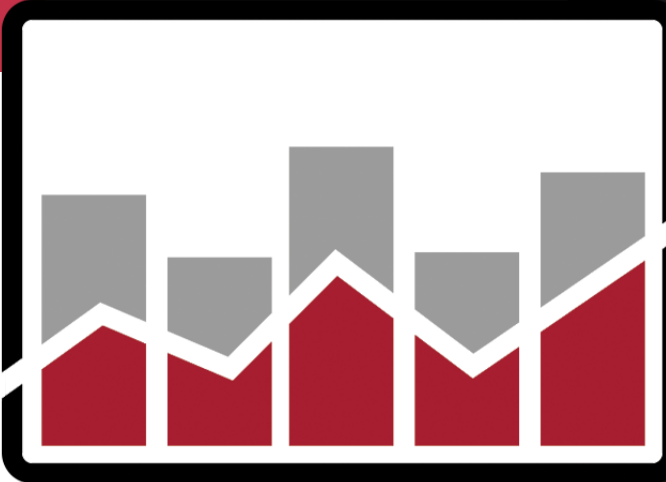


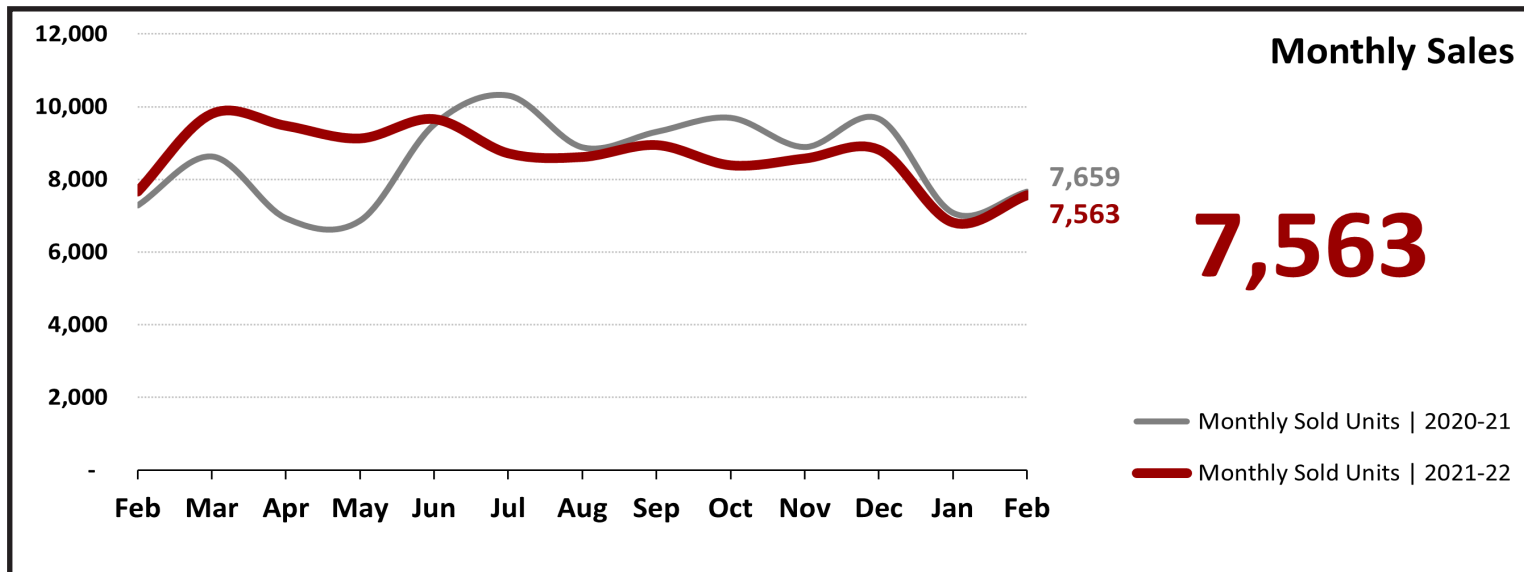
# STAT

Your Monthly Statistics for the **Phoenix Metro** Area



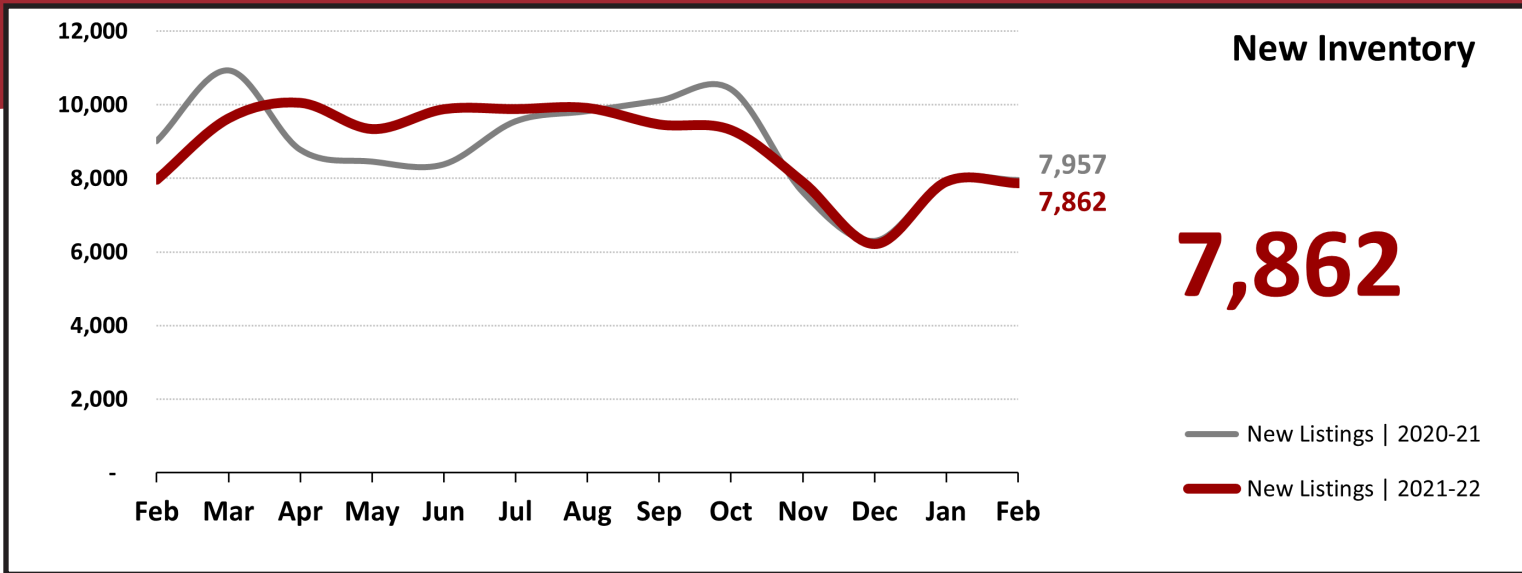
DATA FOR **FEBRUARY 2022**

Published March 16, 2022



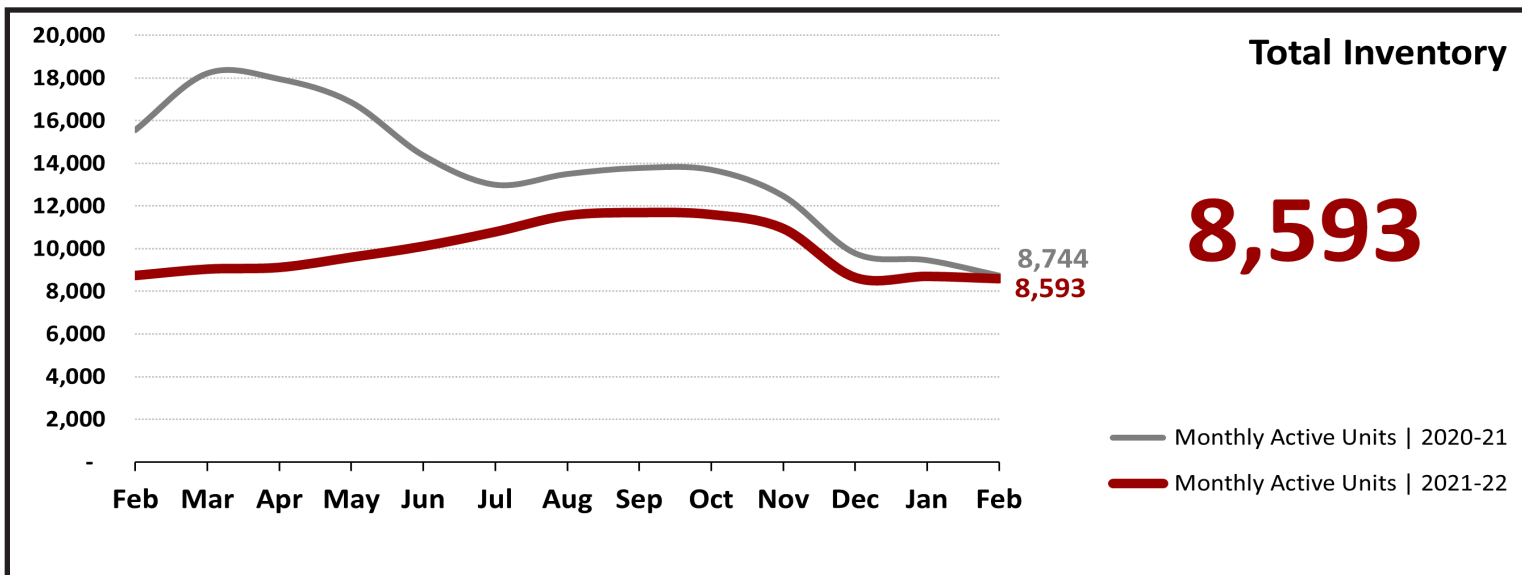
Sales are up **+11.1%** month-over-month. The year-over-year comparison is down **-1.3%**.

Closed MLS sales with a close of escrow date from 2/1/22 to 2/28/22, 0 day DOM sales removed



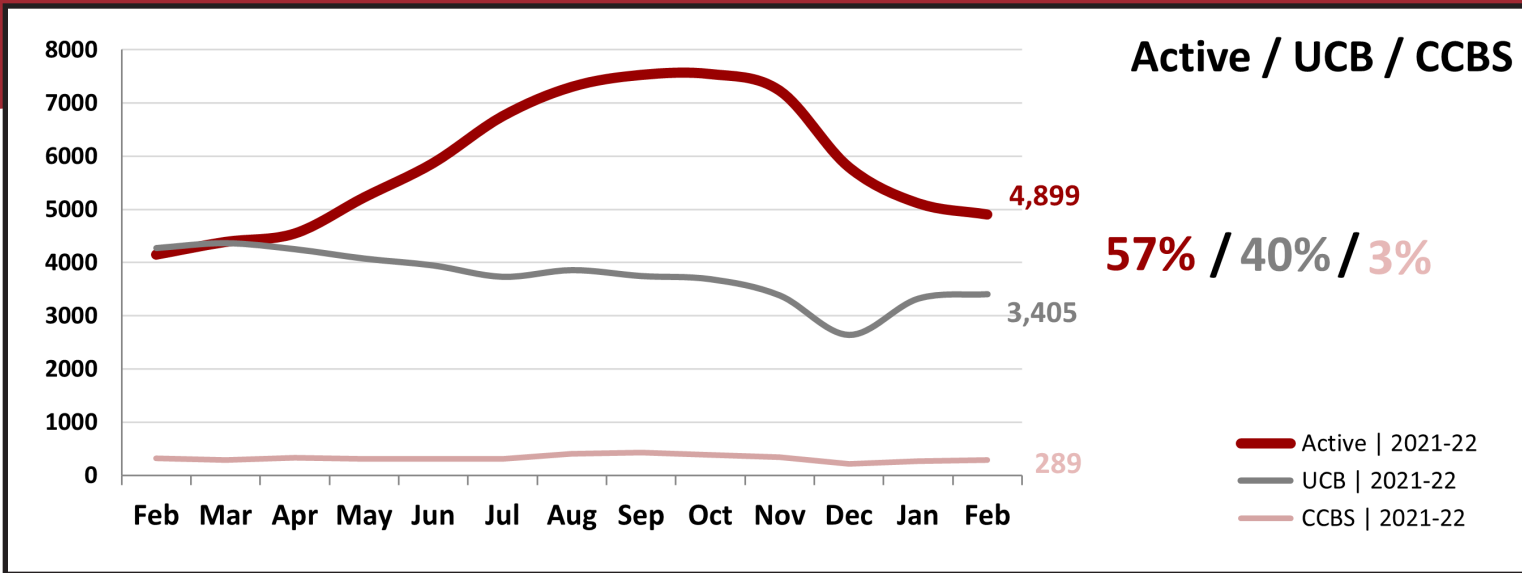
New MLS listings that were active for at least one day from 2/1/22 to 2/28/22, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-0.6%** while the year-over-year comparison decreased by **-1.2%**.



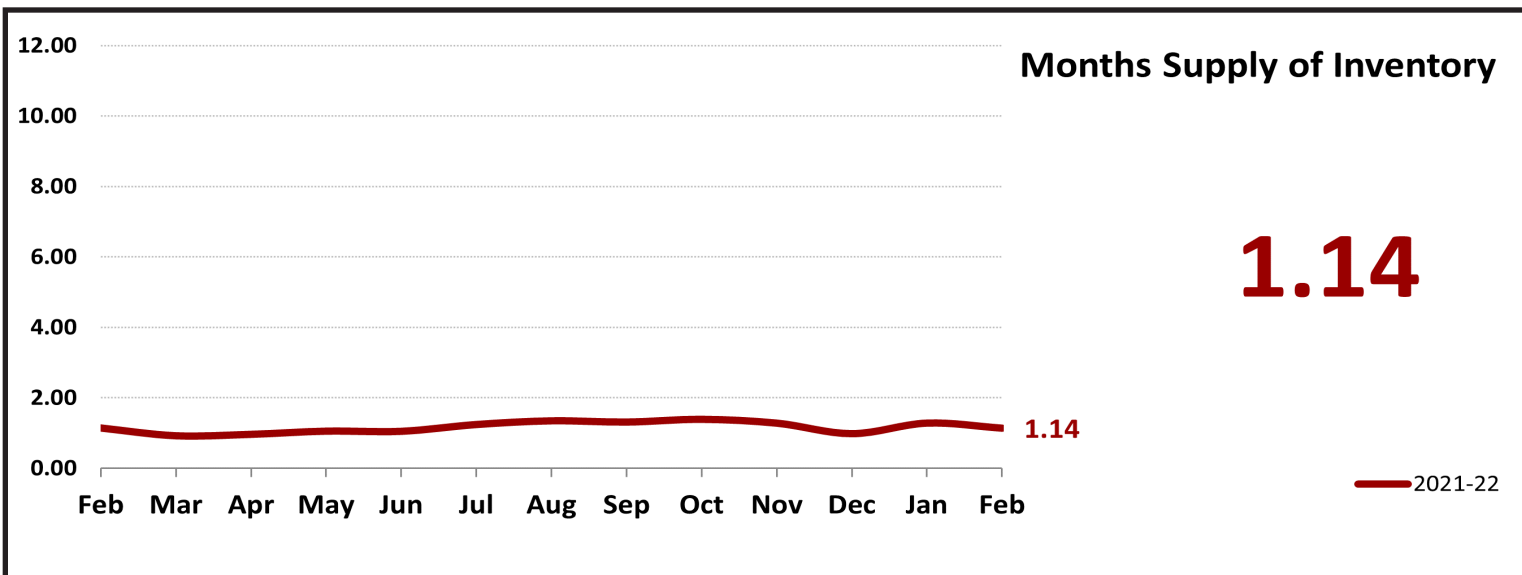
Snapshot of statuses on 2/28/22

Total inventory has a month-over-month decrease of **-1.3%** while year-over-year reflects a decrease of **-1.7%**.



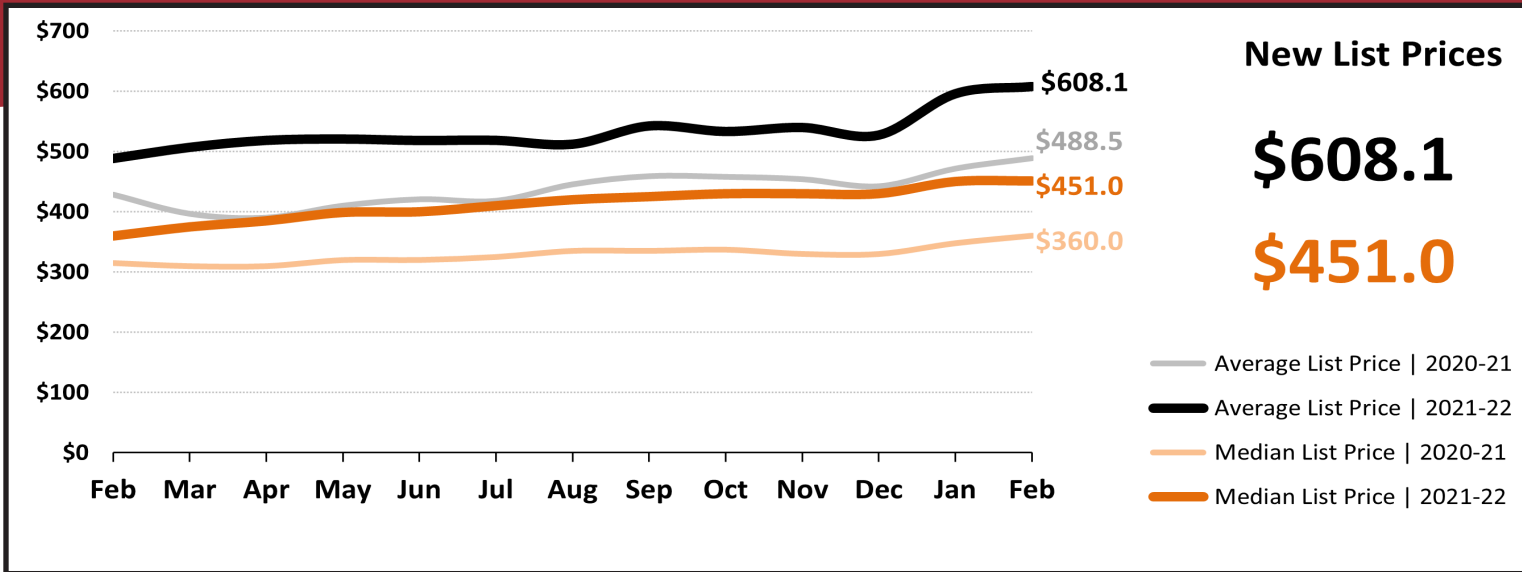
February UCB listings percent of total inventory was **39.6%** with February CCBS listings at **3.4%** of total inventory.

Snapshot of statuses on 2/28/22



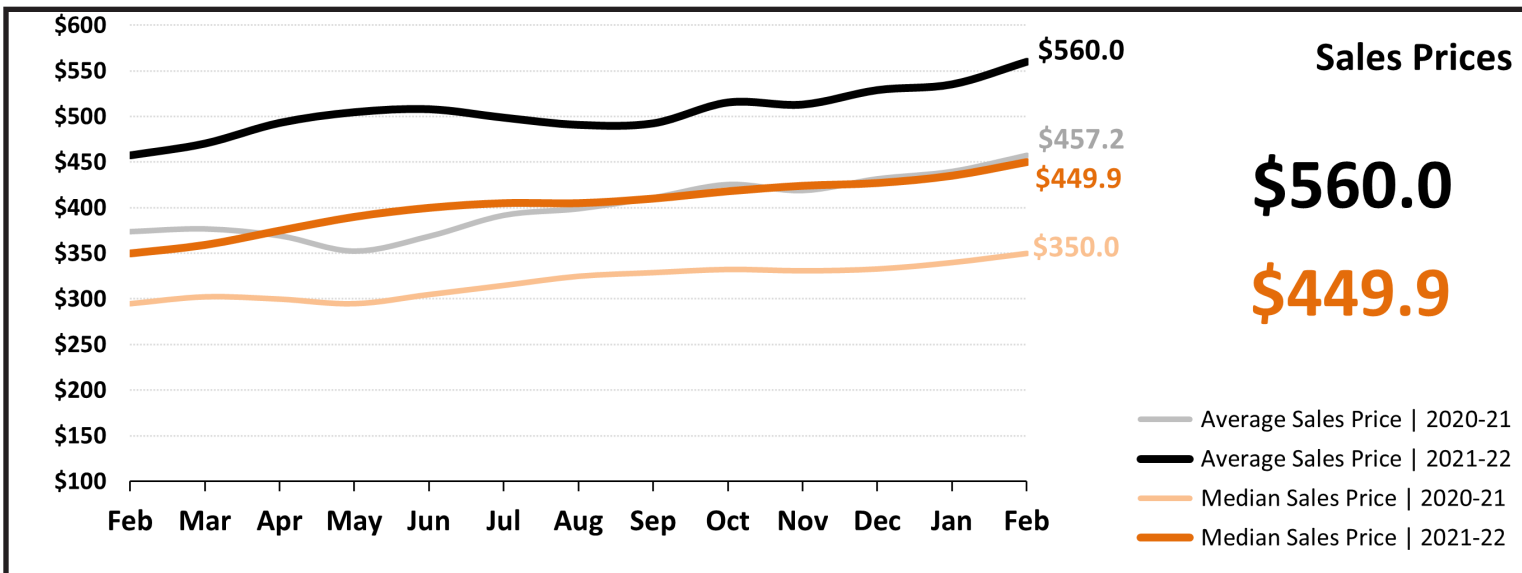
Months supply of inventory for January was **1.28** with February at **1.14**.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of FEBRUARY 2022, 0 day DOM sales removed



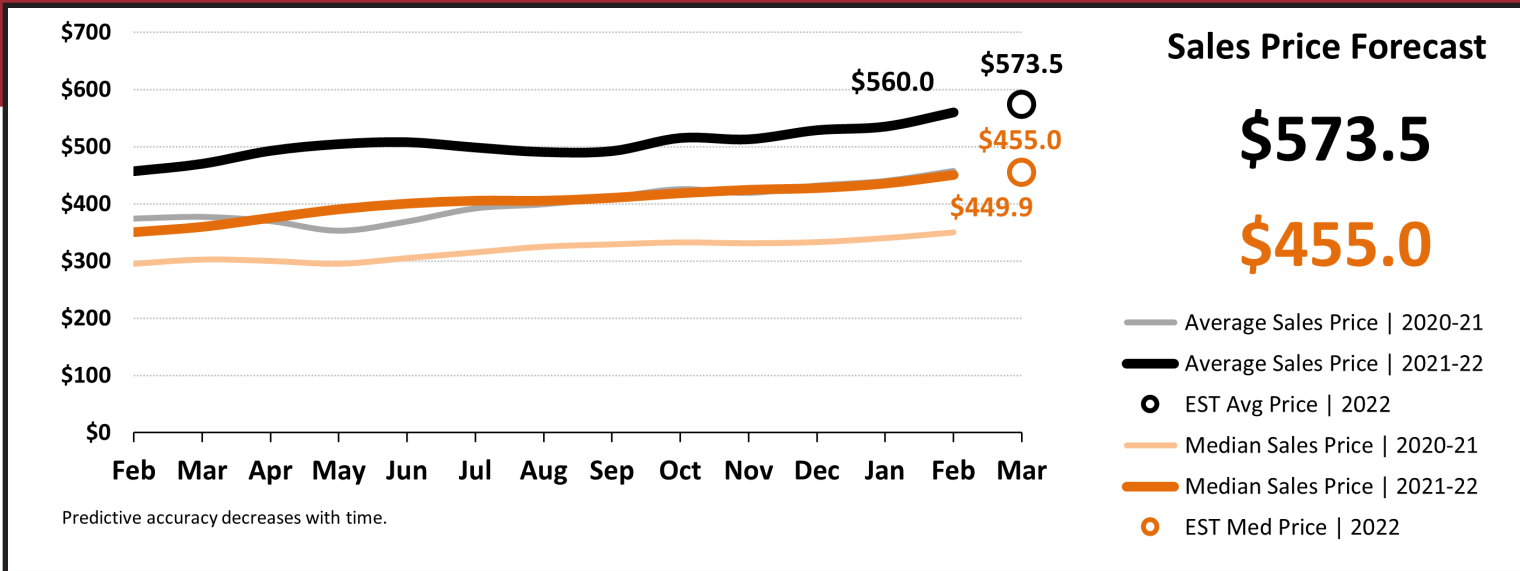
List prices of new listings with list dates from 2/1/22 to 2/28/22, 0 day DOM sales removed

Average new list prices are up **+24.5%** year-over-year. The year-over-year median is up **+25.3%**.

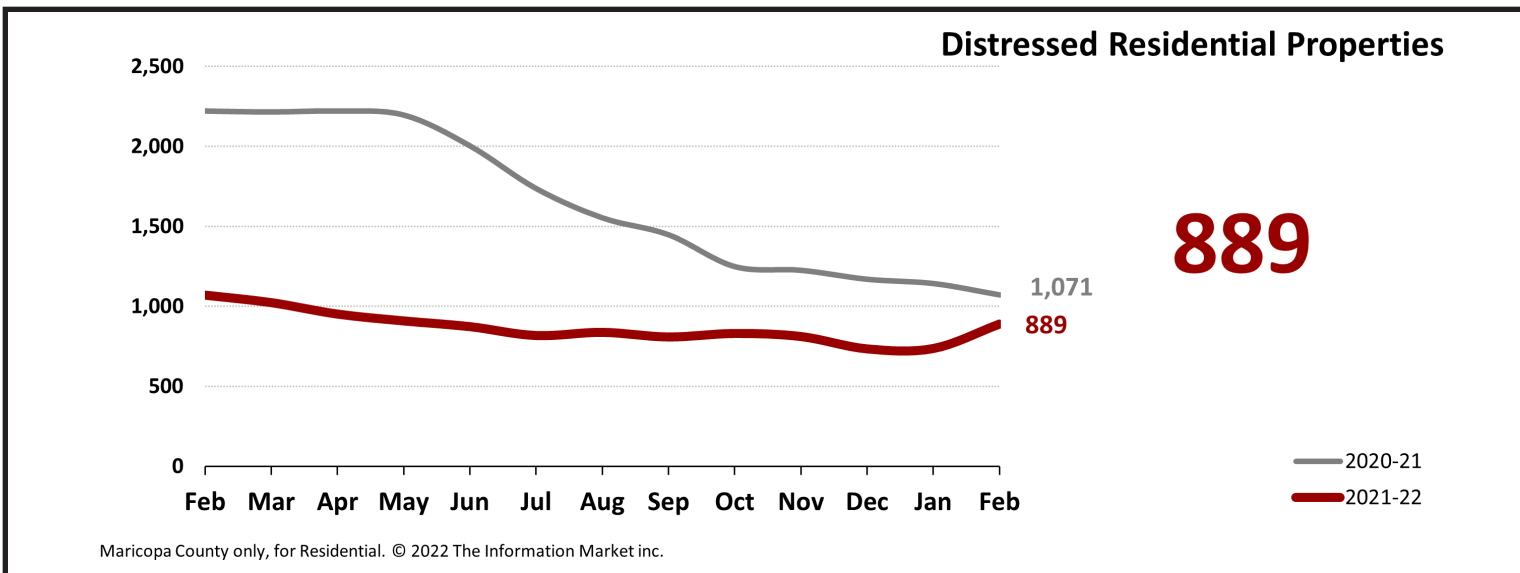


MLS sales prices for closed listings with a close of escrow date from 2/1/22 to 2/28/22, 0 day DOM sales removed

The average sales price is up **+22.5%** year-over-year while the year-over-year median sales price is also up **+28.5%**.

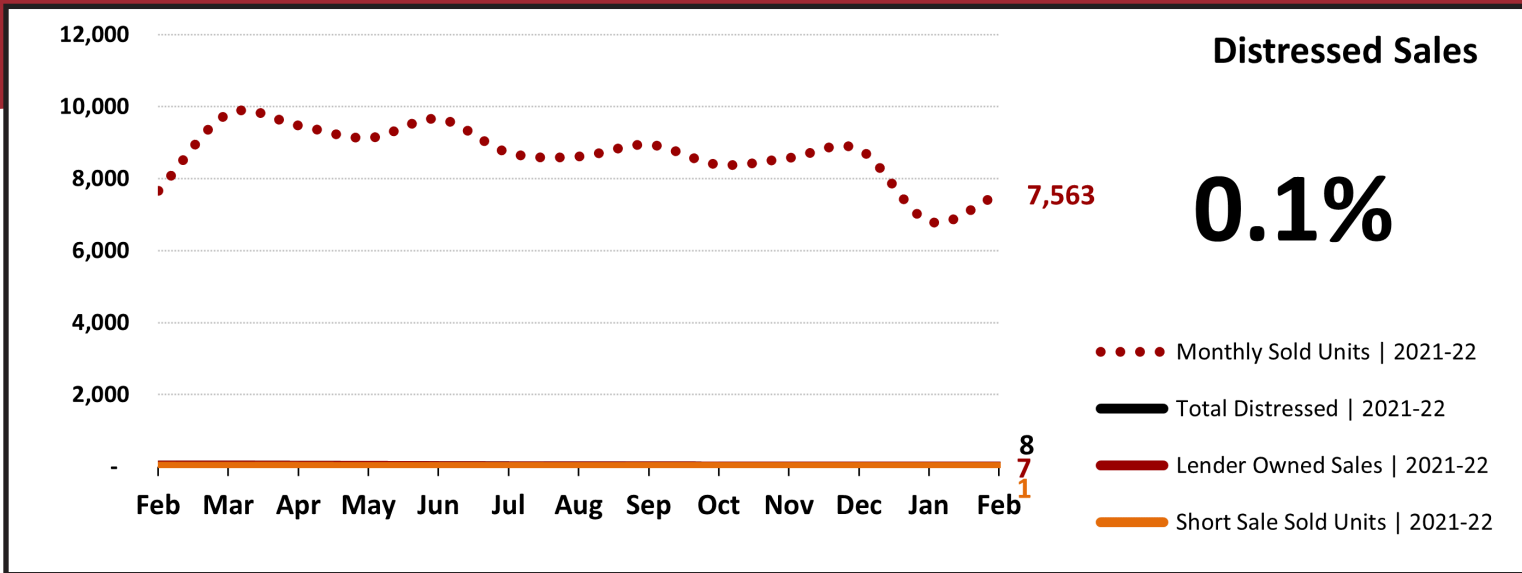


An **increase** is forecasted in March for both average sale prices and median sale prices.



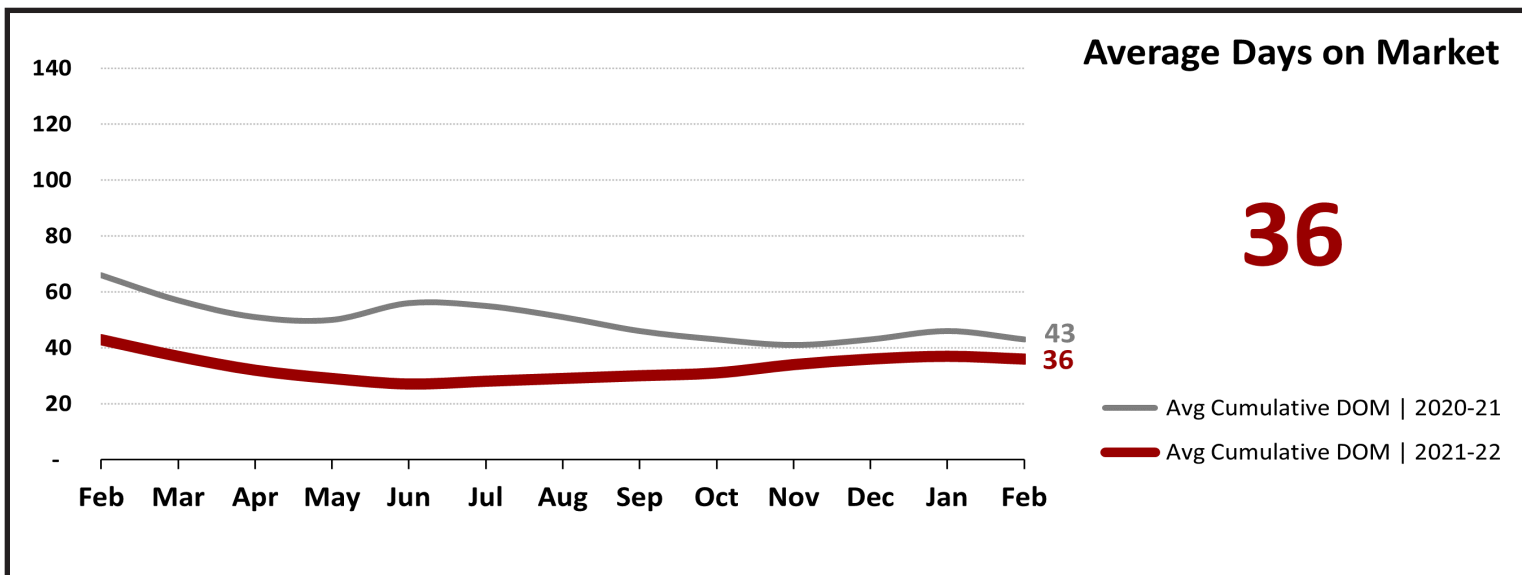
Foreclosures pending month-over-month showed an increase of **+21.0%** while the year-over-year figure was down **-17.0%**.

Snapshot of public records data on 2/28/22 active residential notices and residential REO properties.



Distressed sales accounted for **0.1%** of total sales, down from the previous month of **0.2%**. Short sales went down **-83.3%** year-over-year. Lender-owned sales dropped **-72.0%** year-over-year.

New MLS listings that were active for at least one day from 2/1/22 to 2/28/22, 0 day DOM sales removed



Days on market were down **-7 days** year-over-year while month-over-month went down **-1 days**.

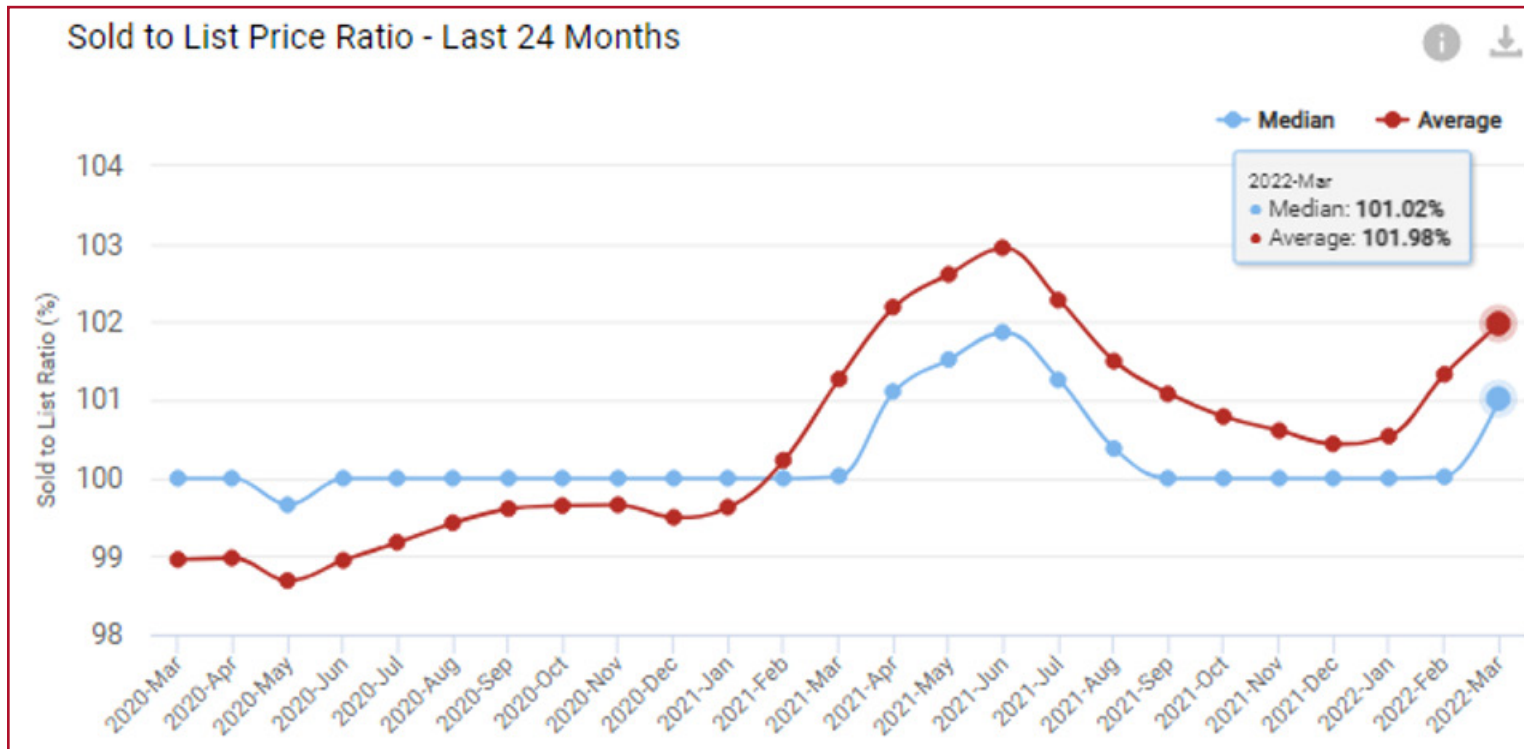
MLS sales prices for closed listings with a close of escrow date from 2/1/22 to 2/28/22, 0 day DOM sales removed

To help understand this February, we should first look back at what I wrote last February: “The state of our housing market is the talk of the town, with stories of multiple offers and bidding wars driving up home prices well above the listing price. February 2021 reported the highest median price, average price, and price per square foot on record, which is up year-over-year 18.6%, 22.3% and 21.0%, respectively. ARMLS reported a staggering \$6,612,744,621 in gross dollar volume, currently 32% ahead of last year’s record pace. When March numbers are reported, these records will be broken again, and by the time June sales figures report, the current chatter will reach a roar.”

This year, February 2022, reported the highest median price, average price, and price per square foot on record, up year-over-year 28.5%, 22.5% and 27.21%, respectively. ARMLS reported a staggering \$7,876,294,827 in gross dollar volume, currently 19.1% ahead of last year’s pace. When March numbers are reported, these records will be broken again, and by the time June sales figures report, with regards to home prices and gross dollar volumes, it’s déjà vu all over again.

Our median sales price in February, as reported by ARMLS, was \$449,900. Our pending price index projects a median sales price of \$455,000 for March’s closings, which I believe will be low. The median sales price for contracts signed in the last 30 days is approaching a median sales price of \$470,000, contracts that will most likely close in the next 45 days. Public records data tells us our market is being driven by non-primary buyers purchasing with cash. Non-primary buyers accounted for 36% of all home purchases in February, while 29.2% were cash. As inferred by the chart below, sellers are receiving cash offers over list price.

## The Ratio Between Sales Price and List Price Is Climbing Again

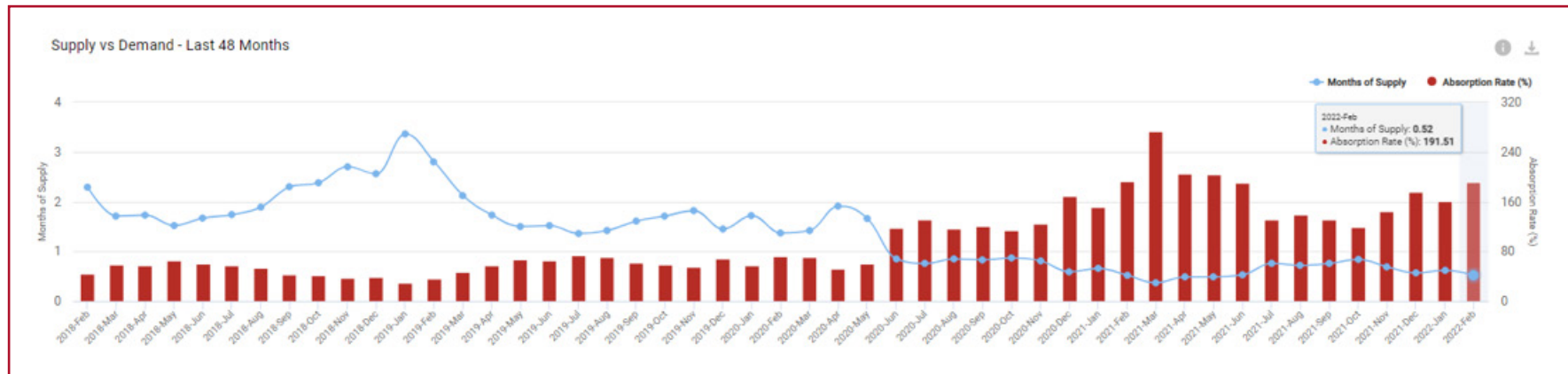


## The Absorption Rate is Up Month Over Month and Comparable Year Over Year

The term absorption rate refers to a metric used in the real estate market to evaluate the rate at which available homes are sold in a specific market during a given time. It is calculated by dividing the number of homes sold in the allotted time by the number of available homes. Historically, an absorption rate of 20 would be considered a balanced market. Today our absorption rate stands at 191.51. Last February, the reading was 193.06. While the pending price data confirms rising prices, the absorption rate table explains why prices are rising.



## Supply vs Demand – Last 48 Months



## Another Quick Look Back STAT February 2021

*“Not only are homeownership prices rising [for February 2021], but rental prices are increasing as well. The 21% year over year rise was the highest ever recorded.” – Tom Ruff February 2021*

And therein lies the rub. Since the beginning of last year, institutional buyers have acquired, through purchases and building, over 9,000 homes. Most of these purchases are SFR in the \$250,000 to \$500,000 price range. Their model, buy/build, hold, and rent. On March 5, Michael Orr of the Cromford Report capsulized what I’ve been trying to articulate for months. My issue, while I believe the publicly recorded public data has been screaming at me, I had zero empirical evidence. In his March 5, Michael bridged that gap and connected the dots. Hats off Michael, job well done. This is one observation that Institutional buyers from Austin, Calabasas, Carmel, Chicago, Dallas, Denver, Salt Lake City, New York City, and Marietta should read:

*“March 5 - Although the re-sale and new homes markets continue to show very little sign of weakness, the same cannot be said of the rental market. The vast majority of rentals do not hit the MLS, so we have to be careful because of the poor sample size. However, the ARMLS rentals database shows us that the market is nowhere near as favorable to landlords as it was this time last year. Here is why we say that:*

- *Available supply is up from 1,543 to 2,138 units, a rise of 39%, meaning tenants are getting more choice*
- *New rental listings are up 20% year to date compared with 2021, so supply is arriving faster*
- *New rental listings are up 26% over the past 4 weeks, compared with 2021, telling us that the increased supply trend is strengthening*
- *The average lease list price per sq. ft. is \$1.80, down from \$1.93 this time last year*
- *The average lease list price per sq. ft. peaked at \$2.01 on May 22, 2021, fell back then peaked again at \$2.00 on Jul 29 before falling again - it is unable to convincingly break the \$2 resistance level and has made no attempt to do so in the last 7 months*

*These conditions suggest that the era of quickly rising rents in Greater Phoenix may be coming to an end. A large amount of new rental supply is coming on board this year, judging by the number of multi-family permits issued in the last 2 years. Rent looks likely to stay fairly flat, which will change the buy versus rent equation as home prices and mortgage rates continue to increase. In the longer term, this could seriously dampen demand for homes to buy. Interestingly, the supply of active listings varies a lot by dwelling type.*

- *Apartments to rent are down 33%*
- *Townhouses to rent are up just 1%*
- *Single-family detached homes to rent are up 99% - there are 1,546 versus only 777 this time last year.*

*We are seeing single-family subdivisions under construction intended to be 100% rentals. There are many examples, and not just here in Arizona, but a typical one is Malone Place Parke (MCR 1561-18) in Queen Creek. American Homes 4 Rent has created their own homebuilding subsidiaries. There are 97 single-family homes going up here which will not have affidavits of value since they will be eligible to claim a genuine B7 affidavit exemption. The opportunity to grumble again about Zillow's misuse of the B7 is hereby declined. The investors in these projects should keep in mind that demand is not infinite.*

*The most likely source of more supply of single-family homes to buy is if landlords tire of owning them. This could be because they have trouble finding tenants for them or they are facing declining rental incomes. A house that has no rent coming in becomes a serious problem for its owner who remains liable for the property taxes, maintenance, HOA dues, etc.. Landlords will then compete for tenants and rents will start to drop. Some landlords will drop out and sell their investments.*

*This is likely to be a slow-moving trend in the market, but it should be easy to detect, if you are watching the correct numbers. US birth rates are very low by historic standards and with the baby boomers reaching advanced ages, we can expect natural growth in the population to be small, or even negative. Population growth will be entirely dependent on incoming transfers from other states or foreign countries. Ivy Zelman has been bearish on the housing market for a couple of years, primarily because of these demographic trends. She has been completely wrong about the market so far, but she is right that the demographics are fundamentally unfavorable for housing in the longer term. In Arizona we are atypical in that so many people have been moving here. This hides the weak natural growth in population (births minus deaths) and has driven our prices up faster than almost any other part of the USA. This will not last forever. In Arizona, we have a history of building more and more homes until there is a very obvious reason to stop. There will come a time, and nobody knows exactly when it will be, when we have built enough shelter for the population and demand sinks below supply. It seems likely that we will see that in rentals before we see it in homes for purchase.”*

## The ARMLS Pending Price Index (PPI)

Last month STAT's mathematical model projected the median sales price for February at \$440,000. The actual number was \$449,900. Looking ahead to March, the ARMLS Pending Price Index projects a median sales price of \$455,000. If March's median sales price projection is correct, we will see a year-over-year gain of 26.65%. The last few months, our estimates have been lower than the actual median. I suspect this might very well be the case again when March's data is reported.

We began March with 7,234 pending contracts, 3,405 UCB listings and 289 CCBS, giving us a total of 10,928 residential listings practically under contract. This compares to 11,822 of the same type of listings one year ago. At the beginning of March, the "pending" contracts were 7.56% lower than last year. There were 23 business days in March 2021 and 23 this year. ARMLS reported 9,806 sales in March 2021. The highest sales volume ever in March occurred in 2005 with 9,987. STAT is projecting lower sales volume this March in comparison to last March.