

More information available through:

Information page on the Gallen.Neilly website
<http://www.gallen.com/clients/ev.htm>

Andrew Neilly
andrew@gallen.com

www.gallen.com

CONDOMINIUMS LEAD HOUSING DOWNTURN Ernst & Young Housing Authority Says Market Experiencing Normal Cyclical Slowdown, not a “Pop” in Housing Bubble

SAN FRANCISCO, November 3, 2005--Led by condominiums, housing sales are slowing and prices are falling in bellwether markets such as Dade County, Florida, Las Vegas, Miami and Orange County, a national housing authority told writers and editors at the National Association of Realtors Conference here. “The leading housing indicators are flashing yellow in a growing number of markets including Phoenix, Boston, and Washington, D.C.,” said Steve Friedman, Ernst & Young’s national director of housing.

Among other indicators, cancellation rates for purchases of new homes are increasing, with the rate in Dade County jumping to 20%; appraised values of homes are dropping below contract prices; for-sale houses are remaining on the market longer; buyer incentives are returning; and more real estate agents are suggesting that buyers reduce initial asking prices. “Agents are very attuned to the market,” Friedman noted. “They know when a house has been on the market too long and it’s appropriate to suggest a price cut.”

Despite such warning signs, Friedman said he does not expect any bubble in the housing market to pop. “There’s no national housing bubble, only “bubblettes” in markets like Las Vegas,” he said. At 4.9 months, the average time that homes are on the market is up 20% from a year earlier but still indicative of a healthy market. In Manhattan, strong demand from foreign buyers and Wall Street executives continues to push up condominium prices, which have nearly doubled from \$600 to \$1100 a square foot in the past three years. In supply-constrained California, a slowdown in demand is taking some of the pressure off prices that have been driven up by an entitlement process that takes up to seven years -- in San Diego County, permit costs have added \$50,000 to the price of a home. In contrast with the rapid runup in prices on the coasts, housing prices in markets such as Ft. Worth, Chicago, and Minneapolis have increased at a moderate rate and sales have remained strong. “There are many markets such as Austin and Boise that are not only affordable but great places to live,” Friedman said.

While the first home market is showing signs of slowing – which Friedman said will also give the growing ranks of realtors a challenge in 2006 -- the second home market remains strong. Many baby boomers have paid off the mortgages on their primary homes and are investing some of the equity in second or vacation homes. “With 79 million affluent boomers, demand for second homes will continue to grow as more boomers reach retirement age,” Friedman said. Second home demand has been particularly strong in Florida, where foreign buyers have taken advantage of a weak dollar to buy homes. In Orlando, European buyers, led by the British, own one of every three homes, according to Friedman.

About Ernst & Young:

Ernst & Young has the largest integrated real estate, hospitality and construction practice of any Big Four firm, with 3,500 professionals around the world providing

audit, tax, and advisory services to real estate owners, developers, lenders and users -- including many major REITs, homebuilders and Fortune 500 corporations. Our unique approach combines entrepreneurial thinking and working knowledge of real estate issues with broad real estate expertise, vast resources, and a diverse network of clients and contacts. Ernst & Young serves more than 4,000 real estate clients across the country and throughout the world. Learn more about Ernst & Young Real Estate, Hospitality & Construction at www.ey.com/us/realestate