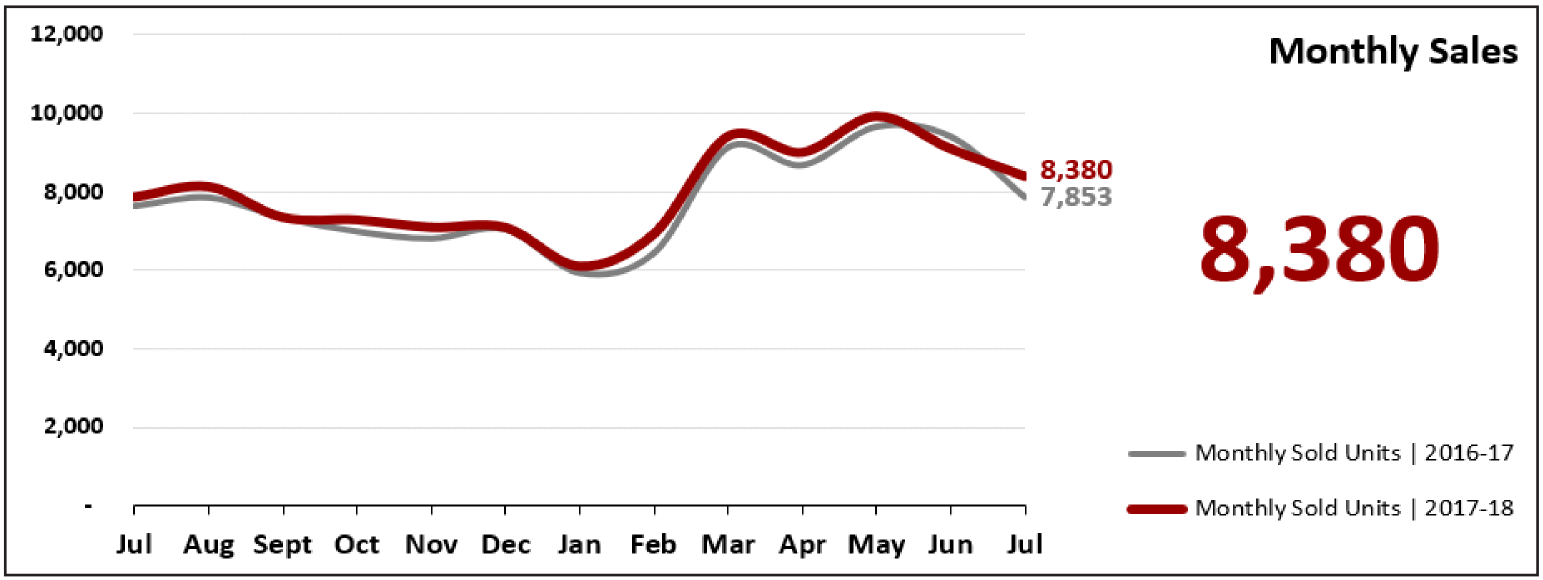
STAT

Your Monthly Statistics for the Phoenix Metro Area

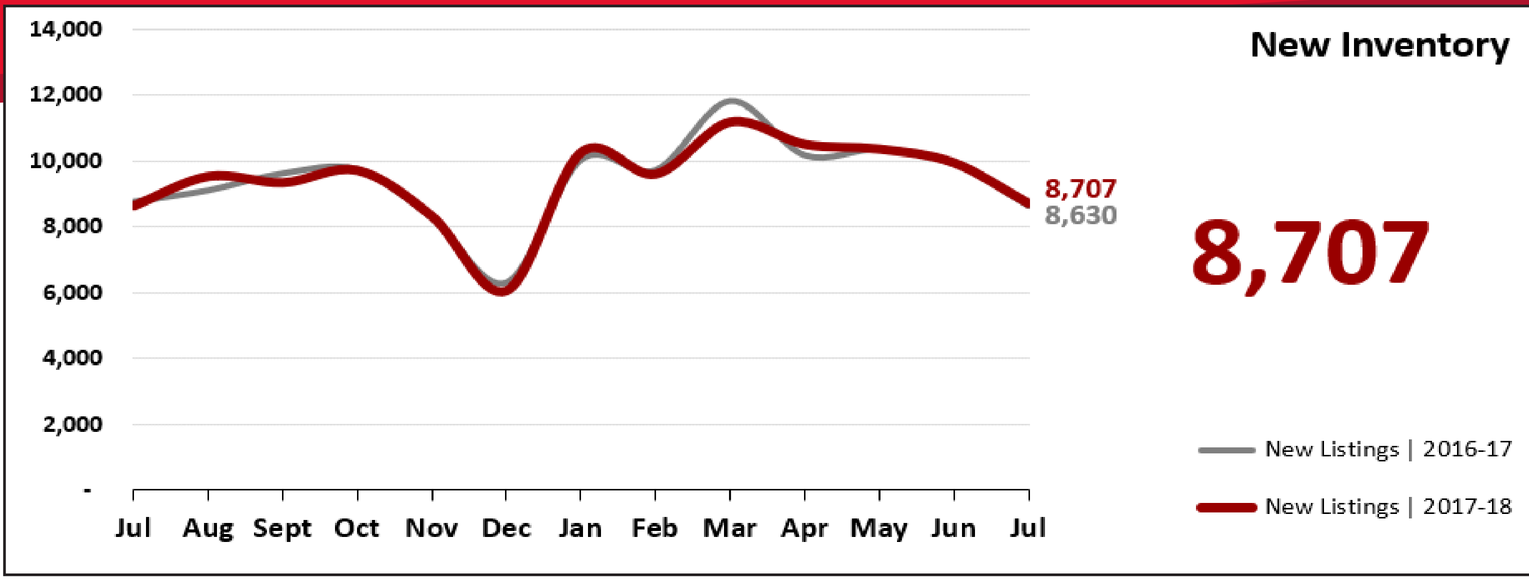
ARMLS®

DATA FOR JULY 2018 - Published August 16, 2018



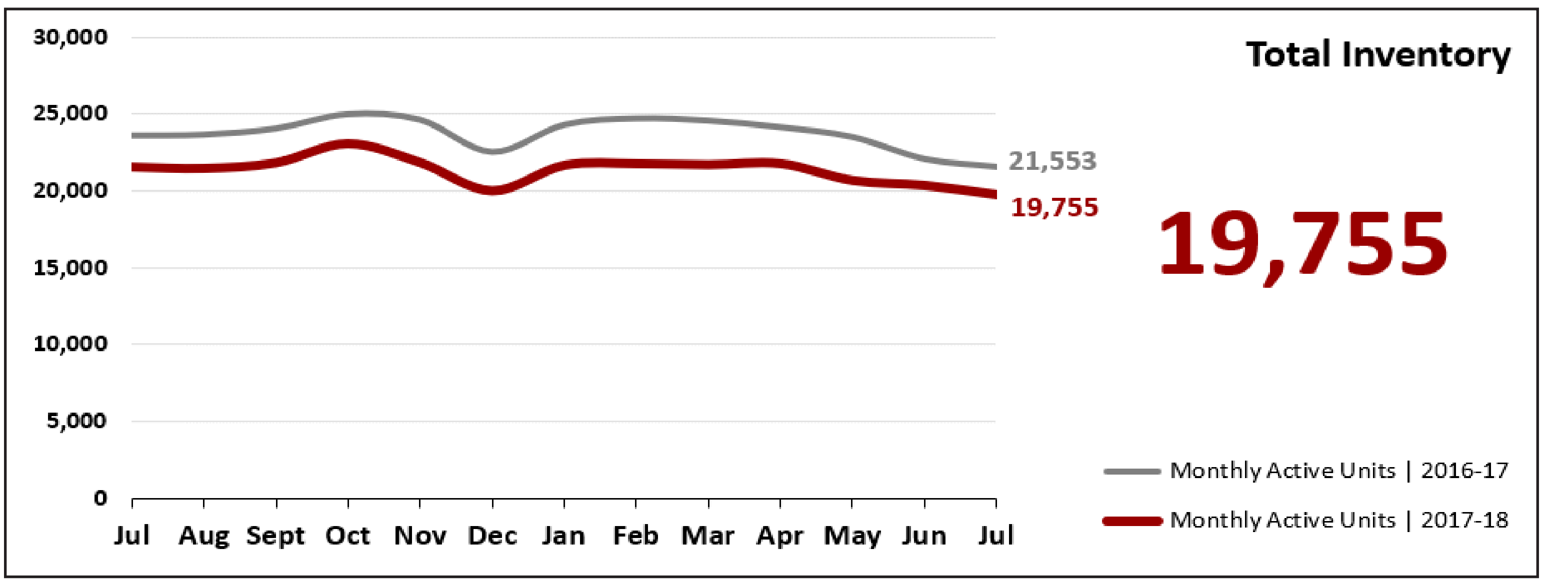
Sales are down -7.7% month-over-month. The year-over-year comparison is up +6.7%.

Closed MLS sales with a close of escrow date from 7/1/2018 to 7/31/2018, 0 day DOM sales removed



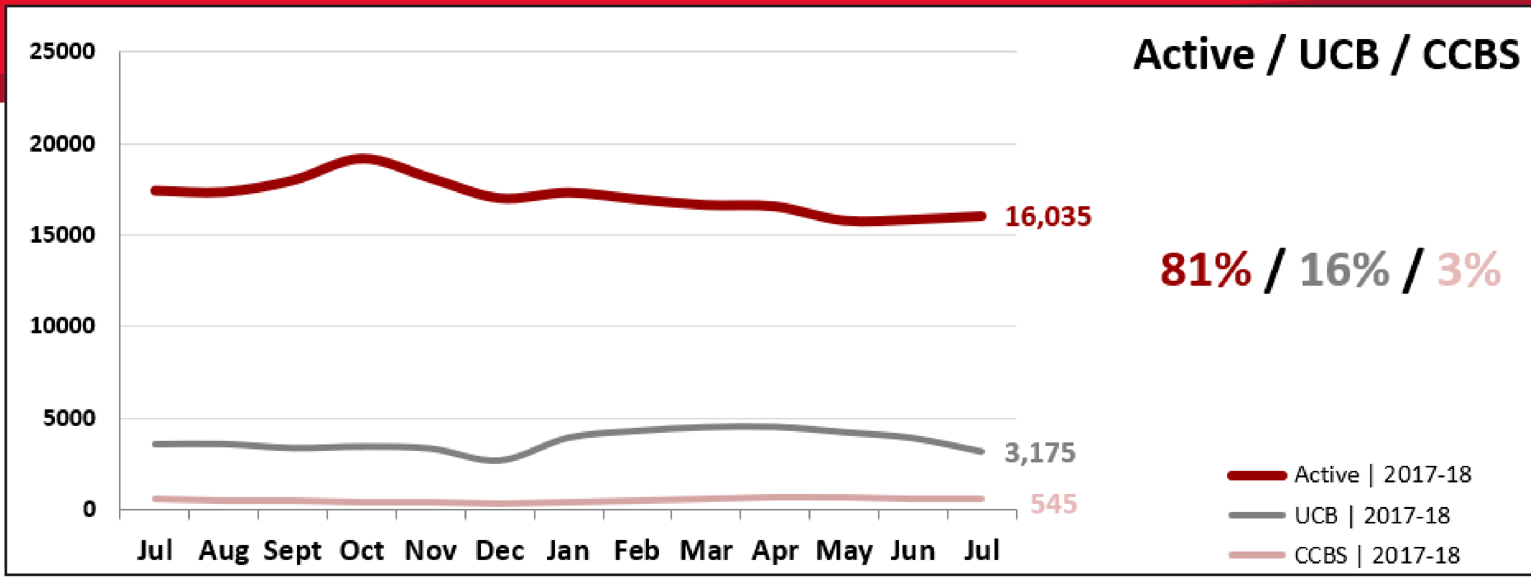
New MLS listings that were active for at least one day from 7/1/2018 to 7/31/2018, 0 day DOM sales removed

New inventory is down -12.4% month-over-month while the year-over-year comparison increased by +0.9%.



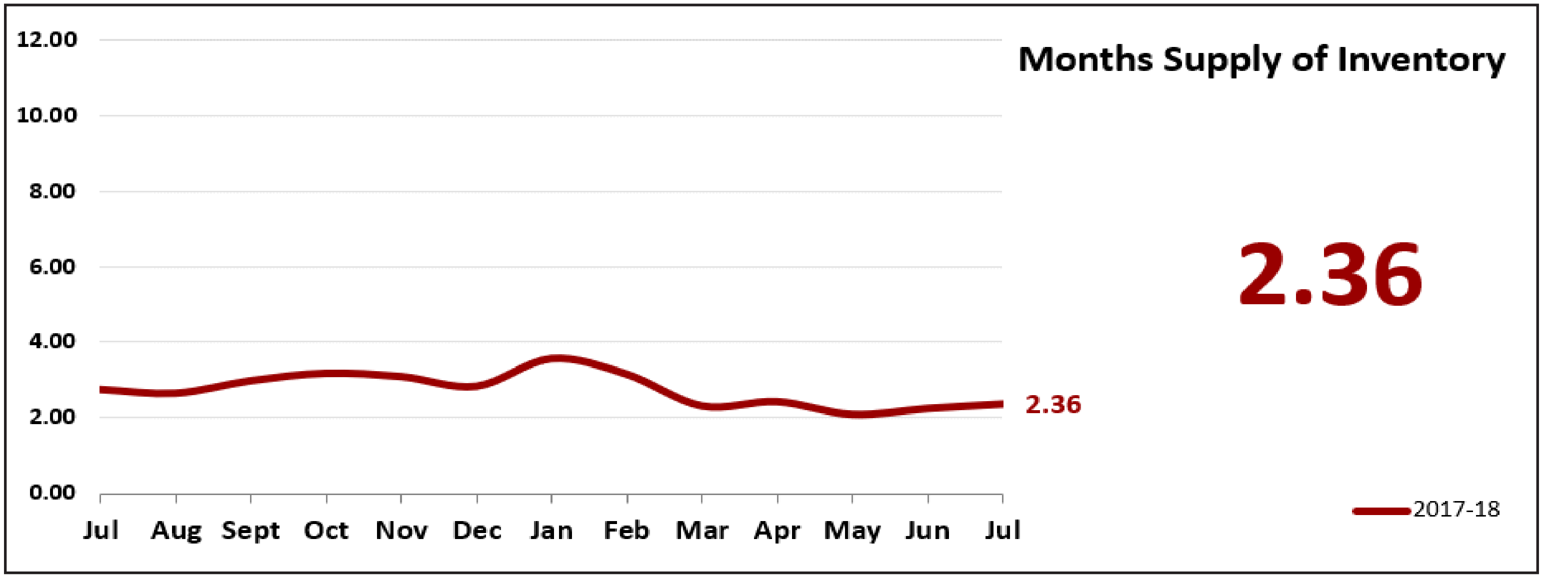
Snapshot of statuses on 7/31/2018

Total inventory has a month-over-month decrease of -3.0% while year-over-year reflects a decrease of -8.3%.



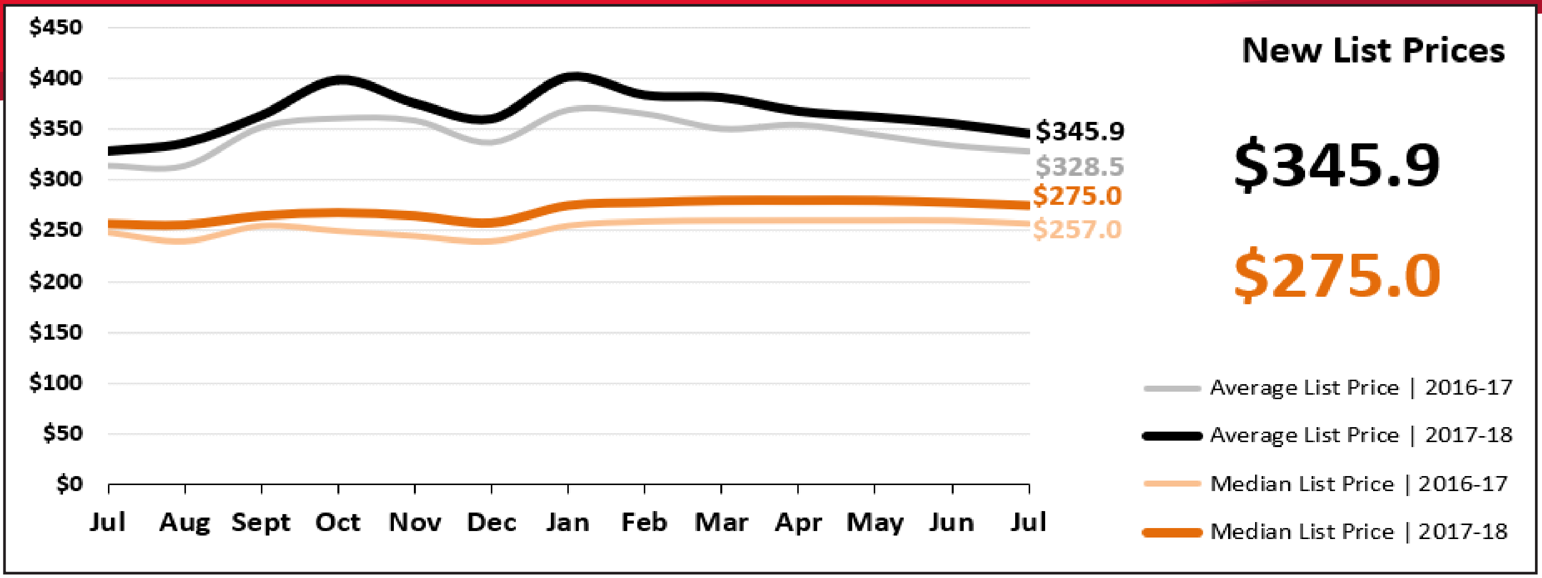
Snapshot of statuses on 7/31/2018

July UCB listings percent of total inventory was 16.1% with June CCBS listings at 2.8% of total inventory.



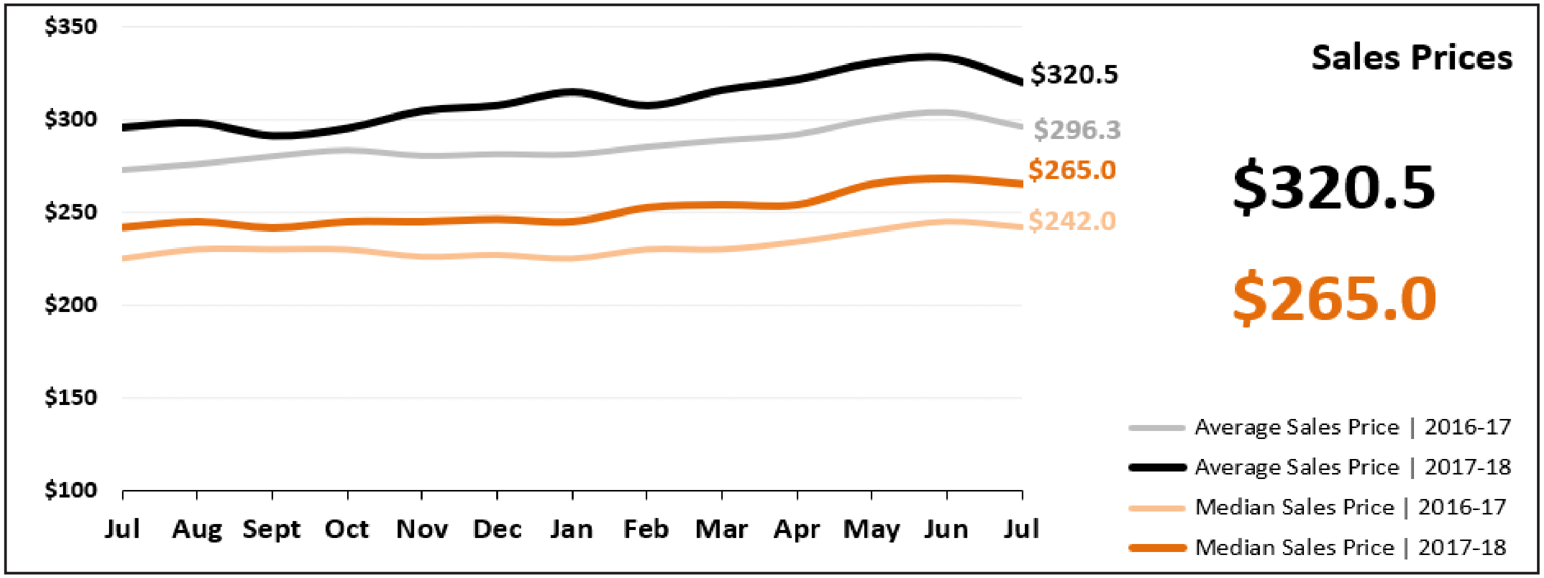
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JULY 2018, 0 day DOM sales removed

Months supply of inventory for June was 2.24 with July at 2.36.



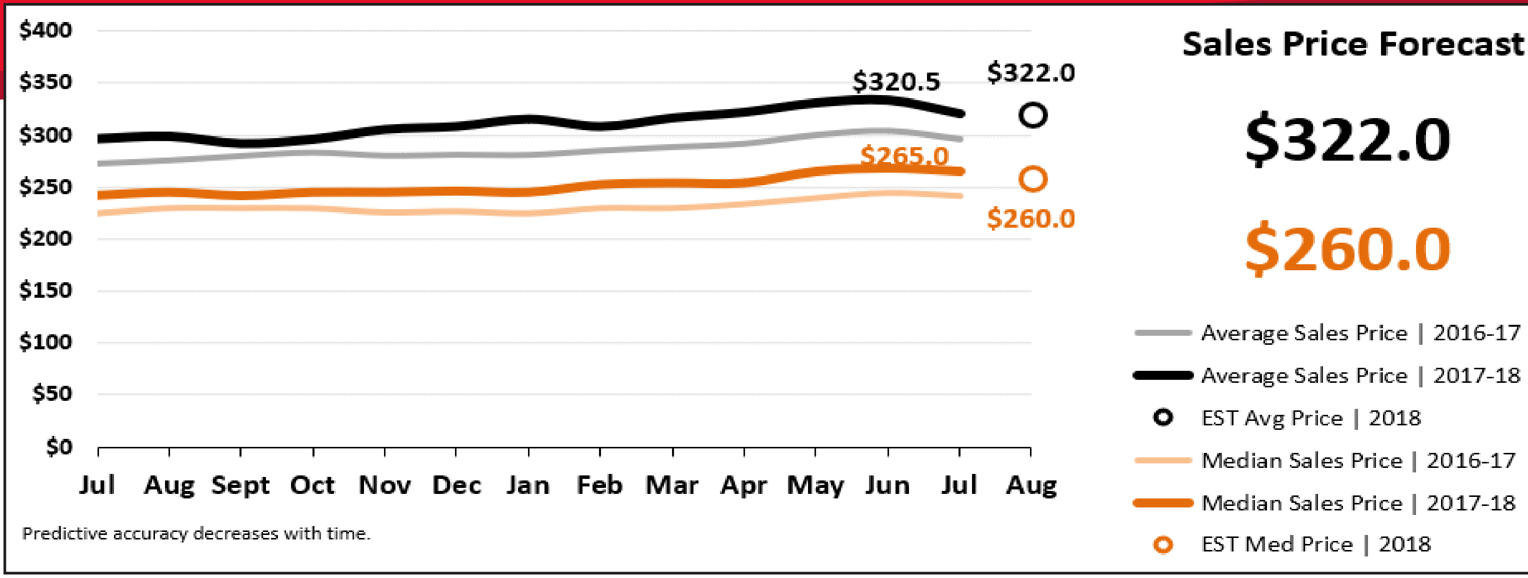
List prices of new listings with list dates from 7/1/2018 to 7/31/2018, 0 day DOM sales removed

Average new list prices are up +5.3% year-over-year. The year-over-year median is up +7.0%.



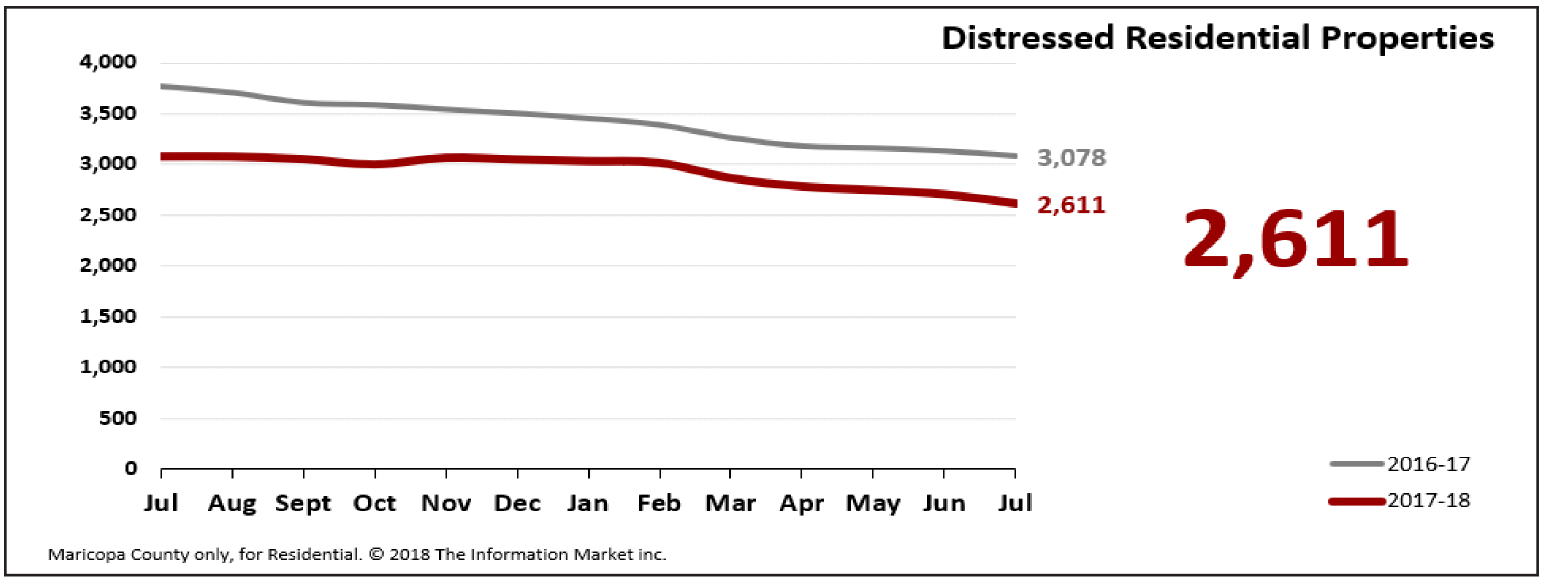
MLS sales prices for closed listings with a close of escrow date from 7/1/2018 to 7/31/2018, 0 day DOM sales removed

The average sales price is up +8.2% year-over-year while the year-over-year median sales price is also up +9.5%.



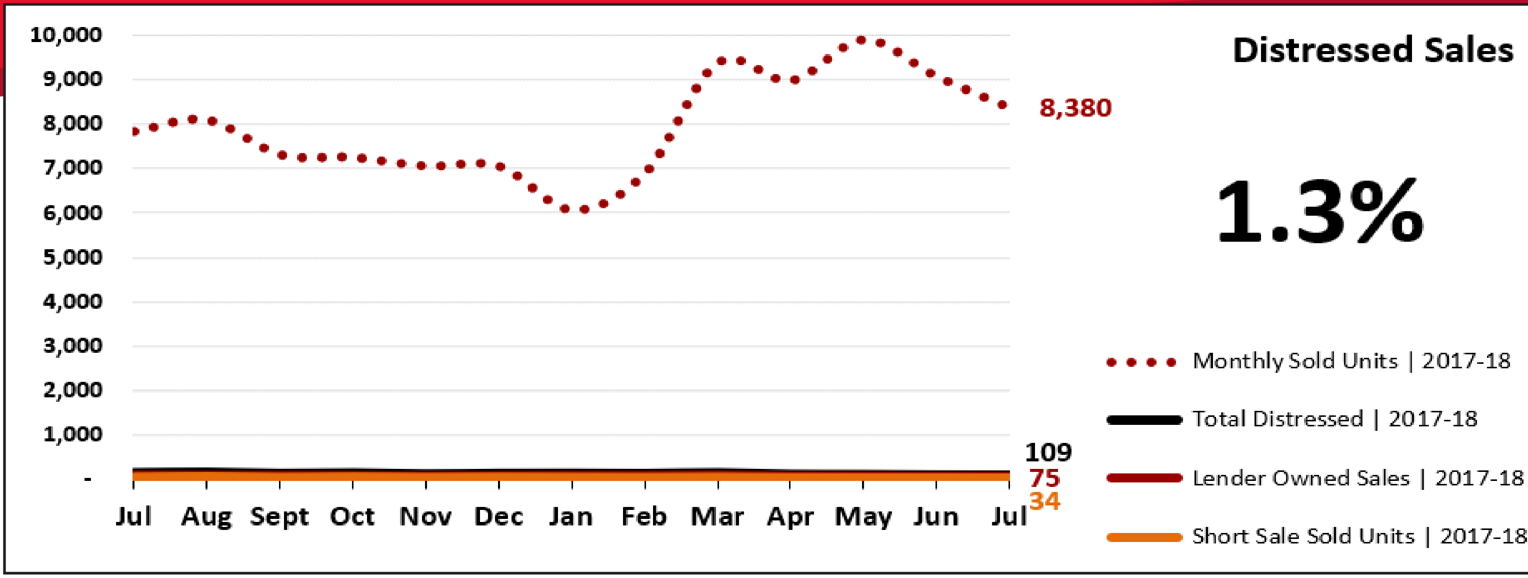
An increase is forecasted for average sales price while August is predicted to have a decrease in the median sales price.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



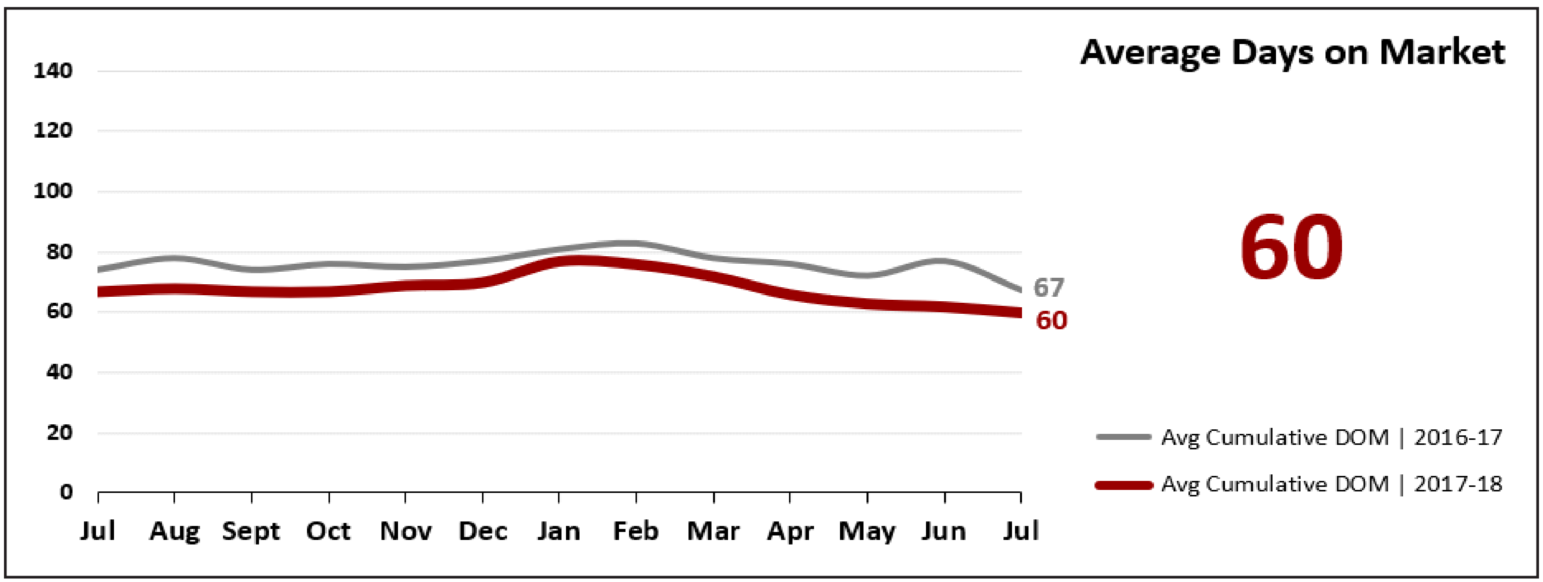
Foreclosures pending month-over-month showed a decrease of -3.3% while the year-over-year figure was down -15.2%.

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



New MLS listings that were active for at least one day from 7/1/2018 to 7/31/2018, 0 day DOM sales removed

Distressed sales accounted for 1.3% of total sales, up from the previous month of 1.2%. Short sales dropped -44.3% year-over-year. Lender owned sales dropped -31.8% year-over-year.



MLS sales prices for closed listings with a close of escrow date from 7/1/2018 to 7/31/2018, 0 day DOM sales removed

Days on market were down -7 days year-over-year while month-over-month decreased by -2.

Each month as I sit down to write STAT I embark on a regular routine. The first thing I do is review the sales number. And for the last 4 years/48 reports, I've reported basically the same thing. Year-over-year sales volume is up, year-over-year average sales price is up, year-over-year median sales price is up and newly built home sales are up. All while the number of homes listed for sale continues to shrink. Bank and short sales have declined for the last ten years and now account for just over 1% of our total sales volume.

Then I look upstream to notices of trustee sales and see further improvements. Foreclosure notices peaked in 2009 and have been rapidly declining to where we are now, which is the lowest number of new monthly foreclosure notices in the 22 years we've been reporting foreclosures. Nearly half of the current notices are on loans that originated during the bubble formation when we had minimal underwriting standards. I keep moving even further upstream and look at loan delinquency as reported by the CoreLogic Loan Performance Insight Report. According to them, fewer loans are past due which means future foreclosures will also decline.

CoreLogic Loan Performance Insight Report

Arizona

May	2017	2018	Difference
30+ Days Delinquent	3.0%	2.6%	-0.4%
90+ Days Delinquent	1.0%	0.7%	-0.3%
Foreclosure Rate	0.3%	0.2%	-0.1%

Finally, I look at the Ellie Mae Origination Insight report and view underwriting standards. Any chance underwriting standards are softening is a resounding “NO”.

Ellie Mae Origination Insight Report

Profiles of All Closed Loans

Closed Loans

	2018						2017										
	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sept	Aug	Jul	Jun	May	Apr	Mar	Feb
ALL																	
FICO	**726**	724	723	722	721	721	722	722	724	724	724	724	724	723	722	721	720
LTV	**80**	79	79	79	78	77	79	79	79	79	80	80	80	80	80	80	79
DTI	**26/39**	26/39	26/39	26/39	26/40	26/40	25/39	25/39	25/39	25/39	25/39	25/38	25/38	25/39	25/39	25/39	25/40

At this point, I realize this month's report is going to look a lot like the 48 prior STATs. We're seeing remarkable consistency, stability and steady growth based on strong underwriting principles. Of course, there are a few challenges- higher inventories and lower price appreciation would be desirable. I also realize that markets never move in one direction forever and eventually the current trends will change. But at least for the remainder of 2018, we'll just see more of the same.

Since I really have nothing new to report, I turn to the news. Locally we're blessed. We have Catherine Reagor, who works hard to get it right, cares and has great local sources. It's when I turn to the national online news feeds that things get painful and I run out of expletives. Invariably, I'll read similar stories with completely different takes. In the past week the J.D. Powers home buyer/seller satisfaction study reported, "*The number of consumers going without real estate agents is rising.*" And, a few days later, "*For sale by owner home sales drop to lowest level on record*." It seems like in today's world, regardless of your opinion and or agenda, they'll be a news story to support it.

Below is a key finding of the J.D. Powers satisfaction study.

> *"More experienced home buyers and sellers foregoing agents: A significant majority (88%) of home buyers are beginning their search for a new home before selecting an agent. Also, 19% of repeat buyers, 14% of repeat sellers, 13% of first-time buyers and 9% of first time sellers did not use an agent to buy/sell their home, a number that has grown steadily during the past two years."*

Brian Jaklitsch, a company spokesman for J.D. Powers, said it appears likely the trend will continue unless agents and the companies they represent don't change their ways. *"Seems easy to imagine a situation where agents become less and less a factor, profitability of the firms in question continues to erode and a lot of jobs are threatened,"* Jaklitsh said. *"A pessimist might even say they are likely to go the way of taxi cabs and medallions in NYC and elsewhere because of Uber unless they change."*

Just weeks prior the National Association of Realtors reported, *"Only 8 percent of sellers last year—an all-time low—chose to sell their home themselves. That figure has been falling since 2004, when 14 percent of homeowners sold their own homes."* Everyone has their own take on this, and everyone thinks the data support their conclusion.

Then I see NAR's reasoning for the decline in FSBOs and things get really insane.

"FSBOs earn an average of $60,000 to $90,000 less on the sale of their home than sellers who work with a real estate agent, according to the National Association of REALTORS®. Here's the breakdown:

- *All agent-assisted homes: $250,000 (median selling price)*
- *All FSBO homes: $190,000*
- *FSBO homes when buyer knew seller: $160,300"*

After reading the national reports, I then step away from the computer and scream. As for the two reports above, I don't much care for either one. In one I find the conclusions far reaching and in the other the logic is horrendous. But hey, if you like either one and it fits your agenda, there they are. And if whomever you share the reports with doesn't understand logic, real estate or math, you'll be fine.

Then I write what I think I know and what I don't know. I don't know how to tell if an agent was involved in a sale or not. There's no box checked on the recorded deed. I can tell that a home sold and I can tell whether there is a corresponding listing on the MLS. I can also tell that the ratio between homes listed on the MLS and the number of homes sold will vary based on the overall strength of the market. The ratio will be higher during a buyers' market and lower during a sellers' market. I can also tell that the ratio over the past four years, just like the market itself, has been very consistent. And finally, I can tell you that when we look at the total dollar sales volume for the first seven months of 2018, agents are experiencing their best year ever.

Total Dollar Sales Volume

Year	January	February	March	April	May	June	July	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	6,617,804,000	18
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	7,201,057,200	17
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	9,049,159,600	16
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	12,304,955,700	9
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	18,173,034,800	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	15,619,545,000	4
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	12,625,831,000	7
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	9,067,743,548	15
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	9,094,283,950	14
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	9,876,681,989	12
2011	1,026,793,098	1,113,664,985	1,567,407,534	1,505,062,307	1,557,473,020	1,779,310,250	1,299,976,613	9,849,687,807	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	10,502,081,177	11
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	12,622,353,870	8
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	11,485,892,405	10
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	13,641,087,623	6
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	14,478,303,934	5
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	16,748,598,359	3
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	18,912,047,665	1

And then I guess what next month will look like.

The Pending Price Index

In STAT last month, the mathematical model projected a median sales price for July of $262,000. Our intuition suggested “a median sales price of $265,000 makes a lot of sense.” The actual median sales agreed with our intuition, coming in at $265,000. Our sales volume projection for July was 8,475 with actual sales coming in at 8,380. Our blind hog found two acorns this month. Looking ahead to August, the ARMLS Pending Price Index anticipates the median sales price will drop slightly to $260,000. It should be noted through the first seven months of 2018 our mathematical model has been underestimating the actual median sales price. This will most likely be the case again in August. 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 on or around $265,000 through the end of 2017.

Sales volume for the first seven months of 2018 was 3.02% higher than 2017, with 58,757 sales in 2018 compared to 57,034 in 2017. We begin August with 5,415 pending contracts, 3,175 UCB listings and 545 CCBS giving us a total of 9,135 residential listings practically under contract. This compares to 10,618 of the same type of listings one year ago. There were 23 business days in August of 2017 compared to 23 this year. ARMLS reported 8,113 sales in August of 2017. My best guess for this year is 8,400.