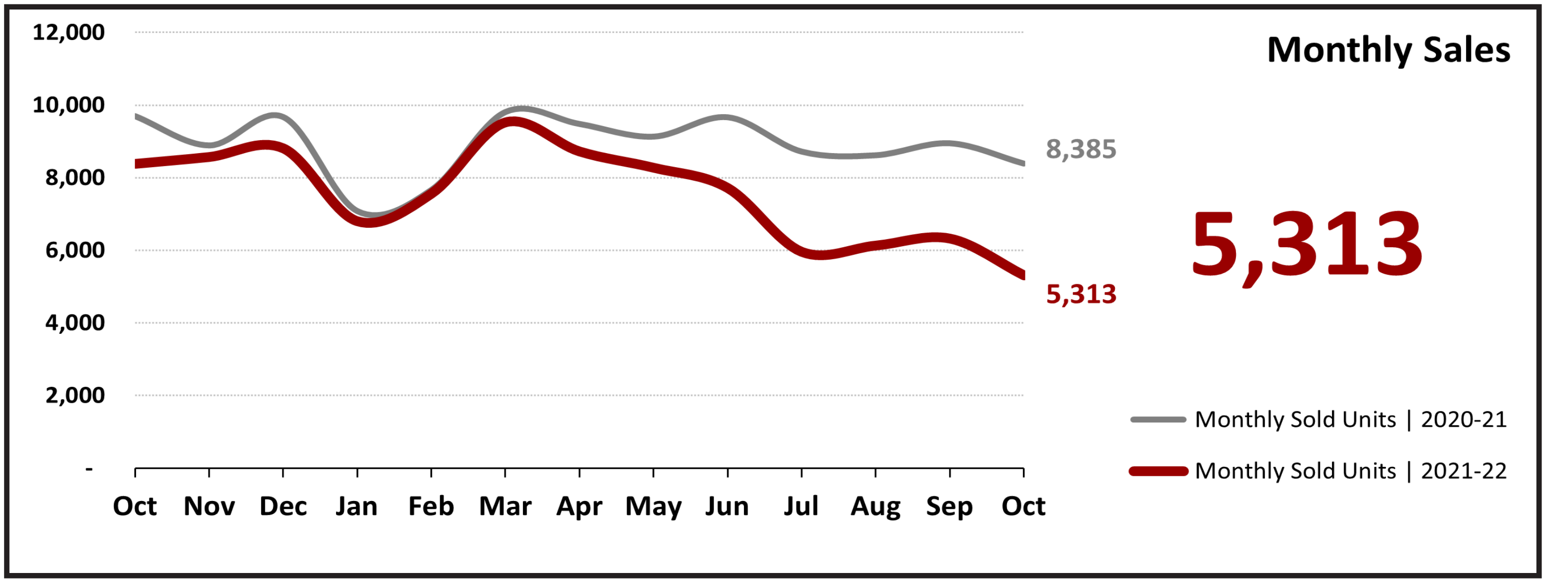
STAT

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

ARMLS®

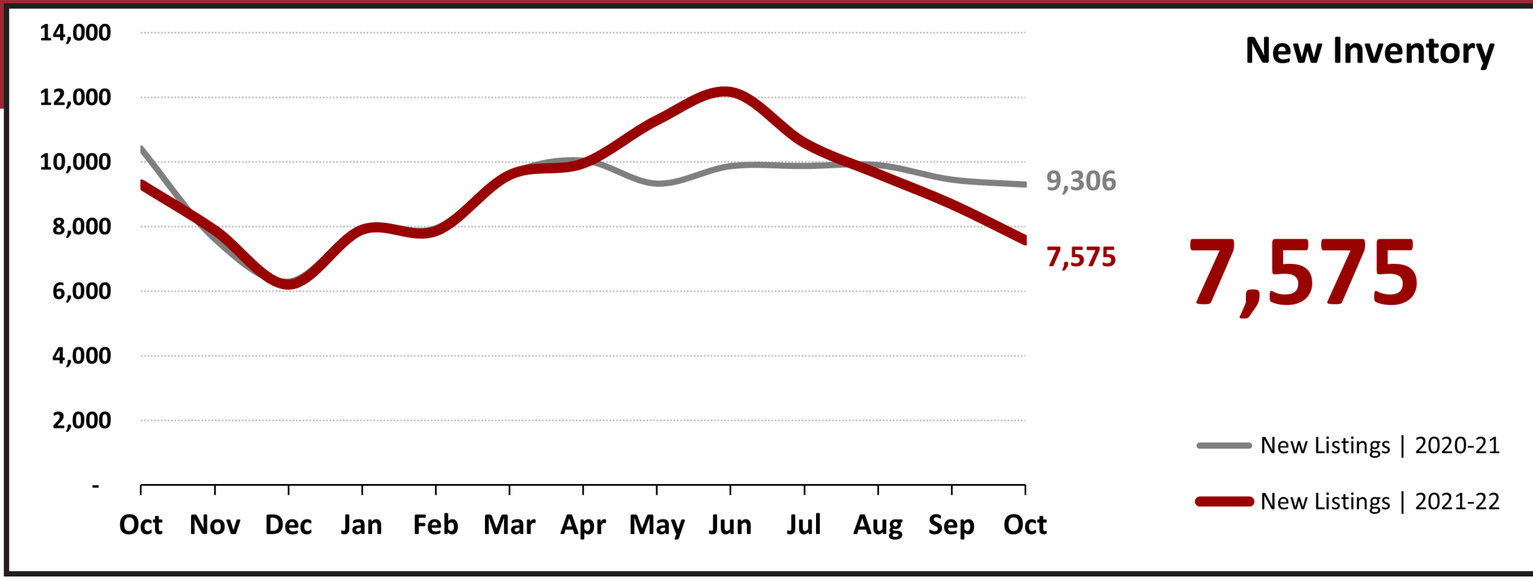
DATA FOR **OCTOBER 2022**

Published November 17, 2022



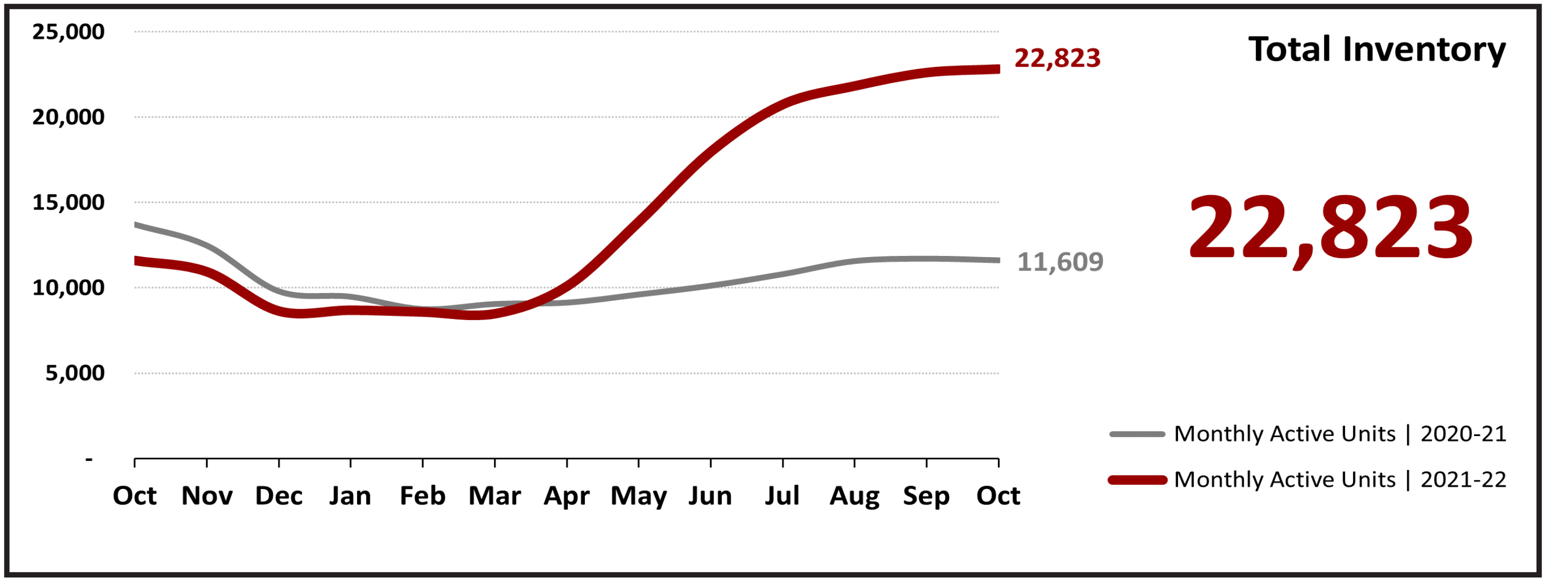
Closed MLS sales with a close of escrow date from 10/1/22 to 10/31/22, 0 day DOM sales removed

Sales are down **-16.0%** month-over-month. The year-over-year comparison is down **-36.6%.**



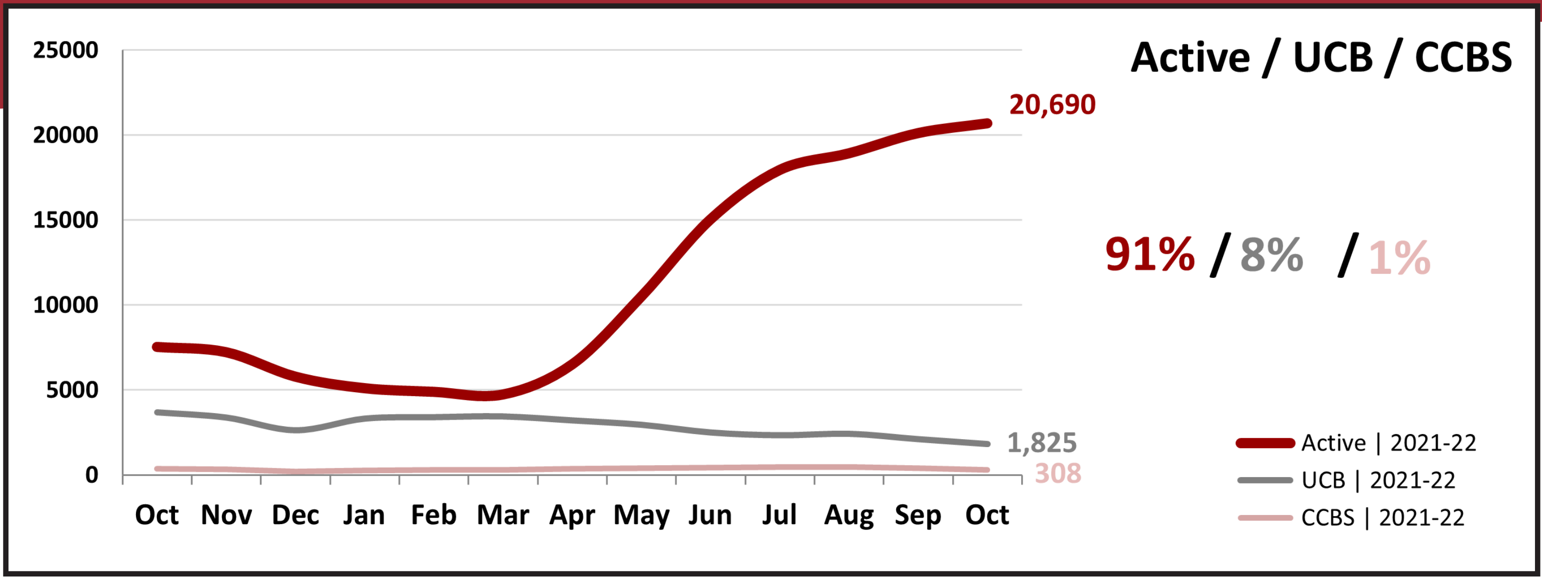
New MLS listings that were active for at least one day from 10/1/22 to 10/31/22, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-12.8%** while the year-over-year comparison decreased by **-18.6%.**



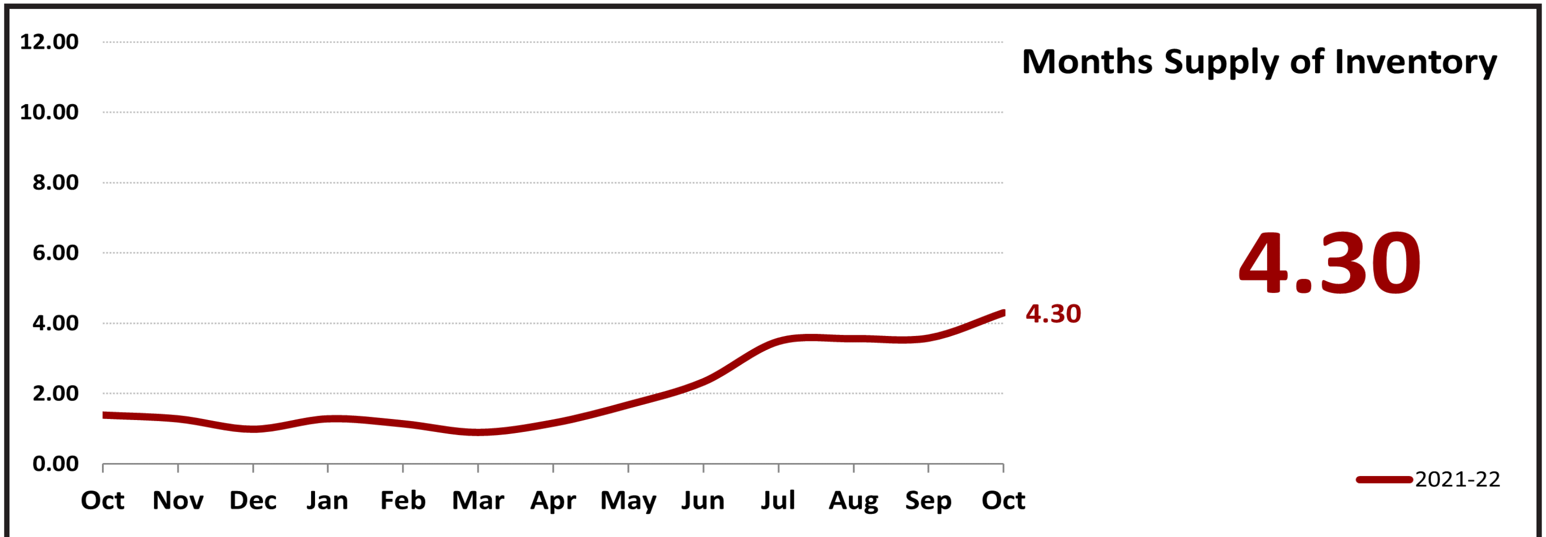
Snapshot of statuses on 10/31/22

Total inventory has a month-over-month increase of **+0.9%** while year-over-year reflects an increase of **+96.6%.**



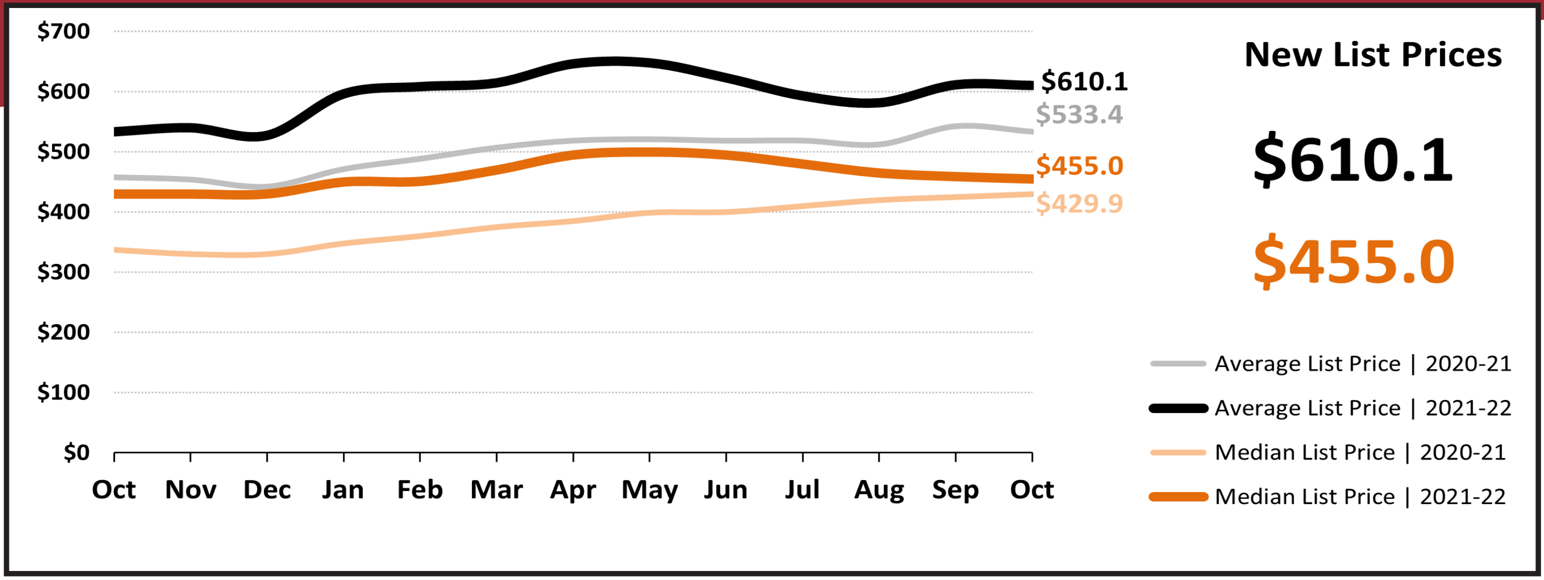
Snapshot of statuses on 10/31/22

October UCB listings percent of total inventory was **8.0%** with October CCBS listings at **1.3%** of total inventory.



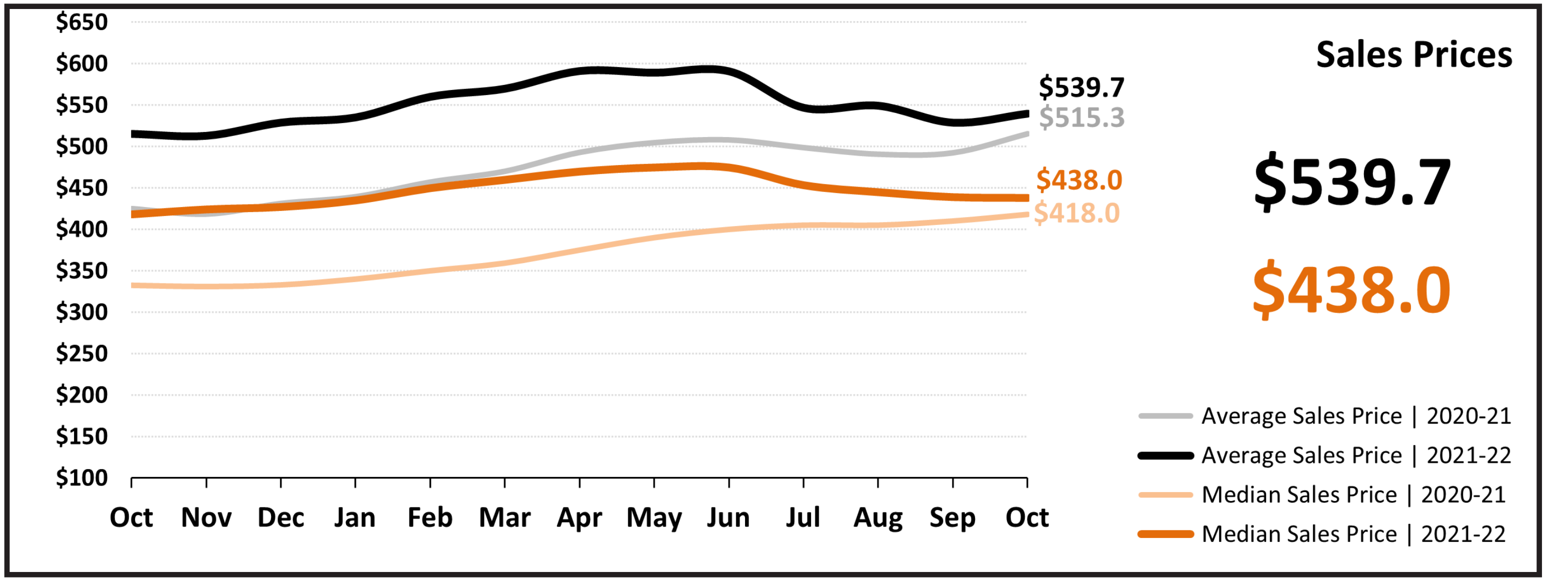
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of OCTOBER 2022, 0 day DOM sales removed

Months supply of inventory for September was **3.57** with October at **4.30.**



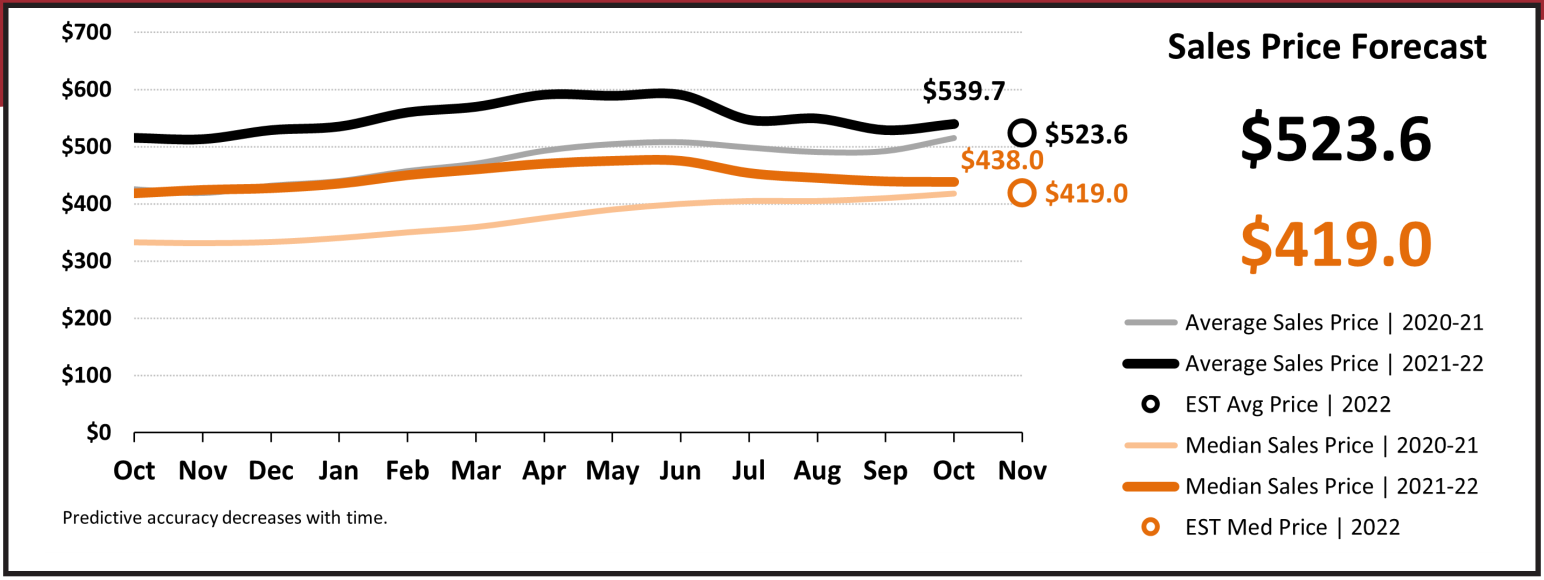
List prices of new listings with list dates from 10/1/22 to 10/31/22, 0 day DOM sales removed

Average new list prices are up **+14.4%** year-over-year. The year-over-year median is up **+5.8%.**



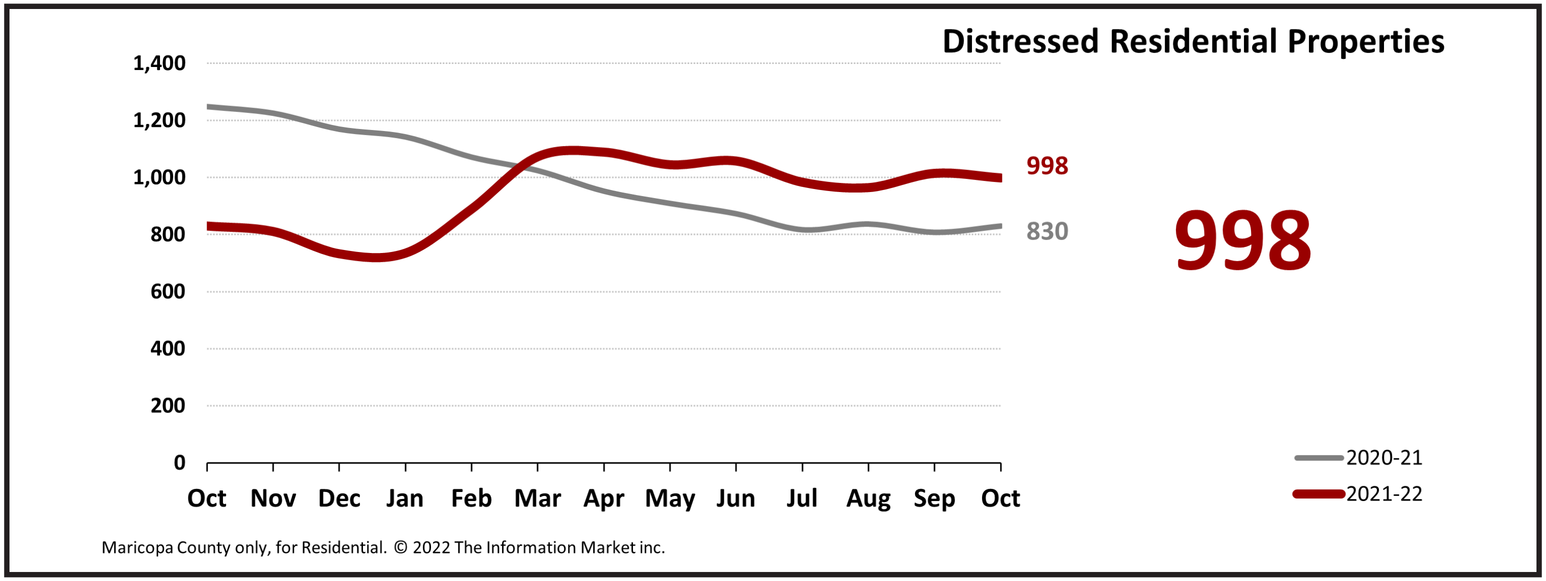
MLS sales prices for closed listings with a close of escrow date from 10/1/22 to 10/31/22, 0 day DOM sales removed

The average sales price is up **+4.7%** year-over-year while the year-over-year median sales price is up **+4.8%**.



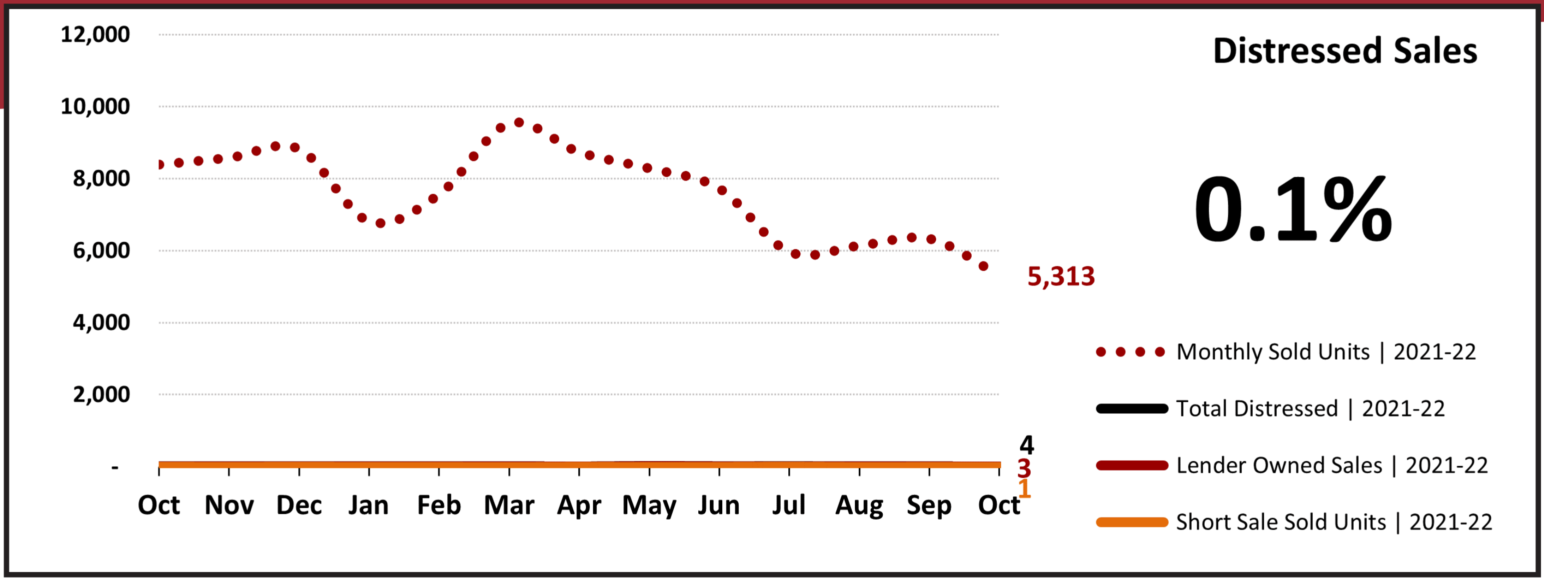
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An **decrease** is forecasted in November for both average and median sale prices.



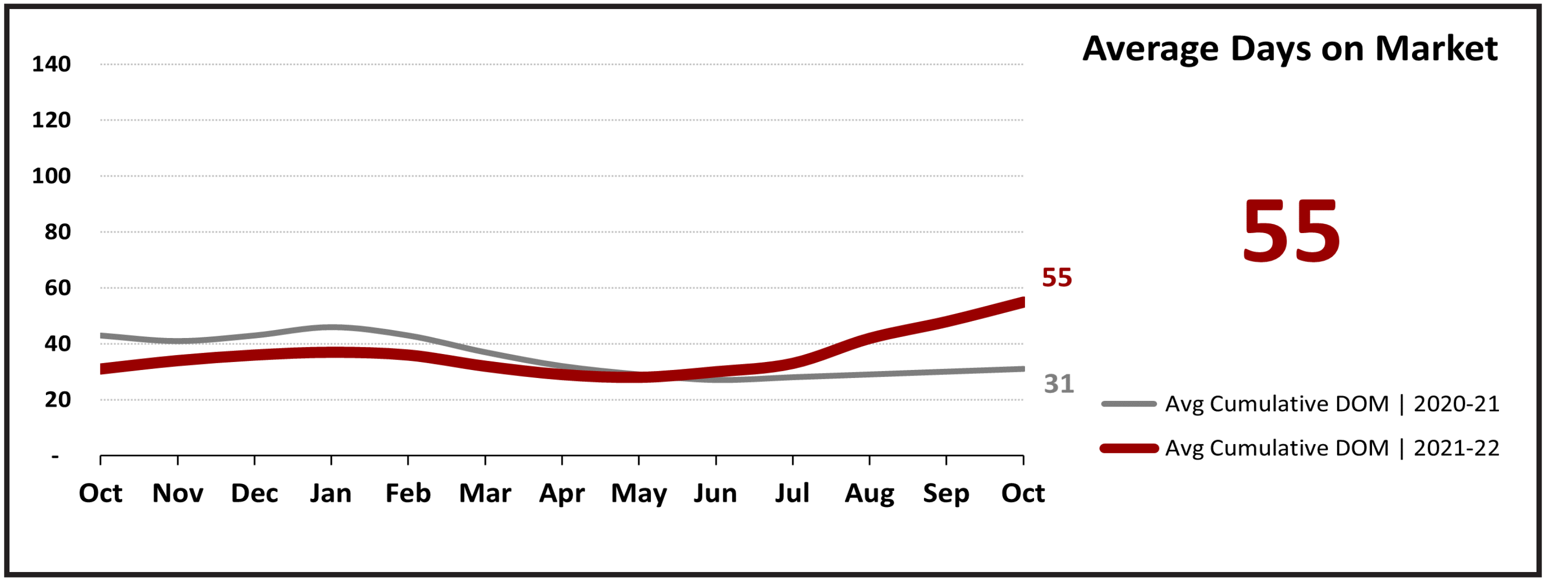
Snapshot of public records data on 10/31/22 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed a decrease of **-1.6%** while the year-over-year figure was up **+20.2%.**



Distressed sales accounted for **0.1%** of total sales, down from the previous month of 0.2%. Short sales decreased **-50.0%** year-over-year. Lender-owned sales decreased **-66.7%** year-over-year.

New MLS listings that were active for at least one day from 10/1/22 to 10/31/22, 0 day DOM sales removed



Days on market were up **+24 days** year-over-year while month-over-month was also up **+7 days.**

MLS sales prices for closed listings with a close of escrow date from 10/1/22 to 10/31/22, 0 day DOM sales removed

You can choose any of the following: an “optical illusion”, maybe a “mirage” since we live in the desert or, like the recent political advertisements, “deceptive”. Whichever wording you choose, October’s reported home prices are not as they appear. The prices of the past month’s closed sales do not reflect the contracts homebuyers are signing today, but instead reflect the signings in August and September. In October, ARMLS reported a median sales price of $438,000, a modest decline from September’s metric of $439,000. However, prices are falling much faster than these numbers suggest, as seller concessions mask the “actual” prices. Here are October’s key metrics as reported by ARMLS:

- Monthly Sales volume down 36.6% year over year.
- New Inventory down 18.6% year over year.
- Pending Sales down 45% year over year.
- Total Inventory up 96.6% year over year.
- Total Inventory up .9% month over month.

The Federal Government has been raising rates to slow inflation, with housing being a primary target. With the latest sharp increase, the 30-year fixed mortgage rate has surpassed 7%. This latest rate increase will be visible in November and December’s closings. Also, as the Federal Government slams on the brakes, buyers and sellers have shied away, translating into fewer new listings, fewer sales and lower prices. To explain our current market conditions and sentiment, let’s turn to Tina Tamboer of The Cromford Report as she splendidly unwraps this anomaly from both a buyer and sellers’ perspective, while also shining a light on seller concessions.

Tina's Take

One by one, most cities in greater Phoenix succumb to a buyer's market as 44% of October sales involved a seller-paid concession to the buyer.

For Buyers:

Greater Phoenix as a whole has been in a balanced market since August but is expected to glide into a buyer's market by mid-November. Buckeye, Maricopa, and Queen Creek entered a buyers' market in July. Surprise, Chandler, Gilbert, and Tempe followed in August. Goodyear, Peoria, and Avondale joined in September with Mesa and Goodyear falling in line by October. Phoenix is expected to succumb this month within a matter of days. The only holdouts remain in the Northeast Valley cities of Paradise Valley, Fountain Hills, Cave Creek, and Scottsdale. The 2022 peak of price was achieved in May, which was the result of contracts accepted in late March and April. Starting in June, sales prices revealed their decline in response to mortgage rate increases. At the end of October, the decline in average sales price per square foot since May was recorded at -9.1%, but still positive year-over-year at +5.7%. The largest declines happened between June and July at -4.5% and between August and September at –3.6%.

Mortgage rates have stabilized between 7.0-7.3% for the past 6 weeks, all of October and November-to-date, and continue to keep buyer demand low for now. This provides an opportunity for buyers as more sellers agree to contributing to closing costs and rate buy-downs. October sales saw 44% of sales involve a seller contribution to the buyer at closing, with a median contribution of $7,400. Closings in the first week of November showed a median contribution of $9,000.

The tricky thing is that these seller-paid concessions are not recorded with the sales price. It's common to see a buyer offer a higher price in exchange for closing cost assistance or a rate buy-down. This tactic can make the sales price measures appear to drop slower or even stabilize as the cost to the seller increases underneath that number on the settlement statement.

The flaw in waiting for the market to bottom out before purchasing is that no one knows they're buying at the bottom when they buy there. The bottom, or top, of the market does not become apparent until 3-4 months after the contracts were written. By the time most buyers figure out that the market hit rock bottom, they're too late to the party.

For Sellers:

While the environment has turned quickly away from a seller's market to an impending buyer's market, and the cost to sell has increased significantly for sellers, most are still walking away from the closing table with a profit. While most reports are focused on short-term price drops since May, or smaller year-over-year appreciation rates, appreciation rates for homeowners who have owned their home for at least 2 years are still impressive. Approximately 65% of MLS listings, excluding new construction, have been owned for 2 years or more. Appreciation rates based on sales price per square foot through the MLS are: 2 years: +33.6%, 3 years: +59.9%, 4 years: +68.1%, 5 years: +84.8%.

BY TOM RUFF

Fewer sellers are opting to sell in this market. Since the tipping point in June, weekly accepted contracts have fallen 36%, counterbalanced with a 34% decline in weekly new listings. Historically, October typically adds about 10,000 new listings to supply, but this October was the lowest recorded at just 7,334 new actives plus 188 in Coming Soon status, a record low for the month. This has caused supply to stagnate over the past 4 weeks and is a small relief for existing sellers. When supply self-regulates in response to lower demand, it puts less downward pressure on price. Not to say prices will not decline, they will, but it would be worse if supply were also rising. Contracts written in November and December will close in January and February next year. As Greater Phoenix glides into a buyer's market this month, year-over-year appreciation rates are likely to turn negative in 2023.

Generally speaking, neither sellers nor buyers prefer to engage in real estate during times of uncertainty. Dramatic fluctuations in mortgage rates combined with insecurities surrounding inflation and unemployment have pressed pause on housing decisions for many sellers and buyers alike, for now. If mortgage rates drop, they'll get off the fence.

Elsewhere in the News

On Oct. 28, Twitter confirmed the completion of Elon Musk's $44 billion acquisition deal. In observance, I'm going to pretend to tweet the remainder of this report, as I have no idea how to actually tweet.

#stickershock
For the first three months of 2022, ARMLS reported gains in the year-over-year median sales price, approximating 28.5%. Note to the Federal Government: When November's sales are reported, the extraordinary gains in the first quarter will have turned negative. We are forecasting a 1.18% decline in the year-over-year median sales price in November, with further deterioration expected in December.

#Newly-built
Jim Daniels of RL Brown reports the October permit count as 1,032: this includes 785 homes and an additional 247 build-to-rents. The October 2021 permit count was 2,044. October's public records data showed newly built homes accounting for nearly one in four of all homes sold. Newly built homes have been taking up a growing portion of the overall housing supply.

#anotheribuyercallsitquits
RedfinNow has left the I-buying space. In October, I-buyers accounted for 280 home sales in Maricopa County (4.5% of all homes sold) and for 105 home purchases (1.7% of all homes purchased).

#institutionalized
Institutional investors purchased 288 homes in Maricopa County in October, accounting for 4.6% of all home purchases.

#youhaveourattention
Introduced in House (10/28/2022)
Stop Wall Street Landlords Act of 2022

This bill denies certain tax and other benefits to large investors whose assets exceed $100 million in a taxable year for investment in single-family housing (i.e., real property including at least one dwelling unit and not more than four units). It denies such investors a tax deduction for interest paid on a single-family home mortgage, for insuring such homes, and for the depreciation of such homes.

The bill imposes an excise tax on the sale or transfer of a single-family home by a large investor equal to the price of such home. It allows a tax credit for home sellers equal to the lesser of either the excess of reasonable development costs paid over the sale price, or 35% of the lesser of eligible development costs paid by the taxpayer, or 80% of the national median sale price for homes.

The bill prohibits large investors from obtaining certain federal mortgage assistance.

#overlysensitive
"As the housing market adjusts to rapidly tightening monetary policy, mortgage rates again surpassed seven percent," said Sam Khater, Freddie Mac's Chief Economist. *"The housing market is the most interest-rate sensitive segment of the economy, and the impact rates have on homebuyers continues to evolve. Home sales have declined significantly and, as we approach year-end, they are not expected to improve."*

#itain'tovertilit'sover
"Mortgage rates continue to hover around seven percent, as the dynamics of a once-hot housing market have faded considerably," said Sam Khater, Freddie Mac's Chief Economist. *"Unsure buyers navigating an unpredictable landscape keeps demand declining while other potential buyers remain sidelined from an affordability standpoint. Yesterday's interest rate hike by the Federal Reserve will certainly inject additional lead into the heels of the housing market."*

#justthewayitis
We are seeing a significant year-over-year decline in the housing market with fewer sales and more cancellations. We are also beginning to see a greater impact on home prices. Even with a sharp decline in new listings, inventory is still increasing. Sellers may have a pending contract in hand but can expect further negotiations and additional concessions.

#universaltruth
When deciding whether or not to buy a home, you need to think about both today and the years ahead. If you like the home, and you can see yourself living there for several years, it will become a sound financial decision. Equally, only buy what you can afford. STICK TO YOUR BUDGET.

#goodoledays
"Unsurprisingly, at a time when mortgage rates are up more than 400 basis points from a year ago, with more than half of that increase coming in the last 14 weeks, home shoppers are reevaluating their options, which have changed dramatically," said Realtor.com Chief Economist Danielle Hale. *"The monthly mortgage cost of buying a typical for-sale home at today's rate with a 10% down payment is up more than $1,140 compared to last year, and up more than $475 from early August, when rates briefly dipped below 5% (4.99%)".*

#thesurveyedhavespoken
Consumer confidence has waned as persistently high home prices and unfavorable mortgage rates weigh heavily on consumers' housing affordability concerns. In Fannie Mae's most recent Home Purchase Sentiment Index (HPSI), five of the six major components decreased in October 2022, bringing the Index to 56.7, down 4.1 points from September 2022, to the lowest level seen in the Index's 11-year history. Just 16% of survey respondents indicated that "*Now is a good time to buy a home,*" while the percentage who now believe "*Now is a good time to sell a home,"* decreased from 59% to 51%.

COMMENTARY

BY TOM RUFF

#Volatile

The following [graph from MortgageNewsDaily.com] shows mortgage rates over the last 12 months. Thirty-year mortgage rates were at 6.62% on Nov. 10, down from over 7% for most of October.

#morebuckbutlessbang

LendingTree analyzed U.S. Census Bureau American Community Survey data

Idaho, Utah and Arizona are the states where home values increased the most relative to incomes. While incomes increased by more than the national average in Idaho and Arizona, home values increased by 35.73 and 20.14 percentage points more in each state. In Utah, where income growth was less robust than the national average, home values increased by 22.83 percentage points, more than the state's median household income.

No. 3: Arizona

- Percentage growth in median household income from 2019 through 2021: **11.28%**
- Percentage growth in median home value from 2019 through 2021: **31.42%**
- Percentage point difference between home value and income growth: **20.14**

#affordabilitychallenges
Homebuyers must now earn $107,281 to afford the $2,682 monthly mortgage payment on the typical U.S. home, up 45.6% from $73,668 a year ago, according to a new report from Redfin. That's largely due to mortgage rates that have more than doubled over the last 12 months, combined with persistently high home prices.

From February 2020 to October 2022, the monthly payment for an American family buying a median-priced home increased by roughly 70%. Affordability challenges are a major reason why home sales have slowed so dramatically over the last few months.

#dousingthecampfire
Taylor Marr, Redfin's Chief Deputy economist, continued, *"If last year's housing market was as overheated as Chair Powell stated on Wednesday, then record growth in rates was like a bucket of water poured on the flames to bring it into balance. It may take some time for the smoke to clear to see where things stand next year."*

#conclusion

The 30-year fixed interest rates at the beginning of each month this year were: January at 3.22, February at 3.55, March at 3.89, April at 4.67, May at 5.10, June at 5.10, July at 5.70, August at 5.30, September at 5.66, October at 6.66 and November at 7.08. Remember, it takes a month and a half to two months before the rate changes are reflected in our closing data. Repeating what I tweeted earlier: *"For the first three months of 2022, ARMLS reported gains in the year-over-year median sales price approximating 28.5%. Note to the Federal Government: When November's sales are reported, the extraordinary gains in the first quarter will have turned negative. We are forecasting a 1.18% decline in the year-over-year median sales price in November, with further deterioration expected in December."*

ARMLS Pending Price Index (PPI)

Last month, STAT's mathematical model projected the median sales price for October at $438,500. The actual amount was $438,000. Looking ahead to November, the ARMLS Pending Price Index is projecting a median sales price of $419,000. If November's median sales price projection is correct, we will see a significant month-over-month decline, leaving the median sales price down 4.34% month over month and down 11.79% from May's record high of $475,000. Last year's median sales price for November was $424,000. We believe when this year's numbers are reported, the median sales price will have declined 1.18%.

We began November with 4,079 pending contracts, 1,825 UCB listings and 308 CCBS, giving us a total of 6,212 residential listings practically under contract. This compares to 11,285 of the same type of listings one year ago. At the beginning of November, the "pending" contracts were 44.96% lower than last year. There were 19 business days in November of 2021 and 19 this year. ARMLS reported 8,573 sales in November of 2021. The highest sales volume ever in November occurred in 2020 with 8,886. When November'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 45% and 50% year over year.