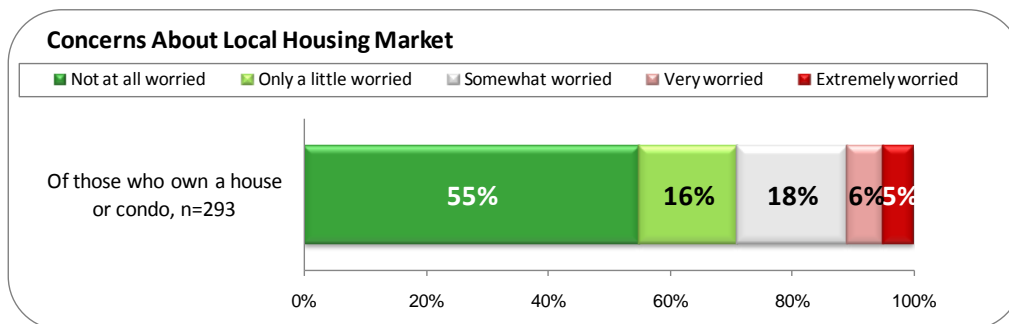


SDIPR-CERC Barometer
San Diego City Survey, July 07
(n=508 adult residents, oversample to 400 voters)
RDD
Weighted on Voter Registration, Age, Gender
Field dates: June 29-July 3

Housing Market “Crisis” Hasn’t Hit Home

Most San Diego homeowners are not worried at all about the area’s deflating “housing bubble”. That’s mainly because, despite a drop in home prices and sales activity, most homeowners are bullish on the local economy (read: “they are optimistic about a turnaround), enjoy the fruits of a fixed interest rate on their mortgage and are in a position to pay more if their monthly payments were to increase.

In the latest SDI/Competitive Edge Research Barometer we surveyed 293 San Diego city residents who stated that they own a condominium or house. Overall, only 10 percent express serious concerns about the housing market, with 5 percent saying they are extremely worried. On the other hand, 55 percent are not concerned at all and 16 percent are only a little worried. In between are 18 percent of the homeowners who are somewhat worried about the situation.



Thus, the general mood of “gloom and doom” suggested by some commentators is not shared by a large majority of city homeowners.

Instead, we find that some small sub-groups are much more worried than others. This is most clearly seen among residents who are just scraping by. Those who believe they could not sustain even a \$50 increase in their monthly payments are particularly likely to be concerned. Fifty-six percent in this category are at least somewhat worried and over one-quarter are very or extremely concerned. However, only 18 percent of homeowners fall into this exceedingly “pinched” category. Parenthetically, those unable to make additional payments are not simply lower income residents. They also tend to be older (47 percent of those over 65 say they could not make an additional \$50 payment) or Hispanic (two-thirds could not pay another \$50).

Homeowners who cannot afford another \$100 to \$200 in payments also tend to be more concerned about the housing market, though less so than those who are apparently on the edge. About one-quarter of them express strong concern about the housing market, but more than two thirds say they are only a little worried or not worried at all. Those who can pay an additional \$400 in payments are far less concerned. Only four percent of them are very or extremely worried.

| | All Adults | How Much More Can You Pay? | | | | Voters | Party | | |
|-----------------------|------------|----------------------------|-----------|-------|---------------|--------|-------|-----|-------|
| | | \$50 or less | \$100-200 | \$400 | \$1,000-2,000 | | Rep | Dem | Other |
| Extremely worried | 5% | 7% | 12% | 5% | 0% | 4% | 2% | 8% | 3% |
| Very worried | 6 | 19 | 14 | 4 | 2 | 5 | 3 | 8 | 7 |
| Somewhat worried | 18 | 30 | 5 | 32 | 11 | 16 | 14 | 23 | 16 |
| Only a little worried | 16 | 11 | 16 | 16 | 23 | 15 | 16 | 16 | 13 |
| Not at all worried | 55 | 33 | 53 | 43 | 64 | 60 | 65 | 45 | 61 |

There is a surprising political component to concern over the housing market. Democrats tend to be more worried about its prospects, while Republicans are taking things much more in stride. Only 18 percent of GOP members are even somewhat worried, while one third of Democrats are in that category. In addition to an income disparity between members of the two parties -- Republicans in the city tend to earn more than Democrats -- this likely reflects greater anxiety about the national economy on the part of Democrats.

Another quasi-political link to housing market worries: voters are much calmer about the situation. Only 25 percent express substantial concerns while a whopping 42 percent of non-voters are at least somewhat worried and 15 percent are very or extremely concerned. There could be a number of factors involved here. Voters tend to be older, and that may give them the experience to stay objective during the downturn. In addition, as individuals age they are more likely to accumulate household wealth, and as a consequence, be in a better position to weather a decline in their home’s equity. On the other hand, voters also are more attentive to local news. With the recent news on the housing front being pretty bleak, one would think voters would be more worried than their less attentive non-voting cousins, but this is clearly not the case.

When someone bought their house is also a factor. Not surprisingly, those who bought recently at the “top of the market” tend to be much more concerned. Forty-one percent of those who purchased their current home after 2004 say they are at least somewhat worried and 19 percent are very or extremely worried. Concerns dissipate the further back in time one goes and strong worries are almost non-existent among those who purchased their homes prior to 1999. Experts admonish that “you can’t time the market,” but those residents who bought prior to the run up in prices are certainly much more at ease.

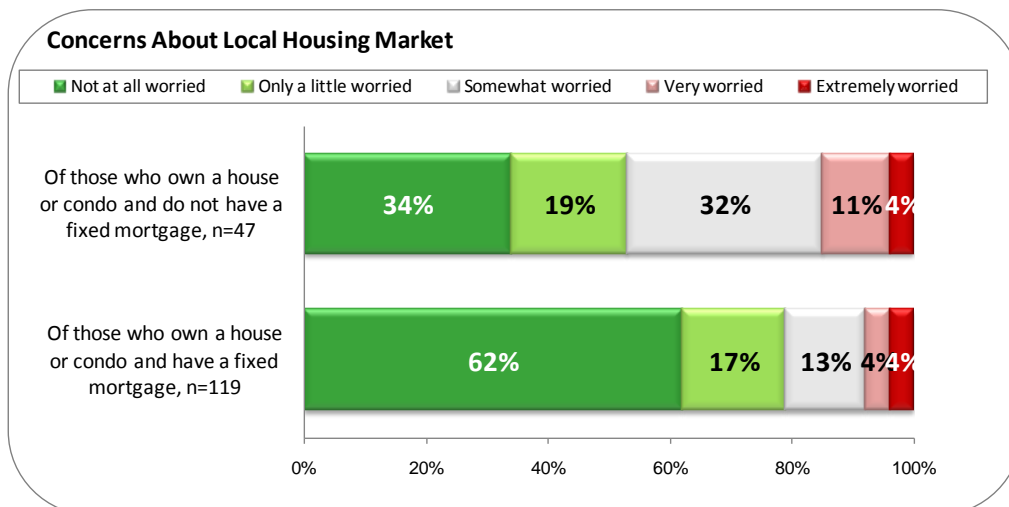
| | All Adults | Year Current House Was Bought | | | | | |
|-----------------------|------------|-------------------------------|---------|-----------|-----------|-----------|-------------|
| | | 2005-07 | 2002-04 | 1999-2001 | 1996-1998 | 1986-1995 | Before 1986 |
| Extremely worried | 5% | 8% | 5% | 7% | 0% | 3% | 4% |
| Very worried | 6 | 11 | 9 | 3 | 4 | 5 | 2 |
| Somewhat worried | 18 | 22 | 11 | 28 | 15 | 16 | 19 |
| Only a little worried | 16 | 24 | 12 | 17 | 18 | 16 | 12 |
| Not at all worried | 55 | 35 | 63 | 45 | 63 | 60 | 63 |

Young male homeowners are a particularly worried demographic group. The Barometer shows that 19 percent are extremely worried and another 14 percent are very concerned. All told, 52 percent share substantial concerns over the housing market. Interestingly, that relationship does not hold for younger female homeowners. On the whole, it appears that the burden of

recent market fluctuations has fallen much harder on men under the age of 35 as they try to fulfill their traditionally recognized roles as family providers.

As mentioned above, confidence in the local economy also plays a significant role. Half those who are negative about San Diego's economy (11 percent of the homeowners overall) are at least somewhat worried about the housing market and 19 percent are extremely concerned. Worries among those with a positive economic outlook are quite muted, on the other hand.

The survey also shows that the type of mortgage one has can produce calm or anxiety. As interest rates have climbed, those with fixed rate mortgages find them to be a financial security blanket. Though some (21 percent) do express concerns about the housing market, 63 percent of those with a fixed rate mortgage say they are not worried at all. In contrast, just 33 percent of those with adjustable rate (16 percent of homeowners have these) or interest-only mortgages (10 percent have these) are entirely unconcerned and 47 percent are substantially worried. It should be noted, however, that 28 percent of homeowners do not have a mortgage on their home or condo and, among those with a mortgage, two-thirds have a fixed rate note. While resets of variable rate mortgages are worrisome to a segment of the market, that segment comprises a mere nine percent of the overall city population.



Condo Conversions: Certainly Not the Norm

The Barometer also measured the incidence of condo conversion among renters. Asking 268 renters, we find that the majority have not had to go through the potential disruptions that occur when their rental complex is converted. Only seven percent of renters say they have lived in an apartment over the last three years which has been converted into a condo complex. Part of this is explained by the fact that the Barometer finds that almost an equal percentage of renters say they rent a house or a condo as say they rent an apartment.

We also find that, while condo conversion is an infrequent occurrence, it does affect wealthier renters more often than poor rents. Only four percent of poor renters (those earning less than \$40,000 annually) have resided in a converted rental, while 16 percent of those making more than \$80,000 annually have had the same experience. This is something that should give pause to those seeking legislative action and increased compensation to all

displaced renters – irrespective of income levels. Also interesting is the finding that Asian renters are far more likely to have lived in a converted rental. Twenty-nine percent of Asian renters have lived in an apartment building which has been converted into a condo complex.

