Economic and Market Watch Report

2nd Quarter, 2007

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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The statistical information presented in this report is compiled from information provided by Arizona Regional Multiple Listing Service, Inc and may not include all sales activity in the market.

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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 second quarter, 11,740 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 first quarter to 3% for April and May. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q1' 07	*Q2' 07*	*Q3' 07* *(Forecast)*
Average Price	**$350,600**	**$355,400**	↑
# Homes on the Market *	**52,055**	**52,892**	↓
# Homes Sold **	**13,957**	**15,180**	↑
# New Homes Built	**6,751**	**7,387**	↑
Avg # of Days on Market	**81**	**77**	↓

* Available as of Jun. 30, 2007.
** May not add to total of zip codes.

Data by Zip Codes for Q2 2007

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	$402,000	-2.09%	32	23.08%	99	99.5%
85004	$366,800	-9.23%	21	61.54%	108	94.2%
85006	$249,000	16.90%	48	-36.00%	72	97.1%
85007	$369,300	33.08%	39	-23.53%	72	97.7%
85008	$203,100	-10.25%	103	-20.16%	51	98.4%
85009	$170,900	4.98%	54	-51.79%	63	98.8%
85012	$587,600	23.55%	25	19.05%	63	92.1%
85013	$328,600	-0.09%	71	-15.48%	79	94.9%
85014	$268,900	9.44%	90	-7.22%	101	96.2%

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

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Data by Zip Codes for Q2 2007

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	$206,700	-0.96%	100	-16.67%	52	98.2%
85016	$528,200	39.59%	150	-44.65%	85	95.2%
85017	$157,000	-12.24%	73	-52.29%	63	98.7%
85018	$559,900	6.69%	176	-8.81%	79	94.6%
85019	$188,100	-0.11%	51	-51.43%	68	98.2%
85020	$303,000	-11.94%	148	-22.11%	74	96.1%
85021	$334,000	-2.62%	82	-24.07%	62	96.5%
85022	$300,900	-4.17%	182	-10.78%	76	97.0%
85023	$287,900	4.43%	105	-13.22%	68	97.5%
85024	$298,900	-8.14%	126	-10.64%	67	97.3%
85027	$226,000	-2.16%	135	-42.55%	59	97.8%
85028	$430,900	3.93%	85	-19.05%	67	96.5%
85029	$212,400	-4.41%	119	-37.04%	61	98.8%
85031	$177,000	-8.15%	40	-66.94%	65	99.1%
85032	$276,900	-2.36%	258	-32.64%	68	97.0%
85033	$171,800	-6.98%	101	-63.14%	52	98.4%
85034	$228,300	26.62%	6	-40.00%	56	99.2%
85035	$182,500	-4.60%	55	-54.17%	64	99.3%
85037	$216,300	-6.44%	158	-45.70%	61	99.8%
85040	$178,700	-2.83%	57	-50.00%	47	98.6%
85041	$247,200	-5.58%	189	-20.59%	68	98.2%
85042	$252,500	-5.54%	114	-24.50%	71	97.0%
85043	$230,200	-5.23%	92	-55.98%	74	99.1%
85044	$345,700	-4.34%	162	-14.29%	68	96.5%
85045	$503,600	-8.17%	56	60.00%	97	96.3%
85048	$469,800	0.51%	153	-18.62%	79	97.1%
85050	$399,400	2.49%	128	-2.29%	71	96.4%
85051	$192,300	-4.71%	99	-50.99%	63	98.9%
85053	$237,100	0.00%	80	-47.37%	65	98.0%
85054	$513,800	9.51%	30	25.00%	88	95.8%
85079	$261,000	-	1	-	119	90.0%
85085	$408,600	-11.12%	91	13.75%	86	96.8%
85086	$426,800	-8.25%	216	-17.24%	111	96.5%
85087	$389,200	-7.18%	33	37.50%	136	95.2%
85201	$179,800	-5.57%	122	-32.60%	62	97.6%
85202	$209,800	-3.94%	160	-13.04%	57	97.7%

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

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Data by Zip Codes for Q2 2007

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85203	$269,200	4.50%	76	-32.74%	69	96.8%
85204	$212,300	-4.88%	140	-45.10%	69	98.3%
85205	$234,900	-7.52%	166	-20.19%	74	97.3%
85206	$233,600	-3.83%	151	-3.82%	81	96.7%
85207	$381,300	-4.22%	165	-26.34%	75	97.0%
85208	$190,200	-10.28%	163	-43.60%	78	97.3%
85210	$187,000	-11.04%	77	-51.88%	55	98.1%
85212	$289,100	-7.87%	97	-19.17%	69	97.3%
85213	$342,900	5.96%	90	-26.83%	82	96.8%
85215	$299,400	-8.19%	93	9.41%	84	97.0%
85224	$267,600	-6.56%	176	-23.48%	63	97.6%
85225	$252,600	-1.21%	240	-31.82%	65	97.3%
85226	$372,200	13.58%	183	-14.88%	63	91.7%
85233	$310,800	-5.82%	181	-4.23%	66	97.6%
85234	$340,000	-10.88%	173	-22.07%	78	97.0%
85236	$279,800	-16.58%	91	-7.14%	63	96.7%
85242	$400,500	-5.92%	108	-11.48%	82	95.6%
85248	$382,700	-6.68%	313	-6.57%	97	95.8%
85249	$418,100	-6.07%	315	-12.26%	74	96.6%
85250	$349,100	-10.23%	132	-5.04%	80	96.1%
85251	$365,700	11.05%	205	-3.30%	73	95.8%
85253	$1,833,500	-10.12%	108	4.85%	105	93.1%
85254	$497,800	-9.87%	207	-19.77%	79	96.2%
85255	$912,400	3.32%	278	-17.75%	97	95.1%
85257	$279,700	0.04%	101	-37.27%	65	96.9%
85258	$533,600	-9.88%	215	-1.38%	87	95.2%
85259	$910,300	-0.36%	156	-10.86%	81	95.3%
85260	$526,200	8.23%	218	-28.52%	76	96.1%
85262	$1,201,800	3.53%	225	-1.32%	121	94.3%
85263	$623,000	6.99%	25	19.05%	133	93.5%
85266	$1,030,000	-	1	-	29	93.7%
85268	$487,700	-9.52%	217	-0.46%	97	96.7%
85281	$277,100	9.01%	137	-19.88%	54	96.3%
85282	$254,700	-3.08%	187	-19.74%	65	96.7%
85283	$276,400	-1.18%	122	-21.79%	61	96.5%
85284	$568,100	17.16%	75	-10.71%	69	95.5%

*** % 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)
85296	$333,200	-11.85%	273	-14.69%	65	97.4%
85297	$376,400	-6.06%	253	0.00%	81	96.8%
85301	$163,700	-12.18%	106	-48.29%	67	98.3%
85302	$214,000	-7.76%	111	-33.13%	63	97.1%
85303	$245,800	-2.61%	76	-50.00%	74	98.4%
85304	$259,800	-0.27%	80	-34.43%	66	97.1%
85305	$362,700	1.09%	26	-45.83%	94	97.3%
85306	$230,600	-13.15%	74	-28.16%	69	98.0%
85307	$251,500	0.76%	19	-45.71%	58	98.8%
85308	$305,800	-8.47%	258	-21.82%	66	97.3%
85310	$381,700	-7.06%	111	-35.47%	79	97.0%
85320	$120,000	-55.60%	1	-66.67%	33	87.6%
85323	$259,100	-5.27%	270	-34.47%	86	97.4%
85326	$246,500	-8.91%	158	-34.98%	86	97.6%
85329	$177,500	-15.60%	2	-77.78%	37	100.0%
85331	$599,000	-1.90%	140	-23.91%	101	96.2%
85335	$203,500	-9.03%	130	-46.50%	67	99.7%
85337	$112,800	-48.45%	2	0.00%	70	93.8%
85338	$303,000	-12.40%	273	-10.78%	97	95.8%
85339	$305,500	-6.29%	113	-9.60%	67	95.7%
85340	$357,100	-11.19%	100	-34.64%	103	94.0%
85342	$248,800	3.32%	4	0.00%	116	97.3%
85345	$208,800	-9.06%	194	-40.85%	73	98.3%
85351	$162,500	-6.77%	284	1.79%	92	95.3%
85353	$251,600	-7.70%	89	-33.58%	57	98.3%
85354	$200,500	-0.74%	27	-15.63%	71	96.2%
85355	$470,700	-3.51%	22	37.50%	68	96.5%
85361	$260,900	-6.15%	30	-16.67%	110	95.7%
85363	$184,500	-2.69%	29	-9.38%	78	98.9%
85373	$229,100	2.09%	156	24.80%	86	96.9%
85374	$250,500	-5.61%	284	-25.85%	95	96.5%
85375	$247,200	-6.79%	258	26.47%	98	95.6%
85377	$976,200	-1.58%	26	-44.68%	176	94.7%
85379	$267,300	-11.23%	239	-13.09%	77	96.0%
85381	$310,800	1.67%	71	-39.83%	82	97.3%
85382	$275,500	-10.35%	221	-21.63%	74	97.8%

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

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Data by Zip Codes for Q2 2007

Zip Code	Average Price	Price Change ***	Total # Homes Sold (Quarter)	% Change in # Homes Sold ***	Average Days on Market	% of Asking Price (Sold/ List Price)
85383	$450,500	-10.90%	157	10.56%	89	96.6%
85387	$330,900	-8.87%	80	40.35%	93	97.6%
85390	$334,600	9.56%	30	3.45%	124	94.8%
OTHER	$263,600	-6.23%	380	-0.52%	77	96.5%

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

ARMLS
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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 second quarter, 545 jobs were added to the payrolls of Pinal County. As a result of these new jobs, the average monthly unemployment rate fell from 5.2% during the first quarter to 4.3% for April and May. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q1' 07	*Q2' 07*	*Q3' 07* *(Forecast)*
Average Price	**$233,600**	**$215,700**	↑
# Homes on the Market *	**5,712**	**5,754**	↓
# Homes Sold **	**1,008**	**1,160**	↑
# New Homes Built	**2,113**	**1,802**	↑
Avg # of Days on Market	**90**	**91**	↓

* Available as of Jun. 30, 2007.
** May not add to total of zip codes.

Data by Zip Codes for Q2 2007

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	$333,600	-16.24%	79	-7.06%	129	94.4%
85219	$246,400	-5.95%	68	-19.05%	95	95.6%
85220	$188,500	-3.92%	83	-38.52%	88	97.9%
85222	$213,700	6.90%	224	6.67%	76	95.3%
85223	$150,100	-4.70%	65	-51.85%	152	97.8%
85228	$163,400	-10.66%	39	-17.02%	66	96.0%
85231	$141,400	21.27%	34	36.00%	120	96.6%
85232	$182,500	8.50%	71	86.84%	86	97.7%
85237	$95,200	-15.30%	6	-25.00%	27	96.0%

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

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Data by Zip Codes for Q2 2007

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	$232,300	-13.96%	156	-2.50%	88	96.6%
85243	$208,600	-	106	-	63	95.8%
85272	$355,000	89.84%	2	-33.33%	134	97.3%
85273	$86,300	-44.00%	4	-78.95%	75	96.8%
OTHER	$223,000	-11.68%	223	-49.09%	95	98.4%

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

Scrounging for the Bottom

By Ken Fears, Economist

After nearly a year of bad news from the housing market, it seems like things went from bad to worse this spring. First, it was the sub-prime mess, then rising mortgage rates, and finally, home sales continue to fall lower and lower. But prices have been relatively robust, rising only 0.6% over the 12-month period ending in July of 2007. Market watchers keep predicting a secession to the declining market, but after each news release, the market is left wondering, how far are we from "the bottom"?

Theoretically, with supply on the rise, sellers should be offering a discount to entice buyers into the market. But mortgage rates have been rising this spring. This trend compounds the problem because the monthly payment that buyers face may not be any lower, despite price reductions, when mortgage rates are factored in. Sellers, reluctant to lower prices further may only be hurting themselves. Consequently, buyers are being stung from both sides, prices that are slow to come down and mortgage rates that are on the rise; the end result is a loss of affordability and slower sales.

The responsibility of a seller's agent can be very tough and there have been few tougher times than right now. In many markets, concessions, even deep concessions are necessary to move properties and sellers are never receptive to news like that. The zooming prices of the last 5 years have made it even tougher as sellers' expectations can be grandiose.

Locally, we can see that average price concessions (the ratio of the final sale price to the original list price) in the housing market covered by the Arizona Regional MLS have increased over the 12 month period ending in June of this year. Concessions have been strongest in the under $200,000 price range where concessions rose 3.6 percentage points from an average of 96.8% in the second quarter of 2006 to 93.2% in the second quarter of 2007. Home prices were most resilient in the range from $200,000 to $299,999 where the concession ratio moderated 1.8 percentage points.

	Average Change to DOM (days)	Average Change to Concession (% points)
<$200K	33.7	-3.6
$200K-$299K	25.1	-1.8
$300K-$399K	28.6	-2.0
$400K-$599K	36.4	-2.7
$600K>	29.0	-1.9

Simultaneously, the average days on market for a listing have risen. Average days on the market rose the sharpest in the range from $400,000 to $599,999 from an average of 58 days in the second quarter of 2006 to 94 days in the second quarter of 2007. The smallest increase occured in the $200,000 to $299,000 price range. Given this change in days on market, the change in the average concession ratio should not come as a surprise. It might suggest that original list prices are too high leading to a build up in days on market until enough of a concession is made to move the property. Lower initial list prices may help to move a home faster and prevent larger concessions when re-pricing listings as the days on market add up, casting a negative light on the property.

It is hard to tell where prices "should be" and every market is different depending on how much prices have risen relative to buyer's ability to purchase homes. In addition, current supply as well as new construction in the pipeline are factors. A few months from now we will have a better picture of where the market stands. But for now one thing is for certain, buyers and sellers are learning just how valuable their Realtor®'s advice and service can be.

Realtors® Get Good Marks

By Lawrence Yun

Most consumers like REALTORS®. So says a report from the Consumer Federation of America (CFA). More than two-thirds – 68 percent – of consumers surveyed viewed real estate brokers and agents favorably. The favorable rating is even higher among those consumers who had *recently* used a professional real estate service (79%). To top that, the favorable rating skyrockets to 84 percent when it comes to a consumer's *own personal* agent and broker.

Those findings are consistent with data that we have been collecting in-house at NAR through our customer tracker survey – a web-based survey that agents send to their clients immediately following closing. The survey questionnaire includes many questions that remind clients about specific services that were provided to them during their recent real estate transaction such as local market analysis, price negotiation, and explanations of closing costs. On a zero-to-10 (terrible-to-outstanding) scale, these *very recent* clients gave their agent's service an average score of 9.3. With the memory of purchasing or selling a property fresh in their mind, clients were exceptionally appreciative of the services provided by their REALTORS®.

Despite this evidence, there are still many pundits and those in the media who think *they* know what is best for consumers. They continue to shout about real estate commissions. Hmm. Services provided by lawyers, accountants, doctors, and hedge fund managers are not cheap either. (After all, real estate commissions are negotiable.) But as with legal, tax, medical or investment advice consumers are making a calculated decision to take advantage of the experience, knowledge and expertise of real estate professionals. It is consumer's choice!

People always have had the option of not paying any real estate commission – by simply selling their home via a For-Sale-By-Owner (FSBO) transaction. But year after year the majority of sellers have chosen to work with a professional. The FSBO share of home sales has been running at around the 15 percent mark – plus or minus a few points. In other words, 85 percent of consumers want and choose to work with a REALTOR. This is not surprising considering that FSBO homes generally sell for less than those homes brokered by agents. Yes, there are some cases where a FSBO seller did come out ahead — good for them. These people evidently believe that the long hours worked in putting together marketing brochures, signs, answering calls, writing the contracts and a myriad of other steps that go into home selling is worth it. When I got my first car, I changed oil with my own hands to save few bucks. Now, my time is too important to do that on my own.

Similarly, consumers have spoken loud and clear regarding real estate transactions. They want hassle-free professional representation. That is, again, consumer's choice. Let consumers vote with their feet and pocketbooks. Let the academics, self-anointed experts, and television network correspondents keep scratching their heads as to why consumers are making the "wrong" choice.

The Forecast

By Lawrence Yun, *Vice President, NAR Research*

You've seen and heard the news: home mortgage delinquencies and foreclosures are on the rise – in some areas to record levels. And while I wish I could assure you that the bad news is over, mortgage delinquencies and foreclosures are likely to continue well into 2008. That is almost guaranteed, given anticipated interest-rate resets on subprime adjustable loans. Those overly aggressive -- and even reckless -- lenders who completely mispriced risk deservedly need to be weaned out of the market. There is no such thing as high-yielding easy money. There is no such thing as a free lunch. High yields always come with dicey RISK!

When will the housing market get back on its feet? Imminently! There is a large pent-up demand accumulating that will be unleashed in a short matter of time – our best estimate is early 2008. Consider this year's conditions versus that in 2005, the peak housing year. Home sales have already fallen by 1.5 million since 2005. Even if all the 1.4 million subprime mortgage originations were to disappear -- which no one expects -- then the bottom has already been reached in terms of any impact from tightening credit standards. In reality the level of subprime lending activity could be reduced by half at most, implying that the declines in home sales have been far greater than any tightening of lending availability. The additional decline in home sales can be attributed to other factors outside of the subprime loan disruptions. Is it jobs? A resounding NO. Is it due to lack of income and wealth? Another resounding NO. Is it due to higher home prices? NO. Is it due to higher mortgage rates? Surely some impact, but the rates are only modestly higher. What's the explanation then?

The primary reason seems to be a lack of confidence. Constant reminders in the media of how "bad" the housing sector is has eaten into buyer confidence. However, that decision to put off buying a home comes with an "opportunity cost". Apartment vacancy rates have been declining and rents have been rising by 4.5 percent in the second quarter of 2007, the highest increase in five years. People have also been doubling-up by having additional roommates or moving back "home" with parents, as evidenced by a drastic slowing in household formation. Familiarity will inevitably breed contempt in close living quarters. It is only a matter of time before people begin to form their own households.

	2005	2007	Difference
Total Home Sales	8.4 million	6.9 million	1.5 million fewer
Subprime Loans	1.4 million (est.)	700,000 (est.)	700,000 fewer
Jobs	133.7 million	138.0 million	4.3 million more
Wage and Salary Disbursement	$5.7 trillion	$6.4 trillion	$700 billion more
Household Wealth	$52 trillion	$57 trillion	$5 trillion more
Home Price	$219,600	$219,300	No notable change
Mortgage Rates	5.9%	6.5%	Modestly higher

Locally, home sales are forecasted to fall 19% in 2007 and then make a modest rise of 1.5% in 2008. Home prices will be flat in 2007 and then increase 1% in 2008. With all the subprime problems out of the way by 2009, the momentum will inevitably strengthen further.

Economic and Housing Market Outlook: August 2007

	Quarterly												
	2006.3	2006.4	2007.1	2007.2	2007.3	2007.4	2008.1	2008.2	2008.3	2008.4	2006	2007	2008
U.S. Economy													
Annual Growth Rate													
Real GDP	1.1	2.1	0.6	3.4	2.3	2.5	2.8	2.8	3.0	3.0	2.9	1.9	2.8
Nonfarm Payroll Employment	1.6	1.5	1.5	1.3	1.2	1.3	1.3	1.2	1.4	1.7	1.9	1.4	1.3
Consumer Prices	3.1	-2.1	3.8	6.0	1.9	1.2	2.1	2.2	2.1	2.0	3.2	2.7	2.2
Real Disposable Income	1.7	6.2	5.9	-0.8	2.5	1.9	3.1	2.4	2.8	2.8	3.1	3.1	2.4
Consumer Confidence	104	107	110	109	109	108	107	108	109	110	106	109	109
Percent													
Unemployment Rate	4.7	4.5	4.5	4.5	4.6	4.7	4.8	4.8	4.8	4.8	4.6	4.6	4.8
Interest Rates, Percent													
Fed Funds Rate	5.3	5.2	5.3	5.3	5.3	5.3	5.0	4.8	4.8	4.8	5.0	5.3	4.9
3-Month T-Bill Rate	4.9	4.9	5.0	4.7	5.0	4.9	4.7	4.5	4.5	4.5	4.7	4.9	4.6
Prime Rate	8.3	8.3	8.3	8.3	8.3	8.3	8.0	7.8	7.8	7.8	8.0	8.3	7.9
Corporate Aaa Bond Yield	5.7	5.4	5.4	5.6	5.7	5.8	5.7	5.7	5.8	5.8	5.6	5.6	5.8
10-Year Government Bond	4.9	4.6	4.7	4.8	4.9	5.0	4.9	4.9	4.9	4.9	4.8	4.9	4.9
30-Year Government Bond	5.0	4.7	4.8	5.0	5.1	5.1	5.0	5.0	5.0	5.0	4.9	5.0	5.0
Mortgage Rates, percent													
30-Year Fixed Rate	6.6	6.3	6.2	6.3	6.6	6.7	6.6	6.5	6.5	6.5	6.4	6.5	6.5
1-Year Adjustable	5.7	5.5	5.5	5.5	5.6	5.5	5.3	5.1	5.1	5.1	5.5	5.5	5.2
National Housing Indicators													
Thousands													
Existing Single-Family Sales	6,287	6,263	6,423	5,913	5,853	6,081	6,275	6,351	6,398	6,483	6,478	6,039	6,376
New Single-Family Sales	994	986	853	880	842	831	836	839	855	862	1,051	852	848
Housing Starts	1,704	1,555	1,460	1,462	1,403	1,400	1,397	1,395	1,403	1,415	1,801	1,431	1,402
Single-Family Units	1,393	1,232	1,172	1,166	1,094	1,080	1,071	1,062	1,069	1,078	1,465	1,128	1,070
Multifamily Units	311	323	288	296	310	320	325	333	334	338	336	303	333
Residential Construction*	555	529	506	494	493	486	484	484	486	490	570	495	486
Percent Change -- Year Ago													
Existing Single-Family Sales	-12.4	-10.1	-6.4	-10.8	-6.9	-2.9	-2.3	7.4	9.3	6.6	-8.5	-6.8	5.6
New Single-Family Sales	-23.3	-21.9	-24.6	-19.0	-15.3	-15.7	-2.0	-4.7	1.5	3.7	-18.1	-19.0	-0.5
Housing Starts	-18.8	-24.8	-31.4	-21.5	-17.7	-10.0	-4.4	-4.6	0.0	1.1	-12.9	-20.5	-2.0
Single-Family Units	-20.2	-28.6	-33.1	-23.3	-21.5	-12.3	-8.6	-9.0	-2.3	-0.2	-14.6	-23.0	-5.1
Multifamily Units	-11.9	-5.9	-23.3	-13.3	-0.5	-0.9	12.9	12.7	7.8	5.5	-4.5	-9.7	9.6
Residential Construction	-8.5	-12.8	-16.5	-15.9	-11.1	-8.2	-4.4	-2.0	-1.4	0.9	-4.6	-13.1	-1.8
National Home Prices													
Thousands of Dollars													
Existing Home Prices	225.0	219.3	214.0	224.2	220.1	217.1	215.3	227.1	225.4	224.7	221.9	219.3	223.6
New Home Prices	236.2	245.1	255.9	239.7	229.9	239.9	248.2	245.5	243.2	248.8	246.5	240.8	246.3
Percent Change -- Year Ago													
Existing Home Prices	-1.1	-2.7	-1.4	-1.1	-2.2	-1.0	0.6	1.3	2.4	3.5	1.0	-1.2	2.0
New Home Prices	-0.1	2.1	4.5	-2.6	-2.7	-2.1	-3.0	2.4	5.8	3.7	2.3	-2.3	2.3
Local Region													
Payroll Jobs (in thousands)	1890.4	1946.9	1944.6	1953.8	1952.8	2003.4	2002.9	2016.3	2015.3	2069.5	1894.6	1963.6	2026.0
Home Sales	17732	16144	15141	16660	14061	13835	14672	16860	14596	14444	73805	59698	60572
Home Prices (in thousand $)	329.5	333.8	342.2	345.2	327.9	330.8	343.2	349.3	333.4	337.4	335.3	337.0	341.2
Percent Change -- Year Ago													
Jobs	5.7%	5.5%	4.7%	3.7%	3.3%	2.9%	3.0%	3.2%	3.2%	3.3%	6.0%	3.6%	3.2%
Home Sales	-37.7%	-25.8%	-18.3%	-22.1%	-20.7%	-14.3%	-3.1%	1.2%	3.8%	4.4%	-28.8%	-19.1%	1.5%
Home Prices	4.4%	3.0%	2.3%	1.0%	-0.5%	-0.9%	0.3%	1.2%	1.7%	2.0%	11.7%	0.5%	1.2%

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. Lawrence Yun.

Economic Monitor

This table reflects data available through July 23, 2007.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Existing Home Sales fell 0.3% in May to a seasonally adjusted annual rate of 5.99 million units – the lowest level of resales since June 2003. Home prices declined for a 10th straight month. Housing inventory was at an all-time high – an 8.9 months supply at the current sales pace. While economic conditions favor strong demand for homes, the high inventory needs to diminish before buyer confidence is restored.	May 07 5,990 Apr 07 6,010 May 06 6,680	↔	Soft sales trend to continue through the third quarter
New Home Sales Following a double-digit increase in April, sales of newly constructed homes declined 1.6% in May. New home inventory is stabilizing – the number of new homes available for sale fell modestly to a 7-month supply – higher than new home inventory in May of 2006, but well below the 8.3-month supply posted three months ago. Given tighter credit standards – particularly related to subprime loans – the demand for new homes will continue to tread on the low side for the next three months.	May 07 915 Apr 07 930 May 06 1,087	↓	New home sales will weaken further and remain soft untill spring of next year
Housing Starts also declined in May to 1.47 million seasonally adjusted annualized units – off 2.1% from April, but down 24% from the level in May of 2006. Housing permits – generally a reliable indicator of future starts – rose 3.0%, but the increase was due primarily to permits issued for multifamily starts.	May 07 1,474 April 07 1,506 May 06 1,944	↓	Builders' profit margin is getting squeezed and they will be forced to hold back on construction
Housing Affordability NAR's Housing Affordability Index dipped in May to 109.9 – its lowest point of the year, but well above the 101.8 level recorded in May of 2006. Increases in the major components of the index – interest rates, qualifying income, and the median price of homes – all contributed to driving affordability downward.	May 07 109.9 April 07 112.4 May 06 101.8	↑	Wage growth rising at a 4% clip, while prices have been falling about 2%
Mortgage Rates The thirty-year fixed mortgage rates rose in June to an average 6.61% – the highest level since summer of 2006, but lower than in June of 2006. Similarly, the one-year ARM rate also jumped 15 basis points and is at its highest point so far this year. Higher mortgage rates, along with stricter qualifying criteria are cutting into housing affordability for many households.	June 07 6.61% May 07 6.22% June 06 6.68%	↔	No major changes in rates from current levels
Employment The economy created 132,000 new jobs in June – higher than most analysts expected. In addition, April and May job creation figures were revised upward. In the past twelve months, 2.0 million jobs have been added to the economy. The commercial real estate sector contributed more than 10,000 jobs to the month's employment figures. The unemployment rate was unchanged at 4.5%.	June 07 132 May 07 190 12-month total 2,008	↓	Job creation continuing but at about the same pace, which is neither outstanding nor disappointing
Economic Growth The economy expanded at a slow 0.7% growth rate in the first quarter of 2007. This is the third and final reading based on complete data. The sluggishness was due primarily to the housing market slump – residential investment fell 16% during the quarter. Any growth rate below 3% would be considered as sub-par. In spite of that, consumer spending continued to show strength by expanding at 4.2%. Job gains and wage growth and the record stock market wealth are supporting spending.	2007:I 0.7% 2006:IV 2.5% 2006:I 5.6%	↑	Exports should be rising from the weaken dollar

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