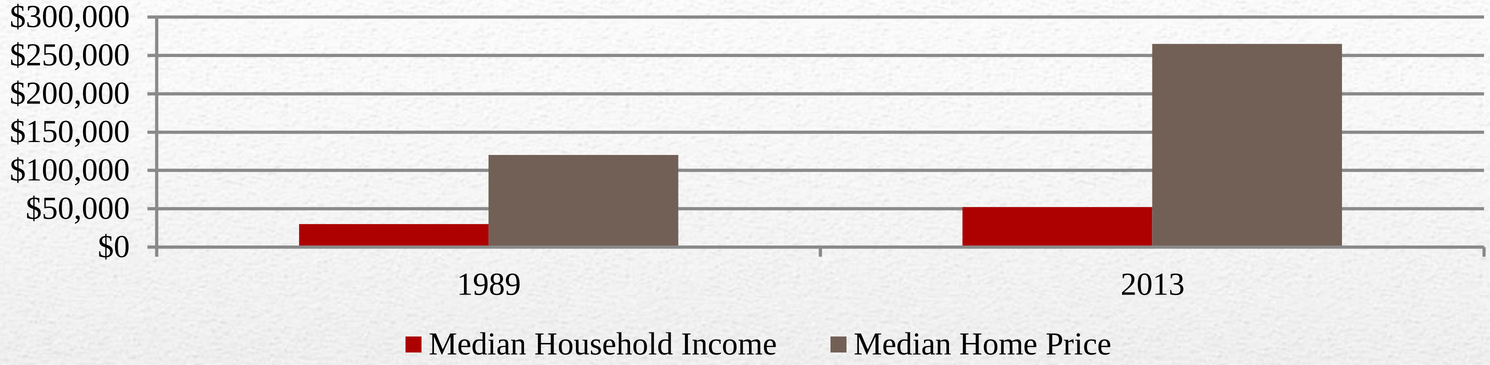
HOUSING ANALYTICAL METHODOLOGY

- According to the U.S. Census Bureau, median household income was $52,250 in 2013 and $30,056 in 1989. In comparison, the median new home price was $265,092 in 2013 and $120,383 in 1989.



- At first observation of the chart above, it appears that there is a significant problem in the housing market, because the new home price level has inflated at a much higher rate than household income (120% v 74%).
- However, the dramatic difference in the national average mortgage loan interest rate for a 30-year fixed-rate mortgage loan in 2013 (3.98%) versus 1989 (10.32%) raises key points to consider:
  - In 2013, 29% of household income would have to be spent in order to justify the median home price, or the national average mortgage loan interest rate would have to be 3.7%. The spread between 29% and 28%* and 3.98% and 3.7% represents the degree of overpricing of new homes.
  - In 1989, 44% of household income would have to be spent in order to justify the median home price, or the national average mortgage loan interest rate would have to be 5.75%. The spread between 44% and 28%* and 10.32% and 5.75% represents the degree of overpricing of new homes.
- **Therefore, in 1989 (2013), based upon the justified percentage of household income amount, and the justified mortgage loan interest rate amount, the median home price level for new homes was significantly (only slightly) overpriced nationwide.**

* Accepted industry standard