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When will it end? Phoenix home price growth tops nation at 20%



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Home prices continue to skyrocket in metro Phoenix.

JIM POULIN | PHOENIX BUSINESS JOURNAL

By [Angela Gonzales](#) — Senior Reporter, Phoenix Business Journal
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Phoenix home price growth reached a whopping 20% in March, leading the nation for the 22nd consecutive month, according to the latest results of the S&P CoreLogic Case-Shiller Indices.

With the national average now 13.2%, San Diego came in second, with a year-over-year price gain of 19.1%, followed by Seattle with an 18.3% increase that month.

The competition for the relatively few homes on the market shows no signs of slowing down as summer approaches, said [Matthew Speakman](#), an economist for Zillow Group Inc. (Nasdaq: Z).

"We expect Phoenix to continue to be a booming destination further accelerating trends we saw coming into 2021," Speakman said. "Places like Phoenix are migration magnets thanks to relatively affordable, family-sized homes, a booming economy and sunny weather. Record-low mortgage rates and the increased demand for living space, coupled with a surge of millennials buying their first homes, will keep the pressure on home prices there for the foreseeable future."

The S&P CoreLogic Case-Shiller's national composite 13.2% gain was last exceeded more than 15 years ago in December 2005, and sits very comfortably in the top decile of historical performance, said [Craig J. Lazzara](#), managing director and global head of Index Investment Strategy at S&P Dow Jones Indices.

In March, home prices in metro Phoenix averaged \$470,200, up 24.8% year over year, while the median sales price was \$359,300, up 18.8% year over year, according to Arizona Regional Multiple Listing Service.

When will it end?

[Jim Daniel](#), president of RL Brown Housing Report, said homebuilders are optimistic.

"Homebuilders prices reflect their costs and their optimism for the near term future of demand in this market place," Daniel said. "An expectation of lower prices in Phoenix for housing may be some time in coming as long as job and population growth feeds the demand side of the market equation. Some softness in land prices may be the first sign of a slowdown in price increases."

While there have been an abundance of stories of Phoenix homeowners selling their homes within a day, nationally, nearly half of all homes that go under contract are doing so in less than a week, Speakman said. Nearly a third of homes nationwide are selling above their initial list price — more than twice the share from a year ago.

"What's more, mortgage rates have [held near all-time lows](#) and the gradual re-opening of the economy has encouraged many would-be buyers to enter the mix," Speakman

said. "All told, there is little, if any, indication that home prices will slow their appreciation any time soon."

Metro Phoenix has seen a large influx of out-of-state buyers — which coupled with affordable home prices, record low interest rates and a historically low inventory — has increased demand exponentially, said [Patty Lafferty](#), principal of The Land Agency in Scottsdale.

There are a number of things that can reverse this environment, such as an increase in interest rates, she said.

"That said, until many of these factors reverse themselves, which we do not see happening over the next few years, we believe prices will continue to climb," Lafferty said.

[Dallas Peagler](#), a real estate agent with The Brokery in Phoenix, said the Valley has seen unprecedented demand in all segments of the market.

The availability of high-paying quality jobs, especially in the tech sector, is fueling the demand for not only entry-level homes but also has driven up demand in the luxury sector of homes priced over \$1 million, he said.

"With demand showing no signs of slowing down, I could easily see the current trends lasting for the next two to three years," he said.