



California Market Watch, November 8, 2010

Phoenix Residential Overview

Third quarter statistics from Arizona State University (ASU) reveal stabilized sales and pricing of existing SFD homes in the Greater Phoenix area, albeit among increasing foreclosure activity. Sales of total existing SFD homes through the first three quarters of 2010 are only down 1%, from 84,635 through 3Q 2009 to 83,890 through that same period in 2010. Resale prices have remained stable from 2009 to 2010, since dropping by almost 50% to end 2008. Overall median price was \$139,900 in 3Q 2009, in comparison to \$140,000 in 3Q 2010. However, sales of foreclosed homes were up approximately 12% in the Phoenix metro area compared to the first three quarters of 2009. Additionally, traditional sales have fallen 8%, from 54,530 through 3Q2009 to 50,190 through 3Q 2010. Sales of foreclosed homes accounted for 40% of total sales, in comparison to a 36% share in 2009, increasing from roughly 30,200 to nearly 33,700 so far in 2010.

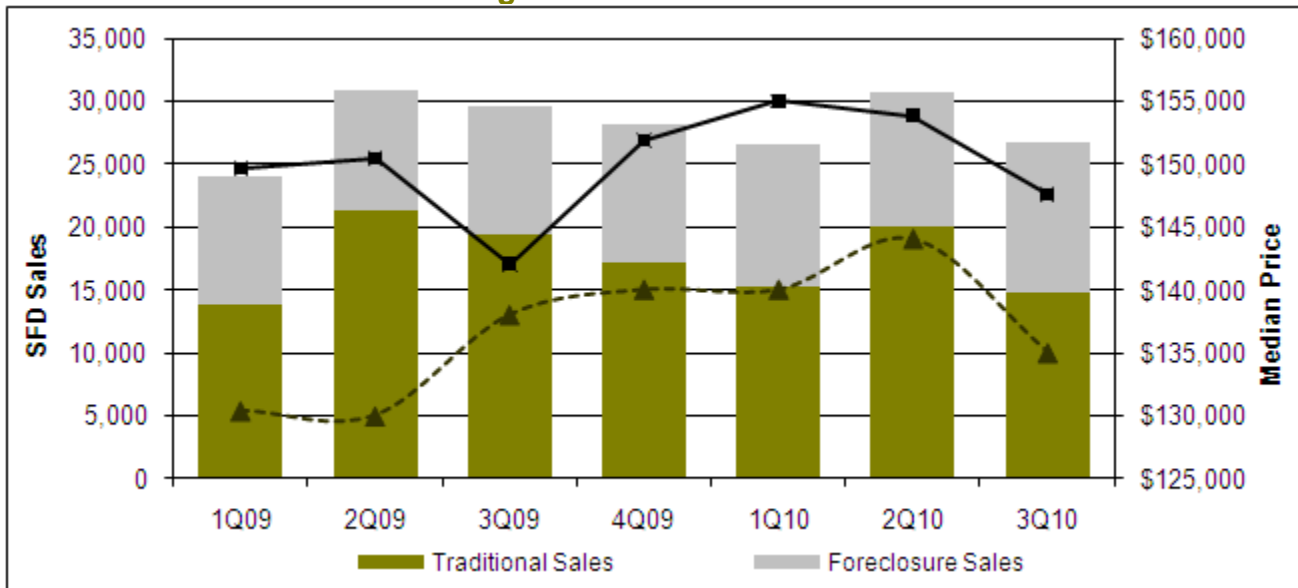
- **Foreclosed prices are higher than traditional prices.** Traditional sales in the Phoenix area have fluctuated quarter by quarter since 2009, and as foreclosure sales increase, sellers have been forced to drop prices to be more competitive with the discounted foreclosures that have flooded the market. Throughout much of 2007 and 2008, there had been a 16% to 27% price premium for a traditional home over a foreclosed home. This premium narrowed significantly in the fourth quarter 2008 to a mere 4% spread, and now that foreclosed homes continue to sell, traditional homes in Phoenix are less expensive than foreclosed homes by approximately 9%. The current price difference is skewed slightly by high foreclosure sales activity occurring in areas that obtain higher values, such as the Southeastern areas of Mesa, Gilbert, and Chandler.
- **Phoenix area foreclosure trends differ from U.S statistics.** Across the country, though foreclosures remain high, they are trending downward as a percentage of sales since peaking in the middle of 2009. In the Phoenix area, this has not been the case, as “foreclosures as a percentage of sales” has increased its share to 40%. The worst foreclosure states - such as neighboring Nevada and California – have seen foreclosure rates peak at 50% of resale homes. This signals a continuing increase in share of foreclosure sales in the near term.
- **Falsely inflated resale volumes are back at 2005 levels.** The influx of foreclosure sales and the steep 2008 drop in traditional home pricing has spurred volumes in the Phoenix Metro area for the last two years. This indicates that Phoenix is at or past the housing market bottom. However, uncertainty remains because investors are still prevalent in the marketplace and are also responsible for over inflating resale volume. Future pricing gains are certain to be slow, if not flat, and population inflows must remain steady to keep volumes up. Employment – currently anemic – will spur both of these factors and is expected to increase by 1-2% in 2011.

Historical Resale Sales & Prices: 1Q2009 – 3Q2010

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Foreclosure Sales	10,330	9,555	10,220	10,860	11,175	10,555	11,970
Traditional Sales	13,750	21,350	19,430	17,230	15,335	20,080	14,775
Total Sales	24,080	30,905	29,650	28,090	26,510	30,635	26,745
Foreclosure \$	\$149,675	\$150,445	\$142,065	\$151,900	\$155,000	\$153,850	\$147,600
Traditional \$	\$130,400	\$130,000	\$138,000	\$140,000	\$140,000	\$144,000	\$135,000
Overall Median Price	\$140,000	\$136,000	\$139,900	\$144,540	\$145,599	\$146,945	\$140,000

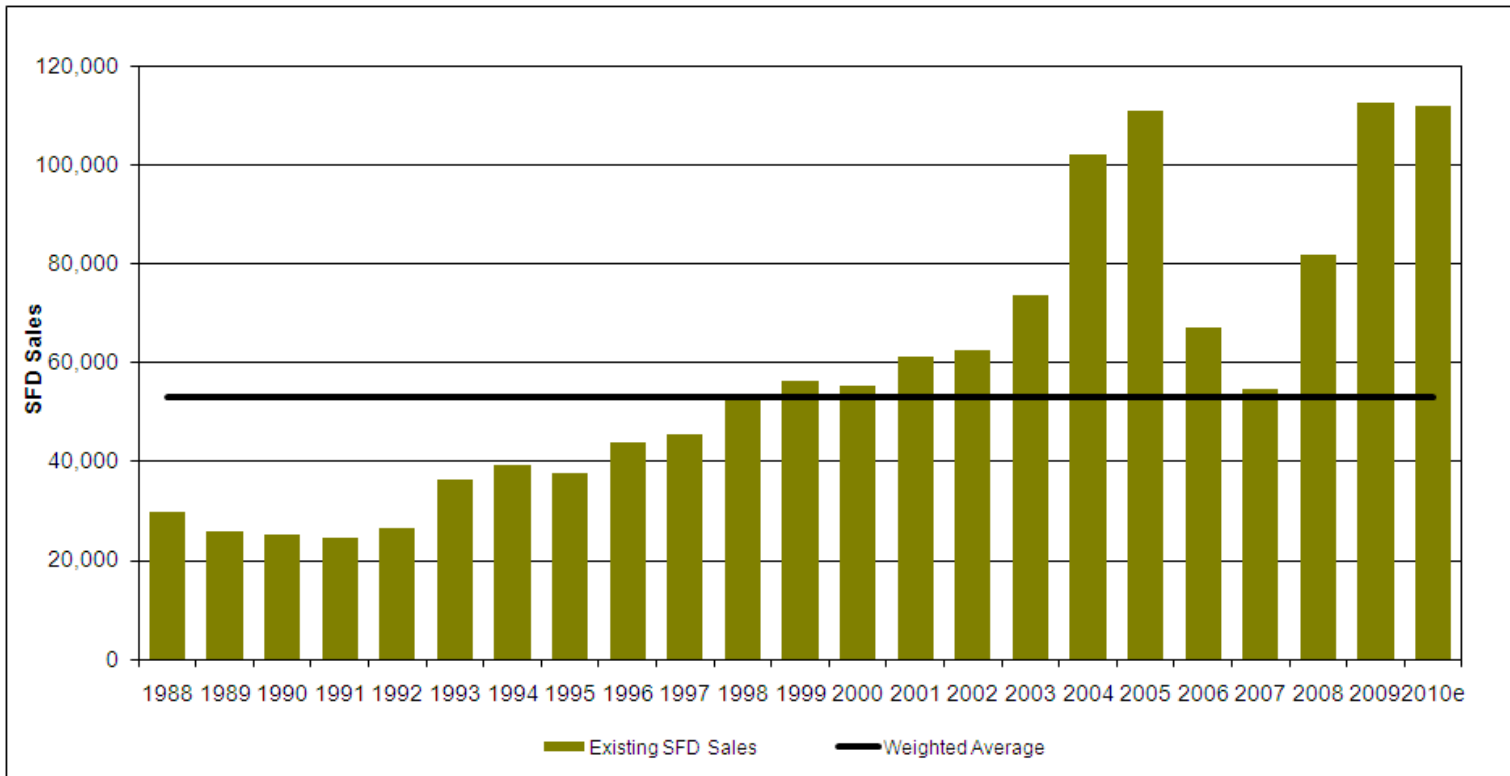
SOURCE: Arizona State University

Foreclosure Sales Still Increasing



SOURCE: Arizona State University

Historical SFD Sales Volume



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18

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