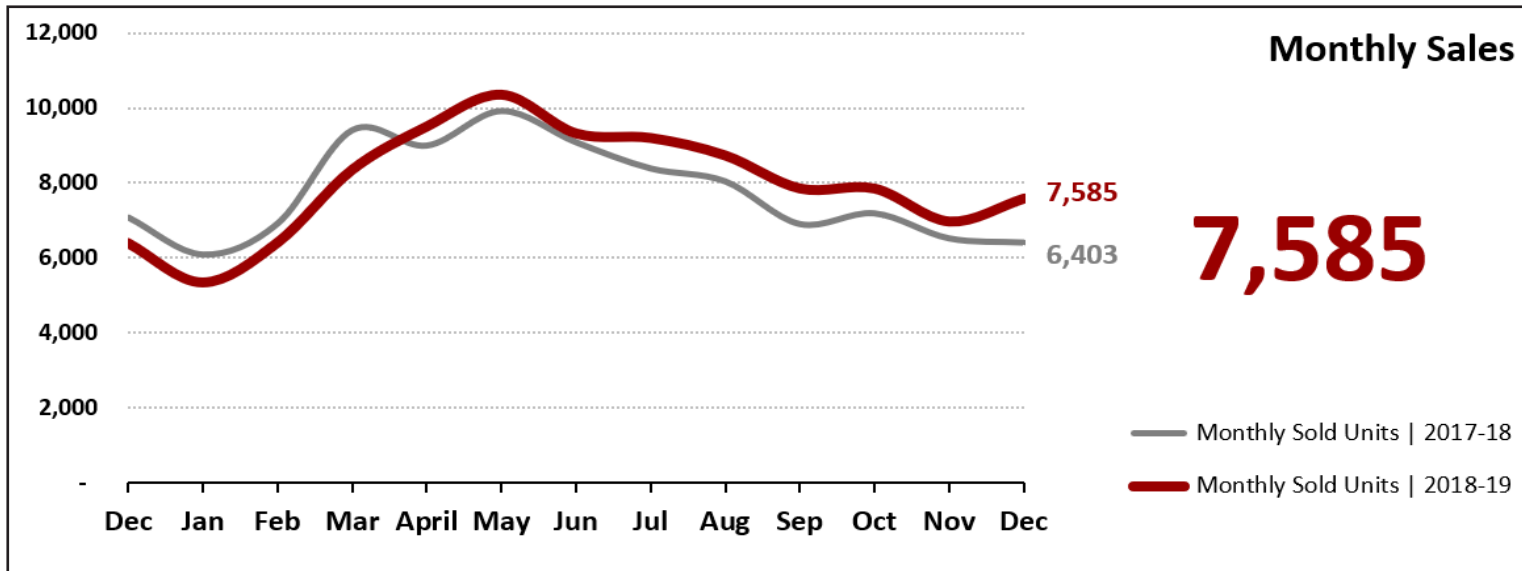


# STAT

## Your Monthly Statistics for the Phoenix Metro Area

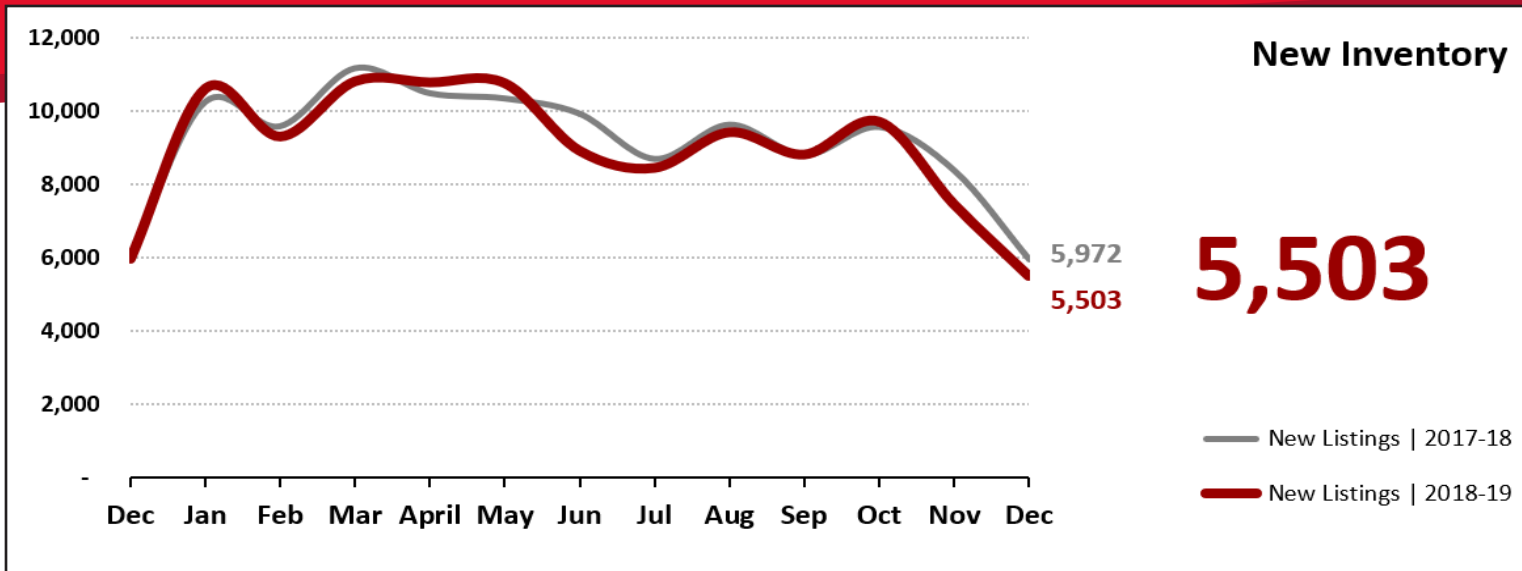


**DATA FOR DECEMBER 2019** - Published January 17, 2019



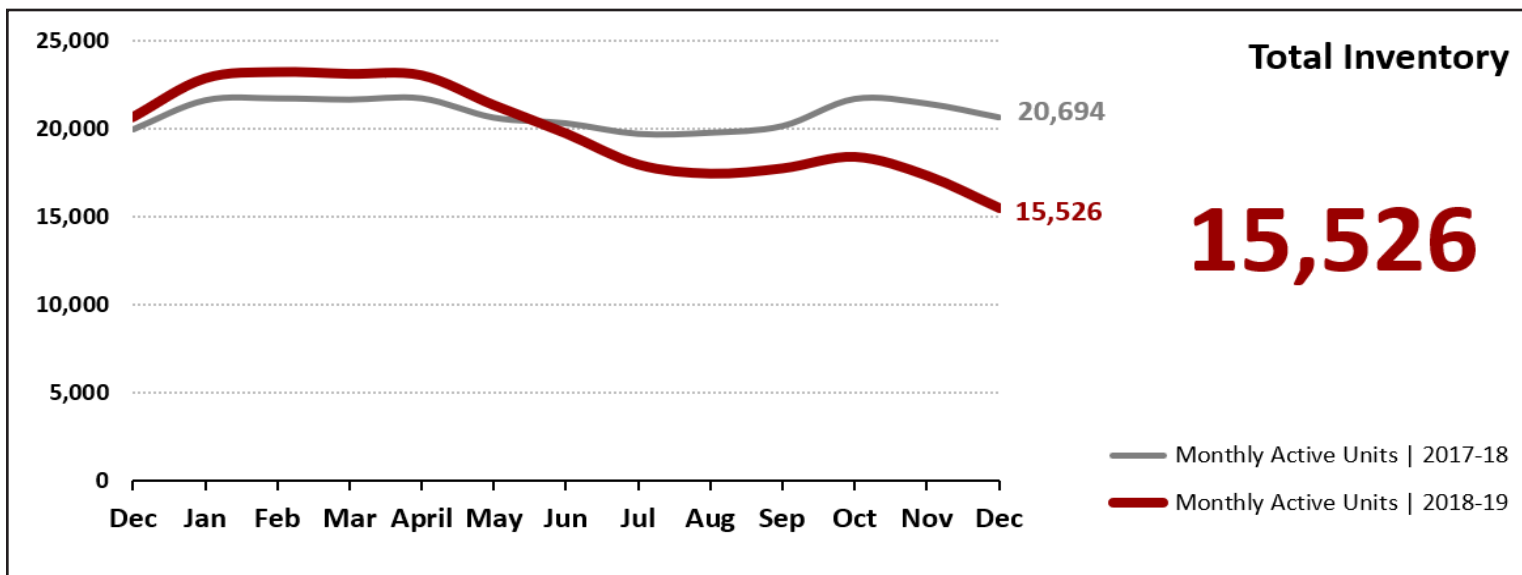
Sales are up 8.8% month-over-month. The year-over-year comparison is up +18.5%.

Closed MLS sales with a close of escrow date from 12/1/2019 to 12/31/2019, 0 day DOM sales removed



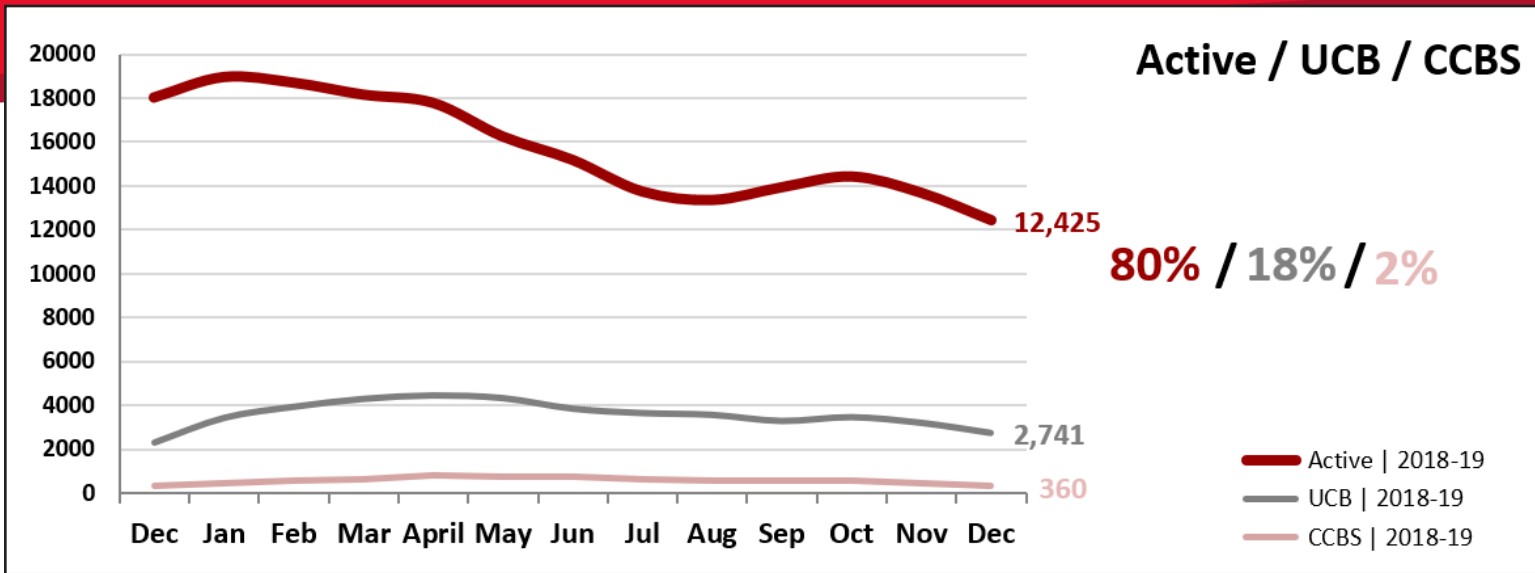
New inventory is down -26.3% month-over-month while the year-over-year comparison decreased by -7.9%.

New MLS listings that were active for at least one day from 12/1/2019 to 12/31/2019, 0 day DOM sales removed



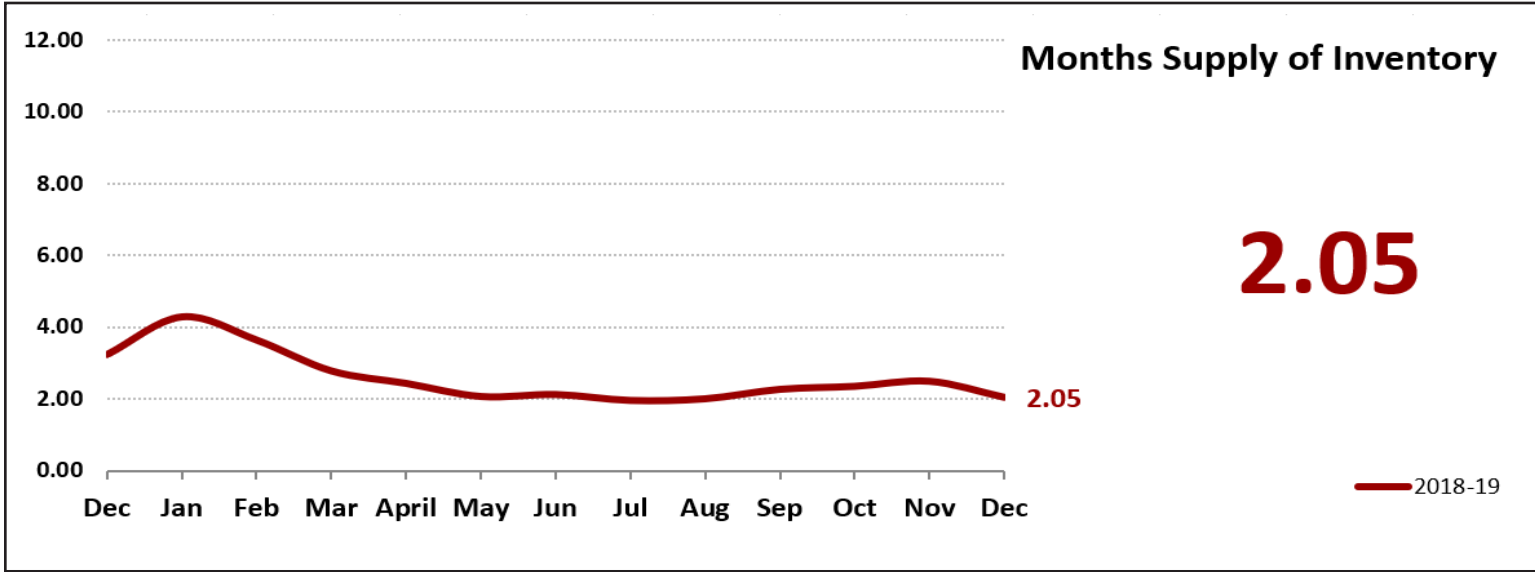
Total inventory has a month-over-month decrease of -10.6% while year-over-year reflects a decrease of -25.0%.

Snapshot of statuses on 12/31/2019



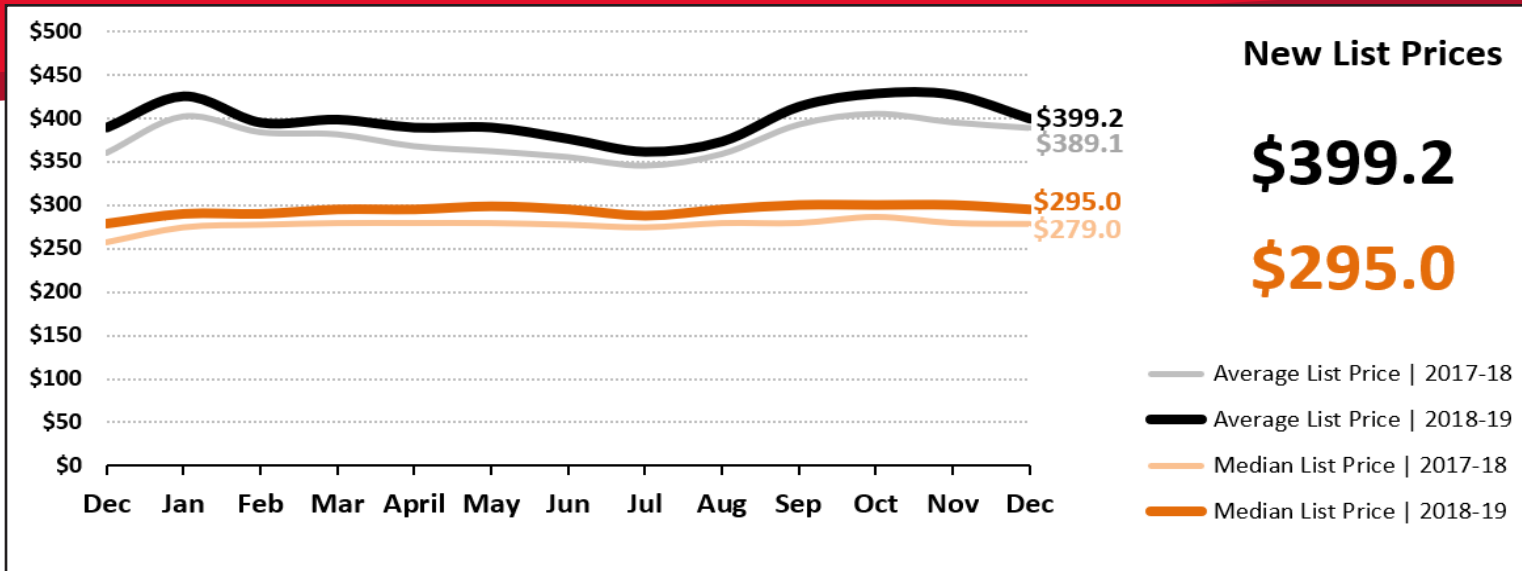
December UCB listings percent of total inventory was 17.7% with December CCBS listings at 2.3% of total inventory.

Snapshot of statuses on 12/31/2019



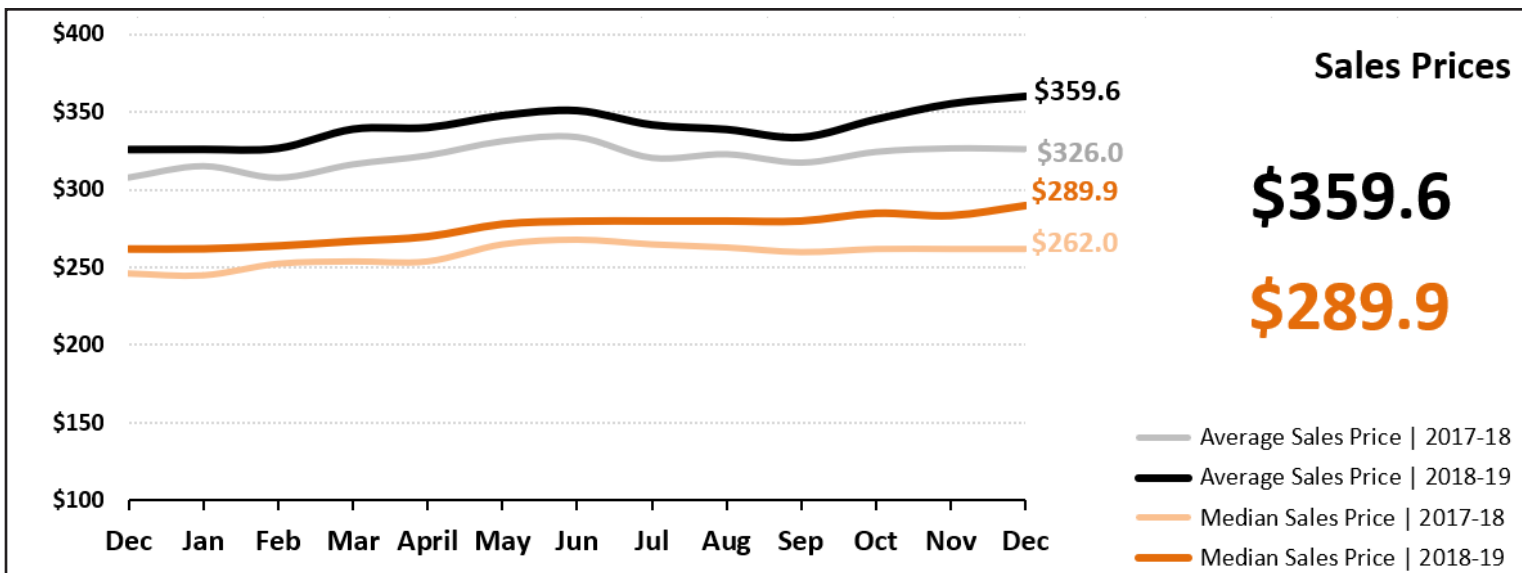
Months supply of inventory for November was 2.49 with December at 2.05.

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



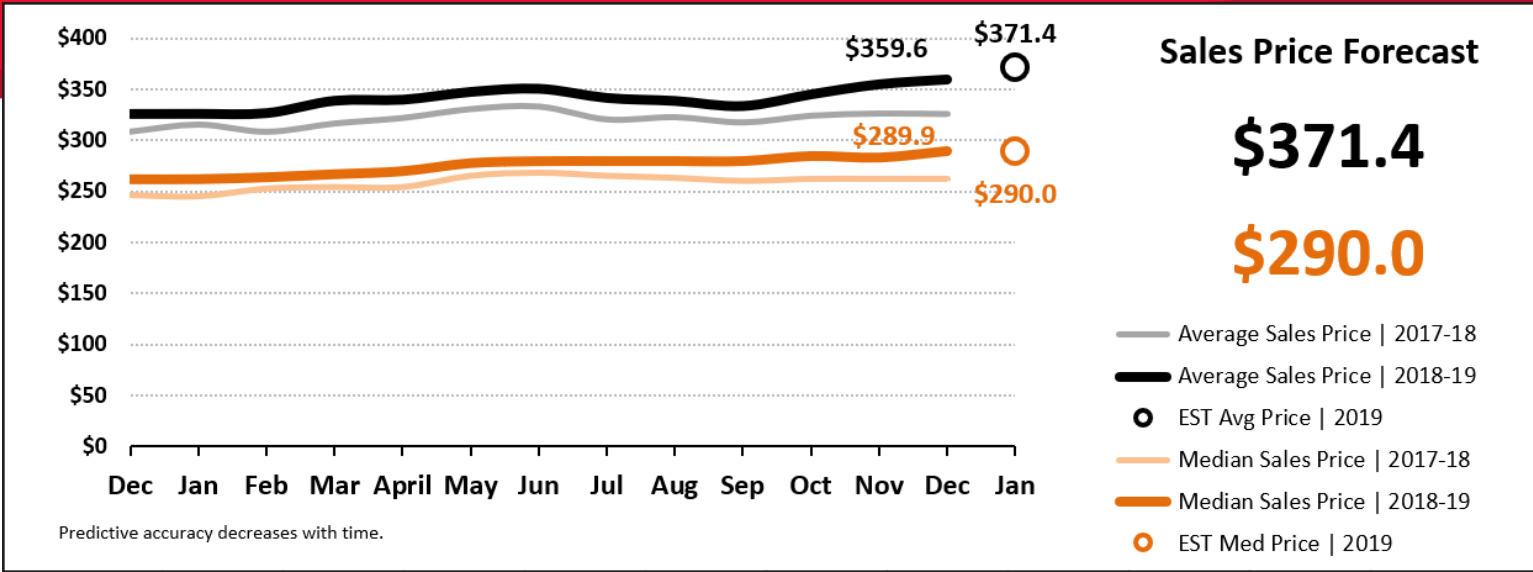
Average new list prices are up +2.6% year-over-year. The year-over-year median is up +5.7%.

List prices of new listings with list dates from 12/1/2019 to 12/31/2019, 0 day DOM sales removed



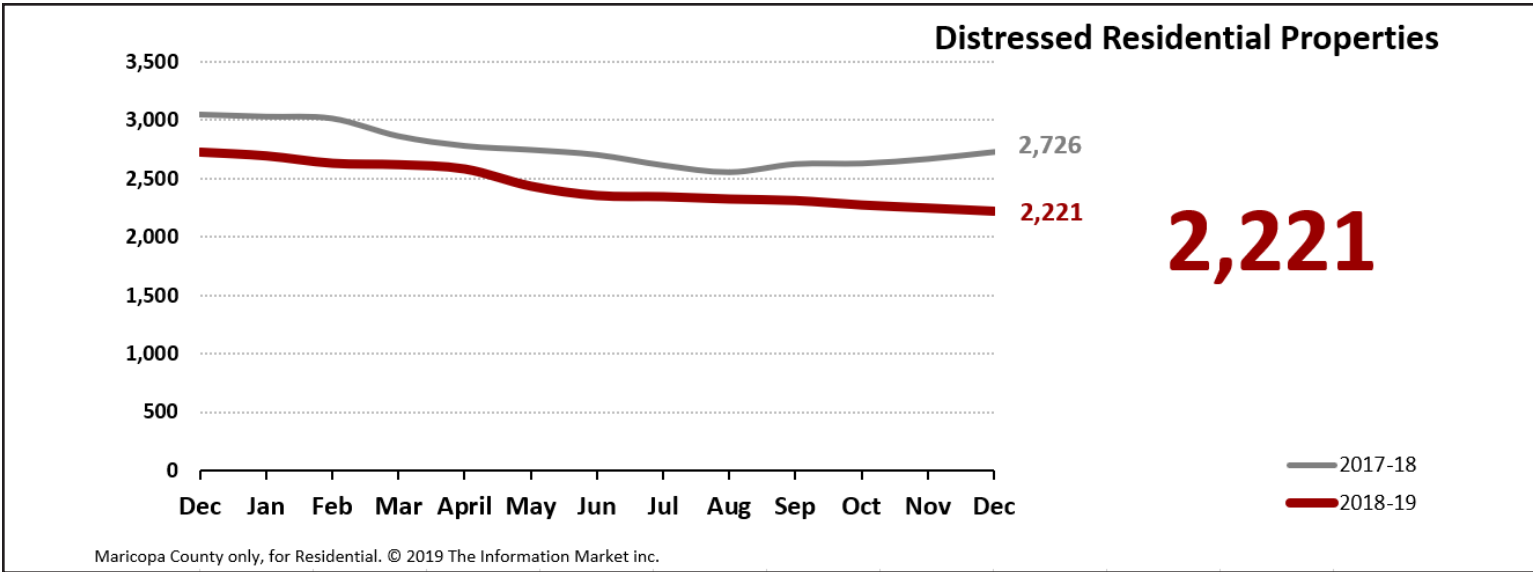
The average sales price is up +10.3% year-over-year while the year-over-year median sales price is also up +10.6%.

MLS sales prices for closed listings with a close of escrow date from 12/1/2019 to 12/31/2019, 0 day DOM sales removed



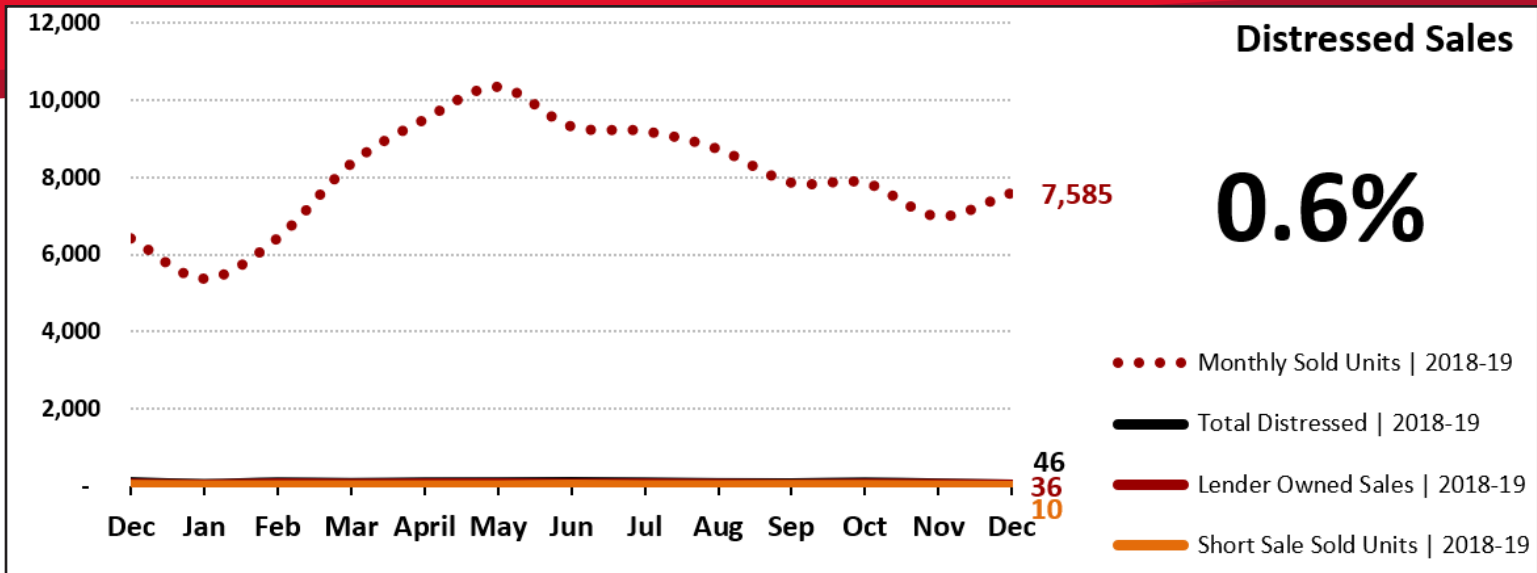
An increase is forecasted in January for both average and median sales prices.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



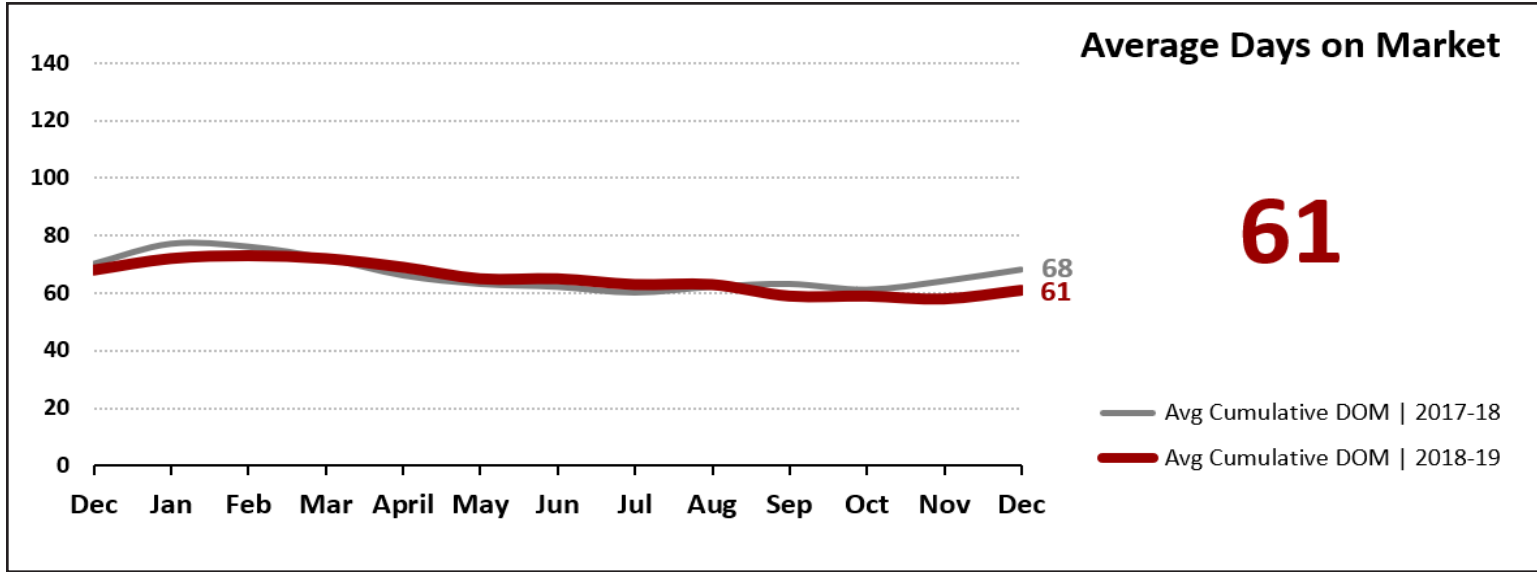
Foreclosures pending month-over-month showed a decrease of -1.2% while the year-over-year figure was down -18.5%.

Snapshot of public records data on 12/31/2019 active residential notices and residential REO properties.



Distressed sales accounted for 0.6% of total sales, down from the previous month of 0.9%. Short sales dropped -63% year-over-year. Lender-owned sales dropped -37.9% year-over-year.

New MLS listings that were active for at least one day from 12/1/2019 to 12/31/2019, 0 day DOM sales removed



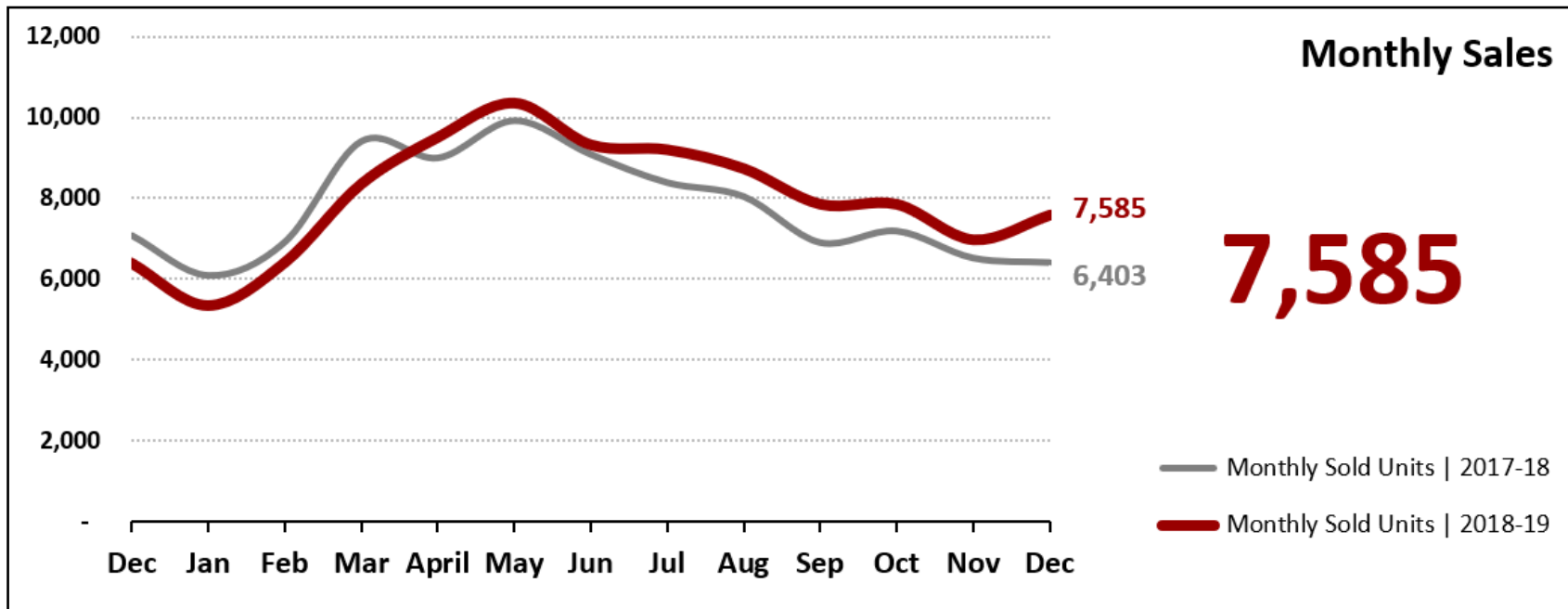
Days on market were down -7 days year-over-year while month-over-month were up +3 days.

MLS sales prices for closed listings with a close of escrow date from 12/1/2019 to 12/31/2019, 0 day DOM sales removed

**COMMENTARY** by Tom Ruff

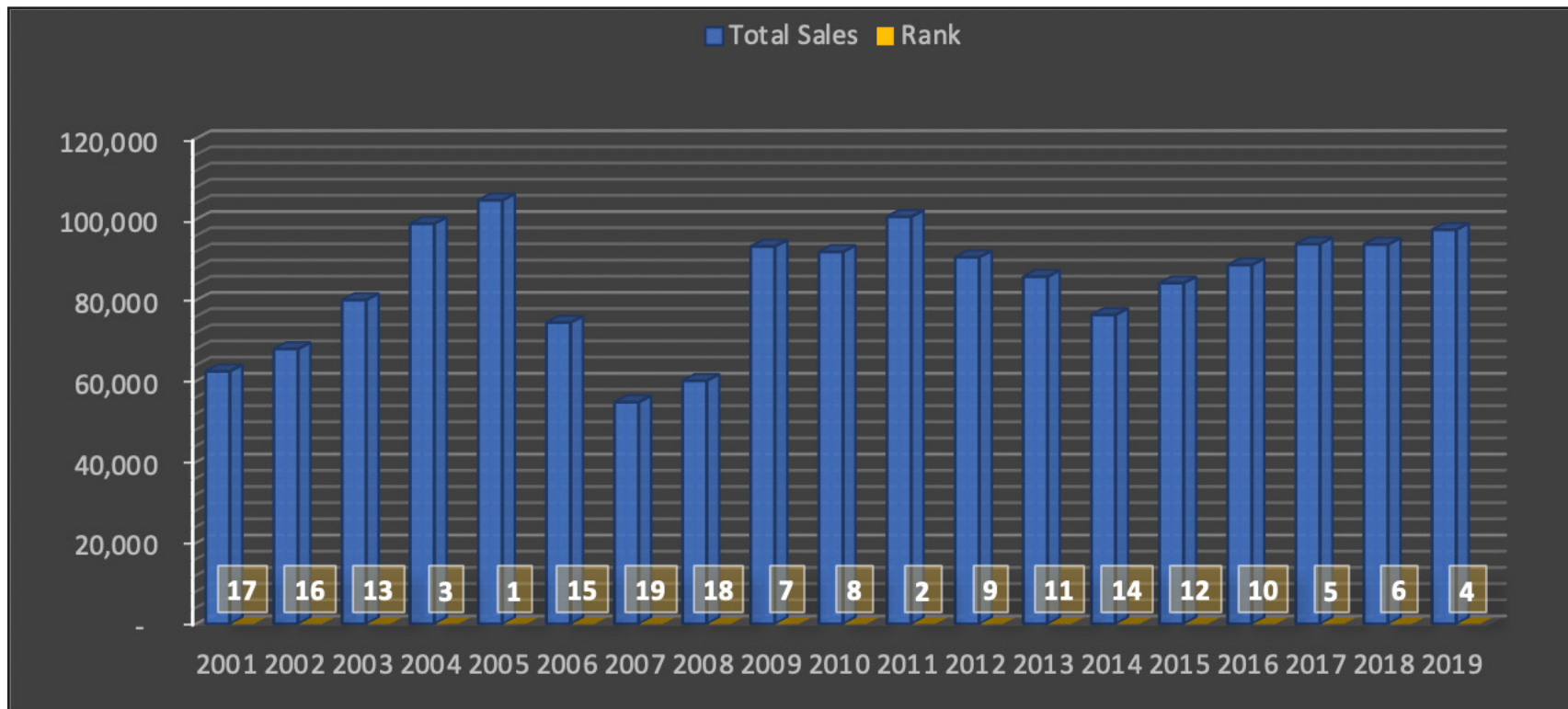
It's the time of year when analysts look back over the previous year, offer their explanations for what they got correct and then articulate their expectations for the coming year. A few will tell you what they got wrong since, like most forecasts, hindsight is 20/20. There is no denying 2019 exceeded everyone's expectations. I don't know of anyone who anticipated the sudden and meaningful drop in interest rates in late 2018. Most prognosticators called for a slowing of sales activity in 2019, and that's exactly how sales came out of the gate. For the first three months of 2019 ARMLS reported a decline in year-over-year sales as the effect of the declining rates took hold. In April of 2019 sales matched 2018 and by then it was clear sales volume was on a new trajectory. For the remainder of 2019, each month, regardless of business days in that given month, exceeded 2018 sales volume.

**ARMLS Monthly Sales**



As the ARMLS books closed, 2019 went down as the year with the 4th highest number of homes sold, falling short to 2004, 2005 and 2011. Each of which had an extraordinary back story: starting to get crazy, completely crazy and capitalizing on crazy.

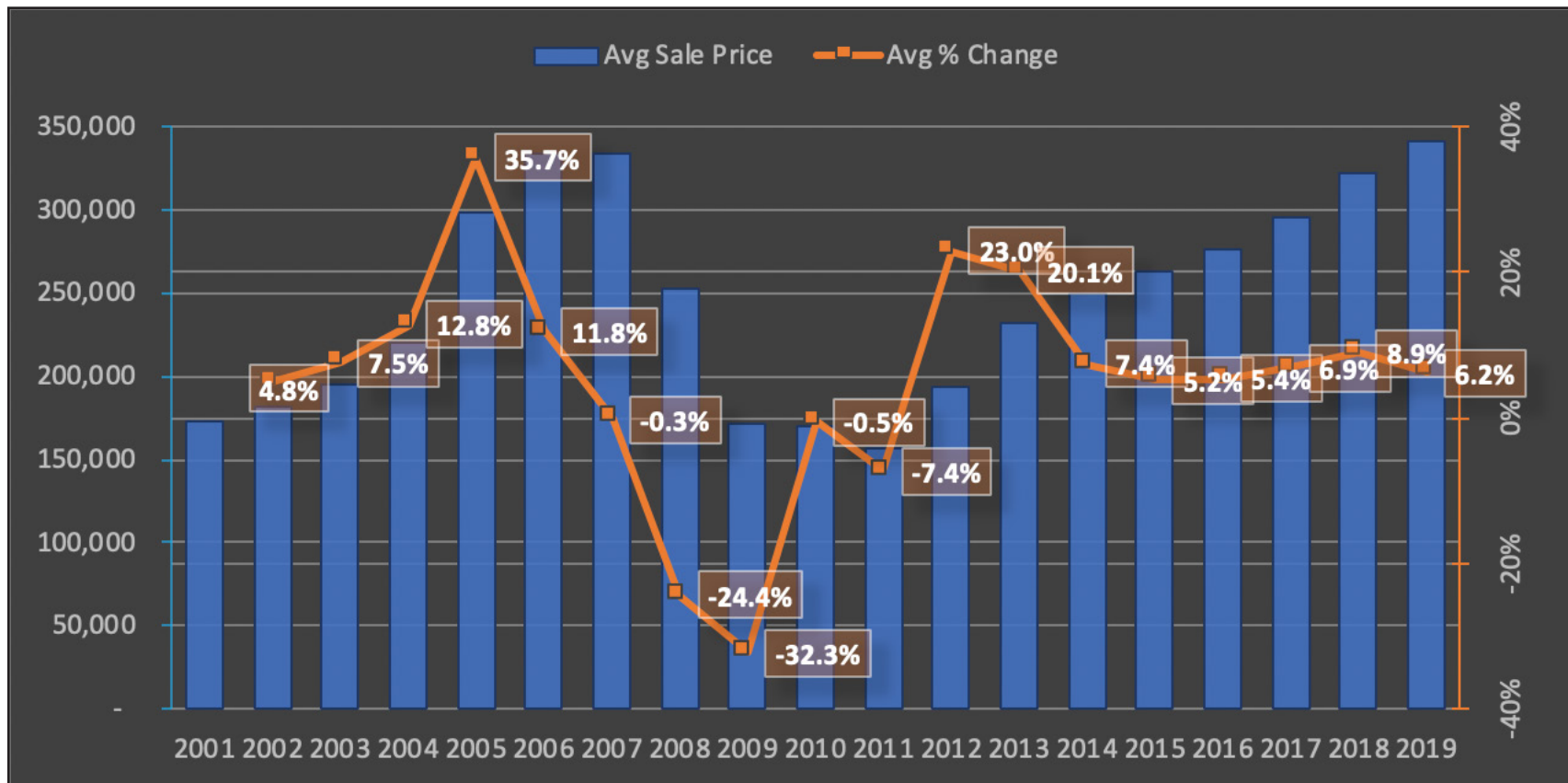
## ARMLS Total Sales Volume



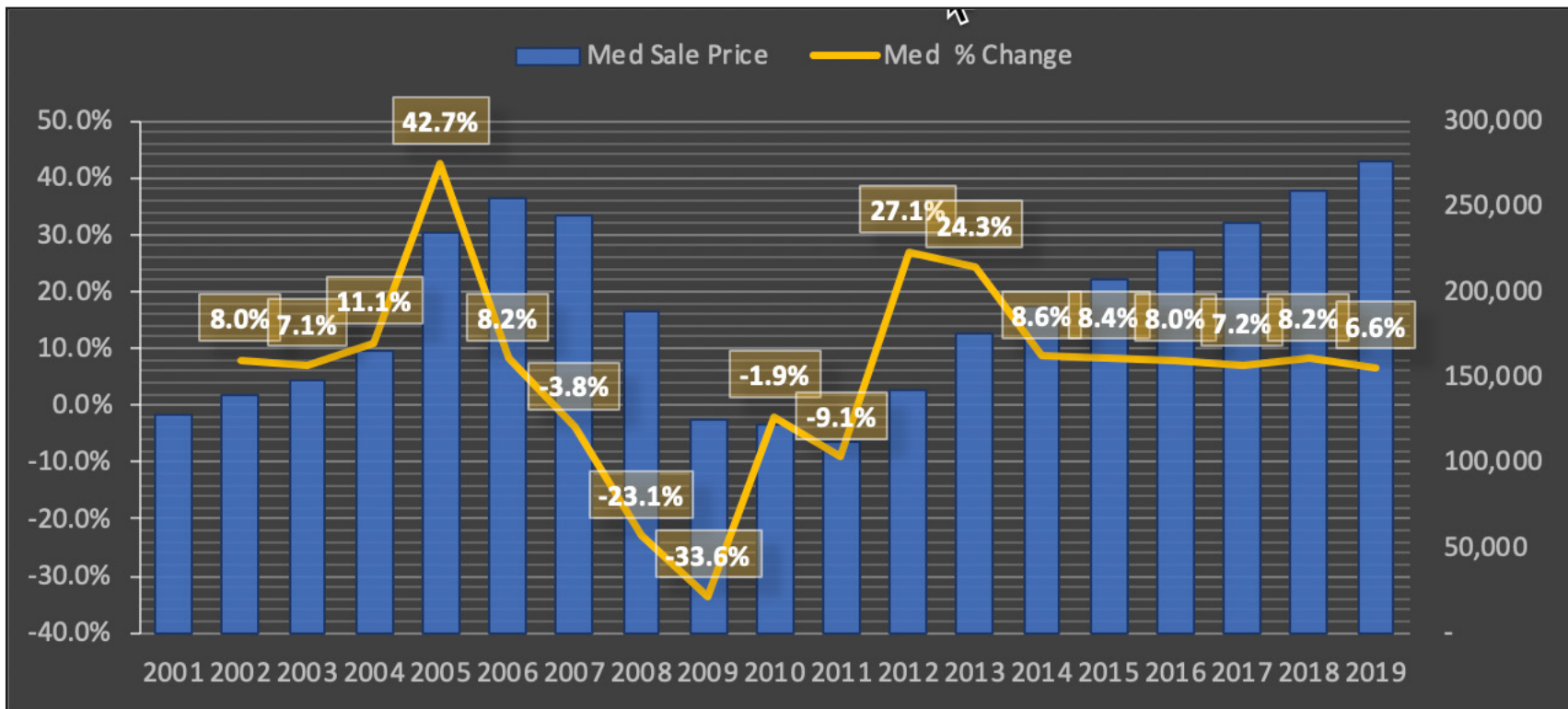


Not only did we see an increase in sales volume in 2019, we saw continued growth in the median sales price as well as the average sales price. The two charts below display the average sales price and the median sales price for each year ARMLS has been compiling data and how these prices have trended. Again, these are not current numbers, they are a summation of the entire year.

### ARMLS Average Sales Price

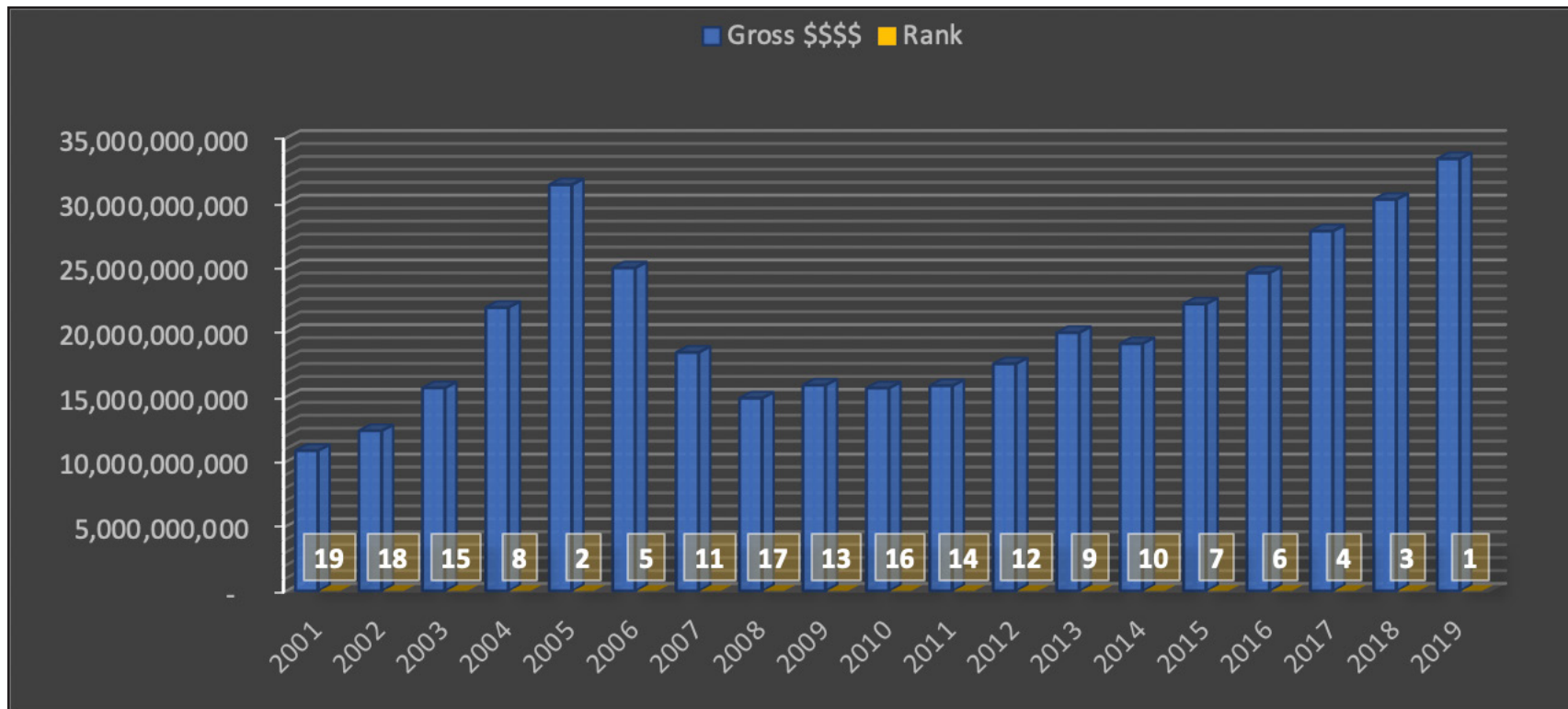


## ARMLS Median Sales Price



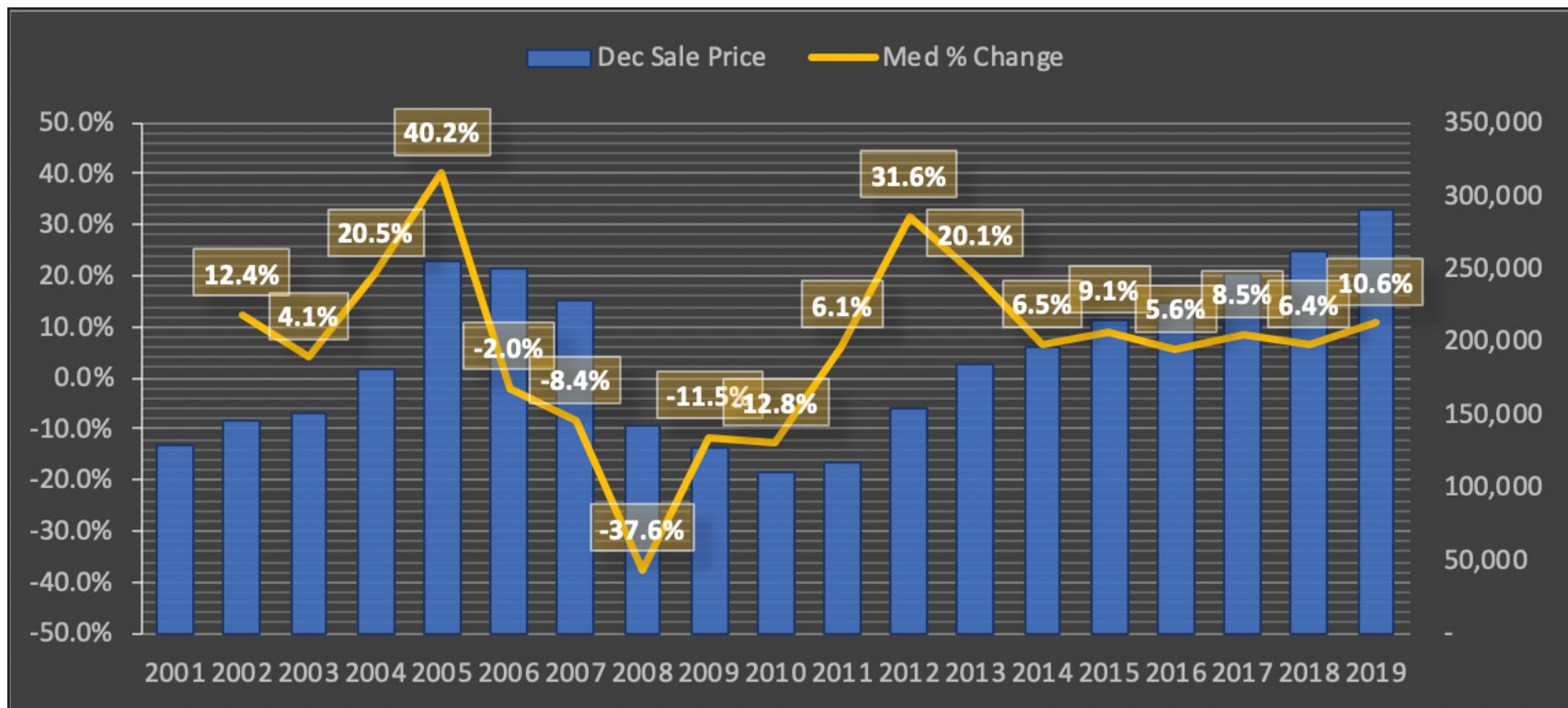
In an industry based on commissions, we come to the metric most important to real estate brokers and agents: sales by gross dollar volume. When we multiply the fourth best sales volume with the average sales price of 2019, we achieve the highest gross dollar volume in ARMLS history. This is one metric I did not see coming through the first 8 months of the year as I thought 2005 was untouchable. However, by mid-October it became clear we were on a historic run.

### ARMLS Gross Dollar Volume

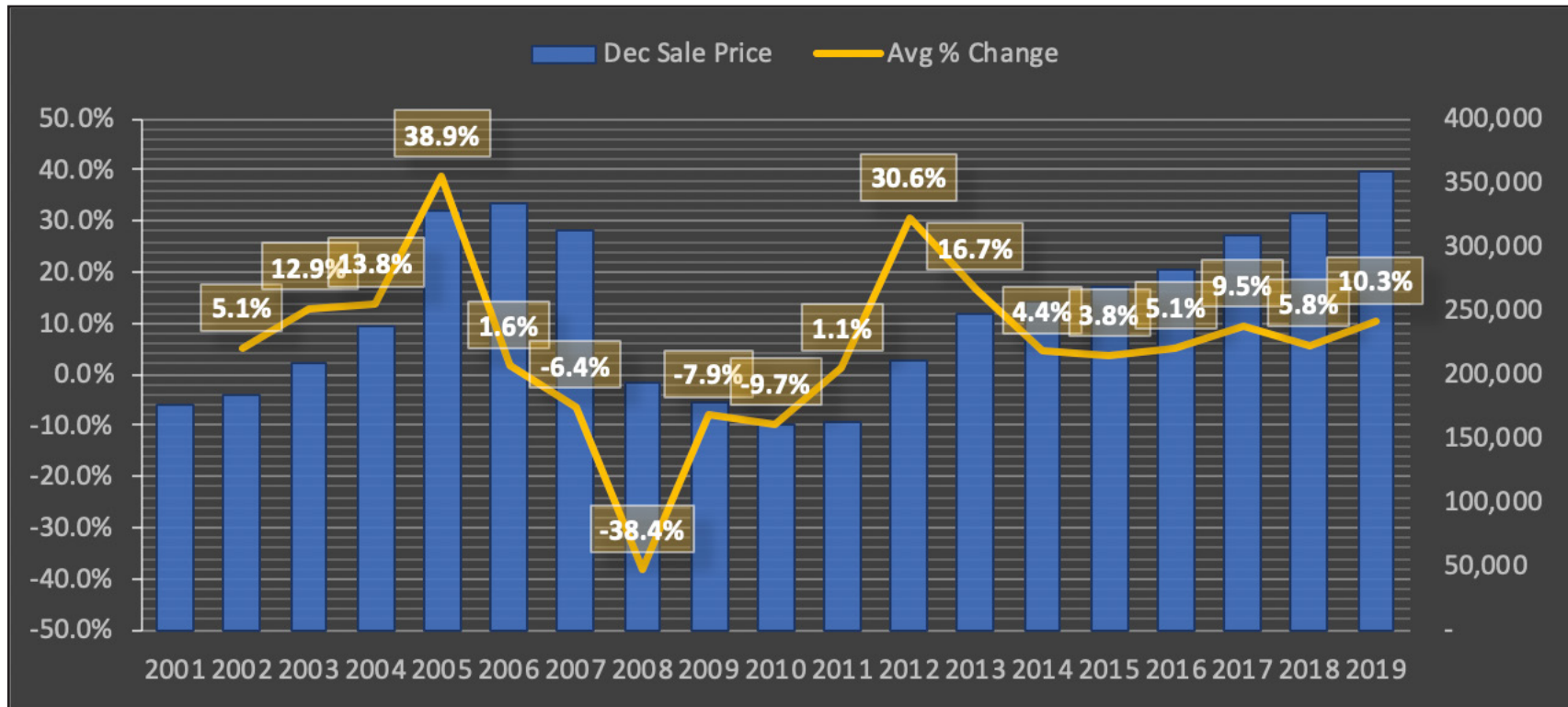


Before we leave 2019, let's take one final look at the year-over-year metrics for December. The next two charts display December data as reported by ARMLS going back to 2001. Both the median sales price as well as the average sales price hit historic highs, both with significant price gains. December set all-time highs for two of the three-pricing metrics we follow. The average price per square foot is still below the peak levels of 2006. In 2020, the average price per square foot might very well topple that peak. We will mention the significance of these numbers in a bit.

### ARMLS December Sales Price- Median Change



## ARMLS December Sales Price- Average Change

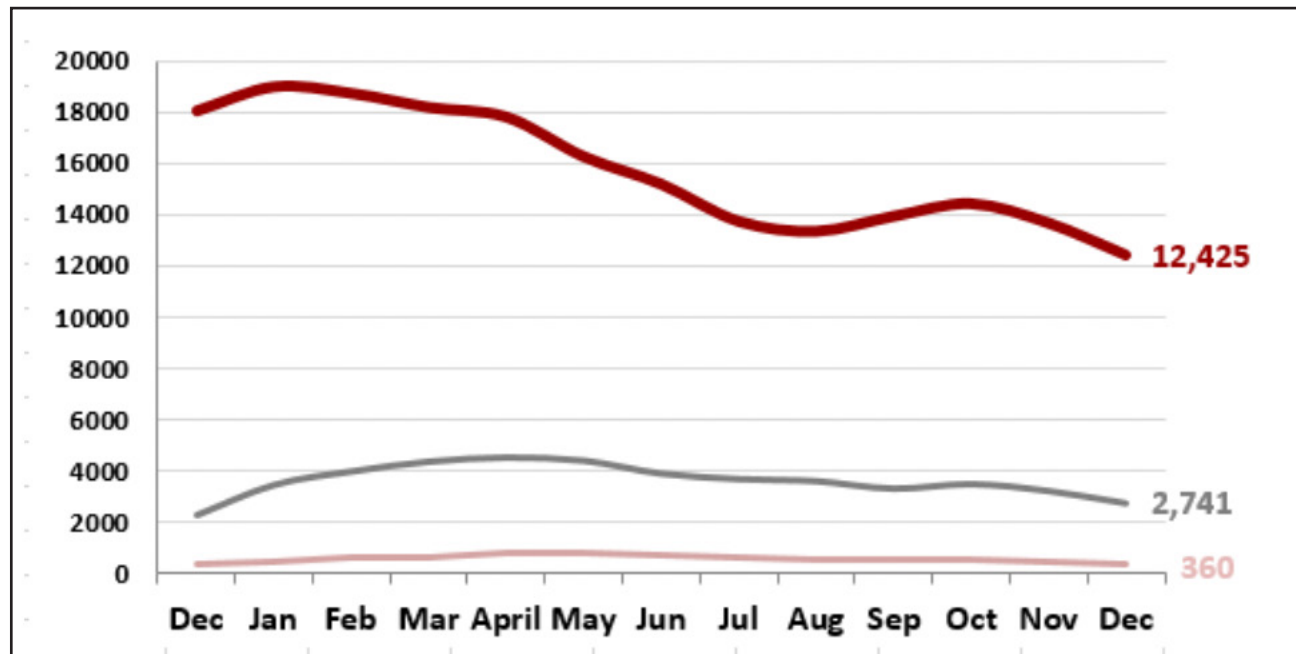


As a final footnote to the 2019 metrics, we will soon need to reimagine the way ARMLS statistics are provided. In the world of statistics, it's important that apples are compared to apples. As ARMLS adds new MLSs to the family and listing rules change, it is mandatory the impact of future changes is accounted for in the statistics presented. Congratulations on a wonderful 2019.

## Looking Ahead

In reporting real estate statistics, we attempt to measure as many metrics as we can, and then focus on the most relevant. As we move into 2020, there is no more important metric than supply and how supply relates to demand. Looking ahead to 2020, we're coming out the box hot, characterized by above normal demand and extremely low supply. STAT reported 18,049 active listing (excluding UCB & CCBS) at the beginning of 2019, and we begin this year with only 12,425, a decline of 31%.

## ARMLS Active Listings



The significance of this phenomenon cannot be overstated, and there is no one better than Michael Orr of the Cromford Report to explain these implications. In his recent monthly observation he states,

*“The current situation is remarkable. The lack of supply can only be described as shocking. A 30% decline since this time last year to reach the lowest level since August 2005. This to satisfy a population that has grown more than 20% since 2005. Anyone who thinks this severe shortage will not result in a significant rise in prices is going to have another thought coming soon. The median sales price is already up 11% over the last 12 months and the average price per square foot is up almost 9% and probably heading for a double figure appreciation rate.*

*“Demand remains higher than normal but the Cromford® Demand Index has eased from around 107 to around 103 over the past 4 weeks. This will not make much of a difference while supply remains under half of what is needed for a balanced market.*

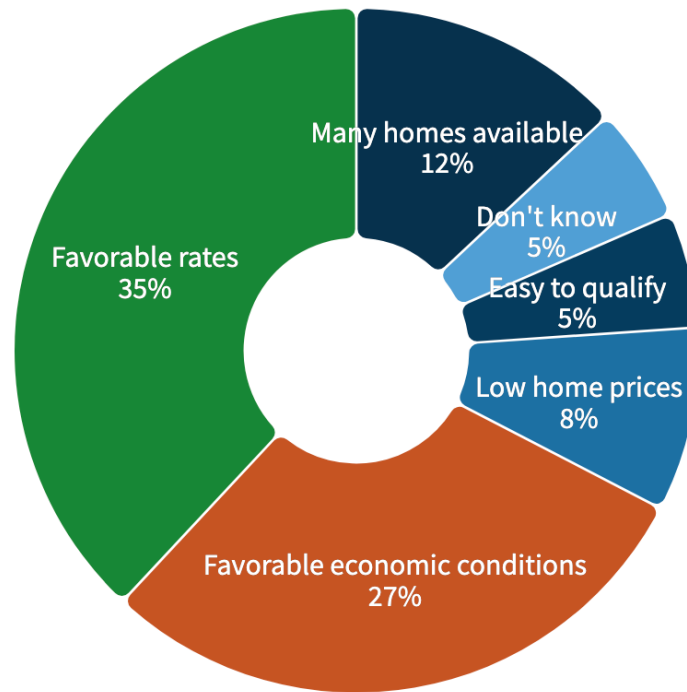
*“The big hope for buyers must be for a surge in new listings arriving over the next 12 weeks. Perhaps sellers will be tempted by the higher pricing they can achieve. However, if they are staying around Phoenix, they will have to pay more for their new home too. Phoenix is currently the strongest large-city housing market in the USA, and this is fueled by inter-state population movements. Retirees are a big part of that, but so are people moving here from California and other Western states for work and the lower cost of living. Demand is likely to remain healthy despite the rising prices.*

*“The primary question is whether we will see any change in the meager supply of homes for sale. If this is to take place it is likely to be visible over the next few weeks. There has been no sign of an improvement in new listing flows in the last several weeks of 2019. But 2020 is a new year, so we will be watching closely for signs of change.”*

## Entering 2020

### Primary reason Americans think it is a good time to buy a home

In December, of those who told us that now is a good time to buy a home, an ample supply of homes for sale and low home prices were among the least cited by respondents as the primary reason.



Source: December 2019 Home Purchase Sentiment Index®





In their forecasts for 2020, most national real estate experts anticipate the housing market moving sideways rather than up or down, with the consensus of a 4% increase in sales volume and a 4.5% increase in prices. As for our market, my crystal ball shows a different slant, at least through the first part of the year. I never like to offer forecasts. That said, if I were a betting man, I'd concur with Michael Orr and wager 2020 is going to come roaring out of the gate. The first half of 2020 people are going to be surprised. We will exceed national expectations. In the above chart, Fannie Mae cites the main reason people are buying. Here's why my expectations are high:

1. Strong price gains in December suggest above normal price gains during our "home buying season" with contracts accepted February through May and closings March through June.
2. Anecdotally, it doesn't matter where you go in the Valley on a Friday or Saturday night, the restaurants and bars are booming, many with lines to get in. This is indicative of a strong local economy.
3. Competitive interest rates. According to Freddie Mac, "Mortgage rates drop as 2020 gets underway. Mortgage rates fell to the lowest level in thirteen weeks as investors sought the quality and safety of the U.S. Treasury fixed income markets. The drop-in mortgage rates, combined with the strong labor market, should propel a continued rise in homebuyer demand."
4. Homeowners are leaving California and choosing Arizona as one of their prime destinations.
5. In almost every election year (exceptions include the anomaly that was the rise and fall of 2004-2008), we see total dollar sales volume increase significantly from the previous year. I anticipate the trend to continue in 2020.

## The Pending Price Index

Last month the STAT mathematical model projected a median sales price for December of \$287,900. The December reported median was \$289,900. Looking ahead to January, the ARMLS Pending Price Index anticipates the median sales price will increase ever so slightly, projecting a median sales price of \$290,000. The December median of \$289,900 was not only the high-water mark for home sales in 2019, but the highest ever. This upwards price pressure will make for an interesting start to the 2020 selling season, which begins early February.

We begin January with 4,821 pending contracts; 2,741 UCB listings and 360 CCBS giving us a total of 7,922 residential listings practically under contract. This compares to 6,441 of the same type of listings one year ago. At the beginning of January, the “pending” contracts are 23% higher than last year. There were 21 business days in January of 2019 and 21 this year. ARMLS reported 5,357 sales in January of 2019. For the first projection of 2020 we’re just going to increase 2019 volume by 23% which anticipates sales around 6,600. This puts 2020 line with 2005 numbers. There’s a part of me that wants to go even higher, but we’ll leave it where it is. In next month’s STAT, we’ll let you know how far we missed the mark.