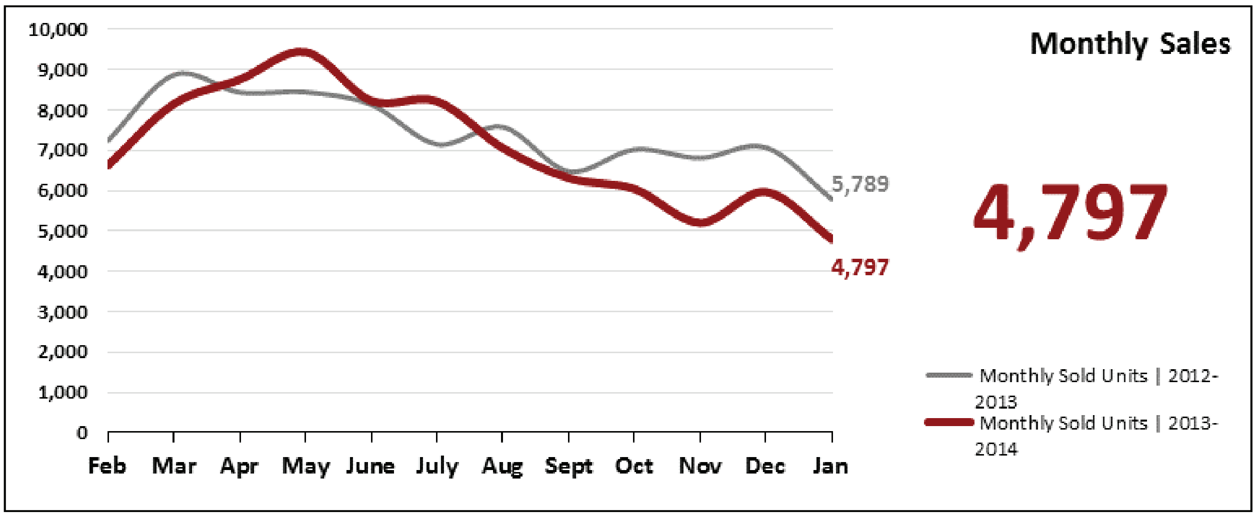
your monthly statistics for the Phoenix Metro area

ARMLS STAT

ARMLS® STAT - February 11, 2014

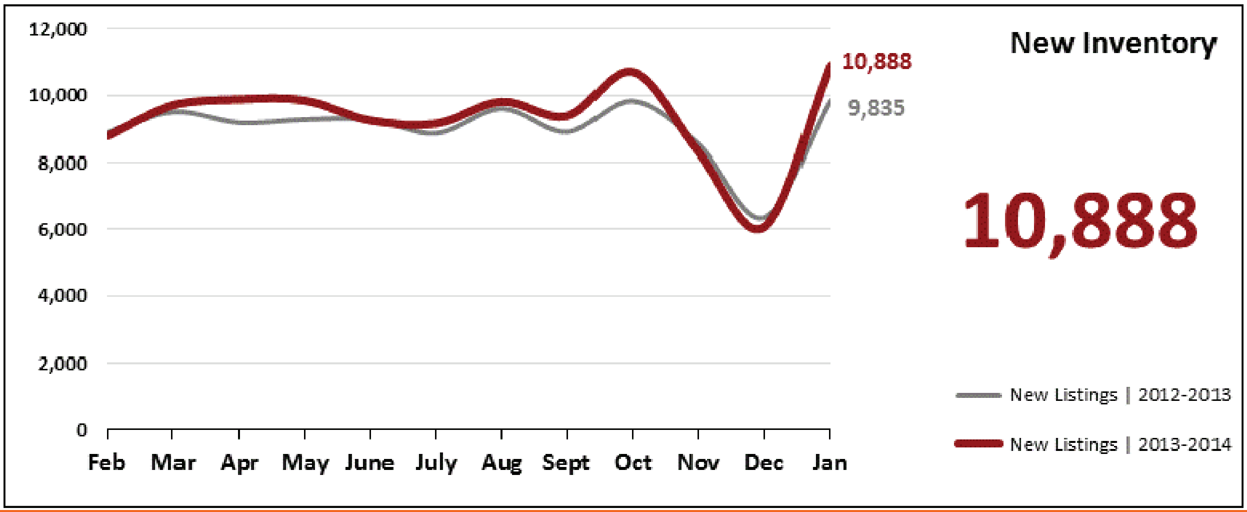
MONTHLY SALES



-17.1%, year-over-year

-19.6%, month-over-month

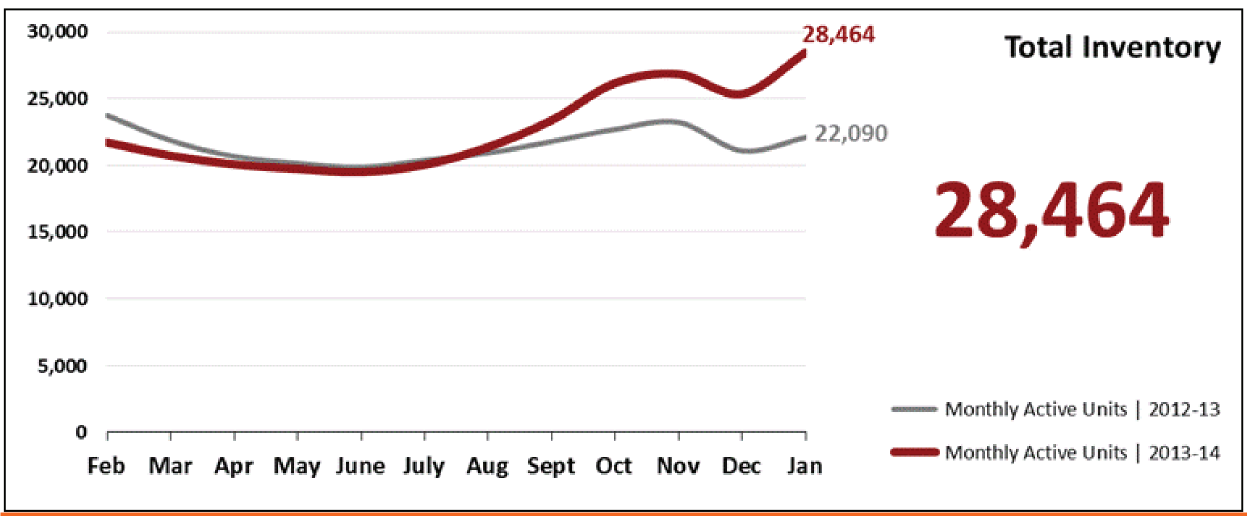
NEW INVENTORY



+10.7%, year-over-year

+79.5%, month-over-month

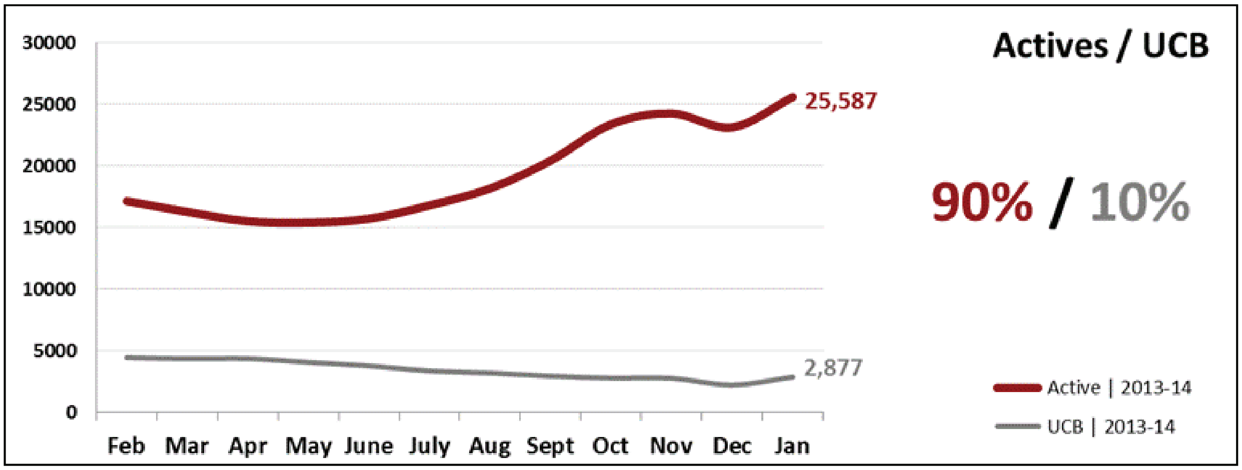
TOTAL INVENTORY



+28.9%, year-over-year

+12.2%, month-over-month

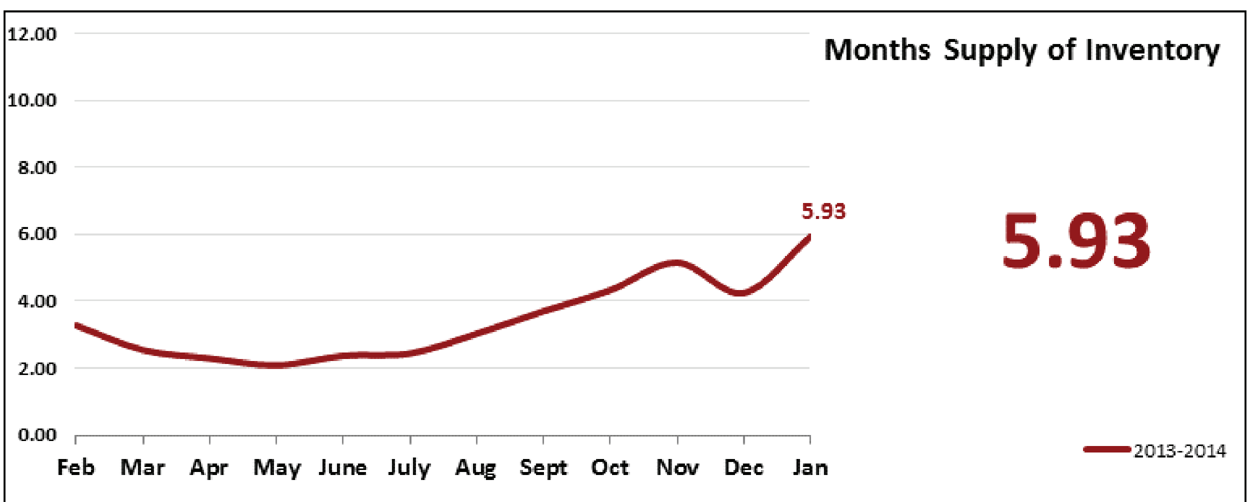
ACTIVES / UCB



8.8%, December 2013 UCB percent of total Active

10.01%, January 2014 UCB percent of total Active

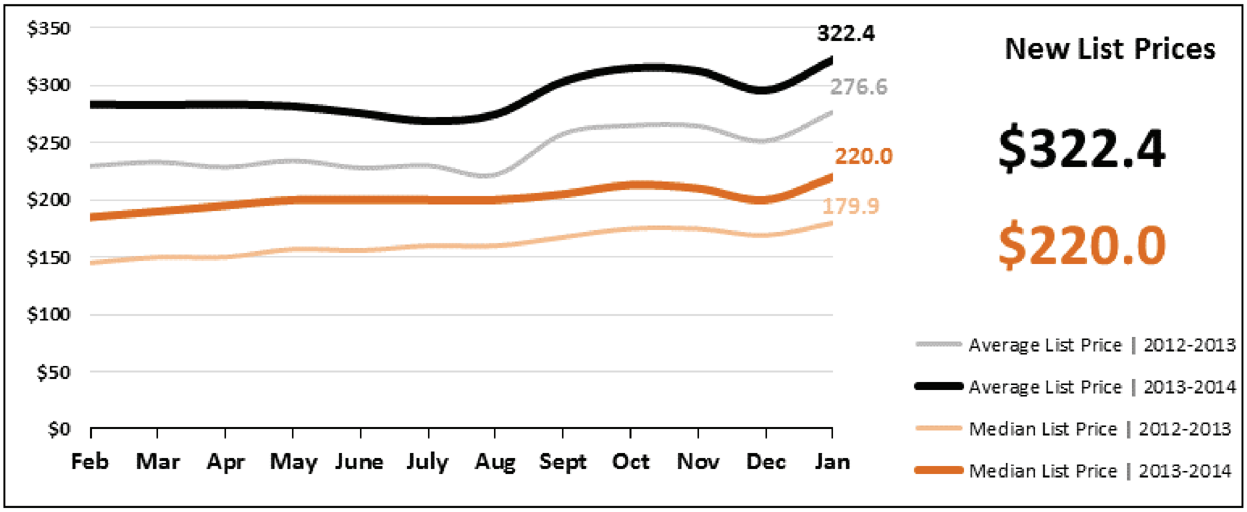
MONTHS SUPPLY OF INVENTORY



4.25, MSI December 2013

5.93, MSI January 2014

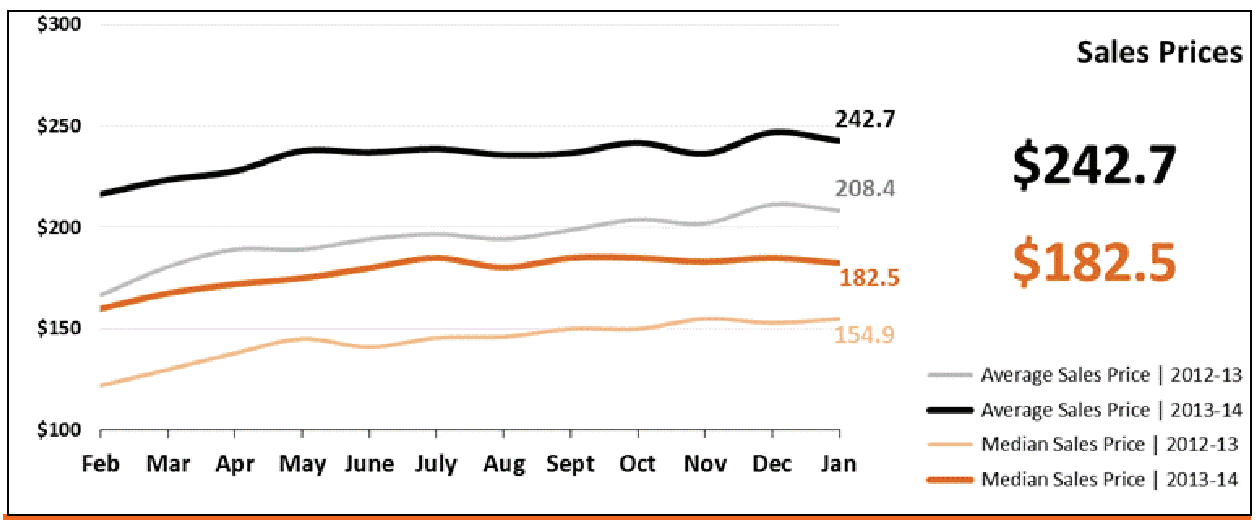
NEW LIST PRICES



+16.6%, year-over-year average

+22.3%, year-over-year median

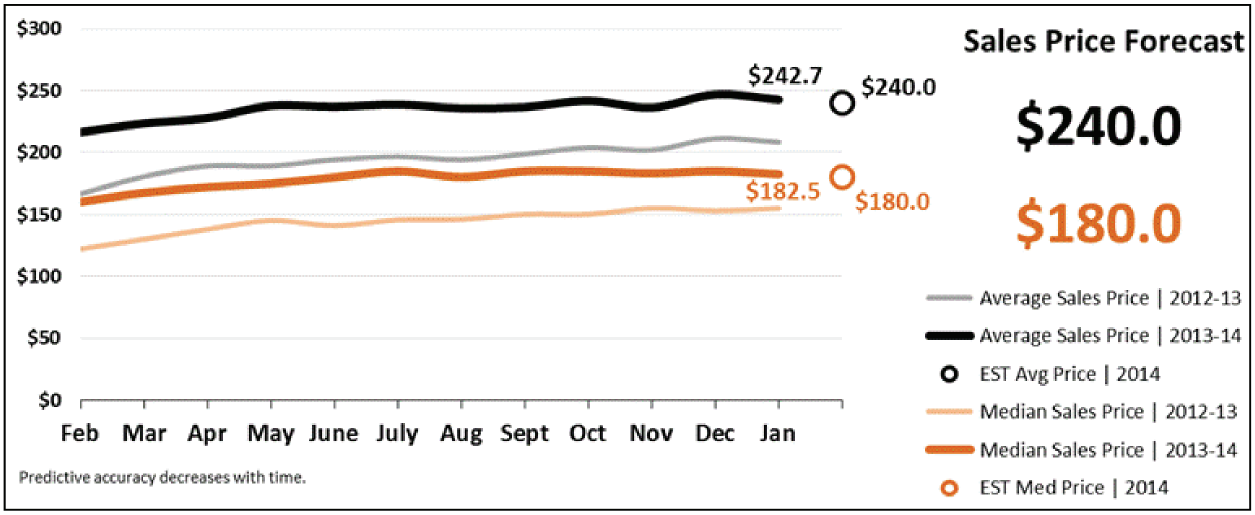
SALES PRICES



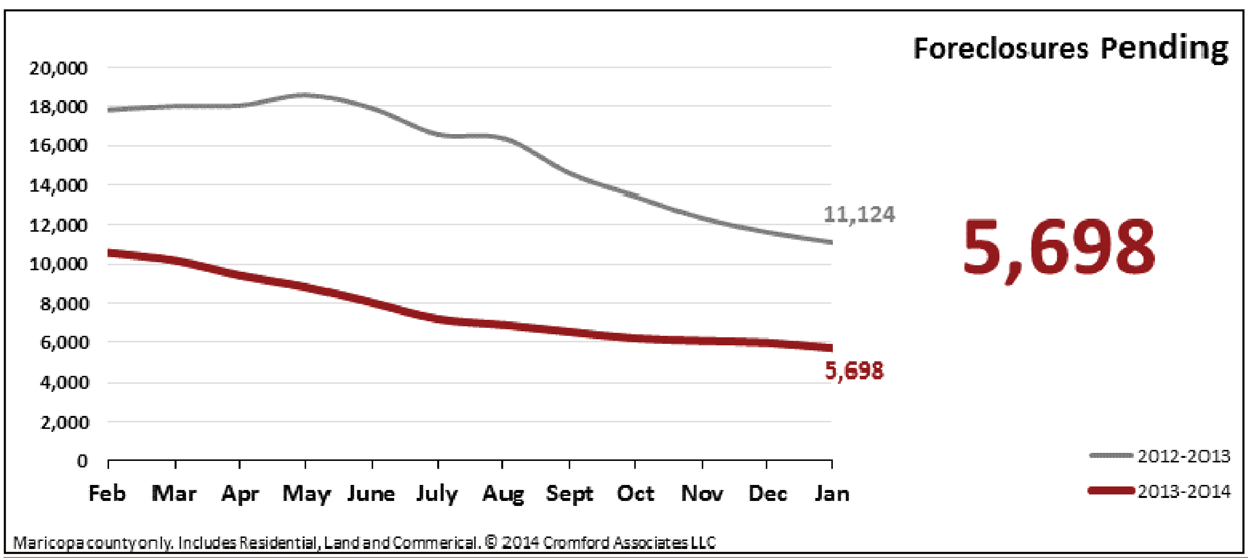
+16.5%, year-over-year average

THE ARMLS PENDING PRICE INDEX™

SALES PRICE FORECAST



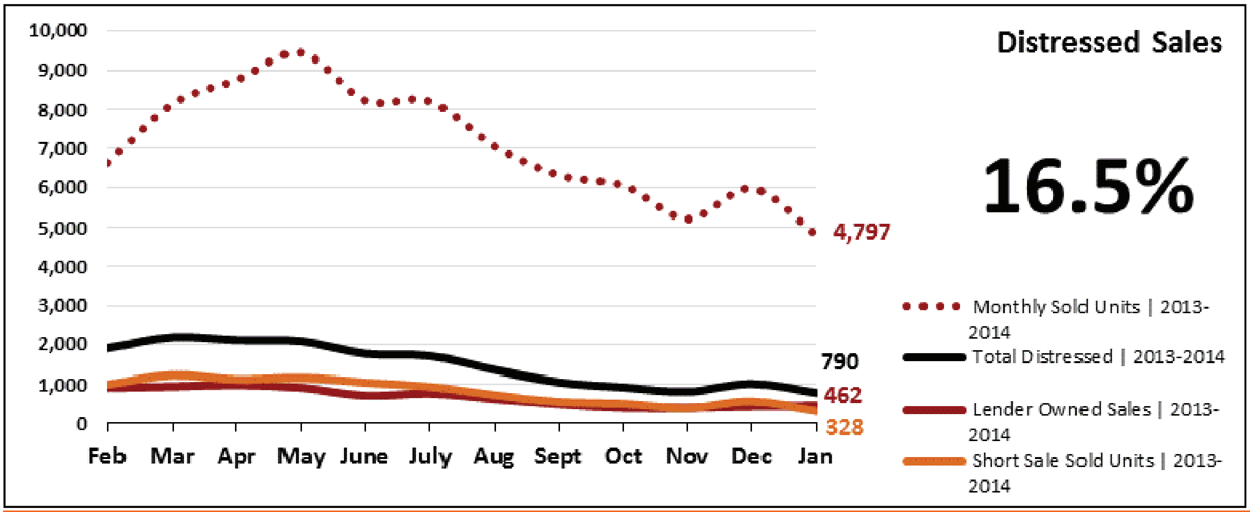
FORECLOSURES PENDING



-48.8%, year-over-year

-4.6%, month-over-month

DISTRESSED SALES

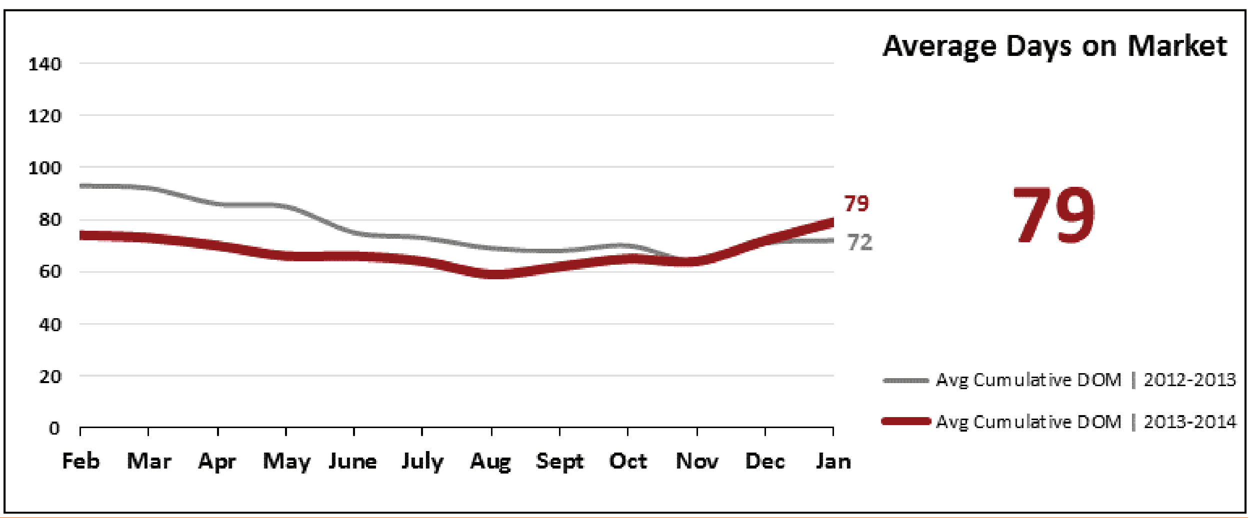


-67.8%, short sale units year-over-year

-50.7%, lender owned units year-over-year

-59.6%, total year-over-year

AVERAGE DAYS ON MARKET



+7, year-over-year

+7, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

The month of January has accounted for the lowest monthly sales volume 11 out of the last 13 years. Data for the last 13 years also shows us sales volume in February is greater than January, and volume is always greater in March than February. This insight validates the adage that our real estate season begins as the Super Bowl ends.

This year the consensus among most market observers is 2014 sales volume will be comparable to 2013 with prices increasing 5% to 7%. Over the past couple of years, my outlook has been far more positive than most local pundits and much more positive than the national experts. This year, I find myself with a more pessimistic view than my colleagues. ARMLS reported 4,797 sales in January 2014, down 17.1% from 5,789 in January 2013 and 18.4% below our five year running average of 5,882. We also saw a drop in newly constructed homes purchased year-over-year with only 565 new builds in January 2014 compared to 743 January 2013.

As the demand side of our housing equation has been weakening, new listings have been increasing, up 10.7% over January 2013. When you view the STAT monthly Sales Volume and Total Inventory charts, you can clearly see the trending disparities between supply and demand over the past six months. February begins the month with 28,464 total listing which is below the 30,000 listings we would describe as typical. However, the total number of listings by itself is not concerning. Concerns lie on the demand side as defined by the number of pending sales contracts. Last year at this time there were 9,500 pending sales contracts but at this moment there are only 5,728, a 40% drop. We have far less momentum going into our season than last year at this time.

In the November 2013 issue of Stat we stated, "We are presently in what can best be defined as a balanced market, but with supply increasing and demand rapidly falling, we are quickly moving into a buyer's market." It might well be time to change our market definition from a balanced market to a buyer's market. This is good news for buyers, as more choices and less competition places them in a far stronger negotiating position. Incidentally, the November 2013 sales volume of 5,206 was below the total in January 2013 at 5,789. 2013 and 2007 were the two years where the sales volume in January was not the lowest of the year.

We've discussed sales volume and pending sales contracts, but what has this meant to prices? Both the average priced new listing and the median priced new listing were up month-over-month. The average priced new listing in January 2014 climbed 9.1% over December 2013 to $322,400. While the median priced new listing rose 10.1% to $220,000 from $199,000 in December 2013. This uptick most likely set sellers expectations and reality on a collision course. Closed sales in January reported a median sales price of $182,500, down 1.4% month-over-month and up 17.8% year-over-year. The appreciation of home values took place between January 2013 and June 2013 with prices relatively flat over the remainder of the year. This trend leads us to expect annual price appreciation this year in the same manner.

The median priced home has been wobbling between $180,000 and $185,000 since last June. Last month the ARMLS Pending Price Index projected the median sales price in January to be $182,200 and $180,000 in February. Earlier I mentioned most forecasters are predicting a 5% to 7% increase in home prices in 2014, I also stated I was more pessimistic. I would not be surprised if prices remained flat in 2014 or even fell slightly, around 5%. As I stated last month, a year where prices show modest fluctuations up or down will be a good thing.

I see 2014 shaping up as a transitional year, moving away from an investor driven market to a market driven by the traditional buyer. Over the last five years we've seen homeownership rates decline as foreclosures and short sales soared, creating a huge demand for rentals. The investors purchasing these rentals and driving our market have taken a big step back as prices increased and cap rates declined. Looking ahead, this creates new opportunities. As we move forward, it will be important to educate renters on the merits of homeownership and assist them in the process with lending policies being key.

At a recent speaking engagement Frank Nothaft, the chief economist with Freddie Mac, projected 2014 will be the first time since 2000 that most of the home loans made in America will be for purchasing a house. Nothaft said, "As we get to the spring home buying season, we are going to see it flip-flop from what it has been in the last few years. So many people have refied [refinanced] in the last few years there is a dwindling pool of homeowners." With fewer refi's taking place, mortgage lenders will appear as welcomed partners as they begin directing their advertising efforts towards homeownership and their efforts will be aimed directly at the large pool of renters and the two groups which comprise it, millennials and boomerang buyers.