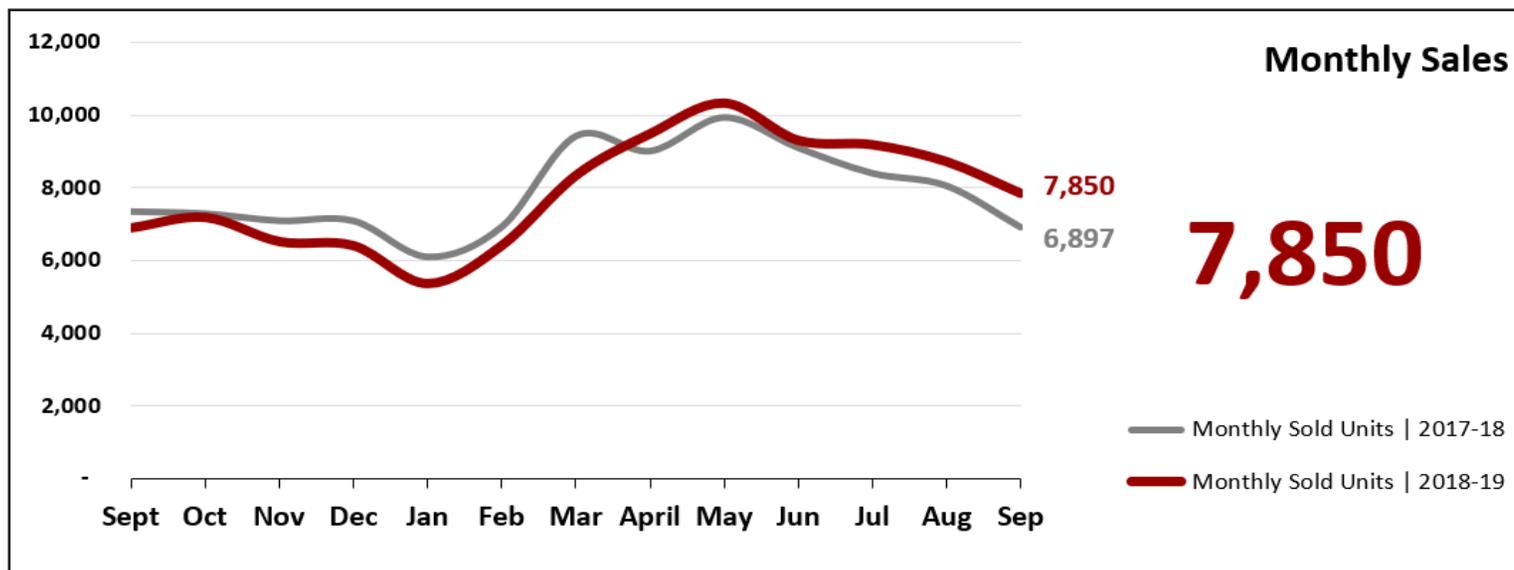


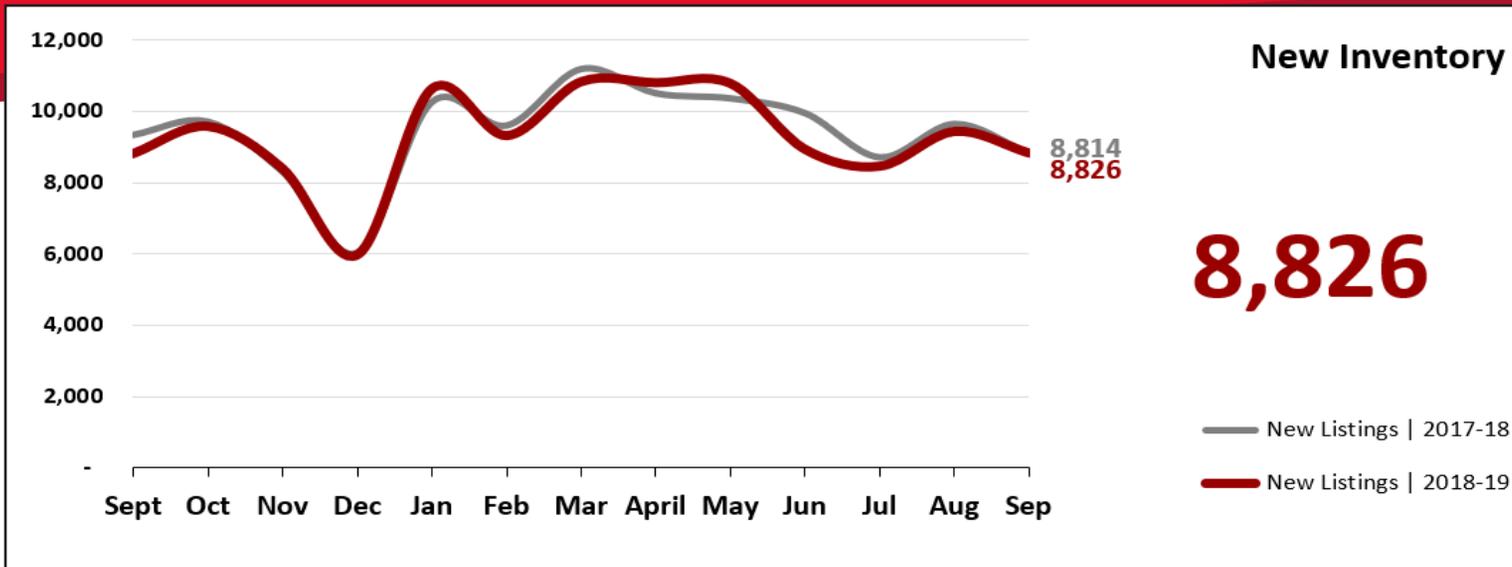


DATA FOR SEPTEMBER 2019 - Published October 21, 2019



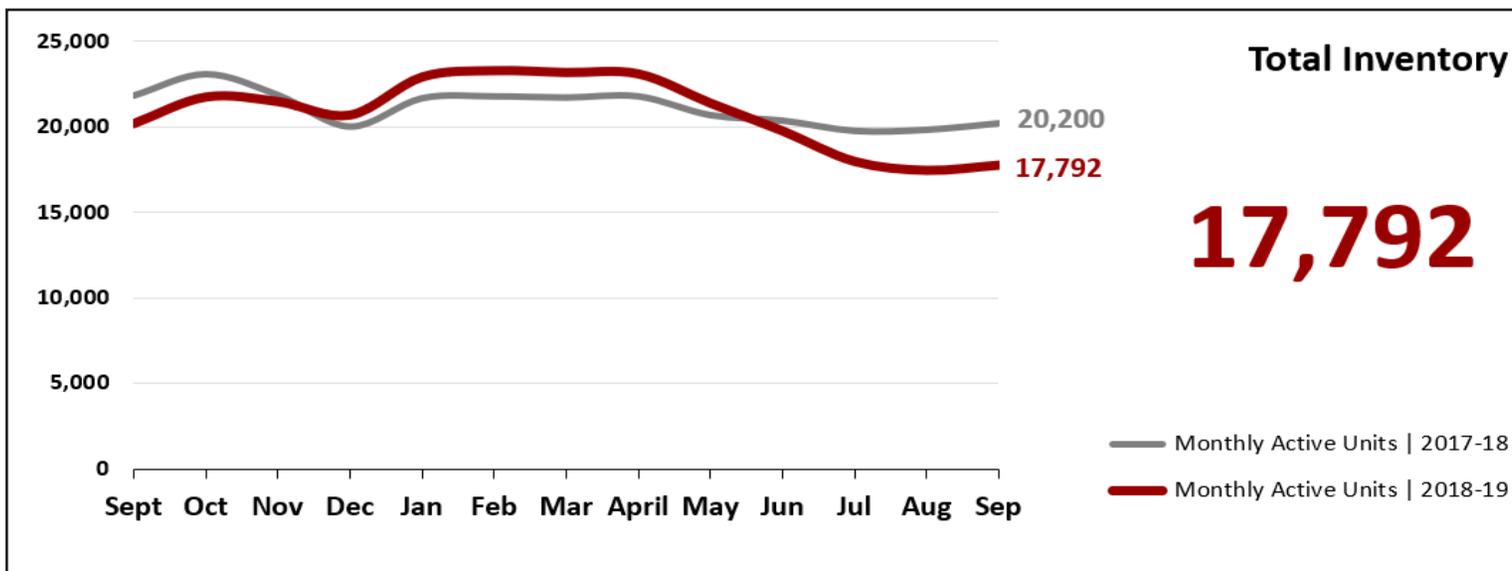
Sales are down -10.0% month-over-month. The year-over-year comparison is up +13.8%.

Closed MLS sales with a close of escrow date from 9/1/2019 to 9/30/2019, 0 day DOM sales removed



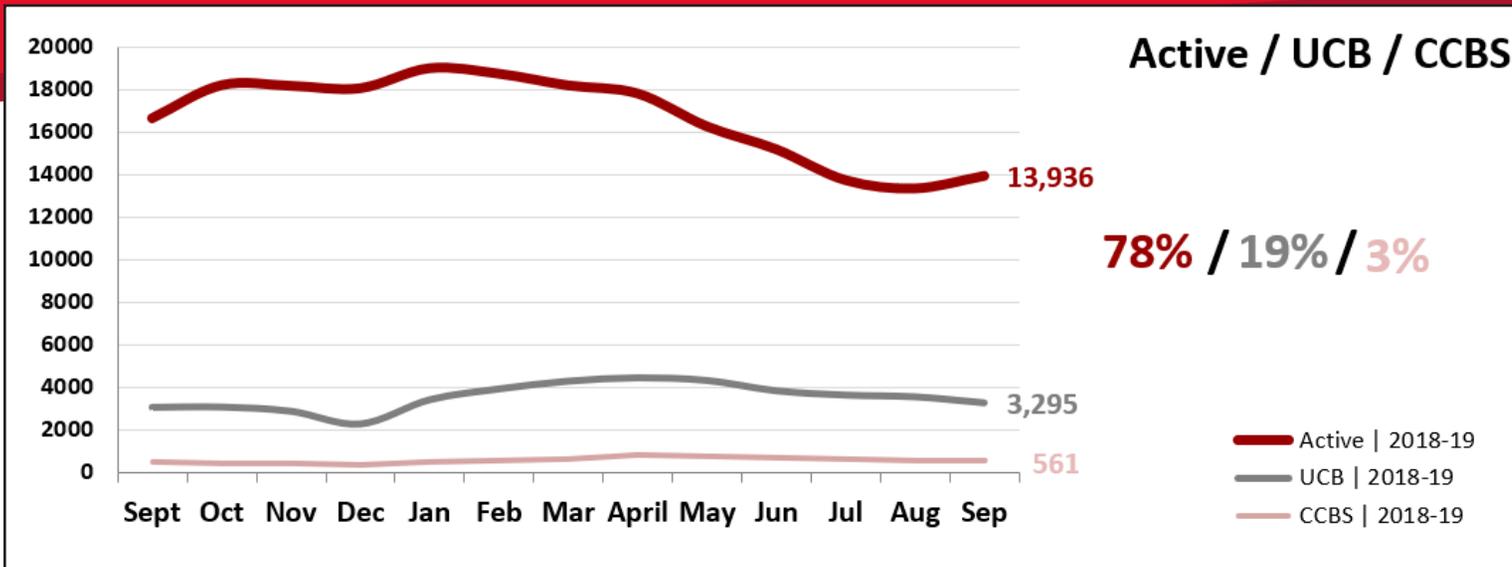
New inventory is down -6.5% month-over-month while the year-over-year comparison increased by +0.1%.

New MLS listings that were active for at least one day from 9/1/2019 to 9/30/2019, 0 day DOM sales removed



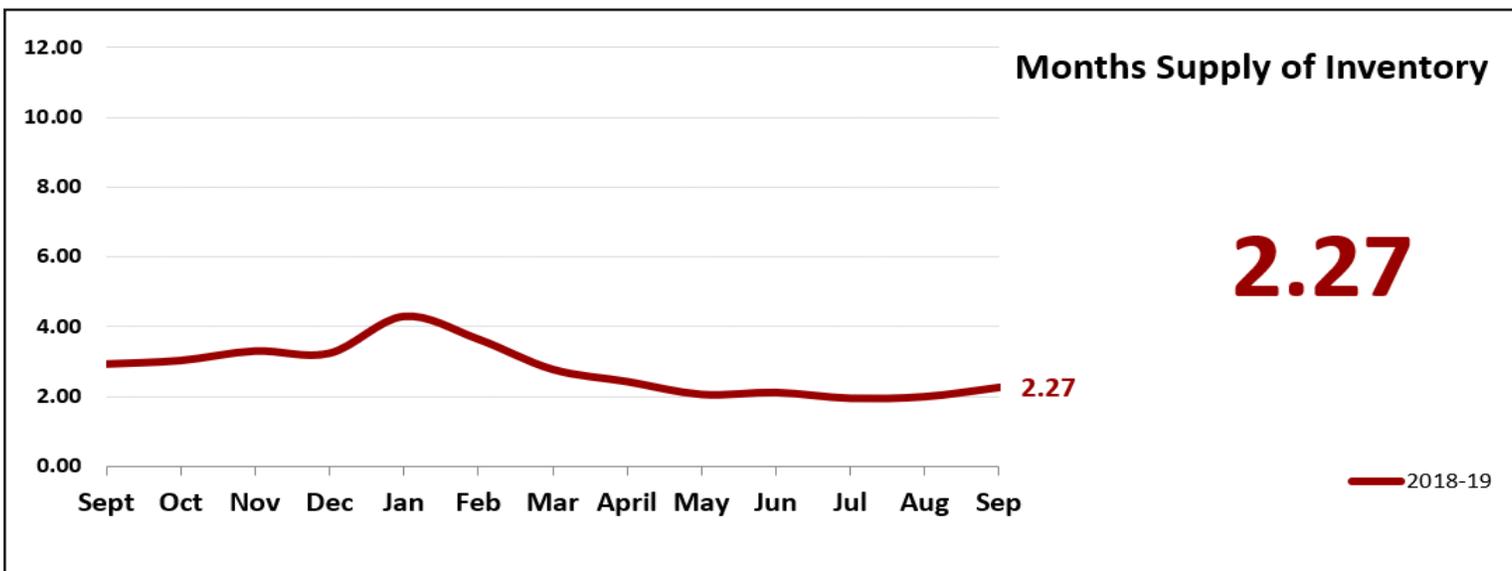
Total inventory has a month-over-month increase of +1.7% while year-over-year reflects a decrease of -11.9%.

Snapshot of statuses on 9/30/2019



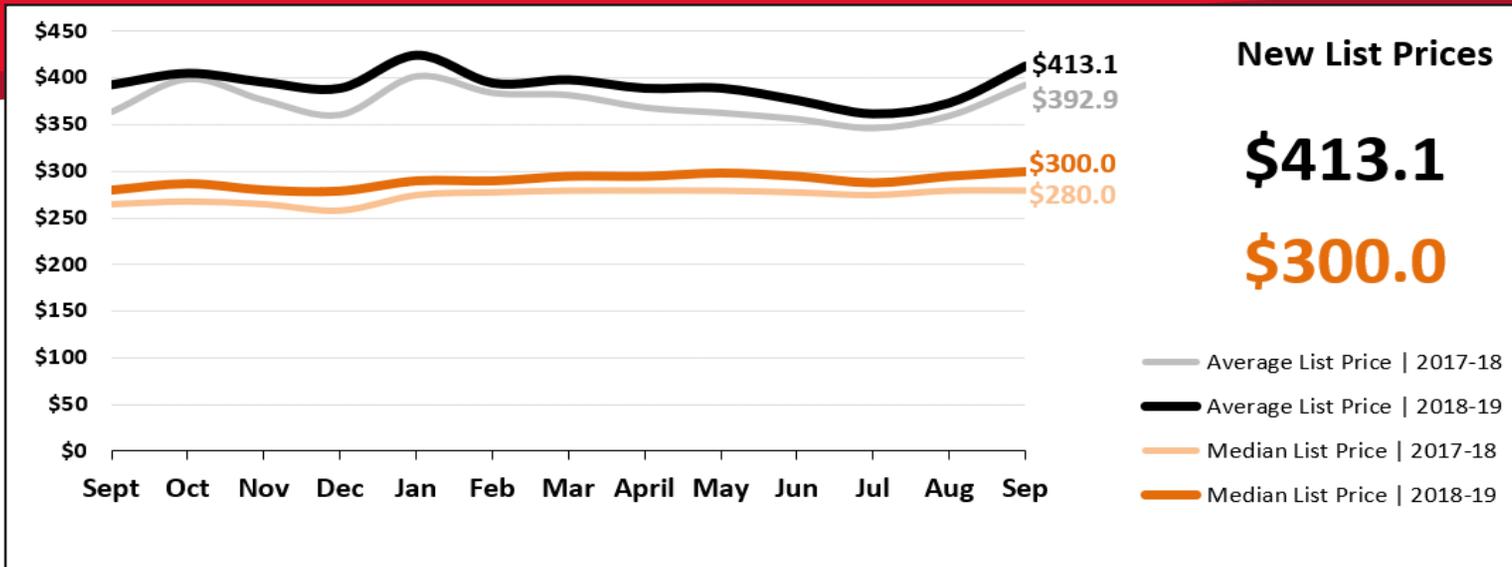
September UCB listings percent of total inventory was 18.5% with September CCBS listings at 3.2% of total inventory.

Snapshot of statuses on 9/30/2019



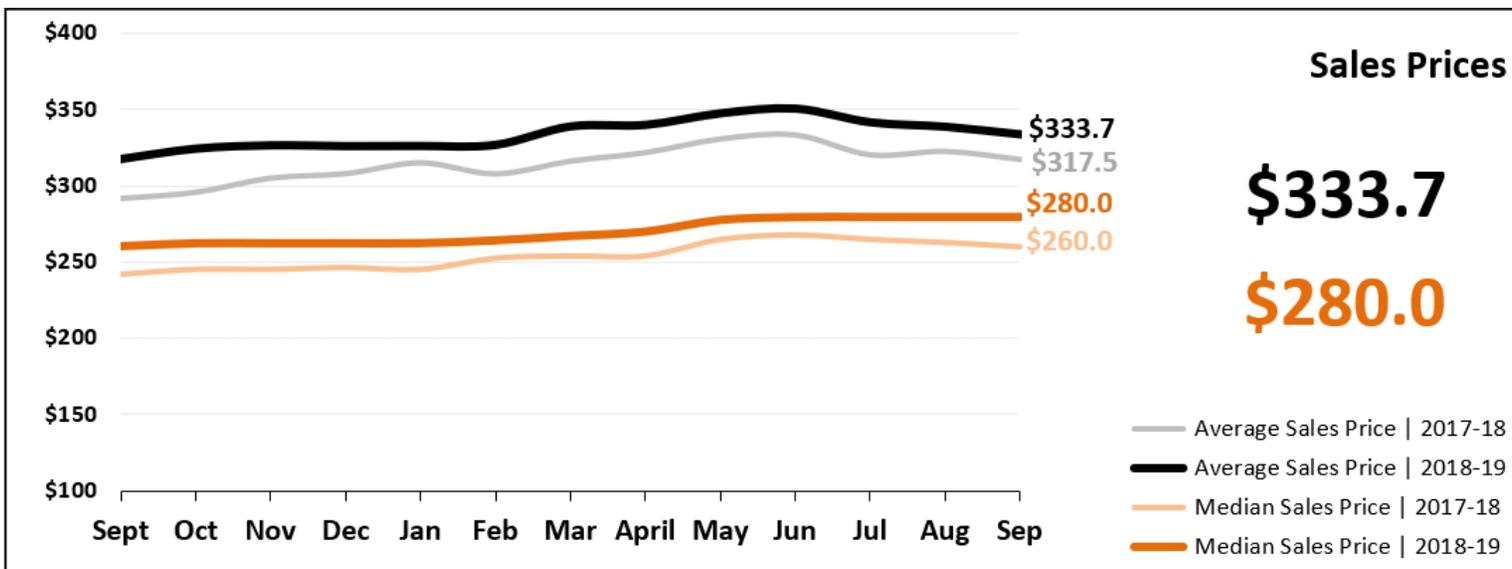
Months supply of inventory for August was 2.00 with September at 2.27.

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



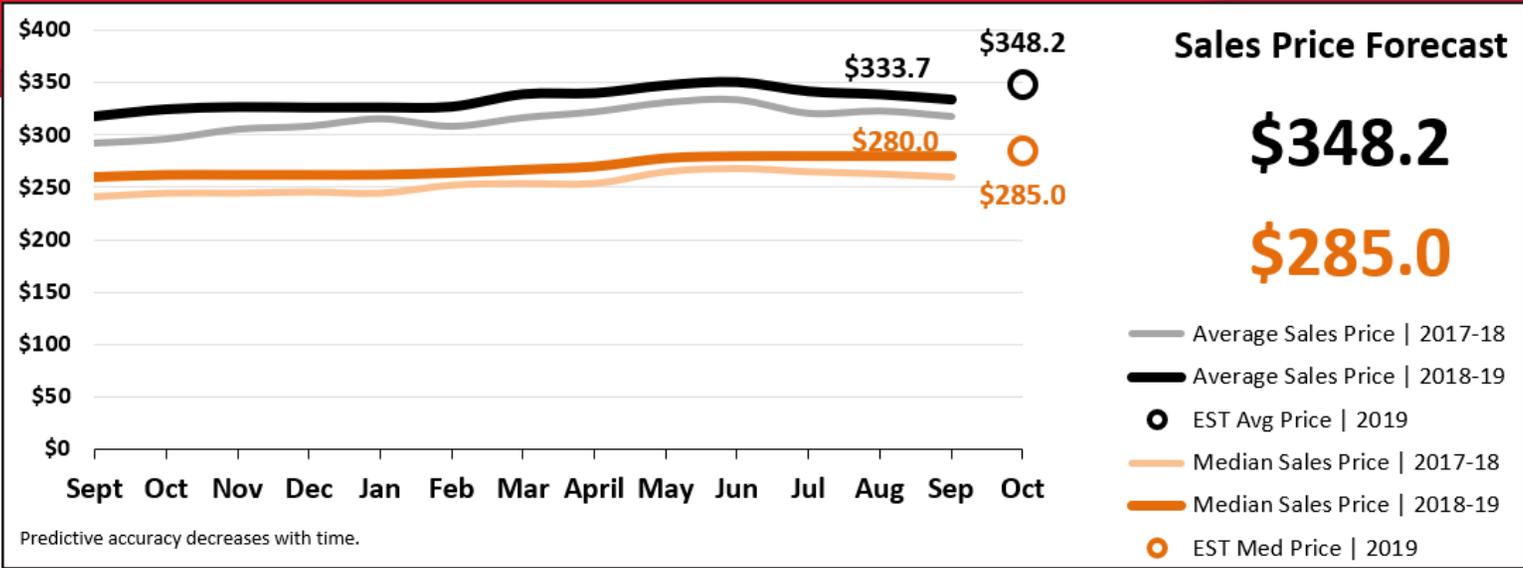
Average new list prices are up +5.1% year-over-year. The year-over-year median is up +7.1%.

List prices of new listings with list dates from 9/1/2019 to 9/30/2019, 0 day DOM sales removed



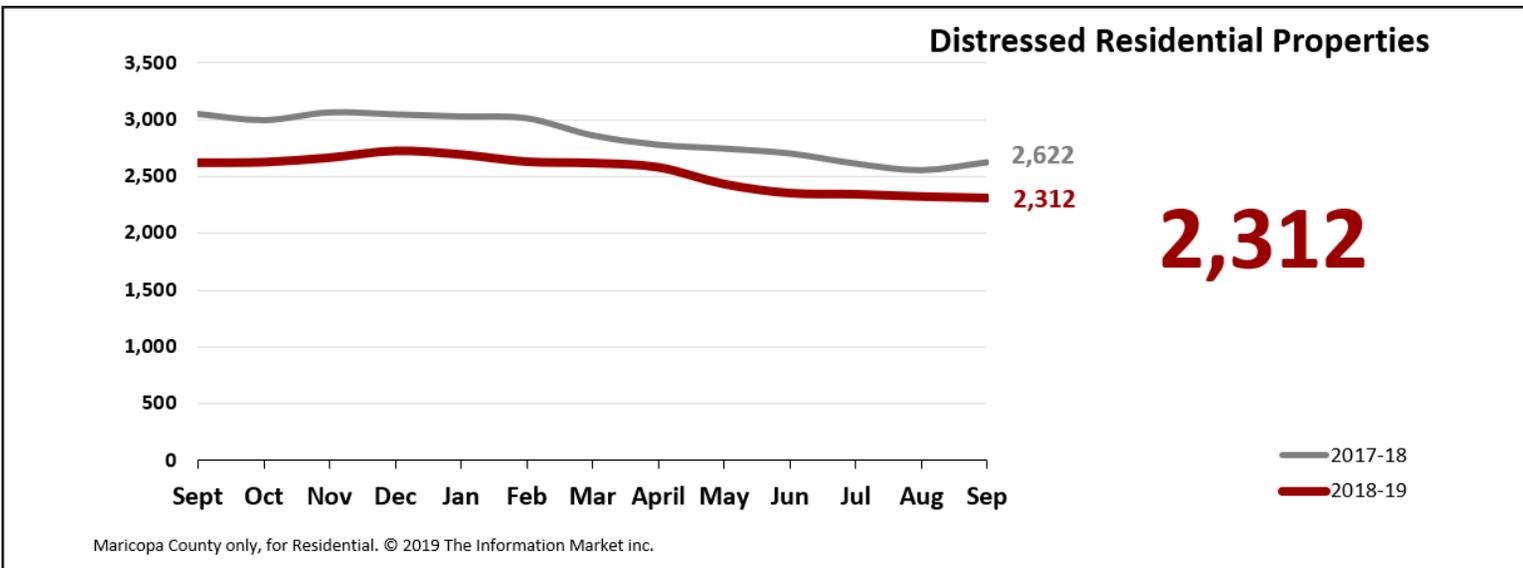
The average sales price is up +5.1% year-over-year while the year-over-year median sales price is also up +7.7%.

MLS sales prices for closed listings with a close of escrow date from 9/1/2019 to 9/30/2019, 0 day DOM sales removed



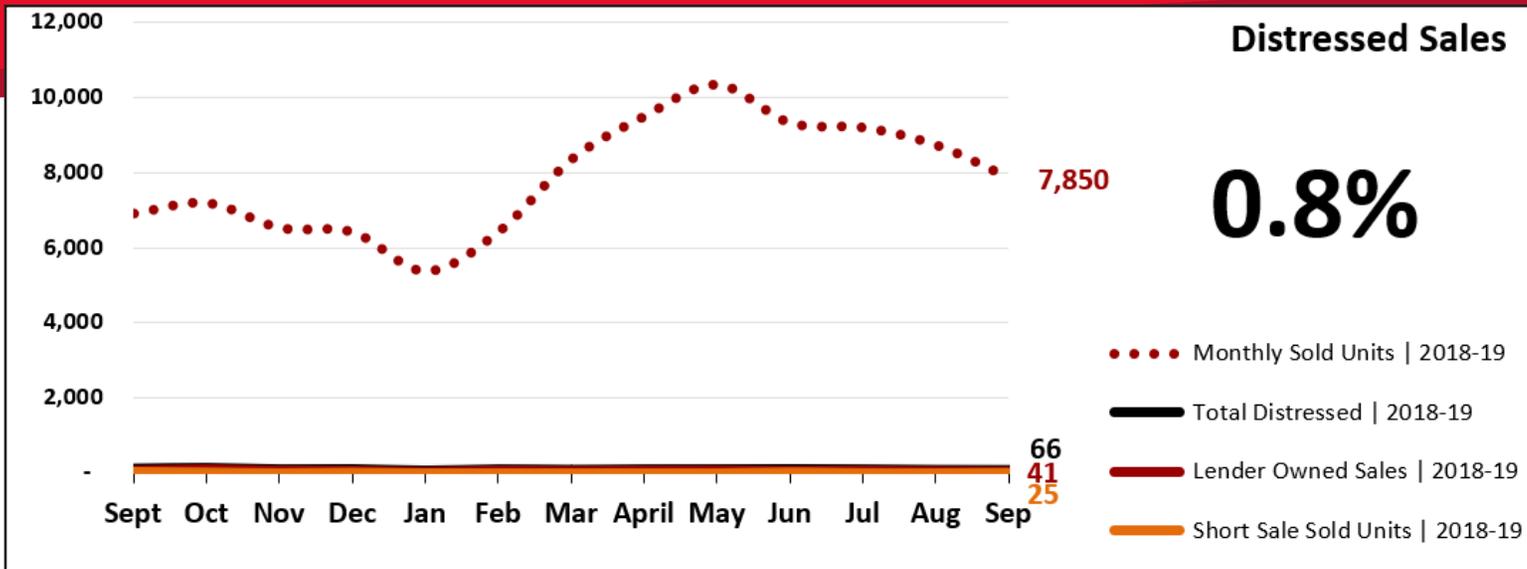
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An increase is forecasted in October for both average and median sales prices.



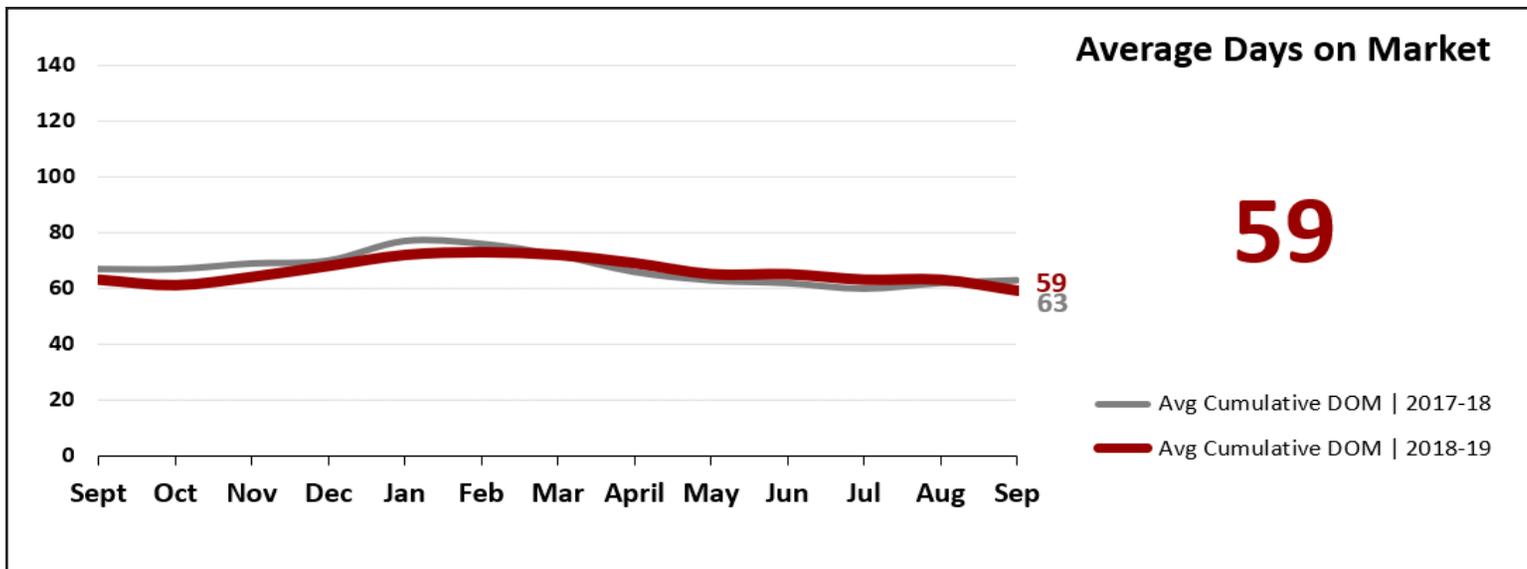
Snapshot of public records data on 9/30/2019 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed a decrease of -0.6% while the year-over-year figure was down -11.8%.



Distressed sales accounted for 0.8% of total sales, the same as the previous month. Short sales dropped -28.6% year-over-year. Lender owned sales dropped -34.9% year-over-year.

New MLS listings that were active for at least one day from 9/1/2019 to 9/30/2019, 0 day DOM sales removed



Days on market were down -4 days year-over-year while month-over-month was also down -4 days.

MLS sales prices for closed listings with a close of escrow date from 9/1/2019 to 9/30/2019, 0 day DOM sales removed

As our housing market hums along into the home stretch of 2019, I thought this would be a great time to answer a handful of subscriber questions I've received over the past year or two. So, let's get to it.

Q: How is our housing market shaping up compared to your yearly forecast last January?

I'm glad you asked. Before I answer your question, I would like to point out that it's not important what I thought was going to happen in January as opposed to being able to correctly describe our current market and what just occurred over, say, the last three months. It's also important that I offer a plausible explanation as to why what just happened, happened, while referencing national events that I know nothing about. Personally, I think I have done a very good job of that. As for your question, 2019 is far exceeding our initial forecast. When interest rates began plummeting, so did our forecast. We expected interest rates to rise, they fell. We expected year-over-year sales to fall slightly, they rose. We expected prices to moderate. They did, for a while. The first three months of 2019 reported as expected, and then the market took off. The three charts below show the total sales volume, average sales price and the gross sales dollar volume as reported by ARMLS

Total Sales Volume as reported by ARMLS

Total Sales									
Year	January	February	March	April	May	June	July	Aug	Sep
2001	3,700	4,609	5,704	5,833	6,244	6,164	5,638	5,728	4,801
2002	4,016	4,403	5,732	6,131	6,783	6,404	6,114	5,797	5,542
2003	4,760	5,493	6,545	7,464	7,468	7,495	7,680	7,688	6,868
2004	5,118	6,196	8,744	8,971	9,019	10,019	9,040	8,992	8,677
2005	6,632	7,781	9,987	9,600	9,890	10,252	9,394	10,031	9,213
2006	5,266	5,918	7,497	6,798	7,573	7,214	6,102	6,163	5,608
2007	4,389	4,958	5,990	5,535	5,795	5,438	4,730	4,358	3,435
2008	2,912	3,448	4,293	4,879	5,656	5,748	5,966	5,725	6,166
2009	4,742	5,477	7,636	8,564	9,284	9,327	9,095	8,007	7,906
2010	5,789	6,594	8,969	9,261	9,077	9,280	7,100	7,358	6,764
2011	6,541	7,157	9,933	9,331	9,809	10,345	8,387	8,712	7,892
2012	6,455	7,249	8,867	8,435	8,442	9,129	7,180	7,562	6,460
2013	5,828	6,630	8,136	8,754	9,436	8,228	8,216	7,055	6,314
2014	4,797	5,474	6,710	7,659	7,445	7,219	6,775	6,428	6,252
2015	4,784	5,990	7,900	8,367	8,319	8,674	7,914	7,010	6,935
2016	5,131	5,718	8,412	8,293	8,676	8,861	7,630	7,843	7,328
2017	5,932	6,435	9,116	8,666	9,641	9,391	7,853	8,113	7,328
2018	6,082	6,911	9,402	8,990	9,913	9,079	8,380	8,036	6,897
2019	5,357	6,409	8,344	9,493	10,341	9,313	9,192	8,726	7,850

Sales Price as reported by ARMLS

Year	January	February	March	April	May	June	July	August	September
2001	171,900	169,700	175,900	172,300	173,200	180,200	177,200	171,900	170,700
2002	184,100	170,200	177,200	180,000	183,200	188,200	187,300	181,700	176,600
2003	184,200	185,700	188,700	187,200	198,900	202,000	198,000	200,200	195,300
2004	206,100	204,000	212,500	208,800	215,000	231,900	220,400	222,000	224,700
2005	255,500	249,100	271,300	280,500	300,100	316,500	311,400	318,300	315,800
2006	336,900	334,000	330,600	329,100	345,200	348,100	332,300	331,300	324,500
2007	342,400	332,900	345,900	333,800	350,400	349,400	343,000	343,300	305,800
2008	313,400	293,100	293,300	277,600	269,400	264,500	249,228	237,844	218,989
2009	180,328	172,363	159,080	159,681	163,486	171,580	175,345	170,401	174,927
2010	175,710	173,870	178,186	171,301	177,132	179,957	176,141	164,057	159,824
2011	156,978	155,605	157,798	161,297	158,780	159,938	154,999	151,368	155,123
2012	167,476	166,626	188,849	189,212	204,714	194,328	200,614	190,931	198,520
2013	208,401	216,950	223,577	227,833	237,803	236,954	238,848	235,845	236,710
2014	242,728	242,397	252,158	250,565	247,417	256,224	249,725	248,982	248,994
2015	254,985	250,598	256,496	265,470	268,693	270,980	263,699	260,769	259,601
2016	270,154	271,884	267,747	271,642	282,044	282,624	272,759	275,891	280,178
2017	281,209	285,429	288,850	292,134	300,287	304,229	296,302	298,689	291,830
2018	315,334	308,033	316,365	321,952	331,014	333,638	320,539	322,768	317,460
2019	326,095	326,771	338,860	339,885	347,466	350,635	341,564	338,674	333,689

Gross Sales Dollar Volume as reported by ARMLS

Year	January	February	March	April	May	June	July	Aug	Sept	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	819,530,700	8,421,977,900	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	978,717,200	9,233,089,300	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	1,341,320,400	11,929,617,600	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	1,949,721,900	16,250,901,600	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	2,909,465,400	24,275,367,500	2
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	1,819,796,000	19,481,142,900	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	1,050,423,000	15,172,355,400	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	1,350,286,174	11,779,686,622	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	1,382,972,862	11,841,657,619	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	1,081,049,536	12,164,862,931	14
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	1,224,230,716	12,267,884,899	13
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	1,282,439,200	13,228,340,599	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	1,494,586,940	15,780,827,285	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	1,556,710,488	14,643,059,189	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	1,800,332,935	17,269,411,248	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	2,053,144,384	18,695,261,431	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	2,138,530,240	21,310,392,456	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	2,189,521,620	23,695,332,933	3
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	2,619,458,650	25,468,136,322	1

As the gross sales dollar volume chart shows, 2019 has been an excellent year for ARMLS subscribers. When viewing the first 3 quarters of 2019, this year ranks number one with \$25.47 billion dollars in gross sales. When the year ends, 2019 will most likely finish number one, second to 2005. No one will ever forget the madness in 2005 and the Michael Jordan type finish it brought.

Q: What will happen to interest rates?

When I answered this question in my yearly forecast, I answered it from the perspective of an old man who remembered a 30-year fixed interest rate of 18.5% in his late twenties, with 6 to 7% being the norm throughout his life. I expected rates to rise. Today, I read that a Danish bank launched the world's first negative interest rate mortgage, handing out loans to homeowners where the charge is minus 0.5% a year. A negative interest rate effectively means that the bank pays a borrower to take money off their hands, so they pay back less than they have been loaned. I have real problems getting my head around this scenario, although it might suggest our rates have room to move lower. Not being an expert on mortgage rates, I'll defer to Freddie Mac:

“Mortgage rates to remain low for foreseeable future”

“Concerns over the resolution of trade disputes have injected volatility into global bond markets. Investors have flocked to the safety and stability of U.S. Treasuries, pushing down interest rates. As trade talks ebb and flow, rates follow. Despite the volatility in rates, we expect long-term rates to remain flat on average. We forecast the 10-year yield to average 1.8% in 2020, down from an annual average of 2.1% in 2019.

“Low treasury yields will keep mortgage rates subdued in the coming quarters. We project the 30-year fixed-rate mortgage to average 3.7% in the fourth quarter of 2019. We project the annual average to be 4.0% in 2019 before declining to 3.8% in 2020.”

Q: What percent of homes are underwater?

I can use reason and logic, but even with all the data we have at our fingertips I have no real means of making this calculation. I know Attom data told us there were, *“5.2 million seriously underwater properties at the end of Q1 2019 representing 9.1 percent of all U.S. properties with a mortgage, up from 8.8 percent in the previous quarter but down from 9.5 percent in Q1 2018.”* This study does not logically register with me and it would be my guess it is flawed. Attom data defines seriously underwater as 25% or more. This is certainly not true in our market where short sales, properties sold in foreclosure and bank held properties accounted for only 59 sales in September, a fraction of 1%. And while our data does not support the Attom data claims, it does support the CoreLogic claim where, *“Homeowners have seen a big rise in home equity, which lowers foreclosure risk because owners have more ‘skin in the game,”* said Dr. Frank Nothaft, chief economist at CoreLogic. *“Our latest Home Equity report found that between the first quarter of 2011 and the second quarter of 2019, average equity per borrower increased from \$75,000 to \$176,000 and rose \$5,000 in the past year alone.”*

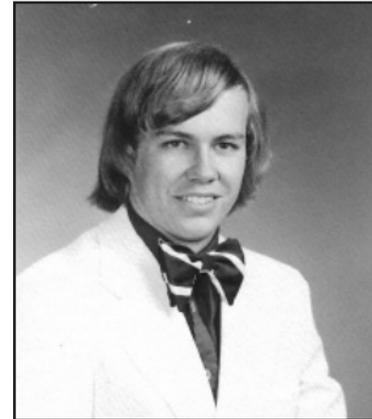
Q: Is there a national housing analyst that wears a bow tie that you trust, and if so, what is he/she saying?

Another great question. Frank Nothaft, chief economist at CoreLogic does indeed wear a bow tie. While his analysis is on a national basis, it feels a lot like our market, plus he’s good at referencing national events of which I know nothing.



Q: Have you ever worn a bow tie?

The answer to that would be an emphatic no!



(A young, bow-tied Tom Ruff)

The Pending Price Index

Last month the STAT mathematical model projected a median sales price for September of \$279,250. The September reported median was \$280,000. Looking ahead to October, the ARMLS Pending Price Index anticipates the median sales price will increase, projecting a median sales price of \$285,000. Normally this time of year, the median sales price tends to wobble through the last half of the year. The median of \$280,000 for this month is the high-water mark for home sales not only this year, but the highest ever. Upwards price pressure in the last quarter of 2019 will make for an interesting start to the 2020 selling season, which begins early February.

We begin October with 5,838 pending contracts; 3,295 UCB listings and 561 CCBS giving us a total of 9,694 residential listings practically under contract. This compares to 8,591 of the same type of listings one year ago. At the beginning of October, the pending contracts are 12.8% higher than last year. There were 23 business days in October of 2018 and 23 this year. ARMLS reported 7,182 sales in October of 2018. We expect sales volume will be higher this year in the 8,100 range. Last month we projected somewhere around 8,000, with a final reported total of 7,850.