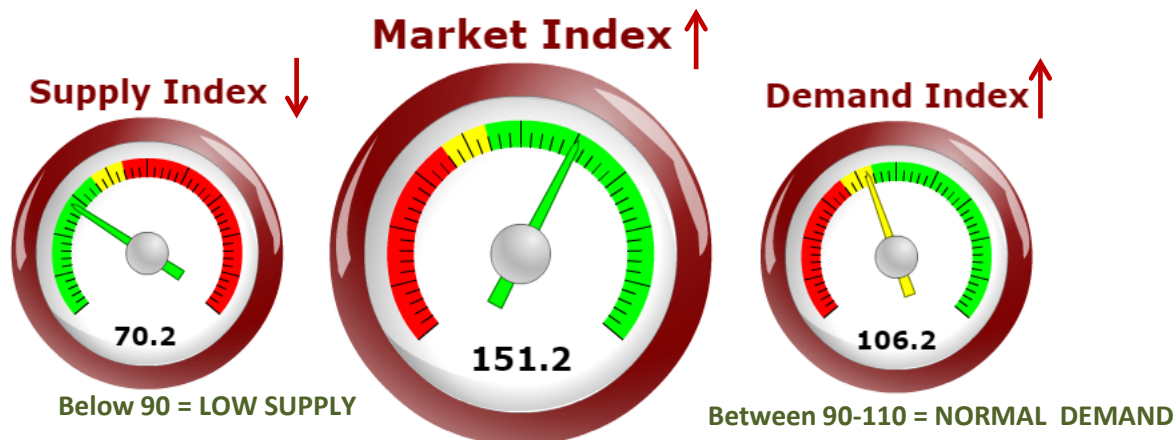


The Real State®

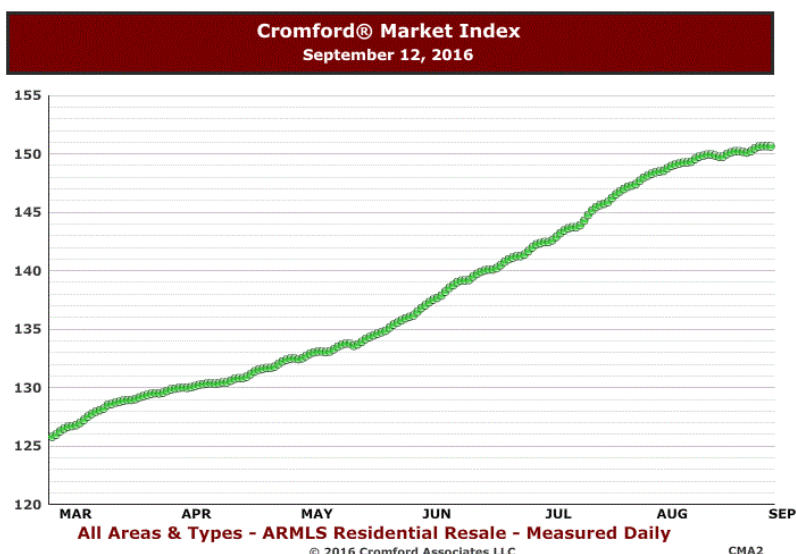
A Snapshot of the Greater Phoenix Residential Real Estate Market



September 20, 2016

From August to September 2016, the supply-demand index moved 1.9 points further in favor of sellers, from 149.3 to 151.2, indicating a significant slowing in the growth of their advantage. This is due to minor changes in the supply and demand indices: The supply index declined just 0.8 of a point, from 71.0 in August to 70.2 in September, while the demand index rose a mere 0.1 of a point from 106.1 to 106.2. At 151.2, the overall index is only 4.6 points higher than it was last year at this time and is extremely close to where it was in September 2013. Despite the slowing in advantage for sellers, they are still in a power position, with the exception of the higher end. Expect appreciation rates overall for the Phoenix metropolitan area to continue in a positive direction over the short term.

The adjacent graph illustrates the relationship between supply and demand over time and indicates shifts between seller's and buyer's markets. A measurement between 90-110 indicates equal advantage for both buyer and seller, over 110 indicates distinct seller advantage, and below 90 indicates distinct buyer advantage.



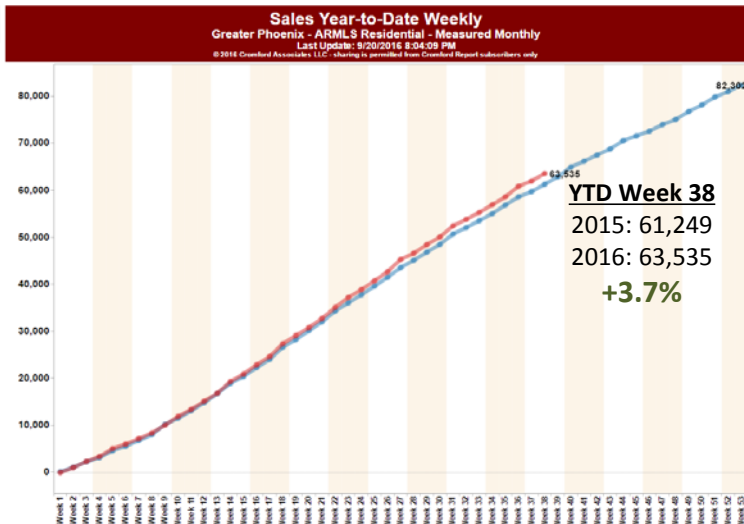
Comparing 2016 to 2015 Year-to-Date: Week 38

SALES VOLUME

Residential sales in 2016 are up 3.7% in week 38 compared to this time last year, and moved up 0.4% from last month. Sales under \$175K, while declining, still comprise 29% of MLS resales. Sales between \$175K-\$300K comprise 43% of resales, \$300K-\$500K make up 20% of resales, and sales over \$500K equal 8%.

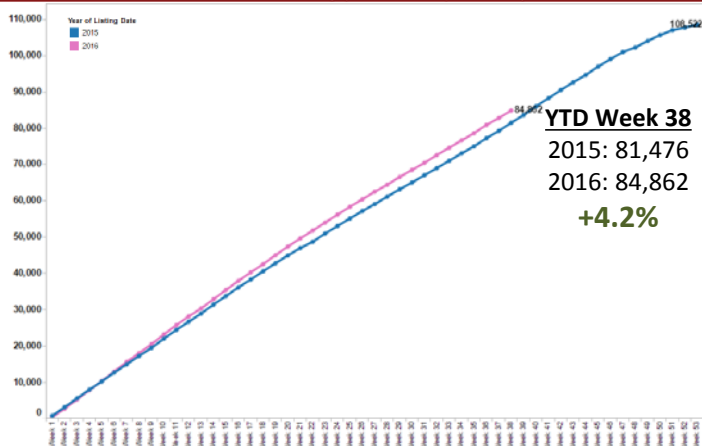
Change in MLS YTD Sales Week 38: 2016 vs. 2015

Under \$175K	Down 16.3%
\$175K - \$200K	Up 8.6%
\$200K - \$300K	Up 19.0%
\$300K - \$500K	Up 15.7%
\$500K - \$800K	Up 13.3%
\$800K - \$1M	Up 7.1%
\$1M - \$2M	Down 2.3%
Over \$2M	Up 1.4%



New Listings Year-to-Date Weekly

Greater Phoenix - ARMLS Residential Resale
Last Update: 9/20/2016 8:03:10 PM
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NEW LISTINGS

New listings activated are up 4.2% in week 38 of 2016 compared to the same week in 2015. Listings under \$175K comprise 24% of new listings. Listings between \$175K-\$300K comprise 41% of new actives. Listings between \$300K-\$500K equal 23%, and new listings over \$500K make up 12%.

Total MLS active supply at the end of week 38 is 18,416, only 0.6% under last year's count of 18,536.

Change in YTD New Listings Week 38: 2016 vs. 2015

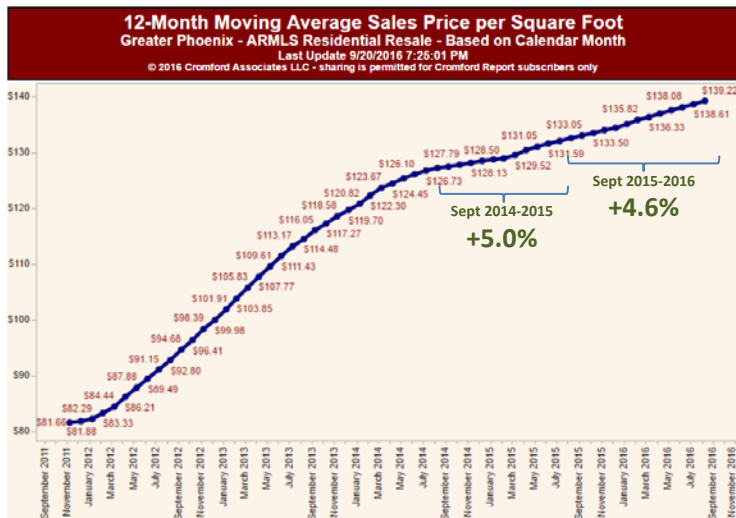
Under \$175K	Down 18.3%
\$175K - \$200K	Up 7.3%
\$200K - \$300K	Up 18.8%
\$300K - \$500K	Up 13.4%
\$500K - \$800K	Up 12.6%
\$800K - \$1M	Up 9.2%
\$1M - \$2M	Up 5.1%
Over \$2M	Down 1.1%

APPRECIATION

Looking at the 2014-15 annual appreciation rate of 5.0% vs. the current 4.6%, you might think that price growth was slowing down. The trend line shows a turning point in March 2015 after a period of price stagnation, resulting in a higher percentage gain year over year due to a slow-moving starting base price. After March 2015, price appreciation has moved up at a consistent rate, but base prices rose at nearly the same rate—resulting in a lower annual growth rate.

Change in 12-Month Average Sales Price per Square Foot

Under \$175K	Up 8.9%
\$175K - \$200K	Up 4.9%
\$200K - \$300K	Up 3.8%
\$300K - \$500K	Up 1.9%
\$500K - \$800K	Up 0.2%
\$800K - \$1M	Down 0.9%
\$1M - \$2M	Down 0.4%
Over \$2M	Up 0.3%

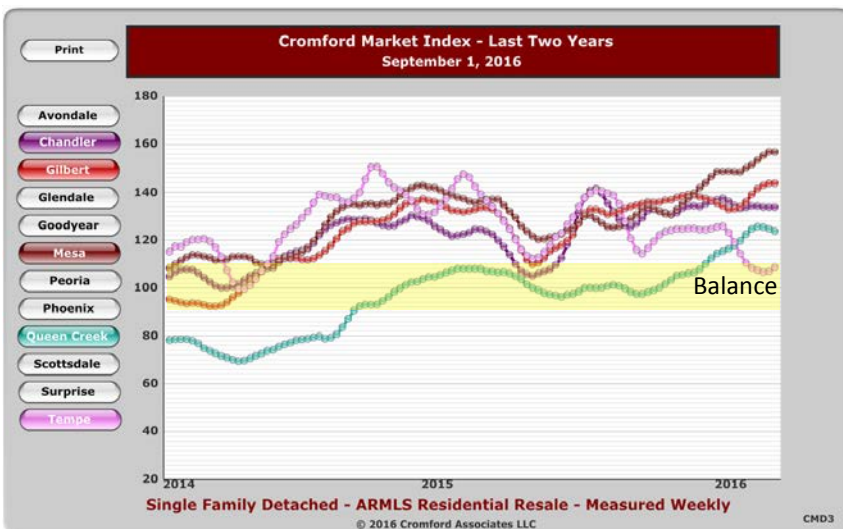
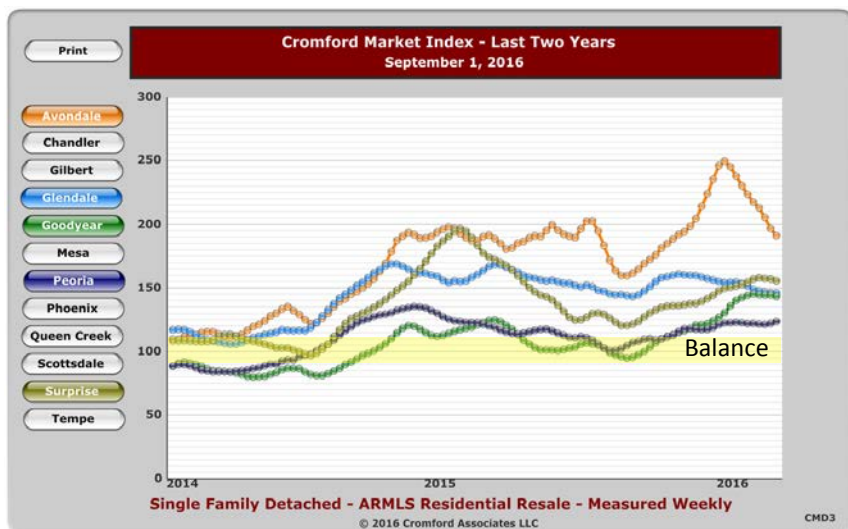


Sales price per square foot trends do not immediately respond to shifts in supply and demand due to the length of the sales cycle. It takes anywhere from 3-6 months to see a response in price appreciation, as the market must first wait for responses in list prices, listings under contract and finally sales to record.

Market Index: Sellers' Advantage by City

West Valley Cities

Avondale has been the number-one sellers' market among the major cities in the Phoenix metropolitan area for more than a year. Recently, this area has experienced a downturn in the supply-demand index. This can be caused by either a sharp increase in supply, such as new construction or spontaneous outbound migration, or a sharp decrease in demand, such as buyers dropping out of the market or being drawn away to other local markets. In this case, Avondale's current decline is due to buyers either looking elsewhere or dropping out of the market due to frustration. Conversely, both Goodyear and Peoria have emerged out of a balanced market this year and are now both sellers' markets.

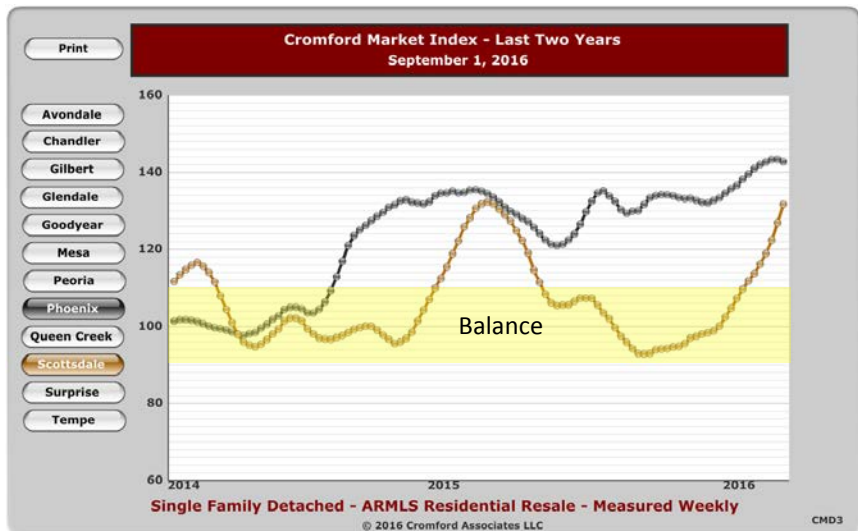


Southeast Valley Cities

Mesa has emerged from the Southeast Valley as the number-one sellers' market for the area this year. This is due in part to strong demand, fueled by buyers drawn to the area by job growth and a higher availability of properties under \$200K. Queen Creek has emerged into a sellers' market after a long period of balance maintained by new home construction. Tempe has switched places now and is the only major city in a balanced state of supply and demand. Expect Mesa's sellers' market to weaken over the next few months, as it is now the number-one Southeast Valley city for single family construction permits. New home developments add to supply and provide buyers more choice.

Phoenix and Scottsdale

Phoenix, due to its diversity of inventory, tends to reflect the overall market closer than most other cities. Scottsdale, on the other hand, tends to represent the higher end more than the rest, due to a median sales price that hovers around \$500K for single family homes. After a long period of time in balance, Scottsdale has finally emerged into a sellers' market. This isn't a result of a boost in demand over the summer, however. It's due to a large drop in normal supply—a result of high numbers of cancelled and expired listings that occurred in June, resulting in fewer listings competing for buyers. This trend could reverse over the next month, when supply typically increases.



Timing the Market – For Buyers

Buyers have had a tough time of things over the past couple of years, especially when seeking properties under \$300,000. Realtors often talk about the best time to list a home, but rarely talk about the best seasonal time to be looking for one. There are annual seasonal occurrences that provide a window of opportunity for buyers, when there is an increase in supply without an increase in buyers. That season is right about now.

- *Over the next month it's reasonable to expect an increase in supply—a welcome relief for buyers bored with existing inventory.*

October is one of the top months for new listings to come on the market in the Phoenix metropolitan area.

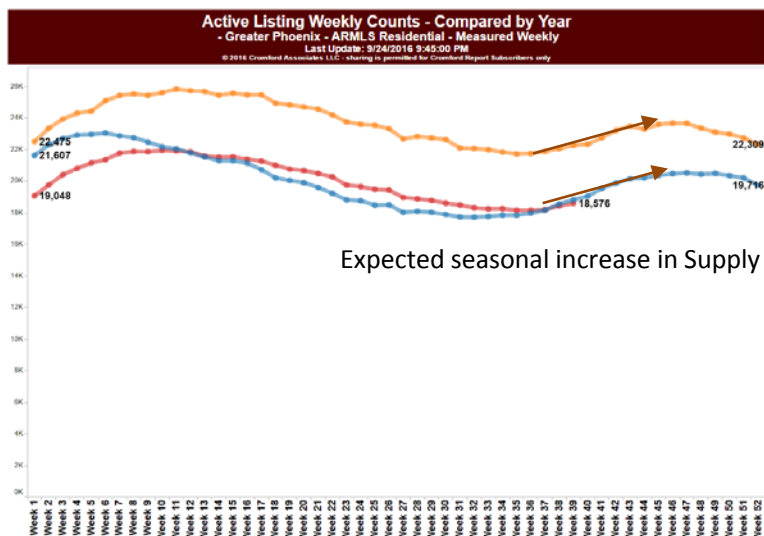
- *For the rest of 2016 and into February, it's reasonable to expect a seasonal decline in buyer contracts in escrow.*

There appeared to be a rally in November last year, but that was not really the case. The increase in listings under contract was caused by new government regulations on lending institutions that delayed closings and caused a backlog. The backlog was mostly cleared by the end of December.

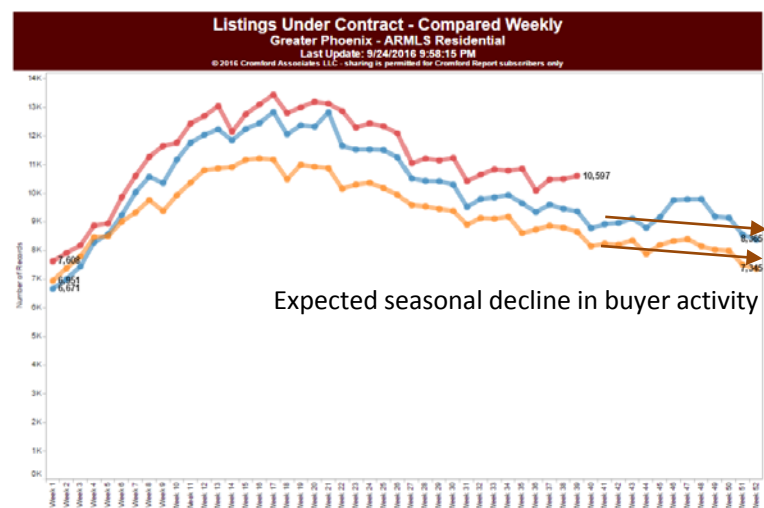
- *Between now and mid-November, expect more seller price reductions.*

Since October is a big month for new listings, existing listings that survived the summer tend to start reducing their prices in order to compete. They will take a break over the holiday season, but will then continue where they left off in the first week in January. The past two weeks have already seen a spike in price reductions compared to this time last year, indicating a good time for buyers in the market.

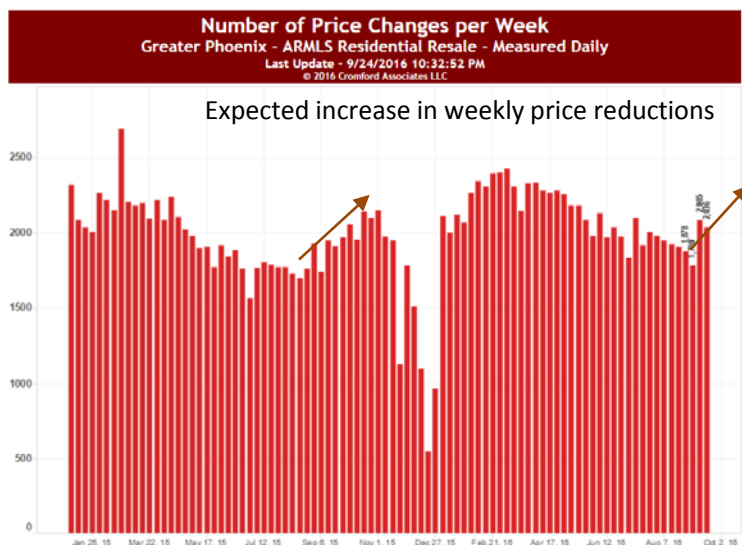
Year of LogDate
2014
2015
2016



Year of LogDate
2014
2015
2016



Direction
Price Cut

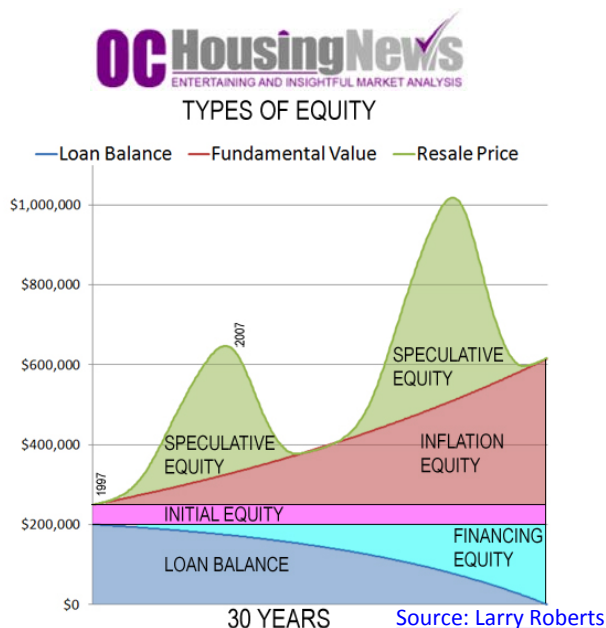


Home Equity and Overall Wealth of Americans

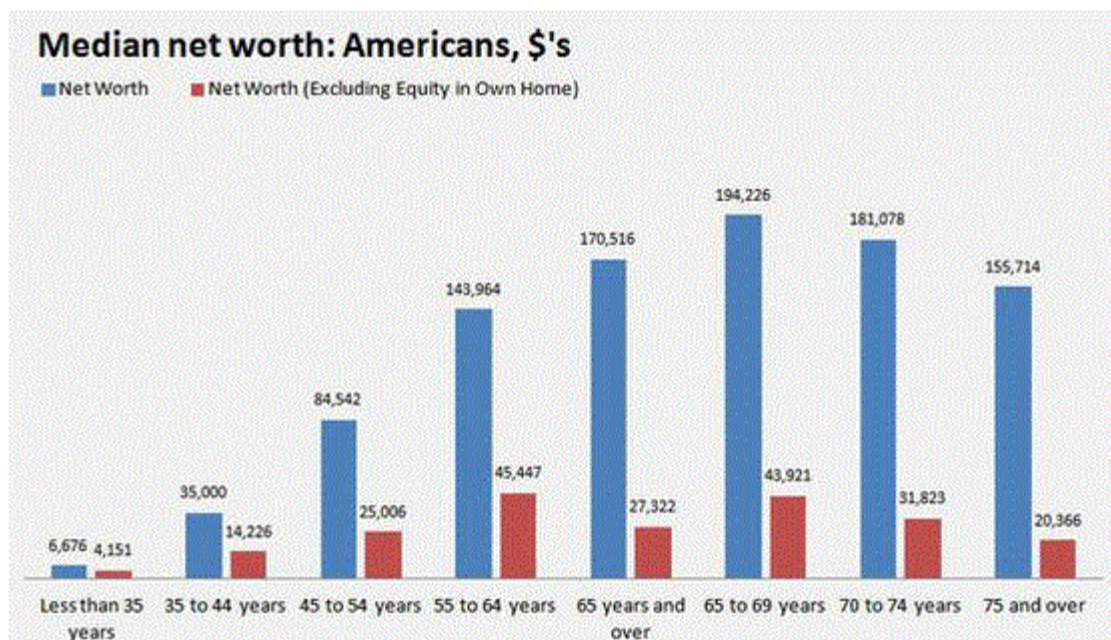
Purchasing a home has gotten a bad reputation since the 2008 crash, but the fact remains that home equity is still the majority of wealth for Americans nearing retirement age. This is especially true—despite the crash—for those who manage to hang on to their homes for the long haul without doing a cash-out refinance or agreeing to an interest-only loan.

Economist Larry Roberts broke out the different types of home equity [in a blog post on OC Housing News](#).

- **Initial equity** is the amount of money a purchaser puts down to acquire the property.
- **Financing equity** is the gain or loss of total equity based on the decrease or increase in loan balance over time.
- **Inflation equity** is the increase in resale value due to the effect of inflation. This kind of appreciation is the “inflation hedge” that provides the primary financial benefit to home ownership.
- **Speculative equity** is the fluctuation in equity caused by speculative activities in a real estate market. This can cause wild swings in equity, both up and down.



The chart below, published by Motley Fool using data from the US Census Bureau, shows us the average net worth of an American, segmented by age group. It shows that equity in one's own home represents 84% of the net worth of the average person 65 years or older. Millennials who are paying rent, burdened by student loans and saving little money, could benefit from the “forced savings account” that a 30-year, fixed-rate mortgage provides over the long term. This is especially true in areas where the rent for a single family residence is more than the mortgage payment would be for the same home. It's a valid way for young Americans to increase their overall wealth without increasing their monthly expenses.



SOURCE: U.S. CENSUS BUREAU

ARTICLES OF INTEREST:

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[Arizona, Southwest region economic growth to eclipse nation in coming year](#)

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[Finland company to locate \\$100M, 300-job manufacturing plant in Goodyear](#)

