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**Treasure Valley Housing Market – New Homes Down, Existing Homes Up**

New Homes – Everyone looking for the big new-home Treasure Valley market recovery will have to wait a little longer.

There were 94 new single-family homes in May. This represents a decrease of 21 percent from the 119 sales in April. This is a particularly week number when one considers that May sales are typically about 14 percent better than preceding Aprils. In that context, on a seasonally adjusted basis, last month's new home sales are down nearly 34 percent for the month.

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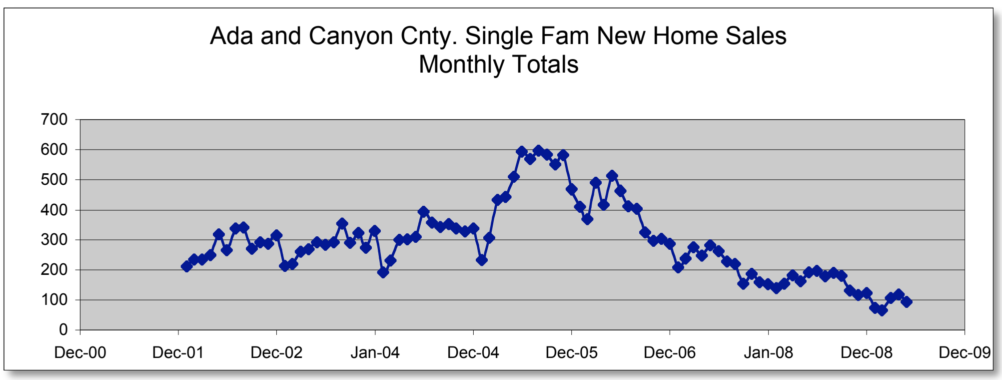


Chart 1

Once again, median Treasure Valley new homes prices were quite firm, continuing a trend that began seven months ago.

Median prices for new single-family homes have been at, or slightly below $170,000 since November of 2008. The median price for new single family homes in April was $169,270. In April, prices were down by less than one percent to $168,979. While that is significantly lower than the $260,000 plus median prices seen at the peak of the bubble, it remains about $19,000 above the inflation adjusted pre-bubble prices.

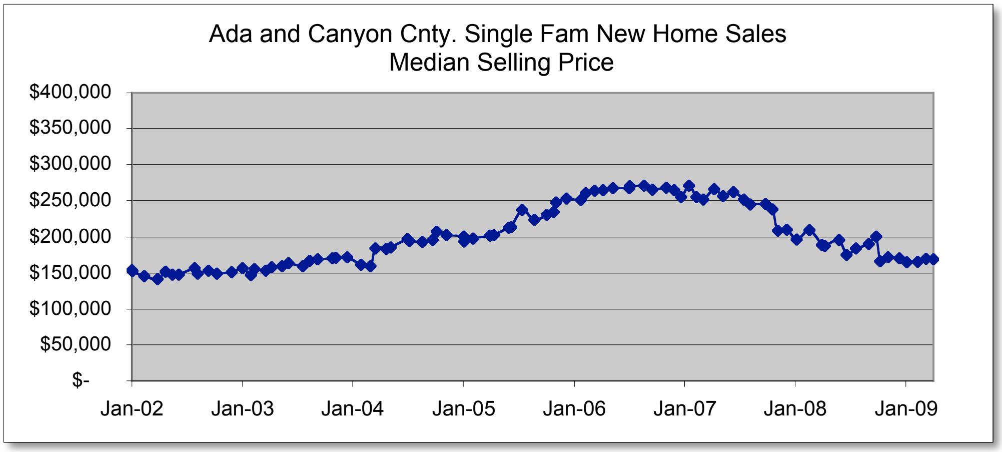


Chart 2

The price per square foot of the new homes was up by about one percent, $0.69 from the previous month. The April number was $97.67 per square foot. The May number was $98.36.

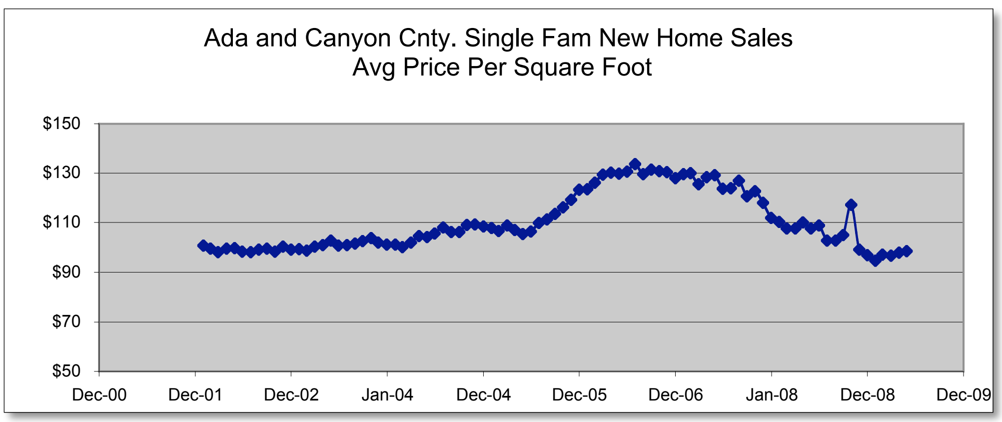


Chart 3

The following graph, Chart 4. Shows May new home sales by price point. The distribution is fairly normal in that the bulk of the sales are happening in the $250,000 or lower price points. What is not normal, by the standards of the last 10 years, is that the most active price point is the $100,000 - $150,000 price point. The 27 homes that sold in this price range probably sold at a loss to the builder developer.

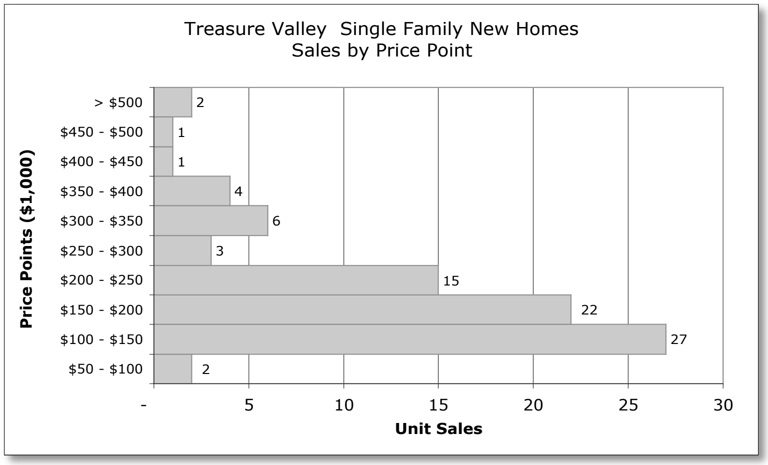


Chart 4

Chart 5 below shows the ratio of new homes listed for sale, divided by the number of homes that sold last month for each price point. This provides a measure of months of inventory at current sales rates.

Generally, numbers below 6 indicate that the market is tight. Numbers greater than 12 suggest there is too much inventory. For the past couple of months, there has been substantial excess inventory in the upper price ranges with much less excess in the lower price ranges. The situation has reversed to a certain extent this month. Currently, there are only about 5 or 6 months of inventory at prices above, $300,000, but 10 to 12 months of inventory in the more active $10,000 - $200,000 price ranges. The implication is that, in an effort to get some product moving and some cash flowing, builder/developers are beginning to cut the prices on some of their upper-mid level product.

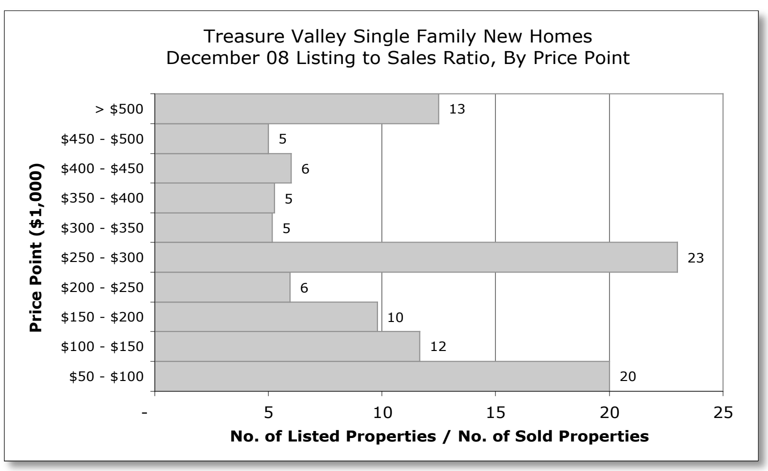


Chart 5


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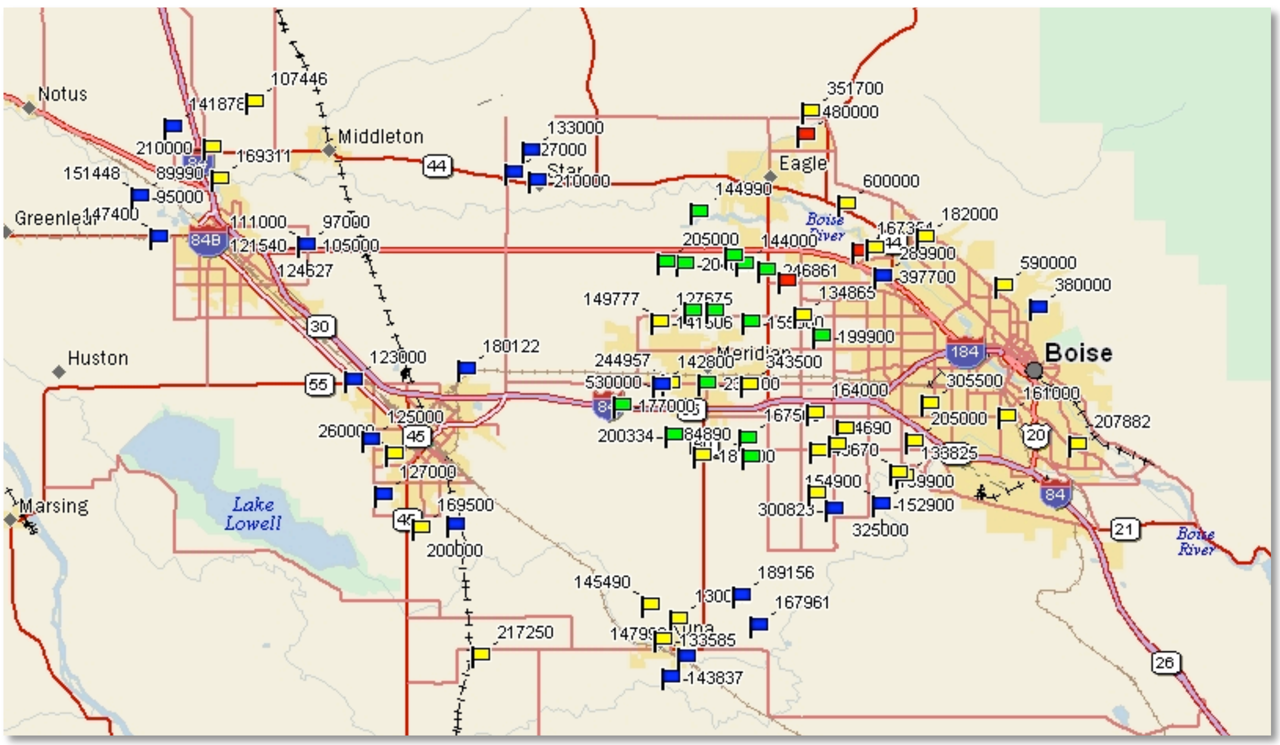
Sales Location Map – The map below displays the location of single-family new homes sold in April, as well as the price at which the transaction occurred.

West and southwest Boise, together with Meridian, continued their position as the areas of the valley where most sales are occurring. The Eagle – Star area, that had seen sales rates dip to as low as 3 per month, had a relatively big month with nine sales. Prices however, were less impressive. While a couple of homes in Eagle sold for more than $480,000, most sold for less than $200,000.

Last month, RME commented on the paucity of home sales in the Kuna area. That changed this month with the southern Ada County city carrying about 7 percent of the total market.

For the past couple of years Kuna has been preparing to challenge Meridian as the next big Treasure Valley new home market. Traditionally, that meant Kuna was a source of discount housing relative to the more traditional markets to the north. That is no longer the case. With the exception of foothills and Eagle area homes, prices of homes in Kuna this month compare favorably with prices or homes in other Treasure Valley markets



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Existing Homes – Existing homes sales posted another modest gain in May. May typically posts an 8 percent increase in sales relative to the preceding April. This May saw sales increase from 475 in April to 529 in May, an increase of 11.4 percent.

May existing home sale numbers are something of a mixed blessing. The increase presents a sign that the lending markets are working again. And, the level of homes sales is fully within the range of pre-bubble existing home sales rates. The downside is that there needs to be a reasonable balance between the sale of existing homes and the sale of new homes. Currently, the rebirth of the existing home market appears to be taking place at the expense of the new home market. The trouble with that is that existing homes do not generate construction, engineering, and other jobs to the same extent as do new home sales.

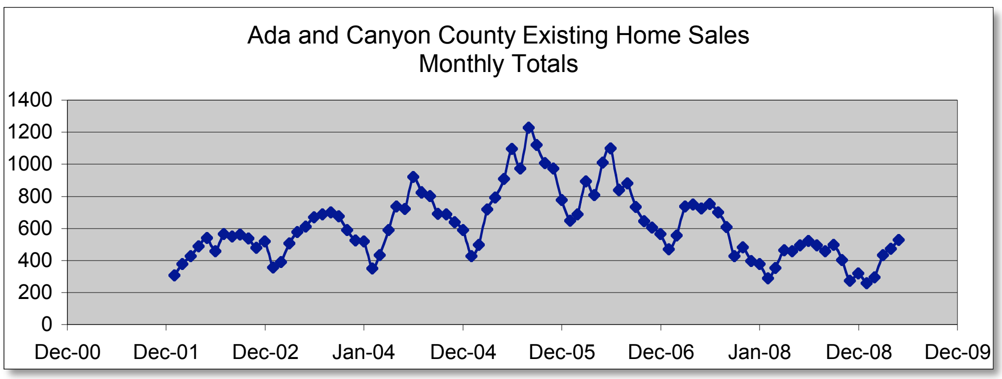



Chart 6

While sales totals managed to rally, prices took another hit. As has been noted several times in past newsletters, the prices of existing homes continues to be well above the price of homes before the bubble. Pre-bubble median prices, adjusted for inflation, were down in the $135,000 to $140,000 range. May median prices came in at $145,000. So, prices are still above pre-bubble pieces, and they are still trending downward. In fact, the May number was a full $5 lower than the April number. There is at least $10 of additional slack in the current price numbers, thus leaving the market vulnerable to further declines in coming months. Please refer to Chart 7.

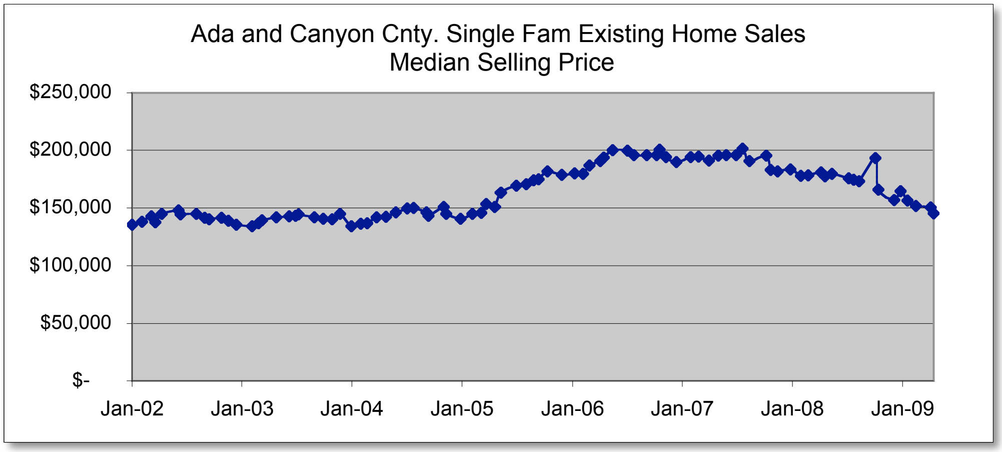



Chart 7

At the top of the bubble in 2005 and 2006, per square foot prices approached $140 for existing homes. That number came down to $88.2 per square foot in April setting a record for recent times. In May, the number regained some lost ground and increased by 50 cents to $88.9 per square foot.

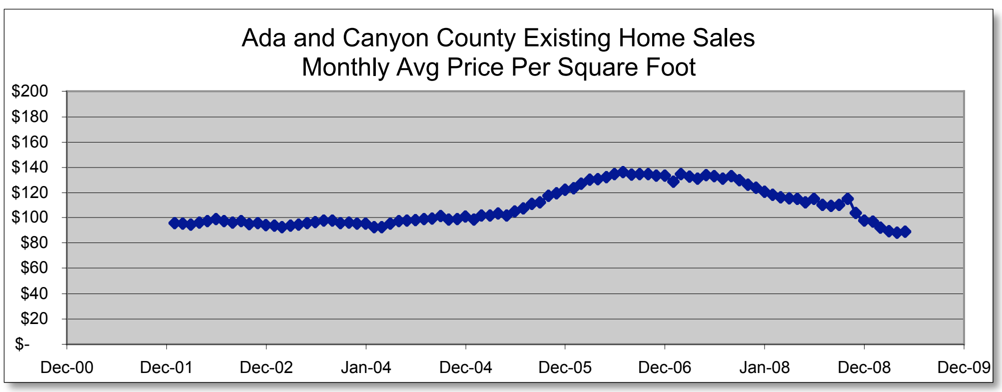
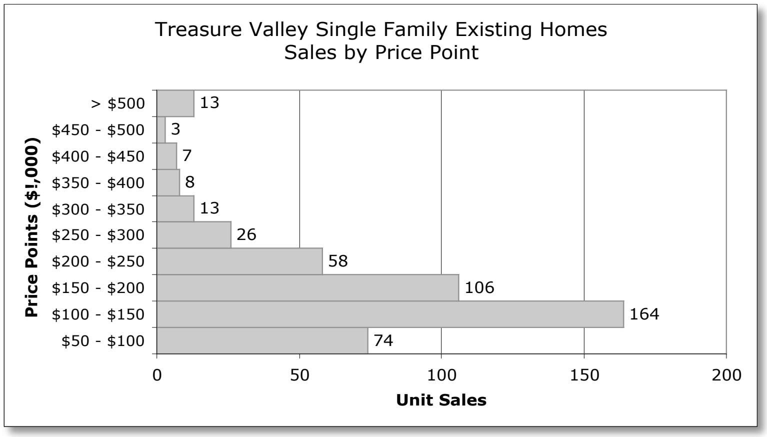
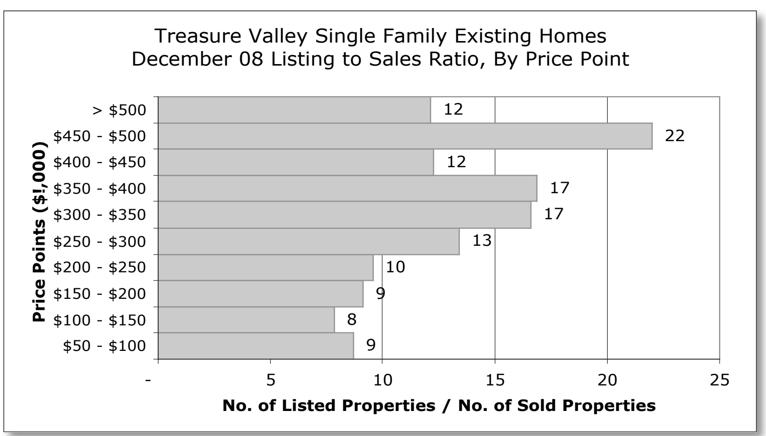



Chart 6

With sales of 529 units per month, sales of existing homes are running at about 85 - 90 percent of the pre-bubble sales rate. Sales by price point follow the usual distribution with most of the sales happening in the sub $200,000 categories.




The problem for sellers of existing homes, to the benefit of buyers, is the number of listings relative to the number of sales. For homes below $250,000, there are 10 or fewer homes for every buyer. This is a decrease of about two units per price point from last month. And, it remains a little high, but not excessively so. At price points above $250,000, there are between 12 and 22 homes listed for every buyer. This too is a reduction from last month. However, this must still be considered to be a very high ratio of inventories to sales. And, as long as the there are this many homes listed for sale, there will be severe downward pressure on prices.



**Thirty-Day Outlook**

State of the Economy – There will be some mixed messages for the valley in the month to come. Some of the layoffs that Micron announced last winter are soon to be coming due. And, the GM bankruptcy will be hitting some of the local car dealers. At the same time, a variety of federal stimulus programs will be starting to kick in. The two effects will largely offset each other. The stimulus will not be enough to lead to a recovery of the local market, but it will keep it from getting much worse.

Treasure Valley Home Sales – June is well into the beginning of summer. People will be getting into the swing of vacations and other activities. Home buying will be second priority, or lower. In that light, an average June only sees an increase over the preceding May of about 4 percent. Look for sales of new single-family homes in the Treasure Valley to come in at about 110 with median prices firm to lower by $1 - $2.

For existing homes, June sales typically increase by about 13 percent from the preceding May. With prices continuing to drop on existing homes, existing homes are primed to top 550 for the first time since February of 2007.