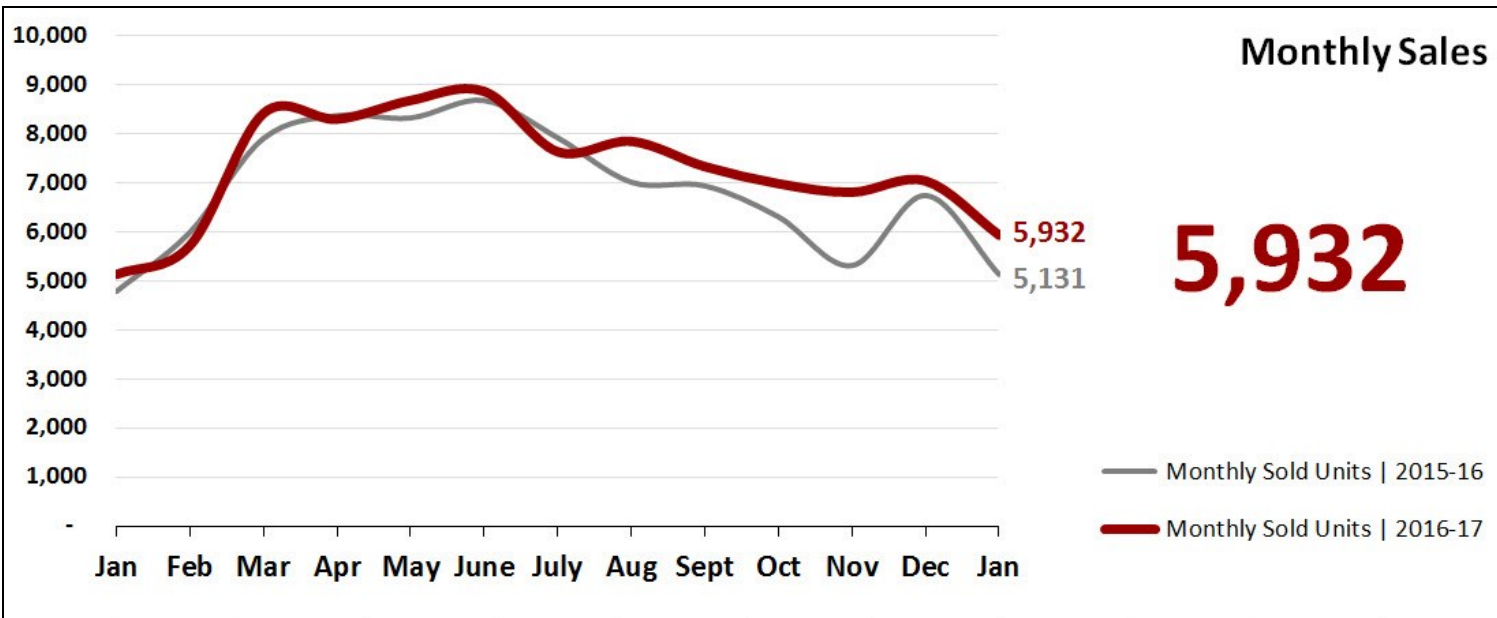


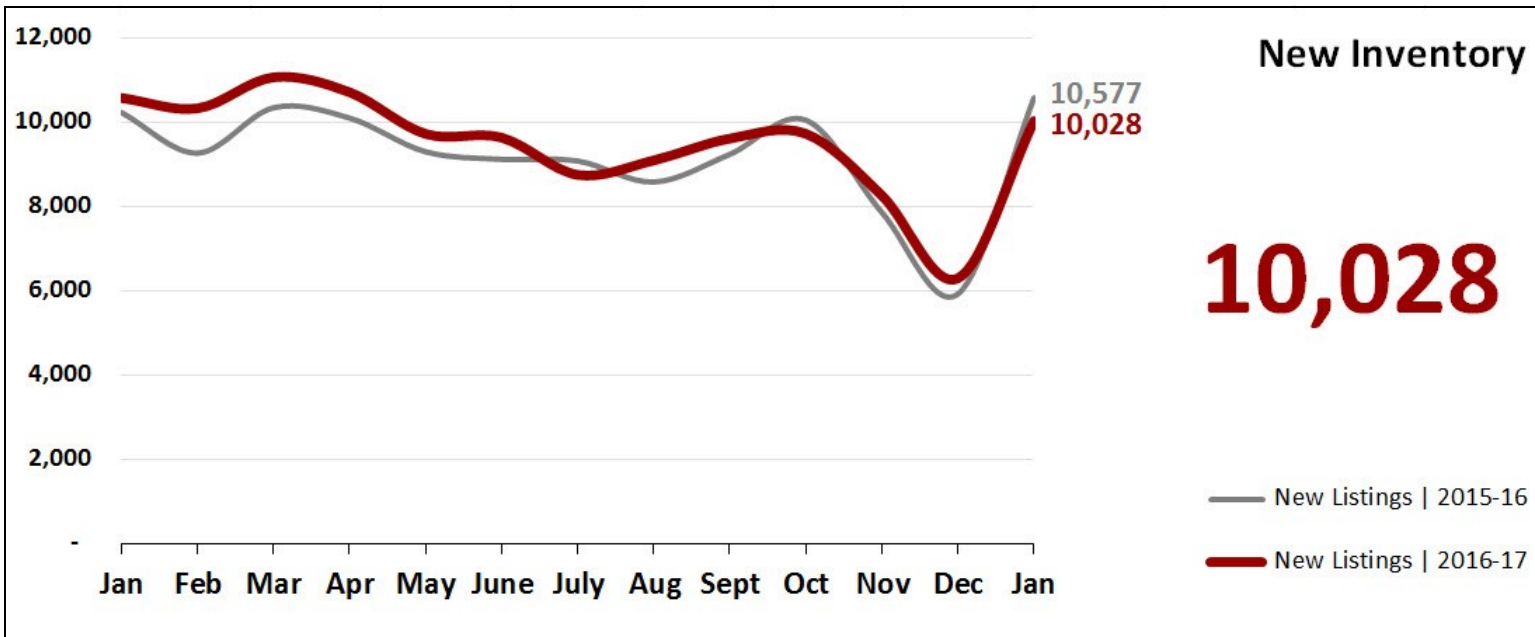


DATA for JANUARY 2017 - Published February 28, 2017



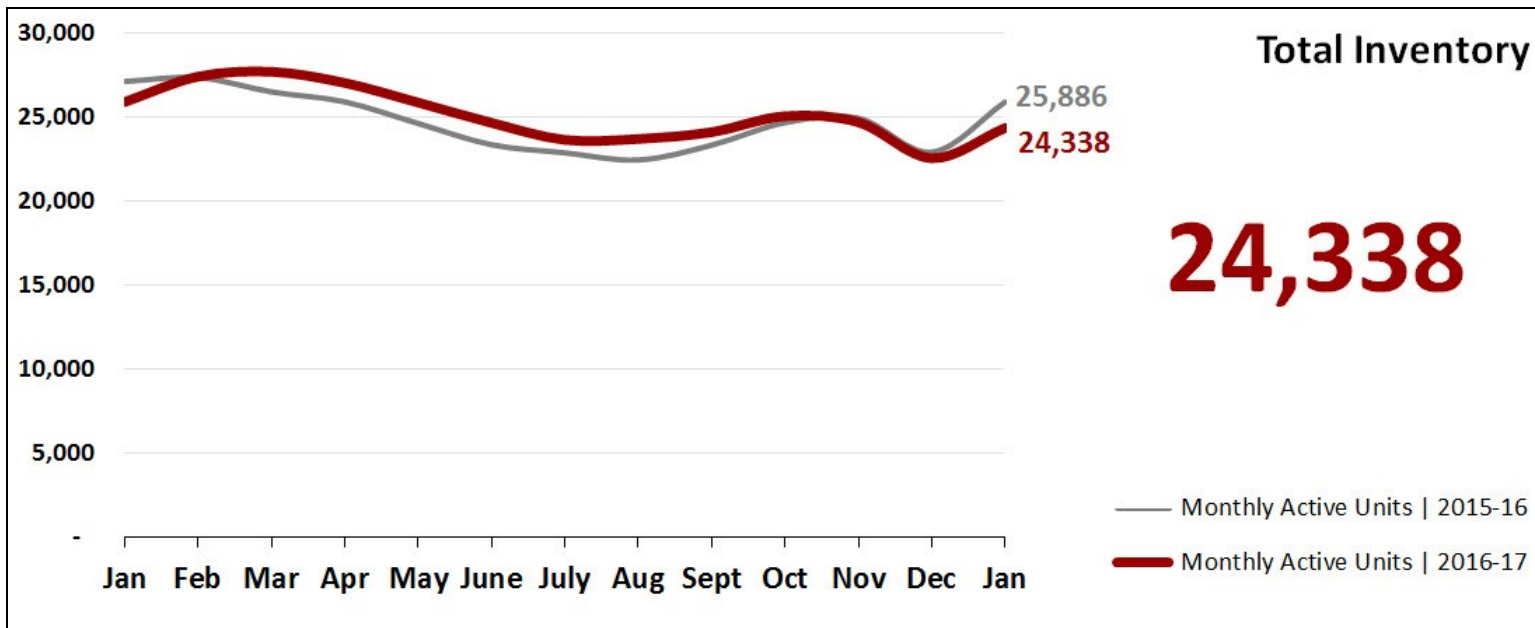
Sales are down -15.7% month-over-month. The year-over-year comparison shows an increase of +15.6%.

Closed MLS sales with a close of escrow date from 1/1/2017 to 1/31/2017, 0 day DOM sales removed



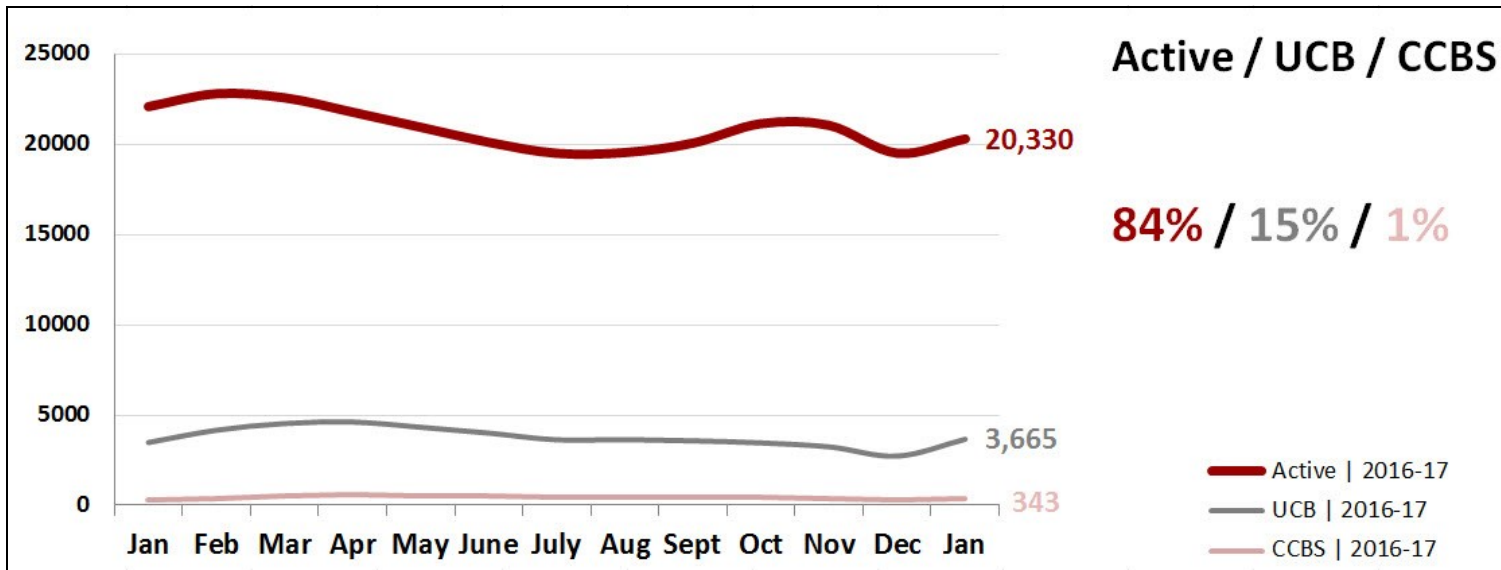
New inventory is up +59.3% month-over-month while the year-over-year comparison shows a decrease of -5.2%.

New MLS listings that were active for at least one day from 1/1/2017 to 1/31/2017, 0 day DOM sales removed



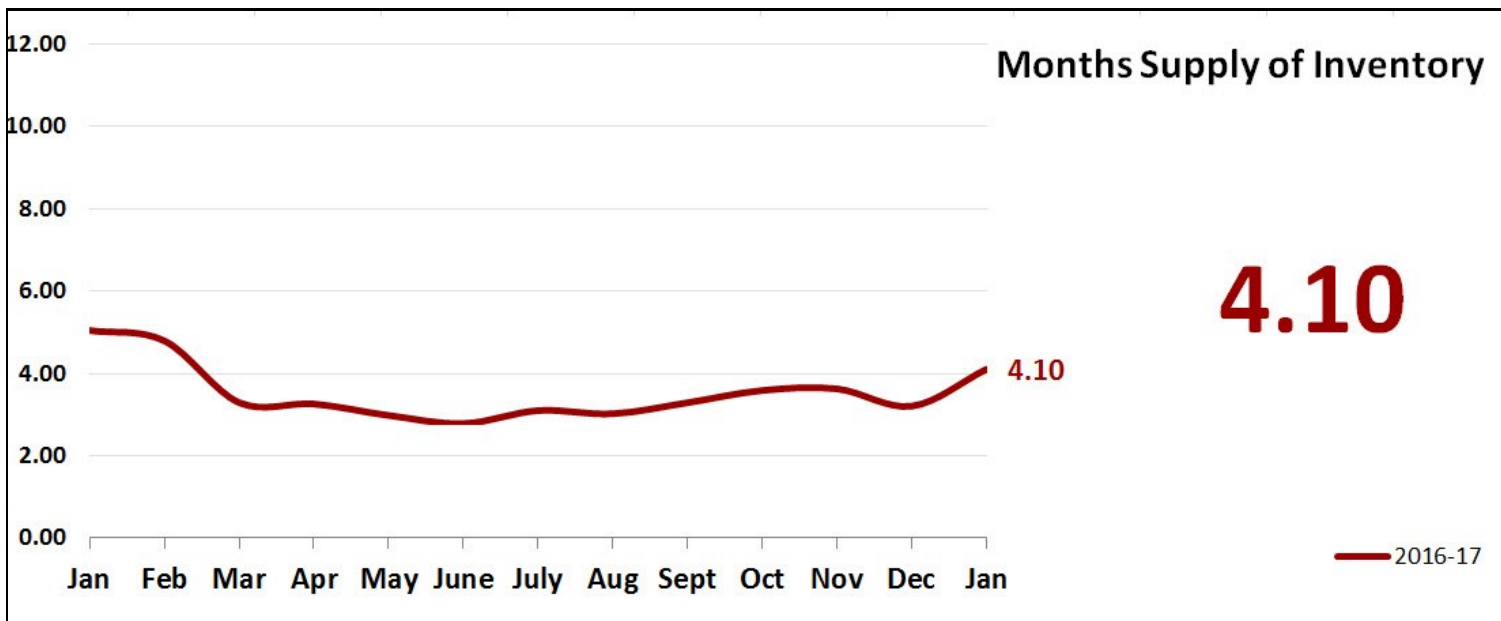
Total inventory has a month-over-month increase of +8.0% while year-over-year reflects a decrease of -6.0%.

Snapshot of statuses on 1/31/2017



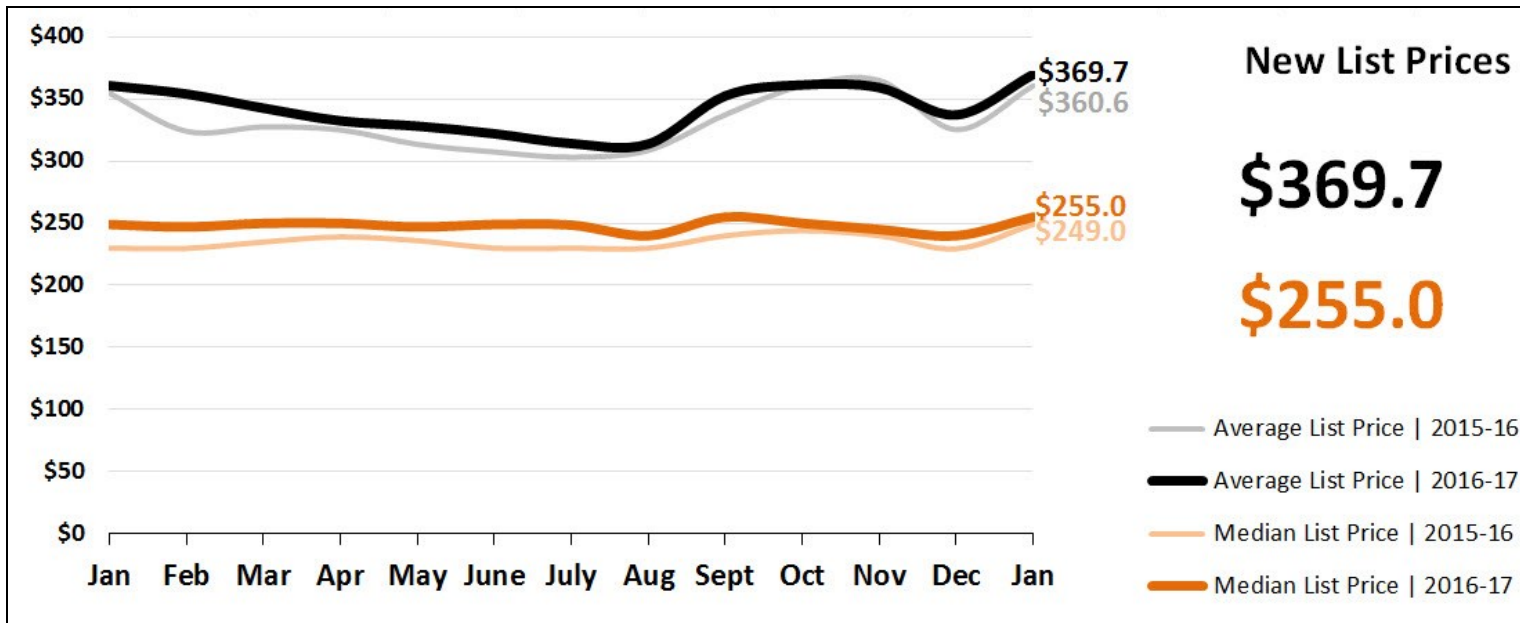
January UCB listings percent of total inventory was 15.1% with January CCBS listings at 1.4% of total inventory.

Snapshot of statuses on 1/31/2017



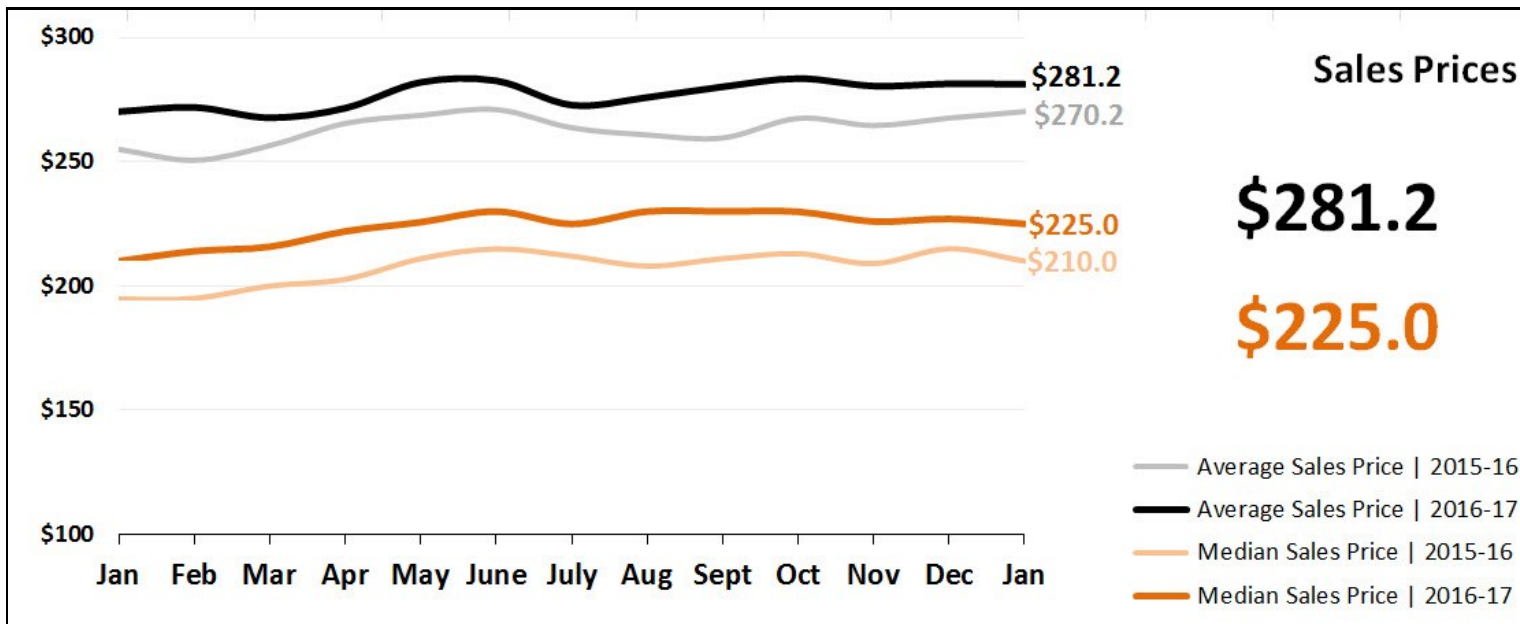
Months supply of inventory for December was 3.20 with January at 4.10.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of January 2017, 0 day DOM sales removed



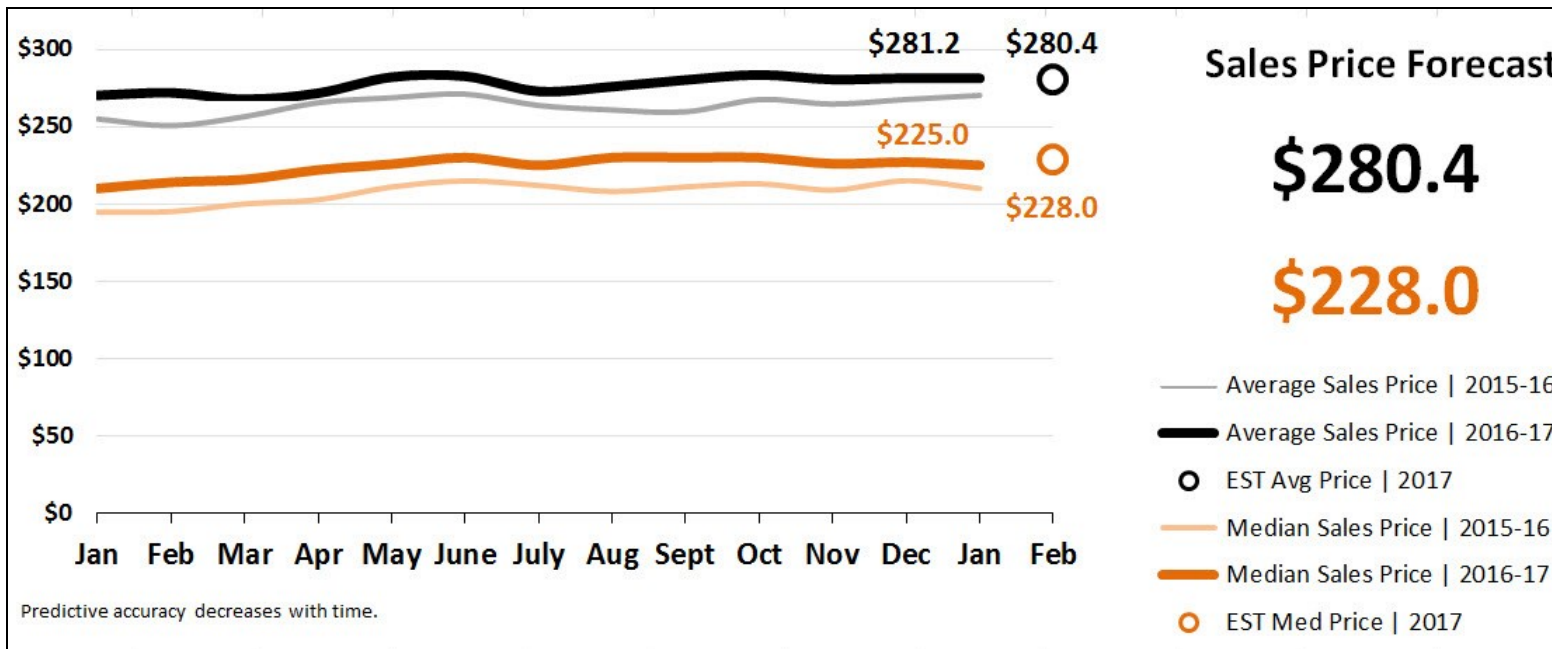
Average new list prices are up +2.5% year-over-year. The year-over-year median is up +2.4%.

List prices of new listings with list dates from 1/1/2017 to 1/31/2017, 0 day DOM sales removed



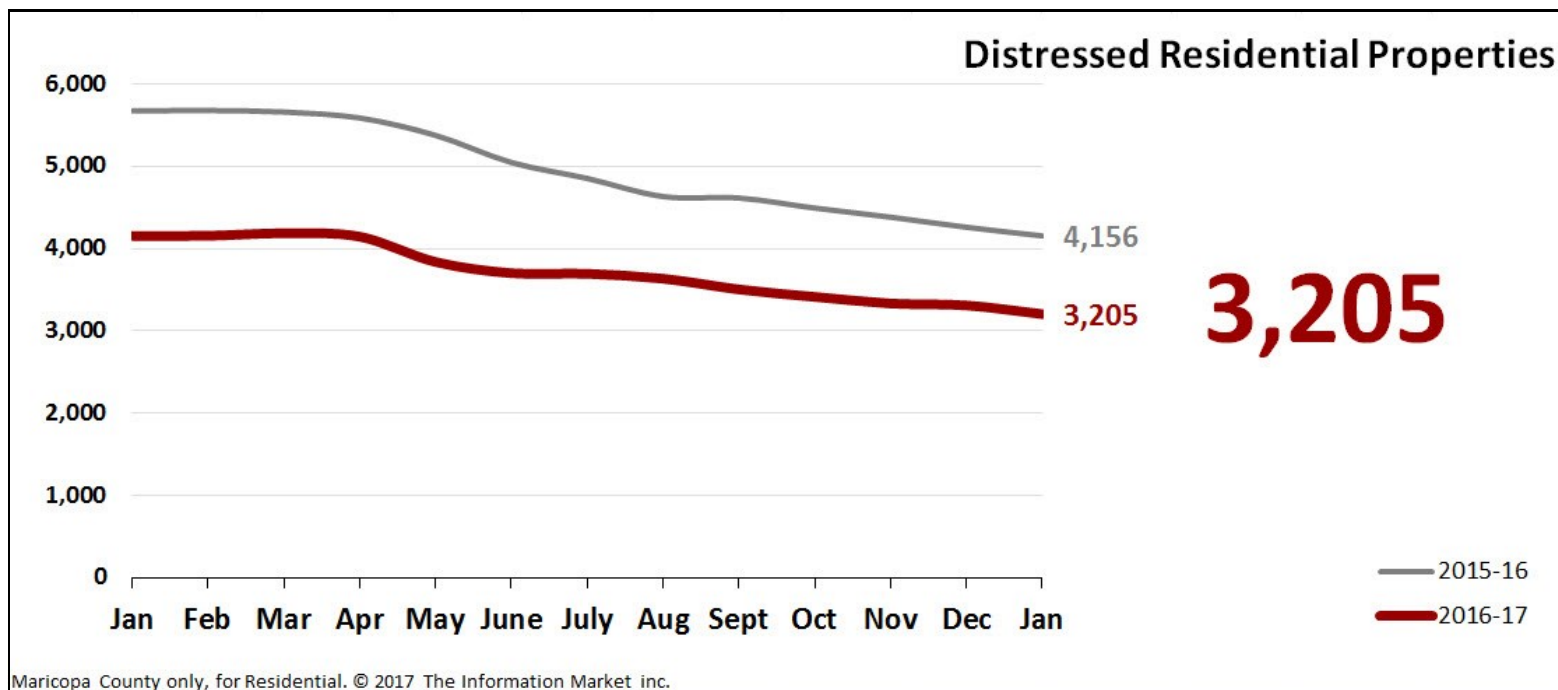
The average sales price is up +4.1% year-over-year while the year-over-year median sales price is also up +7.1%.

MLS sales prices for closed listings with a close of escrow date from 1/1/2017 to 1/31/2017, 0 day DOM sales removed



A slight decrease is forecasted for average sales price with median sales price taking a small upturn in February.

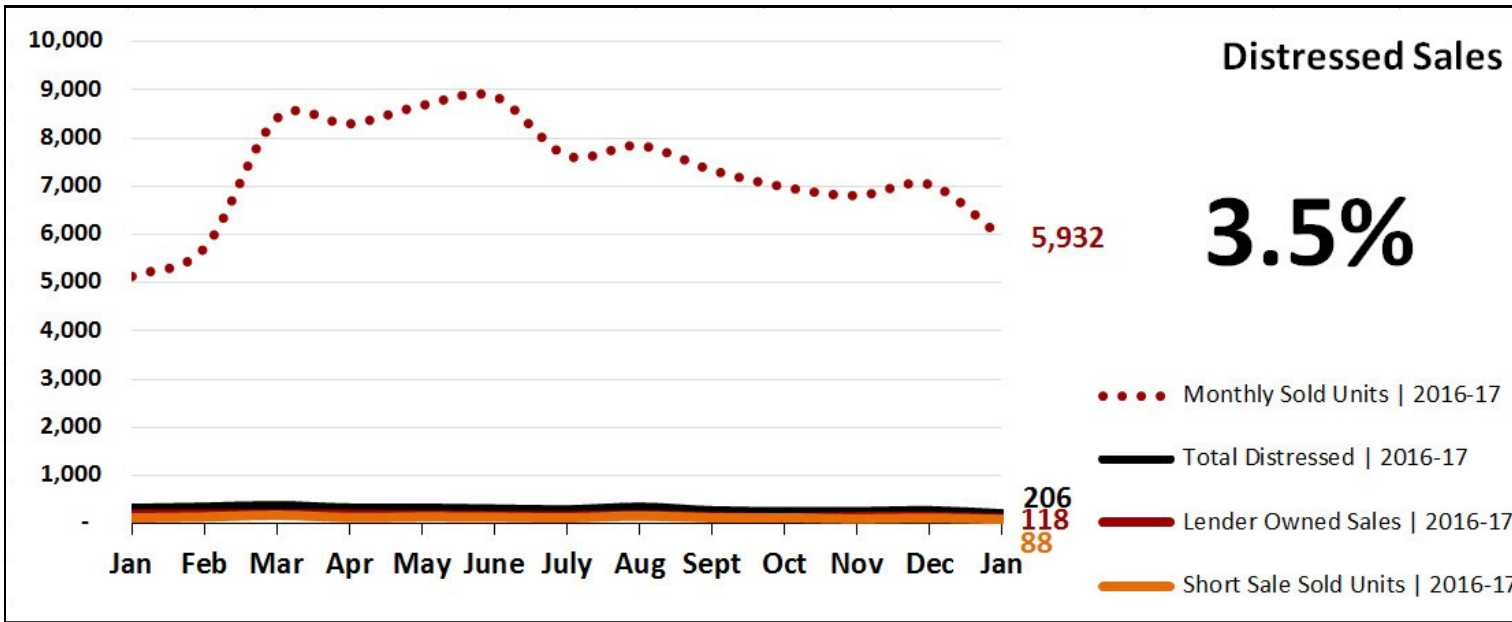
ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed a decrease of -3.2% while the year-over-year figure was down -22.9%.

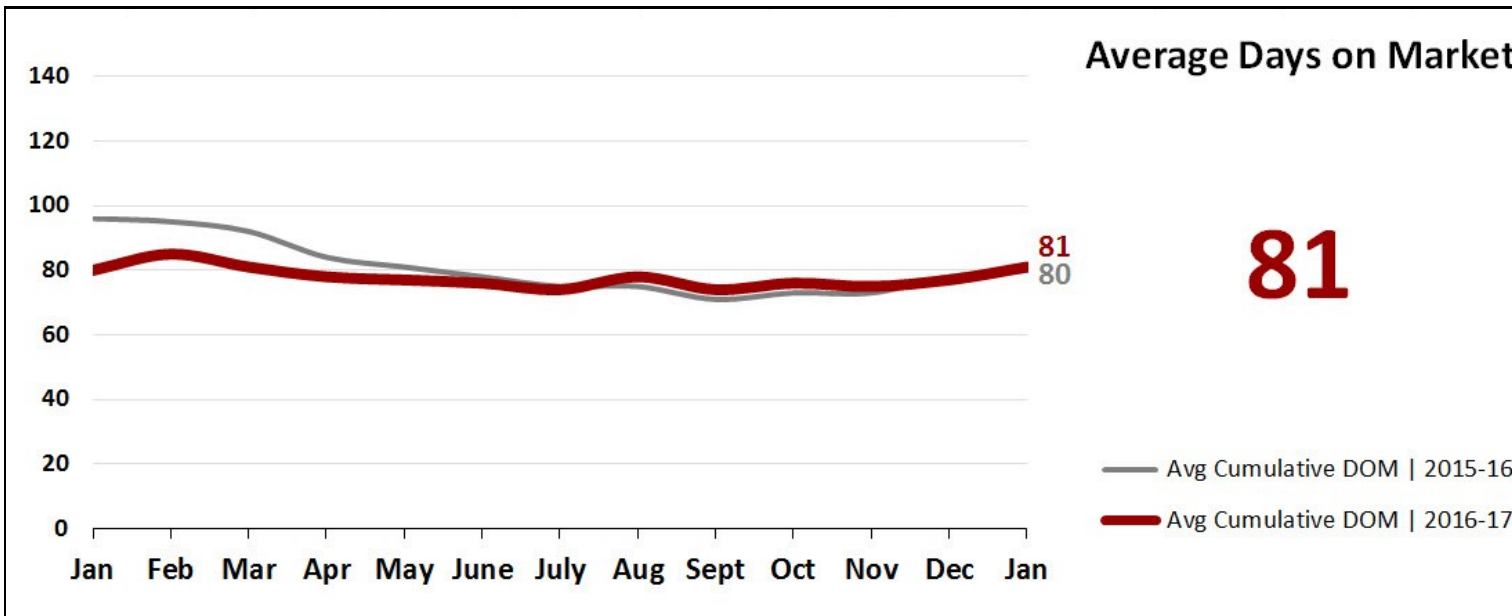
Maricopa County only, for Residential. © 2017 The Information Market inc.

Snapshot of public records data on 1/31/2017 active residential notices and residential REO properties



Distressed sales accounted for 3.5% of total sales, down from the previous month of 3.8%. Short sales dropped -26.7% year-over-year. Lender owned sales dropped -40.4% year-over-year.

Lender owned sales are MLS sales 1/1/2017 to 1/31/2017 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected
 Short sales are MLS sales 1/1/2017 to 1/31/2017 where *Short Sale Aprvl Req, Previously Aprved SS or Lender Approved SS* special listing conditions were selected
 0 day DOM sales removed



Days on market were up +1 day year-over-year while month-over-month increased +4 days.

Average of all closed listings 1/1/2017 to 1/31/2017 where DOM was greater than 0

COMMENTARY

by Tom Ruff of The Information Market

Introduction

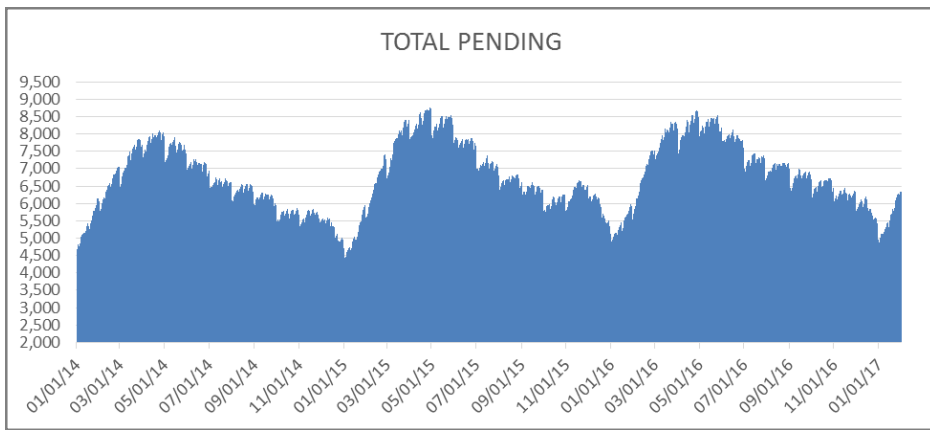
In the blink of an eye our selling season has begun. It's way too early to tell exactly what kind of year it's going to be for home sales. If January is any indication, it's going to be a really good one. Inventory levels began 2017 much like 2016 but demand is much higher. Monthly sale volumes as reported by STAT are up 12% on average over the last 6 months with January 2017 sales volume 15.6% higher than last January. Our current inventory level is now 6% lower than last year at this time. Lower inventory numbers with higher demand means rising home prices are likely to follow.

Where is the impetus for this increased demand? I believe it's two-fold. Millennials are maturing and forming families and it's clear they are now buying houses. We need to look no further than the popular baby names of 1984 to see how these names dye the landscape of 2017 home purchases. With millennials defined as births between 1984 and 2004, this is just the beginning as their time has arrived. The second impetus is that people have been improving their credit scores as prior foreclosures and short sales age and then fall from credit reports. As credit scores improve, more people are qualifying for home loans. The arrival and return of these two buying factions have been anticipated for some time and are now quantifiable. Their impact on our market just took slightly longer than expected.

Oddly, NAR released the following statement in their monthly report that was picked up by the media, "Pending home sales in January dipped to their lowest level in a year." Duh, January almost always has the lowest pending home sales, so don't worry about those headlines.

Our Selling Season Has Begun

There is probably no better chart for showing the seasonal and individual monthly cycles in real estate than a daily chart of the total number of pending sales contracts. The chart below clearly shows the monthly spikes as well as the seasonal spikes. The highest percentage of home closings each month occur at the end of the month leading to the corresponding rapid drop in pending contracts. In January 2017, 26% of all home sales for the month closed in the last 3 days. Less impactable but also noticeable are home closings centered around the 15th of each month. The chart below tracks the last three years of daily pending contracts. The number of pending contracts rises from January 1 to late April, plateauing in late April and May and then beginning an annual descent. The chart also shows year-over-year increases in the number of pending contracts with each successive year greater than the prior. We begin February 2017 with pending contracts 6% ahead of last year.



You will notice the one outlier on the chart in November 2015. This is due to TRID, which caused closings to take longer as escrow officers, loan officers and real estate agents learned the nuances of the newly employed regulations. We know you're busy out there during contract writing season.

Peak Prices

Dr. Frank Nothaft, chief economist for CoreLogic, weighed in on pricing recently stating that "As of the end of 2016, the CoreLogic national index was 3.9 percent below the peak reached in April 2006," and "We expect our national index to rise 4.7 percent during 2017, which would put homes prices at a new nominal peak before the end of this year."

Dr. Nothaft is speaking on a national basis, where some areas of the country have already surpassed the peak prices of 2006. Could 2017 be the year when Maricopa County sets a new a high-water mark for home prices? In reviewing the current average priced home of \$281,209 and the current median priced home of \$225,000 we see that our current home prices are ap-

proximately 80% to 85% of our peak values in 2006. In order for Maricopa County to reach new highs, home prices would have to rise between 15% and 20%. If prices do return to peak this year, we might as well break out the lamp shades from our 2005 New Year's Eve party. Let's hope this doesn't happen as a 2019 return would be much healthier.

PPI

Last month STAT projected a median sales price for January of \$225,000 with the actual median coming in at \$225,000. You can't get any better than that. Looking ahead to February, our model projects a slight increase in the median sales price. The ARMLS Pending Price Index projects a median sales price of \$228,000. Our mathematical model projections this year have been absolutely perfect, albeit that we are only one month in the year.

Sales volume in January as reported by ARMLS was 5,932 which was 15.6% higher than the total last year of 5,131. We begin February with 6,226 pending, 3,665 UCB and 343 CCBS listings giving us a total of 10,234 residential listings practically under contract. This compares to 9,645 of the same type of listings at this time last year. Even though last year was a leap year and there was 1 more working day, I still expect this sales volume this year to eclipse the total from last February of 5,718. We project 6,200 this year.