ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

STAT

your monthly statistics
for the Phoenix Metro area

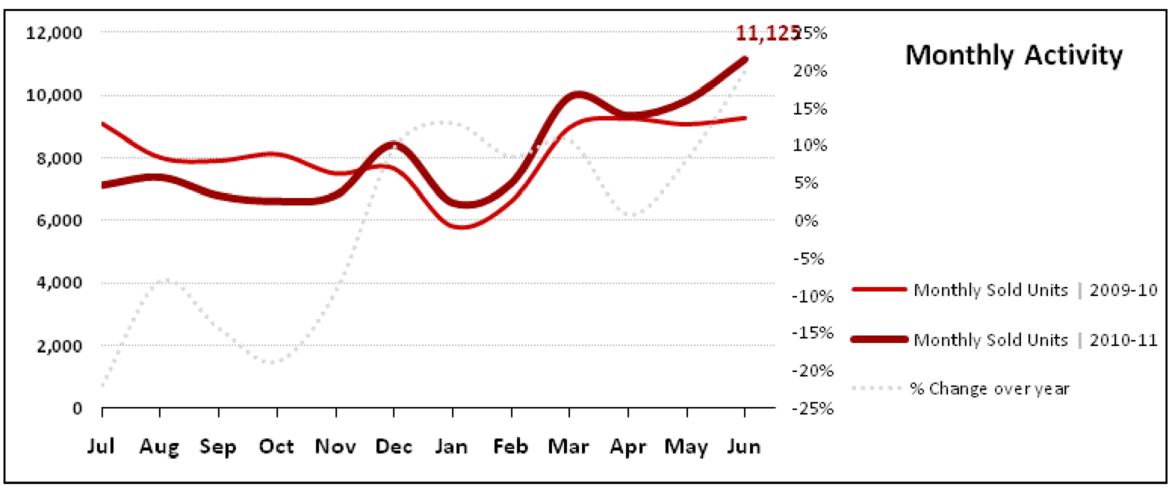
July 6, 2011

SALES Month over Month

Sales in June took a 13.4% surge to 11,125. This completes the second quarter's upward trend. The continued increase in sales is good news.

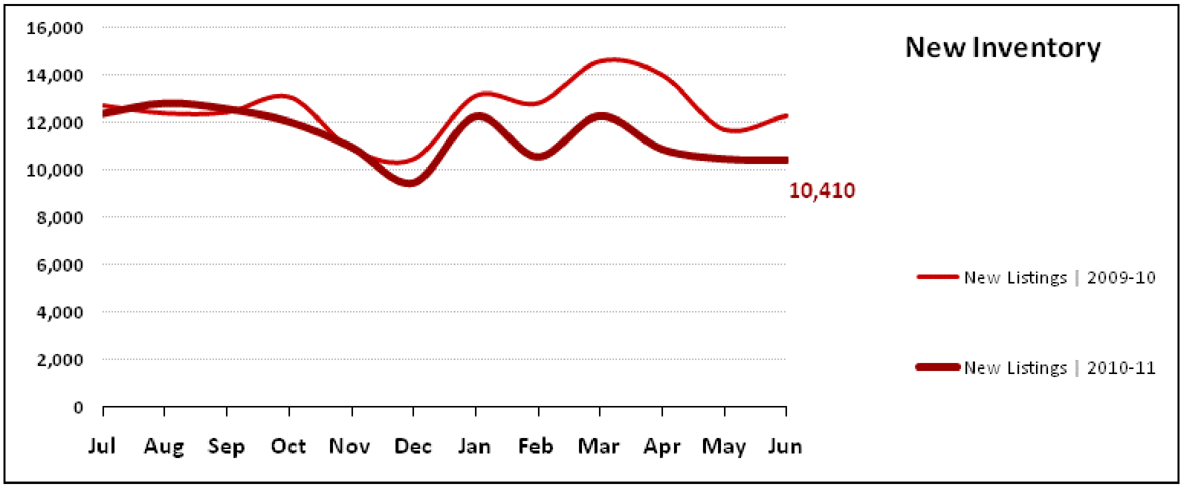
SALES Year over Year

June sales were 19.9% higher than June of 2010. More impressive is the 11,125 sales in June represent the highest sales figure of the decade, even surpassing the two highest sales figures in the 2005 boom of 10,252 and 10,031, in June and August of 2005, respectively.



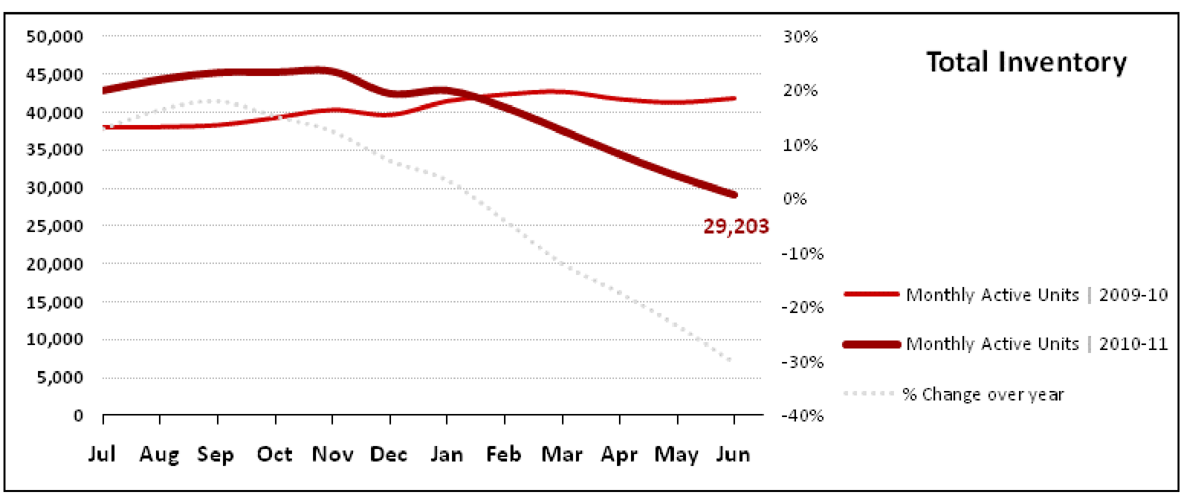
NEW INVENTORY

New Inventory dropped again for the third month in a row, albeit by only .5%, adding 10,410 new listings to the total inventory pool. June's figure is a 15.4% decline over June 2010. Slowing of the new inventory flow into the market affects the total inventory and is seen as a positive and necessary recovery metric.



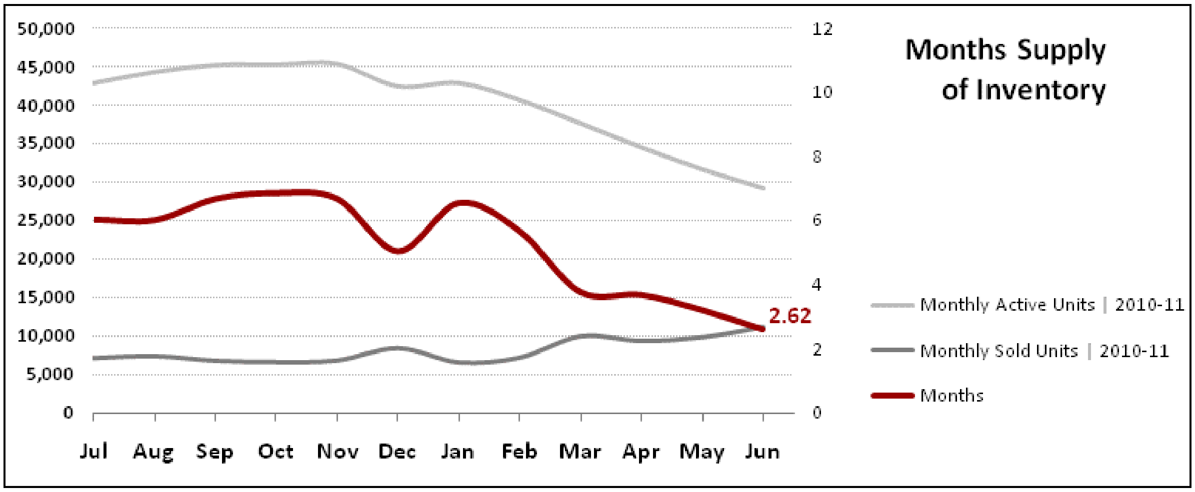
TOTAL INVENTORY

With the exception of a small 1% increase in January, the total inventory trend line has been declining since December. June's 29,203 figure is the first time that the total inventory figure has dropped below 30,000 since STAT began tracking this metric in June 2008. Reduction in total inventory directly affects the market balance. Declines in inventory weigh in Sellers' favor and can positively influence pricing.



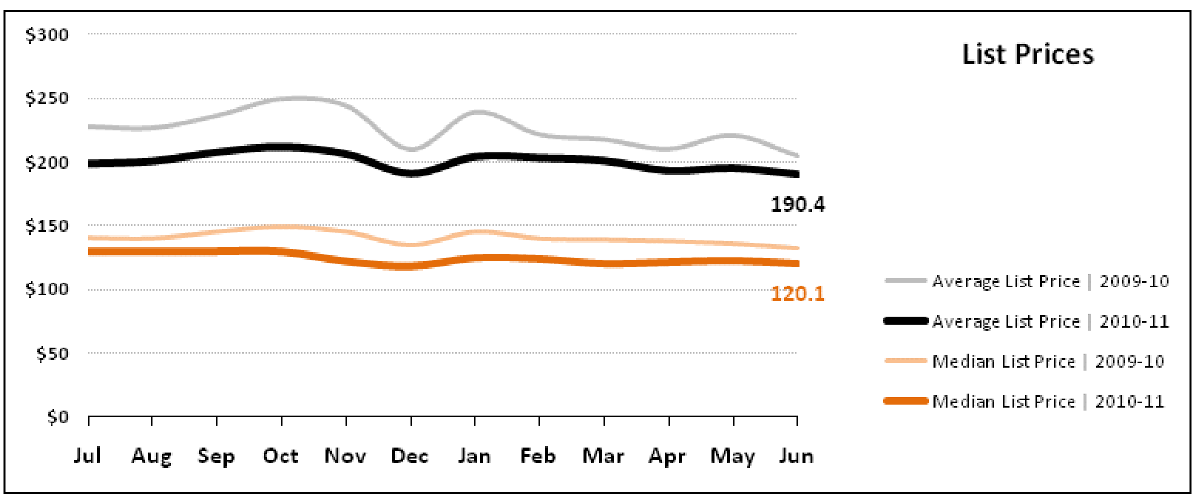
MONTHS SUPPLY OF INVENTORY (MSI)

Months supply of inventory (MSI) declined from May's 3.23 months to 2.62 months in June, representing a 18.9% decline, and following a steady downward trend started in January. MSIs below 4 are typically seen as Sellers markets and exert upward pricing pressure. Market wide MSI is a barometer of overall market health. MSIs in smaller niche markets will have their own unique MSI and which could or could not follow the MSI trend for the entire market.



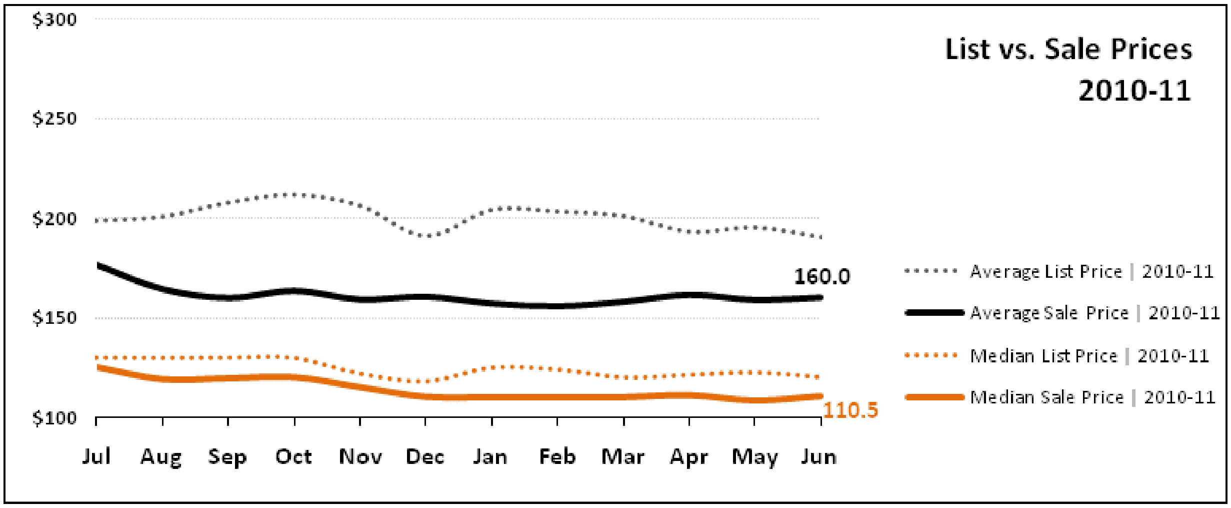
NEW LIST PRICES

Median and average new list prices both declined in June to $120,100 and $190,400 respectively. The Valley pricing trend appears to have flatlined, with little indication of imminent recovery. The 2% decline in median list price coupled with 2.6% decline in the average are clearly disappointing given other metrics showing signs of rebound.



SALES PRICES

Both the median and average sales prices ticked up slightly to $110,500 and $160,000, respectively. The median sales price has fluctuated between a narrow $2,700 spread since January, with the average sales price fluctuating an anemic $5,700. Similar to new list pricing, the trend lines for both median and average sales price have remained flat since December.



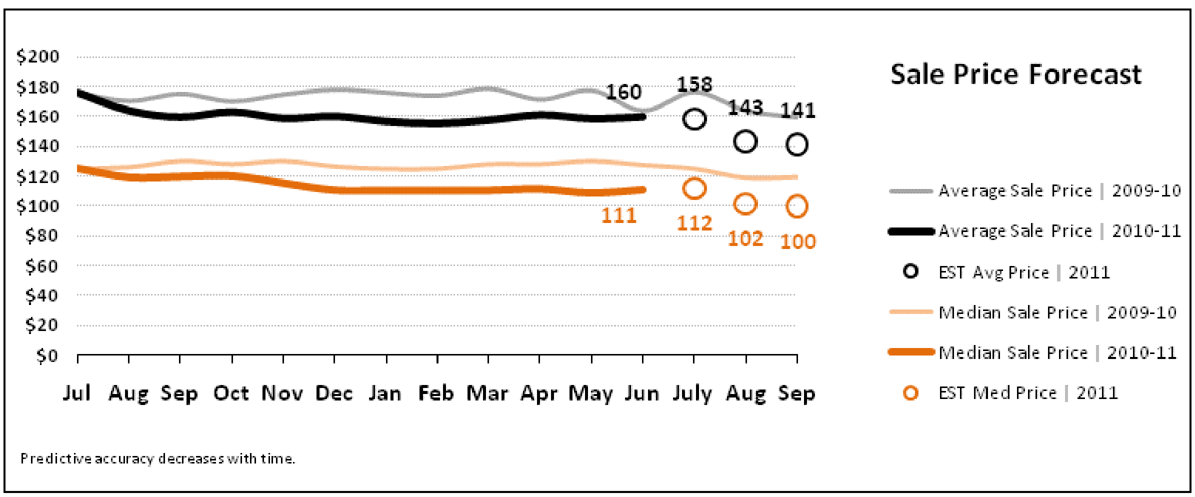
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a predictive tool unique to ARMLS which uses pending sales data in the system to forecast median and average sales prices 90 days into the future. The accuracy of the predictions diminishes the further into the future it goes.

Last month's PPI predicted an average sales price for June of $161,400, missing the mark by -.87%, to actually land at $160,000 in June. The median sales price for June missed last month's predicted $114,000 by 3.07% to come in at $110,500.

The average sales price forecast for the next three months dips to $158,000 in July, followed by further drops to $143,000 and $141,000 in August and September. The median sales price prediction follows a similar pattern with an increase to $112,000 in July, followed by a drop to $102,000 in August and $100,000 in September.

Unfortunately, the PPI forecasts very little pricing recovery over the next ninety days.

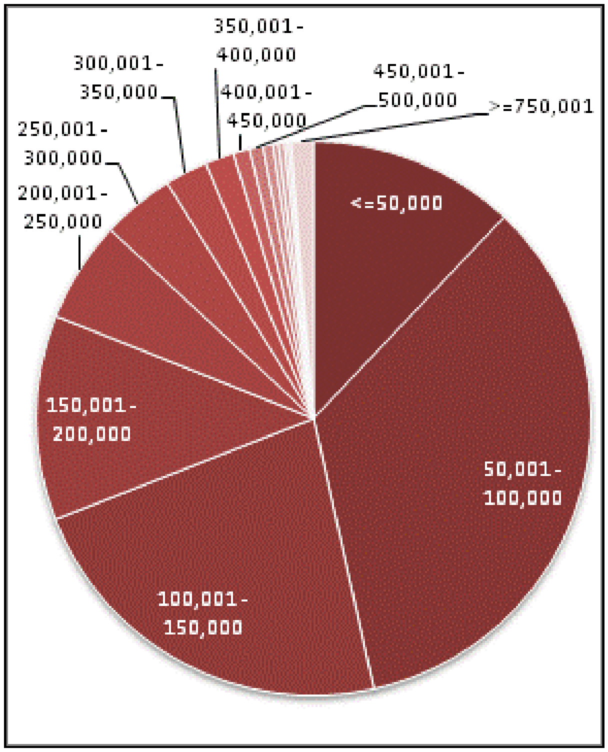


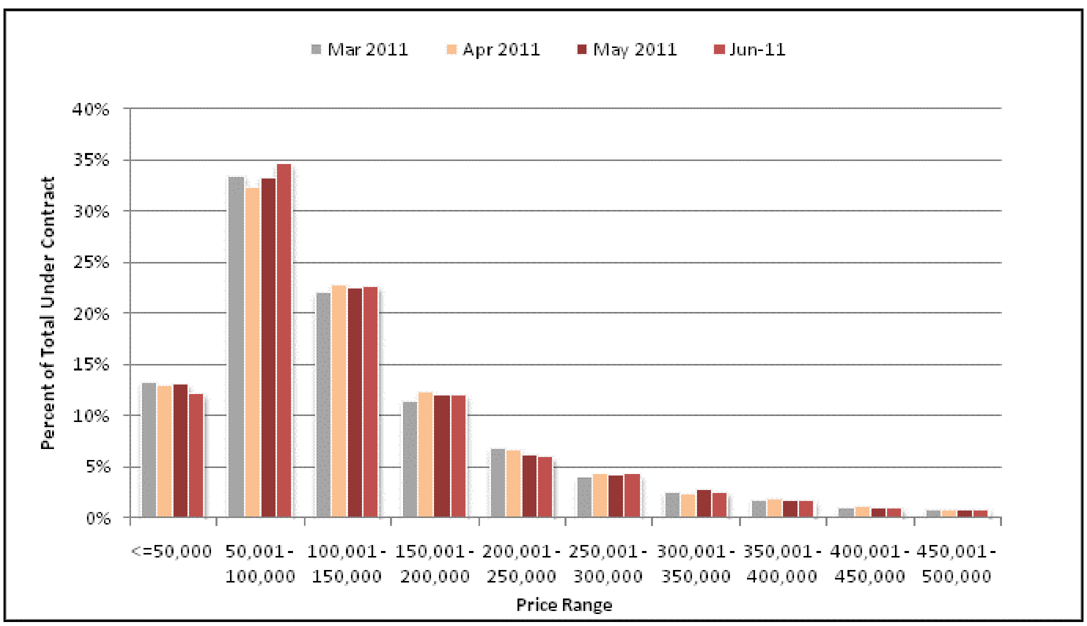
PPI SUPPLEMENT

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. June pendings in the $50,000-$100,000 price range show an upward tick from April to June. 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.

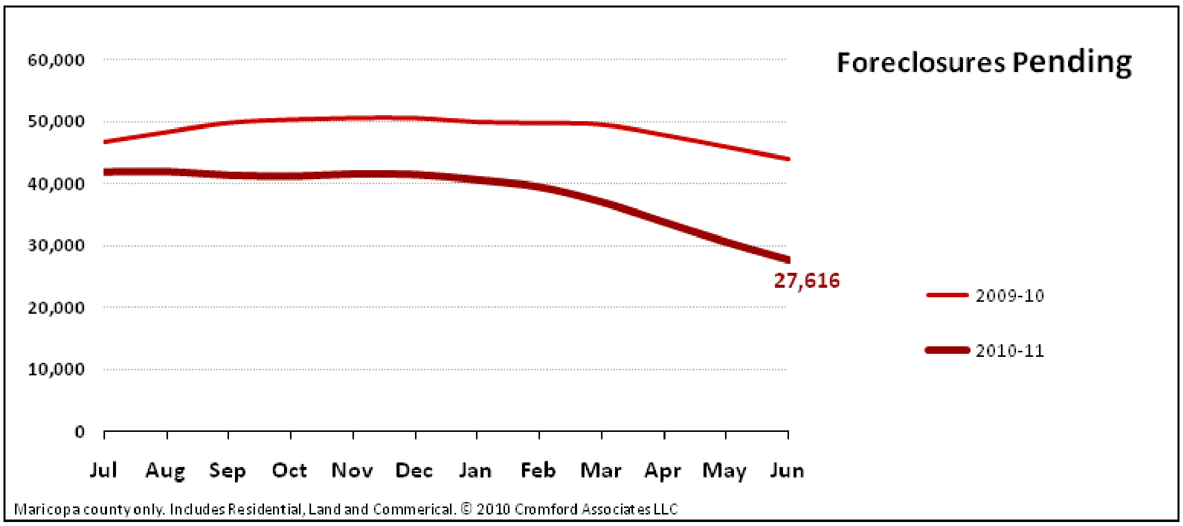
Pending Contracts Signed in June				
Price Range	**PPI Avg**	**PPI Med**	**PPI Units**	**Units % of Total**
<=50,000	35,034	35,500	1,182	12.05%
50,001 - 100,000	76,285	76,000	3,383	34.48%
100,001 - 150,000	124,183	124,000	2,211	22.53%
150,001 - 200,000	174,474	174,900	1,174	11.96%
200,001 - 250,000	226,121	225,000	579	5.90%
250,001 - 300,000	275,536	275,000	415	4.23%
300,001 - 350,000	326,637	325,000	244	2.49%
350,001 - 400,000	377,258	375,000	166	1.69%
400,001 - 450,000	428,646	429,000	94	0.96%
450,001 - 500,000	480,188	480,000	77	0.78%
500,001 - 550,000	529,136	528,000	55	0.56%
550,001 - 600,000	575,513	571,000	32	0.33%
600,001 - 650,000	630,165	630,000	35	0.36%
650,001 - 700,000	681,452	680,000	21	0.21%
700,001 - 750,000	730,813	728,000	16	0.16%
>=750,001	1,172,629	985,000	128	1.30%





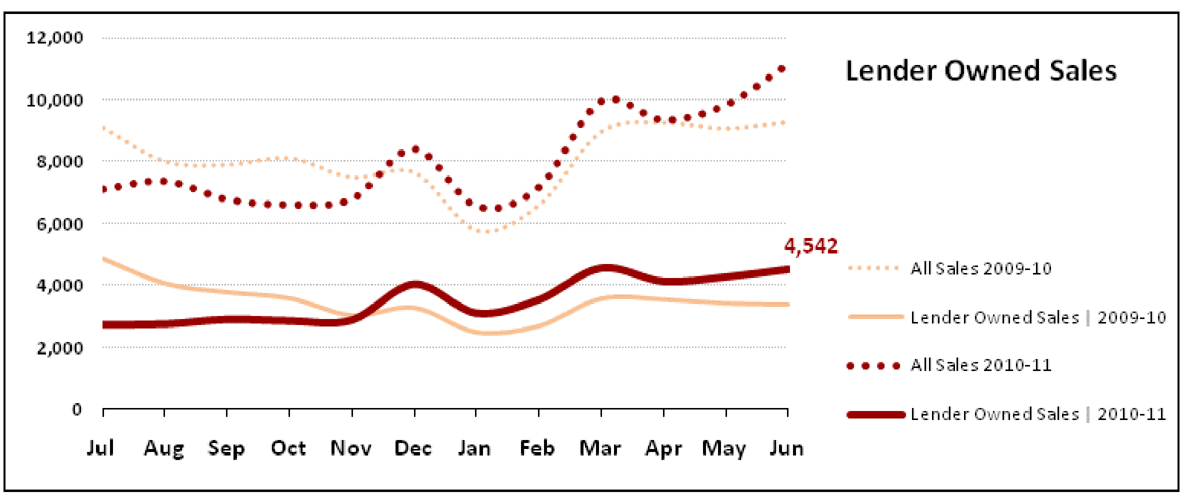
FORECLOSURES PENDING

Foreclosures pending, which fuel lender owned sales, dropped 9.51% to 27,616 in June, continuing a downward trend that started from a high of 50,568 in November of 2009. The June foreclosures pending figure represents a 45.39% drop from the decade high. The downward trajectory of foreclosures pending should cross below 2008 levels by July, and fall below 20,000 in the August /September timeframe. Foreclosures exert negative pricing pressure, and a decline in foreclosures pending is seen as a positive.



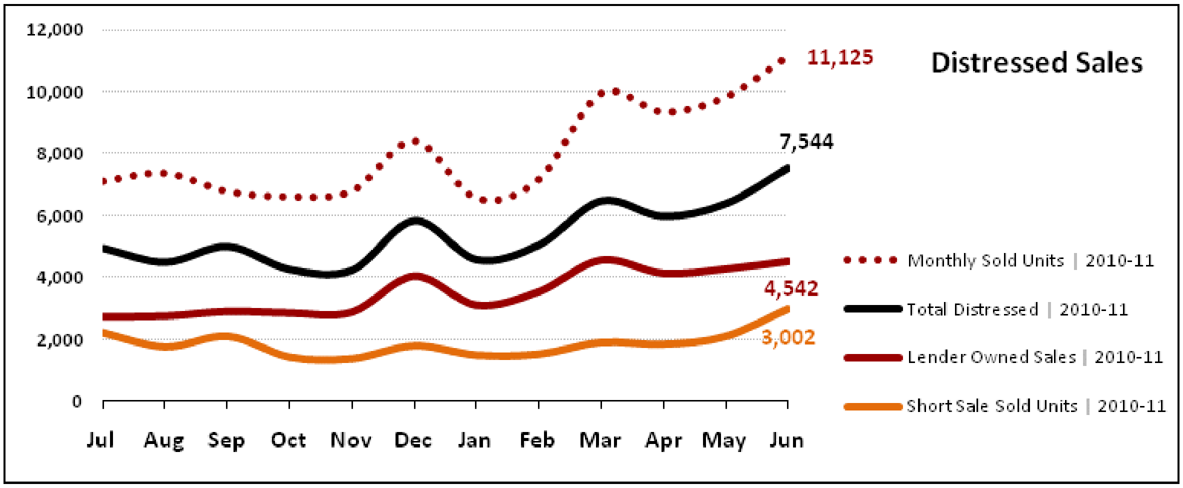
LENDER OWNED SALES

In June lender owned sales (4,542) accounted for 40.8% of the total sales. Lender owner sales, as a percentage of total sales, have been trending downward from February's high of 49.6%.



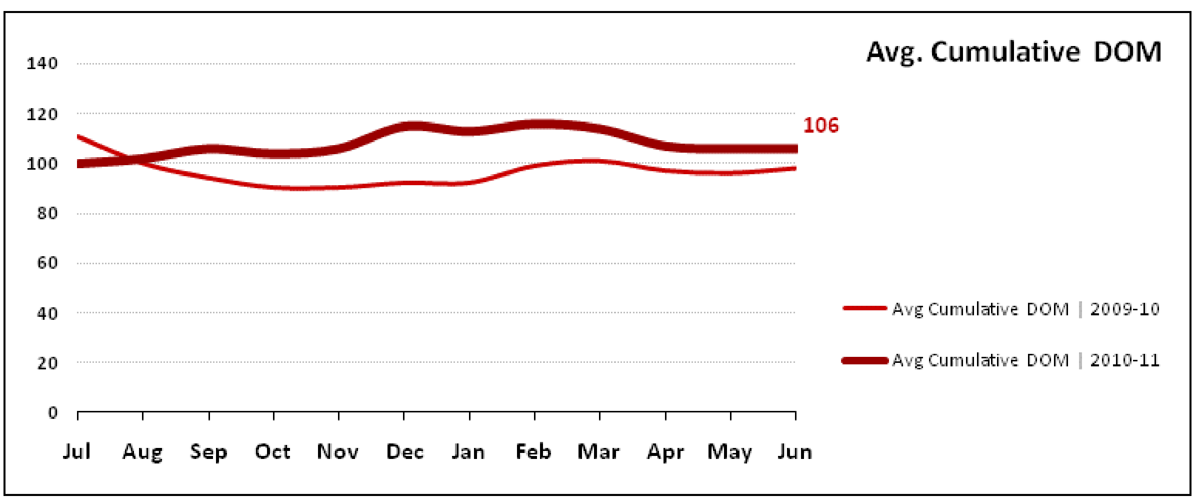
DISTRESSED SALES

Distressed sales are comprised of lender owned sales and short sales. In June the total distressed properties were 7,544, or 67.8% of total sales. The short sale component increased from 21.4% of total sales in May to 27% in June. A shift in the lender owned sales/short sales balance in favor of short sales means that more homeowners have been able to work out agreements with their lenders and avoid foreclosure.



AVERAGE DAYS ON MARKET

Average days on market is unchanged from May at 106 days, and remained flat during the second quarter. June's figure, though, is 10 days lower than the twelve month high of 116 in February.



COMMENTARY

Positive metrics reported in this issue of STAT are welcome and necessary signs of recovery: the highest sales activity of the decade, continued drop in foreclosures pending, market wide MSI in the 2.62 range, and a reduction in total inventory. Also this month, a shift in the lender owned sales/closed short sales mix may signal a more holistic lender approach to distressed inventory, favoring Seller workouts over foreclosure. Positive results from ARMLS's Fannie Mae Short Sales Assistance Desk[1] support this.

Still, new list and sales pricing remains anemic, with PPI predicting little upward motion in the foreseeable future. This is clearly a disappointment. In Phoenix, as well as other metropolitan areas, prices for low-end homes, which made especially large gains during the housing boom, have now dropped much more sharply than those for high-end properties.[2] The disproportionate number of low end properties in the sales mix, as seen in the PPI Supplement, continues to exert negative pressure on median and average pricing. Marshall Vest, the Forecasting Project Director at the University of Arizona's Eller College of Management, predicts the housing market will continue to be plagued by falling house prices and the large inventory of vacant housing. "The 2010 Census found 463,000 vacant houses statewide. That's enough to accommodate an entire decade of population growth at 'normal' rates."[3]

In June, the Joint Center for Housing Studies at Harvard University released its annual State of the Nation's Housing. "With employment growth strengthening, consumer spending up, and rental markets tightening, some of the ingredients for a housing recovery were taking shape in early 2011. Yet in the first quarter of the year, new home sales plumbed record lows, existing sales remained in a slump, and home prices slid. Tight underwriting requirements, on top of uncertainty about the direction of home prices, continue to dampen home buying activity. The weakness of demand is slowing the absorption of vacant properties for sale, hindering the recovery." [1]

STAT has reported for some time that jobs and net migration are the keys to recovery. Unemployment in April fell to 8.15% from the January high of 9.28 in Maricopa and Pinal Counties.[4] Jobs creation continues to stir with this metric is moving positively but very slowly in the right direction. The US Bank 2011 Small Business Annual Survey, which in April and May surveyed small businesses in 11 select markets including Arizona, reported that 70% of small businesses expect the number of employees working for them to remain the same over the next 12 months, citing economic uncertainty as their biggest challenge.[5]

Net migration lured by job opportunity remains low, with gains in population in the Valley just barely births over deaths.[4] Demand for housing is a key ingredient to recovery and other factors besides net migration are exerting negative influence. The slow pace of household formation is worrisome. The 2010 Census revealed that household formation during the 2000s was 17% lower than the 1990s. Young adults are delaying marriage and opting to live with parents, and young families are doubling up. While the years from 2004-2007 showed a large increase in foreign born households, the years since 2007 are relatively flat for this demographic.[2] At risk for low foreign born household formation, is Arizona, particularly Phoenix Metro, with its anti-immigration laws encouraging migration out of the area.

The Valley's elusive pricing recovery rests on the supply and demand balance. Supply appears to be righting itself, as is demand in lower end housing. What is more problematic is the demand for higher end housing, which remains depressed. Recovery across all price segments will depend heavily on a combination of net migration and household formation. The complexity and combination of factors indicate that the path to total recovery will be long and the pace will be slow.

[1] http://www.armls.com/training-and-events/fannie-mae-short-sale-assistance-desk.aspx

[2] http://www.jchs.harvard.edu/publications/markets/son2011/son2011.pdf

[3] http://azeconomy.eller.arizona.edu/AZE11q2/Road_Rough_Rocky.asp

[4] EBELLER Online

[5] www.usbank.com