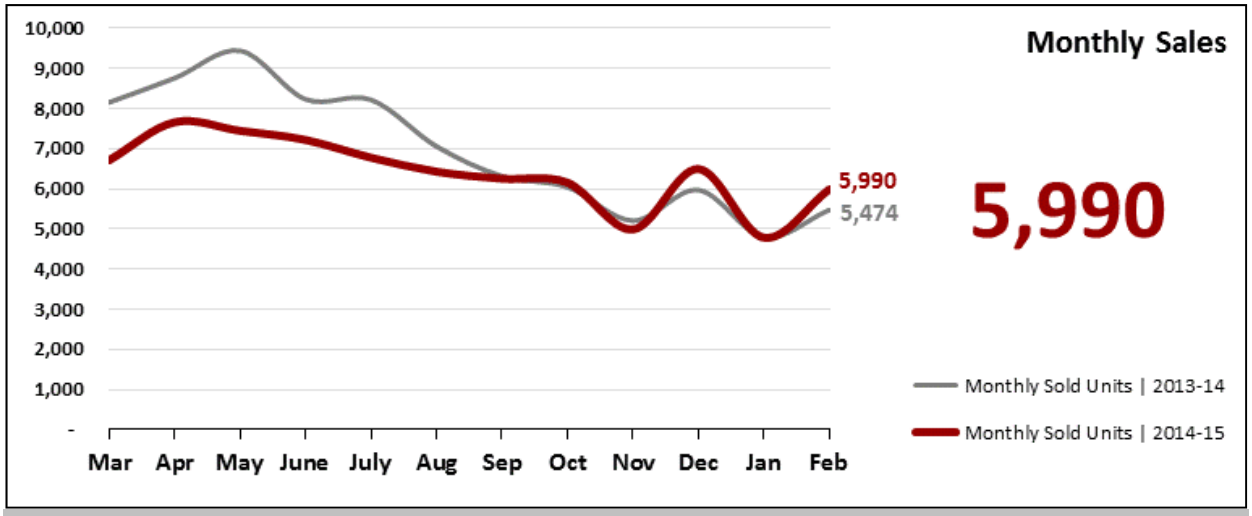
ARMLS® STAT - March 13, 2015

MONTHLY SALES



+9.4%, year-over-year

+25.2%, month-over-month

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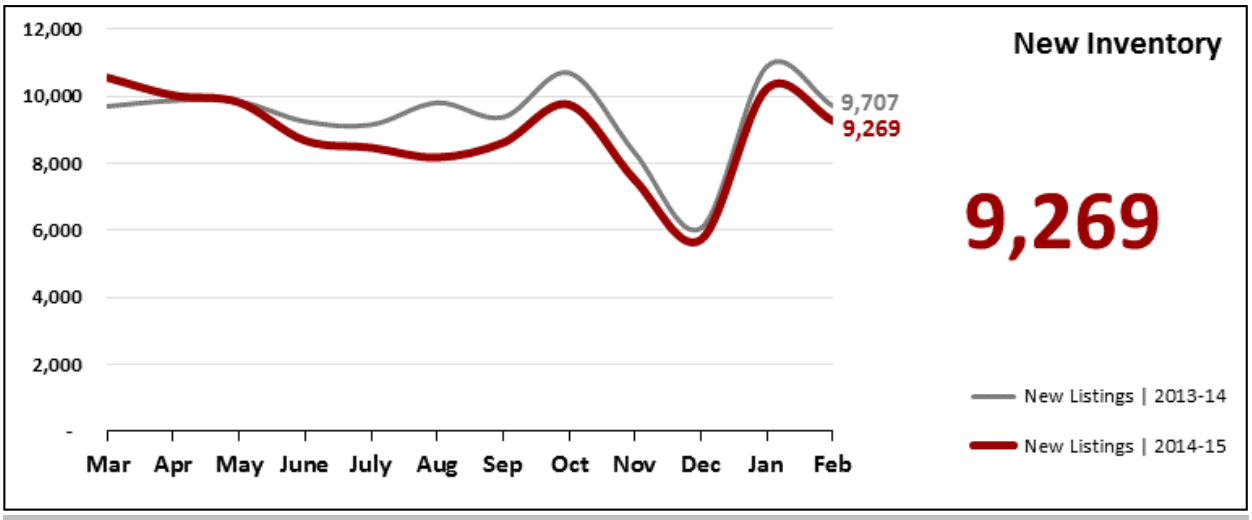
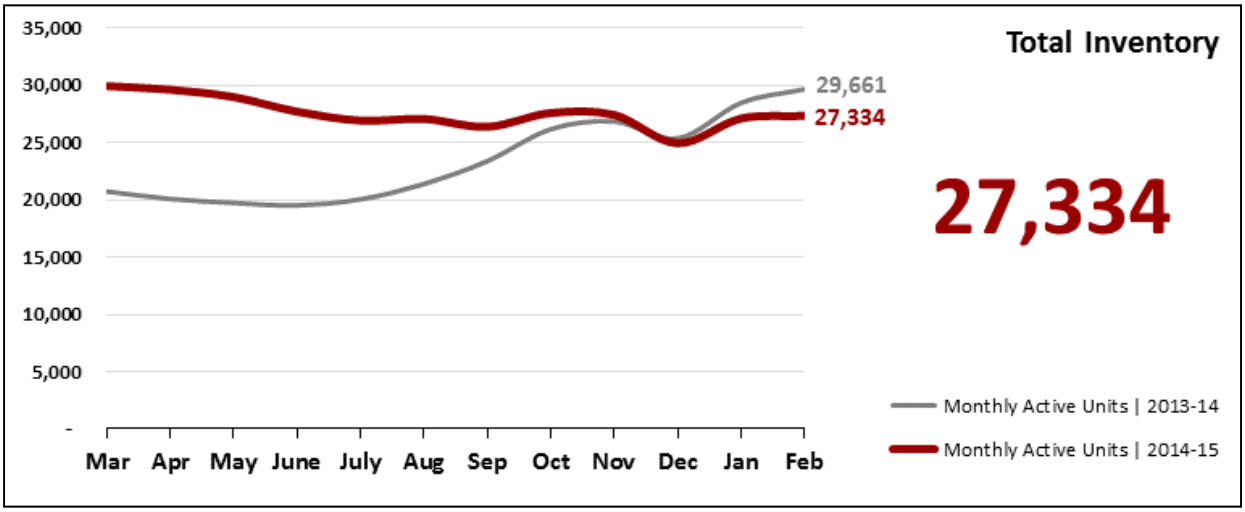
NEW INVENTORY



-4.5%, year-over-year

-9.4%, month-over-month

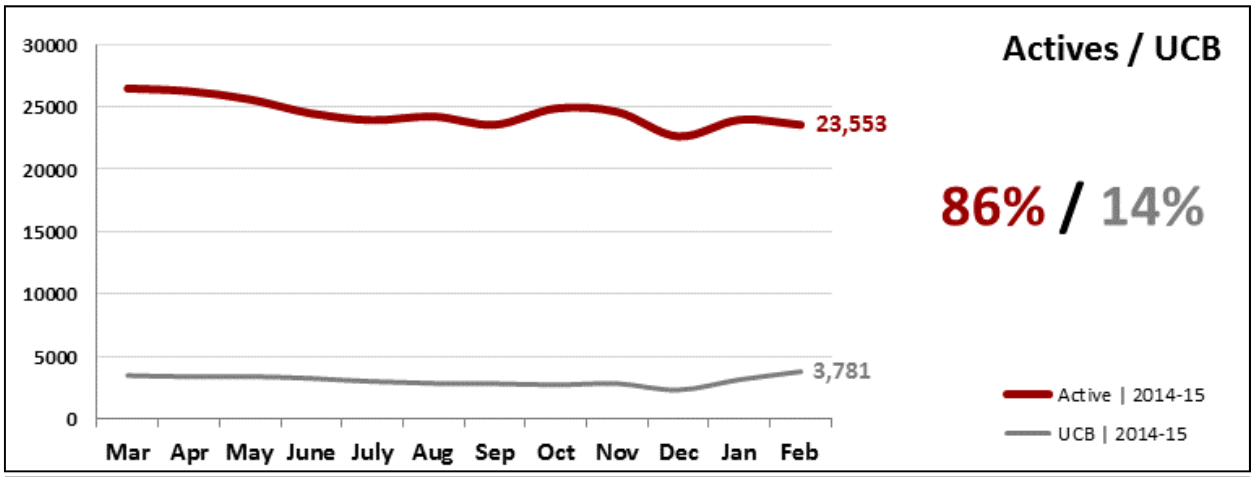
TOTAL INVENTORY



-7.8%, year-over-year

+0.8%, month-over-month

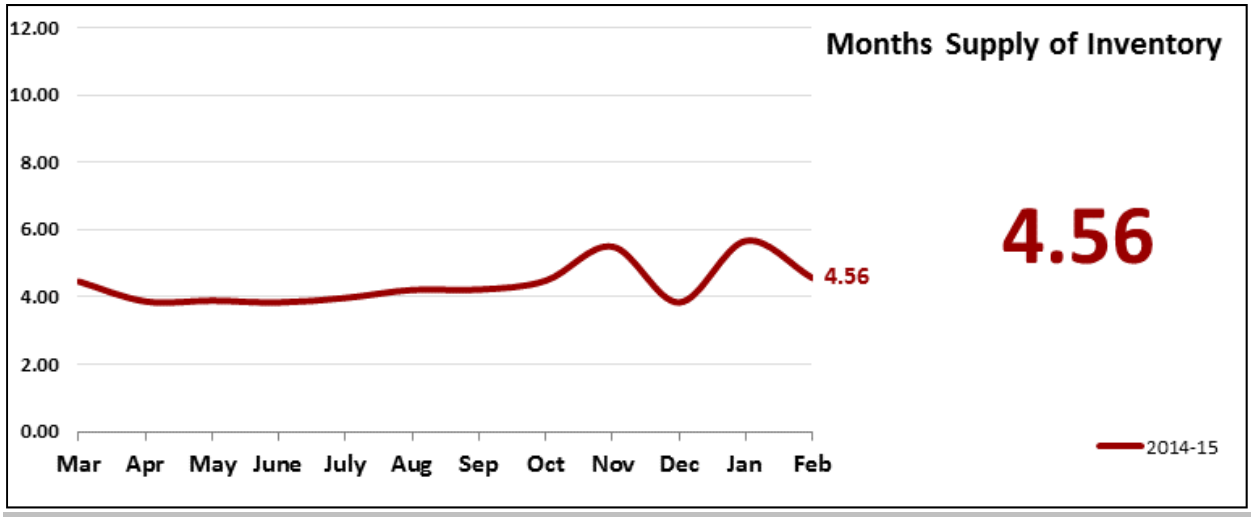
ACTIVES / UCB



11.6% JAN 2015 UCB percent of total Active

13.8%, FEB 2015 UCB percent of total Active

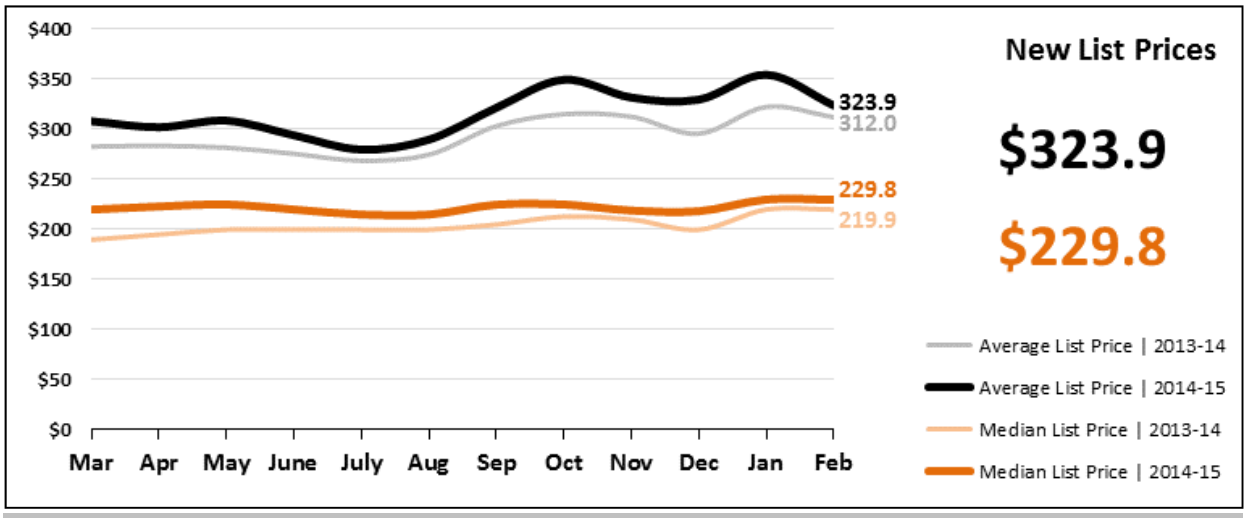
MONTHS SUPPLY OF INVENTORY



5.67, MSI JAN 2015

4.56, MSI FEB 2015

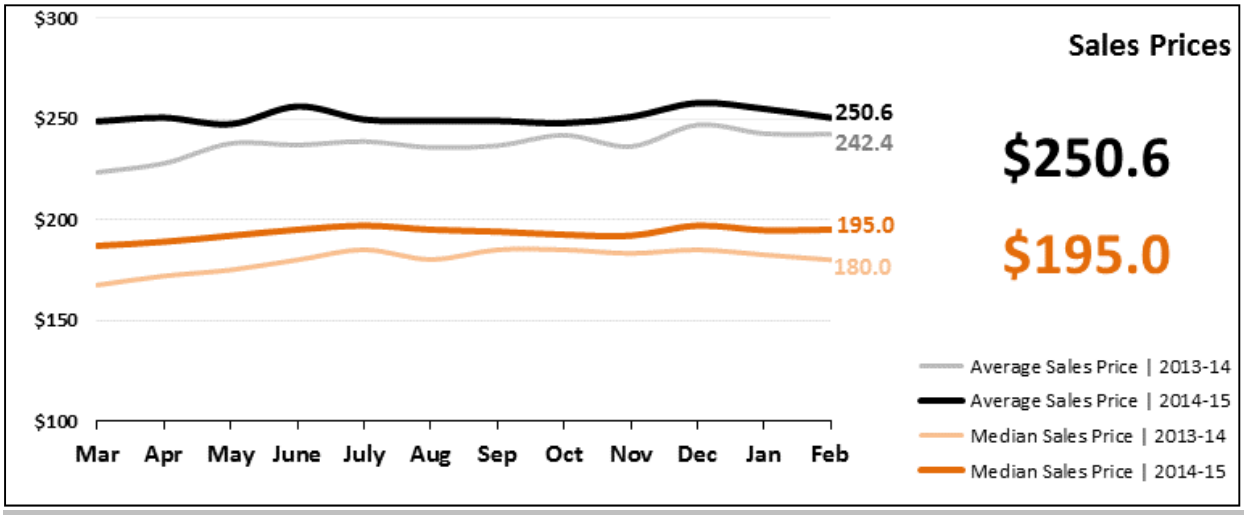
NEW LIST PRICES



+3.8%, year-over-year average

+4.5%, year-over-year median

SALES PRICES

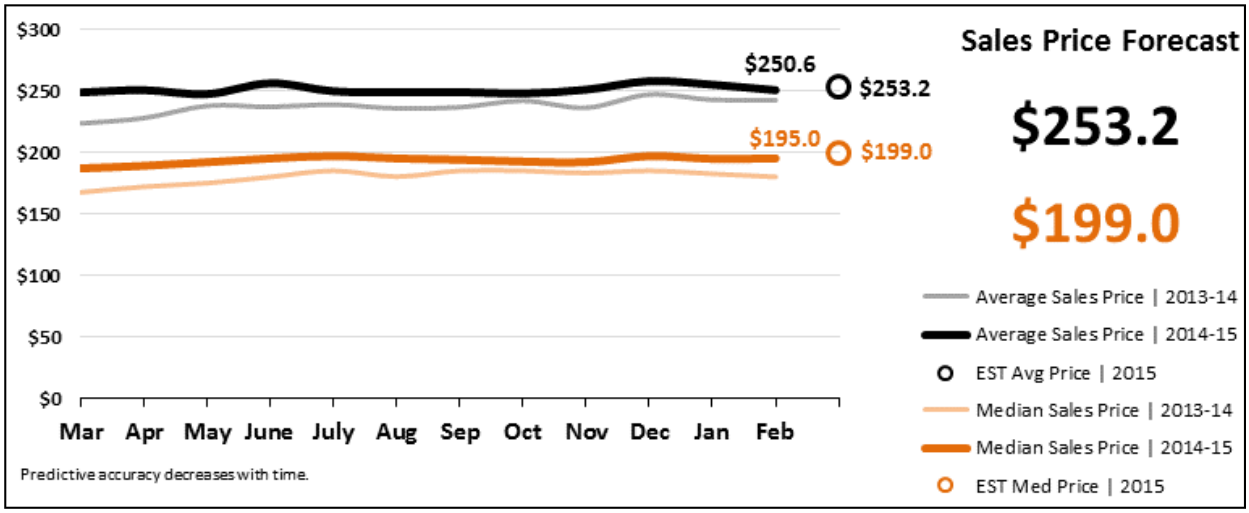


+3.4%, year-over-year average

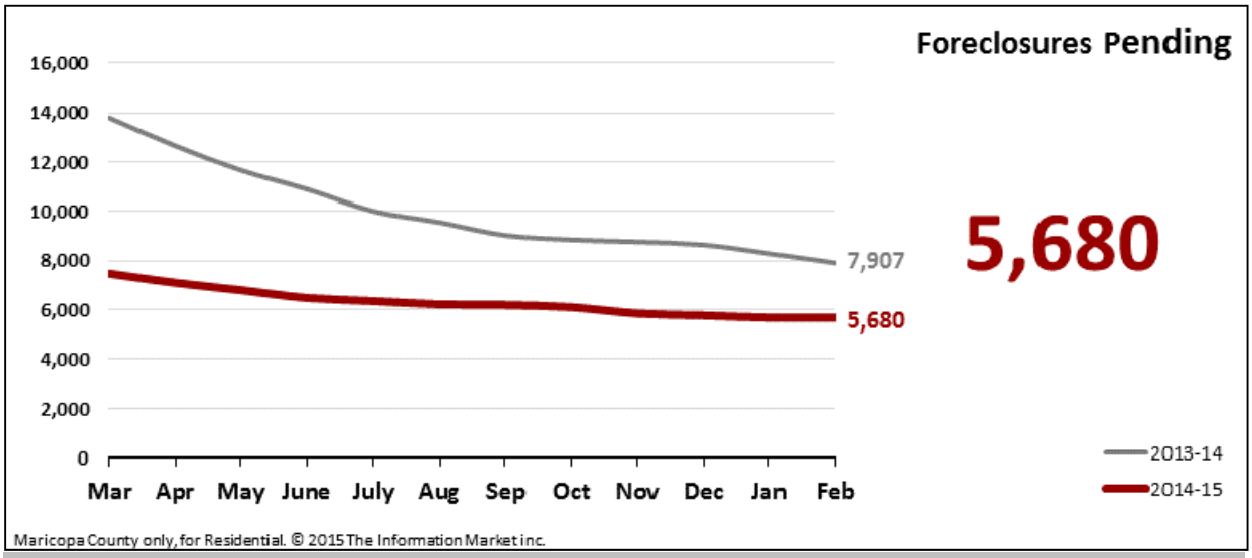
+8.3%, year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



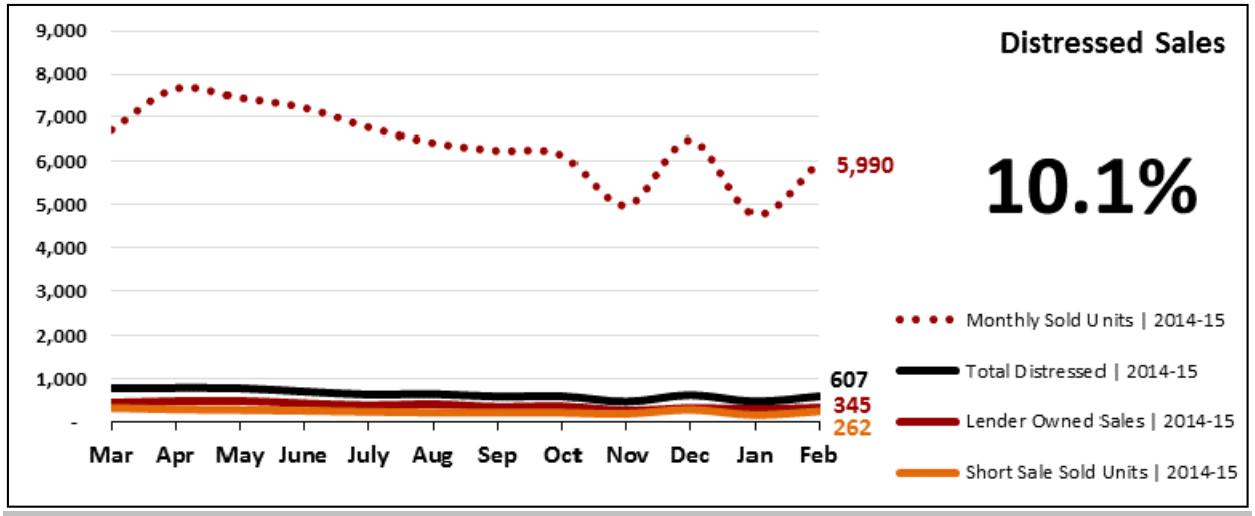
FORECLOSURES PENDING



-28.2%, year-over-year

+0.1%, month-over-month

DISTRESSED SALES

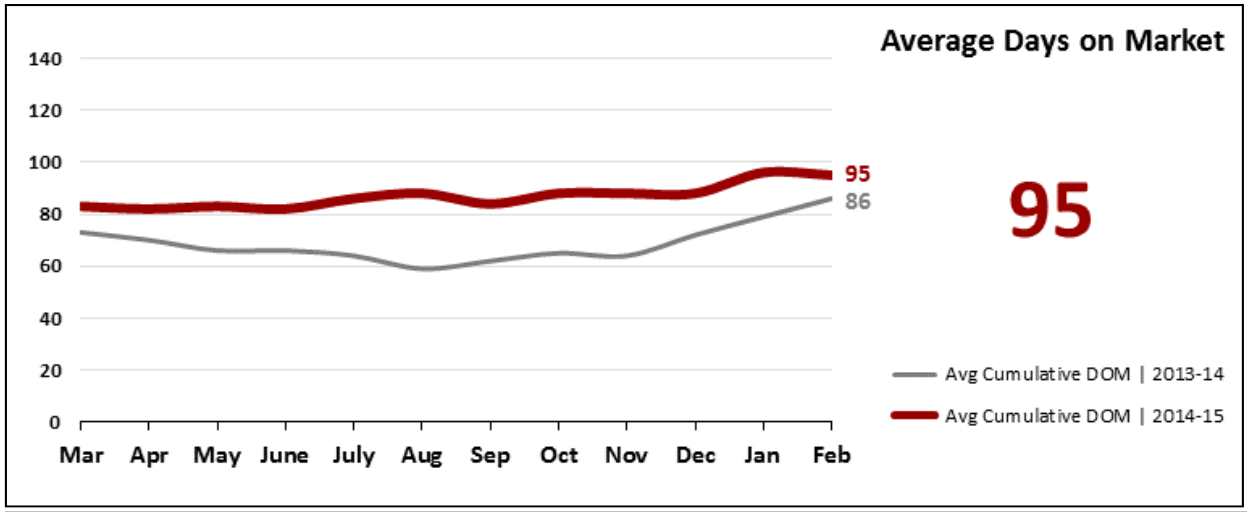


-10.3%, short sale units year-over-year

-24.5%, lender owned units year-over-year

-19.0%, total year-over-year

AVERAGE DAYS ON MARKET



+9, year-over-year

-1, month-over-month

COMMENTARY

by Tom Ruff of The Information Market

Last year at this time low demand and rising inventory signaled a buyer's market. This year, demand is still below normal but clearly improving while supply is below normal and declining. What a difference a year makes?

A quick glance at the key indicators for February 2015 paints a year-over-year comparison of the following picture: overall sales volume is up 9.4% while supply is down 11.4%. Turning to our public records data, we see new construction sales are also up 6.4% year-over-year. The subtle improvements we've seen in our market over the past year, namely the percentage increase in traditional buyers, is now becoming easier to see.

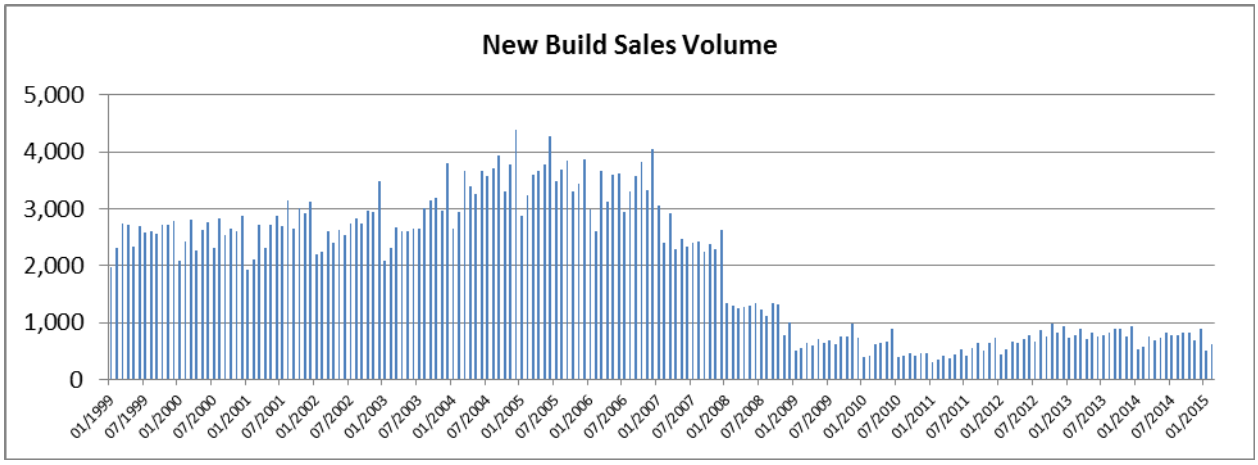
The overall health of our housing market continues to improve. The two most important metrics that determine where the market is headed are supply and demand. STAT is a 30,000 foot view of these dynamics, so it is important agents create similar metrics on individual submarkets. It is important to view supply and demand from a neighborhood, price point, and features basis perspective as it's an agent's strength or weakness at the negotiation table.

When we view supply and demand from a price perspective, a shortage of listings is readily apparent at the entry level. As we move deeper into our 2015 season homes priced below $200,000 are going to move very fast as Tina Tamboer-Glatfelter of The Cromford Report recently and not so subtly pointed out:

"Whoever told you the real estate market is sluggish is horribly misinformed, especially if your property is under $200,000. As of today, for single family listings under $200,000 in Maricopa and Pinal, there are only 4,768 active and 4,337 under contract. That's practically a feeding frenzy. You may be reaching your desired price sooner than you think."

Where's the new supply for sub-$200k priced homes going to come from? It's certainly not going to come from new construction, investors cashing out, bank foreclosures or from discovery of a hidden city below Mesa.

New Construction



Why's it unlikely that new construction is going to be the hero for our low inventory problem? Because new construction has been extremely slow with only 740 new homes being sold per month on average this past year. Of those, only 12% sold for under $200,000. The average new home sold for $360,000 last year showing there is little desire to build entry level homes.

Investors Cashing Out

From 2009 through July of 2013 investors who bought to hold played a major role in gobbling up sub-200k properties. According to RENT Check published March 5, rents in Phoenix have risen 6.3% over the last year. With a hot rental market and properties appreciating, it's unlikely they'll sell.

Bank Foreclosures

Residential foreclosures have been trending downward for some time. Year-over-year pending foreclosures have dropped 28%, and lender owner sales have dropped 24.5%. On average 268 homes revert back to the bank each month, of those 75% are valued under $200,000 by our valuation model. Simply put, foreclosures aren't going to put enough entry level homes back on the market.

Year	Residential Notices	Residential Foreclosed	% Notices To Foreclosures
2015 *	1,576	637	40.42%
2014	10,004	5,312	53.10%
2013	17,044	9,668	56.72%
2012	39,793	22,615	56.83%
2011	54,339	42,510	78.23%
2010	79,653	49,343	61.95%

While entry level buyers face a dilemma, the baby boomers are an area of opportunity. Boomers are beginning to retire, and a study done by the Demand Institute* shows the largest majority of boomers (63%) do not plan to move when they retire. Of the remaining 37%, some will move for health reasons while others more well off will be downsizing on maintenance but not necessarily price to upgraded convenience and features. As a boomer myself, a groovy pad has always been a part of our lifestyle, think black light posters, a significant album collection, stereos with subwoofers, and the water beds of the '70s to the wine cellars, music rooms, and designer kitchens of today. It will be an interesting phenomenon to watch the baby boomers as they retire, and when they do, it is predictable they will seek high-end finishes with nearby services and amenities.

*Footnote *http://www.demandinstitute.org/blog/baby-boomers-and-their-homes*

Pending Price Index

Last month the Pending Price Index projected a February median price of $194,800 with the actual median coming in at $195,000. Looking ahead to March, the PPI projects a median sales price of $199,000. With both the number of pending sales contracts and the number of UCB listings being greater than last year at this time, March 2015 sales volume will exceed the sales volume of March 2014 of 6,712. It would not be surprising to see a sales volume figure in March of 7,500.