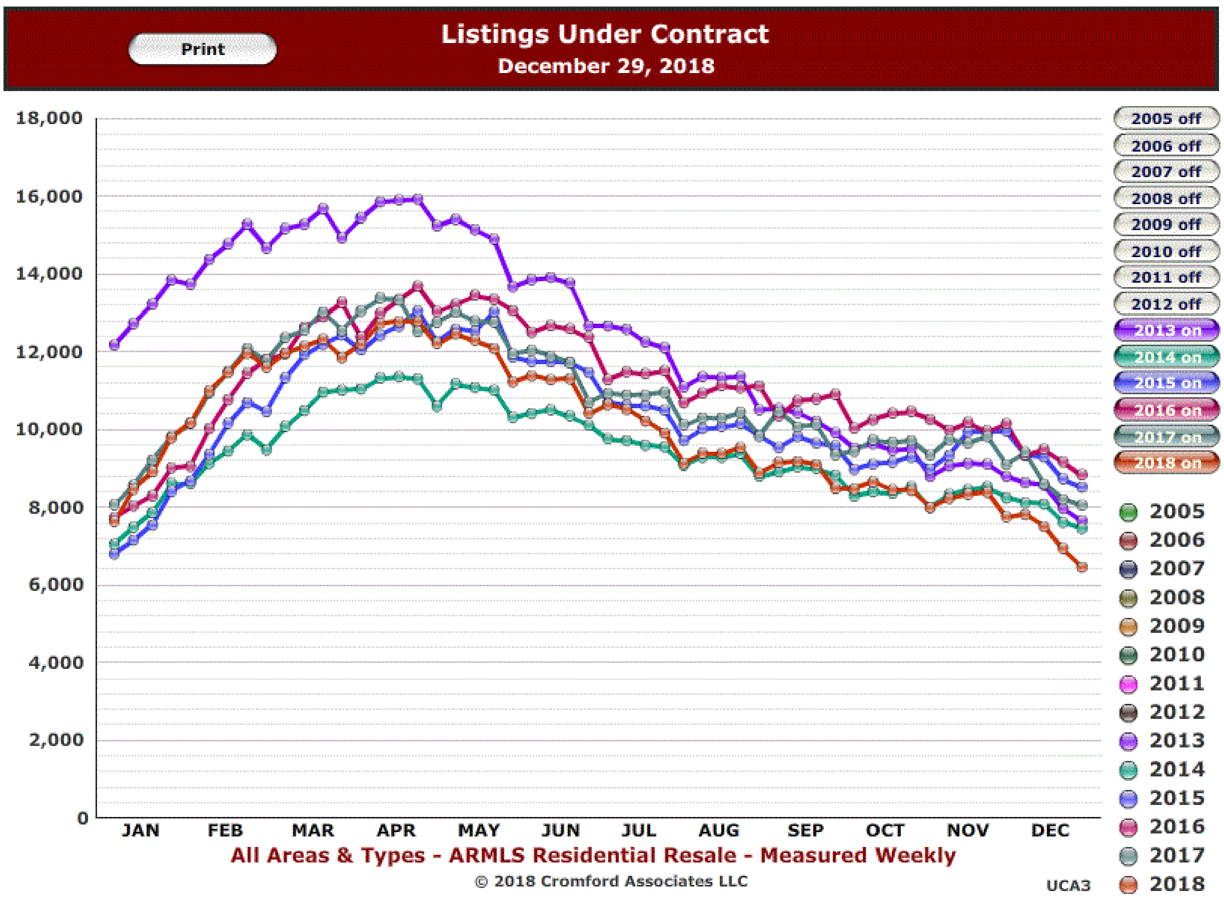
Cromford Report – Daily Observations – December

December 29 - Most of the market indicators are looking pretty healthy at the moment:

- the Cromford® Market Index is now looking stable and for all areas & types stands comfortably over 130
- the days of inventory count at 78 is just a tad higher than it was at this time last year (77)
- average days on market are low (66), lower than last year (69) and have risen only moderately in the past few months
- active listing counts are low by historic standards and now stand just above last year
- listing success rate stands at 870.8% (very high), slightly down from this time last year

The primary measure that is looking rather poor is the under contract count, as can be seen in the image taken from the weekly chart below:



You can find the live chart here.

At 6,458, listings under contract are down 20% from 8,043 last year and at the lowest point since 2008. 2007 was also much lower the the current total,

We shall be watching closely to see what sort of ramp up we get during the first 3 months of 2019.

December 28 - We normally publish the building permit data at this point but the Census Bureau is closed due to the government shutdown so unfortunately we will not have any more permit data until the shutdown is over.

December 27 - The Cromford® Market Index numbers for the single-family markets in the 17 largest cities:

Rank	December 27, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	182.5	↑	11%	164.8
2	**Chandler**	167.1	↑	5%	159.8
3	**Gilbert**	159.7	↑	1%	157.3
4	**Mesa**	157.7	↑	1%	156.4
5	**Glendale**	141.6	↓	-6%	150.8
6	**Surprise**	138.2	↓	-4%	144.6
7	**Paradise Valley**	136.7	↑	12%	121.8
8	**Maricopa**	134.3	↑	7%	126.1
9	**Scottsdale**	134.0	↑	5%	128.3
10	**Phoenix**	133.0	↑	1%	132.3
11	**Cave Creek**	129.7	↓	-9%	142.6
12	**Tempe**	127.6	↑	6%	120.8
13	**Peoria**	126.1	↑	5%	120.2
14	**Fountain Hills**	125.4	↓	-2%	128.6
15	**Queen Creek**	123.3	↓	-2%	125.8
16	**Goodyear**	121.1	↑	1%	120.2
17	**Buckeye**	116.5	↑	4%	111.9

 CMR1

Things continue to get better for sellers, a trend which started back on November 30, although you would not think so based on some of the gloomy commentaries in the media.

The average change in the CMI values is +1.9% which compares favorably with +0.3% last week.

We see 12 cities showing improvements for sellers and only 5 showing deterioration over the past month. All 17 cities are seller's markets (over 110).

Paradise Valley and Avondale are leading the recovery, up 12% and 11% respectively. This shows it is not confined to a specific price range, as Paradise Valley is our most expensive city while Avondale is among the least expensive.

Cave Creek has the least favorable market index trend of the 17 (down 9%). This is because demand has been declining while supply remains flat. Among the cities that experienced a decline during the past month, Fountain Hills, Queen Creek, Surprise and Glendale have shown a rise over the past week. This is another positive signal as we enter the new year.

The table above is a far more positive picture for sellers than we were expecting to see based on the situation in mid November. Although demand is certainly weaker than last year, supply remains far below normal and insufficient to meet even the subdued demand. Consequently sellers remain firmly in control of the market and prices will continue to rise while this situation continues.

December 26 - The S&P/Case-Shiller® Home Price Index® numbers have been released for the latest sales period (August through October) and the 20 focus cities fared as follows on a month to month basis:

1. Phoenix +0.70%
2. New York +0.41%
3. Las Vegas +0.33%
4. Charlotte +0.30%
5. Tampa +0.27%
6. Atlanta +0.16%
7. Miami +0.14%
8. Boston +0.13%
9. Los Angeles +0.11%
10. Washington +0.02%
11. Dallas +0.01%
12. Detroit -0.02%

13. San Diego -0.12%
14. Minneapolis -0.13%
15. Denver -0.28%
16. Chicago -0.35%
17. Cleveland -0.52%
18. Portland -0.55%
19. San Francisco -0.71%
20. Seattle -1.05%

Once again Phoenix is at the top of the table having opened up a gap ahead of number 2 New York.

We see almost half of the focus cities with negative changes, but this is partly due to seasonality and the national average was +0.10%. Phoenix was seven times the national average and is over-performing again. As a result, it even made a mention in the Case-Shiller press release. Seattle took another large hit for a single month while San Francisco and Portland are slowing after very strong gains over the past 4 years.

For the year over year numbers we see:

1. Las Vegas +12.8%
2. San Francisco +7.9%
3. Phoenix +7.7%
4. Seattle +7.3%
5. Denver +6.9%
6. Tampa +6.4%
7. Detroit +6.0%
8. Atlanta +6.0%
9. Minneapolis +5.9%
10. Los Angeles +5.5%
11. Boston +5.4%
12. Charlotte +5.0%
13. Portland +4.9%
14. Cleveland +4.8%
15. Miami +4.8%
16. Dallas +3.9%
17. San Diego +3.8%
18. Chicago +3.3%
19. New York +3.1%
20. Washington +2.9%

The national average was +5.5% so Phoenix was well ahead of that, and it moved up to 3rd place from 5th place last month. None of the focus cities is showing a negative move year over year.

December 24 - After 3 full weeks of December we can once again make some comparisons with the same period in 2017. For December 1 to December 21

- we have seen 4,590 new listings added, 6.0% fewer than the 4,881 we saw in 2017
- there have been 4,668 closed listings, 5.1% fewer than the 4,919 we saw in 2017
- we have seen 4,735 accepted offers, 8.4% fewer than the 5172 we saw in 2017

The situation with new listings is almost the same as last week, down 6% showing that sellers have little enthusiasm for today's market

Closed listings are down 5% although they were slightly above 2017 last week, so we immediately see that the third week has had a sharp drop in closing activity. Indeed, we had 16% fewer closings during the third week of December. After the first 2 weeks were roughly level, this drop is quite a major change. However it was impossible for closings to stay high indefinitely while accepted contracts continued to fall.

Accepted contracts fell further during the third week leaving us down 8.4% after 3 weeks compared with down 7% after 2 weeks. The third week of December was down 11% compared with the same week in 2017.

We hesitate to read too much into a single week of data, but it is clear that demand is not recovering. In fact it is weakening further as buyers step up their strike action. December 15 to 21 was the worst week of 2018 so far for year over year comparisons of demand. We still see low levels of supply, but demand is now so weak that active listing counts are not falling away quickly as they usually do during the second half of December. They are just drifting slightly lower.

It looks like December will probably be a low volume month in all respects: low demand, even lower supply and a low number of closings.

December 22 - We are still seeing fewer accepted contracts than in December 2017. This means active listings stay active longer so average days on market increases. It also means the count of listings under contract is much lower than last year. How much lower? Let us take a look at various segments:

Market Segment	Under Contract Dec 21, 2017	Under Contract Dec 21, 2018	Change
All Areas & Types	8,558	7,229	down 15.5%
Greater Phoenix, All Types	8,365	7,072	down 15.5%
Greater Phoenix - Single-Family Detached	6,846	5,801	down 15.3%
Greater Phoenix - Condo / Townhouse	1,317	1,090	down 17.2%
Greater Phoenix - Mobile / Manufactured	202	181	down 10.4%
Greater Phoenix - Under $250K	4,078	2,922	down 28.3%
Greater Phoenix - $250K to $350K	2,087	1,972	down 5.5%
Greater Phoenix - $350K to $500K	1,191	1,200	up 0.8%
Greater Phoenix - $500K to $1M	774	761	down 1.7%
Greater Phoenix - Over $1M	235	217	down 7.7%
Northeast Valley	1,079	867	down 19.6%
Central & North Valley	1,870	1,532	down 18.1%
Southeast Valley	2,326	1,891	down 18.7%
Pinal County	842	755	down 10.3%
Paradise Valley	61	65	up 6.6%
Scottsdale 85254	98	57	down 41.8%
Peoria 85383	121	163	up 34.7%
Queen Creek 85142	167	177	up 6.0%
Sun City 85351	130	100	down 23.1%

Although the decline in listings under contract is quite noticeable, it is not at all consistent. The most significant decline is for homes below $250K. In this price segment there is a dearth of attractive homes to tempt buyers. It also seems that buyers with less than $250,000 to spend are very discouraged by higher interest rates.

There are plenty of examples of ZIP codes with higher listings under contract than last year. Among them are 85172, 85307, 85355, 85194, 85281, 85324, 85305, 85140, 85387 and 85383, all with increases of over 30%. I am struggling to find a common thread that binds those.

There are even more examples of ZIP codes with a huge fall in listings under contract, including 85040, 85332, 85131, 85233, 85284, 85043, 85087, 85377, 85303, 85044, 85304, 85210, 85254, 85045, 85018, 85048, 85119, 85248, 85249, 85379, 85262, 85206, 85390, all having more than a 33% reduction. Again there is no obvious pattern, though the area of Ahwatukee, South Tempe and South Chandler is prominently represented.

This looks to me like a buyer's strike, but one without a lot of conviction. Sellers would probably be best advised to wait it out until more buyers arrive in late January and early February. Unless sellers have a strong need to sell quickly there is no obvious reason for drastic action. The laws of supply and demand are still working in sellers' favor and a little patience will probably prove wise.

December 21 - Here is a list of the cities where the CMI is higher than it was last week:

- Anthem
- Arizona City
- Avondale
- Casa Grande
- Chandler
- El Mirage
- Gilbert
- Litchfield Park
- Maricopa
- Mesa
- Paradise Valley
- Peoria
- Phoenix
- Queen Creek

- Scottsdale
- Sun City West
- Sun Lakes
- Tempe

The exceptions are:

- Apache Junction
- Buckeye
- Cave Creek
- Fountain Hills
- Glendale
- Gold Canyon
- Goodyear
- Laveen
- Sun City
- Surprise
- Tolleson

I think we can agree that the cities gaining advantage for sellers are more significant than the ones going the other way. These numbers are for single-family homes only.

In the overall market for all areas & types the CMI has not yet completed its downward cycle. It stands at 132.0 and was 132.3 last week. This is a very modest decline however and there is no sign of enough momentum to force it below 130.

Both the demand index and the supply index are falling, telling us that the market is getting less active. The monthly sales rate is down 9.9% while the number of listings under contract is down 14.9% from this time last year. Sales momentum has evaporated faster than prices have increased, which means dollar volume is moving lower. This is bad news for agents, lenders and title companies, but because supply remains weaker than demand, sellers should not be fooled into thinking that buyers now have an advantage.

Sales may take longer and time on market may increase, but we do not have the right conditions for prices to decline. Based on the CMI staying above 130 we anticipate upward pressure on pricing to continue. The only city with a CMI below 110 is Casa Grande at 101 and even here it rose from 100.5 last week.

December 20 - A Christmas present for sellers in the Cromford® Market Index table this week. The following is for the single-family markets in the 17 largest cities.

Rank	December 20, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	173.9	↑	2%	171.3
2	**Chandler**	164.7	↑	3%	159.7
3	**Gilbert**	158.7	↑	0%	158.1
4	**Mesa**	157.0	↑	1%	156.2
5	**Glendale**	140.9	↓	-10%	156.0
6	**Surprise**	137.9	↓	-7%	147.5
7	**Cave Creek**	135.6	↓	-5%	142.4
8	**Paradise Valley**	134.9	↑	11%	121.4
9	**Maricopa**	133.0	↑	7%	124.3
10	**Scottsdale**	132.2	↑	2%	129.8
11	**Phoenix**	131.5	↓	-2%	134.4
12	**Tempe**	126.1	↑	4%	121.0
13	**Fountain Hills**	123.9	↓	-4%	129.6
14	**Peoria**	122.7	↑	3%	119.4
15	**Goodyear**	121.9	↑	2%	120.0
16	**Queen Creek**	121.6	↓	-7%	130.6
17	**Buckeye**	115.3	↑	4%	110.9

 CMR1

A much greener table than those we have published for the past 2 months, we have 11 cities showing improvements for sellers and only 6 still deteriorating. The recent downturn is now complete as the overall average change in the CMI in this table is +0.2% instead of the -1.5% we reported last week.

Paradise Valley and Maricopa are the strongest upward movers, while Glendale, Queen Creek and Surprise are the primary downward trending cities.

Remember that the CMI tells us about the balance between buyers and sellers. It does not tell us about the size of the market. Both supply and demand are weak at the moment so the market is contracting. That means fewer transactions and less business to go round. However those worried about falling prices can take some comfort. The numbers in the table above support significant upward pricing pressure. This means homes will probably get even more unaffordable and sales volumes are likely to fall further. Listings are receiving remarkably few acceptable offers in the middle of December, but we are also seeing very low numbers of new listings.

Normally when demand goes weak we see a build up of supply, but in this cycle, we are not seeing this effect..

December 17 - We now have 2 complete weeks of December data in hand so it is fair to compare with the same 2 weeks in past Decembers:

- we have seen 3,268 new listings across Greater Phoenix, 6% lower than the 3,478 we saw in 2017 and the second lowest total after 2014
- there have been 2,949 closed listings across Greater Phoenix, slightly above the 2,937 we saw in 2017
- there have been 3,340 accepted offers on listings across Greater Phoenix, down 7% from the 3,607 we saw in 2017

At 6% the drop in new listings is not as severe as for the first week of December which was down 11%. However it indicates we still see subdued flows of new supply in December, well below the average over the past 18 years.

Closings are running at a good pace, but new contracts are now down 7% having been down 4% after the first week. Buyer enthusiasm is low partly because of higher cost of ownership but also because there is a shortage of attractive inventory for them to choose from.

The combination of low contracts and normal closings means that the number of listings in escrow is unusually low and declining further. This means there is excess capacity at title companies and we will enter January with an extremely low number of homes under contract.

December 16 - Demand is lower today than it was this time last year, but the decline is modest compared with the downturns of 2006-8, 2010 and 2013-14.

One way of measuring demand downturns is to look at the contract ratio. This indicator has the advantage of being applicable to small sectors of the market but it is subject to seasonality. We can avoid the seasonality effects by comparing the same dates in different years. Let us take a look at December 2018 versus December 2017 to see how much the contract ratio has changed.

On December 15, 2018 the contract ratio for all areas & types across the ARMLS database stands at 40.9. This is a 19% decline from 50.8 on December 15, 2017 - a noticeable downturn but not a dramatic one.

On December 15, 2013 the contract ratio was 35.6 and had suffered a 54% decline since December 15, 2012 when it was 78.0. We can see that the downturn that started in mid-2013 created more than twice the annual decline that we are seeing in mid-December 2018. This was a dramatic fall, but it was not enough to stop prices from rising. It did cause them to rise at a much lower rate however.

On December 15, 2010 the contract ratio was 43.2 having been 52.2 a year earlier. This was a 17% decline and gives us a similar percentage decline to the one we experiencing today. In 2010 the fall in demand was due to the expiry of large government incentives to encourage home purchases. This occurred during a period when delinquency rates for home loans were very high and negative equity was widespread. New supply was pouring onto the market, much of it distressed in the form or short sales or lender owned homes. As a consequence the price rises experienced between 2009 and 2010 were given up again in 2011 to reach a second low point.

In 2018, home loan delinquencies are at an extremely low level and home equity is at a high level. Consequently the fall in demand is merely causing sales rates to drop and allowing buyers a little more negotiation power than a year ago. This is likely to lead to a slower appreciation rate but is very unlikely to lead to home values falling.

Before buyers get too excited about their improving circumstances, we should point out that this is because there are slightly fewer of them about. The supply is still very low by long term standards. In fact the total number of active listings on ARMLS as of December 15, 2018 is the lowest we have recorded for any December 15 since 2004, which was close to the height of the bubble. Indeed it is the second lowest total for December 15 since our records began.

December 15 - Today we are taking a deeper look into the annual sales rate and how it has changed over the past 12 months.

If we compare the annual period ending December 12 2018 with that ending December 12, 2017, we see a small increase of 0.3% over all areas and types. However single-family detached sales are down 0.2% while mobile home sales are up 7.6% and condo sales are up 2.0%. Condo sales includes the following ARMLS dwelling types:

- Townhouse
- Apartment Style / Flat
- Loft Style
- Gemini / Twin Home
- Patio Home

Mobile home sales include:

- Mfg / Mobile Housing
- Modular / Pre-Fab

Sales in Greater Phoenix are up by 0.2% while out-of-area sales are up 3.5%.

Comparing the broad areas around Phoenix we find

- the central valley is up 1.0% (all types)
- the northeast is up 2.6%
- the southeast is down 1.4%
- the west is flat
- Pinal County is up 2.4%

This demonstrates the better performance of the higher end of the market (which dominates the northeast), relatively unconstrained by supply problems. Pinal County is growing faster than Maricopa County.

December 14 - Among the 12 cities that are too small to be included in the weekly survey, the following have seem their Cromford® Market Index rise over the last week:

- Anthem

- Arizona City
- El Mirage
- Litchfield Park
- Tolleson

7 of the 12 cities are still showing some deterioration for sellers. The overall picture is of a market stabilizing after a mild downturn. This does not bear much similarity to what we read in the press of a major retreat or even slump in the housing market. But then if the headlines did not grab your attention you would not read the adverts alongside..

The reality in Greater Phoenix is that we have shifted from a strong seller's market with high volumes to a moderate seller's market with slightly lower volumes. In due course this is likely to adjust appreciation rates from the 8%-10% level to more like 6%-8%. If the CMI drops below 120 I would change our prediction to 4%-6% but at the moment there is little sign of a fall much below 130. At a CMI of 100 we would expect appreciation Of course things could change at any point but it would need a new factor coming into play.

The housing market has seen 3 factors put a slight dent in demand:

1. Mortgage interest rates are at a much higher level than in 2017, though still far below long term averages
2. The cost of home ownership has risen faster than rents
3. The tax law changes since 2018 have removed many of the tax benefits of owner-occupied housing relative to renting

We definitely do not have anything approaching a crash or a slump, which would require a large increase in supply. Supply remains weak because many existing homeowners are more reluctant to move. Doing so would require them to give up their existing cheap loan and take out a new more expensive one. They are tending to stay put, which is good news for the likes of Home Depot and home remodelling and redecorating companies.

Other parts of the country are reporting weaker markets at the upper levels, but in Greater Phoenix, the luxury market is looking strong. Supply of higher end homes is down from last year and demand is holding up rather well. Of course the luxury market in Arizona is priced like the mid-range market in many parts of California. Population flows are favoring Arizona too, so it looks as though Phoenix will have one of the leading housing markets over the coming year, even though it is likely to be somewhat less active than 2018.

December 13 - The Cromford® Market Index for the single-family markets in the 17 largest cities is shown below:

Rank	December 13, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	167.1	↓	-7%	179.2
2	Chandler	163.6	↑	1%	162.5
3	Gilbert	157.7	↓	-1%	159.9
4	Mesa	156.5	↓	-1%	157.8
5	Glendale	141.5	↓	-12%	160.1
6	Surprise	139.6	↓	-7%	149.8
7	Cave Creek	139.5	↓	-4%	145.1
8	Maricopa	132.0	↑	5%	125.6
9	Phoenix	131.5	↓	-4%	136.4
10	Paradise Valley	130.7	↑	9%	119.6
11	Scottsdale	130.2	↓	-1%	132.0
12	Fountain Hills	125.5	↓	-2%	128.8
13	Tempe	123.8	↑	1%	122.2
14	Goodyear	122.8	↑	2%	120.3
15	Queen Creek	121.2	↓	-11%	136.4
16	Peoria	120.3	↑	1%	119.2
17	Buckeye	115.2	↑	5%	110.2

 CMR1

With 10 cities showing deterioration for sellers over the last month and 7 showing improvement, this is better for sellers than last week and a huge improvement from mid November when every city was deteriorating. The average change in the CMI is only -1.5%, up from -3.6% last week.

Glendale was the last city to enter the downturn but it looks like being the last to leave too. Queen Creek's market is also weak while Avondale and Surprise make up the remaining big downward movers over the past month. When we look at changes over the past week we can see the following cities improved for sellers:

- Avondale
- Buckeye
- Chandler
- Gilbert
- Goodyear
- Maricopa
- Paradise Valley
- Peoria
- Scottsdale
- Tempe

This list is as long as last week at 10, but there has been some change in the members with Cave Creek and Mesa dropping out while Peoria and Gilbert have joined.

Though we still have a little deterioration overall, the movement is now very slight. The overall Cromford® Market Index for all areas & types has declined from 132.8 to 132.3 which means we are still very much in a seller's market and 2019 will start with sellers still dominant. The last time buyer's had a slight advantage (CMI below 100) was July 1, 2014. The last time they had a clear advantage (CMI below 90) was November 11, 2010.

December 12 - Closings in November were sharply down from a year earlier. Many people believe the primary reason for this is the steep increase in mortgage rates that took place between September and October. According to Freddie Mac, the average rate on a 30-year fixed loan rose from 4.63% to 4.83%. We had seen an even steeper rise between January and February from 4.03% to 4.33% which did not seem to have much effect on buyer enthusiasm here in Greater Phoenix. However this earlier increase was spread over many weeks whereas the rise between September and October took place during 1 week between October 4 and October 11. The sudden sharp increase seemed to take the wind out of the sails of many buyers. It makes sense, from a timing perspective, for this to negatively affect contracts in October and closings in November.

Rates peaked at 4.94% between November 8 and November 15 and have since been on a downward trajectory. The poor performance of the stock market has driven investors into treasury bonds, raising their prices and hence lowering yields. These yields have a major influence on mortgage rates and so we are now down to 4.75% for a 30-year fixed loan as of December 6. The trend is now downward until the stock market starts booming again and money comes back out of its safe havens.

It now looks as though closings are strengthening in December and this may be because buyers are anxious to lock down their lower rates before they start to rise again.

December 11 - Trying to determine how many buyers in Maricopa County come from California is slightly complicated. We need to exclude many banks and companies like Opendoor who are headquartered in CA.

If we look only at the people who buy as individuals or couples, then we see significant growth over the last year. The annual purchase rate for people with Californian addresses is up 23% to 4,391. It is also up 43% from 2 years ago.

A similar (and slightly more pronounced) situation exists in Pinal County, where purchases by Californian couples or individuals are up 30% from last year and up 47% from 2 years ago. The absolute numbers are smaller however with the annual rate at 655. This is in line with the relative sizes of the Maricopa and Pinal markets.

We conclude there is a lot of truth in the rumor than more people are moving sideways from California to Central Arizona. In doing so they can often get 2 to 3 times as much home for the same money or release equity while same-sizing. Their property taxes will also be significantly lower.

The favorite locations for 2018's Californian buyers to originate are as follows:

1. San Diego
2. San Jose
3. Los Angeles
4. San Francisco
5. Irvine
6. Huntingdon Beach
7. Corona
8. Riverside

9. Fremont
10. Sacramento
11. Anaheim
12. Long Beach
13. Temecula
14. Mission Viejo
15. Rancho Cucamonga
16. Chula Vista
17. Carlsbad
18. Oceanside
19. Murietta
20. Simi Valley

The potential inter-state movement here from California is vast and the current numbers represent only a trickle, given the total size of the Californian population.

December 10 - Now we have complete data for the first week of December we can compare the numbers for those 7 days with the same period last year. We want to know about new listings, contract activity and closed sales. Here are the numbers:

- new listings - there were 1,649 new listings added to ARMLS across Greater Phoenix, which is 11% lower than the 1,857 we saw in 2017
- accepted offers - there were 1,726 accepted offers within ARMLS across Greater Phoenix, which is 4% lower than the 1,807 we saw in 2017
- closed sales - there were 1,353 closed listings across Greater Phoenix, barely changed from 1,357 in 2017

The conclusion for this particular period is that new supply was unusually weak while demand was a bit stronger than anticipated and not much below this time last year.

This is more evidence that the market is stabilizing and no longer in much of a downtrend.

December 7 - Based on affidavits filed at the Maricopa County Recorder's office in November, home sales were 6% lower in November 2018 than November 2017. However, condo and townhouse sales were up 2% while single-family detached sales were down 7%. We also note that more of the condo / townhouse sales were for owner-occupation rather than rental - 18.7% were intended to be used as rental properties in November 2018 compared with 19.4% in 2017.

The same source shows us that new home sales increased 2% year over year while re-sales declined 7%.

December 6 - Below is the table showing the Cromford® Market Index for the single-family markets in the 17 largest cities:

Rank	December 6, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	164.9	↓	-12%	187.0
2	**Chandler**	161.2	↓	-4%	167.1
3	**Mesa**	157.1	↓	-2%	160.4
4	**Gilbert**	157.0	↓	-4%	163.0
5	**Glendale**	144.6	↓	-11%	163.2
6	**Cave Creek**	143.0	↓	-4%	148.3
7	**Surprise**	141.2	↓	-7%	151.1
8	**Phoenix**	131.7	↓	-5%	139.1
9	**Maricopa**	130.7	↑	3%	126.7
10	**Scottsdale**	128.5	↓	-5%	135.5
11	**Fountain Hills**	127.2	↓	-3%	130.9
12	**Paradise Valley**	125.6	↑	6%	119.0
13	**Queen Creek**	122.2	↓	-14%	141.7
14	**Goodyear**	122.2	↑	1%	121.3
15	**Tempe**	121.5	↓	-3%	125.8
16	**Peoria**	120.0	↑	0%	119.8
17	**Buckeye**	113.7	↑	2%	111.0

 CMR1

Now we are really starting to see some significant improvement for sellers. Most obviously 5 of the 17 cities have seen a movement in favor of sellers over the past month. The moves are relatively small, with only Paradise Valley making a significant move of 6%. We also still have 12 cities that have deteriorated, but that is distinctly better than the 16 we had last week.

The downturn still has some distance to run, but it seems to be rapidly running out of steam.

Looking at the changes over the last week, we see the following cities have a higher CMI than last Thursday:

- Avondale
- Chandler
- Mesa
- Cave Creek
- Maricopa
- Scottsdale
- Paradise Valley
- Goodyear
- Tempe
- Buckeye

So more than half of the cities have a higher CMI than 7 days ago. Gray clouds are all around, but that tiny silver lining we referred to on November 15 now looks very shiny and thick. We should be seeing some sunshine quite soon.

The average decline in CMI is 3.6%, down from 5.9% last week and 8.0% the week before.

The remaining problem areas are concentrated in Queen Creek, Glendale and Surprise.

All 17 cities are still over 110 and therefore seller's markets.

December 4 - Monthly sales totals have tended to look more robust in public records than they have in ARMLS data over the past few months. This is because volumes of new home sales and normal non-MLS sales have held up better than normal MLS sales. The strength of non-MLS sales is largely because iBuyer purchases are now some 4% to 5% of the market and about 90% of them do not involve an MLS listing until after they have been purchased by the iBuyer. It is also true that iBuyer transactions tend to create higher sales overall. What would have been a single sale prior to iBuyers entering the market becomes 2 sales - one from seller to the iBuyer and one from iBuyer to the eventual purchaser.

We now have preliminary counts for Maricopa County affidavits in November and after adjusting for the number of working days in each month we see the following year-over-year changes in sales volume for single-family homes, condos and townhomes:

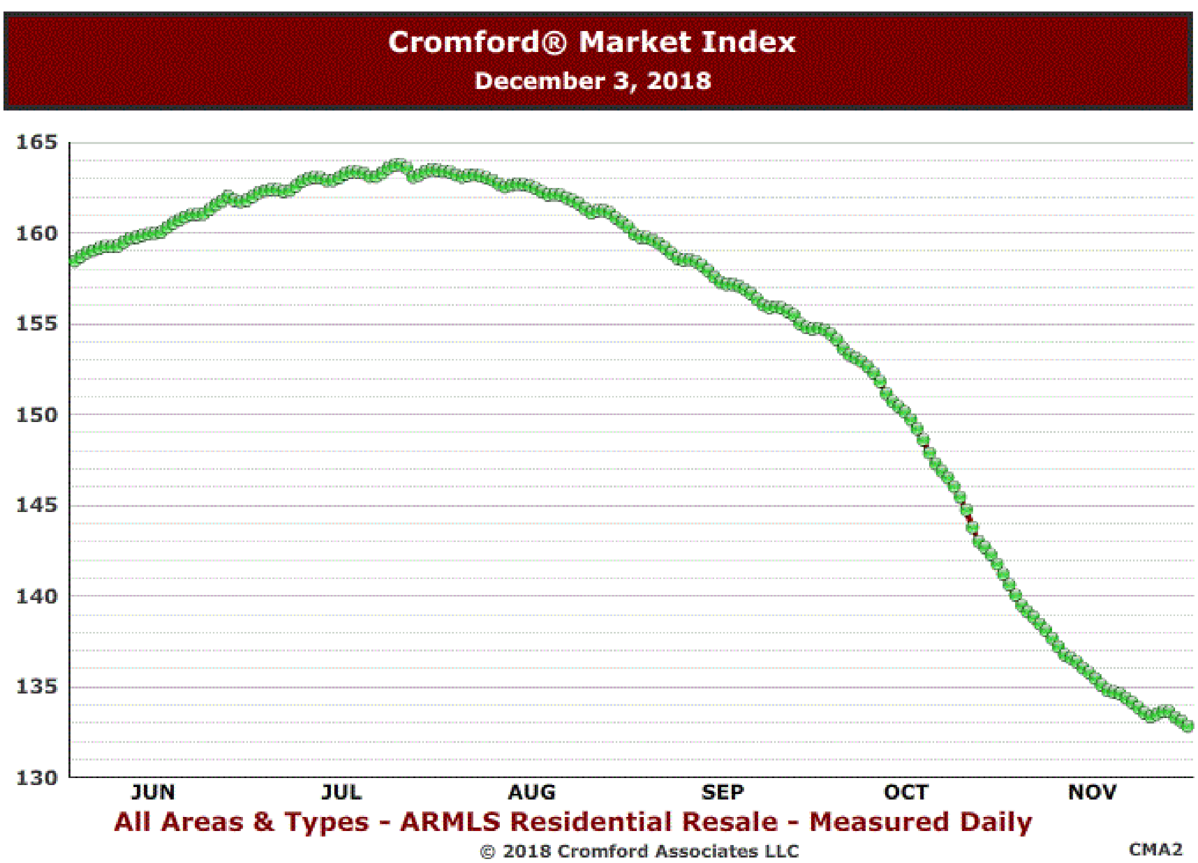
- Nov 2018 - down 5.9%
- Oct 2018 - down 2.7%
- Sep 2018 - up 1.5%
- Aug 2018 - up 1.4%
- Jul 2018 - up 5.2%
- Jun 2018 - up 3.0%
- May 2018 - up 3.5%
- Apr 2018 - up 2.2%
- Mar 2018 - up 9.0%
- Feb 2018 - up 10.8%
- Jan 2018 - up 0.4%

The November % change is the most negative since September 2014 (down 6.8%). However the year-over-year sales declines that we saw in 2013 and 2014 were far more severe. The worst case was December 2013 when it dropped 15.5% from December 2012.

In summary, the November affidavit counts confirm a significant downturn in demand but also imply the downturn is not as severe as we experienced in 2013 and 2014.

The affidavit counts exclude transactions that are exempt from filing an affidavit. These include HUD sales and trustee sales. They also include some REO sales filed by a few out-of-state title companies who erroneously think REO sales are exempt. They are clearly wrong, but for some reason the Arizona authorities have not sought to correct the title company misinterpretation of Arizona statutes. Servicelink, Quality Escrow and NexTitle are the primary offenders.

December 3 - The daily Cromford® Market Index chart looks like this:



The rate of decline reached maximum during late October and subsided during November. We are now seeing a moderate rate of decline which looks as though it might not drop much below 130.