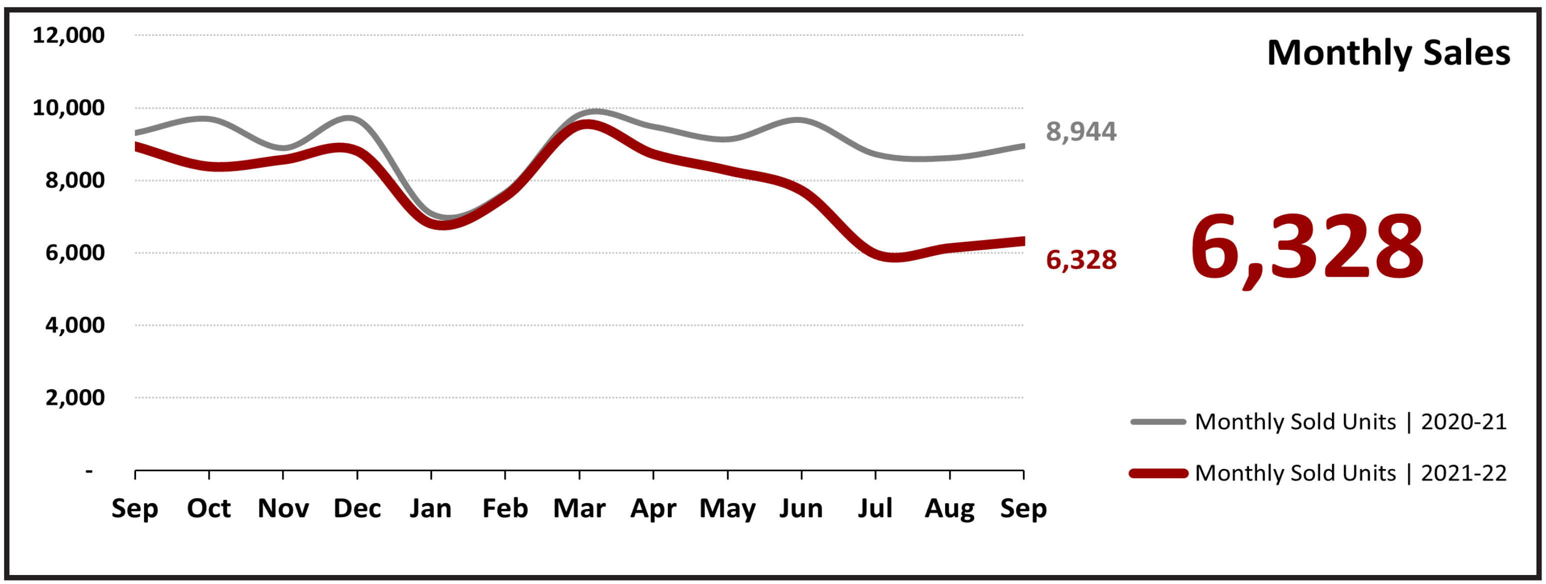
STAT

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

ARMLS®

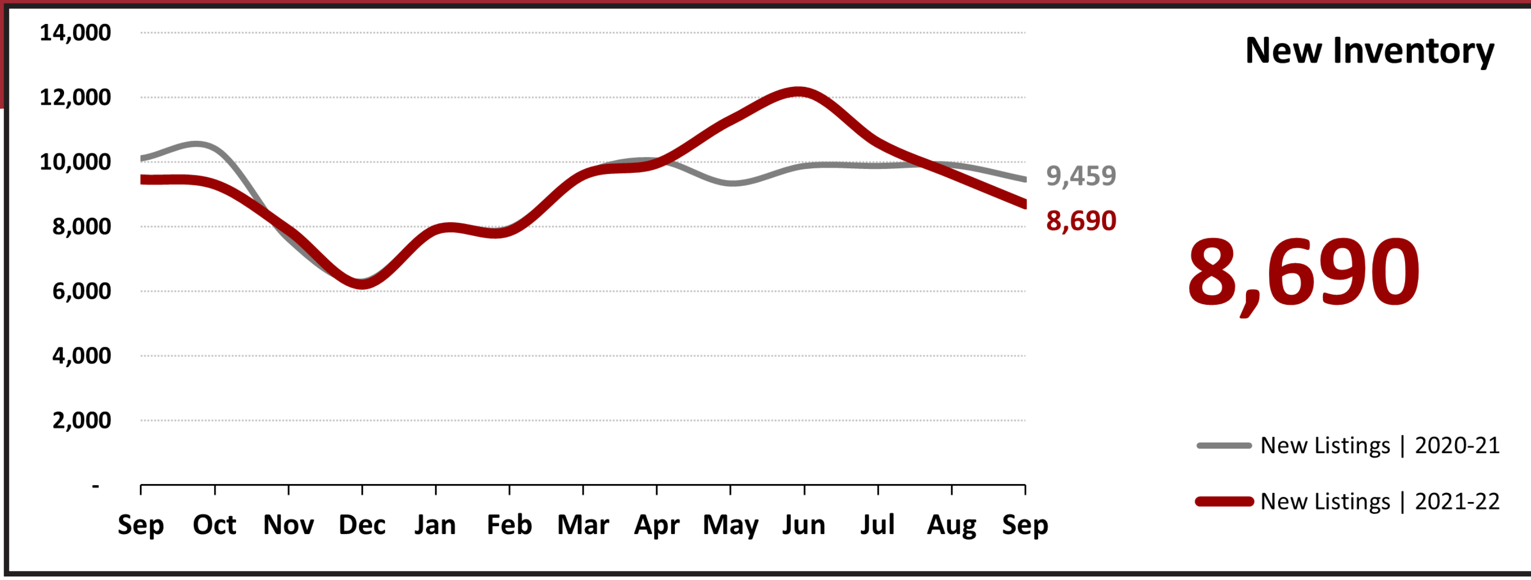
DATA FOR **SEPTEMBER 2022**

Published October 17, 2022



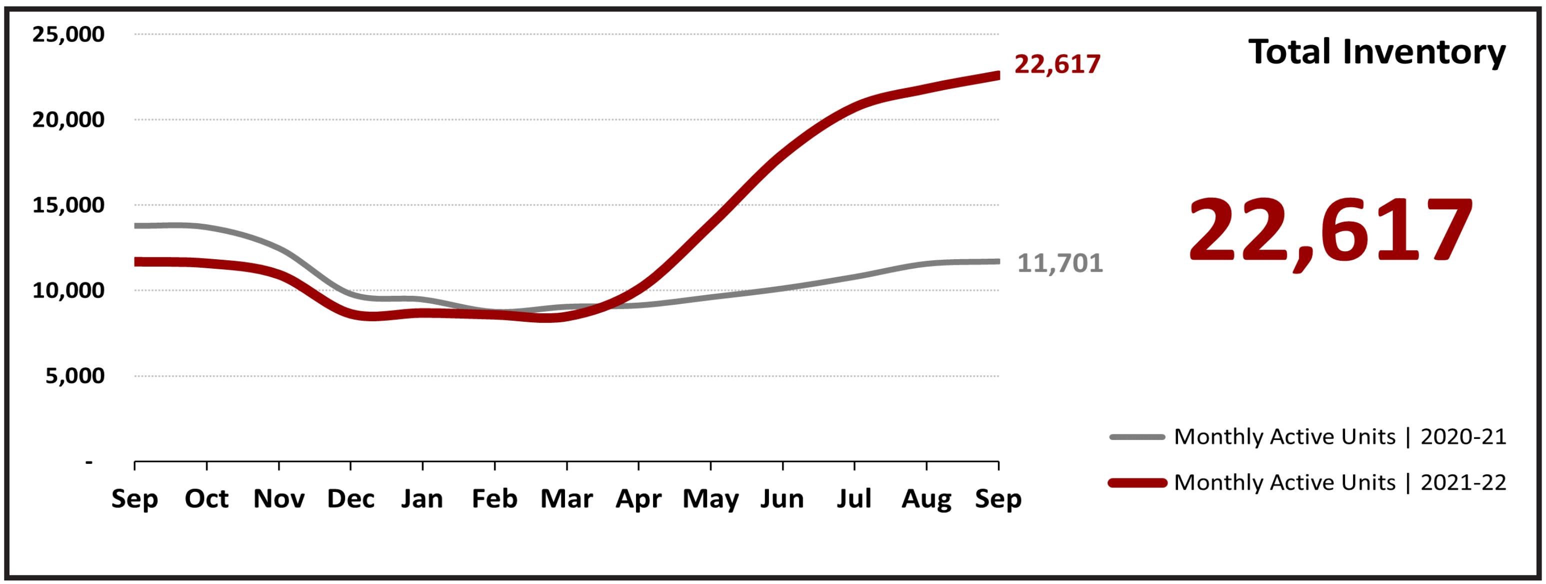
Sales are up **+3.1%** month-over-month. The year-over-year comparison is down **-29.2%.**

Closed MLS sales with a close of escrow date from 9/1/22 to 9/30/22, 0 day DOM sales removed



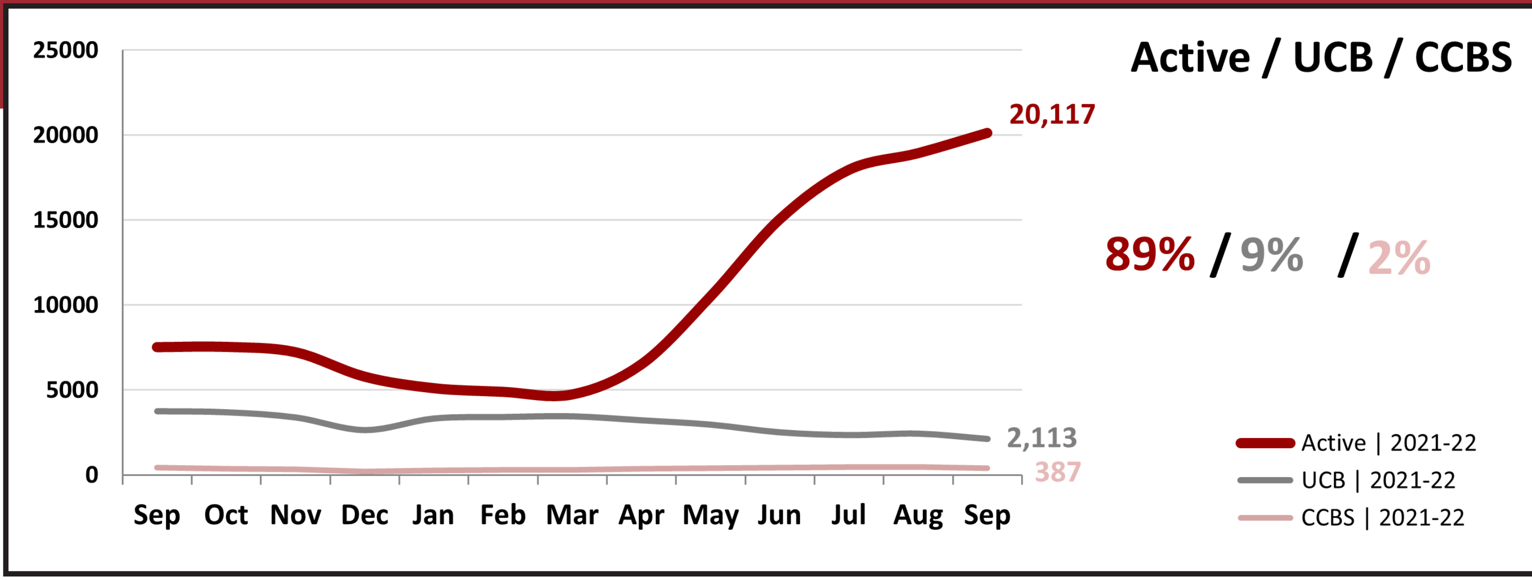
New MLS listings that were active for at least one day from 9/1/22 to 9/30/22, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-9.7%** while the year-over-year comparison decreased by **-8.1%.**



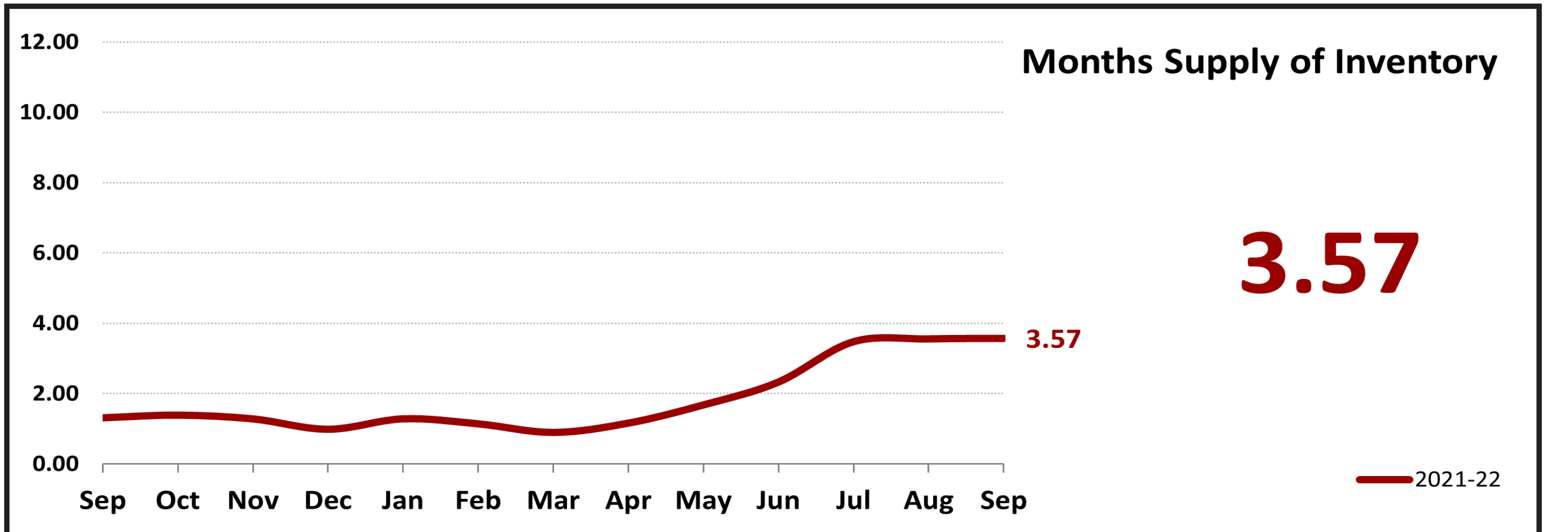
Snapshot of statuses on 9/30/22

Total inventory has a month-over-month increase of **+3.6%** while year-over-year reflects an increase of **+93.3%.**



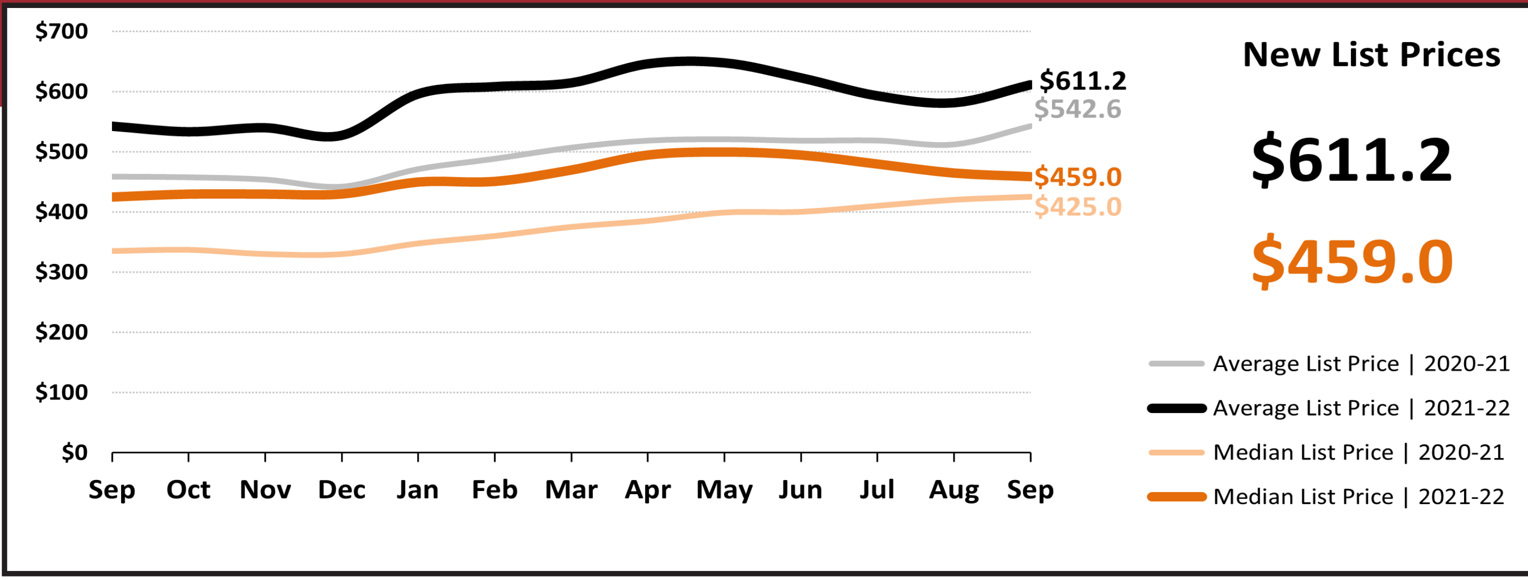
Snapshot of statuses on 9/30/22

September UCB listings percent of total inventory was **9.3%** with September CCBS listings at **1.7%** of total inventory.



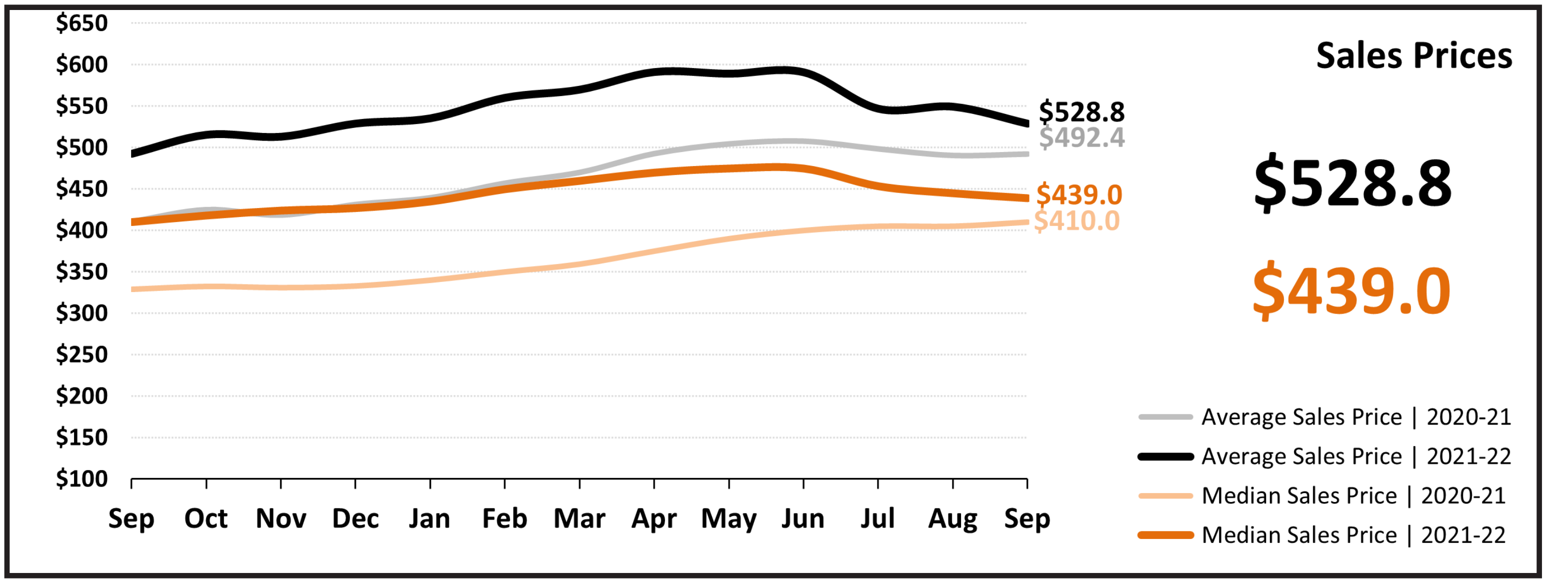
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of SEPTEMBER 2022, 0 day DOM sales removed

Months supply of inventory for August was **3.56** with September at **3.57.**



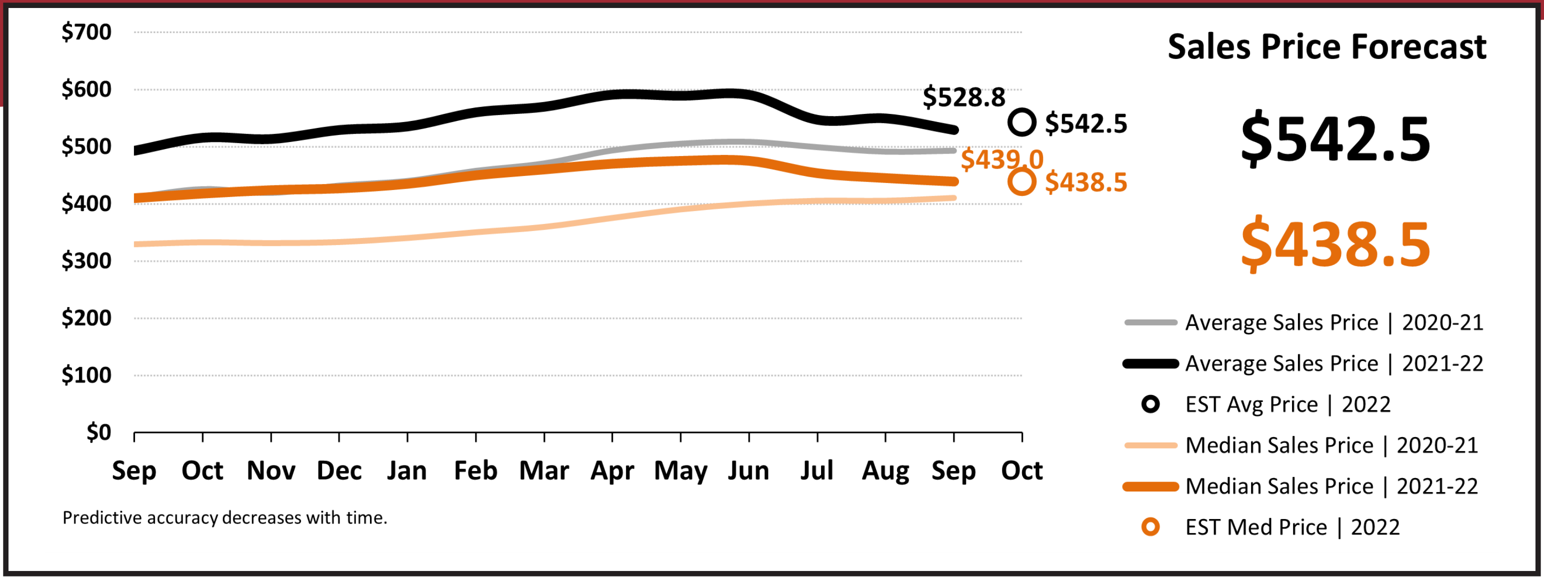
List prices of new listings with list dates from 9/1/22 to 9/30/22, 0 day DOM sales removed

Average new list prices are up **+12.6%** year-over-year. The year-over-year median is up **+8.0%.**



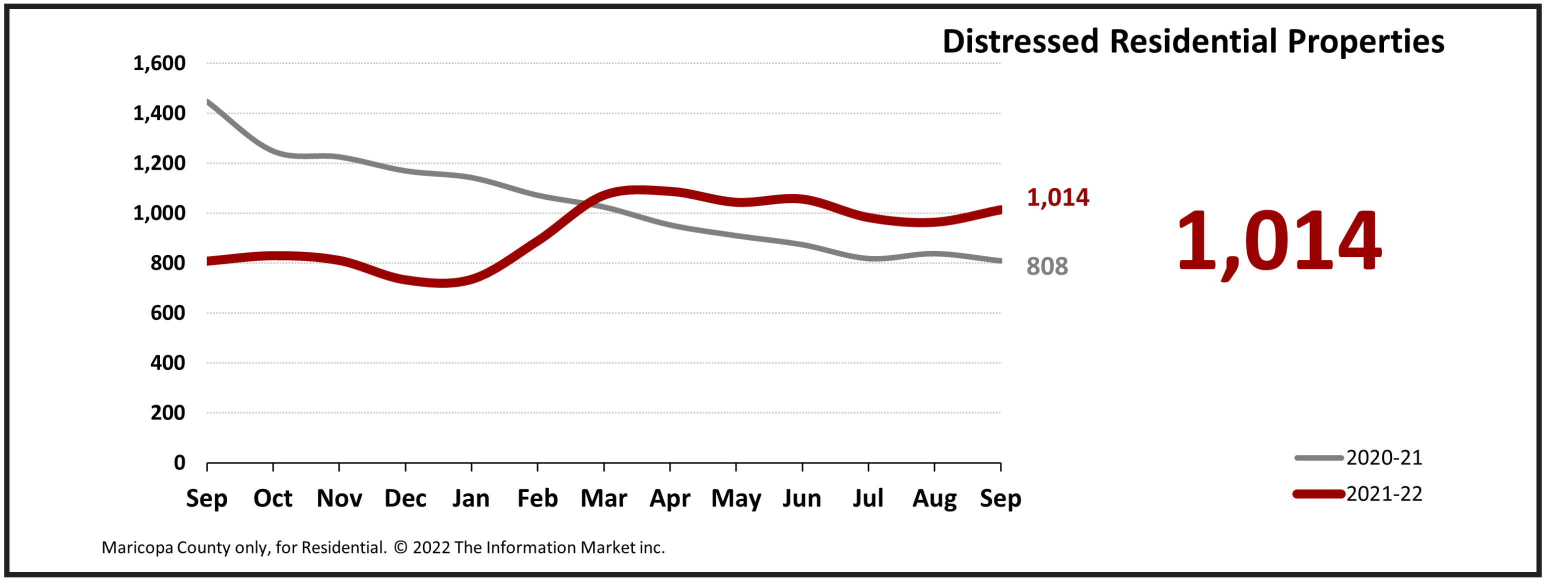
MLS sales prices for closed listings with a close of escrow date from 9/1/22 to 9/30/22, 0 day DOM sales removed

The average sales price is up **+7.4%** year-over-year while the year-over-year median sales price is also up **+7.1%**.



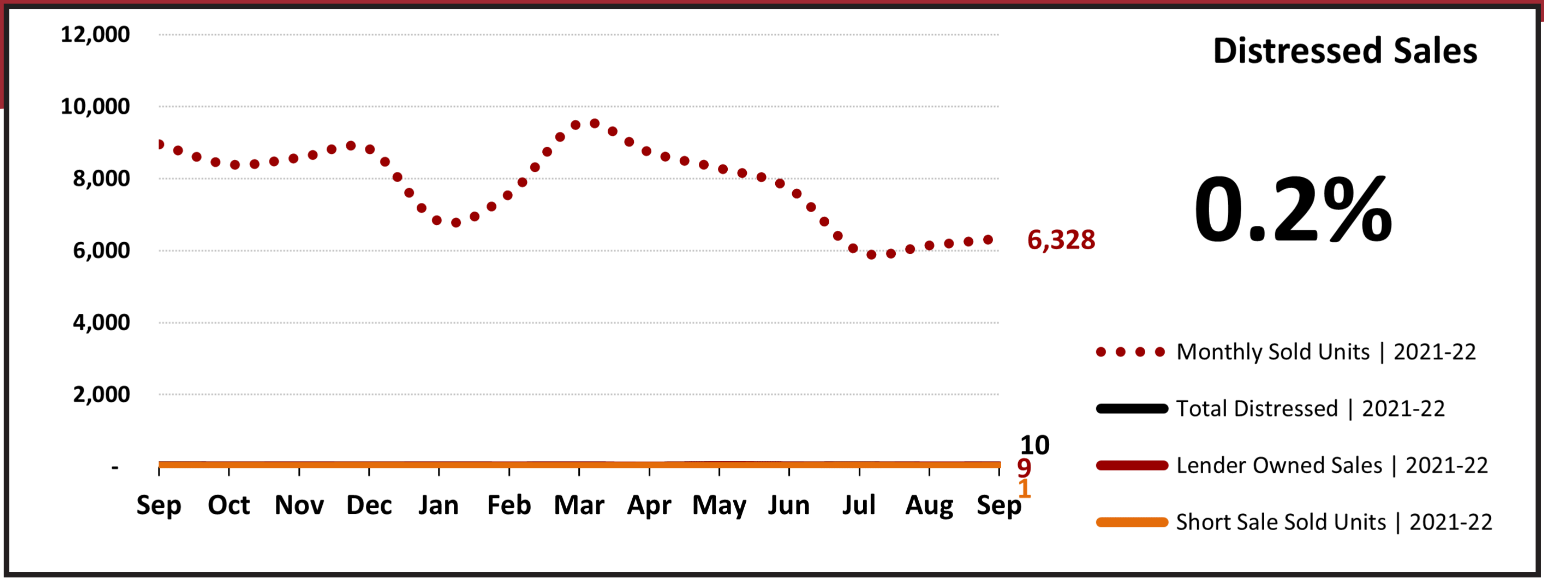
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An **increase** is forecasted in October for average sale prices while a slight **decrease** is forecasted for median sale prices.



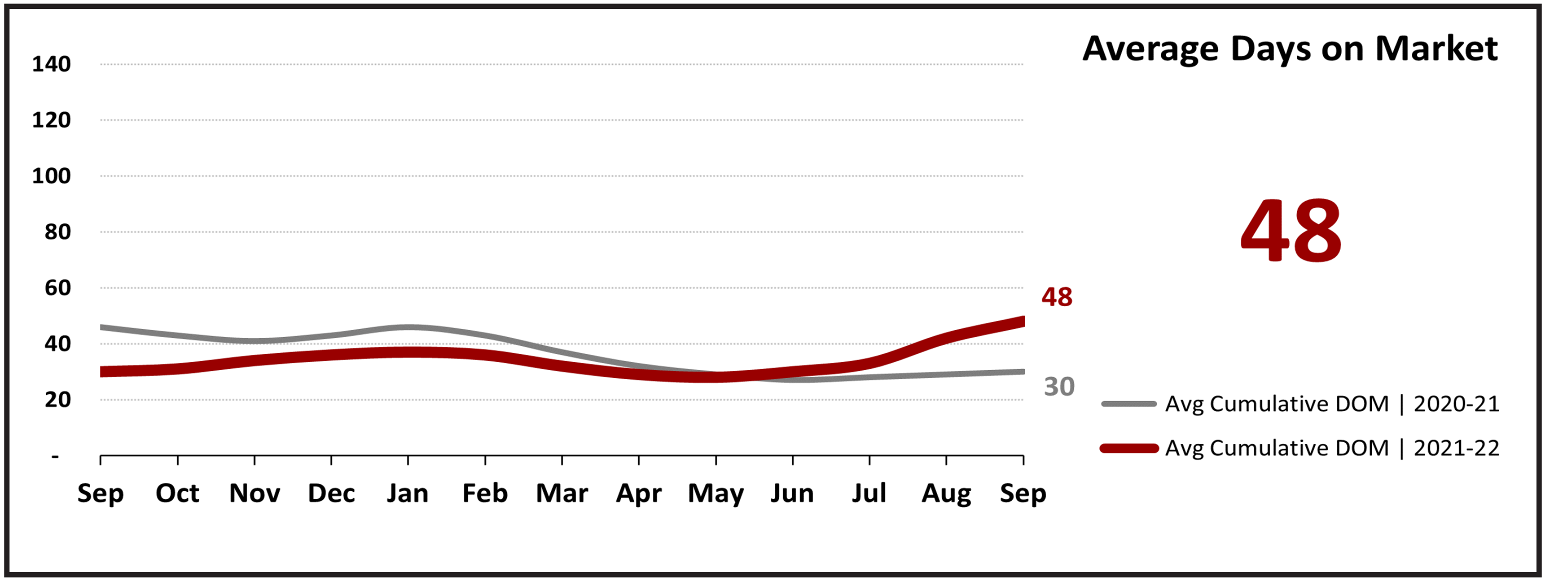
Snapshot of public records data on 9/30/22 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed an increase of **+5.2%** while the year-over-year figure was up **+25.5%.**



New MLS listings that were active for at least one day from 9/1/22 to 9/30/22, 0 day DOM sales removed

Distressed sales accounted for **0.2%** of total sales, up from the previous month of 0.1%. Short sales decreased **-66.7%** year-over-year. Lender-owned sales decreased **-18.2%** year-over-year.



MLS sales prices for closed listings with a close of escrow date from 9/1/22 to 9/30/22, 0 day DOM sales removed

Days on market were up **+18 days** year-over-year while month-over-month was also up **+6 days.**

Analysts predict existing US home sales in September will show a drop for the eighth consecutive month, blaming high borrowing costs with the rate of mortgages set to surpass 7% this week

When writing STAT, it's always the opening paragraph that causes me the most angst, particularly as our market heads into a rough patch. I know I'm supposed to introduce the main idea of my topic, capture your interest and tell you why this month's STAT is important. So, here it goes. Today, tomorrow and into the foreseeable future, transactional volume and prices will be greatly influenced by one single metric: interest rates. Having worked in the mortgage industry in a previous life, I learned most consumers interested in buying want to know two things, "How much is my monthly payment and do I qualify?" For many applicants today, the answer to the first question is too much, and the answer to the second question is no.

The headline at the top of this report, published in the **Daily Mail**, was garnered from the Google search: current housing market. The correct headline should have read, at least as far as Phoenix is concerned, "*The decline in interest rates seen in late July and early August led to a temporary/modest increase in month-over-month sales in both August and September. However, analysts predict October sales will decline, blaming high borrowing costs with the rate of mortgages set to surpass 7% this week.*"

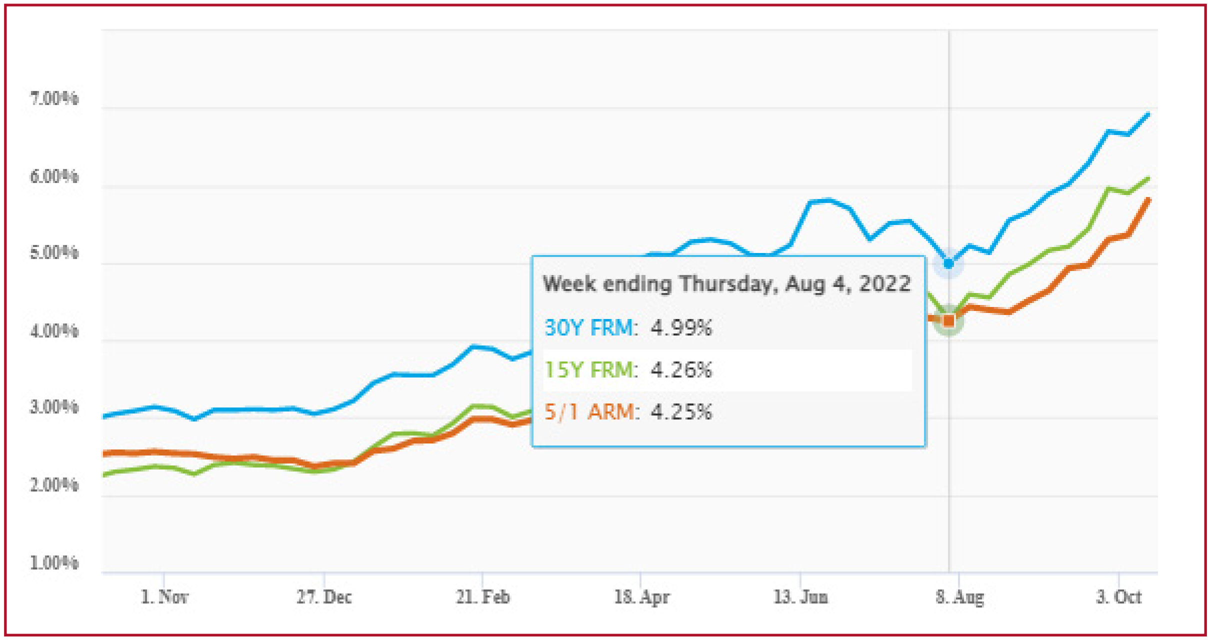
There is a common axiom in our industry. Real estate is local, that is true. But I'd like to add, the federal government dictates interest rates. In this month in STAT, we will discuss the change in interest rates and how these changes are reflected in our housing market.

COMMENTARY

BY TOM RUFF

Between June 23 and Aug. 4 of 2022, interest rates, as reported by Freddie Mac, fell from 5.81% to 4.99%. This led to a slight uptick in demand, which was reflected in August and September month-over-month sales.

Monthly Interest Rates via Freddie Mac



Rates hovered around 5% until mid-August. Today, they are approaching 7%. Therein lies the rub. With the rapid change in interest rates, every home closing report you read today is yesterday's news. For a closer look as to what's happening on the ground, let's turn to Michael Orr of the Cromford Report. As always, his summation of our current market conditions is spot on.

COMMENTARY

BY TOM RUFF

“After several weeks of reasonably neutral moves, the market is starting to turn unpleasant again. This is particularly true of the last week of September, and October is off to a very poor start.

Demand has been weak for many months, but a small improvement was observable in August and the first few weeks of September. Thirty-year fixed mortgage rates were still around 5% in early August but are now flirting with 7% and, as expected, this appears to have turned off enough tranche of would-be buyers. Higher rates also discourage sellers and make them appreciate the loans they already have in place. More of them are deciding to expand or improve their current home rather than take on a new loan at a much higher rate. Listings closed in September were actually a shade higher than August, but these were mostly deals done with interest rates locked at the lower levels. With these transactions completed, the listings under contract count are now unusually low at 7,358, down almost 13% from a month earlier and more than 36% lower than this time last year.

Transaction volumes have plummeted since last year with sales down more than 32% compared to September 2021. The current trend in contract signings means this volume is not likely to recover quickly. Instead, we are more likely to see volumes head lower still in the short term.
New supply is still well below normal for the time of year but is starting to edge up slightly. With contract signings getting scarcer, the inventory is starting to build again. Although it only rose 7.4% during September, we anticipate it may rise by a higher percentage during October.

Seller confidence has been crushed over the past 5 months and the recent trends are going to do nothing to help. This means buyers will get more confident in their bargaining position and this is negative for pricing. The monthly average $/SF for closed listings is down 9.3% from the peak of $306.1 measured on June 9. The monthly median sales price is down 7.6% from the peak of $475,000 last seen on June 29.

If mortgage rates had remained between 5% and 6%, we might have seen a slow recovery taking place by now, but the Federal Reserve kicked the market while it was down and looks ready to kick it again. We need listings under contract to move above 8,500 to be experiencing signs of a recovery and the current 7,500 level is not even enough to absorb the relatively slow arrival rate of new supply. I recommend that you watch this key number closely over the next few months."

In the fight against inflation, the Fed has aggressively raised rates, with rates having more than doubled this year. The 30-year fixed-rate mortgage averaged 6.92%, with an average 0.8 points as of Oct. 13, 2022. "Rates resumed their record-setting climb this week, with the 30-year fixed-rate mortgage reaching its highest level since April of 2002," said Sam Khater, Freddie Mac's Chief Economist. *"We continue to see a tale of two economies in the data: strong job and wage growth are keeping consumers' balance sheets positive, while lingering inflation, recession fears and housing affordability are driving housing demand down precipitously."*

Today's rates have put homeownership out of reach for many. As an offshoot of our current market conditions, agents are having a harder time determining the price to list the property. Home closings reflect contracts signed a month or two earlier. In the table below, we show the number of pending contracts as reported by ARMLS. On Oct. 13, ARMLS was reporting 4,822 listings with the status of pending. The reported median for homes closed on in the previous 30 days is $436,500. The reported median sales price for homes moving from active status to pending in the last 30 days is $425,000. The median sales price for all pending home contracts is $452,995. This metric reflects more expensive homes taking longer to close.

Median Sales Price Comparison Last 30/60/90 Days via ARMLS

Date	Count	Day	Actual	All	Last90	Last60	Last30
10/13/2022	4822	13	436500	452995	436000	434000	425000
10/13/2021	7932	13	410000	415000	417286	418515	415000
10/13/2020	8371	13	330000	325000	325000	325000	325000
10/13/2019	6164	13	280000	285000	284900	284000	280000
10/13/2018	5068	13	261000	265000	262000	262000	259500
10/13/2017	6045	13	242500	245000	245000	244325	240000
10/13/2016	6637	13	230000	228000	228000	225000	225000
10/13/2015	6129	13	212000	209900	206500	207500	207500
10/13/2014	5705	13	193800	189000	188000	189000	189900

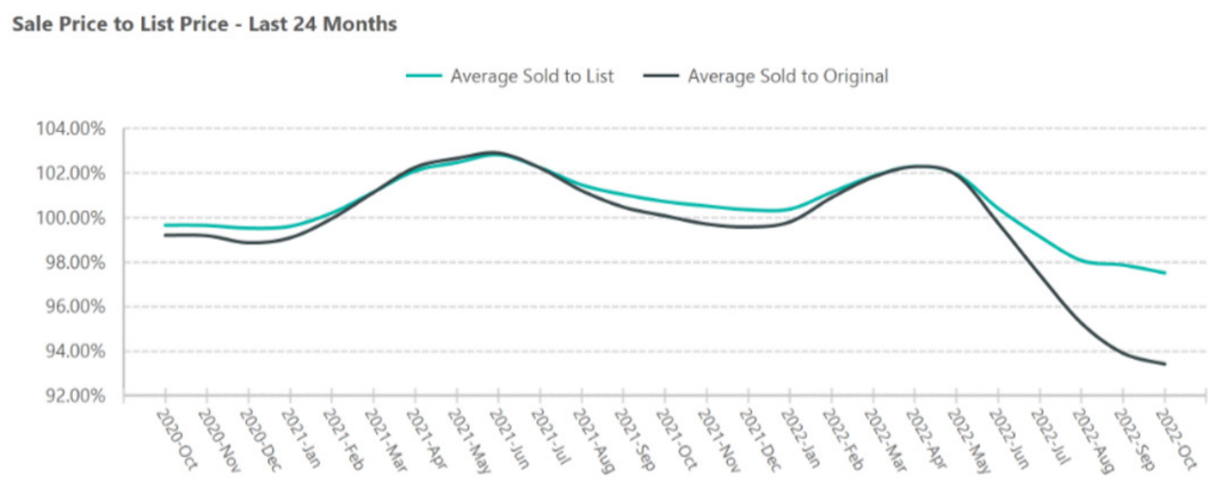
When we compare the sold price to the original/final list price, the challenges faced by agents become even more evident. Homes today are selling for 93.42% of their original list price and 97.52% of the final list price.

Sold Price to List Price Last 24 Months via RapidStats

Sold Listings Summary

ARMLS

Sale Price to List Price



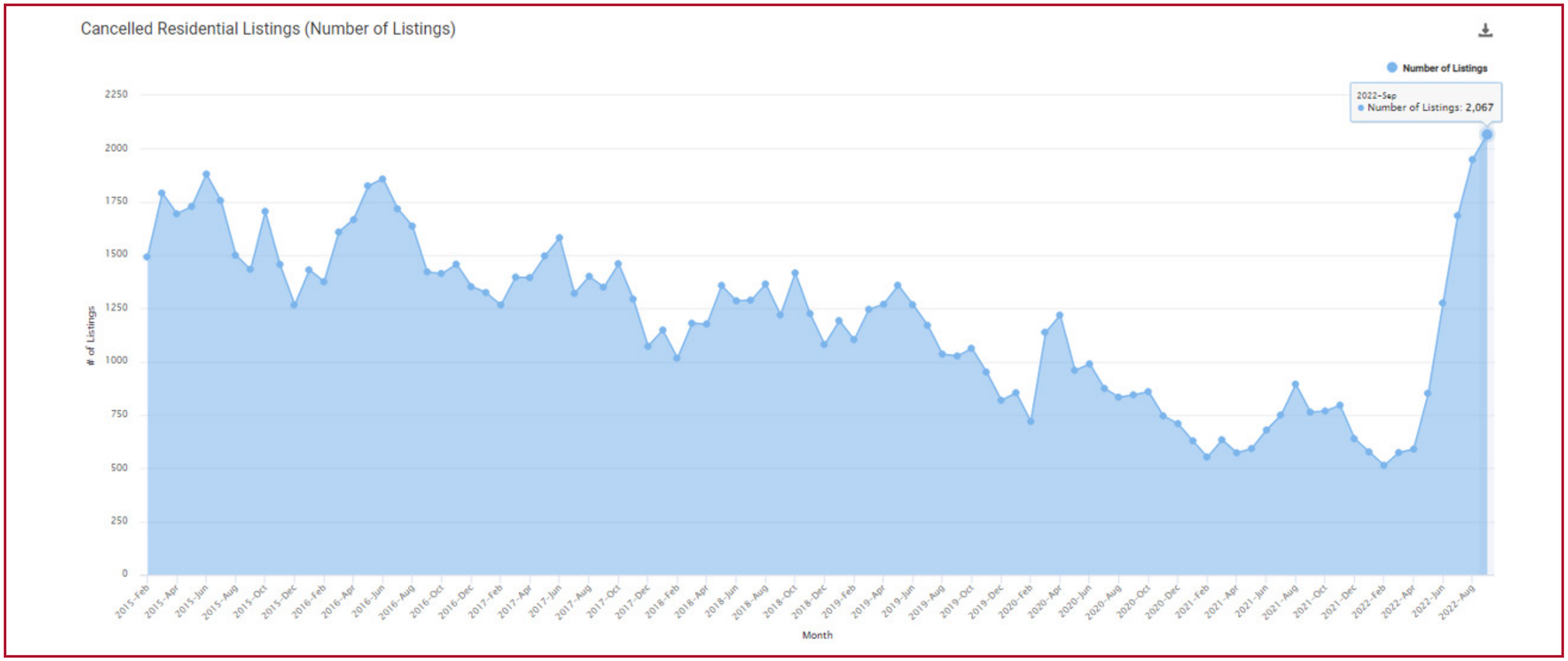
	Current Year			Prior Year			Current Year to Prior Year Change Percent		
Metric	MTD	QTD	YTD	MTD	QTD	YTD	MTD	QTD	YTD
Sale To Final	97.52%	97.52%	100.51%	100.82%	100.82%	101.51%	-3.27% ▼	-3.27% ▼	-0.99% ▼
Sale To Original	93.42%	93.42%	99.48%	100.20%	100.20%	101.38%	-6.76% ▼	-6.76% ▼	-1.87% ▼

COMMENTARY

BY TOM RUFF

With soaring mortgage rates and falling prices, more people are backing out of buying a house altogether. The Cancelled Residential Listings chart, as presented by RapidStats, could not be more telling.

Cancelled Residential Listings (Number of Listings) via RapidStats



In closing, let me share the most recent **Fannie Mae National Housing Survey**, which measures consumer sentiment. The Fannie Mae Home Purchase Sentiment Index decreased in September amid growing affordability constraints. *"The HPSI declined this month to its lowest level since October 2011,"* said Doug Duncan, Fannie Mae Senior Vice President, and Chief Economist. *"Consumers' expectation that home prices will decrease matched a survey high, with a higher percentage of consumers believing home prices will decrease rather than increase over the next year – a shift in survey sentiment that had previously only happened in 2011 and at the start of the pandemic in 2020. Moreover, 75% of consumers still think it's a bad time to buy a home, with most citing high home prices and unfavorable economic and mortgage rate conditions as primary reasons."*

I should note, in hindsight, when the survey hit its low points in 2011 and 2020, they both indicated great times to buy. The difference between today's low point and the two previous lows is that 2011 and 2020 marked inflection points, whereas today, I suspect consumer sentiment will continue to deteriorate over the next few months. And as we've said time and time again, it all depends on interest rates.

ARMLS Pending Price Index (PPI)

Last month, STAT's mathematical model projected the median sales price for September at $440,000. The actual amount was $439,000. Looking ahead to October, the ARMLS Pending Price Index is projecting a median sales price of $438,500. If October's median sales price projection is correct, we will see a modest month-over-month decline, leaving the median sales price up 4.90% year over year but down 7.68% from May's record high of $475,000. When October sales figures are reported, don't be surprised if the actual median is lower than our projection as prices are trending lower.

We began October with 4,490 pending contracts, 2,113 UCB listings and 387 CCBS, giving us a total of 6,990 residential listings practically under contract. This compares to 11,081 of the same type of listings one year ago. At the beginning of October, the "pending" contracts were 36.96 % lower than last year. There were 21 business days in October 2021 and 21 this year. ARMLS reported 8,385 sales in October 2021. The highest sales volume ever in October occurred in 2020 with 9,690. When October's numbers are reported, we will see a drop in both sales volume and prices. If our models are correct, year-over-year sales volume will decline between 35% and 40% year over year.