



NOVEMBER 2022

Buyers

FOR BUYERS:

GREATER PHOENIX AS A WHOLE HAS BEEN IN A BALANCED MARKET SINCE AUGUST, BUT IS EXPECTED TO GLIDE INTO A BUYER'S MARKET BY MID-NOVEMBER. BUCKEYE, MARICOPA AND QUEEN CREEK ENTERED A BUYERS MARKET IN JULY. SURPRISE, CHANDLER, GILBERT AND TEMPE FOLLOWED IN AUGUST. GOODYEAR, PEORIA AND AVONDALE JOINED IN SEPTEMBER WITH MESA AND GOODYEAR FALLING IN LINE BY OCTOBER. PHOENIX IS EXPECTED TO SUCCUMB THIS MONTH WITHIN A MATTER OF DAYS. THE ONLY HOLDOUTS REMAIN IN THE NORTHEAST VALLEY CITIES OF PARADISE VALLEY, FOUNTAIN HILLS, CAVE CREEK AND SCOTTSDALE.

THE 2022 PEAK OF PRICE WAS ACHIEVED IN MAY, WHICH WAS THE RESULT OF CONTRACTS ACCEPTED IN LATE MARCH AND APRIL. STARTING IN JUNE, SALES PRICES REVEALED THEIR DECLINE IN RESPONSE TO MORTGAGE RATE INCREASES. AT THE END OF OCTOBER, THE DECLINE IN AVERAGE SALES PRICE PER SQUARE FOOT SINCE MAY WAS RECORDED AT -9.1%, BUT STILL POSITIVE YEAR-OVER-YEAR AT +5.7%. THE LARGEST DECLINES HAPPENED BETWEEN JUNE AND JULY AT -4.5% AND BETWEEN AUGUST AND SEPTEMBER AT -3.6%.

MORTGAGE RATES HAVE STABILIZED BETWEEN 7.0-7.3% FOR THE PAST 6 WEEKS, ALL OF OCTOBER AND NOVEMBER-TO-DATE, AND CONTINUE TO KEEP BUYER DEMAND LOW FOR NOW. THIS PROVIDES AN OPPORTUNITY FOR BUYERS AS MORE SELLERS AGREE TO CONTRIBUTING TO CLOSING COSTS AND RATE BUYDOWNS. OCTOBER SALES SAW 44% OF SALES INVOLVE A SELLER CONTRIBUTION TO THE BUYER AT CLOSING, WITH A MEDIAN CONTRIBUTION OF \$7,400. CLOSINGS IN THE FIRST WEEK OF NOVEMBER SHOWED A MEDIAN CONTRIBUTION OF \$9,000.

THE TRICKY THING IS THAT THESE SELLER-PAID CONCESSIONS ARE NOT RECORDED WITH THE SALES PRICE. IT'S COMMON TO SEE A BUYER OFFER A HIGHER PRICE IN EXCHANGE FOR CLOSING COST ASSISTANCE OR A RATE BUYDOWN. THIS TACTIC CAN MAKE THE SALES PRICE MEASURES APPEAR TO DROP SLOWER OR EVEN STABILIZE AS THE COST TO THE SELLER INCREASES UNDERNEATH THAT NUMBER ON THE SETTLEMENT STATEMENT.

THE FLAW IN WAITING FOR THE MARKET TO BOTTOM OUT BEFORE PURCHASING IS THAT NO ONE KNOWS THEY'RE BUYING AT THE BOTTOM WHEN THEY BUY THERE. THE BOTTOM, OR TOP, OF THE MARKET DOES NOT BECOME APPARENT UNTIL 3-4 MONTHS AFTER THE CONTRACTS WERE WRITTEN. BY THE TIME MOST BUYERS FIGURE OUT THAT THE MARKET HIT ROCK BOTTOM, THEY'RE TOO LATE TO THE PARTY.

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