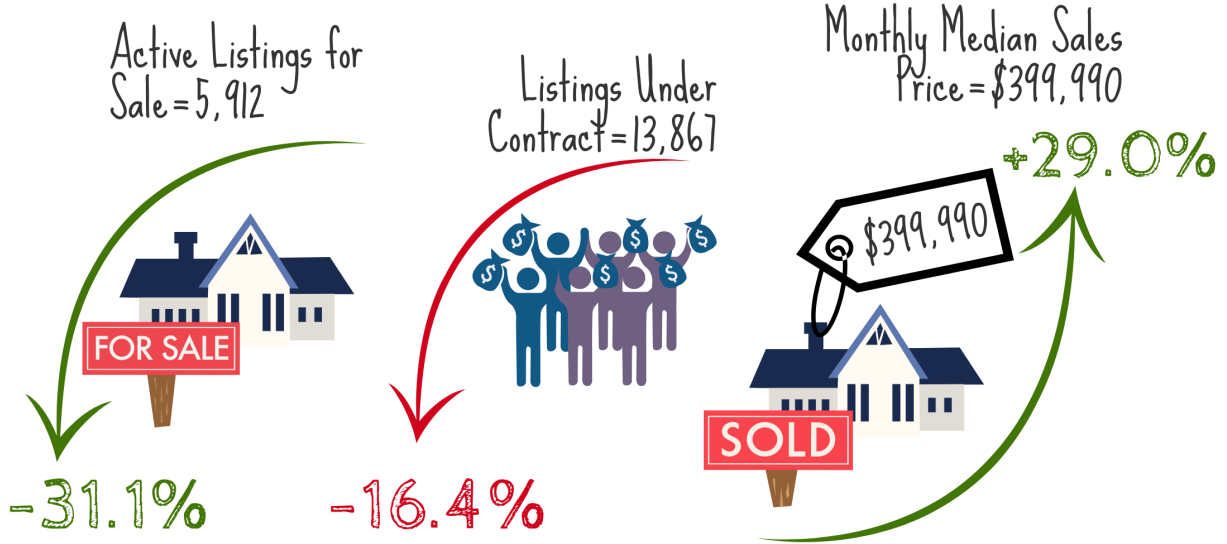


# PHOENIX METRO

## RESIDENTIAL REAL ESTATE

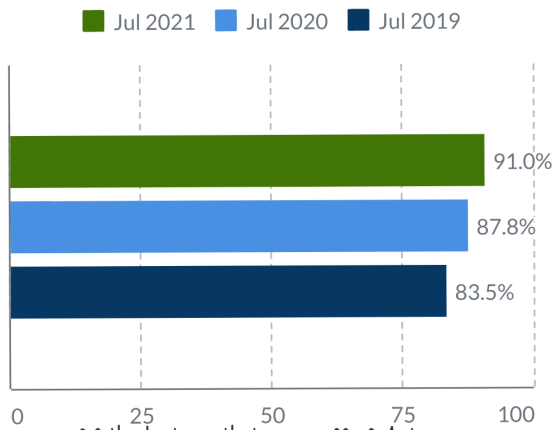
Annual Changes from July 8th, 2020 to July 8th, 2021



CLOSED SALES  
 Total Monthly Sales = 9,499

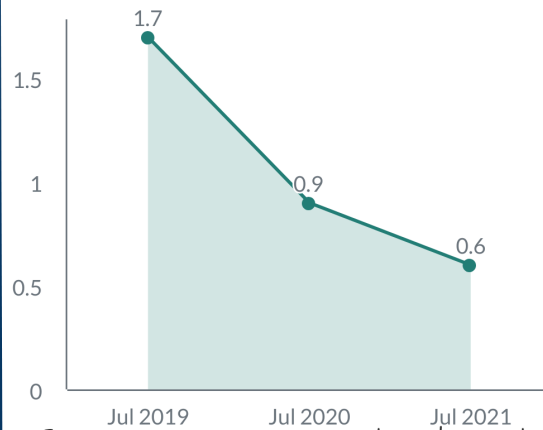


### LISTING SUCCESS RATE



Of the Listings that came off of Active or Pending Status, 91.0% successfully closed escrow while 9.0% 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 0.6 months.

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

# What's Ahead for Sellers as Demand Weakens

## Median Sales Price Up 29%, Fewer Contracts

### For Buyers:

Buyers with budgets over \$300,000 may be noticing that they have more listings to choose from compared to a few months ago. This is especially true in the price points between \$400,000 and \$800,000 where inventory has grown 92% since February. When a buyer has, for example, 4 or 5 homes available that meet their criteria instead of just one, they are less inclined to throw all of their ammunition into one home in order to win it. They may still offer full price or more, but may not be under as much pressure to waive contingencies and shorten inspection periods.

As this subtle change proliferates with more inventory, the buyer experience will become less stressful. As the median sale price continues to rise, affordability is something to pay attention to. Not what's affordable to you necessarily, especially if you're out of state, but what percentage of the local population can afford your home if you need to sell right away or sometime in the future. A family making the median income in Greater Phoenix could afford 63% of what sold in the 1st quarter of 2021. That was within the normal range of 60-75%, indicating a good time to buy or sell. While we wait until August for the 2nd quarter measures to be released, we expect the new measure to land around 57%, slightly below normal. This does not indicate that the market will plunge into a buyer market causing prices to decline, but it does indicate a reason to expect prices to rise much slower going forward.

### For Sellers:

The Greater Phoenix housing market continues to shift from an extreme seller market into a less extreme seller market. As prices continue to rise, more new sellers are motivated to put their home on the market and fewer buyers are able or willing to pay the higher price. Over the next 5 months, give or take, the market is expected to move into a weaker seller market, driven in part by dwindling affordability and buyer fatigue.

The first half of 2021 has been so insane with contingency waivers and exorbitant offers over asking price that many sellers may not know what a normal seller market looks like. Here are a few things to expect:

- Sales price appreciation will not average 3.1% per month. April 2021 saw prices appreciate 5.1% within 4 weeks. May was 2.3%. June was 1.1%. From 2015-2019, a long-term seller market but much weaker than today, prices appreciated at an average of 0.5% per month with a range between 0.3% and 0.8%.
- There will be more list price reductions. It's important to remember that the sales price is the LAST thing to respond in a shifting market. One of the first things to respond is a list price, in the form of a price reduction. When a seller overshoots what the market can bear, they will get the silent treatment in the form of zero offers. That triggers a price reduction by the seller. Weekly price reductions have risen 112% since mid-February from 317 in a week to 672. In a weaker seller market, expect between 1,500-2,000 price reductions every week.
- Sellers will get their price, but pay more in concessions. If a seller prices their home high in anticipation of excess demand but only gets one offer instead of multiple offers, they are more likely to accept home warranties, do repairs and offer concessions. Currently the percentage of sales involving concessions is very low at 4%, up from 2.7% the week prior. In 2019, a good seller market, 25% of closed sales involved seller concessions.

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

*©2021 Cromford Associates LLC and Tamboer Consulting LLC*