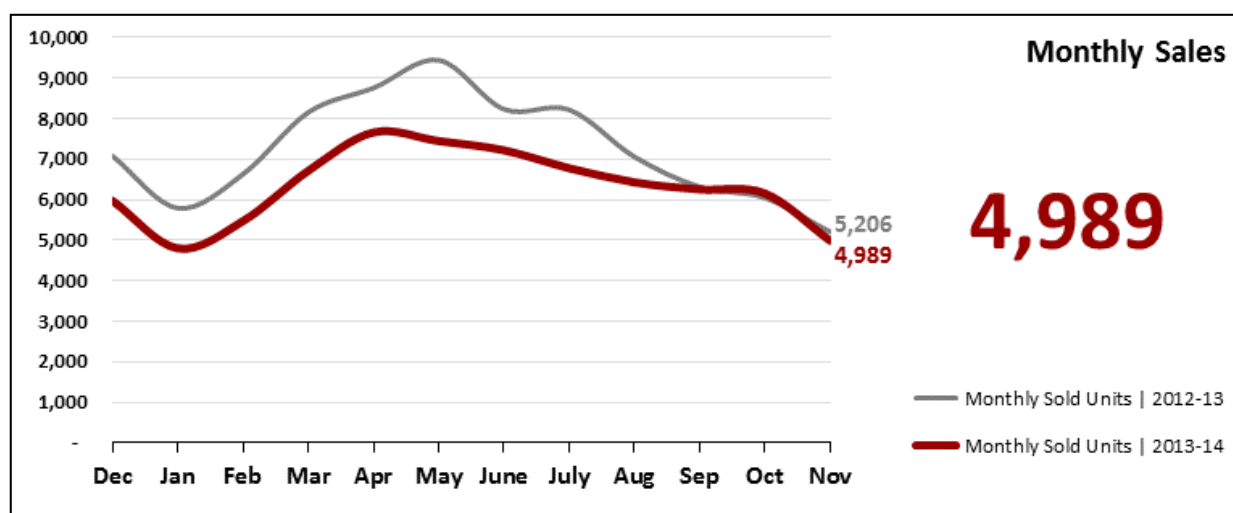




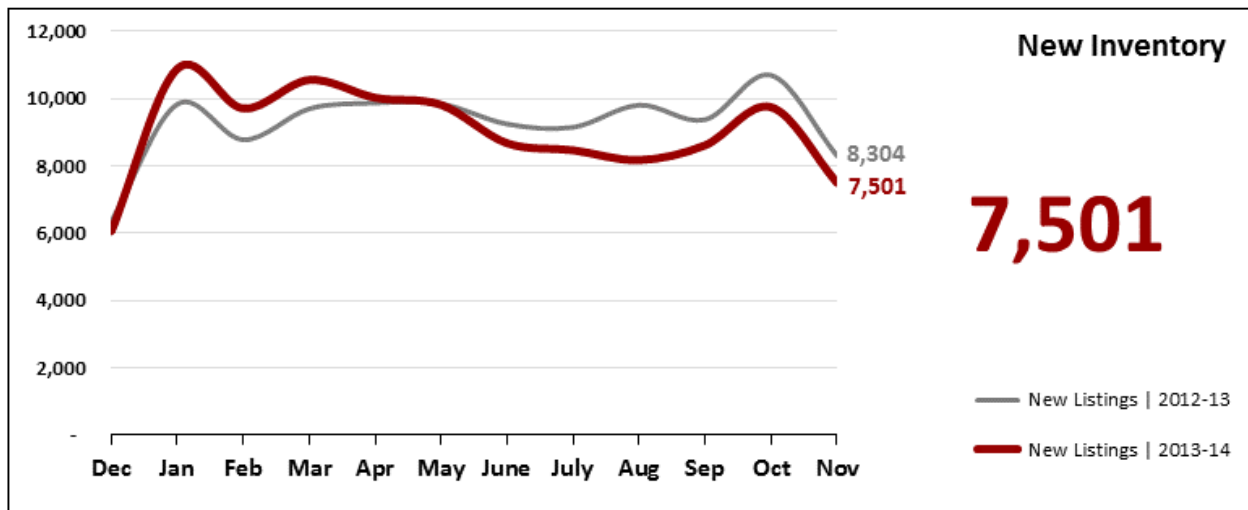
ARMLS® STAT - December 11, 2014

MONTHLY SALES



-4.2%, year-over-year
-18.9%, month-over-month

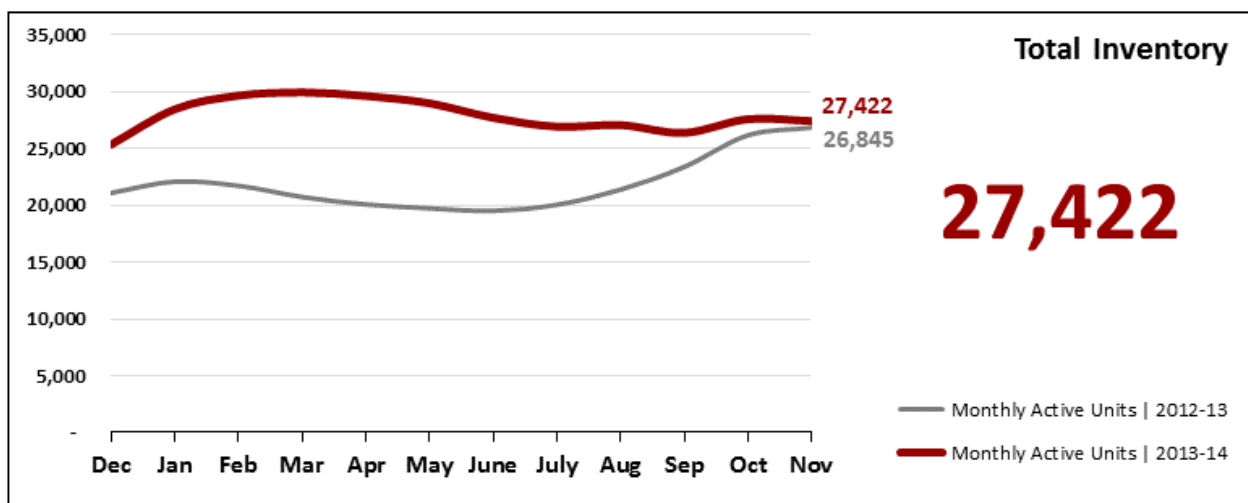
NEW INVENTORY



-9.7%, year-over-year

-23.1%, month-over-month

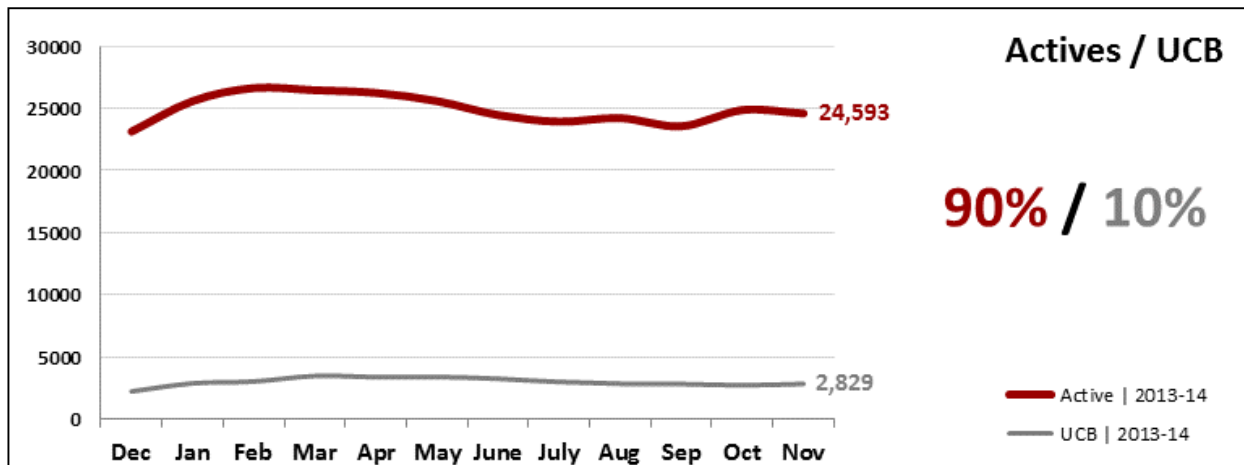
TOTAL INVENTORY



+2.1%, year-over-year

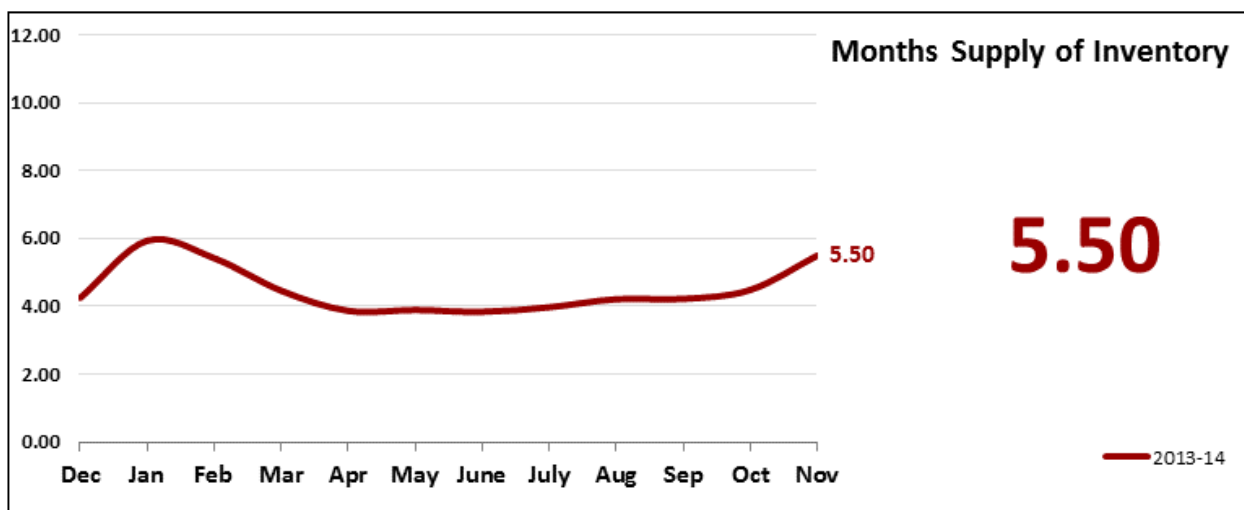
-0.6%, month-over-month

ACTIVES / UCB



+9.9%, Oct 2014 UCB percent of total Active
+10.3%, Nov 2014 UCB percent of total Active

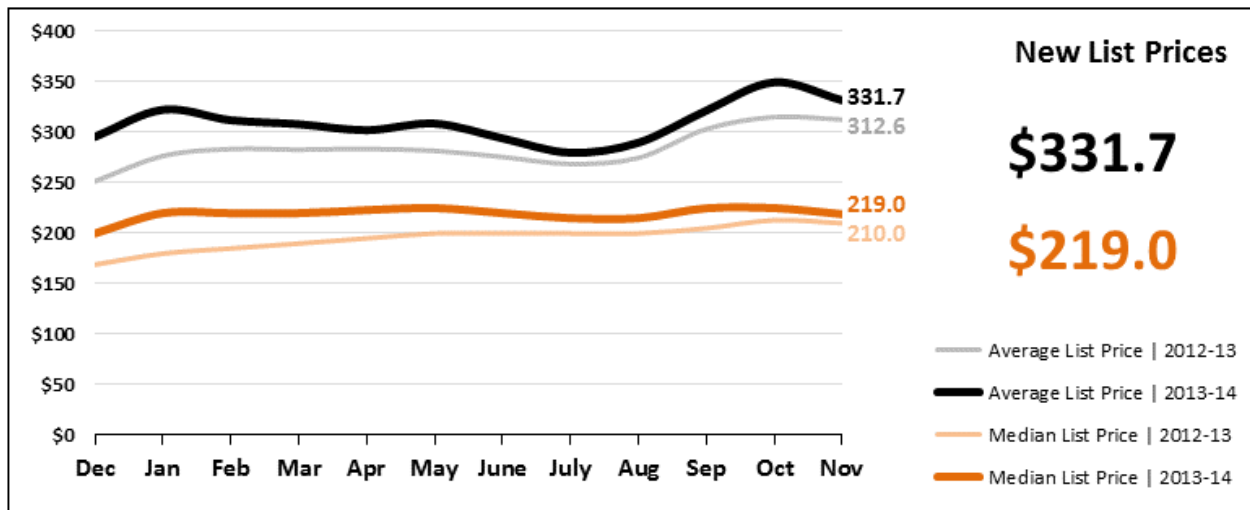
MONTHS SUPPLY OF INVENTORY



4.48, MSI Oct 2014

5.50, MSI Nov 2014

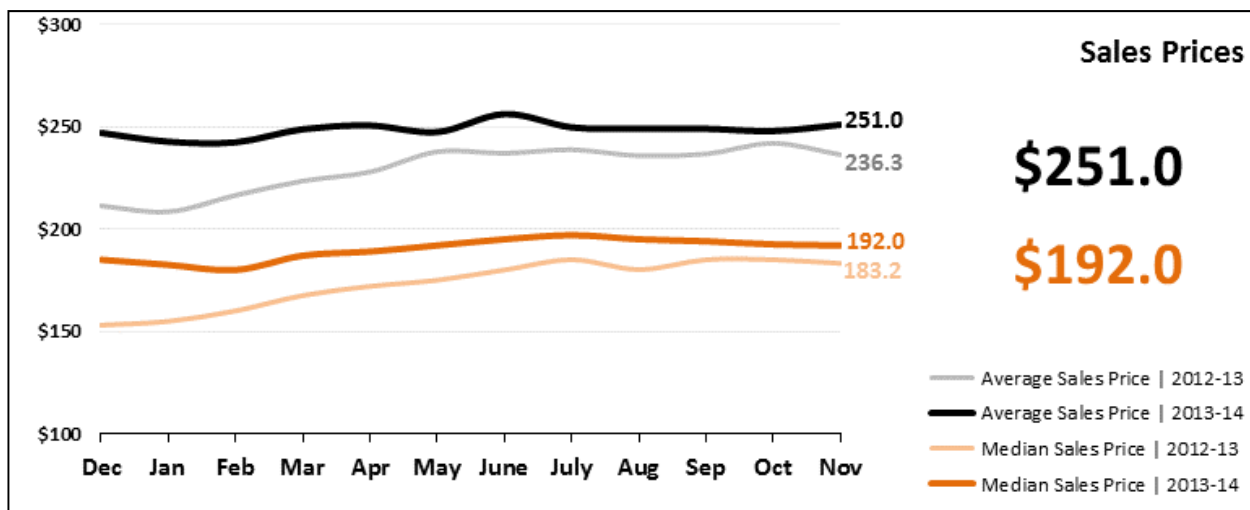
NEW LIST PRICES



+6.1%, year-over-year average

+4.3%, year-over-year median

SALES PRICES

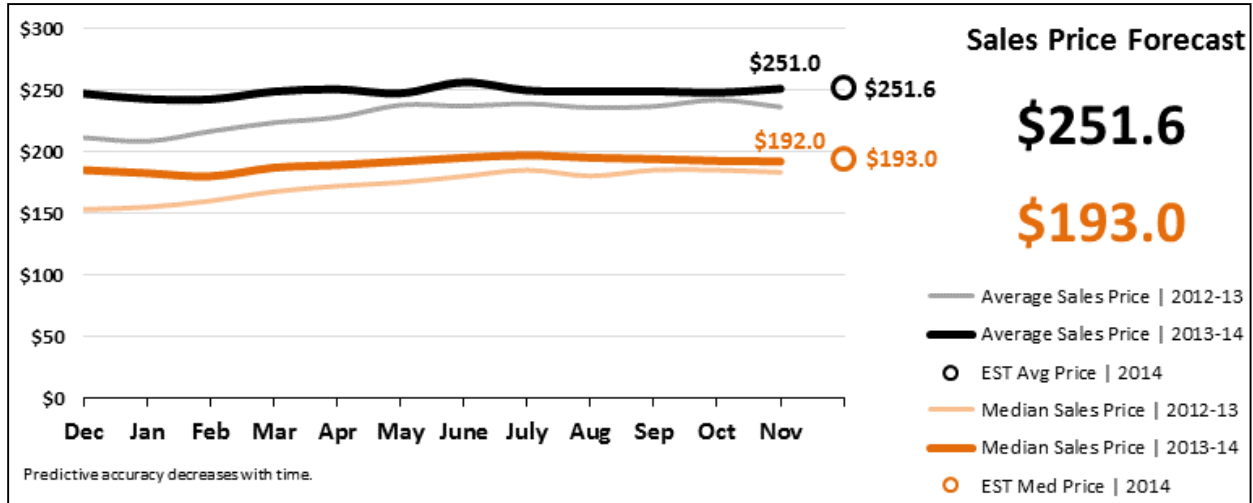


+6.2%, year-over-year average

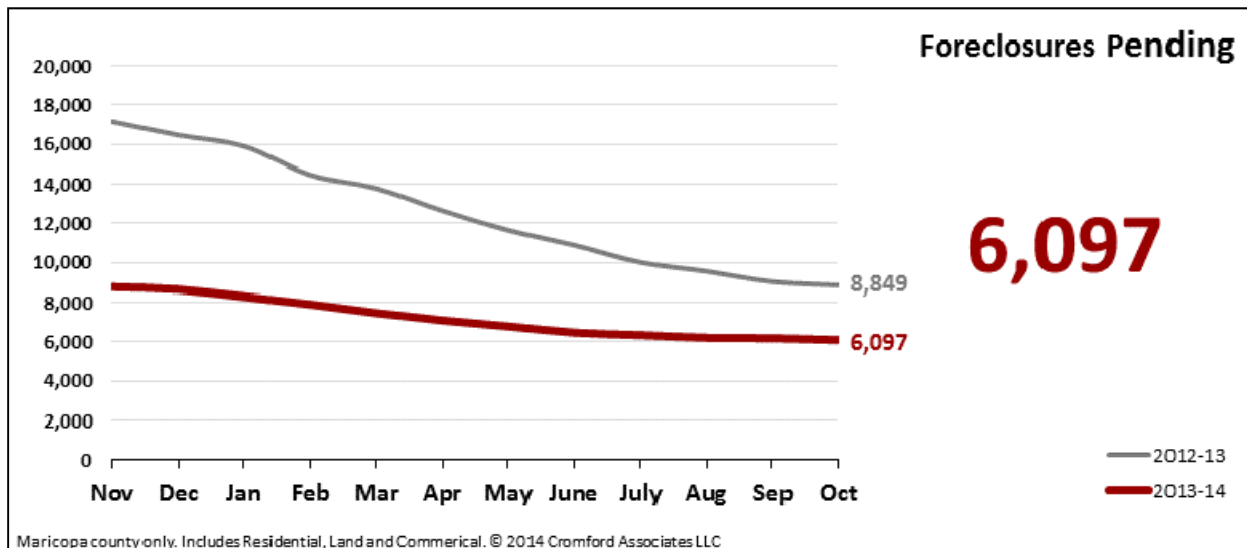
+4.8%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST

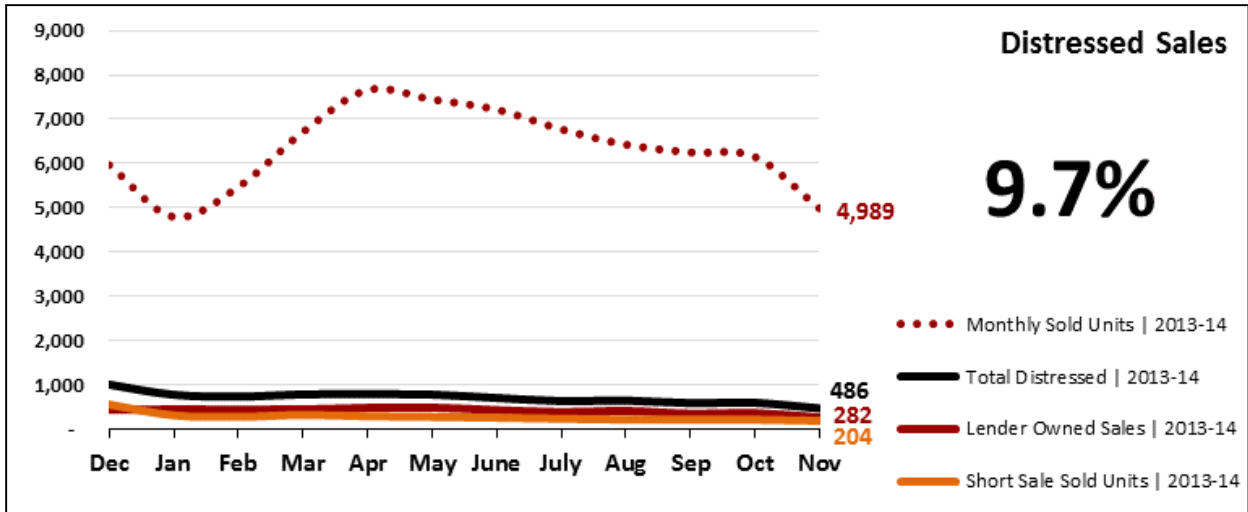


FORECLOSURES PENDING



-33.3%, year-over-year
-4.1%, month-over-month

DISTRESSED SALES

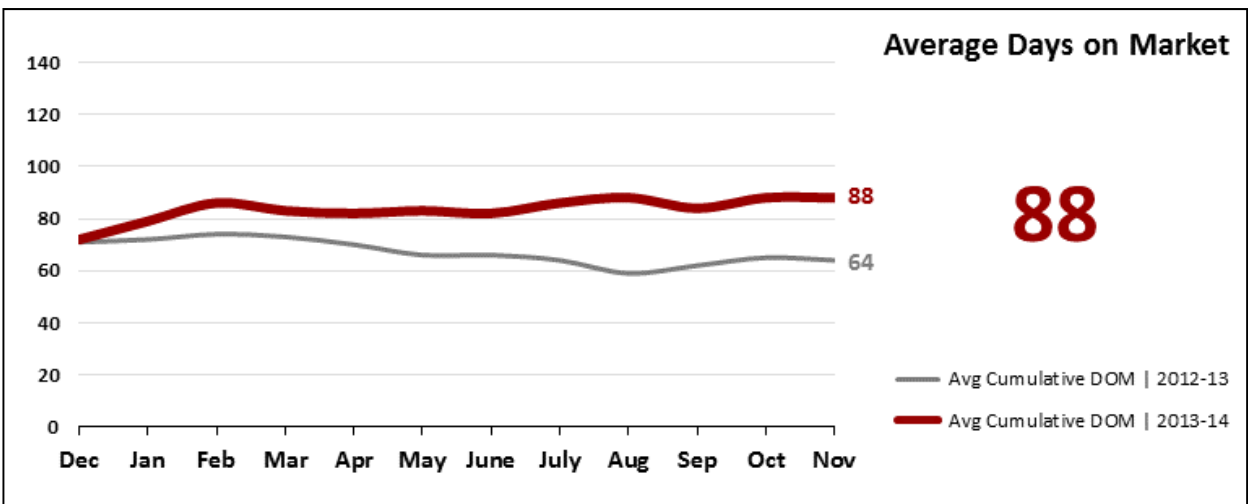


-49.8%, short sale units year-over-year

-31.9%, lender owned units year-over-year

-40.7%, total year-over-year

AVERAGE DAYS ON MARKET



+24, year-over-year

0, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

What was the most important number in November? 17.

There were only 17 working days in November, October had 23. The first two days and last two days of the month were a weekend and there were three holidays in between. November 2014 had the shortest number of working days possible for a November. November 2014 had less working days than February 2014 (19 working days).

Many real estate agents would say they worked 30 days in November while we know mortgage, title and the County Recorder's offices only worked 17 days. Fewer business days means less business activity.

You could say the numbers in November look bad but taking the above into consideration, November is a repeat of the same boring patterns. When we change the numbers from monthly totals to daily averages we paint an entirely different portrait:

	October 2014		November 2014	
Working Days	23		17	
	October 2014		November 2014	
	Total	Daily Avg.	Total	Daily Avg.
Foreclosure Notices	905	39	606	36
Trustee’s Deeds	508	22	375	22
MLS Sales	6154	268	4989	293
New Construction	820	36	701	41

November 2014 had 7,501 new listings, the lowest number of new listings for a November in the 14 years of our reporting. This now becomes the 5th time in the last six months we've hit the historic bottom for a month with low new inventory. To say it quickly, November 2014 had historically low new inventory with home prices remaining incredibly stable. This month's PPI speaks to this stability.

ARMLS Pending Price Index (PPI)

Over the past few months our projections have been trending slightly more pessimistic than the actual reported results. Looking ahead to December 2014 we expect minimal increases in both the median sales price as well as the average sales price. The Pending Price Index projects a median sales price of \$193,000 and an average sales price of \$251,600 for December. As expected, sales volume in November 2014 was lower than in October 2014. Sales volume in December 2014 will be in line with seasonal patterns and will definitely be higher than November. We are projecting sales volume for December to be in the 5,600 range.

2015 Predictions

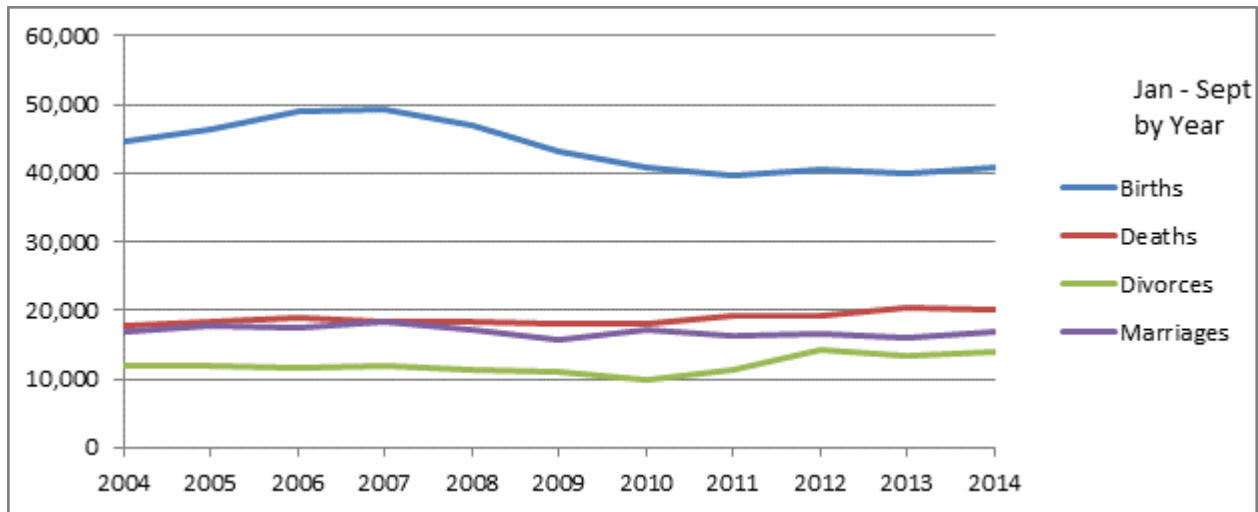
As 2014 draws to a close the early national predictions for 2015 are arriving. Since our market is in a stable 16-month pattern, our predictions and the national predictions will be similar, reasonable and lack dire forecasts of a cataclysmic shift. The famous economist [John Kenneth Galbraith](#) said something useful about predictions that will act as our disclaimer: "The only function of economic forecasting is to make astrology look respectable." Here are the five areas where we share the same opinion as the national forecasters, some in their own words:

1. Millennials

Patrick Stone (Williston Financial Group) — "Millennials are the largest population base today. Baby boomers are no longer the largest age group; it is 22-year-olds who now hold that title. There will be more than 4.6 million heads of household in their prime home buying years (millennials are between ages 18 to mid-thirties) by the year 2020." Pat also noted that growth, "will fuel another real estate boom. That makes me very optimistic about the outlook."

Economist Stan Humphries — "The lack of home-buying activity from millennials thus far is decidedly not because this generation isn't interested in homeownership, but instead because younger Americans have been delaying getting married and having children, two key drivers in the decision to buy that first home. As this generation matures, they will become a home-buying force to be reckoned with."

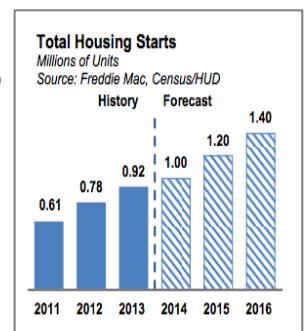
Our take — When we look at vital statistics from the Arizona Department of Health, the housing market crash clearly had an impact on those getting married and having babies, or as some would say *settling down*.



Births decreased (note: births are often indicators of how people felt 9 months prior), marriages declined and people couldn't afford to get divorced. Our prediction is that millennials will start to settle down and buy a house. They may be living in our basements now but they are emerging soon.

2. Home Sales/Starts

Many project total housing starts to increase 20% from 2014 to 2015, in addition to total home sales growing by about 5% over that time period. I have to agree with the consensus. Existing home sales in 2015 will exceed 2014. One reason 2015 will beat 2014 is that 2014 was not a great year when it came to home sales in Maricopa County. I also believe in 2015 we'll see marked improvement in first time home buyers lead by millennials and boomerang buyers.



3. Prices

Prognosticators are anticipating a 3% to 3.5% increase in home prices in 2015. There is a common theory that long-term appreciation rates have to be pretty close to the general rate of inflation. Taking into consideration our current inventory levels paired with our current demand and taking into consideration inflation hovering between 2.0 and 2.5 - the economists' expectations seem quite reasonable. Look for our current trend of remarkable price stability to continue into 2015.

4. Interest Rates

The consensus for 2015 is that interest rates will rise above 5.0%. Rates are currently very low at **3.89%**, see this chart **30-Year Fixed Mortgages Since 1971** If you don't believe us. The current rate is a 19-month low. If we look at the history of long term interest rates it becomes obvious why the last few years economists have predicted interest rates to rise. The prediction for 2015 is just about the same as for 2014, and everyone was wrong. Sooner or later they will go up. In the meantime, 3.89% offers a great opportunity to buy for anyone that can qualify.

5. Mortgages will be easier to obtain

REALTOR® Mag — "Mortgage originations of single-family homes will likely slip by an additional 8 percent, which can be attributed to a steep drop in refinancing volume. Refinancings are expected to make up only 23 percent of originations in 2015; they had been making up more than half in recent years."

Mortgage Bankers are less optimistic, they see purchase financing increasing but overall business declining as the refinance business dwindles. This will force them to compete for home buyers.

In July, the Federal Reserve released the results of its latest “Senior Loan Officer Survey on Bank Lending Practices.” According to that report, mortgage lenders are relaxing their standards in several key areas. Or, as the Fed put it: “The July survey results showed a continued easing of lending standards and terms for many types of loan categories amid a broad-based pickup in loan demand.”

Areas where loosening is most apparent: credit scores and debt ratios. In short, lenders are allowing lower credit scores and higher levels of debt. This trend is an industry-wide reaction to lower loan volume. Traditionally, when application volume goes down, lenders try to compensate by relaxing their standards and putting more loans into the pipeline. We saw evidence of this in 2014, and it will likely continue into 2015 to some degree.

Take that all in, then remember this quote by Laurence J Peter “An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.”

Early 2015 Predictions for reference:

[Jonathan Smoke](#)

[Trulia](#)

[Home Buying Institute](#)

[REALTOR® Mag](#)

[Freddie Mac Predictions](#)

[Lawrence Yun](#)

[Zillow](#)

[Williston Financial Group](#)