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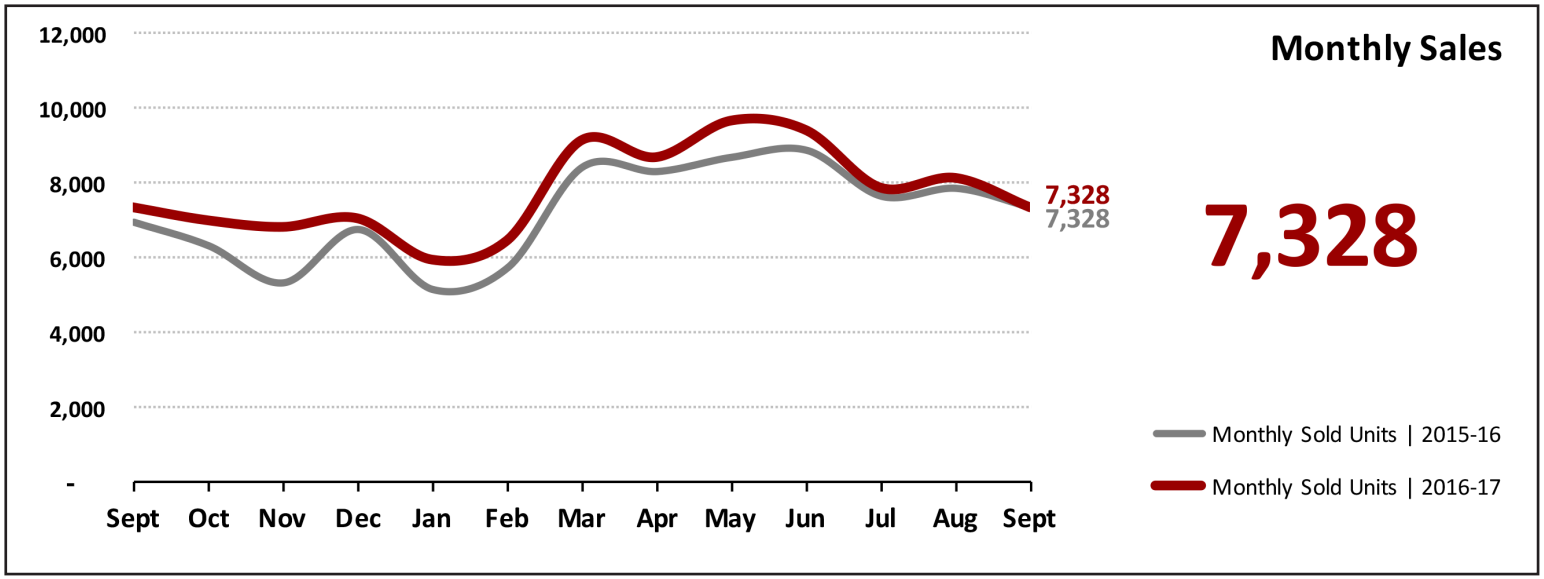
STAT

Your Monthly Statistics for the Phoenix Metro Area

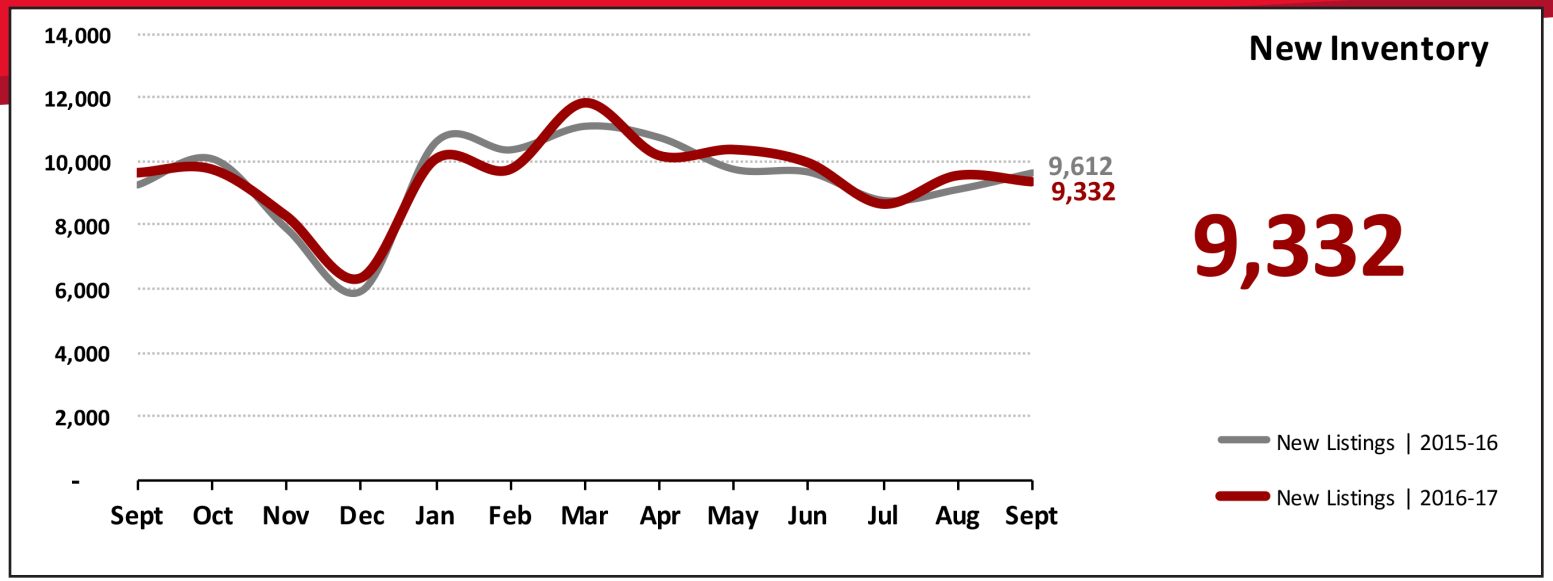
ARMLS®

DATA FOR SEPTEMBER 2017 - Published October 13, 2017



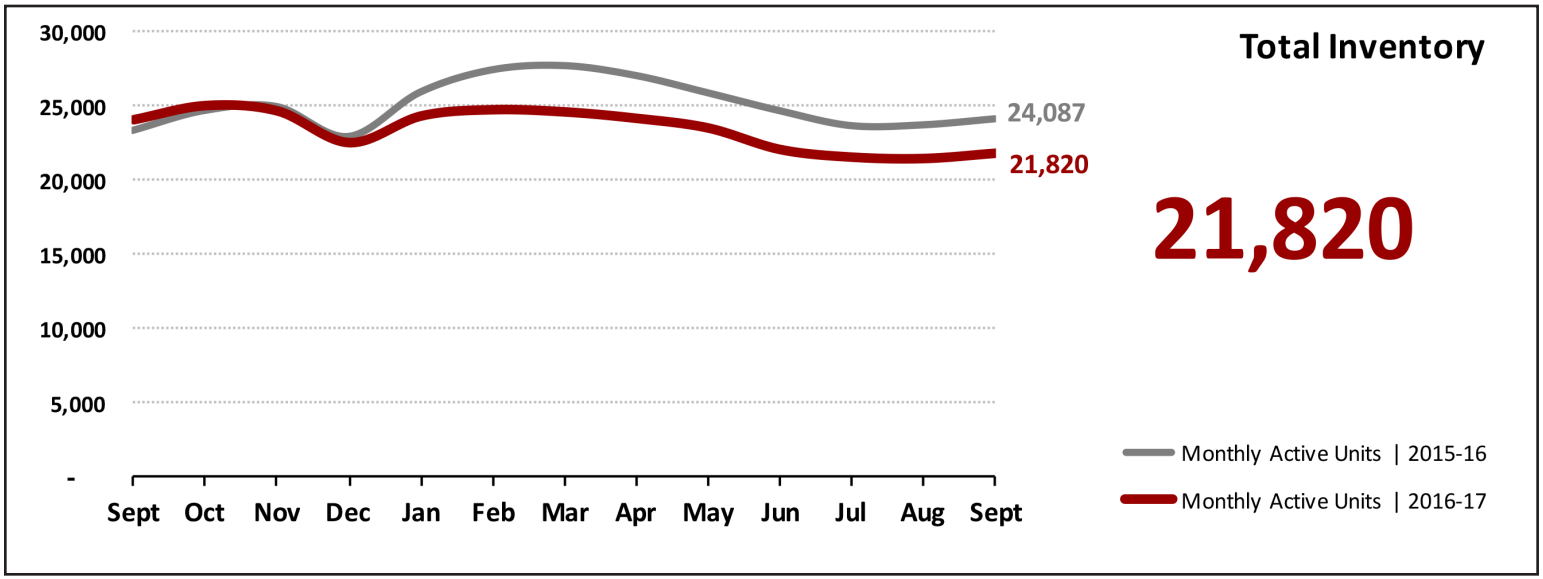
Sales are down -9.7% month-over-month. The year-over-year comparison is at 0%.

Closed MLS sales with a close of escrow date from 9/1/2017 to 9/30/2017, 0 day DOM sales removed



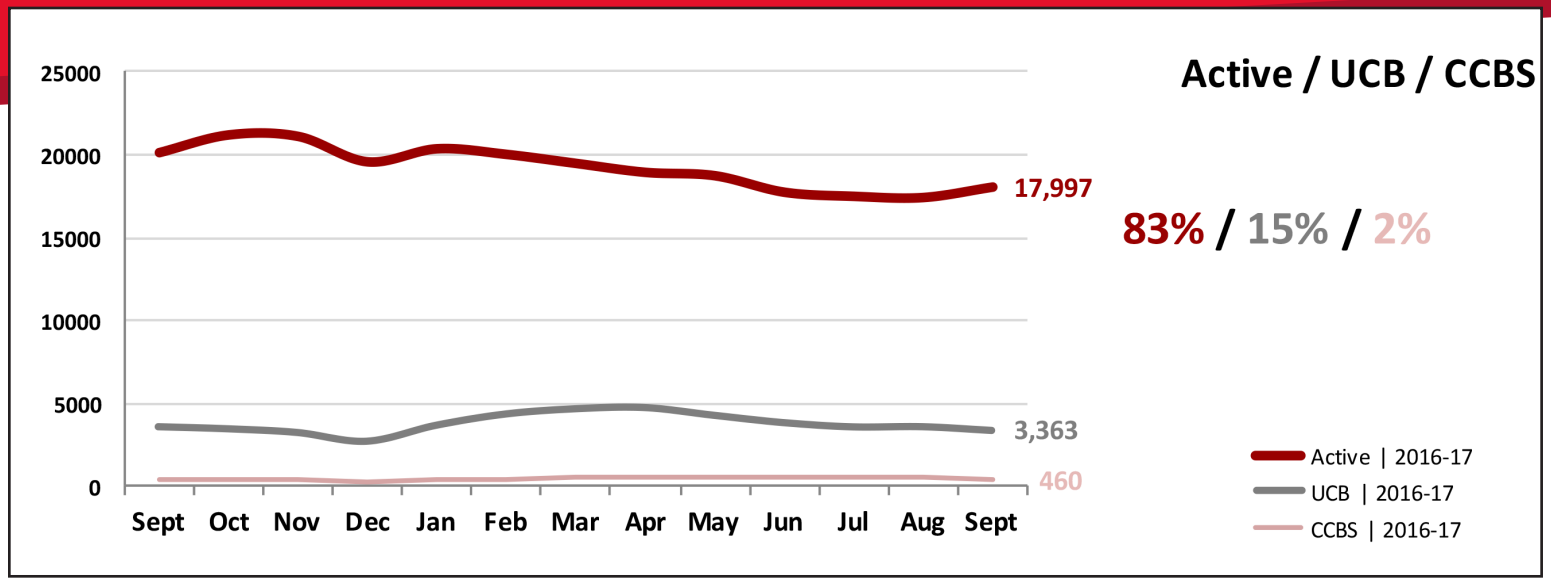
New MLS listings that were active for at least one day from 9/1/2017 to 9/30/2017, 0 day DOM sales removed

New inventory is down -2.0% month-over-month while the year-over-year comparison shows a decrease of -2.9%.



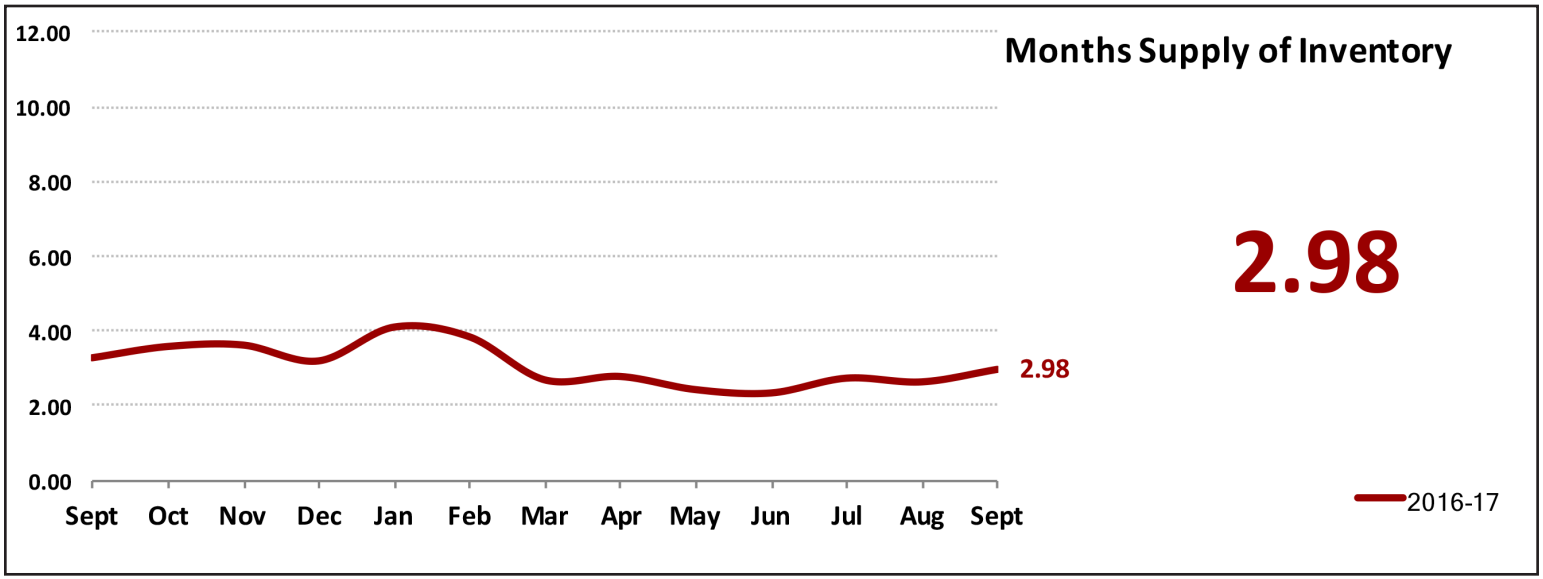
Snapshot of statuses on 9/30/2017

Total inventory has a month-over-month increase of +1.7% while year-over-year reflects a decrease of -9.4%.



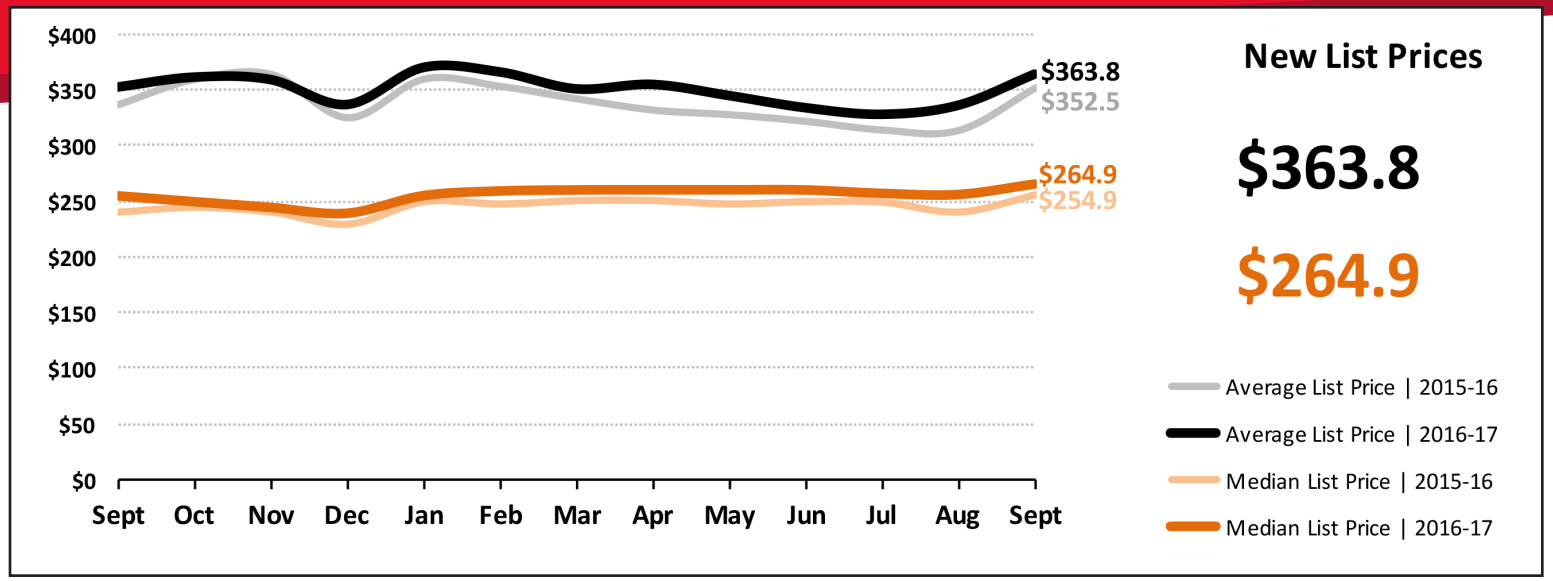
Snapshot of statuses on 9/30/2017

September UCB listings percent of total inventory was +15.4% with September CCBS listings at +2.1% of total inventory.



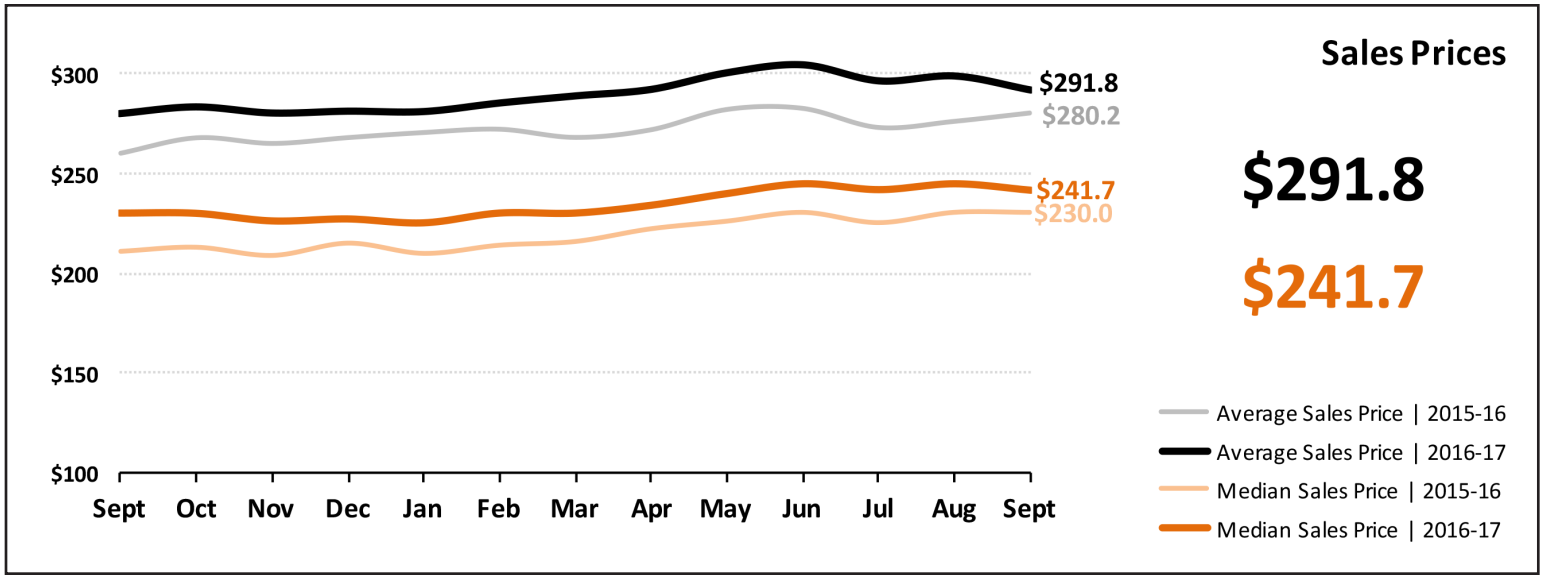
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of SEPTEMBER 2017, 0 day DOM sales removed

Months supply of inventory for August was 2.65 with September at 2.98.



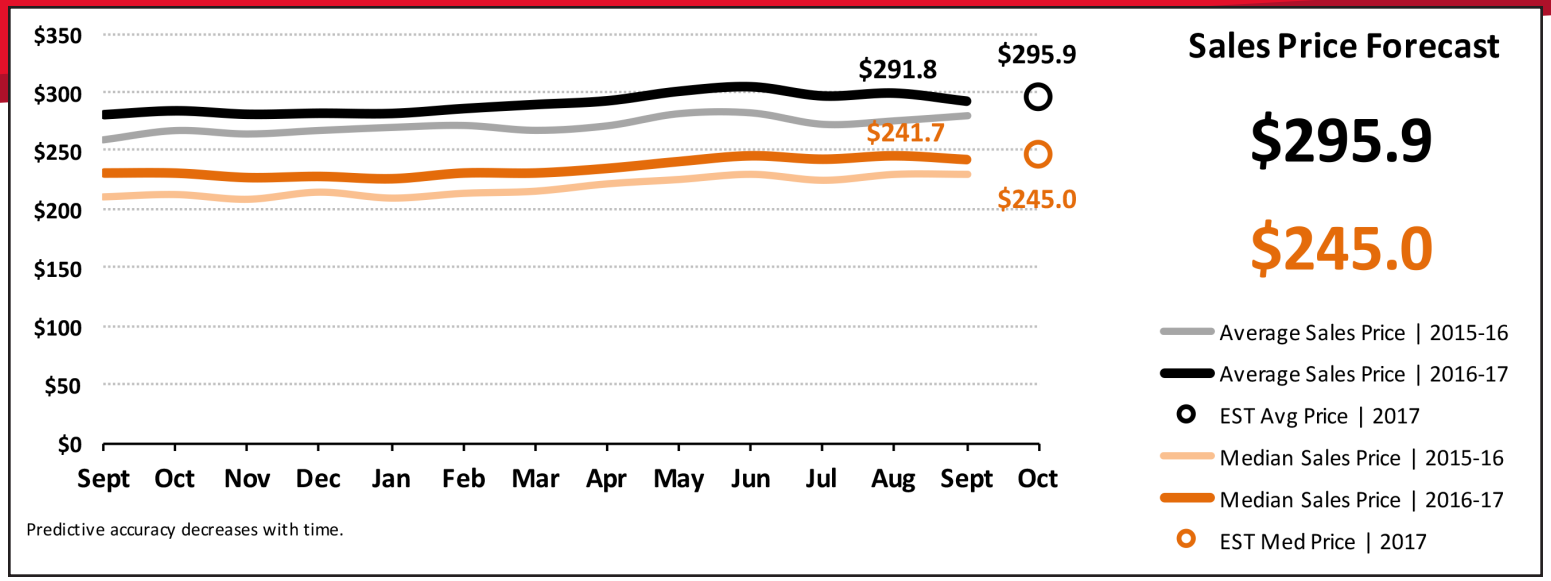
List prices of new listings with list dates from 9/1/2017 to 9/30/2017, 0 day DOM sales removed

Average new list prices are up +3.2% year-over-year. The year-over-year median is up +3.9%.



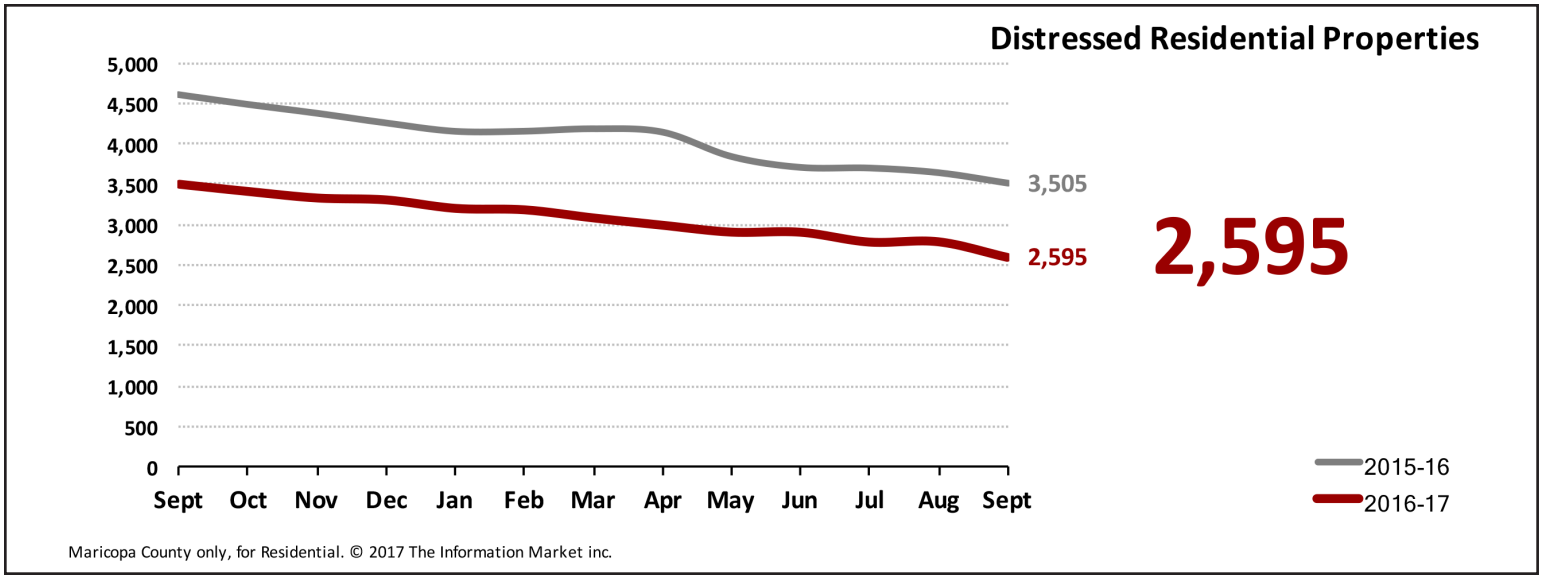
MLS sales prices for closed listings with a close of escrow date from 9/1/2017 to 9/30/2017, 0 day DOM sales removed

The average sales price is up +4.1% year-over-year while the year-over-year median sales price is also up +5.1%.



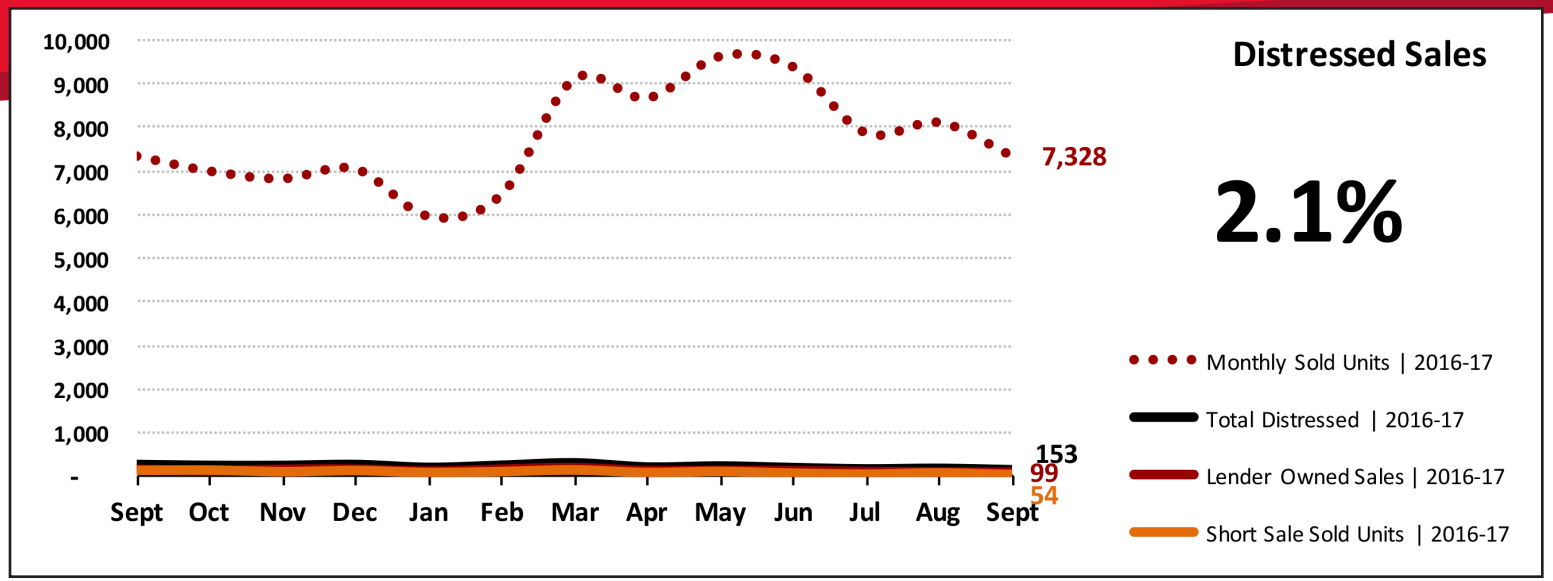
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A slight increase is forecasted for average sales price while September had a decrease in median sales price.



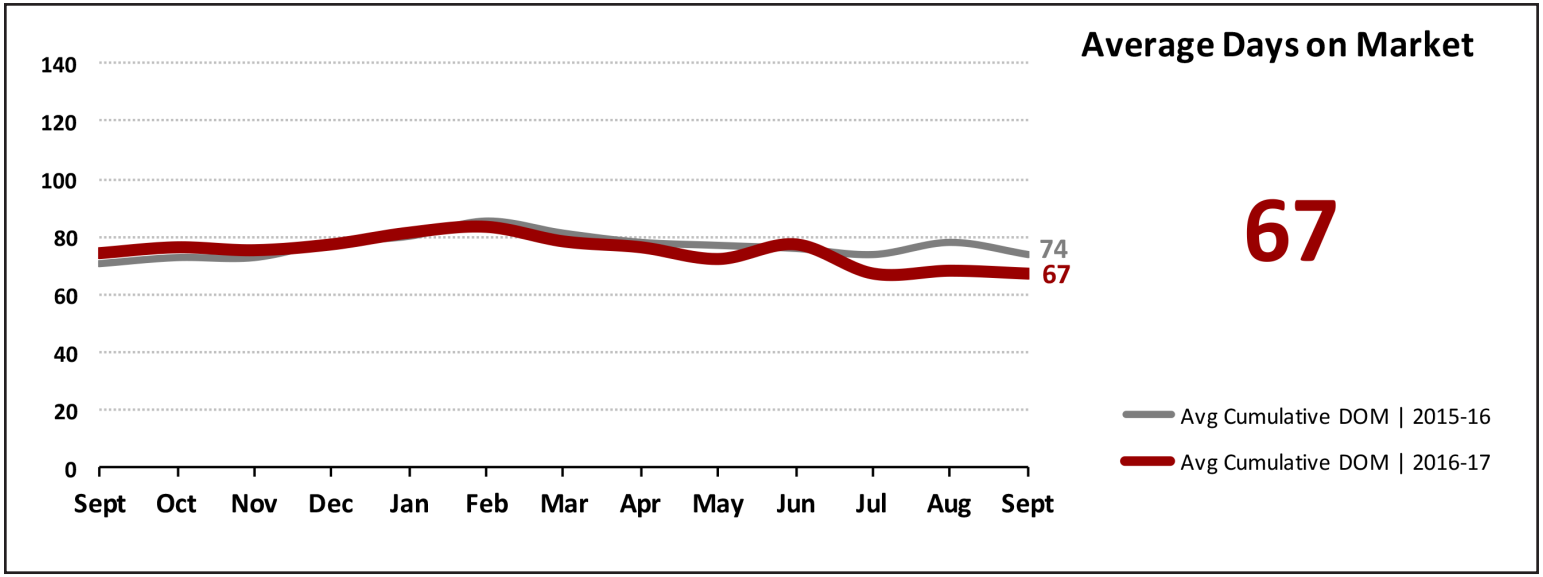
Snapshot of public records data on 9/30/2017 active residential notices and residential REO properties

Foreclosures pending month-over-month showed a decrease of -7.0% while the year-over-year figure was down -26.0%.



New MLS listings that were active for at least one day from 9/1/2017 to 9/30/2017, 0 day DOM sales removed

Distressed sales accounted for 2.1% of total sales, down from the previous month of 2.3%. Short sales dropped -56.1% year-over-year. Lender owned sales dropped -32.7% year-over-year.



MLS sales prices for closed listings with a close of escrow date from 9/1/2017 to 9/30/2017, 0 day DOM sales removed

Days on market were down -7 days year-over-year while month-over-month decreased -1 days.

COMMENTARY by Tom Ruff

A plethora of housing reports are readily available to today's consumer. This month in STAT we'll discuss three recently published reports. We reference these reports not to share their insights, but to accentuate the importance of local knowledge. The ability of the real estate professional to properly understand and evaluate local market conditions, and then convey that knowledge to their clients, is tantamount to success.

The very nature of housing market reports, specifically month-over-month comparisons, lead to overly optimistic conclusions in the spring and overly pessimistic conclusions in the fall. They fail to recognize the significant impact of seasonal factors. We're now in October, and as happens each year, housing reports turn negative.

There were three recently published reports by three different national economists garnering headlines such as, "The Truth Behind Housing Data". The consensus of these reports is that existing home sales acutely disappoint, new construction has flatlined and home sales have stalled. Here's a brief quotation from each report.

Svenja Gudell of Zillow, "New home sales ended the summer on a very weak note, and it's time we stopped sugarcoating the truth with this data."

Lawrence Yun of Nar, "Pending home sales sank in August for the fifth time in six months."

Dr. Frank Nothaft, chief economist for CoreLogic, "While growth in home sales has stalled due to a lack of inventory during the last few months, the tight inventory has helped stabilize price growth."

Zillow

The Zillow report was based on a September 26, 2017 report from the U.S. Census Bureau and the U.S Department of Housing and Urban Development that details new residential sales statistics for August 2017. The most interesting facet of the Census Bureau report was the disclaimer at the bottom. Here are a few samplings from the disclaimer:

- "These statistics are estimated from sample surveys. They are subject to sampling variability as well as non-sampling error including bias and variance from response, nonreporting, and un der-coverage."
- "Changes in seasonally adjusted statistics often show irregular movement. It takes 6 months to establish a trend for new houses sold. Preliminary new home sales figures are subject to revision due to the survey methodology and definitions used."
- "The survey is primarily based on a sample of houses selected from building permits. Since a "sale" is defined as a deposit taken or sales agreement signed, this can occur prior to a permit being issued. An estimate of these prior sales is included in the sales figure."

Maybe the report should have plagiarized a further disclaimer from the pharmaceutical ads during the evening news, "If a headache persists for over four hours after reading this, please consult with a physician." After reading the Zillow analysis as well as the report from the U.S. Census Bureau, I agree with the conclusion. It's time we stopped sugarcoating the truth about *this* data.

At The Information Market, we don't track national new home builds and we don't worry about sampling variability. We simply count each newly constructed home in Maricopa County sold on a daily basis. We identify new builds using a variety of means, algorithms and data points. It's not perfect, but it's darn close. In STAT we've been talking about a need for more new construction for years, particularly at the entry level. We've also been reporting steady improvement in our new construction numbers over the last three years. While we're not experiencing the 2,500 new builds per month like we did in the late nineties, we are seeing improvements of 18.44% and 31.39% over the past two years and 19.84% for the first nine months of this year. I don't believe anyone would describe a nearly 20% year-over-year gain as flatlining. By their own admissions, homebuilders have been facing labor, material, and land challenges. However, if the recent surge in homebuilder's stocks coinciding with their third quarter earnings reports are any indication, new construction is trending in the right direction.

Year	Total Yearly New Builds	Year-Over-Year-Change
2012	8669	
2013	9777	12.78%
2014	8901	-8.96%
2015	10542	18.44%
2016	13851	31.39%
2017(To Date)	11693	19.84%

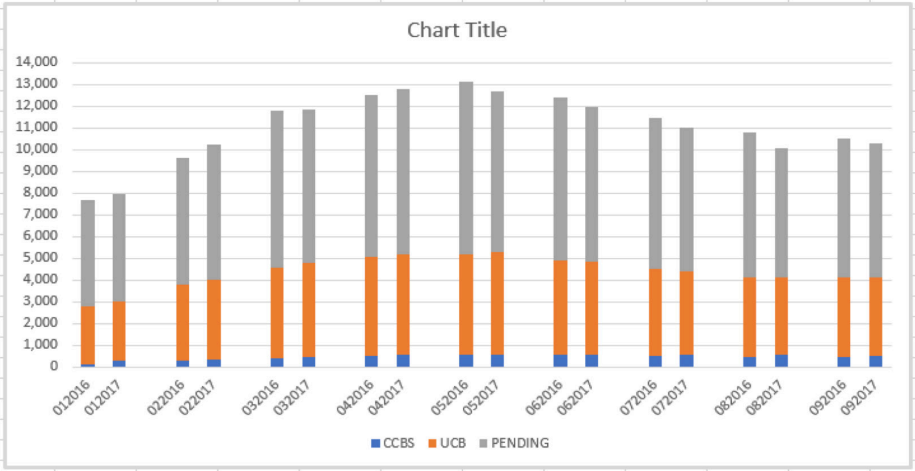
NAR

Like the NAR report, we too are reporting year-over-year pending home sale declines for the fifth time in six months. However, our conclusions are slightly different. In early 2017 we began seeing a new trend emerging in our data. I believe there is a new dynamic inside the data and that something has changed as to how the agents are reporting their pending contracts. There used to be a strong relationship between the under-contract count and the monthly sales count the following month.

In 2017, we've seen a 1.01% decline in year-over-year *pending* contracts and a 6.75% increase in homes sold (as shown in the spreadsheets and charts below). Public records data in Maricopa County gives us similar results with an 8.37% increase in total homes sold. Remember, public records data includes new builds and only 1 in 4 new builds are listed on the MLS.

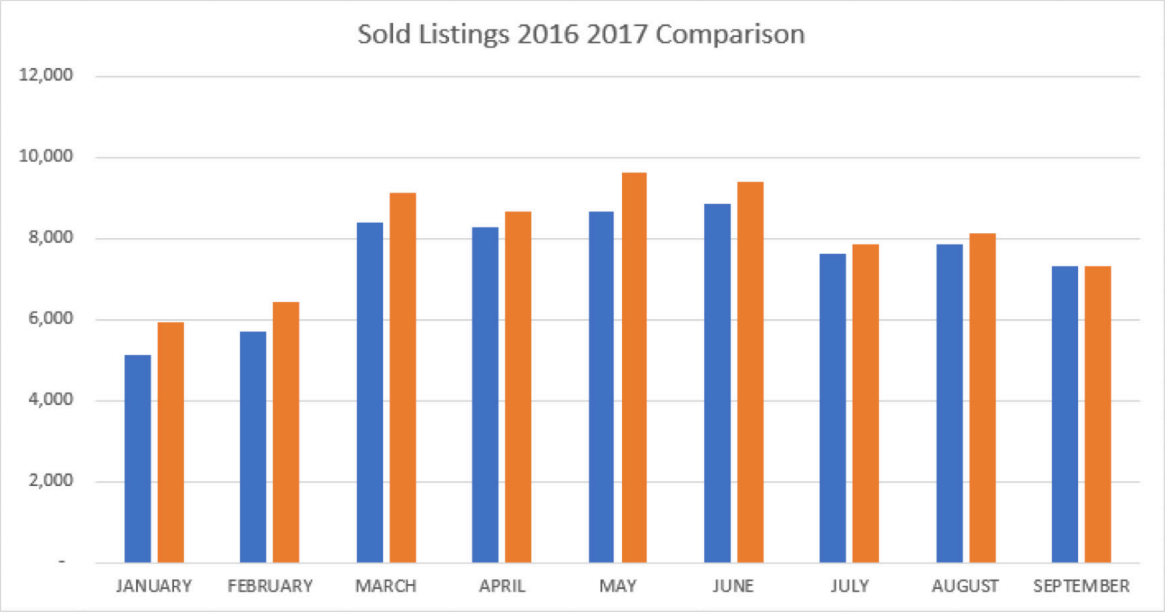
CCBS + UCB + PENDING

MONTH_YEAR	CCBS	UCB	PENDING	TOTAL	
012016	126	2,685	4,870	7,681	
012017	270	2,732	4,945	7,947	
022016	284	3,484	5,877	9,645	
022017	343	3,665	6,226	10,234	
032016	392	4,169	7,221	11,782	
032017	452	4,323	7,104	11,879	
042016	531	4,538	7,476	12,545	
042017	544	4,629	7,616	12,789	
052016	582	4,622	7,911	13,115	
052017	583	4,701	7,427	12,711	
062016	545	4,329	7,551	12,425	
062017	583	4,249	7,156	11,988	
072016	496	4,007	6,990	11,493	
072017	567	3,820	6,619	11,006	
082016	464	3,633	6,705	10,802	
082017	549	3,571	5,964	10,084	
092016	466	3,644	6,388	10,498	
092017	521	3,581	6,203	10,305	
			Total 2016	99,986	
			Total 2017	98,943	



ARMLS SOLD LISTINGS 2016/2017

						Sold Listings								
Year	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER				Total	Total
2016	5,131	5,718	8,412	8,293	8,676	8,861	7,630	7,843	7,328					67,892
2017	5,932	6,435	9,116	8,666	9,641	9,391	7,853	8,113	7,328					72,475

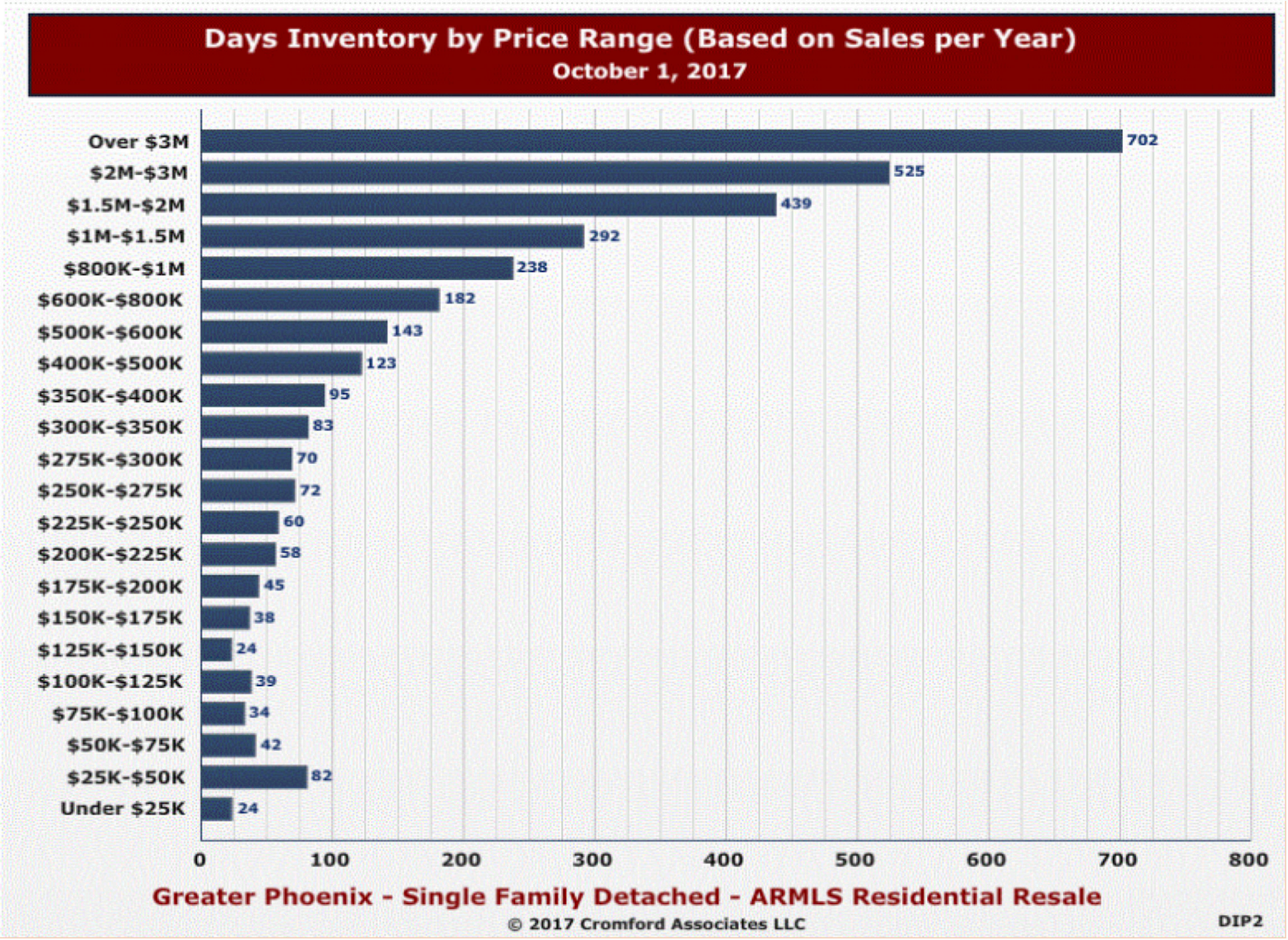


CORE LOGIC

Both the NAR and Core Logic economists attribute declining home sales to lack of inventory. We can all agree overall supply is low. The chart below displays ARMLS inventory numbers for the past two years.

TOTAL INVENTORY (From total of Active VS UCB)													
Monthly Active Units | 2015-16	23,308	24,652	24,918	22,897	25,886	27,395	27,680	27,015	25,849	24,641	23,627	23,680	24,087
Monthly Active Units | 2016-17	24,087	25,040	24,675	22,536	24,338	24,762	24,612	24,176	23,520	22,069	21,553	21,462	21,820
% Change over year	3.3%	1.6%	-1.0%	-1.6%	-6.0%	-9.6%	-11.1%	-10.5%	-9.0%	-10.4%	-8.8%	-9.4%	-9.4%
% Change per month	1.7%	4.0%	-1.5%	-8.7%	8.0%	1.7%	-0.6%	-1.8%	-2.7%	-6.2%	-2.3%	-0.4%	1.7%
Active VS Under Contract-Backups													
Active | 2016-17	20,095	21,173	21,081	19,534	20,330	19,987	19,439	18,892	18,688	17,682	17,433	17,360	17,997
UCB | 2016-17	3,579	3,459	3,244	2,732	3,665	4,323	4,629	4,701	4,249	3,820	3,571	3,581	3,363
CCBS | 2016-17	413	408	350	270	343	452	544	583	583	567	549	521	460
UCB % of Total Active	14.9%	13.8%	13.1%	12.1%	15.1%	17.5%	18.8%	19.4%	18.1%	17.3%	16.6%	16.7%	15.4%
CCBS % of Total Active	1.7%	1.6%	1.4%	1.2%	1.4%	1.8%	2.2%	2.4%	2.5%	2.6%	2.5%	2.4%	2.1%
UCB & CCBS % of Total Active	16.6%	15.4%	14.6%	13.3%	16.5%	19.3%	21.0%	21.9%	20.5%	19.9%	19.1%	19.1%	17.5%

However, what you share with your clients as to current market conditions cannot be based on the broad spectrum of the entire market. National reports will be of no value when you're speaking with a client. You need to be specific to the individual homeowner and their neighborhood. The chart below, provided by our friend and colleague Michael Orr, clearly shows the divergence in inventory levels based on one very important attribute: price point. The expectations you set for a seller at a $250,000 price point is going to be worlds apart from a seller in the $1,000,000 range.


Days Inventory by Price Range (Based on Sales per Year)
October 1, 2017
Over $3M 702
$2M-$3M 525
$1.5M-$2M 439
$1M-$1.5M 292
$800K-$1M 238
$600K-$800K 182
$500K-$600K 143
$400K-$500K 123
$350K-$400K 95
$300K-$350K 83
$275K-$300K 70
$250K-$275K 72
$225K-$250K 60
$200K-$225K 58
$175K-$200K 45
$150K-$175K 38
$125K-$150K 24
$100K-$125K 39
$75K-$100K 34
$50K-$75K 42
$25K-$50K 82
Under $25K 24
0
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700
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Greater Phoenix - Single Family Detached - ARMLS Residential Resale
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DIP2

Conclusion

Finally, of all the conclusions drawn in the three reports above, the one that leaves me scratching my head is the theory that tight inventory can help stabilize price growth. If any reader out there can explain this phenomenon, please share. Over here at STAT, we've seen prices stabilize but, as discussed in prior reports, our home prices historically stabilize this time of year.

I'll leave you with a story about the dangers of blindly going off the numbers. Three economists went out hunting and came across a large deer. The first economist fired, but missed by a meter to the left. The second economist fired, but missed by a meter to the right. The third economist didn't fire, but shouted in triumph, "We got it! We got it!"

The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for August of $239,900. The actual median sales price was $241,700, missing the mark by less than 1%. We had projected home closings in the 7,500 range. The final sales volume was 7,328, a difference of 172 sales. There was one more business day in September 2016 than September 2017. Looking ahead to October, the ARMLS Pending Price Index anticipates the median sales price will be $245,000. It's not unusual for the median sales price to stabilize in the fall months as seasonal patterns take hold. Our median sales price hit its high watermark for the year in June at $245,000.

Sales volume in September was 7,328, the same as the 2016 total of 7,328. Sales volume for the first nine months of 2017 was 6.75% higher than 2016, with 72,475 sales in 2017 compared to 67,892 for the first nine months of 2016. Like September, we enter October with fewer residential listings practically under contract. We begin October with 5,860 pending contracts, 3,363 UCB listings and 460 CCBS giving us a total of 9,683 residential listings practically under contract. This compares to 10,134 of the same type of listings one year ago. Even with fewer *pending* listings this year compared to last, I expect the October sales to be higher than the 2016 volume. ARMLS reported 6,981 sales in October of 2016.