

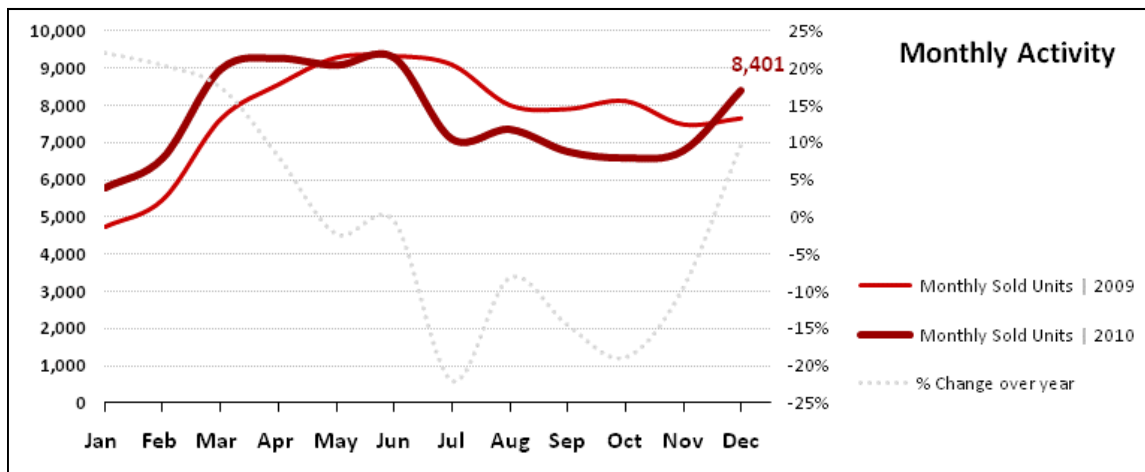


SALES Month over Month

Monthly Sales in December were 8,401, a 23.8% increase over November's 6,786. This complements an upward sales trend for the whole fourth quarter. The highest sales for 2010 of 9,280 occurred in June. This month over month gain coupled with the fourth quarter trend demonstrates a metric clearly moving in the right direction, after a pattern for 2010 characterized by a "one step forward and two steps back" phenomenon. The December Sales figure ends the year as a 45.12% increase compared to the January figure (5,789) at the start of the year.

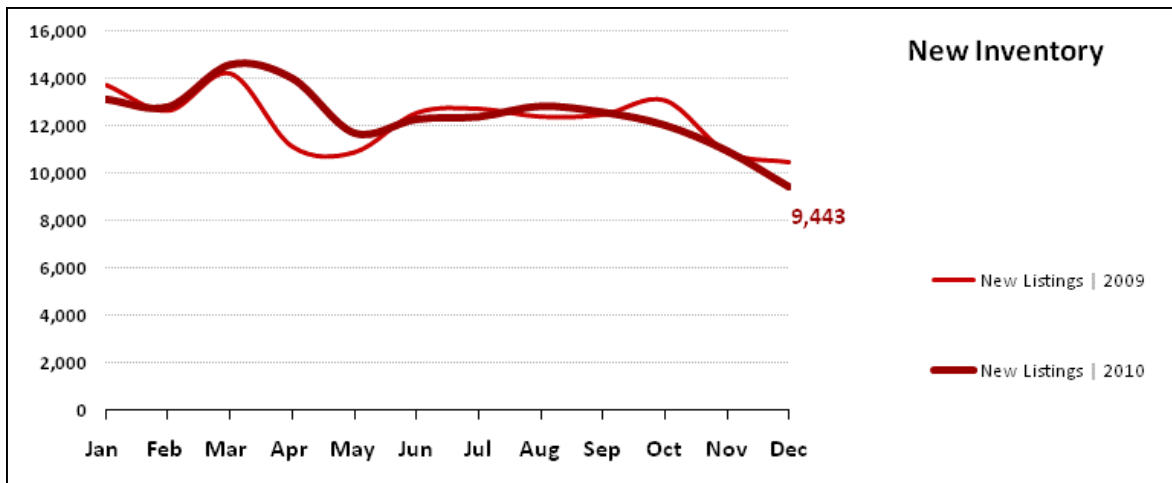
SALES Year over Year

December's 8,401 Sales total represents a 9.7% increase over 2009's December Sales figure of 7,657. In addition, it is the second largest November to December monthly gain (23.8%) of the decade, just below the November to December gain (24.98%) in 2008.



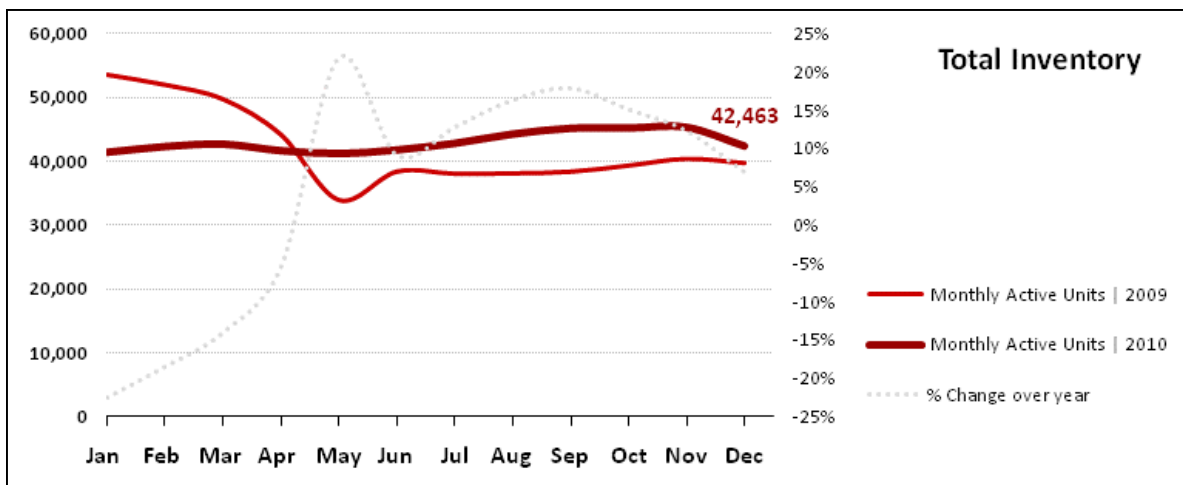
NEW INVENTORY

December New Inventory (9,443) declined 13.9% or 1,526 listings from November's 10,969. This month's New Inventory figure follows a steady decline started in September. This is in line with a pattern of November to December declines in New Inventory experienced every December since 2001. New Inventory added to the market in 2010 was 148,968, 1.17% increase over the same figure for 2009, but well below the figures for 2006, 2007 and 2008 (173,363, 165,615, and 162,181 respectively). New Inventory added to the Total Inventory each month is an important factor in the supply and demand balance, as greater supplies support a Buyer's market and exert downward pressure on pricing.



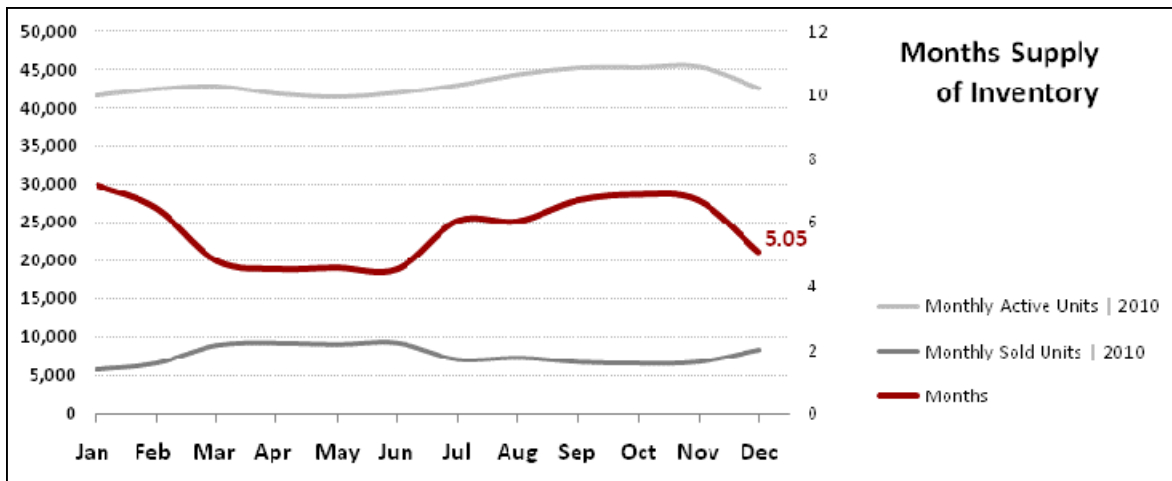
TOTAL INVENTORY

Total Inventory declined 2,890 listings in December to 42,463, a 6.37% decline from November. Total inventory remained flat during 2010 with an average of 43,088 per month.



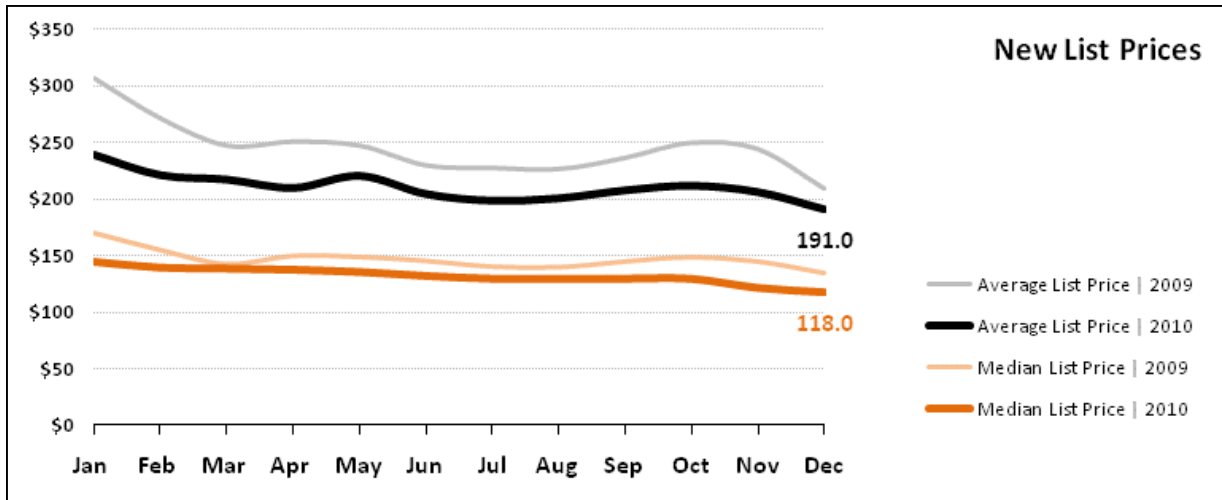
MONTHS SUPPLY OF INVENTORY (MSI)

MSI for December declined to 5.05, representing the first drop below 6 months since June, and a positive step toward a balanced market. A Seller's market is typically defined as a months supply of inventory in the 4-5 month range, while a Buyer's market is described as a 6 month or greater supply. While MSI is a barometer of overall market health, it may not represent an accurate picture of inventory supply in specific market niches. The December decline from 6.68 to 5.05 months is a drop of 1.63 months or 24.4%. While this is a very positive metric, a quick glance at the historic new listing and sold data shows that new listings rise significantly from December to January each year, and sales significantly fall from December to January each year. Thus next month's inventory rise coupled with fewer sales, could cause the MSI to rise again.



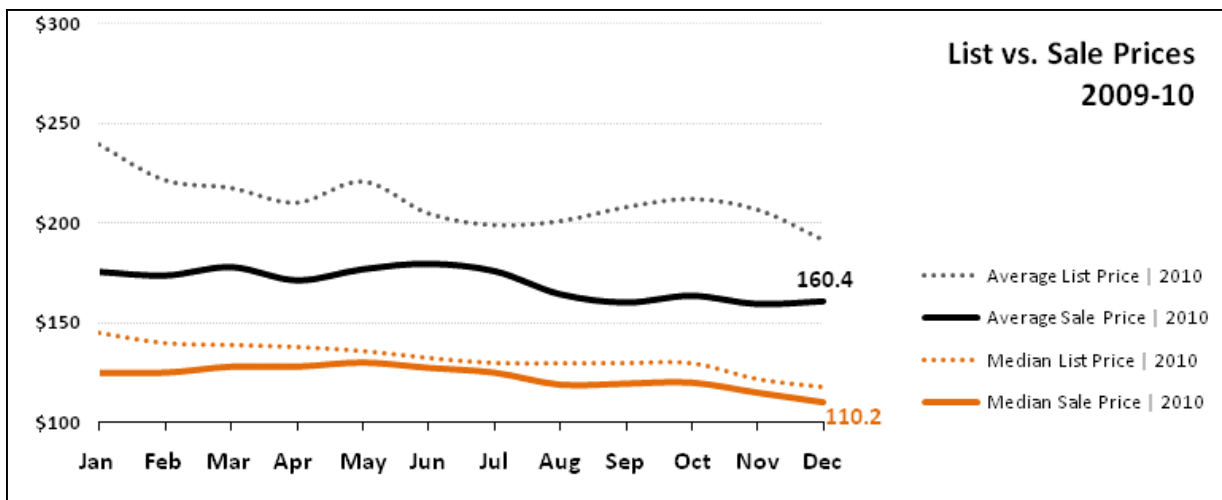
NEW LIST PRICES

Both the median and average List Prices added to the market continued downward in December. Median List Price dropped 3.2% to \$118,000 from November's \$121,900. Likewise the average List Price declined 7.5% to \$191,000 from November's \$206,400.



SALES PRICES

December's Median Sales Price was \$110,200, a 4.2% decline from November, and a 12.9% decline from December 2009. The median value represents the midpoint in a market where there are as many sales above that value as below. Great housing affordability in the Valley was fueled by the declining median price trend line in 2010. The average Sales Price for December rose \$1,400 to \$160,400, a .9% gain over November, but 9.7% decrease from December 2009.

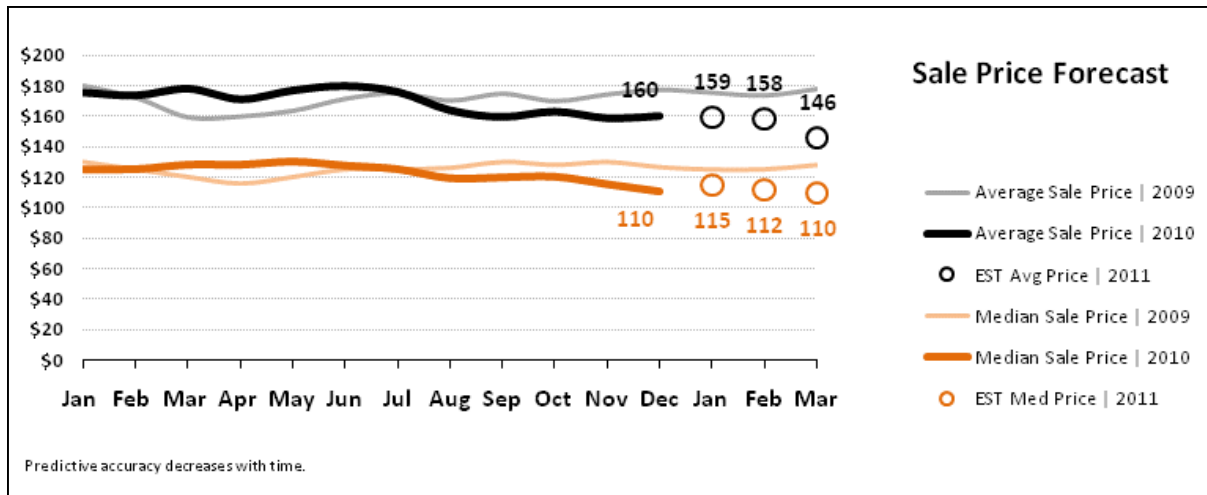


THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a predictive tool unique to ARMLS which forecasts Median and Average Sales Prices for the coming three months based on the pending sales data in the MLS. The PPI's predictive accuracy naturally declines the further into the future it goes, as the number of transactions in the forecast lessens. The actual Median Sales Price for December was \$110,200, which was 4.17% below the December figure predicted in November. The Average Sales Price for December was \$160,400, or 1.47% below the December Average predicted in November. While the actual numbers may deviate from predicted values, the forecast value for the direction of market pricing remains true.

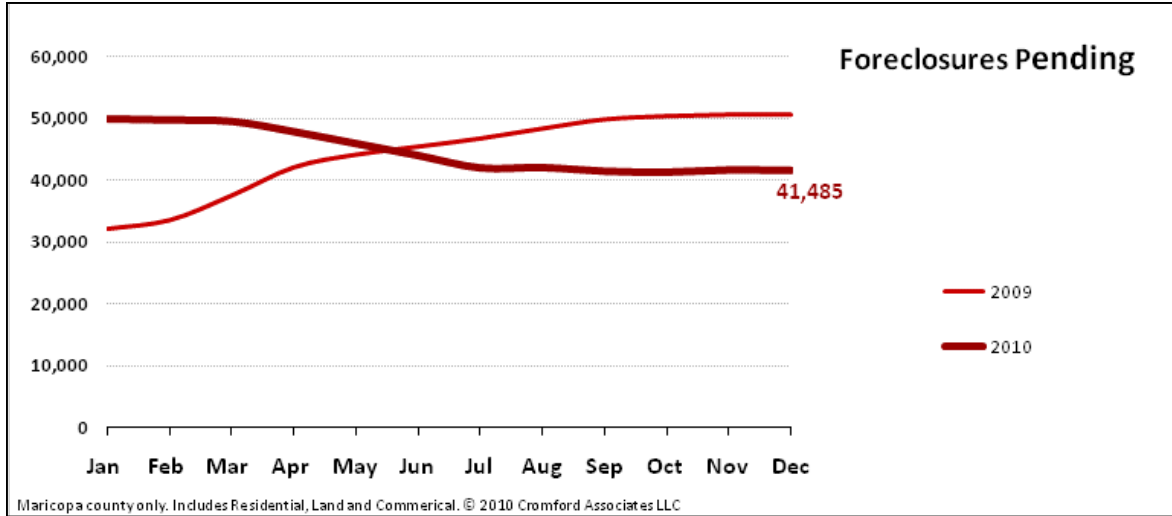
The three month predictions for Median Sales Price for January, February and March are \$115,000, \$112,000 and \$110,000 respectively, indicating continuing downward pricing pressures well into the first quarter. Likewise, Average Sales Price predictions follow a similar downward forecast for January, February and March of \$159,400, \$158,200, and \$145,800 respectively.

Downward pricing pressure in the Valley is influenced by the large, steady supply of homes (42,463) and the disproportionate percentage (69.6%) of Distressed Sales relative to the Total Sales.



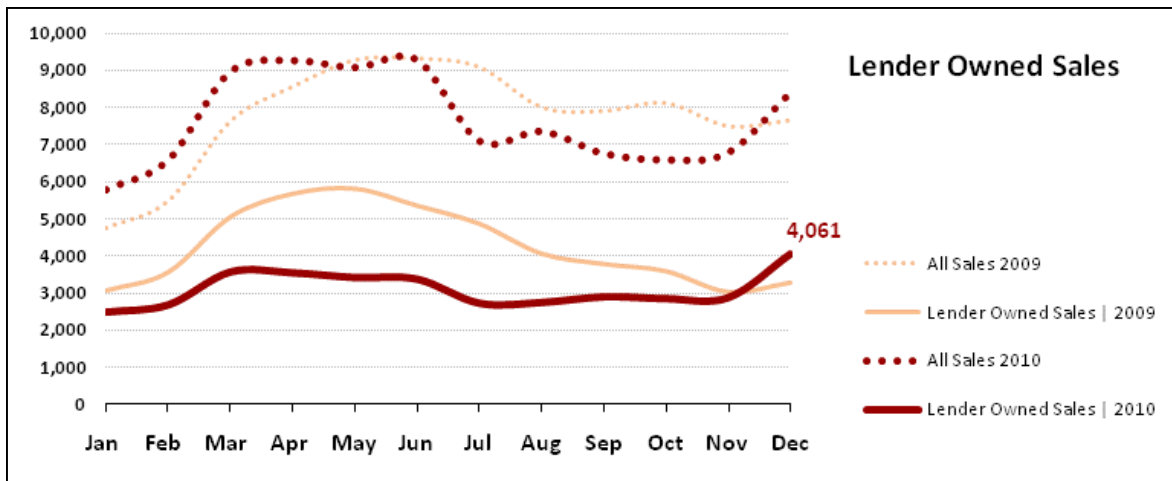
FORECLOSURES PENDING

Foreclosures Pending for December (41,485) is right below the July-November average of 41,603. The trend line for Foreclosures Pending has remained relatively flat since July, hovering between 41,203 and 41,958.



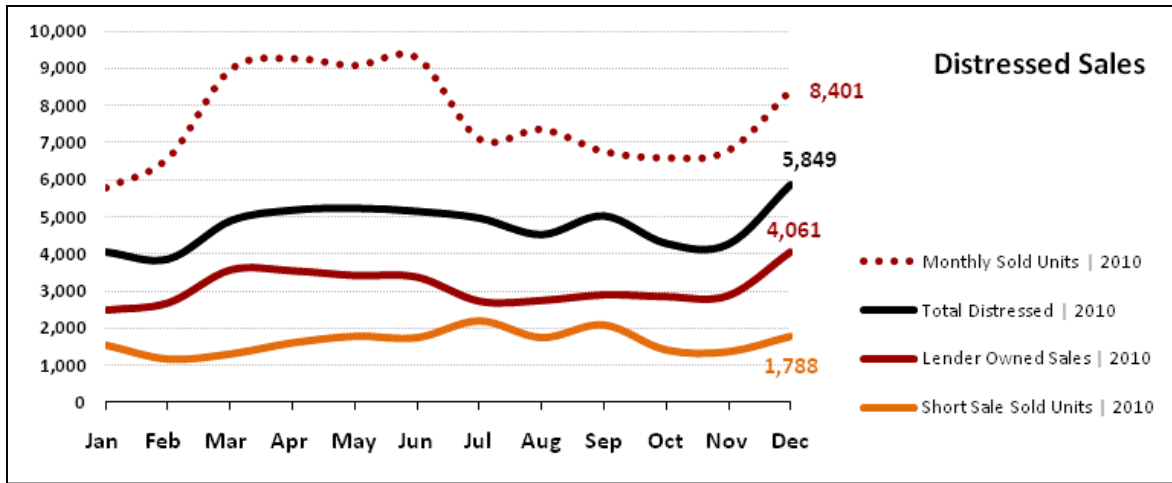
LENDER OWNED SALES

Lender Owned Sales for December (4,061) increased by 1,172 sales from November, representing the highest month over month change all year of 40.57%. December’s Lender Owned Sales accounted for 48.3% of the total December Sales, representing the highest percentage of total sales for all of 2010, spurred by Buyer/investor motivation to close and lender incentive to clear inventory from their books all before January 1.



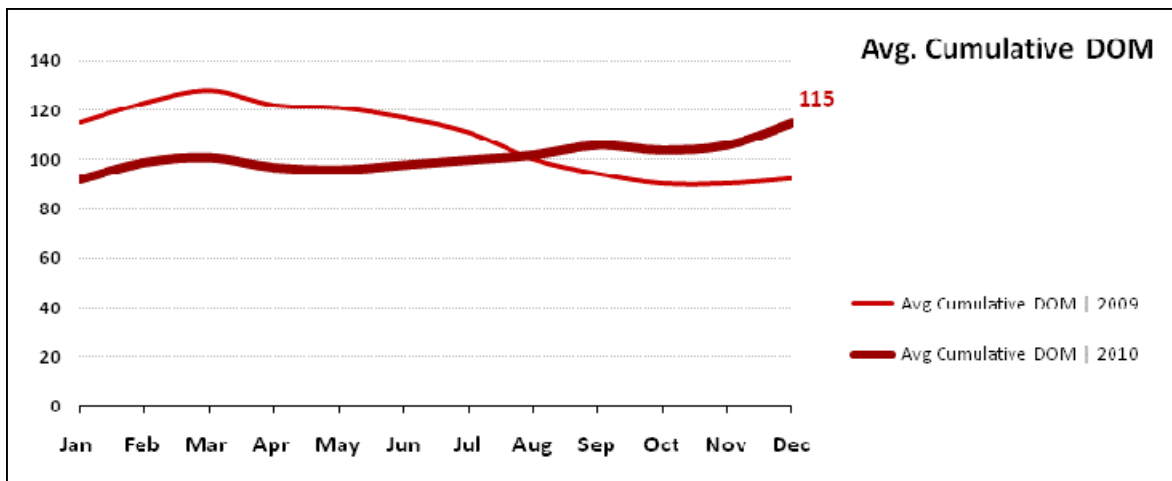
DISTRESSED SALES

December's Distressed Sales (5,849), a composite of Lender Owned Sales and Short Sales, accounted for 69.6% of Total Sales (8,401), and were well above 2010's monthly average of 4,665, or 62.18% of Total Sales. The December Short Sale component of Distressed Sales saw a 31.3% rise in number of units sold to 1,788 over November's 1,362. Short Sales accounted for 21.3% of Total Sales in December. Clearly, distressed properties continue to drive the market and exert downward pressure on pricing.



AVERAGE DAYS ON MARKET

Average DOM finished 2010 at 115, which included an additional 23 days added over the course of the year. This was a 25% increase to DOM since January (92 days). Despite a slight drop in April (97) and May (96), the Average DOM trend line for 2010 was upward, a typical response of a market in over supply.



COMMENTARY

STAT reports mixed news for December. The increase in Total Sales in December along with a drop in New Inventory is welcome news. Also, the decline in Months Supply of Inventory to 5.05 signals a market trying to balance itself. Yet, despite these positive signs, the negative downward pressure on pricing continues. Trend lines for both median and average List and Sales Prices have declined since January 2010, despite an occasional upward move during the course of the year. In addition, the average Days on Market rose five out of the last six months to 115 days in December, and the predictions of the ARMLS PPI indicate more downward pricing pressure coming in the first quarter.

The Valley still struggles with housing vacancies as a result of the housing bubble and effects of immigration legislation. According to the U.S. Department of Housing, based on a survey by the U.S. Postal Service, the Phoenix-Mesa-Glendale area shows 91,687 vacant residential addresses, a 4.9% vacancy rate which historically has been in the 1.5% range.** This glut will have to be absorbed before normal supply and demand can return.

Not surprisingly, the return to a balanced market with healthier pricing trends will be slow in coming. Two key stabilizing metrics that will reverse the downward trends are net migration into the Valley and more jobs. Net migration into Maricopa and Pinal Counties through October is 2,873* which is in effect negligible. However, the most recent unemployment figure (October) is 8.48%, dropping for the fifth month in a row.*

Net migration into the Valley will be influenced by the recovery in feeder markets throughout Arizona and the United States, which in combination have experienced the lowest migration in sixty years. The Economic and Business Research Center, Eller College of Management at the University of Arizona, predicts modest improvement in 2011, with population and employment rates to grow at less than 2% annually.**

The latest National Association of REALTORS® figures show that the national Pending Homes Sales Index rose again in November with the broad upward trend over the past five months, indicating a gradual recovery into 2011.*** As other markets thaw and activity heats up, more potential homebuyers from feeder markets become available to take advantage of the Valley's affordable housing, the silver lining to the downward price pressure cloud. The underpinning of net migration and employment metrics have seen gains, although small, in the Valley, Arizona and/or nationally: leveling of foreclosures pending in Maricopa County, addition of jobs in the employment services sector, upward trending of manufacturing healthcare and social services jobs, growth in solar and biotechnology industries, etc. are harbingers of recovery to come.** The year 2011 holds promise, and positive gains, however modest, will pave the way for a brighter real estate future eventually.

*EBR DatabaseOnline

**<http://azeconomy.eller.arizona.edu/>

***http://www.realtor.org/press_room/news_releases/2010/12/pending_gradual