

Arizona Market Watch

	JANUARY						FEBRUARY						MARCH					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 - 100K	476	290	116	335	66	378	461	215	118	358	91	397	491	216	158	343	114	414
\$100K – 200K	2965	928	870	2232	769	4994	3238	724	1032	2321	818	5250	3592	529	1226	2426	946	5841
\$200K – 500K	2404	1464	3113	20,262	2616	27,956	3611	1486	3434	22,560	3035	29,064	4285	1457	4542	24,889	3621	30,967
\$500K – 1 MIL	499	720	669	7284	459	7431	543	727	732	7992	477	7847	831	760	903	8581	605	8,343
\$1MIL – 2 MIL					106	1937					96	9878					151	2,168
\$2MIL & UP					26	996					61	1052					42	1,078
Total Sold Past 30 Days	6341		4768		5038		7853		5316		4,578		9199		6830		5479	
Total Active Listings		3402		30,113		43,692		3152		33,231		45,641		2962		36,239		48,811
Current Overall Supply	.54 Month Supply		6.32 Month Supply		8.7 Month Supply		.40 Month supply		6.25 Month supply		10 Month supply		.32 Month supply		5.31 Month supply		8.91 Month supply	
Average Marketing Time	5.57 Days		49.1 Days		95 Days		34.89 Days		55 Days		97 Days		32.92 Days		55.35 Days		92.59 Days	
Median Price	\$188.00 Up 1%		\$255.00		\$250.00		\$190.00 Up 8%		\$253.00		\$248.00		\$206.00 Up 7%		\$255.00		\$252.00	
New Construction Permits	3245 Up 22%/2004		2,770		1,468		3,374 Up 15%/2004		2,354		1,746		3,793		3,160		2,145	

	APRIL						MAY						JUNE					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 - 100K	462	485	110	348	99	428	370	442	125	349	93	433	319	393	109	330	93	452
\$100K – 200K	2933	1239	1068	2579	962	6213	2491	1209	998	2972	928	6740	2186	1275	893	3136	989	7717
\$200K – 500K	4653	4029	4204	26,392	3289	31,730	5246	4705	4825	28,832	3456	32,164	5794	6031	4594	29,913	3142	32,171
\$500K – 1 MIL	818	2845	794	8,887	548	8498	975	3095	983	9644	595	8502	1192	3435	1028	9793	765	8351
\$1MIL – 2 MIL					109	2244					155	2179					138	2117
\$2MIL & UP					32	1055					49	955					40	943
Total Sold Past 30 Days	8866		6176		5039		9082		6931		5276		9491		6624		5,167	
Total Active Listings		8598		38,206		50,168		9451		41,797		51,013		11,172		43,172		51,751
Current Overall Supply	.97 Month Supply		6.19 Month supply		9.96 Month Supply		1.04 Month supply		6.03 Month supply		9.67 Month supply		1.19 Month supply		6.52 Month supply		10.02 Month Supply	
Average Marketing Time	29.6 days		57.54 days		91.37 days		25.8 days		60 days		89.83 Days		24.67 Days		63 days		91.97 days	
Median Price	\$220.00		\$256.00		\$250.0		\$235.00 Up 7%		\$259.9		\$305.0		\$249.9 Up 6%		\$264.8		\$255.0	
New Construction Permits	3,718		2,747		2,736		3,711		3,232		2,135		4,152		3,078		2,280	

Arizona Market Watch, Cont.

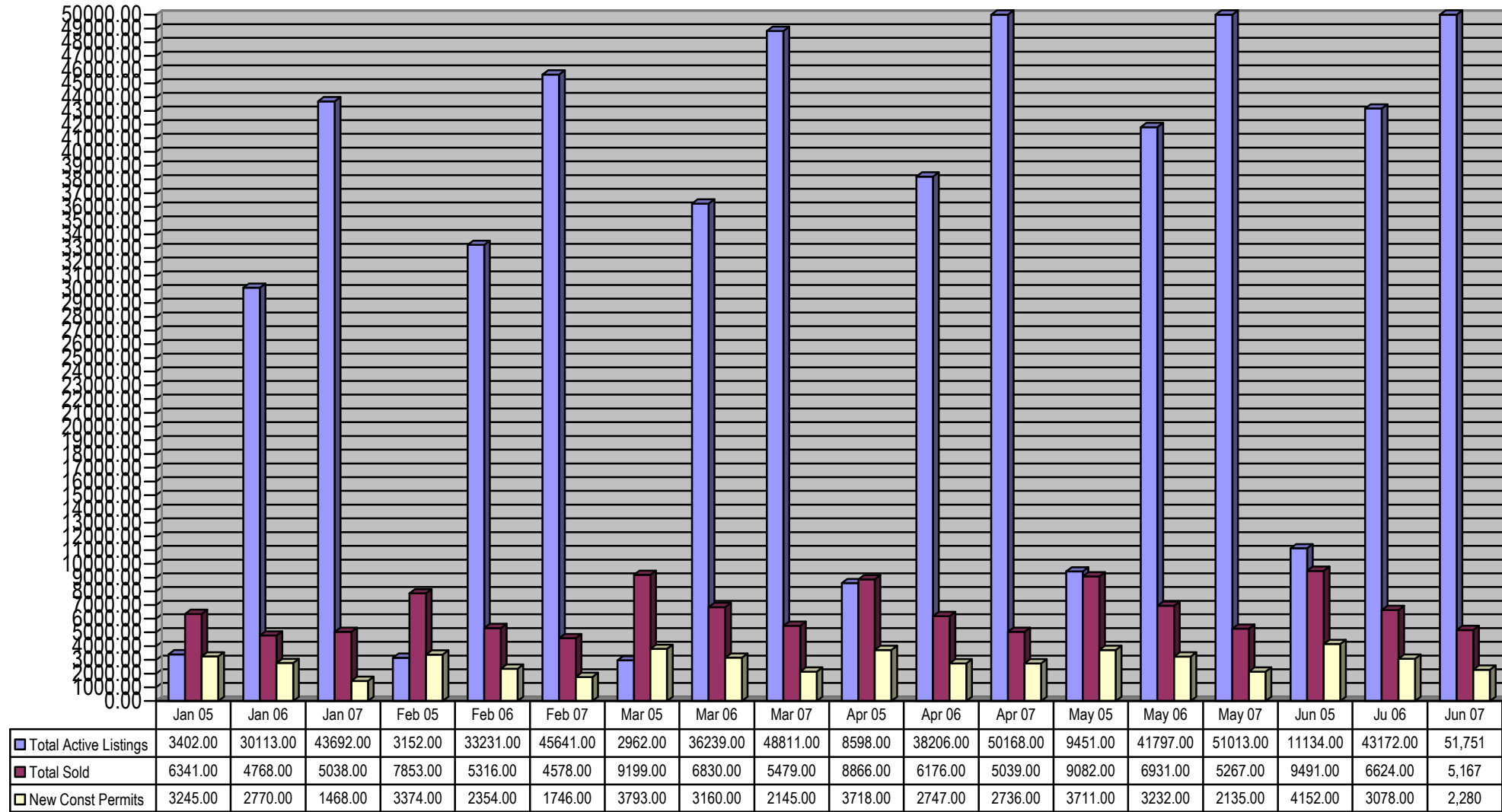
	JULY						AUGUST						SEPTEMBER					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 - 100K	232	388	93	359	67	519	225	324	87	354	76	669	213	340	76	360	64	685
\$100K – 200K	1796	1314	816	3634	849	8234	1800	1404	911	3910	895	9409	1522	1612	845	4313	815	10,328
\$200K – 500K	5666	7156	3940	30,634	2774	32,225	6127	8962	3931	30,760	2507	31,996	5799	11,637	3652	30,593	1944	31,658
\$500K – 1 MIL	955	3776	716	9996	498	8251	1065	4353	730	10,189	401	8266	949	5145	598	10,260	273	8149
\$1MIL – 2 MIL					104	2157					106	2255					56	2325
\$2MIL & UP					37	950					42	964					17	1072
Total Sold Past 30 Days	8649		5565		4329		9217		5659		4027		8483		5171		3169	
Total Active Listings		12,634		44,623		52,336		15,043		45,211		53,559		18,734		45,526		54,217
Current Overall Supply	1.46 Month supply		8 Month supply		12.1 Month Supply		1.63 Month supply		8 Month supply		13.3 Month supply		2.21 Month supply		9 Month supply		17.11 Month supply	
Average Marketing Time	24.35 Days		65 Days		95.33 Days		25 days		70 days		94.3 days		27.92 days		73.36 Days		95.44 Days	
Median Price	\$252.00		\$257.00		\$250.00		\$255.00		\$254.90		\$245.00		\$260.00		\$249.90		\$234.90	
New Construction Permits	3,470		2,053		2,184		3,869		2,246		1,645		3,387		2,246		1,536	

	OCTOBER						NOVEMBER						DECEMBER					
	2005		2006		2007		2005		2006		2007		2005		2006		2007	
	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing	Sales	Listing
\$0 - 100K	162	359	82	390	74	737	159	348	64	390	84	584	122	343	79	352	88	784
\$100K – 200K	1432	1798	819	4566	882	11,591	1287	1886	851	4666	1015	10,383	1160	2024	870	4,659	960	12,509
\$200K – 500K	4911	14,362	3540	29,414	1,839	30,440	4468	15,315	3367	32,187	1848	27,144	3935	16,734	3,367	26,579	1755	26,560
\$500K – 1 MIL	902	5817	672	10,192	310	7,970	816	5,942	654	9,784	279	7420	766	6236	496	7,005	251	7448
\$1MIL – 2 MIL					74	2,401					66	2317			109	1,802	82	2293
\$2MIL & UP					28	1,144					26	1202			31	916	25	1251
Total Sold Past 30 Days	7407		5113		3,207		6,730		4936		3318		5983		4,952		3161	
Total Active Listings		22,336		44,562		54,283		23,491		46,997		49,050		25,337		41,313		50,845
Current Overall Supply	3.02 Month supply		9 Month supply		16.93 Month supply		3.49 month supply		9.5 month supply		14.78 Month supply		4.23 Month supply		8.4 Month supply		16.1 Month Supply	
Average Marketing Time	32 days		78 days		99.18 Days		35.62 days		83 days		98 Days		43 Days		88 Days		105.13 Days	
Median Price	\$256.90		\$250.00		\$235.00		\$255.00		\$250.00		\$232.5		\$255.00		\$250.00		\$229.80	
New Construction Permits	3,088		1,762		800		2,726		1,279		789		3,175		1,458		675	

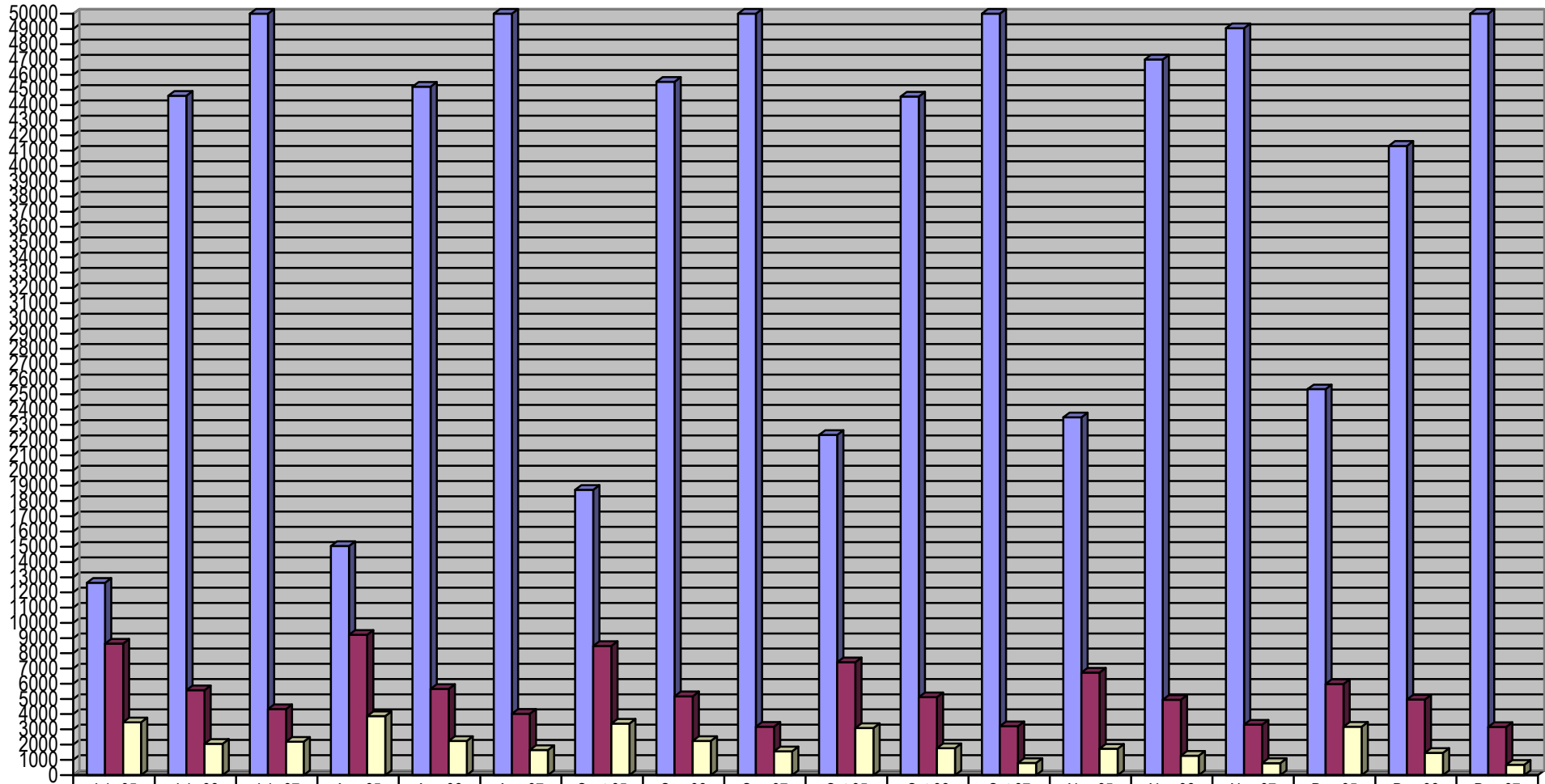
* NOTE: Figures are for SFR only. Condos are not included.

Arizona Population	2006	2000	1990
	6,166,318	5,130,632	3,665,228

Arizona Monthly Market Watch

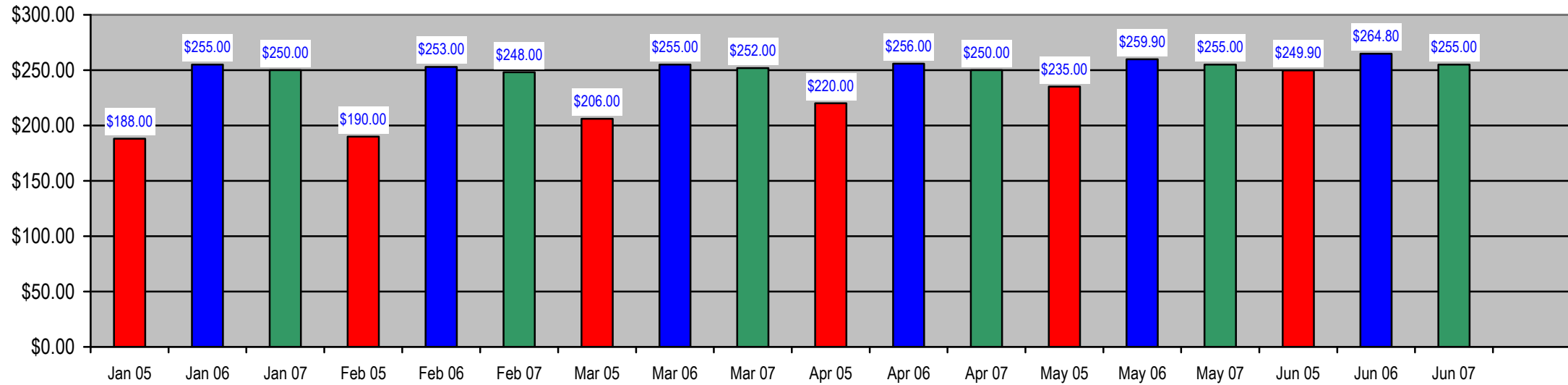


Arizona Monthly Market Watch



	July 05	July 06	July 07	Aug 05	Aug 06	Aug 07	Sept 05	Sep 06	Sep 07	Oct 05	Oct 06	Oct 07	Nov 05	Nov 06	Nov 07	Dec 05	Dec 06	Dec 07
Total Active Listings	12634	44623	52336	15043	45211	53559	18734	45526	54217	22336	44562	54283	23491	46997	49050	25337	41313	50845
Total Sold	8649	5565	4329	9217	5659	4027	8483	5171	3169	7407	5113	3207	6730	4936	3318	5983	4952	3161
New Const Permits	3470	2053	2184	3869	2246	1645	3387	2246	1563	3088	1762	800	1726	1279	789	3175	1458	675

Arizona Monthly Market Watch



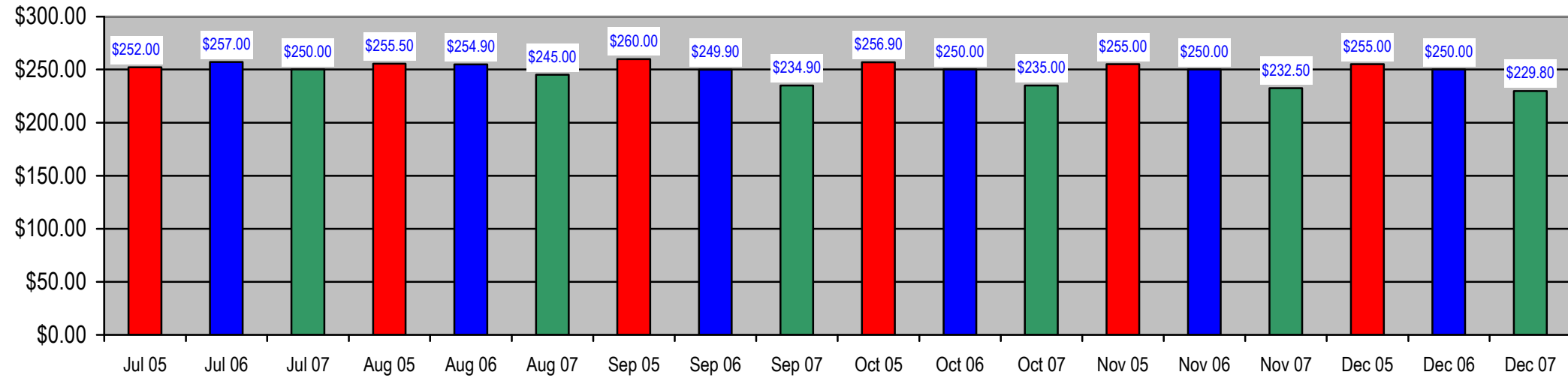
Median Price

Red - 2005

Blue - 2006

Green - 2007

Arizona Monthly Market Watch



Median Price

Red - 2005

Blue - 2006

Green - 2007

January, 2007

2007 is bringing uncertainty to the construction labor force. The slow down in the housing sector could force builders in Arizona to “lay-off” the workers. Fewer jobs are available for construction workers.

R. L. Brown’s message for the Phoenix metro housing market is to fix it’s failures from the past few years which are: 1) New developments opened it’s doors to investors early and the investor became the developers competitor; 2) Valley’s loss of it’s affordability; 3) Transportation gridlock for buyers on the fringes; 4) “Disneyland financing”; 5) Collapse of resale market from too many overpriced listings. The market will have a better chance of reviving itself if the builders would get rid of inventory, if buyers could sell their existing homes and if home prices far from jobs are slashed. Brown said that we here in Arizona will have to take our medicine for the market to come back.

The home market is just going to have to heal slowly. Home sellers will have to settle in for a long wait.

February, 2007

Overall throughout Phoenix Metro, sliding prices and slowing sales wrapped up the valley’s market in February. Almost all communities took a tumble in Median Price. The metro Phoenix slowing housing sector has inspired many creative ways to sell homes. Exotic mortgages that cut payments for buyers have lead to scams to sell homes for a profit. The valley has begun to see REOs and Foreclosures that for the past 3 years have been nonexistent. The number of finished vacant new homes, specs, hit 12,192 at the end of 2006. In 2004, there were 4,000 specs across the valley.

Pinal County home resales are steadily declining along with median prices. According to Jay Butler, a Realty Studies Director at ASU, people were willing to drive remotely seeking affordability. Higher gas prices and congested highways began to limit demand on Pinal County. Investors also flocked for these inexpensive homes and now a glut sit vacant. Incentives are now being offered to move inventory.

March, 2007

Home resales in February took an odd spike upward but analysts expressed fears that the “so called” recovery for the battered housing industry will be solved by spreading troubles in the mortgage lending areas. Resales jumped 3.9% in February. The new construction sector is still being hit hard. Permits plunged which in Arizona is a worrisome signal of future problems. Also, Arizona is among the top 10 states for mortgage fraud.

The Federal Reserve decided to leave interest rates where they are for now. They did raise the possibility they would cut rates in the immediate future to try to ignite a rally.

The “copper” industry is booming and breathing life into the once heralded mining towns of Gila and Graham counties. The need for housing has significantly increased in these areas.

April, 2007

Associated Press states that we are in the worst economic growth period in 4 years. The concern is that the U.S. Housing market could throw the country into a recession before the year is out. The main culprit in the slowdown is the housing slump. Locally, Arizona cities are prime for new firms said New, Inc. magazine. The magazine ranked Arizona cities to start new businesses as follows: Yuma (2nd), Prescott (3rd), Phoenix (14th), Tucson (52nd), and Flagstaff (73rd) out of the 393 cities evaluated.

The new “chic” in Phoenix metro was the up and coming upscale hotel and boutique growth. Scottsdale is planning 11; Phoenix–8, Tempe–5, Reservations–3, Paradise Valley–2, Glendale, Chandler, Goodyear and buckeye are all planning one each.

The Phoenix area median home price of \$250,000 continues to outpace U.S. economy. Foreclosures rocket across the valley as more homeowners fall behind on mortgages. Mortgage delinquencies hit a 4-year high last month. The main culprits are: 1) slower home sales, 2) Dips in housing appreciation, and 3) rising subprime mortgage payments.

May, 2007

For the first time since the 1990's, the Phoenix area has nudged Las Vegas out of the #1 Destination for Californians fleeing the state. A net 11,375 households or 29,000 people moved from California to Maricopa County. Data is taken from the most recent tax returns available (2005).

The Arizona marketplace continues to be sluggish. There are signs that the “gap” between asking and selling prices is narrowing. This is good news for the valley home market. Still the inventory level is at its highest point. The driving increases in inventory can be tied to the following: 1) Sellers with unrealistic pricing, 2) Foreclosure homes, 3) Investors still trying to sell homes to “flip”, 4) Builders' excess inventory, 5) Lessened demand from investors, 6) Loan fraud.

“Trendy” markets in Arizona continue to build strong. Office condos, older apartments to fix up and increase rent and the “loft” concepts are among the value leaders.

June, 2007

Metropolitan Phoenix's housing appreciation was, at best flat the 1st quarter of 2007. State economists are worried that the lagging housing market will hinder job growth until the slump has fixed itself. Economists estimate the slumping market will not correct itself until the end to 2008.

Just as the investors ran up the home sales in our housing boom, they are now behind the rapid increase in the valley's foreclosures. Many can not charge enough rent to keep up with the escalating adjustable rate mortgages. The market is flooded with listings and investors can not sell to get out of their mortgages. Cash flow is a huge investor concern.

New “toy” in the market continues to be the apartment towers going up throughout the Phoenix downtown market. Lofts and high rises are the newest “crave” in the Phoenix market. This trendy construction seems to be accepted in today's market. No proven history is available for this unique market.

July, 2007

As pertaining to the gathered information for this report, the number of sales in July was down 16% from June. Listings continue to hold and gain numbers. Listings are up 15% from the same time last year. Sales are also down 22% from July 2006. Median price fell in July 2% to \$250,000.

Foreclosures are soaring in Arizona. Financing deals are now haunting buyers who took those creative deals and subprime loans to get into a home they really could not afford. The news, while not unexpected, is the latest indication that the housing market in Arizona has not stabilized. The same news and National housing reports worried Wall Street and investors this week finally caved this month. Investors decided it was time to sell. The result was the stock market suffered on of its worst days this last year.

Nationally, foreclosure activity is up over 55% in the first quarter of 2007. Nevada, Colorado and California post top foreclosure rates in the nation. Nevada posted the number one spot for highest foreclosure activity. One foreclosure for every household was the rate filed in the 1st quarter of 2007. California foreclosure activity increased 30% from the previous month. For the fifth straight month California reported the most foreclosure filings of any state, with 39,659 in May 2007.

Arizona happens to have moved into the nation's top 10 highest rankings for foreclosure activity. The top 10 are:

(1) Nevada (2) Colorado (3) California (4) Michigan (5) Florida (6) Ohio (7) Georgia (8) Arizona (9) Connecticut (10) Indiana

The outer fringes of the Arizona market are where most of the trouble lies. These areas are where all the new construction was being built and the housing investors were given free reign by almost all builders. It has been estimated that approximately 15-25% of the new construction business was investor driven through 2005 & 2006.

Aug 14, 2007 –

Total Arizona Foreclosures = 13,250

Total Arizona Pre-Foreclosures = 9,925

Maricopa county Foreclosures = 10,222

Maricopa county Pre- Foreclosures = 7,022

August, 2007

The listings in August stayed on the upward trend with 53,559. Sales were down this month with only 4,000 sales. The number of listings is up 18% from January, 2007. The sales are down 20% from the same time period. Building permits issued are staying down due to the current market. The median price fell below \$250,000 and is at it's lowest level since June, 2005.

The month of August started with news that one of the largest mortgage lenders, American Home Mortgage, was shutting its doors. The sub-prime lending industry has given the lending industry a huge shock. It may not be known for months how much havoc the sub-prime market has brought to the Arizona economy. Banks are getting stricter and tightening up lending standards. Countrywide Financial Corp. had to borrow from forty other banks to keep its doors open.

Foreclosures are on the rise in Arizona. Investors jumped in the market and pushed values up 40 to 50 %. The investors currently have refinanced and taken their cash out and are walking away. The outlying fringe of the Arizona market, which is all new construction, has been hit the hardest.

September, 2007

The credit crunch hurt the number of sales this month. Sales dropped 21% to 3169 sales in September which represents the lowest monthly number recorded since I have been tracking monthly market (Jan 2005). The supply slumped significantly from 9 months last month to a 17 month supply this month. The median price dropped 8% from last month. The one bright spot I have to report is the building permits continue to drop.

The credit crunch and woes coupled with an ailing market will bring on a full blown recession nationally and locally. The principal credit crunch is taking its worst toll on the already weak housing market. In 20 years, I have never seen a market turn so quickly. Former Federal Reserve Chairman Alan Greenspan acknowledges he failed to see the danger of mortgages to questionable buyers with bad credit. Valley foreclosure rates reached a 10 year high. Nationally, Arizona ranks seventh in foreclosures, according to Realty Trac. I feel Arizona's "recovery" is years off. The investors pushed the heated 35 – 45% appreciation in 2005-06 and will be a large reason the market skids. I define a "full recovery" when the supply and demand is back to normal. We need to absorb the housing stock. The fringe areas in the Arizona market will be hit the hardest due to the greedy investors. We are in for a rough, ugly ride.

October, 2007

Federal Chairman Ben Bernanke said the housing slump will be a "significant drag" on growth, and a full recovery will take time.

Foreclosures are still on the rise across the state. More updates and news in the "fringe" markets have new home markets flooded with inventory and builders and owners are competing against each other. MLS is reporting that 1/3 of the valley homes on the market sit empty. Vacant homes are a reason why values keep falling. Homeowners are cutting prices and investors who can't find renters need to sell. 36% of valley homes posted on MLS are empty. This equates to approximately 18,000 empty homes.

There have been a few good signs to point out. Home Permits have been dropping for the last 6 months. October permits hit a 14 year low. The builders are finally getting it and this is a good sign. Another good sign was the jobless rate in Arizona hit a new low at 3.3%. This was very surprising because to the housing slump. The last good news found was that home values in established neighborhoods have held steady. The more "in close" established areas have felt the slow down but not as drastic as the new housing sector into the remote fringes.

November, 2007

The total active listings the month of November dropped 10% from 54,283 to 49,050. Listing have not been this low since March of 2007. Current supply also dropped from 17 months to 15 months. The median price also keeps dropping and this is a good trend as the affordability needs to come back in Arizona.

The Mortgage turmoil is now spreading to other types of debt. The malaise is starting to spread to the credit-card and auto loan side of our industry. Bottom line is that more consumers are unable to pay off their debts. The state unemployment rose to 3.5% in November from 3.3% in October. The once-sizzling market for high-rise downtown condos has cooled. Some projects have changed zoning from “condos” to apartments to keep the project going and away from having to sell the condos.

Foreclosures continue to soar and the hardest hit so far here is in the \$400,000 to \$450,000 price ranges. Zip codes tracked from January to August of 2007 show 225 foreclosures in this price range or 90 foreclosures for every 10,000 households. Through October, there were 7,139 foreclosures, according to the data research firm Information Market. Last year at this same time, we only had 1,072 foreclosures reported. It looks like it will not be long before in some areas that the “foreclosures” might make up a market in itself. Very important that each staff and District Leader is looking very close at the markets in their districts and let the markets tell us what is happening.

December, 2007

Much happened in the month of December: Median resale prices are at the lowest point in two years; Remax 2000 office has shut down; U.S. Banks face more write-downs; Home prices keep tumbling; Fed cuts rate for 4th time in one year in hopes to stay off a recession; Arizona jobless rate rises to 4.1%; Credit crunch still is effecting America. This last year has been a troubled year for the state of Arizona. Experts and analysts expect a turnaround in the first quarter of 2009. I feel this is realistic.

A Few Highlights from 2007:

- Supply rose 54% from 8.7 month supply in January, 2007 to 16.1 month supply in December, 2007
- Permits fell 46% which is a very good sign.
- Median Price fell 8% from \$250,000 in January, 2007 to \$229,000 in December, 2007. This is a good sign for us regarding affordability.