

Economic and Market Watch Report

4th Quarter, 2005



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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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Local Report

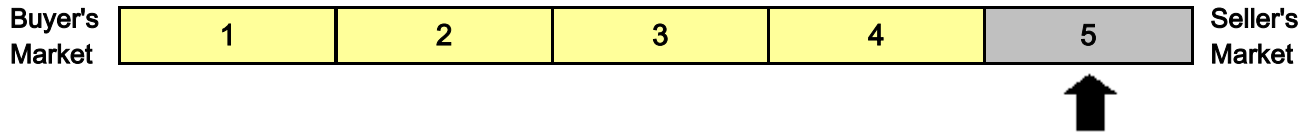
Arizona

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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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Maricopa County, AZ



Labor Market :

In the first two months of the fourth quarter, 15,633 jobs were added to the payrolls of Maricopa County. As a result of these new jobs, the average monthly unemployment rate fell from 4.3% during the third quarter to 4.2% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 05	Q4' 05	Q1' 06 (Forecast)
Average Price	\$322,300	\$330,100	↑
# Homes on the Market *	22,768	29,934	↔
# Homes Sold **	25,866	20,028	↓
# New Homes Built	10,909	5,816 ***	↓
Avg # of Days on Market	20	26	↑

* Available as of Dec. 31, 2005.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2005

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85002	\$155,000	-	1	-	53	91.2%
85003	\$349,500	37.11%	18	-51.35%	51	97.4%
85004	\$328,800	20.57%	16	-11.11%	27	98.4%
85006	\$203,000	55.20%	98	-5.77%	26	99.2%
85007	\$281,600	49.39%	53	-26.39%	30	98.0%
85008	\$194,900	29.85%	127	-2.31%	27	98.8%
85009	\$144,500	40.16%	118	4.42%	27	100.2%
85012	\$421,200	36.00%	33	-21.43%	39	96.3%
85013	\$294,300	20.61%	77	-10.47%	31	97.9%
85014	\$245,200	30.84%	125	-3.85%	28	98.3%

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

Maricopa County, AZ

Data by Zip Codes for Q4 2005

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	\$188,000	45.40%	134	-26.37%	28	98.3%
85016	\$389,200	45.71%	158	-24.40%	37	96.3%
85017	\$165,800	56.12%	144	13.39%	20	100.2%
85018	\$502,400	52.52%	197	-14.35%	31	97.4%
85019	\$178,600	49.83%	125	-8.09%	23	99.6%
85020	\$276,000	32.06%	239	8.14%	29	98.2%
85021	\$307,200	22.05%	95	-32.62%	28	97.5%
85022	\$297,200	28.21%	221	-13.67%	29	98.3%
85023	\$275,400	41.52%	143	-2.72%	25	98.8%
85024	\$325,200	50.70%	142	-4.70%	29	99.4%
85027	\$224,600	39.76%	220	-15.06%	20	99.0%
85028	\$472,300	32.19%	78	-35.00%	35	96.7%
85029	\$216,400	51.97%	230	-2.13%	22	99.2%
85030	\$366,500	164.62%	1	0.00%	21	97.7%
85031	\$173,100	52.38%	120	-6.25%	24	100.1%
85032	\$268,400	46.75%	354	-11.50%	28	98.6%
85033	\$167,700	44.82%	310	5.80%	-35	100.3%
85034	\$176,800	44.33%	24	60.00%	28	98.8%
85035	\$177,300	55.80%	154	-4.94%	22	100.3%
85037	\$223,900	59.93%	330	0.92%	23	100.0%
85038	\$480,000	384.85%	1	0.00%	26	96.0%
85040	\$196,200	73.63%	138	50.00%	26	99.6%
85041	\$245,600	47.95%	230	36.90%	27	99.3%
85042	\$252,300	32.44%	159	2.58%	26	98.8%
85043	\$238,100	46.43%	160	-3.61%	25	99.7%
85044	\$362,200	39.68%	205	-8.48%	25	98.6%
85045	\$511,900	53.45%	46	-6.12%	24	98.7%
85048	\$466,000	39.27%	178	-20.89%	32	98.0%
85050	\$366,700	32.53%	164	12.33%	28	98.4%
85051	\$186,500	43.13%	222	-8.26%	20	99.1%
85053	\$228,900	47.49%	119	-17.93%	23	99.7%
85054	\$550,100	17.67%	19	-36.67%	33	98.1%
85085	\$431,100	54.85%	94	23.68%	37	97.8%
85086	\$461,600	36.93%	335	6.01%	48	98.3%
85087	\$394,100	49.56%	29	-42.00%	39	98.9%
85201	\$184,400	38.75%	199	-7.01%	19	99.8%
85202	\$206,300	33.18%	185	-8.87%	17	99.6%

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

Maricopa County, AZ

Data by Zip Codes for Q4 2005

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	\$261,800	55.37%	129	-21.34%	23	99.1%
85204	\$215,400	41.43%	268	-10.96%	18	99.6%
85205	\$251,200	46.90%	229	-4.98%	22	98.9%
85206	\$249,200	54.88%	166	-23.15%	26	98.5%
85207	\$362,200	47.24%	243	-20.33%	29	98.0%
85208	\$229,900	43.33%	379	-21.04%	29	99.2%
85210	\$188,500	49.96%	157	-14.67%	16	99.8%
85212	\$321,400	45.36%	205	-30.74%	25	98.9%
85213	\$353,100	31.61%	114	-22.45%	29	98.4%
85215	\$352,300	54.99%	103	-23.70%	34	97.7%
85224	\$284,500	38.44%	214	-11.20%	20	99.0%
85225	\$257,500	43.94%	444	-0.67%	19	99.0%
85226	\$316,700	42.15%	220	11.11%	20	98.5%
85233	\$351,300	47.23%	264	-3.30%	24	98.6%
85234	\$348,100	39.57%	209	-16.06%	25	98.7%
85236	\$340,300	38.73%	109	23.86%	32	97.9%
85242	\$388,800	51.99%	150	8.70%	44	98.0%
85248	\$385,200	32.97%	312	-17.46%	26	98.3%
85249	\$411,200	40.05%	350	11.46%	34	98.6%
85250	\$365,800	34.29%	127	-13.01%	30	97.8%
85251	\$322,200	53.50%	224	-23.81%	31	97.3%
85253	\$1,715,700	55.31%	98	-27.41%	59	95.1%
85254	\$519,300	35.23%	244	-15.57%	32	97.9%
85255	\$876,600	33.22%	291	-29.02%	51	97.0%
85257	\$280,100	58.70%	139	-5.44%	24	98.0%
85258	\$524,200	33.55%	206	-7.62%	33	97.5%
85259	\$816,800	16.74%	175	-6.42%	35	97.7%
85260	\$511,400	26.30%	195	-26.14%	36	98.0%
85262	\$1,089,500	38.56%	224	-10.04%	59	96.6%
85263	\$609,800	86.88%	19	5.56%	53	96.7%
85268	\$547,100	48.02%	202	-24.63%	40	97.5%
85281	\$230,900	45.22%	155	4.73%	24	98.1%
85282	\$246,200	43.14%	206	3.00%	22	98.4%
85283	\$277,700	39.20%	148	6.47%	18	99.3%
85284	\$518,500	42.64%	59	-25.32%	30	98.2%
85296	\$370,500	43.60%	353	-9.49%	17	98.4%
85297	\$410,500	46.29%	238	11.74%	31	98.7%

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

Maricopa County, AZ

Data by Zip Codes for Q4 2005

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85301	\$168,900	47.38%	193	-12.67%	21	99.7%
85302	\$220,500	47.79%	192	-10.28%	20	99.7%
85303	\$236,600	43.74%	181	3.43%	22	99.5%
85304	\$259,600	49.02%	132	-15.92%	23	99.0%
85305	\$336,800	55.21%	47	23.68%	26	98.7%
85306	\$249,700	50.79%	119	-11.85%	20	99.2%
85307	\$247,400	46.65%	34	-24.44%	21	99.5%
85308	\$344,800	47.98%	321	-22.28%	22	98.5%
85310	\$387,100	37.22%	172	-2.27%	28	98.6%
85320	\$300,800	-	3	-	194	98.9%
85322	\$370,000	-	2	-	35	85.5%
85323	\$276,700	46.32%	486	8.48%	30	99.1%
85326	\$276,300	62.91%	217	36.48%	39	99.0%
85327	\$980,000	-	1	-	15	100.0%
85329	\$221,000	250.79%	5	66.67%	6	100.5%
85331	\$601,200	41.69%	176	-35.29%	39	97.0%
85335	\$231,900	47.71%	276	-16.87%	26	99.6%
85338	\$319,200	33.95%	341	-11.89%	30	98.8%
85339	\$341,100	36.11%	74	42.31%	25	98.8%
85340	\$361,100	34.89%	162	-16.49%	38	98.2%
85342	\$223,800	55.63%	11	0.00%	86	93.1%
85343	\$165,000	-	1	-	5	100.0%
85345	\$217,500	48.26%	356	-8.95%	21	99.2%
85351	\$171,000	36.04%	294	-25.57%	29	98.1%
85353	\$259,800	49.31%	129	31.63%	29	99.4%
85354	\$188,100	77.45%	47	56.67%	51	98.7%
85355	\$568,200	52.50%	11	-45.00%	37	97.9%
85361	\$243,000	37.13%	47	-7.84%	52	97.4%
85363	\$185,200	55.63%	36	33.33%	19	98.9%
85373	\$219,400	43.21%	103	-19.53%	29	97.8%
85374	\$263,200	36.02%	433	-19.81%	11	98.7%
85375	\$262,300	34.24%	232	-24.68%	25	98.2%
85377	\$805,900	54.27%	27	-10.00%	54	98.6%
85379	\$303,700	58.09%	287	12.11%	29	98.7%
85381	\$290,200	30.37%	97	-28.68%	23	98.9%
85382	\$296,300	29.62%	256	-11.42%	24	98.7%
85383	\$478,100	26.99%	124	-1.59%	35	98.0%

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

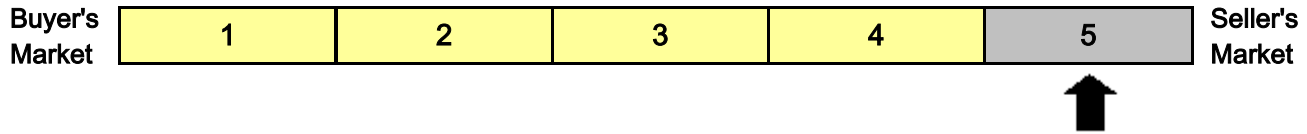
Maricopa County, AZ

Data by Zip Codes for Q4 2005

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85387	\$341,000	57.65%	62	40.91%	36	98.0%
85390	\$266,900	31.28%	43	-6.52%	86	96.8%
OTHER	\$267,800	61.33%	162	42.11%	26	98.9%

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

Pinal County, AZ



Labor Market :

In the first two months of the fourth quarter, 692 jobs were added to the payrolls of Pinal County. As a result of these new jobs, the average monthly unemployment rate fell from 5.9% during the third quarter to 5.7% for October and November. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q3' 05	Q4' 05	Q1' 06 (Forecast)
Average Price	\$225,600	\$231,200	↑
# Homes on the Market *	2,318	3,385	↔
# Homes Sold **	1,883	1,475	↓
# New Homes Built	2,752	1,300 ***	↓
Avg # of Days on Market	28	34	↑

* Available as of Dec. 31, 2005.

** May not add to total of zip codes.

*** During the first two months of 4th quarter.

Data by Zip Codes for Q4 2005

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	\$355,200	53.43%	98	-38.36%	49	97.9%
85219	\$274,100	46.26%	95	-33.57%	34	97.7%
85220	\$177,100	37.82%	159	-10.17%	31	99.6%
85222	\$196,700	43.47%	228	7.04%	36	98.0%
85223	\$159,600	55.25%	143	32.41%	23	99.6%
85228	\$159,100	44.90%	61	27.08%	33	98.9%
85230	\$225,000	-	1	-	90	97.8%
85231	\$93,100	4.49%	25	78.57%	34	98.9%
85232	\$176,800	61.02%	52	15.56%	63	98.7%
85237	\$56,500	32.63%	2	-33.33%	47	95.8%

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

Pinal County, AZ

Data by Zip Codes for Q4 2005

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	\$270,900	53.83%	142	37.86%	31	98.1%
85272	\$141,000	88.00%	3	200.00%	38	93.1%
85273	\$154,600	68.59%	8	166.67%	2	99.9%
OTHER	\$267,800	54.89%	458	39.21%	34	98.7%

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

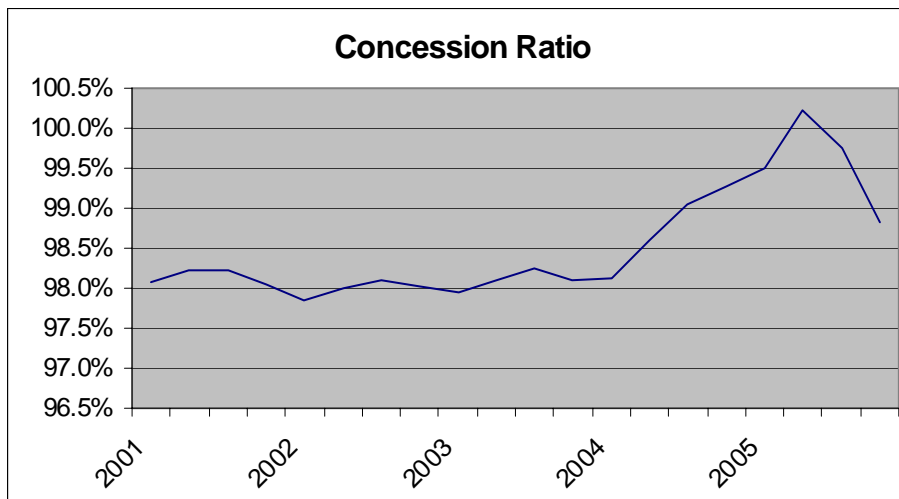
But What Does a Slowing Market Mean?

Ken Fears, Economist

Newspaper pundits have been harkening a bubble in the housing market for years. For the first time the markets are actually starting to show signs of slowing. Sharp increases in prices in 2005 and a fifty basis point increase in the 30-year fixed rate mortgage in the fourth quarter of 2005 eroded affordability conditions leading to this cooling. But the data indicates that it is just that; the market is *cooling* based on fundamental factors. Days on the market have increased in roughly half of the metropolitan areas that NAR® Research monitors.

With affordability declining demand will shrink and homes will sit on the market longer. Compounding the problem, the stock of homes for sale will begin to build up. Consequently downward price pressure will develop forcing sellers to make concessions, causing a decline in the ratio of sale price to list price, in order to meet buyer's ability to finance their purchase. However, are we there yet?

There are several reasons that may explain an increase in the concession. First, Realtors® may be listing prices high in an attempt to boost up the sale price by listing well above comparable sales prices and accepting a slightly lower selling price that is still above the current comparables. Secondly, the market may be changing and Realtors® who are used to a certain quarterly increase can no longer use this guide for pricing. For example, a year ago when pricing a home a Realtor® may have taken a recent selling price and asked 3% more assuming prices were continuing to rise, but with demand flattening, only the recent selling price is realized, creating a 3% concession *from the inaccurate list price*. Finally, if the market is truly oversaturated and has been stagnant for a protracted period, the only way to move homes may be to accept prices below recent realized sale prices...this last scenario is one in which there is a true concession.



Locally, we have seen an increase of 2.0 days to an average of 31.0 days on the market in the fourth quarter of 2005 as compared to the same quarter in 2004. Over this same time period, the area covered by the Arizona Regional MLS has seen an increase in the concession (e.g. 1 - concession ratio) of 0.5 percentage points. This ratio stood at 98.8% in the fourth quarter of 2005. As pictured in the graph above, concessions shrank over the period from 2001 through 2005.

Even with all of this data, it is too early to tell at which stage of the concession cycle we are in. Concessions will likely rise as the supply of homes increase and days on the market expand, however, we haven't seen a sharp increase in either as of yet. Concessions have likely increased slightly, but this is due to problems estimating initial prices by Realtors®. As Realtors® get use to a more stable market, their pricing will improve and concessions will shrink, but the long-term trend will be to an expansion of concessions in order to move homes. Regardless, concessions and days on the market will rise, but this trend will only help to bring about a more equitable market, improving prospects for buyers and their Realtors®.

Chinks in the Armor?

by David Lereah, NAR® Chief Economist

While most economists are not predicting a recession this year, many are projecting slower economic activity due to the long awaited slowing in the housing sector. Most growth projections of gross domestic product, GDP, fall within the 2.75 to 3.5 percent range. I believe the economy will be somewhat stronger, projecting a 4 percent growth pace for the year. But I do think that a weaker economy is possible and that our nation's housing markets will be primarily responsible.

Concerns about slower economic growth are highlighted by what, at times, has spooked most economists: the flatness and at times, "inversion," of the Treasury bond yield curve. As of this writing (mid-January), the federal funds rate is 4.25 percent and expected to rise to 4.5 percent, while the 10-year Treasury yield hovers at a relatively low 4.4 percent. Historically, long-term rates lower than short-term rates (i.e., an inversion), portends a significant slowing in economic activity, culminating with recession. While a contraction in the economy at this time seems unlikely, the awkward shape of today's yield curve has made many of us nervous. The oddly shaped yield curve, combined with concerns about housing activity, have most economists believing that the U.S. economy will underachieve in 2006.

After five years of being the primary engine for economic growth in this country, the housing sector is likely to move to the back burner and could actually *slow* economic activity this year. Thirty-year mortgage rates should modestly trend up towards 6.7 percent this year from a beginning level of 6.3 percent, placing upward pressure on purchasing costs. Also, the real estate boom is winding down. Many of our nation's hot metro housing markets (69 metros experienced double-digit price appreciation last year) are expected to catch their collective breath and experience some fall-off in home sales. As a result, home construction should also fall as well as housing-related jobs.

Specifically, I expect home sales and housing starts to drop by about 5 percent and 8 percent, respectively, reducing the number of real estate transactions as well as real estate-related jobs throughout the nation. A drop in residential construction, jobs and sales all have a direct negative impact on GDP growth. I also expect home price appreciation to slow to 6 percent this year from a cyclical high of 13 percent last year. Smaller gains in home values have two negative effects on consumer spending. Consumers will have less equity to borrow from via equity lines of credit to spend on goods and services. And, homeowners will feel less wealthy (based on their unrealized gain) this year versus last year, inhibiting consumer spending on big items (i.e., durable goods).

Notice, the housing sector is expected to experience a soft landing this year, rather than experience some "bursting" of balloons. There will be no sharp price drops or other negative events coming from the housing sector. But on balance, the housing sector is expected to be a negative rather than a positive on the economic activity this year, albeit minimally.

Other negatives that could affect this year's economy include stubbornly high energy prices and a new Federal Reserve Chairman. While gasoline prices have returned to pre-Katrina levels, the impact of higher energy costs will be felt throughout the year. Natural gas also experienced recent price gains and combined with higher gasoline prices, promises to exert upward pressure into the cost of production of other goods and services. Higher energy prices could inhibit manufacturing and other business activity, slowing overall economic growth.

As for the new Federal Reserve Chairman, Ben Bernanke—he has done nothing wrong and will probably make a great Chairman—but he is new to the job. Anything – or anyone – new generates uncertainty in the financial markets, exerting some upward pressure on interest rates. Until the Chairman meets his first crises with success, the financial markets will be at a lower comfort level compared with the time-tested Mr. Greenspan.

Balancing the inhibiting effects of a slower housing market this year will be a strong demand for U.S. exports due to stronger growth in overseas economies. I also expect the manufacturing sector to display stronger growth this year *vis a vis* last year. Overall business spending should also continue to be strong and construction activity for the rebuilding of the Katrina-hit Gulf Coast both promise to positively impact GDP growth. So even with a modest slowing in housing expected this year, the economy promises to provide a favorable backdrop for both businesses and consumers.

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

The National Picture

Home sales marched forward in 2005 to set a fifth consecutive record year. Nationally, 7.1 million existing homes exchanged hands. New home sales also rose to new heights with 1.3 million sales. Because of the strong demand, home prices increased by 13% - the highest in over 25 years.

The Federal Reserve's tightening of monetary policy has contained inflation. After a rise in the consumer price index (CPI) of 3.4% in 2005, the CPI will decelerate to 3% in 2006 and then to 2% in 2007. Low inflation will keep long-term bond rates at manageable levels. Further, the Federal Reserve can back off their interest-rate increases after one more rate hike at the end of January. The fourth quarter economic expansion was very weak at only 1.1%. This further provides reasons as to why the Fed should end the tightening money supply.

What will happen with mortgage rates? While the 30-year fixed rate will remain under 7% for the next two years, expect modestly higher rates in 2006 — 6.3% to 6.7% — compared to the 5.5-6% rates of the past three years. These higher rates will begin to rein in the super-hot national housing activity that we've seen over the last three years. Indeed, in some pricier regions of the country homebuyers have already been stretched to the max. Look at San Diego where interest-only and adjustable-rate mortgages are prevalent; the market there could encounter difficulty in bringing in a new set of homebuyers. Prices will hold their ground, but sales activity will come down measurably.

The more affordable regions of the country – the vast chunk of middle America in the Central and Mountain Time zones – will likely fare better since modestly higher rates will not greatly impact affordability. Anyone with a job and a good credit can pretty much afford a commonly available \$150,000 home. Thus, home sales in the middle regions of the country will outperform the coastal regions - provided jobs get added to the local economy. Though 4 million jobs have been created in the past two years for the country as a whole, the impact has been highly uneven across different parts of the country.

The Local Picture

Home sales tumbled 7.7% in the fourth quarter in the local area but ended the past year with an increase. A total tally was 103,802 unit sales, a 7.2% growth. Home prices remained strong throughout as they rose on average by 35%. Price growth in 2004 was 13%. A typical local area home price was \$300,300.

In 2006, the local job gains could total 70,000. But home sales will remain about the same as in 2005 due to higher mortgage rates. Similarly, the local region will see slower price growth - of about 13%. The outlook for 2007 looks brighter with home sales set to rise on the back of local job gains and stable mortgage rates.

Economic and Housing Market Outlook: First Quarter 2006

	2005				2006				2007		2004	2005	2006	2007
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	3.8	3.3	4.1	1.1	4.6	4.1	3.9	3.8	3.7	3.8	4.2	3.6	4.0	3.8
Nonfarm Payroll Employment	1.6	1.9	1.6	1.0	1.8	1.8	1.8	1.7	1.6	1.6	1.1	1.6	1.6	1.7
Consumer Prices	2.4	4.2	5.1	3.2	2.2	2.0	1.8	1.9	1.9	2.2	2.7	3.4	3.0	2.0
Real Disposable Income	-3.4	0.2	-2.0	5.2	8.1	5.0	4.9	4.6	5.1	3.7	3.4	1.3	4.6	4.4
Consumer Confidence	104	102	99	96	101	104	106	107	108	109	80	100	105	109
<i>Percent</i>														
Unemployment Rate	5.3	5.1	5.0	4.9	5.0	4.9	4.9	4.8	4.8	4.8	5.5	5.1	4.9	4.7
<i>Interest Rates, Percent</i>														
Fed Funds Rate	2.5	2.9	3.5	4.0	4.4	4.5	4.5	4.5	4.5	4.5	1.3	3.2	4.5	4.5
3-Month T-Bill Rate	2.5	2.9	3.4	3.9	4.3	4.3	4.3	4.3	4.3	4.3	1.4	3.2	4.3	4.3
Prime Rate	5.4	5.9	6.4	7.0	7.4	7.6	7.5	7.5	7.5	7.5	4.3	6.2	7.5	7.5
Corporate Aaa Bond Yield	5.3	5.1	5.1	5.5	5.8	6.0	6.1	6.1	6.1	6.1	5.6	5.3	6.0	6.2
10-Year Government Bond	4.3	4.2	4.2	4.5	4.7	4.9	5.0	5.0	5.1	5.1	4.3	4.3	4.9	5.1
30-Year Government Bond	4.7	4.5	4.4	4.7	4.9	5.1	5.2	5.2	5.2	5.2	5.1	4.6	5.1	5.2
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.8	5.7	5.8	6.2	6.3	6.6	6.7	6.7	6.8	6.8	5.8	5.9	6.5	6.8
1-Year Adjustable	4.2	4.3	4.5	5.1	5.3	5.4	5.5	5.5	5.5	5.5	3.8	4.5	5.4	5.5
National Housing Indicators														
<i>Thousands</i>														
Existing Single-Family Sales	6,837	7,223	7,240	6,900	6,794	6,747	6,835	6,796	6,774	6,809	6,784	7,072	6,787	6,821
New Single-Family Sales	1,249	1,287	1,293	1,292	1,276	1,236	1,178	1,135	1,157	1,168	1,203	1,282	1,209	1,198
Housing Starts	2,083	2,044	2,101	2,035	2,028	1,975	1,897	1,845	1,893	1,923	1,956	2,065	1,936	1,943
Single-Family Units	1,709	1,693	1,747	1,702	1,708	1,648	1,554	1,488	1,512	1,537	1,604	1,714	1,600	1,544
Multifamily Units	374	351	354	333	320	327	343	358	381	385	345	350	337	399
Residential Construction*	584	599	610	625	623	615	602	586	582	589	562	604	607	595
<i>Percent Change -- Year Ago</i>														
Existing Single-Family Sales	8.2	4.7	6.5	0.3	-0.6	-6.6	-5.6	-1.5	-0.3	0.9	9.7	4.2	-4.0	0.5
New Single-Family Sales	5.0	7.0	11.1	3.9	2.2	-3.9	-8.9	-12.2	-9.3	-5.5	10.8	6.6	-5.7	-0.9
Housing Starts	8.0	6.3	6.4	3.1	-2.6	-3.4	-9.7	-9.3	-6.7	-2.6	5.2	5.6	-6.2	0.3
Single-Family Units	9.4	5.9	6.9	5.0	0.0	-2.7	-11.1	-12.6	-11.5	-6.8	6.6	6.4	-6.7	-3.5
Multifamily Units	1.9	8.6	4.2	-5.5	-14.4	-7.0	-3.0	7.5	18.9	18.0	-0.9	1.4	-3.7	18.5
Residential Construction	7.7	6.1	7.2	9.4	6.7	2.7	-1.4	-6.1	-6.6	-4.3	10.3	7.6	0.4	-2.0
National Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	190.3	209.3	215.9	214.7	204.4	220.1	225.7	224.9	212.3	227.8	185.2	209.1	219.7	228.1
New Home Prices	229.9	230.2	235.1	228.7	244.4	244.0	243.7	249.2	257.3	256.0	221.0	237.3	245.2	256.3
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	10.2	13.4	14.0	13.4	7.4	5.1	4.5	4.7	3.9	3.5	8.5	12.9	5.1	3.8
New Home Prices	8.0	6.3	9.9	-0.4	6.3	6.0	3.7	9.0	5.3	4.9	3.9	7.4	3.3	4.5
Local Region														
Payroll Jobs (in thousands)	1715.7	1734.2	1737.0	1795.9	1784.3	1800.1	1801.3	1860.6	1843.2	1854.1	1674.9	1745.7	1811.6	1871.3
Home Sales	23879	29622	28487	21814	23043	29415	29228	22643	23965	30944	96870	103802	104328	109962
Home Prices (in thousand \$)	260.1	300.3	315.6	324.2	320.5	341.8	346.5	348.8	336.5	360.3	222.3	300.3	339.9	357.6
<i>Percent Change -- Year Ago</i>														
Jobs	4.3%	3.9%	4.4%	4.4%	4.0%	3.8%	3.7%	3.6%	3.3%	3.0%	3.4%	4.2%	3.8%	3.3%
Home Sales	21.4%	8.1%	8.8%	-7.7%	-3.5%	-0.7%	2.6%	3.8%	4.0%	5.2%	23.4%	7.2%	0.5%	5.4%
Home Prices	24.2%	36.4%	41.4%	38.3%	23.2%	13.8%	9.8%	7.6%	5.0%	5.4%	13.2%	35.1%	13.2%	5.2%

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. David Lereah and Dr. Lawrence Yun.

This table reflects data available through January 6, 2005.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Mortgage Rates The 30-year fixed mortgage rate slid 5 basispoints from November, averaging at 6.27% in December. The economy is recovering rapidly and the resulting inflationary pressure is pushing up interest rates. Rates should hover around mid 6% during 2006.	Oct 6.07 Nov 6.33 Dec 6.27	↑	Higher, but do not expect the average rate to cross the 7% mark
Existing Home Sales eased 1.7% in November to a seasonally adjusted annualized rate of 6.97 million units. The national median existing-home price for all housing types was \$215,000 in November, up 13.2 percent from November 2004. Housing inventory levels improved, rising 1.2 percent at the end of November to 2.90 million existing homes available for sale – a 5.0-month supply at the current sales pace.	Sep 7,290 Oct 7,090 Nov 6,970	↓	Three straight months of falling pending sales portend a decline ahead
New Home Sales fell 11% in November to 1.25 million seasonally adjusted annualized units. Despite the decrease, the pace of newly built unit sales was still strong, coming off a record high in October. The inventory of new homes for sale rose to a 4.9 month supply.	Sep 1,260 Oct 1,404 Nov 1,245	↓	Strong stock market could shift investor tastes toward financial equity over housing investment
Housing Starts rose 5.3% in November, posting 2.12 million units. Single-family starts of 1.81 million matched their all-time high level; multifamily units were again weak, with only 315,000 units. The three-month moving average of 2.1 million total starts would easily beat last year's annual total of 1.95 million.	Sep 2,160 Oct 2,017 Nov 2,123	↓	A substantial rise in unsold inventory of new homes gives builders a reason to pause
Employment While payroll employment rose by only 108,000 in December, the previous month's figures were revised upwards by nearly 100,000. Manufacturing jobs showed a very respectable gain of 18,000 and jobs in the professional business service sector (those that require commercial office spaces) rose by 33,000 during the month. In the past 12 months, 2.0 million net payroll jobs have been added to the economy.	Oct 25 Nov 305 Dec 108	↑	4 million net new jobs over the next two years
Purchase Applications The December purchase applications index was 455.5 – its lowest level since February 2005. The index continues to fall due to rising mortgage rates cooling down the housing market and a decline in refinancing activities.	Oct 495.6 Nov 489.3 Dec 493.9	↓	Job losses ahead for mortgage lenders
Housing Affordability NAR's housing affordability index fell slightly in November to 115.0 – its lowest level in the last 12 months. Even though household median income increased and the median sales price of a single family home decreased during the month, these factors were offset by an increase in mortgage rates.	Sep 119.4 Oct 115.7 Nov 115.0	↓	Income growth continues to trail home price growth
Inflation The consumer price index (CPI) fell 0.6% in November. The decrease was due primarily to a decline in the transportation sector of – 1.0%. The core index, which excludes food and energy, rose 0.2%. Core prices have risen for the third straight month and are likely to remain at a strong pace through the winter as their demand rises from the rebuilding effort in the hurricane ravaged South and high fuel costs are passed through.	Sep 1.2% Oct 0.2% Nov -0.6%	↓	Inflation rate will decelerate (do not expect \$3 per gallon gas price)

Notes: All rates 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