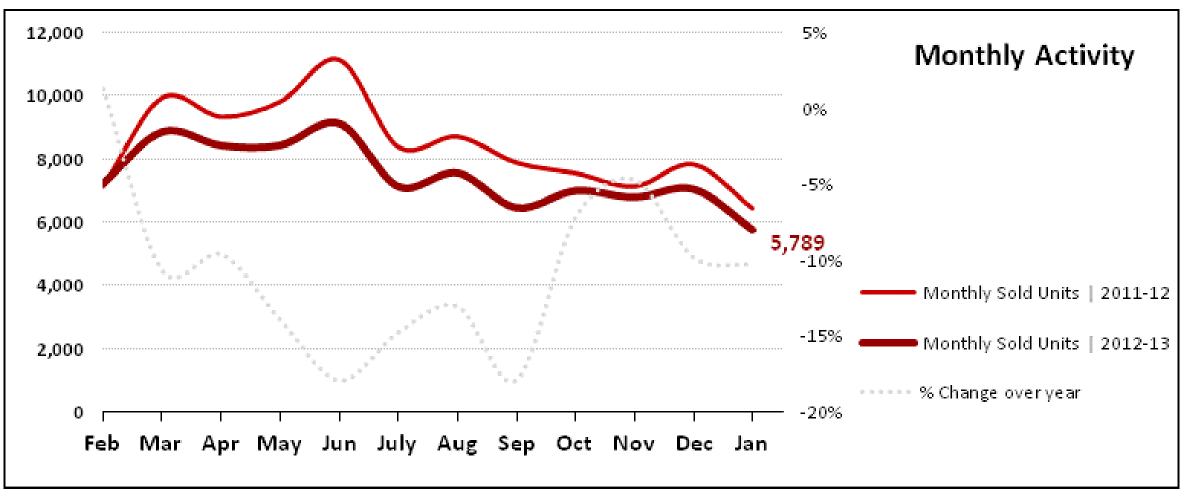
ARMLS® STAT - February 7, 2013

SALES Month over Month

Total sales in January were 5,789, falling 18.12% below December. Sales declines from December to January have been typical of every year since 2001, with declines ranging from 10.08-24.4% over the decade. Sales in the 5,789 range were last seen in January 2010.

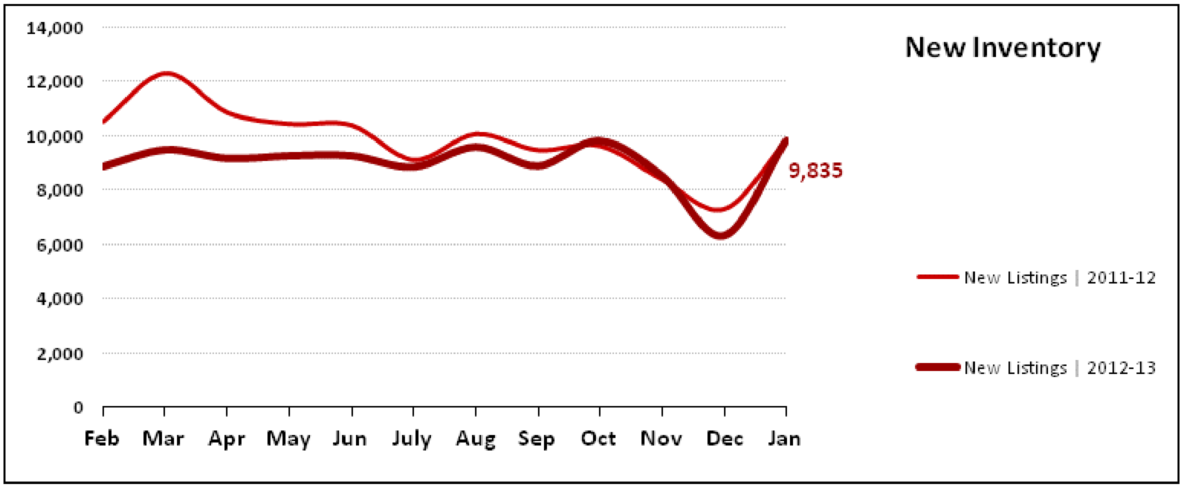
SALES Year over Year

January 2013 sales fell 10.3% below January 2012.



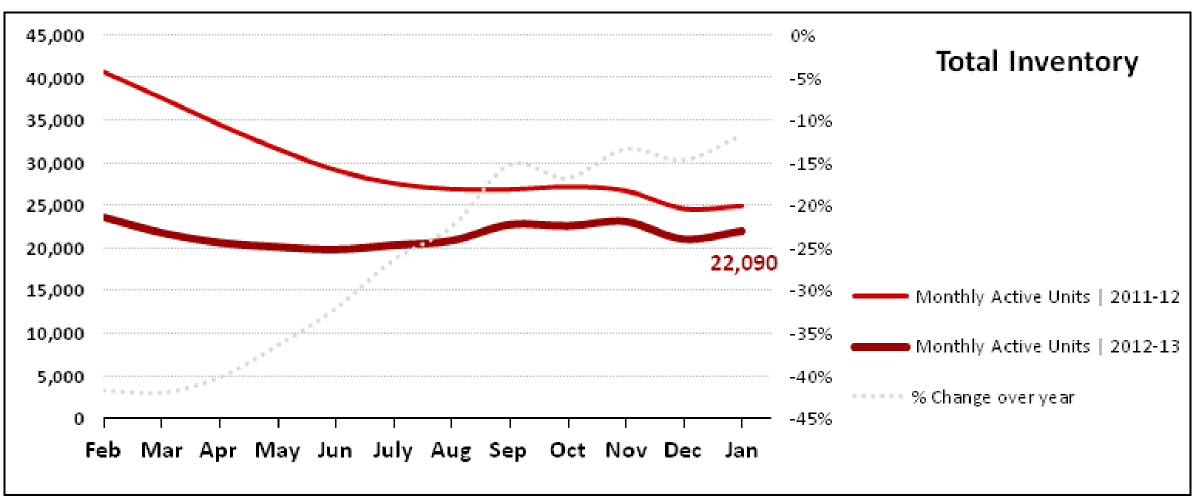
NEW INVENTORY

January's new inventory of 9,835 increased 54.9% over December, landing at a level nearly identical to January 2012. A pattern of robust increases in new inventory from December to January is typical of every year since 2001. With the holidays behind them, many of the Valley's potential Sellers will test the market in January.



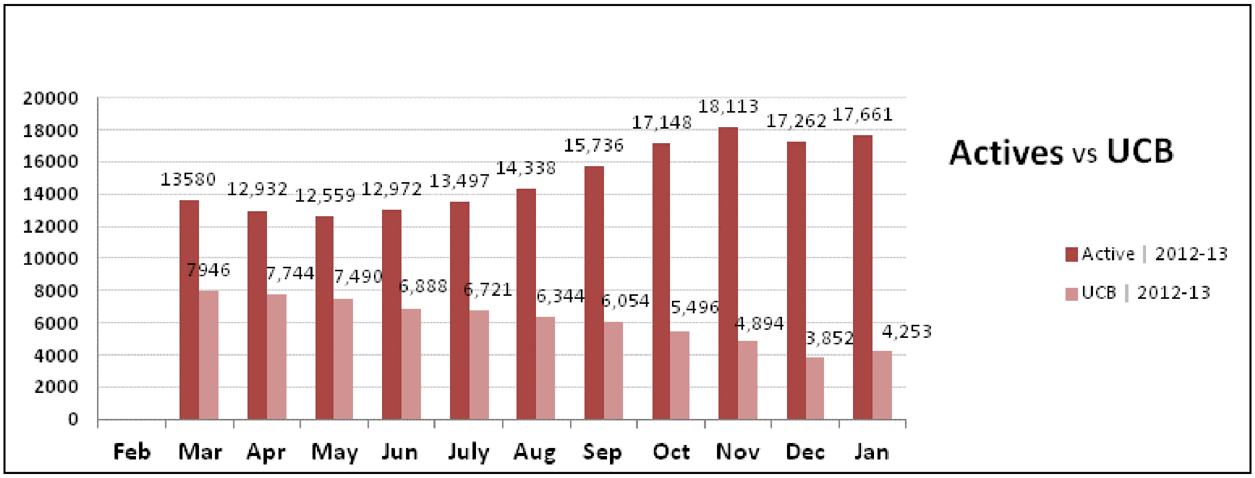
TOTAL INVENTORY

Total inventory increased 4.7% over January to 22,090, which was 11.7% below that of January 2012. Total inventory reached a decade high in October 2007 at 58,178 and has followed a steady downward trend since then. It has hovered slightly above or below the 20,000-22,000 range for the last 12 months.



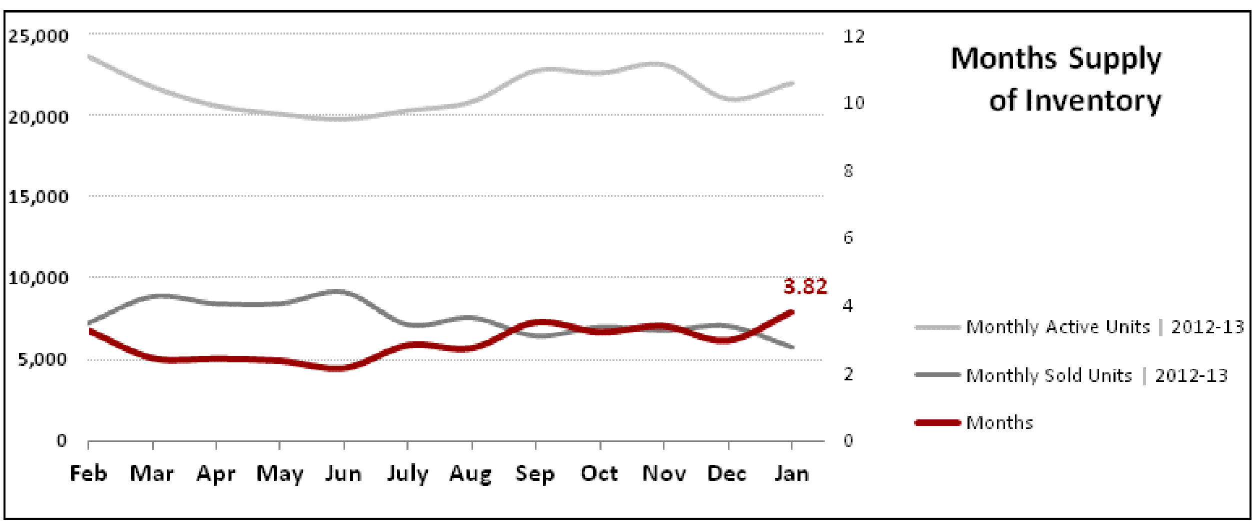
ACTIVES and UCBs

The Under Contract-Backups (UCB) component of Active listings rose slightly in January by 401 to 4,253 UCBs. This metric remained on its same downward trend since ARMLS began tracking UCBs (formerly Active With Contingency) in March of 2012. Total inventory in March 2012 was 21,526, of which 13,580 were active and 7,946 were UCB, or approximately 2:1. In January, total listings were approximately the same, but Actives numbered 17,661 and UCB were 4,253, or 4:1.



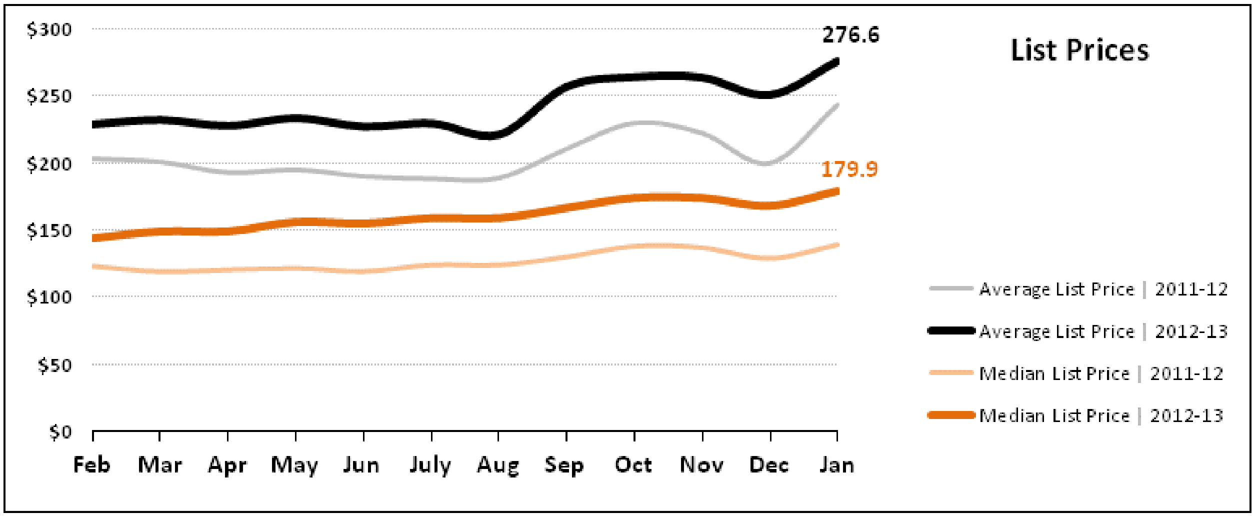
MONTHS SUPPLY OF INVENTORY (MSI)

The Valleywide MSI in January rose to 3.82 from 2.98 in December, but still remained a solid Seller's market. MSI under 4 is widely considered to be a Seller's market. STAT tracks MSI as a barometer of overall market health. Marketwide MSI should not be used to assess MSI in smaller market niches.



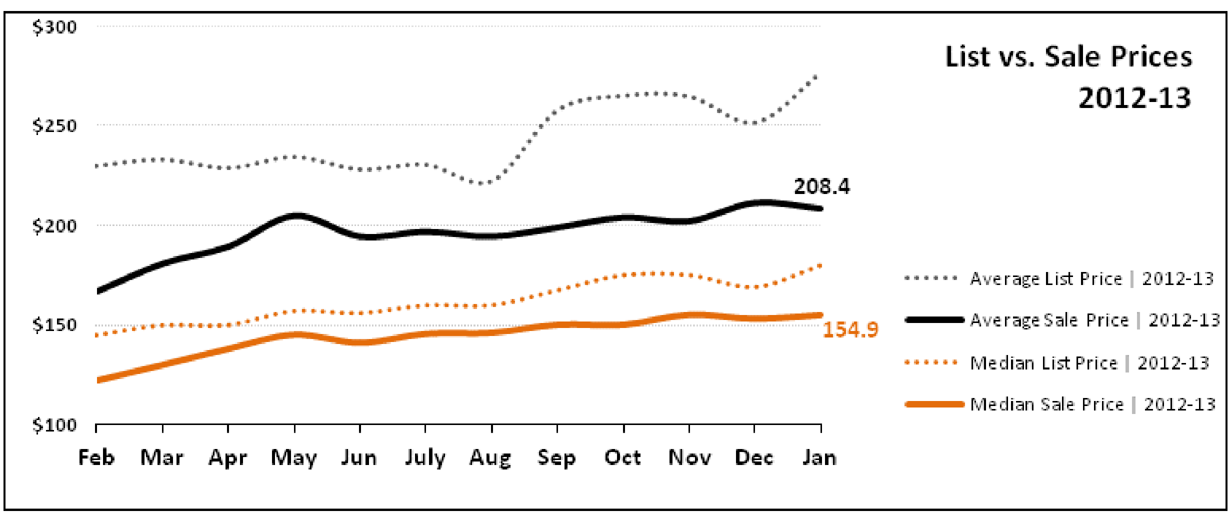
NEW LIST PRICES

Both new list price metrics, median and average, rose in January, continuing the upward trend they began in 2011, from a low median list price of $117,000 and a low average list price of $188,698 that year. January's median list price rose 6.4% to $179,900, a 28.5% increase over the median list price in January 2012. The average new list price rose 10% over December to $276,600, or 13.7% above the January average the previous year.



SALES PRICES

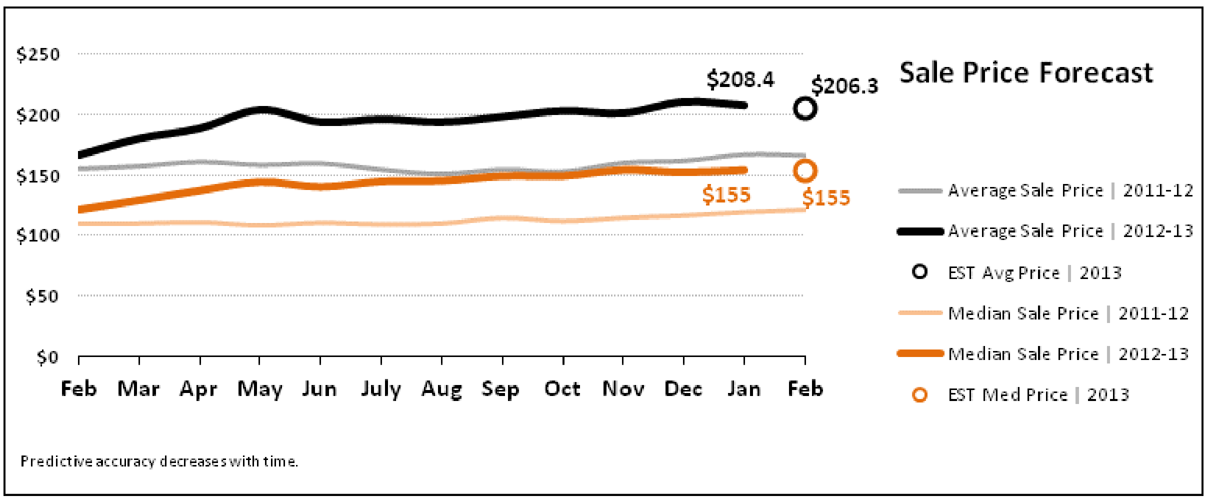
Sale price metrics continued along the upward trend line started from a low median sales price of $108,300 in May 2011, and a low average sales price of $151,368 in August 2011. Median sales price in January rose 1.2% to $154,900, and the average sales price declined 1.4% to $208,400. Overall, gains in sales pricing are characterized as steady and slow.



THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a metric unique to ARMLS which uses pending sales data inside MLS to forecast pricing over the next 30 days. In December, PPI predicted January's median sales price to be $154,500, missing the actual figure of $154,900 by 0.26%. Last month, PPI predicted the average sales price to land at $205,300, falling short of the actual average price of $208,400 by 1.52%.

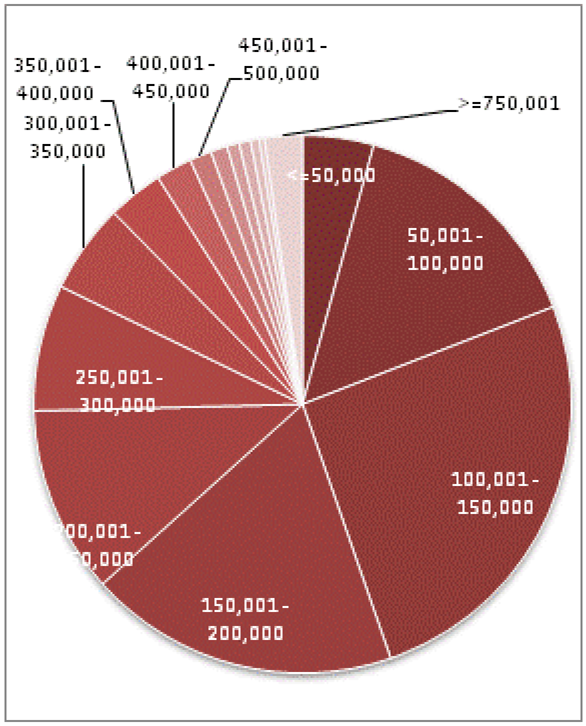
This month PPI forecasts the median sales price in February to be $155,000, and the average sales price $206,300.

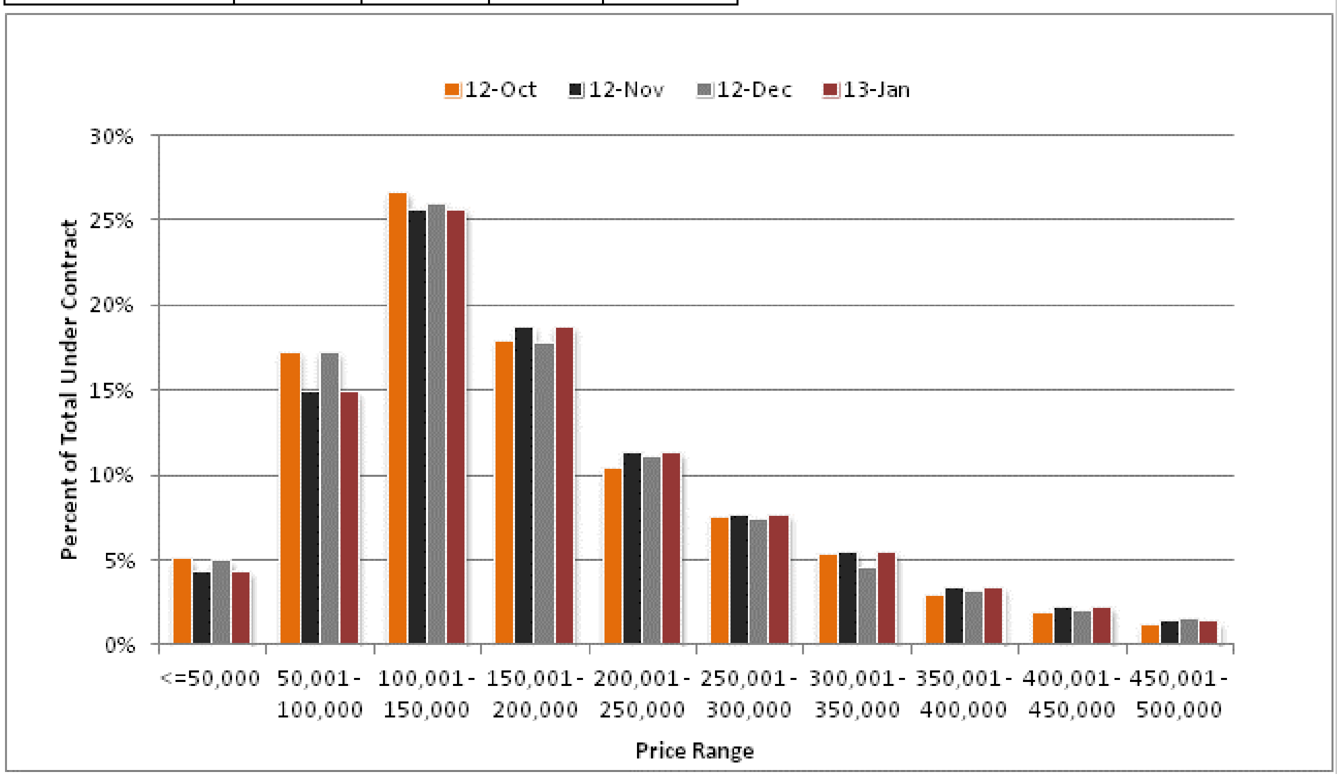


PPI SUPPLEMENT

The PPI Supplement focuses on the makeup of newly pended properties added to the Pending pool each month over a rolling four months. January showed no significant trending over the last four months, but a comparison to the PPI Supplement from January a year ago is more telling. The contracts pending percentage of total contracts, in the range from <=$50,000 through $150,000, decreased by 18.01% by January 2013, as available property in that range was depleted. In contrast, the percentage of contracts pending in the $150,001 through $350,000 range, and from $350,001 through $450,000, increased 5.51% and 2.35%, respectively. Markets normally recover from the bottom up. Demand for greater affordability at the bottom end moves to the next higher levels, as the availability of affordable properties becomes scarce.

Pending Contracts Signed In January				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	36,976	39,850	324	4.26%
50,001 - 100,000	79,298	80,889	1,127	14.83%
100,001 - 150,000	127,852	127,900	1,944	25.59%
150,001 - 200,000	173,434	172,000	1,418	18.67%
200,001 - 250,000	225,494	225,000	855	11.25%
250,001 - 300,000	274,946	274,915	578	7.61%
300,001 - 350,000	326,000	325,000	410	5.40%
350,001 - 400,000	375,461	375,000	254	3.34%
400,001 - 450,000	426,922	425,000	165	2.17%
450,001 - 500,000	477,180	475,000	101	1.33%
500,001 - 550,000	530,382	529,250	76	1.00%
550,001 - 600,000	578,154	577,000	56	0.74%
600,001 - 650,000	625,947	625,000	53	0.70%
650,001 - 700,000	678,279	680,000	39	0.51%
700,001 - 750,000	735,194	740,000	24	0.32%
>=750,001	1,250,806	1,050,000	173	2.28%





PPI SUPPLEMENT - $/SQ FT

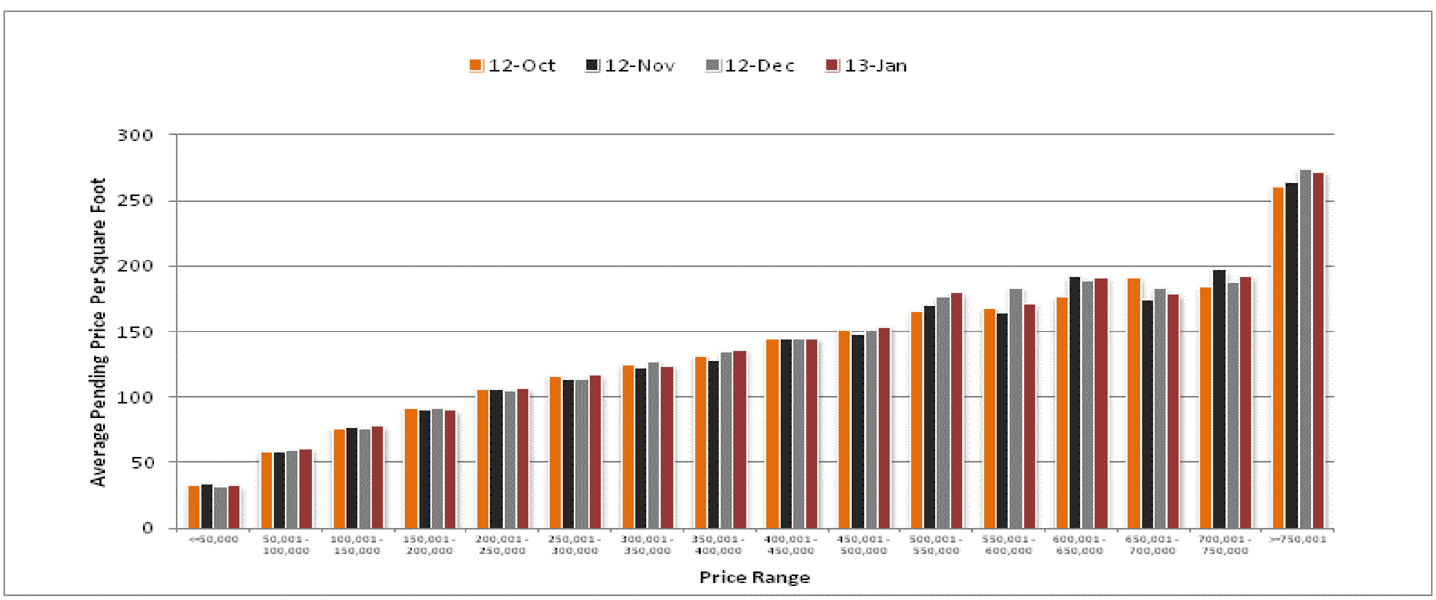
The PPI Supplement - $/SQ FT report examines incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the Pending pool each month. No significant trending is detected over the past four months. Comparison of the $/SQ FT Supplement data with January 2012, shows only a modest year-over-year increase of $3/SQ FT for properties <= $50,000, but in all ranges from $50,001 through $450,000, substantial gains ranging from $7-13/SQ FT were recorded.

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

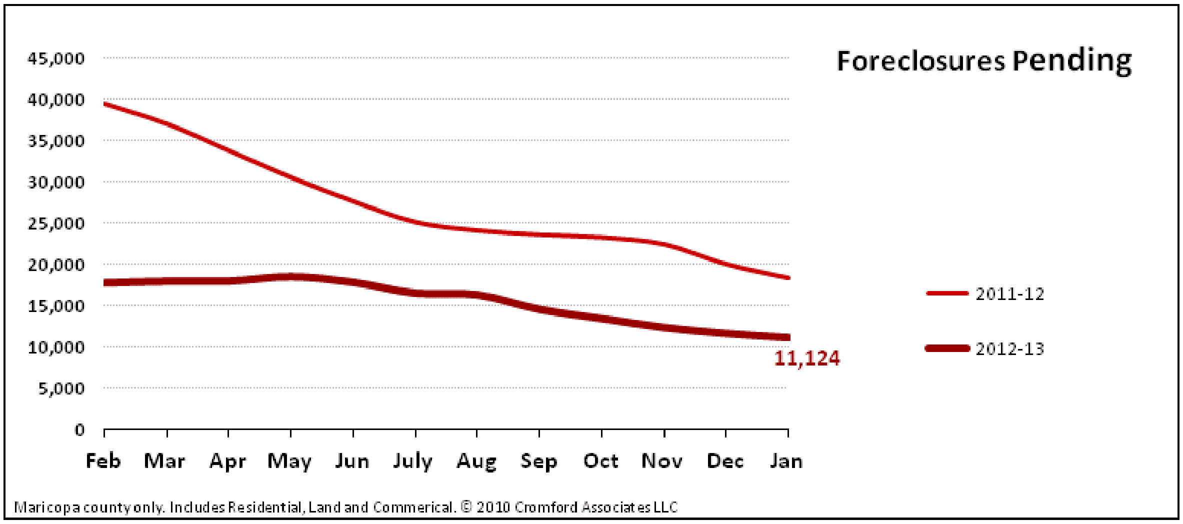
Pending Contracts Signed In January

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



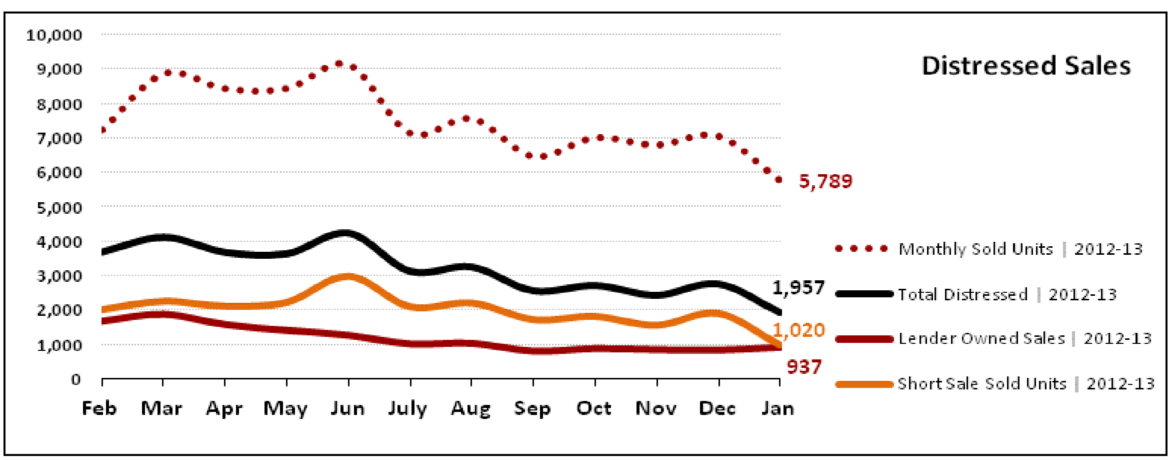
FORECLOSURES PENDING

Foreclosures pending continued to fall in January to 11,124, along the same downward trend line begun for the high of 50,568 in November 2009. January's figure represents a 78% drop for the all time high in 2009. Foreclosures pending in the 4,000-6,000 range are normally considered normal for the Valley. If the rate of foreclosures pending continues of the same downward trajectory, the Valley should hit the normal range within the next five to six months.



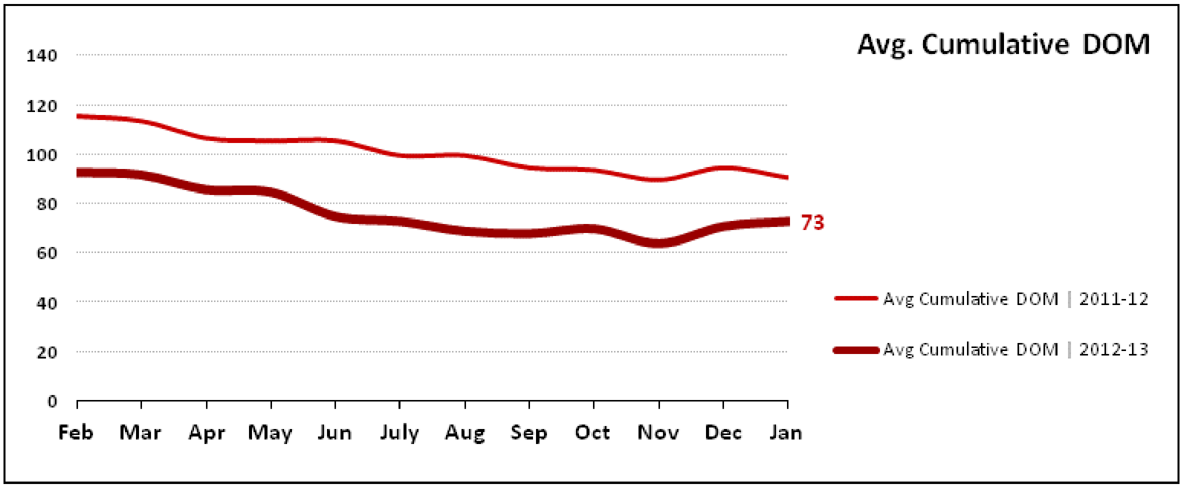
DISTRESSED SALES

Distressed sales (lender owned + short sales) as a percentage of total sales fell in January to 33.8%. The distressed component of total sales has trended steadily downward from 69.9%, when STAT first began tracking this metric in January 2010. This month also marks the first time since 2010 that distressed sales fell below 2,000. January's short sale to lender owned sales ratio was approximately 1:1, with 1,020 short sales and 937 lender owned sales. In contrast, the short sale to lender owned ration hovered at 2:1 for the preceding seven months. In January short sales fell 47% from December, while lender owned sales rose 8.7%, combining to significantly lower the ratio gap.



AVERAGE DAYS ON MARKET (DOM)

Marketwide DOM for January was 73, two days greater than December. STAT tracks DOM as a barometer of overall market health. Marketwide DOM should not be confused with DOM in smaller market niches, which have their own unique DOM affected by the specific supply and demand in each niche.



COMMENTARY

January's recovery report card showcases mixed results. Despite following a typical December-to-January pattern, lower sales in January are always disappointing. In addition, total inventory remained static, despite a rise in new listings. Three of the four price metrics rose, median list (6.4%), average list (10%) and median sales (1.2%), while the average sales price declined 1.4%. Still all four metrics remained in line with the upward pricing trend line started in 2011.

Foreclosures pending continued the downward trajectory started from their high in November 2011, encouraging speculation that this metric could reach normal levels sometime this year. As the fuel source for distressed sales, foreclosures pending, which have fallen 78% from their high, are a bellwether for the influence of distressed property on pricing. In January, distressed sales as a percentage of total sales dropped to 33.8%.

Other indications support optimism that the Valley's recovery will continue. Phoenix was just named the eighth fasted growing MSA in a recent study, using Moody's Analytics, based on population and the economy. The Phoenix-Mesa-Glendale MSA showed a population growth rate which increased from 1% in 2012 to a projected 2.7% in 2013. Also factored in was a job growth rate of 2.5%, an unemployment rate of 6.5% and a median salary of $62,600 for local college educated workers.[1] Employment figures, which peaked in Phoenix at 1,927,800 jobs in July 2007, shed 149,400 to land at a low of 1,681,900 in September 2010. Since then Phoenix has added back 96,500 jobs.[2]

While depleted inventory levels remain a problem, new housing starts are a potential remedy. R.L. Brown reported 668 new single family building permits in December, representing a 35.8% increase over the previous December. Total permits for 2012 were 11,615, representing a 71% increase over 2011.[3]

Looming in 2013 are other complex issues, including immigration reform, which will impact the Valley's economy. A study documenting the negative impact of SB1070 on Arizona's tourism and convention industry showed a loss of revenue of $45 million in the initial several months after enactment. Losses in food and beverage, entertainment, in-town transportation and retail spending by conference attendees are estimated at $141 million.[4] Comprehensive immigration reform could significantly reverse negative fallout from that legislation.

The national budget deficit is forecasted to drop below $1 trillion to $845 billion as a result of increased revenue from wealthy Americans and an improving economy. Bitter partisan debate in Congress is expected over the upcoming automatic spending cuts scheduled to launch March 1 as a result of the deal cut in early January to avoid the fiscal cliff.[5]

The road back to economic good health will prove to be long and complex. In the coming year it is reasonable to expect that plot twists and turns will have implications for all Valley residents, its economic future and the recovery of the real estate market. STAT plans to be there for a front row seat. Be sure to read the recently published STAT Year in Review 2012 and the fourth quarter STAT Plus for more perspective.

1 http://www.forbes.com/pictures/mhj45mhlf/8-phoenix-az-3/

2 http://www.deptofnumbers.com/employment/arizona/phoenix/

3 Elliot D. Pollach & Company, The Monday Morning Quarterback, January 21, 2013 Release

4 http://www.americanprogress.org/wp-content/uploads/issues/2010/11/pdf/az_tourism.pdf

5 http://www.reuters.com/article/2013/02/06/us-usa-fiscal-cbo-idUSBRE9140ZQ20130206