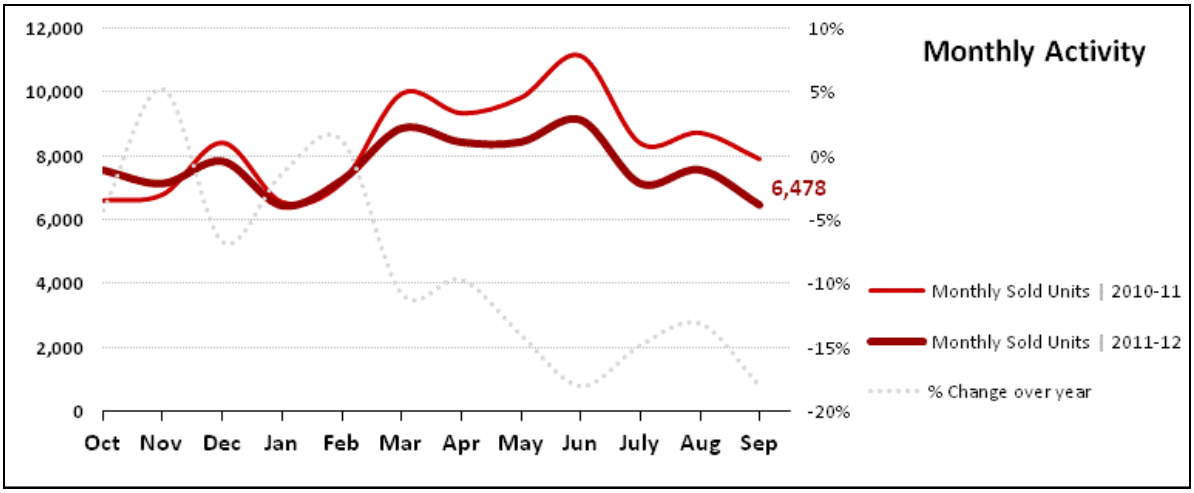
ARMLS® STAT - October 4, 2012

SALES Month over Month

Sales declined in September 14.5% to 6,478. This follows a downward trend line of units sold started in June. The drop in total sales reflects the Valley's current shortage of inventory.

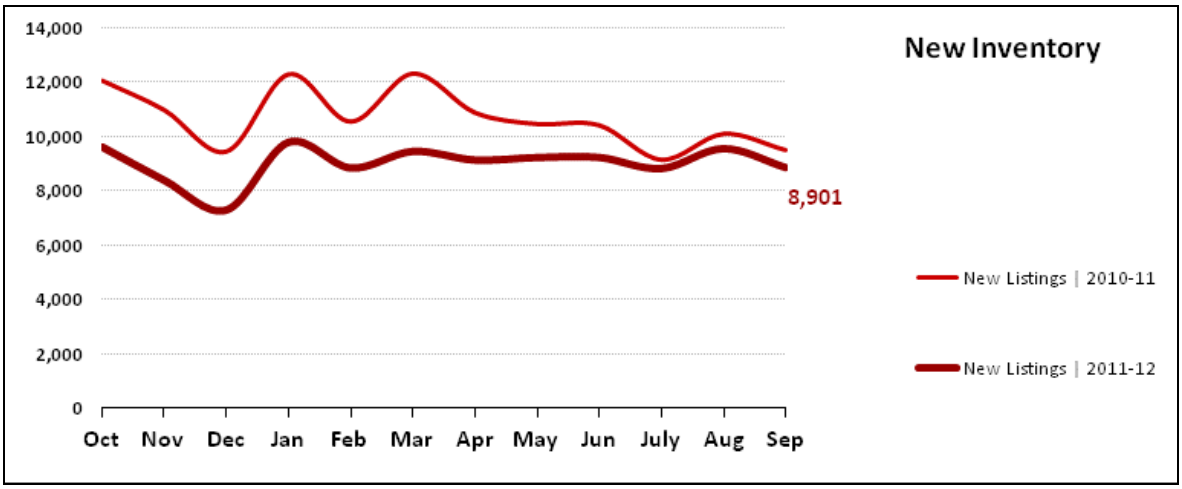
SALES Year over Year

September sales (6,478) represent a 17.9% drop from the same figure a year ago. A decline in units sold from August to September is consistent with ten out of the last eleven years, with 2008 as the exception.



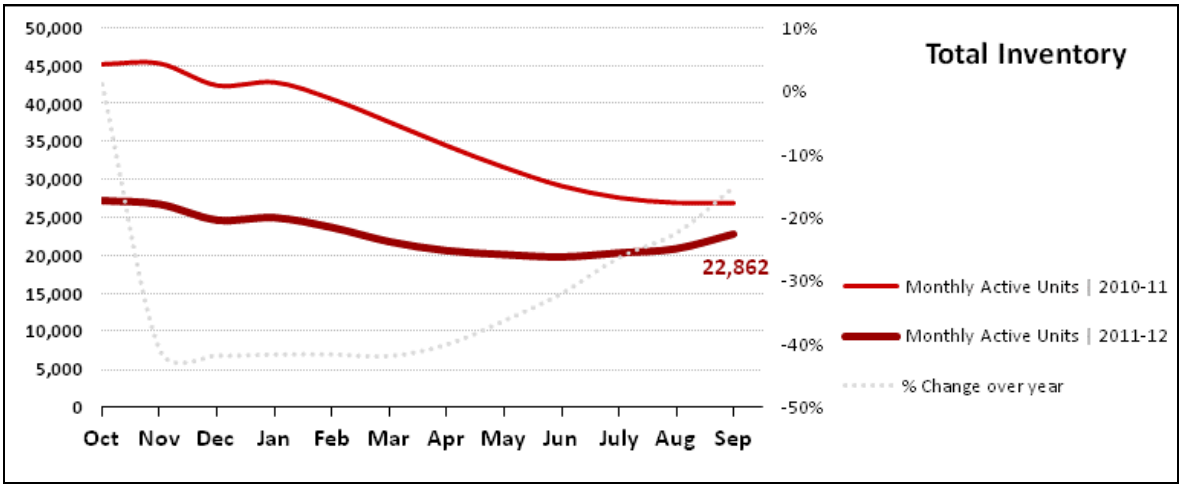
NEW INVENTORY

New inventory declined 7.3% to 8,901 in September. This figure is 397 units (4.27%) below the average of new listings added each month since January.



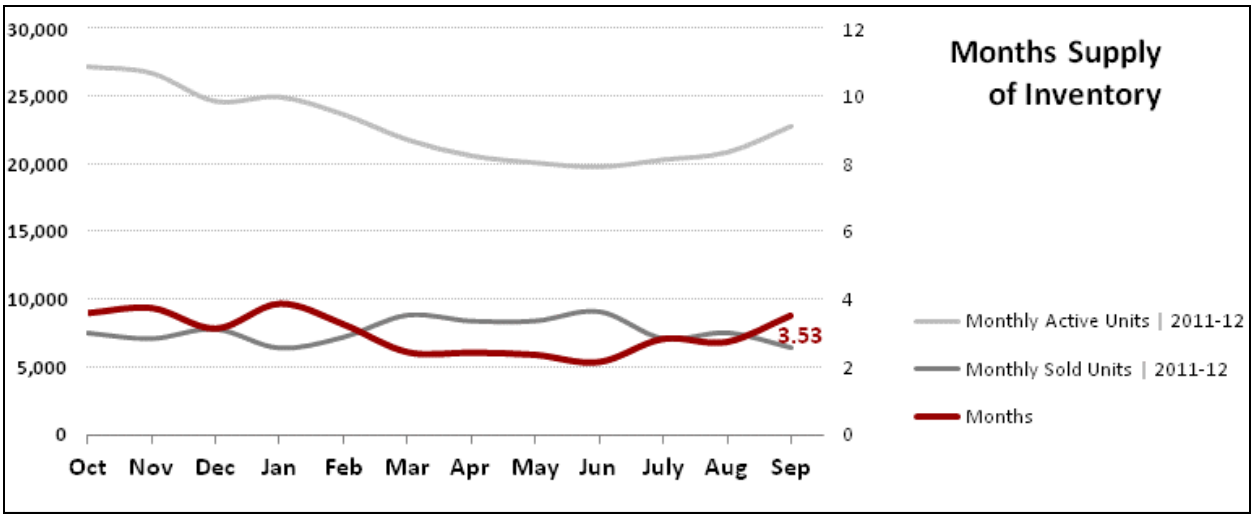
TOTAL INVENTORY

Total inventory bounced up to 22,862 units in September. This figure has been falling steadily since its decade high of 58,178 in October 2007. September is the third month in a row that the total inventory has risen, 2.7% in July, 2.7% in August and 9.2% in September. Total inventory figures between 20,000 and 30,000 is considered typical of a normal Valley market, seen in 2002, 2003 and the first two quarters of 2004.



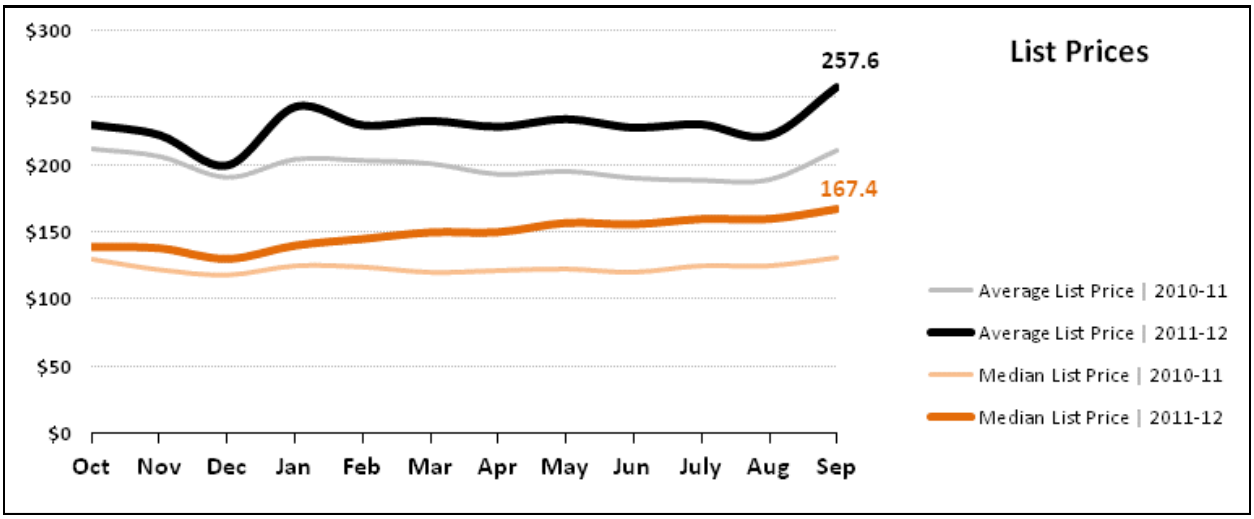
MONTHS SUPPLY OF INVENTORY (MSI)

As sales declined and total inventory rose, September's MSI saw a rise from 2.76 months in August to 3.53 in September. MSI below 4 months is considered a seller's market. Valley wide MSI is tracked in STAT as a barometer of overall market health, and should not be used to predict inventory supply in smaller market niches, which have their own unique MSIs.



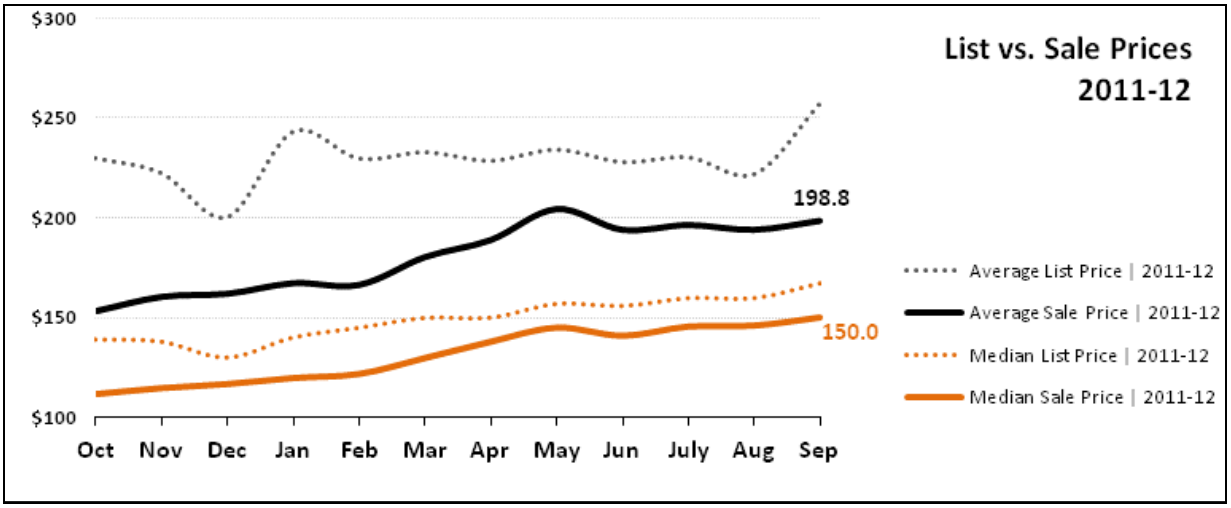
NEW LIST PRICES

Median list price increased in September by 4.7% to land at $167,400. This metric is 27.8% higher than the same figure in 2011. The average new list price rose 16.1% to $257,600 in September. Likewise, the average list price showed a significant increase (22.2%) over the same figure a year ago.



SALES PRICES

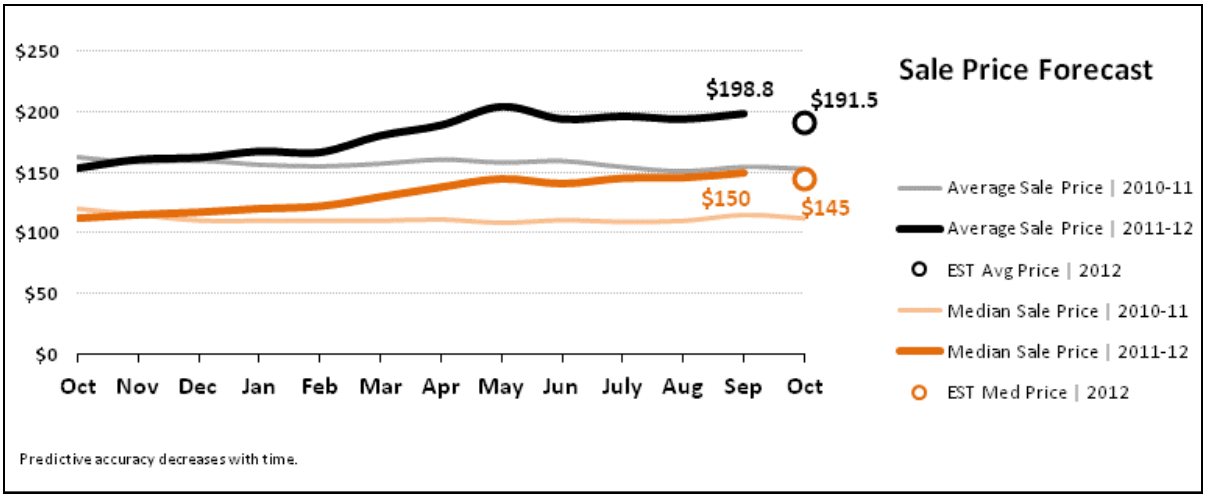
Both sales price metrics showed improvement in September. The median sales price rose 2.7% in September to $150,000, while the average sales price increased 2.3% to $198,800. The overall trend lines for both metrics have been upward, since reaching their respective bottoms in May 2011 for the median, and August 2011 for the average. The median sale price, which fell 56.8% from its high of $264,800 in June 2006, has risen 38.5% from its decade low of $108, 300 in May 2011. Similarly, the average sales price, which fell 56.8% from its high of $350,400 in May 2007, has increased 31.34% from it decade low of $151,368 in August 2011.



THE ARMLS PENDING PRICE INDEX™

The Pending Price Index (PPI) is a metric unique to ARMLS which uses pending properties inside the MLS to predict the sales prices thirty days into the future. Last month the PPI predicted the median sales price to be $144,000, missing September's actual median of $150,000 by 4.17%. The averages sales price predicted last month for September was $190,200, falling 4.54% below the actual September average of $198,800.

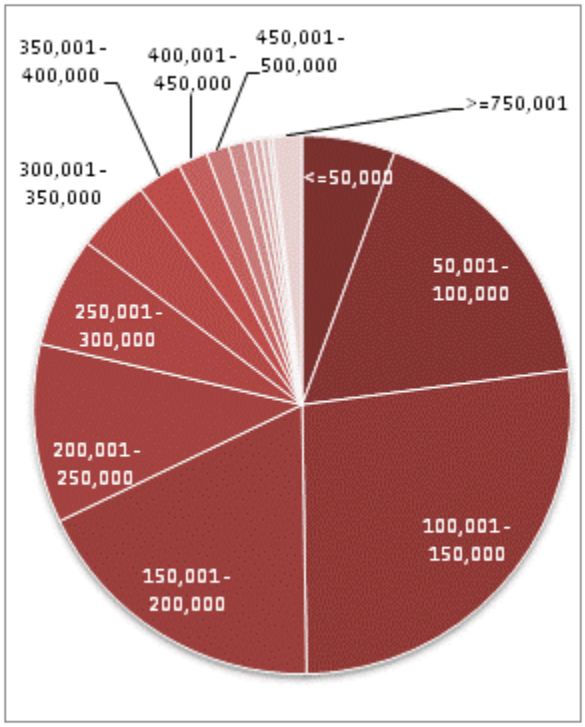
This month the PPI predicts the median sales price to fall to $145,000, and the average sales price to land at $191,500. Over the last 12 months PPI has underestimated the median sale price each month by an average of 2.39%, and the average sales price by a monthly average of 3.94%. As sales prices continue to rise, underestimations are the result of rising prices in pendings added to the pool during the month, that are not included in the prediction made at the beginning of the month.

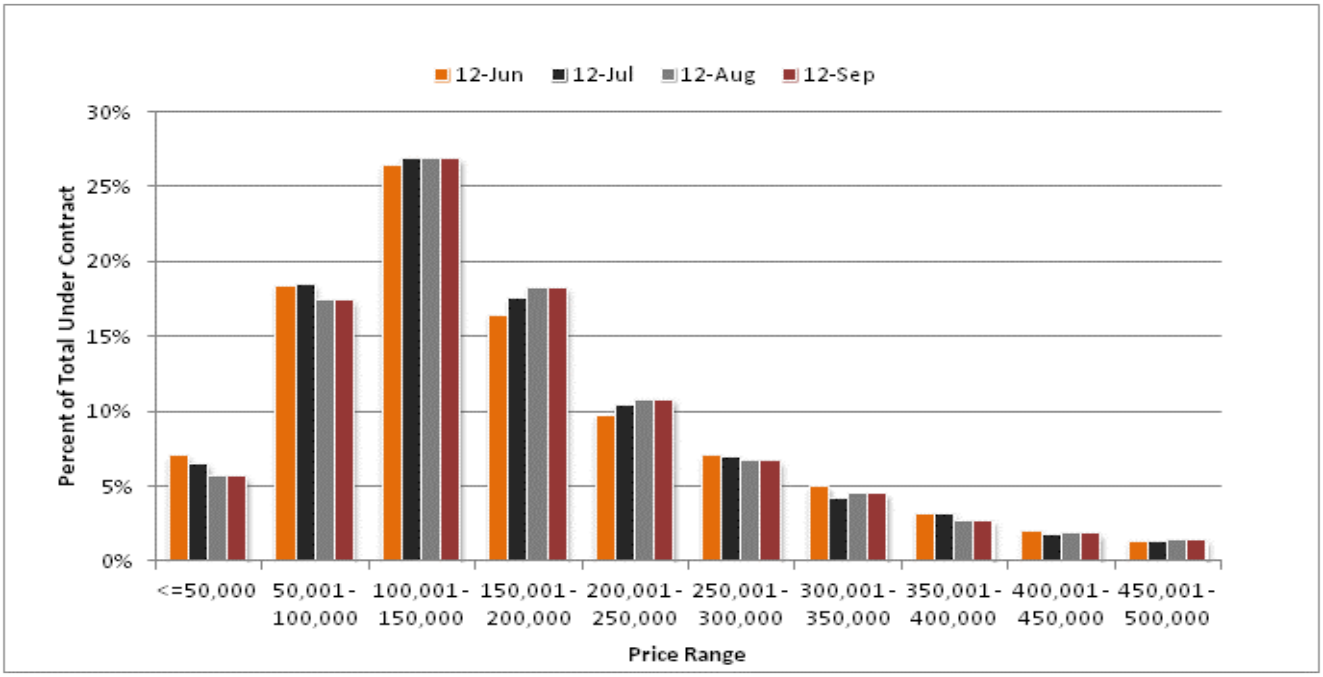


PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the total pending pool each month on a rolling four month view. The percentage of total pending for ≤$50,000 and $50,001-$100,000 continues to trend downward, reflecting dwindling inventory in these very affordable ranges. Percentage of pendings in the $100,001-300,000, as the next affordable range, continues to rise, as lack of inventory in the lower ranges moves Buyers to the next affordable ranges.

Pending Contracts Signed In September				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	36,801	38,000	379	5.60%
50,001 - 100,000	79,101	80,000	1,173	17.33%
100,001 - 150,000	126,989	127,000	1,815	26.81%
150,001 - 200,000	173,566	172,000	1,229	18.15%
200,001 - 250,000	226,324	225,000	728	10.75%
250,001 - 300,000	274,759	275,000	448	6.62%
300,001 - 350,000	326,146	325,000	304	4.49%
350,001 - 400,000	375,535	375,000	181	2.67%
400,001 - 450,000	426,438	425,000	121	1.79%
450,001 - 500,000	478,158	479,000	93	1.37%
500,001 - 550,000	526,055	526,500	65	0.96%
550,001 - 600,000	580,913	580,000	39	0.58%
600,001 - 650,000	633,574	635,000	31	0.46%
650,001 - 700,000	679,193	677,000	28	0.41%
700,001 - 750,000	728,171	725,000	17	0.25%
>=750,001	1,192,900	1,035,000	119	1.76%





PPI SUPPLEMENT - $/SQ FT

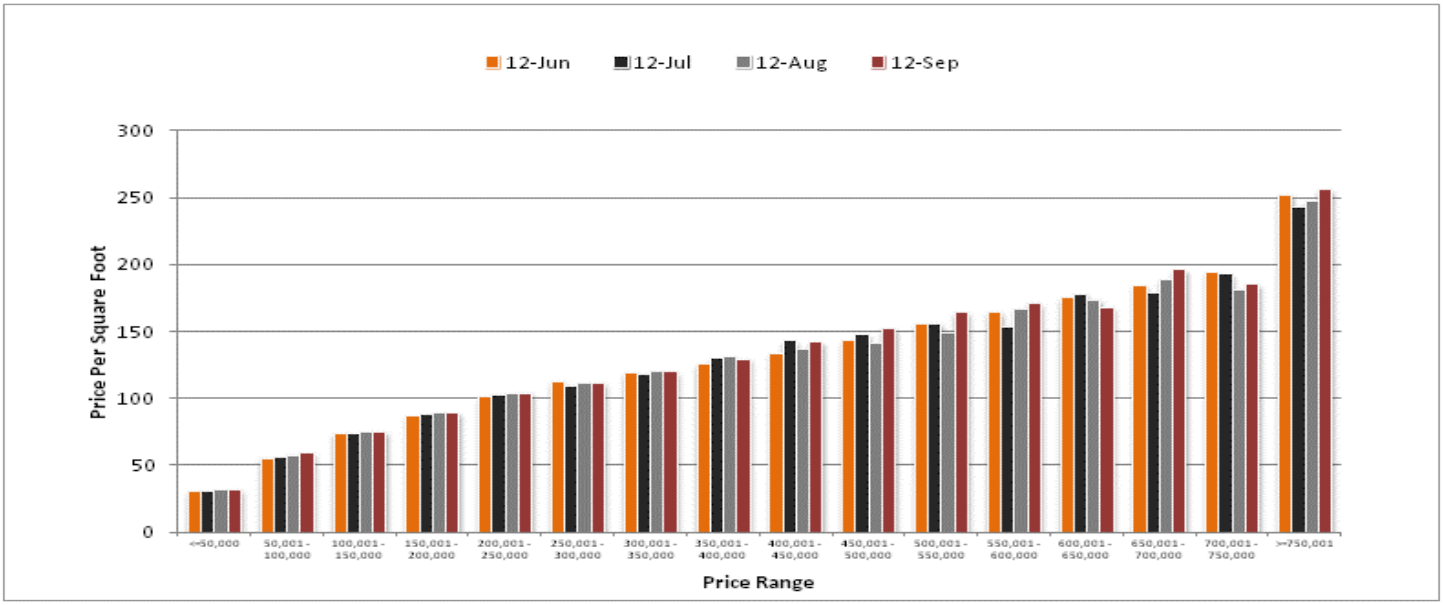
The PPI Supplement - $/SQ FT report examines incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the pending pool each month. This month $/SQ FT fluctuated between ±$1 /SQ FT in ranges $400,000 and below. Ranges above $400,001, saw increases in the $/SQ FT from $4-15/SQ FT, with the exception of $600,001-650,000 which realized a $6/SQ FT loss. STAT cautions against too much enthusiasm over the rise in $/SQ FT in these higher ranges, whose small numbers may be unduly influenced by one or several outliers. STAT will be watching to see if this trend continues in the higher price ranges.

Pending Contracts Signed In August

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,264	1,151	445	32
50,001 - 100,000	78,984	1,370	1,346	58
100,001 - 150,000	126,799	1,696	2,076	75
150,001 - 200,000	173,613	1,936	1,300	90
200,001 - 250,000	225,593	2,182	713	103
250,001 - 300,000	275,120	2,479	490	111
300,001 - 350,000	327,017	2,720	356	120
350,001 - 400,000	375,321	2,868	231	131
400,001 - 450,000	427,565	3,119	144	137
450,001 - 500,000	476,117	3,382	74	141
500,001 - 550,000	523,226	3,522	81	149
550,001 - 600,000	573,336	3,441	40	167
600,001 - 650,000	631,033	3,630	32	174
650,001 - 700,000	679,350	3,589	21	189
700,001 - 750,000	724,233	3,998	30	181
>=750,001	1,279,016	5,168	122	247

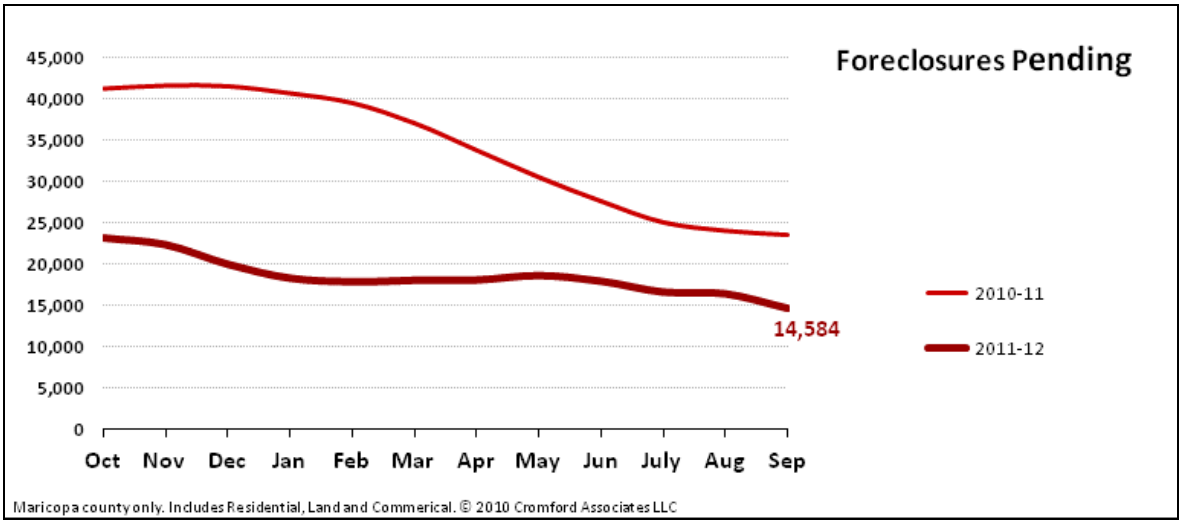
Pending Contracts Signed In September

Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,801	1,150	379	32
50,001 - 100,000	79,101	1,345	1,173	59
100,001 - 150,000	126,989	1,692	1,815	75
150,001 - 200,000	173,566	1,941	1,229	89
200,001 - 250,000	226,324	2,174	728	104
250,001 - 300,000	274,759	2,459	448	112
300,001 - 350,000	326,146	2,726	304	120
350,001 - 400,000	375,535	2,900	181	130
400,001 - 450,000	426,438	2,998	121	142
450,001 - 500,000	478,158	3,145	93	152
500,001 - 550,000	526,055	3,204	65	164
550,001 - 600,000	580,913	3,396	39	171
600,001 - 650,000	633,574	3,775	31	168
650,001 - 700,000	679,193	3,459	28	196
700,001 - 750,000	728,171	3,934	17	185
>=750,001	1,192,900	4,661	119	256



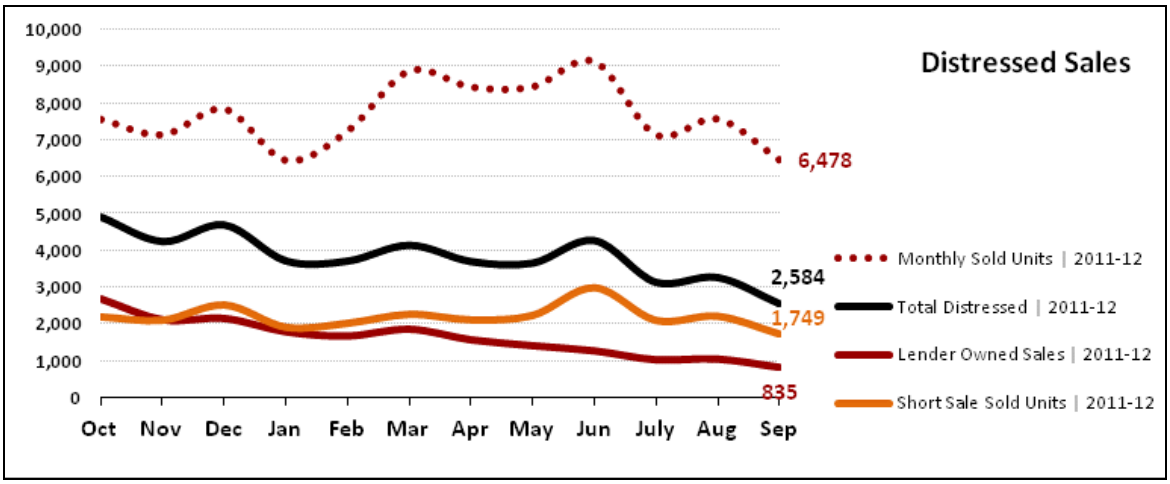
FORECLOSURES PENDING

Foreclosures pending continued on their downward trend line, begun from a high of 50,568 in November 2009, to 14,584 in September. This represents a 10.9% decline from last month. Foreclosures pending have declined 37.17% over the last twelve months, and 71.6% since from the November 2009 high. Foreclosures pending in the 5,000-7,000 range is considered typical of a normal market.



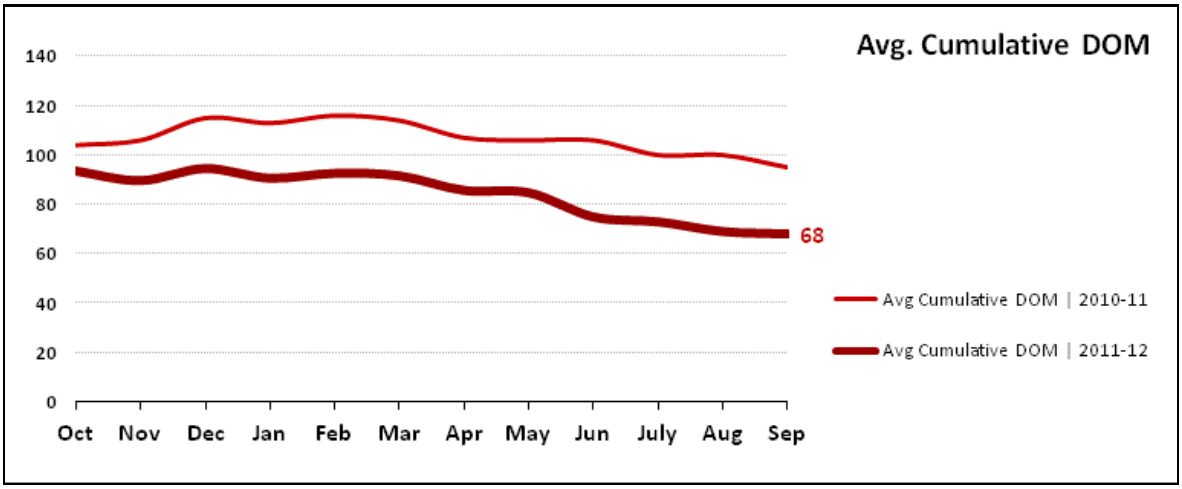
DISTRESSED SALES

Distressed sales, composed of lender owned and short sales, fell again in September as a percent of total sales to 39.9%. In February 2011, distressed sales were at an all time high of 70.7% of total sales. This month lender owned sales (835) represented 12.9% of total sales, and short sales (1,749) accounted for 27%. The current short sale to foreclosure ratio is approximately 2:1, representing a reversal of foreclosure dominance over short sales prior to November 2011. This trend reflects lender appetite for workout over taking a property back through foreclosure.



AVERAGE DAYS ON MARKET (DOM)

Average Days on market shed another day in September to land at 68. DOM reached an all time high of 138 in February 2008. This market wide metric should not be used to predict sales time in smaller market niches which are influenced by their own unique supply and demand. Continued declines in DOM reflect competitive pressure from dwindling inventory.



COMMENTARY

STAT offers up its share of incremental good news in October. While total sales declined, both list and sales pricing continued upward. Distressed properties still command their share of attention, but their influence continues to decline, accounting for 39.9% of total sales this month. While this metric still remains high, it pales next to its all time high of 70.7% in February, 2011. Foreclosures pending continue downward, having declined 37.17% over the last twelve months. Total inventory rose 9.2%, but brought little relief to the tight inventory at the low end of the pricing spectrum.

Since May, STAT has been tracking inventory $350,000 and below, to monitor the mix of Active With Contingency (AWC) to Actives. At the end of September, total actives under $350,000 were 15,736 with 6,054 (38.47%) in AWC status. While the AWCs have declined from 58.5% of actives when STAT started tracking in May, the percentage of AWCs relative to actives remains high. The Valley's market is recovering noticeably, but still in slow motion.

Unemployment, job growth and net migration are at the epicenter of the tentative recovery. Employers are risk averse in the face of uncertainty regarding the Presidential election, the makeup of the new Congress, the looming fiscal cliff and Europe's financial woes. In the coming months much of this uncertainty will resolve itself. Aruna Murthy, Director of Economic Analysis for the Arizona Department of Administration, cites year over year gains in employment for Arizona, over 2% for each of the past three months, faster than the national average.[1] According to Lee Mc Pheters, director of the JPMorgan Chase Economic Outlook Center and research professor of economics at ASU, Arizona has regained 87,000 of the 314,000 jobs lost during the recession.[2] Phoenix Metro created 47,550 jobs over the past year, or almost 87% of all the jobs created in the state.[3]

Historically new home construction has been the driver of employment. In Boston, at the recent Council of Multiple Listing Services conference on September 28, economist Dr. Elliott Eisenberg was optimistic about new home construction, which is coming back and contributing to GDP. Its revival places Arizona in eighth place in new home construction employment, with a 6.7% twelve month gain (7,500 jobs), according to the Associated General Contractors Monthly Report.[4] In addition, RL Brown reported 1,062 new home permits in August.[3] This is good news not only for employment but also for the Valley's tight inventory.

The Valley is tied to many factors beyond its control. It continues its recovery though, with perhaps the most disappointing metric of all, its speed. Slow motion is motion nonetheless, and each step gets us closer to normal.

[1] http://campverdebugleonline.com/main.asp?SectionID=1&SubSectionID=1&ArticleID=36017
[2] http://www.dcourier.com/main.asp?SectionID=1&SubSectionID=1&ArticleID=110772
[3] Elliot Pollach Monday Am Quarterback 9/24/ 12
[4] http://azbex.com/arizona-ranks-8th-in-year-over-year-construction-job-growth/