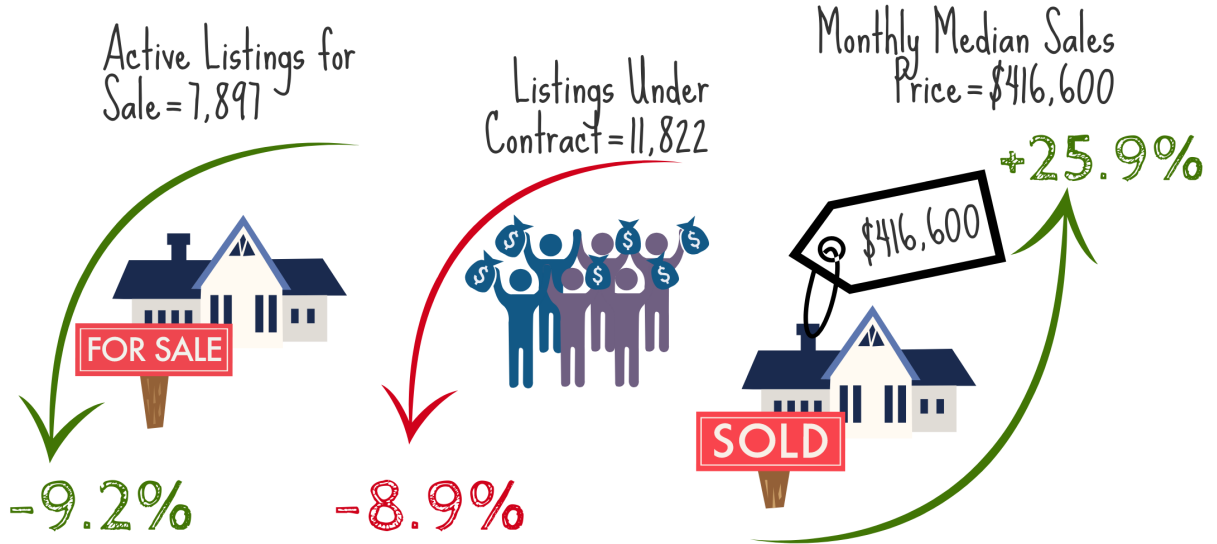


PHOENIX METRO

RESIDENTIAL REAL ESTATE

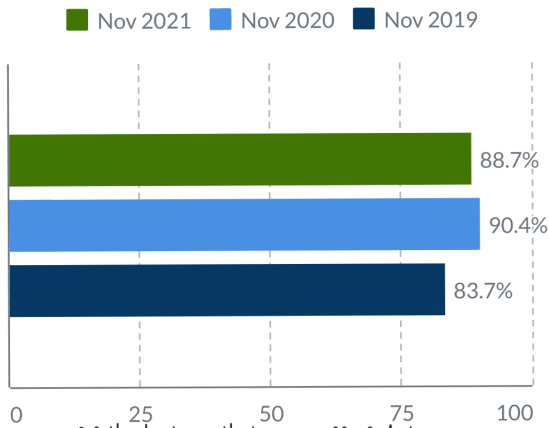
Annual Changes from November 7th, 2020 to November 7th, 2021



CLOSED SALES
 Total Monthly Sales = 9,334

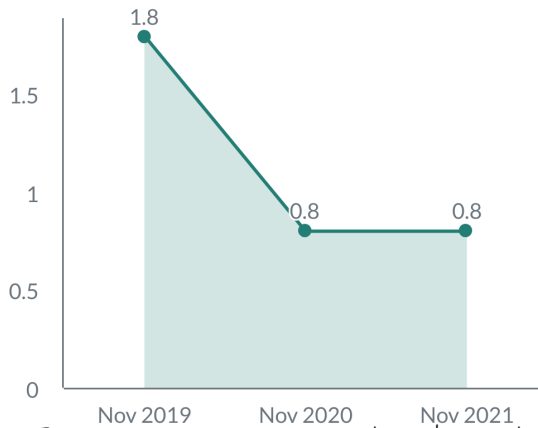


LISTING SUCCESS RATE



Of the Listings that came off of Active or Pending Status, 88.7% successfully closed escrow while 11.3% cancelled or expired.

MONTHS OF SUPPLY



If no new listings were to come on the market, at the current monthly rate of sales, inventory would run out in 0.8 months.

Encompassing the Arizona Regional MLS area, which includes Maricopa County, Pinal County and a small part of Yavapai County

2022 Housing Predictions: Who to Believe?

Median Price Currently Rising 1% per Month on Average

For Buyers:

'Tis the season for 2022 projections in the housing market and, as expected, there are conflicting opinions among national housing analysts. Zillow and Goldman Sachs predict home values will rise nationally 14-16% between now and the end of 2022. CoreLogic released their prediction that home values will only rise 1.9% next year, citing a concern with rising interest rates. Then there's Zelman and Associates warning that investors are over-building and over-buying as household formation and population growth are weak, challenging the notion of a housing shortage.

Who do we believe? Zillow recently pulled out of the business of buying homes after realizing their algorithm was failing to accurately value homes under current market conditions. CoreLogic's prediction last year, that home values would drop 6.6% by May 2021, was a gross misfire as values soared instead. While Zelman is waiving a caution flag, the organization is stopping short of issuing a price prediction for next year.

In the meantime, prices in Greater Phoenix continue to rise. Prior to 2020, the median had been rising at 0.6%-0.8% per month on average (7-10% per year) which was in response to a milder seller market. In the 2020-2021 extreme seller market, that average rose to 1.3% per month in 2020 and 2.3% per month so far in 2021, with a peak in the Spring between 3-5% and 1% per month average since June.

Many local analysts agree the past rate of increase is indeed unsustainable. The payment for a 1,500-2,000 sqft home has risen 33%, or \$500/month since last November, and the median rent on the MLS for the same sized home increased \$372/month. At the rate prices have been increasing for the past 2 years, returning to a mere 7-10% annually would be considered a massive relief for buyers.

For Sellers:

While the caution flags are waving for a softer housing market next year, there are a number of positive indicators in Greater Phoenix that may keep our market appreciating, albeit slower. While interest rates, affordability, sluggish population growth and household formation are valid reasons for concern, here are a few counter-indicators to consider:

- Lending practices have loosened up with the new \$625,000 loan limit and more consideration of self-employed borrowers
- Arizona is ranked in the top 10 states for population growth and household formation over the past decade due primarily to domestic migration
- Per the Arizona Department of Economic Opportunity's October Employment Report:
 - Jobs and the labor force have completely recovered from last year's pandemic losses
 - Unemployment claims have fallen to pre-pandemic levels
 - W-2 Incomes have continued to rise and are up 3.4% YOY

While the market is expected to downshift sometime next year, the local economy and current supply and demand indicators for Greater Phoenix still point to strong price appreciation for at least 3-6 months.

*Commentary written by Tina Tamboer, Senior Housing Analyst with The Cromford Report
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