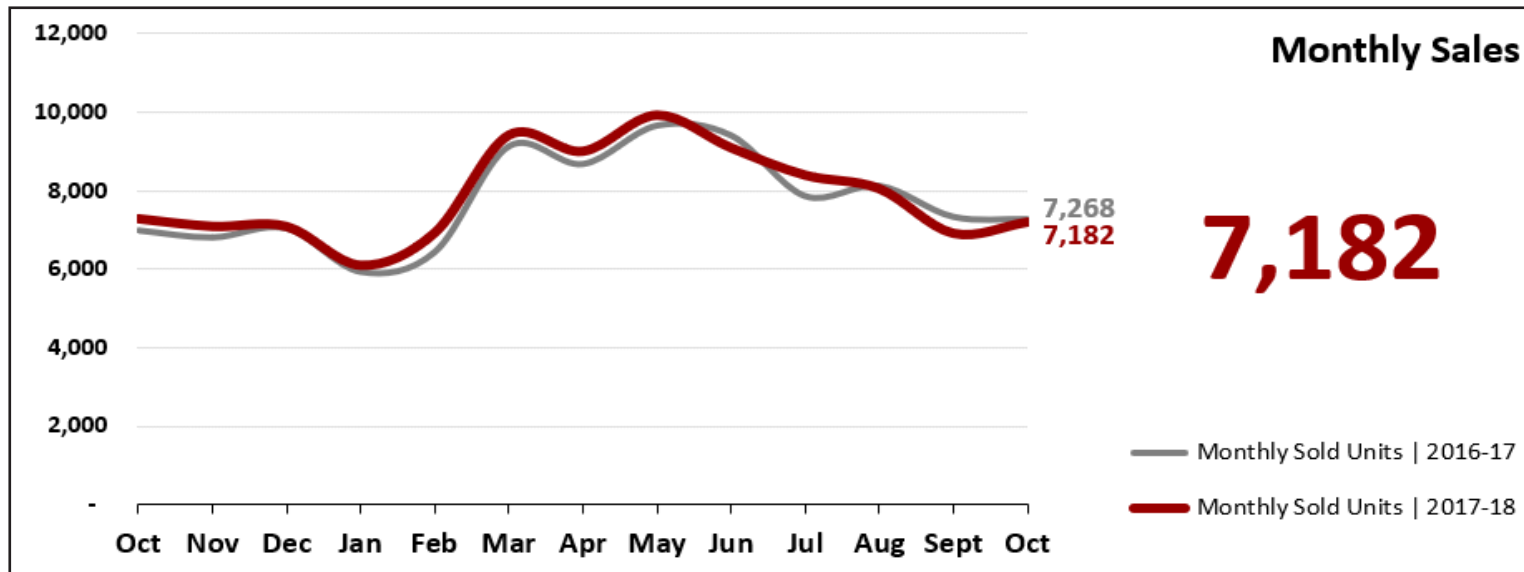


STAT

Your Monthly Statistics for the Phoenix Metro Area

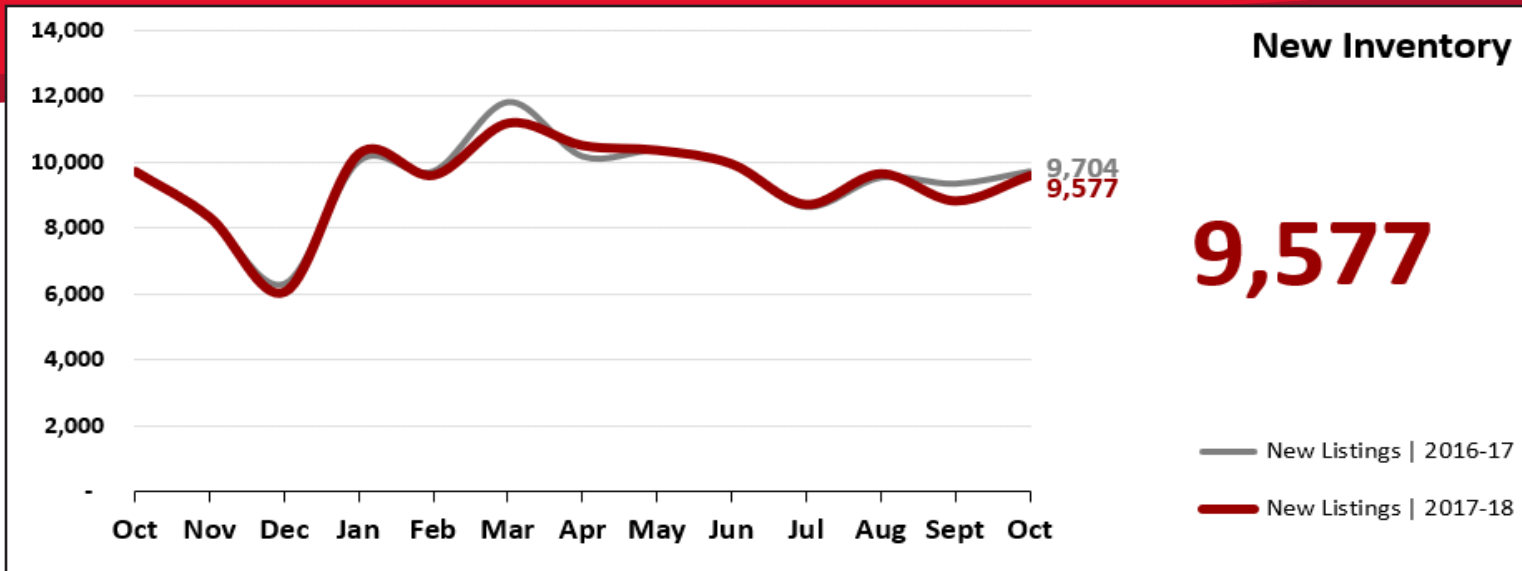


DATA FOR OCTOBER 2018 - Published November 16, 2018

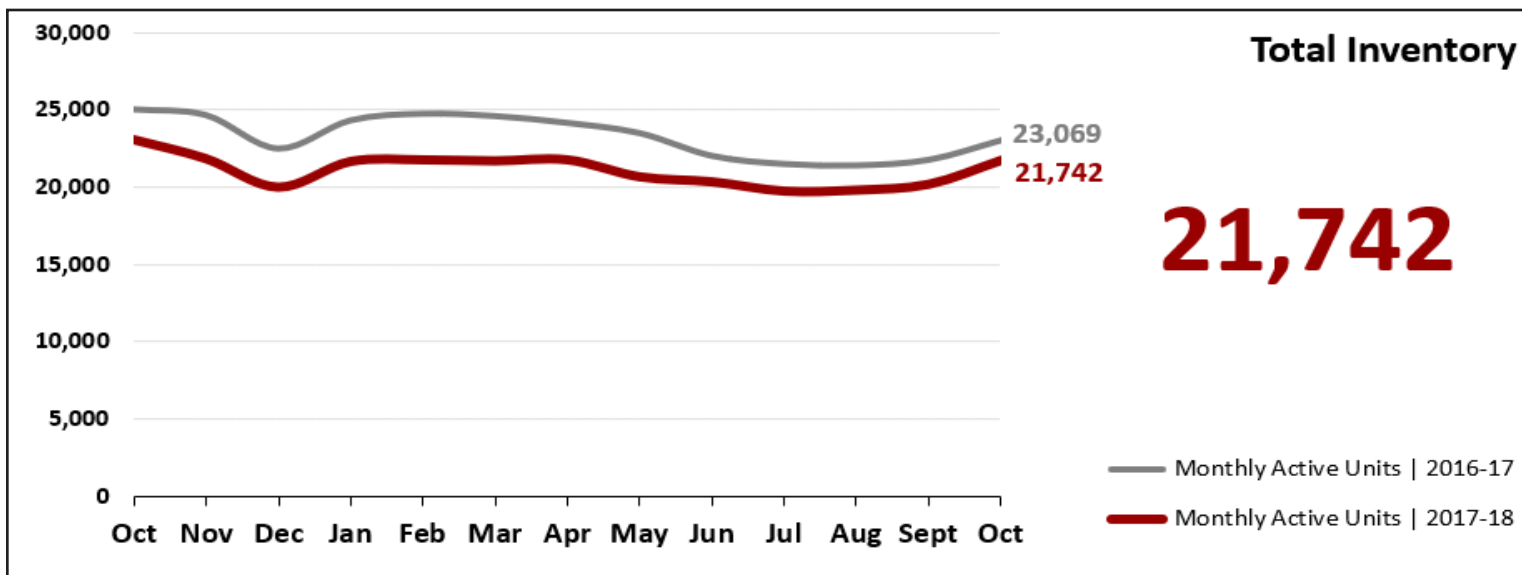


Sales are up +4.1% month-over-month. The year-over-year comparison is down -1.2%.

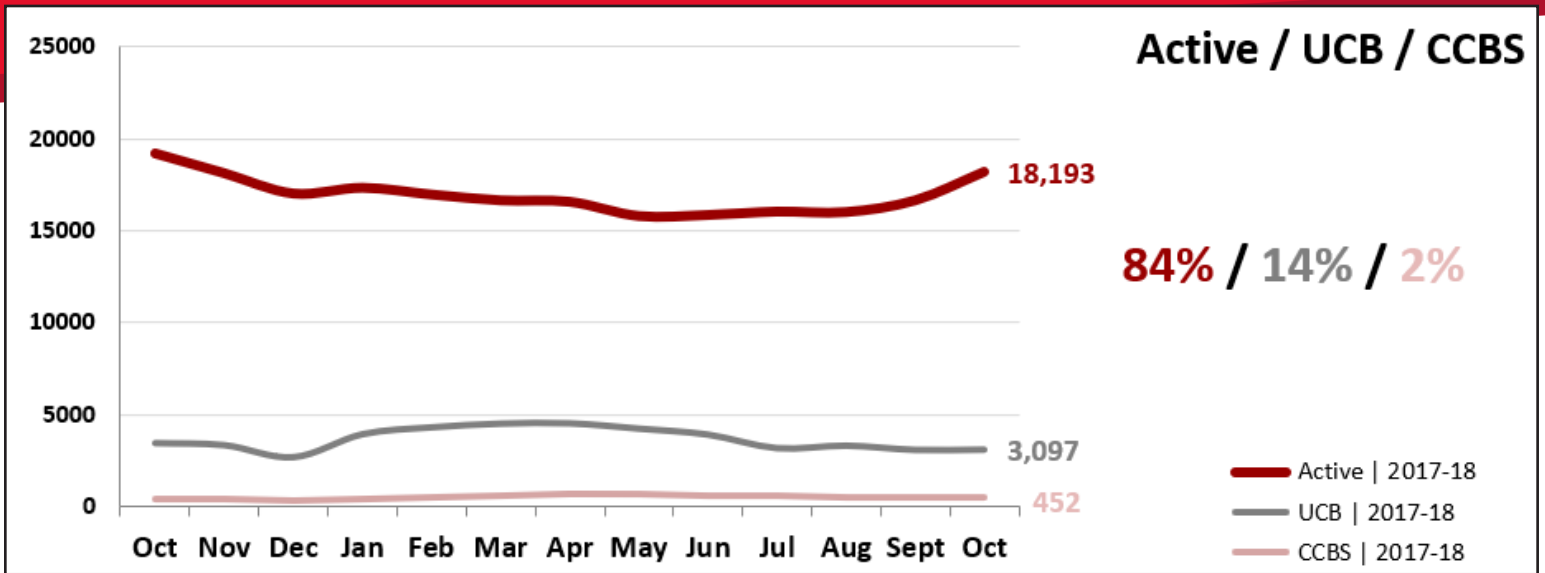
Closed MLS sales with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



New MLS listings that were active for at least one day from 10/1/2018 to 10/31/2018, 0 day DOM sales removed

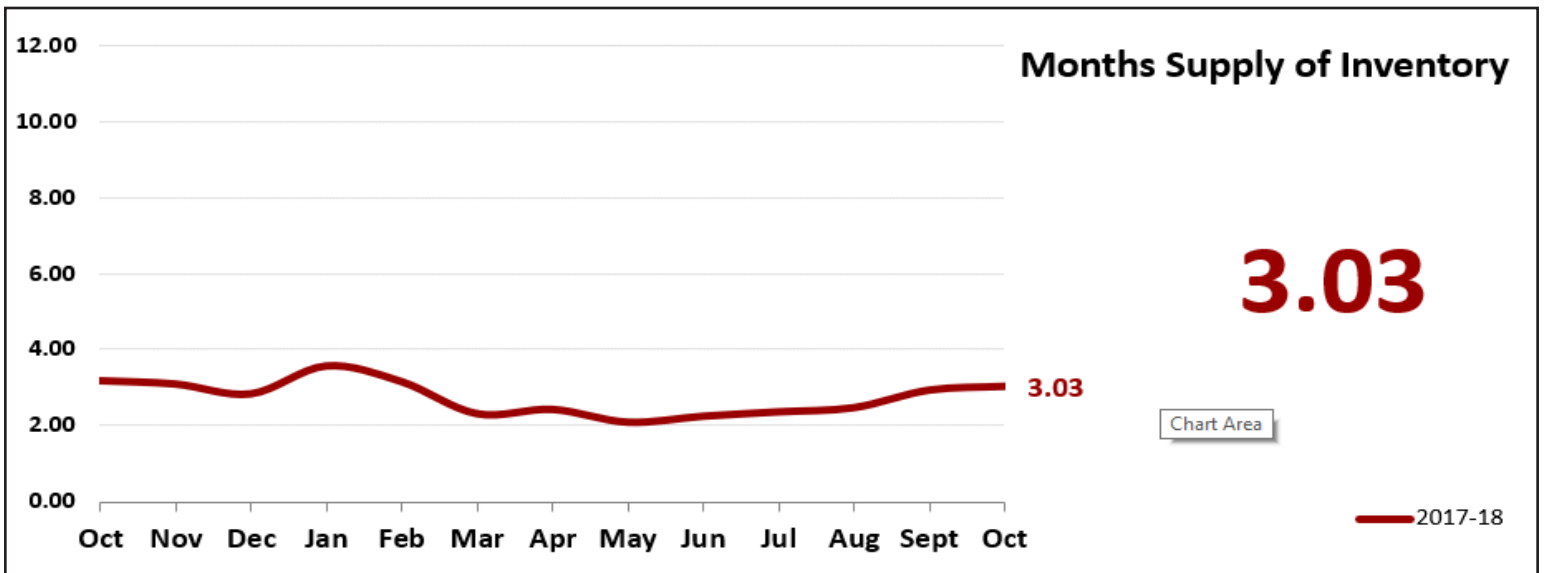


Snapshot of statuses on 10/31/2018



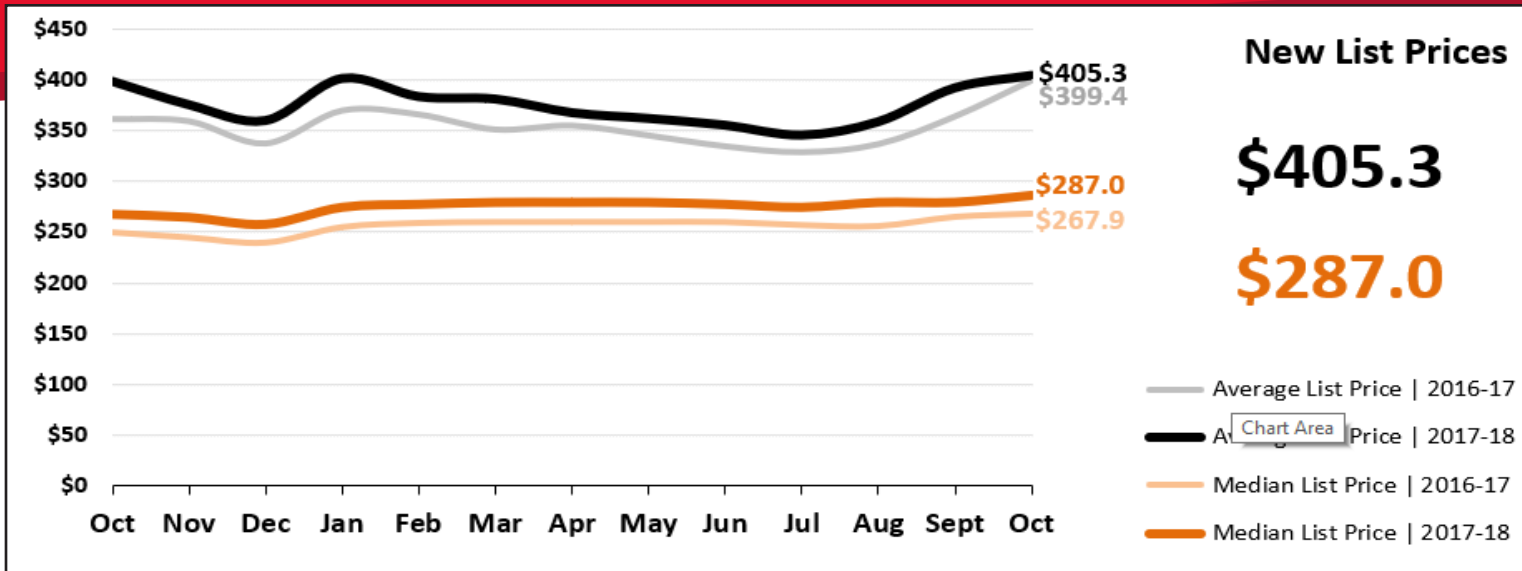
October UCB listings percent of total inventory was 14.2% with October CCBS listings at 2.1% of total inventory.

Snapshot of statuses on 10/31/2018



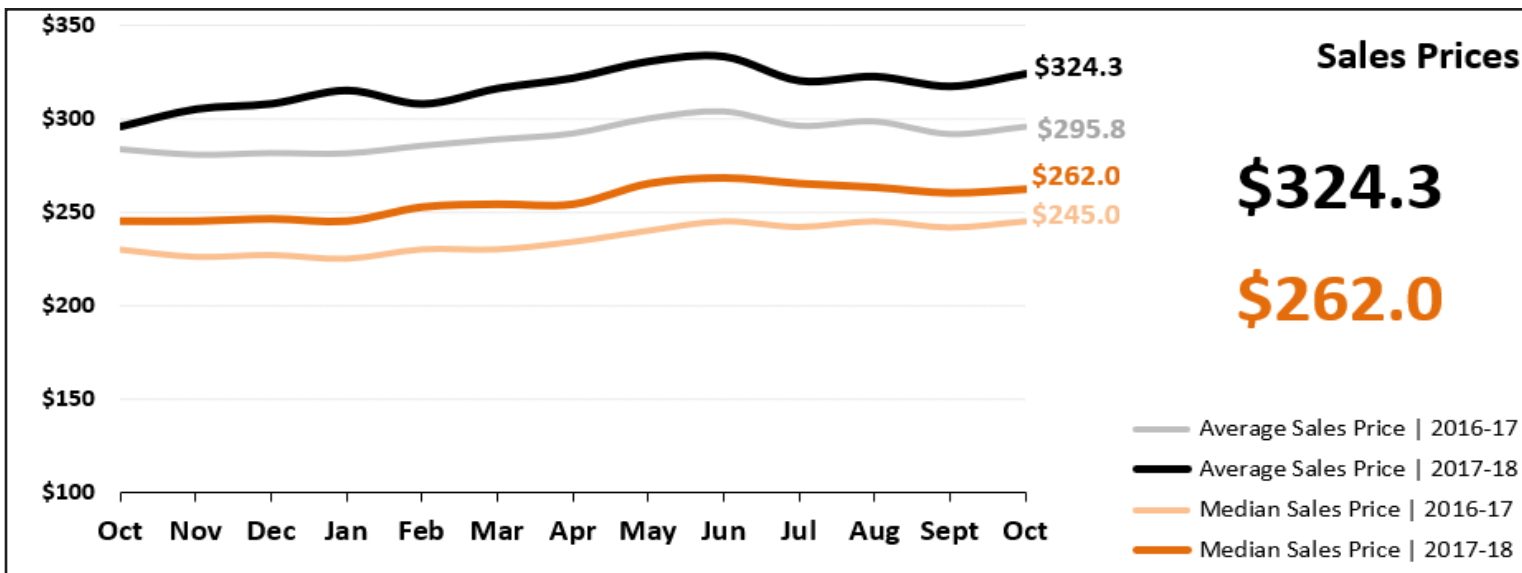
Months supply of inventory for September was 2.93 with October at 3.03.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of OCTOBER 2018, 0 day DOM sales removed



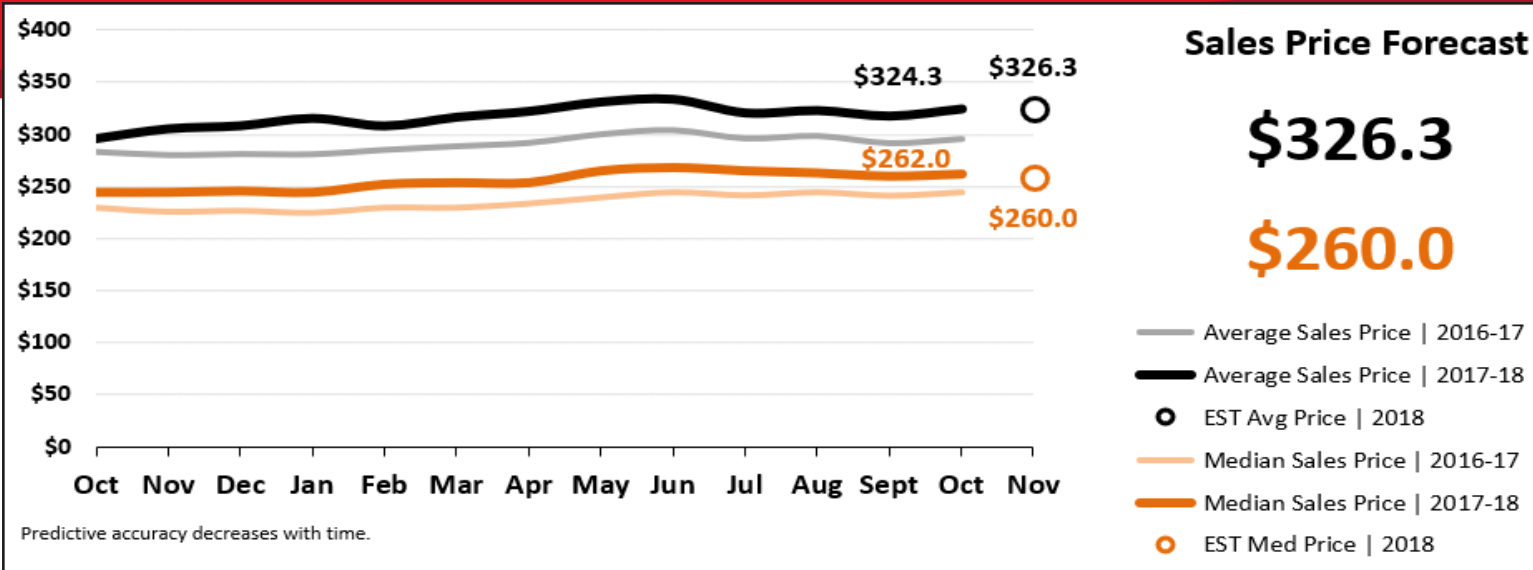
Average new list prices are up +1.5% year-over-year. The year-over-year median is up +7.1%.

List prices of new listings with list dates from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



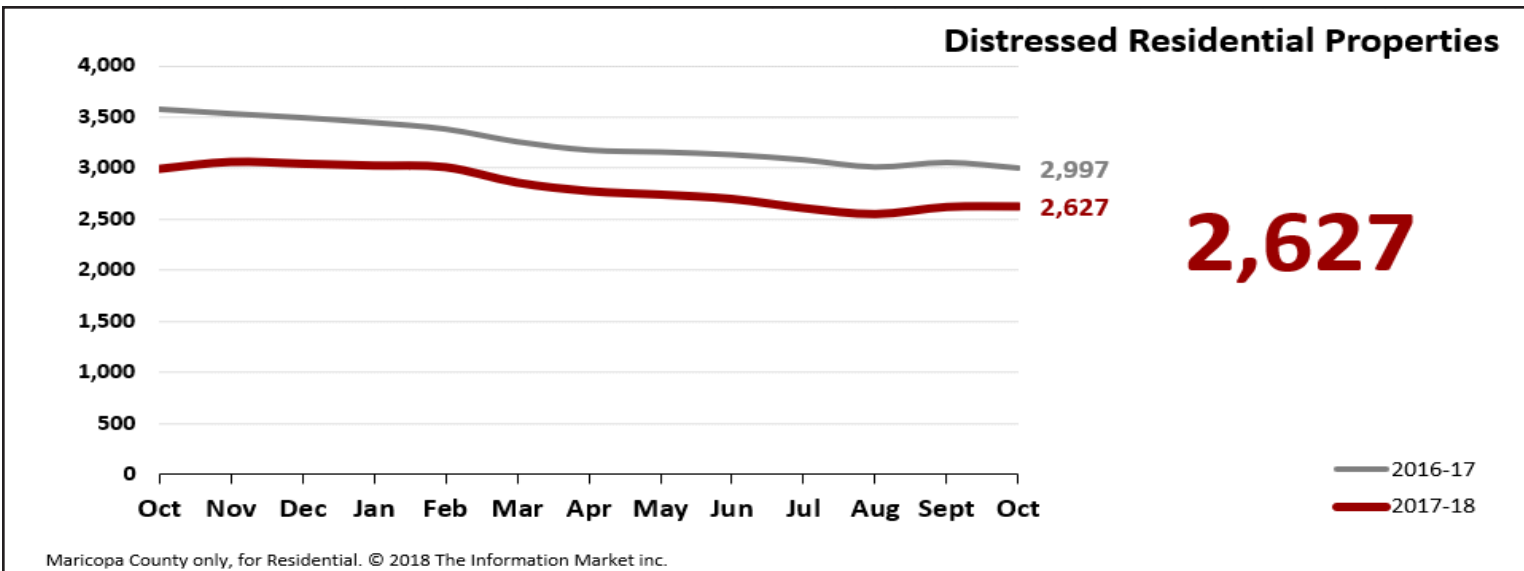
The average sales price is up +9.6% year-over-year while the year-over-year median sales price is also up +6.9%.

MLS sales prices for closed listings with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



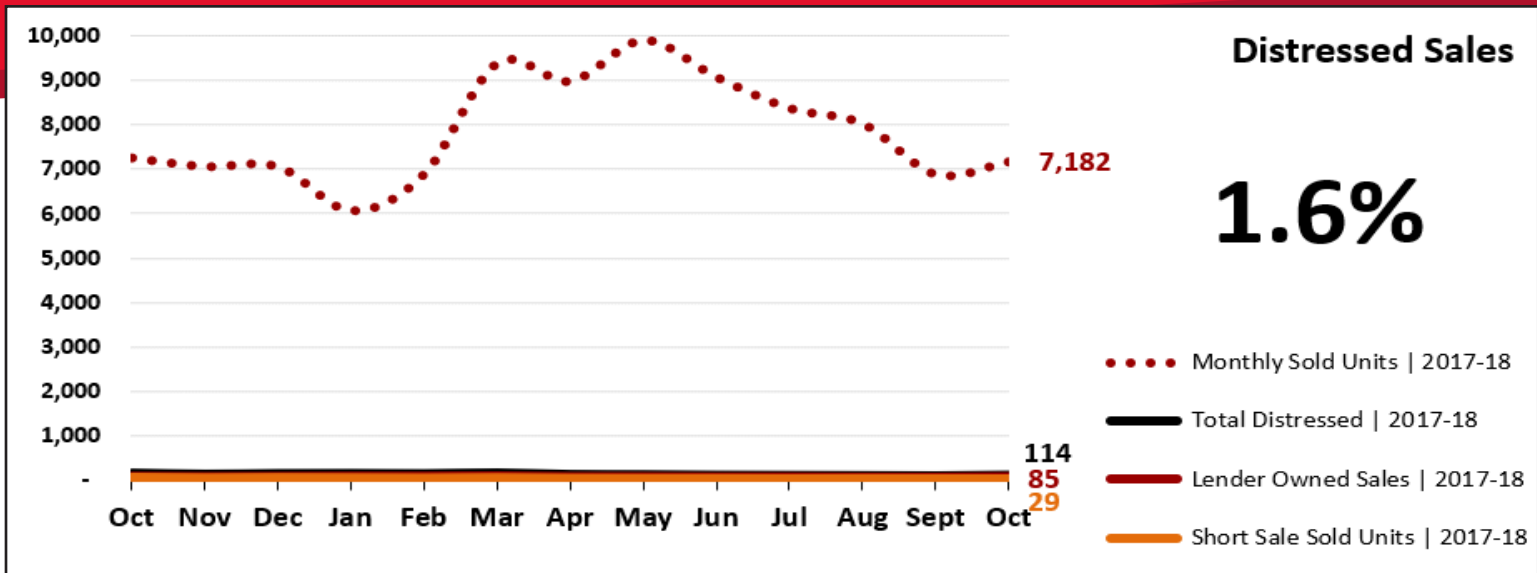
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An increase is forecasted in November for average sales price while a slight decrease is expected in the median sales price.



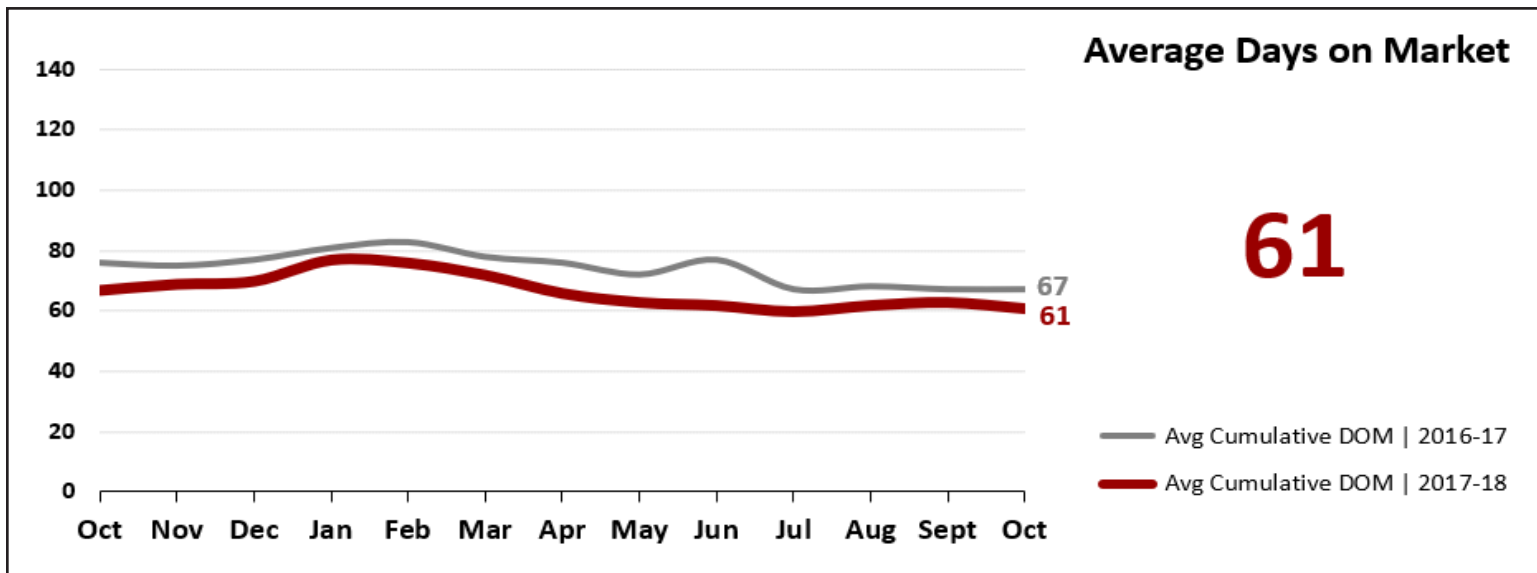
Foreclosures pending month-over-month showed an increase of +0.2% while the year-over-year figure was down -12.3%.

Snapshot of public records data on 10/31/2018 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 7 months.



Distressed sales accounted for 1.6% of total sales, up from the previous month of 1.4%. Short sales dropped -58.0% year-over-year. Lender owned sales dropped -12.4% year-over-year.

New MLS listings that were active for at least one day from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



Days on market were down -6 days year-over-year while month-over-month also decreased by -2 days.

MLS sales prices for closed listings with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed

In October, ARMLS reported a decline in year-over-year sales volume, down 1.2 percent. When we take into consideration one less business day this year, the 1.2 percent decline is greater than it appears on the surface. The last time we saw a downturn in our market like this was in August 2013 as the large institutional investors abruptly curtailed their purchases. The result? Sales volume in the following year fell nearly 11 percent before recovering in 2015, when sales volume returned to 2013 levels. Traditional homebuyers, led by boomerang and first-time buyers, replaced the opportunistic investors and sales grew four consecutive years, validating the adage that economists and analysts are great at predicting the past.

The reason we mention 2013 is because October 2018 feels eerily similar, albeit a completely different scenario. Though too early to tell, the October 2018 sales volume most likely signals an inflection point in our market, but like 2013, it's probably nothing more than a pause. In 2013 we were able to immediately pinpoint the reason for the shift, as well as anticipate positive future growth. The shift we're seeing in our current market is not as easily identified. There is not a single metric screaming "LOOK AT ME" as there was with the investors departing. The notion that we are at an inflection point is subtler.

Let's turn to our two favorite analysts for insight. First up is Michael Orr of the Cromford report in his November 3rd Market Summary.

“The supply of active listings without a contract rose 6.7% during the month of October, while total active listings increased by 5.0%. These are much bigger increases than we saw in October 2017 (2.7% and 2.8% respectively) so there has once again been a definite improvement in available supply. This was not due to an increase in new listings, in fact we saw 3% fewer new listings during October compared with 2017. Instead, we saw a sharp drop in demand meaning that far fewer listings went under contract during the month. We can see the drop in demand quite clearly from the pending listing count and under contract count, both down substantially from last year and suggesting that we will also see lower sales counts for November and December.

“At first the sales count of 7,182 seems quite respectable. However, October had the maximum number of working days - 23 - so we were expecting far more closings. October 2017 had 22 working days, so we dropped our closing run-rate by around 6% compared to this time last year. This is another sign of weakening demand. “Price cuts are getting more common - we saw the highest number of price cuts during the week beginning October 21 since February 2015. Sellers are clearly having to adjust their expectations lower now that buyer enthusiasm is fading.

“The big question is whether the drop in demand is a short-term event or the start of a longer-term downtrend. We saw a more extreme downtrend in the second half of 2013 which kept the market constrained throughout 2014. However, demand bounced back in 2015 and we enjoyed a lengthy period of positive momentum between early 2015 and mid-2018. We are now entering a period of change once more and the Cromford® Market Index is moving rapidly towards a more balanced market. At 142.2 as of November 1, it seems almost certain that it will drop further over the next few weeks, but whether it falls all the way back to 110 (indicating a balanced market) or even below 90 (indicating a buyer’s market) is impossible for us to foretell at the moment.

“We will just have to watch the Cromford Market Index carefully, both for the fall and the speed with which it happens.”

Second, Ivy Zelman, in a recent [Barron's article](#), spoke of the same market occurrences but on a national basis.

"It's at an inflection point and has definitely slowed from where we were last year.

"Existing-home sales are down year-to-date about 2%. Most of that has been attributed to inventories too tight at affordable price points. It's debatable if that negative trend is really due to an overall slowing or sellers' unwillingness to capitulate to what buyers want in terms of price.

"As interest rates have moved up, they've had an impact on demand, with more difficulty for consumers, in some cases, to afford to buy a home. Compared with a year ago, the monthly payment on a \$300,000 home using a Federal Housing Administration insured would be 13% higher. And home prices have also been increasing at 5% or 6%. It's much more expensive for that entry level, medium-priced home.

"There's a hesitancy to adjust to the new rate environment, but assuming no further upside in rates that reluctance starts to diminish in roughly four quarters, which would bode well for the spring selling season.

"Given the strength of the economy and consumer confidence and employment growth, housing should resume growth. That said, prices will likely be under pressure and will have to adjust, even if we do see a rebound in the spring, because it's more expensive with rates moving higher.

"If mortgage rates keep rising, affordability will no longer be favorable from a historical perspective. The monthly payment as a percent of consumer gross income is still actually lower than it's been for 40 years. But if you start to see mortgage rates go up, say above 5¾% roughly, that monthly payment as a percent of gross income would start to be higher than it's been historically."

In our “*what to expect in 2018*” issue of STAT we stated, “*There are two prevalent notions as to sales volume in 2018, one being low inventory numbers will lead to higher prices, and the higher prices coupled with rising interest rates will restrict demand leaving 2018’s sales volume comparable or lower than 2017’s. The second line of thinking centers around millennials being one year older and an improving economy in which case the single-family housing market will make further gains this year.*” With the October numbers, it can be said we saw a little of both with gains early in the year, and now, an expected decline in the final quarter.

As we conclude this issue of STAT, let’s share one more observation from Ivy in anticipating market tailwinds and headwinds based on market demographics.

“There are two stories here: the 75 million millennials, with phenomenal growth potential at the opening price points. The oldest are in their early-30s, and we’re seeing acceleration in marriage and family formation. This cohort is powerful as they get to that critical phase in their life to make a decision about a single-family home and the American dream.

“On the other hand, we’ve got the aging boomers, roughly 75 million as well. As you get older, you tend to age in place at a much higher rate. That becomes a headwind to housing. If boomers have a low mortgage rate, and rates keep moving up, that would also be a deterrent for them to sell and move, a secular headwind, because turnover is going to be slower.”

As a market observer, housing analytics is becoming more interesting as well as challenging.

The Pending Price Index

Last month in STAT, the mathematical model projected a median sales price for October of \$260,000. Our mathematical model, for the first nine months of 2018 had been underestimating the actual median sales price. The October median sales price followed our yearly pattern, reporting a median sales price of \$262,000. With one more business day this year compared to last year, we expected 2018 sales volume to be higher. It was not. We saw 7,182 sales this year compared to 7,268 last year. Our estimate of 7,400 sales overshoot the actual sales volume by 218. If we had been playing horseshoes, we would have at least scored. Looking ahead to November, the ARMLS Pending Price Index anticipates the median sales price will hold steady, projecting a median sales price of \$260,000. It's quite common for the median sales price to peak in June and then "wobble" through the end of the year. With a \$268,000 median reported in June, don't be surprised if the median drifts between \$260,000 and \$265,000 through the end of 2018 with December approximating or falling just below June's high-water mark.

Sales volume for the first ten months of 2018 was 1.42 percent higher than 2017, with 80,872 sales in 2018 compared to 79,743 in 2017. We begin November with 4,758 pending contracts; 3,097 UCB listings and 452 CCBS, giving us a total of 8,307 residential listings practically under contract. This compares to 9,468 of the same type of listings one year ago. The 2018 pending contracts are 12.27 percent lower than last year. There were 19 business days in November of 2017, as well as this year. ARMLS reported 7,074 sales in November of 2017. I expect sales volume to be lower this year, I'm guessing 6,800.