



## Wow! 17% Spike in Contracts over \$600K in August

### 34% of Homes Closed Over Asking Price

#### For Buyers:

The first few weeks of August saw a surprising 17% spike in listings under contract over \$600K. This is highly unusual as typically contract activity declines in the 2nd half of the year, especially on the high end; but this is the year 2020 and it's been full of surprises. What is causing this spike in buyer demand in the luxury market? Luxury sales are partially influenced by stock market performance and corporate profits. August was a good month for the stock market, but the 2nd quarter was not good for corporate profits at all. In fact, they fell to levels we haven't seen in a decade. The answer may lie in what's been dubbed "wealth flight". Some states like California are considering increases in income taxes, corporate taxes and a new "wealth tax" in the wake of the pandemic. As a result, the threat of new taxes on already hurting balance sheets is enough for companies and their employees to make the decision to move. This, coupled with the work-from-home movement, is fueling demand in Metro Phoenix where taxes and the cost of housing are comparatively more affordable than other cities.

For buyers waiting for prices to decline, there is no indication of that happening soon despite apocalyptic predictions of another foreclosure wave; at least not while the Valley has a net increase in population moving to the area. A reasonable expectation over the next year is that prices will continue to rise sharply in the short-term, then possibly rise slower if affordability rates begin to suffer. The only beam of hope for buyers right now is a boost in new construction.

#### For Sellers:

For at least 12 years, builders have been reluctant to ramp up production of new housing supply to accommodate population growth; which is understandable considering they were burned severely when the housing market crashed in 2008. This reluctance has led the market to our current shortage of homes for sale and a frenzy of competition for existing resale homes. However, last July saw over 3,000 single family permits filed; the largest number filed in a month since March 2007. This should provide some much needed relief for buyers and some added competition for sellers in the coming months. While exciting, this increase in new home permits is not alarming. The biggest month recorded was July 2004 with 6,291 permits filed.

That said, 35% of homes closed through the Arizona Regional MLS in August sold over asking price. As incredible as that sounds, this isn't the first time Greater Phoenix has seen this measure spike. In fact, 2005, 2009 and 2012 all saw higher percentages; each peak was short-lived over the course of just 2-3 months before sharply dropping again. This is because as more sellers test market limits and ask for higher and higher prices, their likelihood of selling over asking price drops significantly.

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