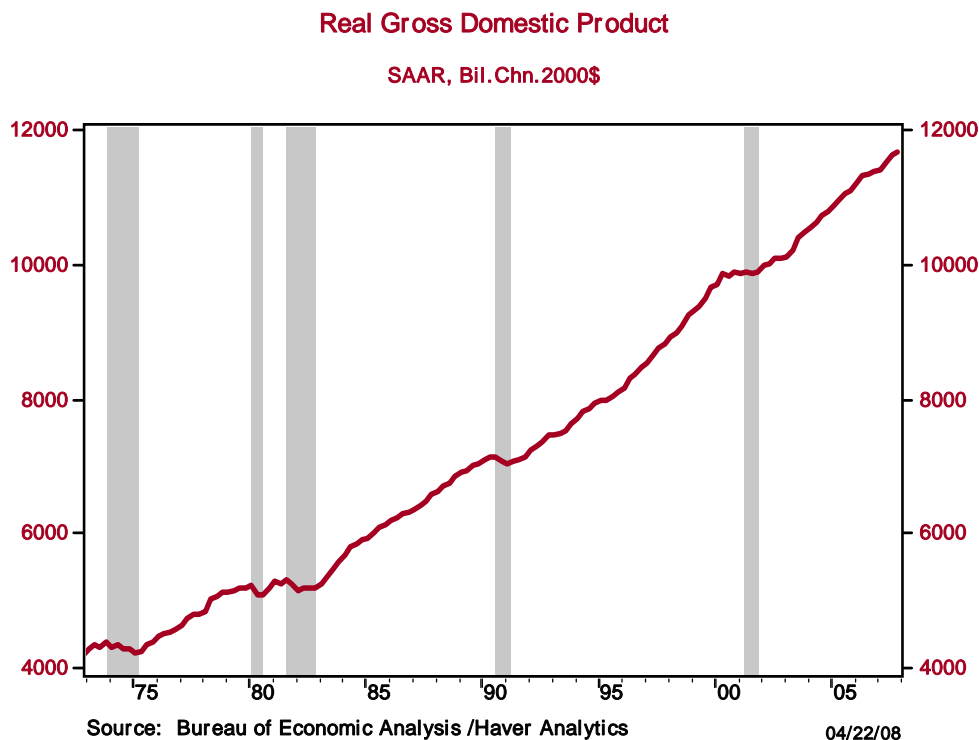


Are We in a Recession or Heading for One?

A recession is a significant decline in economic activity, with decreases in industrial production, employment, real income, and wholesale and retail sales. A recession is generally associated with at least two quarters of decline in the real GDP. The past six recessions have lasted 11 months on average; recent recessions have been in the 6 to 8 month timeframe—unpleasant, but very temporary.

- In recent recessions the average drop in real GDP was 1.6 percent.
- The average loss of existing jobs was 1.5 percent.
- Average unemployment during a recession has been 7.6 percent; however, unemployment in the best of times is in the 4 percent range.
- Recessions are unpleasant slowdowns, but they end relatively quickly. Expansions generally last significantly longer than the previous recession.

In the chart below, recessions are denoted by the shaded areas.

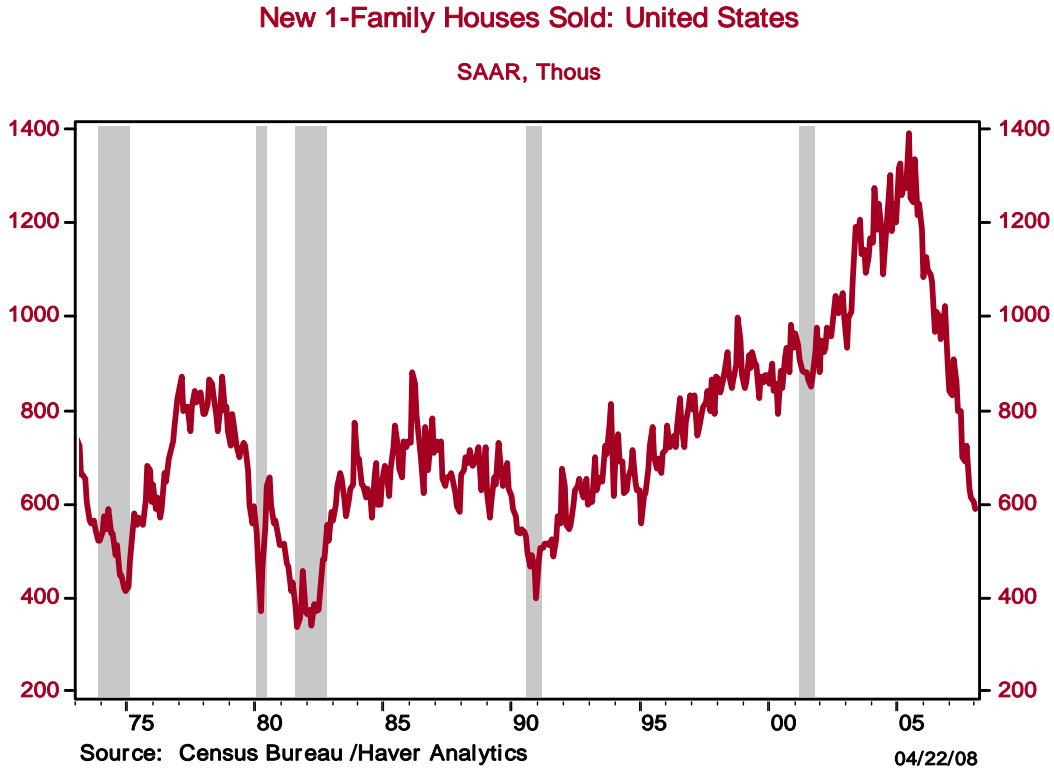


Recessions can have a negative impact on housing starts and sales. However, during a recession houses sell—they just don't sell as well as during growth times. The key marketing issue for consideration during a recession is that many markets—including housing—are slower than is the case during expansion. Accordingly, consideration and implementation of marketing techniques may provide a competitive edge:

- Identification of buyer financing;
- Staging the property to sell,
- A focus on customer segmentation to identify the typical/key buyer for the specific property and the emphasis of property features to the targeted buyers.

- Use of customer relationship management to capture buyer interest and attention;
- Careful consideration of pricing and/or possible incentives;
- Buyer/seller education that recessions are brief and that housing prices over a realistic ownership period of 4-7 years seldom decline.

The graph, with recession time periods shaded, shows the effects of recessions on the number of new single family houses sold.



As of 6/08 are we headed into a recession? The indicators are mixed; the economy is slower than desired in terms of GDP growth, the unemployment rate is rising, and there are oil and financial problems. However, the economy continues to expand, and we do not appear to have a recession at this time. Economists are split on the outlook, with a small majority apparently convinced that a recession is likely or highly probable.