

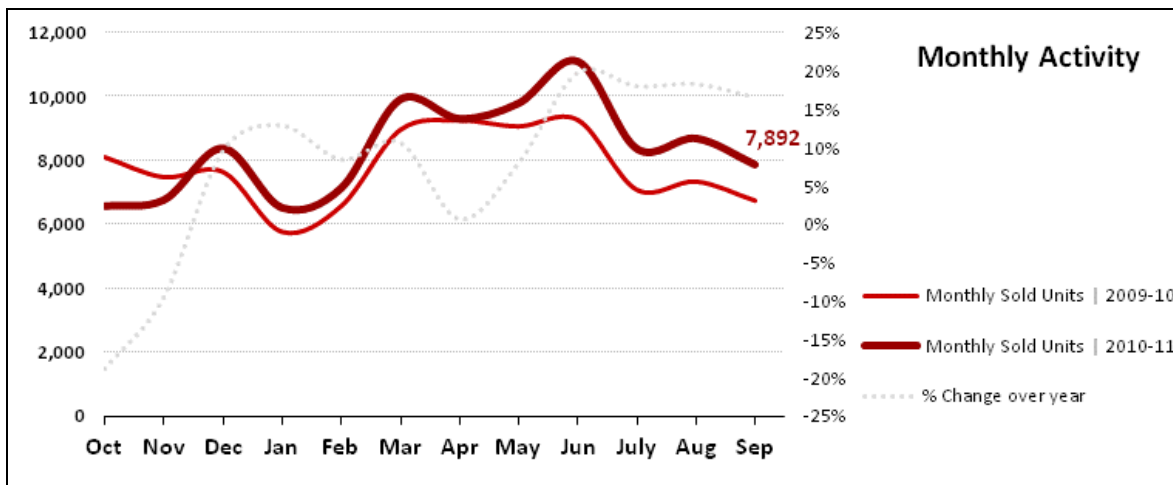


SALES Month over Month

Sales in September took a 9.4% dip to land at 7,892. This figure is almost 10% off the 2011 average of 8,765. With the exception of 2008, a decline in sales from August to September has occurred in nine out of the last ten years, with an average decline of 9.18%.

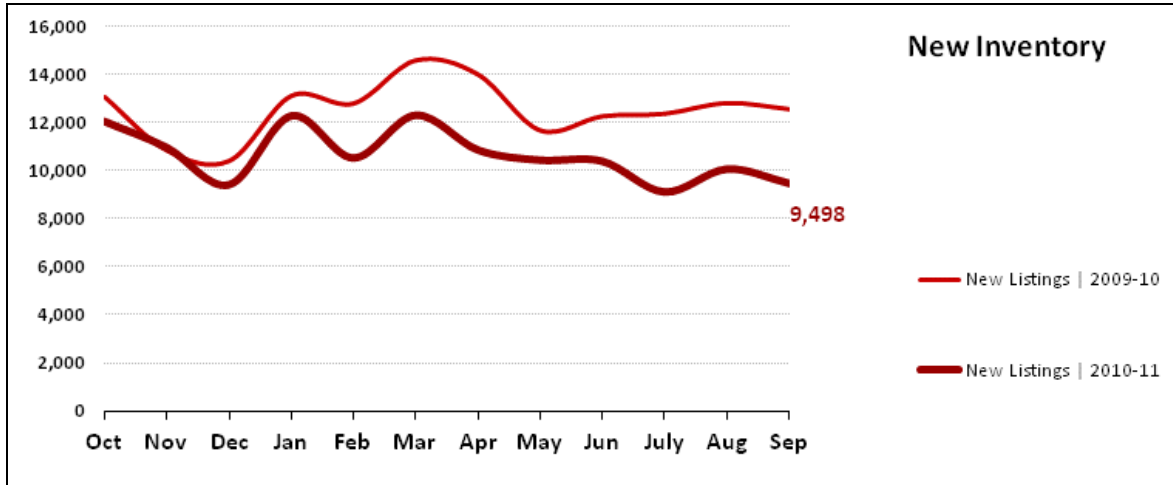
SALES Year over Year

The September sales figure (7,892) was 16.7% higher than the September 2010 figure (6,764). The 2010-2011 sales figures follow a similar wave pattern of 2009-2010, although with higher values. All in all sales are up and in line with predictable seasonal fluctuations.



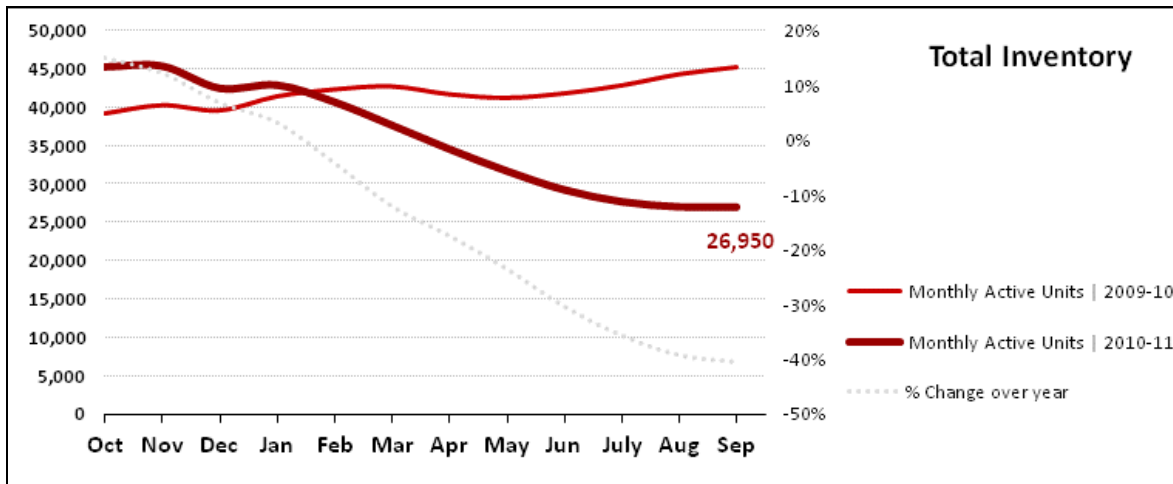
NEW INVENTORY

New inventory added to the market in September (9,498 units) continued on the downward trend line started in January of 2011. Slowing of new inventory added each month is critical for reducing supply and ultimately correcting pricing.



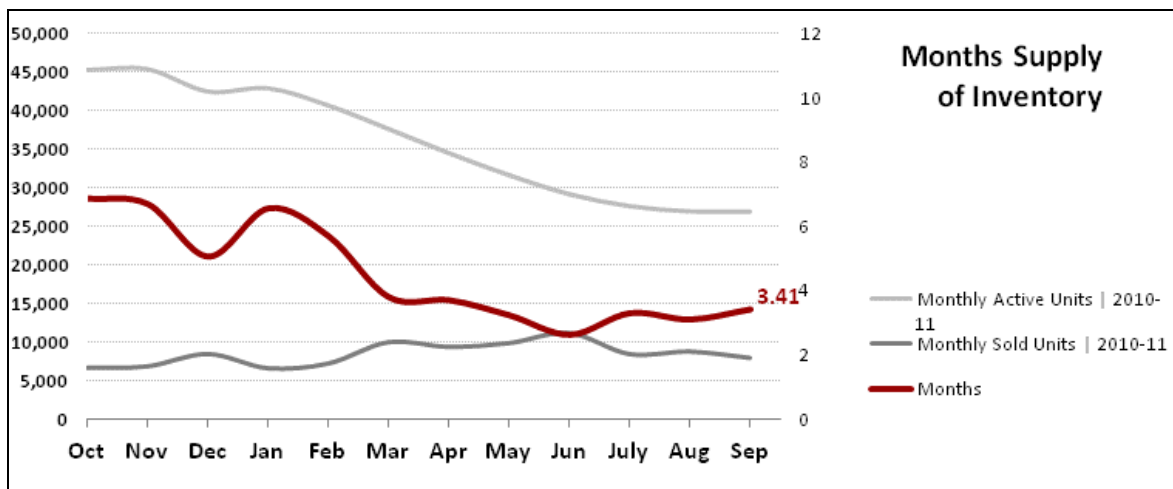
TOTAL INVENTORY

Total inventory for September was 26,950 listings, almost half (46.32%) of the decade high total inventory of 58,178 in October 2007. While the total inventory trend line for the last twelve months has been downward, the last three months have been relatively flat: 27,655, 26,983 and 26,960 for July, August and September, respectively. The 26,960 total listing figure has not been that low since December of 2005. September’s total inventory is in line with the totals earlier in the decade from 2002 through the first quarter of 2004.



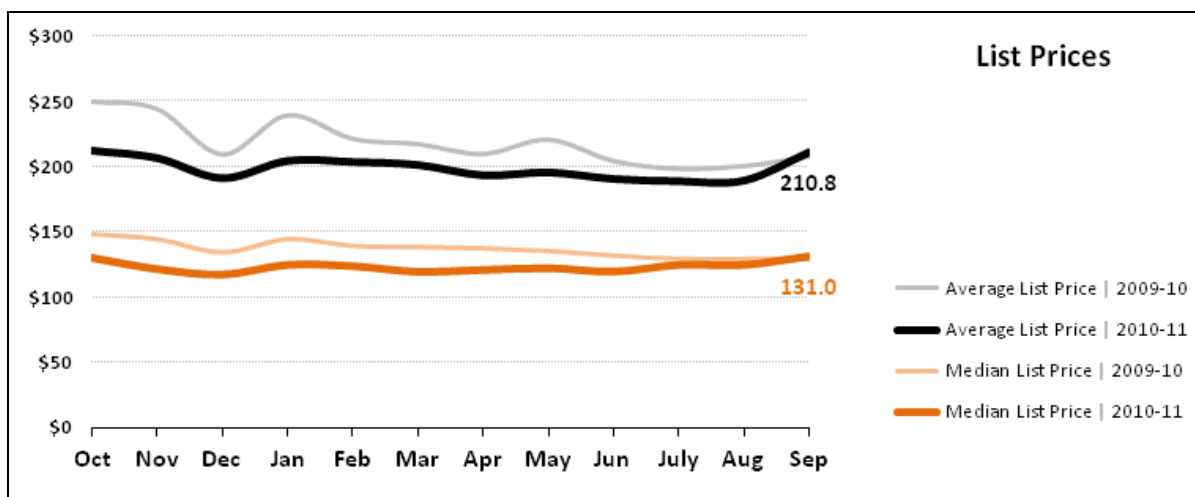
MONTHS SUPPLY OF INVENTORY (MSI)

Although months supply of inventory ticked up slightly to 3.41 months in September, a seller's market still remains. MSI for the entire market is only a barometer of market health and does not accurately depict supply and demand in all niches. The brisk and plentiful sales at the lower end of the pricing matrix belie the oversupply in the higher ranges. As the plethora of lower end properties is absorbed, buyers searching for good deals will of necessity move up to the next highest range. From a historic perspective, overall market MSI in the 3 month range which we have enjoyed since March, has not been seen consistently since 2003. From mid 2004 through Q3 of 2005, when the market was in the midst of its frenzy, MSIs were less than three, and often less than 1 month. In 2006 when the market began turning, MSI started climbing above 6 culminating in January of 2008 at a decade high of 19.56 months. MSI is another Valley metric that has returned to more normal levels.



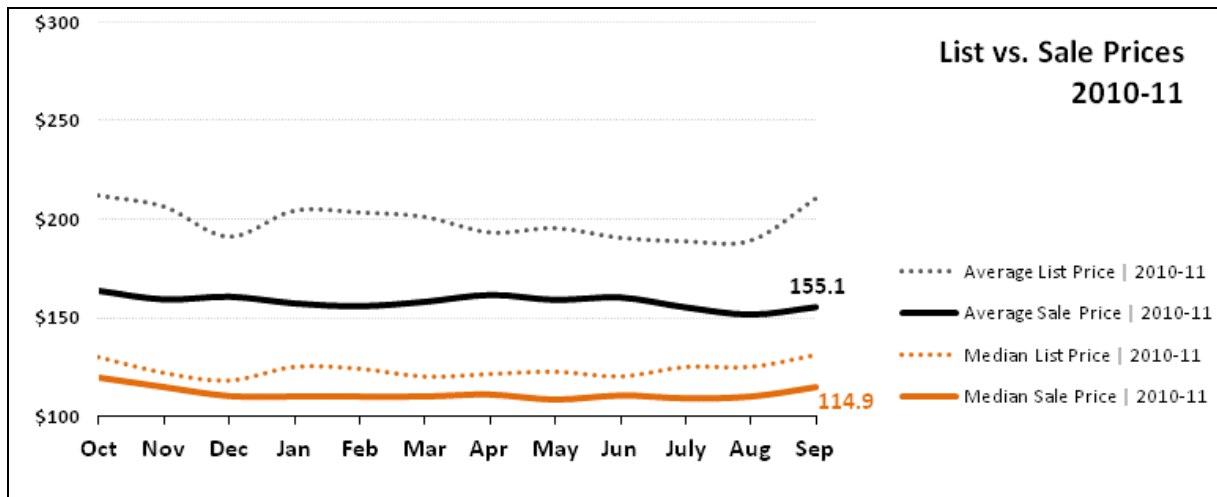
NEW LIST PRICES

September's median new list price increased 4.9% to \$131,000, the highest median list price since June 2010. The average new list price was \$210,800, the highest since October 2010. While these increases are minimal, they are tilting in the right direction. For a market whose pricing has flat lined, an upward tilt is perhaps a harbinger of better pricing to come. A tilt is not a trend, but just a glimmer of hope.



SALES PRICES

Sales prices followed a pattern similar to that of new list pricing. The median sales price rose \$5,000 (4.5%) to \$114,900, a level not seen since November of 2010, while the average sale price increased by \$3,700 (2.5%) to \$155,100. Using the glass half empty/full analogy, the level to which these metrics have fallen is dire, but the upward tilt of both the median and the average sales prices have the feel of a fresh breeze on a hot, still Valley day. The optimist in all of us hopes for October median and average pricing to follow the lead of September, even if it is only a slight increase.

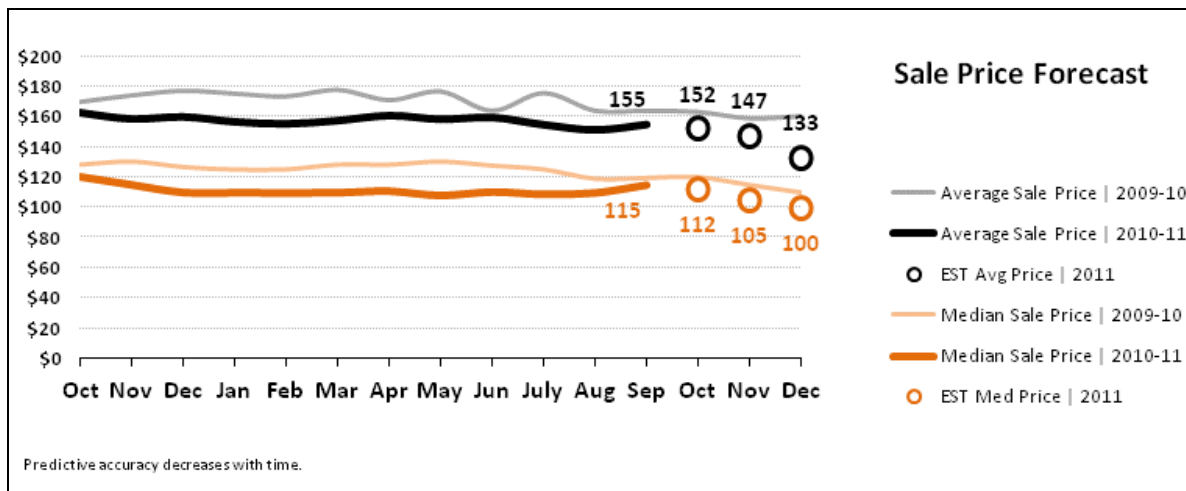


THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a forecasting tool unique to ARMLS which uses the prices of pending properties in the MLS system to predict median and average sales prices up to 90 days into the future. Last month PPI predicted that the September median sale price of \$110,300. In fact the actual median was \$114,900, missing the mark by 4.17% in a positive direction. The predicted September average sales price from last month PPI was \$152,400. The actual September average price was \$155,100, missing the prediction by only 1.77% but again in a positive direction.

The median sales price predictions for the next 90 days steadily decline with \$112,000 in October, \$105,000 in November and \$100,000 in December. The average sales price predictions follow a similar downward trend of \$152,000 in October, \$147,000 in November and \$133,000 in December.

The accuracy of the PPI diminishes the further into the future it goes, as the size of the pool of pending properties gets smaller.

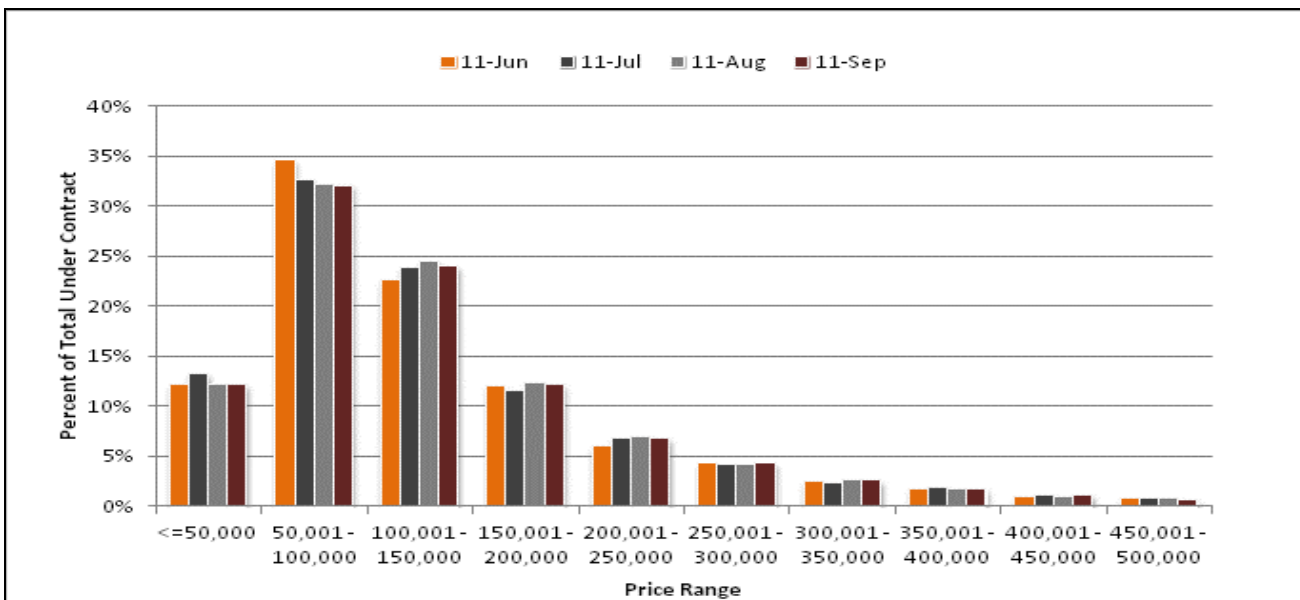
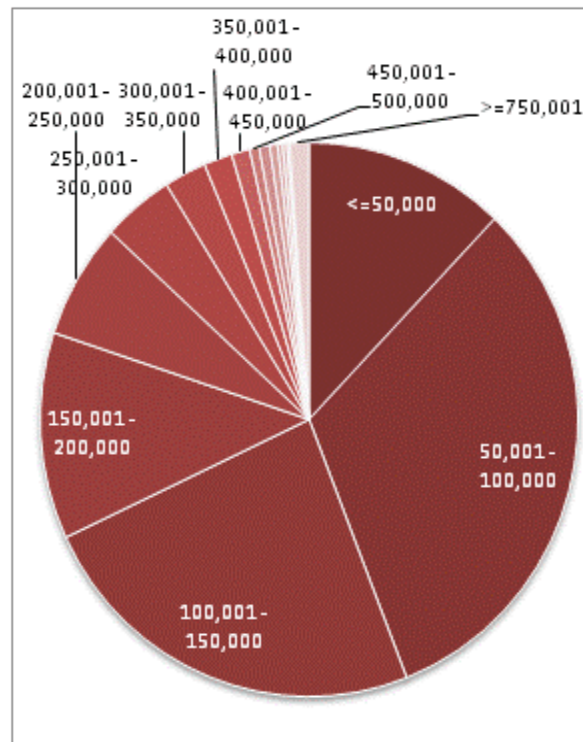


PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added each month to the total pool of pending properties in the MLS system. By comparing the pendings in rolling four monthly increments, subtle changes in the pending pool can be predicted.

Last month PPI reported a decline in the number of pending properties in the below \$50,000 and \$50,001-100,000 ranges. This month the units in all price points from below 50,000 up to \$400,000 and \$450,001-\$500,000 and \$700,001-\$750,000 decreased. Pendings in the \$400,001-\$450,000 remained static. Increased units were found in \$500,001-\$700,000 and in the ranges above \$750,001. While this is only one month's pending data, it signals more activity in the higher ranges than has been detected in the recent past. As the number of units in the lower ranges declines, buyers will shift buying preferences to the next higher range.

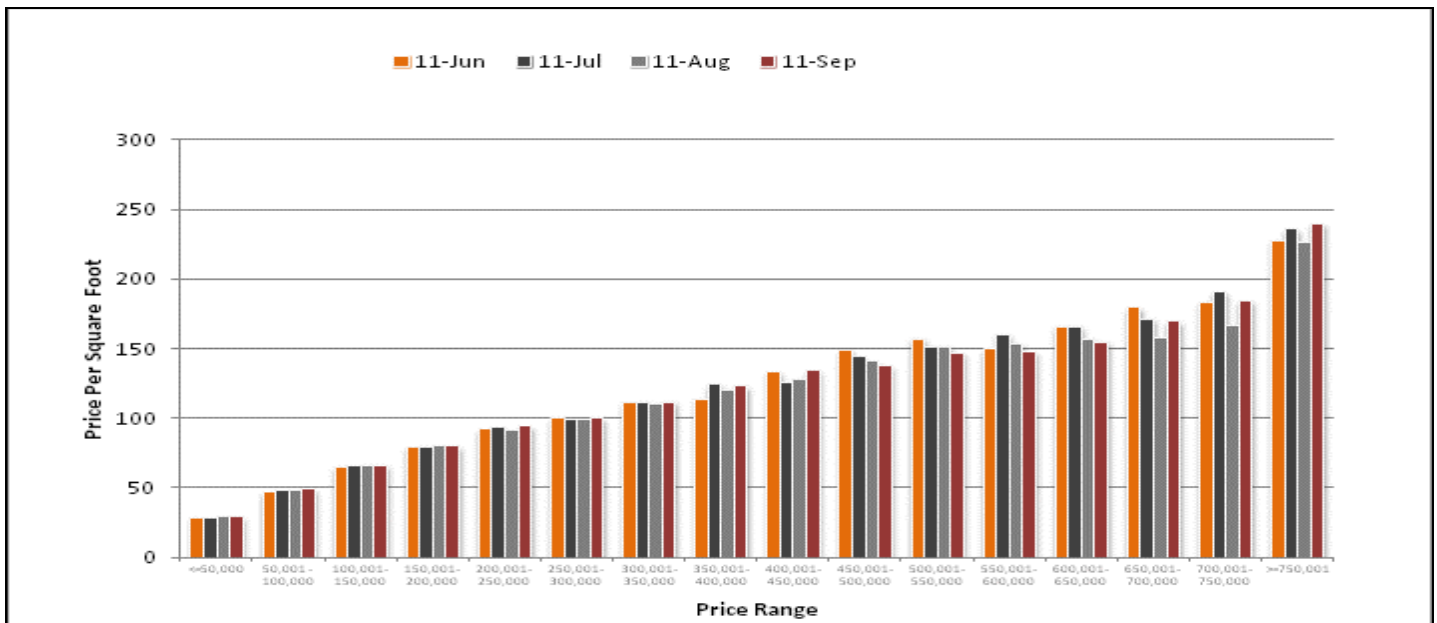
Pending Contracts Signed In September				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	34,534	35,000	1,005	12.11%
50,001 - 100,000	76,830	77,000	2,653	31.98%
100,001 - 150,000	124,843	125,000	1,984	23.92%
150,001 - 200,000	173,378	171,000	1,001	12.07%
200,001 - 250,000	226,020	225,000	559	6.74%
250,001 - 300,000	275,657	275,000	356	4.29%
300,001 - 350,000	325,465	325,000	210	2.53%
350,001 - 400,000	378,591	378,500	142	1.71%
400,001 - 450,000	427,350	425,000	91	1.10%
450,001 - 500,000	478,982	479,000	48	0.58%
500,001 - 550,000	528,857	529,000	53	0.64%
550,001 - 600,000	582,591	582,501	38	0.46%
600,001 - 650,000	631,955	635,000	25	0.30%
650,001 - 700,000	679,887	677,500	22	0.27%
700,001 - 750,000	735,875	743,750	12	0.14%
>=750,001	1,244,877	1,095,000	97	1.17%



PPI SUPPLEMENT - \$/SQ FT

This month PPI adds another dimension to the property data added to the pending pool for a given month. Over rolling four month increments, PPI will be watching the price per square foot at various price points in the market. Table data compares the two recent months. This month, the price per square foot in the below \$50,000 up to \$200,000 and \$250,001-300,000 ranges appear to have leveled. The ranges from \$200,001-250,000, \$300,001-450,000 and \$650,001 to over \$750,000 showed increases in \$/sq. ft. The ranges from 450,001-650,000 showed declines in \$/sq ft. While this data only looks at new pending data one month at a time, it can reveal subtle changes which are signs of recovery .

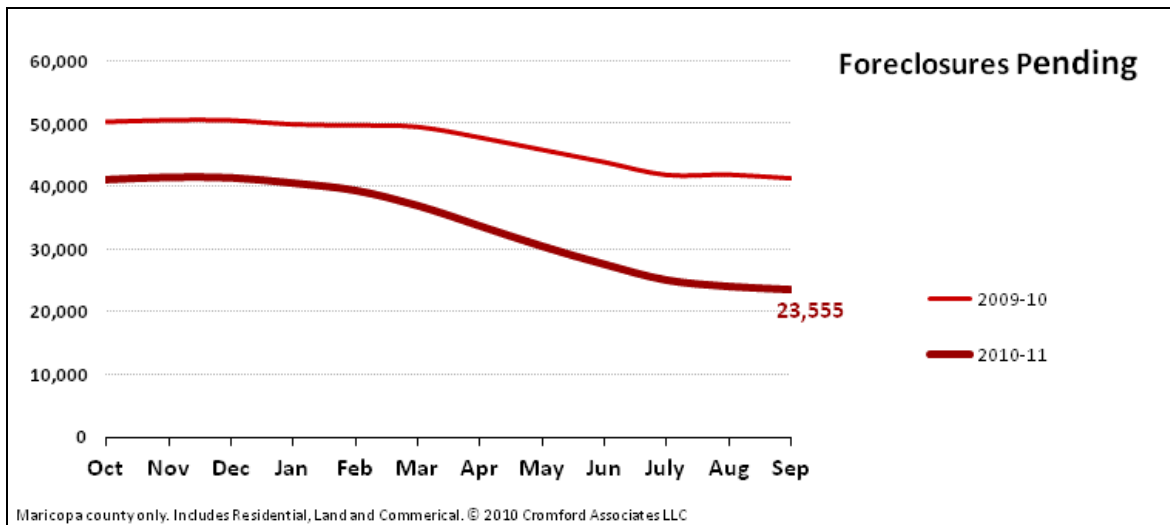
Pending Contracts Signed In August					Pending Contracts Signed In September				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt	Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	35,280	1,214	1,165	29	<=50,000	34,534	1,194	1,005	29
50,001 - 100,000	76,654	1,576	3,091	49	50,001 - 100,000	76,830	1,556	2,653	49
100,001 - 150,000	124,755	1,883	2,361	66	100,001 - 150,000	124,843	1,882	1,984	66
150,001 - 200,000	173,498	2,168	1,184	80	150,001 - 200,000	173,378	2,171	1,001	80
200,001 - 250,000	226,358	2,488	666	91	200,001 - 250,000	226,020	2,396	559	94
250,001 - 300,000	275,974	2,769	395	100	250,001 - 300,000	275,657	2,752	356	100
300,001 - 350,000	326,455	2,965	243	110	300,001 - 350,000	325,465	2,912	210	112
350,001 - 400,000	374,505	3,111	155	120	350,001 - 400,000	378,591	3,078	142	123
400,001 - 450,000	426,296	3,326	91	128	400,001 - 450,000	427,350	3,182	91	134
450,001 - 500,000	478,220	3,397	75	141	450,001 - 500,000	478,982	3,481	48	138
500,001 - 550,000	524,869	3,465	41	151	500,001 - 550,000	528,857	3,594	53	147
550,001 - 600,000	577,080	3,770	34	153	550,001 - 600,000	582,591	3,933	38	148
600,001 - 650,000	625,041	3,981	22	157	600,001 - 650,000	631,955	4,079	25	155
650,001 - 700,000	671,443	4,247	14	158	650,001 - 700,000	679,887	4,004	22	170
700,001 - 750,000	727,056	4,352	18	167	700,001 - 750,000	735,875	3,987	12	185
>=750,001	1,113,943	4,932	92	226	>=750,001	1,244,877	5,184	97	240



FORECLOSURES PENDING

Foreclosures pending dropped 20 out of the last 22 months to 23,555 in September (November and August 2010 excepted which each rose less than 1%). While the average monthly decline over this 22 month period was 3.74%, the decline rapidly accelerated by 6.17-9.64% from March through July of this year. While this month's drop represents a slowing of the foreclosures pending decline at 2.1%, it is still a decrease.

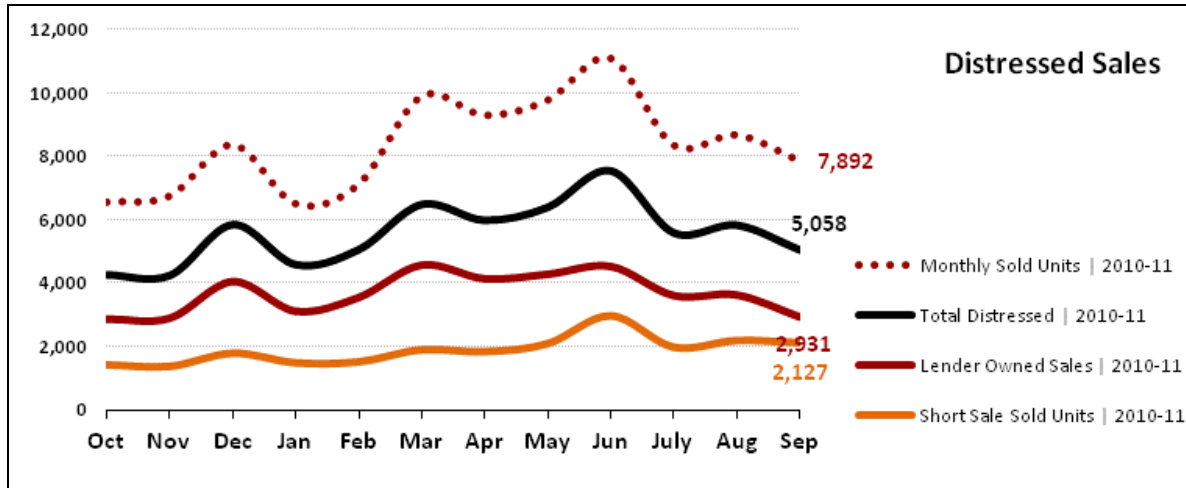
If we consider foreclosures pending over the decade, the ranges of 2003-2004 hover slightly below 5,000 to just under 6,000. In 2005-2006 during the market's buying frenzy, monthly foreclosures pending dropped to the 2,000-4,000 range. We could justifiably consider foreclosures pending in the 5,000-6,000 range indicative of a normal market. Foreclosures pending is one more market metric that has not yet reached normal, but it on a good path. We should be mindful that foreclosures pending feed the total foreclosure pool. A recovery in the foreclosures pending metric will eventually be followed by a decline in the total foreclosures in the supply of active listings.



DISTRESSED SALES

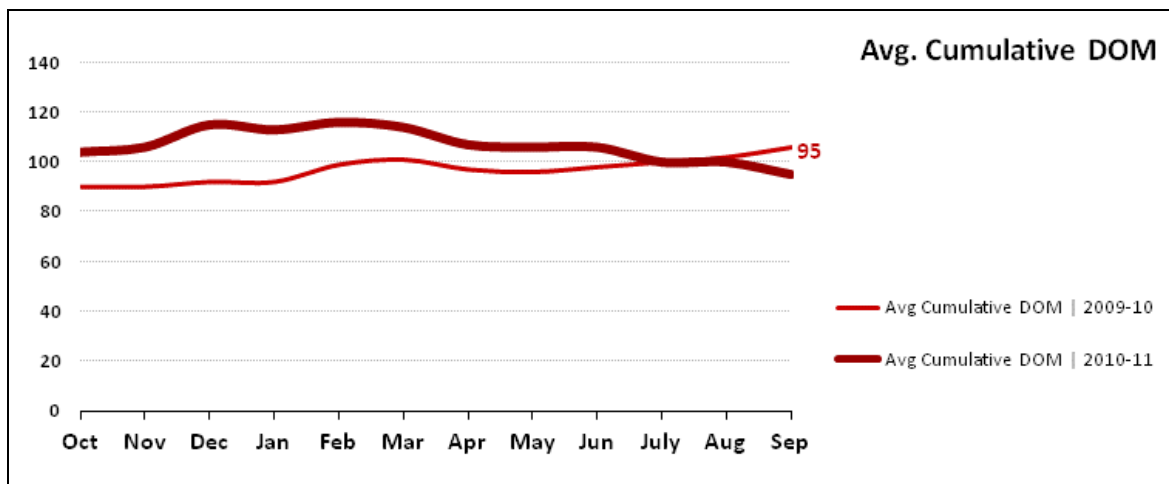
Distressed sales are a composite of lender owned sales and closed shorts sales. Lender owned sales declined 19.35% in September to 2,931, and its percent of total sales likewise declined to 37.1%, representing a 4.6% decrease from August. Short sales (2,127) jumped 3.4% over August, accounting for 27% of total sales.

In September distressed sales accounted for 5,058 (64.1%) of total sales. While this percentage is a 2.9% drop, it is in line with the 66.7% twelve month average. This decline in the percent of total sales is seen as positive, yet lender owned sales doggedly continue to exert negative pressure on pricing.



AVERAGE DAYS ON MARKET (DOM)

Average days on market for September finally broke through the 100 day barrier to land at 95, a level not seen since May 2010. Average DOM calculated for the entire market should only be seen as a barometer of overall market health and not indicative of days on market in smaller market niches or various price points. We can expect though that this metric will continue to fall if total inventory levels continue to decline to 2003-2004 levels.



COMMENTARY

This month STAT cites several areas of positive news: sales activity, while not as robust as the last several months, still remains high; foreclosures pending continue its downward trend, albeit on a less steep decline; market wide MSI remains under 4 and the average DOM dropped 5 days in September. Pricing even took a whimsical upward turn for all four price metrics: median and average prices for both sales and new listings. Tune in next month to learn if the upward turn is pure whimsy or the start of something.

More notable is this month's metrics in the historical perspective of the entire decade. Considering that the mid to second half of the decade was marred by an unrealistic buying/selling frenzy which drove prices to unrealistic heights followed by a market in free fall, the first half of the decade looks fairly normal. In fact, today's total inventory levels are comparable to levels of 2003-2004, the years right before the frenzy. Similarly, MSIs in the 3-4 month range have not been enjoyed consistently since 2003.

Consider the yearly averages for both median and average sales prices. The decade high yearly average for median sales price occurred in 2006 at \$254,450, a 42% gain from the same figure in 2003 (\$148,483). The current YTD average for median sales price is \$110,389, a 57% fall from the 2006 high. The same phenomenon occurred for average sales price, which reached the decade high yearly average of \$334,567 in 2006, 41.6% above the 2003 figure of \$195,450. The 2011 YTD average is \$156,857, 53.1% below the decade high. Thus the pricing gains in the Valley which peaked in 2006 were wiped away by 2011. After such radical price declines, median and average pricing from 2003 now looks very attractive, almost normal.

This month PPI added a new dimension to its Supplement, tracking movements in price per square foot at various price points for pending sales data added to the existing pending pool each month. The Supplement will detect subtle changes in pricing through the price/sq ft metric. As property at the lowest tiers is absorbed, buyers will move to the next price range to take advantage of the Valley's housing affordability. Pricing recovery will be based on such subtle changes.

At the recent 2012 Economic Outlook* breakfast sponsored by the Phoenix Chamber of Commerce, economists, Dr. Angel Cabrera and Elliot Pollack, and Beckie Holmes, Director of Marketing Science with Cox Communications, focused on the interdependencies of economies (global, national, state and local), jobs, debt and migration on the Valley's recovery. They pointed out that our recovery will remain vulnerable until consumers finish restructuring their debt, new construction is no longer eclipsed by existing inventory, people in other states can liquidate their homes and move to Arizona, housing formation reverses its direction and pent up housing demand can access credit.

The unemployment figure for Phoenix Metro decreased slightly from 8.7 in July to 8.4** in August. In 2011 Greater Phoenix gained 31,330 net jobs, a small yet positive number compared to the 246,400 lost over the three prior years. Jobs like other metrics such growth in manufacturing, tourism and education and health services, retail sales, etc. can best be described as going in the right direction but at a painfully slow pace. Conclusions reached at the Economic Summit pointed to slow, yet positive growth until 2015, followed by accelerated growth and a strong economy from 2015 to 2020. We are ready!

*2012 Economic Outlook

** US Bureau of Labor statistics