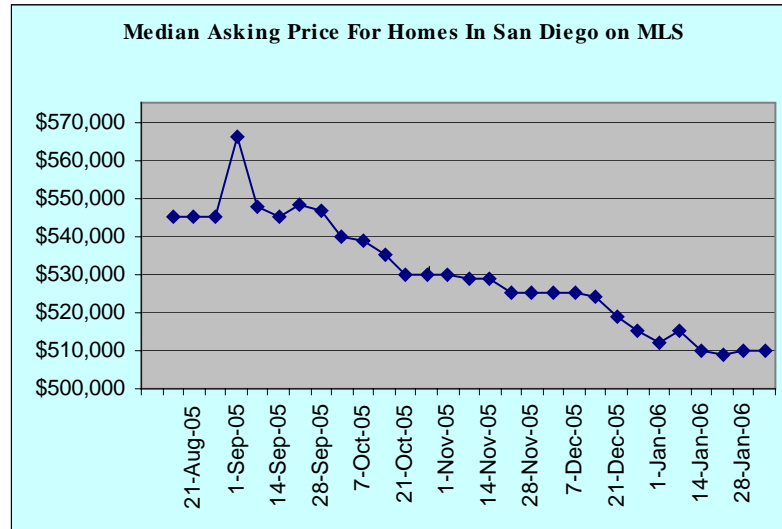




The graph below shows that the median asking price for homes in San Diego has dropped substantially since September 2005. This data is found on the MLS, the Multiple Listing Service, which shows asking prices in an area which are indicative of selling prices and overall market psychology.<sup>17</sup>



Another caution flag from San Diego is that 50% of San Diego's borrowers use non-conventional mortgages such as interest only mortgages, compared with only 33% nationally. This is a strong sign that San Diegoans are buying more home than they are able to afford.<sup>18</sup>

David Wyss, chief economist at Standard & Poor's has said that in San Diego houses cost 9.68 times the average household income, in San Francisco, the ratio is 9.19. He warned that these ratios must come down, as they are unsustainable.<sup>19</sup>

The price of a home in Los Angeles is 10 times the median household income and 30 times the rental income. Los Angeles has been experiencing a fall in asking prices too<sup>20</sup>:

