



Housing Trends - Current Market

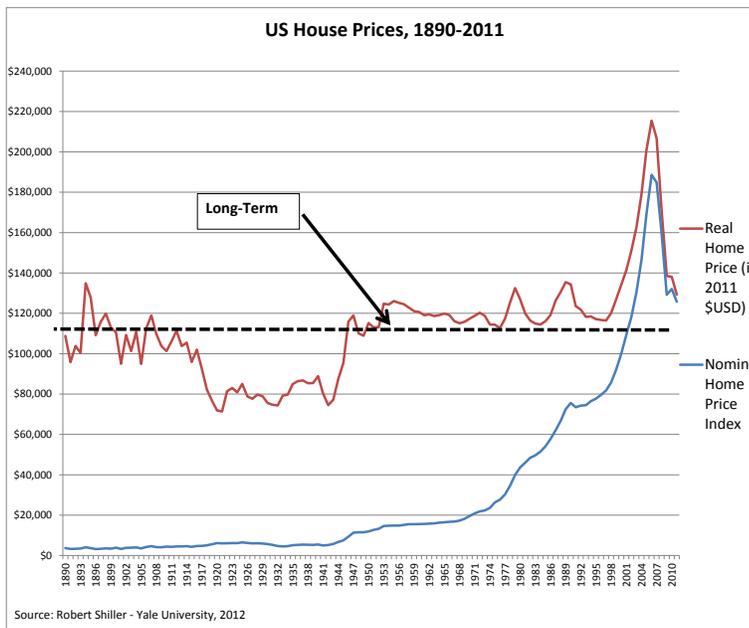
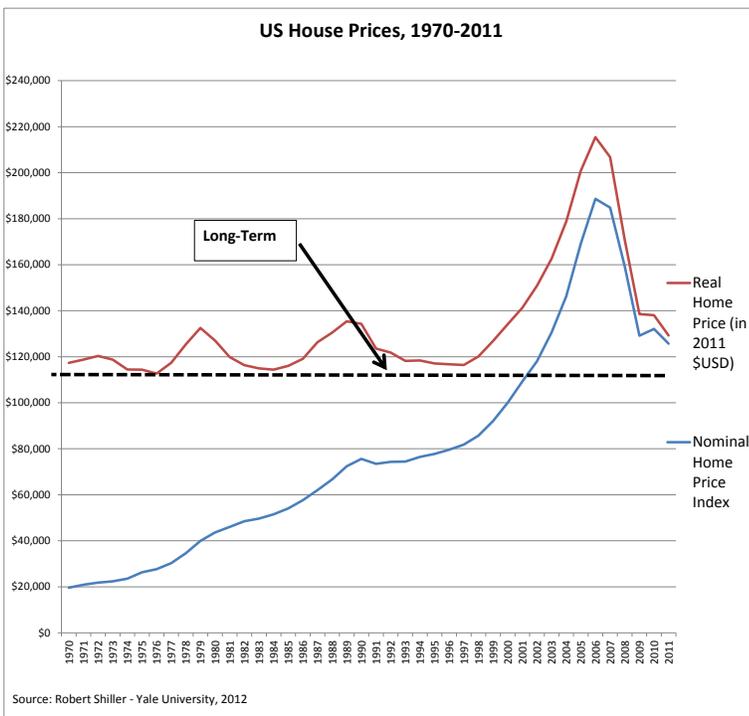
Over the last 20 years, the housing market has experienced an unprecedented boom and bust cycle not seen in modern history. The most recent boom in home prices for example, when adjusted for inflation, hit a peak not seen in over 120 years. Much of this run up can be attributed to a very complex series of events, starting during the natural boom cycle beginning in the 1990’s and compounded by unique changes to banking and finance practices during the early 2000’s, opening up an unnatural growth period likely not to be matched for decades to come. As the economy recovers and the housing bubble subsides, it is important to know how to track and understand housing trends in order to be prepared for their effects in the future.

Housing Price Trends - Boom & Bust

Since housing is a basic need for modern society, and housing prices are a component of consumer price indices used to track inflation, home prices tend to generally grow with inflation. While home prices tend to grow with inflation over the long-term, they experience boom and bust cycles in the short-term. When home prices are adjusted for inflation, prices tend to spike or drop, though typically return back to a state of equilibrium over time. This fluctuating trend in real prices is often masked by growth in nominal home prices, creating the common belief that “home prices always go up”.

Housing Trends Terms

- **Nominal Home Price:** Actual or “sticker price” at the time of a home’s sale.
- **Real Home Price:** Nominal home price adjusted for inflation. Allows for the comparison of home prices over time while accounting for purchasing power at each point in time.
- **S&P/Case-Shiller Home Price Index :** “The monthly S&P/Case-Shiller Home Price Indices use the “repeat sales method” of index calculation – an approach that is widely recognized as the premier methodology for indexing housing prices – which uses data on properties that have sold at least twice, in order to capture the true appreciated value of each specific sales unit.” (S&P, 2009)

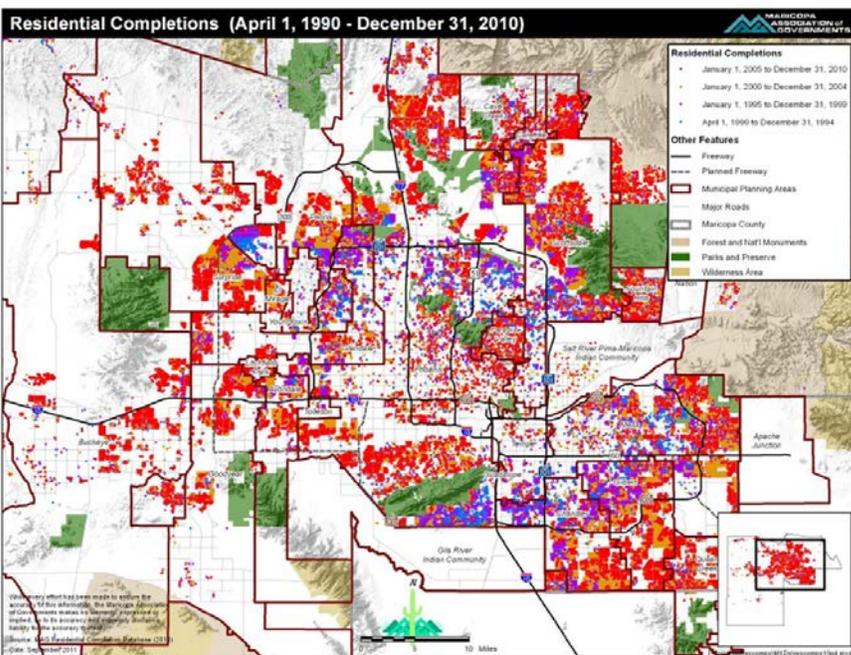
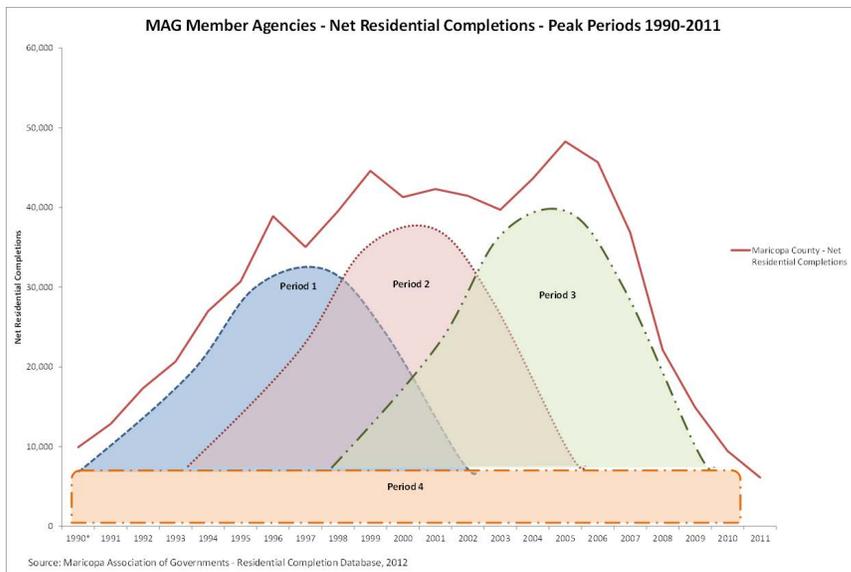


Housing Boom 1990-2011 (MAG Region)

The MAG region experienced an especially large housing boom cycle during last 20 year period, affecting different municipalities within the region at different times. As this growth occurred, the growth spread outwards from the region’s core, affecting different municipalities within the region during different time periods. The following periods describe when and where different municipalities within the MAG region hit their peaks regarding construction and particularly residential completions.

- **Period 1:** These municipalities are located in the core of the metropolitan area. Their peak for residential completions occurred in the mid to late 1990’s. A few of these municipalities experienced a secondary peak during mid -2000’s.
- **Period 2:** These municipalities are outside of and surrounding the core of the region. They hit their peak for residential completions around the turn of the century.
- **Period 3:** These municipalities are located more toward the region’s perimeter. They hit their peak residential completions during the mid 2000’s.
- **Period 4:** These municipalities are typically smaller municipalities located throughout the metropolitan area. They had wide fluctuations in their residential completions, several experiencing a major spike during the mid-2000’s, though never exceeding 500 units in a given year.

Note: Due to the large size and geographic shape of the City of Phoenix, it actually experienced all of these growth periods during the housing boom.



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