

Signs of Optimism, After enduring a nail-biting ride in 2022 caused by rising interest rates, builders and real estate agents are bullish again on the Valley's housing market

By [Angela Gonzales](#) – Senior Reporter, Phoenix Business Journal
Mar 31, 2023

Homebuilding in metro Phoenix slowed drastically in mid-2022 and buyers ran for cover after rising mortgage interest rates caused potential homebuyers to hit the pause button.

[Tina Tamboer](#), senior housing analyst for The Cromford Report, put it another way during a recent Phoenix Business Journal virtual panel discussion on the metro Phoenix housing market.

"I feel like the builders have just been driving through a school zone," she said.

Still, despite the slowdown last year, [Patty Lafferty](#), principal and designated broker for The Land Agency who also was on the panel, said she's starting to see signs of stabilization as the first quarter of 2023 winds down.



Empire Group of Cos. is developing this luxury community in Avondale.

EMPIRE GROUP COS.

One reason for Lafferty's optimism is the fact that, over the past several years, metro Phoenix's economy has become more diversified, growing tech and biotech sectors to provide more stability to what was once a real estate-based economy.

For example, hundreds of employees that have been in training to work at Taiwan Semiconductor Manufacturing Co.'s new \$40 billion facility in north Phoenix **have arrived** and are preparing to begin working there. The development of TSMC's manufacturing plant and other high-paying tech jobs are creating a need for more housing, said **Shelby Duplessis**, president of land development for The Empire Group of Cos.

"We're still seeing 300 people a day moving into Maricopa County from elsewhere — that's 111,000 people a year," said Duplessis, a panelist. "And again, high-paying jobs."

BY THE NUMBERS

HOME SALES COMING BACK TO LIFE AMID COOLED MARKET

The Cromford Report is a highly respected database showing daily activity in home sales. This research shows how the Valley market cooled over the past year, but is picking up again.

DATE	ACTIVE LISTINGS	MEDIAN PRICE	LISTINGS UNDER CONTRACT	MONTHLY DOLLAR VOLUME
3/27/23	17,643	\$417K	9,528	\$3.57M
2/27/23	18,426	\$410K	9,523	\$2.93M
12/27/22	19,217	\$415.7K	6,072	\$2.6M
3/27/22	8,832	\$455K	12,136	\$5.14M
3/27/21	9,352	\$359K	12,649	\$4.07M

Source: The Cromford Report

More housing in the pipeline

As a result, Empire Group plans to build 354 rental homes within a luxury community with resort-like amenities on a [40-acre parcel near TSMC's site](#).

Empire Group is among a [growing list of developers buying land](#) to build for-sale and rental homes near TSMC.

"We're moving quickly," Duplessis said. "We have quite a few projects underway. I anticipate that we'll be breaking ground on a project every month this year."

The Covid-19 pandemic wreaked havoc on the supply chain and labor shortages, she said.

"We're still catching up from all of that and now just starting to get some of our approvals," Duplessis said.

Empire Group has 13 build-to-rent projects totaling 3,149 luxury units in development and three more parcels in escrow for another 888 units across metro Phoenix.

Lafferty said she's negotiating a lot of land deals for build-to-rent developers.

"When consumers aren't at the table to buy a home, they have to live somewhere," Lafferty said. "So where do you go? You go to rent."

[Teresa Hague](#), co-founder of 72Sold and one of the panelists, said everyone got whiplash last May when mortgage interest rates skyrocketed.

"And then in November and December everything halted," Hague said.

THEY SAID IT

REAL ESTATE EXECS OFFER OUTLOOK ON VALLEY'S HOUSING MARKET

Four top Valley residential real estate executives offered their 2023 outlook of the metro Phoenix housing market at a time when the market has cooled in the wake of mortgage interest rate hikes in 2022.

What does the market feel like today?

“Obviously interest rates have increased, but the buyers are still there. They’re just – instead of being in a frenzy and accepting anything and everything that’s out there – they’re being a lot more picky. Sellers have had to check in and come up with some seller concessions. Inventory is still extremely low. So we’re seeing the buyers out there, they’re just a lot more picky and holding out for the better homes.”



TERESA HAGUE,
Co-founder, 72Sold

“From a long-term perspective, I still have a very positive optimistic view of housing in Phoenix. Short term, obviously we’ve already been through quite a season in 2022, but generally speaking, greater Phoenix is still in a period of growth in terms of employment and expansion of industries. We still have people moving here. We do have the demand for the houses that we have. And so that tells me that we are in a temporary period of our history.”



TINA TAMBOER,
Senior Housing Analyst,
The Cromford Report

“Anything that had fallen out of escrow is actually back in escrow now. So I think the worst is behind us. I think we took a pause in the market and maybe did a market correction and that was needed.”



SHELBY DUPLESSIS,
President of Land
Development, The
Empire Group of Cos.

“We feel like the worst is kind of behind us. And then long term, I’m super bullish on the Phoenix market, the fundamentals still exist for a very healthy and robust housing market.”



PATTY LAFFERTY,
Principal/Designated
Broker, The Land Agency

Housing inventory is rising

But now she's seeing an uptick in homebuyer interest.

"There's a lot more inventory than there was," Hague said. "There used to be 4,000 or 5,000 homes on the market and now there's 15,000. So I think the buyers are back. They've swallowed that pill with the interest rates, they want to get in the game and they want to move forward."

Even so, inventory remains low, as homeowners who bought their homes when mortgage interest rates were 3% are hanging on to their homes, she said.

"If I was a buyer, I wouldn't worry about the interest rates. I'd get in and get it done now," Hague said.

Median home prices have been holding steady around \$415,000 over the past few months, according to Tamboer.

"There's less downward pressure on price right now because there are very few sellers choosing to sell," she said.

First-time homebuyers have had a tough time in the red-hot market over the past couple of years. During the pandemic, they lost out in the frenzy of investors and cash-buyers. Then skyrocketing mortgage interest rates in early 2022 created further burdens for first-time buyers.

But that's all changing, Tamboer said.

"The biggest winners in this entire scenario as of today have been FHA buyers," she said. "Over the last three years, FHA buyers have been kicked to the curb by the sellers because they didn't have a high enough down payment and they needed things like repairs done and they needed the home to appraise — silly things like that. So now that many of the cash buyers have retreated — they've been nursing their wounds from getting kicked in the shins over the last six to seven months — sellers are now considering those FHA contracts, where they wouldn't have before."



Empire Group of Cos. is building luxury communities across metro Phoenix like this one in Peoria.

EMPIRE GROUP OF COS.

Not only that, she said, sellers are more than happy to offer concessions, such as paying closing costs.

Last October, the Federal Housing Administration announced it would begin increasing its loan limit to about \$530,000 beginning in 2023, increasing the buying power of first-time homebuyers, Tamboer said.

"And many lenders started honoring that right away, even though it was for 2023," she said.

Most recently, FHA said it will be reducing the mortgage insurance premium for those buyers, putting them in a better position to afford a new home, she said.

Hague said she's already seeing an uptick in FHA loans.

"It's a less expensive loan so that's really helped the first-time homebuyers," Hague said. "While we're not seeing the 40 offers like we used to, we're still seeing three or four offers because the cash buyers are out."

A [cooling market](#) also allows buyers to be more picky, she said.

"Where before if they wanted a three-car garage, they would settle for a two-car garage," Hague said. "Now they're really sticking to their checklist on what they want and the sellers are actually helping with seller concessions. So that's keeping our market moving and keeping prices very stable. I just feel so optimistic."