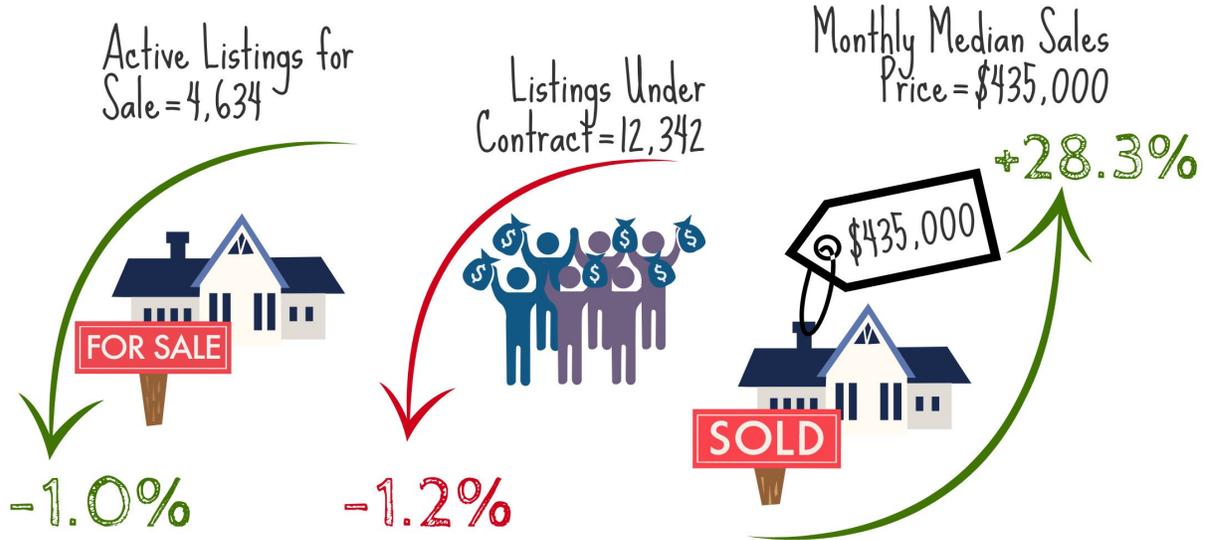


# PHOENIX METRO

## RESIDENTIAL REAL ESTATE

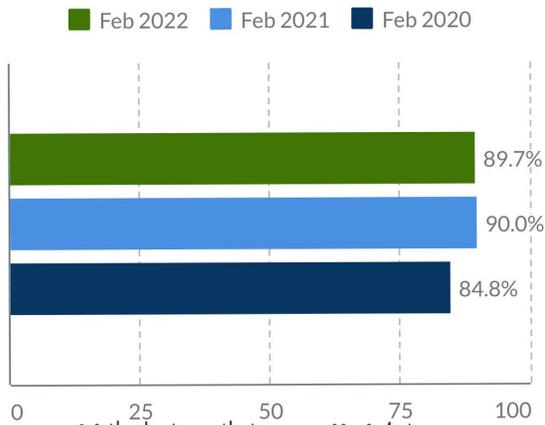
Annual Changes from February 9th, 2021 to February 9th, 2022



CLOSED SALES  
 Total Monthly Sales = 7,137

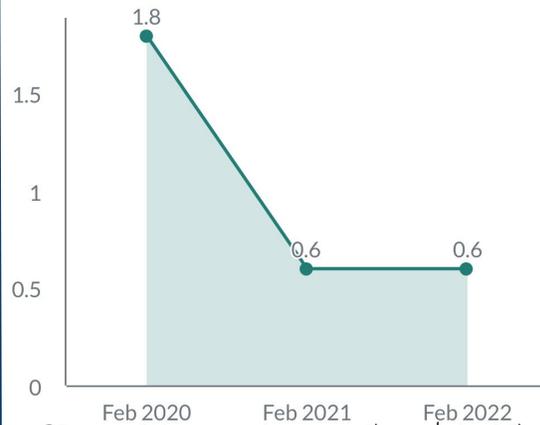


### LISTING SUCCESS RATE



Of the Listings that came off of Active or Pending Status, 89.7% successfully closed escrow while 10.3% 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 0.6 months.

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

# Housing Market is Just as Tough for Buyers over \$1M

## Median Sale Price up 2.4% Over Last Month

### For Buyers:

Affordability has been dominating the headlines as of late, however few have been documenting the plight of buyers in the luxury market over \$1M. Typically, the higher in price one can go, the more they'd expect to see less buyer competition, more choice and more negotiating advantage. Not so.

In more expensive areas such as the Central Phoenix/Camelback Corridor, Paradise Valley, Scottsdale, Fountain Hills and Carefree/Cave Creek, supply of homes is still not sufficient for the demand. This is true even for buyers with budgets from \$1M to \$3M where 31% of sales close over asking price and many buyers need to prepare to offer \$50,000 or more over market value.

In Paradise Valley, on February 5th there were 85 active listings in the Arizona Regional MLS and 85 in escrow. From 2015-2019, supply ranged from 370-450 active listings in February and 53-93 under contract. So while demand is within range, the fact that there are so few properties to choose from means that competition remains tight. The median time prior to an accepted contract was 13 days and prices rose 34% in the past year; impressive for a city where the median sale price is currently \$2.79M.

In the Central/Camelback Corridor of Phoenix, typically there would be 140-200 active listings over \$1M and 19-52 under contract. However, on February 5<sup>th</sup> there were only 55 active and a whopping 88 under contract. The median time on the market prior to contract was 10 days and property values have risen 28% per square foot since last year.

Similar stories can be heard throughout the luxury market. Scottsdale would typically see 800-1,000 listings over \$1M with 80-240 under contract in February. On February 5th there were 274 active and 365 under contract. Buyers have a median of 7 days before a listing over \$1M is under contract and 34% of sales closed over list price.

### For Sellers:

The median sales price went up another 2.4% over the past month, which is impressive considering the average mortgage rate increased from 3.11% in December to 3.55% by the end of January, according to Freddie Mac. Buyers who have been waiting for prices to stop accelerating, possibly even flatten out or decline, have been disappointed for at least 18 months in a row as home values appear to defy the affordability limits of the population. Despite prices continuing to rise, there is still an expectation that rising interest rates will eventually influence demand, and thus prices, sometime this year.

Frankly, that's not an unreasonable expectation under normal circumstances. However, the housing market is far from normal right now. Over the course of 30 days, demand has gone from 23% above normal to 19% above normal, so there has been some shifting in demand that can be attributed to mortgage rates and their effect on affordability. But demand is still very high, and supply moved from 72% below normal to 75% below normal during the same time frame. This drop in supply mitigated any relief the drop in demand would have had on rising prices.

When the total number of homes in an area is insufficient for the number of people living there, the interest rate has less impact on rising home values. There are fewer homes for sellers to move to, so they choose not to place their home on the market at all. Even if demand falls due to mortgage rate increases, if it remains above normal while supply remains below normal then property values will continue to rise.

Unless the supply of MLS homes for sale achieves a range of 16,000-24,000 listings, prices will continue to rise before demand drops low enough to stop them.

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