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MarketWatch

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Your monthly newsletter about Real Estate in the Phoenix, Scottsdale, and Paradise Valley, Arizona markets.

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The Real Estate Market will Dive Again if Cap-and-Trade becomes Law

By Dan Pinson, Designated Broker

If you want to see the real estate market take another dive, read Section 204 "BUILDING ENERGY PERFORMANCE LABELING PROGRAM" of the Cap-and-Trade bill.

The bill, already passed last year in the House of Representatives and now under consideration by the Senate, will force you to make your home energy efficient. The bill requires you to submit your home to an energy efficiency audit, participate in a retrofit (a remodel) of your home to bring it to standards, require a government inspection, and then issue you a "label" for your home.

Can't afford it? No problem – the government will fix it for you then place a lien on your house for that amount. Don't want it? Too bad – you have to have the required "label", at a proposed cost of \$200 per year. The kicker? You can't sell your home until you have the label!

All this applies equally to commercial, industrial, and multi-family properties as well. Go to the link below, which is the text of the bill, then to page 376 to read more:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h2454pcs.txt.pdf

Phoenix Leads Nation in Number of Underwater Mortgages

The number of borrowers with negative equity declined slightly in Q1 2010, but underwater mortgages and borrowers with less than 5% home equity accounted for 28% of all residential properties, according to the latest data from CoreLogic.

The state with the highest rate of negative equity mortgages continues to be Nevada, where 70% of all properties are underwater, followed by Arizona (51%), Florida (48%), Michigan (39%) and California (34%).

Las Vegas remains the core-based statistical area (CBSA) with the greatest rate of underwater mortgages, where 75% of mortgaged

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Investors/Owner-Operators – call us today for information on multi-family and commercial property bargains.

properties are underwater. Other top CBSAs include Stockton, CA (65%), Modesto, CA (62%), Vallejo-Fairfield, CA (60%), and Phoenix, AZ (58%). Phoenix had more than 550,000 underwater borrowers, the most of any metro market in the US, followed by Riverside, Calif. (463,000), Los Angeles (406,000), Atlanta (399,000) and Chicago (365,000).

Fannie Mae Needs Another Bailout

Fannie Mae has again asked taxpayers for more money – this time \$8.4 billion – after reporting a loss of \$13.1 billion for the first quarter of 2010. The taxpayer bill for rescuing Fannie and its sibling Freddie Mac has grown to \$145 billion – and the final tally could be much higher.

The rescue of Fannie and Freddie is one of the most expensive aftereffects of the financial meltdown, and Fannie Mae's first-quarter financial report on Monday made clear that there is no end in sight.

Late last year, the Obama administration pledged to cover unlimited losses through 2012 for Fannie and Freddie, lifting an earlier cap of \$400 billion. And with the housing market still on shaky ground, Obama administration officials say it is still too early to draft any proposals to reform the two companies or the broader housing finance system. Republicans argue the sweeping financial overhaul currently before Congress is incomplete without a plan for Fannie and Freddie.

Created by Congress, Fannie and Freddie buy mortgages from lenders and package them into bonds that are resold to global investors. Together the pair own or guarantee almost 31 million home loans worth about \$5.5 trillion. That's about half of all mortgages.

The two companies loosened their lending standards for borrowers during the real estate boom and are reeling from the consequences. As the housing bubble burst, they were unable to raise enough money to stay afloat, and the government effectively nationalized them.

Since then, Uncle Sam's share of the mortgage business has kept getting bigger. Government institutions – mainly Fannie Mae, Freddie Mac, the Federal Housing Administration and the Veterans Administration – backed nearly 97 percent of home loans in the first quarter of 2010, according to trade publication Inside Mortgage Finance.

Fannie Mae has warned that mortgage defaults will remain elevated, foreclosures will increase, and that home prices will decline slightly. Nearly 5.5 percent of Fannie Mae's borrowers were at least three months behind on their payments at the end of March, nearly flat with year-end levels.

Fannie also said it remains dependent on the government to stay in business. "There is significant uncertainty as to our long-term financial sustainability," the company said in a regulatory filing.

The company also noted that it will now be required to pay \$8.5 billion in dividends to the Treasury every year. That exceeds the company's net income for the last eight years.

The Monthly Numbers

For the Metro Phoenix area, for April, 2010:

- Total Sales: 8,955
- Total New Home Sales: 650
- New Home Median: \$ 213,483
- Total Resale Sales: 8,305
- Resale Median: \$135,000
- Notice of Trustee Sales: 7,064
- Number of Trustee Deeds Recorded: 4,476
- Pending Number of Active Trustee Sale Notices: 46,834
- Real Estate Owned Properties: 16,356

Market data courtesy of Arizona Regional MLS and The Cromford Report.

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Metro Phoenix Market Data (from ARMLS as of 5/1/2010):

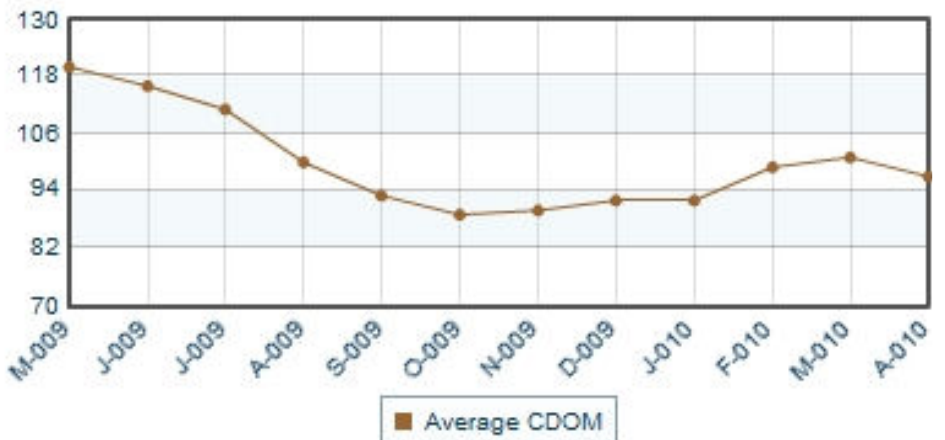
Inventory



Prices



Days On Market



Just Sold



12820 E. Gail Dr.
Scottsdale, AZ 85260

Just Sold



2121 W. Shaw Butte
Phoenix, AZ 85029

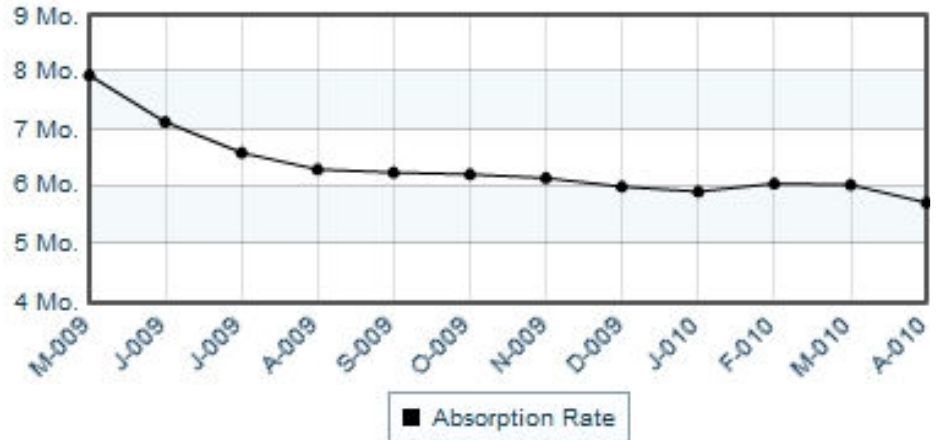
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Annual appreciation/depreciation between April 1, 2009 and April 1, 2010, based on the average \$ per square foot for monthly sales of single family homes. Note the wide variation in rates depending upon the city!

City	Appreciation	Days Inventory
Phoenix	27.2%	119
Buckeye	7.3%	110
Litchfield Park	5.6%	123
Glendale	5.4%	112
Fountain Hills	5.3%	284
Queen Creek	4.6%	124
Avondale	3.5%	82
Mesa	3.3%	141
Surprise	3.3%	128
Apache Junction	2.8%	112
Anthem	2.0%	93
Maricopa	1.7%	118
Goodyear	1.1%	128
Sun Lakes	0.0%	243
Tolleson	-0.7%	81
Gilbert	-2.0%	152
Arizona City	-2.4%	99
Sun City West	-2.7%	211
Chandler	-3.2%	158
Peoria	-3.8%	153
Casa Grande	-4.1%	120
Gold Canyon	-4.1%	237
Laveen	-5.0%	138
Tempe	-6.8%	186
Paradise Valley	-7.8%	610
Sun City	-9.0%	194
Scottsdale	-10.1%	288
Cave Creek	-13.9%	255

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