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2021 State of the Market Report

PHOENIX, CENTRAL & NORTHERN ARIZONA





Sean McCarthy
(480) 204-2469
SeanM@LongRealty.com

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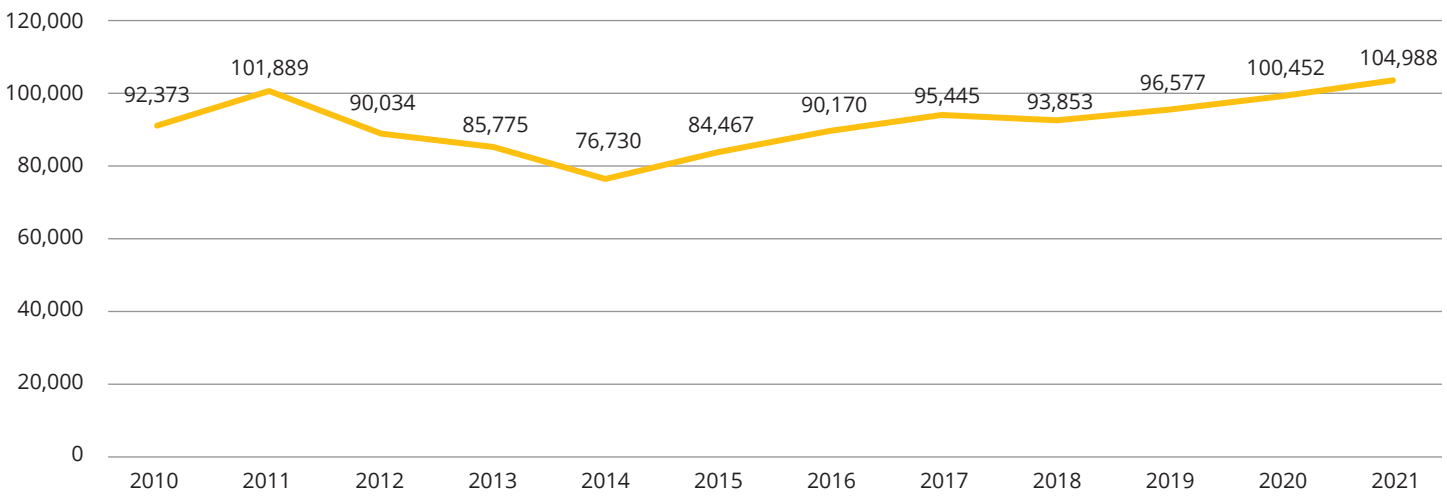
2021 At a Glance — Phoenix Metro

Closed Sales 104,988	Median List Price $388,900	Sold Price vs List Price 99%
New Listings 114,421	Median Sale Price $396,700	Average Days on Market 21
Properties Under Contract 107,949	Average Monthly Payment* $1,609.28	Months of Inventory 0.6

A Record Sales Year

Closed residential sales increased 4.5% over 2020, setting the pace for the highest sales year in a decade. Historically low mortgage interest rates and pandemic-spurred demand for housing had buyers scurrying for home purchases while navigating through the challenges of a very limited supply of listings.

Closed Sales — Phoenix Metro



Closed Sales	Phoenix	White Mountains	Prescott	Sedona	Flagstaff	Yuma
2020	100,452	2,646	2,032	831	2,658	3,280
2021	104,988	2,659	1,927	771	2,446	3,551
% change	+4.5%	+0.5%	-5.2%	-7.2%	-8.0	+8.3%



Sean McCarthy
(480) 204-2469 | SeanM@LongRealty.com
Long Realty The Fox Group - Scottsdale

Statistics based on information obtained from ARMLS, White Mountains MLS, Prescott MLS, Sedona Verde Valley MLS, Northern Arizona Association of REALTORS MLS, and Yuma MLS on 01/06/2022 using TrendGraphix software. Median list price based on original list price of sold homes. *Average monthly payment are based on a 5% down payment on a median priced home at December 2021 interest rate. Information is believed to be reliable, but not guaranteed. Sedona data based on the Village of Oak Creek. Information is believed to be reliable, but not guaranteed.

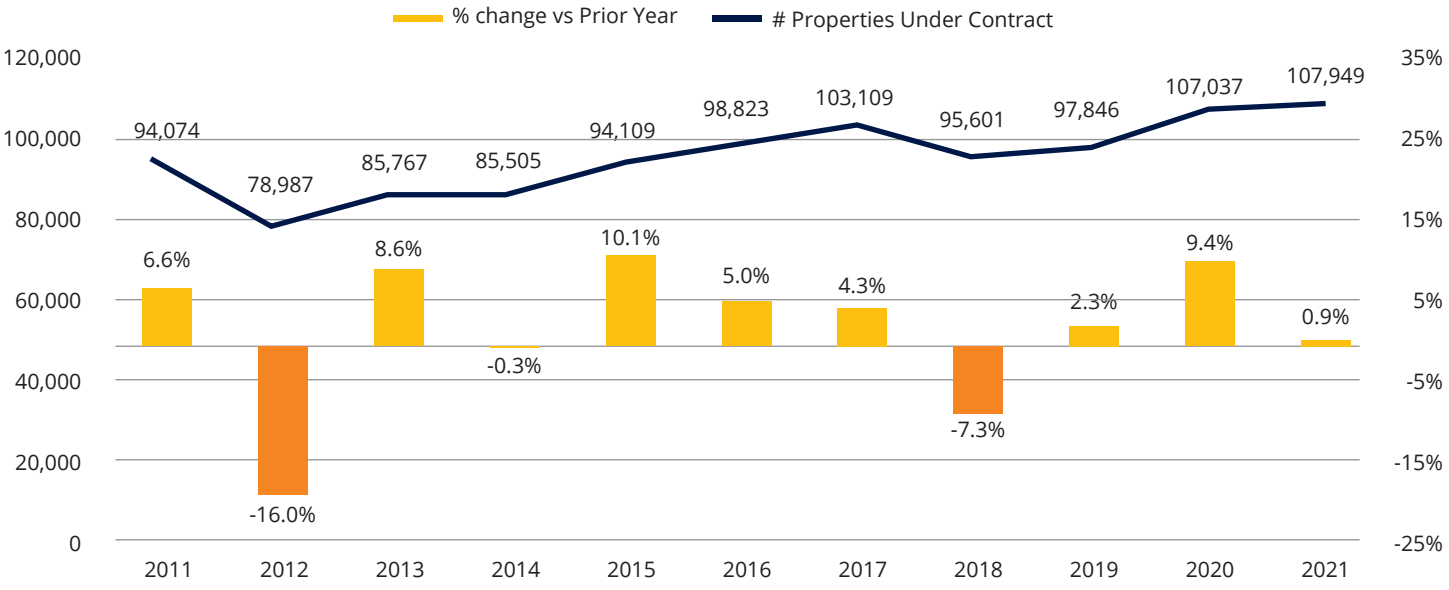
2021 At a Glance — Central & Northern Arizona

Flagstaff	Prescott	Sedona	Yuma	White Mountains
Closed Sales	Closed Sales	Closed Sales	Closed Sales	Closed Sales
2,446	1,927	771	3,551	2,659
New Listings	New Listings	New Listings	New Listings	New Listings
2,850	2,285	857	4,032	3,017
Months of Inventory	Months of Inventory	Months of Inventory	Months of Inventory	Months of Inventory
0.8	0.8	0.6	0.9	1.4
Median Sold Price	Median Sold Price	Median Sold Price	Median Sold Price	Median Sold Price
$498,247	$625,000	$760,000	$220,000	$299,000

Demand is High

When an offer is accepted on a listing, the property goes "under contract." Under contract is a leading indicator to closed sales. 2021 continued the very strong demand from buyers set in 2020, with properties going under contract almost 1% higher than 2020, despite inventory limitations, heavy competition from other buyers, and multiple offer situations.

Residential Properties Under Contract — Phoenix Metro





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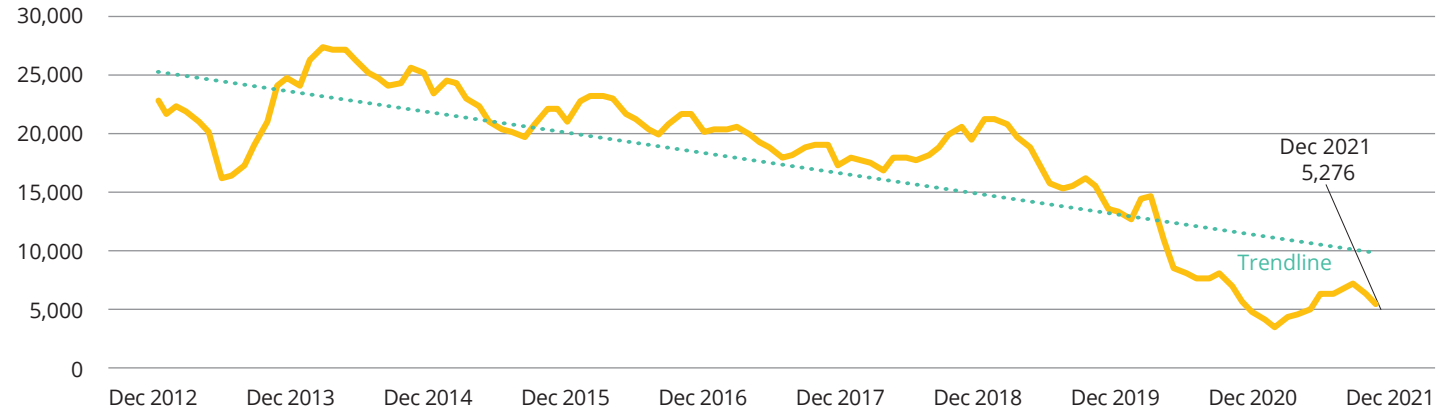
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Listing Inventory Challenges

There just wasn't much in the way of active listings sitting in inventory for buyers to choose from. Listings would go under contract typically within days of hitting the market. In Phoenix, in a "normal" market you could expect to see an average of 20,000–25,000 listings at any given time. In 2021, listing inventory was down to as low as around 3,500, and ended the year at 5,276.

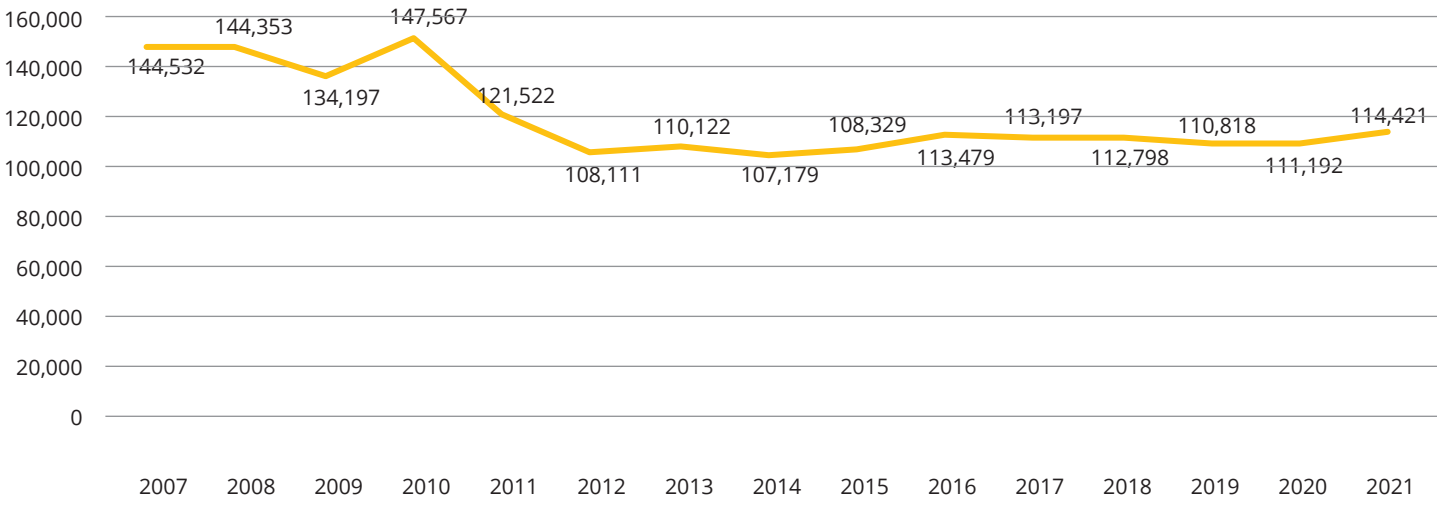
Active Listing Inventory— Phoenix Metro



New Listings Came on the Market Consistently

While the inventory of homes for sale hit new record lows in 2021, the number of new listings coming on the market has been quite consistent over the last 12 years. The difference in 2021 is that those homes sold very quickly, many times within days, and therefore were unavailable for other buyers to purchase.

New Listings — Phoenix Metro



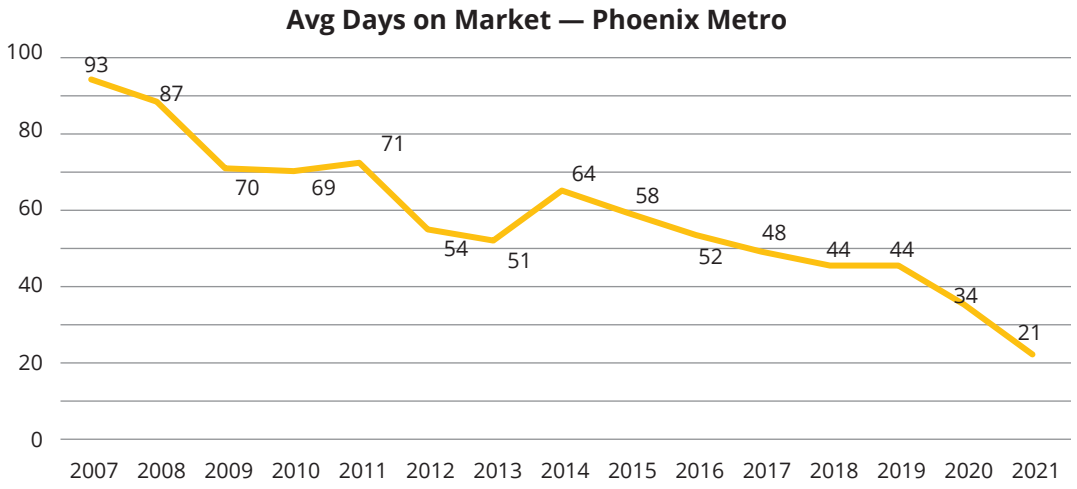


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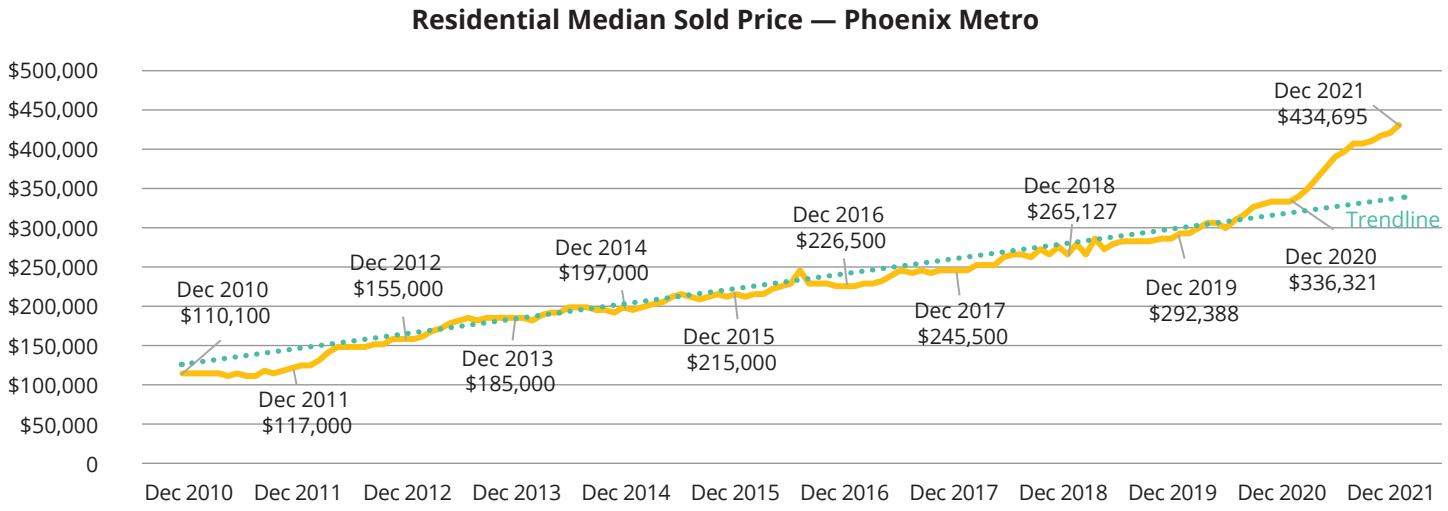
Listings Selling Immediately

On average, homes went under contract in 21 days in 2021, a record. As seen in this trend chart, this is drastically lower than previously experienced, and is reflective of the very fast pace of the real estate market in 2021. We expect a somewhat more moderate pace in 2022, which will help buyers.



Home Prices Increase at Break-Neck Pace

The combination of very strong demand and very limited supply of homes for sale combined to increase median home sale prices in Phoenix 25.6% from 2020. Historically, home prices tend to appreciate in the 3–5% range annual, so this was a significant increase. We do not expect this year-over-year appreciation rate to continue and expect it will settle into more historic levels.



Median Sold Price	Phoenix	White Mountains	Prescott	Sedona	Flagstaff	Yuma
2020	$315,900	$245,000	$340,000	$365,000	$404,890	$176,000
2021	$396,700	$299,000	$417,558	$440,000	$498,247	$220,000
% change	+25.6%	+22.0%	+22.8%	+20.5%	+23.1%	+25.0%

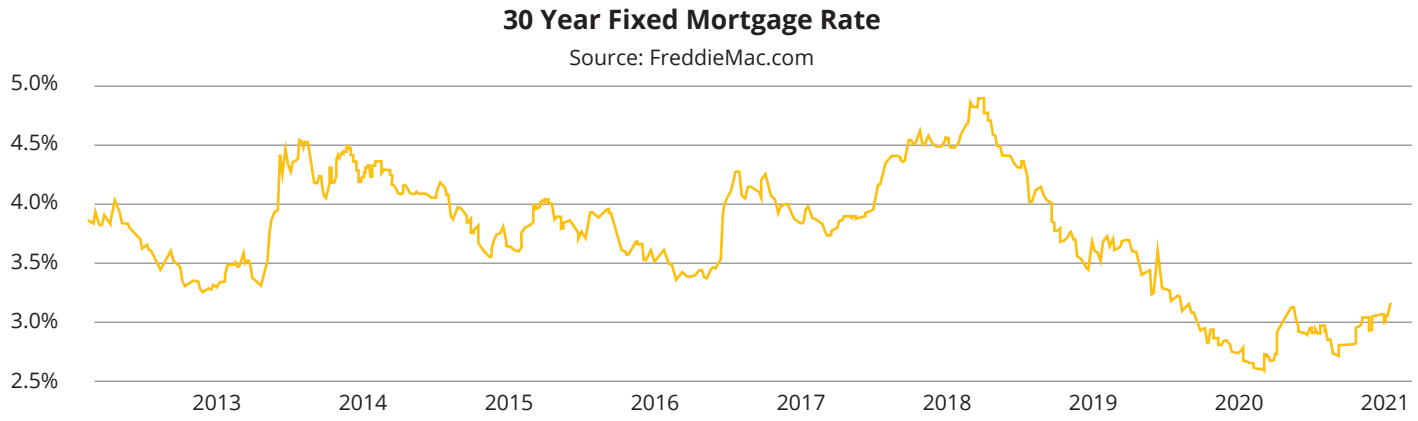


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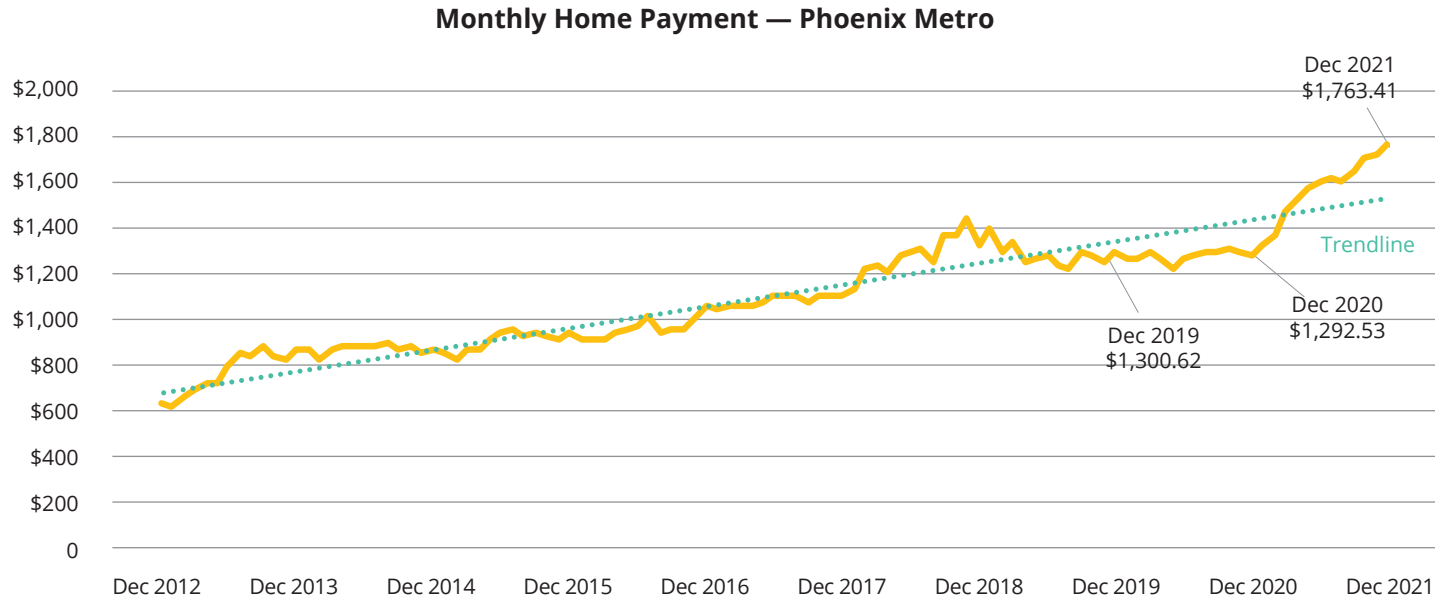
Mortgage Rates At Historic Lows

Mortgage rates plummeted to new lows in 2021, fueling a record sales year and high buyer demand. It also led to more refinances, which may prompt some homeowners to stay longer in their homes due to a very low mortgage interest rate. Rates have recently risen off their lows but are still very attractive.



Monthly Home Payments See An Uptick

Low mortgage rates in 2020 were enough to offset home sales price increases, keeping monthly home payments relatively unchanged. In 2021 however, we see an upward trend in monthly payments due to 25% plus home sales price gains and slightly higher interest rates. Relatively speaking, monthly payments remain very competitive against rising rental rates, and against home payments in other parts of the country.



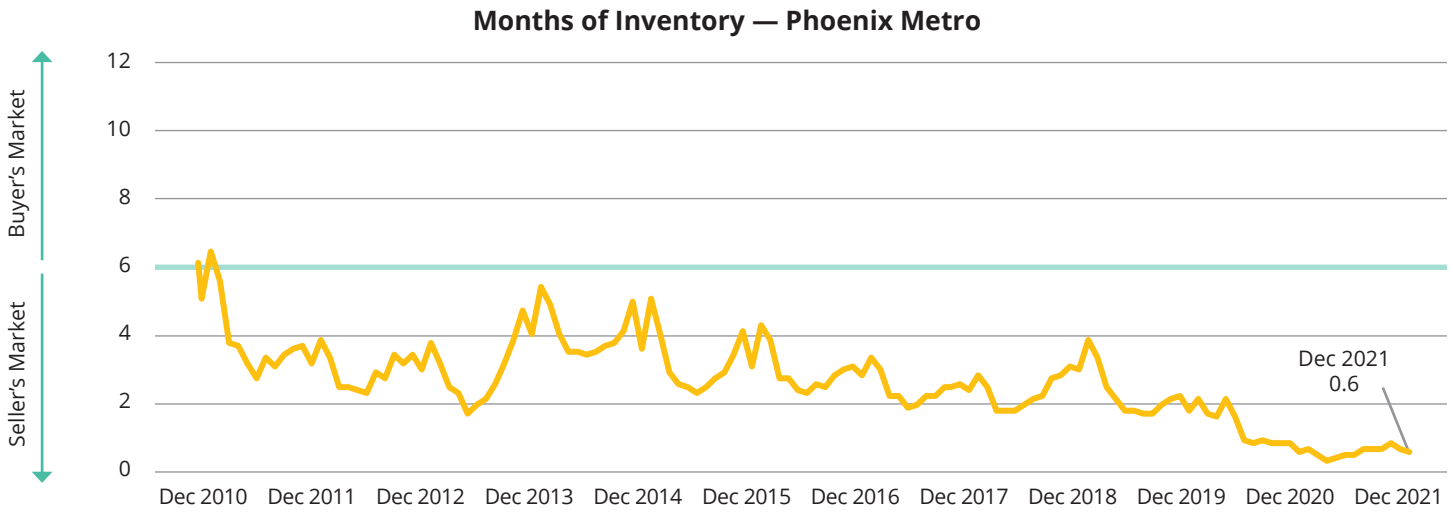


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Mortgage rates based on information obtained from FreddieMac.com. Statistics based on information obtained from ARMLS on 01/06/2022 using TrendGraphix software. Monthly payments are based on a 5% down payment on a median priced home. Information is believed to be reliable, but not guaranteed.

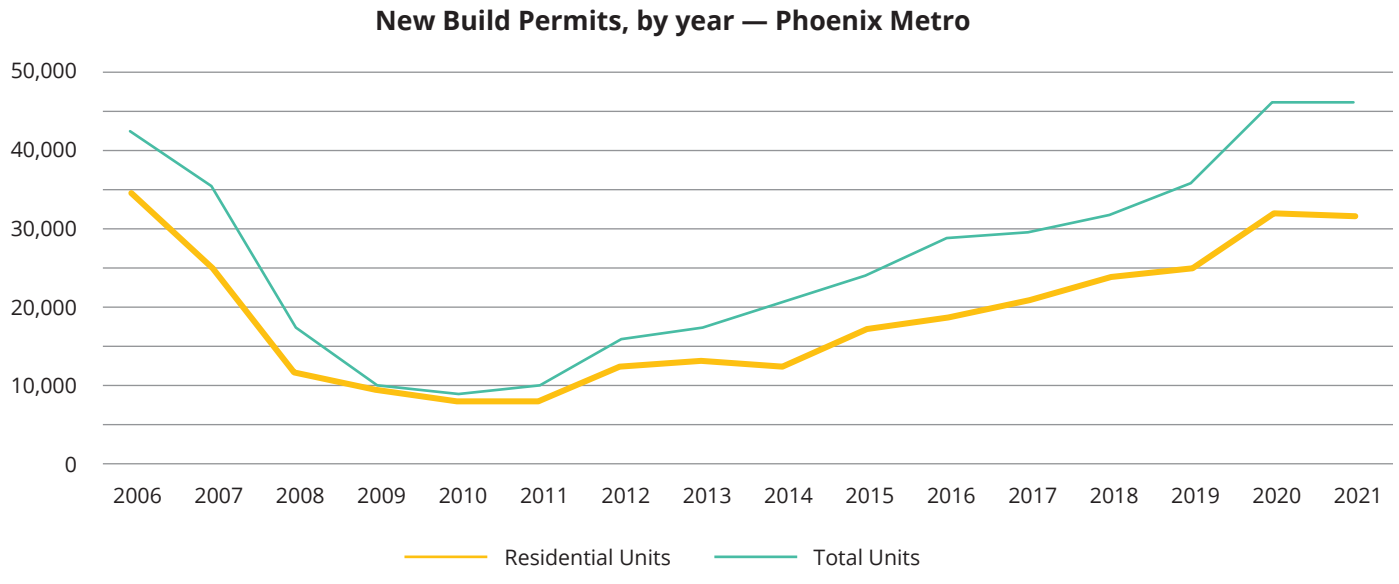
Very Strong Seller's Market

Months of Inventory reflects the relationship between closed sales and active listing inventory. Basically, it measures how long it would take to sell the current inventory at the current sales pace. 6.0 months is considered a balanced market, and less than 6.0 months is a seller's market. For much of 2021 there was less than two weeks of inventory, and the year ended with 0.6 months — a very strong seller's market.



New Construction Sales Lag

Permits on new construction were relatively unchanged in 2021. New construction sales lag due to supply chain issues and other market factors. This has still left a gap in the marketplace, where the availability of new construction inventory is limited and not filling current buyer needs.





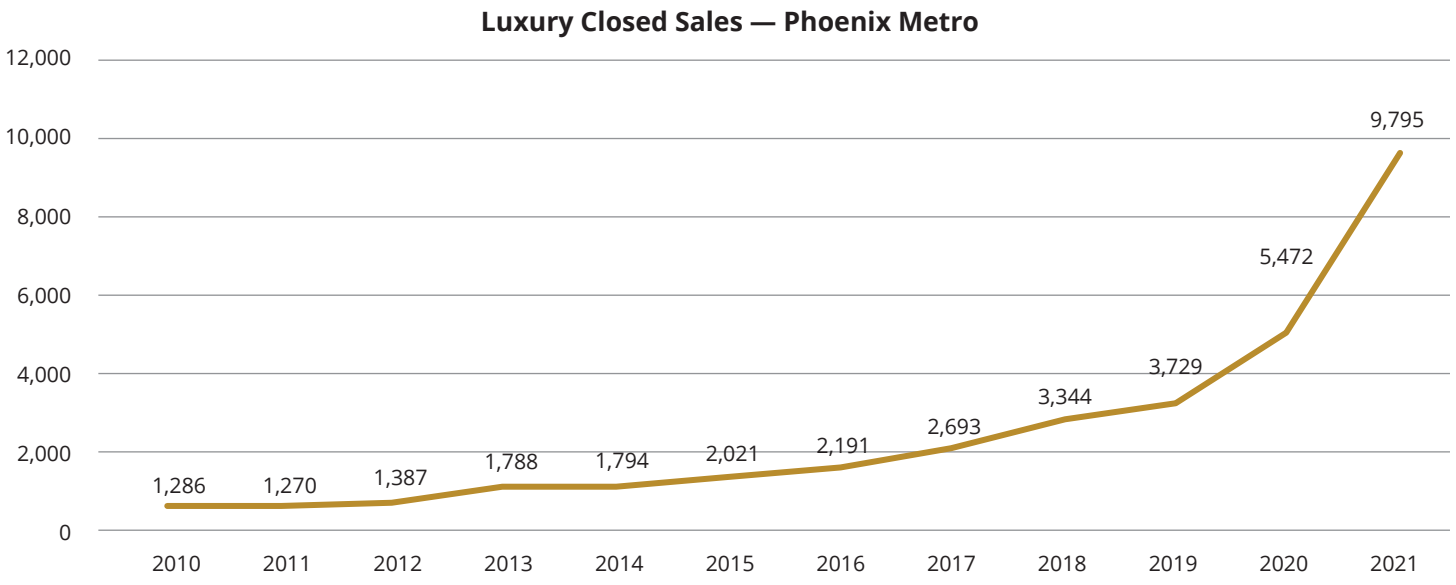
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Statistics based on information obtained from ARMLS on 01/06/2022 using TrendGraphix software. New construction data based on information obtained from the University of Arizona Eller College of Management, Economic and Business Research Center. Information is believed to be reliable, but not guaranteed.

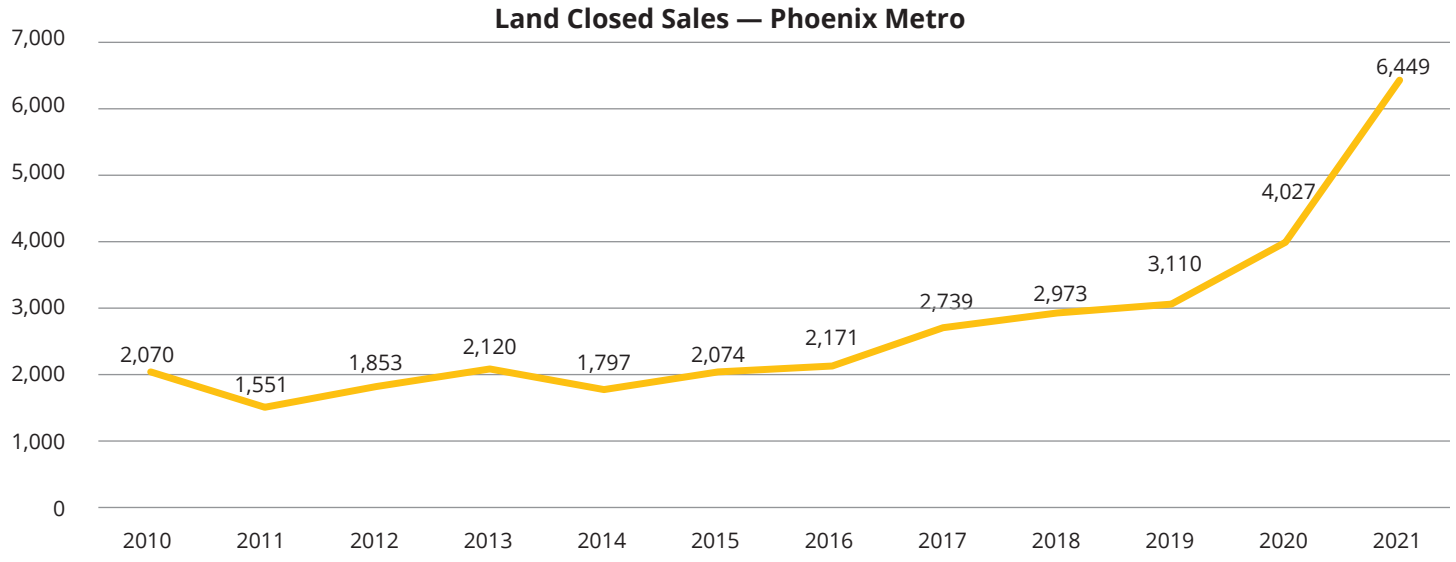
Luxury's Leap

The last two years have seen tremendous growth in the luxury home market in Phoenix. Homes priced $800,000 and higher nearly doubled in sales in 2021 from the year prior. Remote work, early retirement, shifts in what features people wanted in a home and the financial flexibility of the affluent had buyers on the move. Buyers at these price points can get a lot more home for the money when coming from high price point markets such as California.



Land Sales

With buyers desperately trying to find homes to purchase, more turned to purchasing land with the idea of building. Land sales rose an impressive 60.1% in 2021.





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Consumer Trends

Buyers

Hedging Inflation by Locking in Lower Home Payment Now
With inflation at 7% and at a 30 year high, it makes financial sense to purchase a home now at today's low mortgage rates to lock in a fixed monthly payment. As the costs of goods and services continues to rise with inflation, consumers can at least hedge against future inflation with a fixed home payment.

Higher Rents Driving Interest in Home Purchases
Rents in Arizona and Phoenix increased 29% year over year. As rental rates continue to climb, more renters will look to buy. According to Apartment List, rental rates for a 2-bedroom apartment in Tucson are now $1,975, while monthly payment on a median priced home is $1,763, making it $212 cheaper per month for home ownership.

Demographic and Lifestyle Drivers
Millennials continue to show interest in purchasing a home, and slightly higher inventory may mean more choices and new opportunities for first time homebuyers. People continue to migrate to Arizona for greater value on home purchases, lower property tax base, attractive weather and lifestyle, and being enabled by remote work opportunities. Baby boomers continue to take advantage of retirement home purchases, even if still pre-retirement.

Sellers

iBuyer Immediate Offers
More sellers in 2021 opted for the convenience and assurance of a quick closing immediate cash offer, from one of several "iBuyers." In Phoenix 10% of homes sold were to iBuyers and in Phoenix approximately 10%. These programs typically do not benefit from the knowledge of an expert local real estate agent. At Long Realty, however, we are now introducing our own immediate offer program called QuickBuy, enabling Long Realty agents to offer more options and solutions to home sellers. Please reach out for more information.

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2022 Forecast

A Strong Yet Normalizing Real Estate Market

Tapping into our 96 years of experience, we believe 2022 will be a strong year for real estate, and at the same time leveling to more normal market trends. In addition to national economists, we polled our 1,400 Long Realty agents across Arizona for their projections for 2022.

Mortgage Interest Rates Forecast to Rise
With inflation at 30-year highs, economists expect that Federal Reserve policies to combat inflation will in turn increase mortgage rates. Rising rates and recent home price gains, along with inflation on other goods and services, may temper buyer activity slightly, though rates should remain attractive enough to not significantly slow buying activity. In the short term, rising rates can create urgency for buyers.

Home Prices Appreciate, at a More Normal Rate
Long Realty agents project that home sale prices will rise 1–5% in 2022, which is in line with national forecasts. Of course, this can vary by neighborhood and price point. Strong sales and a continued shortage of listing inventory will keep prices growing, yet not at the torrid rate of 2021.

Home Sales Projected to Continue at Strong Pace
The majority of Long Realty agents project that home sales will remain at consistent levels with 2021 or increase 1–5%. Locking in a monthly payment at today's rates can help serve to offset future inflation for consumers.

Listing Inventory to Rise Slightly
Slow new construction starts, homeowners staying in their homes after refinancing, the absence of a rise in foreclosures coupled with strong buyer demand, means listing inventory will continue to be in short supply. The Long Realty survey has agents predicting that listing inventory will rise slightly 1–5% from 2021 levels.

Strong Seller's Market Shifts to Seller's Market
Strong home sales and slightly higher listing inventory means that a seller's market will continue, just not as severe as 2021. This will continue to present ideal conditions for sellers, while affording buyers a chance to find a home with more options and slightly less competition.

Please reach out for more information about what these trends mean to you.

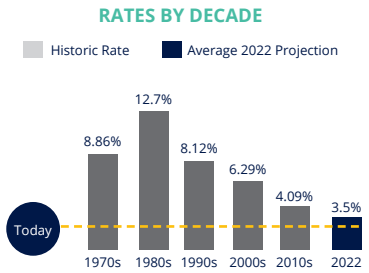


% MORTGAGE RATES ARE PROJECTED TO RISE

Mortgage rates are projected to rise in 2022, yet still remain historically low.

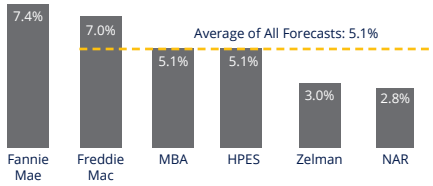
2022 PROJECTED RATES

Fannie Mae	3.3%
Freddie Mac	3.5%
MBA	4.0%
NAR	3.5%



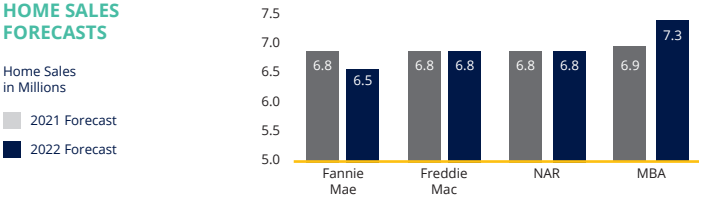
$ HOME PRICES FORECAST TO APPRECIATE

Home prices will also keep rising thanks to continued low housing supply and high buyer demand.



HOME SALES PROJECTED TO BE STRONG

Home sales are expected to perform well again in 2022 as more people move to meet their changing needs.



Forecast from
Keeping Current Matters

Sources: Fannie Mae, Freddie Mac, MBA, NAR, Pulsenomics, Zelman



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