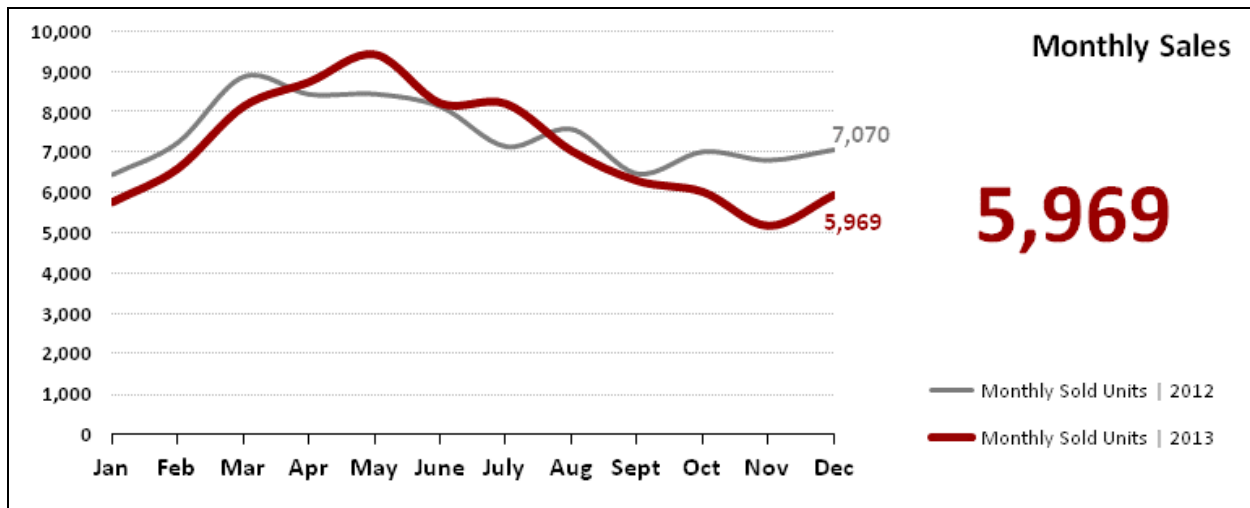




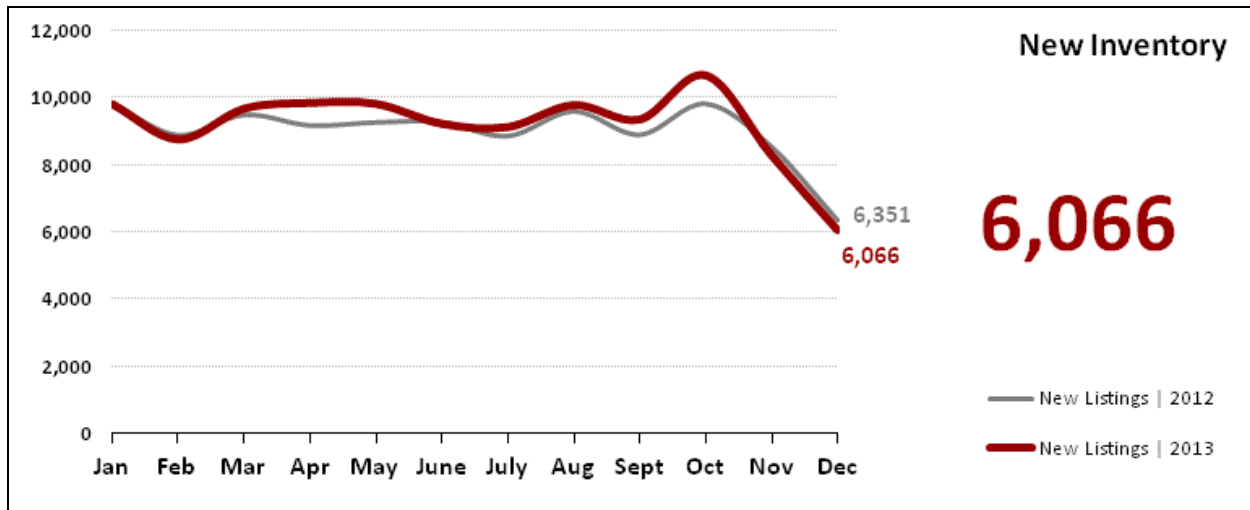
## ARMLS® STAT - January 13, 2014

### MONTHLY SALES



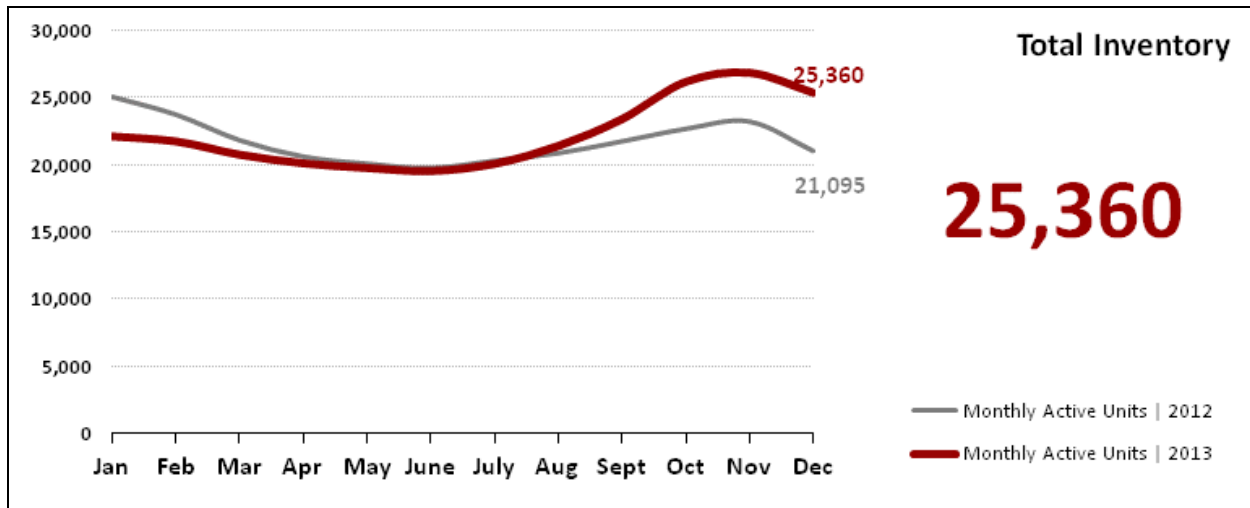
**-15.6%**, year-over-year  
**+14.7%**, month-over-month

## NEW INVENTORY



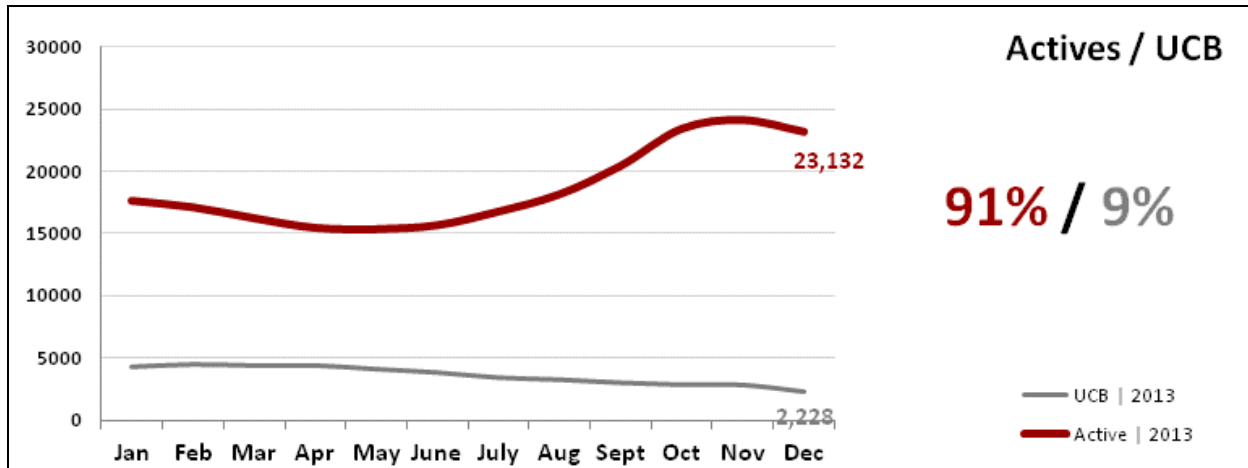
**-4.5%**, year-over-year  
**-27.0%**, month-over-month

## TOTAL INVENTORY



**+20.2%**, year-over-year  
**-5.5%**, month-over-month

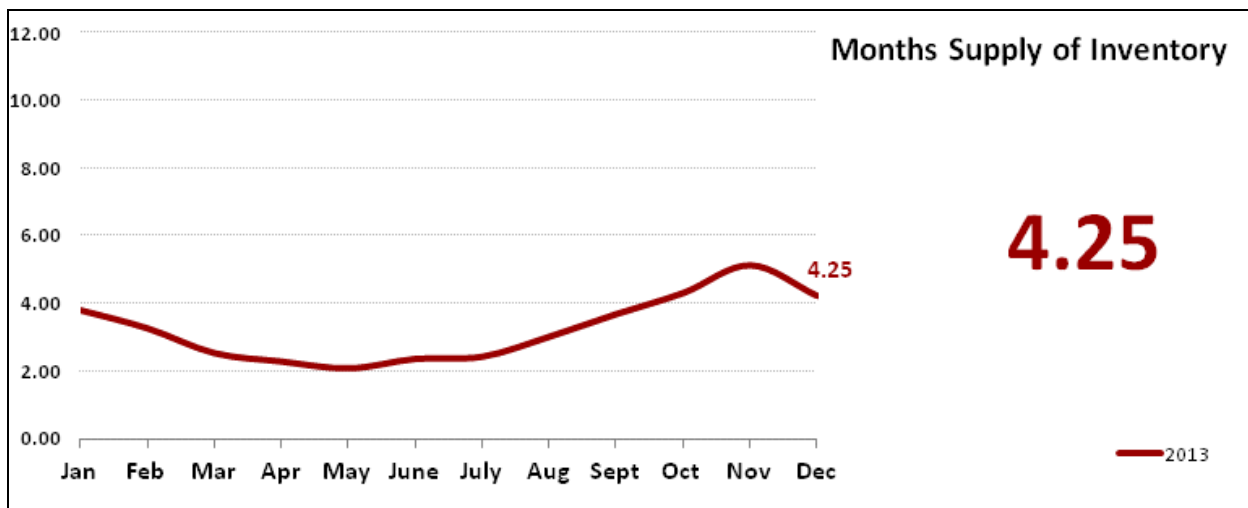
## ACTIVES / UCB



**18.3%**, December 2012 UCB percent of total Active

**10.3%**, November 2013 UCB percent of total Active

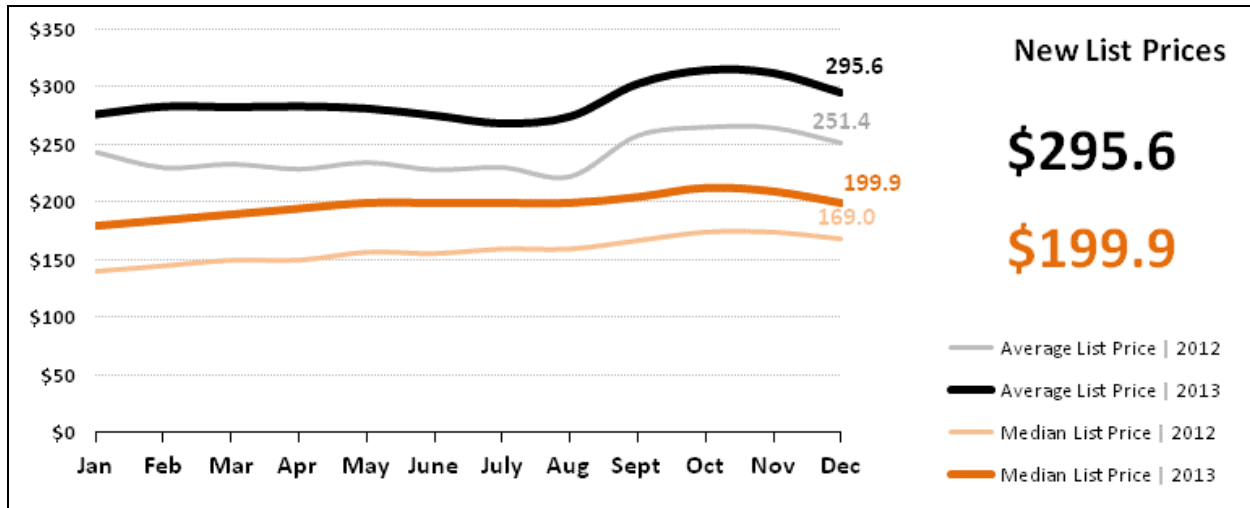
## MONTHS SUPPLY OF INVENTORY



**2.98**, MSI December 2012

**5.16**, MSI November 2013

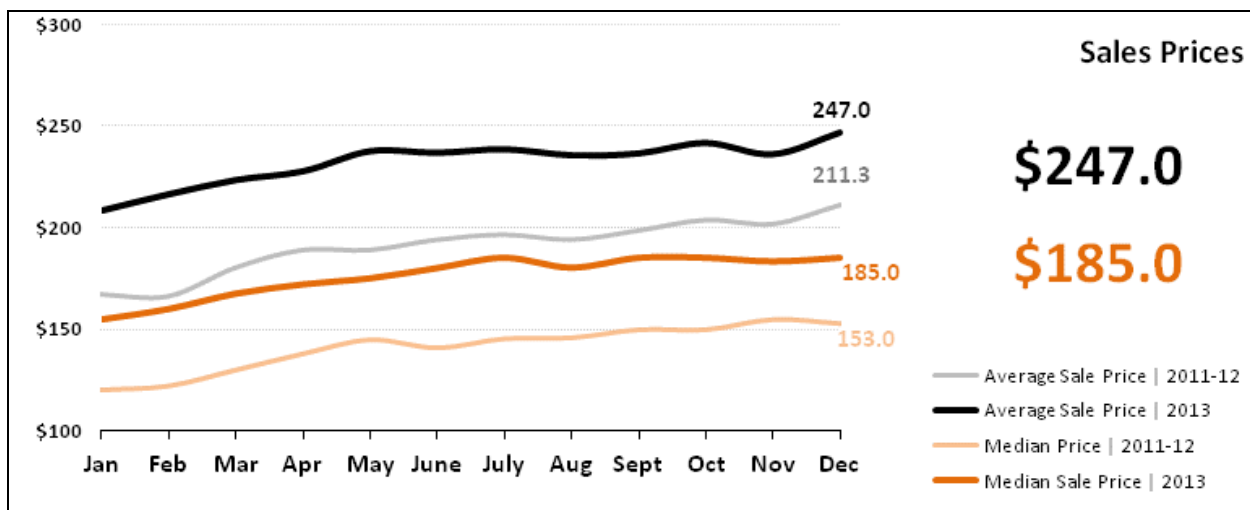
## NEW LIST PRICES



**+17.6%**, year-over-year average

**+18.3%**, year-over-year median

## SALES PRICES

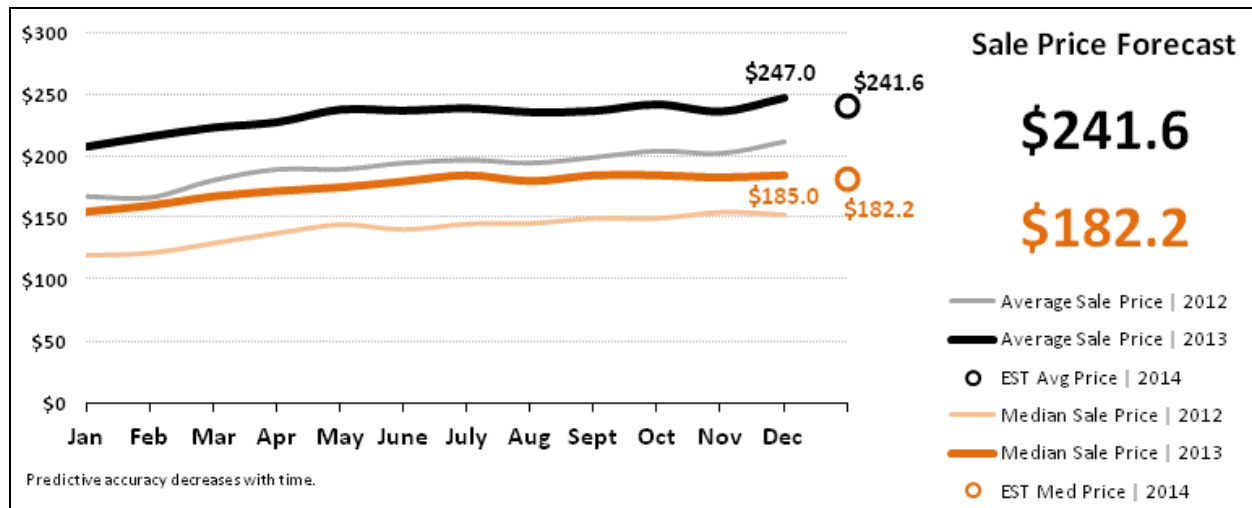


**+16.9%**, year-over-year average

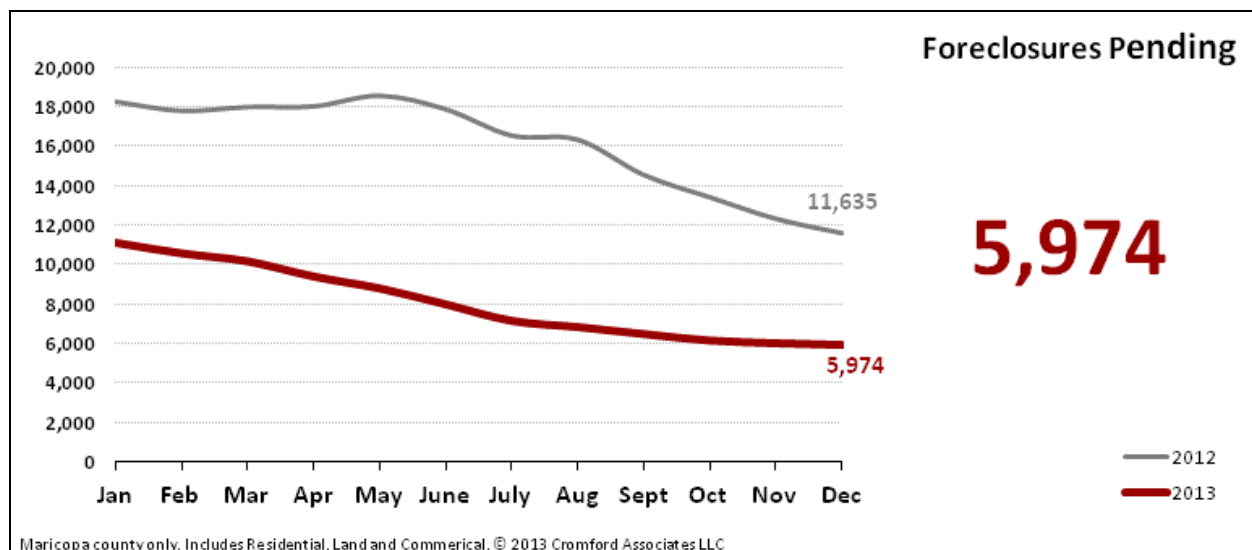
**+20.9%**, year-over-year median

## THE ARMLS PENDING PRICE INDEX™

### SALE PRICE FORECAST



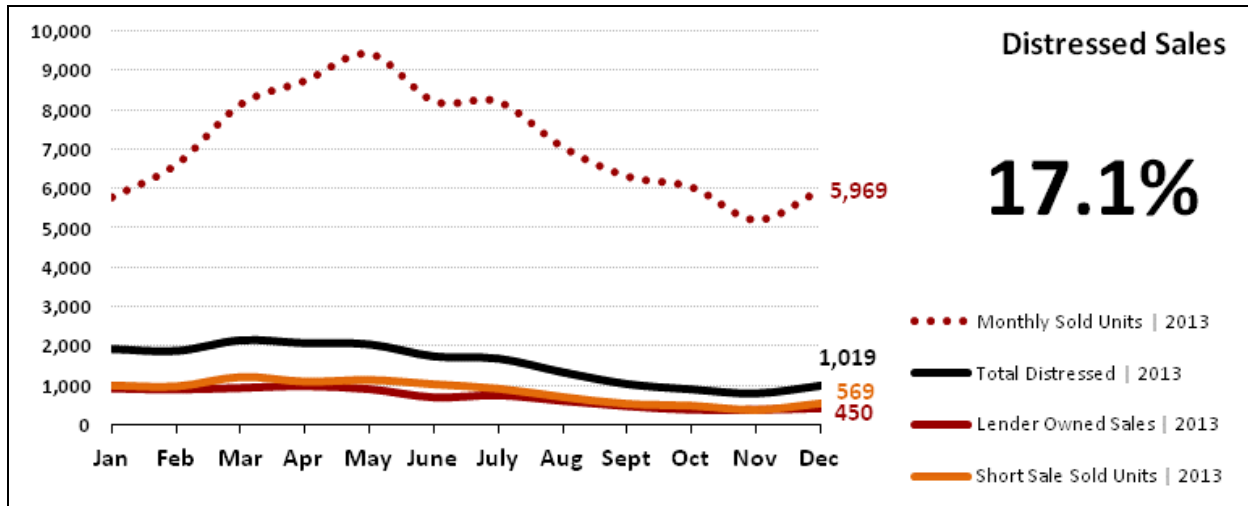
### FORECLOSURES PENDING



**-48.7%**, year-over-year

**-1.5%**, month-over-month

## DISTRESSED SALES

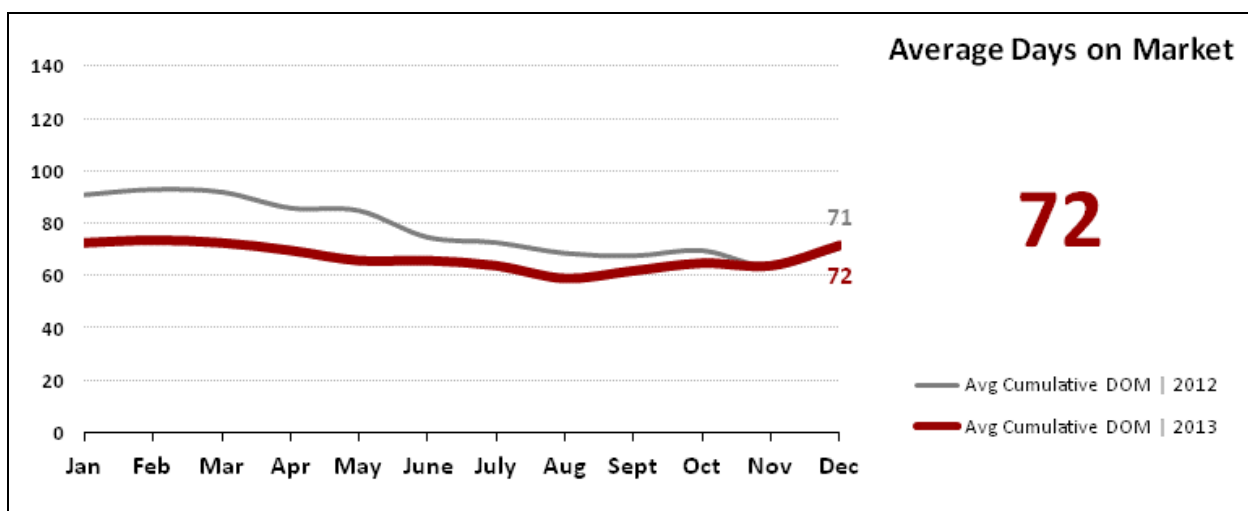


**-70.4%**, short sale units year-over-year

**-47.8%**, lender owned units year-over-year

**-63.4%**, total year-over-year

## AVERAGE DAYS ON MARKET



**+1**, year-over-year

**+8**, month-over-month

## COMMENTARY

by Tom Ruff of The Information Market

### 2013: Year in Review

The end of the year only comes once. That's why we can't pass up the opportunity to focus on how the market fared in 2013. Below you will find a detailed account of 2013 in review instead of our normal month-over-month examination.

#### Home Prices

For the second year in a row sold data shows a strong recovery in sales prices with the average sales price up 16.9% year-over-year. The median sales price was up 20.9%, giving local homeowners restored value and increased equity. The median sales price ended 2013 70% above our May 2011 bottom of \$108,300 and 30% below our June 2006 peak of \$264,800. When we take a closer look at the median sales price appreciation, we see that all the gains took place in the first half of the year. The median sales price ended 2012 at \$153,000 and then appreciated each month through July reaching \$185,000, the exact same price we closed out this year.

#### Sales Volume

When reviewing the total number of homes sold in 2013, we see a familiar pattern, with July again becoming the transitional month. Between January 2012 and July 2012, ARMLS reported 55,727 residential closings. By comparison, 55,228 were reported for the same period in 2013, less than a 1% drop. However, from August 2012 through December 2012 there were 34,953 closings compared to 30,584 for the same period in 2013, off 12.5%. When we compare 2012 to 2013 in their entirety, there were 90,680 home closings in 2012 and 85,812 in 2013, off 5.4%. Again, the declines took place the last five months of 2013.

#### Inventory

We began the year in a seller's market and ended 2013 in what can best be described as a balanced market, with both supply and demand below what might best be described as typical. STAT reported a low in monthly supply of inventory (MSI) at just over 2 months in May 2013 and a high point in November 2013 when it reported 5.1 MSI. We began 2014 with 25,360 active listings, 20.2% higher than 21,095 at the beginning of last year. Low inventory levels were reached in June of 2013 when only 19,511 total homes were listed for sale in-line with seasonal patterns. Listing inventory increased 30% from June through December, for the same period in 2012 the number of homes listed for sale increased only 5.9%. Listings that were priced to sell, sold quickly with the average days on market beginning the year at 73 days and ending the year at 72. The average days on market hit a low point of 59 days in August 2013.

#### Interest rates

The 30-year fixed rate mortgage started 2013 at 3.34% while starting 2014 at 4.53%. In historical context, interest rates are still extremely low. The lowest reported monthly average rate over the last 40 years occurred in December of 2012 and again in January 2013. Looking at the chart below, the rise in interest rates took place between May 2<sup>nd</sup> and July 11<sup>th</sup> when rates moved from 3.35% to 4.51%.

### Distressed Inventory and Sales

As 2013 began, distressed sales accounted for 33.8% of all ARMLS sales. Distressed sales are being defined as either a short sale or bank sale. Distressed sales as a percentage of total sales declined from January through October when distressed sales accounted for 15.3% of our total sales. We saw a slight uptick in distressed sales in November 2013 and December 2013 as a percentage of total sales when they accounted for 15.8% and 17.1% respectively. Today distressed listings account for approximately 20% of listings.

The change in distressed sales activity and listing data is a reflection of foreclosure activity. We began 2013 with 11,635 active notices of trustee's sale and started 2014 with 5,974, a decline of 49%. In 2012, 22,621 residential properties were sold at trustee sale. By comparison, 9,685 residential foreclosures took place in 2013, declining 57%. One new trend emerged in November 2013 on properties being foreclosed was a higher percentage of properties sold at auction began reverting back to the banks. For three consecutive years (2011-2013) third-party purchases accounted for roughly 50% to 55% of all purchases at auction. Half of the foreclosed properties went to investors while the other half became bank owned. In November, 65% of all trustee sales reverted to the lender and in December this number rose to 68%. At first glance this appeared to be a more aggressive pricing strategy on the part of the banks, upon further review, it appears to be diminishing investor interest particularly from a buy-and-hold strategy.

### US 30 Year Mortgage Rate as Published by Freddie Mac

May 2, 2013	3.35%
May 9, 2013	3.42%
May 16, 2013	3.51%
May 23, 2013	3.59%
May 30, 2013	3.81%
June 6, 2013	3.91%
June 13, 2013	3.98%
June 20, 2013	3.93%
June 27, 2013	4.46%
July 3, 2013	4.29%
July 11, 2013	4.51%

Source:

[http://ycharts.com/indicators/  
30\\_year\\_mortgage\\_rate](http://ycharts.com/indicators/30_year_mortgage_rate)

### Investor Activity

When we view investor activity in Maricopa County as defined by the intent to rent the property purchased, again we see July 2013 as the transitional month. In the month of January through the month of July, investors accounted for roughly 25% of all residential purchases. The percentage of investor purchases began to decline after July, declining each of the subsequent five months as well. In December investors accounted for 17.5% of all homes sold. Large institutional investors, which had averaged 600 purchases per month between April 2012 and July 2013, purchased 652 properties in July 2013. August through December, they averaged slightly over 100 purchases monthly with the number of purchases declining each month.

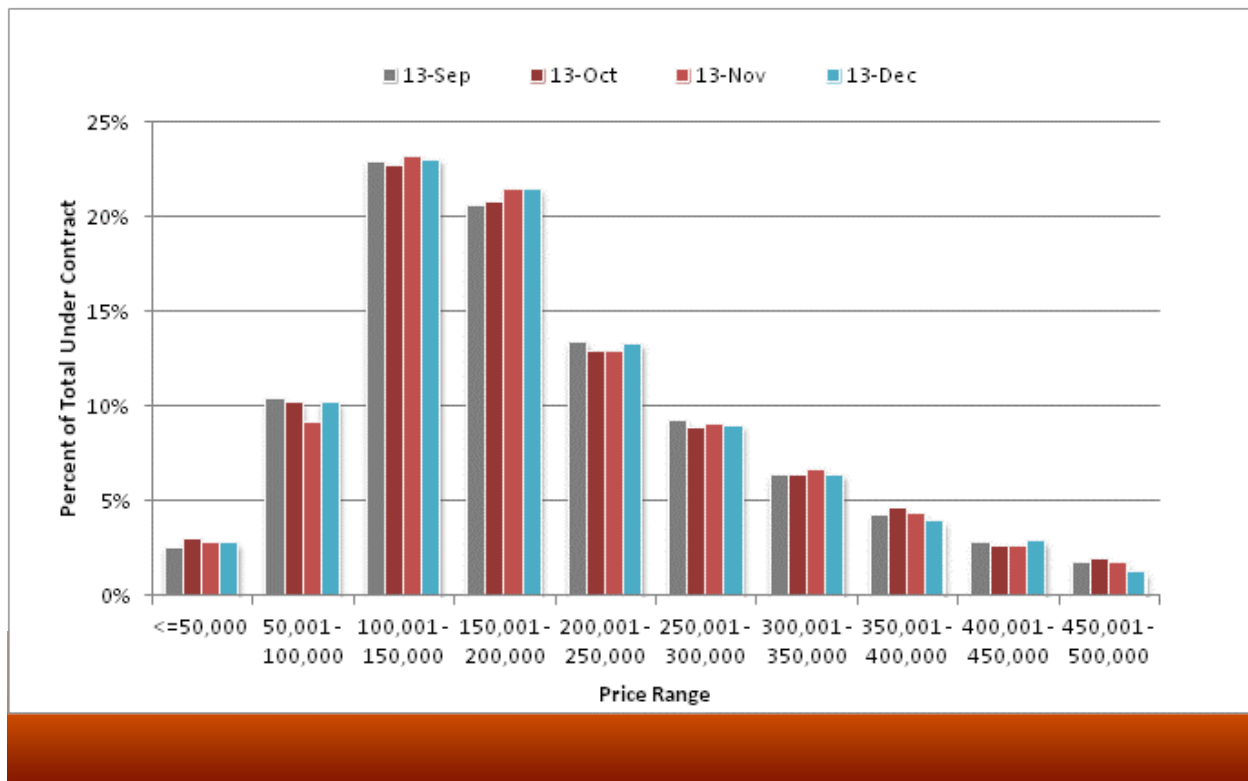
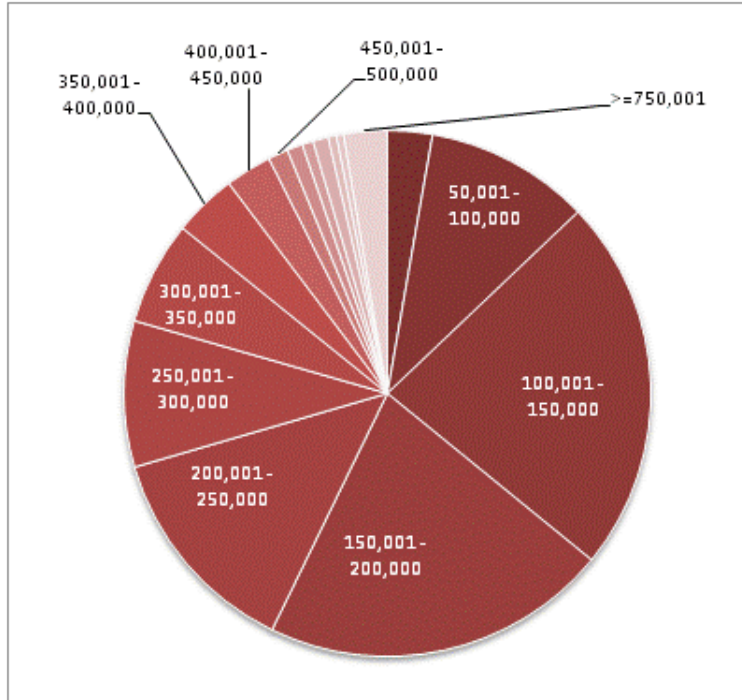
### Looking ahead

We began 2014 reporting 4,719 pending listings compared to 8,051 last year, a drop of 41%. Some of this decline can be attributed to the higher percentage of pending short sales, short sales of course taking a longer period of time to close there by inflating numbers in the beginning of 2013. Regardless, with fewer pending contracts, higher inventory levels, higher interest rates and lower investor demand - 2014 began with far less momentum than 2013. We have clearly moved away from a bargain and investor driven market to a market that will be driven by the traditional buyer. After a decade of rapidly rising prices followed by rapidly declining prices, then followed by rapidly rising prices a normal year where prices show modest fluctuations up or down will be a good thing. It may take time for the traditional buyer to replace the investor, but they will return.



## PPI SUPPLEMENT

Pending Contracts Signed In December		
Price Range	PPI Units	Units % of Total
<=50,000	108	2.75%
50,001 - 100,000	398	10.15%
100,001 - 150,000	901	22.97%
150,001 - 200,000	838	21.37%
200,001 - 250,000	520	13.26%
250,001 - 300,000	351	8.95%
300,001 - 350,000	249	6.35%
350,001 - 400,000	153	3.90%
400,001 - 450,000	112	2.86%
450,001 - 500,000	48	1.22%
500,001 - 550,000	38	0.97%
550,001 - 600,000	27	0.69%
600,001 - 650,000	37	0.94%
650,001 - 700,000	20	0.51%
700,001 - 750,000	17	0.43%
>=750,001	105	2.68%



## PPI SUPPLEMENT - \$/SQ FT

Pending Contracts Signed In November					Pending Contracts Signed In December				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt	Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	31,621	1,161	141	27	<=50,000	34,701	1,122	108	31
50,001 - 100,000	79,489	1,214	472	65	50,001 - 100,000	80,164	1,235	398	65
100,001 - 150,000	128,998	1,510	1,197	85	100,001 - 150,000	128,443	1,505	901	85
150,001 - 200,000	316,667	2,246	1,108	141	150,001 - 200,000	174,016	1,747	838	100
200,001 - 250,000	225,747	1,960	664	115	200,001 - 250,000	226,710	1,957	520	116
250,001 - 300,000	275,344	2,190	465	126	250,001 - 300,000	274,642	2,199	351	125
300,001 - 350,000	326,312	2,395	344	136	300,001 - 350,000	325,995	2,526	249	129
350,001 - 400,000	374,883	2,679	223	140	350,001 - 400,000	376,159	2,745	153	137
400,001 - 450,000	426,726	2,736	134	156	400,001 - 450,000	427,049	2,865	112	149
450,001 - 500,000	478,303	2,895	88	165	450,001 - 500,000	478,969	2,993	48	160
500,001 - 550,000	532,024	3,113	66	171	500,001 - 550,000	529,108	3,031	38	175
550,001 - 600,000	578,705	3,286	47	176	550,001 - 600,000	579,721	3,287	27	176
600,001 - 650,000	630,369	3,456	37	182	600,001 - 650,000	630,449	3,426	37	184
650,001 - 700,000	683,059	3,613	28	189	650,001 - 700,000	679,220	3,488	20	195
700,001 - 750,000	724,520	3,460	26	209	700,001 - 750,000	727,901	3,589	17	203
>=750,001	1,316,821	4,451	134	296	>=750,001	1,410,447	4,380	105	322

