

HOUSE - PRICE REPORT

EXHIBIT 1: Price Growth, Q4 1996

U.S. TOTAL	4.0%
NORTHEAST	
New England	5.8
Middle Atlantic	2.2
SOUTH	
South Atlantic	2.7
East South Central	6.7
West South Central	1.1
MIDWEST	
East North Central	5.8
West North Central	3.9
WEST	
Mountain	7.0
Pacific	2.9

Note: House-price growth rates are annualized.

Source: Conventional Mortgage Home-Price Index

National Appreciation Rate Returns to 4 Percent

Nationwide, house-price growth rates in fourth quarter 1996 picked up from third quarter levels, closely matching the pace set during the first half of the year, according to the Conventional Mortgage Home-Price Index (CMHPI)¹. The appreciation pace increased to an annualized 4.0 percent in Q4 1996 (*Exhibit 1*), compared to the prior three quarters' growth rates (restated) of 5.0 percent in Q1, 3.9 percent in Q2 and 2.0 percent in Q3.

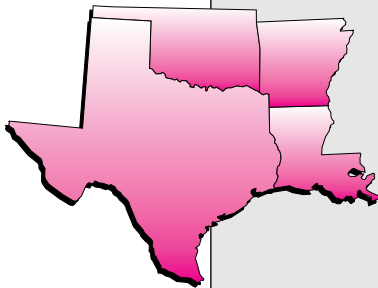
Rising mortgage rates probably accounted for the Q3 lull. Consequently, the stronger price performance in Q4

probably reflected some unleashed demand as interest rates softened a bit.

Four of the nine census divisions returned to positive growth rates in Q4, while the remaining regions continued to post positive gains. Notably, New England hit 5.8 percent, rising from its Q3 slump of -0.4 percent (restated). The Pacific division likewise turned positive with a 2.9-percent growth rate, an improvement over Q3's -2.2 percent performance (restated). The Mountain states, with a 7.0-percent appreciation rate, and East South Central states, at 6.7 percent, produced the highest growth rates among the divisions.

¹The Conventional Mortgage Home-Price Index depicts Freddie Mac and Fannie Mae mortgage fundings as a series of 10 separate indexes, one for each of the nine census divisions and a national index. The national index is an average of the nine divisional indexes. It is weighted by the results of the 1990 Census for the number of detached, one-unit, single-family structures in each division.

A CLOSER LOOK



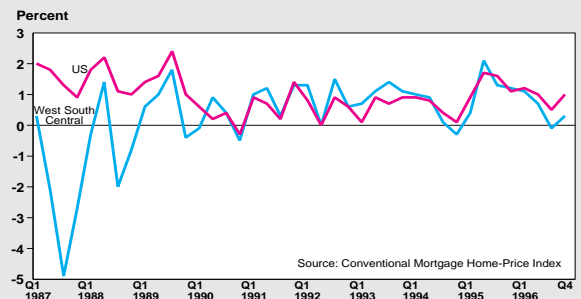
West South Central States Post Modest Gains

The four states in the West South Central census division enjoyed a sixth year of modest house-price gains in 1996 (*Exhibit 2*).

That stands in sharp contrast to the late 1980s, when prices for the division—comprised of Texas, Oklahoma, Missouri and Louisiana—fell by as much as 5 percent in one quarter. While the rest of the country experienced a 1.3-percent rate of appreciation between 1986 and 1990, these states saw house prices decline an average of 0.4 percent each quarter. Since 1990, house prices there have mirrored the 0.8-percent average growth for the rest of the U.S., although the area's price gains lagged slightly behind the national tempo in the second half of 1996.

The area's recovery from the oil-industry crisis in the mid-1980s probably

EXHIBIT 2: House-Price Growth Rates



has contributed to much of the rosier house-price appreciation picture of late. Increased manufacturing activity, particularly in Texas and Oklahoma, also has helped to spur economic activity. The recent slowdown in Texas' high-tech industry, however, has tempered employment growth in the area, which may explain some of the sluggishness in house-price performance in late 1996.