

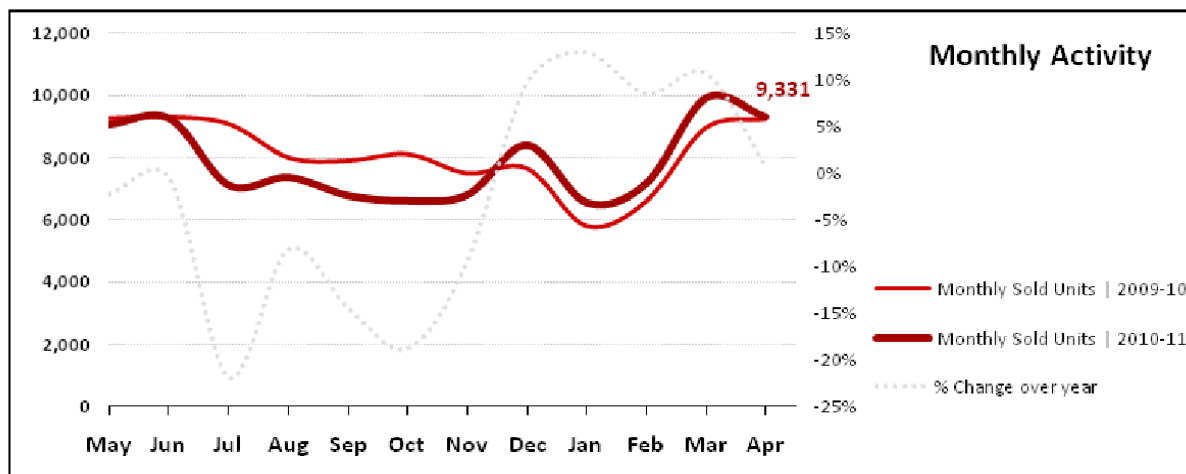


SALES Month over Month

Sales fell 6.1% to 9,331 in April, 602 below March's 9,933 sales. While the March figure was the highest in the last five years, April's lower number is still positive news.

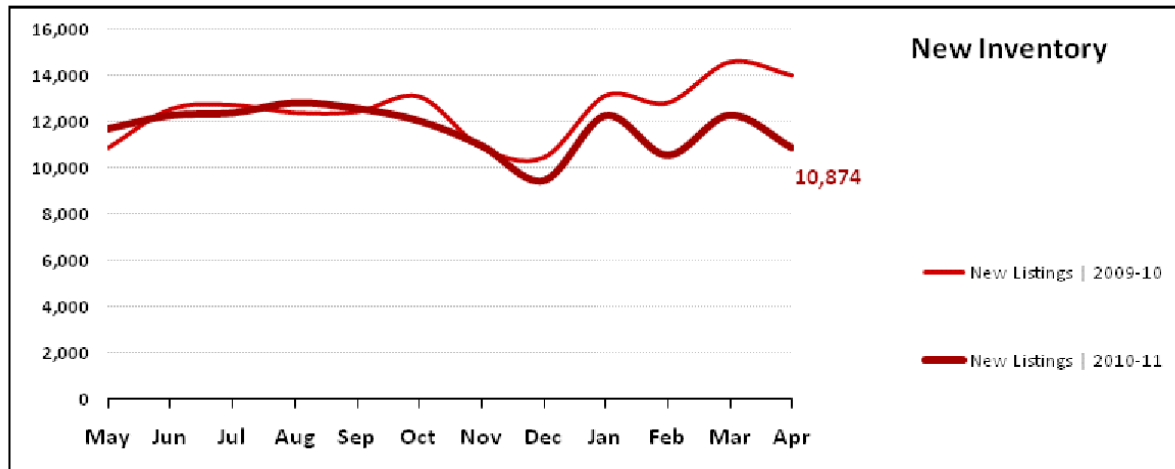
SALES Year over Year

Sales were up only .8% over April 2010. Still April had the ninth highest sales figure of the decade. Review of the last twelve months shows year over year declines from May through November 2010 over May through November 2009. However, in December 2010 the trend reversed showing year over year gains from December 2010 through April 2011.



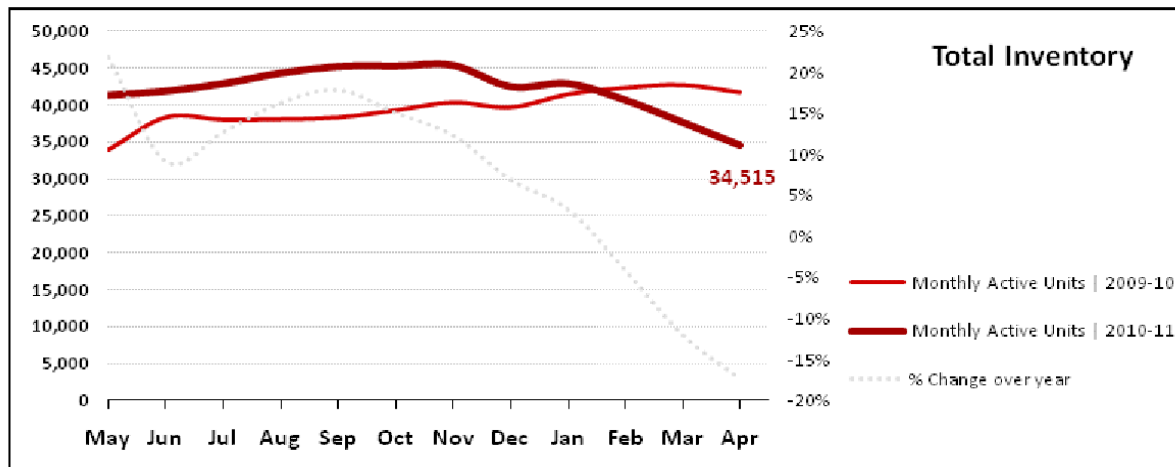
NEW INVENTORY

Following the wave pattern of new inventory which started in December, April added 1,438 fewer new listings to the market than March. The 10,874 new listings added in April is 11.7% lower than March, and 22.5% lower than April 2010. A slowing of new inventory added to the market each month tilts the supply toward a more balanced market, and in the current market context is seen as a positive metric.



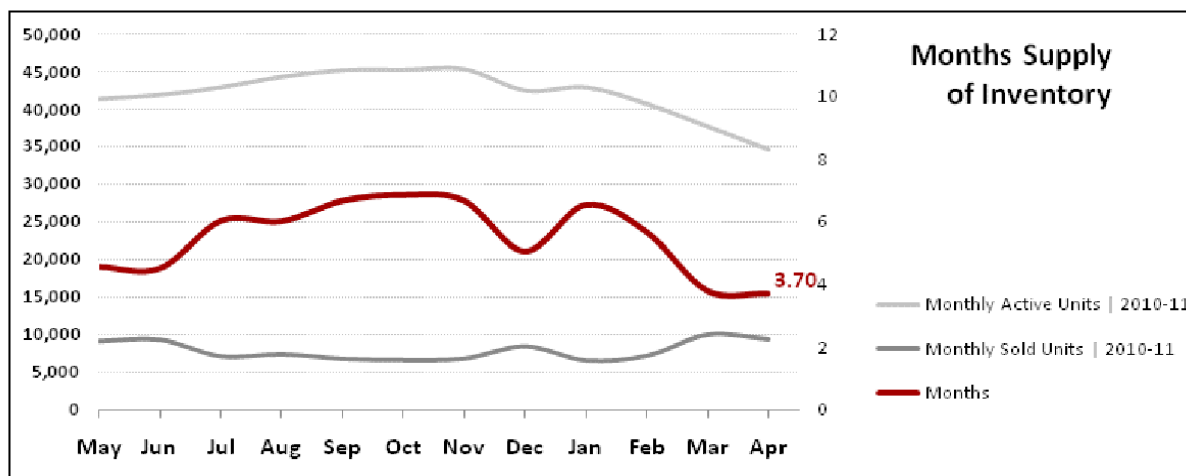
TOTAL INVENTORY

The good news is the downward trend line for total inventory started in December and continued in April at 34,515. This represents a 8.3% drop since March, an 18.7% decline since the downward trend began in December, and an overall 17.3% year over year decline. April's total inventory figure is the lowest since the May 2009 figure of 33,902. This decline in total inventory is seen as positive for the supply and demand balance.



MONTHS SUPPLY OF INVENTORY (MSI)

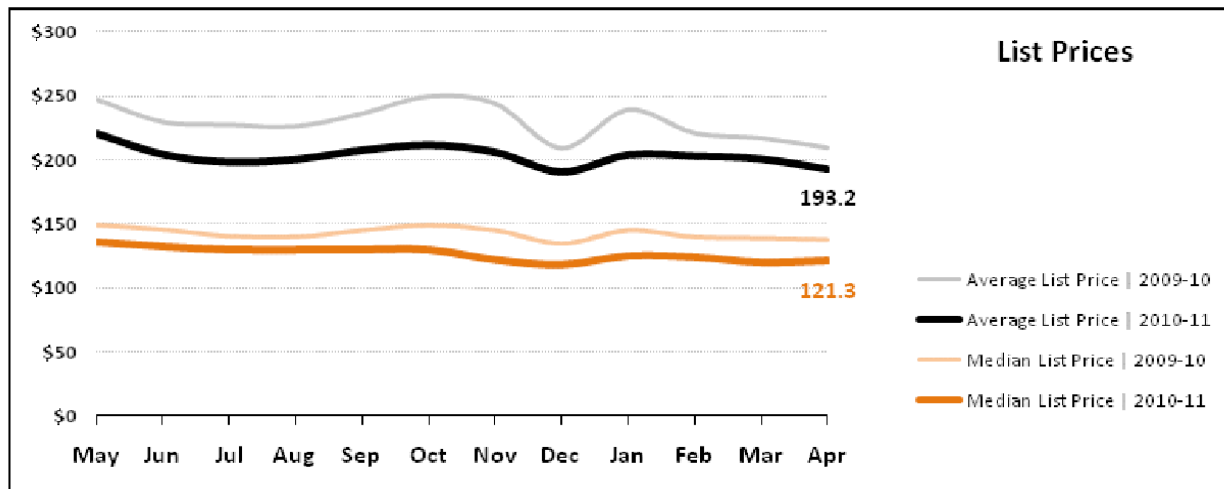
MSI dropped from 3.79 in March to 3.70 in April. This is the second month in a row that the MSI has been under four. MSIs above six are indicative of a buyer’s market, and exert downward pressure on pricing. MSIs between four and five are typically seen as balanced, where supply and demand are close to equilibrium. MSIs below four are viewed as seller’s markets, and exert upward pressure on pricing. April’s MSI figure is a positive indicator. MSI as calculated for STAT is a macro look at the entire market and should only be used as a barometer of overall market health. Smaller niche markets will have their own specific MSIs, and are a more reliable measure of supply and demand in smaller geographic areas.



NEW LIST PRICES

Median new list price remained almost level, increasing only 1.1% over last month to \$121,300 in April. The April figure is a 12.1% decline from April 2010. The January 2010 through April 2011 median list prices represent the sixteen lowest median list prices of the decade.

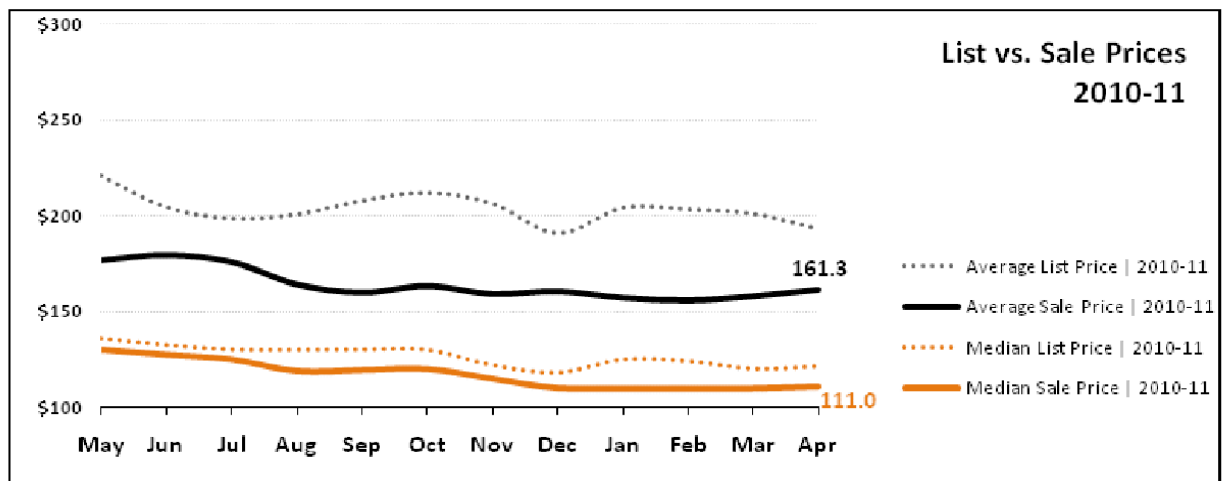
Average new list price fell 3.9% from last month to \$193,200. This is the first dip below \$200,000 since December's \$191,000. April's average list price is the second lowest of the decade. Overall both the median and average list price trend lines have remained relatively flat since November 2010.



SALES PRICES

Like the new list prices, median and average sales prices have shown only minor movement. Trend lines for both median and average sales price remain relatively flat. The April median sales price at \$111,000 has fluctuated only \$750 since December.

The average sales price rose slightly (2.2%) in April to \$161,300. The April average sales price is the ninth lowest of the decade, only \$5,692 above the decade low of \$155,605 in February 2010. All in all, median and average sales prices remain low, with the overall changes in median sales price of -6.7% and average sales price of -1.7% since August.



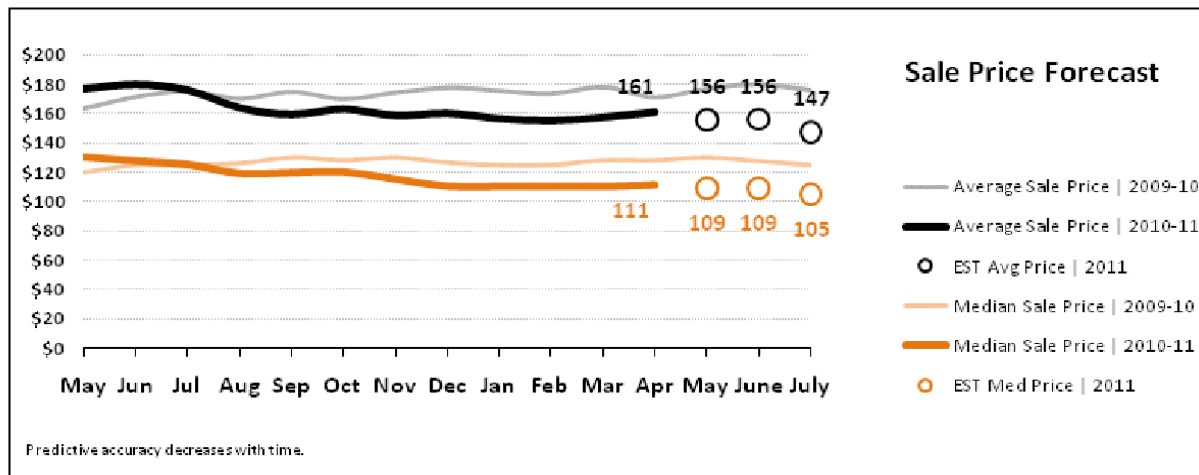
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index™ (PPI) is a predictive tool unique to ARMLS derived from pending properties in the MLS system. It forecasts the average and median sales prices 90 days into the future. PPI's accuracy diminishes the further into the future it goes, as new pending sales are added to the pending pool over time.

Last month's PPI predicted a median sales price for April of \$113,000, missing the actual April figure of \$111,000 by 1.8%. The average sales price forecasted last month for April was \$162,500, only .74% off the actual average of \$161,300.

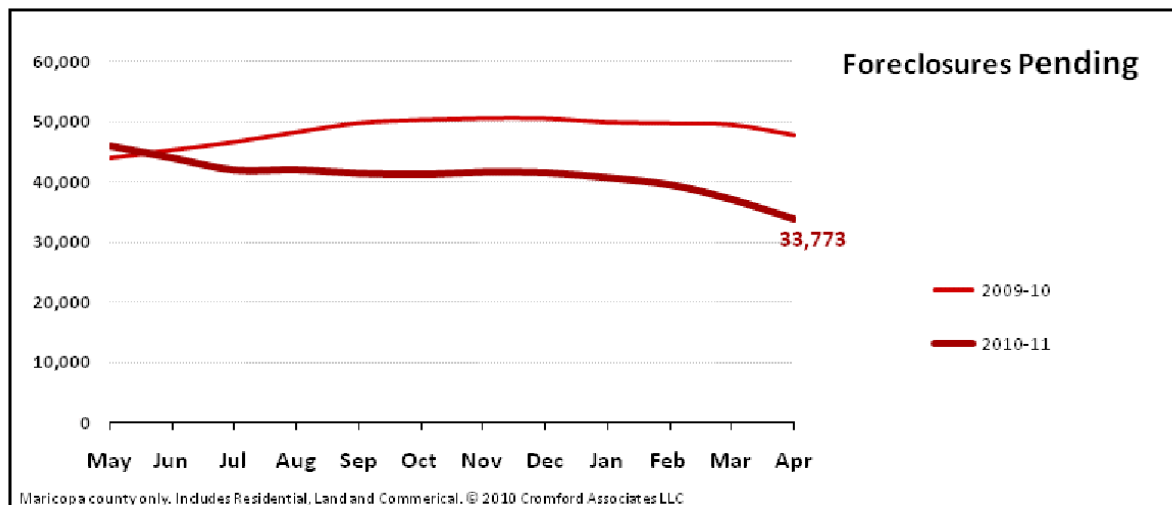
This month's PPI predicts the median sales price to decline to \$109,000 in May, remain at \$109,000 in June and drop to \$105,000 in July. The average sales price is predicted to fall to \$155,600 in May, \$156,000 in June and finally to \$147,300 in July. In the near future, we can expect pricing to remain historically low.

Pricing is a trailing indicator, which will follow movement in other market metrics before it recovers. Supply and demand, and particularly the oversupply of distressed properties as a percentage of total sales, will continue to exert negative pressure on pricing well into the future.



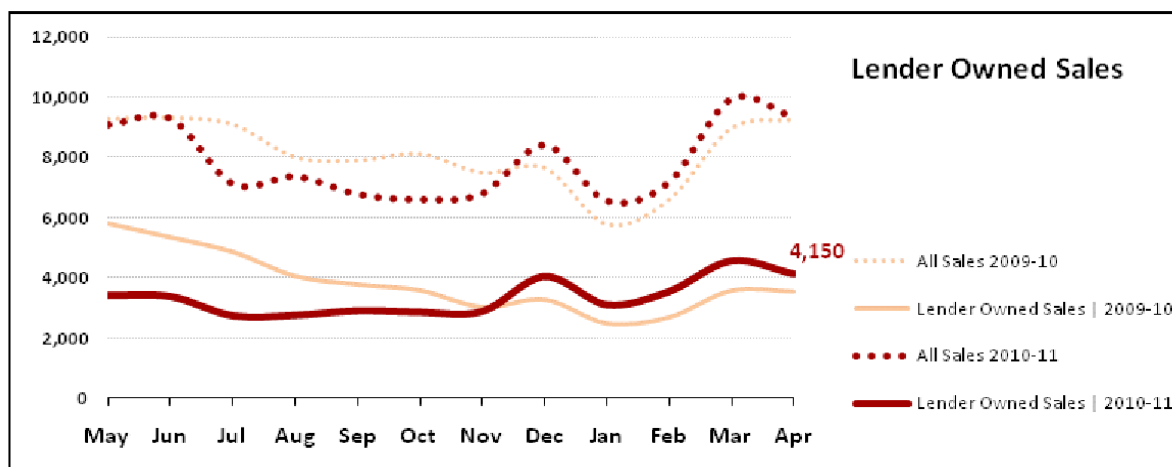
FORECLOSURES PENDING

Foreclosures pending continued on their seventeen month downward trend to 33,773 in April. This represents an 8.8% drop over March, and 33.2% decline from the high of 50,568 in November of 2009. The steady decline in foreclosures pending is good news, even though they remain at elevated levels. Foreclosures pending wend their way into the market as lender owned properties, and eventually become lender owned sales, a large component of distressed properties. Eliminating or significantly reducing distressed property influence is a prerequisite to moving the market prices to healthier levels.



LENDER OWNED SALES

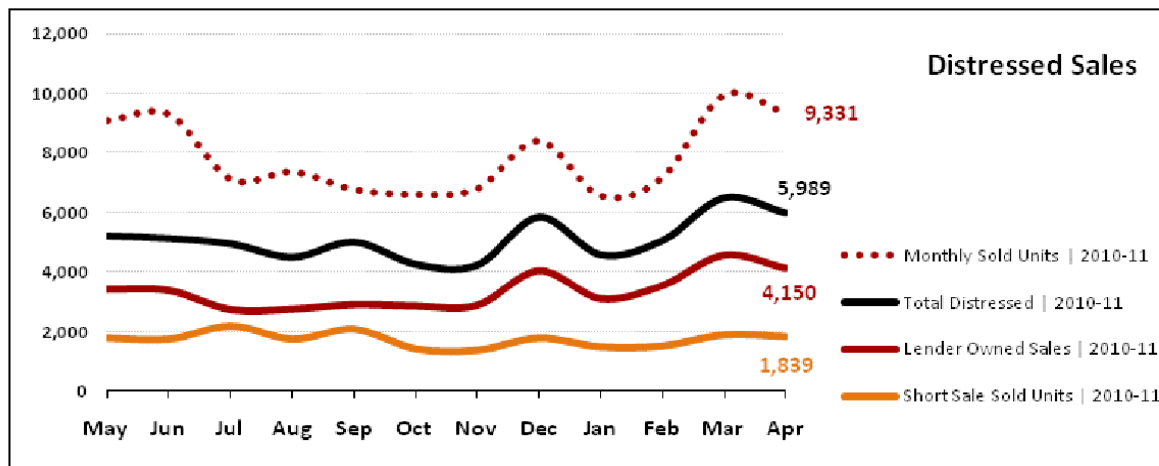
Lender owned sales declined by 436 sales to 4150 in April, down from last month's 4,586. Lender owned sales represented 44.5% of total sales in April, and have been hovering between 43% and 49.6% since September 2010, with the eight month average of 45.7%.



DISTRESSED SALES

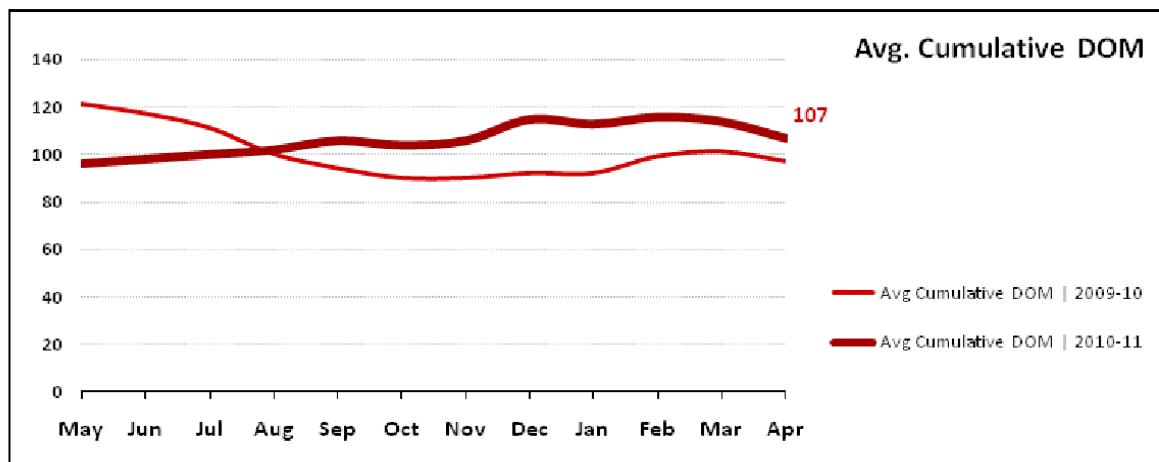
Distressed sales are a composite of lender owned sales and short sales, and their disproportionate percentage of total sales exerts strong negative pressure on pricing. April's distressed sales at 5,989 were 64.2% of total sales. Distressed sales as a percentage of total sales, which hovered around 70% in December, January and February, declined to 65.3% and 64.2% in March and April respectively, possibly beginning a downward trend in the percentage of total sales.

April short sales fell to 1,839, a 3.2% drop from March. Short sales as a percentage of total sales remained relatively unchanged from March at 19.7% for April. The trend line for short sales has remained relatively flat over the past twelve months.



AVERAGE DAYS ON MARKET

After a twelve month high of 116 in February, the DOM fell again in April to 107 from March's 114. Longer days on market exert negative pressure on pricing, so the seven day decline from March is good news. April's DOM is ten days higher than April 2010 figure of 97.



COMMENTARY

May's STAT reports some positive gains, notably the high number of sales, slowing of new inventory added to the market, continued decline in total inventory and foreclosures pending, MSI holding steady below four for the second month in a row and a seven day lowering in the average DOM. Then add to that a decline of 6% for distressed sales as a percentage of total sales from the +/- 70% figures of December, January and February. While these numbers are seen as encouraging, the slow pace of these changes is frustrating. Still no one can argue that the positive direction, albeit slow, is unwelcome.

Other indicators remain relatively flat, namely median and average pricing. While attractive to Buyers, diminished property values are anathema to Sellers who have watched their equities erode. Depressed pricing impedes the pace of recovery, exerting a tight grip on homeowners whose mortgages are "under water", i.e., higher than the current property value. They are frozen in their current housing, unable to sell or purchase another. Pricing, though, is a trailing indicator, and positive gains in other metrics are necessary before prices will rise. When pricing does recover, pent up demand will thaw, leaving those immobilized by upside down mortgages freer to sell and buy.

For months STAT has been watching net migration into the area as well as employment, both of which are keys to market recovery. Net migration in March remained flat with births over deaths attributing to any population increase.¹ Feeder markets, which account for traditional relocations, are also held hostage by the same "frozen" phenomenon that keeps Valley Sellers in their homes.

Jobs will ultimately entice migration into the area. Unemployment for Phoenix Metro Area (Maricopa and Pinal Counties) fell again in March to 8.68%, from the two decade high of 10.05% in January 2010.¹ For the first year since 2007, Arizona is expected to have year over year gains in non-farm employment, .7% in 2011 and 1.4% in 2012. Phoenix Metro mirrors state predictions at slightly higher rates of .9% in 2011 and 1.6% in 2012.²

Total job loss for Phoenix between 2008 and 2010 was 230,000, indicating a long climb back. The Valley is projected to add 42,300 jobs over the next two years with gains mostly in tourism, health care and education.² Announcements over the last 40 days provide evidence of hiring activity in the Phoenix Metro area. CX.com, a Web storage and filing company, has moved its corporate headquarters to Scottsdale and plans on hiring 100 workers by year end.³ The Phoenix office of United Services Automobile Association (USAA) expects to hire 500 this year.⁴ DataSphere Technologies, Inc., which hosts community websites and provides content to existing ones, plans to move to Fountainhead Corporate Park in Tempe, and expects to hire 220 employees in the next several months.⁵ Easy Energy Systems, which manufactures modular devices that produce ethanol, is moving its headquarters and 450 jobs to Phoenix.⁶ Southwest Ambulance, based in Mesa, expects to hire 50 new workers for full time positions for qualified paramedics, emergency medical technicians, billing and collections staff.⁷

Positive signs of market recovery are evident in this month's STAT, although watching it in slow motion can be discouraging. Perhaps the biggest challenge is to keep the faith that the market recovery is inevitable and believe that all we have to do is wait it out.

¹ EBR Database Online

² <http://www.workforce.az.gov/admin/uploadedPublications/Forecast4-28-11.pdf>

³ <http://www.bizjournals.com/phoenix/print-edition/2011/03/18/cxcom-moving-to-scottsdale.html>

⁴ <http://www.bizjournals.com/phoenix/print-edition/2011/04/22/usaa-adding-500-people-at-phoenix-office.html>

⁵ <http://www.bizjournals.com/phoenix/news/2011/04/18/datasphere-technologies-to-hire-220-in.html>

⁶ http://www.bizjournals.com/phoenix/morning_call/2011/04/biofuels-company-brings-450-new-jobs.html