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Zillow Rated 5 ★★★★★

The Skarphol Rapport[©]

Q3-2021



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**It's A Fall Haul
Y'ALL!**



**"Don't wait to buy real estate.
Buy real estate and wait."
Will Rogers**

QUARTERLY MARKET UPDATE - FOR BUYERS, SELLERS, AND INVESTORS

Residential and Commercial real estate ended Q3 like a monsoon storm!

Residential inventory has not kept up with steady buyer demand accounting for a 32.4% YOY increase in the S&P / Case-Shiller[®] Home Price Index[®]. Phoenix has remained at the top of this index for 26 consecutive months, a new record.

Further disruption is occurring as the iBuyers ramp up their acquisitions holding over 15% of the active inventory. Also noted in the data is iBuyers selling directly to institutional customers which has grown from 10% to 30% of sales. The iBuyers and institutional buyers are working with seemingly unlimited cash. OpenDoor now has an inventory of 3,258 homes in Maricopa and Pinal counties; a substantial number when compared to 6,828 Active listings in our ARMLS system.

Cash is beating out many buyers even when buyers waive the appraisal and inspection contingencies. A recent transaction I handled for a first-time buyer ended with us losing a purchase to Zillow Group for a higher price \$100,000 or 25% above the list price.

More market storms ahead as we go into the Fall selling season. Affordability is now at 56.4%, below the normal range of 60-75%. This may be contributing to some modest cooling in demand, but it remains a strong seller's market at all price levels.

Commercial real estate has also been incredibly robust in all asset classes. The impact of net population growth continuing at 300 people per day combined with strong job growth is propelling the demand. Also, powerful trends in distribution, manufacturing, technology, and logistics are setting records as massive warehouse projects are being announced in the Southwest, Southeast, and Northwest Valley.

EXECUTIVE SUMMARY – RESIDENTIAL REAL ESTATE MARKET IN 60 SECONDS

KEY STATISTICS – Single-family homes:

Active Listings: **6,828 - down 11% YOY and more than 115% BELOW the historical average**

Listings Under Contract: **10,604 – down 14% YOY, but 15% above 2019.**

Sales: **43,756 units – up 21.9% YOY**

Sales Volume: **\$34.6B – up 43.5% YOY**

LUXURY MARKET: Record corporate profits and economic recovery continuing despite pandemic driven setbacks are fueling a record setting real estate market for properties above \$800k. Over 1,035 homes under contract is a 26% YOY increase. Sales of 3,471 units is a 122% YOY increase which is reflected in the record sales volume. Active listings are hovering around 1,300 units for the last 3 quarters, so substantial sales have been offset by matching new inventory preventing any significant reduction in the Active units. This also might reflect some stale inventory that is not updated or overpriced.

LUXURY LAND OPPORTUNITIES: Call me if you are interested in luxury living on acreage with privacy, security, and views! Large parcels some with spectacular homes, many with no HOA. From 2 to 70-acre estates and/or acreage currently available in Cave Creek, Carefree and Scottsdale.

BUYERS: Competition for deals continues for buyers and investors. Over 18% of the sales are from California home buyers many with cash. Recent increased activity by iBuyers has also put a wrinkle in the competition as they snap up available listed properties and an increasing number of direct purchases from the sellers. Both activities put additional pressure on price for buyers. Keeping expectations level combined with patience and effective buying strategies work in this market. Experience and relationships with colleagues also aid in winning contracts.

SELLERS: A continuing message of good news for sellers. Demand at all price levels makes this a great time to cash-out to move-up or right-size. Some softening is reflected in more listing price reductions and cancellations. So, staying in tune with the market, adjusting pricing if needed to stimulate an offer and working with the buyer can result in a win-win. These market conditions should continue for several years as inventory lags and new home building won't catch up due to material, supply chain issues, and labor shortages slow the builder's ability to deliver finished homes.

KNOCK Home Swap Program:

Sellers under \$750k have plenty of equity, but the move-up is extremely challenging because if they sell, can they find that new move-up home? A startup called KNOCK launched a Home Swap program to address this challenge. They provide a no interest bridge loan against existing equity to allow sellers to make non-contingent offers on a new property. The program provides up to \$25,000 towards making the home to be sold market ready and competitive. It will also advance up to 6 months of loan payments on the home to be sold. The seller can buy, move, and then have up to 6 months to sell. I am certified to assist with this program, so if the stress of selling and buying concurrently has kept you from entering the market, just call me for details. This program works up to a purchase price of \$750k.

RESIDENTIAL TESTIMONIALS:

"Steve did a FANTASTIC job (as always). I have now used Steve's services for the purchase and sale of my condo and now the purchase of this townhome. Steve made everything go smoothly and has always been super transparent with me. There were never any surprises and I appreciate the fact that Steve responds so quickly to texts and emails. Steve made this whole process seem "easy" and less stressful/intimidating. I have always recommended Steve to people when I know they are looking to either buy or sell. Thank you, Steve, for all that you have done for me, I truly appreciate it!"

A.T. – Repeat Client – Move-up Buyer

"The best real estate agent I have ever dealt with. Very professional, experienced, and helpful. If you are planning to buy a house in Phoenix or nearby areas, Mr. Steve is the one you should go for. He is absolutely wonderful to work with. It's like having a friend on the "inside" that is working for you. Made buying a house such a breeze! I was new to home buying, he helped me every step of the way. HIGHLY RECOMMENDED!!!"

S.H. & N.S. – First-time Multi-family Buyer

"Steve I just wanted to say thank you again for helping us in getting our new home! 😊 You were such a great help Jerry and I really appreciate you."

J.G. & J.G. – First-time Buyer

"Steve, I really wanted to thank you for all of your hard work and helping me out with my first house. It was an absolutely amazing investment for me, and I couldn't have done it without you."

B.M. – Repeat Client--First-time Seller

EXECUTIVE SUMMARY – COMMERCIAL REAL ESTATE MARKET IN 60 SECONDS

Multi-family: Fastest rent gain in 20 years as average rent reaches above \$1,400 per month. Tenant demand has driven vacancy to 3.1% placing Phoenix among the top ten markets in the U.S. Investor demand has pushed inventory levels to a 20-year low. Net absorption of 12,250 units is a 20-year high fueled by in-migration and household formation. Another 10,000 units are on-line for completion with 30,000 units in the pipeline for completion in 2022/2023. Great for sellers and challenging for buyers at all price levels.

Medical Office: Rents have increased 6.1% YOY with average rents reaching \$24.67 per sq foot in the West Valley. Vacancy is currently 13.1% across the Valley with Airport Area vacancy at 0% and Downtown North at a healthy 2.9%. Construction has slowed below the 5-year average with new activity concentrated in the West and Southeast Valley, which mirrors population growth. Investment interest is increasing, but sales reflect some softening in the market for sellers as average sales price per square foot declined. Good market conditions for medical office buyers.

Office: Rents in this segment increased marginally to an average of \$27.62 per sq ft keeping a consecutive YOY increase going since 2012. Underlying weakness remains as the pandemic impacts return to work pushing vacancy to 22.9% for the Metro Phoenix market. New construction is at a three-year low. Tempe and proximity to ASU provides access to young well-educated workers is reflected in a strong demand for investment and new construction.

Industrial: Rents increased from an average per sq ft of \$7.96 to \$9.21 a 15% increase since Q2 with nearly 10.4M sq ft of leasing activity in Q3. Vacancy is now at 5.2% across the Metro-Phoenix market, a 13.3% decline over Q2. New construction has delivered 8.3M sq ft YTD with another 24.6M sq ft under construction. Investment in this sector at an all-time high.

Retail: Rents are increasing on average and now are settling at \$14.90 per sq ft. Vacancy has declined to 7.2% in Metro Phoenix as a result of 250k sq ft of net absorption and declining new construction of 188k sq ft. A challenging time for this investment

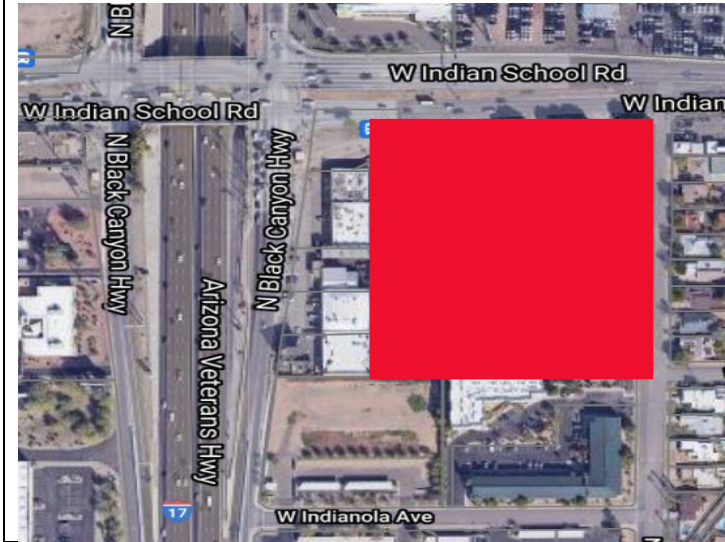
sector requiring re-purposing, re-positioning and re-tenanting to adapt to changing consumer demand and preferences. Three new outdoor shopping centers have been announced indicating the permanent impact caused by the pandemic.

Land: Residential lots to build a custom home are in short supply. Most of the remaining inventory is impacted by flood plain or other development issues like hillside location. Infill land pricing is soaring for multi-family.

FEATURED NEW LAND LISTINGS: MULTI-FAMILY DEVELOPMENT SITE & AN INDUSTRIAL BUILDING SITE

\$13.5M - 6.19 acres – potential for - 320+ units

\$875,000 - .98 acres – A-2 Zoned – Heavy Industrial



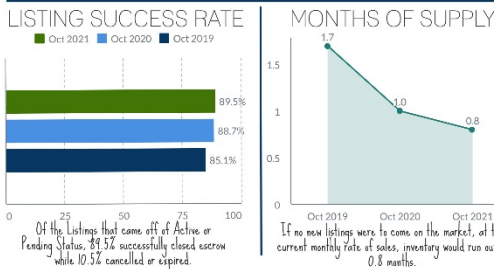
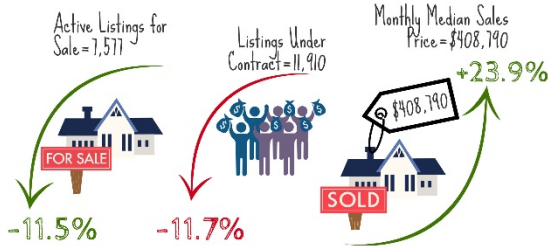
Multi-Family or Mixed-Use Development – Prime Intersection!

Manufacturing, Assembly, Distribution, or Storage Yard!

Call me for details!

PHOENIX METRO RESIDENTIAL REAL ESTATE

Annual Changes from October 6th, 2020 to October 6th, 2021



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

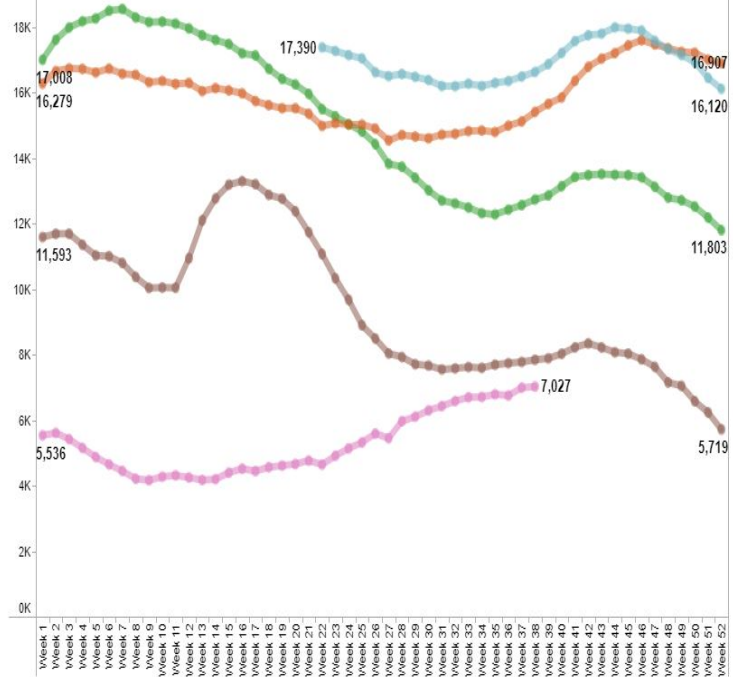
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Active Listing Weekly Counts - Compared by Year

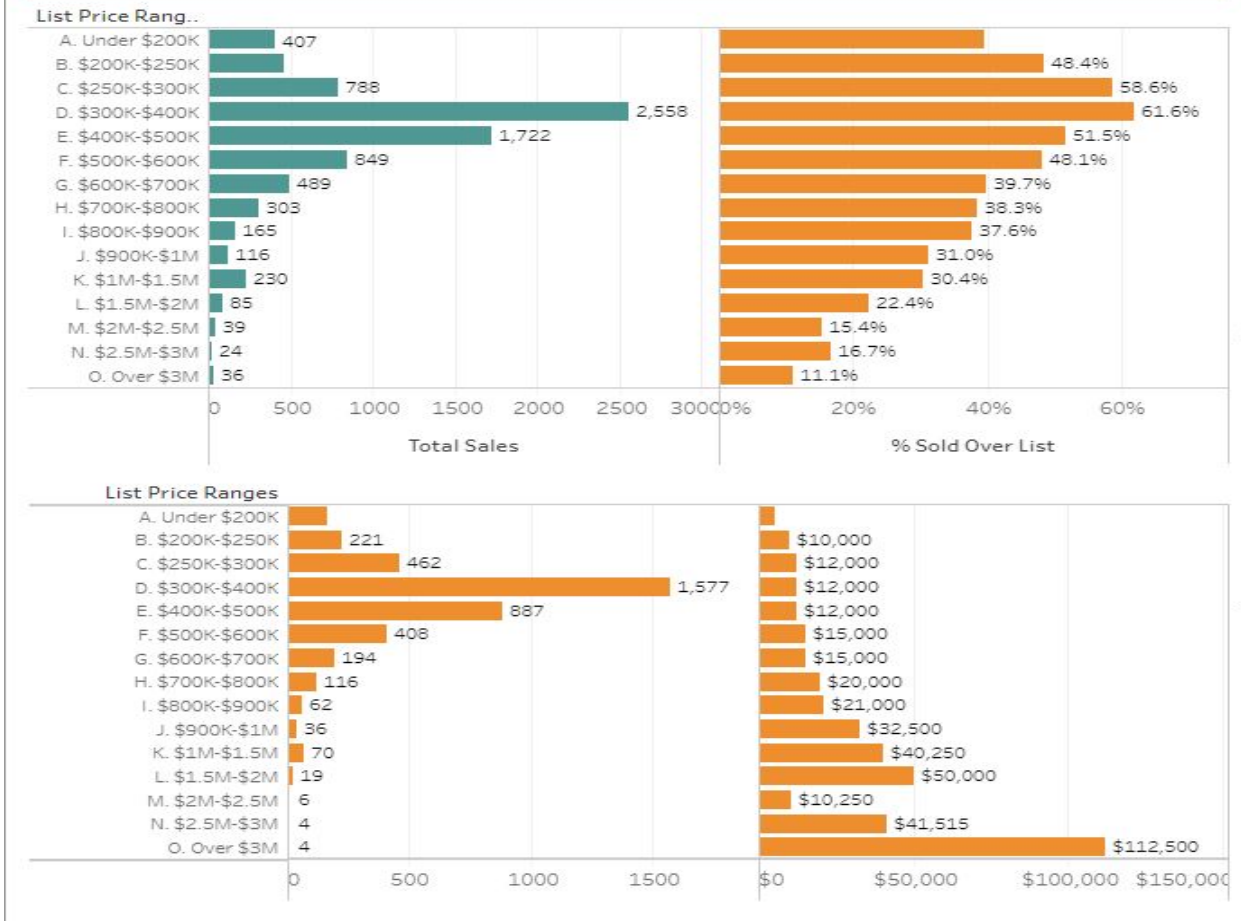
Greater Phoenix - ARMLS Residential - Measured Weekly

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Closings over List Price - by Price Range Last 30 Days



SOURCES: Michael Orr, *The Cromford Report*, *The Information Market*, *Phoenix Business Journal*, *The Rose Law Group /Belfiore – Dealmaker*
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