Sales are up +5.5% month-over-month. The year-over-year comparison is down -0.7%.

Closed MLS sales with a close of escrow date from 8/1/23 to 8/31/23, 0 day DOM sales removed
Total inventory has a month-over-month increase of **+2.9%** while year-over-year reflects a decrease of **-33.3%**.

New inventory has a month-over-month increase of **+15.0%** while the year-over-year comparison decreased by **-23.2%**.
August UCB listings percent of total inventory was 14.9% with August CCBS listings at 2.4% of total inventory.

Snapshot of statuses on 8/31/23

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JULY 2023, 0 day DOM sales removed

Months supply of inventory for July was 2.45 with August at 2.39
The average sales price is up +0.4% year-over-year while the year-over-year median sales price is down -2.2%.

Average new list prices are up +4.7% year-over-year. The year-over-year median list prices went down -1.2%.
A slight **decrease** is forecasted in September for both average and median sale prices.

Foreclosures pending month-over-month showed a decrease of **-0.7%** while the year-over-year figure was up **+0.9%**.
Distressed sales accounted for 0.3% of total sales, the same as the previous month. There were 2 Short Sales compared to 0 last year. Lender-owned sales had a +75.0% increase year-over-year.

Days on market were up +16 days year-over-year while month-over-month went down -1 days.
Since the last time we spoke, housing inventory has remained meager, demand has softened and interest rates have risen. In this month’s STAT, these will be our topics for discussion.

**Let’s Give “Um” a Name**

According to data from a recent Realtor.com study, 82% of homeowners feel “locked-in” by their existing low-rate mortgage. In August, LendingTree reported 83.6 million mortgages in the U.S. Using the numbers from these studies and simple math, 68.55 million Americans are “locked-in.” This got me thinking, a group of people that large needs a moniker. It is reported Taylor Swift has 54 million fans in the U.S. alone. Her avid fans are known as Swifties. Should we be calling the “locked-ins” Thrifties? Maybe, but before we reinvent the wheel, let’s ask ChatGPT if such a term already exists.

*ChatGPT: “There isn’t a specific term for individuals who are holding on to their existing low-rate mortgage and are not planning to sell their property. However, you can describe them as “mortgage rate savers” or “rate-lock homeowners.” These terms convey the idea that they are benefiting from their favorable mortgage interest rate and have chosen to retain their current mortgage rather than refinancing or selling their property.”*

ChatGPT has no soul. Their suggestions are undoubtedly worse than Thrifties. I’ve got another idea. Let’s Google this question: “How intelligent are squirrels?”
Google: “Squirrels actually show quite a bit of cognitive ability. They store food away for the winter, show exceptional problem-solving abilities, and have a complex communication system. They use both sound and scent to chatter with other squirrels to share information.”

Perfect! Let me suggest for your consideration, “Rate Squirrels!” If we can agree on the new byname, we can then state the obvious: there are far more Rate Squirrels in the U.S. than Swifties.

The “Golden Handcuff” Effect

“Why So Many Americans Feel Trapped in Their Homes by Their Low-Rate Mortgages,” was the headline of a recent CNBC article. The article discussed how homeowners would need to finance a new home at a higher rate than the rate they currently hold, adding hundreds of dollars a month and thousands of dollars per year to their current mortgage payment. This has created an incentive for homeowners to stay where they are. For them, opting not to move is the right strategy. In the article, Tomas Philipson, a professor of public policy studies at the University of Chicago and former acting chair of the White House Council of Economic Advisers, concluded, “with home prices and interest rates on the rise, the consumer is best advised to stay put.”

A recent Zillow study adds, “Homeowners are nearly twice as willing to sell their home if their mortgage rate is 5% or higher and yet, 80% of mortgage holders have a rate below 5%. Since it’s unlikely rates will drop anytime soon, buyers can expect a continued standstill.” CNBC refers to this phenomenon as the “golden handcuff” effect. The term is often used to describe financial incentives employers may offer to discourage employees from leaving a company. For homeowners, a low mortgage rate is similar. No matter what we call them, we’re talking about a massive number of homeowners, the vast majority of whom won’t be moving anywhere soon. Supply is currently 33.3% lower than last year at this time. Supply will remain extremely scarce through the remainder of 2023.
Demand Has Softened Both YOY & MOM

The Gregorian calendar is the calendar used in most parts of the world. It went into effect in October 1582, and ever since November 1582, housing analysts from around the world have struggled with year-over-year and month-over-month sales volume comparisons. There is a direct relationship between the number of business days in a month and the total number of home sales that month. The number of business days can vary from 18 in November, the month with the most holidays, to 23 in March, August and October, each having 31 days with no holidays. Looking at ARMLS’s monthly sales volume report for August, we see in the graphic below a 0.7% decline in YOY sales and a 5.5% increase in MOM sales.

But wait, the subtitle for this section says sales are down MOM. What’s up?

Monthly Sales Volume for August Year-Over-Year via ARMLS
The year-over-year comparison is apple to apples, 23 business days to 23 business days. However, there is a big difference in the month-over-month comparison, as there were 23 business days in August and only 20 business days in July. If we make a comparison of month-over-month sales by sales per day, 265 in August to 289.75 in July, sales volume was down 8.23% as opposed to the month-over-month comparison of up 5.5%. The monthly sales per day comparison paints a much cleaner picture of our current market demand, as demand continues to weaken when interest rates rise.

The table below, displaying data compiled from Maricopa County public records, compares the daily sales volume for Aug. 2015 through 2023. The highest daily sales rate for August over the past nine years occurred in Aug. 2021, when the 30-year mortgage rate hovered around 2.8%, it was also the peak of what I would describe as imprudent “Wall Street” (Institutional buy and hold/I-Buyer) monies into our market. The first chart below, Sales Per Day, shows the impact of rising interest rates (rates rose from 2.77 at the beginning of Aug. 2021 to 5.66 on the last day of Aug. 2022). The second chart shows a major drop off in the number of “Wall Street” buys. With “pending” contracts running 14.5% lower than last year, and this September having one fewer business day than last, September’s sales volume this year will continue down its current lackluster path.
Sales per Day in August Year-Over-Year via Maricopa County Public Records
Institutional i-Buyer Buys Last Three Years via Maricopa County Public Records
Interest Rates Mean Fewer Applications

It was reported in a recent theMReport.com article that mortgage applications declined to their lowest level since Dec. 1996. For the life of me, I cannot think of anything special going on in the winter of ‘96 that would have caused mortgage applications to tumble. I know there was some type of chasm in the universe that autumn as the Sun Devils shut out the No. 1-ranked, two-time national champion, Nebraska Cornhuskers in Tempe, ending Nebraska’s 26-game win streak. I know ASU torched Nebraska with three safeties in that game, but I can’t see any relationship between this game and mortgage applications. If any veteran loan officers can enlighten me as to why mortgage applications were down in 1996, feel free to contact me.

I can’t explain why mortgage applications were lower in 1996, but the dilemma faced today is front and center. Higher interest rates have left homebuyers facing affordability issues while homeowners are disincentivized to sell.

In conclusion, the number of home listings under contract are down, which has led to fewer mortgage applications, which, in turn, will lead to fewer home closings. September sales volume will be inauspicious, but as Michael Orr of the Cromford report reminds us, “The important measure is the balance between supply and demand, not demand on its own. At the moment, supply is down more than demand is down, so prices are firm.”
ARMLS PENDING PRICE INDEX (PPI)

Last month, STAT’s mathematical model projected the median sales price for August at $435,000; the actual amount was $435,000. We hit the hammer on the nail. Looking ahead to September, the ARMLS Pending Price Index is projecting the median sales price will fall slightly to $430,000. This slight drop is not an indication of falling prices but shows more of a seasonal “wobble” as luxury home sales are relatively scarce in July and August. In June 2022, we recorded the highest monthly median sales price ever reported, at $475,000. If our projections are correct, the median sales price will be 2.05% lower year over year and down 9.47% from our record high.

We began September with 4,548 pending contracts, 2,169 UCB listings and 354 CCBS, giving us a total of 7,071 residential listings practically under contract. This compares to 8,283 of the same type of listings one year ago. At the beginning of September, the “pending” contracts were 14.3% lower than last year. There were 21 business days in Sept. 2022 and 20 this year. ARMLS reported 6,328 sales in Sept. 2022. The highest sales volume ever in September occurred in 2020 with 9,305. When September’s numbers are reported, we expect to see a drop in both year-over-year sales volume as well as month-over-month. If our models are correct, year-over-year sales volume will be in the 5,500 range.