



Gainey Ranch Specialists

October 2005

Is the Real Estate Bubble About to Burst?

Here are the questions everyone is asking. Do we have a real estate pricing bubble here in the Valley of the Sun? If we do, when will it burst? Will we be lucky and experience the "soft landing" where prices simply flatten out slowly over time, giving everyone a chance to adjust? Or will we be even luckier, and see several more years of strong equity growth in the market? The answers are out there — do you have them?

As reported in The Wall St Journal on August 23, economists at PMI Mortgage Insurance Co recently analyzed the housing market, ranking the 50 major metropolitan areas as to their likelihood of suffering a drop in housing prices. The PMI economists used labor market data, median incomes, and mortgage costs in their analysis. Their result — Phoenix ranked 34 out of 50, with a less than 10% chance of suffering a drop in housing prices in the near future.

What cities were most likely to sustain a downturn in housing prices — Boston, Suffolk (New York), San Diego, San Jose, and Anaheim/Irvine (California).

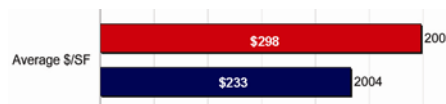
The economists at National City Corp, a major mortgage lender, used different criteria in their analysis and came up with a different list. Their top five danger zones, based on incomes, mortgage data, and population densities, were Santa Barbara, Salinas (California), Naples (Florida), Riverside/San Bernardino, and Merced (California). Phoenix was safe.

Credit Suisse First Boston (CSFB), however, in applying their "risk index", came to a different conclusion. In their analysis, they looked at the popularity of interest-only loans (as a sign that buyers were stretching themselves to afford homes), and the level of purchases made by investors. The result — Phoenix ranked 5th in risk behind Fresno, Las Vegas, Los Angeles, and Riverside/San Bernadino.

So there they are, the results from three expert "crystal balls". Two thumbs up for Phoenix and one thumbs down. How do you vote?!

Summer Sales \$ Grow Despite Decrease in Number of Unit Sales

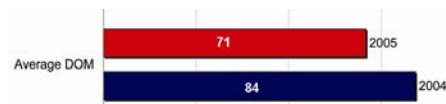
Ask anyone in the real estate industry in the Phoenix metro area about the summer of 2005 and you are likely to hear about a slowdown in the explosive growth of the past couple of years. Few are forecasting a downturn but most see a slowdown in price growth. Rather than rely on subjective opinion about summer of 2005 compared with the previous summer we examined the data to look for specifics. Here are our results when we compared sales in Gainey Ranch in the period May 15 through September 14 this year compared with the same period last year.



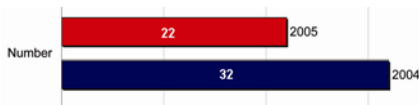
Average price can go up because of either of two factors—an increase in the average size or an increase in average price per square foot. In the case of Gainey Ranch this year much of the increase can be attributed to an increase in price per square foot. In summer 2004 the average price was \$233 per square foot while this year it fell just shy of \$300 per square foot. That is an increase of 28%.



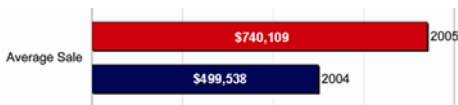
The total dollar sales volume in Gainey Ranch this year was up 1.9% from the same period last year.



When the number of unit sales are falling one might expect the time on the market to increase. In Gainey Ranch we have seen just the opposite. The average time on the market for properties selling last summer was 84 days. This year that number has fallen to 71 days. It remains to be seen if this trend will hold up in the busy fall season.



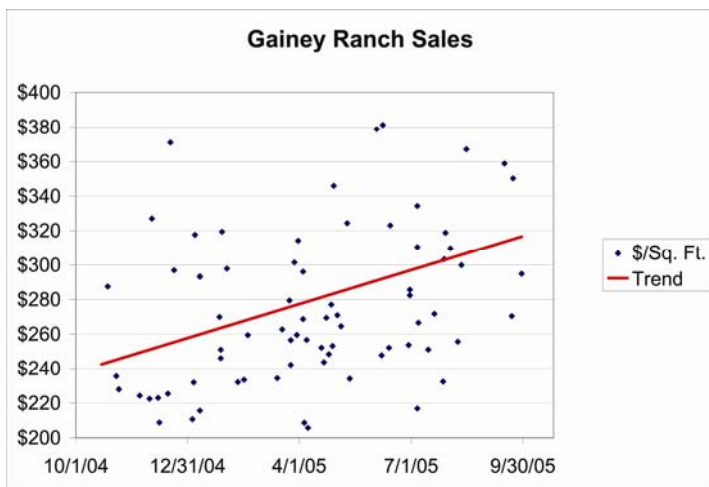
That dollar volume, however, was achieved on the sale of only 22 properties compared with 32 in 2004. That represents a decrease in the number of unit sales of 31%.



That obviously means that the average transaction size increased significantly. Indeed, the average size went up by 48% from just under \$500,000 to \$740,000.

It goes without saying that this is a complex market. Selling a home in this kind of market and trying to achieve maximum value requires good analysis of the current values coupled with a marketing program that brings in the widest possible array of potential buyers. Call Frank or Gerry for a review of how we combine internet marketing, quality advertising, personal service and realtor networking to sell Gainey Ranch properties.

The chart below shows the price trend in dollars per square foot for all MLS sales in Gainey Ranch over the past year. Individual sales are plotted on the timeline and a least squares fit is shown in red. Prices continue to grow at a rate of about 30% per year. While these figures do not indicate a significant slowdown in the price trend, some properties are staying on the market longer than a year ago.



New Look

Over the past six months we have experimented with different looks for our newsletter. First, we used a tri-fold format that was mailed in an envelope. Then we went to a commercially printed 4-page format. Now we are going to a two-page format with printed addresses. The tri-fold format had the disadvantage of requiring folding, stuffing and stamping. The commercially printed 4-page format was expensive. With new equipment we are able to deliver this format at total cost about one-third the previous formats. We will keep it packed with information relevant to your real estate needs. Combined with our Web site, we expect to deliver to the residents of Gainey Ranch the most complete and up-to-date information possible.

Recent Sales

MLSNUM	ClosedDate	List Price	Sale Price	Beds	Baths	Sq Ft	\$/Sq Ft	Address
2332675	9/29/2005	\$699,000	\$710,000	2	3	2408	\$295	7525 E Gainey Ranch Rd
2328198	9/28/2005	\$2,080,000	\$1,950,000	3	3	3326	\$586	7475 E Gainey Ranch Rd
2362692	9/22/2005	\$569,000	\$580,000	2	3	1656	\$350	7222 E Gainey Ranch Rd
2353733	9/21/2005	\$559,900	\$540,000	2	2.5	1997	\$270	7272 E Gainey Ranch Rd
2353527	9/15/2005	\$729,900	\$695,000	2	2	1937	\$359	7525 E Gainey Ranch Rd
2335071	8/15/2005	\$1,550,000	\$1,550,000	3	3.5	4222	\$367	7425 E Gainey Ranch Rd
2247368	8/11/2005	\$2,249,000	\$2,249,000	5	6.5	7500	\$300	7475 E Gainey Ranch Rd
2331489	8/8/2005	\$365,000	\$365,000	2	2	1428	\$256	7272 E Gainey Ranch Rd
2299351	8/2/2005	\$599,900	\$599,900	2	2	1937	\$310	7525 E Gainey Ranch Rd

Active Listings

MLSNUM	Beds	Baths	Sq Ft	List Price	Subdivision
2344943	2	2	1040	\$325,000	The Courts
2389103	2	2	1428	\$424,500	Pavilions
2378325	2	2.5	1206	\$449,000	The Courts
2390173	2	2	1776	\$649,000	Oasis
2328523	2	3	2214	\$725,000	8989 Condos
2389400	3	3	2438	\$790,000	The Greens
2389434	2	3	2408	\$895,000	The Greens
2240060	6	5.5	6596	\$2,590,000	Vaquero
2284940	5	5.5	6512	\$2,595,000	Vaquero
2218372	6	6	7438	\$3,150,000	Vaquero
2351376	5	7	8180	\$3,500,000	Vaquero

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Pending Sales

MLSNUM	Beds	Baths	Sq. Ft	List Price	Subdivision
2365084	2	1.5	854	\$295,000	Courts
2383151	2	1.25	850	\$295,000	Courts
2364358	2	2.5	1203	\$378,000	Courts
2389681	2	2.5	1106	\$400,000	Courts
2339292	2	2	1259	\$408,000	Pavilions
2386989	2	2	1259	\$425,000	Pavilions
2372110	2	2	1392	\$510,000	Sunset Cove
2304887	2	2	1776	\$530,000	Oasis
2383869	2	2	1861	\$589,900	Sunset Cove
2382551	2	2.5	1700	\$595,000	Pavilions
2369706	3	2	1868	\$699,900	Golf Cottages
2373345	3	3	2112	\$719,000	Golf Cottages
2393161	2	2.5	2673	\$985,000	Arroyo Vista
2376628	2	2.5	3307	\$1,375,000	Enclave
2391024	4	5	4381	\$1,600,000	Enclave II

For complete details on all listings visit our Web site at:

www.GaineyRanchProperties.com

All listings presented in this newsletter may or may not be listed by the Broker or Agent that presented them.

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