

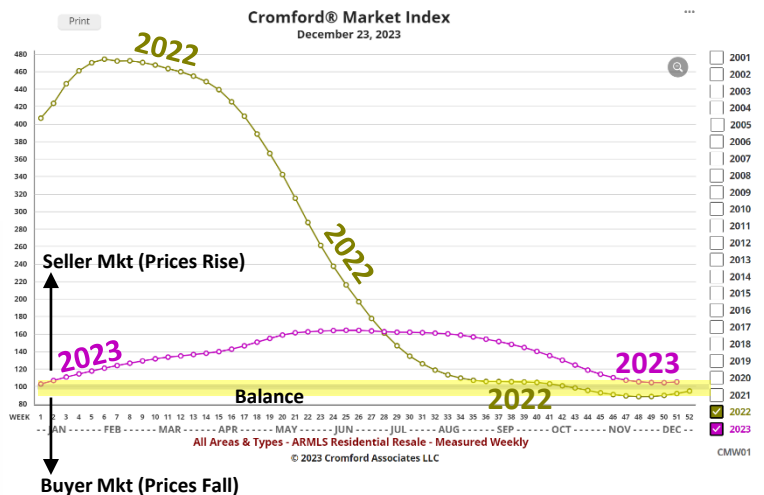
# The Real State®

A Snapshot of the Greater Phoenix Residential Real Estate Market



November to December 2023, the supply-demand index declined from 109.4 to 105.1, with a small rise in supply and minor decrease in demand. On December 13 the Federal Reserve held the Federal Funds Rate at its current level and indicated plans for three rate decreases in 2024. Mortgage rates responded with a drop from 7.1% to 6.6% within 2 days, where they have stabilized—down about 1.4% since October’s 8.0% peak. On a \$400,000 loan, that’s \$380 off the monthly payment. From the vantagepoint of the annual holiday lull, it’s a bit difficult to project how lower rates will affect supply, demand, and overall activity going forward. Theoretically, they may create more market demand and favorably impact sales volumes for homes under \$1 million. More affordable rates might finally create opportunities for sellers who have been locked in for the past few years and free up their properties. On the buyer side, they could enable buyers to move up or get out of the rental market.

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.



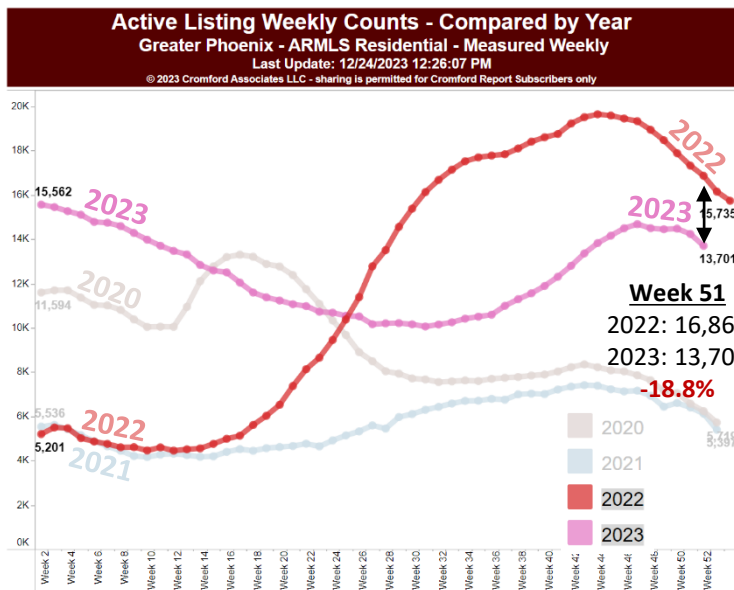
# Comparing 2023 to 2022: ACTIVE LISTINGS

The last 2 weeks of December are typically a “dead zone” for new listings as most sellers decide to wait until the new year. Of all the new listings added to the Arizona Regional MLS since the year 2000, January and March are the top months for listing a home. February still packs a punch, but it’s the shortest month of the year so it’s hard to compete. November and December have the lowest counts for new listings, which means by now housing inventory looks a lot like retail stores on Christmas Eve: passed over and primed for a price drop after the holidays. Incentives are highest in new home communities looking to get under contract before the new year, and price negotiations put an additional squeeze on the sellers’ net during this time. While buyer activity is expected to increase in 2024, it’s uncertain how much new inventory will offset it.

## ALL NEW LISTINGS ADDED in Q4 As of December 22, 2023 vs. 2022:

- Under \$300K: 2,369 (-1.5%)
- \$300K–\$600K: 9,950 (-3.4%)
- \$600K–\$1M: 3,399 (+9.0%)
- \$1M–\$2M: 1,205 (+12.8%)
- Over \$2M: 665 (+48.1%)

If the lower mortgage rates pull some sellers off the fence, then the market could stay in balance with unremarkable price appreciation. If sellers decide to stay put, then we could see a mild seller’s market emerge once again, which would resume an upward pressure on price. For most sellers to feel comfortable listing their home and becoming future buyers, mortgage rates need to remain low and stable to accommodate a process that could take at least 2-3 months. Regardless, expect to see a spike of price reductions in the first few weeks of January as existing listings coming off 2023 are hit with new, fresh competition in the first quarter.

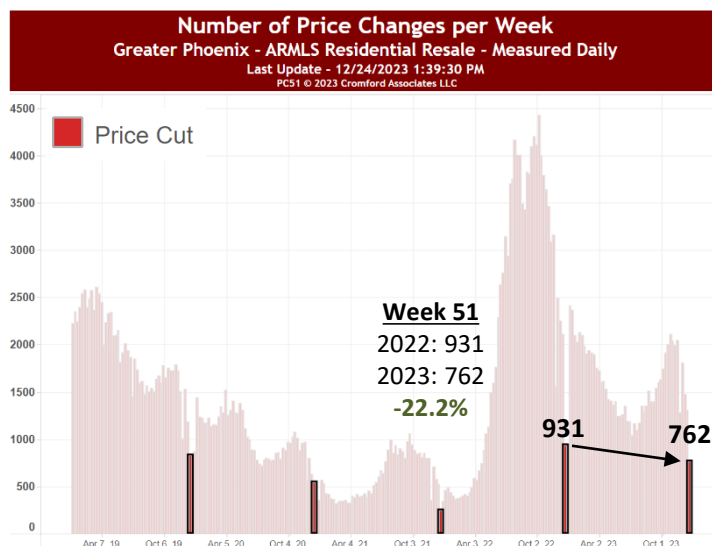


## % Change in Active Supply: Week 51, 2023 vs. 2022

Price Range	# Active	Δ From Last Year	4-Week Avg Price Drops
Under \$300K	1,815	-1.1%	186
\$300K–\$400K	2,657	-34.8%	312
\$400K–\$500K	2,673	-32.8%	282
\$500K–\$600K	1,748	-17.6%	179
\$600K–\$800K	1,980	-6.8%	189
\$800K–\$1M	888	-10.4%	80
\$1M–\$2M	1,132	+3.0%	83
Over \$2M	808	+26.4%	31

## % Change in Average Asking Prices per SF: Week 51, 2023 vs. 2022

Price Range	Active \$/SF	YOY % Chg	Median Reduction
Under \$300K	\$175.11	-10.7%	-\$5,100
\$300K–\$400K	\$231.51	+0.2%	-\$8,000
\$400K–\$500K	\$239.70	-0.2%	-\$10,000
\$500K–\$600K	\$257.11	+0.7%	-\$9,900
\$600K–\$800K	\$285.06	+1.7%	-\$10,000
\$800K–\$1M	\$328.32	+4.4%	-\$14,980
\$1M–\$2M	\$433.61	+3.2%	-\$25,000
Over \$2M	\$850.98	+4.6%	-\$100,000



# Comparing 2023 to 2022: SALES VOLUME & PRICE

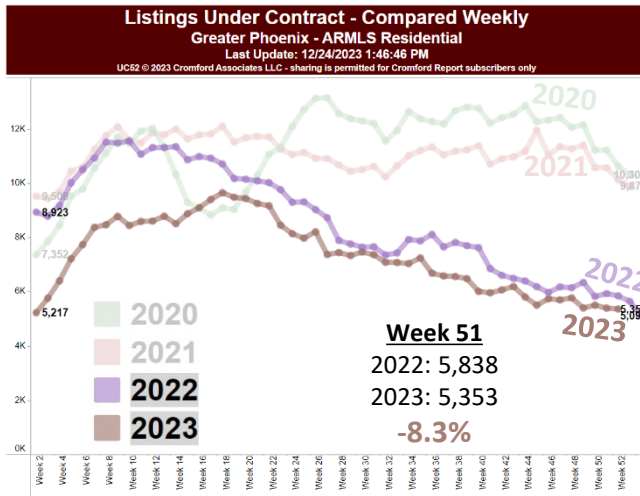
There have been numerous national headlines in November and December addressing the decline in home sales along with contradictory headlines asserting a rise or decline in home values. For example, Zillow's article released in November was addressing year-over-year sales home price declines for August to August. The Case Shiller reports were about year-over-year declines for September, and month-over-month increases from August to September. This puts all three measures severely behind in providing the most up-to-date, useful data for buyers and sellers. The current state of pricing, as of December 22, is up 8.1% year-over-year and flat from November to December. The upward pressure on the overall average is due to luxury appreciation over \$1M. As depicted in the table below, all price ranges under \$1M have appreciated 4.5% or less, while over \$1M has appreciated at least 10% since last December. If we were to remove all sales over \$1M, the overall appreciation rate would be 3.5%—in other words, close to the rate of inflation.

## ALL CLOSED SALES IN Q4 to Date As of Dec 22, 2023 vs. 2022:

- Under \$300K: 1,718 (-12.7%)
- \$300K–\$600K: 7,406 (-6.7%)
- \$600K–\$1M: 2,234 (-2.2%)
- \$1M–\$2M: 739 (+8.0%)
- Over \$2M: 303 (+42.9%)

The median sized home sold between \$1M–\$2M is 3,200 square feet; \$2M–\$3M is 4,200 square feet; and over \$3M is 5,500 square feet. 80% of all sales are homes under 2,500 square feet. The monthly median sales price so far in the Arizona Regional MLS is \$430,500, up 3.7% from last December's median of \$415,000. The median is literally the midpoint of all sales prices, meaning 50% sold for more, and 50% sold for less. The average is more influenced by the luxury market and skews very high at \$571,686, up 9%. This puts the median sales price, not the average, as the best measure for reflecting the annual appreciation rate for most homeowners.

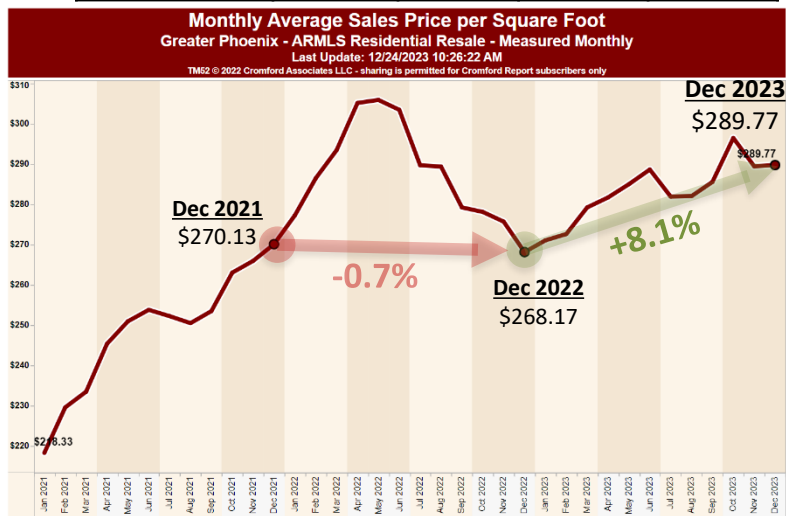
## Contract and Sales Activity: Week 51, 2023 vs. 2022



Price Range	Week 51 In Escrow	Δ From 2022	Sales \$/SF	Annual Price Chg.
Under \$300K	577	-30.1%	\$184.50	0.0%
\$300K–\$400K	1,370	-10.8%	\$228.67	+1.8%
\$400K–\$500K	1,170	-4.4%	\$237.13	+2.4%
\$500K–\$600K	687	+2.7%	\$255.64	+4.5%
\$600K–\$800K	665	-11.2%	\$281.53	+1.9%
\$800K–\$1M	311	+5.8%	\$319.24	+4.5%
\$1M–\$2M	338	-3.7%	\$411.86	+10.2%
Over \$2M	235	+23.7%	\$716.15	+11.8%

## Concessions and DOM: Dec. 2023 to Date

Price Range	% Incl. Concessions	Median \$ Concession	Days On Mkt
Under \$300K	39.1%	\$7,000	31
\$300K–\$400K	56.2%	\$9,338	34
\$400K–\$500K	58.0%	\$10,000	36
\$500K–\$600K	46.7%	\$11,500	43
\$600K–\$800K	37.4%	\$10,500	38
\$800K–\$1M	31.8%	\$10,000	39
\$1M–\$2M	21.5%	\$13,545	41
Over \$2M	7.6%	\$22,813	46



## ARTICLES OF INTEREST:

Nov. 26, 2023 – Yahoo! Finance

[Metro Phoenix home sales down, prices up. Here are tips for buyers and sellers](#)

Nov. 29, 2023 – Arizona Republic | AZCentral.com

[Queen Creek tamps down its short-term rental ordinance, against regional calls](#)

Nov. 30, 2023 – Bloomberg

[Amkor Plans to Invest \\$2 Billion in Arizona Chip Packaging Plant](#)



Dec. 1, 2023 - Arizona Republic | AZCentral.com

[300-acre project includes auto mall, hospital proposed in Laveen, but neighbors concerned](#)

Dec. 1, 2023 – AZ Big Media

[Here's how Arizona population boom is impacting the economy](#)

Dec. 15, 2023 – Arizona Republic | AZCentral.com

[Developer aims to bring major employers and 'as many jobs as possible' to Maricopa](#)

Dec. 17, 2023 – Arizona Republic | AZCentral.com

[Metro Phoenix still a top market for home building despite high rates. Here's why](#)