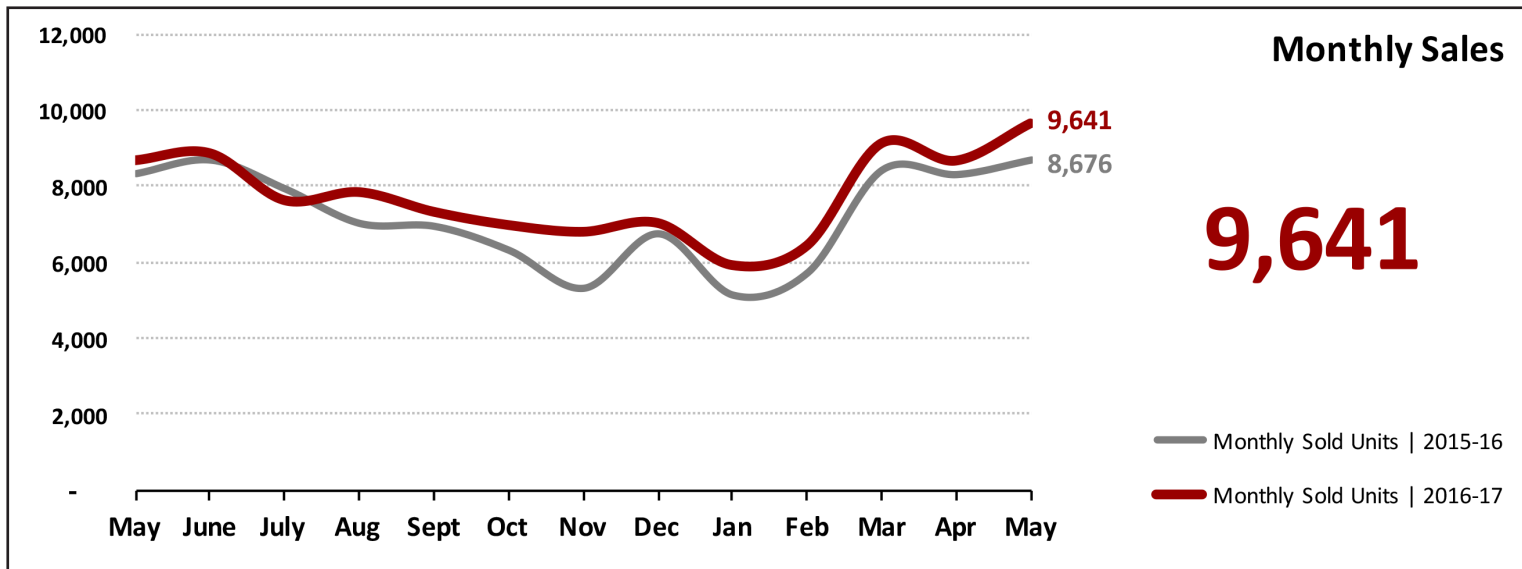




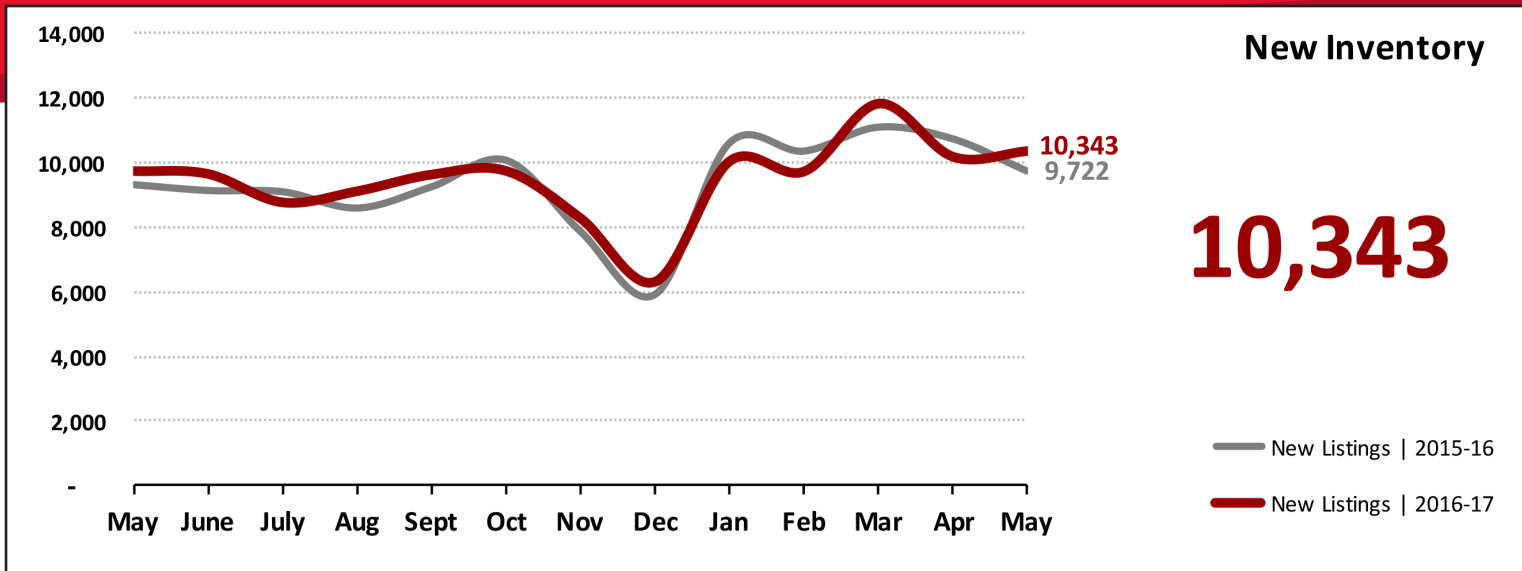
DATA FOR MAY 2017 - Published June 23, 2017



Sales are up +11.3% month-over-month. The year-over-year comparison shows an increase of +11.1%.

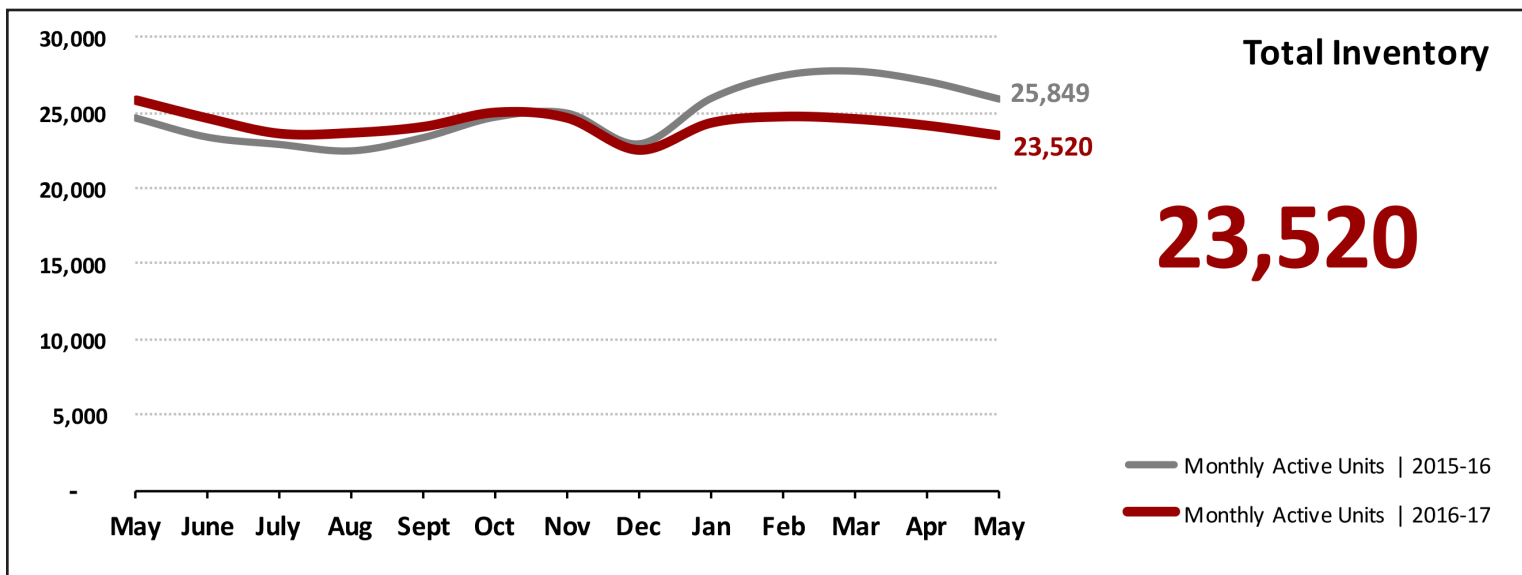
9,641

Closed MLS sales with a close of escrow date from 5/1/2017 to 5/31/2017, 0 day DOM sales removed

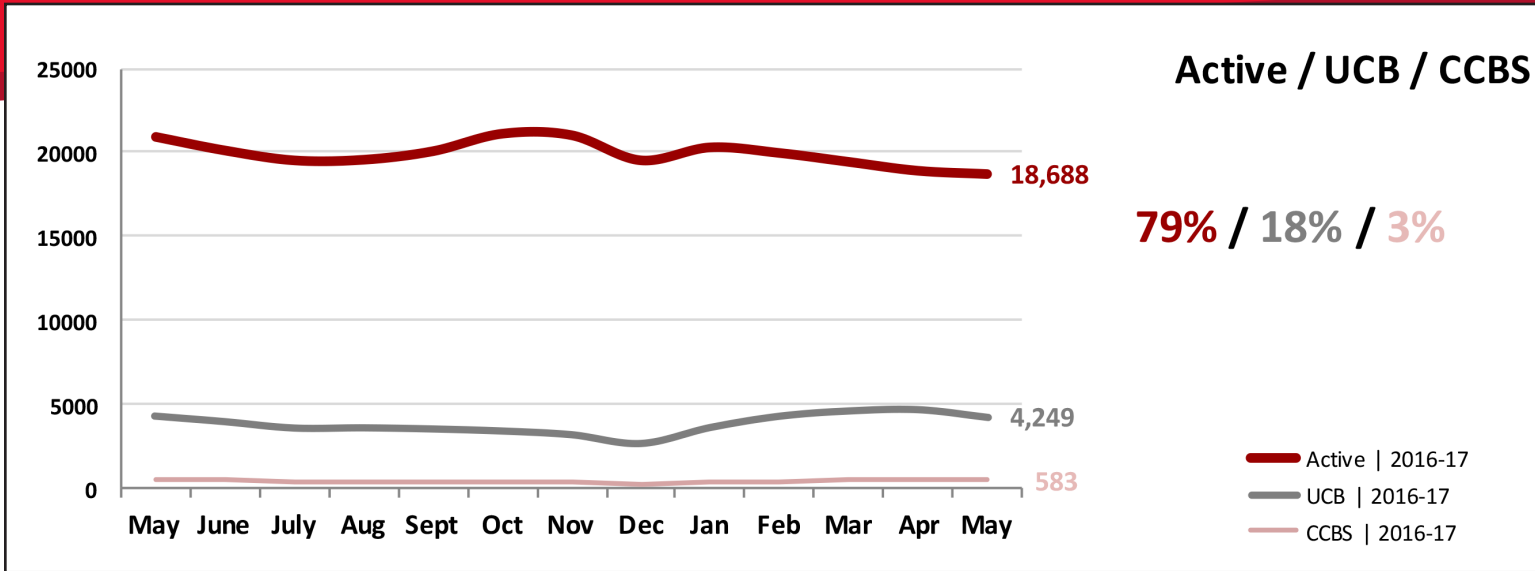


New inventory is up +1.8% month-over-month while the year-over-year comparison shows an increase of +6.4%.

New MLS listings that were active for at least one day from 5/1/2017 to 5/31/2017, 0 day DOM sales removed

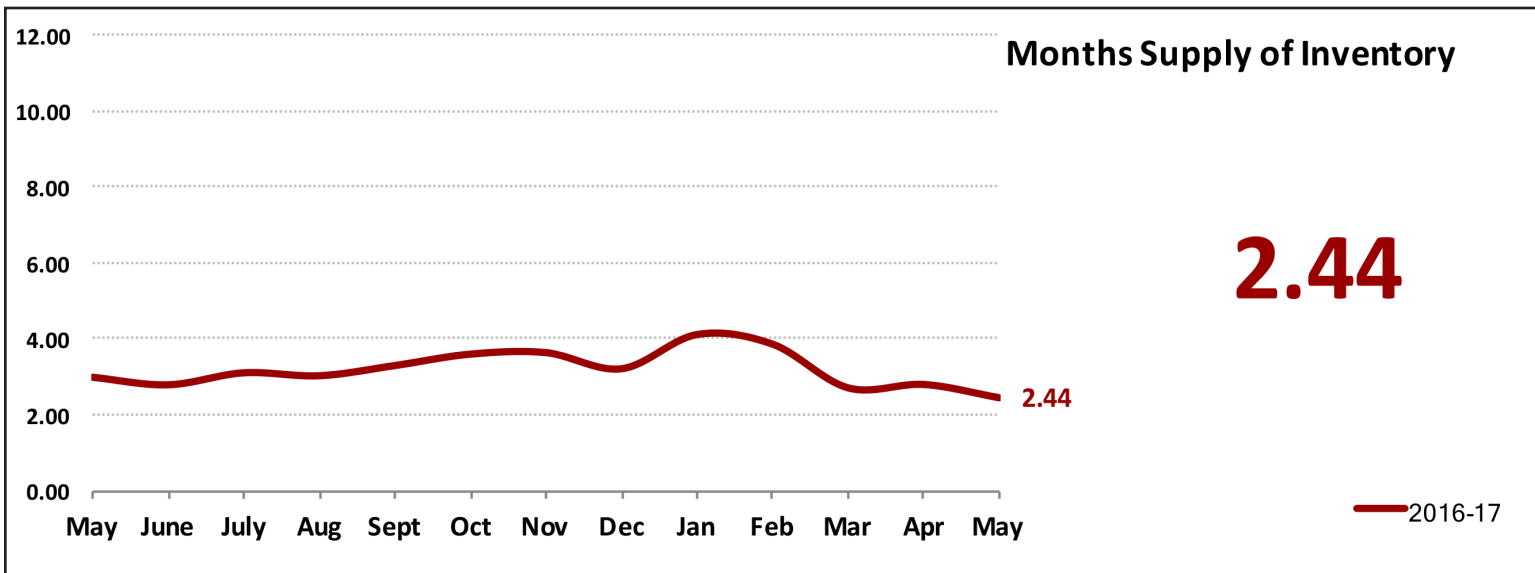


Total inventory has a month-over-month decrease of -2.7% while year-over-year reflects a decrease of -9.0%.



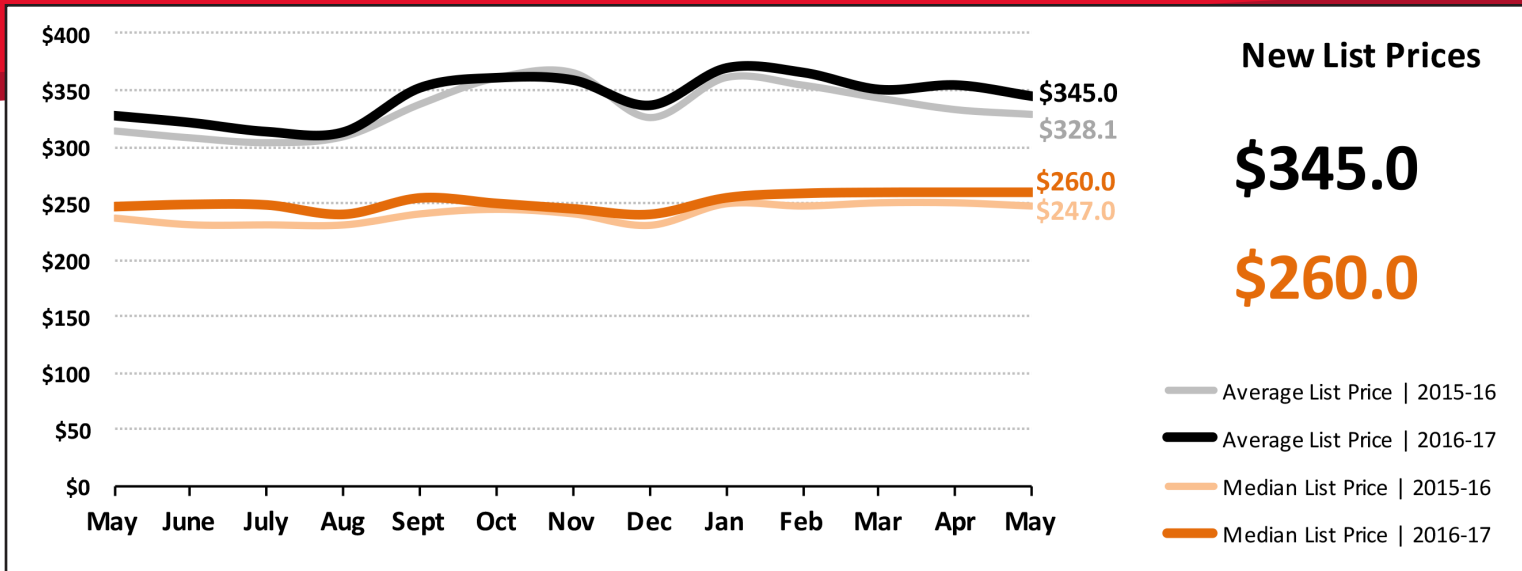
May UCB listings percent of total inventory was 18.1% with May CCBS listings at 2.5% of total inventory.

Snapshot of statuses on 5/31/2017



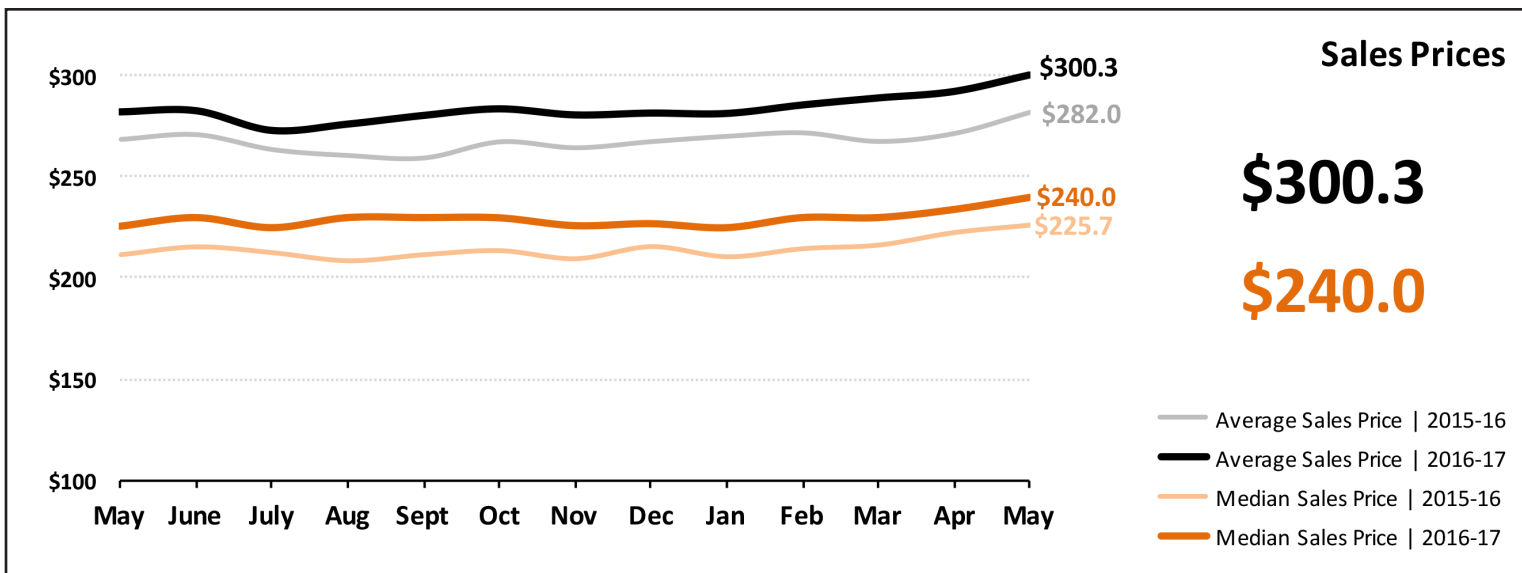
Months supply of inventory for April was 2.79 with May at 2.44.

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



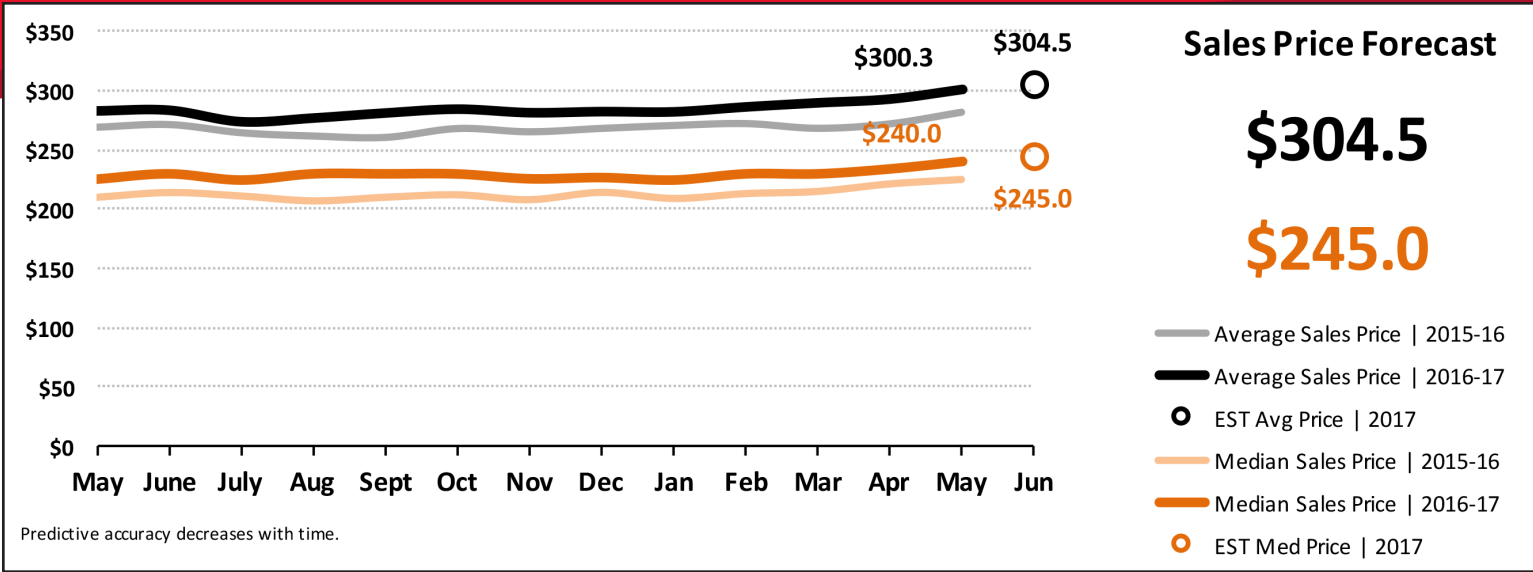
Average new list prices are up +5.2% year-over-year. The year-over-year median is up +5.3%.

List prices of new listings with list dates from 5/1/2017 to 5/31/2017, 0 day DOM sales removed



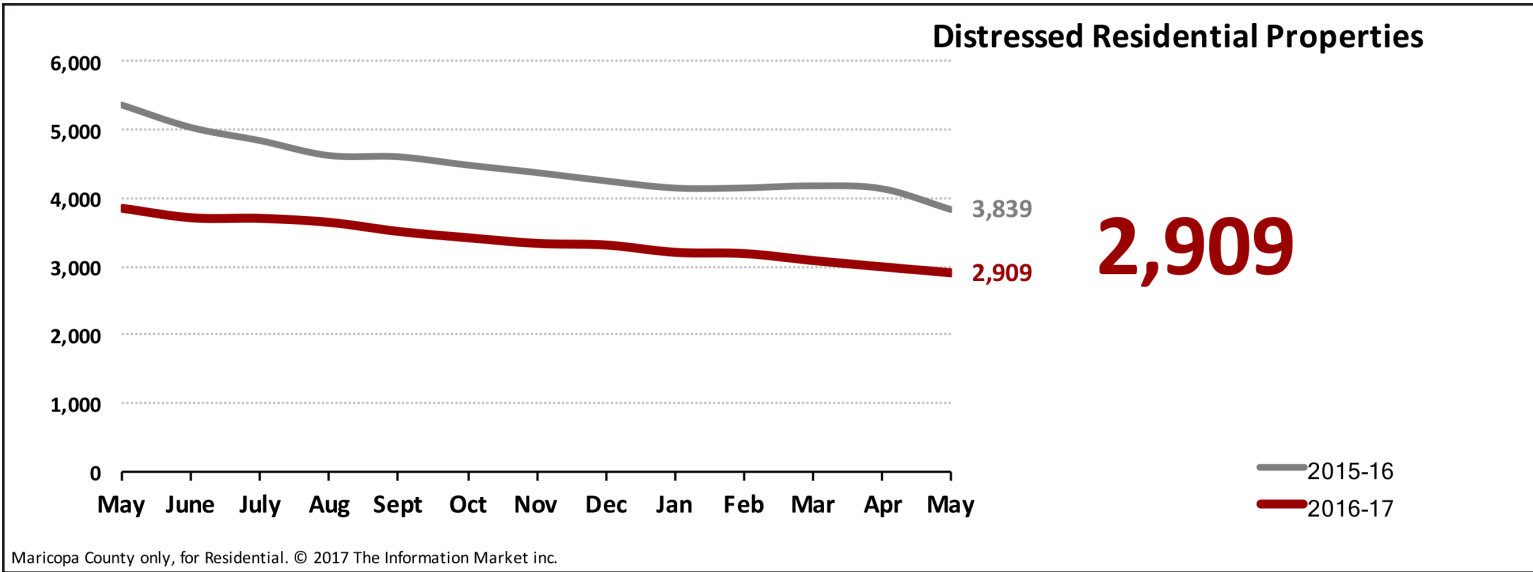
The average sales price is up +6.5% year-over-year while the year-over-year median sales price is also up +2.8%.

MLS sales prices for closed listings with a close of escrow date from 5/1/2017 to 5/31/2017, 0 day DOM sales removed



A slight increase is forecasted for average sales price with median sales price also increasing in May.

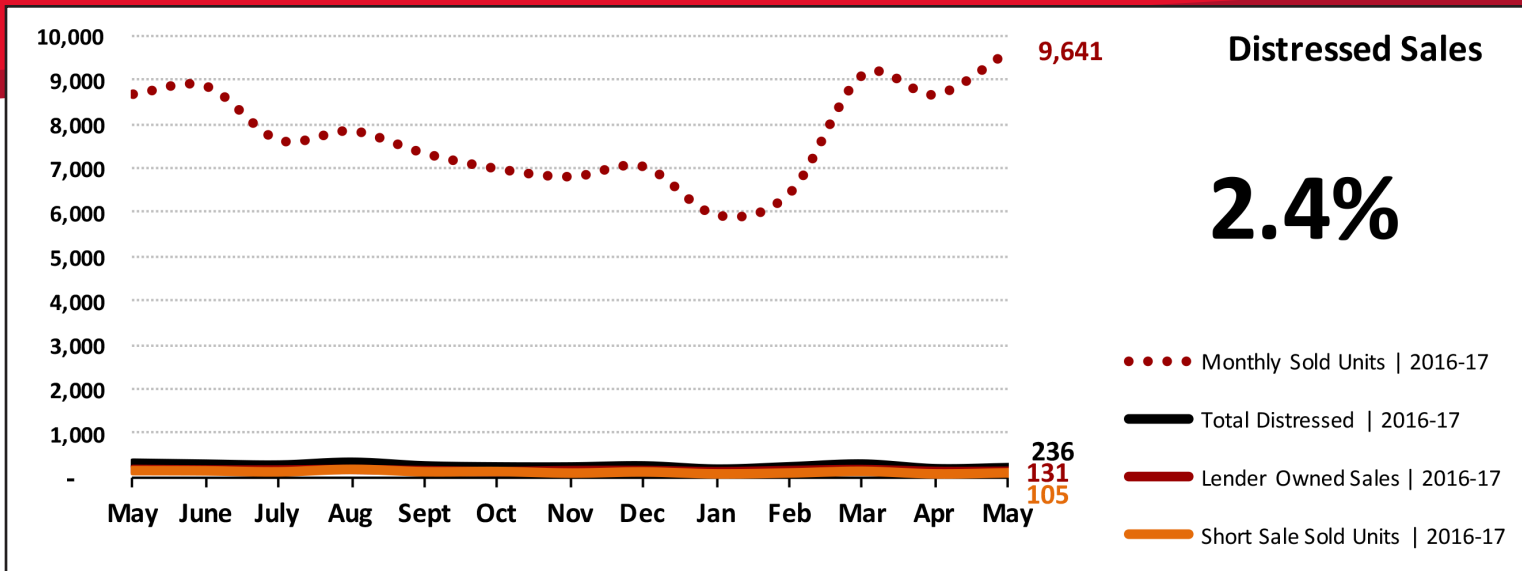
ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed a decrease of -2.9% while the year-over-year figure was down -24.2%.

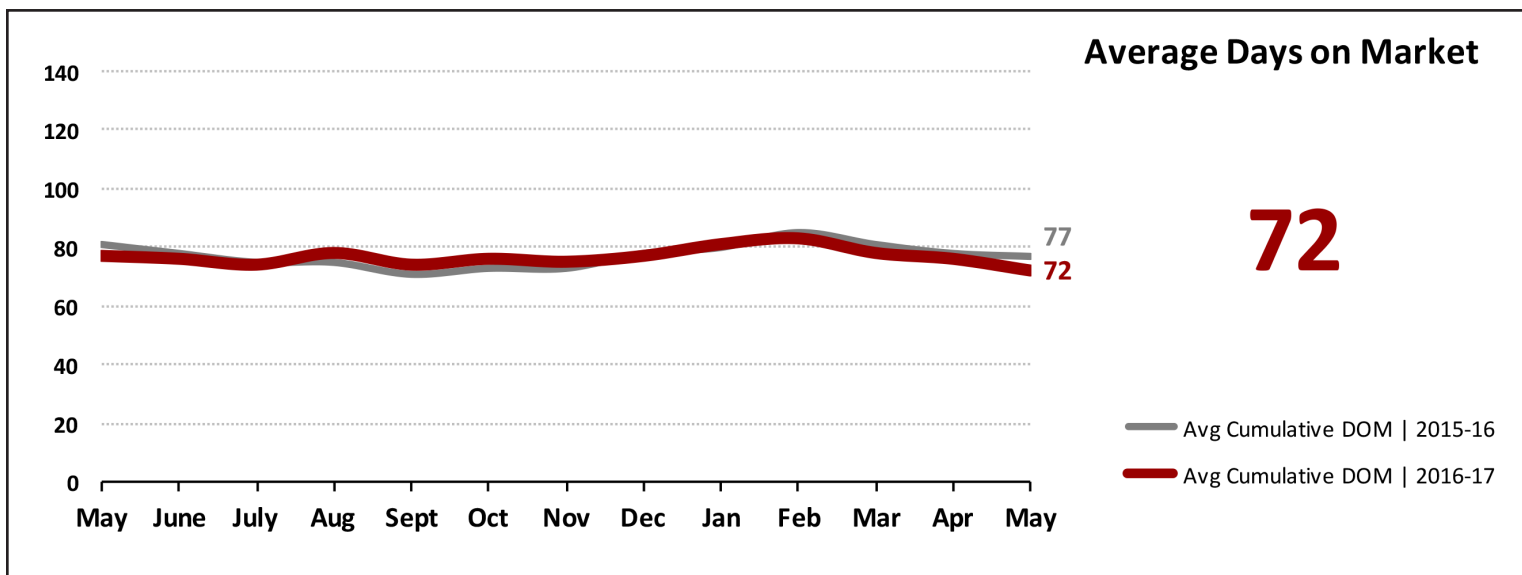
Maricopa County only, for Residential. © 2017 The Information Market inc.

Snapshot of public records data on 5/31/2017 active residential notices and residential REO properties



Distressed sales accounted for 2.4% of total sales, down from the previous month of 2.5%. Short sales dropped -26.1% year-over-year. Lender owned sales dropped -28.0% year-over-year.

New MLS listings that were active for at least one day from 5/1/2017 to 5/31/2017, 0 day DOM sales removed



Days on market were down -6 days year-over-year while month-over-month decreased -5 days.

MLS sales prices for closed listings with a close of escrow date from 5/1/2017 to 5/31/2017, 0 day DOM sales removed

As our charts show, STAT numbers for May were strong. Sales were up and prices were up, but in the mind of an analyst, each data point reported provokes a new question. As I've observed our 2017 housing numbers, I've found myself questioning the leading indicator of sales volume: listings under contract. The correlations between properties under contract and the resulting sales volume appear to be changing. Lower yearly contract numbers are not translating into lower sales volume. In fact, the contrary is true. This begs the question, why?

On May 31st NAR's Lawrence Yun published an article entitled [Pending Home Sales Scale Back 1.3 Percent in April](#). In his article Yun states:

"The Pending Home Sales Index, a forward-looking indicator based on contract signings, decreased 1.3 percent to 109.8 in April from a downwardly revised 111.3 in March. After last month's decline, the index is now 3.3 percent below a year ago, which is the first year-over-year decline since last December and the largest since June 2014 (7.1 percent). Much of the country for the

second straight month saw a pullback in pending sales as the rate of new listings continues to lag the quicker pace of homes coming off the market. Realtors® are indicating that foot traffic is higher than a year ago, but it's obviously not translating to more sales."

Rick Sharga of Ten-X echoed similar sentiments in a Housing wire article entitled [Ten-X: Existing home sales to drop in May](#). The article warns that, "Two consecutive months of weaker existing home sales isn't cause for panic, but it does suggest that forecasts calling for a robust housing market may have been too optimistic." Ten-X Executive Vice President Rick Sharga weighs in too, predicting the combination of low inventory and home prices that rise faster than wage growth will slow down sales. At least on a local basis, I say poppycock.

Yun and Sharga are referencing national pending contracts and drawing conclusions about sales volume. When we view our local numbers, we see similar under contract numbers. We began May 2017 with 7,427

pending, 4,701 UCB and 583 CCBS listings giving us a total of 12,711 residential listings practically under contract. Compare that to 13,115 of the same type of listings for the same period last year. Listings under contract as reported were 3.2% lower this year, nearly identical to NAR's 3.3% figure. Here's where we stop agreeing. I believe, at least locally, there has been a paradigm shift in our data.

Our sales volume in 2017 has been much stronger than our listings under contract would historically indicate. When we view STAT's May sales volume, we see an increase in year-over-year sales volume of 11.1%. Viewing average sales per business days we see a 5.8% increase in volume (there were 459.10 sales per day this year compared to 433.80 sales per day last year). There were 9,641 MLS sales this May compared to 8,676 sales last May. If MLS data is any indication, the

indication, the higher foot traffic reported by subscribers is translating into higher sales volume. It is my opinion the disparity between listing contracts and sales volume lies in a change as to how the listings under contract are being reported and existing contracts closing at a heightened pace.

In the chart below we have matched the listing statuses as of May 1st to the corresponding closed sale in May for both 2017 and 2016 sales, and then calculated the percentage of sales for each listing status. We further broke down these changes to a daily basis believing the number of business days in any given month significantly impacts the sales volume for that month. As the chart demonstrates, the biggest year-over-year change in both volume and percentage changes occurred where properties closed were not listed when the month began.

May1mlsstatus	Maysalesvolume2017	Percentage2017	Sold2016	Percentage2016	Day2017	Day2016	Percentageday
NOT LISTED	1087	0.112748	699	0.080567	51.761905	34.950000	1.481027
ACTIVE	496	0.051447	460	0.053020	23.619048	23.000000	1.026915
CCBS	331	0.034333	293	0.033771	15.761905	14.650000	1.075898
PENDING	4853	0.503371	4806	0.553942	231.095238	240.300000	0.961695
UCB	2874	0.298102	2418	0.278700	136.857143	120.900000	1.131986

As real estate professionals, we know that real estate is local, and by local, I mean down to the neighborhood level. Buyers and sellers today are receiving almost daily real estate information from national sources. As a result, the way they see and feel about real estate may not be local at all. It's important to follow the national reports because this is what your prospective clients are ingesting. It's equally important to be wary of these reports and to seek out the opinions of experts dedicated to our local market.

Fortunately, we have Michael Orr of The Cromford Report who shared his views on this subject in his June 7th daily observation. We edited it for brevity purposes 'cause Michael likes to talk.

“June 7 - Not every listing closed through ARMLS has actually been marketed on ARMLS. We are seeing more and more listings that are added retrospectively, after the deed has recorded (please note that in the STAT charts above we removed the 0 DOM sales). This may be done for various reasons, such as:

- the listing agent wants to create a comp for future use by appraisers or other agents
- the listing agent wants to claim credit for the successful transaction in regional or national statistic tables collected by the National Association of REALTORS® or others
- the listing agent wants to give the selling agent credit for the sale

As this trend grows, the connection between listings under contract (i.e. pending, UCB or CCBS) and listings closed starts to break down. We get sales counts growing without a corresponding growth in listings under contract because these listings added after the fact appear to have never been in escrow. Many of you will have noticed that closed listings are up significantly from last year (11% year to date), but listings under contract are slightly lower (down 4% as of today).

I think there are multiple effects at play here:

- listings spend less time in escrow because deals are getting completed more quickly in a busy market
- lenders are able to get loans approved more quickly because underwriting standards are loosening
- more listings are closed as soon as they are created, never hitting the market

There are at least 2 ways we can spot the last of these.

- closed listings on the database that are completely missing from our daily log of active, UCB, TOM, CCBS or pending status listings
- listings with 0 cumulative days on market or 0 agent days on market

The first category above is up 91% from last year. The second category is up 30%. The second category is about 7 times more common than the first in 2017.

There used to be a strong relationship between the under-contract count and the monthly sales count the following month. The growing weakness in that relationship makes market trends a little trickier to spot. At the national level, we are seeing statements that demand is weakening because the pending listing counts are below expectations. We think this may be misguided. The way the market works now is generating more pocket listings and therefore artificially tamping down the pending listing count. Of course, the pending listing count is already much lower than normal because so many listings under contract are being placed in UCB rather than pending status. Our estimate is that 67% of the UCB listings are not really available for sale.”

We need to adjust our expectations of the under-contract count and reset the relationship between that count and the expected sales count the following month.

ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for May of \$239,900. The actual median sales price was \$240,000, \$100 higher than the \$239,900 projected by our mathematical model. Our mathematical projections have been trending slightly lower than the actual results. Looking ahead to June, the PPI projects a median sales price of \$245,000. With limited supply and steady demand, particularly at the lower price points, the median sales price will increase again this month.

MLS sales volume in May was 9,641, 11.1% higher than the 2016 total of 8,676. Sales volume in 2017 is higher, with 39,790 sales in 2017 compared to 36,230 for the first 5 months of 2016. It should be noted, there was one more business day in May 2017 than in May 2016. If we look at a daily sales average, there were 459.9 sales per day in 2017 and only 433.8 sales per day in 2016 or a 6.02% increase. Like May, we enter June with fewer residential listings practically under contract this year. We begin June with 7,156 pending, 4,249 UCB and 583 CCBS listings giving us a total of 11,988 residential listings practically under contract.

This compares to 12,425 of the same type of listings at this time last year. Based on discussions shared above, if my observations are correct, even with fewer listings under contract this year, sales volume in June 2017 will exceed last year.