ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

STAT

your monthly statistics
for the Phoenix Metro area

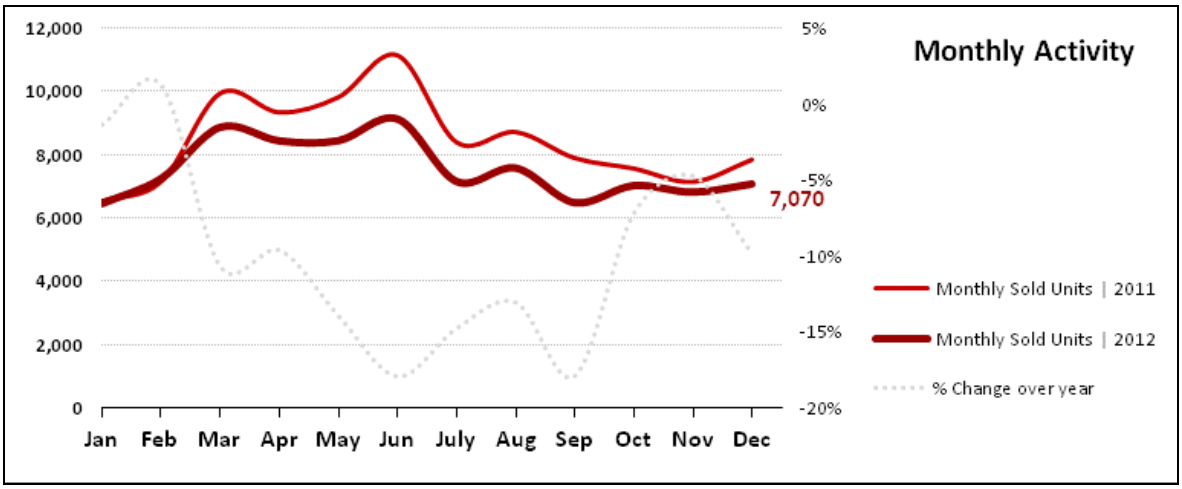
ARMLS® STAT - January 7, 2013

SALES Month over Month

Sales bumped up 3.8% over November to 7,070. This is typical of the November to December uptick of the last seven years, as purchasers act on their preference to close before year end.

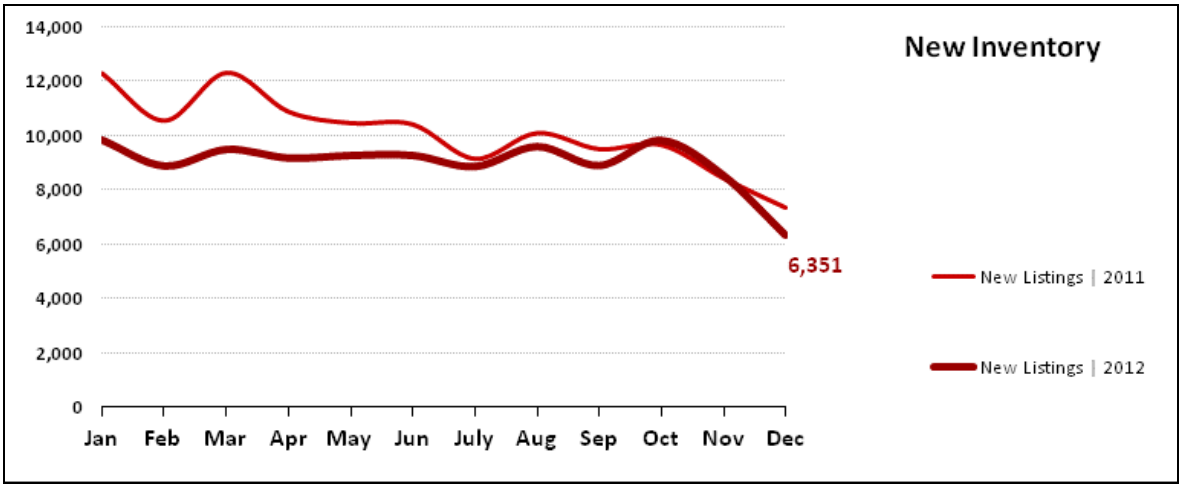
SALES Year over Year

The December sales figure at 7,070 fell 9.8% below the same figure in 2011. This is reflective of the decline in the Valley's total inventory. The total number of closed sales in 2011 was 101,436, contrasted with 2,012's 90,680. This year's difference of 10,756 sales averages 896 sales per month. Sales in 2011 were the second highest of the last 12 years, surpassed only by 2005 at the height of the bubble. Sales in 2012 rank 6th highest out of the last 12 years.



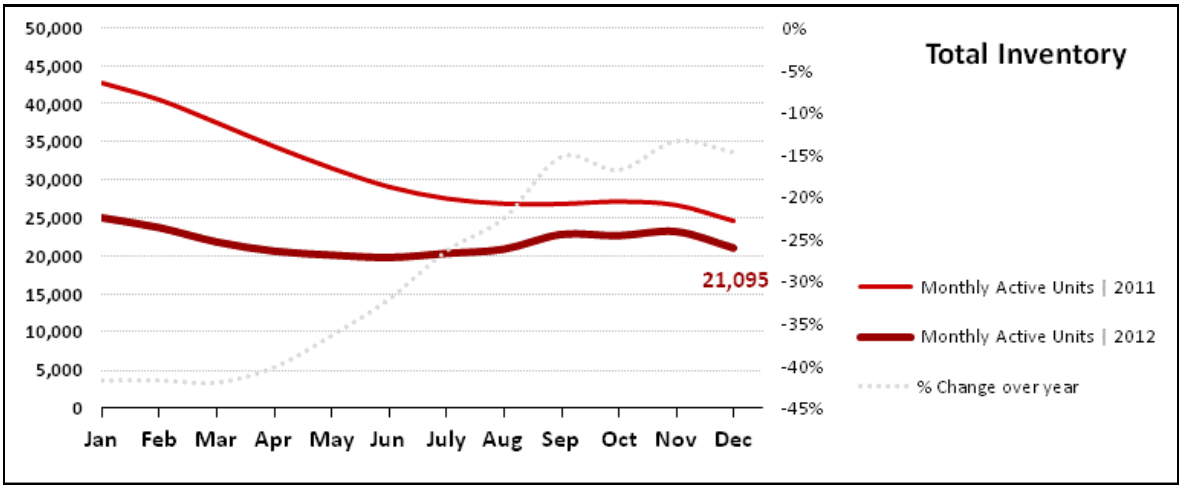
NEW INVENTORY

New inventory dropped 25.6% to 6,351, a decline typical of past Decembers' new listings. Inventory figures have dropped from November to December in all of the last 12 years by an average of 19.18%.



TOTAL INVENTORY

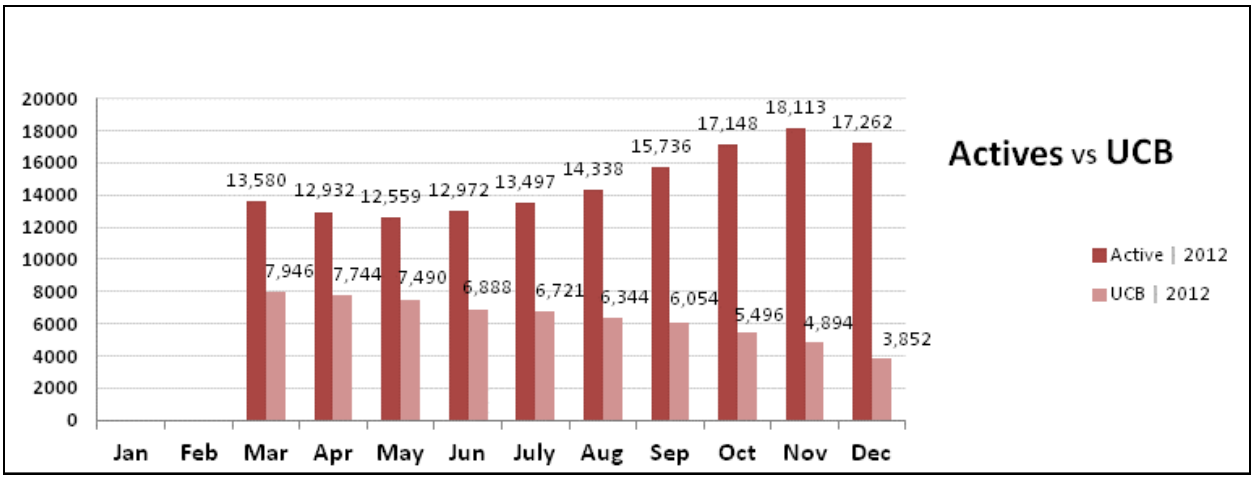
As no surprise, total inventory fell 9.2% in December to 21,095. While lower inventory remains a market challenge, December's figure should be viewed as typical of a seasonal pattern, rather than a reversal of the upward inventory trend started in June.



ACTIVES and UCBs

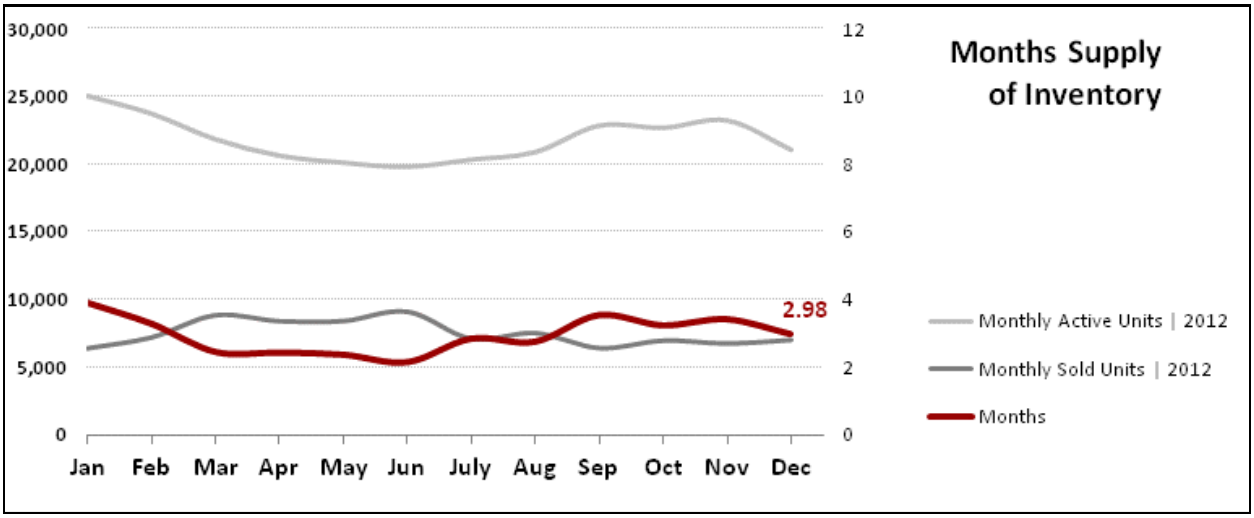
In March 2012, ARMLS began tracking Active inventory and its Active With Contingency (AWC) makeup. Many listings had an AWC status, but were really not available for sale. Confusion surrounded the proper status of a listing with a contingency, many of which belonged in Pending. On December 5, ARMLS changed the AWC label to Under Contract-Backups (UCB). This change codified that only listings under contract, where the Seller has requested in writing that the property be marketed for backups, should be in UCB status.

The AWC/UCB trend had been declining steadily since ARMLS began tracking the AWC makeup in March. At that time there were 21,526 active listing of which 36.91% were labeled AWC. At the end of December, after the label change to UCB, the percentage of AWC declined to 18.24%.



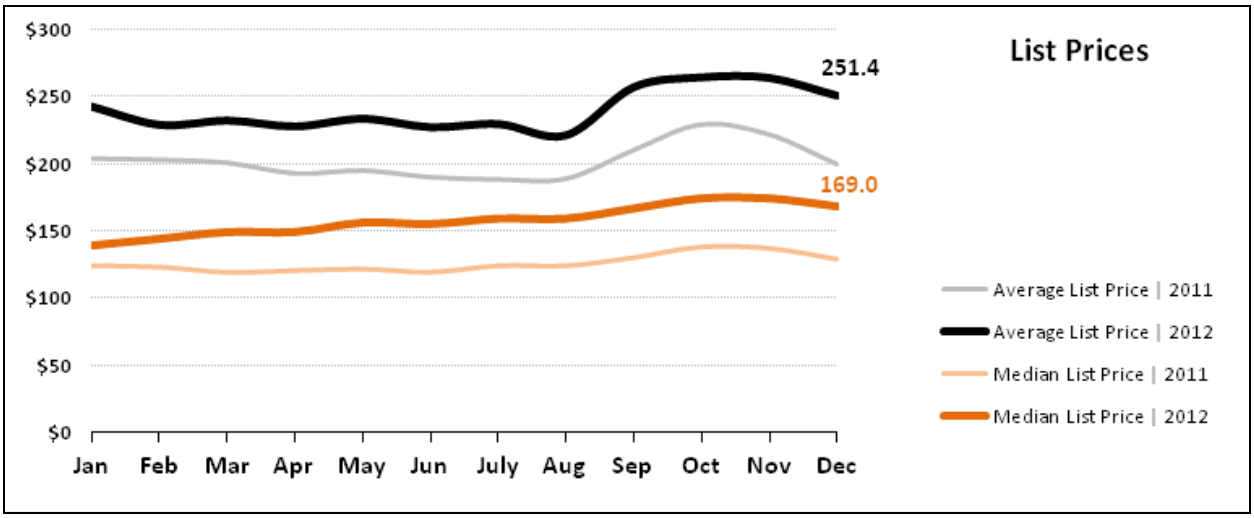
MONTHS SUPPLY OF INVENTORY (MSI)

MSI dipped below three months to 2.98, the first time below three since August. MSI below four months is considered a Seller's market. Market wide MSI is tracked as a barometer of overall market health, and should not be used to assess inventory levels in small market niches. Each of these has its own MSI based on the supply and demand of that niche.



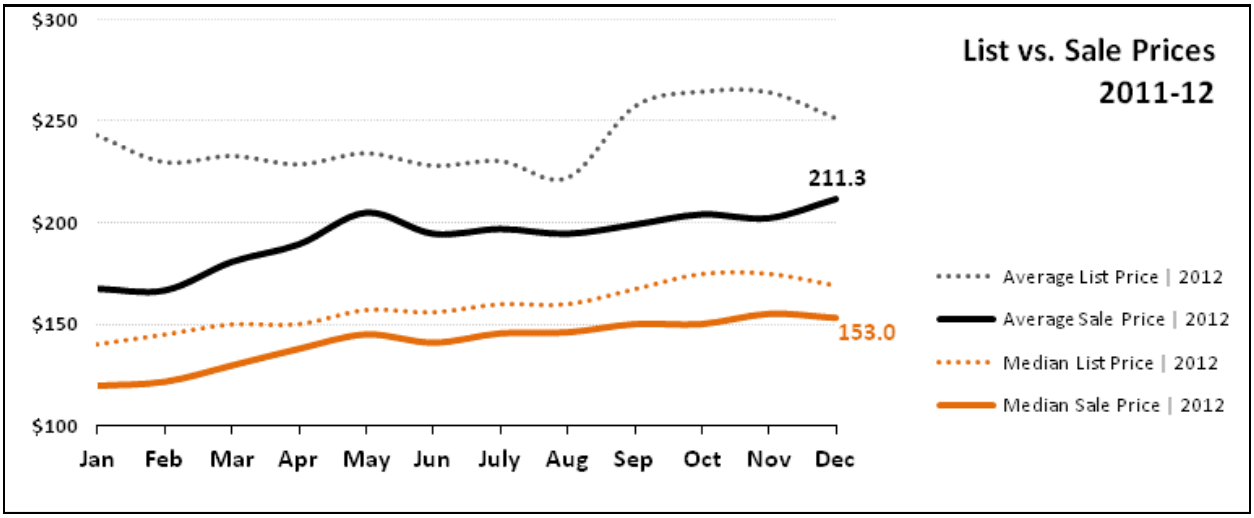
NEW LIST PRICES

New list pricing declined in December, but still remained on the 2012 upward trend line. The median new list price declined 3.4% in December to $169,000, but was up 30.1% from the median list price in December 2011. The average list price dropped 5.0% in December to $251,400, but was 25.6% above the December 2011 average.



SALES PRICES

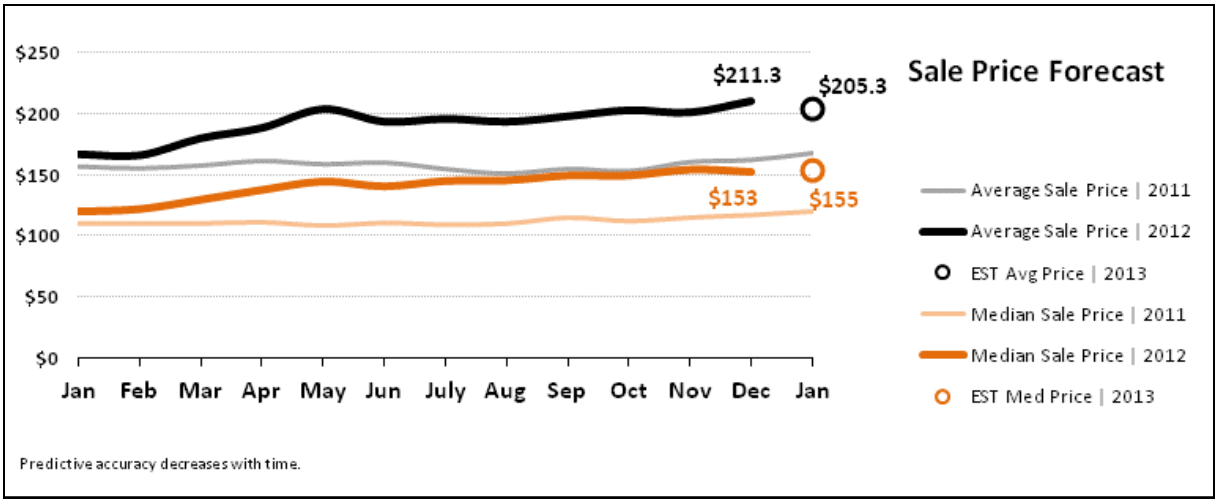
Median sales price declined 1.3% to $153,000 in December, but was 30.8% above the same figure a year ago. Average sales pricing fared better with a 4.6% increase in December to $211,300, representing a 30.3% gain over December 2011.



THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a metric unique to ARMLS which forecasts pricing 30 days into the future based on pending property data inside MLS. Last month, the PPI predicted the median sale price to fall to $143,000, missing the actual median sales price of $153,000 by 6.99%. The November average sales price forecast of $194,200 missed the mark by 8.83% to land at $211,300. A similarly wide margin between the December prediction and the December actual occurred in 2011, perhaps driven by year end pressure to close by December 31.

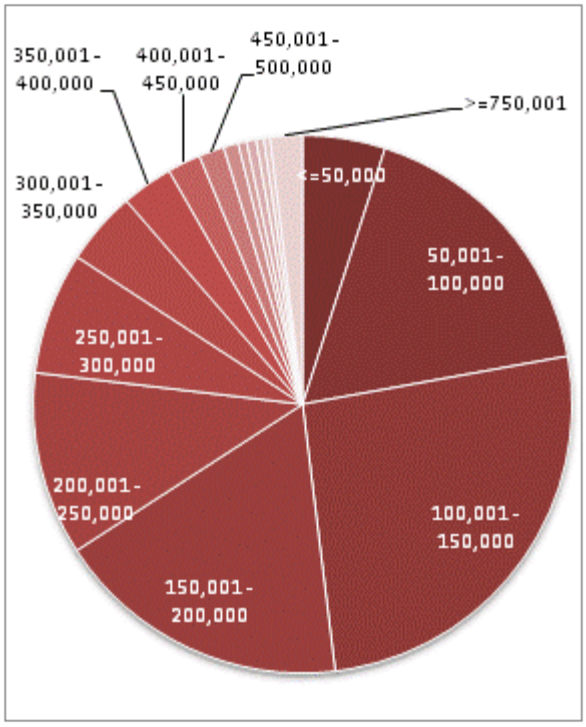
PPI predicts the median sales price for January to land at $155,000. The average sales price is forecasted at $205,300.

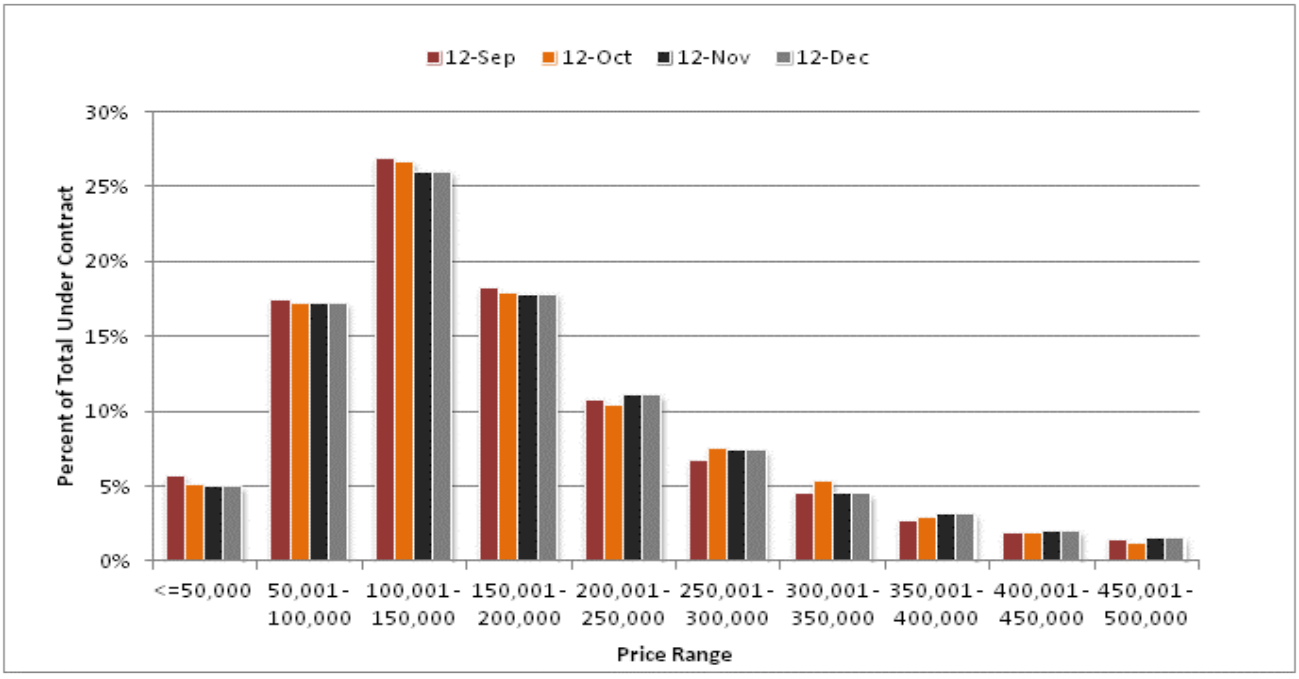


PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the pending pool each month on a rolling four month view. Percentage makeup of pended properties added to the pool in December showed no significant trending over the last four months.

Pending Contracts Signed In December				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	37,199	38,000	266	4.95%
50,001 - 100,000	79,718	80,000	924	17.19%
100,001 - 150,000	126,827	127,000	1,394	25.93%
150,001 - 200,000	173,976	173,250	956	17.78%
200,001 - 250,000	227,474	227,000	593	11.03%
250,001 - 300,000	275,613	275,000	395	7.35%
300,001 - 350,000	326,539	325,000	238	4.43%
350,001 - 400,000	373,794	373,939	166	3.09%
400,001 - 450,000	424,164	424,000	107	1.99%
450,001 - 500,000	475,382	475,000	82	1.53%
500,001 - 550,000	526,824	526,250	48	0.89%
550,001 - 600,000	582,653	580,000	27	0.50%
600,001 - 650,000	626,111	621,000	31	0.58%
650,001 - 700,000	679,089	675,000	25	0.47%
700,001 - 750,000	729,824	732,000	20	0.37%
>=750,001	1,272,366	1,020,000	104	1.93%





PPI SUPPLEMENT - $/SQ FT

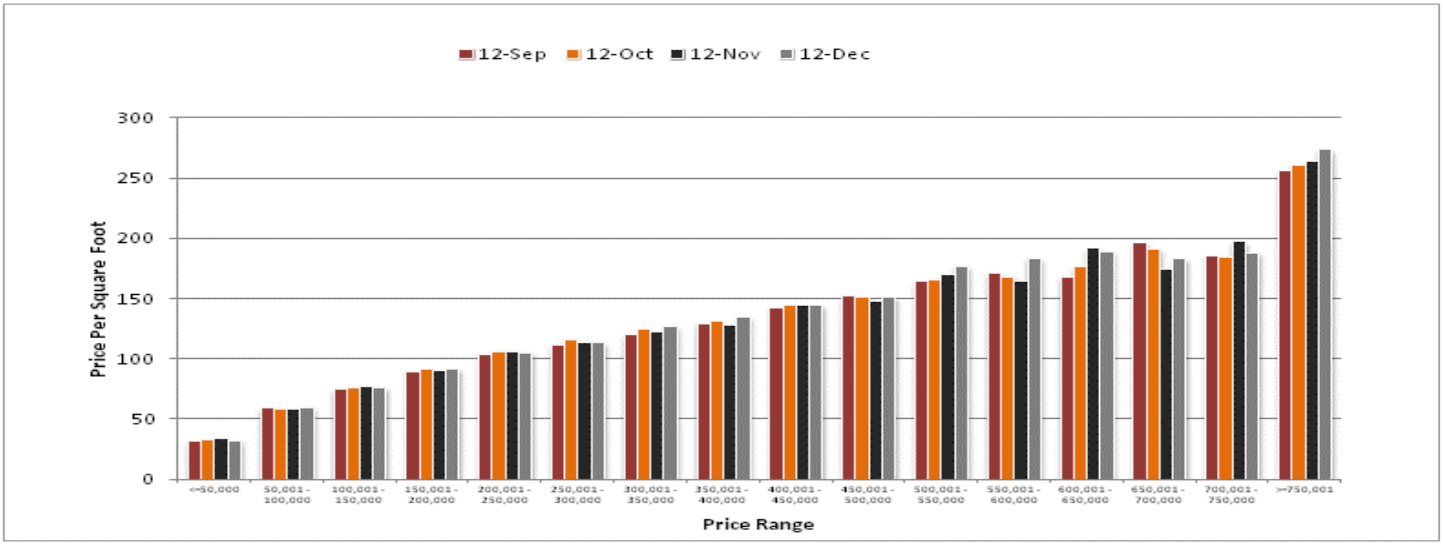
The PPI Supplement - $/SQ FT report examines the incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the pending pool each month. Pricing of new Pendings from under $50,000 through $300,000 exhibited narrow fluctuation from -$1 to +$2/SQ FT. Pending pricing above $300,000 appeared more volatile, from -$9 to +$19/Sq FT. Pricing in the higher ranges is more susceptible to high or low outliers, which can have a distorted effect on the average pricing for any range where the total number of properties is relatively small.

Pending Contracts Signed In November

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,902	1,102	311	33
50,001 - 100,000	78,724	1,357	1,050	58
100,001 - 150,000	126,882	1,650	1,657	77
150,001 - 200,000	173,833	1,922	1,138	90
200,001 - 250,000	225,785	2,129	672	106
250,001 - 300,000	274,639	2,411	469	114
300,001 - 350,000	325,458	2,659	284	122
350,001 - 400,000	373,569	2,927	181	128
400,001 - 450,000	426,454	2,955	136	144
450,001 - 500,000	477,680	3,232	74	148
500,001 - 550,000	526,042	3,101	61	170
550,001 - 600,000	576,921	3,511	38	164
600,001 - 650,000	627,908	3,272	34	192
650,001 - 700,000	678,327	3,884	33	175
700,001 - 750,000	727,341	3,689	28	197
>=750,001	1,266,478	4,800	140	264

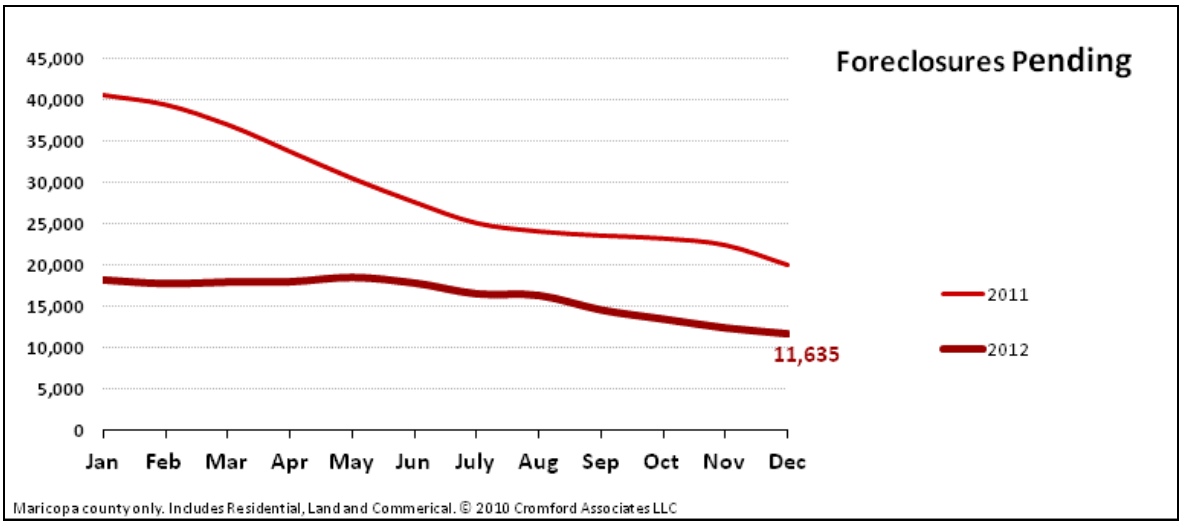
Pending Contracts Signed In December

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	37,199	1,161	266	32
50,001 - 100,000	79,718	1,335	924	60
100,001 - 150,000	126,827	1,668	1,394	76
150,001 - 200,000	173,976	1,898	956	92
200,001 - 250,000	227,474	2,168	593	105
250,001 - 300,000	275,613	2,439	395	113
300,001 - 350,000	326,539	2,577	238	127
350,001 - 400,000	373,794	2,777	166	135
400,001 - 450,000	424,164	2,935	107	145
450,001 - 500,000	475,382	3,149	82	151
500,001 - 550,000	526,824	2,983	48	177
550,001 - 600,000	582,653	3,177	27	183
600,001 - 650,000	626,111	3,314	31	189
650,001 - 700,000	679,089	3,710	25	183
700,001 - 750,000	729,824	3,885	20	188
>=750,001	1,272,366	4,653	104	273



FORECLOSURES PENDING

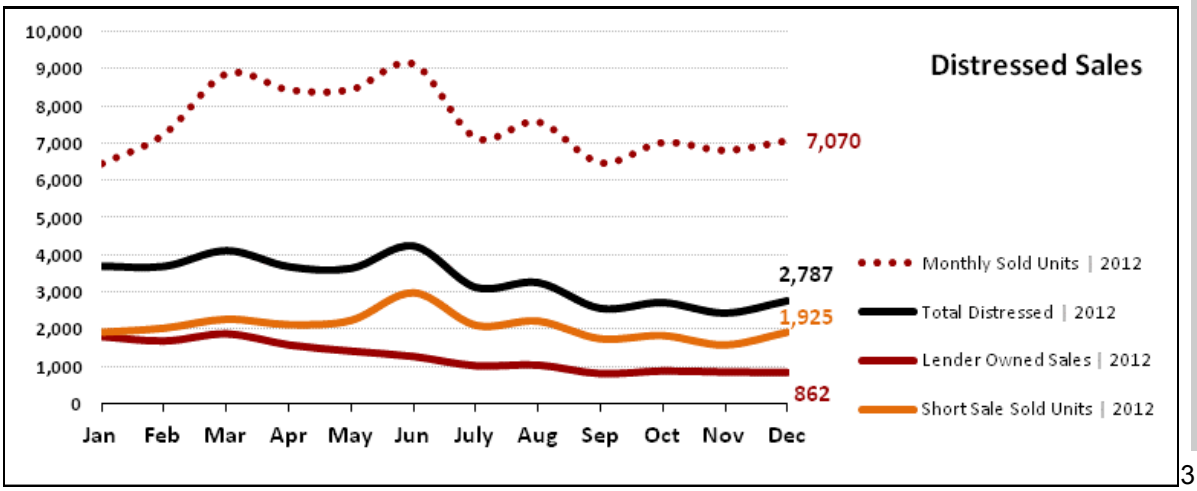
Foreclosures pending, which fuel foreclosure sales, continued on a steeper declining trajectory which started in mid-May. December's metric (11,635) was 5.89% below November's foreclosures pending. Since May, the average decline in foreclosures pending per month was 944, or 6.48%. Foreclosures pending in the 4,000-6,000 range are considered normal for the Valley. If the foreclosures pending trend line continues on the same downward slope, foreclosures pending could reach normal range in the coming June/July time frame.



DISTRESSED SALES

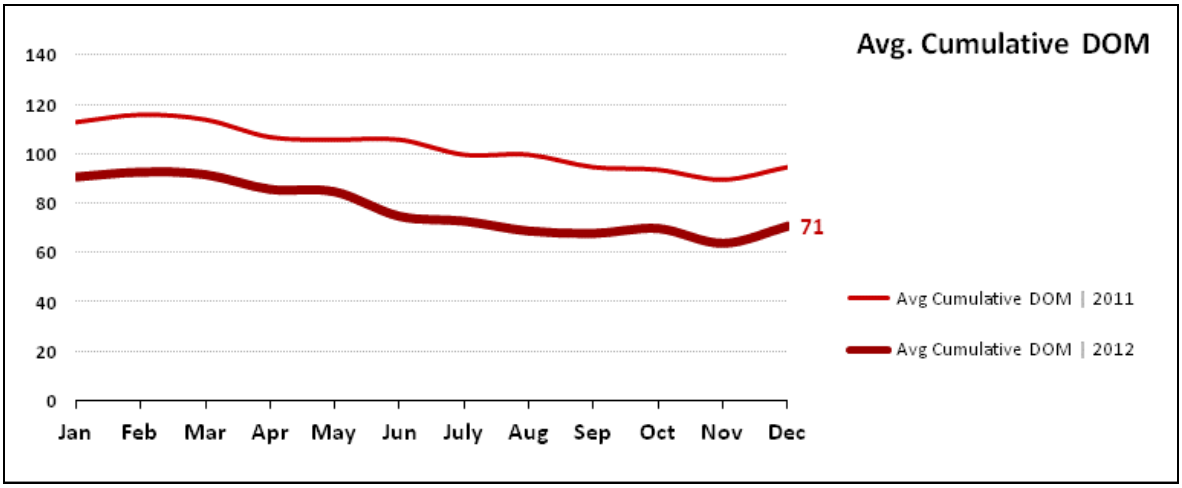
Distressed sales (2,787), composed of closed short sales and lender owned sales, hiccupped upward 3.3%, to land at 39.4% of total sales. Every month in 2012, with the exception of June (3.2%) and December, witnessed a distressed property decline from the previous month's percentage of total sales. Distressed sales, long regarded as the bane of the Valley's pricing recovery, were 57.7% of total sales in January of 2012, declining 18.3% by year end.

Short sales (1,925) as a percentage of total sales buoyed to 21.6%, driven by lender appetite to close by year end. Lender owned sales (862) as a percentage of total sales continued downward to 12.2%. Short sales and foreclosures which began the year at a 1:1 ratio, ended 2012 at a greater than 2:1 ratio, reflecting greater lender expertise and appetite for short sale over foreclosure.



AVERAGE DAYS ON MARKET (DOM)

Average days on market jumped seven days in December to 71, but still remained on a steady downward trend line all of 2012. DOM started at 91 in January 2012 and dropped 20 days, or 21.98%, by year end. Market wide DOM is monitored as a barometer of market health, and is not intended to be used to predict DOM in small market niches. Each niche has its own unique DOM, which is influenced by the supply and demand in that market niche.



COMMENTARY

December's statistics followed a very typical pattern for the last month of the year, showcasing a decline in inventory and new listings, and an uptick in sales. Metrics that had been performing slowly but steadily all year in the right direction, e.g., pricing, DOM, MSI and foreclosures pending, continued on the same positive trend lines.

Over the last quarter, STAT focused on the uncertainty of the presidential election, the fiscal cliff and the economic situation in Europe, reasoning that as these challenges were resolved, the economy would respond positively. With the election and the fiscal cliff behind us, and Europe set to muddle along slowly through its difficulties, the uncertainty which had held back investment in job growth seems to have dissipated.

The deal which averted the fiscal cliff, permanently extended the tax cuts for middle income earners, averting the $2,200 average tax hike they would have experienced if Congress had not acted. It also expanded the Child Tax Credit and marriage penalty relief, while increasing taxes on the wealthiest 2%.[1]

The day after the Tax Agreement investors reacted positively with tech stocks leading the euphoria. NASDAQ rose 2.4% and the DOW industrials gained 1.7%. Google, Yahoo, Amazon, Microsoft, Dell, Hewlett Packard, Apple and Intel all rose, by 1.9%, 1%, 2%, 1.8%, 2.7%, 4.8%, 2.4% and 2.8%, respectively.[2]

More uncertainty though is lining up to cast its shadow over recovery. The debt ceiling[3] and challenge to mortgage interest deductions[4] loom ahead, as well of the impact of the new national health care directives which start in 2013, such as a new surtax on investment income, a new Medicare tax for high earners and tightening the threshold for itemized medical deductions.[5] Logically, more cliffs and uncertainty should impede recovery, as employers and investors hold back until there is more certainty.

Perhaps the takeaway is that uncertainty is the new normal, and that holding back until it's dissipated is not a sound strategy for anything, since the next uncertainty is already waiting in line. Perhaps drama from the brinksmanship of our Executive and Legislative branches should move into the national consciousness as the little boy who cried wolf. After all, the recent fiscal cliff itself and the upcoming cliffs it spawned were self inflicted wounds in the first place.

STAT predicts that positive trends manifested in 2012 will continue in 2013. It promises to continue to deliver to its Subscribers statistical data and commentary that will inform their strategic business decisions, as well as their clients' housing decisions. Watch for the fourth quarter STAT Plus and STAT Year in Review coming in January.

1 http://www.whitehouse.gov/the-press-office/2013/01/01/fact-sheet-tax-agreement-victory-middle-class-families-and-economy
2 http://www.usatoday.com/story/tech/2013/01/02/apple-microsoft-facebook-qualcomm/1804687/
3 http://www.csmonitor.com/Business/Robert-Reich/2013/0102/After-the-fiscal-cliff-comes-the-debt-ceiling
4 http://www.inman.com/buyers-sellers/columnists/kenharney/fiscal-cliff-bill-addresses-some-key-housing-issues
5 http://www.forbes.com/sites/gracemarieturner/2013/01/02/as-2013-begins-get-ready-for-an-obamacare-tax-onslaught/