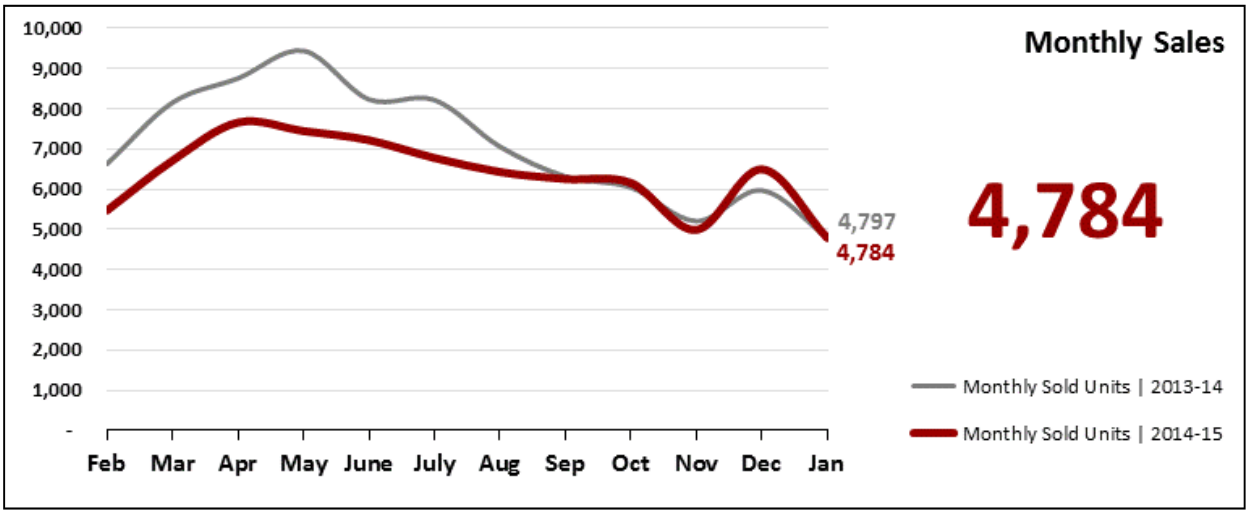
ARMLS® STAT - February 18, 2015

MONTHLY SALES

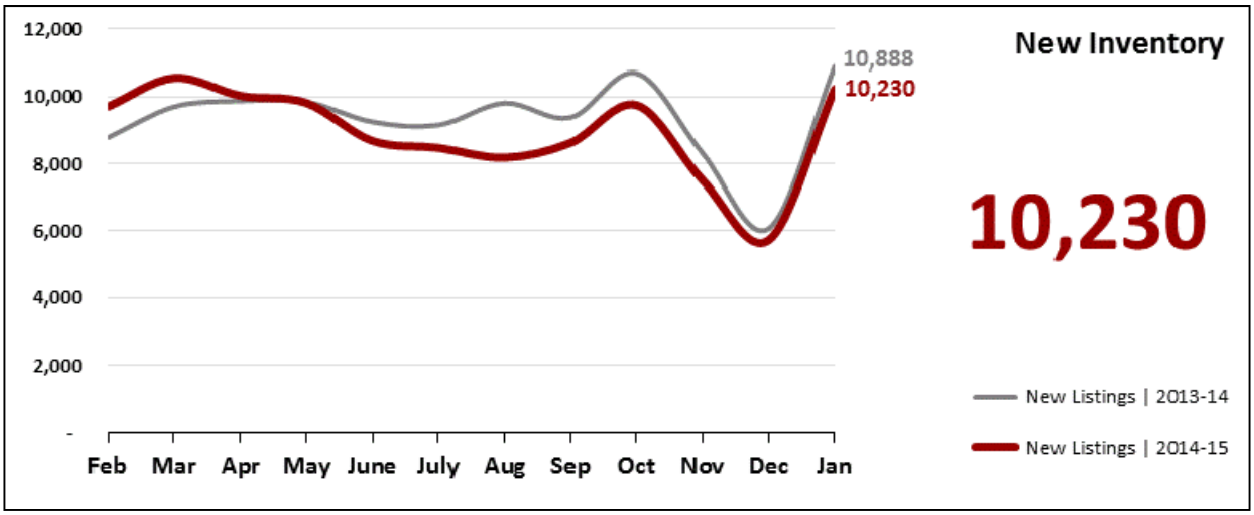


-0.3%, year-over-year

-26.3%, month-over-month

Permission is granted only to ARMLS® Subscribers for reproduction and to prepare derivative works with attribution to "ARMLS® COPYRIGHT 2015".

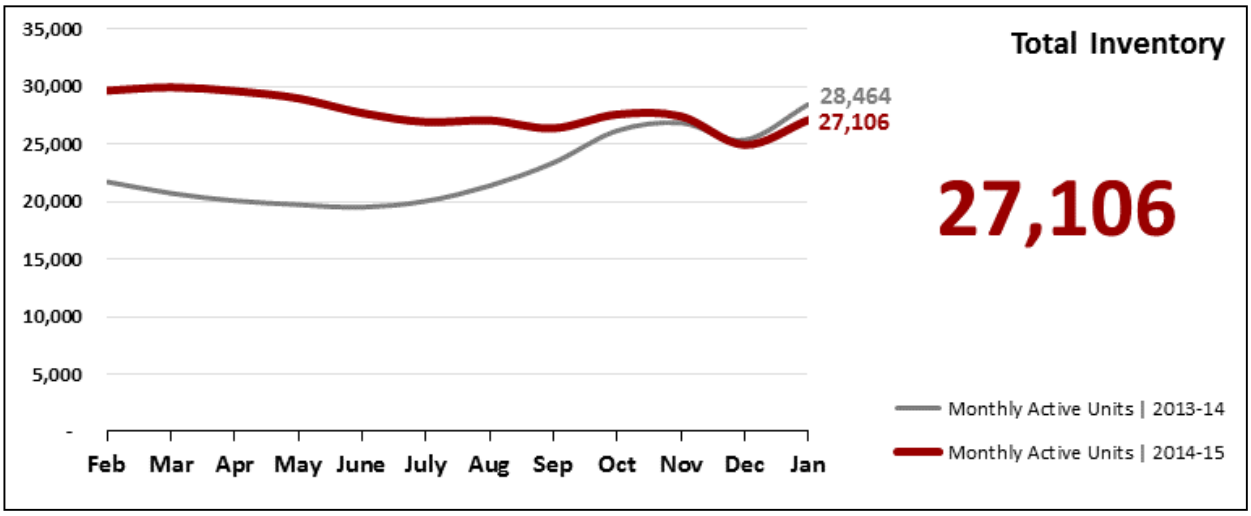
NEW INVENTORY



-6.0%, year-over-year

+78.7%, month-over-month

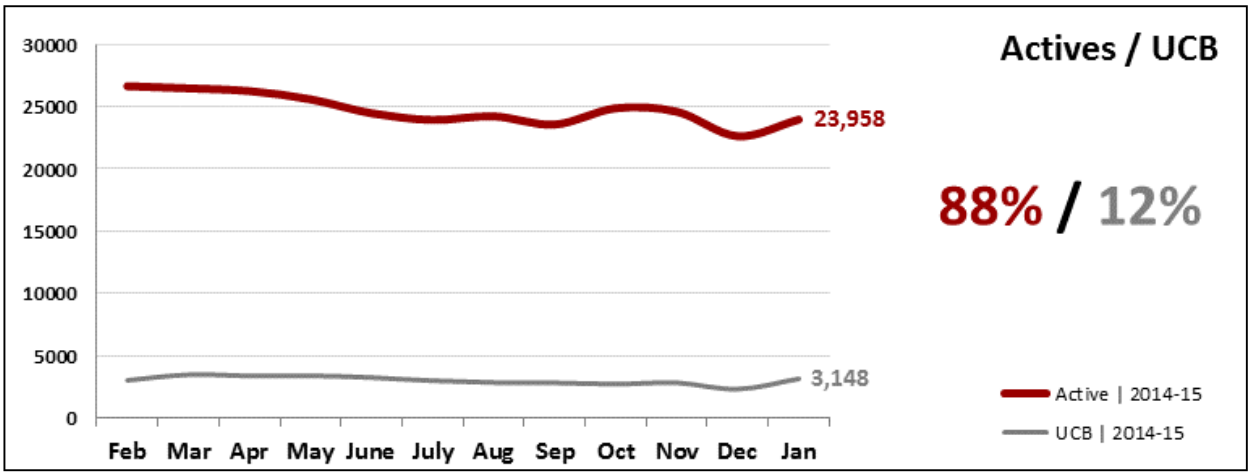
TOTAL INVENTORY



-4.8%, year-over-year

+8.7%, month-over-month

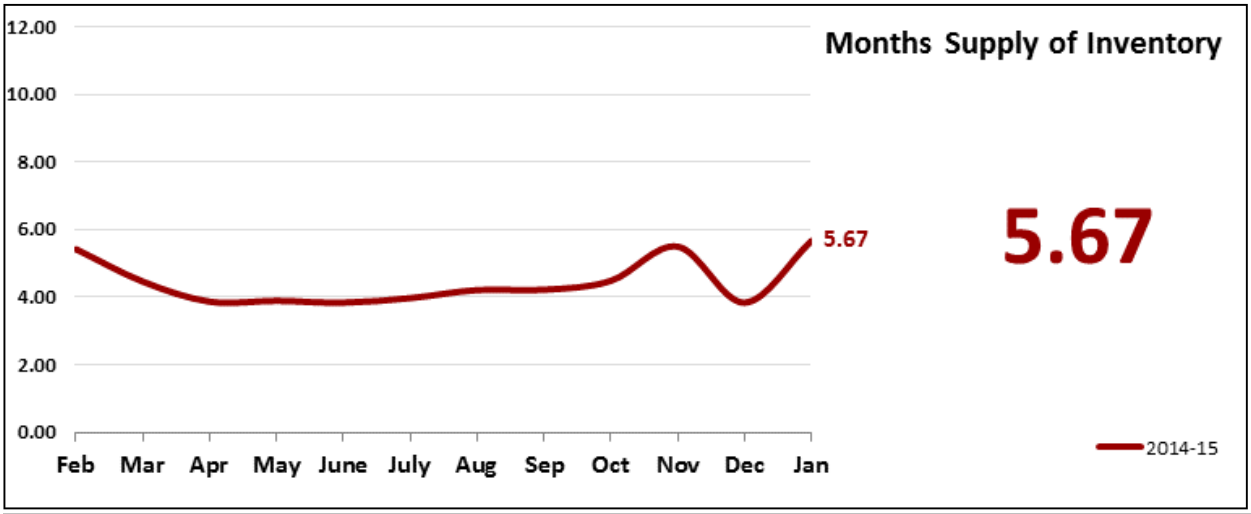
ACTIVES / UCB



+9.3%, DEC 2014 UCB percent of total Active

+11.6%, JAN 2015 UCB percent of total Active

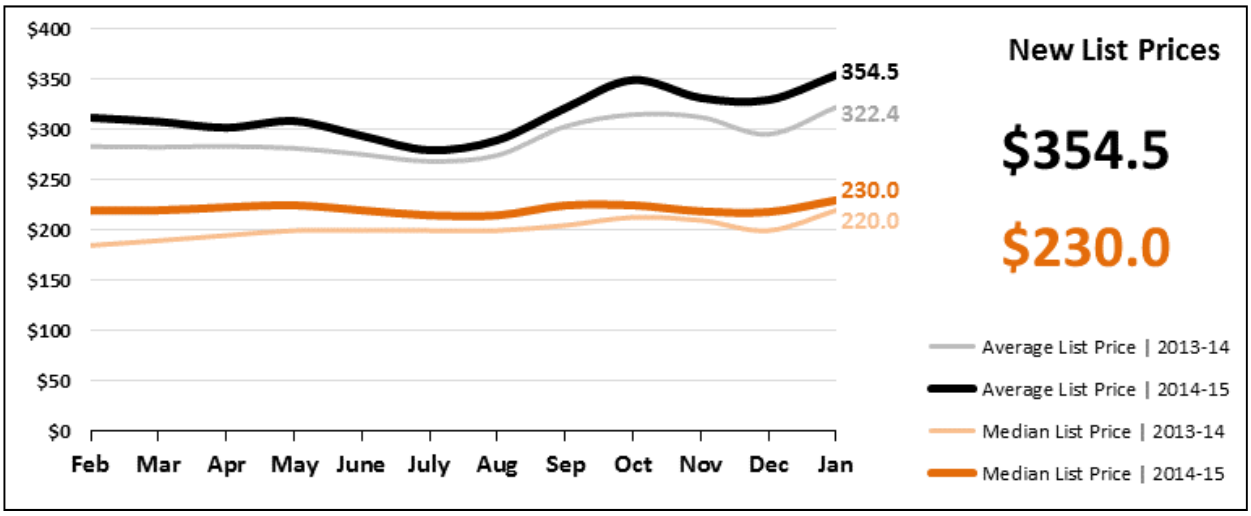
MONTHS SUPPLY OF INVENTORY



3.84, MSI DEC 2014

5.67, MSI JAN 2015

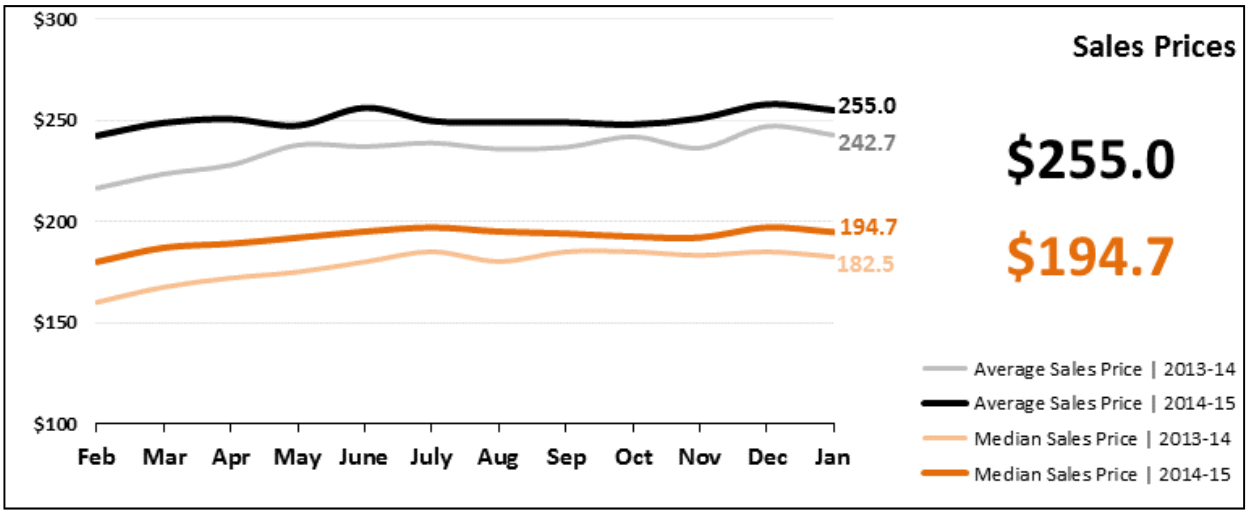
NEW LIST PRICES



+10.0%, year-over-year average

+4.5%, year-over-year median

SALES PRICES

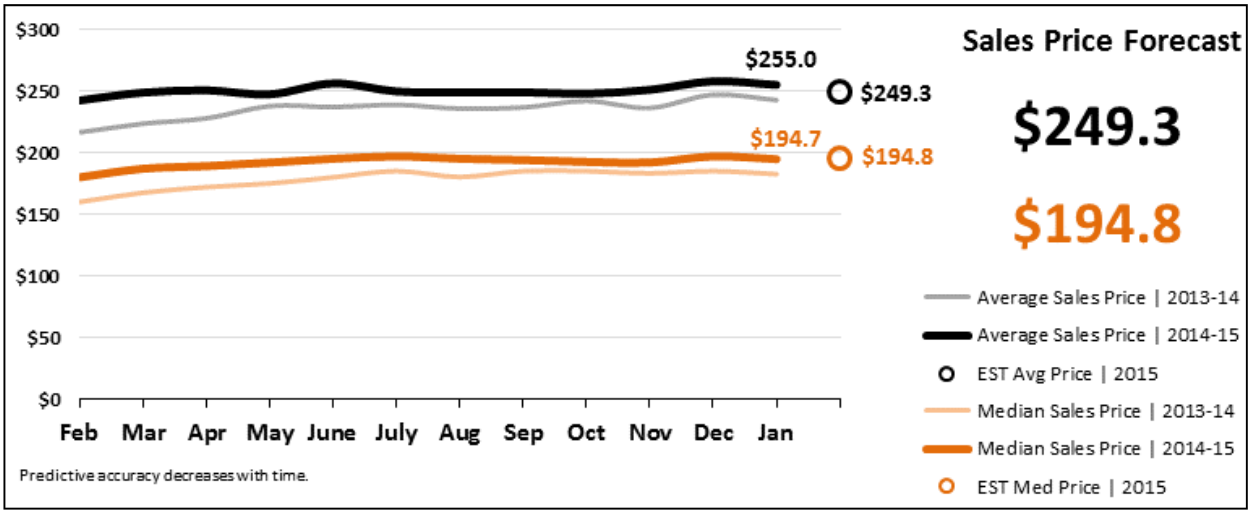


+5.1%, year-over-year average

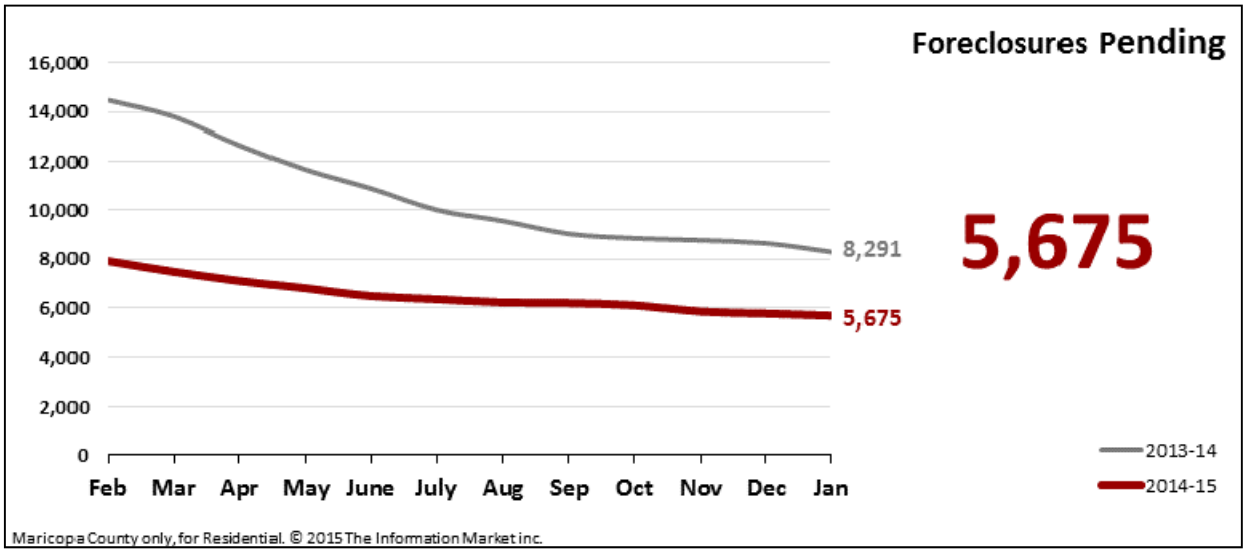
+6.7%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



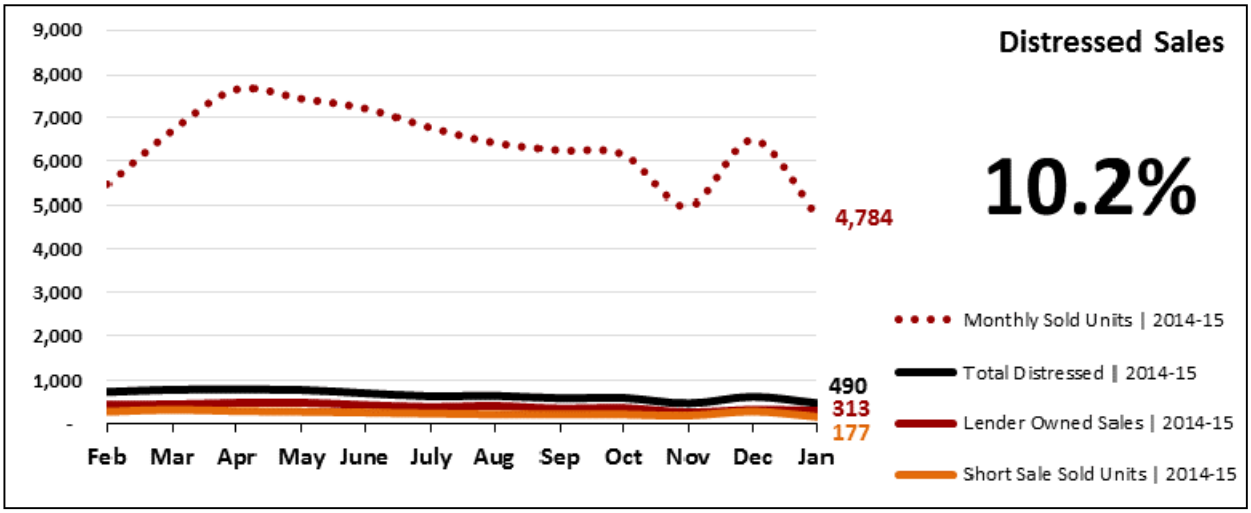
FORECLOSURES PENDING



-31.6%, year-over-year

-1.5%, month-over-month

DISTRESSED SALES

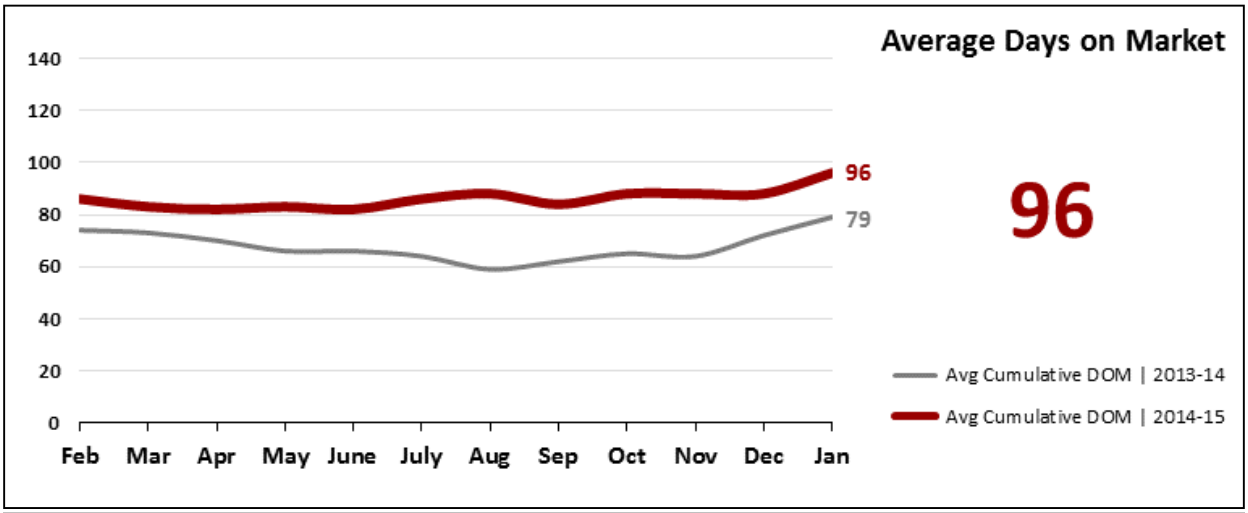


-46.0%, short sale units year-over-year

-32.3%, lender owned units year-over-year

-38.0%, total year-over-year

AVERAGE DAYS ON MARKET



+17, year-over-year

+8, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

January plays an important part as a precursor to our prime selling season as the highest average number of monthly new listings occurs in January. With an average days on market of 96, these new listings coming on are the seeds for spring and summer sales.

The 14 year running average for new listings in January is 12,769, this year we saw 10,888 new listings in January. The lowest average number of monthly sales occurs in January, where the 14 year running average for home sales is 5,067 and this year we saw 4,784 home sales in January 2015.

These numbers do not factor in the growth in housing stock and population throughout the 14 year period, so it's not what we would call great. In reality, our market continues in a leisurely fashion highlighted by low demand and low supply.

Pollyanna vs Reality

From time to time there will be a set of numbers within STAT that just jumps at you, this month it was the dichotomy of list prices and sale prices. Over the past year we've repeatedly discussed the remarkable stability in our home prices. When we removed all the distressed sales and compared only the normal sales between December 2013 and December 2014, we saw the price per-square-foot rose only slightly, 1.7% from $133.10 to $135.41. When we compared January 2015 prices to December 2014 prices we saw a 1.2% decline in the median sales price and a 0.6% decline in the average sale price.

As we continually state, these monthly anomalies are in no way an indication of declining prices, but only reiterate the remarkable price stability in our market. However, they do amplify the growing disparity between the price of properties listed for sale and the price at which properties are selling.

In January the median list price increased 5.4% over December and the average list price increased 7.6%, widening an already existing gap. This gap becomes even more noticeable when we put the numbers side by side. The average list price in January was $354,500 while the average sales price was $255,000. The median list price in January was $230,000 while the median sales price in January was $194,700. Why is the average list price so much higher than the average sales price? If the property being marketed is listed too far above market expectations, reality will manifest in the lack of showings and/or offers leading to a price change.

Ivy Zelman Ain't No Pollyanna

Too often in STAT we write about the national pundits and their outrageous studies with headlines sculpted as click-bait, often times promoting personal agendas. Other times we see silly analyses by Ph.D.s with strong mathematical backgrounds but no practical real estate knowledge. In this month's STAT I'd like to share the thoughts of a national analyst I respect, an analyst that gracefully blends numbers with common sense and practical insight – Ivy Zelman. In a speech delivered to the Building Materials Holding Corporation, a multi-state building materials supplier, she demonstrates that really good real estate analytics is both science and art:

> *"Going forward, the easing of credit 'will be a tailwind.' In addition, the Obama administration has been taking steps to make qualification terms easier because it concluded its policies were holding back housing.*
>
> *A paucity of first-time homebuyers is putting brakes on the entire housing market, because you need those newcomers coming in and buying homes so that the people living in them now will have equity to trade up. People age 20 to 30 accounts for two-thirds of all incremental growth in new housing.*
>
> *Here's one example of pent-up demand in this cohort: At the housing market's nadir, 14% of people aged 20 to 34 lived in multigenerational homes. The historical average is 11%. If we were to get back to that average, there'd be 800,000 new household formats every year.*
>
> *Millennials aren't all that their reputations suggest. There's a view that they are unlike their parents and want to stay in multfifamily units close to downtown. 'If you look at who lives in a home by age, lifestyle dictates. When you get to a certain age, 70% to 80% will want to live in a single-family shelter. It has to do with love and marriage.' Of married households, 80% live in single-family detached home.*
>
> *Rising rents (they went up 3% to 5% nationwide last year, and even more in the West) will increasingly push people toward buying homes. At the same time, people age 20 to 34 have seen double the growth in jobs than the nation has as a whole.*
>
> *Are student loans really that big a problem? For those who have defaulted on those loans, yes. But a study by the New York Federal Reserve Bank found that the largest share of loans being given to people with student loans are to people who have those loans and are paying them regularly. Also, keep in mind that about one-third of student loan debt is for people over 40., 40% of student debt is related to graduate programs, and nearly a quarter of under-35-year-olds are debt free.*

The effect of foreclosures on credit is declining. Seven years after a foreclosure, you can qualify for a mortgage again. So expect roughly 400,000 people to join the group of potential buyers each year.

Consumers think conditions are tougher than they are. You don't need to pay 5% to 10% of a home's price as a down payment; you can get a loan with a 3% down payment. "Why doesn't the National Association of Realtors put out ads that say you can buy a house with 3% down? There's a huge gap between perception and reality."

Enough said.

Pending Price Index

Last month our Pending Price Index (PPI) projected a January median price of $195,000 with the actual median coming in at $194,700. Looking ahead to February, the ARMLS Pending Price Index projects a median sales price of $194,822. Prices are expected to remain flat. Sales volume for January was nearly identical to sales volume in January 2014, final numbers showed 4,784 this year compared to 4,797. January 2015 had 20 business days while January 2014 had 21. With both the number of pending sales contracts and the number of UCB listings being greater than last year at this time, it is anticipated that February 2015 sales volume will exceed the volume of 5,474 of February 2014. We may only be taking baby steps at this time but our market is modestly moving forward.