THE LAS VEGAS HOUSING MARKET LETTER
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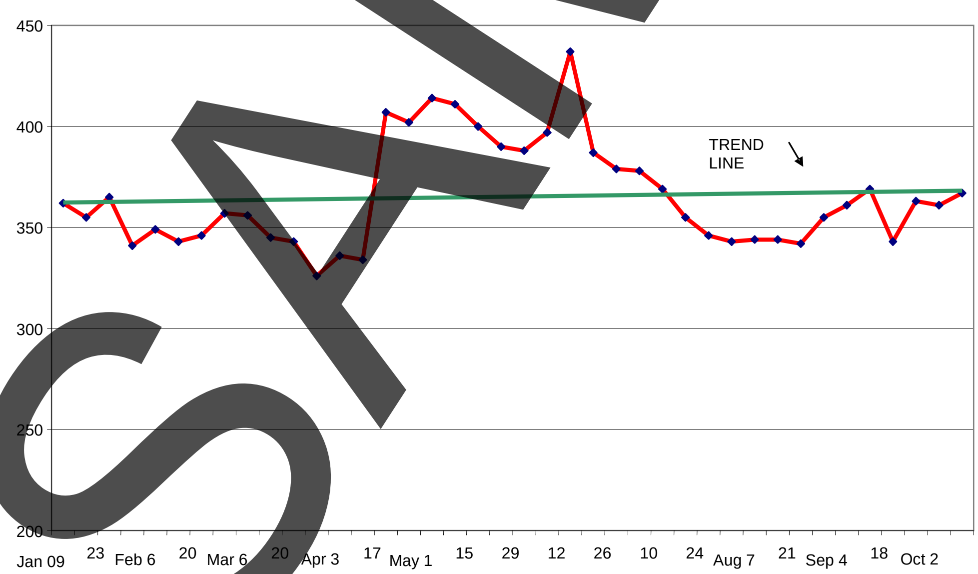
There were some encouraging data series in September. We counted **405 new home recorded sales,** the third consecutive monthly increase. This brings our 2011 total to 2,788, **a year to year decrease of 1,483 recorded sales, or 35 percent.** Remember, the large year to year decline is because we are still comparing the 2011 figures with those that were enhanced by the federal tax credit in 2010.

The **median price of the September new home closings was $206,480.** This is a very nice rise of $7,875 from the previous month. It is a **year to year decrease of $6,390, or 3 percent.** There were 9 new high rise closings in September. When we omit them from the overall total, the median price of the remaining traditional products becomes $205,281.

The **252 new home permits pulled by home builders in September** were the lowest since February 2011. It brought the 2011 sum to 2,901, which is a year to year decline of 900 or 24 percent.

Each week we gather the latest consumer demand for new homes and summarize it into our Weekly Traffic/Sales Watch Report. It provides our clients with the latest traffic and new sales results, current through the prior week. This allows us to anticipate the permit activity and therefore the upcoming closings. Another important feature it provides is a good sampling of the unsold finished inventory. The next graph illustrates the 2011 trend of UNSOLD FINISHED INVENTORY, as reported to our Weekly Traffic/Sales Watch report. We added a trend line which suggests a VERY slight upward trend.

2011 UNSOLD FINISHED INVENTORY



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This report is a very valuable tool that is utilized by virtually all of our local home builders and astute lenders. (Call us for a price quote, like all of our housing reports it is very affordable.)

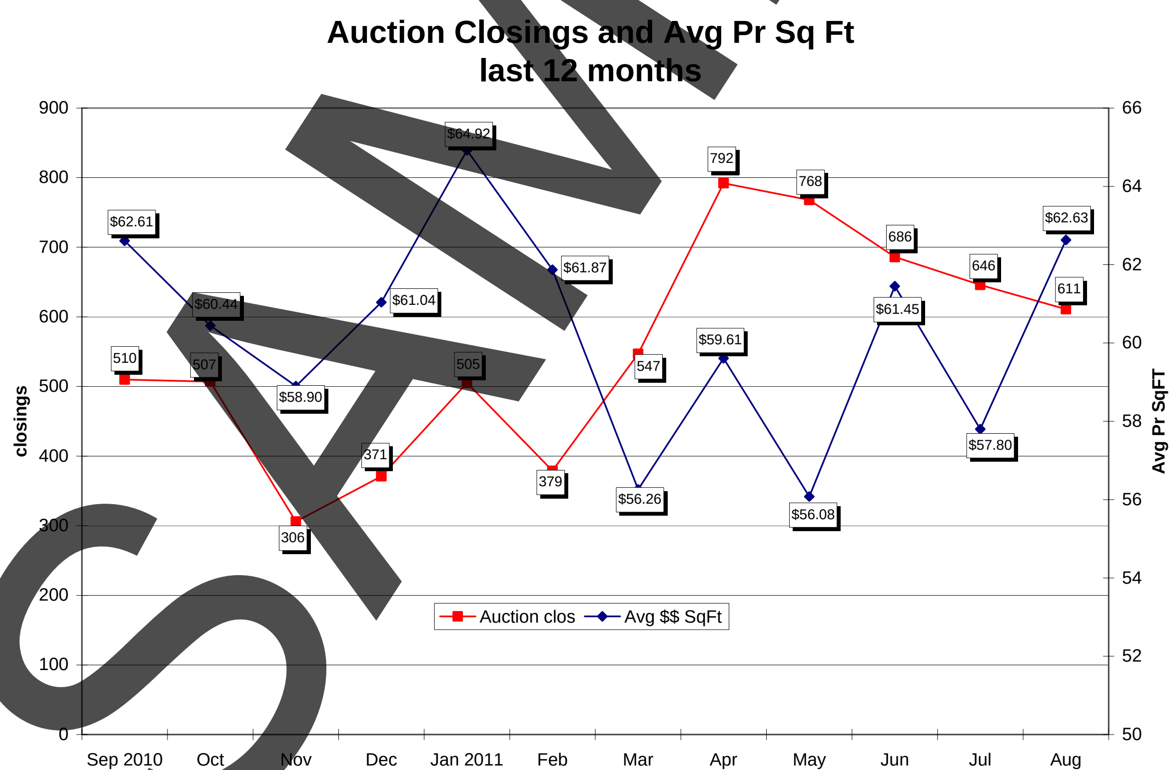
The overall **4,281 resale closings in September** were a little less <557> than the prior month, but still a very impressive sum. This brought our resale tally to 35,828, a year to year rise of 3,610 transactions or 11 percent.

The **median price of the September resale closings was $108,100,** not much of a change during the past 4 months. It is a year to year decline of $14,900, or 12.1 percent.

According to MLS data for September that was summarized by Residential Resources, 48 percent of all of their closings were REO properties, 25 percent were short sales, and 27 percent were normal listed properties.

There are reports that the banks are moving forward with previously delayed foreclosures, led by Bank of America. The other large banks are supposedly following their lead. These suggestions are causing additional small and large investors to consider buying more homes at the county auctions. It sounds pretty easy, bidding and purchasing foreclosed homes from banks, and then renting or flipping them for a tidy profit. However, it is not by any means that simple. In recent years there have been dozens of investment groups who have tried to become "players" in buying auctioned homes. Most of them have found that it is extremely competitive, while the "real players" have methods they have fine tuned and are very adept at picking off the best properties.

The investors who have been successful do an amazing amount of research to help identify the homes that can turn a nice profit, either by flipping, or renting and holding. The next graph illustrates the monthly number of auction closings during the 12 month period ending in August, 2011. We also included the monthly average price per square foot for each month.



Publica, one mortgage servicer, GMAC, had made errors in 80 percent of audited cases, but kept the mistakes secret. GMAC said it didn't reverse a single foreclosure action as a result of the audit. The feds set aside $45.6 billion in funding to help homeowners, and have spent $7 billion. As a result, $30 billion that was to assist housing could go to paying down the deficit. And now as we must listen to the upcoming election "rhetoric" there has been almost nothing said from candidates about fixing the housing problem. The candidates either don't have any plans or they have decided the only remedy is to let the market forces work.

Since 2009 we have said the logistics of the housing depression are so deep and broad it would take ALL involved to work together to dig out of the "recessionary hole". It seems so fundamental to suggest the first and basic fix must be to deal with the excess inventory of homes. That begins with keeping current homeowners in their homes. It is now the common belief that it is NOT a moral issue to walk away from an underwater mortgage, but rather a factor of "individual economics". When 60 – 70 percent of the homes with mortgages are underwater, that is a HUGE cloud of uncertainty hanging over any housing recovery. The ineptness of "the system" to fix itself quickly has become very obvious. We have to be patient and let the market forces work. Hopefully, there are enough investors to purchase distressed properties, and demand from outside our borders strengthens and continues to help bolster local sales.

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Our next **Housing Outlook Conference** is just around the corner, on Thursday, October 27th, at the Springs Preserve. It begins at 7:30 AM with registration and breakfast. At 8:30 we will begin the conference with an in-depth market presentation discussing the latest statistics on the new and resale segments. We will provide projections that are based on our proprietary housing data and what we consider to be "relevant subjective information". We are continually discussing the local business conditions with many of our clients from all segments of the economy, locally and nationally. When combined with 35 years of housing data experience it provides a unique opportunity to hear many views of what is really taking place in our industry, and what is in store for the future of Las Vegas housing.

In our continuing attempt to provide our clients with the best information that is available on our economy we are very pleased to have Mr. William Anderson as our special guest speaker. Mr. Anderson is the chief economist for the state of Nevada, working at the Research and Analysis Bureau (R&A) for the Department of Employment, Training, and Rehabilitation (DETR) in Carson City. The R&A provides a wealth of information related to Nevada's workforce and economic conditions. They serve as our state's primary provider of workforce information.

At about 9:30 we will have a panel of experienced professionals (experts) in various segments related to the housing industry. They will be available to answer questions from the audience and discuss issues that should be of interest to anyone associated with housing. In the past Housing Outlook Conferences, the panel discussions have been lively and very informative.
The panel will consist of,

- William Anderson, lead economist for the state of Nevada.
- Ken LoBene, Field Office Director of the LV HUD office.
- Elizabeth Parker – Land Acquisition and Strategic Planning Manager for KB Home.
- Aman Lal – The Hoffman Company.
- Rick Shelton – Corporate broker for Better Homes and Gardens Real Estate and past President of the Greater Las Vegas Association of Realtors.

The conference will be fast moving and filled with hard data and information from some very knowledgeable local housing industry professionals. Las Vegas is one of the "epicenters" of the national housing recession. A great deal of what we read from national pundits does NOT apply to our market. It's not all bad news, either. There are some positive things happening that will be discussed. See you on the 27th of October.

Dennis Smith