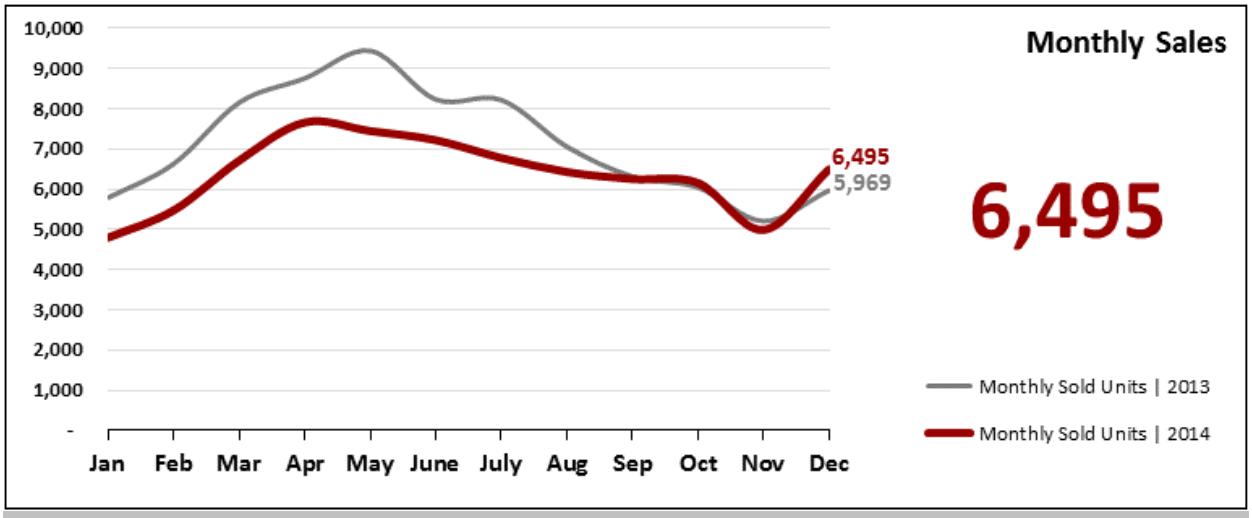
ARMLS® STAT

your monthly statistics for the Phoenix Metro area

ARMLS® STAT - January 15, 2015

MONTHLY SALES

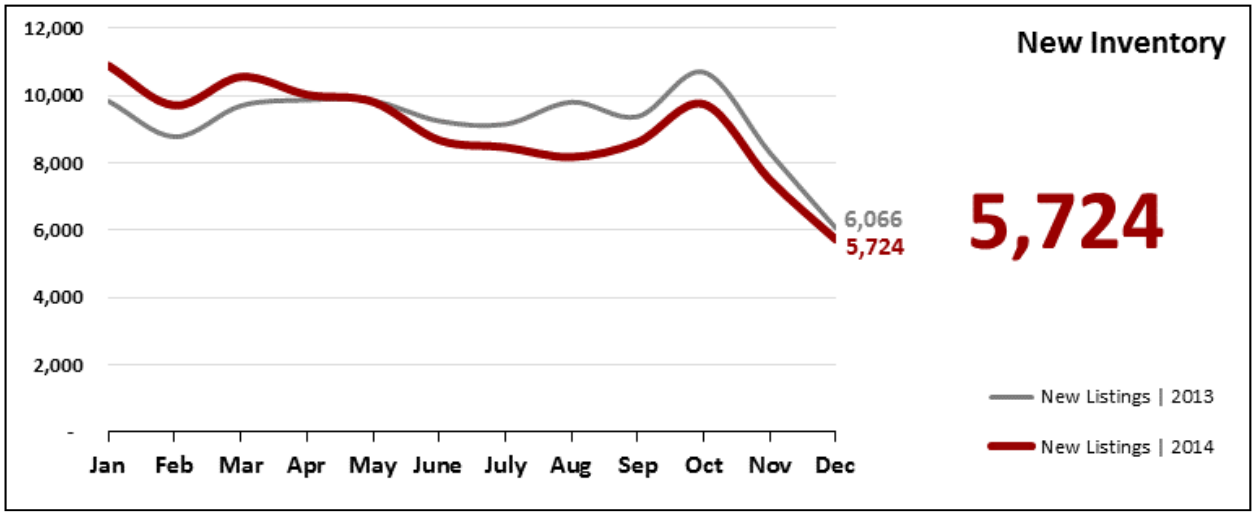


+8.8%, year-over-year

+30.2%, month-over-month

Permission is granted only to ARMLS® Subscribers for reproduction and to prepare derivative works with attribution to "ARMLS® COPYRIGHT 2015".

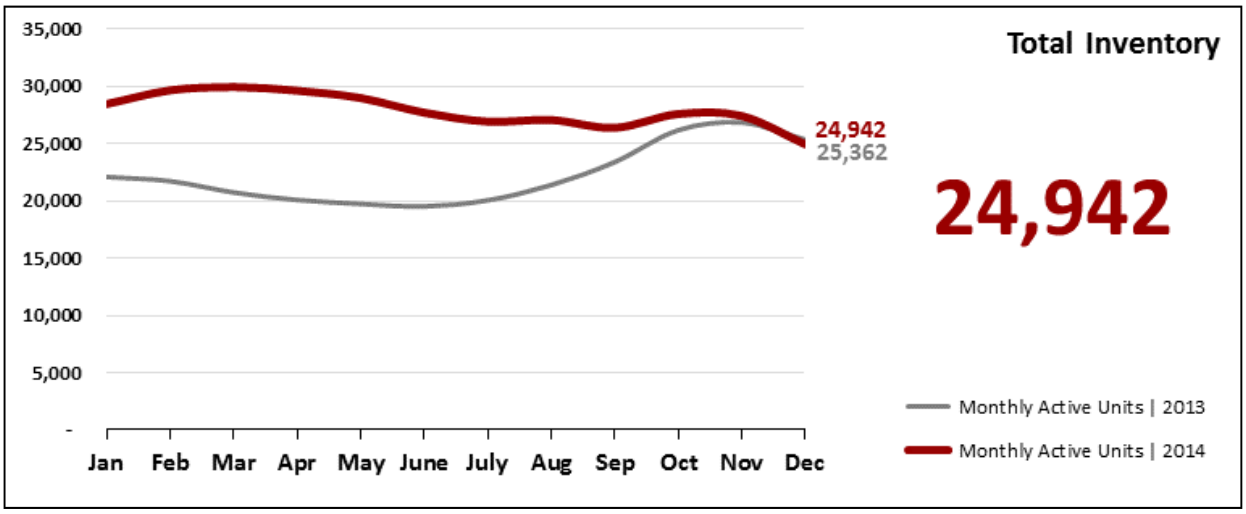
NEW INVENTORY



-5.6%, year-over-year

-23.7%, month-over-month

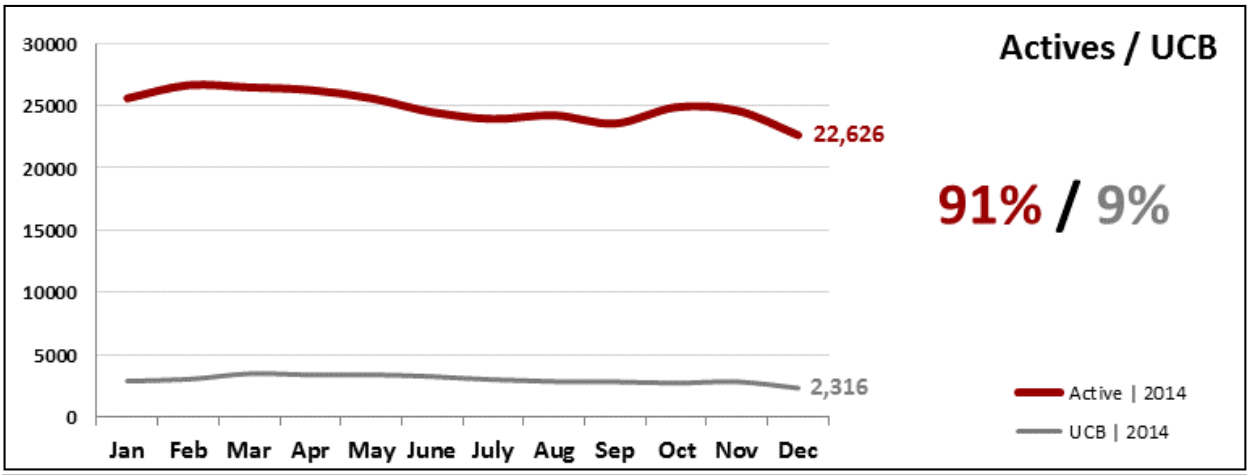
TOTAL INVENTORY



-1.7%, year-over-year

-9.0%, month-over-month

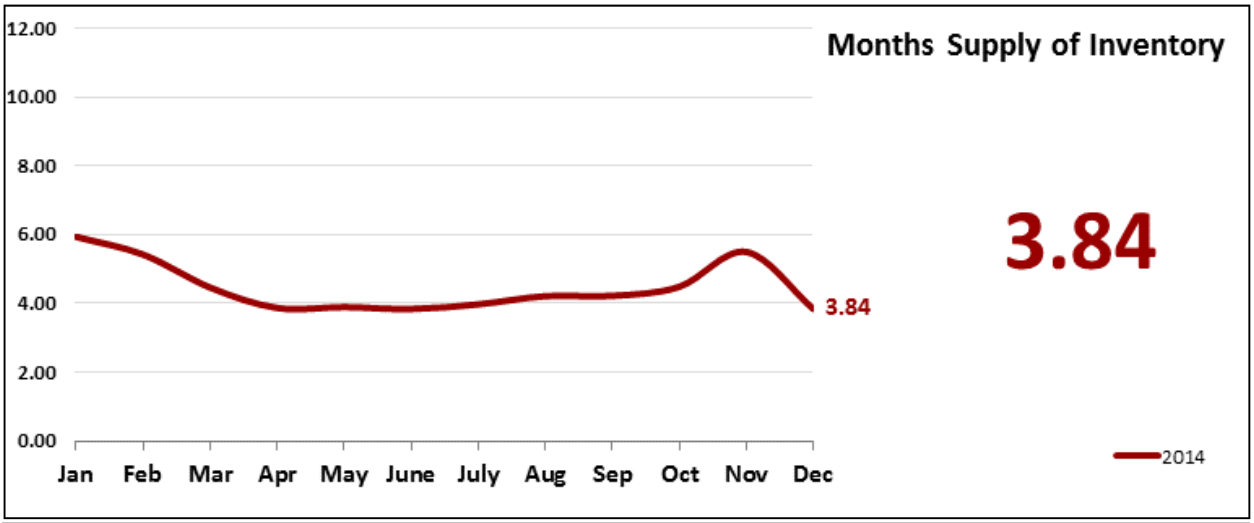
ACTIVES / UCB



+10.3%, NOV 2014 UCB percent of total Active

+9.3%, DEC 2014 UCB percent of total Active

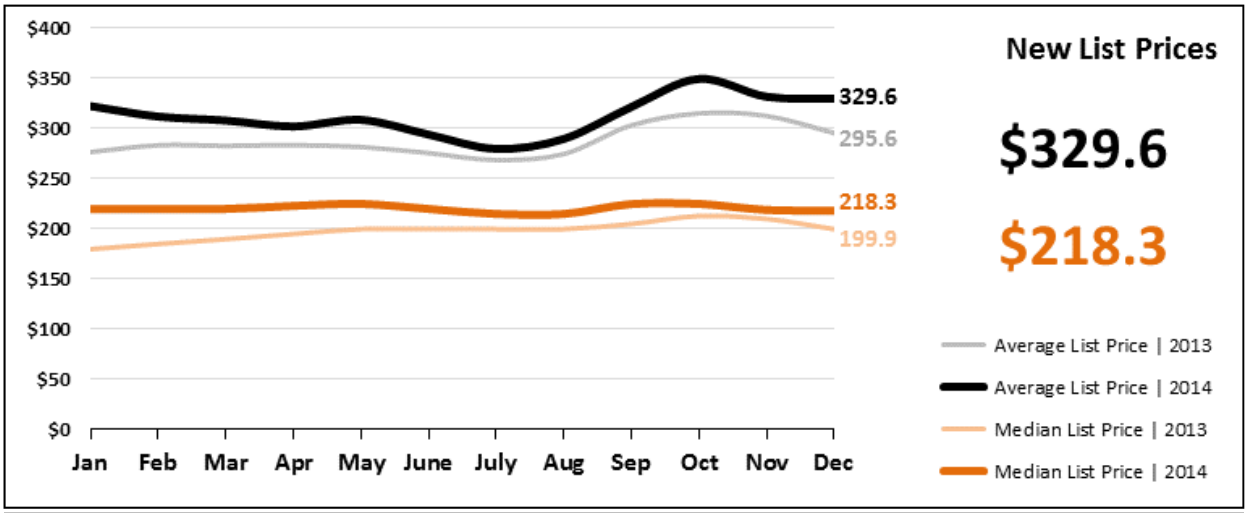
MONTHS SUPPLY OF INVENTORY



5.50, MSI NOV 2014

3.84, MSI DEC 2014

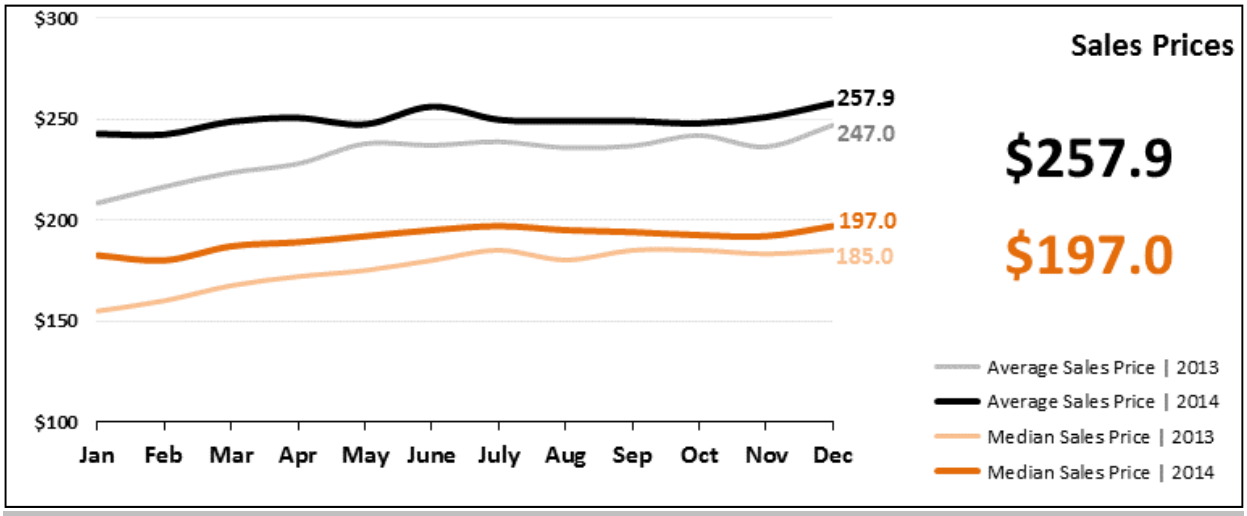
NEW LIST PRICES



+11.5%, year-over-year average

+9.2%, year-over-year median

SALES PRICES

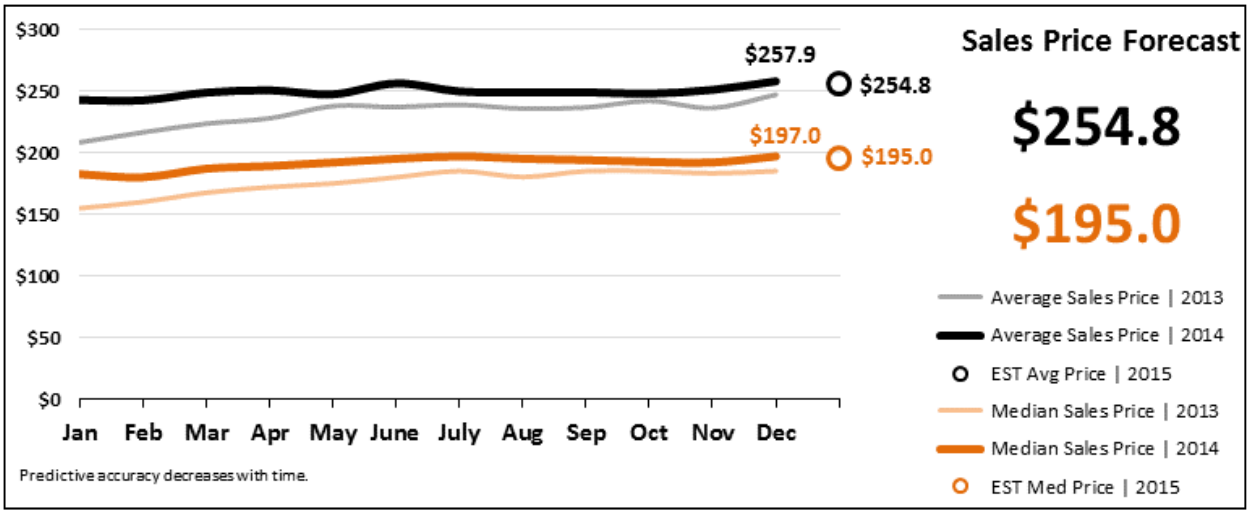


+4.4%, year-over-year average

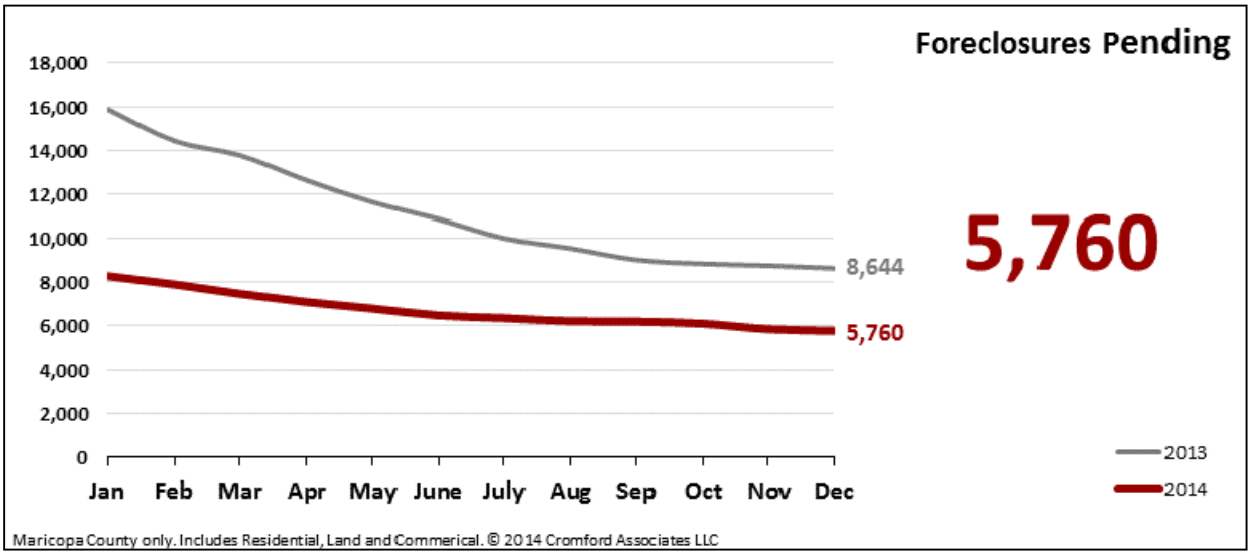
+6.5%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



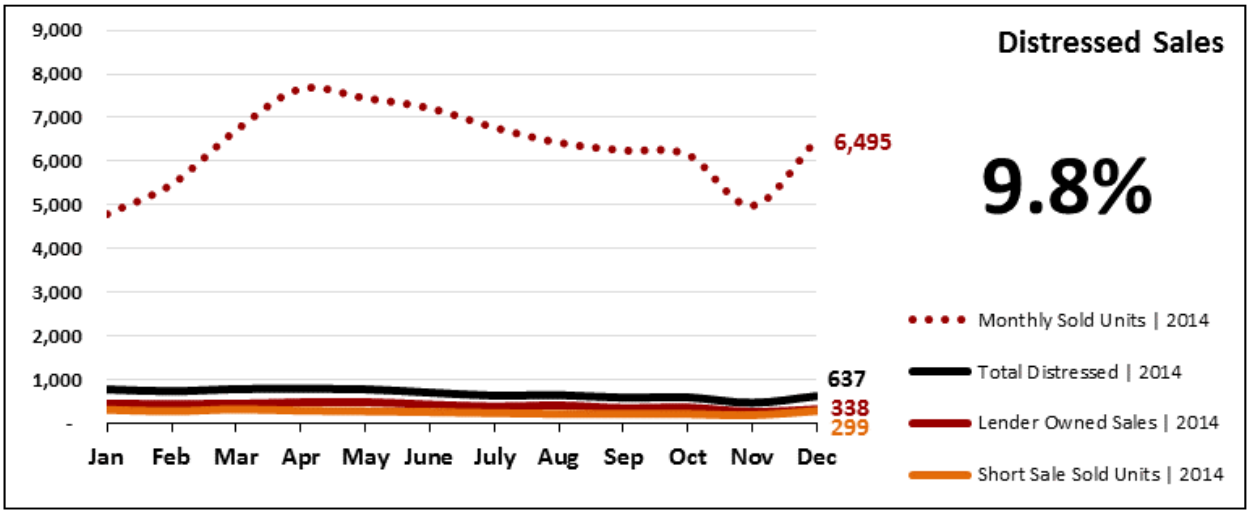
FORECLOSURES PENDING



-33.4%, year-over-year

-1.4%, month-over-month

DISTRESSED SALES

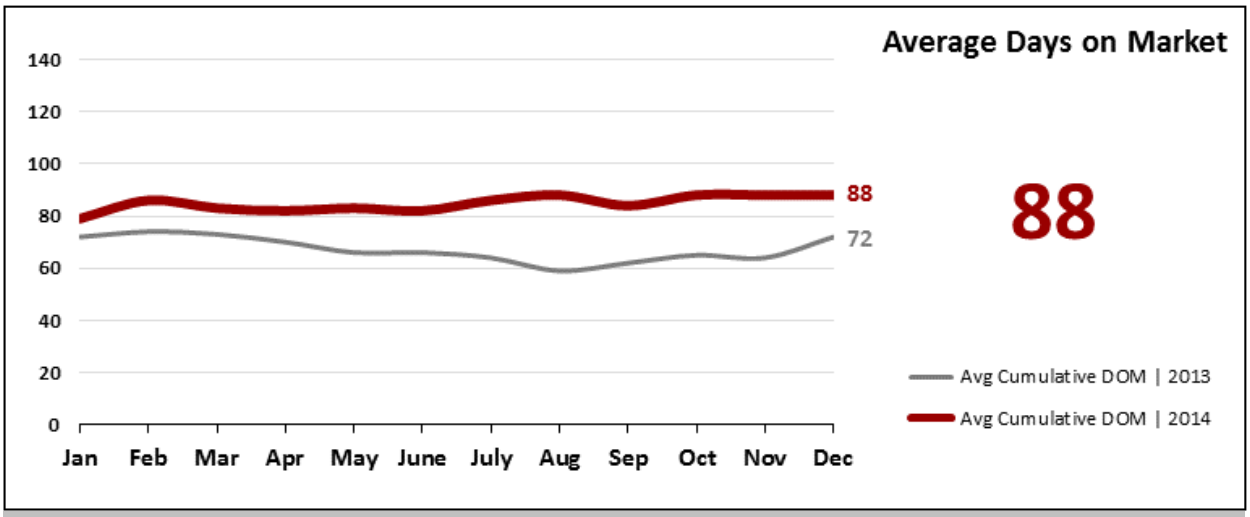


-47.5%, short sale units year-over-year

-24.9%, lender owned units year-over-year

-37.5%, total year-over-year

AVERAGE DAYS ON MARKET



+16, year-over-year

0, month-over-month

COMMENTARY
by Tom Ruff of The Information Market

2014: Year in Review

Each month in STAT our charts and commentary reflect on the previous month. For example, a December STAT issue will have November's numbers. This month our commentary will focus on year 2014 in review.

We always saw 2014 as a transitional year where our market would evolve from a cash-driven, bargain-priced, investor-based market to a healthier more sustainable market driven by the conventional home buyer. We envisioned this transition being led by two major groups: millennials and boomerang buyers with both groups needing just a bit more time to get moving.

We expected 2014 prices to remain flat and demand to remain low. We waited for the millennials to become adults and for the boomerang buyers to restore their credit. As 2014 progressed, the market trends that started back in August 2013 rolled on and on through 2014. Month after month, the biggest challenge was finding unique ways to describe the dull consistency we faced.

Our 2014 in review focuses on 5 main areas:

1.) Home Prices
There are three prominent means for tracking home prices: average sales price, median sales price and price per-square-foot. Many make the argument for one method over another. I was always a median sales price person. But 2014 taught us that we need to pay attention to all three metrics.

Median sales prices can be swayed by lower volumes and tend to congregate around round numbers.
Average sales prices and price per-square-foot bounce as luxury sales strengthen and cluster.

So, what did the three primary pricing metrics tell us about 2014?

	December 2013	December 2014	% Change
Average	247,001	257,902	4.4%
Median	185,000	197,000	6.5%
Price Per SqFt.	127.58	131.70	3.2%

Another facet of our composite pricing is something we commonly refer to as blend, the composition of types of sales. In December of 2013 (17.1%) of our sales were distressed and in December 2014 (9.8%) of our sales were distressed. As we all know, distressed sales sell at a discount, so it is no surprise when sales prices increase as the blend changes. Wisdom comes from correctly attributing changes in sales prices.

Throughout 2014 we advised our readers to eliminate the noise and not to jump to rash conclusions in either direction as pricing metrics bounced up and down. We continually reiterated our position that prices are flat and remarkably stable. Probably the best example of how stable prices were in 2014 can be demonstrated by adding a fourth pricing metric, more of an apples to apples approach. By removing all the distressed sales and comparing only the "normal" sales between December 2013 and December 2014, we see the price per-square-foot rose only slightly, 1.7% from $133.10 to $135.41. After a decade of insane yearly price movements, 2014 reminded us that sustainable normal annual price movements are not only possible, but are a good thing.

2.) Sales Volume

ARMLS reported 79,399 homes sold in 2014, coming in 11% below the total last year of 85,813. The year-over-year decreases in sales volume occurred in the first 8 months of 2014. Not by coincidence, the decreases happened at the same moment both local and institutional investors curtailed their buying appetite. Sales were actually 5.8% higher in the last four months of 2014 than the last four months of 2013. Even with the year end improvement, sales volume in 2014 was still a four letter word, drab. The visible decline in investor activity coupled with the decline in the number of distressed sales clearly showed the anticipated transition to a healthier more sustainable market, driven by the conventional home buyer.

3.) Inventory

As 2014 began, inventory levels were rising and demand was extremely low. This was good news for the buyer but not so much for the seller. My personal pessimism at the outset of 2014 was harbored within these supply/demand metrics. Just when it appeared we were headed into a full blown buyers' market, a fascinating thing happened. Supply and demand began to balance not by an increase in demand, but by a decrease in the rate new listings came onto the market.

In the last 7 months of 2014, all but two of those months reported the lowest number of new listings in the 14 years ARMLS has been tracking new inventory. The final numbers for 2014 show only 107,902 new listings. In spite of the low sales volume in 2014, we begin 2015 with 1.7% fewer homes listed for sale than last year at this time.

4.) Foreclosure Activity
Every foreclosure housing metric was down in 2014. This was great news for the overall health of our market but extremely bad news for all parties offering foreclosure services, investors buying at auction, and all agents specializing in distressed sales. As we're going on nine years removed from the peak of home prices in 2006 and adding together strong appreciation gains since 2010, there just isn't any fuel to rekindle the foreclosure fire (barring a catastrophic event). Foreclosure activity will decline again in 2015.

Think about this for a moment:
If a property received a notice in 2014, there was a 45% chance that property would end in foreclosure.

The banks aren't dragging their feet to finish the foreclosure process, as 50% of those that end in foreclosure will be completed in less than 97 days after the notice is filed. 75% of those will lose their home within 125 days. With that said, in 2013 there were 4,290 active notices and in 2014 there were 1,371. Roughly 62% of the foreclosures were from the 2005-2007 boom/bust years.

Looking Forward at 2015
I'm quietly optimistic as 2015 begins. Even though inventory numbers are very similar to where they were last year at this time, we have a little more wind in our sails. Put simply, our market is healthier. The price increases we've seen in the last 18 months are characteristic of a normal sustainable market, interest rates are at historical lows (3.86% Dec. 2014), the millennials are one year older, births are increasing, gas prices are low ($2.04 national average), boomerang buyers have had one more year to repair their credit and conventional buyers are making up a larger percentage of home purchases.

People are feeling better about themselves. I feel it's a safe bet to say 2015 sales volume will exceed 2014. I don't think it will be the breakout year we've been awaiting, but in terms of sales volume, it will definitely be better.