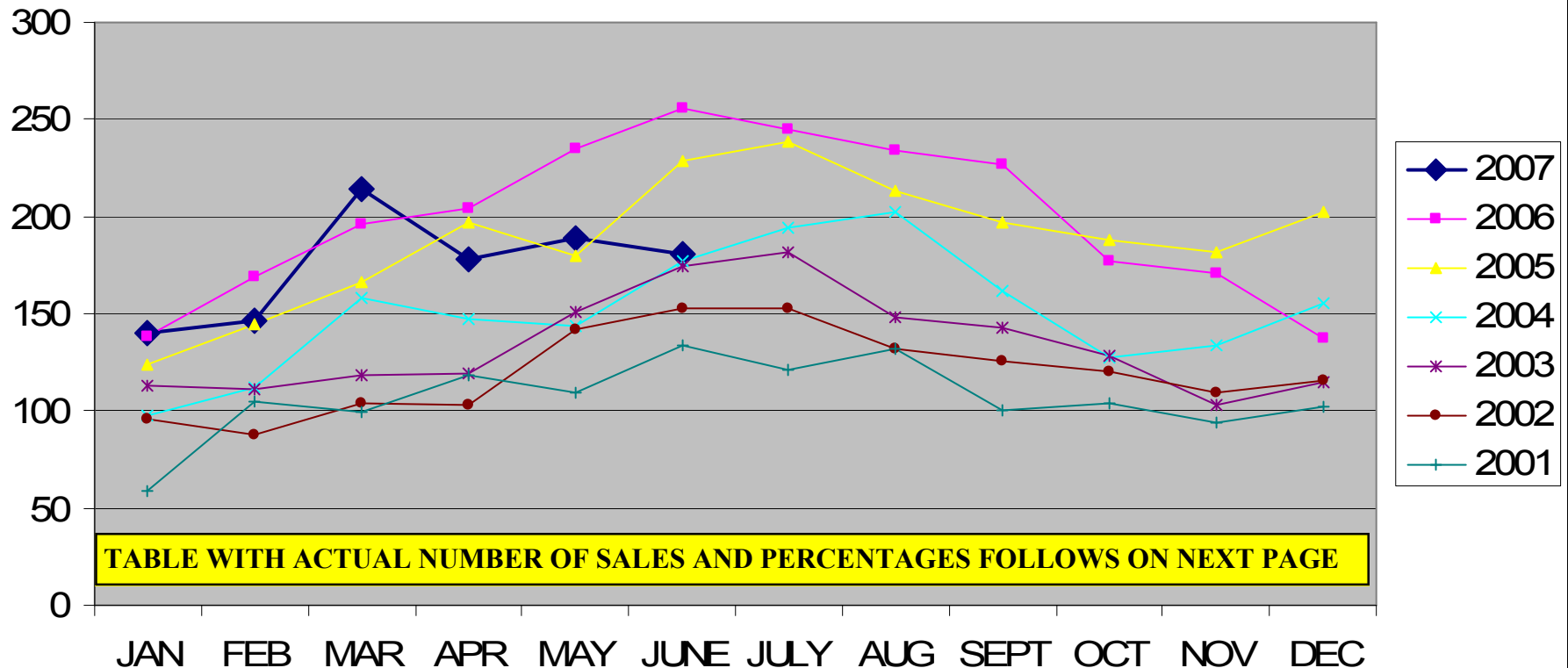


An Analysis Of The Las Cruces Real Estate Market January to June 2007

ANALYSIS OF THE NUMBER OF RESIDENTIAL PROPERTIES SOLD BY MONTH & BY YEAR

- #1. The # of Homes Sold in Las Cruces is SEASONAL. It is Lowest in 1st Q.- Highest in 2nd-3rd Q. - Then Average in the 4th Q. Through the period 2001 to 2005 and the first 3 Q.'s of 2006 this Seasonal Pattern persisted
- #2. In the years 2001 to 2004, the # of homes sold increased month over month, and year over year. The annual rate of increase was about 11- 13%. In 2005, the Market had a boom in Sales with a 25% increase vs. 2004. For the first 3-Q. of 2006, we continued to see the double digit increases over 2005.
- #3. **In both the 4th Quarter of 2006, and the first 6-months of 2007, we see that the Number of Home Sales in Las Cruces is Decreasing each Month vs. 2005.** The total sales increase in 2006 was only 6% vs. the 25% in 2005, and the 11-13% of previous years. **In the 1st 6-months of 2007 sales are down 12% vs. 2006, and down 7.4% vs. 2005.** The 4th Q. of 2006 and the 1st- 2 Q.'s of 2007, we have not had the expected seasonal increases for these periods. If there is to be an early recovery, during the next 2-Quarters we should see a return to the usual seasonal pattern, and an increase in the number of monthly sales that is at least close to 2005 levels.

NUMBER OF HOMES SOLD -BY MONTH - BY YEAR



Number of Residential Home Sales By Month / By Year With Percentage Changes

TOTAL NUMBER OF HOMES SOLD -- BY MONTH -- BY YEAR													TOTAL	AVG # PER MON.	%-	
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC				
2007 VS 2006	1%	-14%	9%	-13%	-20%	-29%										
2006 VS 2005	11%	17%	18%	4%	31%	12%	3%	10%	15%	-6%	-6%	-	32%			
2005 VS 2004	27%	29%	5%	34%	25%	29%	23%	5%	22%	48%	36%	30%				
2007	140	146	214	178	189	181							6MO=1048	175	-12%	
2006	138	169	196	204	235	256	245	234	227	177	171	137	2389	199	6%	
2005	124	145	166	197	180	229	239	213	197	188	182	202	2262	189	25%	
2004	98	112	158	147	144	177	194	202	162	127	134	155	1810	151	13%	
2003	113	111	118	119	151	174	182	148	143	128	103	115	1605	134	11%	
2002	96	88	104	103	142	153	153	132	126	120	109	116	1442	120	13%	
2001	59	105	99	118	109	134	121	132	100	104	94	102	1277	106		

ANALYSIS OF MEDIAN PRICE OF HOMES SOLD BY MONTH & BY YEAR.

The Standard for evaluating home prices is the Median Price (½ of the home prices are less than this amount, and ½ of the home prices are more than this price) You will see reports using the Average price. This is subject to many variations that make it an inaccurate standard by which to measure and compare home prices. **This report will use only “Median Price.”**

#1. Overall the Median Sold Price of a home was \$146,000 in 2004. In 2005 the Median home price increased 15% to \$168,100. In 2006, looking at the 1st Q., it appeared we would continue to see a double digit Median Price increases, but in Q.2 & Q3 prices slowed, and in the 4th Quarter, Prices fell sharply, and below 2005 levels causing the net effect for 2005 to be only an increase of 7% to \$180,000.

2 Looking at the first 2 Qs. of 2007 vs. 2006. We see a slowing of price increase, and again months where price fell well below 2006. So far for 2007 we are still seeing an increase Median Prices to \$182,500. but this increase is only 1.39% We must be very cautious, because if the 3rd & 4th Q. post losses as occurred in 2006, combined with our already marked decrease in sales, this Market could be considered depressed.

The slight increases of 2006 and especially in 2007 may really be a decrease in the Median Price of a sold home because the many Buyer Incentives & Realtor Bonuses that are occurring and are not reflected in the Selling Price reported by the MLS. If this is in fact a decrease in home prices, it is an important sign which we will discuss later.

07 VS 06	8.8%	5.5%	-5.7%	5.9%	5.9%	-8.8%								
06 VS 05	26.0%	17.9%	16.5%	1.8%	7.4%	7.9%	12.8%	-1.2%	21.0%	-2.8%	-5.5%	-1.0%		
05 VS 04	5.4%	17.9%	21.9%	31.5%	22.6%	28.1%	12.6%	12.1%	2.0%	14.5%	9.7%	8.9%		
MEDIAN PRICE OF HOMES SOLD -- BY MONTH -- BY YEAR													ANNUALIZED % CHANGE	
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC		
2007	185000	182500	180675	184191	194750	172000							182500	1.39%
2006	170000	173000	191656	174000	183862	188675	191750	180000	183950	174000	167015	170215	180000	7.08%
2005	134912	146750	164500	171000	171250	174900	170000	182117	152000	178955	176655	172000	168100	15.14%
2004	128000	124450	135000	130000	139700	136500	150950	162400	149000	156250	161000	158000	146000	

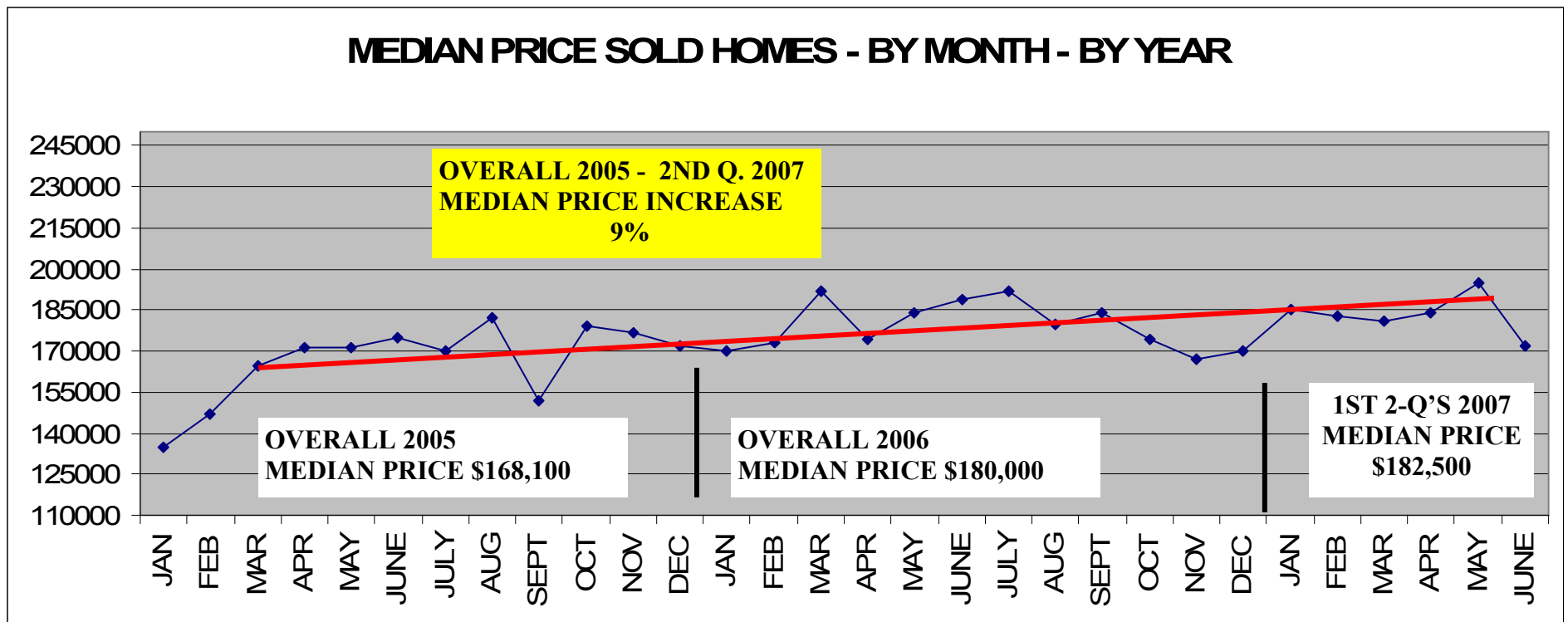
FURTHER ANALYSIS OF MEDIAN PRICE OF HOMES SOLD BY MONTH & BY YEAR.

The Graph below, shows the change in Median Price of a Sold Home by month & by year from a different perspective

The slope of the Median Price reflects a 9% increase for the time period 2005 through the 2nd Quarter of 2007. BUT, Looking at the 4th Quarter of 2006, as well as the 2 quarters of 2007, the Median Price of a Sold home falls below our slope line. This indicates that, although the overall average Median Home Price is up 9%, over the past 2-1/2 years, a dangerous trend is apparent in the last 9 months, and we may really be experiencing a fall in Median Home Prices.

The combination of a decreasing number of sales, and a simultaneous decrease in the Median Price of homes sold indicates some degree of a “depressed” Real Estate Market in Las Cruces. The 3rd & 4th Quarter Price & Number of homes sold will be very important.

We must start to experience a change in this trend of decreased sales and prices as the first signs of a return to a more Normal / Balanced Housing Market. The time frame for this turnaround is unknown, but most experts are predicting some time in 2008, but everything is local and in Las Cruces it could easily be much quicker. We'll keep watching!



ANALYSIS OF THE OVERALL SINGLE FAMILY HOME MARKET

Total Active Listings As of July 1,2007: 1741 Total Properties

Active Listings Of Single Family Homes: 1420
The Median Price of Active Listings is \$259,900

Single Family Homes Sold January – June 2007 = 878
The Median Price Sold Price of a Single Family Home was \$199,900
Median Asking Price of these Sold Homes = \$196,750
The Asked to Sold Ratio was -1.58%.

CONCLUSIONS:

- #1. There is a marked discrepancy (**\$63,150**) between the Asking Price of SFH Listings (\$259,900) and the Median Price of a SOLD SFH (\$196,750).
- #2. 1420 Homes were available for sale while only 878 have sold in the 6-Months of 2007. (878/181days= 4.85/day). **To consume the available 1420 homes it would take 293 days (9.6Months).**

The “Inventory Consumption Rate” (ICR) is the amount of time it would take to sell the homes currently available assuming the current rate of sales continues to apply. In this case 293 days or 9.6 months.

Simple Supply and Demand Economics says when the Price of a Product (Homes offered for sale by Sellers) is greater than the price Buyers are willing to pay, Buyers won't buy, Supply will continue to accumulate, and this will continue until the price of the product (Median Price of SFH) comes down to meet the demand. (The Price a Buyer is willing to pay) . **This is a “Buyer's Market”** - lots of homes available, too few buyers or unwilling buyers, resulting in a decrease in prices to levels that stimulate sales, which will result in a return of prices levels secondary to the new demand.

ICR is one measure of this problem. The accepted standard Real Estate definition says “any time the Inventory Consumption Rate (defined above) is greater than 6-Months,” the Market is said to be a “Buyer's Market.”

ANALYSIS OF SFH MARKET NEW CONSTRUCTION & RESALE HOMES

JANUARY TO JUNE 2007

ACTIVE LISTINGS SINGLE FAMILY HOMES	TOTAL #	# NEW	# RESALE
	1420	604	816
MEDIAN LISTING PRICE	\$ 259,900	\$ 278,950	\$ 247,600

SFH NEW CONSTRUCTION ... SOLD HOMES	# SOLD
	318
MEDIAN SOLD PRICE	\$225,000
MEDIAN ASKING PRICE	\$224,950
ASK/SOLD RATIO	0%
EXCESS OF LISTING VS. SOLD PRICE	\$ 53,950
INVENTORY CONSUMPTION RATE	344 DAYS
318 SOLD 181 DAYS	11.3 MONTHS
604 AVAILABLE	

SINGLE FAMILY HOME RE-SALE HOMES SOLD	# SOLD
	560
MEDIAN SOLD PRICE	\$183,200
MEDIAN ASKING PRICE	\$189,000
ASK/SOLD RATIO	-3.07%
EXCESS OF LISTING VS. SOLD PRICE	\$ 64,400
INVENTORY CONSUMPTION RATE	264 DAYS
560 SOLD 181 DAYS	8.67 MONTHS
816 AVAILABLE	

NEW CONSTRUCTION CONCLUSIONS

- Sold Price is \$225,000 while Listing Price is \$278,950. **A \$53,950 miss-match.**
 - Inventory Consumption Rate = It took 6-monts to sell 318 homes while 604 homes are available **ICR= 344 days/ 11.3 months.**
- We can conclude that overall, New Home Builders, in response the Market of 2005, and the first 3- quarters of 2006, have overbuilt in anticipation of a demand for Homes (sales) at prices which has failed to materialize.**

560 RE-SALES HOMES WERE SOLD FROM JAN TO JUNE 2007 AT A MEDIAN PRICE OF \$183,200.

- With an Ask to Sell difference of 3.07% , there is pressure on Re-Sale Home Sellers to accept lower prices in order to sell.
- There are 816 Re-sale Homes LISTED @ Median Price= \$247,600. The Sold vs Listing Price is a \$64,000 miss-match.
- **MOST IMPORTANTLY** the Inventory Consumption Rate is 264 days or 8.67 months.

CONCLUSION: Re-sale homes have a LOWER MEDIAN PRICE AND ICR vs. New Homes, **BUT** there is a significant mismatch between the Price of homes being listed for sale vs. the price range of homes actually being sold. There are too many homes on the market ,at too high prices, and too few sales making the ICR well over 6- months. **Re-sales like New Homes are also a "Buyer's Market."**

EVALUATION OF NEW VS. RESALE SOLD HOMES — NUMBER SOLD AND MEDIAN PRICE BY YEAR

	SINGLE FAMILY HOMES - NEW HOMES			
	FIRST 6-MONTHS			
	2007	2006	2005	2004
# SOLD	318	318	173	164
%- CHANGE BY YEAR	0.00%	83.82%	5.49%	
MEDIAN PRICE	\$ 225,000	\$ 239,965	\$ 239,500	\$ 190,700
%CHANGE PRICE	-6.24%	0.19%	25.59%	

	SINGLE FAMILY HOMES - RE-SALES			
	FIRST 6-MONTHS			
	2007	2006	2005	2004
# SOLD	560	619	596	324
%- CHANGE BY YEAR	-9.53%	3.86%	83.95%	
MEDIAN PRICE	\$ 183,200	\$ 169,900	\$ 165,000	\$ 124,000
%CHANGE BY YEAR	7.83%	2.97%	33.06%	

The previous evaluation of New Homes and Re-Sale Homes during first 6-Months of 2007 showed that both New Homes and Re-sale Homes had an Inventory Consumption Rate (ICR) well in excess of the 6 months level. If there is a decreased rate of sales, increasing inventory levels, and when that is combined with a decreasing Median Price of Homes sold, then this can indicate a progression from a simple Buyer's Market to a Depressed Market. **HOW DID WE GET HERE? Let look at the results of a Year by Year analysis of the first 6-months of New vs. Re-sale Home Sales and Prices:**

The big boom in the Real Estate Market that occurred between 2004 and 2005 was related mostly to Re-Sale Homes (2/3 of the RE Market) with an 84% increase in sales and a 33% increase in prices. The boom of 2005—2006 is related to the 83% increase in new home sales and a 25% increase in prices. BUT, since 2005, Re-Sale Homes have steadily decreased in both # of sales and rate of price increases. The current ICR of 9-months may well be due to the fact that the number of sales have decreased by 10%, and the rate of increase in Median Price has slowed. The Market is still a Buyer's Market rather than a Depressed Market because in spite of the high ICR, decreased Sales, the Median Price point is still increasing. The Buying Public is being very cautious which is what we need to do also.

New homes: Compared to the boom of 2005-2006, sales #'s for 2007 showed no increase. Worse than the lack of increasing sales is an increasing inventory of New Homes. In combination with decreased sales and increased inventory, we note that of **over the last 2 years Median Home Price of sold New Homes has FALLEN steadily** to the point that prices are down over 6% vs. last year. This is a much more troubled Market. If this trend progresses further in this direction, this **“Depressed Market”** could result in builder bankruptcy and Bank Foreclosures.

EVALUATION OF THE CURRENT MARKET OF ACTIVE AND SOLD NEW HOMES BY PRICE RANGE

NEW HOMES	SOLD PRICE		ACTIVE	MEDIAN PRICE	PRICE VARIANCE	INV CONSUMPTION	
	SOLD	MEDIAN				DAYS	MONTHS
	318	\$ 225,000	604	\$ 278,950	\$ 53,950	343.8	11.3
PRICE RANGE							
<\$225,000	158		223			255.5	8.4
\$225,000- \$300,000	66		111			304.4	10.0
\$300,000- \$400,000	50		116			419.9	13.8
\$400,000- \$500,000	24		67			505.3	16.6
\$500,000- \$750,000	15		65			784.3	25.8
>\$750,000	5		22			796.4	26.2

THIS TABLE SHOWS THE EFFECT OF THE PRICE OF NEW HOMES ON THE INVENTORY CONSUMPTION RATE

The ICR is a rough measure of the Rate of Sales and the Price that consumers are willing to pay. The overall New Home Market shown at the top of the Table shows again the excess inventory and the discrepancy between the Actively Listed Median Price and the Median Sold Price and the resulting ICR of 11.3 Months.

We started our analysis with the Median Price of New Homes Sold which represents half of the homes sold. We note that the market for even these Lower Priced Homes is still overbuilt. The ICR is 8.4 months. As the price range increases, there is a disproportionately greater number of homes available in relation to what is being sold. In the Mid range Priced Homes, from \$225,000 to \$400,000, the ICR is about 1 year. When we get above \$400,000 the ICR grows to where this Luxury New Home Market has a 2 year supply of homes available.

We see the problem clearly when there are 65 builder “specs” in the \$500,000—\$750,000 Market where we sold 2.5 homes/ month, and 22 Homes available over \$750,000 when we sell 1/month.

EVALUATION OF THE CURRENT MARKET OF ACTIVE AND SOLD

RE-SALEHOMES BY PRICE RANGE

RE-SALE HOMES	SOLD PRICE		MEDIAN PRICE	PRICE VARIANCE	INV CONSUMPTION		
	SOLD	MEDIAN			ACTIVE	DAYS	MONTHS
	560	\$ 183,200	816	\$ 247,600	\$ 64,400	263.7	8.7
PRICE RANGE							
<\$185,000	281		248			159.7	5.3
\$185,000-\$300,000	170		282			300.2	9.9
\$300,000-\$400,000	64		126			356.3	11.7
\$400,000-\$500,000	27		63			422.3	13.9
\$500,000-\$750,000	14		55			711.1	23.4
>\$750,000	4		39			1764.8	58.0

THIS TABLE SHOWS THE EFFECT OF THE PRICE OF RE-SALE HOMES SOLD ON THE INVENTORY CONSUMPTION RATE

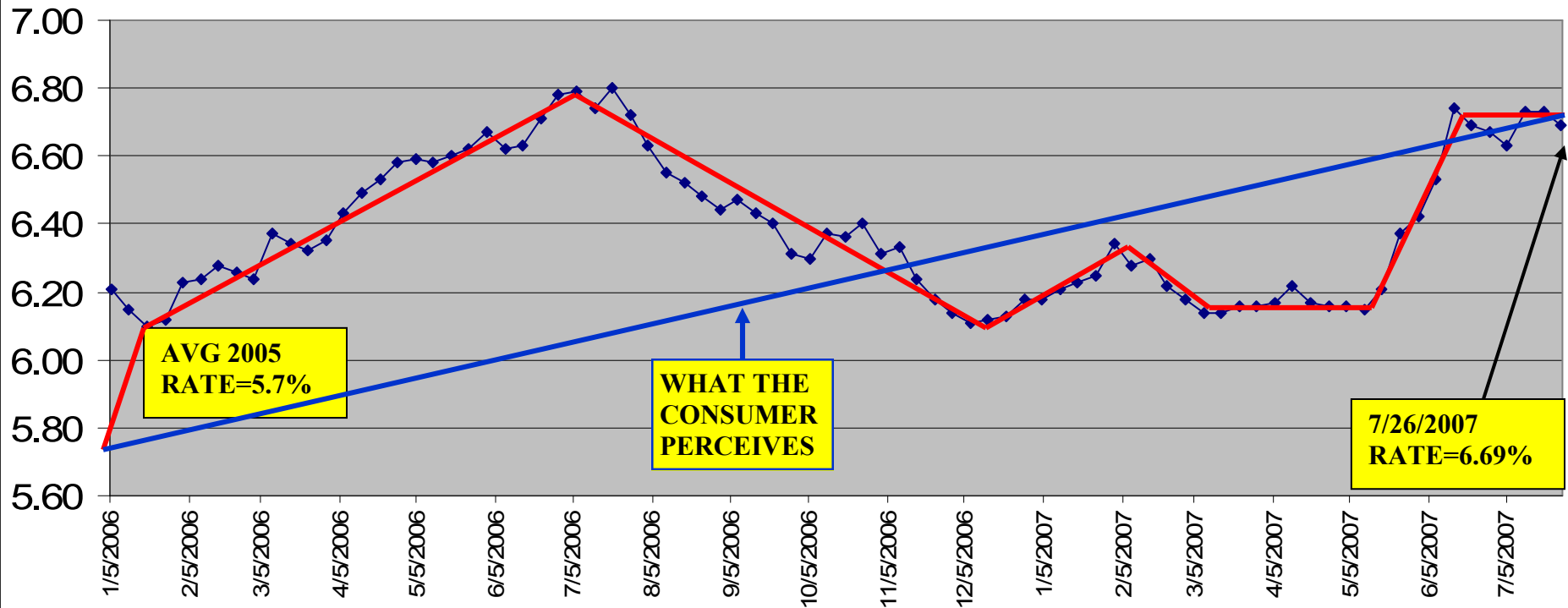
The overall Re-Sale Home Market shown at the top of the Table shows the excess inventory and the discrepancy between the Actively Listed Median Price and the Median Sold Price all of which results in an ICR of 8.7 Months.

Looking at Re-Sale Homes less than the Median Price of \$185,000, we find that the MARKET IS NOT OVER BUILT with an ICR of only 5.3 months. In every price range above the Median Price there is a disproportionately greater number of homes available in relation to what is being sold, and has an ICR over 6 months. The ICR Starts at 9.9—11.7 months for homes with Median Prices of \$185,000 to \$400,000. When we get to the homes listed from \$400,000 to \$750,000 the ICR grows from 12 to 24 month which is similar to the NEW HOME Market in these same price ranges. However, for homes listed for over \$750,000 the ICR RISES TO 58 MONTHS .

We see the problem clearly when there are 55 Re-Sale homes in the \$500,000—\$750,000 Market where we sold 2.33 homes/ month, and 39 Homes available over \$750,000 when we sell LESS THAN 1/month.

Except for this lower priced Re-Sale Homes (<\$185,000) all other price ranges show a ICR or Market that is considered to be a Buyer's Market. In order to decrease the excess inventory sellers are going to have to price their homes so that the buyer will see that they are getting a true value, especially in comparison to the New Home Market.

WEEKLY INTEREST RATES 30 YR CONVENTIONAL MTG FREDDIE - MAC RATES 2006 -2007



Our final item of importance to the Current State of the Housing Market is the subject of Interest Rates.

As we said in the very beginning of this Analysis, local or national economic events, especially Mortgage Interest Rates, are extremely important in how the Housing Market behaves. In the peak years for Home Sales and Price Increases (2003-2005), the FREDDIE MAC 30-year conventional mortgage interest rate was below 5.7%. There has been a steady net increase in interest rates in the last 18-months. Homebuyers are hesitant to get into the Real Estate Market with mortgage rates rising so steeply. The actual increase in interest rates of more than 1-2 % has caused Buyer apprehension which has to be contributing to our problem of excess inventory and decreased consumption. “Buyer’s Market”

THE DISCUSSION OF INTEREST RATES CONTINUES ON THE NEXT PAGE

EFFECT OF INTEREST RATES ON THE HOUSING MARKET (continued)

As we see from the Graph of Interest Rates during 2006 and the first 7 months of 2007, Interest Rates have gone up and down during this period of time. BUT, this variability of Rates with periods of sharp upswings creates the perception that is shown by the “Blue Line.” The Buyers (the consumer of our product—homes) see this as a steady increase in interest rates of more than 1-2 %. This certainly has caused Buyer apprehension which is one factor that has contributed to our Depressed Market.

Rising interest rates have depressed in the Real Estate Market in a second way. During boom years of 2004, 2005, and the beginning of 2006, many “borderline qualified” homebuyers entered the market. Because of low interest rates and high rates of appreciation, banks liberalized their lending policies and produced a variety of low down payment, and low and variable Interest Rate Products to allow these buyers to enter the Market. In addition, a whole new group of Mortgage Brokerages came on the scene. These lenders were willing to loan money at higher interest rates, and little or no down payment to even poorer risk (Sub-Prime”) homebuyers. These lenders were betting on continued appreciation and low interest rates so these borrowers could continue to make their Payments.

We now see that neither lower Interest Rates nor high appreciation rates have continued. Both the “sub prime” borrower (luckily Las Cruces had virtually NONE of this type of lending), as well as the borderline borrower, who used Adjustable Rate Mortgages (ARMs), to get low initial interest rates and payments are now faced with higher interest rates. Their mortgages are now “re-setting” to reflect the current higher Interest Rates and Payments.

In these last 9-months we are seeing foreclosures, and both borrowers and lenders declaring bankruptcy. Even though the foreclosure and bankruptcy rates in Las Cruces is virtually non-existent, there is a fallout from this national problem that has affected Las Cruces. There has been the tightening of Mortgage lending qualification standards, and a loss of many categories of mortgage products which allowed the “borderline” (not “sub-prime) to enter the Housing Market. With fewer buyers qualifying for loans, has further depressed the Real Estate Market by decreasing sales. This problem is one that we are seeing this locally, as well as nationally.

CONCLUSION:

- 1. The obvious conclusion we must draw from all this data and commentary is that New Construction must slow , and on-going New Construction must be directed at the wants and needs of the Current Market while judiciously looking ahead to needs of consumer once the Market does recovery. For the present time, there is sufficient Luxury and Ultra-Luxury home inventory. It would be wise in the short term to New Construction in this area to pre sales. Part of our excess inventory problem will be cured by an attrition of builders with borderline or failing financial ability, as well as builders and banks that will be encouraged to sell (short Sales) at prices that can stimulate sales.**
- 2. There is also an excess number of Resale Homes, in each price range, but to a lesser extent. Re-sales homes, with the exception of those in the highest price ranges, are still selling relatively well and Median Prices are increasing. Re-sale Home Sellers must recognize that in order to get their home sold, and to compete in a Buyer's Market, their home must be priced right. Buyers, with lots of homes to pick from, want to find Real Value – a home must be absolutely the best home on the Market for that price. Attrition will take place in this market also. Sellers that cannot afford to decrease their price, or don't have a need to sell, will withdraw their home from the Market.**
- 3. Even though proper pricing and construction of homes in appropriate price ranges will help, there must be a simultaneous increase in consumption (more buyers and more sales per month). Only a limited increase in can be expected to come from local buyers, so we must depend on additional consumers. We all know that “Las Cruces has been found,” and this make us very optimistic for a Market Recovery. Authoritative sources say our population is expected to increase by 6.7%, and the number of 55 -65 year olds is expected to increase by 19.3%. We know that we will get additionally benefit from the Spaceport, the 23,000 troops and families coming to Fort Bliss, new contracts for “Future Combat Systems” at White Sands Missile Range, and the technology projects that have been awarded to the University.**
- 4. Lastly, the lending market, as we have discussed, is a significant factor in holding down a recovery in sales. We must see some loosening of qualification requirements and more innovative lending instruments. We should see this locally because our Market has not had any significant problem with under performing loans and especially no real increase in any stage of the foreclosure process. This change must be local, because it will take too long for the national lending institutions be these changes.**

Though it appears at this moment in time that sales and prices are depressed, we know that housing like any other market goes through cycles, and best of all it can all turn around very quickly in the face of some positive economic factors and positive consumer confidence. But, we must be vigilant and continue to monitor sales and prices month by month over the next year to be sure that this downward Housing Market Cycle will be short, and we will return to an increasing rate of sales and price appreciation.