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

AN ANALYSIS OF THE LAS CRUCES RESIDENTIAL REAL ESTATE MARKET

FROM JANUARY TO APRIL 2007 WITH A COMPARISON TO PAST YEARS

NUMBER OF RESIDENTIAL HOME SALES

2004, 2005, and the first 3-Quarters of 2006 had record sales and price appreciations. But, beginning with 4th quarter of 2006 the number of home sales began to decline dramatically. This decline in the number of home sales has continued into these first 4- Months of 2007. The 4-month average number of sales for 2007 is 165 which is down 7.5% compared to the same period in 2006. The numbers of sales in February and April are down 16% over last year and are even below the corresponding months in 2005. This slow down is of concern. It needs to be watched closely in the coming months.

CHART 1. NUMBER HOMES SOLD BY MONTH - BY YEAR

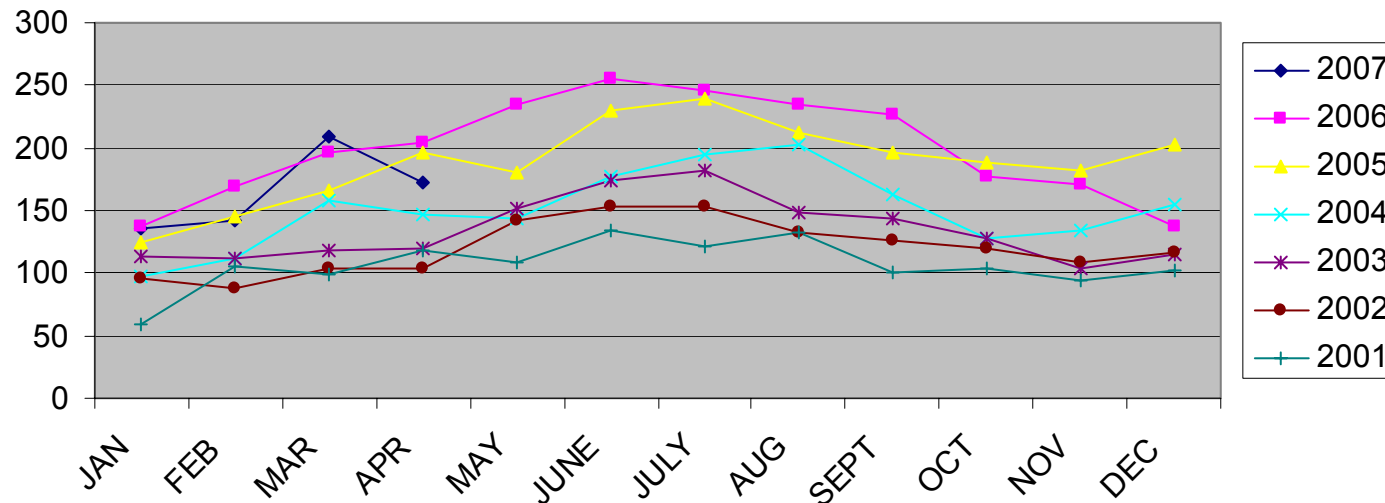


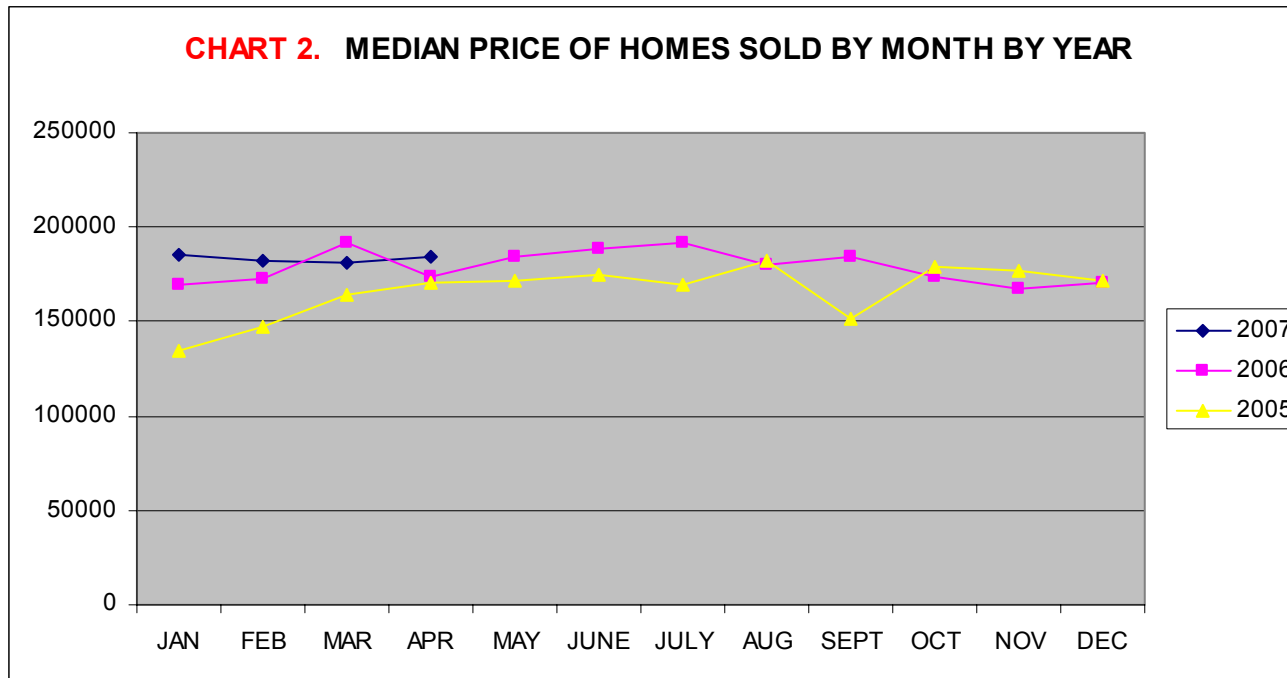
TABLE 1. TOTAL NUMBER OF HOMES SOLD -- BY MONTH -- BY YEAR

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
2007	135	142	209	172								
2006	138	169	196	204	235	256	245	234	227	177	171	137
2005	124	145	166	197	180	229	239	213	197	188	182	202
2004	98	112	158	147	144	177	194	202	162	127	134	155
2003	113	111	118	119	151	174	182	148	143	128	103	115
2002	96	88	104	103	142	153	153	132	126	120	109	116
2001	59	105	99	118	109	134	121	132	100	104	94	102

MEDIAN PRICE OF SOLD HOMES

When we look at the Median Price of sold homes, we see that the price decline in the 4th quarter was not nearly as dramatic as the fall in the number of sale though prices certainly fell below the prices in the mid year (Peak Season) and the 4th quarter of 2005. **In the first 4 months of 2007, the Median prices of homes sold increased 3.35% above the average for Median Prices in 2006.** This certainly a good sign even though this is a very small increase compared to the record years of 2004 & 2005 (increases of 14.6% and 15.1% respectively). BUT, any time prices HOLD UP despite falling sales it's a good sign that this is probably a flattening, or normalizing, of the Market versus a declining Market.

MEDIAN PRICE OF HOMES SOLD -- BY MONTH -- BY YEAR													AVG/MO
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
2007	\$185000	\$182500	\$180675	\$184191									\$183092
2006	\$170000	\$173000	\$191656	\$174000	\$183862	\$188675	\$191750	\$180000	\$183950	\$174000	\$167015	\$170215	\$179010
2005	\$134912	\$146750	\$164500	\$171000	\$171250	\$174900	\$170000	\$182117	\$152000	\$178955	\$176655	\$172000	\$166253



NEW VS. REALES

The first segmentation of the Overall Market we will look at is the difference between New Homes vs. Resale Homes. In the Table below, we look at the asking prices of sold homes versus the actual sold prices of those homes. For the period from January to April, the Average Sold Price was \$228,957, and the Median Price was \$182,500. These prices are both lower than the National Average. The same is true when we look at the New Home Market and the Resale Market separately. Whether it is a median price of \$215,000 for New Homes or just \$167,5000 for Resale homes, **Las Cruces homes are affordable.** The availability and affordability of our homes should continue to encourage an increased inflow of new residents.

This Table also shows is that the difference between Asking Prices and Sold Prices of the overall market as well as New Homes and Resale Homes is relatively very small. The difference as you can see is between 2—4% which is what it has historically been. This indicates that despite decreasing sales numbers, home prices are not only stable and affordable, but **there is no bubble bursting with steep discounts to get homes sold.**

2007 4 MONTH OVERALL HOME SALE PRICES			
	ASKED	SOLD	
AVG.	\$228,957.00	\$223,224.00	-2.57%
MEDIAN	\$185,950.00	\$182,500.00	-1.89%

NEW 220 SOLD		NEW ASKING PRICE		DIFFERENCE
AVG.	\$256,313.00	AVG.	\$259,744.00	-1.34%
MEDIAN	\$215,750.00	MEDIAN	\$220,200.00	-2.06%

RESALE 438 SOLD		RESALE ASKING PRICE		DIFFERENCE
AVG.	\$206,605.00	AVG.	\$213,494.00	-3.33%
MEDIAN	\$167,500.00	MEDIAN	\$173,950.00	-3.85%

SOLD VS ACTIVE – NEW VS RESALE – BY PRICE RANGE

This last table is designed to make a number of points and by default sums up the Market Status. The first thing that we must note that this data concerns “Single Family Homes” *excluding Manufactured Housing, Zero Lot Line, Condos, and Townhouses*, because they distort certain prices, numbers, and inventory considerations.

(Discussion continued on next page)

HOMES ONLY 4-MONTH SOLD VS ACTIVE LISTINGS			
RESALES VS NEW HOMES AND FURTHER DIVIDED BY PRICE RANGE			
	4-MONTH SOLD	CURRENT ACTIVE	INVENTORY (DAYS)
TOTAL OF HOUSES	#569 = 4.74/DAY	#1316	280
AVERAGE	\$ 237,089	\$370,694	
MEDIAN	\$ 197,000	\$279,400	
64.0% RESALE	#364 = 3/DAY	#708	236
HOUSES ONLY - AVG	\$224,329	\$305,954	
HOUSES ONLY- MEDIAN	\$184,450	\$254,950	
# SOLD		# ACTIVE	
50.0% <\$184,500	182	223	150
28.3% \$185,000-\$300,000	103	222	259
13.5% \$300,000-\$400,000	49	129	316
4.1% \$400,000-500,000	15	56	448
4.1% >\$500,000	15	79	632
36.0% NEW	#205 = 1.71/DAY	#608	
HOUSES ONLY - AVG	\$259,745	\$337,859	
HOUSES ONLY- MEDIAN	\$215,000	\$279,900	
# SOLD		# ACTIVE	
43.9% <200,000	90	179	239
27.3% \$200,000-\$300,000	56	151	324
15.6% \$300,000-\$400,000	32	117	439
7.8% \$400,000-500,000	16	67	503
5.4% >\$500,000	11	94	1025

#1 First we note that the Median Price of this class of sold homes is \$197,000 vs. \$182,500 for the total market, but it is still in an affordable range based on national statistics. BUT, there is an \$82,000 discrepancy between the median price of Sold Homes and the median price of Actively Listed homes. This may be a partial explanation of why we are experiencing a record high inventory of homes on the market.

#2 In the 120 days of 2007 we sold 569 **“homes,”** or 4.7/ day. With 1316 active **“home”** listings, that gives an unsold inventory of 280 days worth of homes which is abnormally high. Assuming that sales continue at the same rate, and the number of homes that come on the market are only equal to the number sold, (since we are not experiencing falling prices) we can still consider this a flat or normalized market. Obviously, if the rate of sales declines and if the inventory continues to rise, we would have a significant problem. We could then experience the housing depression seen elsewhere.

#3 When we divide the market into New Construction VS Resale Homes, and then when we divide each of these classes by price range we get additional perspective.

A. Both the Sold Resale and New Homes have a median price that is more than \$60,000 lower than the Actively Listed Homes.

B. As stated above we have an excess inventory. This applies to both Resale and New Homes. In resale homes we sold 364 in 120 days or 3/day while we have 708 Resale homes on the market. This inventory at the current rate of sales would take 236 days (7.7 months) to absorb. In New Homes we sold 205 homes in 120 days or 1.71/day while we have an inventory of 608 homes. This inventory at the current rate would take 355 days or almost 1 year to be absorbed.

**C. When we divide the inventory of both New and Resale Homes by Price,
We see an even greater disproportion between sales and listings at price ranges over \$300,000.**

In Resale Homes under the median price (\$184,500) there is an inventory of 1.22 times what we sold in the 120 days of 2007. In the \$185 - \$300,000 range there an inventory of 2 times the 4 month sales
When we get above \$300,000, we see 3, 4, 5 times the amount of inventory as there were sales in these 4 months.

In New Homes, the same principal applies, but the disproportion is much greater. Below the New Home Median (\$200,000) there is only 2 times the inventory as homes sold in the last 4 months. Between \$200,000 - \$300,000 there is 3 times the inventory. Again above the \$300,000 range we 4 times the inventory up to \$500,000. The biggest problem is that we have 94 homes on the market over \$500,000 (1/13th of the active listings). We only sold 11 homes over \$500,000 in the 4 months of 2007. There is over 8 times excess inventory. It would take over a thousand days to absorb these 94 homes.

CONCLUSION:

The obvious conclusion we must draw from these facts is that New Construction must slow and the New Construction that does continue must be in the price ranges that are being consumed. Resale Homes, in each price range, in order to compete in the market must represent a true Value (Price and Quality) to compete against the excess inventory.

The second conclusion we must draw is that in addition to the construction changes that we described above, there must be an increased consumption rate (more sales per month). Proper pricing and construction of homes appropriate to the price ranges being sold will help to accomplish this. But, only a limited increase in consumption can be expected internally so we must depend on additional consumers. We all know that “Las Cruces has been found” and it seems like every day someone lists “Las Cruces as the best...” The May 2, 2007 business section of the Wall Street Journal highlighted the housing market in Las Cruces. This makes us very optimistic. They said that authoritative sources say our population is expected to increase by 6.7% in the next 5 years. In this same period, the number of 55 -65 year olds is expected to increase by 19.3%. We know that we will additionally benefit from the Spaceport, the additional 23,000 troops and family coming to Fort Bliss, new contracts for “Future Combat Systems” that have been awarded to White Sands Missile Range, and technology projects that have been awarded to the University.

Though we are in a flat period of sales and prices, we know that housing like any other market goes through cycles. In Las Cruces we have every reason to believe that this cycle will be short and we will return to an increasing rate of sales and price appreciation.