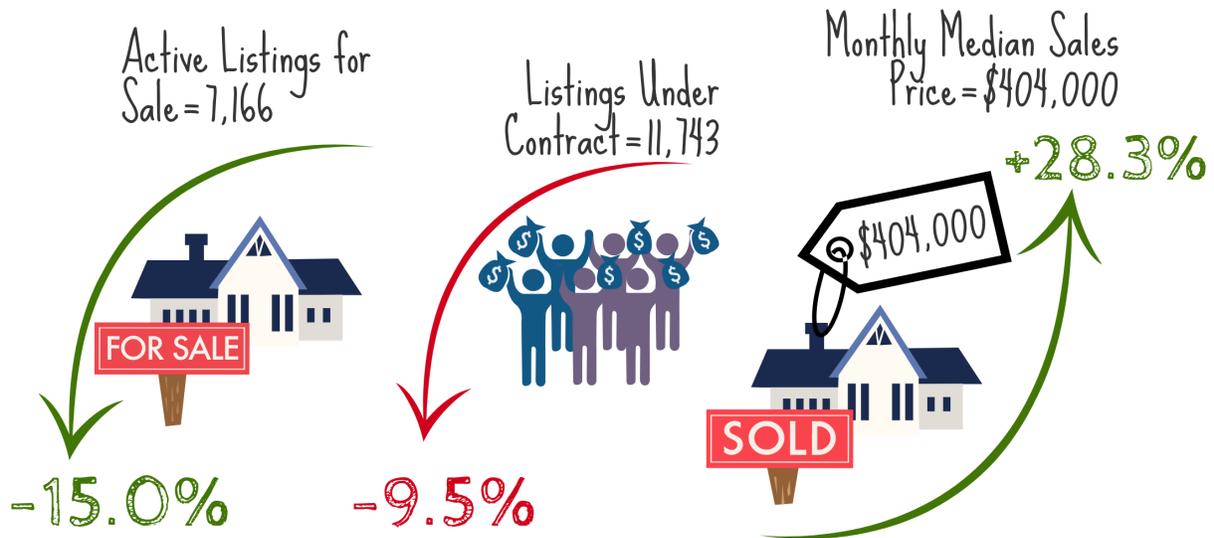


PHOENIX METRO

RESIDENTIAL REAL ESTATE

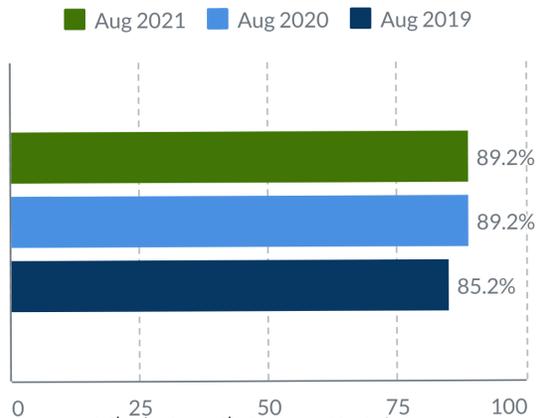
Annual Changes from August 9th, 2020 to August 9th, 2021



CLOSED SALES
 Total Monthly Sales = 8,891



LISTING SUCCESS RATE



Of the Listings that came off of Active or Pending Status, 89.2% successfully closed escrow while 10.8% cancelled or expired.

MONTHS OF SUPPLY



If no new listings were to come on the market, at the current monthly rate of sales, inventory would run out in 0.8 months.

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

Supply Up 42% Since May, Price Reductions Up 131%

Affordability Dips Below Normal to 56%

For Buyers:

There is a little relief ahead for buyers in Greater Phoenix. Supply continues to rise in price points between \$300K-\$1.5M and buyer demand has settled into a normal seasonal cool down that is expected to last through the end of the year. What this means for buyers is the 2nd half of 2021 so far has more choice and less competition.

There are two things going on right now in the market. The first is a non-seasonal increase in supply, fueled by a high number of new listings hitting the market every week. Typically August is the low point of the summer season for supply. However this year it is the high point and continuing to rise, up 42% since May. That's good news for buyers as it provides more choice.

The second is a seasonal decline in buyer activity. Typically buyer demand shoots up in the first half of the year, peaking around May, then it gradually declines in the 2nd half of the year. Last year the market saw the opposite due to the pandemic, demand dropped when it was supposed to rise and rose when it was supposed to drop. The return to a normal seasonal rhythm in 2021 means that there may be slightly less competition from other buyers in the 3rd and 4th quarters.

This doesn't mean the housing market has gone cold; it has simply made it a little more tolerable to navigate. To put it in numbers, on April 8th, there were 12,862 listings under contract and only 4,177 active. Today on August 9th, there are 11,743 under contract and 7,166 active. Add a recent decline in interest rates keeping payments down and exhausted buyers have a little more room to breathe.

For Sellers:

The Home Opportunity Index (HOI), published by the National Association of Home Builders every quarter, measures housing affordability based on the median family income per metro area. Last quarter, the HOI for Greater Phoenix fell to 56 (we predicted it would be 57 based on preliminary MLS data). This is below the normal range for the Phoenix metro area of 60-75.

What does this mean? This means that a household making the median family income of \$79,000 per year could technically afford 56% of what sold in the 2nd Quarter of 2021. The last time the HOI dipped below 60 was in the 4th Quarter of 2018 when it hit 57. The market responded with a drop in annual appreciation from 10% to just 4% within 3 months. Since June of this year, annual appreciation of the monthly median sales price has declined from 32% to 28%. As affordability declines, it's reasonable to expect the market will begin to resist the prices sellers initially ask for their homes. In other words, there will be fewer buyers able to bear dramatic monthly increases in home costs like those seen over the past year.

Meanwhile, exuberant sellers continue to list their homes at prices that defy comparable sales. As these homes sit for an extra day or two on the market without an accepted contract, weekly price reductions have risen 131% since May with a median price drop of \$14,000. Typically, the median price reduction is \$5,000.

Of course, there are still properties closing over asking price. However, those contracts were accepted approximately 1-1.5 months ago when the market was hotter than it is now. The percentage of sales over asking price has declined from 60% to 55% over the past two months, with the median amount over list price declining as well from \$20,000 to \$15,000. We expect this trend to continue.



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