



## A QUARTERLY MARKET REPORT FROM SANTA FE'S LARGEST LOCALLY OWNED AND MANAGED REAL ESTATE BROKERAGE

THE FIRST QUARTER OF THE YEAR was punctuated by glistening ski slopes set against our azure blue sky and a decline in home sales—and the average price for homes sold has finally been affected by the national downturn. Home sales fell by 22%, from 510 sales in the previous quarter to 395 sales this quarter. The first quarter of the year is always the slowest, but compared to the first quarter of 2007, sales for all of Santa Fe are down 26%. The drop in sales this quarter looks much more dramatic in the quarterly chart than it does when you look at it month by month.

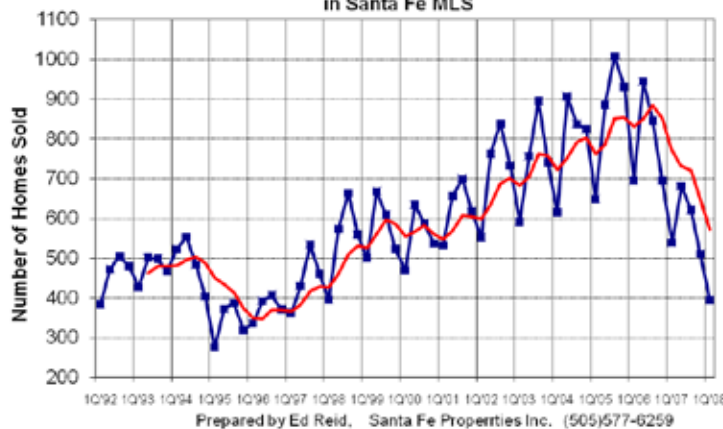
Our previous quarter's Market Report used historic comparisons to forecast the depth and duration of the market correction in residential sales. The number of homes sold quarterly was forecast to stabilize at around 170 per month. The first quarter drop to a monthly rate around 130 seems to have been an over-correction, and may prove to have been the very bottom. The number of homes sold in all price ranges above \$300,000 fell in the first quarter to levels well below those of the previous year. Sales of homes priced under \$300,000 seem to be stable at a level of about 200 sales per quarter.

With seasonal strength in the second and third quarters, one can imagine from the monthly figures that the number of sales has stopped falling and that we are in fact past the bottom of the current downtrend. We are still forecasting a stabilization in the number of homes sold between 150 and 170 per month during the next year or so, and then a return to perhaps an 8% annual uptrend thereafter. The inventory of active listings remains high at approximately 2,600 homes. This represents over an eighteen-month supply at current sales rates.

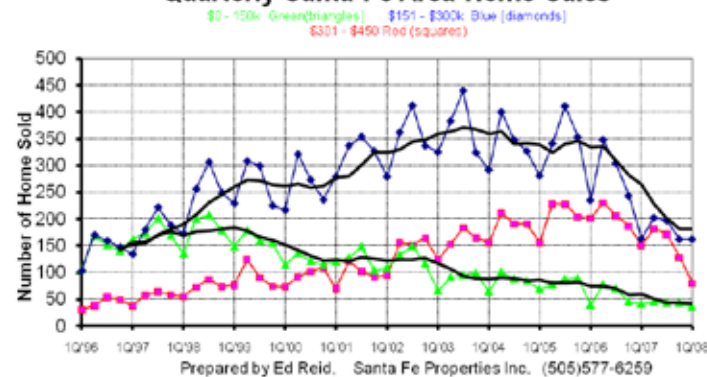
A comparison of the current price structure to historic trends in the last issue of our Market Report concluded that the trend in average home prices "should turn downward in the 1<sup>st</sup> quarter of 2008". The average home price fell significantly in the first quarter to \$424,000 from \$473,000 in the previous quarter. It was down from the first quarter of last year by nearly 9%. The last market correction in 1994 experienced an overall price drop of 8%.

The average price is strongly affected by the number of sales of high-priced homes. These have sold well during the last two to three years, in contrast to the softness of the overall market, pushing the average price higher. This past quarter however, sales of homes priced over \$1,000,000 have dropped from previous levels of an average of over 40 sales per quarter to 19, just one-half of the level of sales a year ago. The resulting drop in the average home price may be just what many buyers have been waiting for.

### Quarterly Residential Sales in Santa Fe MLS

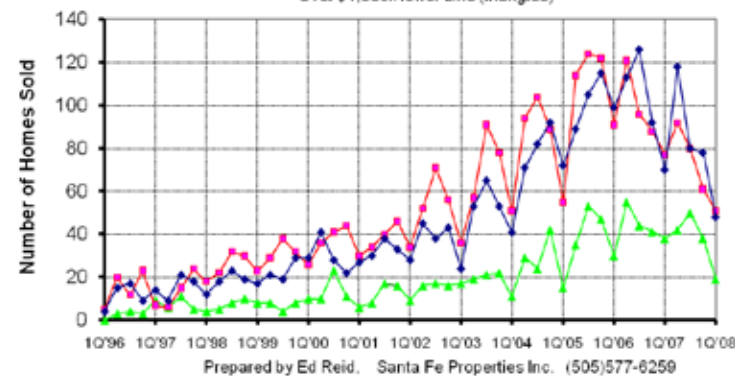


### Quarterly Santa Fe Area Home Sales



strongest period of the year with affluent visitors returning for Indian Market, the Opera, Chamber Music, Spanish Market, the Wine and Chile Festival, etc.

### Quarterly Santa Fe Area Home Sales



of dignitaries from about 30 cities around the world that, like Santa Fe, have been designated by UNESCO as "Creative Cities." They will experience our local cuisine, arts, architecture, crafts, and tri-cultures.

A very successful local investment manager, Rob Rikoon, has just sent out his firm's "Spring Commentary." Under the heading *The Economy: Crisis/Opportunity*, he writes "Fear is the dominant emotion today in the markets for real estate..." and adds, "...do not believe that this is a meltdown situation. It is a good time to pause and consider buying property..."

It is a great buyer's market with prices falling and large and varied inventory. There is time to search, compare, and negotiate. Santa Fe's oldest and most charming neighborhoods now offer a selection of "one-of-a-kind" properties that has not existed for over a decade. There are incredible deals to be found throughout the city. Shopping for a home here may not be this much fun again for another decade or more.

### Average Home Sale Price



However, positive economic factors in industries that are centered in several of Santa Fe's traditional feeder areas will encourage buyers who are faring better in these times. Many of our buyers benefit from strong prices for oil, food, and other commodities. The film business is booming with many productions in pre-production or shooting. Many other economic sectors and niches are thriving, and our public and private investment in infrastructure will continue to attract appropriate businesses. A significant increase in sales should occur this year in the third quarter. It is normally the

What draws people to Santa Fe to make it their home? Santa Fe is unlike the resort communities. It is not for everyone by any means, but it offers a rich and varied cultural fabric, set in beautiful natural surroundings. Its people tend to be respectful of their environment, with a strong heritage of indigenous traditions, in small communities that have evolved over centuries in relative isolation. We want for little here, but having more is not the key, rather living better. Those who share these values are strongly attracted to our city.

This Fall, Santa Fe will host a group