

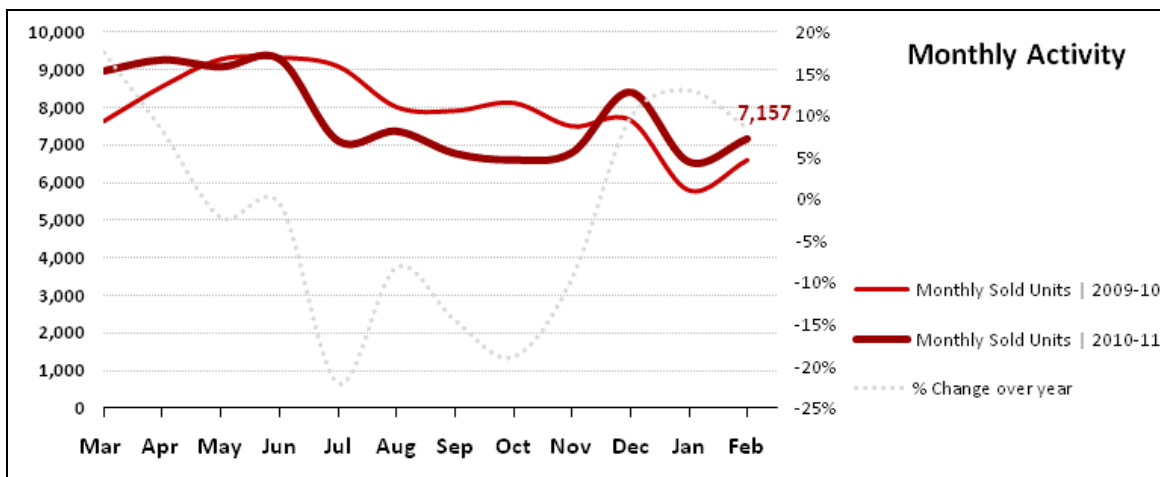


SALES Month over Month

After a disappointing 22.1% drop in January from the preceding month, February sales made up some lost ground with a 9.4% rise to 7,157 sales. This figure represents the second highest sales figure in the last six months, 14.8% below December's euphoric yet aberrational 8,401.

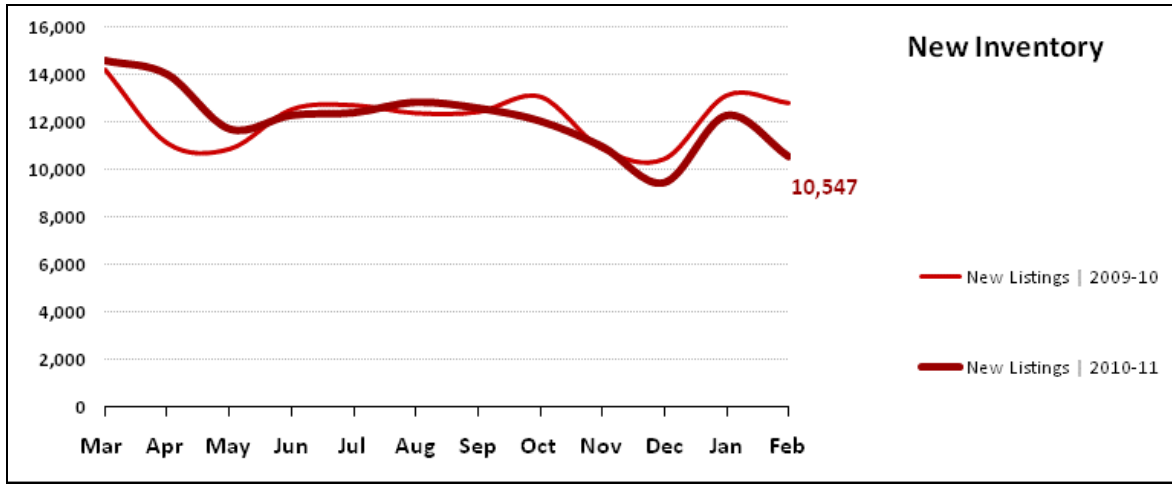
SALES Year over Year

Sales in February represents an 8.5% gain over the same period in 2010. This is good news, but follows a typical seasonal pattern of a rise in total sales from January to February every year since 2001.



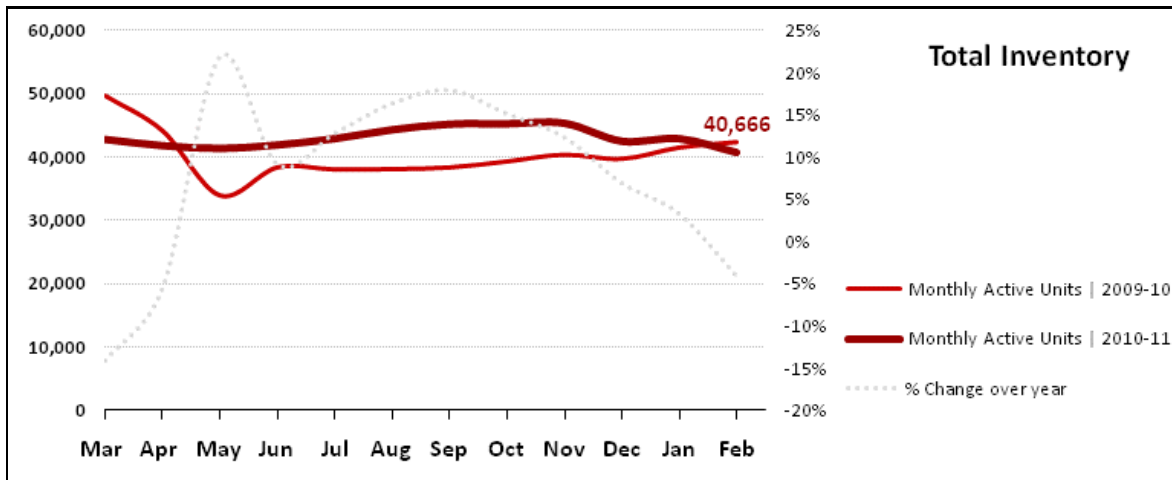
NEW INVENTORY

New listings fell in February to 10,547, a 14.2% decline over the January’s new listings figure. February’s new listing figure is the second lowest out of the last twelve months. However, like Sales, a decline from January to February is a seasonal phenomenon. As the market tries to right itself, a decline in new listings helps lower the supply that is unduly influencing pricing.



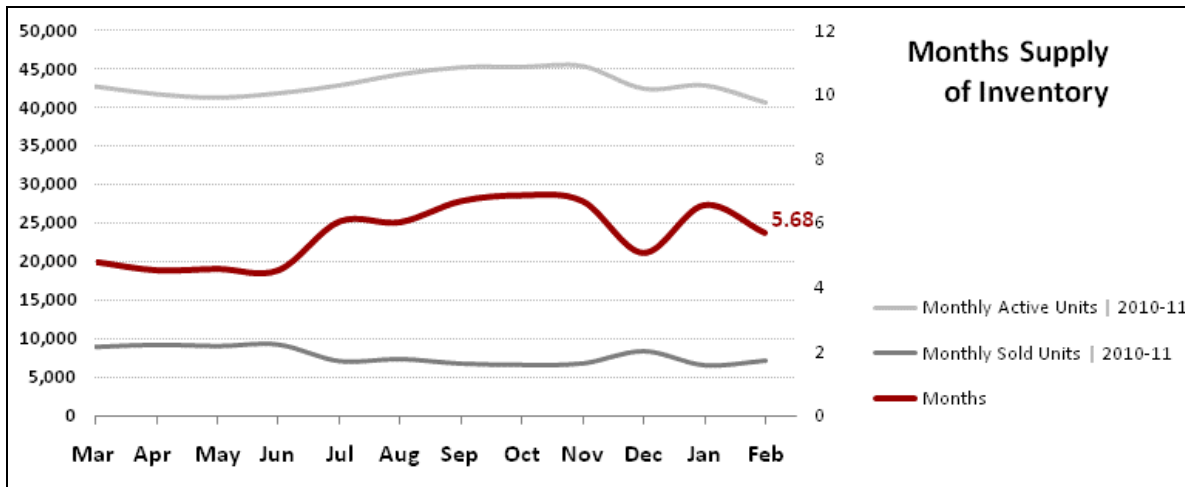
TOTAL INVENTORY

Total listings fell again in February by 2,215 listings (5.2% drop) to 40,666. This is the lowest total inventory figure over the last twelve months, representing another metric going in the right direction. A large supply of listings impedes the Valley’s attempt to correct its supply and demand imbalance. The downward trend line in the total inventory since November is more good news.



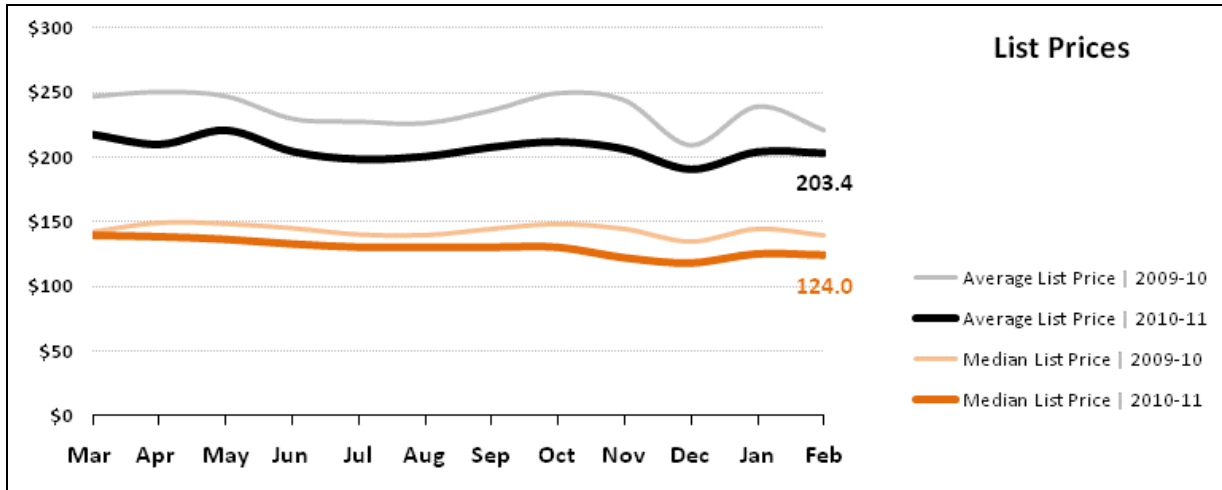
MONTHS SUPPLY OF INVENTORY (MSI)

With the exception of the drop in December, MSI has remained above six for the last seven months. An MSI greater than six months normally indicates a buyer's market. In February, the MSI dropped to 5.68 months signaling a move toward a more balanced market. STAT's market MSI should only be viewed as a barometer of overall market health and not be extrapolated to assess supply in smaller market niches. Watch for ARMLS's new quarterly publication STAT+ which examines MSI at various price points starting at \$30,000 and going to \$3,000,000 and above. The Q1-11 STAT+ issue will be available in early April. The Q4-10 issue can be found on ARMLS.com under the Statistics tab, then STAT.



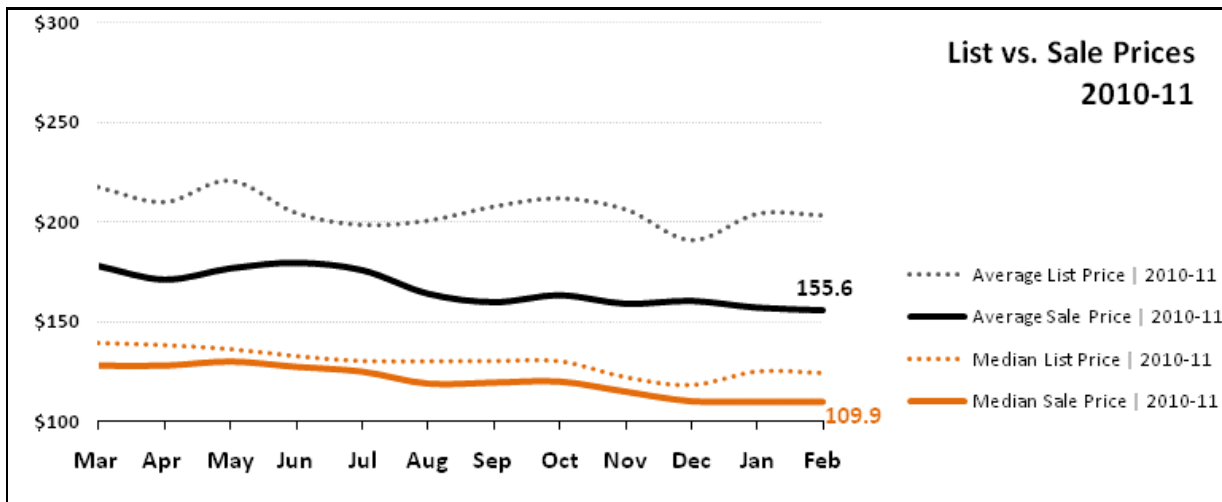
NEW LIST PRICES

New List pricing remained relatively level from January to February with less than a 1% decrease for both the median new list price at \$124,000 and the average new list price at \$203,400. The median had been on a gradual downward trend from March to December only to increase 5.8% in January to \$124,900, and fall minutely in February to \$124,000. The lowest average new list price in the last twelve months was recorded in December at \$191,000 and the highest recorded in May at \$220,900. The average new list price trend since March 2010 can best be described as anemic with fluctuating but weak ups and downs.



SALES PRICES

The median sales price remained relatively stable in February at \$109,900, only .1% below January, but well below the twelve month high of \$130,000 last May. The median sales price still remains singularly lackluster. The average sales price dropped .9% to \$156,000 in February, on course with the overall downward trend over the last twelve months. This is particularly disappointing when compared to the twelve month high of \$179,900 (June '10) which was 13.5% higher than February's figure. Median and average sales prices continue to suffer from too much supply-side pressure. Currently, we have the lowest median and average sales prices since January of 2001.

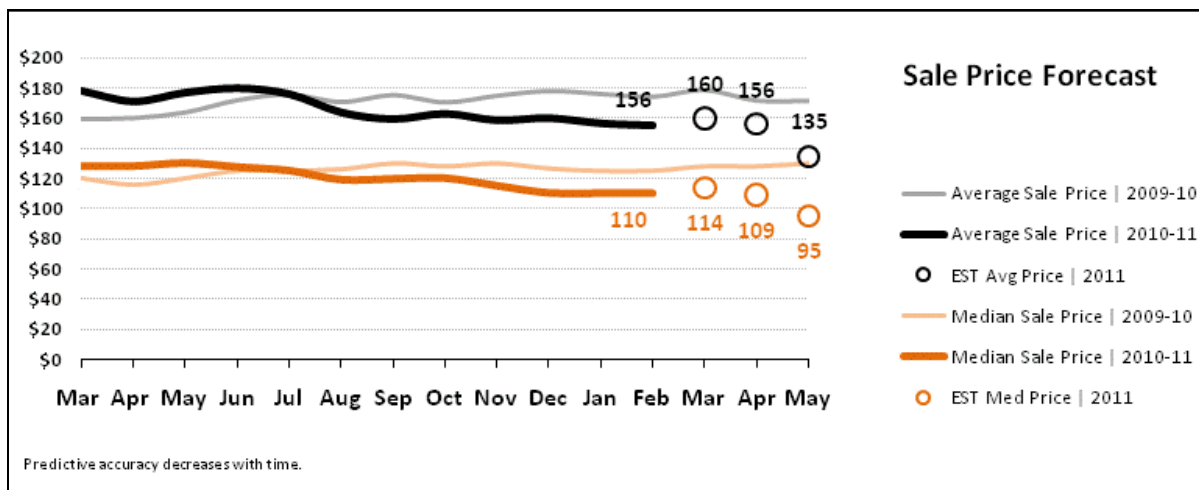


THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index™ is a forecasting tool unique to ARMLS which predicts the average and median sales prices three months into the future based on pending prices of properties in the MLS system in the contract-to close phase of escrow. Last month's prediction of the median and average sales prices for February were 3.6% and 3.29% respectively above the actual median and average, as supply and demand continue to exert strong negative pressure on pricing.

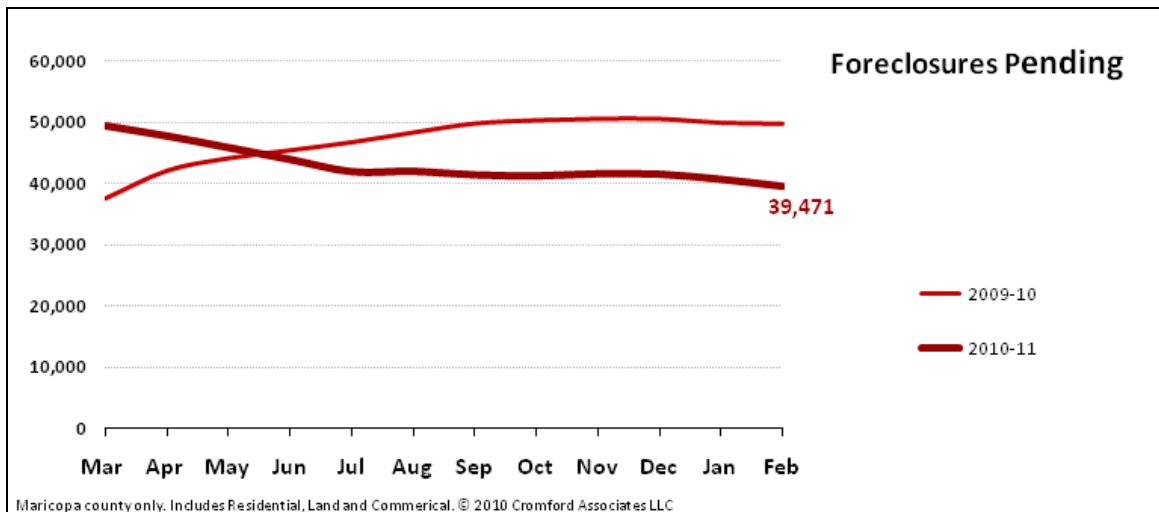
Predictions for the next ninety days for both the median and average sales prices show a modest positive gain in 30 days, followed by increasing declines in 60 and in 90 days. The median sale price is forecasted to rise to \$114,000 in March, and then make an about-face to \$109,000 in April, and fall below \$100,000 to \$95,000 in May. If this 90 day prediction holds true, it will be the first time that the median has slipped below \$100,000 since ARMLS began officially recording median sales price in 2001. (The accuracy of the PPI diminishes the further out to the future it forecasts.) The trend line for both the median and average sales price have been sloping downward over the last twelve months so these predictions bear out a trend that has not reached its end.

The average sales price prediction follows a similar pattern with a rise to \$160,000 predicted for March, followed by a modest fall to \$156,000 in April and a steeper drop to \$135,000 in May. Likewise if this May prediction is realized, it will be the lowest average sales price since January 2001.



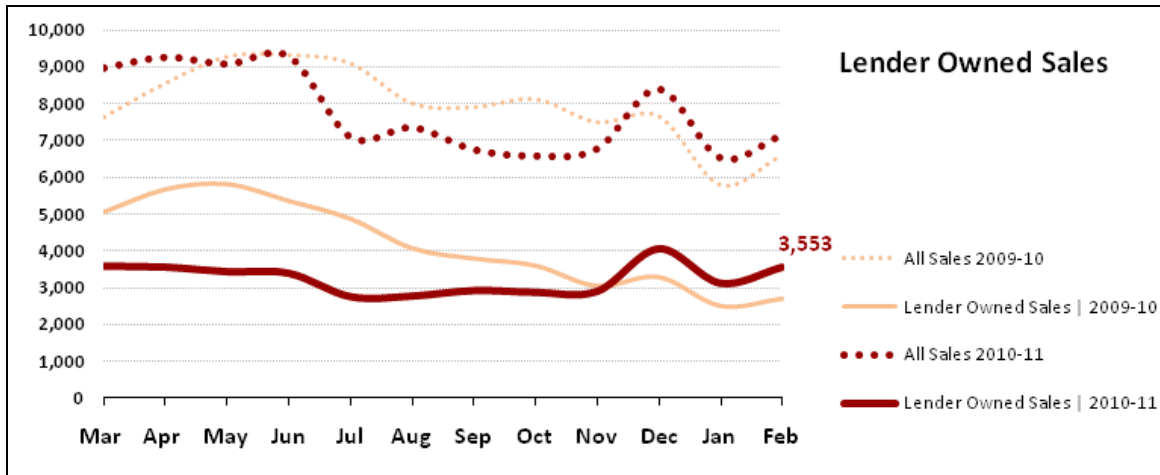
FORECLOSURES PENDING

Foreclosures pending continue the gentle downward trend of the last twelve months. Total foreclosures pending for February are 39,471. This is the first time since March of 2009 that foreclosures pending dropped below 40,000. February's figure is 21.9% below the two year high of 50,568 in November 2009. Since the elimination of foreclosures is essential to price recovery, the continued decline in this metric is a harbinger of good things to come. From the high in November '09 to February (15 months), the total foreclosures pending dropped 11,097, or 840/month. Considering that a small percentage of foreclosures pending will always exist in a normal health market, reducing the current supply to a more manageable 5,000 (arbitrarily selected since zero foreclosures in even a good market is not realistic), at the current pace of absorption could take approximately 41 months.



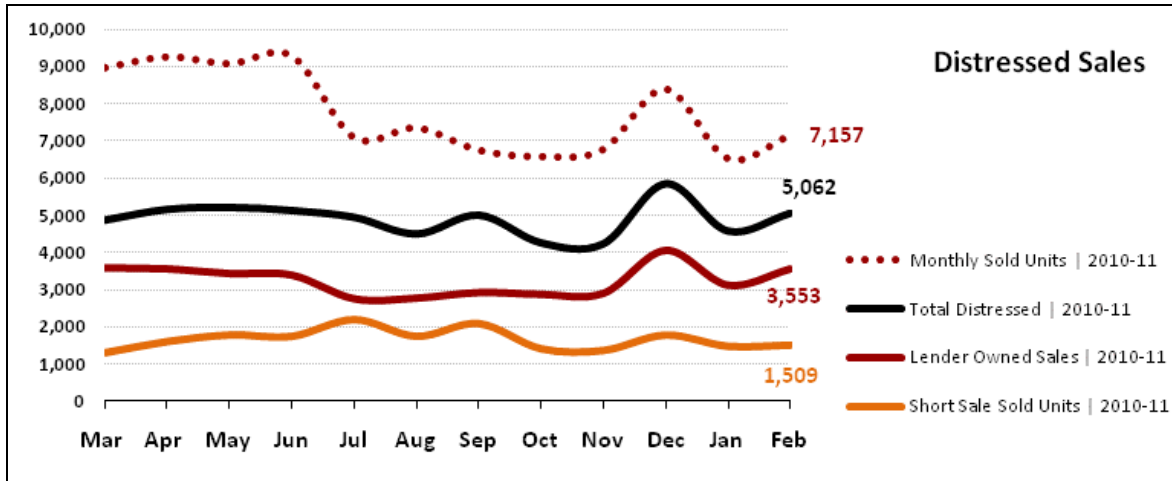
LENDER OWNED SALES

Lender Owned Sales increased in February to 3,553, or 14.2% from January's 3,115. Lender Owned Sales in February accounted for 49.6% of total sales, 2% higher than the 47.6% of total sales in January. Since Lender Owned Sales are directly related to Foreclosures Pending, they will remain a significant part of the total sales makeup for many, many months. Lender Owned properties will continue to be highly attractive to the market segment that finds lower, extremely affordable pricing desirable, i.e., traditional Buyers and investors. Sellers must weather the negative pricing assault brought about by a preponderance of Lender Owned Sales.



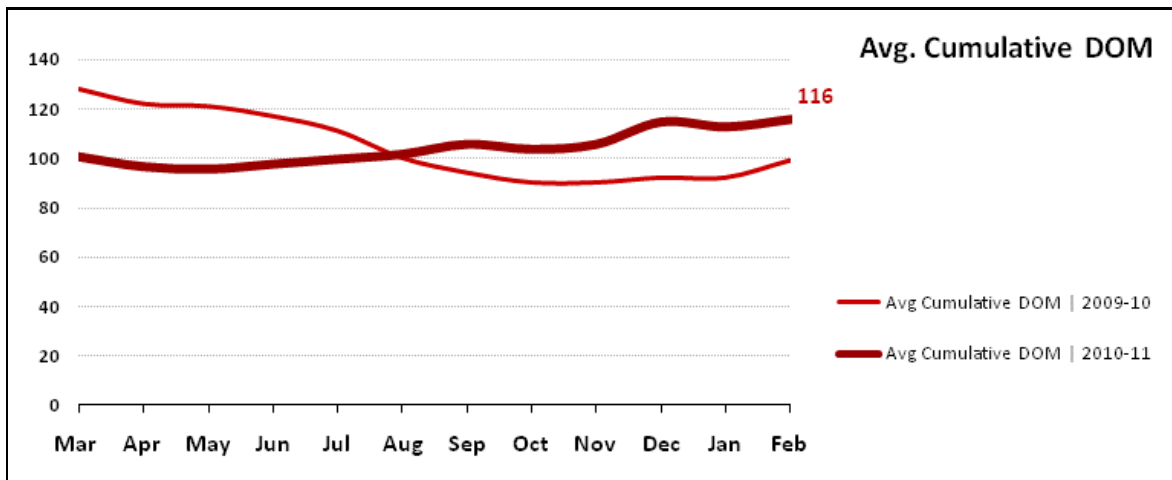
DISTRESSED SALES

Distressed sales are a composite of Lender Owned Sales and closed Short Sales. There were 5,062 distressed sales in February, up 10.2% from January's 4,591. Total distressed properties in February of 5,062 represented 70.7% of total sales. Short sales increased slightly (2%) from January (1,479) to 1,509 in February, and represented 21.1% of total sales, a slight drop from 22.6% in January.



AVERAGE DAYS ON MARKET

Average Days on Market (DOM) increased three days in February to 116. With the exception of October and December, the DOM figure has been going up each month since May of 2010. The twelve month low of 96 in May 2010 rose to a twelve month high of 116 in February. The DOM figure in STAT is a macro number for the entire market and does not represent DOMs in smaller niche markets. Tracking the DOMs for entire market is merely one metric used to compare overall market health from month to month.



COMMENTARY

This month's STAT reports some good news. Sales were up month over month by 9.4%. New listings were down by 14.2%, and total inventory dropped down by 5.2%. In addition, Months Supply of Inventory declined to 5.68. Although the trend lines for foreclosures pending and total inventory display a gradual slope, their steady downward direction has been long enough in duration to give some confidence that the market is starting to correct itself. Yet the pace is slow and tedious.

Total sales numbers look strong indicating that demand, while not at the peak levels of the decade, is holding its own. Only forty-four months (36.4%) over the last 121 months (January 2001 through January 2011), had a higher sales figure than February's 7,157.

Median and average sales prices continue to suffer because of the supply and demand imbalance, and pricing is the strongest indicator of the market recovery. While Buyers benefit from the greatest housing affordability of the decade, Sellers who bought at or near the height of the market helplessly watch as their equity evaporates or moves into negative numbers. February's ten year low average sales price of \$156,000 falls 55.5% below the decade high of \$350,400 in May, 2007. The disparity illustrates how far the market pricing has fallen. If predictions in the PPI™ for median and average sales prices are realized in the next ninety days, prices are headed for lows not seen since ARMLS started keeping records in 2001.

Yet there is room for optimism evidenced by the good news reported above. The recovery is tied to jobs and net migration into the state. Unemployment figures for Maricopa and Pinal counties should be posted for January or February in early March after STAT is published, yet unemployment in the Valley has trended downward the last six months of 2010*. The Valley has remained in sync with recovering national employment trends, and there are expectations that it will continue to do so. Nationally employers hired in February at the fastest pace in almost a year and the unemployment rate fell to 8.9 percent — a nearly two-year low.** Net migration into the area remains flat with unprecedented affordability and record low interest rates insufficient to overcome the lack of jobs.

Recent announcements in February alone fuel optimism about the jobs future in the Valley. Intel released plans that it will build a \$5 billion factory in Chandler that creates some of the world's most sophisticated semiconductor technology and thousands of good jobs.*** 21st Century Insurance and Financial Services, auto insurance issuer and a member of the Farmers Insurance Group of Companies, plans to expand its operations in the area.**** The Home Depot announced with the arrival of their busiest season, it will hire 60,000 people nationwide, and more than 1,000 of those jobs will be in the Phoenix area.***** The recovery has surely begun and not anytime too soon.

*EBR Database Online

** <http://www.npr.org/2011/03/04/134257585/payrolls-up-192-000-jobless-rate-8-9-percent&sc=nl&cc=nh-20110304>

*** <http://www.azcentral.com/business/articles/2011/02/25/20110225chandler-intel-expansion0225.html>

**** <http://www.employmentspectator.com/2011/01/21st-century-insurance-to-create-50-new-jobs-in-phoenix-arizona/>

***** <http://www.kpho.com/news/26870685/detail.html>