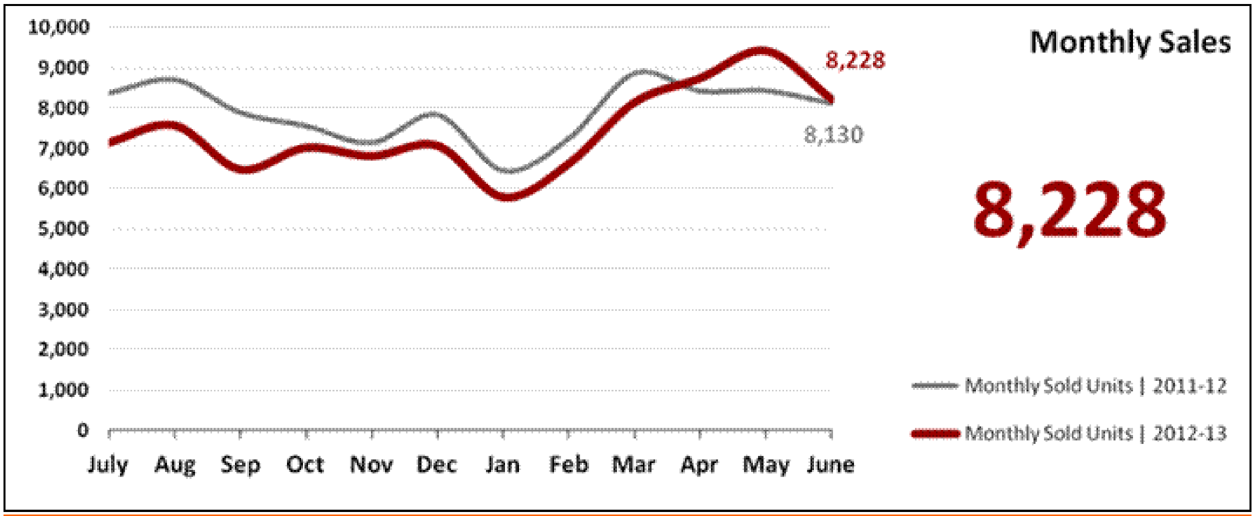
your monthly statistics for the Phoenix Metro area

ARMLS® STAT - July 11, 2013

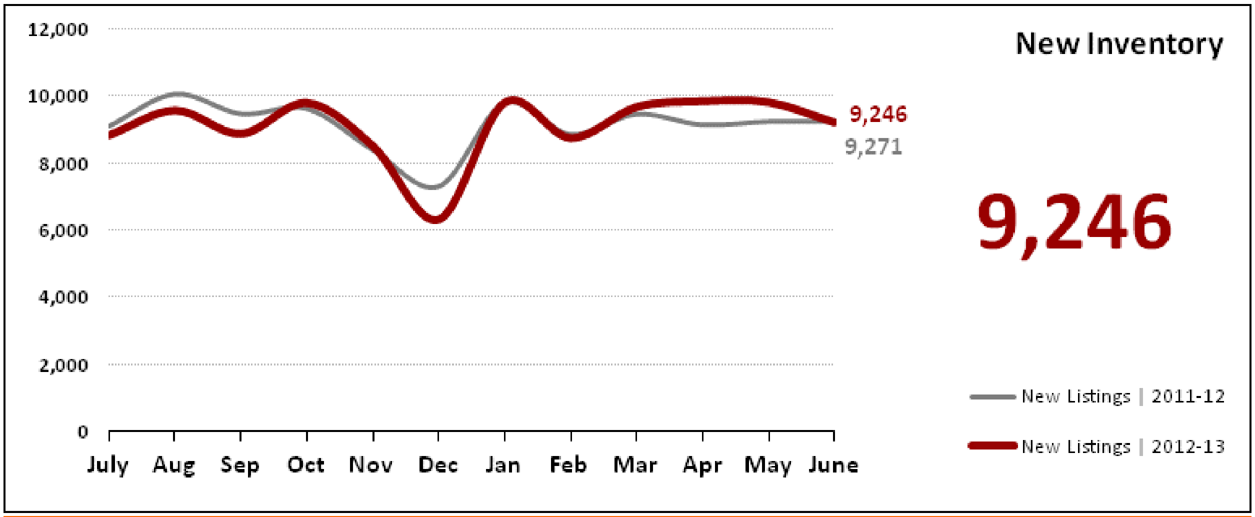
MONTHLY SALES



+1.2%, year over year

-12.8%, month over month

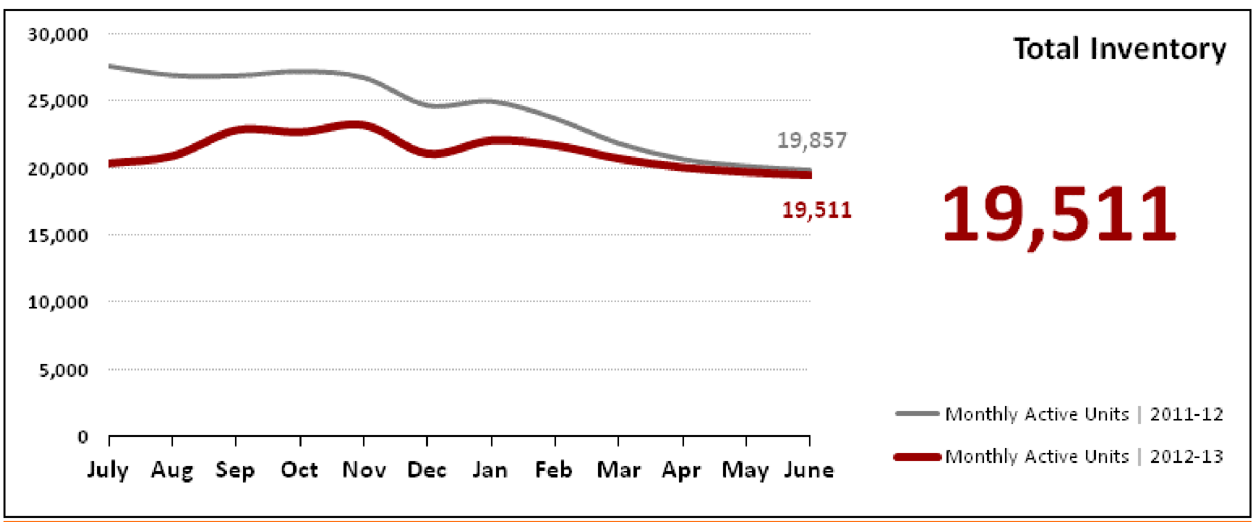
NEW INVENTORY



-.3%, year over year

-6.1%, month over month

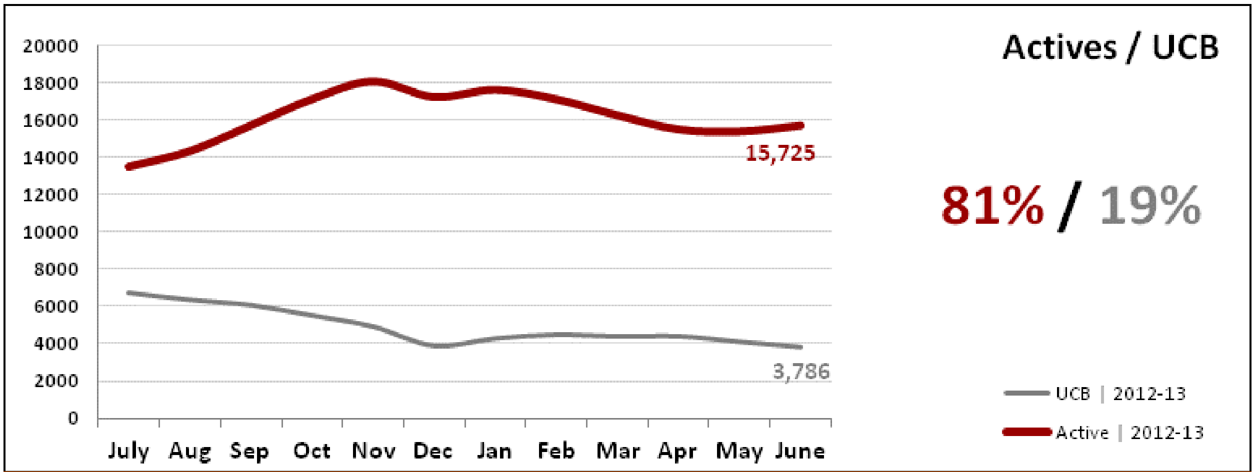
TOTAL INVENTORY



-1.7%, year over year

-1.1%, month over month

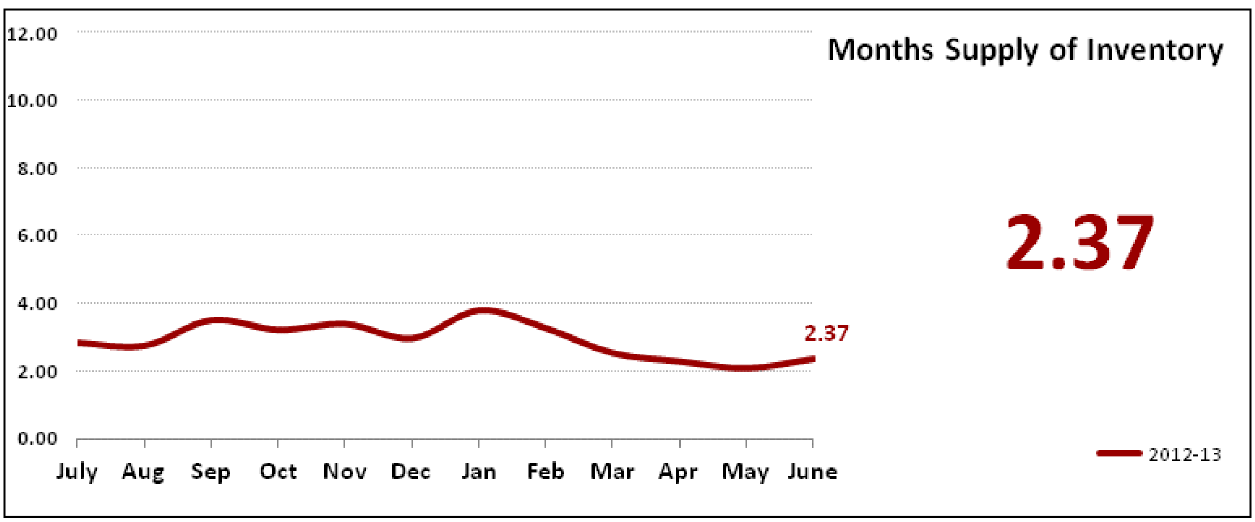
ACTIVES / UCB



20.6%, May UCB percent of total Active

33%, July 2012 UCB percent of total Active

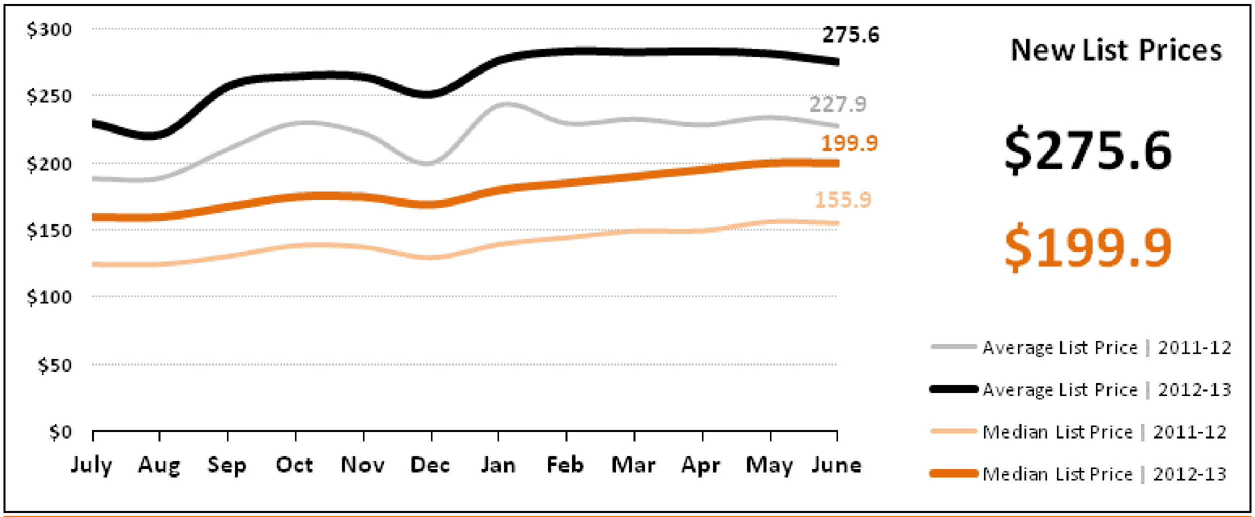
MONTHS SUPPLY OF INVENTORY



2.18, MSI July 2012

2.09, MSI May 2013

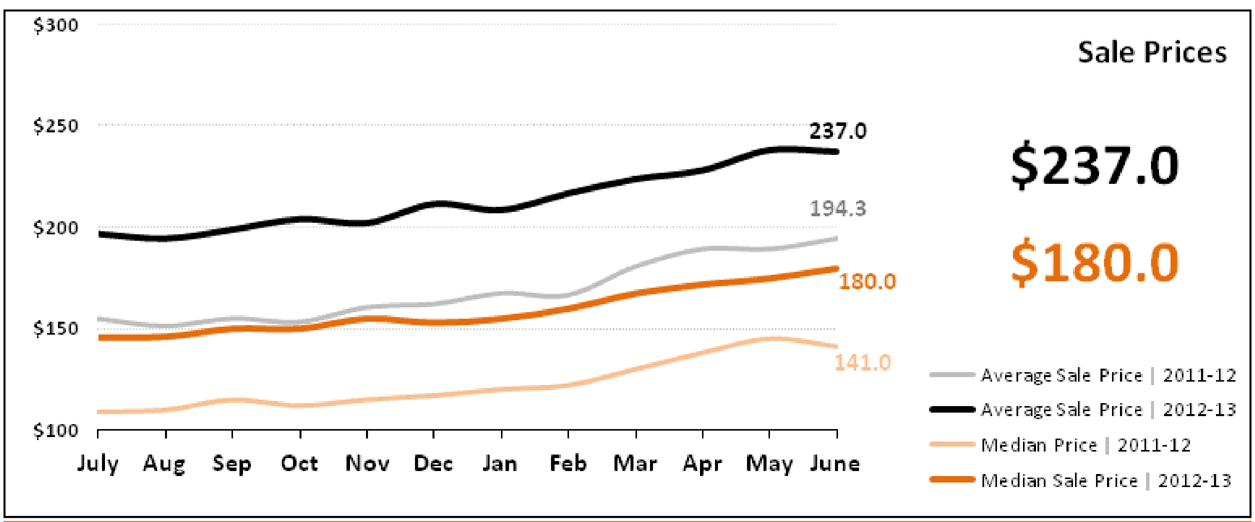
NEW LIST PRICES



+28.2%, year over year median

+20.9%, year over year average

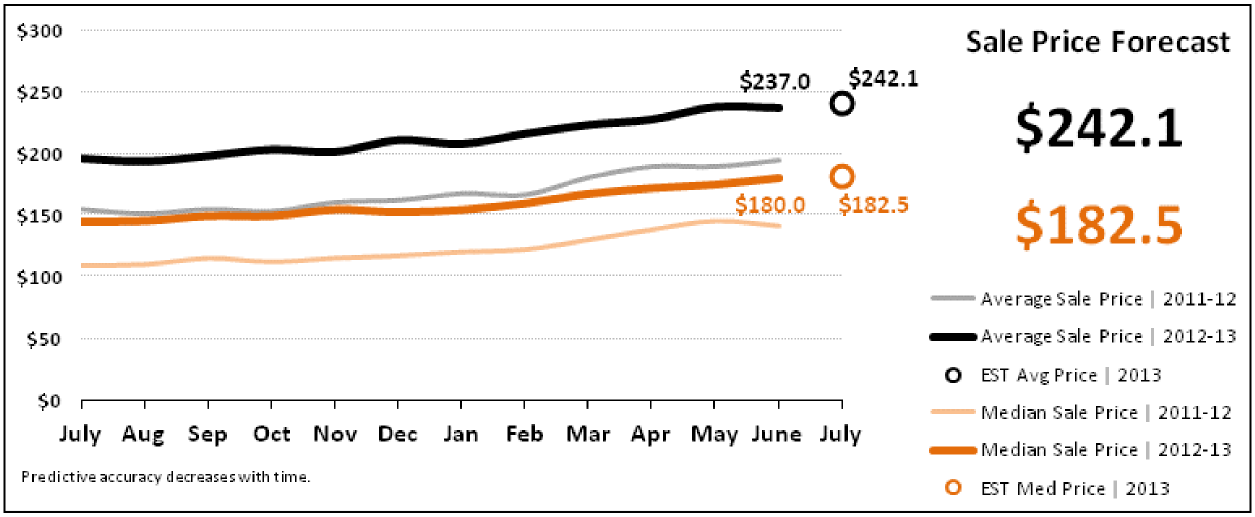
SALES PRICES



+27.7, year over year median

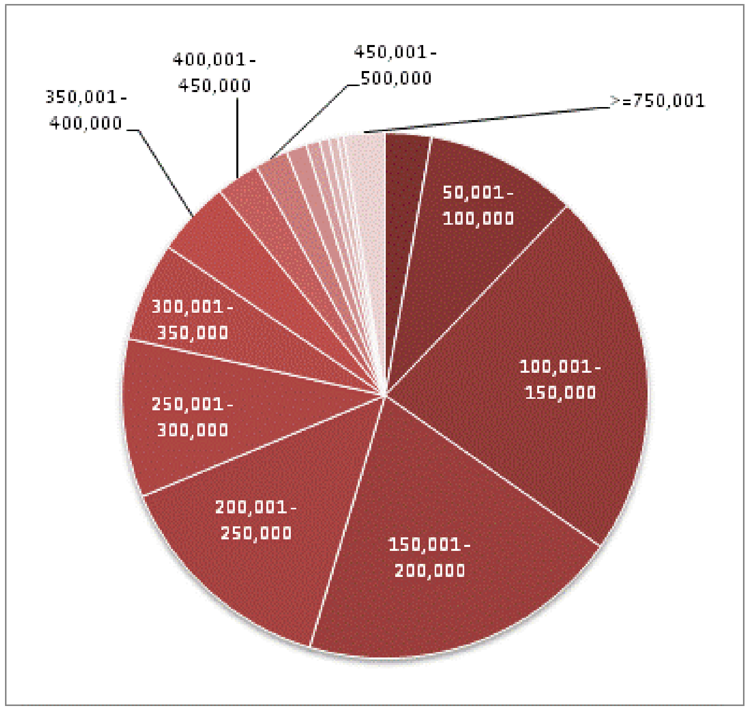
+22%, year over year average

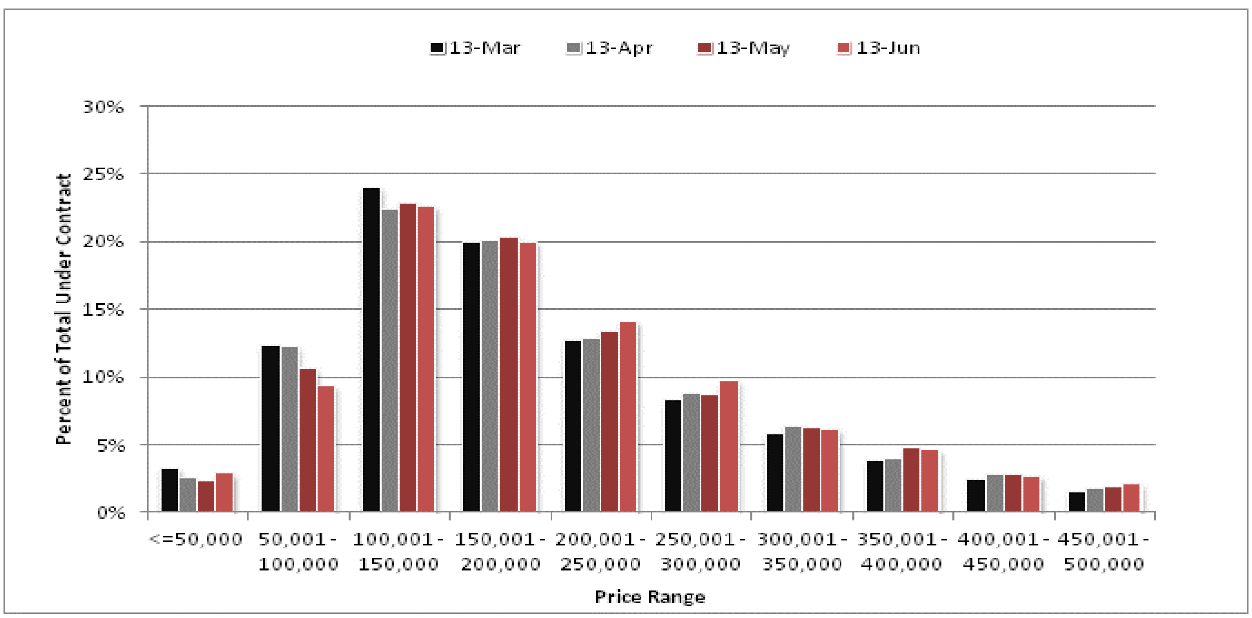
THE ARMLS PENDING PRICE INDEX™



PPI SUPPLEMENT

Pending Contracts Signed In June		
Price Range	PPI Units	Units % of Total
<=50,000	205	2.24%
50,001 - 100,000	674	10.56%
100,001 - 150,000	1,626	22.81%
150,001 - 200,000	1,438	20.26%
200,001 - 250,000	1,016	13.37%
250,001 - 300,000	701	8.65%
300,001 - 350,000	439	6.19%
350,001 - 400,000	332	4.70%
400,001 - 450,000	193	2.77%
450,001 - 500,000	148	1.86%
500,001 - 550,000	91	1.27%
550,001 - 600,000	60	0.91%
600,001 - 650,000	42	0.74%
650,001 - 700,000	39	0.60%
700,001 - 750,000	28	0.62%
>=750,001	182	2.44%

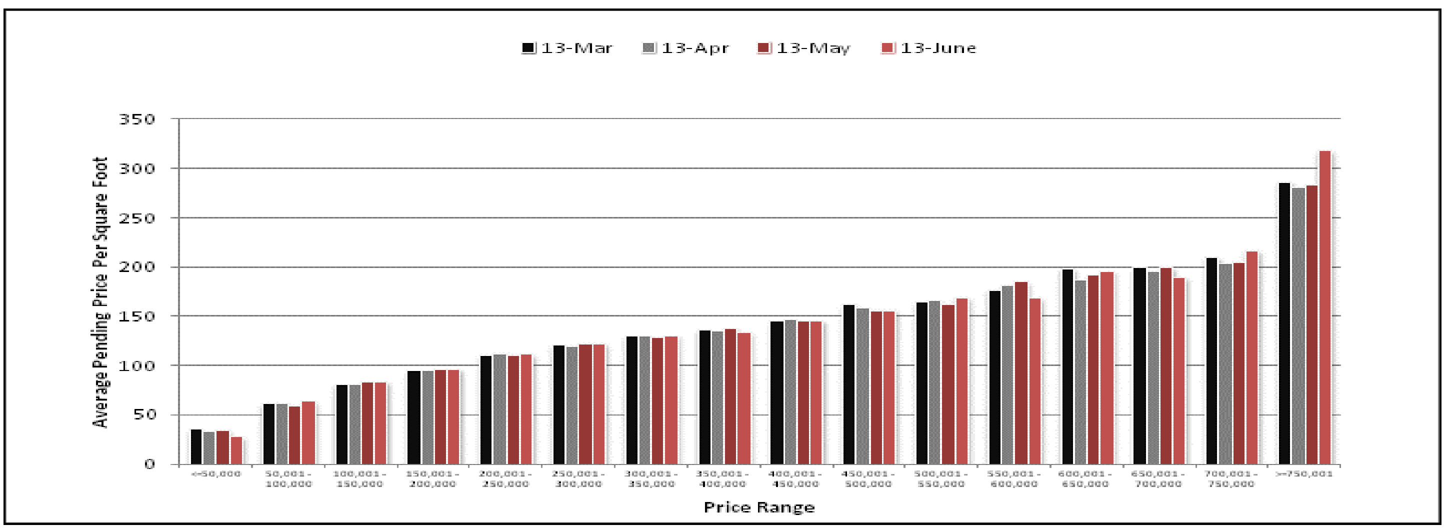




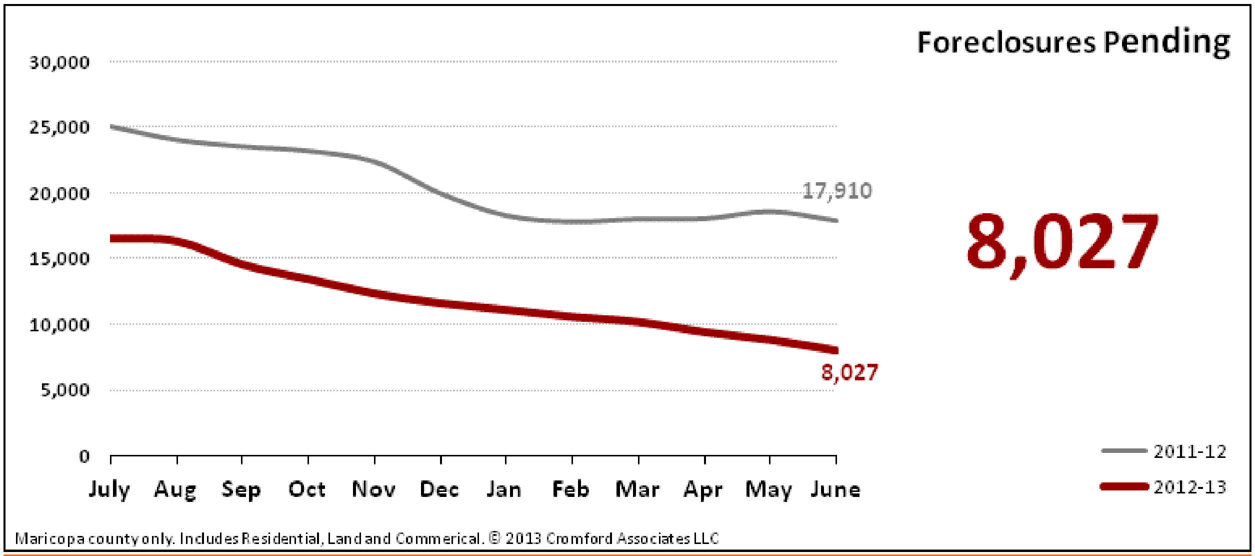
PPI SUPPLEMENT - $/SQ FT

Pending Contracts Signed In May				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	37,955	1,109	178	34
50,001 - 100,000	79,823	1,355	840	59
100,001 - 150,000	128,885	1,549	1,814	83
150,001 - 200,000	174,414	1,809	1,611	96
200,001 - 250,000	226,499	2,039	1,063	111
250,001 - 300,000	275,245	2,243	688	123
300,001 - 350,000	326,681	2,544	492	128
350,001 - 400,000	376,044	2,721	374	138
400,001 - 450,000	425,345	2,929	220	145
450,001 - 500,000	478,365	3,067	148	156
500,001 - 550,000	529,780	3,271	101	162
550,001 - 600,000	577,560	3,125	72	185
600,001 - 650,000	630,257	3,289	59	192
650,001 - 700,000	680,104	3,403	48	200
700,001 - 750,000	732,556	3,570	49	205
>=750,001	1,275,817	4,507	194	283

Pending Contracts Signed In June				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	33,004	1,189	205	28
50,001 - 100,000	79,442	1,252	674	63
100,001 - 150,000	129,321	1,544	1,626	84
150,001 - 200,000	174,019	1,797	1,438	97
200,001 - 250,000	225,865	2,027	1,016	111
250,001 - 300,000	276,072	2,257	701	122
300,001 - 350,000	327,285	2,507	439	131
350,001 - 400,000	375,924	2,814	332	134
400,001 - 450,000	424,215	2,907	193	146
450,001 - 500,000	474,505	3,041	148	156
500,001 - 550,000	528,882	3,126	91	169
550,001 - 600,000	574,680	3,409	60	169
600,001 - 650,000	626,449	3,196	42	196
650,001 - 700,000	677,357	3,571	39	190
700,001 - 750,000	724,745	3,346	28	217
>=750,001	1,448,937	4,556	182	318



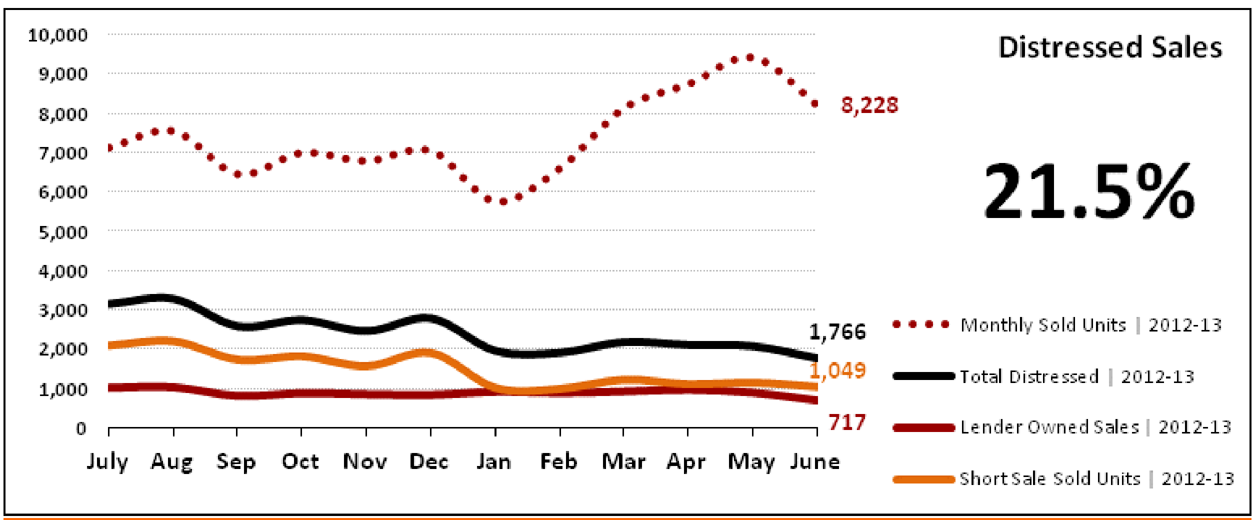
FORECLOSURES PENDING



-55%, year over year

-9%, month over month

DISTRESSED SALES

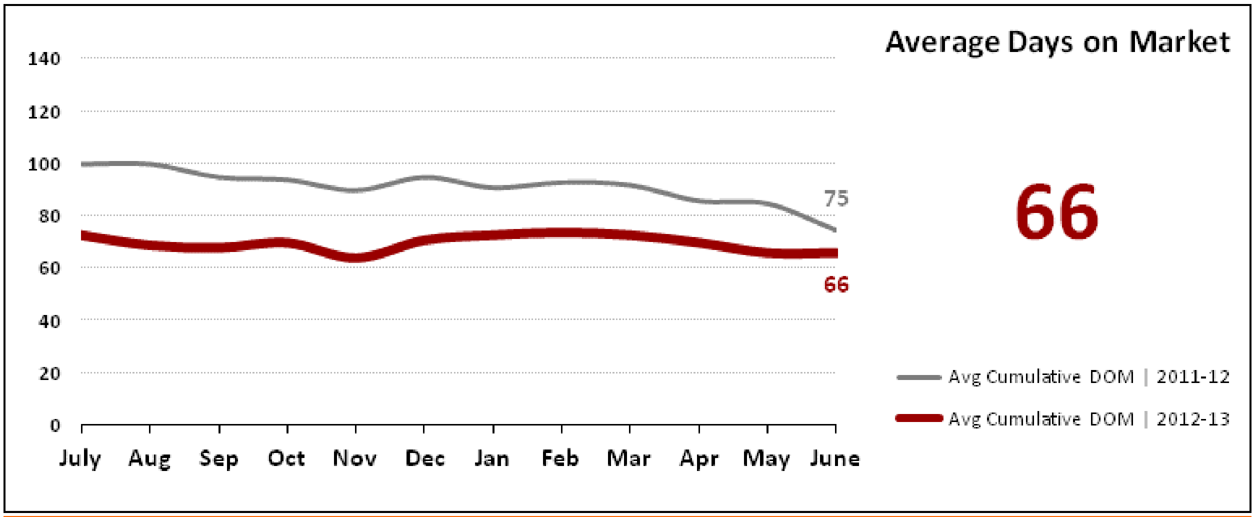


-64.9%, short sale units year over year

-44.1%, lender owned units year over year

-54%, total distressed year over year

AVERAGE DAYS ON MARKET



-9, year over year

0, month over month

COMMENTARY
by Tom Ruff of The Information Market

As spring moves into summer and temperatures rise in Phoenix, it is not uncommon for sales-volumes to slip, as was the case in June. Sales numbers in June were unremarkable totaling 8,228, down from 9,436 in May. Sales volume for this year is slightly ahead of the pace set last year at 8,130; however fell short of the 2009, 2010, and 2011 sales figures. The peak sales volume for June occurred in 2011 when 11,125 homes were sold.

Sales in July are almost always lower than in June. The current number of pending sales is 8,889, which is down from last month's 9,813 and we should expect a further decline next month. This is not unusual, prospective home buyers can't be blamed for preferring mountains and beaches to shopping for homes. Climate has always been a major selling point in Phoenix, but not when it's 119 degrees, unless of course they're coming from the scorching 130 degree weather in Death Valley.

Demand is not our problem, as homes attractively priced are selling quickly as demonstrated by an average of 66 days on the market. Our issue is low supply and the imbalance between the two is clearly reflected by continued price appreciation. The monthly median sales price rose 2.9% from $175,000 to $180,000. The year-over-year increase in the median sales price for all ARMLS sold listings showed a dramatic 27.7% increase. The median sales price is $39,000 higher than last year at this time, up from $141,000.

The average sales price for June was $236,954 which is down from $237,000 in May. The modest decline in the average price in June is not indicative of softening prices, but instead is reflective of fewer sales on the high end. With the current shortage of supply, 19,511 listings in total, upward pricing pressure will continue.

ARMLS is currently showing 15,725 Active and 3,786 UCB listings, 30,000 total active listings is considered typical. UCB listings are down 45% to 3,186 from 6,859 this time last year, which is a significant change. UCB listings are comprised almost entirely of short sales. Pair dwindling short sale numbers with active notices declining 55% year-over-year(17,910 to 8,027) and we have a rapidly declining distressed inventory. While distressed sales still account for 21.5% of our total sales, one year ago they accounted for 46.8%. ARMLS defines distressed sales as a combination of short and REO. If we look at the median price by category in June, the median price for a normal sale was $210,000 and the distressed median was $142,000.

As the level of distress continues to decline in our marketplace, prices will gravitate to the higher price point. New inventory in June was at 9,246 compared to 9,271 a year ago. With the current shortage of supply, and no significant changes coming with new inventory, upward pricing appreciation is inevitable. The Pending Price Index projects an increase in July in both the average and median sales prices.

During the last five years our housing market has been in one painful transition; not unlike the party boy who was dancing on the table with a lampshade on his head all night, having to put on his game face for a 7 a.m. sales meeting the next day. The ramifications of these actions have been both brutal and subtle and the market corrections have been obvious.

The nonexistent underwriting standards of the boom years evolved from 125% equity loans and “no doc no down” purchase loans to a strict and challenging underwriting protocol. The “bad loans” and underwater mortgages in Maricopa County turned into 216,000 home foreclosures and 80,000 short sales, providing what appeared to be an unlimited supply of distressed listings and sales. Of these nearly 300,000 distressed properties, only 3,500 are presently owned by the banks. This ocean of foreclosures and short sales turned displaced homeowners into renters with damaged credit scores. The proverbial pig has been moving through the python.

I mentioned subtle, and you might say, none of this appears subtle. The subtle portion, in June of 2010 the new Arizona Commerce Authority was formed with the mission to aggressively expedite the attraction and retention of high value base sector businesses to the state, and their efforts are bearing fruit. Also subtle, during our period of painful transition, our population has been growing and demand from northern inhabitants for winter residences has remained consistent. While both our real and “winter home” populations are growing, something else has been taking place, or should I say, not taking place. The builders, like the banks, made remarkable adjustments as the housing bubble burst. In 2004, in Maricopa County, 4,000 new homes per month were constructed. We clearly overbuilt, and the builders pulled back. For the years 2009 through 2012, while all our focus was on recovery from the bubble years, new home construction plunged to an average of 630 new builds per month.

Which brings us to today, our housing market is in the final stages of transition from a market dominated by distressed sales to a traditional market. Just as our actions of the past had far reaching effects, the “over corrections” and lack of new construction will impact our future. Our challenges moving forward will clearly rest with an inadequate supply and declining affordability.