

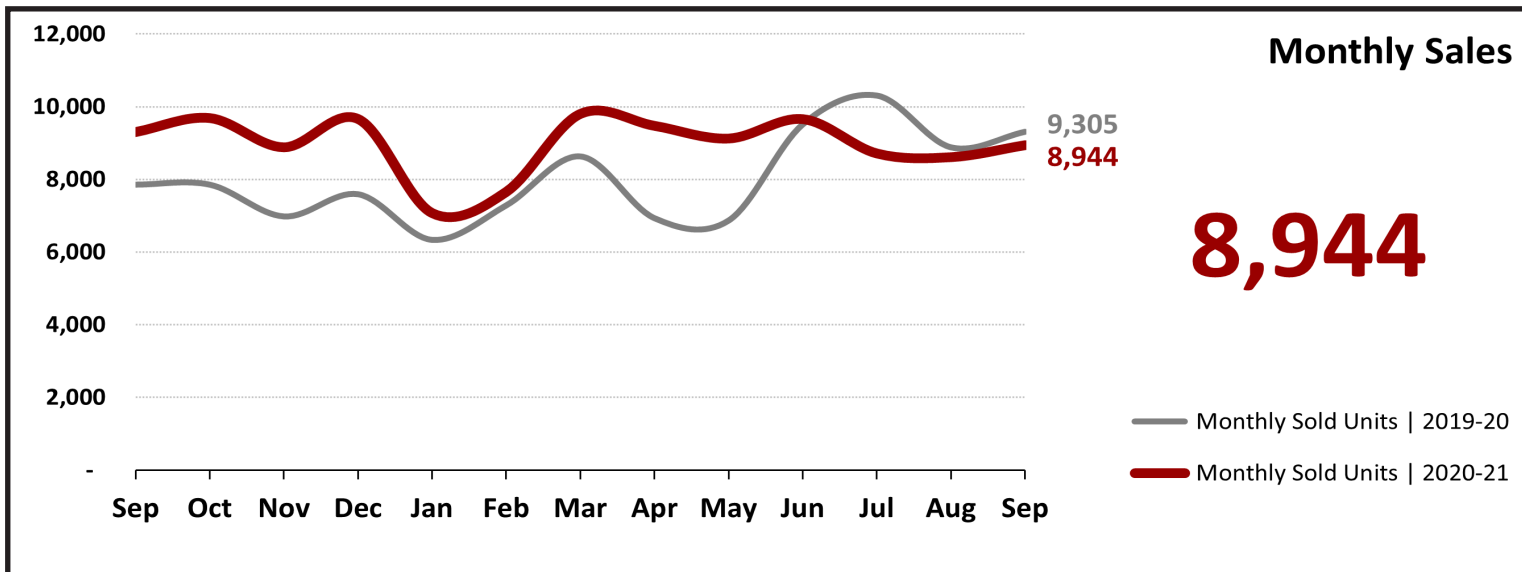
STAT

Your Monthly Statistics for the **Phoenix Metro** Area



DATA FOR **SEPTEMBER 2021**

Published October 21, 2021

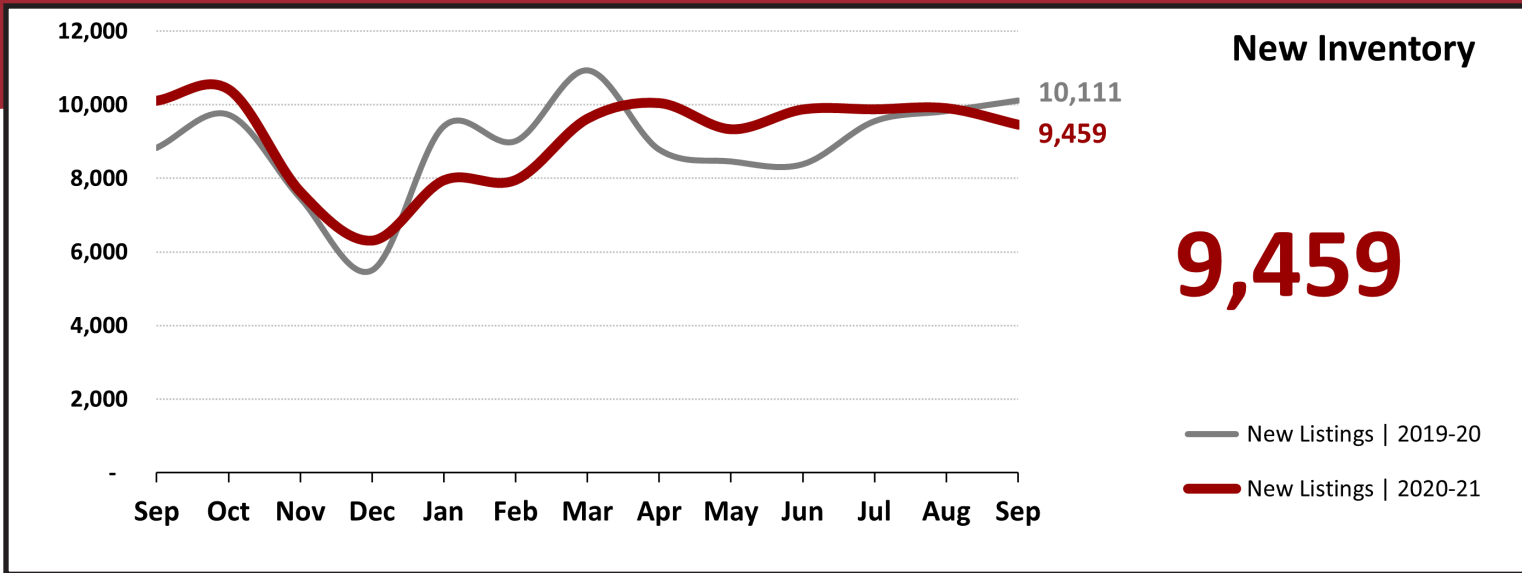


Sales are up **+3.8%** month-over-month. The year-over-year comparison is down **-3.9%**.

8,944

— Monthly Sold Units | 2019-20
— Monthly Sold Units | 2020-21

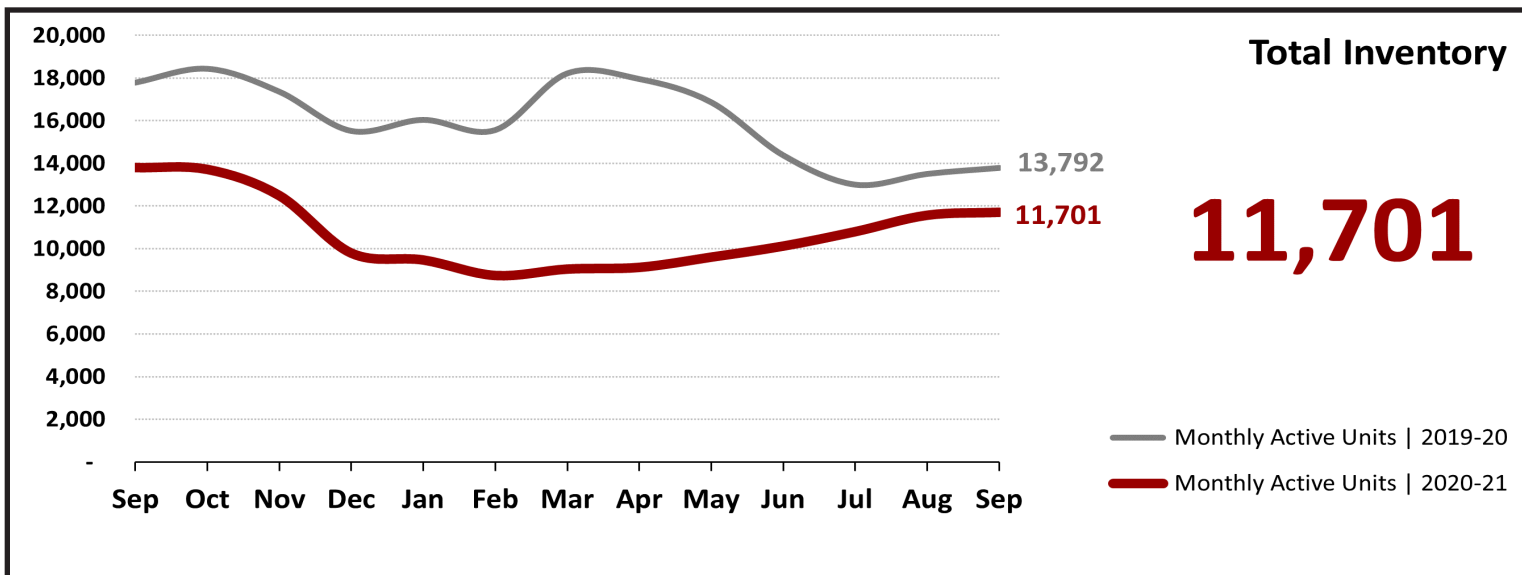
Closed MLS sales with a close of escrow date from 9/1/21 to 9/30/21, 0 day DOM sales removed



New MLS listings that were active for at least one day from 9/1/21 to 9/30/21, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-4.5%** while the year-over-year comparison decreased by **-6.4%**.

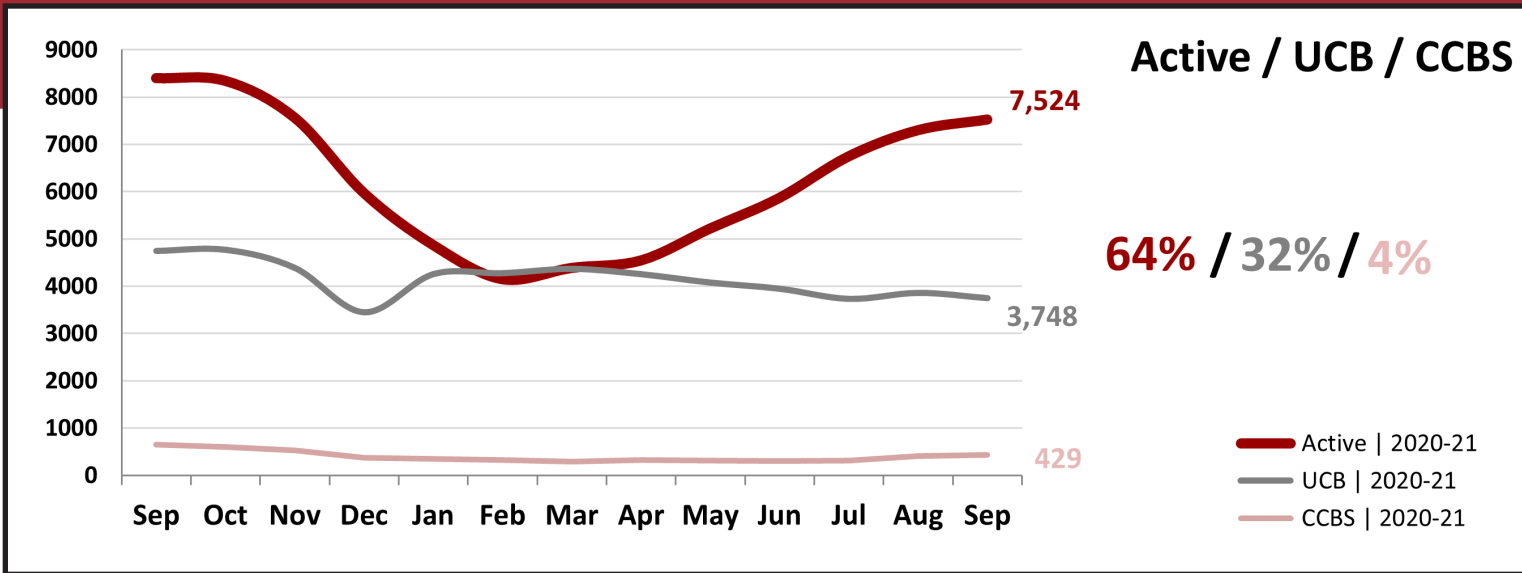
9,459



Snapshot of statuses on 9/30/21

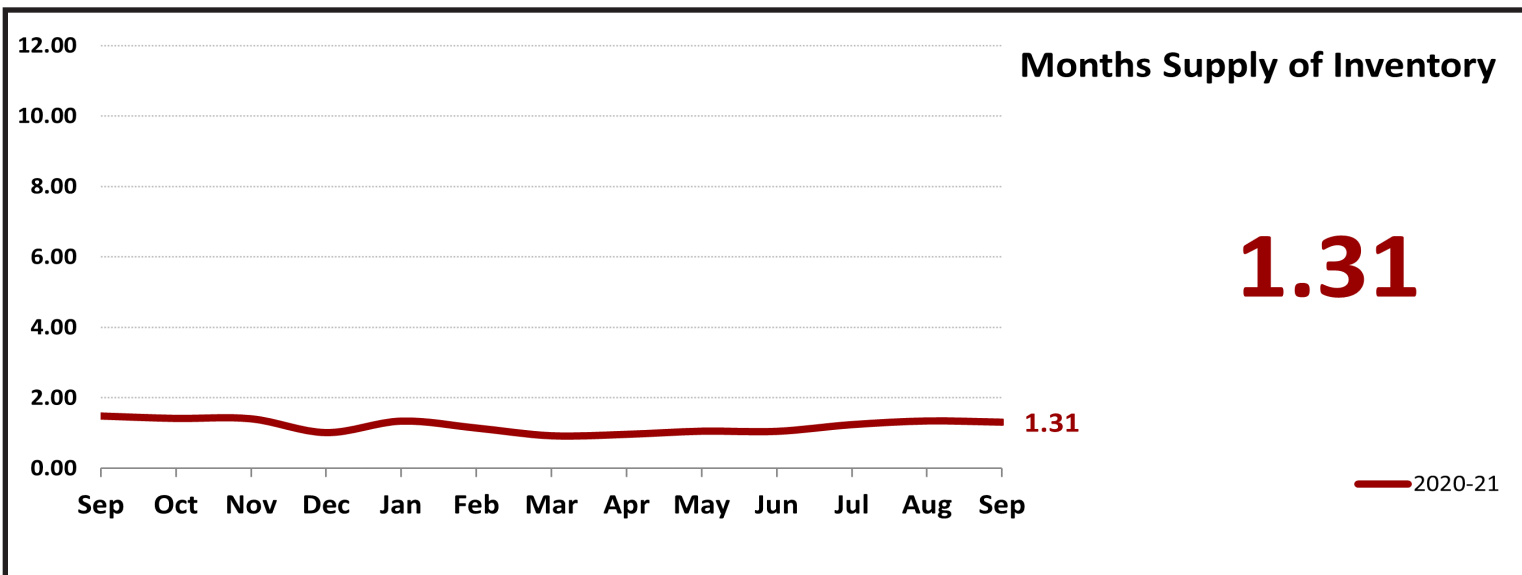
Total inventory has a month-over-month increase of **+1.2%** while year-over-year reflects a decrease of **-15.2%**.

11,701



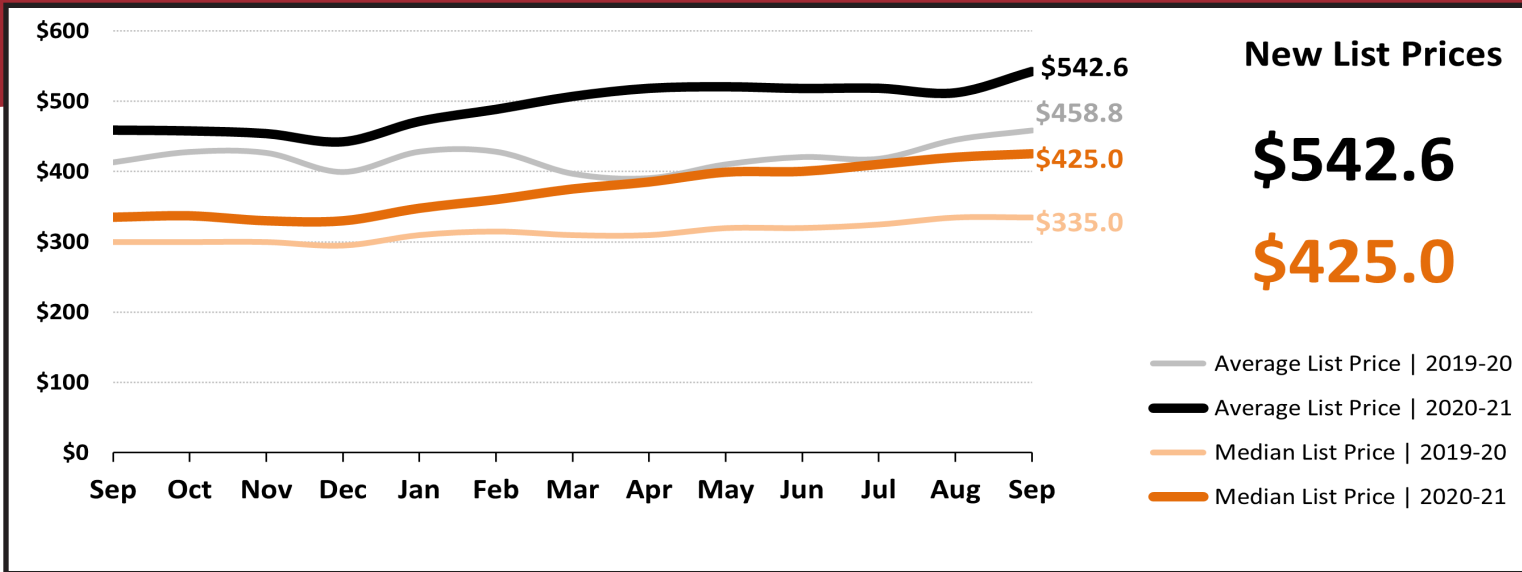
September UCB listings percent of total inventory was **32.0%** with September CCBS listings at **3.7%** of total inventory.

Snapshot of statuses on 9/30/21



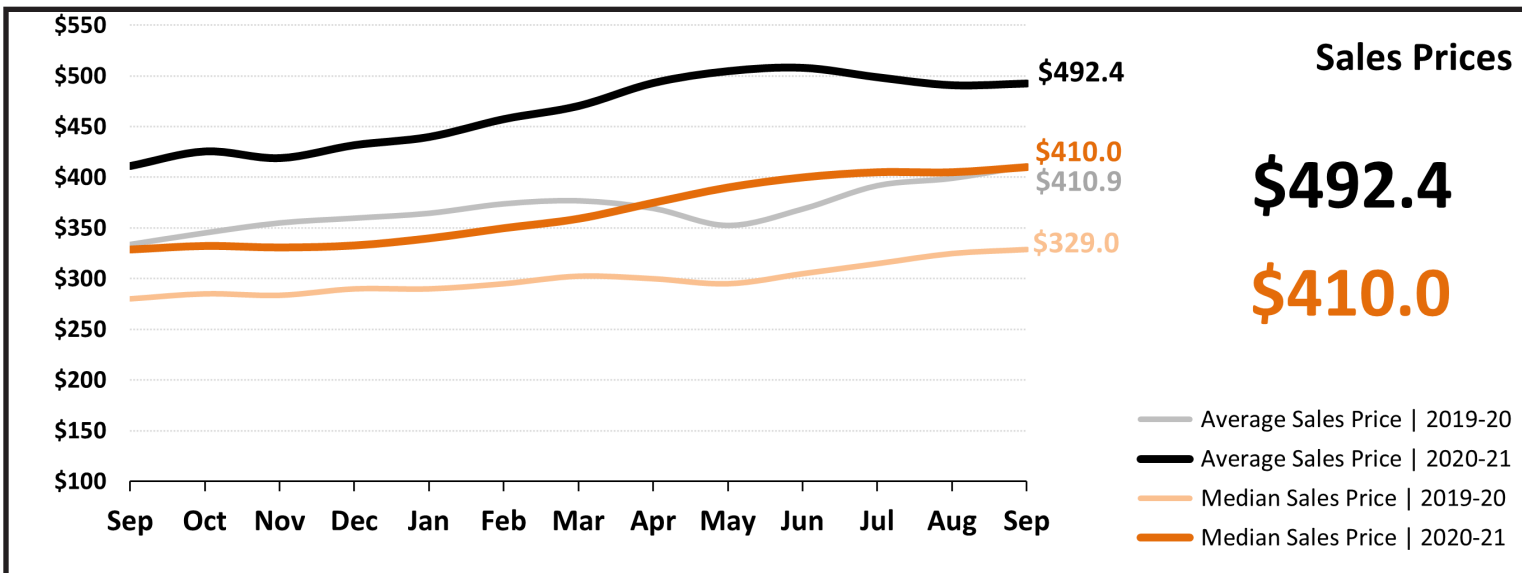
Months supply of inventory for August was **1.34** with September at **1.31**.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of AUGUST 2021, 0 day DOM sales removed



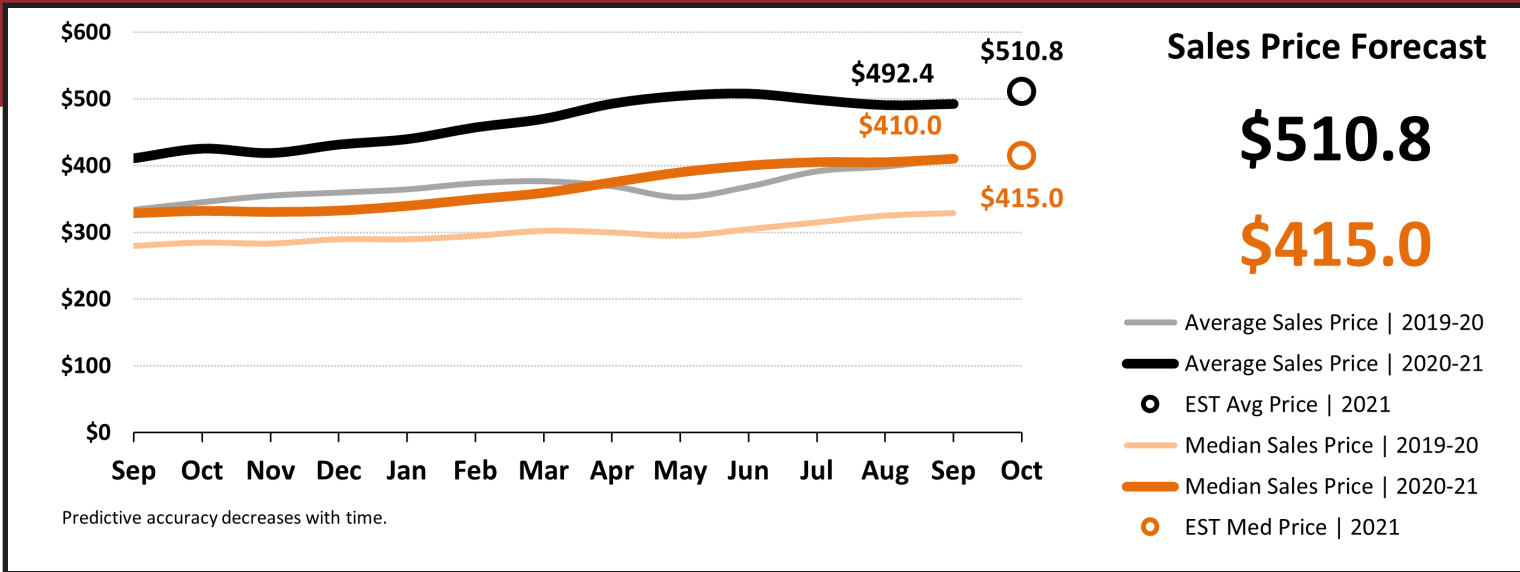
List prices of new listings with list dates from 9/1/21 to 9/30/21, 0 day DOM sales removed

Average new list prices are up **+18.3%** year-over-year. The year-over-year median is up **+26.9%**.



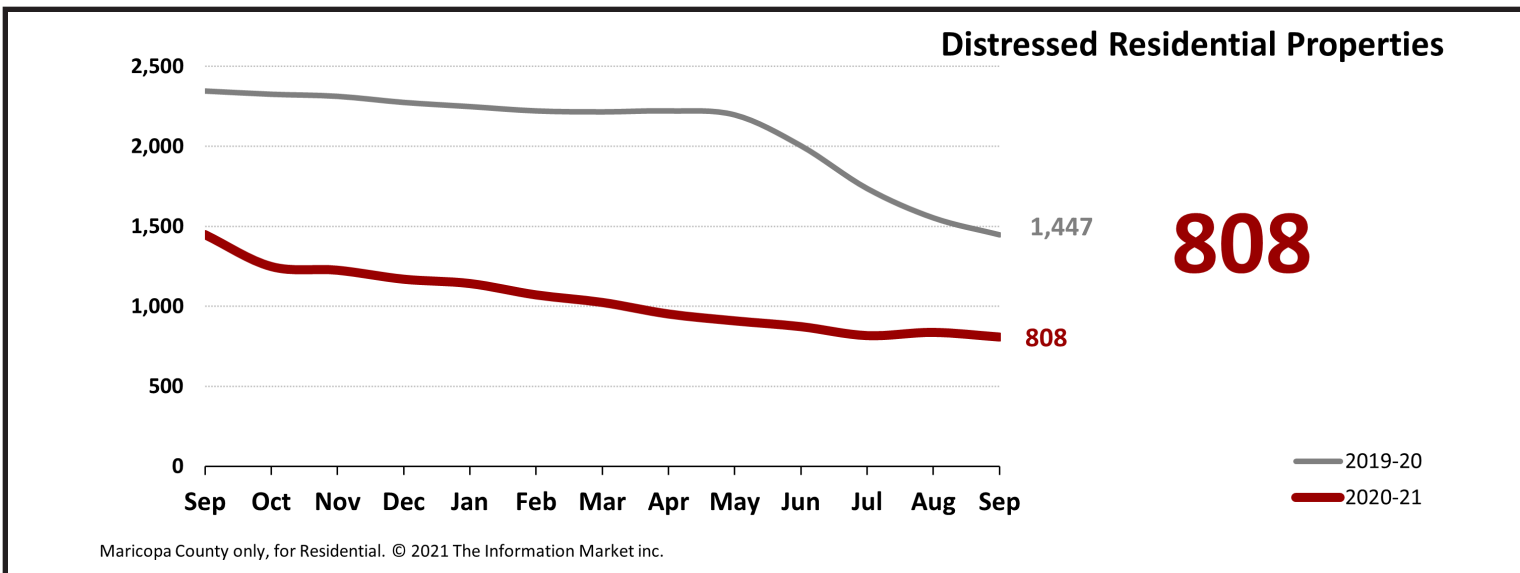
MLS sales prices for closed listings with a close of escrow date from 9/1/21 to 9/30/21, 0 day DOM sales removed

The average sales price is up **+19.8%** year-over-year while the year-over-year median sales price is also up **+24.6%**.



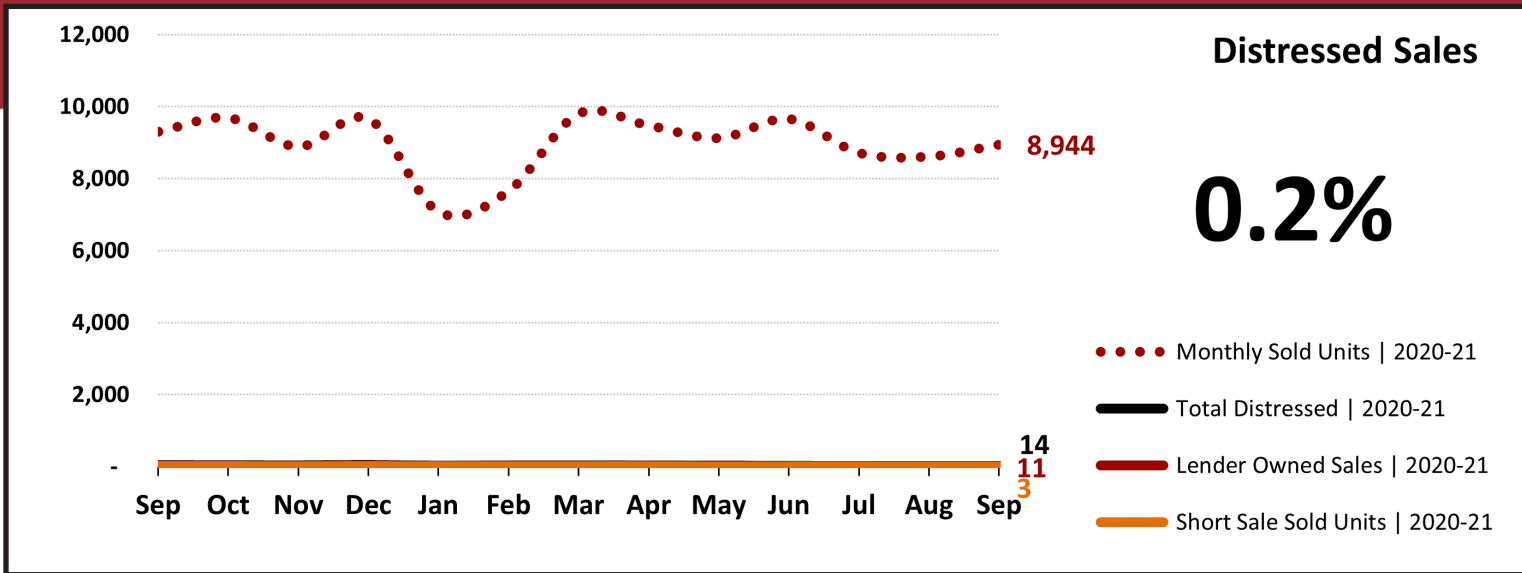
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An **increase** is forecasted in September for both average and median sale prices.



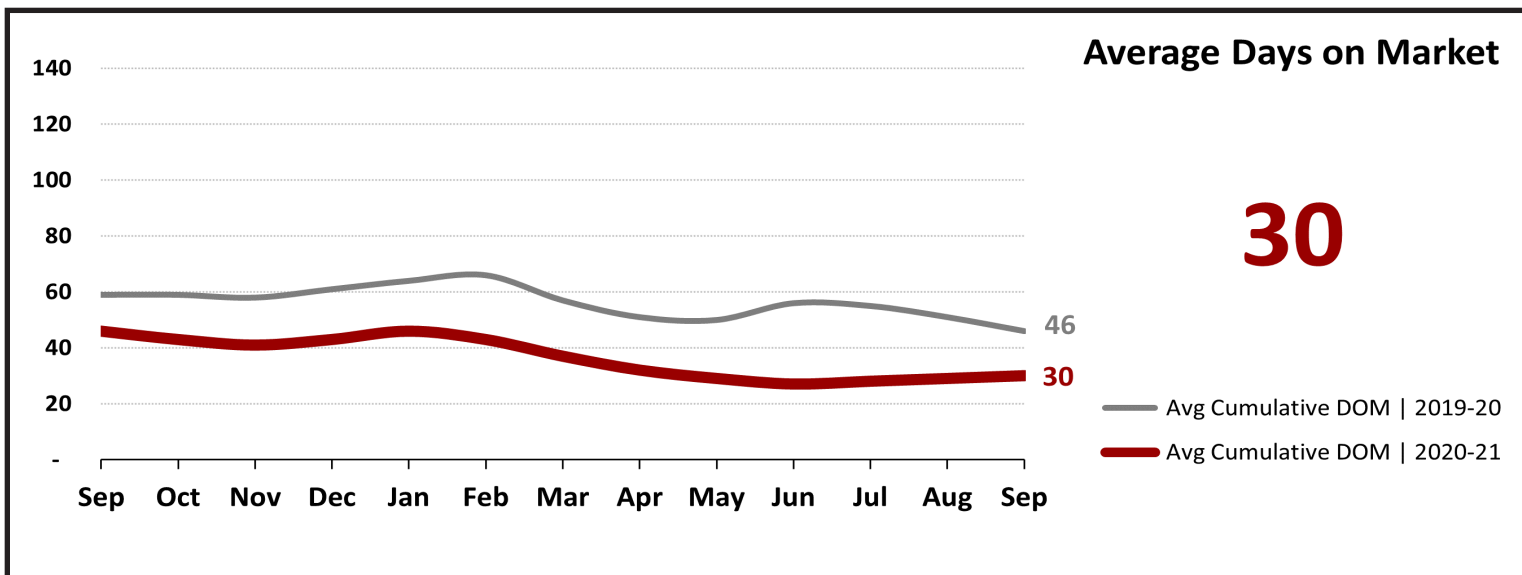
Snapshot of public records data on 9/30/21 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed a decrease of **-3.5%** while the year-over-year figure was down **-44.2%**.



New MLS listings that were active for at least one day from 9/1/21 to 9/30/21, 0 day DOM sales removed

Distressed sales accounted for **0.2%** of total sales, up from the previous month of **0.1%**. Short sales went down **-75%** year-over-year. Lender-owned sales dropped **-62.1%** year-over-year.



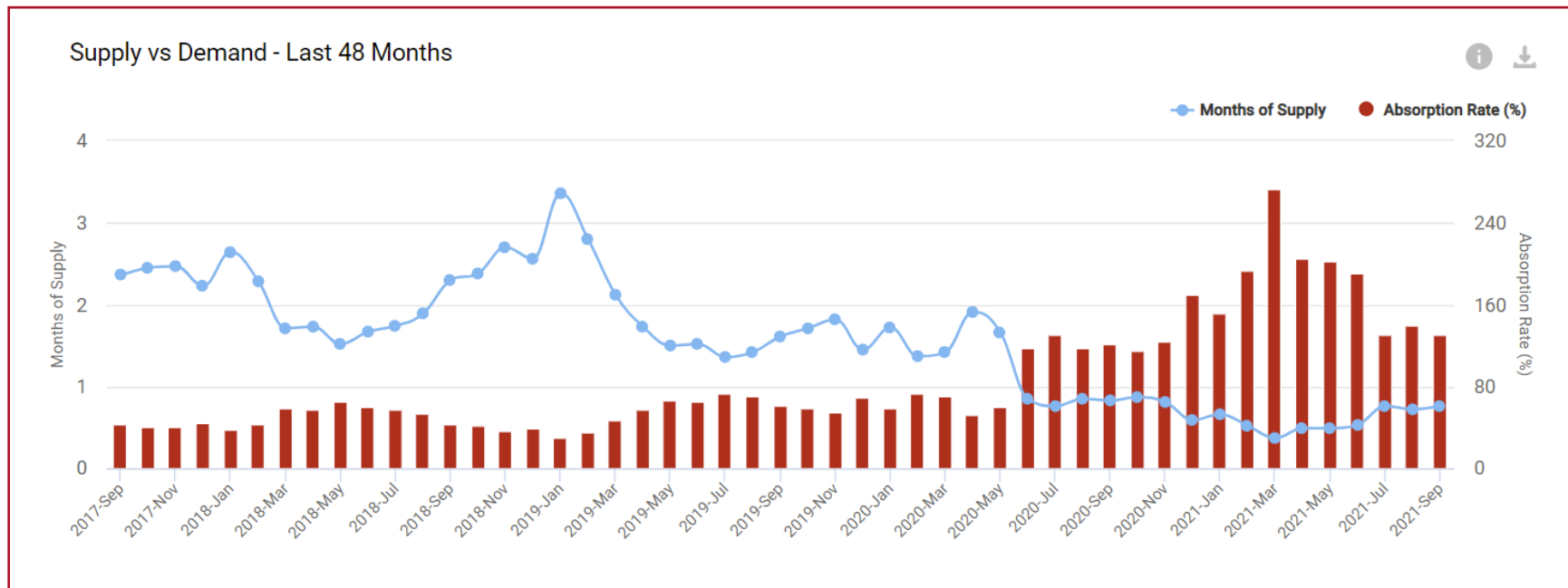
MLS sales prices for closed listings with a close of escrow date from 9/1/21 to 9/30/21, 0 day DOM sales removed

Days on market were down **-16** days year-over-year while month-over-month went up **+1** day.

MARKET UPDATE

In September, the median home price rose 1.2% to \$410,000, with year-over-year sale volumes down 3.9%, as reported by ARMLS. Both changes came in as expected. The term absorption rate refers to a metric used in the real estate market to evaluate the rate at which available homes are sold in a specific market during a given time. Absorption rate is calculated by dividing the number of homes sold in the allotted time by the number of available homes. Our absorption rate peaked in March at the height of our frenzied market last spring. Our market showed a cooling trend for the next four months through July, increased slightly in August, and resumed its downward trajectory in September. An absorption rate of 20 is considered a balanced market. Our absorption rate at the beginning of September was 139.48. We are still very much in a seller's market with inadequate supply to meet demand.

ARMLS Absorption Rate by Month via [RapidStats](#)

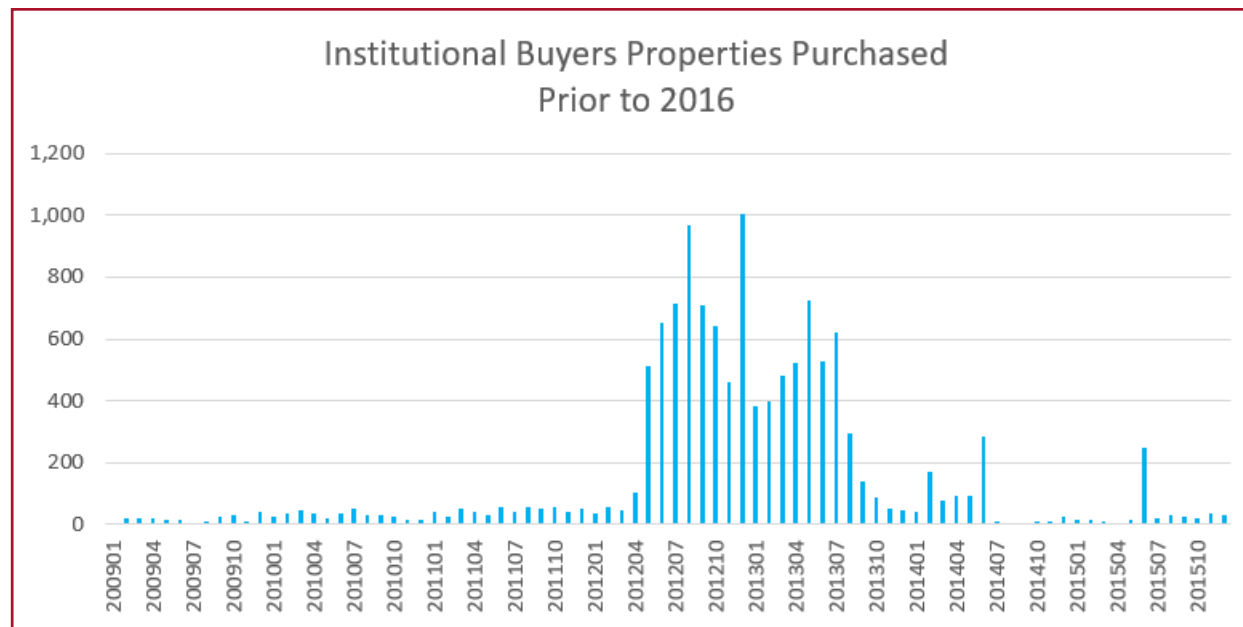


In his Market Summary for the beginning of October, Michael Orr of the Cromford Report stated the following, *“Demand looked strong all the way through September, but not so much at the beginning of October. Under contract counts and sales numbers suggest we may have seen the best of 2021 demand, with supply rising and demand appearing to plateau, we could possibly be in for some cooling during 4Q, but do not expect prices to fall.”* In concert with Orr’s observations, when October’s numbers are reported, we are expecting the median sales price to rise to \$415,000 with year-over-year sales volume declining. Last month in STAT, we broached the subject of how investors and iBuyers have dictated the increased demand rather than traditional buyers. This month we’ll take a deeper dive into this development.

INSTITUTIONAL BUYERS

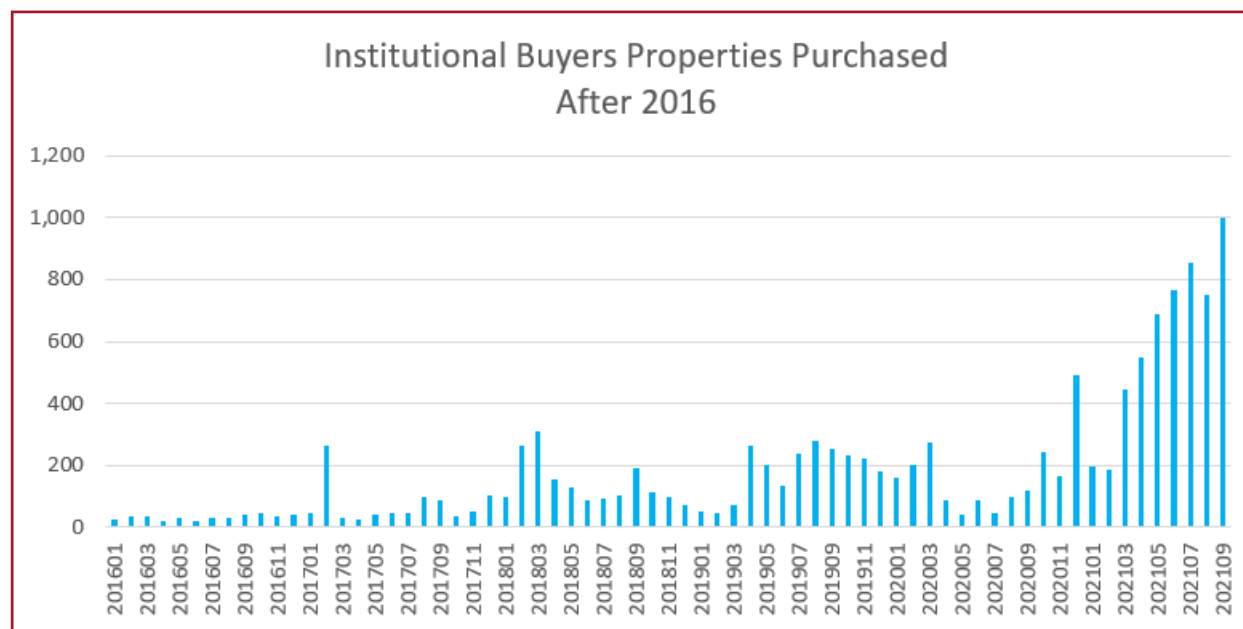
Appearing live on CNBC's Squawk Box, on Feb. 27, 2012, Warren Buffet told Becky Quick he'd buy up "a couple hundred thousand" single-family homes if it were practical to do so. If held for a long period and purchased at low rates, Buffet said houses are even better than stock. He advised homebuyers to take out a 30-year mortgage and refinance if rates went down. His comments did not fall on deaf ears. Before Buffet's comments, institutional buyers had only dipped their toes in our market. In May 2012, they jumped in, marking the advent of using algorithms to determine their purchases. As discussed last month and as the charts below clearly demonstrate, institutional buyers will move in and out of our market.

Institutional Buyers Properties Purchased Prior to 2016



Currently, the institutional buyers are all in. In September, they acquired 999 homes in Maricopa County, exceeding only in December 2012 when they acquired 1,006 homes. The institutional model is to buy and hold. According to our records, they collectively own 25,199 properties. In February 2012, the median price for a resale home in Maricopa County was \$122,500. Today's median is \$410,000. In September, the median purchase price for homes purchased by institutional investors was \$382,500, their sweet spot, homes between \$342,000 and \$420,000.

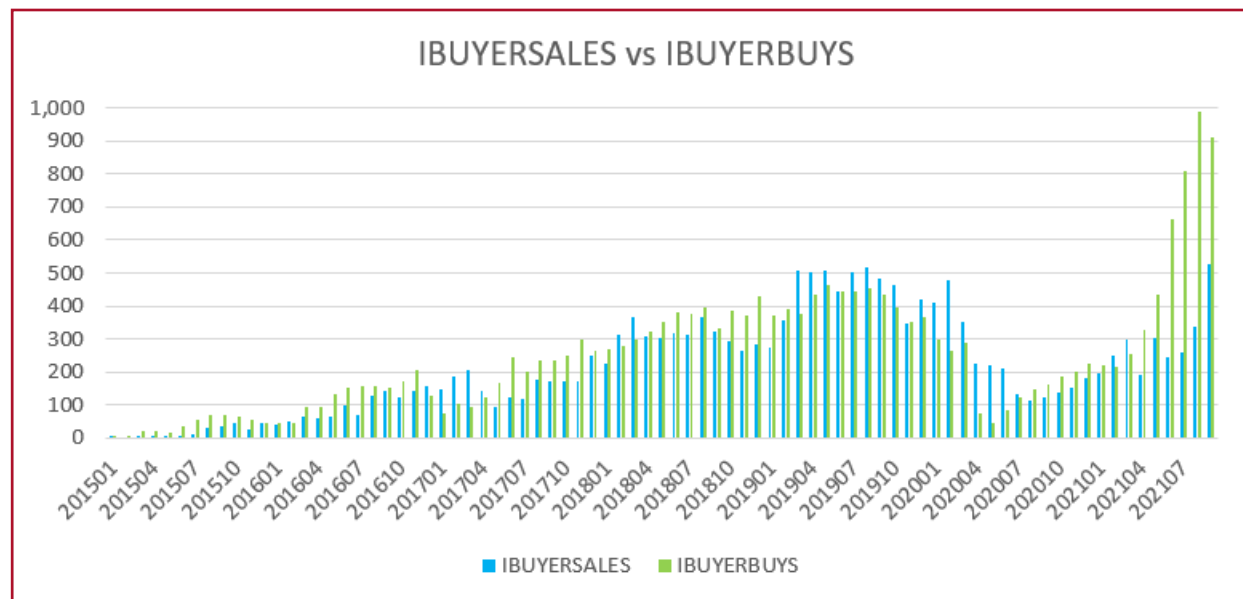
Institutional Buyers Properties Purchased After 2016



IBUYERS

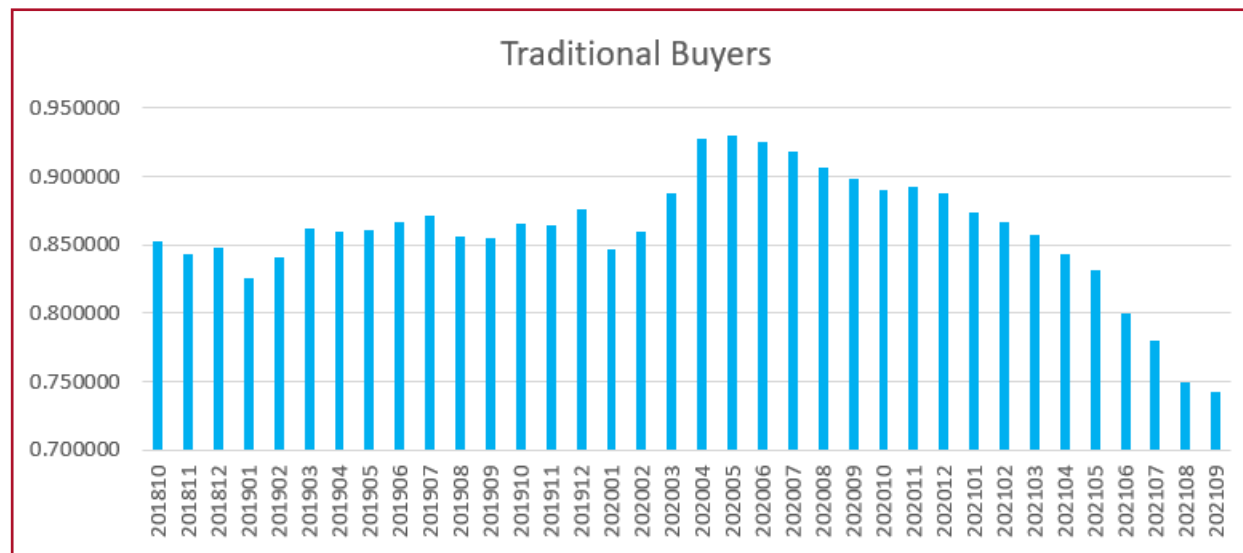
iBuyers have been on a recent buying spree. The chart below shows the number of purchases each month compared to the number of homes sold. The chart below clearly demonstrates they are currently increasing their inventories. Their model is to buy and sell. Our records indicate as of Oct. 1. They collectively held 2,775 homes, which will undoubtedly lead to an increase in supply. In September, the median sales price paid by iBuyers in Maricopa County was \$429,210, their sweet spot, where over 50% of their properties have been purchased is between \$377,000 and \$530,000. There are working relationships between all the iBuyers and the institutional buyers, with institutional investors purchasing 116 or 22% of the 525 iBuyers sales in September.

iBuyer Sales vs iBuyer Buys



In our data sets, we code each buyer and seller. Institutional buyers and iBuyers are given their own individual codes. We define traditional buyers as anytime the buyer is a single male, single female or husband and wife. We define LLCs as small investors. The chart below shows the percentage of traditional buyers in our market over the last three years. As the chart below displays, the percentage of traditional buyers in Maricopa County peaked immediately after the onset of the COVID-19 pandemic approaching 93%. Before the pandemic, traditional buyers had been hovering around 85%. In September, traditional buyers accounted for just over 74%.

Traditional Buys



IN CONCLUSION

Institutional investors and iBuyers have been a driving force in our market over the past five months. As we've discussed and the charts above demonstrate, their appetites can change quickly. The rule for real estate investing has always been to buy undervalued assets, as clearly stated by Buffet in 2012. When I view individual transactions and the prices paid, I'm confused, asking myself, "What is it in these models that I don't understand?" Let me give you one example. In June, according to the affidavit of value, a traditional buyer purchased a newly built home for \$382,000. In August, this home was sold to an iBuyer for \$450,000. It then sold again to an institutional buyer in mid-September for \$470,000. This property rests in a subdivision with 38 new closings year to date with an average price of \$383,000. The subdivision still has 17 lots available with a second phase platted and builders are buying lots.

Additional inventory is coming to the area. In 2012 when institutions began entering our market and properties were grossly undervalued, the use of algorithms to purchase properties made sense, as their models could be slightly off and still work. But today, not so much. Is it time for the "smart money" to reevaluate their mathematical formulas? Maybe this just-published article is a harbinger of what lies ahead: Zillow Group Inc. is pausing the purchase of U.S. homes as it works through a backlog of properties, Bloomberg News reported Sunday, Oct. 14. The real estate platform acquired more than 3,800 homes in the second quarter after expanding into the home-flipping business in 2018 through its Zillow Offers unit. The company invites homeowners to request an offer on their house and uses its algorithms to develop a price. If an owner accepts, it purchases the property, makes some repairs, and puts it back on the market. *"We are beyond operational capacity in our Zillow Offers business and are not taking on additional contracts to purchase homes at this time,"* a spokesperson for Zillow told Bloomberg in an email. *"We continue to process the purchase of homes from sellers who are already under contract, as quickly as possible."*

The iBuying process, while powered by algorithms and pools of capital, also requires humans, including inspectors, contractors, and decorators. But finding those workers has become challenging during the pandemic, which has seen labor shortages across the economy. Zillow shares were down 6% premarket and have fallen 26% in the year to date, while the S&P 500 has gained 19%.

ARMLS PENDING PRICE INDEX (PPI)

Last month STAT's mathematical model correctly projected the median sales price for September, \$410,000. Looking ahead to October, the ARMLS Pending Price Index is projecting a median sales price of \$415,000. If October's median sales price projection is correct, we will see a year-over-year gain of 24.81%.

We began October with 6,904 pending contracts, 3,748 UCB listings and 429 CCBS, giving us a total of 11,081 residential listings practically under contract. This compares to 13,062 of the same type of listings one year ago. At the beginning of October, the "pending" contracts were 11.78% lower than last year. There were 22 business days in October of 2020 and 21 this year. ARMLS reported 9,690 sales in October 2020. The highest sales volume ever in October occurred last year. Sales volume will be lower this October.