LONG REALTY
A BERKSHIRE HATHAWAY AFFILIATE

EVERYTHING REAL ESTATE *for you*

TRUSTED SINCE 1926

2022 MID-YEAR MARKET REPORT

PHOENIX, CENTRAL & NORTHERN ARIZONA



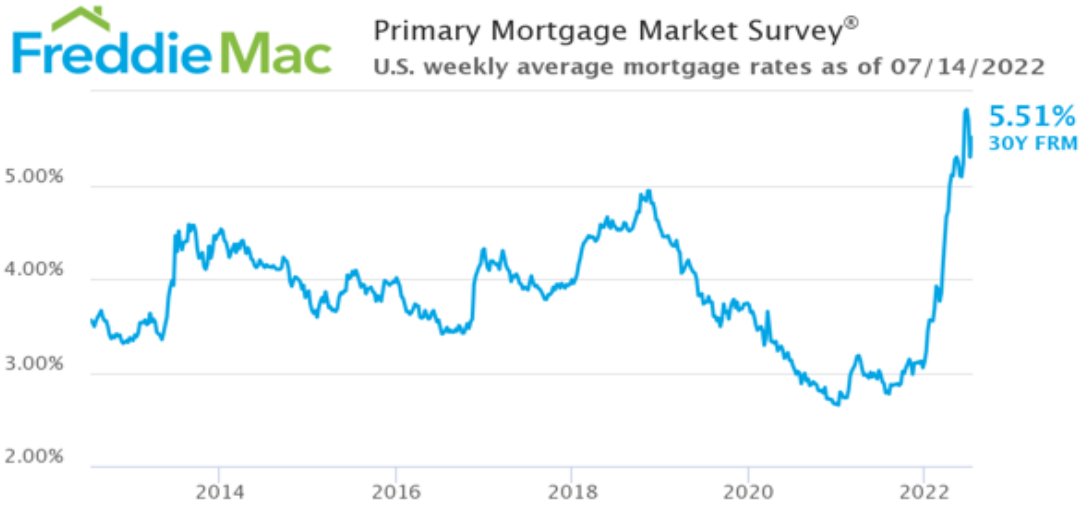


Matt George
(623) 910-8607
mgeorge@LongRealty.com

LONG REALTY
SINCE 1926
WEST VALLEY

A Normalizing Market

As we previously forecasted, the blazing hot housing market we have experienced over the last two years is now adjusting to more normal market conditions. Record high inflation spurred the Federal Reserve to raise interest rates, which led mortgage rates to increase. Though mortgage rates have recently trended down somewhat, the combination of fast home price appreciation and rising rates have slowed buyer demand and helped create affordability challenges. Alternatively, rental rates continued to rise with a 23.3% annual increase in Phoenix and 21.9% annual increase in Tucson. We expect housing affordability issues will continue to drive rental demand and future rental rate hikes.



The recent fast-paced, strong seller's market was not what we would consider a normal market. Now, our local housing market is returning to a more historically normal activity. With this shift, it is imperative to work with a professional and up to date agent as your advisor.

- **Rising active listing inventory.** However, we are still only 50% of the inventory levels, which is historically seen in a more balanced market.
- **Softening of buyer demand.** We see this especially at lower price points, though high-end demand is still strong.
- **Deceleration of pricing growth.** We expect softening buyer demand and rising inventory will translate to less competition on listings and less upward pressure to bid up home sale pricing.

Real Estate Trends Are Local

The market conditions happening in your neighborhood may be different than others and what you may see from city, state or national numbers. Request a neighborhood market trend report from your Long Realty agent.

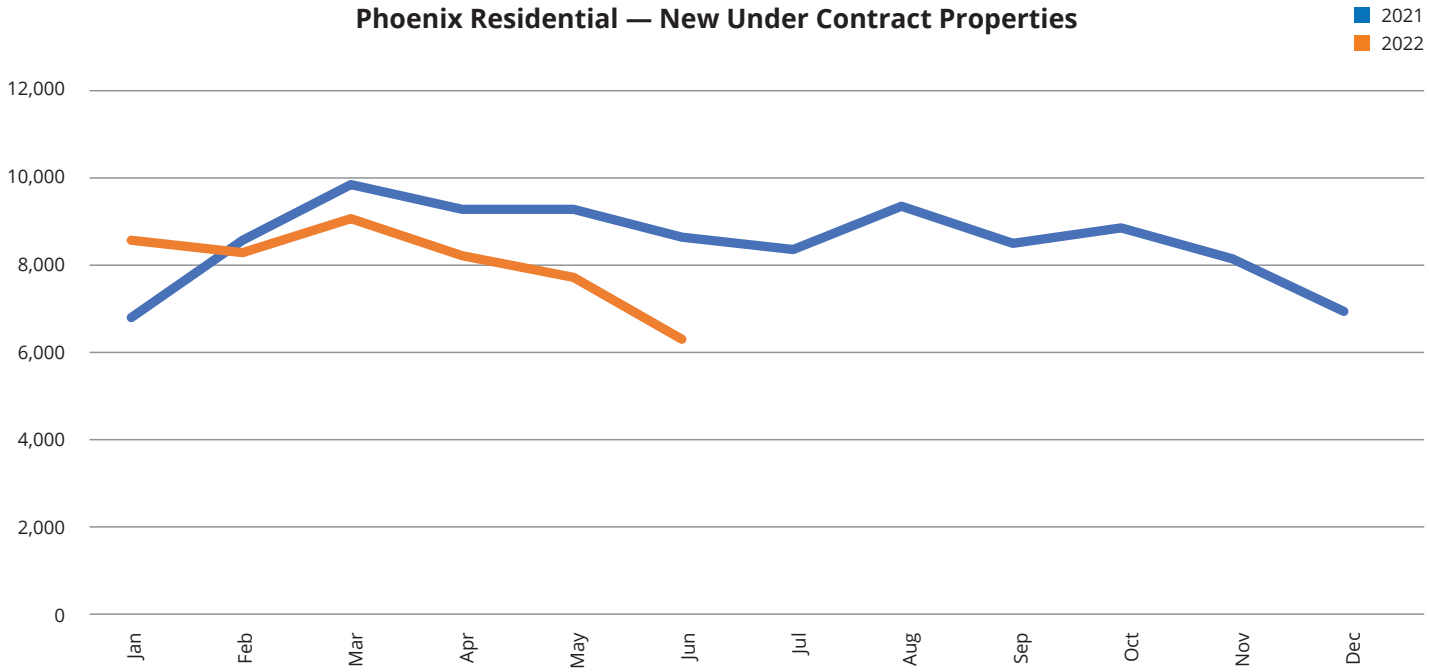


Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

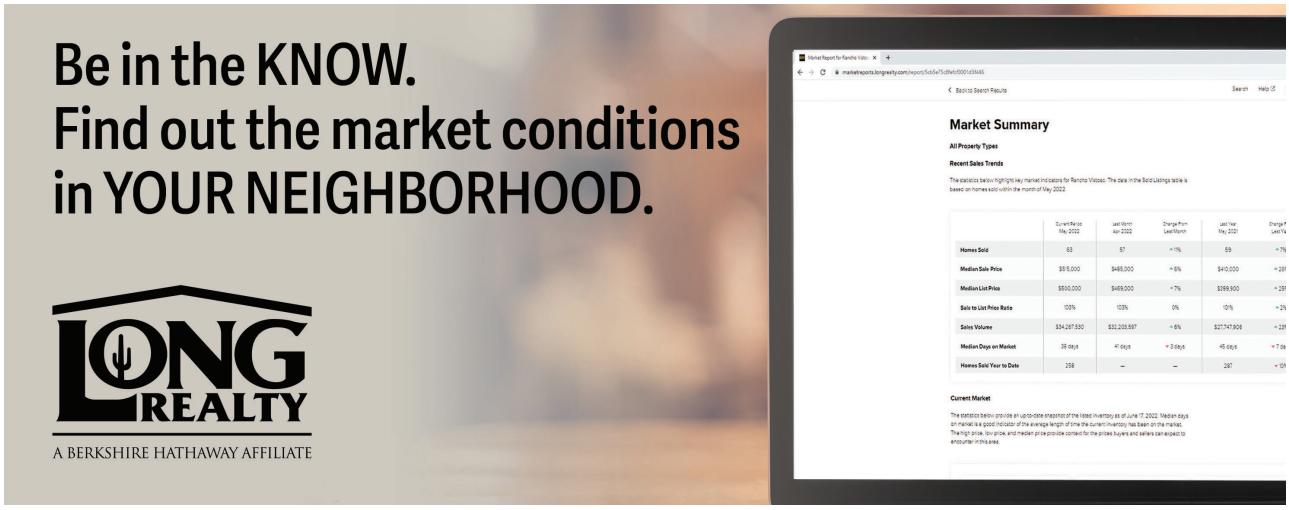
Mortgage rates based on information obtained from FreddieMac.com
Statistics based on information obtained from MLSSAZ AND ARMLS on 07/13/2022 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

Buyer Demand Moderates

When an offer is accepted on a listing, the property goes "under contract." Under contract is a leading indicator to closed sales. We saw a softening of buyer demand in Q2 2022 with declines in listings going under contract.



In June 2022, the number of new under contract properties was down 18.6% from prior month and down 27.2% from June 2021. **YTD new under contract properties are down 8% as compared to 2021.**



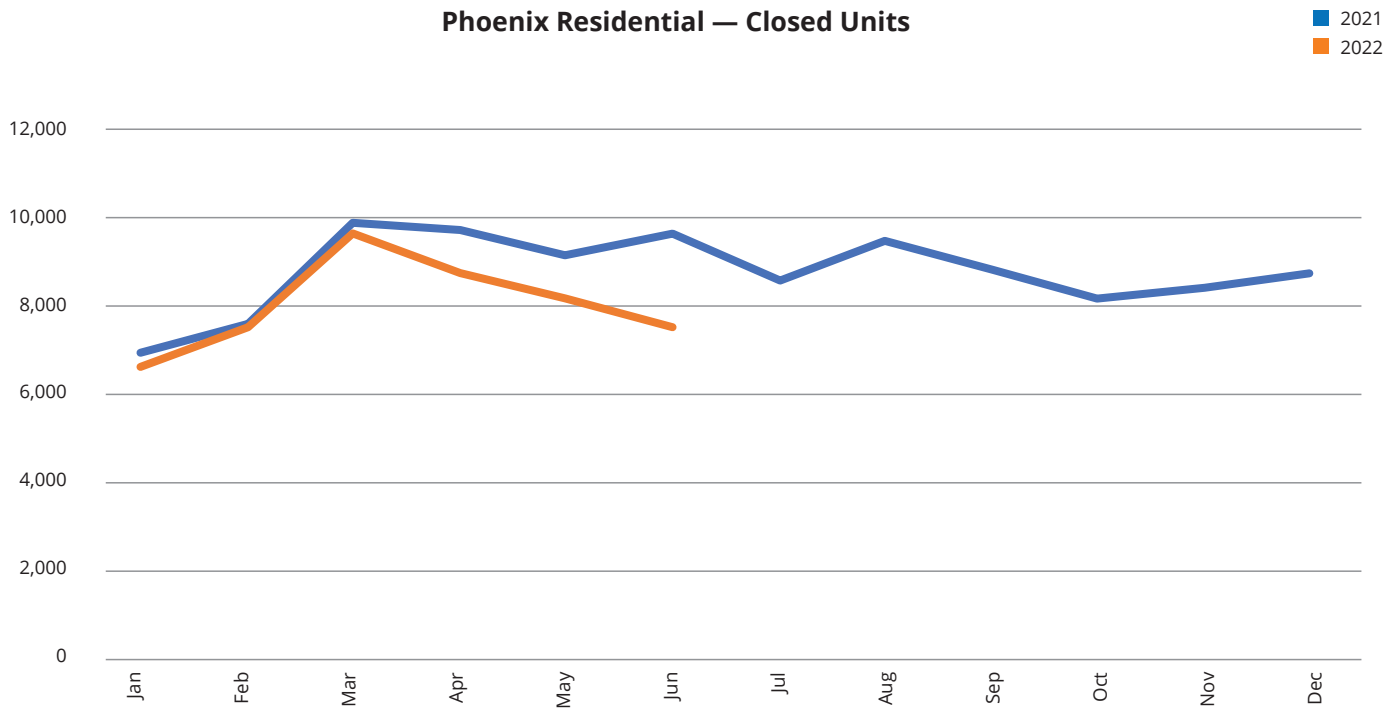


Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS on 07/13/2022 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

Home Sales Dip

Closed sales started the year off strong, matching Q1 2021 pace through March. As interest rates starting rising in Q2, we saw closed sales drop slightly through May. In June residential Phoenix metro home sales were down 7.7% from the prior month and down 21% from one year ago. **YTD closed home sales are down 6%.**



Closed Home Sales Units	Phoenix	White Mountains	Prescott	Sedona	Flagstaff	Yuma
2021 YTD	43,662	1,220	2,245	1,028	1,116	1,917
2022 YTD	41,194	934	2,162	961	1,001	1,839
Percent Change	-6.0%	-23.4%	-3.7%	-6.5%	-10.3%	-4.1%



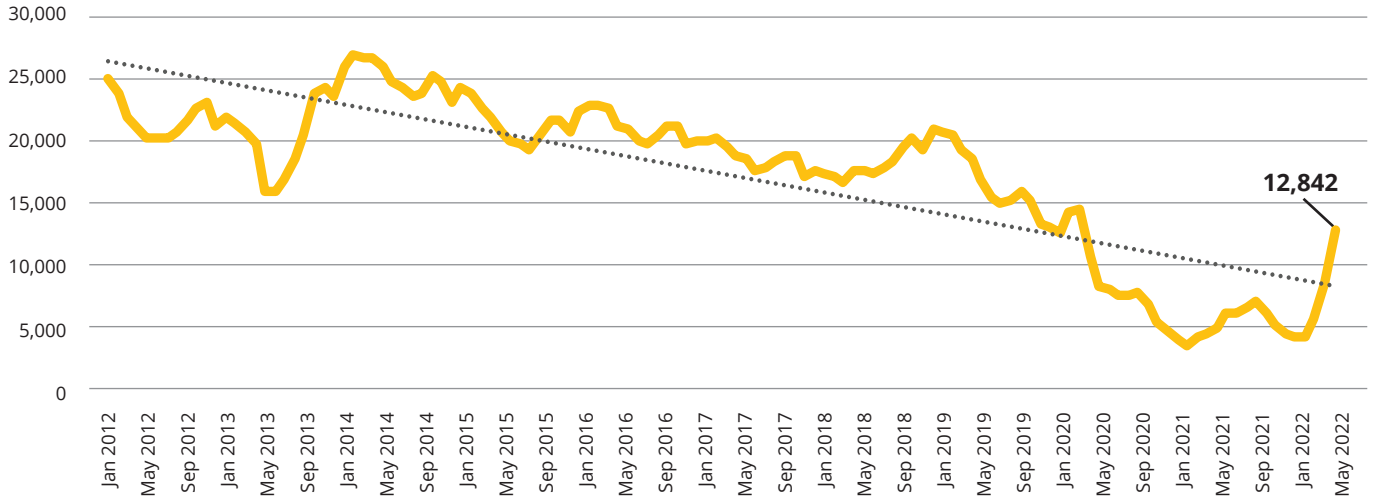
Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS using TrendGraphix software, and White Mountains MLS, Prescott MLS, Sedona Verde Valley MLS, Northern Arizona Association of REALTORS MLS and Yuma MLS on 07/13/2022. Information is believed to be reliable, but not guaranteed.

Listing Inventory Growing But Still Scarce

The number of active listings grew to 12,842 in June 2022 up from a historic low. While the increase in inventory is helpful to buyers, it is still 50% below normal levels. Supply chain issues in new construction and the fact that some homeowners have either bought or refinanced at mortgage interest rates well below today's rates, may throttle future inventory growth.

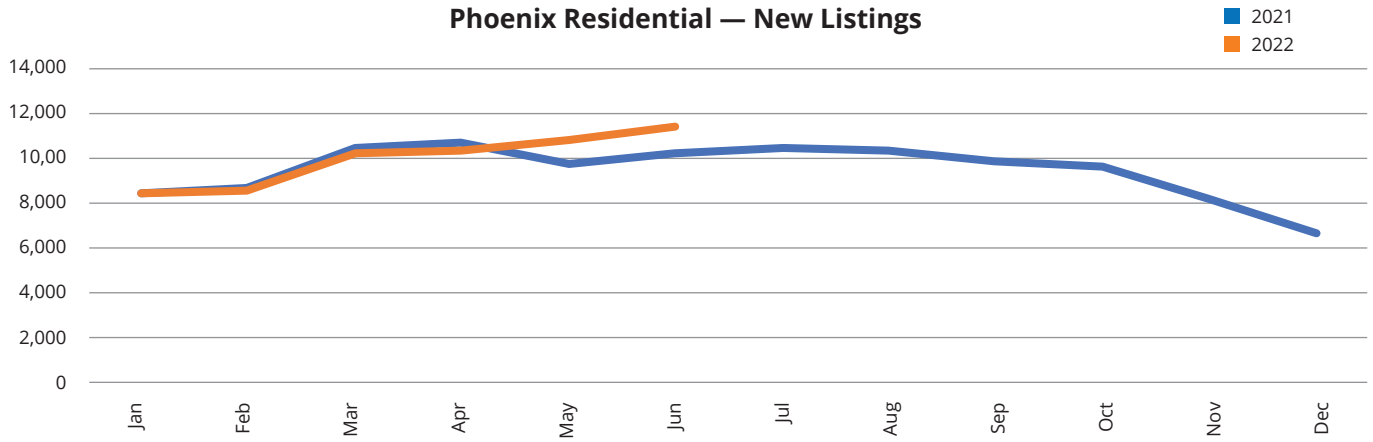
Phoenix Residential — Active Inventory



New Listings Start To Grow

The number of new residential listings in Phoenix through June **grew by 3% from 2021 YTD**. New listings grew by 4.8% in June as compared to prior month. June also marks the high-water mark of new listings since January 2021.

Phoenix Residential — New Listings





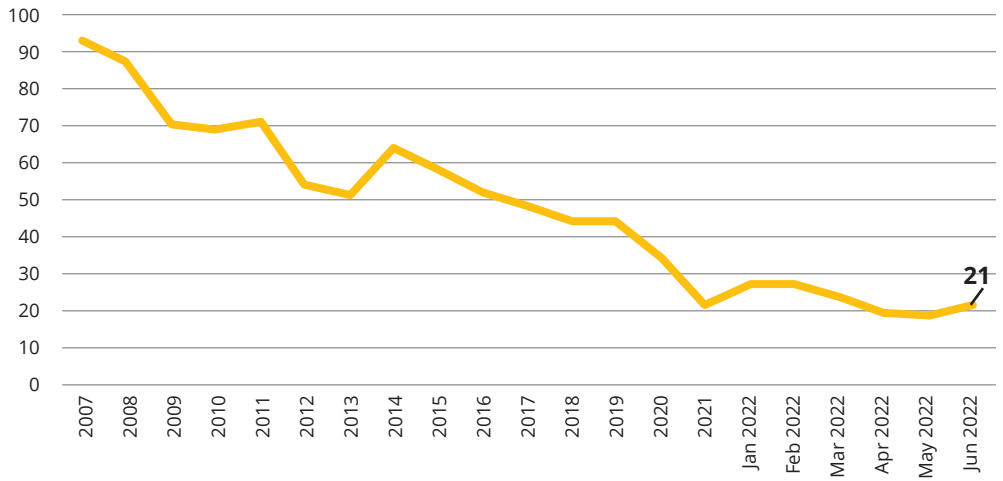
Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS on 07/13/2022 using TrendGraphix software. Information is believed to be reliable, but notguaranteed.

Listings Selling Immediately

On average, listings took only 21 days in June to go under contract from first coming onto the market. This is still a historical low average for Days on Market and means that listings are still selling quickly even with a normalizing market.

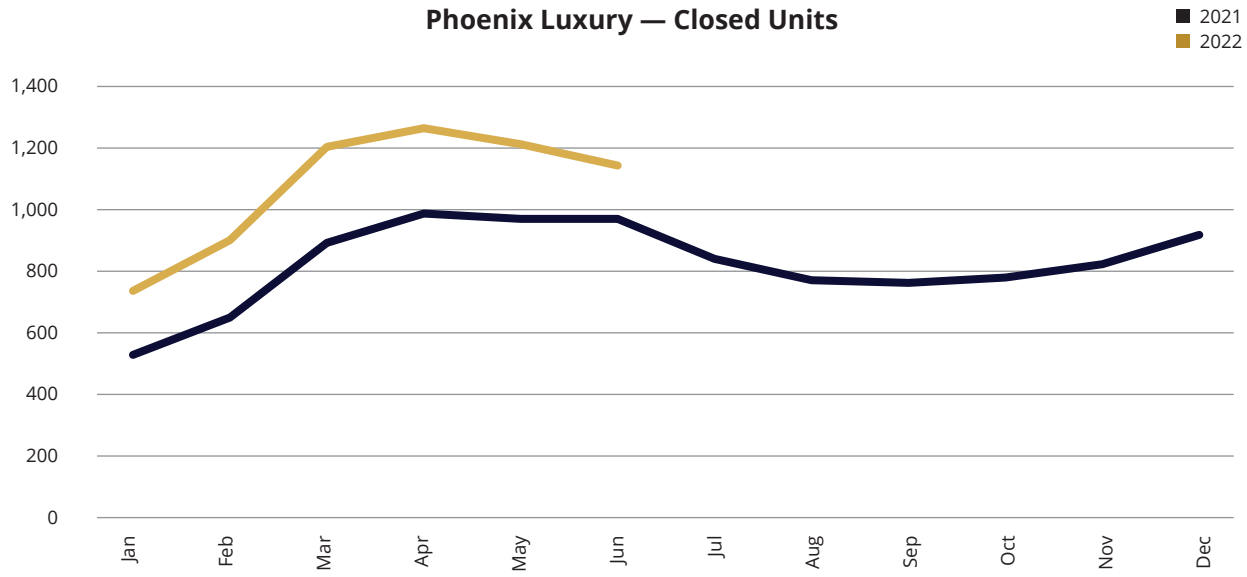
Residential Days on Market — Phoenix



Luxury Market is Strong

The luxury market in Phoenix (homes priced $800,000 or higher) continues to show strength, **with YTD closed sales up 23.1% over YTD 2021**, and consistently higher than last year's sales rate. High-end listings in Phoenix continue to be attractive and a value to the affluent buyers, especially those coming from higher price markets. Luxury sales tend to be funded with cash and less with financing, making those buyers less impacted by mortgage rate increases.

Phoenix Luxury — Closed Units





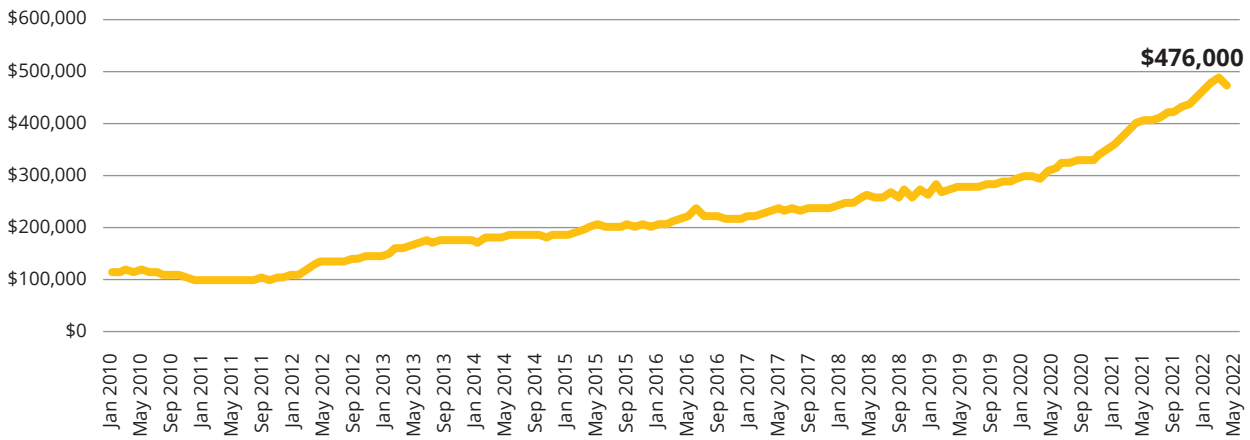
Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS on 07/11/2022 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

Median Sales Price on the Rise

Median home sales price increased to $476,000 in June 2022, up 18.4% from June 2021. Higher home values have helped grow equity and household wealth.

Phoenix Home Sale — Median Price

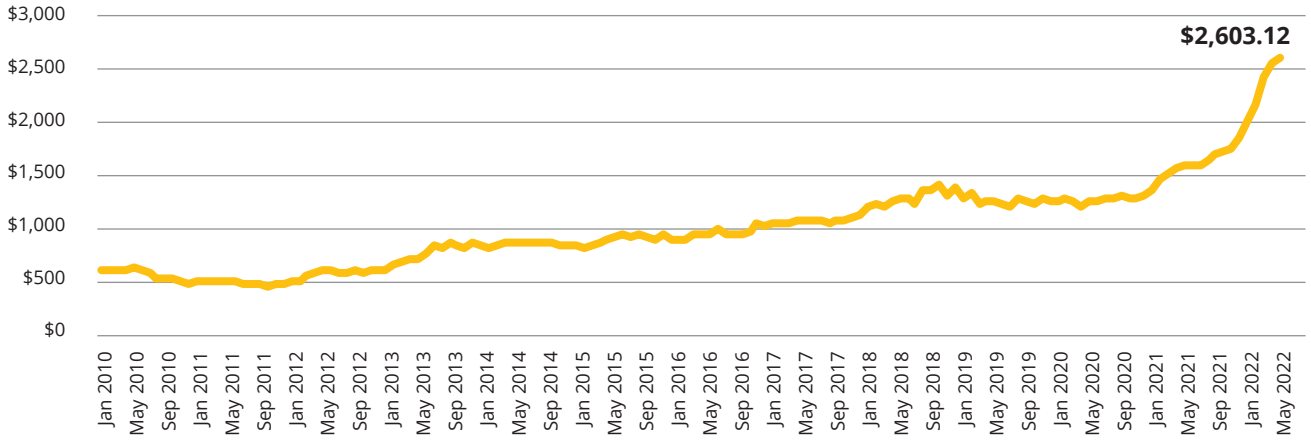


Median Sales Price	Phoenix	White Mountains	Prescott	Sedona	Flagstaff	Yuma
2021 YTD	$401,897	$279,500	$434,500	$460,000	$503,150	$225,000
2022 YTD	$476,000	$363,000	$469,000	$464,000	$585,000	$275,000
Percent Change	+18.4%	+29.9%	+7.9%	+.9%	+16.3%	+22.2%

Monthly Mortgage Payments Rise

The combination of rising home sale prices and recent mortgage rate upticks have decreased buyer affordability, with monthly payment on a median priced home in Phoenix now $2,603. This represents a 62.1% increase from June 2021.

Average Monthly Payment — Phoenix Median Priced Home



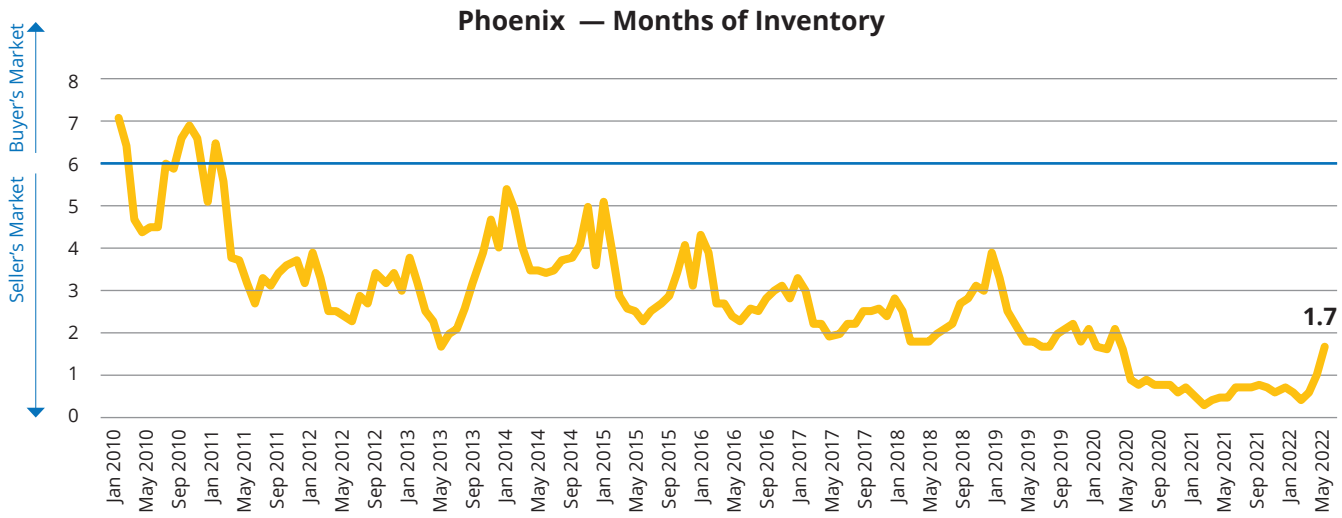


Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS using TrendGraphix software, and White Mountains MLS, Prescott MLS, Sedona Verde Valley MLS, Northern Arizona Association of REALTORS MLS and Yuma MLS on 07/13/2022. Monthly payments are based on a 5% down payment on a median priced home. Information is believed to be reliable, but not guaranteed.

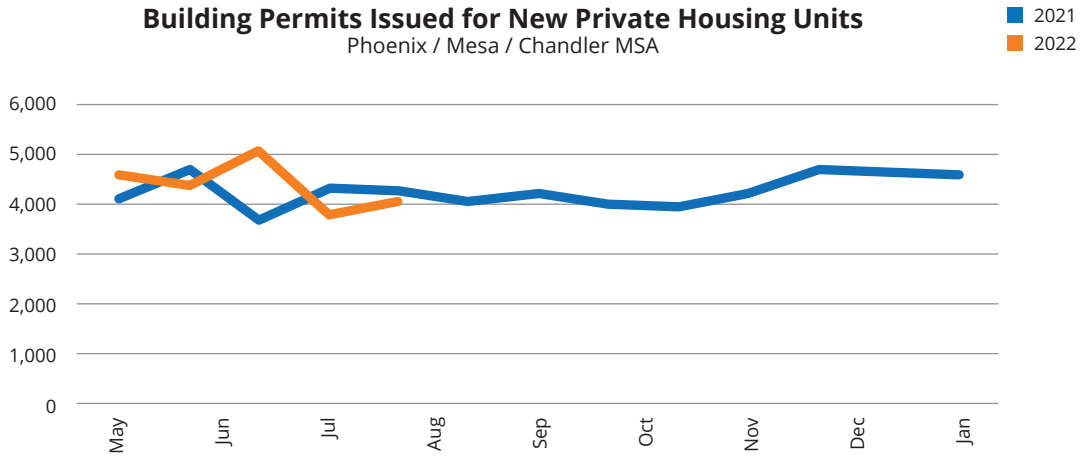
Still A Seller's Market

Months of Inventory is a way to measure the relationship between demand (home sales) and supply (listing inventory), and categorize what kind of market we are in. Despite recent slipping of buyer demand and increases in inventory, in June months of inventory was 1.7, which means we are still deep into a seller's market. We do expect market conditions to moderate in the second half of the year and move to more balanced market.



New Construction Permits Increase Slightly

The number of new construction permits in the Phoenix metro area is up 4% YTD, as compared to 2021. Supply chain issues, rising prices of building materials and higher interest rates may present a headwind for builders.



Source: U.S. Census Bureau and EBRC



Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS on 07/13/2022 using TrendGraphix software.
Information is believed to be reliable, but not guaranteed.

Local Real Estate Trends — Around The Town

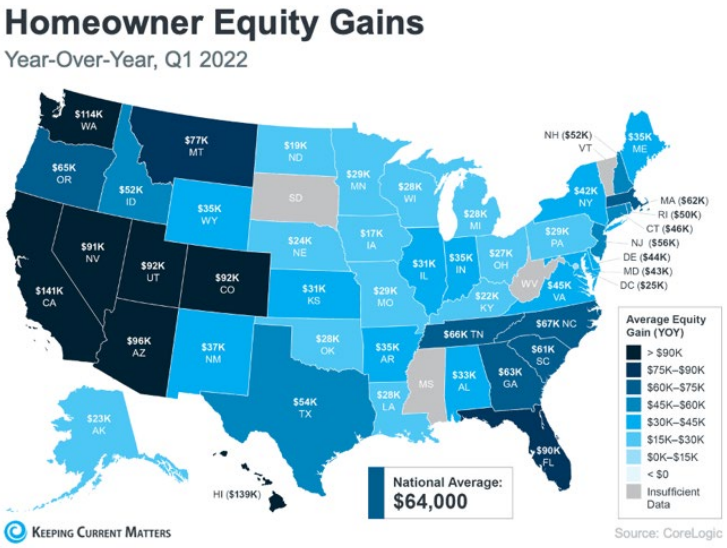
Real estate trends are local in nature. What is happening in your neighborhood may be different than other parts of town. Here is just a sample of different neighborhood areas in our communities and how they differ.

HOMES SOLD	Desert Ridge	Las Sendas	McCormick Ranch	Eastmark	Sun City West	Ahwatukee
Vs Same Month 2021						
June 2022	30	19	35	41	84	19
June 2021	58	24	52	27	96	32
Percent change June 2022 vs June 2021	-48%	-21%	-33%	+52%	-12%	-41%
Vs Prior Month						
May 2022	30	23	36	70	83	20
Percent change June 2022 vs May 2022	Unchanged	-17%	-3%	-41%	+1%	-5%
MEDIAN SALES PRICE						
June 2022	$1,065,000	$845,000	$888,500	$755,000	$414,275	$452,000
June 2021	$575,000	$617,500	$680,000	$553,000	$336,250	$378,450
Percent Change	+77%	+37%	+31%	+37%	+23%	+19%

Contact me to receive a market report with more information specific to your neighborhood.

Homeowners See Big Equity Gains

The accelerated growth in home prices has created a benefit to most homeowners. Nationally, and on average in the last year, homeowners have gained $64,000 in home equity, **while in Arizona that gain was $96,000.** Though home price growth should decelerate, we expect the gains realized so far to remain intact which should keep the risk of new foreclosure activity low.





Matt George
(623) 910-8607 | mgeorge@LongRealty.com
Long Realty West Valley

Statistics based on information obtained from MLSSAZ and ARMLS on 07/13/2022 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

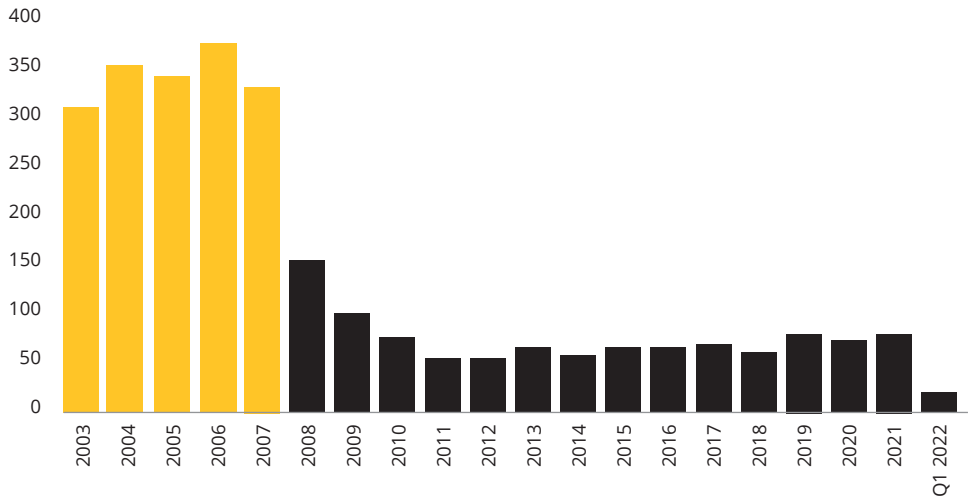
A Soft Landing for Real Estate

Despite the conjecture you might hear in the news, there is no underlying data to support a housing crash.Instead, this time around we expect a shift to a more normal real estate market, where listings can take 1-2 months to sell, buyers have choices and can negotiate, with home price growth returning to more historical levels of 5-6% per year. Growth, not decline. Real estate conditions and trends vary greatly by location and neighborhood, so please reach out for more localized information for your area, or if you have any real estate needs.

Unlike the past real estate crash, this correction cycle is underpinned with quality borrowers, who are at lower risk of default. Tighter lending standards resulted in borrowers with higher credit scores.

Lending Standards Are Tighter Today

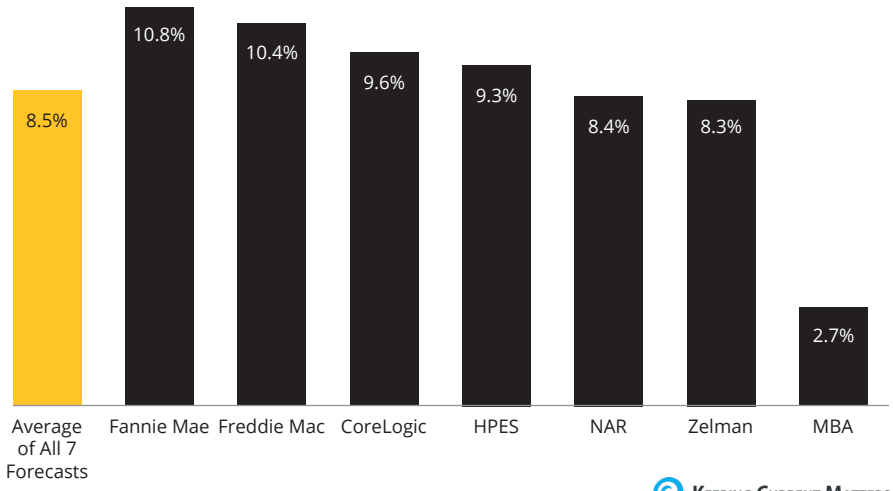
Volume of Loans in Billions with a Credit Score <620



KEEPING CURRENT MATTERS

Source: Federal Reserve

Home Price Forecasts for 2022



KEEPING CURRENT MATTERS

Given that the market is normalizing vs crashing, and that supply and demand are moving to a more normal and balanced position, economists forecast that home sale prices will appreciate on average 8.5% in 2022, not the 20%+ rate experienced in the last two years. Of course, the value of your home depends on market conditions in your neighborhood and area. None of the economists are forecasting a decline in home prices.



Matt George
(623) 910-8607 | mgeorge@LongRealty.com

Long Realty West Valley

Information is believed to be reliable, but not guaranteed.