

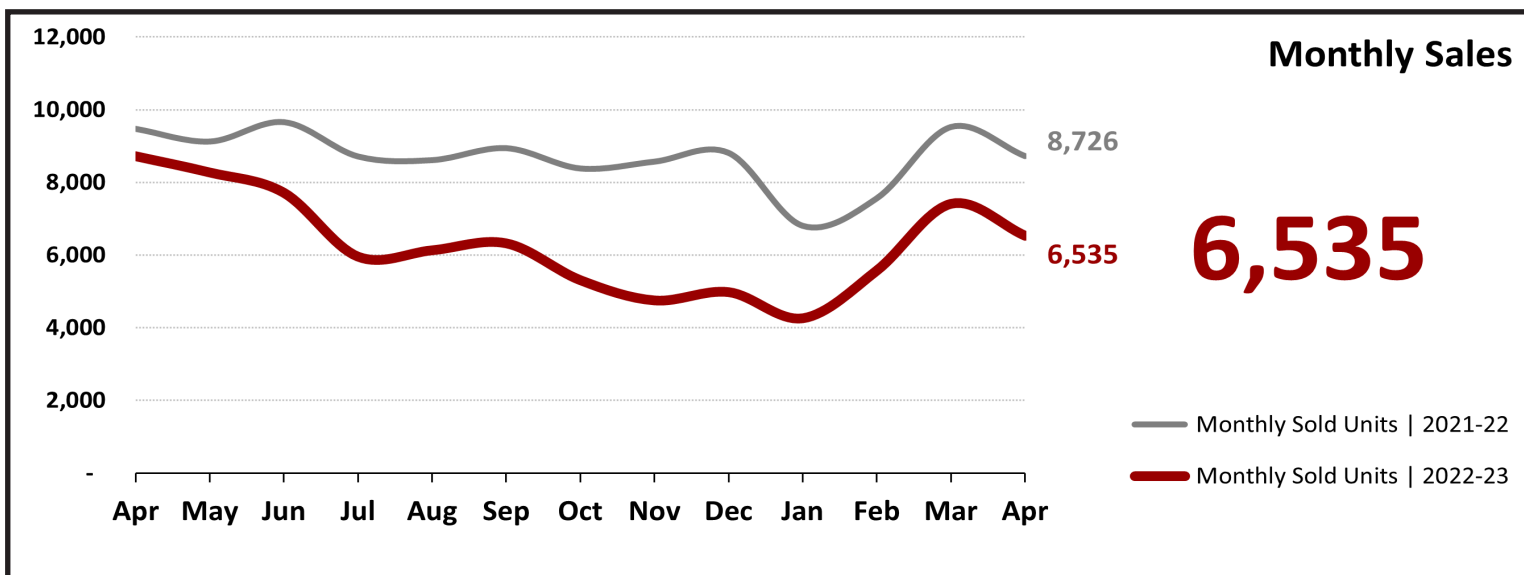
STAT

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



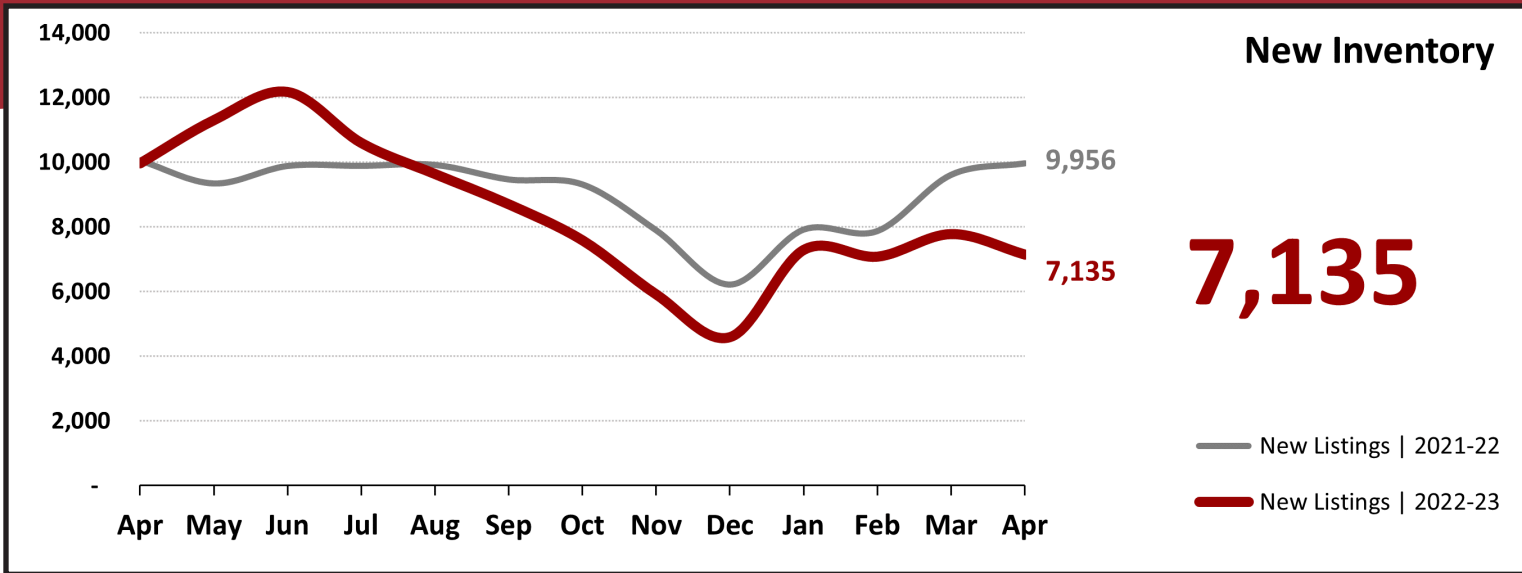
DATA FOR **APRIL 2023**

Published May 16, 2023



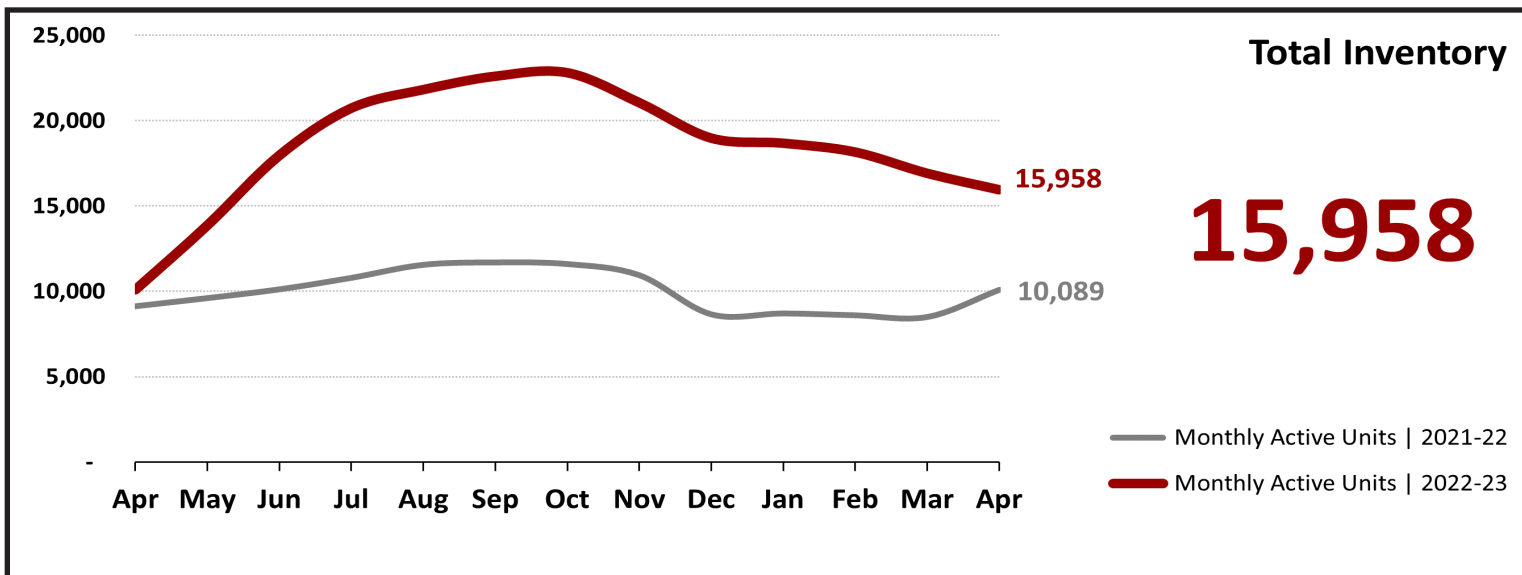
Sales are down **-11.9%** month-over-month. The year-over-year comparison is down **-25.1%**.

Closed MLS sales with a close of escrow date from 4/1/23 to 4/30/23, 0 day DOM sales removed



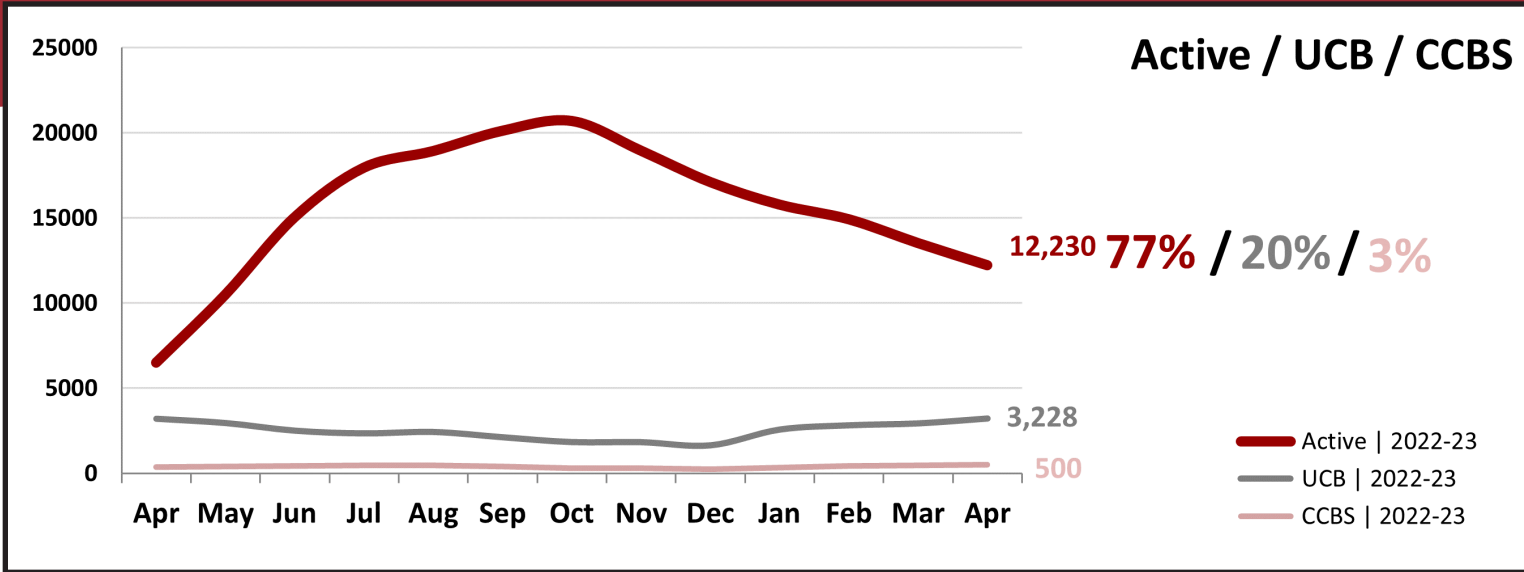
New MLS listings that were active for at least one day from 4/1/23 to 4/30/23, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-8.2%** while the year-over-year comparison decreased by **-28.3%**.



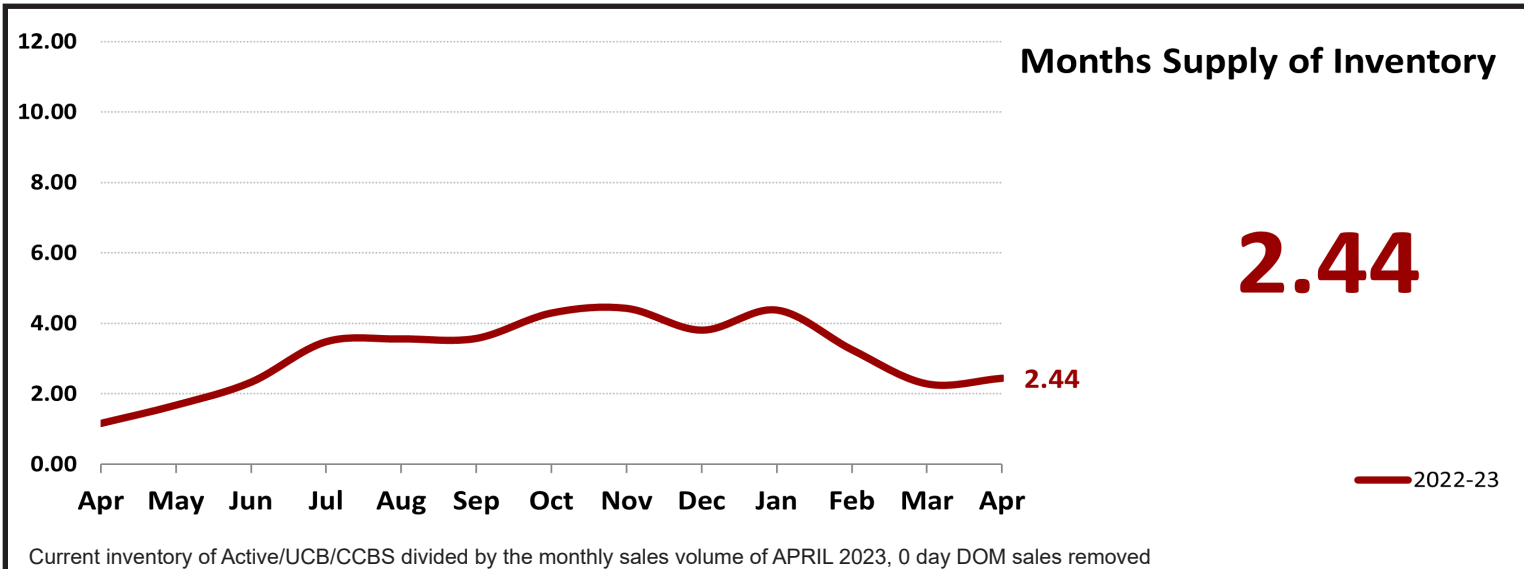
Snapshot of statuses on 4/30/23

Total inventory has a month-over-month decrease of **-5.7%** while year-over-year reflects an increase of **+58.2%**.



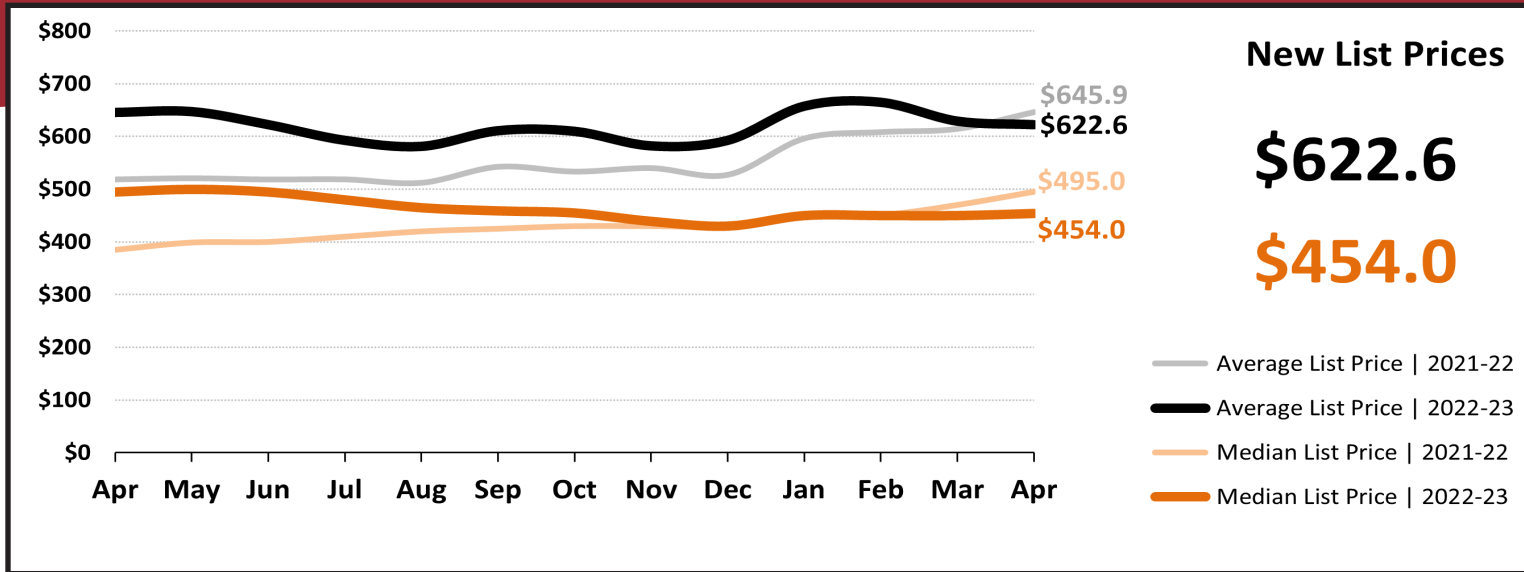
April UCB listings percent of total inventory was **20.2%** with April CCBS listings at **3.1%** of total inventory.

Snapshot of statuses on 4/30/23



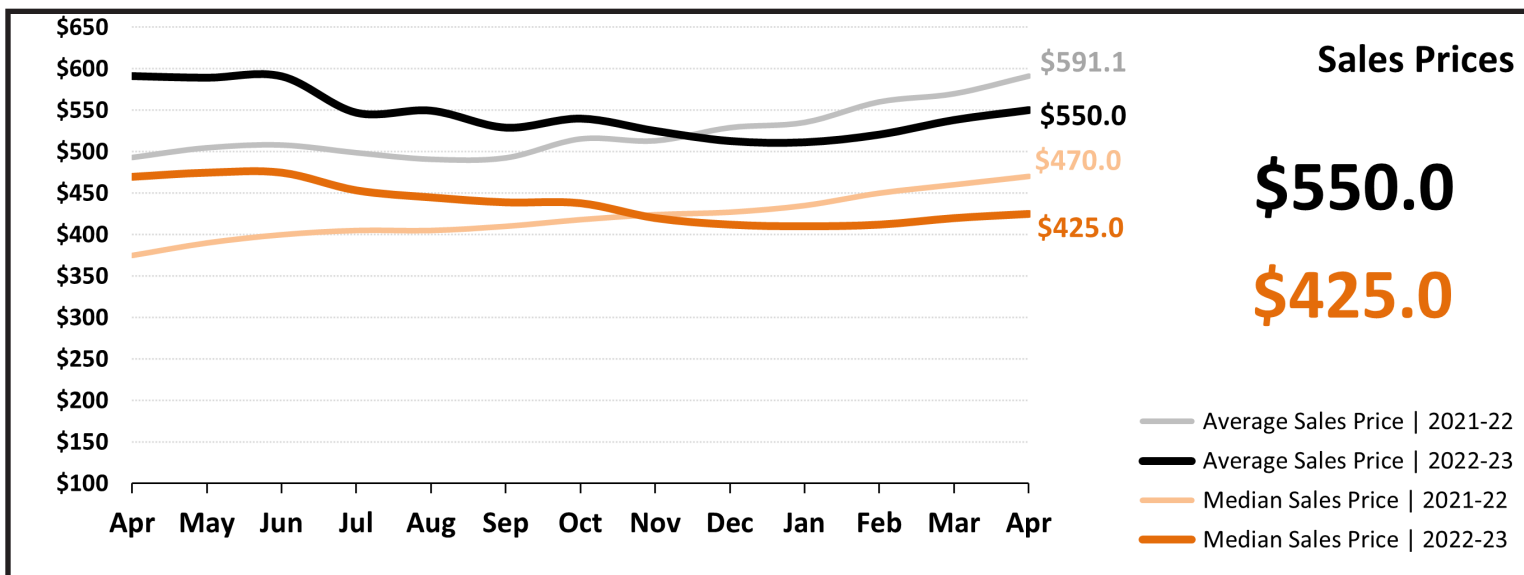
Months supply of inventory for March was **2.28** with April at **2.44**.

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



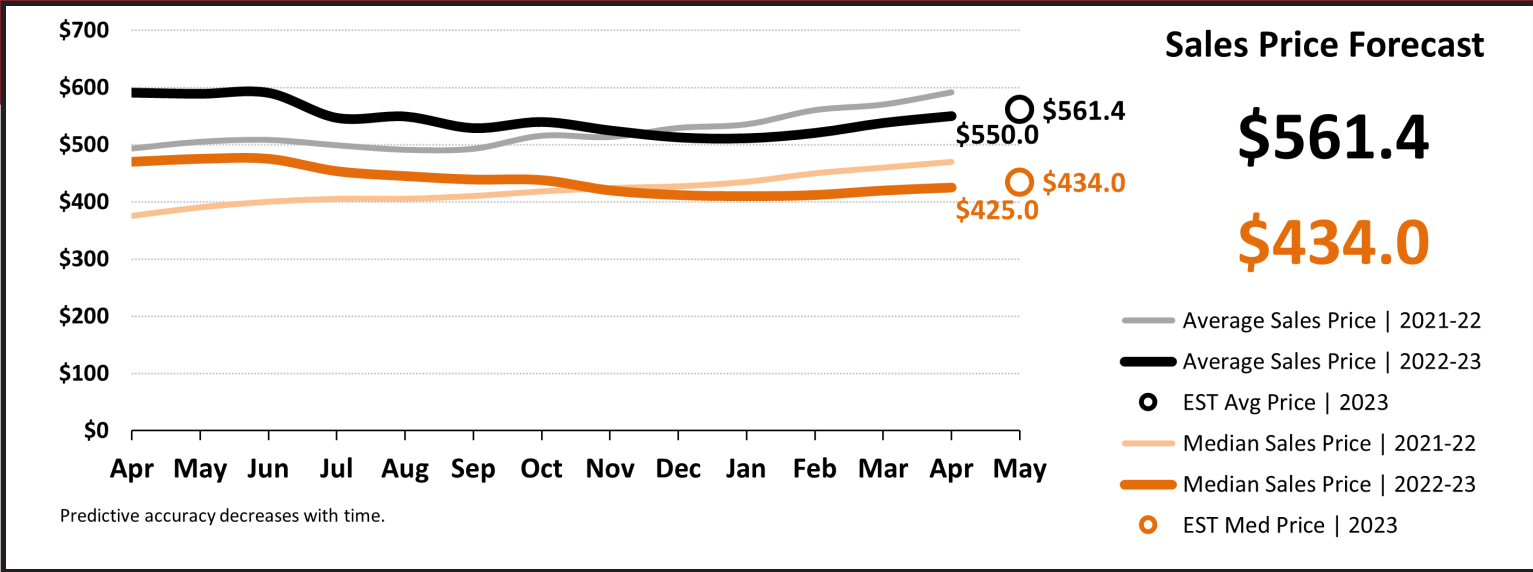
List prices of new listings with list dates from 4/1/23 to 4/30/23, 0 day DOM sales removed

Average new list prices are down **-3.6%** year-over-year. The year-over-year median list prices went down **-8.3%**.



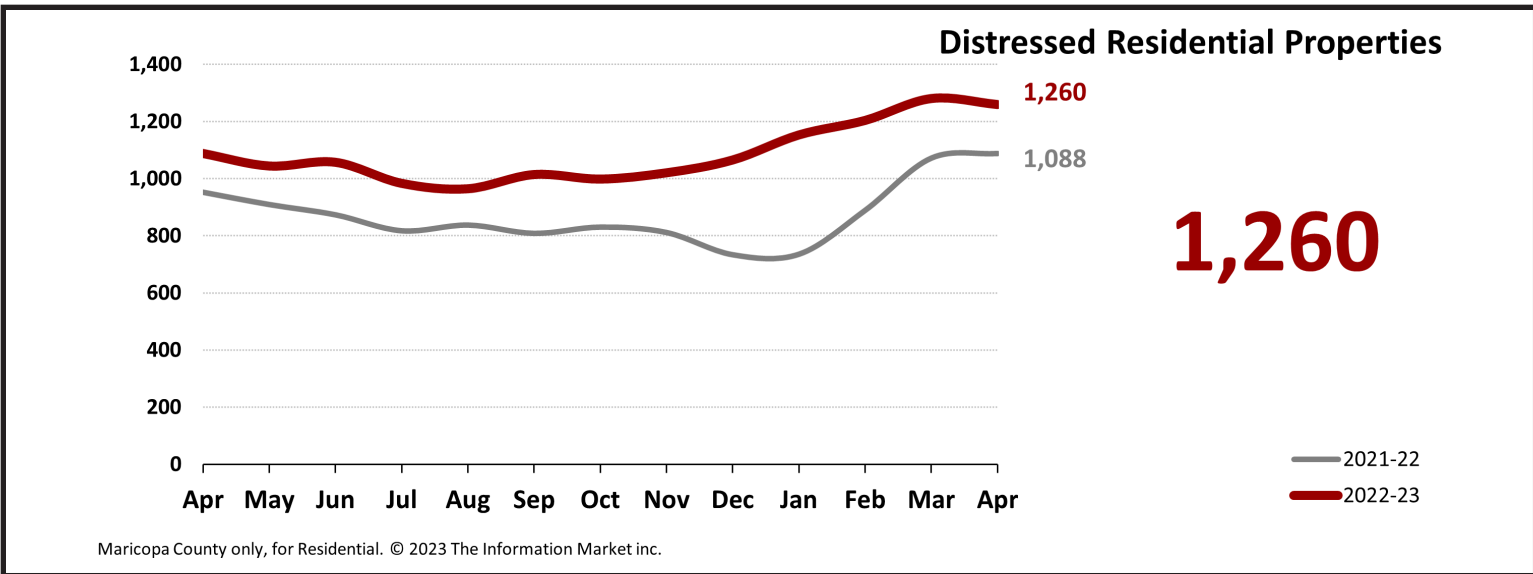
MLS sales prices for closed listings with a close of escrow date from 4/1/23 to 4/30/23, 0 day DOM sales removed

The average sales price is down **-7.0%** year-over-year while the year-over-year median sales price is down **-9.6%**.



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

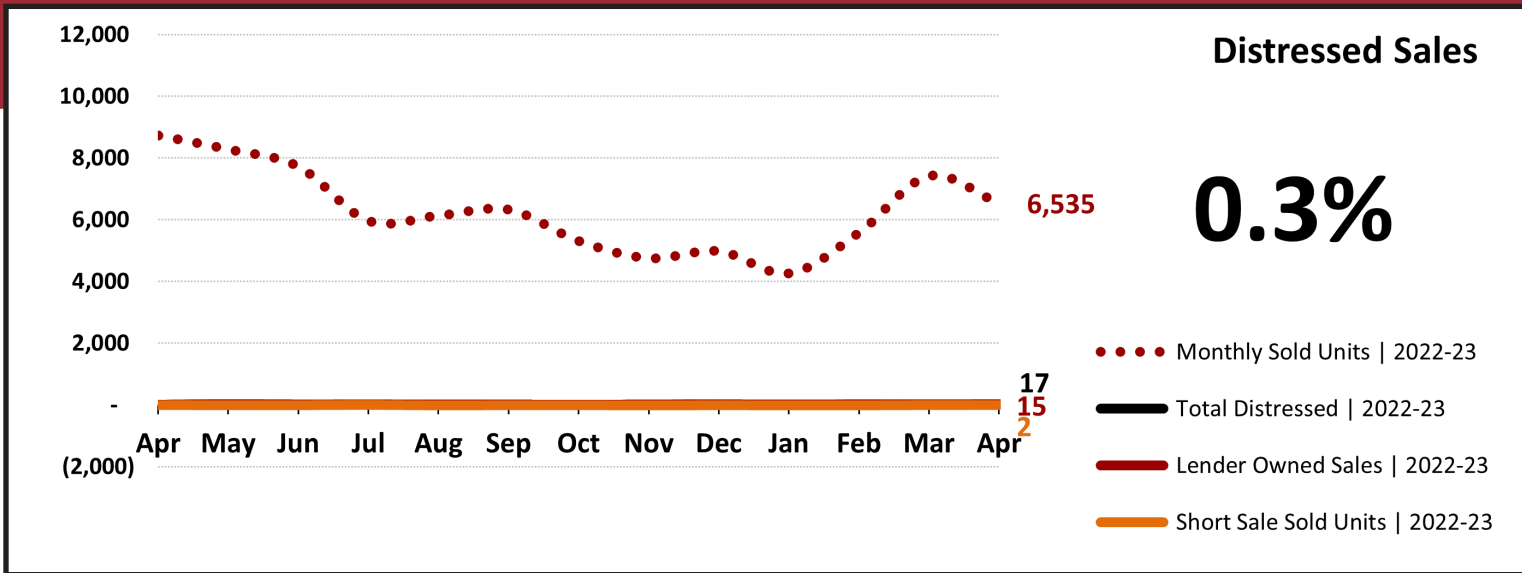
ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed a decrease of **-1.6%** while the year-over-year figure was up **+15.8%**.

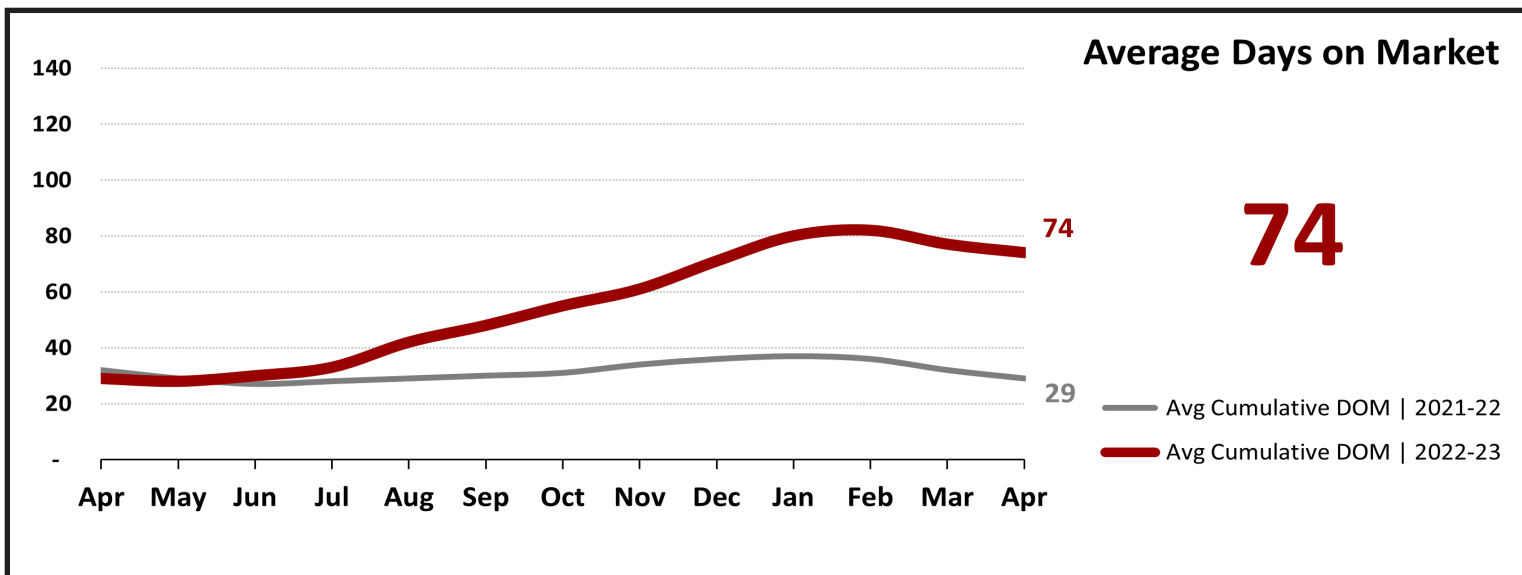
Maricopa County only, for Residential. © 2023 The Information Market inc.

Snapshot of public records data on 4/30/23 active residential notices and residential REO properties.



Distressed sales accounted for **0.3%** of total sales, up from the previous month of 0.2%. Short sales **had no change** year-over-year. Lender-owned sales had a **+275%** increase year-over-year.

New MLS listings that were active for at least one day from 4/1/23 to 4/30/23, 0 day DOM sales removed



Days on market were up **+45 days** year-over-year while month-over-month went down **-3 days**.

MLS sales prices for closed listings with a close of escrow date from 4/1/23 to 4/30/23, 0 day DOM sales removed

Four friends, all data nerds, all specialists in differing arenas but sharing common ground, gather each month to share their housing insights and eat tacos. One of the four almost always orders churros. The senior housing analyst, the one that orders the churros, relentlessly studies inflation numbers, government reports and methodologies. She knows her data, and she knows our housing market. She's a better economist than most self-professed economists. This churro aficionado anticipates a positive shift in the early third quarter inflation numbers. The second of the four is from the title insurance industry. She is a senior account executive and director of research. Her research is an avocation, not restricted by business hours. Title is a transaction business, and with the slowdown in homebuyer demand due to rising mortgage rates and home prices, order volumes are down, but her enthusiasm and optimism are undeterred. The third member, obsessed with public records data, whines incessantly about recorded data quality and disruptive business actions that defy logic. The fourth and final member, the President of a Phoenix area housing marketing data and research firm with extensive knowledge of our local home building industry, just smiles and says "No surprises, it's what we expected, life is good."

In this month's STAT, we will discuss the topics mentioned above as well as what current market data is telling us, recent inflation data and what that data might signal for future interest rates, an emerging trend in the loan market and, lastly, a numerical anomaly stumbled upon by chance.

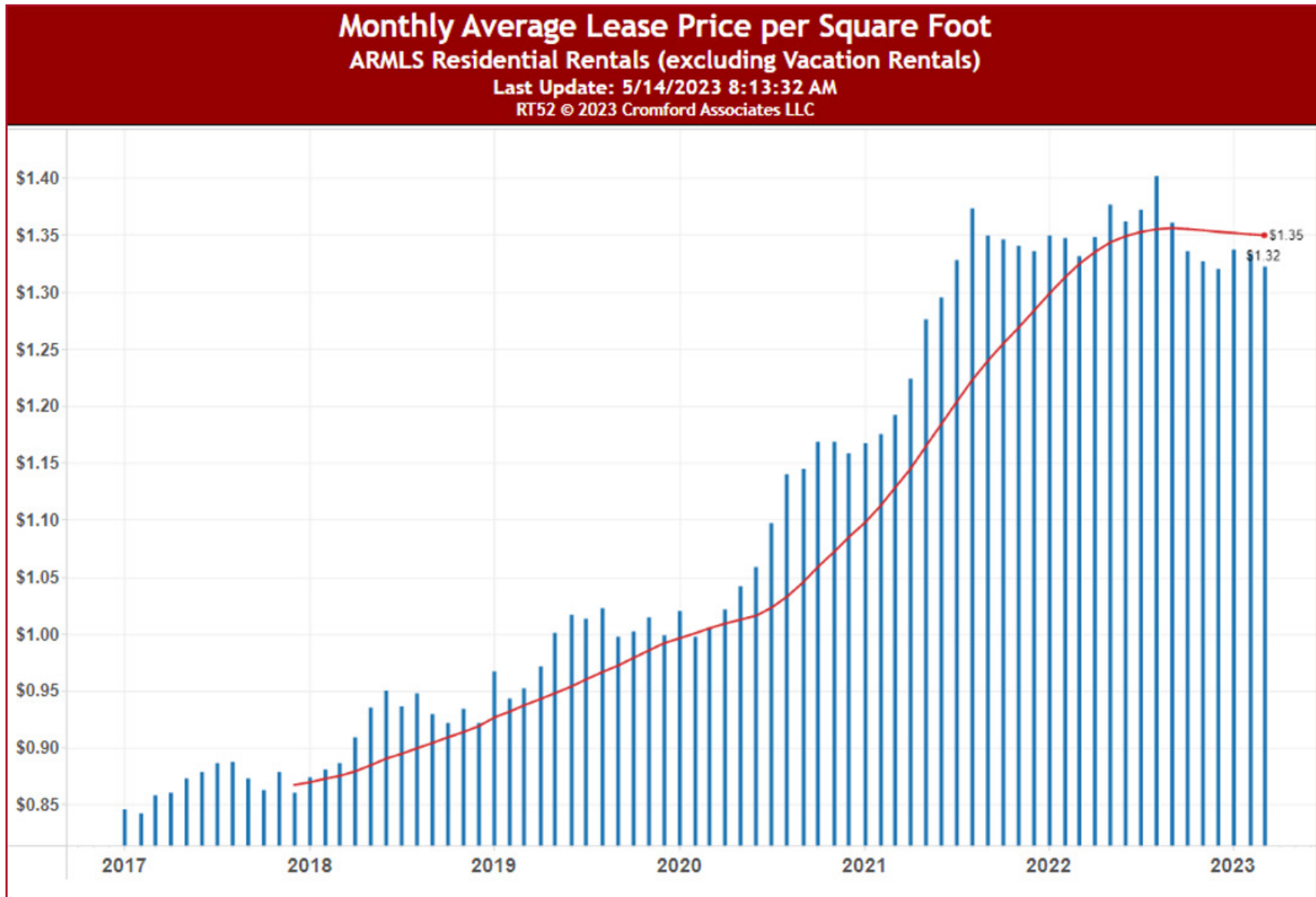
Let's start with April's market highlights:

- As the title and mortgage industries are aware, sales volume in April was down 25.1% year over year.
- In terms of sales volume as reported by ARMLS, April's sales volume of 6,535 homes, ranked 19th out of the 21 years ARMLS has reported data. Only 2007 and 2008 saw lower sale volumes.
- The median sales price rose for the third consecutive month.
- Prices are rising due to restricted supply. We are once again approaching a dire shortage of homes for sale.
- The median sales price rose 2.2% month over month and is up 3.66% since January's closing data.
- STAT is projecting a 2.12% month-over-month increase in the median sales price when May's numbers are reported.
- I-buyers continue to be net sellers. In April, they sold 263 homes while purchasing 27.
- In May, institutional buyers, corporate buy and hold entities, purchased 57 resale homes and sold 49 for a net gain, as a group, of 8 homes.
- The institutional buyer's activity has shifted away from resale purchases to focusing on build-to-rent properties.
- Our current shining star is new construction. Newly built home sales are up 11.75% year over year in Maricopa County.
- Home builders are in an optimistic mood with their stock prices recently hitting new highs.
- For the housing doom crowd that believes we are living in 2008, foreclosure activity, already at historic lows, declined even further in April. Housing crash talk is just a load of piffle. There were 25 residential home foreclosures in April. New residential notices were down 15.65% month over month and flat year over year.

Inflation Data:

The Labor Department reported the Consumer Price Index (CPI) rose 4.9% in April, down from 5% in March. On a monthly basis, the CPI was up 0.4% compared to March. The last time CPI inflation was below 5% was June 2021. After 10 consecutive months decreasing, the April CPI reading is the smallest increase in the last year. Shelter (housing) costs posted a significant increase, rising 8.1% year over year. Shelter constitutes 42% of the CPI. The shelter prices measured in the CPI capture new and existing renters and tend to lag market rents. An example of this lag can be seen in ARMLS rental data. In the last year, as reported by The Cromford Report, we've seen the monthly average lease price per square foot flatten. In April 2022, the average lease price was \$1.35 per square foot. In March 2023, it was down to \$1.32 per square foot.

Monthly Average Lease Price per Square Foot via ARMLS



[This RapidStats infographic](#) draws the same conclusion when viewing the median rental price per square foot. Both The Cromford Report and RapidStats suggest rental prices are close to peaking or may have even peaked already. National economists are beginning to form a consensus: Housing inflation pressure in the CPI is starting to ease.

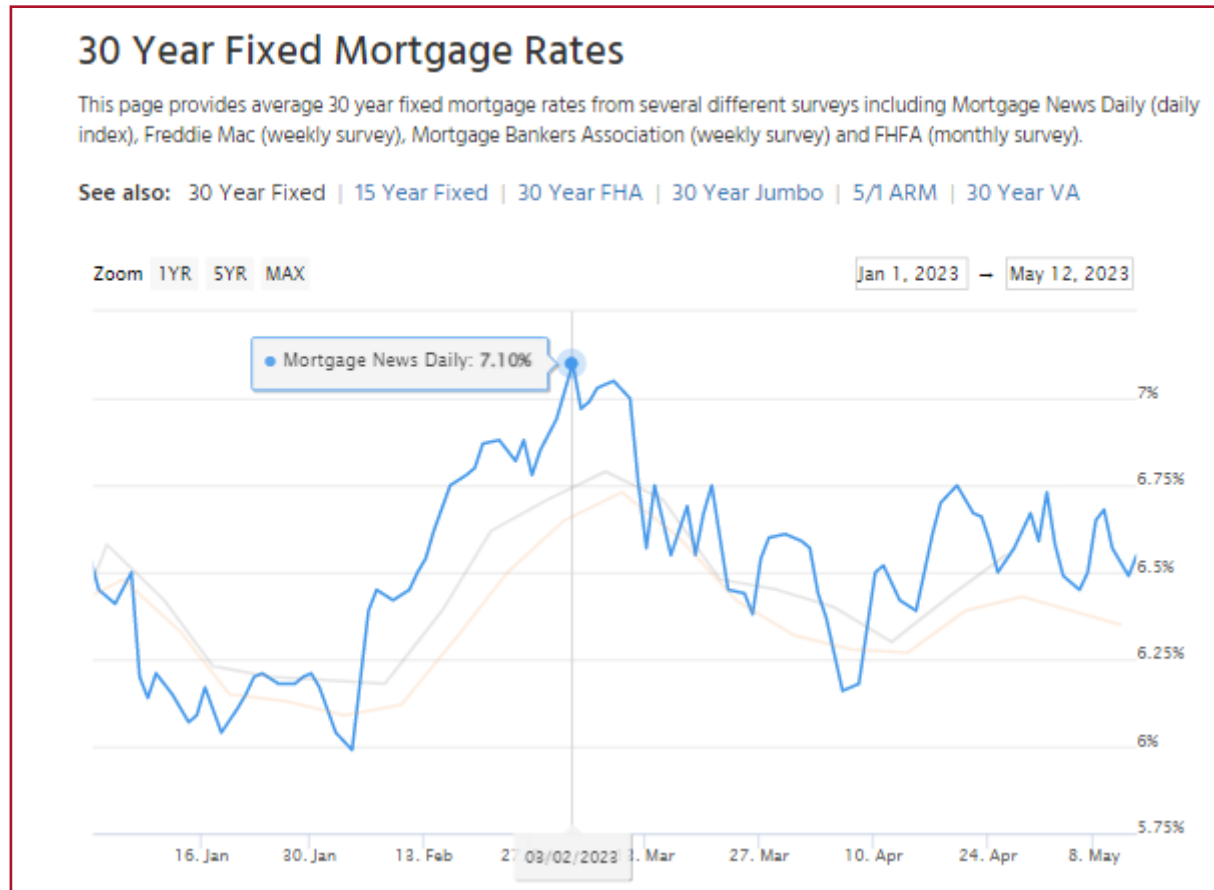
The Fed does it again

On May 3, 2023, the Federal Reserve announced a 25-basis point rate increase. The quarter-point increase brings the benchmark federal funds to a level of 5%-5.25%, its highest level in more than 15 years. Their theory is that if it's more expensive to borrow money or carry a balance on a credit card, consumers will spend less. When spending declines, demand will fall and, eventually, so will the price of everyday goods. Many economists increasingly believe the central bank's continuing rate hikes, 10 since March 2022, have been detrimental to the economy, citing the most recent bank failure of First Republic. "The latest rate hike by the Federal Reserve is unnecessary and harmful," said Lawrence Yun, NAR's Chief Economist. He continued, "Consumer price inflation has been decelerating and will continue. There is significant additional monetary policy tightening already occurring... Inflation will not reignite; inflation will come down closer to 3% by the year's end. We are already moving in the right direction towards consumer price inflation."

Interest Rates

Mortgage rates are on a rollercoaster ride since the beginning of 2023, hitting their high-water mark on March 2, 2023 (7.10%) and their bottom on Feb. 2, 2023 (5.99%). According to Mortgage News Daily, our current rate is 6.53%. The question on everyone's mind: Where are rates headed?

30-Year Fixed Mortgage Rates from Jan 1 to May 12, 2023 via [Mortgage News Daily](#)



From a recent Forbes piece, here's what the experts think will happen in the coming months in regard to interest rates:

- Freddie Mac Chief Economist, Sam Khater. *“With the rate of inflation, decelerating rates should gently decline over the course of 2023.”*
- National Association of Realtors (NAR). *“Forecasts that ... mortgage rates will drop—with the 30-year fixed mortgage rate progressively falling to 6.0% this year and to 5.6% in 2024.”*
- Compass U.S. Region President, Neda Navab. *“There have been signals that mortgage interest rates may be at or near their peak, given recent encouraging news around inflation and a corresponding drop in the U.S. Treasury yields that help set mortgage rates. A sustained drop could push mortgage rates into the 5% range late in the second quarter or in the second half of 2023, but that's definitely not guaranteed.”*
- Mortgage Bankers Association (MBA). *“Long-term rates have already peaked. We expect that 30-year mortgage rates will end 2023 at 5.2%.”*
- Rinaldi Group President, Stephen Rinaldi. *“Rates will begin to slide into the summer, beginning a slow but relatively steady lowering of interest rates.”*

Emerging Trend

In February 22, 2023, the U.S. Department of Housing and Urban Development announced a 30-basis point reduction to the annual mortgage insurance premium charged to borrowers with FHA-insured mortgages. With “Wall Street” cash offers having fallen off a cliff, sellers have become more receptive to FHA offers. Lower mortgage insurance premiums and minimal “Wall Street” activity have led to more FHA loans. In April 2022, there were 675 home purchases using FHA financing. This April there were 1032. Remember, overall sales volume was down 25% year over year. FHA accounted for 8.4% of loan activity in April 2022, rising to nearly 20% this April. According to the White House, when announcing the program, homebuyers and homeowners with new FHA-insured mortgages will save an average of \$800 per year, lowering housing costs for an estimated 850,000 homebuyers and homeowners in 2023.

270,000: A Numerical Anomaly

In 2022, the [Arizona Department of Housing](#) estimated Arizona was facing a housing shortage of 270,000 units. Since releasing the report, various news reporting agencies have reported the number numerous times. While driving to work this week, the same report again echoed on the radio. My immediate response was to question this data, as 270,000 is a big number. What methodologies and data were used to arrive at this conclusion? I wanted to know. So, I googled “270,000 housing shortage.” I didn’t retrieve the methodology used in this study, but what I did find is that numbers can take on a life all their own. Here are some results of that query.

Arizona: 270,000

Sweeping bill to address Arizona's housing crisis shot down

Mar 14, 2023 — Arizona's housing supply is woefully inadequate for the population's needs, with a shortage of around 270,000 homes, according to the ...

Ohio: 270,000

Report: 29 percent of extremely low-income renters in ...

Apr 7, 2023 — COLUMBUS, Ohio (WSYX) — A new housing report states that fewer than 30 ... The Gap Report indicated a 270,000-home deficit across the state.

Canada: 270,000

Canada Housing Market Forecast: Will Prices Drop in 2023?

We estimate that at least 270,000 units must be built per year by 2025, but it's unclear whether the construction industry has the capacity to do so in the face ...

Homeowners that purchased in 2022 underwater: 270,000

270000 homebuyers who bought in 2022 are underwater ...

Dec 6, 2022 — About 270,000 homebuyers who bought during the red-hot housing market this year already owe more than their house is worth, a new analysis ...

Pakistan: 270,000

Housing in Pakistan

Housing in Pakistan generally consists of three classes: pakka houses , which ... is expected to grow due to a shortfall of 270,000 housing units per year.

Turkey: 270,000

Turkey plans to Build at least 270000 Homes after the ...

Feb 22, 2023 — Turkey plans to Build at least 270,000 Homes after the Earthquakes ... The process of rebuilding the Turkish provinces affected by the devastating ...

England: 270,000

How the private rental sector created a homelessness ...

Mar 29, 2023 — Recorded homelessness in 2023 stands at 270,000 people, although, as in Ireland, this figure excludes the hidden homeless. And again, just like ...

Homeless high school in California: 270,000

New bill would give homeless high school seniors ...

Mar 10, 2023 — There are an estimated 270,000 homeless youths across the state — about 15,000 of whom are high school seniors, according to a 2020 report ...

Australia: 270,000

270000 Australians helped by homelessness services in ...

Dec 8, 2022 — More than 270,000 Australians who were homeless, or at risk of homelessness, were helped by government-funded specialist homelessness ...

All of these reports are recent, all within the past six months, leaving me to ponder the mathematical probability of such coincidences. These reports are much easier for me to explain when employing Nick Bostrom's famous "*simulation theory*", in which he explores the probability that we are all living inside an artificial simulation, as these results strongly resemble the work of a lazy programmer.

Conclusion

High mortgage rates continue to cast a shadow not only on buyers, but sellers as well. A recent Realtor.com home seller survey found that 82% of prospective sellers are worried about "[rate lock](#)," or having to trade in the ultralow rate on their current home for a much higher one if they were to sell and then try to buy. With restricted supply, home prices are once again on the rise. The median priced home, as reported by ARMLS, peaked in May and June 2022 at \$475,000. As interest rates began to climb, prices started to fall. Over the next seven months, the month-over-month median price fell to \$410,000, a 13.68% drop. As the new year began, it became obvious that prices were not only stabilizing, but were actually starting to grow. Prices have now risen for three consecutive months and will rise again in May.

As for the Arizona Department of Housing's 270,000 estimated housing shortage, a more recent report done by the [Common Sense Institute](#) determined Arizona needs 74,419 additional housing units to meet demand in the state with affordable housing as part of that need. And finally, I would like to thank my three friends for openly sharing their vast knowledge and, my promise to them, I'm working on the whining.

ARMLS PENDING PRICE INDEX (PPI)

Last month, STAT's mathematical model projected the median sales price for April at \$420,000. The actual amount was \$425,000. Looking ahead to May, the ARMLS Pending Price Index is projecting the median sales price will rise to \$434,000. Last May, we recorded the highest monthly median sales price ever reported: \$475,000. If our projections are correct, the median sales price will be 8.63% lower year over year.

We began May with 5,960 pending contracts, 3,228 UCB listings and 500 CCBS giving us a total of 9,688 residential listings practically under contract. This compares to 10,378 of the same type of listings one year ago. At the beginning of May, the "pending" contracts were 6.65% lower than last year. There were 21 business days in May 2022 and 22 this year. ARMLS reported 8,278 sales in May 2022. The highest sales volume ever in May occurred in 2019 with 10,341. When May's numbers are reported, we expect to see a drop in year-over-year sales volume with month-over-month home prices increasing 2.12%. If our models are correct, year-over-year sales volume will be in the 7,500 range.