



August 1, 2008

State of the Market

Santa Fe, NM

In a message intended to recount our past and current market conditions as well as anticipate the future, I would first like to thank our customers and clientele for being exceedingly patient while we try to make sense of a time of change in our current real estate conditions. While the “real estate” question remains a popular source of conversation through out Santa Fe, presenting our market in a nice, neat package remains challenging. There are some segments of our local market that have slipped drastically, while our statistics show that other segments continue to thrive.

Home buyers continue to be in the driver’s seat with plenty of inventory to choose from in virtually all price ranges. Time required to sell a listing has lengthened to an average of 183 days on the market. Home prices appear to have stabilized based on our supply and demand not to mention, sellers are becoming more realistic in their pricing. As a result, our sellers are averaging 93% of asking prices.

We continue to deal with several challenging factors in the national and local markets. Concern over liquidity and tougher lending qualifying standards in the mortgage industry is slowing any quick recovery. Lingering problems with sub prime loans must also be resolved as our industry wades through an increasing number of short sales and foreclosures.

We also continue to be challenged by the constant barrage of negative media attention regarding the state of the real estate market. What is frustrating about much of this negative news is that many of the market fundamentals remain positive. Interest rates are at historically low levels. Employment is adjusting but still at roughly 95%. The prime component of a healthy real estate market...confidence, remains relatively strong. According to a consumer research study recently undertaken by Architectural Digest and Sotheby’s International Realty, real estate is still considered a sound investment and affluent consumers are confident both in the current housing market and that the value of their home has remained constant. In the survey, “Seeking an Extraordinary Lifestyle”, 85% of the respondents agreed with the statement, “I think real estate continues to be one of the best investment a person can make.” The study also revealed that 55% of the million dollar homeowners that responded to the survey plan to buy, sell, build or invest in a new home. 69% of the respondents agreed that now is a good time to add to one’s real estate holdings. The respondents felt that the media plays a role in the perception of the current real estate conditions. 50% of the respondents think the media exaggerates the market conditions to make it seem worse than it really is.

So, let's get back to that burning "real estate" question in Santa Fe. Our overall market is certainly not at the level it was at the end of second quarter of last year, and this is to be expected when we consider the challenges that we face as well as the current state of the overall economy in 2008. The segment of our market that we see the most drastic decline in units sold is below \$1,000,000. Experience tells us that this is the segment of the market where buyers are seeking mortgage financing and are the most challenged by the current mortgage struggles. The units sold count above \$1,000,000 is similar to the first half of last year, and continue to remain in demand. The good news is that there are buyers in our market. Regardless of price point, we find that when a property offers a compelling value proposition, buyers tend to come out of the woodwork. There have been several multiple offers situations in the first half of 2008. Buyers are here, "lurking". When they see value, they flock. More than ever, we are finding that correct pricing is critical.

I hope the following statistics are helpful in getting a handle on the Santa Fe residential market. You will probably notice an increase in average sales price as well as a drop in the median sales price. We believe that the decrease in unit sales in the lower price ranges has propped up the average sales price considerably, and can not be considered an accurate picture of our marketplace. A decline in average sales price is generally considered a prerequisite to an up tick in side transactions, and we are cautiously optimistic that we will see market activity begin to balance out across all price segments if this trend continues.

**RESIDENTIAL HOME SALES
CURRENT YEAR - JANUARY 1, 2008 THROUGH JUNE 30, 2008
SANTA FE CITY AND COUNTY**

PRICE RANGE	TOTAL UNITS SOLD	DOLLAR VOLUME	AVERAGE PRICE	MEDIAN PRICE	AVERAGE DOM **
UNDER \$250,000	167	\$32,946,462	-	-	158
\$250,001 to \$500,000	290	\$101,150,477	-	-	171
\$500,001 to \$750,000	112	\$68,088,123			179
\$750,001 to \$1,000,000	49	\$42,217,004			242
\$1,000,001 to \$2,000,000	44	\$60,602,796			274
\$2,000,001 AND ABOVE	10	\$43,855,300			320
TOTAL OF ALL RANGES	672	\$348,860,162	\$519,137	\$350,000	183

**DOM = DAYS ON MARKET

**RESIDENTIAL HOME SALES
CURRENT AND HISTORICAL COMPARISON
FIRST SIX MONTH RESULTS – SEVEN YEARS REPORTED
SANTA FE CITY AND COUNTY**

FOR FIRST HALF OF YEAR (ALL PRICE RANGES)	TOTAL NUMBER OF UNITS	TOTAL DOLLAR VOLUME	AVERAGE SALES PRICE	MEDIAN SALES PRICE	AVERAGE DOM**
2008	672	\$348,860,162	\$519,137	\$350,000	183
2007	1002	\$514,220,438	\$513,483	\$409,221	164
2006	1298	\$619,823,923	\$477,522	\$366,195	167

2005	1253	\$512,096,193	\$415,879	\$317,000	145
2004	1206	\$437,948,519	\$363,141	\$290,000	146
2003	1047	\$343,980,698	\$328,539	\$255,000	138
2002	1044	\$320,973,156	\$307,446	\$240,000	150

**RESIDENTIAL LAND SALES
CURRENT AND HISTORICAL COMPARISON
FIRST SIX MONTH RESULTS – SEVEN YEARS REPORTED
SANTA FE CITY AND COUNTY**

FOR FIRST HALF OF YEAR (ALL PRICE RANGES)	TOTAL NUMBER OF UNITS	TOTAL DOLLAR VOLUME	AVERAGE SALES PRICE	MEDIAN SALES PRICE	AVERAGE DOM**
2008	91	\$22,531,700	\$247,601	\$200,000	263
2007	242	\$58,777,565	\$240,254	\$184,000	218
2006	309	\$66,821,481	\$216,251	\$185,000	307
2005	285	\$61,649,260	\$216,313	\$157,500	335
2004	284	\$56,661,796	\$199,513	\$149,950	268
2003	280	\$39,410,468	\$141,256	\$115,000	360
2002	307	\$48,962,371	\$159,486	\$108,000	316

**RESIDENTIAL LISTINGS
SANTA FE CITY AND COUNTY
AS OF JUNE 30, 2008**

PRICE RANGE	INVENTORY	AVERAGE DAYS ON MARKET
UNDER \$250,000	335	143
\$250,001 to \$500,000	820	142
\$500,001 to \$750,000	463	171
\$750,001 to \$1,000,000	257	162
\$1,000,001 to \$2,000,000	305	188
\$2,000,001 AND ABOVE	94	236
TOTAL OF ALL ASKING PRICES – \$1,643,806,557	2287	160
AVERAGE ASKING PRICE OF ALL LISTINGS - \$725,994	MEDIAN ASKING PRICE OF ALL LISTINGS \$499,000	

**RESIDENTIAL LISTINGS
COMPARISON, ONE YEAR LATER – AS OF JUNE 30
SANTA FE CITY AND COUNTY**

FOR FIRST HALF OF YEAR (ALL PRICE RANGES)	TOTAL NUMBER OF UNITS	TOTAL DOLLAR VOLUME	AVERAGE LIST PRICE	AVERAGE DOM
2008	2287	\$1,643,806,557	\$725,994	160
2007	2139	\$1,553,524,129	\$726,285	126

RESIDENTIAL LAND LISTINGS
COMPARISON, ONE YEAR LATER – AS OF JUNE 30
SANTA FE CITY AND COUNTY

FOR FIRST HALF OF YEAR (ALL PRICE RANGES)	TOTAL NUMBER OF UNITS	TOTAL DOLLAR VOLUME	AVERAGE LIST PRICE	AVERAGE DOM
2008	908	\$309,010,571	\$339,817	300
2007	807	\$297,164,042	\$368,359	298

Hopefully, this letter has been meaningful and informative in making sense of our current market conditions. Sotheby's International Realty continues to pride itself on being affiliated with the most professional, qualified, and experienced real estate brokers in Santa Fe market place, and they are ready to go to work for you in your next real estate move. We also invite you to preview all of our listings on our company websites, www.sothebysrealty.com/santafe and www.santafesir.com.

Sincerely,



Darci Burson
Vice President/Qualifying Broker
Sotheby's International Realty, Santa Fe Brokerage

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.