

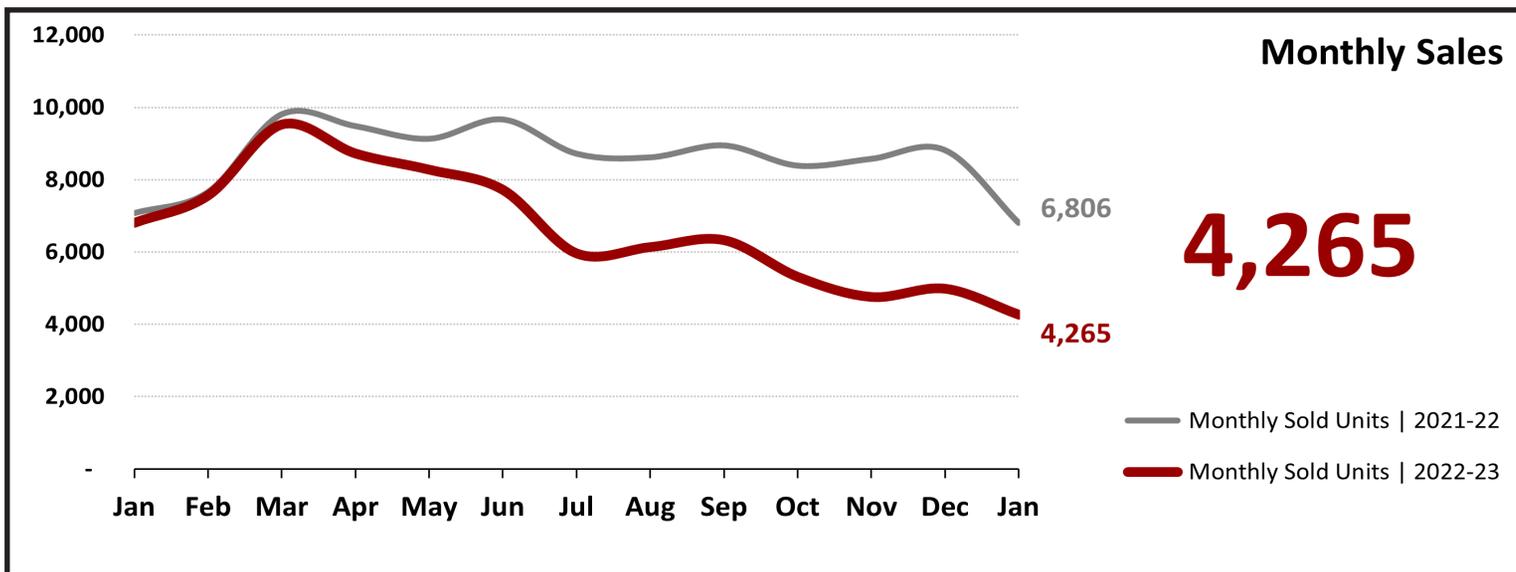
STAT

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



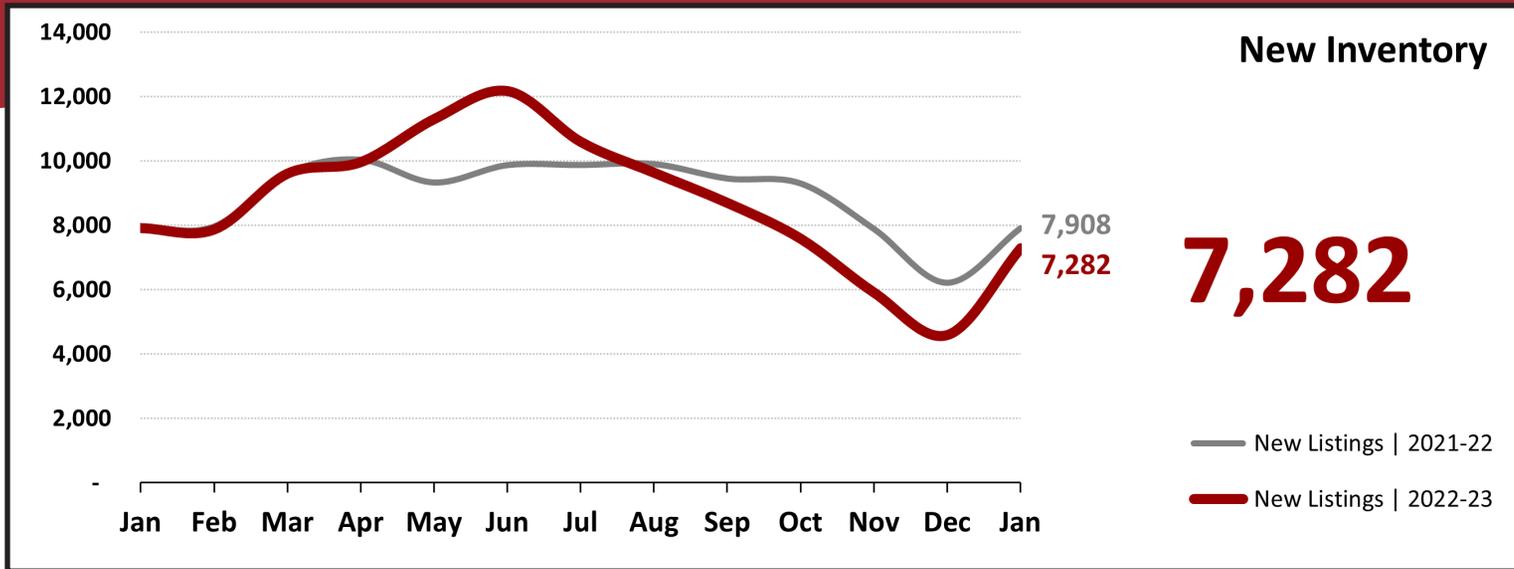
DATA FOR **JANUARY 2023**

Published February 15, 2023



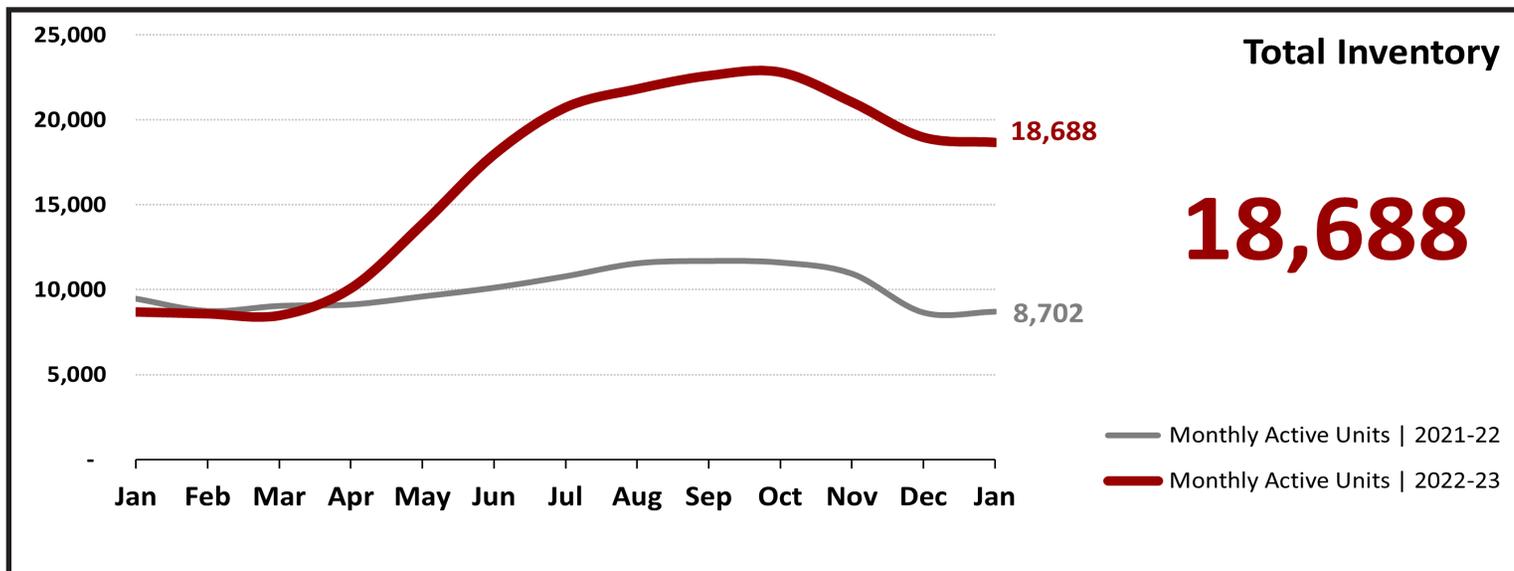
Sales are down **-14.4%** month-over-month. The year-over-year comparison is down **-37.3%**.

Closed MLS sales with a close of escrow date from 1/1/23 to 1/31/23, 0 day DOM sales removed



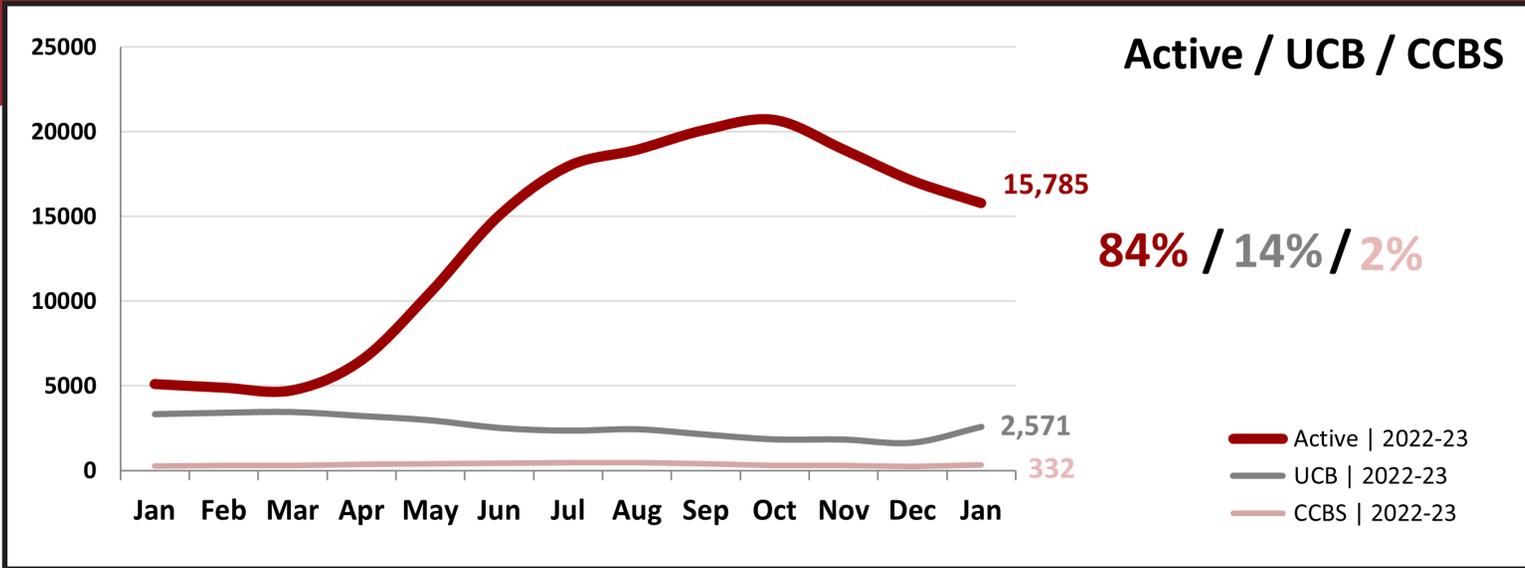
New MLS listings that were active for at least one day from 1/1/23 to 1/31/23, 0 day DOM sales removed

New inventory has a month-over-month increase of **+58.9%** while the year-over-year comparison decreased by **-7.9%**.



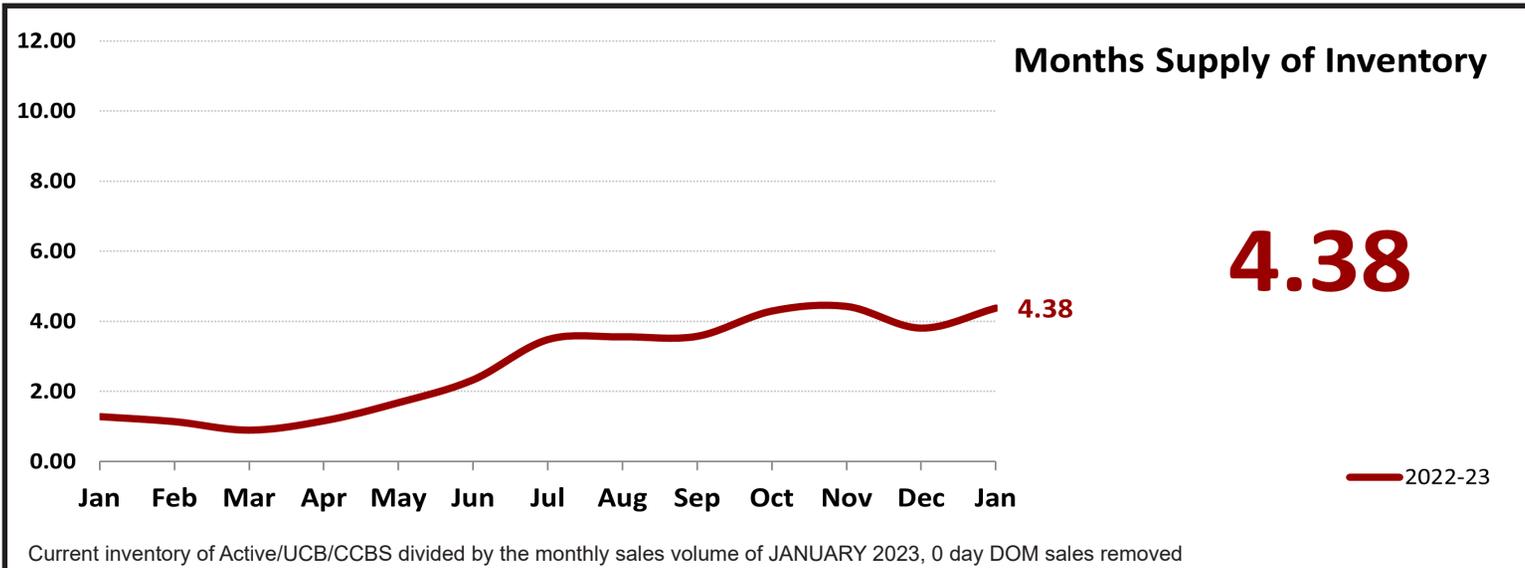
Snapshot of statuses on 1/31/23

Total inventory has a month-over-month decrease of **-1.6%** while year-over-year reflects an increase of **114.8%**.



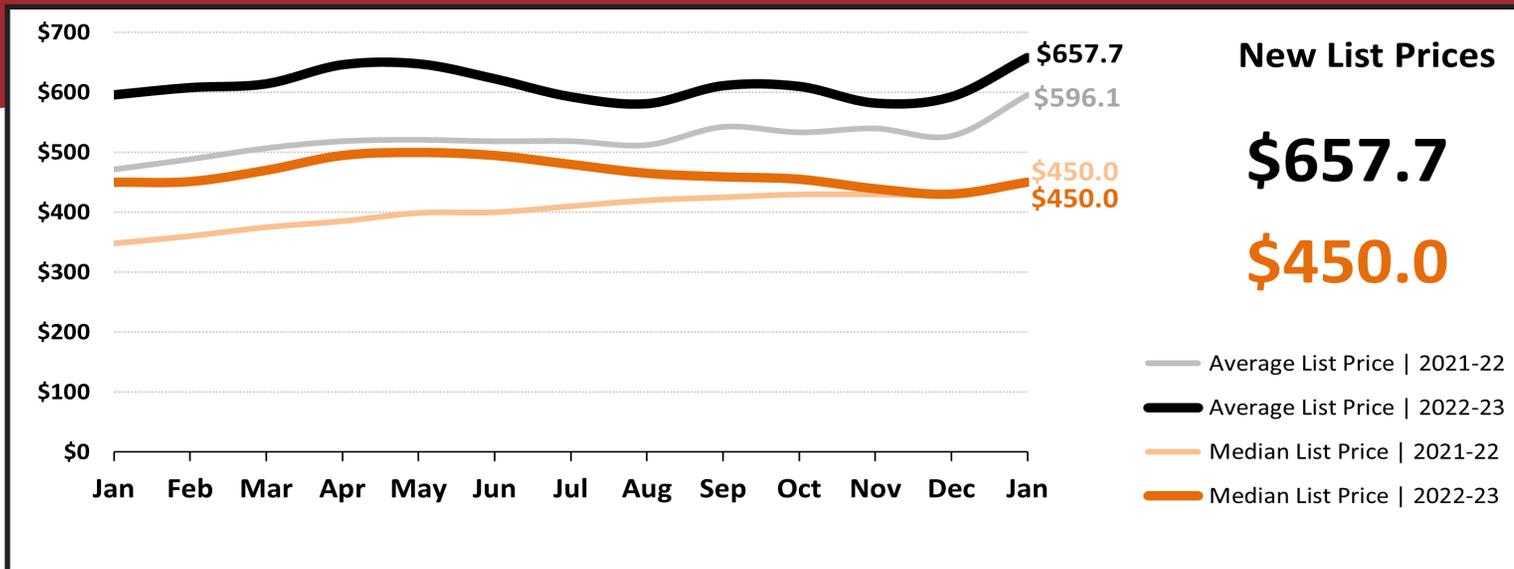
Snapshot of statuses on 1/31/23

January UCB listings percent of total inventory was **13.8%** with January CCBS listings at **1.8%** of total inventory.



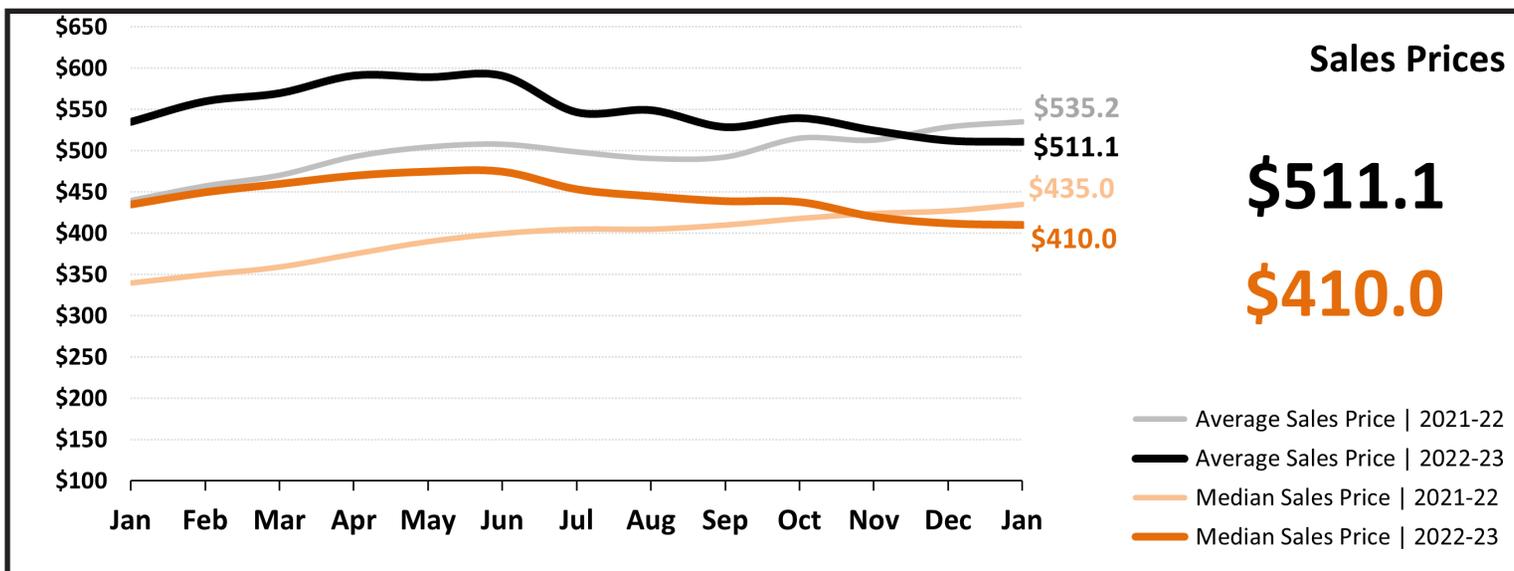
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JANUARY 2023, 0 day DOM sales removed

Months supply of inventory for December was **3.81** with January at **4.38**.



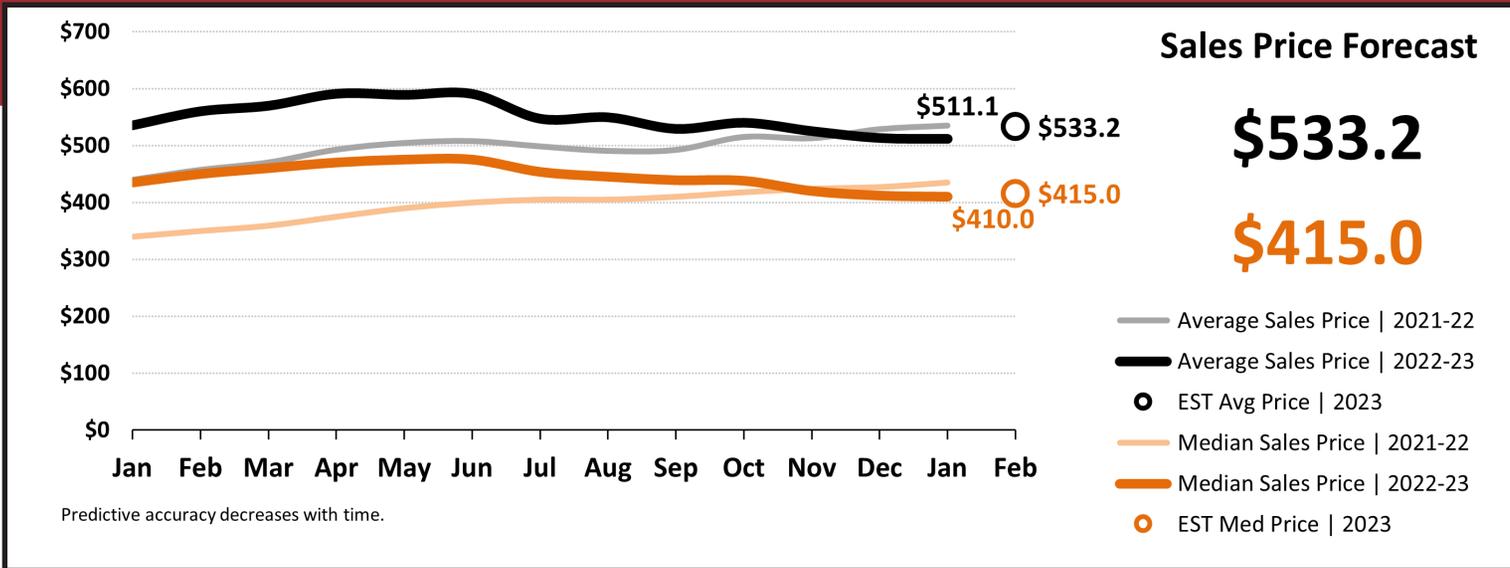
Average new list prices are up **+10.3%** year-over-year. The year-over-year median had **no change**.

List prices of new listings with list dates from 1/1/23 to 1/31/23, 0 day DOM sales removed



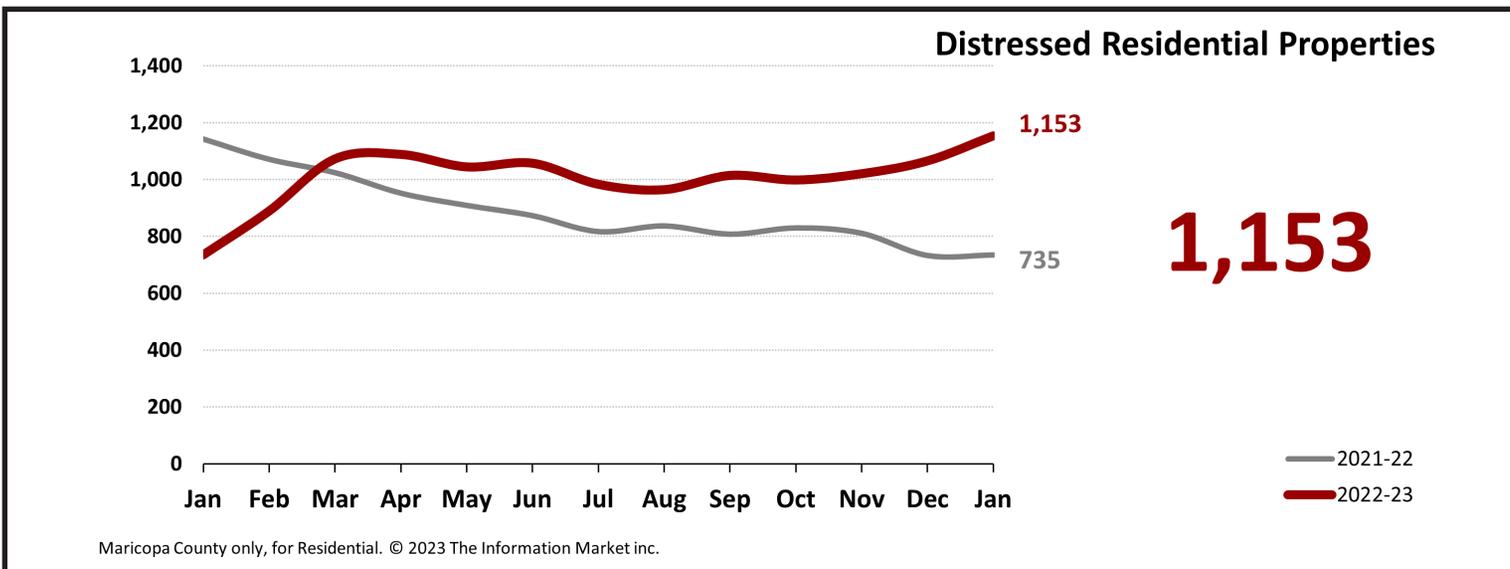
The average sales price is down **-4.5%** year-over-year while the year-over-year median sales price is down **-5.7%**.

MLS sales prices for closed listings with a close of escrow date from 1/1/23 to 1/31/23, 0 day DOM sales removed



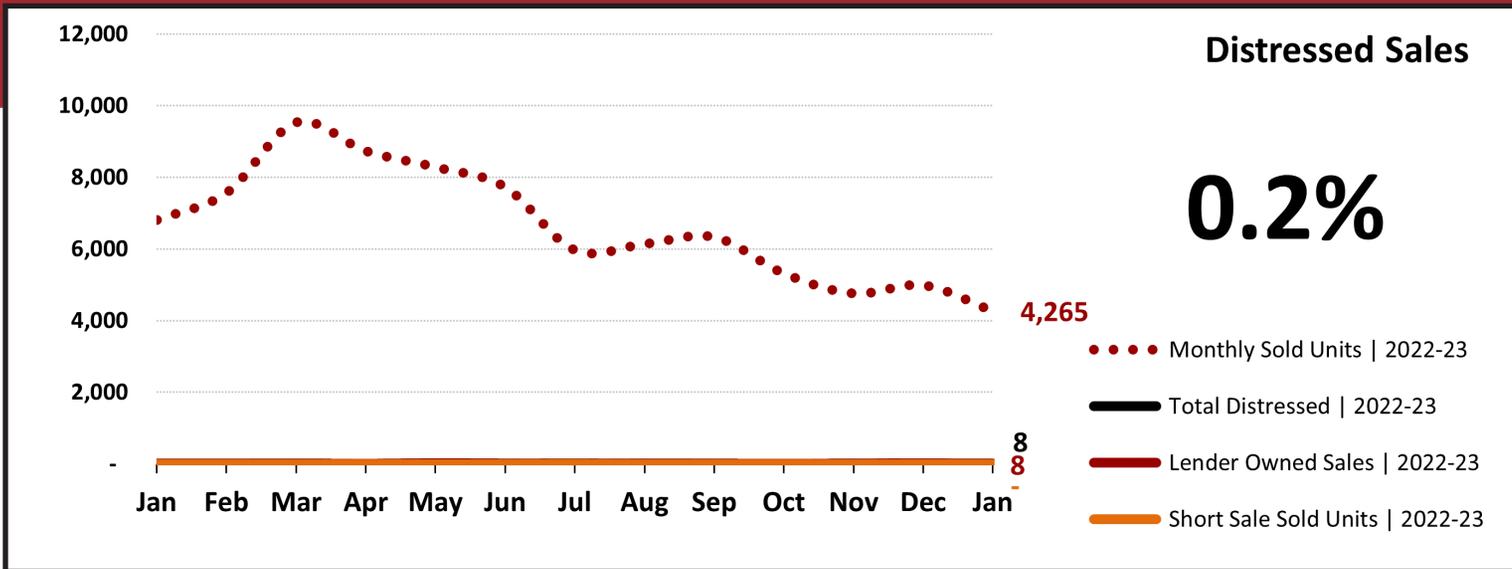
An **increase** is forecasted in February for both average sale prices and median sale prices.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



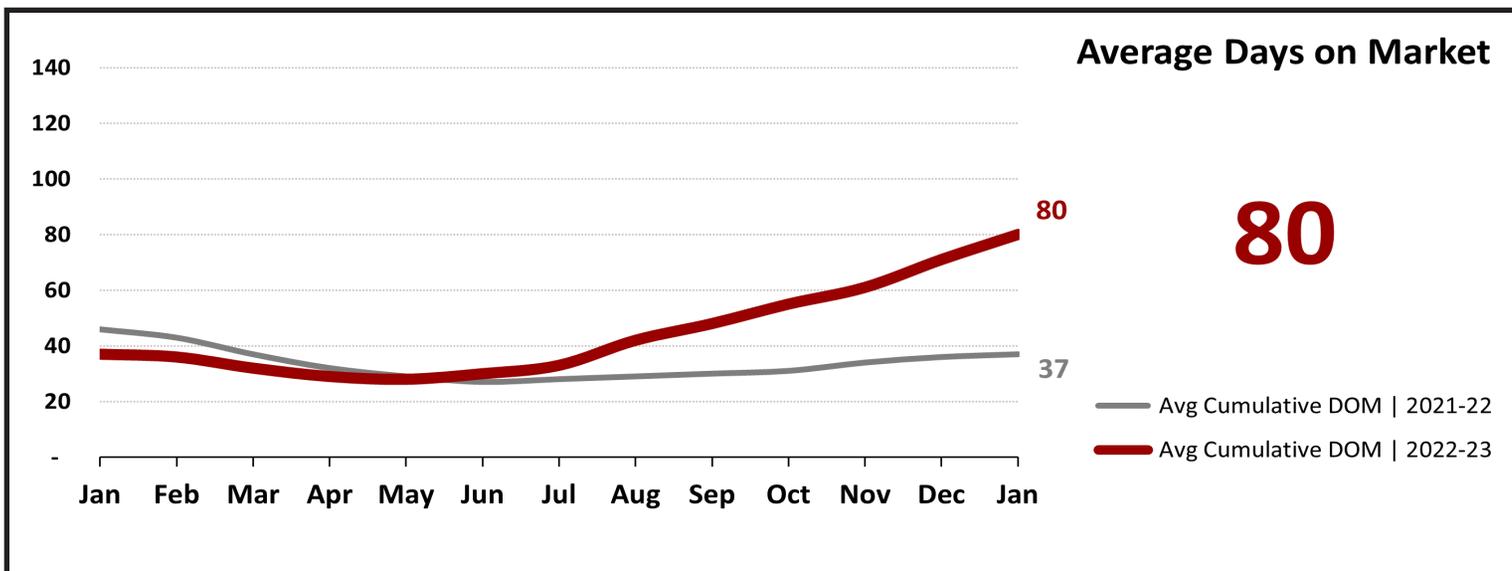
Foreclosures pending month-over-month showed an increase of **+8.3%** while the year-over-year figure was up **+56.9%**.

Snapshot of public records data on 1/31/23 active residential notices and residential REO properties.



Distressed sales accounted for **0.2%** of total sales, down from the previous month of 0.3%. Short sales decreased **-100.0%** year-over-year. Lender-owned sales decreased **-20.0%** year-over-year.

New MLS listings that were active for at least one day from 1/1/23 to 1/31/23, 0 day DOM sales removed



Days on market were up **+43 days** year-over-year while month-over-month was also up **+9 days**.

MLS sales prices for closed listings with a close of escrow date from 1/1/23 to 1/31/23, 0 day DOM sales removed

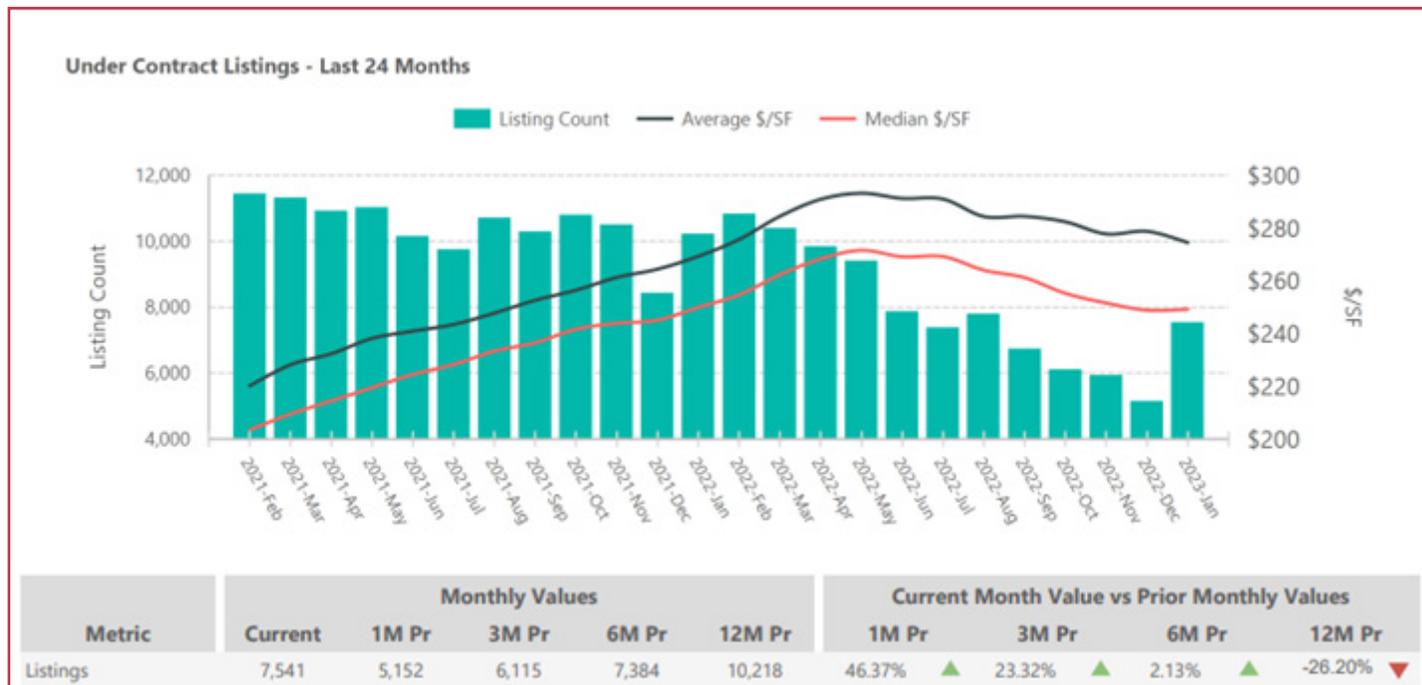
Before diving into this month's STAT, I want to mention a couple of recent events in the world of sports. First, with the addition of Kevin Durant, the Phoenix Suns are now one of the favorites to win it all this year. We've waited 55 years, it's time to bring the Larry O'Brien Championship Trophy to Phoenix. Secondly, there is nothing more exasperating than to see a hard-fought and entertaining championship game decided by a bad officiating call late in a game. Anyone that saw the game on Sunday knows exactly what I'm talking about. Team Ruff was robbed. It should have been our paws hoisting that [Lombarky Trophy](#), not Team Fluff. I will never understand why Fluff was awarded seven points when Kokobean, not Espresso, was clearly the impetus behind what was ruled a joint touchdown. Some wrongs can never be undone. Team Ruff deserved that trophy.

January by the Numbers

With mortgage rates hovering around 7% from mid-October through mid-November, January's extremely low sales volume came as no surprise. The 4,265 home sales, as reported by ARMLS, were the second lowest sales total for January in the last 20 years, as only 2008 reported fewer sales. January sales were down 37.3% year over year, while the median sales price was down 5.7% year over year but only down 0.5% month over month. Today, mortgage rates have fallen nearly a full point from their peak. On Nov. 10, the 30-year fixed rate was 7.08%. The current 30-year fixed rate, as reported by Freddie Mac, is 6.12%. According to Freddie Mac research, this one percentage point reduction in rates could allow as many as three million more mortgage-ready consumers to qualify and afford a \$400,000 loan.

The median priced home, as reported by ARMLS, sold for \$410,000 in January. Michael Orr of the Cromford Report capsulizes our current market perfectly: “Volumes are still well below normal, but they are recovering nicely and promise better times when the Spring buying season gets fully underway. Clearly, buyers now have a lot more enthusiasm than they did in December.” Orr’s reasoning is supported by the following Under Contract Listings chart below.

Under Contract Listings Last 24 Months via RapidStats



In a recent DSnews article, [Bright MLS Chief Economist Lisa Sturtevant](#) contributed: “An improving inflation picture, which led to a smaller increase to the Federal funds rate, has also led to lower mortgage rates. With the widespread consensus that inflation is on a downward trend, investors sent the yield on the 10-year Treasury lower. Mortgage rates tend to move with the yield on the 10-year and the average rate on a 30-year fixed-rate mortgage fell from a week ago and was at its lowest level since the second week of September. While there are predictions that mortgage rates could fall to as low as 5% by the end of the year, rates likely will stabilize between 6% and 6.5% through the spring. This has been enough to bring eager buyers back to the market, with home showings and new purchase contracts rising in many markets at the end of January.”

S&P CoreLogic Case-Shiller Home Price

The S&P CoreLogic Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate nationally and in select cities. [The Case-Shiller Index](#) is an economic indicator that measures the change in value of U.S. single-family homes on a monthly basis. The index is based on the repeat-sales pricing technique developed by economists Karl Case and Robert Shiller. It is published on the last Tuesday of each month. Below I’ve created a chart comparing the year-over-year changes in the Case-Shiller Index for metro Phoenix to STAT’s year-over-year changes in our median home price and the dates on which they were published. For example, on Dec. 27, 2022, Case-Shiller reported a 9.63 increase in year-over-year home values. On Sept. 1, 2022, almost four months prior, ARMLS reported a 9.90 year-over-year increase in our median home price. It should be further noted, on Aug. 1, nearly five months prior, STAT, using proprietary pending contract data, projected the September year-over-year change to be 9.85%.

When you compare their Ivy League calculations to our JUCO calculations, you will see the reported numbers are similar and report the same trends. The purpose of this exercise is to show the impact of recent Federal money policy and to dare ask the question, when will the Federal Reserve see what we're seeing? If they are relying on models similar to Case-Shiller, they won't see the declines in home prices we're seeing today until July. And if we're correct, Sturtevant's observation that interest rates will fall later in the year makes sense.

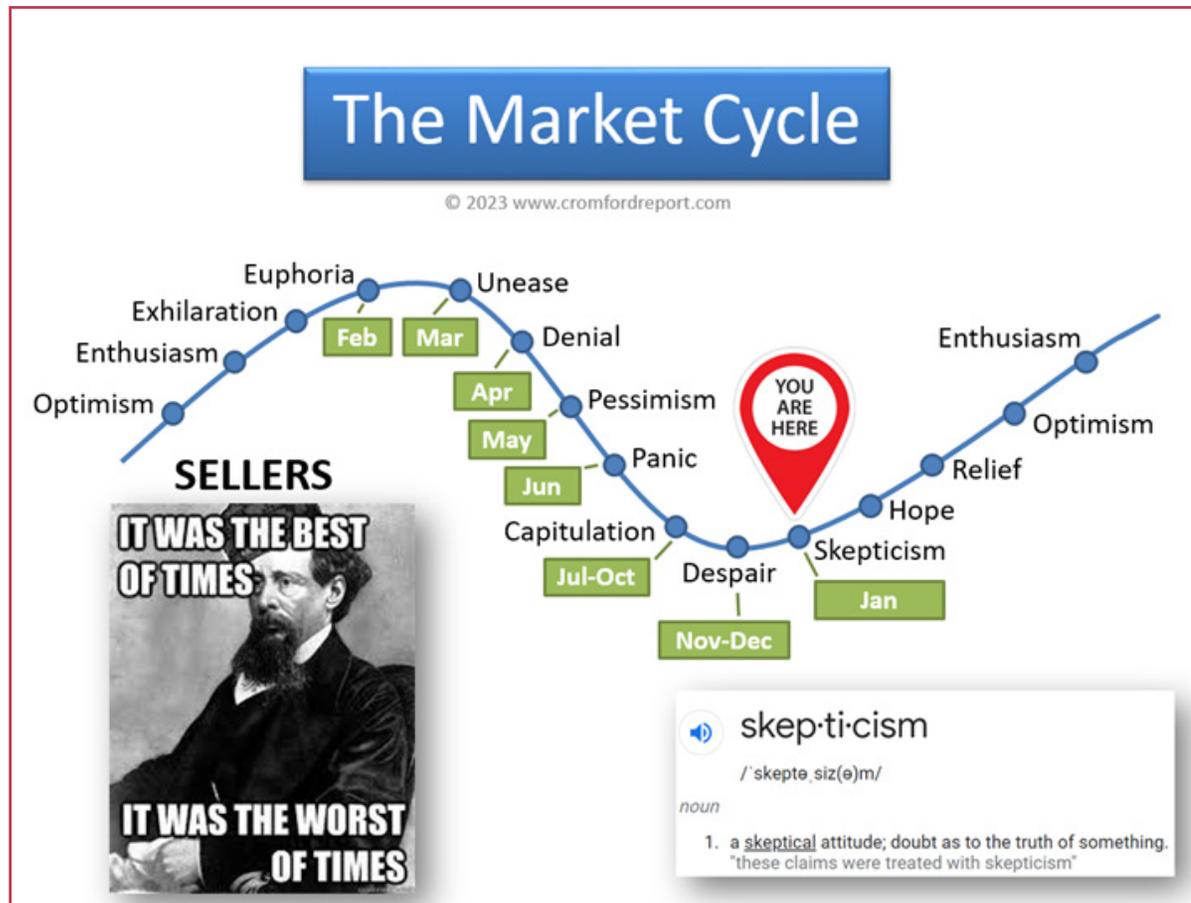
Year-Over-Year Changes in the Case-Shiller Index for Metro Phoenix

Published	Case_yoy	Stat_date	Stat_yoy
05/31/2022	31.28	02/01/2022	27.90
06/28/2022	32.39	03/01/2022	28.50
07/26/2022	29.70	04/01/2022	28.00
08/30/2022	26.53	05/01/2022	25.30
09/27/2022	22.27	06/01/2022	21.80
10/25/2022	17.02	07/01/2022	18.80
11/29/2022	12.57	08/01/2022	12.00
12/27/2022	9.63	09/01/2022	9.90
01/31/2023	6.30	10/01/2022	7.10
02/28/2023		11/01/2022	4.80
03/28/2023		12/01/2022	-0.09
04/25/2023		01/01/2023	-3.50
05/25/2023		02/01/2023	-5.70
06/27/2023		03/01/2023	-7.74

*PPI projection

The Market Cycle

In the last year, our market has moved from a euphoric sellers' market to a balanced market, then to a buyer's market, back to a balanced market and, at present, returning to a seller's market. Again, Michael Orr of the Cromford Report states, "The last 10 months have seen the most rapid market cycle in history, but it is becoming clear the worst is now several months behind us. The appropriate emotional reaction to the market has now changed from despair in December to skepticism in January. We look forward to hope building during March."



Now, compare the Market Cycle chart to our current news cycle, and, depending on the timeliness of the data being reported, a researcher could find a housing report to substantiate any position they may want to espouse. My head is still spinning just from researching this STAT report. It's like going through a housing news buffet line in a bizarre world, where anything and everything is being served. Some national reports are out of date, some are seeking attention and others are just out of touch. Here's an example of the most egregious.



The image shows a screenshot of a news article from Yahoo. The headline is in blue text: "Phoenix could see 2008-like plummet in housing prices, Goldman Sachs report says". Below the headline is a sub-headline in black text: "Goldman Sachs says Phoenix is one of four cities that could see a housing crash to rival what we saw in 2008 – but a local expert says the numbers and trends...". At the bottom left of the article preview, it says "16 hours ago" and "Thurs, Jan 25, 2023".

Do they even actually remember 2008? It is absolutely amazing how many times in the past few weeks I've seen and heard the year 2008 bandied about in housing reports. For those that don't remember, 2008 was the epicenter of what is referred to as The Great Recession. The housing bubble burst caused a global financial crisis. It was the most severe economic recession in the United States since the Great Depression of the 1930s. In 2008, Maricopa County reported upwards of 8,500 new notices of trustee sales recorded in a single month and actual foreclosures (recorded Trustee's Deeds) surpassing 4,500 in a single month. In 2008, by year's end, the median sales prices fell 46%, from a high in 2006 of \$264,800 to a December closing of \$143,000. Whether we blame Goldman Sachs for conducting a lazy analysis or the headline editor of hyperbole, our market is actually experiencing a needed and necessary market correction, not a crash.

Our median sales price has declined 13.68% from May 2022's high of \$475,000. And as for our foreclosure metrics, Maricopa County reported 384 new residential notices of trustees' sales in Maricopa County, along with 37 residential trustee's deeds. If mortgage rates were to spike upwards beyond 7%, I would expect further price declines, but nothing even remotely close to 2008. Spoiler alert, over the past month, our falling prices have stabilized. Our pending price index, if correct, projects a modest rise in the median sales price when February numbers are reported.

In Conclusion

Our local housing market has experienced several wardrobe changes over the past year. The primary catalyst for these changes has been mortgage rates. It would be great for mortgage rates to find their happy space and for the market to settle. There are some signals this may be occurring. In the meantime, if rates go up, sales volume will go down. If rates come down, sales will go up. Here's wishing you all a prosperous buying season, and let's go Suns.

ARMLS PENDING PRICE INDEX

Last month, STAT's mathematical model projected the median sales price for January at \$410,000. The actual amount was \$410,000. Looking ahead to February, the ARMLS Pending Price Index is projecting the median sales price to rise slightly to \$415,000. STAT is projecting February's median sales price will increase 1.22% month over month and the year-over-year median to decline 7.74%. If our projections are correct, the median sales price will be 12.63% lower than May 2022's record high of \$475,000.

We began February with 5,231 pending contracts, 2,571 UCB listings and 332 CCBS, giving us a total of 8,134 residential listings practically under contract. This compares to 10,740 of the same type of listings one year ago. At the beginning of February, the "pending" contracts are 24.26% lower than last year. There were 19 business days in February of 2022 and 19 this year. ARMLS reported 7,563 sales in February of 2022. The highest sales volume ever in February occurred in 2021 with 7,659. When February's numbers are reported, we expect to see a drop in sales volume with a modest increase in prices. If our models are correct, year-over-year sales volume will decline just over 20%.