

# OCTOBER 2010

## Real Estate Update



**JEFF GERBER**  
ABR®, GRI®, SRES®, REALTOR®

**Hello Everyone,**

Happy October! Wow, the start of the 4th Quarter of the year, Halloween, cooler days and nights and the return of the first Snowbirds of the season appearing in The Valley. It's all good!!

This month's real estate news is not too active. In the Phoenix area, supply is up, demand is down as are mortgage interest rates. I've had a couple of Lenders tell me that they are seeing a slight increase in calls in the last week, but business is slow. I was amazed to see most of the national news media ignore Warren Buffet's assertion at the Montana Economic Development Summit in mid-September that he thought there would be no double dip in the economy. We saw other positive signs as the Brookings Institute Quarterly Economic Index ranked Phoenix #5 of the Top 100 Metro areas for gross product growth in the last Quarter. Phoenix also ranked 12th in job growth. For Buyer's the news is still pretty good...near historic low mortgage rates (below 5%). Starting Oct 4, there will be some changes to FHA loan guidelines that will make upfront mortgage insurance payments lower, but monthly costs higher. Hopefully this will not hurt too many potential home buyers. Moves are afoot to encourage better 'comps' from Appraisers so we see a better picture of a properties true value. Most in the business will agree that Appraisals are coming in lower than the true property value. (Ask Dave & Jan, see below) Finally, WELCOME CANADIAN FRIENDS. Canadians now make up the largest out-of-state Buyer's in Arizona.

Yesterday was a really fun day. I got to deliver the keys to their new Chandler home to Dave & Jan (relocating from Seattle) after a long and hard search for just the right property. I'm glad we found it together! Congratulations to Michael & Holli from St Louis (and old Yooper friends) on getting close to purchasing a great little condo hideaway in sunny Scottsdale. Congrats (and thanks to Michael for the referral) to Chris from St Louis on having preliminary acceptance on short sale offers in Scottsdale. Let's hope something translates to an actual ownership for Chris. Congrats to Kelly & Jeremy as well as Amanda & Mark on the news of new family members coming to them next year! I'm excited to be working with Stoil & Desi on finding their first home in the US. I'm looking forward to re-connecting with Canadian clients from last year and hopefully helping them take advantage of the great buys available to them and their very strong Canadian dollar this winter. Does anyone know of a someone looking for a really nice 3 bed, 2 bath home in Chandler? I'm still looking for a Buyer for Patty in Andersen Springs. Thanks to Diane for her referral last week. I'm hoping I can earn that business. In closing, I will ask each of you to try and remember to mention my name to any friends, family or co-workers you may know that are looking to buy or sell a home in the East Valley. I would love to earn their business, too.

**Regards,**

**Jeff Gerber**

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ALL AREAS & TYPES	TODAY 10/1/10	ST	LAST MTH 9/1/10	LAST QTR 7/1/10	LT	LAST YR 10/1/09	2 YRS AGO 10/1/08
Active Listings	44,673	↑	43,480	41,189	↑	37,418	53,146
Pending Listings	9,642	↑	9,247	10,525	↓	12,306	6,372
Sales per Month	6,601	↓	7,163	9,166	↓	7,731	6,064
Sales per Year	91,578	↓	92,705	95,394	↑	84,211	54,144
Days on Market - Monthly Sales	107	↑	103	98	↑	93	102
Days on Market - Active Listings	140	↓	141	141	↓	155	150
Days Inventory	179	↑	172	158	↑	163	359
Months Supply	6.5	↑	6.2	4.6	↑	4.8	8.9
Active Listings \$/SF	\$128.86	↓	\$130.97	\$139.61	↓	\$164.82	\$185.81
Monthly Sales \$/SF	\$82.56	↓	\$84.82	\$91.43	↓	\$88.52	\$111.57
Appreciation - Monthly \$/SF	-6.7%	↓	-3.3%	3.9%	↑	-20.7%	-29.9%
Average Sale Price % List	95.38%	↓	95.76%	95.97%	↓	96.97%	96.93%
Listing Success Rate	56.3%	↓	58.1%	63.1%	↓	64.2%	42.1%
Dollar Volume - Monthly Sales	\$1,058M	↓	\$1,177M	\$1,650M	↓	\$1,344M	\$1,324M
Average Price - Monthly Sales	\$160,286	↓	\$164,356	\$180,013	↓	\$173,844	\$218,353
Median Price - Monthly Sales	\$119,100	↑	\$119,000	\$127,500	↓	\$130,000	\$170,425
Average Sq. Ft. - Monthly Sales	1,941	↑	1,938	1,969	↓	1,964	1,957
Cromford Market Index™	86.1	↑	85.8	99.7	↓	122.6	53.8

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The table above provides a concise statistical summary of today's residential resale market in the Phoenix metropolitan area.

The figures shown are for the entire Arizona Regional area as defined by ARMLS. All residential resale transactions recorded by ARMLS are included. Geographically, this includes Maricopa county, the majority of Pinal county and a small part of Yavapai county. In addition, "out of area" listings recorded in ARMLS are included, although these constitute a very small percentage (typically less than 1%) of total sales and have very little effect on the statistics.

All dwelling types are included. For-sale-by-owner, auctions and other non-MLS transactions are not included. Land, commercial units, and multiple dwelling units are also excluded.

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**T**he leaves are changing color and the air is getting brisk – autumn is definitely here! If you would like a free market evaluation of your home, give me a call. Have a spooky (but safe) Halloween!



**A**s a Real Estate Professional, I know the stress that a home system or appliance breakdown can create for a home seller during the listing period or for the buyer after close of sale. Fortunately, you can prevent that stress with a home warranty plan that provides coverage for both the seller and the buyer!

A home warranty plan is a service contract that protects your home's major systems and appliances for a specified period of time. Should a failure occur during the term of the Plan, a qualified contractor is dispatched to repair or replace the covered item for a nominal service call fee. Help is only a phone call away, 24 hours a day, 365 days a year!

For complete peace of mind, I recommend an Old Republic Home Protection Plan for all of my clients. Call me today for more information on how a home warranty can benefit you.

**A**n outstanding customer experience – it's the number one goal on every sales professional's list. If you know anyone who is selling or buying a home, please refer him or her to me and I will provide your referral with the service difference my clients have come to expect from me!



If you are working with another Real Estate Professional, please disregard this notice.

## Health & Safety

### Foods to Eat for a Stronger, Healthier Heart

**Y**ou can improve your heart's function simply by eating heart-healthy foods – and the best news is that many are foods you love to eat anyway. Now you can “take heart” that they are not only enjoyable, but they're also good for you!

#### Heart-healthy Foods:

**Blueberries** – Sweet and plump, these gems are at the top of the list of nature's antioxidants, which are natural ingredients that neutralize harmful substances that contribute to heart disease. They also help prevent blood clots.

**Nuts** – Almonds, walnuts, macadamias, and hazelnuts are high in monounsaturated fat, which works to lower “bad” cholesterol levels. Additionally, they are rich in vitamin E – a powerful antioxidant – and in the amino acid arginine, which helps keep artery walls strong.

**Avocados** – High in the “good” monounsaturated fat, avocados also contain chemicals that inhibit the absorption of cholesterol and protect against hypertension.

**Olive Oil** – A “healthy” fat, this monounsaturated oil is good for your cholesterol, and, when used on salads or to sauté veggies, it helps you absorb nutrients.

**Chocolate** – “Flavonols” – the nutrient found in rich, dark chocolate – helps to lower blood pressure and cholesterol levels.



## Household Tips

### Save your “green” during the holidays

**T**he holidays are just around the corner – and so is the holiday shopping season. This year, enjoy the season without overspending by following these simple tips:

- **Decide how much you can spend.** Set a budget before making the gift list, then trim names or amounts as necessary to stay within your budget.
- **Pay cash.** Have trouble adhering to a budget when using credit? Then make it a cash-only holiday. Set a limit and withdraw the money from your account; when the money's gone, the shopping is over.
- **Shop prices, not sales.** Know the prices for items on your list and don't be fooled by the sale signs. Just because it's “on sale” doesn't mean it's a good deal.
- **Send e-cards.** They're free, don't require postage, and can be easily sent to friends and family both near and far.
- **Be creative.** Bake cookies for a neighbor or friend, or offer to baby-sit, walk the dog, or run an errand. The cost is next to nothing, but such a personal gift is priceless to the recipient.



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## Savor the Flavor

### Chocolate Chip Pumpkin Muffins

#### Ingredients:

- 1 cup all-purpose flour
- 1 cup sugar
- 1 tsp baking powder
- 1 tsp baking soda
- 1/4 tsp salt
- 1/4 tsp ground cinnamon
- 2 eggs, beaten
- 1/2 cup cooking oil
- 1 cup canned pumpkin
- 1/2 cup chopped pecans
- 1/2 cup semisweet miniature chocolate chips

#### Directions:

Preheat oven to 350 degrees. Prepare muffin pan with butter, cooking spray or paper liners. Sift together flour, baking powder, baking soda, salt and cinnamon and set aside. Combine eggs, sugar, oil and pumpkin; mix well. Stir in flour mixture until just moistened—do not over mix! Fold in pecans and chocolate chips. Spoon into pan, filling each cup two-thirds full. Bake 18-24 minutes. Enjoy!

## Helpful Hints

### Credit Card Perks Worth Knowing

**C**redit cards can sometimes lead to “debt hangover.” But for savvy consumers who can use cards wisely, credit cards can have advantages over other payment forms:

- **Safety** – Whether shopping in person or online, cardholders are legally liable for only \$50 in fraudulent charges. Debit cards don’t provide this same level of protection.
- **Free extended warranty** – Many credit cards automatically extend the manufacturer’s warranty (most double it) on items purchased with the card.
- **Travel protections** – When traveling, your credit card may provide insurance on car rentals, travel cancellation or accidents, lost airline luggage and hotel burglary.
- **Dispute help** – Have a problem with a retailer regarding a recent purchase? Dispute the charge and let the credit card company fight with the retailer.
- **Accounting** – It’s easier to account for purchases when you can run your finger down a credit card statement.



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## Real Estate Today



It’s a  
Good Time  
to Buy!

There are three common misconceptions consumers have about the real estate market right now: (1) people can’t get a loan, (2) affordability is out of reach, and (3) consumers should wait for rates to go lower. The truth of the matter, however, is that money is available for those who meet basic requirements, affordability today is better than it has been in several years, and interest rates are historically low. There is also a load of inventory – from new homes to existing homes to foreclosures. This all adds up to the home-buying opportunity of a lifetime!

In the not-to-distant past, sellers controlled the market, but we’re now in a buyer’s market – a great opportunity for buyers to negotiate a favorable price and other concessions from the seller. If you’re qualified to buy a home now, the purchase makes sense for your situation, and you’re prepared to live in that home for at least five years, it’s a good time to find the property of your dreams and put a stake in the home-ownership ground. Call me today and I will help you locate the perfect property, and guide you through the process of making it yours!

September 17, 2010

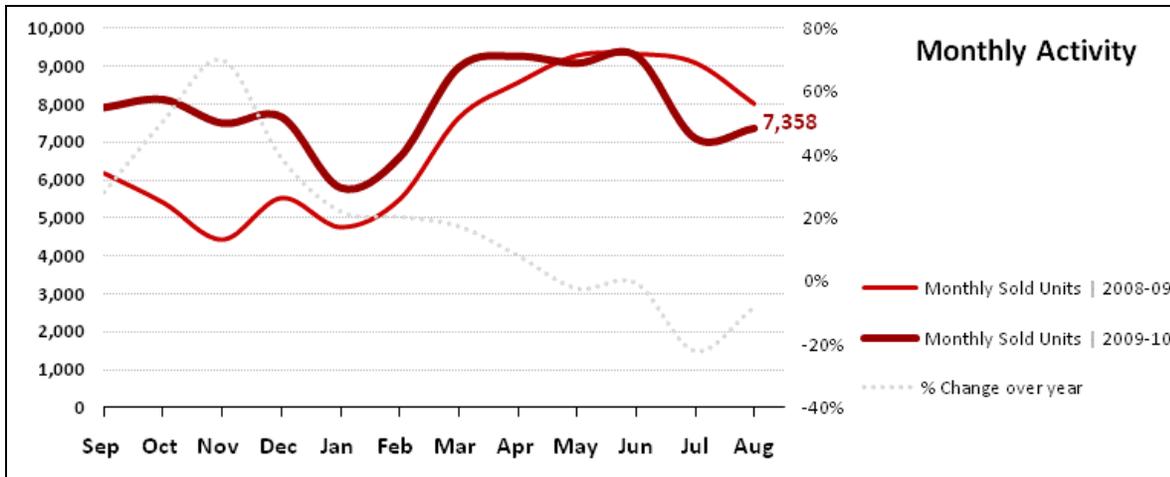


## **SALES Month over Month**

Sales took a precipitous drop in July, mirroring the national reaction to the end of the first time home buyer incentives. August sales showed upward movement, suggesting that the market supply and demand are naturally correcting themselves after the home buyer tax credit accelerated purchases by buyers who were already in the market and shopping. Total sales in August of 7,358 increased 3.6% over July, but were well below the high record for 2010 of 9,280 set in June. It is too early to predict if the increase in August is the first step back to an upward trend that will continue into the fall, but as of this writing ARMLS is projecting 7,460 sales closing in September which would show continuing strength in sales. Every year from 2001 through 2007, September through December sales experienced a typical seasonal slowdown. In 2008 and 2009 the seasonal slowdown was more spasmodic, down one month and up the next. As economic recovery news trickles in, some of it good and some of it disappointing, the market will probably continue to vacillate in reaction to inconclusive economic intelligence.

## **SALES Year over Year**

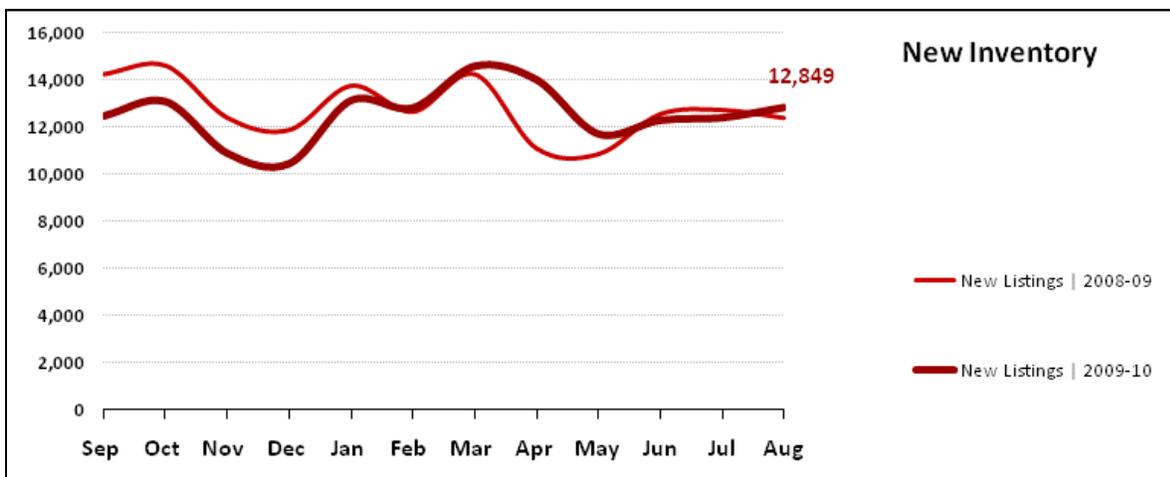
In 2009, there were 93,308 total residential sales, the third highest total since 2001, topped by 98,922 in 2004 and 104,725 in 2005 at the height of the boom. Through August, there were 63,428 sales, an average of 7,928 sales per month. If the market follows the pattern of 2008 and 2009, and does not experience the typical seasonal slowdown of the earlier part of the decade, average sales extrapolated out through the end of the year could approach or top 2009 somewhere in the 95,000 total sales range. Natural pent up demand to buy and sell is restrained by low consumer confidence and fear. The mix makes predictions with any high degree of accuracy difficult.



## NEW INVENTORY

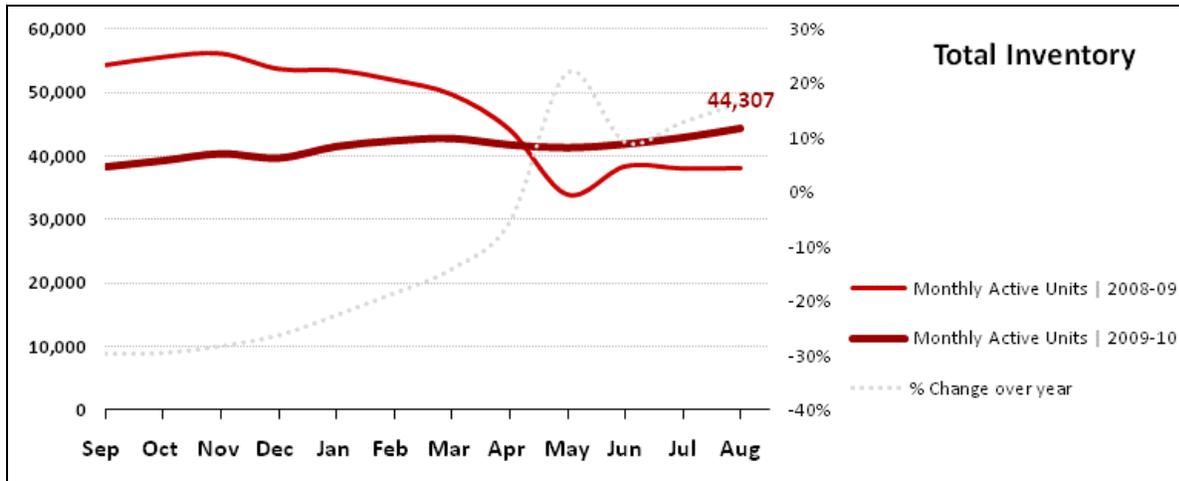
New listings added to the market increased from 12,407 in July to 12,849 in August. This represents a 3.6% increase over both the previous month and year. In August, 4,051 or 31.5% of new listings were new short sale listings. This represents a 4.9% increase in new short sale listings over the previous month. Short Sales as a percentage of all new listings have remained steady at around 30% for the past seven months. The relatively new Fannie Mae (FNMA) Housing Affordability Foreclosures Alternative (HAFA) program launched on April 5, 2010 could lure more reluctant sellers into the market. As more servicers get involved, and agents get comfortable and knowledgeable enough to help eligible sellers take advantage of the program, we could see a higher number of new short sale listings as a percentage of new inventories in the future.

While the ratio of lender owned to short sale listings has climbed steady since the first of the year, the cumulative total of distressed properties will continue to dominate listings new to the market (currently 62.5% in August). We can expect this trend to continue for some time.



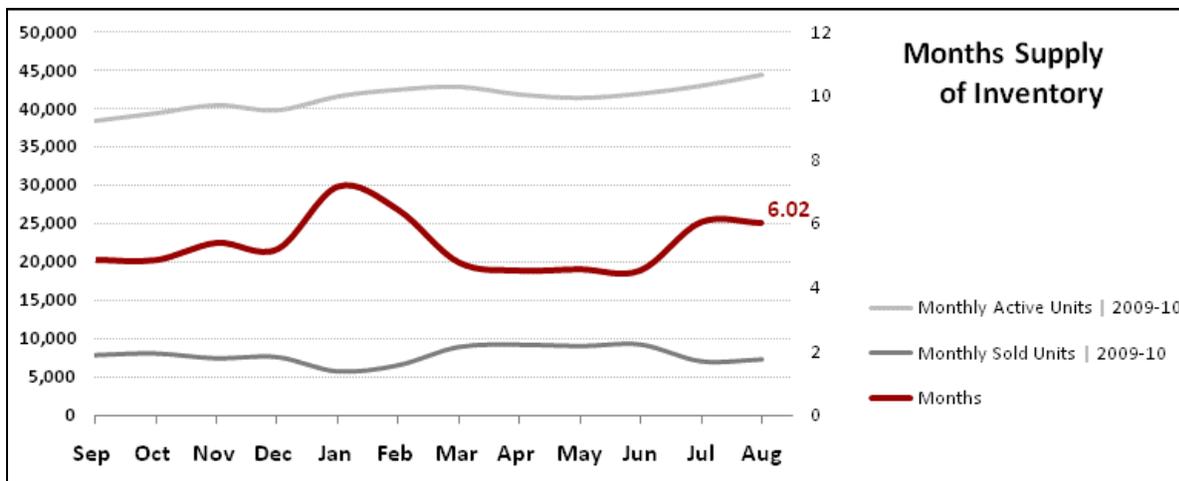
## TOTAL INVENTORY

Total inventory has been vacillating around the 40,000 mark between September 2009 and June 2010. In August total inventory increased to 44,307, representing a 16.3% increase over August 2009 and 3.3% increase over July, 2010. Since the number of sales increased 3.6% in August, the increase in total listings cannot be attributed to fewer transactions closing, but instead must be accounted for by fewer listings moving into other off market statuses, as evidenced by a slight increase in total market time per listing.



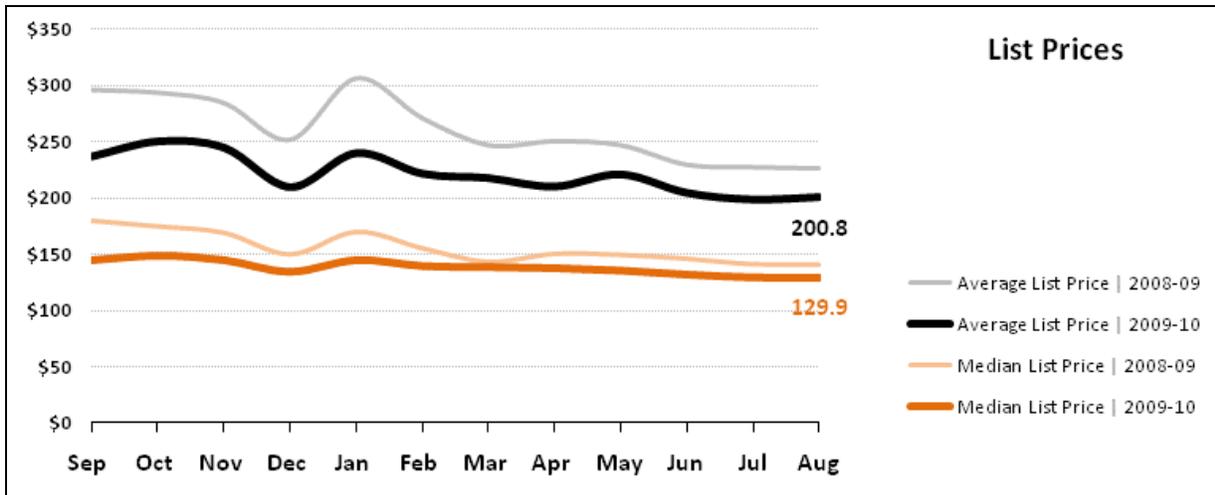
## MONTHS SUPPLY OF INVENTORY (MSI)

Months supply of inventory is a market wide barometer of supply and demand. While it does not accurately represent smaller market niches, it can be used as a macro view of the overall supply and demand balance. It is generally held that Months Supply of Inventory less than five months represents a seller's market. The four to five Months Supply from March through June was indicative of a seller's market. In July, the Months Supply rose to 6.04 months and has remained approximately the same (6.02) in August, indicating that the market is tipping again toward a buyer's bias. The two month increase in supply creates downward pressure on pricing. It is too early to know if the downward pressure will be sustained, since two months does not a trend make. Time will determine if this is the first step toward a feared second bottom in the market, or a temporary reaction to the slowdown precipitated by the end of the first time home owner incentives.



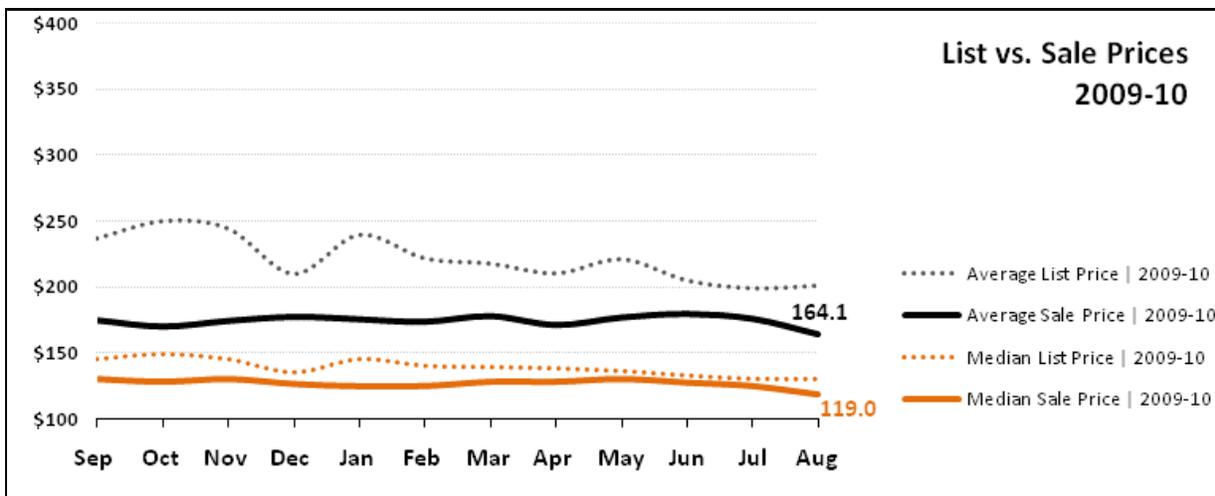
## LIST PRICES

Median List Price declined for the seventh month in a row to \$129,900 in August, down only slightly from July's median price of \$130,000, but down enough to set a new ten-year record for lowest Median List Price. The average list price rose only slightly to \$200,800 up from July's record low average of \$198,700. Overall, average list price has been declining since January (with the exception of May), representing an 11.5% decrease over the same figure in August of 2009. Lender attempts to liquidate inventory will continue to exert downward pressure on pricing as a disproportionately large number of total inventory are short sales or foreclosures.



## SALES PRICES

After a high of \$130,000 in May, the Median Sales Price has continued downward 4.8% from July's \$125,000 to \$119,000 in August, below the predicted \$125,000. Following the predicted downward trend, the Average Sales Price took an even larger than predicted drop (6.8%) from \$176,100 in July to \$164,100 in August. After fourteen months of the Average Price above \$170,000, the August number is disappointing. Downward pricing pressures are byproducts of increased inventory, a market dominated by lender owned homes and longer days on market. All these indicators point to a struggling market with a long climb back to normalcy.



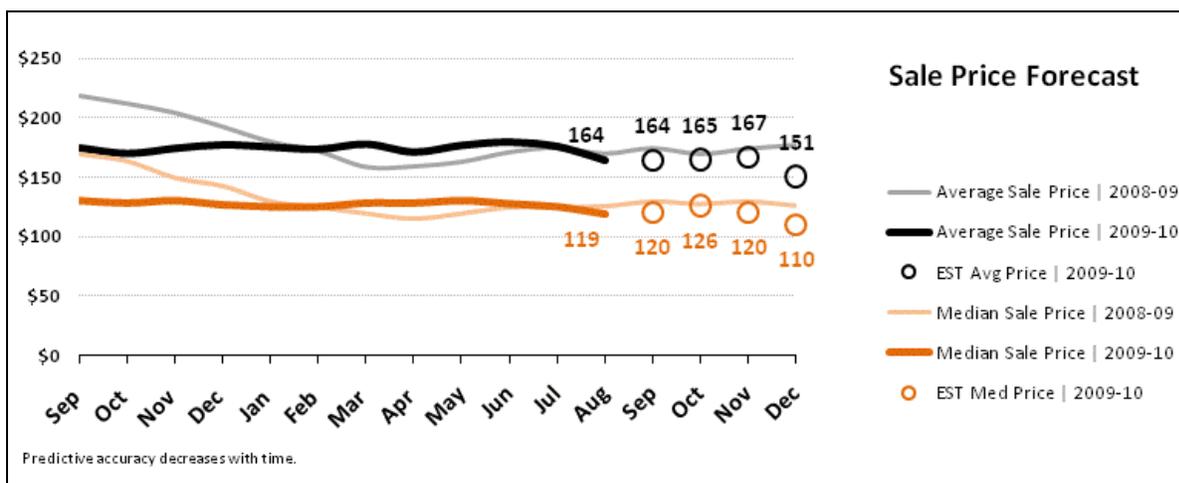
## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index™ is a predictive tool unique to ARMLS. It predicts the Average Sales Price and Median Price four months into the future based on the pending inventory in the Arizona Regional Multiple Listing System.

The Median Price according to the ARMLS PPI should remain relatively flat from August to September at \$120,000. Current pending prices predict that the Median Price will rise to \$126,000 in October only to fall again to \$120,000 in November, and drop 8.3% in December to \$110,000. The predictive accuracy decreases the further into the future it goes, so the discouraging December figure, which is not based on enough sample data to be statistically significant, could have a reprieve as more pendings are added through the fourth quarter. However, an optimistic flourish at year's end does not appear likely.

The Average Sales Price follows a similar pattern. ARMLS PPI predicts that September and October Average Price to be very close to August at \$164,100 and \$164,800 respectively, with a rise in November to \$166,700. December's prediction is a drop of 9.5% to \$150,800. As with the Median Price, the December prediction is less accurate since the pool of pending data is much smaller four months out.

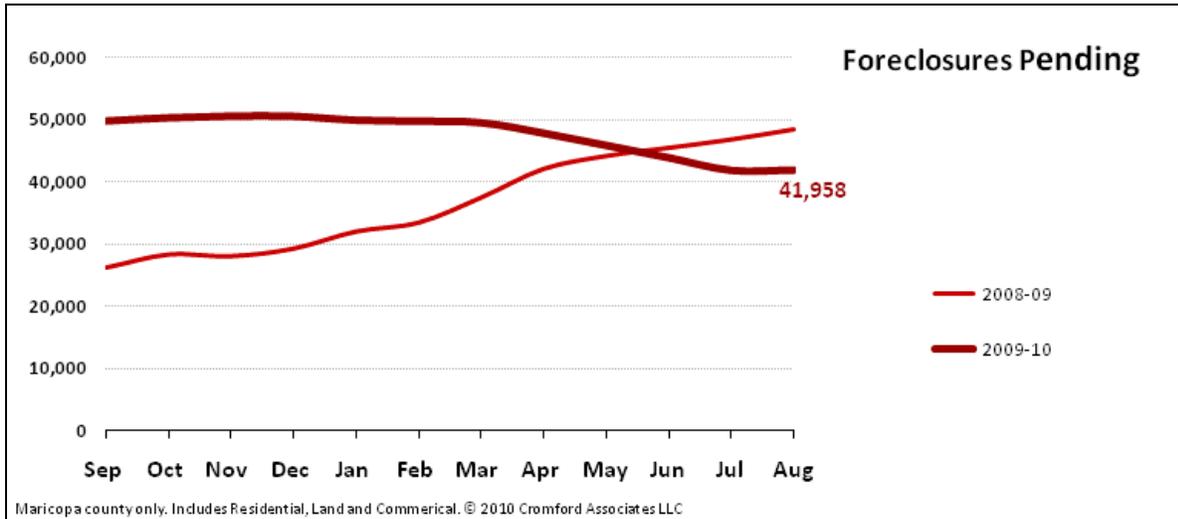
In general, optimism generated through gradual market gains over the last twelve months is dampened by predictions in the fourth quarter. Nationally the Pending Home Sales Index\* indicated that pending prices rose in the west 11.6% in July, which is 17.6% below the same figure for 2009. The patterns in 2009 and 2010 are characterized by bursts of optimism and doses of disappointment, typical of recovering markets that adjust and reinvent themselves.



\*Source: [http://www.realtor.org/press\\_room/news\\_releases/2010/09/pending\\_rise](http://www.realtor.org/press_room/news_releases/2010/09/pending_rise)

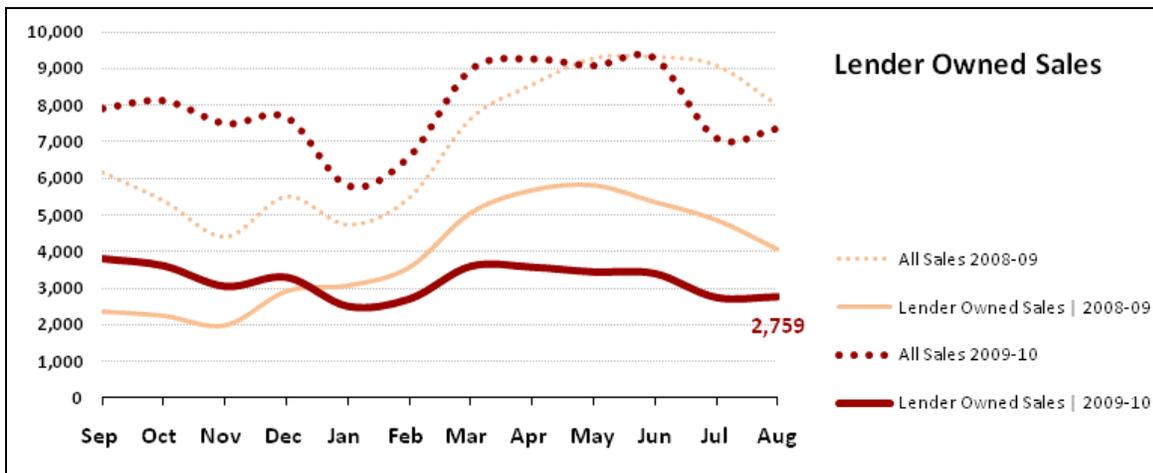
## FORECLOSURES PENDING

The downward trend of Foreclosures Pending has continued since January 2010. The decline, from the first week of July at 42,044 through the second week of September at 41,434, was more gradual, instead of continuing the steep decline experienced in the first six months of 2010. Foreclosures Pending appear to be leveling off. As the opportunity for a successful short sale increases, fewer properties will go to foreclosure.



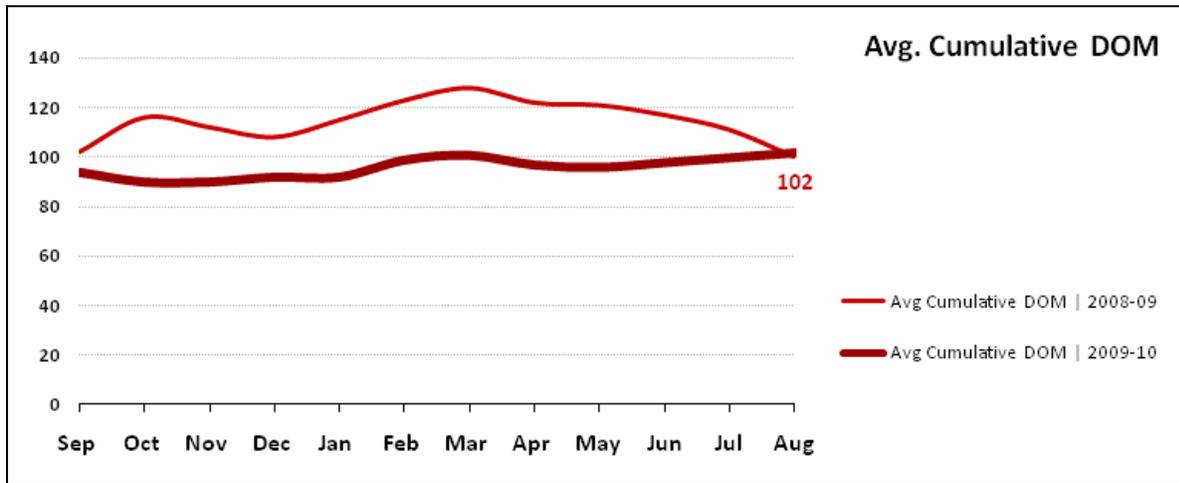
## LENDER OWNED SALES

Total Lender Owned Sales in August were 2,759 only the fourth time in the past twelve months that number has been below 3,000. The July figure paralleled the market sales decline felt locally and nationally after the end of the first time home buyer incentives. Foreclosures sold in August represented 37% of the total inventory sold, down slightly from 38% in July, but well below the 65-66% range of the same period a year before. If FNMA’s new Housing Affordability Foreclosure Alternative lures more eligible sellers to seek the alternative to foreclosure, we can expect the percentage to continue to decline.



## AVERAGE DAYS ON MARKET

The average days on market inched up two days in August to 102 from 100 in July. This is a small increase, but continues the slightly upward trend seen since January when the average days on market was 92. Average days on market has hovered between 90 and 102 days for the past year. While property at the low end of the pricing spectrum sells much faster, and property at the upper end takes much longer, average days on the market for the entire service area is a relative indicator of overall market health. Longer average days on market normally parallel downward pricing trends as buyers make lower offering prices and sellers reactively accept the lower offers.



## COMMENTARY

Sporadic short bursts of optimism in 2010 had a reality check in July and August. Sales were set back in July, fueled by the expiration of the first time home buyer tax credit, and realized only a small gain in August. At the recent Economic Outlook 2011\* sponsored by the Greater Phoenix Chamber of Commerce and Cox Communications, presenters showcased many positive solid indications that the US economy is slowly recovering. The key to the Valley's recovery are job and population growth.

\*Highlights of presentations at Economic Outlook 2011 can be viewed at <http://www.phoenixchamber.com/node/961>

Phoenix area rode the wave of high population growth and strong employment from 2001 through 2006, ranking third in population growth and 11<sup>th</sup> in employment growth. In 2010 Arizona's population growth at 55,000/year is the equivalent of births over deaths, with no net creation of new households due to inward migration. In job growth Arizona is currently 42<sup>nd</sup> in the nation, up from 49<sup>th</sup> in 2009. This represents the lowest job growth in Arizona since 1980. (Source: US Bureau of Labor Statistics; US Census Bureau; Bureau of Economic Analysis)

In a recovering economy fewer new households are formed. Families double up and grown children move back home. Arizona has the lowest net migration into the state since the 1992 recession. (Source: University of Arizona) Negative home equity traps many would be sellers in their homes preventing move-ups and downsizing. Fifty-one percent of Arizona homes have negative equity. (Source: First American Core Logic) Phoenix ranks fifth nationally in negative net equity behind Las Vegas, and the California cities of Stockton, Modesto and Vallejo. (Source: First American Core Logic)

But there is some good news. The decline in job growth, which has been falling steadily since the fourth quarter of 2007, appears to have leveled off. Greater Phoenix lost 167,000 jobs in the last two years, but only 4,900 in the last twelve months. (Source: U.S. Bureau of Labor Statistics). The free fall has abated but the climb back to healthy growth will be slow. Job growth will entice population movement into the state again.

The ARMLS PPI Index™ predicts a lackluster third and fourth quarter, with both the Average Price and the Median Price of homes on a decline. Particularly problematic is the pattern of fits and starts that characterize this recovery. Mixed messages will be part of our recovery landscape for sometime into the future.

ARMLS staff provides this commentary on the market as fact-based analysis, not as opinion or editorial positioning. Your comments are welcome and opposing viewpoints on interpretation of the market trends identified in STAT are welcome. Send your comments to **communication@ARMLS.com** .