

Supply Down 48%, Contracts Up 35%

CARES Act and Eviction Moratorium Due to Expire December 31st

For Buyers:

Existing protections in place for homeowners during times of financial hardship have come to the forefront in 2020. While both renters and homeowners alike were struck with unemployment and loss of income this year, homeowners in particular were provided with more immediate relief and a pathway to recovery than their renting counterparts.

Case in point, there are few experts in the field predicting a foreclosure crisis for homeowners; however there are many housing experts concerned about an eviction crisis for renters after the eviction moratorium ends December 31st. Under normal circumstances in Arizona a homeowner typically has to miss multiple monthly payments before the lender files a Notice of Trustee Sale, which then provides another 90 days for the homeowner to remediate the situation prior to foreclosure. However, a renter can be at risk of eviction within a few short weeks after missing a single rent payment depending on their landlord's disposition and rental agreement.

The CARES Act extended another layer of protection for homeowners through forbearance, allowing them to postpone their payments in 3 month increments for up to a year without an effect on their credit. Many lenders have already put in place refinance options after forbearance for homeowners who have accumulated thousands of dollars in unpaid mortgage payments. There is no such plan for renters after the eviction moratorium. Their rents will be due in full and if they haven't received rental assistance or sufficient unemployment benefits to cover the amount owed, they will be facing eviction and their credit will be affected.

So for those questioning whether or not purchasing a home is a good financial decision, the answer is yes. The value of owning a home is not just in its market value, but in stabilizing monthly housing costs during a period of rising rents and the comfort of more protection during times of financial and job insecurity. Losing one's home, whether rented or owned, is one of the most stressful things a human being can endure.

For Sellers:

If you are one of the many homeowners facing the end of a forbearance period sometime in the next 3-4 months, you have at least 5 options to remediate your situation. 1) STAY IN YOUR HOME and consult your retirement plan administrator about tapping into your retirement account without penalty until December 31st to cover your unpaid payments; 2) STAY IN YOUR HOME and consult a lender about refinancing your unpaid payments into a new loan; 3) MOVE OUT and rent your home for more than your mortgage payment to cover missed payments or replenish your retirement account; 4) MOVE OUT and consult a lender about acquiring a new loan on a more affordable home; 5) MOVE OUT and sell your home for more than your mortgage balance, walk away with your equity and credit intact to purchase another day.

None of these options were viable solutions for homeowners facing the 2008 housing crash 12 years ago. These options are why there is little risk of a foreclosure crisis and price crash in 2021. Because population growth has consistently outpaced housing growth every year over the past 10 years, rents and values are projected to continue rising through 2021 in Greater Phoenix unless builders are able and willing to ramp up production at ludicrous speed. They are doing their best, but even 25,549 permits issued and 19,889 sales closed on brand new single family homes through October this year hasn't proven to be enough to satisfy the level of demand for housing that has descended on Greater Phoenix. Sellers need not worry about their home values declining anytime soon.

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