

HOME SALES EXPERIENCE RECORD-BREAKING DOUBLE DIGIT GROWTH

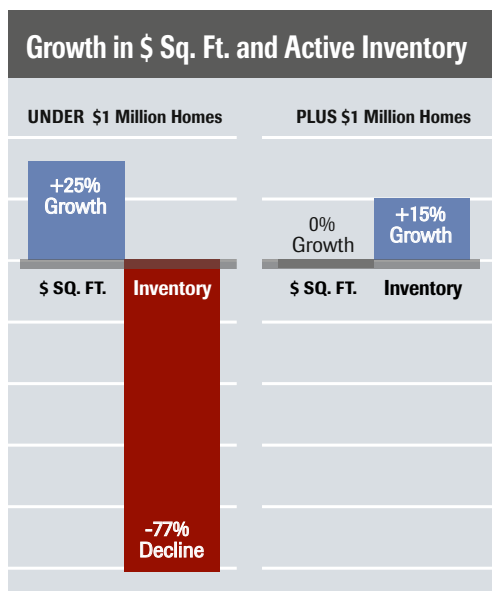
The Pinnacle Peak area housing market appears to be on fire. But - a closer inspection of the micro trends reveals (a) market strength is being driven by the under \$1 million market and (b) the overall market appears to be softening. What does this mean for the Pinnacle Peak homeowner? If your home is worth \$1 million or less, limited inventory keeps the pricing power in the seller's hands. If your home falls in the \$1 million plus market, increased inventory has shifted the pricing power to the buyer and underscored the importance of better home marketing to stand apart from the competition.

PRICES RISE AS INVENTORY FALL ■

For the first four months of 2005, the average \$ square foot per home sold and its average \$ home sale price experienced double digit increases vs. year ago levels (see chart on right). Price increases appear to be the result of a 20% drop in active inventory which gives home sellers more power to set aggressive pricing as buyers compete for limited product.

PINNACLE PEAK 85255 HOMES SALES 2005 YTD			
Leading Indicator	Trend	1st Qtr. 2005	% Chg vs YAG
Avg. Sales Price	▲	\$1,073,732	11%
Avg. Square Foot	▲	\$281	14%
Total \$ Sales	▼	\$73,013,800	-8%
Total Unit Sales	▼	68	-17%
Active Inventory	▼	87	-20%
Days to Contract	▼	70	-18%
% List Discount	▼	-3.8%	-1.0 Pts
Avg. Home Size	▼	3,819	-2%
Avg. Build Year	▼	1996	-1 Year
Own Pool %	▲	82%	+5 Pts.

Source: ARMLS (Jan.-Apr. 2005)



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UNDER \$1 MILLION DOLLAR HOME DRIVING MARKET ■

As noted, the micro trends reveal that the markets strength is being driven primarily by the under \$1 million dollar homes (+25%) with the plus \$1 million homes maintaining year ago levels. 77% lower home inventory levels in the under \$1 million market, coupled with a more attractive price point for out-of-state investors, are the dominant reasons for the double digit price increases. On the other hand, an abundance of inventory in the million dollar plus homes (+15% vs. year ago) is keeping prices down as buyers have more leverage when bidding for luxury homes.

MARKET IS BEGINNING TO SOFTEN FOR REMAINDER OF 2005 ■

Is the overall market beginning to head South? On the low end of the market with the extremely low inventory levels, the answer is clearly no. But - if the trends exhibited with the \$1 million homes in escrow continue, it would appear that the robust market is beginning to soften. Recent escrows in the \$1 million plus market are showing a 50% increase in numbers of days to contract vs. those homes that have already closed in the first four months of 2005. Clearly, the days of just placing your home on the market with limited marketing support are coming to an end. More sophisticated marketing strategies will be needed as inventory increases while demand wanes.

Ken Lukaska is a REALTOR® with the Russ Lyon Realty Company. He can be reached at 480.580.4422 or via e-mail, ken@lukaska.com. Visit his site online at www.kenlukaska.com.

kenlukaska
where marketing hits home™ ■

