

Sotheby's

INTERNATIONAL REALTY

April 8, 2008

State of the Market 1st Quarter 2008

Now that all the troublesome real estate scenarios have been analyzed, we can begin to pick up the pieces. Granted, this has happened before, but just exactly when? The "oil bust" of the mid-1980's had an interesting impact on Santa Fe real estate, but that was a regional event and inventory did not grow as fast as it has recently. Many are having difficulty remembering when things were so cloudy in economic terms. Property ownership as a safe haven can still be a good choice, but you must be willing to stay long enough to truly realize the gains that are possible. Home ownership has long term rewards that are both financial and non-financial, making it difficult to remove the emotion when buying and selling. The point would be to move deliberately rather than find you are in need of a quick fix with a stressful sale.

Our study of the local market continues to show a bit of success, despite a blizzard of negative national press. Some price ranges and neighborhoods seem to be growing and thriving, yet others have not had an easy time of it. As stated in the January 2008 issue of this newsletter, a large majority of the increase in housing inventory and almost all the slowdown in sales has been in the lower price ranges. This is due to the combination of homebuyers not having high-risk financing tools available and the fact that speculators had focused largely in the lower price ranges. Yes, there are sales below \$500,000, but the supply greatly exceeds demand, so many sellers feel they are facing an uphill battle. And yes, sellers are truly missing the go-go days of 2004 through 2006. We have now evolved into a buyer's market and that is fantastic news for buyers. If this is the low ebb of the market, then by definition there are meaningful advantages for buyers. Sellers will be glad to learn of your interest in their property.

This little capital city that calls New Mexico home is hardly the place to view all trends, but we see some encouraging signs. People seem to be coping with a reduction in disposable income as spending slows and also making do with an apparent decrease in new money invested here. At the same time, the state lodger's tax revenue (an excellent measure of tourist traffic) continues to climb and our rock bottom unemployment rate has gained national attention. Are we in an exceptional place that is going to thrive while others stumble? The most logical near-term predictions include a soft or flat real estate market for Santa Fe, with an expected amount of frustration and plenty of reasons for it. We cannot promise improvement while the downward trending lines continue downward. This could be a sign that we now have only one direction to go.

Included below is a new chart showing the Rate of Absorption for home sales based on inventory and number of sales over the previous 12 months. This may be the most revealing chart as it shows the measureable slowdown of home sales. Coming off the hottest market ever, in 2005, we averaged 5.4 months to sell homes listed for sale as of March 31, 2006. Now we are at 13.8 months in 2008. Those are likely the extreme highs and lows of this statistic. Somewhere between 6 and 9 months would be considered a balanced or 'normal' market. In 2005, conventional wisdom was that there was insufficient inventory to choose from. Now there appears to be too much. The question is; how long will it be before we can return to that balanced or typical market? Many think at least a year and others believe 18 months is possible.

As a gentle reminder, the first quarter is always our slowest quarter, and in a slow and difficult market, it may look as if we are stagnant. But there is activity; our showings coordinator has been setting up an increasing number of home showings the last month. That is a sign of change we welcome. We also like the idea of a timely slogan for real estate in 2008; ***we have hope and believe in change.*** And we are working hard to achieve positive change.

**RESIDENTIAL HOME SALES, SANTA FE CITY AND COUNTY
YEAR TO DATE STATISTICS- JANUARY 1, 2008 THROUGH MARCH 31, 2008**

PRICE RANGE	TOTAL # OF SALES	DOLLAR VOLUME	AVERAGE PRICE	MEDIAN PRICE	AVERAGE DOM*
UNDER \$250,000	76	\$15,569,258	-	-	140
\$250,001 to \$500,000	134	\$45,589,638	-	-	182
\$500,001 to \$750,000	53	\$31,858,245	-	-	192
\$750,001 to \$1,000,000	23	\$19,501,715	-	-	261
\$1,000,001 and ABOVE	19	\$34,389,796	-	-	285
TOTAL OF ALL RANGES	305	\$146,908,652	\$481,668	\$334,750	186

*DOM = DAYS ON MARKET

**RESIDENTIAL HOME SALES, HISTORICAL COMPARISON, SANTA FE CITY AND COUNTY
JANUARY 1 THROUGH MARCH 31, CURRENT AND PREVIOUS YEARS**

YEAR	# OF HOMES SOLD	TOTAL VALUE OF SOLDS	AVERAGE PRICE	MEDIAN PRICE	AVERAGE DOM
2008	305	\$146,908,652	\$481,668	\$334,750	186
2007	424	\$217,166,780	\$512,186	\$410,000	174
2006	600	\$270,691,011	\$451,152	\$359,000	169
2005	529	\$210,601,024	\$398,112	\$298,000	151
2004	496	\$169,750,693	\$342,239	\$279,500	143
2003	478	\$147,999,636	\$309,623	\$250,000	134
2002	437	\$124,435,955	\$284,750	\$220,000	153
2001	396	\$114,220,190	\$288,435	\$223,000	156

**CURRENT INVENTORY, RESIDENTIAL HOMES, SANTA FE CITY AND COUNTY
JANUARY 1 THROUGH MARCH 31, CURRENT AND PREVIOUS YEARS**

YEAR	# OF HOMES FOR SALE	# UP TO \$500,000	# FROM \$500,000 TO \$1,000,000	# FROM \$1,000,000 AND UP
2008	1969	950	687	332
2007	1743	825	606	312
2006	1297	594	434	269

RATE OF ABSORPTION, RESIDENTIAL, SANTA FE CITY AND COUNTY
AS OF MARCH 31, CURRENT AND PREVIOUS YEARS**

YEAR	# OF HOMES LISTED	# OF HOMES SOLD 4/1-3/31 (PREVIOUS 12 MONTHS)	AVERAGE MONTHLY SOLD	# OF MONTHS TO ABSORB ALL INVENTORY
2008	1969	1712	142.67	13.8
2007	1743	2298	191.5	9.1
2006	1297	2874	239.5	5.4

**ABSORPTION: Average number of homes sold per month divided into the total # listed for sale.

Such as: 1712 listings divided by 12=142.67 (avg. homes sold/month)

1969 listings divided by avg. homes sold/month 142.67 = 13.8 months.

**RESIDENTIAL LAND SALES, HISTORICAL COMPARISON, SANTA FE CITY AND COUNTY
JANUARY 1 THROUGH MARCH 31, CURRENT AND PREVIOUS YEARS**

YEAR	# OF PARCELS SOLD	TOTAL VALUE OF SOLDS	AVERAGE PRICE	MEDIAN PRICE	AVERAGE DOM
2008	48	\$10,530,950	\$219,395	\$199,500	272
2007	97	\$33,149,535	\$341,748	\$225,000	266
2006	164	\$35,604,698	\$217,102	\$175,000	339
2005	127	\$26,026,061	\$204,930	\$160,000	252
2004	159	\$29,831,225	\$187,618	\$150,000	270
2003	139	\$19,432,160	\$139,800	\$110,000	374
2002	117	\$17,238,651	\$147,339	\$98,500	297
2001	131	\$19,223,784	\$146,746	\$110,000	310

**CURRENT INVENTORY, RESIDENTIAL LAND PARCELS, SANTA FE CITY AND COUNTY
JANUARY 1 THROUGH MARCH 31, CURRENT AND PREVIOUS YEARS**

YEAR	# OF PARCELS LISTED	DOLLAR TOTAL FOR ALL PARCELS	AVERAGE LISTING PRICE	AVERAGE DOM
2008	845	\$276,958,890	\$327,762	289
2007	784	\$286,598,112	\$365,559	289
2006	706	\$277,392,460	\$392,907	297

We would love to promise you instant success if you are in the market. But we are honest and want you to know that things are difficult right now and may be for some time yet. If you are interested in purchasing a home or need to sell your home, we still are the ones to talk to. As the market leader in Santa Fe real estate sales, we know the neighborhoods and we know the process from first seeing a home on the internet to moving into the home as its new proud owner. The exciting inventory of homes for sale, certainly favorable for buyers right now, can be viewed on our award winning website at www.santafesir.com and also on our international site at www.sothebyshomes.com/santafe/. The Sothebys International Realty brand name means that you can expect extraordinary service and results on exceptional properties.

Optimistically yours,



Alan Ball
Managing Broker
Branch Manager



Darci Burson
Qualifying Broker
Vice President

Statistics and numbers in this newsletter are obtained from the Santa Fe Association of Realtors Multiple Listing Service and from Sotheby's International Realty sources. They are deemed reliable but are not guaranteed and are subject to change. They may not reflect all real estate activity in the market area.