

# OCTOBER 2018

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

Hip, hip Hooray! It's fall. While today is predicted to be our 128th in the 100's for 2018, highs in the 80's are predicted next week as we experience remnants of hurricane Rosa. Yes, even Phoenix gets to talk of hurricane rains. Unlike our unfortunate friends in the Carolina's, we'll likely see only 1 to maybe 3 inches of rain over 3 days. Doesn't sound like much, but when you realize our annual rainfall is shy of 8 inches, the next few days could be interesting. Good thoughts out to those in the Carolinas and a wish for all Arizonans to weather our storm well.

What's going on in today's Phoenix real estate market? To a point, more of the same as we've seen. The Fed did, as expected, raise the federal funds rate by 0.25% in late Sept. Predictions are for one more raise before the end of the year and 3 more times in 2019. What does this mean for mortgage interest rates? Not too much yet. Rates continue to hover around 5%. Future increases are likely to push mortgage interest rates up. There is some sense to a buy now not later thought process. The reality is that a 1% rise in interest rates roughly translates to a \$1 monthly payment increase for every \$1000 borrowed. The predictions appear to have some consensus to the thought that Phoenix area home prices will rise more slowly than recently, perhaps even plateau for a while. Much of that will likely be driven by supply and demand. Addressing those points, demand continues to follow the seasonal end of year slowdown pattern. Inventory remains well below average. Patience, especially for Buyers, is the keyword for today! For Sellers, the biggest trends I see are 'nice, well priced to the market' properties are still selling rather quickly. Properties that push market prices tend to languish on the market. There are still significant 'investors' and 'direct home Buyers' who will be happy to lowball offers with the idea of creating a fix and flip or fix and hold as a rental. Having a professional Realtor attuned to this market is a valuable addition to every Buyer or Seller arsenal.

Congratulations are in order to David and family. We found a lovely Mesa property that they should be able to call their first owned home in AZ later this month. Thanks for allowing me to assist on this journey. I'm very appreciative of the opportunity to help Nate & Jane explore housing options for their family in the East Valley. Thanks to Matthew for allowing me to help investigate becoming a first time home owner. A big thank you to Jennifer for the introduction and the chance to be of service to her Mom as Mom contemplates escaping the cold of MN for our sunny & warm AZ. Do you know anyone thinking of buying or selling a home? Our market presents challenges for Buyers and Sellers. I would appreciate a referral to help your friends or family put my professional education and real estate sales experience to work for them. Your referrals are greatly appreciated!

**Regards,**

*JSGerber 9/29/2018*

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# August 2018

## Arizona Regional MLS

**New Listings** **9,278**

▲ **11.2%** ▲ **0.6%**  
 from Jul 2018: **8,344** from Aug 2017: **9,224**

YTD	2018	2017	+/-
	<b>77,844</b>	<b>77,787</b>	0.1%

5-year Aug average: **8,678**

**New Contracts** **8,813**

▲ **1.7%** ▼ **-3.1%**  
 from Jul 2018: **8,665** from Aug 2017: **9,098**

YTD	2018	2017	+/-
	<b>80,674</b>	<b>79,842</b>	1.0%

5-year Aug average: **8,421**

**Closed Sales** **8,004**

▼ **-3.6%** ▲ **0.9%**  
 from Jul 2018: **8,307** from Aug 2017: **7,933**

YTD	2018	2017	+/-
	<b>66,760</b>	<b>65,008</b>	2.7%

5-year Aug average: **7,364**

**Median Sold Price** **\$262,500**

▼ **-0.9%** ▲ **7.1%**  
 from Jul 2018: **\$265,000** from Aug 2017: **\$245,000**

YTD	2018	2017	+/-
	<b>\$259,000</b>	<b>\$237,000</b>	9.3%

5-year Aug average: **\$228,300**



**Active Listings** **14,636**

14,636  
 Min 14,636 Max 21,475  
 5-year Aug average **17,343**

Jul 2018	Aug 2017
<b>14,140</b>	<b>15,792</b>

**Avg DOM** **60**

60  
 Min 60 Max 86  
 5-year Aug average **72**

Jul 2018	Aug 2017	YTD
<b>59</b>	<b>65</b>	<b>65</b>

**Avg Sold to OLP Ratio** **97.1%**

97.1%  
 Min 94.7% Max 97.1%  
 5-year Aug average **96.3%**

Jul 2018	Aug 2017	YTD
<b>97.5%</b>	<b>96.9%</b>	<b>97.1%</b>



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SRES

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*Real Estate For Today*



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# Between FRIENDS

Real Estate for Today

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**T**emperatures are dropping, nights are growing longer, and the scent of fall's arrival is in the air. Call me for tips on how to winterize your home today!

**D**on't let a home system or appliance breakdown get you down! Eliminate stress before, during, and after the sale with a Home Warranty Plan that provides coverage for both the home seller and the home buyer.

A Home Warranty Plan is a service contract that protects your 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 reasonable service call fee. Help is only a phone call away, 24/7, 365 days a year!

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**I**want to make every transaction smooth and stress-free, so I treat every client like a VIP. If you have real estate needs, or know someone who does, call me today!



## Health & Safety

### 5 Appliance Safety Tips

**T**aking care of your household appliances may extend their life, and it's also a good safety practice. Review the tips below to keep your appliances in safe working order.

1. Old or defective appliances that trip your circuit breaker pose a risk of fire or electric shock. Have any damaged appliance professionally repaired or replaced.
2. Keep appliances away from water. If you drop an appliance in water, do not attempt to retrieve it until you've cut the power to the circuit. Never touch a plugged-in appliance while standing in water or with wet hands.
3. Small appliances should be approved by an independent testing laboratory, like Underwriters Laboratories (UL) or MET Laboratories (MET). Look for the symbol on all approved appliances.
4. Unplug small electrical appliances – curling irons, hair dryers, irons, kettles, toasters, etc. – when not in use, and keep appliance cords as short as possible. When buying new appliances, look for ones that have automatic shut-off and retractable cord features.
5. Use ground fault circuit interrupter (GFCI) outlets in kitchens and bathrooms to protect against electric shock. In most homes, GFCI outlets are required if the outlet is within six feet of a plumbing fixture.



## Real Estate Today

### Deal Breakers for Home Buyers

**H**ome buyers can ignore some things when house hunting: landscaping, paint choices, outdated appliances. However, certain items are likely deal breakers, including:

**Old roofing** – installing a new roof is a pricey task for a new homeowner, and many buyers won't consider a home if the roof needs replacing. A poorly maintained roof could give a buyer some wiggle room to negotiate.

**Health hazards** – the presence of health hazards, like mold or radon gas, can understandably turn off potential buyers. Mold and radon gas are both resolvable issues, but a seller should be willing to fix it at their expense or lower the price to cover the cost of remediation.

**Geographic threats** – buyers may be wary of purchasing a home in a high-risk flood zone or earthquake hazard area. Buying flood or earthquake insurance is expensive, and it just might be a deal breaker for buyers. A seller should research their property, disclose any natural hazard risks, and price accordingly.



**2-3 large apples, peeled, cored, and sliced evenly (can substitute chayote squash)**

**4 Tbsp butter**

**2 Tbsp lemon juice**

**2 Tbsp white granulated sugar**

**2 Tbsp brown sugar**

**1 tsp cinnamon or nutmeg**

Heat skillet over medium heat to melt butter.

Add apples or chayote squash and lemon juice.

Simmer until butter is absorbed and apple or chayote slices are tender, but still firm. Lower heat.

Add sugar and stir to combine. Cook until sugars are completely dissolved into syrup.

Remove from heat and sprinkle with cinnamon or nutmeg.

Toss to coat and serve immediately.



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*Real Estate For Today*

## Household Tips

### Fun Pumpkin Carving Ideas

**C**arved, illuminated pumpkin faces decorating the neighborhood are a familiar sight in late October. Check out the tips below to create a fun display on your front porch.

- Make your pumpkin smell sweet by sprinkling a teaspoon of nutmeg, cinnamon, or pie spice on the inside lid after carving. Just light the candle to warm up the spices and make your porch smell like fall!
- Give your jack-o'-lantern a colorful smile by tacking colored tissue paper behind the front face of the pumpkin with thumbtacks. Note: this tip involves paper (read: flammable), so it's a good idea to use electric candles to achieve this look.
- Looking for a design that's quick and easy to carve into your pumpkins? Grab your household drill and a few drill bits in varying sizes. Use the drill to carve a polka dot pattern. No knife skills needed!
- Another simple option is to use light-up props. First, find the perfect prop—a creepy cat, a spooky skull, or even a bewitching bat! Cut a hole in the front of your pumpkin a little larger than your prop. Flip the switch to light up the prop and place it inside the pumpkin so that it's visible through the hole.

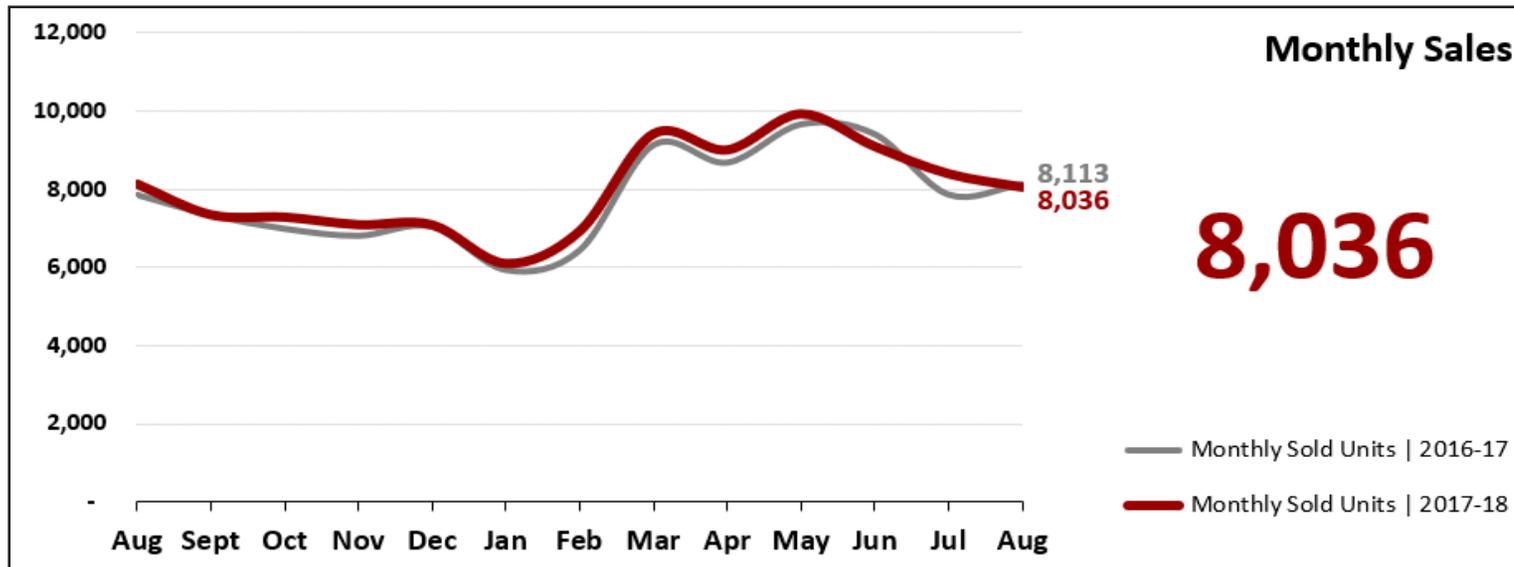


# STAT

## Your Monthly Statistics for the Phoenix Metro Area



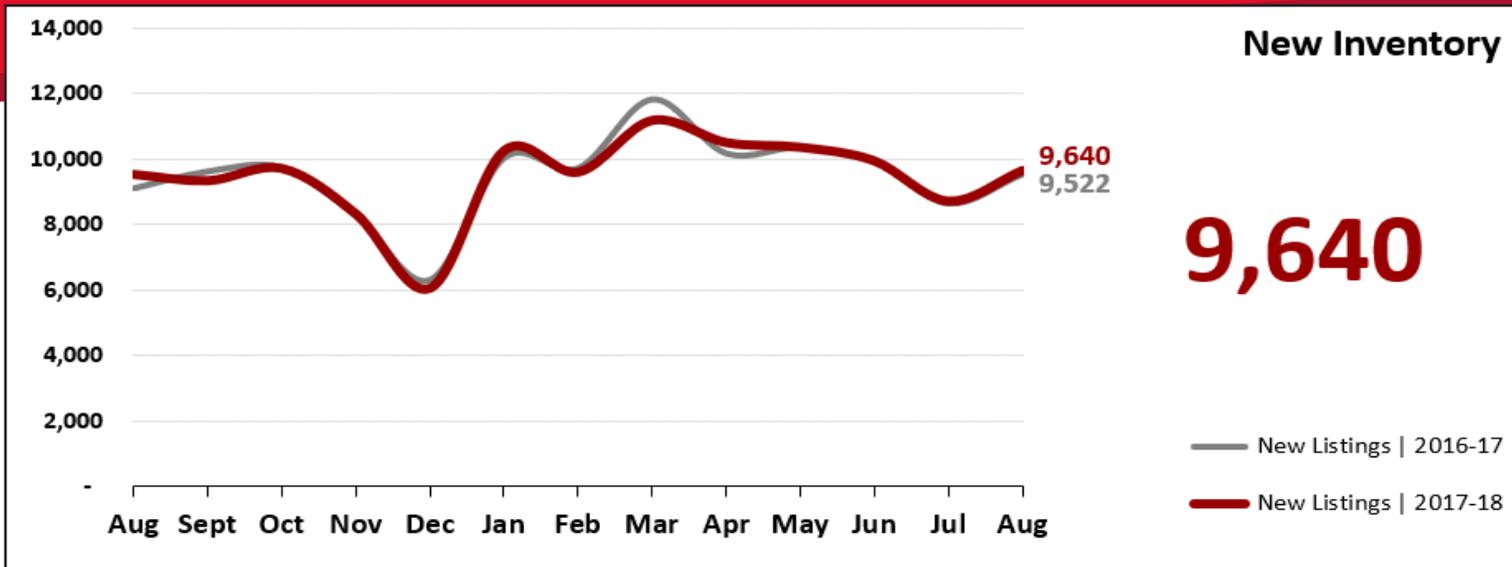
**DATA FOR AUGUST 2018** - Published September 18, 2018



Sales are down -4.1% month-over-month. The year-over-year comparison is also down -0.9%.

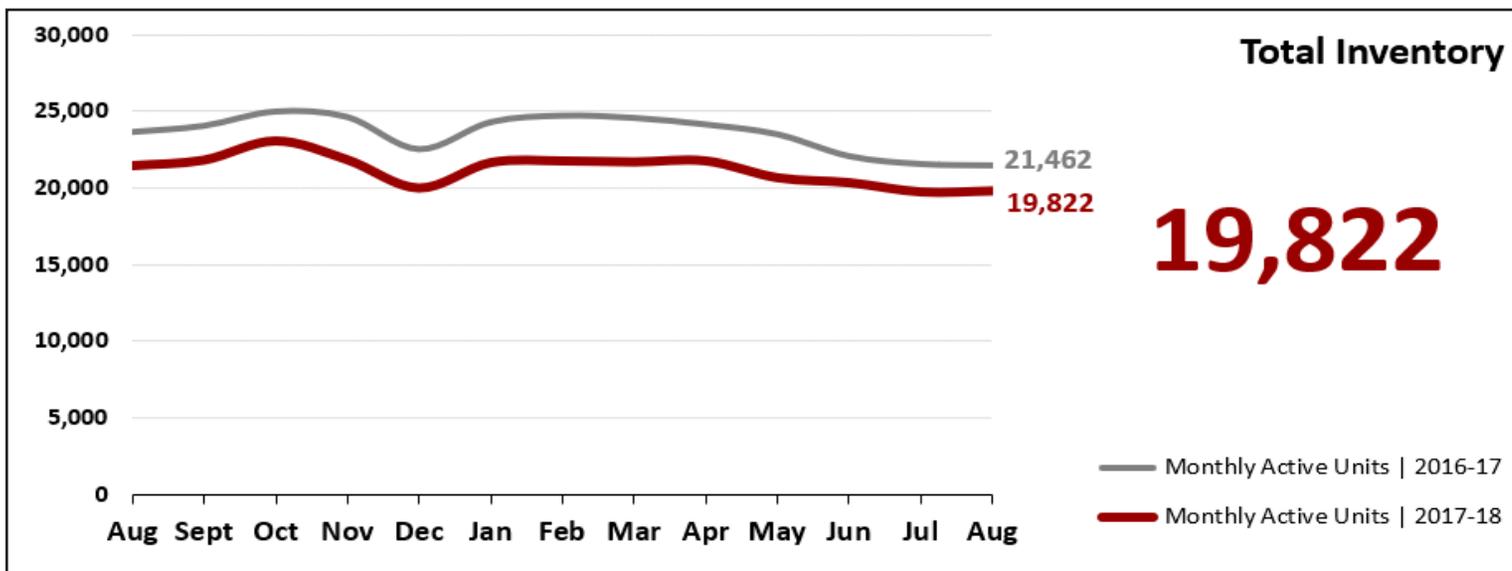
**8,036**

Closed MLS sales with a close of escrow date from 8/1/2018 to 8/31/2018, 0 day DOM sales removed



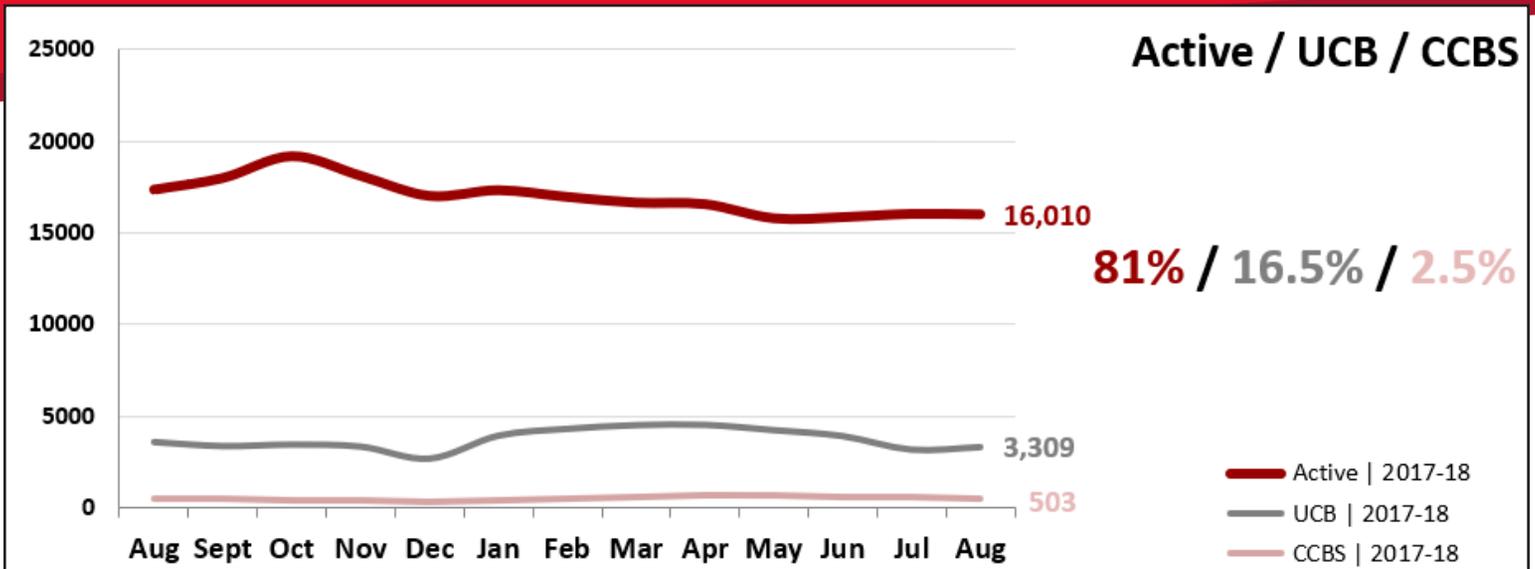
New inventory is up +10.7% month-over-month while the year-over-year comparison increased by +1.2%.

New MLS listings that were active for at least one day from 8/1/2018 to 8/31/2018, 0 day DOM sales removed



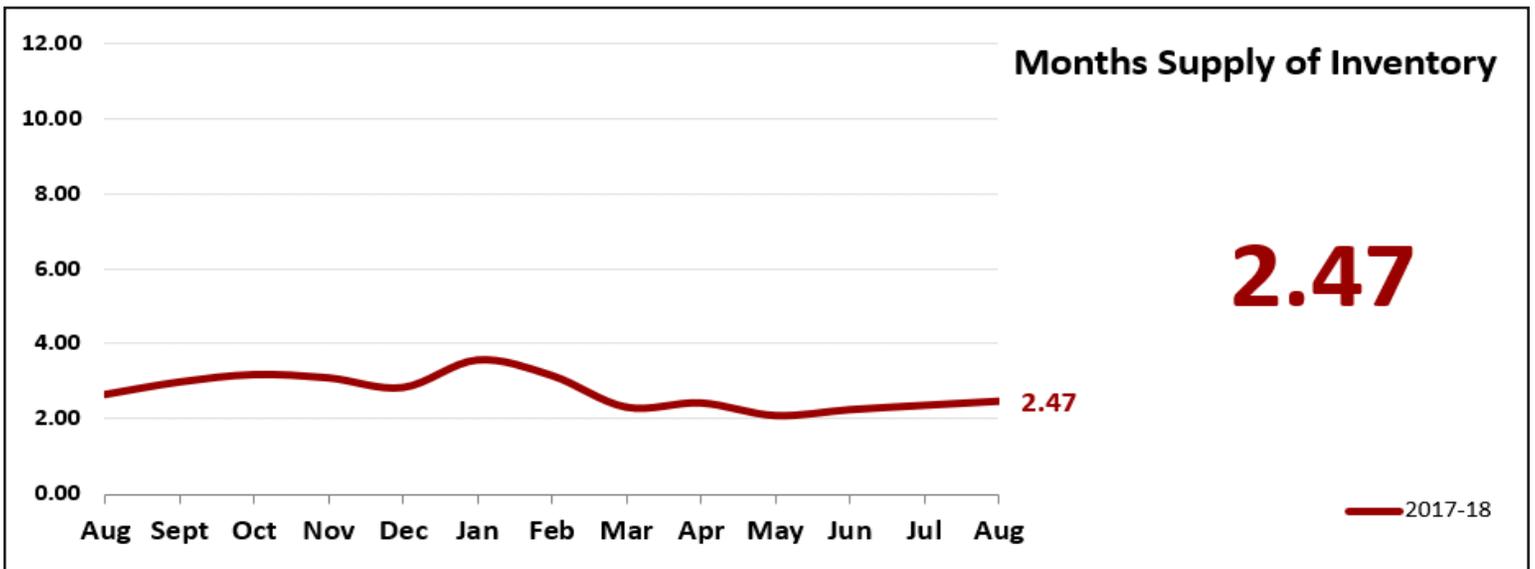
Total inventory has a month-over-month increase of +0.3% while year-over-year reflects a decrease of -7.6%.

Snapshot of statuses on 8/31/2018



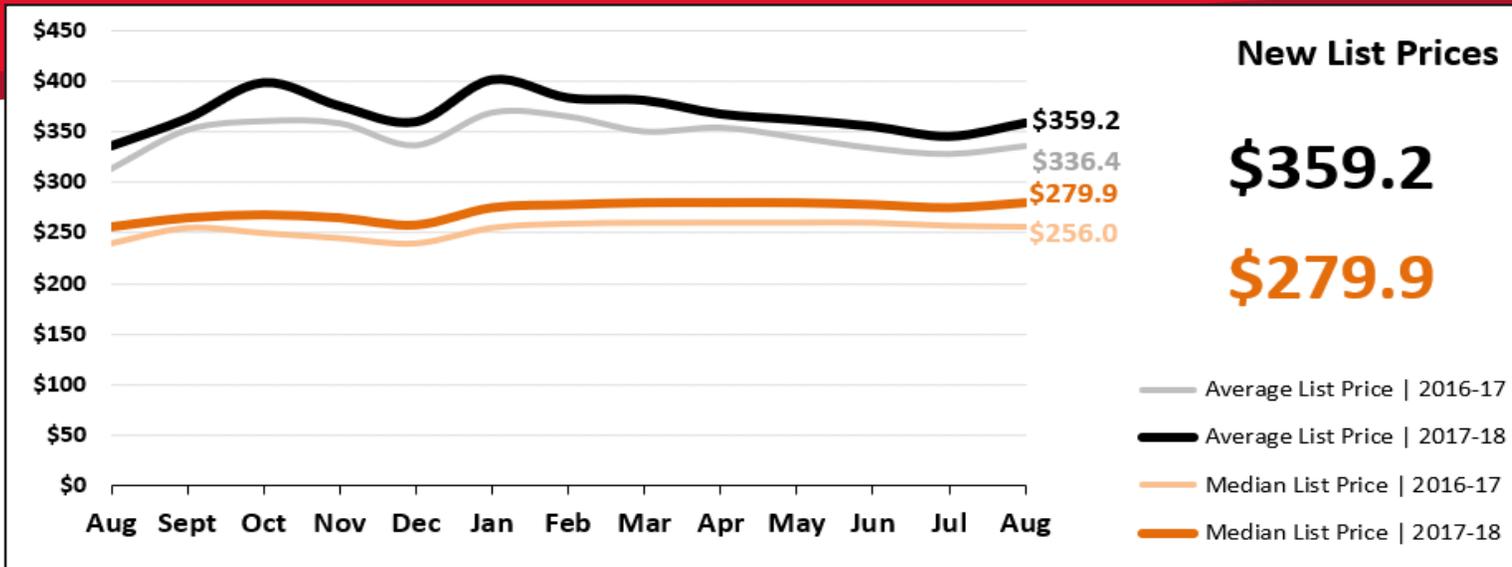
August UCB listings percent of total inventory was 16.7% with August CCBS listings at 2.5% of total inventory.

Snapshot of statuses on 8/31/2018



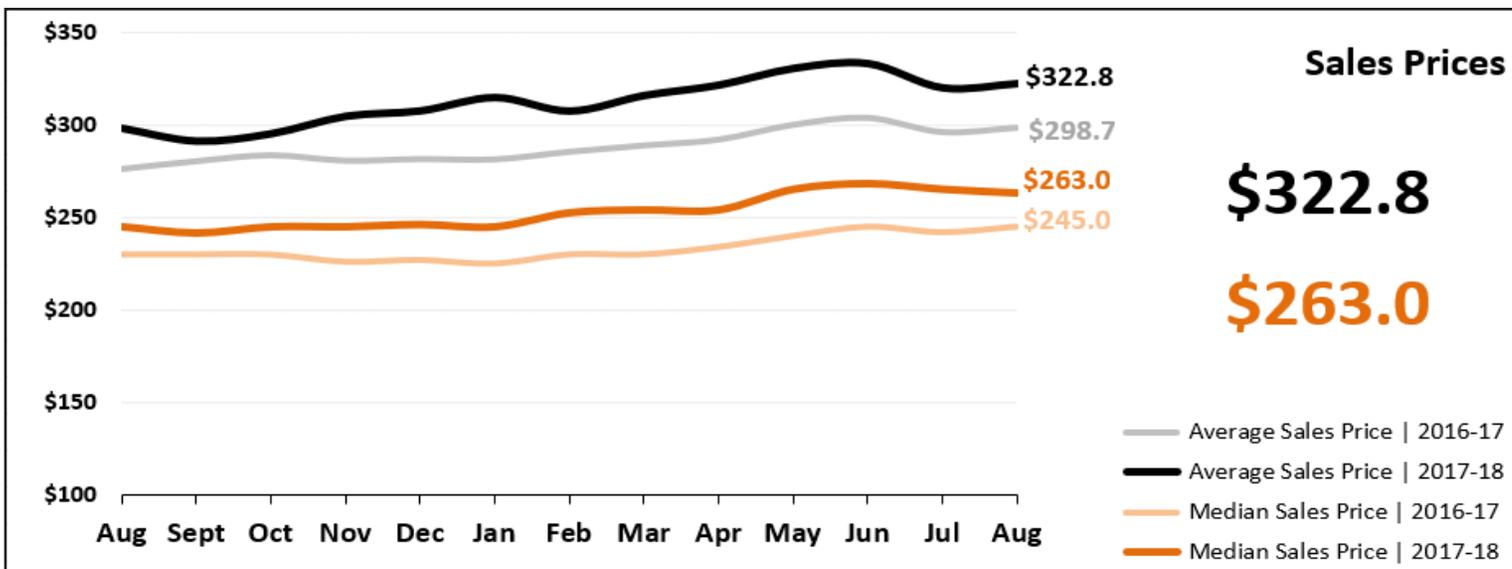
Months supply of inventory for July was 2.36 with August at 2.47.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of AUGUST 2018, 0 day DOM sales removed



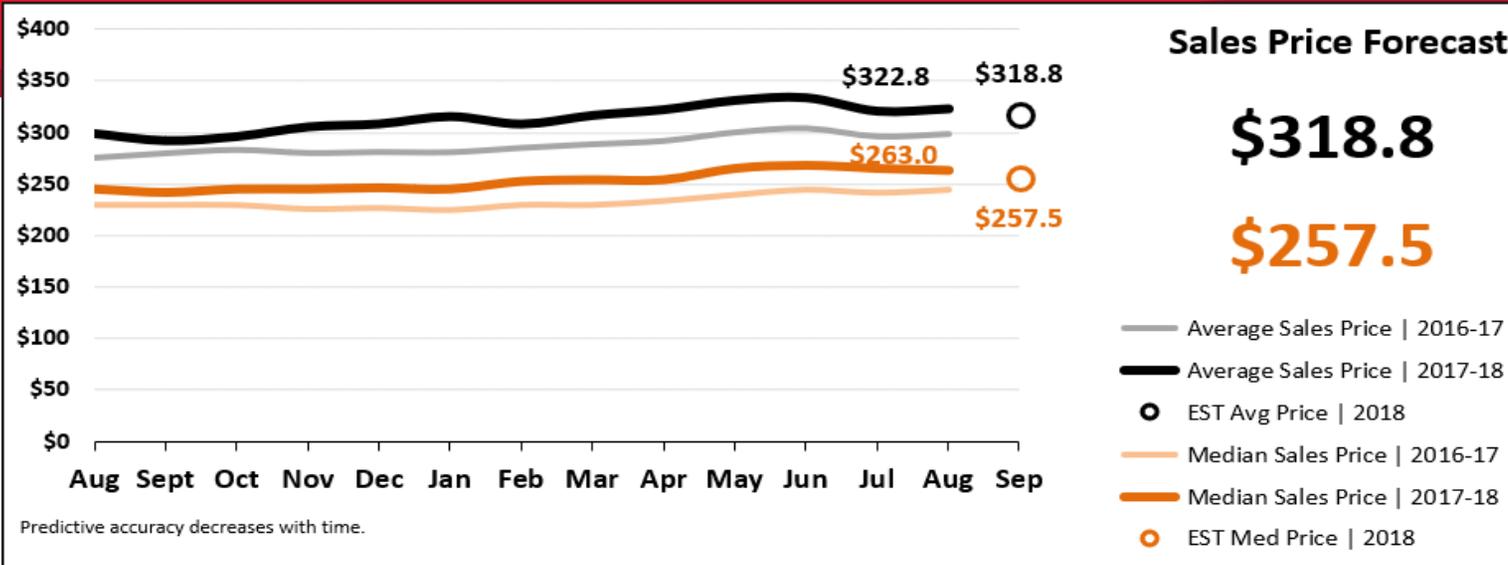
Average new list prices are up +6.8% year-over-year. The year-over-year median is up +9.3%.

List prices of new listings with list dates from 8/1/2018 to 8/31/2018, 0 day DOM sales removed

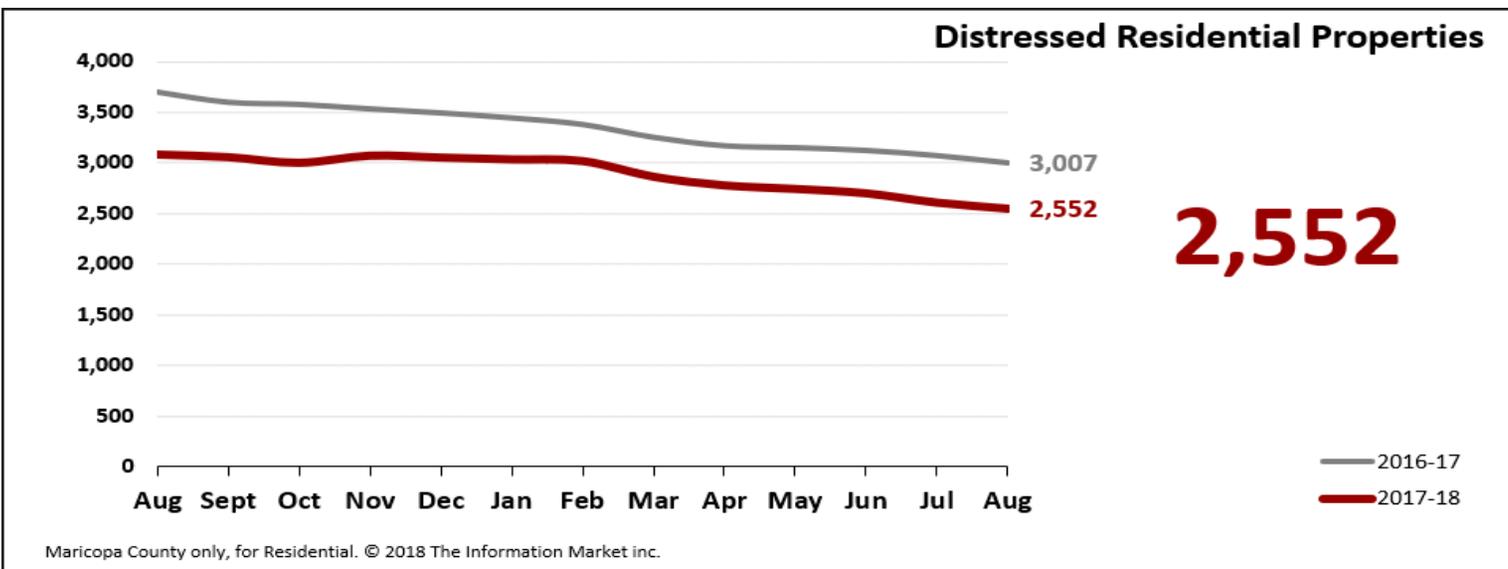


The average sales price is up +8.1% year-over-year while the year-over-year median sales price is also up +7.3%.

MLS sales prices for closed listings with a close of escrow date from 8/1/2018 to 8/31/2018, 0 day DOM sales removed

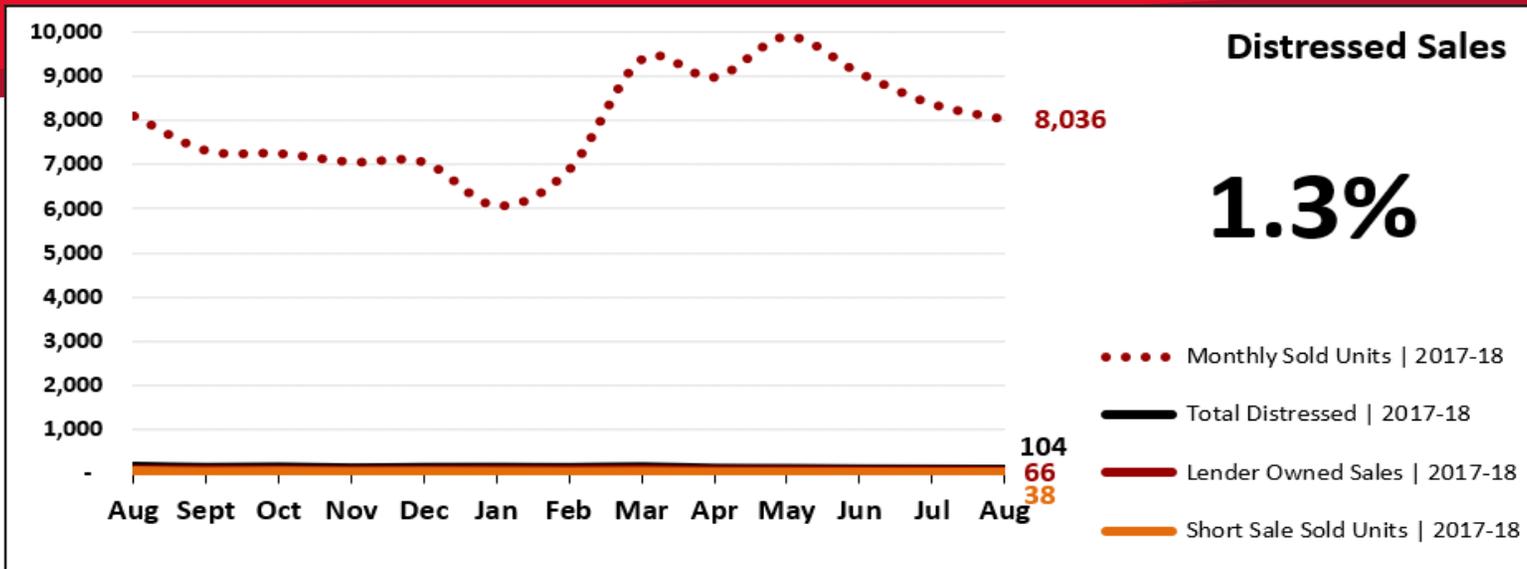


A decrease is forecasted in September for both average sales price and median sales price.



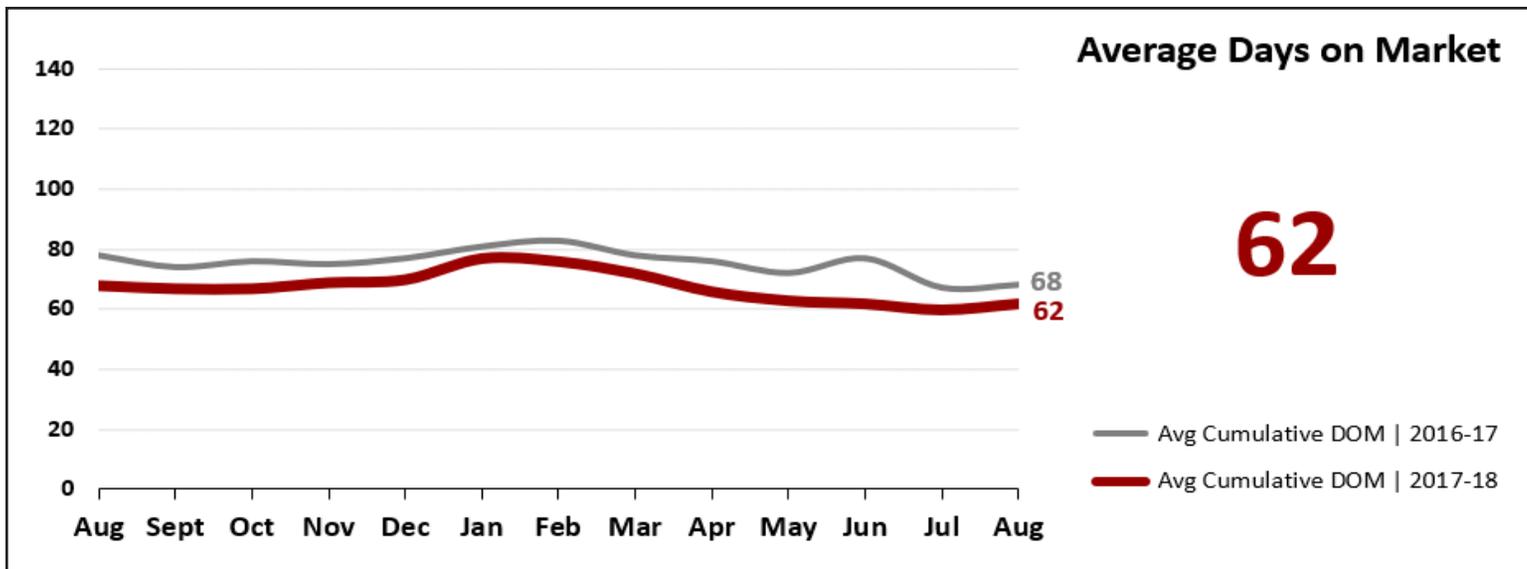
Foreclosures pending month-over-month showed a decrease of -2.3% while the year-over-year figure was down -15.1%.

Snapshot of public records data on 8/31/2018 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 9 months.



Distressed sales accounted for 1.3% of total sales, which was the same as July. Short sales dropped -52.5% year-over-year. Lender owned sales dropped -36.5% year-over-year.

New MLS listings that were active for at least one day from 8/1/2018 to 8/31/2018, 0 day DOM sales removed



Days on market were down -6 days year-over-year while month-over-month increased by +2 days.

MLS sales prices for closed listings with a close of escrow date from 8/1/2018 to 8/31/2018, 0 day DOM sales removed

This is the time of year when housing reports tend to take on a negative tenor, and agents reading these reports might feel just a bit down. When we look at the numbers on the surface, it's easy to see why. Our monthly home sales volume has fallen for three consecutive months while the median sales price has declined for the last two. Both metrics are expected to be lower again this month, which plays into the slew of negative articles dominating national headlines, including: "[Existing Home Sales Crawl at Slowest Pace in Two Years](#)", "[U.S. Existing Home Sales Fall for Fourth Straight Month](#)" and "[Existing-Home Sales Unexpectedly Slump to Two-Year Low](#)". There is a reason all these news agencies are reporting the same thing; they're all basing their reports on the latest existing home sales report from NAR.

According to the [National Association of Realtors®](#), *"Existing-home sales subsided for the fourth straight month in July to their slowest pace in over two years. Total existing-home sales [decreased 0.7 percent](#) to a seasonally adjust-ed annual rate of 5.34 million in July from 5.38 million in June. With last month's decline, sales are now 1.5 percent below a year ago."*

Let me digress for a moment. In this age of big, fast data coupled with an abundance of real estate portals, is it possible that the only body reporting national sales volume in a timely manner is NAR? When I stop and think about the daily challenges we face tracking real estate data in just Arizona, I can only imagine how difficult it would be to account for sales in all 50 states and over 3,000 counties. The biggest challenges involve verification and standardization of the data, as well as the timeliness of the data. To counter these challenges, the NAR report is based on a representative sample of 160 Boards/MLSs. And yes, I believe NAR is the only entity reporting national sales volume each month.

What I'm seeing in our marketplace is quite a bit different from what NAR is reporting, which leads us to one of the following conclusions: our marketplace is fairing better than the rest of the nation, the NAR data is misleading or our data is wrong. One of the three must be true. Let's tackle the last point. I don't believe our data is wrong.

ARMLS has the unique ability to account for all sales that occur both through the MLS listings as well as public records data compiled by The Information Market. When we look at ARMLS data, we see sales in 2018 are 2.53% ahead of last year. And our public records data paints an even more favorable picture. Through the first 8 months of 2017 there were 77,892 homes sold in Maricopa County compared to 81,336 this year. Public records show a 4.42% increase year-over-year. When comparing the relationship between MLS sales and public records, we've recognized the ratio of properties sold on the MLS to properties reported sold at the recorder's office increases during buyer's markets and decreases during seller's markets. If this maxim holds true nationally, and NAR is relying only on a sample of MLS data, it could account for the declines they are reporting.

Giving further credence to my argument is a statement within the NAR press release.

*"Properties typically stayed on the market for 27 days in July, up from 26 days in June but down from 30 days a year ago. Fifty-five percent of homes sold in July were on the market for less than a month."*

When taking this statement into consideration, I can't conceive how fewer homes could be selling this year when the rate at which they are selling has accelerated by three days.

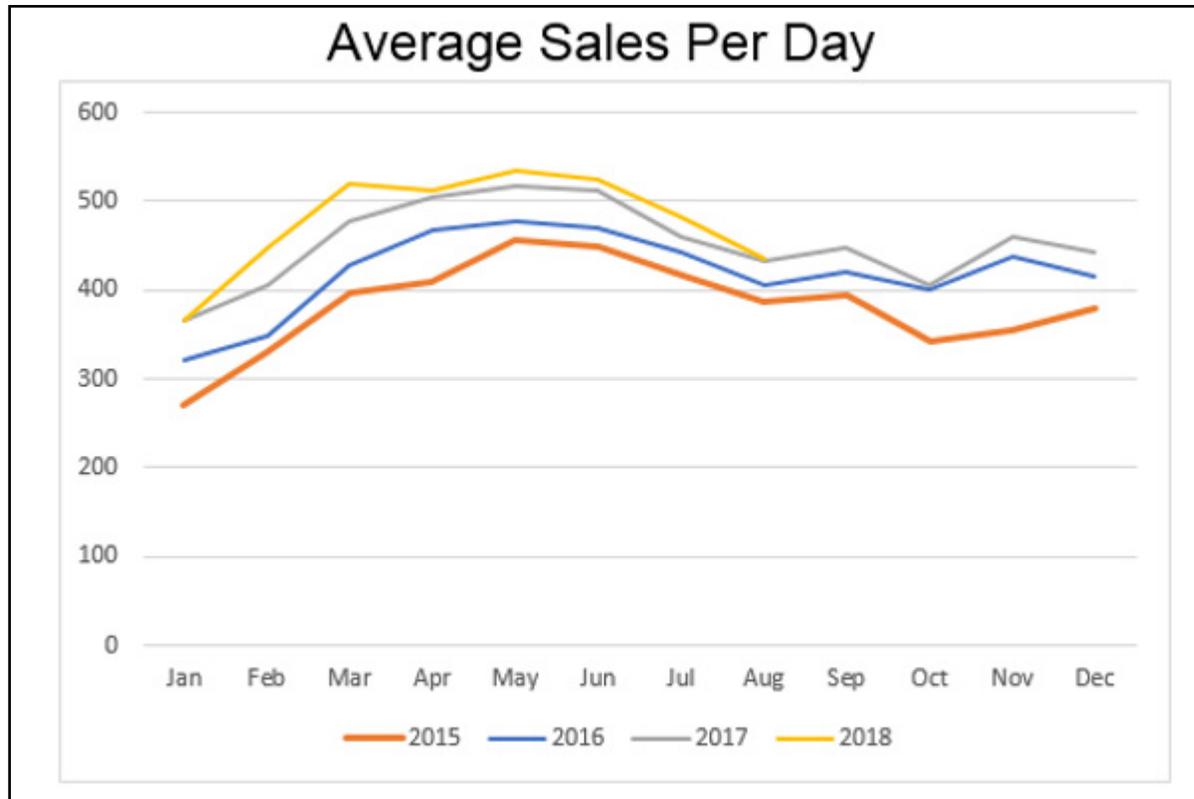
Finally, to their credit, NAR concludes their report with the following note.

*“For local information, please contact the local association of Realtors® for data from local multiple listing services. Local MLS data is the most accurate source of sales and price information in specific areas, although there may be differences in reporting methodology.<sup>1</sup> Existing-home sales, which include single-family, townhomes, condominiums and co-ops, are based on transaction closings from Multiple Listing Services. Changes in sales trends outside of MLSs are not captured in the monthly series. NAR rebenchmarks home sales periodically using other sources to assess overall home sales trends, including sales not reported by MLSs.”*

I think the word rebenchmarks says it all.

Which brings me back to Maricopa County. This is the 18th year ARMLS has reported sales data. The longest period of sustained growth in sales volume has been four years occurring three different times: 2001 thru 2005, 2007 thru 2011, and our current run of 2014 thru 2018. As mentioned at the outset, our sales volume has declined the last three months and is expected to decline again this month. THESE ARE SEASONAL OCCURANCES! It happens this way almost every year. As the graph below shows, our sales volume has increased year-over-year each month since January 2015. This chart was created from public records sales data and calculates the average sales per business day each month.

## Public Records Average Sales Per Day



A commonly shared theory amongst analysts is that worsening affordability (as a result of rising prices coupled with rising mortgage rates) will cause buyers to pause. As the chart shows, the rate of annual growth is beginning to moderate, and eventually we will see a decline in sales, but it is not currently showing up in our reported sales numbers.

And finally, this is where I tell you that when we look at the total dollar sales volume for the first eight months of 2018, cumulatively agents are experiencing their best year ever. Eventually 2005 yearly numbers will surpass this year (as the end of 2005 was freakishly strong) and 2018 will finish 2nd. But for now...

## MLS Total Dollar Sales Volume

Year	January	February	March	April	May	June	July	Aug	Total:	Rank:
2001	636,030,000	782,147,300	1,003,333,600	1,005,025,900	1,081,460,800	1,110,752,800	999,053,600	984,643,200	7,602,447,200	18
2002	739,345,600	749,390,600	1,015,710,400	1,103,580,000	1,242,645,600	1,205,232,800	1,145,152,200	1,053,314,900	8,254,372,100	17
2003	876,792,000	1,020,050,100	1,235,041,500	1,397,260,800	1,485,385,200	1,513,990,000	1,520,640,000	1,539,137,600	10,588,297,200	14
2004	1,054,819,800	1,263,984,000	1,858,100,000	1,873,144,800	1,939,085,000	2,323,406,100	1,992,416,000	1,996,224,000	14,301,179,700	7
2005	1,694,476,000	1,938,247,100	2,709,473,100	2,692,800,000	2,967,989,000	3,244,758,000	2,925,291,600	3,192,867,300	21,365,902,100	2
2006	1,774,115,400	1,976,612,000	2,478,508,200	2,237,221,800	2,614,199,600	2,511,193,400	2,027,694,600	2,041,801,900	17,661,346,900	4
2007	1,502,793,600	1,650,518,200	2,071,941,000	1,847,583,000	2,030,568,000	1,900,037,200	1,622,390,000	1,496,101,400	14,121,932,400	9
2008	912,620,800	1,010,608,800	1,259,136,900	1,354,410,400	1,523,726,400	1,520,346,000	1,486,894,248	1,361,656,900	10,429,400,448	16
2009	855,115,376	944,032,151	1,214,734,880	1,367,508,084	1,517,804,024	1,600,326,660	1,594,762,775	1,364,400,807	10,458,684,757	15
2010	1,017,185,190	1,146,498,780	1,598,150,234	1,586,418,561	1,607,827,164	1,670,000,960	1,250,601,100	1,207,131,406	11,083,813,395	13
2011	1,026,793,098	1,113,664,985	1,567,407,534	1,505,062,307	1,557,473,020	1,779,310,250	1,299,976,613	1,318,718,016	11,168,405,823	12
2012	1,081,057,580	1,207,871,874	1,674,524,083	1,596,003,220	1,728,195,588	1,774,020,312	1,440,408,520	1,443,820,222	11,945,901,399	11
2013	1,214,561,028	1,438,378,500	1,819,022,472	1,994,450,082	2,243,909,108	1,949,657,512	1,962,375,168	1,663,886,475	14,286,240,345	8
2014	1,164,366,216	1,326,881,178	1,691,980,180	1,919,077,335	1,842,019,565	1,849,681,056	1,691,886,875	1,600,456,296	13,086,348,701	10
2015	1,219,848,240	1,501,082,020	2,026,318,400	2,221,187,490	2,235,257,067	2,350,480,520	2,086,913,886	1,827,990,690	15,469,078,313	6
2016	1,386,160,174	1,554,632,712	2,252,287,764	2,252,727,106	2,447,013,744	2,504,331,264	2,081,151,170	2,163,813,113	16,642,117,047	5
2017	1,668,131,788	1,836,735,615	2,633,156,600	2,531,633,244	2,895,066,967	2,857,014,539	2,326,859,606	2,423,263,857	19,171,862,216	3
2018	1,917,861,388	2,128,816,063	2,974,463,730	2,894,348,480	3,281,341,782	3,029,099,402	2,686,116,820	2,593,763,648	21,505,811,313	1

## The Pending Price Index

In STAT last month, the mathematical model projected a median sales price for August of \$260,000. It was further noted that through the first seven months of 2018 our mathematical model had been underestimating the actual median sales price. The August median sales price followed our yearly pattern, coming in at \$263,000. Our sales volume projection for August was 8,400 with actual sales coming in at 8,036. Looking ahead to September, the ARMLS Pending Price Index anticipates the median sales price will drop again this month, projecting a median sales price of \$257,500. I believe our mathematical model will undershoot the mark again this month. I'm betting on \$260,000. It's quite common for the median sales price to peak in June and then "wobble" through the end of the year. With a \$268,000 median reported in June, don't be surprised if the median drifts between \$260,000 and \$265,000 through the end of 2018, with December approximating or falling just below the high-water mark in June.

Sales volume for the first eight months of 2018 was 2.53% higher than 2017, with 66,793 sales in 2018 compared to 65,147 in 2017. We begin September with 5,381 pending contracts; 3,309 UCB listings and 503 CCBS giving us a total of 9,193 residential listings practically under contract. This compares to 10,305 of the same type of listings one year ago. There were 20 business days in August of 2017 compared to 19 this year. ARMLS reported 7,328 sales in September of 2017, and I expect sales volume to be slightly lower this year.