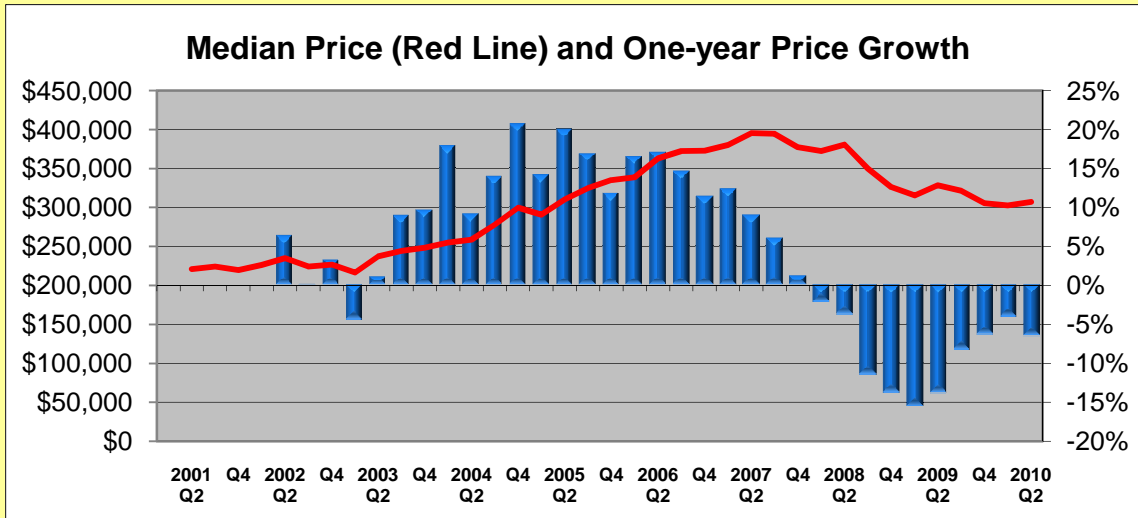


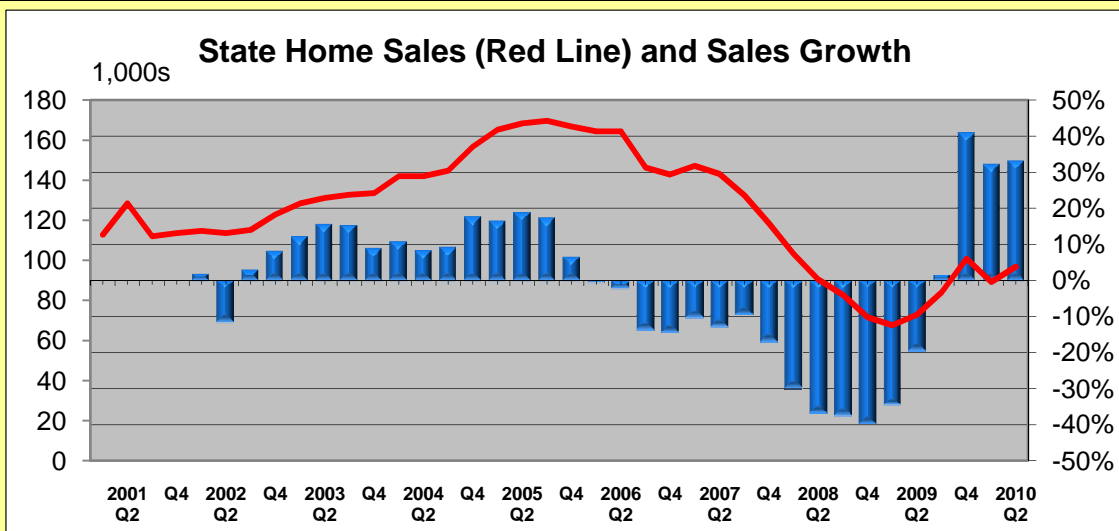
Seattle-Tacoma-Bellevue Area Local Market Report, Second Quarter 2010



Today's Market...



	Seattle	U.S.	Local Trend
Price Activity			
Current Median Home Price (2010 Q2)	\$307,300	\$176,867	Prices are down compared to a year earlier and continue to weaken
1-year (4-quarter) Appreciation (2010 Q2)	-6.4%	1.4%	
3-year (12-quarter) Appreciation (2010 Q2)	-22.3%	-21.0%	
3-year (12-quarter) Housing Equity Gain*	-\$88,000	-\$46,933	Real estate remains a long-term investment: those who bought early in the boom still hold some equity
7-year (28 quarters) Housing Equity Gain*	\$69,900	-\$167	
9-year (36 quarters) Housing Equity Gain*	\$86,400	\$25,300	
*Note: Equity gain reflects price appreciation only			
Conforming Loan Limit**	\$567,500	\$729,250	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$567,500	\$417,000	
Local Median to Conforming Limit Ratio	54%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

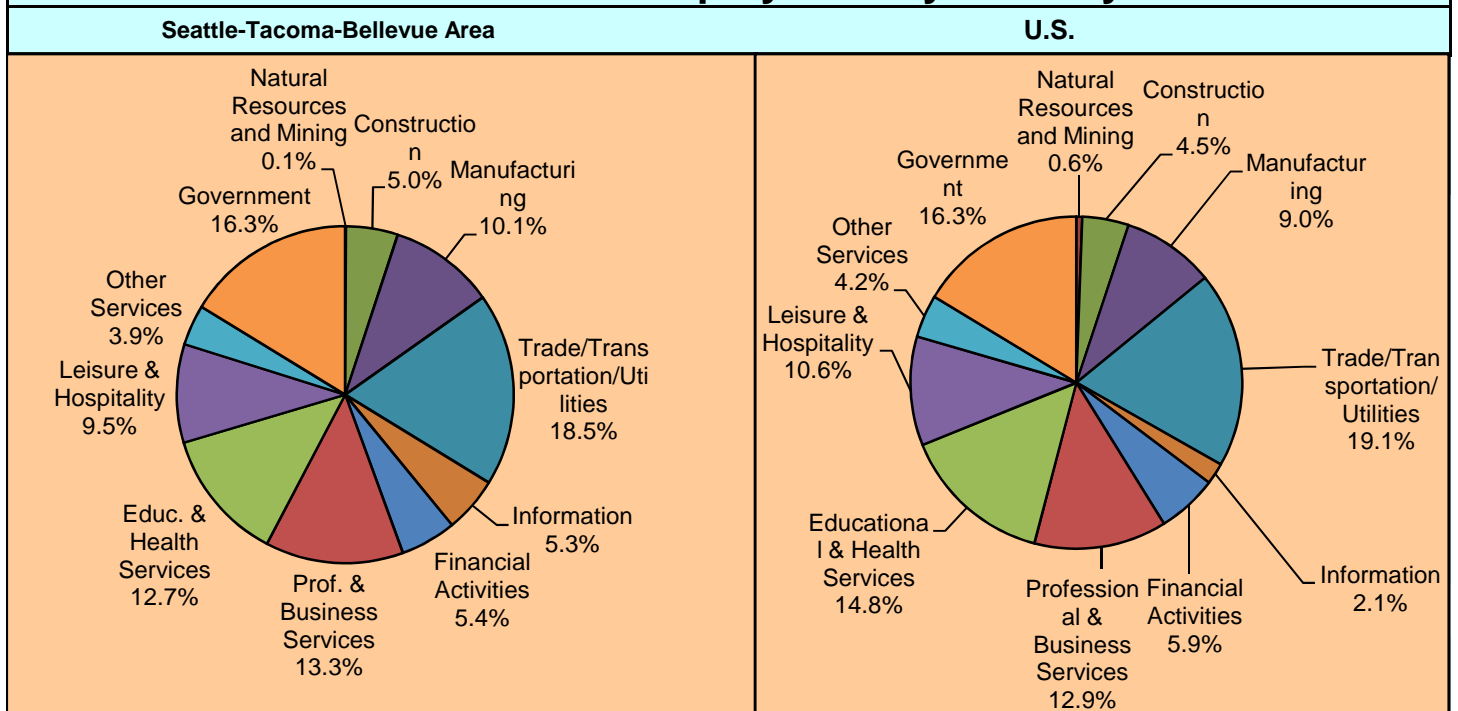


Home Sales	Washington	U.S.	
State Existing Home Sales (2010 Q2 vs 2009 Q2)	33.0%	17.3%	The sales level is much higher than a year ago and growing.

Drivers of Local Supply and Demand...

Local Economic Outlook	Seattle	U.S.	
12-month Job Change (Jun)	-16,400	Not Comparable	Job losses are a problem and will weigh on demand, but layoffs are declining, a trend that could help buyer confidence
12-month Job Change (May)	-24,200	Not Comparable	
36-month Job Change (Jun)	-88,300	Not Comparable	Unemployment in Seattle is better than the national average and improving
Current Unemployment Rate (Jun)	8.6%	9.5%	
Year-ago Unemployment Rate	9.3%	9.5%	Local employment growth is respectable compared to other markets
1-year (12 month) Job Growth Rate	-1.0%	-3.0%	

Share of Total Employment by Industry



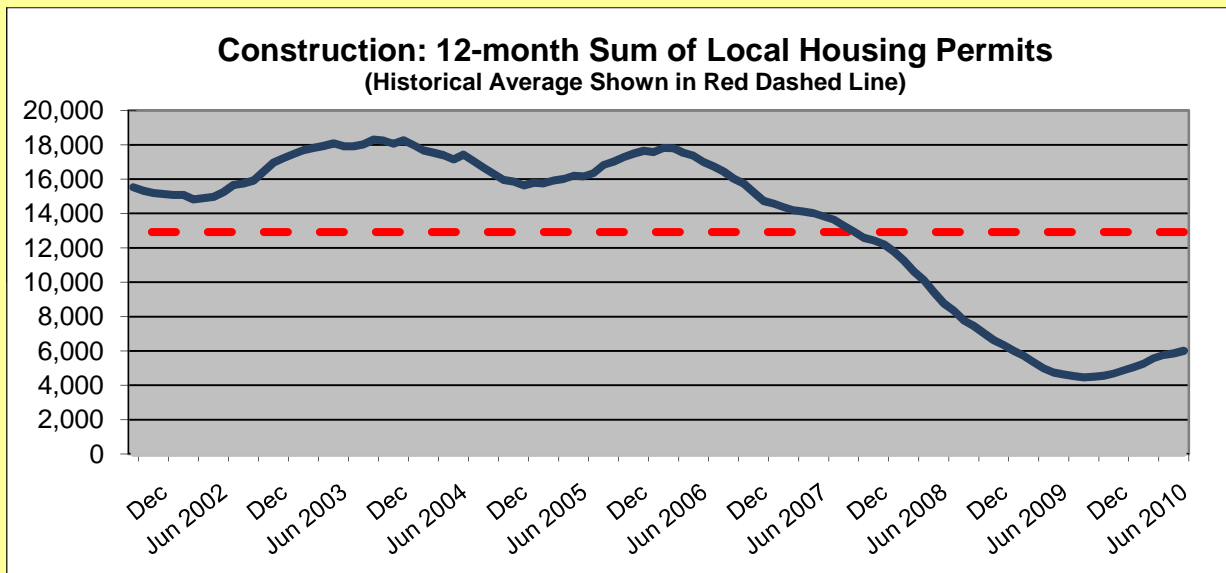
12-month Employment Change by Industry in the Seattle-Tacoma-Bellevue Area

Natural Resources/Mining/Construction	NA	Financial Activities	-5,500
Natural Resources and Mining	100	Prof. & Business Services	-600
Construction	-12,900	Educ. & Health Services	4,300
Manufacturing	-3,400	Leisure & Hospitality	-3,900
Trade/Transportation/Utilities	4,100	Other Services	200
Information	300	Government	900

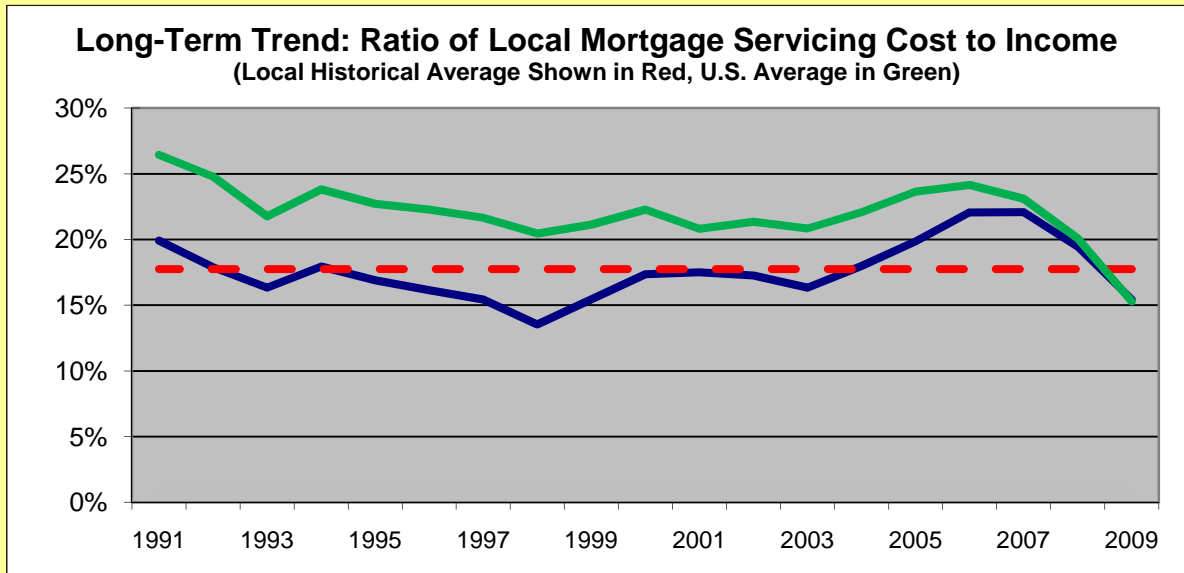
State Economic Activity Index	Washington	U.S.	
12-month change (2010 - Jun)	0.8%	1.0%	The economy of Washington is weaker than the rest of the nation, but improved modestly from last month
36-month change (2010 - Jun)	-4.8%	-3.9%	

Construction

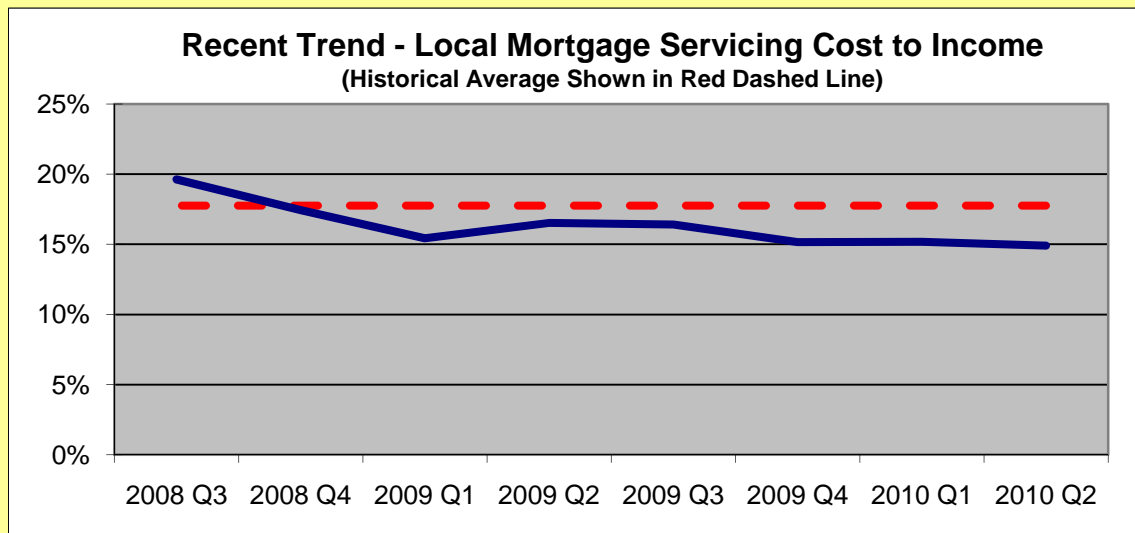
Local Fundamentals	Seattle	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2010	5,999	not comparable	The current level of construction is 53.6% below the long-term average
Long-term average for 12-month Sum of 1-Unit Building Permits	12,918	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with current supply and foreclosures more quickly
Single-Family Housing Permits (Jun 2010) 12-month sum vs. a year ago	29.6%	8.3%	Construction is on the rise, suggesting that inventories have stabilized



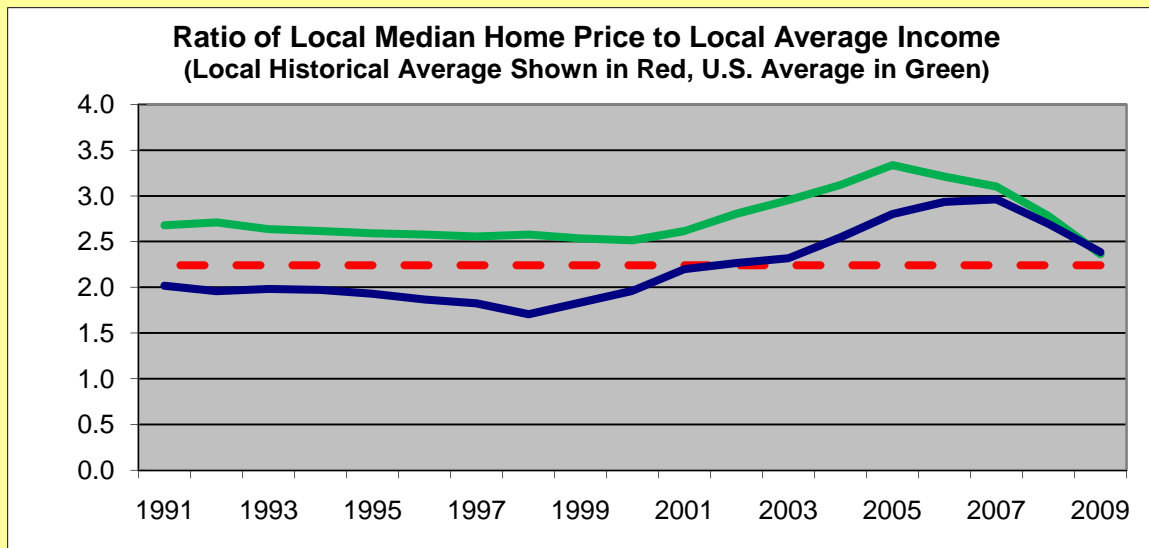
Affordability



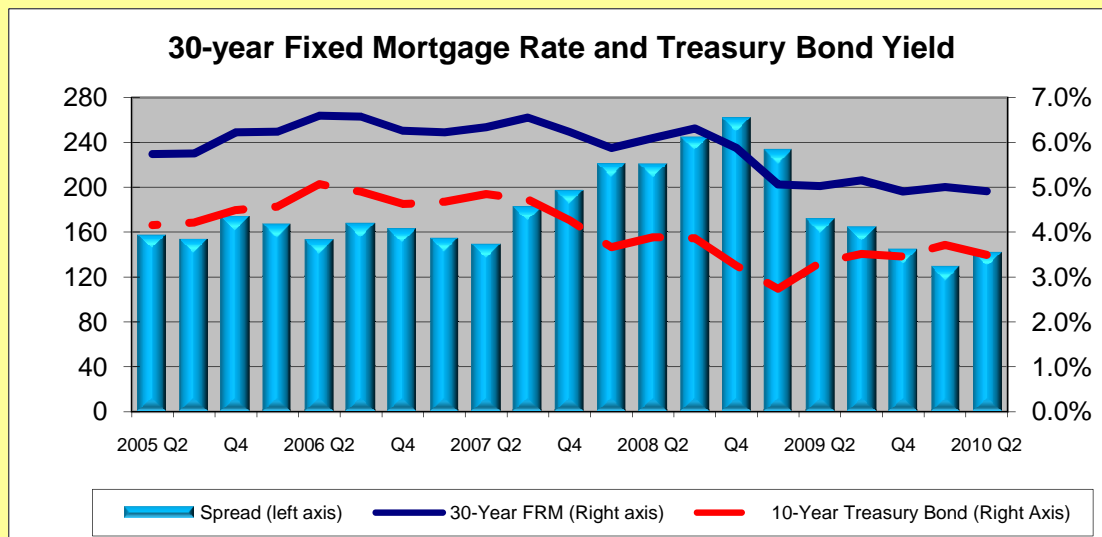
Monthly Mortgage Payment to Income	Seattle	U.S.	
Ratio for 2008	15.4%	15.3%	Historically strong and an improvement over the first quarter of 2010
Ratio for 2010 Q2	14.9%	15.1%	
Historical Average	17.7%	22.6%	More affordable than most markets



Median Home Price to Income	Seattle	U.S.	
Ratio for 2009	2.4	2.4	Local affordability has improved, but could be better
Ratio for 2010 Q2	2.3	2.4	
Historical Average	2.2	2.7	Affordable compared to most markets

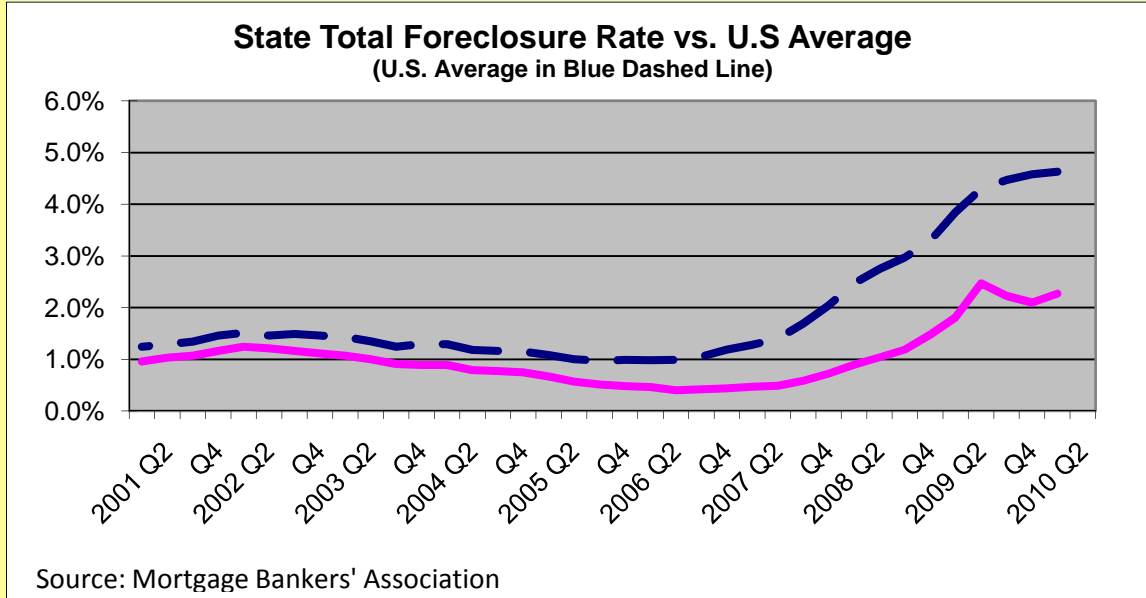


The Mortgage Market



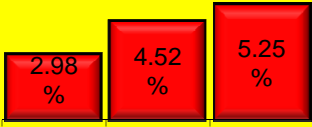
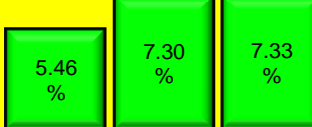
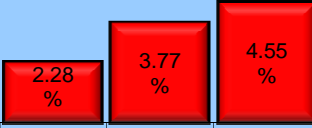
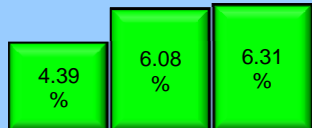
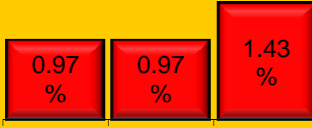
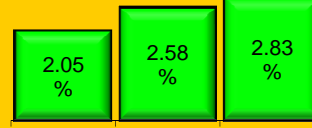
Long-term rates were on the rise early in the spring until a series of negative news events lead long-term Treasury rates downward in the second quarter. The debt crisis in Greece and fear of a European contagion started the tumble as nervous investors sought a shelter. Sharply lower post-tax credit home sales, weak consumer demand, the BP spill, and a drop in oil prices pressed the Treasury lower. The 30-year fixed rate mortgage (FRM) followed suit, slipping under 5.0% for the second time in history and nearly setting a new record. However, the 30-year FRM's decline was not as strong as the Treasury's and the spread between the two increased. One explanation for the expansion of the spread is that mortgage investors have less incentive to buy mortgage securities as rates go below 5.0%. Most mortgages issued in recent years have yields in the mid-5.0% range. Mortgage rates significantly below 5.0% could trigger a wave of refinancing, thereby cannibalizing the portfolio holdings of MBS investors. Despite mixed domestic economic news, the European situation appears largely contained and oil prices climbed in July and August, which will press up on Treasury rates in the long term. Mortgage rates are expected to rise this fall, but not as much as Treasuries in the short-term as MBS investors increase purchases to take advantage of higher mortgage yields causing the rate spread to shrink.

Looking Deeper....



Foreclosures by Type			
Monthly Market Data - May 2010	Seattle	U.S.	Delinquencies by Type
Market Share: <u>Prime (blue), Alt-A (green), and Subprime (red)</u>			Suprime mortgages make up a larger than average share of the Seattle market, but rising prime foreclosures are also becoming a problem
PRIME: Foreclosure + REO Rate			There was a substantial increase versus October of last year Compared to the national average, today's local rate is low
SUBPRIME: Foreclosure + REO Rate			There has been a large local increase versus six months earlier Locally, today's foreclosure rate is low relative to the national average
ALT-A: Foreclosure + REO Rate			A large local increase occurred compared to October of last year The May rate for Seattle is low compared to the national average
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 - May 2010	Seattle	U.S.	
Prime: 60-day Delinquent	 <p>2.98% 4.52% 5.25%</p> <p>May-09 Oct-09 May-10</p>	 <p>5.46% 7.30% 7.33%</p> <p>May-09 Oct-09 May-10</p>	The share of local 60-day delinquencies rose over the most recent 6 months suggesting that the 90-day delinquency rate is likely to rise in the near future
Prime: 90-day Delinquent	 <p>2.28% 3.77% 4.55%</p> <p>May-09 Oct-09 May-10</p>	 <p>4.39% 6.08% 6.31%</p> <p>May-09 Oct-09 May-10</p>	Seattle's 90-day delinquency rate climbed faster than the national average over the most recent 6-month period suggesting a bulge of foreclosures in the future
Prime: Foreclosure + REO Rate	 <p>0.97% 0.97% 1.43%</p> <p>May-09 Oct-09 May-10</p>	 <p>2.05% 2.58% 2.83%</p> <p>May-09 Oct-09 May-10</p>	The increase in the 60 and 90-day delinquency rates over the most recent 6-month period will press up on local prime foreclosure rate in the near future.

Source: First American CoreLogic, LoanPerformance data

Geographic Coverage

The Seattle area referred to in this report covers the geographic area of the Seattle-Tacoma-Bellevue 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:

King County, Pierce County, and Snohomish County

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