

Demand for Homes Up 36%

Rents up 17% Since April

For Buyers:

The Rent vs. Buy scenario has become heavily in favor of buying over the last 5 months. Eviction moratoriums due to the pandemic have greatly reduced turnover rates in a rental market that is already short of supply. Lease rates on listings through the Arizona Regional MLS have increased 17% since April overall; and for a home between 1,500-2,000sf the median lease price in the 4th Quarter is \$1,850 a month, up a whopping \$255 from the 4th Quarter last year.

While leases have been rising, home values have also risen 16%; however declining interest rates have kept the monthly payments level. The median sales price for a 1,500-2,000sf home is currently \$316,000, up \$27,000 since April. Despite this 9% increase (assuming a \$15,000-\$30,000 investment and interest rate under 3%), purchasing a home could possibly save a renter hundreds of dollars on their monthly budget while simultaneously building equity and ensuring a level of stability in their housing cost.

For Sellers:

While many people are waiting for the final results of the 2020 election, at least one thing is for certain in Greater Phoenix. The housing market will not crash in 2021 regardless of the outcome. It may be hard to believe, but the new and resale housing markets don't move quickly. Unlike the stock market where it takes a push of a button to sell a stock and record the price, it takes longer to sell a home between the marketing time and escrow process. In today's market, it may take up to a week to negotiate an offer and another 30-45 days for the price to be publicly recorded. When a market weakens, it takes longer.

Supply in Greater Phoenix has been gradually shrinking for 6 years and was the driver behind price appreciation until the pandemic. To put things in perspective, the Arizona Regional MLS should seasonally have between 25,000-30,000 listings active at this time of year; as of November 9th there are under 8,600. That type of shortage doesn't happen overnight and new construction will not be able to fill the gap quickly.

Listings Under Contract should seasonally have between 9,000-10,000 in escrow at this time of year; as of November 9th there are over 13,000. This level was reached in June and has stayed consistent for nearly 5 months. Even if demand were to scale back in 2021 and return to a normal level, the market would not see a massive drop in prices; just a slowing in appreciation.

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