

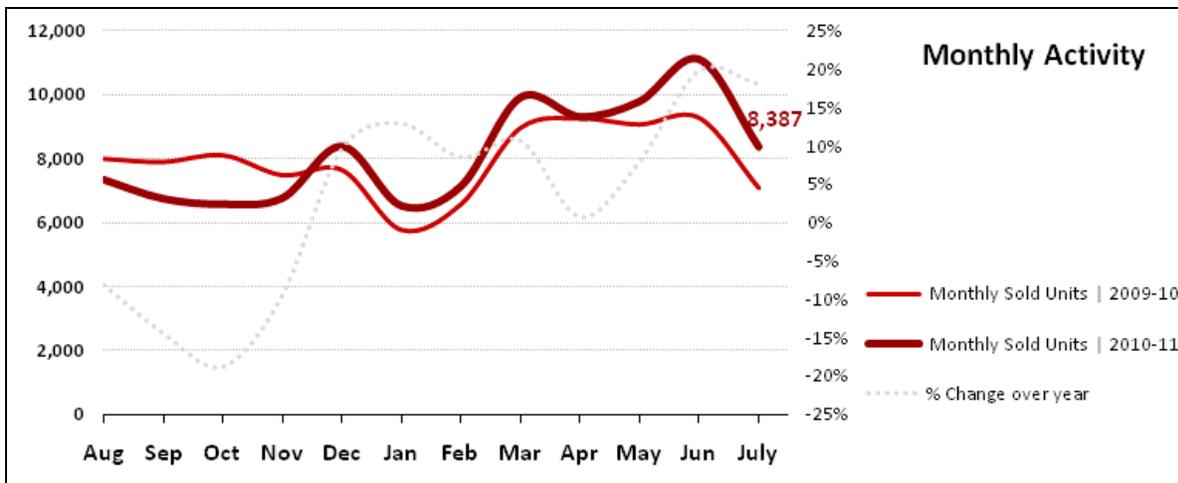


SALES Month over Month

Total sales in July (8,387) regressed to pre-March levels. The 24.6% decline from June's 11,125 is a disappointment. However, it follows a distinct wave pattern in total sales which started with November's trough. We should not read too much into July's decline which could reverse itself next month if sales follow the pattern of the last nine months.

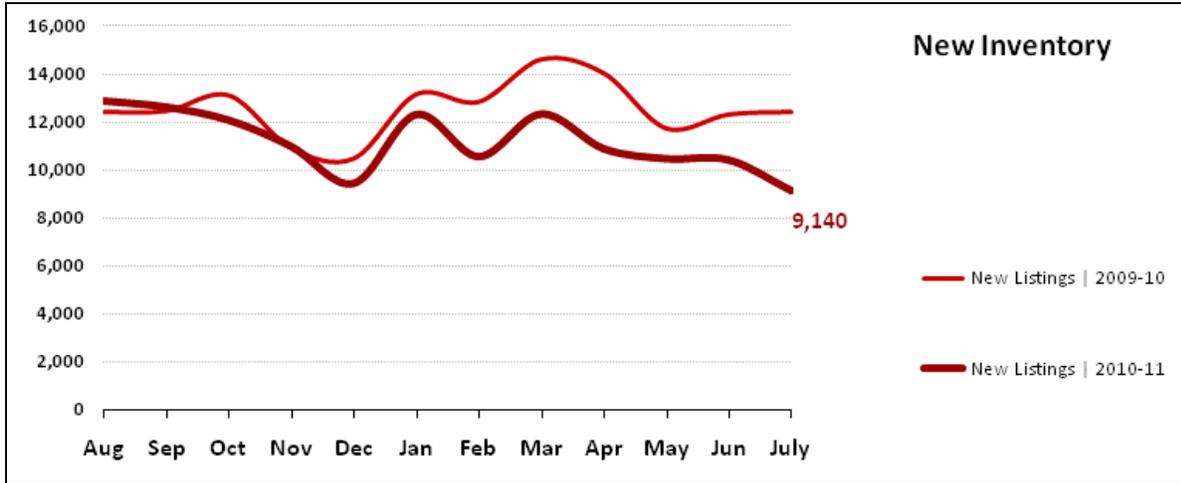
SALES Year over Year

July sales (8,387) represented an 18.1% increase over July 2010. This figure, while disappointing after the June's emotional and numerical high (11,125), follows a typical June to July sales pattern, where sales fell from June to July in eight of last ten years.



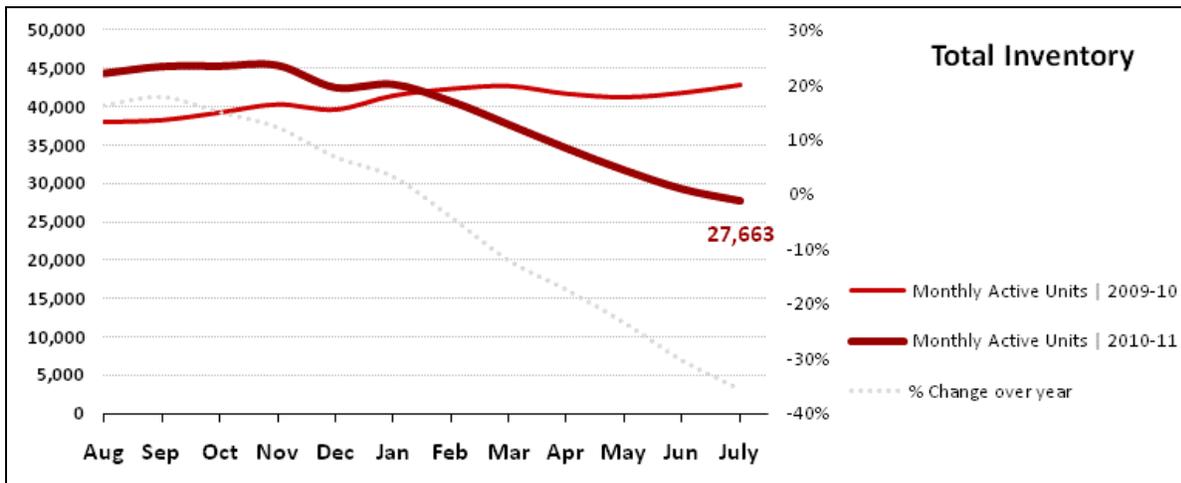
NEW INVENTORY

New inventory dropped again in July to 9,140, besting December’s twelve month low of 9,443. New inventory added each month has traveled on a downward trend line since last August. Declines in new inventory affect the current supply and are recognized as a healthy sign.



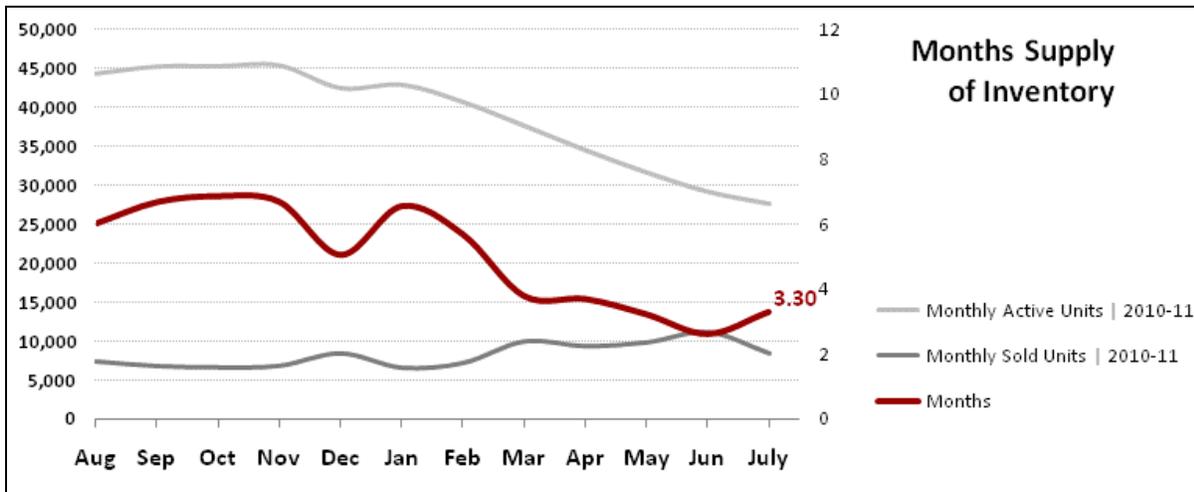
TOTAL INVENTORY

Total inventory in July continued its decline started in November. July’s figure (27,663) is a 5.3% decline from June and a 35.5% drop from July 2010. The Valley’s large inventory perpetuates the market’s imbalance in many market niches, and the steady decline in total inventory is a vital component in righting the supply and demand balance.



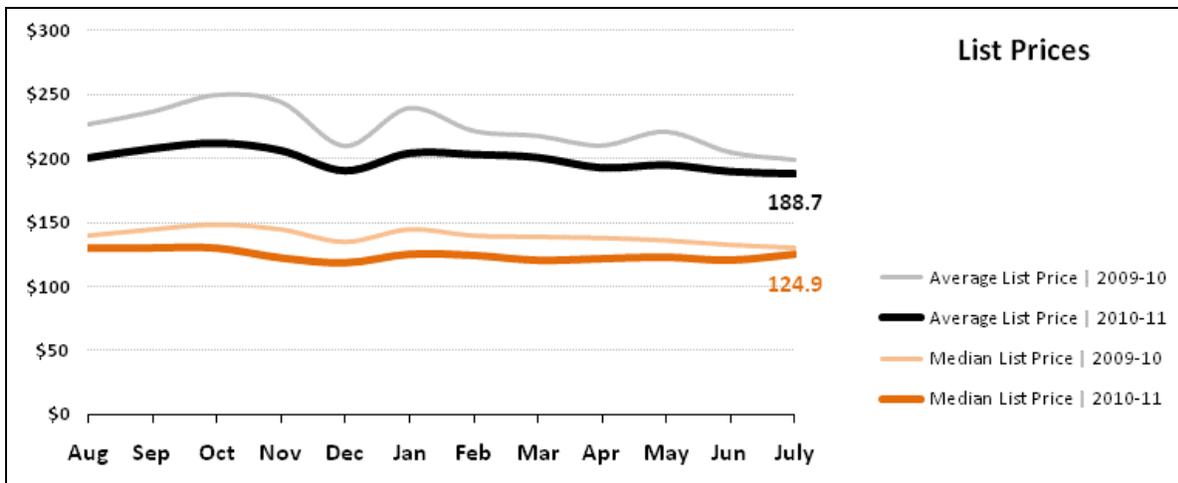
MONTHS SUPPLY OF INVENTORY (MSI)

Months supply of inventory ticked up to 3.30 in July from June's 2.62, not a surprise given the decline in sales activity. Even with the slight rise, the trajectory of MSI has been on a steady downward trend line since November. MSIs below 4 indicate a Seller's market, between 4 and 6 a balanced market and above 6 a Buyer's market. The MSI for the entire Valley as provided in STAT is merely a barometer of market health, and not indicative of inventory supply in smaller market niches which can vary widely. In reality, many areas and price ranges are in oversupply, even though the MSI for the entire Valley indicates a Seller's market.



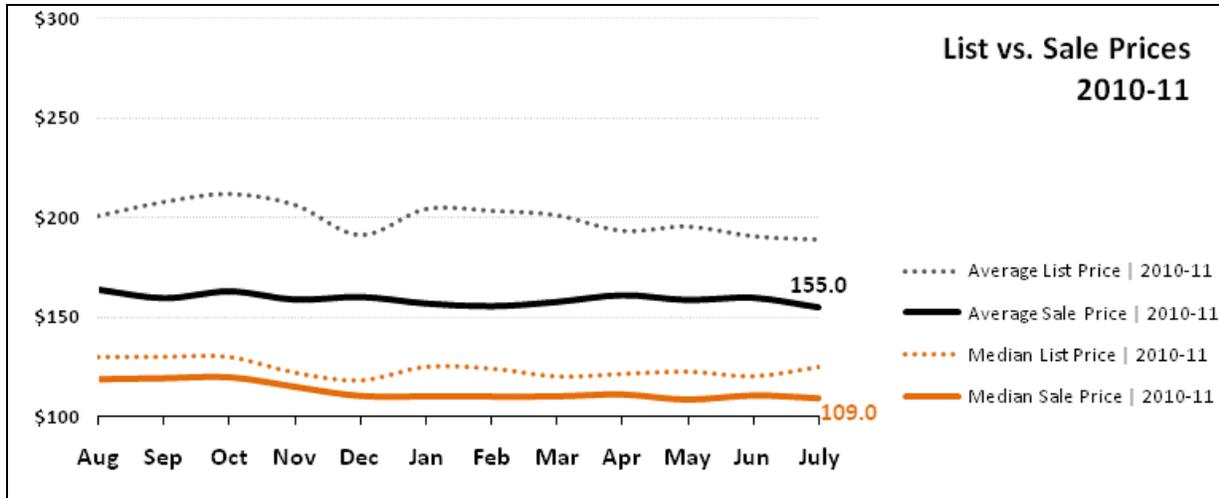
NEW LIST PRICES

New list pricing continues on the anemic flat line of the last twelve months. The median new list price ticked up 4% to \$124,900, while the average fell .9% to \$188,700 from last month's \$190,400. The median price is 3.9% below last year's July median, and the average is 5% lower than July of 2010. All in all, there is not much of a pulse for a market trying for a pricing recovery.



SALES PRICES

Sales prices show the same lackluster recovery attempt as list pricing. Median sales price declined 1.4% to \$109,000 in July. This median figure is 12.8% below July 2010's \$125,000. The average sales price also declined 3.1% to \$155,000, 12% below July 2010's figure of \$176,100. Sales pricing, like new list prices, is a different verse of the same song.



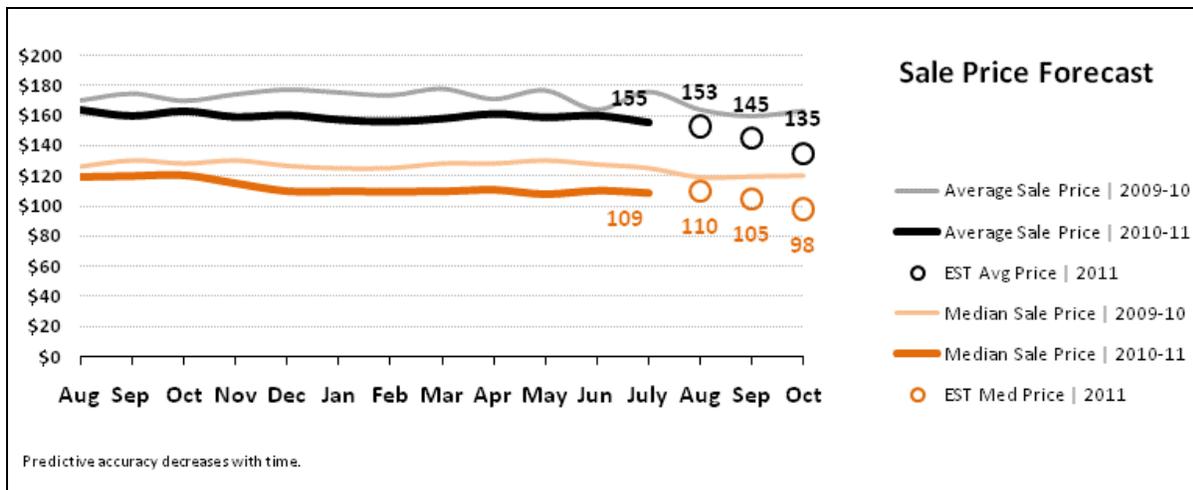
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a metric unique to ARMLS which focuses on pending sales in the MLS system. By focusing on pending prices of properties yet to close, ARMLS is able to forecast pricing trends ninety days into the future. Naturally the predictive accuracy diminishes with time as fewer properties make up the pending pool.

The PPI scorecard last month was off by 3.4%, predicting an average sales price for July of \$158,200: the actual was \$152,800. The median of \$112,000 predicted last month came in only 1.79% off the mark at \$110,000.

This month's prediction calls for a slight rise in the median sales price to \$110,000 in August, followed by a decline to \$105,000 in September and a drop again to \$98,000 in October. The median sales price has not dropped below \$100,000 this decade, but the market seems to be edging closer and closer to that benchmark. The average sales price predicted for the next ninety days is downward for all three months: \$152,800 for August, \$144,700 for September and \$134,900 in October.

The overall impression is that pricing is going to continue to languish. It took many months to get to where we are, and unfortunately, it will take many months to climb back.

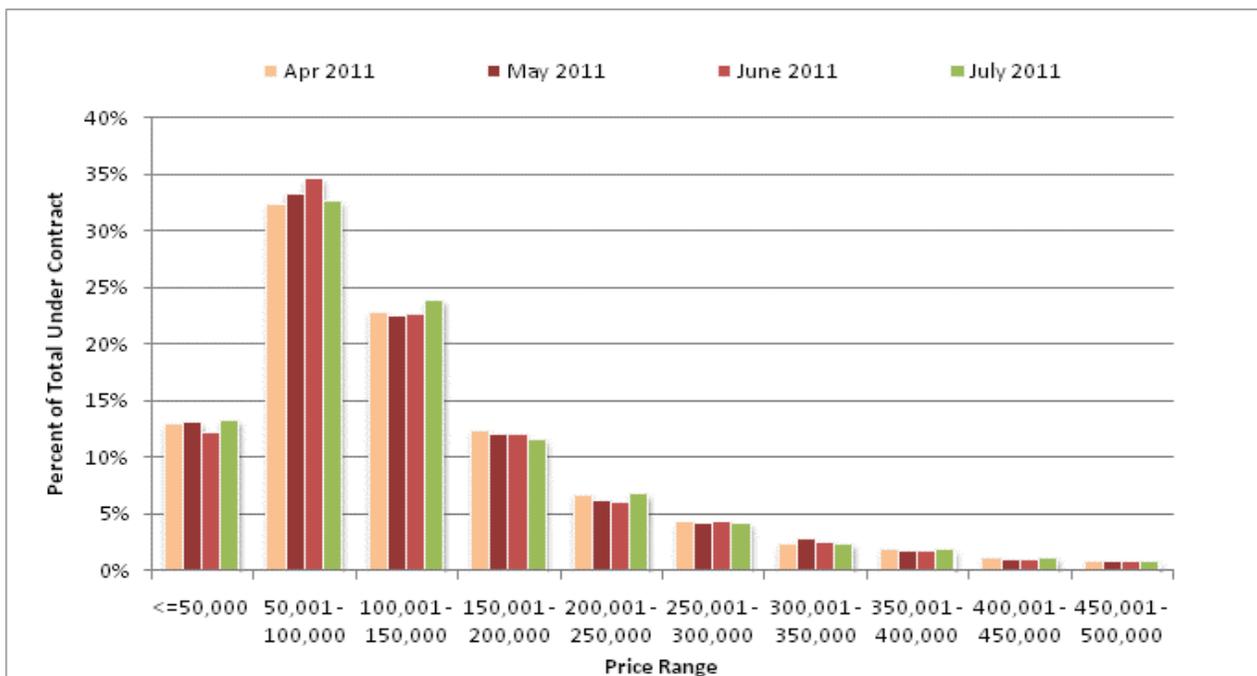
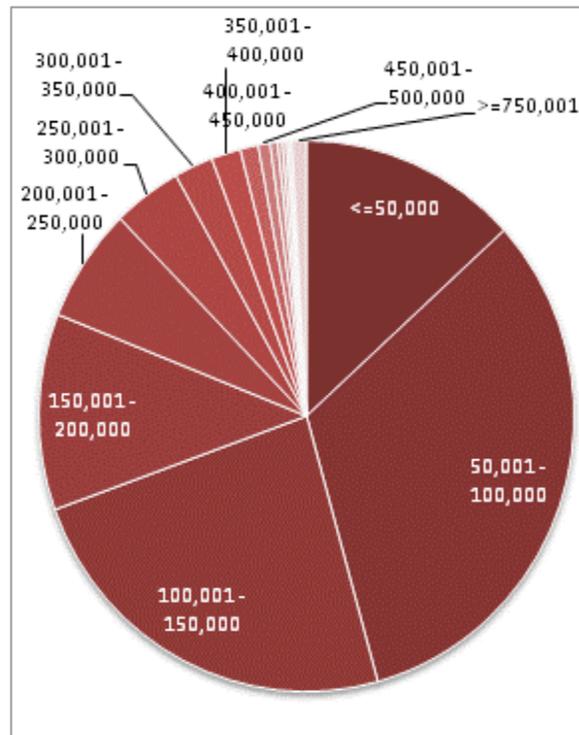


PPI SUPPLEMENT

The PPI Supplement spotlights the number of pending contracts added to the MLS system in the current month. Data represents the average and median pending sales prices as well as units and their percentage of the total pending units for June in each specific price range.

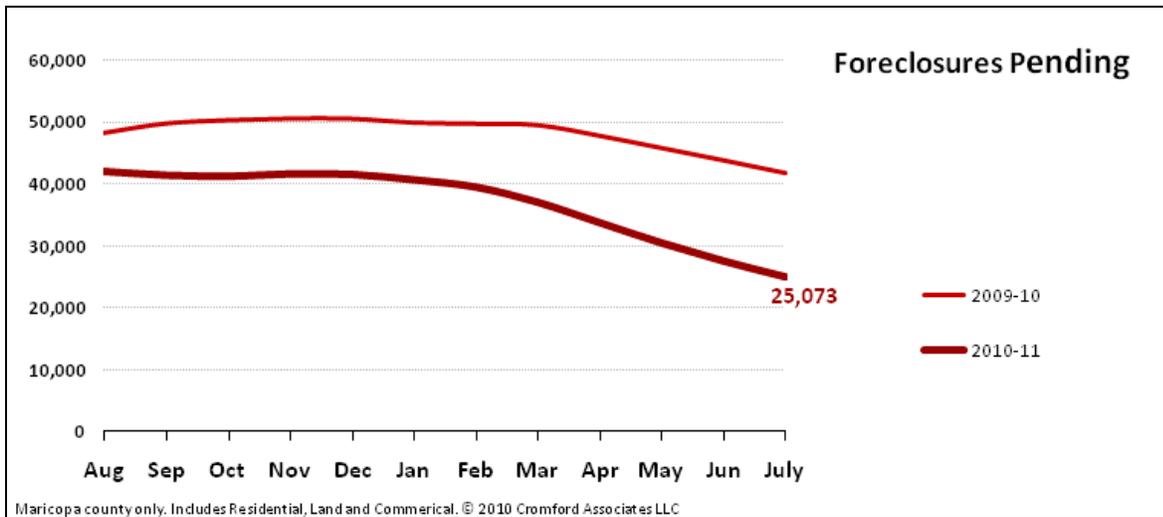
Data is graphically presented in four month increments so that the reader is alerted to changes in the behavior of properties in given price ranges over time. July pendings showed an uptick in the below \$50,000, \$100,000-\$150,000 and \$200,000-\$250,000 ranges. Metrics for properties above \$500,000 are delivered in chart format only. As the market recovers we should observe an increasing percentage of pendings in the higher ranges. Over time such sales will eventually move the actual median and average sales prices to higher levels.

| Pending Contracts Signed in July | | | | |
|----------------------------------|-----------|-----------|-----------|------------------|
| Price Range | PPI Avg | PPI Med | PPI Units | Units % of Total |
| <=50,000 | 34,791 | 35,736 | 1,202 | 13.22% |
| 50,001 - 100,000 | 76,311 | 76,000 | 2,955 | 32.49% |
| 100,001 - 150,000 | 124,976 | 125,000 | 2,162 | 23.77% |
| 150,001 - 200,000 | 173,478 | 172,950 | 1,048 | 11.52% |
| 200,001 - 250,000 | 226,369 | 225,000 | 611 | 6.72% |
| 250,001 - 300,000 | 275,468 | 275,000 | 378 | 4.16% |
| 300,001 - 350,000 | 329,021 | 329,000 | 213 | 2.34% |
| 350,001 - 400,000 | 376,425 | 375,000 | 162 | 1.78% |
| 400,001 - 450,000 | 426,754 | 426,500 | 99 | 1.09% |
| 450,001 - 500,000 | 478,702 | 480,000 | 65 | 0.71% |
| 500,001 - 550,000 | 525,842 | 525,000 | 42 | 0.46% |
| 550,001 - 600,000 | 579,581 | 575,000 | 25 | 0.27% |
| 600,001 - 650,000 | 626,386 | 622,500 | 22 | 0.24% |
| 650,001 - 700,000 | 677,241 | 680,000 | 15 | 0.16% |
| 700,001 - 750,000 | 728,667 | 720,000 | 15 | 0.16% |
| >=750,001 | 1,256,089 | 1,050,000 | 80 | 0.88% |



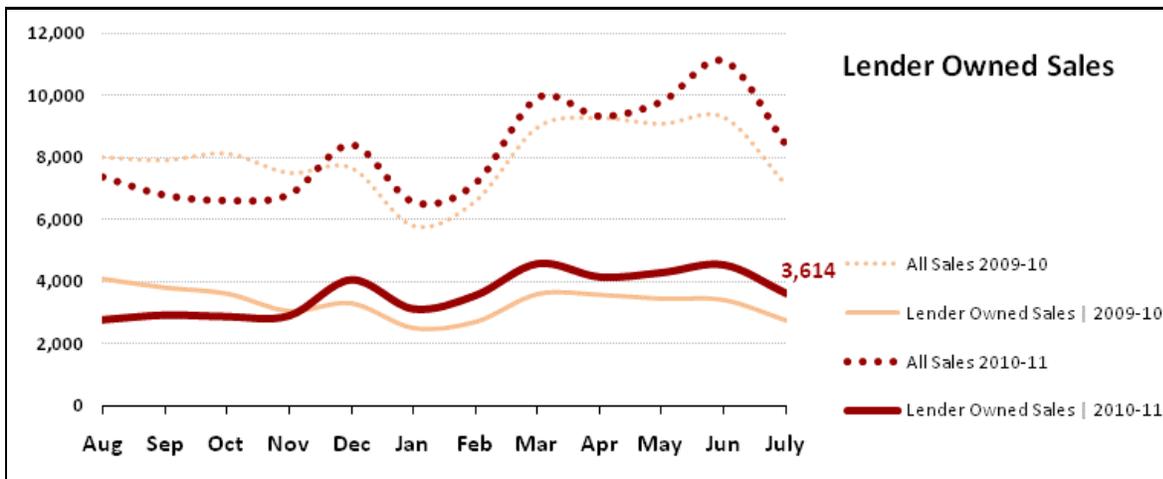
FORECLOSURES PENDING

Foreclosures pending continued its sharp, steady downward trajectory for another month. Total foreclosures pending for July were 25,073, down from last month's 27,616, and crossed below the 2008 inclining foreclosures pending trend line. If the current trajectory holds true, it is highly likely that foreclosures pending will drop to the 10,000 mark by year end, a level not seen since September 2007. Current depressed pricing cannot recover until the foreclosures glut is absorbed. While the total number of foreclosures in the system remains high, declines in the foreclosures pending, the replenishment source for lender owned properties, signal an eventual end to the foreclosure oversupply. This is a positive indicator of better times to come.



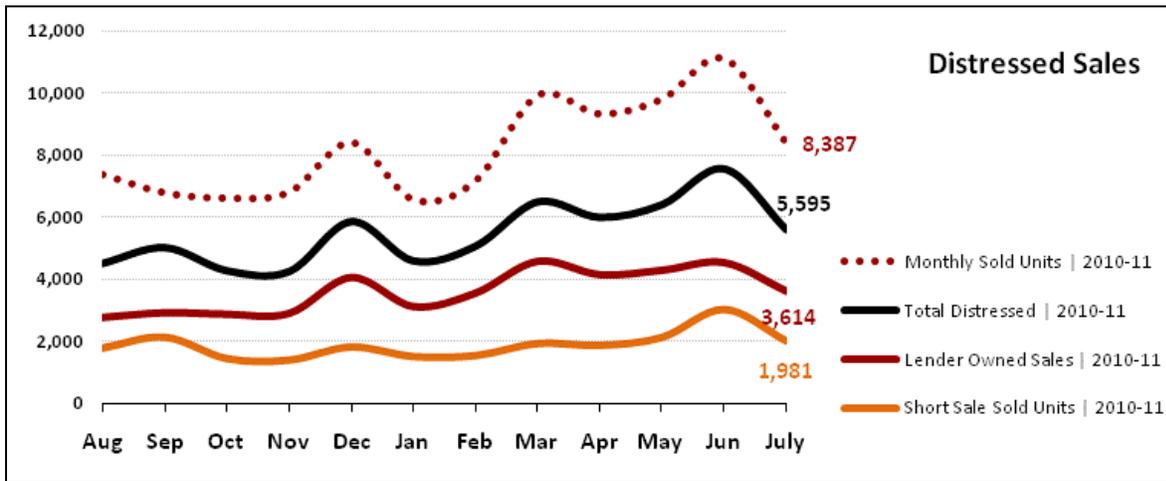
LENDER OWNED SALES

Lender owned sales (3,614) accounted for 43.1% of total sales in July, up 2.3% over June's percentage. These sales hovered between 46.2% and 40.8% since March, still accounting for a significant portion of total Valley sales. Future declines in this metric must occur for Valley prices to rise.



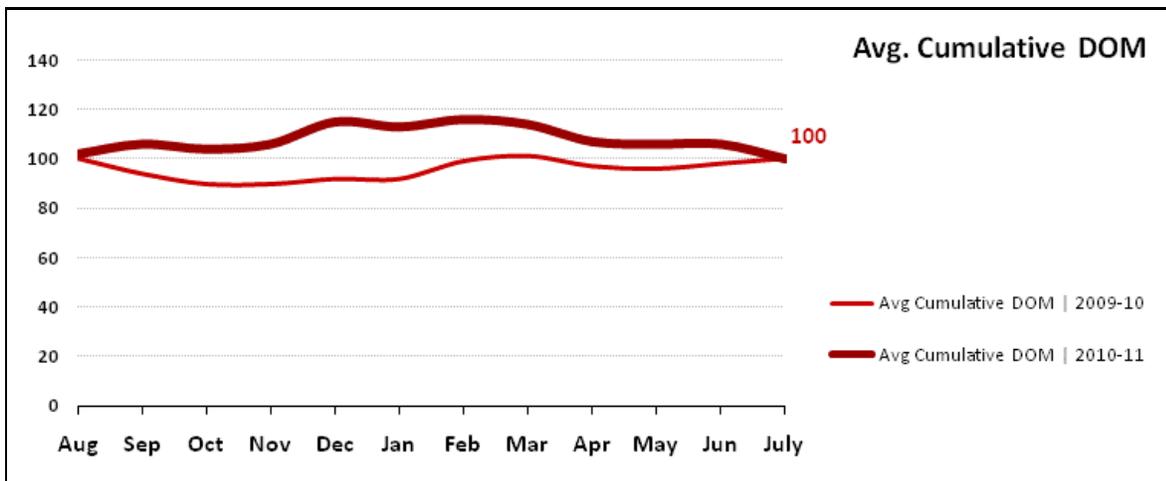
DISTRESSED SALES

Distressed sales are a combination of lender owned and short sales and have dominated the total sales since well before STAT began to track them. Distressed sales (5,595) for July accounted for 66.7% of total sales, right in line with the previous twelve month average of 67.13%. July short sales (1,981) dropped 34% from June's 3,002. The July figure represents 23.6% of total sales. Distressed sales continue to dominate the total sales landscape although with the promise of an end as the foreclosures pending continue to dwindle.



AVERAGE DAYS ON MARKET

This metric dropped to 100 days in July, a low not seen since July 2010. For the last 24 months DOM has fluctuated between 90 and 116, with an average of 101.



COMMENTARY

A recap of STAT's good news this month focuses on the six day drop in days on market, continued ebb in the new listing flow, decline in the total inventory pool and the steep, steady downward trajectory of foreclosures pending, all supportive of the coming recovery. Disappointing, yet no surprise, is the state of Valley pricing which remains singularly lackluster. The ARMLS PPI predictions forecast more of the same for the next ninety days, with average pricing in the \$152,800 to \$134,900 range and median pricing hovering in the \$110,000 to \$98,000 range. At the recent REAL ESTATE FORWARD event, sponsored by ARMLS and the Phoenix Business Journal, panelist Michael Orr, Founder and President of The Cromford Report, perhaps said it best: "Pricing right now is like driving across Kansas and trying to find the lowest point."

Looking around the country it is not hard to find cities whose median prices actually make the Valley's look good. A recent CNN Money report listed cities with low median prices, such Lansing, Michigan (\$64,400), Toledo, Ohio (\$64,900), South Bend, Indiana (\$68,700), Akron, Ohio (\$74,900), Ocala, Florida (\$75,400), Dayton, Ohio (\$78,000), Cumberland, Maryland (\$80,700), Grand Rapids, Michigan (\$81,100) and Decatur, Illinois (\$81,300)¹, reminding us that our pricing dilemma could look worse.

STAT has reported for many months that jobs are the key to recovery. Dr. Ted Jones, Chief Economist for Stewart Title Guaranty Company, provided the national perspective at REAL ESTATE FORWARD. He reported that the label "a jobless recovery" attached to the current economy is an oxymoron. Jones reasoned that without jobs there can be no recovery. The Valley lost 220,000 jobs since July 2007 and gained only 5,000 in May.² At this pace, recovery is 4-5 years off, if the population remains at 2011 levels. Jones reported that we need 1.25-1.5 jobs per housing unit to return to normal.

ARMLS is now tracking weekly Valley new job postings on the three major career websites, Career.com, Monster.com, and Jobing.com. A graph of the postings is available each Saturday morning in its new publication, ARMLS REWIND, a weekly recap of news and emails from the preceding week. This metric will serve as a barometer to anticipate job growth.

Other panelists at REAL ESTATE FORWARD counseled that now is not the time to buy just one house, but rather two or three. The current affordability of the Valley's housing market is unprecedented, and for those with the cash and the credit to act, the investment is sound and bound to pay off in the future. For now many factors are affecting jobs over which we have no control, e.g., oil prices, acts of God, general business confidence, etc. All panelists predicted 2013-2014 when asked when they expected the Valley to recover. We can hardly wait!

¹ http://money.cnn.com/galleries/2011/real_estate/1105/gallery.cheapest_housing_markets/

² Bureau of Labor Statistics