

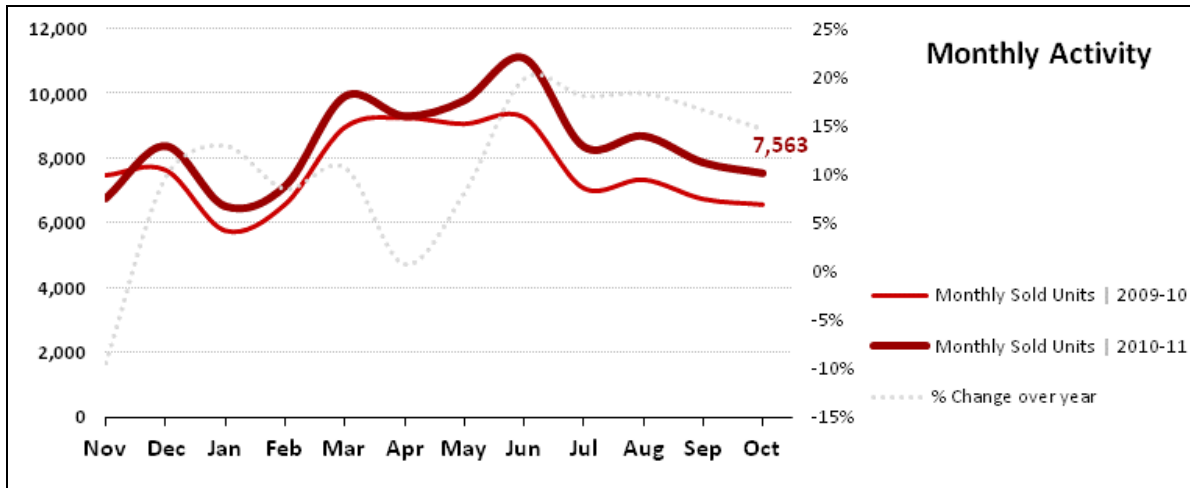


SALES Month over Month

Sales dropped for the second month in a row by 4.2% in October to 7,563. This figure is 11.56% below the previous 11 month average of 8,552 sales per month. Sales have been trending downward since June.

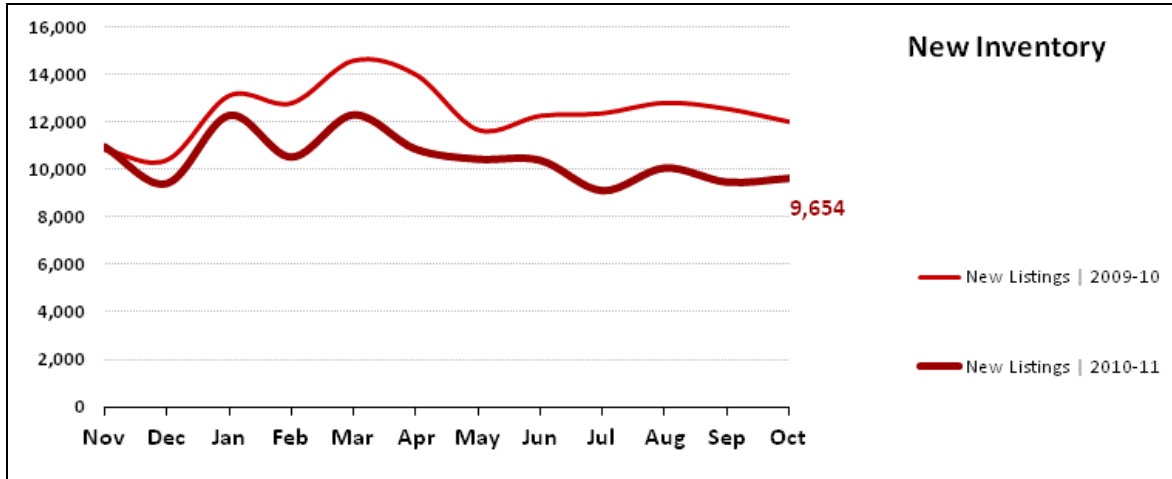
SALES Year over Year

October sales (7,563) were 14.7% above the October 2010 figure of 6,593. Sales fell from September to October in seven out of the previous ten years. Thus the October drop is viewed as seasonally typical.



NEW INVENTORY

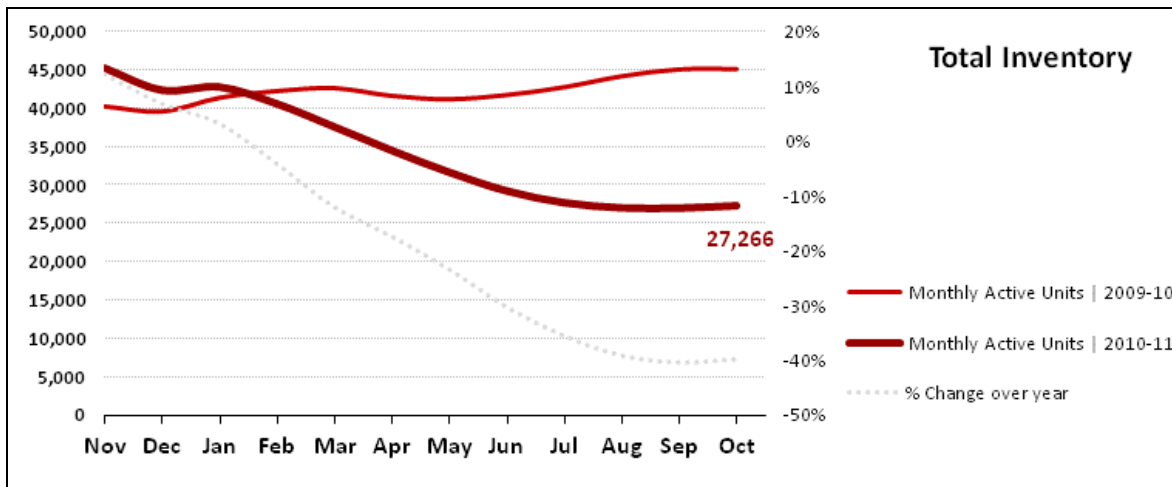
New listings added to the market rose by 1.6% to 9,654. Despite the slight rise in October, the overall new inventory trend line has tilted downward since March.



TOTAL INVENTORY

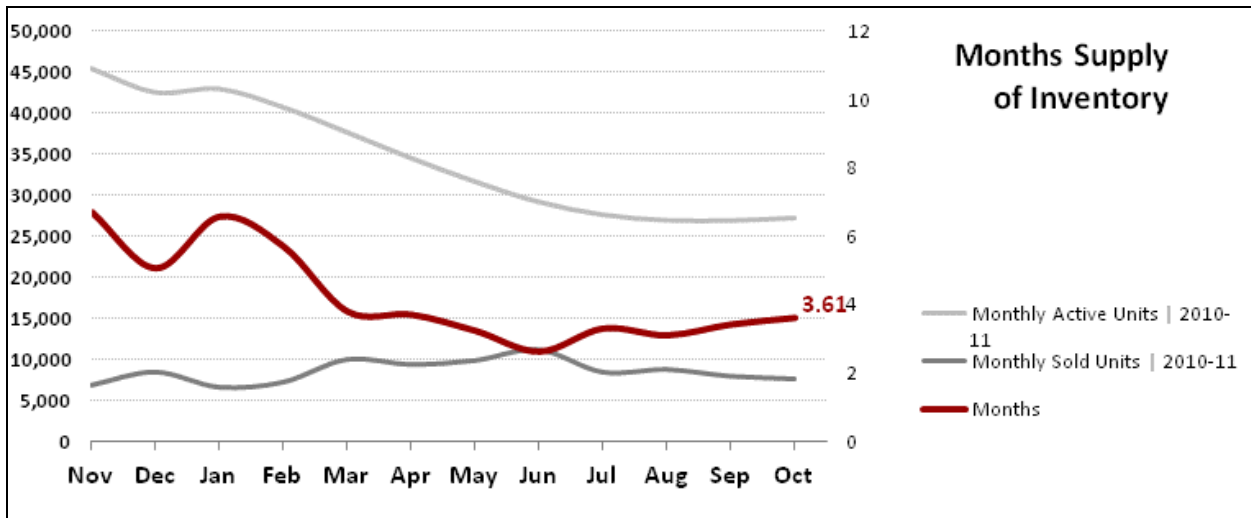
Total inventory rose 1.2% in October to 27,266, breaking the previous eight month streak of declining total inventory. The slight increase in October is only a minimal deviation from the overall downward trend line of the previous 12 months, and 53% below the record decade high of 58,178 in total inventory in October 2007.

The period from January 2002 through May 2004 is now considered by many to have been the Valley’s last normal market. During that period the average total inventory was 26,727. This figure is right in line with the current total inventory, hinting that another of the Valley’s real estate metrics has righted itself.



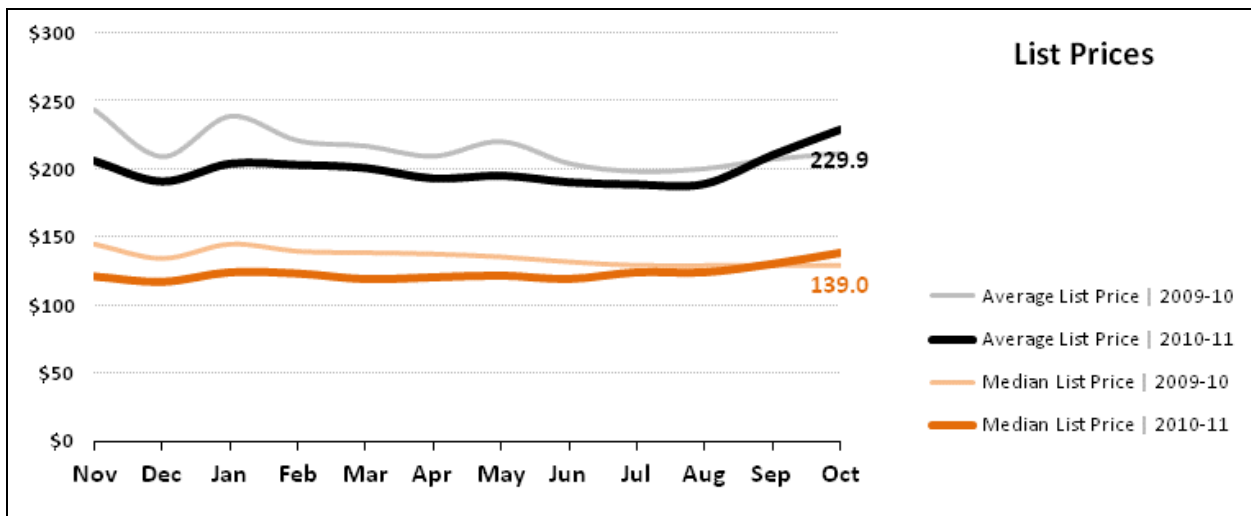
MONTHS SUPPLY OF INVENTORY (MSI)

The market wide months supply of inventory inched up slightly for the second month in a row to 3.61 from September's 3.41. This metric, which trended steeply downward between January and June, has been inching upward since July. It remains, however, below 4, seen as the dividing line between a seller's market and a balanced market. ARMLS views the market wide MSI only as a barometer of overall market health and not indicative of MSI in smaller market niches.



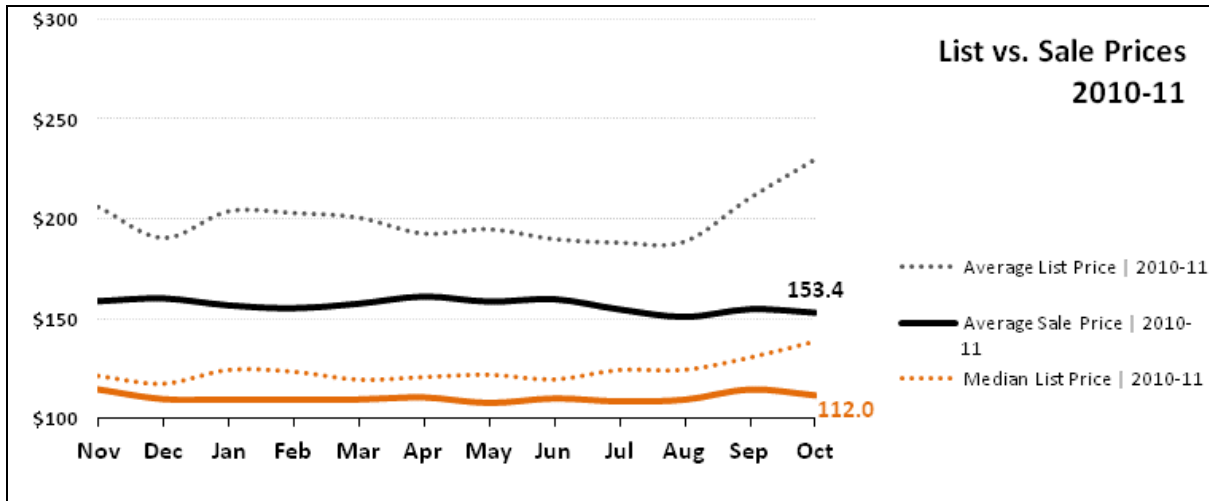
NEW LIST PRICES

The median list prices rose again this month by 6.1% to \$139,000, continuing September's welcome upward tilt. Likewise, the average list price rose 9.1% to \$229,900. This is encouraging since pricing has remained stubbornly resistant to rebound, despite improvement of other metrics over the past year.



SALES PRICES

Sales prices did not follow the upward motion seen in the September. Instead they remained singularly lackluster, with the median falling 2.5% to \$112,000 and the average falling 1.1% to \$153,400. Half of the gains seen in September sales prices were lost in the October figures, continuing the flat lined trend line of 2011. It appears that the Valley's pricing recovery is stalling for time, unfortunately.



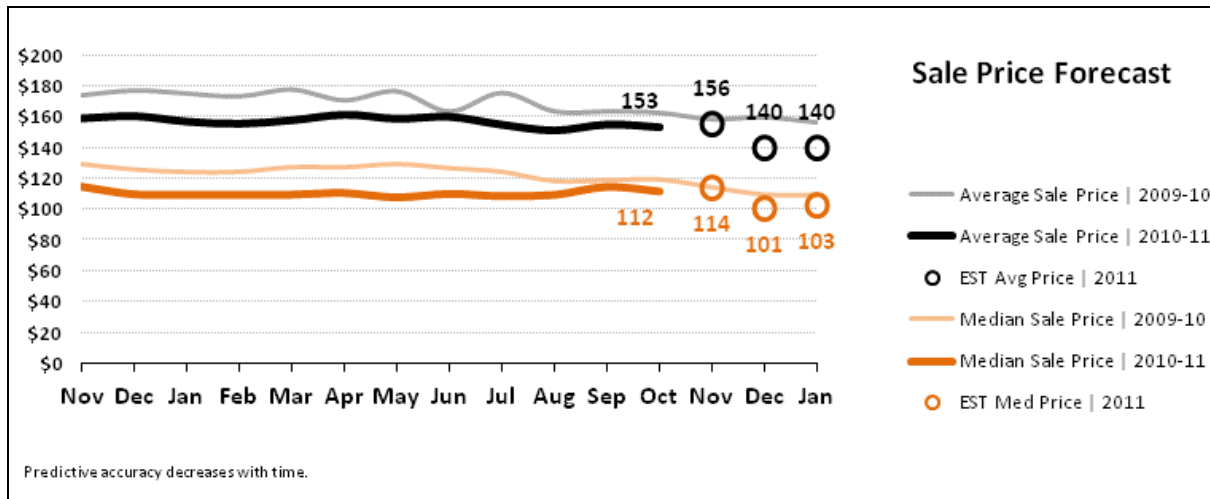
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a forecasting tool unique to ARMLS, which uses the pending sales in the MLS system to predict the behavior of median and average sales pricing 30, 60 and 90 days into the future. While the properties in the pending pool are dynamic, moving within and out of the pool through delays in the contract to close process or cancelations, its value lies in its overall trending which foreshadows pricing recovery or languor. Naturally its predictive accuracy diminishes with time.

In September, the predicted median sales price for October was right on with the actual figure at \$112,000. The actual average sales price for October was \$153,400, .85% above the predicted average of \$152,100.

The PPI predicts the median sales price to rise in November to \$114,000, only to fall in December to \$101,000 and rise again in January to \$103,000. The forecast for the average sales price is a rise to \$156,000 in November, followed by a fall to \$140,000 for both December and January.

Since PPI had been predicting median and average sales prices, expectations for both these metrics have never reached the levels predicted 90 days into the future. It is obvious, however, that pricing trends will remain depressed and that recovery will be in small incremental gains, at least for the near future.

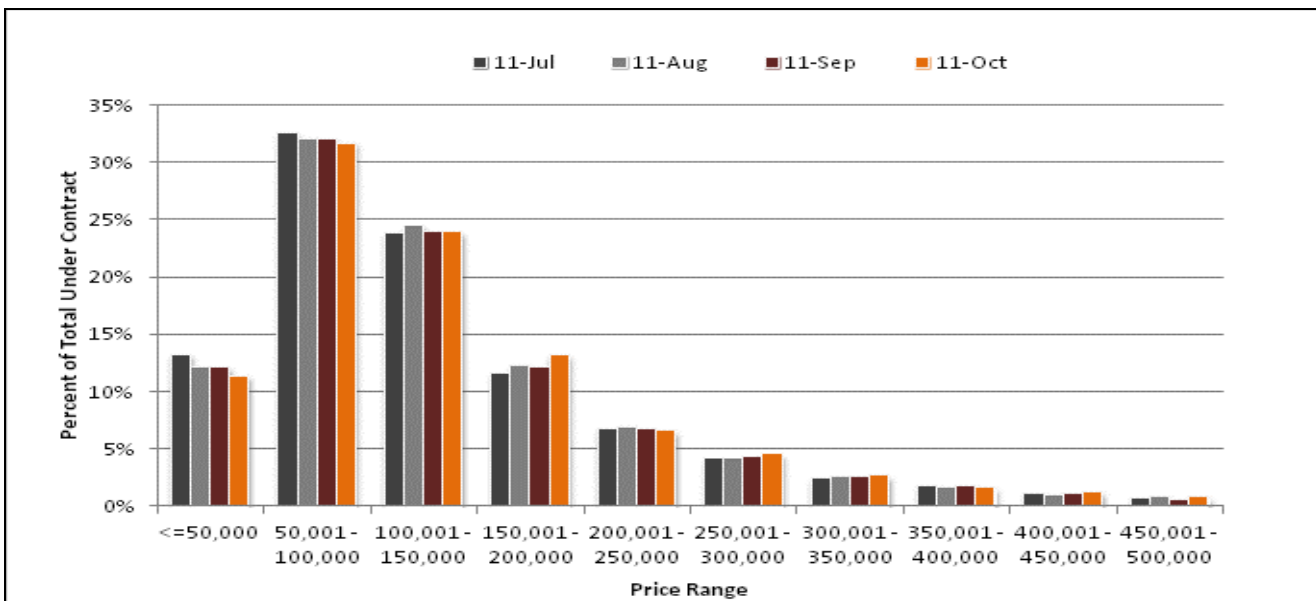
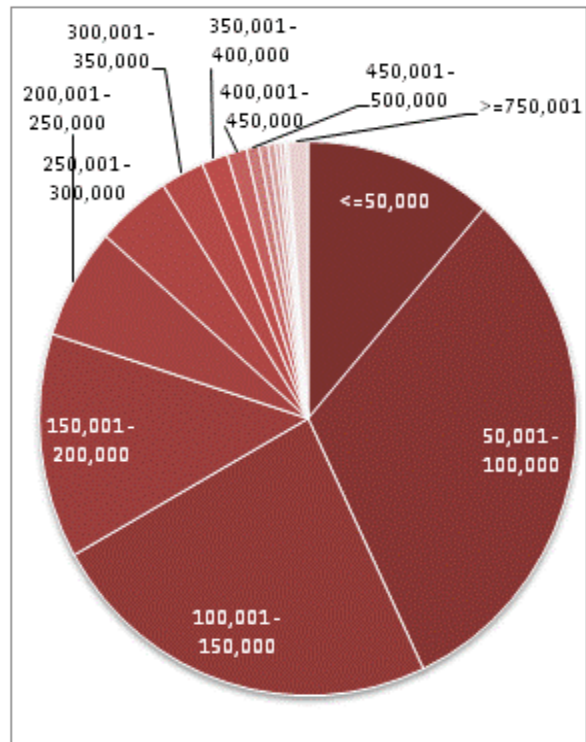


PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the pending property pool each month. By comparing the number of new pendings on a rolling four month basis, we are able to perceive subtle changes which precede true recovery.

The bulk of Valley sales have always been in the lower ranges. Activity in higher ranges simply stagnated with the burst of the Valley's housing bubble. The PPI Supplement this month compared to last month shows unit gains in 5 of the 10 price ranges from \$300,000 up. While these gains are only in the month's new pendings, their influence on the pricing in total pending pool is minimal.

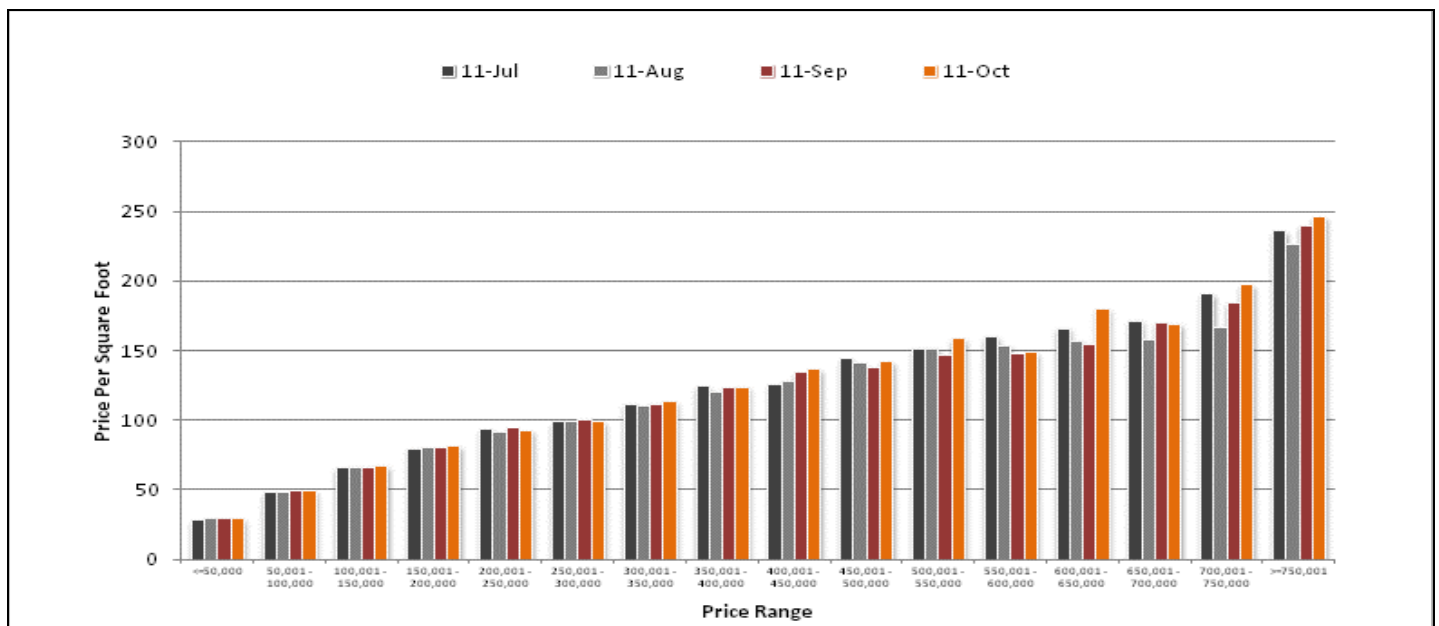
Pending Contracts Signed In October				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	34,788	36,000	941	11.33%
50,001 - 100,000	77,030	78,000	2,628	31.63%
100,001 - 150,000	124,771	125,000	1,981	23.84%
150,001 - 200,000	173,988	172,500	1,091	13.13%
200,001 - 250,000	226,212	225,000	541	6.51%
250,001 - 300,000	275,454	275,000	373	4.49%
300,001 - 350,000	327,801	325,000	218	2.62%
350,001 - 400,000	375,412	375,000	130	1.56%
400,001 - 450,000	427,335	425,000	98	1.18%
450,001 - 500,000	476,318	475,000	63	0.76%
500,001 - 550,000	527,658	525,000	45	0.54%
550,001 - 600,000	576,686	580,000	37	0.45%
600,001 - 650,000	631,357	636,500	24	0.29%
650,001 - 700,000	678,720	675,000	22	0.26%
700,001 - 750,000	728,687	734,000	15	0.18%
>=750,001	1,265,537	1,000,000	101	1.22%



PPI SUPPLEMENT - \$/SQ FT

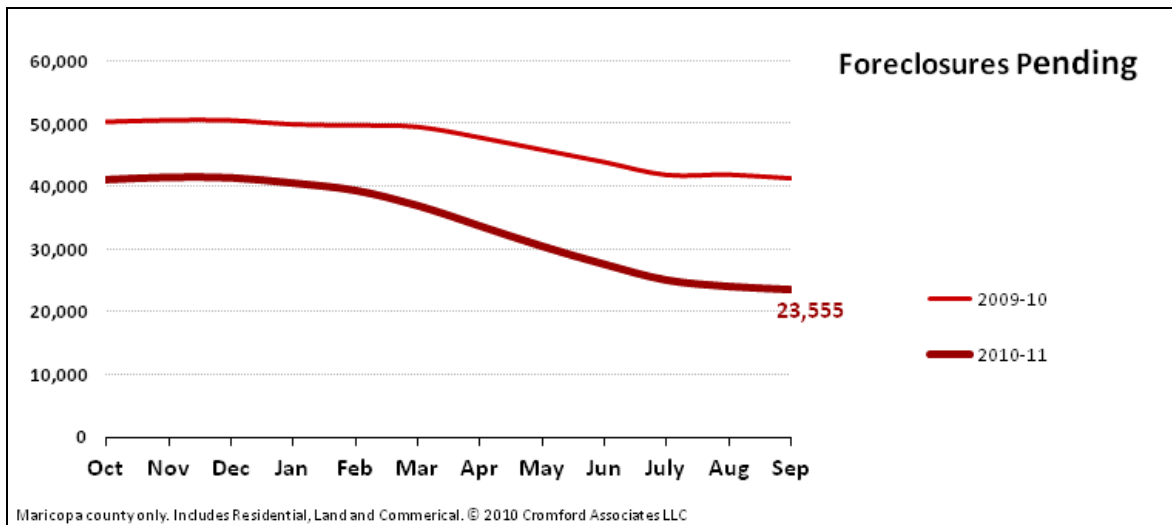
The newest addition to the PPI Supplement, \$/SQ FT, examines the incremental gains or losses in the square footage prices of new pending properties at various price ranges over a rolling four month period. In October, the \$/SQ FT in the price ranges from under \$50,000 through \$300,000 appears to have leveled off. However, in most of the higher ranges, \$350,000 through \$750,000 and above (\$550,000-600,000 and \$650,000-700,000 excepted), there appear to be varying increases. Due to lower unit counts at the higher ranges, the weight of individual properties influences the \$/SQ more than at lower ranges. By following \$/SQ of new pendings, we are able to glimpse the earliest stirrings of recovery in various price ranges throughout the Valley.

Pending Contracts Signed In September					Pending Contracts Signed In October				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt	Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	34,534	1,194	1,005	29	<=50,000	34,788	1,197	941	29
50,001 - 100,000	76,830	1,556	2,653	49	50,001 - 100,000	77,030	1,554	2,628	50
100,001 - 150,000	124,843	1,882	1,984	66	100,001 - 150,000	124,771	1,858	1,981	67
150,001 - 200,000	173,378	2,171	1,001	80	150,001 - 200,000	173,988	2,135	1,091	81
200,001 - 250,000	226,020	2,396	559	94	200,001 - 250,000	226,212	2,435	541	93
250,001 - 300,000	275,657	2,752	356	100	250,001 - 300,000	275,454	2,768	373	100
300,001 - 350,000	325,465	2,912	210	112	300,001 - 350,000	327,801	2,892	218	113
350,001 - 400,000	378,591	3,078	142	123	350,001 - 400,000	375,412	3,026	130	124
400,001 - 450,000	427,350	3,182	91	134	400,001 - 450,000	427,335	3,124	98	137
450,001 - 500,000	478,982	3,481	48	138	450,001 - 500,000	476,318	3,346	63	142
500,001 - 550,000	528,857	3,594	53	147	500,001 - 550,000	527,658	3,328	45	159
550,001 - 600,000	582,591	3,933	38	148	550,001 - 600,000	576,686	3,863	37	149
600,001 - 650,000	631,955	4,079	25	155	600,001 - 650,000	631,357	3,506	24	180
650,001 - 700,000	679,887	4,004	22	170	650,001 - 700,000	678,720	4,013	22	169
700,001 - 750,000	735,875	3,987	12	185	700,001 - 750,000	728,687	3,689	15	198
>=750,001	1,244,877	5,184	97	240	>=750,001	1,265,537	5,134	101	246



FORECLOSURES PENDING

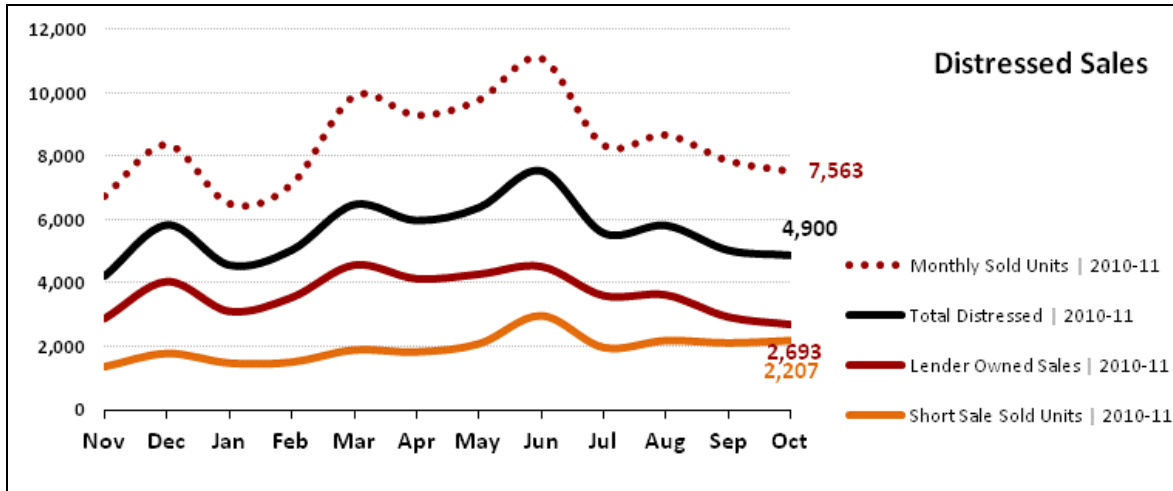
Foreclosures pending declined again in October, but only by 344 units, to 23,211. The steep rate of decline experienced from February to July eased significantly from August through October. STAT's earlier prediction that the foreclosures pending would cross the 10,000 mark before year's end now appears unlikely. Unless the current trend line is significantly altered, crossing the 10,000 barrier may not even be accomplished in 2012. This is unwelcome news because the elimination of foreclosures, which are fueled by foreclosures pending, is key to pricing recovery.



DISTRESSED SALES

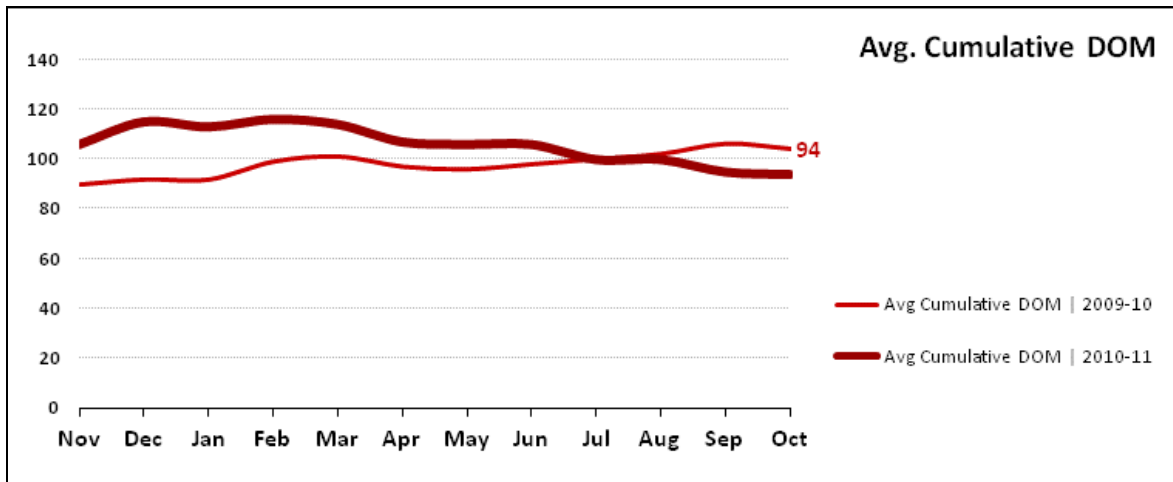
Distressed sales, defined as the combined total of foreclosures and short sales, continue to dominate the Valley's real estate horizon. Of the 7,563 total sales in October, 4,900 (64.8%) were distressed sales. This is slightly below the previous eleven month average of 66.7%.

Foreclosures for October were 2,693, or 35.6% of total sales, while short sales represented 29.2% of total sales at 2,207. For most of the past twelve months, the short sales and foreclosure trend lines have remained almost parallel. Since August the two trend lines have been moving closer together indicating that short sales are gaining on foreclosures in the distressed property makeup. We can speculate on the underlying causes. After such a long run at shorts sales, lenders may be getting the hang of it. The FNMA **Short Sale Assistance Desk** (SSAD) has been instrumental in expediting many short sales where Fannie Mae holds the underlying first lien. While the number of distressed sales remains too high, gains in the short sale totals over foreclosure means that more homeowners have been able to dodge foreclosure.



AVERAGE DAYS ON MARKET (DOM)

Average days on market declined by one day in October to 94. This continues the steady downward trend line begun at a high of 116 days in February. It is well to note that this Valley wide average DOM is merely a barometer of overall market health over time. It should never be used to inform seller expectation of projected DOM for their property. Average DOM in individual seller contexts should be calculated using property specific parameters to achieve any kind of predictive value.



COMMENTARY

Overall, October STAT is best summed up as “holding the line.” While there were positive indicators, like increases in the median and average list prices, a one day decline in DOM and slight decreases in foreclosures pending; other metrics took steps, although minimal, in a backwards direction: decline in median and average sales prices, increase in new and total inventory, decline in total sales and an increase in MSI. The promise of recovery, fueled last month by the whimsical uptick in all four pricing metrics (median and average listing and sales prices), was not dashed in October, just not fulfilled

Jobs remain at the epicenter of the Valley’s, Arizona’s and the nation’s recovery. While many are frustrated with political impasses on job creation, there are positive signs that indicate that recovery is in process. In a report prepared by the Arizona Department of Administration, Office of Employment and Population Statistics in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, the unemployment rate for Maricopa County dropped in September to 7.9% from the high of 9.1% in January. In September, Phoenix was name #6 in the nation for new job growth, according to figures released by the U.S. Bureau of Labor Statistics. Non-farm payroll employment increased 2.3% from September 2010 to September 2011 in the Phoenix metro area, and the 2012 Phoenix projection for average non-farm employment is expected to be 1.4%, according to the Arizona Department of Administration.

Phoenix metro area lost over 220,000 jobs since 2007 according the U.S. Bureau of Labor Statistics. It added 31,300 jobs between August 2010 and August 2011 which amounts to an annual growth rate of 1.88%, ranking Phoenix as 18th in the nation among 100 major metropolitan areas.¹ Job gains now, while making up lost ground, simply have a long way to go. Employment and recovery are moving in the right direction but at an impossibly slow pace. Like the proverbial child who pesters, “Are we there yet?” our market responds, “Not yet.”

¹ <http://www.bizjournals.com/phoenix/news/2011/09/28/phoenix-no-6-in-the-nation-for-new-jobs.html>