PHOENIX METRO
RESIDENTIAL REAL ESTATE

Annual Changes from March 11, 2024 to March 11, 2025

Active Listings for Sale = 24,190

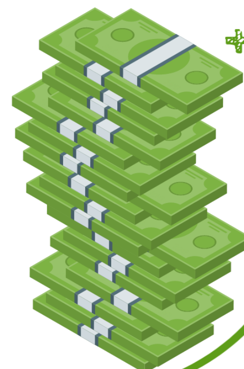
+43.3%

Listings Under Contract = 8,845

-0.1%

Monthly Median Sales Price = $460,000

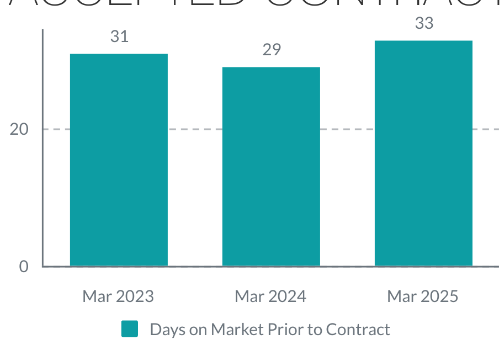
+4.3%



CLOSED SALES
Total Monthly Sales = 5,999

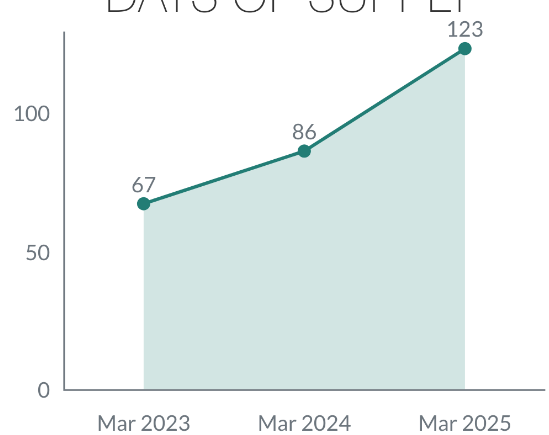
Down 0.3%

MEDIAN DAYS BEFORE ACCEPTED CONTRACT



50% of listings placed under contract so far this month had been active for 33 days or more and 50% had been active for 33 days or less.

DAYS OF SUPPLY



If no new listings were to come on the market, at the current annual rate of sales, inventory would run out in 123 days.

Encompassing the Arizona Regional MLS area, which includes Maricopa County, Pinal County and a small part of Yavapai County

It's a Buyer's Market. Why aren't prices crashing?

Could Economic Uncertainty Help the Housing Market?

For Buyers

Phoenix has been in a buyer's market for 3 out of the last 4 months, and it's continuing into March as of this writing. Some buyers may be surprised to see price measures aren't showing a decline yet, in fact the median is up 4.3% over last year. Price measures take at least 3-6 months to crack after a shift in the market, and that shift needs to be in effect for at least a season before it starts to hit the price line.

Why does it take so long? For a number of reasons, but one is the length of the sale. When selling a home, first the seller needs to list it on the open market and possibly wait 30 days before accepting a contract. Then after another 30-45 days in escrow, the price finally records. Then in order to establish a trend, two more months need to be established to show a measurable decline in price. Stocks, in contrast, can be sold and recorded at the push of a button, so volatility and price responses are instantaneous, and crashes are common.

This is only the 4th buyer's market for Greater Phoenix over the past 25 years, and the one from 2006 -2008 was a doozy that ignites PTSD for those who suffered through it. Because the housing crash coincided with the Great Recession of 2008, there are some who believe home values are set to crash if another recession should occur in the near future. Historically, this theory is not supported. Typically home values go flat and boring during recessions, or barely rise. Ironically, buyer demand for homes increases during recessions because mortgage rates typically decline. Measures today suggest prices could decline in the coming months if supply continues to rise, but more like a coast or glide, not a crash.

Most price ranges are currently averaging somewhere around 1-2% appreciation year-over-year, which is less than the rate of inflation. However, condominiums and townhomes under $400K are seeing the most notable declines in value, down -4.2% so far this month, while those between $1M-$1.5M are experiencing the strongest growth at +5.5%. Under these circumstances, any drop in mortgage rates will have significant impacts on a buyer's purchasing power.

For Sellers

Today's buyer's market is not due to falling buyer demand. The Cromford Demand Index is actually rising at the moment. It's rising supply that's causing sellers added stress. So far in this year, the Arizona Regional MLS has seen more new listings added to supply than it has in the last 4 years, and the highest total count of active listings since 2015. While buyer demand is improving, it's not enough to absorb this many added listings. The byproduct is a spike in price reductions over the past 4 weeks (up 58% over last year) and stronger buyer negotiations, even for homes in perfect condition.

The average list price per square foot tells us that sellers are not pushing the market on price as much as they used to, with measures by price range mostly within 1% of last year, give or take. But added pressure from increased competition is causing some sellers to go the extra mile just to get an offer. That could mean staging their vacant home, or neutralizing paint, upgrading appliances, or more.

Once they get the offer, price negotiations are shaving off a tad more than they did last year as well. The average price negotiation for listings under $1M is running at 98.3% of the last list price, down from 98.6% last year. On a $500,000 purchase, that's a negotiation of $8,500 off the sales price vs. $7,000 last year. Negotiations over $1M are averaging 95.4% compared to 96.4% last year. On a $1M home, that's a downward negotiation of $46,000 vs. $36,000.

There's one ray of good news for sellers. Mortgage rates have been trending down since January's peak of 7.26% and are averaging 6.78% as of this writing per Mortgage News Daily. In the face of perceived chaos and uncertainty over the economy, potential tariffs, and federal government downsizing, the stock market declined as investors moved their money over to more stable investments, including bonds. This pushed down rates on the 10-year treasury, which is closely tied to 30-year mortgage rates. If mortgage rates continue to decline past 6.5%, the market will improve for sellers.

Commentary written by Tina Tamboer, Senior Housing Analyst with The Cromford Report