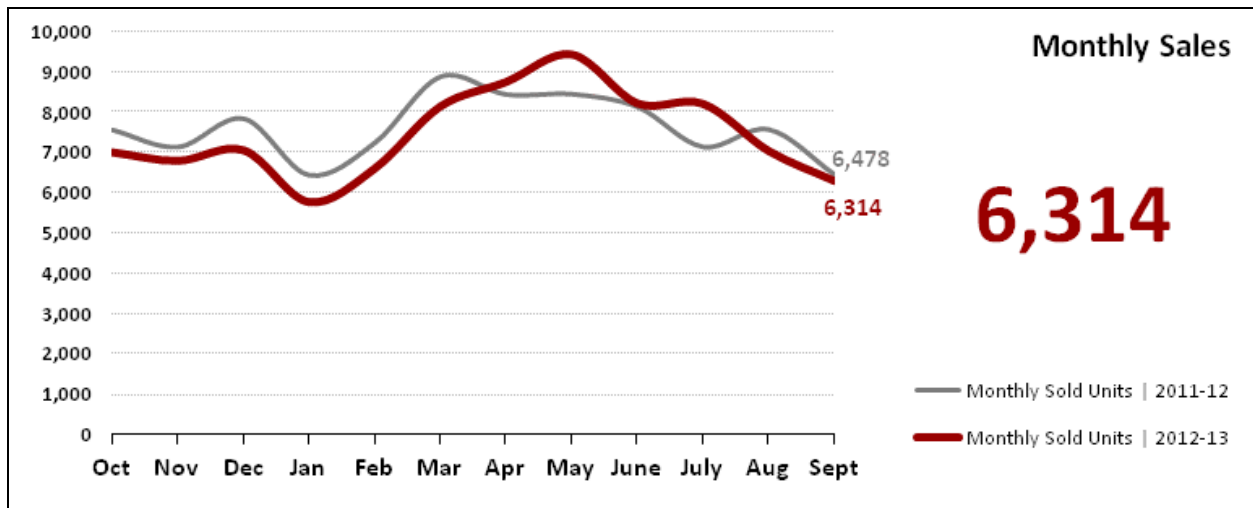




ARMLS® STAT - October 9, 2013

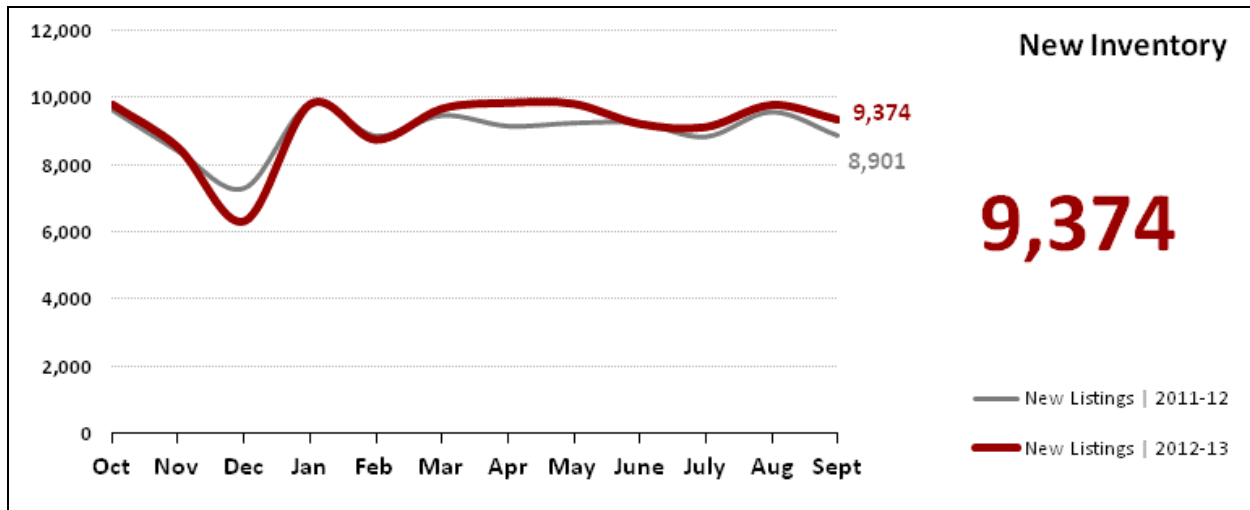
MONTHLY SALES



-2.5%, year-over-year

-10.5%, month-over-month

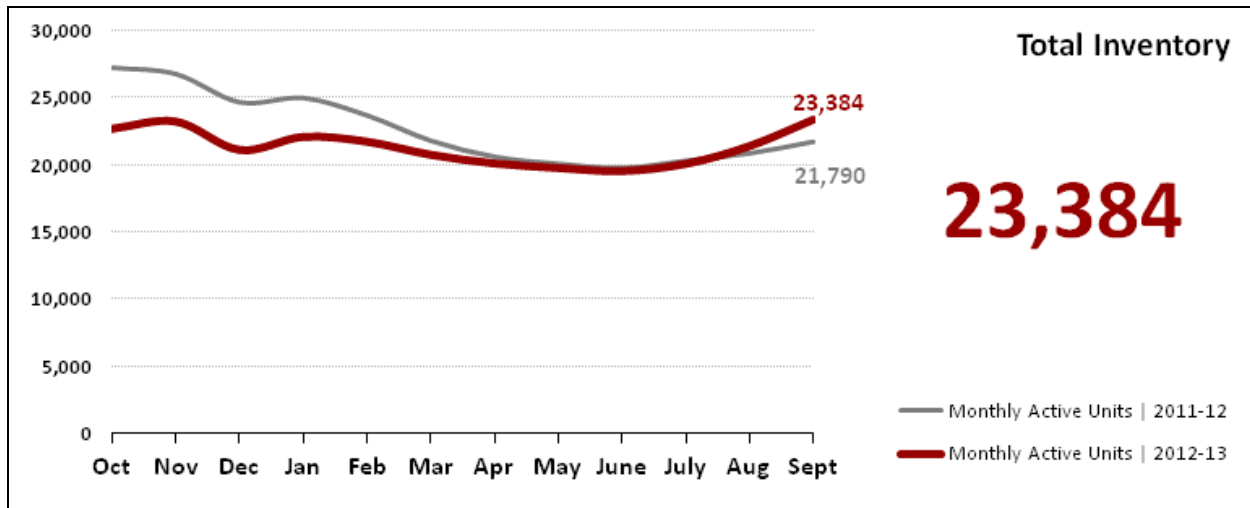
NEW INVENTORY



+5.3%, year-over-year

-4.4%, month-over-month

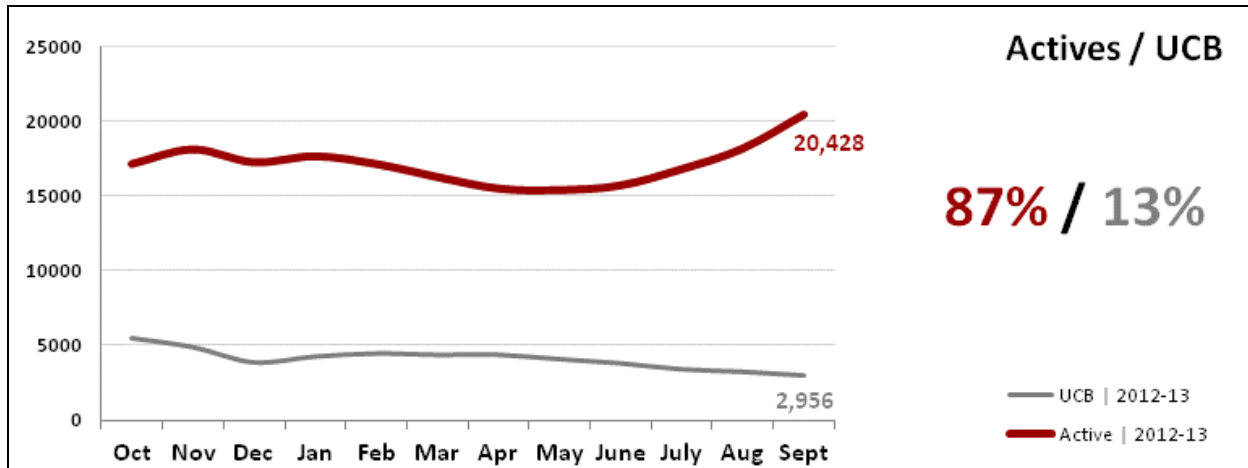
TOTAL INVENTORY



+7.3%, year-over-year

+9.4%, month-over-month

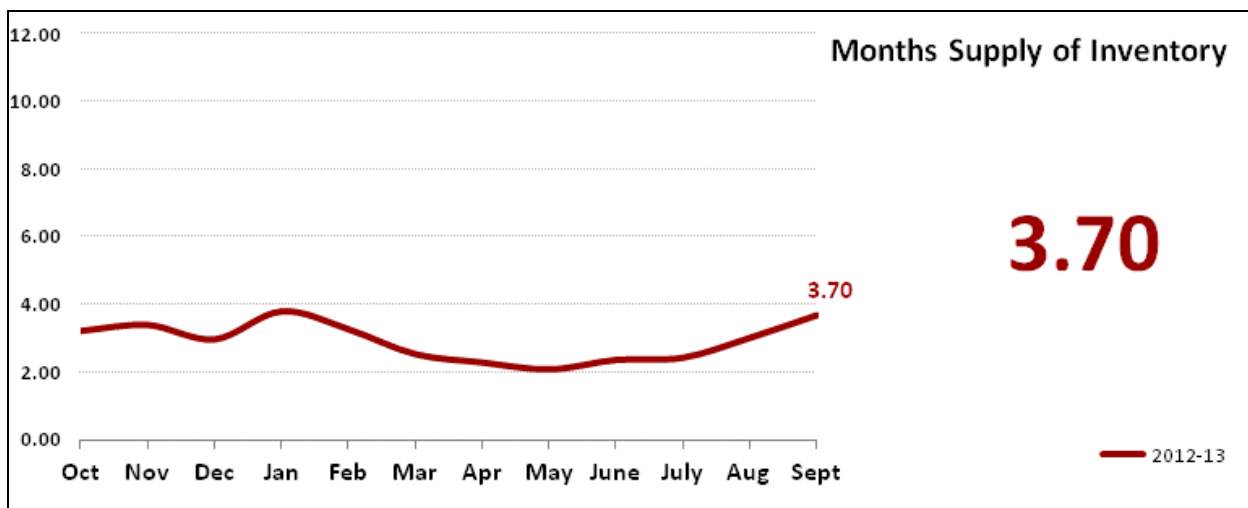
ACTIVES / UCB



26.5%, September 2012 UCB percent of total Active

15.0%, August 2013 UCB percent of total Active

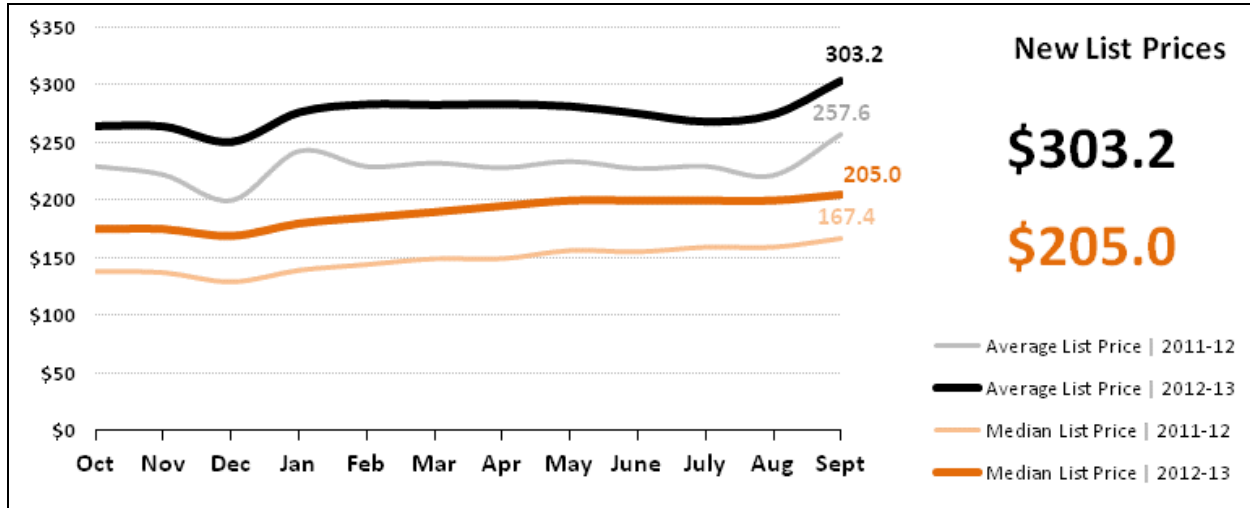
MONTHS SUPPLY OF INVENTORY



3.53, MSI September 2012

3.03, MSI August 2013

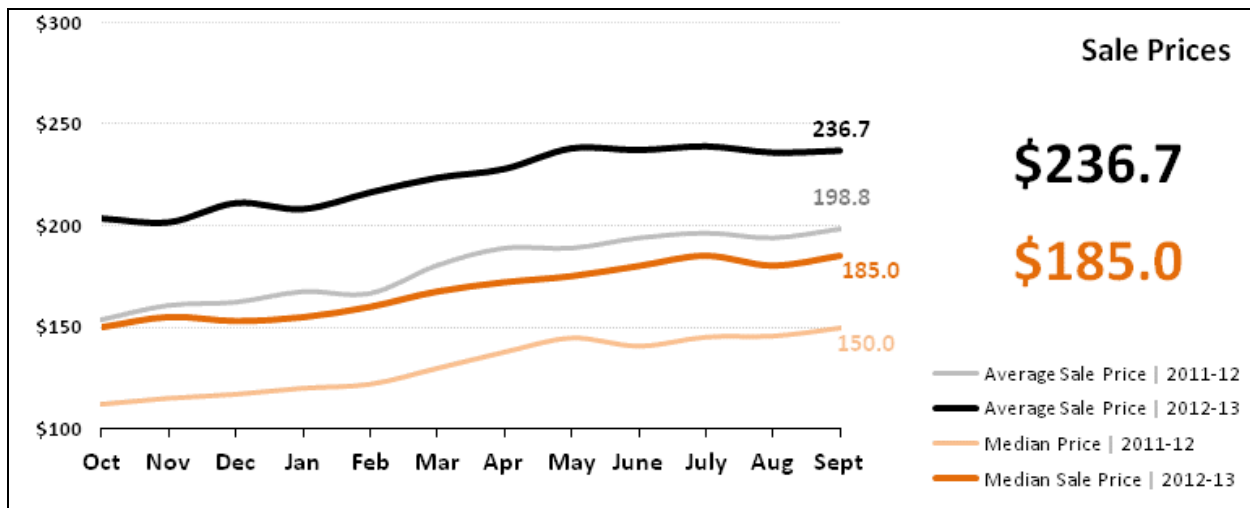
NEW LIST PRICES



+17.7%, year-over-year average

+10.4%, year-over-year median

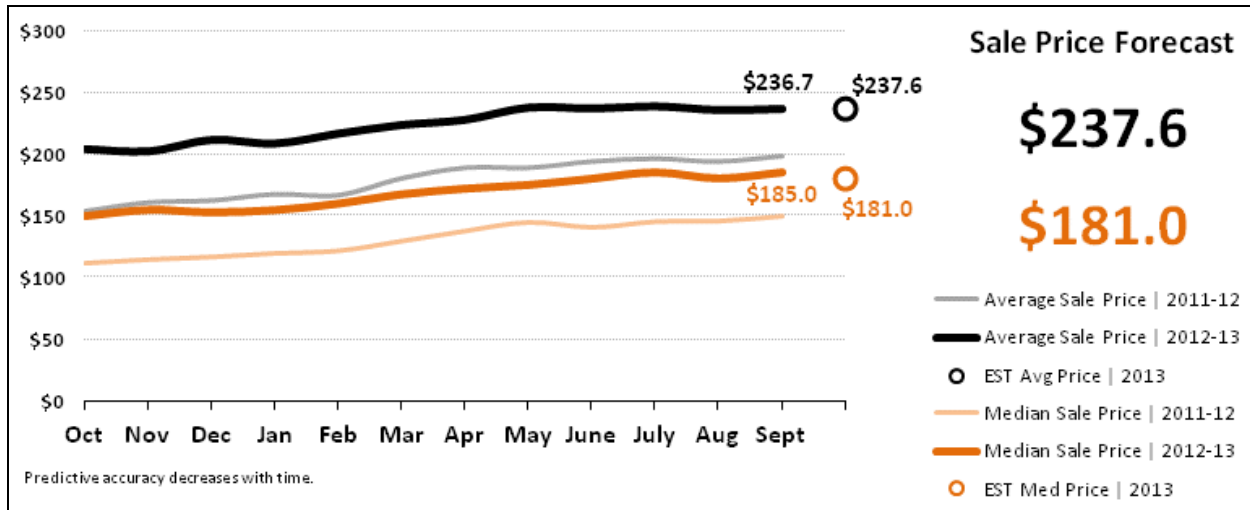
SALE PRICES



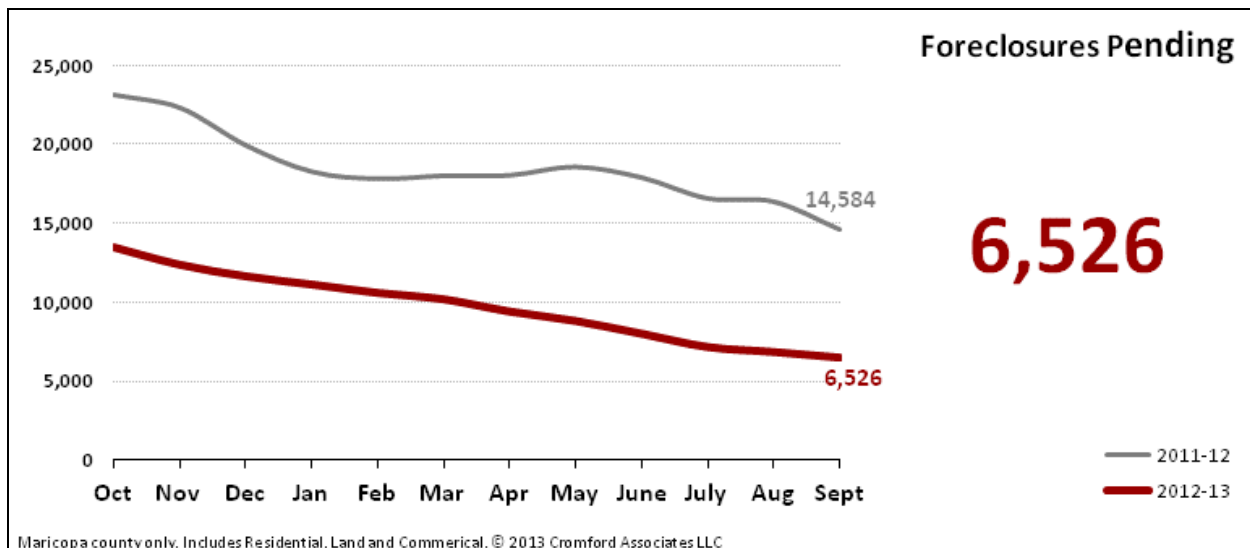
+19.1%, year-over-year average

+23.3%, year-over-year median

THE ARMLS PENDING PRICE INDEX™



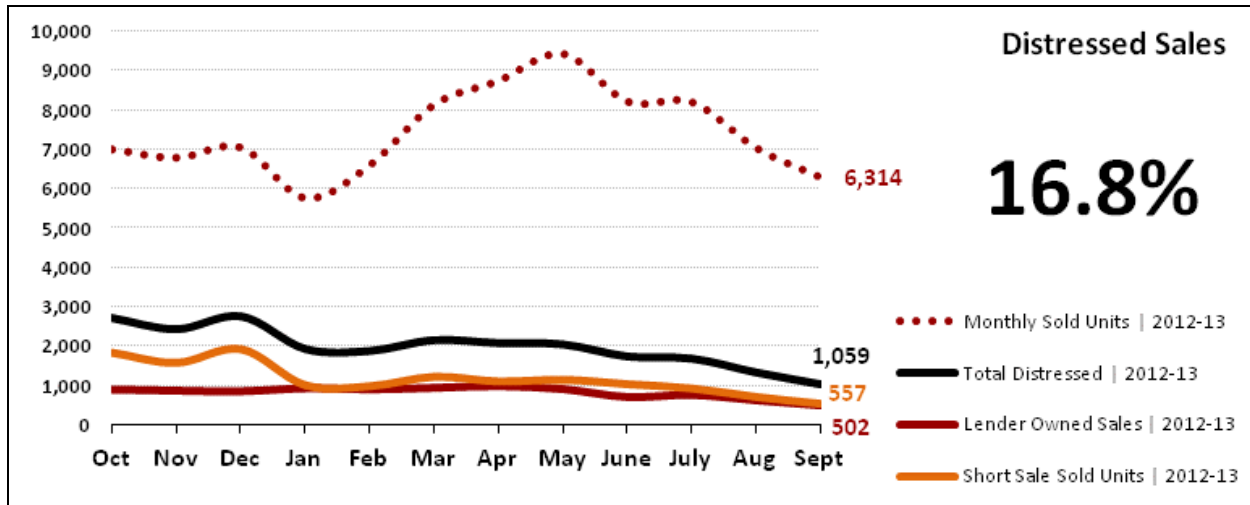
FORECLOSURES PENDING



-55.2%, year-over-year

-5.2%, month-over-month

DISTRESSED SALES

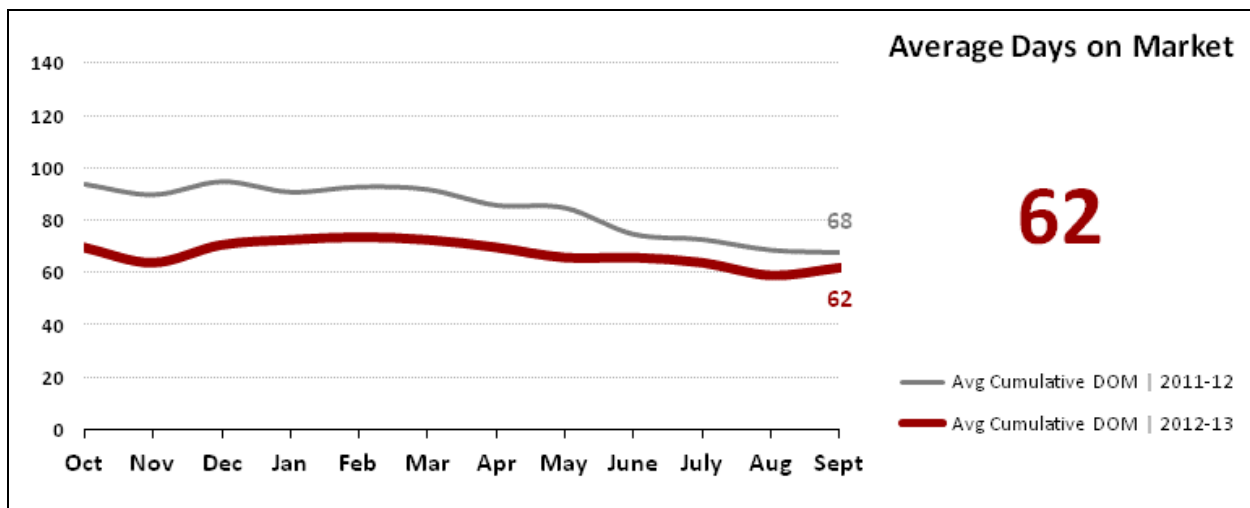


-68.2%, short sale units year-over-year

-39.9%, lender owned units year-over-year

-59.0%, total distressed year-over-year

AVERAGE DAYS ON MARKET



-6, year-over-year

+3, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

September STAT data provides some interesting numbers as it suggests a shift in current market conditions. Total inventory numbers are increasing, up 9.4% for the month and 7.3% year-over-year. With total inventory numbers increasing and pending sales contracts declining, the trend is pointing toward a balanced market.

On October 1, 2012, there were 9,700 pending sales contracts, there were 6,580 in September. Sales volume fell from the previous month, this drop was seasonable and expected, while year-over-year sales volumes were comparable. Yearly sales volumes over the last two years are nearly identical with the median sales price (\$185,000) and average sales price (\$236,700) up 23% and 19% respectively.

As the supply and demand move toward a balanced state, expect price increases to moderate. As predicted by the PPI both the median and average sales price rose in September. In October, The Pending Price index calls for an increase in average sales price, but sees a decline in the median sales price.

Last month in STAT we promised to take a look at the demand side of our housing equation, profiling buyers and how the composition of buyers is changing. Shifting our attention away from MLS data to focus on public records data, A.R.S. 11-1137 requires all buyers and sellers of real property or their agents to complete an affidavit of value. Of course the government exempts itself from this requirement and as a result, HUD and VA sales are not included in this analysis.

The affidavit of value provides a wealth of information. Simply by summarizing the data points available, it's possible to gain valuable market insights. By comparing September 2012 affidavits of value recorded in Maricopa County to September 2013, if and how the dynamics of our market have shifted over the past year is able to be ascertained. In September of 2012, 7,070 affidavits of value were recorded where the sale was reported as either a single-family residence or condo. In September of this year, the number was roughly equal with 7,081 transactions reported. The market is off to a good start.

One of the data points required on the affidavit of value is defined as the residential buyer's intended use. There are 3 classifications: the buyer either intends to live in the home as their primary residence, they intend to rent the home to someone other than a family member or it will be owner-occupied but not as their primary residence. The last choice is a recent addition first appearing in our data set in April of 2012 and is to identify second-home buyers. Buyers who intend to rent the home out are a strong indicator of investor activity in our market, and for the purposes of our discussion, are defined as investors.

In September 2012, 2,048 purchasers, or roughly 29% of all buyers, were investors. In September of this year, the number of investors accounted for 1,415 or 20% of the purchases made. If these numbers are restricted to the hot topic of the day, institutional investors, 398 institutional purchases were made in 2012 as reported by the recorded affidavit. Nine significant institutional buyers have been identified in Maricopa County and in September of 2012 eight of the nine were buying. Moving ahead to September of this year, there were only 110 institutional buys with recorded affidavits and only four of the nine buying institutions were active with a greatly reduced appetite.

Overall investor interest in Maricopa County declined 31% and institutional investment activity declined 72% from September 2012 to September 2013. It makes sense that a decline in investor activity would also mean a decline in cash sales. The number of homes purchased with a mortgage increased 18% year-over-year. There were 4,267 homes purchased with a mortgage in September 2012 and 5,052 this September. The decline in institutional activity should be a point of solace for smaller local investors.

Just as the number of investors purchasing homes in Maricopa County declined over the past year, so has the number of second-home buyers. In 2012, 916 home buyers indicated they were purchasing a second home while in 2013 this number fell to 707, a decline of 23%. With a significant 31% decline in investor activity and a 23% decline in second-home buyers, this can mean only one thing - an increase in owner-occupied homes. In September 2012, 4,106 homes were purchased where the buyer declared their intention to live in the home. In September 2013 owner-occupied purchases rose 21% to 4,959. The year-over-year difference was an increase of 853 homes.

In STAT last month we suggested first-time buyers, boomerang buyers and an increase in new home construction would embody the final phase of the housing recovery. September 2012 produced 739 newly constructed home sales, while this September there was 890. Couple a 20% increase in newly constructed home sales year-over-year with the 21% increase in owner-occupied purchases year-over-year and it appears the Valley is in the very early stages of the fourth and final phase of the housing recovery.

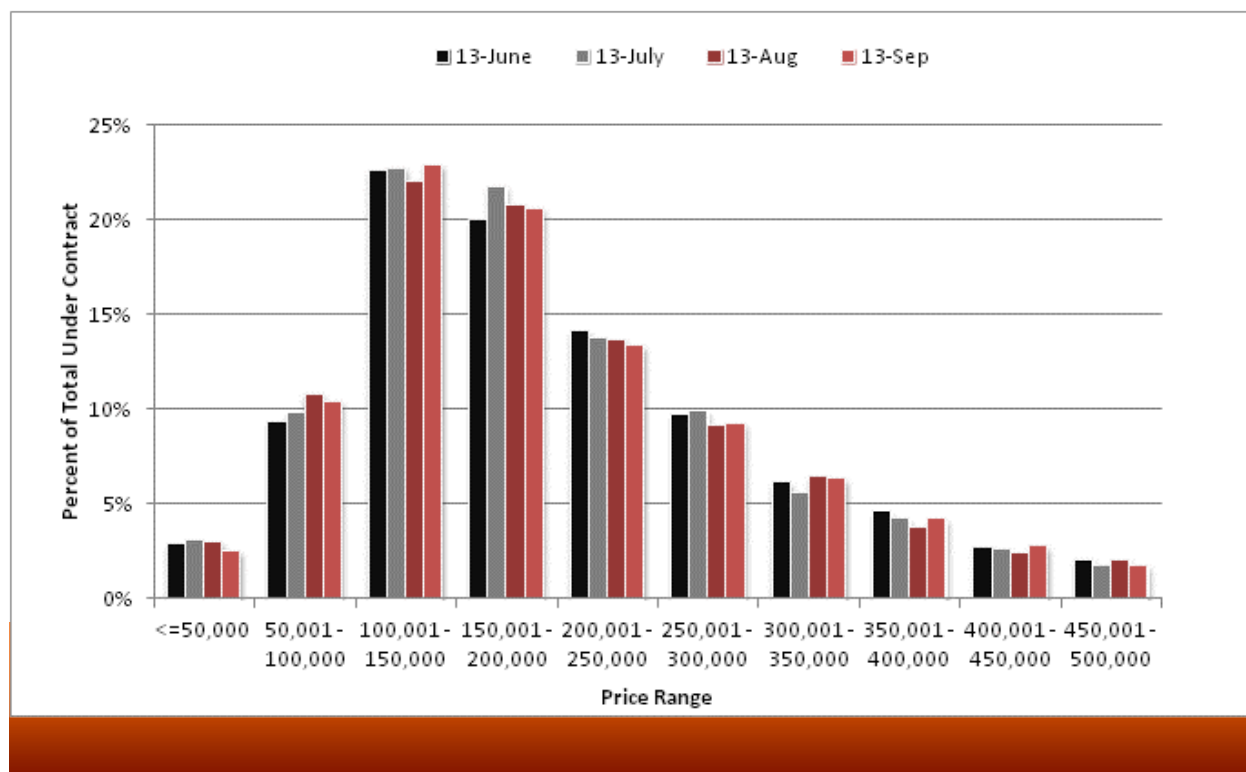
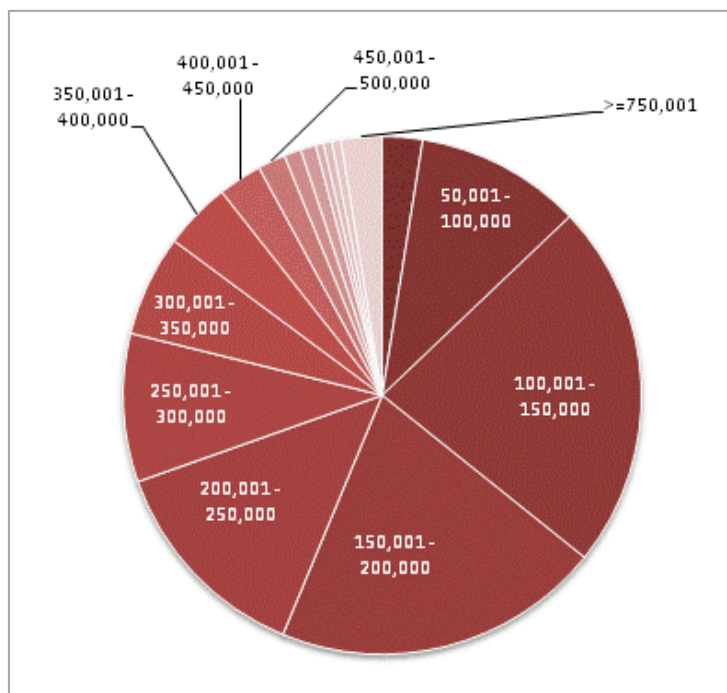
One final indicator of movement into the final phase of recovery can be seen by comparing the number of newly constructed home sales to the number of foreclosures. In January of 2008 the number of home foreclosures each month overtook the number of newly constructed homes sold each month. This trend has finally reversed itself and this summer for the first time in five and a half years more new homes were built and sold than the number of homes sold on the courthouse steps.

The buyer's address on the affidavit of value is the best indication known of where our buyers are coming from. In 2012, 20% of the buyers in Maricopa County reported out-of-state buyers' addresses and this year that number declined to 16%. While the overall number of out-of-state buyers declined 4% year-over-year, the number of out-of-state buyers with the intention of making their home their primary residence increased. In September 2012, there were 395 owner occupants purchasing homes in Maricopa County, this year the number rose to 421. The top five states from which people are relocating to Arizona are California, Washington, Colorado, Illinois and Texas. When looking at purchases declared as second-home purchases, Canadian buyers lead the way followed by California, Washington, Colorado and Illinois.

Buyers are the focus this month because there is presently an increase in active listings and a decline in pending sales, or in simple economic terms, an increase in supply and a decline in demand. The last two years were seen as a seller's market where demand outpaced supply placing the listing agent in the stronger bargaining position. As there is movement into a balanced market with fewer investors and cash buyers, the traditional owner-occupant will play a more vital role. It's time to show the buyers some love. There is a large pool of displaced homeowners as a result of the foreclosure crisis wanting to re-enter the housing market, and there is a large population base of millennials ready to enter the market. It makes sense for a buyer's agent to build a working relationship with a knowledgeable loan officer to develop a strategy which taps into these two large pools.

PPI SUPPLEMENT

Pending Contracts Signed In Sept		
Price Range	PPI Units	Units % of Total
<=50,000	141	2.51%
50,001 - 100,000	583	10.38%
100,001 - 150,000	1,283	22.85%
150,001 - 200,000	1,154	20.55%
200,001 - 250,000	748	13.32%
250,001 - 300,000	519	9.24%
300,001 - 350,000	354	6.30%
350,001 - 400,000	236	4.20%
400,001 - 450,000	154	2.74%
450,001 - 500,000	97	1.73%
500,001 - 550,000	60	1.07%
550,001 - 600,000	54	0.96%
600,001 - 650,000	27	0.48%
650,001 - 700,000	30	0.53%
700,001 - 750,000	32	0.57%
>=750,001	144	2.56%



PPI SUPPLEMENT - \$/SQ FT

Pending Contracts Signed In Aug				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	33,594	1,150	191	29
50,001 - 100,000	79,368	1,250	687	64
100,001 - 150,000	129,690	1,535	1,401	85
150,001 - 200,000	174,629	1,791	1,319	98
200,001 - 250,000	225,667	1,957	869	115
250,001 - 300,000	275,645	2,245	582	123
300,001 - 350,000	325,762	2,486	408	131
350,001 - 400,000	376,387	2,758	240	136
400,001 - 450,000	427,454	2,866	153	149
450,001 - 500,000	477,854	2,998	128	159
500,001 - 550,000	527,142	3,005	83	175
550,001 - 600,000	575,372	3,184	54	181
600,001 - 650,000	629,750	3,354	41	188
650,001 - 700,000	672,574	3,465	31	194
700,001 - 750,000	728,084	3,761	35	194
>=750,001	1,247,324	4,712	146	265

Pending Contracts Signed In September				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	33,755	2,055	141	16
50,001 - 100,000	79,353	1,259	583	63
100,001 - 150,000	128,927	1,490	1,283	87
150,001 - 200,000	174,435	1,778	1,154	98
200,001 - 250,000	225,014	1,985	748	113
250,001 - 300,000	276,254	2,280	519	121
300,001 - 350,000	327,003	2,463	354	133
350,001 - 400,000	375,744	2,746	236	137
400,001 - 450,000	426,654	2,874	154	148
450,001 - 500,000	474,786	2,885	97	165
500,001 - 550,000	527,738	3,086	60	171
550,001 - 600,000	575,131	3,333	54	173
600,001 - 650,000	632,137	3,356	27	188
650,001 - 700,000	679,296	3,453	30	197
700,001 - 750,000	734,641	4,369	32	168
>=750,001	1,177,767	4,443	144	265

