ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

STAT

your monthly statistics
for the Phoenix Metro area

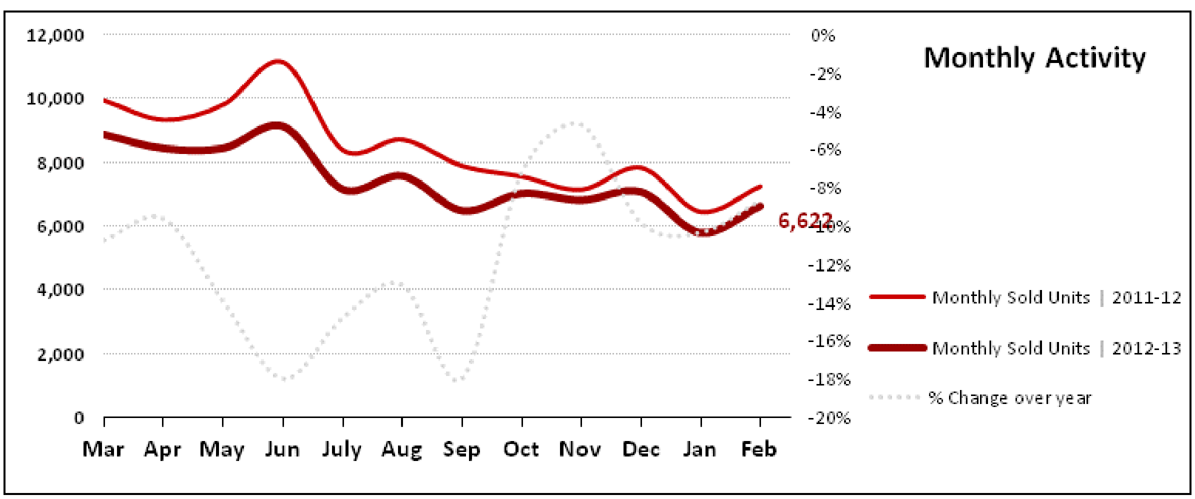
ARMLS® STAT - March 7, 2013

SALES Month over Month

Total sales rose by 14.4% in February to 6,622, short by 3.7% of making up for the 18.1% decline in January. The February rise is typical of the January to February uptick in sales for every year since 2001.

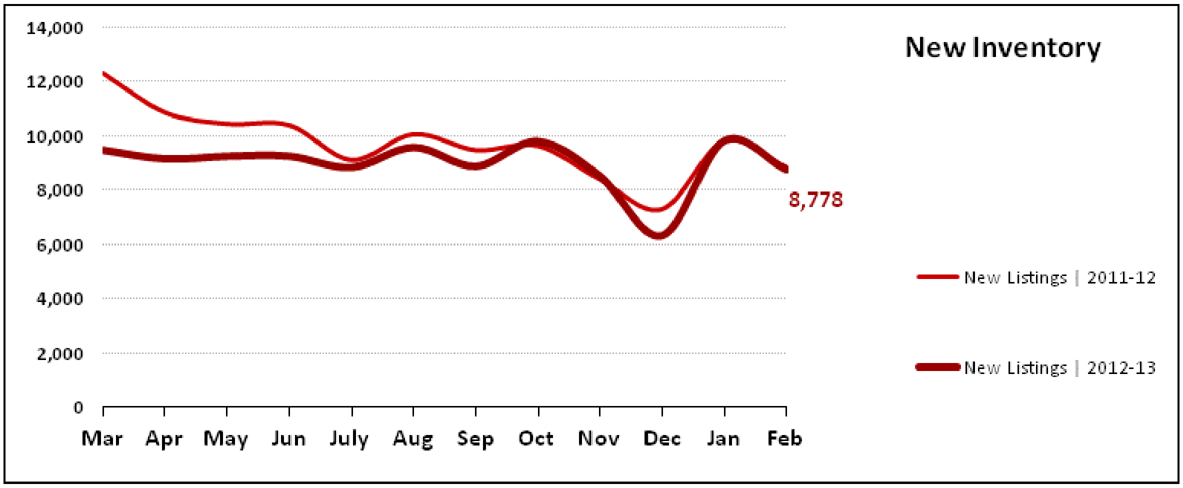
SALES Year over Year

Sales in February (6,622) declined 8.6% from the same month in 2012. STAT recorded year over year sales declines for the last consecutive 12 months, and a dominant pattern of monthly year over year declines since 2010. Only five months since 2010 showed year over year increases, specifically January and February 2011, and March, April and December of 2010.



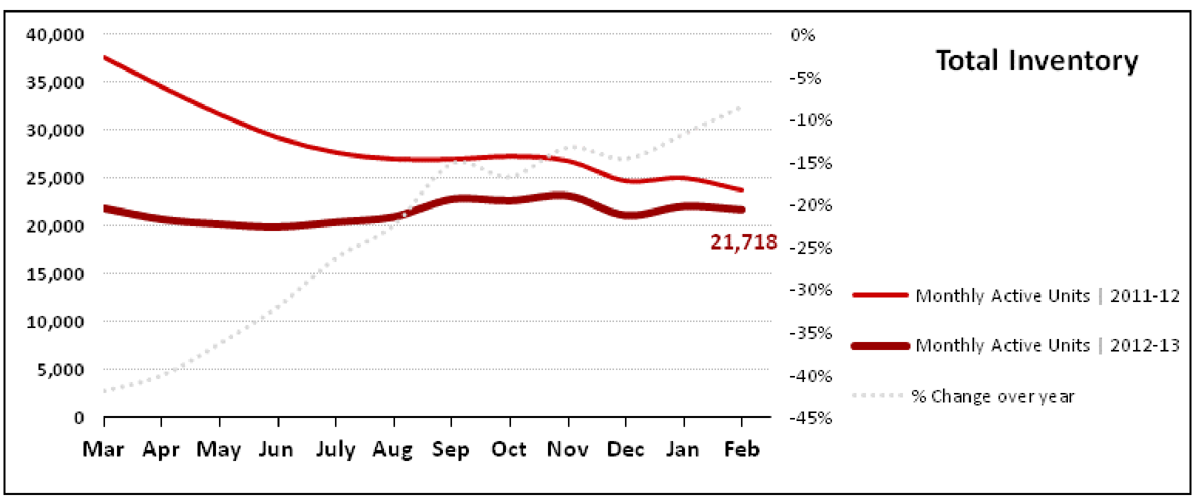
NEW INVENTORY

Predictably, new inventory fell 10.7% in February to 8,778 new units. Typically, the number of Sellers who rush to market in January, which this year logged in an unprecedented increase (54.9%) over December, reduces the potential pool of available new Sellers. This February's 10.7% drop is below the average January to February drop of 13%.



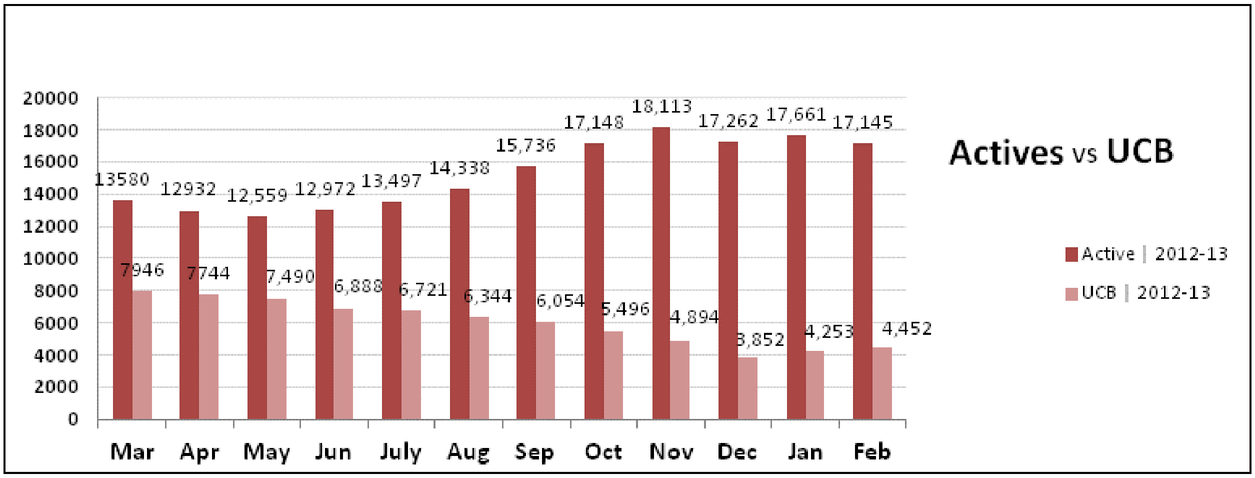
TOTAL INVENTORY

Total inventory declined slightly (1.7%) to 21,718 units , which is 8.5% below the year over year figure for 2012. Inventory totals have been stuck in the 19,000-23,000 range since March of 2012.



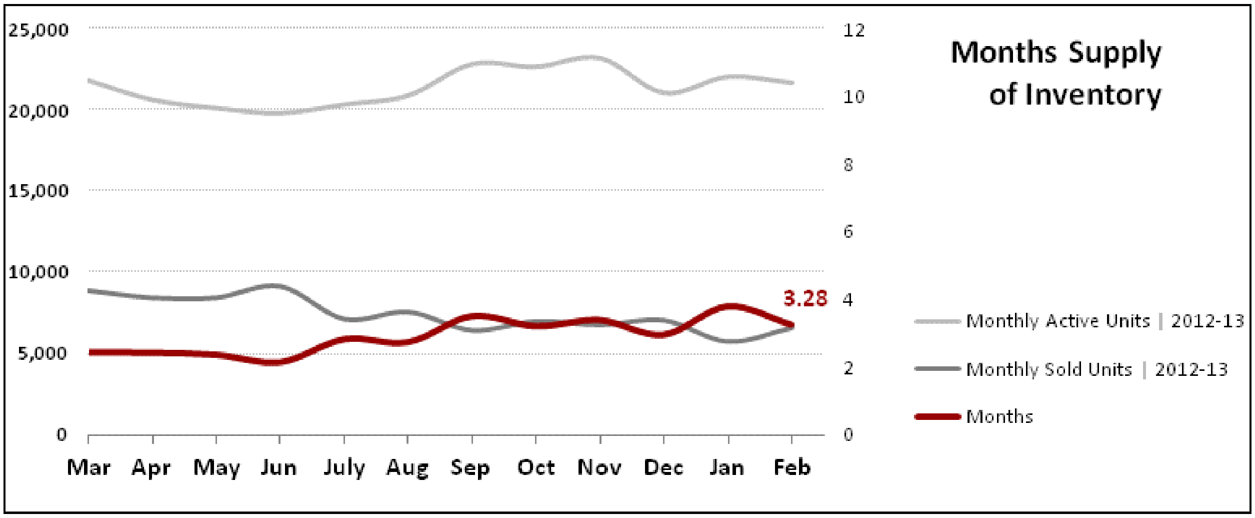
ACTIVES and UCBs

Considering the total inventory composition, the number of Actives declined in February to 17,145, while the number of Under Contract-Backups (UCBs) ticked up to 4,452. Since STAT began tracking the UCB makeup of Actives in April 2012, UCBs as a percent of total Actives, declined from 37% last April to 20.49% in February. UCB's hit their lowest point (3,852) in December at 18.26% of Actives.



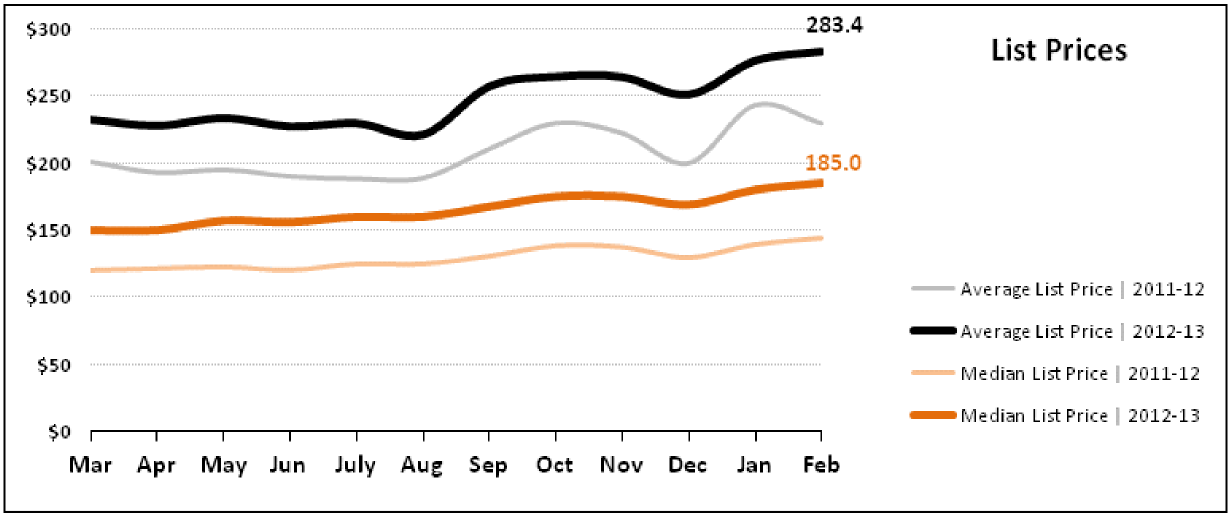
MONTHS SUPPLY OF INVENTORY (MSI)

After a bump up in January, February's MSI dropped back to 3.28 months, continuing on the wave pattern started in May 2012, which fluctuated above and below an average MSI of 3.04 months. STAT monitors market wide MSI as a barometer of overall market health. It should not be used to estimate MSI in smaller market niches, which have their own unique MSI based on supply and demand in that smaller area.



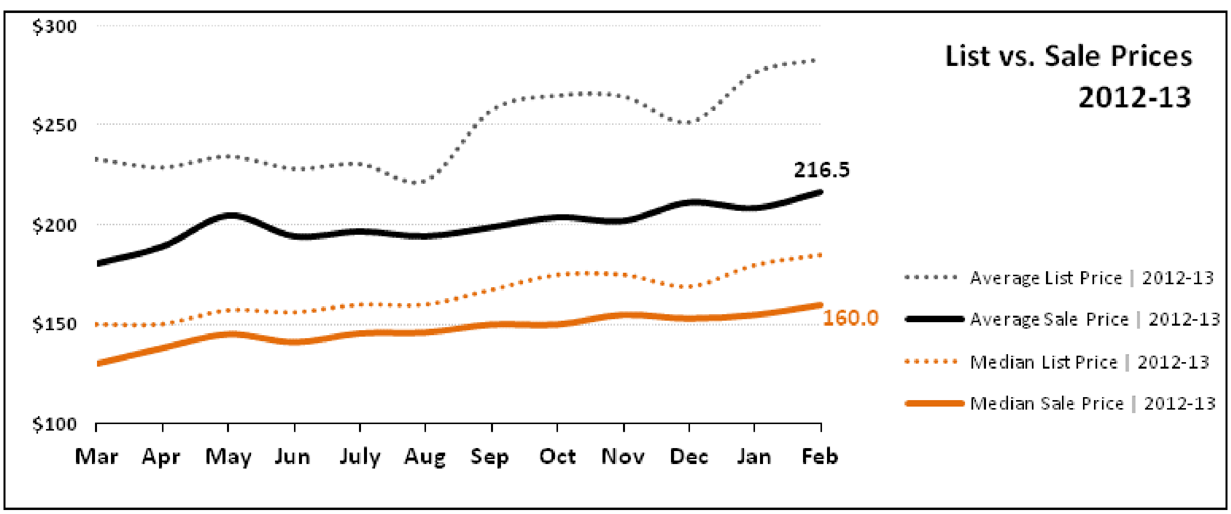
NEW LIST PRICES

Both new list price metrics saw modest gains of 2.8% and 2.5%, for median and average, respectively. February's median new list price of $185,000, represents a rise of 23.4% over the last 12 months. The average new list price of $283,400, increased 21.69% since March 2012.



SALES PRICES

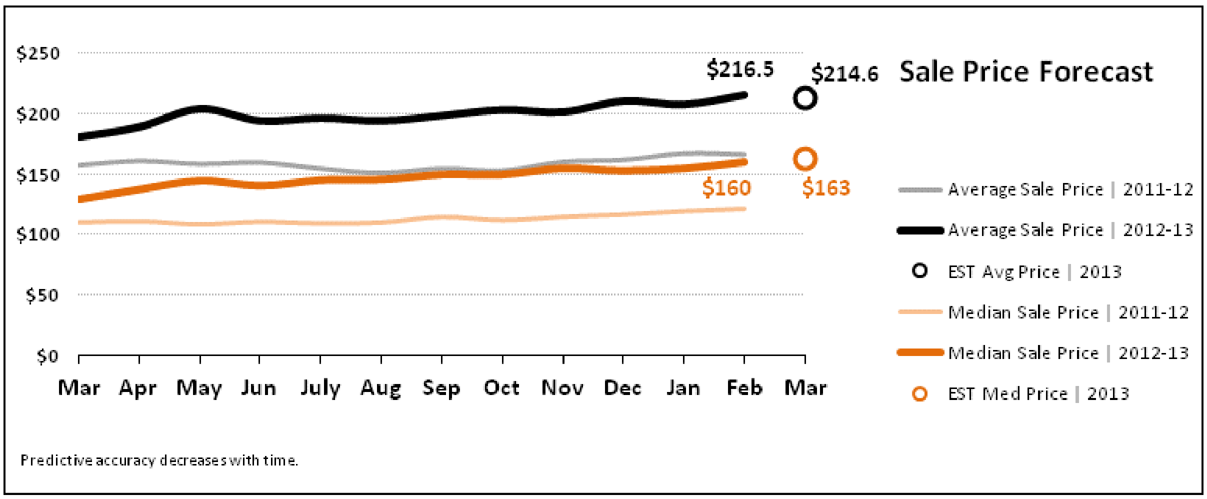
Median sales price rose 3.3% in February to $160,000, a level last seen in October-November 2008. Over the last 12 months, median sales price rose 23.17%. February's average sales price was $216,500, representing a 19.87% rise since March 2012. Increases in both sales price trend lines have continued upward since they hit bottom in May 2011 for the median sales price, and August 2011 for the average sales price. As pricing rights itself, gains are best characterized as modest, slow and steady.



THE ARMLS PENDING PRICE INDEX™

The Pending Price Index is a metric unique to ARMLS, since no other third party source has access to pending data. The PPI predicts pricing 30 days into the future based on pending properties inside MLS. Last month the PPI forecast the median sales price at $155,000, missing the actual median sales price of $160,000 by 3.23%. The average sales price predicted for February was $206,300, falling short of the actual average of $216,500 by 4.92%.

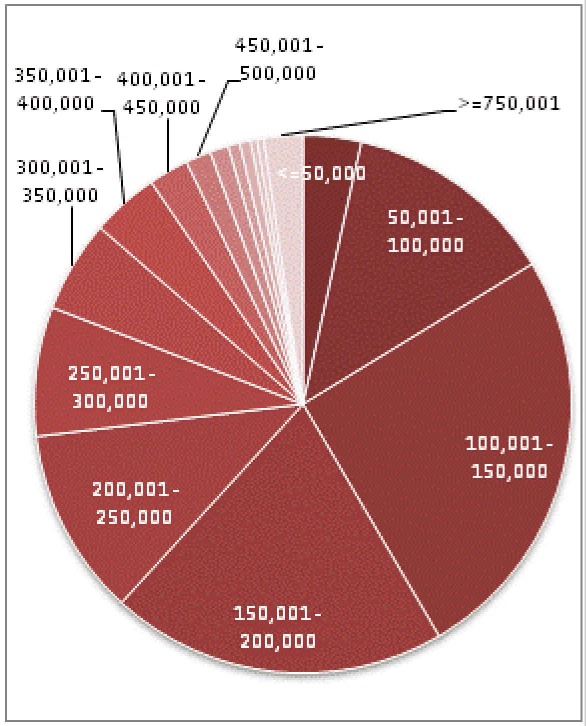
For March, STAT predicts a median sales price of $163,000, and an average sales price of $214,600. Many Brokers and Agents proactively factor pricing predictions into their business and market strategies as a complement to sold pricing data which trails the market.

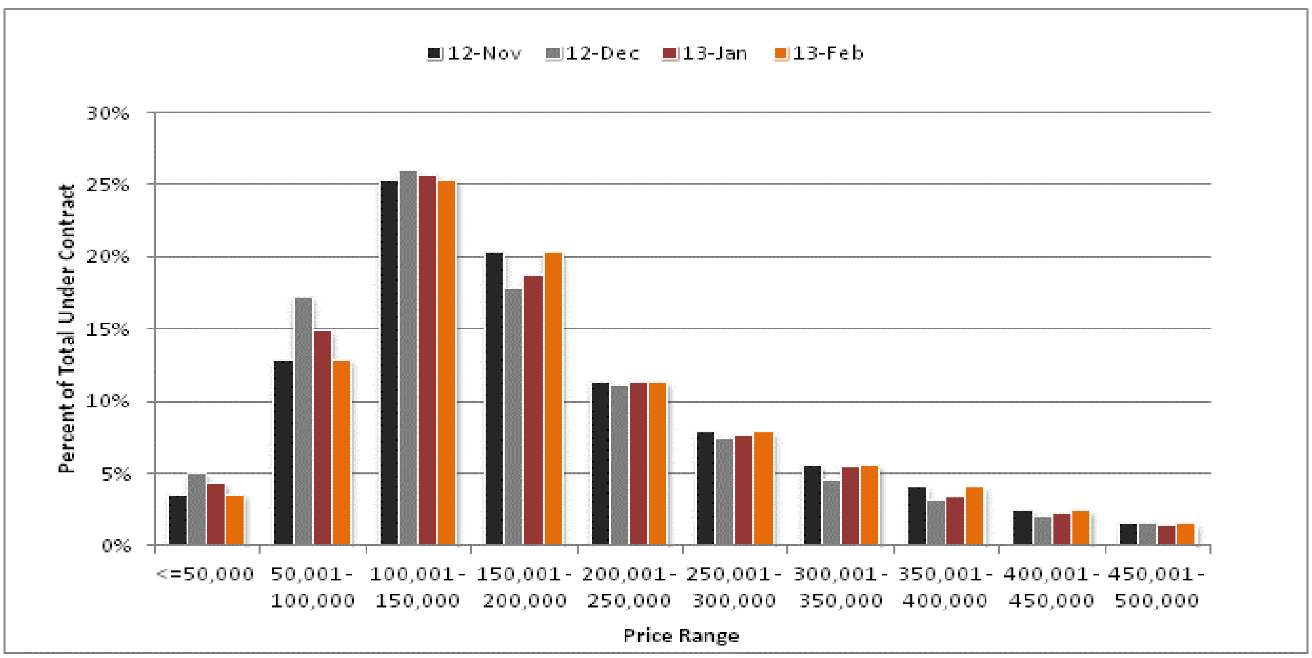


PPI SUPPLEMENT

The PPI Supplement focuses on the makeup of newly pended properties added to the Pending pool each month over a rolling four months. Unit declines continue in properties $150,000 and under. More telling is a comparison with PPI Supplement data from March 2012 STAT, which shows a definite shift in units as percent of total new pendings in price ranges $450,000 and below. The $50,000 and under range, which a year ago accounted for 8.28% of total new Pendings, now accounts for only 3.49%. Similarly over a year's time, $50,001 to $100,000 changed from 25.13% in 2012 to 12.79%; conversely, $100,001 to $150,000 rose from 15.13% to the current 25.28%. In the range from $150,001 to $200,000, new Pendings made up 8.42% of the total a year ago, but by March 2013 accounted for 20.24%. Similar shifts, spurred by dwindling inventory at the lower ranges to more Pendings in the next higher ranges, are seen in ranges up to $450,000.

Pending Contracts Signed In February				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	36,427	38,000	272	3.49%
50,001 - 100,000	79,796	81,000	996	12.79%
100,001 - 150,000	127,095	127,500	1,969	25.28%
150,001 - 200,000	173,768	172,500	1,577	20.24%
200,001 - 250,000	227,289	227,500	879	11.28%
250,001 - 300,000	276,473	275,750	606	7.78%
300,001 - 350,000	324,931	325,000	431	5.53%
350,001 - 400,000	376,144	375,000	316	4.06%
400,001 - 450,000	425,758	425,000	188	2.41%
450,001 - 500,000	477,623	478,250	118	1.51%
500,001 - 550,000	527,823	525,000	88	1.13%
550,001 - 600,000	572,813	570,000	55	0.71%
600,001 - 650,000	628,555	625,000	51	0.65%
650,001 - 700,000	676,514	675,000	30	0.39%
700,001 - 750,000	729,490	729,000	31	0.40%
>=750,001	1,325,417	1,045,000	183	2.35%





PPI SUPPLEMENT - $/SQ FT

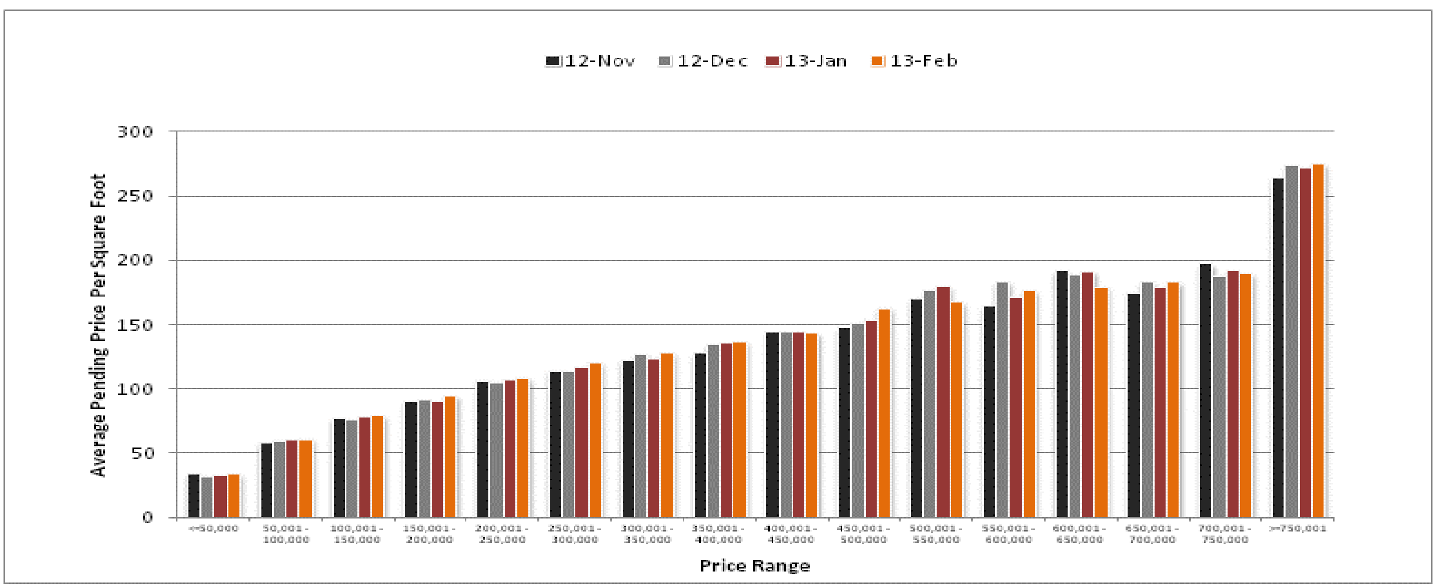
The PPI Supplement - $/SQ FT reports examines incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the Pending pool each month. No significant trends were detected from January to February. However, gains in price per square foot in newly pended properties from the same month in 2012 are noteworthy. Pendings in the $50,001 to $100,000 rose $8/SQ FT; $100,001 to $150,000 increased $9/SQ FT; and each range from $150,001 through $400,000, increased $11, $12, $14, $10 and $11/SQ FT, respectively.

Pending Contracts Signed In January

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,976	1,142	324	32
50,001 - 100,000	79,298	1,312	1,127	60
100,001 - 150,000	127,852	1,645	1,944	78
150,001 - 200,000	173,434	1,928	1,418	90
200,001 - 250,000	225,494	2,115	855	107
250,001 - 300,000	274,946	2,363	578	116
300,001 - 350,000	326,000	2,644	410	123
350,001 - 400,000	375,461	2,762	254	136
400,001 - 450,000	426,922	2,950	165	145
450,001 - 500,000	477,180	3,104	101	154
500,001 - 550,000	530,382	2,956	76	179
550,001 - 600,000	578,154	3,374	56	171
600,001 - 650,000	625,947	3,275	53	191
650,001 - 700,000	678,279	3,803	39	178
700,001 - 750,000	735,194	3,838	24	192
>=750,001	1,250,806	4,602	173	272

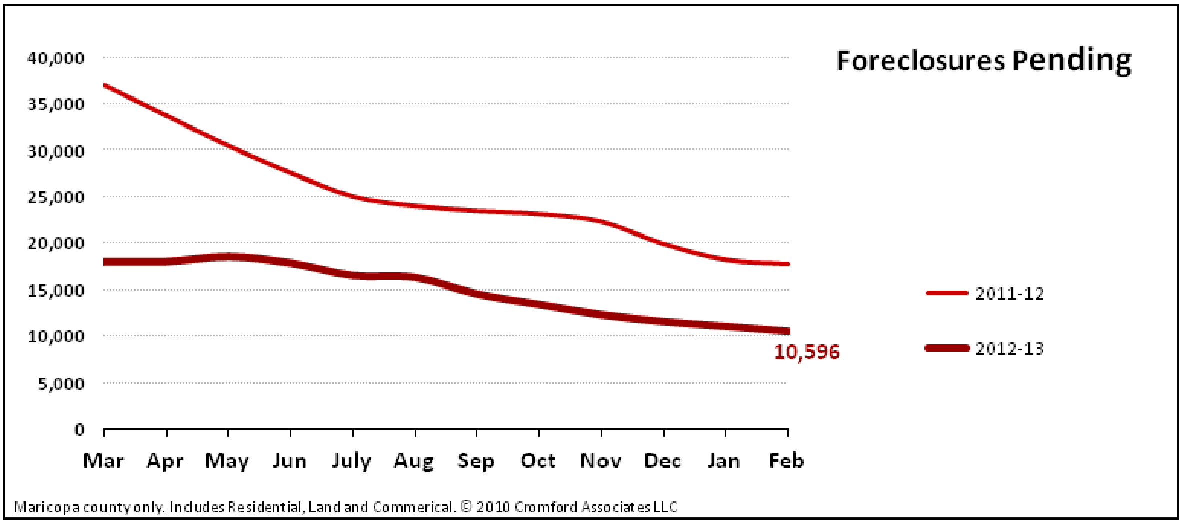
Pending Contracts Signed In February

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,427	1,085	272	34
50,001 - 100,000	79,796	1,311	996	61
100,001 - 150,000	127,095	1,609	1,969	79
150,001 - 200,000	173,768	1,834	1,577	95
200,001 - 250,000	227,289	2,097	879	108
250,001 - 300,000	276,473	2,298	606	120
300,001 - 350,000	324,931	2,544	431	128
350,001 - 400,000	376,144	2,753	316	137
400,001 - 450,000	425,758	2,970	188	143
450,001 - 500,000	477,623	2,934	118	163
500,001 - 550,000	527,823	3,156	88	167
550,001 - 600,000	572,813	3,248	55	176
600,001 - 650,000	628,555	3,511	51	179
650,001 - 700,000	676,514	3,701	30	183
700,001 - 750,000	729,490	3,848	31	190
>=750,001	1,325,417	4,824	183	275



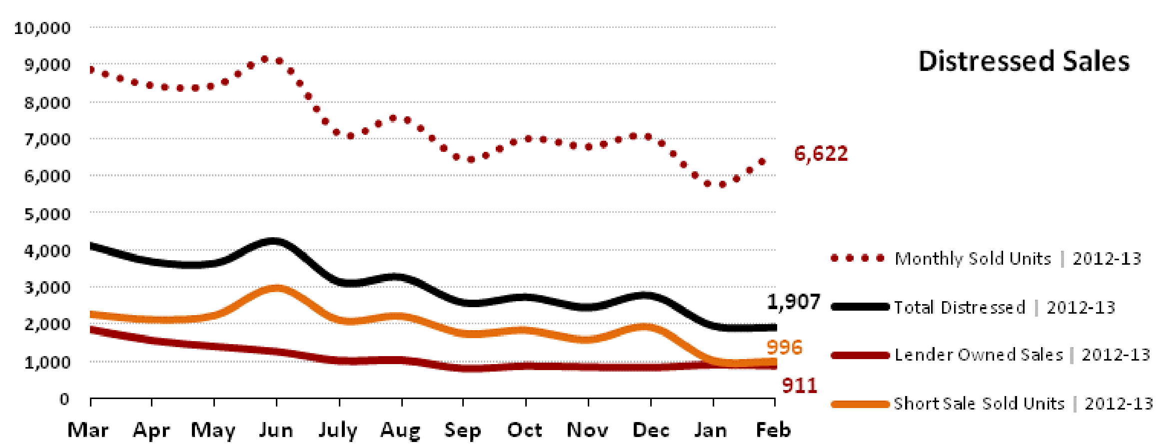
FORECLOSURES PENDING

Foreclosures pending, the precursor of lender owned sales, continued on the downward trend begun from its all time high of 50,568 in November 2009. February's foreclosures pending figure of 10,596 is very close to the psychological barrier of 10,000 foreclosures per month, which the Valley should cross next month. Foreclosures pending in the 10,000 range were last seen in November 2007.



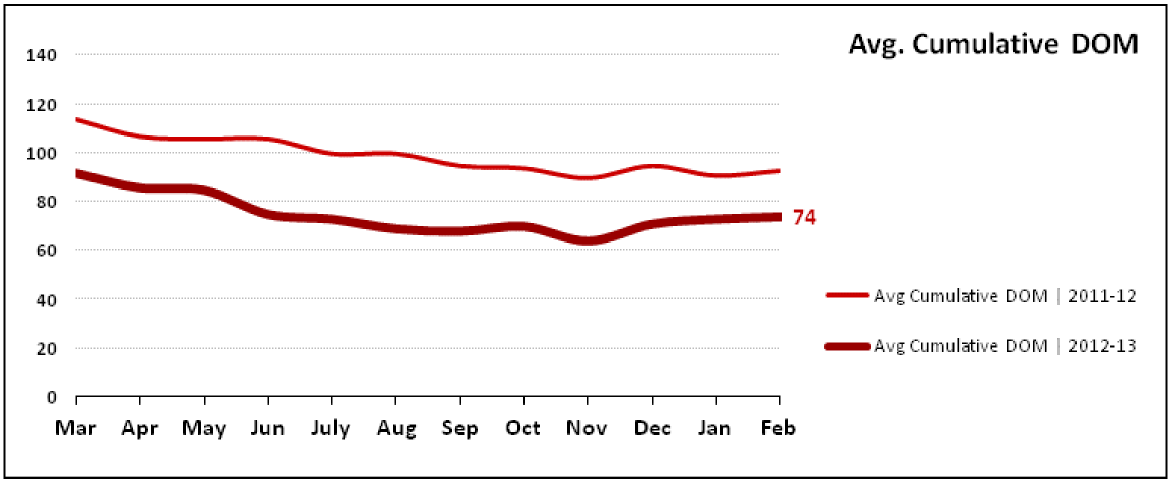
DISTRESSED SALES

Distressed sales, as a percentage of total sales, dropped below 30% for the first time since STAT began tracking distress in October 2010, when its high was 74.1%. February's distressed percentage of total sales fell to 28.8%. Historically, the trend lines of lender owned and short sales, the two distress components, were characterized by lender owned sales dominating short sales by as much as 2.75:1 in March 2010. In November 2011 the trend lines converged, reversing dominance by the following month with short sales leading. By June 2012, short sales dominated lender owned sales by over 2:1. Last month, the two trend lines approached convergence again, but this time at a much lower threshold, 911 lender owned sales, 13.76% of total sales, to 996 short sales, or 15.04% of total sales.



AVERAGE DAYS ON MARKET (DOM)

Days on market gained one day over January to land at 74, slightly under the current 12 month average of 75. DOM are tracked by STAT as a measure of overall market health, and are not intended to predict DOM in smaller market niches, nor to be used to assess market time for individual Sellers.



COMMENTARY

As the Valley's real estate market rights itself from the afflictions brought on by the Great Recession, STAT's report this month is best summarized by "the patient is out of danger with a guarded prognosis, and is expected to fully recover with continued convalescence." All four pricing metrics, median and average new list and sales prices, improved modestly. PPI reported significant year over year price per square foot gains in ranges up to $450,000. Distressed properties' influence on pricing fell to a more moderate 28% of total sales, and foreclosures pending continued on the steady downward spiral started in late 2009.

Lack of inventory remains troublesome, like a stubborn, low grade fever. Ironically, it is the property shortage afflicting lower sales activity that is fueling pricing's recovery, as Buyers move to the next, most affordable, price range. New construction will ease the shortage, but not without some complications. At its height, 60,000 new homes were built in the Valley in a year. In 2013, it is projected that Maricopa and Pinal counties could see as many as 17,000 new homes built, a 40% improvement over 2012. The availability of labor though will impede new construction, as subcontractors strain to find enough skilled workers.[1]

Lack of work, along with Arizona's stiff immigration policies, enacted in 2008 with the requirement for employees to check workers' legal status with the federal eVerify database[2], and in 2010 with SB1070[3], drove many skilled laborers out of Arizona. Such laws are not likely to entice lower paid, skilled workers back to Arizona any time soon. The consequences could be longer construction times and higher wages for legal skilled workers, which will inevitably inflate the cost of a new home.

The recent failure of Congress to negotiate responsible budget cuts in advance of sequestration will impact Arizona and the Valley.[4] Arizona will lose $49M in Army and Air Force operations, and laid off Department of Defense workers in Arizona will lose $52M in pay. As much of $17.7M in primary education jobs (teachers and teacher aids) will be lost. In Maricopa and Pinal counties, 51% of the public health budget is paid for by federal grants.[5]

Particularly vulnerable is the West Valley, whose economy is closely tied to Luke Air Force Base and defense related industry. It is estimated that as much as 75% of the state's research and development expenditures are housed in the corporate infrastructure of such companies as Honeywell, Raytheon and Boeing.[6] Other projected impacts include law enforcement and public safety, and other programs which assist the most vulnerable, including Head Start, work-study programs, nutrition assistance for seniors, vaccinations for children and violence against women, as well as grants for the protection of clean air and water.[7]

While the Valley waits for the impact of the automatic budget cuts, and perhaps Congressional intervention that makes sense, the stock market had its best day since 2007 on March 5 with the Dow Jones average hitting 14,253.[8] The unpredictability of what is to come is perhaps the most worrisome. Congress should take a lesson from REALTORS®: just make a deal which, while not perfect, has the interests of all parties in mind.

[1] http://www.kjzz.org/fronterasarchive?story=/news/2013/feb/18/construction-coming-back-phoenix-not-workers/&framing=kjzz

[2] http://www.fronterasdesk.org/news/2013/jan/25/e-verify-lessons-arizona/

[3] http://www.fronterasdesk.org/sb1070/

[4] http://www.fas.org/sgp/crs/misc/R42050.pdf

[5] http://www.wral.com/arizona-braces-for-federal-budget-cuts/12168214/

[6] http://www.gpec.org/sites/default/files/AD%20Rollout%20Release_0.pdf

[7] http://www.whitehouse.gov/sites/default/files/docs/sequester-factsheets/Arizona.pdf

[8] http://www.forbes.com/sites/steveschaefer/2013/03/05/dow-hits-record-high-as-rally-keeps-rolling/