Sedona Mid-Year 2023 Market Report

In the midst of the "Dog Days of Summer" and the Sedona Real Estate Market has definitely been lethargic. Despite record temperatures, our local market has cooled off dramatically from the surge we saw in April and May. Compared with 2022, 2023 sales were off for those two months by 11 percent, but the *Median Recorded Sales Price* moved up 7.3 percent to $1,136,250 versus $1,058,750 in 2022. At that point, it appeared that momentum was building for a surprisingly robust price advance. That, however, petered out a month later as the housing market took a dive in June with the MRSP plunging to $892,500. July saw prices push back up to nearly the $1,000,000 mark (i.e. $999,900) but with rather "light trading."

Some of that can be chalked up to a return to the "normal" Pre-Pandemic seasonality of the Sedona market. Summer and winter have traditionally been our slow seasons with fall and spring as our peak periods. That said, we saw an unprecedented drop in Pending Sales this summer: 27 –a third of what used to be typical for the season.

With Demand down, Supply was steady at around 95 homes –twice the number at the peak of the market in 2021-2022, but half of the usual number prior to those "Unicorn Years." That lagging level of inventory is reflective of the national picture as well. The phenomenon is largely attributed to high interest rates which provide a disincentive to homeowners considering selling. That's especially true in Sedona where home buying and selling is largely discretionary. Very few people come to or leave Sedona because of the exigencies of a career move. If I have to exchange a 2.87 percent mortgage rate here for 7 percent elsewhere, I'll think twice about moving.

Despite the dearth of buyers this summer, demand is expected to pick up as we move into the fall. Coupled with the continuing deficit of supply, that puts upward pressure on prices.

Mike Simonsen, CEO and Founder of highly respected Altos Research projects that low housing inventory is likely to persist at least for another year and a half and that shortage of supply will buoy prices. Even when mortgage rates drop, he contends that inventory will stay low thanks to the release of pent-up demand. Buyers will return to the market with urgency and more purchasing power, snapping up whatever new supply is added to the market.

He expects prices to climb slowly throughout the fall season and end the year at or above those record-breaking 2022 levels and make strong gains in 2024.

That forecast is echoed by such reliable market watchers as Case-Shiller, FHFA, CoreLogic, and the National Association of Realtors.

To those prophets of doom still trying to raise the specter of 2008, remember that beyond the melt-down of the mortgage industry at that time, it was the massive deluge of foreclosures that collapsed prices. It’s especially pertinent, then, to note that there have been no foreclosure sales reported in the Multiple Listing Service so far in 2023. And, none among the Pending Sales nor Active Inventory.