THE CALIFORNIA CATALYST

Version 1.1

SUPPLY AND DEMAND FOR HOUSING IN THE WEST

Employment and Population Trends, Migration Flows, Housing Gap Analysis and Quality of Life Issues

Thursday, April 27, 2000

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The Impact of California's Economic and Demographic Trends on Future Housing Market Conditions

Introduction

- Due to employment and demographic trends over the next decade, demand for housing will exceed supply, driving up home prices and pushing people further out to inland areas and bordering states.

- California is projected to add more than 4.7 million people by 2010. Future population growth will come mainly from natural increases and strong foreign immigration.

- More than 1.8 million new homes will be needed to meet the demand. California will need to build between 180,000 to 220,000 new homes each year to meet demand over the next decade.

- Lack of supply, steep fees and environmental regulations in California have produced extraordinarily high housing costs and some of the lowest home-ownership rates in the nation.

- High housing costs in California coastal markets, along with employment and quality-of-life opportunities, will cause residents to migrate to inland locations and metro areas in bordering states for relief.

- Bordering states most likely to receive these migrants will be those with existing migration flow links, plentiful job opportunities and a good quality of life.

California

California represents more than 12% of the U.S. population.

From 2000 to 2005, California will comprise 20.0% of U.S. population growth.

California represents more than 11% of the U.S. employment base.

From 2000 to 2005, California will comprise 15.0% of U.S. employment growth.

Based on historical patterns, the majority of firms and residents migrating out of California continue to relocate to bordering Pacific Northwest, Mountain and Desert states.

This report will discuss employment and population trends and housing market conditions for California, and their impact on bordering metro areas in the West.

Executive Summary

- Although the employment growth rate in California metro areas will be less than in bordering states, California is projected to add roughly one out of every two new jobs created in the Western region.

- High migration activity into and out of California's coastal markets will continue to be driven by job growth, quality-of-life issues and housing affordability relative to inland locations and bordering state metros.

- Population growth for inland locations and bordering state metro areas will continue to be driven by migration flows out of California's coastal markets. California migration outflows will be more than offset through natural population increases and foreign immigration.

- The San Francisco Bay area and Southern California coastal markets will continue to experience high levels of migration activity between inland locations and bordering state metros.

- Sacramento and Riverside-San Bernardino inland markets will continue to experience the majority of intrastate migration activity between the coastal markets.

- Of the bordering state metros, Las Vegas, Phoenix and Seattle will continue to experience the majority of interstate migration activity from California coastal markets.

- Rapid employment and population growth has created a gap between supply and demand for housing in California, putting upward pressure on home prices and downward pressure on housing affordability.

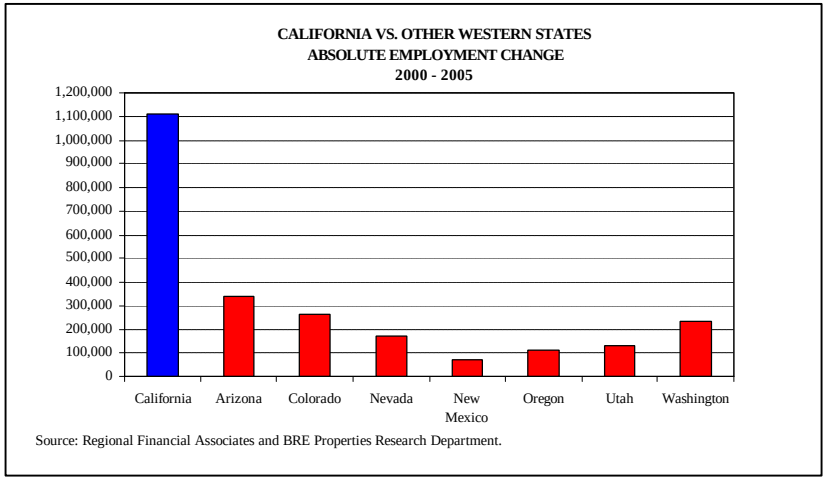
- As the gap between supply and demand continues, and the price of housing becomes more and more unaffordable, California residents will look to inland locations and bordering states for employment prospects, a relatively good quality of life and lower-cost housing.

California residents continue to migrate to the Pacific Northwest, Desert and Mountain state metros for economic opportunity, a relatively better quality of life and more affordable housing options.

Employment Trends for California and the West

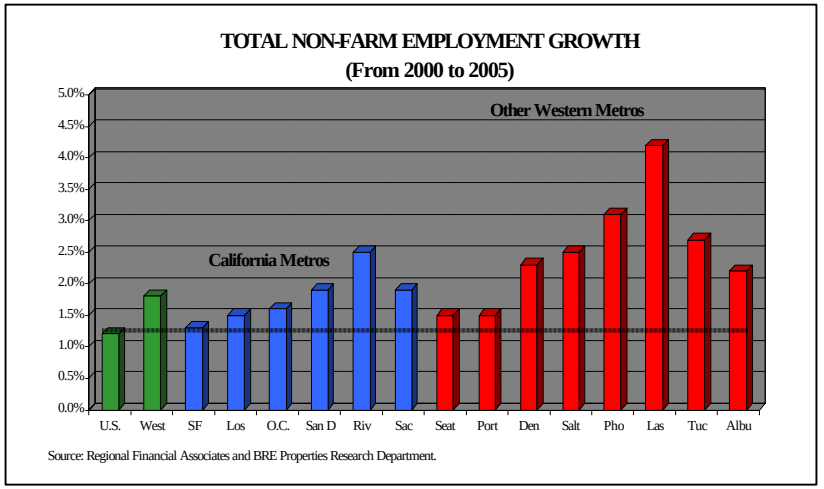
Employment Growth by State

- California ***employment growth*** has improved significantly since 1994. However, while aggregate numbers are significantly higher, growth is forecast to remain below most other bordering state metros through 2005.
- California is projected to add over 1.1 million jobs or 277,000 jobs per year through 2005, significantly higher than any other state in the region.
- Bordering states with the fastest employment growth and lowest unemployment rates are Arizona, Colorado, Nevada and Utah.



Employment Growth by Metro Area

- Bordering state metro areas with the highest projected employment growth and lowest unemployment rates are Las Vegas, Phoenix, Tucson, Salt Lake City and Denver.
- California metro areas with the highest projected employment growth are Riverside-San Bernardino (Inland Empire), Sacramento, San Diego and Orange County.
- Los Angeles (324,000 jobs), Phoenix (255,000 jobs) and the San Francisco bay area (225,000 jobs) will be job-leaders in ***absolute employment growth*** through 2005.



High employment growth and low unemployment rates in bordering states motivate California residents to relocate to other metro areas.

Business Migration Trends for California

Company Migration Attributes

Since the early 1980s, California companies have migrated or expanded into bordering state metro areas for many economic reasons, some of these reasons are:

- Lower production costs (lower wage and energy costs)
- Lower sales, income, payroll and property taxes (tax incentives or abatements)
- Fewer environmental and business regulations (less stringent entitlement processes and labor laws)
- Availability of land and labor (developable commercial land and a well-educated workforce)
- Proximity to supplier networks, natural resources and raw materials (minerals, clean air and water)
- Large manufacturing, industrial or technological base (existing clusters of similar firms)
- Established infrastructure (highways, ports, airports and public utilities)

Company Migration Trends

Some high-tech firms that have existing or expanded operations in bordering state metro areas are:

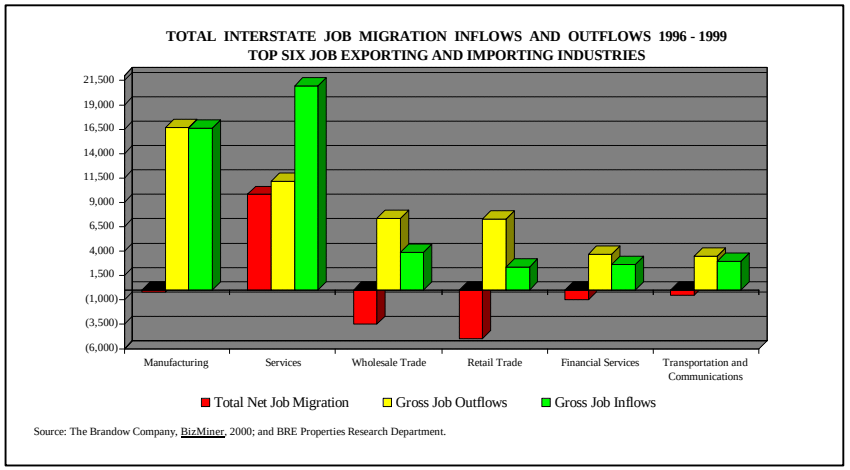
- Intel: Phoenix (7,500 employees), Portland (11,000 employees), Albuquerque (5,200 employees)
- Motorola, Inc.: Phoenix (18,000 employees)
- Raytheon Systems: Tucson (7,700 employees), Denver (2,500)
- Honeywell: Albuquerque (1,363 employees), Phoenix (7,500 employees)
- AlliedSignal: Phoenix (8,700 employees)
- Lucent Technologies: Denver (7,439 employees)
- Lockheed Martin: Denver (6,444 employees)
- Boeing: Phoenix (5,300 employees)
- IBM: Denver (2,800 employees), Tucson (1,518 employees)
- Hewlett Packard: Portland (1,500 employees)
- Philips Semiconductor: Albuquerque (1,100 employees)

Rapid employment growth in bordering states is facilitated by migrating firms in manufacturing (computer), services (business), and wholesale and retail trade (distribution).

Industry Migration Trends

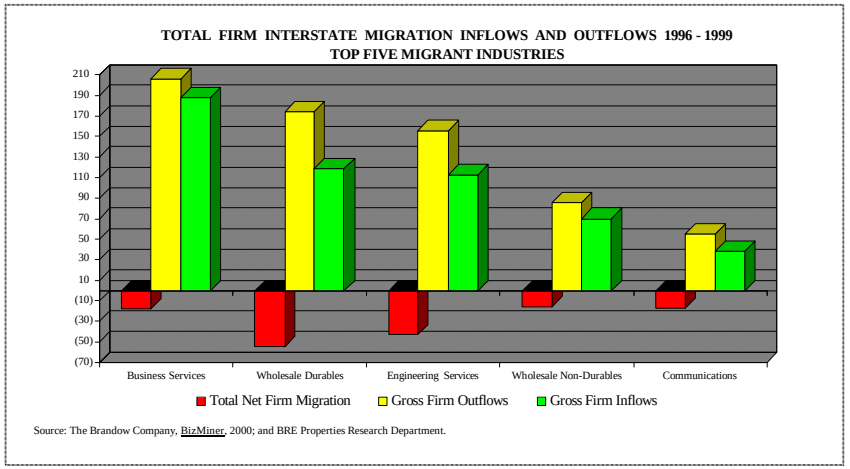
Migrating Jobs by Industry

- From 1996 to 1999, 1,640 firms and 61,320 jobs migrated out of California, while 1,240 firms and 41,700 jobs migrated into the state, resulting in a net loss of 400 firms and 19,620 jobs.
- Just as many manufacturing jobs have entered California as have left.
- The services sector is a major exporter of jobs from California.
- High business costs have not deterred manufacturing, distribution and service sector firms from migrating to the state.



Migrating Firms by Industry

- The majority of firms migrating out of California are in wholesale trade (16%), business services (13%), engineering/construction management (13%), and computers and communications (7%).



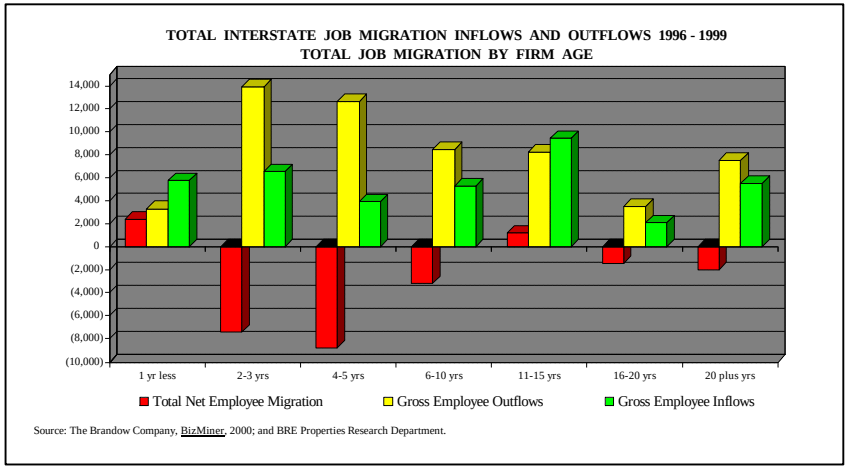
The out-migration of younger and larger firms from California is benefiting employment growth in bordering states.

Job Migration Trends by Firm Age and Size

Migrating Jobs by Firm Age

Younger firms are the largest component of job migration out of California.

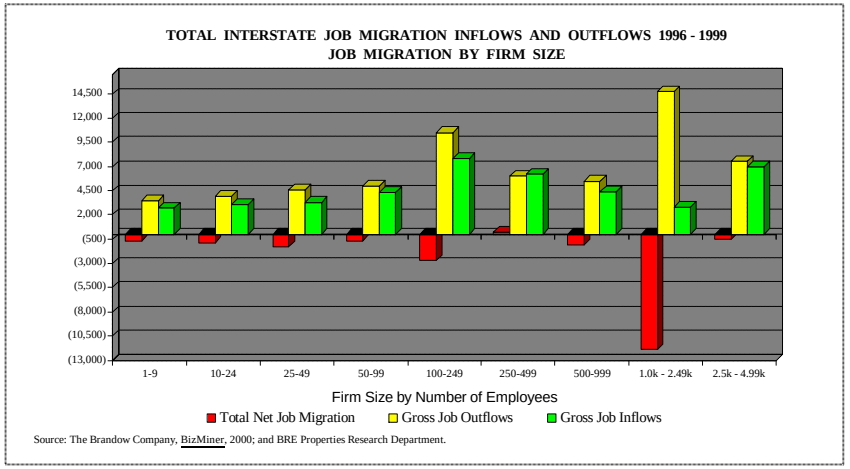
- 46% of all jobs leaving California are with firms from 2 to 5 years old.



Migrating Jobs by Firm Size

Mid-to- large size firms are the greatest contributors to job migration out of California.

- 35% of all jobs leaving California are with mid-size firms employing from 50 to 499 workers.
- 45% of all jobs leaving California are with large firms employing from 500 to 5,000 workers.



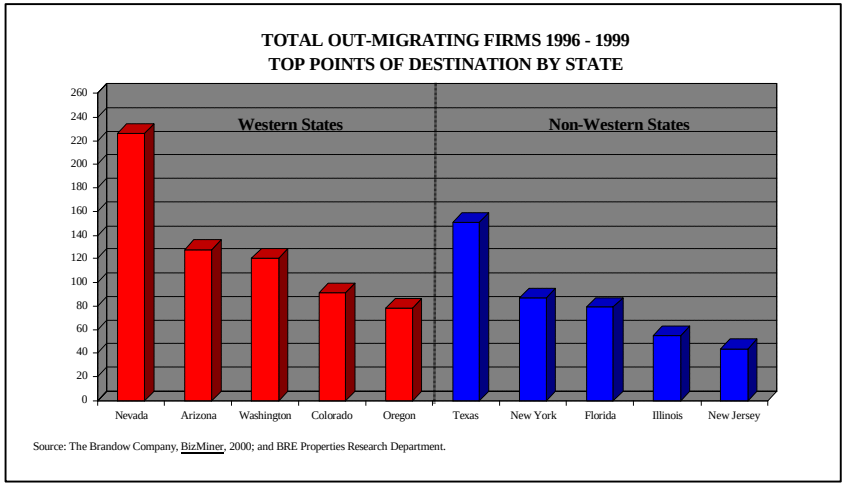
The majority of firms migrating out of California remain in the Western region.

Firm Migration Trends from California

Firm Destination by State

Of the top 10 receiving states, 61% of all out-migrating firms relocate within the Western region.

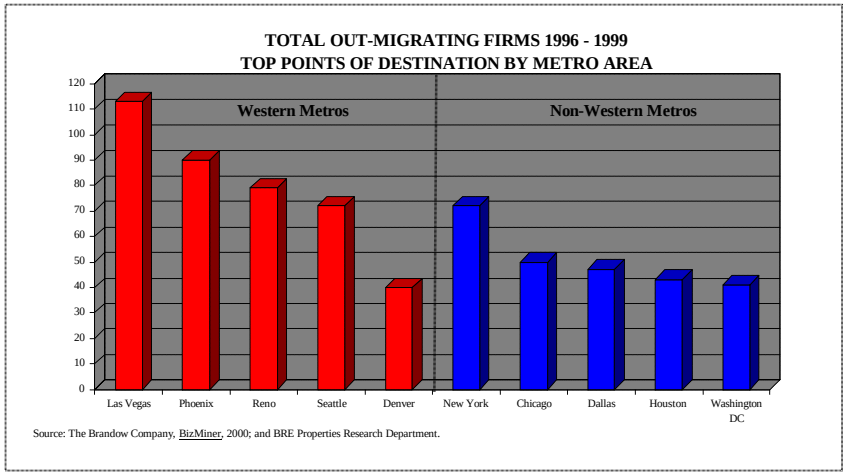
- Nevada (21%)
- Arizona (12%)
- Washington (11%)
- Colorado (9%)
- Oregon (7%)



Firm Destination by Metro Area

Western metros receiving the greatest share of migrating firms are:

- Las Vegas (17%)
- Phoenix (14%)
- Reno (12%)
- Seattle (11%)
- Denver (6%)

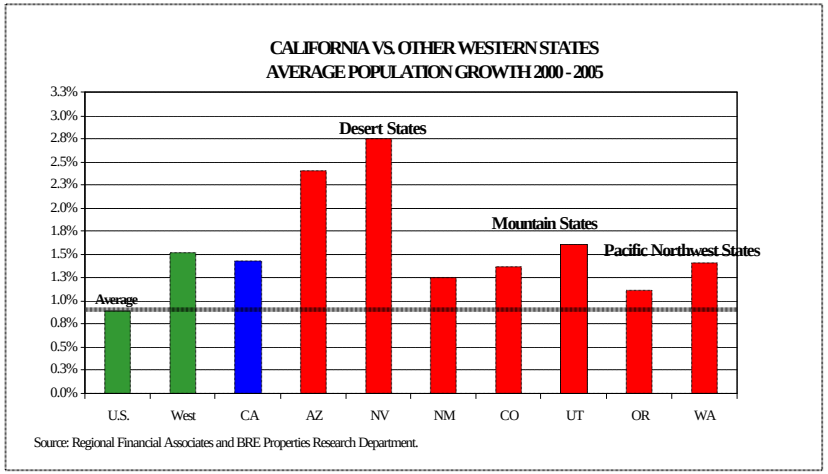


As firms continue to expand operations in bordering state metros, high employment growth and low unemployment rates continue to drive population migration patterns from California to other parts of the region.

Population Trends for California and the West

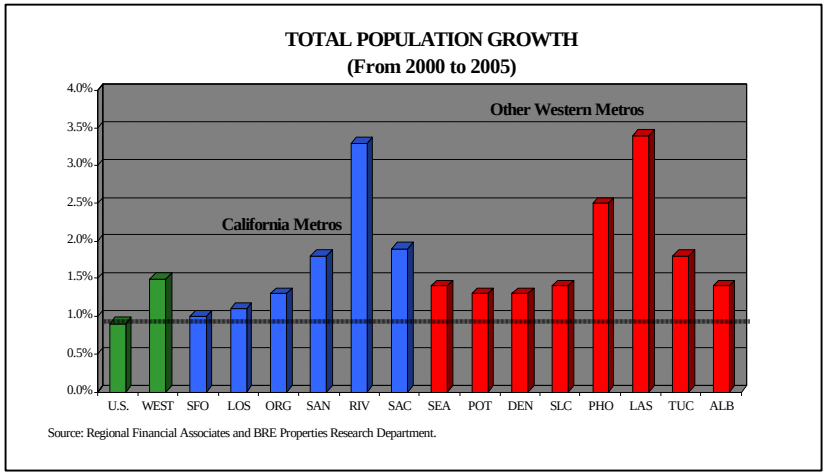
Population Growth by State

- California ***population growth*** started to accelerate in 1997, as net migration turned positive for the first time since 1992.
- California is projected to add 496,000 people per year through 2005, accounting for 20.0% of total U.S. population growth.
- Bordering states with the fastest projected population growth are Nevada, Arizona, Utah, Washington and Colorado.



Population Growth by Metro Area

- Population growth in all metro areas in the West is projected to exceed the national average.
- California metro areas with the highest projected population growth are Riverside-San Bernardino, Sacramento, San Diego and Orange County.
- Bordering state metro areas with the highest projected population growth are Las Vegas, Phoenix, Tucson and Salt Lake City.



Population growth in bordering state metros continues to be driven by migrants from California and foreign immigration.

Household Trends for California and the West

- California accounts for 11.5% of all households in the U.S., and is projected to add more than over 187,000 households per year through 2005.

- A significant portion of new household formations will be created by:

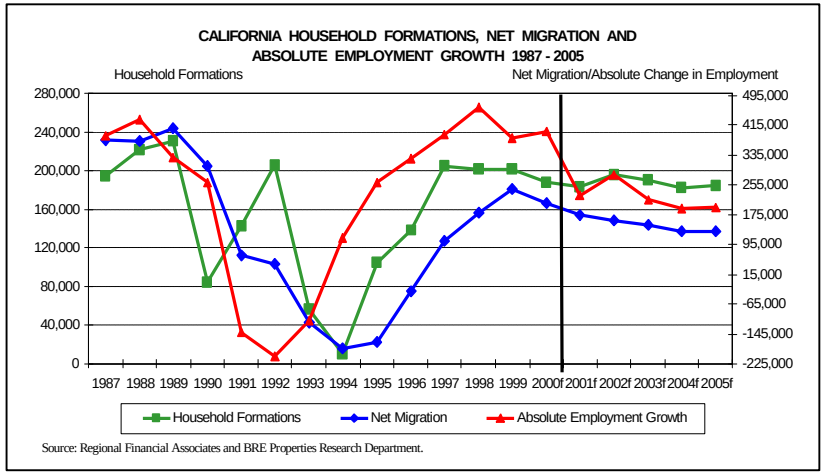
  - Foreign immigration
  - Emergence of the echo boomers
  - Aging of the baby boomers
  - High divorce and marital postponement rates
  - Fewer households with children
  - Longer life expectancy

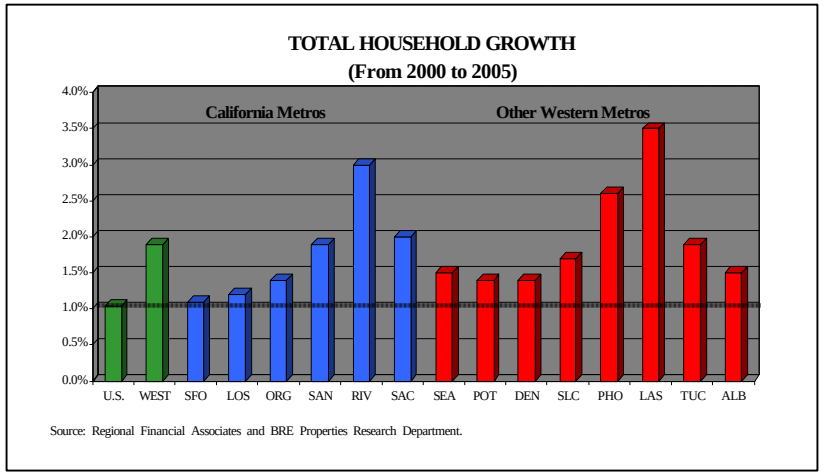
- From 2000 to 2005, California is projected to **gain** 1.2 million people between the ages of ***5 to 24 years old***, **lose** 222,000 people between the ages of ***25 to 44 years old***, and **gain** 1.3 million people between the ages of ***45 to 64 years old***.

- Household growth in all metro areas in the West is projected to exceed the national average.

- California metro areas with the highest rate of household formations are Riverside, Sacramento, San Diego and Orange County.

- Bordering state metro areas with the highest projected household formations rate are Las Vegas, Phoenix, Tucson and Salt Lake City.

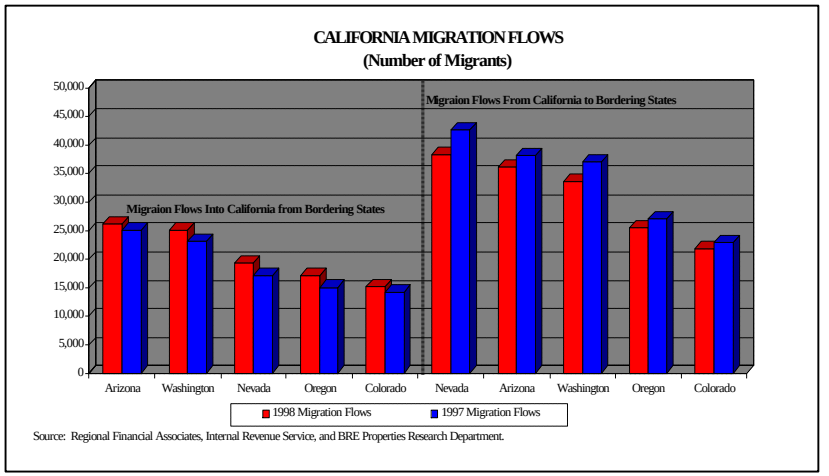


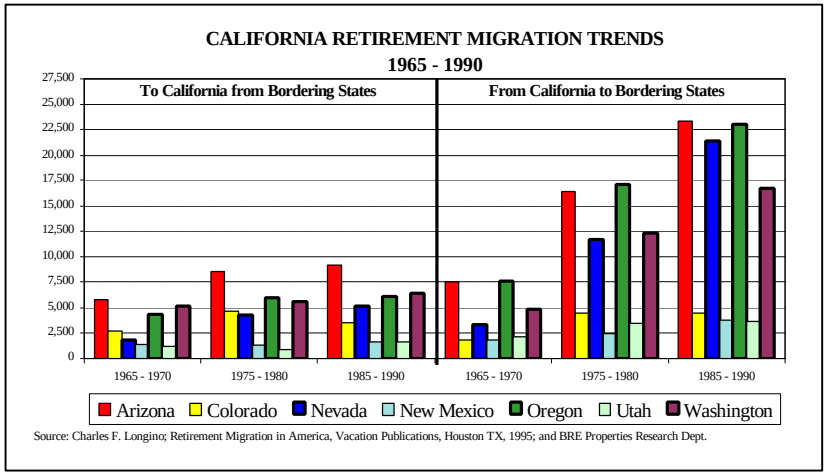


Household formations in bordering state metros continue to be driven by interstate migration from California and foreign immigration.

Migration Trends for California and the West

- From 1992 to 1995, 490,000 people (net) migrated out of California. Net in-migration is projected to average 188,000 persons per year through 2005, largely from foreign immigration.
- Net migration turned positive in 1996, the first time since 1991. From 1981 to 1998, 60% of the gross outflows went to bordering state metro areas, and 47% of the gross inflows came from bordering state metros.
- Bordering states receiving the majority of California migrants are Nevada, Arizona and Washington. States sending the majority of migrants to California are Arizona, Washington, and Nevada.
- A significant portion of future migration will be driven by foreign immigration. California is projected to show a net gain of more than 1.2 million foreign migrants during the next decade.
- From 1985 to 1990, California received more than 131,500 retirement migrants. More than 25% of these retirees, or 33,000, came from bordering Western states.
- For this same time period, California exported more than 187,500 retirement migrants. More than 52% of these retirees, or 96,400, went to bordering Western states.
- Bordering states receiving the majority of California retirees were Arizona, Oregon, Nevada and Washington. Bordering states exporting the majority of retirees to California were Arizona, Washington, Oregon and Nevada.



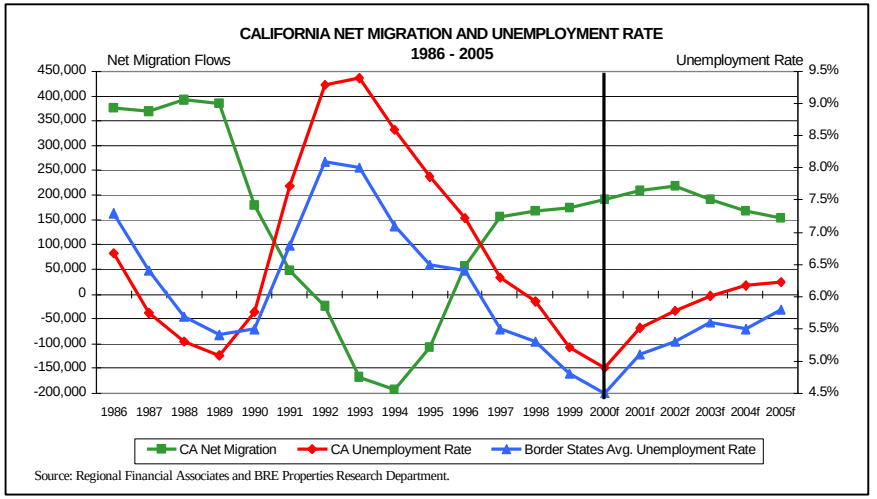


Population growth in bordering states continues to be driven by retirement migration from California.

Migration Flows between California and Bordering States

Net Migration and Unemployment

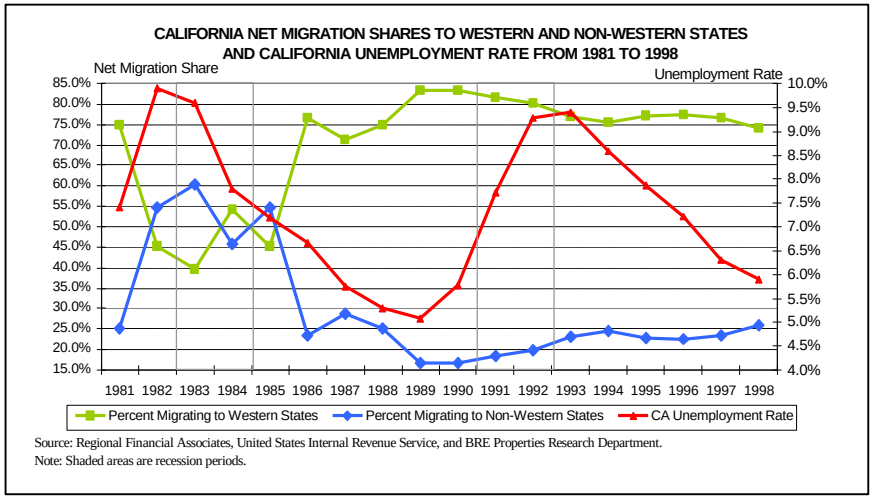
- From 1987 to 1999, net migration flows have moved opposite those of California unemployment rates.
- Lower unemployment rates in bordering states motivates California residents to migrate.
- As California unemployment rates rise, net in-migration will slow.



Source: Regional Financial Associates and BRE Properties Research Department.

Net Migration Shares and Unemployment

- As measured by the top 10 states over time (1981 to 1998), on average 70% of the (net) outmigration from California went to bordering Western states, and 30% went to states outside the region.
- During the early 1980s, as the California unemployment rate rose, residents were more inclined to migrate out of the region.
- During the late 1980s, as the California unemployment rate dropped, residents were less inclined to migrate out of the region, and more inclined to stay in the West.
- During the 1990s, even as unemployment rates rose, California residents were more inclined to stay in the West than to move out of the region for employment opportunities.



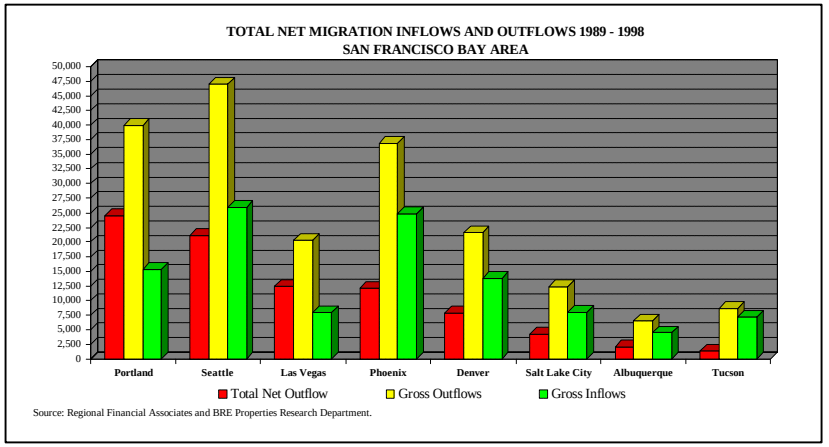
Source: Regional Financial Associates, United States Internal Revenue Service, and BRE Properties Research Department.
Note: Shaded areas are recession periods.

As unemployment rates rise, California residents are more inclined to stay in the West than to move outside the region for employment opportunities.

Migration Flows between California Metros and Bordering State Metros

San Francisco Bay Area

- From 1993 to 1994, 28,000 people (net) migrated out of the Bay area. Net in-migration peaked at 49,800 in 1997, dropped to 33,600 in 1999, and is projected to average 23,000 persons per year through 2005.

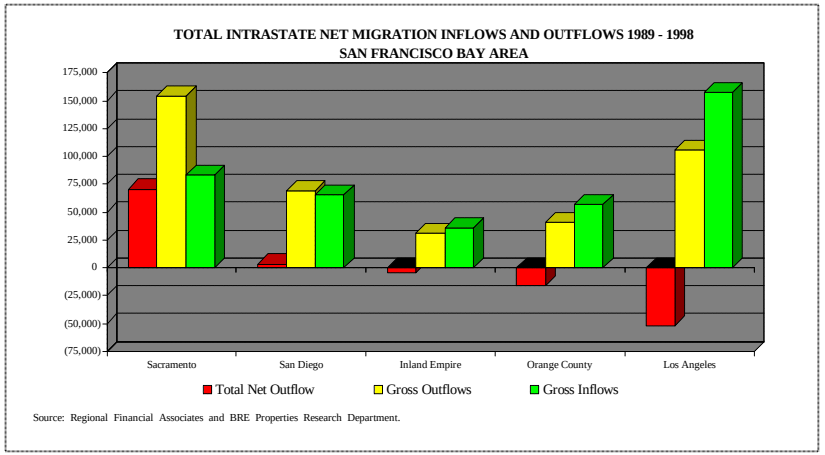


Gross Migration Flows from 1987 to 1998

Outflows

- Of the 193,200 people who left the Bay area ***for major bordering state metros***, the majority went to Seattle (24%), Portland (21%), Phoenix (19%), Denver (11%) and Las Vegas (11%).

- Of the 401,000 people who left the Bay area ***for major metros in the state***, the majority went to Sacramento (38%), Los Angeles (26%), San Diego (17%) and Orange County (10%).



Inflows

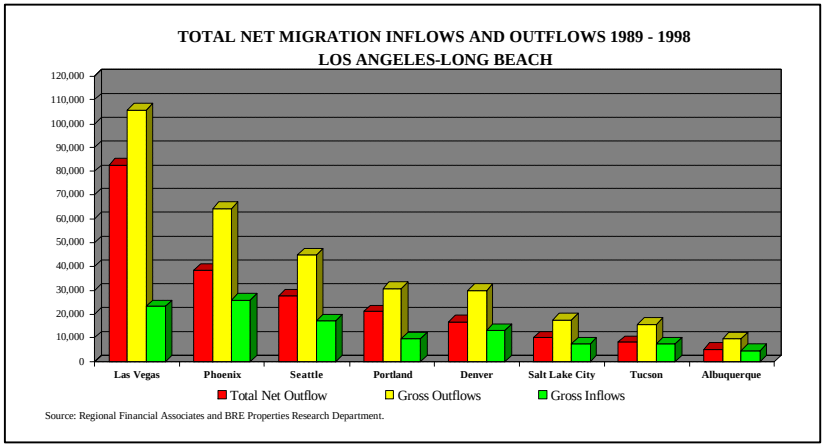
- Of the 107,450 people who came to the Bay area ***from major bordering state metros***, the majority came from Seattle (24%), Phoenix (23%), Portland (14%) and Denver (11%).

- Of the 399,500 people who came to the Bay area ***from major metros in the state***, the majority came from Los Angeles (39%), Sacramento (21%), San Diego (16%) and Orange County (14%).

Due to rising housing and business costs, high migration activity continues between the San Francisco Bay area and bordering state metro areas, particularly Seattle, Portland, Phoenix, Denver and Las Vegas.

Los Angeles

- From 1990 to 1998, 691,000 people (net) migrated out of the Los Angeles metro. Net in-migration turned positive (6,000 people) in 1999. Although population growth is projected to be positive, net migration is projected to turn and remain negative through 2005, averaging 4,600 people per year.

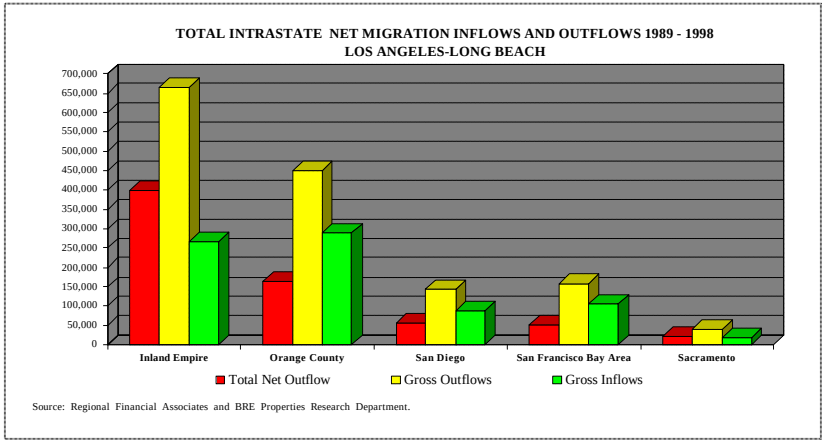


Gross Migration Flows from 1987 to 1998

Outflows

- Of the 318,200 people who left Los Angeles ***for major bordering state metros***, the majority went to Las Vegas (33%), Phoenix (20%), Seattle (14%) and Portland (10%).

- Of the 1.45 million people who left Los Angeles ***for major metros in the state***, the majority went to Riverside-San Bernardino (46%), Orange County (31%), the Bay area (11%) and San Diego (10%).



Inflows

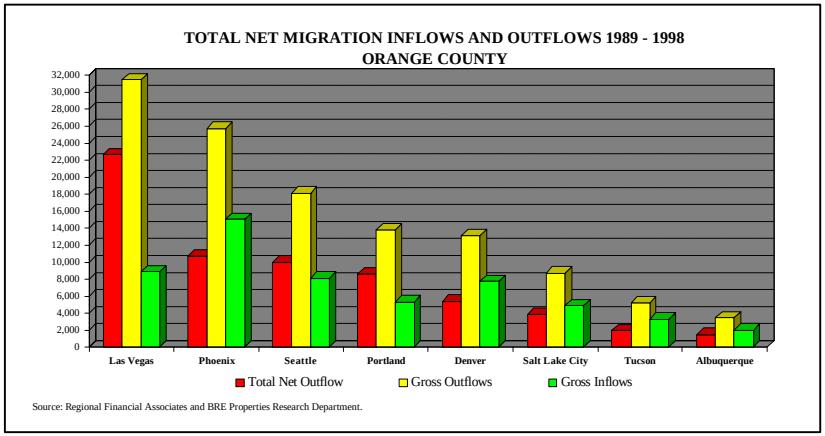
- Of the 109,000 people who came to Los Angeles ***from major bordering state metros***, the majority came from Phoenix (24%), Las Vegas (21%), Seattle (16%) and Denver (12%).

- Of the 765,000 people who came to Los Angeles ***from major metros in the state***, the majority came from Orange County (38%), Riverside-San Bernardino (35%), the Bay area (14%) and San Diego (12%).

Due to high and rising real estate prices, and lower overall quality of life, migration flows between Los Angeles and bordering state metro areas, particularly Las Vegas, Phoenix, Seattle, Portland and Denver, remain high.

Orange County

- From 1990 to 1995, 25,200 people (net) migrated out of the Orange County metro. Net in-migration peaked at 28,200 people in 1997, and is projected to average 5,200 people per year through 2005.



Gross Migration Flows from 1987 to 1998

Outflows

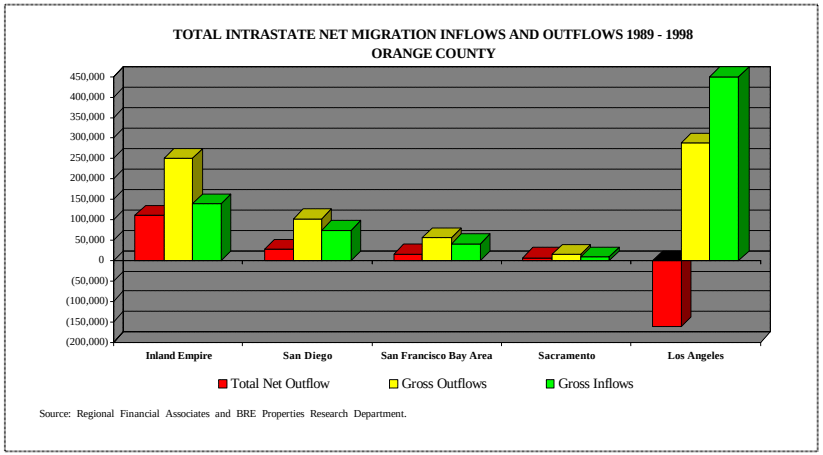
- Of the 119,500 people who left Orange County ***for major bordering state metros***, the majority went to Las Vegas (26%), Phoenix (22%), Seattle (15%) and Portland (12%).

- Of the 712,000 people who left Orange County ***for major metros in the state***, the majority went to Los Angeles (40%), Riverside-San Bernardino (35%), San Diego (14%) and the Bay area (8%).

Inflows

- Of the 55,000 people who came to Orange County ***from major bordering state metros***, the majority came from Phoenix (27%), Las Vegas (16%), Seattle (15%) and Denver (14%).

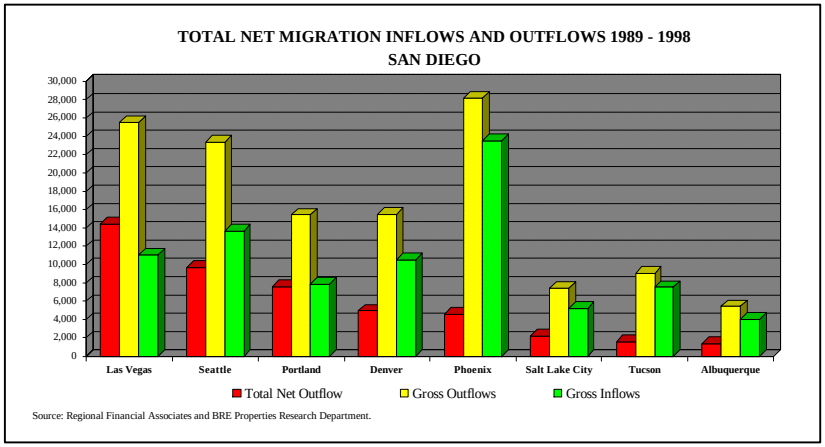
- Of the 711,600 people who came to Orange County ***from major metros in the state***, the majority came from Los Angeles (63%), Riverside-San Bernardino (20%), San Diego (10%) and the Bay area (6%).



Due to high business costs and lack of affordable housing, migration activity between Orange County and bordering state metro areas, particularly Las Vegas, Phoenix, Seattle, Portland and Denver, is significant.

San Diego

- From 1992 to 1995, 65,000 people (net) migrated out of the San Diego metro. Net in-migration peaked at 31,600 people in 1998, and is projected to average 25,400 people per year through 2005.

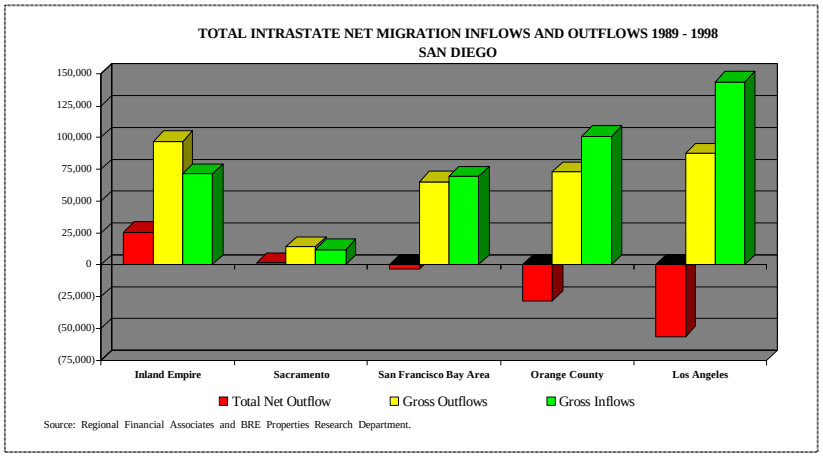


Gross Migration Flows from 1987 to 1998

Outflows

- Of the 130,000 people who left San Diego ***for major bordering state metros***, the majority went to Phoenix (22%), Las Vegas (20%), Seattle (18%) and Portland (12%).

- Of the 337,000 people who left San Diego ***for major metros in the state***, the majority went to Riverside-San Bernardino (29%), Los Angeles (26%), Orange County (22%) and the Bay area (19%).



Inflows

- Of the 83,500 people who came to San Diego ***from major bordering state metros***, the majority came from Phoenix (28%), Seattle (16%), Denver (13%) and Las Vegas (13%).

- Of the 398,300 people who came to San Diego ***from major metros in the state***, the majority came from Los Angeles (36%), Orange County (25%), Riverside-San Bernardino (18%) and the Bay area (17%).

Due to high business cost structures and limited housing options, San Diego is experiencing significant migration activity with bordering state metro areas, particularly Phoenix, Las Vegas, Seattle, Portland and Denver.

Sacramento

- From 1992 to 1994, 2,700 people (net) in-migrated to the Sacramento metro. Net in-migration is projected to peak at 21,500 in 2002, and average 19,700 people per year through 2005.

Gross Migration Flows from 1987 to 1998

Outflows

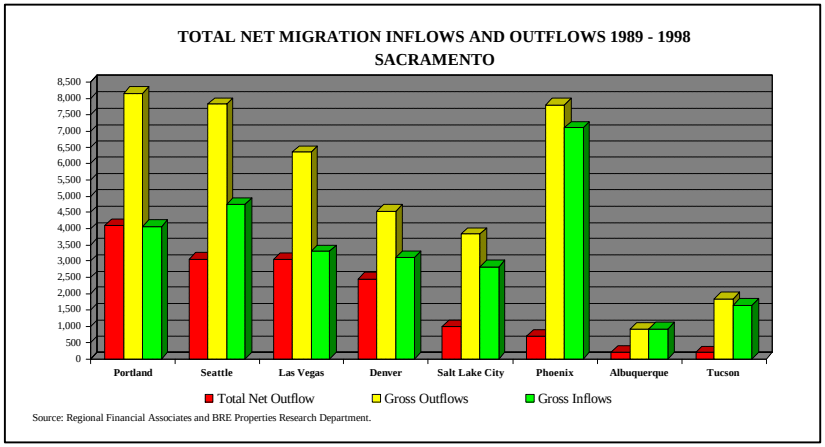
- Of the 45,300 people who left Sacramento ***for major bordering state metros***, the majority went to Portland (20%), Phoenix (18%), Seattle (19%) and Las Vegas (15%).

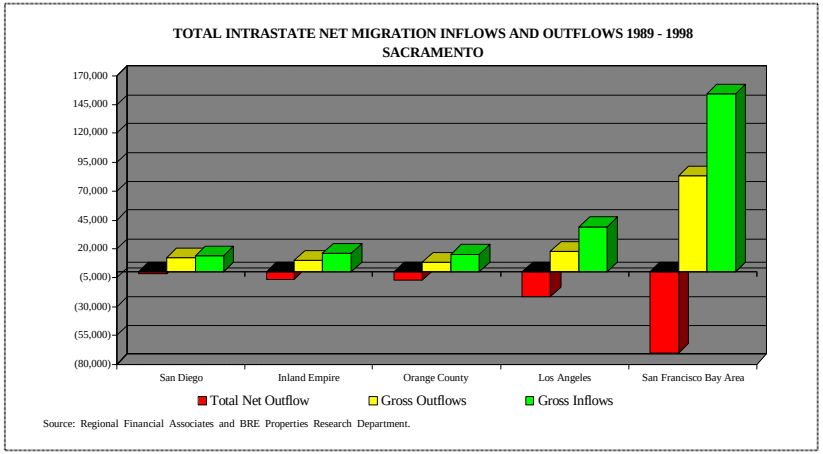
- Of the 132,000 people who left Sacramento ***for major metros in the state***, the majority went to the Bay area (63%), Los Angeles (13%), San Diego (9%) and Riverside-San Bernardino (8%).

Inflows

- Of the 28,000 people who came to Sacramento ***from major bordering state metros***, the majority came from Phoenix (26%), Seattle (17%), Portland (15%) and Las Vegas (12%).

- Of the 239,000 people who came to Sacramento ***from major metros in the state***, the majority came from the Bay area (65%), Los Angeles (16%), Riverside-San Bernardino (7%) and Orange County (6%).

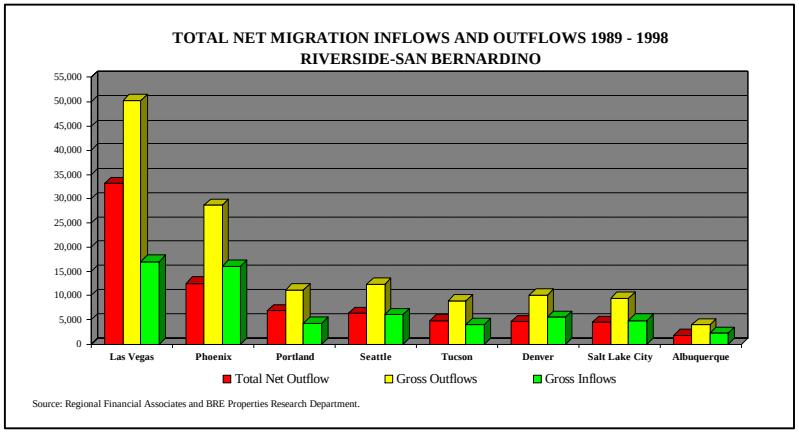




Due to relatively lower business and housing costs, Sacramento continues to receive migrants from coastal metro areas, particularly the Bay area, Los Angeles, Riverside-San Bernardino and Orange County.

Riverside-San Bernardino

- In 1993, net in-migration to the Riverside-San Bernardino metro area dropped to 2,700 people. Net in-migration is projected to peak at 87,000 people in 2002, and average 80,400 people per year through 2005.

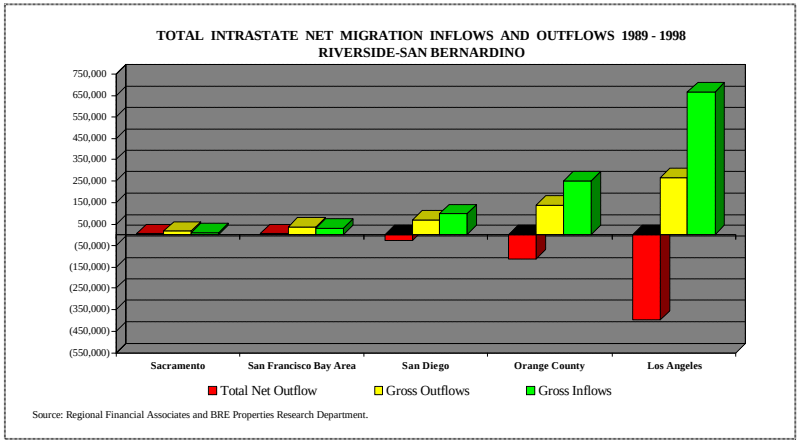


Gross Migration Flows from 1987 to 1998

Outflows

- Of the 135,000 people who left Riverside-San Bernardino ***for major bordering state metros***, the majority went to Las Vegas (37%), Phoenix (21%), Seattle (9%) and Portland (8%).

- Of the 529,000 people who left Riverside-San Bernardino ***for major metros in the state***, the majority went to Los Angeles (50%), Orange County (26%), San Diego (14%) and the Bay area (7%).



Inflows

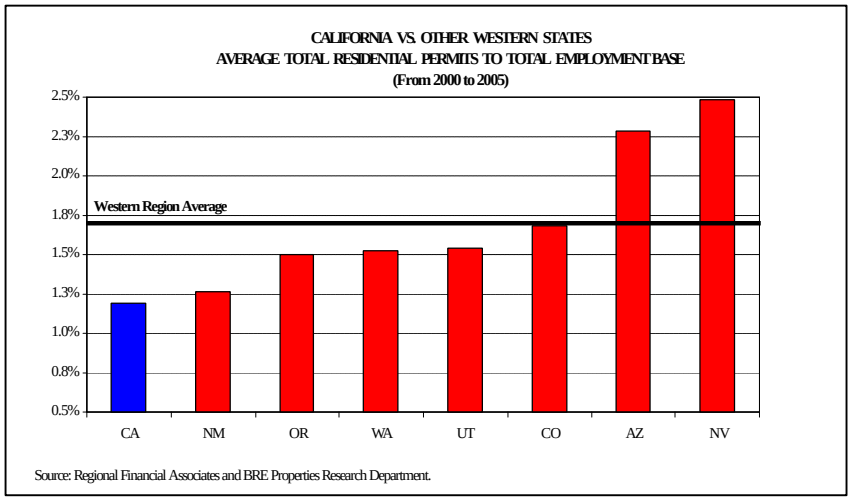
- Of the 60,000 people who came to Riverside-San Bernardino ***from major bordering state metros***, the majority came from Las Vegas (28%), Phoenix (27%), Seattle (10%) and Denver (9%).

- Of the 1.1 million people who came to Riverside-San Bernardino ***from major metros in the state***, the majority came from Los Angeles (63%), Orange County (24%), San Diego (9%) and the Bay area (3%).

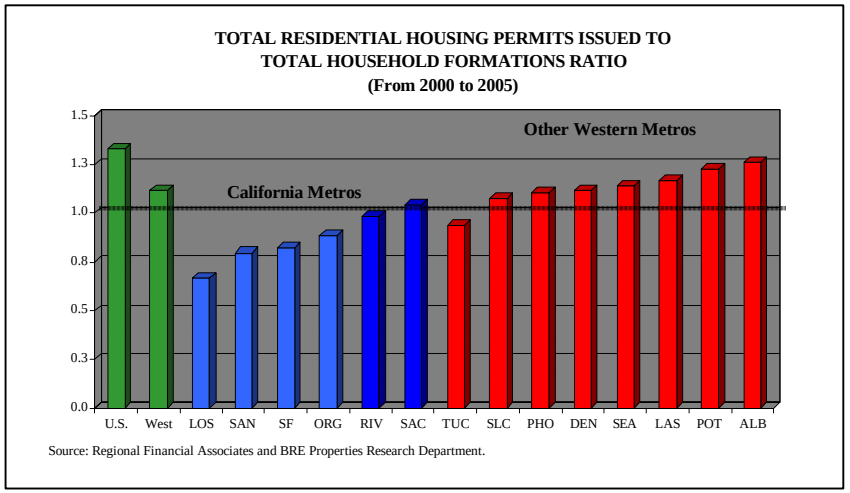
Due to lower costs and the availability of developable land, Riverside-San Bernardino continues to receive migrants from coastal metro areas, particularly Los Angeles, Orange County, San Diego and the Bay area.

Housing Supply and Demand Analysis

- Compared to other Western states, California is projected to issue significantly less permits per worker.



- Compared to other bordering state metros, most California metros are projected to see household formations outstrip total residential permitting.



The lack of new supply and high housing demand is causing California residents to look to bordering state metro areas for housing relief, particularly Portland, Las Vegas, Denver, Phoenix and Salt Lake City.

California Housing Supply and Demand Gap Analysis

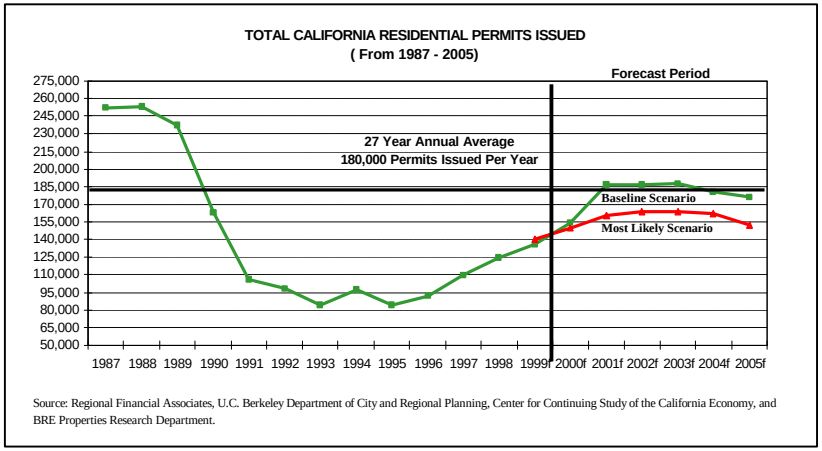
Case #1: Long Run Supply Analysis

- From 1990 to 1999, the accumulated difference between long-run average supply and actual supply totals more than 702,000 housing units.

- The most likely scenario is for California to issue from 150,000 to 160,000 permits per year after taking into consideration:

  - Capital constraints
  - Land constraints
  - No-growth ordinances
  - Entitlement constraints
  - Environmental regulation

- From 2000 through 2005, the accumulated difference between long-run average supply and actual supply is projected to average 24,000 housing units per year.



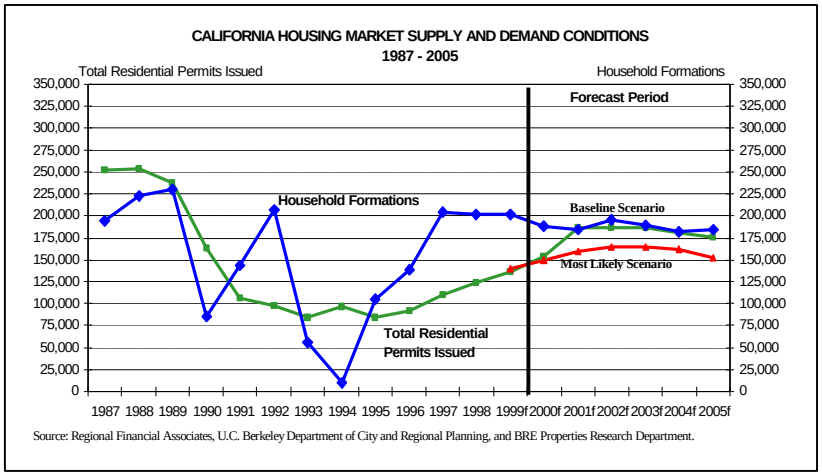
Source: Regional Financial Associates, U.C. Berkeley Department of City and Regional Planning, Center for Continuing Study of the California Economy, and BRE Properties Research Department.

Note: Baseline scenario was provided by Regional Financial Associates, and most likely scenario uses the 150,000 to 160,000 base case provided by U.C. Berkeley, along with RFA and BRE Properties Research projection trends.

Case #2: Residential Housing Gap Analysis I

- From 1990 to 1999, California accumulated a gap between supply (total residential permits issued) and demand (total household formations) of more than 254,000 housing units, or an average of 25,000 units per year.

- From 2000 through 2005, the accumulated gap is projected to average 30,000 housing units per year.

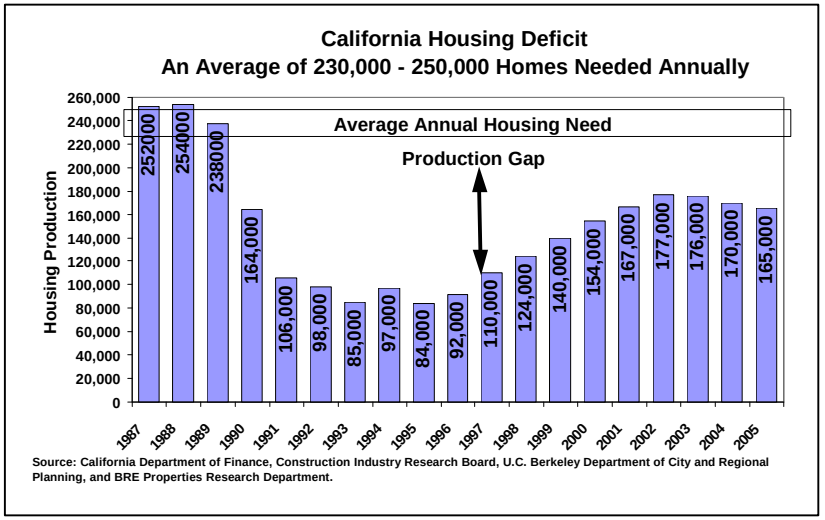


Source: Regional Financial Associates, U.C. Berkeley Department of City and Regional Planning, and BRE Properties Research Department.

Rapid job growth and a lack of new residential construction has resulted in severe housing shortages in most California coastal markets, causing residents to migrate to inland metros for more affordable housing options.

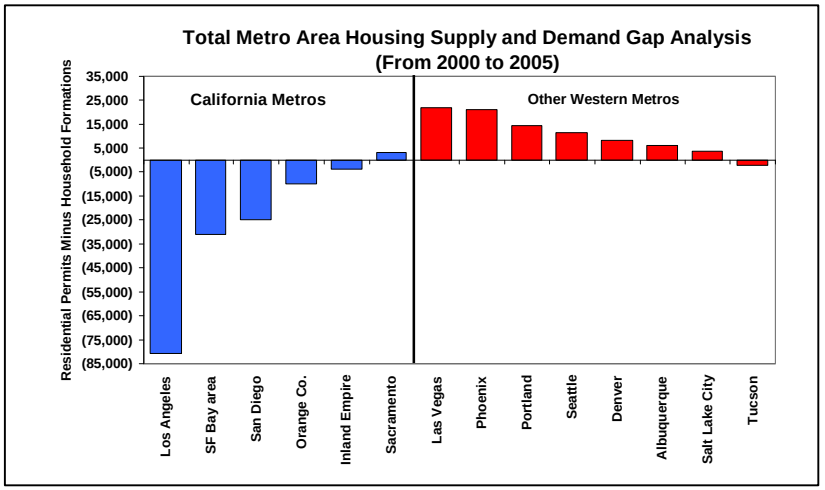
Case #3: Residential Housing Gap Analysis II

- According to recent research from the California Construction Industry Research Board, in conjunction with the Department of City and Regional Planning at U.C. Berkeley and the State of California Department of Finance, housing demand in California averages 230,000 to 250,000 units per year.
- From 1990 to 1999, California accumulated a gap between housing production and housing demand of more than 1.2 million units.
- From 2000 through 2005, the accumulated gap between housing production and housing demand is projected to total 371,000 units, averaging 62,000 housing units per year.



Metro Area Gap Analysis

- Of the top six metro areas in California, the gap between supply and demand for the next five years totals 147,400 housing units or 29,000 units per year.
- Metro projected to experience the largest gap between housing supply and demand are Los Angeles (81,000 units), San Francisco Bay area (31,000 units), San Diego (24,800) and Orange County (10,000 units).



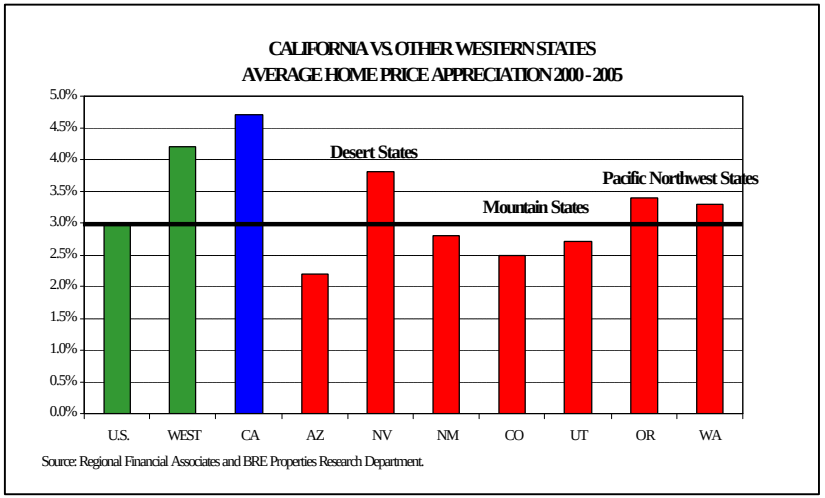
Source: Regional Financial Associates and BRE Properties Research Department.

Housing supply shortages and rapidly rising home prices in most major markets in California are causing residents to look to bordering state metro areas for housing relief, particularly in Denver, Phoenix, Las Vegas and Salt Lake.

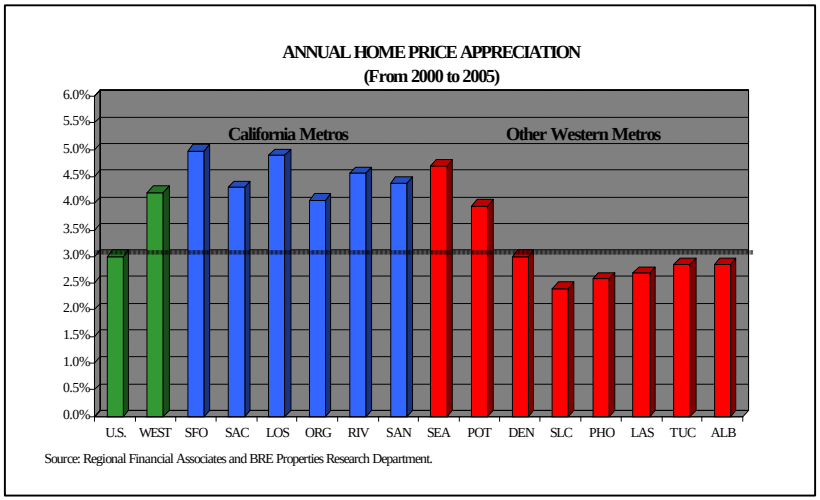
California Housing Affordability Analysis

Home Price Appreciation

- Home prices in California are projected to rise significantly over the next five years relative to other states in the Western region.



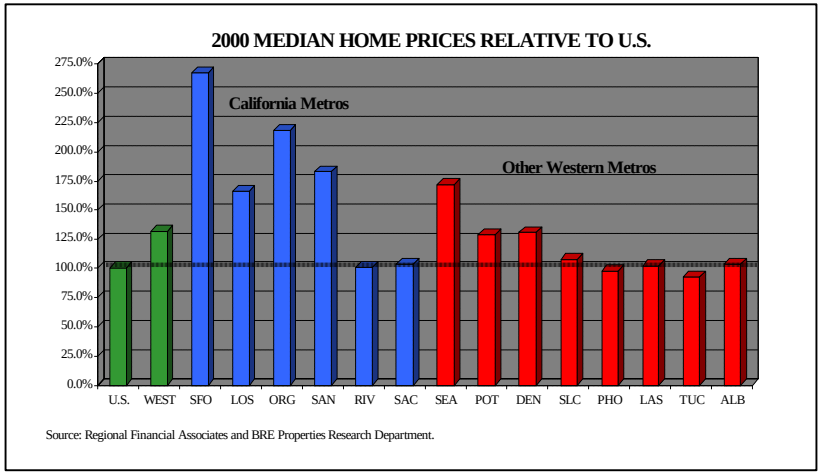
- All major metro areas in California are projected to experience home price appreciation rates well above the national average.



The severe gap between housing supply and demand in California is resulting in rapid home price appreciation relative to other bordering states, causing housing affordability to deteriorate rapidly and remain low.

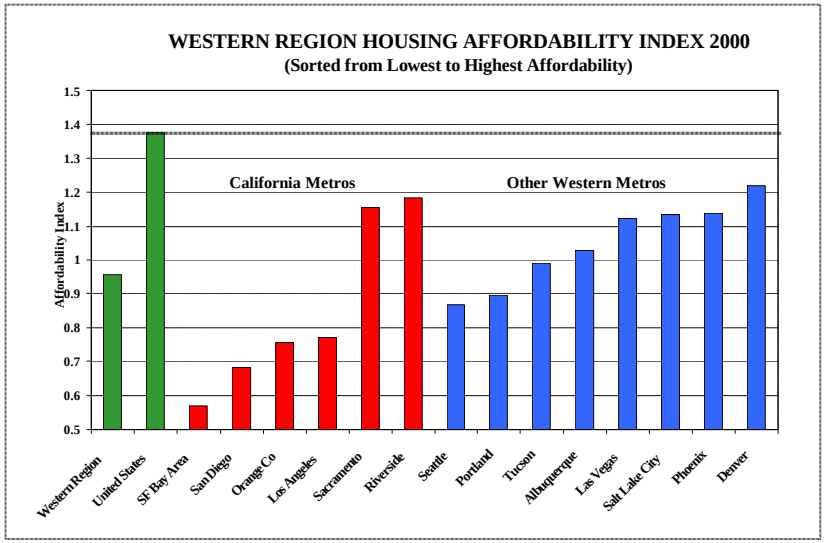
Housing Affordability

- Home prices in California's coastal markets are significantly higher than the national average. Markets with the highest home prices are San Francisco, Orange County, San Diego and Los Angeles.



Source: Regional Financial Associates and BRE Properties Research Department.

- Housing affordability in California's coastal markets fell significantly in 2000, and is extremely low when compared to inland metro areas and major metro areas in bordering states.



Note: The Housing Affordability Index is a measure of a median household's ability to afford a median-priced home in a given metro area. Metros with indices over 100% indicate greater ability for the median household to afford a median-priced home than those metros whose indices are below 100%.
Source: U.S. Census, Regional Financial Associates and BRE Properties Research Department.

Low housing affordability in California's coastal markets is causing residents to look to inland locations first, and to major metros in bordering states second for lower cost housing options.

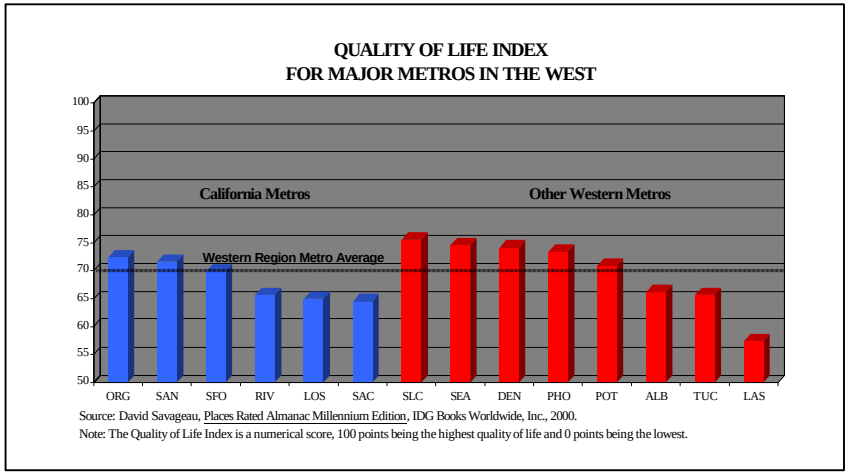
Quality of Life Issues

- Along with economic opportunities and affordable housing, a good quality of life in any given area is significant to attract and retain a highly skilled and motivated workforce.

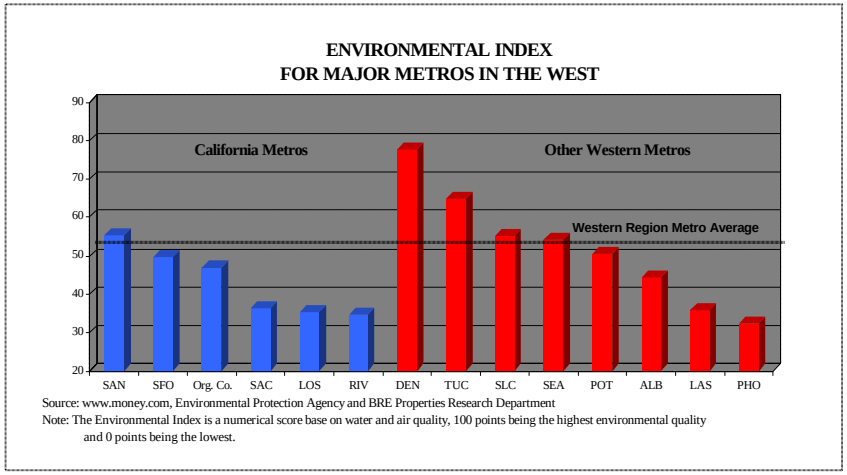
- Factors contributing to a good quality of life are:

  - Cost of Living
  - Employment Opportunities
  - Educational Opportunities
  - Transportation Amenities
  - Community and Personal Safety
  - Health Care Amenities
  - Cultural Amenities
  - Recreational Amenities
  - Climate

- Other factors contributing to quality of life are traffic congestion, air pollution, nontransportation-oriented infrastructure and the local government's ability to handle rapid population growth.



Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Quality of Life Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.



Source: www.money.com, Environmental Protection Agency and BRE Properties Research Department
Note: The Environmental Index is a numerical score base on water and air quality, 100 points being the highest environmental quality and 0 points being the lowest.

Migrants from California will look toward neighboring metro areas to maintain their high quality of life, and toward bordering state metro areas to attain a higher quality of life. Major metro areas offering a good quality of life are Orange County, San Diego, San Francisco, Salt Lake City, Seattle, Denver and Portland.

Appendix

TOTAL HOUSING SUPPLY AND DEMAND CONDITIONS FOR MAJOR METROS IN THE WEST

(For the Forecast Period 2000 - 2005)

Geographic Area	Total Housing Supply			Total Housing Demand	Total Housing Over/Under Supply Conditions
	Total Single-Family Permits	Total Multi-Family Permits	Total Resid-ential Permits	Total Household Formations	Total Residential Permits - Total Household Formations
California Top Six Metros	540,608	223,814	764,422	911,777	**(147,355)**
San Francisco Bay area	96,892	46,435	143,327	174,459	**(31,132)**
Sacramento	67,246	11,836	79,082	75,829	**3,253**
Los Angeles-Long Beach	89,008	72,660	161,668	242,481	**(80,813)**
Orange County	52,387	25,220	77,607	87,664	**(10,057)**
Inland Empire	174,823	31,306	206,129	209,902	**(3,773)**
San Diego	60,251	36,357	96,609	121,441	**(24,833)**
Arizona					
Phoenix	170,289	45,996	216,285	195,355	**20,931**
Tucson	30,613	4,864	35,477	37,797	**(2,320)**
Colorado					
Denver	58,458	19,859	78,317	70,186	**8,131**
Washington					
Seattle	59,233	33,234	92,467	81,142	**11,325**
Oregon					
Portland	58,287	19,395	77,682	63,244	**14,438**
Utah					
Salt Lake City	39,018	10,426	49,444	46,021	**3,423**
Nevada					
Las Vegas	111,092	41,007	152,099	130,257	**21,842**
New Mexico					
Albuquerque	26,181	3,258	29,439	23,306	**6,133**

Source: Regional Financial Associates and BRE Properties Research Department. Updated: 04/27/00

Notes: Total Residential Permits minus Total Household Formations measures the excess supply and demand for each metro area and California, as a whole. California in this table is defined as the Top Six Metro Areas.

METRO AREA RELATIVE RANKINGS

2000-2005

Update: 4/27/00

Rank	Annual Emp Growth	
1	LAS	4.2%
2	PHO	3.1%
3	TUC	2.7%
4	SAY	2.5%
5	RIV	2.5%
6	DEN	2.3%
7	ALB	2.2%
8	SAC	1.9%
9	SAN	1.9%
10	ORG	1.6%
11	SEA	1.5%
12	POT	1.5%
13	LOS	1.3%
14	SFO	1.3%

Rank	Total Emp Grwth	
1	LOS	299,660
2	PHO	255,158
3	SFO	224,523
4	LAS	169,658
5	DEN	140,792
6	RIV	121,596
7	ORG	111,944
8	SAN	111,198
9	SEA	110,472
10	SAY	95,674
11	POT	73,511
12	SAC	67,298
13	TUC	49,692
14	ALB	39,908

Rank	Avg. Unemployment	
1	ORG	2.9%
2	DEN	3.0%
3	PHO	3.3%
4	SFO	3.4%
5	SAN	3.4%
6	SAY	3.4%
7	TUC	3.9%
8	SEA	4.3%
9	SAC	4.7%
10	POT	4.8%
11	LAS	5.1%
12	ALB	5.1%
13	RIV	5.8%
14	LOS	5.9%

Rank	Annual Wage Growth	
1	LAS	8.2%
2	PHO	7.4%
3	RIV	7.0%
4	TUC	6.6%
5	SAC	6.4%
6	SAN	6.2%
7	SAY	6.2%
8	ALB	6.1%
9	SEA	6.0%
10	DEN	5.9%
11	LOS	5.8%
12	SFO	5.8%
13	ORG	5.6%
14	POT	5.5%

Rank	Annual Pop Growth	
1	LAS	3.4%
2	RIV	3.3%
3	PHO	2.5%
4	SAC	1.9%
5	TUC	1.8%
6	SAN	1.8%
7	SAY	1.6%
8	SEA	1.4%
9	ALB	1.4%
10	ORG	1.3%
11	POT	1.3%
12	DEN	1.3%
13	LOS	1.1%
14	SFO	1.0%

Rank	Total Pop Grwth	
1	RIV	576,998
2	LOS	561,208
3	PHO	407,980
4	SFO	346,522
5	SAN	264,912
6	LAS	263,875
7	ORG	192,493
8	SEA	165,878
9	SAC	158,511
10	DEN	130,209
11	POT	125,499
12	SAY	107,026
13	TUC	74,938
14	ALB	48,303

Rank	Total Net Migration	
1	RIV	482,590
2	PHO	311,660
3	LAS	259,359
4	SAN	152,374
5	SFO	137,805
6	SAC	118,254
7	SEA	100,691
8	POT	77,953
9	TUC	61,571
10	DEN	54,159
11	ORG	31,014
12	ALB	25,443
13	SAY	12,227
14	LOS	-36,133

Rank	Avg Hsing Aff Index	
1	SFO	59.4
2	SAN	72.1
3	ORG	80.6
4	LOS	82.4
5	SEA	90.1
6	POT	93.6
7	TUC	110.1
8	ALB	112.7
9	LAS	122.3
10	SAC	124.8
11	RIV	125.2
12	PHO	125.6
13	SAY	125.7
14	DEN	135.0

Note: ALB; Albuquerque, SFO; Bay Area, DEN; Denver, LAS; Las Vegas, LOS; Los Angeles, ORG; Orange County, PHO; Phoenix, POT; Portland, RIV; Riverside, SAC; Sacramento, SAN; San Diego, SAY; Salt Lake City, SEA; Seattle, TUC; Tucson.

Sources: Regional Financial Associates, REIS Reports, RealData, RealFacts, MP/F Research, and BRE Properties Research.

Quantitative Rankings

Relative Metro Rankings	HIGH -	X	MEDIUM -	X	LOW -

	California						PNW		Desert				Mountain	
	SFO	LOS	ORG	SAN	SAC	RIV	SEA	POT	LAS	PHO	TUC	ALB	DEN	SLC
Overall Ranking	Med	Med	Med	High	Med	High	Med	Low	High	High	Med	Low	Med	High
Employment Growth (2000-2005)				X	X	X			X	X	X		X	X
Employment Rate (2000-2005)	X		X	X			X			X	X		X	X
Absolute Employment Growth (2000-2005)	X	X	X	X		X	X		X	X			X	
Wage Growth (2000-2005)	X			X	X	X	X		X	X	X	X	X	X
Population Growth (2000-2005)				X	X	X			X	X	X			X
Absolute Population Growth (2000-2005)	X	X	X	X	X	X	X		X	X			X	
Net Migration (2000-2005)	X			X	X	X	X	X	X	X			X	
Low Housing Affordability (2000)	X	X	X	X			X	X					X	

Note: Rankings are relative to the 14 major metro areas only, not relative to the U.S., as a whole. Metro areas ranking high within the U.S. may rank low when compared to the major 14 metros in the Western region.

Sources: U.S. Census, Regional Financial Associates, BRE Properties Research Dept.

Updated: 4/27/00

Qualitative Rankings*

Relative Metro Rankings	HIGH -	X	MEDIUM -	X	LOW -

	California						PNW		Desert				Mountain	
	SFO	LOS	ORG	SAN	SAC	RIV	SEA	POT	LAS	PHO	TUC	ALB	DEN	SLC
Overall Quality of Life	High	Med	High	High	Med	Med	High	Med	Med	High	Low	Low	High	Med
Cost of Living Affordability					X	X			X	X	X	X	X	X
Employment Opportunities	X		X	X	X	X	X	X	X	X			X	X
Educational Opportunities	X	X	X	X			X	X		X			X	
Transportation Amenities	X	X		X			X	X	X	X			X	X
Community Safety	X		X	X	X		X	X	X	X			X	X
Health Care Amenities	X	X	X	X			X	X		X		X	X	X
Recreational Opportunities	X	X	X	X		X	X	X	X	X			X	X
Cultural Amenities	X	X	X	X		X	X	X		X			X	X
Climate	X	X	X	X	X	X	X			X	X	X		

*** Explanations of the qualitative catagories are supplied on the Definitions page of this appendix.**

Note: Rankings are relative to the 14 major metro areas only, not relative to the U.S., as a whole. Metro areas ranking high within the U.S. may rank low when compared tc the major 14 metros in the Western region.

Sources: David Savageau and Geoffrey Loftus, "Places Rated Almanac 5th Edition", Macmillan USA, 1997.

Updated: 4/27/00

Barriers to Entry

Relative Metro Rankings	HIGH -	X	MEDIUM -	X	LOW -

	California						PNW		Desert				Mountain	
	SFO	LOS	ORG	SAN	SAC	RIV	SEA	POT	LAS	PHO	TUC	ALB	DEN	SLC
Barrier to Entry	High	High	High	High	Med	Low	High	Med	Low	Low	Low	Low	Med	Med
Land Constraints	X	X	X	X			X	X					X	X
Difficulty of Entitlement	X	X	X	X	X		X	X					X	X
Environmental Regulations	X	X	X	X	X		X	X		X		X	X	X

Sources: BRE Properties Research and Development Departments.

Updated: 4/27/00

Definitions of the Quality of Life Categories

1. Cost of Living takes into consideration costs ranging from household incomes and health care to college tuition and taxes.

2. Educational Opportunities ranks a metro by its collection of colleges and universities.

3. Transportation Amenities are rated by compiling the amount and quality of local commute times, public transportation and air, rail and interstate highways.

4. Community Safety is rated by determining the average annual number of violent and property crimes per 100,000 people over the last five years.

5. Health Care Amenities are rated according to the supply of facilities and practitioners in addition to the amount of special options available to subscribers.

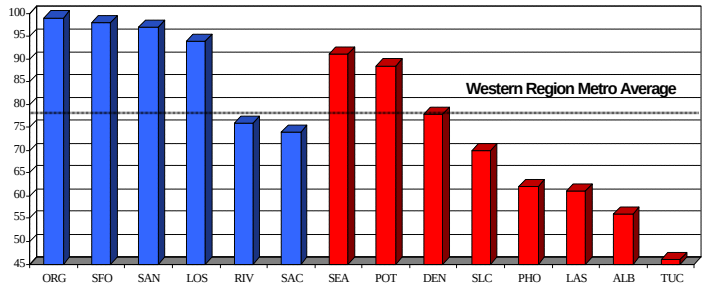
6. Recreational Opportunities rates amenitiessuch as but not limited to good restaurants, golf courses, zoos, ocean coastline, national and state parks and professional sports teams.

7. Cultural Amenities include the number and quality of public libraries, opera and ballet companies, art museums and symphony orchestras.

8. Climate is ranked on how close a metro's temperature remains to 65 degrees Fahrenheit throughout the year. Brightness and Stability also are part of the rating.

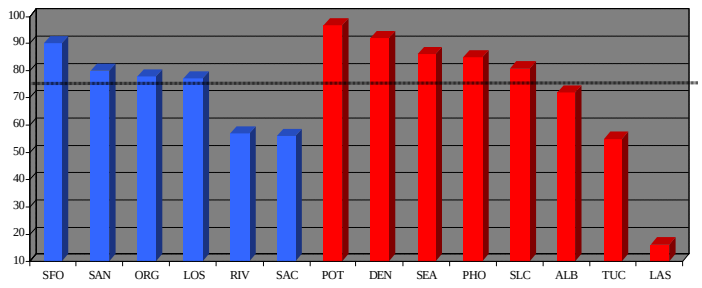
Source: David Savageau and Geoffrey Loftus, Places Rated Almanac 5th Edition, Macmillan USA, 1997.

COST OF LIVING INDEX
FOR MAJOR METROS IN THE WEST



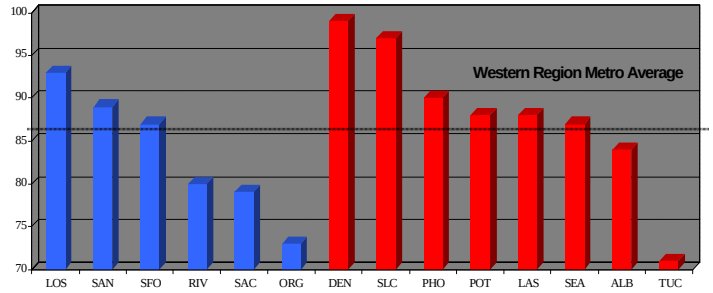
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Cost of Living Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

EDUCATIONAL OPPORTUNITIES INDEX
FOR MAJOR METROS IN THE WEST



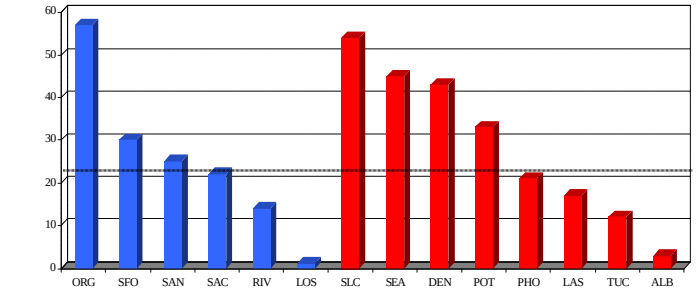
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Education Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

TRANSPORTATION AMENITIES INDEX
FOR MAJOR METROS IN THE WEST



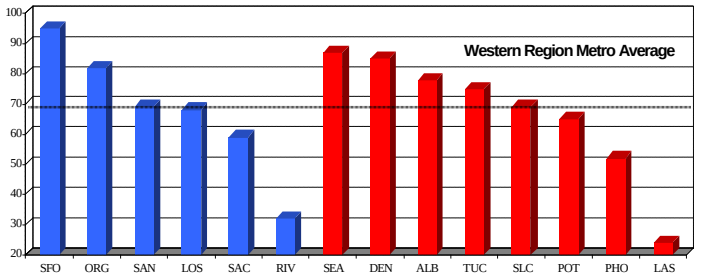
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Transportation Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

COMMUNITY AND PERSONAL SAFETY INDEX
FOR MAJOR METROS IN THE WEST



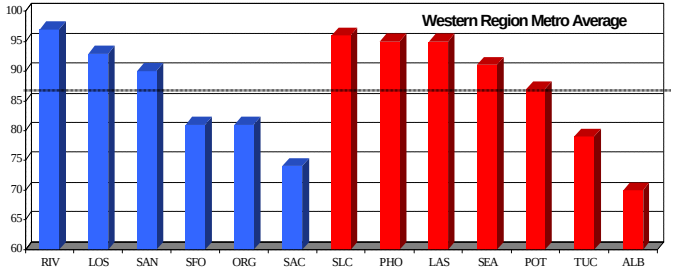
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Crime Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest, with the national average being 50..

HEALTH CARE INDEX
FOR MAJOR METROS IN THE WEST



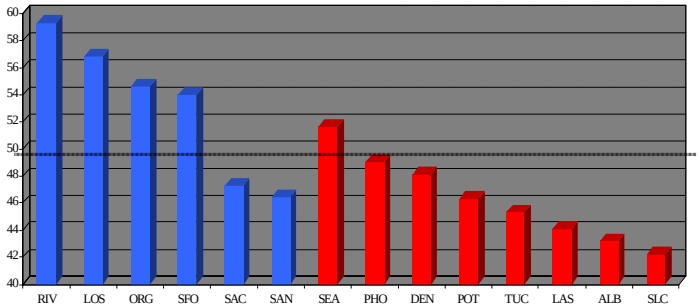
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Health Care Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

RECREATION INDEX
FOR MAJOR METROS IN THE WEST



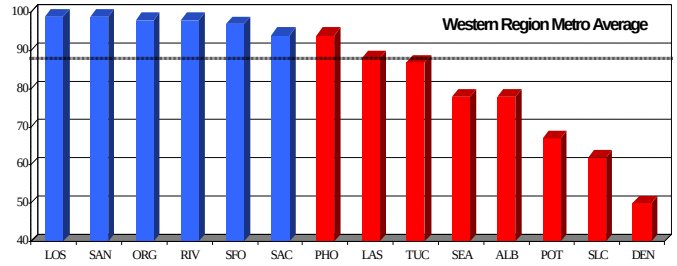
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Recreation Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

DAILY COMMUTE TIME IN MINUTES
FOR MAJOR METROS IN THE WEST



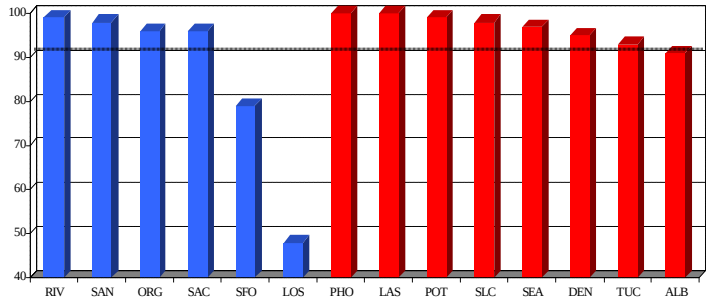
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.

CLIMATE INDEX
FOR MAJOR METROS IN THE WEST



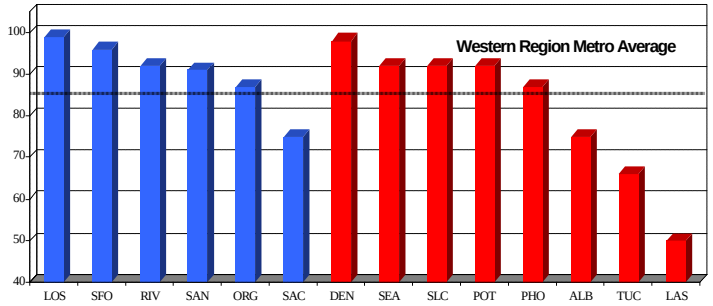
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Climate Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

EMPLOYMENT OPPORTUNITIES INDEX
FOR MAJOR METROS IN THE WEST



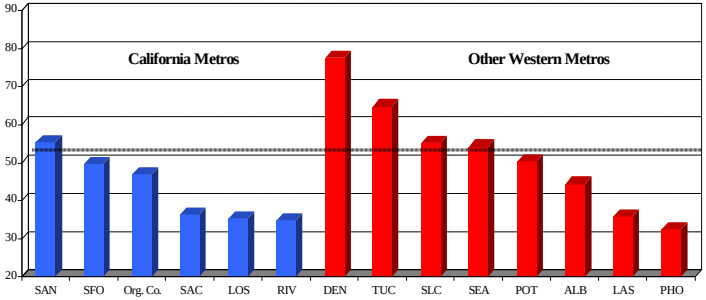
Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Employment Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

CULTURAL AMENITIES INDEX
FOR MAJOR METROS IN THE WEST



Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Cultural Amenities Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

ENVIRONMENTAL INDEX
FOR MAJOR METROS IN THE WEST



Source: David Savageau, Places Rated Almanac Millennium Edition, IDG Books Worldwide, Inc., 2000.
Note: The Environmental Index is a numerical score, 100 points being the highest quality of life and 0 points being the lowest.

METRO AREA COMPARATIVE ADVANTAGES
LOCAL INFRUSTRUCTURE AMENITIES

Albuquerque

Infrastructure:

- Interstate Highways: I-25, I-40
- Albuquerque International Airport (Medium hub), 5 miles from downtown

Other Infrastructure and amenities:

- PNM Electric & Gas Services
- Sandia National Labs (Department of Defense)(6,600)
- Los Alamos National Labs
- Kirtland Air Force Base (11,000)
- Total Metro College Enrollment: 80,000
  University of New Mexico (32,000)

Denver

Infrastructure:

- Developed Interstate Highway System: I-25, I-70, I-76
- Denver International Airport (Large hub), 23 miles from downtown

Other Infrastructure and amenities:

- Colorado State Capital
- Denver Tech-Center
- Telecommunications (MCI/AT&T)
- Total Metro College Enrollment: 140,000
  University of Colorado (13,000), University of Denver (11,500)

Las Vegas

Infrastructure:

- Interstate Highway: I-15
- McCarran International Airport (Large hub), 7 miles from downtown

Other Infrastructure and amenities:

- "The Strip" (Mirage, Caesar's, Excalibur, MGM Grand, Rio Suite, Belagio)
- Total Metro College Enrollment: 72,000
  University of Nevada Las Vegas (28,000)

Los Angeles

Infrastructure:

- Developed Interstate Highway System: I-5, I-10, I-15, I-405, I-110, I-605, I-710, I-215

- Los Angeles International Airport (Large hub), 10 miles from downtown
  - Long Beach Airport, Compton Airport

- Ports of Long Beach and Los Angeles

Other Infrastructure and amenities:

- Hollywood (Walt Disney/Universal Studios)

- Total Metro College Enrollment: 730,000
  University of California Los Angeles (UCLA) (46,000), University of Southern California (USC) (31,500), Cal State University: Dominguez Hills, Long Beach, Northridge, Polytechnic University, and Los Angeles

- Los Alamitos Naval Air Station

- U.S. Naval Weapons Station

Orange County

Infrastructure:

- Interstate Highways: I-5, I405
- John Wayne International Airport (Large hub), 0.3 miles from downtown

Other Infrastructure and amenities:

- Disneyland (13,500)
- Total Metro College Enrollment: 300,000
  University of California Irvine (16,500), Cal State University Fullerton (27,000)

Phoenix

Infrastructure:

- Developed Interstate Highway system: I-10, I-17, I-8

- Sky Harbor International Airport (Large hub), 3 miles from downtown

Other Infrastructure and amenities:

- Total Metro College Enrollment: 250,000
  Arizona State University (50,000), University of Phoenix (8,500)

- Arizona State Capital

Portland

Infrastructure:

- Interstate Highways: I-5, I-80
- Portland International Airport (Medium hub), 9 miles from downtown
- Port of Portland

Other Infrastructure and amenities:

- Portland General Electric
- Total Metro College Enrollment: 165,000
  University of Portland (37,000), Portland State University (4,000)

Riverside

Infrastructure:

- Interstate Highways: I-10, I-15
- Ontario International Airport (Medium hub), 17 miles from downtown

Other Infrastructure and amenities:

- Total Metro College Enrollment: 180,000
  California State University Riverside (15,000), University of California Riverside (9,500), Cal Poly Pomona (2,000)

Sacramento

Infrastructure:

- Developed Interstate Highway System: I-5, I-80, I-505
- Sacramento Metropolitan Airport (Medium hub), 10 miles from downtown
- Port of Sacramento

Other Infrastructure and amenities:

- McClellan Air Force Base (6,000)
- Sacramento Municipal Utility District
- California State Capital
- Total Metro College Enrollment: 120,000
  California State University Sacramento (28,000), University of California Davis

Salt Lake City

Infrastructure:

- Interstate Highways: I-15, I-80, I-84
- Salt Lake City International Airport (Large hub), 3 miles from downtown

Other Infrastructure and amenities:

- 2002 Olympics
- Hill Air Force Base
- Mormon Church
- Utah State Capital
- Total Metro College Enrollment: 90,000
  University of Utah (31,000), Weber State University (21,000)

San Diego

Infrastructure:

- Developed Interstate Highway Systems: I-5, I-8, I-15
- San Diego/Lindbergh International Airport (Large hub), 2 miles from downtown

Other Infrastructure and amenities:

- U.S. Navy
- Major bio-medical research institutes (Scripps/UDSD Med. Center)
- Proximity to Maquiladoras and Tiaquana
- Total Metro College Enrollment: 270,000
  San Diego State University (34,500), University of California San Diego (18,000)

San Francisco Bay Area

Infrastructure:

- Developed Interstate Highway System: I-80, I-580, I-680, I-880, I-17, I-1
- San Francisco International Airport (Large hub), 8 miles from downtown
- Port of Oakland
- San Jose International Airport & Oakland International Airport (Part of SF hub)
- Bay Area Rapid Transit (BART)
- Port of San Francisco

Other Infrastructure and amenities:

- Total Metro Area College Enrollment: 625,000
  University of California: Berkeley (32,000), San Francisco (2,500)
  California State University: San Francisco (31,000), San Jose (31,000), Sonoma, Hayward
  Stanford (16,000), University of San Francisco, Golden Gate University,
- Silicon Valley
- Venture Capital
- Lawrence Livermore National Lab (7,000), Lawrence Berkeley National Lab (4,000)

Seattle

Infrastructure:

- Developed Interstate Highway System: I-5, I-90, I-405
- Port of Seattle and Lake Washington
- Seattle-Tacoma International Airport (Large hub), 10 miles from downtown

Other Infrastructure and amenities:

- Boeing & Microsoft
- Total Metro College Enrollment: 180,000
  University of Washington (42,000), Seattle University (5,000)

Tucson

Infrastructure:

- Interstate Highways: I-10, I-19
- Tucson International Airport (Medium hub), 6 miles from downtown

Other Infrastructure and amenities:

- U.S. Army Fort Huachuca (10,000)
- Davis-Monthan Air Force Base (8,000)
- Proximity to Mexico
- Total Metro College Enrollment: 80,000
  University of Arizona (38,000)