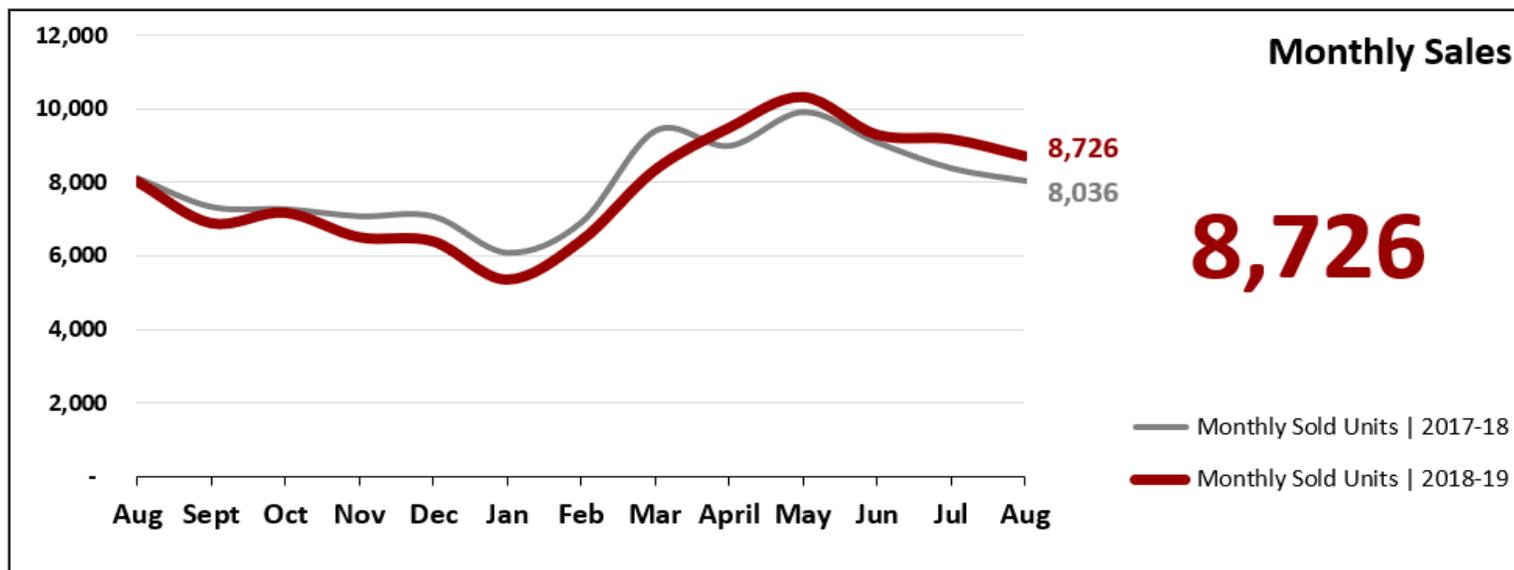


STAT

Your Monthly Statistics for the Phoenix Metro Area



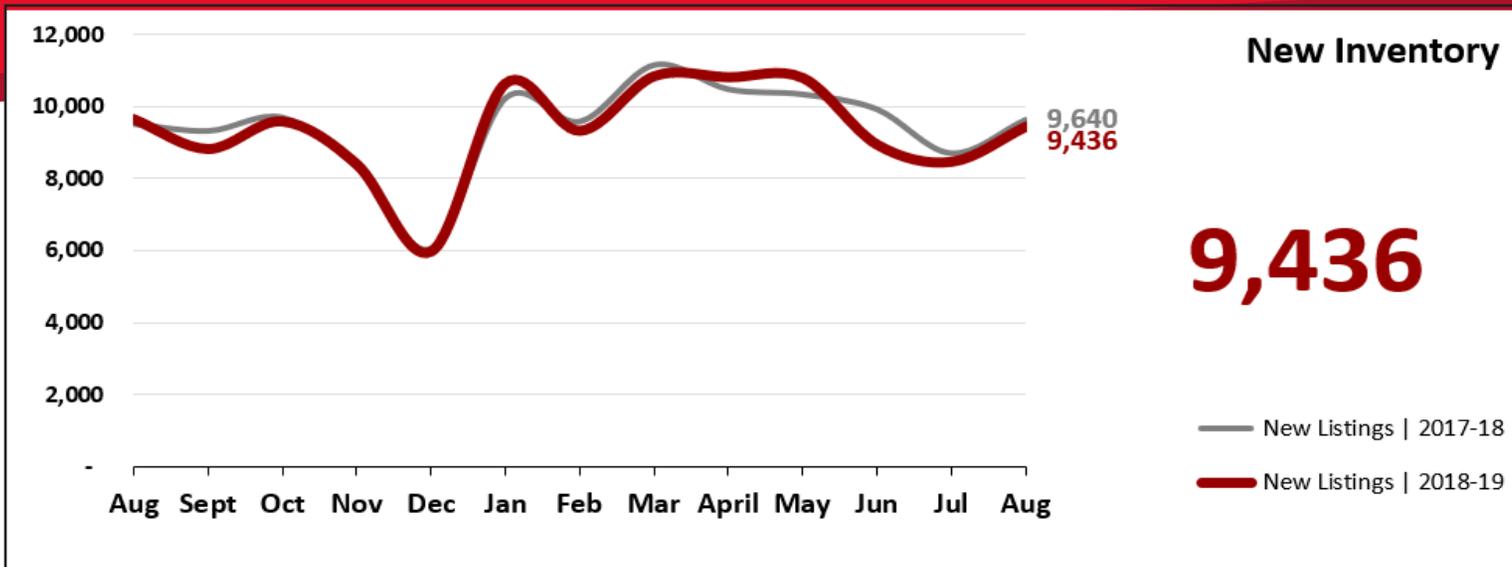
DATA FOR AUGUST 2019 - Published September 16, 2019



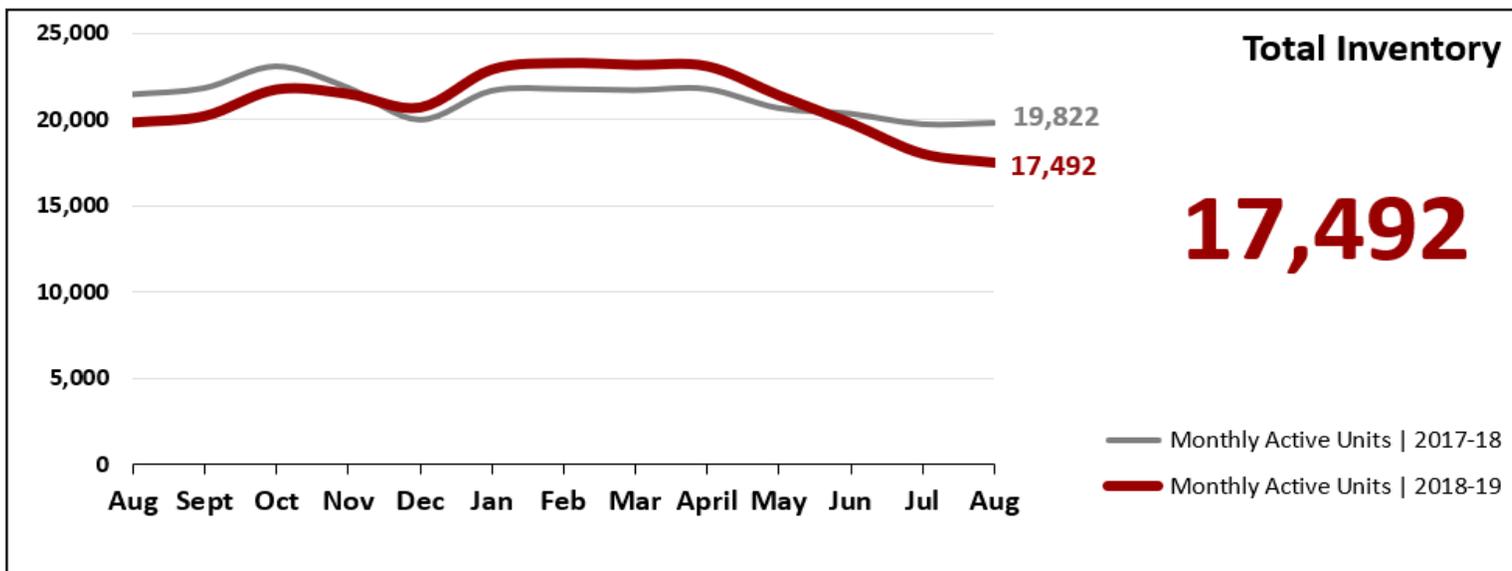
Sales are down -5.1% month-over-month. The year-over-year comparison is up +8.6%.

8,726

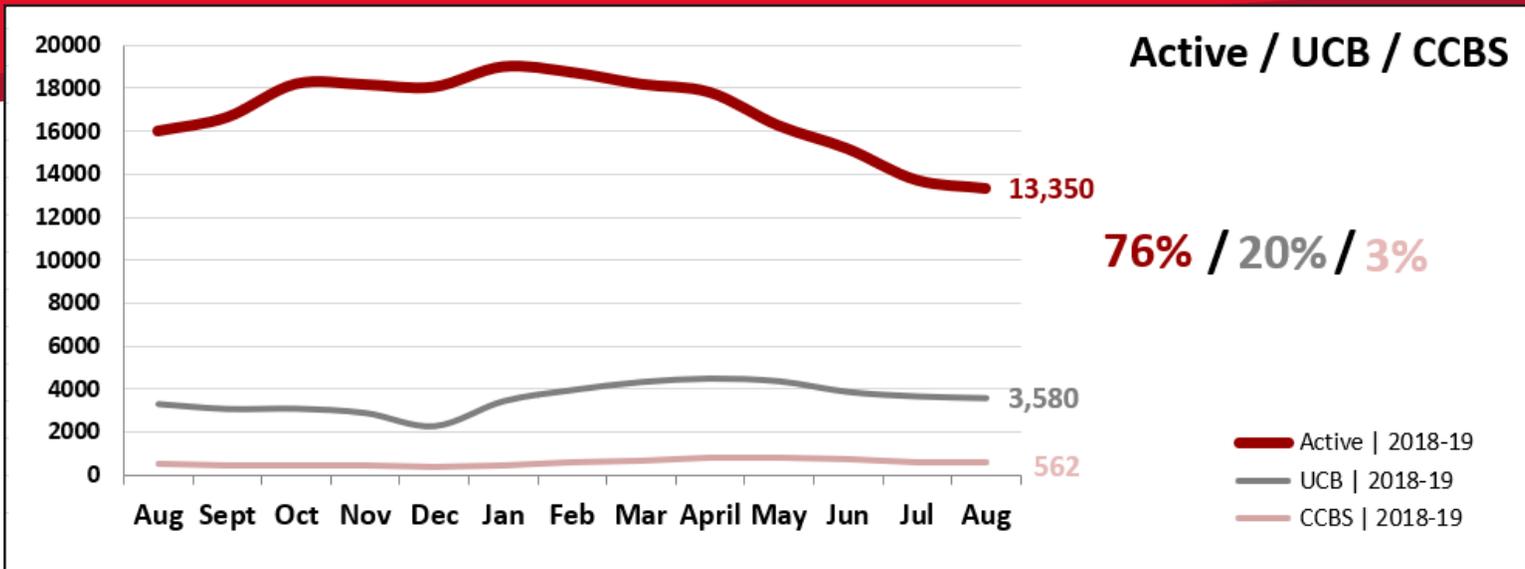
Closed MLS sales with a close of escrow date from 8/1/2019 to 8/31/2019, 0 day DOM sales removed



New MLS listings that were active for at least one day from 8/1/2019 to 8/31/2019, 0 day DOM sales removed

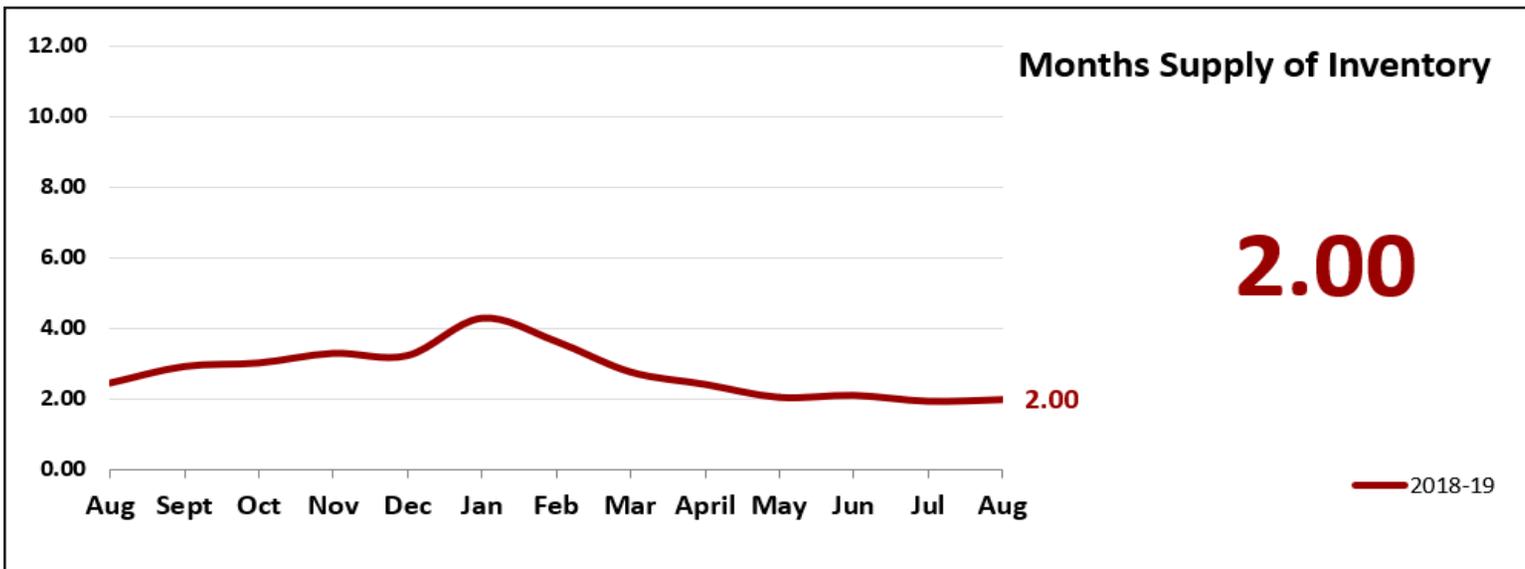


Snapshot of statuses on 8/31/2019



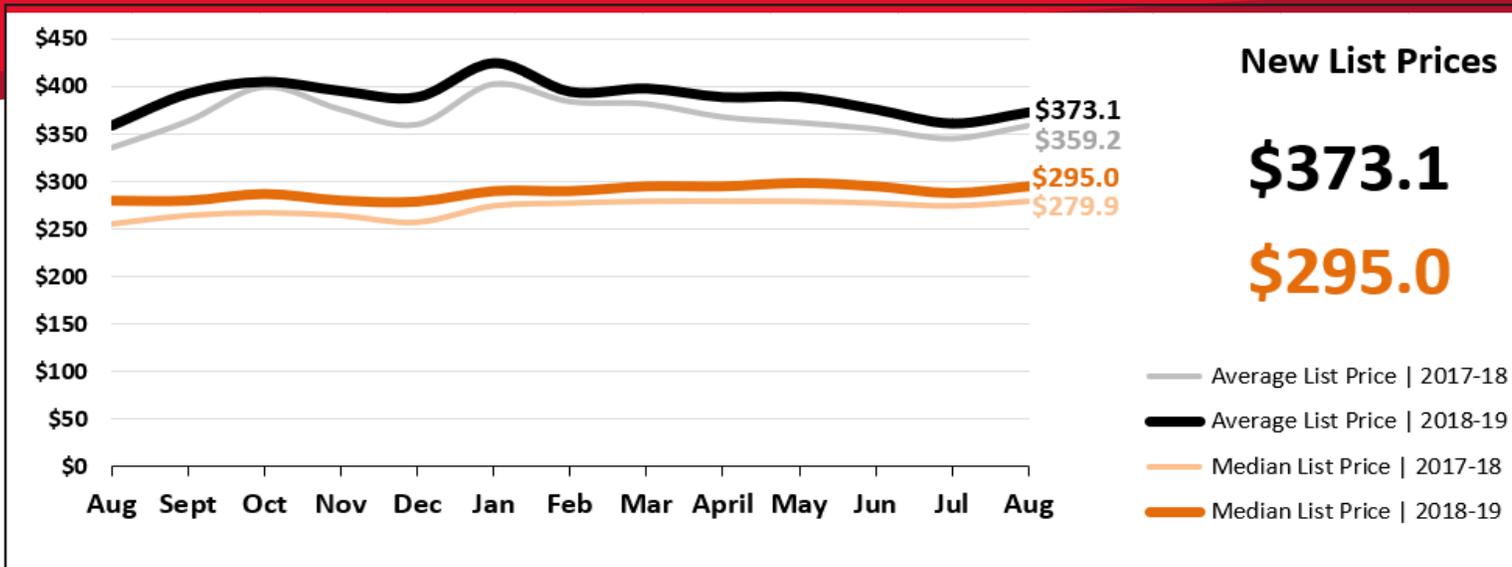
August UCB listings percent of total inventory was 20.5% with August CCBS listings at 3.2% of total inventory.

Snapshot of statuses on 8/31/2019



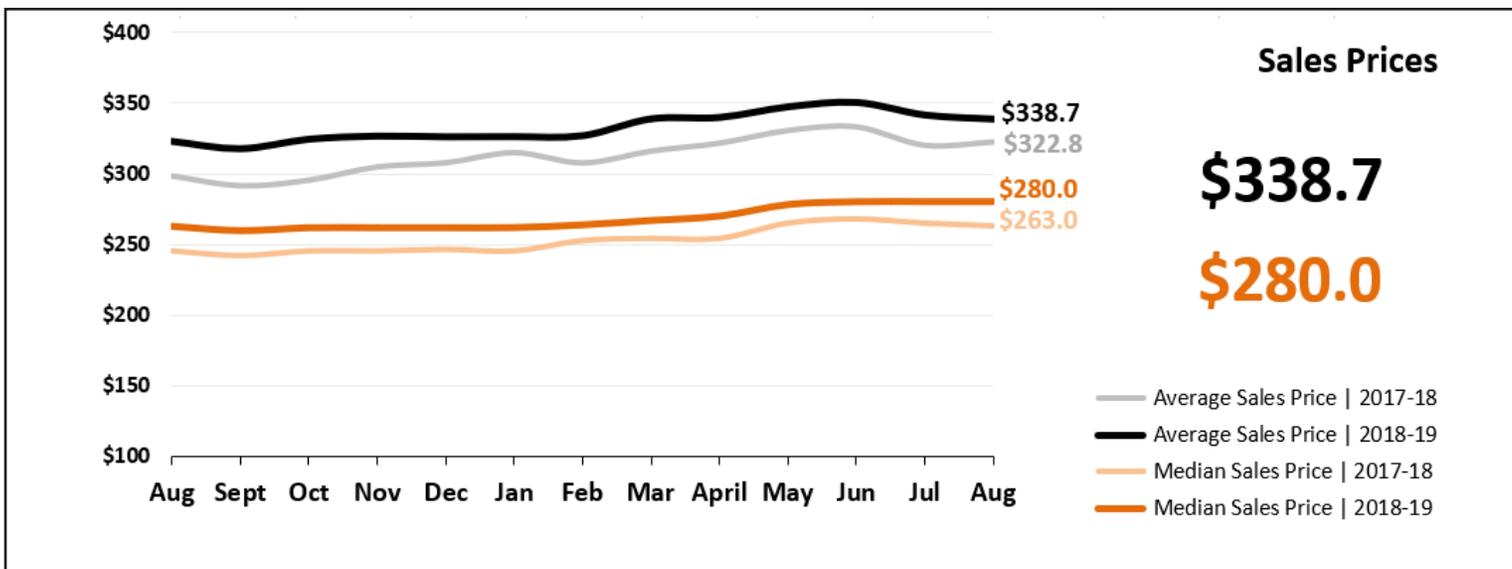
Months supply of inventory for July was 1.96 with August at 2.00.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of AUGUST 2019, 0 day DOM sales removed



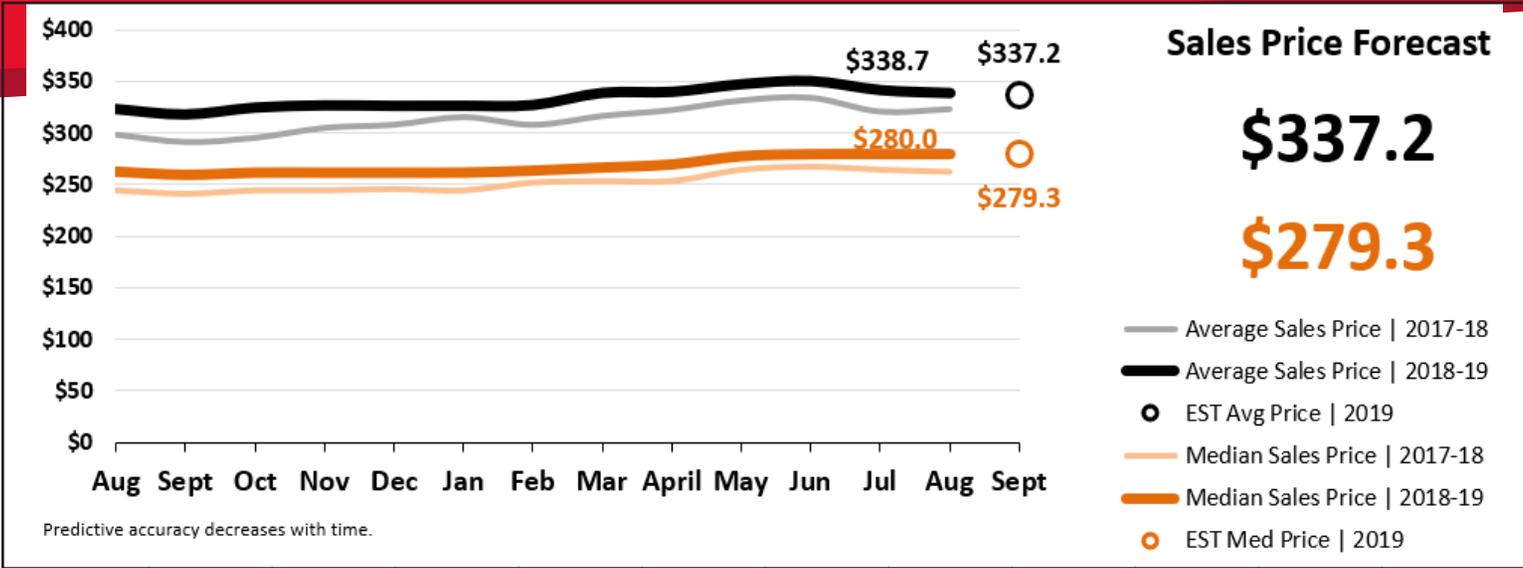
Average new list prices are up +3.9% year-over-year. The year-over-year median is up +5.4%.

List prices of new listings with list dates from 8/1/2019 to 8/31/2019, 0 day DOM sales removed



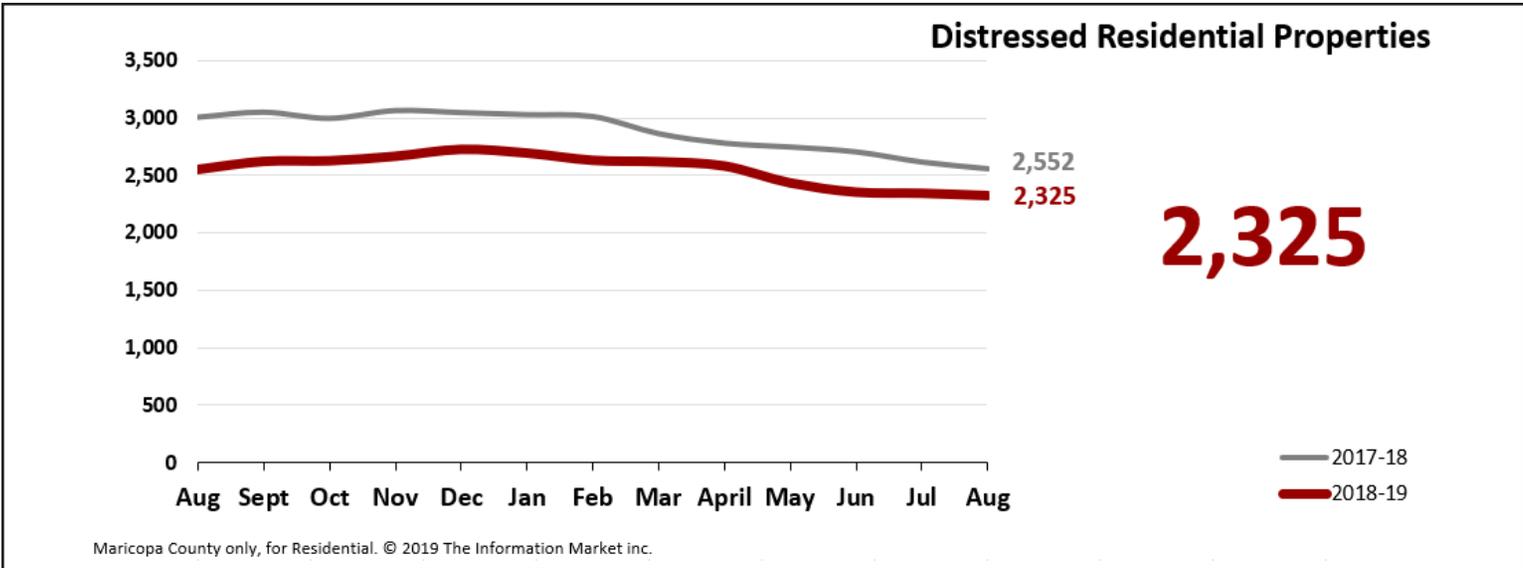
The average sales price is up +4.9% year-over-year while the year-over-year median sales price is also up +6.5%.

MLS sales prices for closed listings with a close of escrow date from 8/1/2019 to 8/31/2019, 0 day DOM sales removed



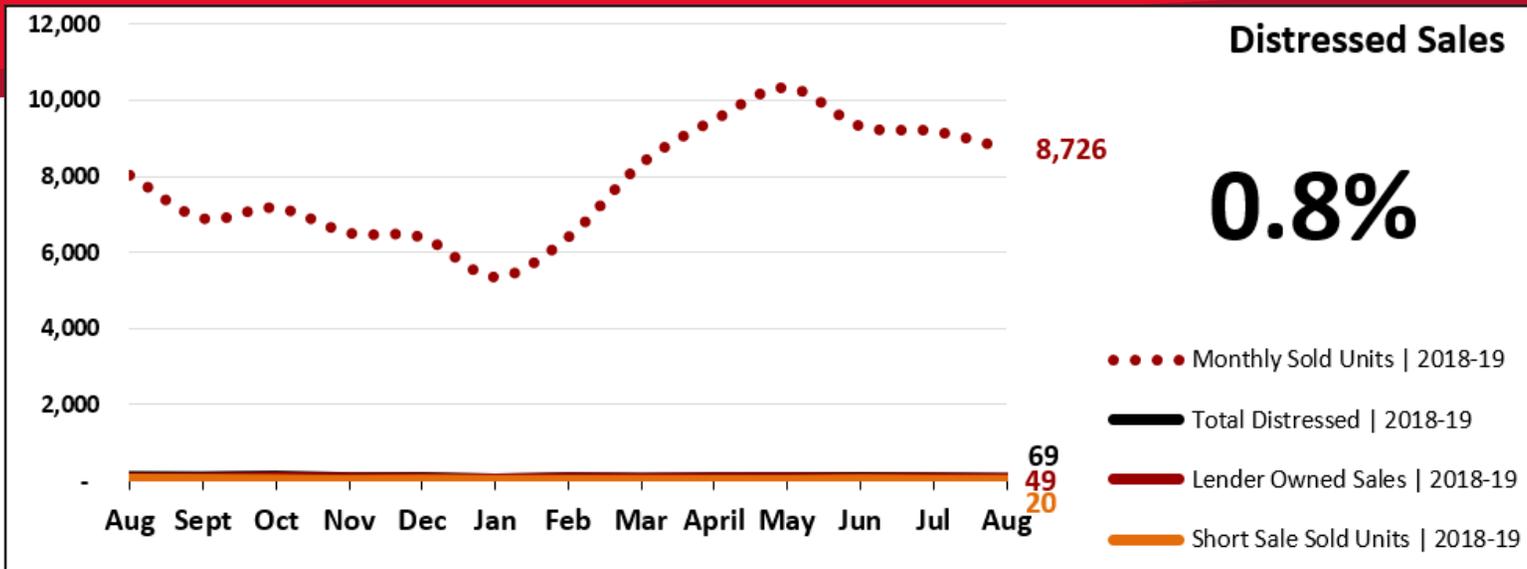
A slight decrease is forecasted in September for both average and median sales prices.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



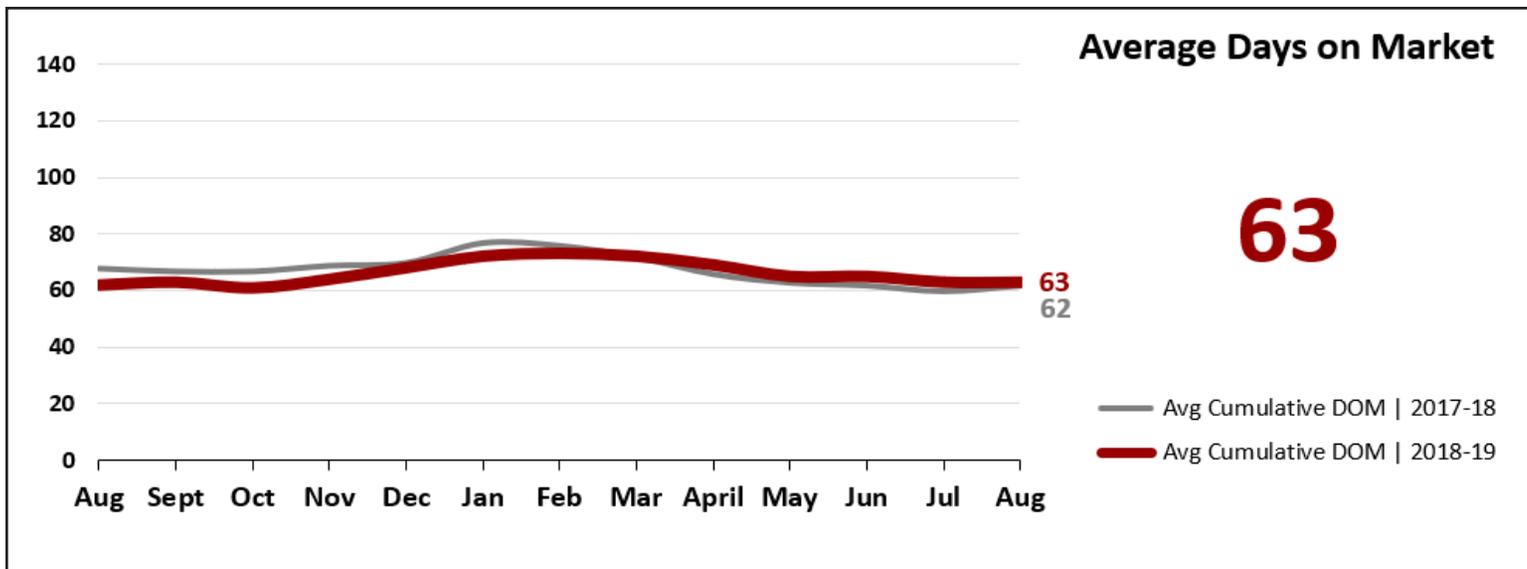
Foreclosures pending month-over-month showed a decrease of -0.9% while the year-over-year figure was down -8.9%.

Snapshot of public records data on 8/31/2019 active residential notices and residential REO properties.



Distressed sales accounted for 0.8% of total sales, down from the previous month of 0.9%. Short sales dropped -47.4% year-over-year. Lender owned sales dropped -25.8% year-over-year.

New MLS listings that were active for at least one day from 8/1/2019 to 8/31/2019, 0 day DOM sales removed



Days on market were up +1 day year-over-year while month-over-month remained the same.

MLS sales prices for closed listings with a close of escrow date from 8/1/2019 to 8/31/2019, 0 day DOM sales removed

COMMENTARY by Tom Ruff

Before we get going this month, I'd like to extend a special thanks to Tina Tamboer, Senior Analyst with the Cromford Report, for her work as STAT guest writer last month. I now know how Wally Pipp must have felt after seeing Lou Gehrig's first game. Thanks again Tina. And thanks to everyone for letting me use a reference from June 15, 1923.

This is the time of year sales slow. It's simply the seasonality of our market. In the chart below you can clearly see the month-over-month declines from the last three months.

ARMLS Monthly Sales

	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug
MONTHLY SALES													
Monthly Sold Units 2017-18	8,113	7,328	7,268	7,074	7,070	6,082	6,911	9,402	8,990	9,913	9,079	8,380	8,036
Monthly Sold Units 2018-19	8,036	6,897	7,182	6,515	6,403	5,357	6,409	8,344	9,493	10,341	9,313	9,192	8,726
% Change over year	-0.9%	-5.9%	-1.2%	-7.9%	-9.4%	-11.9%	-7.3%	-11.3%	5.6%	4.3%	2.6%	9.7%	8.6%
% Change per month	-4.1%	-14.2%	4.1%	-9.3%	-1.7%	-16.3%	19.6%	30.2%	13.8%	8.9%	-9.9%	-1.3%	-5.1%

Demand almost always subsides every year between July and January. It's only when a counter trend occurs that we have a story. When judging your bushels of apples, you want to view the year-over-year trend. Sales in August were 8.6% higher than a year ago, which understates the real year-over-year improvement. There was one more business day last year, which brings our real improvement closer to 13%. This August accounted for the third highest sales volume in ARMLS reporting history, surpassed only by 2004 and 2005, with only 266 fewer sales than '04. With 690 more sales this year than last, 2019 sales year-to-date have now surpassed 2018. Looking ahead to how the year might end, I'm willing to go out on a limb and say the prognosticators were wrong back in January (I may or may not have been one of them). 2019 sales will surpass 2018 in both sales volume and price.

ARMLS Total Sales Volume

Total Sales									
Year	January	February	March	April	May	June	July	Aug	Total:
2001	3,700	4,609	5,704	5,833	6,244	6,164	5,638	5,728	43,620
2002	4,016	4,403	5,732	6,131	6,783	6,404	6,114	5,797	45,380
2003	4,760	5,493	6,545	7,464	7,468	7,495	7,680	7,688	54,593
2004	5,118	6,196	8,744	8,971	9,019	10,019	9,040	8,992	66,099
2005	6,632	7,781	9,987	9,600	9,890	10,252	9,394	10,031	73,567
2006	5,266	5,918	7,497	6,798	7,573	7,214	6,102	6,163	52,531
2007	4,389	4,958	5,990	5,535	5,795	5,438	4,730	4,358	41,193
2008	2,912	3,448	4,293	4,879	5,656	5,748	5,966	5,725	38,627
2009	4,742	5,477	7,636	8,564	9,284	9,327	9,095	8,007	62,132
2010	5,789	6,594	8,969	9,261	9,077	9,280	7,100	7,358	63,428
2011	6,541	7,157	9,933	9,331	9,809	10,345	8,387	8,712	70,215
2012	6,455	7,249	8,867	8,435	8,442	9,129	7,180	7,562	63,319
2013	5,828	6,630	8,136	8,754	9,436	8,228	8,216	7,055	62,283
2014	4,797	5,474	6,710	7,659	7,445	7,219	6,775	6,428	52,507
2015	4,784	5,990	7,900	8,367	8,319	8,674	7,914	7,010	58,958
2016	5,131	5,718	8,412	8,293	8,676	8,861	7,630	7,843	60,564
2017	5,932	6,435	9,116	8,666	9,641	9,391	7,853	8,113	65,147
2018	6,082	6,911	9,402	8,990	9,913	9,079	8,380	8,036	66,793
2019	5,357	6,409	8,344	9,493	10,341	9,313	9,192	8,726	67,175

With our month's supply down to 2.0 from 2.47 a year ago, let's turn to the very best Valley market prognosticator as to what this might mean when our "selling season" returns in February/March. Quoting England's own Michael Orr of the Cromford Report,

"Demand usually subsides between July and January every year so unless a brand-new trend develops, we should see new listings maintain enough momentum to keep active listing counts from falling much further, if at all."

However, when demand grows again in February, we can expect a mad scramble. We will probably look back on 3Q 2019 and wonder how prices managed to stay so low. Based on existing data, the Cromford® Report expects a strong upward trend in closed pricing between October 2019 and June 2020.”

And how have our prices fared so far this year? This headline was published on August 27, 2019, but it sounds an awful lot like 2004.

PHOENIX REPLACES LAS VEGAS AS TOP CITY IN ANNUAL GAINS ACCORDING TO S&P CORELOGIC CASE-SHILLER INDEX

Knock, knock! Who's there? No, it's who's here. Okay, who's here? Knock.

Another national iBuyer has entered the Phoenix marketplace. This time it's Atlanta-based Knock. Knock's first closing occurred mid-April and to date they've purchased approximately 25 properties in Maricopa County. When it comes to iBuyers, Phoenix is ground zero. The question arises, why Phoenix? ATTOM Data believes housing affordability (and availability) likely plays a role in this, as does overall consistency of existing housing stock, stating: *“iBuyers rely heavily on data and algorithms when evaluating potential properties. Areas with inconsistent and highly unique housing makes this approach less reliable.”* Personally, I believe fate is the primary reason. The CEO of Opendoor was born in Glendale and the entrepreneurs behind Offerpad are from the East Valley. It may be as simple as starting in the market you know best. And while I think fate placed the roots of Opendoor and Offerpad in Phoenix, I think Zillow selected the Valley simply to go toe-to-toe with the competition. For the more conspiratorial among us, it could also be some sort of *“hey we'll team up later strategy.”* (When you view the graphic below, you'll see Zillow is basically everywhere Opendoor is.)

Another reason why Phoenix is so popular may lie in the subtle aftermath of the housing collapse. Large institutional investors like Blackstone, Colony and American Homes for Rent found they could look at properties through computer models and make split-second decisions to purchase, and they purchased thousands of homes this way. As we all know too well, Phoenix was the epicenter of the housing crisis. If you look at the home bases of the iBuyers and the cities where they're active, you'll see they closely resemble the cities where the institutional buyers were most active during the housing crash. The successes by institutional investors in 2012 might have offered proof of concept, particularly to venture capitalists. The graphic below shows the markets where the iBuyers are currently active.

City						
Atlanta	X	X	X	X		
Austin	X	X		X	X	X
Charlotte	X	X	X	X		
Dallas/Fort Worth	X	X	X	X	X	X
Denver	X			X	X	
Houston	X	X		X		
Jacksonville	X					
Los Angeles	X			X	X	
Las Vegas	X	X		X		
Miami				X		

City						
Minneapolis/St. Paul	X				X	
Nashville	X				X	
Orlando	X	X		X		
Phoenix	X	X		X		
Portland	X				X	
Raleigh-Durham	X	X	X	X		
Riverside	X				X	X
Sacramento	X					
San Antonio	X	X		X		X
San Diego					X	X
Tampa	X	X		X		
Tucson	X	X				

History will tell us who succeeds and who fails, but it should be noted that none of the iBuyers are turning a profit. And Zillow, the behemoth of them all, was just called, *“One of the most flawed business models I’ve seen in a very very long time,”* by Steve Eisman of Neuberger Berman in a recent interview with CNBC’s *“Power Lunch”* team. Eisman, who was played by Steve Carell in the movie *“The Big Short”*, made the comment while explaining why he is shorting Zillow stock. The biggest problem he has with Zillow is what he calls their internet buying business. He does not think the company understands the real risks of the business, which he believes are massive. As an example, Eisman referenced the first words out of the mouth of Zillow’s CEO when the CEO mentioned TAM during their recent conference call. TAM stands for Total Addressable Market, with the Zillow CEO defining TAM as the U.S. housing market in its entirety. Explaining something I’ve attempted to put into words for years, Eisman addressed Zillow’s definition of TAM: *“It’s a myth application of the word TAM to apply it to the real estate market because there really is no TAM in the way people think about in terms of the internet. There are thousands of mini markets all over the United States, they’re all local, they’re all extremely different, they all have incredibly different risks.”*

The iBuyers are not the only *“new”* business model in our marketplace. It seems a new disruptive venture capital backed business model comes into our market each month- enter Kribbz. And they aren’t just targeting residential sales commissions; they’re also targeting Title, Mortgage, Appraisers and the MLS. Some offer higher prices and greater convenience while others offer monetary savings. Disrupters view our industry as *“20th century”* with the same talking points always popping up: travel agents, stock traders, and cab drivers. As Purplebricks found out, disrupting the *“thousands of unique mini markets”* is not as simple as they thought. After entering our market in September of 2017, they exited the U.S. after their stock plummet 75% from when they arrived.

How are agents fairing in the field of iBuyers this year? I’d say quite well, with the gross dollar sales volume the highest ARMLS has ever reported through the first 8 months of 2019.

ARMLS Total Dollar Volume

Avg x Total										
Year	January	February	March	April	May	June	July	Aug	Total:	Rank:
2001	636,030,000	782,147,300	1,003,333,600	1,005,025,900	1,081,460,800	1,110,752,800	999,053,600	984,643,200	7,602,447,200	19
2002	739,345,600	749,390,600	1,015,710,400	1,103,580,000	1,242,645,600	1,205,232,800	1,145,152,200	1,053,314,900	8,254,372,100	18
2003	876,792,000	1,020,050,100	1,235,041,500	1,397,260,800	1,485,385,200	1,513,990,000	1,520,640,000	1,539,137,600	10,588,297,200	15
2004	1,054,819,800	1,263,984,000	1,858,100,000	1,873,144,800	1,939,085,000	2,323,406,100	1,992,416,000	1,996,224,000	14,301,179,700	8
2005	1,694,476,000	1,938,247,100	2,709,473,100	2,692,800,000	2,967,989,000	3,244,758,000	2,925,291,600	3,192,867,300	21,365,902,100	3
2006	1,774,115,400	1,976,612,000	2,478,508,200	2,237,221,800	2,614,199,600	2,511,193,400	2,027,694,600	2,041,801,900	17,661,346,900	5
2007	1,502,793,600	1,650,518,200	2,071,941,000	1,847,583,000	2,030,568,000	1,900,037,200	1,622,390,000	1,496,101,400	14,121,932,400	10
2008	912,620,800	1,010,608,800	1,259,136,900	1,354,410,400	1,523,726,400	1,520,346,000	1,486,894,248	1,361,656,900	10,429,400,448	17
2009	855,115,376	944,032,151	1,214,734,880	1,367,508,084	1,517,804,024	1,600,326,660	1,594,762,775	1,364,400,807	10,458,684,757	16
2010	1,017,185,190	1,146,498,780	1,598,150,234	1,586,418,561	1,607,827,164	1,670,000,960	1,250,601,100	1,207,131,406	11,083,813,395	13
2011	1,026,793,098	1,113,664,985	1,567,407,534	1,505,062,307	1,557,473,020	1,654,558,610	1,299,976,613	1,318,718,016	11,043,654,183	14
2012	1,081,057,580	1,207,871,874	1,674,524,083	1,596,003,220	1,728,195,588	1,774,020,312	1,440,408,520	1,443,820,222	11,945,901,399	12
2013	1,214,561,028	1,438,378,500	1,819,022,472	1,994,450,082	2,243,909,108	1,949,657,512	1,962,375,168	1,663,886,475	14,286,240,345	9
2014	1,164,366,216	1,326,881,178	1,691,980,180	1,919,077,335	1,842,019,565	1,849,681,056	1,691,886,875	1,600,456,296	13,086,348,701	11
2015	1,219,848,240	1,501,082,020	2,026,318,400	2,221,187,490	2,235,257,067	2,350,480,520	2,086,913,886	1,827,990,690	15,469,078,313	7
2016	1,386,160,174	1,554,632,712	2,252,287,764	2,252,727,106	2,447,013,744	2,504,331,264	2,081,151,170	2,163,813,113	16,642,117,047	6
2017	1,668,131,788	1,836,735,615	2,633,156,600	2,531,633,244	2,895,066,967	2,857,014,539	2,326,859,606	2,423,263,857	19,171,862,216	4
2018	1,917,861,388	2,128,816,063	2,974,463,730	2,894,348,480	3,281,341,782	3,029,099,402	2,686,116,820	2,593,763,648	21,505,811,313	2
2019	1,746,890,915	2,094,275,339	2,827,447,840	3,226,528,305	3,593,145,906	3,265,463,755	3,139,656,288	2,955,269,324	22,848,677,672	1

The Pending Price Index

Last month the STAT mathematical model projected a median sales price for August of \$280,000. The August reported median was \$280,000. Looking ahead to September, the ARMLS Pending Price Index anticipates the median sales price will decrease slightly, projecting a median sales price of \$279,250. It's a common seasonal occurrence for the median sales price to wobble through the last quarter of the year.

We begin September with 6,351 pending contracts; 3,580 UCB listings and 562 CCBS giving us a total of 10,493 residential listings practically under contract. This compares to 9,193 of the same type of listings one year ago. At the beginning of September, the "pending" contracts were 14.1% higher than last year. There were 19 business days in September of 2018 and 20 this year. ARMLS reported 6,897 sales in September of 2018. We expect sales volume will be higher this year, our guess is somewhere around 8000.