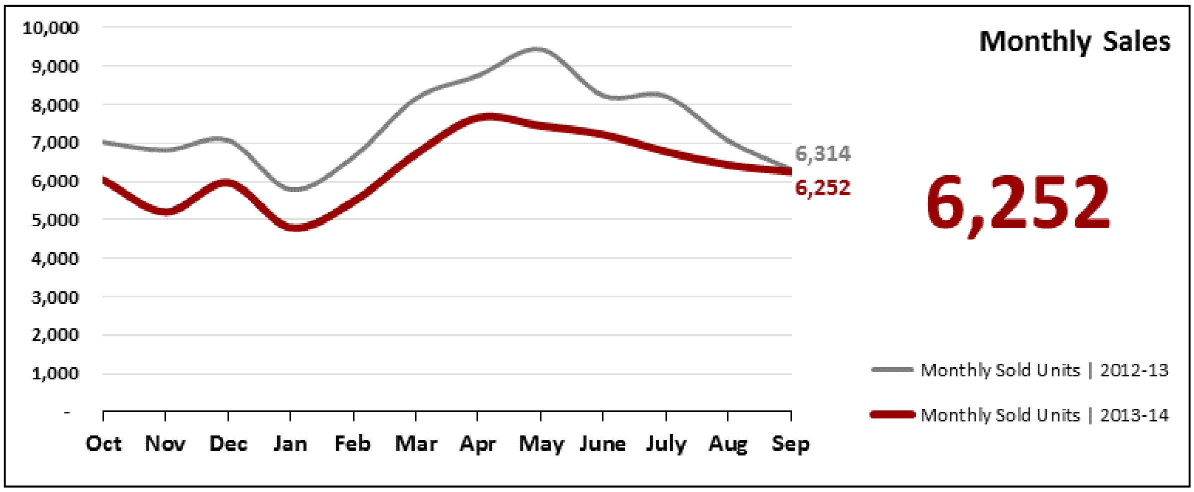
your monthly statistics for the Phoenix Metro area

ARMLS® STAT

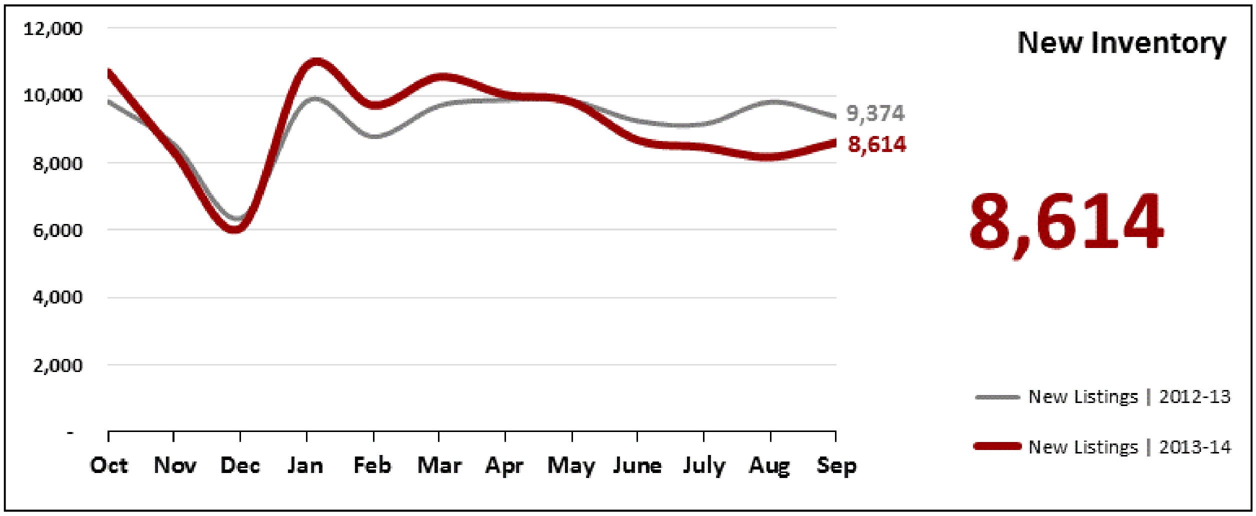
ARMLS® STAT - October 13, 2014



-1.0%, year-over-year

-2.7%, month-over-month

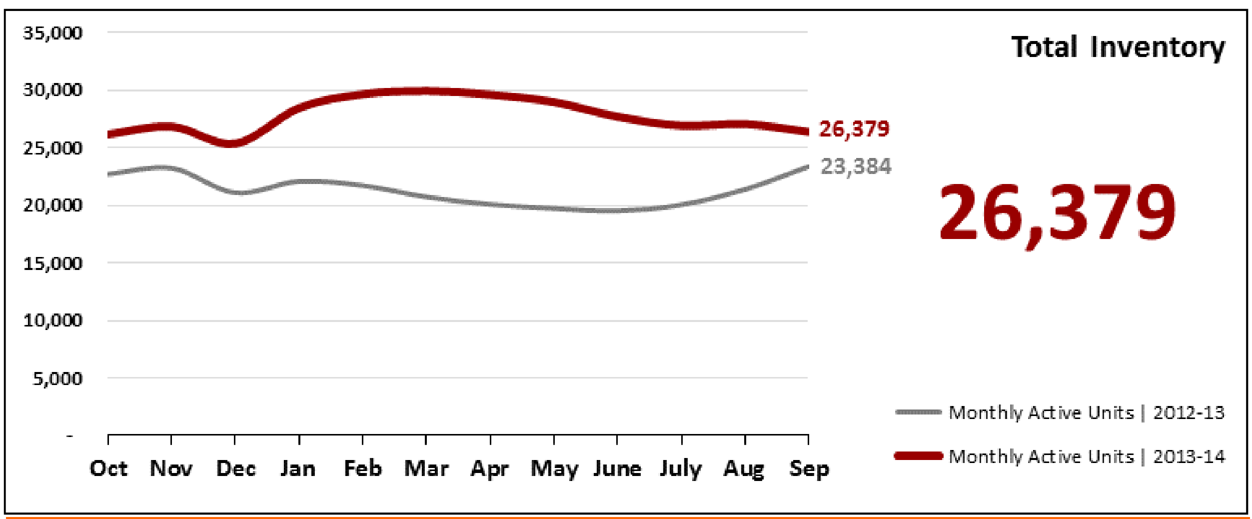
NEW INVENTORY



-8.1%, year-over-year

+5.4%, month-over-month

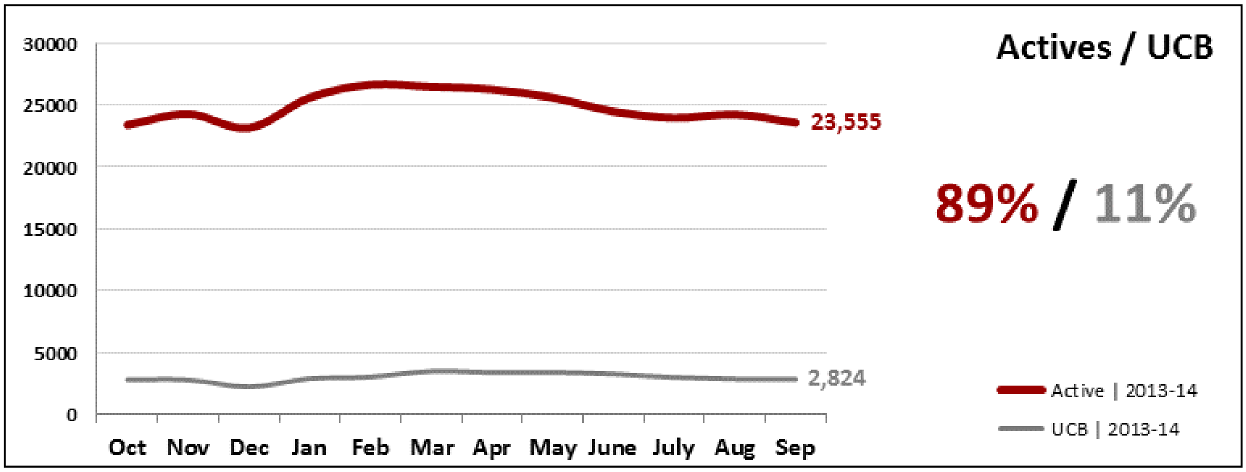
TOTAL INVENTORY



+12.8%, year-over-year

-2.5%, month-over-month

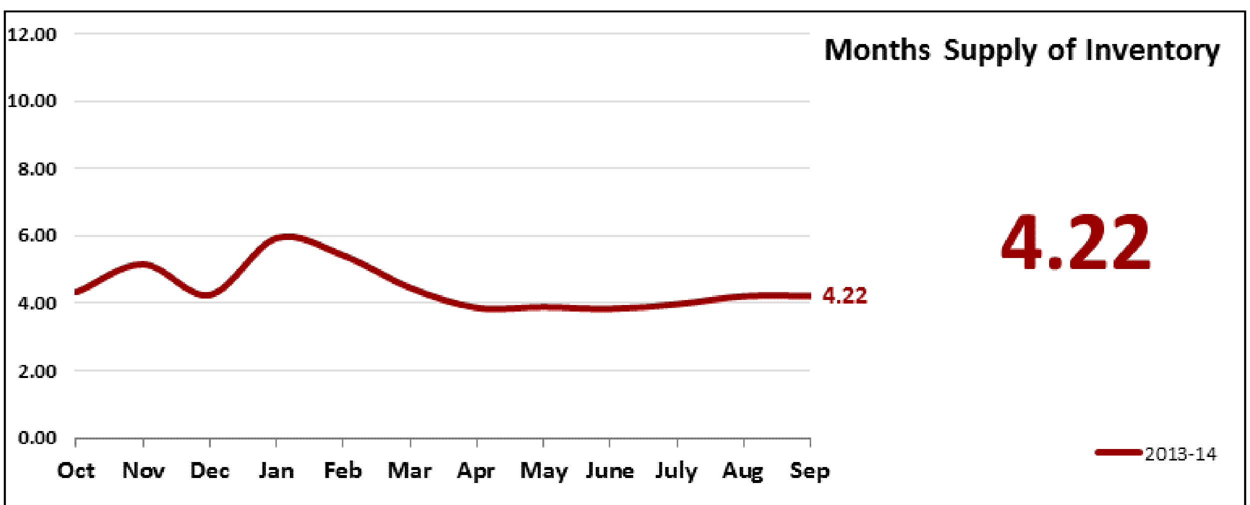
ACTIVES / UCB



10.5%, Aug 2014 UCB percent of total Active

10.7%,Septt 2014 UCB percent of total Active

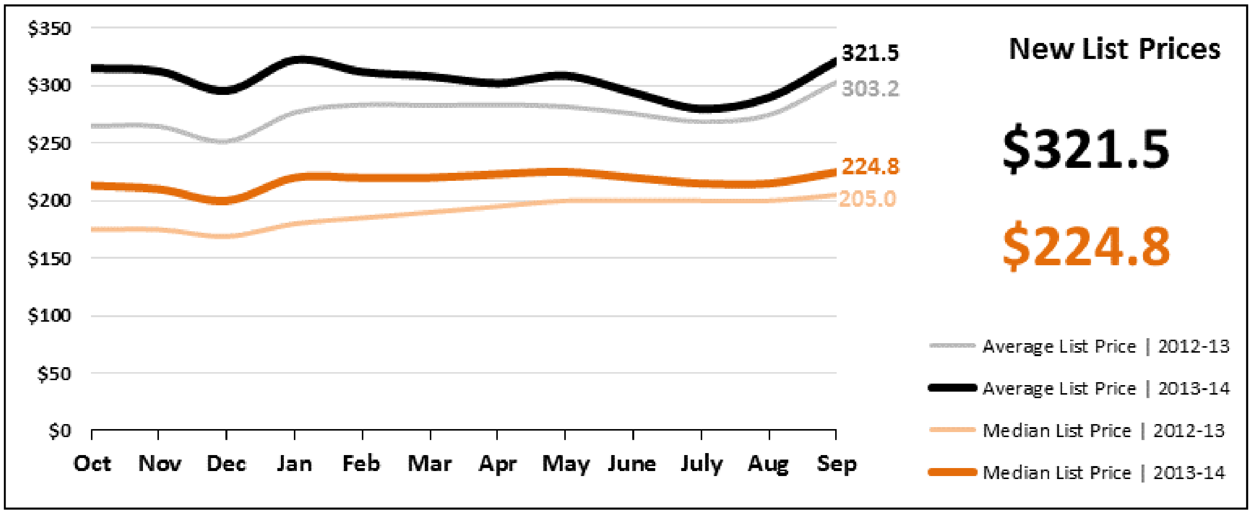
MONTHS SUPPLY OF INVENTORY



4.21, MSI Aug 2014

4.22, MSI Sept 2014

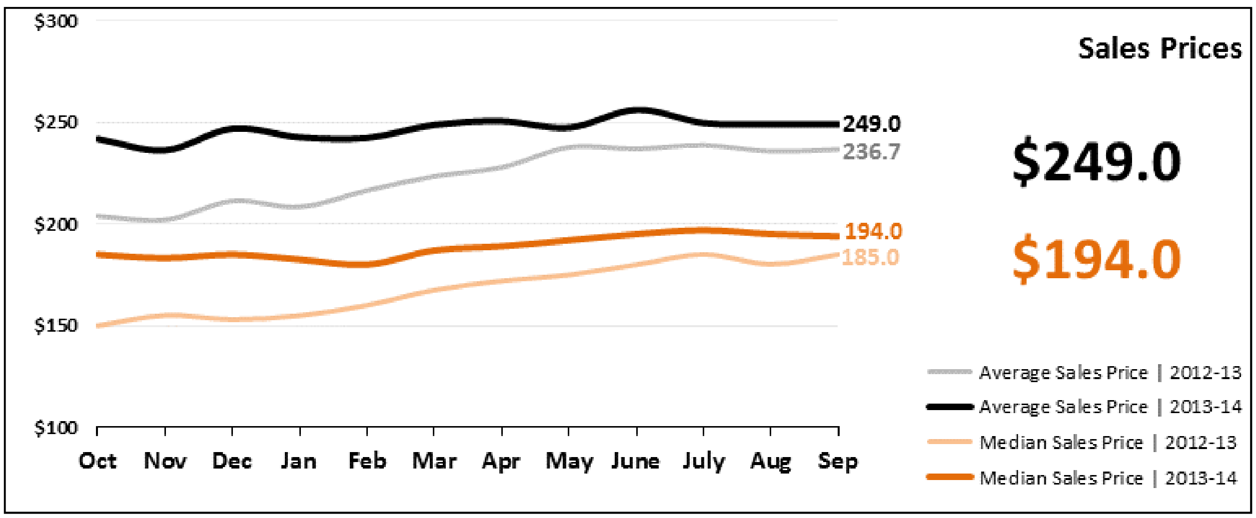
NEW LIST PRICES



+6.0%, year-over-year average

+9.7%, year-over-year median

SALES PRICES

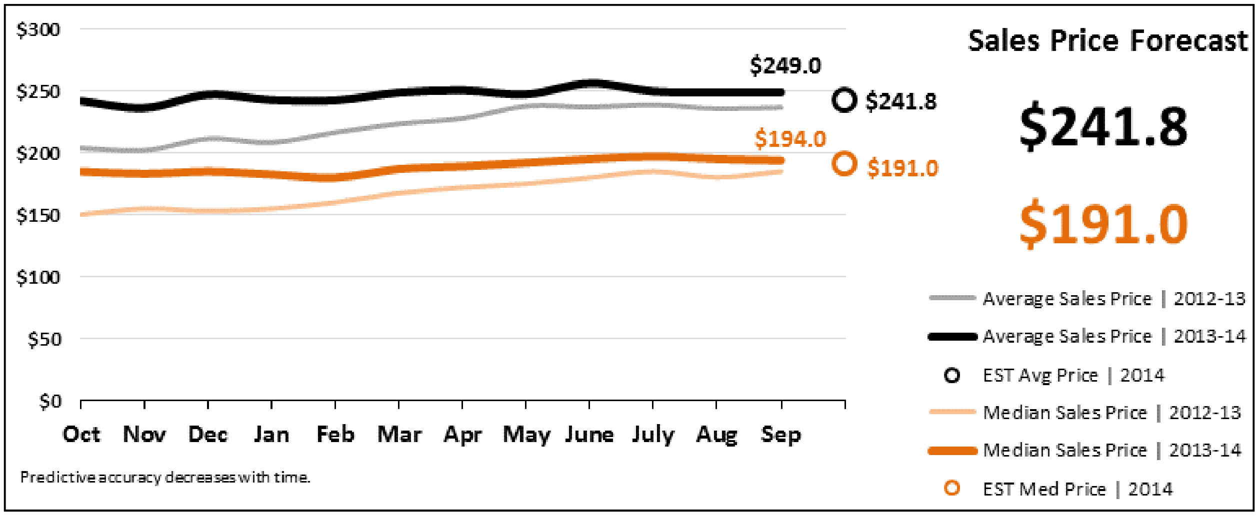


+5.2%, year-over-year average

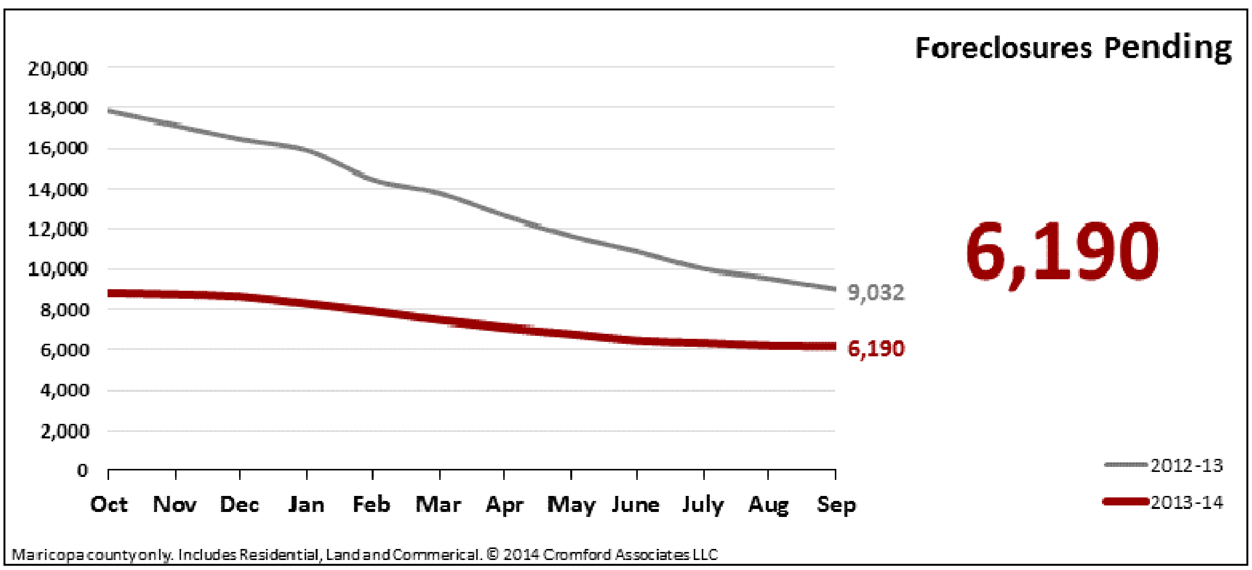
+4.9%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



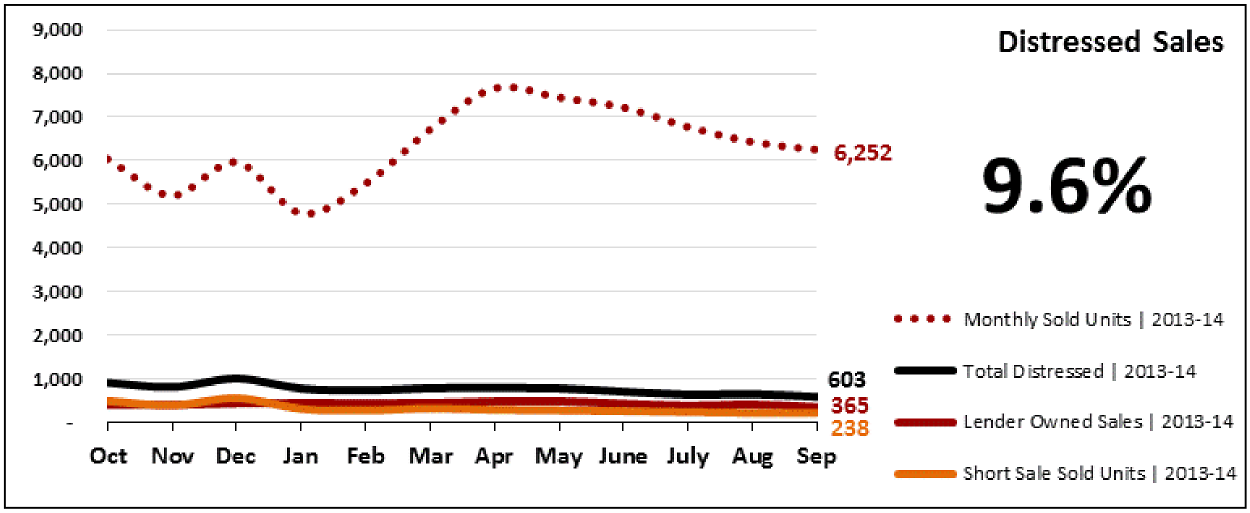
FORECLOSURES PENDING



-31.5%, year-over-year

-0.4%, month-over-month

DISTRESSED SALES

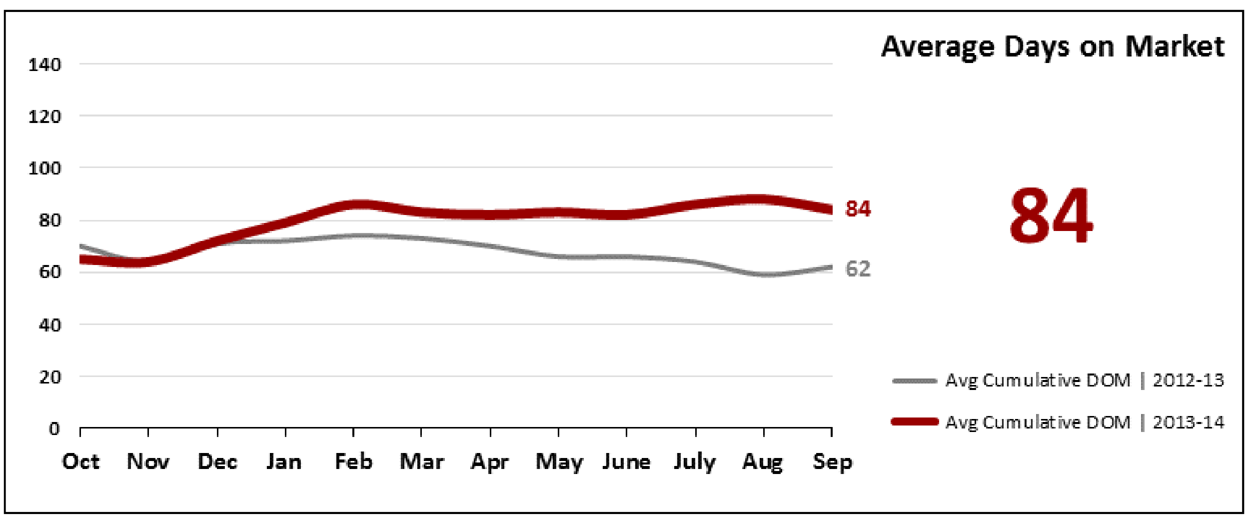


-57.3%, short sale units year-over-year

-27.3%, lender owned units year-over-year

-43.1%, total year-over-year

AVERAGE DAYS ON MARKET



+22, year-over-year

-4, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

As we expected, there were no surprises this month. Sales volume in September came in as expected while prices remained flat. Sales volume for this year had been running 14% lower than 2013, but the sales volume this month was only 1% lower than September 2013. There were 6,252 sales this September compared to 6,314 sales for September 2013. Keep in mind there were 21 working days this September compared to 20 working days in September 2013. Discounting the number of working days, the year-over-year sales volumes were very similar.

With year-over-year sales volumes being in lockstep, we are afforded a clear picture of the year-over-year changes in sales composition. Normal/traditional sales are up, distressed/investor sales are down. With September defined as more of the same, I thought it would be a perfect time to do some additional number crunching based on a question I saw on Facebook.

The Facebook question went something like this:

"What's the difference in sales prices between using a Realtor and selling a home via FSBO." The question started a chain of calculations where we went from exploring off-market sales (see: Using a Subscriber vs. Not) to where we ended up calculating the added value of using an ARMLS Subscriber (see: The Value of a Subscriber).

First, taking the question at face value, it's a series of calculations and simple enough. But diving deeper it's a question spawned by the constant threat REALTORS® perceive when a disruptive real estate venture moves into the market. Predictions of the demise of the real estate industry rain down whenever a new real estate venture, new business model or syndication *du jour* launches. Everything is going to be okay. The REALTOR® / MLS model isn't going anywhere, the numbers have your back.

Using a Subscriber vs. Not

Second, the calculation is possible as The Information Market compiles public records data and then matches it to MLS data, giving us a unique database. We looked at single-family sales this year from January to September for Maricopa and Pinal counties. We removed new construction as our comparison will be of the resale market. Here are the findings:

- **83.76%** of all resale homes sold using an ARMLS® Subscriber and the MLS
- **90%** of all resale homes that sold over the median price used an ARMLS® Subscriber and the MLS
- Single men are slightly less likely to use a Subscriber and the MLS but did **82.53%** of the time
- Single women fit the norm using a Subscriber and the MLS **84%** of the time
- Married couples are more likely to use a Subscriber and the MLS at **86.08%** of the time

Fix & flip investors used an ARMLS® Subscriber **84.34%** of the time. These investors clearly know how to value property as their livelihood depends on buying low and selling high. They don't need an agent to tell them property values but they need a Subscriber to ensure arms-length transactions. **This should be a shock to you!** The perception of many is that they don't use REALTORS®.

The Value of a Subscriber

Subscribers were used in **84%** of transactions – but did they add value? It would be easy but flawed to look at the median and average sales prices of MLS vs. Non-MLS sales. To show why, we did the calculation for August with new construction and distressed properties removed:

	Non-MLS	MLS	Difference
Median Sales Price	$161,000	$218,000	+ 35%
Average Sales Price	$210,537	$271,716	+ 29%
Price per SqFt:	$107.15	$126.26	+ 17.8%

The numbers above are flawed because it is more common for owners at lower price points to attempt a FBSO while it is less common for FSBOs to be attempted at higher price points. This is a natural bias we must account for.

There is a fair solution to remove the bias, by using the Full Cash Value Ratio (FCVR), where we compare the sold price versus the county tax assessor's value. A property that was valued at $100,000 by the assessor and sold for $100,000 would have a FCVR of 100%. In our calculation, the FCVR acts like an index, giving a more accurate picture when we make our comparison. Looking at the same August sales for single-family homes and removing new construction and distressed properties we feel confident in saying using an ARMLS® Subscriber increases value for the seller by 9.6%.

SOLD BY	AVG SOLD PRICE	AVG FCV	AVG FCV Ratio
FSBO	210,573	174,978	1.203426
REALTOR	271,716	206,150	**1.318051**

The Pending Price Index

The PPI projected the median sales price in September to be $190,000 with the actual median price coming in at $194,000. Home prices can best be described as stable and flat. Our sales volume projection for September came within 1.6%. We projected 6,150 sales and the actual sales for the month landed at 6,252. Our projections have been trending slightly more pessimistic than the actual reported results.

Looking ahead, the ARMLS® Pending Price Index is projecting declines in both the median sales price as well as the average sales price. Anticipated declines in October can be attributed to modest downward pricing pressure as well as seasonable patterns. We're projecting a median sales price of $191,000 with sales volume of 5,850.