

Analyzing the Residential Real Estate Market

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What is Important in Defining the Market?

- Supply
 - Re-sales (Active MLS Listings & FSBOs)
 - Trustee Sales
 - New Builds
- Demand
 - Recently Closed Sales
 - Pending Sales
- Seller Motivation
 - Distress / Bankruptcy / Foreclosure / Probate
- Buyer Motivation
 - Perception / Confidence / Greed / Fear

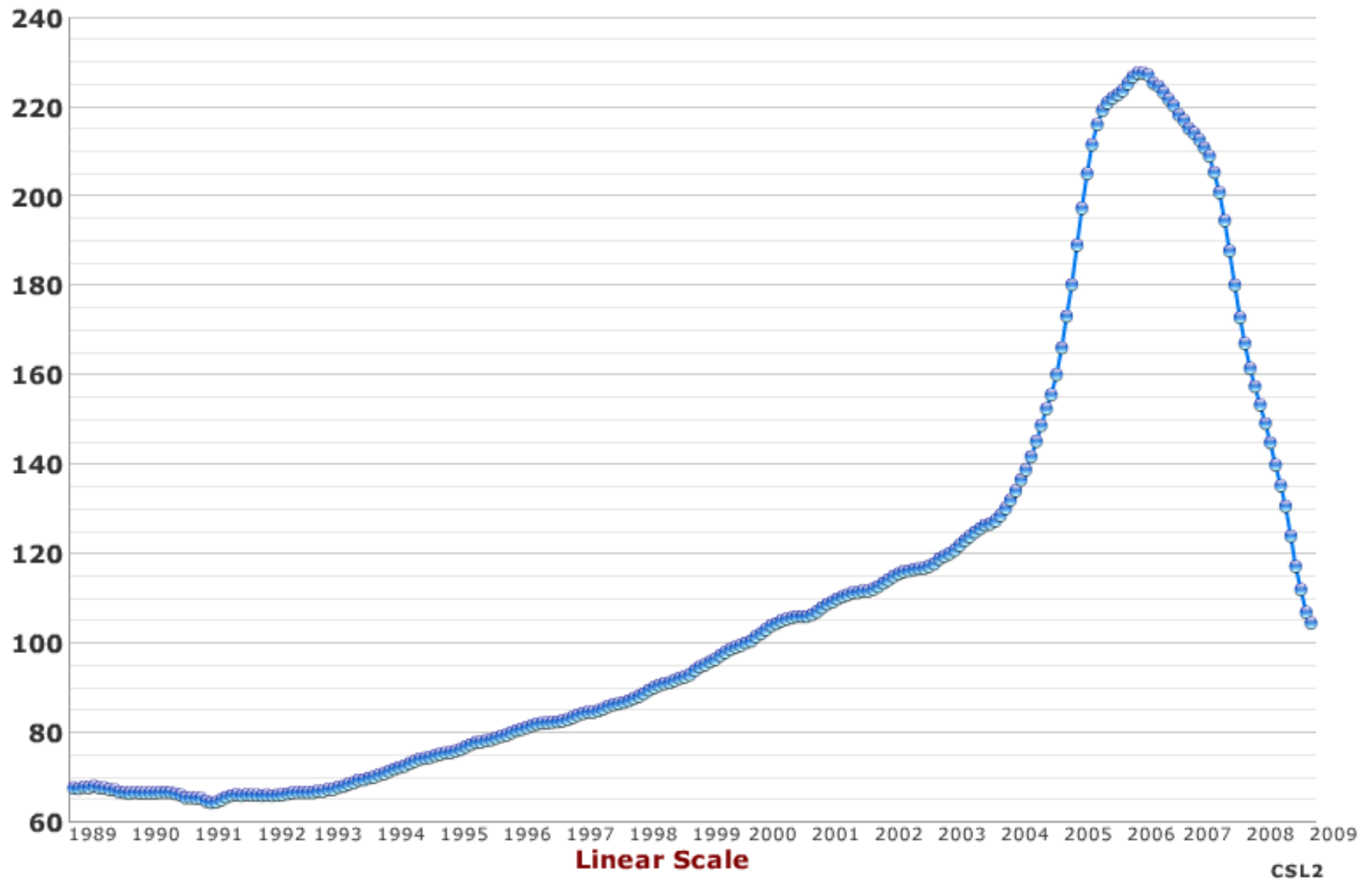
Alternatives for Measuring Prices

- Average Sales Price?
 - Skewed Upwards by Luxury Homes
- Median Sales Price?
 - Skewed Downward by Lender Owned Properties
- Case-Shiller[®] Price Index?
 - Detailed Process Makes It Very Slow to Report
 - Jun 30 report relates to Feb - Apr
 - Typically 4 Months Behind Today's Market
- Average Sales \$/SF
 - Not Perfect but the Best Compromise
 - Almost Real-Time Measurement Possible

Note: PRICES ARE A TRAILING INDICATOR

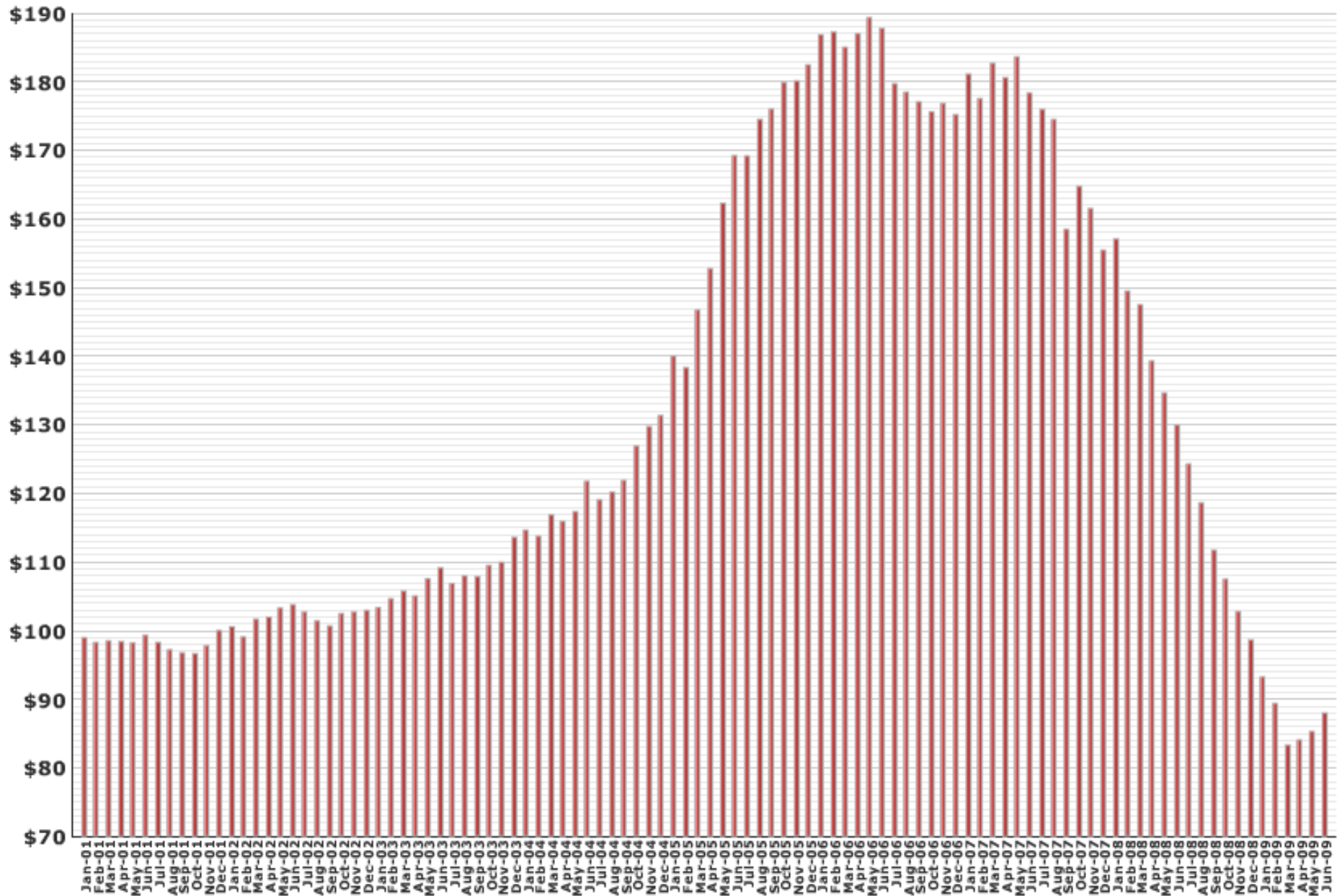
S&P / Case-Shiller[®] Price Index - Phoenix Metro

Jan 1989 to Apr 2009



Average Sales Price per Square Foot - Monthly Sales

July 1, 2009



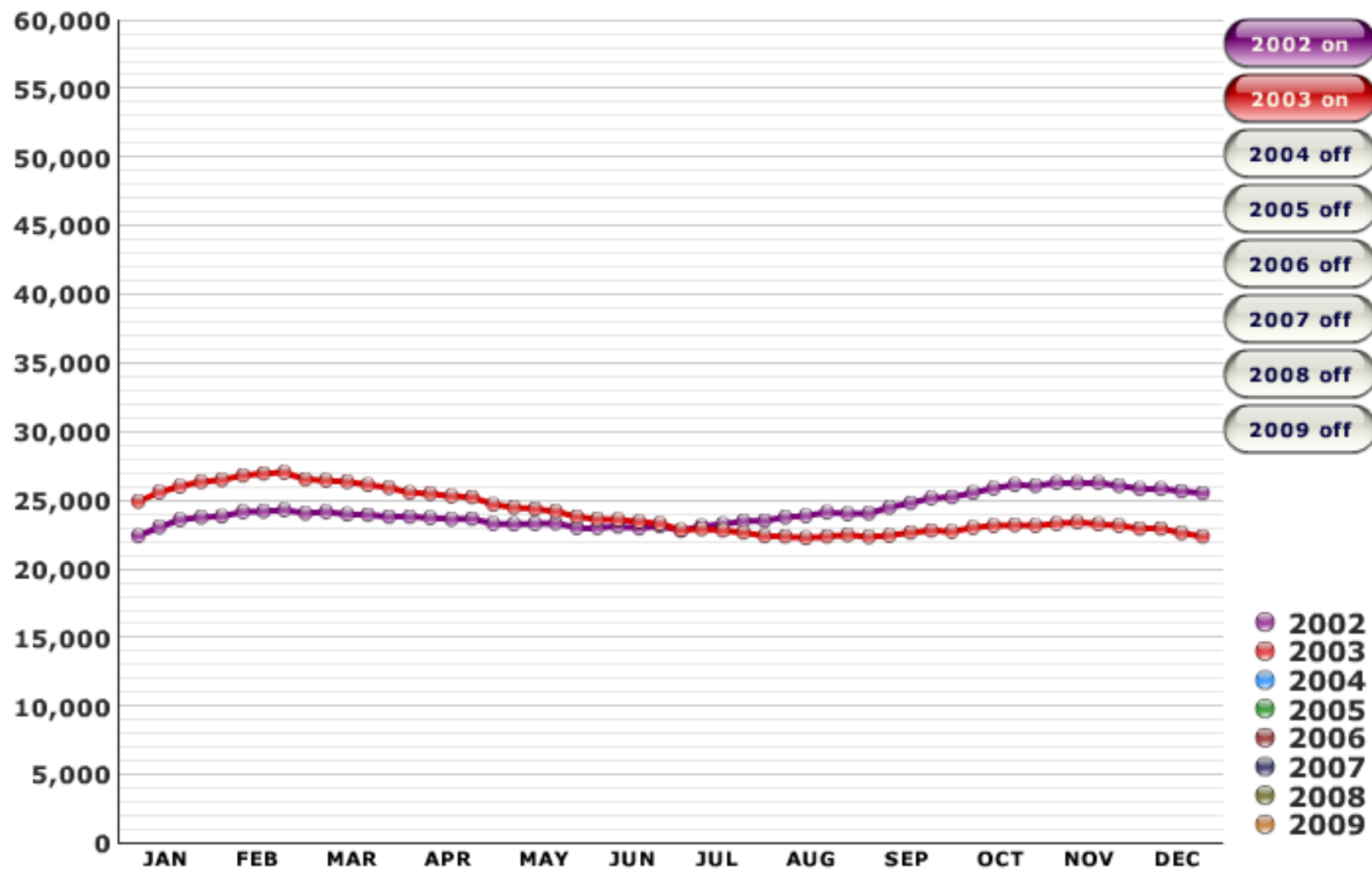
All Areas & Types - ARLMS Residential Resale - Measured Monthly

MLS Data – Good and Bad

- Unique Source of Supply & Demand Data
 - Active Listings in ALL Their Glory
 - Fastest information about sales trends
 - Excellent predictor of future sales (pending listings)
 - Usually closed on MLS before the county recorder knows
 - Currently about 90% of all re-sales
 - Normally about 65% of all sales (including new builds)

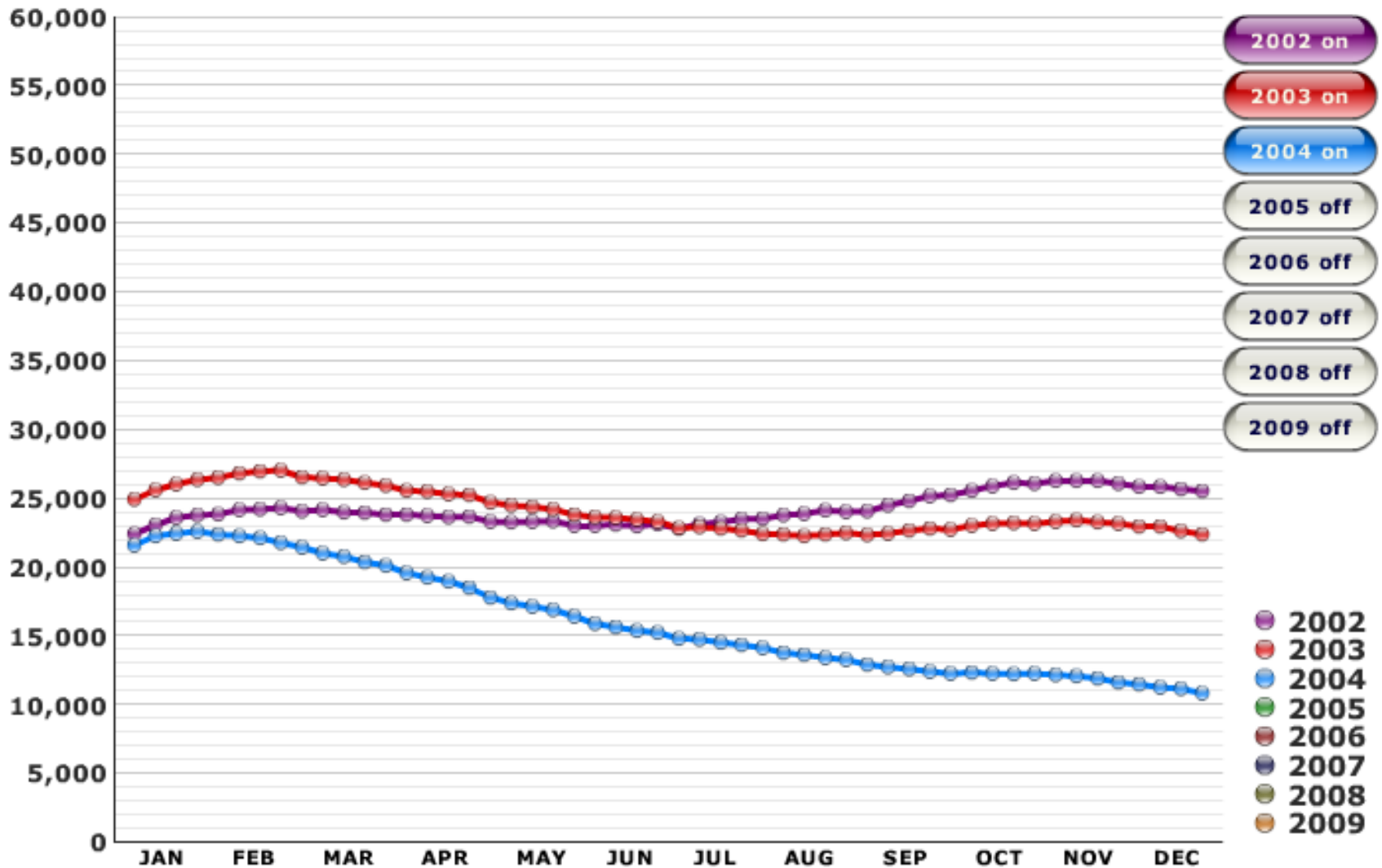
What Does MLS
Tell Us About
Supply?

Active Listings February 7, 2009



All Areas & Types - ARMLS Residential Resale - Measured Weekly

Active Listings February 7, 2009



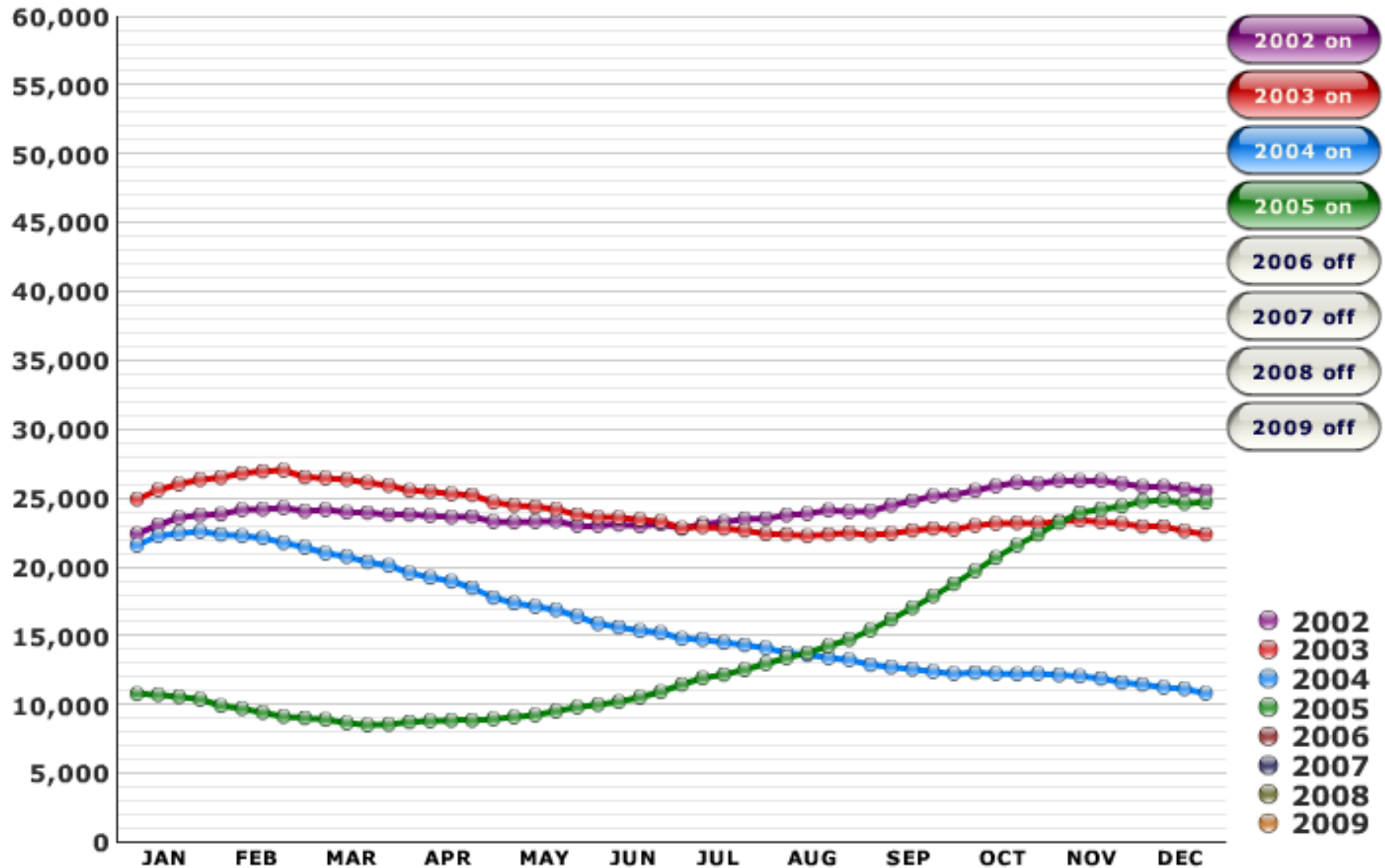
All Areas & Types - ARMLS Residential Resale - Measured Weekly

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ALA3

Active Listings

February 7, 2009



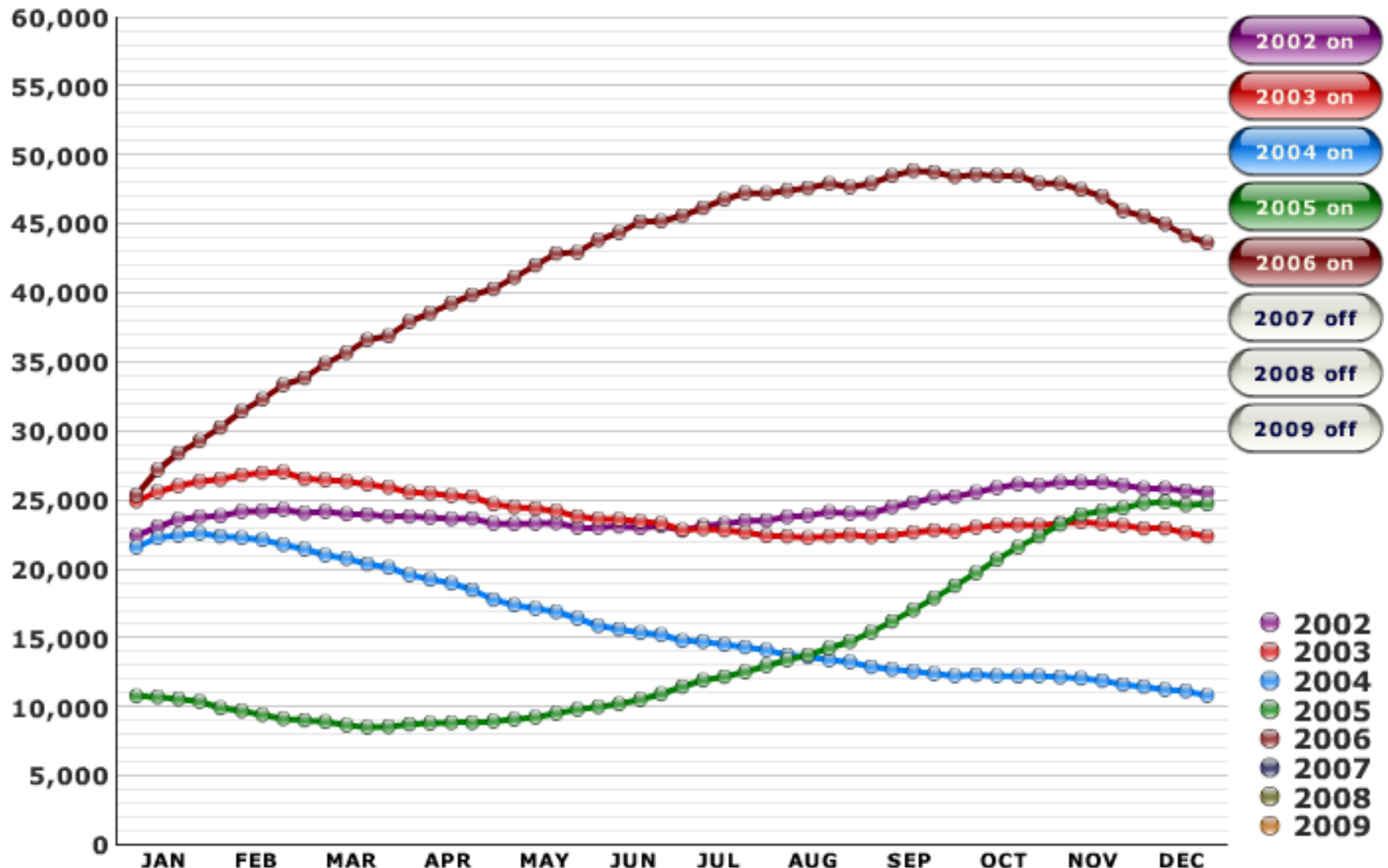
All Areas & Types - ARMLS Residential Resale - Measured Weekly

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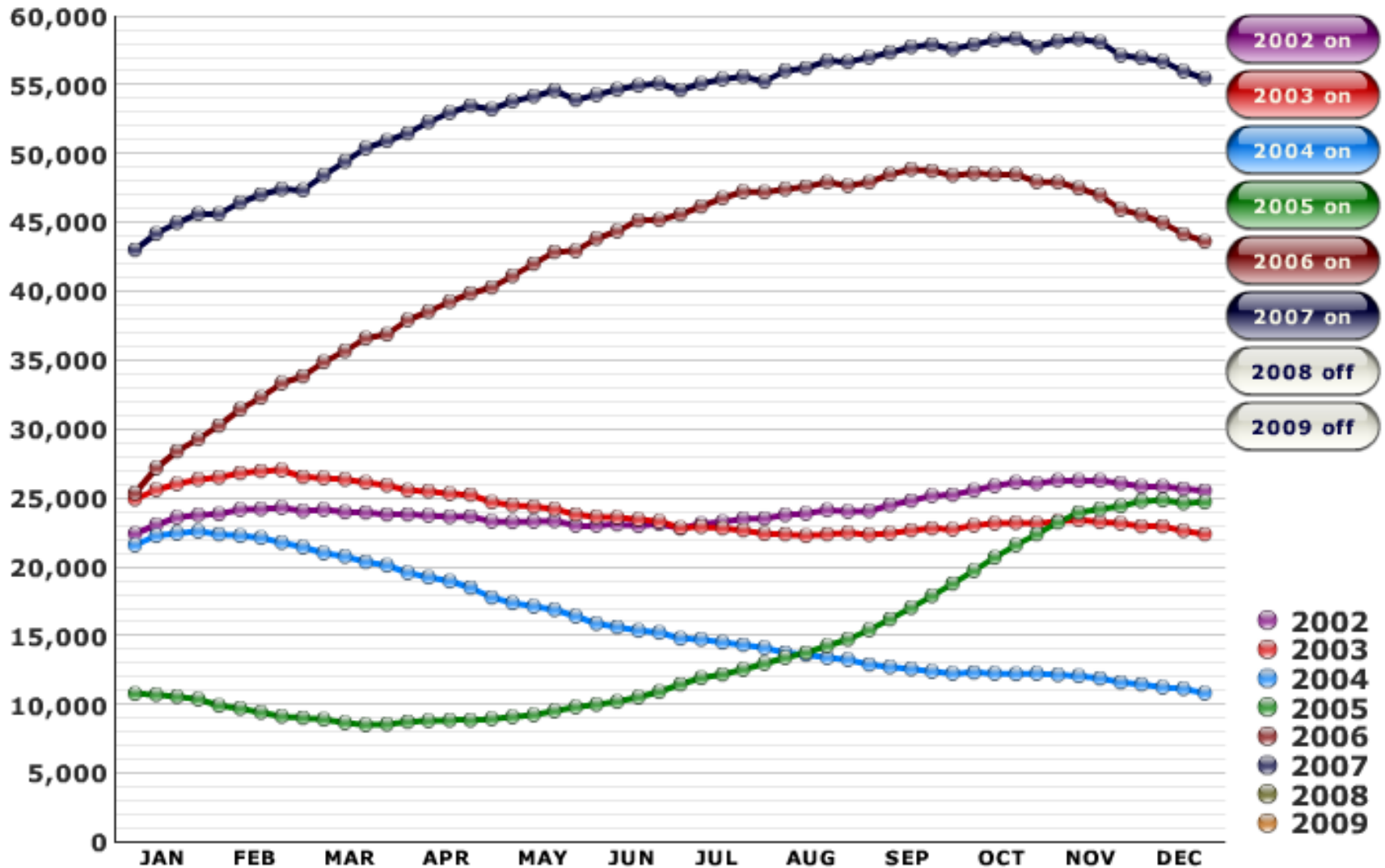
Active Listings

February 7, 2009



All Areas & Types - ARMLS Residential Resale - Measured Weekly

Active Listings February 7, 2009



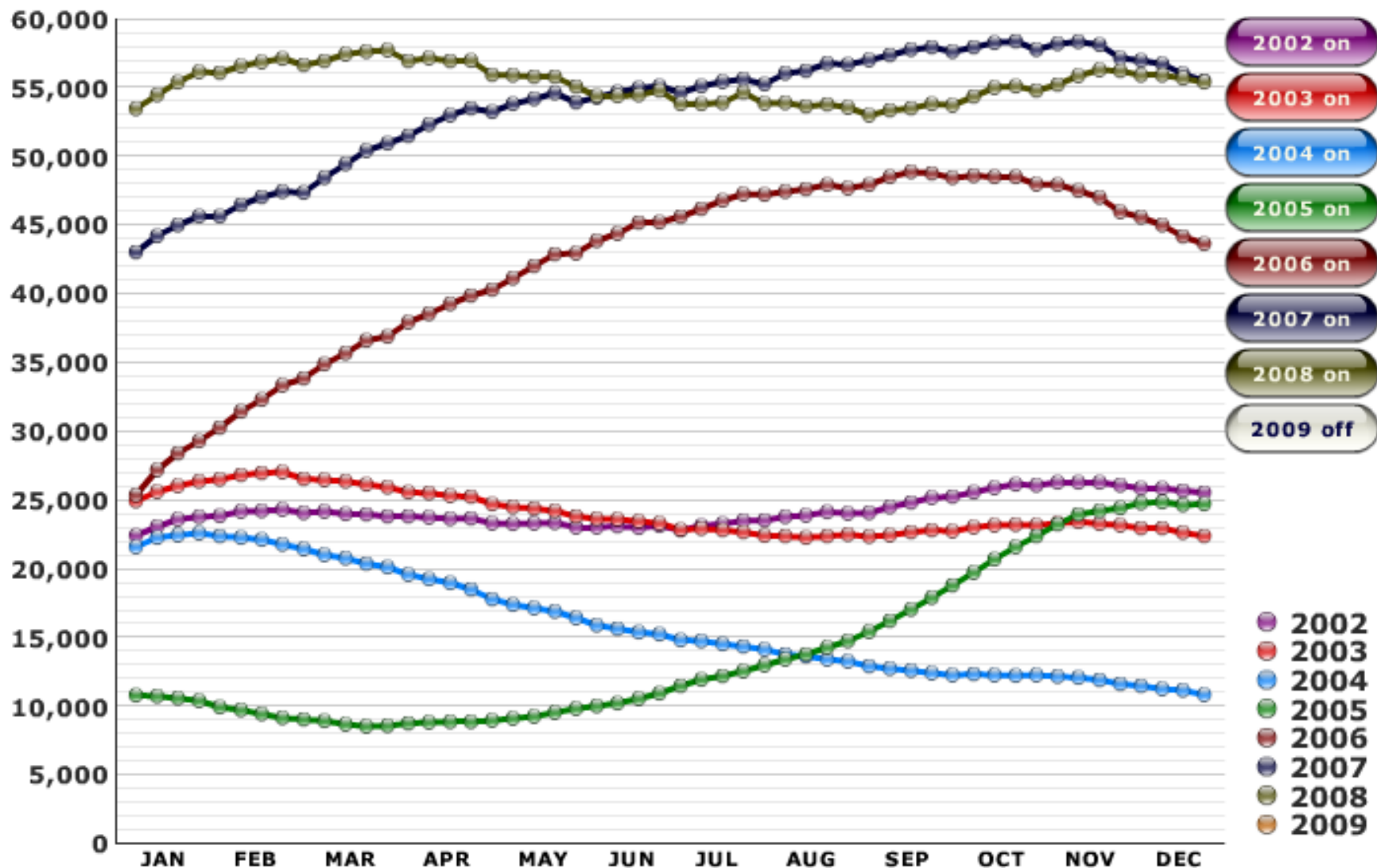
All Areas & Types - ARMLS Residential Resale - Measured Weekly

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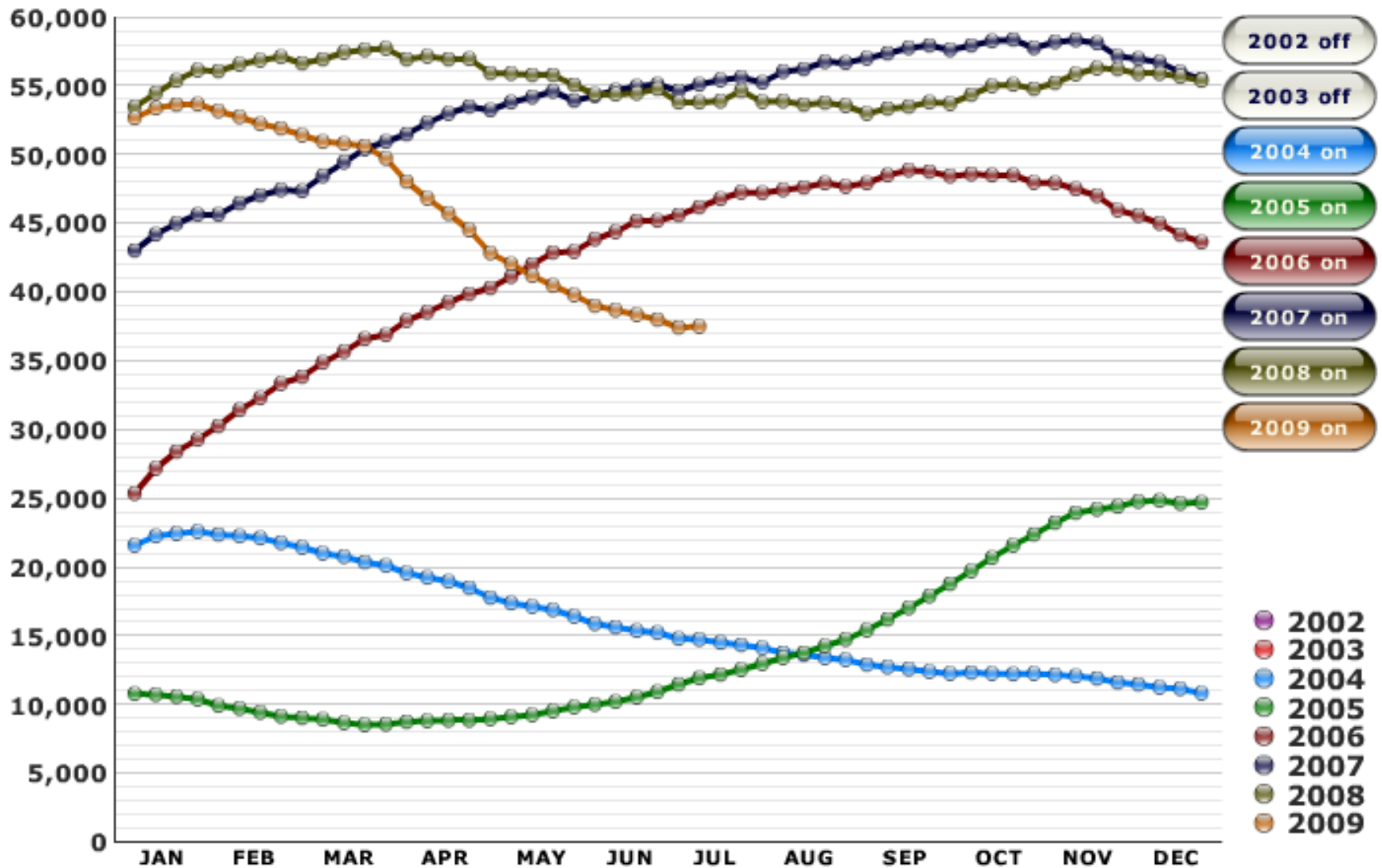
Active Listings

February 7, 2009



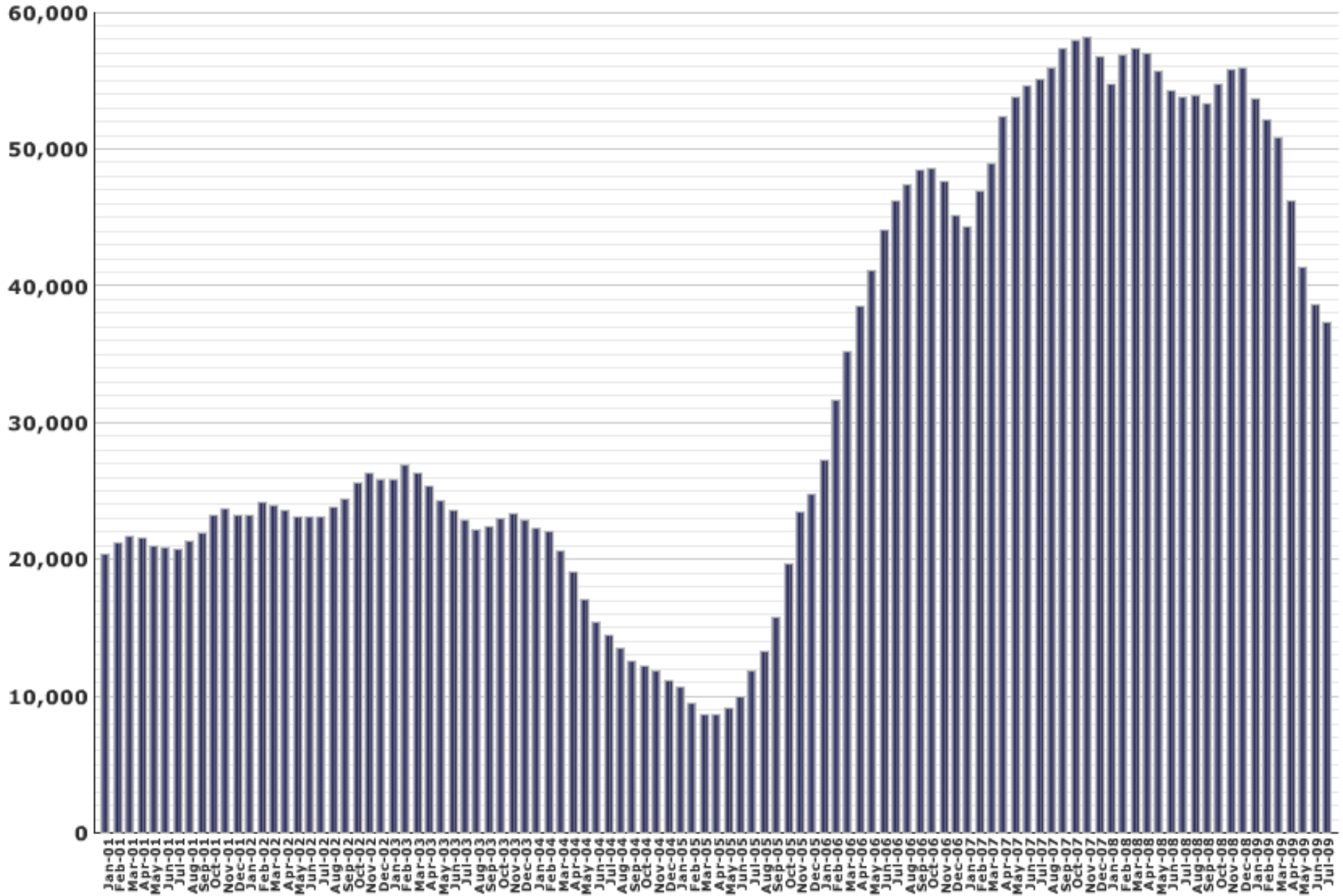
All Areas & Types - ARMLS Residential Resale - Measured Weekly

Active Listings July 11, 2009



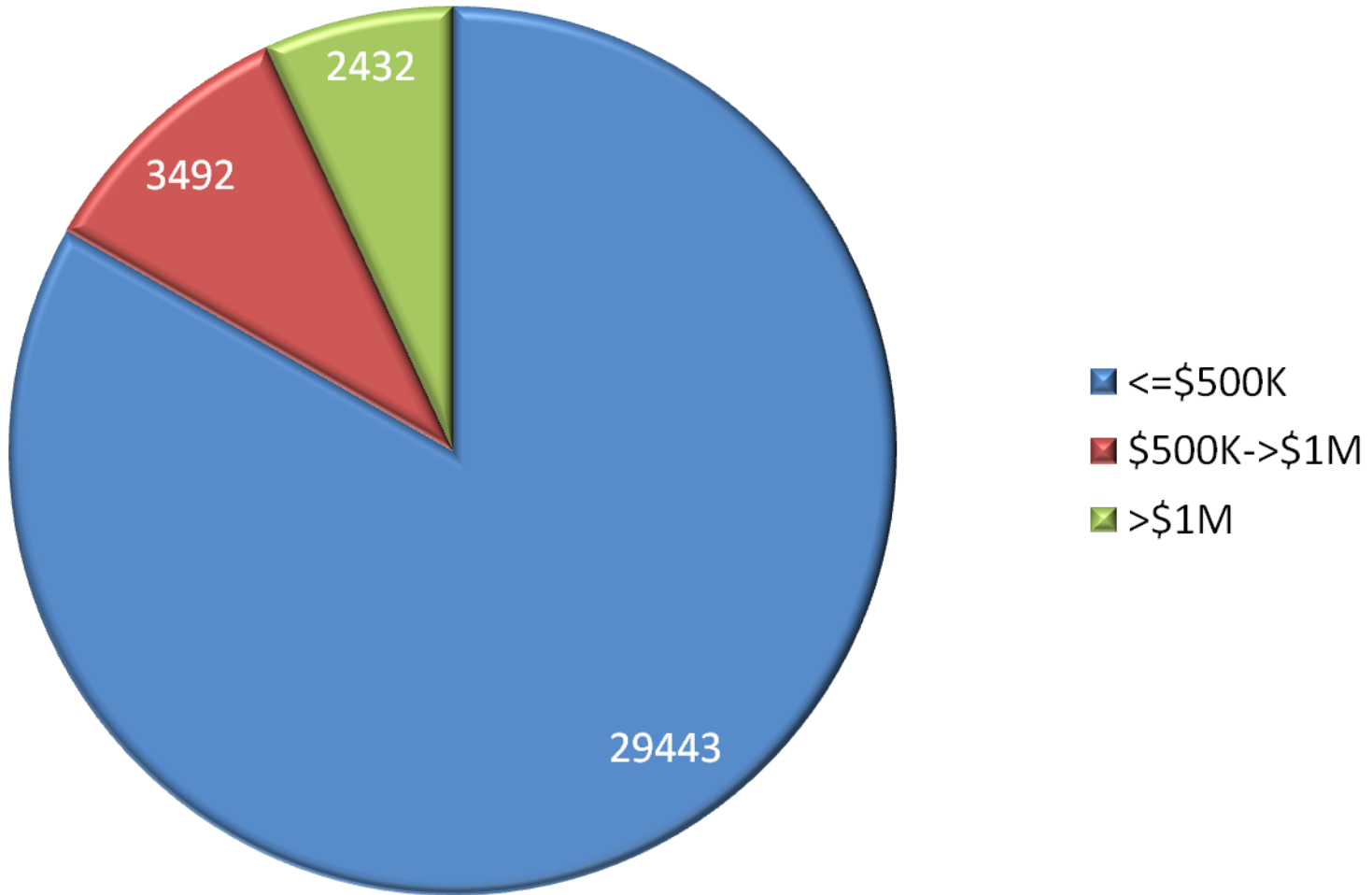
All Areas & Types - ARMLS Residential Resale - Measured Weekly

Active Listings July 15, 2009



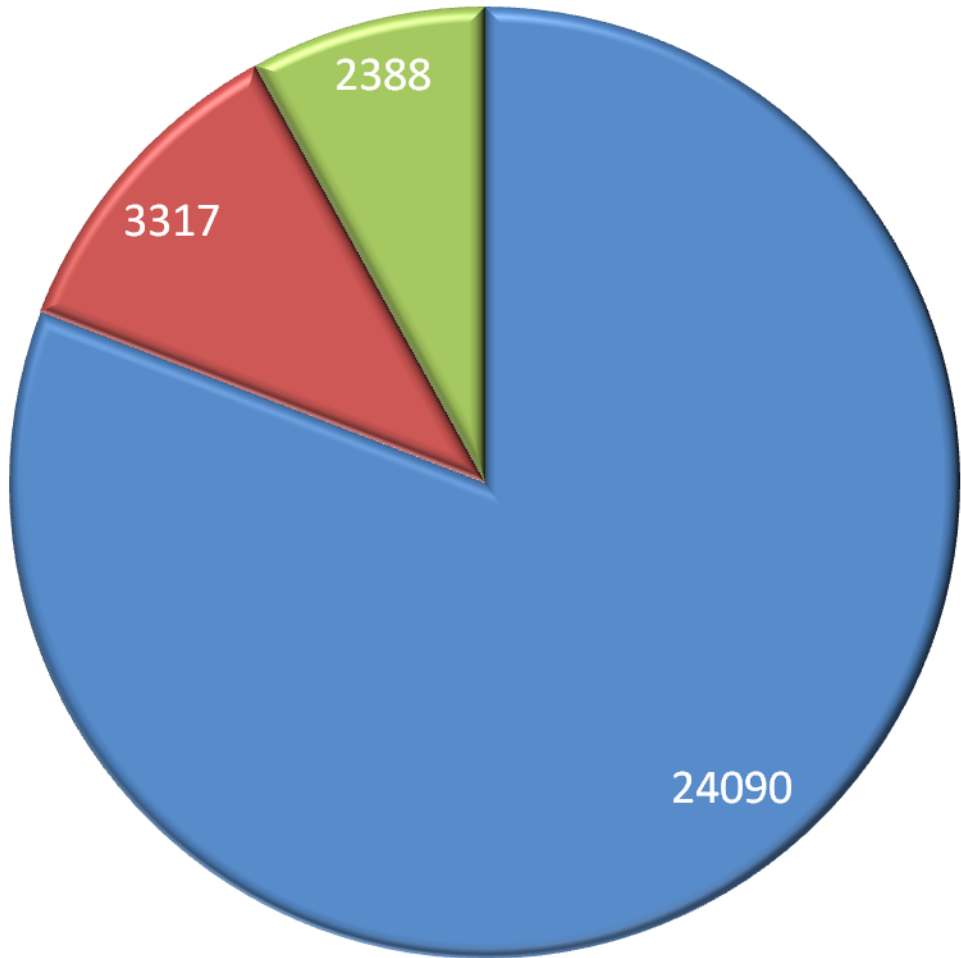
All Areas & Types - ARMLS Residential Resale - Measured Monthly

Active Listings by Count – July 14, 2009



Greater Phoenix – All Types

Active Listings by Count – July 14, 2009

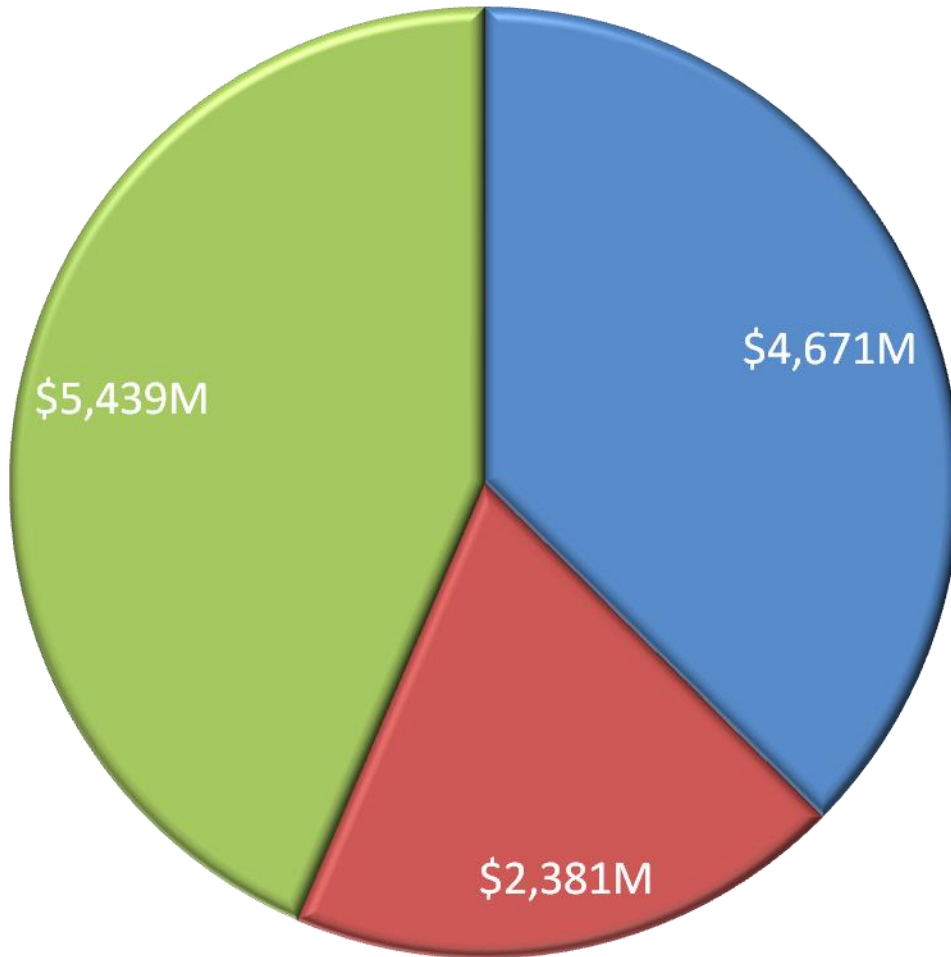


EXCLUDING AWC
(ACTIVE WITH A
CONTRACT)

- <=\$500K
- \$500K->\$1M
- >\$1M

Greater Phoenix – All Types

Active Listings by Dollar Value – July 14, 2009



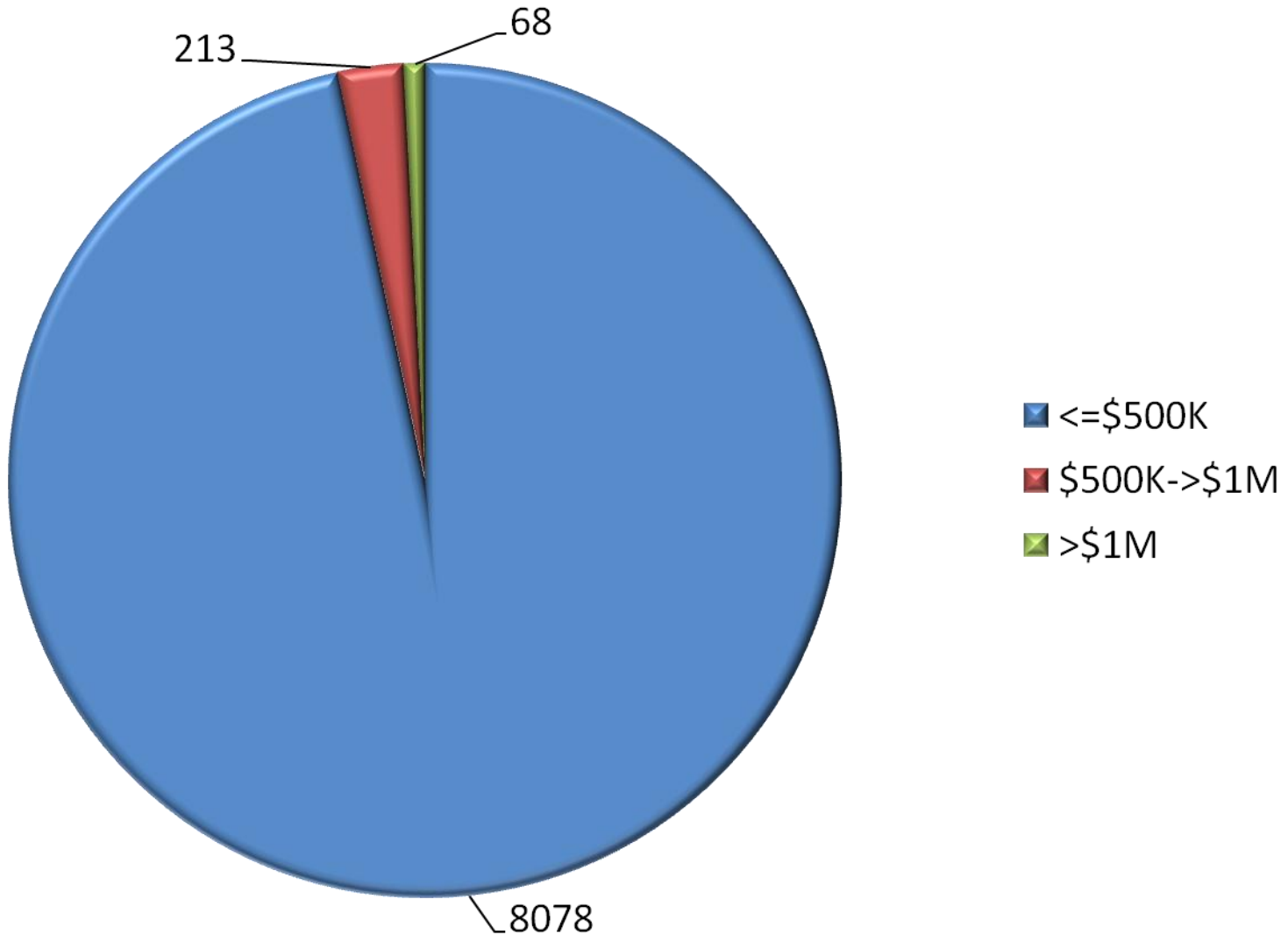
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Greater Phoenix – All Types

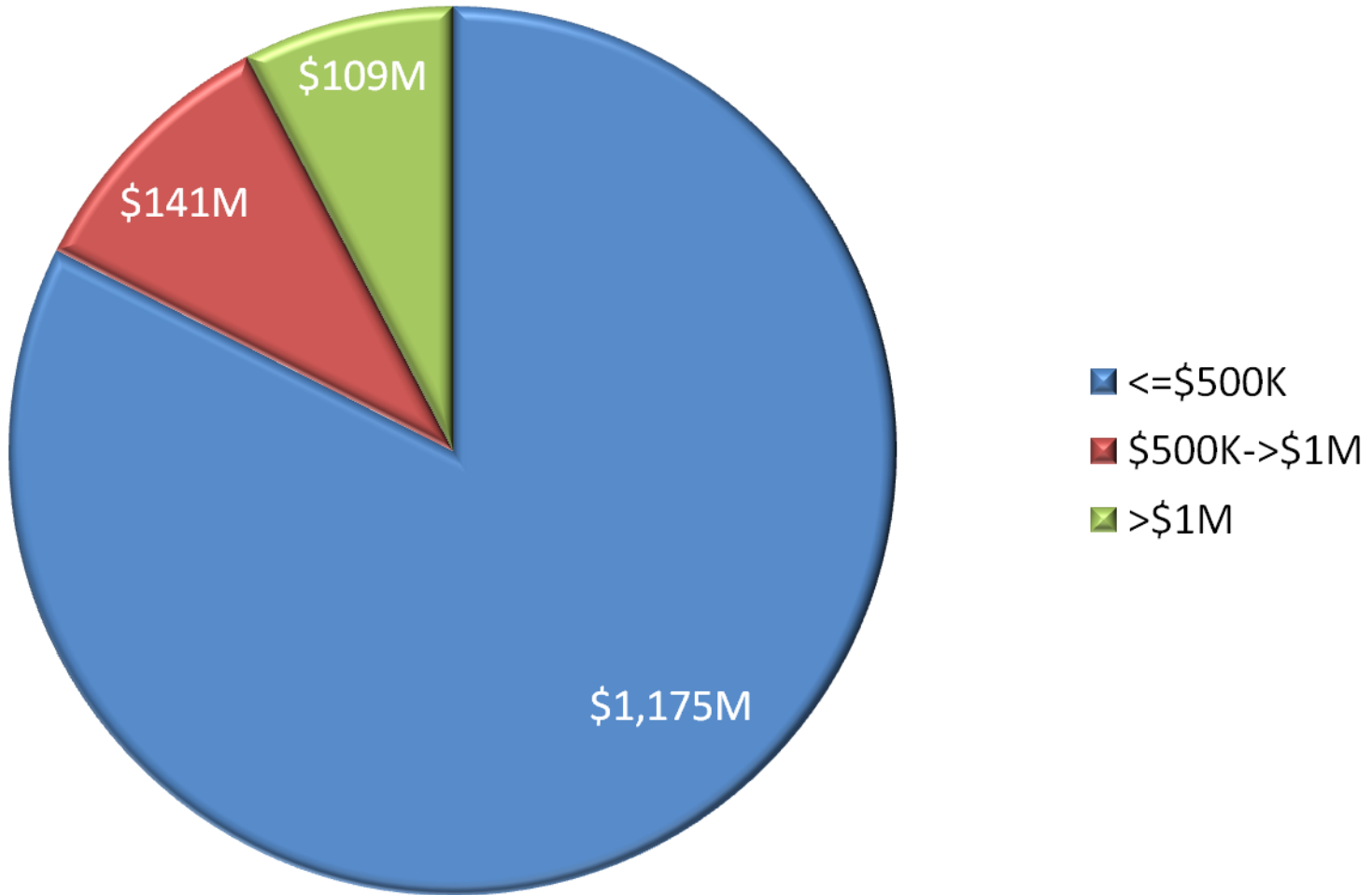
Let's Contrast the
Supply with the
Sales Rate

Monthly Sales by Count – July 14, 2009



Greater Phoenix – All Types

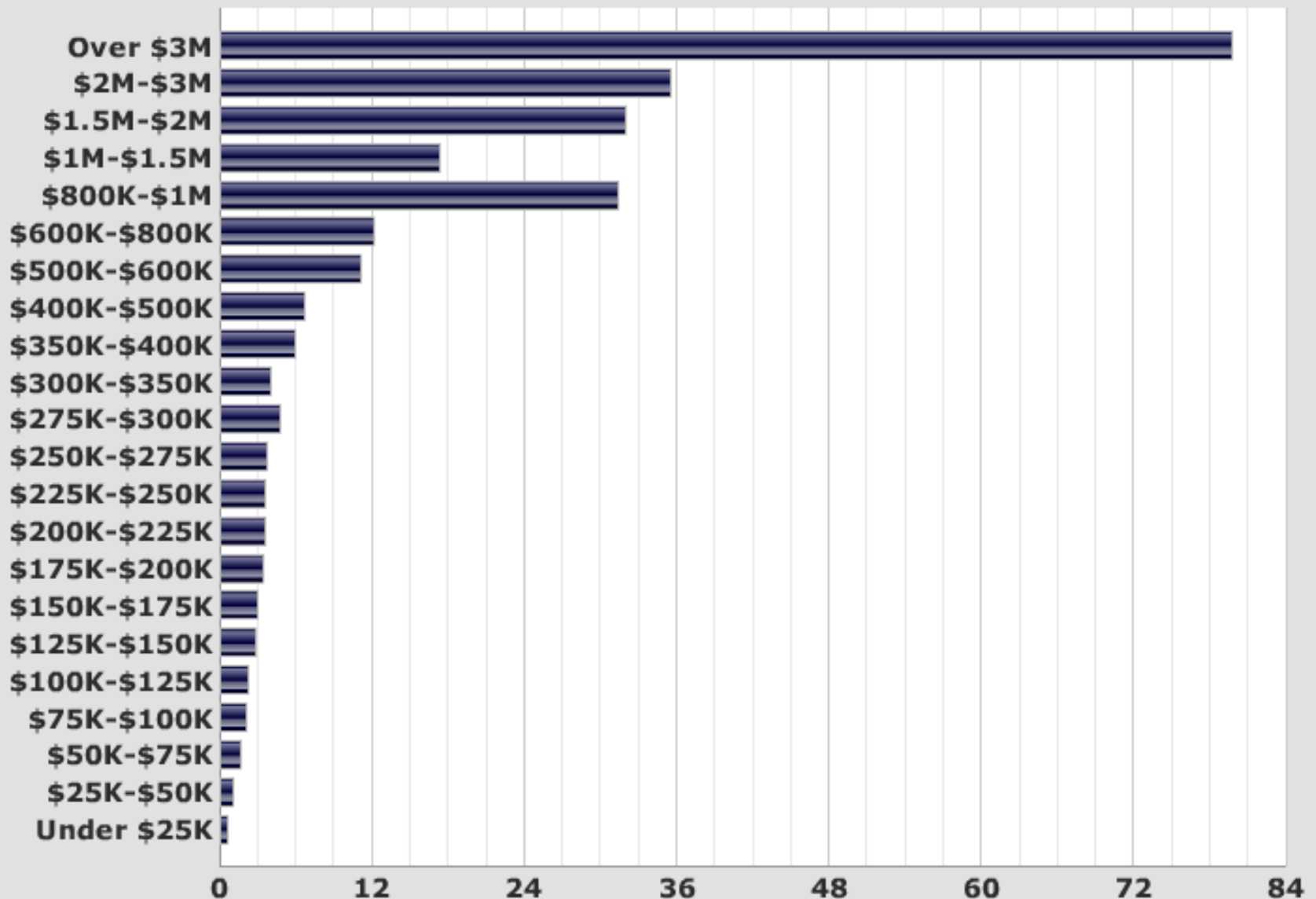
Monthly Sales by Dollar Value – July 14, 2009



Greater Phoenix – All Types

Months Supply by Price Range (Based on Sales per Month)

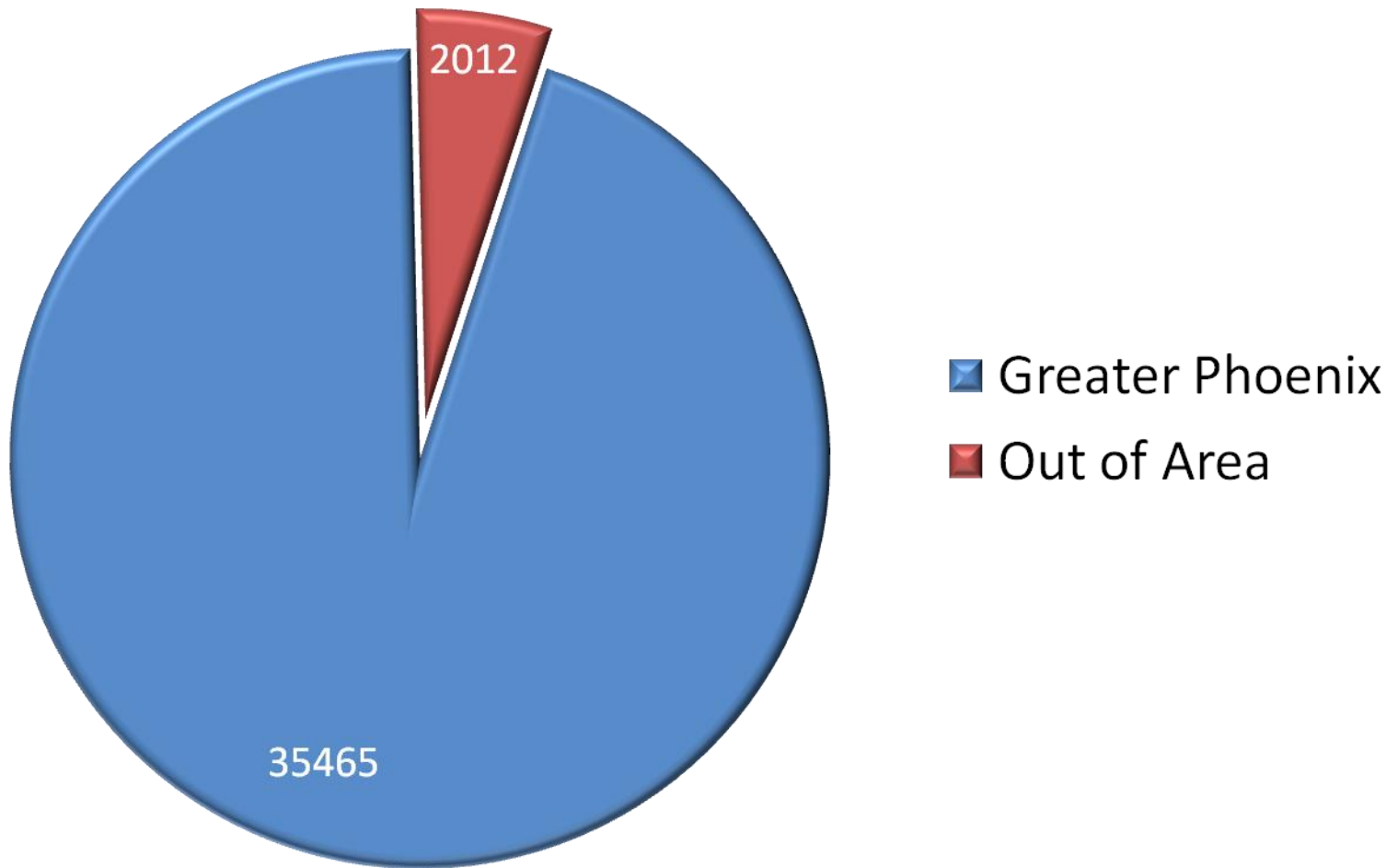
July 1, 2009



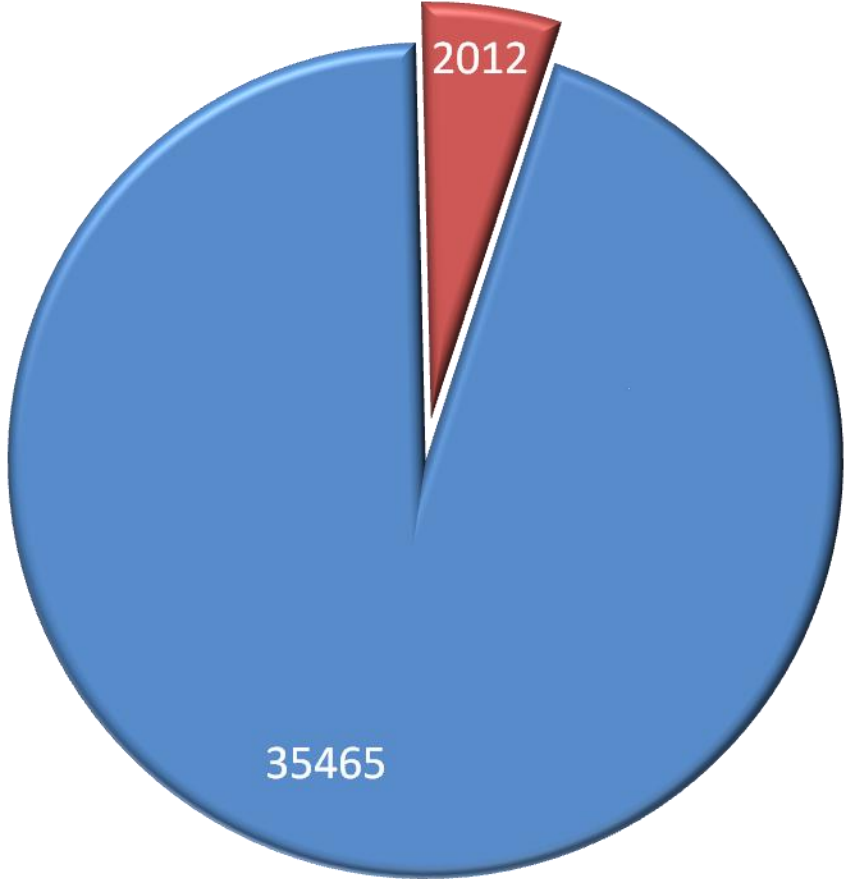
Greater Phoenix - Single Family Detached - ARMLS Residential Resale

Now Let's Take a
Typical Buyer's
Point of View

Active Listings (July 12, 2009)



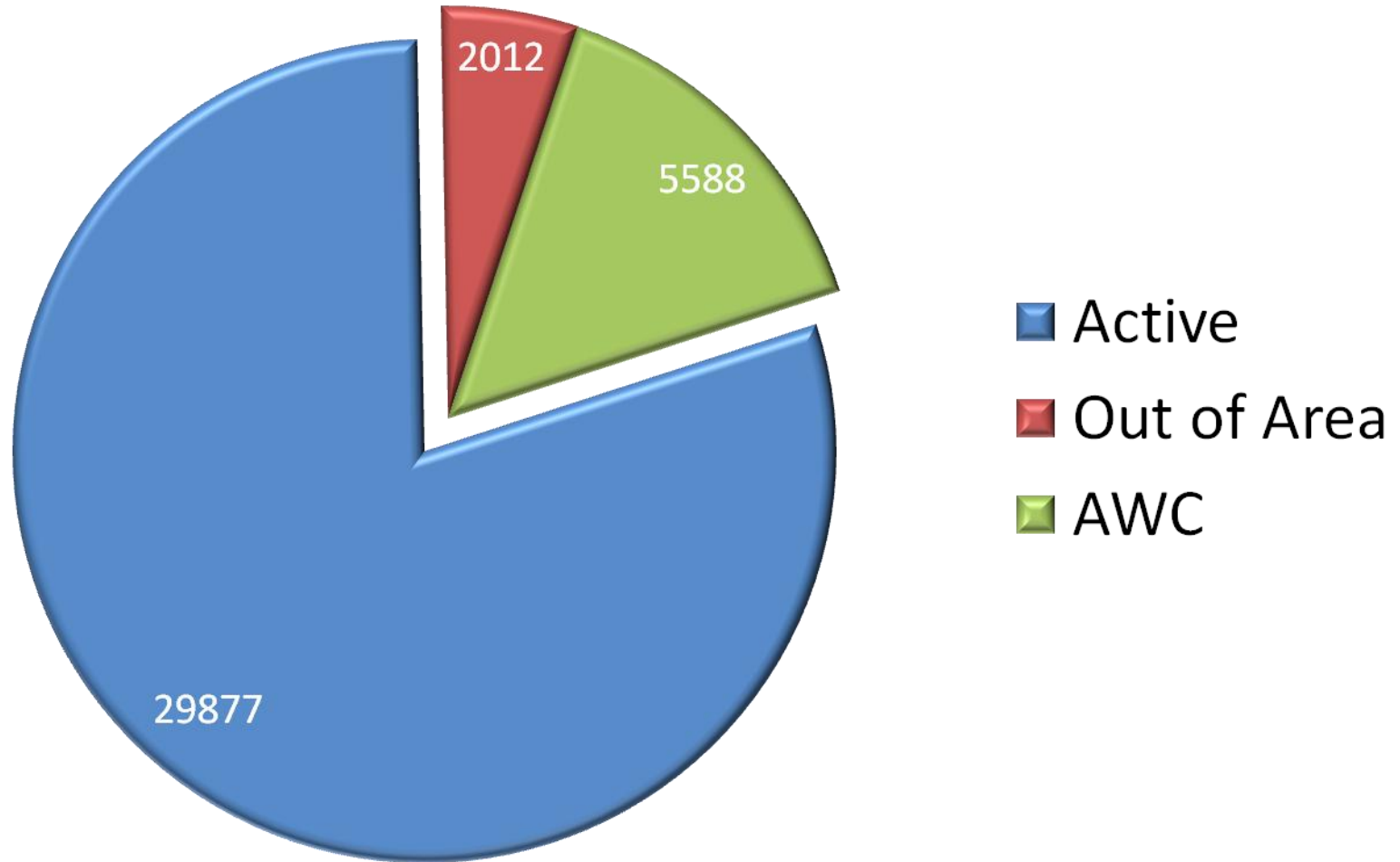
Active Listings



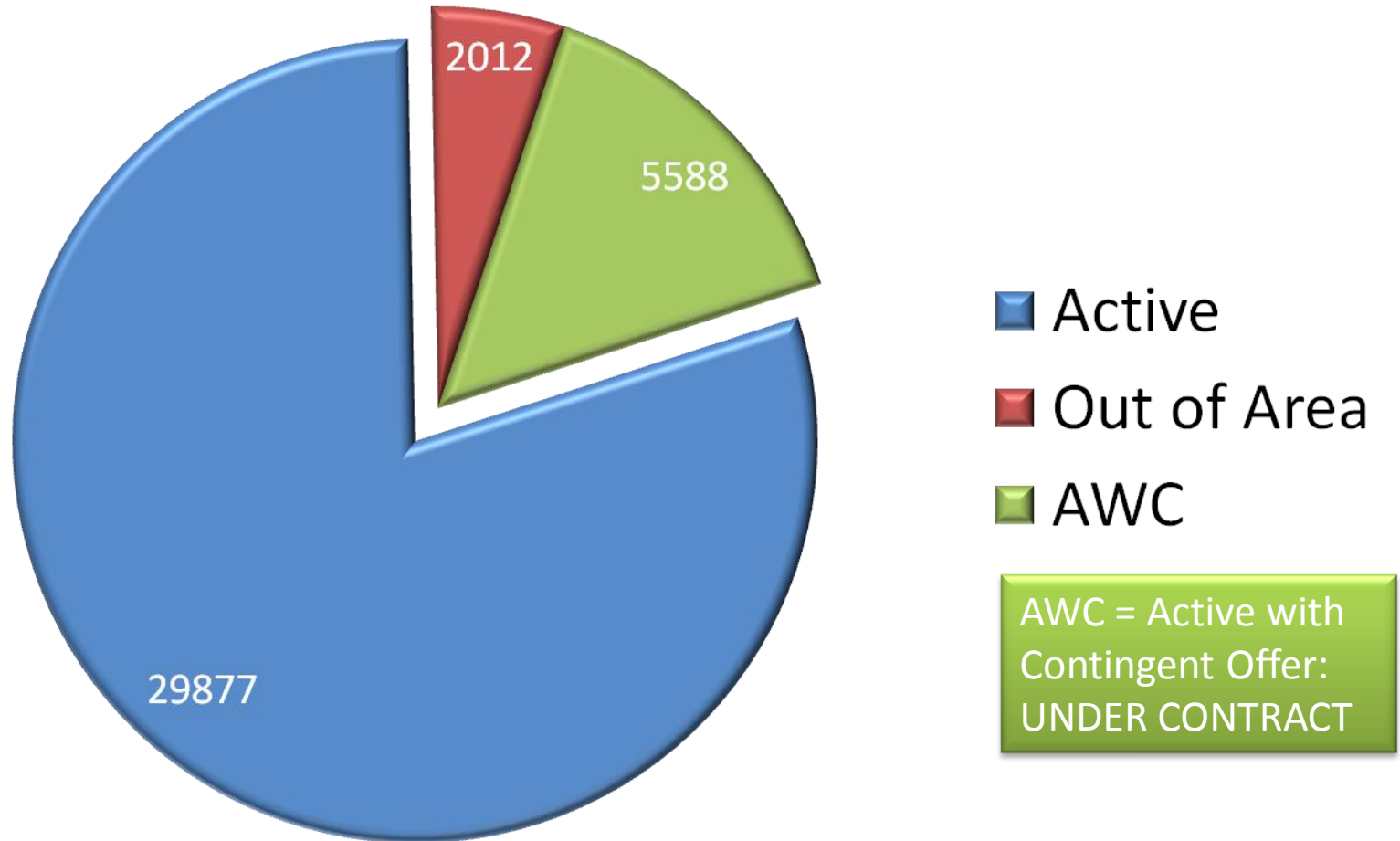
- Greater Phoenix
- Out of Area

5% of listings but <1% of sales

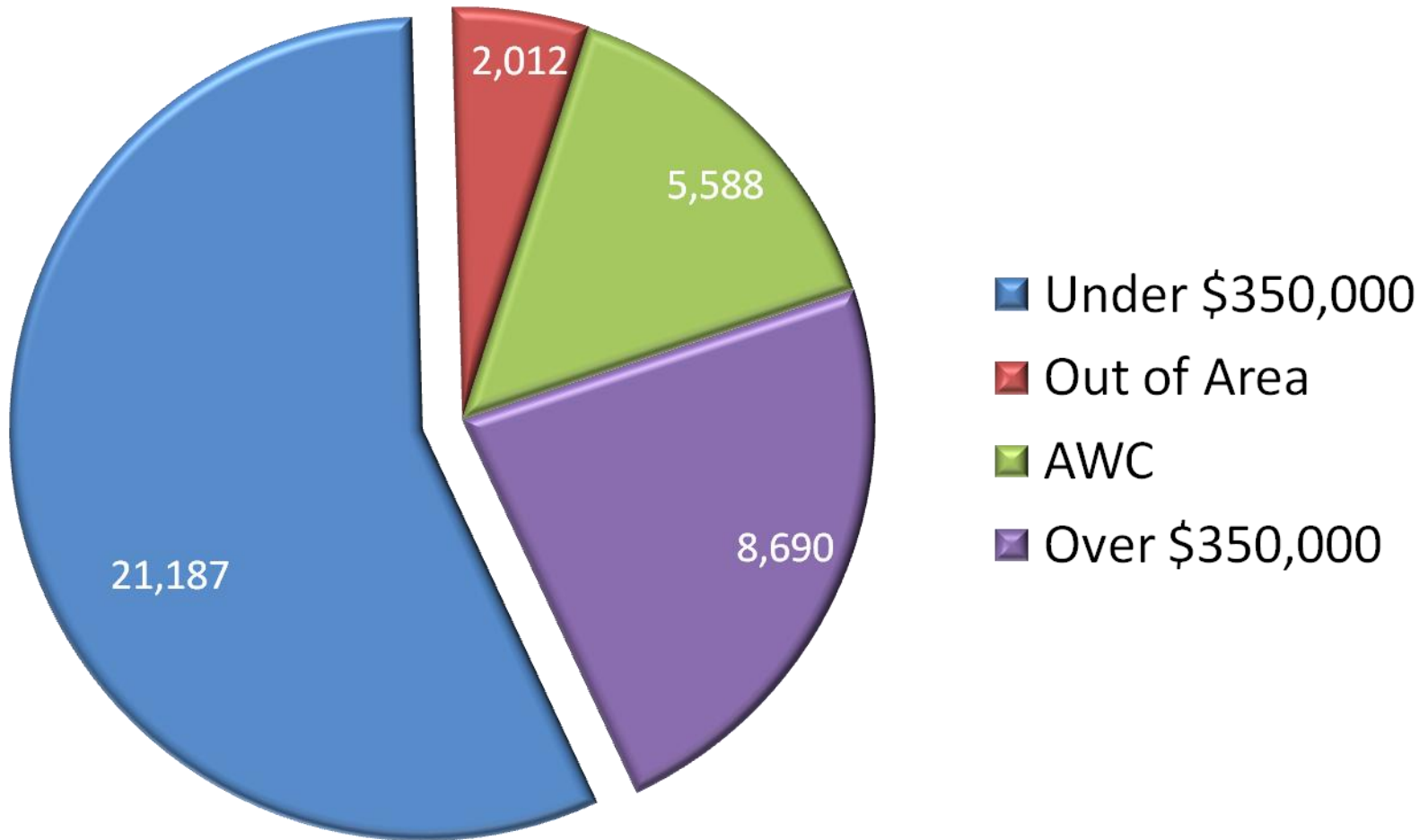
Active Listings



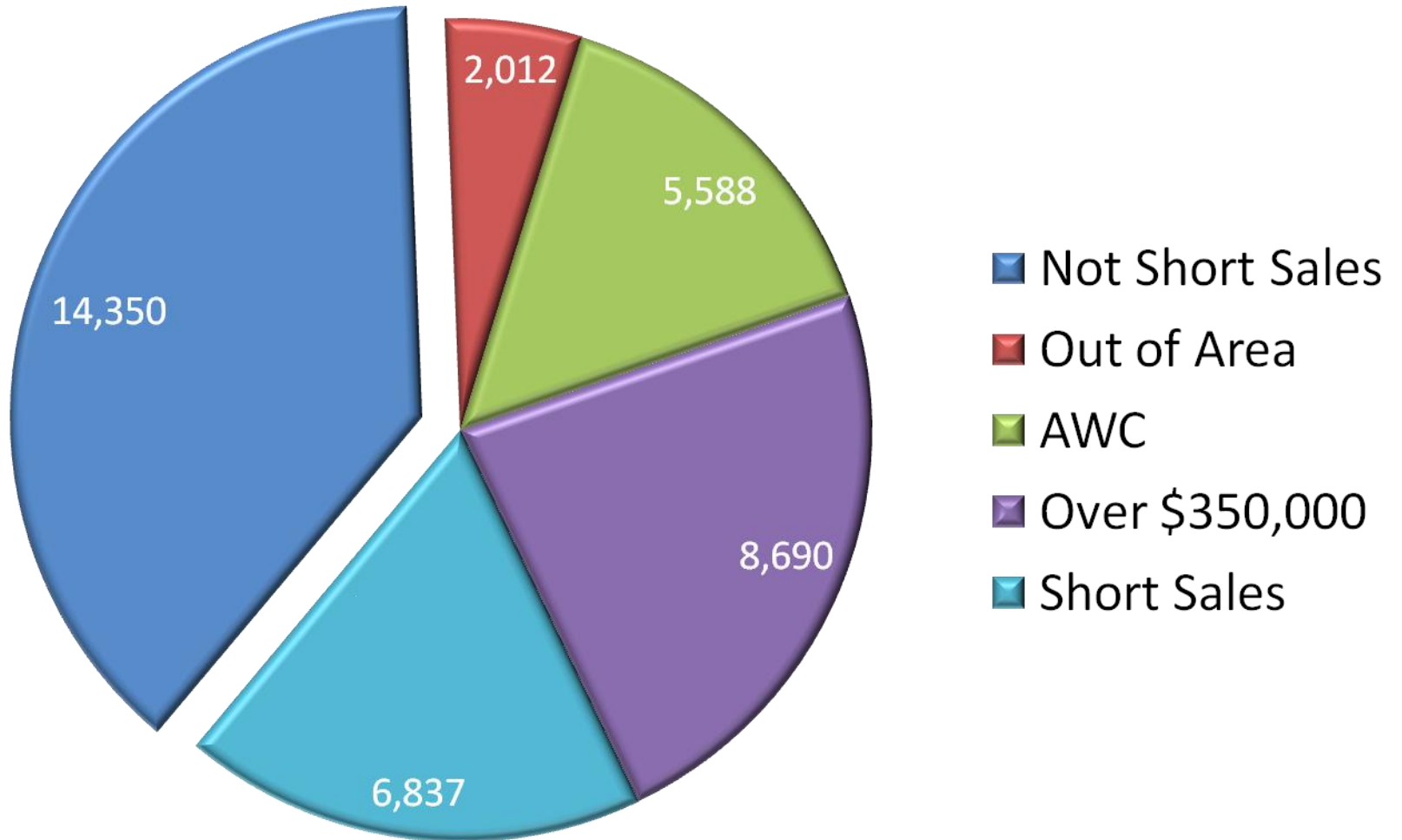
Active Listings



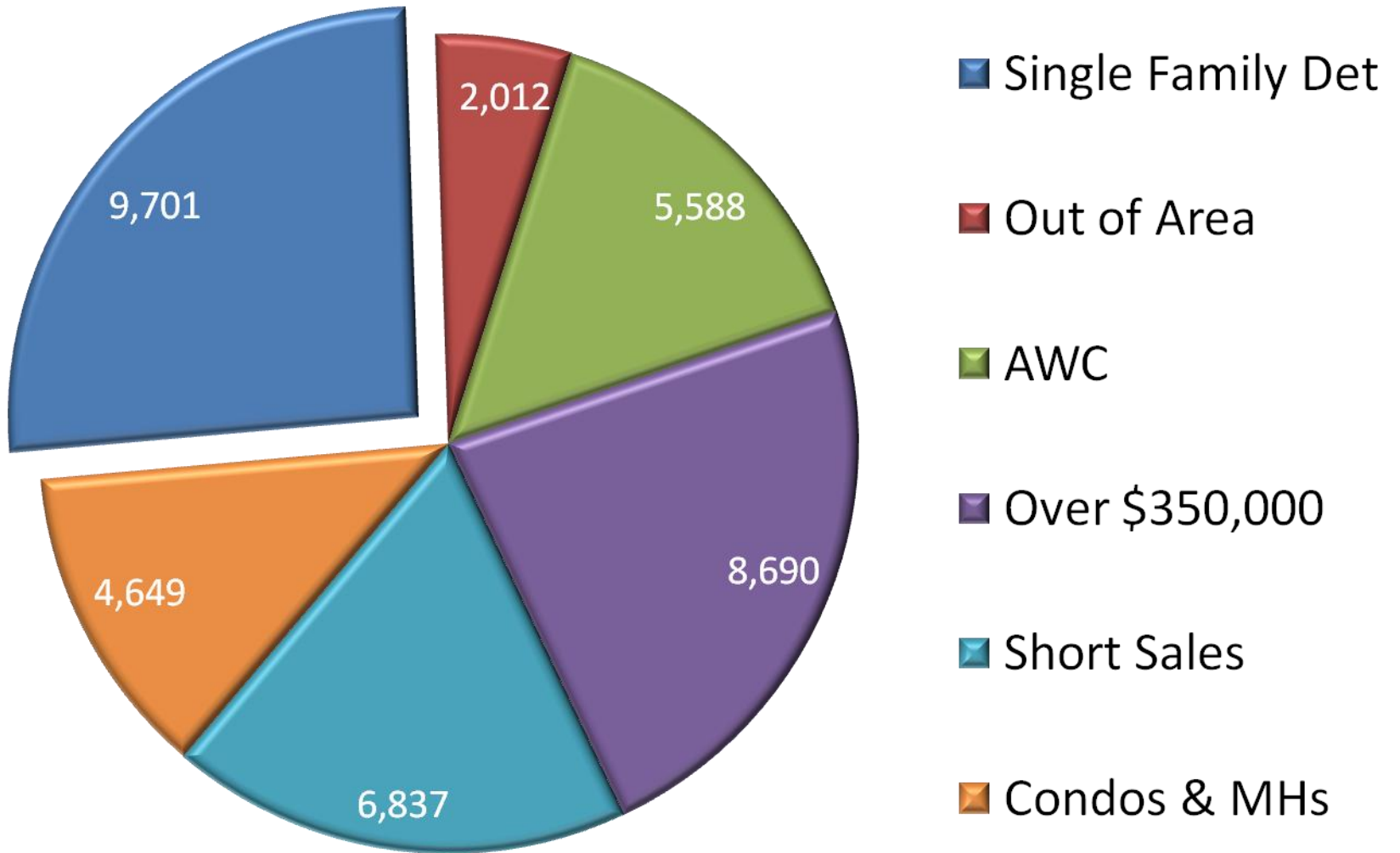
Active Listings



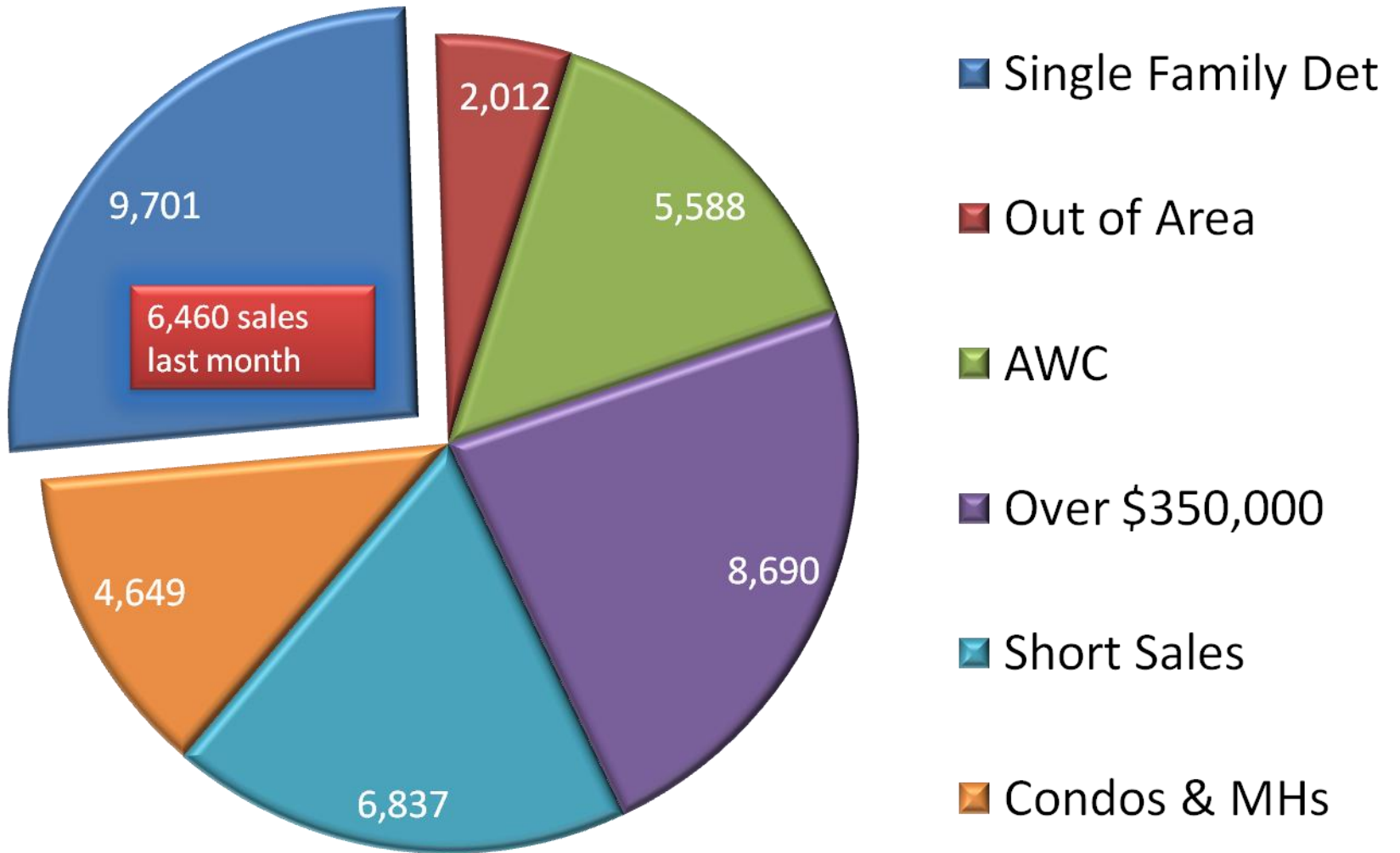
Active Listings



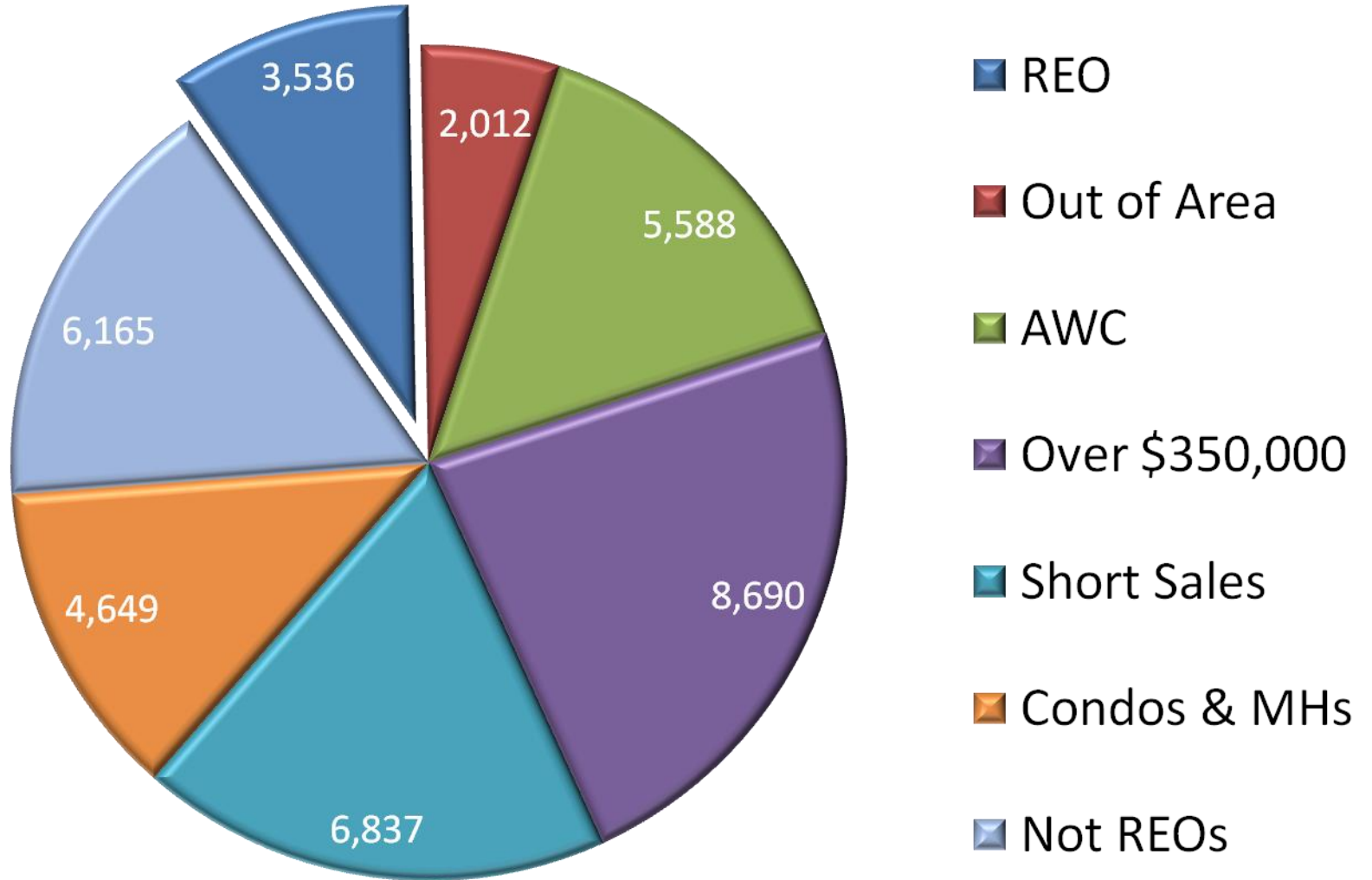
Active Listings



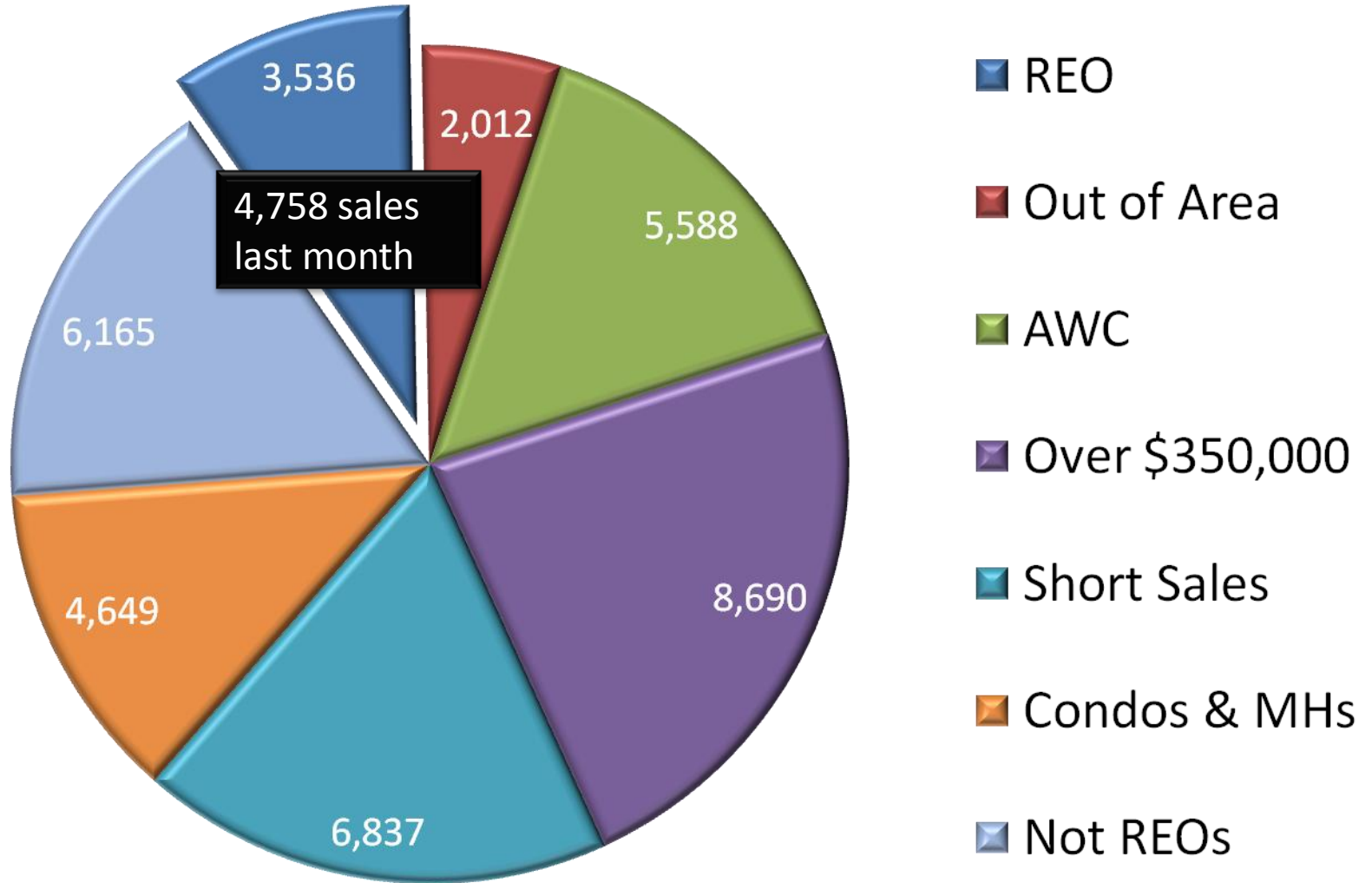
Active Listings



Active Listings



Active Listings



The supply of REO single family homes
under \$350K in Greater Phoenix is:

22 days

The supply of REO single family homes
under \$350K in Greater Phoenix is:
22 days

The supply of **ALL** single family homes
under \$350K in Greater Phoenix is:
2.2 months

Conclusions

- Supply is dramatically out-of-sync with demand
- Phoenix home supply does not match financial resources of the local population
- Too little supply of single family detached homes under \$350,000 – buyers frustrated
- Vast over-supply of luxury homes (and acre lots)
- There are yet more luxury homes that are off-market but will re-appear later.
- For the luxury home market to recover we will need to see out-of-state buyers return in volume.

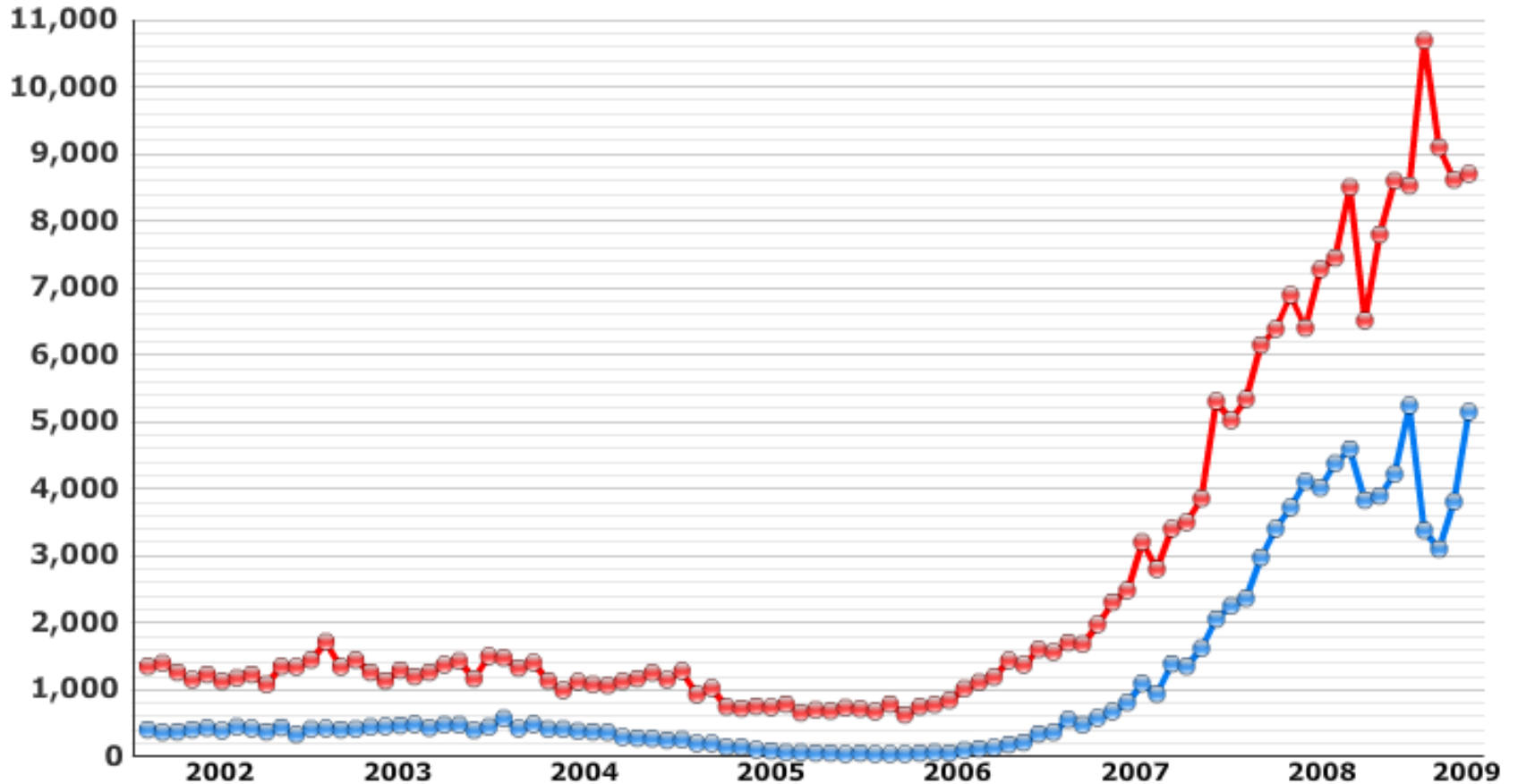
Vacancy Rates Among Active Listings

- REOs 91%
- Short sales 42%
- Normal sales 42%
- Overall 49%

Foreclosures per Month

July 5, 2009

● Notices ● Trustee Deeds



Maricopa County - All Real Property Types - Measured Monthly

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The Foreclosure Wave

Period	Trustee Sales	REOs for Sale on MLS
3Q 2008	12,495	10,564
4Q 2008	12,308	14,255
1Q 2009	12,833	10,599
2Q 2009	12,061	5,150
3Q 2009	?	

It's actually a remarkably steady supply

The Myth of REO Shadow Inventory

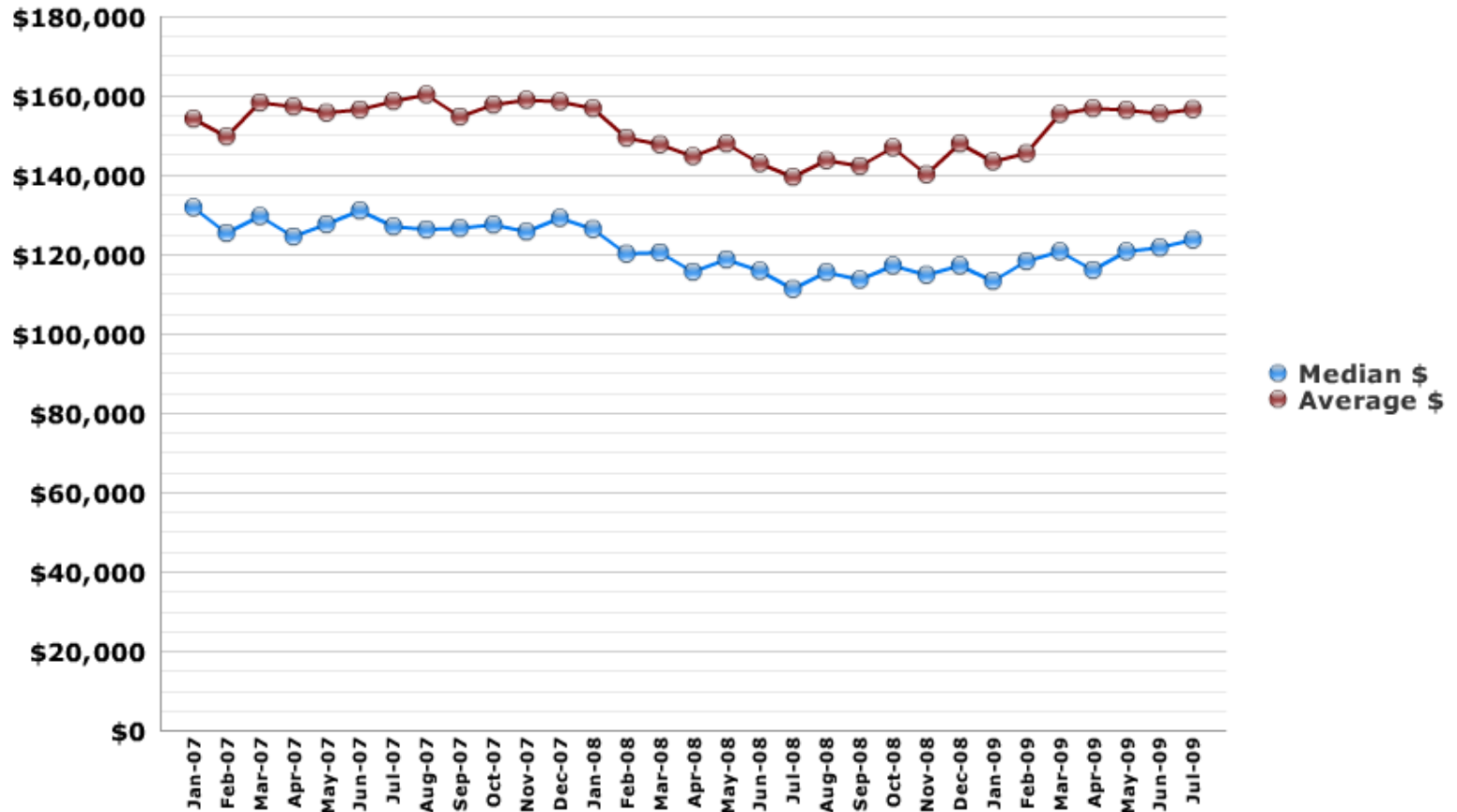
Total REOs ex Trustee Sale but not yet sold on	15,594
REOs on MLS Active	4,618
REOs on MLS Pending	5,761
REOs on MLS Temp Off Mkt	448
Not Yet Listed	4,767
Shadow Inventory	0
Sold Last Month	4,915

You can't hide a foreclosed home from us – every trustee sale is tracked

If there is “shadow inventory” of any sort, then it has not yet received a notice of foreclosure. That’s the only way we don’t know about it.

Are Foreclosures Moving Up-Market ?

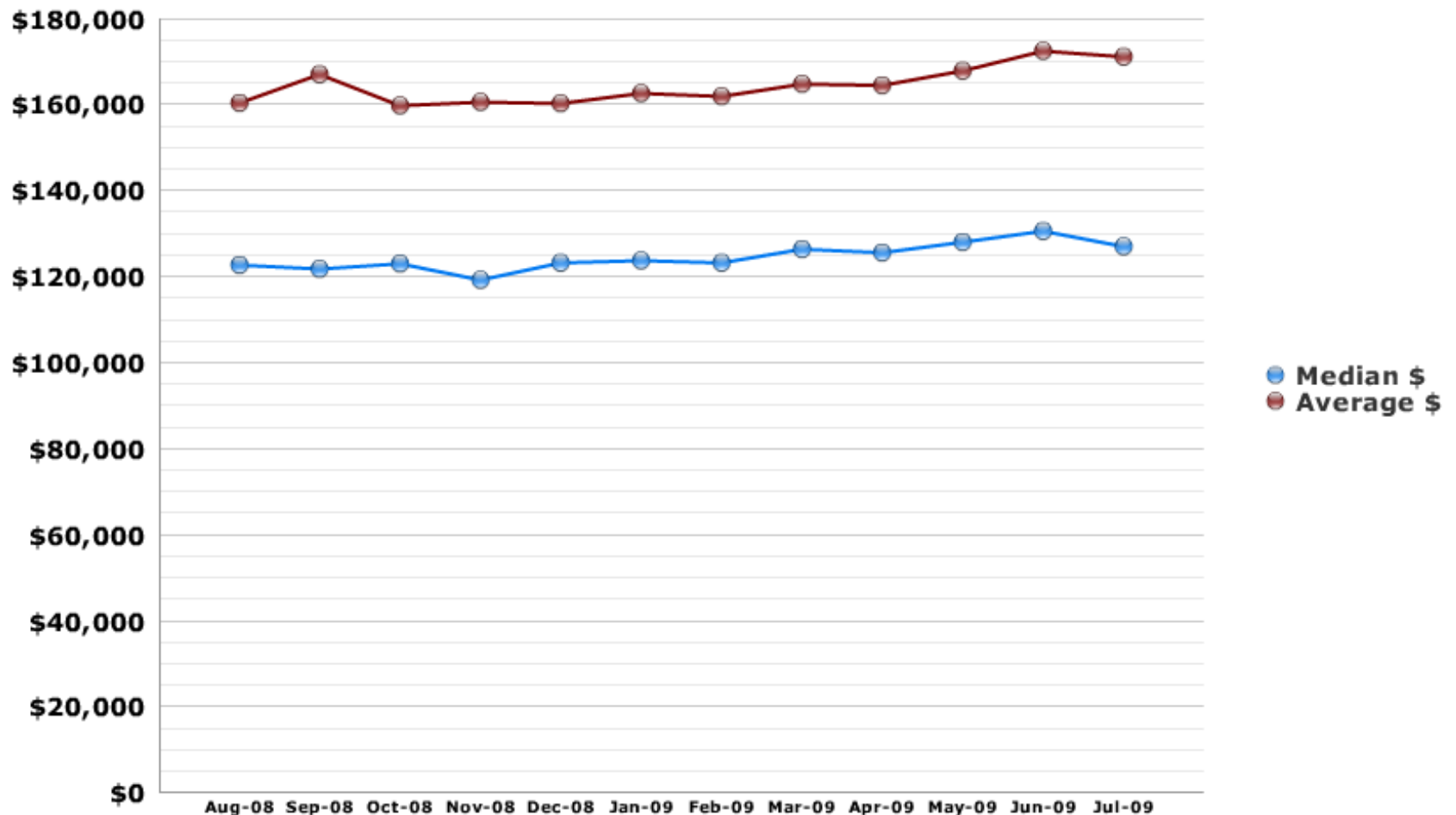
Value of Foreclosed Single Family Homes July 14, 2009



Based on Assessed Full Cash Value for 2010 Tax Year

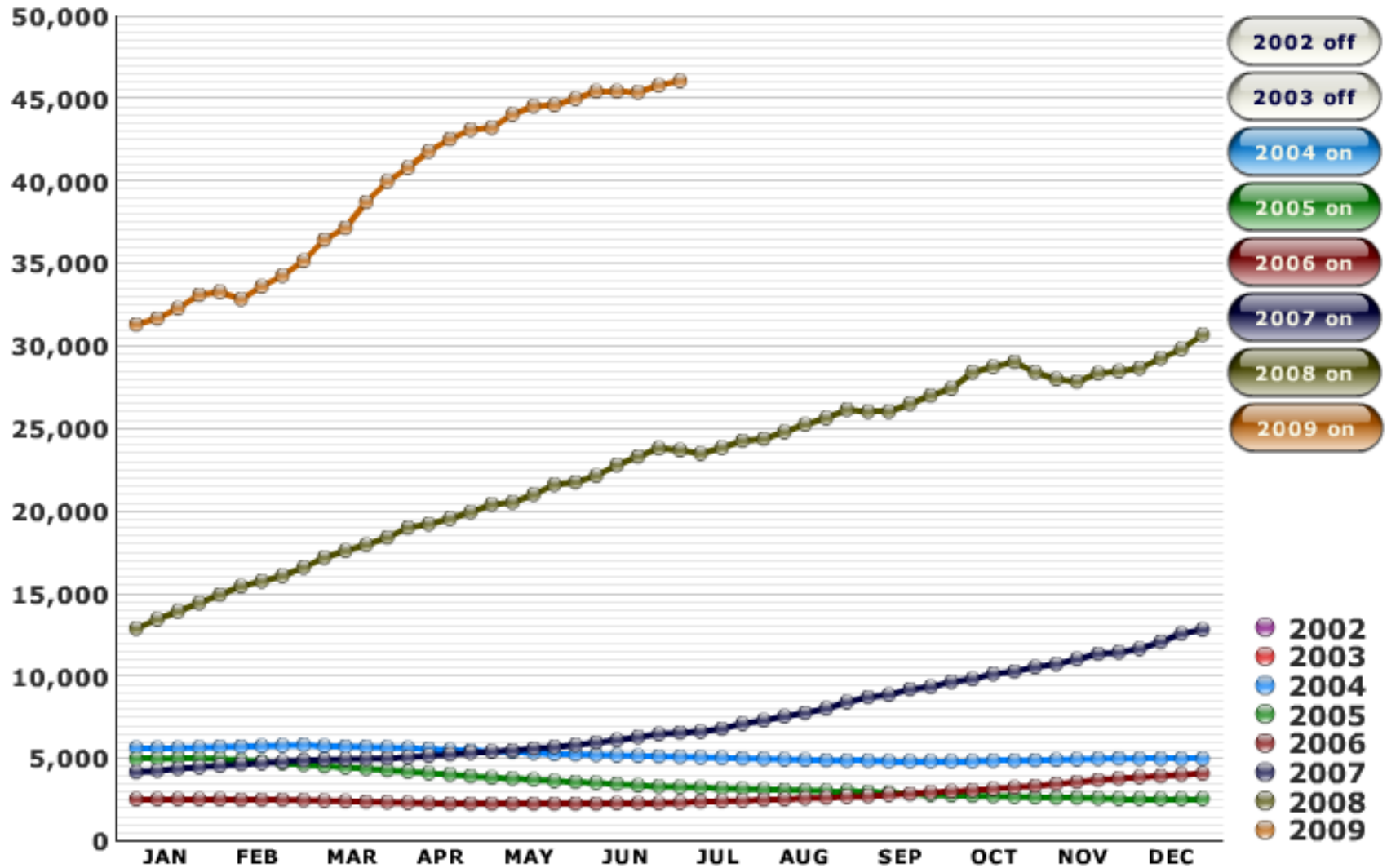
But Banks Seem to Foreclose Higher Priced Homes More Slowly

Value of Pending Foreclosures - Single Family July 14, 2009



Based on Assessed Full Cash Value for 2010 Tax Year

Foreclosures Pending July 9, 2009



Maricopa County - All Real Estate Property Types

Why Is This Not Scary?

Normally only 30% pending foreclosures actually foreclose
Last year the rate peaked at over 70%

But in 2009 –

More pending foreclosures are ending as successful short sales
More loans are being modified

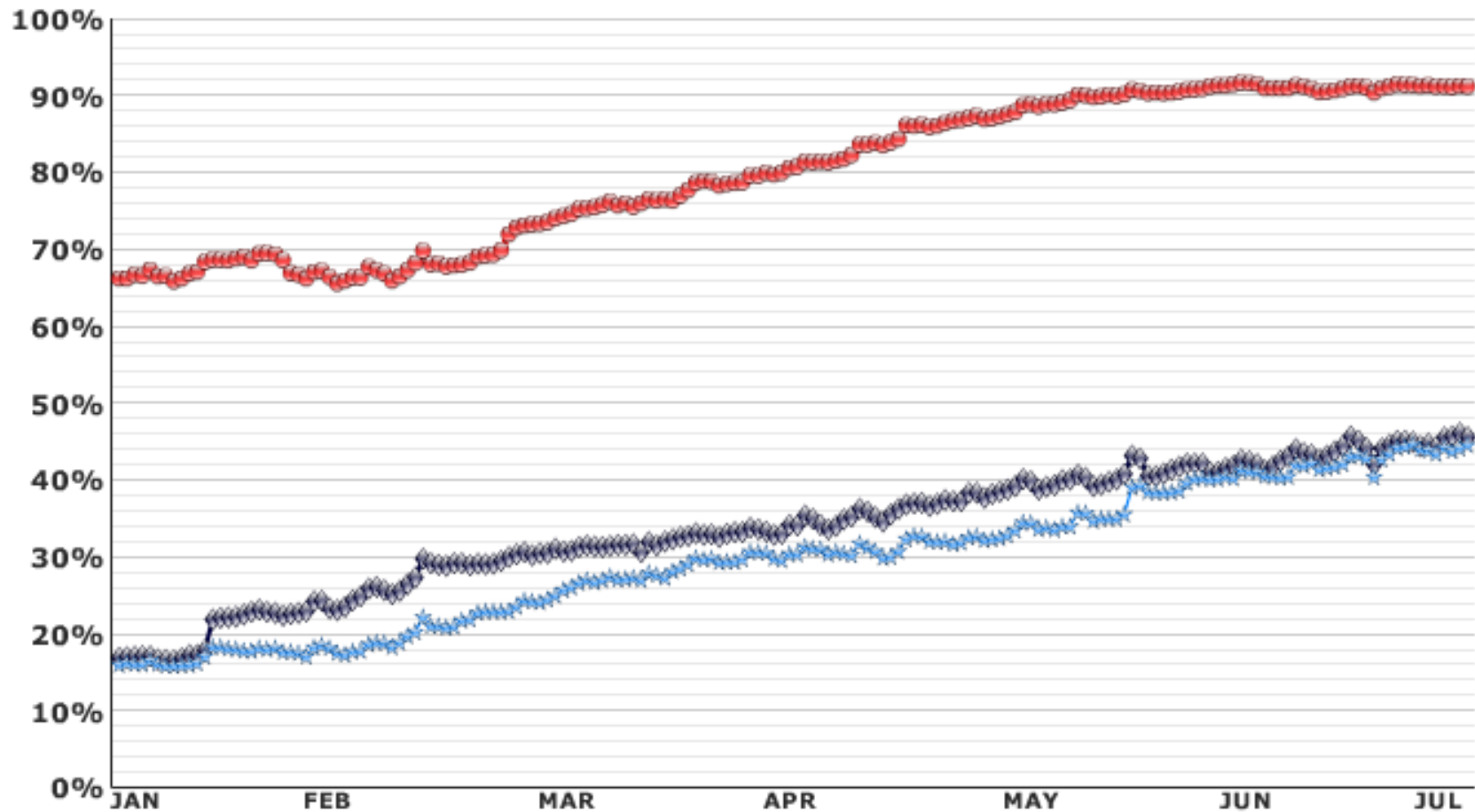
And even when the home does go to foreclosure –

More third parties are buying homes on the courthouse steps

- 651 (13%) in June versus 213 (4%) in February

● REO ◆ Normal ★ Short Sales

Listing Success Rate - Six Month View July 12, 2009



Greater Phoenix - ARMLS Residential Resale - Measured Daily

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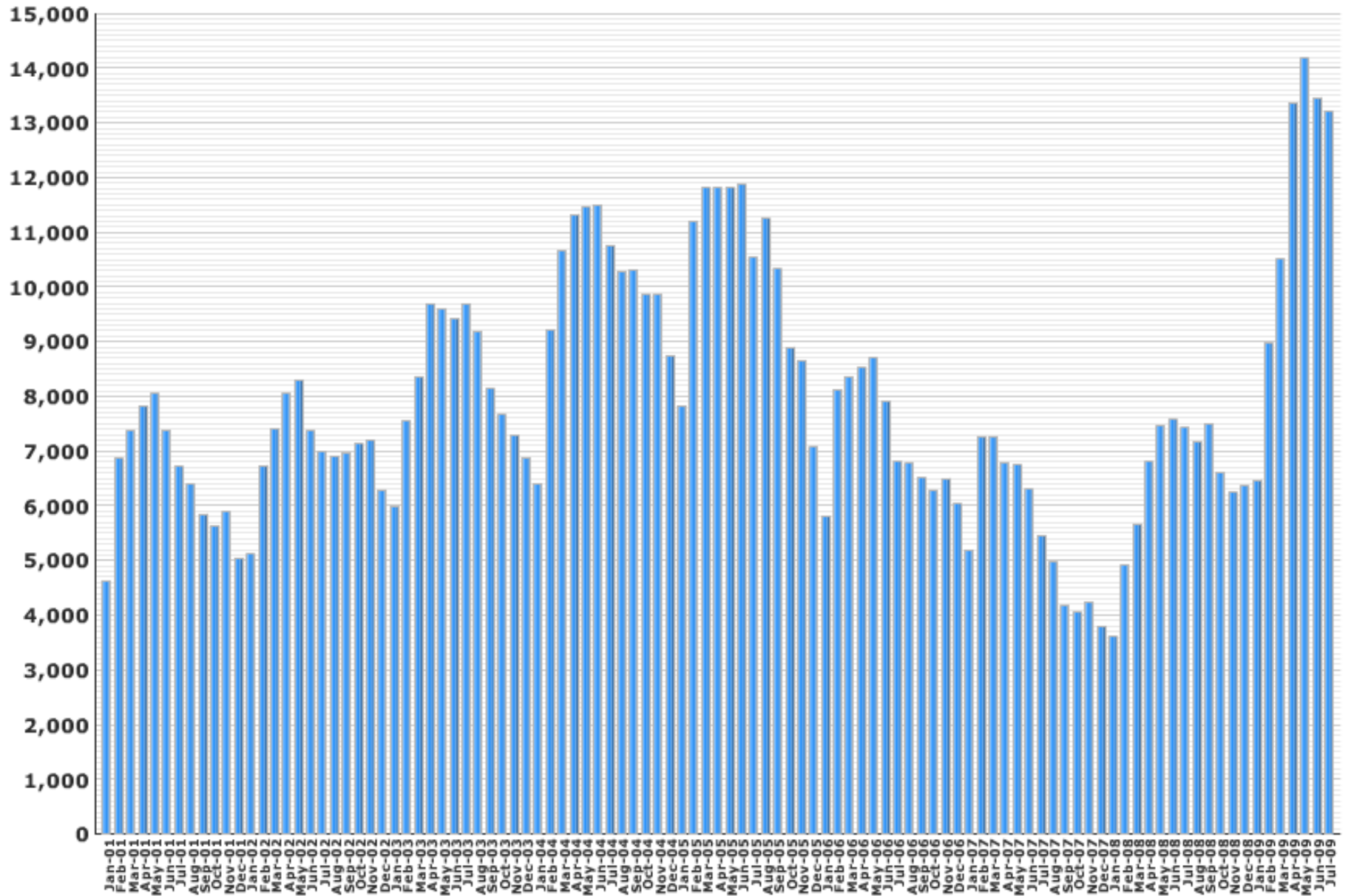
LSA7

What Does MLS
Tell Us About
Demand?

Pending Listings July 11, 2009

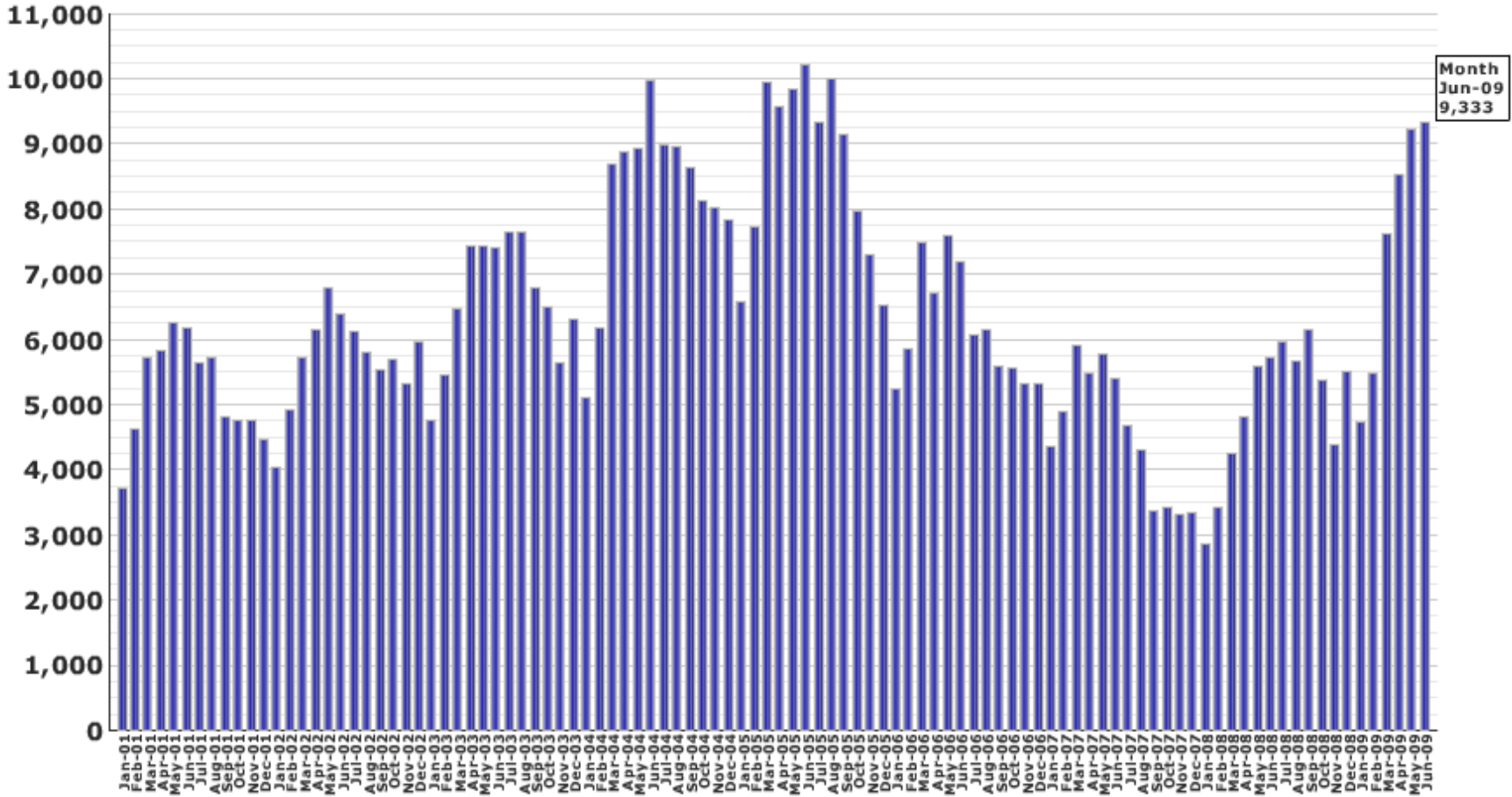


Pending Listings July 15, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly

Sales per Month
July 1, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly

June Sales in Maricopa County

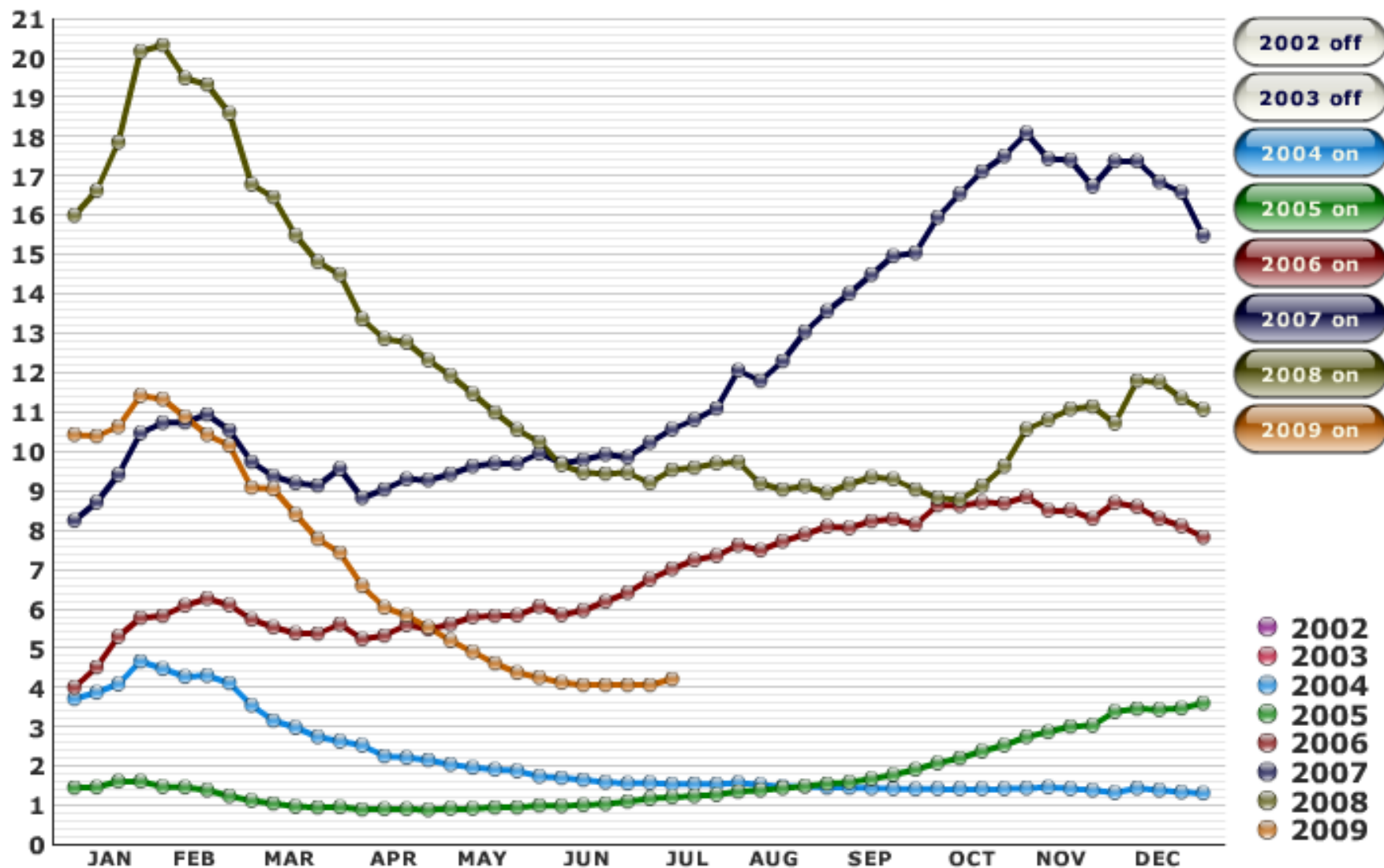
- 34% of sales were all cash
- Below \$100,000, 65% were all cash
- 19% of buyers intend to rent the property out
- Location of buyer:
 - 71.6% Arizona
 - 5.0% California
 - 3.9% Canada
 - 2.7% Washington
 - 1.8% Colorado
 - 1.7% Illinois

Other Useful Indicators

- Months Supply
 - Active Listings \div Sales per Month
 - Subject to Seasonal Distortions
 - Volatile but Fast Response To Change
- Days Inventory
 - $365 \times$ Active Listings \div Sales per Year
 - No Seasonal Distortion
 - Smooth Response to Market Changes
- Listing Success Rate
 - Closed Versus Expired or Canceled

Months Supply

July 11, 2009



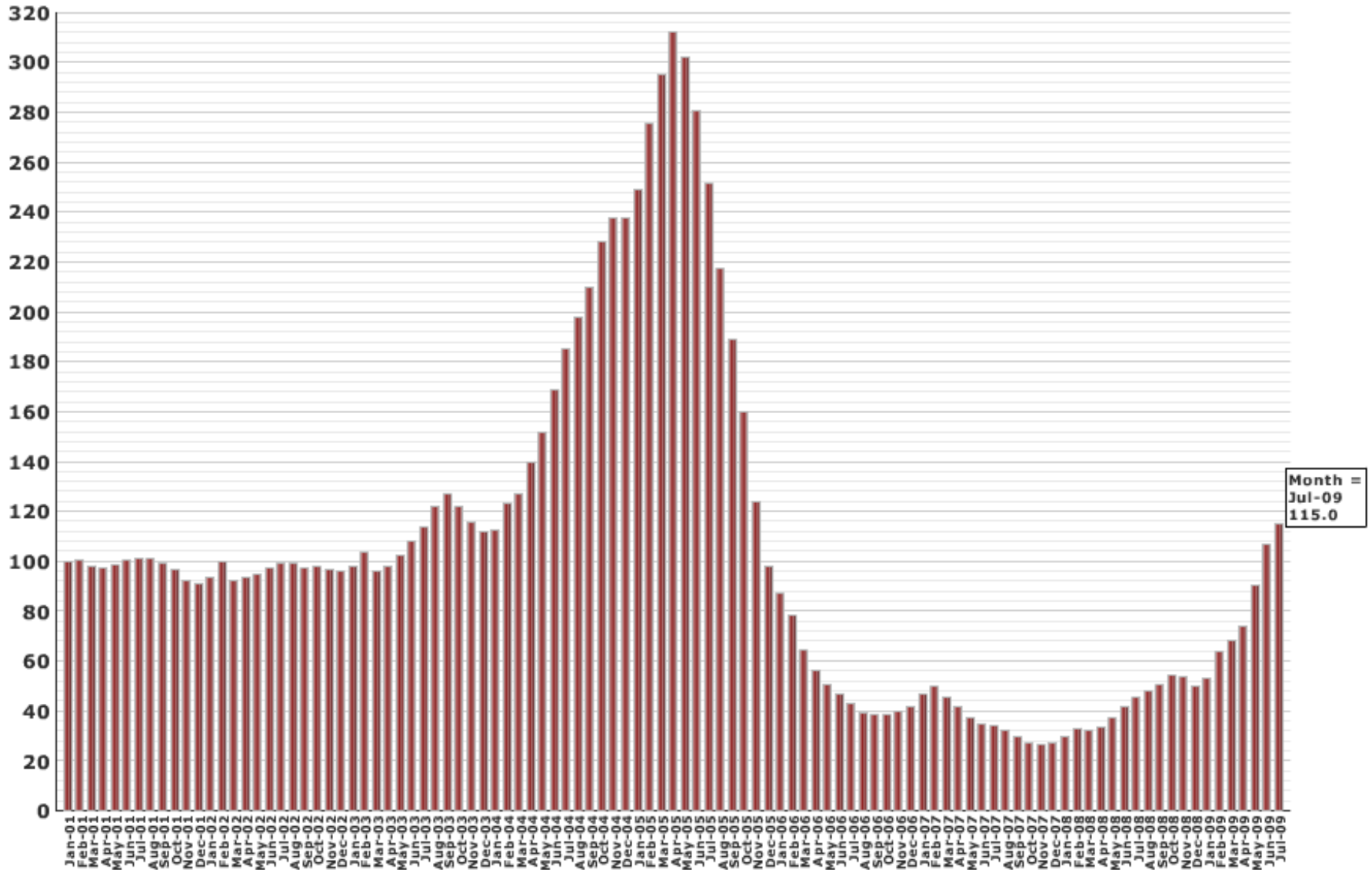
All Areas & Types - ARMLS Residential Resale - Measured Weekly

Cromford Market Index™

- Cromford Market Index™
 - $100 \times \text{Demand} / \text{Supply}$
 - Normal = 100
 - Historic Range = 26 to 313
 - Measures Market Balance
 - Leading Indicator of Future Price Changes



Cromford Market Index July 1, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly

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CMA5

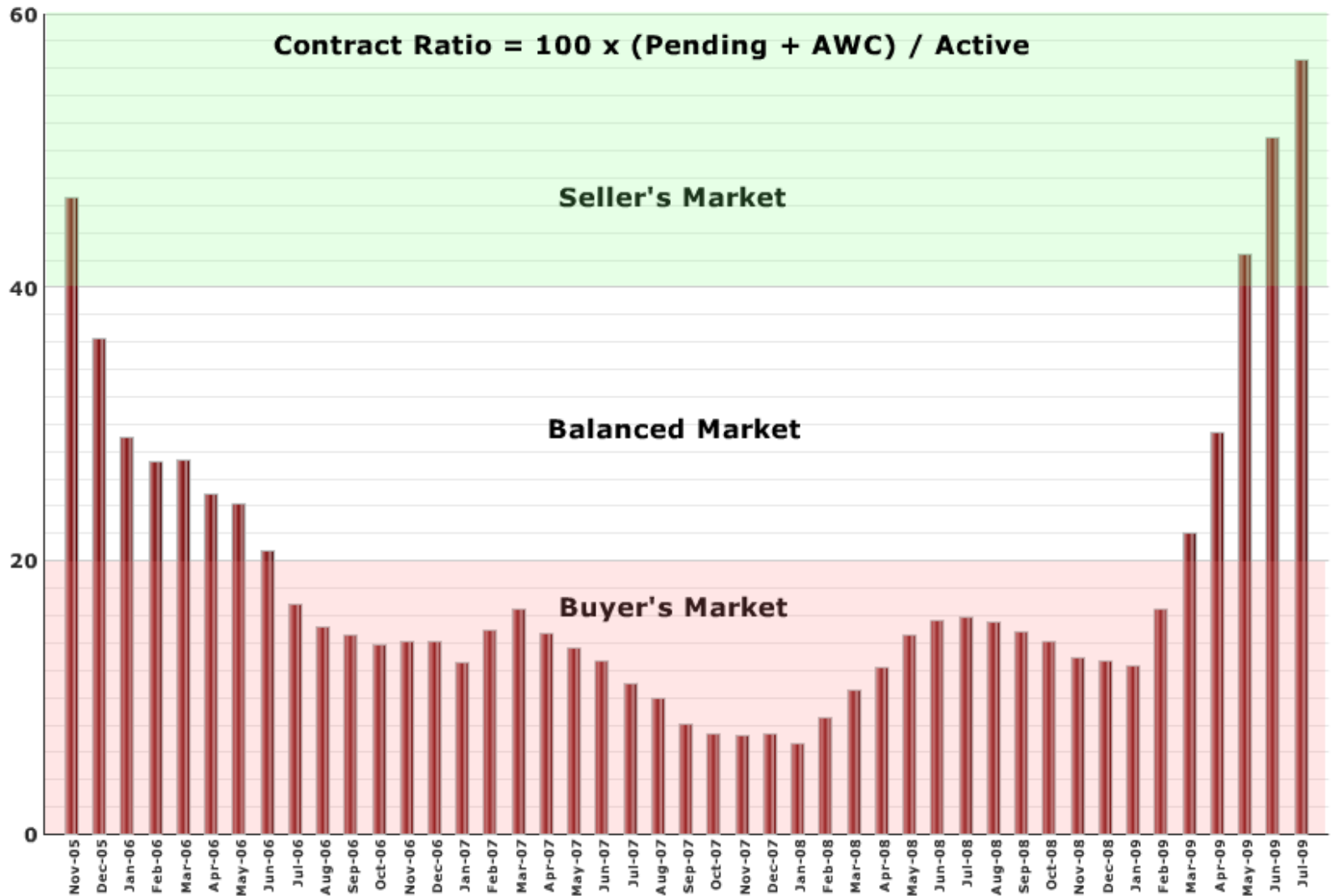
Sequence of Market Indicators

1. Cromford Market Index™
2. Days Inventory
3. Pending Listing Count
4. Contract Ratio
5. Monthly Sales Volume
6. Listing Success Rate
7. Pending \$/SF
8. Sales \$/SF

The Contract Ratio

- Defined as:
 - $100 \times (\text{Pending} + \text{AWC Listings}) / \text{Active Listings}$
- Applicable to Any Market Segment
- Measures how “HOT” a market segment is
- Much more powerful tool than
 - absorption rate
 - months supply
 - days inventory

Contract Ratio
July 1, 2009



All Areas & Types - ARMLS Residential Resale - Measured Monthly

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Analysis By Dwelling Type

Rank	July 9, 2009	Contract	Contract	Status	Trend	% Change
		Ratio Now	Ratio Last Month			
1	Single Family Detached	72	69	HOT	UP	4%
2	Townhouse	37	33	NEUTRAL	UP	12%
3	Twin / Duplex	31	26	NEUTRAL	UP	19%
4	Apartment Style	29	26	NEUTRAL	UP	14%
5	Patio Home	26	22	NEUTRAL	UP	19%
6	Modular / Pre-fab	18	17	COLD	UP	10%
7	Loft Style	16	10	COLD	UP	53%
8	Mobile Homes	14	15	COLD	DOWN	-6%

Analysis by Price Range (sfd)

July 1, 2009	Contract Ratio Now	Contract Ratio Last Month	Status	Trend	% Change
Under \$25K	195.1	196.7	VERY HOT	FLAT	-1%
\$25K-\$50K	138.0	125.7	VERY HOT	UP	10%
\$50K-\$75K	144.2	134.6	VERY HOT	UP	7%
\$75K-\$100K	133.4	120.2	VERY HOT	UP	11%
\$100K-\$125K	134.5	112.7	VERY HOT	UP	19%
\$125K-\$150K	109.0	99.8	VERY HOT	UP	9%
\$150K-\$175K	93.1	76.9	HOT	UP	21%
\$175K-\$200K	74.5	64.6	HOT	UP	15%
\$200K-\$225K	67.1	64.9	HOT	UP	3%
\$225K-\$250K	67.0	56.4	HOT	UP	19%
\$250K-\$275K	63.0	56.0	HOT	UP	13%
\$275K-\$300K	51.9	44.4	HOT	UP	17%
\$300K-\$350K	44.3	44.5	WARM	FLAT	-0%
\$350K-\$400K	39.0	36.1	NEUTRAL	UP	8%
\$400K-\$500K	27.7	26.1	NEUTRAL	UP	6%
\$500K-\$600K	24.0	19.2	NEUTRAL	UP	26%
\$600K-\$800K	16.8	16.7	COLD	FLAT	0%
\$800K-\$1M	11.5	7.4	COLD	UP	56%
\$1M-\$1.5M	8.8	9.3	VERY COLD	DOWN	-5%
\$1.5M-\$2M	9.2	6.4	VERY COLD	UP	44%
\$2M-\$3M	5.7	3.6	VERY COLD	UP	57%
Over \$3M	5.1	3.4	VERY COLD	UP	49%

Analysis by City (sfd)

Rank	July 9, 2009	Contract Ratio Now	Contract Ratio Last Month	Status	Trend	% Change
1	Maricopa	156	177	VERY HOT	DOWN	-12%
2	El Mirage	148	168	VERY HOT	DOWN	-12%
3	Tolleson	139	139	VERY HOT	FLAT	-0%
4	Avondale	134	140	VERY HOT	DOWN	-4%
5	Anthem	122	130	VERY HOT	DOWN	-6%
6	Queen Creek	117	120	VERY HOT	DOWN	-2%
7	Litchfield Park	114	94	VERY HOT	UP	21%
8	Glendale	103	92	VERY HOT	UP	13%
9	Surprise	102	94	VERY HOT	UP	8%
10	Goodyear	99	89	HOT	UP	12%
11	Laveen	99	104	HOT	DOWN	-5%
12	Buckeye	95	96	HOT	FLAT	-0%
13	Gilbert	95	91	HOT	UP	4%
14	Peoria	90	79	HOT	UP	15%
15	Chandler	82	81	HOT	FLAT	1%
16	Waddell	78	58	HOT	UP	33%
17	Phoenix	76	73	HOT	UP	4%
18	Mesa	75	71	HOT	UP	7%
19	Youngtown	72	84	HOT	DOWN	-15%
20	Florence	66	82	HOT	DOWN	-20%

Analysis by City (sfd)

Rank	July 9, 2009	Contract Ratio Now	Contract Ratio Last Month	Status	Trend	% Change
21	Casa Grande	65	73	HOT	DOWN	-10%
22	Arizona City	62	63	HOT	DOWN	-2%
23	New River	59	52	WARM	UP	13%
24	Coolidge	58	39	WARM	UP	47%
25	Tempe	55	54	WARM	UP	2%
26	Apache Junction	49	48	WARM	UP	2%
27	Desert Hills	42	17	WARM	UP	143%
28	Wittmann	42	44	WARM	DOWN	-6%
29	Sun City	35	36	NEUTRAL	DOWN	-4%
30	Cave Creek	32	29	NEUTRAL	UP	12%
31	Scottsdale	28	27	NEUTRAL	UP	3%
32	Eloy	27	33	NEUTRAL	DOWN	-17%
33	Sun City West	23	24	NEUTRAL	DOWN	-3%
34	Fountain Hills	22	26	NEUTRAL	DOWN	-14%
35	Gold Canyon	22	27	NEUTRAL	DOWN	-19%
36	Sun Lakes	22	22	NEUTRAL	DOWN	-3%
37	Tonopah	20	30	COLD	DOWN	-35%
38	Carefree	17	14	COLD	UP	23%
39	Paradise Valley	10	8	VERY COLD	UP	31%
40	Rio Verde	7	6	VERY COLD	UP	13%
41	Wickenburg	5	6	VERY COLD	DOWN	-13%

Analysis by ZIP Code

Northeast Valley

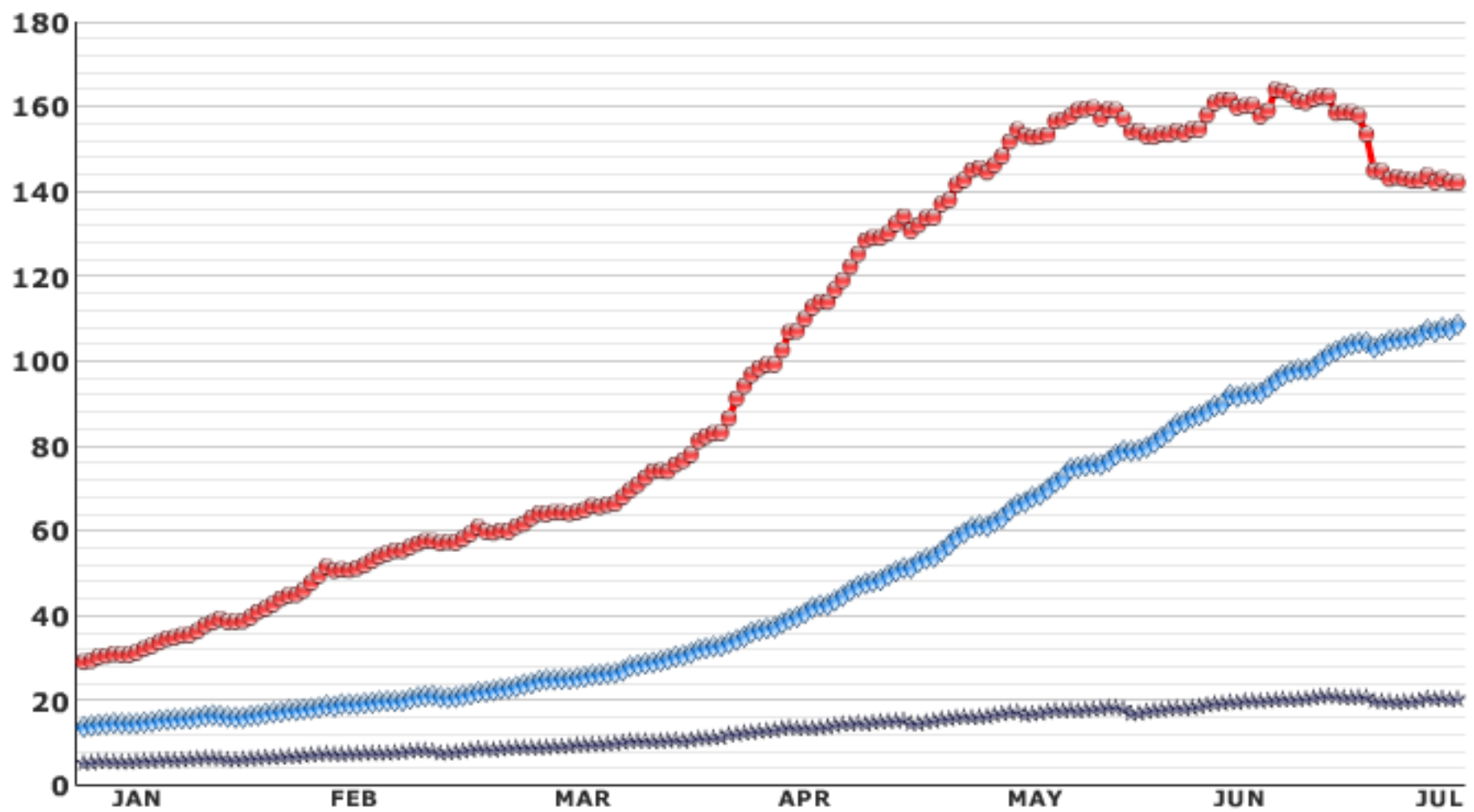
City	July 1, 2009	Contract Ratio Now	Contract Ratio Last Month	Status	Trend	% Change
Phoenix	85008	62	48	HOT	UP	29%
Phoenix	85016	41	32	WARM	UP	29%
Phoenix	85018	24	21	NEUTRAL	UP	15%
Phoenix	85028	44	27	WARM	UP	62%
Phoenix	85032	72	65	HOT	UP	11%
Phoenix	85050	98	71	HOT	UP	37%
Phoenix	85054	38	60	NEUTRAL	DOWN	-38%
Scottsdale	85250	44	33	WARM	UP	33%
Scottsdale	85251	51	35	WARM	UP	46%
Paradise Valley	85253	10	7	VERY COLD	UP	55%
Scottsdale	85254	45	41	WARM	UP	10%
Scottsdale	85255	24	20	NEUTRAL	UP	19%
Scottsdale	85257	72	68	HOT	UP	5%
Scottsdale	85258	17	17	COLD	FLAT	-1%
Scottsdale	85259	23	18	NEUTRAL	UP	31%
Scottsdale	85260	40	34	NEUTRAL	UP	17%
Scottsdale	85262	19	15	COLD	UP	28%
Rio Verde	85263	7	6	VERY COLD	UP	13%
Scottsdale	85266	19	19	COLD	FLAT	3%
Fountain Hills	85268	22	25	NEUTRAL	DOWN	-11%
Cave Creek	85331	34	25	NEUTRAL	UP	36%
Carefree	85377	18	10	COLD	UP	90%

Analysis by Status

Rank	July 12, 2009	Contract	Contract	Status	Trend	% Change
		Ratio Now	Ratio Last Month			
1	REO	142	162	VERY HOT	DOWN	-12%
2	Short Sale	109	92	VERY HOT	UP	18%
3	Normal	21	20	NEUTRAL	UP	4%

● REO ◆ Short ★ Normal

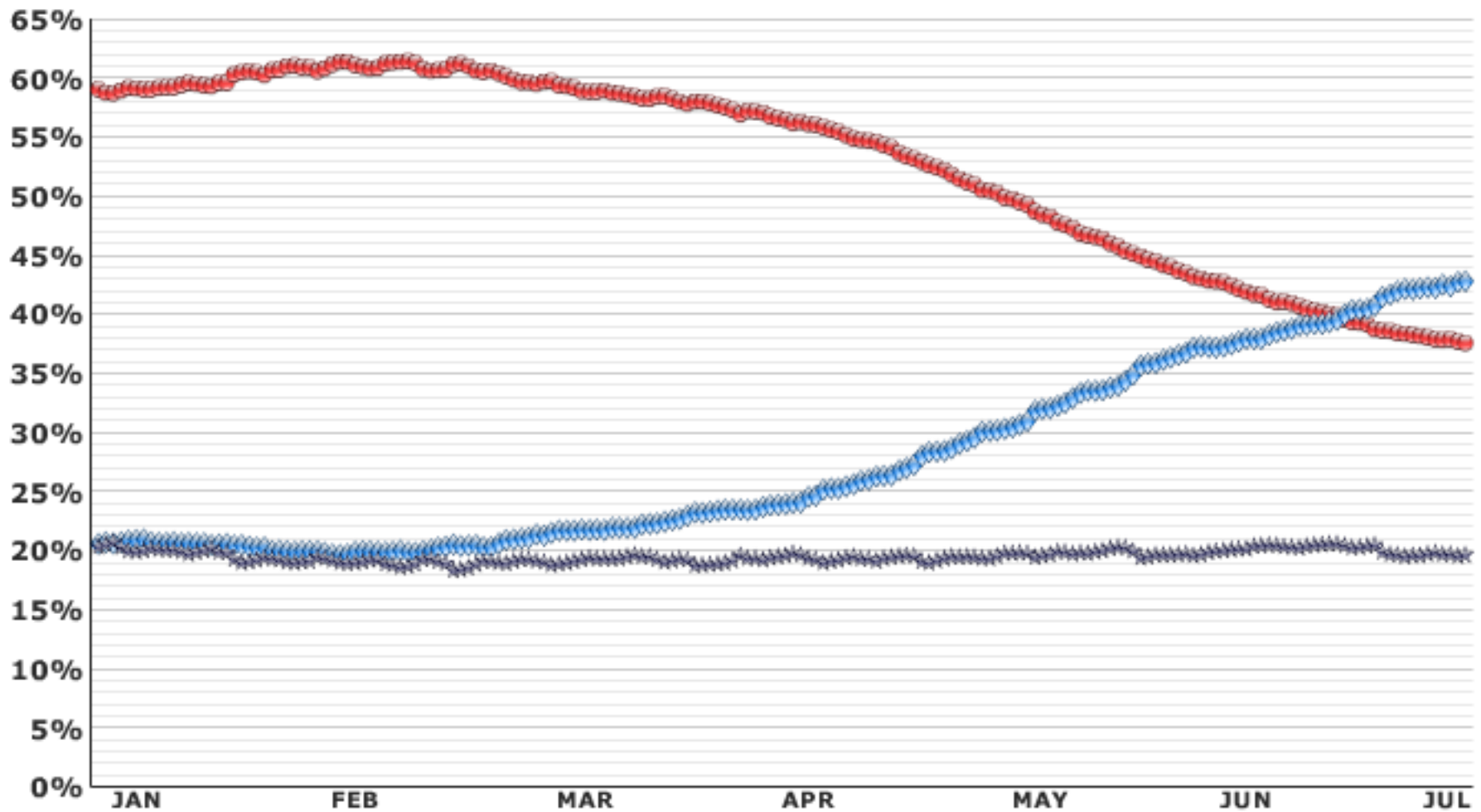
Contract Ratio - Special Listing Conditions - Six Month View July 12, 2009



Greater Phoenix - All Types - ARMLS Residential Resale - Measured Daily

● REO ◆ Short ★ Normal

Listings Under Contract - Special Listing Conditions - Six Month View July 12, 2009



Greater Phoenix - All Types - ARMLS Residential Resale - Measured Daily

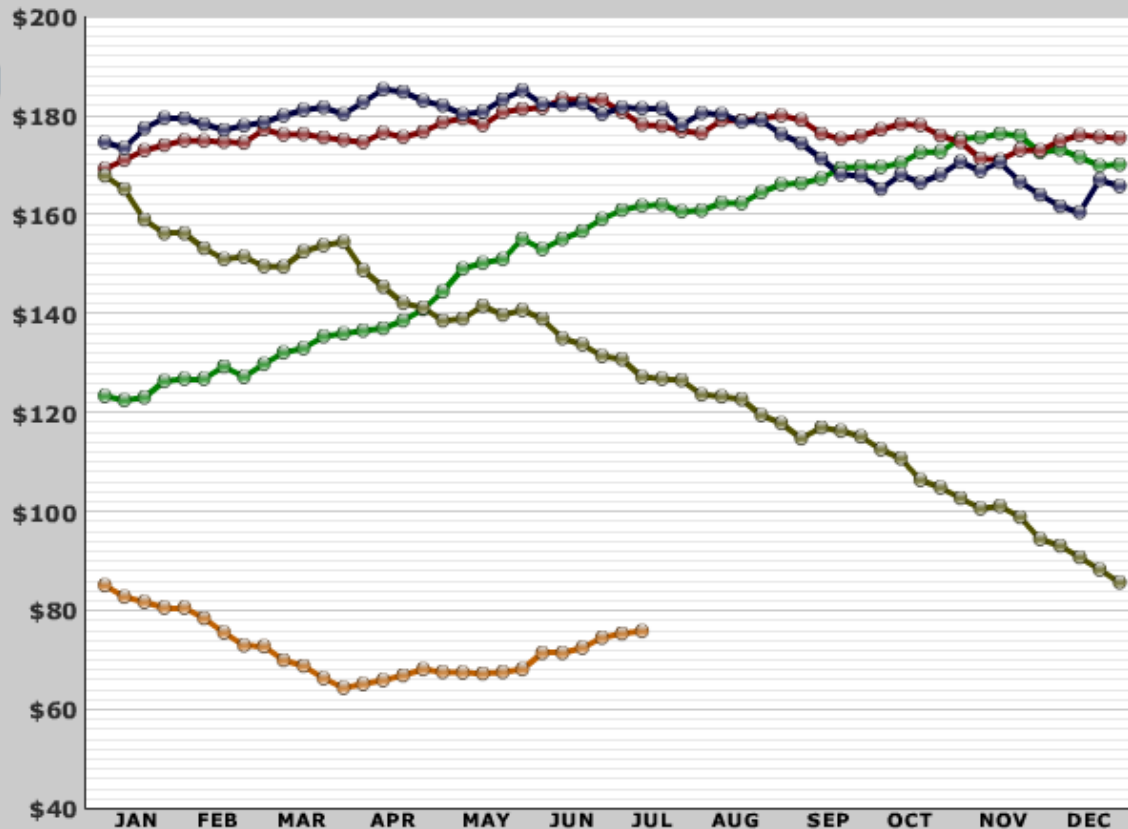
Monthly Average Sales Price per Square Foot July 9, 2009

City Selected

Phoenix

Show Comparison City?

Mesa



- 2002 off
- 2003 off
- 2004 off
- 2005 on
- 2006 on
- 2007 on
- 2008 on
- 2009 on

- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2002 Comp
- 2003 Comp
- 2004 Comp
- 2005 Comp
- 2006 Comp
- 2007 Comp
- 2008 Comp
- 2009 Comp

Single Family Detached - ARMLS Residential Resale - Measured Weekly

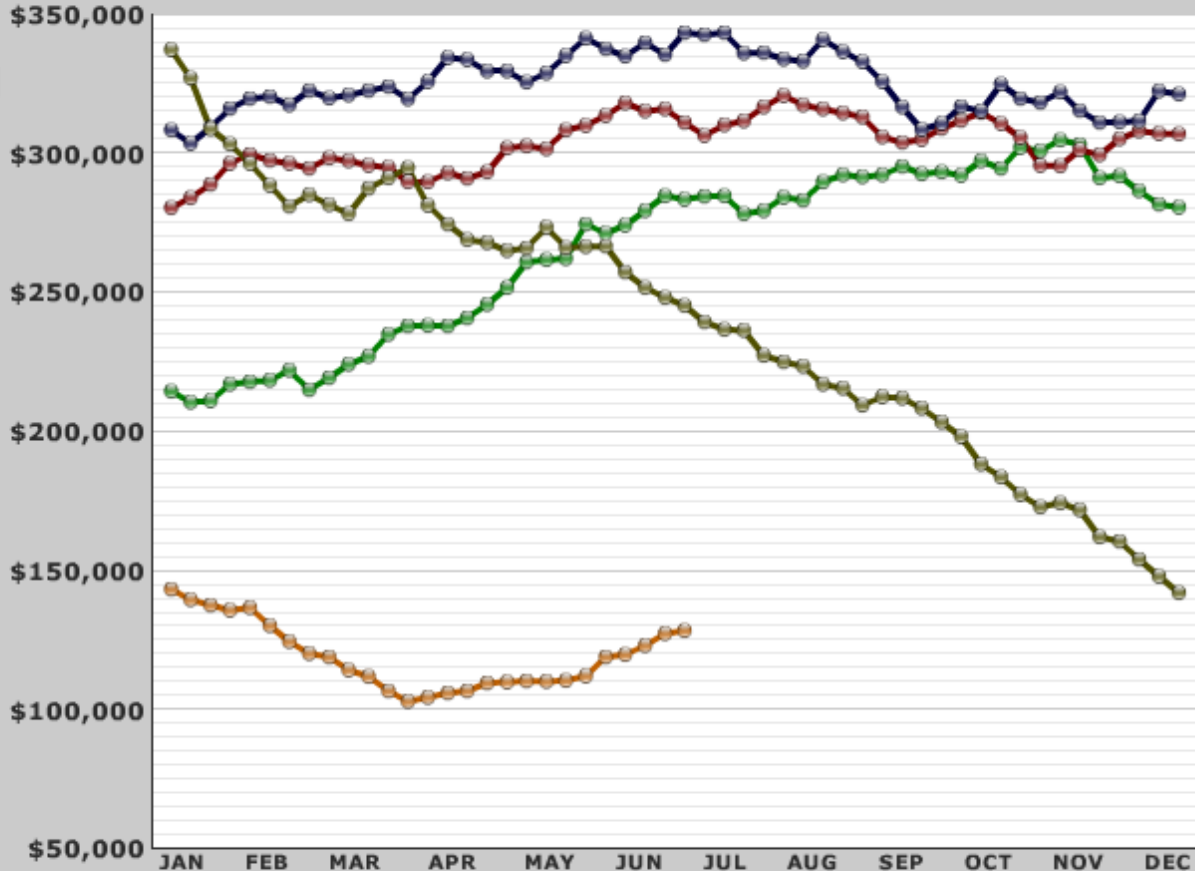
Monthly Average Sales Price July 2, 2009

City Selected

Phoenix

Show Comparison City?

Mesa



- 2002 off
- 2003 off
- 2004 off
- 2005 on
- 2006 on
- 2007 on
- 2008 on
- 2009 on

- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2002 Comp
- 2003 Comp
- 2004 Comp
- 2005 Comp
- 2006 Comp
- 2007 Comp
- 2008 Comp
- 2009 Comp

Single Family Detached - ARMLS Residential Resale - Measured Weekly

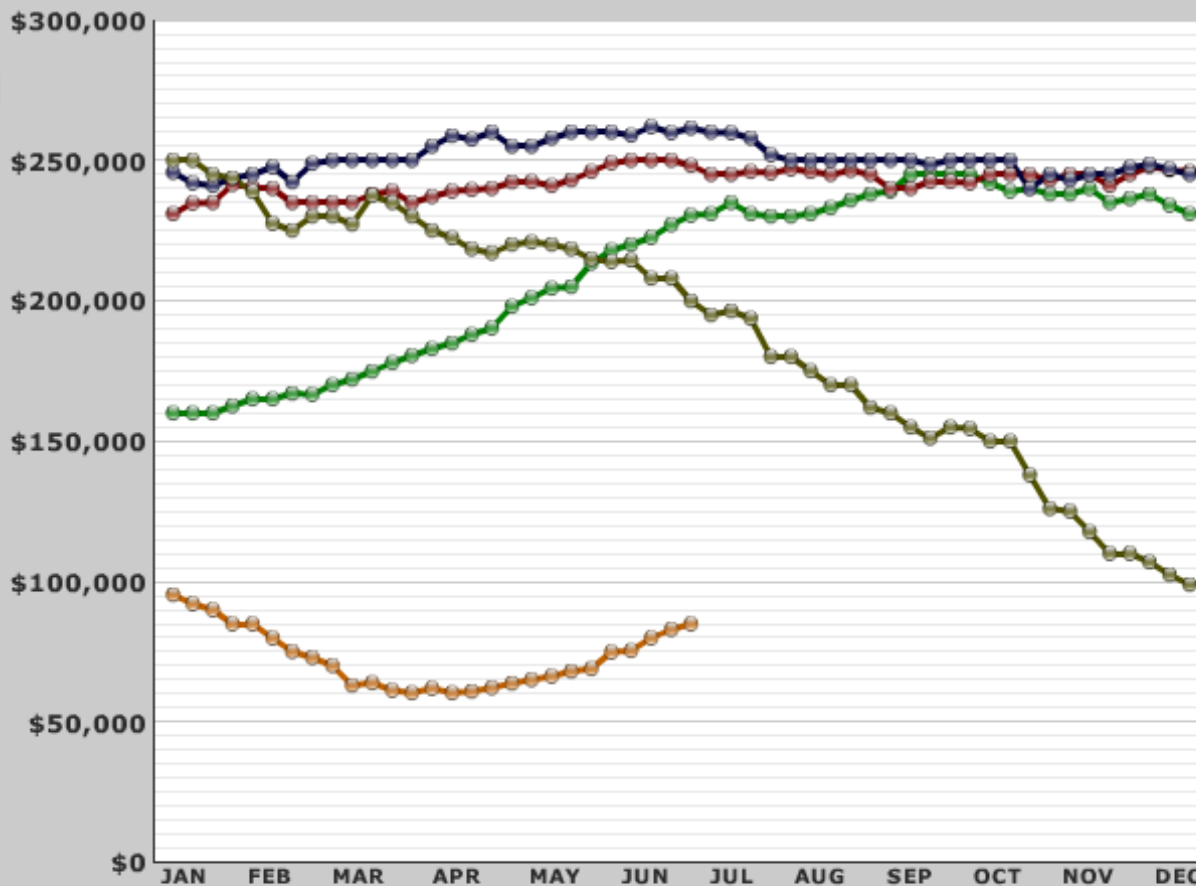
Monthly Median Sales Price July 2, 2009

City Selected

Phoenix

Show Comparison City?

Mesa



2002 off

2003 off

2004 off

2005 on

2006 on

2007 on

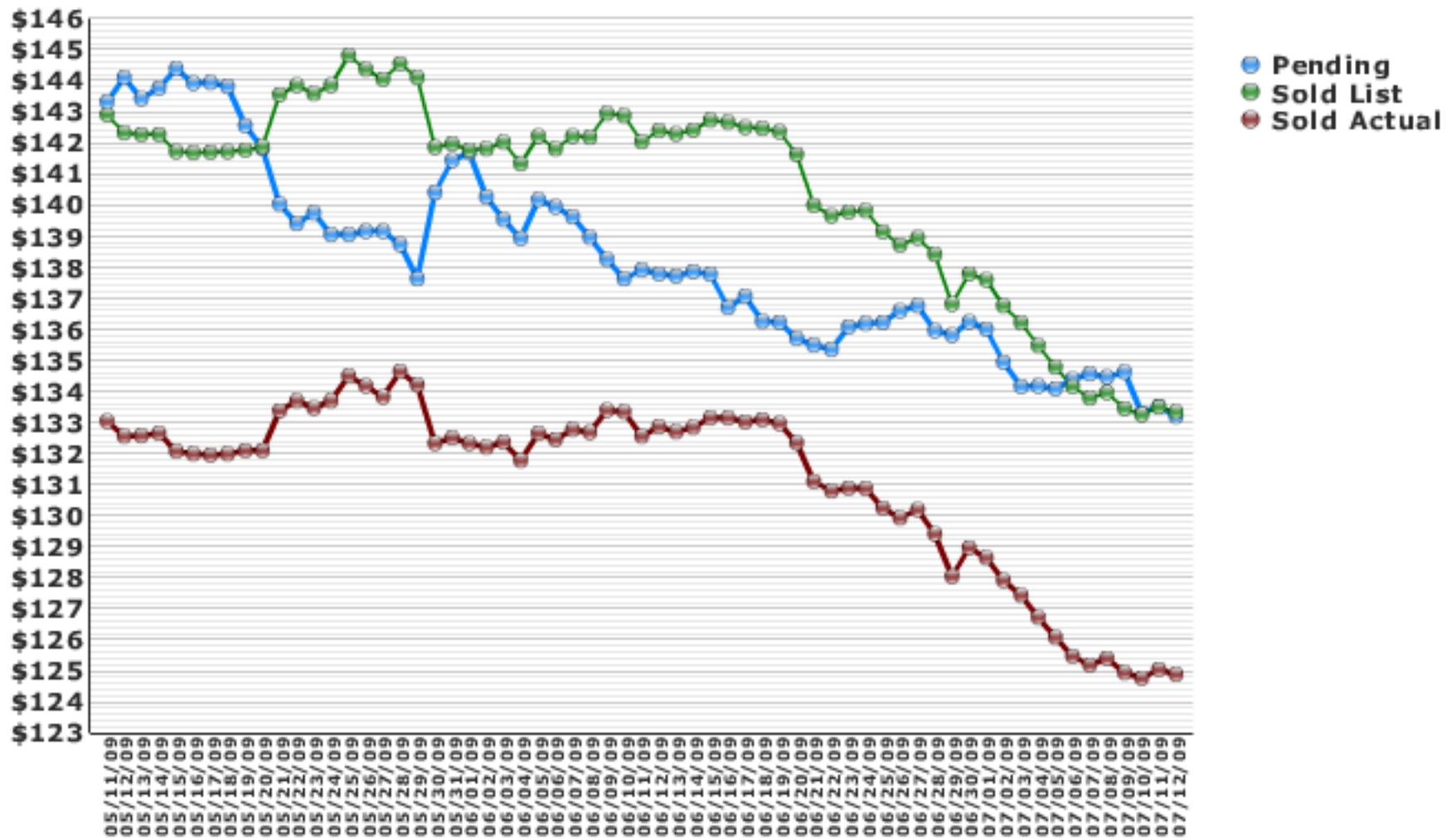
2008 on

2009 on

- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- ▲ 2002 Comp
- ▲ 2003 Comp
- ▲ 2004 Comp
- ▲ 2005 Comp
- ▲ 2006 Comp
- ▲ 2007 Comp
- ▲ 2008 Comp
- ▲ 2009 Comp

Single Family Detached - ARMLS Residential Resale - Measured Weekly

Normal - Average Price per Square Foot July 12, 2009

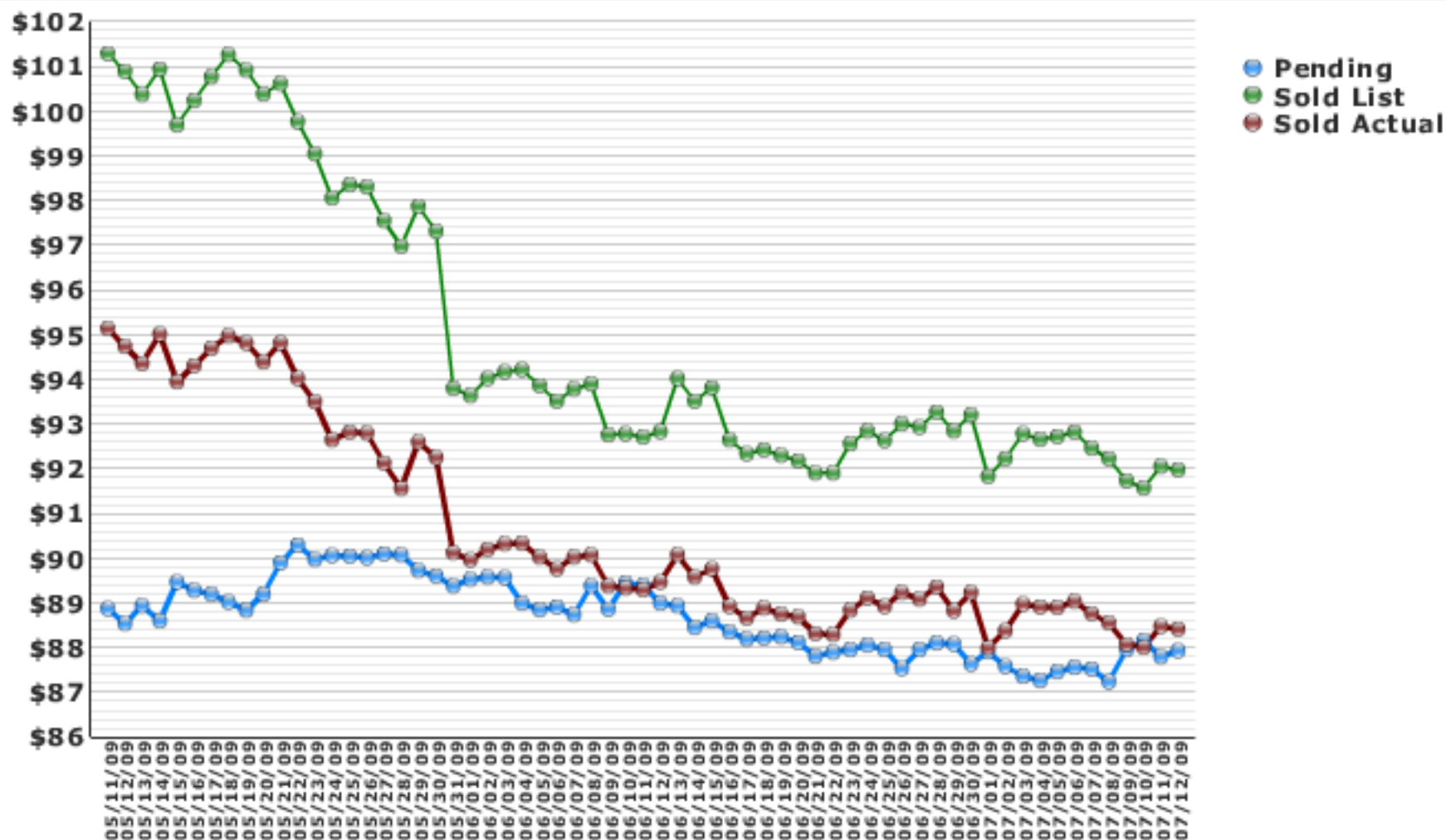


Greater Phoenix All Types - ARMLS Residential Resale - Measured Daily

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LCA6

Pre-foreclosure & Short Sale - Average Price per Square Foot July 12, 2009

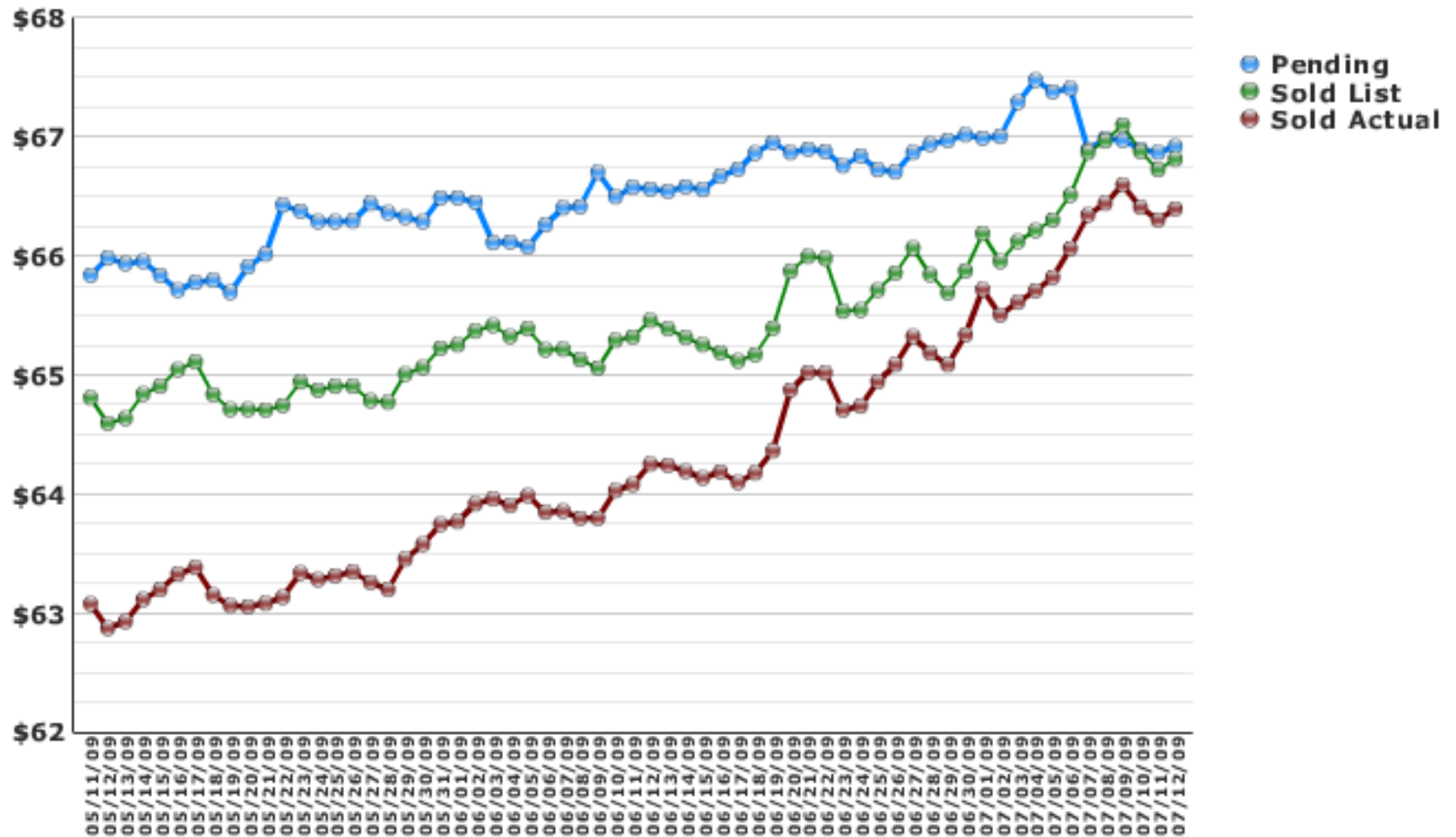


Greater Phoenix All Types - ARMLS Residential Resale - Measured Daily

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LCA5

Lender Owned Properties - Average Price per Square Foot July 12, 2009



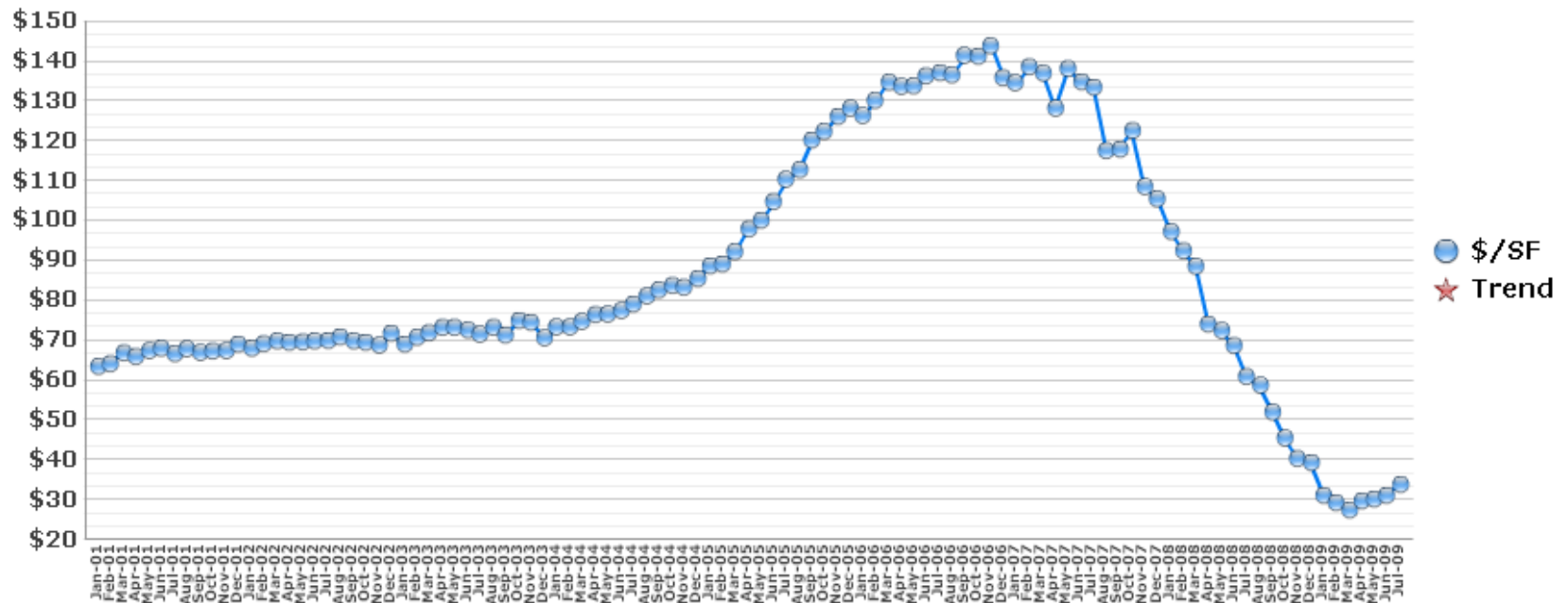
Greater Phoenix All Types - ARMLS Residential Resale - Measured Daily

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LCA4

Maryvale - Average Sales Price per Square Foot

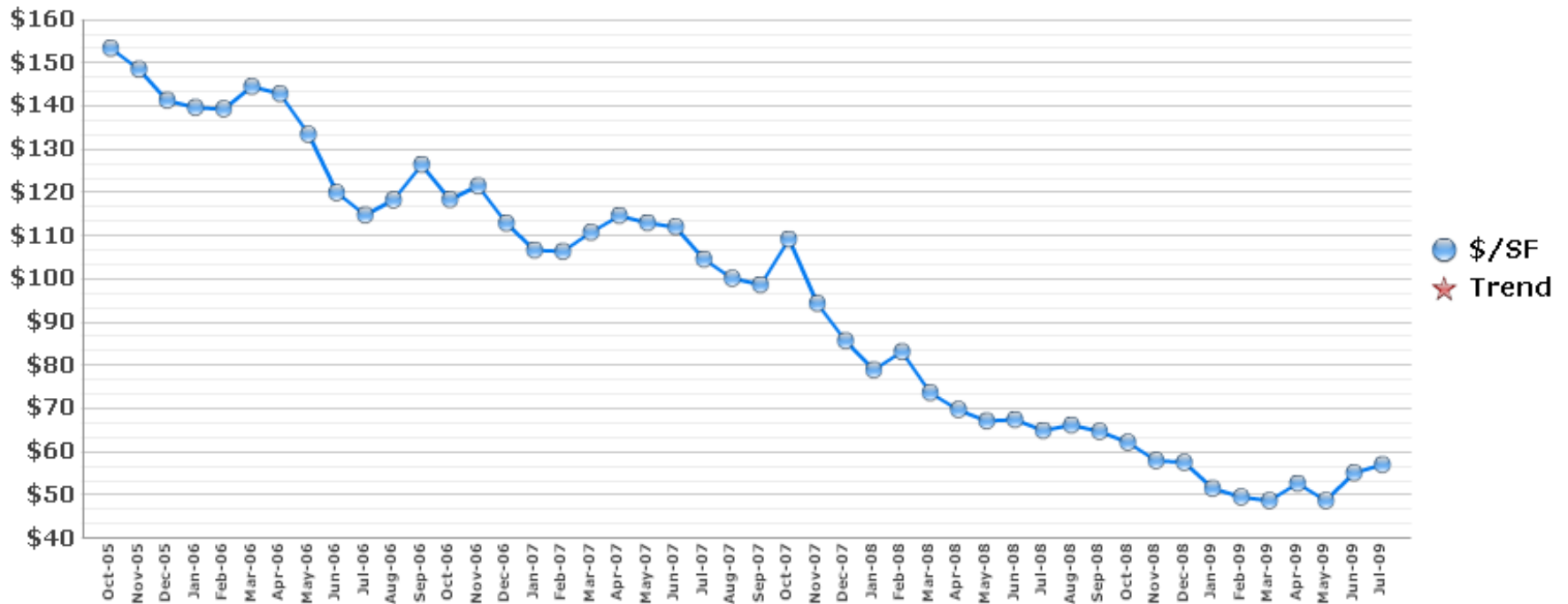
July 14, 2009



ARMLS Residential Resale - Measured Monthly

Johnson Ranch - Average Sales Price per Square Foot

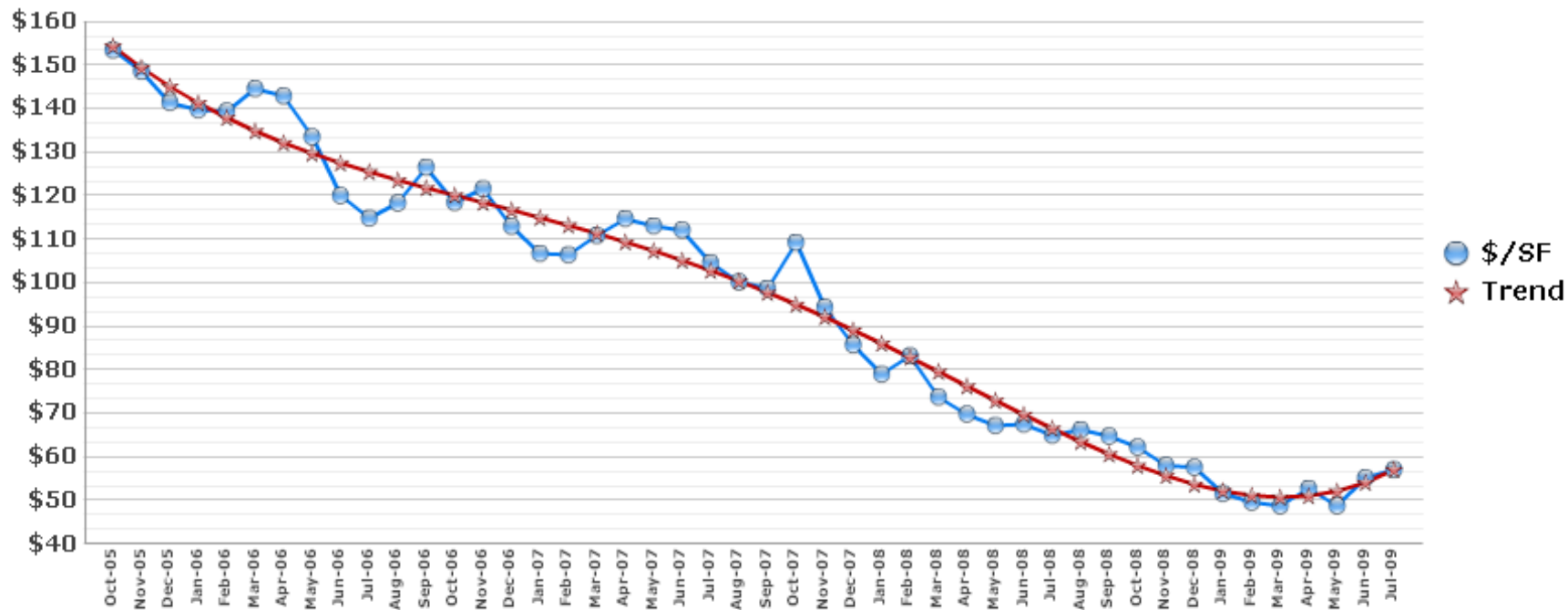
July 14, 2009



ARMLS Residential Resale - Measured Monthly

Johnson Ranch - Average Sales Price per Square Foot

July 14, 2009



ARMLS Residential Resale - Measured Monthly

Cities with Upward Price Movement During 2Q

Apache Junction	38,000
Chandler	244,000
El Mirage	33,000
Fountain Hills	26,000
Glendale	248,000
Goodyear	60,000
Litchfield Park	5,000
Maricopa	37,000
Phoenix	1,520,000
Queen Creek	104,000
Sun Lakes	15,000

Population 2,330,000 = 58% of Greater Phoenix

Cities with Sideways Price Movement During 2Q

Avondale	76,000
Arizona City	3,000
Casa Grande	45,000
Gilbert	214,000
Laveen	40,000
Mesa	459,000
Paradise Valley	14,000
Peoria	155,000
Sun City West	30,000
Surprise	108,000
Tempe	172,000
Tolleson	6,000

Population 1,322,000 = 33% of Greater Phoenix

Cities with Downwards Price Movement During 2Q

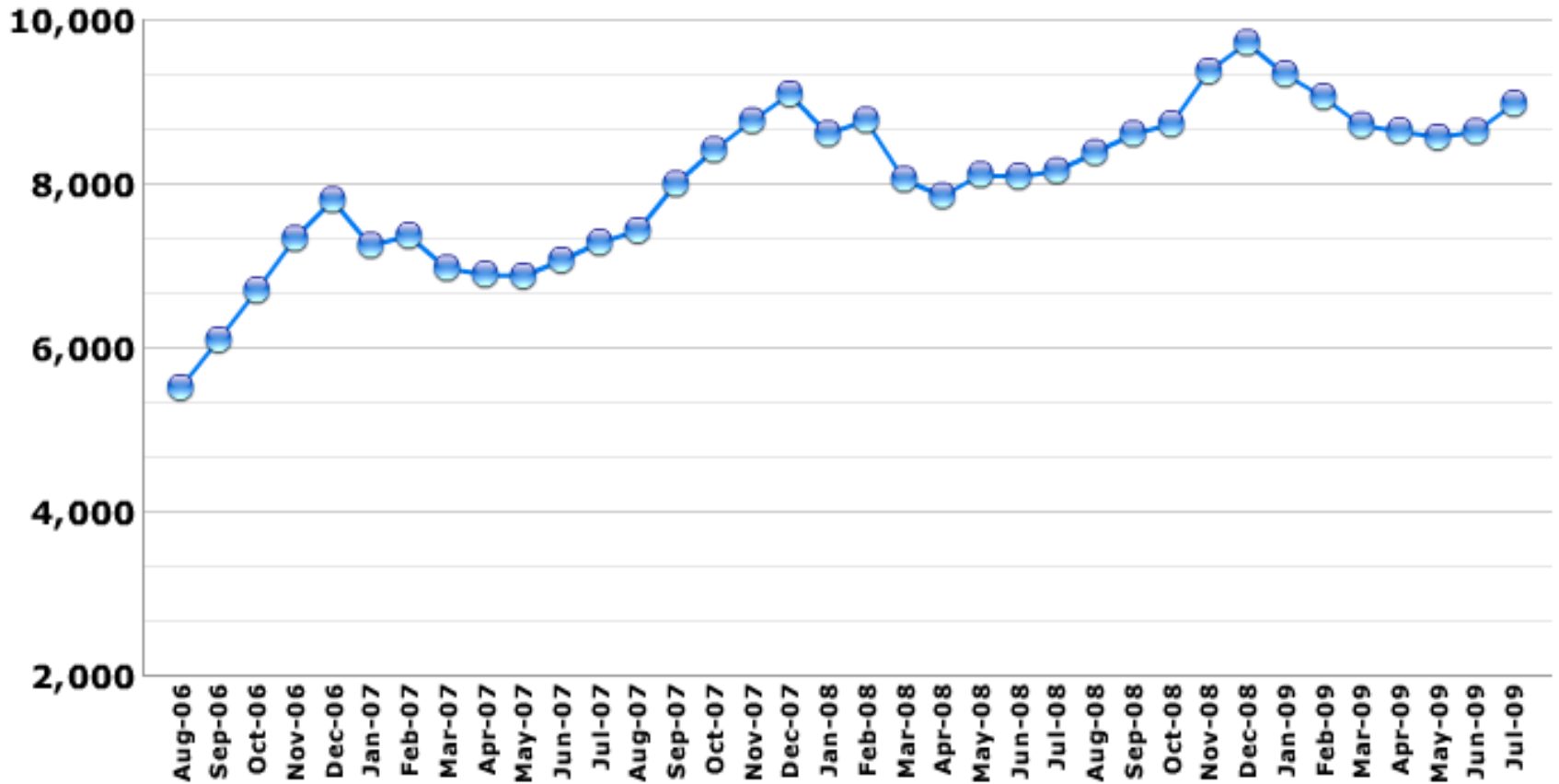
Buckeye	50,000
Cave Creek	5,000
Gold Canyon	3,000
Scottsdale	242,000
Sun City	60,000

Population 360,000 = 9% of Greater Phoenix

So Why Doesn't It Feel Better?

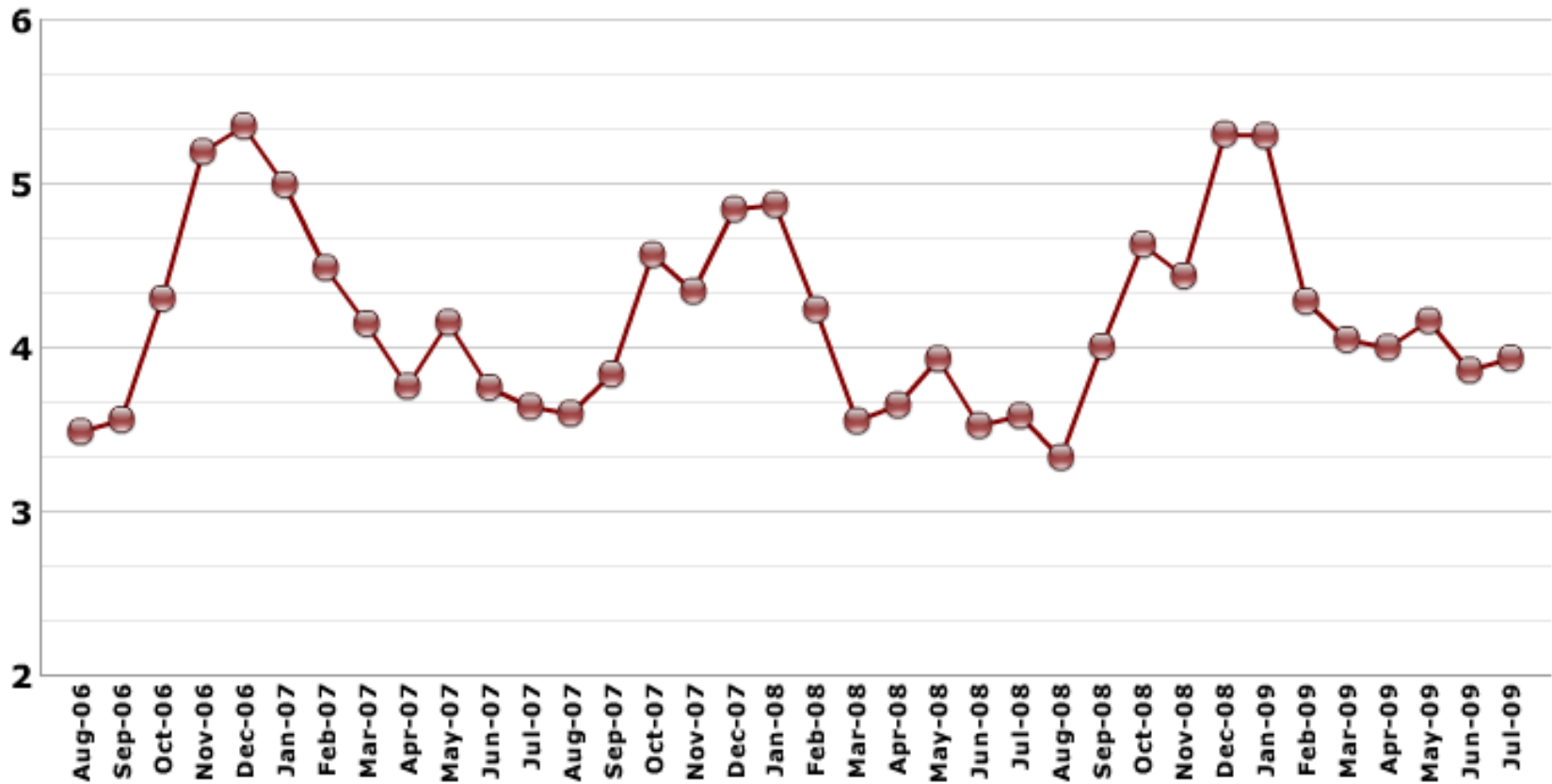
- The Northeast Valley dollar volume
- Represents over 50% of unsold inventory by \$
- Represents less than 22% of 2009 sales by \$

Rentals - Active Listings on ARMLS June 14, 2009



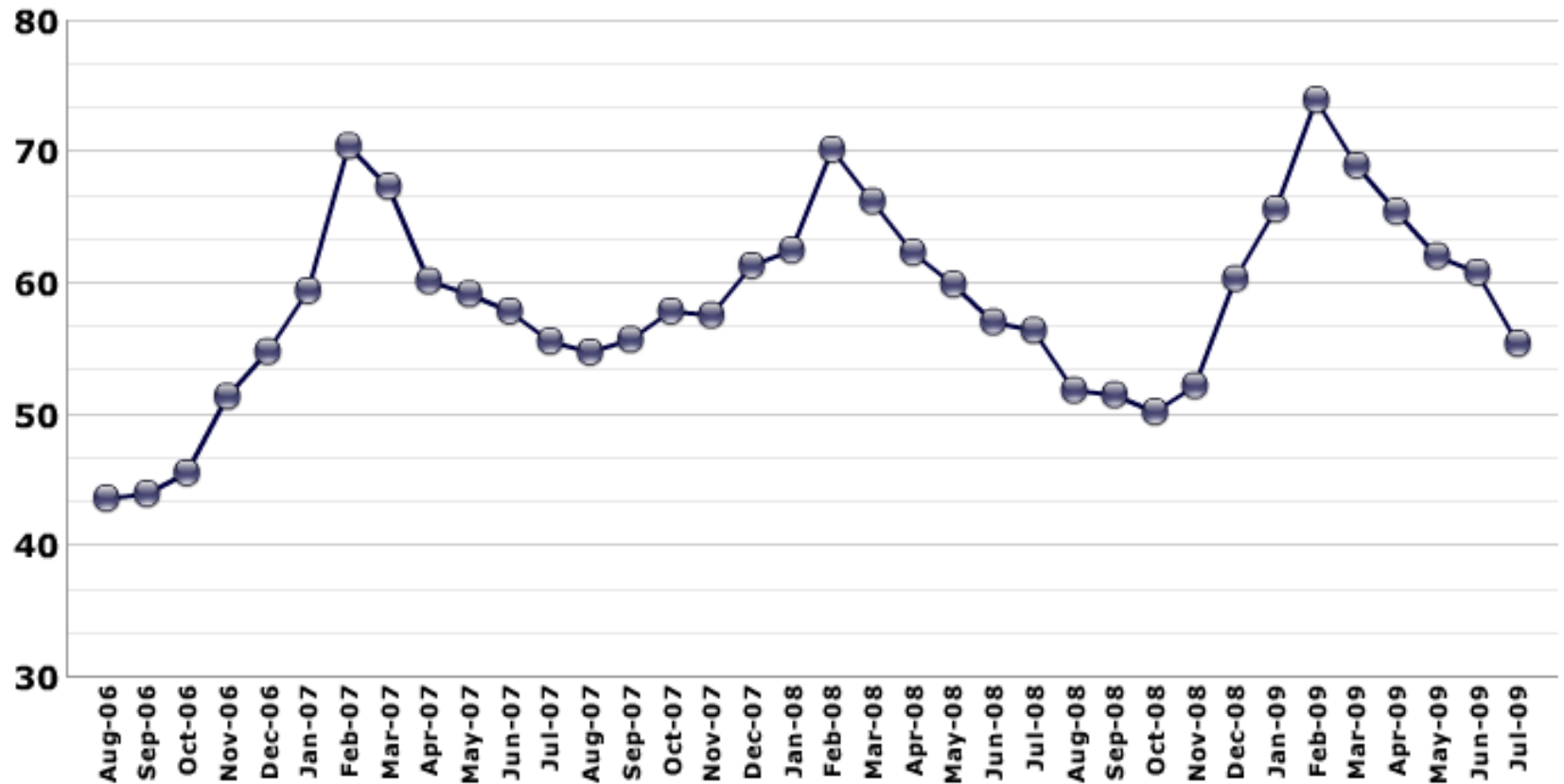
All Areas & Types - Measured Monthly

Rentals - Months Supply on ARMLS June 14, 2009



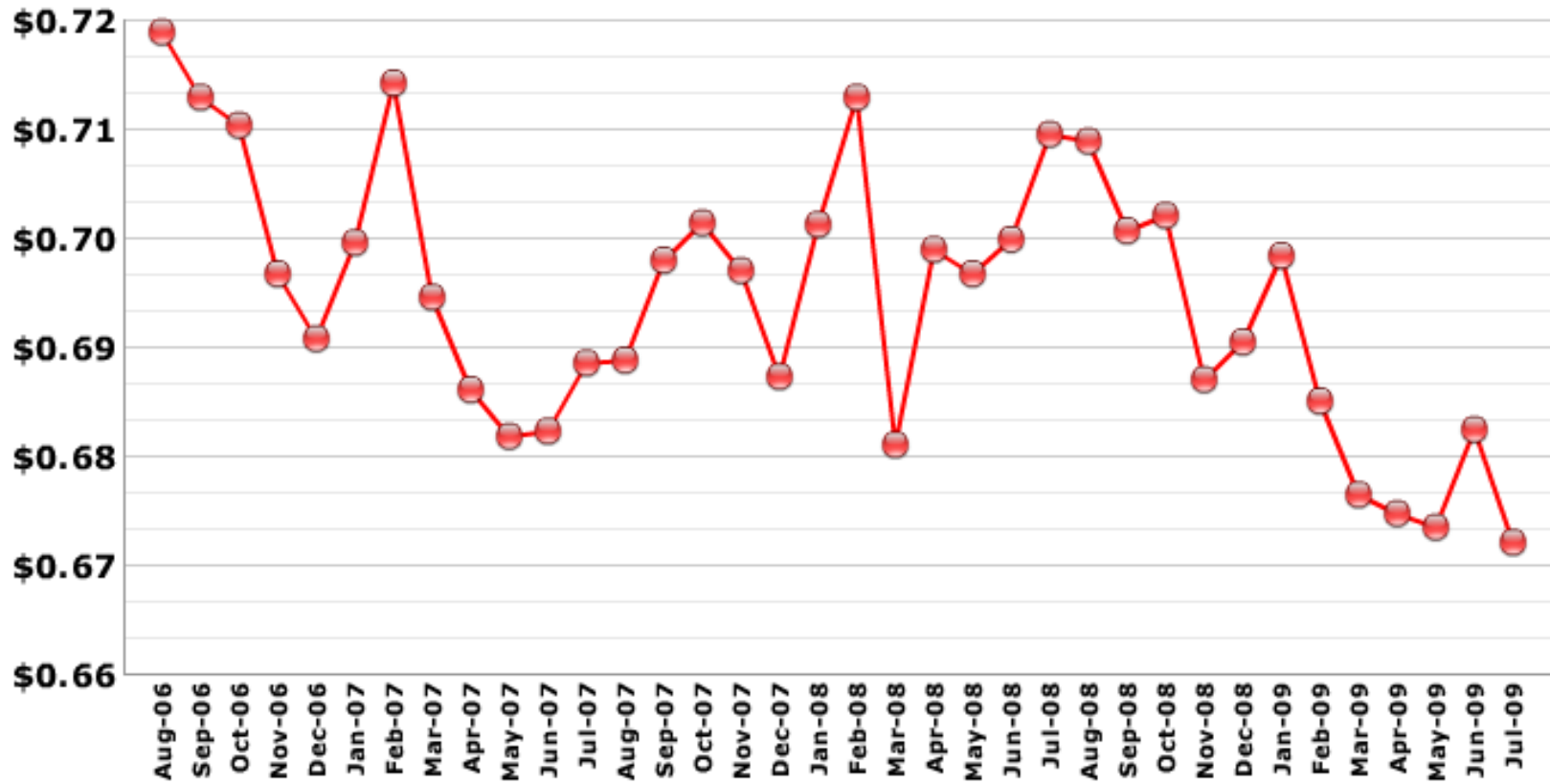
All Areas & Types - Measured Monthly

Rentals - Average Days on Market on ARMLS June 14, 2009



All Areas & Types - Measured Monthly

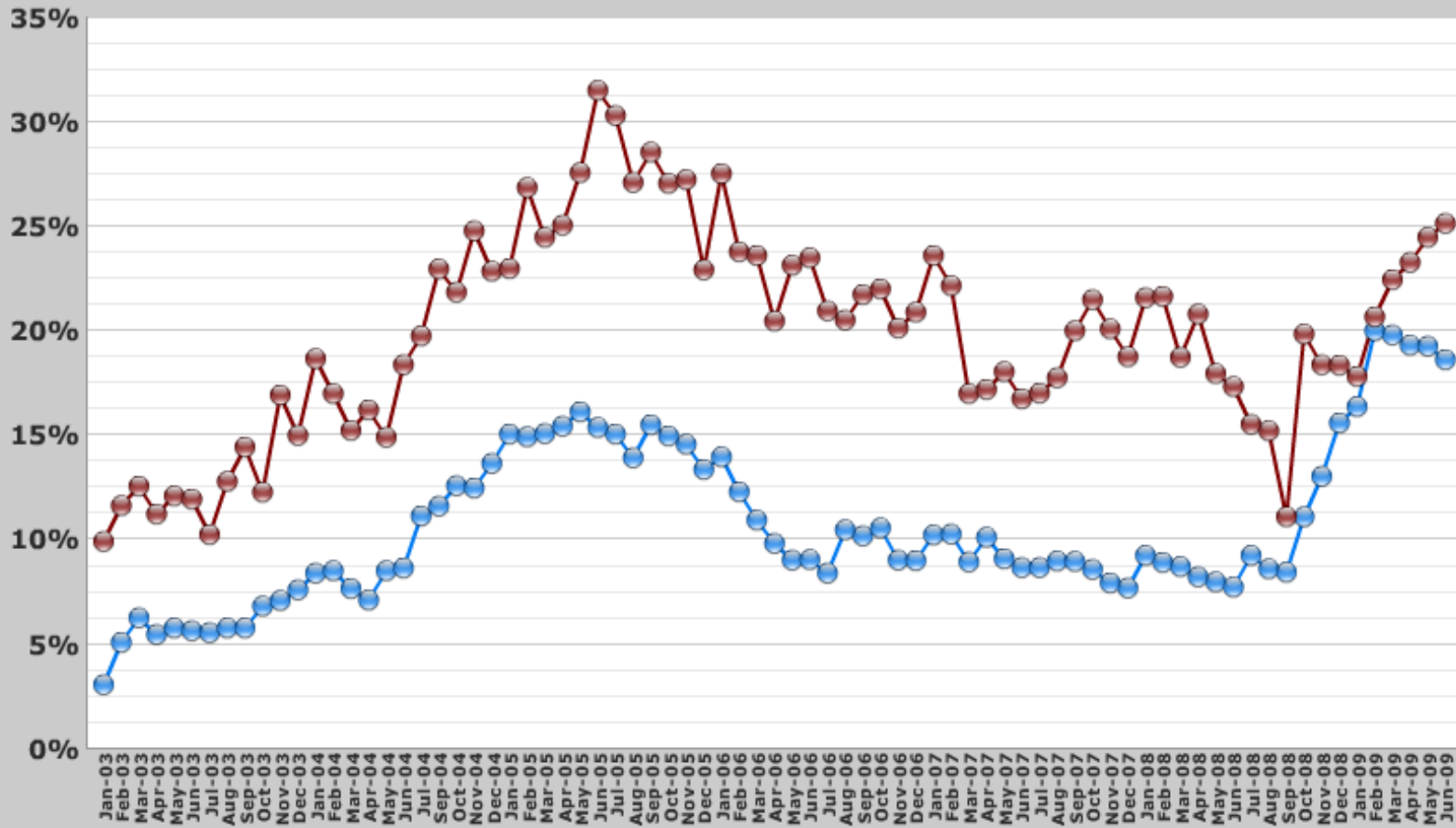
Rentals - Average Leased Price per Sq Ft on ARMLS June 14, 2009



All Areas & Types - Measured Monthly

Percentage of Sales to Landlords

July 11, 2009



All Residential - Maricopa County - Measured Monthly

● Single Family ● Condo

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IUT1

A decorative, stylized flourish or scrollwork element in a light gray color, positioned behind the main title text.

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Daily Real Estate Market Insight