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Indianapolis MSA Market Trends Report

FORECLOSURES AND LACK OF CONSUMER CONFIDENCE TO IMPACT 2009 HOME SALES

But, Local Market's High Affordability Makes It Attractive to First-Time Home Buyers and Investors

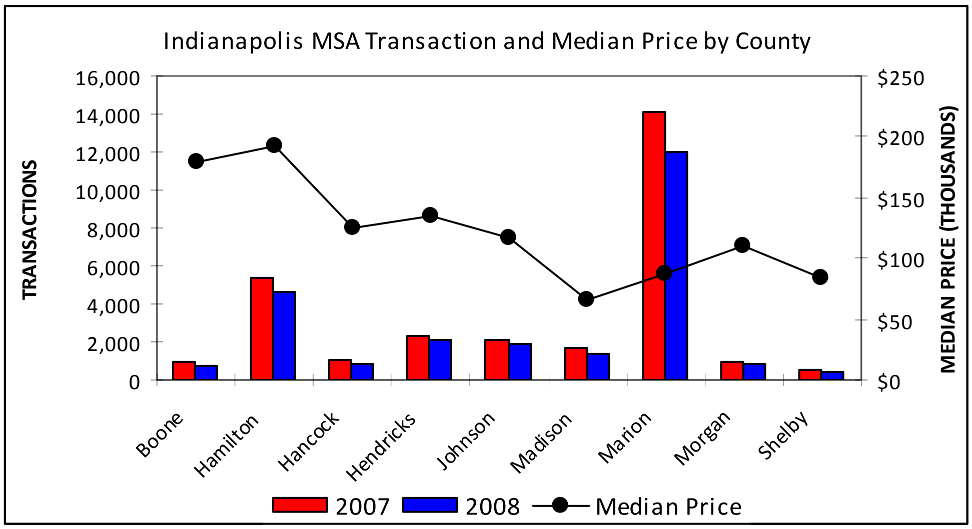
EXECUTIVE SUMMARY

FORECLOSURES AND LACK OF CONSUMER CONFIDENCE TO IMPACT 2009 HOME SALES
But, Local Market's High Affordability Makes It Attractive to First-Time Home Buyers and Investors

The nine county metropolitan Indianapolis area (MSA)[1] missed the real estate bubble of the last decade, but has not missed the economic meltdown. Home sales and prices from 2007 to 2008 reflect the national trends that are hammering the real estate market. Layoffs and job losses, lower consumer confidence and higher unemployment, rising foreclosures and falling home prices are creating challenges for the housing market now, according to RE/MAX of Indiana.

Overall, the percentage of home sales in the greater Indianapolis MSA fell further than did home prices. The number of homes sold dropped 14.8 percent from 2007 to 2008, from 33,295 home sales in 2007 to 28,378 in 2008. The median home price fell 4.3 percent – from $118,000 in 2007 to $112,900 in 2008. The majority of homes sold in the Indianapolis MSA were priced at $150,000 and below.

The steepest drop in home sales, more than 10 percent, occurred in Marion County. A primary factor in that drop is Marion County's foreclosure activity.



The silver lining is that lower home prices, fewer homes on the market, historically low interest rates, an increase in first-time home buyers, and the newly signed $8,000 federal tax credit for first-home home buyers should work to stabilize home sales and be a key component of an economic recovery, beginning after 2009.

Under the revised American Recovery and Reinvestment Act, which President Obama signed February 17, the new homebuyer's credit includes no repayment and credit recapture on the sale within three

[1]The Indianapolis MSA is a nine-county area, including Marion and the contiguous counties – Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan and Shelby Counties.

years of purchase – essentially moving to from a loan to a grant. While not as extensive as the plan proposed by the National Association of REALTORS (NAR) -- which would have included a tax credit to <u>all</u> purchasers -- publicizing this improved tax credit for first-time home buyers should help position 2009 as a transition year toward a gradual housing market rebound.

But consumer fear, lack of knowledge about the requirements for qualifying for a home loan, and misconceptions about the barriers to home buying are also factors that need to be overcome in 2009.

BIGGER DROP IN HOME SALES THAN PRICES FOR MARION AND SURROUNDING COUNTIES
Median home prices drop 4.8 percent—but a 14.8 percent drop in number of homes sold

In general, Marion County showed the widest swings among all the nine counties surrounding Indianapolis. Median home prices declined more than 10 percent in Marion County, compared to a 4.3 percent decline in the Indianapolis MSA.

While median home prices fell year-to-year in nearly all the Indianapolis-metro markets, home prices actually climbed in several areas, according to RE/MAX of Indiana's data:

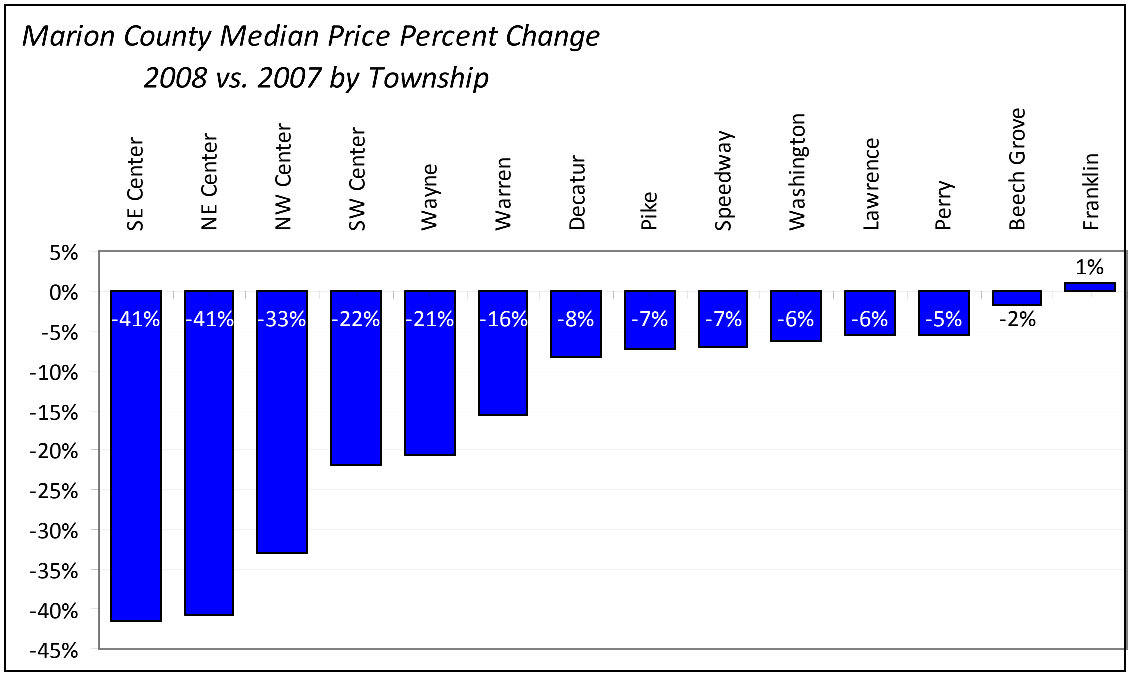
- Median home prices in suburban Fishers climbed by 1.6 percent.
- The median price of a home in Franklin Township went up 1 percent, from $119,875 in 2007 to $121,000 in 2008.
- Median home sales prices in Marion County fell the most, and showed the greatest disparity. They ran the gamut from a drop of 41 percent in southeast Center Township to a modest .9 percent growth in Franklin Township.
- The median home price in Boone County fell the least amount -- .4 percent, followed by Hamilton County, by -2 percent. The median home sales prices in Hendricks and Madison counties fell by 3.1 percent.
- One encouraging sign: days on the market stayed nearly constant. It took 99 days to sell a house in 2008, compared to 98 days in 2007.

MEDIAN HOME PRICE IN INDIANAPOLIS FALLS 13 PERCENT IN 2008
But the median home price actually rose in Franklin Township

In the city of Indianapolis, the median home price fell more than 13 percent, year to year – about nine percentage points more than in the outlying counties.

But Indianapolis home sellers and buyers saw wide fluctuations in prices. As expected, local property tax hikes of up to 30 percent this past year had an adverse effect on housing prices in Indianapolis' Center Township.

The biggest price declines were in southeast and northeast Center Township, where home prices plummeted as much as 41 percent in 2008. Housing prices in Warren Township fell 16 percent. The Westside showed modest declines: Pike Township fell 7 percent, as did Speedway. The median home price declined 22% in Wayne Township in 2008.



On the city's Northeast and Northwest sides, both Washington and Lawrence Townships saw drops of six percent in the median home price. There was a drop in median home price of eight percent in Decatur Township.

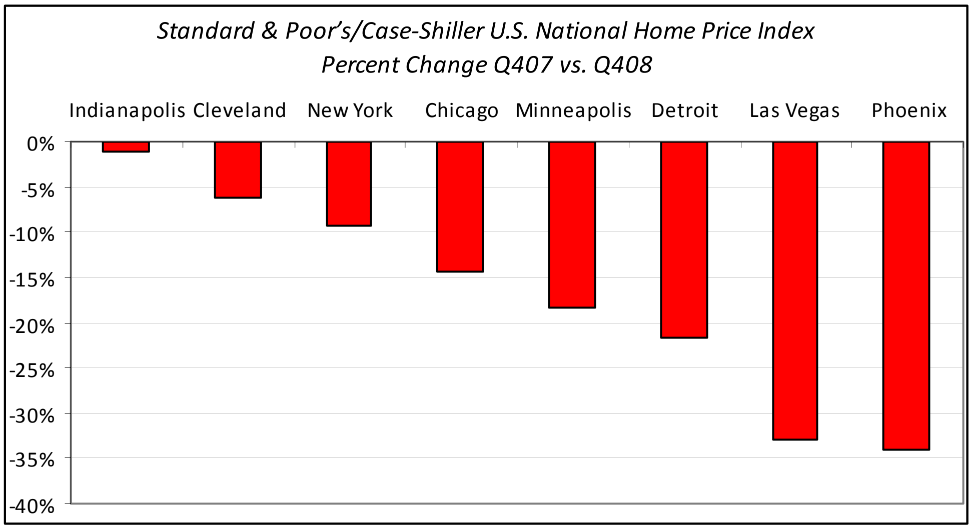
Two bright spots for median home prices were Perry Township (up 1 percent) and Beech Grove (down just 2 percent).

At $140,700, Washington Township had the highest median 2008 home sales price in Marion County, followed by $121,000 in Franklin Township and $118,000 in Lawrence Township. In Marion County, the average number of days a house stayed on the market remained relatively constant: it took an average of 95 days to sell a house in 2007. In 2008, it took 96.4 days.

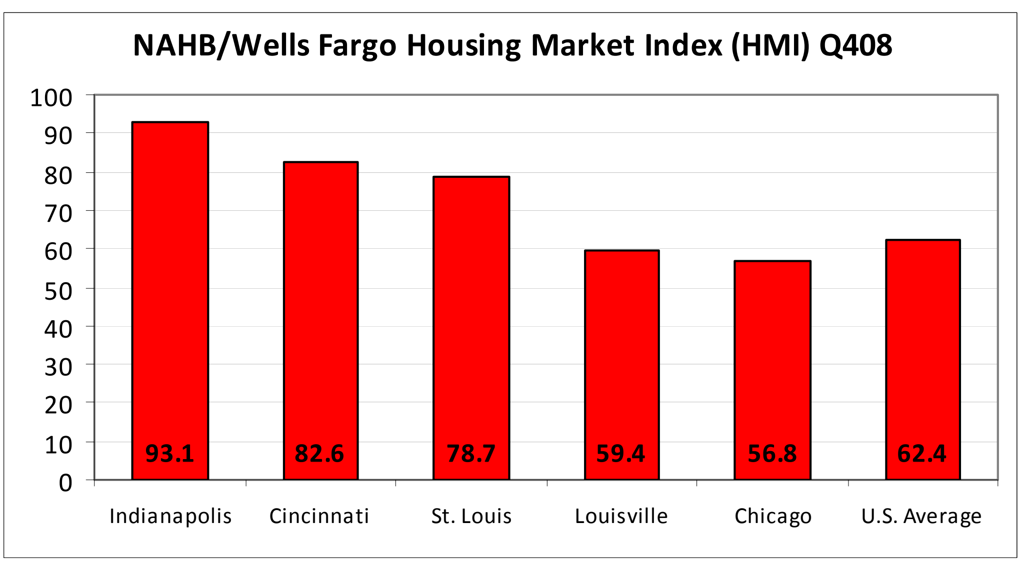
HOW AFFORDABILITY IN INDIANAPOLIS COMPARES WITH OTHER U.S. CITIES

Unlike many U.S. housing markets, the Indianapolis MSA rarely sees big surges or declines. The past year was no exception. By comparison, 2008 Indianapolis home prices fared better than in most other major U.S. cities. As of February 22, the Standard & Poor's/Case-Shiller U.S. National Home Price Index of 20 major cities plunged 18.2 percent. That is the sharpest annual rate on record in the fourth quarter and in December.

Around the country, Phoenix home prices dropped the most—down 32.7 percent. In the Midwest, Chicago's housing prices fell 10.8 percent. Whereas, in Dayton, Ohio, the median home price was hammered, dropping 19.9 percent in the past year.



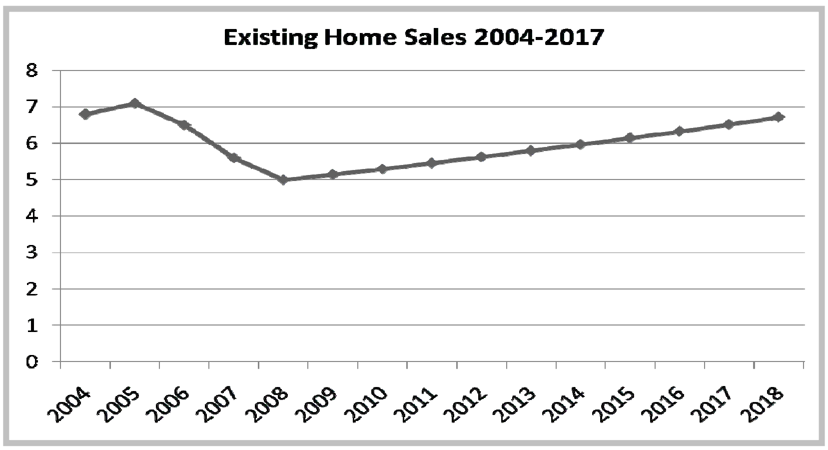
Nationwide housing affordability surged at year-end 2008 to its highest level in at least five years, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI). The HOI indicated that 62.4 percent of all new and existing homes that were sold in the final quarter of 2008 were affordable to families earning the national median income of $61,500.



“The silver lining to this Central Indiana market is that we are shielded from the bottom falling out, but we are also shielded from 30 percent appreciation, too,” said Jimmy Dulin, President of RE/MAX Ability Plus in Carmel. “There is an upside and a downside to that shielding. There are no huge swings. This is still a very safe place to continue to buy real estate to live in, enjoy, and raise your family,” he said.

Dulin sees the high foreclosure activity, income losses and the recessionary effects of the economic meltdown will meter growth in the housing market, with improvement not likely until 2010.

“This is the highest affordability the housing market has seen in the past 35 years,” said Steve Murray, Editor of REAL *Trends* and a national real estate expert. “Interest rates are at a record low. Mortgages are attractive. We see a modest 2 to 3 percent annual increase in the housing market for the next ten years. It will be an L-shaped recovery, and 2009 will be the floor. It is not going to pick up dramatically. The market is not going to roar, but the downward spiral of housing ends in 2009.”



INDIANAPOLIS METRO

The housing market collapse has been less painful in the Indianapolis MSA than for many other parts of the country. The area’s moderate 3 to 4 percent annual price increases have cushioned the downside. Falling home prices, favorable mortgage and interest rates, and a wide inventory -- including bank and HUD-owned properties -- contributed to make home prices more affordable for Indianapolis in 2008.

But fears of unemployment, low consumer confidence and losses in savings and retirement portfolios hammered sales of existing homes. Home sales in Indianapolis fell 16.9 percent, with 10,456 homes sold in 2008, compared to 14,076 homes in 2007.

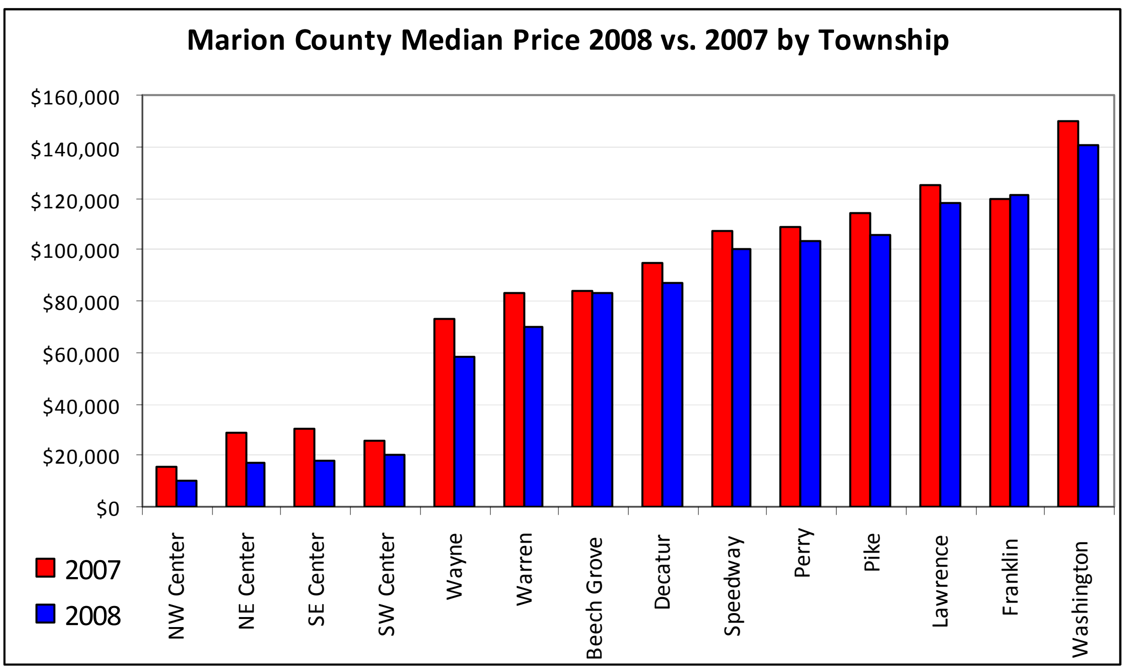
Consumer confidence, a relatively stable economy, and a slightly shrinking inventory of homes will impact the real estate market in 2009 in the Indianapolis metro area.

Realtors expect the inventory in the Indianapolis MSA to continue to shrink, as it has in the past three months, especially in the below $250,000 bracket. Buyers focused on bargains or investments found homes in the lower price range – between $75,000 and $100,000. Sellers marketing to first-time buyers in this price range are sitting in the front row. Below $75,000, the inventory is about six months, close to being in balance for a normal market.

In the current market, sellers must realize that home buyers have become increasingly aggressive. “They are more disinterested in renovating and look for a turnkey property,” said Bill Hacker, RE/MAX Legends. “They recognize they are in charge. They will start their offers lower, knowing it is a buyer’s market,” he said.

The expectation, said Hacker, is that central Indiana is seeing the first signs of a bottoming-out phase. Hacker refers to it as the “heart monitor effect,” when the baseline no longer trends down. Government efforts to lessen the foreclosure rate will help stop the bleeding, and prevent more foreclosures from flooding the market and eroding prices.

Low interest rates, the government’s efforts to lessen the foreclosure rate will create opportunities in the real estate market, but also hold down home prices for the foreseeable future. Consumer confidence is the third ingredient to a gradual recovery. Over time,” human nature dictates that we become accustomed to our fears,” Hacker pointed out. “As our fears ease, we become less cautious, more likely to feel secure and invest again.”



Center Township

City-wide, home sales prices dropped by 13.3 percent in 2008. Center Township saw the most dramatic shift downward. Three factors contributed to that decline: the dramatic rise in assessments, doubling or tripling homeowner’s tax bills; an increase in foreclosures; and stagnating sales of high-end luxury condos and townhomes.

Foreclosure activity had a dramatic impact on the Indianapolis real estate market, dropping home prices particularly in Center Township. There were 1,564 properties in foreclosure in Marion County – roughly 1 in 267 homes, according to the January 2009 RealtyTrac. Foreclosures and short sales in the lower price range attracted investors and some first-time home buyers.

Median home prices in Center Township Northeast and Center Township Southeast declined the most in the city, down 41 percent. The median price dropped to $17,000 and $17,875, respectively. In Center Township as a whole, home sales by unit fell roughly 34 percent. Sales activity also dropped in Center Township, with between 24.9 and 13.4 percent fewer homes changing hands than one year ago.

Southside

Some communities felt less of a blow. On Indianapolis' Southside, Franklin Township was the only city area to see home prices go up. The median sales price in Franklin Township increased by one percent, from $119,875 in 2007 to $121,000 in 2008. Fewer homes changed hands: home sales were down 14.7 percent with 141 fewer homes sold in 2008.

Beech Grove was fairly insulated, with the median price of a home dropping only 2 percent, from $84,250 in 2007 to $82,750 in 2008. Thirty fewer homes were sold, a drop of 16.9 percent.

Also to the south, Perry Township saw the median home price decline by 5 percent, dropping from $108,950 in 2007 to $103,000 in 2008. Homes sales activity was off 7.1 percent.

Decatur Township saw the least erosion in home sales – down 6.4 percent. The median price of a home fell by 8 percent to $87,207 in 2008 from $95,000 in 2007.

Northside

Northside Indianapolis communities Washington Township and Lawrence Township saw a 6 percent drop in the median price of a home, from $150,000 in 2007 to $140,700 in 2008. In Washington Township, 369 fewer homes changed hands, an 18.1 percent drop in home sales. Lawrence Township saw a 14.4 percent drop in home sales, with median home prices down to $118,000 in 2008 from $124,900 in 2007.

The inventory of homes on Indianapolis' Northside has stayed high, as have home prices. With 35 years experience in real estate, Bill Hacker speculates many Northside sellers may be sitting on the fence. "With exceptions," he said, "the higher the price of the property, the more likely the seller wants to sell, but does not feel compelled to sell or reduce the price. In the upper price range, people are sitting on the market and not selling, letting the listing expire."

Westside

On the Westside, Pike Township saw median home prices dip 7 percent (or roughly $10,000), from $114,250 in 2007 to $105,875 in 2008.

Home sales prices in Wayne Township decreased in 2008 by 21 percent. The median price of a home was $58,000 in 2008, down from $72,975 in 2007. Roughly 340 fewer homes sold this past year: 1517 compared to 1856 in 2007.

Eastside

The second largest drop in median home sales prices in suburban Indianapolis – 16 percent -- was in Warren Township. In 2007, the median price was $82,900 compared to $69,900 in 2008. Home sales declined 11.4 percent.

INDIANAPOLIS AT A GLANCE

Indianapolis straddles both positives and negatives in the housing market. It is ranked high in affordability, but also high in foreclosures and vacancies.

The Circle City is considered the country's most affordable major housing market, topping that list 14 consecutive times. (That is according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index, because 93% of the homes sold in the fourth quarter of 2008 were considered affordable.)

At the same time, a February 2009 issue of Forbes Magazine ranks Indianapolis in ninth place (tied with Jacksonville) on its list of America's "emptiest" cities. Indianapolis' rental vacancy rate is at 17 percent and home vacancy is at 3.2 percent. On the abandoned cities list, Las Vegas is ranked #1; Detroit is #2; and Atlanta #3. Dayton comes in at #5 and Chicago/Naperville/Joliet sits at #12.

Indianapolis saw the median price of a home drop more than 13 percent in 2008. Indianapolis ranks 27th among major cities in the foreclosure rate, 2.76 percent. Only Cleveland, Ohio and Troy/Farmington Hills, Michigan outrank Indianapolis among high foreclosure cities in the Midwest.

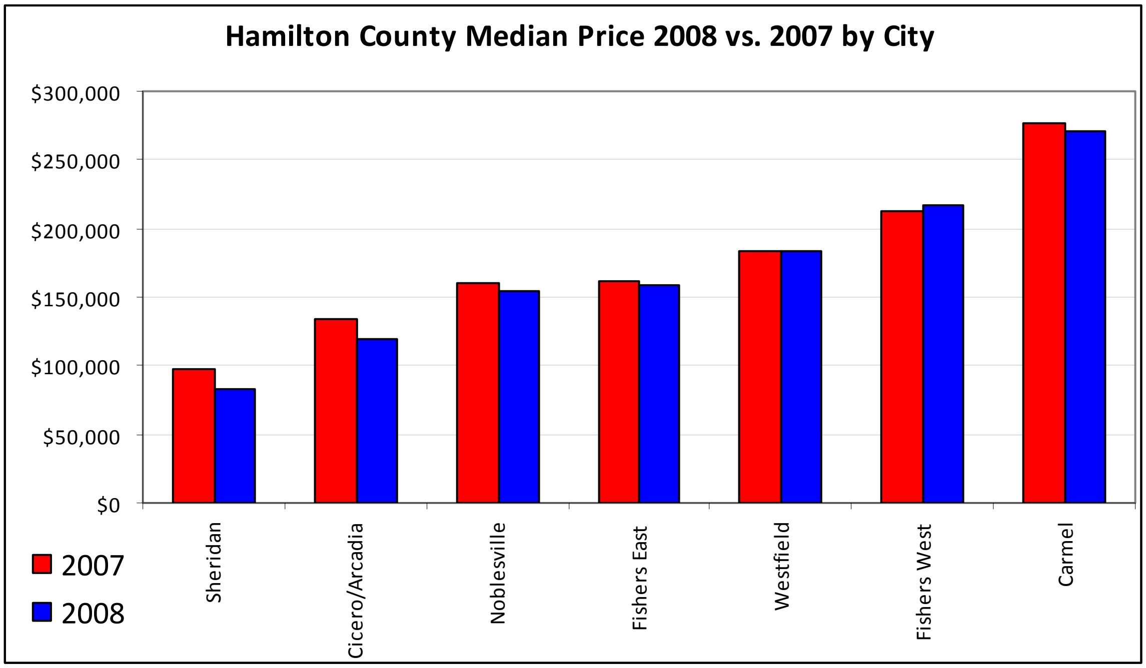
As a state, Indiana ranks 14th in foreclosures—higher than neighboring Illinois (#17), Ohio, or Kentucky (#43), with more than 4, 483 properties in foreclosure, according to RealtyTrac.

HAMILTON COUNTY

Even with job losses and the weakest economy in 20 years, Hamilton County still fared better than surrounding counties. It retains its position as a comparative economic bright spot. The City of Fishers can sound an even brighter note: its median home price went up in 2008.

With its relatively strong overall economic health, Hamilton County holds some advantages in a down cycle. Median home prices dropped less in Hamilton County than in any other county in the MSA, except Boone.

The median home sales price dropped two percent, from $197,000 to $193,000. Only Boone County surpassed that number, with median home prices holding steady, at .4 percent, for the past year. Hamilton County home sales slid from 5,361 in 2007 to 4,648 in 2008 -- a 13 percent drop.



CARMEL
In Carmel, the median price dropped $6,000 or 2 percent, from $276,000 in 2007 to $270,500 in 2008. The number of Carmel homes sold fell from 1622 to 1285, a drop of 20.8 percent.

WESTFIELD
Westfield fared better. The median home sales price dropped just .4 percent, from$ 183,725 to $183,000. Home sales volume was down 5.7 percent.

FISHERS
The median sales price of homes in Fishers actually increased – up 1.6 percent from $213,208 to $216,569. The number of homes sold that exchanged hands was down 7.3 percent, from 1213 to 1124.

A Realtor for more than 18 years, Jimmy Dulin, owner of RE/MAX Ability Plus in Carmel, said he has never experienced a housing market like this one. “What’s fascinating is public perception. No question about it: a lot of people sat on the sidelines and waited,” he said.

In an aggressive buyers market, sellers have to be realistic and ready with a fair price and an immaculate, turnkey home. “Pricing and condition are such unbelievably key elements today. It they are not right, the buyer is going to make the seller pay,” said Dulin. Case in point: Dulin had four offers recently on one Carmel home, two for full price. “It was all shined and put together perfectly, and they followed my recommendation on price,” he said.

First-time home buyers are still drawn to Hamilton County, because of “schools, amenities, services, safety, tax rates, lack of crime,” said Dulin. Their price range is from $100,000 to $150,000. The number of corporate-driven relocations is down.

Dulin foresees a likely housing inventory shortage ahead, with new construction returning in 2011. Many builders have pulled back, deferring new construction and not putting specs in the ground.

"It is cyclical," said Dulin. "Right now, we have an adequate supply of homes for the demand. We are cleaning up some inventory that was sitting and needed to be sold—that's positive. But when the demand returns, we will fall short. I really think our next challenge, at some point in time, will be a lack of inventory."

Dulin sees a positive momentum building in Hamilton County and the Indianapolis Northside. "We are doing more, smaller transactions now. They are smaller, but I am pleased we are doing deals, period. We still have a lot of room to go for the larger transactions and have not hit that upper-end market yet. It's a snowball. The market always starts small and moves up."

"The higher end of the market has become really soft," he added. Sales of million-dollar homes have fallen one-third. In 2008, Carmel saw 21 transactions over $1 million compared to 33 such transactions in 2007.

"It is like pulling teeth to get a jumbo rate mortgage, and it is hard to get it done in the 6-9 percent range. But as a whole, Hamilton County does pretty well. Just don't go and try to sell a $2 million house. We don't have a supply of buyers right now willing to buy those."

The foreclosure, REO and short sale market have grown and will likely continue strong in 2009. REO and short sales are so strong, Dulin reported, that there is a backlog, adding that they require patience, as banks and REO departments are overwhelmed. As of January 2009, Hamilton County had 192 foreclosures – or 1 in 517 housing units.

"It is all over the board in price range," said Dulin. "Generally, on average, it tends to be less expensive. I haven't had any problems with financing. More of the problem has been getting the deals to actually close from a banking perspective," he added.

HAMILTON COUNTY AT A GLANCE

Hamilton is the fastest growing county in the state, seeing a 47 percent population increase.

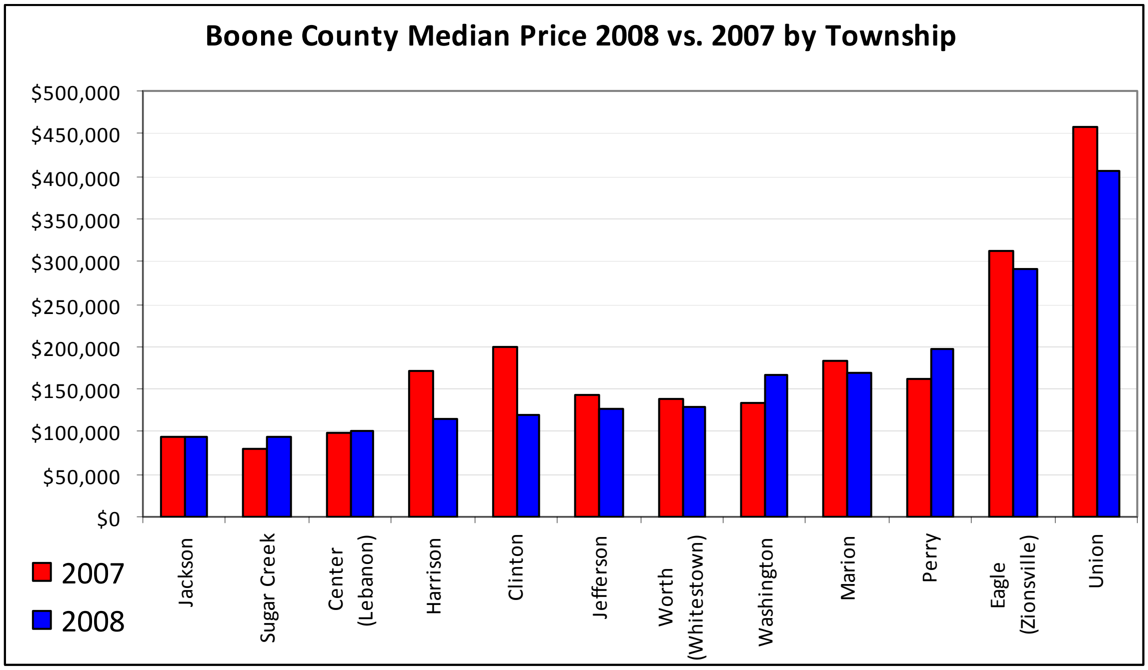
Average household income in Hamilton County is consistently pegged as the highest in Indiana, and among the highest in the Midwest.

Compared to the rest of Indiana, Hamilton County has low unemployment: five percent in December 2008. The Indianapolis metro area rate is 6.7 percent, and the state is 8.1 percent.

BOONE COUNTY

There was a silver lining to the real estate market in Boone County. While the volume and number of home sales dropped by 20 percent, the median sales price of a home went virtually unchanged, down only .4 percent.

The median home price dropped by only $750, from $179,500 to $178,750. With those numbers, Boone County home sellers fared better than those in any of the nine contiguous counties surrounding Indianapolis. Fewer homes were sold in 2008: 724 compared to 900 the year before.



Zionsville
There was an 11.1 percent decline in homes changing hands in Zionsville, a drop from 416 to 370 homes. The median sales price dropped 6.8 percent, from $311,250 to $289,950.

With 11,027 residents, the Village of Zionsville was named one of the "Best 50 Affordable Suburbs for 2009" by *Business Week*. The ranking touted its livability, schools, low crime rate and low unemployment rate (3.4 percent). A northwest suburb of Indianapolis, the average commute in Zionsville is 22 minutes. Zionsville has been more of a stable market, insulated from rapid growth and development.

"Zionsville has been cushioned from the free fall. It's been a careful, controlled growth model here," said Ray Cortopassi, Executive Director, Zionsville Chamber of Commerce. "Zionsville has eschewed the notion that WalMart belongs in Zionsville. But a new campaign welcomes more business. The reorganization of two surrounding townships by January 2010 would double the population to 25,000. Geographically, that will make Zionsville larger than Carmel," he added.

The number of homes sold in nearby Whitestown took a jump of 26.8 percent, from 41 homes sold in 2007 to 52 homes last year. Median sales prices dropped 6.5 percent, from $139,000 to $129,900.

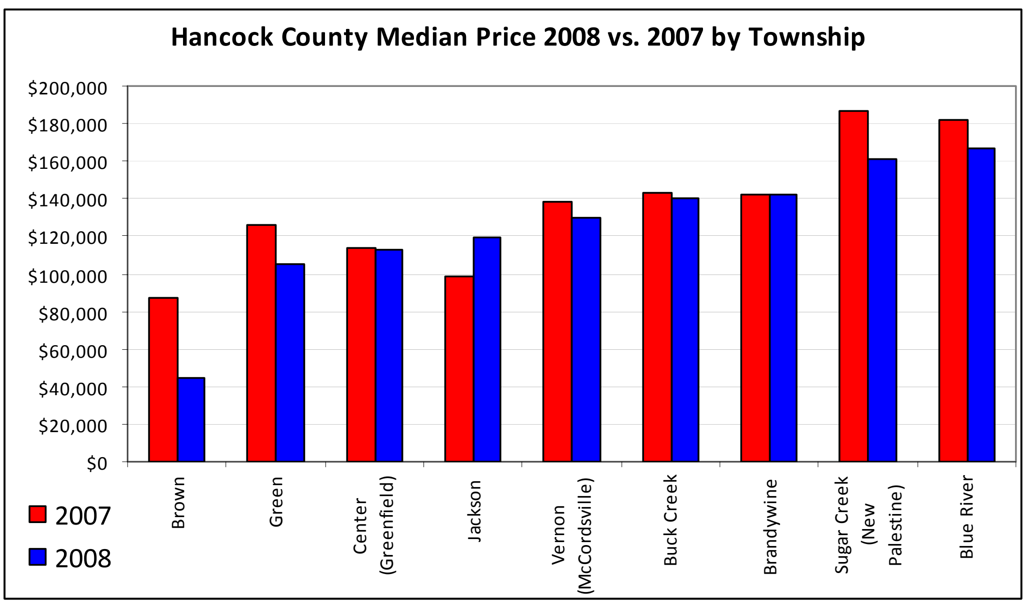
Three other more outlying areas in Boone County – Sugar Creek, Washington and Perry Townships – enjoyed an appreciation in the sales price of the median home. In Thorntown and surrounding Sugar Creek, the median market price went up from $80,000 to $94,950 – a rise of 18 percent.

The northern rural area of Washington saw the median home sales price up 24.9 percent on the 16 homes sold in 2008, from $132,950 to $166,000. To the west of Zionsville near Route 267 in the Perry district, the median sales price went up 21.2 percent on seven homes sold, $162,950 to $197,500.

HANCOCK COUNTY

Hancock County has seen layoffs and loss of overtime in its manufacturing and auto industry sector. The number of homes sold went down 18 percent from 1,026 to 842. The median home sales price was down 5 percent, from $132,000 in 2007 to $125,450 in 2008.

Greenfield, Hancock County's largest city, saw a 13.6 percent drop in number of homes sold, from 413 to 357. But the median sales price dipped slightly, down 1.1 percent, from $113,700 to $112,500. In New Palestine, the median sales price dropped to $160,763 from $187,200 – a 14.1 percent decline. Homes sold dropped 7.3 percent.



The first-time home buyer continues to look at homes on the lower end, $75,000 to $125,000, but Mark Dudley, owner of RE/MAX Realty Group in Greenfield, said they are less of a factor than in past years. The housing market is a mixture of "some investors, some first-time home buyers, some lateral moves, and maybe a few move-ups."

He saw the biggest declines in houses priced in the $200,000 to $300,000 range. "It seems to be driven by the overall soft market in the $100,000 to $200,000 range," he said, "where people have been unable to sell homes and move up. They haven't been able to sell and move up to the $200,000 range."

“What we’re beginning to see, and I have been encouraged in the last 30 days are a lot more showings, appointments set and offers written. I am encouraged by that, though I am a little concerned because of the employment issue. A lot of people are worried about or have seen cutbacks in their jobs. There is definitely less job security than in the past.”

Hancock County’s largest employer, auto parts manufacturer Keihin Indiana Precision Technologies, will be cutting an additional 20 percent of its workforce by April 2010. Previous loss of jobs by this Honda supplier and others continue to weaken the area economy. In 2008, the Toyota plant reduced overtime and cut back on its shifts. Navistar is another big employer in Hancock County.

“The Eastside is probably the toughest in Indianapolis,” said Dudley. “I still was encouraged last year: we were only 6 percent from where we were before, and it was a tough, tough year.”

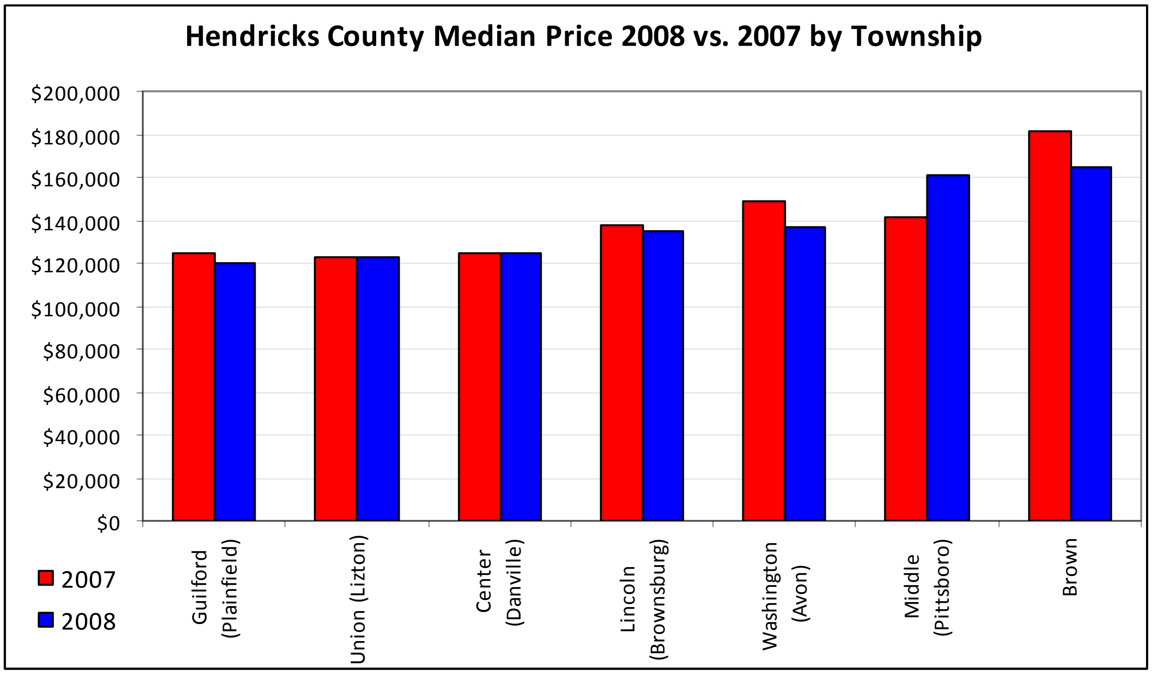
Dudley sees opportunities for first-time home buyers in bank-owned or HUD repos and foreclosures. In Hancock County, one in 686 housing units (179 homes) was in foreclosure, as of January 2009. “With them being discounted 20 to 30 percent from what they would have been valued, those are opportunities for first-time home buyers .They are great buys for people.”

A lowering of interest rates and the new federal $8,000 tax credit for first-time home buyers makes Dudley cautiously optimistic for 2009. “I think the next 90 days are critical, if nothing else, critical psychologically,” he said. “Interest rates are good, but I do not think they go deep enough. To get us going, we have to see lower interest rates. There has to be some incentive. People are hunkering down. They need faith it can be fixed. Basically, the underpinnings are strong. We have had a good ride for 15 years. It will be a little painful, but I am hopeful.”

HENDRICKS COUNTY

About 2,100 homes changed hands in Hendricks County in 2008, a drop of 9 percent from the year before. The median home sales price fell 3.1 percent, from $140,000 to $135,687, in line with Madison County and less than Marion (-10,8 percent), Hancock (-5 percent), Shelby (-9.6 percent), Morgan (4.3 percent) and Johnson (-6.4 percent) counties.

Hendricks County is a study in contrasts. *Business Week* singled out Avon in February 2009 as one of “America’s Biggest Boomtowns.” Located near the intersection of US Highway 36 and State Road 267, Avon has seen tremendous growth because of its location and schools. Households grew 60 percent from 2000 to 2008. Average income jumped 36 percent to $98,815.



Avon's median home sales price fell 8.3 percent to $136,625 from $149,000 a year before. Home sales remained steady, down .6 percent, with 828 homes changing hands.

In Brownsburg, the median home sales price fell significantly less -- 2.1 percent, from $137,875 to $135,000. In Brownsburg, 426 homes were sold in 2008 compared to 487 in 2007, a drop of 12.5 percent.

In Plainfield, the median home sales price dropped 4.2 percent, to $119,650 from $124,950. Houses sold fell 12.7 percent, to 330 from 378 the year before.

"What are selling are the bank-owned and HUD-owned homes, and that brings prices down," said Kelly Wood, RE/MAX Excel owner. "The repos are depreciating the average sales price. A quarter of our sales are short sales. People on the high end are waiting to see where this market is going."

Avon skews young demographically: the average age is 33. It is no surprise that first-time homebuyers make up 30 to 40 percent of home sales in much of Hendricks County, with investors the other 30 to 40 percent, said Wood. People transferring, down-sizing or up-sizing make up the remainder.

While bank-owned and HUD-owned properties are dragging down prices, Wood said she has seen an upsurge in business in January and February, 2009.

First-time home buyers are more active in Hendricks County than they were, according to Gina Marsiglio, RE/MAX Crossroads. "If you have good credit, you can get money," she said. "With the interest rates the way they are, you can't be renting an apartment for less than you can buy a house."

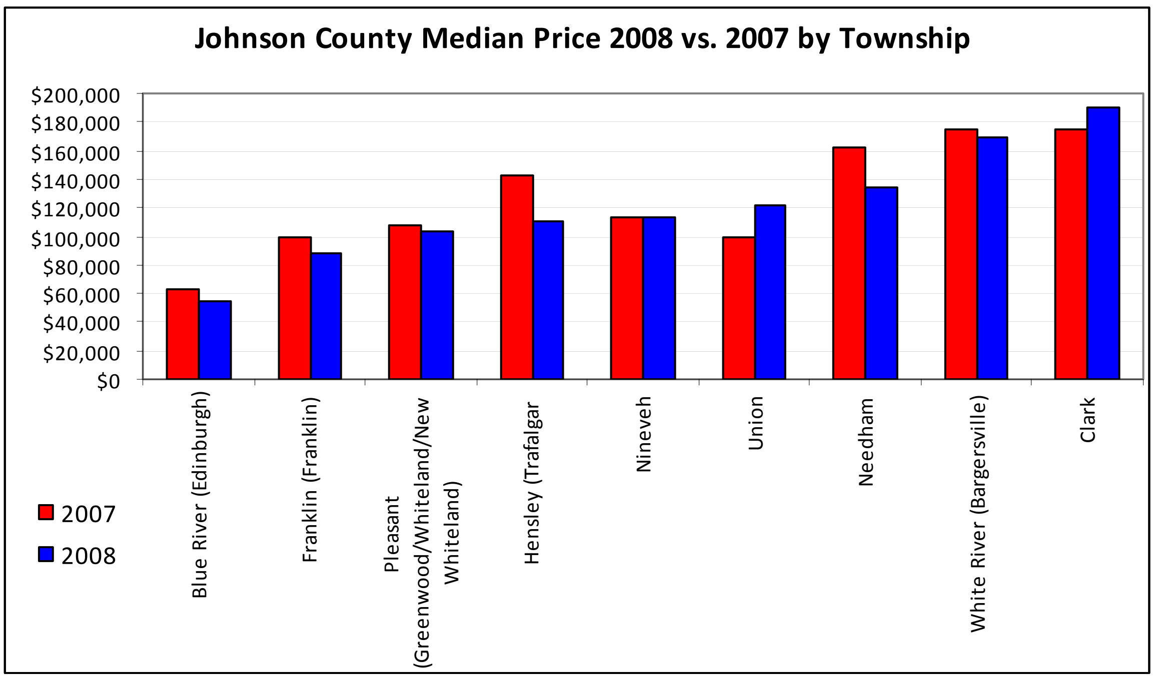
The optimal price range is between $75,000 and $120,000, said Marsiglio. "We have a 3-month supply of homes overall in an 8-mile radius of our office. With a higher price range over $400,000, we have a 20-minth supply of homes."

Pittsboro and Coatesville saw fewer homes sold, but the median home sales price jumped 13.5 percent and 15.8 percent respectively. Median home prices in Pittsboro rose from $141,643 to $160,700. Median home prices in Coatesville went up from $87,250 to $101,000 year-to-year.
Of the nine counties in the Indianapolis MSA, Hendricks County has the lowest foreclosure rate -- 1 in 27,361 homes, according to January 2009 RealtyTrac.

JOHNSON COUNTY

Houses in Johnson County sold in exactly the same number of days – 95 – as they did a year ago. The median sales price declined 6.4 percent, from $125,000 to $117,000. The real estate market saw 287 fewer homes sell, down from 2,134 to 1,847 in 2008.

Johnson County's largest population centers, Greenwood and nearby New Whiteland and Whiteland, fared the best in the 2007-2008 real estate market. The median home sales price dropped 4.7 percent, from $108,000 to $102,950. The number of homes sold fell 17.1 percent, from 832 to 690.



According to January 2009 RealtyTrac, there were 125 homes in Johnson County in foreclosure filings, or 1 in 443.

Paul Caldwell, owner of RE/MAX Select in Greenwood, said first-time home buyers on Indianapolis' Southside are seeking out the $115,000 to $125,000 homes. "We have had a big surge in the investor market," he said. "We have seen in increase in people buying investment property, property to fix up, and HUD properties that have been priced right."

Caldwell expects prices to stabilize, since inventory in the median market is declining slightly. "We may have hit the actual bottom, and may see a trend up a bit," he added. Very few homes are selling in the $740,000 to $1 million range. Credit is a barrier for buyers in this price range.

Some of Johnson County's hardest hit areas were in the Trafalgar area to the south west. Median home sale prices declined 22 percent, from $143,500 to $111,000.

Franklin saw the median home price fall from 99,425 to 88,750—a drop of 10.7. But more homes were sold in 2008 – an increase of 5.6 percent, from 285 to 301 homes.

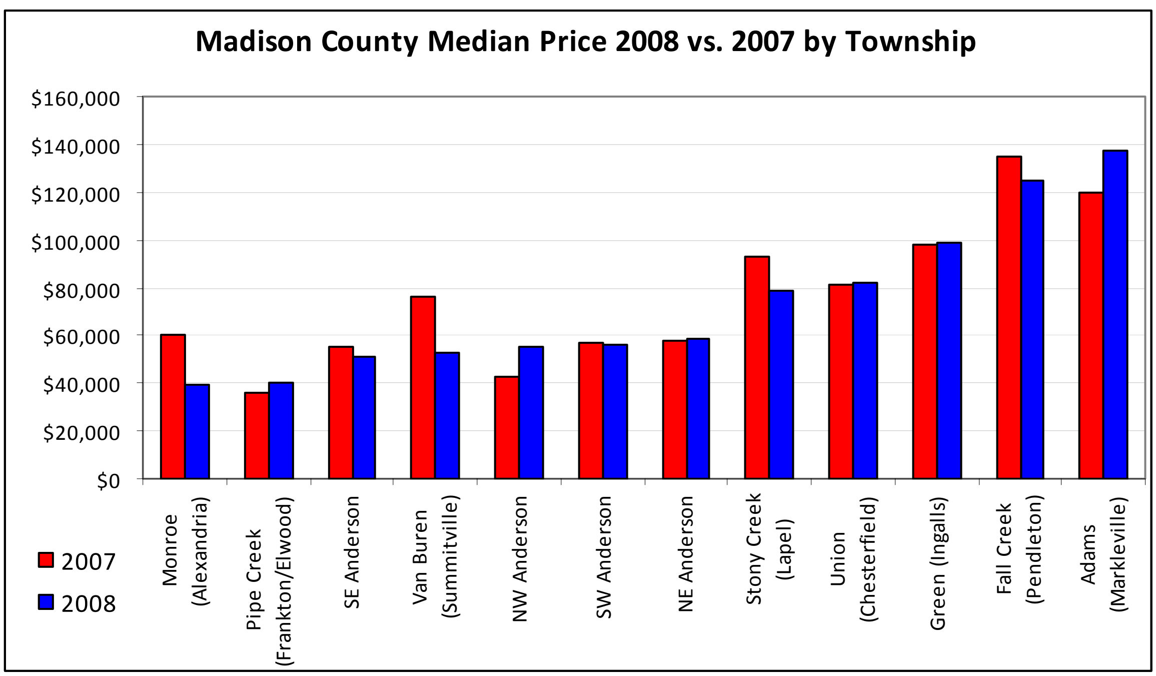
MADISON COUNTY

The median home sales price declined 3.1 percent in Madison County. Eighteen percent fewer homes changed hands, from 1,646 to 1,345 in 2008.

Foreclosure activity contributed to pushing prices lower in some parts of Madison County. January 2009 had one in every 331 homes in foreclosure Madison County, a total of 179 homes.

Some areas north of I-69 (Anderson Township) saw home prices up 28.7 percent. Markleville median home prices went up 14.6 percent to $137,250 from $123,500 the year before. The number of homes sold increased 3.2 percent with 32 homes changing hands in 2008.

Rural areas in central Madison County, north of Lapel in the Lafayette and Jackson Townships, saw a roughly 25 percent jump in median home prices, although the number of real estate transactions was small. Lapel's median home prices fell 15.1 percent, from $92,750 to $78,750. There was a 25 percent drop in homes changing hands in Lapel.



However, Madison County's major population centers, such as Pendleton and Alexandria, experienced appreciable drops in the median home sales price. Pendleton saw a 27.8 decline in home sales activity, from 162 closings in 2007 to 117 in 2008. The median home sales price was down from $134,950 to $124,500, or a drop of 7.7 percent.

Alexandria saw a bigger decline, with the median sales price falling 34.1 percent, from $59,900 to $39,450. Sales activity was down 16.7 percent, with 80 homes sold in 2008 compared to 96 in 2007.

The median price of a home in Frankton increased from $36,350 to $40,000, an increase of 14.6 percent. Sales activity was slower, down 16 percent, from 156 to 131 homes.

MORGAN COUNTY

Median home sales prices declined by about $5,000 or 4.3 percent in Morgan County, from $115,000 in 2007 to $110,000 in 2008. That's slightly better than the 4.4 drop in median sales price for the Indianapolis MSA. About 140 fewer homes were sold last year in Morgan County, a drop of 15 percent in real estate sales activity.

"Morgan County is not doing too badly overall," said Gina Marsiglio, co-owner of RE/MAX Crossroads. "Rural properties are maintaining. It is less likely a foreclosure will negatively affect your value. In fact, my rural properties saw the least amount of decline," continued Marsiglio.

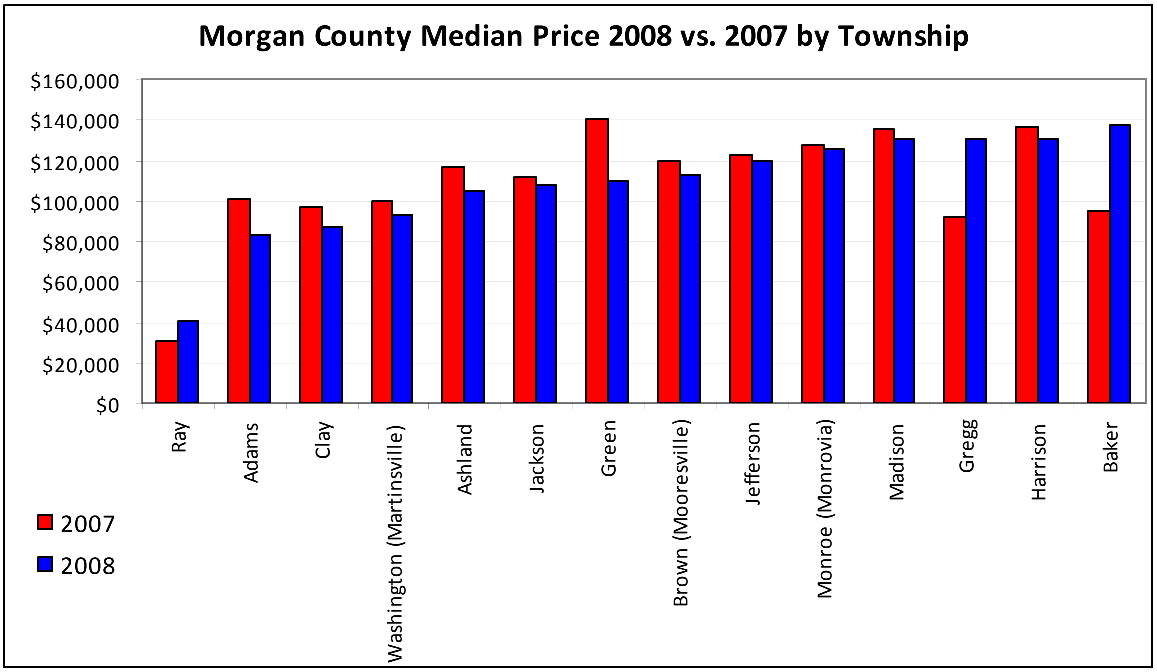
Foreclosure rates increased in Morgan County. But RealtyTrac reported in January 2009, one in 1792 homes were in foreclosure filings, one of the lower amounts for the Indianapolis MSA.

Morgan County's two largest cities, Martinsville and Mooresville, saw drops in median home prices. In Martinsville, the median sales price in 2008 was $92,750, a drop of 7.3 percent from $100,000 a year earlier. Home sales decreased 14.7 percent, with 238 homes bought in 2008 compared to 279.

Further south near Indianapolis, the median sales price of a home in Mooresville fell 5.8 percent, from $119,750 to $112,750. There was a 15.6 drop in home sales, from 160 to 135.

Monrovia to the west fared slightly better. The median home price fell $127,800 to $125,240, a decline of 2 percent. Forty-five homes changed hands, with a 4.3 drop in numbers of homes sold.

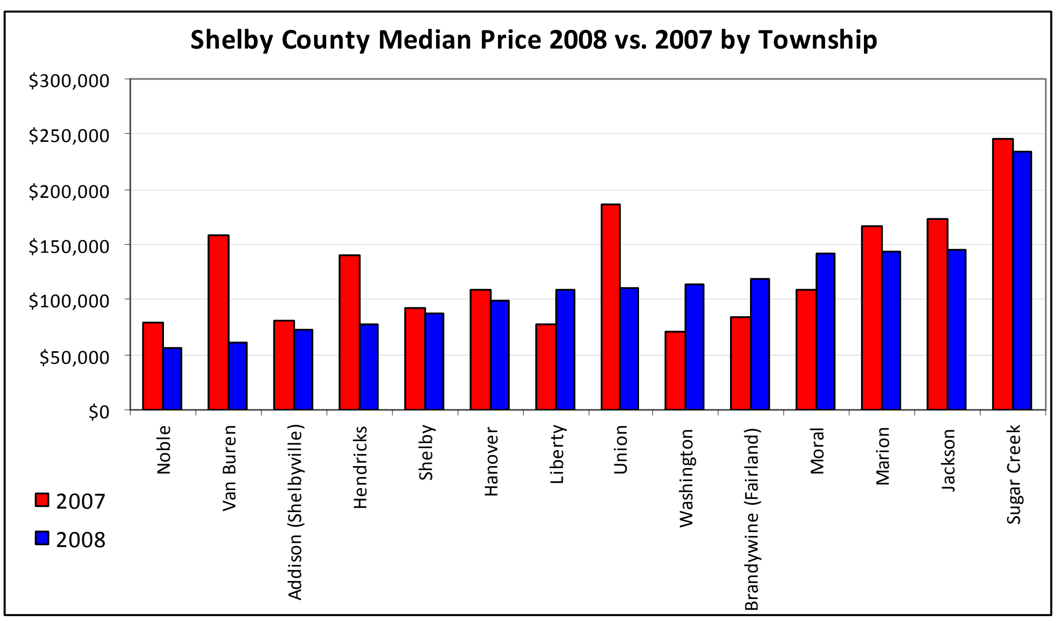
Real estate activity hit a snag in a heavily rural district, Green Township, to the east of Martinsville. Median home sale prices declined 21.4 percent, from $139,950 to $110,000. Sales activity was down 24 percent.



SHELBY COUNTY

Shelby County posted the second highest price decline in a year – 9.6 percent, next to Marion County's 10.8 percent drop in the median home price. About $8,900 was shaved off the median price between 2007 and 2008. The median home sales price dropped $8,900 from year to year, $92,800 to $83,900. Homes in Shelby County stayed on the market 107 days, nearly 5 days longer than the year before.

Median home prices in the Shelbyville-Fairland area went up 41 percent in a year, from $84,000 to $118,500. Sales went up slightly—one percent.



Shelbyville
Expected economic development played a role in the upswing of home prices near Shelbyville. Easy access to Highway 74 – leading to jobs both in Indianapolis and Greensburg, the site of the new Honda plant -- also contributed to a surge in home prices in the Shelbyville area in 2007-2008. However, the Honda plant is in minimal production and has not hired as many people as expected, due to the downturn in the economy.

"People went into Shelby County and bought up land," said Deb Hefner, RE/MAX Eagle co-owner. "Everyone thought the new Honda plant would be a goldmine. If the economy were better, it would be. Now it is back to a buyers', not a sellers' market," she said. Home prices have slid downward.

The new trend is investors snapping up bank-owned properties, leading to a resurgence in sales. They are 20 percent of new buyers, according to Hefner. "We're seeing a lot of investors purchasing repos, looking for a bargain, buying them, basically stealing the, fixing them up, then turning around and selling them. Educated by the media, they are looking for short sales, looking for bargains," she said.

Further north and west of Shelbyville, Moral Township saw the median sales price of homes grow 30.1 percent, from $108,750 to $141,450.

"With a commute of 20 minutes or less to Indianapolis, that area attracted people looking for lower taxes and country living," Hefner said. "More people moved into that area, able to buy brand new homes in housing developments."

In the southern end of Shelby County in Washington Township, median home prices more than doubled. While the number of houses sold was small (eight transactions), the median prices jumped 61.2 percent, from $71,000 to $114,450.

Shelby County had 20 properties in foreclosure in January 2009 – roughly one in 941. That was the lowest figure for the Indianapolis MSA.

SOURCES FOR REPORT

Dan Breault, Executive Vice President and
Regional Director
RE/MAX of Indiana
9963 Crosspoint Boulevard
Indianapolis, Indiana 46256

Paul Caldwell, Broker/Owner
RE/MAX Select
48 North Emerson Avenue, Suite 300
Greenwood, Indiana 46143

Ray Cortopassi, Executive Director
Zionsville Chamber of Commerce
135 South Elm Street
Zionsville, Indiana 46203

Mark Dudley, Broker/Owner
RE/MAX Realty Group
1797 N. State Street
Greenfield, Indiana 46140

Jimmy Dulin, Broker/Owner
RE/MAX Ability Plus
200 Medical Drive, Suite A
Carmel, Indiana 46032

Bill Hacker, Broker
RE/MAX Legends Group
5645 Castle Creek Parkway North
Indianapolis, Indiana 46250

Deb Hefner, Broker/Owner
RE/MAX Eagle
23 Public Square
Shelbyville, Indiana 46178

Gina Marsiglio, Broker/Owner
RE/MAX Crossroads
6100 Clarks Creek Road
Plainfield, Indiana 46168

Steve Murray, Editor
REAL Trends
7501 Village Square Drive, Suite 200
Castle Rock, Colorado 80108

Sandy Padget
RE/MAX Legends Group
5645 Castle Creek Parkway North
Indianapolis, Indiana 46250

Kelly Wood, Broker/Owner
RE/MAX Excel
7341 E. US 36
Avon, Indiana 46123

Statistics pulled from Metropolitan Indianapolis Board of Realtors ® (as interpreted by REStats) for the dates of 1/1/2008 – 12/31/2008 and 1/1/2007-12/31/2007