

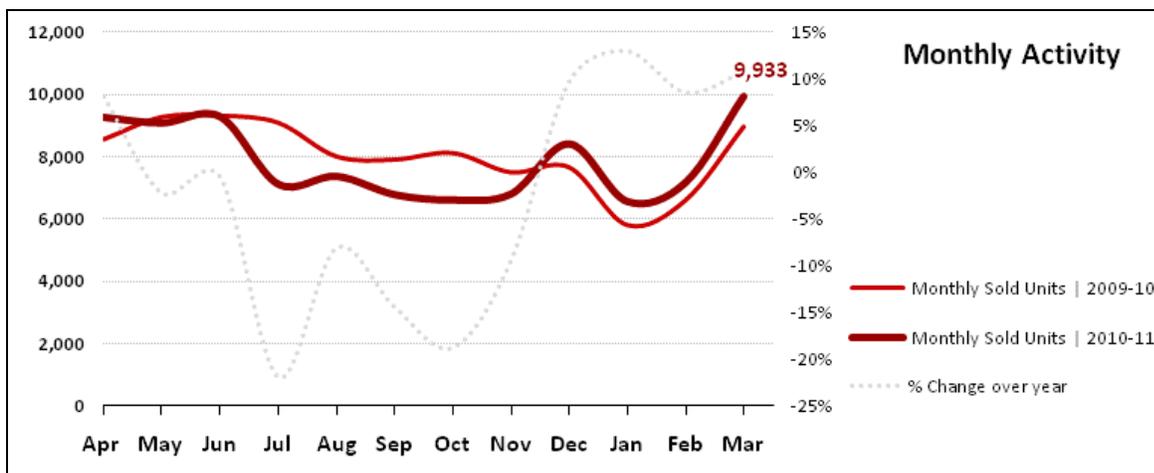


### SALES Month over Month

The good news for March is its sales figure of 9,933, which is the highest monthly sales total in the previous sixty-six months. March figure is also the 5<sup>th</sup> highest sales record since 2001. This represents a 38.8% gain over February total sales and completes the upward pattern for the quarter, typical of every Q1 since ARMLS began keeping records in 2001. While the month over month gains since January are not unusual, March's claim to the highest sales figure in five years is. Clearly Buyers are taking advantage of the phenomenal affordability of Valley housing.

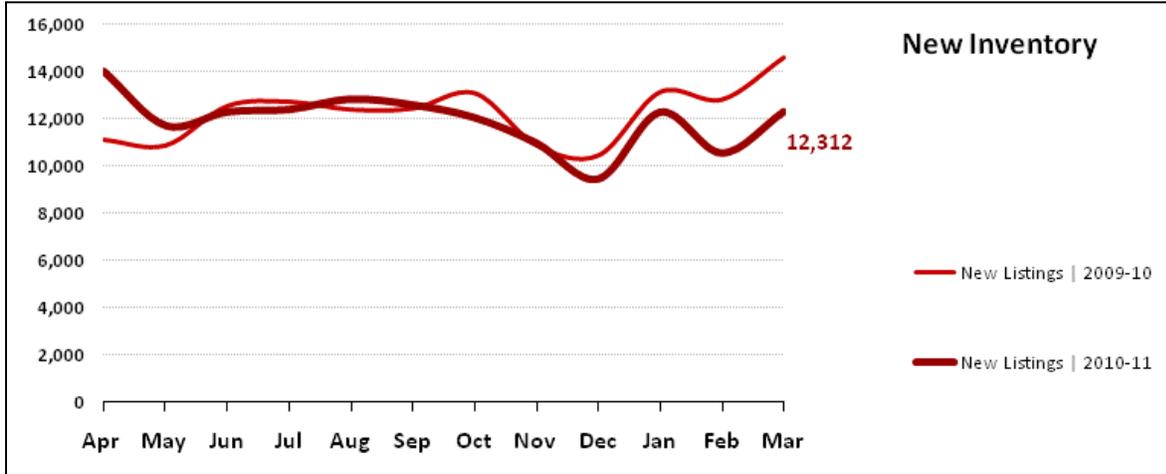
### SALES Year over Year

March's 9,933 represents a 10.7% year over year gain, complementing the March over February gains of 2008 to 2009 (77.9%) and 2009 to 2010 (17.5%). Higher sales totals help deplete the market's over supply of homes, inching it towards a more balanced supply.



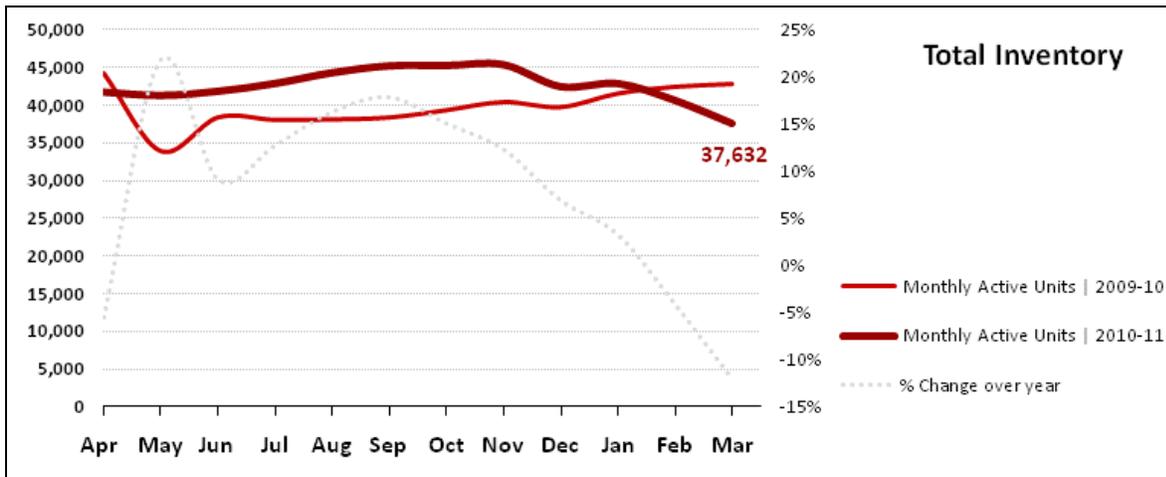
## NEW INVENTORY

New Listings added to the market increased 16.7% over February (+1,765) to 12,312. This represents only 1% increase over the previous 12 month new listing average of 12,152.



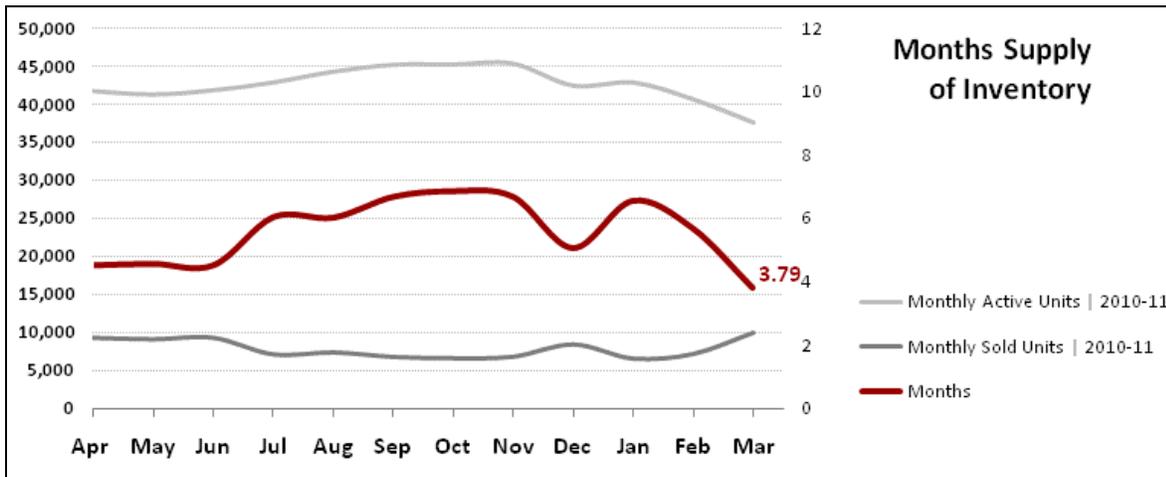
## TOTAL INVENTORY

Total inventory which remained relatively flat in Q1, Q2 and Q3 of 2010, began a downward trend in late Q4 which continued into March. March inventory declined 7.5% from February to a total of 37,632 units. This figure is the lowest total inventory in the last twenty three months. This type of decline in total inventory chips away at the Valley’s oversupply which must be reduced in any plausible recovery scenario.



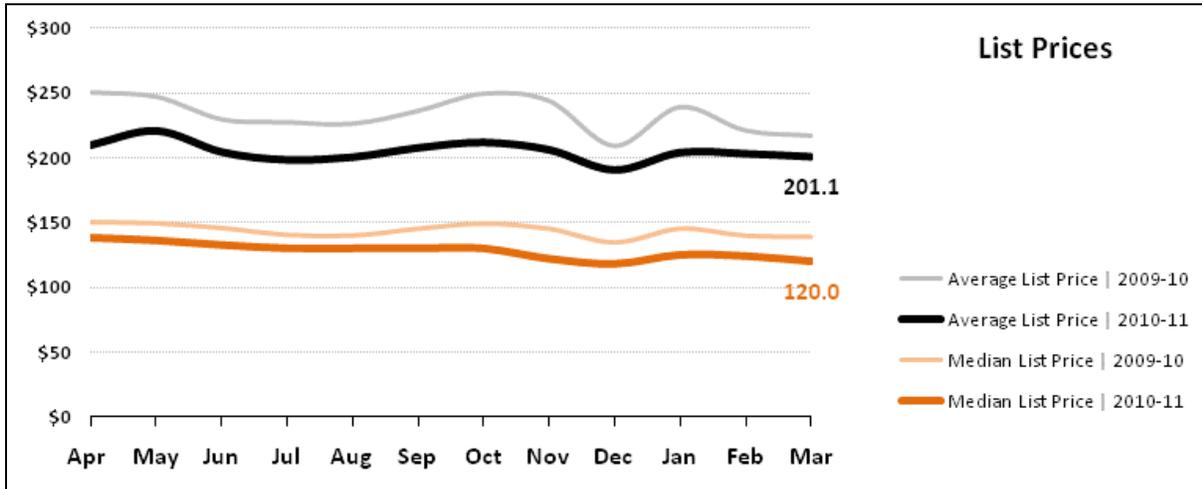
## MONTHS SUPPLY OF INVENTORY (MSI)

More good news comes with the decline in the MSI to 3.79 months, representing a significant 33% drop and the lowest MSI in the past 12 months. MSI under 4 months is categorized as a Seller's market, and this is the first time this has occurred in the last twelve months. The MSI metric when calculated for the entire market is merely a barometer of overall market health. It is not relevant to small market niches which have their own supply and demand and thus their own MSI. Lower MSI is a price driver, which is sorely needed in the Valley's recovery. An MSI under four months for a single month will not have huge impact, but if this is the start of a trend rather than a blip, we might expect some positive pricing pressure later in the year.



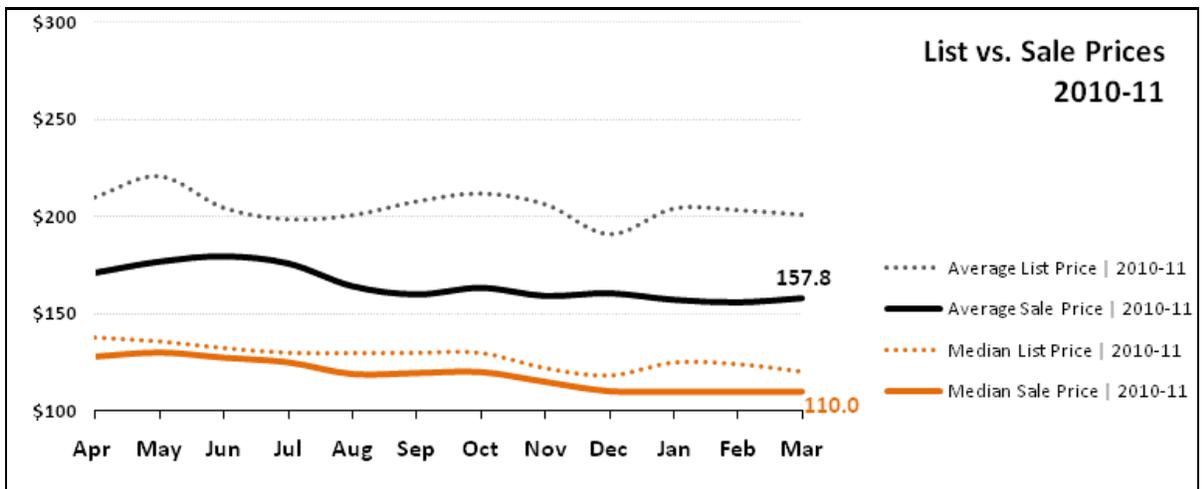
## NEW LIST PRICES

Median and average new list prices have been on parallel declining trends over the last twenty-four months. Median new list price declined 3.2% in March to \$120,000 and the average new list price declined 1.1% from February to \$201,100. While the net losses from February are not steep, the drops from the all time highs of the past decade are far more painful. Median new list price fell in March to \$120,000 from the decade high in February 2006 of \$303,900, a 61% decline in value. Similarly, the average new list price of \$201,100 in March fell from a decade high of \$421,950 in January 2007, a 52% decline in value.



## SALES PRICES

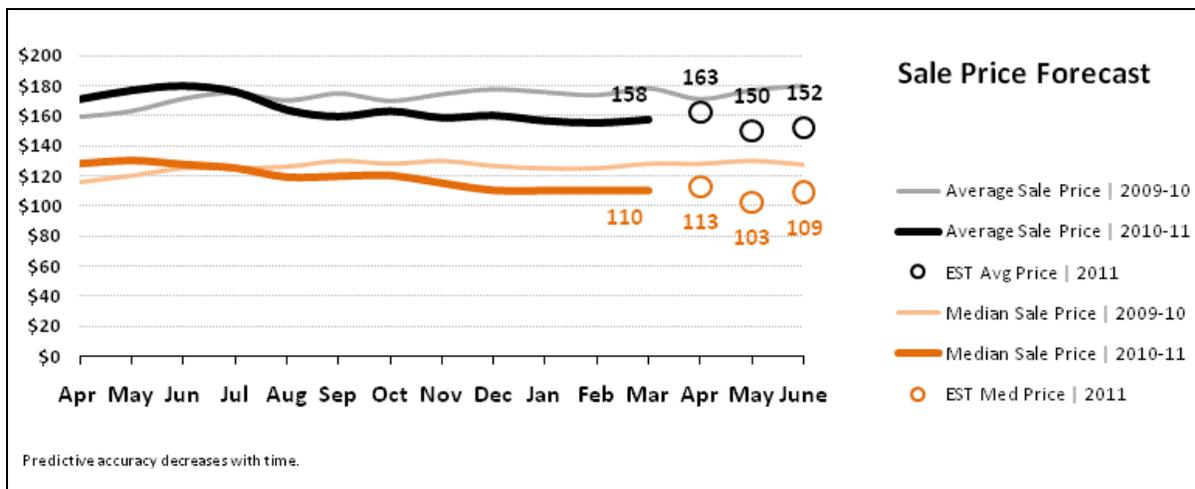
Sales prices follow a similar long term downward trending path forged by new list prices. In March median sales prices remained steady hovering around \$110,000, hardly deviating from the downward trajectory established over the previous twelve months. Average sales prices increased slightly (1.4%) from February, settling at almost the same level as January at \$157,800. The overall decline in just the last twelve months from a high median of \$130,000 in May 2010 and a high average of \$179,900 in June of 2010 is not very good news. Pricing is in the doldrums, and while a trailing indicator, still remains the bane of the Valley’s recovery.



## THE ARMLS PENDING PRICE INDEX™

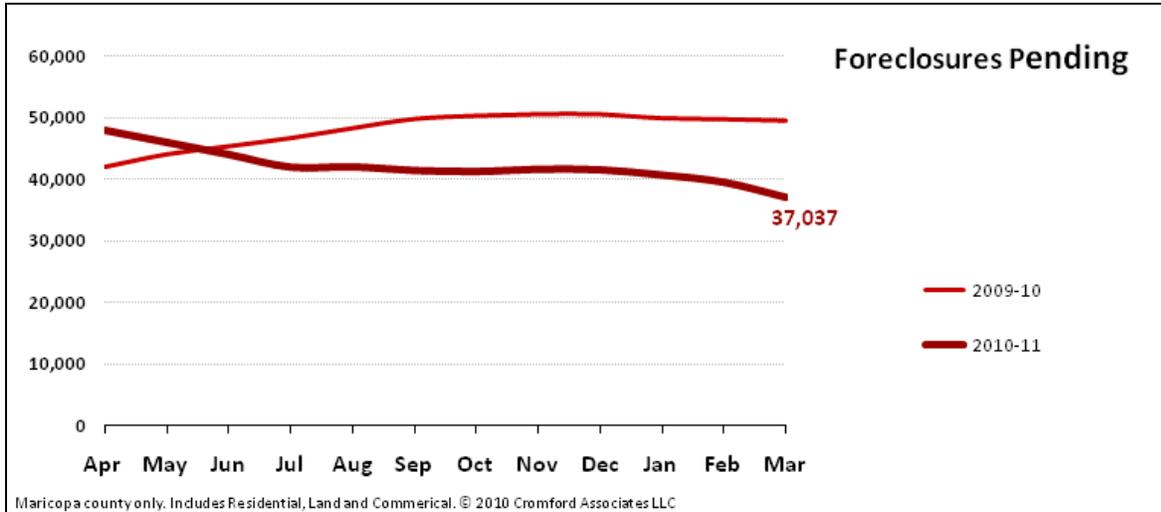
The ARMLS Pending Price Index is a predictive tool unique to ARMLS. It forecasts the average and median sales prices ninety days into the future based on the pending sales in the MLS system. Its accuracy diminishes the further into the future it goes, as new pendings are constantly added to the system. Last month the PPI predicted \$160,000 as March's average sales price, and the actual was \$157,800, only 1.25% off the mark. The median sales price predictor last month was \$114,000 and the actual came in at \$110,000, 3.5% lower. Declines in the median and average prices reflect larger numbers of lower end closed properties which exert negative pressure on pricing.

PPI predictions for the next ninety days indicate the median will rise to \$113,000 in April, drop \$10,000 to \$103,000 in May and rise \$6,000 to \$109,000 in June. The average sales price predictions follow a similar up-down-up pattern. PPI predicts the average sales price to rise to \$163,000 in April, drop \$13,000 to \$150,000 in May and then rise slightly to \$152,000 in June. While the declines in pricing signal good news for Buyers who want to take advantage of the lowest pricing of the decade, they are unwelcome news for Sellers who endure the ill effects on their equity wrought by a market oversupply unduly influenced by distressed properties.



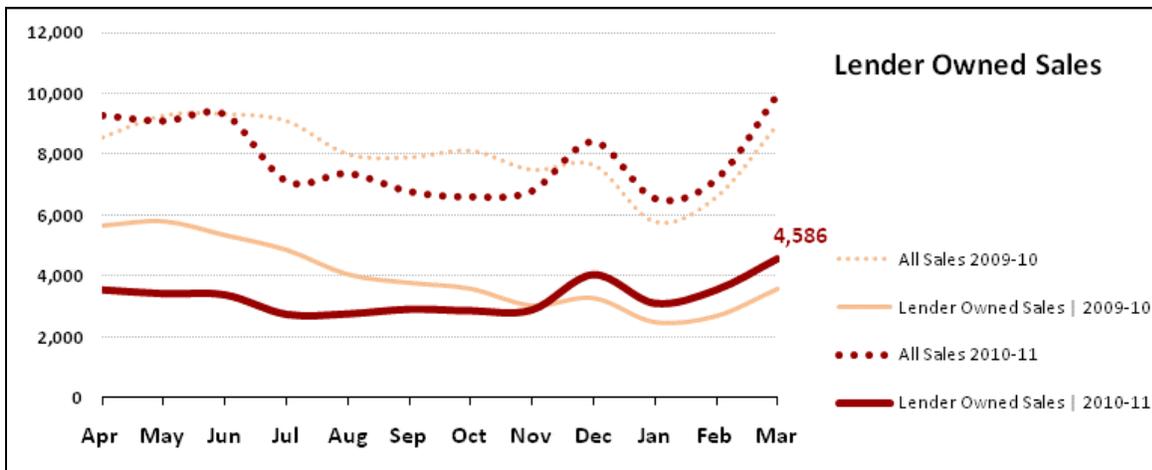
## FORECLOSURES PENDING

Foreclosures pending continue on the downward trend established over the last twelve months, which in April 2010 was 47,836 and in March was 37,037, 22.58% lower than a year ago. Lender owned sales are at the root of declining prices, so declines in the foreclosures pending which feed the lender owned sales is good news. Recovery is going to be a slow and painful process and eliminating the disproportionate influence of foreclosures is a must.



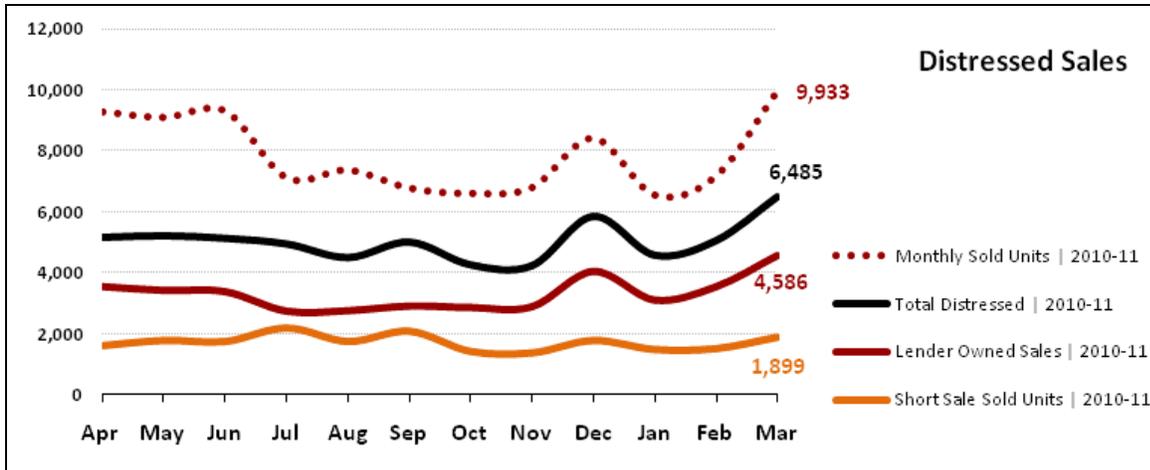
## LENDER OWNED SALES

Lender owned sales rose 14.17 % from January to February, and 29% from February's 3,553 to 4,586 in March. Over the last twelve months lender owned sales have accounted for a low of 36.5% of total sales in June 2010 to a high of 49.6% of total sales in February 2011. March's lender owner sales as a percentage of total sales remained high at 46.2%. This metric is a double edged sword: increase in lender owned sales as a percentage of total sales exerts negative pressure on pricing. However, lender owned sales have to be greatly reduced to halt the declining prices. Thus, by being sold off, their elimination becomes an antidote to the Valley's pricing woes.



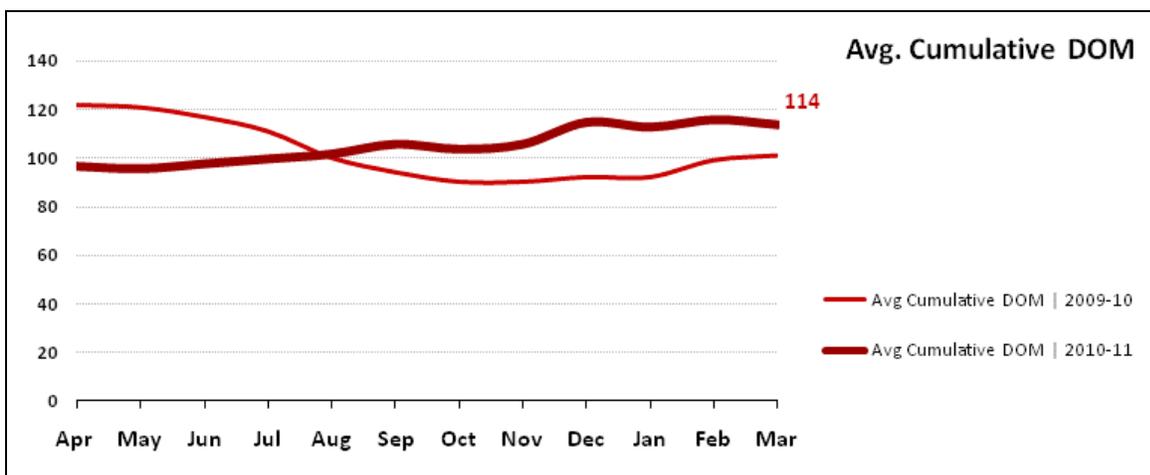
## DISTRESSED SALES

Distressed properties are a combination of lender owned sales and closed short sales. They represent transactions which are sold under duress by the home Seller or sold by the lender after foreclosure. Total distressed properties for March were 6,485 and represented 65% of total sales. March short sales of 1,899 were up 25.8% over February's 1,509. Short sales for March accounted for 19.1% of total sales. High percentages of distressed properties is more medicine that the Valley has to swallow. In March, ARMLS launched the Fannie Mae Short Sales Assistance Desk (SSAD)<sup>1</sup> to assist Subscribers and their Sellers in transactions where the normal short sale approval process has bogged down. ARMLS hopes that this new assistance from Fannie Mae on properties where Fannie Mae is the first lien holder will move more short sale properties to faster closing.



## AVERAGE DAYS ON MARKET

Average Days on Market (DOM) for March was 114, deviating by only one or two days since December. DOM has trended longer since May's average of 96. Longer days on market contribute to negative pricing pressure. Average DOM for the entire market reflects overall market health and is not representative of DOM in smaller niche markets or individual price ranges.



## COMMENTARY

April's STAT brings with it good and not-so-good news. In the plus column are the five year sales high of 9,933, the lowest total inventory in the last twelve months of 37,632, an MSI below four months for the first time in twelve months and a 22.8% reduction in foreclosures pending from a year ago. All welcome news! On the not-so-good front is the median and average pricing picture for both new list and sales prices, which continue on a disappointing downward trend. The pricing metrics are influenced by distressed properties' (both lender owned and short sales) disproportionate percentage of total sales. And as the PPI predicts, this is not going to right itself any time soon.

The pattern of good news mixed with not-so-good is all too familiar as the Valley marches through its long recovery. The real estate market cannot correct itself in a vacuum. It is dependent on jobs and net migration into the state which must precede its return to better days. Like the seasonal rebirth that occurs in nature each spring, there are positive signs emerging that support the real estate recovery. With the release in March of Arizona's and the Valley's census data, we now have a much clearer picture of net migration and how it has affected the real estate market. The Phoenix Metropolitan area (Maricopa and Pinal Counties) which grew 28.9% from 2000 to 2010, grew only .017% from 2008 to 2009 and 2009 to 2010.<sup>2</sup> From August 2009 through July 2010, net migration into the Valley was negative, ranging from a loss of 1,000 in May of 2010 to a high of 25,500 in August of 2009, or an average monthly loss of 13,958. Starting in August of 2010 the loss pattern reversed and the Valley saw positive, albeit small gains, averaging 2,769 per month.<sup>3</sup>

Unemployment figures which had been under reported until the census data was released in March, now show that the unemployment rates for January and February in the Valley were 9.29 and 9.28 respectively. Yet, in February Phoenix metro saw a month over month increase of 16,700 non-farm jobs in the government and private sectors.<sup>4</sup>

More promising are recent announcements which indicate that jobs are coming and soon. Jobs will entice positive net migration, put many back to work and will fuel the Valley's real estate recovery. On March 29<sup>th</sup> Mayor Gordon announced that Phoenix will become the home to the world's largest health care data center, Institute for Advanced Health, expected to attract thousands of biomedical jobs to the Valley.<sup>5</sup> Yulex will be expanding its rubber production capabilities with a new facility in Chandler which will create 100 full time jobs and 500 part time, and grow to 300 full time in five years.<sup>6</sup> First Solar's new plant on the General Motors Proving Grounds site, is expected to bring 600 new jobs and potentially hundreds more if it entices its products' supply chain to relocate here. It expects to start construction in Q2 and be completed by 2012. Gestamp Renewables plans to build a steel facility in Surprise which will employ 50 in the first phase, bring in 100 construction jobs and eventually employ 300 at the factory.<sup>7</sup> What is clear is the Valley's recovery has started and the factors that will insure its continuance seem full of promise.

<sup>1</sup> <http://www.armls.com/training-and-events/fannie-mae-short-sale-assistance-desk.aspx>

<sup>2</sup> U.S. Census Bureau and EBR Database

<sup>3</sup> EBR Database Online

<sup>4</sup> <http://www.azcentral.com/12news/news/articles/2011/03/29/20110329phoenix-mayor-phil-gordon-gives-final-state-city-address-today.html>

<sup>5</sup> <http://www.azcentral.com/arizonarepublic/business/articles/2011/03/18/20110318biz-yulex0318.html>

<sup>6</sup> <http://www.bizjournals.com/phoenix/news/2011/03/17/first-solar-jobs-coup-could-eclipse-600.html>

<sup>7</sup> <http://www.bizjournals.com/phoenix/news/2011/02/22/gestamp-renewables-to-build-steel.html>