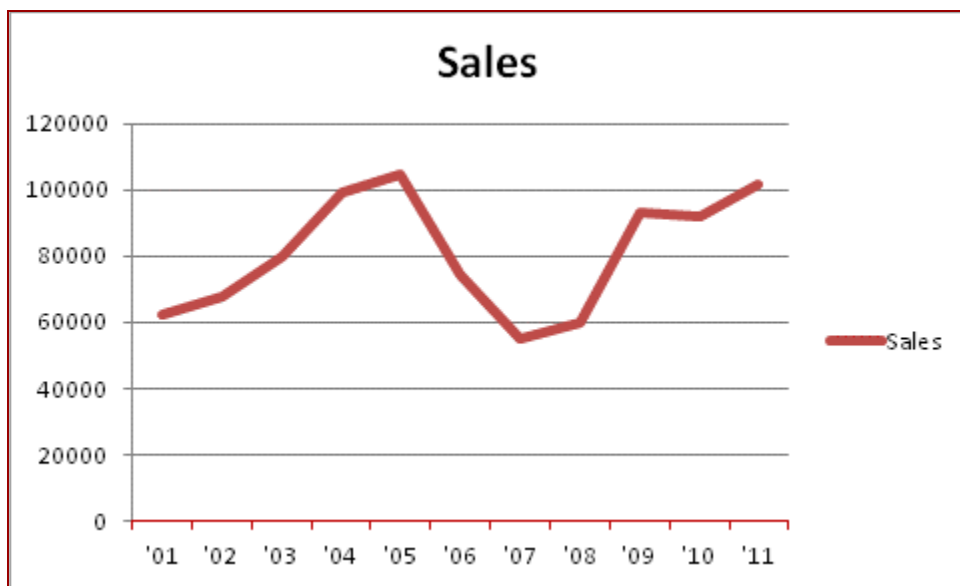




STAT 2011 Year in Review focuses on the state of the Valley's recovery over the last twelve months, placing the gains and losses over the year in perspective. Overall, the tale is positive.

SALES

Sales rebounded in 2011 enthusiastically, topping out at 101,436, the second highest total sales of the decade. It was surpassed only by 2005 with 104,725 sales, at the height of the real estate bubble. STAT and other conventional wisdom have focused on late mid 2002 and 2003 to mid 2004 as our last normal markets.¹ Total sales for 2002, 2003 and 2004 were 67,950, 80,052 and 98,922 respectively, and 2011 compares favorably.



1

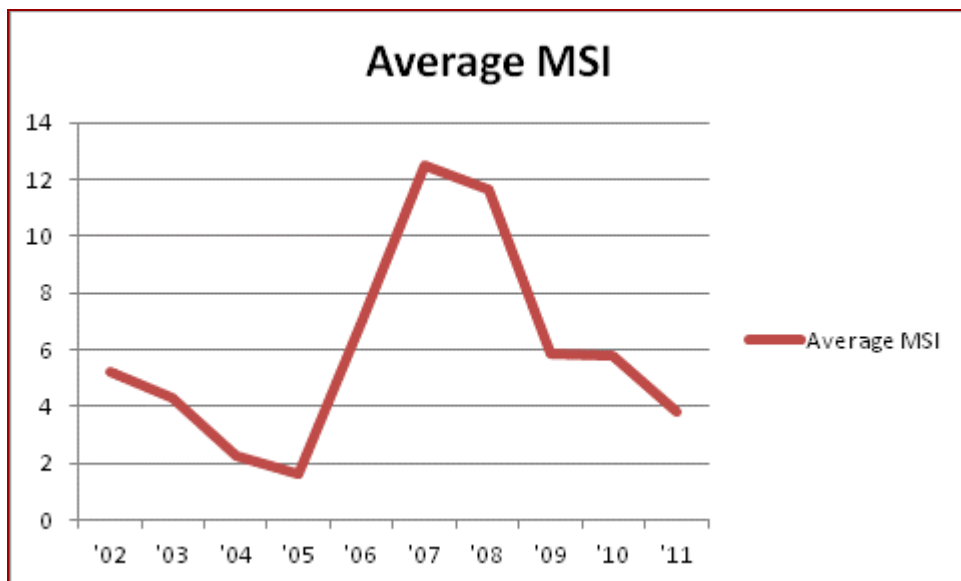
INVENTORY

Total new listings in 2011 (121,041) fell slightly below the 2002 figure of 125,738. Correcting itself from the decade high 173,363 after the housing bubble burst in 2006.



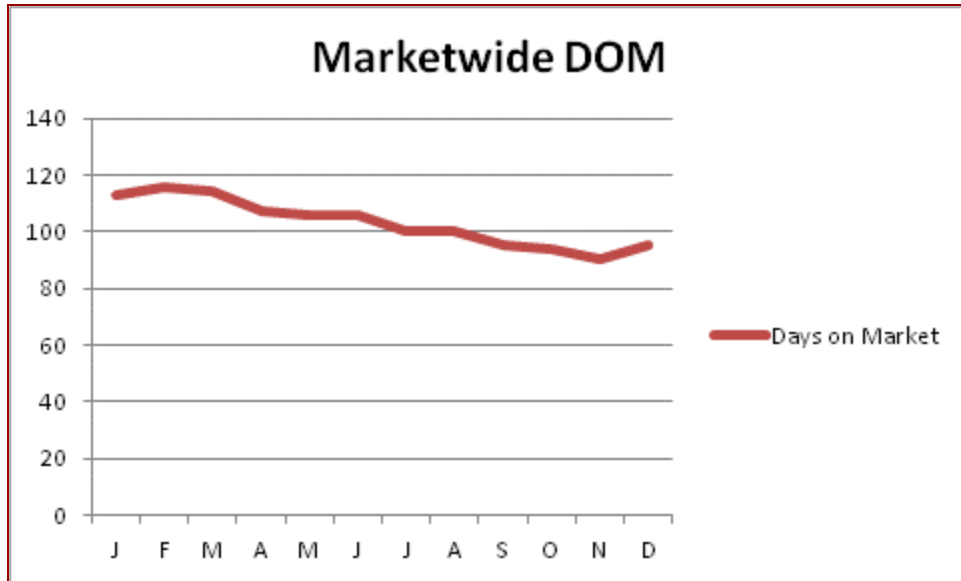
MONTHS SUPPLY OF INVENTORY (MSI)

The decade MSI pattern follows the Valley's journey from its normal market (starting in 2002 to mid 2004) through the buying and selling frenzy of mid decade (late 2004 - early 2006) to the correction of the late decade (2007 - 2010). Average MSI in 2011, 3.81, more closely resembled the average MSI of 2003 (4.31), at the midpoint of our last normal market



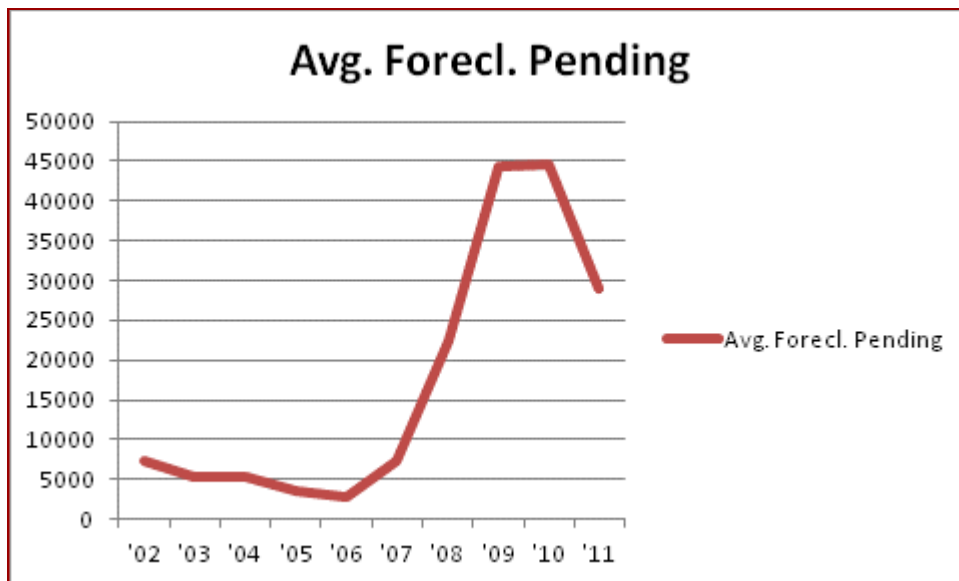
DAYS ON MARKET

Marketwide days on market (DOM), while not indicative of DOM in smaller market niches, is a measure of overall market health. In 2011 DOM started the year at 113 and continued on a downward trend to finish the year at 95.



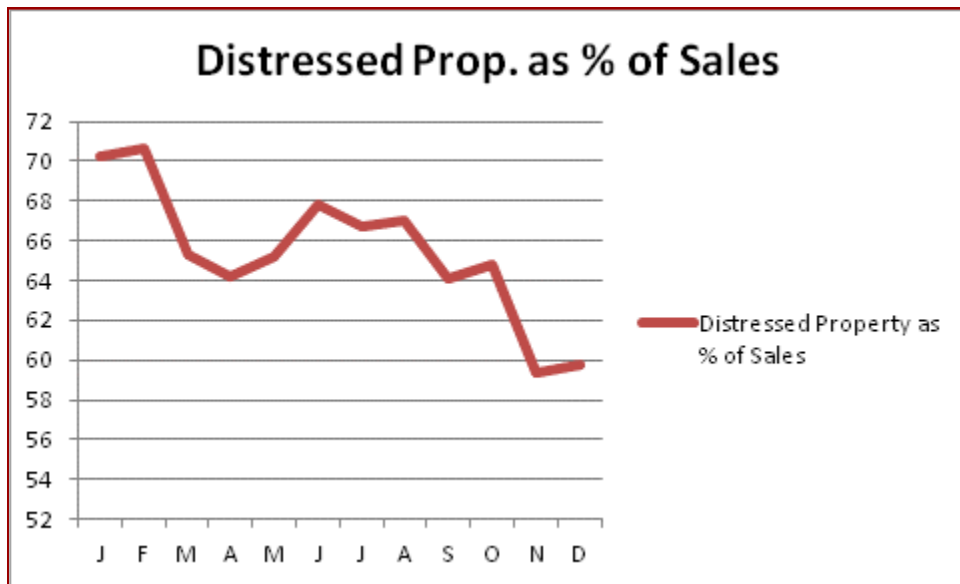
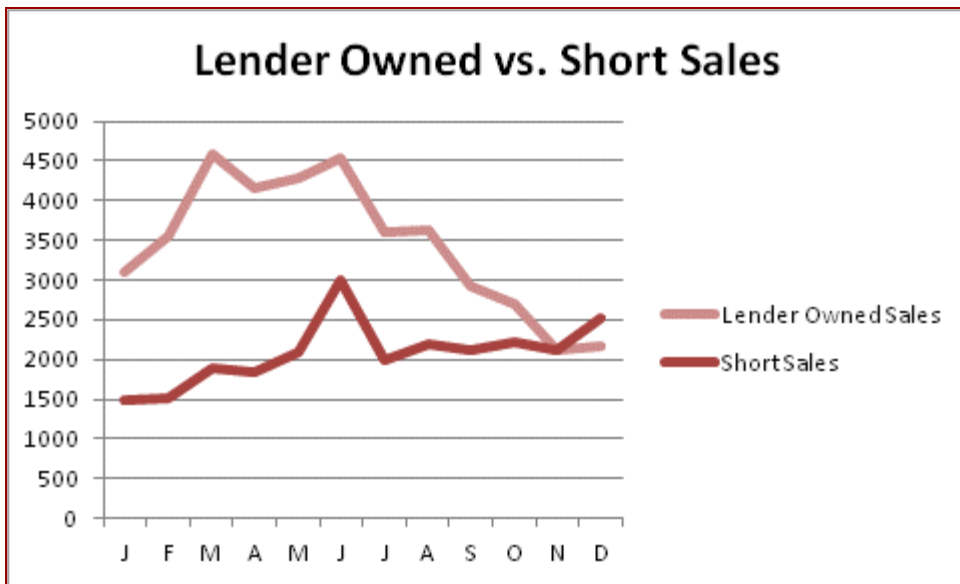
FORECLOSURES PENDING

Foreclosures pending, which fuel the Valley’s foreclosure sales, reached their pinnacle in November 2009 at 50,568, and finished 2011 at 19,979, 60.49% below the decade high. The average foreclosures pending per year stubbornly held at 44,237 and 44,698 for 2009 and 2010. In 2011 it took an abrupt downward turn all year.



DISTRESSED SALES

Distressed properties as a percent of sales started the year at 70.2%. Despite a series of hiccups in direction over the course of 2011, it crashed through the 60% barrier the last two months of the year, at 59.4% and 59.8% respectively. Not only did the percent drop 10.4% over 2011, but the short sale to foreclosure mix shifted by year end, to see short sales overtake foreclosures for the first time, albeit by a small amount.



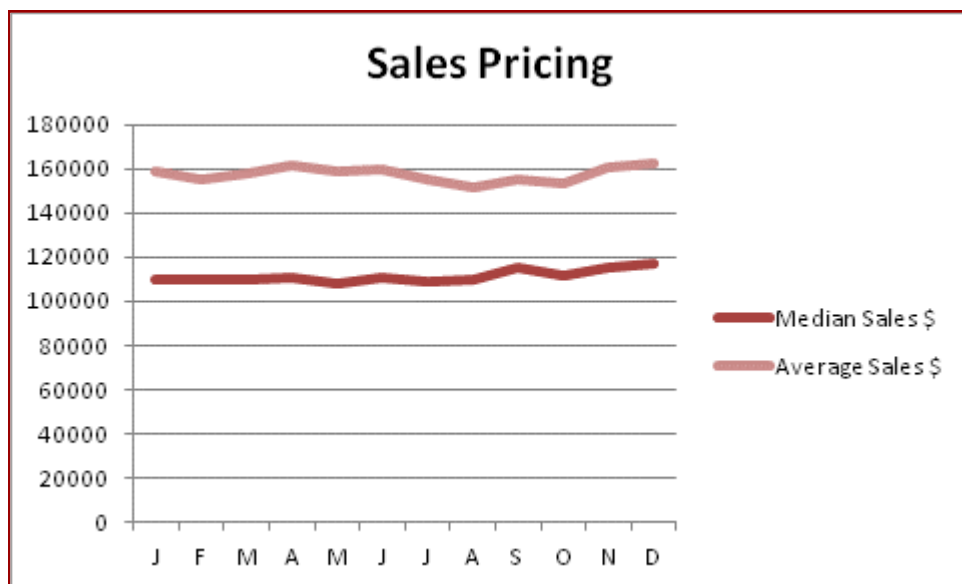
PRICING

Pricing remains the last bastion of resistance to the Valley’s recovery. Both List and Sales median and average prices showed very little movement over the course of 2011, stagnating at the presumed bottom. Median List price started 2011 at \$124,900 and finished the year not much higher at \$129,900. Average List price followed the same pattern, starting at \$204,300 in January and finishing in December at \$200,200.

Sales pricing mimicked the same lackluster performance of List pricing. Median Sales price began with \$110,000 and ended 2011 at \$117,000, well below the median List price. Average Sales price in January was \$157,000 and ended at \$162,200. All four pricing metrics, List and Sales, took a full twelve months to go practically nowhere. On a positive note, given how long pricing has stalled, the Valley’s pricing has probably hit bottom. What is in dispute is how long it will stay there.

Pricing cannot correct itself until the forces of supply and demand⁴ equalize. Both List and Sales pricing are currently unduly influenced by the large numbers of distressed properties that compete for buyers. The slowing of foreclosures pending, if continued at the current rate, should stabilize in 2012, leading to a gradual decline to normal levels of foreclosures in the active property pool. Likewise, growing lender appetite for short sales over foreclosure will also diminish foreclosure influence on pricing.

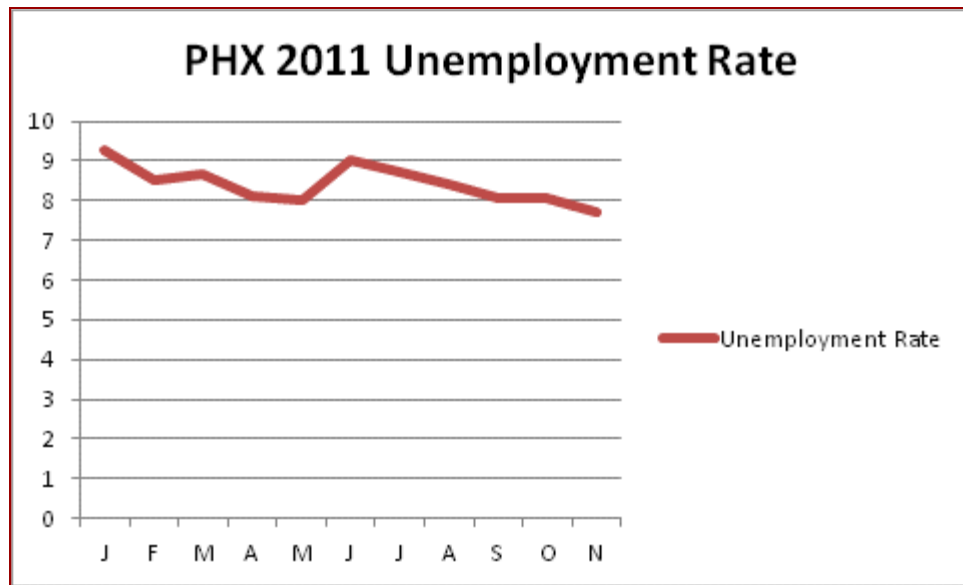
National predictions on home prices are a slow but steady upward climb in 2012.⁵ Given 2011’s underpinning metrics (inventory, sales, MSI and foreclosures pending), the Valley’s pricing is poised to gain traction in 2012.



5

UNEMPLOYMENT and JOB GROWTH

Phoenix Metro started the year with a 9.28 unemployment rate,² with the rate's overall trend line for 2011 downward. Preliminary figures for November are estimated at 7.7%³, a drop of 1.58% from January, wetting our appetite for the December's final. Arizona ended 2011 as a top ten growth state, now adding jobs faster than the national average.⁶



THE 2011 FINAL TALLEY

In the 2011 “gaining momentum” column, STAT places unit sales, total inventory, marketwide MSI, falling DOM, declining foreclosures pending, distressed property’s falling % of sales, falling unemployment and job growth. In the stagnant “needs improvement” column, STAT cites all four pricing metrics: median and average List and Sales prices. In the loss column, STAT sees little that is moving in the wrong direction.

All in all, 2011 was a pretty good year on the road to recovery.

¹<http://content.yudu.com/A1s4h3/JuneJuly2011/resources/index.htm?referrerUrl=http%3A%2F%2Fwww.armls.com%2Fnews%2Fwave-ezine>

²EBeller Online

³US Bureau of Labor Statistics

⁴http://en.wikipedia.org/wiki/Supply_and_demand

⁵<http://www.kiplinger.com/magazine/archives/where-home-prices-are-headed.html>

⁶<http://knowledge.wpcarey.asu.edu/article.cfm?aid=1115>