

# Metro Phoenix home prices hit another record amid bidding wars. Here's what's behind the housing market

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Many metro Phoenix houses priced below \$500,000 are drawing multiple offers within hours of being listed for sale.

That means a lot of potential homebuyers are walking away from open houses or new listings defeated.

Most sellers are upbeat about rising prices but then face heated competition to buy another house.



The lack of houses for sale in the Phoenix area and record-low interest rates enticing more buyers are working together to push home prices to a new record. The median price of a metro Phoenix house hit \$325,000 in August, according to the Arizona Regional Multiple Listing Service. That's up \$5,000 from July.

August's price is a 18% price jump from last summer, and the forecast calls for prices to hit another high in September.

“While many economists predicted a shutdown in our housing market, the exact opposite has happened,” said veteran housing analyst Tom Ruff of ARMLS’s Information Market. “Metro Phoenix’s housing market performance has been nothing short of amazing considering rising unemployment typically means a fall in housing activity.”

## Who is buying Phoenix houses?

Most metro Phoenix homebuyers plan to live in their houses, according to the Cromford Report’s analysis of property records.

About 81% of Valley homebuyers in July and August marked the owner-occupied box on property records. Those records are regulated because people who make an Arizona house their primary residence receive a property tax break.

Market watchers concerned about another boom and bust are watching closely who is buying in the Valley now.

Too many speculators using loans that required little to no down payments fueled the boom from 2004 to 2007 and then played a big part in the crash from 2008 to 2011, when those buyers walked away as housing prices plummeted.

Investors in that time accounted for about 40% of all Phoenix-area home sales. In July and August, investors accounted for about 10% of all Valley home sales.

IBuyers like Opendoor, Offerpad and Zillow and second-home buyers accounted for the other 9% of recent sales.

## **Unsolicited offers**

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Many metro Phoenix homeowners are receiving multiple calls and texts daily from people they don't know offering to buy their houses.

The offers promise cash and a quick sale.

Flippers buying houses that need repairs or complete renovations for bargain prices are more common when the housing market is slower. But those buyers have trouble competing when home prices are climbing fast like now.

Most of the fishing calls to buy Valley houses for cash now are coming from wholesalers, say real estate market watchers. And the people making the offers to homeowners aren't actually buying the house.

Wholesalers are essentially brokers, often unlicensed, who find buyers willing to sell for less to get cash and a quick deal. Then the wholesaler finds an investor to pay \$10,000 to \$40,000 more for the house, depending on the sales price.

Most of price difference goes to the wholesaler when the sale closes.

Tina Tamboer, senior housing analyst with Cromford, said home sales done through a wholesaler often confuse homeowners who see their house sell for much more than what they received for it.

"Wholesalers do push prices up because they shop for the highest price from investors," she said. "But the homeowner doesn't get that price."

Wholesalers aren't listed on public real estate records because they aren't the buyer or seller, so the number of middle people involved in metro Phoenix home sales can't be tracked.

But the number of Valley houses listed for sale is likely lower because of the wholesale deals that don't give the average buyer a chance to make an offer.

## Key housing numbers

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The supply of homes for sale now also is lower because many homeowners are holding back on selling due to COVID-19 concerns, according to Realtor.com.

Since the beginning of the new coronavirus pandemic in March, nearly 400,000 fewer U.S. homes have been listed compared to last year, reports the national real estate website.

"Sellers are more reluctant to list their home given the uncertainty over the economy and the pandemic environment," said Javier Vivas, director of economic research for Realtor.com.

- In metro Phoenix, about 13,500 houses were for sale in September, according to ARMLS. That's 4,000 fewer than last year.
- Valley home sales through September are up almost 2% from last year's near record pace.
- Foreclosures and short sales are down from last year despite the pandemic-led recession. Higher home prices and forbearance agreements with lenders are likely helping homeowners struggling due to job and income losses now, housing analysts say.
- Metro Phoenix's median home price is expected to have hit \$326,000 in September, though a final figure won't be available for a few weeks.

"Anyone who thinks Valley home prices will flatten out or even drop in the next few months will be disappointed," Tamboer said. "The market is so weighted toward sellers due to lack of supply, it would take 8 to 10 months to see that shift. And we aren't seeing any move toward that shift yet."



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