

THE OUTLOOK FOR HOUSING IN 2015

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Chief Economist



realtor.com[®]
where home happens

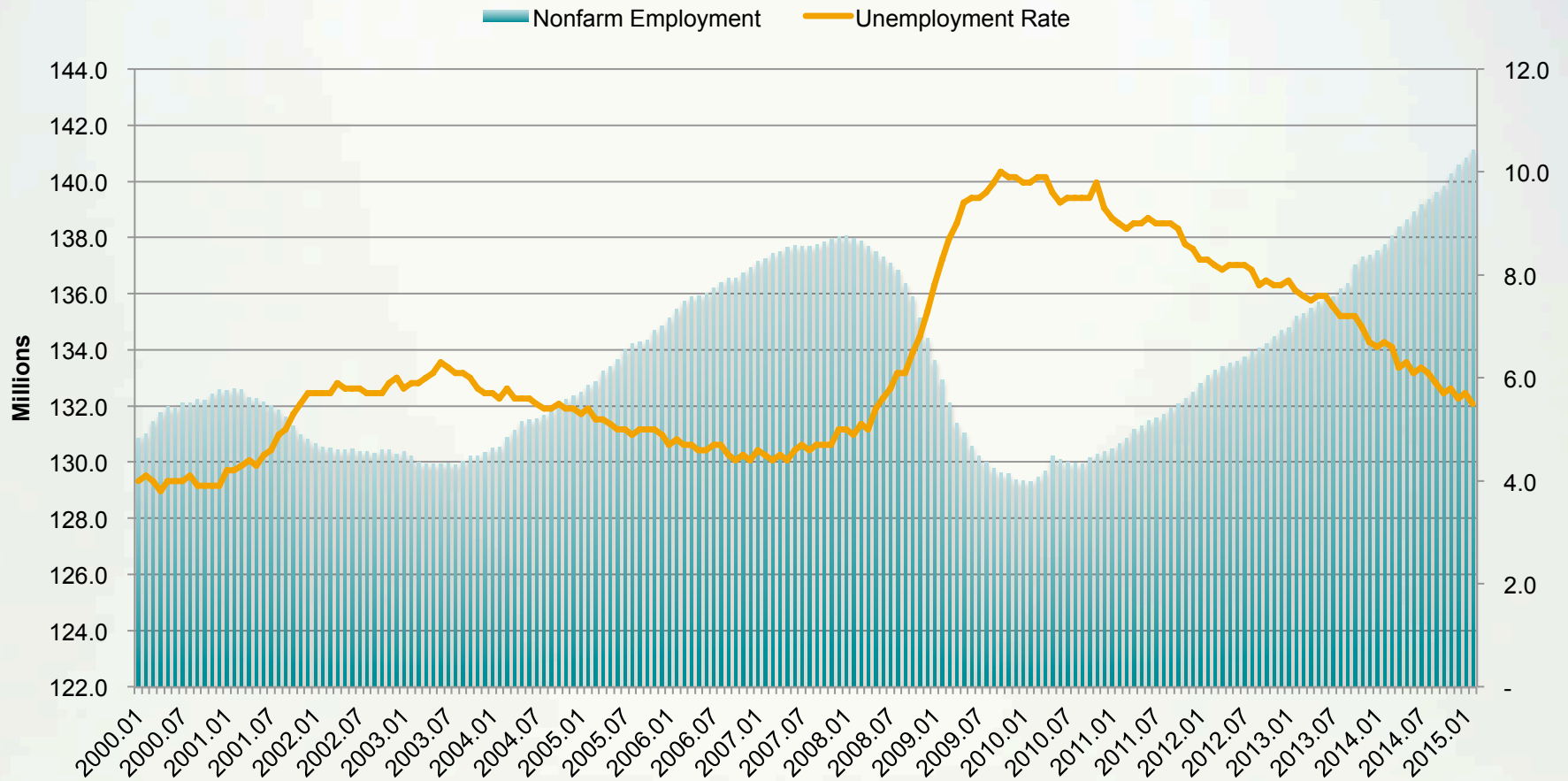
Arizona State Association of REALTORS[®] | March 25, 2015

NATIONAL CONTEXT

JOB EXPANSION MODE

PRIOR EMPLOYMENT PEAK HAS BEEN SURPASSED

Employment and Unemployment

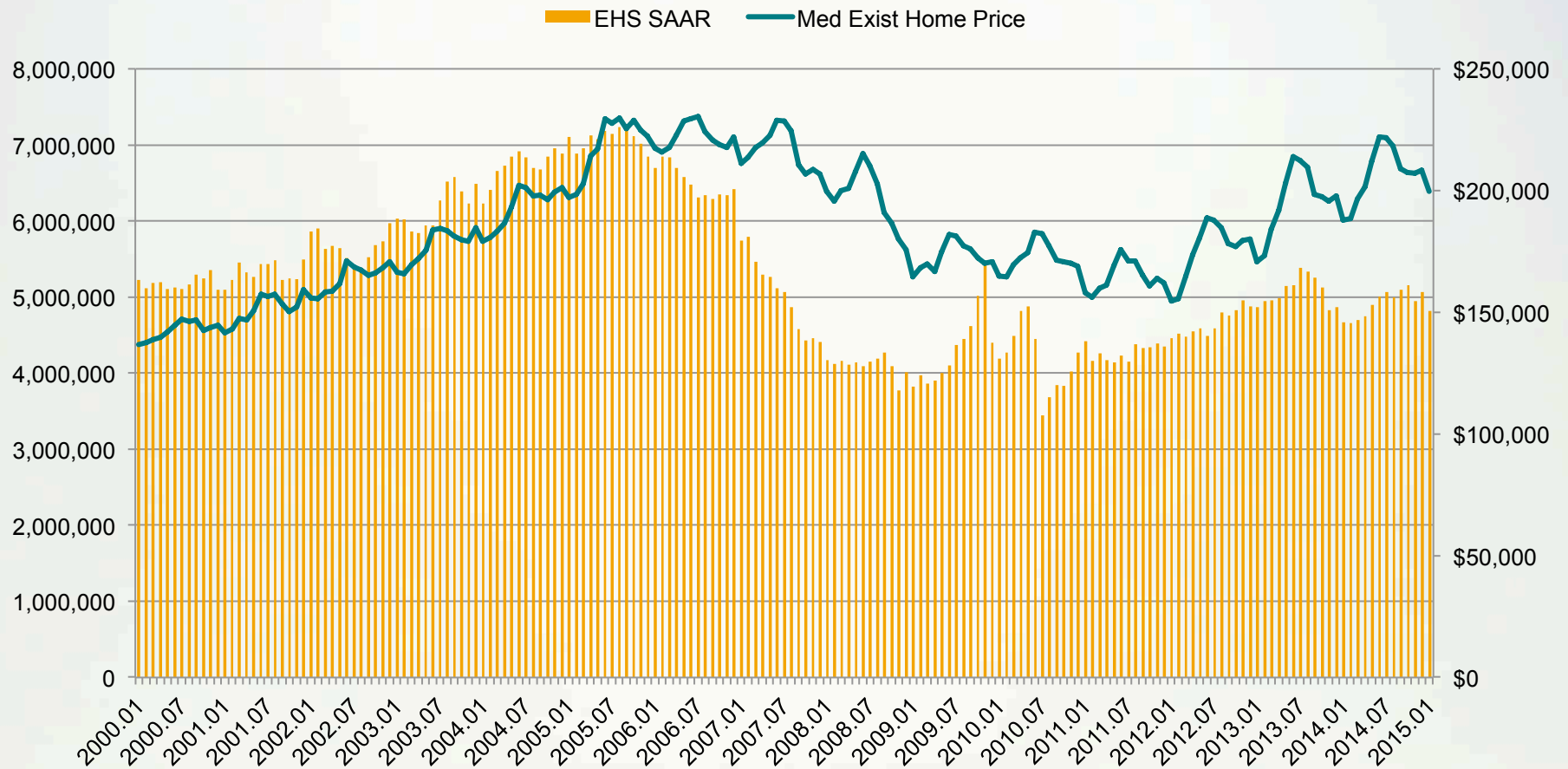


Source: Bureau of Labor Statistics

REAL ESTATE RECOVERY

PACE OF SALES SHOWED WEAKNESS IN JANUARY

Existing Home Sales and Prices



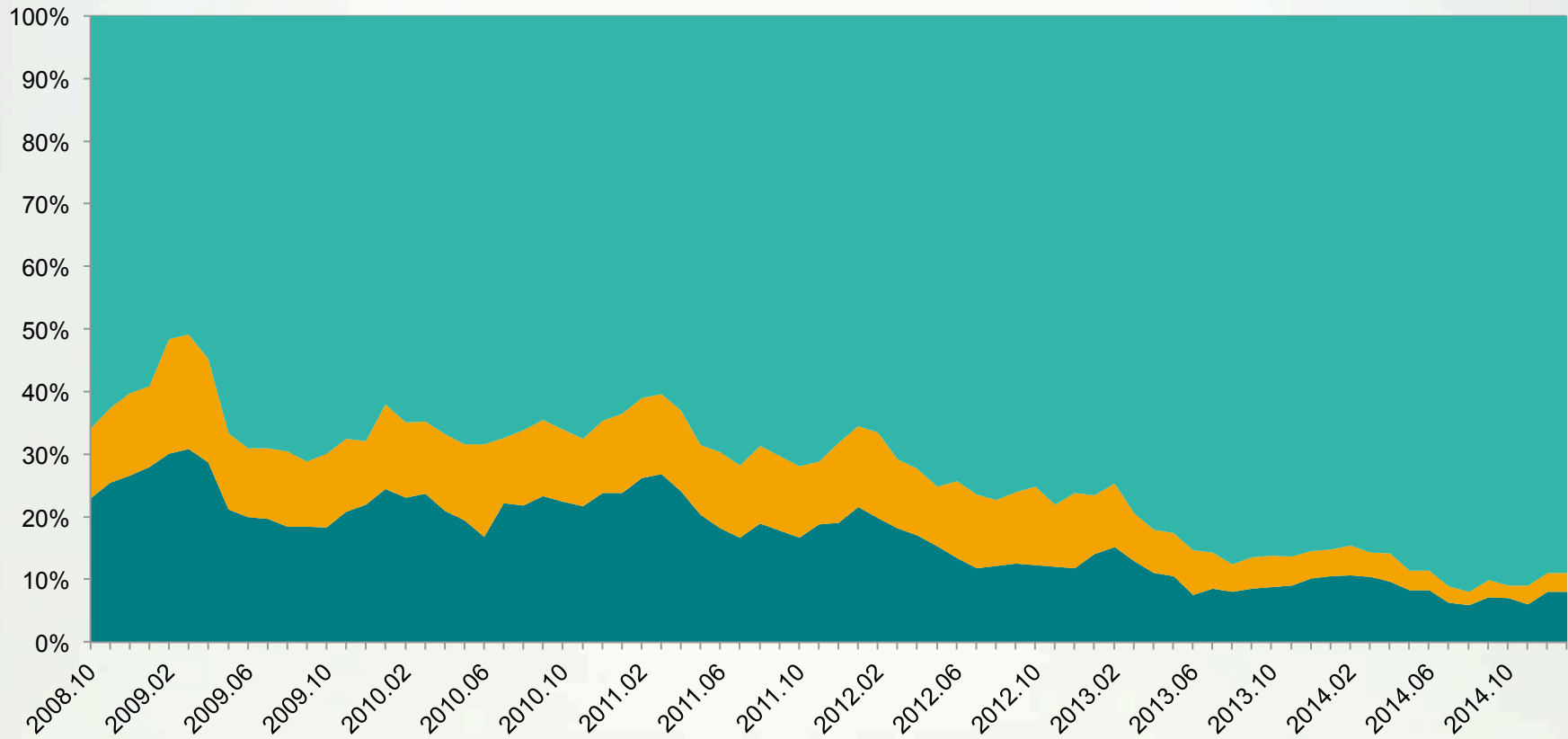
Source: National Association of REALTORS® Existing Home Sales Report

COMPOSITION RETURNING TO NORMAL

DISTRESS ACTIVITY DOWN SUBSTANTIALLY

Composition of Sales by Type

■ Foreclosed ■ Short Sale ■ Normal

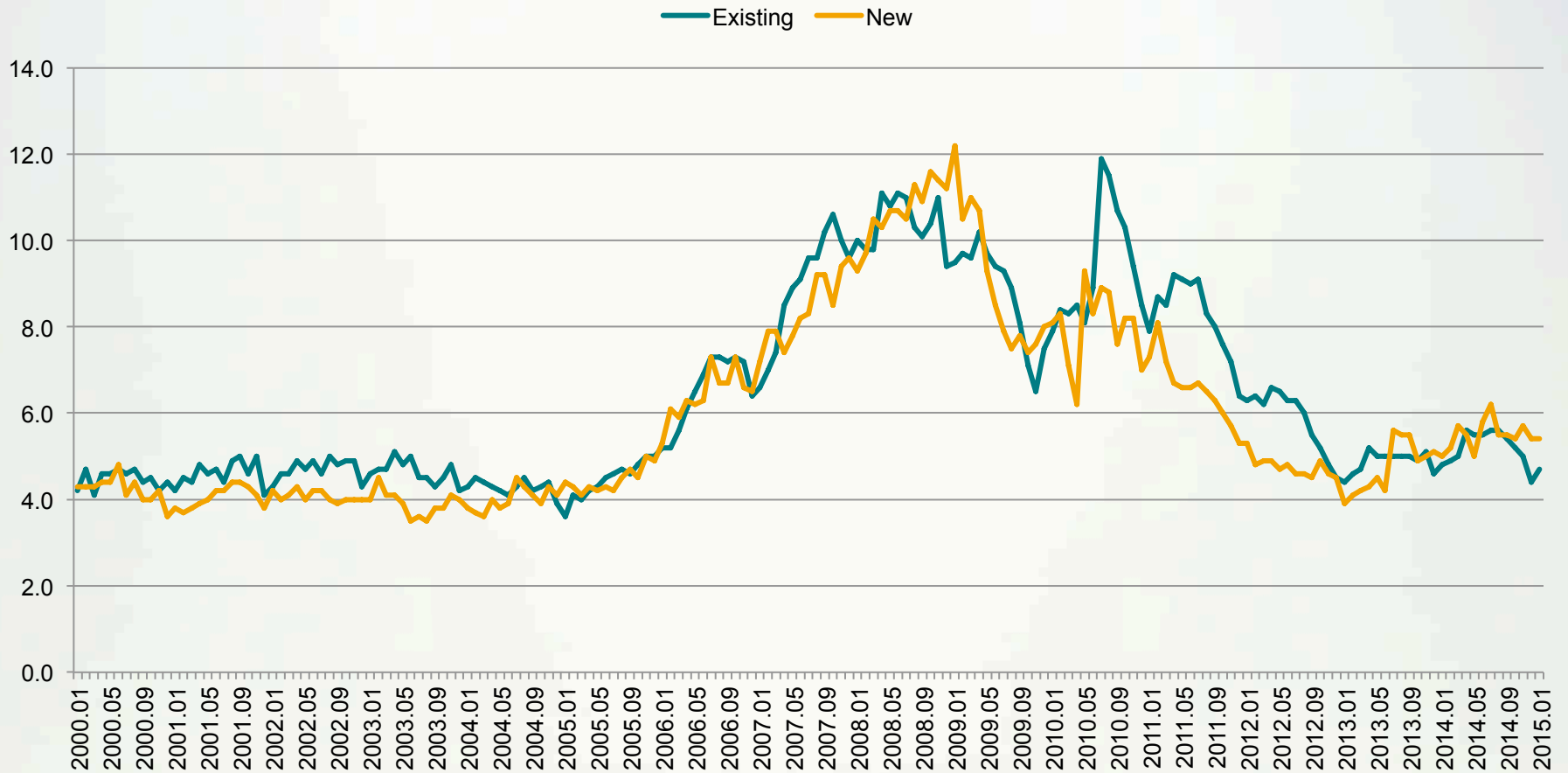


Source: National Association of REALTORS® Monthly Realtor Confidence Survey

INVENTORY IS A CONSTRAINT

DEMAND CONTINUES TO EXCEED SUPPLY

Months' Supply of Homes for Sales



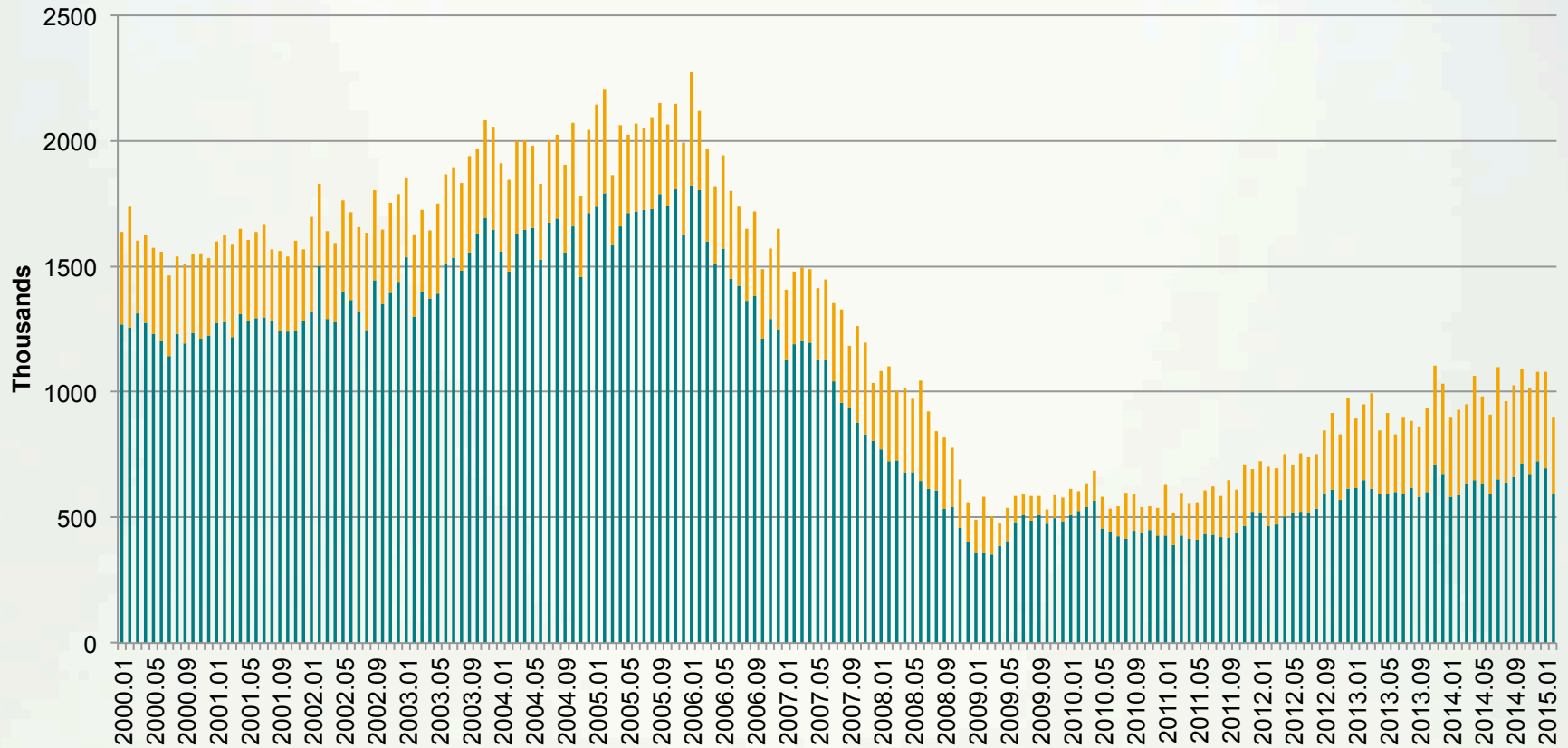
Source: National Association of REALTORS®, Commerce Department

NEW CONSTRUCTION STALLED?

SINGLE FAMILY NOT GROWING SO FAR THIS YEAR

Residential Construction

■ Single-Family Starts ■ Multi-Family Starts

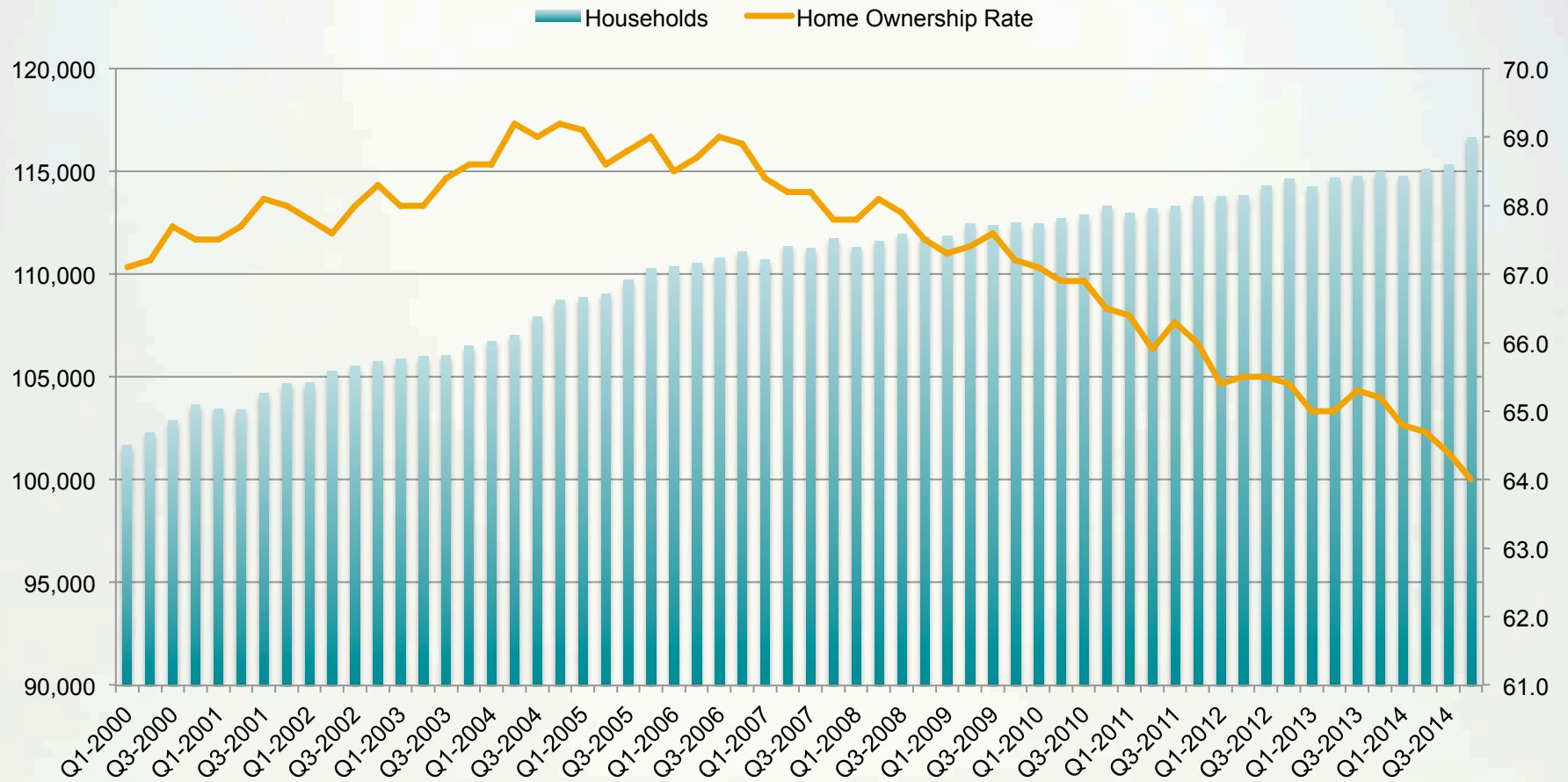


Source: Commerce Department

HOME OWNERSHIP STILL FALLING

HOUSEHOLDS GROWING AGAIN BUT WITH MORE RENTERS

Households and Home Ownership

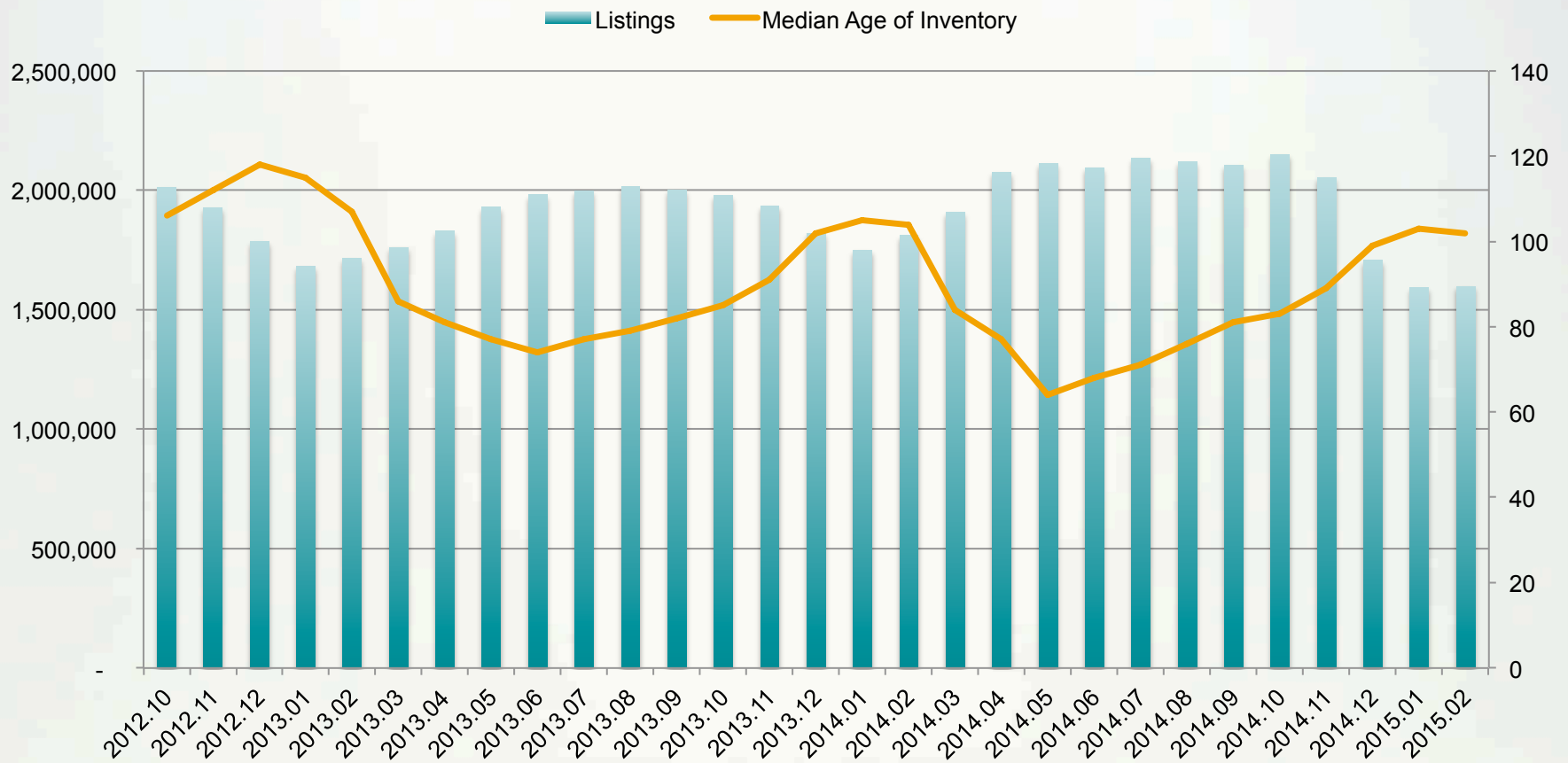


Source: Census Bureau

INVENTORY IS TIGHT

AGE OF INVENTORY CONSISTENTLY LOWER Y/Y

Listings and Median Age of Inventory



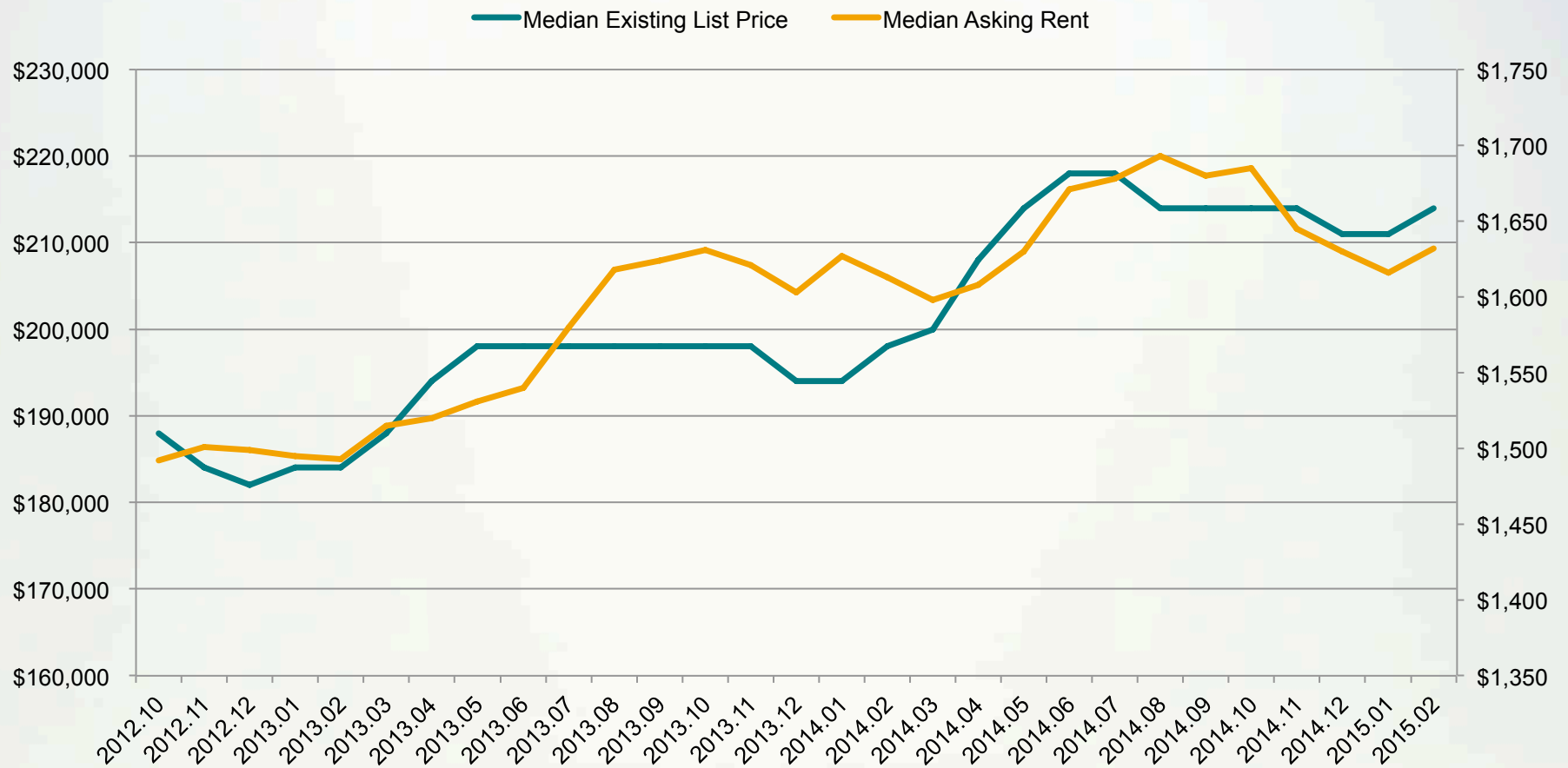
Source: Realtor.com®



ASKING PRICES AND RENTS UP Y/Y

UP AGAIN AFTER SLIGHT SEASONAL DROP AT END OF YEAR

National Home Price and Rent Trends

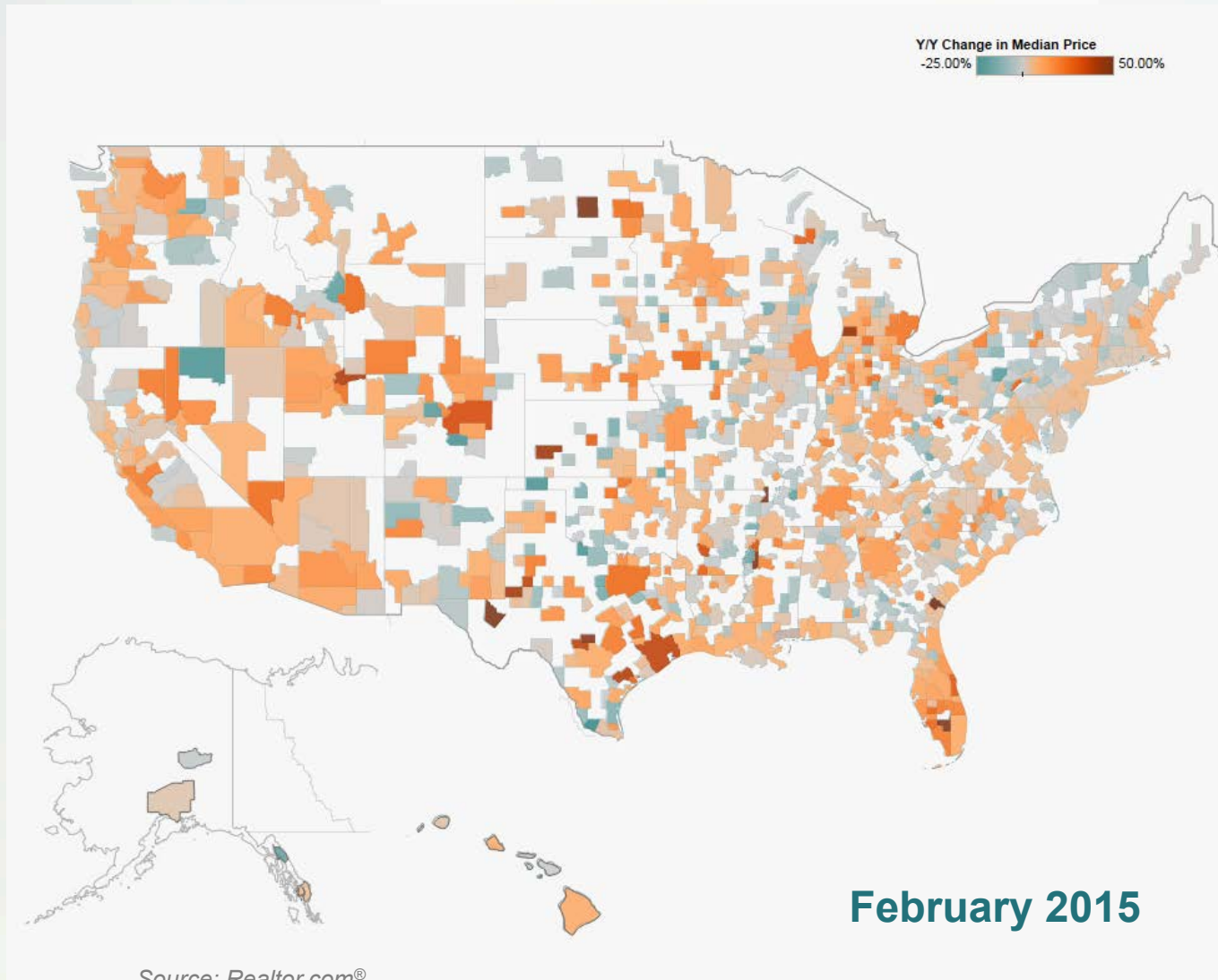


Source: Realtor.com® and Altos Research



LISTING PRICES GREW 8.6% Y/Y IN FEB

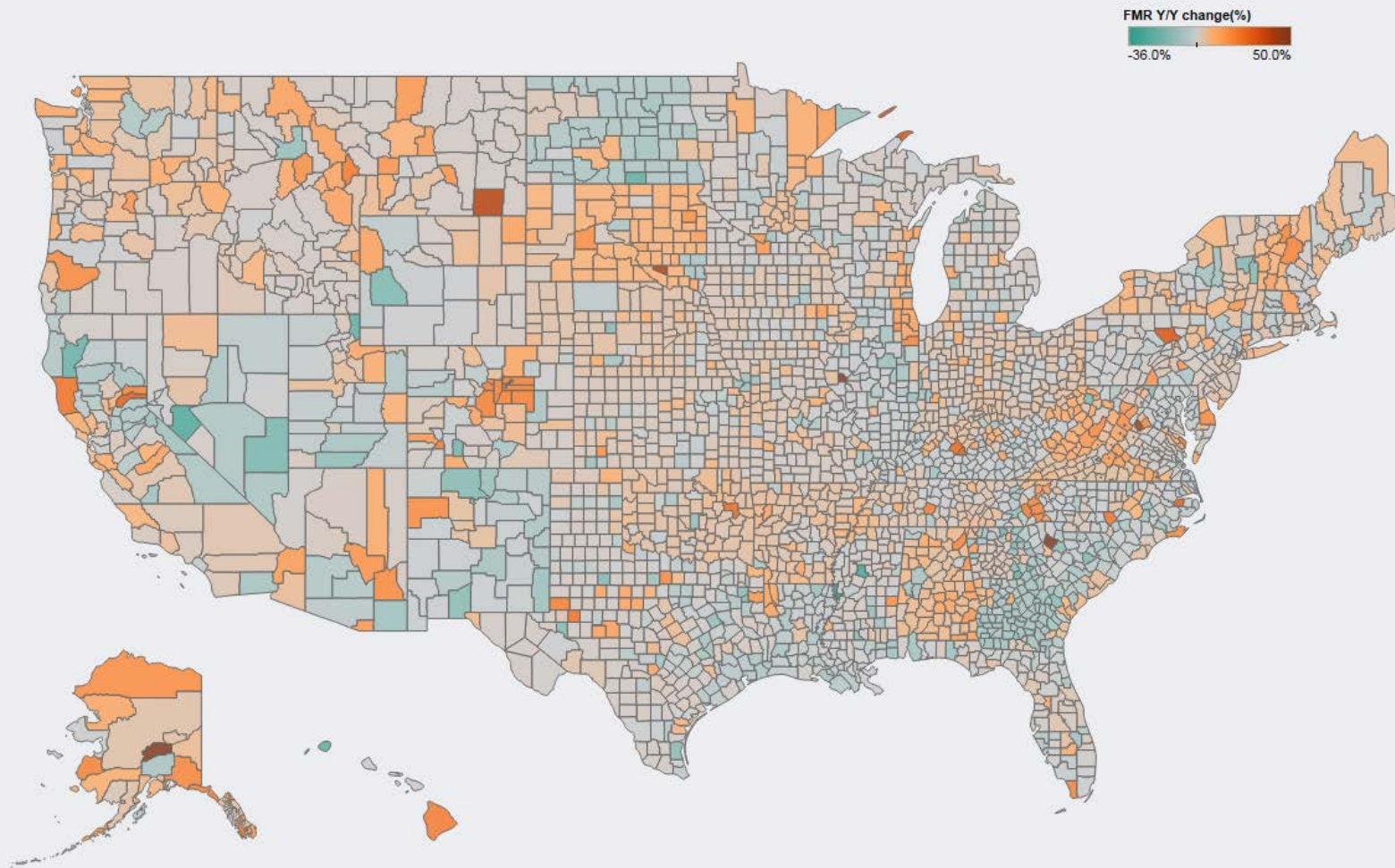
MEDIAN LIST PRICE INCREASES ARE WIDESPREAD



Source: Realtor.com®

RENTS RISING Y/Y IN 2/3 OF COUNTIES

RENT INCREASES ADDING TO DEMAND FOR BUYING



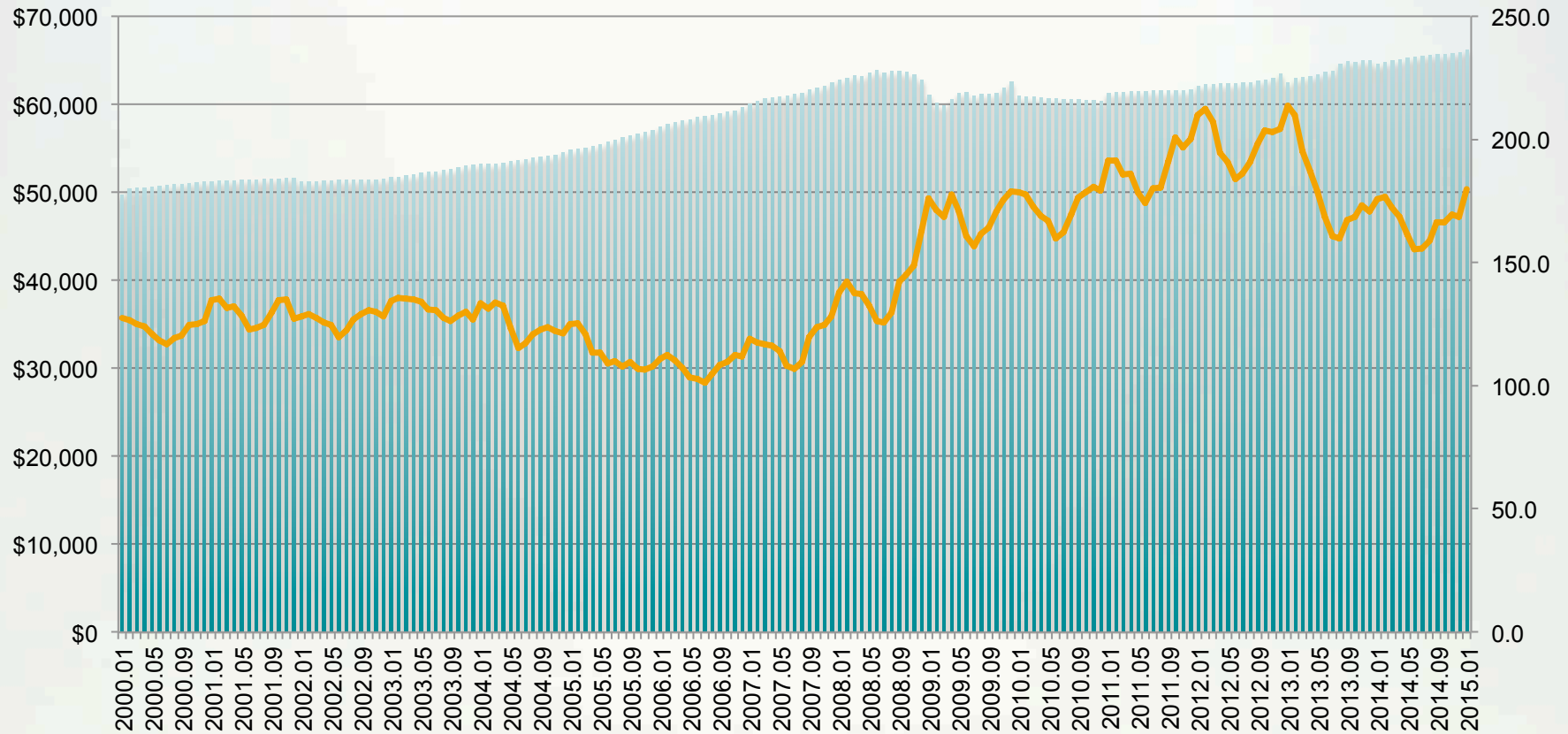
Source: Realtor.com® Analysis of HUD Fair Market Rents

AFFORDABILITY REMAINS STRONG

INCOMES AND LOW RATES ENABLE PURCHASING POWER

Income and Affordability

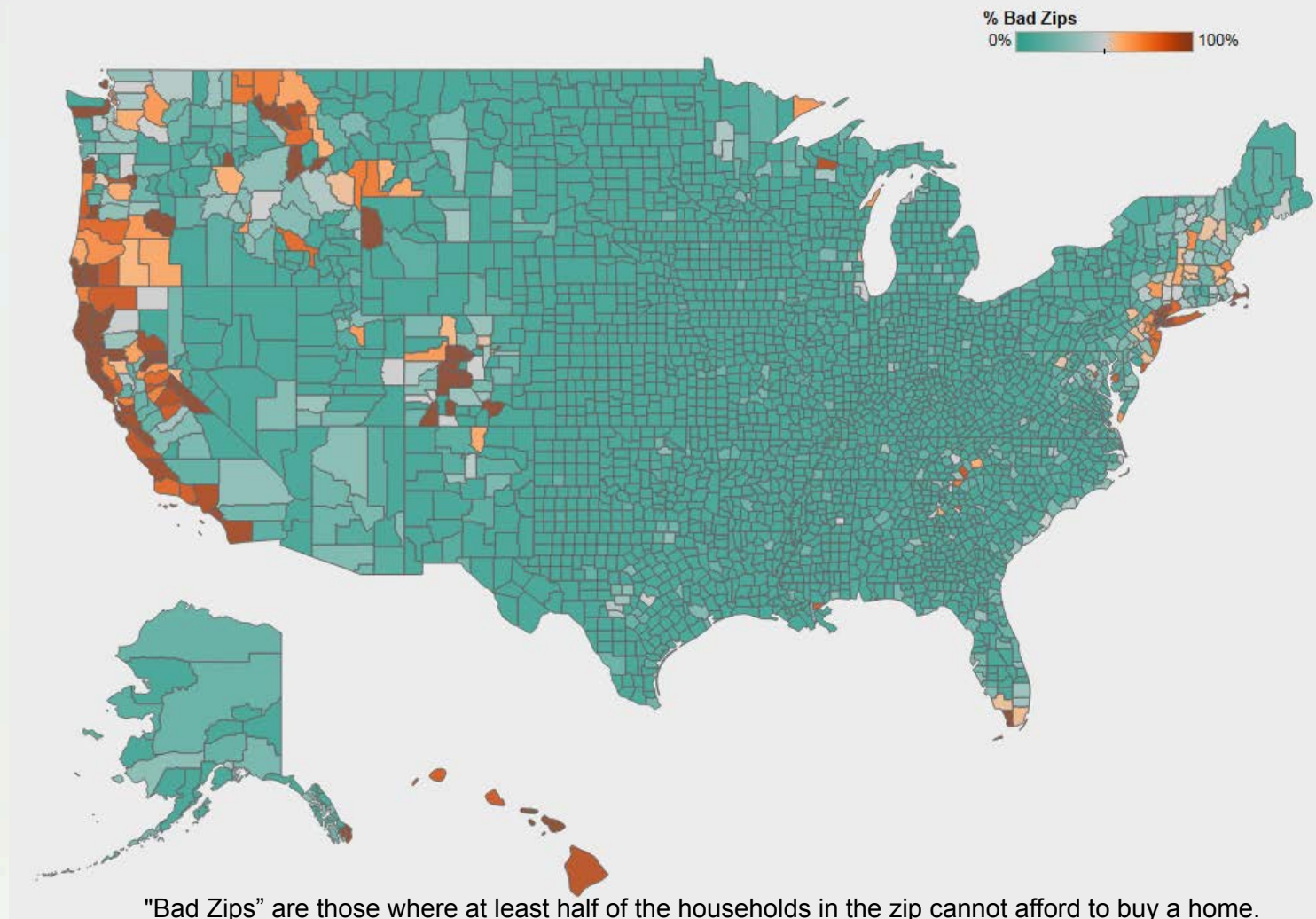
Median Family Income Affordability Index



Source: Commerce Department and National Association of REALTORS®

BUT AFFORDABILITY VARIES GREATLY

16% OF ZIP CODES PRICED OUT OF RANGE OF MEDIAN HH

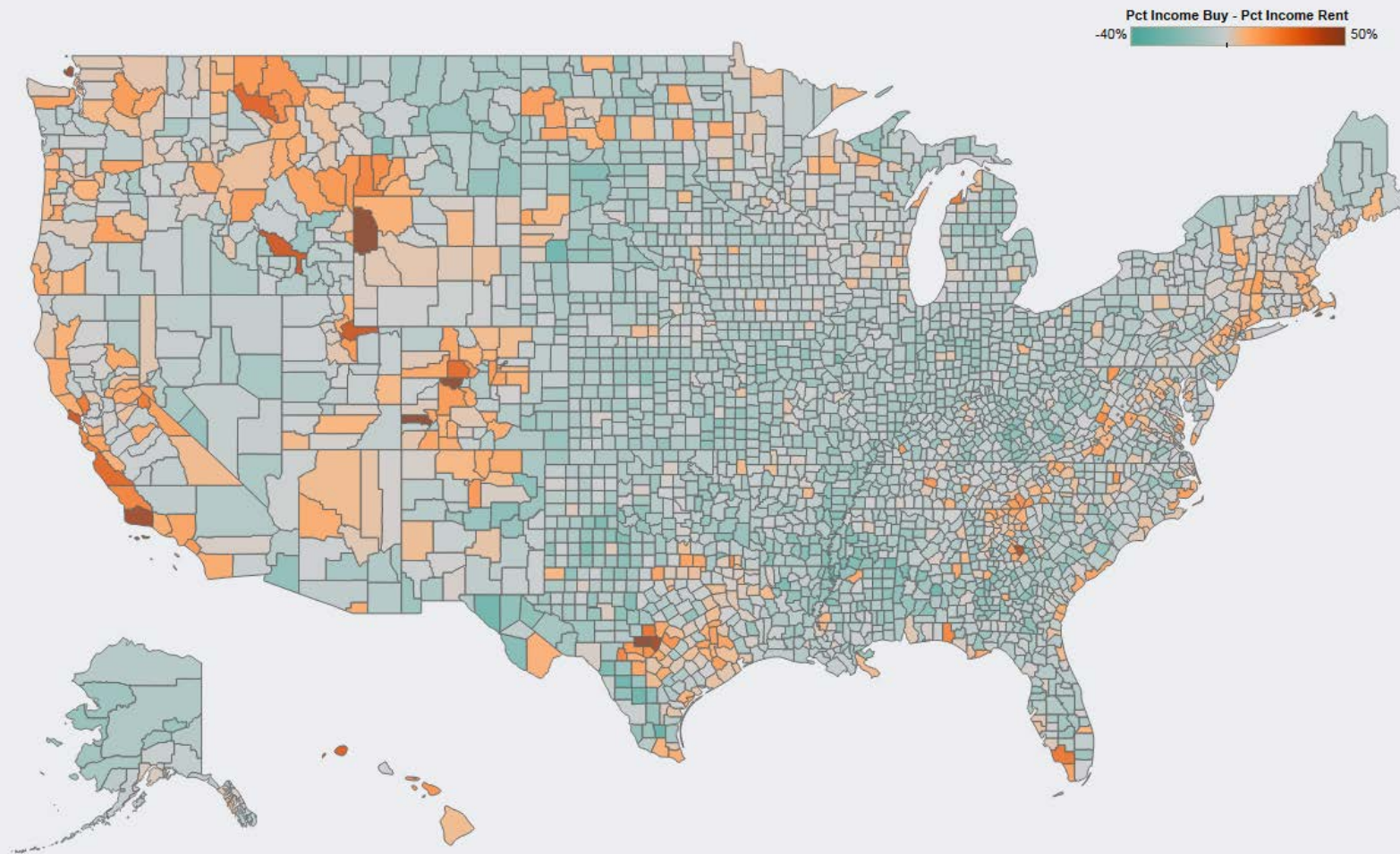


"Bad Zips" are those where at least half of the households in the zip cannot afford to buy a home.

Source: Realtor.com[®] Analysis of Nielsen Pop-Facts Demographics and Realtor.com Data

CHEAPER TO BUY IN 4/5 OF COUNTIES

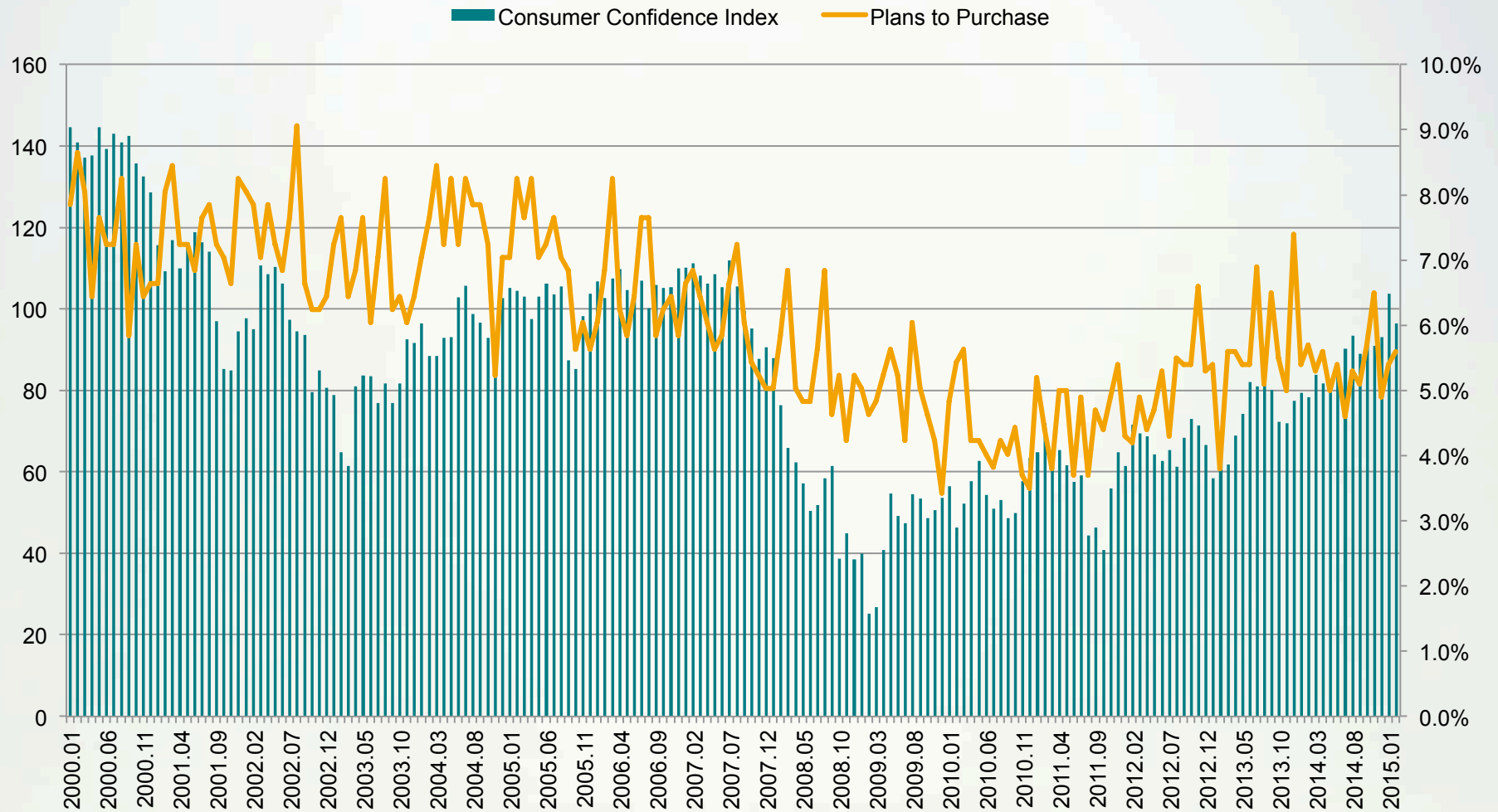
SIMPLE MONTHLY COST ANALYSIS FAVORS BUYING



Source: Realtor.com[®] Analysis of HUD Fair Market Rents, Nielsen Pop-Facts Demographics and Realtor.com Data

RECOVERED CONFIDENCE

PURCHASE PLANS FINALLY MOVING UP IN JAN AND FEB



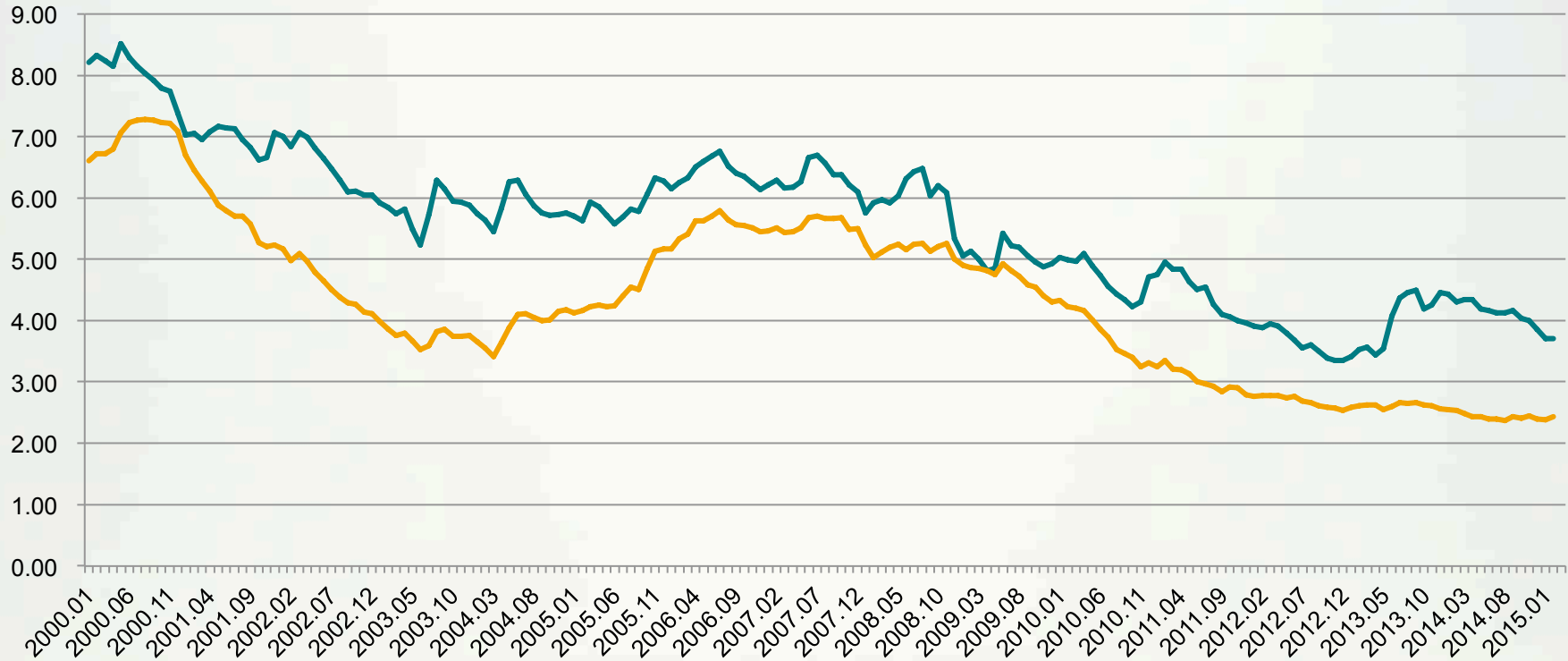
Source: The Conference Board, Haver Analytics

INCREDIBLE RATES REMAIN

LAST CALL FOR A ONCE-IN-A-LIFETIME OPPORTUNITY

Published Mortgage Rates

— 30 yr Fixed — 1 Yr Adj



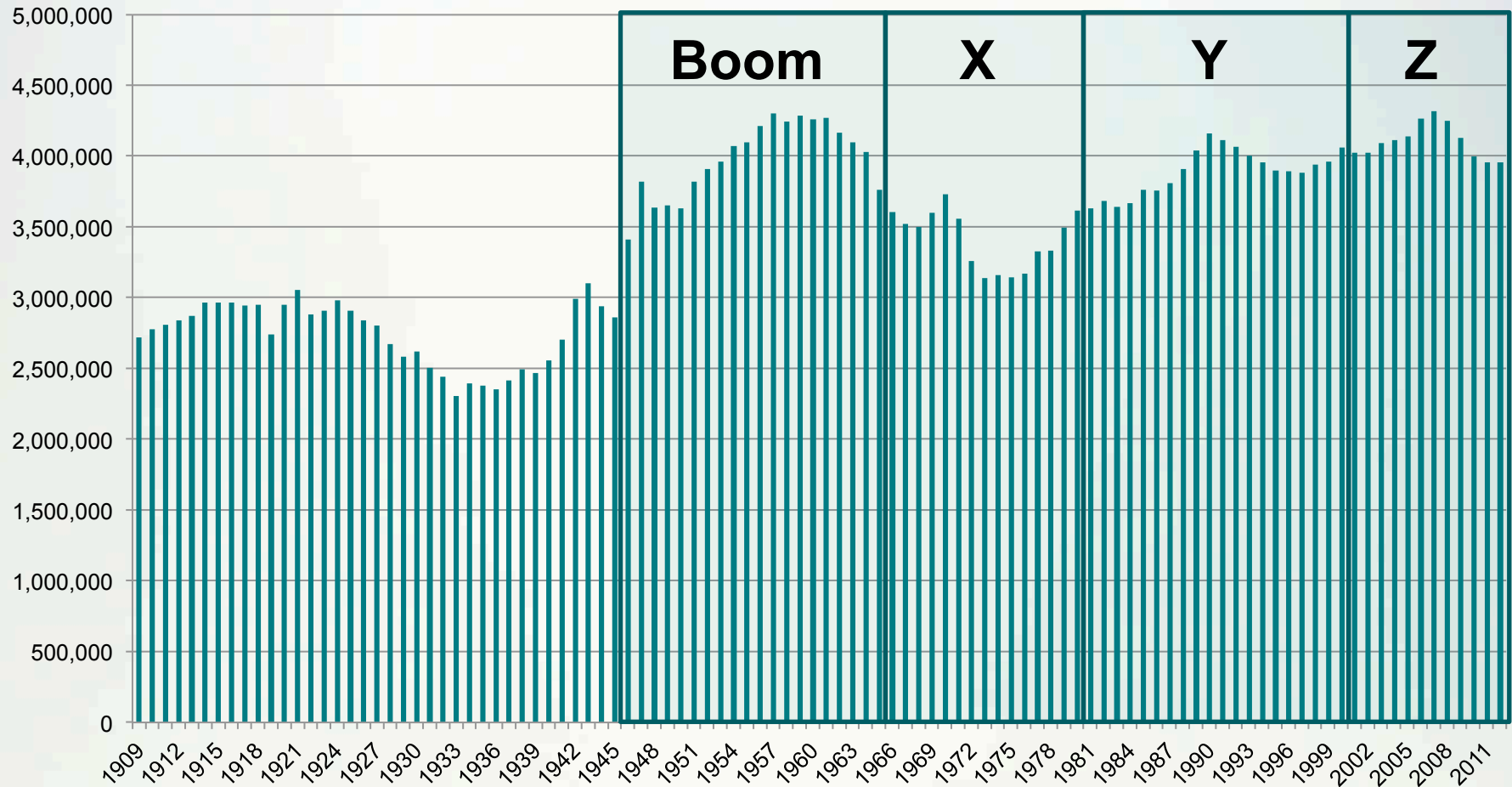
Source: Freddie Mac

DEMAND DRIVERS

DEMOGRAPHICS SET THE TABLE

POPULATION AND ITS COMPOSITION DEFINE THE FUTURE

US Live Births by Year and Generation



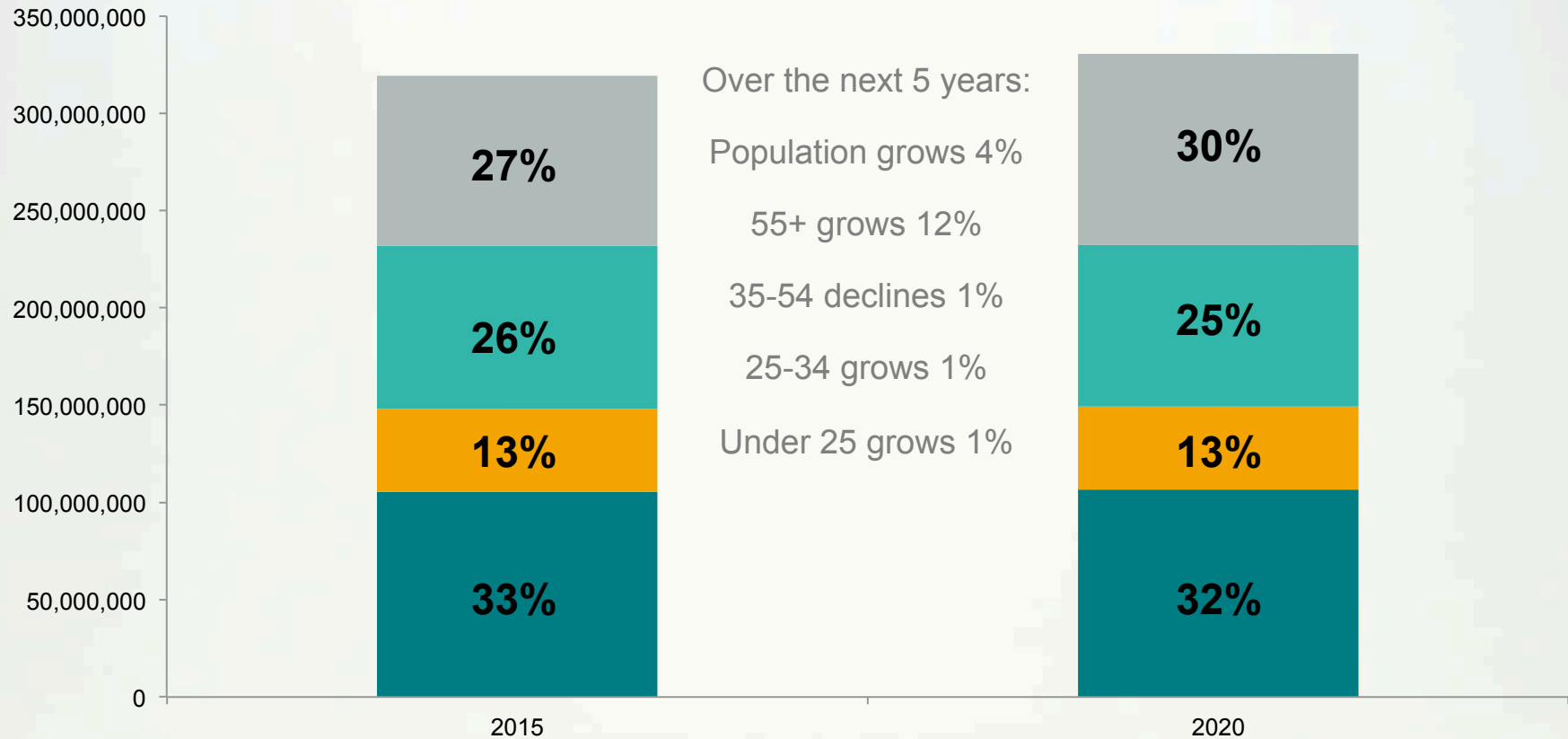
Source: Realtor.com Analysis of US National Center for Health Statistics

BOOMERS KEEP DISRUPTING

BOOMER WAVE IS CAUSING A MAJOR POPULATION SHIFT

Population by Age (United States)

■ Under 25 ■ 25-34 ■ 35-54 ■ 55+



Source: Nielsen Demographics Pop-Facts 2015

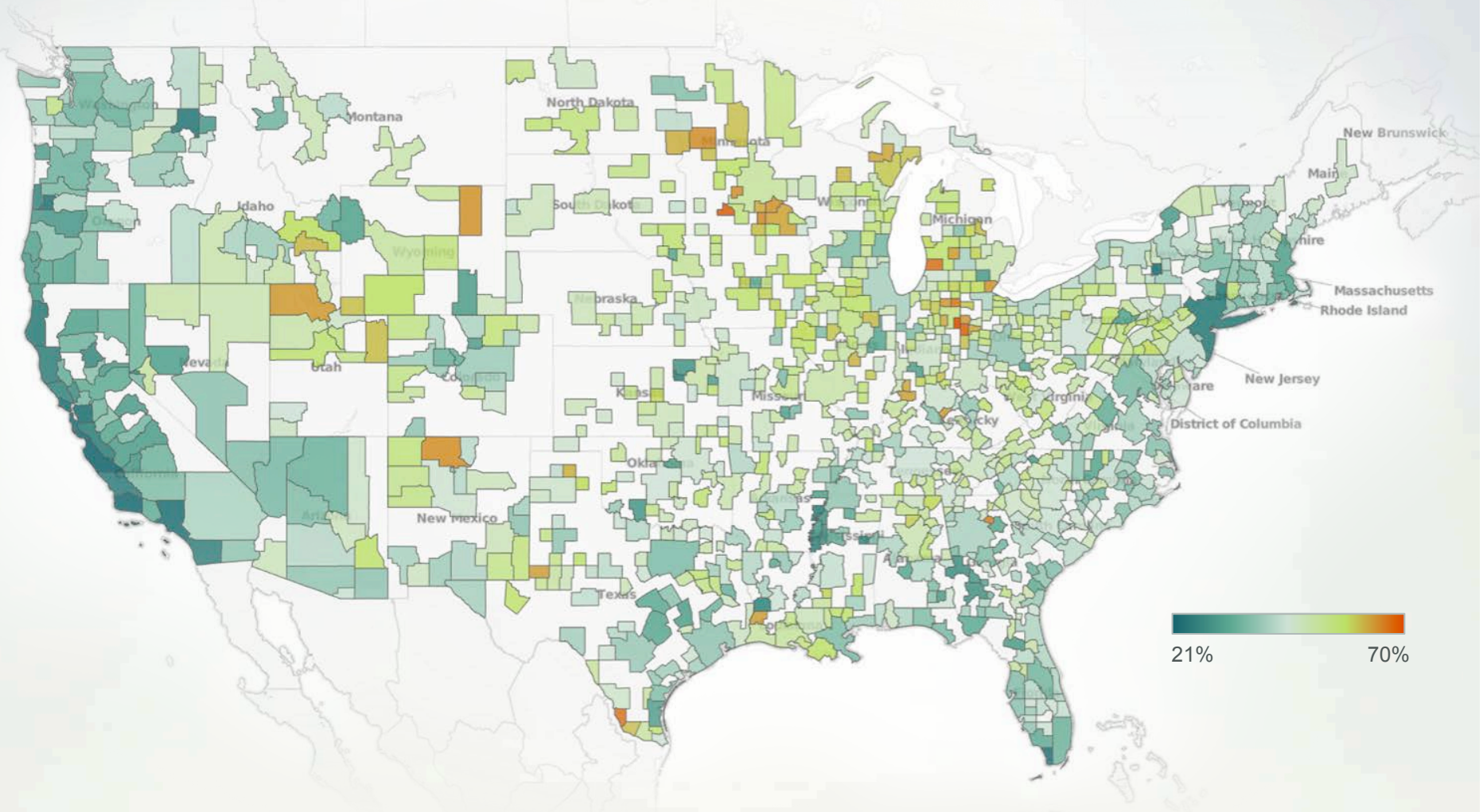
EMPLOYMENT BEGETS OPPORTUNITY

BEST YEAR FOR GROWTH IN 25-34 EMPLOYMENT SINCE '87



MILLENNIAL OWNERSHIP VARIES

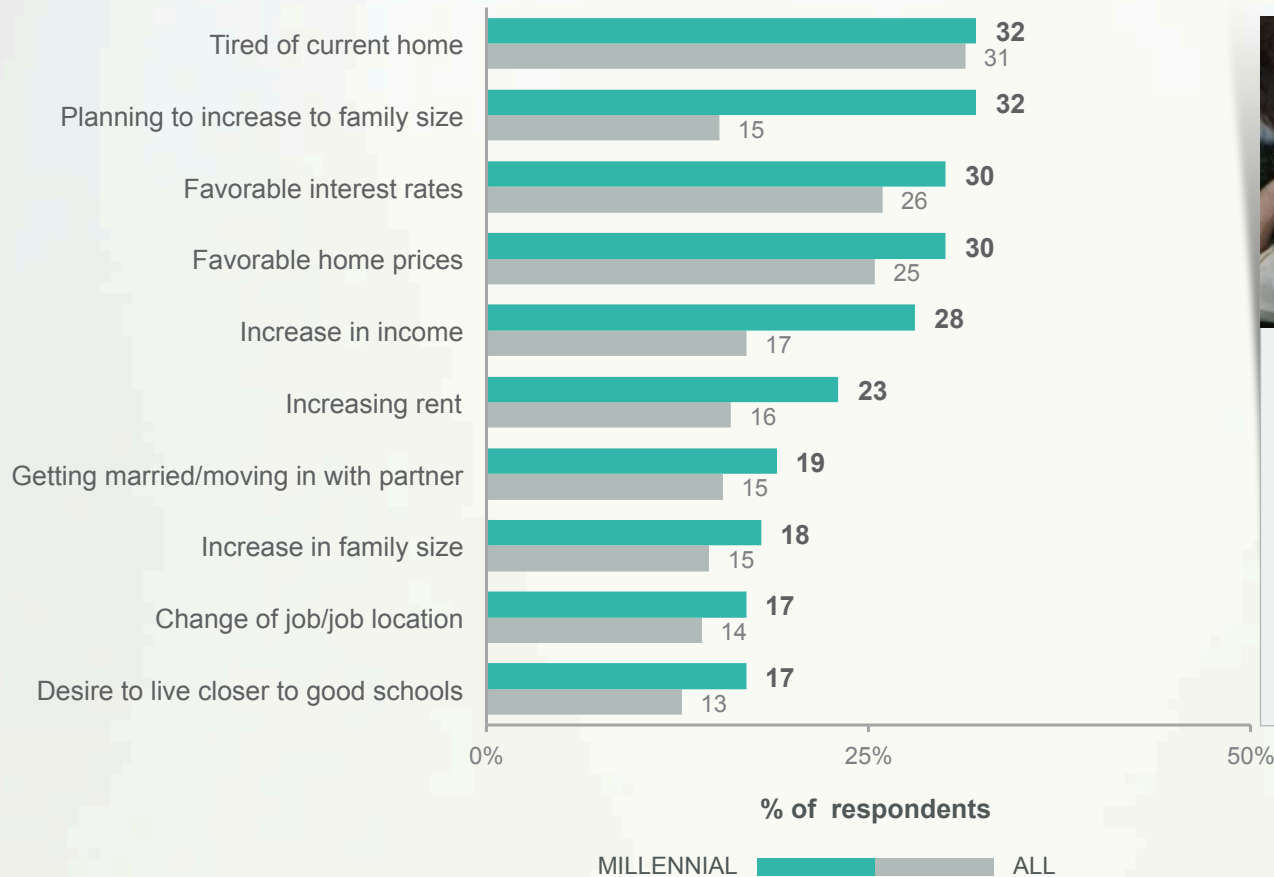
STRONG CORRELATION WITH AFFORDABLE MARKETS



LIFE DRIVES HOUSING DEMAND

MILLENNIALS ARE BUILDING FAMILIES

Top 10 millennial triggers



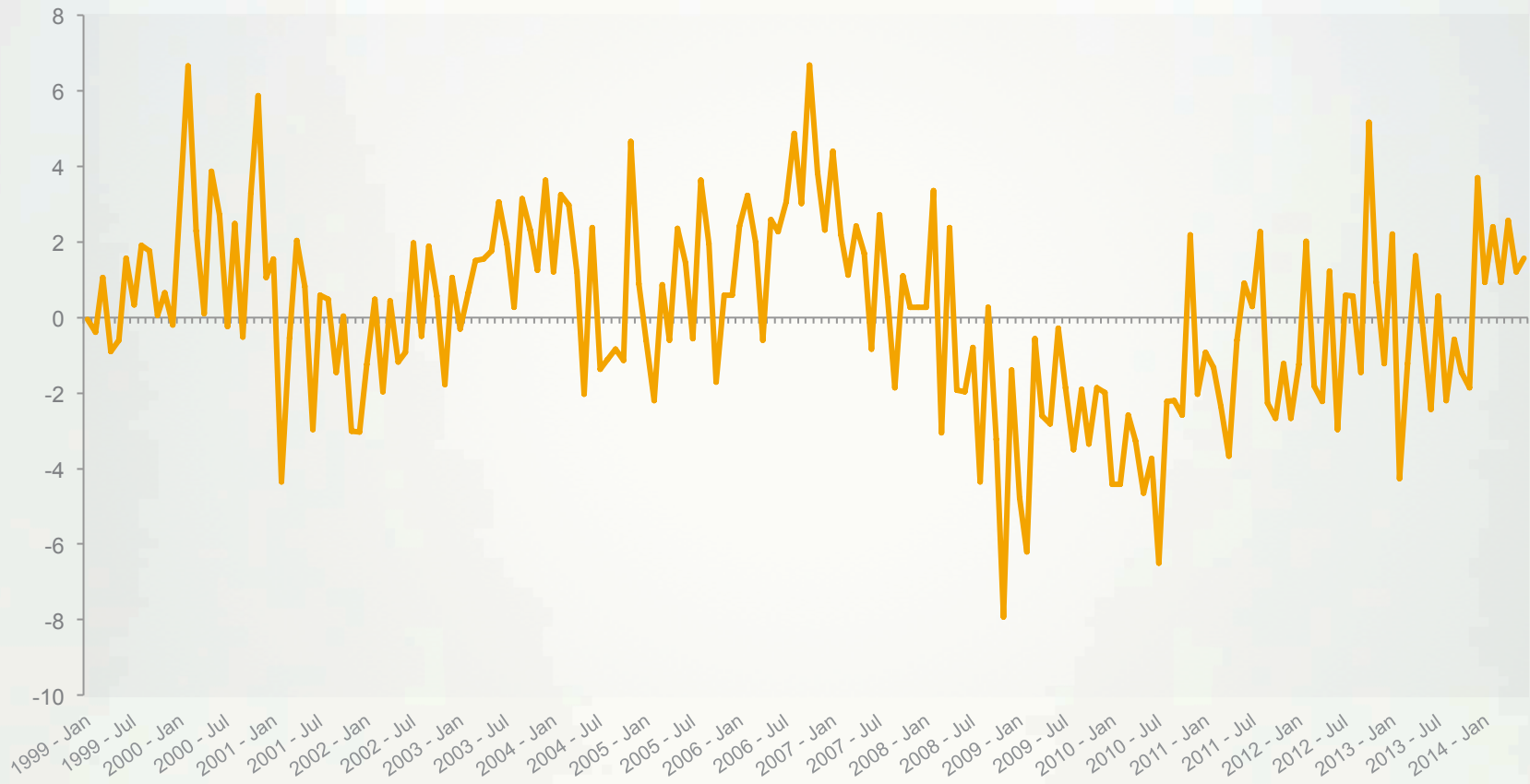
86% of Millennial shoppers indicate some form of change in family size* as a trigger

*Change in Family Size includes: Change of family circumstances/composition, Increase in family size, Decrease in family size, Planning to increase family size, Upcoming decrease in family size, older parent moving into my home, getting married/moving in with partner.

BIRTH TREND CHANGING

BABY NEEDS A NEW PAIR OF SHOES & A ROOM OF HER OWN

Live births, % change year-over-year

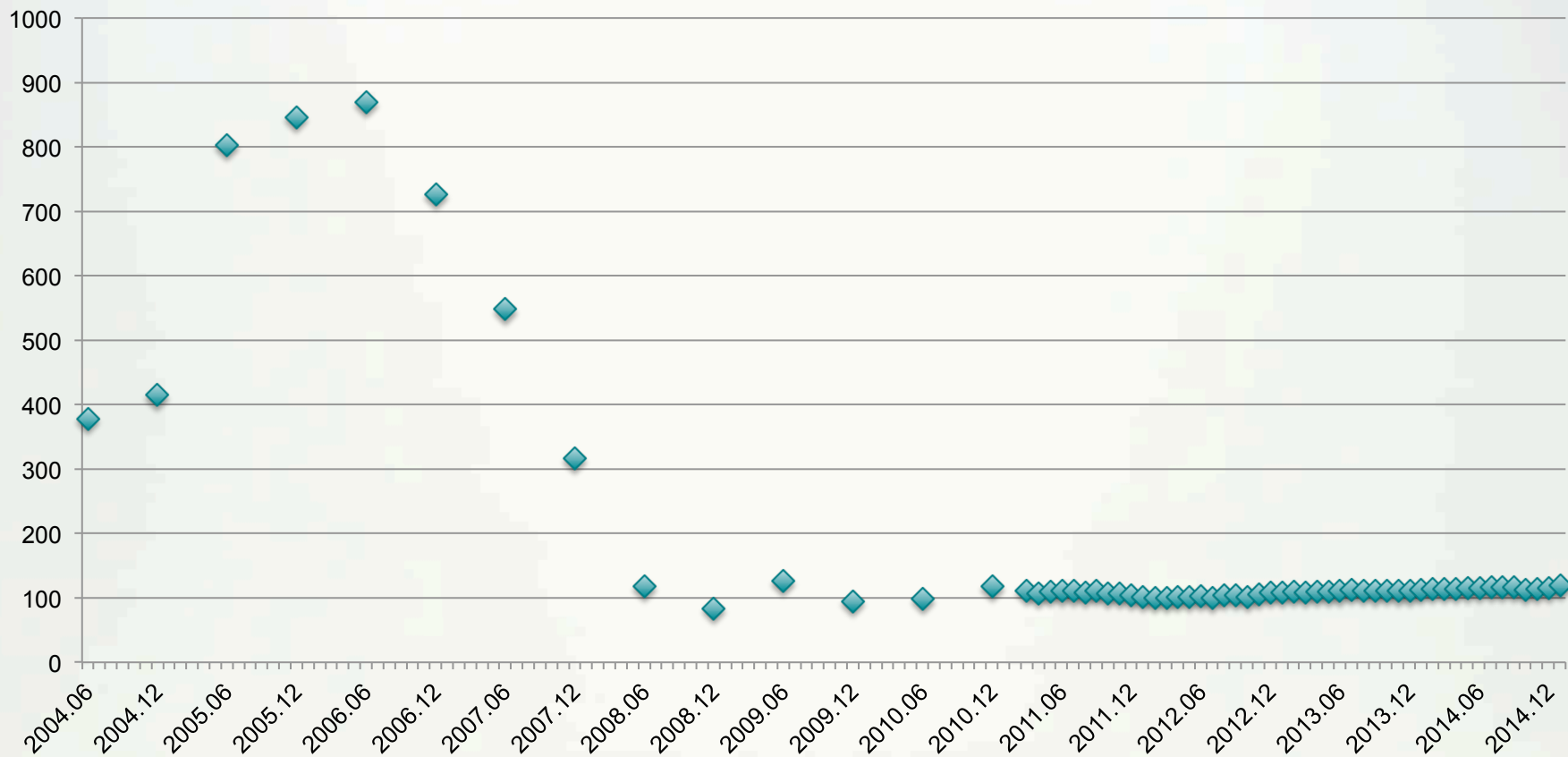


**WE COULD DO
MORE**

ACCESS TO CREDIT REMAINS AN ISSUE

LIMITED IMPROVEMENTS IN MORTGAGE ACCESS SINCE 2012

Mortgage Credit Availability Index
Mar-2012=100

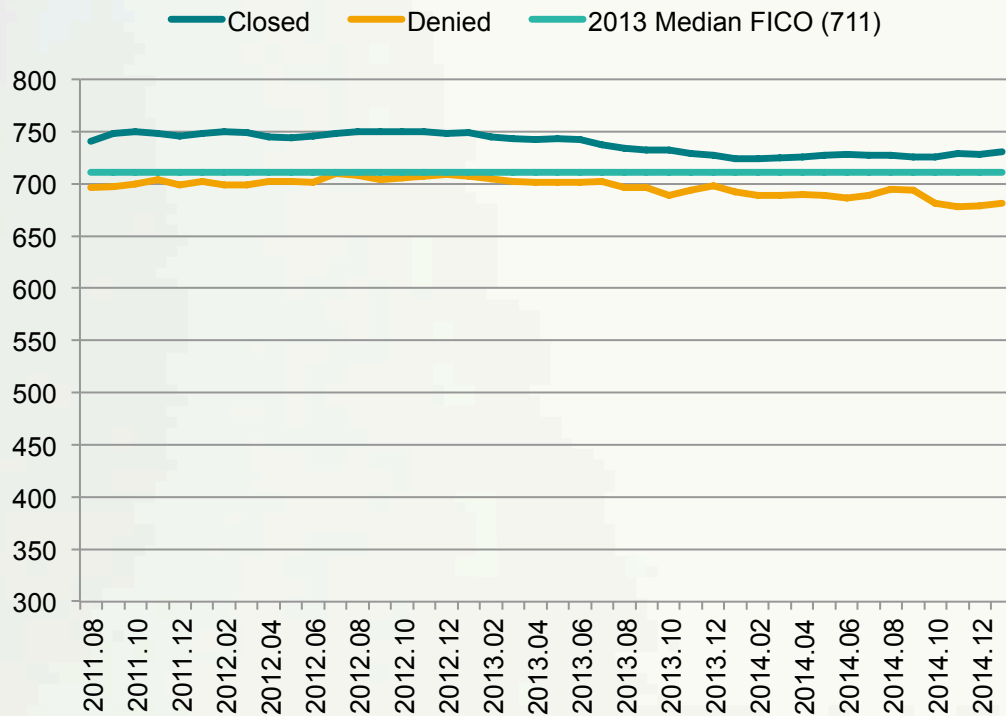


Source: Mortgage Bankers Association, Haver Analytics

CREDIT ACCESS IS A PROBLEM

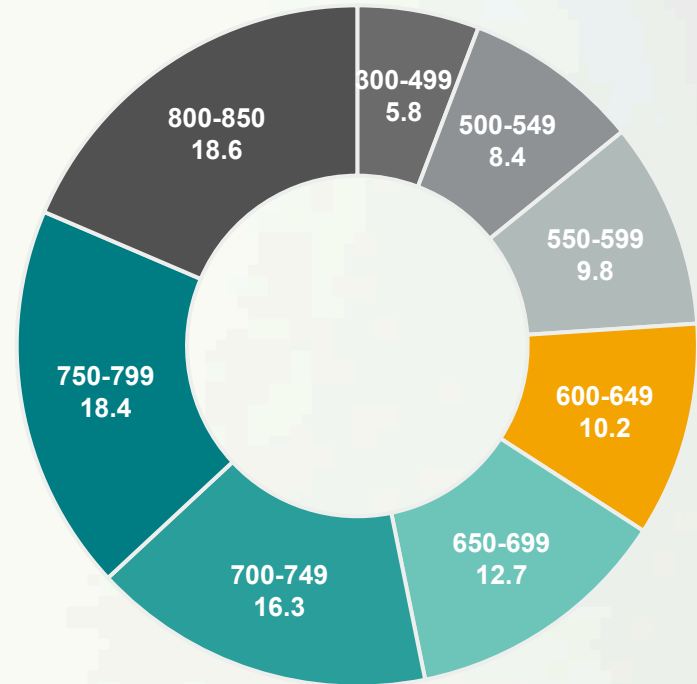
IN JANUARY THE AVERAGE FICO SCORE ON A CLOSED MORTGAGE LOAN WAS 731; THE AVERAGE DENIED SCORE WAS 681; 47% OF THE POPULATION IS BELOW 700

Average FICO Score by Closed and Denied Applications



Source: Ellie Mae and Fair Isaac Corporation

FICO Population Distribution (2013)



KEY FACTORS COMING TOGETHER

MORE DEMAND AND RECOVERY IN FIRST-TIME BUYERS

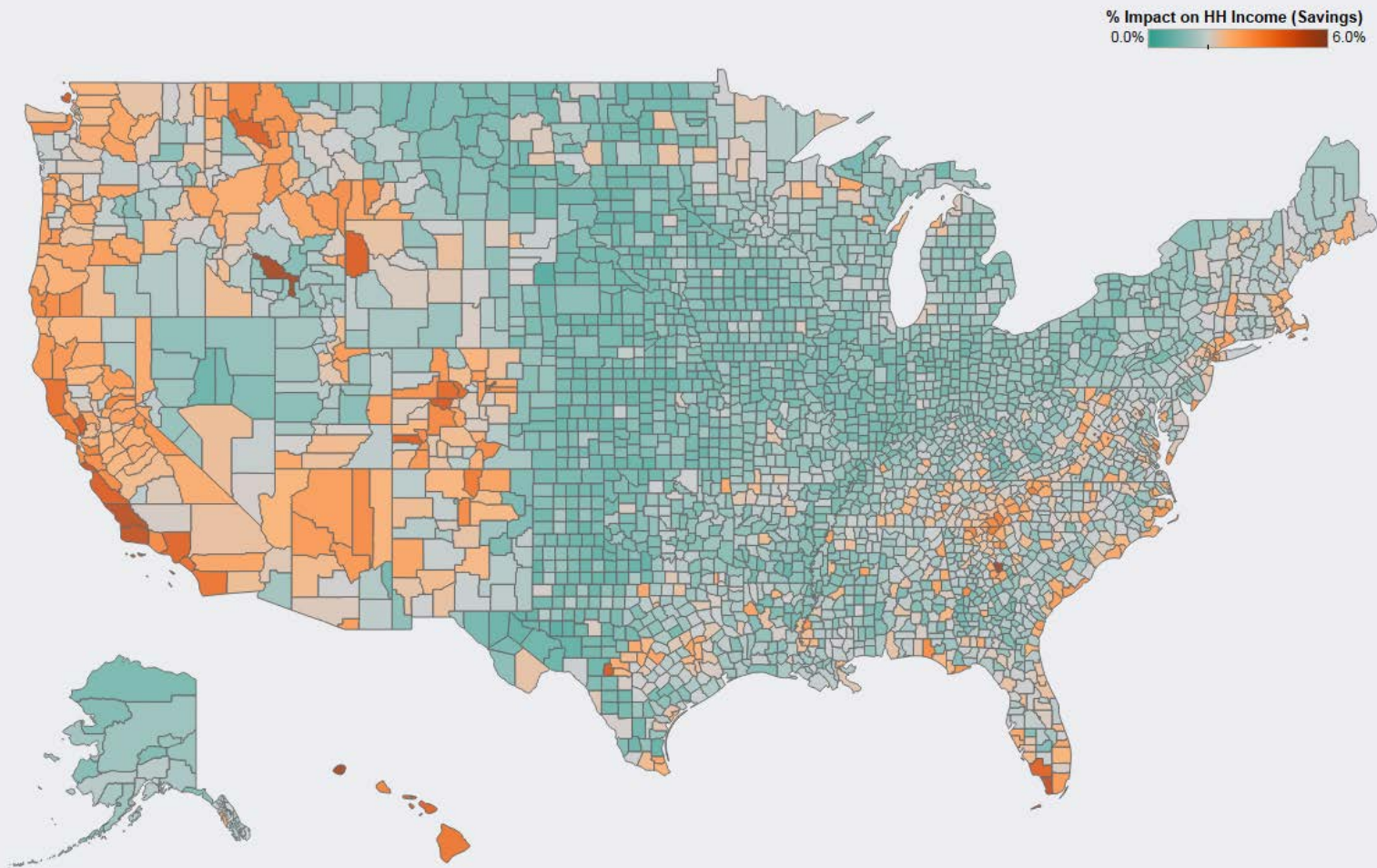
- More jobs
- Millennials reaching tipping point of key 25-34 year range
- More households
- More life events

- Mortgage rates at near-historical lows but *will go up*
- Qualification standards should loosen in a risk-appropriate way
- New conventional 3% down payment mortgages
- Lower FHA insurance premiums

- This is the perfect year to list

FHA PREMIUM CUT IMPACT

UP TO 6% SAVINGS IN SOME COUNTIES

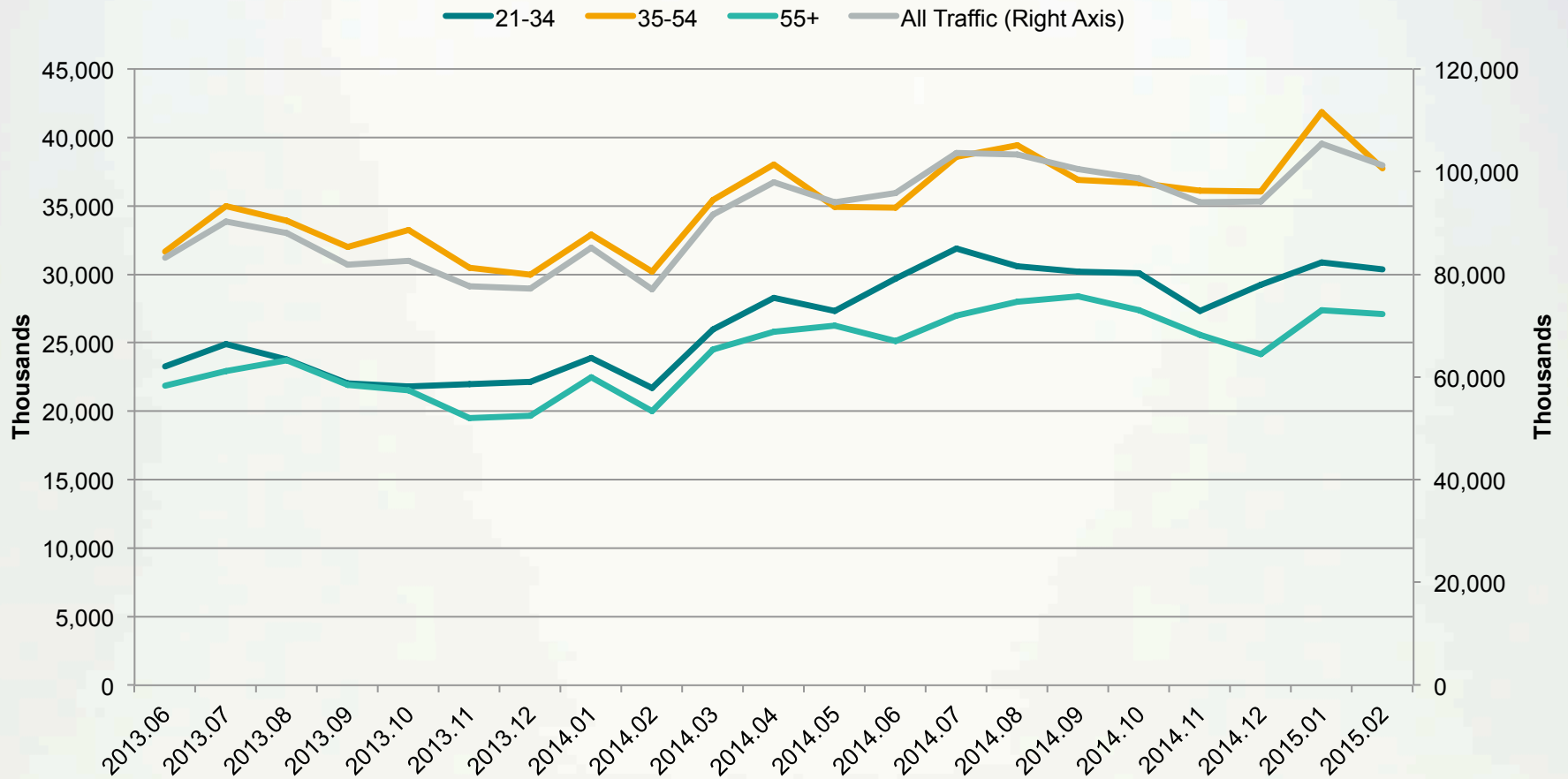


Source: Realtor.com® Analysis

2015 OFF TO A STRONG START

TRAFFIC UP 31% OVER FEBRUARY 2015

Real Estate Web Unique Visitors by Age



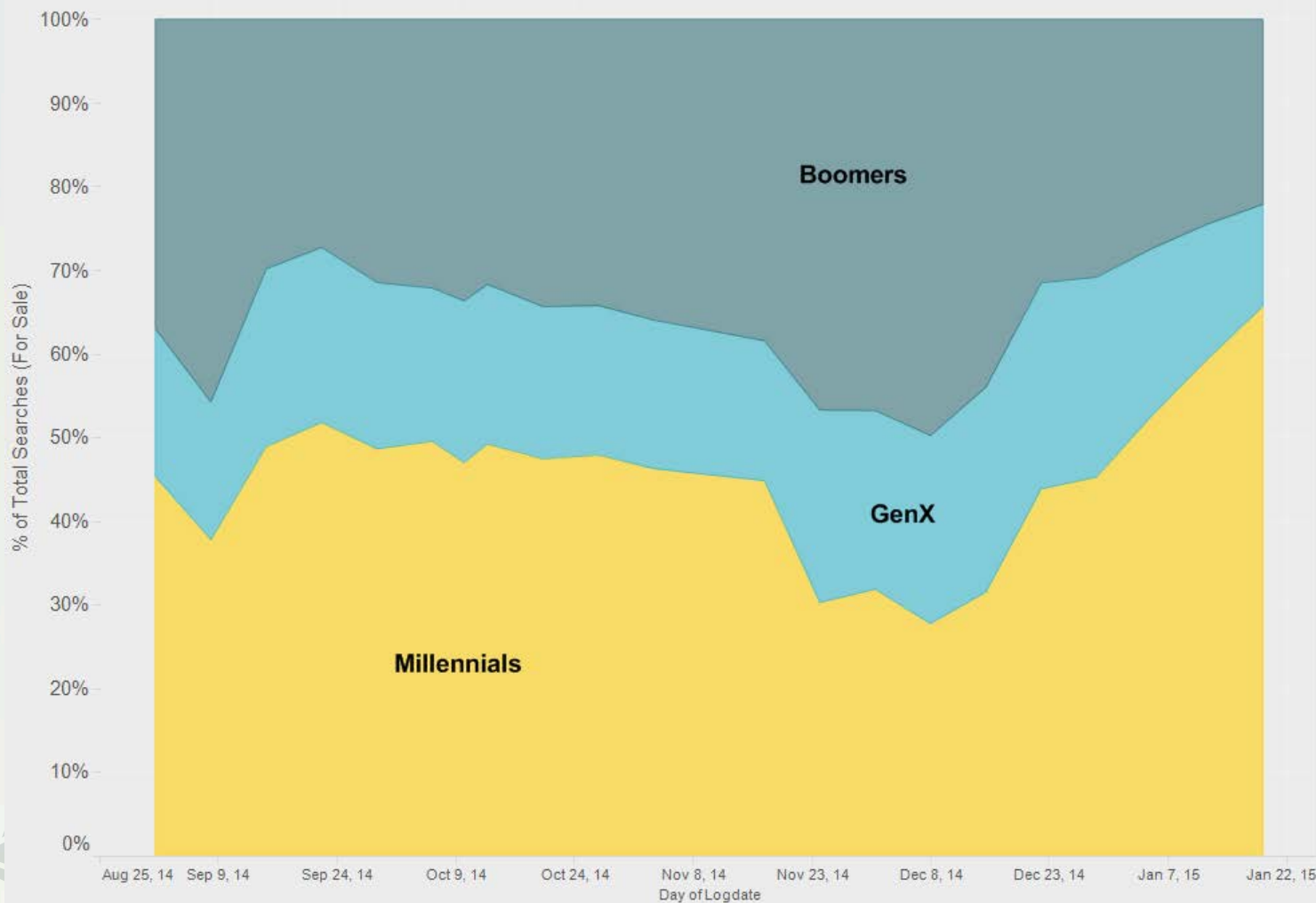
Source: Realtor.com Analysis of comScore Media Metrix® Real Estate Category Unique Visitor Data

MILLENNIALS ARE ESPECIALLY ACTIVE

AN ESTIMATED 2/3 OF SEARCHES IN JAN WERE MILLENNIALS

■ Boomers ■ GenX ■ Millennials

Realtor.com Searches by Generation
Sep 2014 - Jan 2015

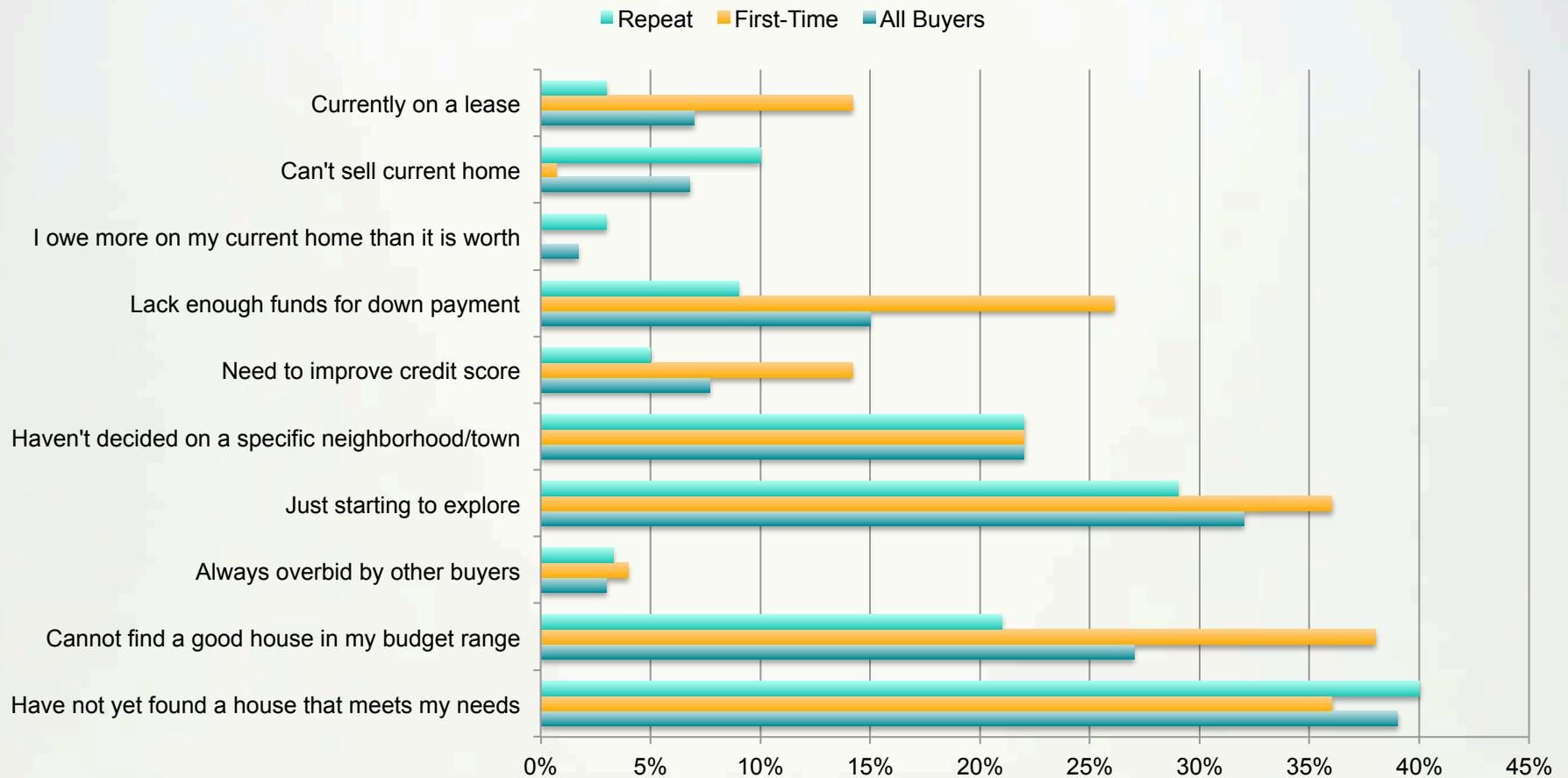


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IMPEDIMENTS TO PURCHASE

BIGGEST ISSUES ARE SUPPLY, TIME, AND DOWN PAYMENT

What's Getting in the Way of Making a Home Purchase?



Source: Realtor.com Survey of Buyer Traffic, February 2015

REMEMBER THESE THEMES

1. Mortgage rates and home prices are solidly on an upward trajectory
2. Affordability and impact of mortgage options will greatly influence demand
3. Behold the enormous impact of Millennials and Boomers and what that means for demand
4. The real estate market is returning to a normal rhythm—life drives demand but supply impacts the results

**THERE IS NO
SUCH THING AS A
US HOUSING
MARKET**

EVEN MORTGAGE RATES VARY

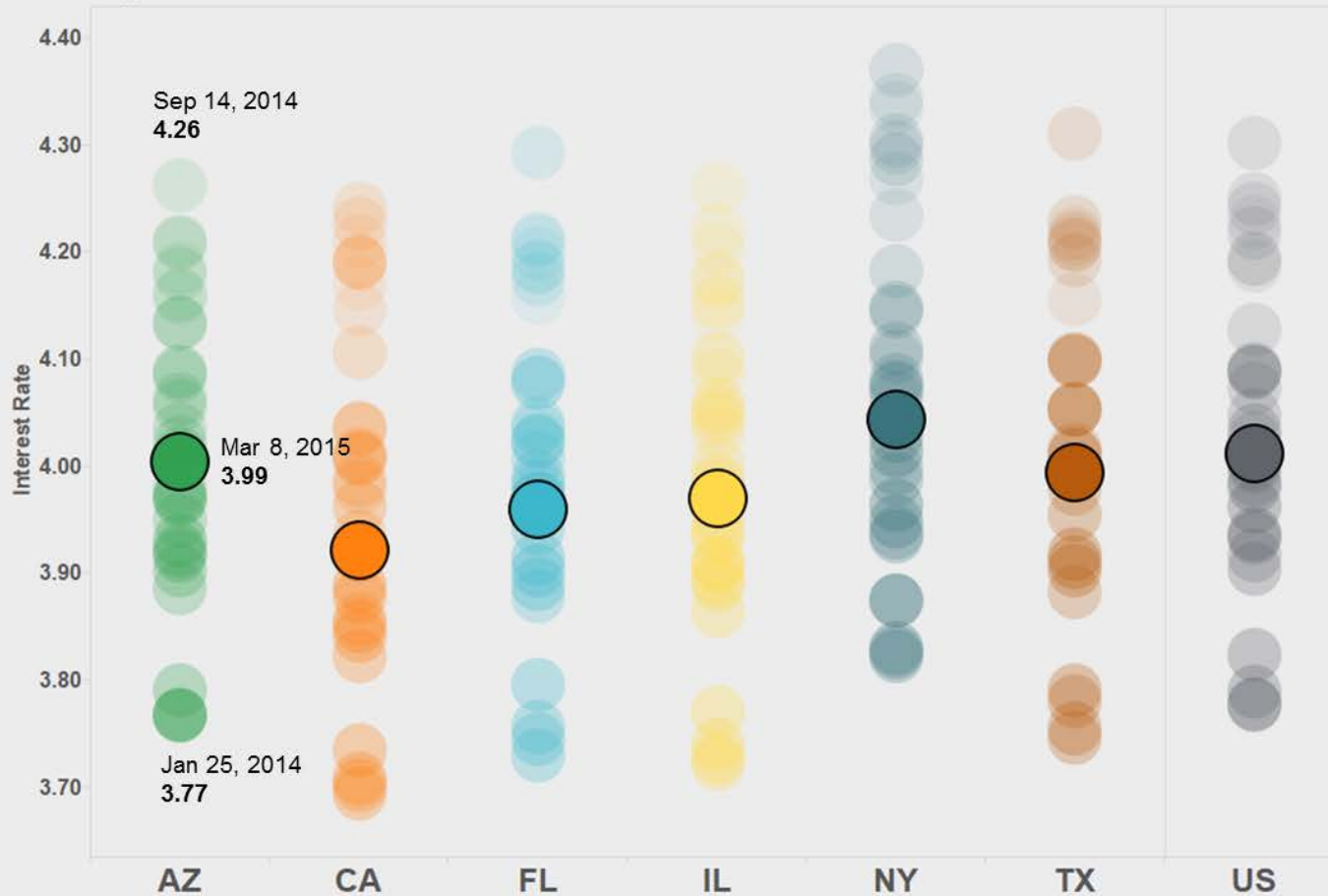
ARIZONA CLOSE TO NATIONAL AVERAGES

Aug 2014 - Mar 2015

US Rate (March 8, 2015)

ThirtyYear0Pts

4.01

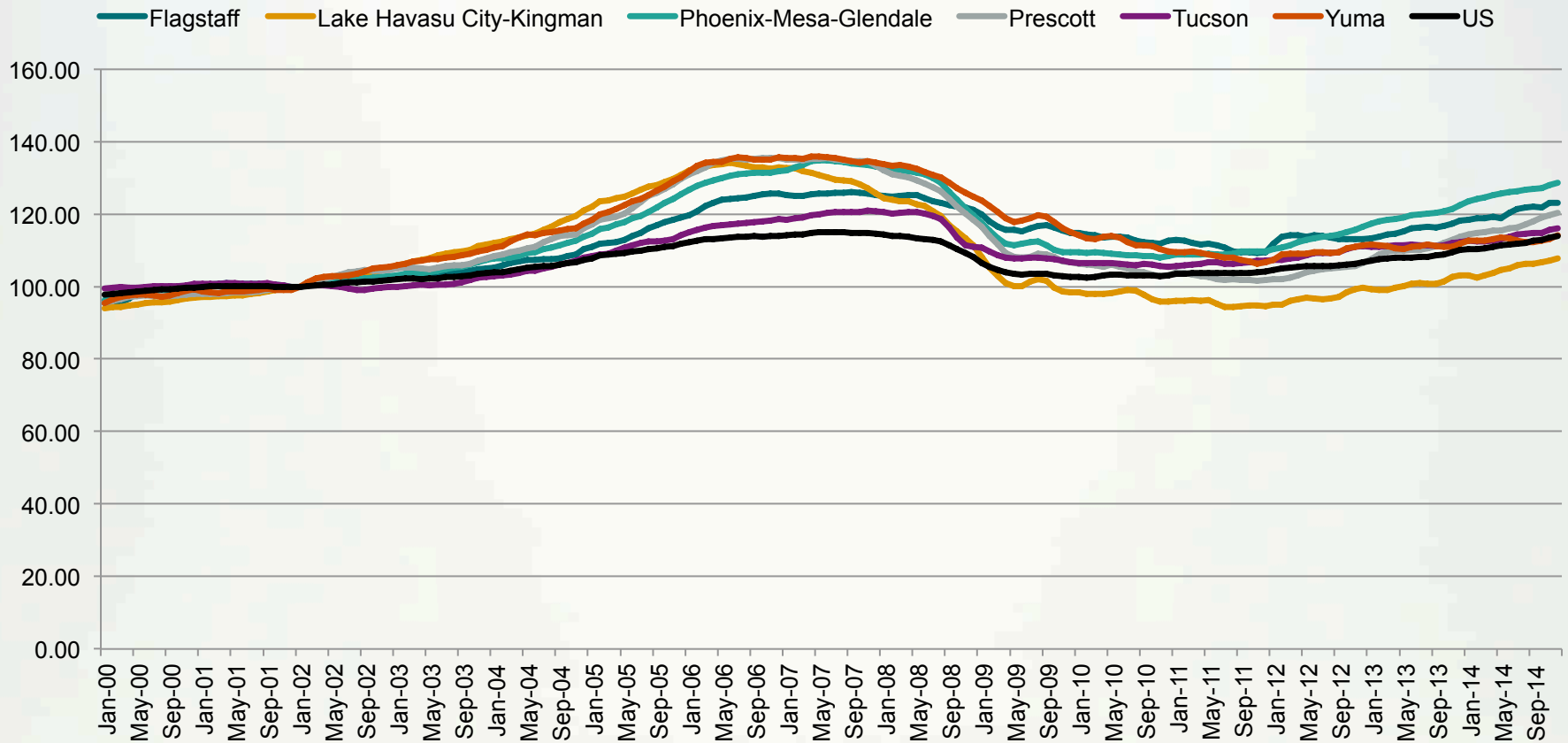


Source: Realtor.com

ECONOMIC PERFORMANCE VARIES

ALL MARKETS WITH SOLID UPWARD TREND

Business Cycle Index Jan-02=100

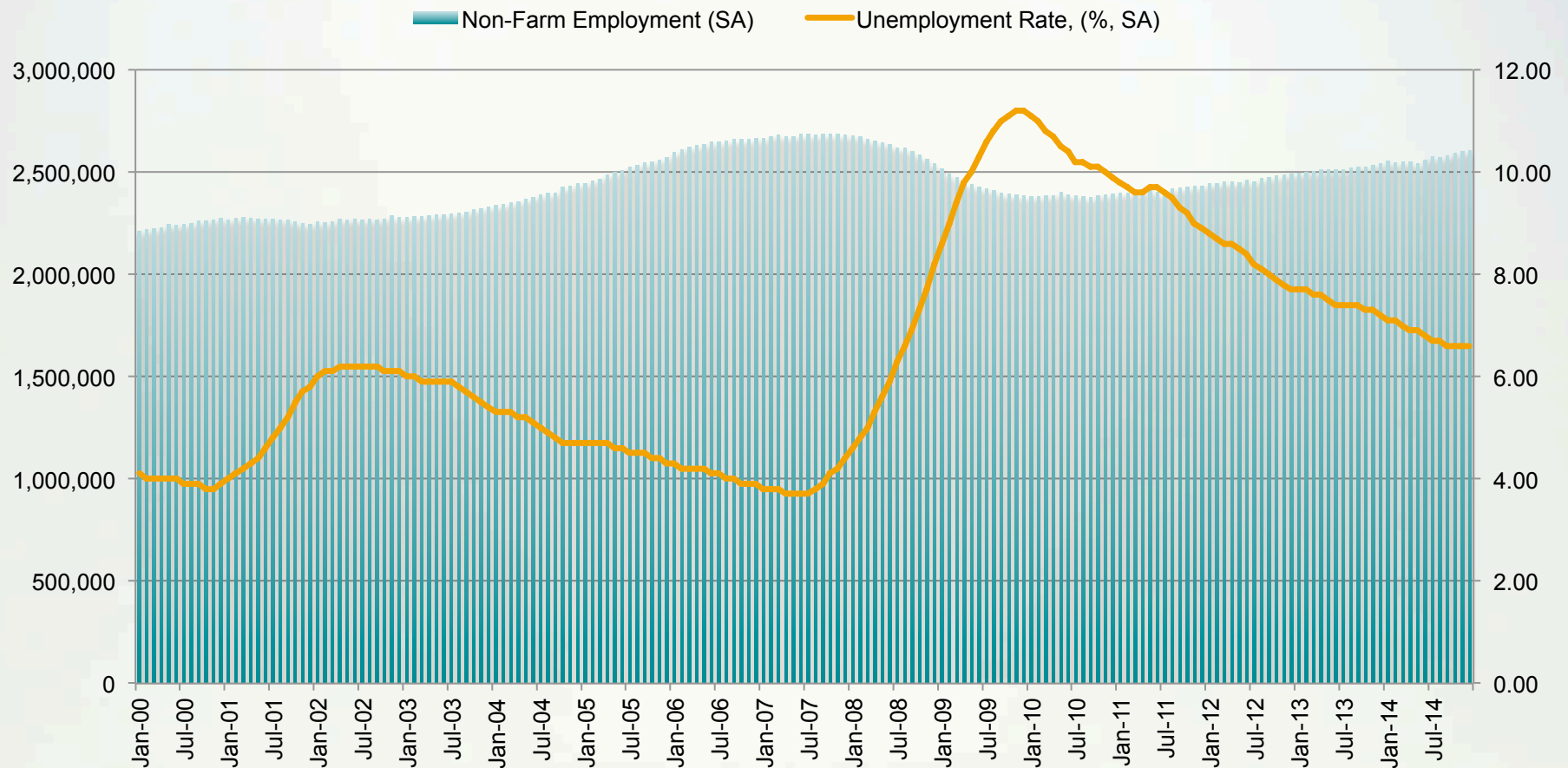


Source: Moody's Analytics

JOBS LOST NOT YET RECOVERED

EMPLOYMENT CONTINUES TO GROW

Arizona Employment and Unemployment

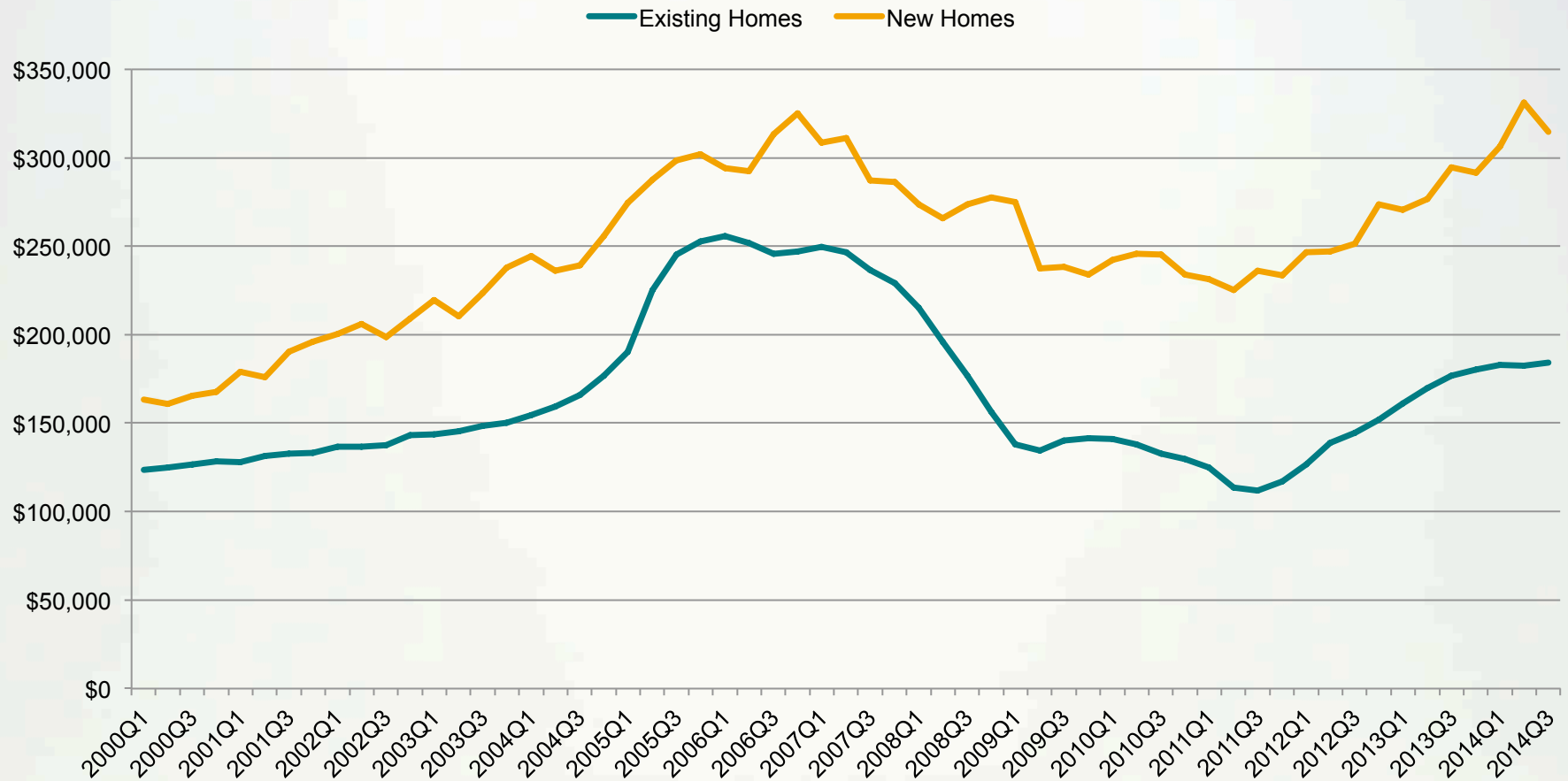


Source: BLS, Moody's Analytics

EXISTING PRICES NOT RECOVERED

NEW HOME PRICES SET NEW HIGHS

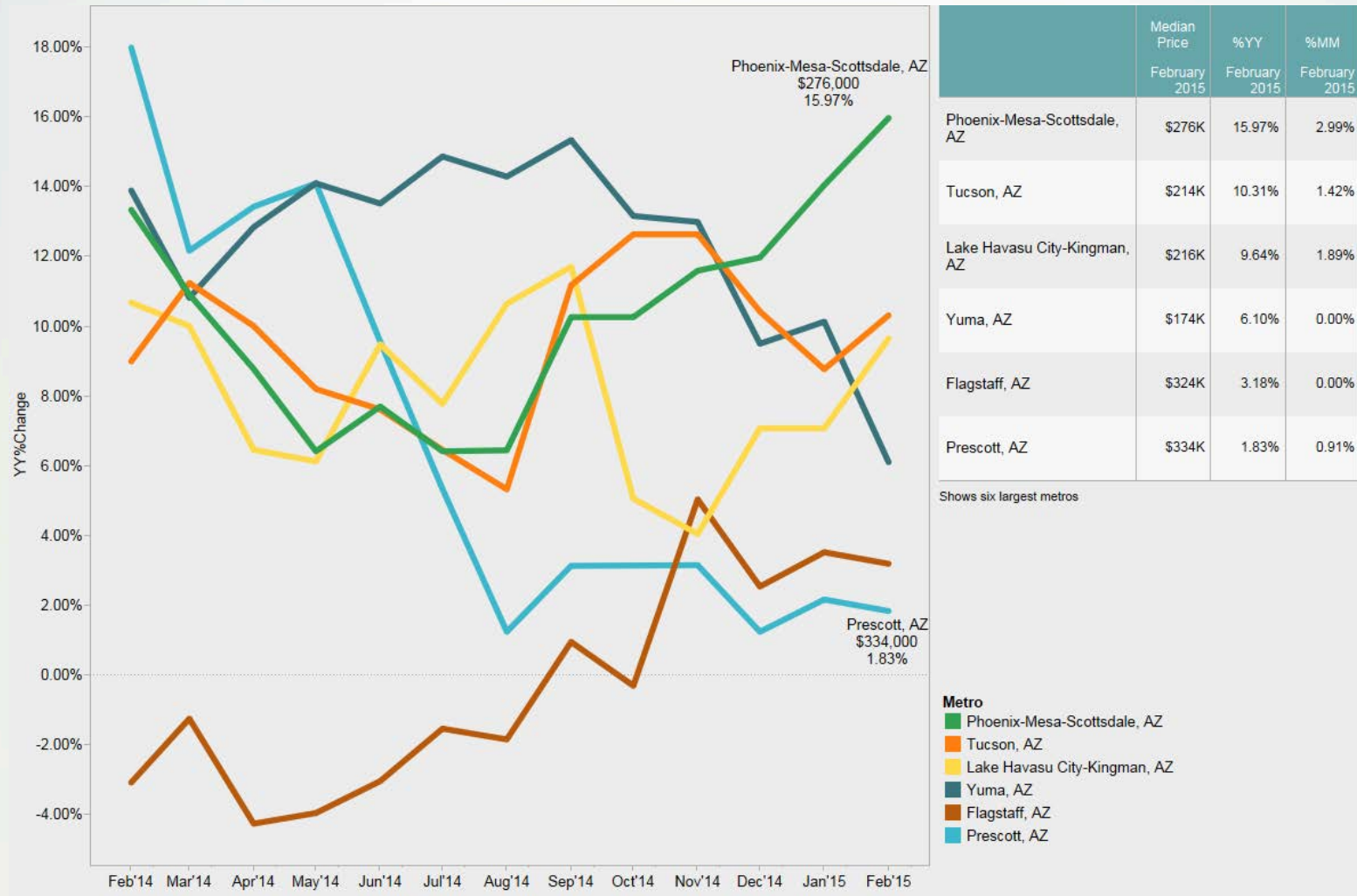
Arizona Median Home Prices



Source: National Association of REALTORS®, Census, Moody's Analytics

LIST PRICES ACCELERATING IN PHX

ALL MARKETS WITH PRICE APPRECIATION

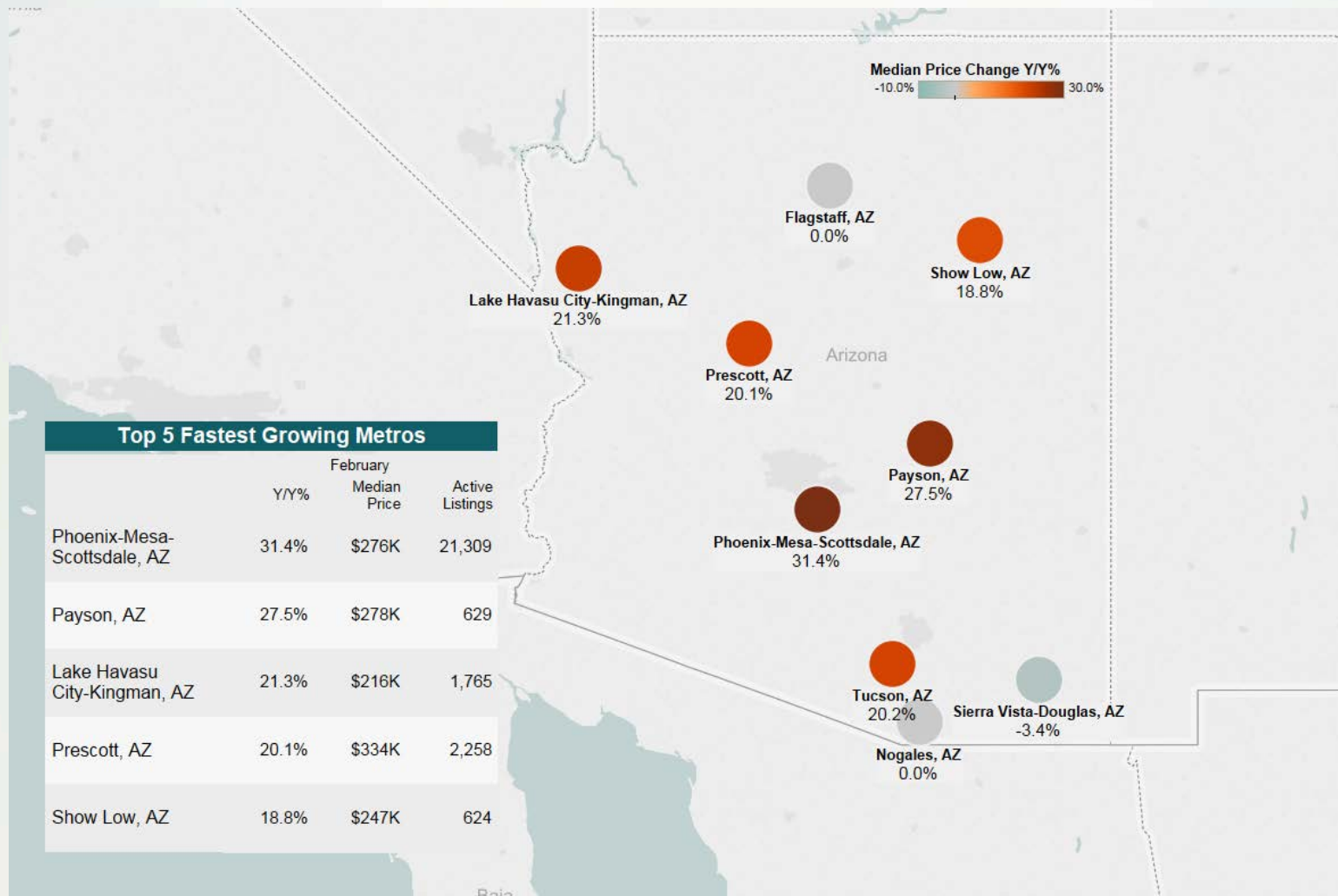


Source: Realtor.com®



WIDE Y/Y PRICE VARIATION IN FEB

MOST METROS SEEING DOUBLE-DIGIT GROWTH



Top 5 Fastest Growing Metros

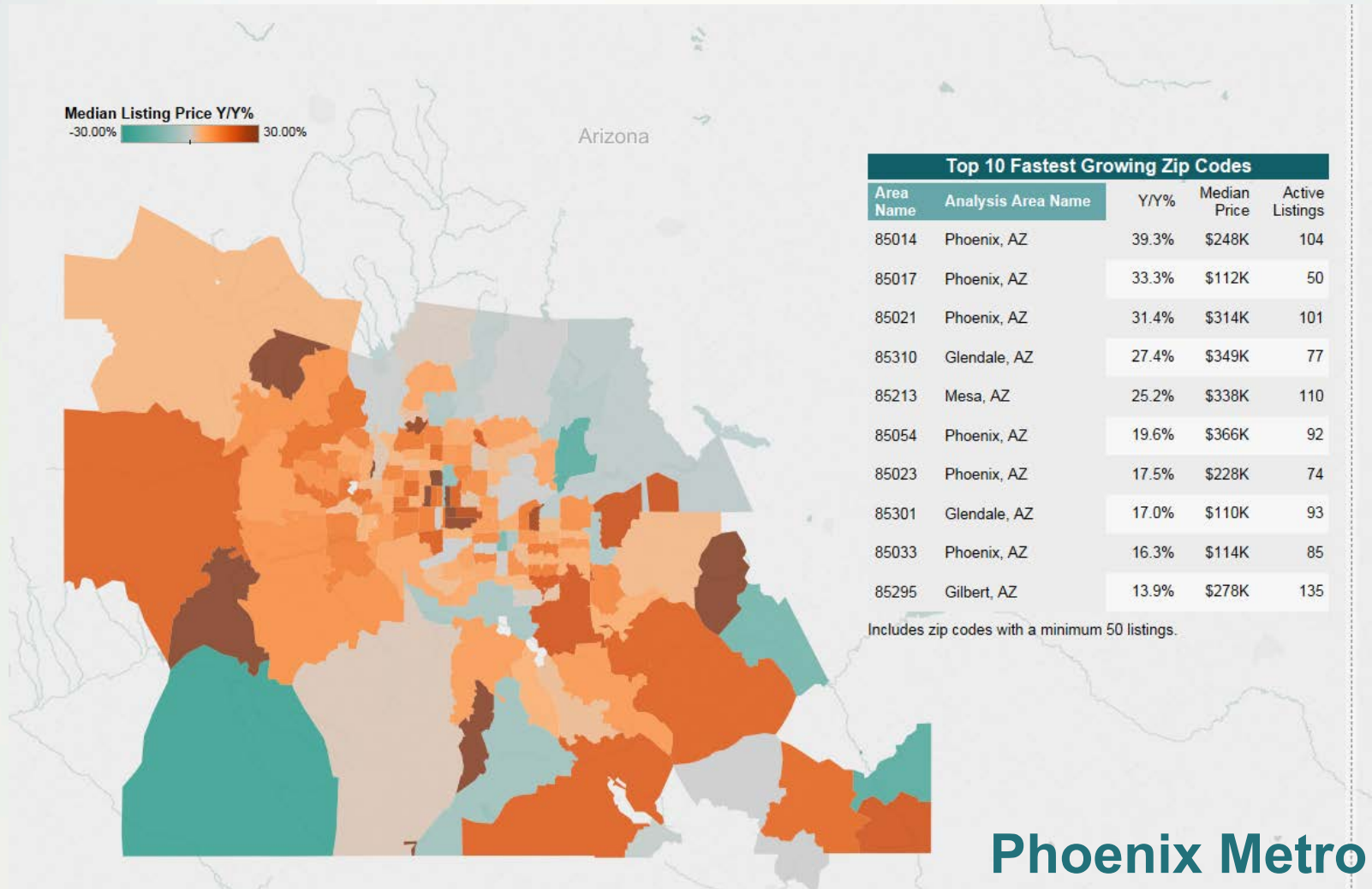
	February Y/Y%	February Median Price	Active Listings
Phoenix-Mesa-Scottsdale, AZ	31.4%	\$276K	21,309
Payson, AZ	27.5%	\$278K	629
Lake Havasu City-Kingman, AZ	21.3%	\$216K	1,765
Prescott, AZ	20.1%	\$334K	2,258
Show Low, AZ	18.8%	\$247K	624

Source: Realtor.com®



FOCUS ON PHOENIX

84% OF ZIPS SAW Y/Y PRICE INCREASES (FEB 2015)

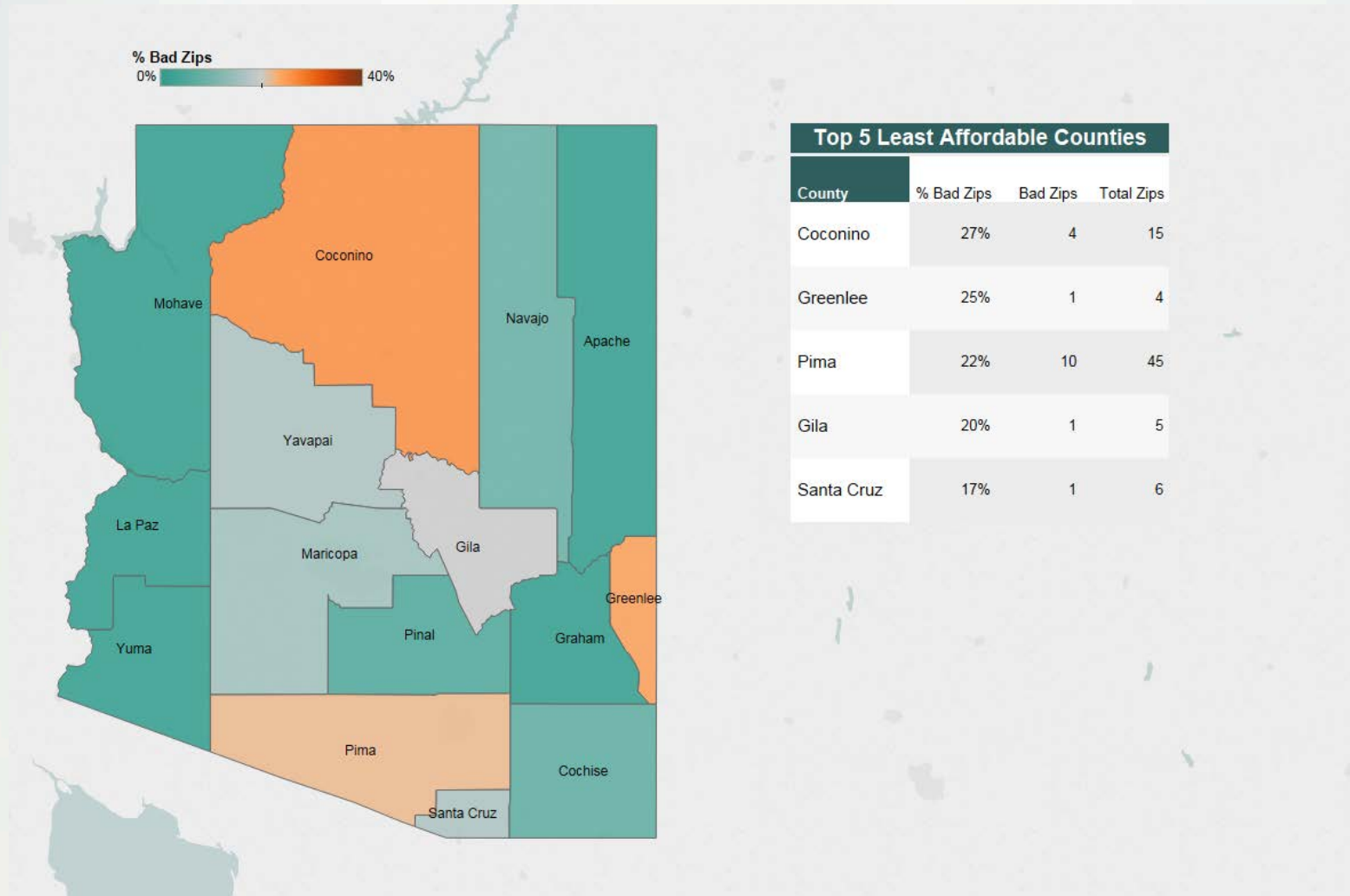


Source: Realtor.com



AFFORDABILITY STRONG IN ARIZONA

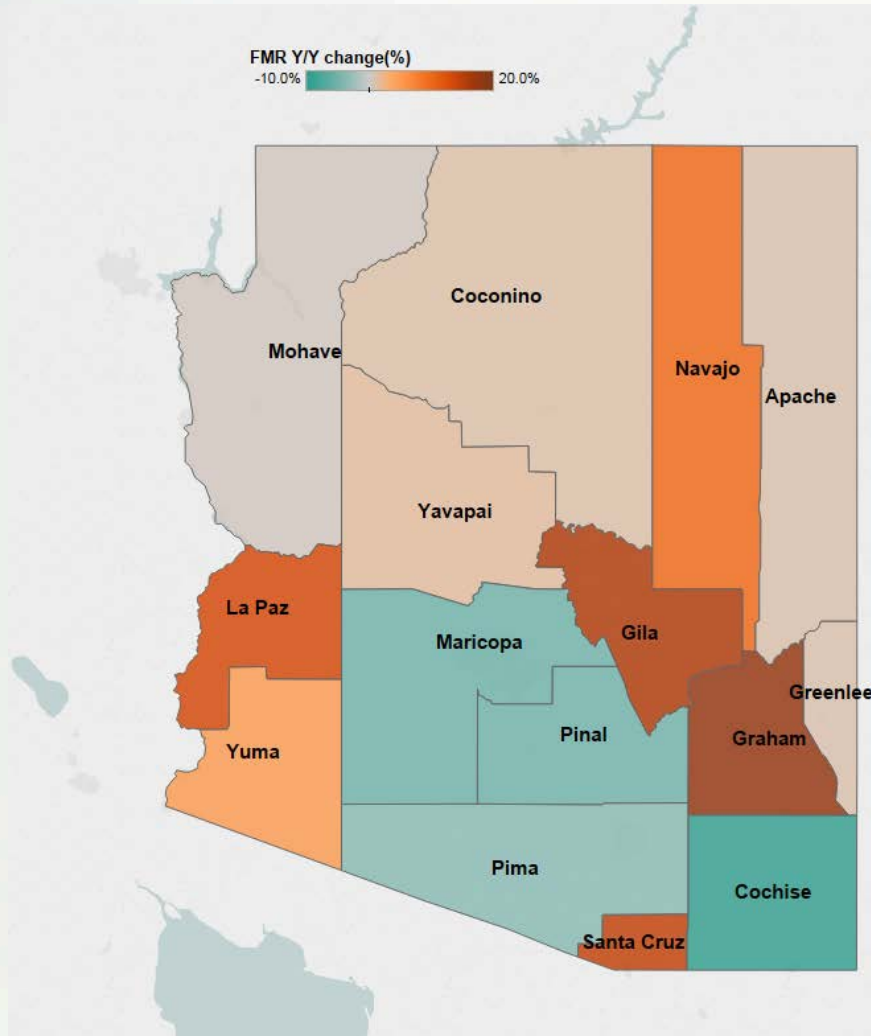
ONLY 13% OF COUNTIES PRICED ABOVE MEDIAN HH



Source: Realtor.com® Analysis of Nielsen Pop-Facts Demographics and Realtor.com Data

RENTS RISING YEAR-OVER-YEAR

RENTS UP Y/Y IN 11 OF 15 COUNTIES

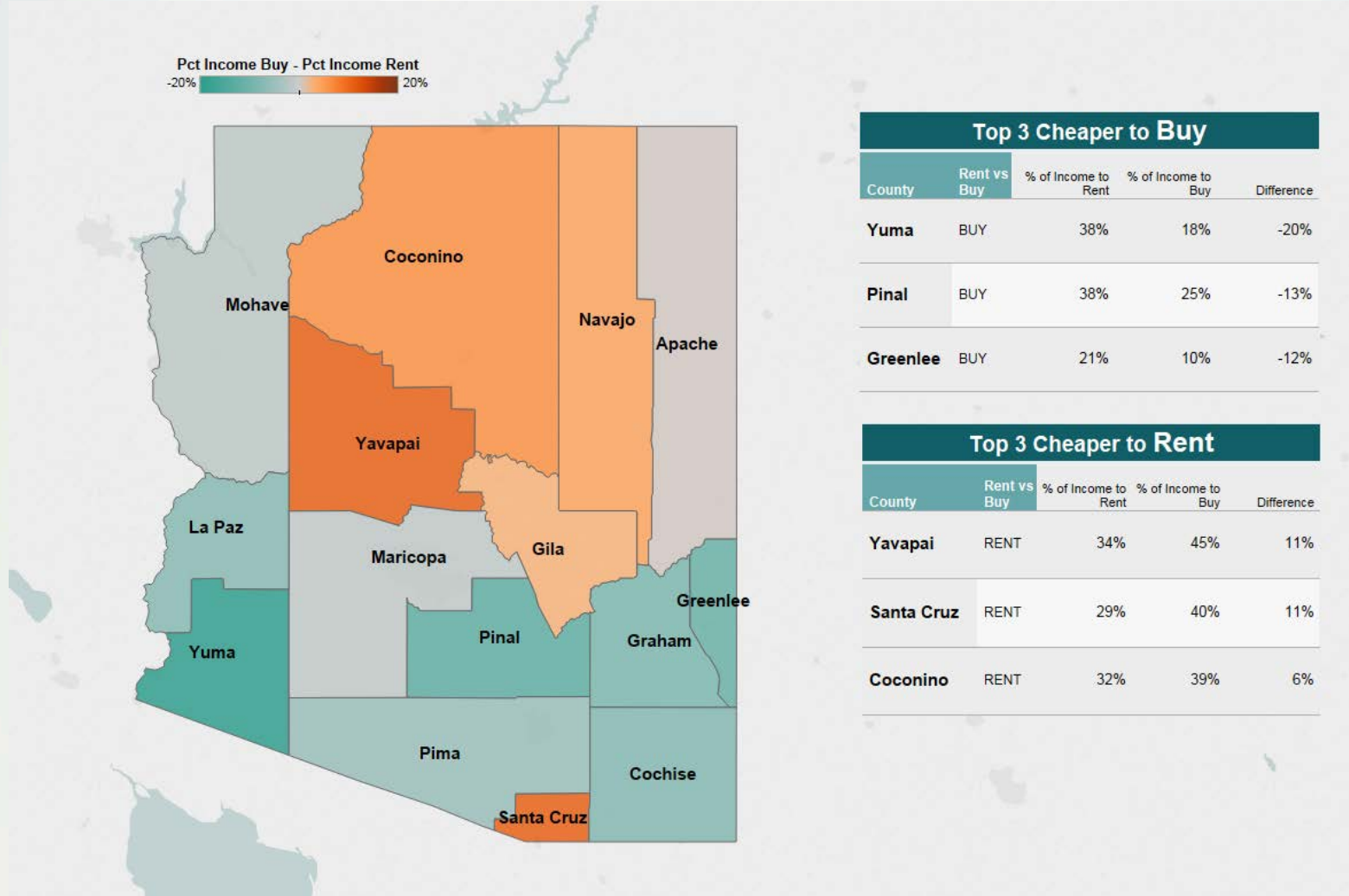


Fastest Growing Counties (FMR Y/Y)			
County Name	FMR Y/Y change(%)	3Bed FMR 2014	3Bed FMR 2013
Graham, AZ	18.1%	\$1,124	\$952
Gila, AZ	15.9%	\$1,210	\$1,044
Santa Cruz, AZ	14.7%	\$962	\$839
La Paz, AZ	13.4%	\$937	\$826
Navajo, AZ	10.0%	\$1,025	\$932

Source: Realtor.com® Analysis of HUD Fair Market Rents

CHEAPER TO BUY IN 2/3 OF COUNTIES

RELATIVE TO INCOME, MONTHLY COSTS FAVOR BUYING



Top 3 Cheaper to Buy

County	Rent vs Buy	% of Income to Rent	% of Income to Buy	Difference
Yuma	BUY	38%	18%	-20%
Pinal	BUY	38%	25%	-13%
Greenlee	BUY	21%	10%	-12%

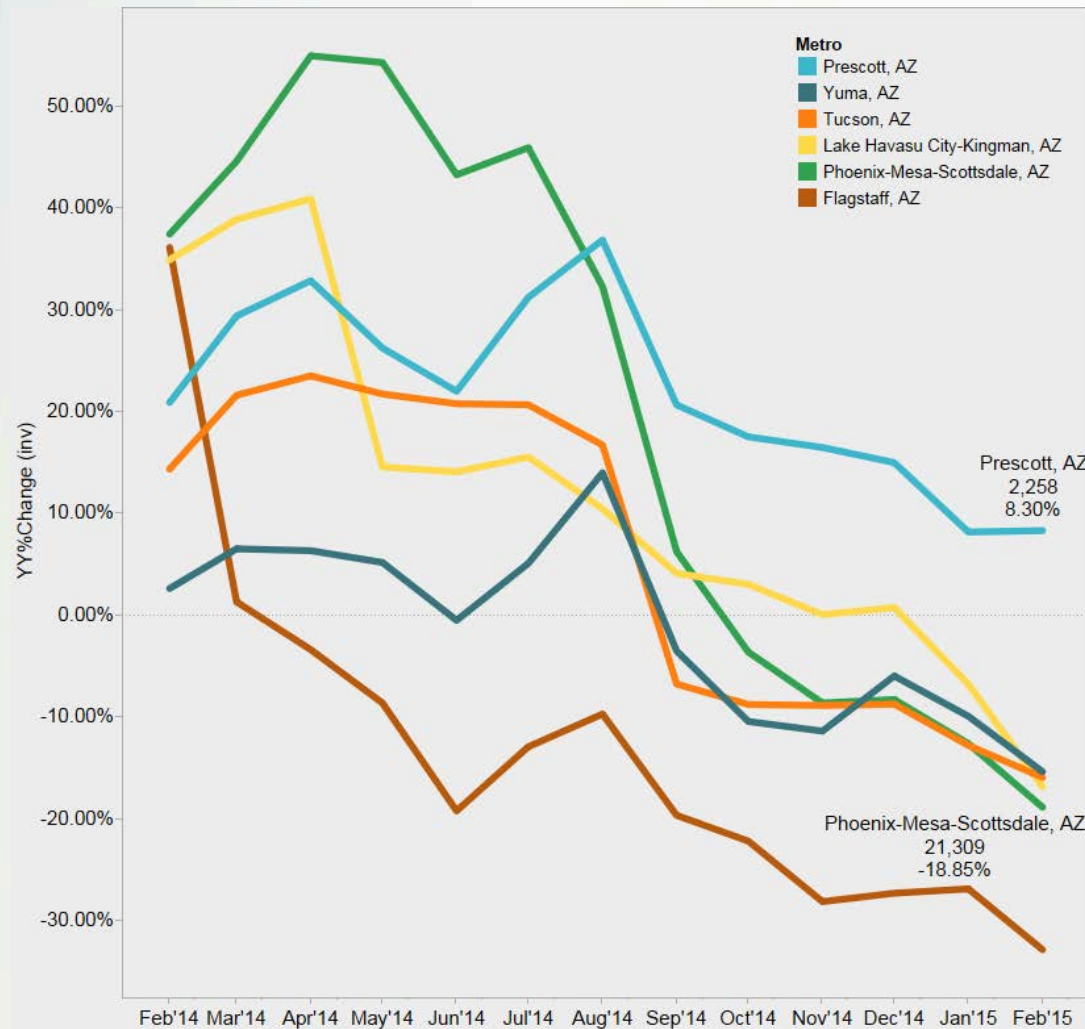
Top 3 Cheaper to Rent

County	Rent vs Buy	% of Income to Rent	% of Income to Buy	Difference
Yavapai	RENT	34%	45%	11%
Santa Cruz	RENT	29%	40%	11%
Coconino	RENT	32%	39%	6%

Source: Realtor.com® Analysis of Nielsen Pop-Facts Demographics, HUD Fair Market Rents and Realtor.com Data

LISTINGS NOT GROWING

ONLY PRESCOTT IS SEEING Y/Y GROWTH



County	Active Listings February 2015	YY Change February 2015	MM Change February 2015
Prescott, AZ	2,258	8.30%	3.20%
Yuma, AZ	964	-15.36%	0.21%
Tucson, AZ	6,328	-15.93%	3.06%
Lake Havasu City-Kingman, AZ	1,765	-16.86%	-2.00%
Phoenix-Mesa-Scottsdale, AZ	21,309	-18.85%	0.79%
Flagstaff, AZ	542	-32.84%	-2.87%

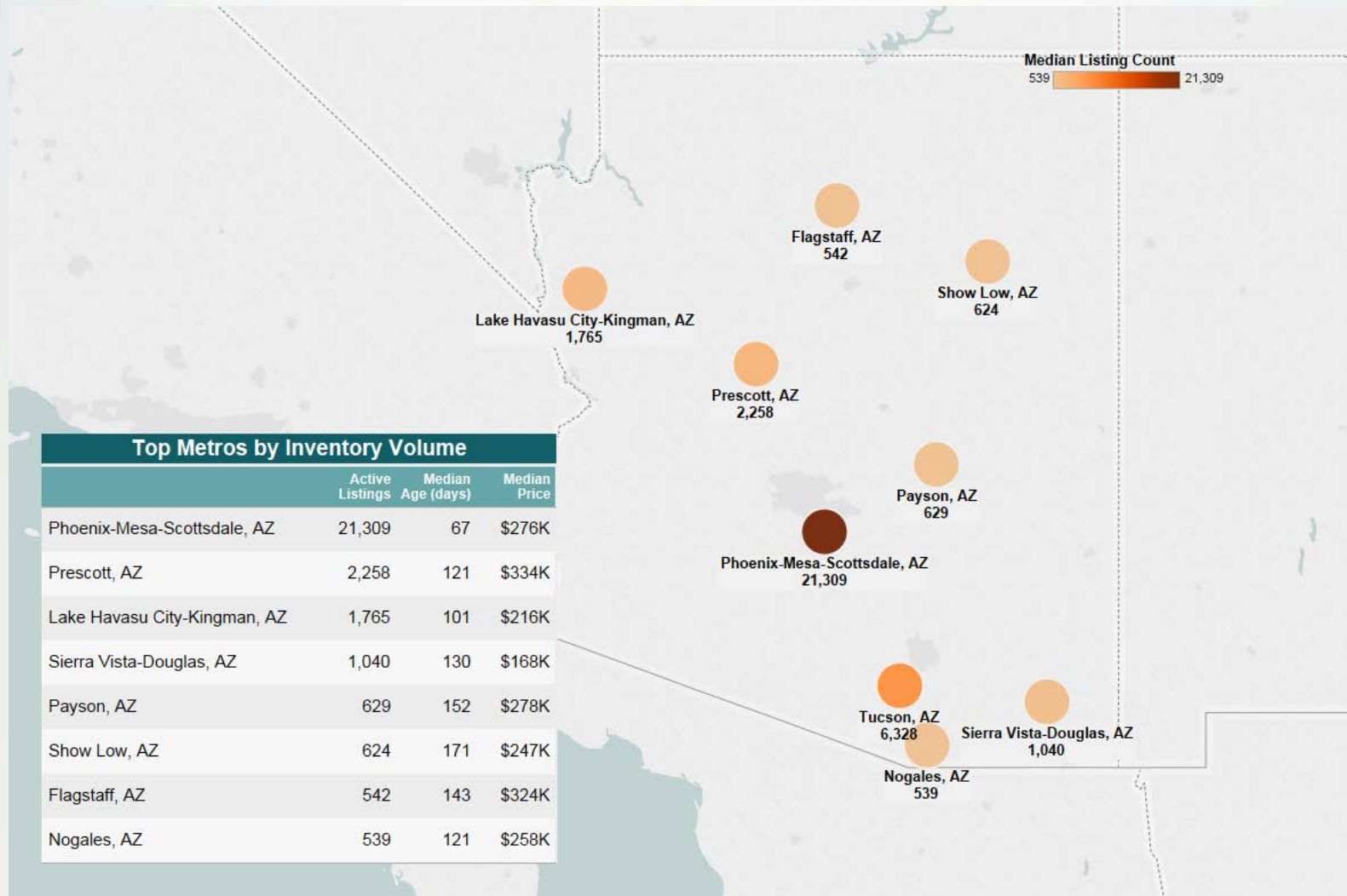
Shows six largest metros

Source: Realtor.com®



PHOENIX DOMINATES INVENTORY

INVENTORY HEAT MAP BY LARGEST METROS

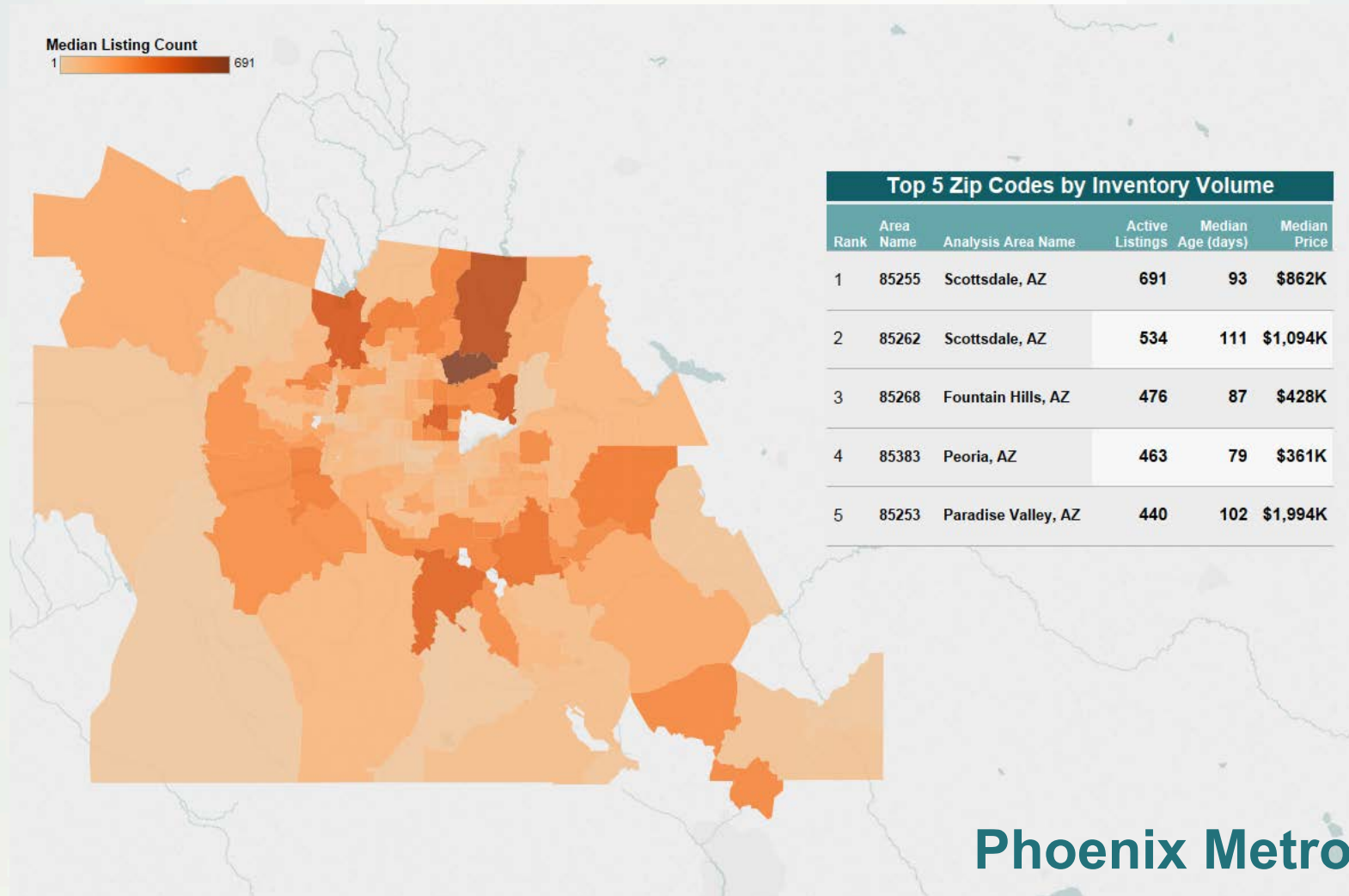


Top Metros by Inventory Volume			
	Active Listings	Median Age (days)	Median Price
Phoenix-Mesa-Scottsdale, AZ	21,309	67	\$276K
Prescott, AZ	2,258	121	\$334K
Lake Havasu City-Kingman, AZ	1,765	101	\$216K
Sierra Vista-Douglas, AZ	1,040	130	\$168K
Payson, AZ	629	152	\$278K
Show Low, AZ	624	171	\$247K
Flagstaff, AZ	542	143	\$324K
Nogales, AZ	539	121	\$258K

Source: Realtor.com®

FOCUS ON PHOENIX

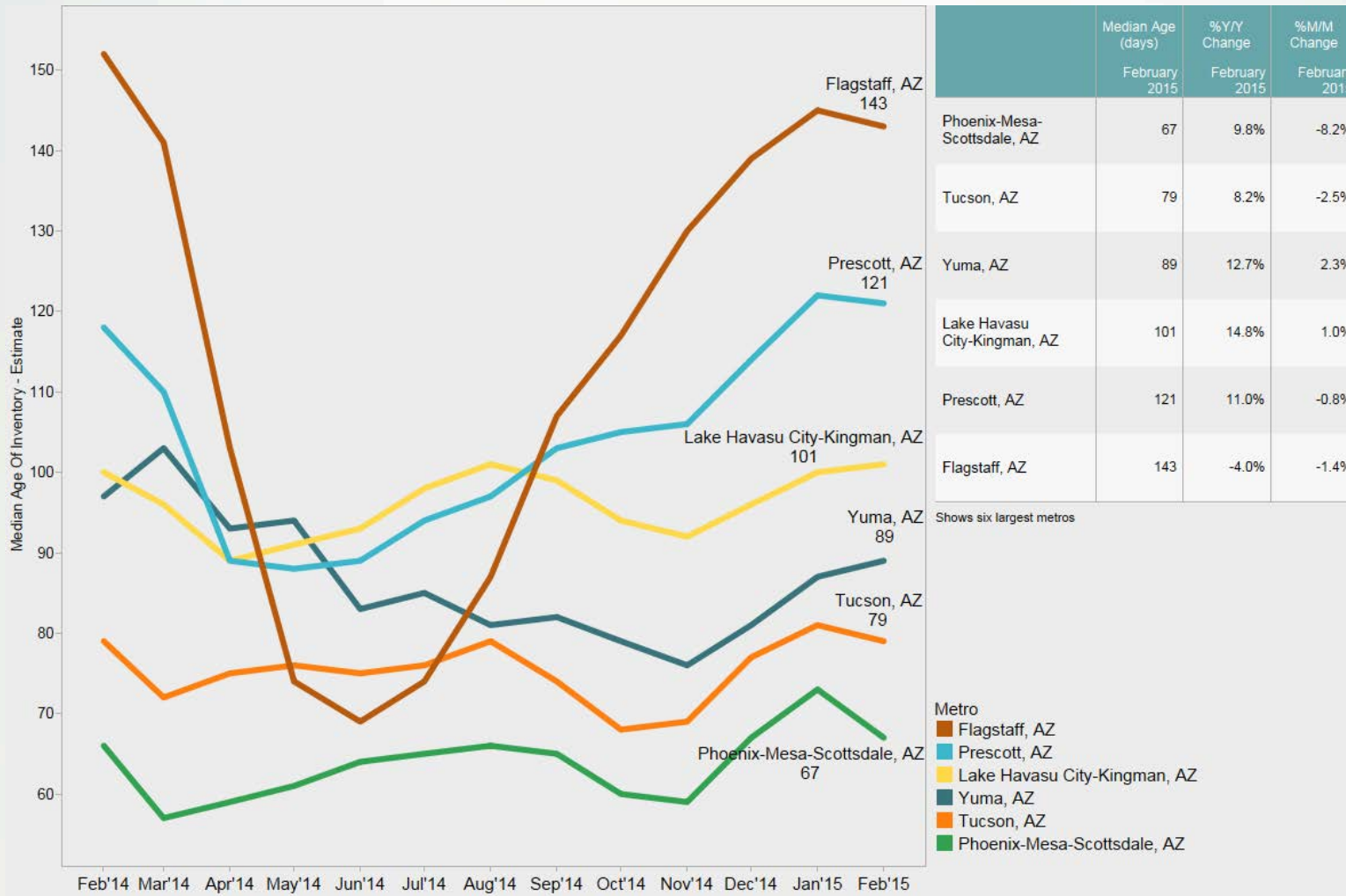
HEAT MAP OF SINGLE FAMILY & CONDO LISTINGS (FEB '15)



Source: Realtor.com®

AGE OF INVENTORY

AGE OF INVENTORY FELL IN FEBRUARY

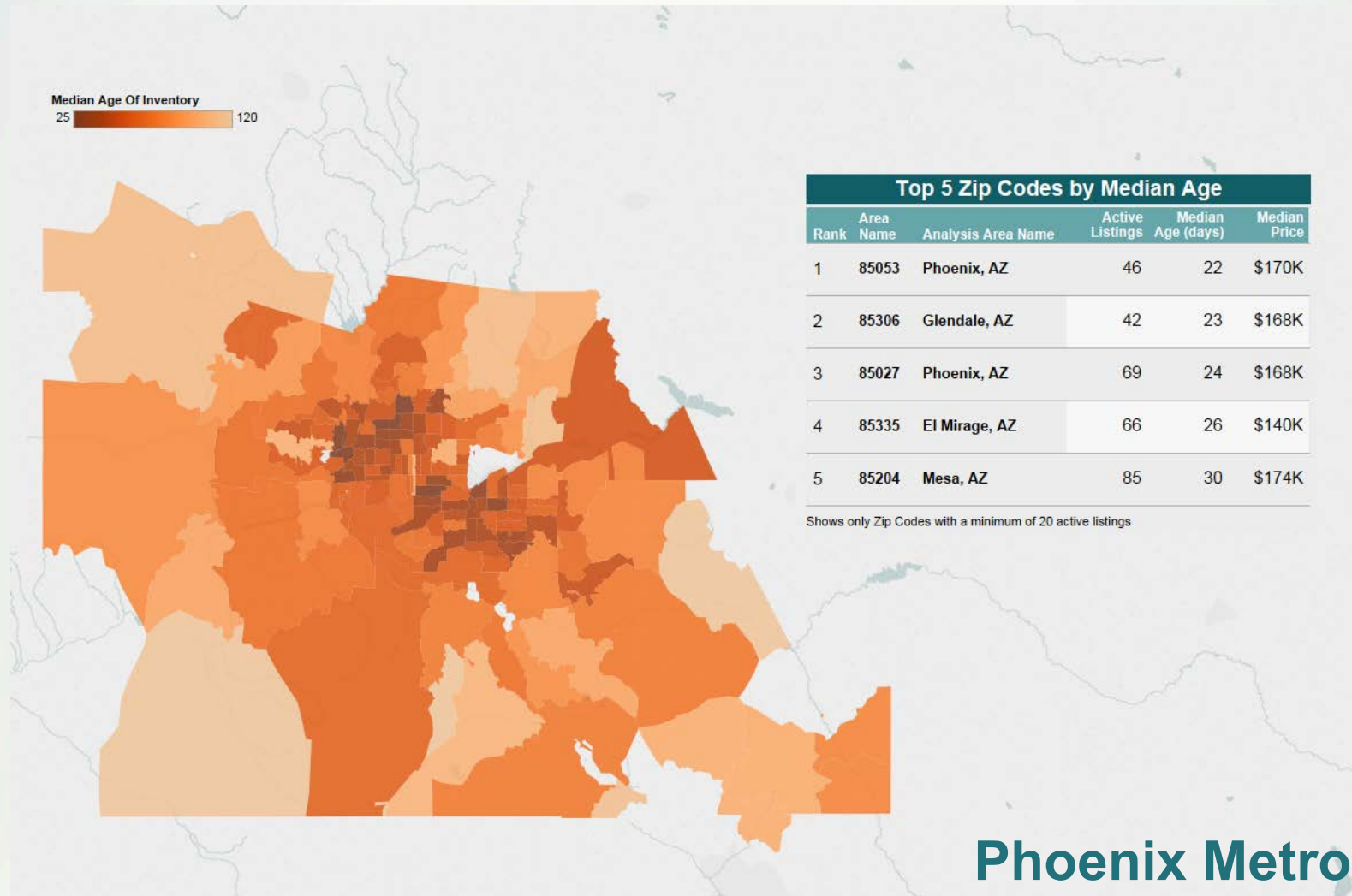


Source: Realtor.com®



FOCUS ON PHOENIX

HEAT MAP OF MEDIAN AGE (67 DAYS FOR METRO FEB '15)

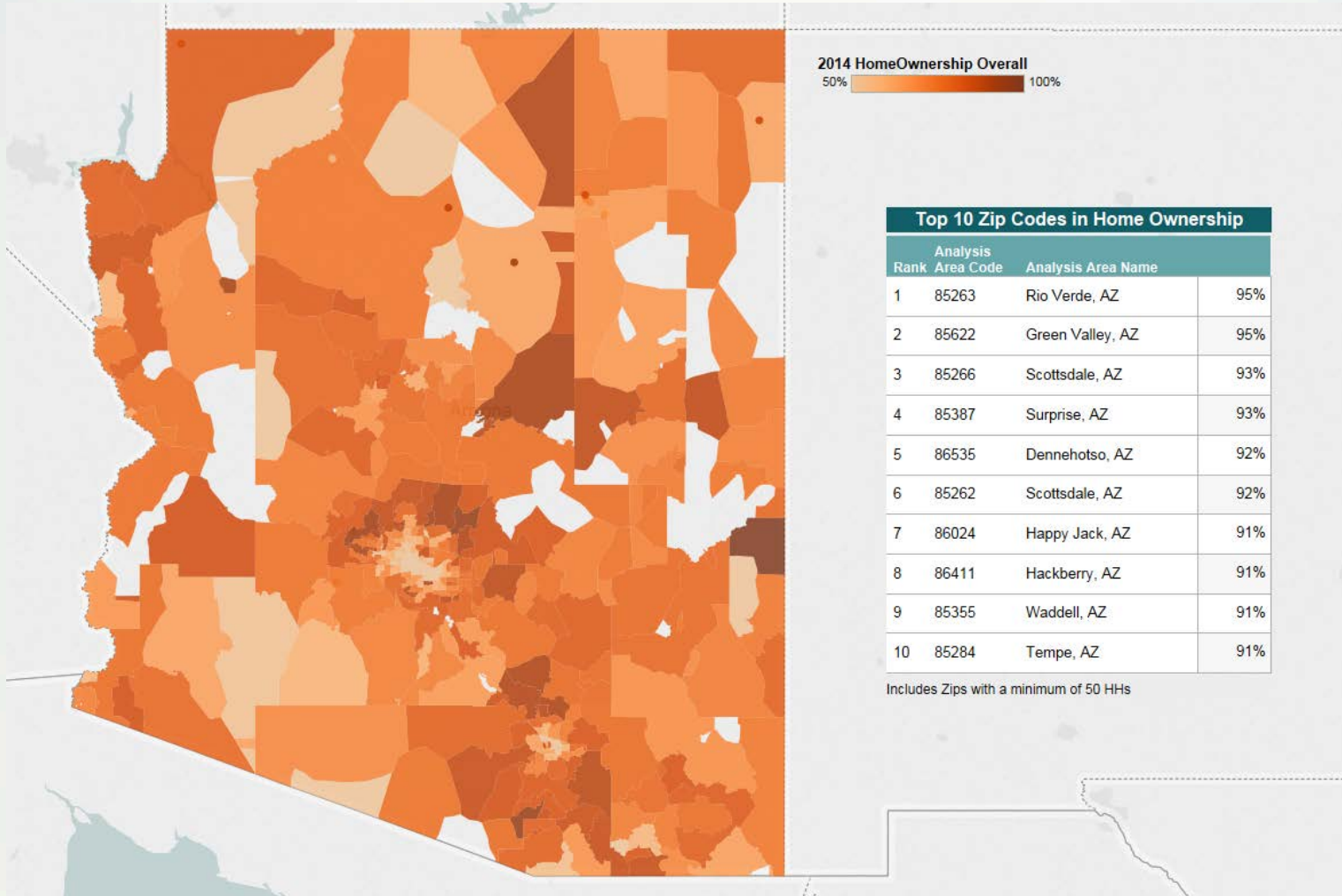


Source: Realtor.com®



OWNERSHIP VARIES GREATLY

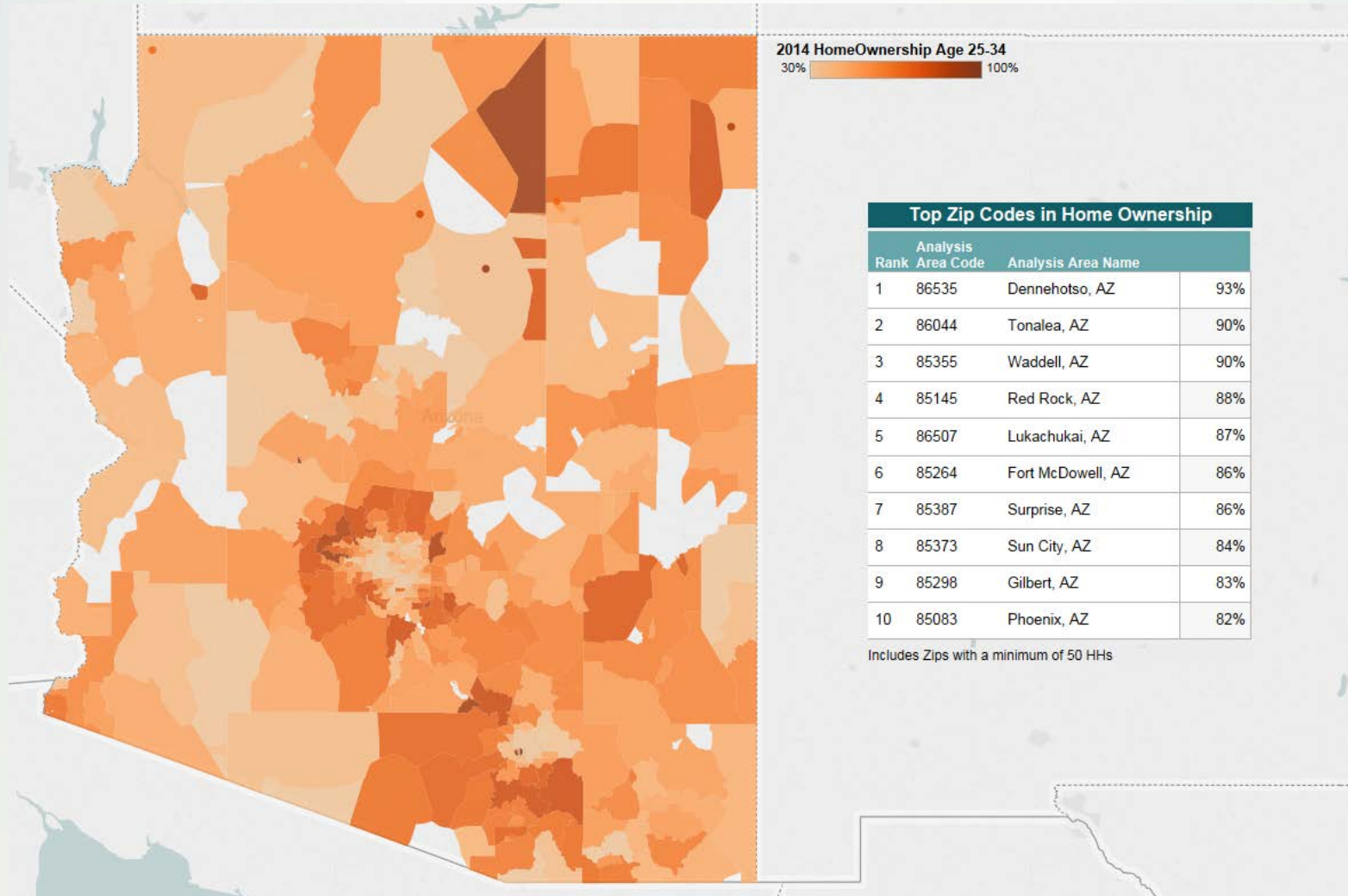
OWNERSHIP RATE DOUBLES OUTSIDE PHX URBAN CORE



Source: Nielsen Demographics Pop-Facts 2014

MILLENNIAL OWNERSHIP VARIES MORE

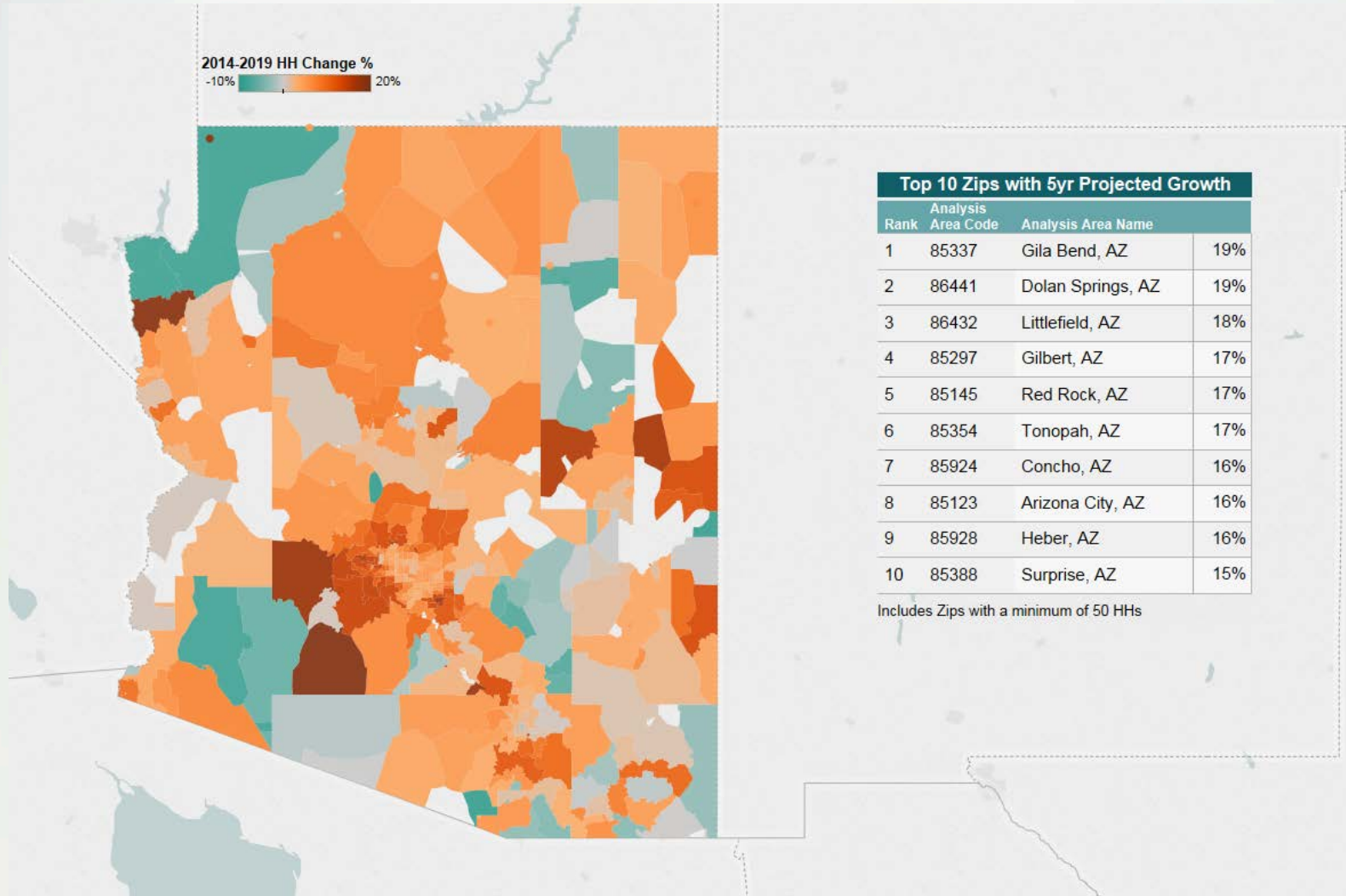
RATE IN 25-34 HH'S ALSO DOUBLES OUTSIDE URBAN CORE



Source: Nielsen Demographics Pop-Facts 2014

FIVE YEAR HH GROWTH FORECAST

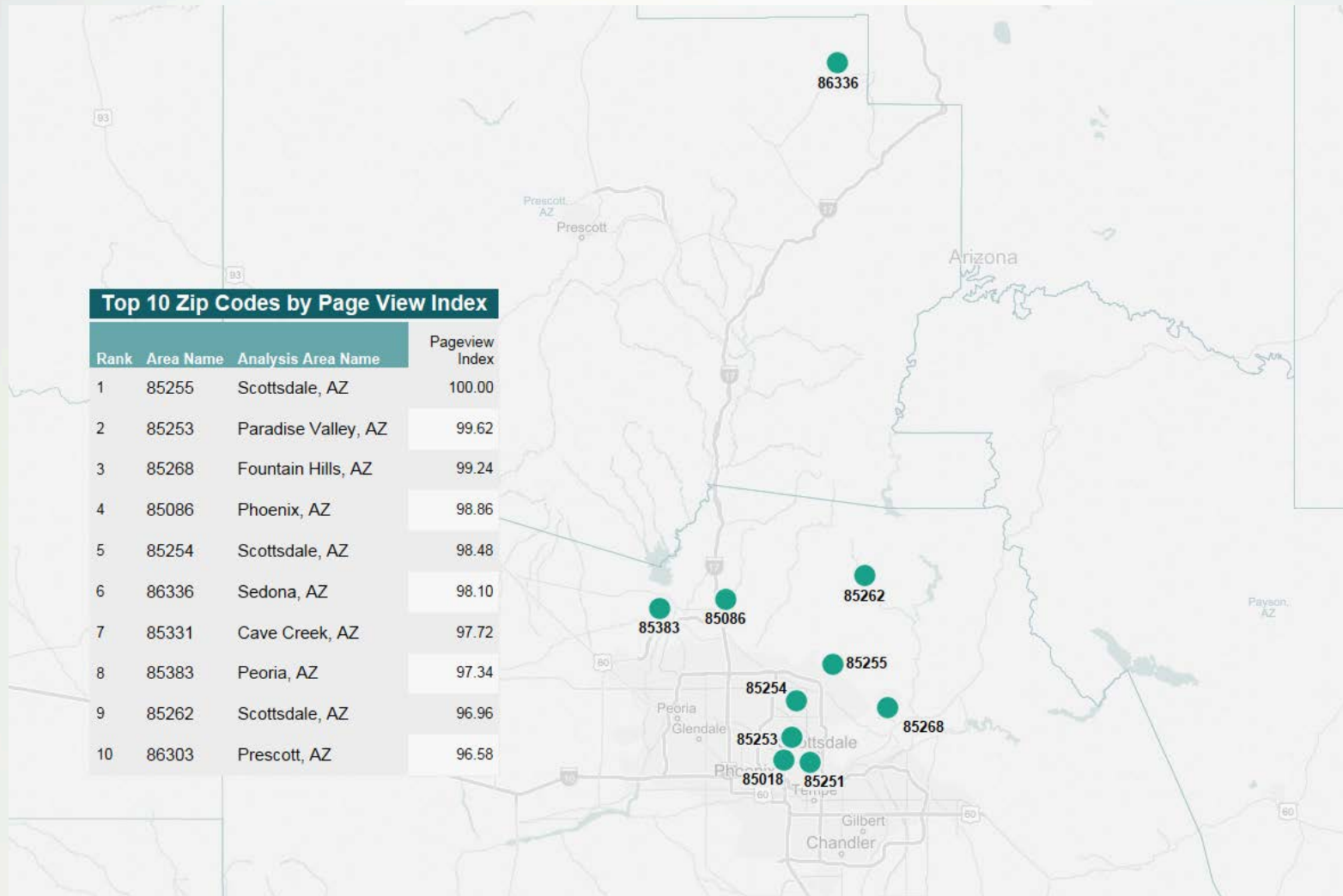
GROWTH HOT SPOTS THROUGHOUT THE STATE



Source: Nielsen Demographics Pop-Facts 2014

ARIZONA INTEREST BY ZIP

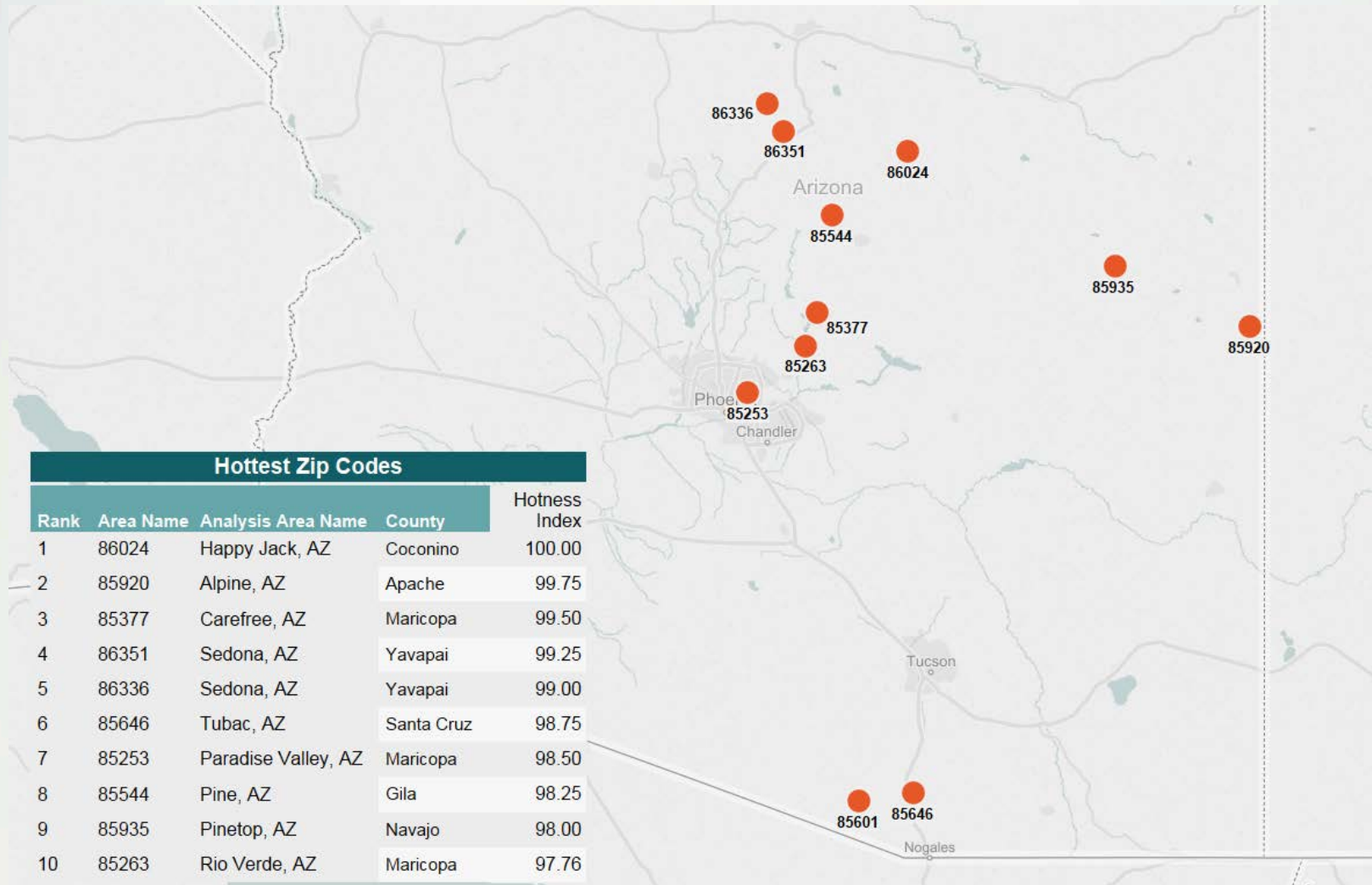
PAGE VIEW HEAT MAP OF TOP ARIZONA ZIP CODES



Source: Realtor.com®

ARIZONA ZIP “HOTNESS”

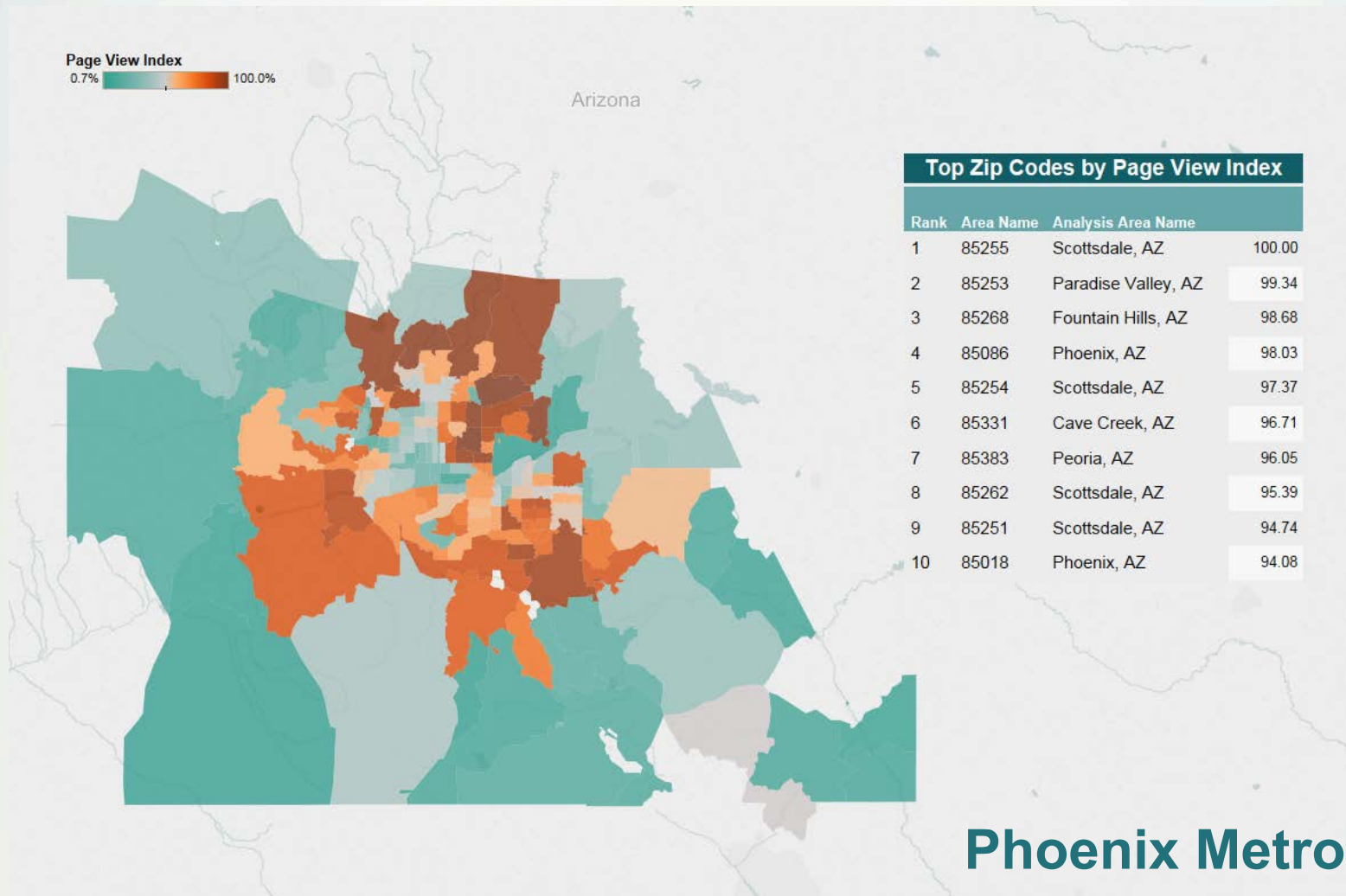
ADJUSTING INTEREST BY HOUSEHOLD COUNT



Source: Realtor.com®

PHOENIX INTEREST BY ZIP

PAGE VIEW HEAT MAP (2014) OF TOP PHOENIX ZIP CODES



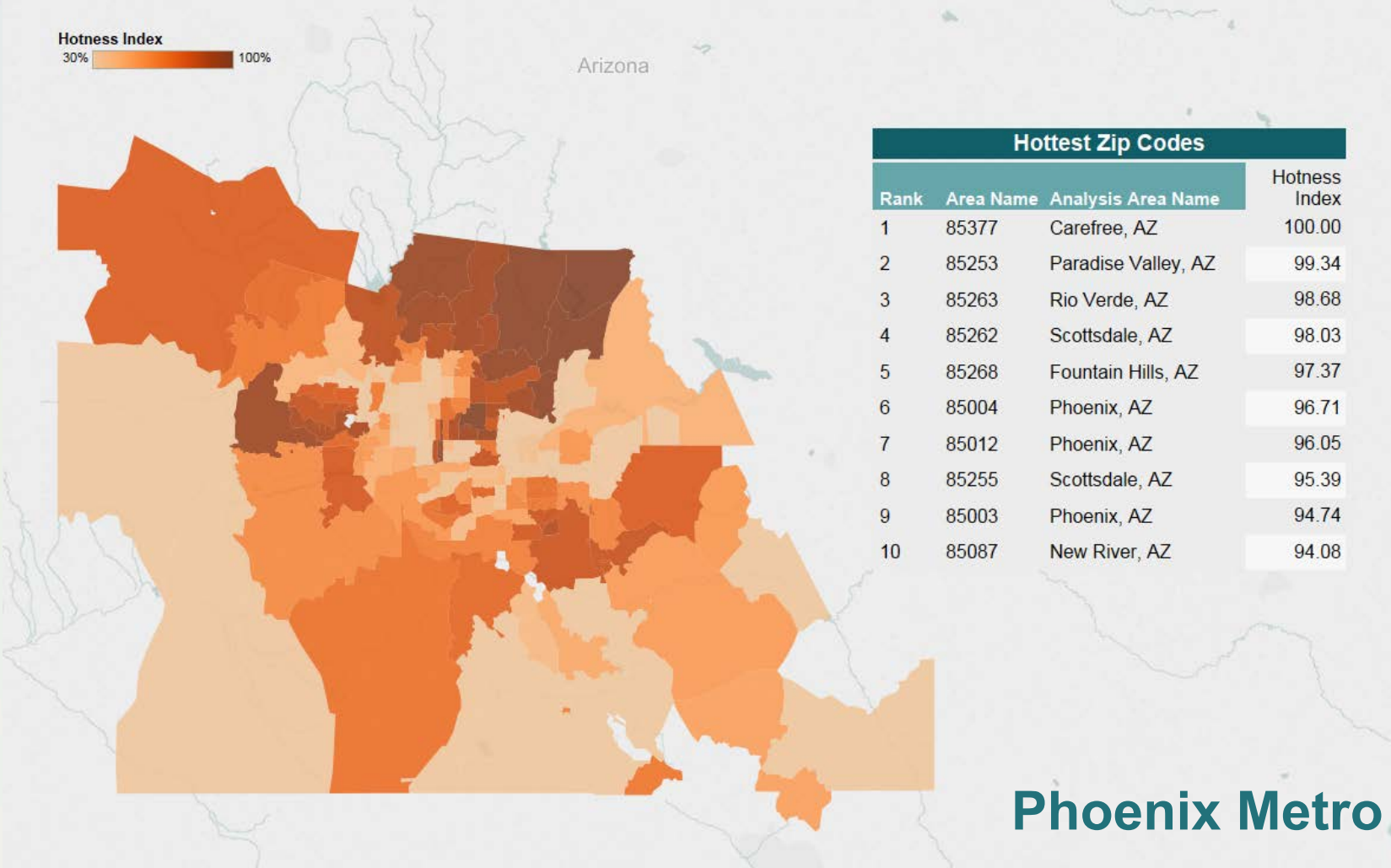
Source: Realtor.com®

PHOENIX HOT ZIPS

WHERE INTEREST OUTPACES SIZE

Hotness Index
30%  100%

Arizona



Hottest Zip Codes			
Rank	Area Name	Analysis Area Name	Hotness Index
1	85377	Carefree, AZ	100.00
2	85253	Paradise Valley, AZ	99.34
3	85263	Rio Verde, AZ	98.68
4	85262	Scottsdale, AZ	98.03
5	85268	Fountain Hills, AZ	97.37
6	85004	Phoenix, AZ	96.71
7	85012	Phoenix, AZ	96.05
8	85255	Scottsdale, AZ	95.39
9	85003	Phoenix, AZ	94.74
10	85087	New River, AZ	94.08

Source: Realtor.com®

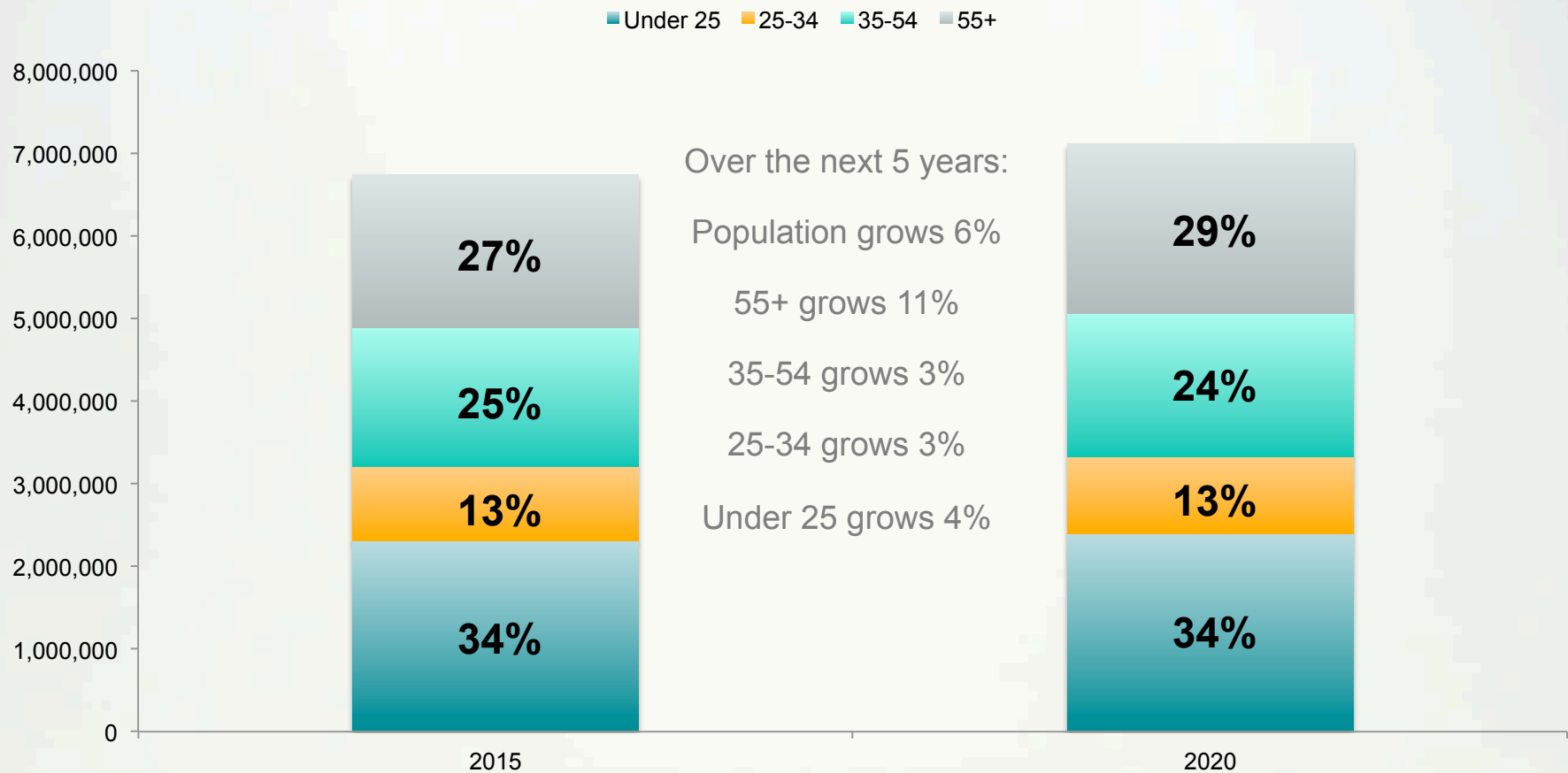


Phoenix Metro

OLDER SHIFT IN ARIZONA AS WELL

BUT EVERY AGE COHORT IS STILL GROWING

Population by Age (Arizona)



Source: Nielsen Demographics Pop-Facts 2015

GROWTH SHOULD NOT BE A SURPRISE

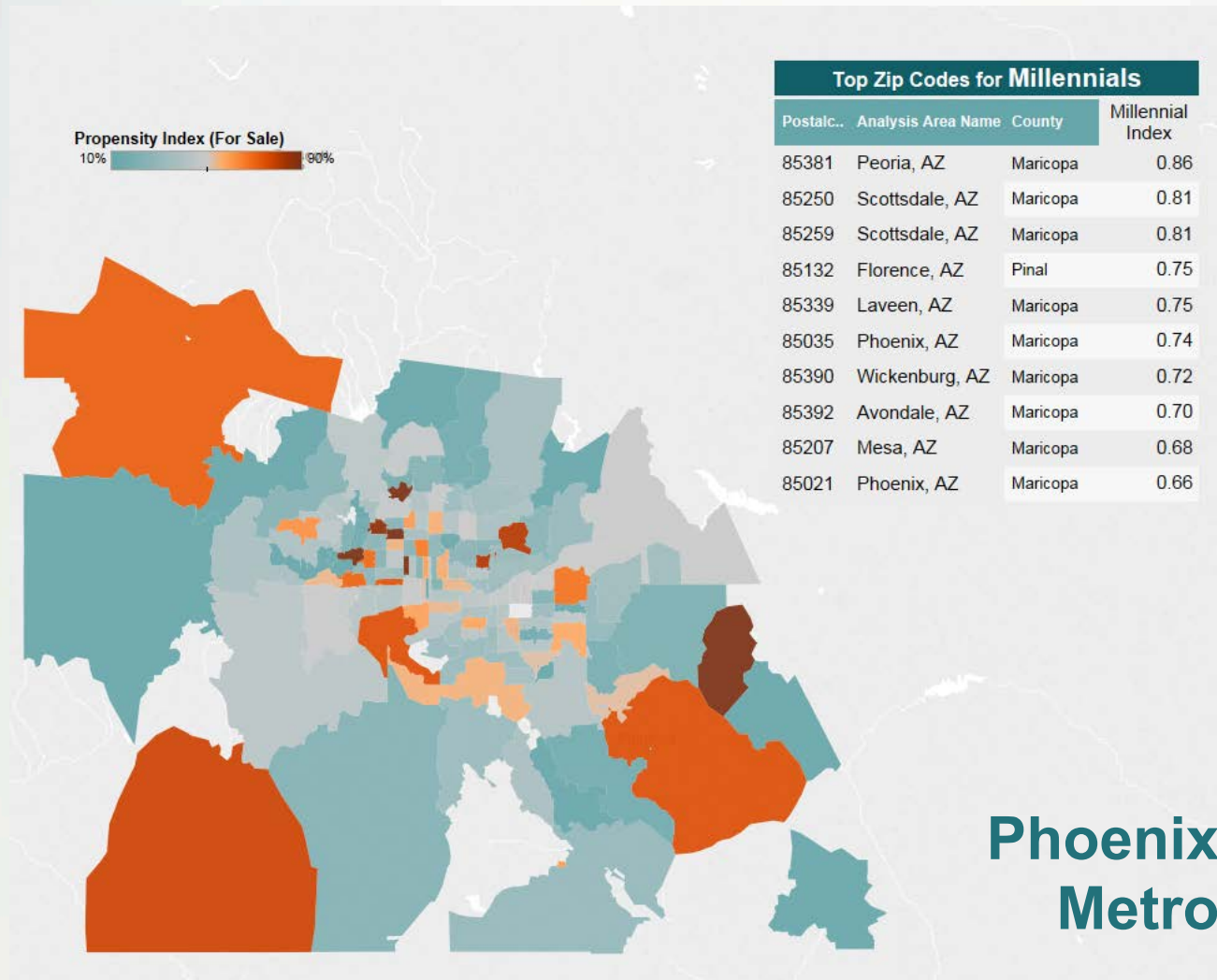
MOST SEARCHED “HOW MUCH DOES [X] COST?” BY STATE



Source: Fixr.com

MILLENNIAL PROPENSITY

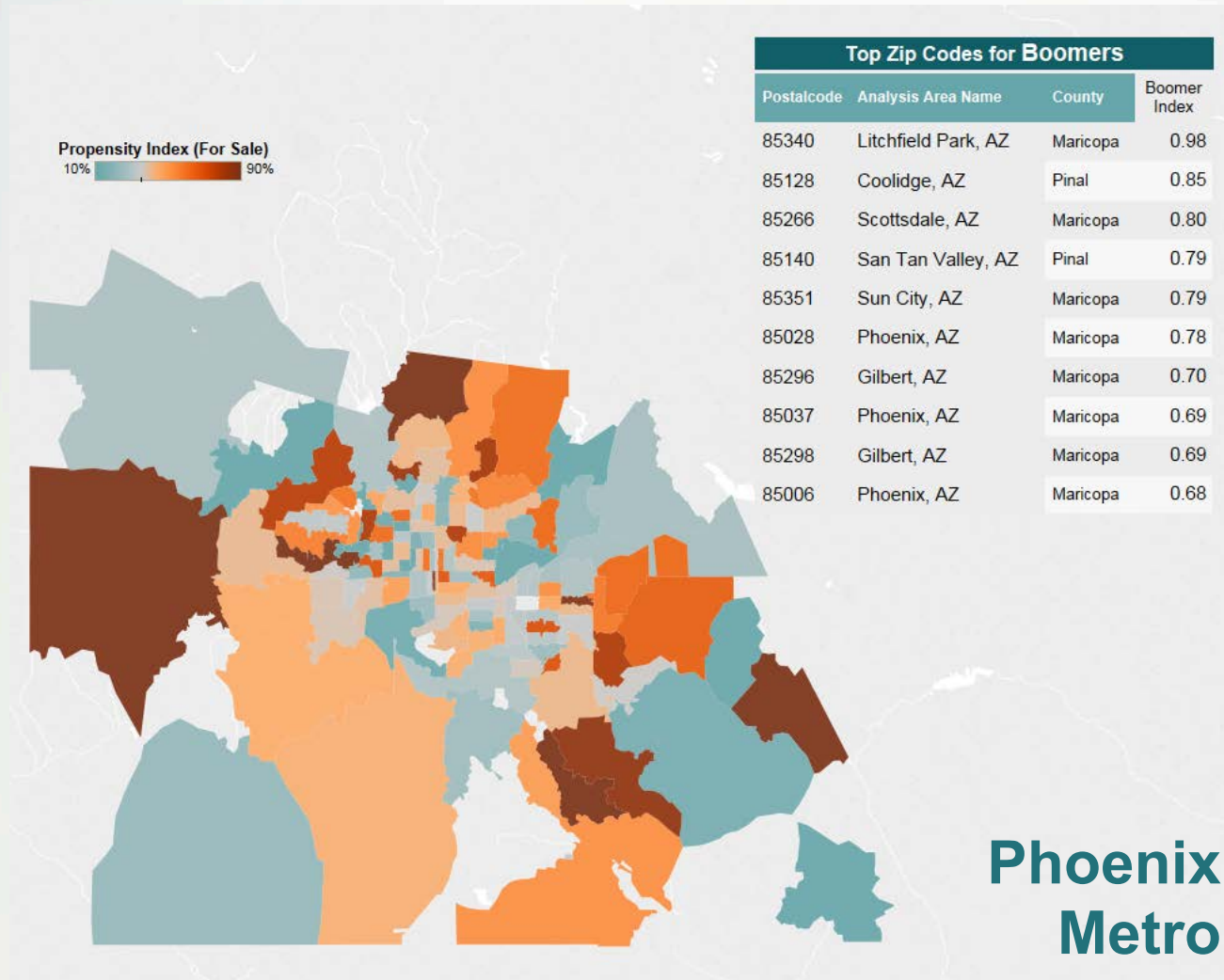
MILLENNIAL VIEWS RELATIVE TO ALL TRAFFIC



Source: Realtor.com®

BOOMER PROPENSITY

BOOMER VIEWS RELATIVE TO ALL TRAFFIC



Source: Realtor.com®

REALTOR.COM 2015 FORECAST

KEY ECONOMIC AND HOUSING METRICS

- GDP grows 2.9%
- Payroll growth of 3 million jobs
- 1.2 million household formations


- Home prices appreciate 4.9% on median existing home price
- Existing home sales grow 8% to 5.32 million
- New home sales grow 24% to 540,000
- Housing starts increase 17% to 1.21 million
- 30-year fixed rate ends year at 4.88%

- Affordability declines 7%

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THANK
YOU