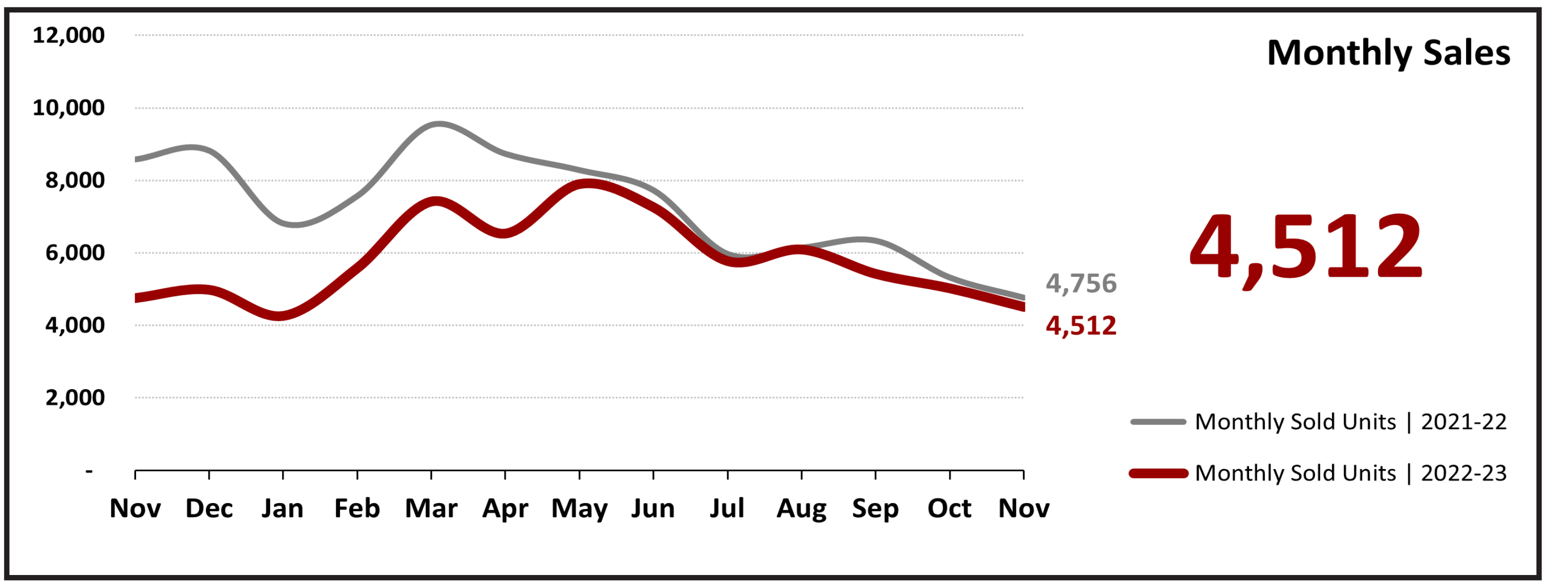
STAT

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

ARMLS®

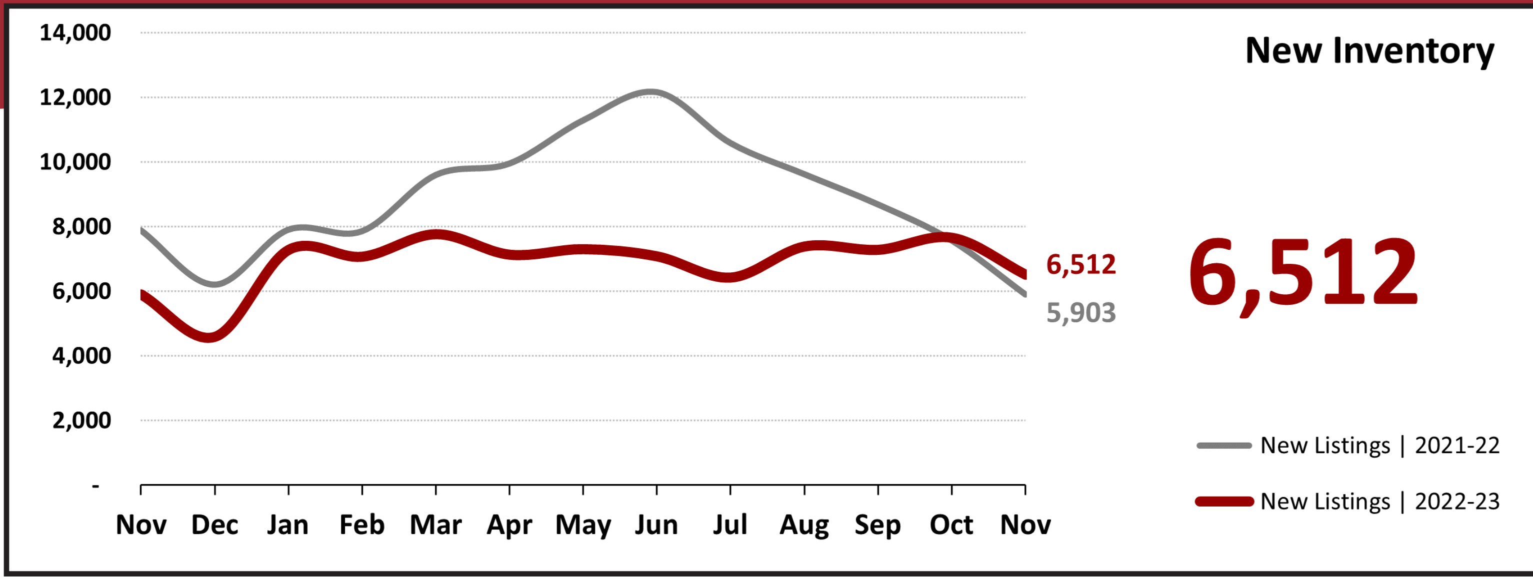
DATA FOR **NOVEMBER 2023**

Published December 18, 2023



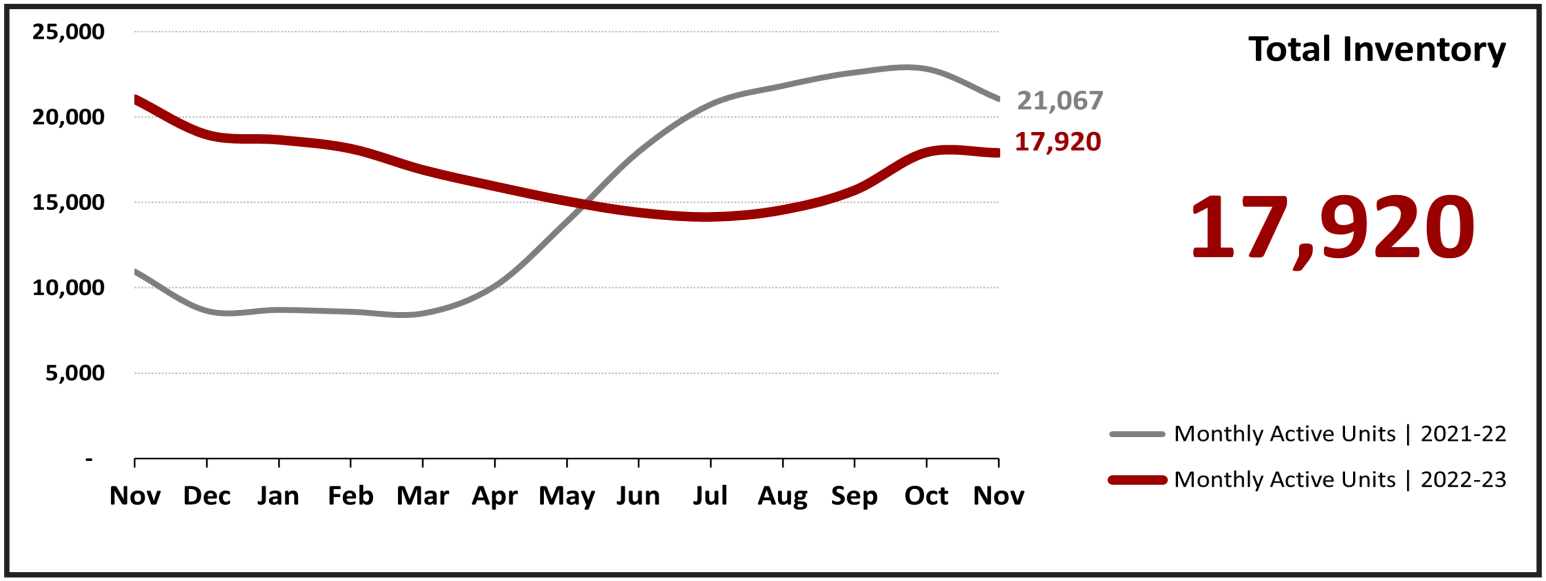
Closed MLS sales with a close of escrow date from 11/1/23 to v v, 0 day DOM sales removed

Sales are down **-10.2%** month-over-month. The year-over-year comparison is down **-5.1%.**



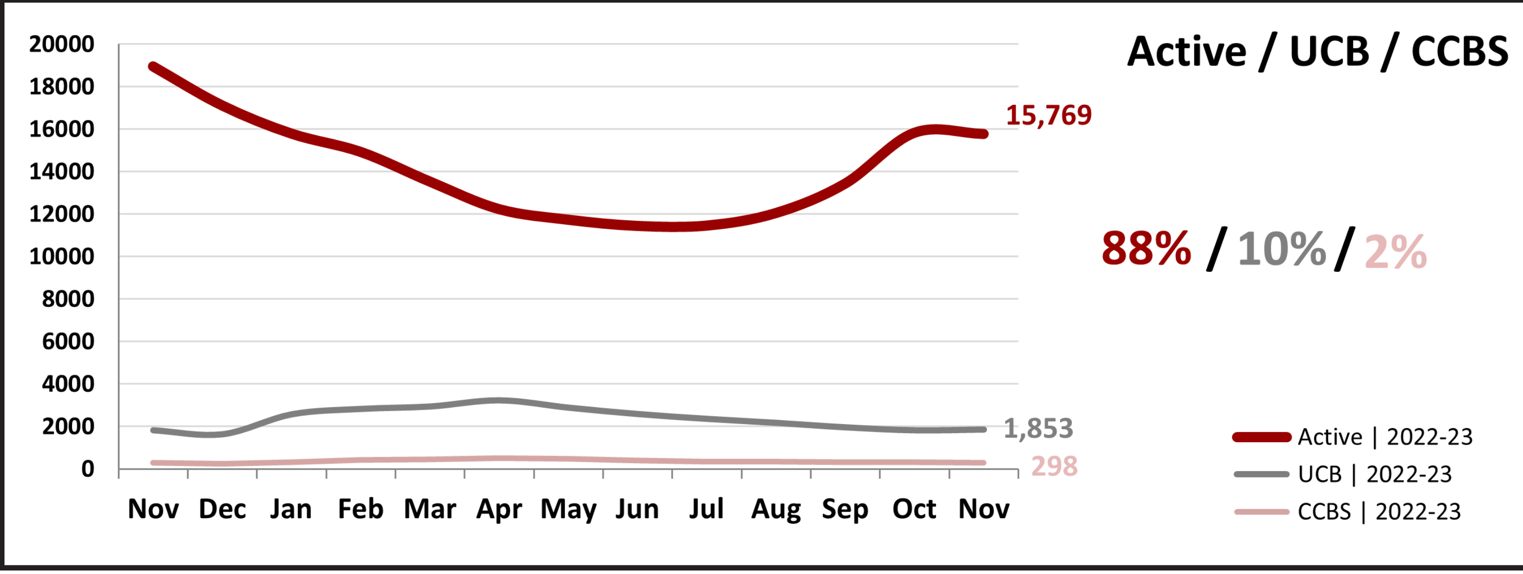
New MLS listings that were active for at least one day from 11/1/23 to 11/30/23, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-15.0%** while the year-over-year comparison increased by **+10.3%.**



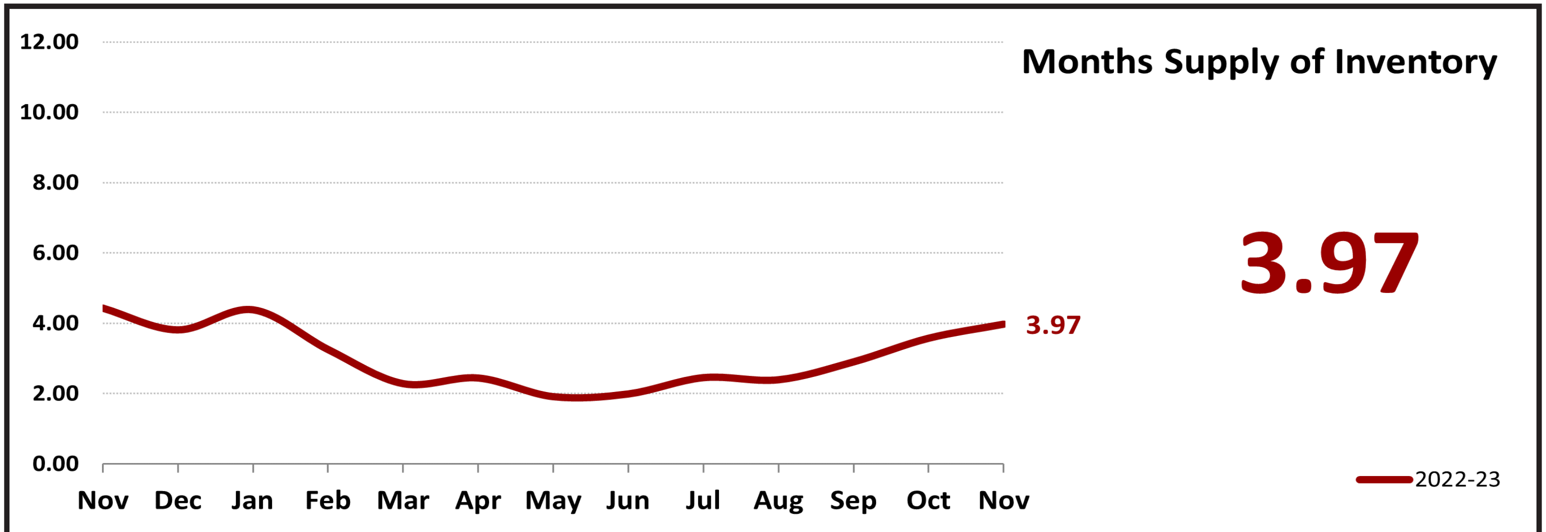
Snapshot of statuses on 11/30/23

Total inventory has a month-over-month decrease of **-0.2%** while year-over-year reflects a decrease of **-14.9%.**



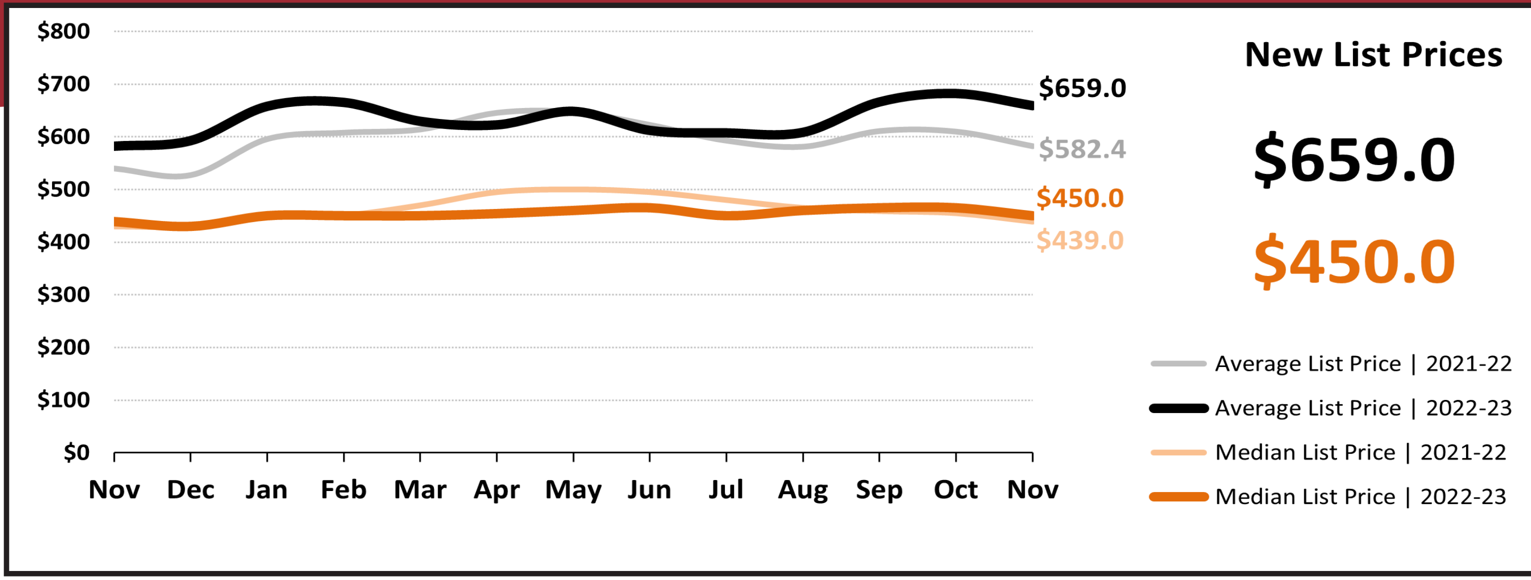
Snapshot of statuses on 11/30/23

November UCB listings percent of total inventory was **10.3%** with November CCBS listings at **1.7%** of total inventory.



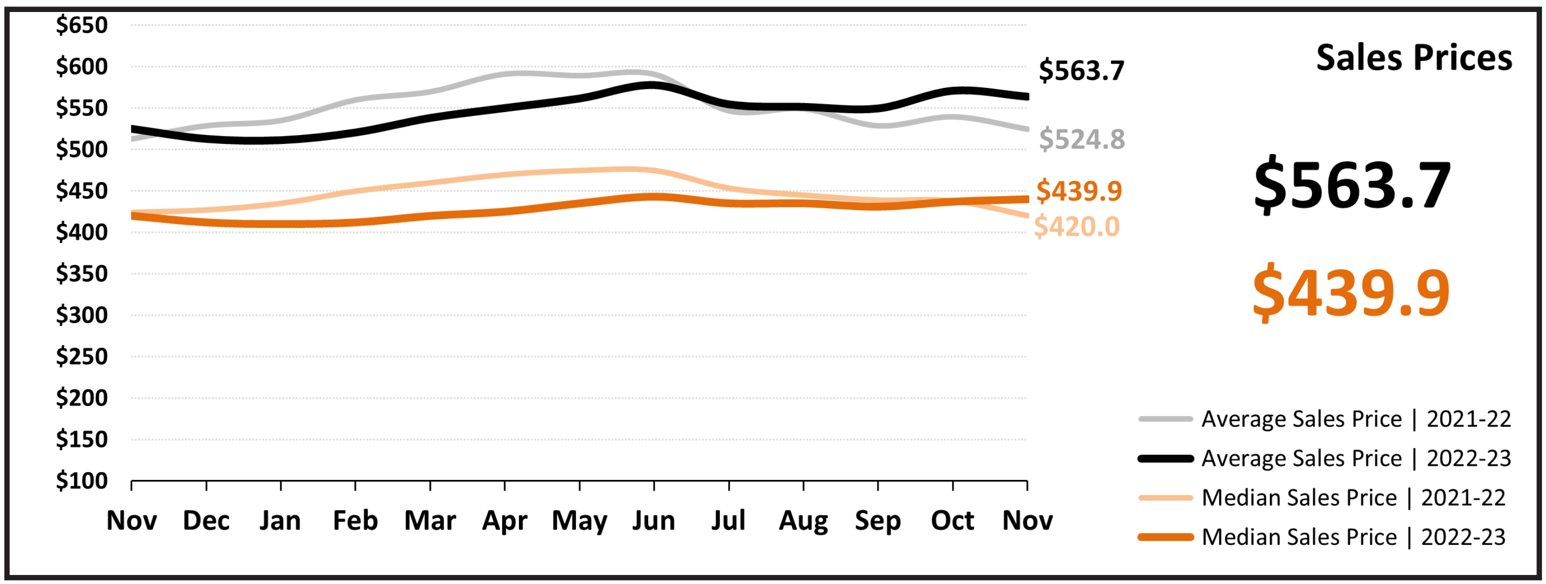
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of NOVEMBER 2023, 0 day DOM sales removed

Months supply of inventory for October was **3.57** with November at **3.97.**



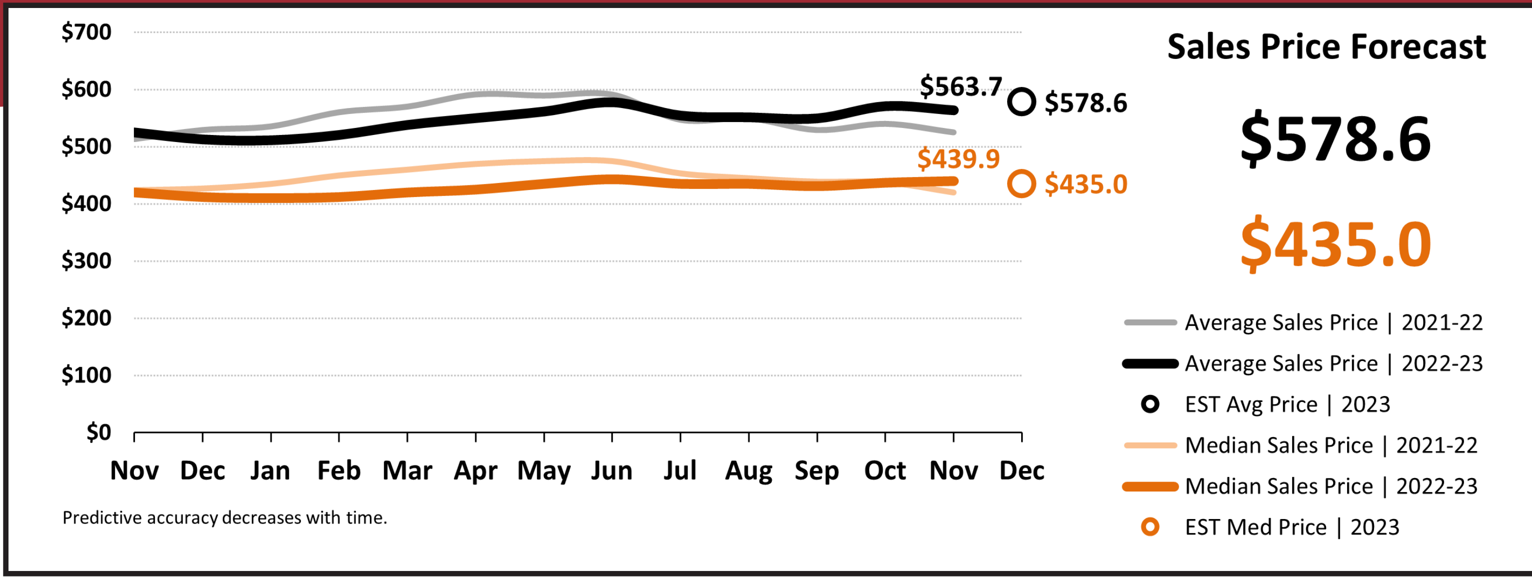
List prices of new listings with list dates from 11/1/23 to 11/30/23, 0 day DOM sales removed

Average new list prices are up **+13.2%** year-over-year. The year-over-year median list prices went up **+2.5%.**



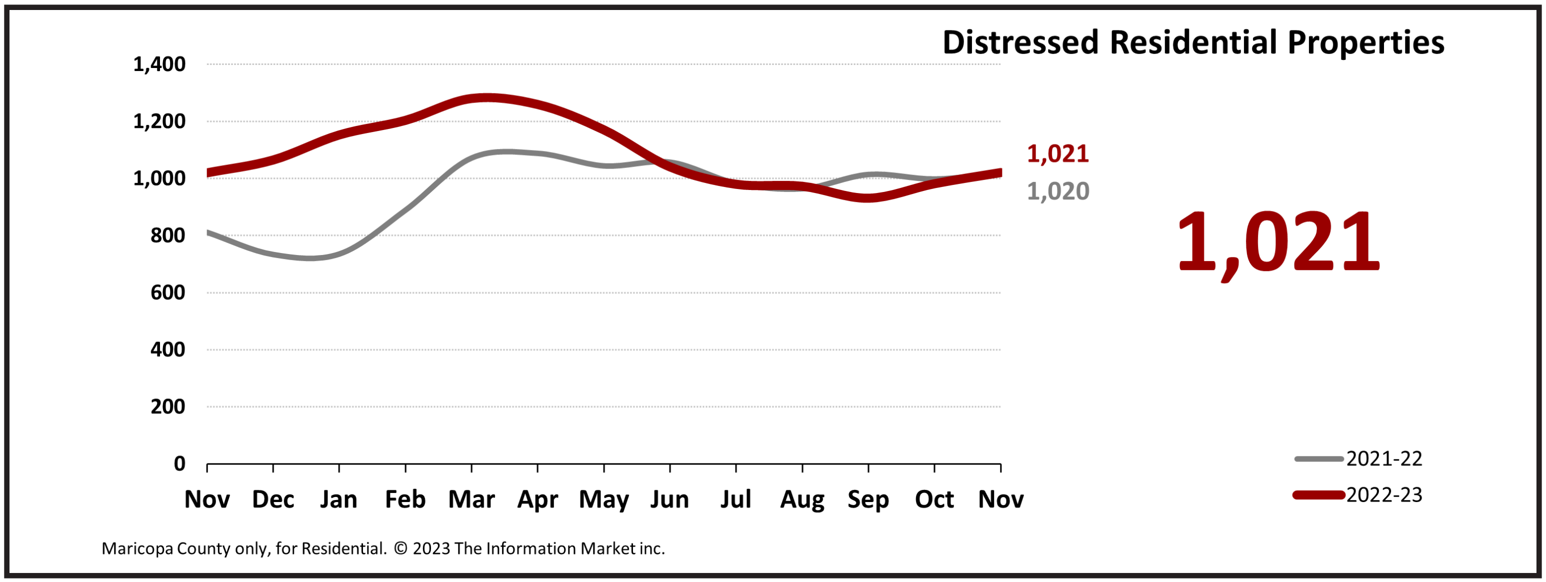
MLS sales prices for closed listings with a close of escrow date from 11/1/23 to 11/30/23, 0 day DOM sales removed

The average sales price is up **+7.4%** year-over-year while the year-over-year median sales price is up **+4.7%**.



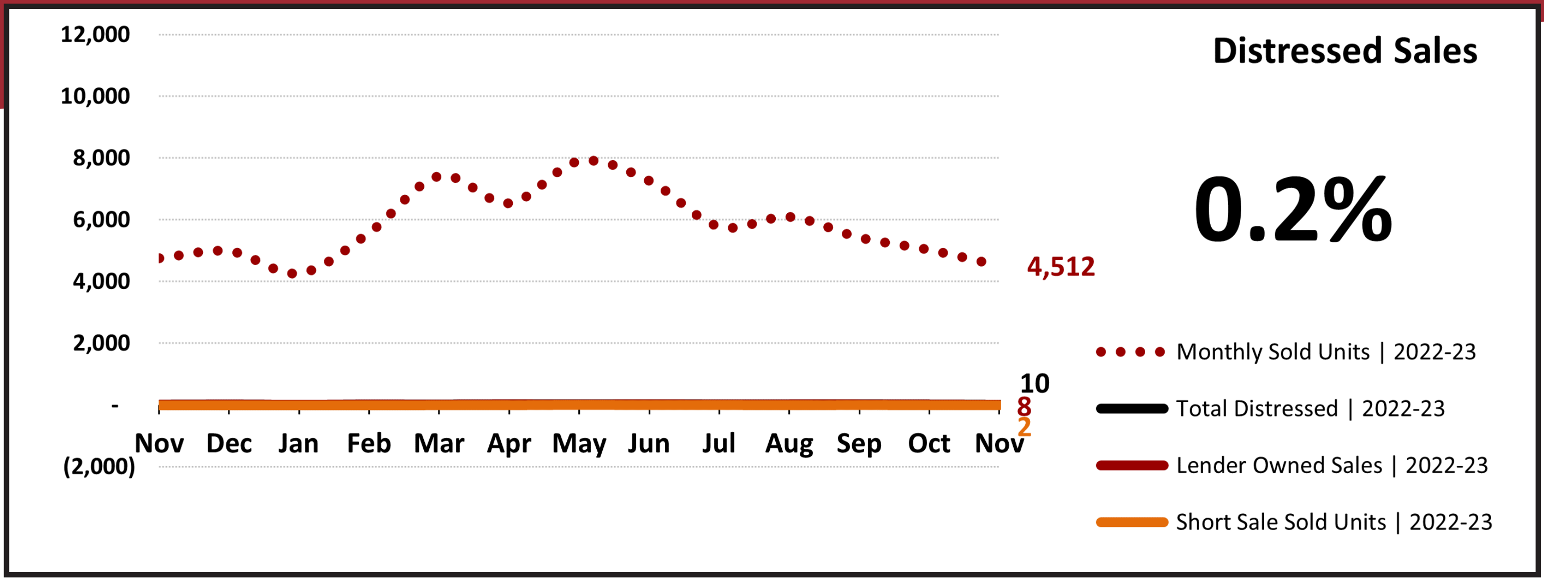
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An **Increase** is forecasted in December for Average sales prices while a **decrease** is forecasted in December for median sale prices.



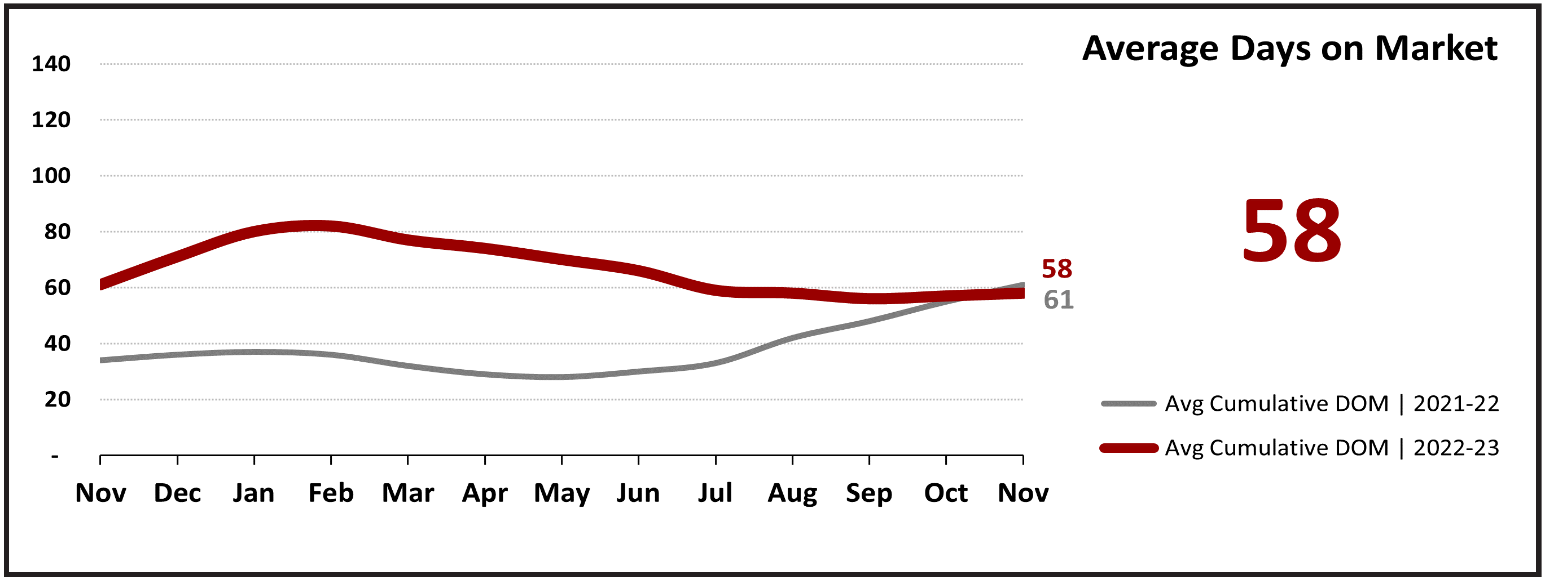
Snapshot of public records data on 11/30/23 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed an increase of **+4.0%** while the year-over-year figure was up **+0.1%.**



New MLS listings that were active for at least one day from 11/1/23 to 11/30/23, 0 day DOM sales removed

Distressed sales accounted for **0.2%** of total sales, down from the previous month of 0.3%. There were **2 more** Short Sales compared to 0 last year. Lender-owned sales had a **-20%** decrease year-over-year.



MLS sales prices for closed listings with a close of escrow date from 11/1/23 to 11/30/23, 0 day DOM sales removed

Days on market were down **-3 days** year-over-year while month-over-month went up **+1 days.**

Ah, it's the holiday season once again. A time when family and friends come together to express gratitude, share joy and exchange gifts. A time for reflection and spreading kindness to others. However, it has never been known as a time for intense and detailed discussions of the housing market, and this year will be no different. So, in honor of the season, rather than writing a comprehensive STAT, we will instead offer a "*STATlite*" or, if you prefer, a "*holiSTAT*". In this month's STAT, we will offer a quick market breakdown, update you on new happenings in the west valley and share three recent news articles — two naughty and one nice. We may not be writing as much this month, but we are still reflecting. Reflections we will share in next month's STAT, our annual year in review.

November's Market Update:

- The median sales price showed year-over-year gains for the first time this year.
- The median sales price was up 4.7% year over year.
- Sales volume was down 5.1% year over year and 10.2% month over month, the month-over-month decline was influenced by two fewer business days, 19 in November and 21 in October.
- For the 21 years ARMLS has been reporting sales data, the 4,512 sales were the third-lowest total ever for November.
- ARMLS reported 4,512 sales in November, only 2007 and 2008 reported fewer sales.
- The total inventory of homes for sale is down 14.9% year over year.
- Both demand and supply are extremely low.
- Our current market is best described as balanced. On a scale of 100, the current Cromford Market Index stands at 104.2.

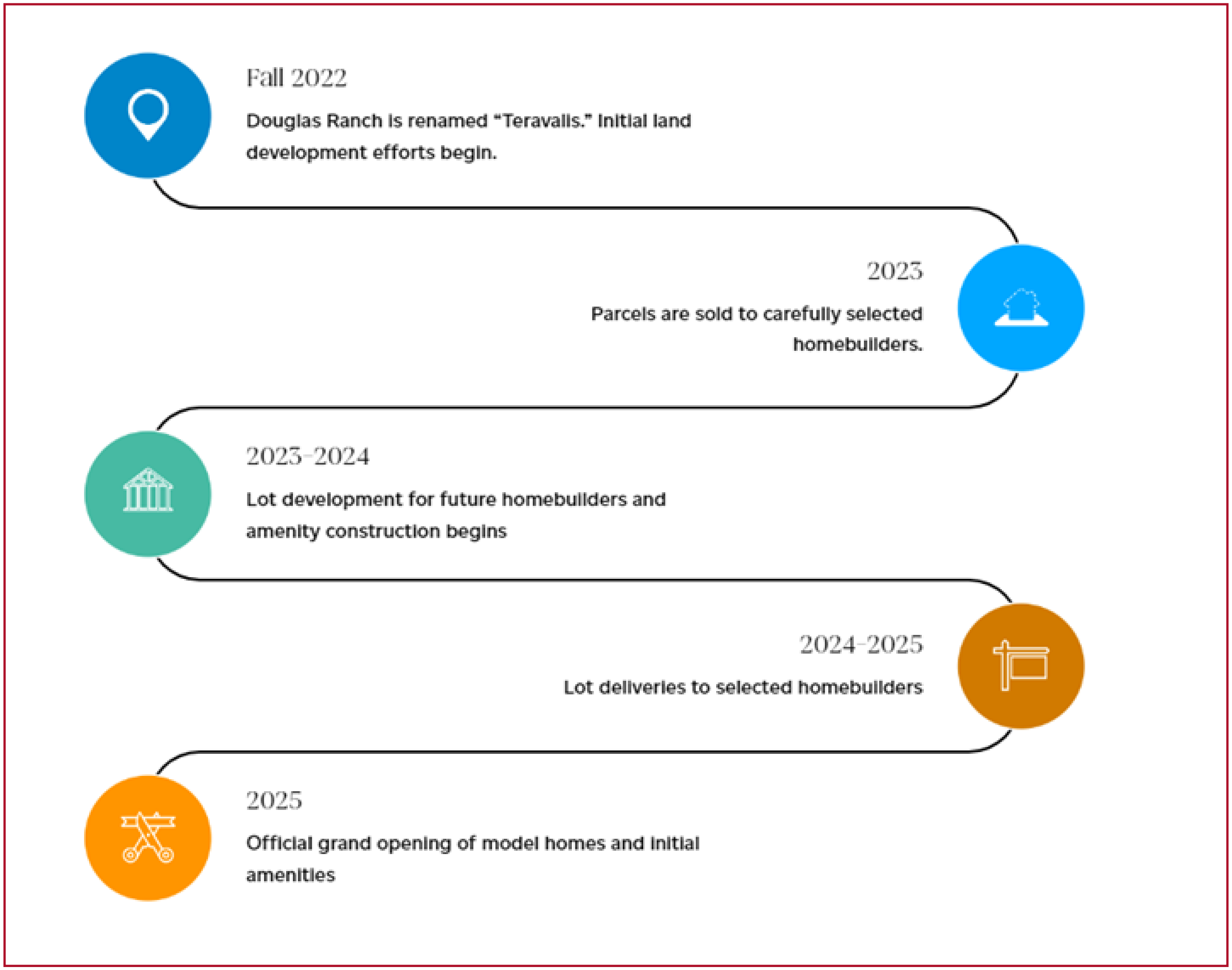
Cromford Indexes via Cromford

Cromford® Supply Index	65.7
Cromford® Demand Index	68.5
Cromford® Market Index	104.2

Welcome to Buckeye

Remember back in October 2021 when everyone was reporting on **Douglas Ranch**, Jerry Colangelo's "city of the future"? Upon completion, the master-planned community is expected to have at least 100,000 residential units that can house 300,000 people. The 37,000-acre Douglas Ranch property was originally purchased in 2002. Last week during lunch, Jim Daniels, the President of **RL Brown Housing Reports**, mentioned the first building permit for Douglas Ranch was recently filed. The project is now known as **Teravalis**, which translates into Land of the Valley. The official grand opening of model homes and initial amenities will occur in 2025.

Teravalis Roadmap via Teravalis.com



TWO 'NAUGHTY" STORIES

Two recent narratives are making the news, and whomever is peddling this drivel should check the ingredients of their eggnog. I find it humorous, one story from Fox and one from MSNBC. Both involve institutional investors. Needless to say, they present opposite perspectives.

The MSNBC article suggests the government needs to intervene or else institutional investors will own "everything", and the Fox article suggests the institutions are about to fail wildly. So, we have two stories that contradict each other, and I find both deeply-flawed nonsense. STAT will share our thoughts on institutional buyers in next month's year in review. That's called a tease, in the meantime.

From **MSNBC:**

> *"Institutional investors may control 40% of U.S. single-family rental homes by 2030, according to MetLife Investment Management. And a group of Washington, D.C., lawmakers say Wall Street needs to back away from the market.*
>
> *"What we're saying is don't have private equity buying up single-family homes," said Rep. Ro Khanna, a Democrat representing California's 17th Congressional District. Khanna is the lead author of the Stop Wall Street Landlords Act of 2022. "What's outrageous is your tax dollars are helping Wall Street buy up single-family homes," he said in an interview with CNBC.*

From **FOX:**

Real estate investor warns US is entering the 'greatest' correction of his lifetime, real estate correction will be at 'epic levels.' Grant Cardone told "FOX & Friends" on Thursday while discussing the state of the industry.

"It's [real estate correction] going to be a great opportunity for individuals, regular, everyday people to actually grab trophy real estate from institutions. This has never happened in the country," Cardone said.

ONE "NICE" STORY

The following article was published in Creditnews on Dec. 6. This is my example of a "nice" article. It does a good job of describing the current state of our housing market and how we got here (low supply/low demand), while placing current interest rates and loan activity in a historical perspective. I chose to share this article in its entirety rather than capsulize and link as I think it is insightful and well worth the read:

The Federal Reserve's plan to tame the housing frenzy with higher interest rates has a major blind spot: More than 40% of all U.S. mortgages—most of which are fixed-rate—were obtained in 2020 or 2021 when rates were at rock bottom.

According to Creditnews research, about one-quarter (23.4%) of mortgages were originated in 2021 when the 30-year mortgage rate fell below 3%. Another 17.8% were originated in 2020—the year the Fed slashed interest rates to zero.

Nearly two-thirds (64.5%) of U.S. mortgages have rates below 4%, roughly half the current 30-year fixed rate. Assuming a 10% down payment, the difference between financing an average home with a 30-year mortgage at 7.79% (mortgage rate peak as of Oct 26) and 3.6% (effective mortgage rate) is an extra $1,223 a month.

This discrepancy has created a feedback loop of limited inventory and growing prices, locking would-be buyers out of homeownership—especially those in the Millennial and Gen Z generations.
In 2023, Millennials made up only 28% of homebuyers despite being in the prime home-buying age. That's just over half as much as it was in 2022 before rates took off. And at just 4%, Gen Zers made up the tiniest fraction of homebuyers.

Although Millennials are the largest adult generation in the United States, they still own a mere 10% of U.S. real estate wealth. They also accumulated the least real estate wealth during the pandemic housing boom.

"The Fed's aggressive rate-hike campaign has worsened the generational homeownership divide. Unlike Baby Boomers who can afford to buy in cash, Millennials and Gen-Z buyers need financing. That's been harder to get with mortgage rates at 22-year highs. Homebuyers aren't getting any help from the market, either. Homeowners refuse to sell because they don't want to trade their low mortgage rate for a much higher one. So, whatever housing supply makes it to market comes at disproportionally higher prices." - Sam Bourgi, Senior Analyst at Creditnews.

Key Takeaways-

- More than 40% of all U.S. mortgages were obtained in 2020 or 2021 when rates were at rock bottom—and over half after 2020
- Mortgage originations during the pandemic eclipsed the previous peaks of the post-dot-com boom and the subprime mortgage bubble
- The 30-year fixed mortgage rate is now more than double the effective mortgage rate—the largest gap since 1976
- Meanwhile, 64.5% of U.S. homeowners are locked in with mortgages below 4%—these homeowners aren't affected by rising interest rates unless they choose to refinance

- The monthly mortgage payment on an average home has spiked 54% between 2021 and 2023, leaving younger buyers unable to afford a home

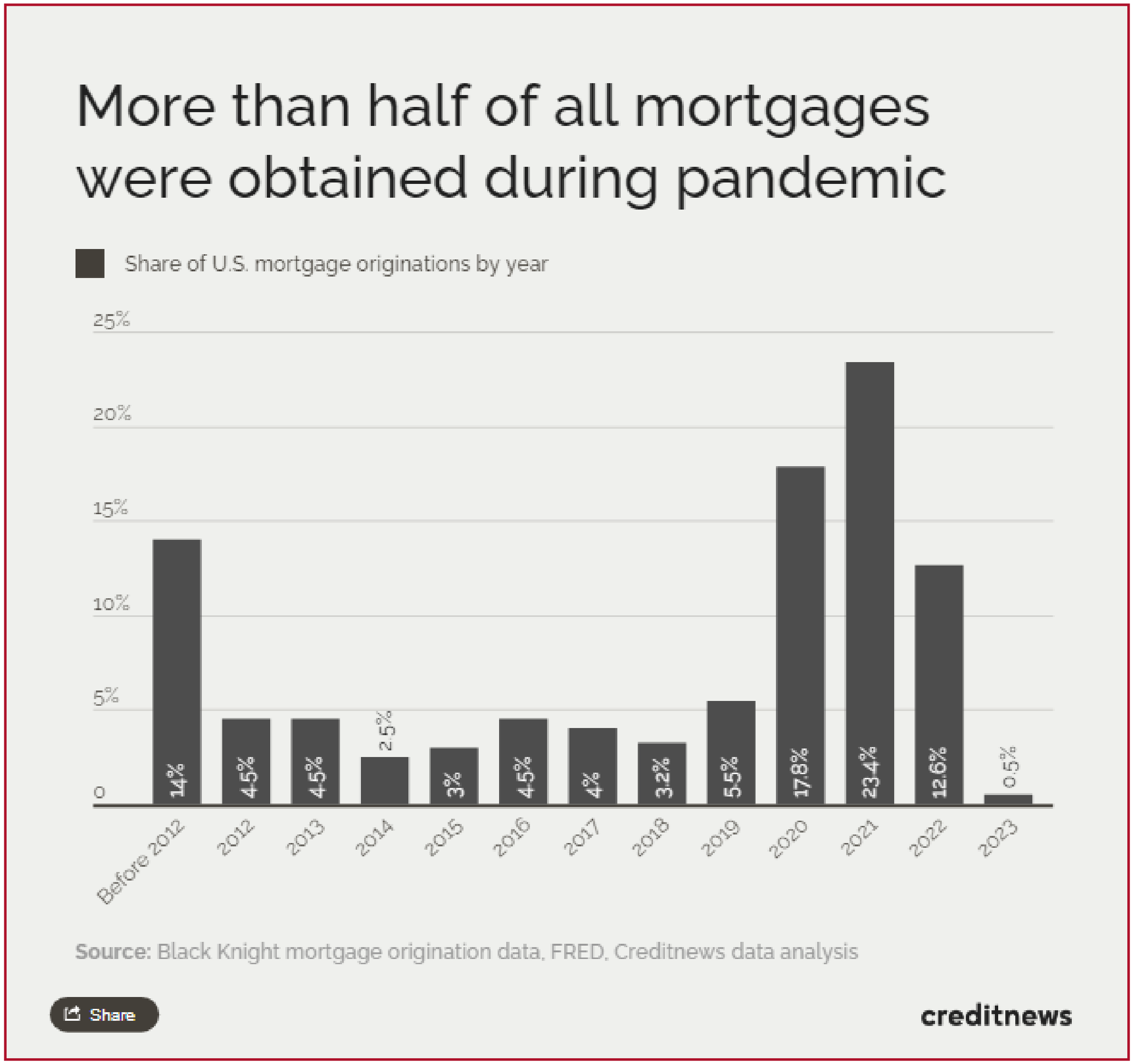
The majority of Millennials and Gen Zers missed the low-rate bandwagon, with buyers from these generations owning just a mere 10% of real estate wealth in the United States and accumulating the least wealth during the pandemic

Mortgage Rates and Originations

During the pandemic housing frenzy, mortgage origination hit levels never seen on record. In 2021, the value of mortgage origination surpassed $4.4 trillion, a new all-time high. Originations fell to roughly half that level in 2022 but were still considerably higher than in the decade before the pandemic.

Among existing mortgages, over half of originations occurred between 2020 and 2022. This includes 17.8% in 2020, 23.4% in 2021, and 12.6% in 2022.

Share of US Mortgage Originations by Year via Creditnews

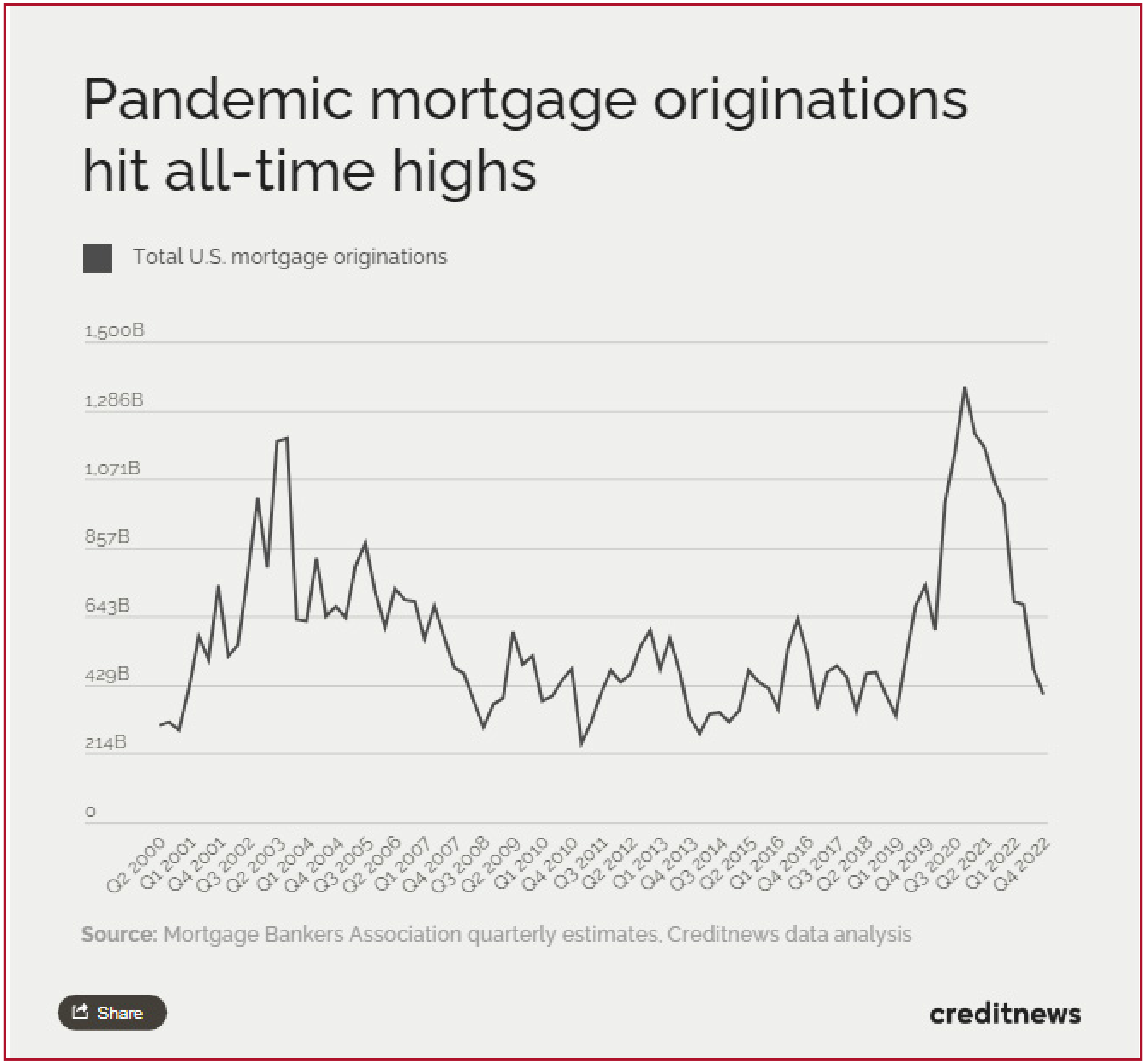


The data shows that mortgage originations accelerated in 2020 when the Fed reduced interest rates to zero in March of that year. They began to taper off in 2022 after the Fed began raising rates, also in March.

By comparison, the share of outstanding mortgages originated in 2019 was only 5.5%. In 2018, it was just 3.2%.

Mortgage originations during the pandemic eclipsed the previous peaks of the post dot-com boom and the subprime mortgage bubble.

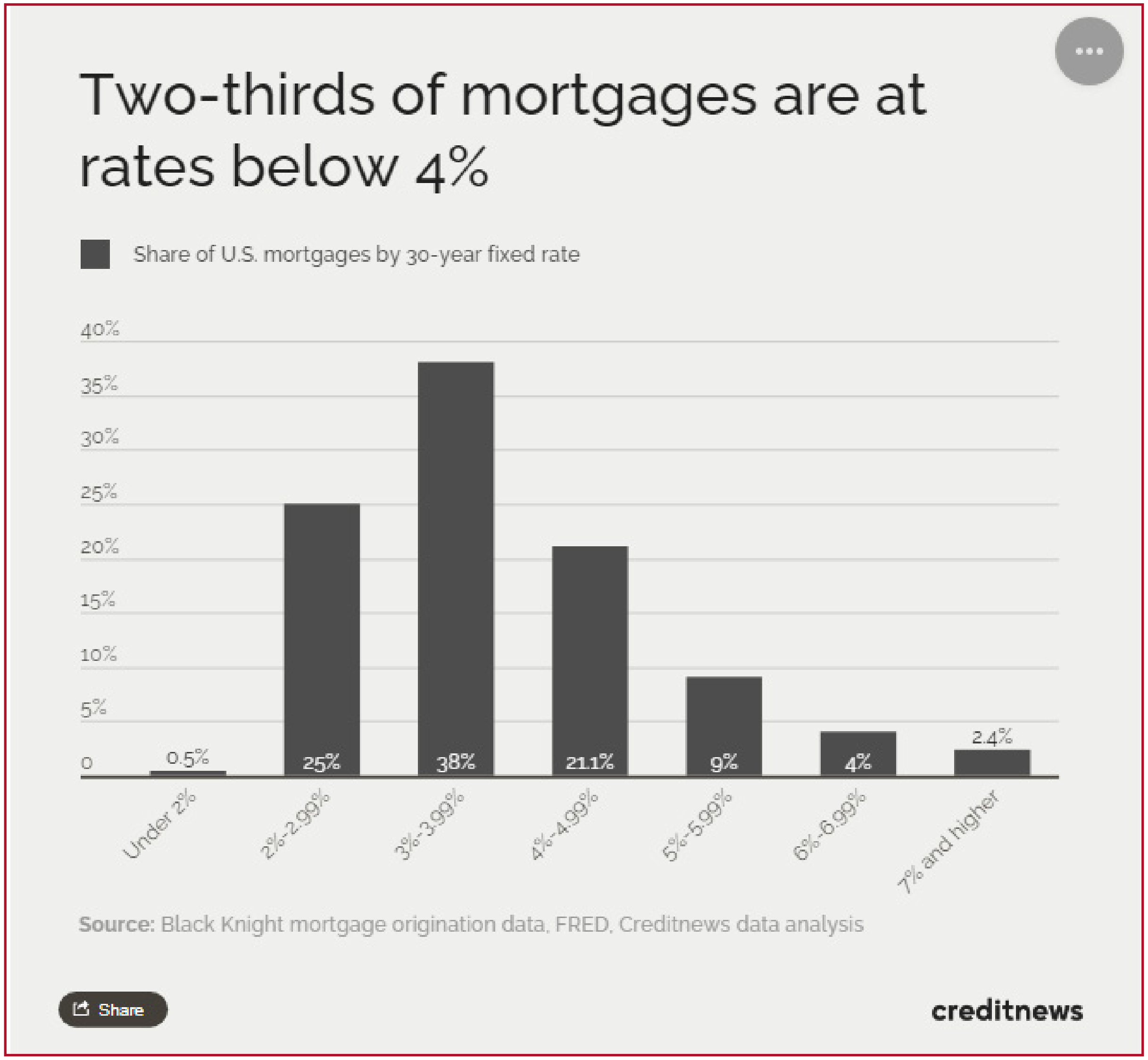
Total US Mortgage Origininations via Creditnews



Nearly two-thirds (63.5%)of existing mortgages have 30-year rates below 4%. The breakdown is as follows: 38.2% of mortgages have interest rates between 3%-3.99%, 25.8% have rates between 2%-2.99%, and 0.5% have rates below 2%.

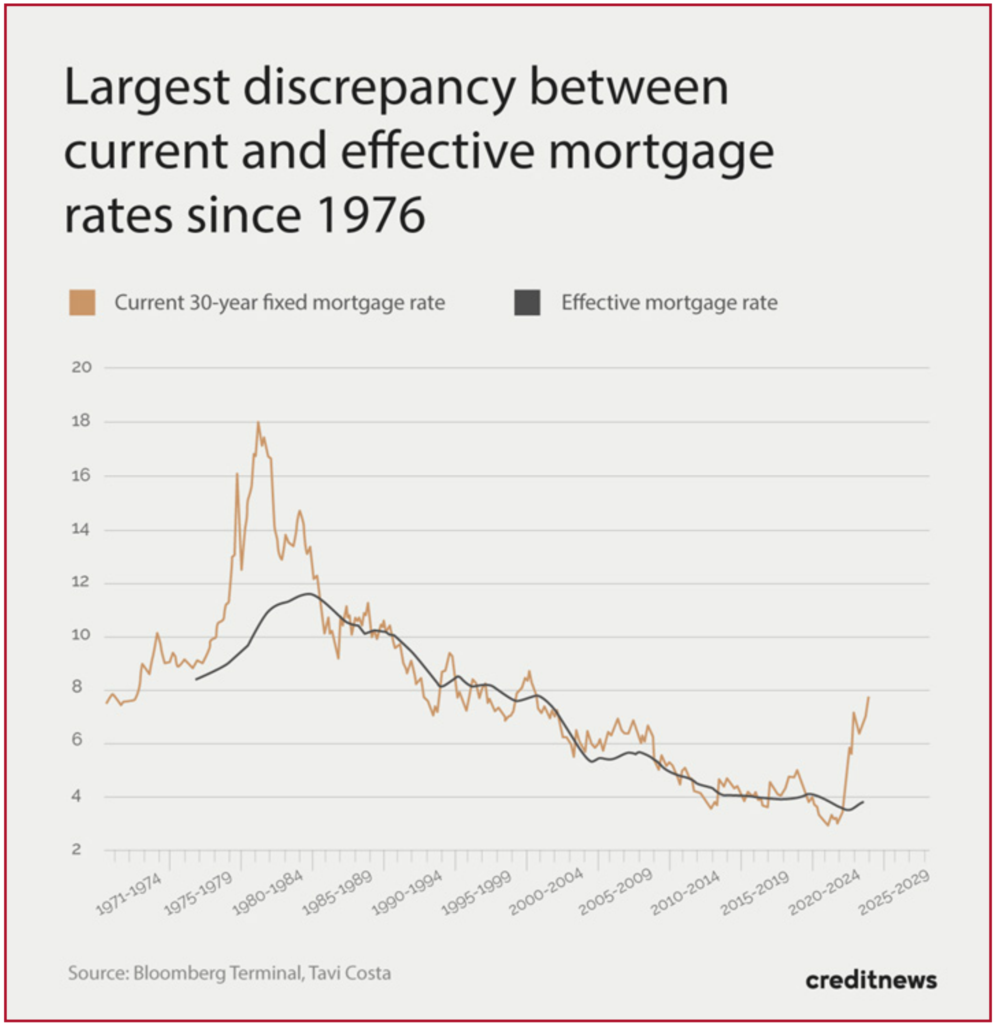
Somewhat surprisingly, only 2.4% of existing mortgages have interest rates at 7% or higher —the current mortgage rate.

Share of US Mortgages 30-Year Fixed Rate via Creditnews



At current levels, the discrepancy between the current 30-year fixed mortgage rate (7.79%) and the effective mortgage rate (3.6%) is the widest since 1976.

30-Year Fixed Mortgage Rate vs Effective Mortgage Rate via Creditnews



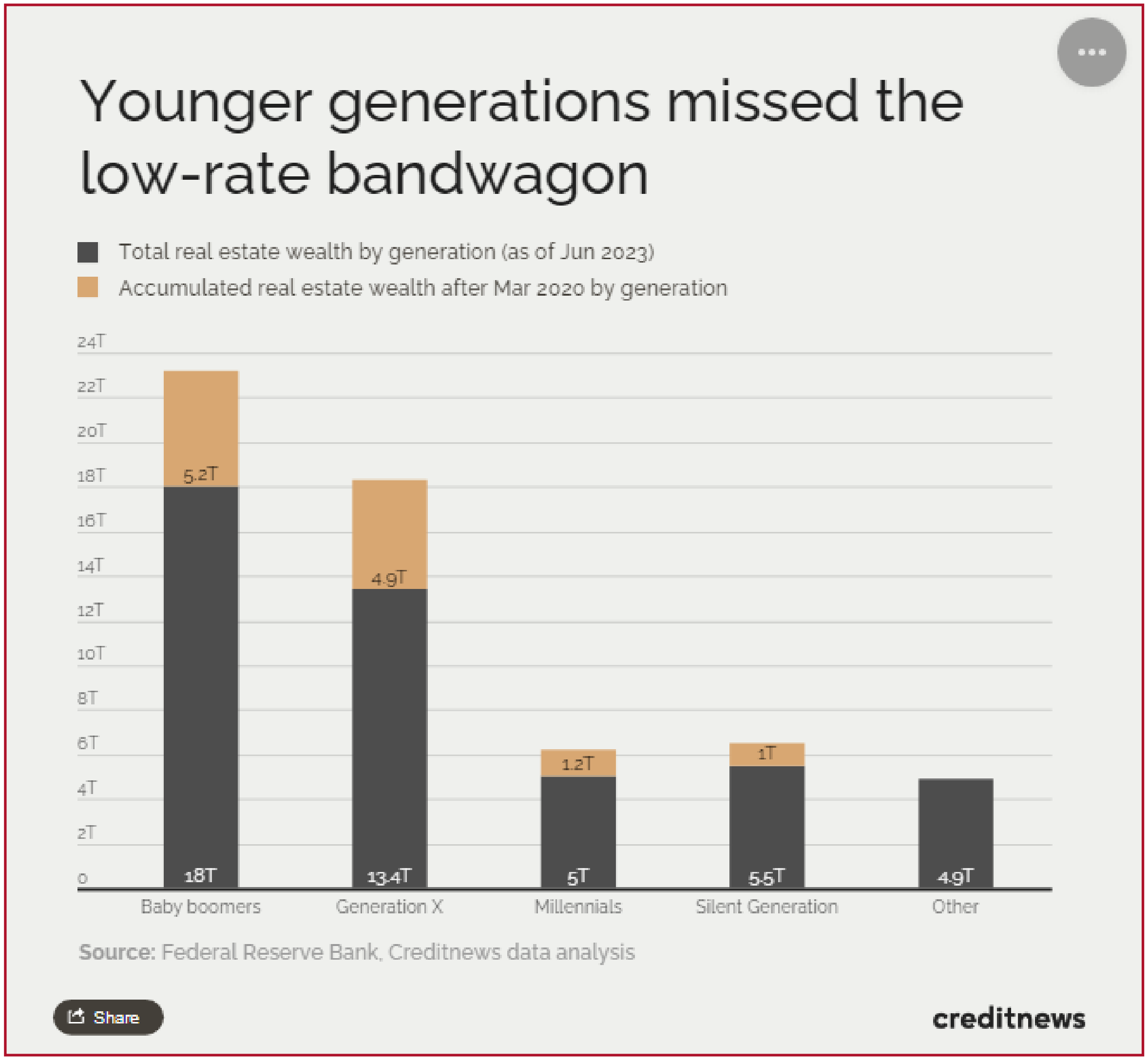
Younger generations impacted the most-

Record-low mortgage rates between 2020 and early 2022 made home-buying more affordable for younger generations. In 2022, roughly 43% of new homebuyers were Millennials and 2% were Gen Zers.

However, as rates began to rise, Millennials' share of new purchases fell to 28% as of August 2023. Gen Zers' share of purchases doubled to 4% but remained relatively scant given the cohort's size (70 million people).

Younger demographics also own a much smaller share of the real estate wealth, given the size of their respective generations. They also accumulated the least real estate wealth during the pandemic housing boom despite being in the prime home-buying age.

Total Real Estate Wealth by Generation vs Accumulated Real Estate Wealth after March 2020 via Creditnews



The total U.S. housing stock was worth a record $46.8 trillion in June 2023. However, Millennials' share of that wealth was only $5 trillion, compared to $18 trillion for baby boomers and $13.4 trillion for Gen X.

Millennials' housing wealth exceeded that of the Silent Generation, which owned $4.7 trillion worth of residential real estate. Gen Zs' share of the housing wealth is likely much smaller than Millennials, given their share of purchases and mortgage originations.

Redfin Economics research head, Chen Zhao, confirms that younger generations bear the brunt of record mortgage rates.

"Tons of homeowners scored an incredible deal during the pandemic: a 3% mortgage rate for the remainder of their 30-year loan. Now they're staying put because moving would mean taking on a rate that's twice as high [...] The winners are homeowners who bought before mortgage rates started rising; they continue to build equity even though homebuyer demand has slowed. The losers, sadly, tend to be first-time buyers." - Chen Zhao, Redfin Economics research head.

Methodology:

Average mortgage payment: To calculate average mortgage payments, Creditnews assume a 10% down payment on a home with an average sales price of $513,400 and an average 30-year mortgage rate obtained from Freddie Mac.

Mortgage originations: Mortgage originations are broken down by year between 2012 and January 2023. Mortgage originations before 2012 were grouped into one category based on data provided by Black Knight. Data on annual mortgage originations are tabulated by adding the quarterly figures for each respective year.

Housing wealth: Housing wealth measures the market value of all residential real estate in the United States and is broken down by generational cohorts.

Effective mortgage rate: The effective mortgage rate is the average interest rate on all outstanding mortgages in the U.S across all terms.

Conclusion:

Hoping for peace and joy this holiday season.

ARMLS PENDING PRICE INDEX (PPI)

Last month, STAT's mathematical model projected the median sales price for November at $435,000; the actual amount was $439,900. Looking ahead to December, the ARMLS Pending Price Index is again projecting the median sales price will be $435,000. My gut tells me this estimate may be slightly low, as it has been the last few months. A year-end median sales price in the $438,000 range seems reasonable. In June 2022, we recorded the highest monthly median sales price ever reported at $475,000. If our mathematical model is correct ($435,000), the median sales price will be 5.58% higher year over year and down 8.42% from our record high.

We began December with 3,703 pending contracts, 1,853 UCB listings and 298 CCBS, giving us a total of 5,854 residential listings practically under contract. This compares to 5,896 of the same type of listings one year ago. At the beginning of December, the "pending" contracts are just slightly lower than last year. There were 21 business days in December 2022 and 20 this year. ARMLS reported 4,985 sales in December 2022. The highest sales volume ever in December occurred in 2020 with 9,666. When December's numbers are reported, we expect sales once again to be in the 4,650 range. Reviewing the actual reported median sales price over the last six and a half months, the median sales price, as reported daily, had a reported low of $430,840 on Oct. 10 and a reported high of $443,000 on July 2. This is what we often refer to in STAT as our seasonal wobble. The median sales price tends to gravitate toward round numbers. The chart below on page 25 is a summation of the actual reported median sales price over the last 197 days. As you can see, over the last six and a half months, the reported median sales price has essentially fluctuated between $435,000 and $440,000. Today, as this report is being published, ARMLS is reporting a median sales price for all homes sold on ARMLS over the past 30 days at $435,000.

Count of Median Sales Price over Last 197 Days via ARMLS

Actual	Count_actual
430840	1
432000	2
432195	1
432500	1
432999	1
433000	2
433900	1
434000	6
434315	1
434354	3
434900	5
434990	9
435000	84
435001	1
435546	1
435985	1
436000	2
437000	2
437500	2
437745	1
438000	10
438250	1
438500	2
438990	1
439000	7
439049	1
439900	8
439990	2
440000	31
441000	1
441500	2
442000	1
443000	2