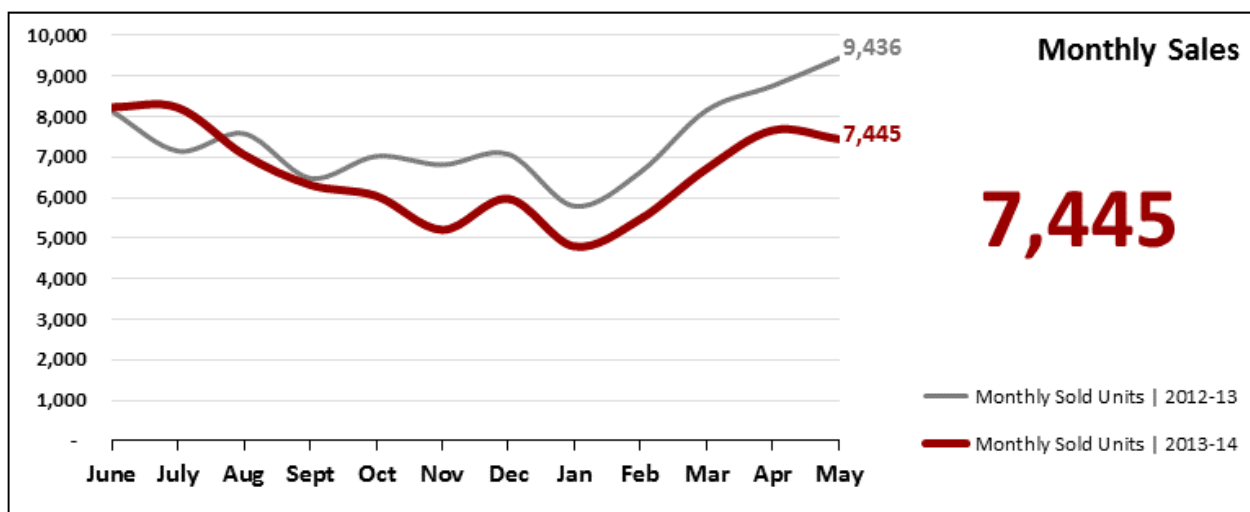




ARMLS® STAT - June 10, 2014

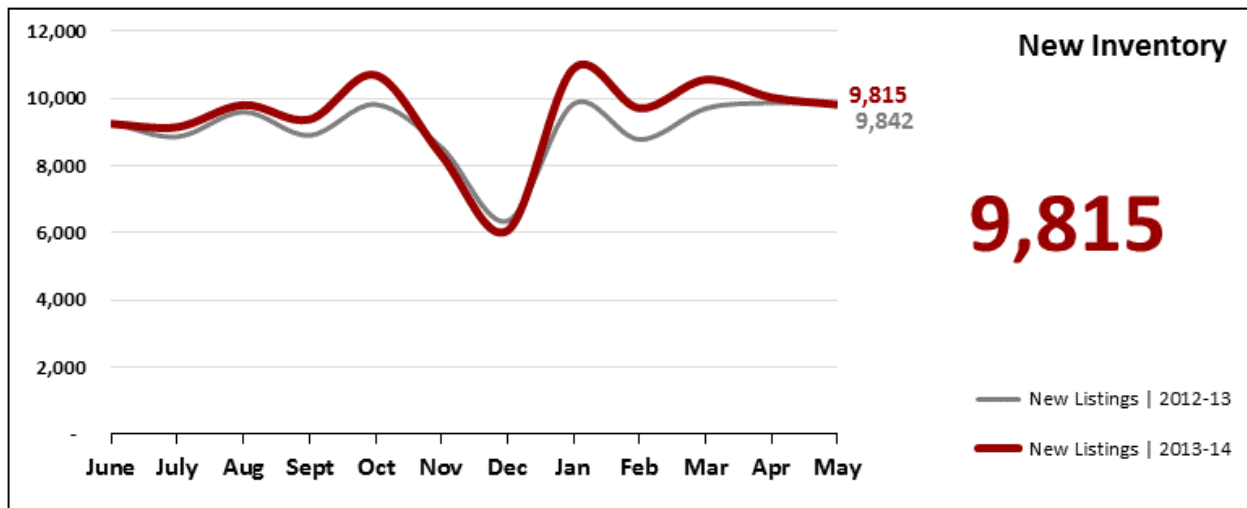
MONTHLY SALES



-21.1%, year-over-year

-2.8%, month-over-month

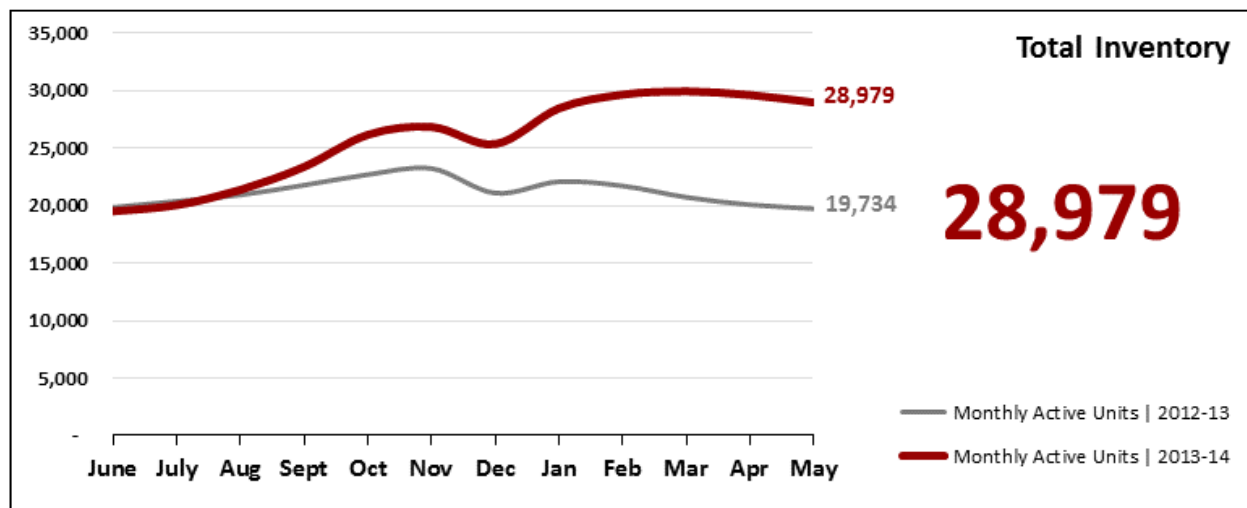
NEW INVENTORY



-0.3%, year-over-year

-2.1%, month-over-month

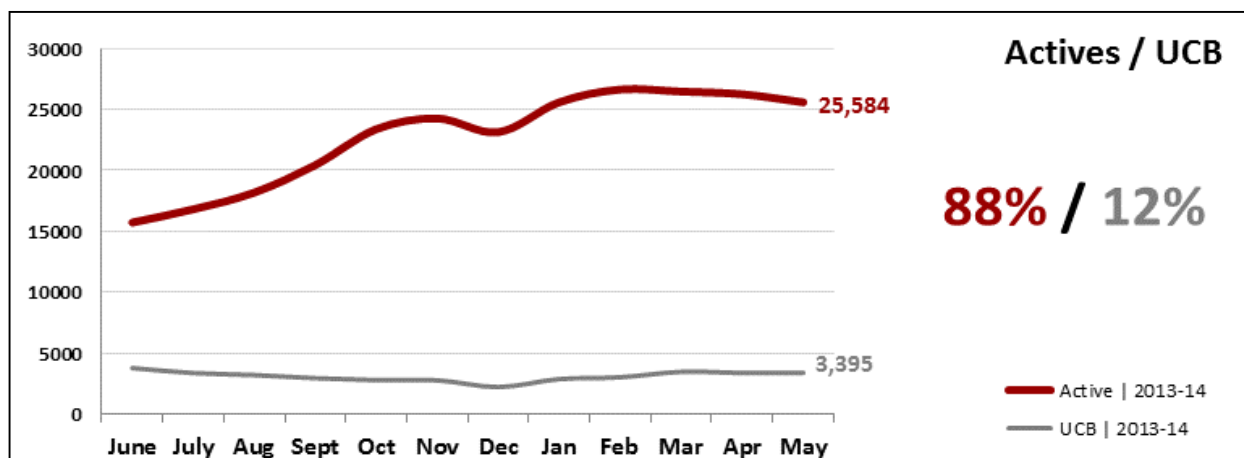
TOTAL INVENTORY



+46.8%, year-over-year

-2.2%, month-over-month

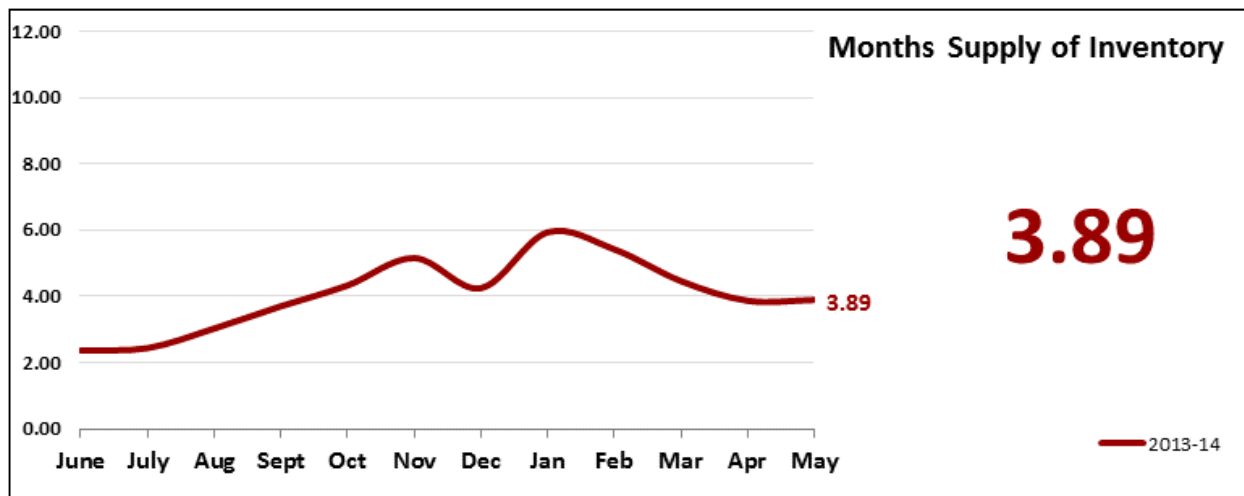
ACTIVES / UCB



11.4%, April 2014 UCB percent of total Active

11.7%, May 2014 UCB percent of total Active

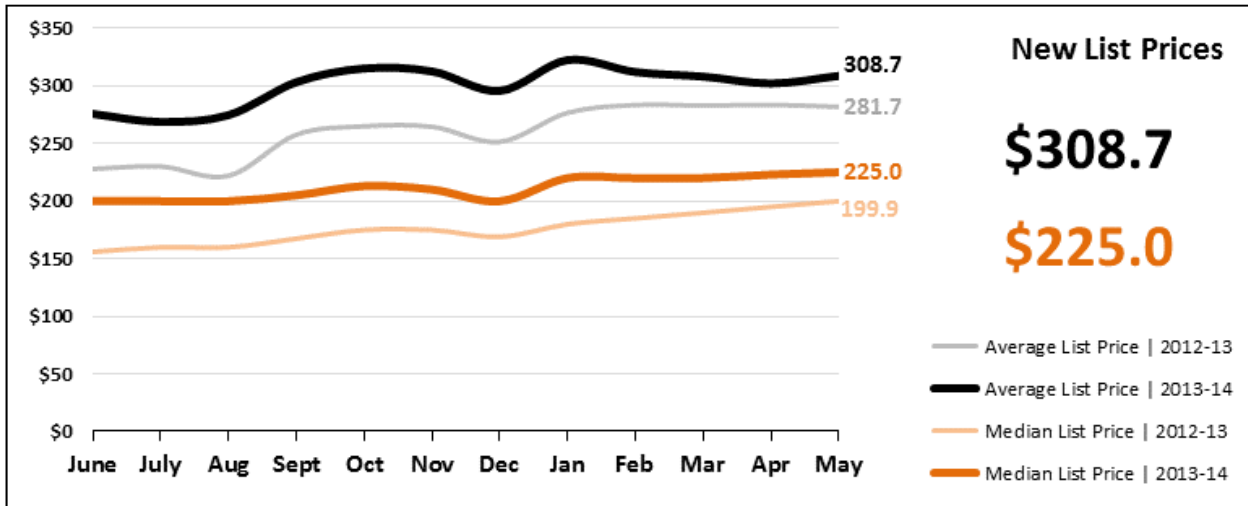
MONTHS SUPPLY OF INVENTORY



3.87, MSI April 2014

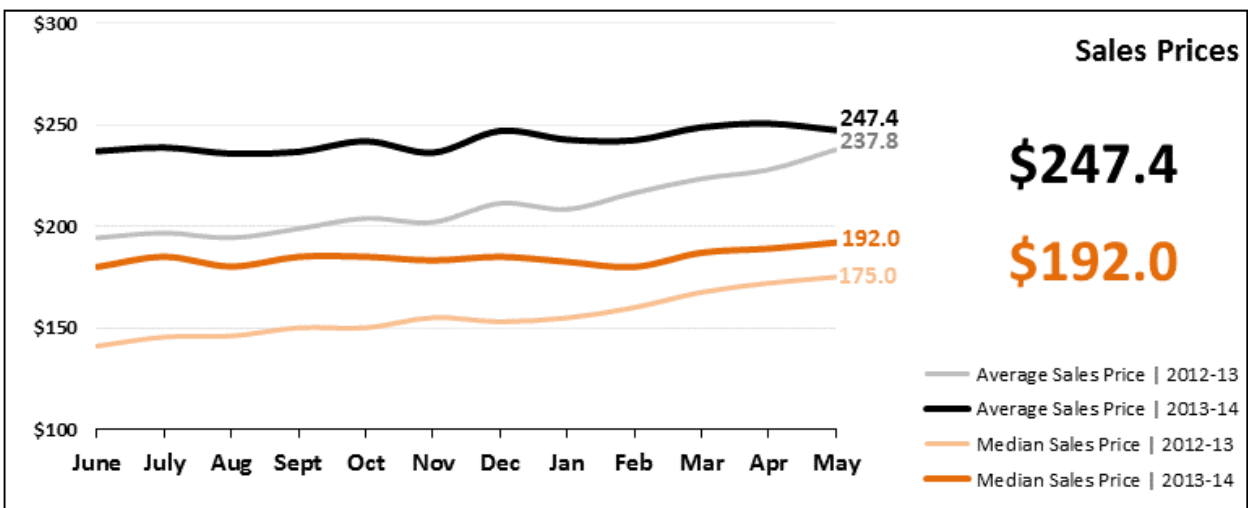
3.89, MSI May 2014

NEW LIST PRICES



+9.6%, year-over-year average
+12.6%, year-over-year median

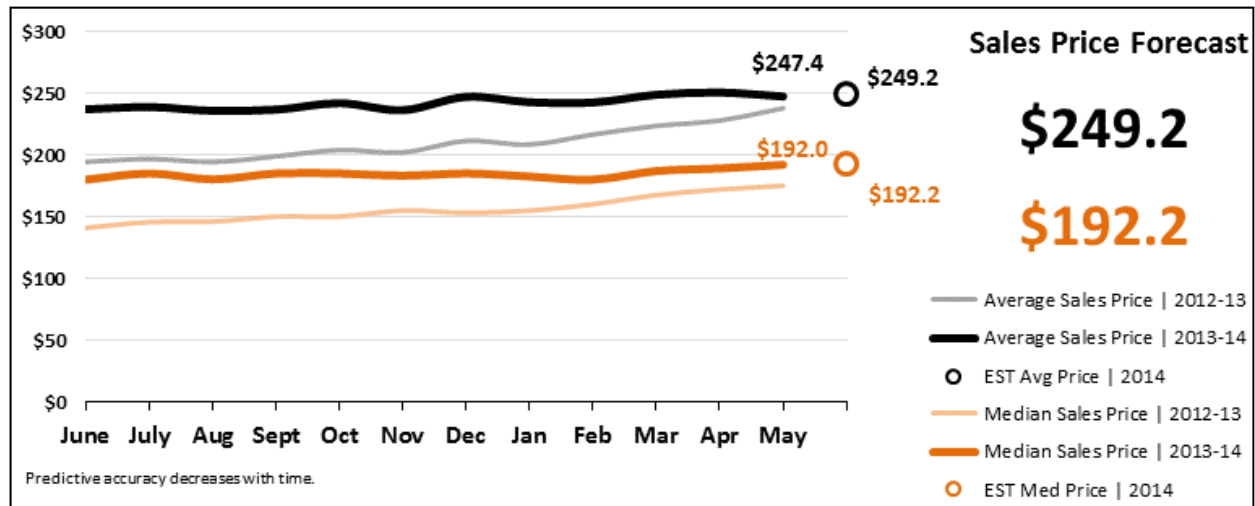
SALES PRICES



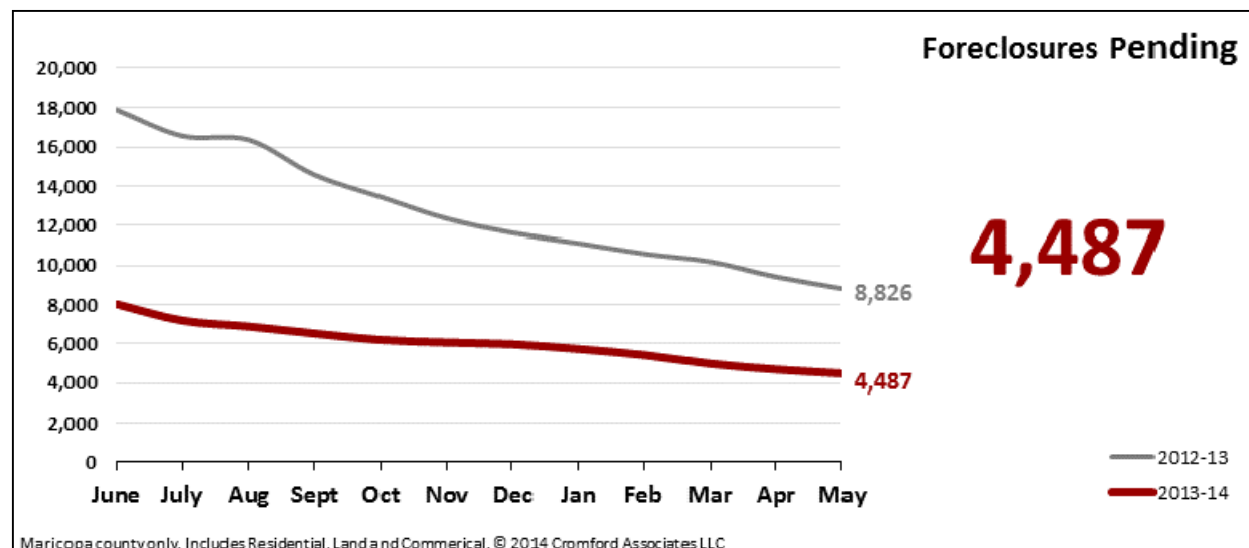
+4.0%, year-over-year average
+9.7%, year-over-year median

THE ARMLS PENDING PRICE INDEX™

SALES PRICE FORECAST

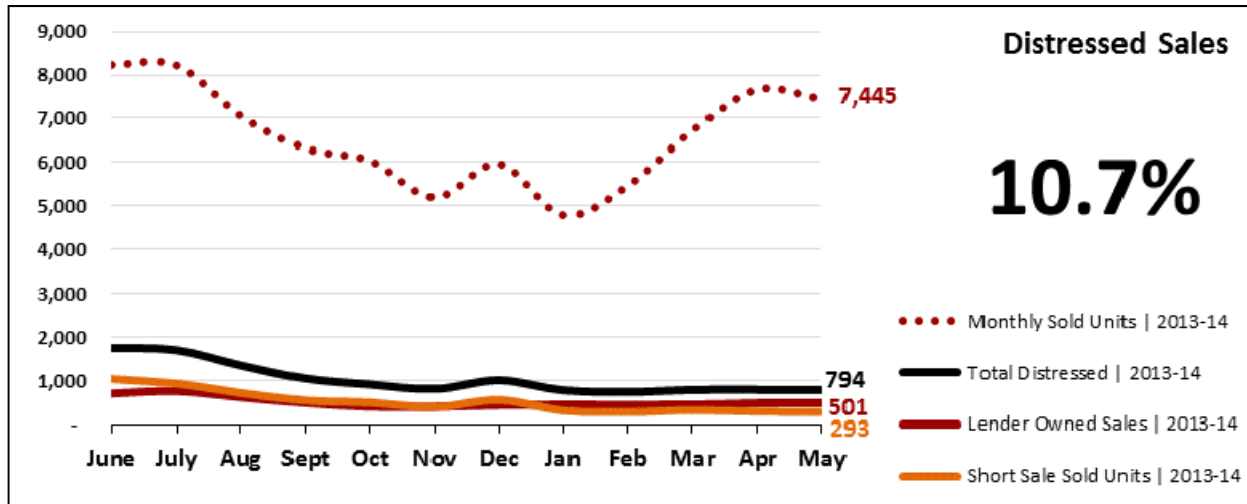


FORECLOSURES PENDING



-49.2%, year-over-year
-4.4%, month-over-month

DISTRESSED SALES

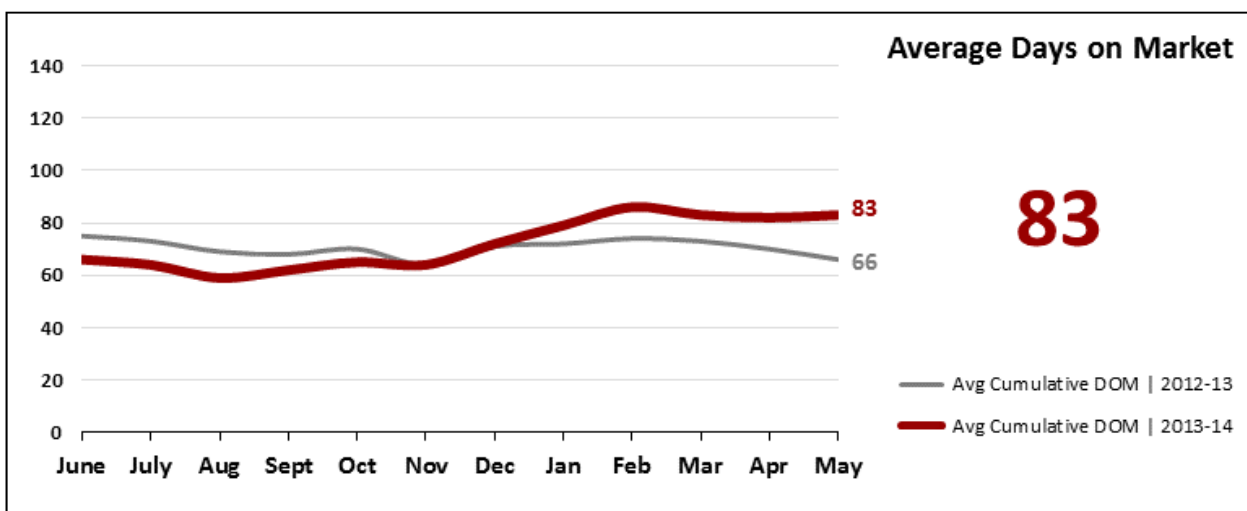


-74.7%, short sale units year-over-year

-45.4%, lender owned units year-over-year

-61.7%, total year-over-year

AVERAGE DAYS ON MARKET



+17, year-over-year

+1, month-over-month

COMMENTARY

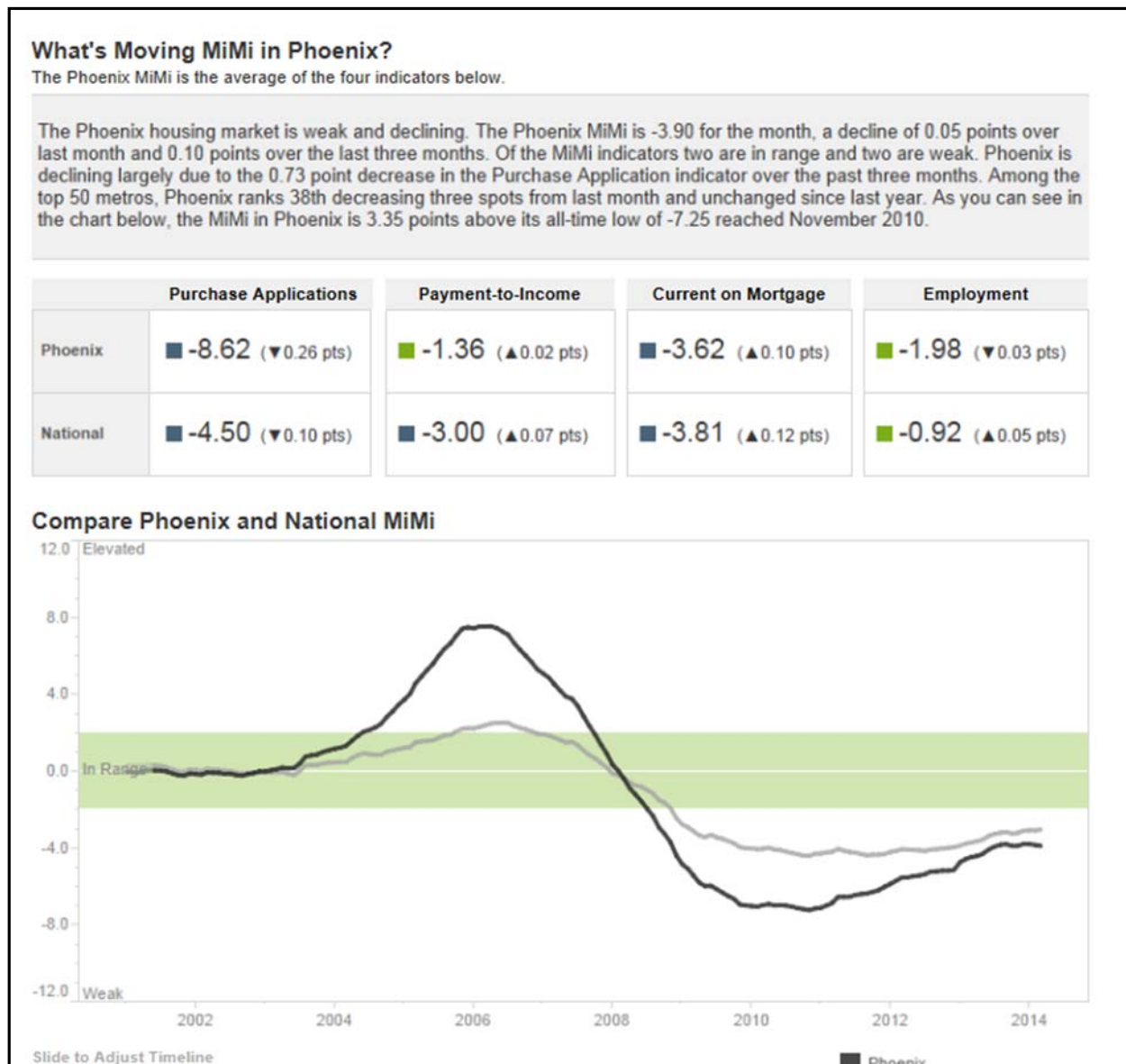
by Tom Ruff of The Information Market

I can't imagine a better place in the country to be a housing analyst than the Phoenix metropolitan area. Why? Our market is constantly changing and constantly evolving. We've experienced exhilarating highs and staggering lows. When national housing reports are published it is not uncommon to see ourselves at either the top or bottom of the list as the best or the worst. Paraphrasing the words of Mark Twain describing New England weather — *if you don't like our present market, just wait a few minutes.*

Our market can and does change quickly, however this month's STAT report begins to feel like a broken record with the continued portrayal of a market with typical supply, low demand and stable prices. Supply and demand continue to be unbalanced leaving us an overall market slightly favoring the buyer. The sales volume in May from the MLS took a slight step back from April coming in 2.8% lower than the previous month. Year-over-year sales volume for May was down 21.1% reversing the improvement seen in April when sales were down only 12.5% over the previous year. There have been 32,087 total sales through the first five months of 2014 compared to 38,762 for the first five months of 2013, a decline of 17.2%. The 17.2% decline in sales activity is in line with what we saw for the first three months of 2014 with April and May numbers being the two anomalies. The reported sales volume for the first five months of this year has followed a remarkably similar pattern to the first five months of 2003, nearly a mirror image. Each month individually as well as the running year-to-date totals have never varied by more than a couple of percentage points.

In May of this year there were 7,445 closed listings compared to 7,468 in May of 2003. Sales for the first five months of 2003 totaled 31,730 compared to this year's total of 32,087, a difference of 1%. In the last three months the Pending Price Index, also known as the PPI, projected the median sales price about 1% below the final reported number. For June, the ARMLS PPI predicts a median sales price of \$192,000. We anticipate sales volume in June to be only slightly lower than May. We anticipate June sales volume to be 7,150.

In a May 28th blog the [Washington Post](#)¹ talked about a just released report based on Freddie Mac's [Multi-Indicator Market Index](#)², which they call the MiMi, declaring that many of the nation's housing markets are stalling. Finally, the national economists are starting to talk about the numbers and no longer talking about the weather. In the Post article, Frank Nothaft Freddie Mac's chief economist states, "Less than half of the housing markets MiMi covers are showing an improving trend, whereas at this time last year more than 90 percent of these same markets were headed in the right direction." In his report Nothaft ranked Arizona's housing market 44th among states and Phoenix's housing market 38th out of the top 50 metro areas. A stalling housing recovery comes as no surprise to local housing watchers – it's something we've been talking about since last August. The report, like most national reports is slow afoot, but it does have merit. The chart below is a snapshot of an interactive chart which you can view in detail by clicking this [link](#)² or visiting: <http://www.freddiemac.com/mimi/state.html> and choosing either the State of Arizona or the Phoenix Metro area.



1

When viewing the individual components of the Multi-Indicator Market Index, they reiterate another broken record phrase, 2014 is a transitional year. We have left an investor/cash purchases driven market and are moving into a market driven by traditional buyers with mortgages. In viewing the individual components, let's start with **employment**.

According to the chart on the previous page, employment moved back into the normal range in February of this year. This is the first time since October 2008 that employment has been in what the chart describes as a normal range. Improving employment numbers are a leading indicator of an improving housing market. We're not fully back to where we need to be but we've definitely been moving in the right direction. As a point of reference, our employment numbers hit their lowest point in November 2009.

2

A second component of the Multi Indicator Market Index is referred to as **"current on mortgage"**. Comparing Arizona to the nation we rate quite favorably. The [Mortgage Monitor](#)³ report, as published by Black Knight Financial, ranks Arizona 44th in the nation with regards to mortgage delinquencies. This time Arizona is on the good end of the list. The improvement in "current on mortgage" is clearly reflected in our number of active residential foreclosures. At the beginning of June, the total number of residential properties in Maricopa County with an active notice of trustee sale was 4,487 compared to 8,826 at the same time last year, 49.2% lower. The same percentage of change existed in the number of new residential notices filed in May of this year, 776. In May of 2013 there were 1,452 residential notices of trustee sales filed in Maricopa County. The number of active notices in Maricopa County has been trending downwards since they peaked in December 2009 at 47,606. Active notices are now 91% lower than they were at their peak. I fully expect our current trend of declining foreclosures to continue for the remainder of 2014 and into 2015.

3

A third component of the index is **"payment to income"**. This component addresses affordability. One of the factors in determining affordability is interest rates. Predicting future interest rates is a fool's errand, but looking at what has happened to interest rates over the last month is easy, and in May they fell. According to Freddie Mac's latest Primary Market Survey, the average fixed mortgage rate in the U.S. fell for the [fifth consecutive week](#)⁴, hitting new lows for 2014, in turn improving affordability. In a recent [AZcentral story](#)⁵ citing a study done by HSH.com, Phoenix ranked 8th as the most affordable cities to buy a home.

The fourth and final component of the Multi-Indicator Market Index is **purchase applications**, and this is where Phoenix falls down. This is the reason we are ranked 38th out of 50. As we've discussed over the last two STAT reports many of our potential buyers are trapped in purgatory, previous homeowners displaced by either a foreclosure or short sale now sitting on the side lines as renters. Their time in the penalty box is coming to an end as we're seeing subtle indications of this just beginning to occur. In his June 7th daily observation Michael Orr stated, "We have just seen the highest percentage of sales financed by loans since November 2008." Over the next two months we will be building tools to track this anticipated trend as it unfolds.

On a closing note, one of the opportunities for buyer's agents rest in the large pool of existing renters and communicating to these potential buyers the advantages of homeownership. The New York Times recently published an interactive [buy-rent calculator](#)⁶. This is the best tool of its kind I've ever seen, bookmark it, it may be a very useful presentation tool in the future.

1. <http://www.washingtonpost.com/blogs/wonkblog/wp/2014/05/28/freddie-mac-many-of-the-nations-housing-markets-are-stalling/>
2. <http://www.freddiemac.com/mimi/state.html>
3. <http://www.bkfs.com/CorporateInformation/NewsRoom/MortgageMonitor/201404/MortgageMonitorApril2014.pdf>
4. <http://www.worldpropertychannel.com/north-america-residential-news/freddie-mac-primary-mortgage-market-survey-pmms-average-fixed-mortgage-rates-30-year-fixed-rate-mortgages-frank-nothaft-pcase-shiller-20-city-composite-index-8280.php>
5. <http://www.azcentral.com/story/money/real-estate/2014/05/20/phoenix-is-8th-most-affordable-metro-area-for-homebuyers/9335825/>
6. http://www.nytimes.com/interactive/2014/upshot/buy-rent-calculator.html?smid=pl-share&_r=3