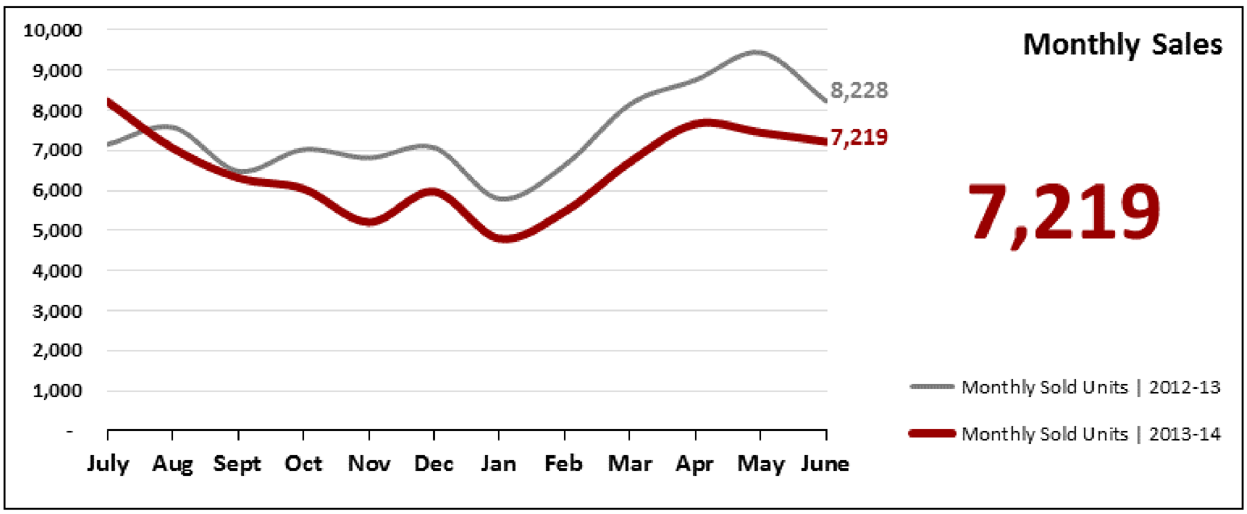
your monthly statistics for the Phoenix Metro area ARMLS STAT

ARMLS® STAT - July 10, 2014

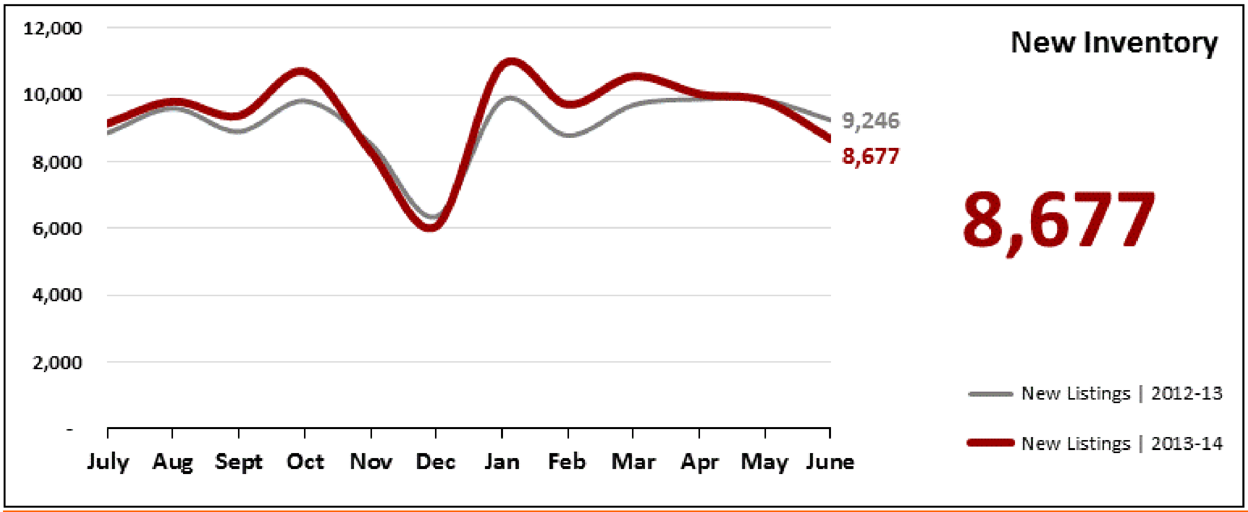
MONTHLY SALES



-12.3%, year-over-year

-3.0%, month-over-month

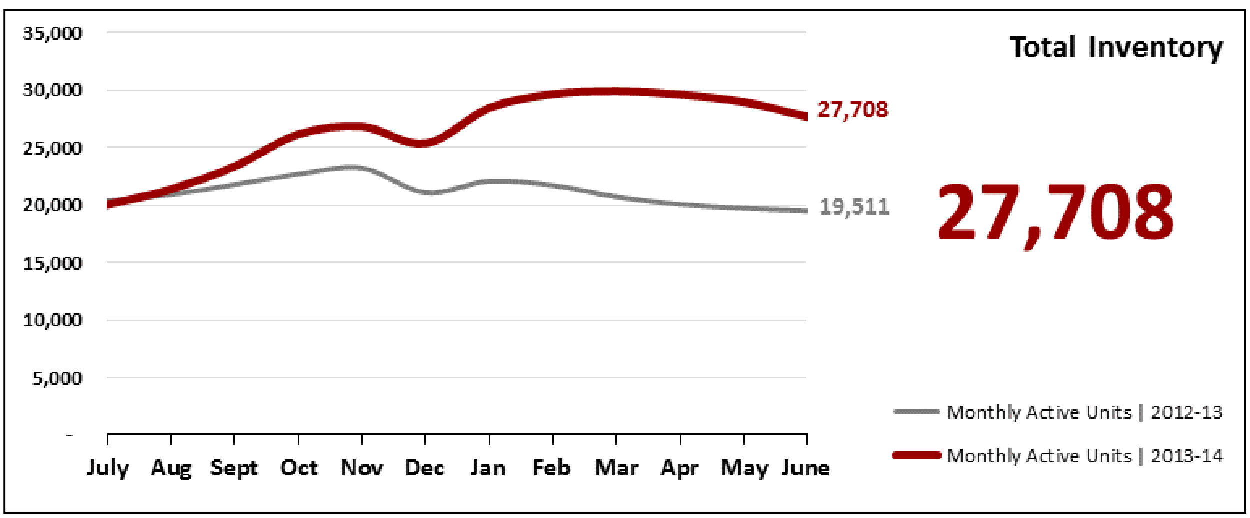
NEW INVENTORY



-6.2%, year-over-year

-11.6%, month-over-month

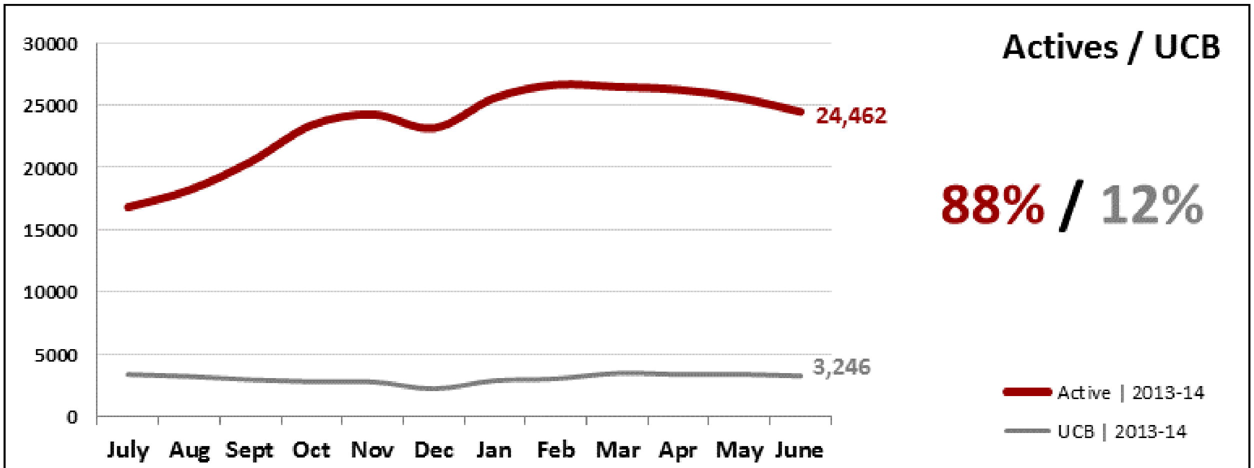
TOTAL INVENTORY



+42.0%, year-over-year

-4.4%, month-over-month

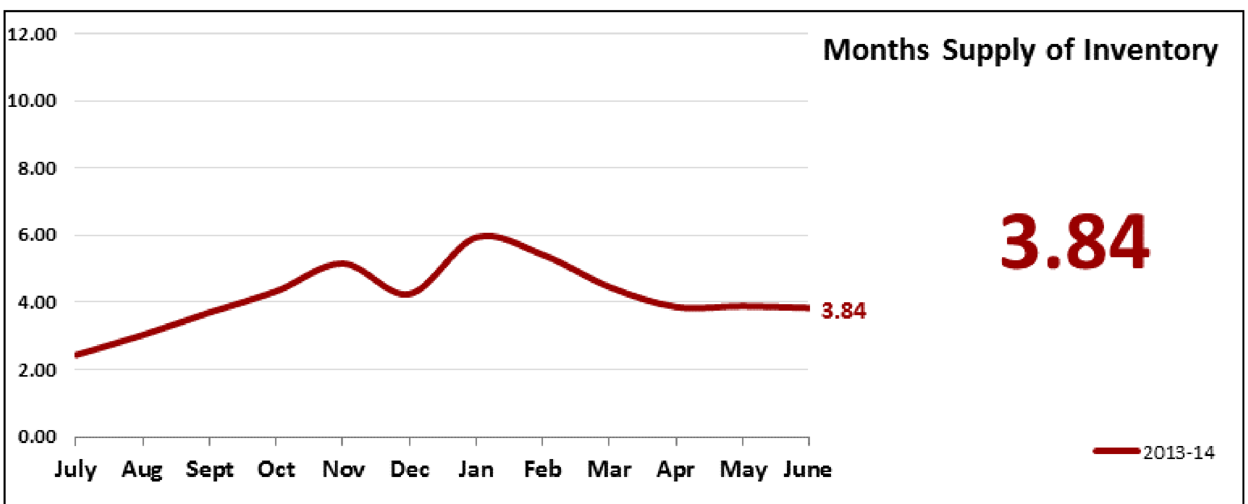
ACTIVES / UCB



11.7%, May 2014 UCB percent of total Active

11.7%, June 2014 UCB percent of total Active

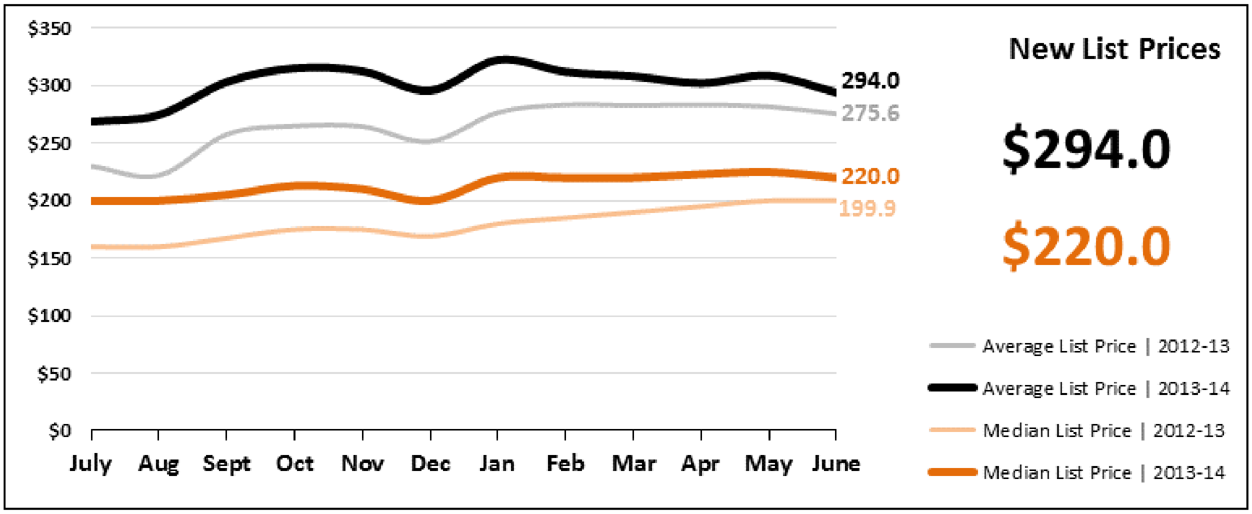
MONTHS SUPPLY OF INVENTORY



3.89, MSI May 2014

3.84, MSI June 2014

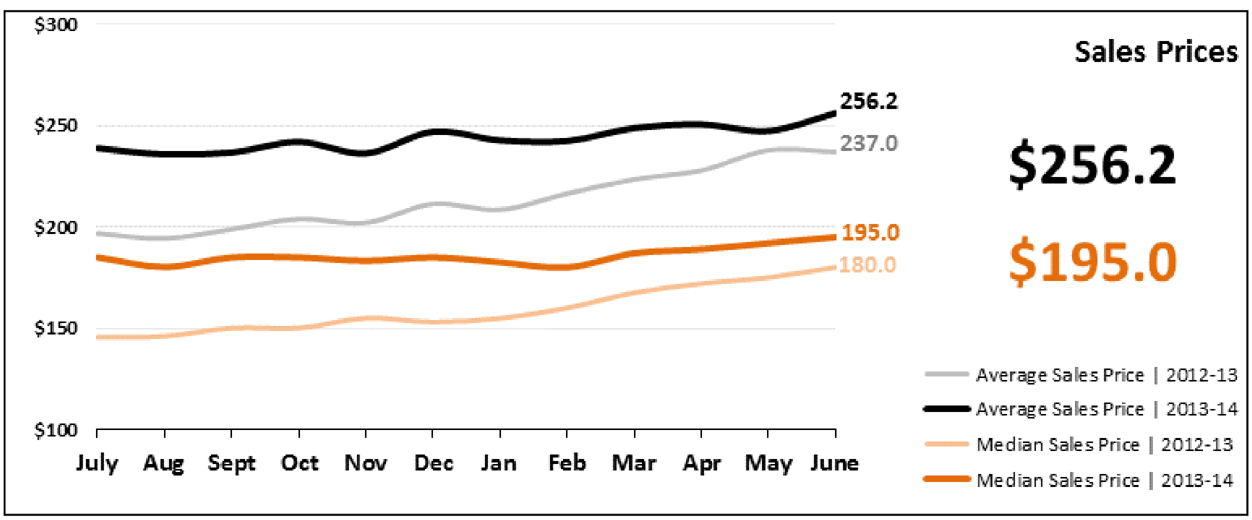
NEW LIST PRICES



+6.7%, year-over-year average

+10.1%, year-over-year median

SALES PRICES

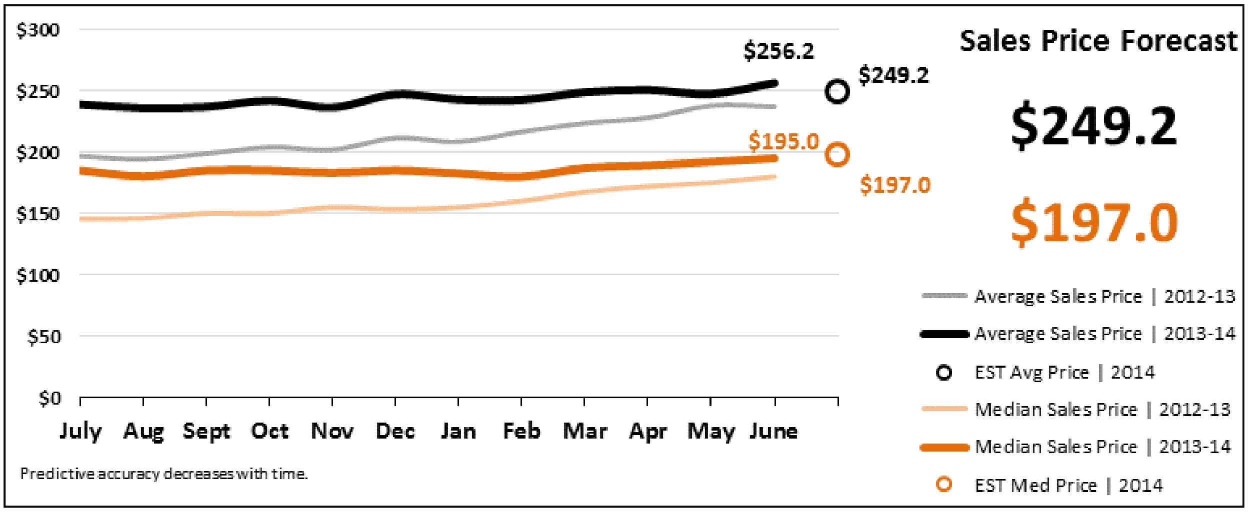


+8.1%, year-over-year average

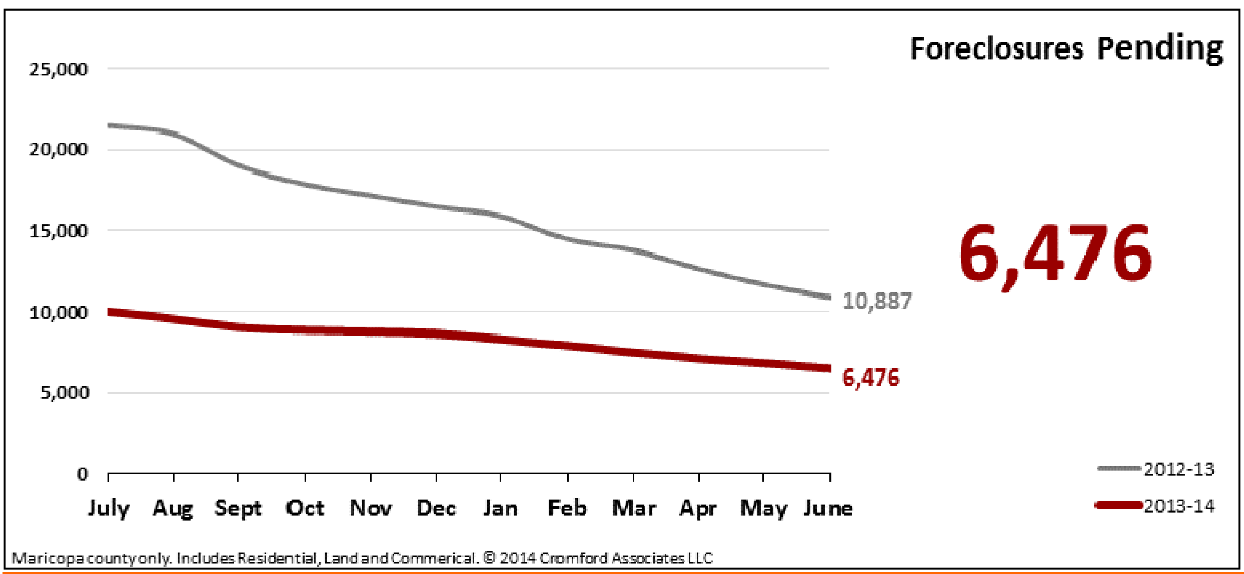
+8.3%, year-over-year median

THE ARMLS PENDING PRICE INDEX™

SALES PRICE FORECAST



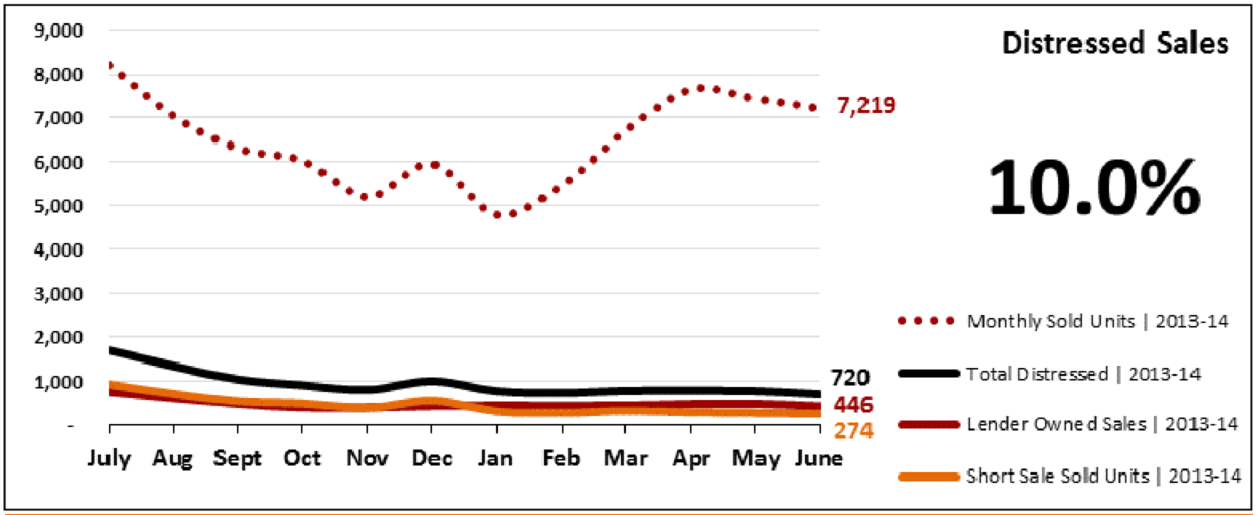
FORECLOSURES PENDING



-40.5%, year-over-year

-4.7%, month-over-month

DISTRESSED SALES

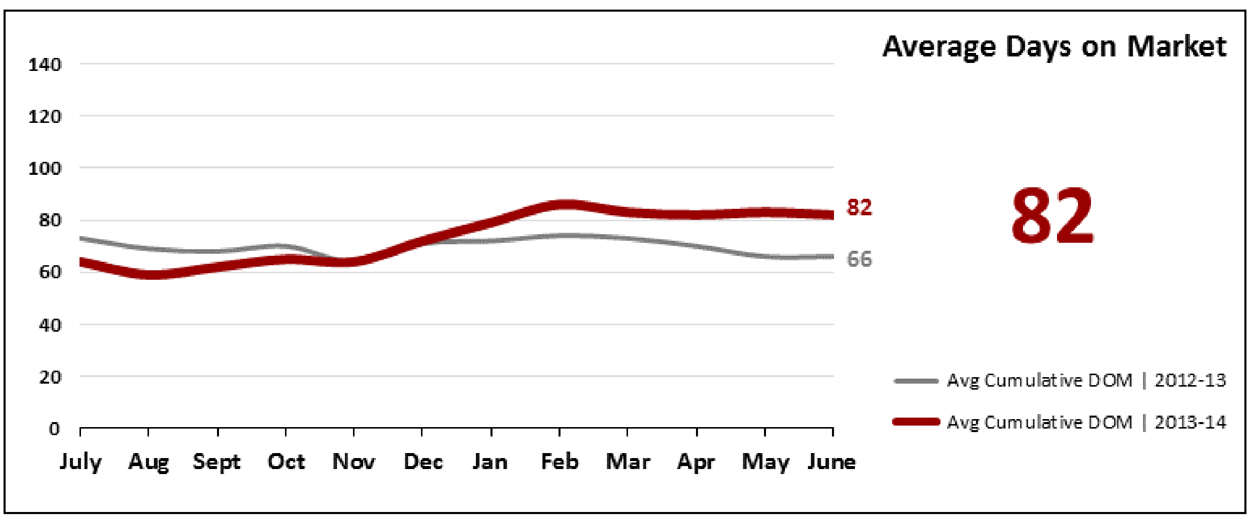


-73.9%, short sale units year-over-year

-37.8%, lender owned units year-over-year

-59.2%, total year-over-year

AVERAGE DAYS ON MARKET



+16, year-over-year

-1, month-over-month

The Information Market

COMMENTARY

by Tom Ruff of The Information Market

Boring, flat, tedious, tame, humdrum, and meh

are just a few of the terms local writers have used to describe the first six months of our housing market. **If our current housing market were a color, it would most likely be beige.**

Home sales volume for the first half of 2014 was 16.4% lower than the same period last year. There were 47,012 closed sales from January through June 2013. In the first six months of this year, only 39,306 closed transactions were reported. The first six months of 2014 were characterized by low demand and a supply that typically left in its wake a market which slightly favored the buyer.

The median sales price in June was $195,000, 5.4% higher than where we began the year at $185,000. As we have cautioned a number of times this year - we are not viewing this increase as an indication that home values are appreciating, but rather as an indication of the homes that are selling. It is this pundit's opinion that home prices for the first six months are best described as stable and flat.

Midyear Data Points of Interest and Emerging Trends

1

Supply: The imbalance between supply and demand is closing, not because demand is improving, but because supply is declining. In June of this year there were 8,677 new home listings. This is the lowest number of new listings for the month of June in the 14 years ARMLS has compiled this data. There were 6.2% fewer new listings this June as opposed to last year for the same period. It will be interesting to see how this metric progresses over the coming months.

2

Interest rates: Between January 2013 and January 2014 we saw the average 30-year fixed interest rate rise from 3.41% to 4.43%, an increase of over 1%. The largest portion of this increase occurred in May and June, just over one year ago. This year we've seen interest rates move subtly and consistently downwards. As stated, we began January of this year with an average 30-year fixed rate of 4.43%. The last reported rate from Freddie Mac on July 3rd of this year was 4.12%. This is the first time this year where interest rates are lower than last year for the same period (on July 1, 2013 rates were 4.37%).

Foreclosures: There were 10,887 distressed homes in Maricopa County in June of 2013. The amount of “shadow inventory” over the past year has declined 40.5%. We currently have 3,995 residential properties in foreclosure and 2,481 residential properties that are bank owned. Simply stated, 6,476 residential properties in Maricopa County are currently defined as distressed. The total number of distressed properties in Maricopa County declined 4.7% month-over-month, indicative of the rate of decline each month this year. I see this trend continuing through the remainder of 2014. As your point of reference, the number of distressed properties in Maricopa County peaked in February of 2010 at 62,123.

3

4

Market Composition: While demand has been lacking this year, the composition of the sales taking place paints a picture of marked improvement. We're seeing fewer distressed sales and fewer investor purchases translating into a higher percentage of homes being purchased by traditional buyers and a higher percentage of the homes they are purchasing as normal/non distressed buys. This change in the composition of homes purchased is best exemplified in two metrics, year-over-year short sales and year-over-year investor activity. In June of 2013 there were 1,049 short sales, this year the number of short sales fell 73.9% to 274. As for investor activity, the table below details the consistent decline over the past year in the percentage of homes we define as investor purchases. As you can see, there were 1,033 fewer investor purchases this June.

Year/Mth	Total Sales	Investor Buys	% of Total
June-2014	7,855	1,038	13.21%
May-2014	8,208	1,223	14.90%
April-2014	8,195	1,264	15.42%
March-2014	7,331	1,191	16.25%
February-2014	6,029	1,096	18.18%
January-2014	5,496	1,044	19.00%
December-2013	6,685	1,170	17.50%
November-2013	5,943	1,070	18.00%
October-2013	7,086	1,392	19.64%
September-2013	7,084	1,410	19.90%
August-2013	7,965	1,725	21.66%
July-2013	8,743	2,112	24.16%
June-2013	8,512	2,071	24.33%

5

New Construction: Of all the facets of our real estate market in the first half of 2014, the number of new builds being sold without a doubt has been the most disappointing. In a year where most experts expected to see new home construction improve, the opposite has occurred. So far this year there have been 4,117 new builds sold compared to 4,712 same period last year (12.6% lower). What makes this number most disappointing is that 2013 was considered a very weak year for new construction. However, under the category of silver lining, the number of new homes sold in June 2014 (819) surpassed the total number of new homes sold in June 2013(754) at an 8.6% increase. This is the first time we've seen a year-over-year improvement this year. Could this be an emerging trend? We'll keep you posted.

6

Looking Ahead: The last four months has seen the Pending Price Index (PPI) project the median sales price about 1% below the final reported number, this trend continued in June where we projected the median sales price to be $192,000 with the actual median price coming in at $195,000. Our sales volume projections came in as expected with the sales volume in June slightly lower than the sales volume in May. In July the Pending Price Index expects the median sales price to rise again projecting a median sales price of $197,000. We also expect sales volume to decline again in July with the expected volume to come in around 6,600. As a note of caution, when next month's sales numbers are reported, expect a large decrease in year-over-year comparisons. This decrease is because July of 2013 was a banner month where 8,216 sales took place. July 2013 sales exceeded our expectations as buyers rushed to close while interest rates were rapidly rising.