



**December 6, 2010**

“ARMLS PPI™” is a trademark of Arizona Regional MLS.

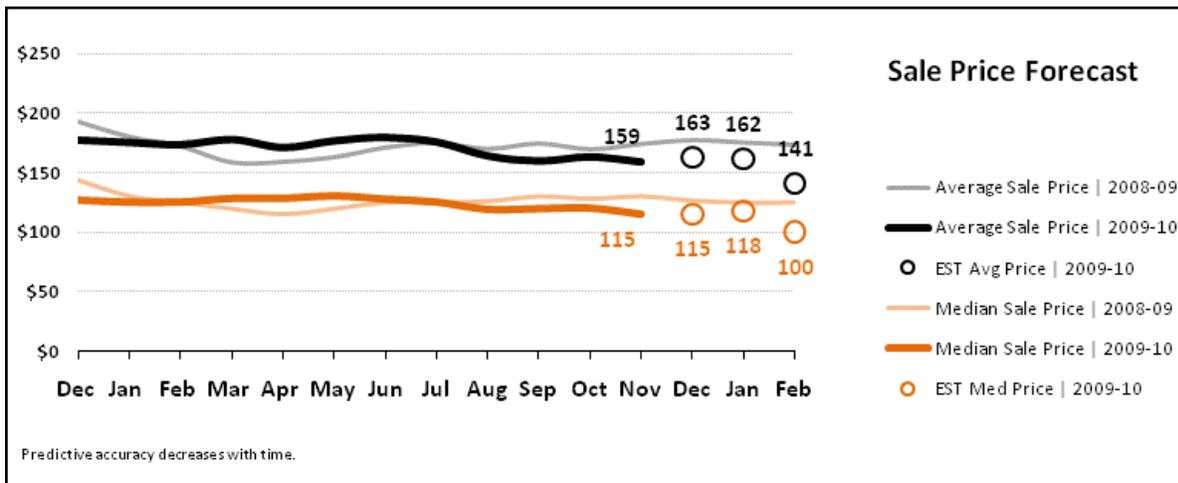
## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a predictive tool unique to ARMLS, based on the pending sales data in the MLS system. It predicts the average and median sales prices ninety days into the future. The PPI’s forecast value diminishes the further into the future it goes.

The predicted median sales price for December should remain steady at \$115,000, rise in January 2011 to \$118,000 and fall dramatically in February to \$100,000. The February’s prediction is the least reliable at this point because it is based on lower number of closings scheduled ninety days into the future.

The forecasted median figures parallel, but fall short of, the predicted figures from the November STAT: last month’s December prediction was \$117,000, this month’s December prediction is \$115,000. Last month’s January prediction was \$120,000; this month’s prediction is \$118,000. February’s forecast represents a larger drop from the prediction of an unhealthy \$105,000 last month to a predicted \$100,000 in this month’s STAT.

The average sales price is expected to rise in December to \$162,800, drop slightly in January to \$161,500 and take a precipitous \$20,400 drop (12.5%) in February to \$141,100. If the predictions hold true for February, it will be the lowest average sales price since 2001.



© 2010 ARMLS, may be reprinted with proper attribution.

**Continued on Page 2**

Speculation about the cause of the steep drop in February should consider buyer and seller motivations. Sales made in November and December will close most likely in January and February. Traditionally, normal Sellers, those not in distress, will not elect to place their homes on the market during the holiday period, without a compelling reason to sell, e.g., a relocation. This behavior may be keeping normal listings, and hence normal sales, out of the prediction equation.

The December PPI predictions should be influenced more heavily by the pool of investors, who unlike traditional buyers, would not be motivated to remain out of the market until after the holidays. Lender owners as well have no such reservations about the holiday. Many distressed properties, which tend to have a prolonged close of escrow period, may have already been under contract before the seasonal slowing. We may see those contracts dropping in number moving forward, but not see the effects on pricing until a few months into 2011.

The ARMLS PPI debuted in March 2010 and has no empirical data surrounding predictions which straddle the close of one year and the beginning of the next. If the February forecast is unduly influenced by the fallout from the holiday season, then logically we could predict that the decline in February would right itself in March and April closings. Since January and February sales would be free of natural reluctance to mar holiday family time and festivities, we would expect that a more normal mix of transactions would account for March and April closings.