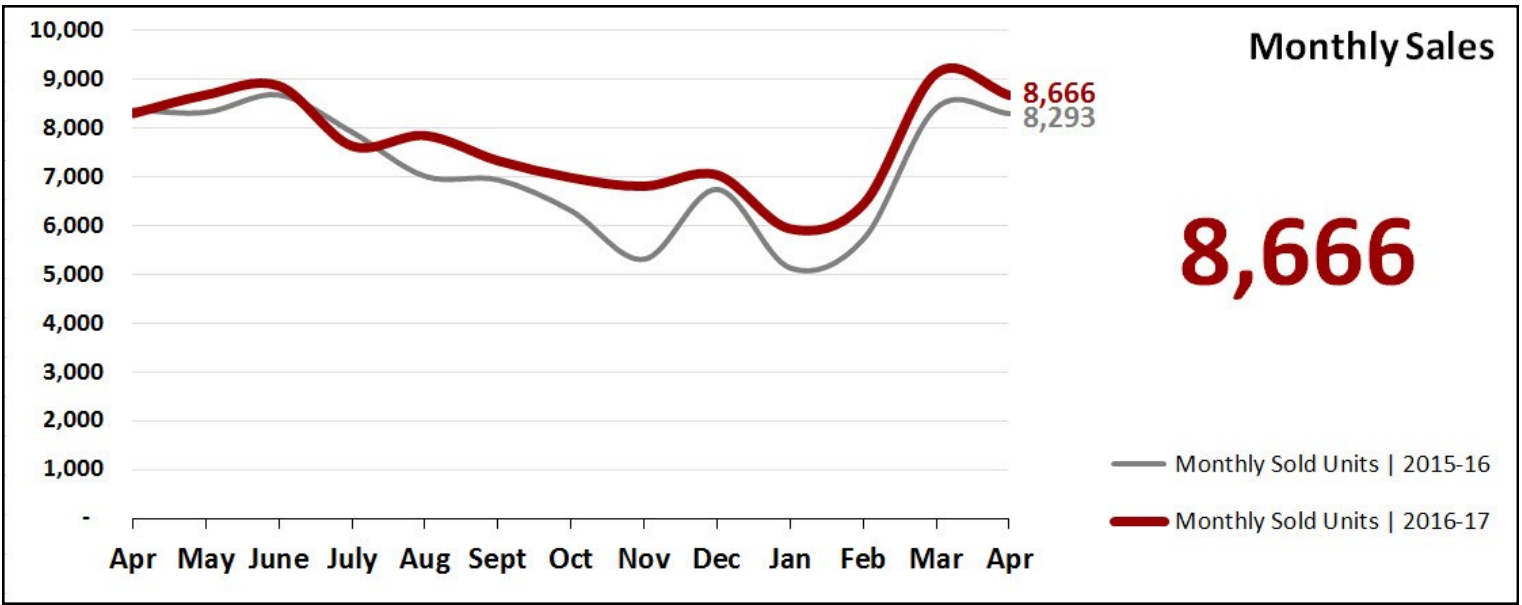


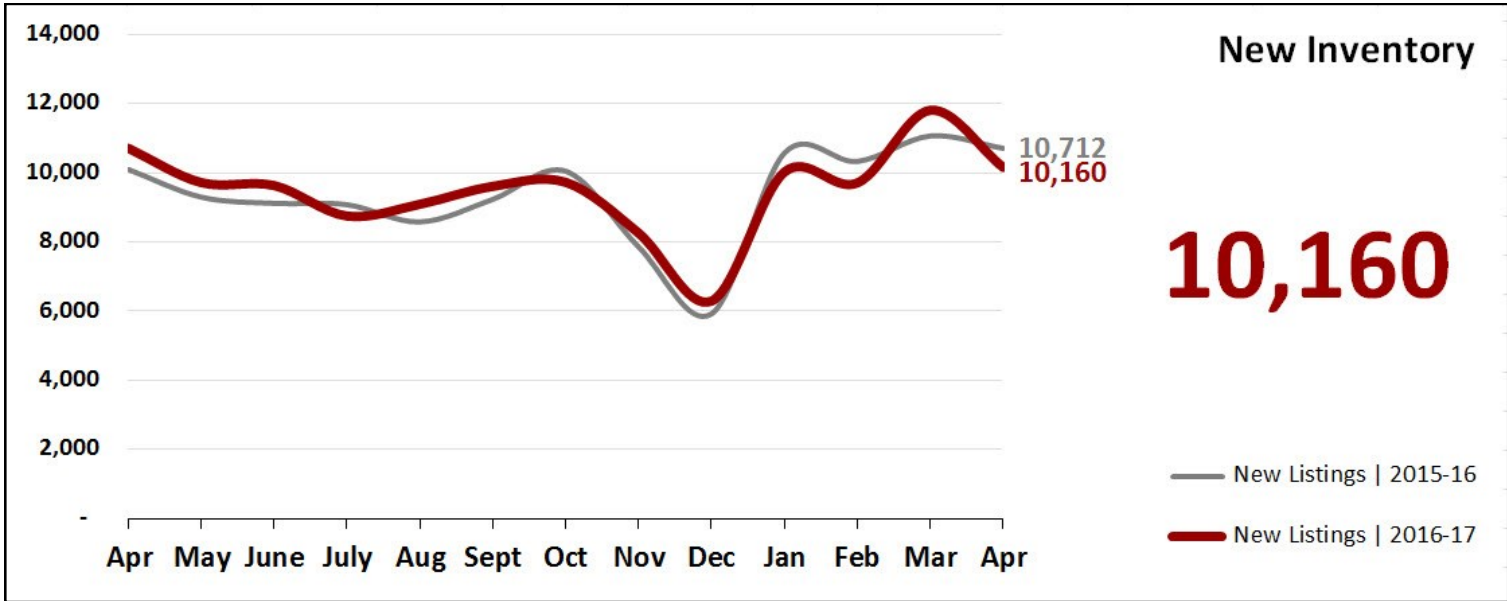


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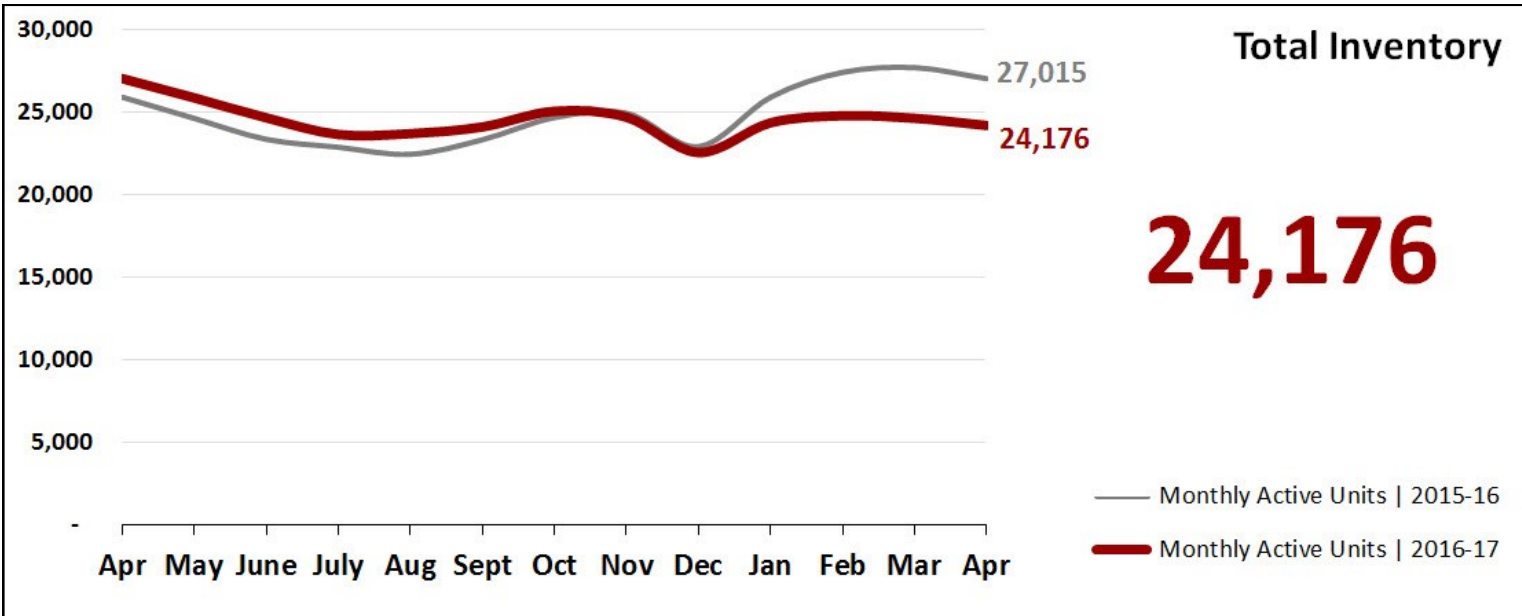
Sales are down -4.9% month-over-month. The year-over-year comparison shows an increase of +4.5%.

Closed MLS sales with a close of escrow date from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



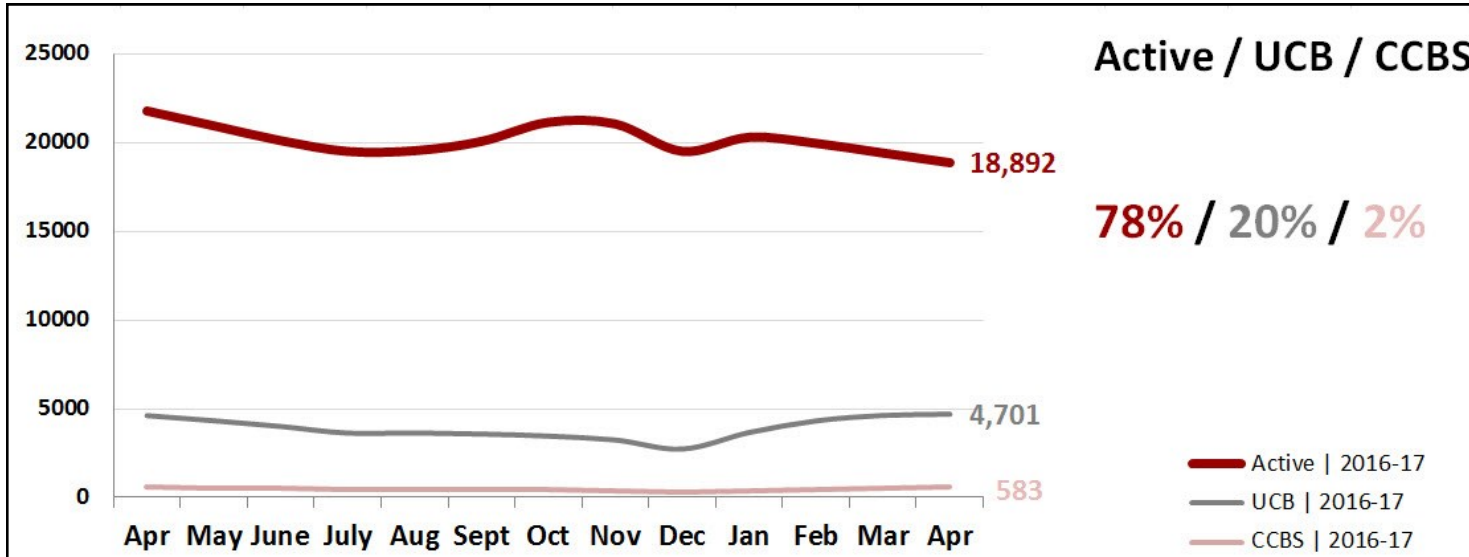
New inventory is down -14.0% month-over-month while the year-over-year comparison shows a decrease of -5.2%.

New MLS listings that were active for at least one day from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



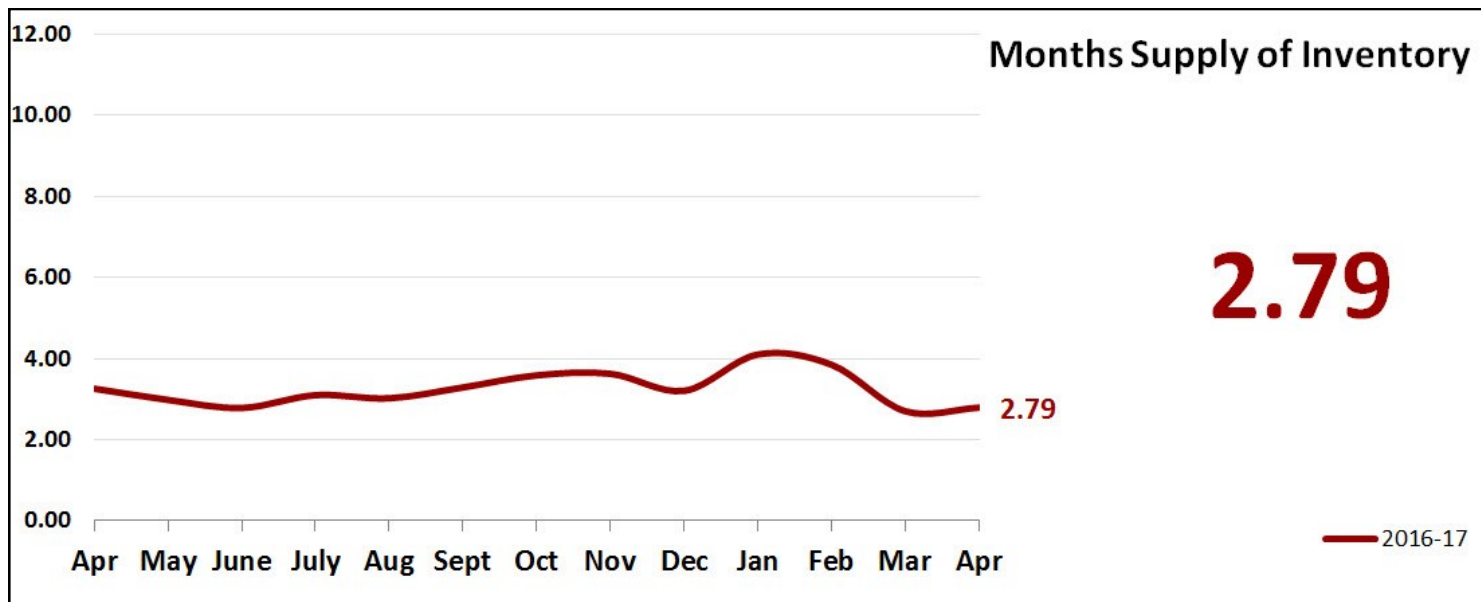
Total inventory has a month-over-month decrease of -1.8% while year-over-year reflects a decrease of -10.5%.

Snapshot of statuses on 4/30/2017



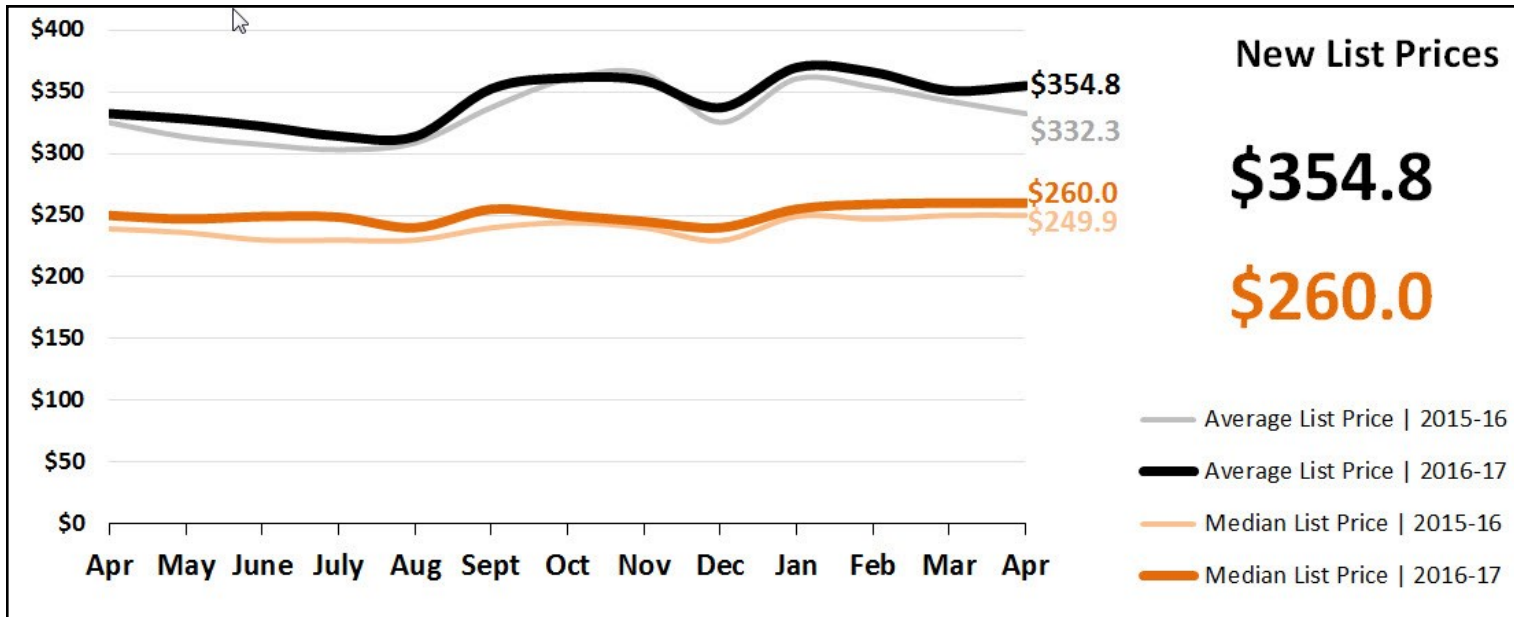
April UCB listings percent of total inventory was 19.4% with April CCBS listings at 2.4% of total inventory.

Snapshot of statuses on 4/30/2017



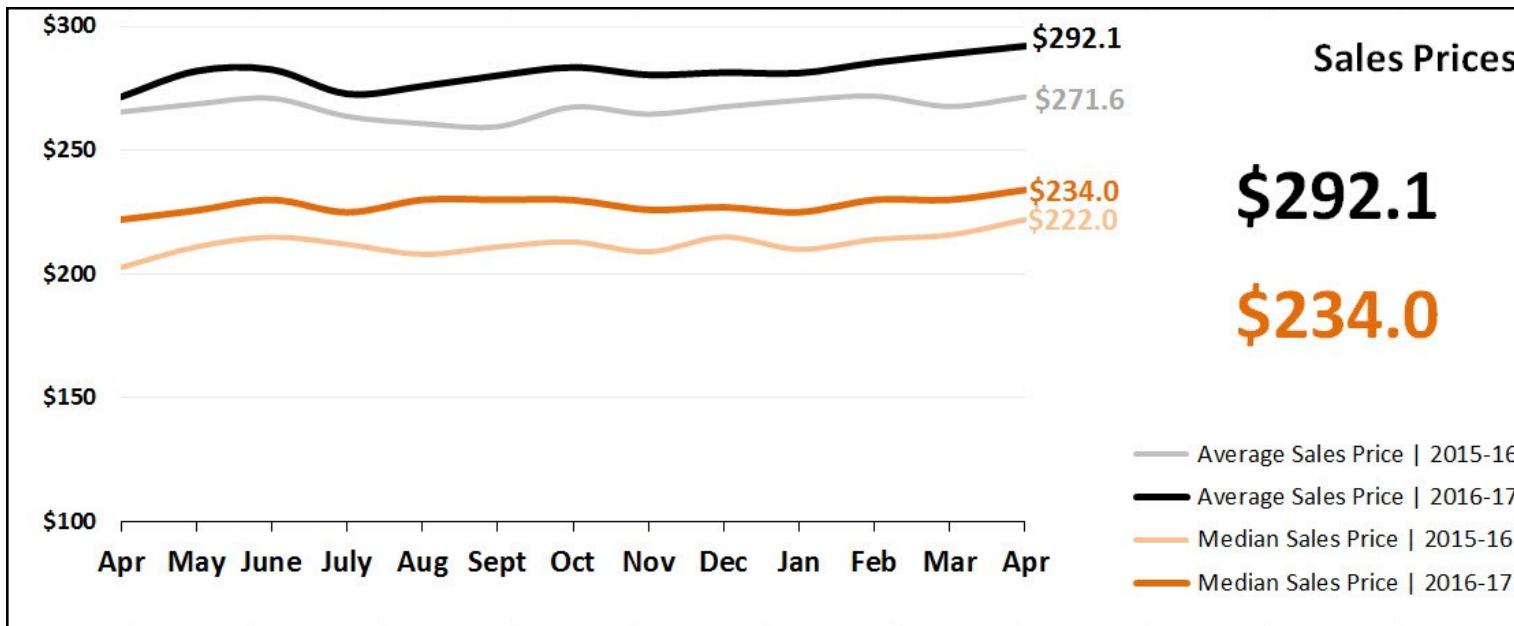
Months supply of inventory for March was 2.70 with April at 2.79.

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



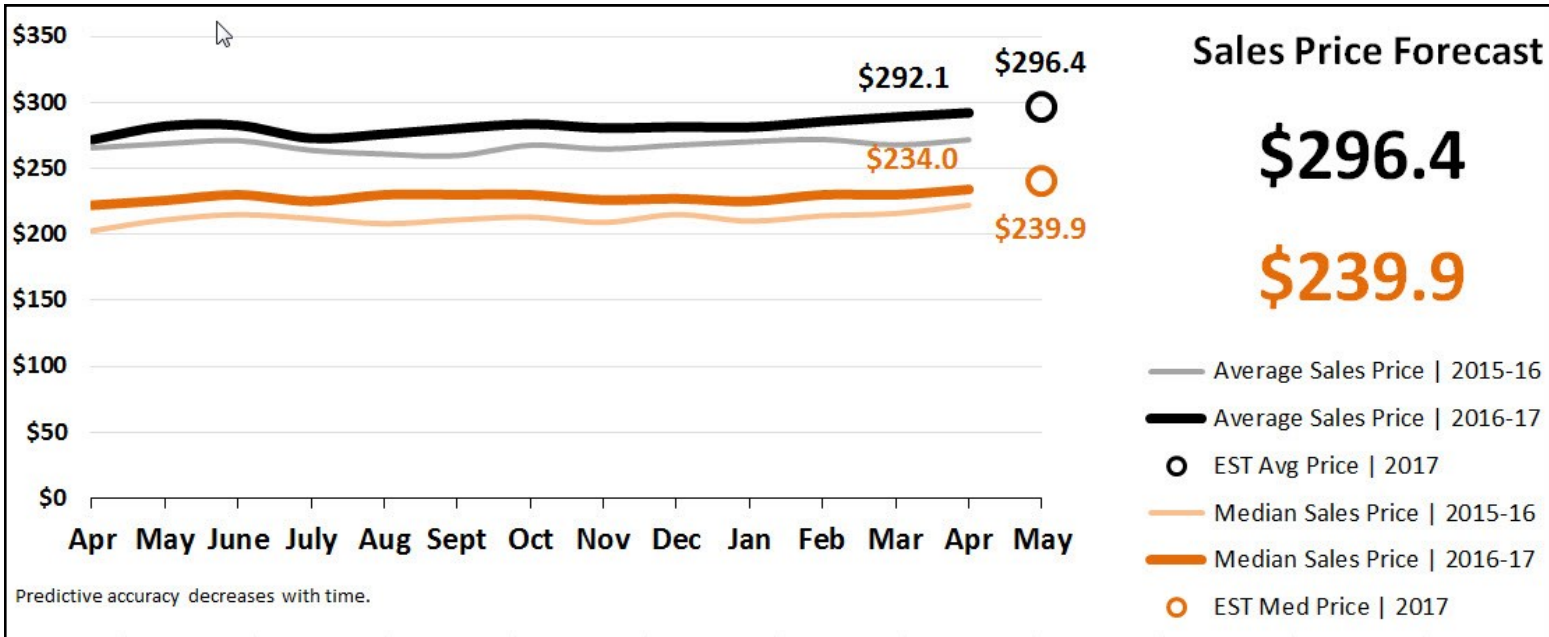
Average new list prices are up +6.8% year-over-year. The year-over-year median is up +4.0%.

List prices of new listings with list dates from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



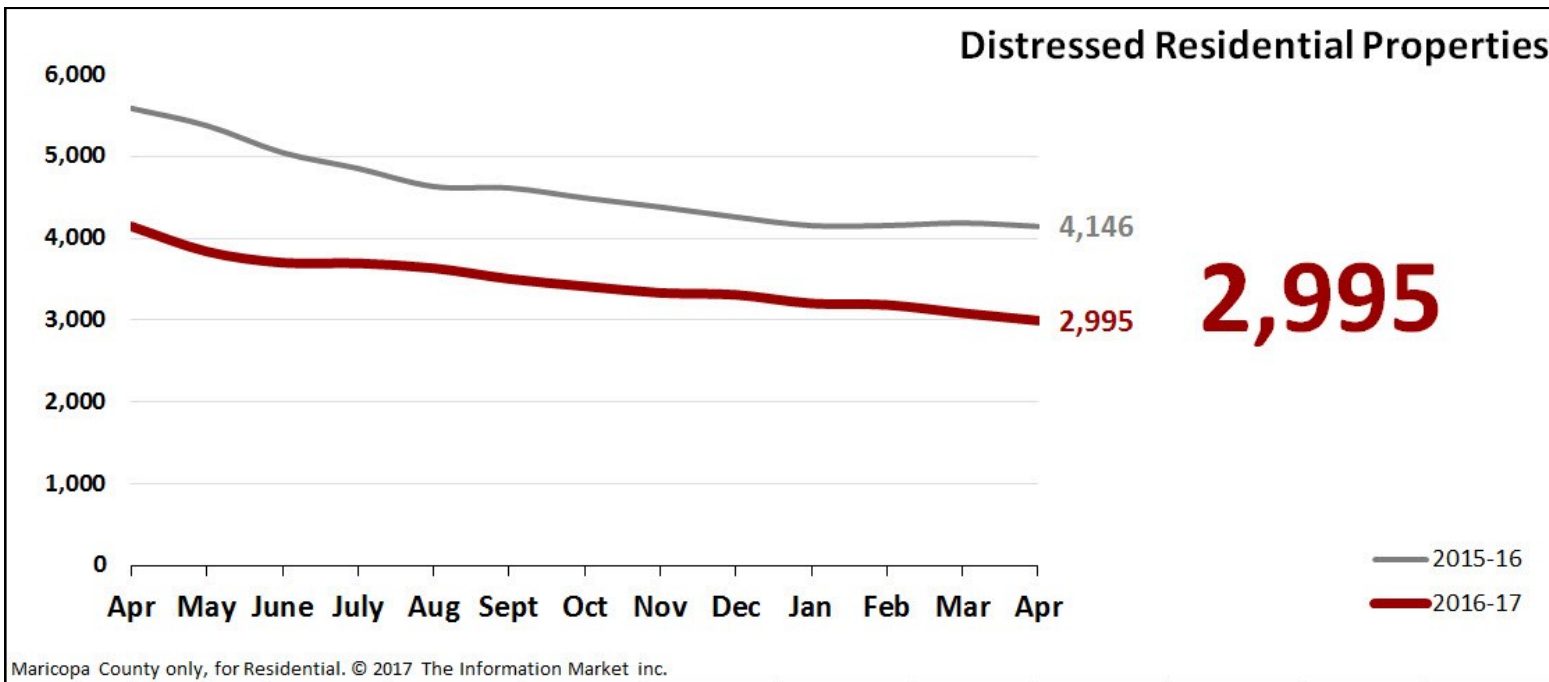
The average sales price is up +7.5% year-over-year while the year-over-year median sales price is also up +5.4%.

MLS sales prices for closed listings with a close of escrow date from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



An increase is forecasted for average sales price with median sales price also increasing in April.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed

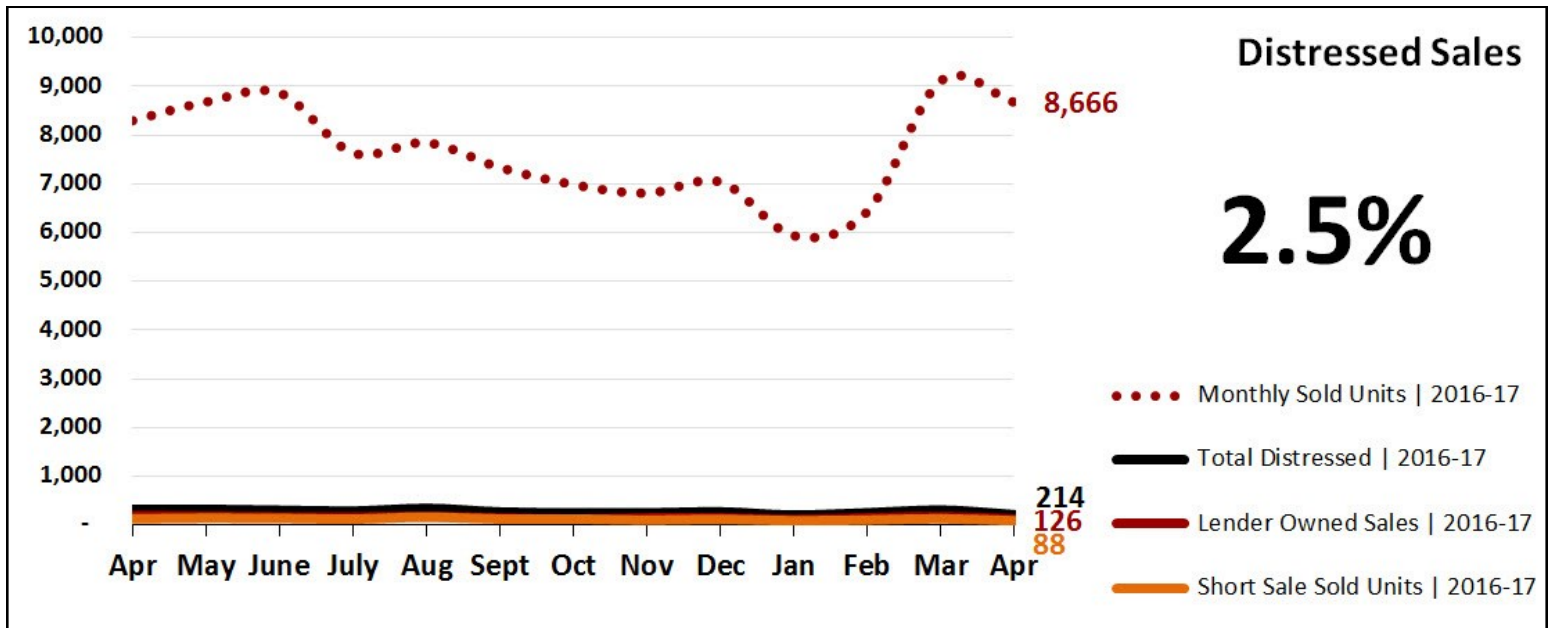


Foreclosures pending month-over-month showed a decrease of -2.9% while the year-over-year figure was down -27.8%.

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

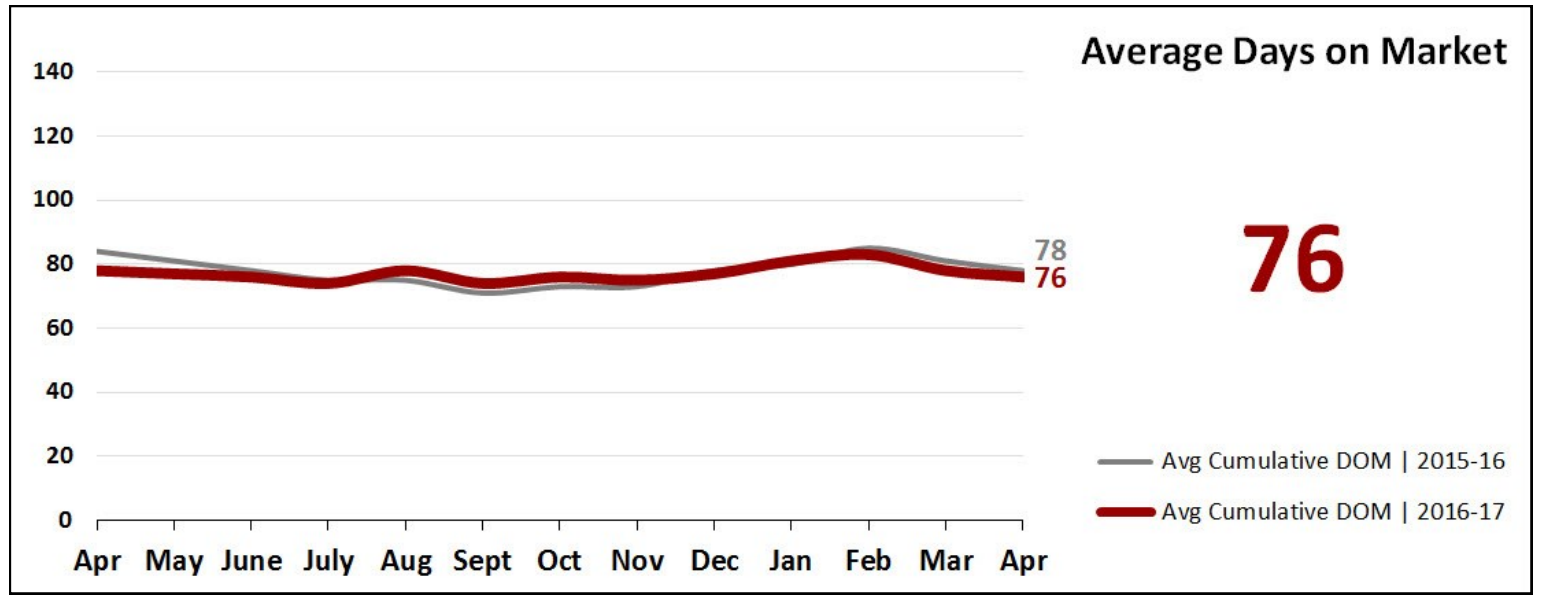
Snapshot of public records data on 4/30/2017 active residential notices and residential REO properties





Distressed sales accounted for 2.5% of total sales, down from the previous month of 3.4%. Short sales dropped -31.8% year-over-year. Lender owned sales dropped -36.0% year-over-year.

Lender owned sales are MLS sales 4/1/2017 to 4/30/2017 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected  
 Short sales are MLS sales 4/1/2017 to 4/30/2017 where *Short Sale Aprvl Req, Previously Aprved SS or Lender Approved SS* special listing conditions were selected  
 0 day DOM sales removed



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

Average of all closed listings 4/1/2017 to 4/30/2017 where DOM was greater than 0

## COMMENTARY

by Tom Ruff of The Information Market

Sales volume in April 2017 was down 4.9% from March 2017. But, if you read the projections from last month, a month-over-month decline was expected as March had 23 business days while April only had 20. When we compare April 2016 to April 2017, sales volume this year was 4.5% higher. Our biggest concern is and remains the supply of homes below \$200,000. In Maricopa County we currently have only 3,229 listings for homes below \$200,000. In April, 2,546 homes listed below \$200,000 sold.

As our local housing market purrs along, STAT will take a closer look at our fix and flip market, a market segment made popular by reality TV shows like HGTV's "Flip or Flop". And if it's reality TV, it just has to be real. As a footnote, I for one believe there is no way Christina & Tarek are no longer together and are just pretending to be nice to each other.

For the purpose of this report, a home flip is defined as a property that is sold in an arms-length sale for the second time within a 12-month period (in Monsoon it's 180 days). The data is based on publicly recorded sales deeds in Maricopa County. We'll be viewing the last 12-month period, April 2016 through April 2017.

When we look at flips as a percentage of the total number of homes sold in Maricopa County over the past 12 months, we see flips account for 10.7% of the total resale volume, with a low of 9.5% in May of last year

and a high of 12.5% in January of this year. These are the numbers which national entities will most likely report, a simple calculation based on a property selling twice in the same 366-day period (2016 was a leap year).

Month^	Fliptotal	Totalresales	Percentageofflips
201605	803	8812	0.091126
201606	835	9075	0.092011
201607	720	7816	0.092119
201608	852	8133	0.104758
201609	830	7529	0.110240
201610	779	7234	0.107686
201611	769	6953	0.110600
201612	840	7150	0.117483
201701	793	6354	0.124803
201702	804	6621	0.121432
201703	1095	9412	0.116341
201704	880	8732	0.100779

Before delving into my extended definition of fix and flips, let's break down 4 different categories of a flip based on our technical definition. The categories are by no means irrefutable, they are simply based on the participants or the time between sales and the commonality of data within those data sets.

- New Brokerage Model: Opendoor and OfferPad
- Wholesale: A property purchased and sold again within 30 days, non-brokerage model
- Light Fix Up: A property purchased and sold again within 31 and 60 days of the original purchase via a non-brokerage model

- **Fix and Flip:** A property purchased and sold again within 61 and 365 days, or 366 days in a leap year, of the original purchase date via a non-brokerage model

### **New Brokerage Model**

Opendoor and OfferPad are the two main players in our market. While each of their business models have distinct differences, they both buy directly from the seller and by acquisition of properties through their various marketing and advertising campaigns. Their acquisitions are purchased off of the MLS, but the majority of their sales are listed. OfferPad is also active at trustee sales. Over the past year in Maricopa County, the two together have accounted for 15.82% of all flips in Maricopa County. The rate of their acquisitions has been increasing as has their funding. In May of last year, they accounted for 8% of all flips. In March of this year, that percentage rose to nearly 23%. The median sales price of their acquisitions over the past year was \$204,946 and the median year built for these acquisitions was 2000. The center point for the number of days between the original purchase and when the property is sold is 104 days. There are a handful of properties that sold within 30 days as well as a handful that took up to nearly a year to sell.

### **Wholesale**

Real estate wholesaling is flipping, except the time frame is much shorter and no repairs are made to the home before the wholesaler sells it. A double escrow is a set of real estate transactions involving two contracts of sale for the same property to two different back-to-back buyers, for the same or different price, arranged to close on the same day. Nelson Rockefeller fa-

mously said, "The secret to success is to own nothing, but control everything." Wholesalers will take this adage to heart. A dozen or so companies dominate our local market. They actively solicit distressed properties, estate sales, absentee and out-of-state owners. The primary players in this market will have an active list of investors to whom they market their properties. These properties will also appear for sale on their individual websites. The median year built for all homes acquired by wholesalers in Maricopa County is 1971 with a median purchase price of \$120,000. As for the markup by the wholesaler, it's what the market will bear and the percentage gains can vary wildly. By our definition, wholesaling accounts for 13.96% of all flips.

### **The Light Fix**

For the purposes of our discussion, light fixes are properties that are purchased and sold again between 31 and 60 days. The days between sales are calculated from the publicly recorded deeds and do not necessarily imply the true days between acquisition and resale. These flips will involve cosmetic upgrades like new carpet and paint. Our definition of light fix ups account for 5.06% of our flip market. Only 26% of these flips were purchased on the MLS. The median year built for these homes is 1981 with a median purchase price of \$140,000. At the conclusion of the flip, these properties will sell on average 22% higher than the original purchase price.

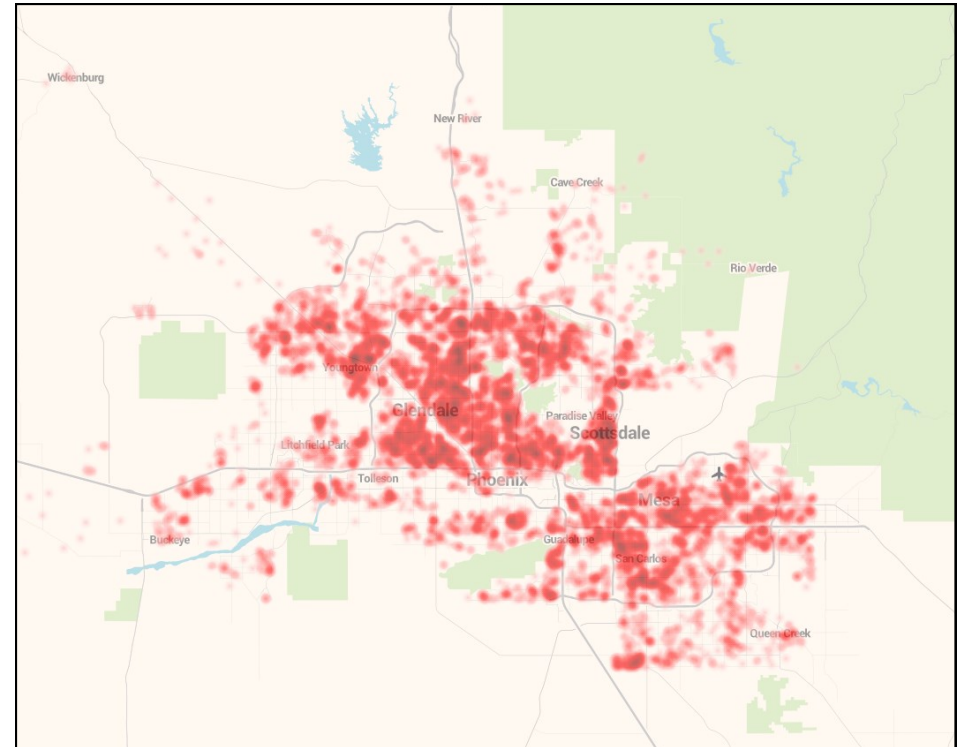
### **The Fix and Flip**

Fix and flips are fun to study. In fact, that 45% are originally purchased on the MLS and 89% are sold on the MLS gives us ample opportunity to view the before and after pictures. Fix and flips are first and foremost a business mod-



el. A single flip can show us the lowest price in a neighborhood and on the flip side, the highest price. They also show us what design upgrades are popular and the features that current buyers prefer. Again, fix and flips are a business, they know what sells. Our definition of fix and flips account for 65.16% of all flips in our market. The average flip takes 180 days with an average gross margin of 43%. Even with a high gross average, this is not an arena for amateurs inspired by reality TV.

Losses do occur. The median purchase price of the original purchase is \$164,900 and the median and average year of construction is 1981. Fix and flips are really about opportunity by purchasing an undervalued asset, improving that asset and then selling that asset at a profit. The Sun City ZIP code of 85351 is surprisingly a perfect example, it's the ZIP code with the highest number of fix and flips in the Valley over the past year. Another aspect of fix and flips that is fun to watch has to do with gentrification, older neighborhoods getting hip. A close eye on what's happening in the fix and flip arena will offer insights into the next hot and upcoming hood.



### The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for March of \$233,000. The actual median sales price was \$234,000, \$1,000 higher than the mathematical model projection. Our mathematical projections have been trending slightly lower than the actual results. Looking ahead to May 2017, the PPI projects a median sales price of \$239,900. With limited supply and steady demand, particularly at the lower price points, the median sales price will definitely increase in May.

MLS sales volume in March 2017 was 8,666, 4.5% higher than the 8,293 total last year. This accounted for 134 fewer sales than our projected total of 8,800. Sales volume for the first four months of 2017 is 9.4% higher than 2016, with 30,149 sales in 2017 compared to 27,554 for the first 4 months of 2016. It should be noted, there was one more business day last April than this April. If we look at a daily sales average there were 433.3 sales per day in 2017 and only 395.9 sales per day in 2016 or a 9.45% increase, which is directly in line with our year-over-year sales total.

We begin May with 7,427 pending contracts, 4,701 UCB listings and 583 CCBS, giving us a total of 12,711 residential listings practically under contract. This compares to 13,115 of the same type of listings at this time last year. Even though we enter May with fewer residential listings practically under contract this year, I'm still projecting the sales volume in May 2017 to exceed the volume of 8,676 of May 2016. STAT is projecting 8,950 sales in May, a number I obviously just pulled out of a hat. There were 20 business days in 2016 and 21 business days this year.