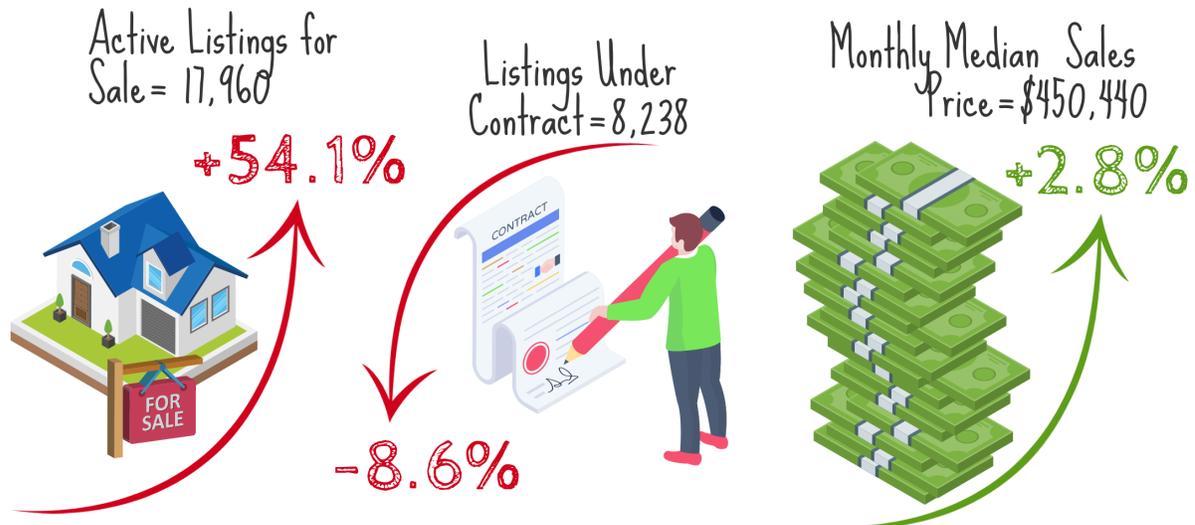


PHOENIX METRO

RESIDENTIAL REAL ESTATE

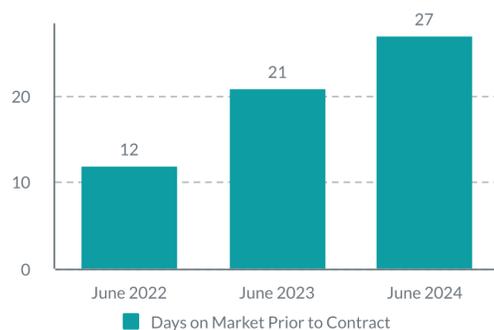
Annual Changes from June 8, 2023 to June 8, 2024



CLOSED SALES
Total Monthly Sales = 7,255

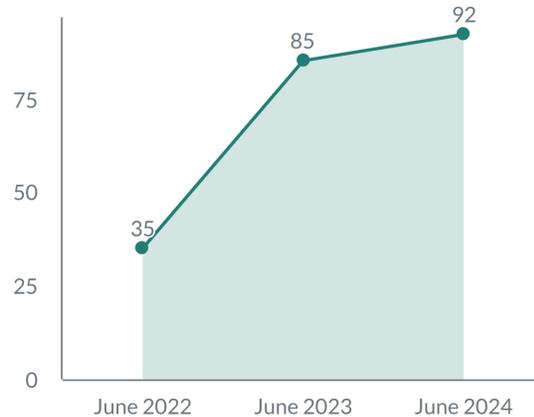


MEDIAN DAYS BEFORE ACCEPTED CONTRACT



50% of listings that went under contract last week had been active for 27 days or more and 50% had been active for 27 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 92 days.

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

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Price Negotiations and Concessions are Hot and Heavy this June

Will Rates Decline this Summer?

For Buyers:

It's feeling a bit like the movie "Groundhog Day" in the Greater Phoenix housing market as we relive the same scenario over and over. The Federal Reserve met this month and once again opted not to reduce the Federal Funds Rate, keeping it steady now for 12 months in a row. On the same day, the Consumer Price Index was released showing the annual inflation rate declined to 3.3%. The combination resulted in conventional mortgage rates dropping from an average of 7.16% to 6.98% in one day. This was expected, however the Federal Reserve board announced they anticipate one rate cut this year, possibly in September. That could mean a mortgage rate drop in late summer, if we dare hope.

While the drop is positive for buyers, rates are still too high to expect a major boost in demand at this stage. Sluggish demand combined with supply that's 54% higher than last year is creating an environment for buyers that hasn't been this accommodating in 10 years. Price negotiations are ramping up, but they look different depending on the price range.

On paper, price negotiations in the mid-range between \$300,000-\$500,000 look similar to last year, landing around 98.7% of asking price, down from 99.0%. This equates to a closing price about \$5,200 lower on a \$400,000 home compared to \$4,000 lower last year. What's not reported in the media is the rising percentage and cost of seller incentives to the buyer. In this price point, the majority of buyers are sensitive to their monthly cash flow more than the final sales price. Therefore, 55% of sales are closing with seller incentives to supplement buyers' payments temporarily, compared to 49% last June. The median incentive to the buyer is currently \$9,400, up \$1,200 from last year's median of \$8,200. Combined, buyers are receiving approximately \$14,600 (an extra \$2,400) in both price negotiations and closing cost assistance, putting the true ratio of sale price to list price at approximately 96.4% for our \$400,000 sale.

Buyers over \$1M are less influenced by mortgage rates and concessions and prefer to negotiate the price directly. Price negotiations so far this June are closing at 94.9% of list, down from 96.4% of list last year and 96.1% last month. On a \$1M purchase, that equates to an average \$51,000 negotiated price reduction, up from \$36,000.

For Sellers:

While the industry hopes for lower mortgage rates in the latter half of 2024, active sellers can only address where the market stands presently, which is a challenge. Supply has been rising all year long, but has slowed its roll over the past 3 weeks. Seasonally, supply fluctuations level out in the summer before picking up again around late September and early October. The increase in competition for sellers has resulted in 12 Greater Phoenix cities in less populated outer cities sinking into a balanced or buyer's market over the course of 2 months, while 13 out of 17 seller's market cities in the densely populated interior weakened.

Not-so-perfect listings, those that appear to have delayed maintenance issues, need excessive repairs, or simply don't show well, have the most trouble in these environments. With so many other homes to choose from, these homes may not even get a showing in many area cities regardless of their attractive list prices.

Even perfect listings may suffer from dashed expectations in this market. While these homes that smell like a Spring breeze, well maintained with updated finishes, will sell in any market, seller expectations for time on market and price may not be met. As the market shifts abruptly from Spring to Summer, the median marketing time prior to contract has grown from a historical standard of 3 weeks to 4 weeks and more than half of existing listings will experience at least one price reduction within that time frame. Sellers haven't seen a supply/demand ratio like this since about 2014-2015, so managing expectations and patience will be key to navigating a successful sale.

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