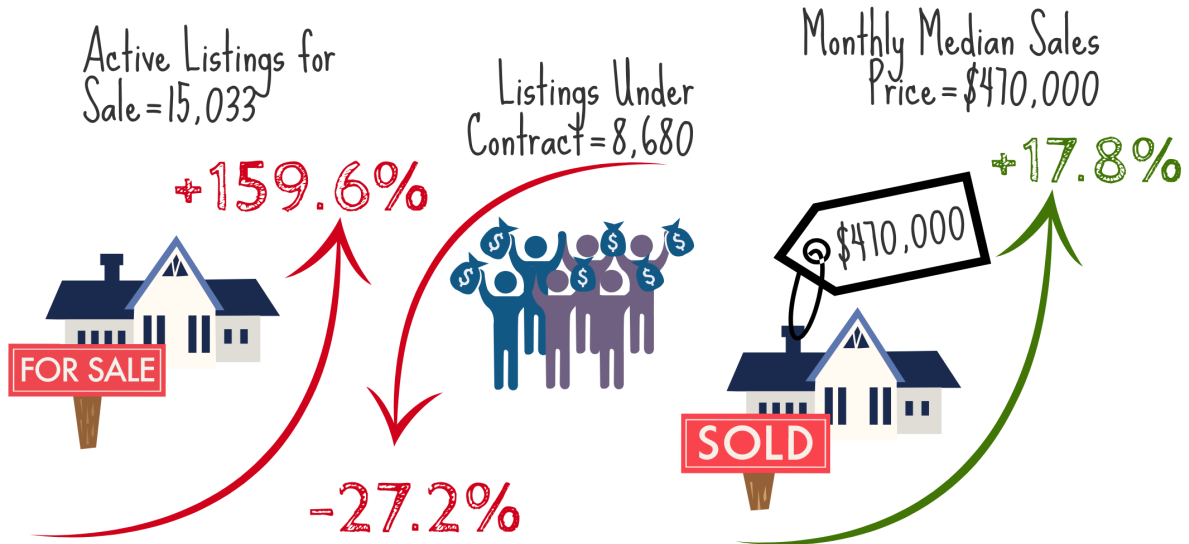


PHOENIX METRO

RESIDENTIAL REAL ESTATE

Annual Changes from July 7th, 2021 to July 7th, 2022



CLOSED SALES
Total Monthly Sales = 7,473

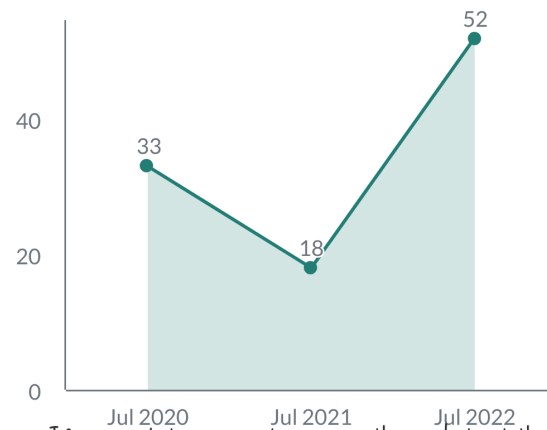


MEDIAN DAYS BEFORE ACCEPTED CONTRACT

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

50% of listings that went under contract last week had been active for 14 days or less

DAYS OF SUPPLY



If no new listings were to come on the market, at the current annual rate of sales, inventory would run out in 52 days.

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

Seller Market is Officially Over! Here's What to Expect.

How Some Sellers Are Winning Against Interest Rates

For Buyers:

Welcome to a balanced market*, how quickly the tables have turned! While seller markets are ideal for the not-so-perfect home, balanced markets are ideal for the not-so-perfect buyer. This means that buyers who have been recently rejected due to lower down payments, non-conventional financing, or need for closing cost assistance will find sellers are now willing to work with them in this new environment. Supply across all price points is up, with 53% of active listings added by new home developers and investors. Builders especially are dropping prices and offering unique buyer incentives to compete. Experts don't know how long this period will last as it depends on what interest rates do over the next few months, but home buying just became fun again.

For Sellers:

The proverbial "Dump Your Junk" season is over, that loving phrase the industry uses when demand is significantly higher than supply and even the smelliest dilapidated property gets multiple offers over asking price. That is no longer the case as of this writing. Get ready for longer marketing times, multiple price reductions, Realtor® tours, price opinions, staging, repairs, seller-paid closing costs and price negotiations. The extreme seller market is over.

It's no surprise that the market has been shifting since February, with the primary influence being large mortgage rate increases. However, over the past 6 weeks mortgage rates have been particularly volatile, fluctuating from 5.1% to 5.8% within 3 weeks only to drop to 5.3% over the next 2 weeks, and then back up to 5.8% a week later. History tells us that buyers do not like sharp, rapid fluctuations in mortgage rates. It causes buying activity to freeze until a level of stability and certainty can be achieved. This market is no different, contract activity has dropped 28% in the last 6 weeks. The number of listings under contract at this time of year should be around 10,000, putting today's count of 8,680 well below normal.

In the meantime, a 220% increase in supply over the past 15 weeks has put pressure on sellers to compete. With cash buyers offering significantly below list price recently, attention is back on traditional buyers, many of whom have been priced out of the market due to affordability. Price reductions have gone up 500% since March, but have done little to increase demand as mortgage rate increases offset their effect and continue to keep payments high.

But not all is lost! Cue the interest rate buydown, a seller concession tool that has been collecting dust, unneeded, for well over a decade. The reason price reductions have had little effect on affordability is a \$10,000 price reduction only saves a buyer \$53 on their mortgage payment at 5.8%. However, for a similar cost a seller can buy down a buyer's mortgage rate and save them \$100's on their monthly mortgage payment, either permanently or temporarily depending on the plan; thus putting their property at a higher competitive advantage than just a straight up price reduction.

Price reduction vs. rate buydown options:

Median Price \$475,000, 10% Down 5.8%*	Full Price No Concessions	Price Reduction	Permanent Buydown to 4.8%*	2/1 Buydown to 3.8% for 1st year then 4.8% for 2nd Year*
Estimated Cost to Seller	\$0	\$15,000	\$12,825**	\$9,405***
Estimated P&I Payment	\$2,508	\$2,429	\$2,243	\$1,992
Monthly Savings to Buyer	\$0	\$79	\$265	\$514
*Conditions apply. Talk to a lender.			**Approx. 3% of loan	***Approx. 2.2% of loan

**The market is considered in balance when the contract ratio is between 30-60. Calculated by dividing what's under contract (8,680) by what's active (15,033) and multiplying by 100, the contract ratio as of July 7th, 2022 is 58.*

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