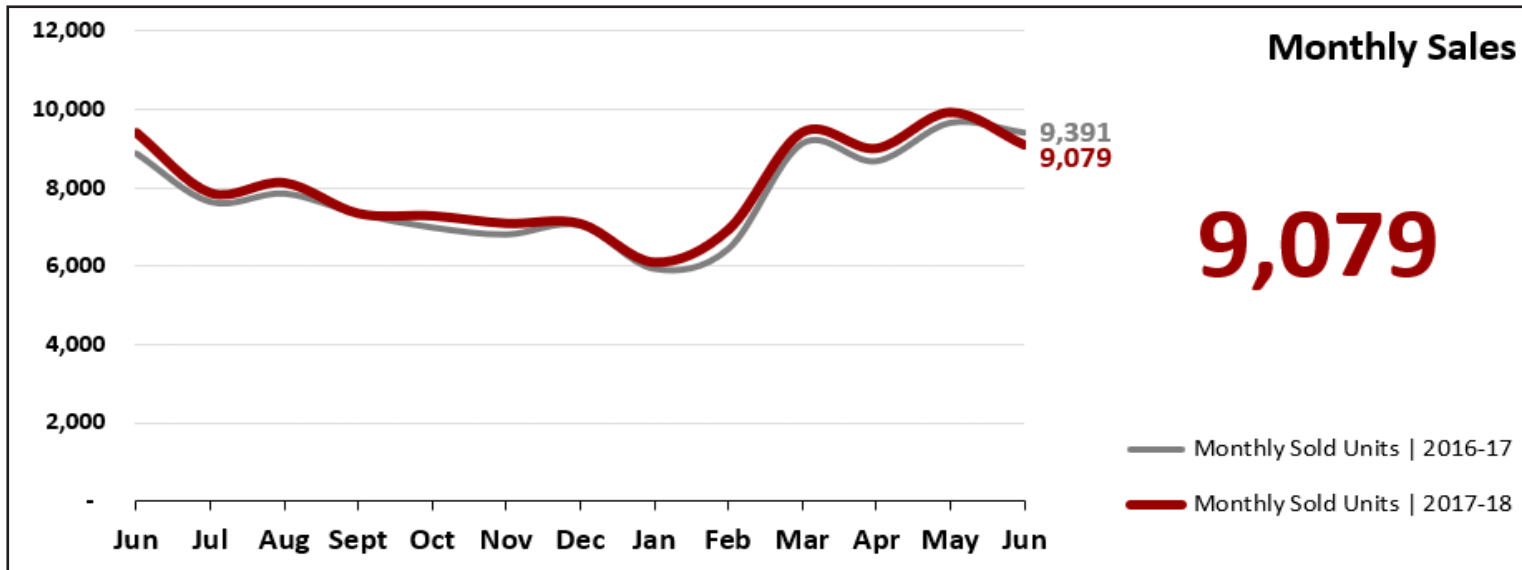




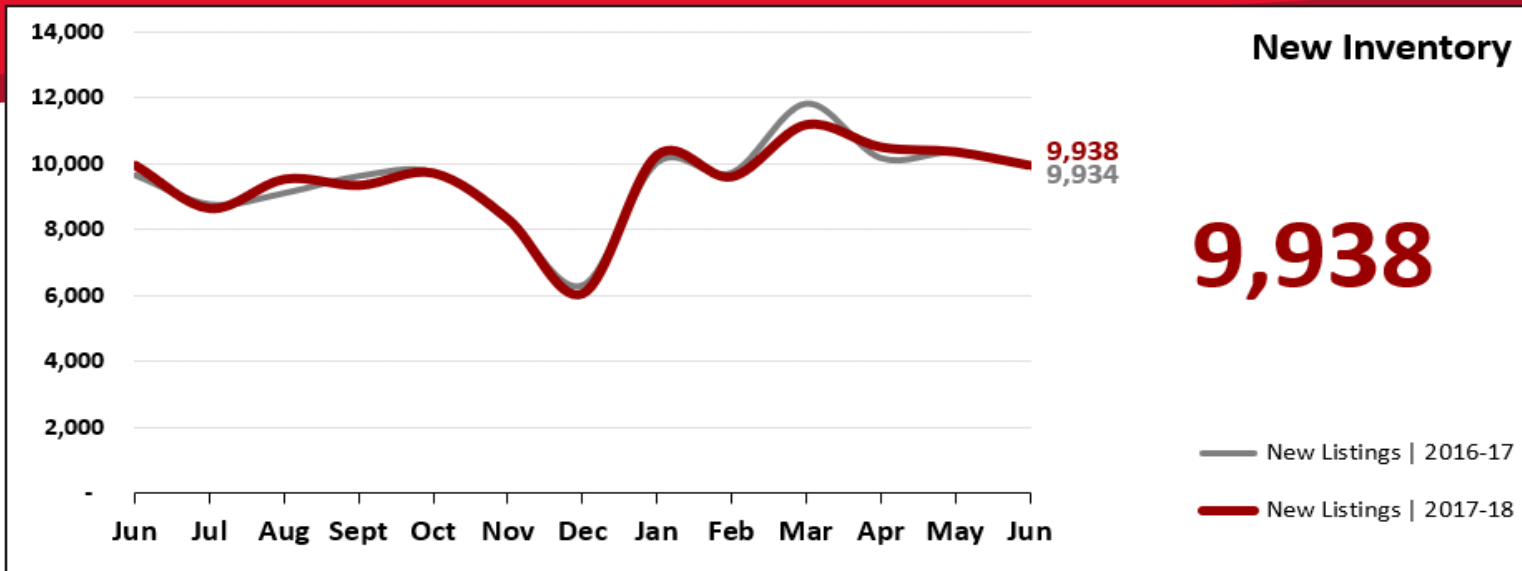
DATA FOR JUNE 2018 - Published July 17, 2018



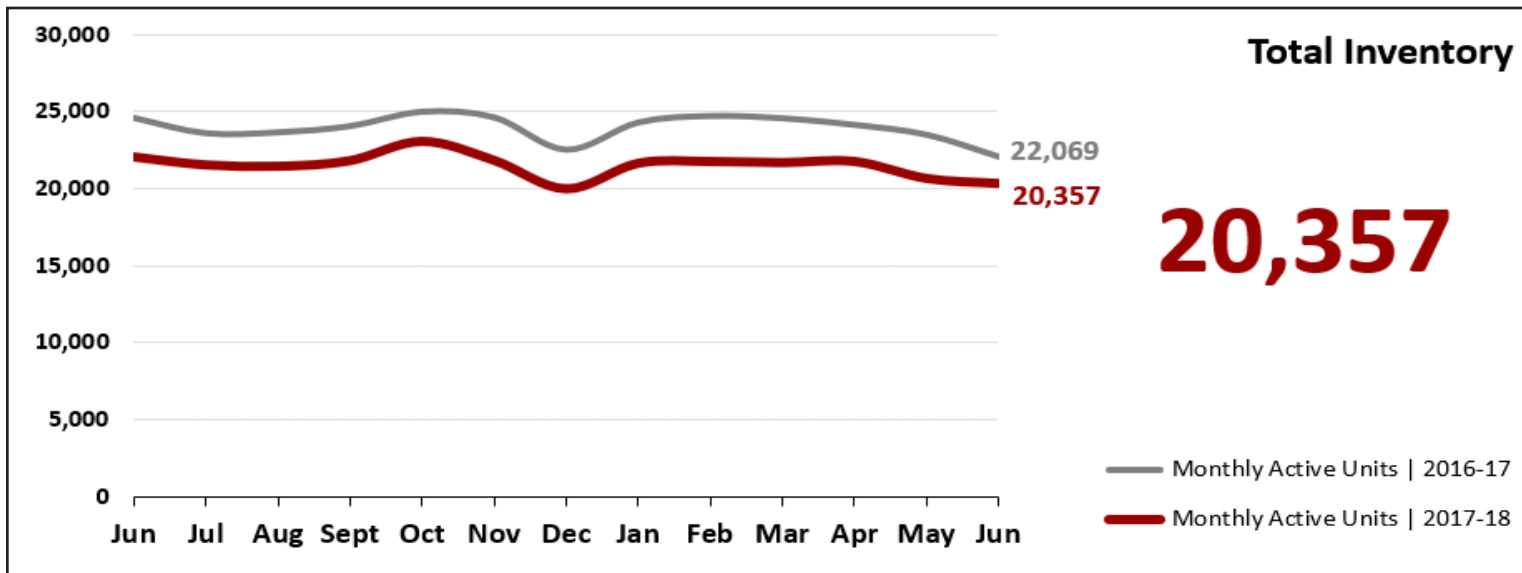
Sales are down -8.4% month-over-month. The year-over-year comparison is down -3.3%.

9,079

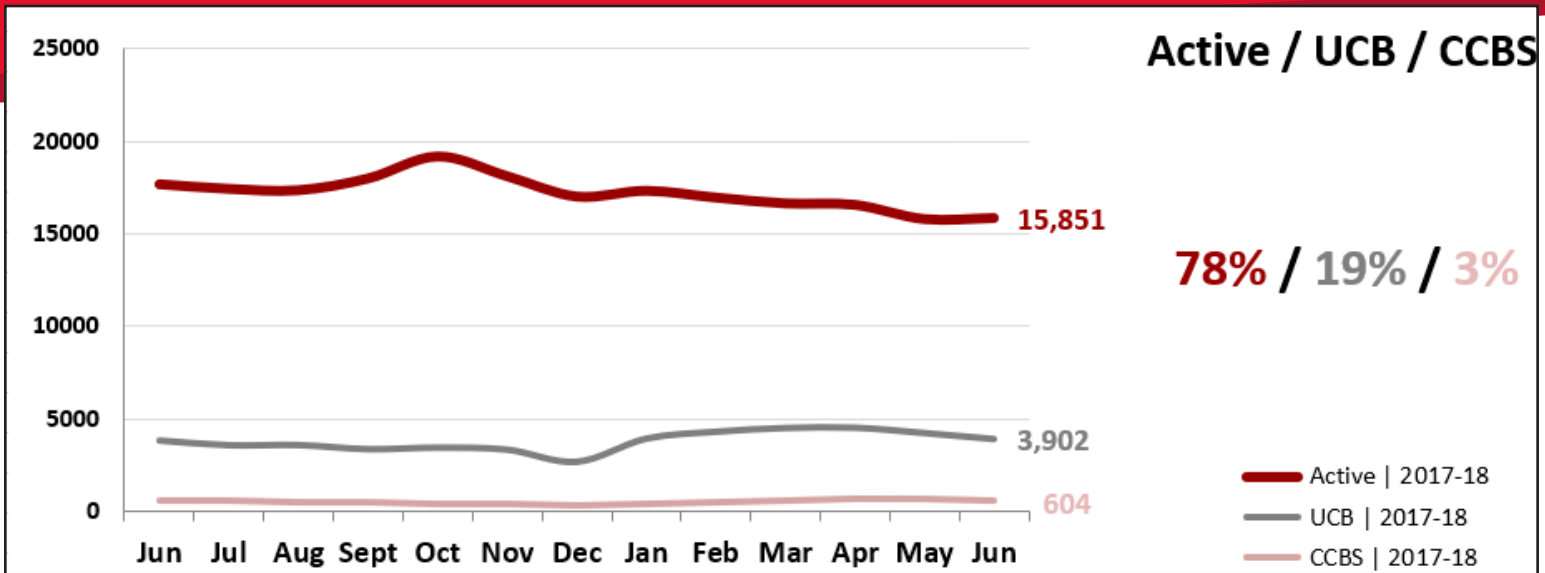
Closed MLS sales with a close of escrow date from 6/1/2018 to 6/30/2018, 0 day DOM sales removed



New MLS listings that were active for at least one day from 6/1/2018 to 6/30/2018, 0 day DOM sales removed

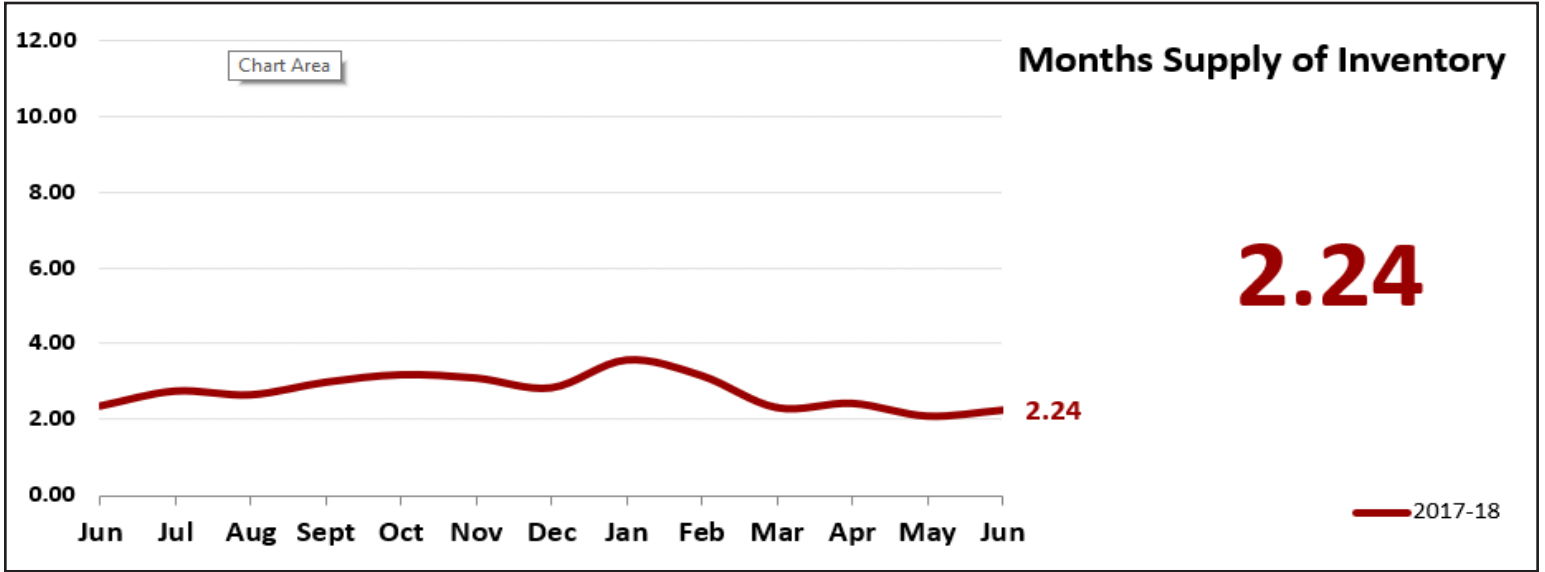


Snapshot of statuses on 6/30/2018



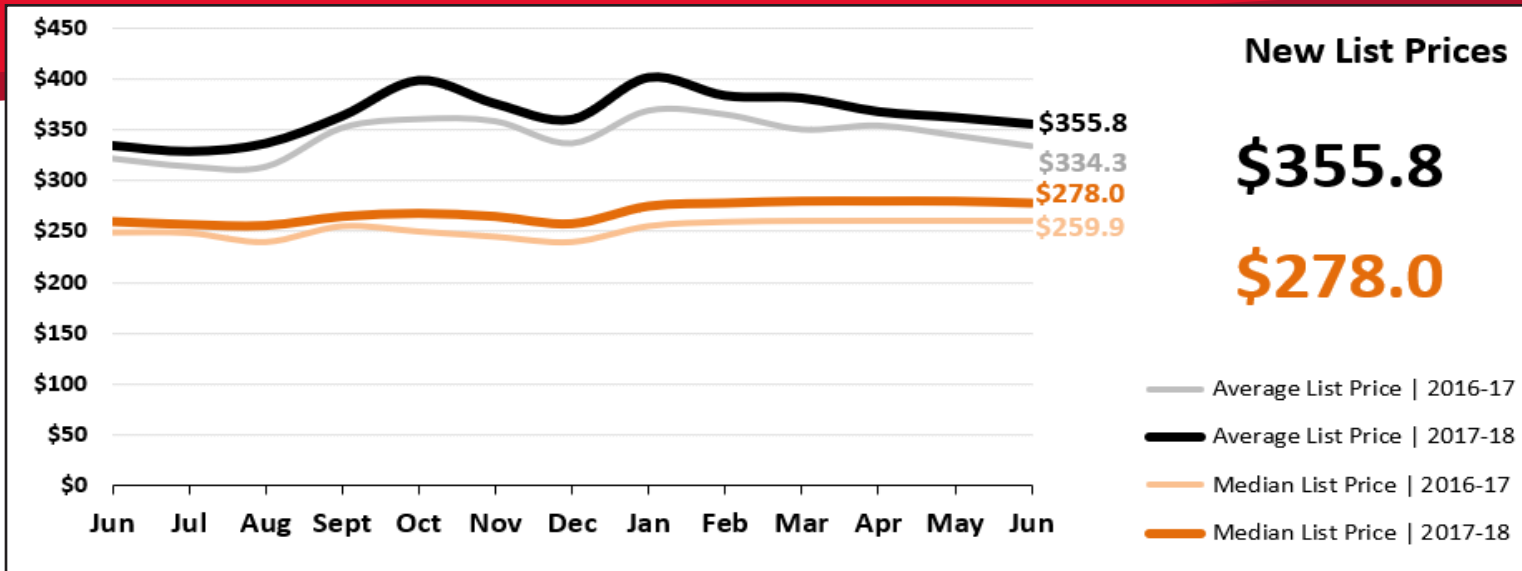
June UCB listings percent of total inventory was 19.2% with June CCBS listings at 3.0% of total inventory.

Snapshot of statuses on 6/30/2018



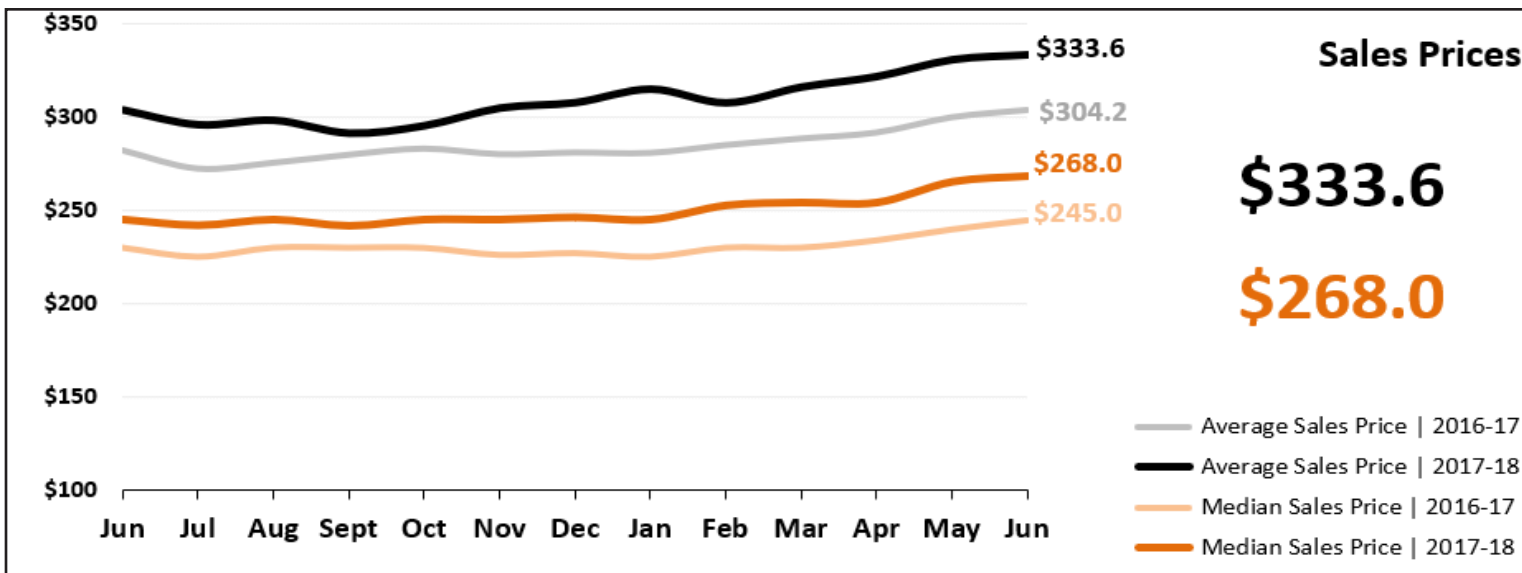
Months supply of inventory for May was 2.09 with June at 2.24.

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



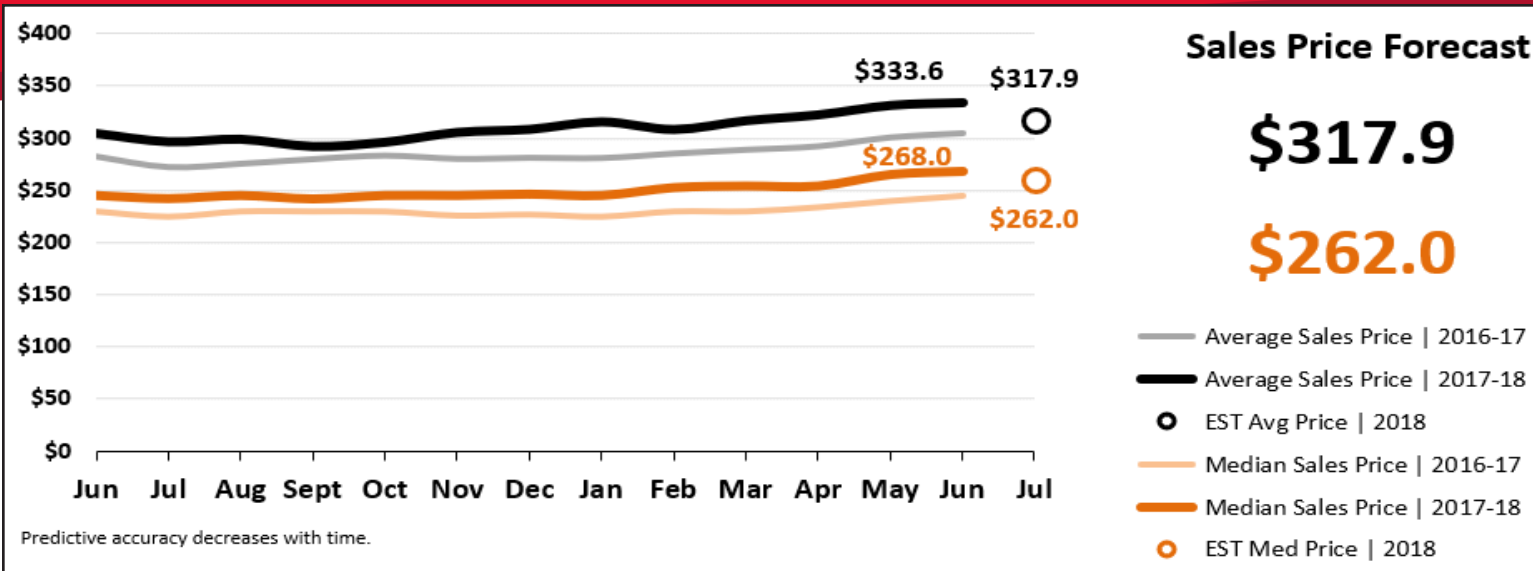
Average new list prices are up +6.4% year-over-year. The year-over-year median is up +7.0%.

List prices of new listings with list dates from 6/1/2018 to 6/30/2018, 0 day DOM sales removed



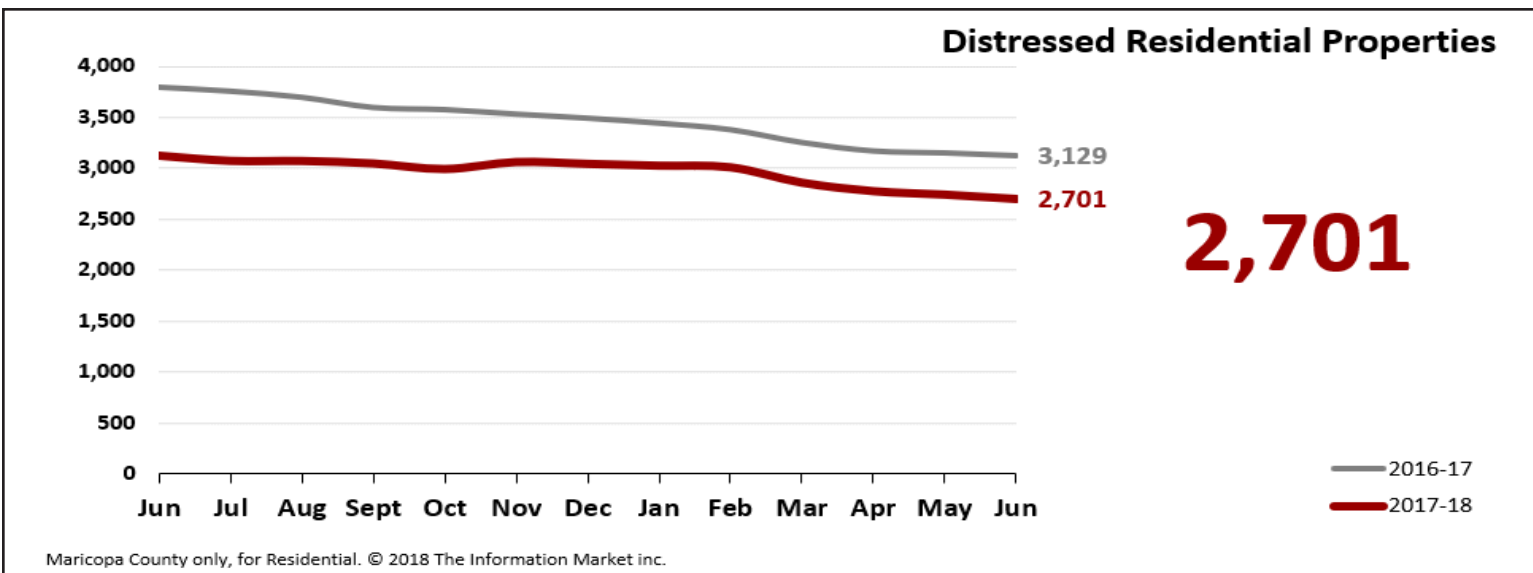
The average sales price is up +9.7% year-over-year while the year-over-year median sales price is also up +9.4%.

MLS sales prices for closed listings with a close of escrow date from 6/1/2018 to 6/30/2018, 0 day DOM sales removed



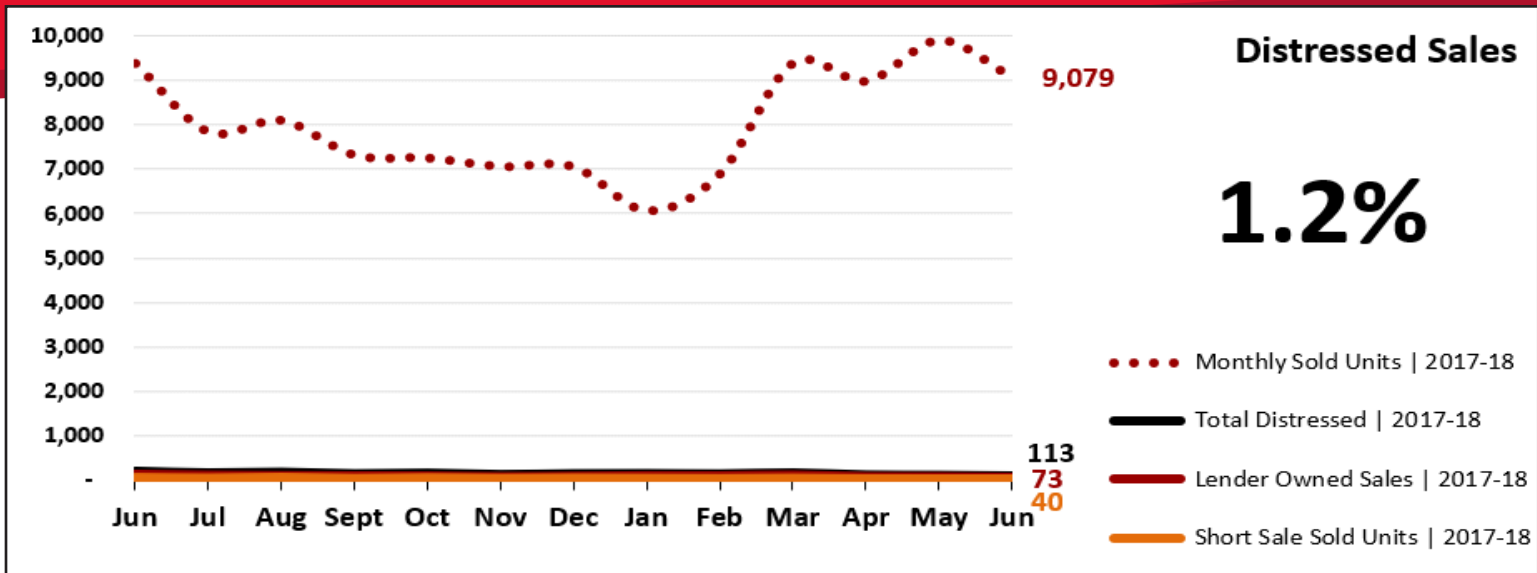
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A decrease is forecasted for average sales price while June is predicted to have a decrease in the median sales price.



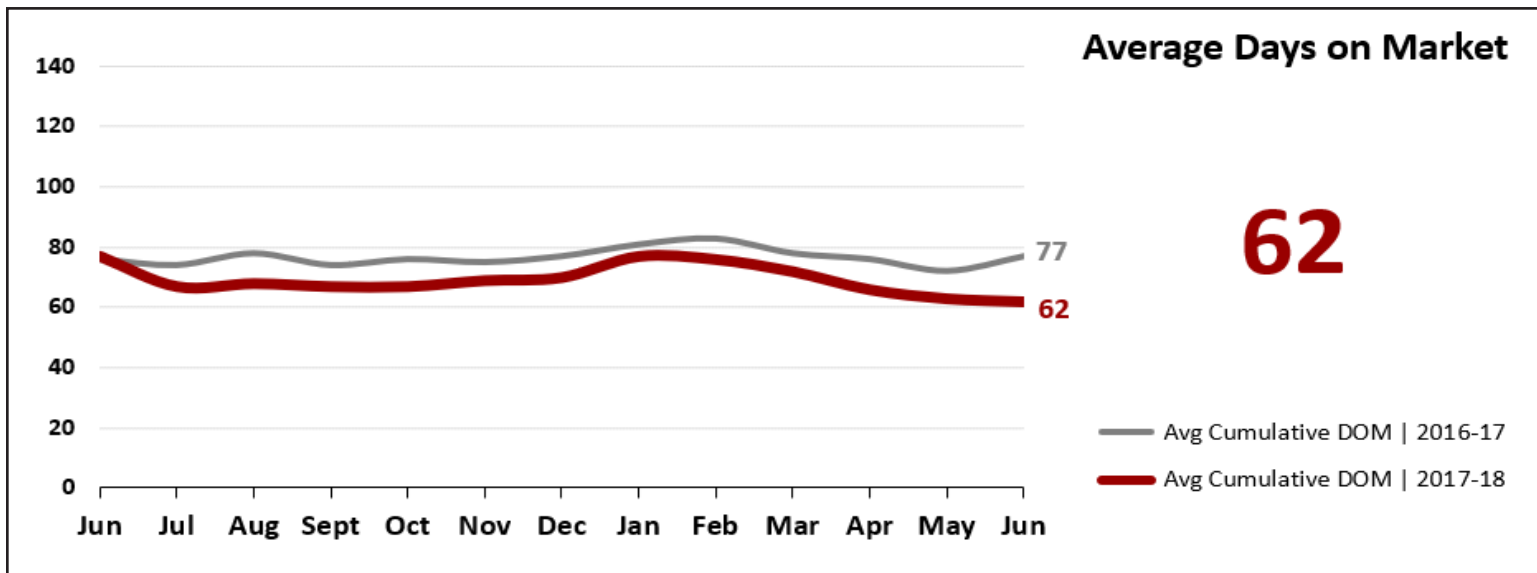
Foreclosures pending month-over-month showed a decrease of -1.6% while the year-over-year figure was down -13.7%.

Snapshot of public records data on 6/30/2018 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 11 months.



Distressed sales accounted for 1.2% of total sales, down from the previous month of 1.3%. Short sales dropped -48.1% year-over-year. Lender owned sales dropped -41.1% year-over-year.

New MLS listings that were active for at least one day from 6/1/2018 to 6/30/2018, 0 day DOM sales removed



Days on market were down -15 days year-over-year while month-over-month decreased by -1.

MLS sales prices for closed listings with a close of escrow date from 6/1/2018 to 6/30/2018, 0 day DOM sales removed

Numerous housing and economic reports find their way to my inbox each month, ranging from local financial planners publishing their monthly newsletter to regional and national economists and bloggers. It's amazing to me how often various "market watchers" will reference three specific reports. There must be a "Cliff Notes" version of housing reports which compiles data from the [NAR Existing-Home Sales report](#), NAHB Housing Market Index and the US Government census monthly building permits report. I've seen opinion-based commentary on these most recent reports range from "Housing Appears to Have Slowed" to "A Bigger Bubble Than 2008 is Popping".

The second opinion was penned by Dave Kranzler, a co-manager of a precious metals and mining stock investment fund in Denver. I believe his opinion is heavily influenced by both his livelihood and locale, and I agree with little of what was written. That said, [the article](#) on his website is still worth a perusal. Don't tune out everything he's saying just because you find his headline overly dramatic.

All three of the most recent housing market reports showed deterioration, leading to the recent negative housing news. In a moment we'll address the NAR report, review its bullet points and compare what NAR is reporting nationally to what we're seeing locally. But first, let me address the two reports dealing with new construction. I don't know anything about them. That's the extent of my knowledge. What I do know is that when it comes to the national home building industry, if you read and follow Ivy Zelman, you'll get it right.

Zelman & Associates

Along with unparalleled housing market expertise, Zelman's team does extensive independent research. In plain language, they get down in the weeds and they get it right. So, what is her outlook on home building?

BuilderOnline.com presents a six-point case for why Zelman expects not just growth, but accelerating growth for single-family housing activity in the next 30 months.

1. *“A powerful demographic tailwind of aging millennials that should drive demand from apartments into single-family housing*
2. *Record low resale inventories, putting more of an onus on builders to satisfy incremental demand from new households*
3. *Single-family production currently stands 20-25% below normalized demand*
4. *Still-favorable affordability even after a 50-plus basis point increase in mortgage rates since the beginning of the year*
5. *A strong economic backdrop including solid job and wage growth, and*
6. *Increasing land investment by homebuilders that should begin to filter through to increasing community count over the next several quarters.”*

Whatever you do, don't consider Ivy a Pollyanna or some sort of shill for the home builders. A [2016 article from Barron](#) explains what Zelman went through to get to where she is today.

“Until 2006, Ivy Zelman was an obscure, if highly ranked, Credit Suisse analyst who followed the home builders. Then, as housing markets partied that year, Zelman downgraded the sector. That garnered her ridicule from the housing industry, the nickname Poison Ivy, and a backlash from her bosses. A few months later, Zelman left Credit Suisse to form her own firm with her husband, David. Then the housing market collapsed, and Zelman emerged as one of the few who had been right.”

The NAR Report

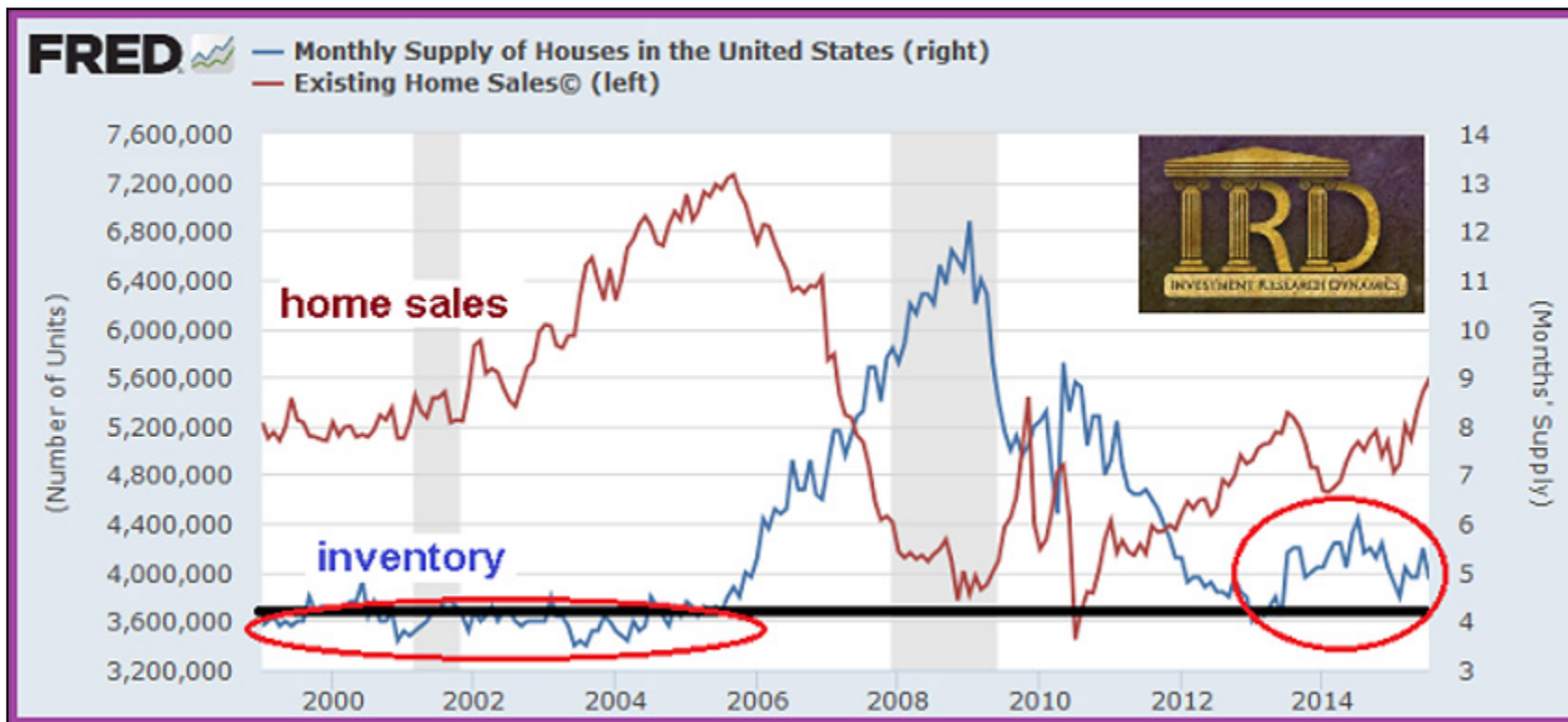
So what exactly is NAR saying in their existing home report? In some respects, they hit the nail on the head. In others, I feel they missed the mark completely.

1. *“A solid economy and job market.”* - I think everyone is in agreement here.
2. *“Existing year-over-year home sales have fallen for three straight months.”* - ARMLS data shows year-over-year gains in sales every month this year with the exception of last month, when year over year sales declined 3.3%. The decline in year-over-year volume in June was due to 1 fewer business day in 2018 as compared to 2017. When viewing sales on a daily average, sales volume increased 1.28%.

Total Sales								
Ye	January	February	March	April	May	June	Total:	
2001	3,700	4,609	5,704	5,833	6,244	6,164	32,254	
2002	4,016	4,403	5,732	6,131	6,783	6,404	33,469	
2003	4,760	5,493	6,545	7,464	7,468	7,495	39,225	
2004	5,118	6,196	8,744	8,971	9,019	10,019	48,067	
2005	6,632	7,781	9,987	9,600	9,890	10,252	54,142	
2006	5,266	5,918	7,497	6,798	7,573	7,214	40,266	
2007	4,389	4,958	5,990	5,535	5,795	5,438	32,105	
2008	2,912	3,448	4,293	4,879	5,656	5,748	26,936	
2009	4,742	5,477	7,636	8,564	9,284	9,327	45,030	
2010	5,789	6,594	8,969	9,261	9,077	9,280	48,970	
2011	6,541	7,157	9,933	9,331	9,809	11,125	53,896	
2012	6,455	7,249	8,867	8,435	8,442	9,129	48,577	
2013	5,828	6,630	8,136	8,754	9,436	8,228	47,012	
2014	4,797	5,474	6,710	7,659	7,445	7,219	39,304	
2015	4,784	5,990	7,900	8,367	8,319	8,674	44,034	
2016	5,131	5,718	8,412	8,293	8,676	8,861	45,091	
2017	5,932	6,435	9,116	8,666	9,641	9,391	49,181	
2018	6,082	6,911	9,402	8,990	9,913	9,079	50,377	

3. *“Closings were down in a majority of the country last month and declined on an annual basis in each major region.”* – As of today, the Cromford report showed 96,947 home sales in the previous 365 days and 94,761 sales in the prior 365 days; a 2.31% increase. Cromford reports MLS data for Maricopa and Pinal Counties. The Information Market, which pulls public records data for Maricopa County, showed 99,110 sales in the last year and 95,645 sales in the prior year, a 3.50% increase.

4. “Incredibly low supply continues to be the primary impediment to more sales.” – Mr. Kranzler believes that low inventory and sales volume are inversely related and that the spin Lawrence Yun is using is poppycock. The word poppycock is mine, not Kranzler’s. I like to use it whenever I can. As I mentioned earlier, I disagreed with Kranzler’s overall thesis, but on this point, I believe he is spot on, “When inventory gets low people rush to buy”. How else do you explain 2005 when sales volume hit all-time highs and inventory levels hit all-time lows? And then in 2007 when our inventory levels hit all-time highs and sales hit all-time lows. The chart below was created by Research Dynamics with data from the Federal Reserve Bank of St. Louis. Published up until 2015, it shows the relationship between supply and sales volume.



5. *“The is no question the combination of higher prices and mortgage rates are pinching the budgets of prospective buyers, and ultimately keeping some from reaching the market.” - Agreed.*

6. *“The median existing home price for all housing types in May was \$264,800; an all-time high, up 4.9% from May 2017 (\$252,500).” - Our median closely aligns with the national median, with sales price increase nearly double the national standard.*

7. *“May’s price increase marks the 75th straight month of year-over-year gains.” - We’ve seen year-over-year price increases for 79 straight months.*

Median Sale Price												
Year	January	February	March	April	May	June	July	August	September	October	November	December
2001	122,000	124,900	127,500	128,500	129,900	133,900	133,000	129,000	128,000	126,900	128,000	129,000
2002	138,000	134,000	129,900	135,000	139,500	141,000	140,000	140,000	139,000	142,000	141,000	145,000
2003	143,100	140,000	145,000	145,000	149,900	151,500	153,000	153,900	150,000	149,900	149,500	151,000
2004	150,500	150,000	155,000	155,000	160,500	169,000	168,000	168,000	170,000	174,900	176,000	181,900
2005	188,000	190,000	206,000	220,000	235,000	249,900	252,000	255,500	260,000	256,900	255,000	255,000
2006	254,900	252,000	255,000	255,000	259,900	264,800	257,000	254,900	249,900	250,000	250,000	250,000
2007	250,000	247,900	252,500	250,000	255,000	255,000	250,000	245,000	234,900	235,000	232,500	229,000
2008	220,000	213,800	210,000	210,000	204,900	198,900	190,000	185,000	170,000	164,000	150,000	143,000
2009	130,000	125,000	119,900	115,500	119,900	125,000	125,000	126,000	130,000	128,000	130,000	126,500
2010	124,900	125,000	128,000	128,000	130,000	127,419	125,000	119,000	119,500	120,000	115,000	110,250
2011	110,000	109,900	110,000	111,000	108,300	110,500	109,000	109,900	114,900	112,000	115,000	117,000
2012	120,000	122,000	130,900	138,000	145,000	141,000	147,900	146,000	150,000	150,000	155,000	154,000
2013	154,700	160,000	167,500	172,000	175,000	180,000	185,000	180,242	185,000	185,000	184,000	185,000
2014	182,500	180,000	187,000	189,000	192,000	195,000	197,000	196,700	194,000	192,500	192,000	197,000
2015	194,700	195,000	200,000	202,745	211,000	214,900	212,000	208,000	211,000	213,000	209,000	215,000
2016	210,000	214,000	215,750	222,000	225,700	230,000	225,000	230,000	230,000	229,900	226,000	227,000
2017	225,000	230,000	230,000	234,000	240,000	245,000	242,000	245,000	241,700	254,000	245,000	246,225
2018	245,000	252,500	254,000	254,011	265,000	268,000						

8. *“Total housing inventory at the end of May climbed 2.8 percent but is still 6.1 percent lower than a year ago.”* - We are 7.8% lower than last year and 1.5% lower than last month.

9. *“Unsold inventory is at a 4.1 months supply at the current sales pace, 4.2 months a year ago.”* - 2.24 this year compared to 2.35 last year, a 4.7% decrease.

10. *“The abrupt hike in mortgage rates this spring, along with price appreciation and competition being the strongest in the entry-level part of the market, is why first-time buyers are not as active as they should be and their participation remains below its historical average.”* – No arguments here.

11. *“All-cash sales were 21 percent of transactions in May, which is unchanged from April and down from 22 percent a year ago. 25.45% this year compared to 21.15% last year, our increase can be attributed to one large investor and an increase in market share for i-buyers.”* – Again, no disagreement.

12. “Distressed sales – foreclosures and short sales – were 3 percent of sales in May (lowest since NAR began tracking in October 2008), down from 4 percent last month and 5 percent a year ago.” - Two percent of May sales were foreclosures and 1 percent were short sales.

LENDER OWNED SALES													
(From flexmls)													
All Sales 2016-17	8,861	7,630	7,843	7,328	6,981	6,804	7,036	5,932	6,435	9,116	8,666	9,641	9,391
All Sales 2017-18	9,391	7,853	8,113	7,328	7,268	7,074	7,070	6,082	6,911	9,402	8,990	9,913	9,079
Lender Owned Sales 2016-17	167	165	181	147	123	148	150	118	150	177	126	131	124
Lender Owned Sales 2017-18	124	110	104	99	97	84	92	101	100	111	85	83	73
% Change over year	-25.7%	-33.3%	-42.5%	-32.7%	-21.1%	-43.2%	-38.7%	-14.4%	-33.3%	-37.3%	-32.5%	-36.6%	-41.1%
% of Total Sales 2017-18	1.3%	1.4%	1.3%	1.4%	1.3%	1.2%	1.3%	1.7%	1.4%	1.2%	0.9%	0.8%	0.8%
SHORT SALES													
(from distressed sales data)													
Short Sale Sold Units 2016-17	138	122	162	123	127	101	120	88	103	130	88	105	77
Short Sale Sold Units 2017-18	77	61	80	54	69	54	62	56	50	59	45	41	40
% Change over year	-44.2%	-50.0%	-50.6%	-56.1%	-45.7%	-46.5%	-48.3%	-36.4%	-51.5%	-54.6%	-48.9%	-61.0%	-48.1%
% Change per month	-26.7%	-20.8%	31.1%	-32.5%	27.8%	-21.7%	14.8%	-9.7%	-10.7%	18.0%	-23.7%	-8.9%	-2.4%
% of Total Sales 2017-18	0.8%	0.8%	1.0%	0.7%	0.9%	0.8%	0.9%	0.9%	0.7%	0.6%	0.5%	0.4%	0.4%
DISTRESSED SALES													
(Short Sale and Lender Owned Combined)													
Total Distressed 2016-17	305	287	343	270	250	249	270	206	253	307	214	236	201
Total Distressed 2017-18	201	171	184	153	166	138	154	157	150	170	130	124	113
Total Distressed as % of Total Sales 2017-18	2.1%	2.2%	2.3%	2.1%	2.3%	2.0%	2.2%	2.6%	2.2%	1.8%	1.4%	1.3%	1.2%
% Change over year	-34.1%	-40.4%	-46.4%	-43.3%	-33.6%	-44.6%	-43.0%	-23.8%	-40.7%	-44.6%	-39.3%	-47.5%	-43.8%

The Pending Price Index (PPI)

Last month STAT projected a median sales price for June of \$265,000. The actual median sales price was \$268,000. Our sales volume projection for June was 9,500 with actual sales coming in at 9,079. Our market has clearly been hotter than our models suggested. Looking ahead to July, the ARMLS Pending Price Index anticipates the median sales price to decrease to \$262,000. It should be noted through the first five months of 2018 we have been underestimating the median sales price, and this might very well be the case in June.

Sales volume for the first six months of 2018 was 3.78% higher than 2017, with 41,298 sales in 2018 compared to 39,790 in 2017. We begin June with 6,112 pending contracts; 3,902 UCB listings and 604 CCBS giving us a total of 10,618 residential listings practically under contract. This compares to 11,006 of the same type of listings one year ago. There were 22 business days in June of 2017 compared to 21 this year. ARMLS reported 9,391 sales in June of 2017, with 2018 coming in at 9,079.