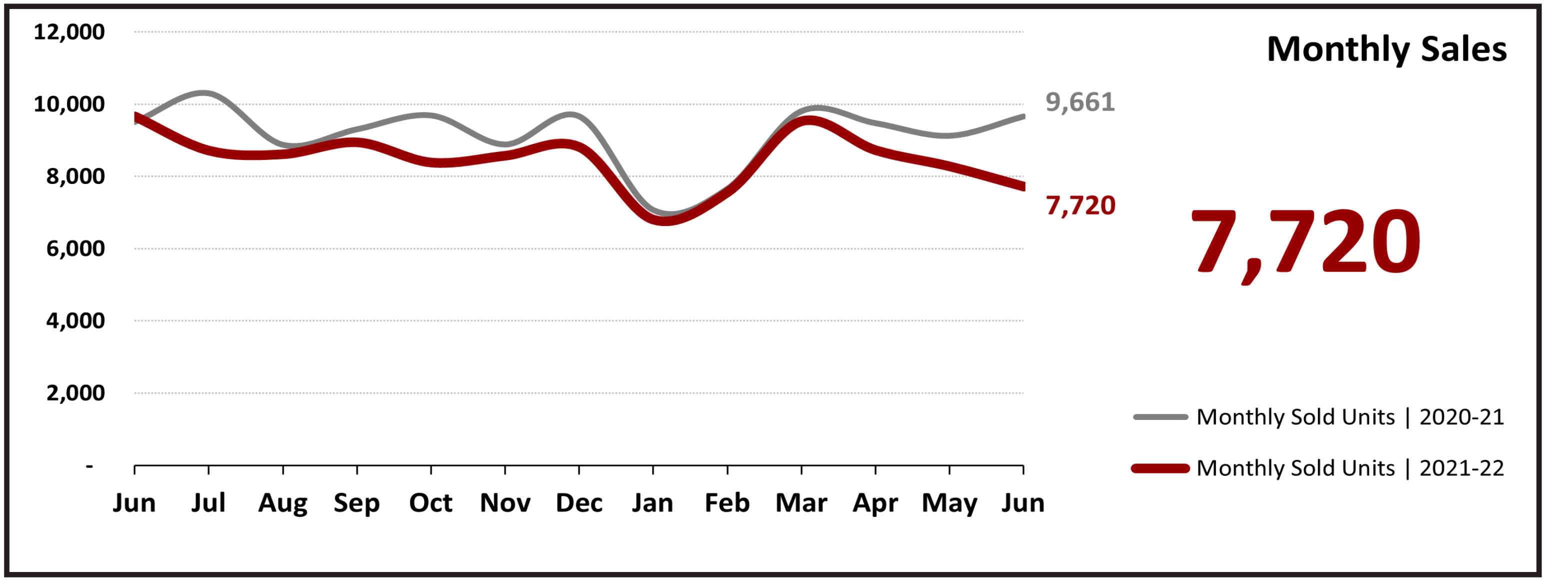
# STAT

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

ARMLS®

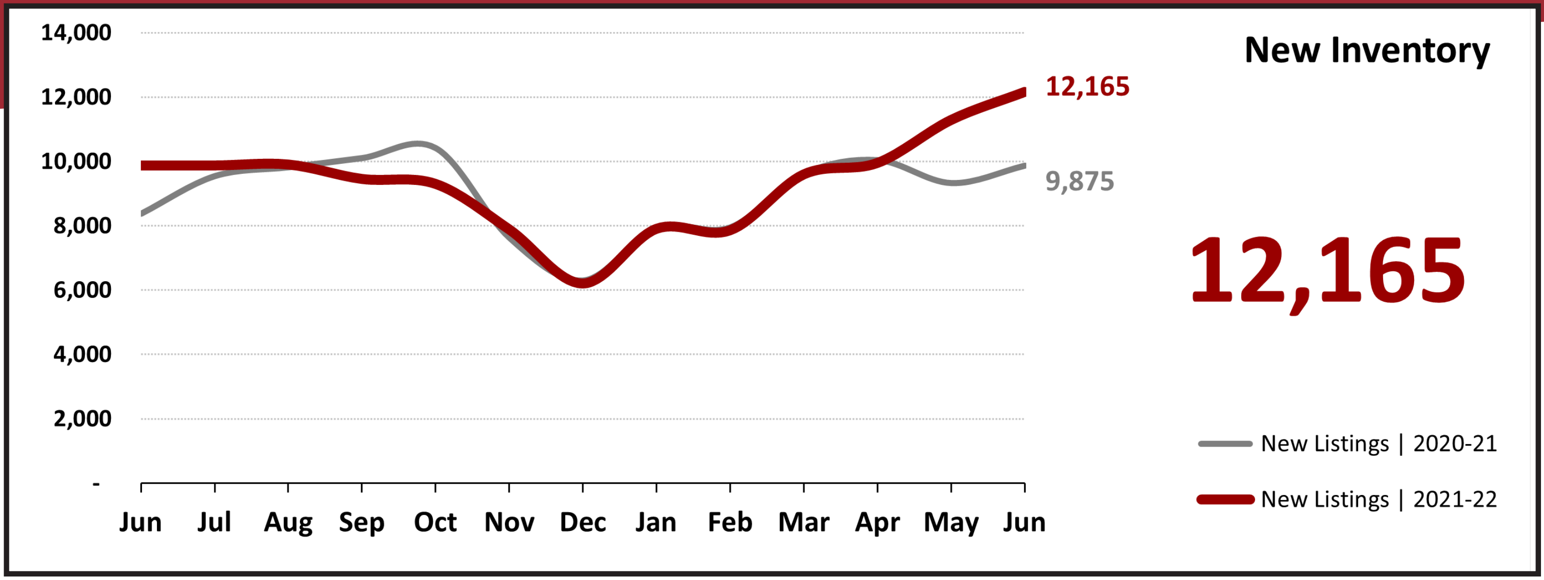
DATA FOR **JUNE 2022**

Published July 15, 2022



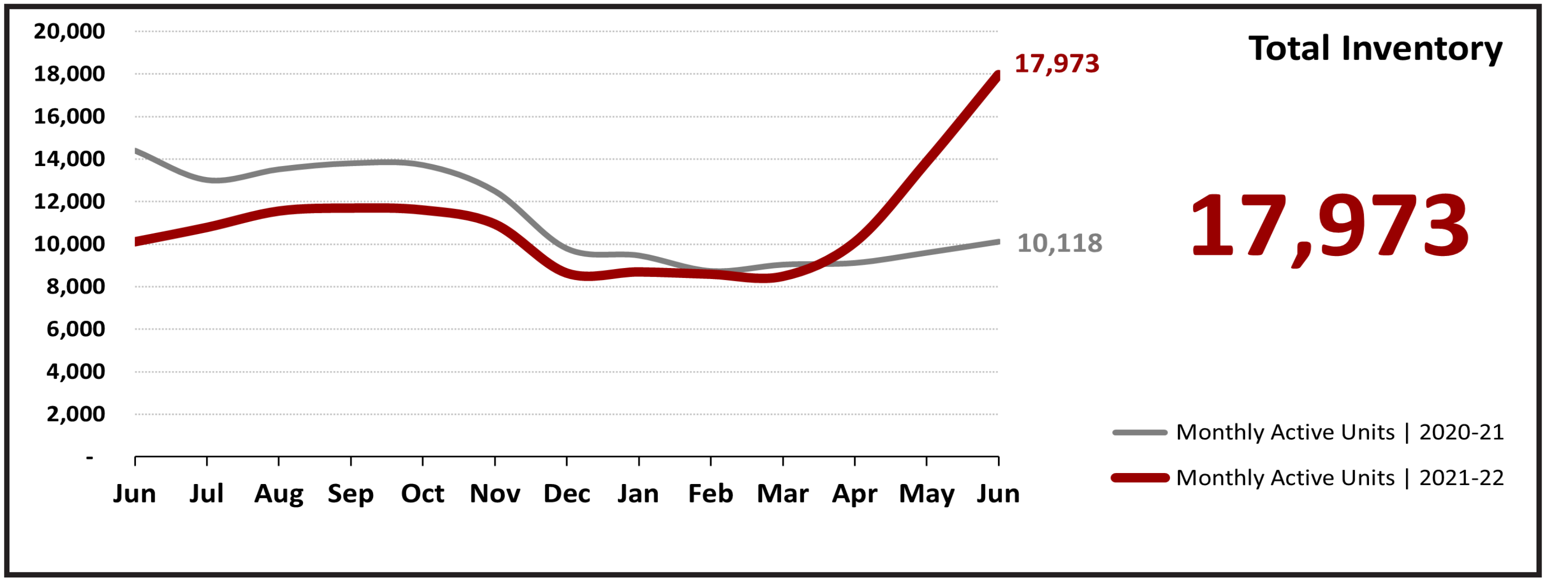

Closed MLS sales with a close of escrow date from 6/1/22 to 6/30/22, 0 day DOM sales removed

Sales are down **-6.7%** month-over-month. The year-over-year comparison is down **-20.1%.**



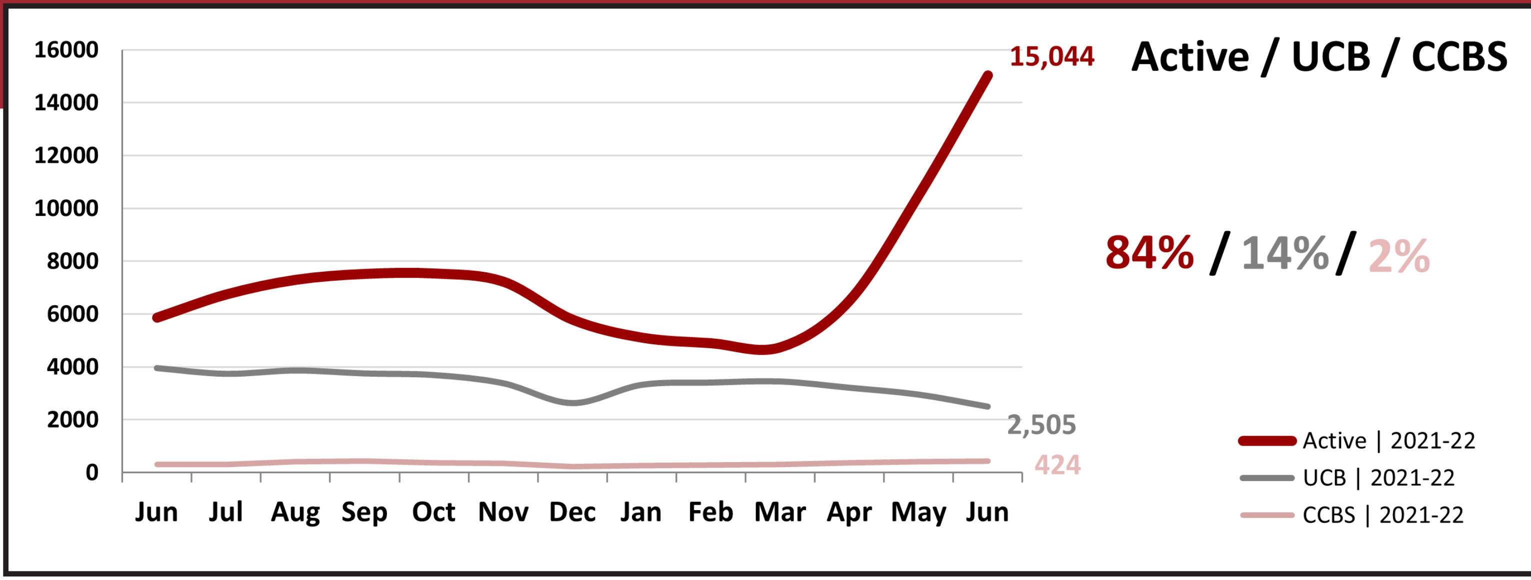

New MLS listings that were active for at least one day from 6/1/22 to 6/30/22, 0 day DOM sales removed

New inventory has a month-over-month increase of **+7.7%** while the year-over-year comparison increased by **+23.2%.**



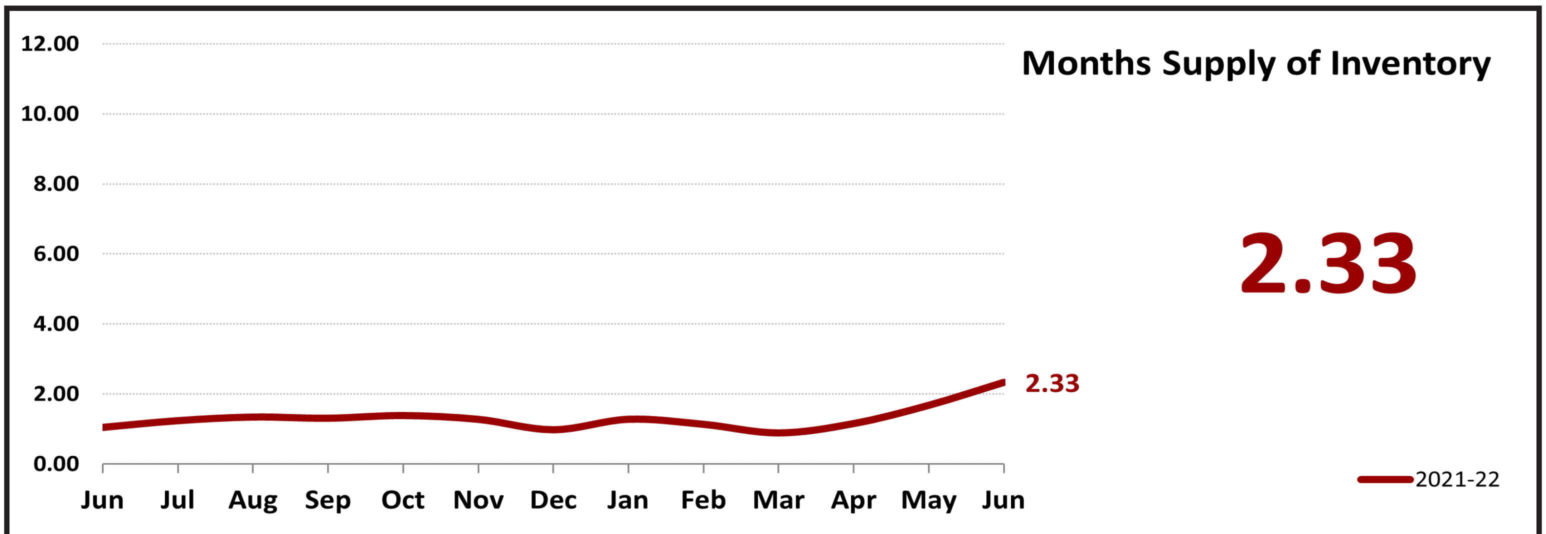

Snapshot of statuses on 6/30/22

Total inventory has a month-over-month increase of **+29.6%** while year-over-year reflects an increase of **+77.6%.**



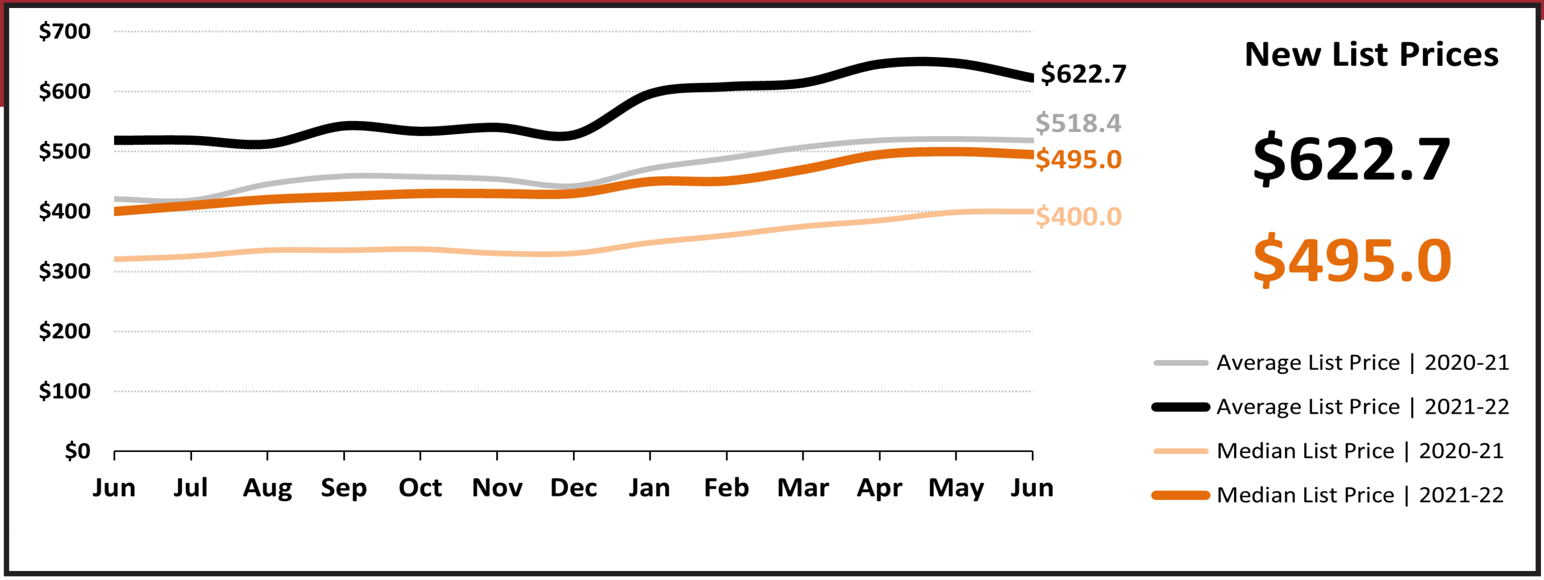

Snapshot of statuses on 6/30/22

June UCB listings percent of total inventory was **13.9%** with June CCBS listings at **2.4%** of total inventory.



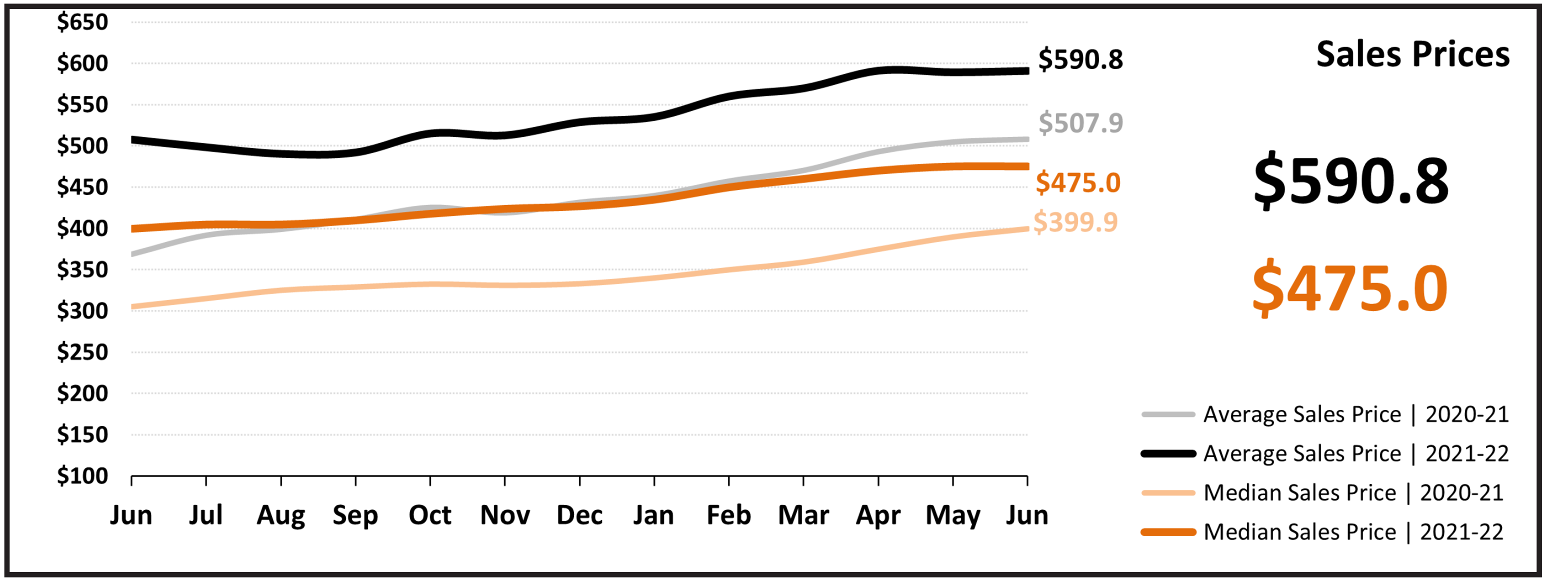

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JUNE 2022, 0 day DOM sales removed

Months supply of inventory for May was **1.68** with June at **2.33.**



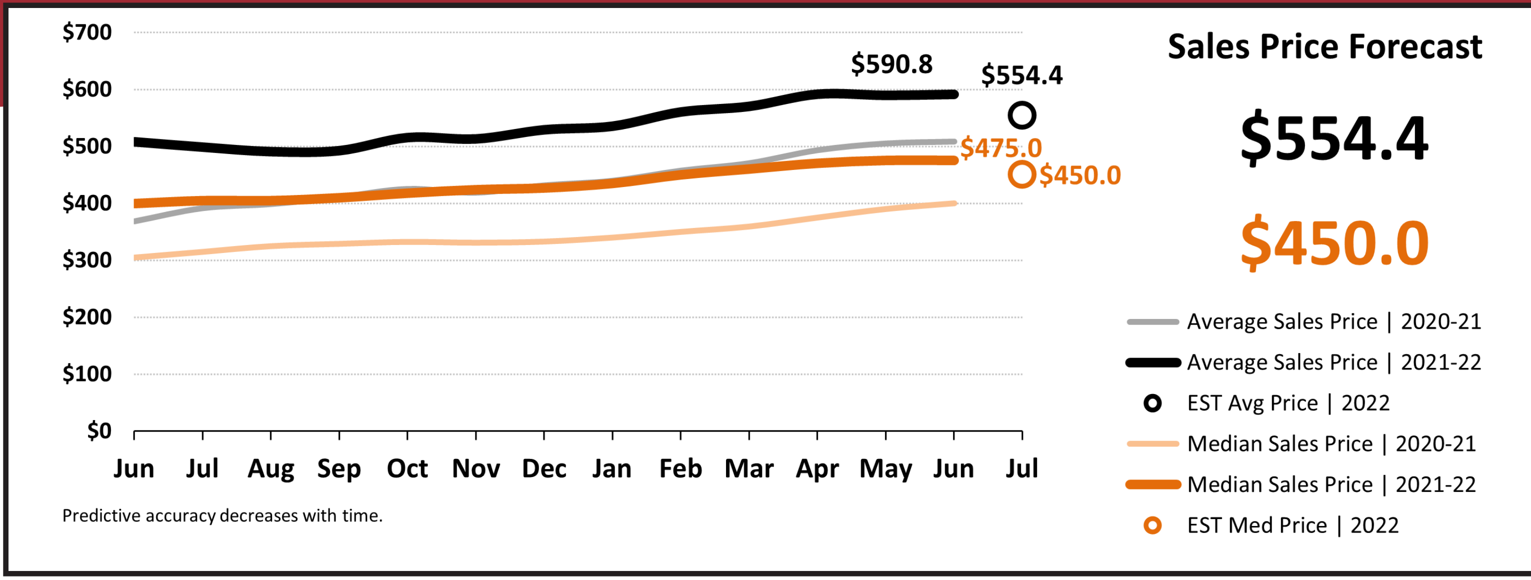

List prices of new listings with list dates from 6/1/22 to 6/30/22, 0 day DOM sales removed

Average new list prices are up **+20.1%** year-over-year. The year-over-year median is up **+23.8%.**



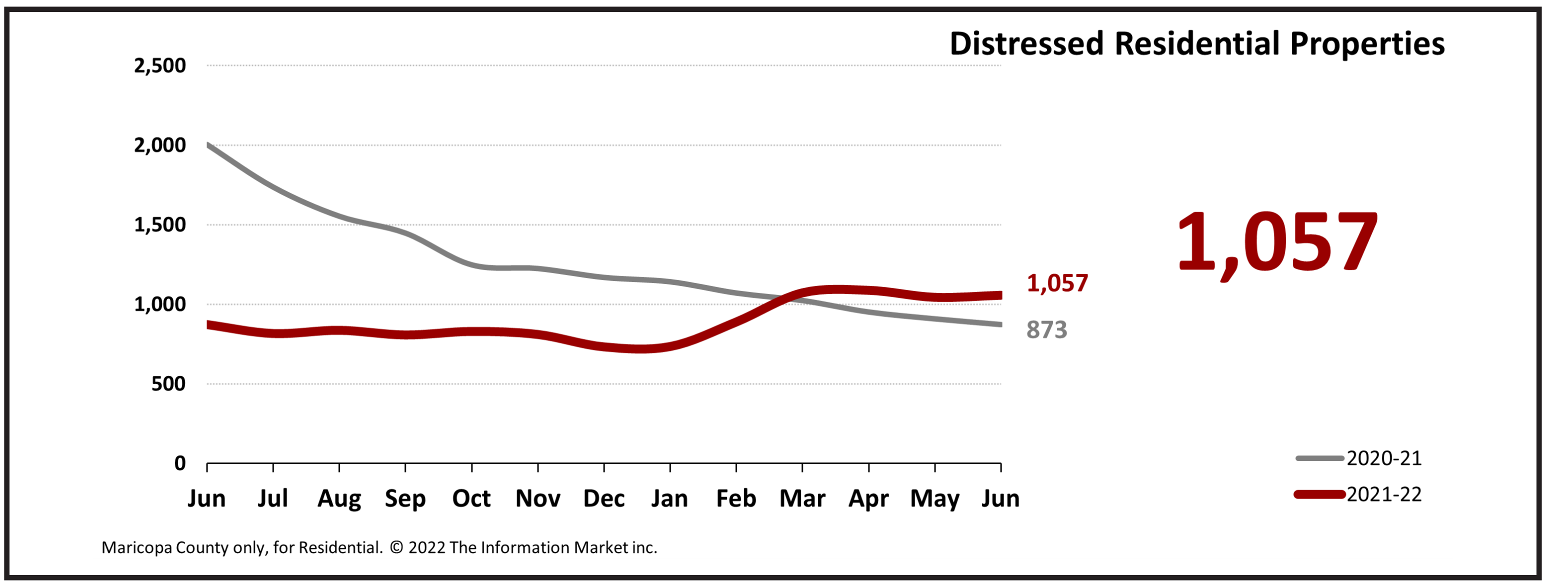

MLS sales prices for closed listings with a close of escrow date from 6/1/22 to 6/30/22, 0 day DOM sales removed

The average sales price is up **+16.3%** year-over-year while the year-over-year median sales price is also up **+18.8%**.



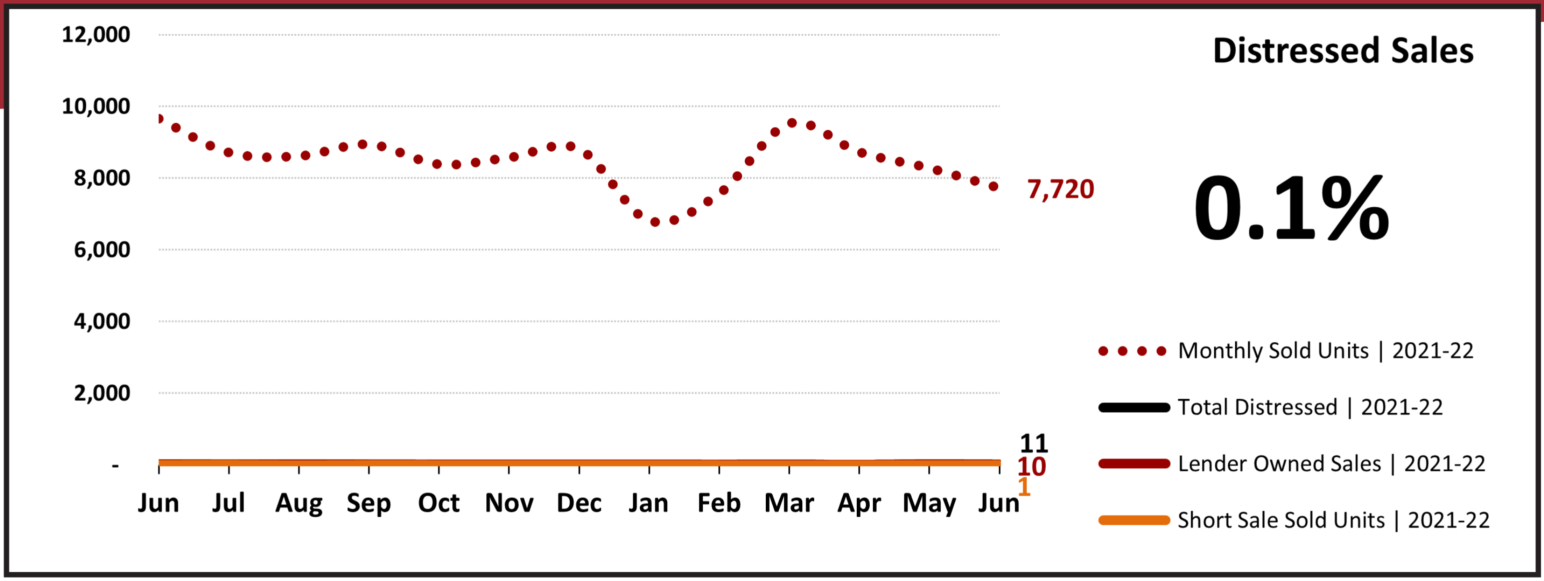

ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A **decrease** is forecasted in July for average and median sale prices



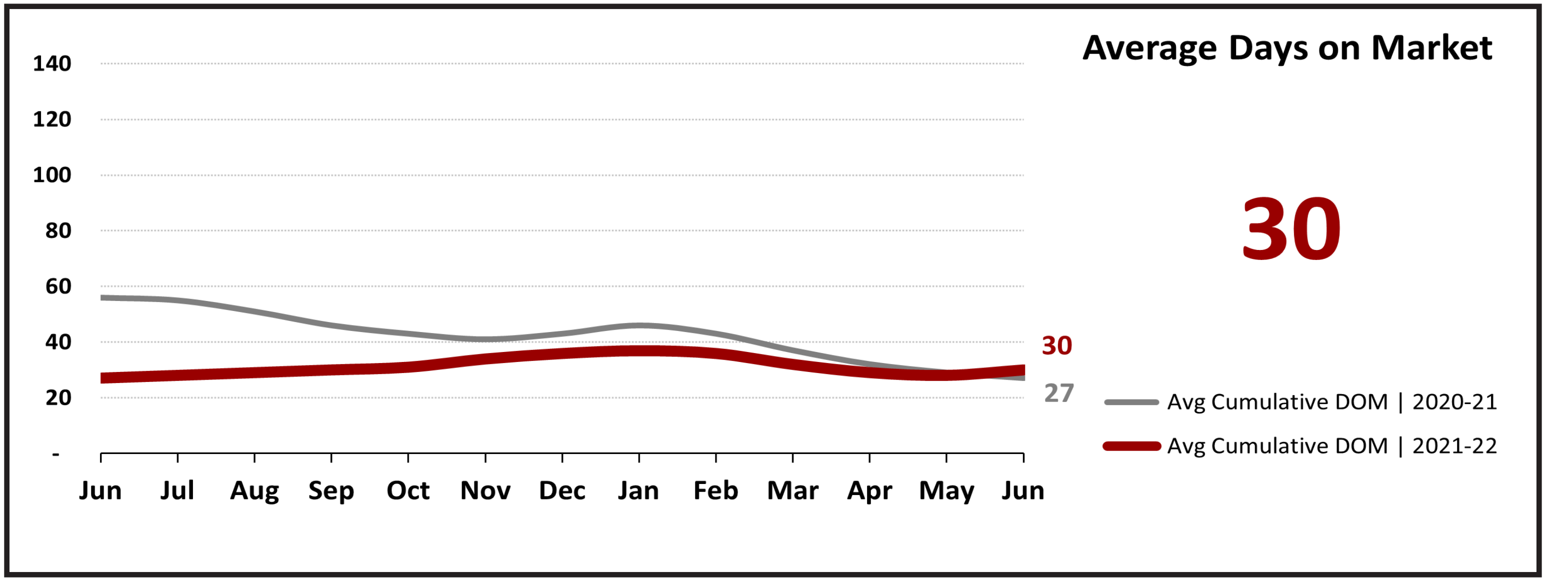

Snapshot of public records data on 6/30/22 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed an increase of **+1.2%** while the year-over-year figure was up **+21.1%.**




Distressed sales accounted for **0.1%** of total sales, down from the previous month of **0.2%**. Short sales went down **-66.7%** year-over-year. Lender-owned sales dropped **-33.3%** year-over-year.

New MLS listings that were active for at least one day from 6/1/22 to 6/30/22, 0 day DOM sales removed




Days on market were up **+3 days** year-over-year while month-over-month was also up **+2 days.**

MLS sales prices for closed listings with a close of escrow date from 6/1/22 to 6/30/22, 0 day DOM sales removed

After two straight years of strong sales activity and rapidly rising home prices, our market is cooling and cooling rapidly, with a balanced market next on the horizon. There may still be a buyer or two out there that has not received the memo, but for the most part, the days of multiple offers and bidding wars have ended as “For Sale” signs begin to multiply. A sudden increase in interest rates and record home prices have sent many potential buyers to the sidelines. The days of sellers boasting in TV and radio commercials about receiving $100,000 over their asking price will soon become a relic from a different age, and I for one can say, “It’s about time.” The time has come for sellers to reset their expectations while buyers will have a chance to consider a few more options before making their decision. For agents who have seen multiple housing cycles, these changes may even be a welcome relief. As for the newer agents that have only experienced the current sellers’ market, it’s time to add a few new tools to your toolbox. To paraphrase Jimmy Dean,*“You can’t change the direction of the wind, but you can adjust your sails to always reach your destination.”*

**JUNE NUMBERS AS REPORTED BY ARMLS:**

- Sales volume was down year-over-year by 20.1%.
- The median sales price was $475,000, up 18.8% year-over-year.
- The median sales price for June matched May’s $475,000.
- Barring all potential buyers in Phoenix winning the lottery, the median sales price of $475,000 will be the high-water mark for the year.

# COMMENTARY

BY TOM RUFF

- The average sales price in June was $590,800, up 16.3% year-over-year.
- The average sales price as reported by ARMLS hit its high-water mark for the year in April at $591,100.
- Year-over-year gross dollar volume was down from $4.91 billion to $4.56 billion year-over-year.
- The 7.1% decline in gross dollar volume was the first month we've seen a year-over-year decline since the onset of COVID-19.
- As of today, supply is up 38.6% month-over-month and 237.3% year-over-year.

Fueled by rock-bottom interest rates and restricted supply, the median sales price in Maricopa rose to $187,000 after the outbreak of COVID-19, an increase of 62% in a little over two years. It wasn't a coincidence that along with this prolific and unsustainable rise in housing prices, inflation spiked. Our economy has also seen a rise in the cost of other basic needs like food and fuel, leaving public policy makers no choice but to step in and reverse course. It appears one of their strategies to curb inflation is to slow down housing. For the time being, at least until inflation is under control, the interest rates of last year will only be seen in our rear-view mirror. The central bank has raised its benchmark interest rate three times this year. The most recent hike in June was three-quarters of a percentage point, the largest since 1994. In concert, mortgage rates also shot up. According to Freddie Mac, the current 30-year fixed rate mortgage is 5.51%, nearly double the 2.88% rate at this time last year. Our cooling housing market reflects our overall economy and the steps taken by our public policy makers to get inflation under control.

# COMMENTARY

BY TOM RUFF

The chart below shows how these changes in public policy have impacted our market in terms of supply and demand, and now, prices. Pending contracts are down 22.59% year over year. Homes with a contract but accepting a backup are down 36.53% year-over-year. Our third metric, properties under contract with a contingency, is up 39.02% year-over-year. An increase in contracts with a contingency makes sense as buyers' options increase. With the increase in supply and the decline in demand, median and average list prices are trending lower.

**Pending/UCB/CCBS For June via ARMLS**

Jun 2022 Monthly Statistics

Inventory

| Pending | UCB | CCBS | Supply (Mo) |
|---|---|---|---|
| 5,251 | 2,505 | 424 | 2.33 |
| Month Over Month | | | |
| ↓ -14.66% | ↓ -15.40% | ↑ 4.95% | ↑ 38.94% |
| 6,153 | 2,961 | 404 | 1.68 |
| Year Over Year | | | |
| ↓ -22.59% | ↓ -36.53% | ↑ 39.02% | ↑ 122.30% |
| 6,783 | 3,947 | 305 | 1.05 |

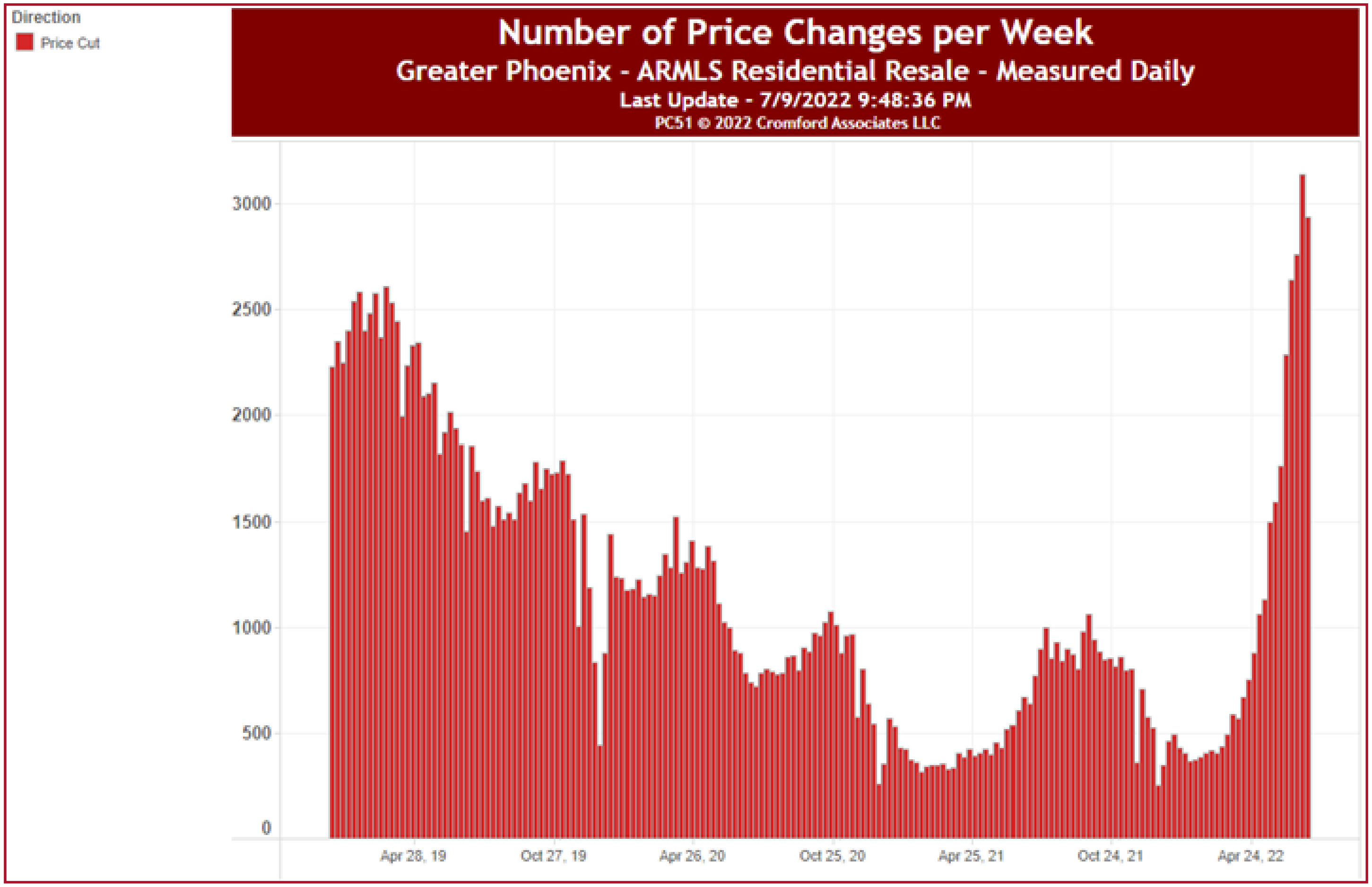
| New Listings | Avg List Price | Med List Price |
|---|---|---|
| 12,165 | $622,725.52 | $495,000.00 |
| Month Over Month | | |
| ↑ 7.71% | ↓ -3.82% | ↓ -1.00% |
| 11,294 | $647,489.40 | $499,999.00 |
| Year Over Year | | |
| ↑ 23.19% | ↑ 20.11% | ↑ 23.75% |
| 9,875 | $518,441.83 | $400,000.00 |

# COMMENTARY

BY TOM RUFF

As inventory increases, we are seeing more sellers cutting their asking price. The number of sellers reducing their asking prices climbed to 3,140 in late June. The chart below, courtesy of the Cromford Report, shows this new reality.

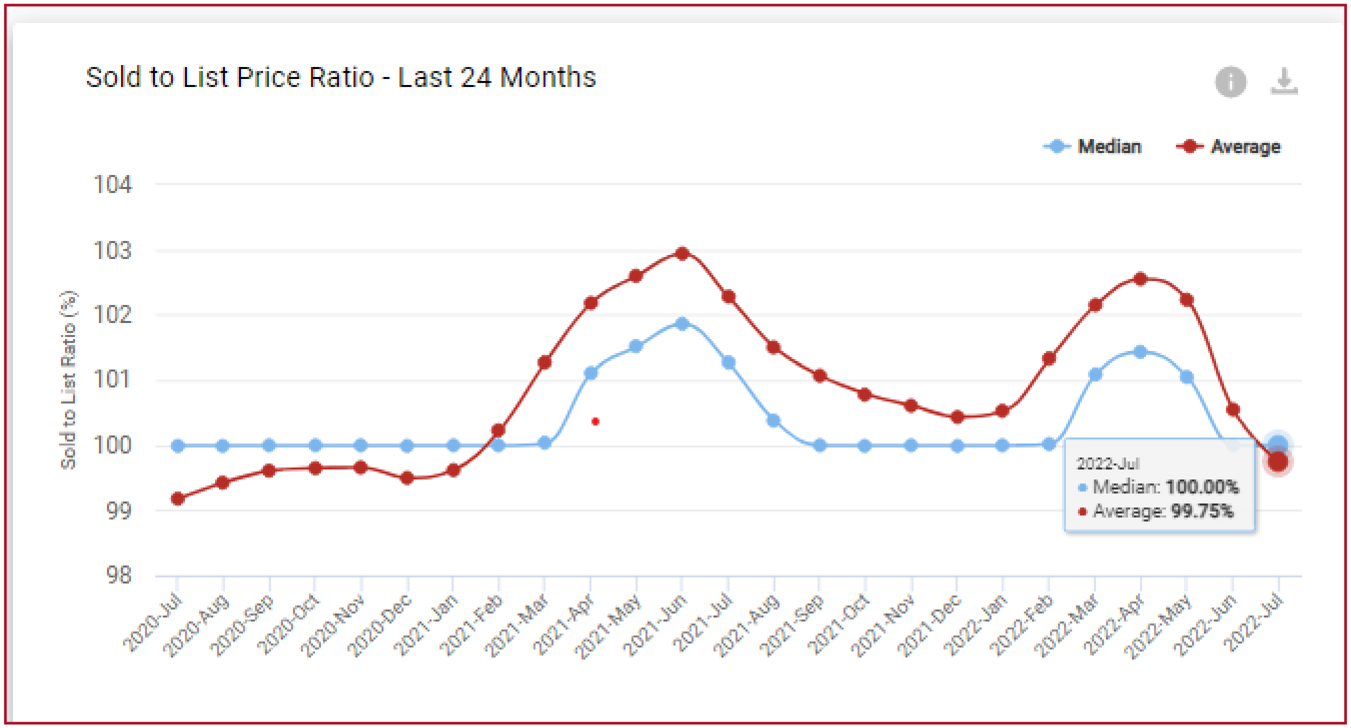
**Number of Price Changes per Week via Cromford Report**



# COMMENTARY
BY TOM RUFF

Along with price reductions, fewer homes are selling above the asking price. Our next chart displays the ratio between selling price and asking price, as reported by ARMLS:

**Ratio Between Selling Price & Asking Price via RapidStats**



As "**affordability issues take their toll**", it has become much more difficult for traditional buyers, particularly first-time buyers, to purchase a home. In the link just provided, a report done by First American Financial Corporation lists Phoenix as the fifth city in the country where affordability has declined the most year-over-year at 56.1%. Charlotte, North Carolina, led the nation at 62.5%. In the report, Mark Fleming, Chief Economist at First American, reiterates what we already discussed, *"The pandemic-driven supply and demand imbalance that fueled historically strong house price appreciation is coming to an end as the housing market rebalances to a new normal."*

With traditional buyers pulling back from the market, the question now becomes what impact will institutional buyers have on our market? Will they continue their buying ways or will they pull back? **NAR did a recent report** on the impact of institutional buyers on home sales and single-family rentals. I must tell you; their definition of an institutional buyer is vastly different than mine. For one, I would not define an I-buyer as an institutional buyer, nor would I define mom and pop LLCs as an institution. At STAT, we define an institutional investor like we define ducks, if it looks like a duck and walks like a duck, it's a duck. Invitation Homes, American Homes for Rent, Rootstock, Progress Residential and Home Partners of America are examples of the type of entities we define as institutional buyers. Institutional buyers first appeared in Phoenix in late 2010 and early 2011 as our market was recovering from the great housing collapse. Their strategy is buy, hold and rent. They seldom sell a property. The institutional investor not only purchases resale homes, but they also have begun to build homes with the sole purpose of renting. Our data shows over 31,000 SFR properties owned by institutions in Maricopa County. These are properties that were purchased primarily on the resale market. We do not currently have counts on the number of builds-to-rents. These properties, much like a custom build, will not record an affidavit value when the home is completed and available to rent. It will first show as a single-family rental only when the assessor updates the property from vacant land. Mental note-to-self, create a new process to identify BTR's in a timelier manner.

# COMMENTARY

BY TOM RUFF

When it comes to investing, FOMO means the fear of missing out on an investment opportunity, especially those that have a lot of buzz around them. Few investments have had a bigger buzz over the past few years than the single-family rental market. After years of strong house price appreciation and soaring rental rates, Phoenix became a hotbed for institutional investors.

Could this be changing? Today we're hearing rumblings on the street that institutional buyers are pulling back. It has been rumored that one of the largest institutional buyers in our market over the past three years canceled all their pending contracts in mid-June, forfeiting earnest monies. This rumor appears to have legs. An institutional investor, which had acquired over 2,200 properties in Maricopa County over the last three years, suddenly fell off our daily sales report. Of course, like all rumors, they grow and spread. I saw postings on Facebook claiming all institutional buyers are exiting our market, however, our public records closing data does not currently support this conclusion. In June, institutional buyers accounted for 8.8% of all home purchases in Maricopa County, acquiring 885 homes. Their purchases are centered between $300,000 and $500,000. To translate, institutional buyers are a significant part of our affordable housing market. Closing numbers through the first 11 days of July show their overall market share rising to 9.6%. It will be interesting to see if the institutional buyers become risk averse as rental rates and home values begin to decline and the number of properties available to rent climbs. They tend to mimic each other. We've seen one pull back, will others follow? If they do, demand will tumble further.

BY TOM RUFF

**A little good news for renters wanting to purchase:**

On June 29, Freddie Mac announced that it will increase homeownership opportunities for first-time homebuyers by considering on-time rent payments as part of the company's loan purchase decisions. This automated functionality became available on July 10 to mortgage lenders nationwide through Freddie Mac Loan Product Advisor, the company's automated underwriting system. "This extremely important initiative will help many renters move closer to achieving the dream of homeownership," said Michael DeVito, CEO of Freddie Mac. "Millions of American adults lack a credit score or have limited credit history. By factoring in a borrower's responsible rent payment history into our automated underwriting system, we can help make home possible for more qualified renters, particularly in underserved communities."

**In Conclusion:**

In June, we saw a 20% year-over-year decline in the number of homes sold, as reported by ARMLS. The recent changes in monetary policy are beginning to accomplish the desired goal of slowing housing demand, which will slow inflation. When July's closing numbers are reported, the impact of these changes will be clearly visible and undeniable. Real estate runs in cycles, ranging from hot to cold and everything in between. The policy is to raise interest rates and cut demand, as demand drops supply will build. In turn, prices will drop back down, and when prices drop, demand will rise once more.

# COMMENTARY

BY TOM RUFF

According to NAR statistics, the median real-estate experience of all Realtors is eight years. The last time we saw a balanced market in Phoenix was in 2014. If the national numbers hold true in our market, half of all current agents will have never participated in a balanced market. According to ARMLS membership statistics, approximately 36% of ARMLS members have been active since 2007. My advice for the newer agents is to find an experienced mentor. You'll be happy you did. And to the experienced vets out there, mentor, nothing compares to the joy of helping others. And as for me, I promise to do my part. I will stop paraphrasing country music stars/sausage legends from the 1960s and start using more modern analogies and language. Moving forward, STAT will be lit, no cap.

**ARMLS PENDING PRICE INDEX (PPI)**

Last month STAT's mathematical model projected the median sales price for June at $475,000, the actual number was $475,000. Looking ahead to July, the ARMLS Pending Price Index is projecting median sales price of $450,000. If July's median sales price projection is correct, we will see a year-over-year gain of 11.11%.
We began July with 5,251 pending contracts, 2,505 UCB listings and 424 CCBS giving us a total of 8,180 residential listings practically under contract. This compares to 11,035 of the same type of listings one year ago. At the beginning of July, the pending contracts are 25.87% lower than last year. There were 21 business days in July 2021 and 20 this year. ARMLS reported 8,715 sales in July 2021. The highest sales volume ever in July occurred in 2011 with 10,303. When July's numbers are reported, we will see a drop in sales volume and prices. If our models are correct, year-over-year sales volume will decline between 25-30% year, while the median sales price is projected to decline 5.3% month over month.