Cromford Report – Daily Observations – September

September 28 - The Cromford® Market Index for the single-family markets in the 17 largest cities is shown in the table below:

Rank	September 27, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	213.1	↑	3%	207.0
2	Chandler	189.9	↓	-1%	192.4
3	Gilbert	186.3	↓	-1%	189.0
4	Mesa	184.0	↓	-7%	196.8
5	Cave Creek	161.7	↑	11%	145.2
6	Paradise Valley	159.9	↓	-1%	161.9
7	Glendale	156.8	↓	-1%	157.9
8	Surprise	155.9	↓	-7%	167.6
9	Scottsdale	153.6	↓	-5%	162.1
10	Queen Creek	153.5	↓	-4%	159.4
11	Phoenix	149.5	↓	-2%	152.3
12	Fountain Hills	145.2	↓	-18%	176.4
13	Maricopa	141.8	↑	1%	140.4
14	Tempe	140.8	↑	13%	124.8
15	Buckeye	138.2	↓	-10%	153.7
16	Goodyear	134.7	↓	-1%	136.6
17	Peoria	123.2	↓	-3%	126.4

 CMR1

Sellers may be dismayed to see 13 of the 17 cities showing the balance of power shifting away from them. However they can console themselves with the fact the average shift is only -1.8% which is down from the -2.2% we saw last week. This is partly because 2 of the 4 improving cities (Tempe and Cave Creek) improved by large percentages.

Among the decliners, Buckeye (-10%) and Fountain Hills (-18%) are the most prominent, but Surprise(-7%) and Mesa (-7%) declined significantly too.

Scottsdale has changed course after a strong run in the last 3 months.

September 27 - The Census Bureau has just released the single-family building permit counts for August. The total for Maricopa and Pinal counties was 2,263, up 16% from 1,954 in August 2017. The count for the 12 months Sep 2017 to Aug 31 is 22.388 which is up 12.7% from 19,865 last year. Maricopa and Pinal account for 74% of Arizona's single-family permits.

Year-to-date in 2018 we have 16,154 permits which is up 13.6% from 2017.

The increases all exceed the increase in the overall sales rate, which implies:

1. The market share for new homes should increase over the next year
2. Supply should gradually improve if developers build as quickly as the permits indicate

For the past 12 months the breakdown by city is as follows:

1. Phoenix 15.7%
2. Unincorporated Pinal County 11.0%
3. Buckeye 10.1%
4. Mesa 7.9%
5. Gilbert 6.8%
6. Maricopa 6.1%
7. Peoria 6.1%
8. Unincorporated Maricopa County 6.0%

9. Goodyear 5.9%
10. Surprise 5.8%
11. Queen Creek 5.2%
12. Scottsdale 3.0%
13. Chandler 2.4%
14. Avondale 1.2%
15. Florence 1.1%
16. Glendale 0.9%
17. Tempe 0.7%
18. Wickenburg 0.7%
19. Casa Grande 0.7%
20. Eloy 0.6%
21. Fountain Hills 0.4%
22. Paradise Valley 0.4%
23. Apache Junction 0.4%
24. Litchfield Park 0.3%
25. Cave Creek 0.2%
26. Carefree 0.1%
27. Coolidge 0.1%
28. everywhere else 0.1%

September 26 - The S&P / Case-Shiller® Home Price Index® report was published yesterday covering sales during May, June and July 2018. The month to month change in indexes were as follows:

1. Las Vegas +1.39%
2. Cleveland +1.35%
3. Phoenix +0.74%
4. San Francisco +0.64%
5. Tampa +0.61%
6. Atlanta +0.54%
7. Portland +0.47%
8. Miami +0.44%
9. Detroit +0.41%
10. Minneapolis +0.39%
11. Chicago +0.33%
12. Denver +0.33%
13. Dallas +.18%
14. Washington +0.16%
15. Charlotte +0.15%
16. Los Angeles +0.13%
17. Boston +0.14%
18. New York +0.09%
19. San Diego +0.01%
20. Seattle -0.01%

Moving up from 7th to 3rd place, Phoenix is retaining more price momentum compared with the rest of the country, although it is not alone - Las Vegas and Cleveland are doing even better. The national average was +0.45%

It is quite a while since we saw a negative change in Seattle, albeit a very tiny one.

The year-over-year table looks like this:

1. Las Vegas +13.7%
2. Seattle +12.1%
3. San Francisco +10.8%
4. Denver +8.0%
5. Phoenix +7.5%
6. Tampa +6.8%
7. Los Angeles +6.4%
8. San Diego +6.2%
9. Detroit +6.2%
10. Boston +6.0%
11. Minneapolis +6.0%
12. Atlanta +5.8%
13. Cleveland +5.7%
14. Portland +5.6%
15. Charlotte +5.6%
16. Miami +5.0%
17. Dallas +5.0%
18. New York +3.4%

19. Chicago +3.0%
20. Washington +2.7%

Phoenix moves up to 5th place from 6th last month and is now well above the national average of 6.0%.

I have to admit it makes me nervous when Las Vegas is number one in both these tables.

September 25 - Consistent with the slight decline in the Cromford® Market Index we are seeing a slight decline in the listing success rate over the past 6 months. At the end of March the success rate for all areas & types was very high at 85%. Now it is merely high at 81%. This might seem like a very small drop but it does mean a 27% increase in the number of listings that failed to sell (from 15% to 19%). This is also consistent with the higher pace of price cuts that we have seen recently.

All in all, the market remains strong for sellers but not as strong as it has been and with a slow cooling trend.

September 24 - Long-time subscribers will have become familiar with the third-quarter slump in prices that happens every year in Greater Phoenix. It is not so much that home values go down; more that the sales mix moves away from more expensive properties and the price pressure from the second quarter eases away.

Despite the seller's market that prevails over the whole valley, the third quarter slump was in full force in 2018. However, it has now run its course and we can see the pressure building for another upward price trend in the fourth quarter. Take a look at the Tableau chart for Under Contract $/SF and you can see a sharp upward turn over the past few weeks. This happened at the same time in 2017 and was followed by 9 months of powerful upward movement. Unless there is a significant change in market conditions we are likely to see something similar over the next 9 months. Such a significant change would involve either a large increase in new listings or a major fall in the sales rate, neither of which are looking likely at the moment.

September 21 - One possible explanation for the low under contract counts we see these days is that lenders are taking less time to approve loan applications than they used to. This would shorten the time to close and result in fewer listings under contract for the same number of closed sales.

You would think that it would be fairly easy to check this hypothesis. It ought to be possible to measure close times by calculating the difference between the Contract Date and Close Date for each listing that closed on ARMLS. Unfortunately there are 85,044 closed listings where this calculation has a negative result, implying that the listing agent believes the purchase contract was signed AFTER the close of escrow. There are another 105,873 closed listings where the Close Date and Contract Date are exactly the same. This leads me conclude that the Contract Date data in ARMLS is of low quality and cannot be trusted. The Close Date is also of fairly poor quality, but we have the advantage of being able to cross check that date with the date the sale was recorded and therefore apply corrections to this field. At least that gets rid of the thousands of listings which are supposed to have closed on a Saturday, Sunday or public holiday (impossible since the county recorder does not work on those days).

Making the best of a bad job, we can examine the listings where the Close Date is at least 14 days later than the Contract Date. Closing times shorter than this are unlikely to have involved a third party lender. This test applies to 79% of the closed listings so it is a pretty decent sample. Using these records we find the following:

- average closing time in 2014 was 39.9 days
- average closing time in 2015 was 40.7 days
- average closing time in 2016 was 42.4 days
- average closing time in 2017 was 39.3 days
- average closing time in 2018 was 37.6 days

This gives us evidence of a 4.5% reduction is closing time between 2017 and 2018, following a more substantial reduction of 7.3% between 2016 and 2017.

Mind you, 2018's closing times are not exceptional. We were seeing closing times of 33 to 36 days throughout the years 2001 to 2008. It seems the easier it is to get a loan approved (as in 2004 to 2006) the quicker the close occurs. That make intuitive sense. The record low was 33.8 days in 2005. 2005 was really the year of the bubble bursting, even though people tend to focus on the collapse of Lehman Brothers in 2008, a long time after its collapse became inevitable.

We know that TRID (TILA-RESPA Integrated Disclosure) lengthened closing times in the fourth quarter of 2015 and then times started improving once everyone got used to the new procedures. Let us check the quarterly numbers:

- 2014 Q1 - 39.9
- 2014 Q2 - 40.0
- 2014 Q3 - 40.1
- 2014 Q4 - 39.4
- 2015 Q1 - 39.4
- 2015 Q2 - 40.8

- 2015 Q3 - 40.2
- 2015 Q4 - 42.7
- 2016 Q1 - 42.8
- 2016 Q2 - 42.6
- 2016 Q3 - 42.9
- 2016 Q4 - 41.3
- 2017 Q1 - 39.9
- 2017 Q2 - 39.9
- 2017 Q3 - 39.4
- 2017 Q4 - 37.8
- 2018 Q1 - 37.7
- 2018 Q2 - 37.9
- 2018 Q3 - 37.0

These numbers are at least consistent with the TRID story although I remain a little concerned about the quality of the data source even in the listings with reasonable sounding Contract Dates.

My conclusion is that there has been a reduction in close times over the past 2 years, but that we are now back to normal after the disruption due to TRID. The biggest drop took place in 4Q 2017. This goes some way towards explaining the reductions in listings under contract that we have reported, but it does not explain the drop completely. The under contract counts still look somewhat lower than we would expect. I believe we are seeing a slight weakening trend in demand at the low and mid-range, compensated by stronger demand at the high-end.

September 20 - The Cromford® Market Index table for the single-family markets in the 17 largest cities is shown below:

Rank	September 20, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	210.1	↑	2%	206.7
2	Chandler	193.1	↑	2%	189.6
3	Mesa	187.3	↓	-6%	199.5
4	Gilbert	185.8	↓	-3%	191.2
5	Paradise Valley	166.0	↑	3%	161.6
6	Cave Creek	161.3	↑	14%	142.1
7	Surprise	158.0	↓	-7%	169.9
8	Scottsdale	155.8	↓	-4%	162.5
9	Queen Creek	153.5	↓	-6%	163.6
10	Glendale	153.3	↓	-6%	163.2
11	Fountain Hills	150.7	↓	-15%	177.7
12	Phoenix	149.9	↓	-2%	153.5
13	Buckeye	143.2	↓	-6%	153.1
14	Maricopa	139.9	↓	-2%	143.4
15	Tempe	136.1	↑	9%	125.0
16	Goodyear	133.0	↓	-4%	138.6
17	Peoria	122.9	↓	-3%	127.2

 CMR1

Here we see an average decline of 2.2% over the past month with 5 cities improving for sellers and 12 deteriorating.

Cave Creek and Tempe have shown the strongest improvement while Fountain Hills is in full scale retreat.

We cannot remember seeing Paradise Valley so high up this chart ever before. The luxury market has improved significantly over the past year with lower supply and much stronger sales numbers.

The recent weakness in the West Valley is reflected in this table with every city deteriorating for sellers

September 19 - The number of listings under contract is surprisingly low considering all the other readings on the market. We are some 9% below the count for this time last year and that was some 6% below 2016. The last time we saw a year-over-year increase for listings under contract was at the end of April.

While this situation persists it would be a mistake to think we are in a market with strong demand.

We are in a seller's market but that is not the same thing - the seller's current advantage is created by weak supply, not strong demand.

September 18 - It appears that Californians are back in force buying up Arizona homes, comprising 7.2% of all buyers in Maricopa County during August. However we need to remember that Opendoor counts as a Californian buyer and they represent about 33% of all sales to Californians at the moment. So we need to subtract their purchases before we can make a year over year comparison.

Having taken this extra step, we see that Californian buyers took a 5.1% market share during August, excluding Opendoor. In August 2017 the equivalent percentage was 4.2%. Thus there is a growing trend, but it is not quite as big as we might have assumed. California is almost always the largest source of out-of-state buyers and that is true more than ever in 2018.

Washington buyers have increased their share from 1.4% to 1.7% over the past year, but this includes Zillow, based in Washington. Subtracting their purchases brings us back to 1.6% which is still something, but again not quite as substantial as initial analysis suggests. Washington is in second place to California.

We don't have to make an allowance for OfferPad since they are based right here in Gilbert, Arizona.

Colorado is another strong state for our buyers but they have not increased their share (1.2%) since last year. Illinois has edged up from 0.9% to 1.0%.

All other US states increased from 7.2% to 7.7%. None of these individual states has as much impact as California, Washington, Colorado or Illinois, which are the biggest long term sources of out-of-state buyers.

Foreign buyers have become very scarce. Even Canadians who were buying as much as 6% in 2011 and rivalling California for impact on our market. Canadian buyers are down below 0.4% at the moment. This is not a new phenomenon. They were below 0.4% in August 2016 and August 2017 too.

September 17 - Reports from other parts of the country suggest the following trends:

1. A significant reduction in demand from Chinese buyers.
2. Continued strong demand for entry-level homes
3. Declining demand for discretionary move-up and luxury homes

These trends do not appear to match what we are seeing in the Greater Phoenix area.

For one thing, we have never had much demand from Chinese buyers so even if their demand disappeared completely we would hardly notice. The Phoenix metropolitan area is the 12th largest in the USA, but it does not register in the conscious mind of the typical Chinese person. Before you think that is strange, let me ask you what you know about the 12th largest metropolitan area in China. The first question is what is it called? - Shenzhen being the correct answer. With a metro population of well over 23 million it is roughly 6 times the size of the Greater Phoenix area. I imagine few Arizona residents have ever thought much about it, never mind considered buying a home there. The same applies in reverse.

We are seeing much stronger growth in demand for luxury home this year than in 2017. Below we compare sales during the first 2 weeks of September:

- Total sales (all types) - 2,864 in 2018, 2,556 in 2017 - up 12%
- Under $250K - 1,310 in 2018, 1,357 in 2017 - down 3%
- $250K to $400K - 1,033 in 2018, 814 in 2017 - up 27%
- $400K to $800K - 427 in 2018, 317 in 2017 - up 34%
- $800K and up - 94 in 2018, 68 in 2017 - up 38%

No evidence there of declining demand for move-up and luxury homes. Entry level sales are down a little but that could be due to the limited availability of homes to buy at that price level.

I would therefore caution you not to assume that anything going on in the wider housing market applies to Greater Phoenix.

September 14 - We are still examining the changes that took place in the single-family market between August 1 and September 1, but this time we will segment the market by price rather than location.

The first thing that strikes us is that supply increased for homes at or under $400,000, but decreased for homes over $400,000. It is a very long time since we have said anything like that, so something different seems to be going on.

- active listings at or under $400,000 without a contract grew 9% from 6,610 to 7,187
- active listings over $400,000 without a contract fell 0.3% from 5,304 to 5,288

The big drop in supply was for homes between $1.5M and $2M which fell by 11%. This has been a heavily over-supplied sector in the recent past.

- monthly sale for homes at or under $400,000 fell 7% from 5,391 to 5,038
- monthly sales for homes over $400,000 grew 2% from 1,505 to 1,536

This analysis confirms our observations on September 12. The low to mid-range market is seeing rising supply and falling sales while the higher mid-range and luxury market is doing the opposite. This is the reason why the West Valley, with a large share of the most affordable homes, was the weakest areas during August.

About 78% of single-family sales in Greater Phoenix are priced at or below $400,000, so if this market loses steam, it will not be fully compensated by strength at the higher end.

One month does not make a trend, but we should keep our eyes on the low-to-mid-range market over the next few months.

September 13 - Below we show the Cromford® Market Index for the single-family markets in the 17 largest cities:

Rank	September 13, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	209.2	↑	3%	203.2
2	Chandler	195.1	↑	4%	188.1
3	Mesa	189.4	↓	-6%	201.5
4	Gilbert	185.9	↓	-3%	192.6
5	Paradise Valley	168.3	↑	4%	161.3
6	Fountain Hills	161.5	↓	-10%	178.8
7	Surprise	159.4	↓	-7%	171.7
8	Scottsdale	158.3	↓	-2%	161.4
9	Cave Creek	155.3	↑	9%	142.2
10	Queen Creek	154.9	↓	-7%	165.7
11	Glendale	151.9	↓	-10%	168.1
12	Phoenix	150.9	↓	-2%	154.2
13	Buckeye	148.3	↓	-2%	151.5
14	Maricopa	139.3	↓	-5%	146.6
15	Goodyear	132.2	↓	-6%	140.5
16	Tempe	131.6	↑	4%	127.0
17	Peoria	122.7	↓	-4%	128.0

 CMR1

Here we a gradually deteriorating market from a seller's perspective. The average change of the last month is only -2.3%, but the decline is widespread with 12 of the 17 cities showing some deterioration and only 5 improving for sellers.

Cave Creek is the stand-out with a gain of 9% while Glendale and Fountain Hills saw the largest declines.

Despite this, every city is still a seller's market and well above the balanced zone of 90-110.

September 12 - We saw yesterday that the largest changes for the single-family market between August 1 and September 1 took place in the West Valley. Today we will look at the individual ZIP codes within the West Valley.

Area	Active Listings (excl. UCB/CCBS) Aug	Active Listing (excl. UCB/CCBS) Sep	Change	Sales Jul	Sales Aug	Change	Months of Supply Aug	Months of Supply Sep	Change
Glendale 85301	46	46	none	34	29	down 15%	1.6	2.1	up 30%
Glendale 83302	52	48	down 8%	34	40	up 18%	2.0	1.8	down 9%
Glendale 85303	37	35	down 5%	43	32	down 26%	1.1	1.7	up 57%
Glendale 85304	46	59	up 28%	42	37	down 12%	1.5	1.9	up 32%
Glendale 85305	26	25	down 4%	16	14	down 12%	2.1	2.5	up 18%
Glendale 85306	34	42	up 24%	38	26	down 26%	1.1	1.7	up 55%
Glendale 85307	24	21	down 12%	8	5	down 37%	3.4	5.0	up 48%
Glendale 85308	180	168	down 7%	110	98	down 11%	2.1	2.3	up 6%
Glendale 85310	74	77	up 4%	46	37	down 20%	1.9	2.8	up 14%
Avondale 85323	60	61	up 2%	64	45	down 30%	1.3	2.0	up 58%
Buckeye 85326	192	197	up 3%	173	145	down 16%	1.5	1.8	up 17%
El Mirage 85335	44	44	none	63	37	down 41%	0.9	1.6	up 70%
Goodyear 85338	223	241	up 8%	109	116	up 6%	2.4	2.4	down 1%
Laveen 85339	97	122	up 26%	78	77	down 1%	1.6	2.0	up 12%
Litchfield Park 85340	124	137	up 11%	62	55	down 12%	2.4	2.9	up 19%
Peoria 85345	76	82	up 8%	67	72	up 8%	1.5	1.5	none
Sun City 85351	47	66	up 40%	69	59	down 15%	1.1	1.4	up 31%
Tolleson 85353	79	69	down 13%	70	64	down 9%	1.4	1.3	down 1%
Tonopah 85354	8	7	down 12%	5	1	down 80%	1.6	8.0	up 400%
Waddell 85355	62	63	up 2%	24	32	up 33%	3.3	2.4	down 28%
Wittmann 85361	25	29	up 16%	13	9	down 31%	2.6	3.8	up 44%
Youngtown 85363	6	10	up 67%	13	11	down 15%	0.7	1.6	up 136%
Sun City 85373	68	61	down 10%	45	36	down 20%	1.9	2.2	up 18%
Surprise 85374	85	94	up 11%	86	86	none	1.4	1.5	up 10%
Sun City West 85375	83	97	up 17%	91	83	down 9%	1.4	1.6	up 16%
Surprise 85378	20	39	up 95%	16	8	down 50%	1.6	5.6	up 246%
Surprise 85379	168	192	up 14%	124	106	down 15%	1.7	2.2	up 29%
Peoria 85381	59	56	down 5%	39	25	down 36%	1.8	3.2	up 76%
Peoria 85382	92	110	up 20%	55	69	up 26%	2.2	2.0	down 11%
Peoria 85383	418	440	up 5%	172	139	down 19%	2.7	3.6	up 30%
Surprise 85387	90	100	up 11%	30	28	down 7%	1.5	1.9	up 14%
Surprise 85388	103	120	up 17%	72	76	up 6%	1.8	1.9	up 6%
Avondale 85392	79	80	up 1%	67	55	down 18%	1.5	1.9	up 28%
Goodyear 85395	131	148	up 13%	61	53	down 13%	2.6	3.3	up 26%

Buckeye 85396	167	170	up 2%	76	81	up 7%	2.5	2.4	down 3%

We see only 6 ZIP codes with lower months of supply than a month earlier. There is a general trend in favor of buyers when we see active listings up 7% in a month with 11% fewer sales despite the maximum number of working days (23). August is not expected to be a strong month, but the cooling is surprisingly strong in locations such as:

- Glendale 85303, 85306 and 85307
- Avondale 85323
- El Mirage 85355
- Tonopah 85354
- Wittmann 85361
- Youngtown 85363
- Surprise 85378
- Peoria 85381

We have become used to reporting strong markets at the low end and weaker ones at the top over the last 6 years. However there are distinct signs of a change going on. The top end is strengthening while the low to medium price ranges are cooling, albeit from a very strong situation. Supply is still weak (though improving) in the West Valley, so the market has a long way to go before it gets back to balance. However there are some signs of consolation for West Valley buyers in the above table.

If the entry-level market were very strong we would expect the West Valley to be the top performing area. Between August 1 and September 1, the opposite was the case.

September 11 - Here is how the major areas changed between August 1 and September 1

Area	Active Listings (excl. UCB/CCBS) Aug	Active Listing (excl. UCB/CCBS) Sep	Change	Sales Jul	Sales Aug	Change	Months of Supply	Months of Supply	Change
Central Valley	2,810	2,892	up 2.9%	1,461	1,509	up 3.3%	2.4	2.3	down 1.0%
Northeast Valley	2,166	2,183	up 0.8%	632	612	down 3.2%	4.0	4.1	up 2.1%
Southeast Valley	2,578	2,696	up 4.6%	2,027	1,892	down 6.7%	1.7	1.9	up 9.6
West Valley	3,125	3,356	up 7.4%	2,119	1,888	down 10.9%	1.8	2.2	up 19.5

The numbers are for single-family detached homes only.

We see that the deterioration in the market for sellers was concentrated in the West Valley - adding more listings without contracts than any of the other 3 are and showing a bigger drop in monthly sales rate too.

The Central Valley saw an increase in sales with a higher percentage than the increase in supply. It was therefore the area with the best trends for seller. The Northeast valley saw very little increase in supply, but there was a 3.2% drop in the sale rate. It was therefore the second best region from a seller's perspective.

The Southeast valley started and ended with the tightest supply, but it did see a 4.6% increase in active listings coupled to a 6.7% drop in sales. These trends went in the buyer's favor but not as much as in the West Valley.

September 10 - If you feel like the luxury market has improved a lot during the past year you are not mistaken. Excessive supply between 2015 and 2017 was a drag on the market keeping prices weak and inhibiting sellers during negotiations. The supply has been trending lower over the past year but the biggest change has been a surge in demand.

For the annual period that ended on August 31, we saw $8.4 billion spent on homes over $500,000 in Greater Phoenix. This is a huge 24.7% increase over the prior 12 months and almost entirely due to a 24.2% increase in the number of homes sold. The average price of these homes only rose by 0.4%.

The largest percentage increases in high-end dollar volume are to be seen in:

1. Phoenix 85006 - up 384% (12 sales over $500K)
2. Scottsdale 85257 - up 157% (40 sales)
3. Rio Verde - up 163% (76 sales)
4. Phoenix 85022 - up 142% (48 sales)
5. Buckeye 85396 - up 132% (31 sales)
6. Waddell 85355 - up 129% (22 sales)
7. Surprise 85387 - up 121% (26 sales)
8. Phoenix 85003 - up 105% (64 sales)
9. Phoenix 85042 - up 95% (31 sales)
10. Chandler 85224 - up 94% (23 sales)

11. New River 85087 - up 91% (18 sales)
12. Phoenix 85032 - up 85% (29 sales)
13. San Tan Valley 85140 - up 85% (22 sales)
14. Surprise 85379 - up 77% (14 sales)
15. Phoenix 85008 - up 66% (13 sales)
16. Mesa 85213 - up 65% (82 sales)

We excluded locations with fewer than 10 sales in the last 12 months from this table.

Few of these are generally regarded as top luxury home locations. The fact is that a rising price wave is pushing homes into the over-$500K bracket all over the place. We have more ZIP codes joining the over-half-million club, with homes selling for more than $500,000 in the following relatively inexpensive locations

- Phoenix 85009
- Casa Grande 85122
- Coolidge 85128
- Maricopa 85138
- Maricopa 85139
- Casa Grande 85194
- Mesa 85208
- Glendale 85301
- Glendale 85307
- Peoria 85382
- Avondale 85392

We also see strong rises in dollar volume in most of the traditional luxury areas:

1. Fountain Hills 85268 - up 40%
2. Scottsdale 85262 - up 24%
3. Scottsdale 85255 - up 23%
4. Paradise Valley - up 23%
5. Phoenix 85018 - up 20%

There were a few exceptions, with Carefree 85377 down 1% and Scottsdale 85259 down 7%.

September 7 - Our regular examination of the Cromford® Market Index for the single-family markets in the 17 largest cities is shown below:

Rank	September 6, 2018	Cromford® Market Index Now		Chg	Cromford® Market Index Last Month
1	Avondale	209.0	↑	4%	201.1
2	Chandler	194.6	↑	4%	187.0
3	Mesa	192.0	↓	-6%	203.9
4	Gilbert	186.5	↓	-5%	195.9
5	Fountain Hills	171.4	↓	-6%	183.2
6	Paradise Valley	165.5	↑	4%	159.9
7	Surprise	161.9	↓	-6%	173.0
8	Scottsdale	160.1	↑	0%	159.8
9	Queen Creek	156.5	↓	-7%	167.9
10	Glendale	153.4	↓	-10%	171.1
11	Buckeye	153.0	↑	3%	149.0
12	Phoenix	151.4	↓	-2%	155.1
13	Cave Creek	149.4	↑	7%	140.1
14	Maricopa	140.1	↓	-6%	148.7
15	Goodyear	132.5	↓	-7%	142.5
16	Tempe	127.0	↓	-3%	130.7
17	Peoria	124.0	↓	-5%	130.5

 CMR1

We see an average decline of 3% in the CMI, telling us that the market is not quite as favorable for sellers as it was a month ago. 6 cities have improved for sellers but 11 have deteriorated.

Glendale, Goodyear, Queen Creek, Maricopa, Mesa and Fountain Hills saw the largest declines while Cave Creek was the only city showing strong improvement.

Despite the general trend, every city is still a seller's market and it would take many months of this trend before buyers start to flex their negotiation power.

September 6 - We often get asked what percentage of the market has been captured by the iBuyers (Opendoor, OfferPad and Zillow). The answer is not too hard to calculate but it does depend on what you define as "the market". The simplest calculation is to take all sales of single-family or condo/townhouses within Maricopa and Pinal County. However this includes new home sales which are not part of the market where iBuyers operate. Trustee sales, bank owned sales, GSE REO sales and HUD sales should probably be excluded from the market too, even though it is possible for an iBuyer to acquire a home through these channels.

Here is a table showing market share over the past 24 months, using the 2 different definitions of "the market":

Month	OfferPad Purchases	Opendoor Purchases	Zillow Purchases	Total iBuyer Purchases	% All Sales	% Sub market
Aug 2016	23	147		170	1.65%	2.00%
Sep 2016	39	139		178	1.82%	2.26%
Oct 2016	38	155		193	2.10%	2.54%
Nov 2016	45	191		236	2.59%	3.24%
Dec 2016	37	112		149	1.54%	1.98%
Jan 2017	34	60		94	1.17%	1.41%
Feb 2017	63	65		128	1.50%	1.84%
Mar 2017	57	60		117	0.97%	1.17%
Apr 2017	60	82		142	1.28%	1.53%
May 2017	58	131		189	1.51%	1.78%
Jun 2017	98	182		280	2.25%	2.67%

Jul 2017	84	160		244	2.39%	2.86%
Aug 2017	119	149		268	2.44%	2.96%
Sep 2017	117	161		278	2.79%	3.45%
Oct 2017	120	209		329	3.35%	4.09%
Nov 2017	99	236		335	3.46%	4.28%
Dec 2017	84	217		301	3.09%	3.88%
Jan 2018	67	229		296	3.52%	4.26%
Feb 2018	76	245		321	3.45%	4.14%
Mar 2018	78	265		343	2.73%	3.27%
Apr 2018	81	274		355	3.00%	3.52%
May 2018	125	282	3	410	3.15%	3.75%
Jun 2018	115	298	16	429	3.51%	4.18%
Jul 2018	98	294	31	423	3.77%	4.53%
Aug 2018	109	280	44	433	3.86%	4.63%

The August 2018 numbers are based on preliminary unverified data.

In rough terms, the iBuyers are now handling almost 1 in 20 of the available sellers in the Greater Phoenix market.

September 5 - Now let us take a look at average price per sq. ft. for new homes year-to-date:

1. The New Home Company - $701
2. Optima - $701
3. Green Street - $296
4. Statesman - $260
5. Toll Brothers - $242
6. Porchlight - $236
7. Cachet - $232
8. Highland - $232
9. Robson - $208
10. David Weekley - $205
11. Shea - $200
12. K Hovnanian - $194
13. Blandford - $191
14. VIP - $186
15. Farnsworth - $184
16. Taylor Morrison - $168
17. Maracay - $168
18. Mattamy - $161
19. Towne - $157
20. Bellago - $157
21. Lennar - $156
22. Woodside - $154
23. Fulton - $152
24. Richmond American - $148
25. Pulte - $147
26. William Ryan - $145
27. Cresleigh - $145
28. Ashton Woods - $139
29. Elliott - $139
30. Gehan - $138
31. Meritage - $138
32. William Lyon - $134
33. KB - $132
34. Beazer - $132
35. Providence - $132
36. Garrett Walker - $131
37. Courtland - $130
38. LGI - $124
39. Pinnacle West - $121
40. D R Horton - $120

It must be emphasized that land cost is an important part of the price of a new home. D R Horton achieves the lowest cost by focusing most of its development where land prices are lowest. Of the 1,332 closed sales year-to-date, 63% of them were in Buckeye, Maricopa or San Tan Valley.

September 4 - Here are the median sales prices for new homes in Maricopa and Pinal counties, sold between January and July 2018.

Developer	Median Sales Price
The New Home Company	$2,298,999
Toll Brothers	$814,028
Optima	$689,491
Porchlight	$644,606
David Weekley	$606,749
VIP	$566,346
Green Street	$552,164
Maracay	$458,906
Cachet	$434,499
Blandford	$426,932
Mattamy	$419,997
Highland	$411,949
Shea	$400,183
Robson	$396,463
Taylor Morrison	$391,055
Woodside	$378,000
K Hovnanian	$365,000
Cresleigh	$362,066
William Ryan	$356,934
Statesman	$350,000
Gehan	$340,765
Ashton Woods	$340,698
Fulton	$336,681
Farnsworth	$330,031
Pulte	$326,698
Lennar	$316,190
William Lyon	$310,093
Richmond American	$309,715
Elliott	$296,794
Meritage	$288,008
Towne	$284,353
Bellago	$283,347
Beazer	$281,480
KB	$270,771
Pinnacle West	$263,595
Courtland	$263,129
Garrett Walker	$259,923
Providence	$230,495
D R Horton	$220,000
LGI	$212,900

There are many other entities but volumes for these were too small to calculate a reasonable median sales price.

Once again we can see how D R Horton and LGI are very targeted at the entry level homes where there is such a shortage of re-sale supply.

September 3 - Following up our post of August 31, here the top 25 developers in Maricopa and Pinal counties by YTD sales revenue recorded by the end of July:

1. Lennar - $405M
2. Taylor Morrison - $337M
3. D R Horton - $306M
4. Pulte - $251M
5. Meritage - $203M
6. Shea - $193M
7. Mattamy - $164M
8. Toll Brothers - $148M
9. Fulton - $133M
10. KB - $129M
11. Ashton Woods - $122M
12. Optima - $117M
13. Robson - $109M
14. Richmond American - $109M
15. K Hovnanian - $104M
16. Maracay - $103M
17. William Lyon - $83M
18. Blandford - $77M
19. Beazer - $68M
20. Woodside - $63M
21. Garrett Walker - $60M
22. LGI - $48M
23. David Weekley - $47M
24. Courtland - $40M
25. Gehan - $40M

We note that Toll Brothers moves up from 19 by units to 8th by revenue due to their exclusive focus on higher-end homes.

In contrast D R Horton and KB drop down compared the unit table due to heavy focus on entry-level housing.