

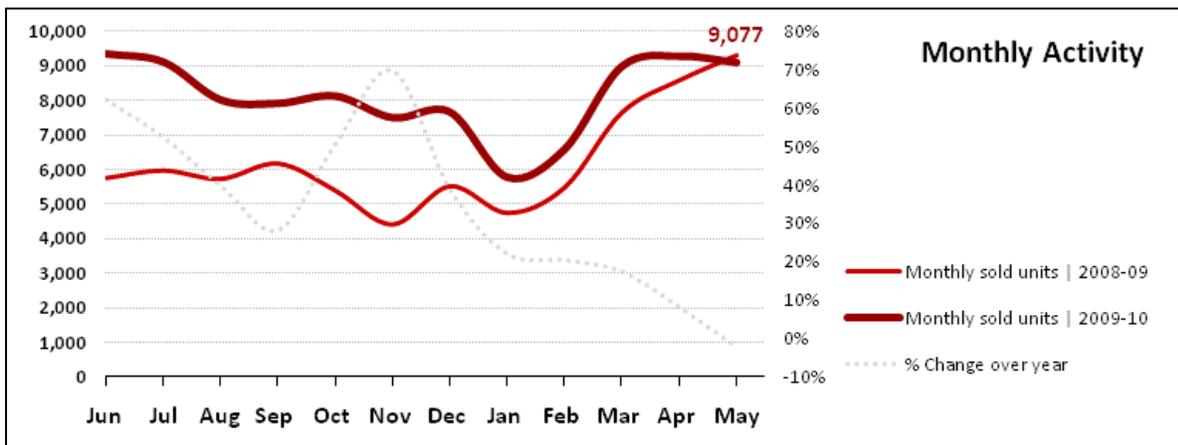


SALES Month over Month

Sales continue on a strong pace over the past three months. May sales of 9,077 represent a slight dip (2%) from April sales of 9,306. This trend follows a typical spring seasonal upswing pattern in sales activity. Nationally, sales, according to NAR's most recent figures (April), show a gain of 1.52% year to date.

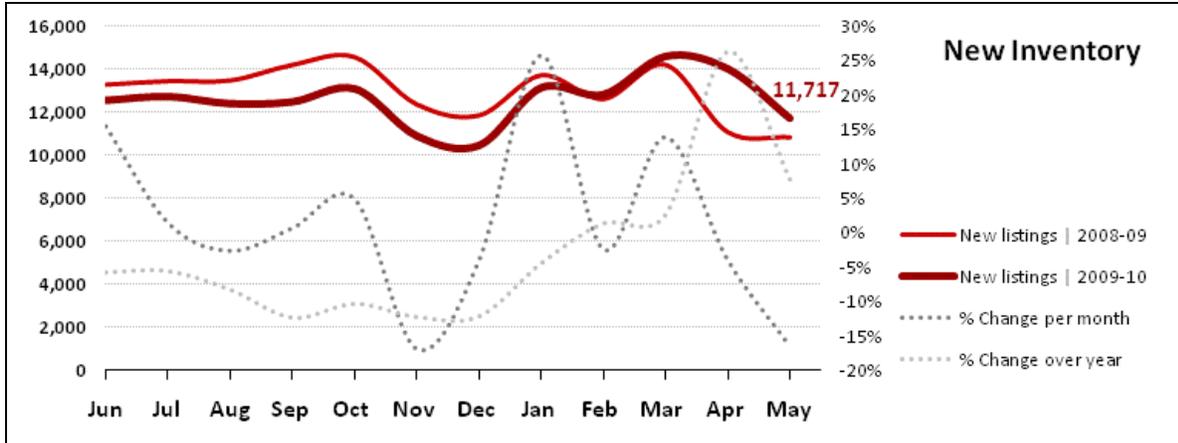
SALES Year over Year

Sales for May 2009 and May 2010 were virtually the same, a first for any month over the last twelve. Last year the trend lowered in June after the spring upswing, only to remain flat through the summer and take a plunge in November. The 2% dip in sales from April to May could be reflective of this pattern repeating itself, but no other economic indicators signal that this April to May 2010 dip is the beginning of a downward trend.



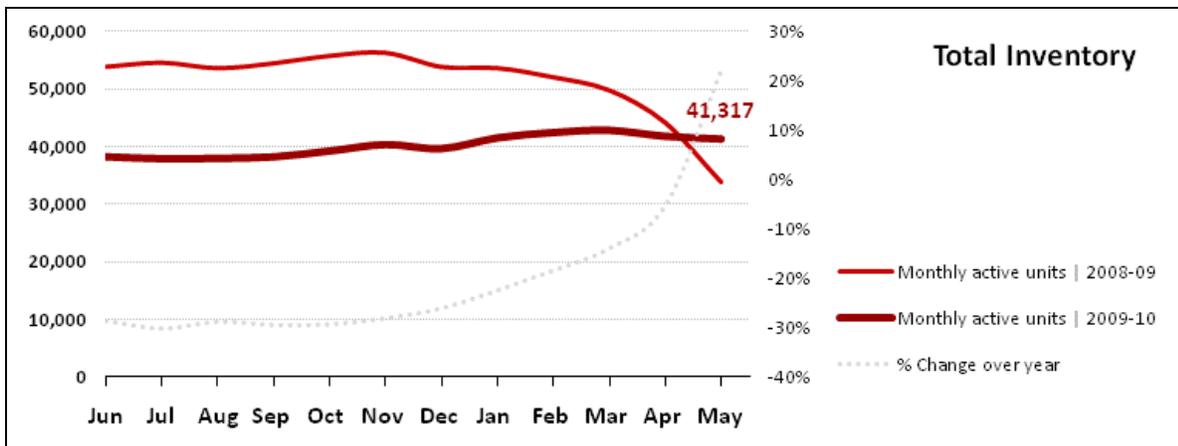
NEW INVENTORY

New residential inventory declined from 13,871 in April to 11,717 new listings in May. The reduction in new listings added to the market since March represents a healthy decline. Such a pattern affects the supply and demand ratio, which directly influences pricing. The downward trend may stay on course, or perhaps be affected by Sellers who will take advantage of the summer selling season to test the market.



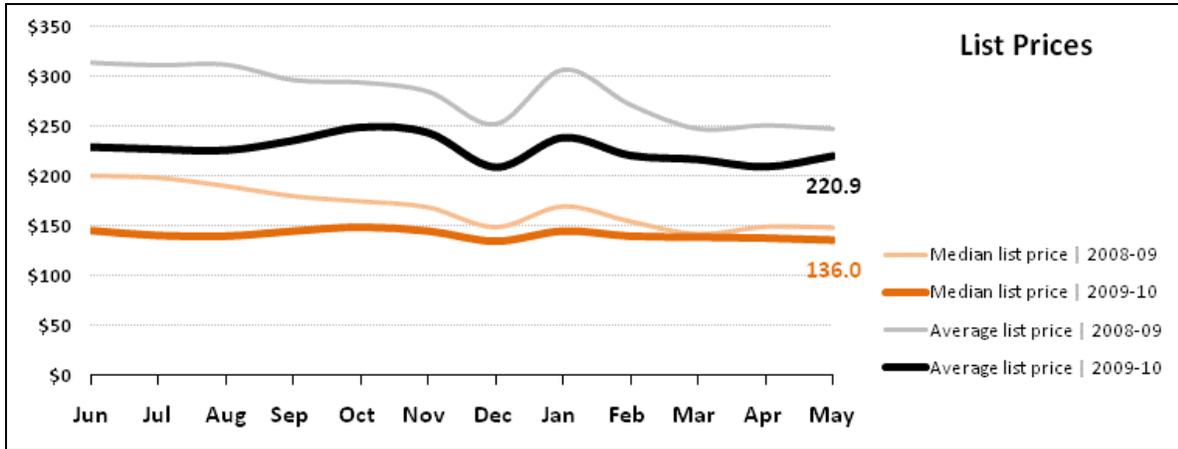
TOTAL INVENTORY

As new inventory is declining, total residential inventory remains high with total residential inventory at the end of May at 41,326 units compared to 39,902 in May 2009. The total inventory trend remains relatively flat over the past twelve months, hovering below 40,000 twelve months ago to just above that level presently. Year over year it appears that total inventory for 2009-10 is stalled relative to 2008-09. However, the 2008-09 inventory had hit an unprecedented number close to 60,000, too high not to realize a sizable decline eventually.



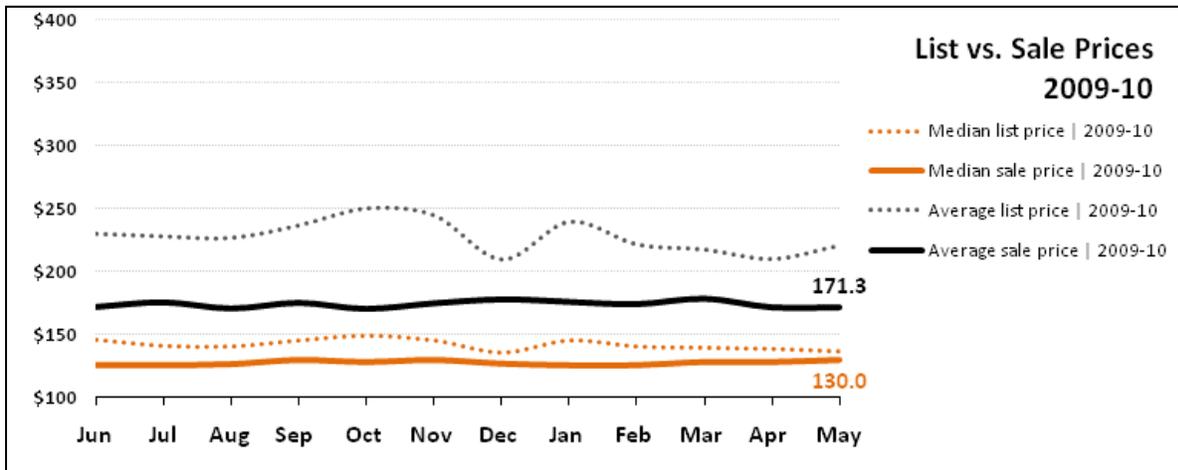
LIST PRICES

The average list price in May was \$220,900 which is a small (4%) but positive gain over the previous month. The median list price declined (slightly under 3%) from April to May to \$136,000. The decline in the median price coupled with a rise in the average price indicates that there are more homes in the higher range that are making it to the market. Year over year the median list price remains fairly flat.



SALES PRICES

Average sales price remain virtually unchanged from April at \$171,300. Median sales price for May however shows an increase over April from \$127,500 to \$130,000, an indicator that while additional higher end sales are coming to the market, they are not selling for as high a percentage of their list price as are the more moderately priced units. While not huge, it represents a 2% increase and continues a pattern of year over year price increases.

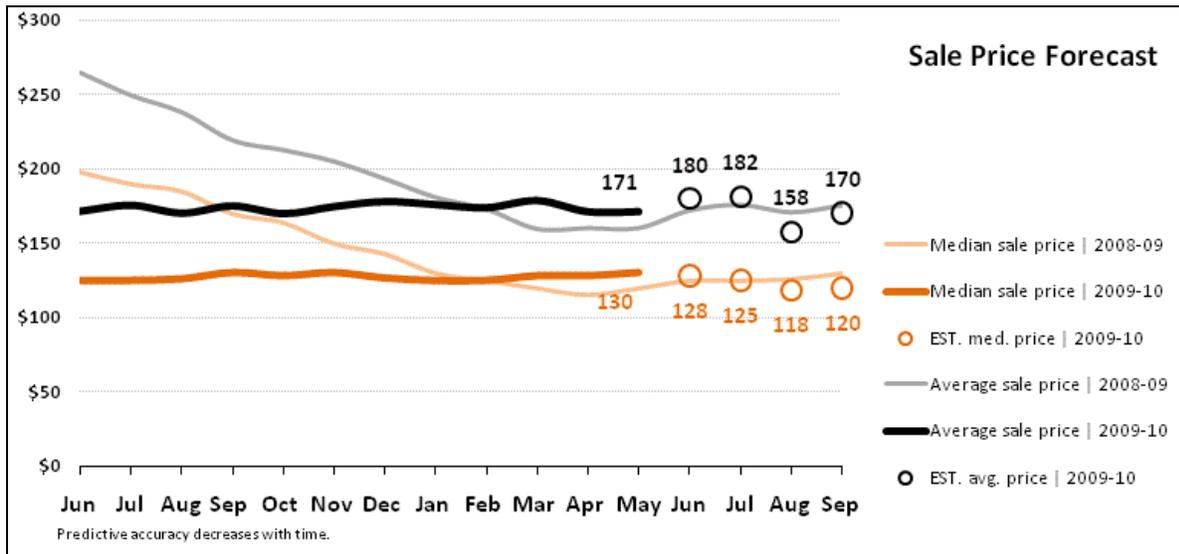


The ARMLS PENDING PRICE INDEX™

The ARMLS PPI™ predicts future average and median prices based on reports of pending sales executed but not yet closed. The ARMLS Pending Price Index is available only through ARMLS, the sole aggregator of pending sales data.

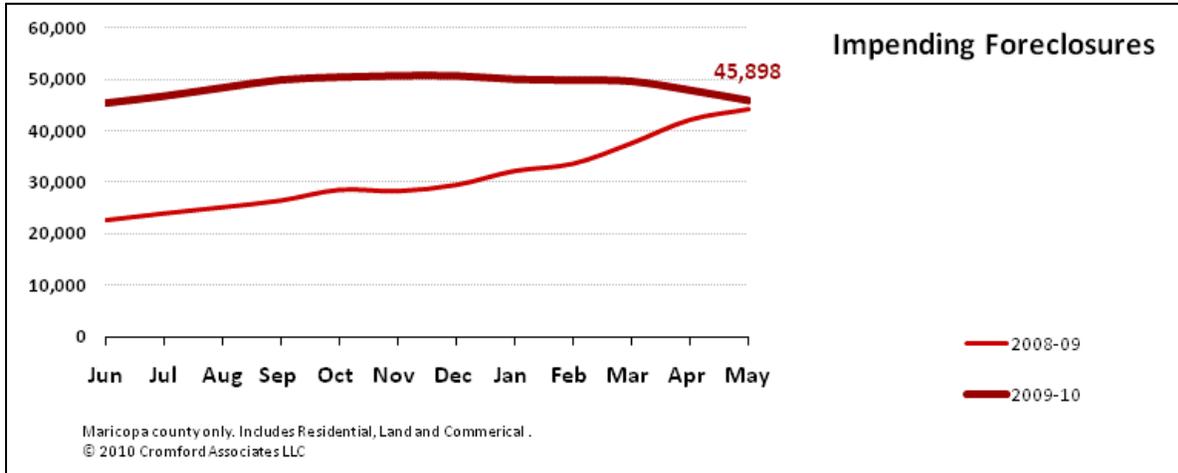
The ARMLS Pending Price Index™ last month predicted that the median sales price for May would be \$128,000. The actual May figure is \$130,000, actualizing the upward prediction from the April forecast. In the near future, the ARMLS Pending Price Index is predicting a slight decline in median price in June, July and August, followed by an upward tick in September. The average price predicted last month for May was \$173,000, and in actuality was \$171,000.

The average sales price trend predicted by the ARMLS PPI™ for the rest of the summer shows an uptick for June and July, a decline in August with an uptick again in September. Note that predictive accuracy declines the further into the future the prediction is made.



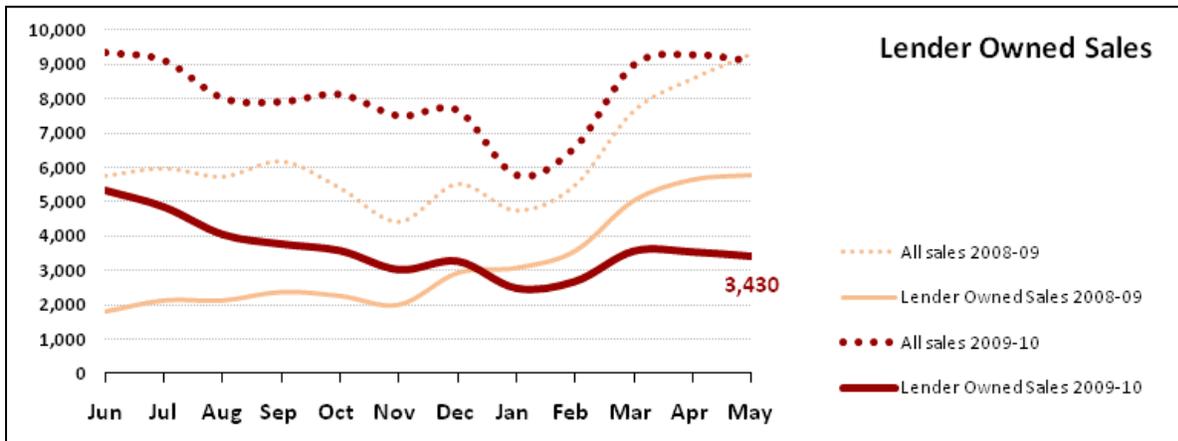
IMPENDING FORECLOSURES

Impending Foreclosures for Maricopa County for all property classes (residential, land and commercial) was 45,898 at the end of May. This represents a steady, yet slight downward trend since March. In contrast, the previous year's (2008-09) impending foreclosures were on a significant upward trend from June 08 through May of 09. While the downward trend for the last three months is a good sign, it should be noted that the overall number of impending foreclosures is higher than at any time the previous year.



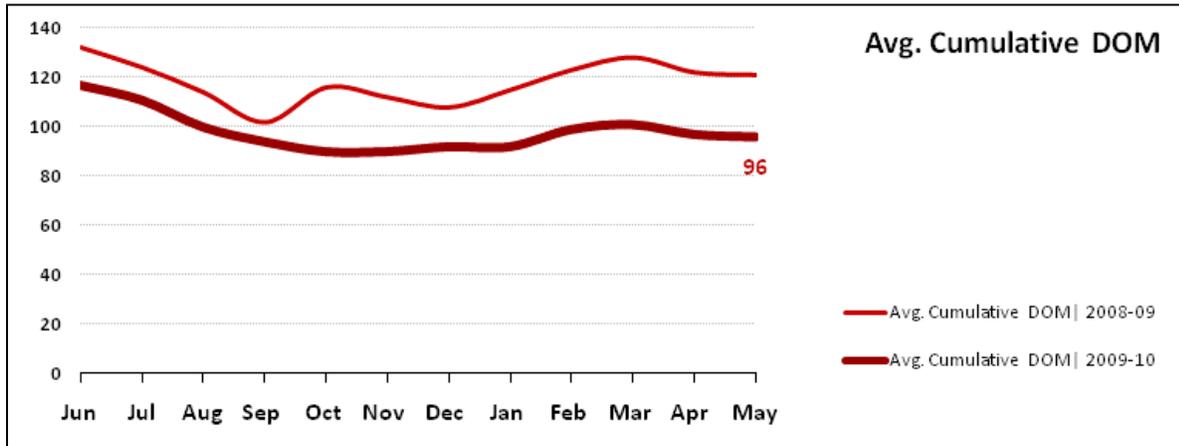
LENDER OWNED SALES

Lender owned sales (residential), which is sold inventory that the banks have taken back from the original borrowers, was at 3,430 in May, representing a much lower percentage (38%) of the overall sales in the market. This contrasts with the lender owned percentage of overall sales from a year ago of 62%. Clearly, the market is going in the right direction. As the lender owned percentage of overall sales declines, the influence of these distressed properties on median and average sales price also declines, inching us closer to a healthy market.



AVERAGE DAYS ON MARKET

The average days on market (residential) in May, declined one day from April, to 96, showing only a modest decline and perpetuating the downward trend which started in March. Over time as the days in market decline, the absorption of excess inventory will increase, nudging us closer to a balanced supply and demand.



COMMENTARY

The Valley housing recovery at present seems content to move at its own deliberate pace, with its monthly gains and setbacks. While a monthly glimpse keeps our eye on the pulse of the recovery, longer term trends speak a more reliable truth. Speculation continues on the effects SB-1070 might have on the housing market. If many homeowners, regardless of nationality and immigration status, decide to sell or abandon homes in expectation of negative economic and social impact of this new law, the tenuous recovery could be undermined.

Signs are apparent that the Valley real estate is gaining ground in its recovery struggle. The decline in new inventory being added to the market hints that Sellers who are not serious are remaining on the sidelines. The sold unit trend has continued to climb since January. The slight dip in sold units from April to May is a somewhat positive sign, since a much greater decline would have seemed logical when the first time home buyer credit went away. Its absence caused very little change in the total sold units.

Most notable is the much lowered percentage of lender owned sales relative to total sales, coupled with the decline in impending foreclosures. The proliferation of foreclosure sales wreaks havoc upon pricing. Thus, a slowing of impending foreclosures which feed the total number of lender owned sales is a trend that signals a future recovery.

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