

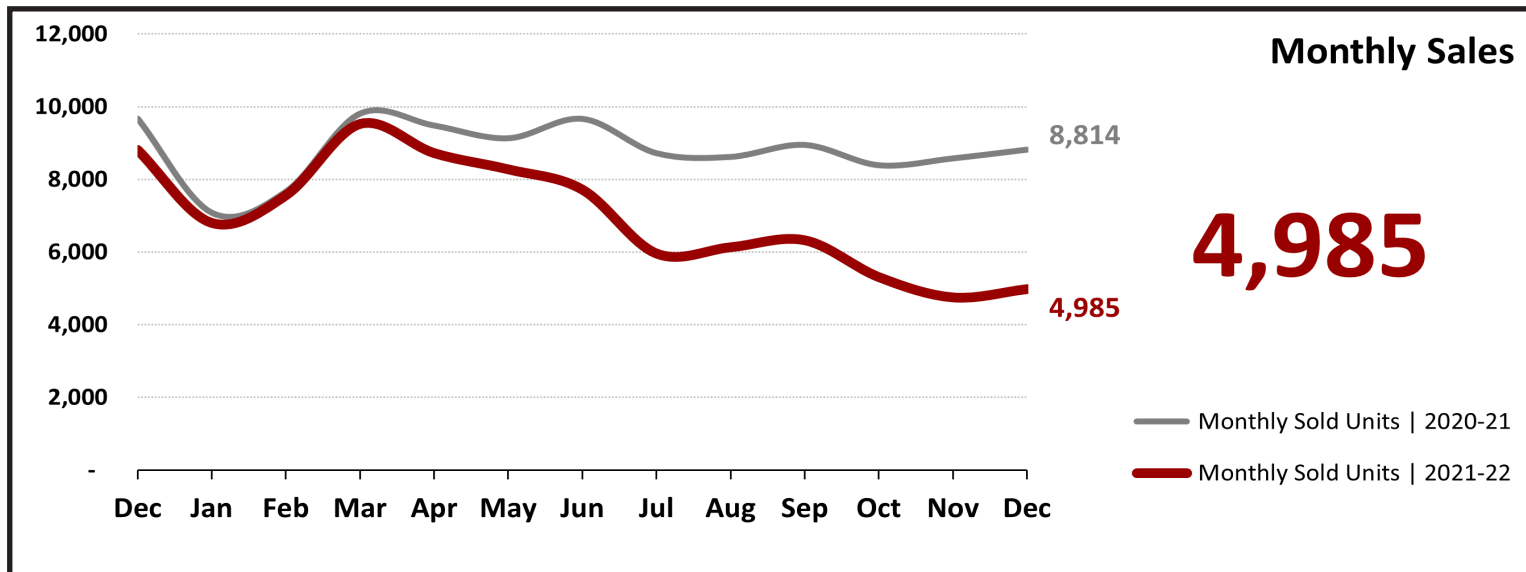
# STAT

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



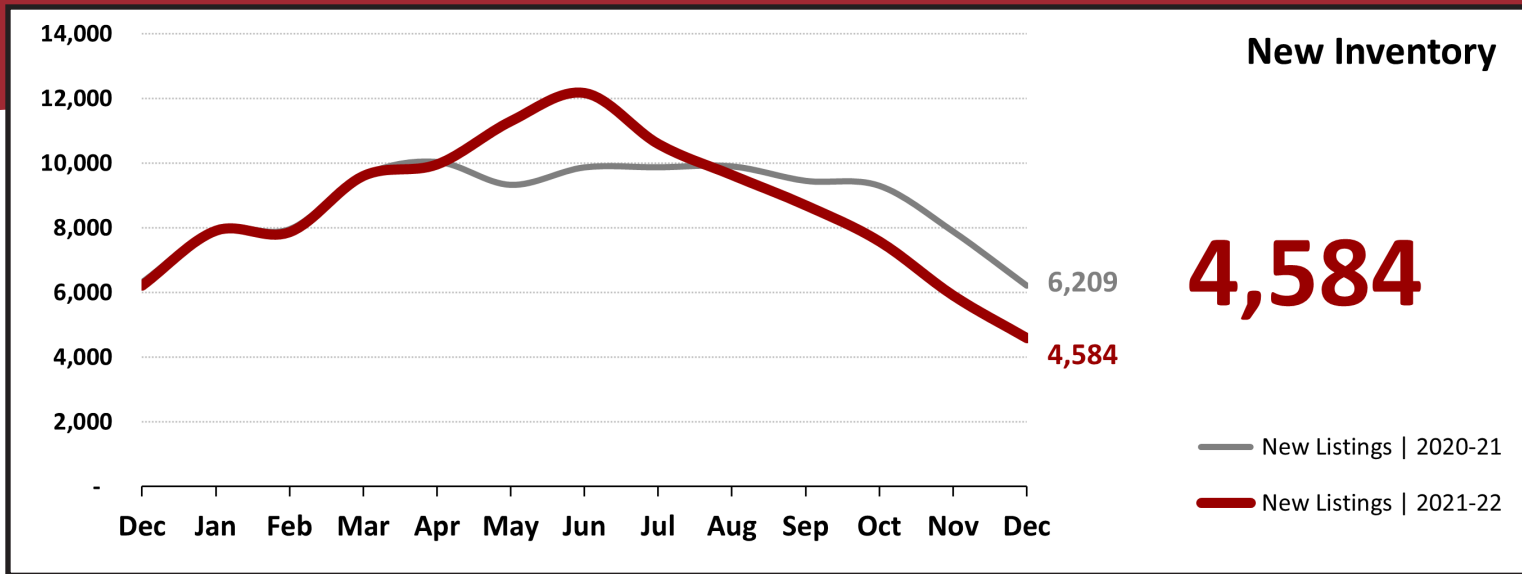
DATA FOR **DECEMBER 2022**

Published January 18, 2023

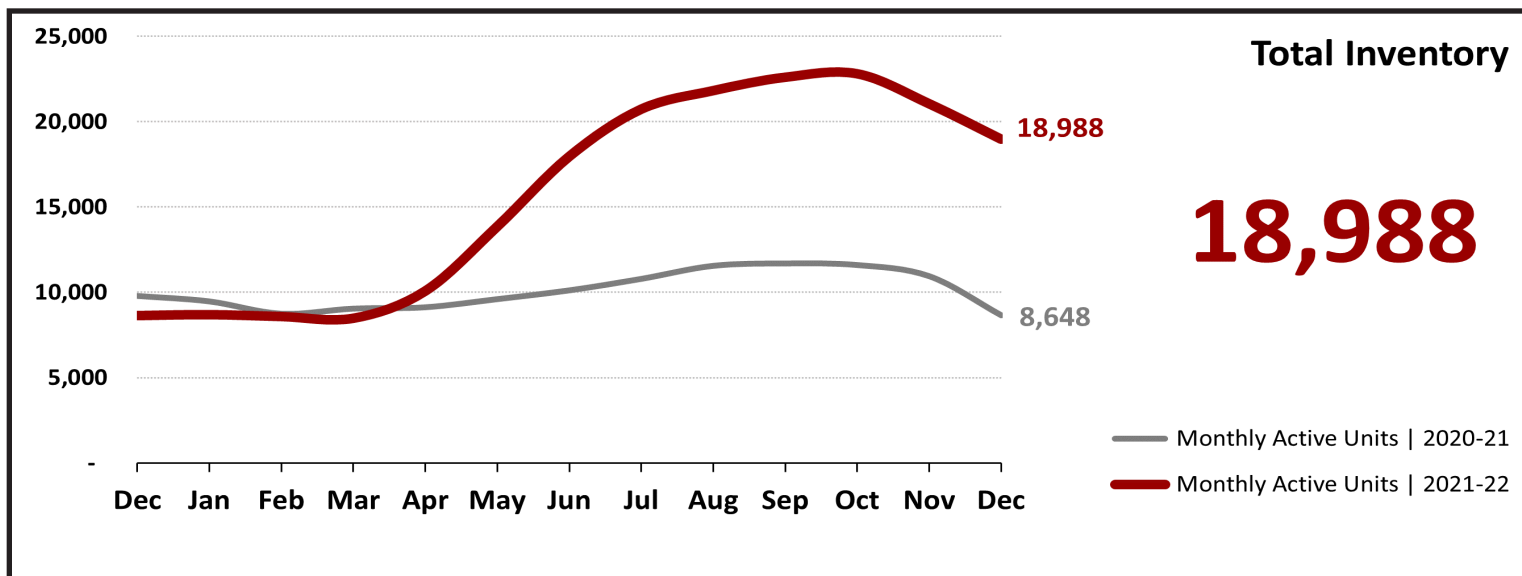


Sales are up **+4.8%** month-over-month. The year-over-year comparison is down **-43.4%**.

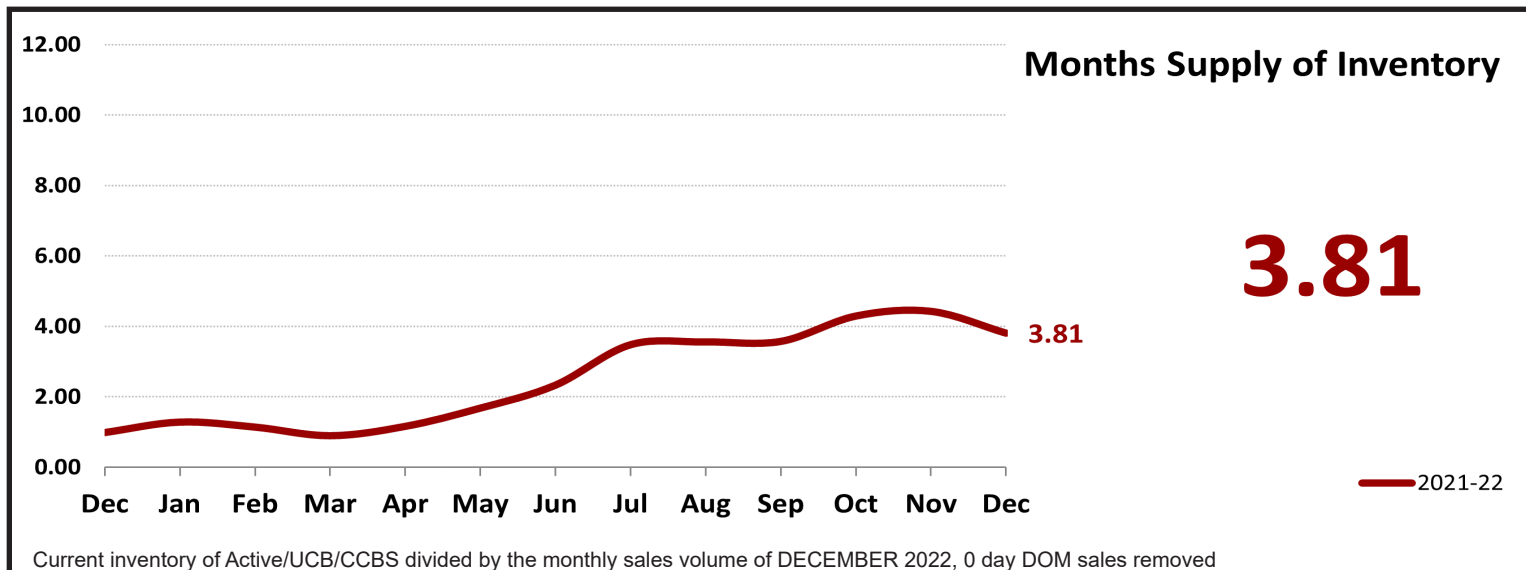
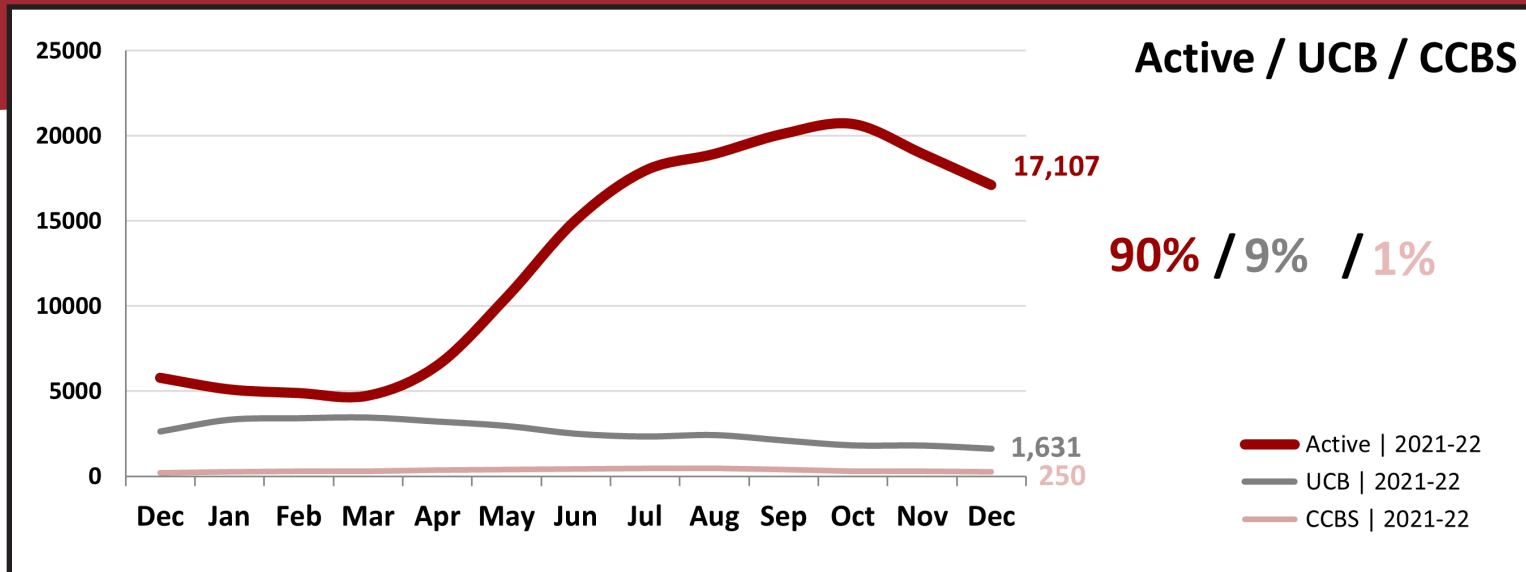
Closed MLS sales with a close of escrow date from 12/1/22 to 12/31/22, 0 day DOM sales removed

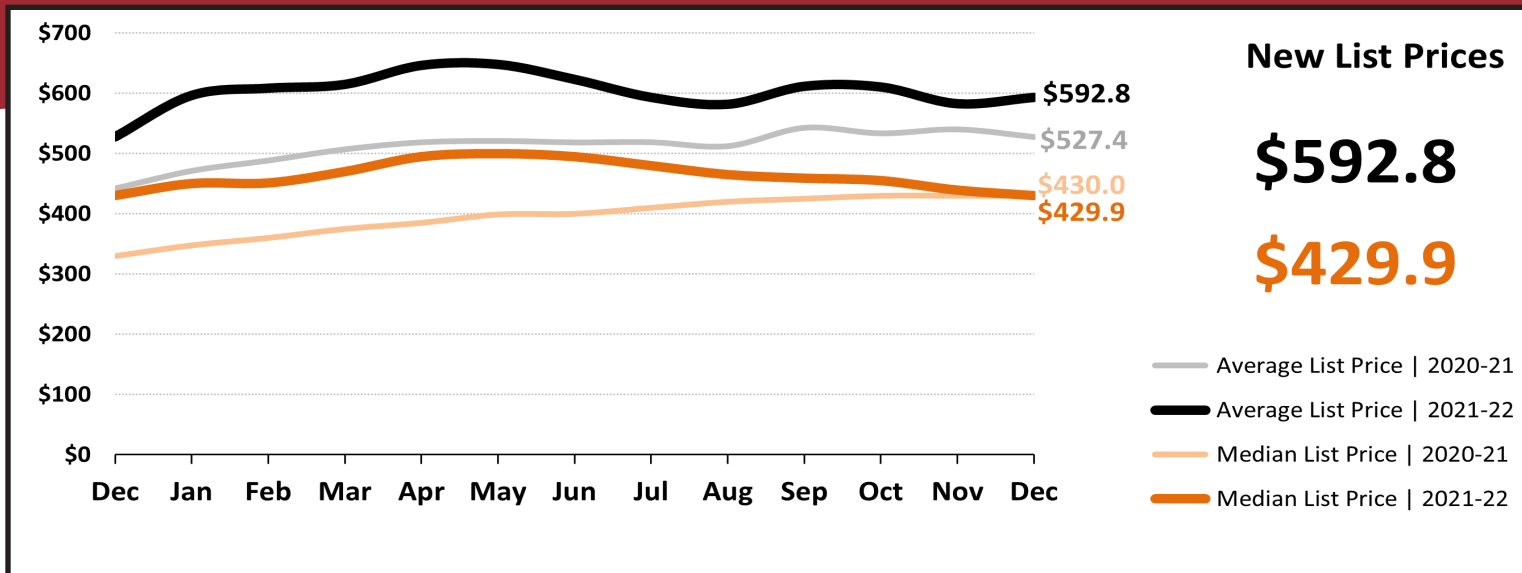


New inventory has a month-over-month decrease of **-22.3%** while the year-over-year comparison decreased by **-26.2%**.



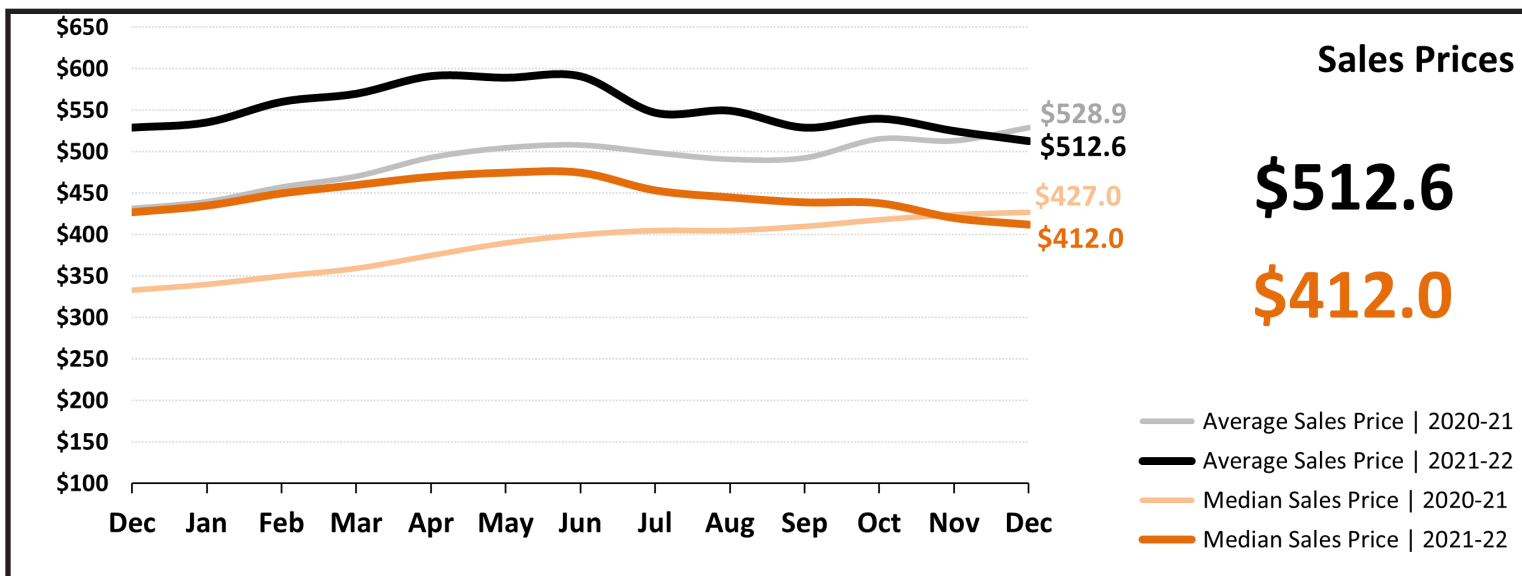
Total inventory has a month-over-month decrease of **-9.9%** while year-over-year reflects an increase of **119.6%**.





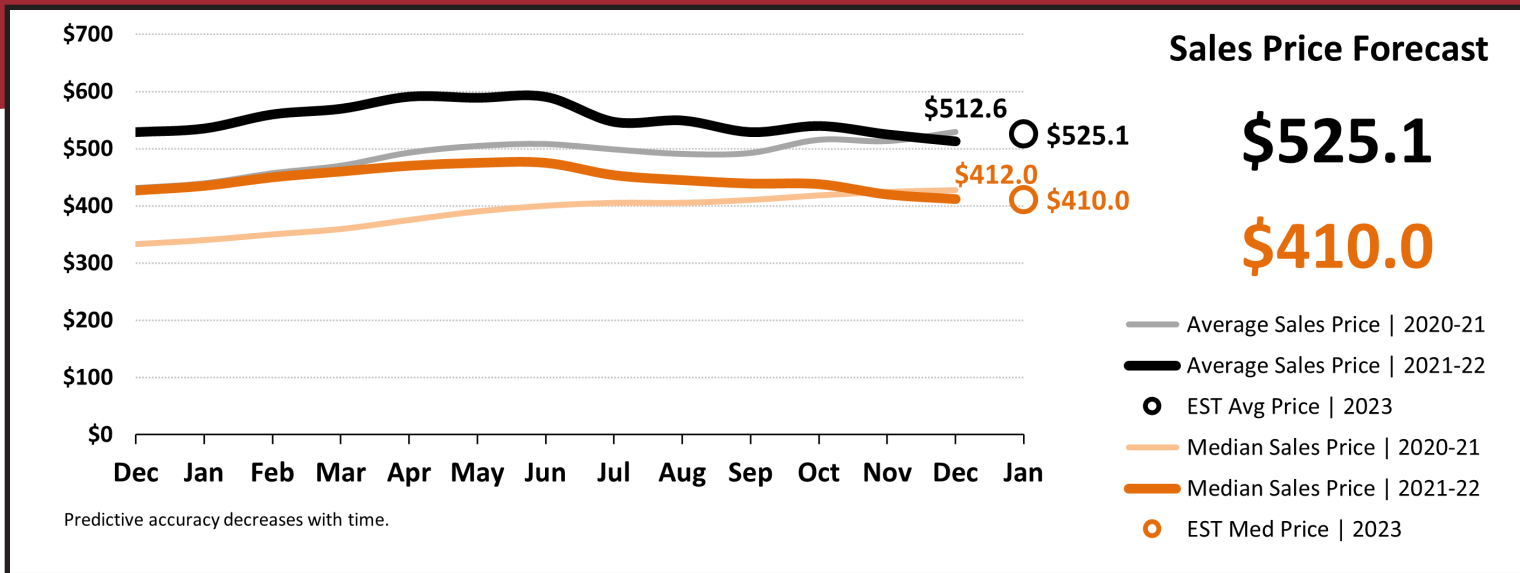
List prices of new listings with list dates from 12/1/22 to 12/31/22, 0 day DOM sales removed

Average new list prices are up **+12.4%** year-over-year. The year-over-year median had **no change**.



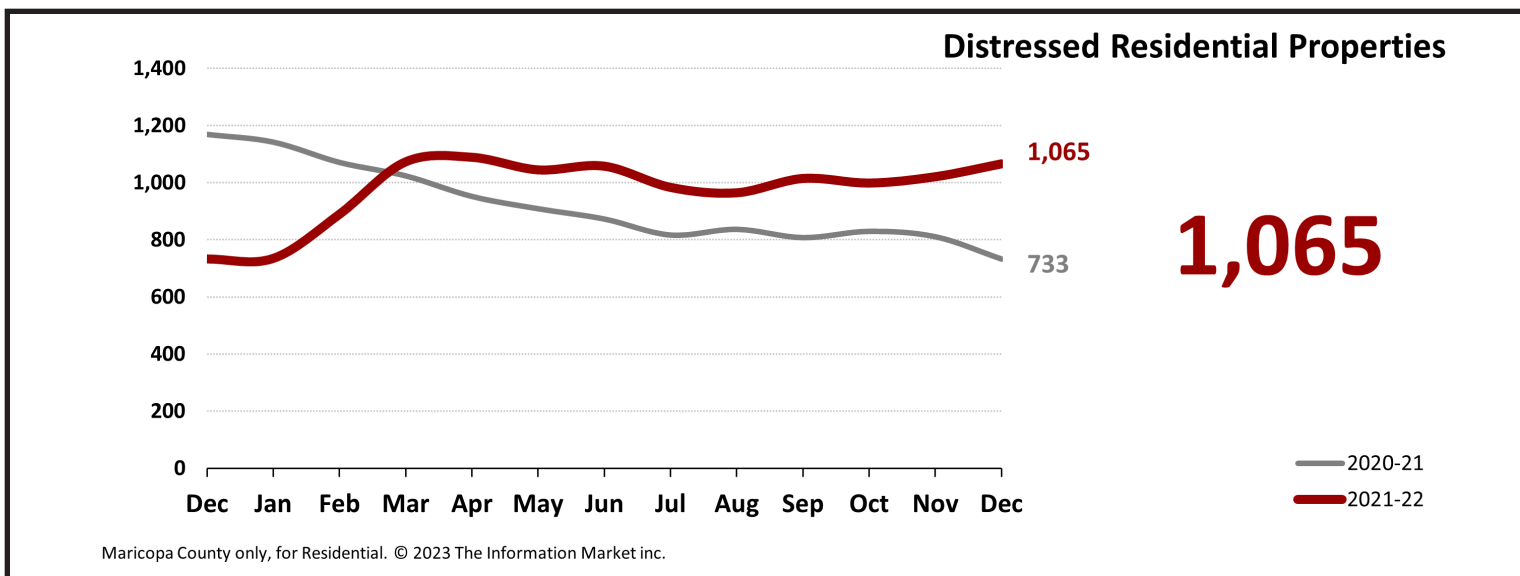
MLS sales prices for closed listings with a close of escrow date from 12/1/22 to 12/31/22, 0 day DOM sales removed

The average sales price is down **-3.1%** year-over-year while the year-over-year median sales price is down **-3.5%**.



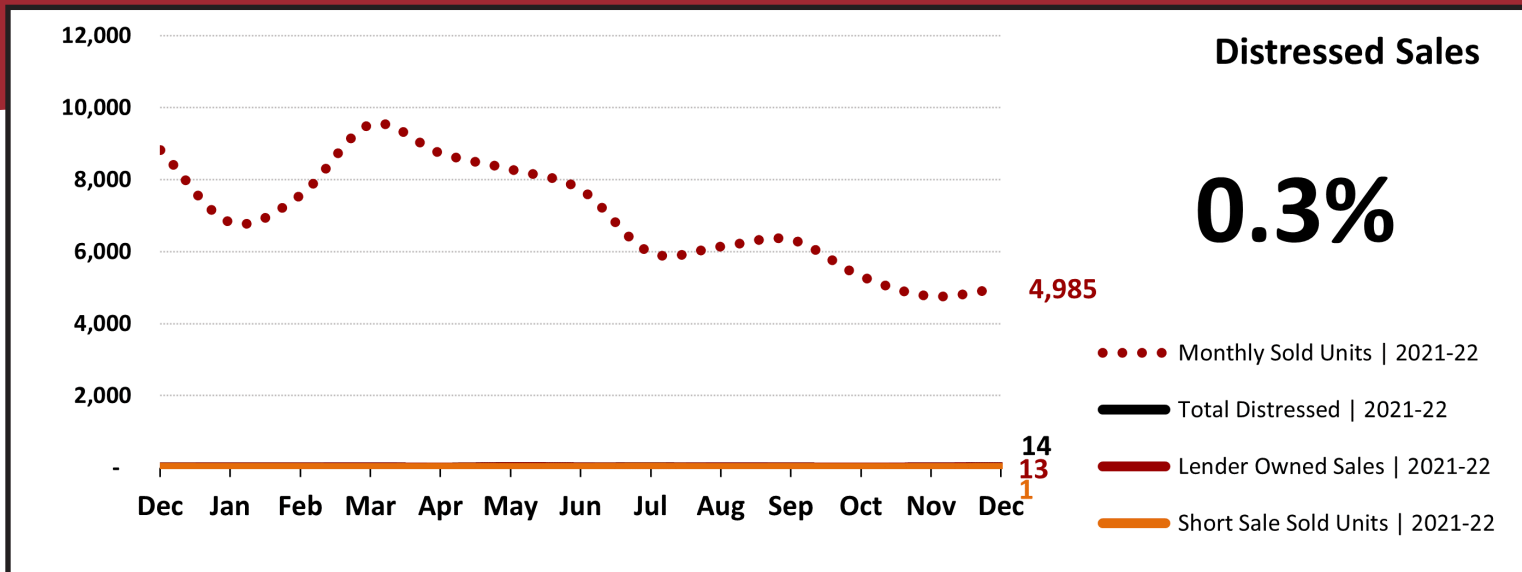
An **increase** is forecasted in January for average sale prices while a **decrease** is forecasted for Median sale prices.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



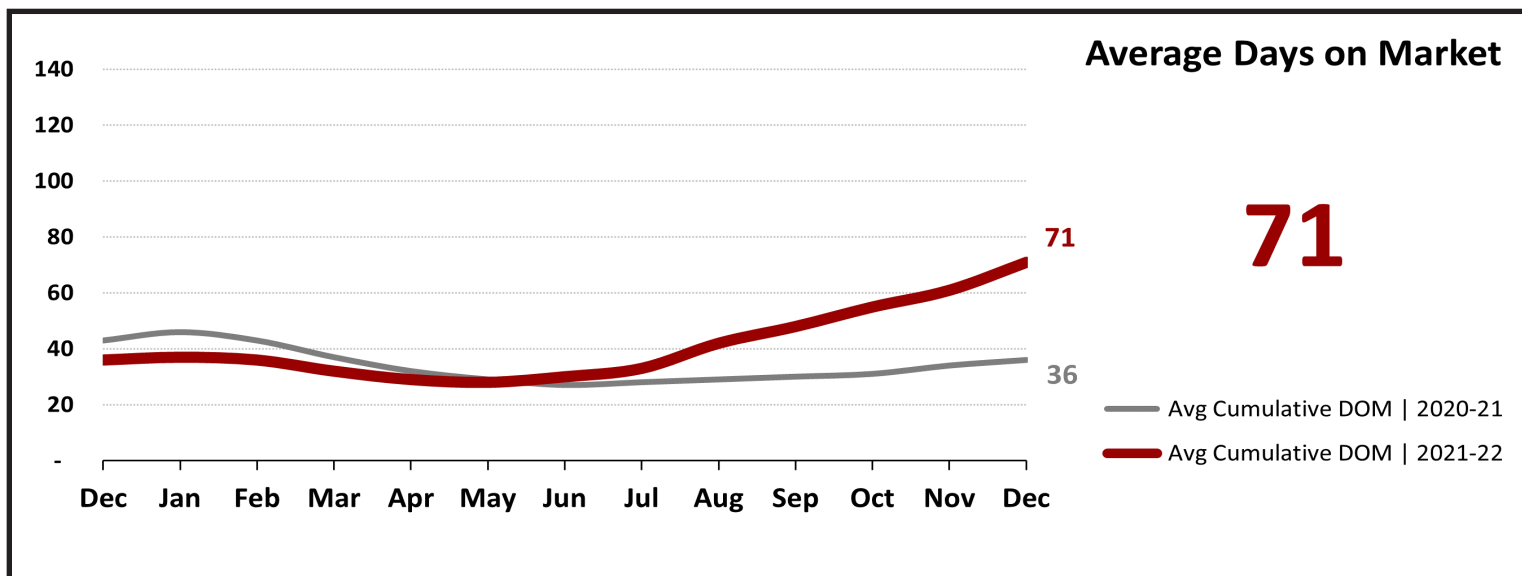
Foreclosures pending month-over-month showed an increase of **+4.4%** while the year-over-year figure was up **+45.3%**.

Snapshot of public records data on 12/31/22 active residential notices and residential REO properties.



New MLS listings that were active for at least one day from 12/1/22 to 12/31/22, 0 day DOM sales removed

Distressed sales accounted for **0.3%** of total sales, up from the previous month of 0.2%. Short sales decreased **-50.0%** year-over-year. Lender-owned sales increased **+44.4%** year-over-year.



MLS sales prices for closed listings with a close of escrow date from 12/1/22 to 12/31/22, 0 day DOM sales removed

Days on market were up **+35 days** year-over-year while month-over-month was also up **+10 days**.

Writing tip: *“Overused cliches show a lack of original thought, and can make a writer appear unimaginative and lazy, where adding a proverb can be a fun or interesting way to play with words.”*

For these exact reasons, as I publish your STAT 2022: Year in Review, I will not be referring to last year as a *“fine kettle of fish”*, nor will I refer to our current housing market as *“an uphill battle”*. As we cover *“the whole nine yards”*, or STAT’s detail-oriented preference, *“the whole 27 feet”*, let’s begin with that proverb: *“In like a lion, out like a lamb.”*

We began 2022 with one of the strongest Januarys in history, only to close with one of the weakest Decembers on record. Depending on the month, 2022 experienced a seller’s market, a buyer’s market and a balanced market, with each phase heavily influenced by mortgage rates. Our market transitioned from bidding wars to seller concessions. The year also marked the end of the longest home price boom in ARMLS history. We finish 2022 and enter this year in a market defined by declining sales, declining inventory and declining prices. All the while we wait for volatile mortgage rates to stabilize.

We will begin our “Year in Review” with excerpts from prior writings, a CliffsNotes version of each individual month. For today’s students not familiar with Cliff Notes, think of it as a report written by artificial intelligence. After our monthly rundowns, we will then share a series of annual charts and, finally, take a glimpse forward to 2023.

## **This is your year in review:**

### **January**

We began 2022 with the lowest number of active listings on record. And, while we all knew the 28% year-over-year increase in the median sales price was unsustainable, we also knew there was nothing holding back continued price appreciation in the short term. We broached new conversations centered around inflation and the potential impact of rising interest rates, as well as expanded our ever-evolving conversation on heavy Wall Street monies in our market and their impact. We believed interest rates would soon become a hot topic. We knew change was inevitable, but we couldn't say when.

### **February**

The 30-year fixed-rate mortgage moved higher. It rose to 3.69%, 22 basis points higher than February 2020 and 96 basis points higher than February 2021. We knew higher prices and higher interest rates would impact affordability, and as homes became less affordable, we knew demand would waiver. We repeated the words unsustainable and affordability. We were aware change was in the air but could not say when it would arrive. Conversations around inflation and the potential impact of rising interest rates grew louder.



## March

In March, I revisited data that I had found disconcerting: Wall Street monies flowing freely in our market. Public records data was telling us our market was and had been driven by non-primary buyers purchasing with cash. Non-primary buyers accounted for 36% of all homes purchased in February 2022, while 29.2% were cash, sellers were receiving cash offers well over list price. Since the beginning of 2021, institutional buyers had acquired, through purchases and building, over 9,000 homes in Maricopa County. Most of these purchases were SFR in the \$250,000 to \$500,000 price range. Their model was buy/build, hold and rent. Although the re-sale and new homes markets continued to show very little sign of weakness, the same could not be said of the rental market. The first empirical evidence of a market shift was reported in this issue of STAT. It was based on a study done by Tina Tamboer, who studied the rental market. She found a discernible change in rental inventories and pricing. Our conclusion, the strong buying activity from institutional investors over the past year was beginning to saturate our rental market. Just as we were reporting Tina's findings, the federal government stepped in and raised interest rates again.

## April

In this issue we presented a series of bullet points, any one of which, standing on their own merit, would have made for an entire STAT report. Some of the metrics suggested tailwinds to the housing market, while others suggested headwinds. All together, they told us our market was windy, very windy. We referenced rising inflation, a declining stock market, low unemployment and massive investments by Intel and TSM. We asked our readers to consider each individual metric and how they might impact our market in the short term as well as the long term. We expected prices would continue to rise, at least through June, as supply remained scarce. We also made the worst forecast in STAT's history, an NBA championship for the Suns.

## May

Over the past few years, like a broken record, STAT had described a local housing market on fire. We routinely referenced interest rates as the wildcard. The seller's market became so extreme we ran out of superlatives. In one issue, we went as far as using malaprops just to humor ourselves and break the monotony. We concluded each issue with a familiar refrain: "Sellers' markets don't last forever, the market will eventually shift, but we don't know when." That "when" had become "now".

## June

Housing makes up approximately 40% of costs in the CPI. The central bank views the rapid rise in home prices as the primary cause of inflation. Their primary weapon for fighting inflation is raising interest rates. The Federal Reserve intensified its fight against high inflation by raising its key interest rate by three-quarters of a point, the largest bump since 1994. Our market was quickly shifting. While we were still in a seller's market, prospective buyers and their budgets were taking a big hit and buyer confidence was dropping quickly.

## July

After two straight years of strong sales activity and rapidly rising home prices, our market cooled rapidly. A balanced market could be seen around the corner. There may still have been a buyer or two out there that had not received the memo, but for the most part, the days of multiple offers and bidding wars had ended. “For Sale” signs began to multiply. Another sudden increase in interest rates paired with record high prices sent many potential buyers to the sidelines. 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 were accomplishing their desired goal of curbing housing inflation. We knew then, when July’s closing numbers were reported, the impact of these changes would be clearly visible and undeniable to everyone.

## August

STAT walked its readers down an imaginary path through the nostalgically remembered past, also known as memory lane. We traveled back through another dimension. Charts and graphs were used to enlighten your mind. We journeyed through a wondrous land where home price boundaries were limited only by the seller’s imagination. A land where you didn’t even need to place a signpost in the ground. Using snippets from prior STATs, our travels took us from Jan. 1, 2022, through July 30, where we found ourselves at the door of a balanced market. A market where strange words like incentives, concessions, price drops and buydowns were now a part of our daily vocabulary. To some, this new dimension came to be known as the Twilight Zone!

## September

Our market at this point was best defined as balanced. We've often heard a balanced market defined by the number of homes for sale, but in essence, a balanced market is determined by the relationship between supply and demand. Supply is low, but demand is equally low. The relationship between supply and demand was perfectly portrayed by the Cromford Report and their three indices: Cromford Supply Index: 76.5, Cromford Demand Index: 80.5, Cromford Index: 105.2.

## October

Transactional volume and prices were now almost entirely influenced by one single metric: interest rates. Having worked in the mortgage industry in a previous life, I had learned most consumers interested in buying wanted to know two things: "How much is my monthly payment, and do I qualify?" For many applicants, the answer to the first question was too much, and the answer to the second question was no. There is a common axiom in our industry. Real estate is local, that is true. But I'd like to add, the federal government dictates interest rates. Today's rates and prices have put homeownership out of reach for many. As an offshoot of these market conditions, agents were having a hard time determining the price at which to list the property. Home prices were expected to fall through the remainder of the year.

## November

The 30-year fixed mortgage rate surpassed 7%. We knew this rate increase would further exasperate home closings. As the Federal Government continued to slam on the brakes, both buyers and sellers shied away. This meant fewer new listings, fewer sales and lower prices. We also offered a lengthy discussion on concessions and how falling home prices were being understated.

## December

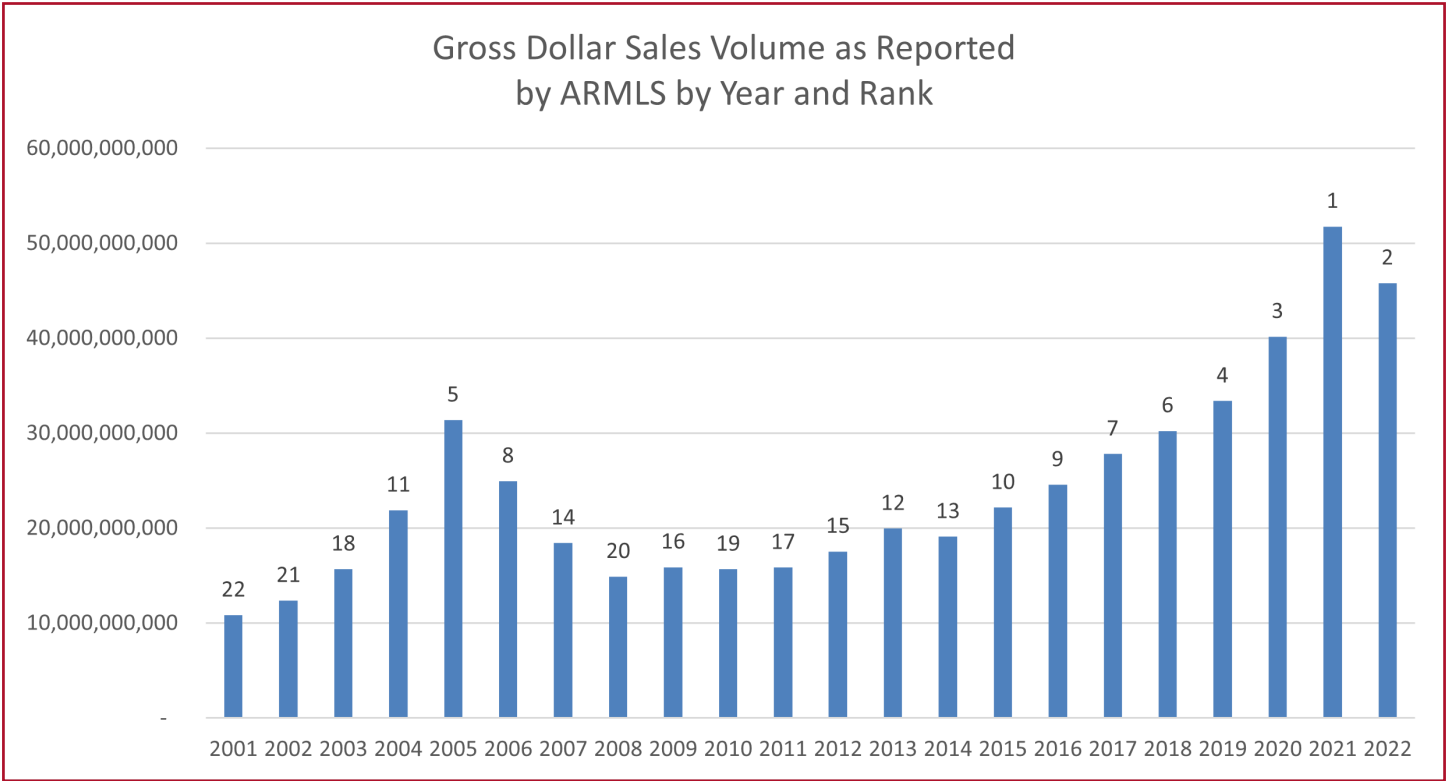
November's STAT was a time for setting the table, literally and figuratively, as we began to prepare for our annual year in review. We also reported that in terms of the median sales, our market was now reporting negative year-over-year price growth. Couple negative price growth with a 45% year-over-year decline in sales volume, and, at least in terms of our housing market, we were in a recession.

And now for the promised charts.

### **ARMLS GROSS DOLLAR VOLUME: \$45,796,771,619**

ARMLS reported the second highest gross dollar volume total in its 22-year reporting history. Strong sales data paired with record home prices in the first half of the year were responsible for the lofty ranking.

Gross Dollar Sales Volume Year and Rank via ARMLS

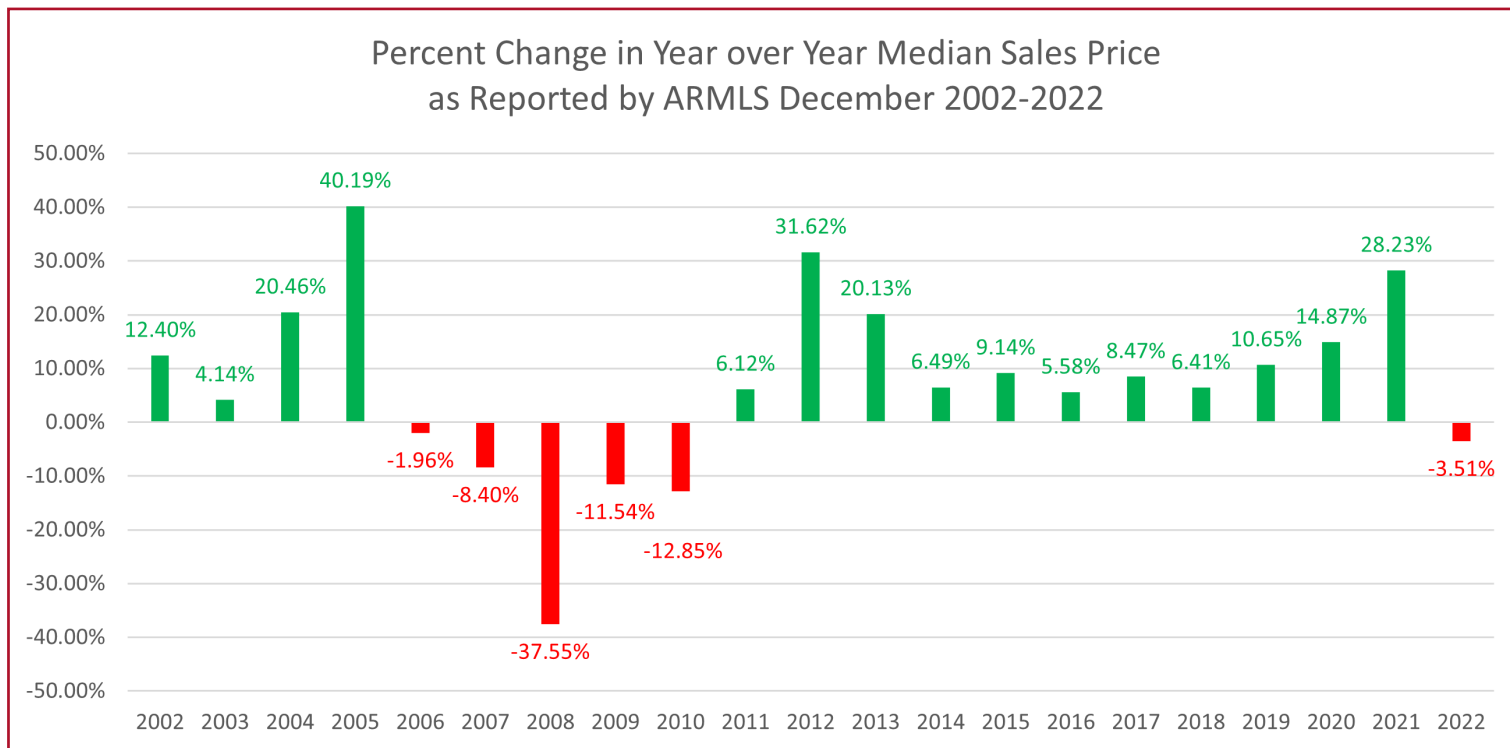


## ARMLS MEDIAN SALES PRICE DATA: \$411,995

The median home sales price peaked in May/June at \$475,000 and fell to \$411,995 in December, as reported by ARMLS.

This ended the longest home price boom in ARMLS's reporting history, a run that spanned 11 years.

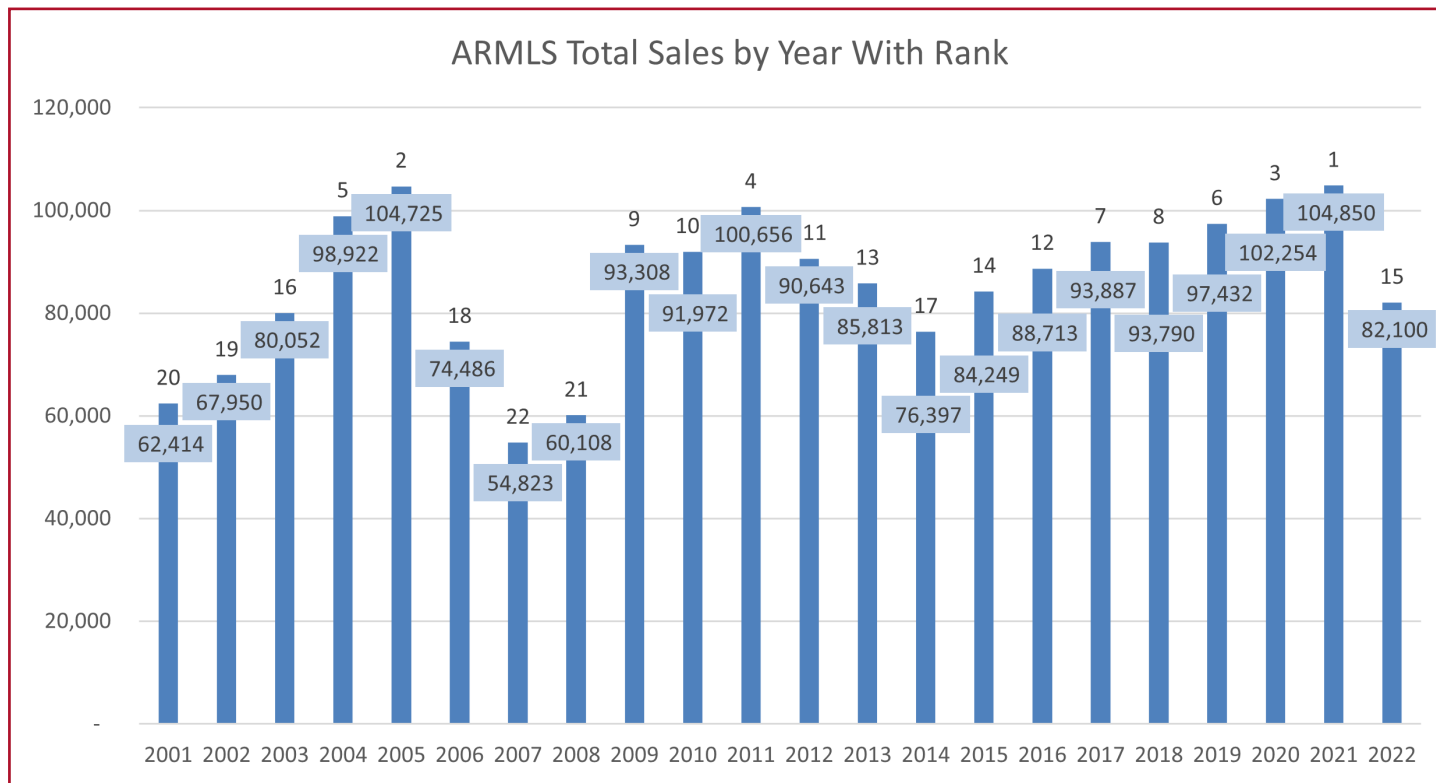
## Percent Change in Year-Over-Year Median Sales Price via ARMLS



## ARMLS SALES DATA VOLUME: 82,100

Home sales volume was down 21.70% year-over-year. Out of the 22 years ARMLS has been reporting sales volume, there were 14 years with higher sales volume and seven years with lower volume. In an industry defined by transactional data, these declines significantly impact not only real estate agents and brokers, but also title, mortgage, appraisal and reconstruction personnel.

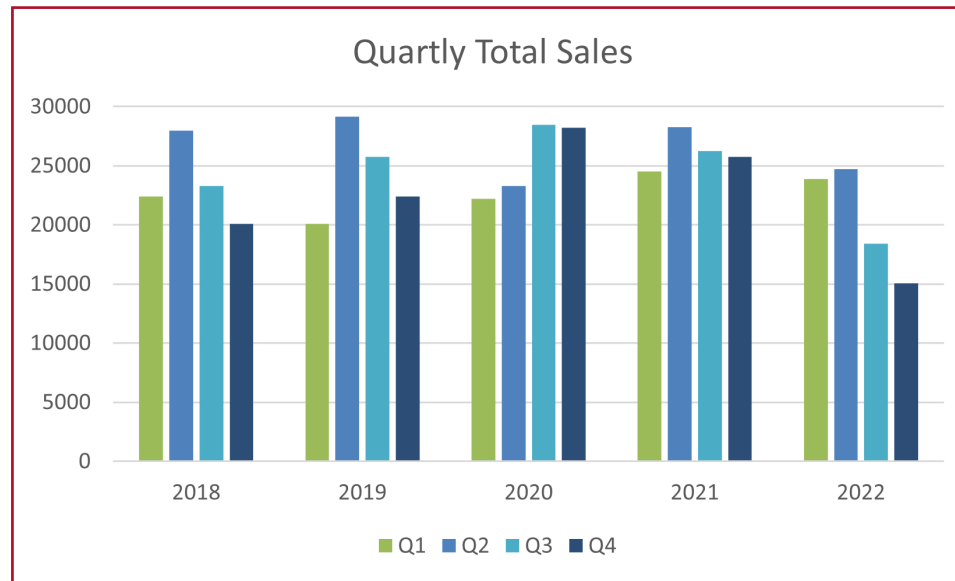
## ARMLS Total Sales by Year with Rank via ARMLS





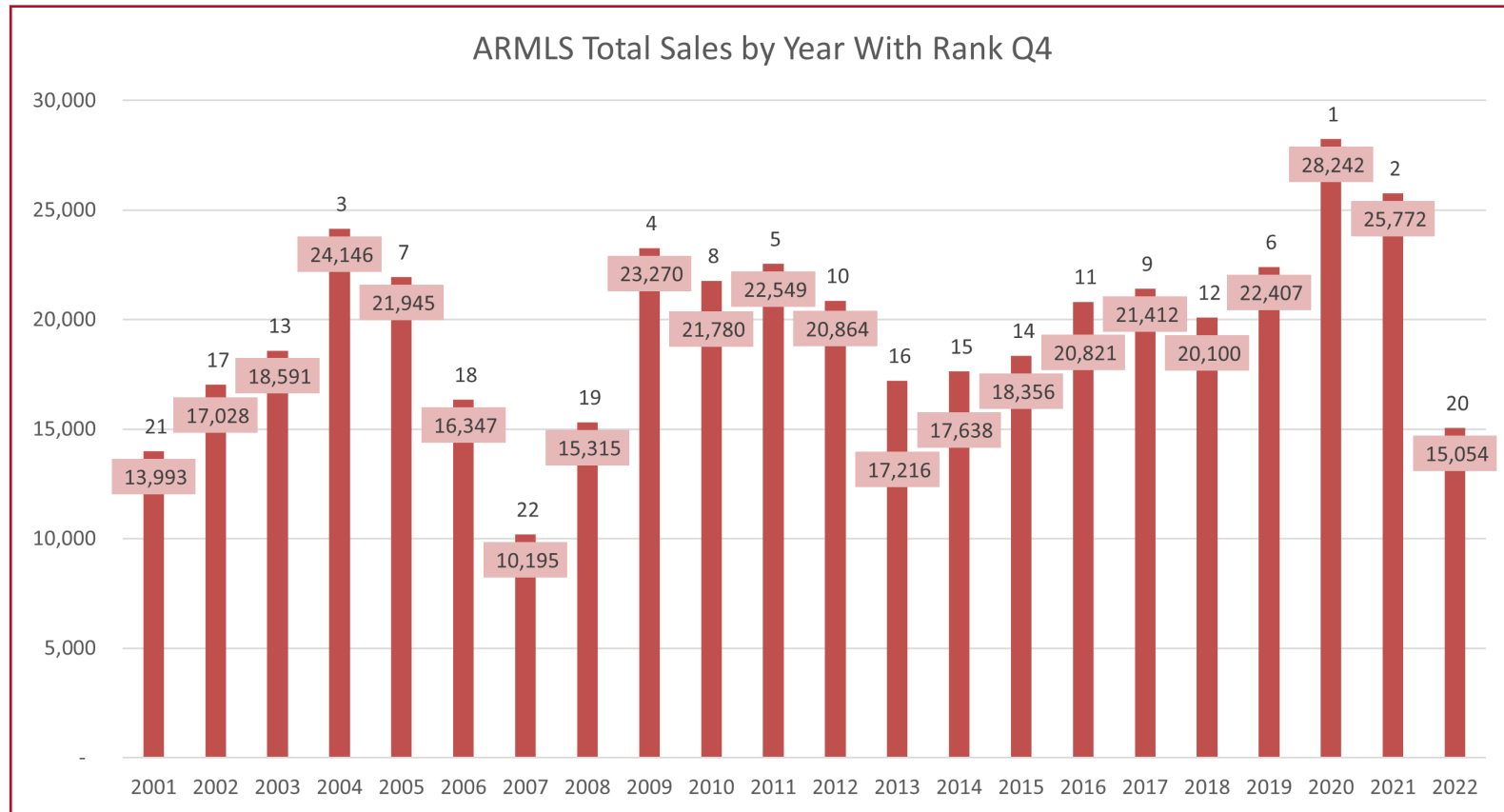
When we view sales volume on a quarterly basis, we can see the obvious deterioration of transactional activity in the third quarter, followed by deeper cuts in the fourth quarter.

## Quarterly Total Sales via ARMLS



In terms of the number of homes sold as reported by ARMLS, only 2001, when we first began tracking this data, and 2007 saw fewer sales transactions in the fourth quarter than what we witnessed this year. We head into 2023 with little to no momentum.

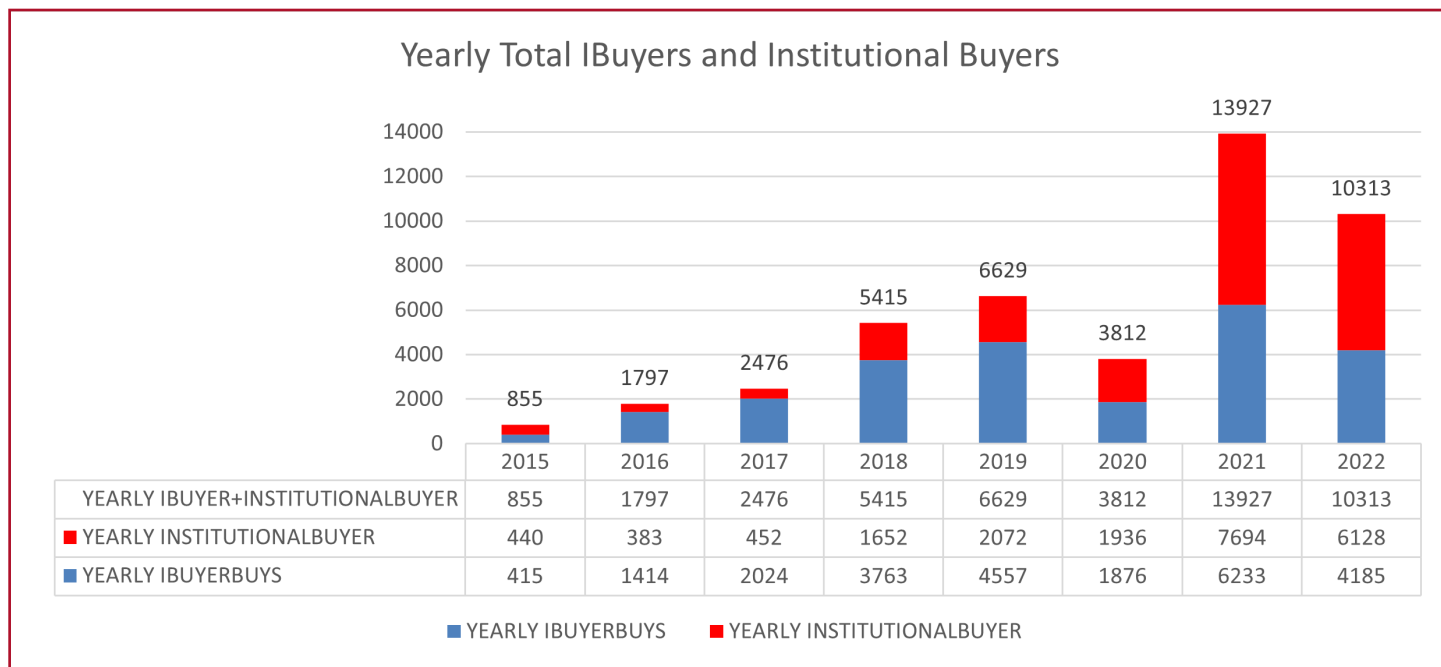
## ARMLS Total Sales by Year with Rank Q4 via ARMLS



## “WALL STREET” BUYS: 10,313

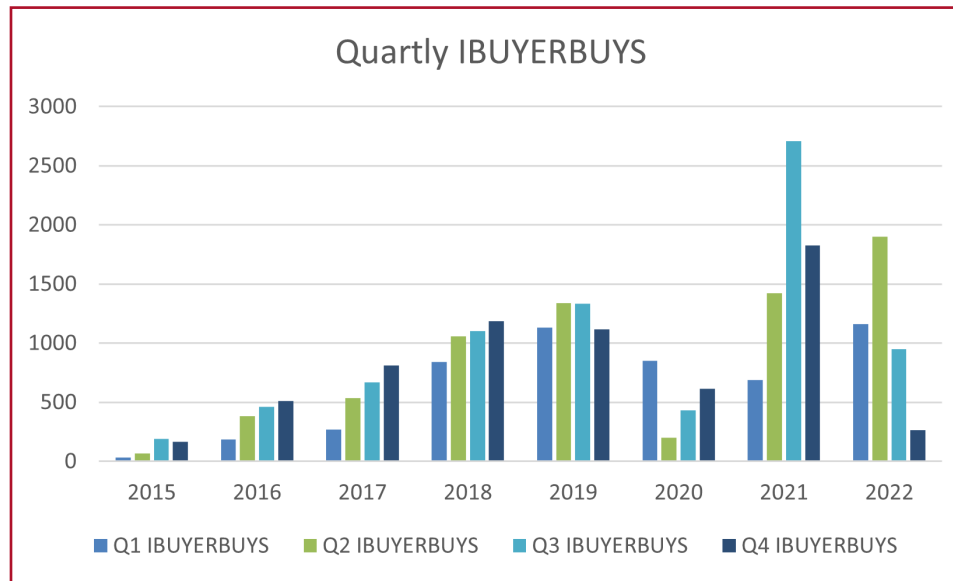
“Wall Street,” defined as I-buyers and institutional buyers, were extremely active in our market through the first two quarters of the year, only to see a dramatic drop-off in the last two quarters.

## Yearly Total iBuyers and Institutional Buyers via ARMLS



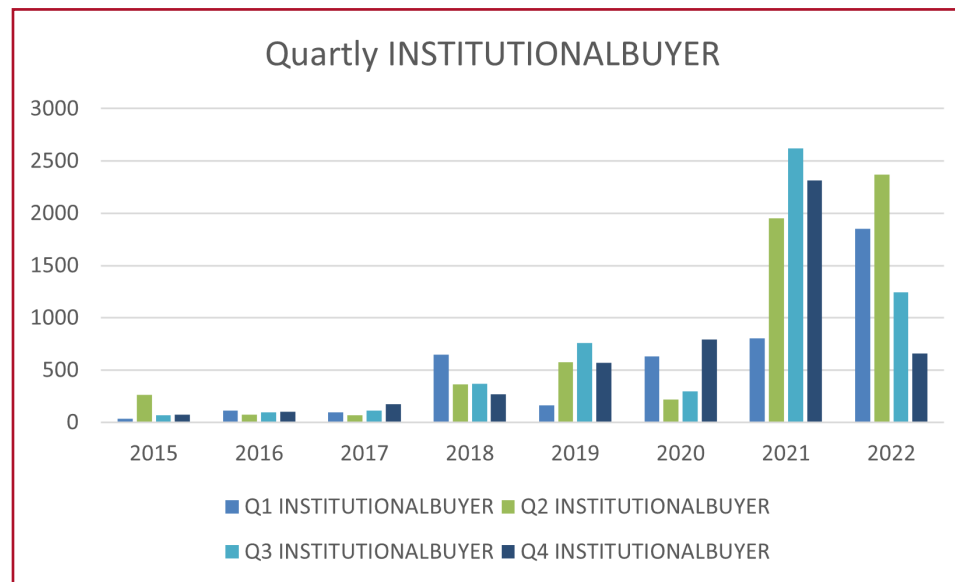
I-buyer's frenzied activity peaked in the third quarter of 2021 with 2,709 purchases. In the fourth quarter of 2022, they purchased 263 homes. Their purchases declined 86% year-over-year in the fourth quarter.

## Quarterly iBuyer Purchases via ARMLS



Institutional investor's frenzied activity, like the I-buyers, peaked in the third quarter of 2021 with 2,623 purchases. In the fourth quarter of 2022, they purchased 660 homes. Their purchases declined 82% year-over-year in the fourth quarter.

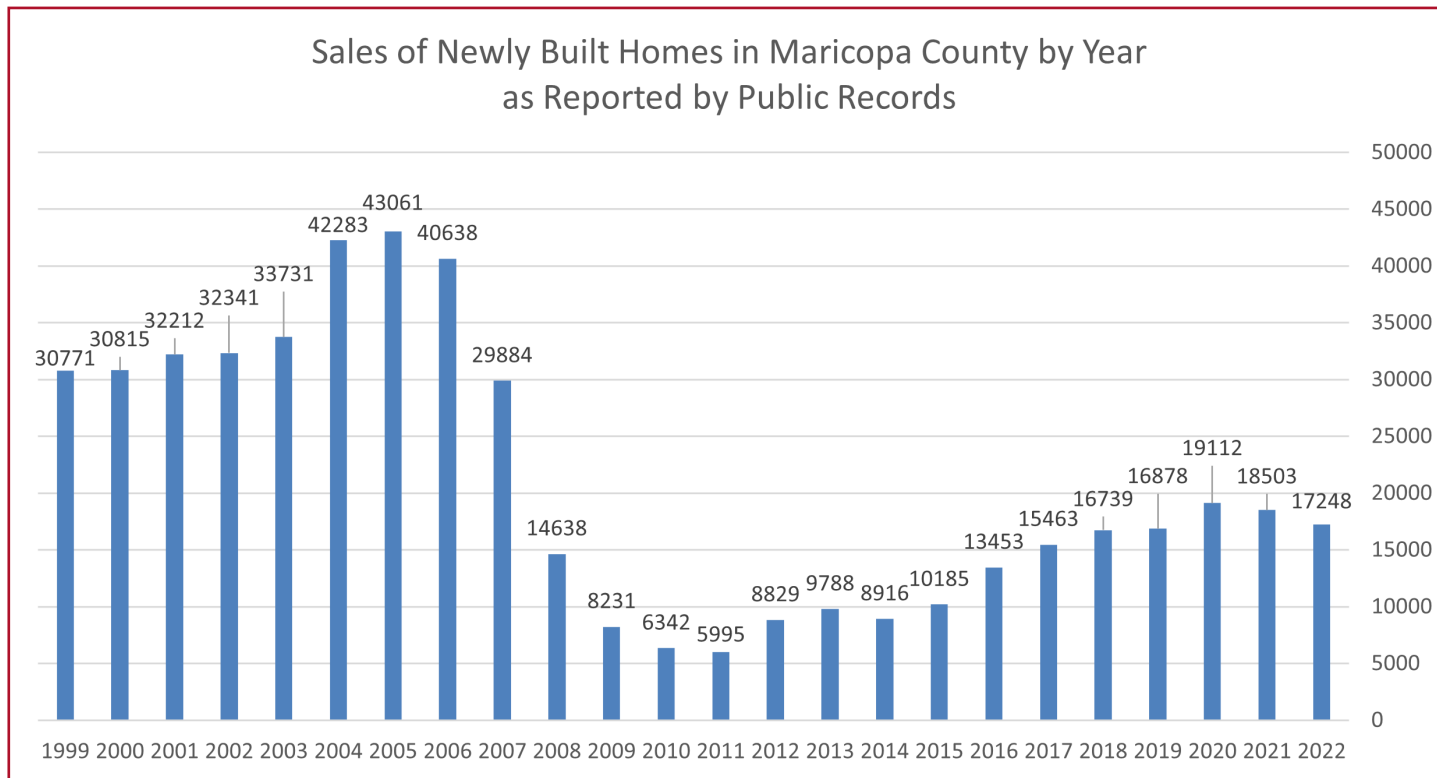
## Quarterly Institutional Buyer Purchases via ARMLS



## PUBLIC RECORDS NEW BUILDS MARICOPA COUNTY: 17,248

The new-home market performed much better than the resale market. New home sales were down 6.7% year-over-year in Maricopa County, while the resale market was down 27.6% year-over-year.

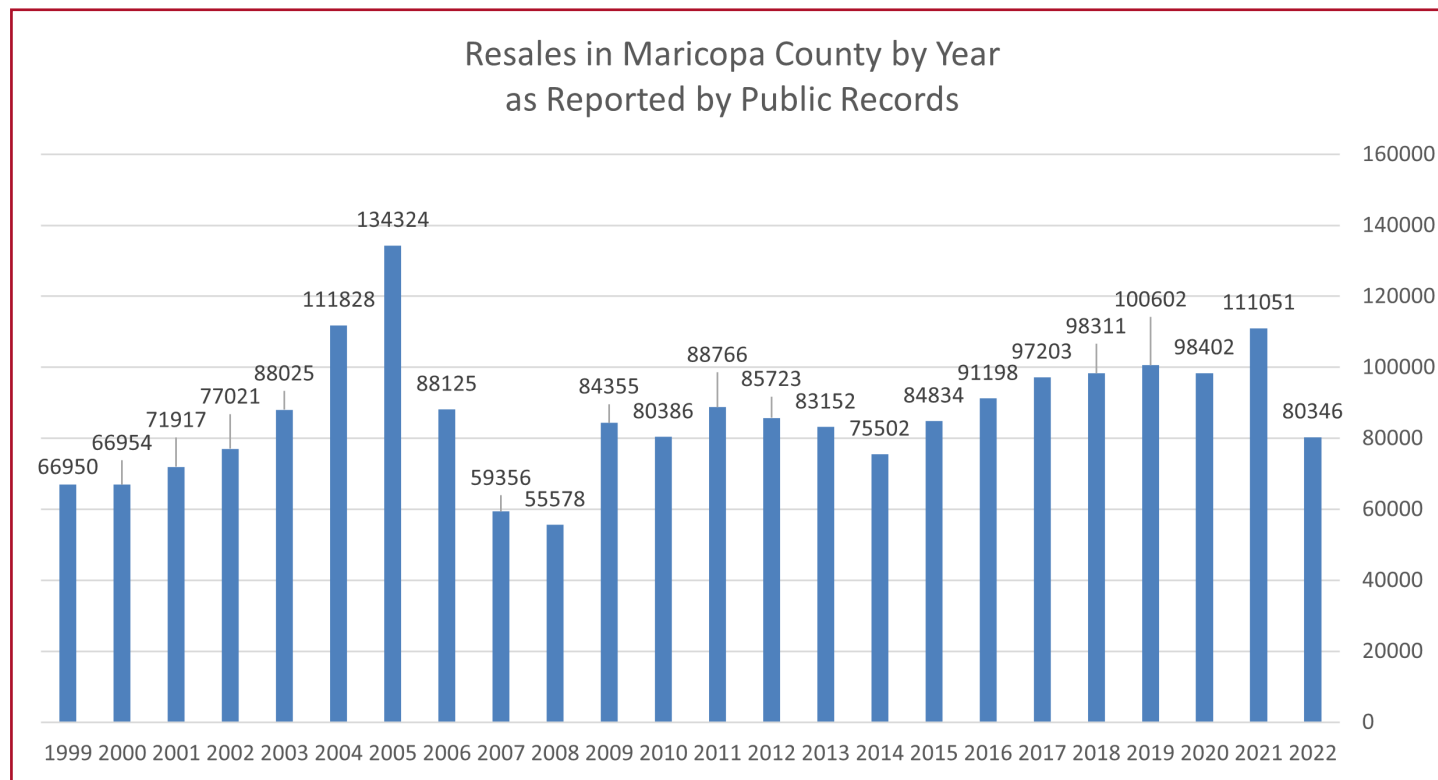
### Sales of Newly Built Homes in Maricopa County by year via Public Records



## PUBLIC RECORDS RESALE HOMES MARICOPA COUNTY: 80,346

The resale market was down 27.6% year-over-year, with sales volume deteriorating as the year progressed and interest rates rising.

### Sales of Resale Homes in Maricopa County by year via Public Records



## Maricopa County Foreclosure Data:

Foreclosures do not happen in a vacuum, and they do not happen overnight. There is a process. In general, it goes: mortgage origination, late payment, 30 days past due, 60 days past due, 90 days past due, default, 90-day notice of trustee sale, then, lastly, foreclosure auction.

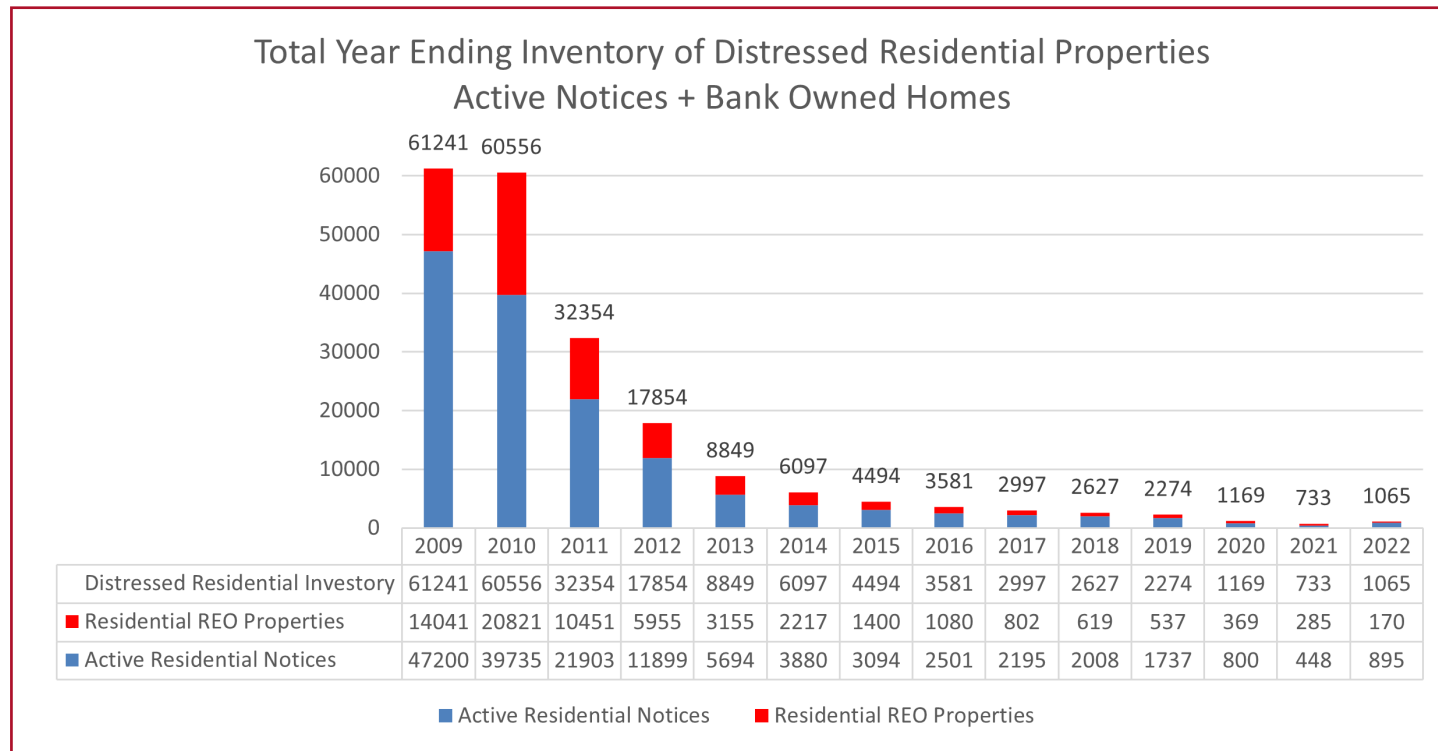
If you want to know what's coming, just look upstream at the prior check points. Core Logic offers these insights.

### Mortgage Performance Is Healthier Than Ever

Core Logic speaking on a national basis: *“For the first 10 months of 2022, the number of homeowners with a mortgage who were at least 30 days late on their payments hovered between 3.4% and 2.7%, with the latest data reporting a 2.8% overall delinquency rate in October. On an annual basis, mortgage delinquencies dropped for the 19th consecutive month in October. Foreclosure rates remained near record lows throughout most of 2022, bottoming out at 0.2% in February and remaining at 0.3% through October. The fact that 99% of borrowers have lower mortgage rates locked in than current rates help prevent most homeowners from making late payments or defaulting on them altogether.”*

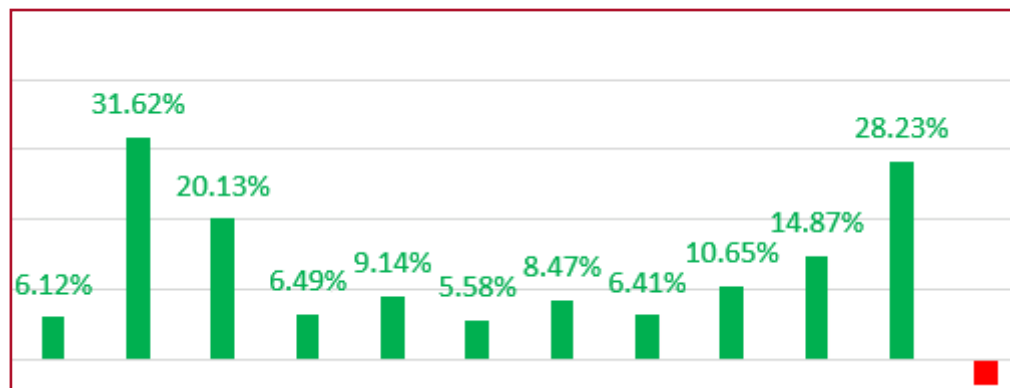


## Total Year Ending Inventory of Distressed Residential Properties (Active Notices & Bank Owned) via Public Records



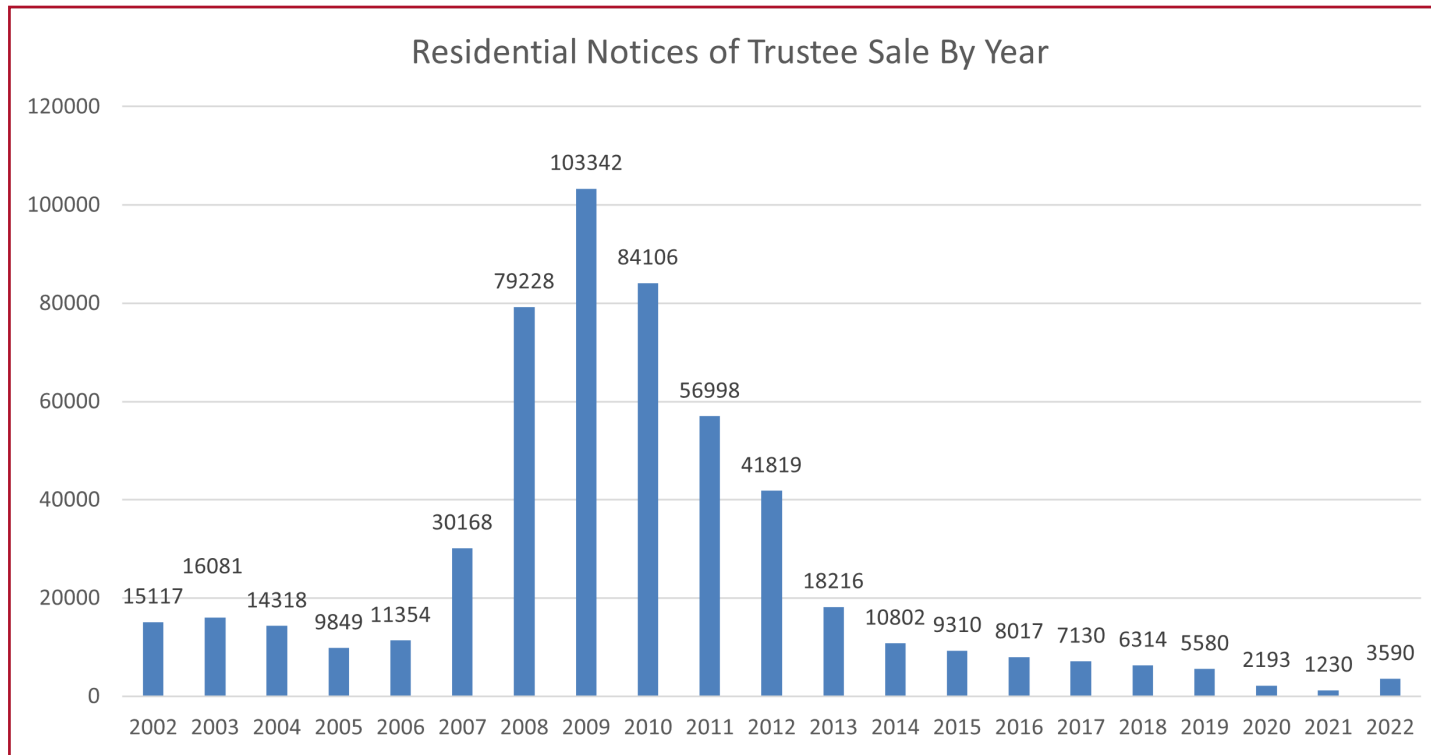
With foreclosures, homeowners with equity have options, making an actual foreclosure highly unlikely. Here is a snippet from the annual median appreciation table which we displayed earlier. The chart runs from 2011 through 2022. It's safe to say that homes purchased between 2011 and 2021, unless refinanced, have considerable equity.

## Percent Change in Year-Over-Year Median Sales Price Snippet (2011-2021) via ARMLS



The fact that 99% of borrowers have lower mortgage rates locked in than current rates will help prevent most homeowners from making late payments or defaulting on mortgages altogether. In layman's language, if my current house payment is lower than what I can rent a comparable home, then I'm most likely making my house payments, even though I have limited or no equity.

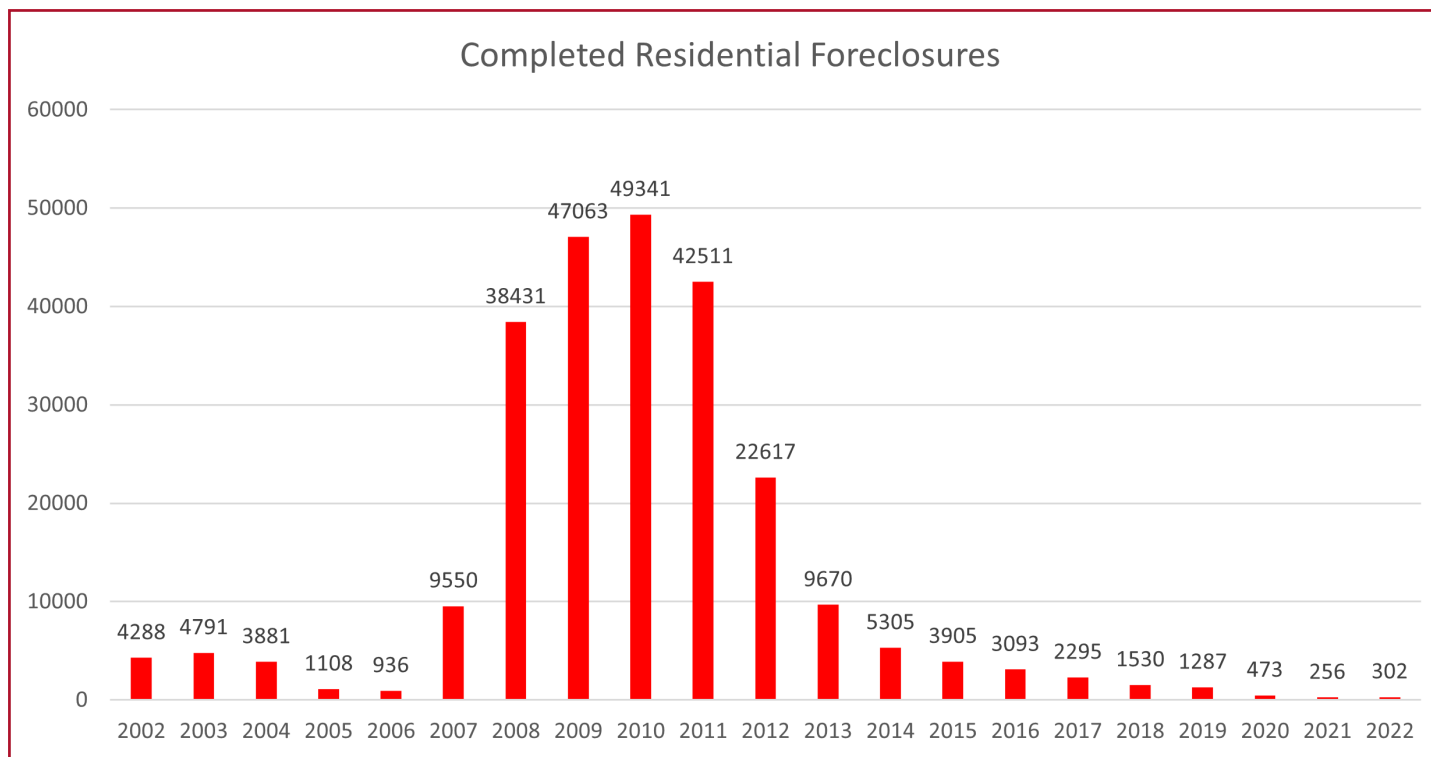
## Residential Notices of Trustee Sale by Year via Public Records



The first danger zone for foreclosure activity is two years after a loan's origination. A major impetus for future foreclosure activity is the environment (prices/mortgage rates/down payments/volume/underwriting standards) at the time the home was purchased or refinanced. Homes purchased in the last three quarters of 2022 with a minimal down payment would be considered at risk. Foreclosure activity in 2022, although increasing slightly, was still at historical lows. It should be noted that 2020 and 2021 numbers were being subdued through government intervention.

There were only 302 homes foreclosed on in 2022, and 90 of the 302 homes foreclosed on were from loans that originated in 2005, 2006 and 2007. Yep, we are still cleaning up dirty laundry from 16 to 18 years ago. The 90 homes foreclosed on in 2022 exemplify my definition: *“The environment at the time the home was financed.”*

## Completed Residential Foreclosures by Year via Public Records



There will most likely be an increase in foreclosure activity in 2023, but any increase will be modest at best and well below historical norms.

## Looking forward:

How our market evolves in 2023 will be determined by three metrics: Mortgage rates! Mortgage rates! Mortgage rates!

In conclusion, let me share with you three published opinions with which I concur.

Sam Khater, Freddie Mac's Chief Economist:

*"Mortgage application activity sunk to a quarter century low this week as high mortgage rates continue to weaken the housing market. While mortgage market activity has significantly shrunk over the last year, inflationary pressures are easing and should lead to lower mortgage rates in 2023."* Khater continued, *"Homebuyers are waiting for rates to decrease more significantly, and when they do, a strong job market and a large demographic tailwind of Millennial renters will provide support to the purchase market. Moreover, if rates continue to decline, borrowers who purchased in the last year will have opportunities to refinance into lower rates."*

While mortgage rates have resumed their decline, the market remains hypersensitive to rate movements, with purchase demand experiencing large swings relative to small changes in rates. Over the last few weeks, latent demand has been on display with buyers jumping in and out of the market as rates move.

Mark Fleming, Chief Economist at First American:

*“There is reason to be hopeful that mortgage rates, and thereby the housing market, will stabilize in 2023. The popular 30-year, fixed mortgage rate is loosely benchmarked to the 10-year Treasury bond, so as the Federal Reserve continues tightening monetary policy to combat inflation, we can expect more upward pressure on Treasury bonds and, therefore, mortgage rates,” said Fleming. “But the Fed will slow the pace of monetary tightening when there is sustained evidence that inflation is receding, and there is good reason to believe that inflation may slow in 2023. Core goods inflation is already cooling, shelter inflation is expected to do the same in the coming months and, in theory, tighter monetary policy should cool services demand. “If inflation decelerates toward the Fed’s target range in the second half of 2023 as is currently expected, then it’s possible that mortgage rates may decline modestly in the latter half of the year,” said Fleming. “While mortgage rates will remain high compared with pandemic-era lows, stable and potentially modestly lower mortgage rates will elevate housing market potential in 2023.”*

Michael Orr of the Cromford Report:

*“We are still dependent on the whims of the Federal Reserve. If they continue to push the Federal Funds Rate higher in an attempt to curb inflation, then mortgage rates could move higher too, putting a quick damper on any recovery in demand. However, if the 30-year fixed mortgage rate stays between 6% and 6.75%, then we should have confidence that the housing market can operate normally at this level. Prior to 2009, anything under 7% was considered a low interest rate and rates under 5% were unheard of. To achieve confidence, we need several months of interest rate stability. This is by no means certain to happen, but it is possible. Once the fear is removed, we should see more signs of a recovery in demand and volumes will rise back towards a more normal level.”*

And with that, your 2022 Year in Review has been “*signed, sealed and delivered.*”

## ARMLS Pending Price Index (PPI)

Last month, STAT's mathematical model projected the median sales price for December at \$420,000, the actual amount was \$412,000. Looking ahead to January, the ARMLS Pending Price Index is projecting the median sales price to drop slightly to \$410,000. If January's median sales price projection is correct, our year-over-year median sales price will have declined 5.75% year-over-year and 13.68% from May 2022's record high of \$475,000. I would like to note, our December's median price projection missed the mark by \$8,000 or 1.9%. This was caused by numerous contracts signed earlier this year which had been assigned a year-end escrow date, in which a status change had taken place and had not been updated. I suspected the possibility but chose holidaying over researching and publishing. My bad. Data matters.

We began January with 3,029 pending contracts, 1,631 UCB listings and 250 CCBS, giving us a total of 4,910 residential listings practically under contract. This compares to 8,812 of the same type of listings one year ago. At the beginning of January, the "pending" contracts are 44.28% lower than last year. There were 20 business days in January 2022 and 20 this year. ARMLS reported 6,806 sales in January 2022. The highest sales volume ever in January occurred in 2021 with 7,076. When January's numbers are reported this year, we will see a drop in both sales volume and price. If our models are correct, year-over-year sales volume will decline around 45%.