

Market Summary - Beginning of December 2011



Clear Title of Arizona is pleased to provide its clients with the Clear Connections Monthly Market Update. This report will provide you with the latest real estate trends.

Our business is built around the concept of educating and providing the personal service that Real Estate Agents and Lenders have come to depend upon. It is with this philosophy that we offer the Cromford Report to our clients, associates and friends. It is intended to keep you informed on critical market trends that affect our businesses.

Most of the supply and demand numbers were rather boring in November. All the excitement was concentrated in the pricing action. In this, October and November have been the opposite of the previous 12 months where there were massive changes taking place in supply but not much of interest going on in pricing.

To start with, let us look at the ARMLS data across all areas and types:

Sales per Month: 7,230 in November - down 5% from October but up 8% from this time last year.

Active Listings (including AWC): 26,655 on December 1 - down 1.5% from November 1 and down 41% from this time last year.

Active Listings (excluding AWC): 19,377 on December 1 - down 1% from November 1 and down 50% from this time last year.

Pending Sales: 10,171 on December 1, down 3% from November 1, but up 2% compared with this time last year.

Listing Success Rate: 75.3% on December 1 - down slightly from 76.0% on November 1 but up significantly from 60.4% on December 1, 2010.

Contract Ratio: 90.1 on December 1, down slightly from 91.9 on November 1 but up strongly from 40.1 last year at this time.

Days Inventory: 96 on December 1, down from 98 on November 1 but dramatically down from 184 at this time last year

Cromford Market Index™: 155.8 on December 1, the same as on November 1 but far above the 91.0 we saw on December 1, 2010.

Sales Price as a Percentage of List: 96.67% on December 1, exactly the same as on November 1 but up from 95.59% on December 1, 2010

Thus we see evidence of a huge improvement in the market balance compared with December 2010 but little if any change between last month and now. The Cromford Demand Index™ and Cromford Supply Index™ are both flat-lining, meaning that supply remains low and steady and demand remains high and steady.

So let us look at where the action is:

Monthly Average Sales Price per Sq. Ft. - \$83.58 in November - up 3.1% over the month before and up 0.9% over last year at this time. It is also up 6.5% compared with the extreme low point measured on September 15

Monthly Median Sales Price - \$115,000 in November, up from \$112,199 in October and the same as we saw in November 2010.

3.1% in a single month is a pretty strong bounce for \$/SF so it is worth looking into exactly how and why this happened. If we look at the details we find:

:: Greater Phoenix REOs are up 2.2%

:: Greater Phoenix Short sales & Pre-foreclosures are down 4.1%

:: Greater Phoenix Normal listings are up 3.1%

So we see that short sales and foreclosures, while booming in sales volume and success, have not been going up in price. In fact they have been falling faster than the other two groups are rising. The gap between the average \$/SF for REOs and short sales has never been closer. We also see that overall pricing has improved faster than any of the three groups. This may seem paradoxical at first but the explanation is quite simple. REOs have the cheapest pricing and their sales volume is declining fast due to the reduction in supply. Normal listings are growing market share and have the highest pricing. The change in the mix has a huge effect on the overall average. This is the exact opposite of what happened in 2008 when prices tanked at unprecedented rates.

We can say on balance that sales pricing is back to where it was last year at this time and we can also reasonably expect to see positive appreciation rates for the market as a whole for at least the next 4 months. This is easy to predict because last year we

had a gently declining pending listing \$/SF whereas now pending \$/SF figures are headed upwards.

This positive appreciation is not spread evenly around. The following cities currently show higher prices than at this time last year (measured by average monthly sales \$/SF):

- :: Fountain Hills (14.8%)
- :: Paradise valley (11.9%)
- :: Casa Grande (7.6%)
- :: Sun City (7.1%)
- :: Buckeye (5.3%)
- :: Maricopa (3.2%)
- :: Gold Canyon (2.7%)
- :: Arizona City (1.9%)
- :: Phoenix (1.3%)
- :: Queen Creek / San Tan Valley (1.2%)
- :: El Mirage (0.8%)
- :: Cave Creek (0.4%)

The following are still in negative territory:

- :: Sun Lakes (-14.3%)
- :: Litchfield Park (-8.5%)
- :: Goodyear (-7.7%)
- :: Tolleson (6.8%)
- :: Avondale (-6.3%)
- :: Surprise (5.6%)
- :: Peoria (-5.6%)
- :: Sun City West (5.3%)
- :: Mesa (-4.2%)
- :: Anthem (-4.1%)
- :: Glendale (-3.8%)
- :: Apache Junction (-3.4%)
- :: Laveen (-3.0%)
- :: Gilbert (-2.8%)
- :: Chandler (-2.6%)
- :: Tempe (-0.9%)
- :: Scottsdale (-0.1%)

Most of the second list are seeing an upward trend in the last two months but are still down compared with November 2010.

For the months of July through October, we saw trustee sales volumes fall while new notices stayed fairly flat. The opposite occurred in November. Foreclosure notice started to fall off again while trustee sales popped up slightly, due to the large batch of Recontrust (Bank of America) notices that were issued in August against Countrywide originated loans. These became ripe for trustees to sell during November. The longer term trend for both is still downward and the pending foreclosure count has started to fall fast again having stabilized for several months. We believe that there will be relatively few REOs generated from now on. Most of the foreclosure tsunami is past us, perhaps 80%. Those foreclosure notice still to come will generate a lot of short sales and third party purchases at the foreclosure auction, but relatively few homes will revert to the beneficiaries. We have probably already seen over 90% of the REOs that are to be created by the 2004-2006 real estate bubble and fewer than 10% are yet to come.

The following stacked area chart allows you to investigate the number of actual and potential lender owned homes in Maricopa County from November 2010 onwards.

This includes what is sometimes referred to as "Shadow Inventory".

The data is for the county of Maricopa and includes only single family property types (assessor land use codes 01 and 86).

There are five categories of homes and the number of homes in each category can be individually displayed or hidden depending on which part of the inventory you wish to analyze.

Pending Foreclosures - these are homes with an active Notice of Trustee Sale. Some of these will avoid foreclosure through loan modification, successful short sale or other means. If the trustee sale goes ahead then the property may be purchased by a third party and so avoid entering the REO inventory. Thus only a proportion of this inventory will end up in the hands of the lender or government equivalent (e.g. Fannie Mae, Freddie Mac, VA or HUD).

Unlisted REOs - these are properties which failed to sell at the trustee's auction and reverted to the beneficiary. These "REO" properties have not yet been listed for sale on ARMLS but are likely to be going through the lender's preparations for sale. Some may pass from one lender to another before being marketed.

Active REOs - these are owned by lenders and are actively being marketed for sale through the ARMLS system. They may or may not have a contingent contract.

Pending REO Sales - these are listed on ARMLS but already have a completed firm contract for sale and are awaiting their close of escrow.

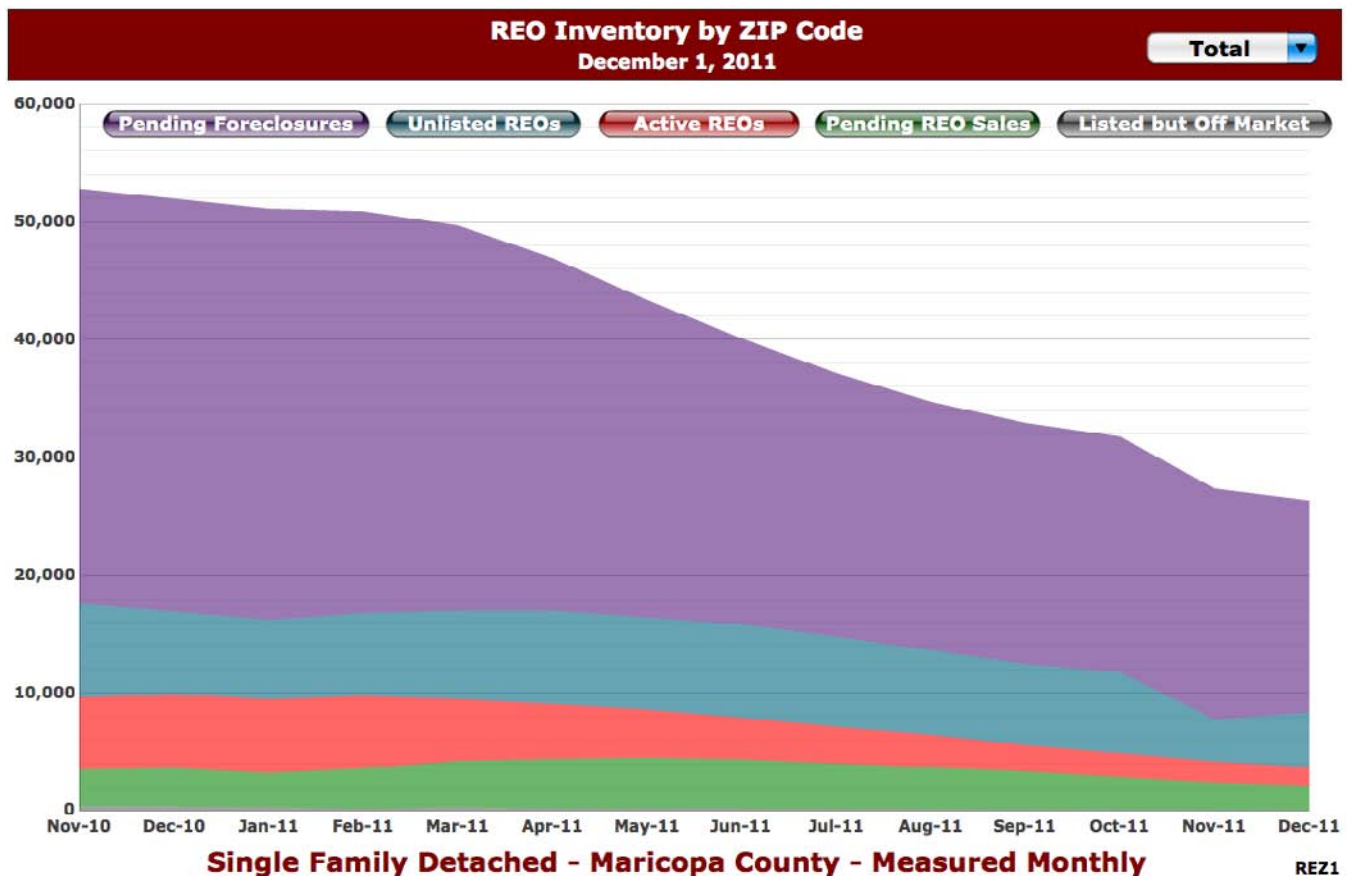
Listed but Off Market - these are listed on ARMLS but are temporarily suspended from marketing for some reason.

Items 1 and 2 above are often referred to as "Shadow Inventory", although definitions vary considerably. Unlisted REOs will almost certainly become Active REOs within a short period and this is the most basic form of "Shadow Inventory". Pending Foreclosures may become Unlisted REOs but many will not. Many are already active listings on ARMLS where they are being marketed as short sales.

Some analysts include in their "Shadow Inventory" definition any home which is delinquent by more than a certain number of days (e.g. 30, 60, 90 etc.), even if no Notice of Trustee Sale has been issued. We do not include these in the chart below.

You can select the counts for an individual ZIP code or the total for the entire county of Maricopa. Note that ZIP codes 85120 and 85142 lie partially within Pinal County so the counts shown for these ZIP codes are only for that portion that lies within Maricopa County.

This chart is updated monthly.



Daily Market Snapshot - Concise

The table below provides a concise statistical summary of today's residential resale market in the Phoenix metropolitan area.

The figures shown are for the entire Arizona Regional area as defined by ARMLS. All residential resale transactions recorded by ARMLS are included. Geographically, this includes Maricopa county, the majority of Pinal county and a small part of Yavapai county. In addition, "out of area" listings recorded in ARMLS are included, although these constitute a very small percentage (typically less than 1%) of total sales and have very little effect on the statistics.

All dwelling types are included. For-sale-by-owner, auctions and other non-MLS transactions are not included. Land, commercial units, and multiple dwelling units are also excluded.

ALL AREAS & TYPES	TODAY 12/7/11	ST	LAST MTH 11/7/11	LAST QTR 9/7/11	LT	LAST YR 12/7/10	2 YRS AGO 12/7/09
Active Listings	26,637	↓	27,317	26,977	↓	45,069	40,087
Pending Listings	10,457	↓	10,665	11,690	↑	10,273	10,807
Sales per Month	7,105	↓	7,706	8,204	↑	6,476	7,166
Sales per Year	101,349	↑	100,720	98,711	↑	89,176	90,049
Days on Market - Monthly Sales	92	↓	93	97	↓	107	91
Days on Market - Active Listings	144	↓	143	149	↓	148	150
Days Inventory	96	↓	99	100	↓	185	163
Months Supply	3.7	↓	3.5	3.2	↓	6.8	5.3
Active Listings \$/SF	\$142.51	↑	\$139.87	\$135.14	↑	\$127.80	\$159.51
Monthly Sales \$/SF	\$83.79	↑	\$81.38	\$78.97	↑	\$82.86	\$90.95
Appreciation - Monthly \$/SF	1.1%	↑	-2.8%	-6.8%	↑	-8.9%	-11.8%
Average Sale Price % List	96.67%	↓	96.69%	96.71%	↑	95.41%	96.67%
Listing Success Rate	74.6%	↓	76.2%	74.7%	↑	59.8%	64.1%
Dollar Volume - Monthly Sales	\$1,140M	↓	\$1,189M	\$1,239M	↑	\$1,028M	\$1,251M
Average Price - Monthly Sales	\$160,506	↑	\$154,287	\$151,027	↑	\$158,771	\$174,564
Median Price - Monthly Sales	\$115,000	↑	\$111,500	\$110,000	→	\$115,000	\$130,000
Average Sq. Ft. - Monthly Sales	1,916	↑	1,896	1,913	→	1,916	1,919
Cromford Market Index™	156.0	↑	155.7	156.4	↑	92.0	120.9

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Explanation of Terminology

ST = SHORT TERM TREND - The arrows in this column indicate the direction of the change between TODAY and LAST MTH

LT = LONG TERM TREND - The arrows in this column indicate the direction of the change between TODAY and LAST YR

Color code: The background to the trend arrow is colored green if the direction is favorable for sellers and is colored red if the direction is favorable for buyers. It is colored yellow if the change was zero. If the circle is white then the statistic is neutral for both buyers and sellers.

Columns: Each data column shows measurements taken on a single day with the date shown at the top of the column.

TODAY means the date given at the top of the page.

LAST MTH means the same date last month.

LAST QTR means the same date three months ago.

LAST YR means the same date one year ago.

2 YRS AGO means the same date two years ago.

City Rankings - Annual Average Sales Price per Square Foot

This table ranks the cities by their annual average sales price per square foot. Only single family detached homes are included in these numbers. Information for the 12 major and 17 secondary cities is current as of the date shown. Data for the 14 small cities is updated on a monthly basis, and is measured on the 13th of each month.

The primary function of this table is to show the least and most affordable areas in the Phoenix metropolitan area together with longer term pricing trends.

Annual averages are based on a relatively large number of sales. Therefore they are not as subject to rapid change as monthly averages. The downside is that they do not necessarily represent the current market very accurately, since they include sales from up to a year ago. Pricing may have moved a great deal since then.

Note that Higley has been included in Gilbert and Ahwatukee included in Phoenix. Desert Hills is still counted separately though it is increasingly being incorporated into Phoenix.

Rank	November 13, 2011	Annual Average \$/SF Now	Annual Average \$/SF Last Year	% Change
1	Paradise Valley	\$269.06	\$279.63	-3.8%
2	Carefree	\$185.24	\$200.03	-7.4%
3	Scottsdale	\$170.14	\$181.14	-6.1%
4	Fountain Hills	\$151.43	\$162.83	-7.0%
5	Rio Verde	\$147.20	\$129.06	14.1%
6	Cave Creek	\$128.40	\$134.30	-4.4%
7	Sun Lakes	\$111.85	\$120.87	-7.5%
8	Gold Canyon	\$109.71	\$116.49	-5.8%
9	Wickenburg	\$109.07	\$119.67	-8.9%
10	Desert Hills	\$105.74	\$103.32	2.3%
11	Sun City West	\$96.58	\$106.40	-9.2%
12	Anthem	\$95.20	\$96.08	-0.9%
13	Chandler	\$93.15	\$102.40	-9.0%
14	Tempe	\$92.43	\$109.69	-15.7%
15	Gilbert	\$85.76	\$93.90	-8.7%
16	New River	\$81.62	\$87.01	-6.2%
17	Peoria	\$78.53	\$84.67	-7.3%
18	Mesa	\$75.61	\$85.86	-11.9%
19	Litchfield Park	\$74.24	\$79.14	-6.2%
20	Phoenix	\$72.43	\$81.57	-11.2%
21	Goodyear	\$70.74	\$75.40	-6.2%
22	Wittmann	\$68.74	\$68.16	0.8%
23	Surprise	\$66.96	\$71.71	-6.6%
24	Sun City	\$65.81	\$73.56	-10.5%
25	Waddell	\$64.03	\$73.05	-12.4%
26	Apache Junction	\$63.48	\$69.72	-8.9%
27	Glendale	\$63.42	\$72.06	-12.0%
28	Eloy	\$55.97	\$54.42	2.8%
29	Queen Creek	\$54.77	\$60.76	-9.9%
30	Avondale	\$51.28	\$57.63	-11.0%
31	Laveen	\$50.92	\$59.10	-13.8%
32	Buckeye	\$50.35	\$56.23	-10.4%
33	Casa Grande	\$47.65	\$53.06	-10.2%
34	Florence	\$45.15	\$47.13	-4.2%
35	Tolleson	\$44.02	\$51.34	-14.2%
36	El Mirage	\$42.93	\$48.97	-12.3%
37	Maricopa	\$42.62	\$48.95	-12.9%
38	Youngtown	\$39.88	\$46.70	-14.6%
39	Arizona City	\$38.12	\$41.95	-9.1%
40	Tonopah	\$35.78	\$41.40	-13.6%
41	Coolidge	\$30.58	\$34.32	-10.9%

Explanation of Terminology

All statistics are for single family detached homes recorded on ARMLS as sold in the city shown.

Daily Market Snapshot - Pre-foreclosure/Short Sales

The table below provides a statistical analysis of today's residential resale market for short sales and pre-foreclosures in the Phoenix metropolitan area.

To be included in this analysis the property must not be lender owned, and must either be in pre-foreclosure or classified as a short sale.

The figures shown are for the Greater Phoenix area. Geographically, this includes Maricopa county, a large part of Pinal county and a small part of Yavapai county. "Out of area" listings recorded on ARMLS are not included.

All residential single-family dwelling types recognized by ARMLS are included. For-sale-by-owner, auctions and other non-MLS transactions are not included. Land, commercial units and multiple dwelling units are also excluded.

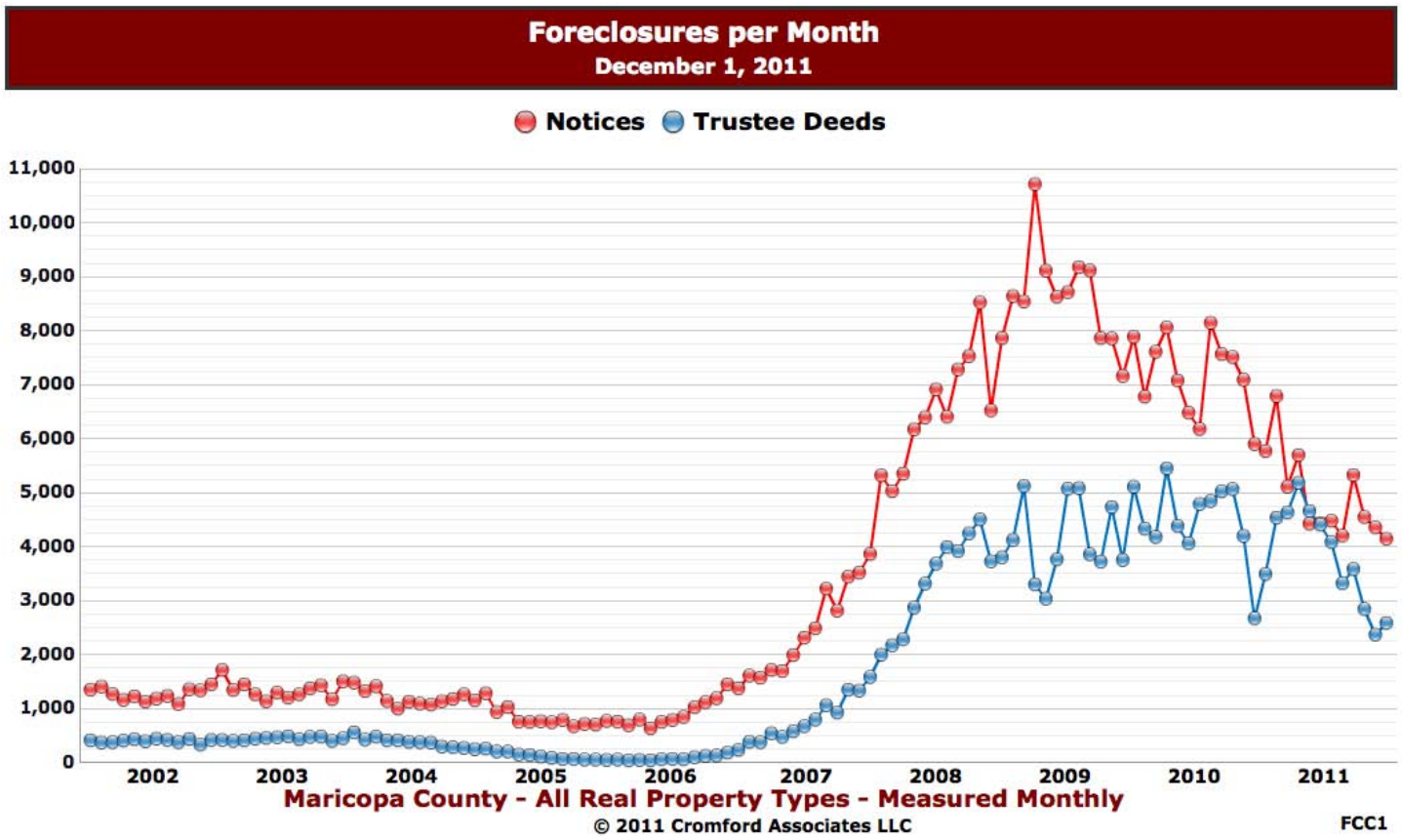
Pre-foreclosure / Short Sales Greater Phoenix - All Types	TODAY 12/7/11	ST	LAST MTH 11/7/11	LAST QTR 9/7/11	LT	LAST YR 12/7/10	2 YRS AGO 12/7/09
Active Listings	9,794	↓	10,230	10,575	↓	17,343	14,672
AWC Listings	6,719	↓	6,930	7,027	↑	5,486	5,862
Active Listings Excluding AWC	3,075	↓	3,300	3,548	↓	11,857	8,810
Pending Listings	4,466	↑	4,381	4,327	↑	3,004	3,810
Sales per Month	2,090	↓	2,194	2,000	↑	1,238	1,331
Sales per Year	22,647	↑	21,795	20,413	↑	19,001	11,712
Days on Market - Monthly Sales	134	↓	138	148	↓	149	147
Days on Market - Active Listings	117	↓	120	127	↓	136	130
Days Inventory	158	↓	172	190	↓	334	459
Months Supply	4.7	↑	4.6	5.1	↓	13.6	10.7
Active Listings \$/SF	\$81.44	↑	\$81.02	\$79.18	↑	\$80.72	\$96.57
Pending Listings \$/SF	\$68.79	↑	\$67.22	\$69.15	↓	\$79.80	\$85.23
Monthly Sales \$/SF	\$69.67	↓	\$72.61	\$74.51	↓	\$82.13	\$85.15
Annual Sales \$/SF	\$74.35	↓	\$75.25	\$77.34	↓	\$83.53	\$89.61
Average Sale Price % List	97.80%	↑	97.37%	96.90%	↑	97.58%	97.26%
Listing Success Rate	65.4%	↓	68.7%	62.9%	↑	40.0%	48.7%
Dollar Volume - Monthly Sales	\$281M	↓	\$304M	\$293M	↑	\$208M	\$232M
Dollar Volume - Annual Sales	\$3,312M	↑	\$3,239M	\$3,157M	↑	\$3,209M	\$2,209M
Average Price - Monthly Sales	\$134,682	↓	\$138,429	\$146,368	↓	\$167,928	\$174,183
Average Price - Annual Sales	\$146,267	↓	\$148,608	\$154,654	↓	\$168,883	\$188,599
Median Price - Monthly Sales	\$100,000	↔	\$100,000	\$104,015	↓	\$125,000	\$130,000
Median Price - Annual Sales	\$108,000	↓	\$110,000	\$114,000	↓	\$125,000	\$142,953
Average Sq. Ft. - Monthly Sales	1,933	↑	1,906	1,965	↓	2,045	2,046
Average Sq. Ft. - Annual Sales	1,967	↓	1,975	2,000	↓	2,022	2,105
Active List Price \$/SF Premium	16.9%	↑	11.6%	6.3%	↑	-1.7%	13.4%
Contract Ratio	363.7	↑	342.8	320.0	↑	71.6	109.8

Foreclosures - Per Month

The following line chart shows the number of notices and trustee deeds on a monthly basis from 2002 onwards.

The data is for the county of Maricopa and includes all real estate property types, including land and commercial. A commercial parcel counts as 1 foreclosure even if there are multiple structures within that parcel.

The red line denotes notices of trustee sales which is the first formal notification that the lender has asked the trustee to start the foreclosure process. The blue line denotes the foreclosure auctions where the property is either sold to a third party or transferred to the beneficiary (lender).



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MARKET UPDATE

As an added feature, Clear Title Agency of Arizona will also begin providing to our readers, the Stat Plus Report. This report focuses on the average Days on Market (DOM) and Months Supply of Inventory (MSI) in the first quarter of 2011 (Q1) for single family residential housing at various price points in the flexmls system.

The monthly STAT newsletter addresses DOM and MSI for the entire residential market as a barometer of overall market health. It is a macro look at these two key metrics, and does not, however, give any insight into inherent differences between various price ranges. STAT+ will allow Subscribers to address market supply more in depth with Buyers and Sellers. STAT+ was first published in the fourth quarter (Q4)2010.

DOM from Q4 2010 to Q1 2011 increased or stayed the same for all price ranges \$2,000,000 and below. MSI in Q1 2011 decreased from Q4 2010 in the \$250,000 and below ranges and the ranges between \$500,000 and \$1,500,000, reflecting increases in the average number of sold properties per month. More dramatic changes in the DOM and MSI for properties above \$2,000,000 are less reliable due to the small sample size in the higher ranges.

Q2 2011	Q2 2011 Avg /Mo Solds	Q2 2011 Avg/Mo Actives	Q2 DOM	Q2 MSI
Price Range				
30,000-100,000	3,236	7,587	99	2.34
100,001-250,000	3,748	10,329	105	2.76
250,001-500,000	977	4,481	118	4.59
500,001-750,000	196	1,192	168	6.08
750,001-1,000,000	72	725	197	10.07
1,000,001-1,500,000	49	503	239	10.27
1,500,001-2,000,000	18	324	252	18.00
2,000,001-3,000,000	13	288	258	22.15
3,000,001 and up	8	205	350	25.63

Q1 2011	Q1 2011 Avg /Mo Solds	Q1 2011 Avg/ Mo Actives	Q1 DOM	Q1 MSI
Price Range				
30,000-100,000	2,445	10,325	102	4.22
100,001-250,000	2,894	13,475	112	4.66
250,001-500,000	776	5,202	122	6.70
500,001-750,000	144	1,411	169	9.80
750,001-1,000,000	56	853	231	15.23
1,000,001-1,500,000	35	577	259	16.49
1,500,001-2,000,000	11	369	364	33.55
2,000,001-3,000,000	9	328	227	36.44
3,000,001 and up	5	232	360	46.40

StatPlus provided courtesy of ARMLS®

Q3 2011	Q3 2011 Avg /Mo Solds	Q3 2011 Avg/Mo Actives	Q3 DOM	Q3 MSI
Price Range				
30,000-100,000	3157	5801	88	1.84
100,001-250,000	3573	8997	93	2.52
250,001-500,000	915	4154	106	4.54
500,001-750,000	154	1096	156	7.12
750,001-1,000,000	57	639	220	11.21
1,000,001-1,500,000	31	436	262	14.06
1,500,001-2,000,000	19	278	291	14.63
2,000,001-3,000,000	10	236	365	23.60
3,000,001 and up	2	184	108	92.00