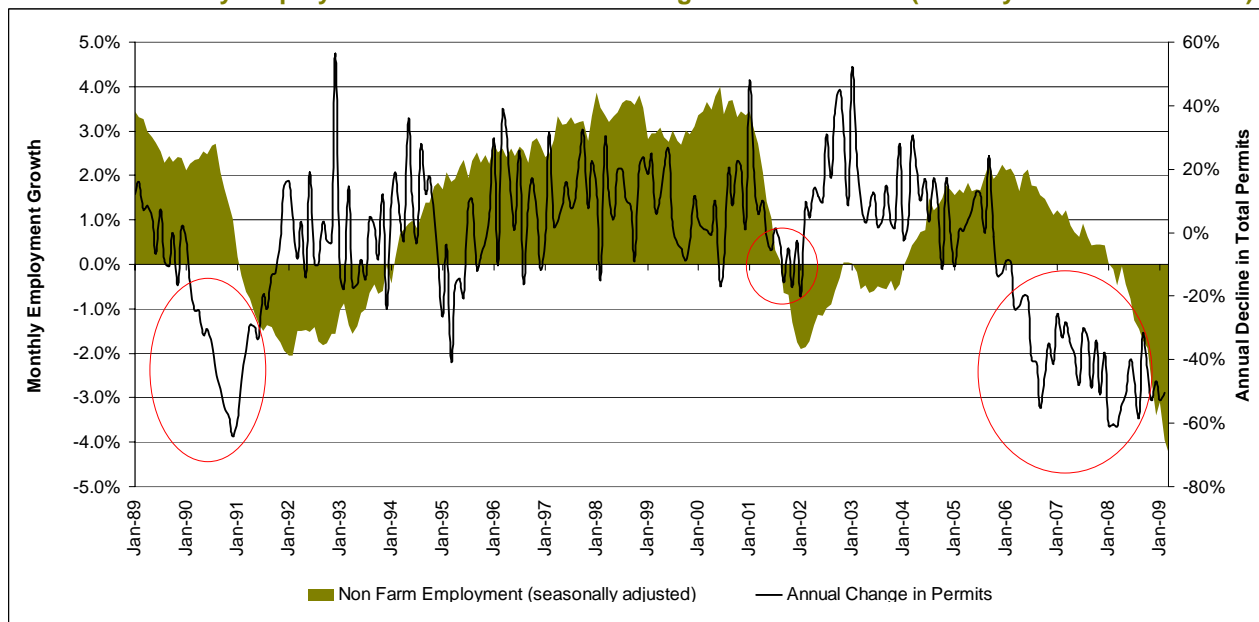
California Market Watch, May 6, 2009

Tracking California's Employment Figures

The state's unemployment climbed to 11.2% in March and its employment base contracted by 637,400 jobs compared to a year ago. However, the latest figures show jobs fell by 62,100 from the previous month, which is a considerably smaller decline compared to the sharp monthly reduction of 114,000 jobs experienced in February. While the employment statistics paint a bleak picture for the state's economy, there are some historical lessons from previous cycles to indicate that employment typically lags a housing recovery.

- **Since reaching a peak in July 2007, the state has seen 20 consecutive months of job losses.** There were 14.5 million non-farm jobs in the state as of March 2009. During the last two previous downturns (1990s and early 2000s), California endured job losses lasting 28 and 34 months, respectively. If this cycle mirrors past cycles, California may still have another 12 months of job losses.
- **A downturn in year-over-year permit issuances generally leads to a slump in employment.** Builders began a pullback in permit issuances during the latter half of 2005, roughly 22 months before the state started to realize job losses. A similar trend was seen in the recession of the early 1990's when the annual percent change in permits turned negative thirteen months ahead of a decline in employment. The cycle was repeated again to a lesser extent at the start of the 2001. Conversely, a return to positive territory in the percent change in annual permits can signal the bottoming out of an economic recession which, unfortunately, has not yet been seen.

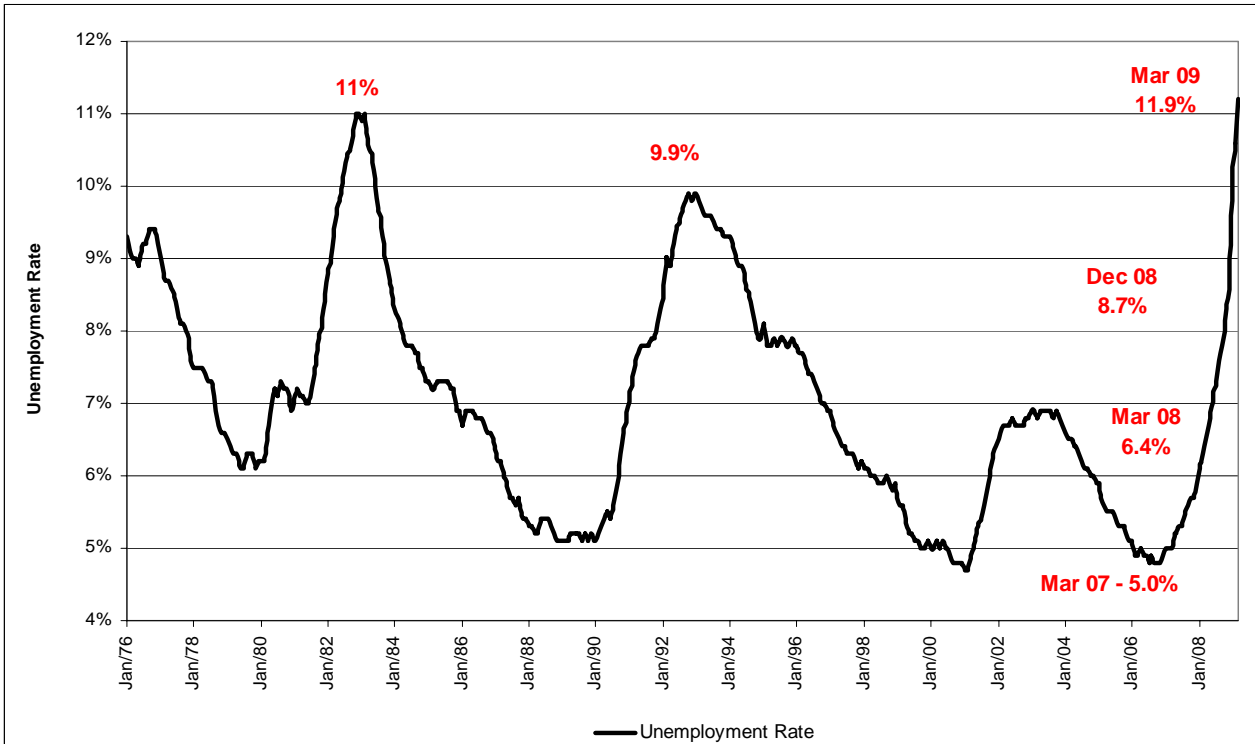
California: Monthly Employment Growth & Annual Change in Total Permits (January 1989 – March 2009)



SOURCE: EDD; US Census

- **Unemployment rates have historically reached a market peak toward the end of a recession.** Over the past thirty years, unemployment rates reached cyclical peaks toward the tail end of a recession. The unemployment rate has climbed to its highest level in over thirty years.

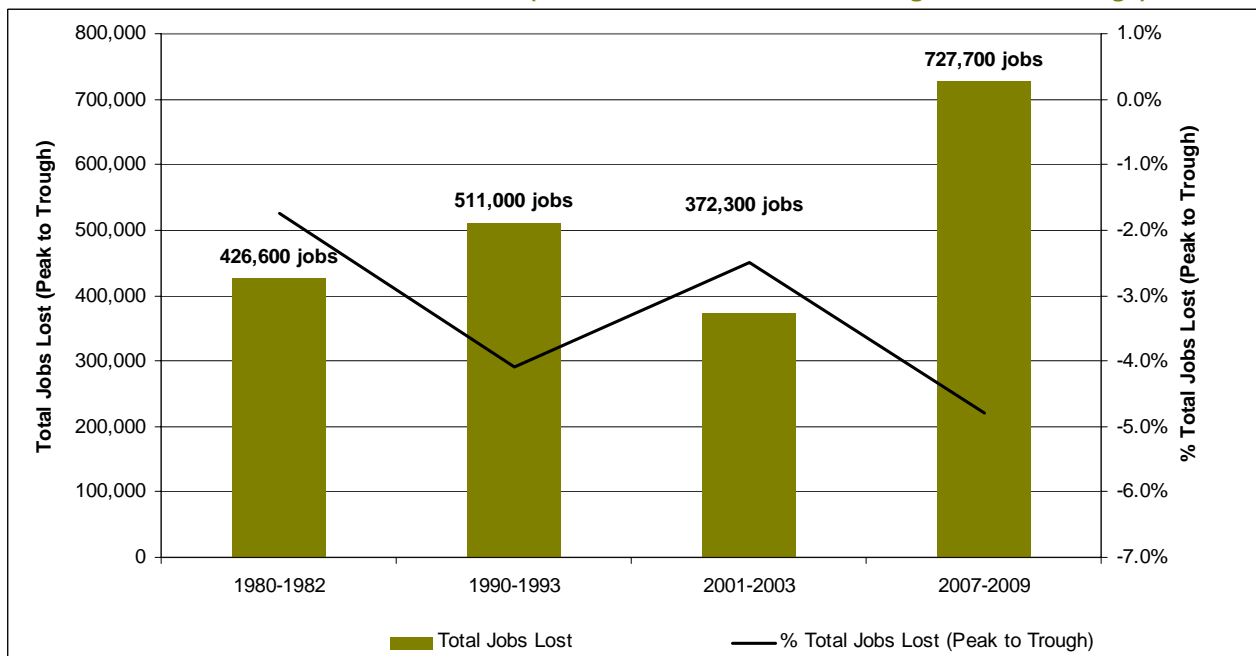
California: Unemployment Rates (January 1976 – March 2009)



SOURCE: EDD

- This cycle has been more severe than previous recessions.** The chart below illustrates the number of jobs lost in the latest recession compared to the last three cycles. It took California between 14 to 30 months to recover the number of jobs lost. Looking to past cycles for reference would indicate another 8 to 12 months of job loss followed by nearly two years of job gains before reaching “normalized” employment conditions. This time frame puts California on target for “full recovery” in 2012.
- Job losses typically continue despite an upturn in other economic indicators. Employment is typically a lagging indicator to a housing market recovery.** As a result, builders should not be quick to react to likely negative news from the employment front but focus instead on the changing tide in permit issuances as a better gauge for a housing recovery.

California: Economic Downturns since 1980 (Total Jobs Lost & Peak to Trough Percent Change)



SOURCE: EDD

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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