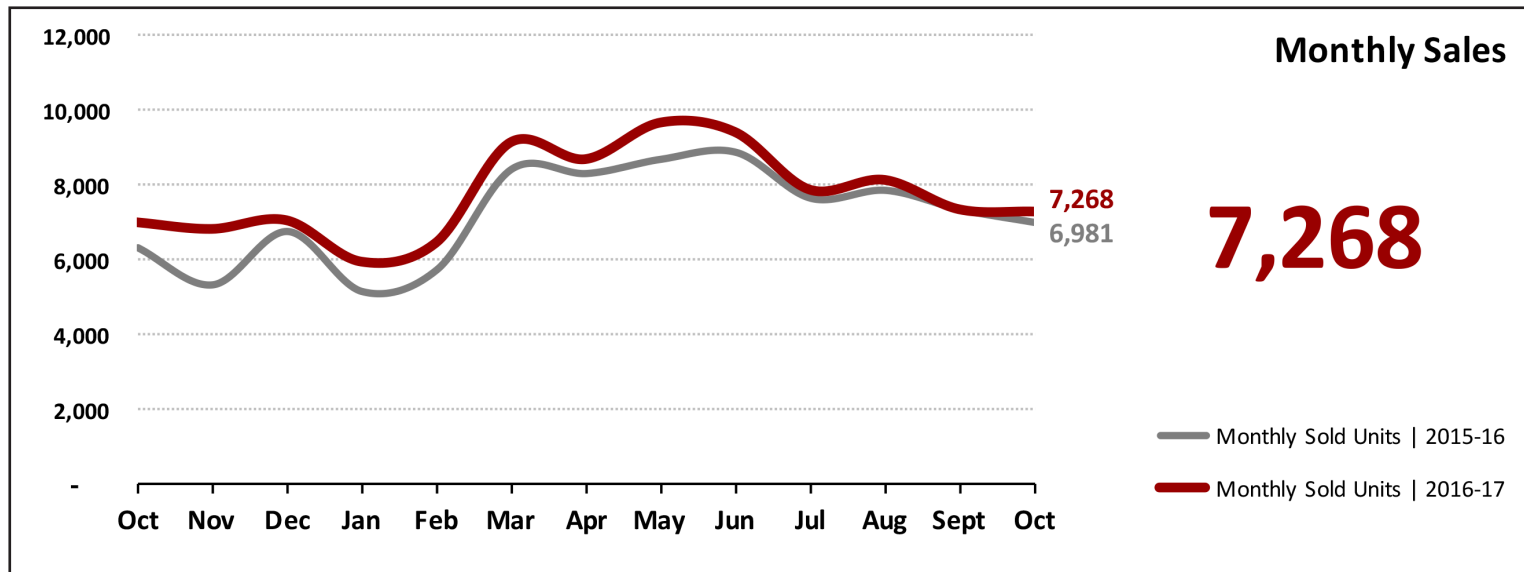


STAT

Your Monthly Statistics for the Phoenix Metro Area



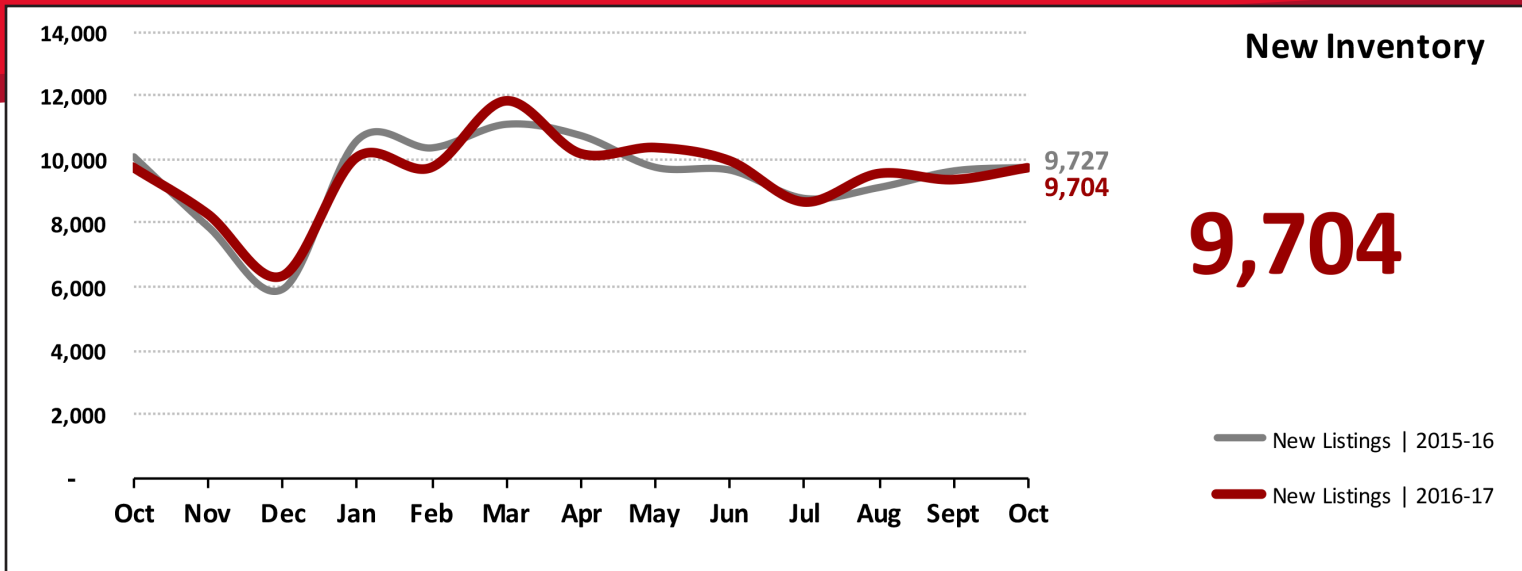
DATA FOR OCTOBER 2017 - Published November 14, 2017



Sales are down -0.8% month-over-month. The year-over-year comparison is at 4.1%.

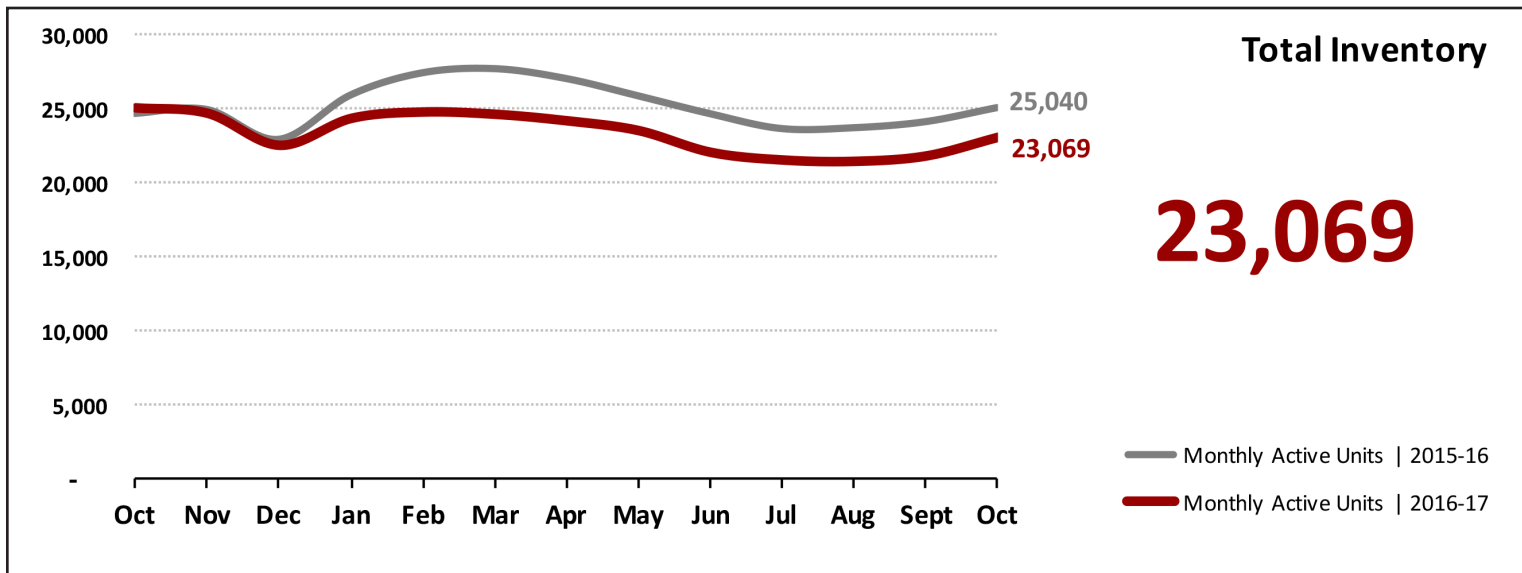
7,268

Closed MLS sales with a close of escrow date from 10/1/2017 to 10/31/2017, 0 day DOM sales removed



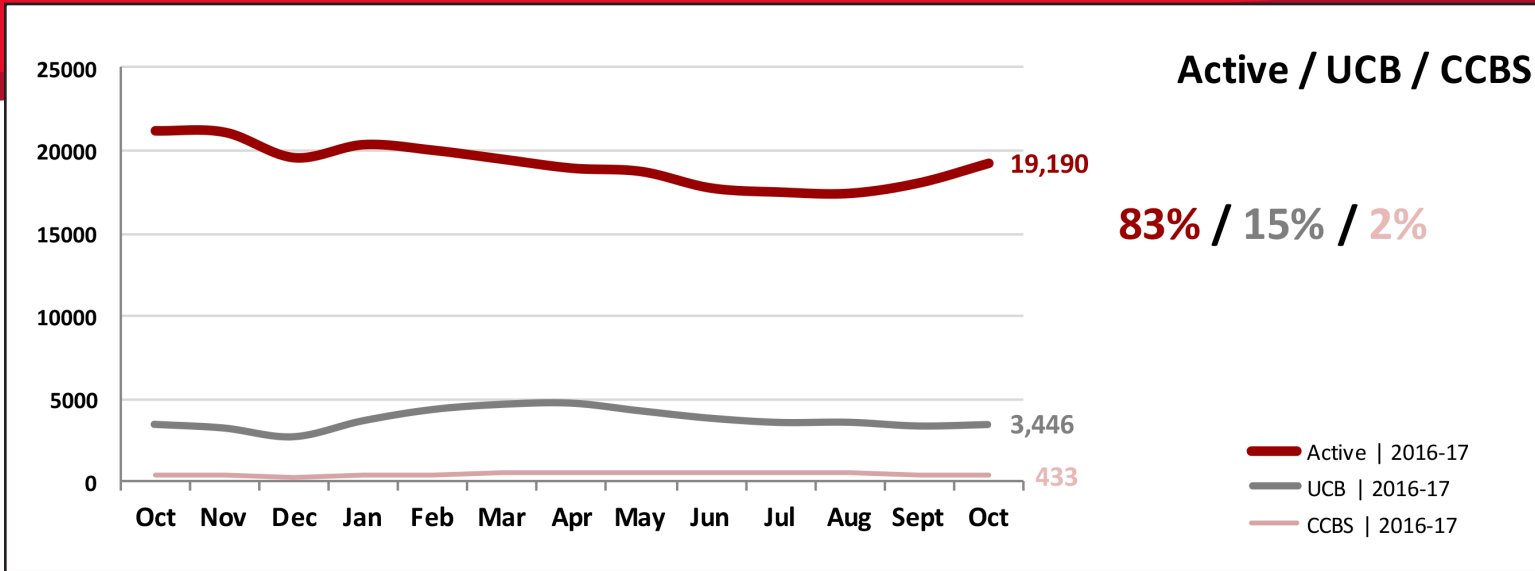
New inventory is up 4.0% month-over-month while the year-over-year comparison shows a decrease of -0.2%.

New MLS listings that were active for at least one day from 10/1/2017 to 10/31/2017, 0 day DOM sales removed



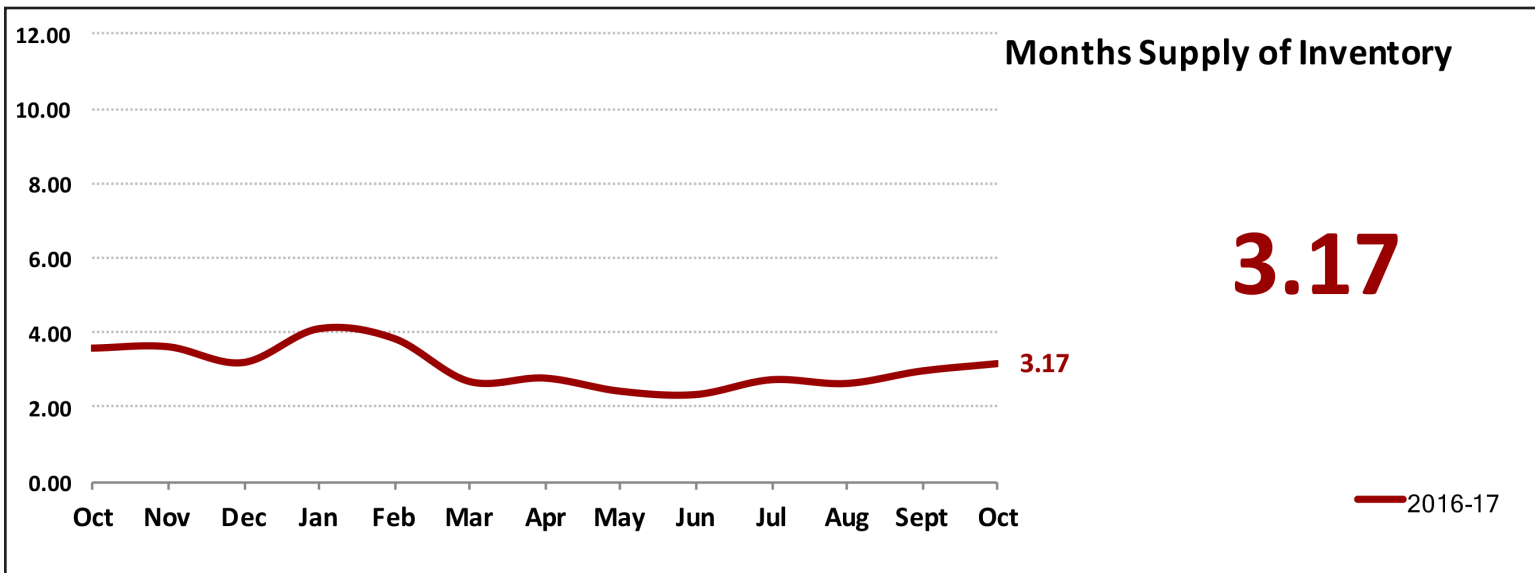
Total inventory has a month-over-month increase of +5.7% while year-over-year reflects a decrease of -7.9%.

Snapshot of statuses on 10/31/2017



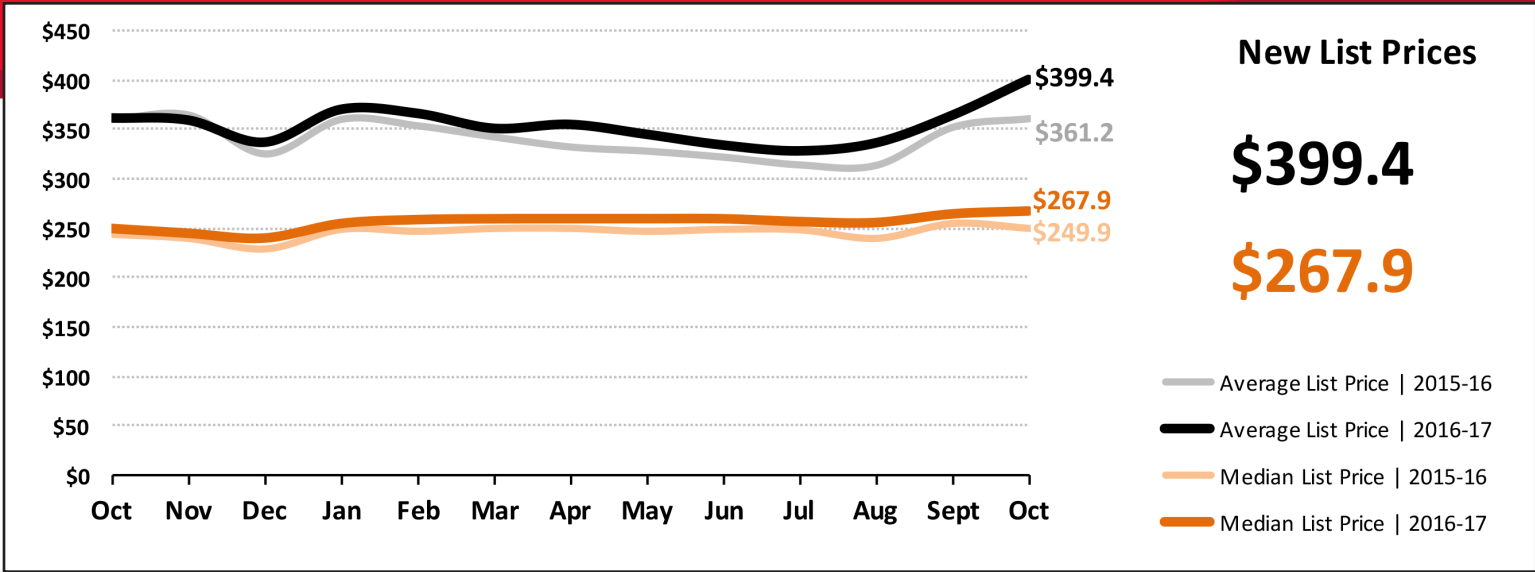
September UCB listings percent of total inventory was +14.9% with September CCBS listings at +1.9% of total inventory.

Snapshot of statuses on 10/31/2017



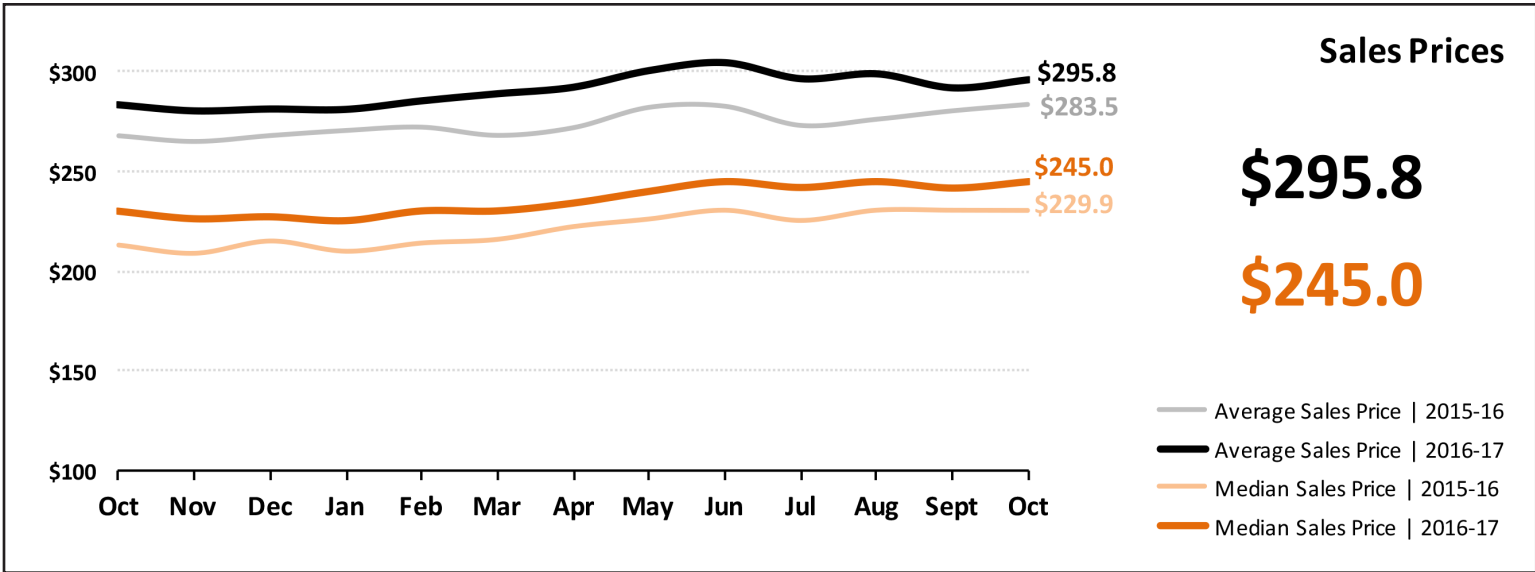
Months supply of inventory for September was 2.98 with October at 3.17.

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



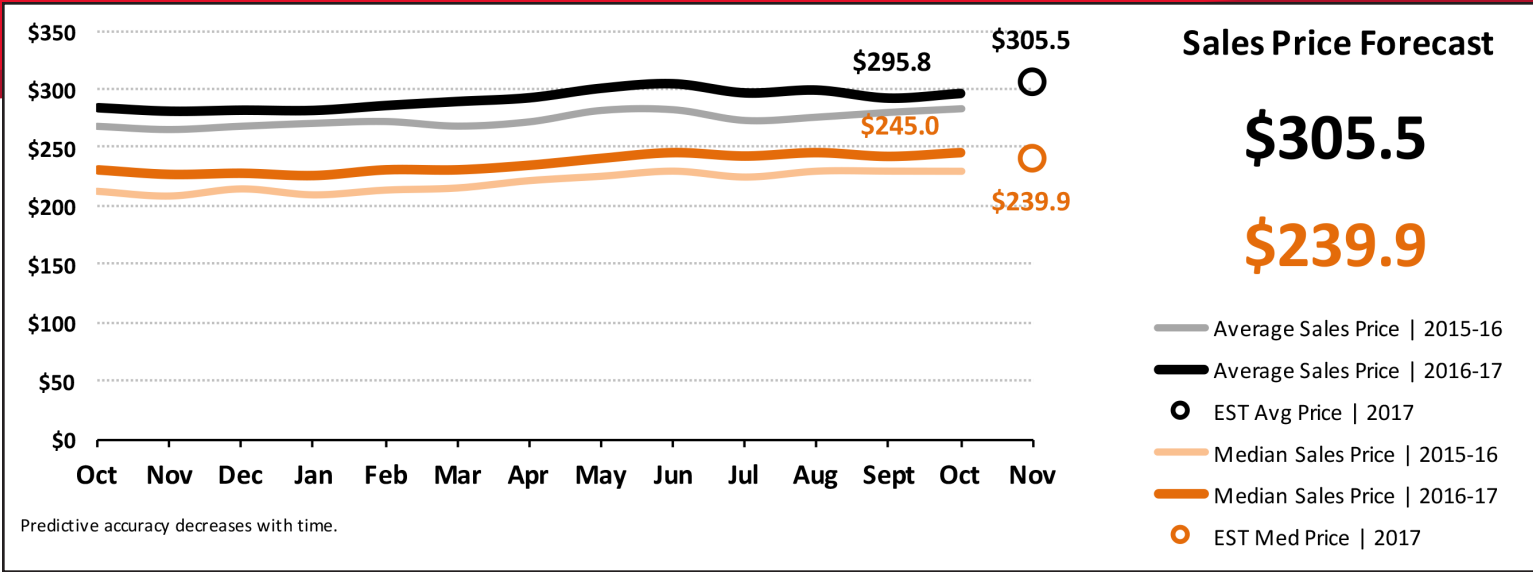
Average new list prices are up +10.6% year-over-year. The year-over-year median is up +7.2%.

List prices of new listings with list dates from 10/1/2017 to 10/31/2017, 0 day DOM sales removed



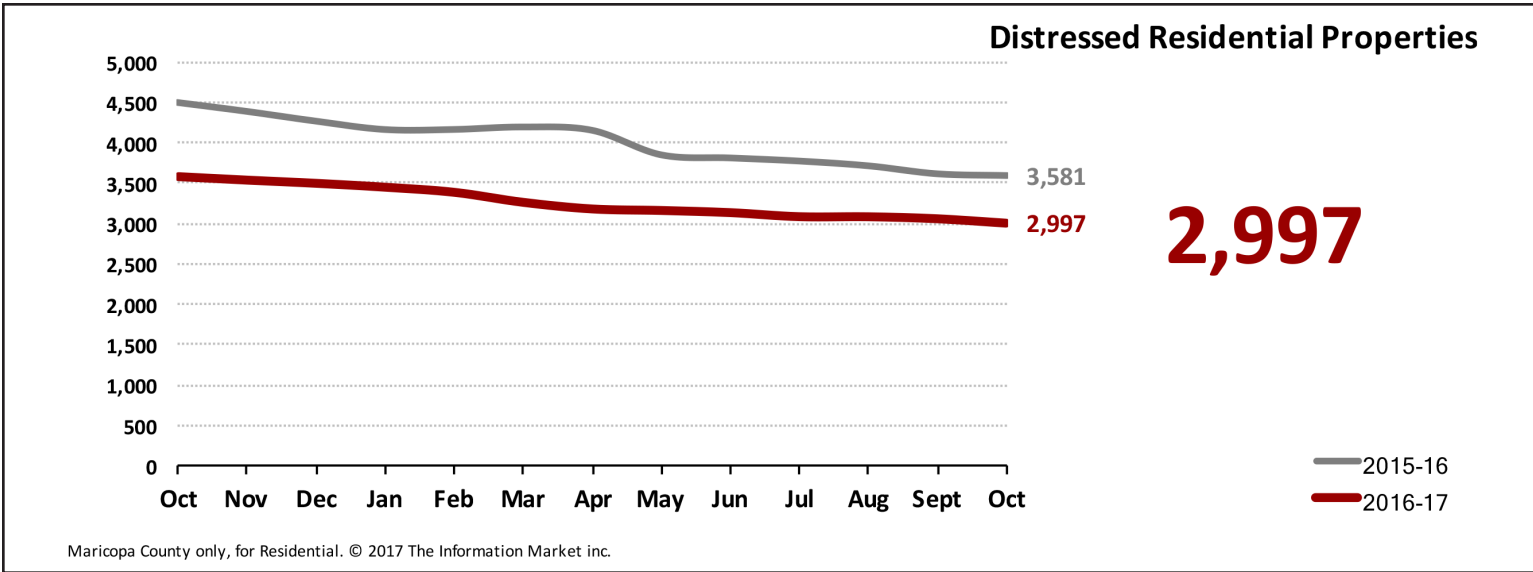
The average sales price is up +4.3% year-over-year while the year-over-year median sales price is also up +6.6%.

MLS sales prices for closed listings with a close of escrow date from 10/1/2017 to 10/31/2017, 0 day DOM sales removed



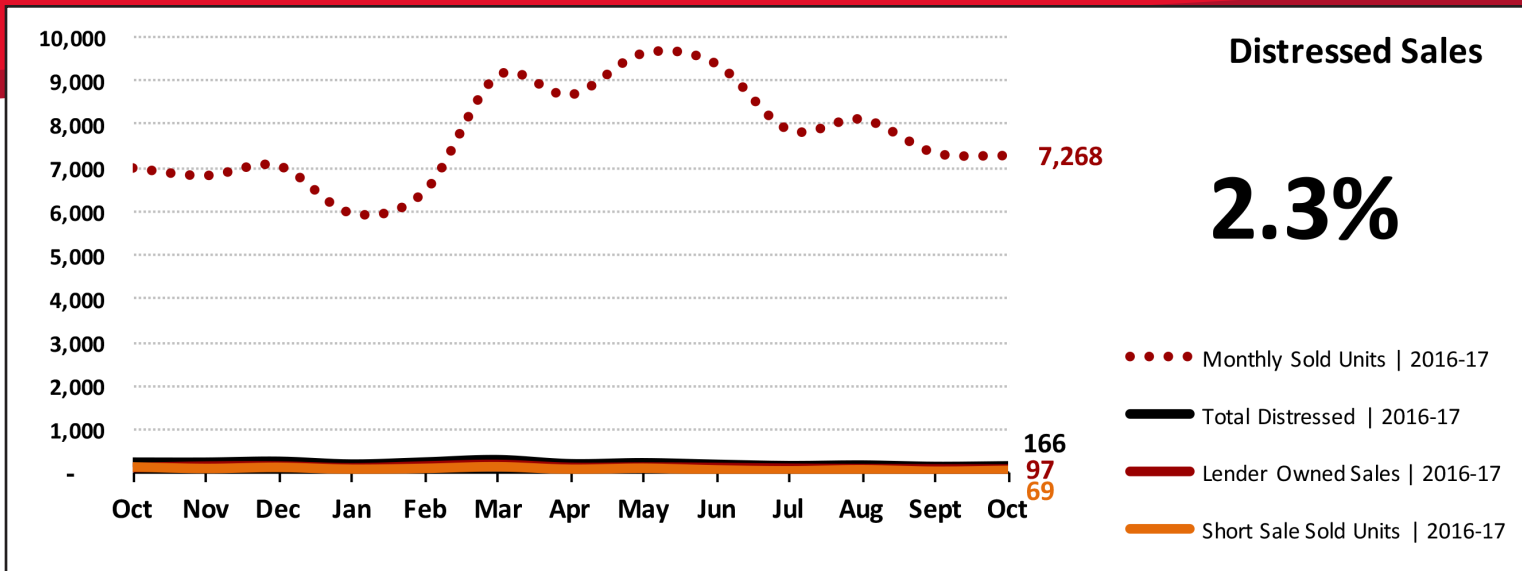
A slight increase is forecasted for average sales price while October had a decrease in median sales price.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



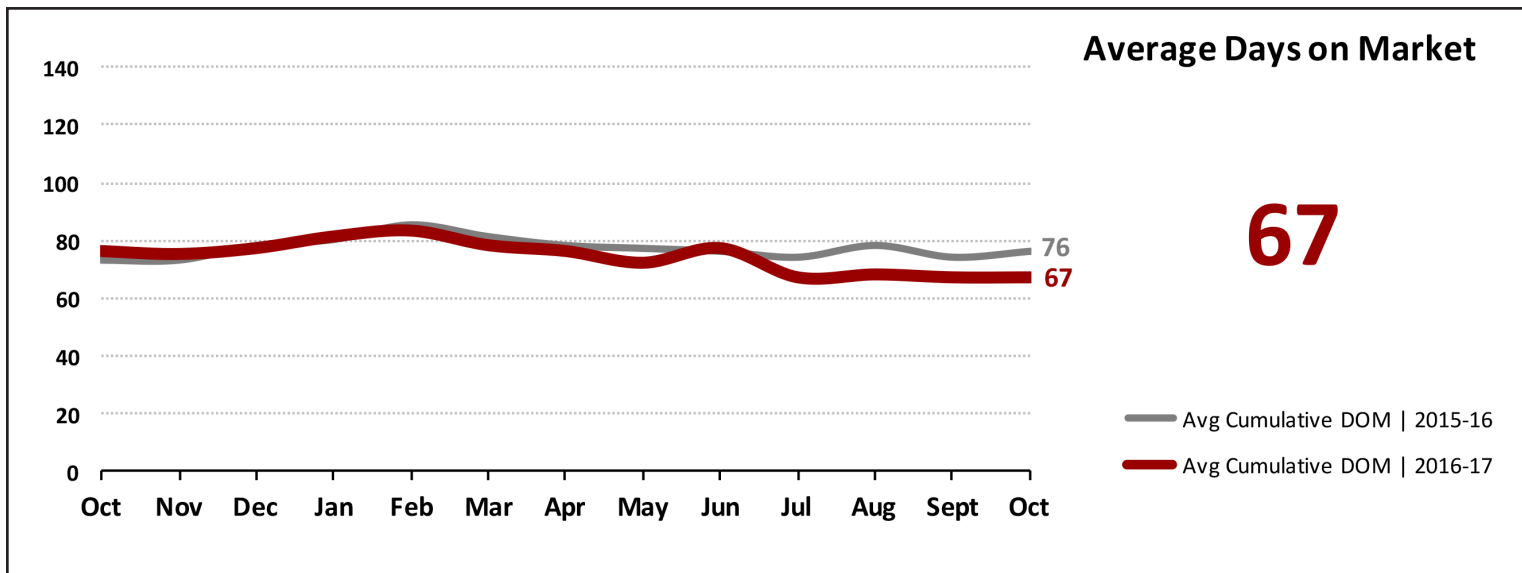
Foreclosures pending month-over-month showed an increase of 15.5% while the year-over-year figure was down -12.2%.

Snapshot of public records data on 10/31/2017 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 16 months.



Distressed sales accounted for 2.3% of total sales, down from the previous month of 2.1%. Short sales dropped -45.7% year-over-year. Lender owned sales dropped -21.1% year-over-year.

New MLS listings that were active for at least one day from 10/1/2017 to 10/31/2017, 0 day DOM sales removed



Days on market were down -9 days year-over-year while month-over-month remained the same.

MLS sales prices for closed listings with a close of escrow date from 10/1/2017 to 10/31/2017, 0 day DOM sales removed

We're now entering the holiday season, which means over the next four months our monthly sales volume will drop to the lowest numbers of the year. Historically, our lowest sales volume occurs in November, January and February. We should see an uptick in December as year-end tax strategies come into play, but overall, we're officially entering our slow season. While our supply of active listings increased in October, the overall listings are 7.9% lower than a year ago. This is characterized by too few homes for sale at the low range and too many for sale at the top. As a result, prices continue to rise quickly at the bottom of our market while dropping slightly at the high end.

The agent comments in Credit Suisse's October 2017 Monthly Survey of Real Estate Agents tell the tale of the tape:

"Low inventory of affordable houses."

"Lull before winter visitors arrive."

"Buyers taking a break to see if a better selection arrives on the market."

"Improvement in the Arizona economy."

The Cromford Report

There have been numerous articles written over the past week about the new tax implications. In his daily observations from November 6th, Michael Orr of the Cromford Report shared his take on the tax adjustment.

“The Mortgage Interest Deduction is not as important as many in the housing industry believe. It only comes into play for taxpayers who itemize their deductions and for many people the standard deduction is already larger than the total of their itemized deductions. With the proposed tax changes under review in 2017, the standard deduction will increase while many other deductions will be reduced. This will mean the Mortgage Interest Deduction will become irrelevant except to a very small percentage of home owners in Arizona. Only filers with incomes well over \$200,000 are likely to find it worthwhile to itemize their deductions. Needless to say, this is a lot higher than the typical income level to be found across Greater Phoenix.”

“The limit on the size of the mortgage for which mortgage interest can be deducted is proposed to fall from \$1,000,000 to \$500,000 and property tax deductions will be limited to \$10,000. In California these limits may look rather low, but in Arizona there are few people who will be affected. This is because our property taxes are much lower than California and our average mortgage is much smaller too.”

“The net effect of the proposed tax changes will be to lessen the tax advantages of home ownership versus home rental. This could divert some demand away from homes for sale towards homes for rent. Neither type of home is easy to find in affordable form in the Phoenix area right now, though expensive homes are easy to find for both rent and purchase. It also means the tax proposals will be unpopular with real estate agents, who much prefer people to buy rather than rent. This is confirmed by the strong opposition to the tax reforms voiced by the National Association of REALTORS®”

“Another thing that agents will dislike is the new incentive created for high end homeowners not to sell their home. Existing mortgages will have their interest deductibility preserved but any new mortgage will be under the new rules. The national mobility is rather low at the moment, so this tax change will probably reduce mobility further, especially at the high end. On the other hand, people involved in re-modelling and renovating will be pleased about the changes, as owners decide to stay with their existing mortgage and update their home instead.

“From a builder’s perspective, they too prefer incentives to buy rather than rent, so most are in opposition to the tax proposals. However, it will be high end builders like Toll Brothers and those with a greater exposure to expensive markets on the coast who will be most negatively affected. The Arizona market will feel very minor effects in comparison and the low and mid-range demand for new homes is likely to remain intact.

“Those involved in rentals will love the changes because rental demand will get a boost. Doubling the standard deduction will give most filers the tax benefit of owning a home without the bother of having to a purchase one. The likely increase to their take-home pay will probably make it easier for tenants to pay their rent on time and agree to the rent increases that landlords love to impose. The tax changes are therefore friendly to landlords and real estate investors.”

Numbers from Maricopa County public records in 2017 echo these sentiments:

- 90% of the homes purchased in Maricopa County are less than \$482,000
- 77% of all homes purchased had a mortgage
- Less than 3% of the homes purchased had a mortgage greater than \$500,000

My personal sentiments align with Joseph Callaway in a recent [azcentral article](#), “It has been a long time since we had a buyer say that they were buying a home for the tax deduction on interest,” he said. “If tax reforms bring more prosperity to people, then home ownership and demand will go up.” And I might add, a tax change that negatively impacts California might bring positive economic gains to Arizona.

It should be noted the tax-reform bill hasn’t passed yet, and more changes will come as Congress sifts through the proposal. As is most often the case, it’s difficult to anticipate the true ramifications of changes within the tax code, and at this early stage, we’re only guessing.

The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for August of \$245,000. The actual median sales price was \$245,000, making our projection spot on. We had projected home closings would exceed the 2016 total of 6,981. The final sales volume was 7,268. Remember, there was one more business day in October 2017 than October 2016, making our 4.1% increase a bit more modest. Looking ahead to November, the ARMLS Pending Price Index anticipates the median sales price will be \$239,900. It’s not unusual for the median sales price to wobble in the fall months with seasonal patterns in place. Our median sales price for October matched its high watermark for the year.

Sales volume for the first 10 months of 2017 was 6.5% higher than 2016, with 79,743 sales in 2017 compared to 74,873 in 2016. Like October, we enter November with fewer residential listings practically under contract. We begin November with 5,589 pending contracts, 3,446 UCB listings and 433 CCBS listings, giving us a total of 9,468 residential listings practically under contract. This compares to 9,888 of the same type of listings one year ago. Even with fewer “pending” listings this year compared to last, I expect November sales to be comparable to the 2016 volume. ARMLS reported 6,804 sales in November of 2016.