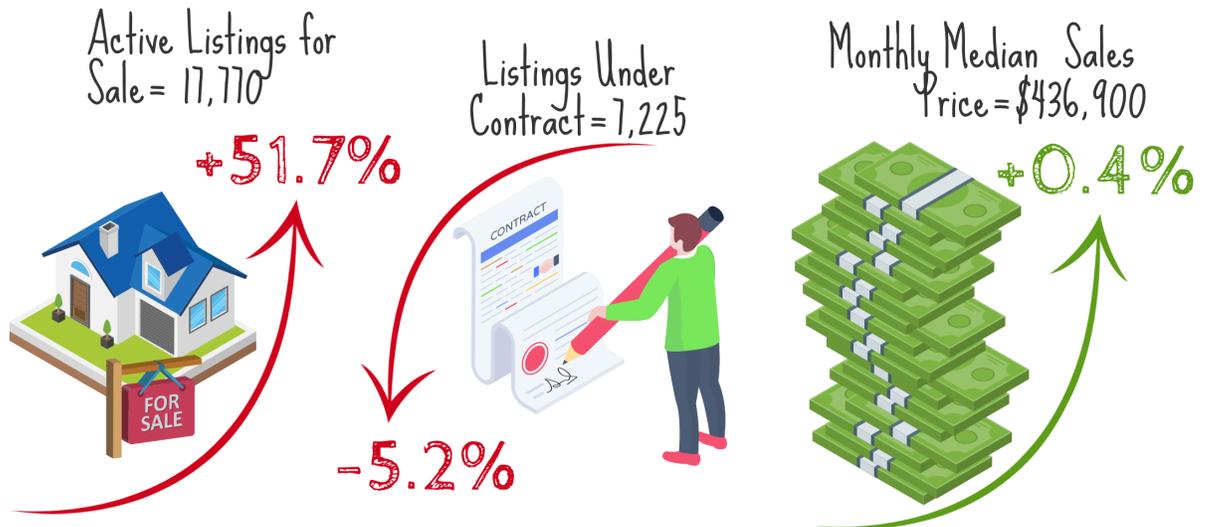


# PHOENIX METRO

## RESIDENTIAL REAL ESTATE

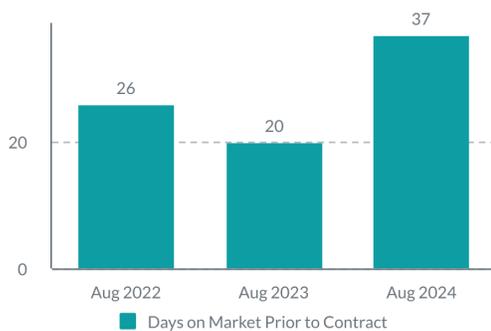
Annual Changes from August 12, 2023 to August 12, 2024



CLOSED SALES  
Total Monthly Sales = 5,759

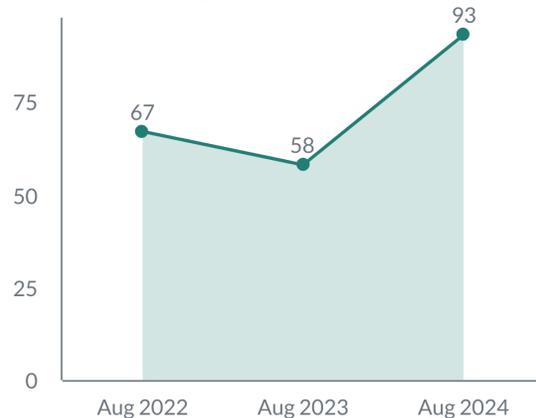


### MEDIAN DAYS BEFORE ACCEPTED CONTRACT



50% of listings that went under contract last week had been active for 37 days or more and 50% had been active for 37 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 93 days.

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

# Mortgage Rates Drop Again - Homes are 10% Off

## Record Share of Sellers Paying Buyers' Fees

### For Buyers:

On August 5th, everything went on sale in the housing industry. As discussed in last month's edition, multiple factors are pointing towards improvements in mortgage rates this year. Well, it happened faster than many were expecting at the beginning of August as average mortgage rates dropped abruptly to 6.3% before settling at 6.5%, a significant improvement from last April's average rate of 7.5%. The net result for buyers was a 10%-11% drop in the principal and interest payments regardless of loan amount. Loans between \$300K-\$400K saw calculated payments drop from \$200-\$270 per month, while those between \$450K-\$550K saw drops between \$300-\$370 per month.

The drop spurred an immediate 16% increase in refinance applications week over week, per the Mortgage Bankers Association, as homeowners who decided to buy and "date" their 7%-8% rate over the past year started thinking about a break up. Purchase applications also increased, but by just 1%. This is not unusual because when mortgage rates make big strides down, the first response by buyers is to wait and see if they decline further. Once rates stabilize under 6.5% for a little while, more demand may materialize.

In the meantime, a record share of sellers are paying for their buyers' closing fees. So far in August, 55% of sellers agreed to concessions, with half of them paying out \$9,800 or more. Even as mortgage rates decline, tools such as the 2/1 buydown are still the norm. Temporary 2/1 buydowns are contributions by the seller used to supplement 10%-20% of the buyer's payments for 2 years. They typically cost around 2.3% of the loan amount.

On a \$400,000 loan, the rate change of 7.5% to 6.5% from April to August drops the monthly principal and interest payment from \$2,797 to \$2,528, saving a buyer \$269 per month. Combined with a 2/1 buydown courtesy of the seller, the buyer pays the equivalent of 4.5%, instead of 5.5%, for the first year, dropping the PI payment to \$2,027, saving an additional \$501 per month. That's a total of \$770 in monthly savings to the buyer as a result of the recent rate change this month and more than half of sales with seller-paid incentives.

### For Sellers:

As mortgage rates hopefully continue to improve gradually with emerging economic data, sellers will still need to drum up all of their available patience when listing their home. Buyers don't move nearly as fast as the stock market does when the Federal Reserve speaks or employment reports are released. While all eyeballs are on the demand line to see if it moves higher, buyers still have to fill out applications, submit paperwork, and get moving. Meanwhile, half of sellers who accepted contracts so far this month were on the market for 37 days or longer before they tasted success.

The good news is that the demand index, seasonally adjusted, has stopped declining since the rate drop and there's little movement towards a buyer's market at this time. Greater Phoenix remains in a balanced state. The bad news is prices are stagnate, rising only 1.9% from this time last year. While it's tempting to test and push the market to achieve the highest price possible, the consequence for that strategy could be longer time on the market and multiple price cuts, which are up 67% compared to last year.

Managing expectations is key to a positive selling experience. Balanced market conditions cannot meet the high seller expectations of a seller's market. Listings typically require more work and a solid strategy, even if they're in perfect condition. At a time when real estate professionals are experiencing intense scrutiny and change, this is the market where they are needed the most.

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