

# JANUARY 2012

# PHOENIX MARKET ALERT

## Tourism News

Phoenix Metro Overall Occupancy Level	
November 2011	59.6
November 2010	60.6
Y-Y Change	-1.0 pts

Source: Smith Travel

PHX Sky Harbor Traffic Passenger Boardings	
October 2011	3,329,709
October 2010	3,256,306
Y-Y Change	+2.3%

Source: Phoenix Sky Harbor International Airport

## Arizona Economy

2011 was better than 2010 and 2012 will be better than 2011, however, according to economist Marshall Vest, "the [economic] recovery remains in its infancy and it will take years to repair the damage suffered by the Arizona economy during the Great Recession." Arizona is expecting every key indicator to improve in 2012, including a year-over-year increase among single family home permits, after six years of declines. Housing analyst RL Brown is calling for an addition of 8,500 new single-family permits added to the market in 2012, while economist Elliot Pollack points out that even though permits have bottomed out, they "are still down by 89% off from the peak."

## Unemployment

Phoenix Unemployment	
November 2011	7.9%
November 2010	8.9%
Y-Y Change	-1.0 pts

Initial unemployment claims, 21,348, continue to improve in Arizona, decreasing by 8.5% from the previous year as well as on a year-to-date basis.

## Employment

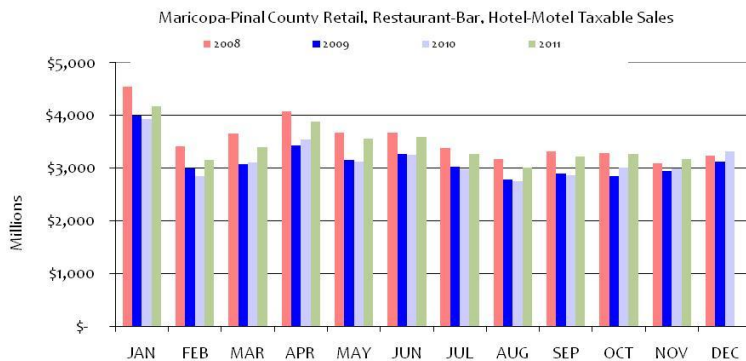
Total PHX Non-farm Payroll Employment	
November 2011	1,741,000
November 2010	1,707,600
Y-Y Change	+2.0%

In November, Phoenix metro non-farm employment levels increased, adding 33,400 positions, or +2.0%, to payrolls over last year.

Phoenix metro employment gains were led by Trade, Transportation and Utilities (+11,600) on an over-the-year basis and an increase of +9,900 from the previous month, with the largest contributor of job gains from the Retail Trade sector (+8,900). On a year-over-year basis, other categories that reported gains were Health Care (+7,900), Accommodation and Food Services (+5,400), Manufacturing (+2,700), Financial Activities (+2,500) and Construction jobs (+800).

Source: Arizona Department of Administration

## Maricopa-Pinal Retail, Restaurant-Bar, Hotel-Motel Taxable Sales



Source: Arizona Department of Revenue (includes restaurant-bars, hotel-motels, wholesale, motor vehicle dealers, misc. automotive, furniture & furnishings, building hardware, food & liquor stores, misc retail, clothing/accessories, and general merchandise.)

In November 2011, Maricopa-Pinal County total retail, restaurant-bar and hotel-motel taxable sales were up 5.8% from the previous year, and up 9.5% on a year-to-date basis.

Restaurant-Bar taxable sales in November 2011 increased by 5.6% compared to the prior year and 6.4% on a year-to-date basis. Retail sales reported a 6.1% increase to 2010 and 10.3% on a year-to-date basis.

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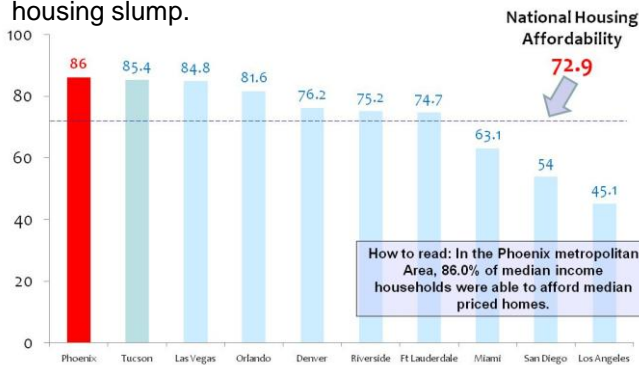
## Arizona Business News

- Food supplier, Greco and Sons is expanding its operations in Phoenix and will occupy its new facility, which is located near their currently occupied facility, in the first half of 2012.
- Sprouts Farmers Market has announced that its Ahwatukee Foothills store will open in September 2012.
- Tanger Factory Outlet Centers is considering plans to build at Westgate City Center.
- BoomBozz Taphouse recently opened a new branch of the restaurant in Gilbert. This location is the third and replaces the former Boston's Pizza at Gilbert Town Square.

Source: Arizona Business Gazette, The Arizona Republic, CoStar

## Housing Affordability

Phoenix housing affordability ranks #1 amongst metros significantly affected by the housing slump.



Source: NAHB – 3Q 2011

## Cost of Living

The cost of living in Phoenix is among the lowest in major markets.

Market	Cost of Living Index*
Phoenix	94.5
Salt Lake City	94.8
Dallas	96.4
Las Vegas	98.3
Atlanta	98.8
Denver	105
Miami	108.3
Chicago	114.4
Seattle	115.2
Philadelphia	123.8
Los Angeles	131.1
San Francisco	161.3
New York	223.9

\*Indicates relative price levels for consumer goods and services. The average composite index for the nation is 100. A score above 100 indicates less affordability than the nation as a whole; a score below 100 indicates more affordability.

Source: ACCRA Cost of Living Index – 3<sup>rd</sup> Quarter 2011

## National Housing

Existing-home sales increased in November, rising by 4%. Total housing inventory at the end of November fell by 5.8% to 2.58 million homes, representing a 7.0-month supply.

The national median existing-home price for all housing types was \$164,200 in November – 3.5% lower than a year ago. Distressed homes accounted for 29% of sales in November, compared to 28% in October and 33% in November 2010.

Existing-home sales in the West rose by 3.6% to an annual pace of 1.16 million in November and are 11.5% above a year ago. The median price in the West was \$195,300, which is down 8.4% to last year.

Source: National Association of Realtors, Realtor.org; The West includes, AK, AZ, CA, HI, ID, MT, NV, NM, OR, UT, WA, WY

## Phoenix Housing

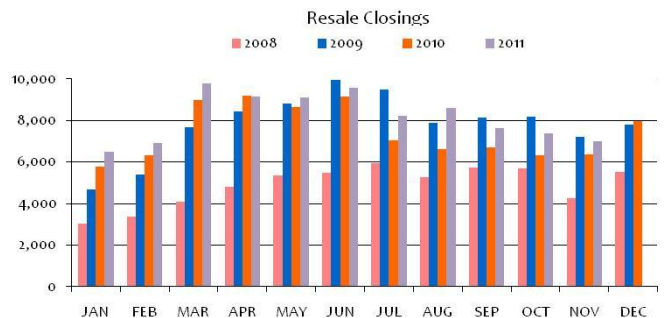
### New Home Permits

New home permits for November 2011 totaled 485; an 11% decrease from the previous month and a 51.6% increase from the same period last year.



### Resale Closings

Resale closings were 6,978 in November 2011; up 9.6% from the same period last year and 10.7% on a year-to-date basis.



Source: RL Brown; December 2011



ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

# ARMLS PPI™

your monthly statistics  
for the Phoenix Metro area

**January 4, 2012**

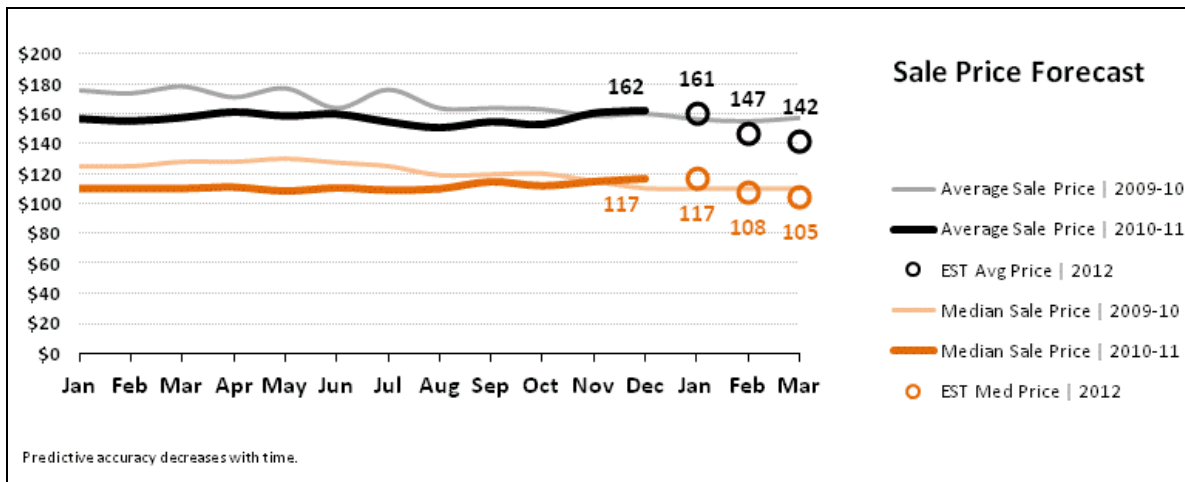
“ARMLS PPI™” is a trademark of Arizona Regional MLS.

## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a forecasting tool unique to ARMLS, which uses pending sales data inside the MLS system to predict sales prices ninety days into the future. Last month, the PPI predicted that average sales price would be \$151,900, missing the actual December median of \$162,200 by 6.78%. The median sales price predicted in November for December was \$110,000, missing the actual December median sales price, \$117,000, by 6.36%.

This month the PPI forecasts the median sales price will remain stable in January at \$117,000 and then decline in February to \$108,000, and to \$105,000 in March. The average sales price is expected to decline slightly to \$161,000 in January and then continue the downward projection to \$147,000 in February and \$142,000 in March. Note that PPI’s accuracy declines the further into the future it predicts.

Despite the positive, yet slight, increases in the median and average sales prices in this month’s STAT, pending data in MLS forecasts similar lackluster pricing performance at least through Q1.

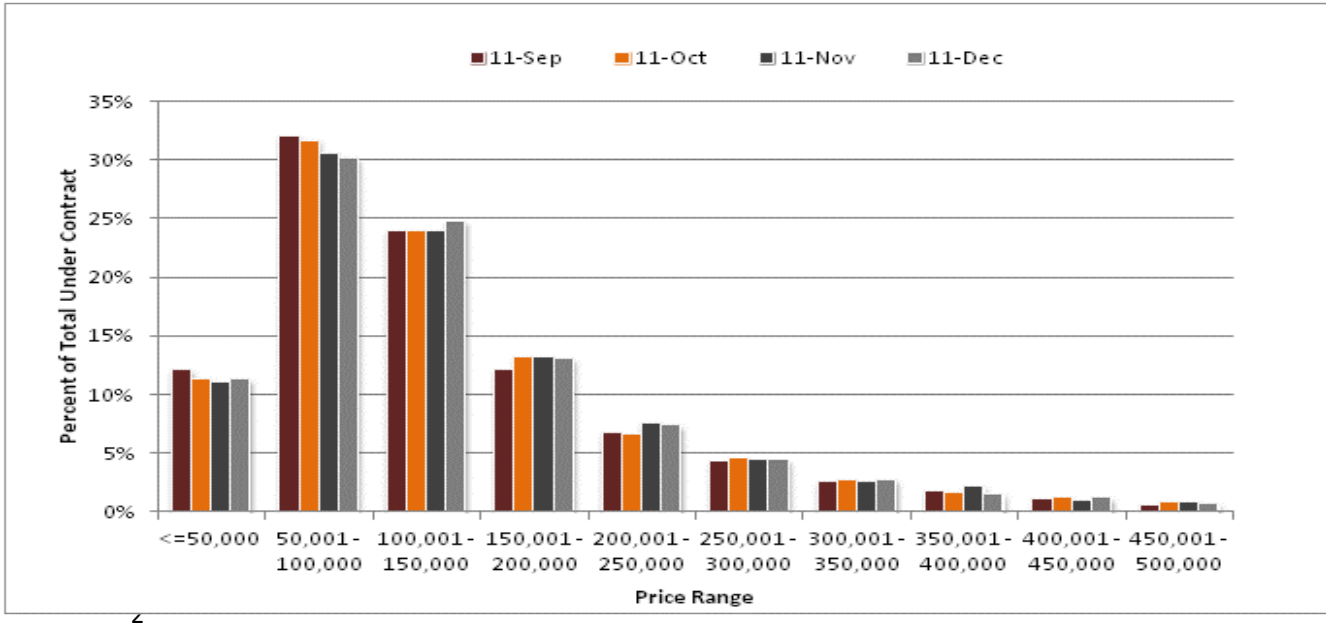
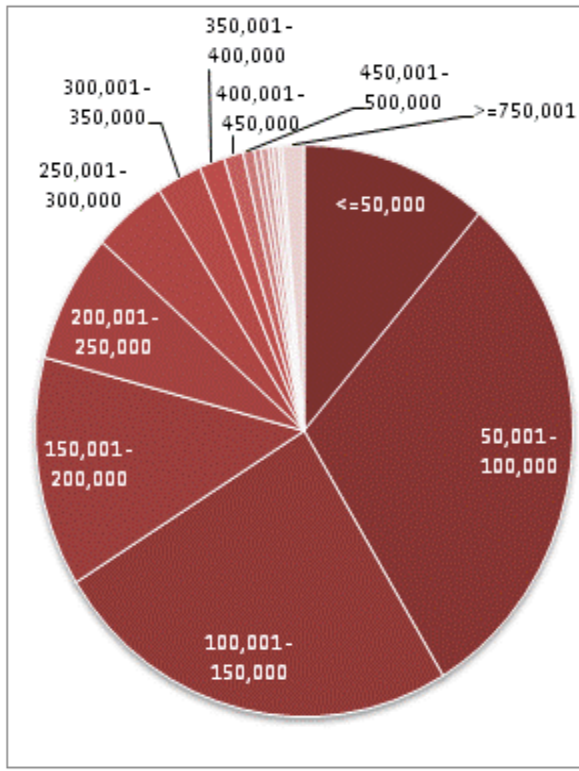


## PPI SUPPLEMENT

The PPI Supplement focuses on new pending properties added each month to the total pending property pool in MLS. By focusing on the newly pended properties on a rolling four month basis, we can perceive subtle changes in pricing, which are precursors to recovery.

This month the Supplement detects no significant changes to indicate a shift in specific price range recovery. Lower end range (\$50,000 and below and \$50,001-\$100,000) trend lines over the previous four months continue to decline. Other price ranges offer no changes significant enough to indicate an altered trend, paralleling the lackluster pricing performance reported in the PPI.

Pending Contracts Signed In December				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	35,050	35,101	764	11.27%
50,001 - 100,000	77,607	78,500	2,040	30.09%
100,001 - 150,000	124,820	124,900	1,678	24.75%
150,001 - 200,000	172,982	170,000	883	13.03%
200,001 - 250,000	226,436	225,000	497	7.33%
250,001 - 300,000	274,543	274,500	302	4.45%
300,001 - 350,000	325,446	325,000	185	2.73%
350,001 - 400,000	377,305	375,000	103	1.52%
400,001 - 450,000	427,325	425,000	79	1.17%
450,001 - 500,000	477,665	475,000	45	0.66%
500,001 - 550,000	527,407	525,000	28	0.41%
550,001 - 600,000	577,602	575,950	30	0.44%
600,001 - 650,000	636,185	640,000	19	0.28%
650,001 - 700,000	683,909	685,000	22	0.32%
700,001 - 750,000	736,633	737,500	15	0.22%
>=750,001	1,292,730	1,000,000	89	1.31%

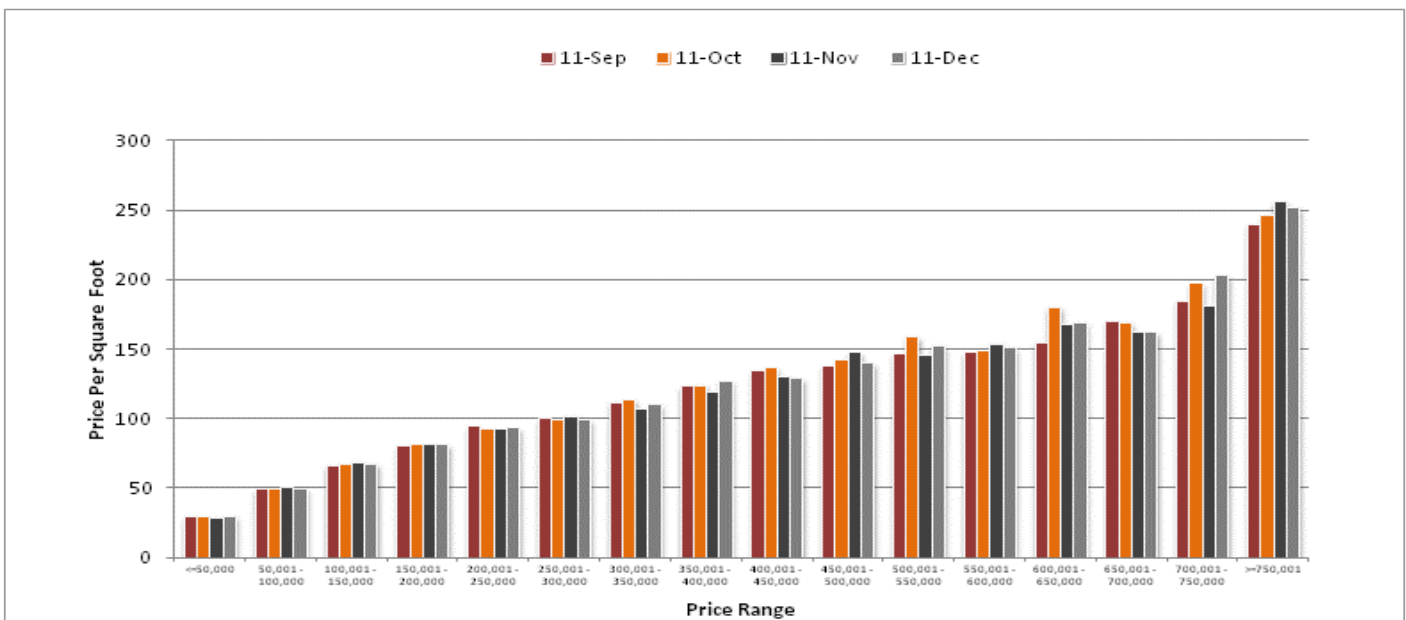


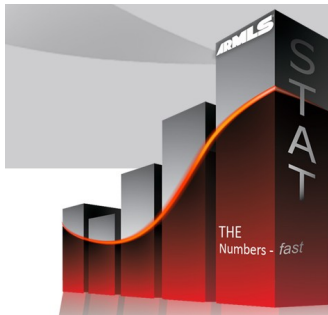
## PPI SUPPLEMENT - \$/SQ FT

The PPI \$/SQ FT Supplement examines incremental gains and losses in the price per square foot of newly pending properties added to the pending pool each month. The slight gains and losses from one price range to the next followed an inconclusive one step forward two steps back pattern in December, indicating little pricing recovery at the front edge of the pending activity. Gains in the price per sq ft at the higher end ranges are less reliable due to the smaller number of properties used to calculate price per square foot. This wimpy \$/SQ FT performance is in sync with other equally dull pricing metrics reported in the PPI and PPI Supplement.

Pending Contracts Signed In November				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	35,250	1,222	842	29
50,001 - 100,000	77,475	1,549	2,348	50
100,001 - 150,000	125,193	1,830	1,836	68
150,001 - 200,000	173,568	2,121	1,013	82
200,001 - 250,000	226,453	2,455	583	92
250,001 - 300,000	275,797	2,711	337	102
300,001 - 350,000	326,649	3,059	195	107
350,001 - 400,000	376,735	3,174	168	119
400,001 - 450,000	426,097	3,267	73	130
450,001 - 500,000	476,761	3,223	60	148
500,001 - 550,000	526,209	3,622	54	145
550,001 - 600,000	580,908	3,781	36	154
600,001 - 650,000	627,475	3,740	20	168
650,001 - 700,000	678,119	4,186	21	162
700,001 - 750,000	728,905	4,032	21	181
>=750,001	1,299,930	5,072	90	256

Pending Contracts Signed In December				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	35,050	1,180	764	30
50,001 - 100,000	77,607	1,556	2,040	50
100,001 - 150,000	124,820	1,856	1,678	67
150,001 - 200,000	172,982	2,128	883	81
200,001 - 250,000	226,436	2,425	497	93
250,001 - 300,000	274,543	2,762	302	99
300,001 - 350,000	325,446	2,950	185	110
350,001 - 400,000	377,305	2,966	103	127
400,001 - 450,000	427,325	3,317	79	129
450,001 - 500,000	477,665	3,420	45	140
500,001 - 550,000	527,407	3,457	28	153
550,001 - 600,000	577,602	3,828	30	151
600,001 - 650,000	636,185	3,766	19	169
650,001 - 700,000	683,909	4,226	22	162
700,001 - 750,000	736,633	3,632	15	203
>=750,001	1,292,730	5,131	89	252



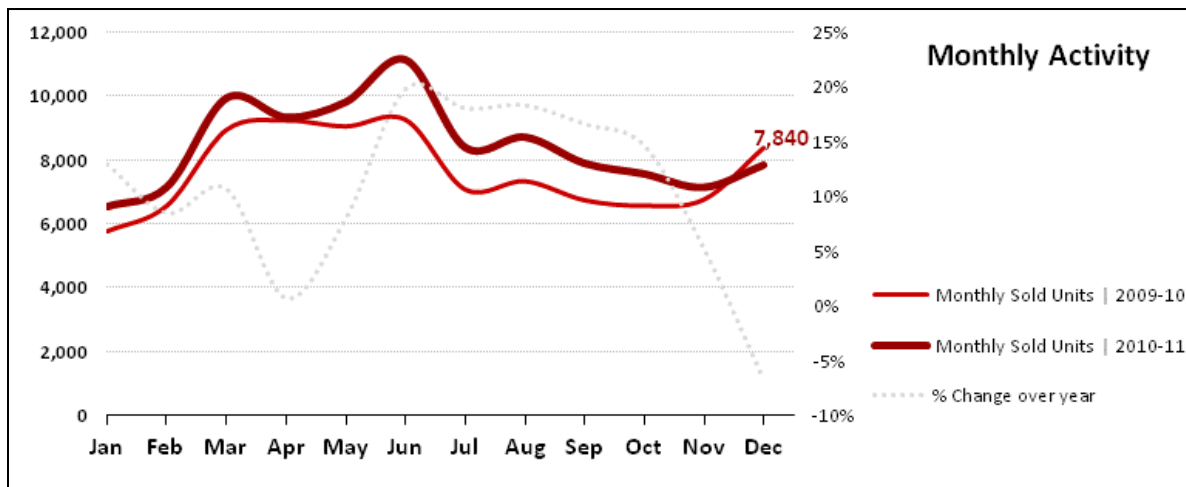


### SALES Month over Month

Sales in December rose 9.7% over November to 7,840. The December sales figure reverses a downward trend line which started from a June high of 11,125 to a low of 7,146 in November (with the exception of August which rose 3.9%). Thus 2011 went out in a flourish, typical of the last month of the year, as buyers hastened to close before year's end.

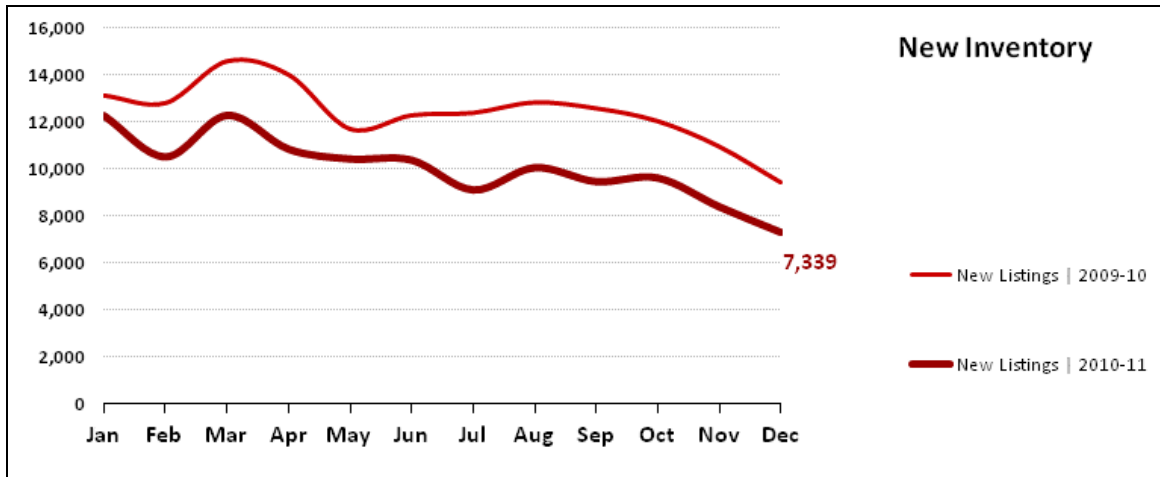
### SALES Year over Year

December's figure fell 6.7% below 2010's decade record breaking December sales figure (8,401). The 2011 December sales figure (7,840) is the third highest of the decade, surpassed only by 2010 (8,401) and 2004 (7,902). Only two years since 2001 showed declines from November to December (2004, 2005).



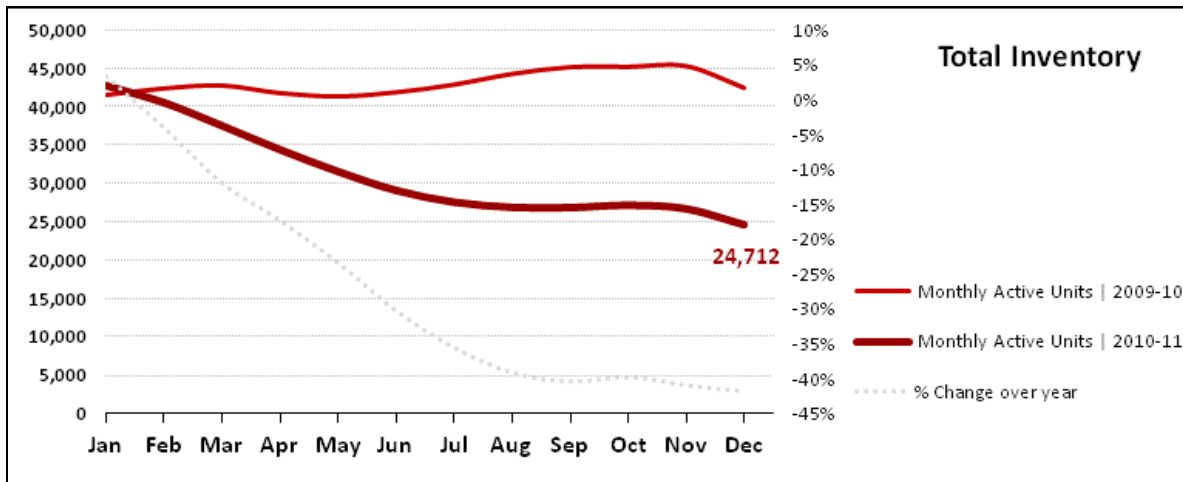
## NEW INVENTORY

New listings added to the market in December continued on its downward trajectory which started from a high of 12,312 in March to finish in December at 7,339. Slowing of new inventory added to the total inventory pool is seen as healthy because it affects the market inventory supply.



## TOTAL INVENTORY

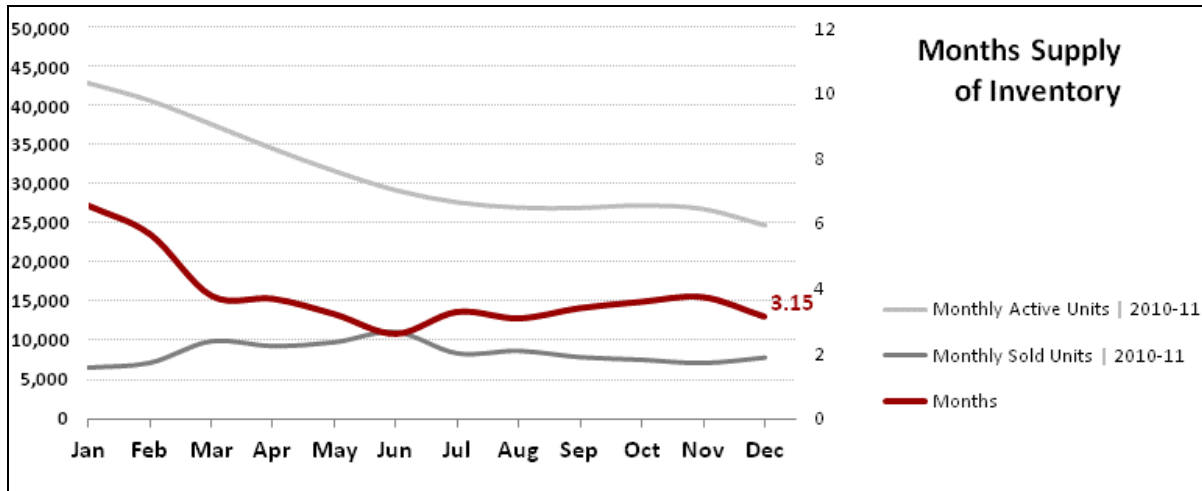
Total inventory coasted on a steady downward trend all through 2011, starting at a high of 42,881 in January and continuing to 24,712 in December. December’s total inventory figure represents a 42.37% drop from January’s high. This metric is marching steadily in the right direction. Reduction in total inventory plays a major role in the supply and demand balance so critical in correcting the Valley’s pricing doldrums.



## MONTHS SUPPLY OF INVENTORY (MSI)

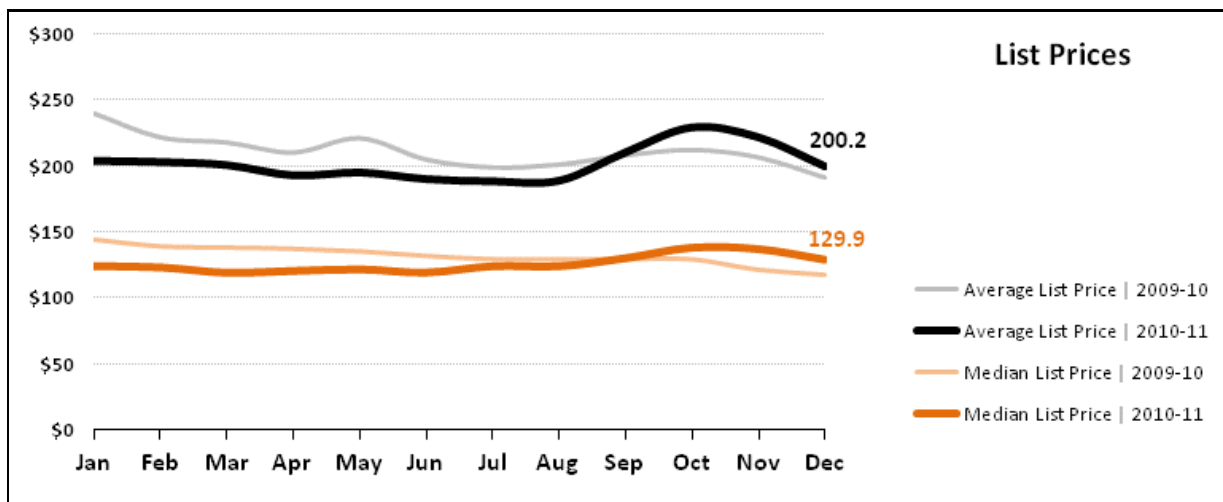
Months supply of inventory, which had been trending upward since June, took a downward turn to land at 3.15 months in December. The December figure is 16% lower than November (3.75). To put this December's MSI in perspective, consider that in December 2007, market wide MSI was 15.98 months. December 2011's figure of 3.51 is 80.4% lower than the MSI in December 2007 when the Valley's real estate bubble burst.

Market wide MSI is seen only as a barometer of overall market health and does not correlate with MSIs in smaller market niches. However, declines of this magnitude are tallied in the plus column for market recovery.



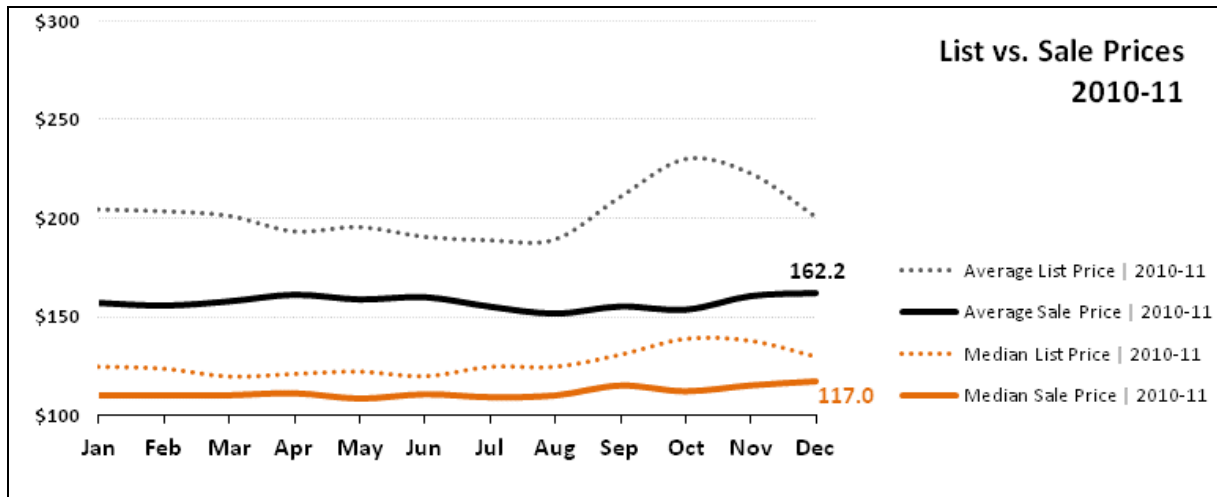
## NEW LIST PRICES

New list prices, which had been trending upward since July for the median price, and since August for the average price, fizzled out at year end declining in both November and December. The median new list price declined 5.8% from November to December to land at \$129,900 from \$137,900 in November. The average new list price's performance followed a similar pattern by declining 10% from November to December, to fall from \$222,400 to \$200,200 at year's end. However, median new list price, which started in January at \$124,900, did increase 4.76% in 2011 through a series of small steps forward and backward. In retrospect, while the increase is lackluster, it is positive and fuels hope that in 2012 this upward movement will continue. The average new list price showed an overall decline from \$204,300 at the start of 2011 to \$200,200 at the year's end.



## SALES PRICES

Sales prices fared better than new list prices and followed an upward trend in the fourth quarter. Median sales price in Q4 were \$112,000, \$115,000 and \$117,000, rising 4.46% over the quarter. The December median finished 6.36% higher than \$110,000 figure in January 2011. The average sales price showed a similar Q4 pattern and finished December at \$162,200. This represents a 3.31% increase in the average sales price in 2011.

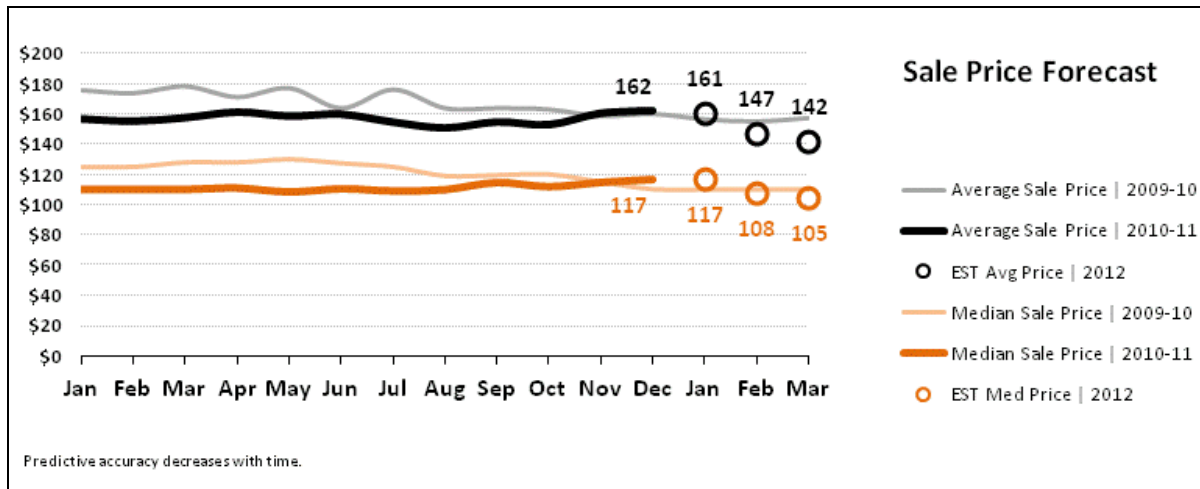


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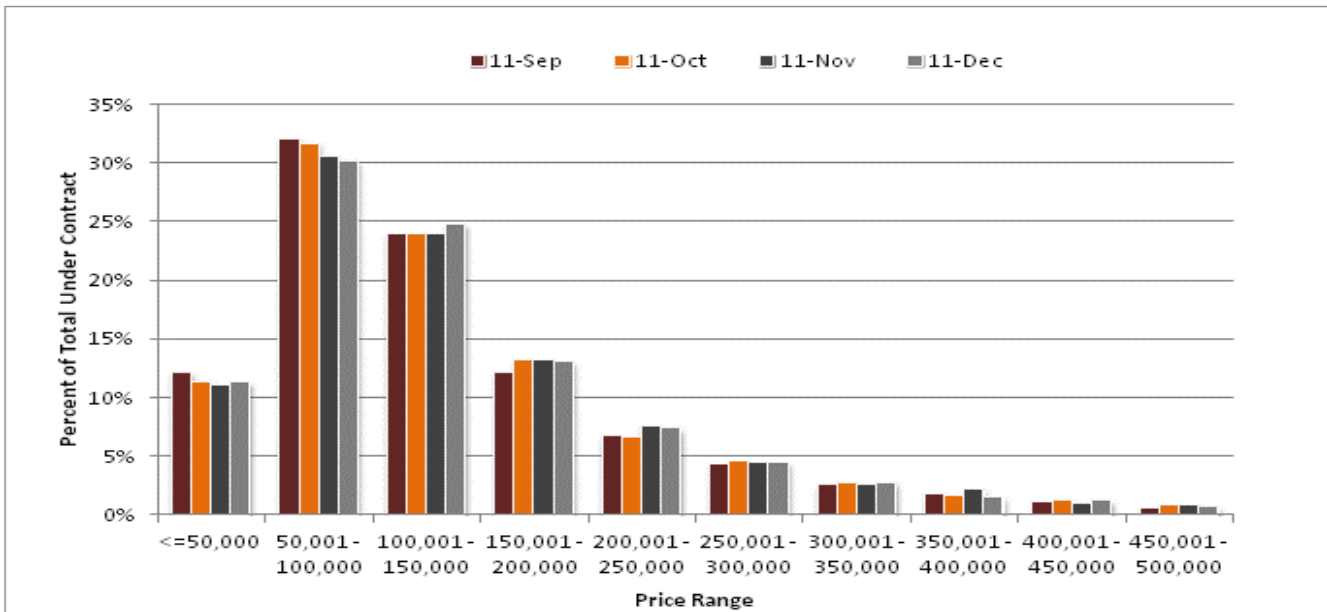
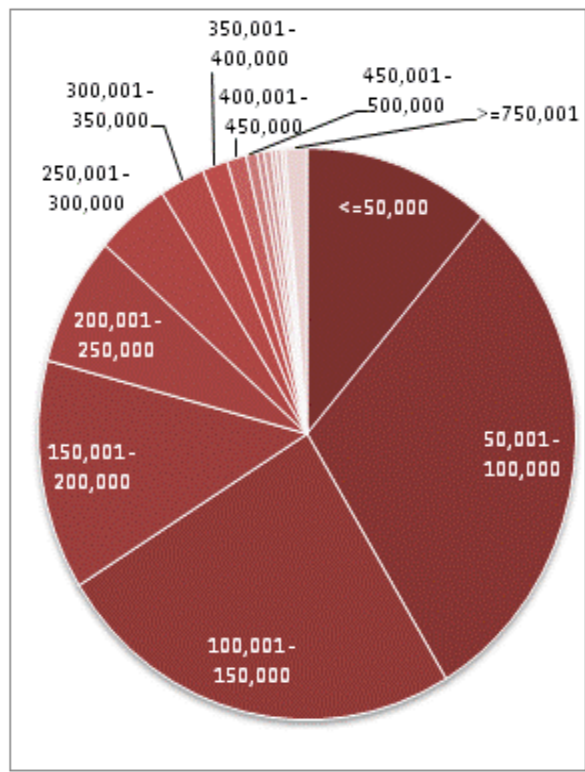


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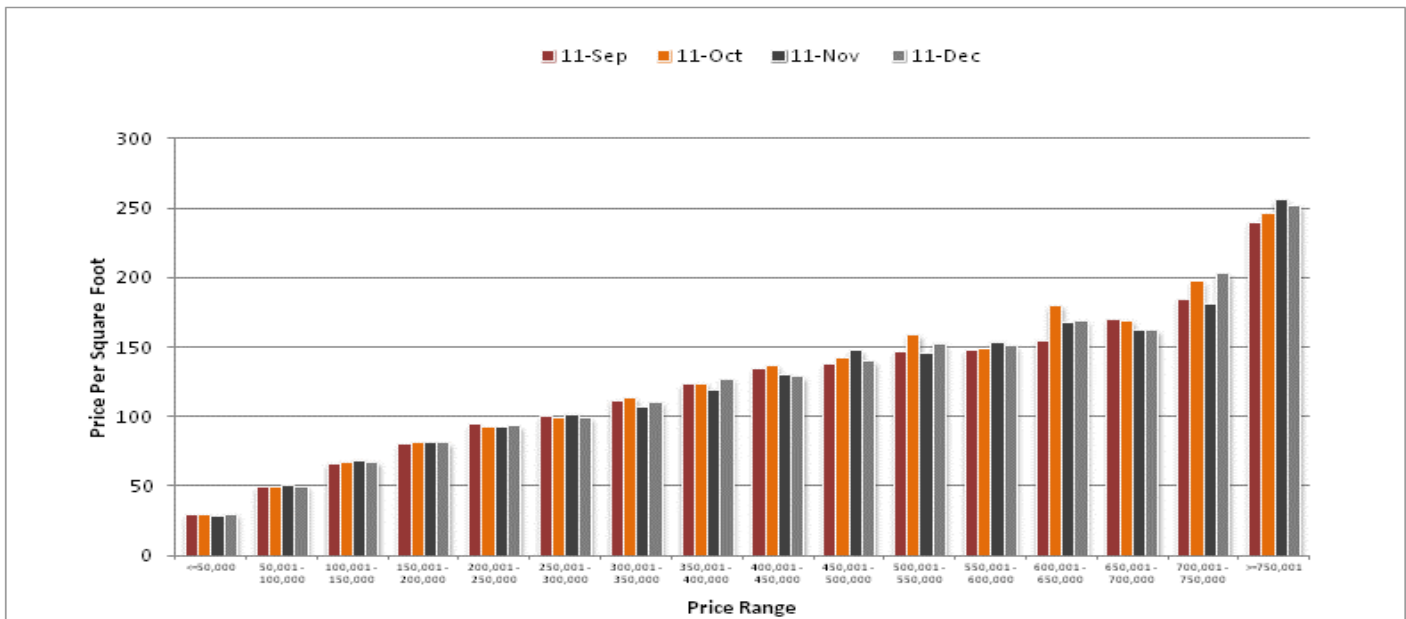
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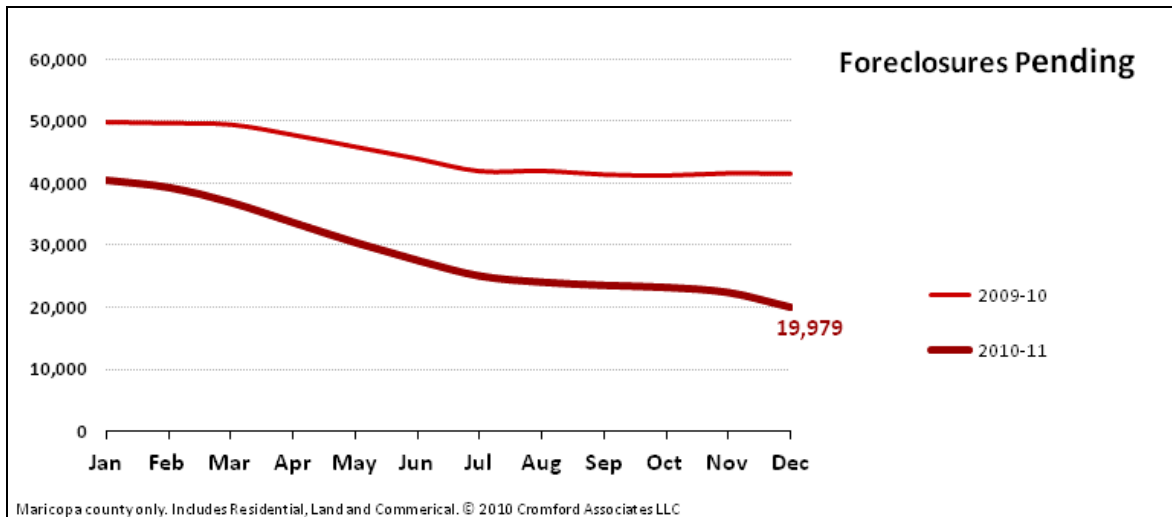
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150,001 - 200,000	173,568	2,121	1,013	82	150,001 - 200,000	172,982	2,128	883	81
200,001 - 250,000	226,453	2,455	583	92	200,001 - 250,000	226,436	2,425	497	93
250,001 - 300,000	275,797	2,711	337	102	250,001 - 300,000	274,543	2,762	302	99
300,001 - 350,000	326,649	3,059	195	107	300,001 - 350,000	325,446	2,950	185	110
350,001 - 400,000	376,735	3,174	168	119	350,001 - 400,000	377,305	2,966	103	127
400,001 - 450,000	426,097	3,267	73	130	400,001 - 450,000	427,325	3,317	79	129
450,001 - 500,000	476,761	3,223	60	148	450,001 - 500,000	477,665	3,420	45	140
500,001 - 550,000	526,209	3,622	54	145	500,001 - 550,000	527,407	3,457	28	153
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600,001 - 650,000	627,475	3,740	20	168	600,001 - 650,000	636,185	3,766	19	169
650,001 - 700,000	678,119	4,186	21	162	650,001 - 700,000	683,909	4,226	22	162
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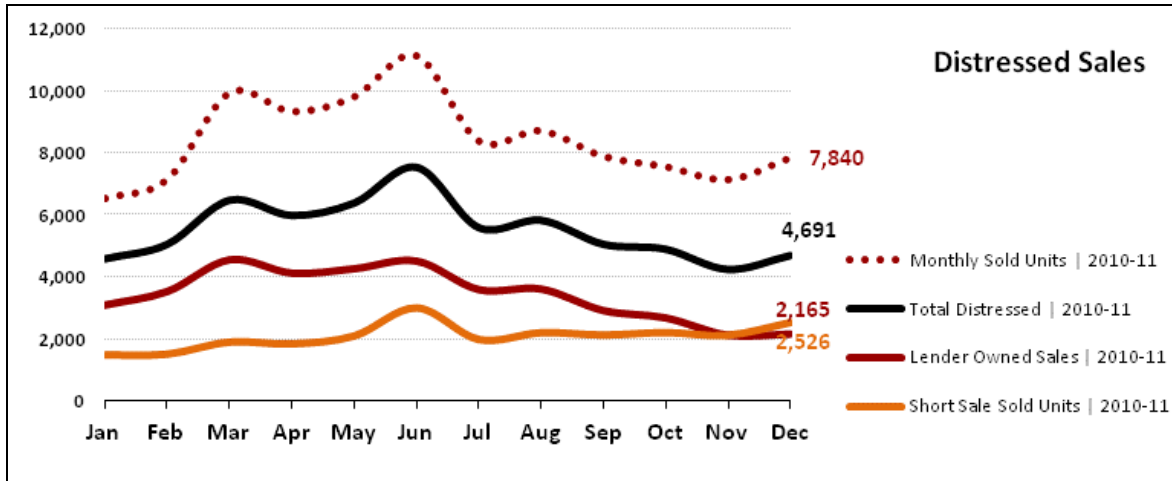
## FORECLOSURES PENDING

Foreclosures pending in December continued on the 2011 downward trajectory, and finished the year by breaking through the 20,000 barrier to cross the finish line at 19,979. Foreclosures pending are homes in some stage of acquisition by the lender, prior to actual foreclosure. Reduction in the number of foreclosures pending each month is a positive recovery metric. Foreclosures in the 5,000 range are typical of a healthy market. Thus the fall of foreclosures pending from the high of 50,568 in November 2009 to December's figure represents a 60.49% drop, which will ultimately result in a reduction in actual foreclosures. Since the Valley's pricing woes will not be righted until the number of foreclosures in the inventory supply is greatly reduced, the glimmer of a recovery seen in this metric grows brighter each month.



## DISTRESSED SALES

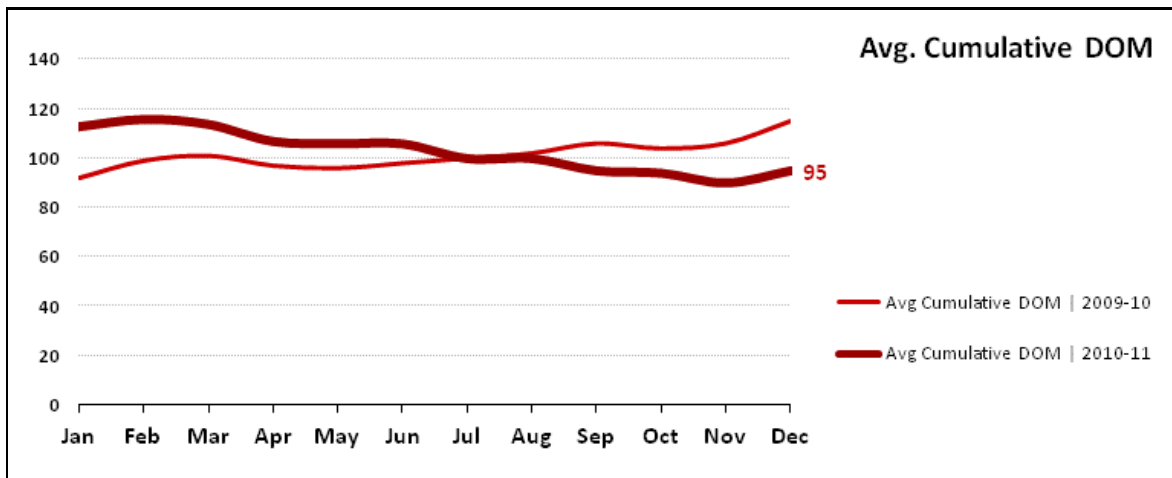
Distressed sales, comprised of lender owned sales and short sales, have dominated the total sale composition for many months. In November, distressed properties as a percentage of total sales dropped below 60%, and remained relatively unchanged in December at 59.8%. This month, the number of short sales (2,526) eclipsed the number of lender owned sales (2,165) for the first time, suggesting a shift in lender appetite toward debt work out with home owners, rather than taking the property back through foreclosure. This shift represents a trend toward the lesser of two evils for homeowners unable to cope with the current terms of their mortgage.



## AVERAGE DAYS ON MARKET (DOM)

The average days on market bounced up by 5 days in December to 95, after November's low of 90. Even with the increase in December, the overall 2011 trend line for DOM remained on its downward trajectory. It is worth noting that as short sales account for a larger percentage of closed sales, their normally longer DOM could raise the overall market DOM.

Market wide days on market as reported in STAT is merely a barometer of overall market health, and should not be used to predict days on market in smaller market niches. Each niche has its own supply and demand, which influences the DOM for that niche. A brisker movement of property from active status to closed can signal an increase in recovery momentum, and thus a positive recovery metric.



## COMMENTARY

December, typical of most months in 2011, saw its own share of good news. A rise in sales activity, typical of the last month of the year, and the continued decline of new inventory added to the market led the list. Other positive signs include declines in total inventory, MSI and foreclosures pending. In the positive category, STAT also places the shift in the distressed sale composition, with short sales surpassing foreclosures for the first time, and distressed sales remaining below 60% of total sales for the second month in a row.

While the valley has seen the signs of recovery in many metrics, pricing remains problematic. New list prices in December were singularly lackluster, with the median and average new list prices declining 5.8% and 10%, respectively. Sales pricing though, both median and average, rallied in Q4, and finished the year racking up single digit gains over 2011, albeit slight.

The most holistic perspective lies in embracing that pricing recovery is built overtime, in layers, on strong pillars. On the supply side, total inventory and new inventory added each month must come down. Even though these numbers are not where they should be, they are moving steadily in the right direction. Distressed properties, which wreaked havoc on pricing, needs to exert less dominant pricing influence. These metrics are doing just that as their percentage of sales declines, and lenders trend to short sale work outs over foreclosures. While these figures are also not ideal, they too are inching appropriately in a positive direction.

On the demand side, the Valley is experiencing record sales activity, despite anemic net migration and job creation. Other economic news should positively affect demand. Arizona, at a 2.8% projected 5 year growth rate, is number three right behind Texas and Nevada.<sup>1</sup> According to Lee McPheters of the JPMorgan Chase Economic Outlook Center at the W.P.Carey School of Business, Arizona's population should increase by 1.5 percent in 2012 to support housing demand, including a 20 percent rise in single-family housing permits.<sup>2</sup>

The prognosis delivered December 7 at the 48th Annual Economic Forecast Luncheon, co-sponsored by the economics department at the W. P. Carey School of Business and JPMorgan Chase, diagnosed Arizona as a state that is no longer in "intensive care," but now proceeding through a slow recovery. Arizona will end 2011 as a top ten growth state, now adding jobs faster than the national average, after a weak start in the first half of this year. Yet the slow recovery is influenced by job growth, which is still below the long term average (3.7%), and lower than previous recoveries.<sup>3</sup>

Credit bureau TransUnion, which tracks consumer credit predicts mortgage delinquencies, will fall more sharply in Arizona next year than in any other state. In addition, it expects the proportion of past-due Arizona home loans will drop nearly in half by the end of 2012, albeit from high levels.<sup>4</sup>

STAT's prediction for 2012: GAME ON - we have a recovery in process!

<sup>1</sup> <http://realtormag.realtor.org/daily-news/2011/12/06/where-work-heading-6-top-job-states>

<sup>2</sup> <http://www.housingwire.com/2011/12/08/asu-economist-sees-arizona-us-economy-improving-in-2012>

<sup>3</sup> <http://knowledge.wpcarey.asu.edu/article.cfm?aid=1115>

<sup>4</sup> <http://www.azcentral.com/arizonarepublic/business/articles/2011/12/07/20111207arizona-mortgage-late-loans-may-fall-2012.html#ixzz1iWBNAjal>