

Cromford Report – Daily Observations – February 2019

February 14 - Below is our usual table showing the Cromford® Market Index for the single-family markets in the 17 largest cities:

Rank	February 14, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	190.8	↓	-2%	194.9
2	Glendale	159.5	↑	8%	147.3
3	Chandler	157.6	↓	-8%	171.9
4	Gilbert	153.4	↓	-4%	160.2
5	Mesa	150.0	↓	-4%	156.5
6	Fountain Hills	144.4	↑	11%	129.7
7	Surprise	138.3	↓	0%	138.6
8	Tempe	133.6	↑	3%	129.7
9	Maricopa	127.2	↓	-10%	140.9
10	Phoenix	127.1	↓	-6%	134.5
11	Scottsdale	125.4	↓	-6%	133.3
12	Peoria	123.7	↓	-9%	136.5
13	Buckeye	116.0	↑	1%	114.4
14	Queen Creek	115.4	↓	-6%	123.2
15	Cave Creek	114.1	↓	-8%	124.0
16	Goodyear	112.4	↓	-3%	116.4
17	Paradise Valley	111.2	↓	-13%	128.4

© 2019 Cromford Associates LLC

CMR1

Here we see 13 cities that have deteriorated for sellers over the past month and 4 that have improved.

Fountain Hills and Glendale have the largest gains, while the largest falls took place in Paradise Valley, Maricopa, Peoria, Chandler and Cave Creek. Phoenix, Scottsdale and Queen Creek fared poorly too.

The message is that the market is significantly cooler but all 17 cities are still above the balanced zone between 90 and 110, with even Paradise Valley still in a seller's market, if only just.

The average change over the last month is -3.3%, a deterioration from -2.8% last week.

Those looking for good news for sellers do have something to cheer. The Cromford® Demand Index has reversed course and started to increase. For the overall market it has already risen from 86.0 on Jan 29 to 87.9 on Feb 14. This is the first rise in the CDI since March 2018.

Cities with rising CDI include the following:

- Apache Junction
- Arizona City
- Avondale
- Buckeye
- Cave Creek
- Fountain Hills
- Gilbert
- Glendale
- Gold Canyon
- Goodyear
- Laveen
- Mesa
- Paradise Valley
- Phoenix
- Queen Creek
- Scottsdale

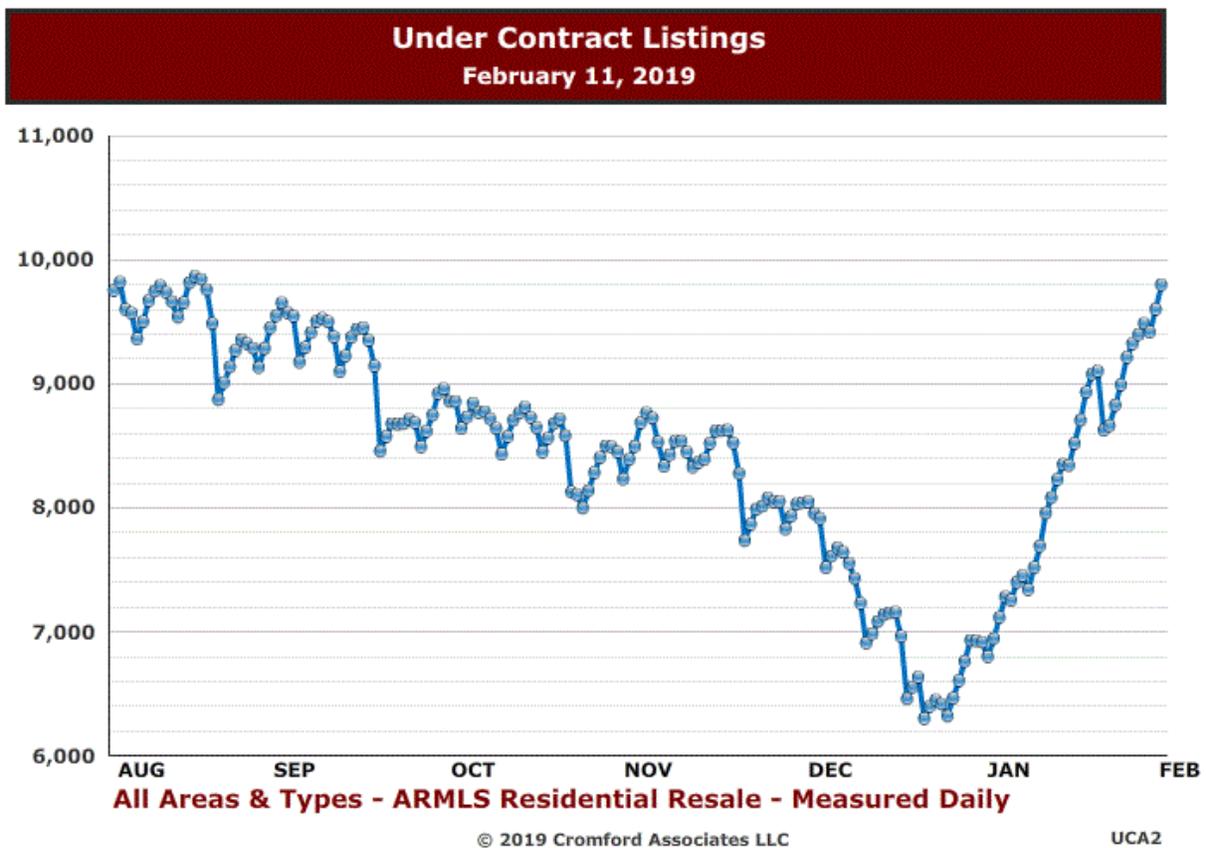
- Surprise
- Tempe
- Tolleson

Those with a CDI that continues to fall include:

- El Mirage
- Peoria
- Sun City West
- Sun Lakes

Overall, demand has stopped declining and is tentatively beginning to recover. Supply continues to rise, although this is normal for the season. The signals are mixed and we still need to watch vigilantly to see which direction the market decides to go.

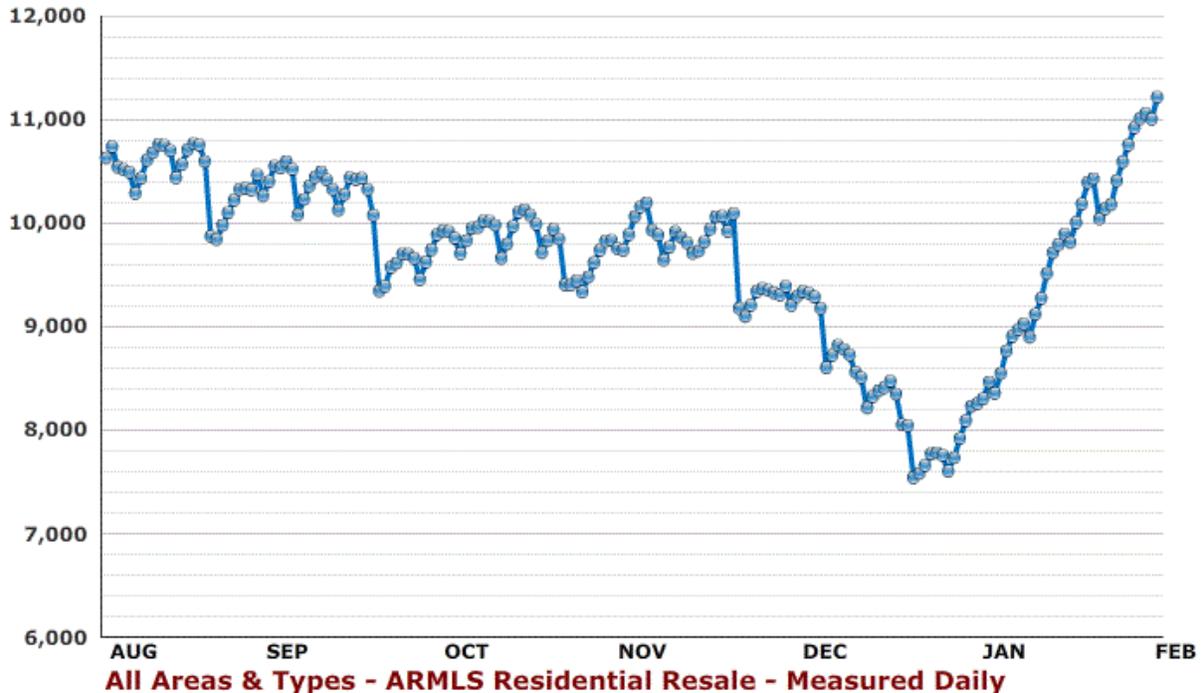
February 12 - The crucial question of the moment is how demand is building during the early stages of the spring selling season. Here is the daily chart of listings under contract:



The same chart one year ago looked like this:

Under Contract Listings

February 11, 2018



All Areas & Types - ARMLS Residential Resale - Measured Daily

© 2019 Cromford Associates LLC

UCA2

The first thing we notice is that the overall shape is quite similar. The second is that in 2018 we had just topped the 11,000 listing mark, whereas in 2019 we have not yet breached 10,000. We should also note that in 2018 we were starting from a higher base - 7,583 - some 1,282 - 20% more than the 6,301 we measured on January 1, 2019.

We can also see that in 2019 we have yet to beat the August number whereas in 2018 we had comfortably exceeded it.

The good news is that the recent growth in 2019 is looking healthy - up 55% from the Jan 1 start. In 2018 we saw a 49% growth in listings under contract at this stage. In absolute terms we are still a little behind 2018 with a year-to-date increase of 3,497 versus 3,671. However this is only a 5% shortfall, much lower than the 20% shortfall we started with.

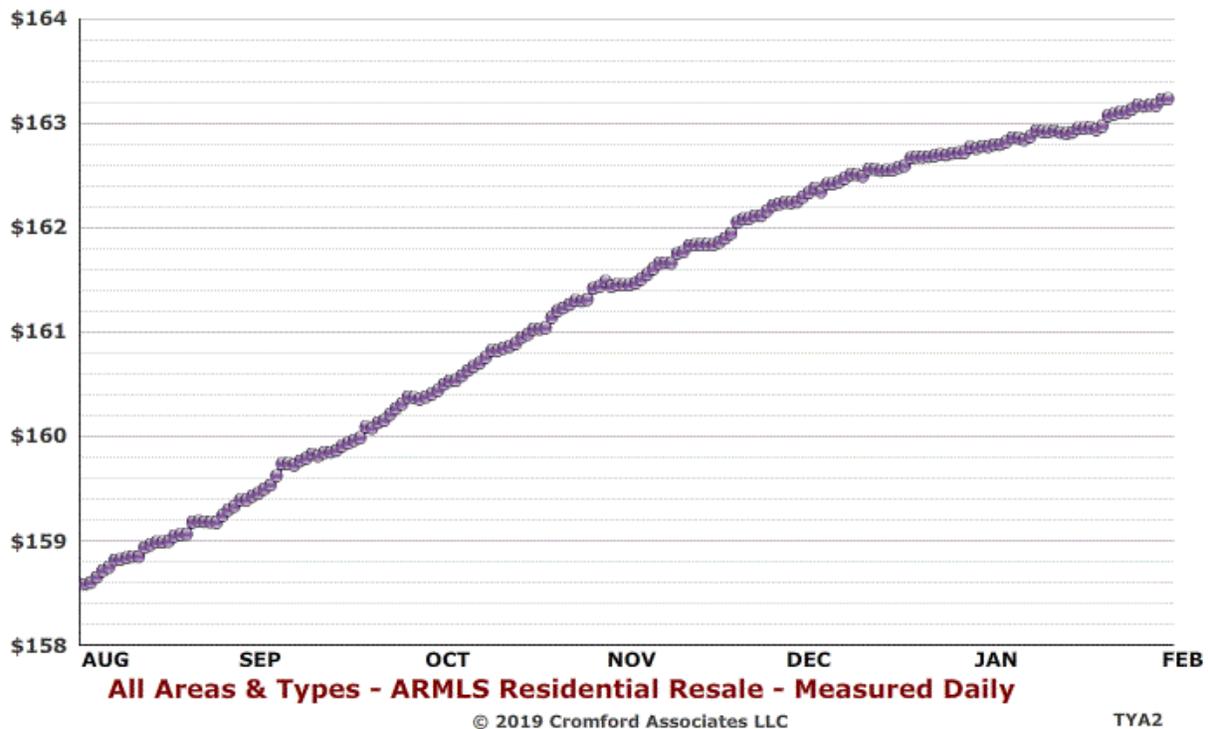
We conclude that 2019's spring season is likely to be somewhat lower in sales counts than 2018 but not as much lower as once feared. The slump in listings under contract that we saw in December has largely been negated.

The gradual recovery in demand is reflected in the Cromford® Demand Index which has risen to 87.5 after hitting its short term low of 86.0 on January 25. This still well below normal (100) but we are now moving higher instead of lower.

February 11 - One of the reasons we like annual averages is that the large sample size tends to deliver very consistent messages. A good example is the annual average price per square foot for all areas & types. The daily chart looks like this:

Average Sales Price per Square Foot - Annual Sales

February 11, 2019



Notice how the slope of the chart is very consistent for long periods of time.

We can see that the steep upward slope of August through November has been replaced by a gentle upward slope. Long term average prices are still rising but at a significantly reduced pace. This is because there is now much less of a disparity between supply and demand. Even so, demand still exceeds supply, so the direction of the chart remains upward. If supply were to exceed demand, then the chart would eventually start to slope downwards.

However, remember that sales prices are a trailing indicator, so there is a long time lag between the market balance changing and sales prices following suit.

February 8 - After 7 full days it is time to check how February is looking for both sellers and buyers.

New Listings:

New listings are arriving at a similar rate to the last 2 years. Including those still in delayed status, they are a little higher than 2018 (up 2.1%) but a little lower than 2017 (down 4.2%) for the same week. However if we look over the last 4 weeks, we are up 2.7% from 2018 and 3.4% from 2017. These are not big increases, but they do give potential buyers a little more choice. They also give sellers a little more competition. If we only count new listings that have been activated, then the first week of February saw 2,383 new listings across Greater Phoenix, compared with 2,546 in 2018 and 2,693, so we are seeing a slight decline there. The decline is almost entirely in listings priced below \$250,000, which are down from 1,095 in Feb 2018 to 888. Between \$250K and \$500K we see an increase from 1,040 to 1,088 and above \$500K a tiny decline from 411 to 407.

Active Listings:

Across Greater Phoenix, active listings without a contract have climbed from 17,964 on Feb 1 to 18,282 on Feb 8, a rise of 318 or 1.8%. During the same period last year we saw active listings without a contract rise from 16,132 to 16,245, a rise of 113 or 0.7%. Available supply is therefore growing faster than last year, but not at a rate that should cause concern.

Under Contract Listings:

Across Greater Phoenix, listings under contract climbed from 8,438 on Feb 1 to 9,292 on Feb 8, a rise of 854 or 10.1%. During the same period last year we saw listings under contract grow from 9,817 to 10,757, a rise of 940 or 9.6%.

This reading has given us mixed signals so far this year, with weak numbers during the first 2 weeks of January, stronger growth during the latter part of January and moderate numbers in early February. Over the last 5 weeks listings under contract have grown 48%, adding 3,013 listings, while last year they grew 41% adding 3,146. We can conclude that the gap is slowly closing but we have a long way to go to catch up with 2018. The reading on Feb 8 was still 14% behind Feb 2018, but this is better than Jan 4 when we were down by 18%.

Sellers are lowering their asking prices more now than at any time in the past 3 years with a total of \$38M in price cuts during the last week. This corresponds to some improvement in demand which is reflected in the rising Cromford® Demand Index numbers.

February 7 - Once again we share the Cromford® Market Index numbers for the single-family markets in the 17 largest cities:

Rank	February 7, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	190.5	↑	1%	188.8
2	Chandler	160.6	↓	-6%	170.9
3	Glendale	157.1	↑	9%	143.8
4	Gilbert	154.9	↓	-3%	160.2
5	Mesa	150.2	↓	-4%	157.2
6	Fountain Hills	141.4	↑	12%	126.2
7	Surprise	138.0	↓	-1%	139.2
8	Tempe	132.0	↑	1%	131.2
9	Maricopa	132.0	↓	-5%	138.3
10	Phoenix	128.9	↓	-4%	134.3
11	Scottsdale	127.6	↓	-5%	134.5
12	Peoria	127.2	↓	-5%	133.6
13	Queen Creek	116.9	↓	-5%	123.5
14	Buckeye	115.1	↓	-1%	115.9
15	Cave Creek	114.1	↓	-9%	125.5
16	Goodyear	112.1	↓	-6%	119.0
17	Paradise Valley	111.8	↓	-16%	133.0

© 2019 Cromford Associates LLC

CMR1

Only 4 cities show improvement while 13 show deterioration in the market from a seller's perspective. There are only 2 cities that have improved strongly for sellers over the past month - Fountain Hills and Glendale. Paradise Valley, Cave Creek, Goodyear and Chandler saw the most deterioration.

During the last 2 weeks of January we saw a significant improvement in the rate of homes going under contract. The first week of February was nothing special in this respect and certainly not stronger than last year, so has to be seen as mildly disappointing after the encouraging signs in late January. In addition, new listings arrived in stronger numbers during early February than they did last year, so although supply remains low overall, the gap between supply and demand narrowed for most segments of the market.

None of the 17 largest cities has entered the balanced zone between 90 and 110, but some of the smaller cities have. We see Casa Grande at 108.9, Sun City West at 105, Litchfield Park at 101.6, Gold Canyon at 99.4 and Sun City at 91.2.

In summary, demand was a little weaker than we expected and supply a little stronger. The market does not seem to have decided which way it wants to go.

February 6 - We now have preliminary numbers for iBuyer activity during January across Maricopa and Pinal counties:

Jan 2019	Opendoor	OfferPad	Zillow
Number of Homes Purchased	247	66	112
Number of Homes Sold	186	60	37
Average Price of Homes Purchased	\$250,721	\$232,114	\$324,589
Average Price of Homes Sold	\$253,091	\$258,192	\$323,164
Median Price of Homes Purchased	\$243,000	\$220,520	\$313,000
Median Price of Homes Sold	\$248,500	\$247,950	\$306,000
Total Value of Homes Purchased	\$61.9M	\$15.3M	\$36.4M
Purchase Units Annual Growth	18%	-1%	N/A

Sold Units Annual Growth	18%	-42%	N/A
Inventory at end of month	1,111	417	350
Annual Inventory Change	33%	18%	N/A

Overall iBuyer purchases were up 16% over January 2018, while iBuyer sales increased by 37%.

Unsold iBuyer inventory grew by 58% over the last 12 months to a total of 1,878 homes. This includes homes not yet ready for re-sale as well as those being marketed. Clearly inventory has grown faster than transaction volume.

The January numbers are not final yet because we have to check the data carefully (for duplicates, filed in wrong county, wrong parcel, wrong date, etc.) before it is published in the Tableau charts within the Cromford® Public section of our site.

The range of gross margins achieved can be seen in the Tableau Fix and Flip charts within the Cromford Public section. The charts include filters for each iBuyer. The margins for January are not yet available, but for December 2018 the median gross margins we calculate for homes that closed were: 4.1% for Opendoor, 5.8% for OfferPad and 2.5% for Zillow. Zillow tends to buy more expensive homes and the median gross margins were \$9,950 for Opendoor, \$13,873 for OfferPad and \$5,800 for Zillow. In December iBuyer transactions represented 7% of purchases and 4.5% of sales.

Median hold times for homes that closed in December 2018 were 102 days for Opendoor, 78 days for OfferPad and 70 days for Zillow. However Zillow has sold relatively few (only a third) of the homes it has purchased so the 70 days is likely to grow over the next few months.

iBuyers have achieved significant penetration of the Greater Phoenix market since Opendoor started operation in August 2014. However they face a number interesting challenges as their business matures:

- gross margins are lower and getting smaller as competition increases
- hold times are lengthening, incurring additional costs
- a large amount of capital is tied up in inventory (1,878 homes at an average of \$250,000 = \$464,500,000)

No doubt iBuyers are or will be pursuing additional ancillary revenue generated by their transactions, such as mortgage generation, title insurance, etc. This will help to deliver more margin out of a single home purchase and sale.

February 5 - We have preliminary numbers from Maricopa County for recordings during January 2019.

Total recorded sales for single-family and condo/townhouse properties was 6,898, down almost 10% from 7,647 in January 2018. This is a larger drop in recorded sales than we experienced in December (7.4%).

In December 2018 new home closings held up much better than re-sales, but this effect disappeared in January. New home closings numbered 944, down 9.7% from January 2018. Re-sales were down almost the same percentage at 5,954.

The overall median sales price was \$270,000, up 7% from January 2018. The re-sale median was up 8% to \$258,900 while the new home median was up 5% to \$342,618.

February 4 - Butch Leiber is running several classes in February for those who would like to get more out of the Cromford® Report.

Cromford 101 - Unraveling the Mysteries of the Cromford® Report

This class walks people through the basics of using Cromford® in their business and leaves them with a better understanding of the charts and how to use them to generate more business. (Cromford Subscribers Only)

East Valley: February 13 2019, 11:00 AM - 1:30 PM
 Caliber Home Loans - 16430 N Scottsdale Rd., Scottsdale, AZ 85254
 Registration Link: <http://bit.ly/cromford213>

West Valley: February 21 2019, 11:00 AM - 1:30 PM
 Caliber Home Loans - 1616 N Litchfield Rd. #215, Goodyear, AZ 85395
 Registration Link: <http://bit.ly/cromford214>

Cromford 201 - Digging Deeper with the Cromford® Report

This class teaches how to use the report every day in business and how to find the right chart, for the right occasion, the best charts to "predict" market change and the best charts to use in marketing to make an agent look and talk like an expert. (Cromford Subscribers Only)

East Valley: February 14 2019, 11:00 AM - 1:30 PM
 Caliber Home Loans - 16430 N Scottsdale Rd., Scottsdale, AZ 85254
 Registration Link: <http://bit.ly/cromford214>

West Valley: February 20 2019, 11:00 AM - 1:30 PM
 Caliber Home Loans - 1616 N Litchfield Rd. #215, Goodyear, AZ 85395

February 1 - Below is the table of Cromford® Market Index numbers for the single-family markets in the 17 largest cities by dollar volume:

Rank	January 31, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	191.5	↑	4%	183.9
2	Chandler	165.2	↓	-2%	169.3
3	Gilbert	156.0	↓	-3%	160.0
4	Glendale	154.1	↑	9%	141.9
5	Mesa	151.1	↓	-4%	157.7
6	Fountain Hills	138.7	↑	11%	125.2
7	Surprise	138.7	↑	0%	138.6
8	Maricopa	136.9	↑	1%	135.5
9	Peoria	131.1	↑	1%	129.7
10	Phoenix	130.8	↓	-2%	133.4
11	Tempe	130.7	↑	1%	129.1
12	Scottsdale	129.4	↓	-4%	134.4
13	Cave Creek	118.8	↓	-6%	126.7
14	Queen Creek	118.6	↓	-4%	123.9
15	Buckeye	115.0	↓	-1%	116.6
16	Paradise Valley	113.9	↓	-16%	136.1
17	Goodyear	112.1	↓	-7%	120.9

© 2019 Cromford Associates LLC

CMR1

This gives us a mixed picture with 7 cities improving for sellers over the past month and 10 cities showing deterioration. The average change in CMI for the 17 cities is -1.4%. Last week we reported +0.7% and suggested it looked a little ominous. We expect a little more negative movement over the next 2 weeks for 2 reasons.

1. Slow contract activity during the first 2 weeks of January led to a larger rise in active listings than last year
2. Low contract numbers in November and January led to a very slow closing rate during January

However, we are more optimistic for sellers than we were in mid January. The second half of January saw contract activity pick up nicely and this has 2 expected results which could show up in the CMI by mid February:

1. Active listing counts should stop rising and may start to fall back slowly in a normal seasonal pattern
2. Closed listing counts should start to rise as the additional contract signings in January come through escrow

It is not clear if the boost in contract activity will continue into February but a combination of lower interest rates and higher FHA loan limits tends to support that outcome. We have also heard new home builder report increased buyer traffic in recent weeks.

Several cities have seen significant upticks in their Cromford® Demand Index over the past 2 weeks, including:

- Apache Junction
- Avondale
- Buckeye
- Casa Grande
- Cave Creek
- Fountain Hills
- Glendale
- Gold Canyon
- Maricopa
- Scottsdale
- Surprise
- Tempe

- Tolleson

Notably absent from this list are Phoenix, Chandler, Mesa and Gilbert. Also relatively weak are Sun City, Sun City West and Sun Lakes, all 55+ locations.

All 17 of the largest cities remain in the seller's market zone over 110 though Paradise Valley and Goodyear look like they may drop into the balanced zone between 90 and 110.

© 2019 Cromford Associates LLC

The data used to create the Cromford® Report is obtained from public records and obtained under license from the Arizona Regional Multiple Listing Service, Inc (ARMLS). Cromford Associates LLC and ARMLS expressly disclaim and make no representations or warranties of any kind, whether express, implied or statutory, as to the accuracy of the data used or the merchantability or fitness for any particular purpose.