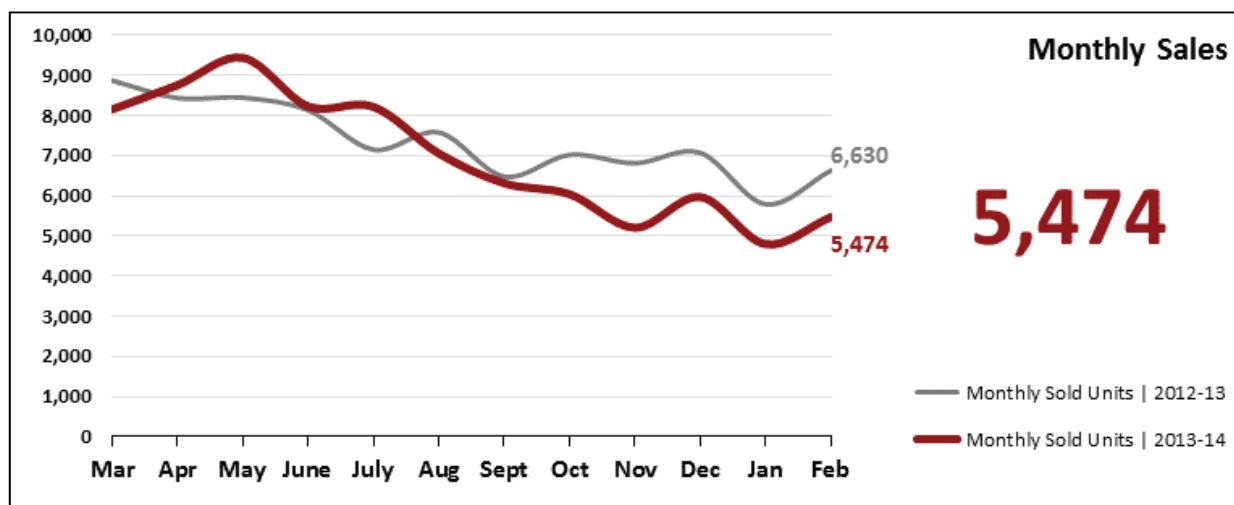




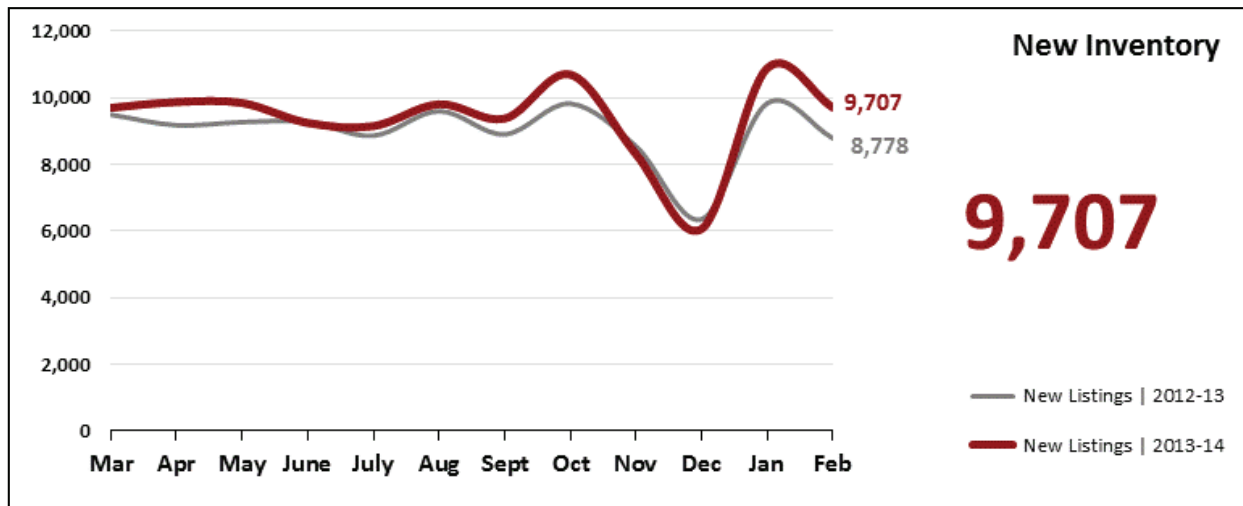
ARMLS® STAT - March 12, 2014

MONTHLY SALES



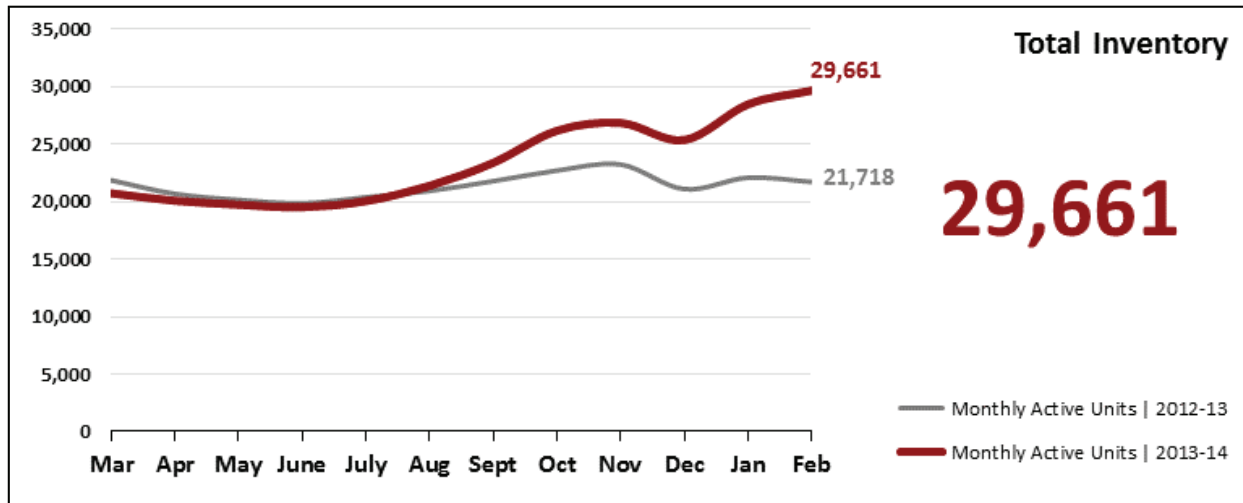
-17.4%, year-over-year
+14.1%, month-over-month

NEW INVENTORY



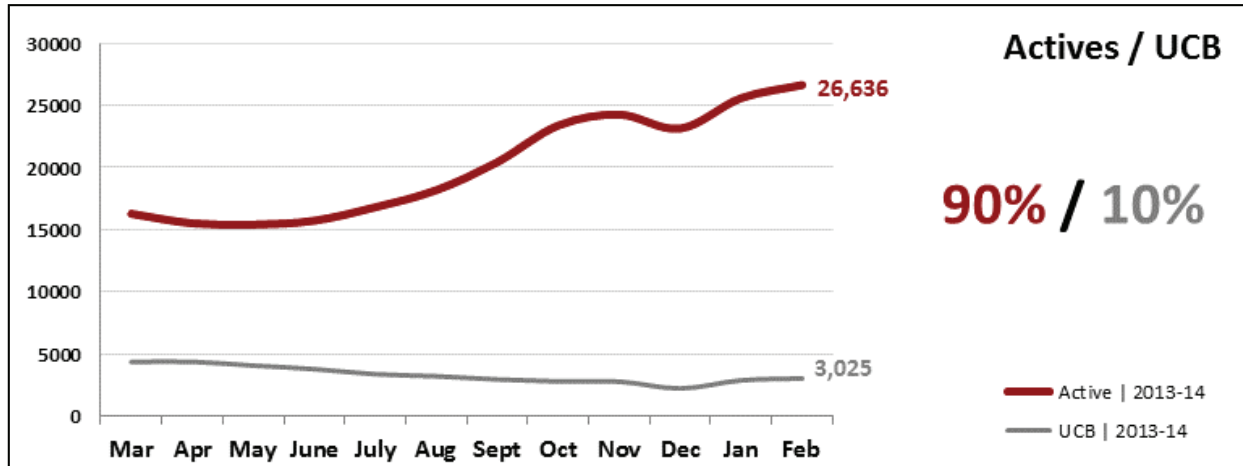
+10.6%, year-over-year
-10.8%, month-over-month

TOTAL INVENTORY



+36.6%, year-over-year
+4.2%, month-over-month

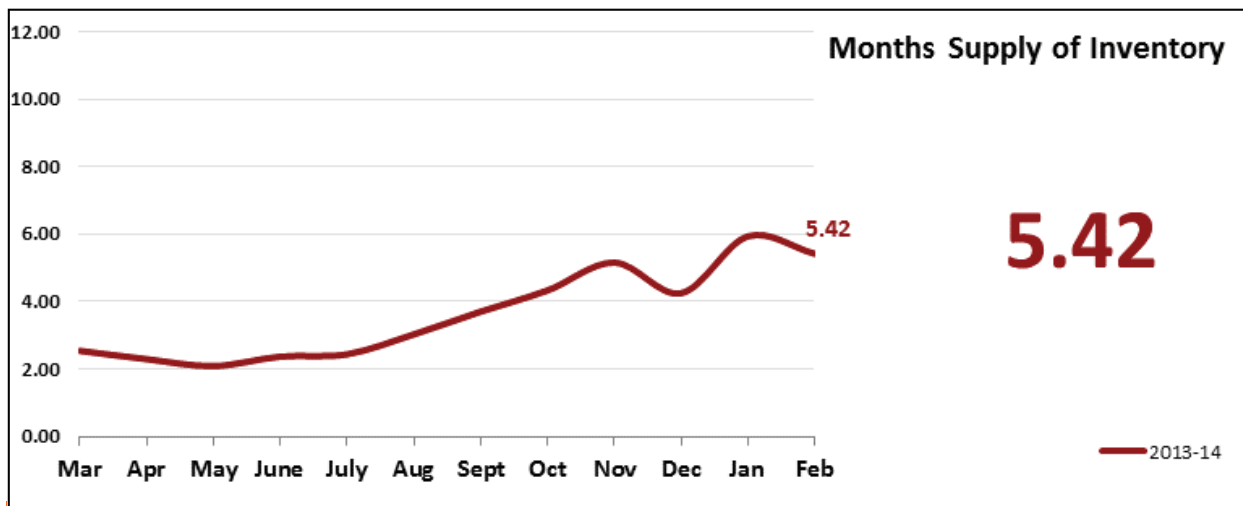
ACTIVES / UCB



10.1%, January 2014 UCB percent of total Active

10.2%, February 2014 UCB percent of total Active

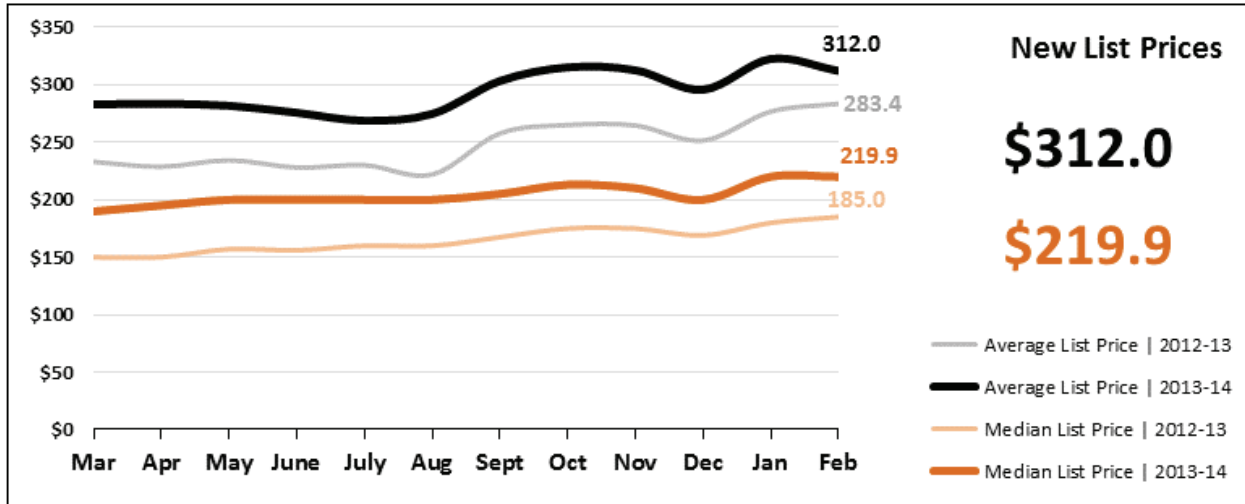
MONTHS SUPPLY OF INVENTORY



5.93, MSI January 2014

5.42, MSI February 2014

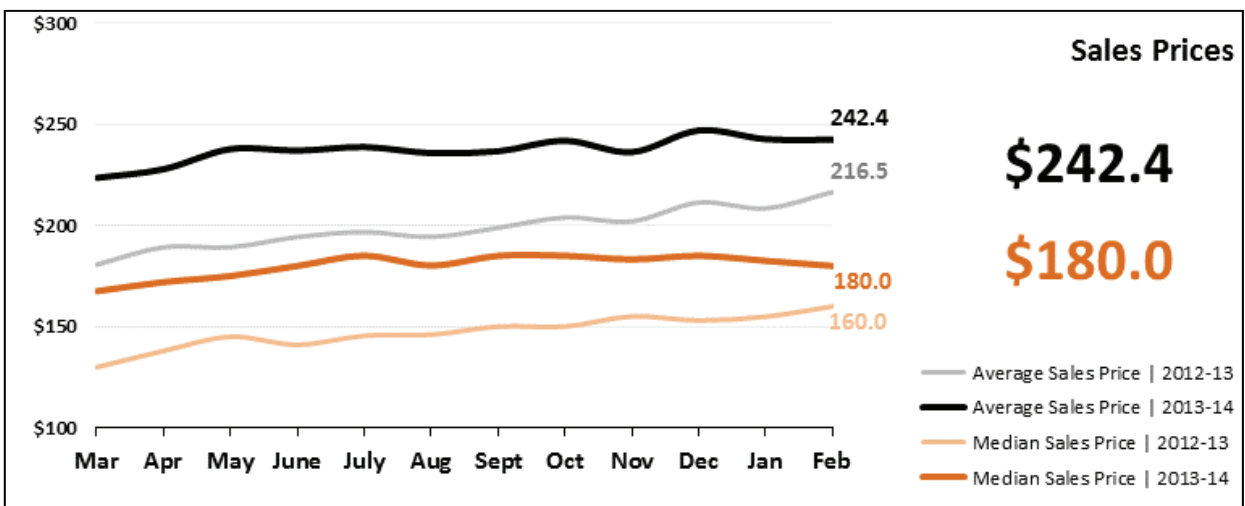
NEW LIST PRICES



+10.1%, year-over-year average

+18.9%, year-over-year median

SALES PRICES

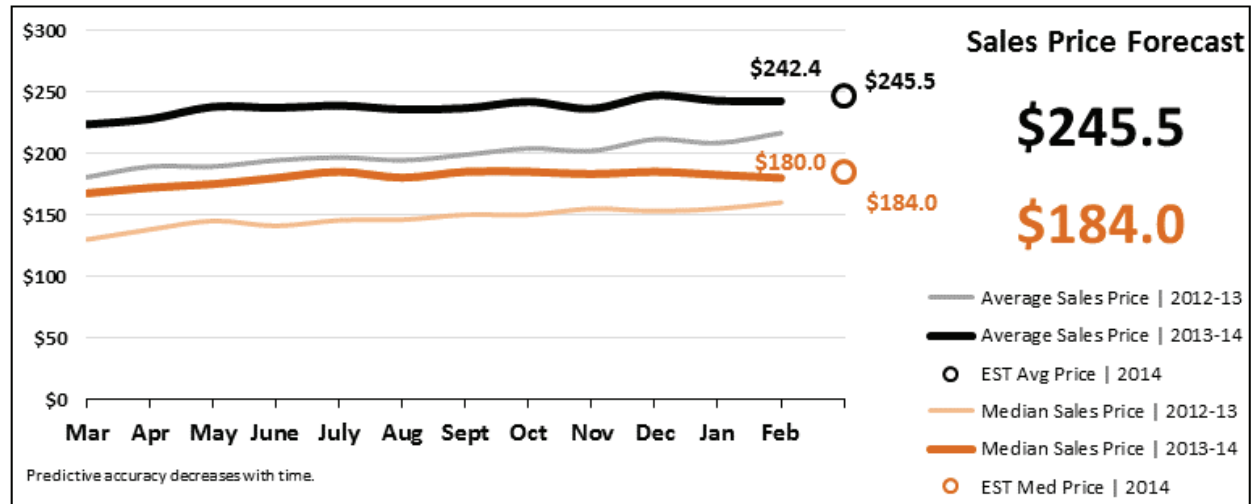


+12.0%, year-over-year average

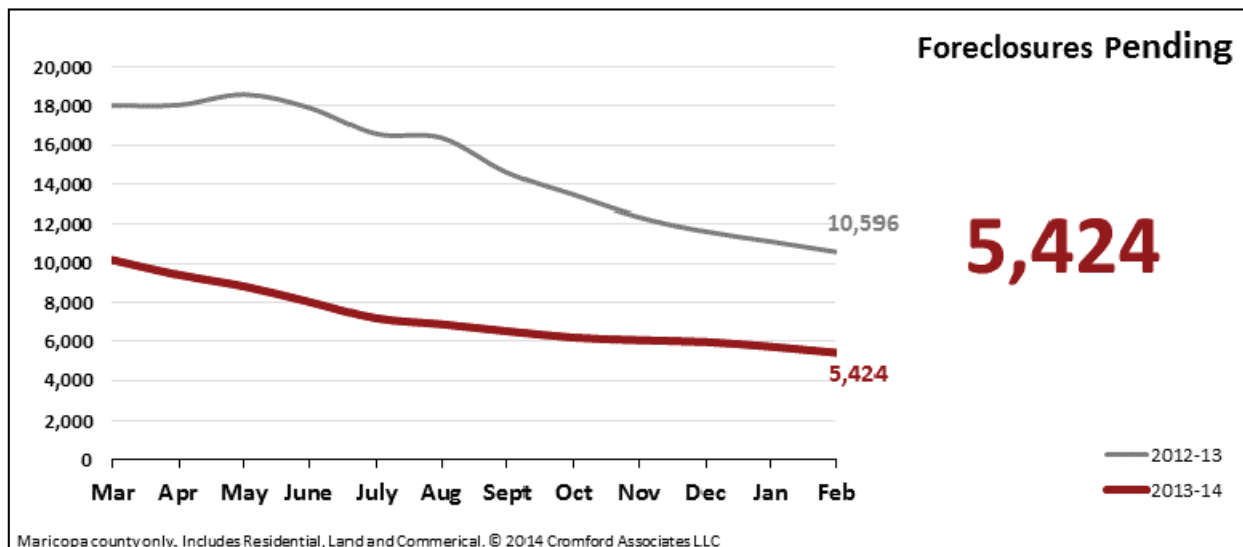
+12.5%, year-over-year median

THE ARMLS PENDING PRICE INDEX™

SALES PRICE FORECAST



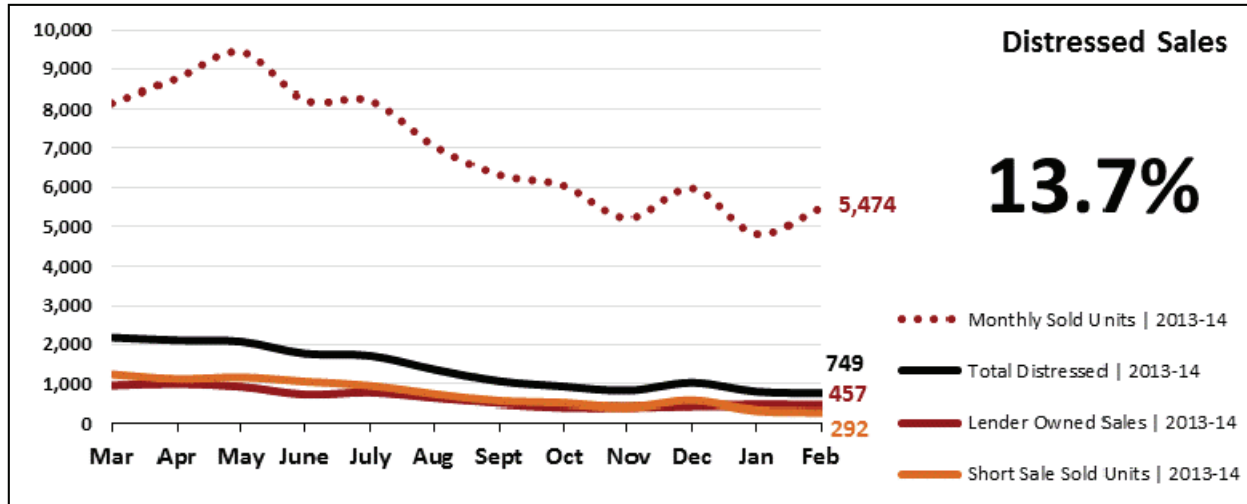
FORECLOSURES PENDING



-48.8%, year-over-year

-5.3%, month-over-month

DISTRESSED SALES

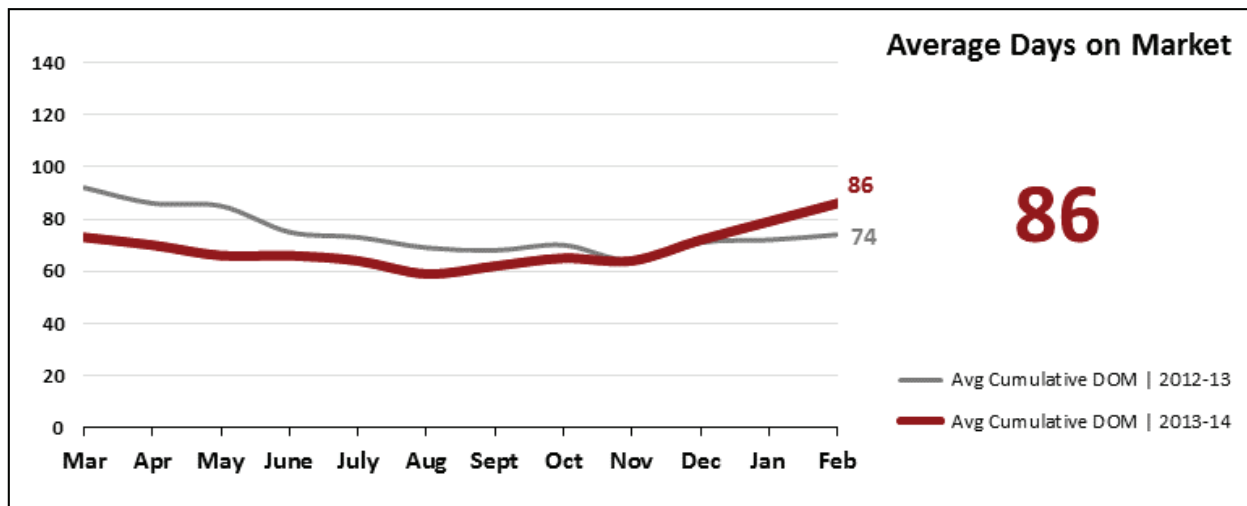


-70.7%, short sale units year-over-year

-49.8%, lender owned units year-over-year

-60.7%, total year-over-year

AVERAGE DAYS ON MARKET



+12, year-over-year

+7, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

The volume of home sales in February has always been higher than in January for as long as we can go back. Sales in March have always been higher than in February and this year will be no exception. In MLS, 5,474 total homes were sold in February, 14.1% higher than 4,797 in January 2014. As the monthly sales volume comparison is clearly seasonal, one must look at the year-over-year comparisons to get a clear view of sales activity. The February 2014 sales total was 17.4% lower than the total in February 2013 of 6,630. The last time we saw a lower sales volume in February was 2008 where only 3,448 sales were reported. Last year at this time total inventory numbers were dropping, this year they continue to climb, up 4.2% to 29,661.

With low demand and rising inventory, there are few doubters left - we are in a buyer's market. Our transition from a balanced market to a buyer's market is further evidenced by a record number of price reductions among active listings. Pending sales contracts are increasing as expected, but this is a seasonal normality. Pending sales contracts are 36% lower than last year at this time at 6,654. Looking ahead to the March sales volume, it would not be unreasonable to expect that 1,400 fewer homes will be sold this year than last.

The ARMLS Pending Price Index successfully predicted a median sales price of \$180,000 for February, down 1.4% from the median in January of \$182,500. For March, the PPI is projecting a slight uptick to \$184,000. The median priced home value has been wobbling between \$180,000 and \$185,000 since June of 2013. The projected increase in value for March should not be viewed as an indication of price appreciation, but is most likely attributed to seasonal factors. The imbalance we are seeing between supply and demand will exert downward pressure on pricing which will likely appear later this year.

Defining Normal

This month I'm going to attempt to compare our current market to what is considered a normal market. This is something which I consider to be impossible. For the purposes of this discussion I need to choose the last normal year in our market, which I'm going to pick as 2003. Defining normal is clearly unscientific. 2003 was after the .com bubble burst, after 9/11, and prior to the housing bubble forming. Also, in 2003 Norah Jones won the Grammy for Don't Know Why and when you don't know why you're choosing 2003 and calling it normal, I'm figuring a Grammy award is as good a reason as any.

Sales Volume

The ARMLS Pending Price Index successfully predicted a median sales price of at \$180,000 for February. In January 2003 there were 4,760 homes sold on the MLS, in 2014 we saw 4,797 sales. In February 2003, there were 5,493 homes sold compared to 5,474 in 2014. For the first two months combined, 2003 reported 10,253 sales compared to 10,271 in 2014. However, identical sales volume between the two years does not translate into our current sales volume as being normal. There were 1,010,912 homes in Maricopa County in 2003, today this number has risen to 1,264,844 (we define homes as single-family residences, condos and mobile homes). There are now 25% more homes in Maricopa County than in 2003. I would contend that demand this year is 25% below what should be considered normal as a more normal sales volume number in February would be 6,802. Giving credence to this assertion, the average number of sales for February for the four prior years was 6,907. Our current sales volume is well below normal.

Normal/Prices

There is a common theory that long-term appreciation rates have to be pretty close to the general rate of inflation. In the table below, having defined 2003 as normal and thereby our base year, we will apply the US government published inflation rates.

Year	Annual Inflation Rate	February Calculated Median	February Actual Median	Actual Annual Appreciation
2003	2.3	140000	140000	Base
2004	2.7	143220	150000	7.2
2005	3.4	147086	190000	26.7
2006	3.2	152087	252000	33.6
2007	2.8	156955	247900	-2.5
2008	3.8	161349	213800	-13.8
2009	-0.4	167480	125000	-41.6
2010	1.6	166810	125000	0.0
2011	3.2	169779	109900	-12.1
2012	2.1	173038	122000	11.0
2013	1.5	175634	160000	31.1
2014		178268	180000	12.5

Based on this theory, our median priced home is pretty close to normal. The average inflation rate for the years listed above is 2.38%.

New Construction

A low percentage of new builds are listed on the MLS. As mentioned above, this sales volume this year was nearly identical in 2014 and 2003. Looking at public records data, new construction paints an entirely different picture. In February of this year 582 new homes were sold in Maricopa County, compared to 2,322 in 2003. New construction is off to a very slow start this year. The reason given nationally for these declines has been bad weather, an explanation unacceptable in our market. Most forecasters called for an increase in new builds this year, I would not be surprised to see these expectations revised downward in the coming months. In the first two months of 2014 our records indicate 1,142 new builds sold in Maricopa County, last year 1,522 were sold which is 25% lower.

Foreclosures

In February of 2003 there were 1,243 residential notices of trustee sales recorded in Maricopa County, this year 846 new residential notices were recorded. In terms of existing homes, .123% of homes received a notice in February of 2003, compared to only .067% this February. As recent as three years ago our market was the poster child for foreclosures, today the number of properties entering foreclosure is well below normal. This month shows the total foreclosure inventory down 48.8% year-over-year and 5.3% lower than last month. I fully expect the number of foreclosures to continue to decline throughout 2014.

The current 29,661 home listings are very close to what we would define as typical. Our current imbalance rests solely on the demand side of the equation. The pricing chart on the previous page would suggest our home prices are close to normal, but the right side of the chart would suggest our buying behavior is anything but normal. Three years of strong appreciation and a combined 250,000 foreclosures and short sales have restored our current level of distressed housing to a healthy level. The lack of new construction is disheartening from a jobs perspective, but in turn, we are not adding to our existing supply. As I've stated in earlier commentary, I see 2014 as a transitional year, with my short term pessimism offset by longer term optimism. At present the question we should be asking ourselves is - **where are the buyers?**

Next month, I'll attempt to answer this question.