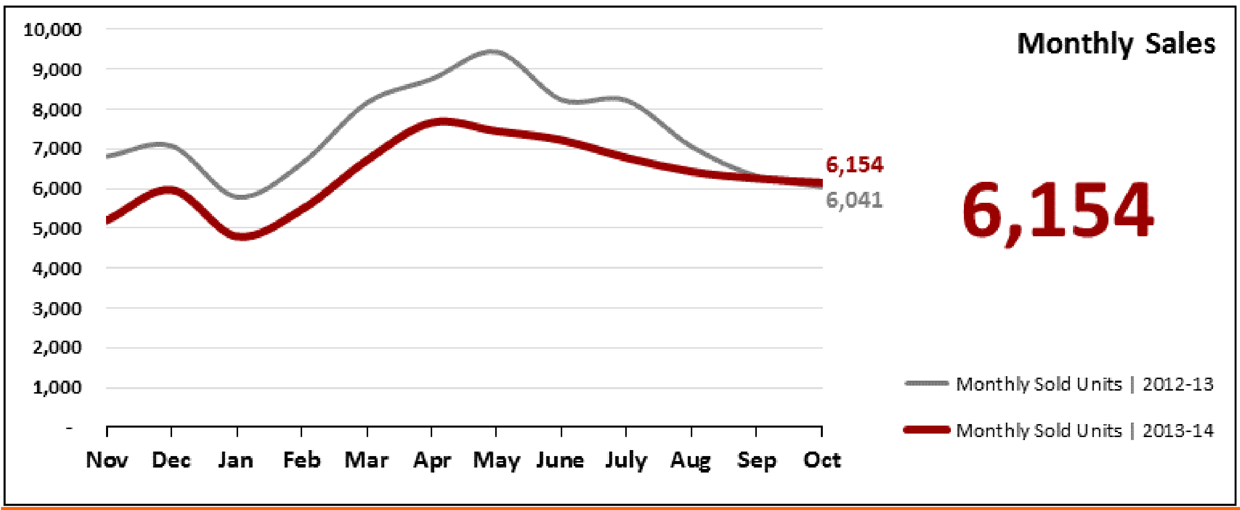
ARMLS® STAT - November 13, 2014

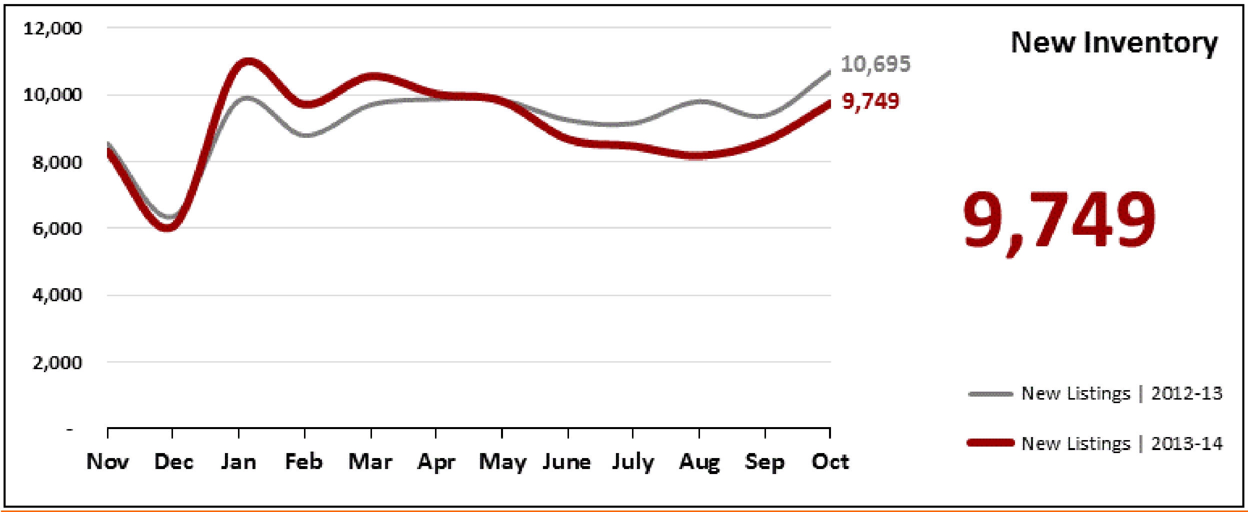
MONTHLY SALES



+1.9%, year-over-year

-1.6%, month-over-month

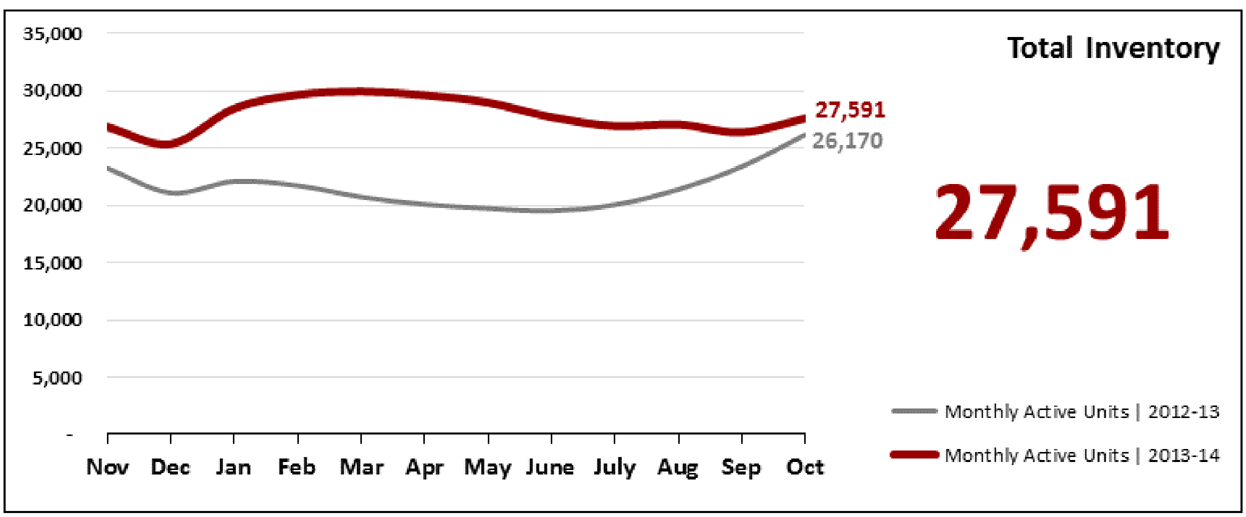
NEW INVENTORY



-8.8%, year-over-year

+13.2%, month-over-month

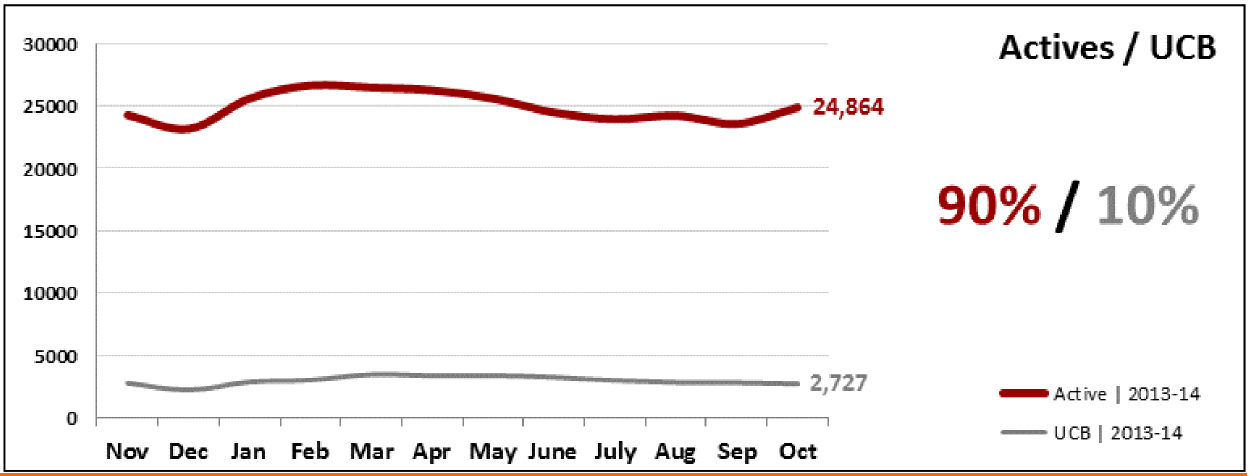
TOTAL INVENTORY



+5.4%, year-over-year

+4.6%, month-over-month

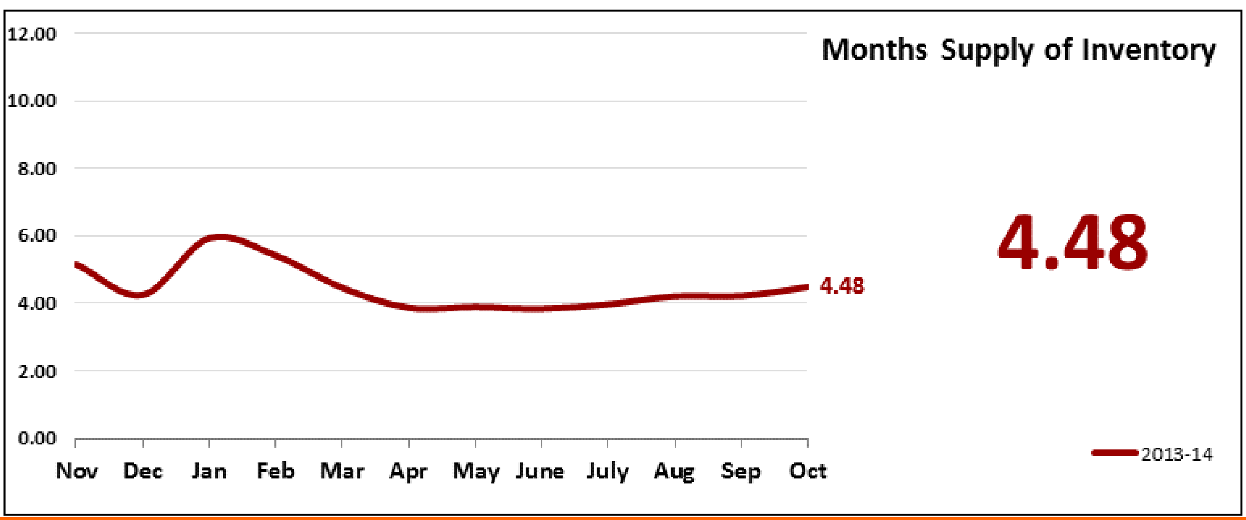
ACTIVES / UCB



10.7%, Sept 2014 UCB percent of total Active

9.9%, Oct 2014 UCB percent of total Active

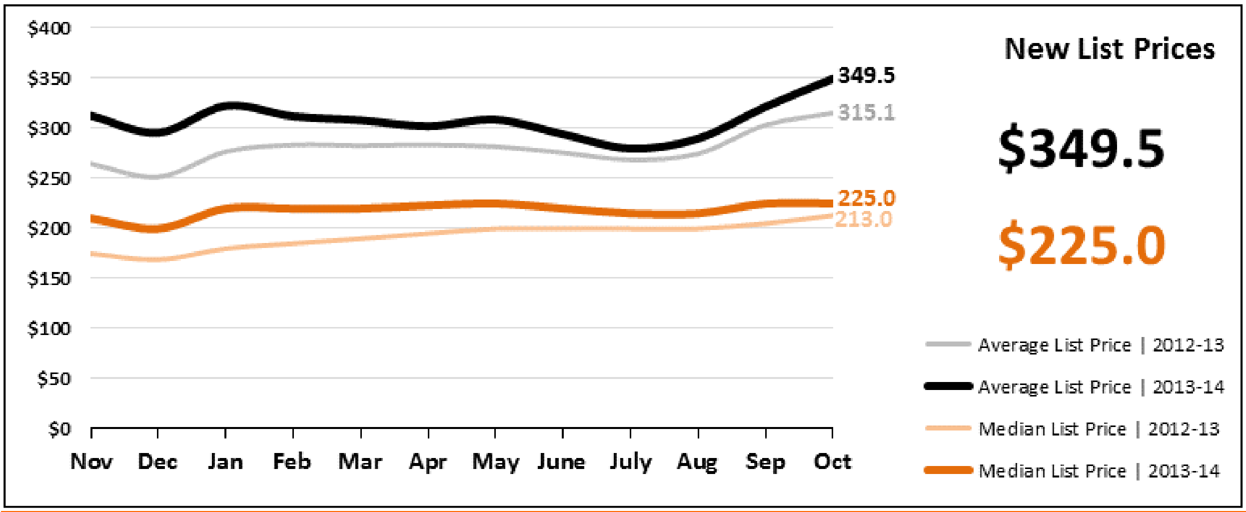
MONTHS SUPPLY OF INVENTORY



4.22, MSI Sept 2014

4.48, MSI Oct 2014

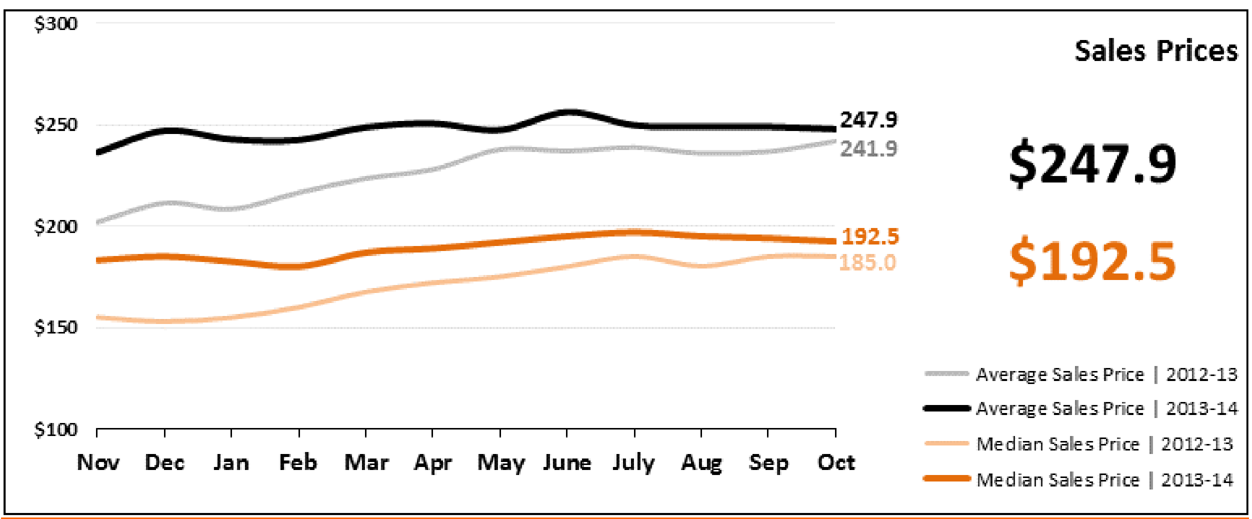
NEW LIST PRICES



+10.9%, year-over-year average

+5.6%, year-over-year median

SALES PRICES

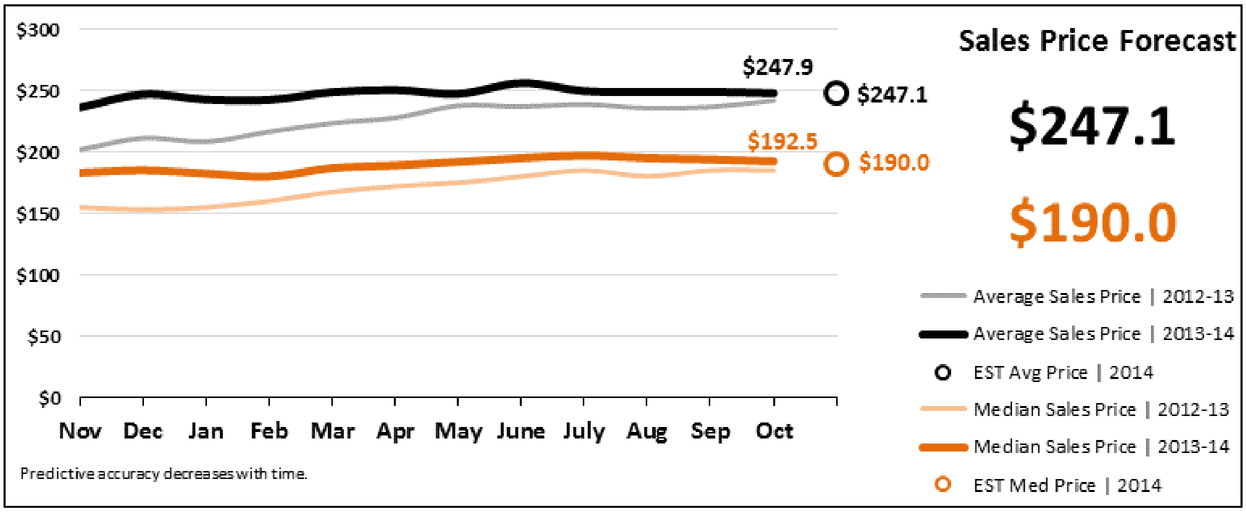


+2.5%, year-over-year average

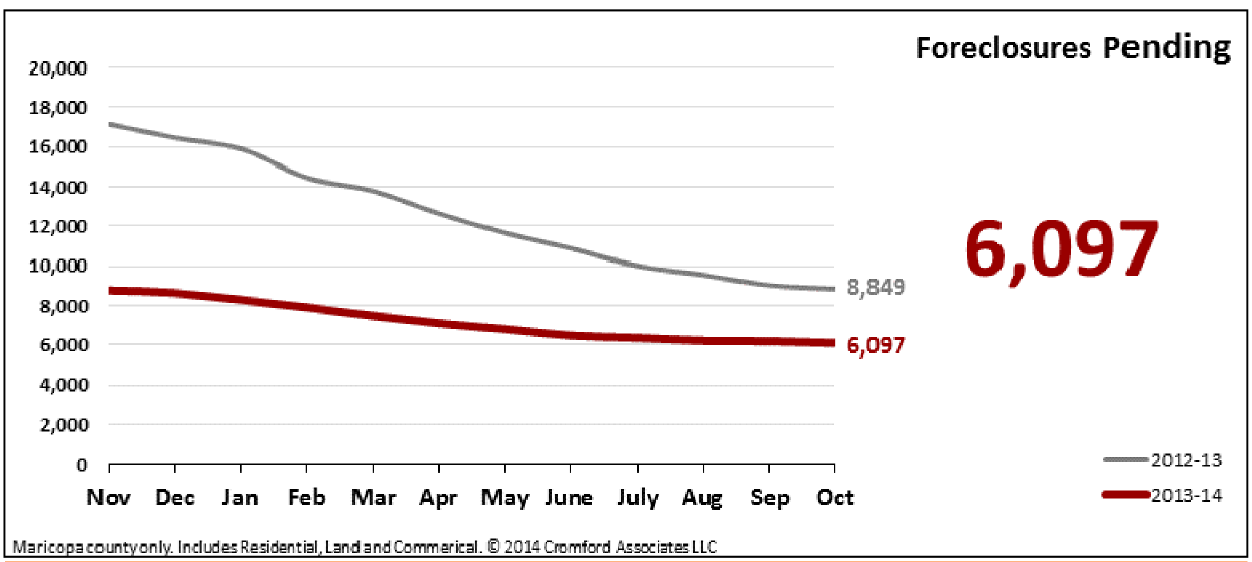
+4.1%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



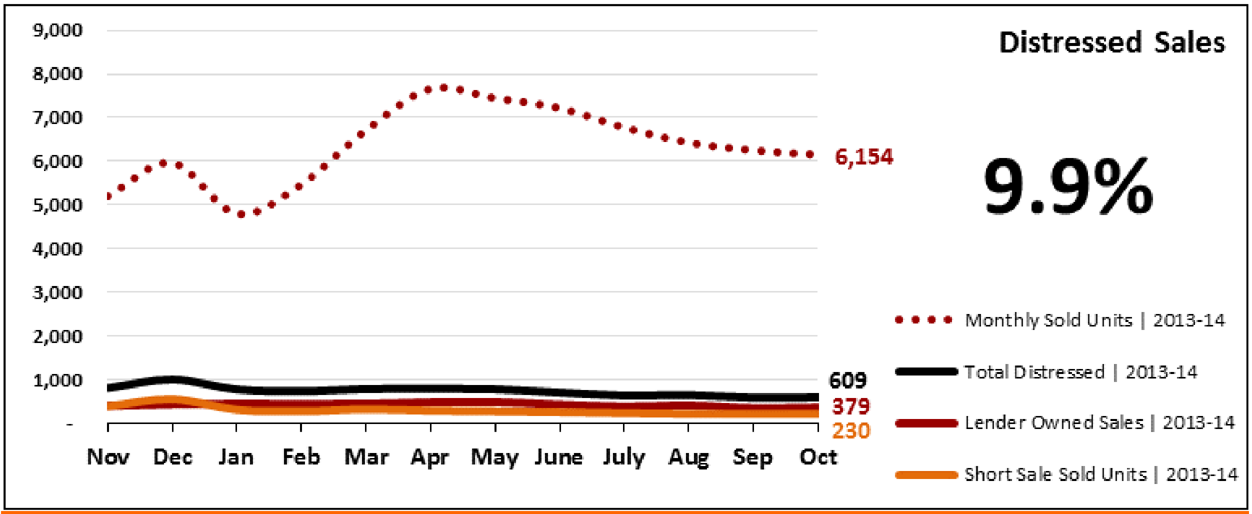
FORECLOSURES PENDING



-31.1%, year-over-year

-1.5%, month-over-month

DISTRESSED SALES

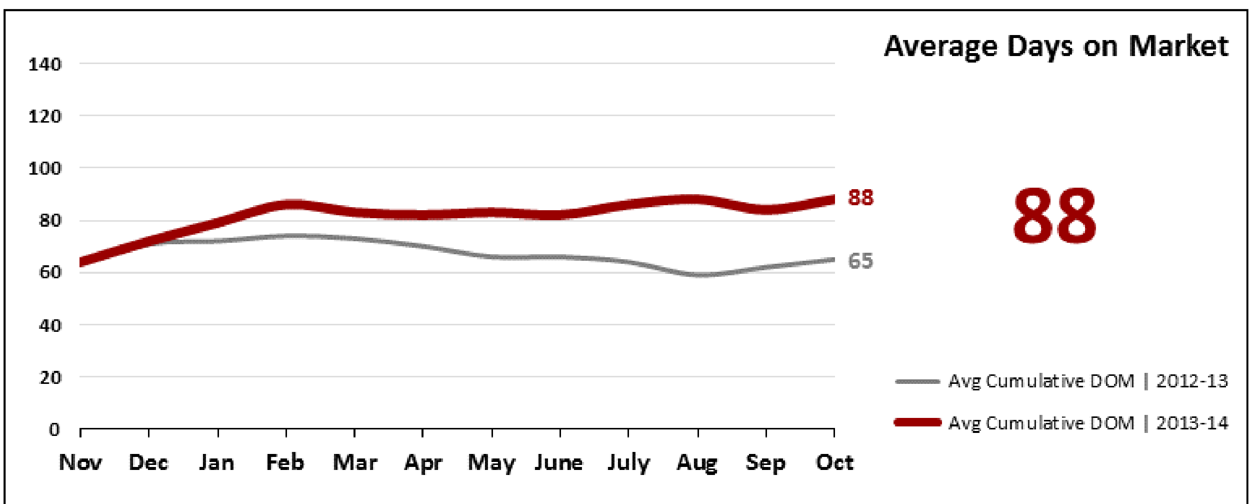


-54.8%, short sale units year-over-year

-8.7%, lender owned units year-over-year

-34.1%, total year-over-year

AVERAGE DAYS ON MARKET



+23, year-over-year

COMMENTARY

by Tom Ruff of The Information Market

For the first time in 15 months the number of monthly sold listings has improved year-over-year, with 6,154 closed this October compared to 6,041 in October 2013. The last time we saw an improvement in this metric was in July 2013. As we've discussed often in STAT, July 2013 marked the end of a two year period of rapid price appreciation and heavy investor demand as our market bounced off its 2011 bottom. With that said, the market is still much the same and while our volume numbers are better year-over-year, demand is still extremely low.

With the financial crisis and subprime mortgage bust receding further into history, government regulators are looking to inject more life into the still-recovering housing market. In October there was a lot of chatter in the media, and that chatter focused on two primary subjects: making loans easier to obtain and the need for more jobs and better paying jobs. The government has named its effort "L.I.F.T." after the four ingredients they say are critical for housing success:

*"…the **L**abor, **I**ncome, **F**ixed investment and **T**rust required to lift the economy toward robust sustainable growth are still lacking the necessary thrust."*

The L.I.F.T Program (Labor, Income, Fixed investment and Trust)

The new program was released with a video preview, along with the complete October 2014 U.S. Economic and Housing Market Outlook found **here**. If you prefer a man in a bow tie, watch this **video.**

Outlook highlights from the report included:

- Projecting the unemployment rate to average around 5.7 percent next year as many of the missing 25-54 year olds who have dropped out of the labor market start to return, driving participation rates up.
- A faster GDP growth rate is the essential step to getting broad-based income growth. Unfortunately, the economy can't perform at its highest level until this happens.
- Fixed investment has picked up, but as a share of total GDP it is still about 2 percent-age points below the levels reached prior to the Great Recession. Housing's share of this investment is particularly lagging.
- Long-run demand means new home construction needs to ramp up to a pace of 1.7 million additional housing units each year. Over the past 12 months, there have been about 1 million housing starts.
- Trust, the final ingredient we need for lift off, is arguably the most fragile today. Fortu-nately, headlines about fiscal and monetary policy have ebbed and total economic policy uncertainty is near the lowest level since the end of the Great Recession.

Industry critics say that tough lending standards are preventing the housing market from making a full recovery because of the many would-be homeowners that are being excluded. The Federal Housing Finance Agency (FHFA) is working to expand availability for mortgage credit and is working out risk with Fannie Mae and Freddie Mac. FHFA is working with GSEs (Government-Sponsored Enterprises) to develop guidelines for LTR ratios between 96 and 97.

Federal regulators are proceeding with new rules that ease guidelines for banks selling mort-gage securities and could mean fewer borrowers will need to make hefty down payments. These changes coming in the next year will make a difference.

Is our market poised to *lift off*?

It's possible with clearer lending policies, lower down payment requirements and an improving job market coupled with pent-up demand (for example: Millennials and boomerang buyers). In fact, we're predicting that 2015 will be the lift off and 2016 will be a break out year.

ARMLS® Pending Price Index (PPI)™

The PPI projected the median sales price in October to be $191,000 with the actual median price coming in at $192,500. Our median sales price projections came within .8%. Prices remain stable and flat. On the sales volume side we had our biggest miss of the year as we failed to account for an additional business day in October. Our projected 5,850 sales were 304 sales lower than the actual sales figure of 6,154.

Over the past few months our projections have been trending slightly more pessimistic than the actual reported results. Looking ahead to November, the PPI is projecting minimal declines in both the median sales price as well as the average sales price. Status quo will best define November home prices as STAT is projecting a median sales price of $190,000 with sales volume of 5,309. We expect the typical historical pattern for home sales this time of year with a fall from October to November with sales rising in December.

On October 28 Auction.com, with the help of internet giant Google, announced the launch of "Nowcast" to predict housing market trends as they are occurring. In their own words, "The new report is based on data modeling developed by Google Chief Economist Hal Varian, who defines 'Nowcasting' as 'contemporaneous forecasting' – basically an ability to predict what is happening as it occurs". I want STAT readers to know we will never back down from a little competition and are well aware of "contemporaneous forecasting" and feel our own in-house methodology, "countin' better" is and will remain the superior model.