Cromford Report – Daily Observations – January 2019

January 31 - Following up yesterday's post, here are the changes in the number of listings under contract over the past 2 weeks, compared with the same 2 weeks in January 2018:

Market Segment	Rise in Listings Under Contract 2019	Rise in Listings Under Contract 2018	Change
Greater Phoenix all types	1,787	1,591	+12%
Phoenix - single-family	287	287	+0%
Mesa - single-family	140	148	-5%
Scottsdale - single-family	156	66	+136%
Chandler - single-family	70	50	+40%
Glendale - single-family	59	62	-5%
Gilbert - single-family	79	72	-10%
Surprise - single-family	87	57	+53%
Peoria - single-family	71	43	+65%
Queen Creek - single-family	66	79	-16%
Avondale - single-family	18	36	-50%
Tempe - single-family	32	24	+33%
Goodyear - single-family	62	46	+35%
Maricopa - single-family	28	18	+47%
Buckeye - single-family	38	54	-70%
Cave Creek - single-family	19	8	+138%
Fountain Hills - single-family	7	5	+40%
Paradise Valley - single family	5	6	-17%

The biggest positive change is in the price ranges from $500K to $1M. Here there has been a 101% increase comparing the 2 week growth in listings under contract between 2018 and 2019. This is reflected in the very good numbers in the table above for Scottsdale and Cave Creek, which have a lot of homes inside that price range.

There is also a 20% improvement in the range from $200K to $500K and a 12% improvement in listings over $1M. The bad news is that listings under contract under $200K are off by 32%. This remains a bigger market by unit count than than the market between $500K and $1M, but it is hindered by a lack of supply.

January 30 - It looks like closings will be pretty dismal in January 2019. January is always a very slow month for closed listings and after low contract activity in November and December it would be surprising if January's count was anything other than bad. After 4 complete weeks of January we are at 4,166 for Greater Phoenix (all dwelling types), which is down from 4,847 at the same point in 2018. That's a 14% drop.

However, things are looking more positive when we look at contracting activity in January, especially over the last 2 weeks.

For all areas & types across the ARMLS database, we have grown from 7,253 to 9,077 listings under contract, a rise of 25%. In the same 2 weeks last year we saw an increase from 8,765 to 10,389, a rise of under 19%. We are still far behind, but catching up at a surprisingly speedy rate.

What is even more impressive is that the absolute number of listings under contract grew by 1,824 compared with 1,624 last year, a 12% improvement.

I am not ready to pop any champagne corks, but this is strong evidence of a surge in buyer interest over the past 2 weeks. The market started the year very cool compared to 2018, but is now heating up much faster than last year. This is great news for sellers and suggests that buyers should act fast before the real buying season gets underway and they have to deal with more competition from other buyers

It seems likely (but not certain) that the Cromford® Market Index will continue to decline for a short while yet due to the low closing rate, but as active counts top out and contracts and closings start to climb, I would cautiously expect the index to reverse direction and start increasing again before too long. A buyer's market looks increasingly unlikely to happen in 2019.

January 29 - The last Tuesday of every month is the date for release of the S&P/Case-Shiller® Home Price Index® data.

This month the sales period covered is September through November 2018 and here are the month to month percentage changes for the 20 focus cities:

1. New York +0.43%
2. Tampa +0.38%
3. Phoenix +0.32%
4. Miami +0.32%
5. Atlanta +0.28%
6. Dallas +0.20%
7. Charlotte +0.16%
8. Boston +0.08%
9. Las Vegas -0.01%
10. Washington -0.02%
11. Minneapolis -0.16%
12. Los Angeles -0.30%
13. Denver -0.32%
14. Detroit -0.35%
15. Portland -0.48%
16. San Diego -0.63%
17. Cleveland -0.66%
18. Chicago -0.69%
19. San Francisco -0.71%
20. Seattle -0.73%

More than half of the cities had a negative move between October and November although the national average was still positive at +0.05%. Phoenix slipped from 1st to 3rd place being overtaken by New York and Tampa.

For the year over year change we get:

1. Las Vegas +12.0%
2. Phoenix +8.1%
3. Seattle +6.3%
4. Atlanta +6.2%
5. Denver +6.2%
6. Minneapolis +5.8%
7. Detroit +5.7%
8. Tampa +5.7%
9. San Francisco +5.6%
10. Boston +5.6%
11. Charlotte +5.5%
12. Miami +5.0%
13. Cleveland +4.6%
14. Los Angeles +4.4%
15. Portland +4.4%
16. Dallas +4.0%
17. New York +3.5%
18. San Diego +3.3%
19. Chicago +3.1%
20. Washington +2.7%

The national average was 5.2%. Phoenix remains well ahead of that number though far behind Las Vegas.

No city is showing negative appreciation on a year over year basis.

January 26 - For those in search of good news for sellers, pickings have been thin for the last few weeks, but we have something this morning.

Greater Phoenix listings under contract increased substantially between January 19 and January 26, from 7,194 to 8,175, an increase of 13.6%. Last year we saw an increase of only 10.2% to 9,597. We are still some way behind last year in under contract listing counts, but we have started to catch up rather than fall further behind.

One week does not make a trend, but this is something for the optimists among us to hang their hat on.

The breakdown by price range is also interesting:

- listings under $250K were up 13.5%
- listings between $250K and $500K were up 13.8%
- listings between $500K and $1M were up 15.3%
- listings over $1M were up 8.%
- there was no growth in listings over $2M

There is a developing theme - the relative strength of the market in homes priced between $500K and $1M, with $800K to $1M the top performing range within that group.

January 25 - Since the critical factor at the moment is contracting activity, it makes sense to study the contract ratio for the market as a whole as well as various segments. The contract ratio tells us what proportion of the unresolved listings on ARMLS are under contract, compared with those without any contract. Under contract means they are pending, UCB or CCBS status. Resolved means they are closed, expired or cancelled. Delayed or temporarily off market listings are ignored.

The contract ratio is a seasonal measurement so we need to compare January 25, 2019 with other January 25 numbers from prior years.

Market Segment	Contract Ratio 2019	Contract Ratio 2018	Contract Ratio 2017	Contract Ratio 2016
All areas & types	43.7	56.2	49.3	42.1
Greater Phoenix - Single-Family Detached	45.0	59.6	51.2	44.4
Greater Phoenix - Townhouse	54.1	66.9	63.0	51.2
Greater Phoenix - Apartment Style	40.6	56.2	48.8	39.2
Greater Phoenix - Gemini / Twin	50.5	60.2	64.7	53.1
Greater Phoenix - Patio Home	48.4	49.1	47.8	44.9
Greater Phoenix - Mobile Home	48.1	37.3	34.7	27.3
Phoenix SFD	43.7	67.9	58.7	56.3
Mesa SFD	55.7	87.0	61.6	50.5
Scottsdale SFD	27.0	29.1	24.8	21.8
Chandler SFD	59.6	102.5	70.4	57.5
Glendale SFD	58.9	76.5	75.6	66.2
Gilbert SFD	61.0	94.4	76.7	64.4
Surprise SFD	58.3	78.3	58.5	58.4
Peoria SFD	43.4	60.4	57.1	43.4
Queen Creek SFD	54.4	76.9	64.1	51.8
Avondale SFD	61.5	66.9	84.1	67.3
Tempe SFD	60.0	100.0	68.6	55.5
Maricopa SFD	49.2	58.2	58.4	36.4
Buckeye SFD	57.3	65.6	49.2	46.1

The overall market is cooler than 2017 and 2018 but slightly hotter than 2016.

We note that mobile homes are following a different pattern and are much hotter in 2019 than they were in any of the last 3 years. In fact they have been on an entirely positive trend from 2016-2019.

We also see that Phoenix now has a significantly cooler market than in 2016, unlike the majority of cities. In contrast Scottsdale has cooled only a little compared with 2018 and is hotter than 2016 and 2017.

January 24 - It is time to look at the Cromford® Market Index values for the 17 largest cities:

Rank	January 24, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	193.5	↑	8%	179.0
2	**Chandler**	168.8	↑	1%	166.3
3	**Gilbert**	158.2	↓	0%	158.8
4	**Mesa**	152.8	↓	-3%	157.2
5	**Glendale**	151.7	↑	8%	140.7
6	**Maricopa**	140.1	↑	5%	133.4
7	**Surprise**	138.7	↑	1%	137.7
8	**Peoria**	135.2	↑	8%	124.9
9	**Fountain Hills**	135.0	↑	9%	124.2
10	**Phoenix**	132.7	↑	1%	132.0
11	**Scottsdale**	131.0	↓	-2%	133.1
12	**Tempe**	130.1	↑	3%	126.6
13	**Cave Creek**	122.3	↓	-7%	131.9
14	**Queen Creek**	121.0	↓	-1%	122.1
15	**Paradise Valley**	119.6	↓	-12%	135.9
16	**Buckeye**	115.2	↓	-1%	116.0
17	**Goodyear**	113.8	↓	-6%	121.7

 CMR1

At first glance this looks reasonably positive with 9 cities improving for sellers over the past month and 8 cities deteriorating. However it is not as good as last week and the average change is only +0.7% whereas last we saw +2.0%. This is a little ominous.

Paradise Valley is clearly in trouble, down 12% from a month ago, probably thanks to the terrible performance of the stock market in Q4 2018. It has dropped from 8th to 15th in just 3 weeks.

Goodyear looks like it is headed for the balanced market zone (90 to 110).

What is most concerning is the comparison with last week's numbers. 13 of the 17 cities have declined since January 17 and only 4 have improved (Buckeye, Fountain Hills, Glendale and Tempe).

It is still early in the year and we cannot reach firm conclusions, but there is little evidence so far of a fast take off for the re-sale market in 2019. Optimists will need to pin their hopes on February.

January 23 - Contracts accepted in ARMLS across Greater Phoenix during the first 3 weeks of 2019 totalled 5,259. During the same period last year the total was 5,980. The decline of 12% is significant and worse than we saw in the first 3 weeks of December (8%). Our conclusion is that demand remains weak and has shown little to no signs of recovery so far.

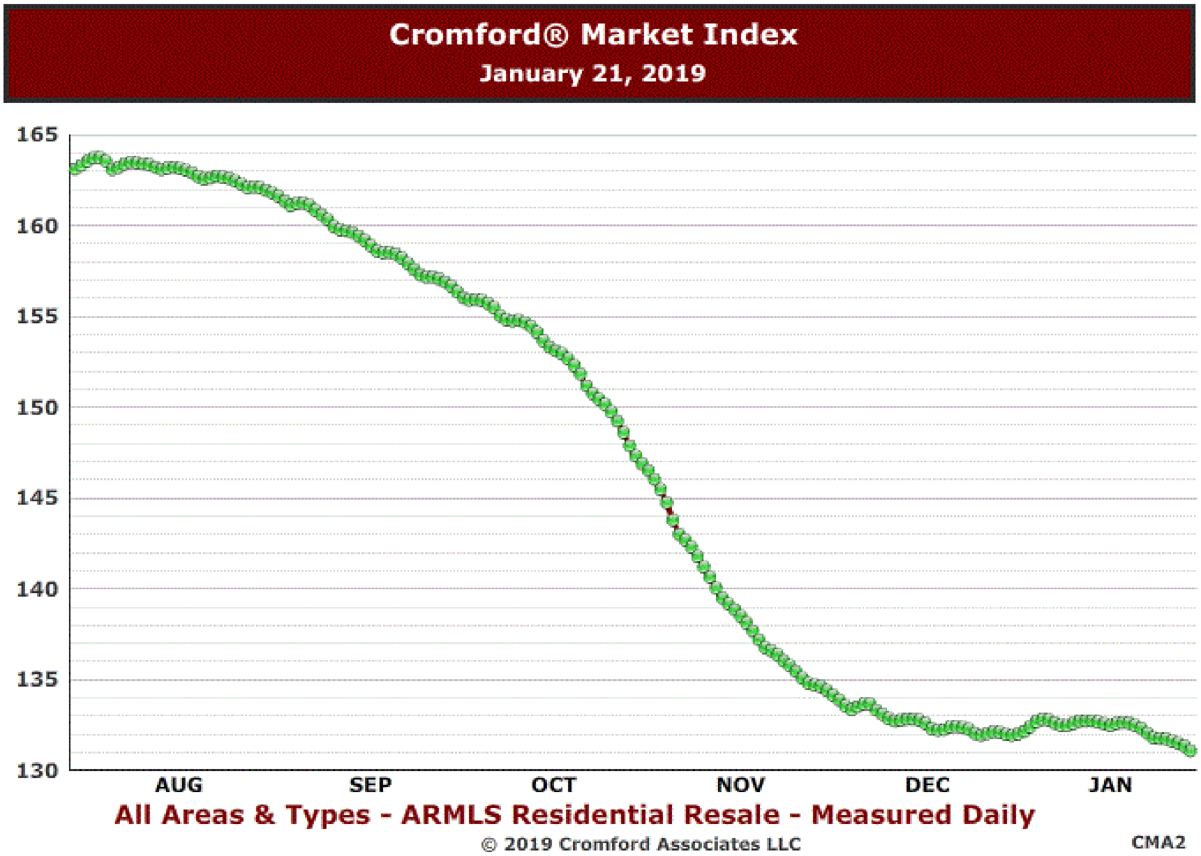
Almost all of the decline in contracts accepted took place in homes priced under $250,000. These were down 23% from 2,943 to 2,275. Homes between $250,000 and $500,000 declined by only 3% from 2,456 to 2,384 while homes over $500,000 increased by 3% from 581 to 600.

January 22 - After 3 complete weeks of January it is fair to compare the first 21 days of 2019 with the first 21 days of 2018.

Closed listings dropped from 3,638 to 3,121, a decline of 14%. The fall was slightly steeper for condos/townhouses (16%) and even steeper for mobile homes (22%).

As expected, due to lack of inventory, closings dropped the most for homes under $250K, falling by 24%. The mid-range from $250K to $500K was down only 4% while the lower reaches of the luxury sector, from $500K to $1M saw a 3% gain in 2019. The upper end of the luxury market was not so fortunate, dropping 20% compared to 2018.

January 21 - The Cromford Market Index stayed fairly level through most of December and the first half of January but has started to drift a bit lower. Here is the short term chart:



Although the index is still above 130, it is losing a bit of altitude because:

- active listing counts are rising
    - new listings have started to arrive slightly faster than they did in January 2018
    - active listings are going under contract a little slower than usual
- closing rates are still a little slower than usual for what is usually a very slow month
- pending, UCB and CCBS listings are growing from a very low level, but not at a particularly impressive rate

Most agents, sellers and developers were probably hoping for a better reaction to 30-year fixed interest rates moving back down to about 4.65% from the 4.85% level. From the evidence so far, demand has not emerged from the doldrums that started last September.

The changes are not enormous but the market is slowly moving in favor of buyers. It still has a long way to go before we can truly describe it as a buyer's market. What happens immediately after the Super Bowl will be crucial, because in a strong year, this is when we see contract activity pick up dramatically.

In the past, government shutdowns have coincided with a marked loss of demand, but they have tended to be brief affairs.

January 18 - There are a number a false myths circulating in the housing industry at the moment. Many are obviously untrue when you examine the history of the market, but are often stated as if they were natural laws.

- when interest rates rise, home prices fall - this is hardly ever true, but I hear it claimed quite often
- when sales volumes fall, home prices fall - this is hardly ever true, but certainly happened in the great crash of 2005-2009, so is fresh in our memory

Home prices fall when supply exceeds demand by a substantial margin. If supply is lower than demand then it is extremely unlikely that home prices will fall. We can find no examples in history of prices falling when demand exceeds supply.

Rising interest rates decrease demand, but they can also decrease supply if many home owners have an existing mortgage with a low rate. If supply is abundant and interest rates rise, then it is likely that home prices will fall. However it is surprisingly uncommon to find this situation in the last 70 years. This is because interest rate have tended to fall far more often than they have risen, and because supply has tended to be low far more often than it has been abundant.

At the moment, interest rates are on an upward trend (although this trend has halted recently) but supply is a very long way from being abundant, Supply remains very low by historic standards, though it is slowly increasing.

Sales volumes fall when demand falls, but this tells us nothing about supply. Supply sometimes rises when sales volume falls (as in 2005-2009). If it rises enough to exceed demand then prices will fall until the balance is restored between supply and demand. Eventually lower prices will stimulate demand (as it did between 2009 and 2013). However it is often the case that demand falls without falling enough to match supply, and in this case prices continue to rise. This has been a common situation in the last 70 years and is also the situation right now.

If demand falls so much that it matches supply, then prices stabilize. We have not reached that point, but it did occur in 2014 for a short period. Demand then bounced back and has exceeded supply ever since.

If demand falls so much that it drops below supply, then price will tend to move lower. This is a relatively uncommon occurrence, but happened between 1989 and 1991, between 2006 and 2009 and for a short period between 2010 and 2011. The 1989 and 2010 declines were very mild, but the 2006-2009 decline was a true bubble bursting. This is something that tends to happen only once or twice a century, after almost everyone who remembers it has passed on. Bubbles require a suspension of disbelief that is impossible for someone who has already experienced one. In 2005 the most popular false myth was that house prices never go down.

January 17 - The single-family markets in the 17 largest cities generate the following Cromford® Market Index information:

Rank	January 17, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	195.0	↑	15%	170.3
2	**Chandler**	171.4	↑	4%	164.6
3	**Gilbert**	159.8	↑	1%	158.2
4	**Mesa**	155.6	↓	-1%	156.6
5	**Glendale**	149.0	↑	6%	140.7
6	**Maricopa**	141.8	↑	7%	132.4
7	**Surprise**	138.6	↑	0%	138.3
8	**Peoria**	136.7	↑	12%	121.7
9	**Phoenix**	134.3	↑	2%	131.2
10	**Scottsdale**	132.7	↑	1%	131.4
11	**Fountain Hills**	131.2	↑	5%	124.4
12	**Tempe**	129.0	↑	3%	125.2
13	**Paradise Valley**	125.7	↓	-6%	133.4
14	**Cave Creek**	122.8	↓	-11%	137.5
15	**Queen Creek**	122.8	↑	1%	121.0
16	**Goodyear**	115.6	↓	-6%	122.6
17	**Buckeye**	114.6	↓	-1%	115.9

 CMR1

This does not look quite as encouraging as last week with 5 of the 17 cities showing deterioration for sellers and 12 showing improvement.

The big positive moves are in the West Valley (Avondale and Peoria) while the big negative move is in the Northeast Valley (Cave Creek).

Paradise Valley has seen conditions deteriorate quickly, having looked strong as recently as early January.

The average move over the past month was +2.0%, but this is down from +2.6% last week.

Another reference point is the high number of cities (20 out of 29) where the CMI went down over the past week:

- Anthem

- Apache Junction
- Arizona City
- Buckeye
- Cave Creek
- Gilbert
- Gold Canyon
- Goodyear
- Laveen
- Litchfield Park
- Mesa
- Paradise Valley
- Phoenix
- Queen Creek
- Scottsdale
- Sun City
- Sun City West
- Sun Lakes
- Surprise
- Tempe

Gold Canyon is the only city which has dropped below 100.

Over the past week, we have seen the demand index rise in the following:

- Avondale
- Buckeye
- Casa Grande
- El Mirage
- Fountain Hills
- Glendale
- Maricopa
- Peoria
- Tolleson

This is rather a short list (8 out of 29 cities). Although almost all areas remain a seller's market thanks to the chronic low supply, demand is staying stubbornly weak in the majority of locations. Where we go from here is not exactly clear.

January 16 - After 2 full weeks it is fair to compare closed sales counts with the same 2 weeks last year.

Across Greater Phoenix for all dwelling types we have seen 1,980 closings, down 14% from 2018.

By price range the changes are:

- Under $250K - down 25.2% from 1,186 to 887
- Between $250K and $500K - down 3.9% from 893 to 858
- Between $500K and $1M - up 7.9% from 178 to 192
- Over $1M - down 18.9% from 53 to 43

The range between $500K and $1M has been relatively strong.

The range over $3M was particularly weak with closings dropping from 7 to 3.

January 15 - New listing counts are a little lower than last year with 4,383 added and activated in the first 2 weeks. The same period in 2018 gave us a count of 4,627, so we are looking at a drop of 5.3%. However, the use of the relatively new "Delayed" status means more listings are being added without being activated. If we examine the total number of residential listings created (whether activated or not) we find 4,684 in 2019 and 4,657 in 2018, a small increase of 0.6%.

Active listing counts are rising faster than last year because although there are a lower number of new listings activated, fewer listings are going into Pending or UCB status.

During the first 2 weeks of 2018 we saw active listing counts (excluding UCB and CCBS) climb from 16,697 to 17,667, a rise of 5.8%.

In 2019 we saw an increase from 17,339 to 18,581, a rise of 7.2%.

Unless demand starts to increase, which is certainly possible given that interest rates have eased, we expect to see active listing counts peak later in the spring than they did in 2018.

January 14 - Well 2019 is off to a rather flat start so far with most numbers well below those of January 2018.

The monthly sales rate is at 6,102 which is down 10% from the 6,816 we saw last year. Most of those sales occurred in December since the year to date count is only 1,835, down 20% from the same point last year.

Listings under contract are at 7,115, up 12.9% from 6,301 at the start of the year. The equivalent numbers in 2018 were 8,356, up 10.8% from 7,543. Although the fact that the counts are down substantially, the growth rate is a little higher, a positive signal.

Mortgage rates have dipped recently so we may see more demand arrive soon. In most years we don't really get buyers returning in large numbers until the Super Bowl is over.

In 2019 so far, new listings have been arriving at a similar rate to 2018. With the lower demand they are turning into listings with contracts more slowly, so active listing counts are rising faster than last year. However, active listing counts remain low by historic standards and unless they rise very much higher we have little chance of significant downward pressure on closed prices. List prices are more fragile as sellers adjust to the slower demand. Average price per sq. ft. for most segments remains strong, particularly when we look at pending listings.

The listing success rate stands at 74.3%, still well above the long term average, but down from 76.8% at this time last year.

Although the market is cooler and smaller than last year, it is not in any significant trouble. The CMI is drifting slightly lower, something that happens in January for most years.

January 10 - The regular Cromford Market Index table for the single-family markets in the largest 17 cities is below:

Rank	January 10, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	192.0	↑	16%	165.5
2	Chandler	171.4	↑	5%	162.9
3	Gilbert	160.5	↑	2%	157.2
4	Mesa	157.3	↑	1%	156.4
5	Glendale	145.1	↑	2%	142.4
6	Maricopa	140.3	↑	7%	131.4
7	Surprise	138.9	↓	-1%	139.9
8	Peoria	135.3	↑	13%	120.3
9	Phoenix	134.9	↑	3%	131.3
10	Scottsdale	134.3	↑	4%	129.2
11	Paradise Valley	131.0	↑	2%	127.9
12	Tempe	130.6	↑	7%	122.4
13	Fountain Hills	127.6	↑	2%	125.7
14	Cave Creek	125.8	↓	-11%	141.5
15	Queen Creek	123.5	↑	2%	121.1
16	Goodyear	118.1	↓	-4%	122.7
17	Buckeye	115.4	↑	0%	114.9

 CMR1

14 out of 17 cities have seen conditions change in favor of sellers over the past month and only 3 have moved the other way. Only one (Cave Creek) has moved in favor of buyers in a big way (CMI down 11%)

The West Valley is stronger with Avondale up 16% and Peoria up 13%.

Demand remains weak, but the important thing to remember is that supply is even weaker, so the balance still favors sellers, even though volumes are on a downward trend.

Prices remain on a clear upward trend.

January 9 - A few agents have contacted us to suggest that their revenue and side counts are too low in the Agent Performance Table for 2018. So far, every case has shown the table to be correct because the agents were including transactions in their totals that are intentionally not included in the table.

The most common reasons why a transaction is not included in the table are:

- it was a land transaction not a residential sale
- it was a new home sale that did not get a listing on ARMLS
- it was outside of the ARMLS territory (out of area)
- the agent was a co-listing agent or co-selling agent, not the listing agent or selling agent

We are very willing to correct any errors in the table if you find any, but please make sure you have excluded the inappropriate transactions from your comparison.

January 8 - We have just got a chance to study the affidavits that were filed in Maricopa County during December and they paint a much rosier picture of the housing market than we get from examining the ARMLS data. Why is this?

- new home sales are holding up far better than re-sales
- new home prices are gaining strength which is not reflected in MLS data since most new home sales are not in the MLS database

December's new home sales (single-family and condo / townhouse) totalled 1,544 which is up 10% from December 2017, while re-sales totalled 6,624, down 11% from a year earlier.

The median sales price of a new home in December was $349,990, up 6.6% from a year earlier

The median sales price of a re-sale home in December was $256,000, up 5.6% from December 2017.

This data suggests buyers are increasingly being attracted to new homes rather than the limited choice available for re-sale. They took 19% of the market in December 2018 while only managing 16% in December 2017.

January 7 - I have started to see a few writers claim that Phoenix is becoming a buyer's market. I think this is a huge stretch. It is possible that we have forgotten what a buyer's market really feels like. We have seen a noticeable downturn in demand but that alone does not constitute a buyer's market.

In a buyer's market, supply is higher than demand and currently we still have very low supply and little sign of a significant increase on the horizon. The weaker demand is still more than enough to match the current level of supply. Consequently sales prices still upwards momentum, although this has eased a little since last spring.

I also hear talk of lower prices, but this talk is not referring to closed sales prices. It refers to the fact that many sellers are adjusting their expectations and bringing list prices more in line with market conditions. This is not resulting in closed prices going lower than last year, as we would expect in a true buyer's market. In fact the average price per sq. ft. for listings under contract continues to hit new highs.

We have become used to a hot, growing market that strongly favors sellers and now that it is cooler, contracting in volume and moderately favoring sellers, we have a tendency to over-react and make more of the change than it really deserves. We have to stay calm and realistic and be guided by the numbers. These numbers look like a cooling off, not a downturn. We experienced a similar, though more severe, cooling off in 2013-2014, but the last significant downturn took place between late 2005 and 2009 and was followed by a 2 stage recovery from 2009 through 2013. There was also a mini-downturn in 2010-2011 which interrupted the recovery but had little lasting significance in hindsight.

There has been no decrease in loan approval rates and buyers have little to stop them apart from their own desires and perceptions. Many appear to think the current state of the market will mean lower prices for them if they wait to buy later. In this, they are very likely mistaken, but it will take time for them to realize this. Population growth in Central Arizona is still increasing faster than the number of homes. Despite a less friendly tax code since 2017, owning a home still makes better financial sense than renting unless you expect to own the home for less than 3 years. None of the conditions for closed prices to fall are currently in effect.

It seems more likely that demand will come back up, rather than more supply will appear out of nowhere. It is certainly possible that new facts come into play (e.g. interest rates) which could change the picture, but most measurements that impact the housing market are in normal to good ranges. Affordability has dropped below the ideal range but compared with neighboring California, we are amazingly affordable. 2019 is very unlike the situation in 2005, when almost every number was highly unusual and flashing danger signals, even though most of the population chose to ignore them.

As in most things, the numbers are more reliable that emotions. We will continue to report the natural numbers without adding any artificial ingredients.

January 5 - We have updated the Agent Production Table for 2018 to include all data in ARMLS as of January 4. You can find it here.

January 3 - Below is the regular table showing the Cromford® Market Index for the single-family markets in the 17 largest cities.

Rank	January 3, 2019	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	**Avondale**	185.3	↑	13%	164.6
2	**Chandler**	169.5	↑	6%	160.5
3	**Gilbert**	160.1	↑	2%	157.0
4	**Mesa**	157.6	↑	0%	156.9
5	**Glendale**	142.4	↓	-3%	146.3
6	**Surprise**	138.7	↓	-2%	141.8
7	**Maricopa**	136.6	↑	6%	129.3
8	**Paradise Valley**	135.1	↑	9%	123.8
9	**Scottsdale**	134.6	↑	5%	128.0
10	**Phoenix**	134.2	↑	2%	131.6
11	**Peoria**	130.6	↑	9%	120.0
12	**Tempe**	130.2	↑	8%	120.7
13	**Cave Creek**	126.6	↓	-11%	142.9
14	**Fountain Hills**	125.4	↓	-2%	127.5
15	**Queen Creek**	123.8	↑	1%	122.9
16	**Goodyear**	120.1	↓	-1%	121.5
17	**Buckeye**	116.3	↑	3%	113.3

Despite the lower demand we have been experiencing the market index has improved in the majority of cities over the past month. Only 5 of the 17 are showing deterioration for sellers and only 1 of these is experiencing strong deterioration (Cave Creek).

Avondale, Paradise Valley, Peoria and Tempe are showing the largest monthly improvements, mainly thanks to lower inventory.

The average monthly change in the CMI is +2.6%, an improvement from +1.9% last week.

January 2 - We started 2019 with remarkably few listings in escrow. Across all areas & types in the ARMLS database we counted 17,339 active listings, 2,561 UCB or CCBS and 3,740 pending. This gives us a contract ratio of 36.34. Now January 1 is always a low point for listings under contract (pending + UCB + CCBS), but at 6,301, 2019 is down 17% from 7,583 last year and the lowest we have seen since since 2008 when we had an unbelievably weak 3,632 during the collapse of the bubble.

There is no doubt at all that this number will grow over the next few months, bit the real question is by how much. Sellers would like to see more buyers back in the game. Buyers seems suspicious that something bad is happening to the market, but the only bad thing is the fact that so many of them are holding back. If they stopped holding back, we would be back in a hot market once more. It is an unusual situation with both supply and demand far below normal. The big question is whether they are holding back by choice (fear) or because they cannot do anything at current prices (lack of affordability). Fear can be easily overcome, given time, but prices are not likely to move lower in the current circumstances. We would need a glut of homes to hit the market and there is no sign of that coming from anywhere. Employment remains strong and typical homeowners have plenty of equity. There are very few weak hands among the sellers, even though some investors may choose to take profits at this point..

If we look at the single-family sector by price range, we find the following change in the contract ratios:

Price Range	Contract Ratio Jan 2018	Contract Ratio Jan 2019	Change
$150K to $175K	88.3	68.1	-23%
$175K to $200K	91.1	63.5	-30%
$200K to $225K	75.5	55.6	-26%
$225K to $250K	67.4	52.2	-23%
$250K to $275K	62.6	45.5	-27%
$275K to $300K	60.9	45.5	-25%
$300K to $350K	52.8	39.4	-25%
$350K to $400K	40.3	35.8	-11%
$400K to $500K	37.1	32.0	-14%
$500K to $600K	34.1	25.2	-26%
$600K to $800K	28.6	25.5	-11%
$800K to $1M	21.6	17.6	-19%
$1M to $1.5M	14.1	14.8	+5%
$1.5M to $2M	12.0	9.4	-22%
$2M to $3M	7.4	12.9	+74%
Over $3M	8.6	5.6	-35%

Two price ranges are stronger than last year - $1M to $5M and $2M to $3M

The biggest percentage fall is for homes over $3M, which is not surprising given the antics of the stock market over the past 3 months. The price range up to $350K have all fallen by 23% to 30% which is a significant cooling off across a broad range of prices. The cooling effect is much less noticeable between $350K and $1M although for some reason $500K to $600K has dropped 26%.