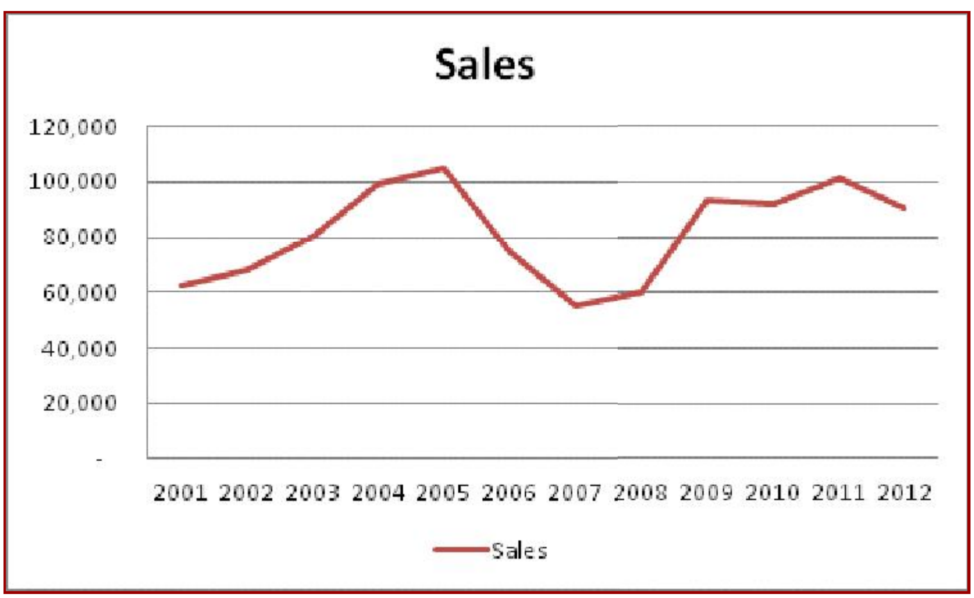
STAT 2012 Year in Review focuses on the state of the Valley's recovery over the last twelve months, and places it in a larger perspective. Overall, the progress has been slow, steady and upward.

SALES

Total sales in 2012 of 90,680 fell 10,756 units, or 10.6%, below 2011's total. The 2012 figure is disappointing, following 2011's second highest ranking of the last 12 years. Still 2012 ranks sixth highest during that period. High sales figures in 2011 were driven by unprecedented affordability. In 2012, Buyer demand continued to siphon off the more affordable properties. By March, the overall 2012 sales trend headed downward due to dwindling inventory. Some consider 2003 and 2004 the last normal Valley markets. The 2012 sale figure rests slightly above the midpoint between 2003 and 2004, or 80,052 and 98,922, respectively.

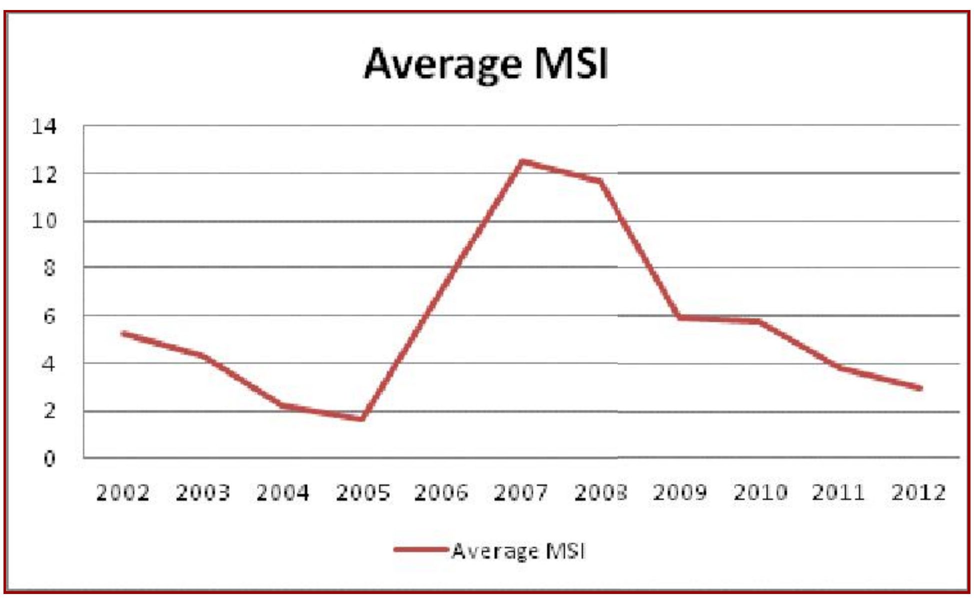


INVENTORY

New listings added to inventory in 2012 ranked the lowest of the last twelve years at 107,998. This metric fell 13,043 units, or 10.78%, below 2011. The next lowest new listing total in the last 12 years, 114,402, occurred in 2001. Lack of affordable inventory, which plagued 2012, fueled lower sales totals. New inventory, 10.78% below the previous year, syncs with 2012's lower sales figures, 10.6% below 2011. The correlating sales and listing percentages points to dwindling inventory, rather than diminished demand, as the culprit responsible for lower sales totals.

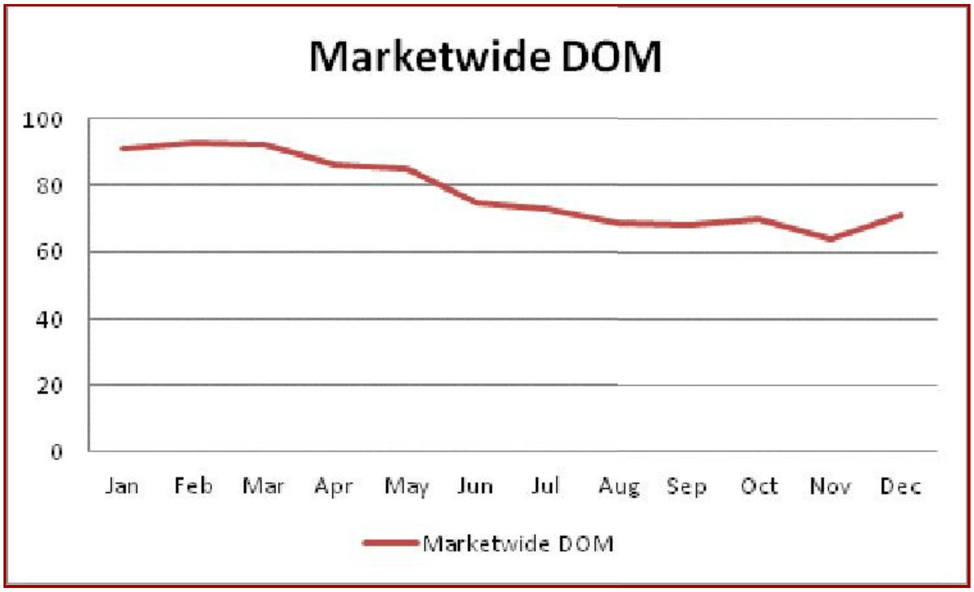
MONTHS SUPPLY OF INVENTORY (MSI)

Months Supply of Inventory (MSI) averaged 2.95 months in 2012, another reflection of lower market inventory. In comparison, 2011 average MSI was 3.81. MSI for 2012 rests between 4.31 and 2.26, MSI figures for 2003 and 2004, widely considered the Valley's last normal markets. MSI figures under 4 are seen as a seller's market. Marketwide MSI should not be confused with MSI in smaller market niches, which have their own unique MSI based on supply and demand.



DAYS ON MARKET

Marketwide days on market (DOM) marched along a steady downward trend line all of 2012. DOM started 2012 at 91 and ended at 71, with the year average at 78. DOM in this range was last seen in 2006, where the year average was 72. The 2012 figure is still well above the last normal market average in 2004 of 52. DOM reached their peak in January 2008, and has continued downward since that time. Marketwide DOM is tracked as a barometer of overall market health and should never be used to predict DOM in smaller market niches.



FORECLOSURES PENDING

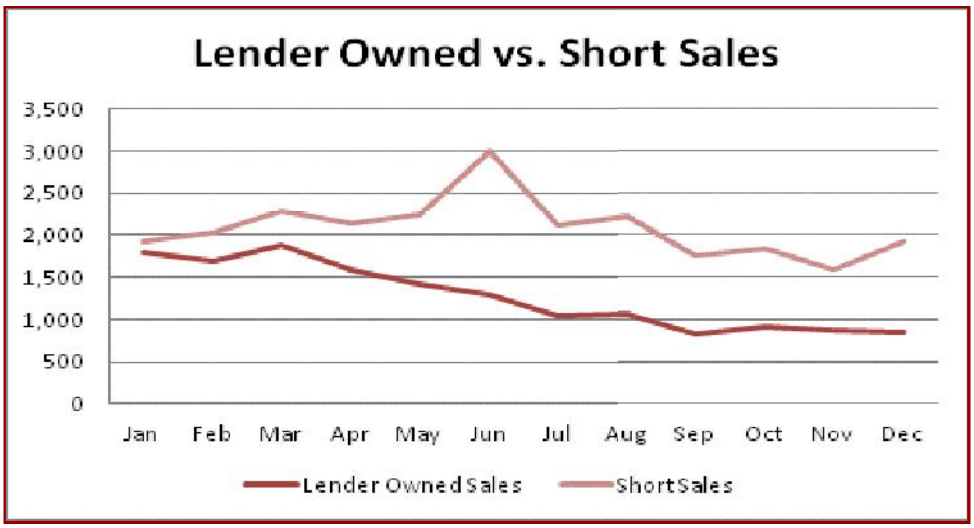
Foreclosures pending started a downward trend in late 2009 and continued on that path through 2012. In January, foreclosures pending were 18,257 per month and by December had fallen to 10,466. These numbers are greatly improved from the market high in November 2009 of 50,568 foreclosures pending per month. However, they are still almost double the average yearly foreclosure pending figures of 5,352 and 5,238, for 2003 and 2004 respectively.

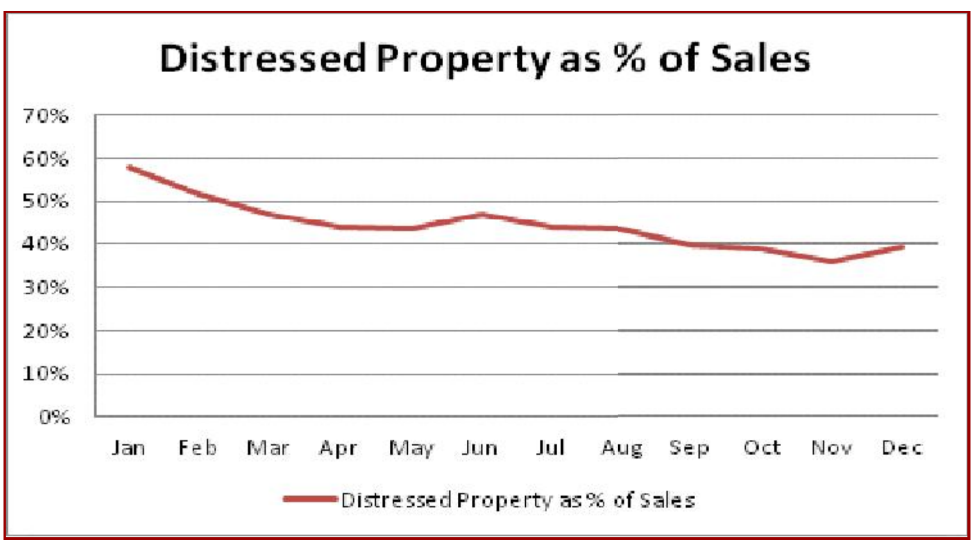
DISTRESSED SALES

In late 2011, distressed sales reversed a trend that held lender owned sales dominating short sales. Formerly, lender own sales greatly outnumbered short sales. In 2012, short sales became the preferred component of the distressed property mix. Short sales continued to widen the gap between the number lender owned sales all year.

By year end, short sales solidly outnumbered lender owned sales 2:1. This phenomenon is the result of improved lender short sale negotiating skills, reduction in their overall volume of distressed properties and greater appetite for workout over taking a property back through foreclosure. The big winners here were home owners who could escape foreclosure, Buyers who were able to purchase below market value, lenders who mitigated loss through workout over foreclosure and communities who saw fewer vacant properties.

Distressed sales in January 2010, when STAT first began tracking this metric, made up 69.9% of total sales. In January 2012 the distressed percentage was 57.7%, and by year end had fallen to 39.4%. While still abnormally high, the progression downward was steady throughout 2012. Undue influence of distressed sales slows pricing recovery, and lowering of their percentage of total sales reduces that influence.





PRICING

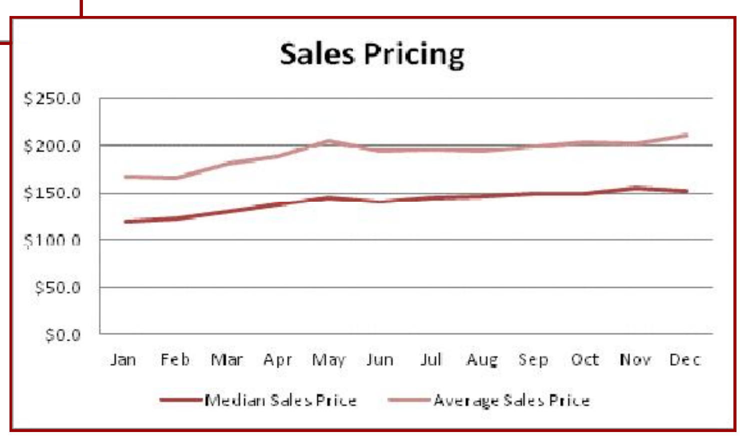
All four pricing metrics, i.e., new listing, sales and median and average prices, made steady gains throughout 2012. Median list price moved from $140,000 in January to $169,000 by December, representing a 20.71% gain. The average list price increased from January's $243,200 to December's $251,400, or 3.37%.

Median sales price started 2012 at $120,000 and climbed 27.5% by December to $153,000. Average sales price also performed well rising from January's $169,500 to $211,300, or 24.66%, by year end.

Comparison of 2012 pricing metrics to the Great Recession's pricing lows places the 2012 gain in a larger perspective. In January 2011, median list price hit the bottom at $117,000, and by December 2012 had risen 36.75% to $169,000. Average list price's recovery followed a similar path, starting from a low of $188,698 in July 2011 and rising 33.23% by December 2012 to $251,400.

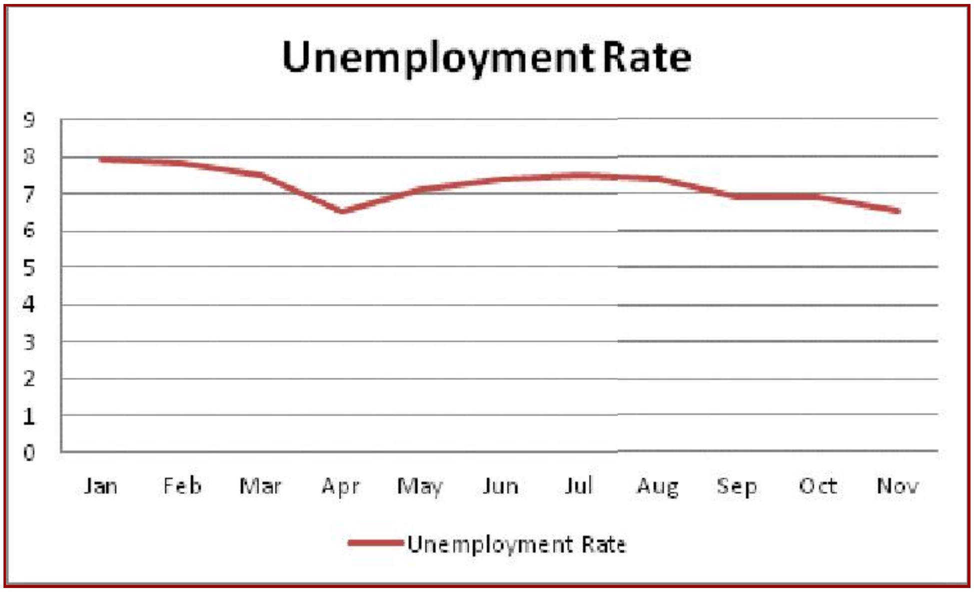
Median sale price bottomed out in July 2011 at $109,000 and by year end 2012 had risen 38.87% to $153,000. Average sale price hit its recession low in August 2011 at $151,368, but by December 2012 had risen to $211,300, or 39.59%.

Slow and steady upward growth characterized pricing in 2012, and provides an optimistic outlook of pricing's future. However, these admiral gains should also be viewed in the perspective of how far all four metrics had fallen from their decade highs, and how far the Valley pricing still has to go. Decade high pricing for median list ($303,900), average list ($421,951), median sales ($264,800) and average sales ($350,400) fell 61.17%, 55.28%, 58.84% and 56.6% respectively.



UNEMPLOYMENT and JOB GROWTH

In 2012 the Valley's unemployment rate moved from 7.9% in January to 6.5% in November (preliminary rate by Bureau of Labor Statistics) with the December metric not yet published.[1] Compared to the state as a whole, whose preliminary unemployment rate for December was 7.9%, the Valley fared better.[2] Phoenix's job growth rate of 2.12 percent from April 2011 to April 2012 ranked it 11th among other metropolitan areas.[3] By the end of December the Phoenix-Mesa-Glendale area reported a 2.96% increase in total nonfarm employment over the previous year.[4] Employment peaked for Phoenix in July 2007 at 1,927,800, losing 152,700 jobs, to a low of 1,681,900 by September 2010. In November 2012, Current Employment Statistics reported 1,775,100 jobs for Phoenix, making up 93,000, or 61%, of the jobs lost. This represents a 51,300 year over year job gain.[5]



THE 2012 FINAL TALLY

The Valley experienced slow steady recovery in 2012 with several important metrics moving into what can be considered normal ranges, specifically MSI, new listings and total sales. Other metrics showed marked improvement in the right direction, notably foreclosures pending, DOM and distressed properties as a percentage of total sales.

Pricing, which has been recovery's nemesis, showed notable gains. In the context of the height from which the pricing had fallen, all four metrics still have a long climb ahead. Yet after 2011, where pricing flopped around the bottom, 2012 saw steady upward gains all year.

Job growth and employment, both pillars of recovery, showed improvement, which if continued will fuel further recovery in the Valley's housing metrics. Good strides made in 2012 should continue in 2013.

[1] http://data.bls.gov/timeseries/LAUMT04380603?data_tool=XGtable
[2] http://data.bls.gov/timeseries/LASST04000003
[3] http://www.bizjournals.com/phoenix/news/2012/06/04/phoenix-no-5-for-job-growth-during.html
[4] http://azeconomy.eller.arizona.edu/az_indicators/phoenix_mesa_glendale_MSA.asp
[5] http://www.deptofnumbers.com/employment/arizona/phoenix/