Economic and Market Watch Report

4th Quarter, 2006

ARMLS
ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

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ARMLS Economic and Market Watch Report

Arizona Regional Multiple Listing Service, Inc. (ARMLS) has been providing multiple listing services to its subscribers since its inception in 1982. ARMLS was one of the first regional multiple listing services in the country. Our service area includes all of Maricopa County and portions of Pinal and Yavapai Counties. With more than 35,000 subscribers, ARMLS is one of the largest multiple listing services in the country.

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ARMLS
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Local Report

Maricopa County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

In the first two months of the fourth quarter, 25,944 jobs were added to the payrolls of Maricopa County. As a result of these new jobs, the average monthly unemployment rate fell from 3.5% during the third quarter to 3.3% for October and November. The strong employment climate may help to create demand for home purchases.

Housing Market :

	Q3' 06	*Q4' 06*	*Q1' 07* *(Forecast)*
Average Price	**$337,100**	**$342,300**	↑
# Homes on the Market *	**48,740**	**43,164**	↓
# Homes Sold **	**16,224**	**14,867**	↑
# New Homes Built	**6,027**	**4,124**	↑
Avg # of Days on Market	**58**	**70**	↓

* Available as of Dec. 31, 2006.
** May not add to total of zip codes.

Data by Zip Codes for Q4 2006

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85003	$380,400	8.84%	21	16.67%	96	94.3%
85004	$360,400	9.61%	10	-37.50%	75	95.8%
85006	$228,700	12.66%	64	-34.69%	48	97.7%
85007	$290,600	4.08%	39	-25.00%	45	97.7%
85008	$222,900	14.37%	96	-24.41%	51	99.0%
85009	$176,000	21.80%	95	-19.49%	45	99.1%
85012	$462,600	8.52%	21	-34.38%	91	95.9%
85013	$319,200	8.46%	79	2.60%	55	96.1%
85014	$289,100	16.57%	86	-29.51%	81	96.9%

*** % Change of current quarter compared to the same quarter to year ago.

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Data by Zip Codes for Q4 2006

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85015	$211,600	12.91%	76	-42.86%	58	97.7%
85016	$383,700	-1.41%	108	-31.65%	74	96.0%
85017	$177,100	7.01%	90	-37.06%	54	100.0%
85018	$532,300	5.95%	142	-27.92%	76	94.8%
85019	$199,000	10.93%	91	-26.61%	54	99.4%
85020	$332,000	20.29%	126	-47.28%	72	95.6%
85021	$267,200	-13.02%	88	-7.37%	61	97.2%
85022	$291,800	-1.82%	160	-27.60%	62	95.8%
85023	$271,400	-1.45%	105	-26.57%	71	96.1%
85024	$321,000	-1.29%	98	-30.99%	68	96.9%
85026	$225,000	-	1	-	67	95.7%
85027	$222,600	-0.89%	175	-20.45%	56	98.6%
85028	$450,300	-4.66%	79	1.28%	73	95.7%
85029	$219,400	1.20%	123	-46.29%	60	99.1%
85031	$199,400	15.19%	85	-29.17%	38	100.0%
85032	$275,300	2.57%	226	-36.16%	62	96.9%
85033	$184,600	9.88%	178	-42.02%	47	99.6%
85034	$207,900	17.59%	6	-75.00%	80	94.0%
85035	$193,500	9.20%	117	-23.53%	43	99.5%
85037	$229,700	2.41%	175	-46.81%	56	99.7%
85039	$315,000	-	1	-	15	95.7%
85040	$166,400	-15.40%	157	14.60%	32	98.7%
85041	$278,700	12.97%	219	-3.95%	63	98.5%
85042	$245,800	-2.77%	136	-13.92%	51	98.1%
85043	$237,600	-0.21%	141	-11.88%	59	99.4%
85044	$337,000	-6.96%	136	-33.66%	70	96.6%
85045	$472,800	-7.64%	47	2.17%	88	97.5%
85048	$408,000	-12.45%	154	-13.48%	75	97.0%
85050	$408,100	11.29%	126	-23.17%	69	96.2%
85051	$196,200	5.20%	163	-26.58%	57	99.1%
85053	$231,500	1.14%	98	-17.65%	66	98.5%
85054	$550,500	0.07%	19	0.00%	63	95.9%
85085	$414,800	-3.78%	76	-19.15%	101	95.4%
85086	$401,000	-13.24%	181	-45.65%	97	97.1%
85087	$375,200	-4.80%	30	3.45%	97	96.1%
85201	$210,100	13.94%	104	-47.74%	52	98.4%

*** % Change of current quarter compared to the same quarter to year ago.

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Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85202	$215,300	4.36%	121	-34.59%	49	98.5%
85203	$288,200	9.83%	87	-32.03%	62	98.2%
85204	$222,700	3.53%	191	-28.46%	55	98.9%
85205	$243,800	-2.95%	162	-29.26%	65	97.3%
85206	$242,000	-2.89%	129	-22.29%	89	97.3%
85207	$373,100	4.80%	169	-30.17%	77	96.5%
85208	$196,900	-14.39%	146	-61.38%	67	97.7%
85210	$198,300	5.25%	106	-32.05%	45	98.7%
85212	$291,500	-9.30%	108	-47.32%	72	96.8%
85213	$318,500	-9.80%	73	-35.96%	76	97.1%
85215	$295,300	-16.18%	77	-25.24%	83	95.8%
85224	$259,500	-8.88%	145	-31.92%	58	97.0%
85225	$256,400	-0.47%	277	-37.47%	63	98.0%
85226	$308,900	-2.46%	144	-34.55%	71	96.7%
85233	$323,200	-8.00%	165	-37.50%	84	96.9%
85234	$360,800	3.65%	147	-29.67%	71	96.7%
85236	$312,300	-8.23%	118	8.26%	71	95.9%
85242	$447,500	15.01%	117	-21.48%	84	96.3%
85248	$401,200	4.18%	238	-23.47%	82	96.6%
85249	$427,400	3.94%	307	-12.29%	76	96.6%
85250	$351,600	-3.88%	95	-25.20%	73	96.6%
85251	$316,700	-1.71%	164	-26.79%	75	96.0%
85253	$2,111,500	22.58%	82	-15.46%	119	93.2%
85254	$523,800	0.87%	181	-25.82%	84	96.1%
85255	$973,800	11.09%	246	-15.46%	94	91.1%
85257	$277,700	-0.86%	109	-21.58%	66	97.4%
85258	$555,500	5.97%	146	-29.13%	78	96.3%
85259	$786,300	-3.20%	114	-34.48%	95	95.9%
85260	$476,600	-6.80%	244	25.13%	64	97.0%
85262	$1,147,800	5.97%	176	-21.08%	102	96.5%
85263	$539,100	-11.59%	11	-42.11%	104	95.3%
85268	$602,100	9.69%	136	-32.34%	90	97.2%
85281	$266,800	15.55%	78	-49.68%	61	96.5%
85282	$255,600	3.82%	135	-34.47%	60	97.4%
85283	$289,300	4.18%	107	-27.70%	58	97.1%
85284	$441,700	-14.81%	59	0.00%	67	95.8%

*** % Change of current quarter compared to the same quarter to year ago.

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85285	$279,000	-	1	-	14	93.3%
85296	$365,600	-1.32%	300	-15.01%	77	96.9%
85297	$368,100	-10.44%	224	-5.49%	81	95.3%
85301	$181,300	7.41%	128	-33.33%	54	99.2%
85302	$221,600	0.50%	117	-39.06%	48	98.5%
85303	$255,500	7.99%	124	-30.73%	55	98.6%
85304	$227,300	-12.51%	136	3.82%	47	96.6%
85305	$375,500	11.49%	21	-55.32%	80	97.1%
85306	$251,400	0.68%	76	-36.13%	56	98.7%
85307	$259,200	4.77%	28	-17.65%	65	97.1%
85308	$310,600	-9.39%	233	-27.19%	81	96.6%
85310	$404,700	4.82%	133	-22.22%	85	96.0%
85318	$210,000	-	1	-	118	95.9%
85322	$176,500	-52.30%	4	100.00%	114	90.2%
85323	$266,600	-3.75%	343	-29.28%	80	98.4%
85326	$273,500	-1.01%	207	-4.61%	76	97.8%
85329	$147,500	-33.26%	2	-60.00%	6	101.2%
85331	$531,400	-11.61%	143	-18.75%	87	95.2%
85335	$209,200	-9.79%	157	-43.12%	70	99.5%
85337	$527,600	-	5	-	49	98.8%
85338	$327,200	2.51%	292	-14.37%	82	96.2%
85339	$308,900	-9.44%	192	159.46%	66	95.3%
85340	$513,300	43.70%	140	-13.04%	70	97.7%
85342	$261,000	12.21%	3	-70.00%	92	100.4%
85345	$211,200	-2.90%	197	-44.66%	59	98.0%
85351	$175,200	2.46%	208	-29.25%	79	95.7%
85353	$252,100	-2.96%	120	-6.98%	59	99.0%
85354	$195,600	3.16%	23	-48.89%	113	100.0%
85355	$361,500	-36.38%	34	209.09%	54	98.3%
85361	$238,100	-2.02%	24	-48.94%	94	96.3%
85363	$183,400	-1.50%	30	-14.29%	53	99.2%
85373	$245,000	11.67%	119	15.53%	61	95.5%
85374	$243,500	-7.48%	239	-44.80%	92	97.7%
85375	$244,900	-6.63%	154	-33.62%	79	96.1%
85377	$805,800	-8.82%	15	-31.82%	78	94.3%
85379	$280,200	-7.83%	275	-3.85%	91	95.9%

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Data by Zip Codes for Q4 2006

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85381	$294,200	2.15%	72	-25.00%	62	97.3%
85382	$285,700	-3.58%	167	-34.77%	78	96.4%
85383	$489,800	2.45%	151	21.77%	75	97.3%
85387	$399,300	15.87%	35	-42.62%	80	95.9%
85390	$310,400	16.30%	20	-53.49%	83	96.6%
OTHER	$281,500	5.12%	316	95.06%	75	96.3%

*** % Change of current quarter compared to the same quarter to year ago.

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Local Report

Pinal County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

In the first two months of the fourth quarter, 1,166 jobs were added to the payrolls of Pinal County. As a result of these new jobs, the average monthly unemployment rate fell from 4.9% during the third quarter to 4.8% for October and November. The strong employment climate may help to create demand for home purchases.

Housing Market :

	Q3' 06	*Q4' 06*	*Q1' 07* *(Forecast)*
Average Price	**$225,200**	**$219,400**	↑
# Homes on the Market *	**5,442**	**4,930**	↓
# Homes Sold **	**1,255**	**1,112**	↑
# New Homes Built	**1,354**	**1,819**	↑
Avg # of Days on Market	**66**	**76**	↓

* Available as of Dec. 31, 2006.
** May not add to total of zip codes.

Data by Zip Codes for Q4 2006

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85218	$324,900	-8.53%	53	-45.92%	95	95.0%
85219	$251,000	-8.43%	57	-40.00%	65	94.5%
85220	$174,700	-1.36%	88	-44.30%	71	97.5%
85222	$195,400	-0.66%	176	-22.81%	72	96.1%
85223	$156,900	-2.30%	71	-48.92%	89	100.2%
85228	$141,600	-11.00%	27	-55.74%	74	96.7%
85231	$118,200	24.68%	18	-25.00%	61	92.7%
85232	$193,600	9.50%	58	11.54%	72	96.6%
85237	$95,300	68.67%	3	50.00%	75	91.4%

*** % Change of current quarter compared to the same quarter to year ago.

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Data by Zip Codes for Q4 2006

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/List Price)
85239	$235,400	-13.07%	184	30.50%	65	94.6%
85243	$217,600	-	77	-	57	96.8%
85273	$97,100	-37.19%	5	-37.50%	55	92.3%
85291	$246,000	-	1	-	11	100.4%
OTHER	$249,100	-7.09%	294	-35.53%	92	97.4%

*** % Change of current quarter compared to the same quarter to year ago.

Where the Sales Are

By Ken Fears
Manager, Regional Economics

Back in October of 2005, mortgage rates began what was to be a 10 month climb. At its peak the 30-year fixed rate mortgage reached a monthly average of 6.76%. Since then, mortgage rates have moderated and currently stand at 6.22% according to Freddie Mac. Even at this rate, though, climbing rates have done their damage. The payment-shock that potential buyers experienced when they did the numbers last fall had a large psychological effect. The monthly payments that these would-be buyers faced surged in a matter of months. For many, this increase pushed them out of the range of homeownership. While others, convinced of the instability of the market, chose to move to the sideline and wait for the market to settle. The immediate effect was a sharp decrease in sales, while prices remained relatively steady. But favorable income and employment information tells us that strong levels of demand remain lurking in the shadows, looking for buying opportunities. Furthermore there has been much speculation that sales at the upper levels have been hit hardest and that demand at the lower price ranges remains robust.

Price Range	Total Home Sales 2005 Q4	Total Home Sales 2006 Q4	Percentage Change
<$200K	5,278	2,314	-56.2%
$200K-$299K	8350	6,731	-19.4%
$300K-$399K	3,421	2,518	-26.4%
$400K-$599K	2,439	1,744	-28.5%
$600K>	1,537	1,258	-18.2%

Now that the market has had a year to absorb the impact of rising mortgage rates, it is worth identifying its effects and which sectors have proven the most resilient. Based on the sales information from the fourth quarter of 2006 (October, November, and December) and comparing it with the same time period in 2005, we see that:

- The most homes are being sold in the lower price ranges.
- The fewest homes are sold in the upper price ranges.
- Compared to last fall, the upper price ranges have proven to be the most resilient in terms of retaining their level of sales.
- However, sales have softened most in the lower price range.

So how has the area covered by the Arizona Regional MLS faired relative to the rest of the country? Locally, sales are off by -25.0%, which lags the national average of -10.1%. We also find that there does not appear to be a build up of demand at the lower price levels.

Looking forward, keeping monthly payments in a reasonable range will be critical to continued sales growth. With mortgage rates steady, but likely to increase moderately, some additional willingness on the part of sellers to make price concessions will help move homes. By years end, though, we expect sales growth to flatten out in most local markets and to even gain traction in a few.

An Old Year of Contraction; A New Year of Stability

by David Lereah, Chief Economist

We begin the New Year with a hint of optimism. The glass was half empty in 2006 – home sales fell throughout the year. But the glass looks to be half full in 2007. While property speculation has ceased, signs of a return to home buying have surfaced and inventory levels have topped out. REALTORS® and lenders a like are encouraged, but guarded, about 2007.

Last year was a year of contraction, a correction that was sorely needed after five years of a booming housing market expansion. Home prices were inflated and property investors (and speculators) were everywhere at the end of 2005. That set the stage for 2006 to spiral downward. Home buyers stayed on the sidelines because they could not afford the lofty-priced homes in the boom-inflicted regions. Some households also postponed buying because they believed prices would eventually drop, making them better off buying later rather than now. Property speculators fled, dumping inventories. Meanwhile, homeowners looking to sell sat stubbornly tied to their listing prices.

Let's be clear, though. The sky never did actually fall in 2006— or, to use that phrase that the media love, there were no "bubbles" bursting. But air did come out of some inflated balloons. According to our National Association of REALTORS® latest estimates for last year, existing home sales were down 8.2 percent from a year earlier. Similarly, new home sales were down 17.4 percent and housing starts were down 12.5 percent. Our nation's housing sector suffered a contraction, inhibiting over all GDP growth.

But 2007 is a new year and with it brings a cautious confidence and hopefulness. Home sales appear to have bottomed out, having reached a cyclical low in September of last year. And in recent months, home sales are inching up, not down. Existing home sales experienced two consecutive monthly, albeit modest, gains from September to November. Inventories have stabilized, with the nation's months' supply hovering around 7.3 months since July of last year.

What all this means is that potential home buyers have amore favorable backdrop for buying today. It is now a buyers market. Sellers are more flexible now, reducing prices and/or paying part of the closing costs. High inventories are now a positive rather than a negative for property buyers. Rising inventories in 2006 reflected a deteriorating market place, keeping buyers on the sidelines. Stable inventories in 2007 represent more choices for buyers. Mortgage rates continue to hover near cyclical lows, keeping financing costs low. And depending on where you live, affordability conditions are most likely improving. Wages (income) are registering healthy rates of growth, while home price growth is flat or down, broadening a household's financial capacity to purchase property.

Yes, housing was bed-ridden at the end of last year. Existing home sales hit bottom during the fourth quarter of 2006. But after a frenzied five-year real estate boom, a reasonable prescription for our nation's housing sector is regular rest and a healthy regimen of exercise. I expect housing to get back on its feet in 2007. Our forecast calls for modest quarterly gains throughout this year, but year-over-year, home sales are expected to fall by a modest 1.2 percent. New home sales are not expected to rebound until the third quarter of this year so year-over-year sales are expected to fall by a larger 9.7 percent.

Looking back, 2006 was a year of contraction. But looking forward, 2007 will represent a year of stability. Cheers to the New Year. Home buyers have a more favorable backdrop for buying today. It is now a buyers market.

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

National Outlook

Despite all the news headlines over the past year about the housing market bubble and housing market slump, the final figures for 2006 actually look quite respectable. Home prices squeaked out a gain of 1.1% for the year. That would mark 39 straight years of positive home price growth out of 39 years of reliable tracking of the data. Existing home sales in 2006 posted 6.48 million units — a 8.4% decline from 2005, but still the third best year on record. The more cyclical new home sales fell by 17.3% to 1.06 million in 2006 for the fourth best year on record. All in all, not that bad.

With the economy and job market performing nicely, 2007 will likely bring another respectable housing year. The latest fourth quarter economic expansion was much stronger than anticipated. GDP grew by 3.5% in the fourth quarter of 2006 — compared to the 2.4% originally forecast. The job market also is stronger. A regular once-a-year benchmark revision by the Labor Department shows that it had undercounted payroll employment by three quarters of a million people for most of 2006. That's almost like saying that all of the jobs in the Super-Bowl celebrating Indianapolis area were left out of the original count and are only now being added to the official figures.

The current unemployment rate of 4.6% and the 2.15 million net new job additions over the past 12 months are both indications that the state of the U.S. economy is all fine and good. Record stock market and record housing market valuations also lifted the aggregate U.S. household net worth to $54 trillion — the highest ever. That is five times as high as the U.S. annual consumption. In another words, we have enough wealth to buy the same amount of things and maintain the same standard of living for the next five years without even bothering to work.

But the U.S. *will* be working. It is part of the American spirit to want to accumulate even more wealth. Job additions overall should be close to 2 million in 2007. With mortgage rates projected to remain favorable throughout 2007 (averaging 6.6%), the 2 million new jobs would typically lead to 250,000-350,000 more home sales. But we are still in an atypical year with a high housing inventory overhang brought on by the exit of investors/speculators. The inventory needs to thin out before the housing market revs back up to cruising speed. Home sales are, therefore, projected to not increase in 2007. But come 2008 and beyond, a steady 3% to 5% increase in home sales will be the norm. Home prices by then will also begin to outpace CPI inflation growth. Housing will again prove it can provide attractive long-term investment returns.

Local Outlook

About 25% of all home sales were for second homes (investor rental homes and vacations homes) in the past three years in the local area. Therefore, there is a risk of investor "dumping" properties onto the market over the short term. But the job growth is so spectacular that any price declines will be very short lived. Home sales will be down modestly in 2007, but will show growth in 2008. Price growth will be minimal in 2007 in order to work off the inventory, but come 2008, price gains will again easily outpace the inflation rate, and thereby providing solid financial returns to ownership.

Economic and Housing Market Outlook: February 2007

	2006				2007							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2005	2006	2007	2008
U.S. Economy												
Annual Growth Rate												
Real GDP	5.6	2.6	2.0	3.5	2.5	3.0	3.1	3.2	3.2	3.4	2.8	3.2
Nonfarm Payroll Employment	2.2	1.5	1.6	1.5	1.3	1.3	1.6	1.2	1.7	1.9	1.4	1.4
Consumer Prices	2.2	5.0	2.9	-2.2	3.1	2.6	2.7	2.4	3.4	3.2	2.0	2.6
Real Disposable Income	4.6	-1.5	4.1	5.4	4.7	2.9	3.1	2.9	1.2	2.7	3.7	3.2
Consumer Confidence	106	107	104	107	109	107	107	106	100	106	107	108
Percent												
Unemployment Rate	4.7	4.7	4.7	4.5	4.6	4.7	4.8	4.8	5.1	4.6	4.7	4.8
Interest Rates, Percent												
Fed Funds Rate	4.5	4.9	5.3	5.2	5.3	5.3	5.3	5.3	3.2	5.0	5.3	4.8
3-Month T-Bill Rate	4.4	4.7	4.9	4.9	5.0	5.0	5.0	4.9	3.1	4.7	5.0	4.6
Prime Rate	7.4	7.9	8.3	8.2	8.3	8.3	8.3	8.3	6.2	8.0	8.3	7.8
Corporate Aaa Bond Yield	5.4	5.9	5.7	5.4	5.6	5.8	5.9	6.0	5.2	5.6	5.8	6.0
10-Year Government Bond	4.6	5.1	4.9	4.6	4.8	4.9	5.0	5.0	4.3	4.8	4.9	5.0
30-Year Government Bond	4.6	5.1	5.0	4.7	5.0	5.1	5.2	5.3	4.6	4.9	5.1	5.3
Mortgage Rates, percent												
30-Year Fixed Rate	6.2	6.6	6.6	6.3	6.4	6.6	6.7	6.7	5.9	6.4	6.6	6.7
1-Year Adjustable	5.3	5.6	5.7	5.5	5.5	5.5	5.5	5.4	4.5	5.5	5.5	5.2
National Housing Indicators												
Thousands												
Existing Single-Family Sales	6,790	6,687	6,280	6,243	6,354	6,373	6,466	6,550	7,075	6480	6436	6,635
New Single-Family Sales	1,111	1,100	1,007	1,061	988	954	944	959	1,283	1061	961	971
Housing Starts	2,123	1,873	1,714	1,564	1,518	1,500	1,510	1,530	2,068	1801	1,515	1,562
Single-Family Units	1,747	1,530	1,401	1,233	1,196	1,165	1,168	1,186	1,716	1464	1,179	1,216
Multifamily Units	376	343	313	331	322	335	343	344	352	337	336	346
Residential Construction*	619	601	570	541	514	503	500	504	608	583	505	518
Percent Change -- Year Ago												
Existing Single-Family Sales	-2.2	-7.0	-12.5	-10.1	-6.4	-4.7	3.0	4.9	9.8	-8.4	-0.7	3.1
New Single-Family Sales	-11.5	-14.3	-22.4	-17.1	-11.0	-13.3	-6.2	-9.6	10.8	-17.3	-9.4	1.0
Housing Starts	2.6	-9.3	-18.4	-24.1	-28.5	-19.9	-11.9	-2.2	5.2	-12.9	-15.9	3.1
Single-Family Units	2.6	-10.4	-19.8	-28.2	-31.6	-23.8	-16.6	-3.8	6.6	-14.7	-19.5	3.2
Multifamily Units	2.9	-3.8	-11.3	-3.1	-14.3	-2.2	9.3	4.0	-0.9	-4.3	-0.3	2.9
Residential Construction	6.1	-1.5	-8.1	-12.6	-16.8	-16.3	-12.3	-6.8	10.3	-4.2	-13.3	2.6
National Home Prices												
Thousands of Dollars												
Existing Home Prices	218.7	226.7	225.0	219.3	216.5	229.6	230.4	225.7	219.6	222.0	226.2	233.4
New Home Prices	244.8	246.1	236.2	237.3	247.5	249.3	239.7	242.5	240.9	245.3	249.8	258.3
Percent Change -- Year Ago												
Existing Home Prices	9.5	3.0	-1.0	-2.7	-1.0	1.3	2.4	2.9	12.4	1.1	1.9	3.2
New Home Prices	6.5	6.9	-0.2	-1.2	1.1	1.3	1.5	2.2	9.0	1.8	1.8	3.4
Local Region												
Payroll Jobs (in thousands)	1848.2	1873.3	1878.9	1937.6	1935.1	1957.6	1961.6	2026.7	1787.4	1884.5	1970.2	2068.8
Home Sales	18531	21400	17740	16268	15195	18896	18059	16919	103728	73939	69070	72938
Home Prices (in thousand $)	334.4	341.9	329.6	334.4	339.8	342.6	334.5	349.1	300.3	335.4	341.5	356.8
Percent Change -- Year Ago												
Jobs	6.3%	5.4%	5.2%	4.9%	4.7%	4.5%	4.4%	4.6%	6.2%	5.4%	4.5%	5.0%
Home Sales	-22.4%	-27.7%	-37.7%	-25.2%	-18.0%	-11.7%	1.8%	4.0%	7.1%	-28.7%	-6.6%	5.6%
Home Prices	28.6%	13.8%	4.4%	3.2%	1.6%	0.2%	1.5%	4.4%	35.1%	11.7%	1.8%	4.5%

Quarterly figures are seasonally adjusted annual rates.
* Billion dollars
Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy.
Assumptions and simulations by Dr. David Lereah and Dr. Lawrence Yun.

Economic Monitor

This table reflects data available through January 5, 2007.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Existing Home Sales rose for a second consecutive month in November,posting 6.28 million units (seasonally adjusted annualized rate). Sales have been bouncing around the 6.2-6.3 million level for the past five months, indicating the market is stabilizing. Housing inventory decreased by 40,000 units, and is at a 7.3 months' supply at the current sales pace.	Oct 06 6,240 Nov 06 6,280 Nov 05 7,030	↑	Modest but steady rise
New Home Sales posted 1.05 million units in November (seasonally adjusted annualized rate) – a 3.4% increase from October's pace and the third monthly increase in the past four months. New home inventory fell to a 6.3 months' supply, higher than the level a year ago, but very close to a "balanced"market.	Oct 06 1,013 Nov 06 1,047 Nov 05 1,236	↓	Fewer new homes being built and fewer new home sales opportunity
Housing Starts rose 7% in November after having tumbled in October.Total starts posted 1.588 million units (seasonally adjusted, annualized). Multifamily starts were essentially unchanged, while single-family units rose by 96,000. Even so, housing starts are 26% lower than they were a year ago.	Oct 06 1,488 Nov 06 1,588 Nov 05 2,131	↓	More cuts needed to bring down excessive inventory
Housing Affordability continues to improve. NAR's housing affordability index was 110.5 in November – the fourth consecutive monthly increase and above the level in November 2005. The increase is due to continuing low interest rates, and home price declines.	Oct 06 108.0 Nov 06 110.5 Nov 05 106.0	↑	Wages growing at 4% – more than double the pace of home price growth of 1% to 2%
Purchase Applications The Mortgage Bankers Association's purchase applications index rose in December to its highest level in 12 months to 424.8.Declining mortgage rates and strong job growth contributed to both purchase and refinance activities.	Nov 06 405.8 Dec 06 428.8 Dec 05 455.5	↑	Rising existing home sales (85% of the market) more than offset thedeclining new home sales.
Employment Non-farm payrolls increased by 167,000 in December – beating most analysts' expectations. November's job creation figure was revised upward by 30,000. From December 2005 to December 2006, 1.8 million net new jobs were added to the economy.	Nov 06 154 Dec 06 167 Dec 05 145	↔	Job gains to be similar in the coming months
Mortgage Rates The 30-year fixed mortgage rate dipped to 6.14% in December – its lowest level since October 2005. The one-year adjustable rate was 5.45% in December.The slower housing market – compared to a year ago – is helping keep rates low. Long-term rates are expected to rise moderately in 2007 to the mid 6% range.	Nov 06 6.27 Dec 06 6.14 Dec 05 6.27	↑	Slow rise, but comfortable below 7% for 2007.
Inflation The consumer price index (CPI) was flat in November, as was the core index, which excludes the food and energy components. Energy prices decreased slightly – by 0.2%– in November. Price growth will likely average a mild 0.2% monthly increase over the next three months, assuming moderate increases in fuel and heating costs as the winter gets into full swing.	Oc 06 -0.5% Nov 06 0.0% Nov 05 3.5%	↓	Inflation declining, partly helped by tumbling oil prices

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association