

Arizona Market Watch, 2008

	JANUARY						FEBRUARY						MARCH					
	2006		2007		2008		2006		2007		2008		2006		2007		2008	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 – 99,999	116	335	66	378	94	914	118	358	91	397	115	1035	158	343	114	414	140	1312
\$100K – 199,999	870	2232	769	4994	916	14,064	1032	2321	818	5250	1214	15,125	1226	2426	946	5841	1614	15,961
\$200K – 499,999	3113	20,262	2616	27,956	1354	26,443	3434	22,560	3035	29,064	1579	25,612	4542	24,889	3621	30,967	1900	24,284
\$500K – 999,999	669	7284	459	7431	263	7765	732	7992	477	7847	248	7688	903	8581	605	8343	279	7599
\$1MIL – 1,999,999			106	1937	60	2435			96	9878	57	2501					78	2524
\$2MIL & UP			26	996	20	1423			61	1052	23	1440					33	1445
Total Sold Past 30 Days	4768		4042		2707		5316		4578		3236		6829		5286		4044	
Total Active Listings		30,113		43,692		53,044		33,231		53,488		53,401		36,239		45,565		53,125
Current Overall Supply	6.3 Month Supply		8.7 Month Supply		19.6 Month Supply		6.25 Month Supply		10 Month Supply		16.5 Month Supply		.32 Month Supply		5..3 Month Supply		13.14 Month Supply	
Average Marketing Time	49.1 Days		95 Days		110 Days		55 Days		97 Days		109 Days		55.35 Days		92.59 Days		102.15 Days	
Median Price	\$255.00		\$250.00		\$228.00		\$253.00		\$248.00		\$213.40		\$255.00		\$252.00		\$210.00	
New Construction Permits	2,770		1,468		652		2,354		1,746		705		3160		2145		724	

	APRIL						MAY						JUNE					
	2006		2007		2008		2006		2007		2008		2006		2007		2008	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 – 99,999	110	348	99	428	175	1626	125	349	93	433	220	2102	109	330	93	452		
\$100K – 199,999	1068	2579	962	6213	1833	16,227	998	2972	928	6740	2220	16422	893	3136	989	7717		
\$200K – 499,999	4204	26,392	3289	31,730	2186	22,723	4825	28,832	3456	32,164	2471	21235	4594	29,913	3142	32,171		
\$500K – 999,999	794	8887	548	8498	297	7411	983	9644	585	8502	328	6952	1028	9793	765	8351		
\$1MIL – 1,999,999			109	2244	68	2488			155	2179	67	2389			138	2117		
\$2MIL & UP			32	1055	23	1439			49	955	27	1383			40	943		
Total Sold Past 30 Days	6176		5039		4582		6931		5266		5333		6624		5167			
Total Active Listings		38,206		50168		51,914		41,797		50,973		50,483		43,172		51,751		
Current Overall Supply	6.19 Month Supply		9.96 Month Supply		11.3 Month Supply		6.03 Month Supply		9.6 Month Supply		9.47 Month Supply		6.52 Month Supply		10.0 Month Supply			
Average Marketing Time	57.54 Days		91.37 Days		104.38 Days		60 Days		89.83 Days		98.24 Days		63 Days		91.97 Days			
Median Price	\$256.00		\$250.00		\$209.90		\$259.00		\$305.00		\$205.00		\$264.80		\$255.00			
New Construction Permits	2,747		2,736		814		3,232		2,135		957		3,078		2,280			

Arizona Market Watch, 2008 Cont.

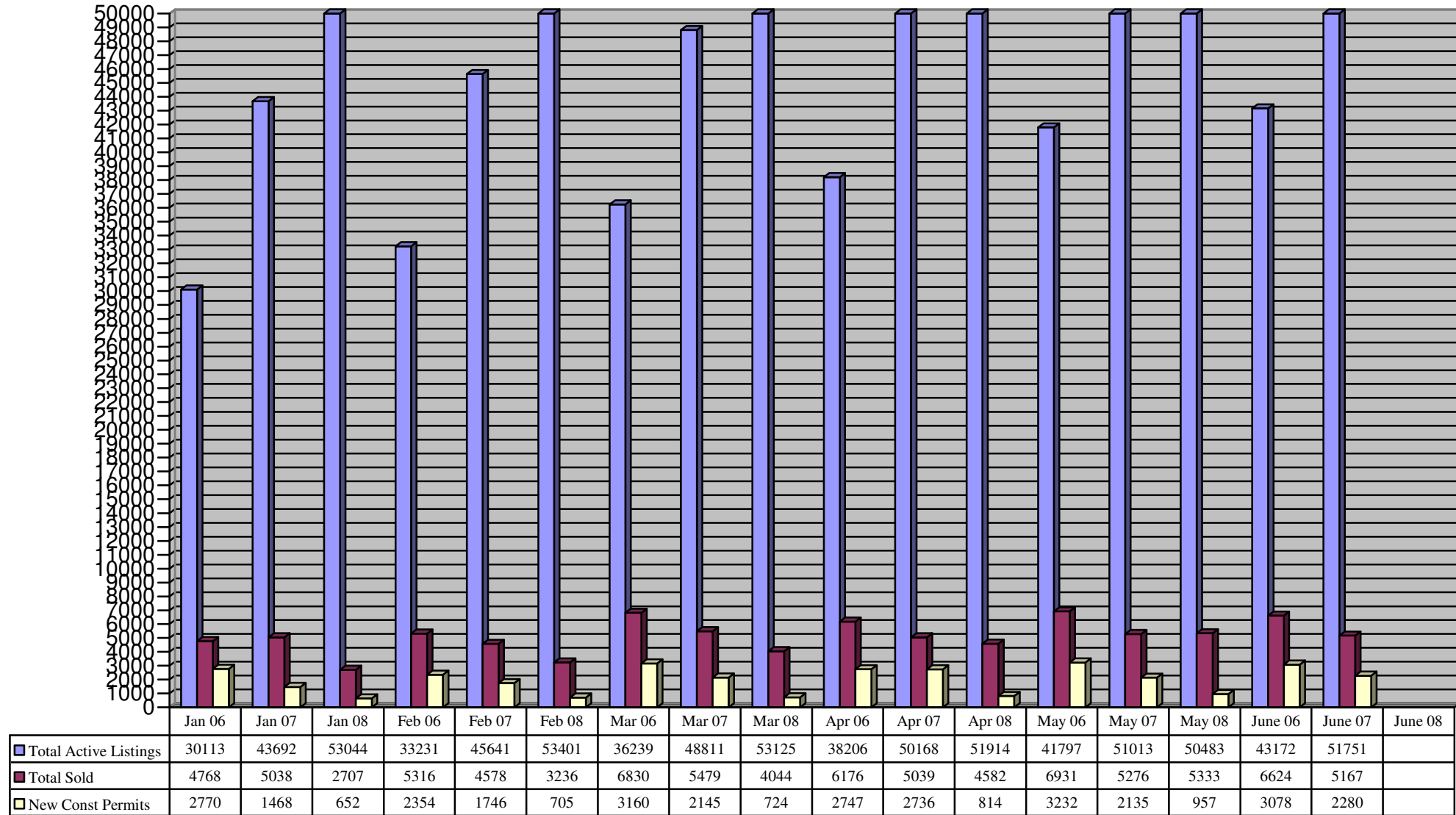
	JULY						AUGUST						SEPTEMBER					
	2006		2007		2008		2006		2007		2008		2006		2007		2008	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 – 99,999	93	359	67	519			87	354	76	669			76	360	64	685		
\$100K – 199,999	816	3634	849	8234			911	3910	895	9409			845	4313	815	10,328		
\$200K – 499,999	3940	30,634	2774	32,225			3931	30,760	2507	31,996			3652	30,593	1944	31,658		
\$500K – 999,999	716	9996	498	8251			730	10,189	401	8266			598	10,260	273	8149		
\$1MIL – 1,999,999			104	2157					106	2255					56	2325		
\$2MIL & UP			37	950					42	964					17	1072		
Total Sold Past 30 Days	5565		4329				5659		4027				5171		3169			
Total Active Listings		44,623		52,336				45,213		53,559				45,526		54,217		
Current Overall Supply	8 Month Supply		12.1 Month Supply				8 Month Supply		13.3 Month Supply				9 Month Supply		17.1 Month Supply			
Average Marketing Time	65 Days		95.33 Days				70 Days		94.3 Days				73.36 Days		95.44 Days			
Median Price	\$257.00		\$250.00				\$254.90		\$245.00				\$249.90		\$234.90			
New Construction Permits	2,053		2,184				2,246		1,645				2,246		1,536			

	OCTOBER						NOVEMBER						DECEMBER					
	2006		2007		2008		2006		2007		2008		2006		2007		2008	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 – 99,999	82	390	74	737			64	390	84	584			79	352	88	784		
\$100K – 199,999	819	4566	882	11,591			851	4666	1015	10,383			870	4659	960	12,509		
\$200K – 499,999	3540	29,414	1,839	30,440			3367	32,187	1848	27,144			3367	26,579	1755	26,560		
\$500K – 999,999	672	10,192	310	7970			654	9784	279	7420			496	7005	251	7448		
\$1MIL – 1,999,999			74	2401					66	2317			109	1802	82	2293		
\$2MIL & UP			28	1144					26	1202			31	916	25	1251		
Total Sold Past 30 Days	5113		3207				4936		3318				4952		3161			
Total Active Listings		44,562		54,283				47,027		49,050				41,313		50,845		
Current Overall Supply	9 Month Supply		16.9 Month Supply				9.5 Month Supply		14.8 Month Supply				8.4 Month Supply		16.1 Month supply			
Average Marketing Time	78 days		99.18 Days				83 Days		98 Days				88 Days		105.13 Days			
Median Price	\$250.00		\$235.00				\$250.00		\$232.50				\$250.00		\$229.80			
New Construction Permits	1762		800				1279		789				1,458		675			

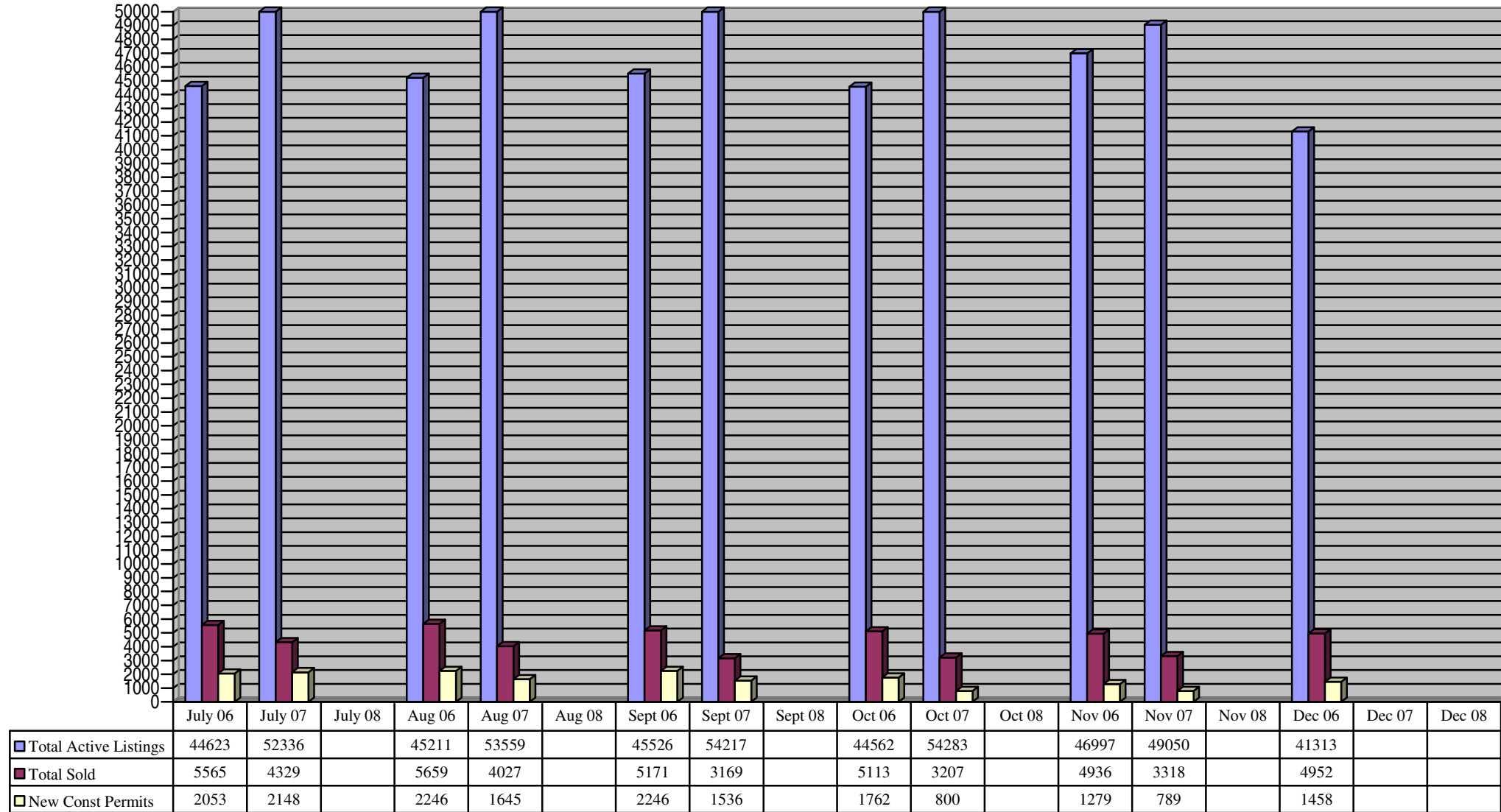
* NOTE: Figures are for SFR only. Condos are not included.

Arizona	2006	2000	1990
Population	6,166,318	5,130,632	3665,228

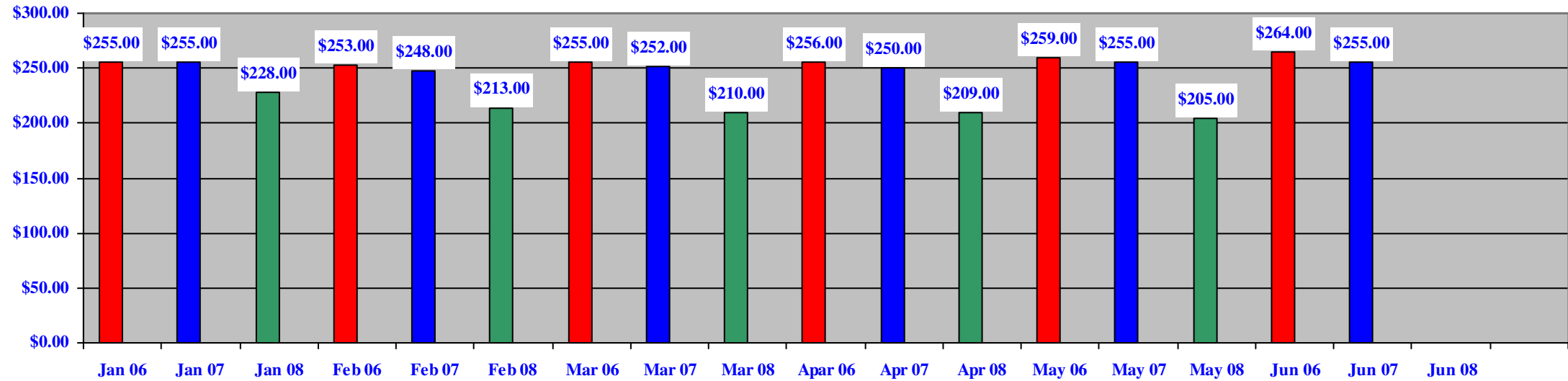
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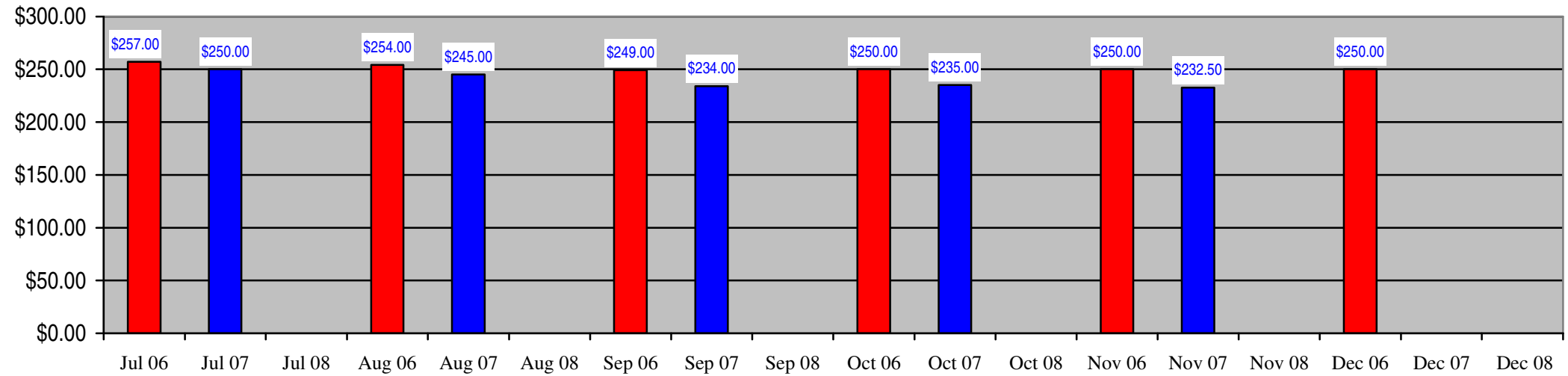
Median Price

Red - 2006

Blue - 2007

Green - 2008

Arizona Monthly Market Watch, 2008



Median Price

Red - 2006

Blue - 2007

Green - 2008

January, 2008

Sales slowed to a crawl with only 2,707 sales in the month of January. This is off 46% from January of 2007. Listings continue to stay high. Currently with 53,000 listings, there is a 20 month supply in the marketplace. The majority of the listings are in the \$200,000 to \$500,000 price range. The median price dropped some from last month.

Valley home sales are at a 10 year low due to tighter credit, large supply and buyers are worried about the economy. These factors add up to slow sales. Sales will likely be at this pace or slower throughout 2008.

In January, Bank of America announced it would buy Countrywide for 4.1 billion. This rescues the belly-up mortgage lender. Bankruptcy filings spiked across the valley and I am sure the housing market has contributed. The Southeast valley is feeling the effects of risky financing and over spenders banking on appreciation. The investors helped push prices in the housing boom.

In Washington – Consumer prices rose by 4.1% for all of 2007, up sharply from 2.5% increase from 2006. Prices for both energy and food shot up the largest amount since 1990. Feds cut interest rates ever deeper in an effort to avert or at least soften the blow of a recession. To help energize the economy, Feds slashed rates one half percent and congress raced to enact tax rebates.

February, 2008

Arizona Experts say “Recession is on the Horizon.” If we are not in one, we will soon be! Federal Reserve Chairman Ben Bernanke says the National Economy is deteriorating. Job growth in Arizona is flat. Unemployment rate is at 4.3%. I have found one good aspect in this ever changing environment, affordability lures buyers back under the \$200,000 market.

The U.S. foreclosure rate was one filing for every 534 homes. Declining home values and much tighter lending standards have extended the housing slump. Nevada led the Nation in foreclosures with one out of every 167 households. Rounding out the top 10 as follows: California, Florida, Arizona, Colorado, Massachusetts, Georgia, Connecticut, Ohio and Michigan.

I have noticed that it is currently a renters market. Bargains abound for houses on the fringe. At the same time, home-rental evictions are up as more and more investors go into foreclosure. New Construction sales sank; both new permits and sales are off 50% from January 2007. West Valley fringes have been hit the hardest. Local builders are filling the heat as two have closed their doors this month. Randall Martin and Trend homes closed down operations.

March, 2008

Looking at the stats for March, very positive signs show up on the surface. Listings stayed at 53,000 but sales in the resale market spiked, dropping the supply for the metro area to 13 months. This spike bucks the overall trend toward full blown market recession. It will be interesting if the same happens in April. Median price is following the meltdown trend and dropped again to \$210,000.

David Resler, Chief Economist at Nomura Securities sums up the National Crisis: “We have gotten to the point of almost paralysis in some segments of the market”. He further explains his comment this way, “One crisis begetting another” but now there are signs that the housing recession is turning into a full-fledged economic meltdown in what the Federal Reserve recently called an “Adverse feedback loop”. Simply put, I feel he means a tightening of credit across the spectrum, mortgages to student loans, that robs confidence of the consumer, further constricting us from using our own credit cards thus stopping the economy in its tracks.

Locally in the state of Arizona, for the fourth time in five months, the Arizona Business Conditions Index is showing that the state’s economy is contracting and a recession is likely. Foreclosures and falling prices are sapping owners’ wealth in their homes. Many owners are “house poor” as values continue to slip. The valley fringes have been hit the hardest. The West Valley continues to lead in the Foreclosure Department. This is understandable as the West Valley led the local housing boom. Maryvale has been hit hard with the new immigration law, 3 to 4 percent each month for the last 4 to 6 months has been devastating.

President Bush says that the Government may need to step in to protect the health of the U. S. Economy. Lawmakers are considering sweeping changes to financial regulation and an enormous effort to buy troubled home loans.

APRIL, 2008

“Foreclosures Double, Home Prices Tumble!” “Values Hit Rock Bottom!” “Real Estate Problems are Intensifying!”

Headlines from the media can be confusing. I interpret it this way...

The number of listings is still over 51,000 but did drop a little over 2% from last month. The median price also dropped a bit but for the most part, there is still a glut of inventory on the market.

Nevada, California and Arizona post top state foreclosure rates. One in every 146 Nevada household received a foreclosure filing. California posted a one in every 209 households with a foreclosure filing and Arizona posted one in every 224 total households with a foreclosure filing. California and Florida cities account for 9 of the top 10 metro filing rates. The top 5 states with the highest foreclosure totals are:

- 1) California
- 2) Florida
- 3) Ohio
- 4) Arizona
- 5) Texas

In Arizona, Pinal County has been hit hard by foreclosures. Most of Pinal County is where the builders ended up in the remote fringes when the market turned. Motivated lenders are determining this area’s home prices. A growing trend as a whole in Arizona is a new term called, “Jingle Mail”. Owners are mailing in their keys instead of mortgage

payments. It seems that most economists agree that Arizona's economy still singularly depends on the ability to build and sell homes. The state has moved away from the title "Resort City" and has brought in good paying, professional jobs but it seems the economy still relies on the housing market.

MAY, 2008

This month there is some positive trends to report. The number of sales is up 14% and the total active listings are down 3% to 50,483. The month supply is also down and below 10 months. This supply has not been this low since May 2007. Trend for days on market is also lowering over the last few months. New construction permits is virtually non-existent, which is a good sign.

Although the sales are up, a good majority of them are attributed to foreclosure and bank owned sales. Trustee-sales figures have skewed the real estate picture. The worst hit areas in Maricopa County are the new subdivisions in the "fringes". The commercial and industrial markets have seen vacancy rates rise 2% over the last year from 7.4% in the first quarter of 2007 to 9.3% in the first quarter of 2008. Fannie Mae losses equaled \$2.2 billion last quarter. The nation's largest buyer of home loans has said they may have to slice its dividend and attempted to raise 6 billion.

Arizona's State Commerce Department has forecasted a drop of 12,500 non-farm jobs due to the housing bust and sluggish economy. The last time the state lost jobs like forecasted; President Reagan was in office during the National Recession of 1982.