

## January 2023

2023 sales volume came out of the starting blocks blazing like a turtle and maintained that pace throughout the calendar year. With interest rates rising to 7.3% in late October and early November 2022, January's extremely low sales volume came as no surprise. The 4,265 home sales, as reported by ARMLS, were the second lowest sales total for January in the last 20 years, as only 2008 reported fewer sales. Also, January is that time of year when prognosticators prognosticate. Goldman Sachs demonstrated questionable judgment in January 2023. Despite the cautious use of the word "could" in their assessment, the pessimistic sentiments were exacerbated by housing crash disciples who persisted in their predictions until June, eventually falling radio silent.



### Phoenix could see 2008-like plummet in housing prices, Goldman Sachs report says

Goldman Sachs says Phoenix is one of four cities that could see a housing crash to rival what we saw in 2008 – but a local expert says the numbers and trends...

16 hours ago Thurs, Jan 25, 2023

And here was our response to their forecast.

Do they even actually remember 2008? It is absolutely amazing how many times in the past few weeks I've seen and heard the year 2008 bandied about in housing reports. For those that don't remember, 2008 was the epicenter of what is referred to as The Great Recession.

The housing bubble burst causing a global financial crisis. It was the most severe economic recession in the United States since the Great Depression of the 1930s. In 2008, Maricopa County reported upwards of 8,500 new notices of trustee sales recorded in a single month and actual foreclosures (recorded Trustee's Deeds) surpassing 4,500 in a single month. In 2008, by year's end, the median sales prices fell 46% from a high in 2006 of \$264,800 to a December close of \$143,000. Whether we blame Goldman Sachs for conducting a lazy analysis or the headline editor of hyperbole, our market is actually experiencing a needed and necessary market correction, not a crash.

## February 2023

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.

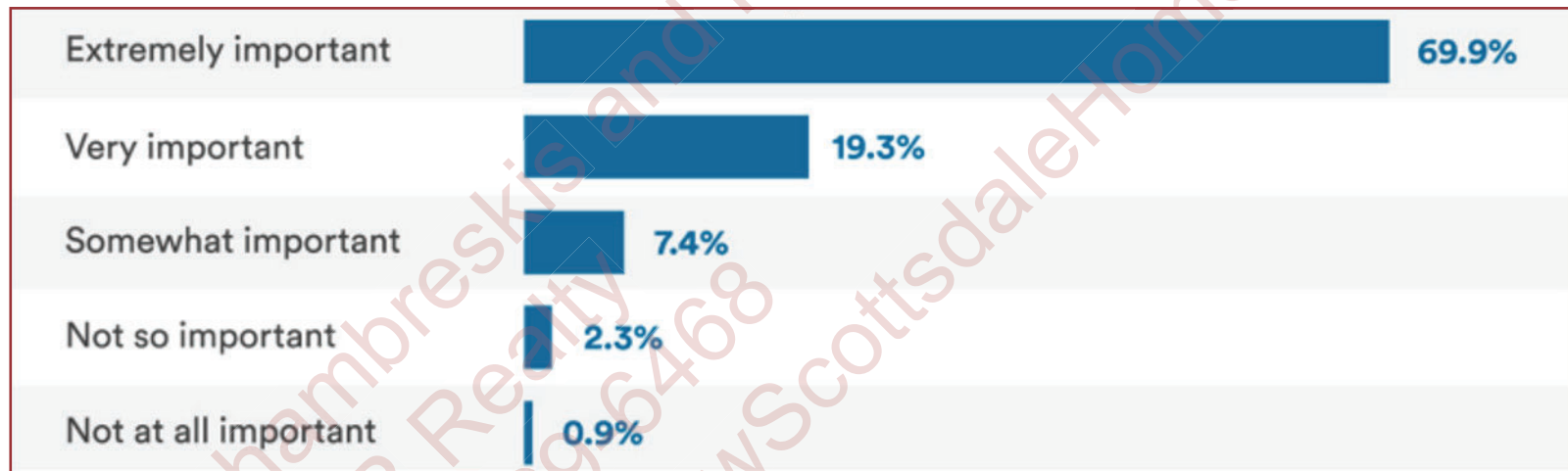
Home prices, like any product or service, are driven by supply and demand. Supply and demand in the housing market are being impacted by a volatile interest rate environment. Existing homeowners are reluctant to sell their current home, buy a different property and then borrow at a higher rate, thereby restricting supply.

## March 2023

The increase in mortgage rates is the key reason new listings have declined sharply year over year. Not only were homes purchased in 2020, 2021 and early 2022 at great rates; a large number of refinances also took place. Redfin Deputy Chief Economist Taylor Marr explains it this way, "Elevated mortgage rates are perhaps a bigger deterrent for would-be sellers than for would-be buyers. Giving up a 3% mortgage rate for one in the 6% range is a tough pill to swallow." Currently, supply registers just below 60% of what would be considered typical or average. For homeowners with low mortgage rates, it makes perfect sense to stay put, but what about homeowners with either low or no mortgages? That's right, I'm talking about the boomers.

While baby boomers, defined as Americans between the ages of 55 and 74, comprise just over 22% of the U.S. population, they account for nearly 42% of homeowners nationwide. In a recent point.com survey (I have no idea who they are, what they do or the validity of their data), the question was asked, “How important is it for you to remain living in your home as long as possible?” As a boomer, who knows other boomers and does boomer things, the results of the point.com survey make sense to me.

## Survey Results for Question “How important is it for you to remain living in your home as long as possible” via Point.com



## April 2023

As the title and mortgage industries are aware, sales volume in April was down 25.1% year over year. In terms of sales volume as reported by ARMLS, April's sales volume of 6,535 homes ranked 19th out of the 21 years ARMLS has reported data. Only 2007 and 2008 saw lower sale volumes. The median sales price rose for the third consecutive month. Prices are rising due to restricted supply. We are once again approaching a dire shortage of homes for sale.

## May 2023

In May, institutional buyers, corporate buyers and hold entities purchased 57 resale homes and sold 49 for a net gain of eight homes as a group. The institutional buyer's activity has shifted away from resale purchases to focusing on build-to-rent properties. Our current shining star is "new construction." Newly built home sales are up 11.75% year over year in Maricopa County. Home builders are in an optimistic mood with their stock prices recently hitting new highs.

## June 2023

As we transition from our "buying season" to the "off season," I expect prices to "wobble" throughout the remainder of 2023. STAT is projecting the median sales price for July to be \$430,000. Our recent projections have been slightly lower than the reported median price. Our reported median sales price of \$443,000 in June may very well be the high-water mark for 2023. When 2023 closing numbers are reported, it is not unreasonable to expect a modest year-over-year increase in the median sales price. Reports of our housing values collapsing in 2023 look extremely foolish.

## July 2023

*“Comparisons with this time last year continue to get easier, as a year ago the market was deteriorating quickly as institutional investors and iBuyers pulled out of the market. Now we have a re-sale market which is plodding along slowly with poor demand and weak supply. There is little to get excited about unless you are in the new home construction business.” “At the time of writing, the typical 30-year fixed mortgage rate is up to 7.20%, so affording to buy a home just got a little harder. Selling an existing home with a mortgage looks even less attractive, so new MLS listings are arriving in very low numbers, as they have done all year.”*

## August 2023

It was reported in a recent theMReport.com article that mortgage applications declined to their lowest level since Dec. 1996. Higher interest rates have left homebuyers facing affordability issues, while homeowners are disincentivized to sell. In conclusion, the number of home listings under contract are down, which has led to fewer mortgage applications, which, in turn, will lead to fewer home closings. September sales volume will be inauspicious, but as Michael Orr of the Cromford report reminds us, *“The important measure is the balance between supply and demand, not demand on its own. At the moment, supply is down more than demand is down, so prices are firm.”*

## September 2023

According to a recent Fannie Mae survey, as reported by Doug Duncan, Fannie Mae Senior VP and Chief Economist, *“High mortgage rates have surpassed high home prices as the top reason why consumers think it’s a bad time to buy a home. Consumers are also not seeing much affordability relief in sight, as they continue to expect home prices to increase in the next 12 months. They also indicated that their personal economic situations are showing signs of strain, including lower year-over-year household incomes and a reduced sense of job security. In our view, all of this points to home purchase affordability remain a problem for the foreseeable future, which we forecast will keep home sales sluggish into next year.”* In other words, for the near future, we expect more of the same.

## October 2023

Housing is shelter, and when it comes to shelter, you can buy or you can rent. While ARMLS is the go-to source for listing and public records data, we are somewhat limited in terms of rental data. At STAT, we have access to the best local analysts on public records data, MLS data and builder data, just not apartment data. It is often reported that Maricopa County is experiencing a severe housing shortage. I find these reports highly suspicious. I would agree that we have an affordable housing shortage, but an overall housing shortage, I’m not so sure.

## November 2023

In November, we offered our “holiSTAT” with a quick market breakdown, updated you on new happenings in the west valley and shared three recent news articles — two naughty and one nice. We finished our holiSTAT with sage advice for both sellers and buyers from none other than Tina Tamboer. November was a time for setting the table, literally and figuratively, as we began to update our annual charts.

Now for the promised charts.

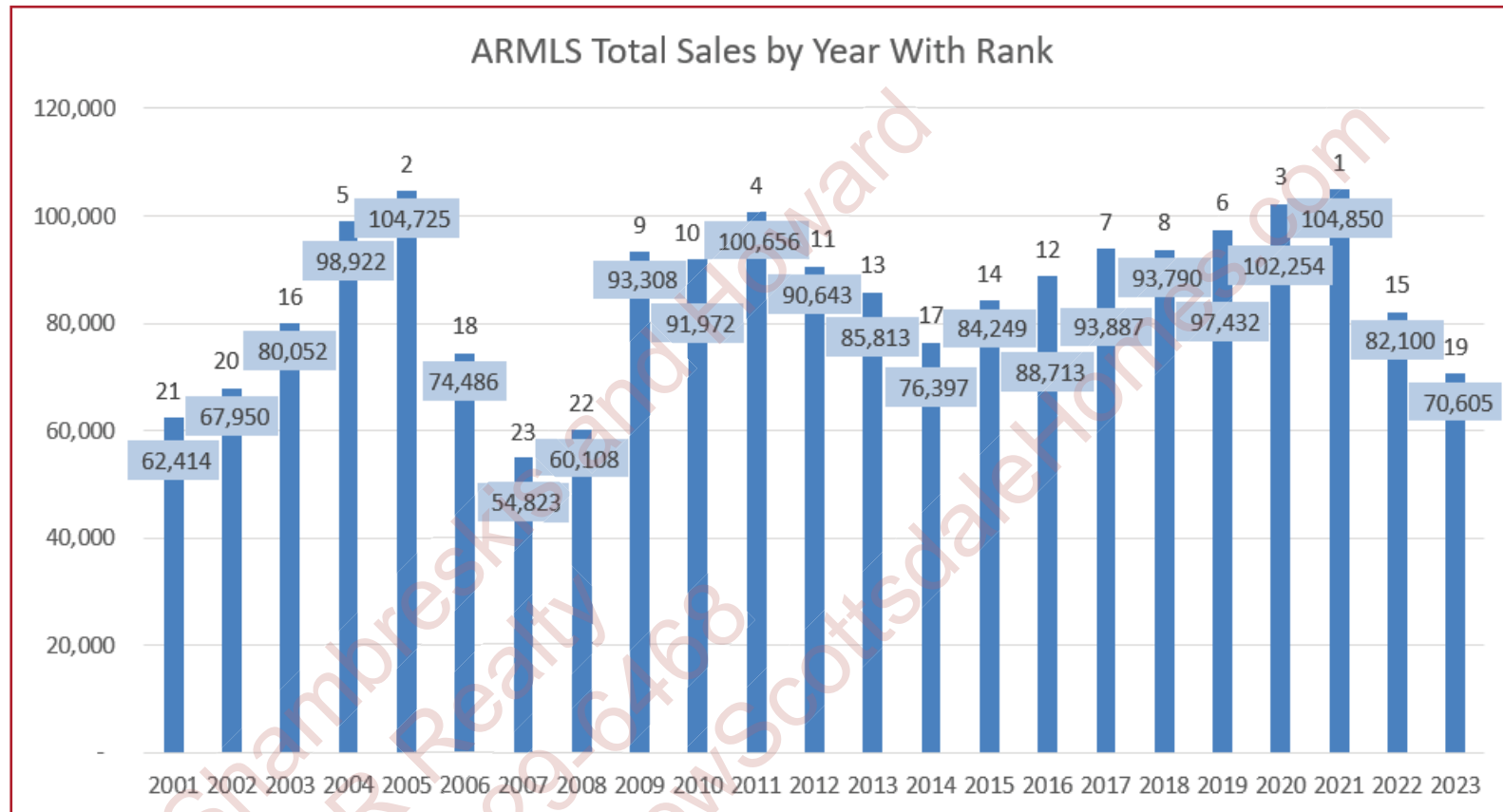
## ARMLS SALES DATA VOLUME 2023: 70,605

Home sale volume was down 14.00% year over year, and 32.27% lower than 2021's precipice. Out of the 23 years ARMLS has been reporting data, only 2007 and 2008 were lower. The dictionary defines recession as a "period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters." With a decline in overall sales volume of 21.70% from 2021 to 2022 and 14.00% decline this year, I think it safe to say our housing market has been receding. The Federal Reserve began hiking rates in March of 2022. The implementation of these policies was tardy, abrupt, consistent and effective.

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## ARMLS Total Sales by Year with Rank via ARMLS

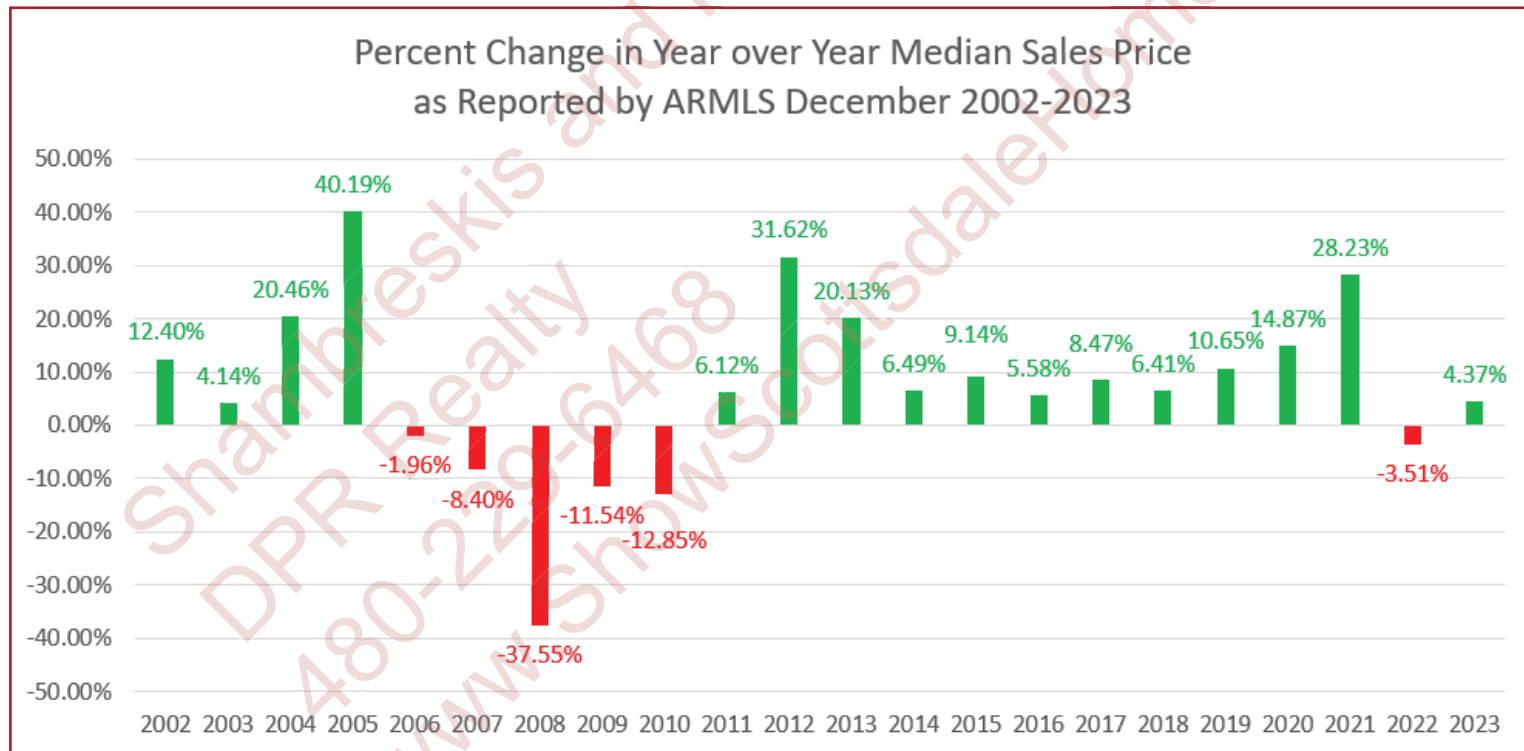




## ARMLS MEDIAN SALES PRICE DATA: \$430,000

The median home sales price peaked in May/June of 2022 at \$475,000 and finished 2022 with a median sales price of \$411,995. This past year, even though we had dismal demand, supply was even weaker. As a result, ARMLS reported a 4.37% increase in the median sales price. As evidenced from the chart below, home prices have remained relatively flat over the last 2 years.

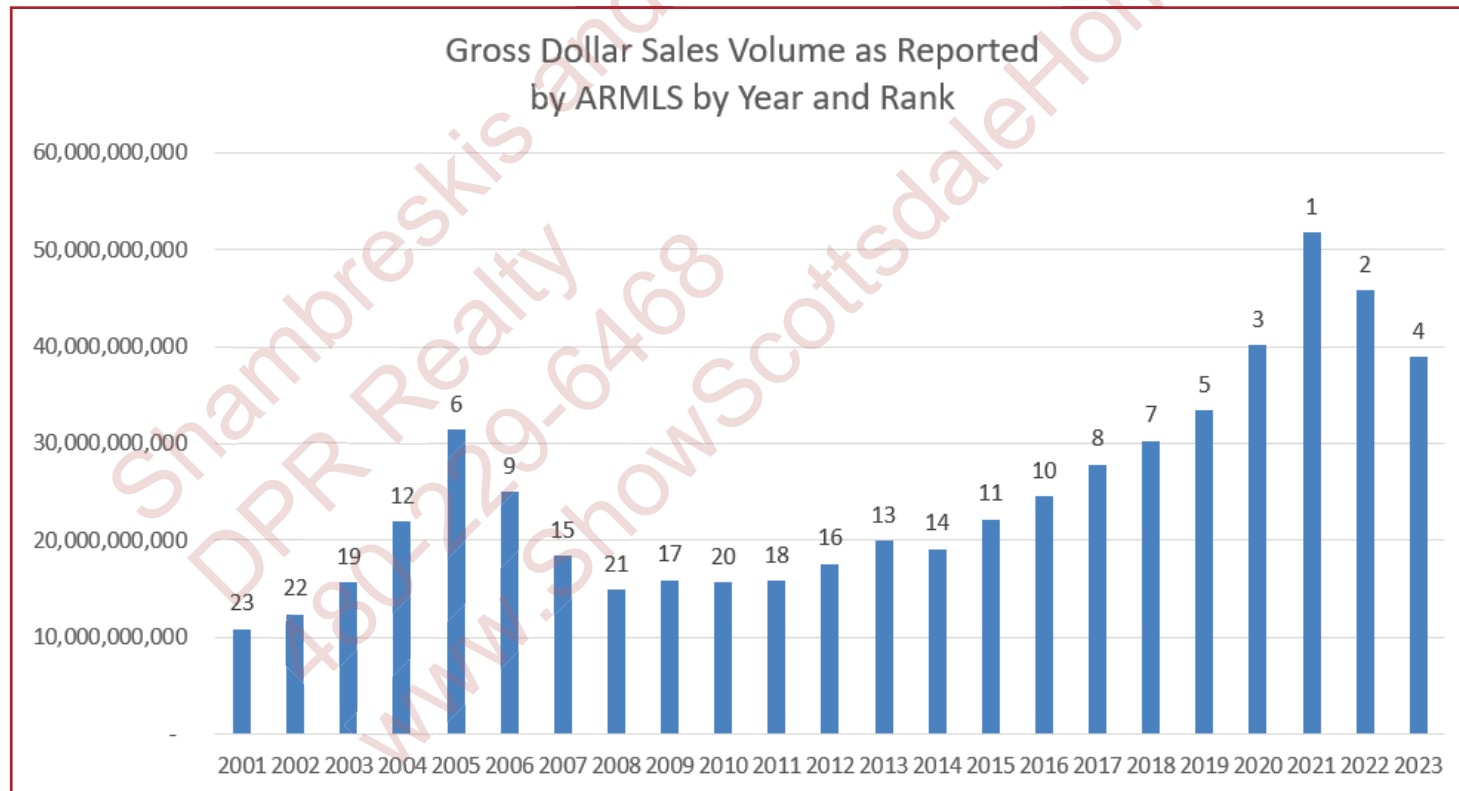
## Percent Change in Year over Year Median Sales Prices as Reported by ARMLS December 2002-2023 via ARMLS



## ARMLS GROSS DOLLAR VOLUME: \$38,938,131,025

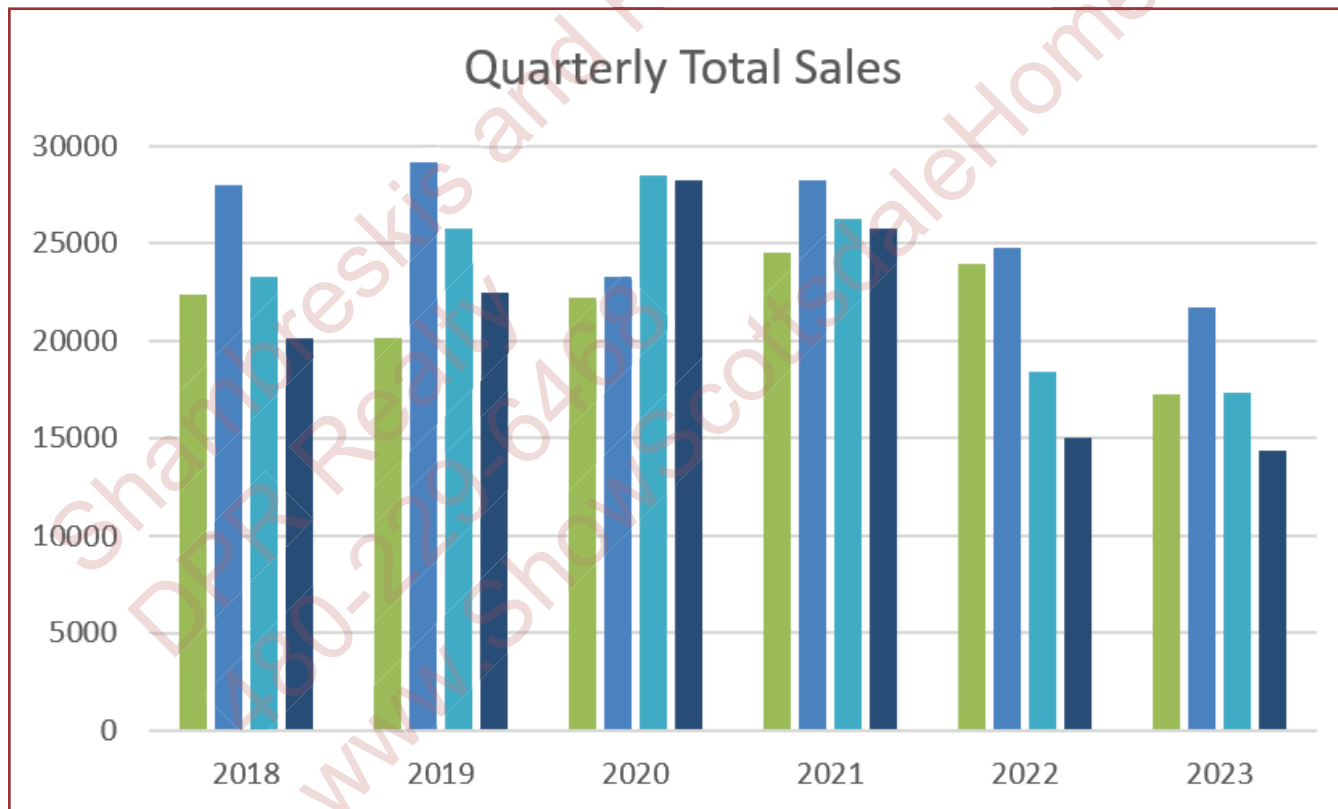
ARMLS reported the fourth highest gross dollar volume total in its 23-year reporting history. Even though we saw weak sales volume, home price gains in 2023 were positive, leaving 2023 gross dollar volume quite respectable. Industry professionals that rely on transactional volume experienced a very challenging year.

### Gross Dollar Sales Volume as Reported by ARMLS by Year and Rank via ARMLS



The chart below portrays ARMLS sales volume on a quarterly basis and is quite telling. 2018 and 2019 show typical seasonal patterns in the data. The third quarter spike in 2020 reflects the impact of Covid stimulus monies, people going home to work and wanting more space, and historically low interest rates. 2021 shows sales volume returning to a regular seasonal pattern, but at elevated levels. We then see the impact of rising mortgage rates in the third quarter of 2022 with a sudden fall in demand. When viewing 2023 data, you'll see the same seasonal pattern as 2018 and 2019, but at extremely muted values.

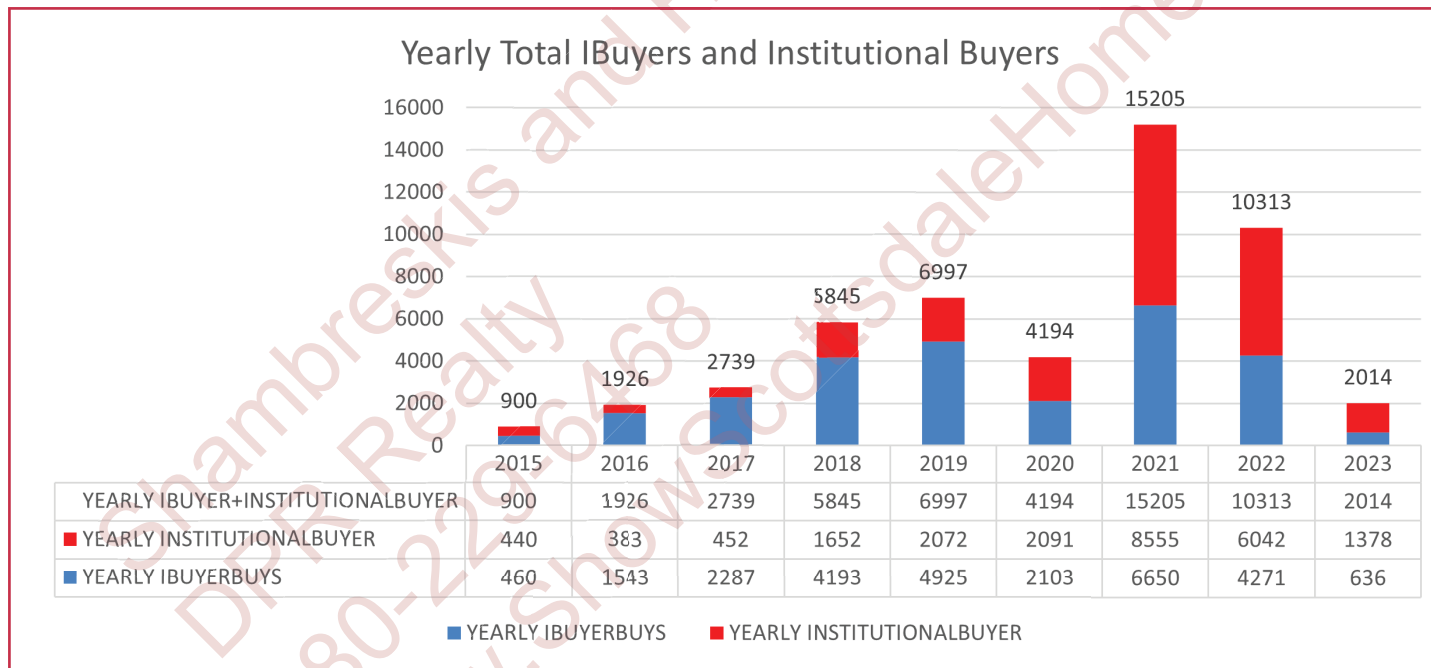
## ARMLS Quarterly Total Sales via ARMLS



## WALL STREET BUYS: 2,014

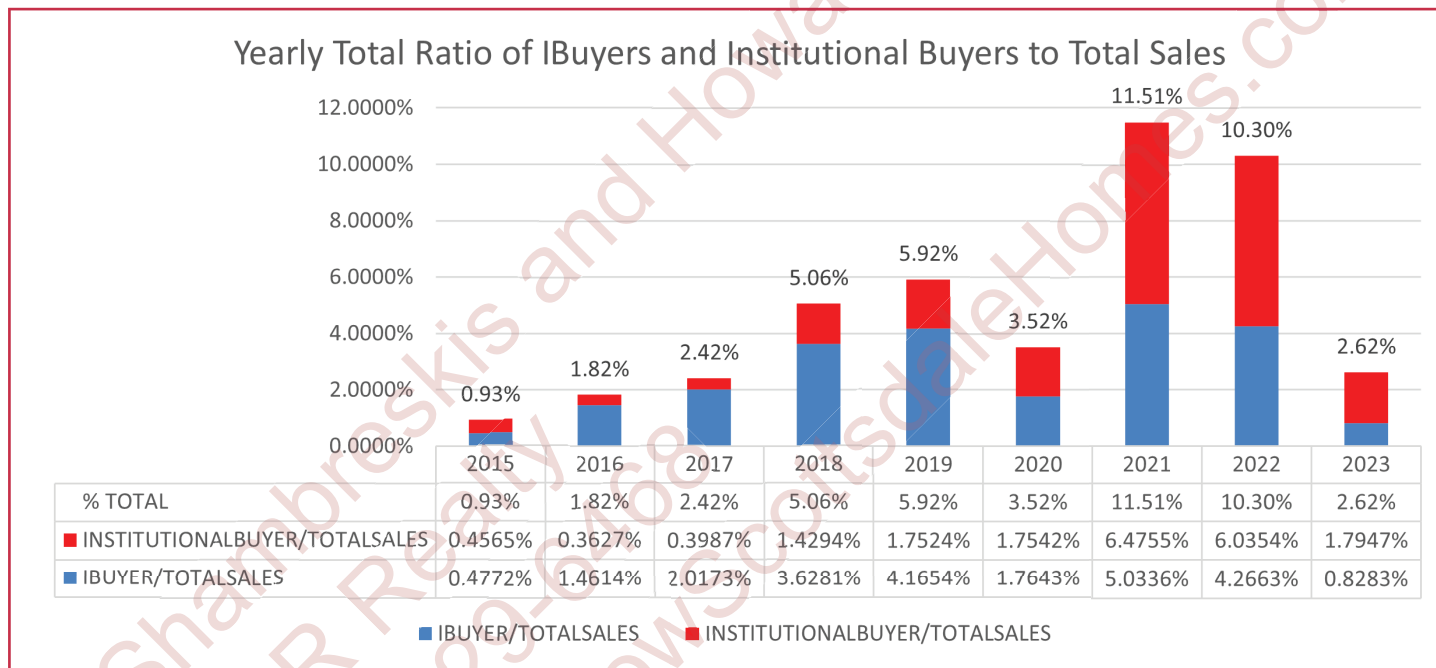
Let's now leave ARMLS data and look at public records data for Maricopa County. In 2023, Wall Street buyers (institutional + iBuyers) accounted for 2,014 total home purchases in Maricopa County. This is down 86.75% from their 2021 record insanity. The aftermath of their lack of logic and restraint in 2021 led to billions of dollars in losses for the iBuyers and left institutional buyers with ROI's far below what they had been experiencing.

### Yearly Total iBuyers and Institutional Buyers via The Information Market



At their peak, “Wall Street” investors consumed between 10% and 12% of all homes purchased in Maricopa County. The worse part was they were all drinking from the same cup—affordable housing, specifically homes priced in the \$300,000 to \$500,000 range.

## Yearly Total Ratio of iBuyers and Institutional Buyers to Total Sales via The Information Market



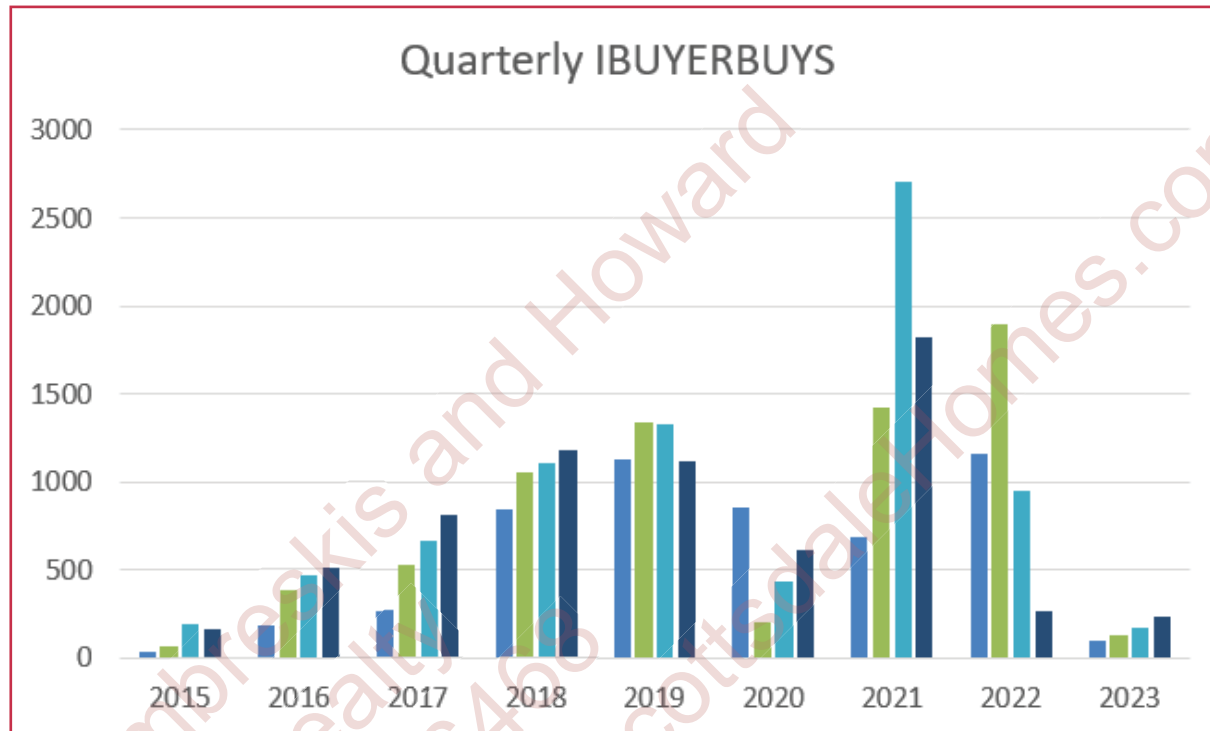
# COMMENTARY

BY TOM RUFF

When we turn to the quarterly charts, we can see the gradual increase in iBuyer activity from 2015 through 2019. Then came Covid-19 in the second quarter of 2020 when they temporarily ceased operations. They may not have caught the virus, but they did catch an extremely bad case of FOMO (Fear Of Missing Out). Nothing cures a bad case of FOMO like quarterly reports, and in theirs, the iBuyers lost billions, with a couple of the players even choosing to cease iBuying activity. Today, their purchases are a fraction of what they were in late 2021 and early 2022. We're no longer seeing losses when comparing the price at which iBuyers purchased their properties and the price at which they were "flipped." According to our calculations, iBuyers are paying around .87% of appraised value on current purchases.

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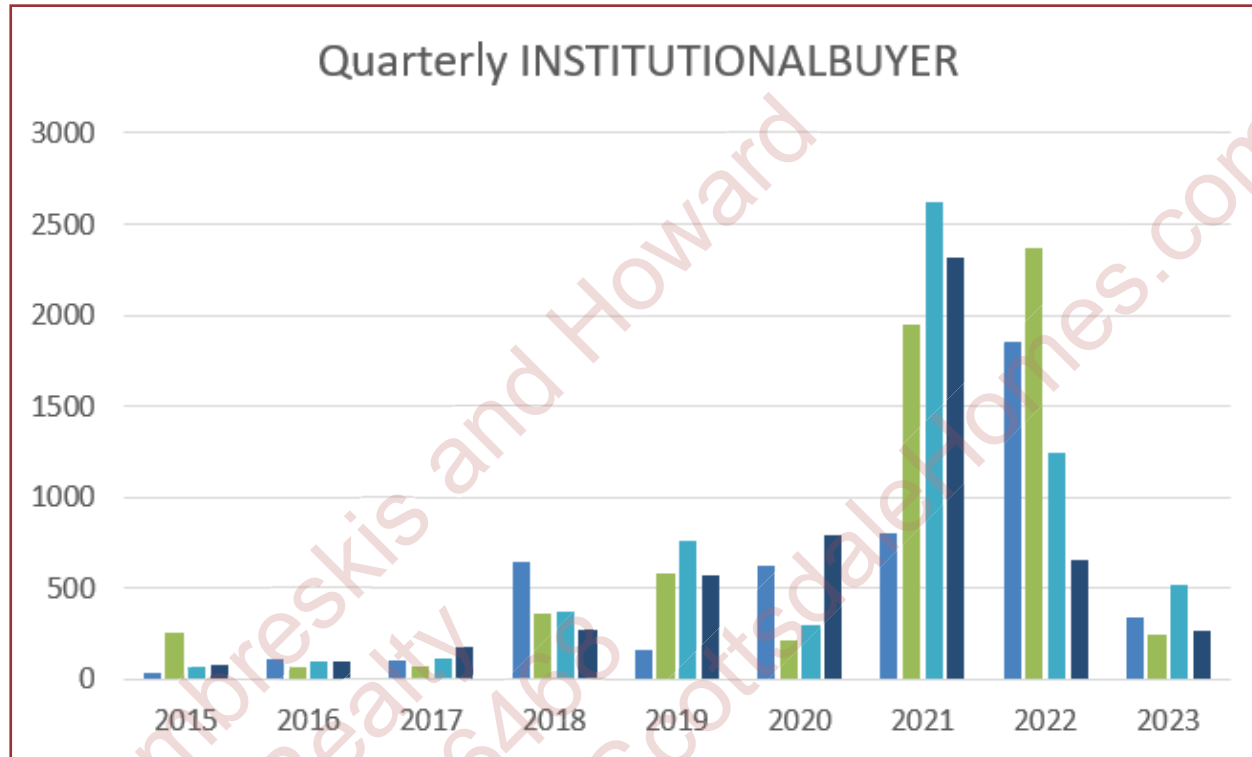
## Quarterly iBuyer Buys via The Information Market



When we turn to the quarterly chart for institutional buyers (wall street monies with a buy/hold/rent strategy), we see a chart very similar to the quarterly iBuyer chart. The institutional buyer's activity has shifted away from resale purchases to focusing on build-to-rent properties.



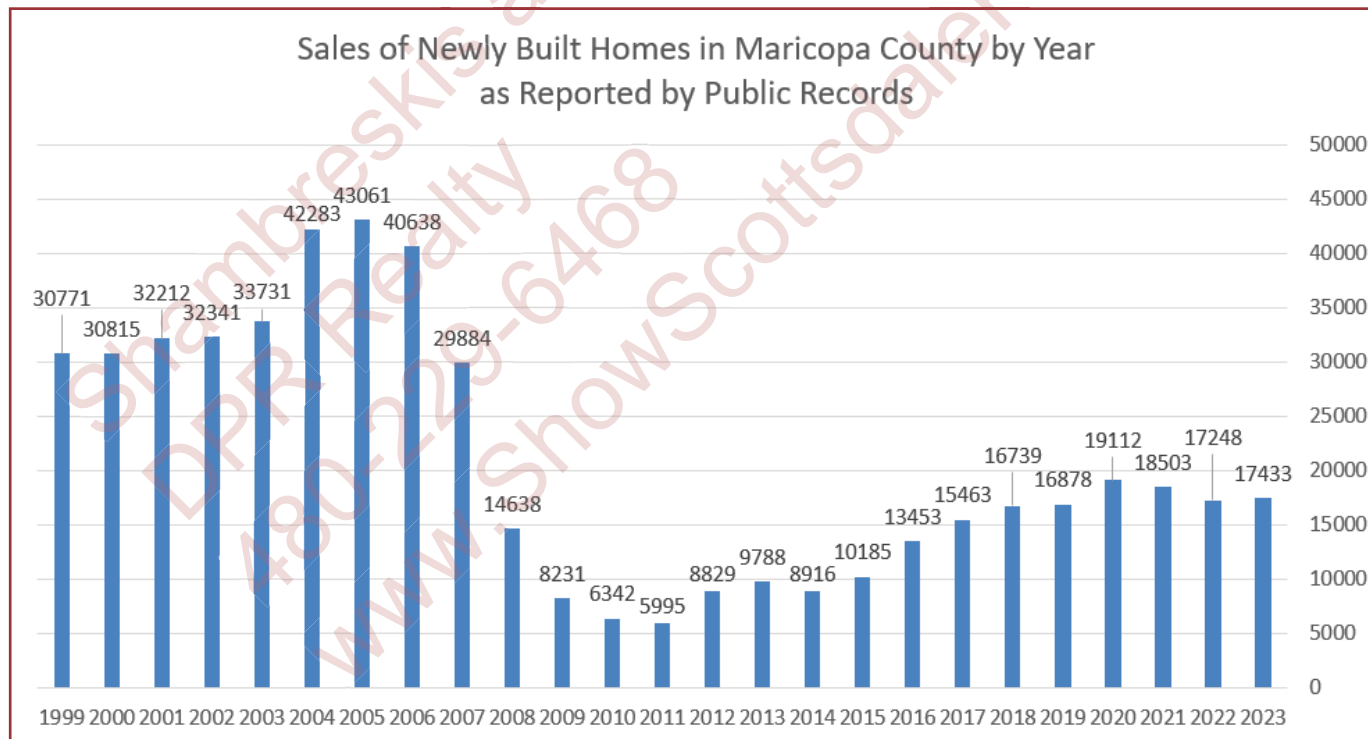
## Quarterly Institutional Buyer Buys via The Information Market



## AND THE OSCAR GOES TO:

And the trophy for the best performing residential housing sector in 2023 goes to new construction! While the other residential sectors over the past five years have had their highs and lows, new construction has been steady and consistent. Home builders had a very good 2023, with home builder stock prices hitting record highs. In a recent Realtor.com article, Kelly Zuccarelli, the National Builder and Condominium Program Manager for Wells Fargo Home Lending, summarized our current environment perfectly, *“Builders are offered financing incentives typically not available for buyers of exiting homes, purchasers of newly built homes can see more affordable monthly payments compared to buyers of similarly priced existing homes.”*

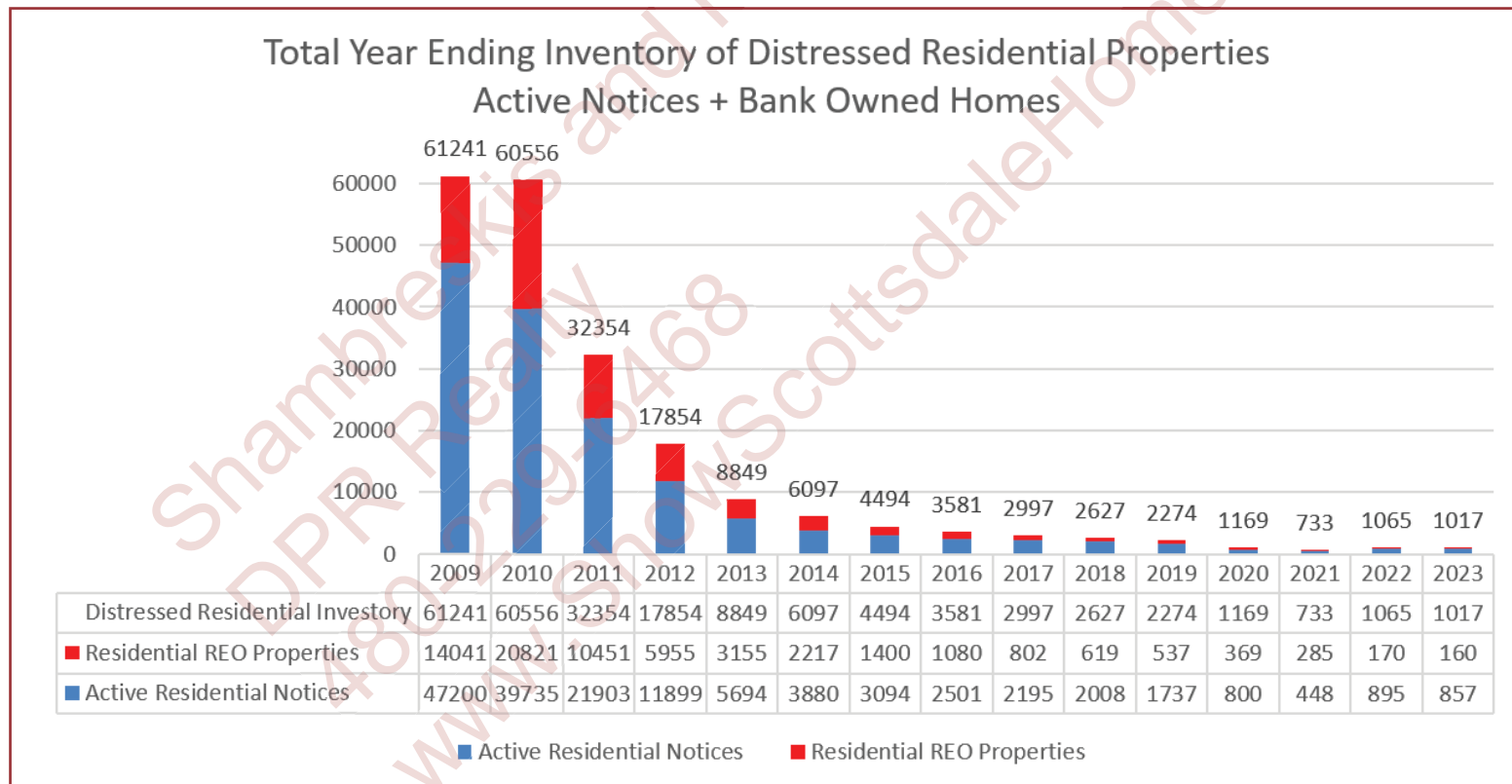
## Sales of Newly Built Homes in Maricopa County by Year via The Information Market



## Maricopa County Foreclosure Data:

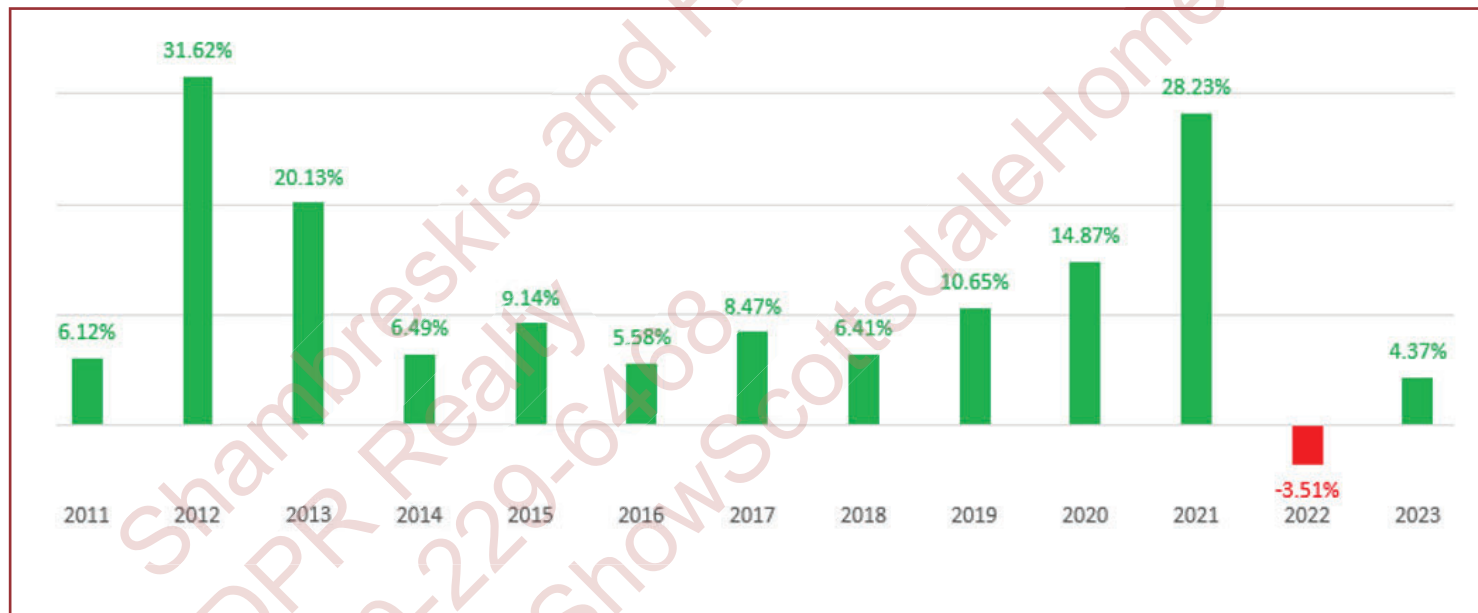
Remember the Goldman Sachs report we mentioned in January and the “potential” 2023 housing collapse that was to rival 2008? Well, let’s just share the charts. To be totally transparent, we were wrong in our projections also, as we had anticipated a slight increase in distressed residential properties and, instead, we saw a modest decline.

## Total Year Ending Inventory of Distressed Residential Properties Active Notices + Bank Owned Homes via The Information Market



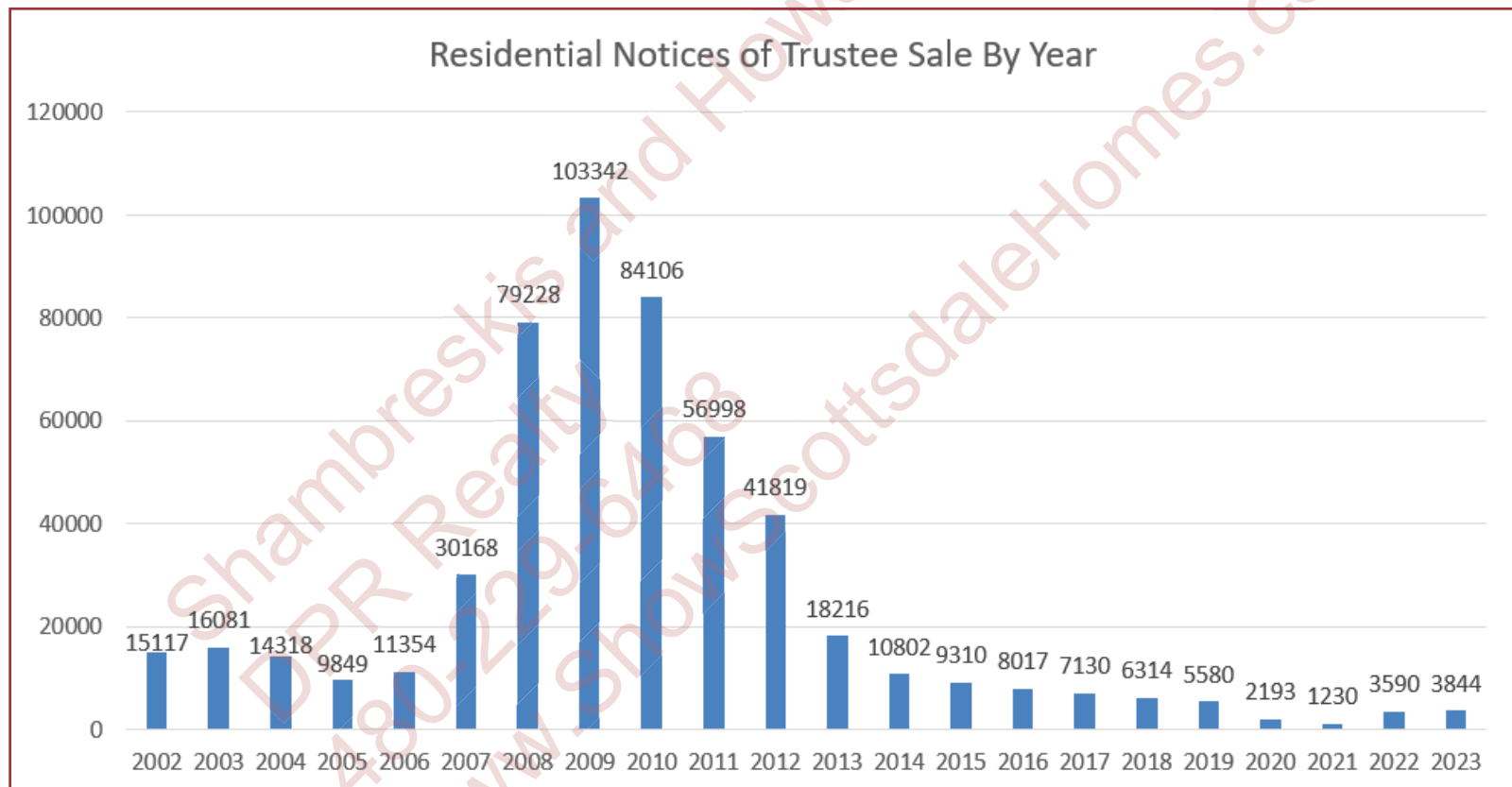
With foreclosures, homeowners with equity have options, making an actual foreclosure highly unlikely. Here is a snippet from the annual median appreciation table which we displayed earlier. The chart runs from 2011 through 2023. It's safe to say homes purchased between 2011 and 2021, unless refinanced, have considerable equity. Over the last two years home prices have remained relatively flat, leaving homebuyers with minimal down payments with little-to-no equity, which makes them more vulnerable by default. It should also be noted that we had extremely low sales volume the past two years, further restricting the number of buyers falling into this category.

## Annual Appreciation Table Snippet from 2011-2023 via The Information Market



We did see the expected modest increase in year-over-year notice of trustee sales. 2023 saw 254 more residential notices recorded in 2023 than in 2022, an increase of just over one notice per business day. The 3,844 notice of trustee sales recorded in Maricopa County in 2023 is still extremely low. Distressed property sales and purchases will again be a non-topic in 2024.

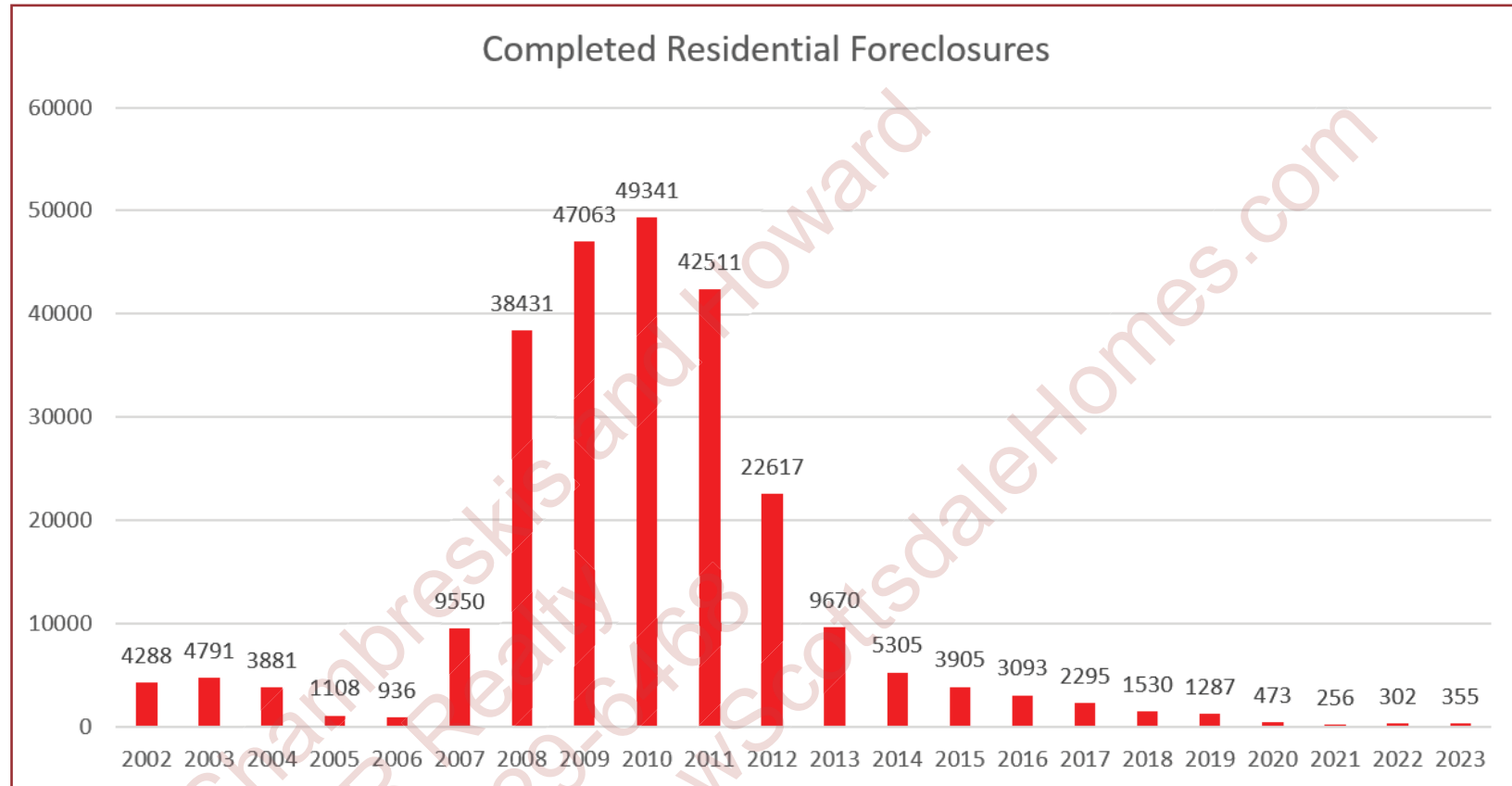
## Residential Notices of Trustee Sale by Year via The Information Market



The first danger zone for foreclosure activity is two years after a loan's origination. A major impetus for future foreclosure activity is the environment (prices/mortgage rates/down payments/volume/underwriting standards) at the time the home was purchased/refinanced. Homes purchased after the last 2nd quarter of 2022 with a minimal down payment would be considered at risk. Foreclosure activity in 2023 remained at historical lows. It should be noted, 2020 and 2021 numbers were being subdued through government intervention. There were only 354 homes foreclosed on in 2023, 70 of the 355 homes foreclosed on were from loans that originated in 2005, 2006 and 200. Yes, we are still cleaning up dirty laundry from 17 to 19 years ago. The 70 homes foreclosed on in 2023 exemplify my definition: *"The environment at the time the home was financed."*

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## Completed Residential Foreclosures via The Information Market

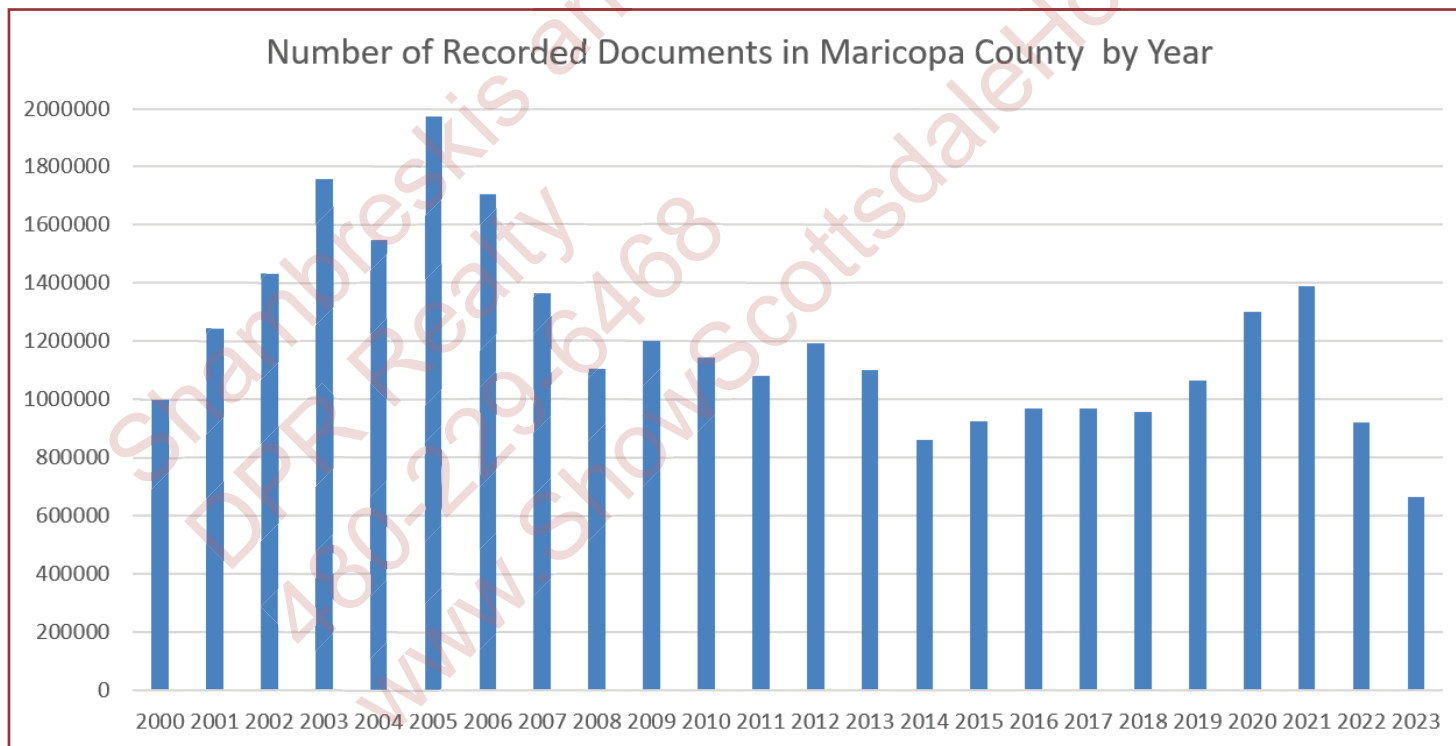




## Our 2023 Family Photo

If there is one chart that perfectly portrays the decline in real estate activity over the past two years in Maricopa County, it would be this one. In 2005 there were 1,974,575 documents recorded in Maricopa County, in 2021 there were 1,387,670 documents recorded and in 2023 there were only 662,637. The number of documents recorded in Maricopa County this past year was 52.25% lower than 2021 and 66.44% lower than 2005's record total. Ninja loans in 2005, historically low rates in 2021, and a rising rate environment in 2022 and 2023 scream, "Federal policy matters."

## Number of Recorded Documents in Maricopa County by Year via The Information Market



## In Conclusion:

We started our year in review talking about a single word to describe 2023 and a single word to guide and inspire us in 2024. “Cyberattacks”, “lawsuits”, “volatile interest rates”, “low demand”, “low supply”, “extremely low transactional volume”, “stable prices” and “market corrections” are all single words that accurately describe the past year. I’ll stick with my word for the previous year- “OVER!”

The Federal Reserve has raised interest rates 11 times since March 2022, the fastest pace of tightening since the early 1980s. In the past two years, the Federal Reserve has raised its benchmark rate 11 times in an effort to cool inflation. Now that inflation has slowed, the Federal Reserve expects to hold rates steady before cutting them later in 2024. At least, that’s what Google would tell you. ChatGPT would tell you that attempting to predict mortgage rates is discouraged because numerous unpredictable factors such as economic indicators, global events, central bank policies, and market speculation make the task highly unreliable and risky.

That said, we find ourselves beginning 2024 in almost exactly the same position as 2023 when talking about four key metrics: supply, demand, supply vs demand and interest rates.

Cromford Supply Index 2024: 62.5

Cromford Supply Index 2023: 68.9

Cromford Demand Index 2024: 71.2

Cromford Demand Index 2023: 73.4

Cromford Market Index 2024: 113.9

Cromford Market Index 2023: 106.7