Economic and Market Watch Report

2nd Quarter, 2006

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

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ARMLS Economic and Market Watch Report

Arizona Regional Multiple Listing Service, Inc. (ARMLS) has been providing multiple listing services to its subscribers since its inception in 1982. ARMLS was one of the first regional multiple listing services in the country. Our service area includes all of Maricopa County and portions of Pinal and Yavapai Counties. With more than 35,000 subscribers, ARMLS is one of the largest multiple listing services in the country.

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The statistical information presented in this report is compiled from information provided by Arizona Regional Multiple Listing Service, Inc and may not include all sales activity in the market.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market

Labor Market :

In the first two months of the second quarter, 24,860 jobs were added to the payrolls of Maricopa County. As a result of these new jobs, the average monthly unemployment rate fell from 3.9% during the first quarter to 3.4% for April and May. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q1' 06	***Q2' 06***	***Q3' 06*** ***(Forecast)***
Average Price	**$341,900**	**$349,700**	↑
# Homes on the Market *	**30,920**	**47,802**	↓
# Homes Sold **	**17,083**	**19,781**	↑
# New Homes Built	**8,346**	**6,294** ***	↑
Avg # of Days on Market	**44**	**49**	↓

* Available as of Jun. 30, 2006.
** May not add to total of zip codes.
*** During the first two months of 2nd quarter.

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85003	$400,900	12.55%	27	-44.90%	42	95.4%
85004	$404,100	29.98%	13	-51.85%	53	98.9%
85006	$213,000	20.75%	75	-33.63%	35	98.3%
85007	$277,500	34.06%	51	-20.31%	46	98.0%
85008	$225,700	28.46%	130	-13.33%	45	98.9%
85009	$164,000	36.33%	114	-14.29%	37	99.3%
85012	$475,600	38.98%	21	-53.33%	38	96.1%
85013	$328,900	18.57%	84	-7.69%	46	97.0%
85014	$245,700	7.53%	97	-32.64%	47	96.9%
85015	$210,000	32.08%	121	-35.64%	43	98.4%

**** % Change of current quarter compared to the same quarter to year ago.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85016	$376,900	2.28%	275	0.73%	48	95.6%
85017	$179,400	40.71%	154	-7.78%	30	99.8%
85018	$524,800	20.87%	193	-22.18%	48	96.1%
85019	$188,300	39.38%	105	-33.96%	38	99.8%
85020	$342,500	19.17%	193	-26.05%	48	96.5%
85021	$343,000	14.60%	108	-23.94%	44	98.4%
85022	$314,500	17.97%	207	-25.81%	50	97.6%
85023	$275,700	16.87%	121	-39.50%	39	98.7%
85024	$325,400	17.30%	141	-22.10%	48	98.4%
85027	$231,000	14.02%	235	-20.88%	37	98.7%
85028	$414,600	5.93%	105	-11.76%	45	97.6%
85029	$222,600	21.71%	190	-17.39%	35	99.0%
85031	$192,700	40.86%	121	-8.33%	28	100.1%
85032	$283,000	9.99%	385	-10.26%	43	98.0%
85033	$184,600	38.38%	280	-22.44%	30	100.0%
85034	$175,800	10.57%	11	0.00%	34	100.1%
85035	$192,200	35.93%	126	-25.88%	32	100.2%
85036	$251,000	-	1	-	34	100.4%
85037	$230,600	16.94%	296	-19.78%	41	99.8%
85040	$183,700	27.13%	116	-8.66%	33	99.4%
85041	$262,400	20.98%	242	-2.02%	50	99.0%
85042	$266,700	14.91%	153	-17.30%	37	97.8%
85043	$242,900	20.31%	209	37.50%	34	99.9%
85044	$361,400	14.29%	189	-24.70%	41	98.0%
85045	$548,400	11.51%	35	-53.95%	54	97.4%
85046	$264,800	42.37%	1	0.00%	14	99.8%
85048	$467,400	15.95%	188	-27.97%	45	97.6%
85050	$389,700	14.99%	131	-41.52%	49	98.2%
85051	$202,400	27.22%	204	-9.73%	31	99.3%
85053	$237,100	19.81%	152	-1.94%	36	99.2%
85054	$469,200	-14.57%	24	0.00%	38	97.7%
85085	$459,700	26.19%	80	-37.98%	75	95.9%
85086	$465,500	15.31%	262	-56.98%	75	95.5%
85087	$416,900	13.26%	25	-39.02%	59	96.6%
85201	$190,400	19.22%	181	-23.31%	32	98.9%
85202	$218,300	22.30%	185	-25.10%	34	98.8%

**** % Change of current quarter compared to the same quarter to year ago.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85203	$257,600	29.97%	113	-41.45%	38	98.4%
85204	$223,500	22.20%	256	-20.74%	34	99.4%
85205	$254,000	19.19%	208	-16.13%	40	98.4%
85206	$242,800	14.96%	158	-38.04%	44	97.8%
85207	$396,800	21.61%	227	-34.01%	50	96.5%
85208	$212,000	5.05%	289	-48.58%	53	98.1%
85210	$209,300	28.01%	161	-25.81%	31	99.1%
85212	$313,800	9.38%	120	-68.67%	51	98.2%
85213	$323,600	3.49%	123	-30.90%	54	98.0%
85215	$326,100	11.79%	85	-40.56%	49	97.5%
85224	$286,200	12.63%	231	-7.23%	39	98.3%
85225	$255,700	7.89%	352	-36.58%	44	98.5%
85226	$327,700	14.70%	215	4.88%	43	98.0%
85233	$330,000	9.20%	189	-43.92%	50	98.4%
85234	$381,500	17.24%	222	-29.52%	56	97.6%
85236	$335,400	9.54%	98	-38.75%	45	98.3%
85242	$425,700	11.97%	122	-36.79%	59	97.1%
85248	$410,100	15.33%	335	-25.72%	56	97.4%
85249	$445,100	22.01%	359	-24.74%	56	97.5%
85250	$388,900	16.82%	139	-26.46%	61	95.9%
85251	$328,100	10.66%	215	-35.63%	50	96.6%
85253	$2,039,900	44.52%	103	-44.92%	97	94.3%
85254	$556,000	13.93%	259	-22.69%	55	96.5%
85255	$883,100	15.65%	338	-33.33%	65	96.4%
85257	$279,600	14.40%	162	10.96%	51	97.8%
85258	$590,400	26.10%	219	-29.81%	60	96.4%
85259	$925,600	17.52%	178	-24.58%	75	96.3%
85260	$487,800	3.70%	308	-21.83%	59	96.8%
85262	$1,160,800	23.27%	228	-42.42%	91	95.2%
85263	$582,300	18.47%	21	-55.32%	48	96.5%
85268	$539,200	11.38%	219	-34.82%	73	96.5%
85274	$181,500	-	1	-	44	101.4%
85281	$254,600	18.36%	173	0.00%	44	97.7%
85282	$263,400	16.34%	234	-0.85%	45	98.0%
85283	$279,700	18.47%	156	-25.71%	29	97.9%
85284	$484,900	8.77%	84	-4.55%	36	97.5%

**** % Change of current quarter compared to the same quarter to year ago.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85285	$247,000	-	1	-	24	100.0%
85296	$378,100	13.65%	321	-41.95%	54	97.8%
85297	$401,100	15.16%	254	-41.88%	63	97.5%
85301	$185,600	32.95%	208	-11.11%	33	99.5%
85302	$232,000	22.36%	166	-25.23%	38	99.2%
85303	$251,900	17.71%	154	-32.46%	47	99.3%
85304	$260,600	15.06%	124	-13.89%	39	98.8%
85305	$358,800	23.94%	48	-4.00%	48	98.3%
85306	$265,500	24.18%	103	-22.56%	46	98.2%
85307	$249,600	17.07%	35	-38.60%	43	98.0%
85308	$334,500	9.42%	331	-25.78%	45	97.8%
85310	$410,700	16.74%	172	-23.56%	49	97.9%
85320	$270,300	133.82%	3	-50.00%	112	91.8%
85322	$227,300	50.33%	5	66.67%	71	93.9%
85323	$273,400	13.54%	414	-36.99%	56	98.9%
85326	$270,700	27.21%	244	-9.63%	55	99.0%
85329	$210,300	98.77%	9	200.00%	54	95.9%
85331	$612,500	11.53%	186	-36.52%	67	96.5%
85335	$223,600	12.87%	244	-40.05%	53	99.5%
85337	$218,800	-	2	-	77	95.2%
85338	$345,700	22.85%	308	-38.40%	68	97.6%
85339	$326,000	15.64%	125	12.61%	60	97.5%
85340	$405,200	31.39%	154	-42.54%	58	97.7%
85342	$240,800	20.70%	4	-60.00%	69	97.5%
85345	$229,900	20.43%	329	-20.91%	41	99.2%
85351	$174,300	11.52%	279	-36.88%	60	96.5%
85353	$272,600	16.70%	134	-10.67%	54	99.0%
85354	$202,000	61.47%	32	-40.74%	50	97.6%
85355	$508,500	6.69%	17	-5.56%	62	98.7%
85361	$278,000	39.07%	36	-45.45%	75	97.7%
85363	$189,600	33.05%	32	14.29%	39	99.1%
85373	$223,500	10.48%	127	-23.03%	58	95.5%
85374	$265,600	10.90%	384	-48.04%	62	97.7%
85375	$265,200	15.30%	204	-41.38%	56	96.6%
85377	$981,000	40.83%	48	-33.33%	72	95.4%
85378	$159,000	-	2	-	162	98.8%

**** % Change of current quarter compared to the same quarter to year ago.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Maricopa County, AZ

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85379	$301,100	17.66%	275	-38.06%	62	95.9%
85381	$305,700	15.10%	118	-17.48%	45	97.6%
85382	$307,300	5.38%	282	-19.89%	46	98.1%
85383	$505,600	17.39%	142	-31.73%	62	97.7%
85387	$363,100	20.23%	57	-44.12%	43	97.2%
85390	$305,400	-13.07%	29	-61.33%	70	96.7%
OTHER	$281,100	34.43%	382	247.27%	60	97.8%

**** % Change of current quarter compared to the same quarter to year ago.

ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

Local Report

Pinal County, AZ

Buyer's Market	1	2	3	4	5	Seller's Market
					↑	

Labor Market :

In the first two months of the second quarter, 1,117 jobs were added to the payrolls of Pinal County. As a result of these new jobs, the average monthly unemployment rate fell from 5.4% during the first quarter to 4.7% for April and May. The strong employment climate may help to create demand for home purchases. Favorable mortgage rates should augment this trend.

Housing Market :

	Q1' 06	*Q2' 06*	*Q3' 06 (Forecast)*
Average Price	**$229,800**	**$231,300**	↑
# Homes on the Market *	**3,211**	**5,257**	↓
# Homes Sold **	**1,247**	**1,409**	↑
# New Homes Built	**2,220**	**1,779** ***	↑
Avg # of Days on Market	**52**	**57**	↓

* Available as of Jun. 30, 2006.
** May not add to total of zip codes.
*** During the first two months of 2nd quarter.

Data by Zip Codes for Q2 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
85218	$398,300	21.47%	85	-54.79%	70	96.6%
85219	$258,500	12.93%	86	-43.05%	50	97.8%
85220	$196,200	29.25%	135	-25.41%	45	98.4%
85222	$201,400	19.67%	213	-20.22%	54	97.5%
85223	$157,500	28.26%	144	-7.10%	67	100.0%
85228	$180,100	38.97%	48	-30.43%	54	95.4%
85231	$122,100	72.70%	28	-6.67%	63	95.6%
85232	$168,200	16.24%	38	-41.54%	56	97.7%
85237	$112,400	146.49%	8	166.67%	21	96.2%
85239	$269,900	22.18%	161	-11.05%	59	97.8%

**** % Change of current quarter compared to the same quarter to year ago.

Real Estate's Battle of the Bulge

Ken Fears, Economist

Mortgage rates have risen measurably over the last 12 months. Since June of 2005, the average 30 year fixed rate mortgage has risen from 5.6% to 6.7% in 2006, an increase of 1.1 percentage points. Subsequently, homes sales have slowed in most housing markets around the country, the inventory of homes has increased, and days on the market have risen. In fact, the inventory of homes at the national level is at a historic record. But, there is more to this *bulge* in inventory than meets the eye and understanding how it was formed provides insight into how it will go away.

The bulge in housing inventory that arose this spring developed from changes in both the supply of and demand for housing. On the demand side, the sharp decline in affordability reduced consumers' ability to make home purchases. Compounding this problem and exacerbating the slowdown in demand is a belief that housing fundamentals are shaky and that the rapid rise in prices witnessed over the last decade necessitates a sharp decline in prices. As a result, some would-be home buyers are waiting until prices come down before they venture into the market.

On the supply side, the supply of homes provided to the market each month rose sharply over the last 5 years in order to meet the robust demand, which was driving up home prices at record rates. But as demand diminished, this large monthly supply from builders, renovators, flippers, and homeowners just looking to "move up" has outpaced the markets ability to absorb it. Furthermore, with mortgage rates on the rise, and forecasts for a dip in sales, many sellers have placed their wares on the market earlier than they normally would have in an attempt to reduce their inventories in the face of a slow down and to sell at the maximum prices.

The supply and demand factors vary in markets around the country, depending on how strong the price increase was over the last decade. Generally speaking, sales have slowed and prices have flattened, but demand remains at historically strong levels. Despite rising rates and declining affordability, sales continue at strong rates and if one looks at inventory relative to the pace of sales, the months supply of homes or the number of months that it would take to exhaust the current supply of homes on the market, the months supply has only returned to a neutral position. That is to say that the current months supply of homes does not favor buyers or sellers and it is not a true buyers' market as of yet, the market has just moved that direction. Prices have held steady and may soften in some areas, but there are many incentives that a seller could offer a buyer that would mitigate a decline in price (repairs, appliances, or assistance in financing). And there are many factors that suggest that the market is likely to hold here before improving in the longer term.

With the real estate market forecast to cool in the face of rising mortgage rates, many builders are reducing plans to build, while flippers and speculators are getting out of the market completely. The long-term effect will be a reduction in monthly supply of homes. Furthermore, the rise in new inventory witnessed this spring will not be matched in the future as much of the inventory that would have come to the market over the next year came early. Finally, rents are back on the march and many would be sellers will take their properties off the market in lieu of the substantial rents that can be realized.

Simultaneously, housing remains a great investment and the normal demand for housing will create a strong foundation for sales going forward. Incomes are forecast to rise, and did rise in the July employment release from the U.S. Bureau of Labor Statistics, aiding affordability. Finally, as those fence-sitting buyers realize that a plunge in housing prices will not occur, they will succumb to the realization that housing is still an excellent long term investment, counteracting this slump in demand based on a false perception.

The sharp increase in mortgage rates this spring has caused dramatic changes in the housing market. A bulge in inventory has developed causing the average time that a home spends on the market to rise. However, the market has natural factors that will help to offset the supply and demand factors that created this bulge in inventory. As a result, the market will reach a plateau later this year with historically strong sales that will allow for robust revenues for real estate practitioners in the coming years.

Two Sides of the Coin

David Lereah, Chief Economist

How, in the name of real estate, can a local market experience a dramatic drop in home sales and still continue to post healthy price increases? And will prices eventually fall?

Sound familiar? These are the most frequently asked questions that I've been confronted with in recent weeks. Let me tackle these questions head on.

It is true that some local markets are experiencing a significant drop in home sales while price appreciation maintains some strength (i.e., stays positive).But other markets are showing signs of price softening. Those cooling markets that continue to boast price appreciation are still in transition—from a sellers' market to a buyers' market. Usually, in the early stages of such a transition, sellers continue to list their properties with large price increases, while buyers no longer have the appetite to bid on those lofty-priced homes. Sellers need to better read the market (they should listen to their REALTOR®!) and list their home at a more reasonable price. Unfortunately, most of these sellers are still not being realistic. As a consequence, their properties are remaining on the market longer with little interest from buyers, costing sellers lost opportunity money. If most sellers in a local market refuse to lower their price expectations, then most listing prices do not change – thus, the market continues to post a positive appreciation rate, but at reduced volume.

We are observing this phenomenon in some cooling metros across the nation. For example, the Riverside-San Bernardino metro posted a 4 percent price appreciation in the first quarter of this year. Similarly, Daytona Beach posted a 7.3 percent increase, while Nassau-Suffolk (Long Island) posted a home price appreciation of 2.5 percent, to name a few.

Some cooling metros have already begun a descent. During the first quarter of this year Boston registered a negative 7 per-cent appreciation rate; Miami a negative 13.7 percent and Sacramento a negative 4.8 percent. All of these metros are also exhibiting a drop in sales, rising inventories, lengthening days on market and a softening in home prices. In some markets inventories have skyrocketed. Miami posted a 17.2 month-supply for the first quarter of this year – compare that to a 7.2 months'-supply posted a year earlier. Similarly, the Sarasota-Bradenton metro registered a 16.1 months'-supply in the first quarter of this year versus a 7.2 months'-supply a year ago. Other market shave also experienced a rise in inventories, but on a smaller scale. Boston's months'-supply rose to 7.2 in the first quarter of this year compared with a 2.9 months'-supply in the first quarter a year ago, Los Angeles's month's supply rose to 5.2 in the first quarter of this year versus a months'-supply a year earlier.

But there is another side of this housing coin. Half of the nation is warming, not cooling. States like Texas, Utah, New Mexico, Ohio, North Carolina, and South Carolina have experienced positive sales growth during the past several months. This suggests that the fundamentals for purchasing homes remain solid. Mortgage rates remain below 7 percent, while the supply of homes for the nation as a whole is at a balanced 6.5 months'-supply. In addition, the economy remains healthy, creating job and in come gains, providing consumers with the confidence and wherewithal to purchase homes.

Looking ahead, I believe the current correction in most of our cooling real estate markets will be short lived. This is because there is an army of households and investors waiting to get back into the housing market. Remember, today's housing correction is unlike previous ones. There is no recession; no net job losses; and interest rates are not rapidly rising to historically high levels. Households possess the desire and financial ability to purchase real estate –they are only waiting for the right opportunities to present themselves. These households have postponed their buying decisions this year. That will result in a great amount of pent-up demand next year. Similarly, investors are waiting to get back into the housing market. Investors seeking competitive returns continue to look at real estate against the relatively weak

This is not to say that all of our nation's housing markets will experience the same soft landing. Some markets are actually fragile, vulnerable to a weakening local economy and/or rising interest rates. These markets are in a weakened state because they are experiencing affordability problems. Most major metros in California and some in Florida qualify. Households in these locations had to stretch their incomes by utilizing interest-only and adjustable-rate mortgage loans to pay for homes that are priced significantly higher than the nation's average. As interest rates continue to rise, mortgage costs rise in these markets, possibly resulting in mortgage delinquencies and defaults, inhibiting both real estate activity and local economic growth.

The Federal Reserve is walking a fine line with regard to their current interest-rate policy and the housing sector. The economy and particularly the consumer are showing signs of weakening, but inflation pressures are rising. With each interest-rate hike, inflation takes a blow, but so does the economy. If the Fed over-shoots, we end up with higher mortgage rates and a sluggish economy having difficulty creating jobs. Both harm the housing sector, which, in turn, harms the entire economy again. We can only hope that Chairman Bernanke and the Fed deliberate care-fully and are able to adroitly walk this tight rope.

*Want more insights from NAR Chief Economist David Lereah? Visit **REALTOR.org** to see some of his latest comments from press interviews and speeches at **www.REALTOR.org/Research.nsf/Pages/housingoverview***

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

Recent statistics on home sales and building activity suggest that the housing market is transitioning at a faster clip than earlier thought. High oil prices have evidently begun to curtail economic and job growth. The unemployment rate has essentially already hit its bottom and will begin to climb. Single-family housing starts and permits nationwide have fallen 8% and 10%, respectively from a year ago. Pending existing home sales are off by 13% from peak levels of last summer. The national home price growth of 0.9% in May was the lowest gain in over 10 years.

The forecast is for national existing home sales to decline 6.5% in 2006. The more cyclical new home sales are projected to fall 13.4%. Declining sales mean more homes will stay on the market for a longer period. Though difficult to quantify, it appears that many homeowners postponed listing their homes for sale last year in hopes of fully benefiting from the real estate boom; they have now decided to make the move at the first signs of a slowing in their local market. So those postponed homes hitting the market have significantly ratcheted up housing inventory. The 3.725 million total existing homes on the market at the end of May represent a 39% increase from May 2005. The condo-coop market is experiencing an even sharper adjustment with inventory now up by 63% over last year.

The rise in inventory has and will continue to exert downward pressure on home price growth. Condo prices have already declined 2.1% over the 12 months. In the West, the condo prices declined 10.8% and in the South the decrease was 8.1%.

It is too early to say definitively if the price declines in those sub-segment sectors will continue – or portend what to expect for the broader housing market. Both the West and South are creating jobs at a good pace. Furthermore, Florida, the one of the fastest transitioning markets with sales down close to 35%, is the top state in terms of net migration. Florida attracted slightly over a million net new households who moved from other states in the past five years (far exceeding second place Arizona at 400,000). Therefore, the decline in home values will likely lead to a quick pick-up in homebuying by an army of ready bargain hunters. But, the current Florida problem is not driven normal market factors of mortgage rates and job/income gains, but more by the lack of affordable property insurance (hurricane-related).

Despite the situations in some of these problematic areas, there are plenty of bright spots. Sales are rising in 27 states and at double-digit clips in places like New Mexico, North Carolina and Utah. The strong demand in more affordable regions also appears to be pushing up home prices at an accelerating rate.

In the Phoenix region, home sales were down 27% in the second quarter. Prices still rose 14% from a year ago. Sales and prices are expected to be on the lower horizon in the upcoming months, but will begin to steadily stabilize from the latter months of this year. By 2007, local sales will show only 1% decline. Home prices will have risen 4% to 6%.

Economic and Housing Market Outlook: August 2006

	2005		2006				2007							
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2004	2005	2006	2007
U.S. Economy														
Annual Growth Rate														
Real GDP	2.8	3.4	3.1	3.2	2.8	3.4	3.1	3.2	3.2	3.2	3.9	3.2	3.5	3.1
Nonfarm Payroll Employment	1.3	1.3	1.2	1.3	1.3	1.3	1.2	1.3	1.6	1.3	1.1	1.5	1.4	1.3
Consumer Prices	2.5	2.7	2.0	2.5	2.5	2.7	2.0	2.5	2.4	2.5	2.7	3.4	3.5	2.6
Real Disposable Income	9.3	4.4	4.7	3.2	9.3	4.4	4.7	3.2	3.2	2.5	3.6	1.2	3.0	4.3
Consumer Confidence	99	96	106	107	106	105	104	104	105	106	80	100	106	105
Percent														
Unemployment Rate	4.7	4.7	4.8	4.8	4.7	4.7	4.8	4.8	4.7	4.7	5.5	5.1	4.7	4.8
Interest Rates, Percent														
Fed Funds Rate	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.0	4.8	1.3	3.2	5.0	5.1
3-Month T-Bill Rate	5.1	5.1	5.0	5.0	5.1	5.1	5.0	5.0	4.8	4.5	1.4	3.1	4.8	4.8
Prime Rate	8.2	8.4	8.3	8.3	8.3	8.3	8.3	8.3	8.0	7.8	4.3	6.2	8.0	8.1
Corporate Aaa Bond Yield	6.0	6.2	6.3	6.3	6.0	6.2	6.3	6.3	6.3	6.3	5.6	5.2	5.9	6.3
10-Year Government Bond	5.2	5.4	5.4	5.5	5.2	5.4	5.4	5.5	5.4	5.3	4.3	4.3	5.1	5.4
30-Year Government Bond	5.4	5.5	5.6	5.6	5.4	5.5	5.6	5.6	5.6	5.6	5.1	4.6	5.1	5.6
Mortgage Rates, percent														
30-Year Fixed Rate	5.7	6.2	6.2	6.6	6.8	6.9	6.9	7.0	6.9	6.8	5.8	5.9	6.6	6.9
1-Year Adjustable	4.5	5.1	5.3	5.6	5.9	5.9	5.9	5.9	5.7	5.5	3.9	4.5	5.7	5.8
National Housing Indicators														
Thousands														
Existing Single-Family Sales	7,180	6,943	6,790	6,693	6,533	6,508	6,506	6,559	6,579	6,704	6,779	7,075	6,613	6,584
New Single-Family Sales	1,297	1,280	1,111	1,152	1,128	1,078	1,050	1,038	1,044	1,056	1,203	1,283	1,119	1,046
Housing Starts	2,101	2,060	2,123	1,878	1,791	1,732	1,737	1,751	1,785	1,836	1,956	2,068	1,881	1,777
Single-Family Units	1,748	1,718	1,747	1,533	1,437	1,372	1,364	1,366	1,382	1,408	1,611	1,716	1,522	1,380
Multifamily Units	353	342	376	345	353	360	373	385	403	428	345	352	359	397
Residential Construction*	620	619	619	608	577	556	546	546	551	560	560	608	590	551
Percent Change -- Year Ago														
Existing Single-Family Sales	6.5	0.9	-2.2	-7.0	-9.0	-6.3	-4.2	-2.0	0.7	3.0	9.8	4.4	-6.5	-0.4
New Single-Family Sales	11.9	3.1	-11.5	-10.3	-13.0	-15.8	-5.5	-9.9	-7.5	-2.1	10.8	6.7	-12.8	-6.5
Housing Starts	6.3	4.8	2.6	-9.0	-14.8	-15.9	-18.2	-6.8	-0.3	6.0	5.2	5.7	-9.1	-5.5
Single-Family Units	6.5	6.7	2.6	-10.2	-17.8	-20.2	-21.9	-10.9	-3.8	2.6	6.6	6.5	-11.3	-9.3
Multifamily Units	4.9	-3.7	2.9	-3.3	0.0	5.3	-0.8	11.6	14.0	18.8	-0.9	1.9	1.8	10.8
Residential Construction	9.1	9.0	6.1	-0.2	-6.9	-10.2	-11.7	-10.3	-4.6	0.7	10.3	8.6	-2.9	-6.7
National Home Prices														
Thousands of Dollars														
Existing Home Prices	227.3	225.3	218.7	227.3	235.3	233.2	225.9	235.9	244.5	243.0	195.4	219.6	229.0	237.8
New Home Prices	236.6	240.1	244.8	240.0	239.4	244.7	251.4	247.9	248.0	254.0	221.0	240.9	242.1	250.2
Percent Change -- Year Ago														
Existing Home Prices	14.2	13.4	9.5	3.3	3.5	3.5	3.3	3.8	3.9	4.2	9.3	12.4	4.3	3.8
New Home Prices	10.5	5.4	6.5	4.2	1.2	1.9	2.7	3.3	3.6	3.8	13.3	9.0	0.5	3.4
Local Region														
Payroll Jobs (in thousands)	1785.5	1847.7	1848.2	1873.3	1876.6	1938.2	1933.2	1952.0	1957.3	2021.6	1683.7	1814.8	1905.3	1966.0
Home Sales	28484	21751	18536	21517	21933	18467	16441	20807	22547	19261	96870	103734	80452	79056
Home Prices (in thousand $)	315.6	324.1	334.4	341.8	345.6	346.5	351.1	356.5	361.8	365.9	222.3	300.3	342.2	359.2
Percent Change -- Year Ago														
Jobs	6.6%	6.1%	6.3%	5.4%	5.1%	4.9%	4.6%	4.2%	4.3%	4.3%	3.9%	7.8%	5.0%	3.2%
Home Sales	8.8%	-8.0%	-22.4%	-27.4%	-23.0%	-15.1%	-11.3%	-3.3%	2.8%	4.3%	23.4%	7.1%	-22.4%	-1.7%
Home Prices	41.4%	38.3%	28.5%	13.8%	9.5%	6.9%	5.0%	4.3%	4.7%	5.6%	13.2%	35.1%	14.0%	5.0%

Quarterly figures are seasonally adjusted annual rates.

* Billion dollars

Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy.

Assumptions and simulations by Dr. David Lereah and Dr. Lawrence Yun.

Economic Monitor

This table reflects data available through July 7, 2006.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
Existing Home Sales eased slightly in May, posting 6.67 million seasonally adjusted annual units – a 1.2 percent decrease from April. The national median existing-home price was $230,000 in May, up 6.0 percent from May 2005. Total housing inventory levels rose 5.5 percent at the end of May to a 6.5-months' supply at the current sales pace.	Mar 6,900 Apr 6,750 May 6,670	↔	Beginning to stabilize after having declined almost 10% from their peak
New Home Sales New home sales rose 4.6% in May, posting a seasonally adjusted annual rate of 1.23 million units. April sales figures were revised upward to 1.18 million units. New home inventory decreased slightly to 556,000 – a 5.5-months'supply at the current sales rate.	Mar 1,114 Apr 1,180 May 1,234	↓	Home builders areclearing rising inventory with aggressive pricing
Housing Starts After three months of decline, housing starts rebounded in May to 1.96 million seasonally adjusted annualized units. The reduction in housing demand wrought by higher interest rates has significantly raised inventory levels in many markets, and builders' sentiment has continued to fall as a result portending a less robust activity in the months ahead.	Mar 1,972 Apr 1,863 May 1,957	↓	Single-family units will be cut but more multifamily units will be built
Housing Affordability Housing affordability, as measured by NAR's Housing Affordability Index, fell 3.9% in March to 104.5. The decrease was due to the combination of rising interest rates, an increase in the median price of homes, and an increase in the income necessary to qualify for a mortgage.	Mar 111.9 Apr 108.7 May 104.5	↓	To fall a couple of more notches before stabilizing
Purchase Applications Mortgage loan application activity continued to slip in June. The Mortgage Bankers Association's purchase application index was 403.5 in June – its lowest level since October 2003. Demand for home purchases may continue to trend lower in tandem with rising mortgage rates.	Apr 412.0 May 408.8 June 403.5	↓	Modestly lower from this point
Employment The job market was up slightly in June,with theeconomy adding 121,000 to nonfarm payrolls. May's figure wasrevised upward to a still lackluster 92,000 jobs. The good newsis that the unemployment rate remained steady at 4.6 percent– a rate considered as "full employment."	Apr 126 May 92 June 121	↔	Subpar economic growth for the next two quarters holds back job gains
Mortgage Rates In June, the 30-year fixed rate mortgage increased 8 basis points to 6.68%. The rise in mortgage rates has impacted affordability, and thus demand. Mortgage rates are expected to rise gradually throughout the year and should maintain at middle to high 6 percent levels.	Apr 6.51 May 6.60 June 6.68	↑	Will hit 7% by the year's end
Inflation The consumer price index (CPI) rose 0.4% in May. The core index, which excludes food and energy, rose 0.3%. Inflation eased off last month's sharp pace, but nearly every sector experienced increases in May. The bulk of the increase was from rising gas prices. Core prices will continue to rise steadily through the summer.	Mar 0.4% Apr 0.6% May 0.4%	↓	Oil prices likely to have peaked so CPI price increases will begin to slow

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association