

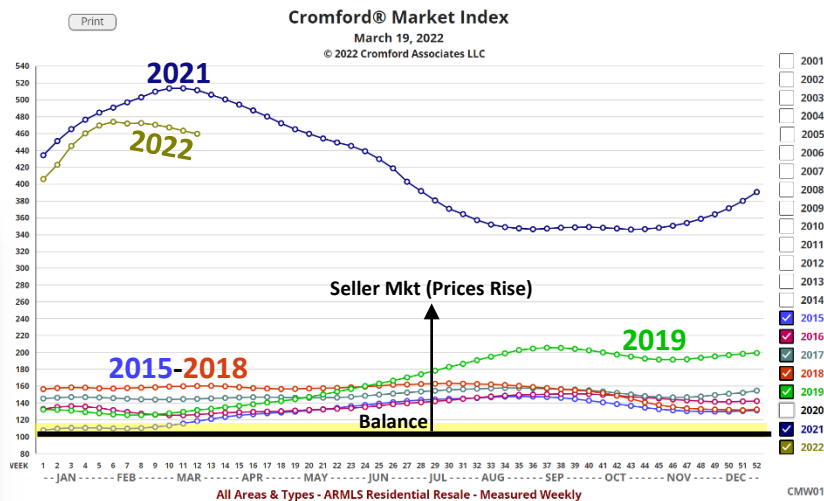
The Real State[®]

A Snapshot of the Greater Phoenix Residential Real Estate Market



From February to March 2022, the supply-demand index dropped from 471.8 to 458.9. The supply index dropped just 0.6 points, while the demand index dropped from 116.7 to 110.5, returning to the cusp of normal range for the first time since summer of 2021. Affordability remains at the forefront of concerns for the housing market: Public record filings show 64% of purchases in Maricopa and Pinal were owner-occupiers in January. Normal range is between 70-76%, and the percentage of investor purchases is the highest since 2013. Last month, we noted the potential impact of interest rate and price increases on the residential market's health. This month's cautionary note comes with a rise in available rental properties at decreasing rental rates—currently being experienced in single-family rentals and likely carrying over into multifamily as new inventory is completed. If rental supply really starts increasing, this will signal changes ahead for the housing market in general.

The adjacent graph illustrates the relationship between supply and demand over time and indicates shifts between seller's and buyer's markets. A measurement between 90-110 indicates equal advantage for both buyer and seller, over 110 indicates distinct seller advantage, and below 90 indicates distinct buyer advantage.



Comparing 2022 to 2021: ACTIVE LISTINGS

Supply continues to hover slightly above last year's measure, sitting 6.2% higher than this point in 2021. In 2021, supply counts started to increase at a faster rate after May. This was believed to be caused by a segment of homeowners settling with their lenders, exiting forbearance and selling their homes after appreciating an incredible 39% in just a year. At the same time, affordability measures had dipped below normal for the first time since 2018, causing household formation to retract. The result was a welcome rise in supply, but not enough to reach the pre-pandemic levels of 2018 and 2019.

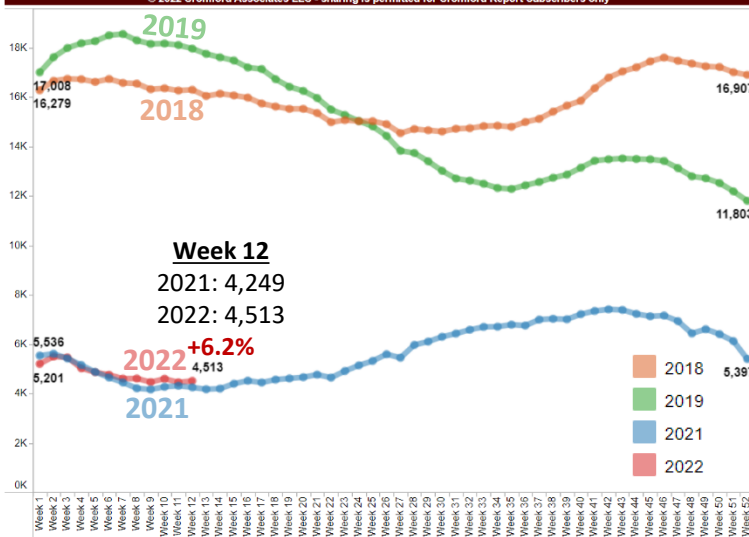
ALL NEW LISTINGS ADDED YTD

As of March 22, 2022 vs. 2021:

- Under \$300K: 3,165 (-60.4%)
- \$300K-\$600K: 14,166 (+17.2%)
- \$600K-\$1M: 4,466 (+60.9%)
- \$1M-\$2M: 1,318 (+28.7%)
- Over \$2M: 648 (+28.1%)

While supply measures in 2022 are following a similar path, the circumstances are different and it's unclear if they will rise in a similar manner. Forbearances are largely resolved at this point, but the dramatic and rapid increase in mortgage rates will most likely cause owner-occupant buyers to retract and household formation to weaken once again. It's reasonable to expect supply to rise sometime in the next few months in response to this drop in demand. For now, however, the only supply count that's seeing a dramatic rise is the number of rentals listed in the Arizona Regional MLS, up nearly 60% since September.

Active Listing Weekly Counts - Compared by Year
Greater Phoenix - ARMLS Residential - Measured Weekly
Last Update: 3/20/2022 10:56:36 AM
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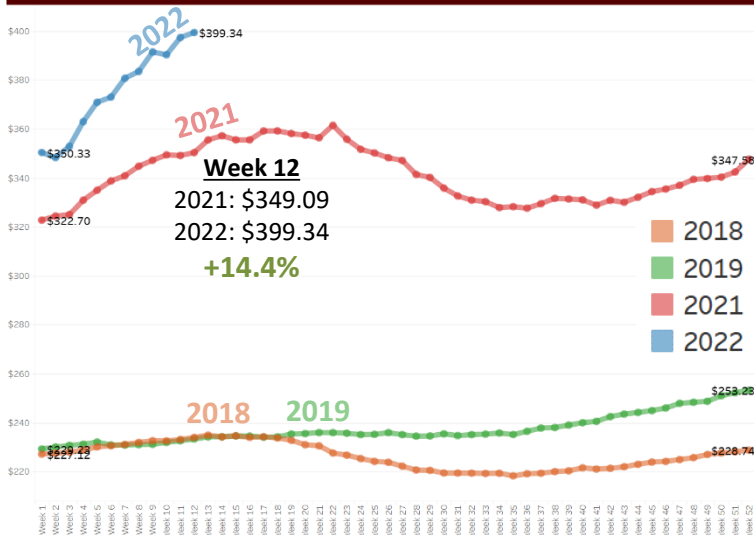
% Change in Active Supply: Week 12, 2022 vs. 2021

Price Range	# Active	Δ From Last Year	New in 30 Days
Under \$300K	549	-49.2%	1,143
\$300K-\$400K	660	-12.8%	1,870
\$400K-\$500K	1,012	+76.6%	2,098
\$500K-\$600K	586	+99.3%	1,216
\$600K-\$800K	664	+38.0%	1,264
\$800K-\$1M	306	+34.2%	548
\$1M-\$2M	365	-8.3%	541
Over \$2M	371	-15.3%	248

% Change in Average Asking Prices: Week 12, 2022 vs 2021

Price Range	\$/SF	Since Last Year
Under \$300K	\$175.62	+3.5%
\$300K-\$400K	\$249.45	+25.7%
\$400K-\$500K	\$247.79	+13.3%
\$500K-\$600K	\$261.20	+9.4%
\$600K-\$800K	\$286.02	+9.3%
\$800K-\$1M	\$317.42	+8.4%
\$1M-\$2M	\$416.55	+13.2%
Over \$2M	\$819.46	+31.7%

Average List Price per Square Foot - Active Listings
Greater Phoenix - ARMLS Residential - Measured Weekly
Last Update: 3/20/2022 5:22:53 PM
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Comparing 2022 to 2021: SALES VOLUME & PRICE

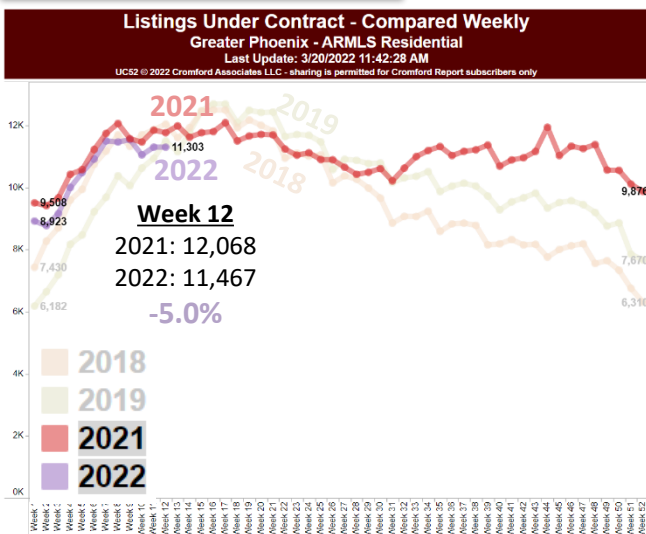
Demand for homes continues to be high, and while sales volume is slightly below last year to date, the MLS has closed the second highest number of homes ever. Mortgage rates spiked again this month and reached an average of 4.1%, which is the sharpest rise seen since the 1980s; the impact of inflation is causing many to wonder when the effects will be seen in housing prices. The first place to look for a crack in the foundation of this seller's market is in rentals. The proliferation of institutional landlords and short-term vacation rental investors complicates the demand numbers, because they don't rely on interest rates, are susceptible to investor euphoria, and can pay much more for homes than the population can afford. However, they still need the population to afford to rent their homes after they buy them.

YEAR-OVER-YEAR CHANGE IN MARCH SALE PRICE/SF:

- Under \$300K: **+14.4%**
- \$300K-\$600K: **+22.3%**
- \$600K-\$1M: **+15.5%**
- \$1M-\$2M: **+20.1%**
- Over \$2M: **+17.7%**

Over the course of the past year, asking monthly rents on vacant rentals in the MLS rose from a median of \$1,995 in March 2021 to a peak of \$2,395 by September. During the same time frame, closed rent prices stopped rising and stagnated at \$2,100 after mid-July. By September, the supply of rentals in the MLS began to accumulate, then exploded at the beginning of 2022—especially in Maricopa, Queen Creek, Gilbert, Laveen and Buckeye, as completed new homes were closed and immediately added to the rental pool. While closed lease prices on rentals with 3 bedrooms or less are steady, they're not rising; 4 bedrooms or more are seeing closed lease prices decline.

Contract and Sales Activity - Week 12, 2022 vs. 2021



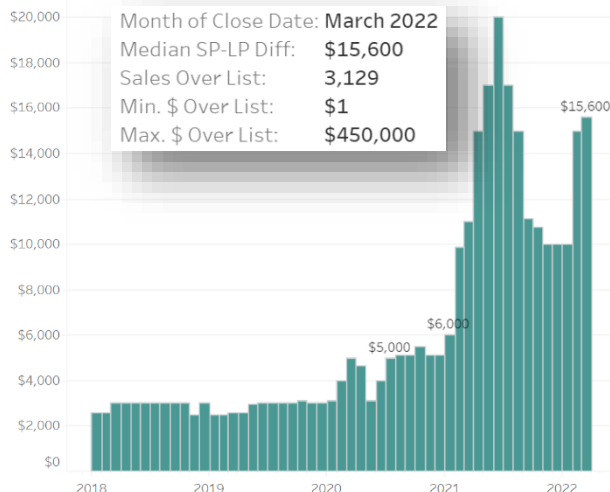
Price Range	Week 12 In Escrow	Δ From 2021	Annual Price Chg.	SP/LP Ratio
Under \$300K	1,402	-60.6%	+14.4%	102.0%
\$300K-\$400K	2,505	-24.3%	+26.6%	102.4%
\$400K-\$500K	2,684	+61.2%	+17.5%	101.6%
\$500K-\$600K	1,590	+68.4%	+17.0%	101.7%
\$600K-\$800K	1,566	+55.0%	+16.1%	101.7%
\$800K-\$1M	597	+40.8%	+13.4%	102.1%
\$1M-\$2M	611	+11.3%	+20.1%	101.7%
Over \$2M	348	+13.0%	+17.7%	97.7%

Sales Over Asking Price: March 2022 to Date

Price Range	# Total Sales	% Closed Over List	Median \$ Over List	Max \$ Over List
Under \$300K	769	49.4%	\$11,000	\$159,210
\$300K-\$400K	1,385	63.8%	\$15,000	\$90,000
\$400K-\$500K	1,411	54.9%	\$15,000	\$105,000
\$500K-\$600K	784	50.0%	\$20,014	\$127,000
\$600K-\$800K	820	50.5%	\$25,000	\$300,000
\$800K-\$1M	260	48.8%	\$31,000	\$413,000
\$1M-\$2M	279	47.0%	\$61,000	\$402,000
Over \$2M	111	24.3%	\$150,000	\$450,000

Median Amount Over List - Sales Over List Price

Arizona Regional MLS | Updated 3/21/2022 1:44:43 PM
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ARTICLES OF INTEREST:

Feb. 23, 2022 – Mike DelPrete
[iBuyer Sales to Investors Soar](#)

March 1, 2022 – AZ Big Media
[Top 20 places people are leaving to move to Metro Phoenix](#)

March 1, 2022 – Phoenix Business Journal
[LA investors plop down \\$255M for largest Arizona deal of year so far](#)

March 8, 2022 – Phoenix Business Journal
[How will Arizona's construction industry fare in 2022? Experts weigh in](#)

March 15, 2022 – Arizona Republic | AZCentral.com
['We have a problem!': \\$800 rent hikes squeezing metro Phoenix tenants](#)

March 16, 2022 – Phoenix Business Journal
[As the number of short-term rentals grow, West Valley cities look to implement stricter regulations](#)

March 18, 2022 - AZ Family Channel 3/5
[Investors buying thousands of Phoenix-area homes as rent prices spike](#)

March 22, 2022 – ABC15 Arizona
[74% of Arizona households are priced out of AZ homes](#)

