

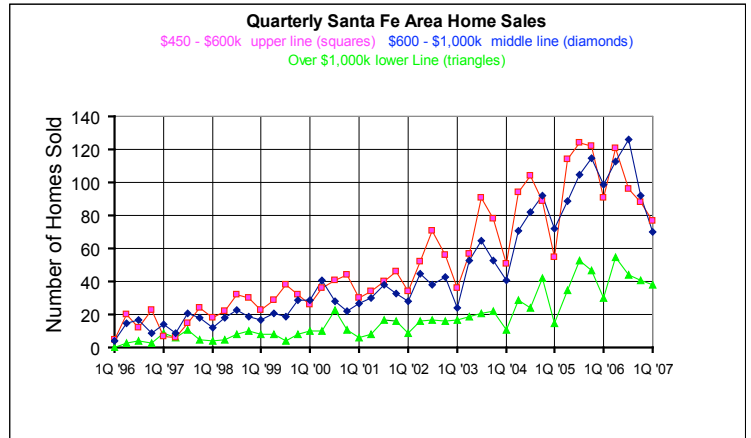
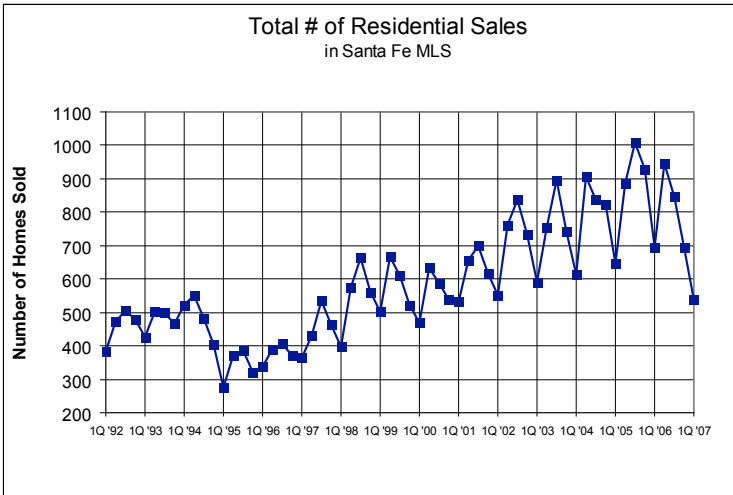
SANTA FE PROPERTIES' Market Report



A Quarterly Market Report From Santa Fe's Largest Locally Owned and Managed Real Estate Brokerage

Worries about a reversal in the long upward trend in real estate sales and prices were validated during the first quarter of the year, but not for the expected reasons, and not across the board. The number of home sales in the Santa Fe area dropped dramatically to 540 sales—28% below the same period last year. But don't count on a further drop next quarter because weather was a contributing factor. Late winter stormy weather cooled off new buyers, but we believe they will be back.

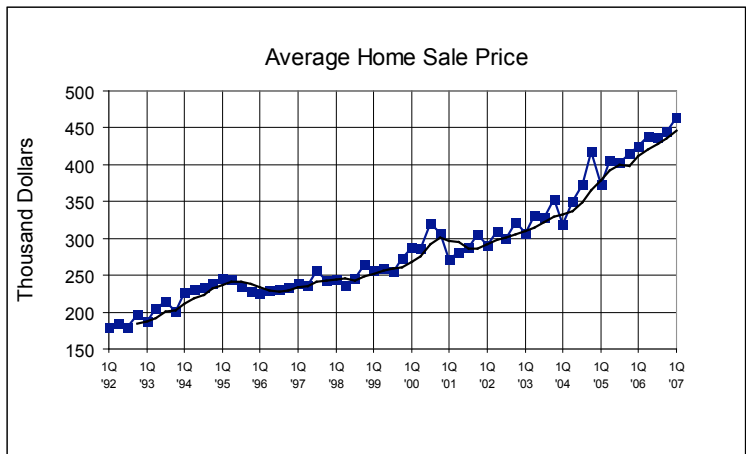
that kept these buyers on the prowl—Santa Fe is a high priority destination for second home buyers because they recognize the value of our culture and community. This may mean tougher negotiations if the perception is that the market has slowed, but homes will still sell.



The first quarter is nearly always the slowest. The 28% drop is minor compared to 1995 when sales were down 48% from the year before. The year 2000 was the only other first quarter drop, 6% below 1999 sales. The rest of the last 20 years the first quarter has averaged about an 8% gain each year.

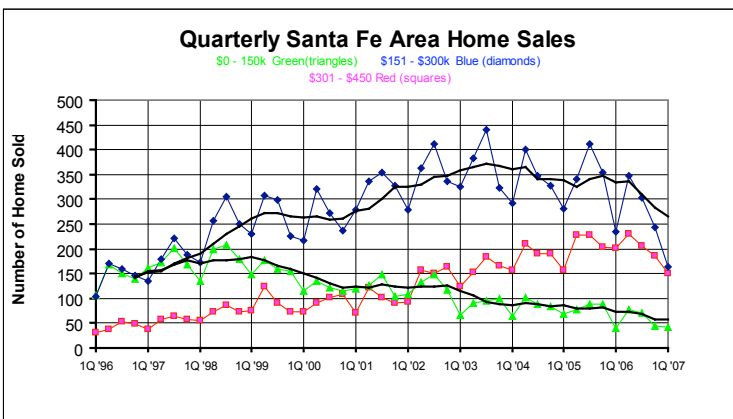
Prices have held overall, in fact the average home price rose just a smidge. Strong sales in the top price category pulled up a mild retreat in the lower price ranges.

The news coverage of the national home sales slowdown focuses on highly speculative areas where prices increase 40% or more a year. These markets are overbuilt and suffering from specific market reversal. Santa Fe does not have this problem.



Mortgage problems in the next couple of years will burden borrowers with adjustable rate loans, especially if they now have very low "introductory" rates which expire—with an increase in rates pushing their payments higher. This should not be a huge factor, since inflation seems low enough to avoid large rate increases. "Subprime" borrowers are a small fraction of the buyers here (and nationally), and tighter underwriting standards will stop further risk from this sector.

Overall, our market correction, impacted by bad weather, looks moderate. The rest of the year should show improvement in spite of the occasional dire predictions of "bursting bubbles." The highest priced homes will continue to lead in growth rates and inventories of \$1 million-plus homes will remain high. Under \$300,000, supply will remain tight, and prices firm. Sales of homes priced between these levels will bounce back a little, find a new level, and return to a steady 8% per year or greater growth rate, with the moderate price inflation typical of our desirable little town.



The number of homes sold in Santa Fe actually increased compared to the first three months of 2006 in the most expensive and least expensive price ranges. Sales under \$150,000 are limited by supply with 5% more homes closed than a year ago.

Due in part to market conditions, the Santa Fe real estate community has felt the tremors of change, but Santa Fe Properties continues to lead the market in a number of sectors. Our culture contributes to great camaraderie amongst our agents and we continue to foster an atmosphere of collaboration. Our internal systems allow for the sharing of information so that we can take advantage of our collective experience.

In the \$1 million-plus priced homes, we sold 27 % more than in the first three months of last year. It's not just their all-weather SUV's

In the coming year, our organization will continue to provide the resources that our agents require to function at a high level of productivity. In addition to our glossy periodical, Santa Fe Living®, the website has undergone several upgrades and is a highly useful tool. Our relocation department is the only resource of its kind in Santa Fe—offering clients tremendous discounts and services. Our priority is, and will continue to be, our clients and our community.

*Our thanks to the following contributors:
Ed Reid, Nancy Lewis, Andy Ault*