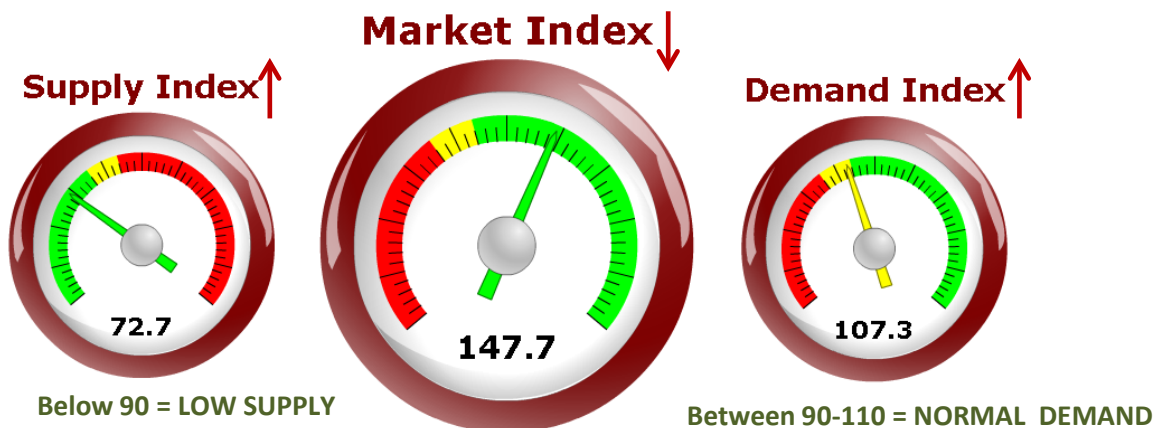


The Real State®

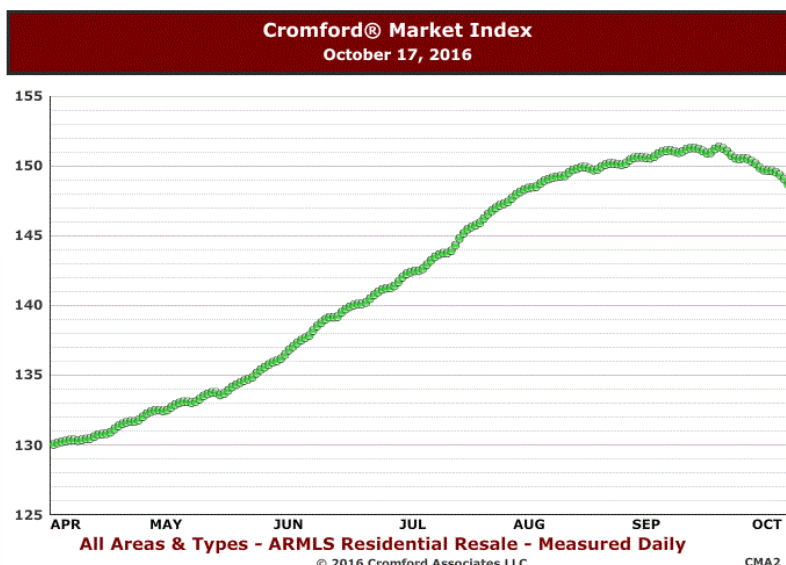
A Snapshot of the Greater Phoenix Residential Real Estate Market



October 23, 2016

From September to October 2016, the supply-demand index moved down 3.5 points, from 151.2 to 147.7, returning to the level seen in August and showing a weakening of the sellers' advantage. This is not due to a lack of demand, but rather a large increase in supply. The supply index increased 2.5 points—from 70.2 in September to 72.7 in October—while the demand index rose 1.1 points, from 106.2 to 107.3, within the same time frame. At 147.7 the index is still strong for sellers, indicating a positive outlook for future appreciation. 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 metro area to continue in a positive direction in the short term, with the highest returns in the smaller and more affordable home markets.

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.



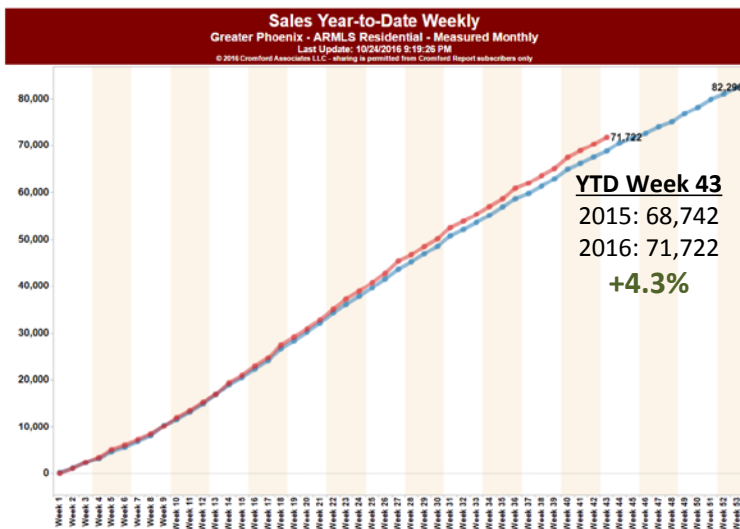
Comparing 2016 to 2015 Year-to-Date: Week 43

SALES VOLUME

Residential sales in 2016 are up 4.3% in week 43 of 2016 compared to last year, and up 0.6% from last month. Sales under \$175K continue to decline in relation to last year, down another 0.6%. Sales between \$175K-\$500K increased significantly over the past 5 weeks. *The \$1M-\$2M range is finally up, 1.1% over last year, after lagging behind 2015 since March.*

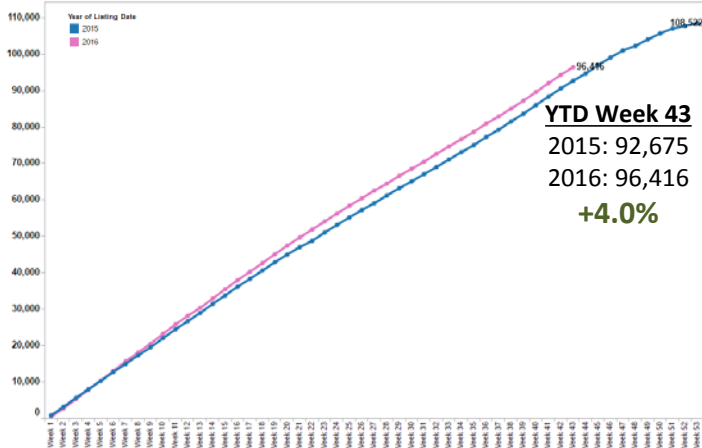
Change in MLS YTD Sales Week 43: 2016 vs. 2015

Under \$175K	Down 17.0%
\$175K - \$200K	Up 10.1%
\$200K - \$300K	Up 20.2%
\$300K - \$500K	Up 17.0%
\$500K - \$800K	Up 12.1%
\$800K - \$1M	Up 8.4%
\$1M - \$2M	Up 1.1%
Over \$2M	Up 6.7%



New Listings Year-to-Date Weekly

Greater Phoenix - ARMLS Residential Resale
Last Update: 10/24/2016 9:18:23 PM
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NEW LISTINGS

New listings activated in 2016 are up 4.0% in week 43 compared to 2015. New listings between \$175K-\$200K grew 1.1% faster over the past 5 weeks than they have most of the year, which is good news for buyers. All other price ranges maintained similar growth over the past 5 weeks compared to 2015.

Total MLS active supply at the end of week 43 is 19,847, 1.4% below last year's count of 20,124.

Change in YTD New Listings Week 43: 2016 vs. 2015

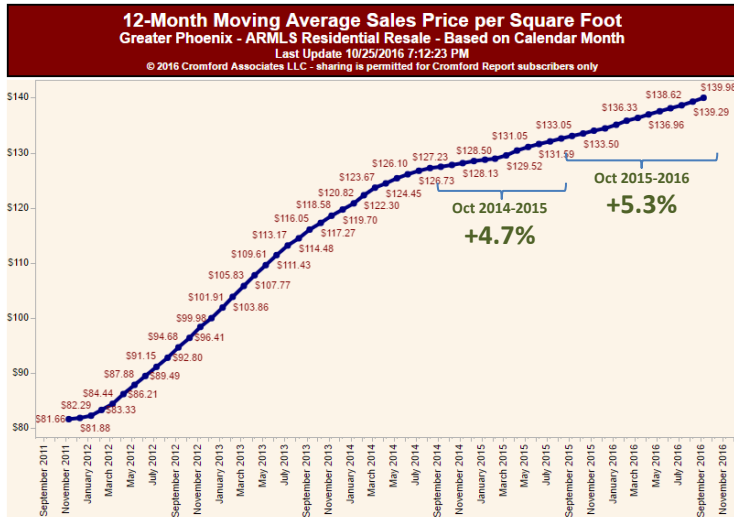
Under \$175K	Down 18.4%
\$175K - \$200K	Up 8.5%
\$200K - \$300K	Up 18.0%
\$300K - \$500K	Up 13.1%
\$500K - \$800K	Up 12.8%
\$800K - \$1M	Up 5.8%
\$1M - \$2M	Up 4.1%
Over \$2M	Up 2.0%

APPRECIATION

Prices continue to rise faster than the rate of inflation, with the highest returns on real estate under \$300,000. There's good news for the over \$2M market, which had an annual sales price of \$426/s.f. last May and has grown to \$439/s.f. as of this month. The under \$175K market had an average annual sales price of \$98/s.f., compared to \$112, \$128, \$148, \$188, \$225 and \$283 for the remaining ranges in ascending order of price.

Change in 12-Month Average Sales Price per Square Foot

Under \$175K	Up 8.9%
\$175K - \$200K	Up 4.7%
\$200K - \$300K	Up 4.1%
\$300K - \$500K	Up 2.1%
\$500K - \$800K	No Change
\$800K - \$1M	Down 0.4%
\$1M - \$2M	Down 0.7%
Over \$2M	Up 1.9%



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.

Fix and Flips: Top Returns by Dollar and Percentage

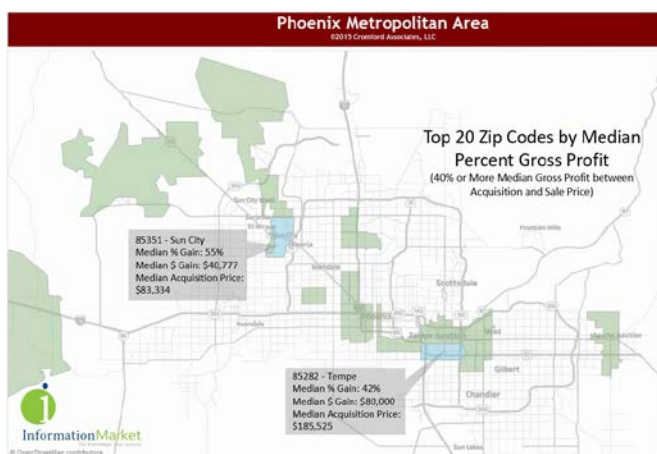
New corporate expansion/relocation around downtown Phoenix and Sky Harbor Airport has spurred demand, infill, multifamily, and flip activity in surrounding areas previously overlooked by buyers. The median return for properties acquired and sold within 180 days is 28% as of August 2016. However, there are some investors experiencing much higher returns on a consistent basis close to emerging employment centers and freeways.

Even though a majority of fix-and-flip investors left the Phoenix metro market after 2012, recent numbers show an 80% increase in monthly flip sales. August saw 580 flip closings compared to only 324 in February 2015, for example, and a median acquisition price of \$156K, up 38% from \$113K in January 2015.

The median sized home renovated and resold is 1,551 s.f., which is consistent with the past 3 years. This tells us that flip investors are fulfilling an unmet need for entry-level buyers: smaller, affordable, updated, and move-in ready properties that are not being supplied by new home developers.

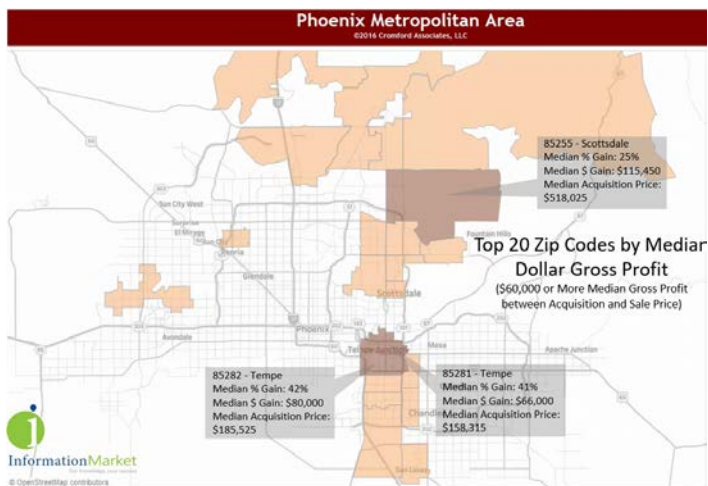
2016 YTD Through August Top 20 Zip Codes for % Profit

PropID	Property	Count/Parcel	Median PercentProfit	Median Price/sf	Median Price/sale	Median Saleprice
85361	WITTMANN	5	79%	\$48,500	45,000	\$109,900
85354	TORONAH	3	63%	\$40,349	63,651	\$104,000
85251	SUN CITY	53	55%	\$40,777	83,334	\$125,000
85017	PHOENIX	44	52%	\$34,100	85,000	\$124,900
85201	MESA	32	50%	\$58,750	117,000	\$178,000
85049	PHOENIX	57	48%	\$25,000	58,000	\$75,000
85064	PHOENIX	2	48%	\$21,500	131,000	\$152,500
85029	PHOENIX	67	45%	\$55,000	120,000	\$178,500
85373	SUN CITY	21	44%	\$54,750	127,100	\$185,000
85363	YOUNGSTOWN	13	43%	\$36,000	76,000	\$148,500
85120	APACHE JUNCTION	4	43%	\$35,033	84,967	\$142,900
85019	PHOENIX	43	43%	\$38,000	97,000	\$135,000
85282	TEMPE	42	42%	\$80,000	185,525	\$254,500
85053	PHOENIX	55	42%	\$49,895	132,625	\$175,500
85210	MESA	27	42%	\$50,000	140,000	\$179,000
85033	PHOENIX	97	41%	\$25,177	88,250	\$119,000
85281	TEMPE	39	41%	\$66,000	158,315	\$232,000
85202	MESA	54	40%	\$60,850	152,850	\$210,000
85009	PHOENIX	63	40%	\$23,000	65,500	\$92,000
85007	PHOENIX	21	40%	\$26,000	70,000	\$130,000



2016 YTD Through August Top 20 Zip Codes for \$ Profit

PropID	Property	Count/Parcel	Median Price/sf	Median PercentProfit	Median Price/sale	Median Saleprice
85266	SCOTTSDALE	2	\$191,650	34%	545,850	\$737,500
85255	SCOTTSDALE	16	\$115,450	25%	518,025	\$648,750
85254	SCOTTSDALE	49	\$93,000	31%	315,000	\$395,000
85260	SCOTTSDALE	24	\$90,225	29%	309,869	\$383,725
85262	SCOTTSDALE	3	\$88,000	16%	415,000	\$425,000
85259	SCOTTSDALE	10	\$85,750	23%	402,000	\$412,000
85258	SCOTTSDALE	42	\$80,075	32%	327,250	\$419,000
85282	TEMPE	42	\$80,000	42%	185,525	\$254,500
85284	TEMPE	2	\$76,900	24%	316,550	\$393,450
85087	NEW RIVER	3	\$70,000	22%	251,102	\$300,000
85283	TEMPE	30	\$68,126	38%	183,500	\$257,500
85250	SCOTTSDALE	23	\$68,000	33%	275,000	\$357,500
85248	CHANDLER	8	\$52,650	20%	324,600	\$393,906
85246	SUN LAKES	30	\$66,150	40%	178,275	\$207,250
85281	TEMPE	39	\$66,000	41%	158,315	\$232,000
85340	LITCHFIELD PARK	31	\$64,888	32%	190,700	\$257,000
85226	CHANDLER	28	\$64,500	34%	191,500	\$247,750
85224	CHANDLER	58	\$63,275	37%	169,817	\$239,900
85381	PEORIA	19	\$61,959	35%	192,100	\$249,999
85331	CAVE CREEK	14	\$61,250	18%	372,650	\$438,000



Emerging Areas to Watch

For Percent Return:

Sun City: 85351

West Phoenix (along I-17): 85017 & 85019, 85029 & 85053

Downtown West Phoenix: 85007 & 85009

South Phoenix: 85040

West Mesa: 85201, 85202 & 85210

For Dollar Return:

Litchfield Park: 85340

South Peoria: 85381

Tempe: 85281, 85283 & 85284

South Chandler: 85226

For Percent and Dollar Return Combined:

Tempe: 85282

The Election, Consumer Confidence, and Real Estate

There is often a high level of buzz and speculation regarding the future of real estate around the time of a presidential election. The main questions tend to revolve around interest rates (will they rise or fall?) and demand (where is consumer confidence trending?). Lately, there have been rumors circulating that consumers are holding off on writing contracts until after the election, citing uncertainty. Consumer confidence indices are a combined measure of sentiment regarding an individual's present situation and their expectation of the future.

- *According to an analysis provided by the Conference Board, the downturn in consumer confidence has more to do with expectations than the present situation.*

In order for consumer sentiment to have a real effect on real estate, typically both present situation and future expectation measures need to be declining. That is not currently the case, which leads us to believe that the rumored slowdown is a temporary response to short-term uncertainty. The time it takes between someone deciding to sell or buy and the actual close of escrow can be months. Therefore, strong feelings that cause people to be active or inactive must last longer than a couple of months in order to affect the housing market significantly.

- *Regardless of how consumers feel about the future, the present situation tells us that Phoenix metro listings in escrow are up 12% over this time last year, annual sales price per square foot is up 5.3% over this time last year, and marketing times have barely budged. All of this is positive news for sellers.*

Oct. 25, 2016 - MarketWatch
[Consumer confidence droops ahead of presidential election](#)

Oct. 25, 2016 –ABC News
[Presidential race already having impact on Phoenix-area housing market](#)

Oct. 03, 2016 – Phoenix Association of Realtors
[CEO Exchange 2016: How Will the Presidential Election Impact Your Business?](#)

March 1, 2016 – Greenfield Advisors
[What an Election Year Means for House Prices](#)

April 1, 2016 – CNBC
[Worried consumers don't mean a recession is coming](#)

US CONSUMER SENTIMENT



SOURCE: WWW.TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

*Shaded areas represent periods of recession.
Sources: The Conference Board; Nielsen; TNS; NBER
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Chart 2: Present Situation, Expectations, & Historical Shocks



The Index of Consumer Expectations focuses on three areas: how consumers view prospects for their own financial situation, how they view prospects for the general economy over the near term, and their view of prospects for the economy over the long term. Each monthly survey contains approximately 50 core questions, each of which tracks a different aspect of consumer attitudes and expectations. The samples for the Surveys of Consumers are statistically designed to be representative of all American households, excluding those in Alaska and Hawaii. Each month, a minimum of 500 interviews are conducted by telephone.

U.S. Labor Force and Real Estate

Updated statistics on labor force participation rates came out this month and were highlighted in a blog written by Frank Lysy, former chief economist for the World Bank.

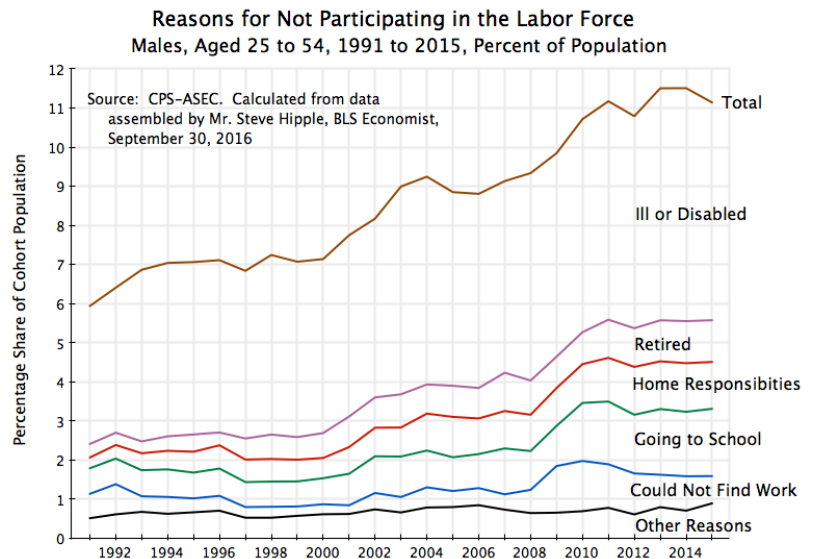
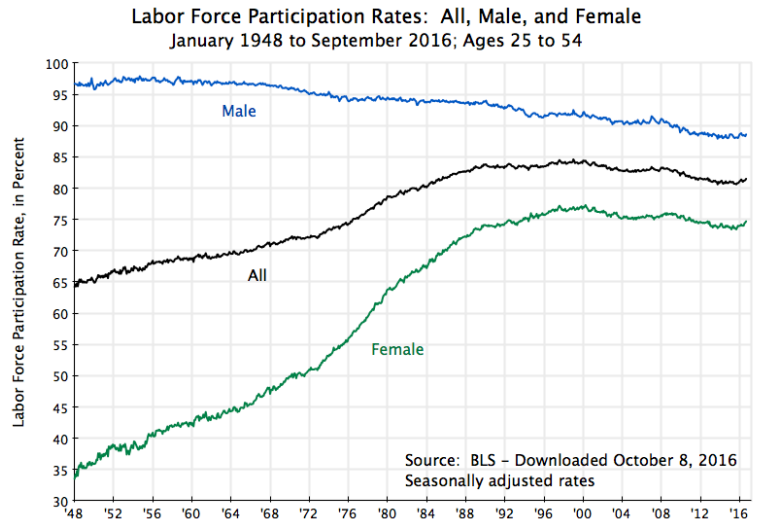
Job creation, income, and affordability are all factors that affect real estate demand, and potentially future real estate values with a constant supply level. The more people participate in the labor force, the more they earn and can afford. This is good for economic growth and good for real estate. The latest report shows a gradual decline in labor force participation rates, especially noticeable after 2008, by both male and female workers since the late 1990s. The blog addresses many political theories behind this decline that have been getting press time in the media—including incarceration rates, unwillingness to work, excessive government programs, the decline of “good” jobs, etc.—but it also discusses other factors, such as early retirement, that don’t get as much attention.

- *Males giving “ill or disabled” as the reason for not participating in the labor force fell from close to 60% in 1991 to 50% in 2015.*
- *There was a substantial increase in the share of men and women aged 25 to 54 who were enrolled full time in school.*
- *There were also increases, similar for both men and women, in the share saying they are retired despite being age 54 or younger.*
- *The share of males reporting home responsibilities, while still well below the female rates, has also trended upwards.*
- *The share saying they could not find work, while relatively high in 2009–10 when official unemployment reached 10%, is now back to levels seen previously.*

“Since demographic factors will affect labor force participation rates, particularly as a consequence of the increasing share of the baby boom generation who are now moving into their normal retirement years, the study controls for age distribution by including only those aged between 25 and 54, the prime working years.”

Oct. 14, 2016 – AnEconomicSense.org

[The Structural Factors Behind the Steady Fall in Labor Force Participation Rates of Prime Age Workers](#)



The data is derived from responses to queries made in the Annual Social and Economic Supplement to the Current Population Survey (CPS-ASEC). This is a joint effort by the BLS (which conducts the Current Population Survey monthly, from which the official unemployment rate, among many other measures, is derived) and the US Census Bureau. The CPS-ASEC survey is undertaken once a year, each Spring, and asks a larger national sample a broad range of questions focused on conditions (such as on employment and household incomes) in the previous calendar year. Among the questions it asks is whether each adult member of the household was in the labor force (where the labor force is defined as all those employed and all those unemployed who were actively seeking employment at some point in the year), and if not, what the reason was. The possible responses are those listed in the chart above.

ARTICLES OF INTEREST:

Sept. 23, 2016 – Phoenix Business Journal

[‘Their own little hood:’ 10 neighborhoods, submarkets around greater Phoenix on the rise or rebounding](#)

Oct. 3, 2016 – Phoenix Business Journal

[West Valley city named among fastest growing in U.S.](#)

Oct. 19, 2016 – Phoenix Business Journal

[EXCLUSIVE: Manhattan tech company opening Scottsdale office](#)

Oct. 20, 2016 – ABC15 Arizona

[Chandler developer unveils plans to renovate Phoenix's Roosevelt Row](#)

Oct. 21, 2016 – Phoenix Business Journal

[ASU, Mayo to build \\$200M innovation center in Phoenix](#)

Oct. 21, 2016 – Phoenix Business Journal

[Mill Avenue apartments sell \\$112,000 per unit](#)

