

Frenzy Is Back - 23% of Sales Close Over Asking Price

Luxury Rebound - Contracts Over \$500K Up 159%

For Buyers:

Greater Phoenix is officially back to a frenzy market with more properties under contract than what's available for sale. Over the past 4 weeks the number of contracts accepted weekly has jumped another 20% since last month's report, bringing the total recovery since April 5th to 68% and 2.5% higher than it was in late February; before the stock market crashed and the stay home orders were imposed due to COVID-19.

The most frenzied areas are those with average sale prices between \$200K-\$400K. That includes just about all of Southeast Valley and West Valley, North and South Phoenix. At last count, there were 2,061 properties for sale between \$200K-\$300K and 4,333 under contract already. Between \$300K-\$400K, there were 2,006 available for sale and 3,017 under contract (24% higher than this time last year).

While all price ranges have rebounded in contract activity, May saw the largest comeback between \$500K-\$1M where the number of accepted contracts soared 167% from a low of 148 contracts the first week of April to 395 the first week of June. That's 58% higher than last year's count in the same week of 250 contracts. Even more dramatic, contracts over \$1M are now up 85% compared to this week last year.

The result for buyers is an inventory that's back to a pre-pandemic low. In our March update, inventory was at a historic low of 11,087 listings before vacation rentals began flooding the market for sale. Inventory rose 35% over the course of 4-5 weeks and peaked in mid-April. Since then, inventory has consistently dropped week over week and now lies at 11,232; just 145 more listings than before this whole situation began.

Low interest rates and positive affordability indicators continue to fuel demand and cause prices to rise. The big question buyers ask, "Is it still a good time to buy?". The answer is yes, for now. Affordability is still within normal range, which is a good reason as to why there's so much demand. However if affordability drops below the normal range for those making the median family income, then the market will begin to cool. We are not there yet. It's best to get in while it's affordable.

For Sellers:

Not surprisingly, there is an increasing percentage of closings over asking price. 23% of all closings so far in June have recorded over asking price, up from 17% recorded in January and 19% recorded in February. That percentage increases to 38% for closings between \$200K-\$250K and 27% between \$250K-\$300K. It's not uncommon for sellers to experience multiple offers, escalation clauses and appraisal waivers in today's environment. In fact, there have been reports of 70 competing offers or more on homes under \$300K.

Sellers who have been on the fence about listing their home lately should seriously consider it now and take advantage while the market is hot. This spurt in buyer activity may peak very soon and then fall into the typical seasonal decline the Greater Phoenix market experiences every year from July to December. Pent up demand from the pandemic is now being released, but there's no guarantee that it will continue at this level for long. If you planned to sell your home this year, now is the time to list it.

*Commentary written by Tina Tamboer, Senior Housing Analyst with The Cromford Report
©2020 Cromford Associates LLC and Tamboer Consulting LLC*