

July 20, 2010

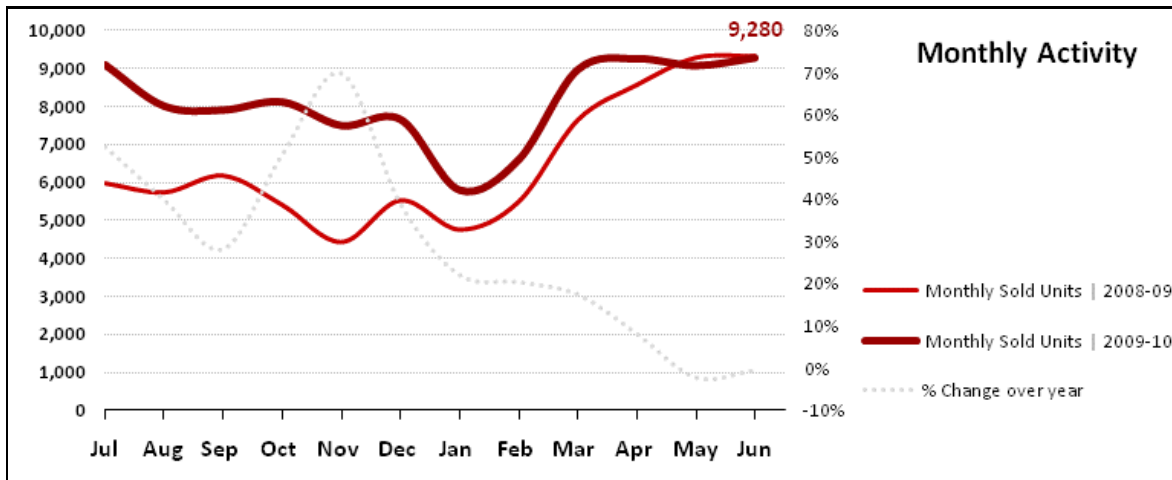


SALES Month over Month

June showed 213 more homes sold than in May, with a total of 9,280 residential units. This continues an elevated sales pattern over five of the last seven months, and is the highest monthly sales total in the past 12 months, and the second highest month since August 2005 (when 10,031 homes sold).

SALES Year over Year

2009 was a banner year in terms of number of homes sold, the third highest on record. 2010 is showing signs of exceeding that figure. Despite NAR's most recent data (May)¹ that indicated a 2.2% decline in existing home sales on a seasonally-adjusted annual basis, the pattern here is just the opposite. Since January, monthly sales have exceeded the previous year's monthly total in five of the six months. If sales continue on the present track, 2010 sales could exceed 100,000, making this the second highest sales year ever, exceeded only by 105,000 in 2005.

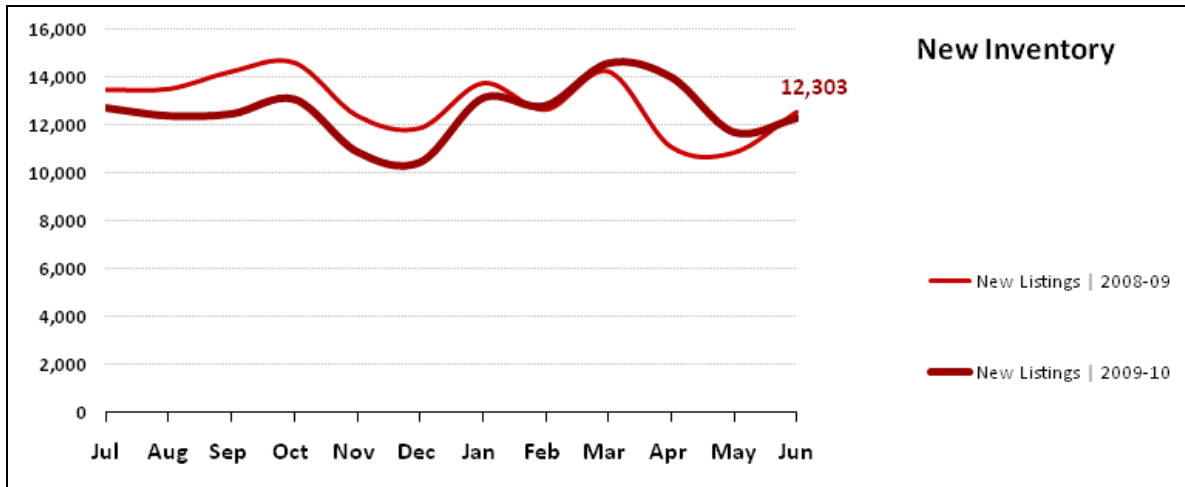


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¹NAR May Sales report - http://www.realtor.org/press_room/news_releases/2010/06/may_strong_pace

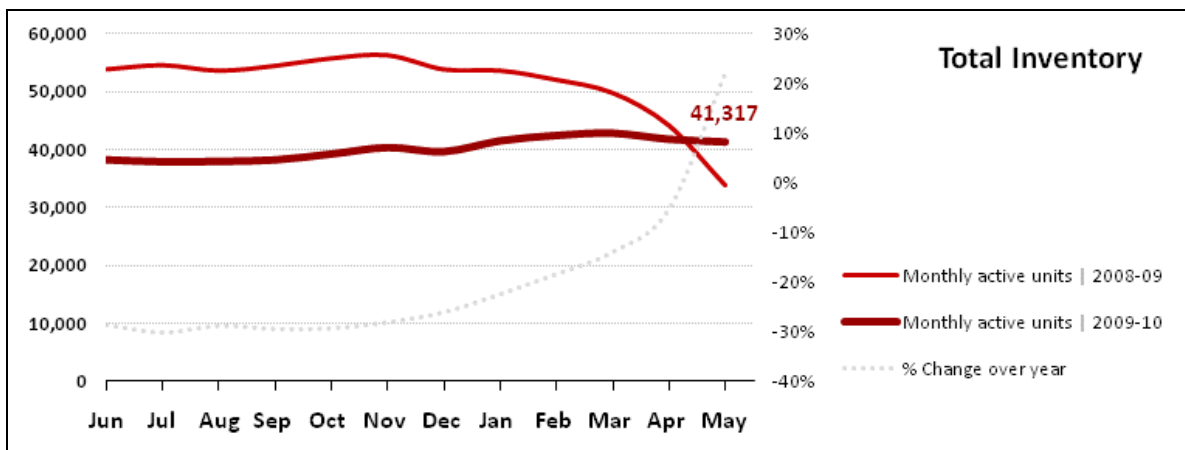
NEW INVENTORY

June showed a 5% increase over May (a bump to 12,303 from 11,717), following the normal seasonal pattern as more sellers show their willingness to test the market during the summer selling season. Overall the new residential inventory for June remains close to the average of 12,559 new listings per month that has continued over the last 12 months. But June's total is also the lowest for any June since 2004.



TOTAL INVENTORY²

Total residential inventory for June (41,869 units) rose only slightly from the preceding month (41,317). This includes the 5% increase in new listings in June.



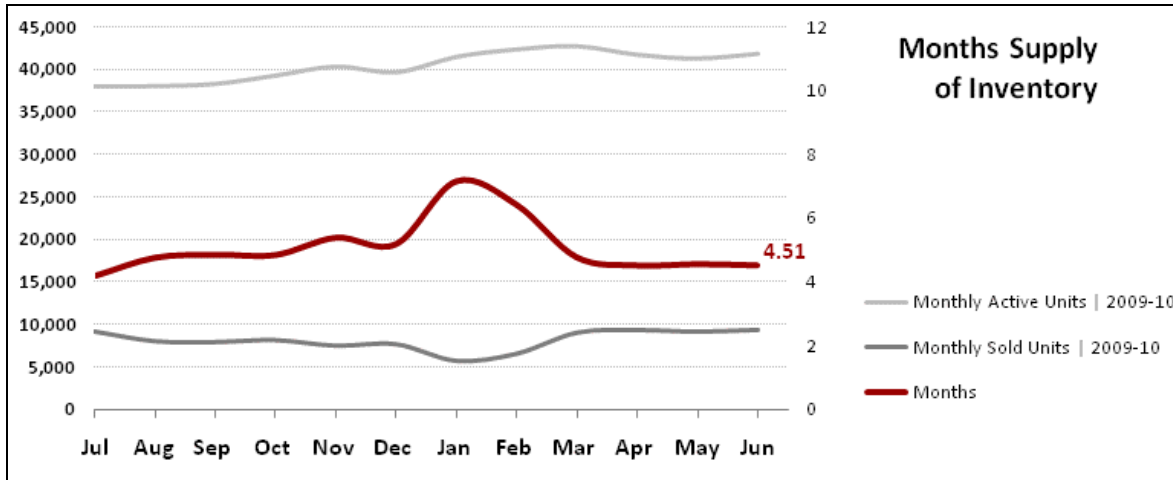
²Total active listings are pulled from flexmls on the 10th of every month.

MONTHS SUPPLY OF INVENTORY (MSI)

This metric is a new addition to STAT. It is a macro level look at how long it would take to absorb the current active residential inventory. It divides the total residential active units by the number of sold units in a given month to estimate how many months supply of inventory (MSI) exists in the market as a whole.

Over the last four months, MSI has stayed in the narrow range between 4.77 and 4.51 months. Normal convention holds that MSI less than 5 months indicates a seller's market, while an MSI equal to 5-7 months is a balanced market, and an MSI exceeding 7 months equates to a buyer's market.

This is a look at the residential MSI for the entire market and is not representative of smaller niches. For example, the MSI for the higher price ranges far exceeds the 7 month threshold of a buyer's market. Likewise, residential inventory at the low price end moves much more quickly than the 4.51 reported in June. Over time though, the MSI for the entire market can serve as a barometer of overall market health. Nationally, current NAR reports indicate an 8.3 month supply of inventory³.



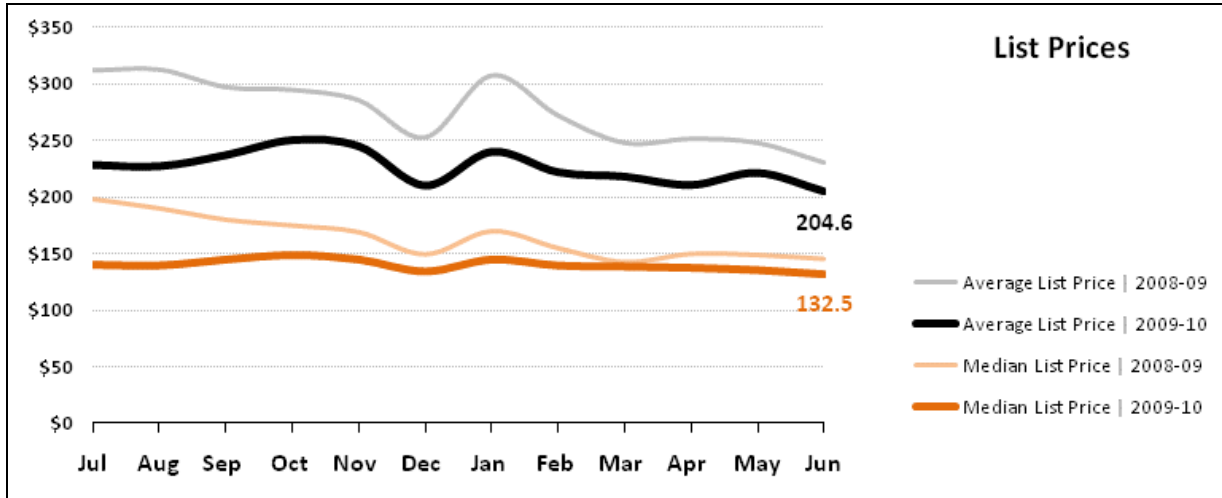
³NAR May Sales Report - http://www.realtor.org/press_room/news_releases/2010/06/may_strong_pace

LIST PRICES

After a short burst of optimism in May when the average list price (\$220.9K) rose by 5% over April, the average list price in June declined to \$204.6K and set a new low record for the decade, eclipsing the previous low mark of \$209.7K set last December.

Likewise, the median list price declined in June to \$132.5K from May's \$136K and set a record for lowest median list price since current reports have been tallied (January 2001).

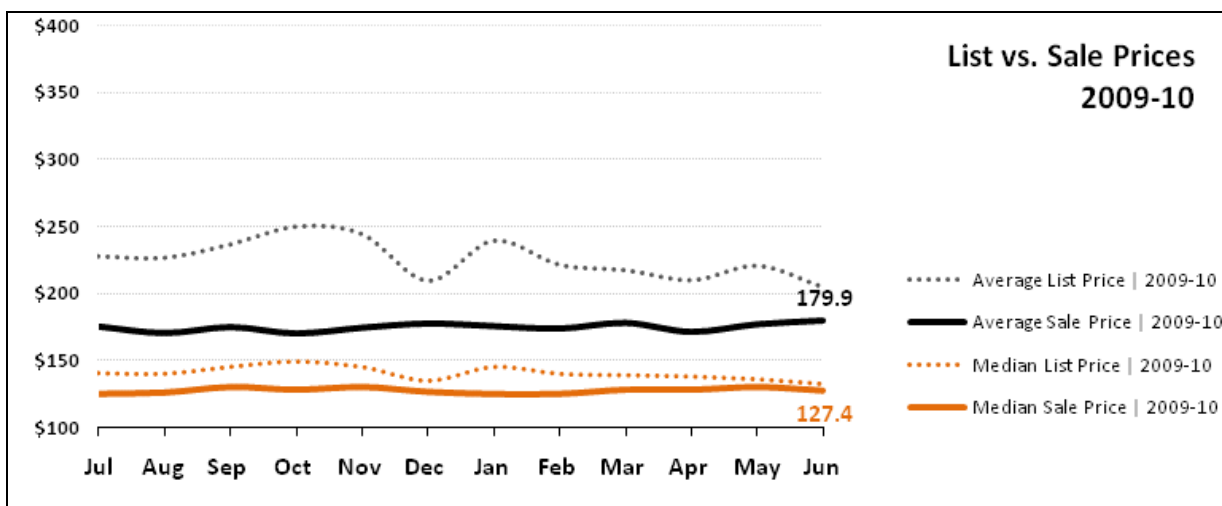
Both numbers reflect a decline in prices of 3 to 7%, reversing the trend of the last three months that saw the rate of decline slow over previous months.



SALES PRICES

As predicted by the ARMLS Pending Price Index™ last month, the June Median sales price declined 2.6% from \$130K to \$127.4K while the Average sales price increased 1.6% to \$179.9K from \$177.1K in May, a slight upward trend that has continued over the last three months. The decrease in median sales price while the average continues to rise, indicates continued upward movement of residential sales prices toward the higher price ranges.

The Average and Median sale prices have now increased year over year for the past five consecutive months reversing 29 and 42 months (respectively) of sometimes double digit declines. Whether this is an indicator of a longer term recovery has yet to be seen, but when looking for a glimmer of good news in the many indicators, sales price would be a good place to concentrate.



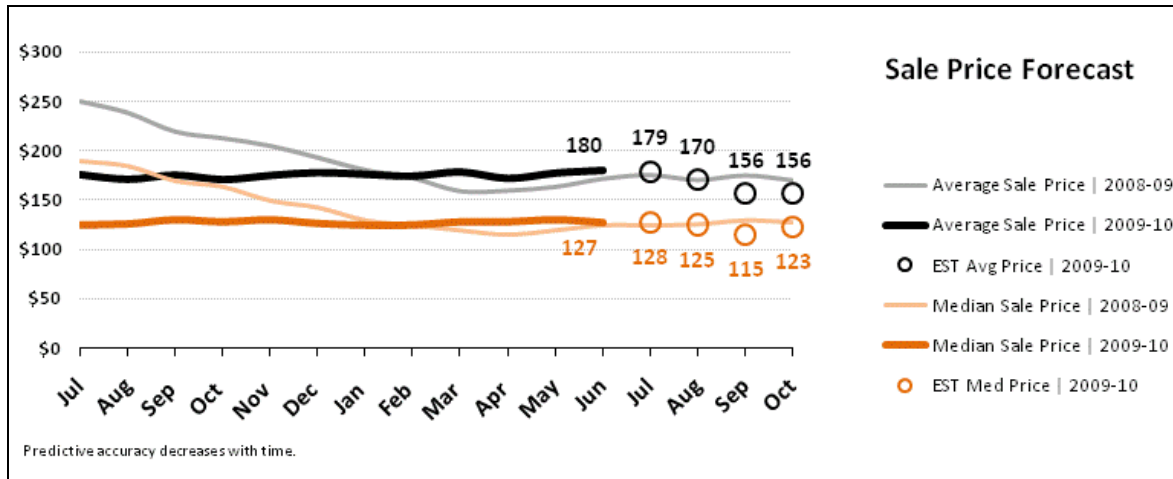
THE ARMLS PENDING PRICE INDEX™

THE ARMLS Pending Price Index™ (PPI™) is a predictive market tool exclusive to ARMLS. The Index uses pending sales data from the Arizona Regional MLS system to predict Median sales price and Average sales price three to four months into the future. This information is only available through ARMLS the sole aggregator of pending sales data.

Pending sales data predict that the average price will drop slightly in July to \$178.6K and continue downward at a steeper rate in August (\$170.3K) and September (\$156.4K) then level out in October. The Median sales price shows more volatility rising fractionally in July and then falling back a bit in August (to \$125K) and more in September before recovering in October.

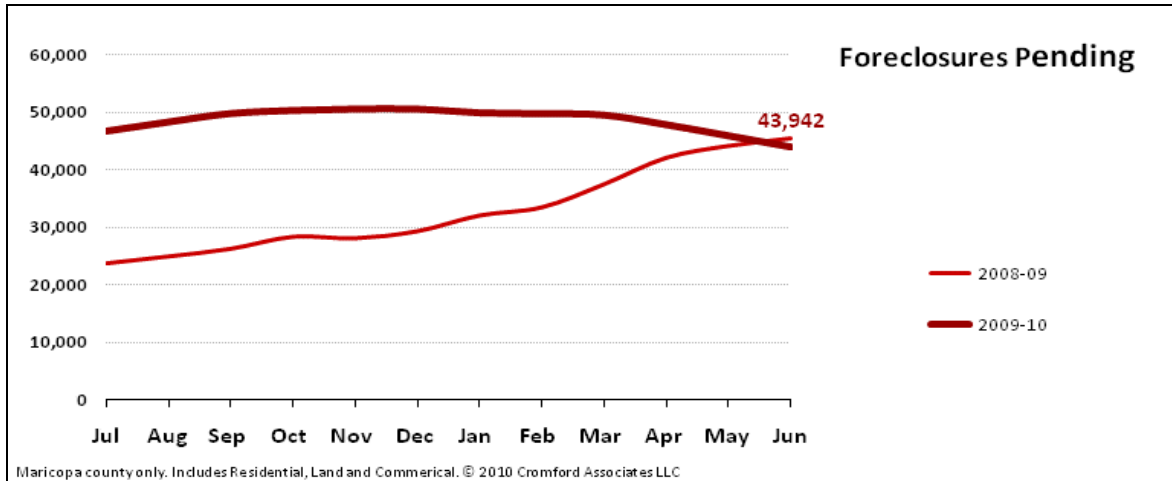
If the predictions holds true, the Median price for September would be the lowest in the preceding nine years. The accuracy of the ARMLS PPI™ diminishes the further into the future the prediction are made because the sample size diminishes with time.

Overall, the Median and Average sales prices have remained relatively flat over the previous 12 months with only small monthly fluctuations. The market appears to be in a stable pattern although it is prone to slight dips indicating that the recovery is still tentative and subject to many outside economic factors.



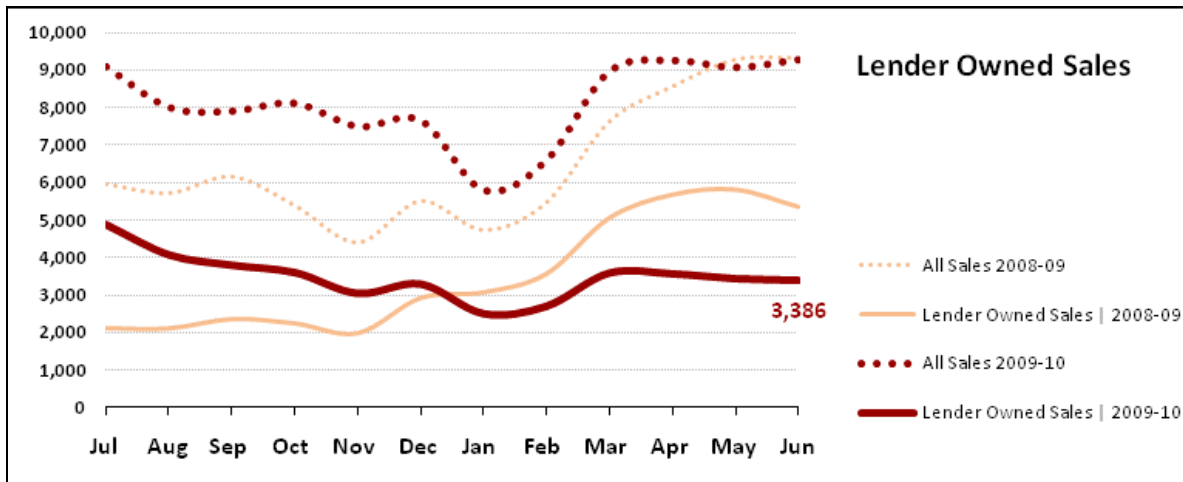
FORECLOSURES PENDING

Foreclosures pending in all property classes continue the downward trend of the last three months to 43,942 in June. It is unclear though if this pattern is reflective of greater lender success in expediting workouts with distressed owners to avert foreclosure, or is due to impaired lender capacity to initiate and process foreclosure inventory, due to inadequate resources. In any event, the downward trend of pending foreclosures is a welcome sign of progress toward a more normal market.



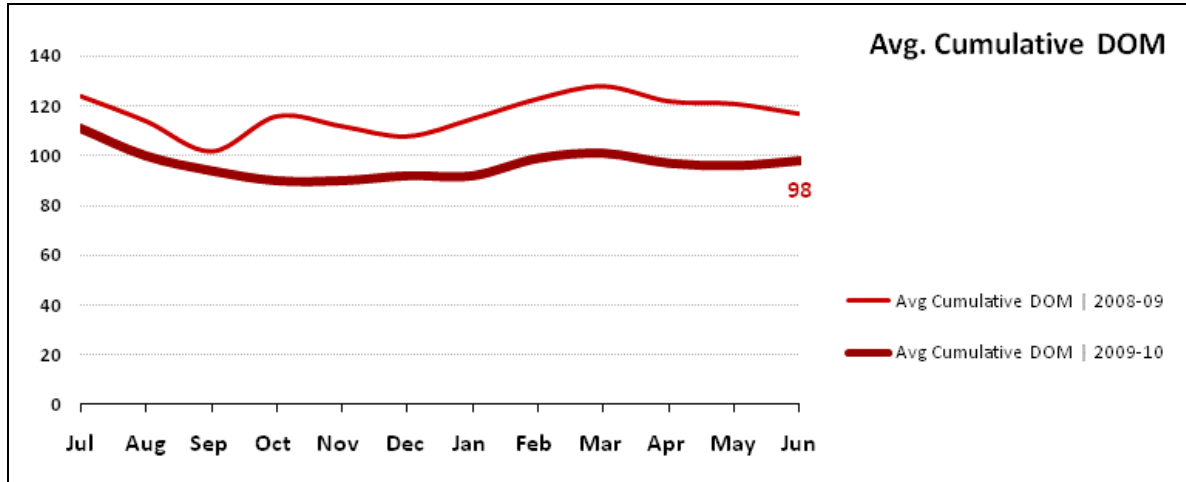
LENDER OWNED SALES

Lender owned sales have declined each month for the past 18 months when measured as a percentage of all residential sales. From January to April 2009 the percentage was 65-66%. This month it was only 36%, nearly half of the year ago figure. As the new FNMA and Freddie Mac Home Affordability Foreclosure Alternatives (HAFA) program is implemented, the market may expect to see the trend of lender owned sales as a percentage of total sales continue to decline. The impact of HAFA is yet to be realized but a positive impact could lead the way by example for other non-FNMA and Freddie Mac lenders to alter their policies regarding distressed home owners.



AVERAGE DAYS ON MARKET

June showed a two day increase over May in the average days on the market to 98. The days on market figures have held relatively steady over the last eleven months, fluctuating slightly between 90 and 100 days. The prevailing pattern of average market times tracking proportionally to list price continues, as homes priced below \$150,000 sell in less than 60 days while those over \$750,000 are taking months rather than days, on average, to sell.



COMMENTARY

The market recovery remains steady albeit tentative. Patterns established over the last three months have shown only slight fluctuations. Much of the sales data over the last several months has been fueled by the first time buyer tax credit which is no longer available. Many of those tax credit sales have yet to close.

Congress did not foresee that the extended length of the contract-to-close period for first time home buyer tax credit sales would place many of these closings in jeopardy. Their extension of the closing date of the tax credit sales to September 30 should retain closings in the sold inventory totals which might have been lost had the date not been extended.

In addition many market observers remain optimistic that the effects of the new government program, HAFA, a last resort for many home owners facing foreclosure, will reduce the number of lender owned sales. HAFA aims to address many of the complaints surrounding short sale and deed in lieu of foreclosure transactions. Timing of solid market recovery is directly related to the removal of distressed properties, i.e., lender owned and short sales candidates, from the active residential inventory.

Particularly noteworthy is the market wide month supply of inventory (MSI) at 4.5 months. While this figure does not give relief to properties at the extremes of the price range spectrum, it is a barometer of market health which as recently as December was in the 7.4 month range.

ARMLS staff provides this commentary on the market as fact-based analysis, not as opinion or editorial positioning. Your comments are welcome and opposing viewpoints on interpretation of the market trends identified in STAT are welcome. Send your comments to communication@ARMLS.com.