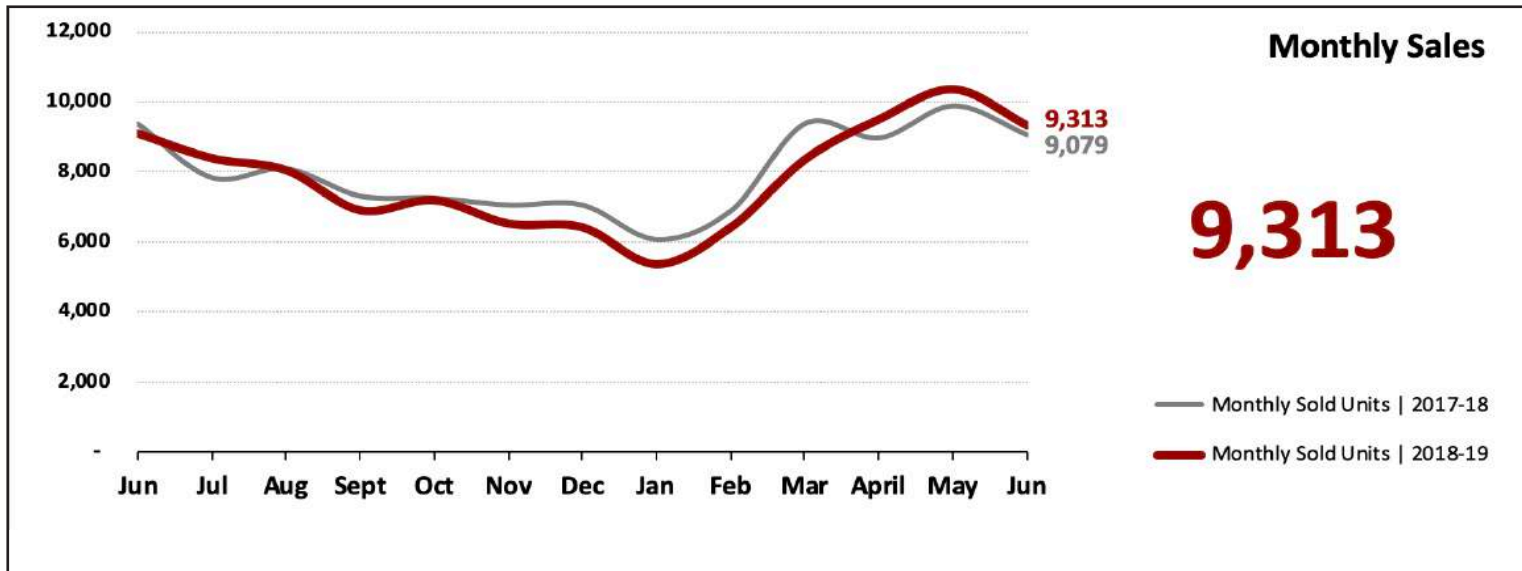


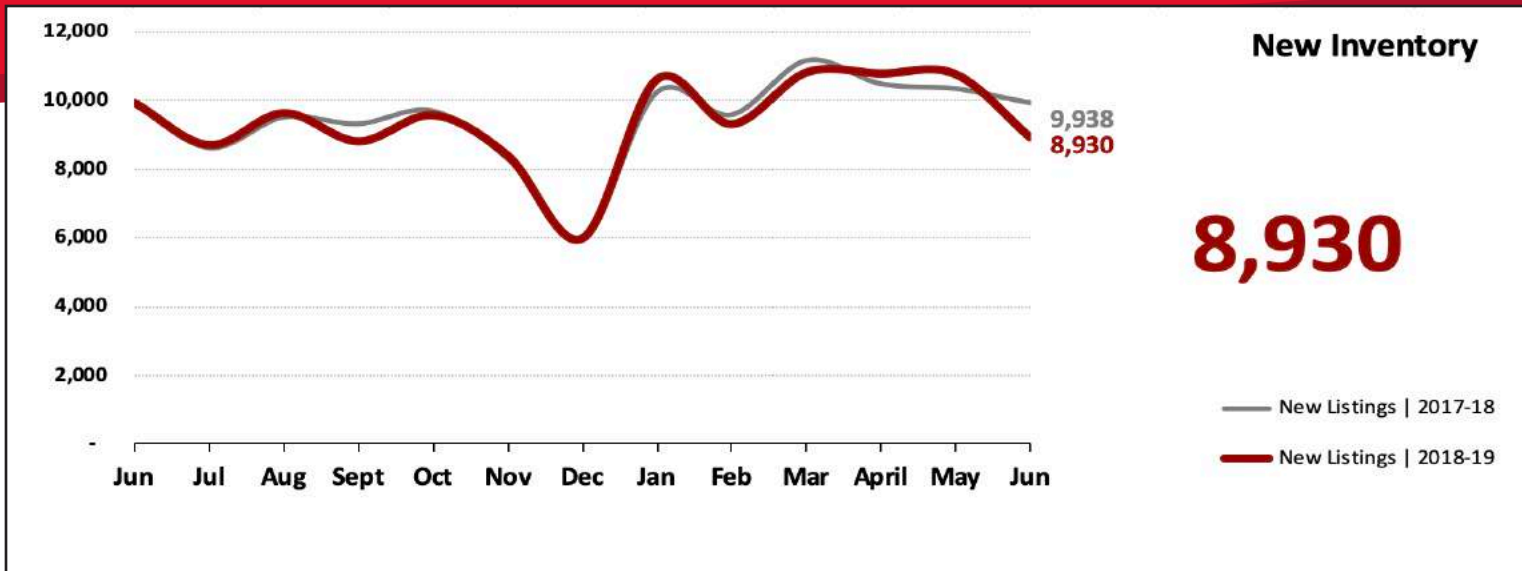


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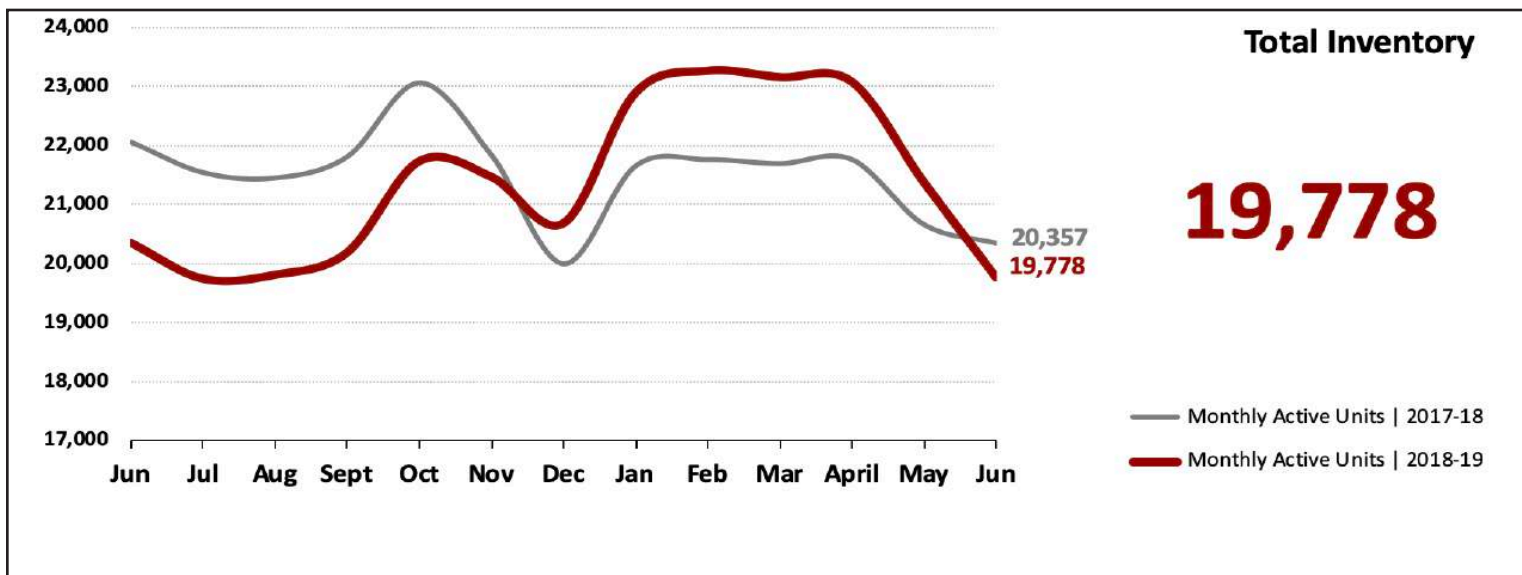
Sales are down -9.9% month-over-month. The year-over-year comparison is up +2.6%.

Closed MLS sales with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



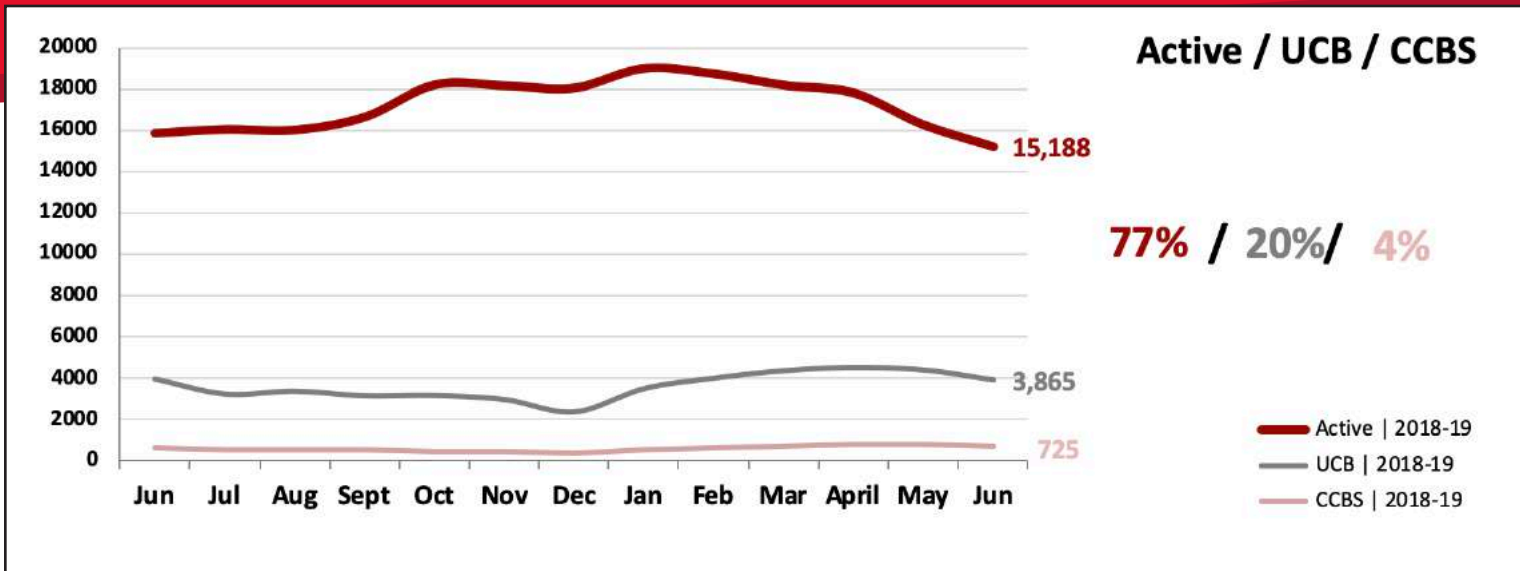
New inventory is down -17.2% month-over-month while the year-over-year comparison decreased by -10.1%.

New MLS listings that were active for at least one day from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



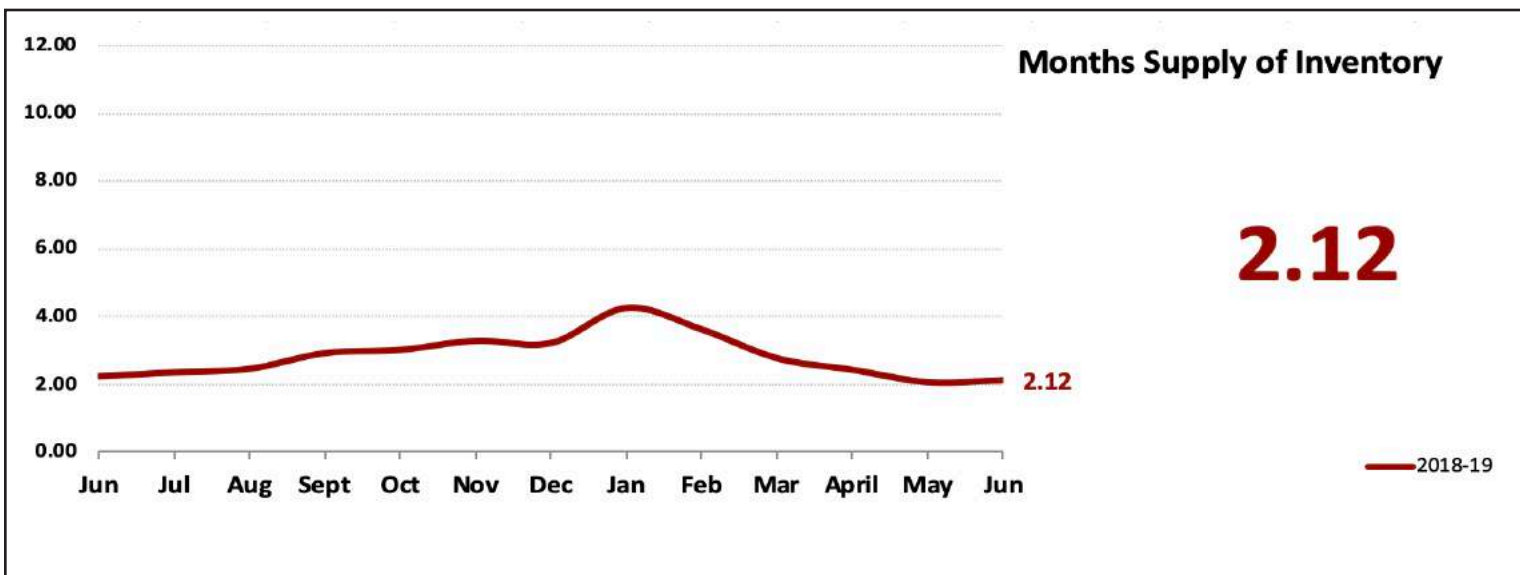
Total inventory has a month-over-month decrease of -7.5% while year-over-year reflects a decrease of -2.8%.

Snapshot of statuses on 6/30/2019



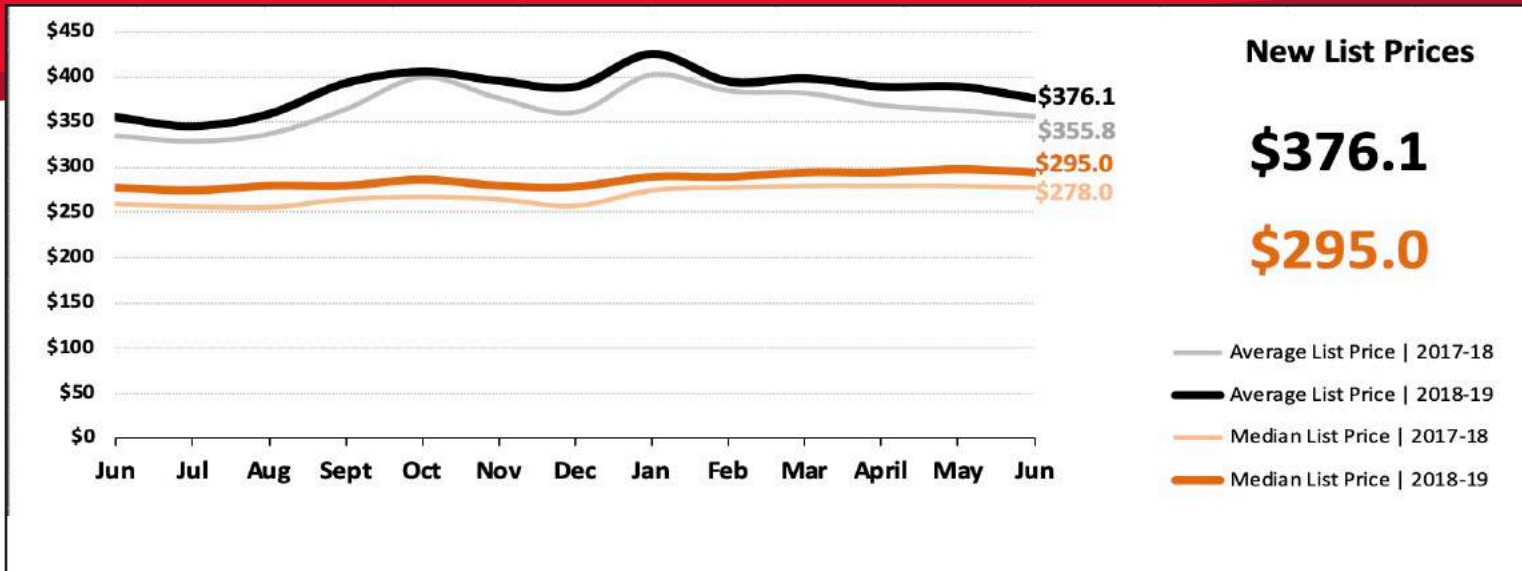
June UCB listings percent of total inventory was 19.5% with June CCBS listings at 3.7% of total inventory.

Snapshot of statuses on 6/30/2019



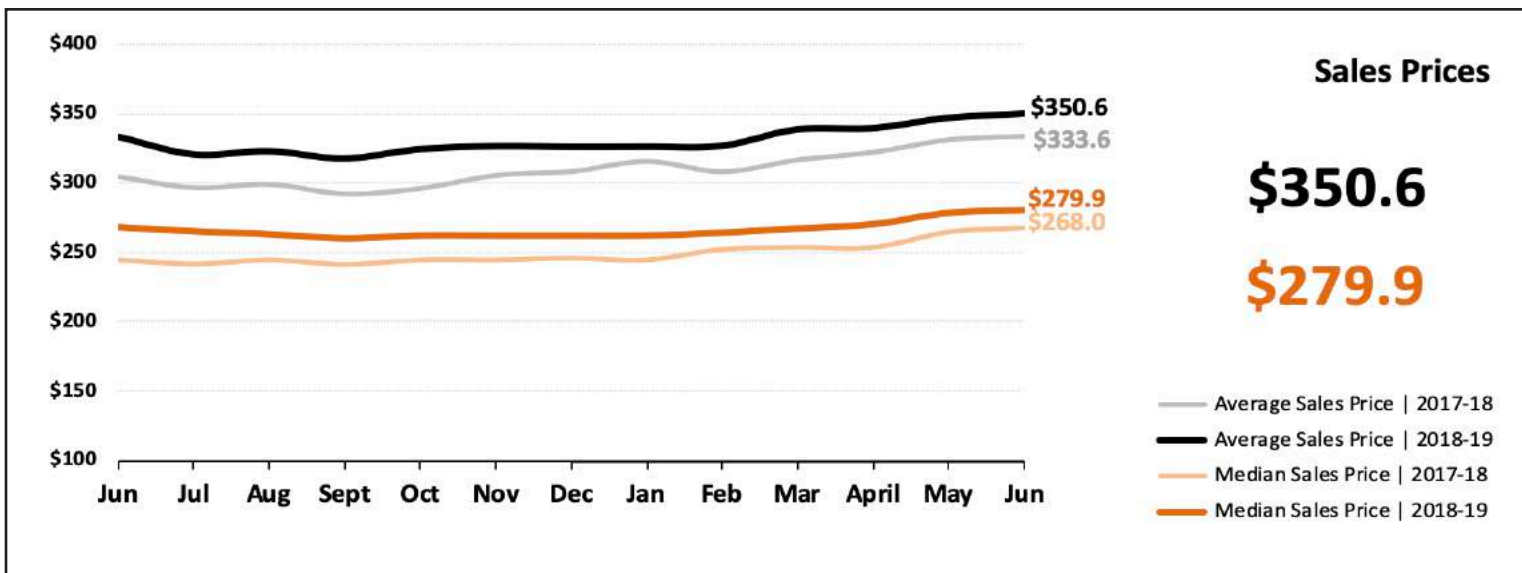
Months supply of inventory for May was 2.07 with June at 2.12.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JUNE 2019, 0 day DOM sales removed



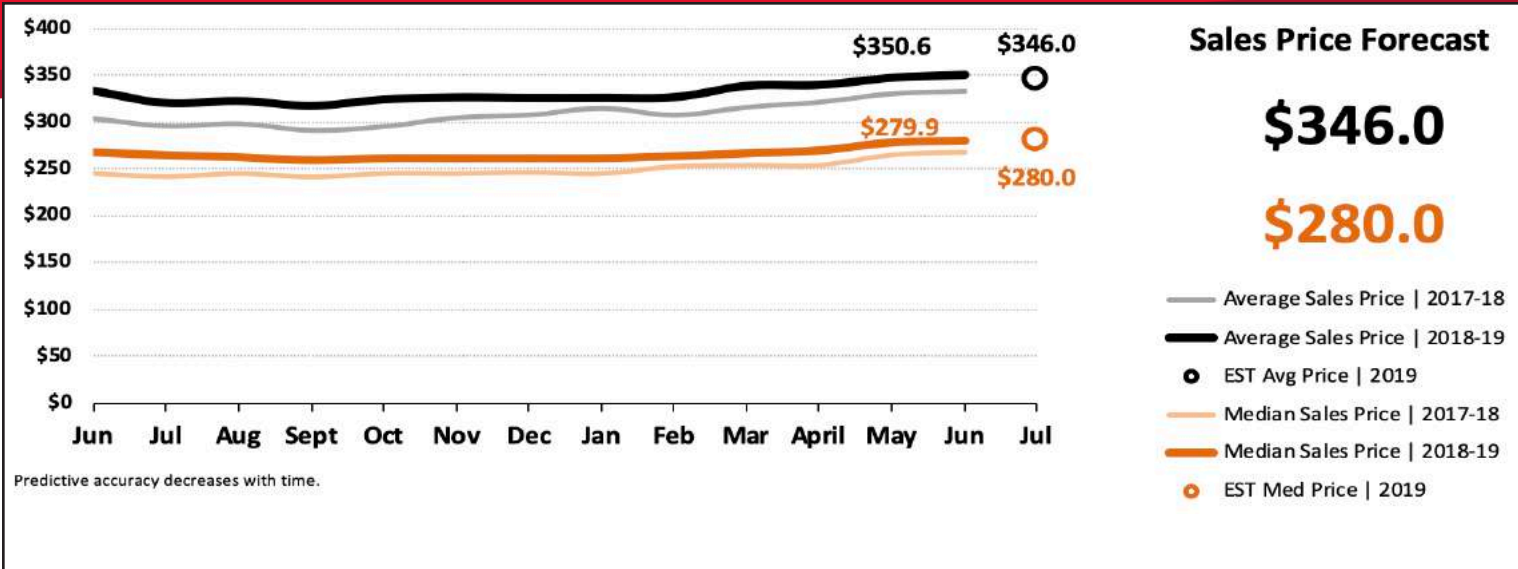
Average new list prices are up +5.7% year-over-year. The year-over-year median is up +6.1%.

List prices of new listings with list dates from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



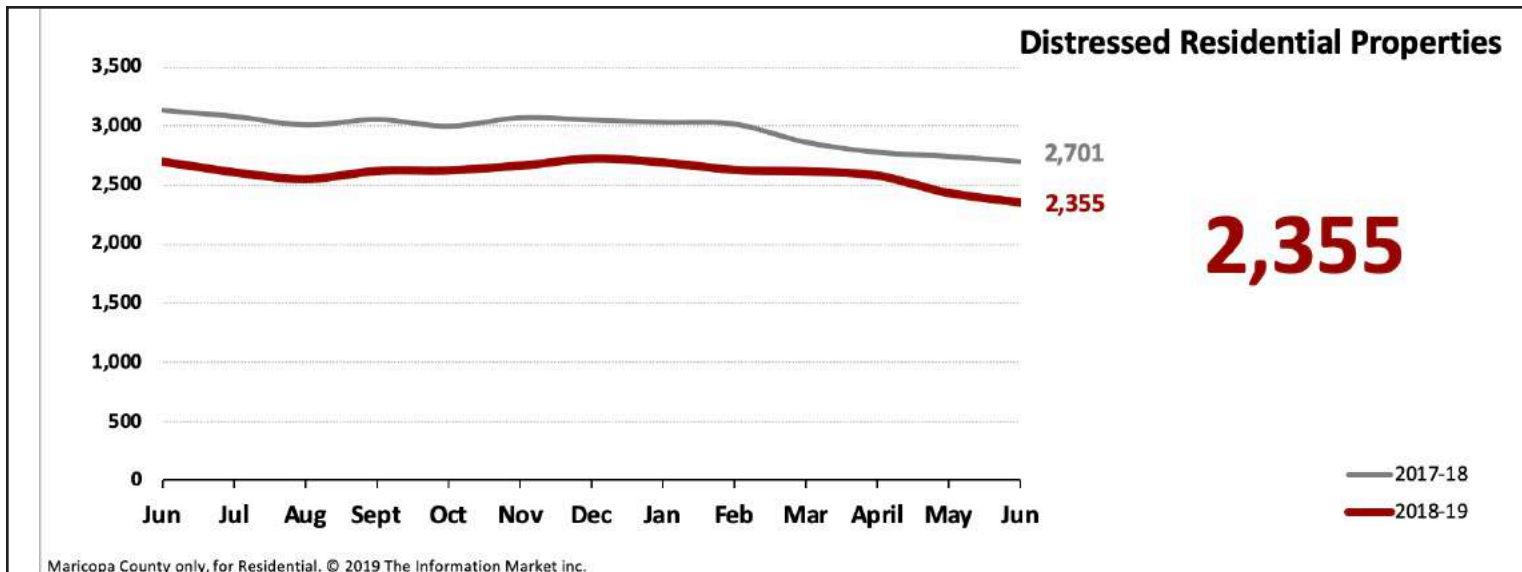
The average sales price is up +5.1% year-over-year while the year-over-year median sales price is also up +4.4%.

MLS sales prices for closed listings with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



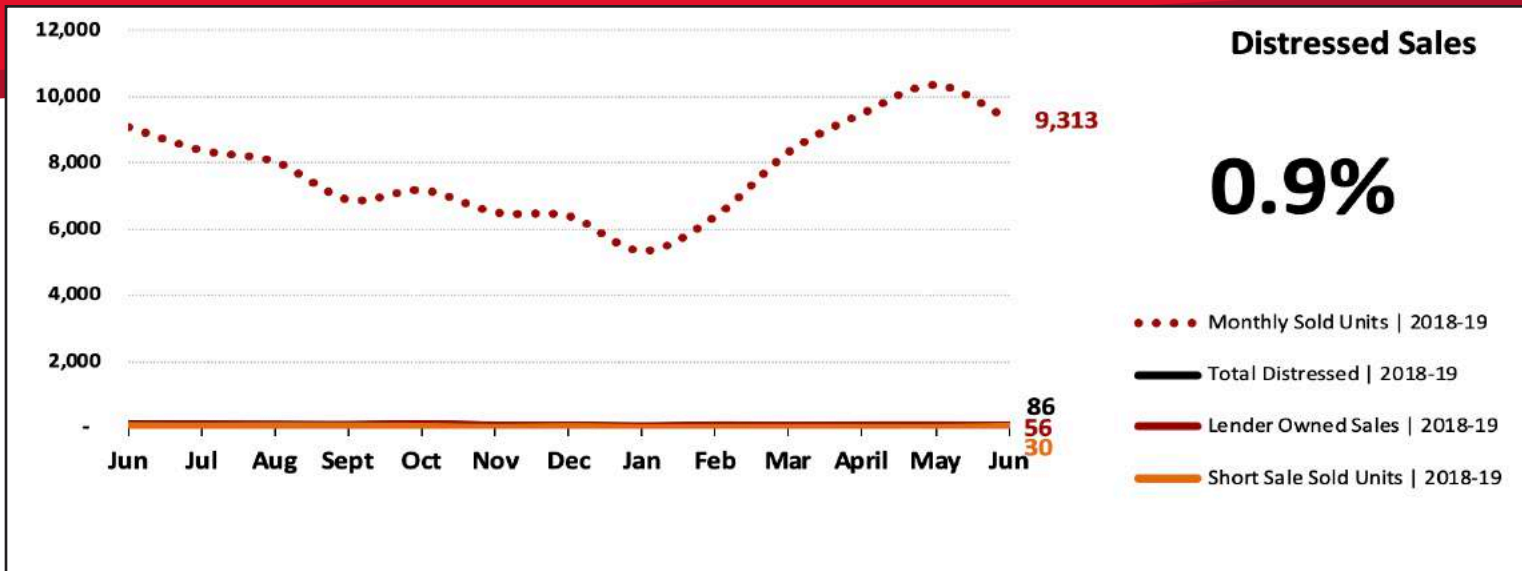
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A decrease is forecasted in July for average sales prices while a slight increase is forecasted for median sales prices.



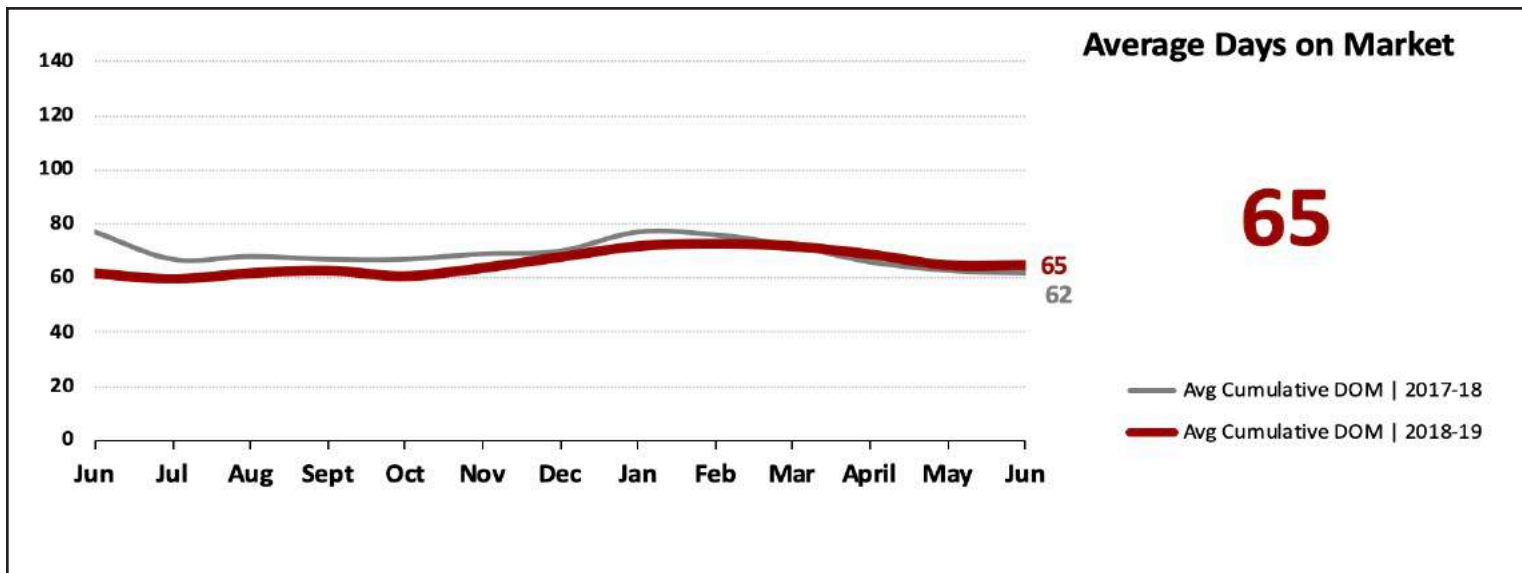
Snapshot of public records data on 6/30/2019 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed a decrease of -3.3% while the year-over-year figure was down -12.8%.



Distressed sales accounted for 0.9% of total sales, up from the previous month of 0.8%. Short sales dropped -25.0% year-over-year. Lender owned sales dropped -23.3% year-over-year.

New MLS listings that were active for at least one day from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



Days on market were up +3 days year-over-year while month-over-month stayed the same.

MLS sales prices for closed listings with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed

**COMMENTARY** by Tom Ruff

The loud explosions heard earlier this month were not coming from Independence Day celebrations. They were the 2019 year-to-date housing numbers being reported by ARMLS. The first half of 2019 began with a whimper and ended with a bang. May and June were both exceptionally strong with June having \$3,265,463,755 in dollar volume, the highest total for any June in ARMLS history. As an added caveat, there was one less business day this year compared to 2018, making this year's total that much more impressive. As we reach the halfway point for the year, 2019 ranks as the best year on record.

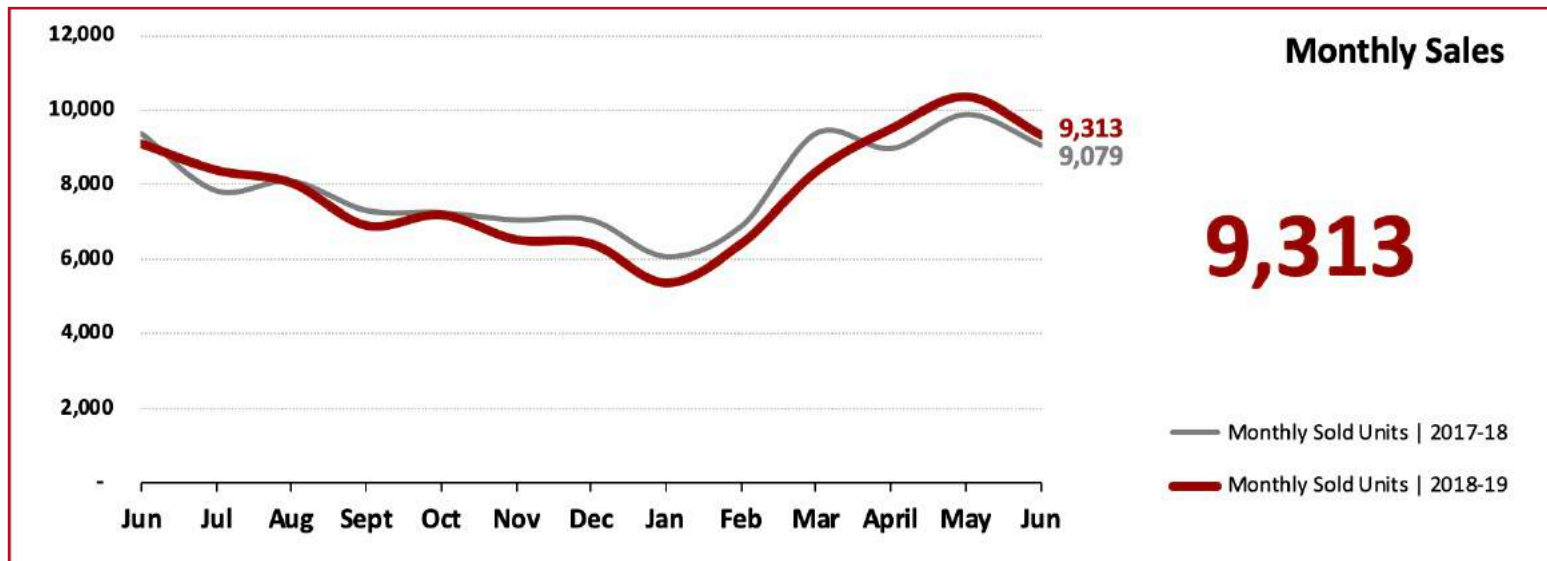
**Total Dollar Volume Sales as reported by ARMLS**

Year	January	February	March	April	May	June	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	5,618,750,400	19
2002	739,345,600	749,390,600	1,015,710,400	1,103,580,000	1,242,645,600	1,205,232,800	6,055,905,000	18
2003	876,792,000	1,020,050,100	1,235,041,500	1,397,260,800	1,485,385,200	1,513,990,000	7,528,519,600	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	10,312,539,700	10
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	15,247,743,200	3
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	13,591,850,400	5
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	11,003,441,000	8
2008	912,620,800	1,010,608,800	1,259,136,900	1,354,410,400	1,523,726,400	1,520,346,000	7,580,849,300	15
2009	855,115,376	944,032,151	1,214,734,880	1,367,508,084	1,517,804,024	1,600,326,660	7,499,521,175	17
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	8,626,080,889	13
2011	1,026,793,098	1,113,664,985	1,567,407,534	1,505,062,307	1,557,473,020	1,654,558,610	8,424,959,554	14
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	9,061,672,657	12
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	10,659,978,702	9
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	9,794,005,530	11
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	11,554,173,737	7
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	12,397,152,764	6
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	14,421,738,753	4
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	16,225,930,845	2
2019	1,746,890,915	2,094,275,339	2,827,447,840	3,226,528,305	3,593,145,906	3,265,463,755	16,753,752,060	1

In the ARMLS Monthly Sales Volume Figures chart below, you can see in the third quarter of 2018 year-over-year sales began to decline. In our October 2018 STAT report, we asserted, “*The October 2018 sales volume most likely signals an inflection point in our market.*” We believed this downturn was “*nothing more than a pause.*” Quoting Ivy Zelman we added, “*There’s a hesitancy to adjust to the new rate environment, but assuming no further upside in rates that reluctance starts to diminish in roughly four quarters, which would bode well for the spring selling season. Given the strength of the economy and consumer confidence and employment growth, housing should resume growth. That said, prices will likely be under pressure and will have to adjust, even if we do see a rebound in the spring, because it’s more expensive with rates moving higher.*”

As the chart below shows, we saw five straight months of year-over-year declines with the last three months showing improvement.

### ARMLS Monthly Sales Volume Figures





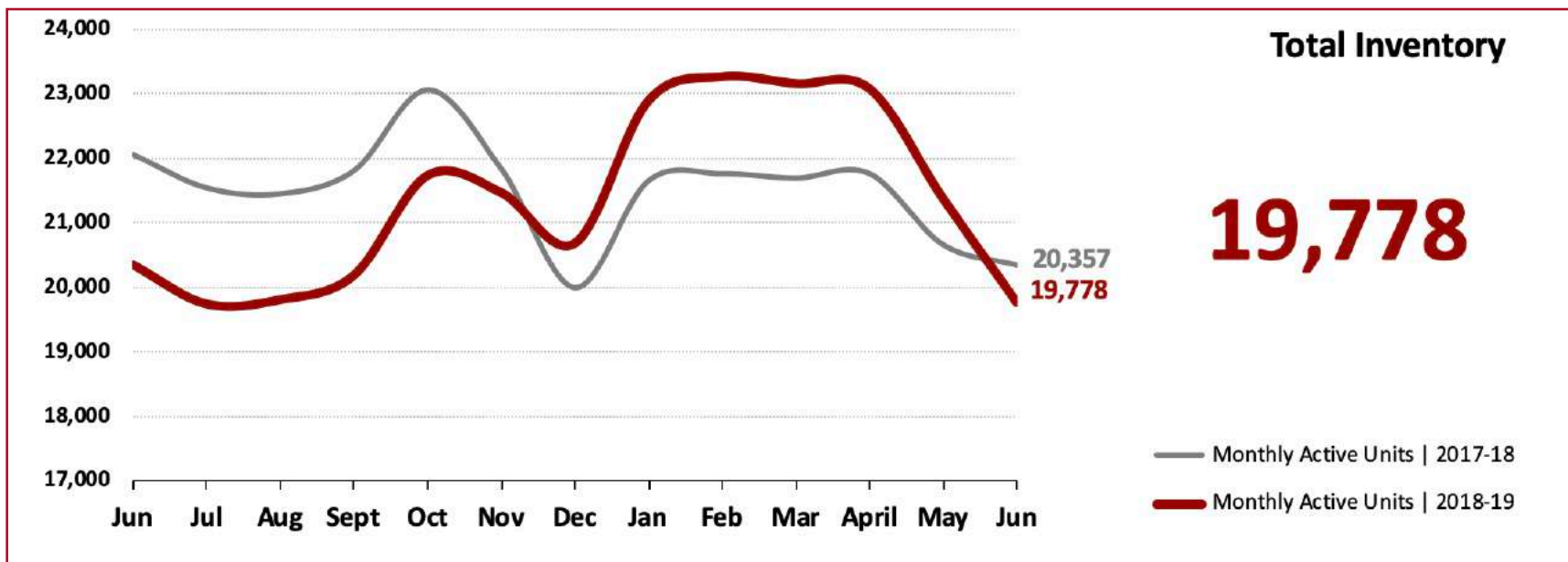
Our assertion in October ended up being correct. The premise on which we based our forecast was only partially correct. We believed in the economy and employment growth and felt the market would adjust to the rising interest rates. Our market has also seen a moderation in price increases with the year-over-year gain in the median sales price standing at 4.4%. What we didn't anticipate was a 1.07% drop in interest rates. The chart below displays the exact same data from the Monthly Sales Volume Figures chart above, only from a different perspective. Below we're showing the percentage change in year-over-year sales volume as reported by ARMLS. Think of this chart below as the "space" between the two years. It begins with January 2018 data while the chart above begins in June 2018. The chart below clearly displays the impact of declining interest rates with a lag time of between 2 and 3 months.

### ARMLS Monthly Sales Volume Figures Percentage Change



Which leads us to what might be the most interesting metric reported in June- the rapid decline in active listings. The chart below resembling a yoga pose shows just how dramatically the number of active listings has declined with three consecutive strong months of sales.

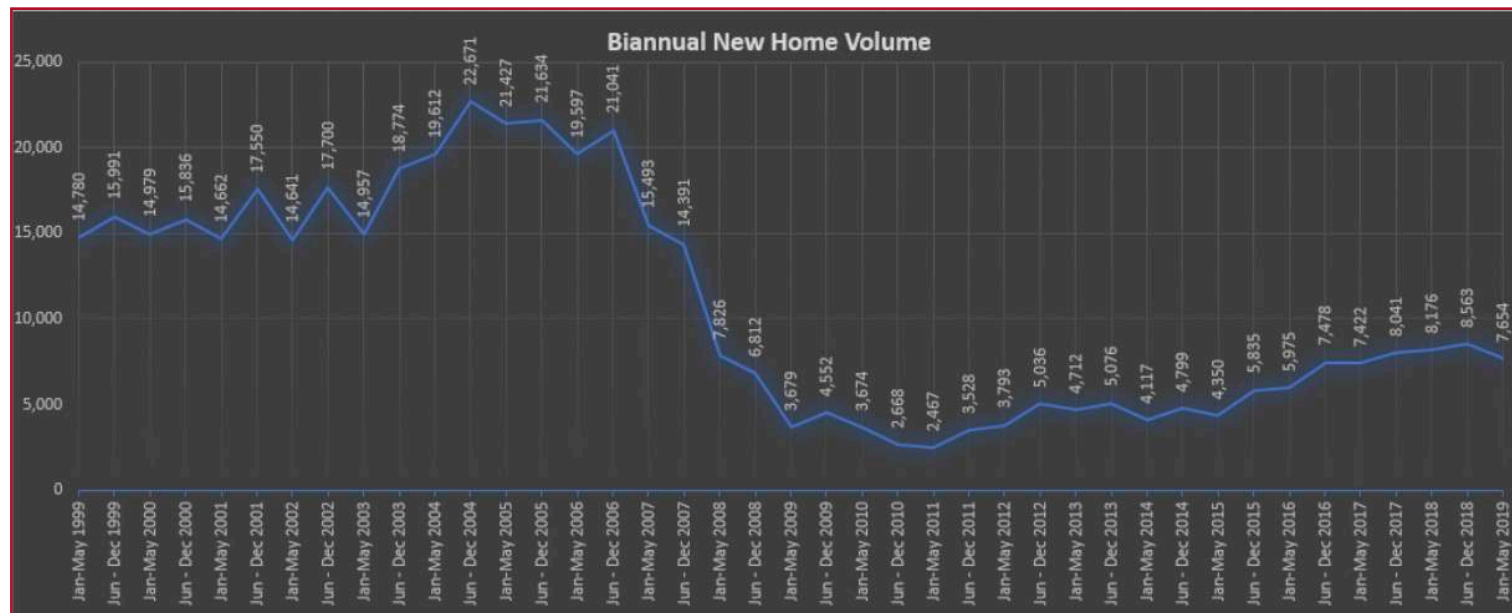
### ARMLS Active Listings



We've been discussing low inventory numbers for several years now and what needs to transpire to see an increase in the number of properties available for sale. Maybe it's time to just accept low inventory as the new norm. New housing stock can only be added from one source- new construction. The chart below shows the number of new homes built in Maricopa County dating back to 1999. New home construction was consistent from 1999 through 2003.

We saw an explosion of new builds between 2004 and 2007 as the housing bubble formed, followed by a rapid decline. The 7,654 new builds in the first half of 2019 are just over 50% of the number of homes built in the first half of 1999.

## New Homes Built via Public Records



Two additional factors can impact the number of homes available for sale on the MLS: distressed properties (REOS) and the velocity at which current homeowners move. In a just published report from Core Logic, Chief Economist Dr. Frank Nothaft stated, “Thanks to a 50-year low in unemployment, rising home prices and responsible underwriting, the U.S. overall delinquency rate is the lowest in more than twenty years.” In Maricopa County we saw only 663 residential foreclosures in the first 6 months of 2019, 257 of which reverted to the beneficiary. With Arizona delinquency rates lower than the national average, we can expect further declines in foreclosures in the coming year. Which leaves us with velocity.

In a June 8 report, Freddie Mac asked the question, “*Are Baby Boomers the Key to the Single-Family Market?*” The article states,

*“One of the most important keys to today’s single-family housing market is homeowners who were born before the first-ever episode of Star Trek aired in the 1960s.*

*Today, more than 50 years later, Baby Boomers and other homeowners over the age of 55 control almost two-thirds of the nation’s home equity – about \$8 trillion. There are also more than 67 million 55+ homeowners. Whether they decide to move from their current homes or age in place, the cumulative impact of their decisions on mortgage demand, affordable housing supplies, and the housing options available to Millennials and other aspiring homeowners will be substantial.*

*63 percent of 55+ers prefer to age in place. This works out to an estimated 42 million homeowners who don’t plan to move.*

*27 million 55+ers would prefer to move at least one more time. Although movers are in the minority, it’s a big minority. According to the survey nearly 40 percent of all homeowners 55+ would like to move at least once more if they had complete control over it. This isn’t just about downsizing to a rental or nursing home; 19 million plan to buy a home and nearly 8 million expect to move within the next four years. What’s more, half of the 19 million likely movers expect to buy less expensive homes.*

*These are big numbers with the potential to tighten homebuying competition in the housing market, especially for Millennials and other first-time homebuyers.”*

A recent Chicago Tribune article went on to say, *“The boomers are a stick in the spokes of the homeownership cycle, which counts on older people exiting to free up houses that can be resold to first-time buyers, keeping the market moving.”*

This will be an interesting trend to follow, particularly in our Arizona market where we could see the effect from both sides of the boomer equation as we are also a desired destination for retirees.

And now we look forward to July.

### **The Pending Price Index**

Last month the STAT mathematical model projected a median sales price for June of \$279,900. The June reported median was \$279,900. Looking ahead to July, the ARMLS Pending Price Index anticipates the median sales price will remain relatively unchanged, projecting a median sales price of \$280,000.

We begin June with 6,382 pending contracts; 3,865 UCB listings and 725 CCBS giving us a total of 10,972 residential listings practically under contract. This compares to 10,618 of the same type of listings one year ago. At the beginning of July, the “pending” contracts are 3.3% higher than last year. There were 21 business days in July of 2018 and 22 this year. ARMLS reported 8,380 sales in July of 2018. We expect sales volume will be higher this year, our guess is 9,100 sales.