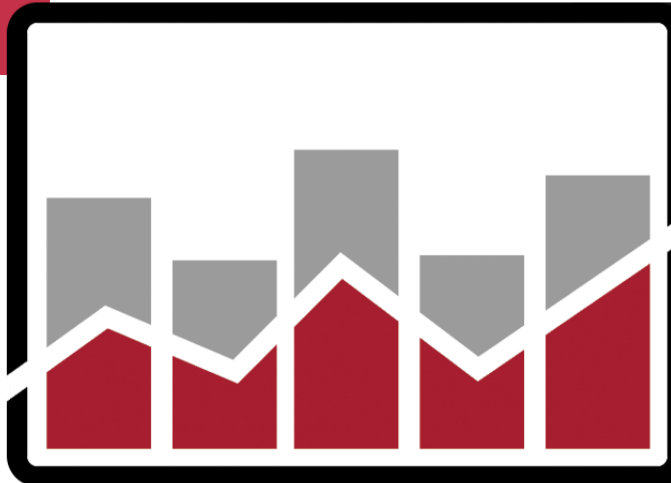


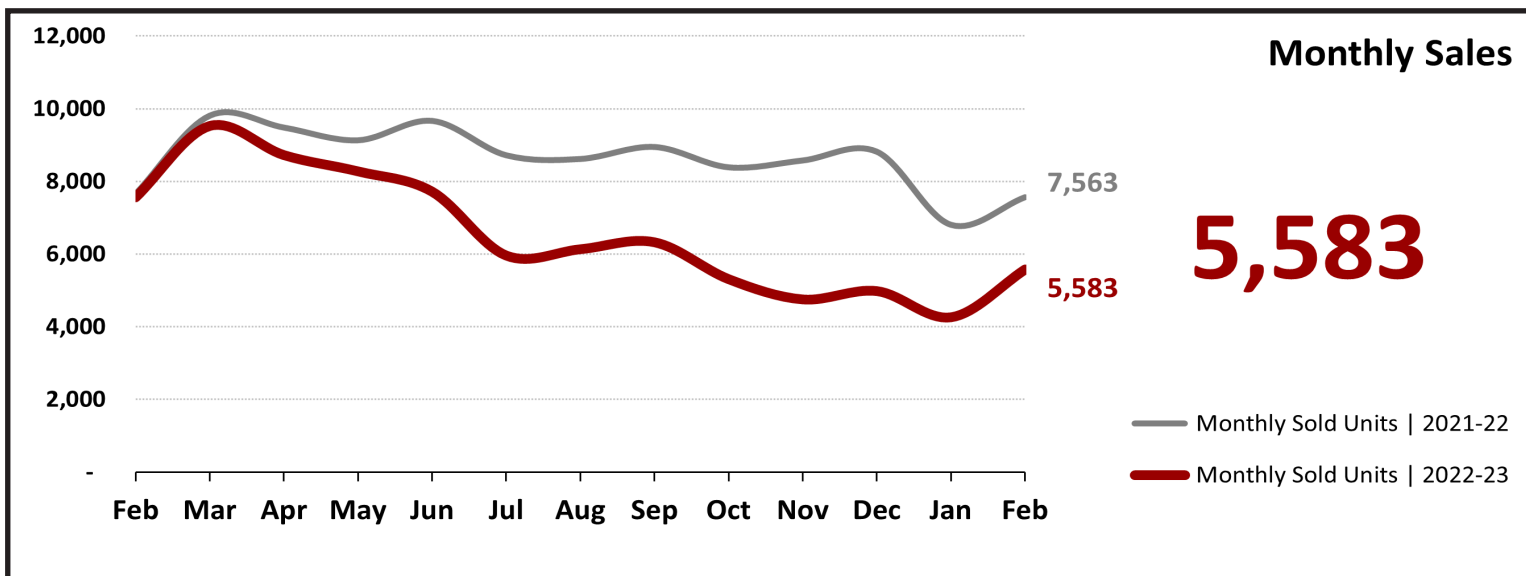
STAT

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



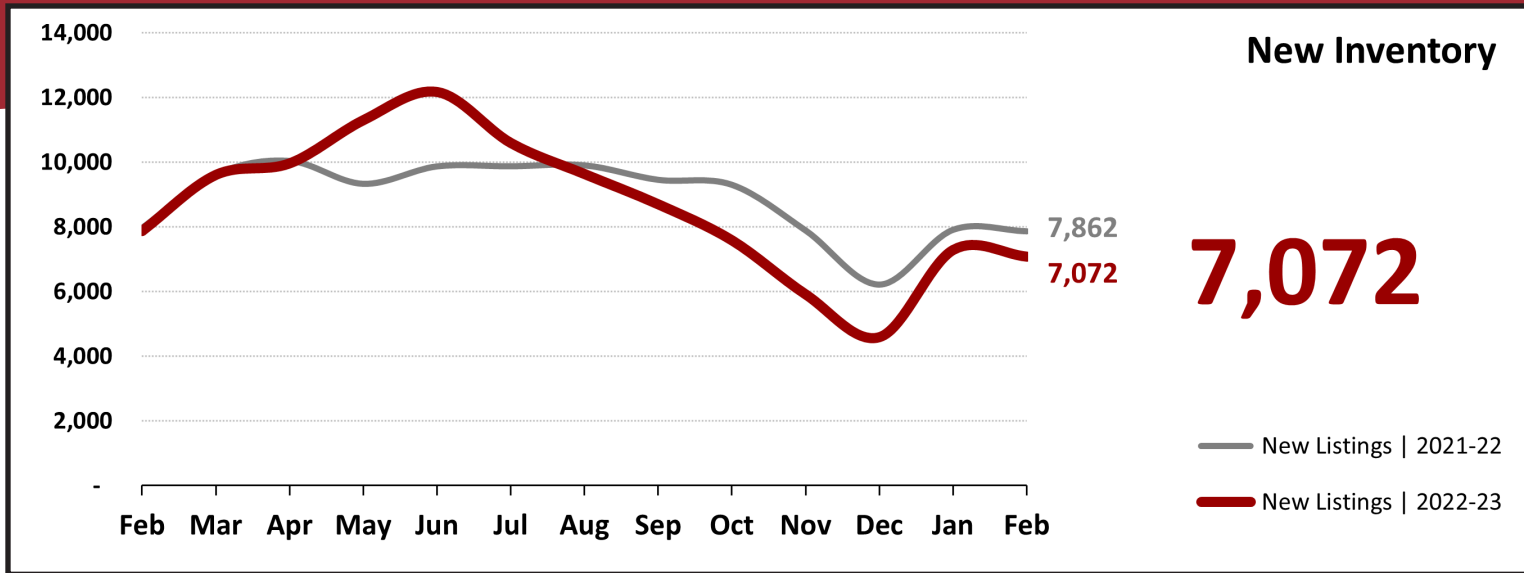
DATA FOR **FEBRUARY 2023**

Published March 16, 2023



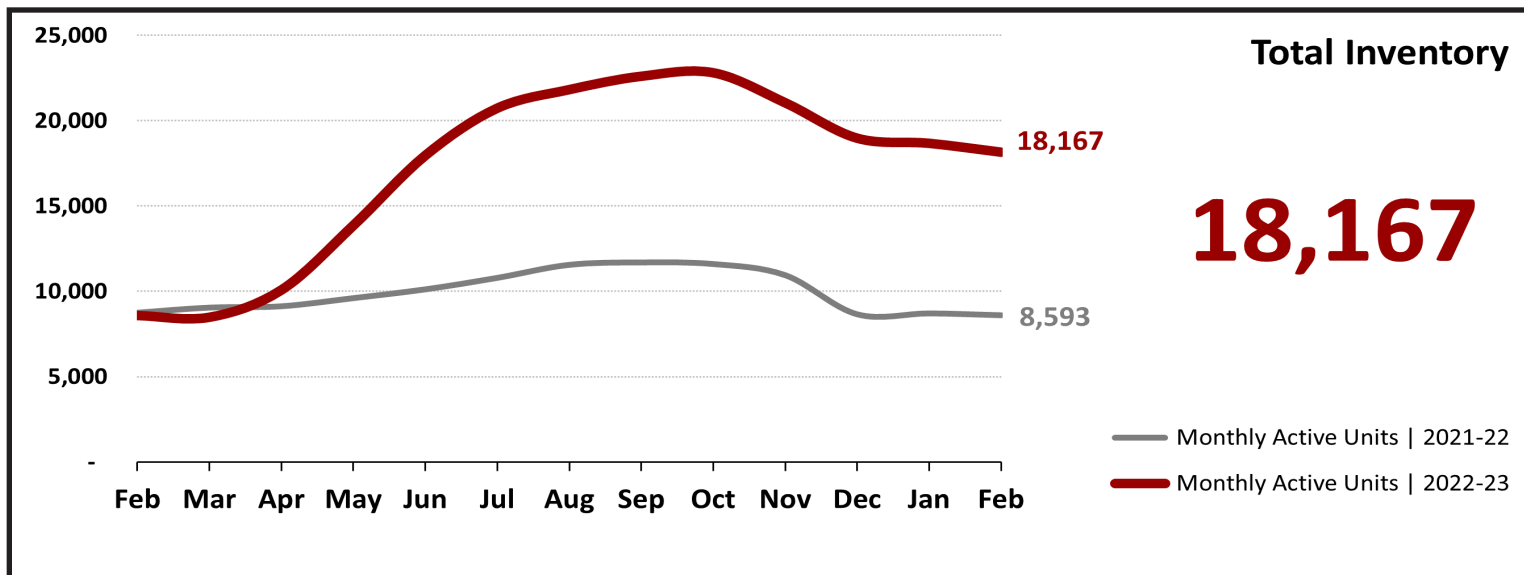
Sales are up **+30.9%** month-over-month. The year-over-year comparison is down **-26.2%**.

Closed MLS sales with a close of escrow date from 2/1/23 to 2/28/23, 0 day DOM sales removed



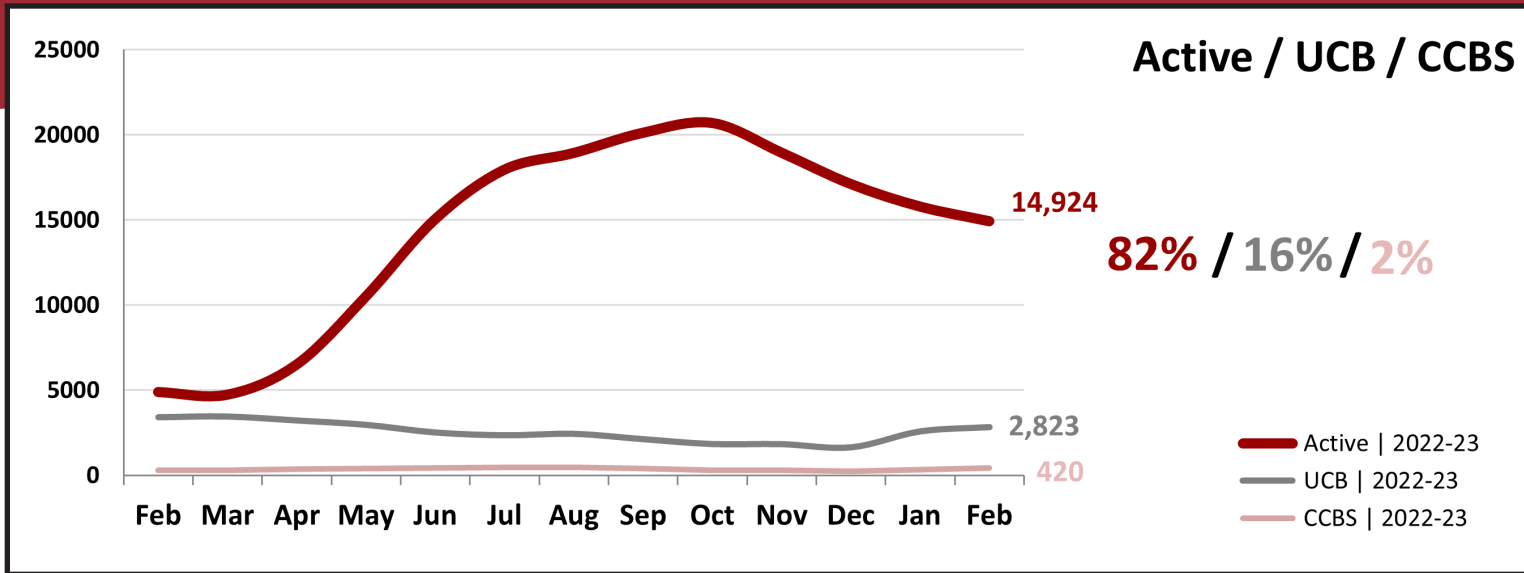
New MLS listings that were active for at least one day from 2/1/23 to 2/28/23, 0 day DOM sales removed

New inventory has a month-over-month decrease of **-2.9%** while the year-over-year comparison decreased by **-10.0%**.



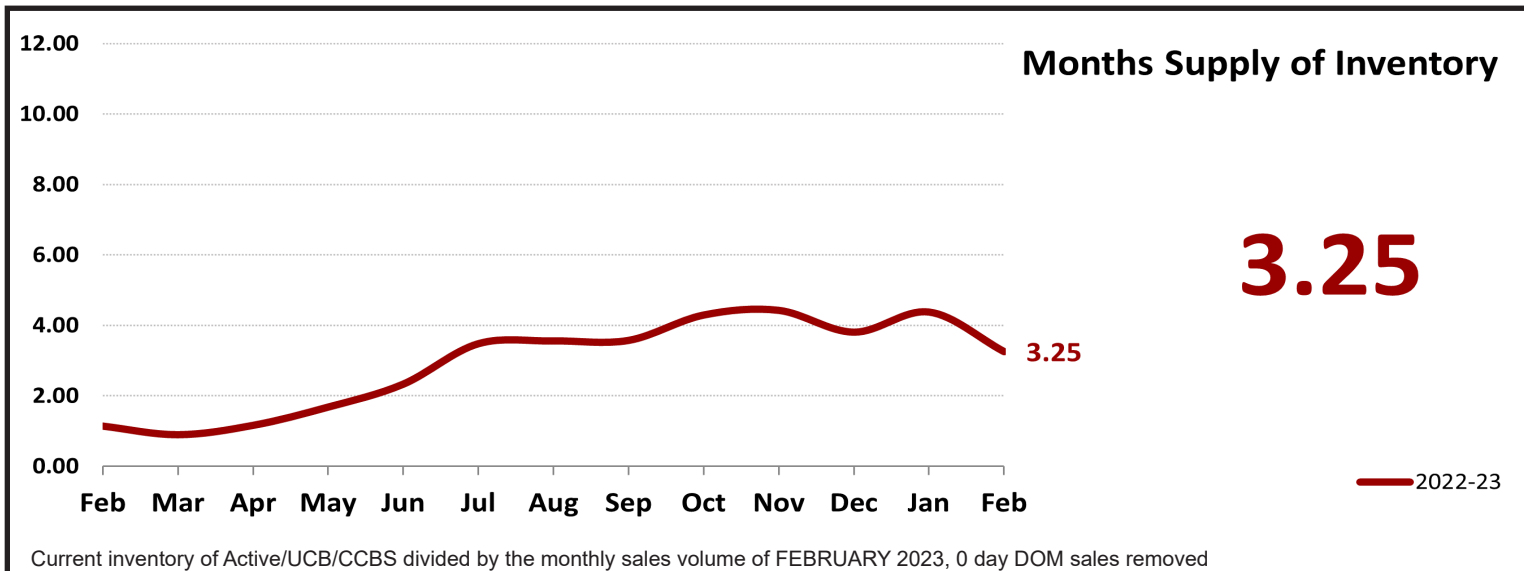
Snapshot of statuses on 2/28/23

Total inventory has a month-over-month decrease of **-2.8%** while year-over-year reflects an increase of **111.4%**.



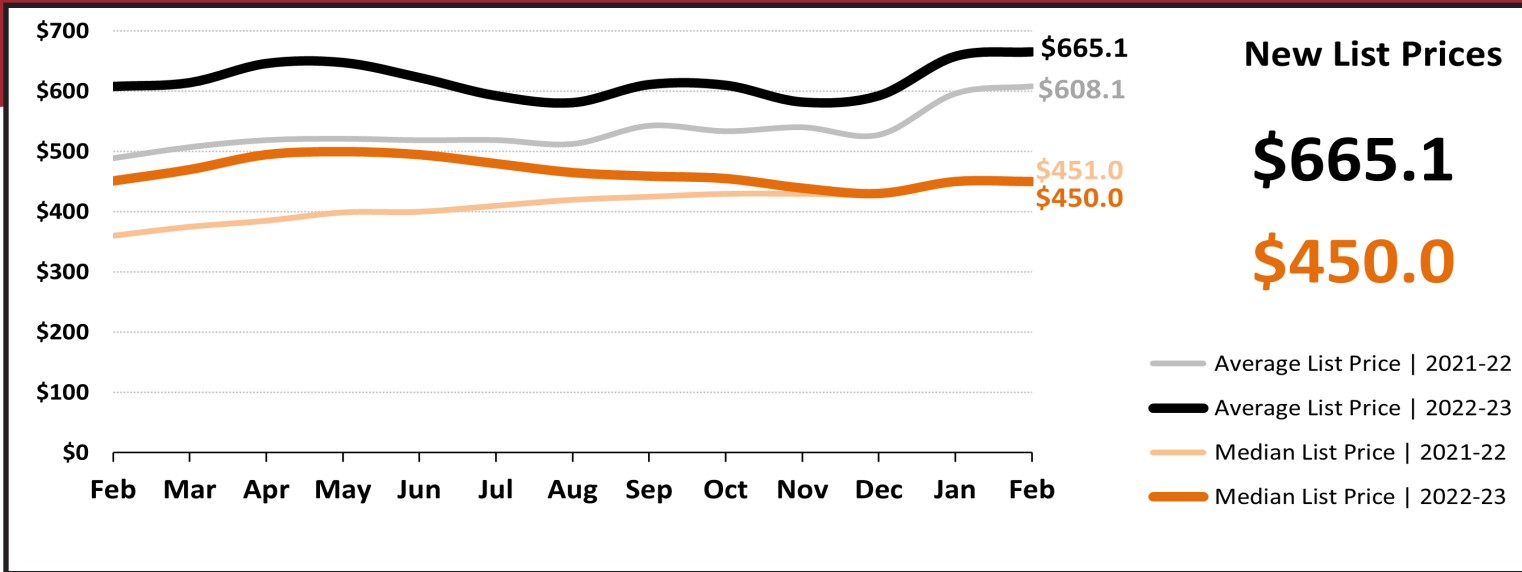
February UCB listings percent of total inventory was **15.5%** with February CCBS listings at **2.3%** of total inventory.

Snapshot of statuses on 2/28/23



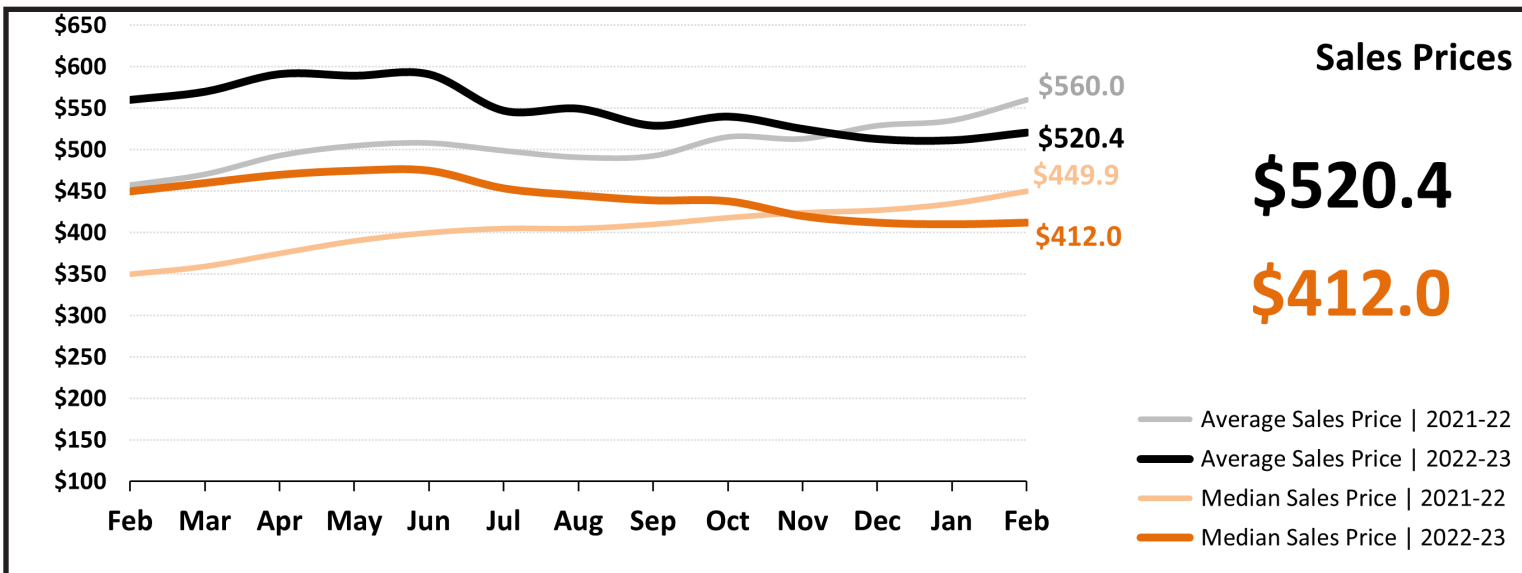
Months supply of inventory for January was **4.38** with February at **3.25**.

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



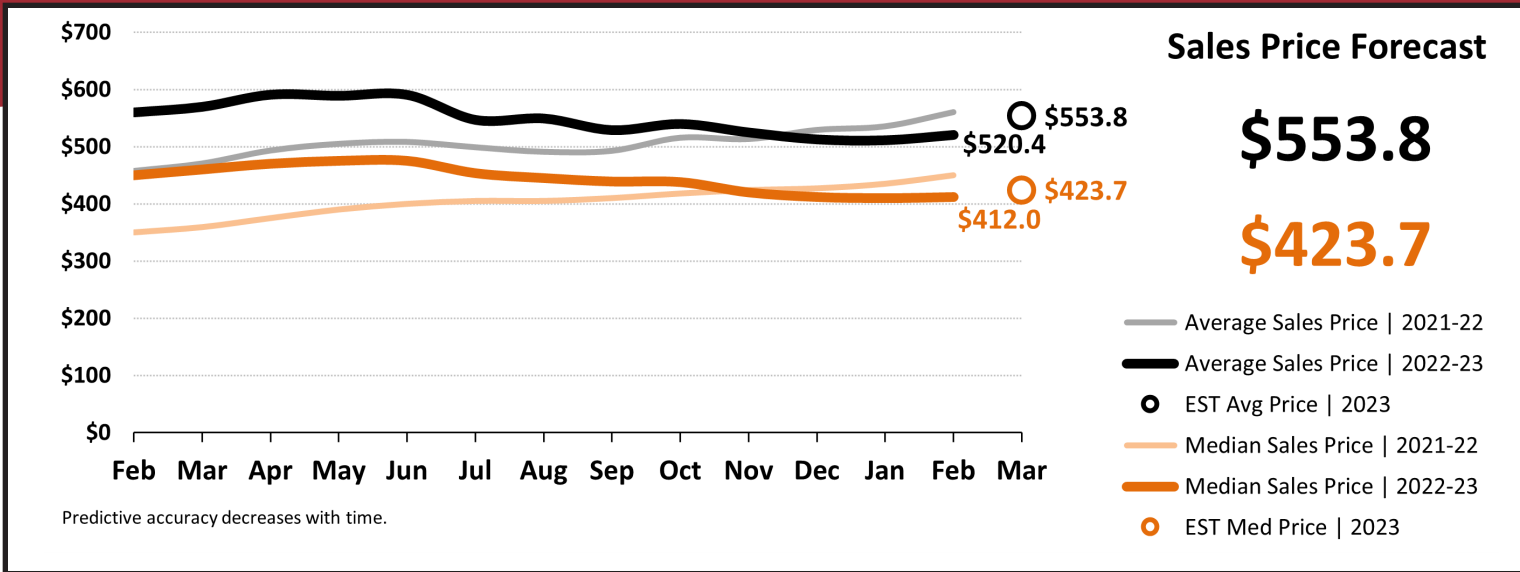
Average new list prices are up **+9.4%** year-over-year. The year-over-year median list prices went down **-0.2%**.

List prices of new listings with list dates from 2/1/23 to 2/28/23, 0 day DOM sales removed



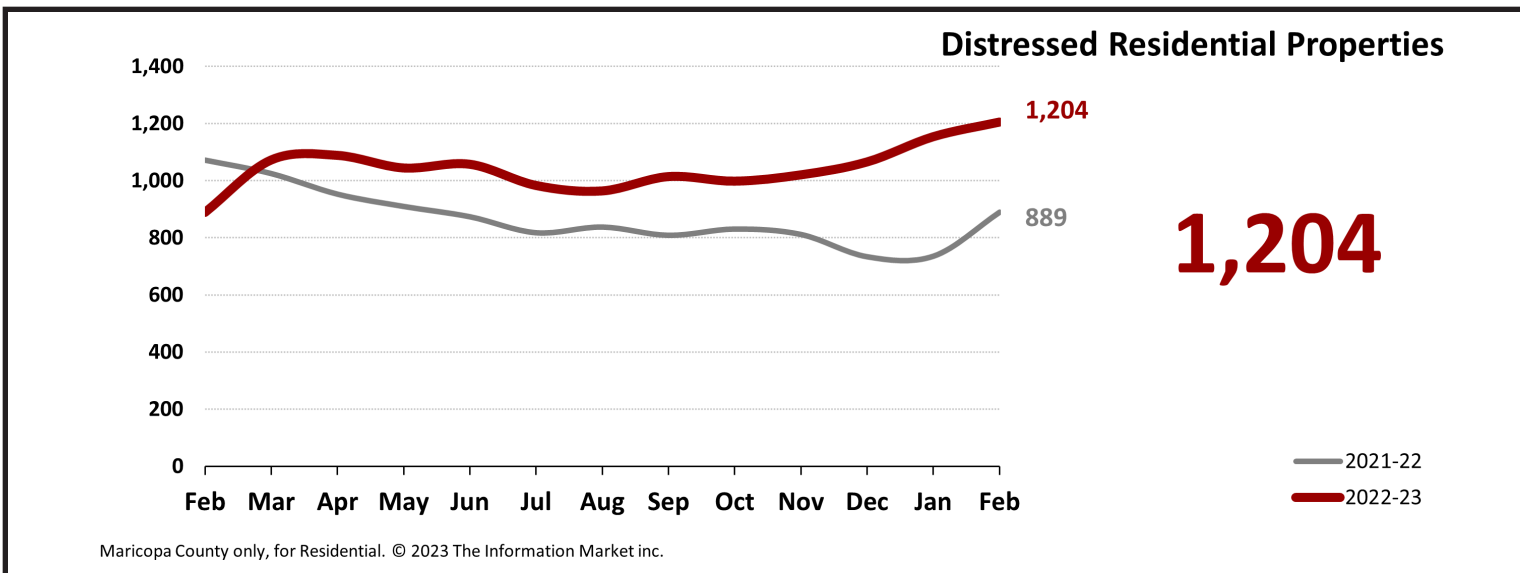
The average sales price is down **-7.1%** year-over-year while the year-over-year median sales price is down **-8.4%**.

MLS sales prices for closed listings with a close of escrow date from 2/1/23 to 2/28/23, 0 day DOM sales removed



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

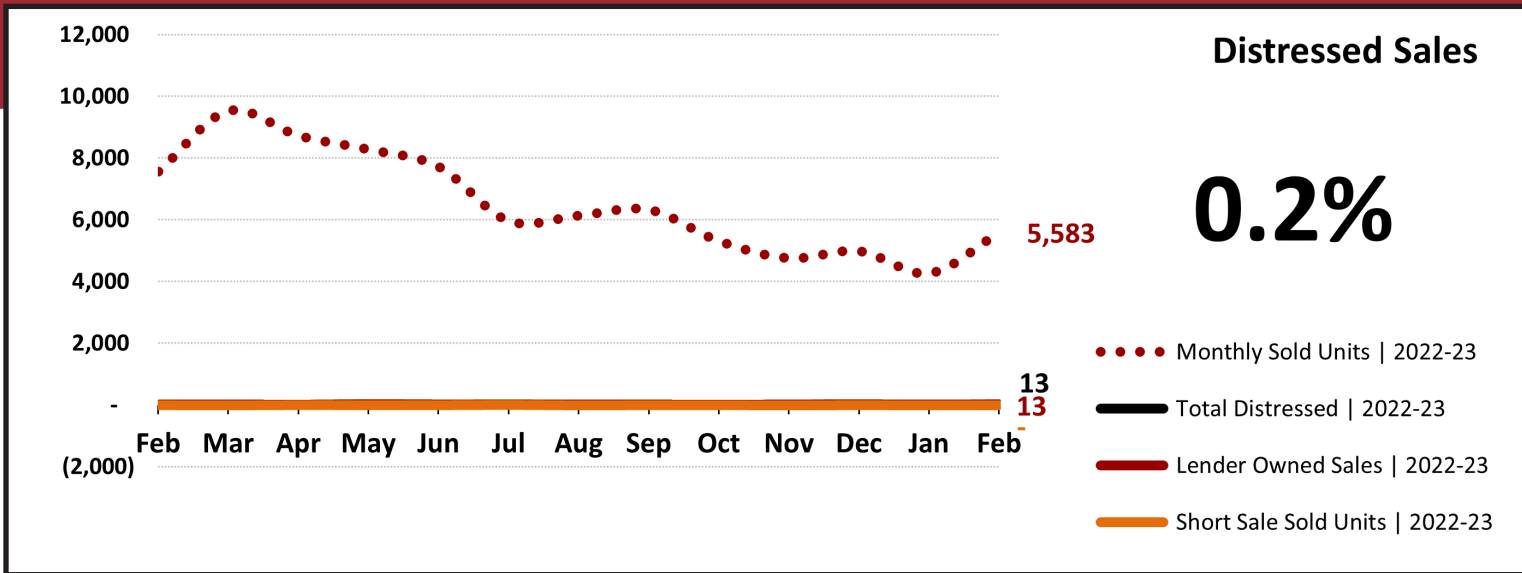
ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed an increase of **+4.4%** while the year-over-year figure was up **+35.4%**.

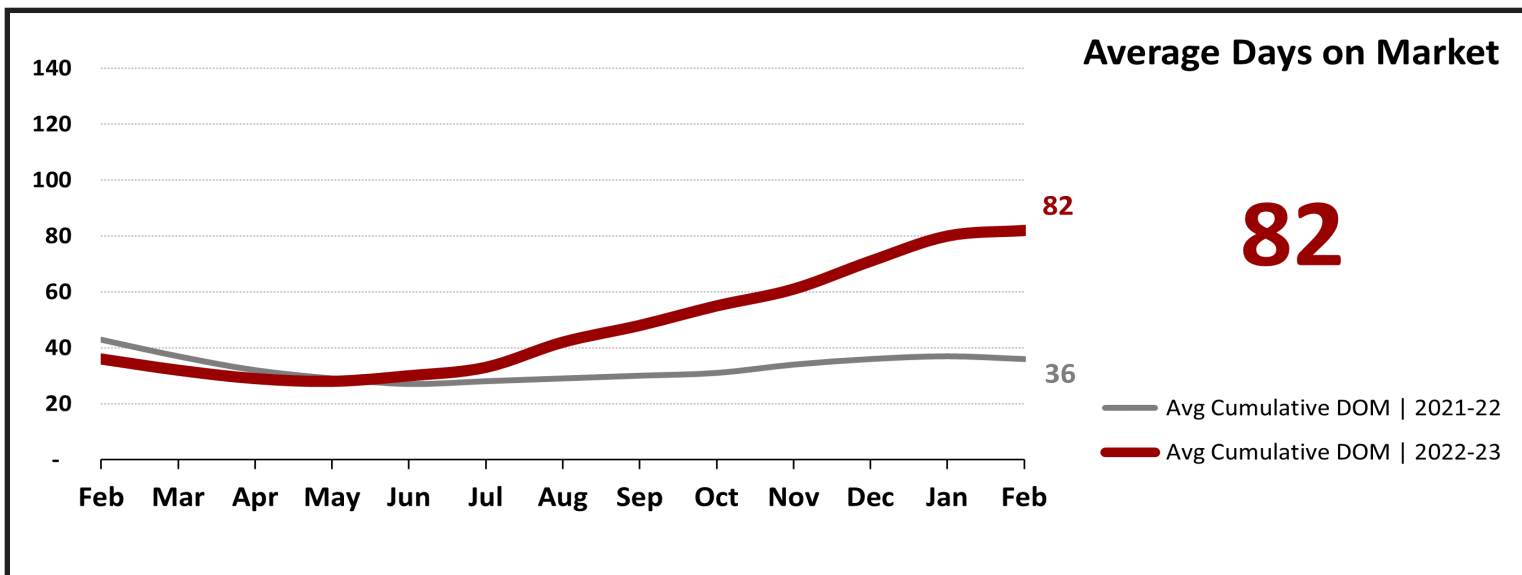
Maricopa County only, for Residential. © 2023 The Information Market inc.

Snapshot of public records data on 2/28/23 active residential notices and residential REO properties.



Distressed sales accounted for **0.2%** of total sales, the same as the previous month. Short sales decreased **-100.0%** year-over-year. Lender-owned sales increased **+85.7%** year-over-year.

New MLS listings that were active for at least one day from 2/1/23 to 2/28/23, 0 day DOM sales removed



Days on market were up **+46 days** year-over-year while month-over-month was also up **+2 days**.

MLS sales prices for closed listings with a close of escrow date from 2/1/23 to 2/28/23, 0 day DOM sales removed

To help with this month's STAT, I turned to ChatGPT and tendered the following guidance. I asked the AI chatbot to please (even when asking a robot for help, you should always remain polite) write the plot for a movie entitled, *Desperately Seeking Equilibrium*, where the federal government stops housing inflation by raising and lowering interest rates, until finally, a balanced market is achieved. Within seconds, the robot answered.

“Desperately Seeking Equilibrium follows the story of two young professionals, Sarah and Jake, who have been struggling to purchase their first home due to the volatile housing market. The movie is set in 2022 and 2023 when the U.S. Federal Reserve was actively raising and lowering interest rates in an attempt to stabilize the economy and housing market. Sarah and Jake work hard and save diligently to afford a down payment on their dream home, but every time they think they have enough money, the housing prices skyrocket, or they are beaten out by a cash Wall Street investor leaving their dream out of reach. They both feel the frustration and desperation of being unable to find a place to call their own. As the story unfolds, viewers are taken through the ups and downs of the housing market, as well as the impact that government policies and economic indicators have on the average person's ability to buy a home. They witness firsthand the effects of interest rates on the housing market and how quickly the market can shift from a buyer's to a seller's market. As the couple navigates through the housing market, they learn about the complexities of interest rates and how the government's decisions impact their lives. They become increasingly frustrated with the unpredictability of the housing market and the lack of stability it offers. In the final act, the Federal Reserve takes action to bring balance to the housing market by raising and lowering interest rates until a stable equilibrium is achieved. With the market finally balanced, Sarah and Jake are able to purchase their dream home and start their life together. Desperately Seeking Equilibrium is a story of perseverance, determination, and the complexities of the housing market. It highlights the importance of understanding economic policies and the impact they have on the lives of ordinary people.”

Let's move on to some genuine intelligence by running through the basics. Here are 43 points summarizing our current market conditions.

Supply vs Demand

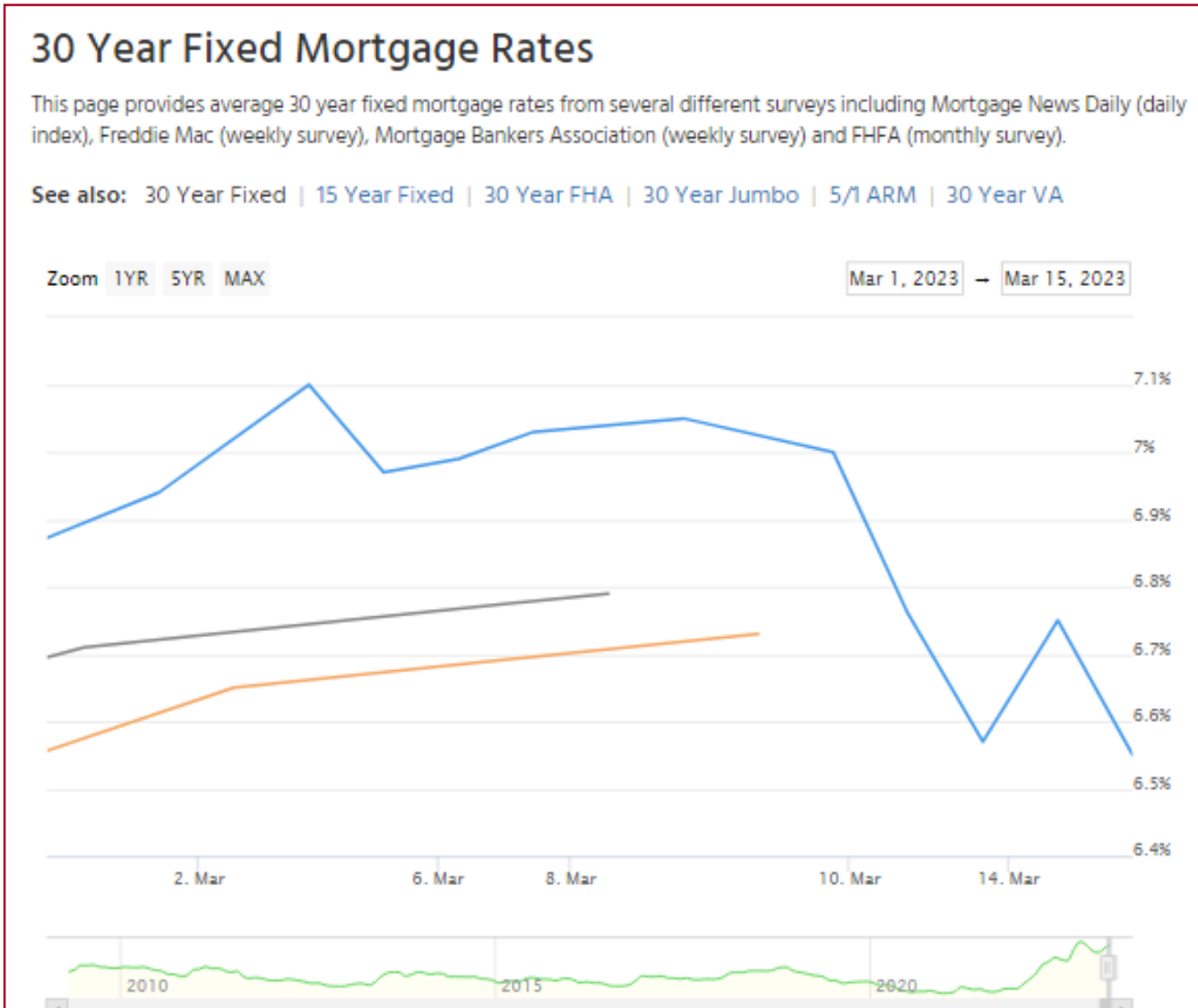
- Home prices, like any product or service, are driven by supply and demand.
- Both supply and demand in the housing market are being impacted by a volatile interest rate environment.
- Existing homeowners are reluctant to sell their current home, buy a different property and then borrow at a higher rate, thereby restricting supply.
- The Cromford Demand Index is a value that provides a short-term forecast on the demand for resale homes in the market. Values above 100 indicate more demand than usual, while values below 100 indicate less demand than usual. A value of 100 indicates the demand is close to normal.
- The current Cromford Demand Index is 83.3
- The Cromford Supply Index is a value that provides a short-term forecast on the supply of resale homes in the market. Values above 100 indicate more supply than usual, while values below 100 indicate less supply than usual. A value 100 indicates the supply is close to normal.
- The current Cromford Supply Index is 63.1.
- The Cromford Market Index is a value that provides a short-term forecast on the balance of a market. Values below 100 indicate a buyer's market, while values above 100 indicate a seller's market. A value of 100 indicates a balanced market.
- The current Cromford Market Index, reporting at 131.9, is firmly in favor of sellers and underlines why prices are rising again.
- Our recent buyer's market, as defined by the Cromford Market Index under 90, lasted from Nov. 15, 2022, to Dec. 11, 2022.
- Supply is low, continues to tighten and looks set in for a long-term downward trend.
- The recent dramatic fall in interest rates could stimulate more demand in coming weeks.

- STAT is projecting March's median sales price will increase 2.84% month over month, rising from \$412,000 to \$423,700.
- Like premature reports of Samuel Clements' death, recent reports of a crashing housing market in Phoenix have been greatly exaggerated.

Interest Rates

- Mortgage rates are extremely volatile at the moment, making any future projections extremely thorny.
- Our current market is rate sensitive.
- A sudden and dramatic shift in rates will almost simultaneously impact our projections in terms of prices and sales volume.
- As rates jump up or down, the impact is seen almost immediately in pending contracts.
- When rates ascend toward 7% and above, homebuyers retreat.
- Last November, the average 30-year mortgage rate topped 7%, which was the primary catalyst to the previously mentioned buyers' market.
- When rates tick down, homebuyers gain confidence.
- If you had two bank failures and a sudden drop in interest rates on your Monday evening bingo card, you win.
- The FHA rate is down from 6.54% to 6.10% on March 8.
- Subsequent to the two announced bank failures, the typical 30-year fixed loan rate dropped from 7% to 6.57%.

30 Year Fixed Mortgage Rates Averaged



	Rate	Points	Change	Prior Year	YOY Change
MND's 30 Year Fixed (daily survey)					
Mar 15 2023	6.55%	--	-0.20% ↓	4.42%	+2.13% ↑
Mar 14 2023	6.75%	--	+0.18% ↑	4.41%	+2.34% ↑
Mar 13 2023	6.57%	--	-0.19% ↓	4.29%	+2.28% ↑
Mar 10 2023	6.76%	--	-0.24% ↓	4.28%	+2.48% ↑
Mar 09 2023	7.00%	--	-0.05% ↓	4.24%	+2.76% ↑
Mar 08 2023	7.05%	--	+0.02% ↑	4.22%	+2.83% ↑

Affordability

- Housing affordability is a product of household income, home prices and mortgage rates.
- Rising mortgage rates reduce affordability.
- Rising home prices reduce affordability.
- Falling mortgage rates and rising incomes increase affordability.
- Fluctuations in mortgage rates have a much more acute impact on affordability than house price appreciation or depreciation.
- [Housing affordability dropped to a new low](#) nationally during the fourth quarter of 2022. The National Association of Home Builders/Wells Fargo Housing Opportunity Index released Feb. 9, indicated that only 38.1% of new and existing homes sold in the fourth quarter of 2022 were affordable to a family earning the U.S. median income.

- Even with affordability being low, our housing demand is holding up remarkably well.
- In the short term, affordability will be largely dictated by movements in mortgage rates.

Market Composition

- Individuals and married couples, both traditional homebuyers, accounted for 87.76% of homes purchased in February in Maricopa County compared to 79.87% last year.
- I-Buyers in Maricopa County purchased 20 homes in February this year, which compares to 369 purchases in February 2022.
- Institutional investors (buy and hold/build to rent) in Maricopa County purchased 118 homes in February this year, which compares to 531 purchases in February 2022.
- From a recent Calculated Risk blog: *“American Homes 4 Rent (AMH), which rents single-family homes and which owned almost 59,000 single-family homes at the end of last year, reported that it was a net seller of existing single-family homes last quarter.”*
- From a recent AMH press release: *“The Company’s acquisition programs currently remain on hold given capital market uncertainty and potentially improving future investment opportunities. Until market conditions change, the Company’s current 2023 outlook does not contemplate any material acquisition activity.”*
- *“Currently, our traditional and national builder channels are largely on pause. As of today, it remains difficult to acquire properties in an accretive and responsible manner with the expected return to today’s pricing, which is still too low to clear our required return thresholds.”*
- AMH company officials suggested that the current “cap rate” was about 50 bp lower than what the company found “attractive”.
- According to NAR, millennials now make up 43% of homebuyers, the most of any generation. This is an increase from 37% last year.

- Millennials are in their peak homebuying years.
- 27% of millennials (born 1981-1996) live in a home they or their partner own, compared to 40% in previous generations at the same point in their lives.
- The importance of marketing to millennials is best exemplified by an overabundance of Taco Bell commercials.

In Conclusion:

Fluctuations in mortgage rates have a much more acute impact on affordability than house price appreciation or depreciation. The impact of the changes in mortgage rates we are seeing this week will become apparent in late March to early June's closings. Fascinating times indeed.

ARMLS PENDING PRICE INDEX

Last month, STAT's mathematical model projected the median sales price for February at \$415,000. The actual amount was \$412,000. Looking ahead to March, the ARMLS Pending Price Index is projecting the median sales price will rise to \$423,700. STAT is projecting March's median sales price will increase 2.84% month over month and the year-over-year median to decline 7.89%. If our projections are correct, the median sales price will be 10.80% lower than May 2022's record high of \$475,000.

We began March with 5,621 pending contracts, 2,823 UCB listings and 420 CCBS, giving us a total of 8,864 residential listings practically under contract. This compares to 10,928 of the same type of listings one year ago. At the beginning of March, the "pending" contracts were 18.89% lower than last year. There were 23 business days in March 2022 and 23 this year. ARMLS reported 9,527 sales in March 2022. The highest sales volume ever in March occurred in 2005 with 9,987. When March's numbers are reported, we expect to see a drop in year-over-year sales volume, with an increase in month-over-month home prices. If our models are correct, year-over-year sales volume will decline just over 20%.