

# DECEMBER 2018

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

For many, it's the most wonderful time of the year! Enjoy the Holiday Season, but safely and in moderation please. I must admit that I'm actually more of a 'spring' kind of guy. I really enjoy the reemergence and growth experienced during that time. Allow me to wish you and your family a Merry Christmas/Happy New Year (Happy Holidays, if you prefer). May it be filled with happiness, good health, good friends & good fortune.

How's the market, you ask? Interesting! The monthly Credit Suisse Real Estate Survey released in November notes market reports suggesting that 'Buyers seem weary from elevated competition levels of the past year.' The limited supply and rising interest rates coupled with the typical seasonal slowdown seem to make the slower Buyer market activity more noticeable. We are seeing more 'price reductions' than in recent times. The market prices are plateauing and even softening just a bit. Days on Market remains around 60 days. Overall sales this year remain good, though now down just more than 1% from 2017. It appears our Sellers Market is transitioning toward a more 'Neutral' market. That's actually good for everyone! The market does not have any serious pundits speaking of anything resembling a big correction that many in the media like to insinuate. My personal take is that the Phoenix Real Estate Market is still filled with sunshine with the occasional high thin cloud passing overhead from time to time! What's in store for 2019? Probably a continuation of the same, assuming the overall economy continues to move forward. My thanks to my Financial Advisor, Nate at Merrill Lynch, for sharing an interesting graph. It looks at mid-term election years from 1978 to present. Every mid-term election year showed the S&P 500 (probably the best overall economic barometer) falling for the year. The following year saw the market up 1 to 3 times the previous year's loss. That points to good things for all of us in 2019!

I'll end this month's Newsletter with a very big Thank You to everyone who hired me to work for them to Buy or Sell a home; to each person who contacted me for advice on the market and how it might be time to consider a sale or purchase; to everyone who sought me out for an answer to a real estate question or the referral to someone who could help them solve a problem and finally, perhaps most importantly, to each of you who passed along my name and contact info to someone who was contemplating the sale or purchase of a home. It's your referrals that help me maintain and grow my business. My hope is that you have found my services worthy of a referral or a friend, co-worker or family member. My heartfelt wish is for you and your family to have a great 2018 Holiday Season and a Healthy and Happy 2019!

**Regards,**

*JS Gerber 11/29/2018*

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**The Empowered Team, LLC**  
*Real Estate For Today*

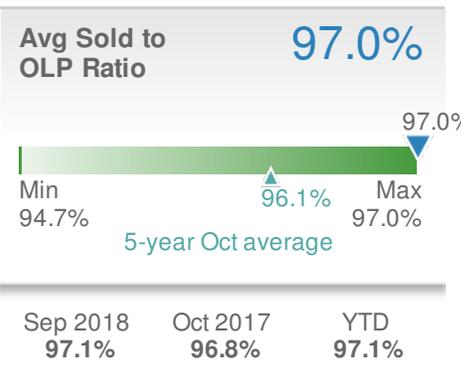
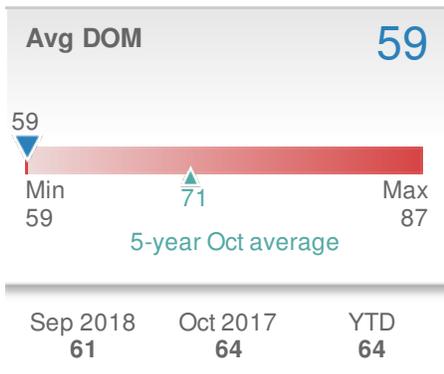
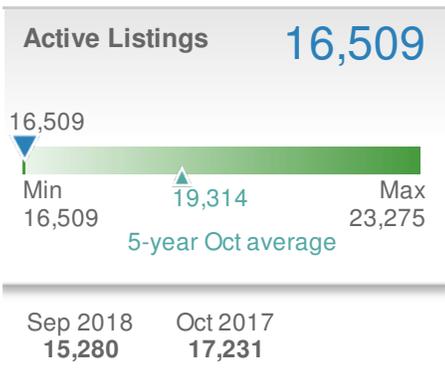
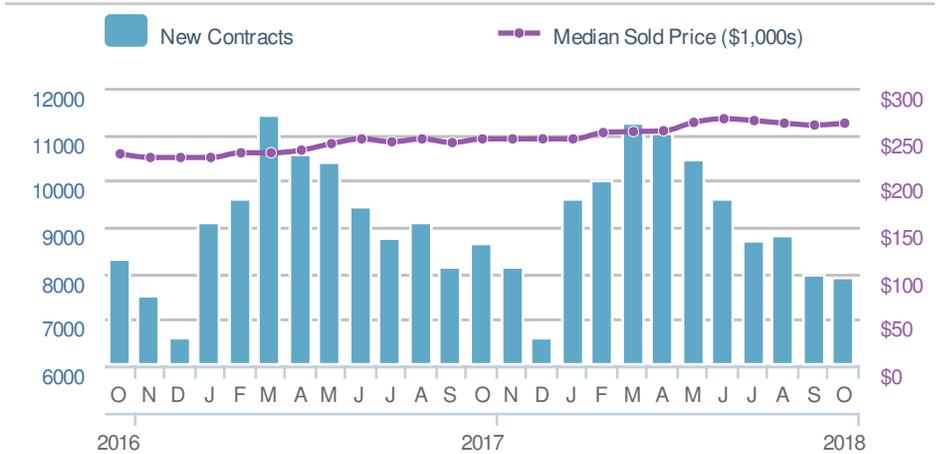
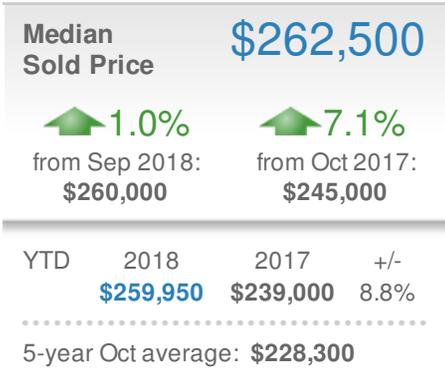
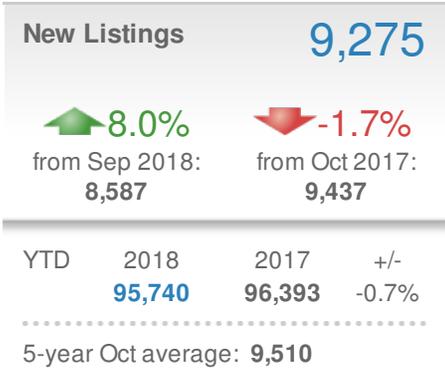


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# October 2018

## Arizona Regional MLS





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# Between FRIENDS

Real Estate for Today

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**H**appy Holidays! As the year comes to a close, take a moment to reflect on your triumphs over the last twelve months and prepare for a promising future.



**L**ooking to buy a new home? Now is the time to make the move! Of course, investing in a new home is more than just a financial decision—the pride that comes with homeownership is truly priceless.

I recommend including an Old Republic Home Warranty Plan to all my clients, whether they're buying or selling. A home warranty helps protect your budget from unexpected repair or replacement costs caused by the breakdown of your home's heating, plumbing, electrical systems, and most built-in appliances—before, during, and after the sale. Optional coverage choices are available for buyers to custom-fit the warranty to the unique needs of their new home.

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## Health & Safety Get Fit the Fun Way

**P**eople have tons of reasons why they choose not to exercise. They don't like it, they don't have time, they simply don't want to, etc. As the saying goes, a body in motion stays in motion. So find a way to get your heart rate up and build muscle that you enjoy. If you're lucky, you may discover an activity that doesn't even feel like exercise to you! Here are just a few possibilities:

- Take a brisk walk around the city or a hike in the country. Invite your family and friends to join you, and pack a healthy picnic lunch or just enjoy the scenery as a reward for your efforts.
- Go on an adventure! Hop on your bike and pedal somewhere you've never been. Bonus points if you live near a lake, a park, or a vineyard and you make that your destination.
- Volunteer for a community service project, such as building homes for the less fortunate or cleaning up a local watershed. You'll make friends and burn calories while giving back to the community.
- Download a location-based fitness app, such as MINDBODY, and sign up for a beginner drop-in class. Pick an activity that you never thought you'd try, such as aerial yoga, kettlebell boot camp, or trampoline cardio. Who knows? You might just find your new passion!



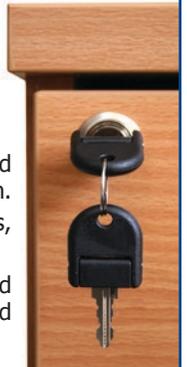
## Real Estate Today

### How Mortgage Companies Keep Your Home Loan Documents Safe

**Y**ou provide tons of personal financial data to mortgage companies during a real estate transaction. How do you know your information is protected? What safeguards does your lender take? Many lenders have policies in place to keep sensitive financial data safe from hackers, such as:

- Ensuring customers are aware of the risk of online hacking and theft. Lenders make sure home buyers know where cyber criminals are lurking and how to avoid them (e.g., never wire funds without double-checking all information with their loan processor over the phone).
- Enacting a clean desk policy stating that all file cabinets must be locked and documents must not be left out where they could be read or stolen.
- Employing data protection policies with encrypted computers, phones, email, and secure portals.

Talk to your mortgage lender about their data security practices. A good lender should have strong systems in place to ensure the privacy and safety of all customers.



**3 cups uncooked macaroni pasta**  
**5 Tbsp butter**  
**1/3 cup flour**  
**1/2 cup heavy cream**  
**2 1/2 cups milk**  
**1 cup smoked cheddar cheese, shredded**  
**1 cup sharp cheddar cheese, shredded**  
**1/2 cup Monterey jack cheese, shredded**  
**Salt and pepper, to taste**  
**Paprika or cayenne, to taste**

Preheat oven to 350°F.

Prepare macaroni pasta according to instructions until it reaches al dente. Do not overcook. Drain pasta, toss with 1 Tbsp butter, and set aside.

Melt 4 Tbsp butter in a large saucepan. Add flour and cook, whisking constantly, for about a minute.

Dissolve flour paste with heavy cream and milk; cook for 6-8 minutes until pasty and light golden brown.

Remove from stove and add cheeses. Add salt and pepper to taste.

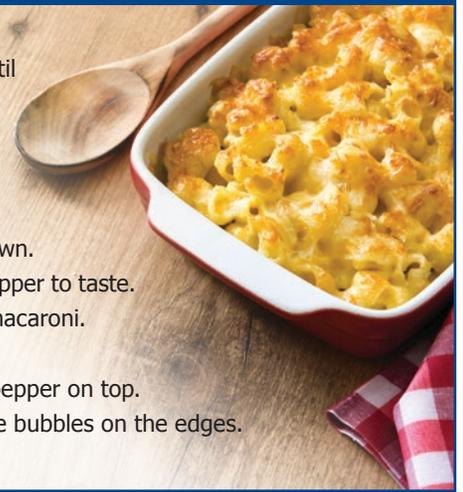
Grease a 9x9-inch baking dish with butter and add macaroni.

Pour cheese and milk mixture evenly over pasta.

Sprinkle paprika or cayenne and additional salt and pepper on top.

Bake for approximately 40 minutes, or until the sauce bubbles on the edges.

Set aside and cool slightly before serving.



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## Household Tips

### Purging Post-Holiday Clutter

**A**fter the holidays are over and your guests have gone, you're left to deal with the excess clutter. The following tips may help preserve your sanity during post-holiday cleanup.

- Designate a place for your new items straightaway. Otherwise, they might sit in a box or bag for months!
- Sort recyclables, such as discarded paper, shipping boxes, food cartons, etc. Set them aside to take to a recycling center, or put them in your household recycle bin.
- Not every holiday gift is a winner. Make space on a shelf in a closet or garage to store any items you plan to re-gift, donate, or return to the store. Locate receipts for the gifts you want to return and store them with each item. Come up with a game plan for getting rid of these items so they don't become new clutter.
- Carve out a good chunk of time to take down holiday decorations. As you're putting items away, ask yourself if they're worth keeping another year. If they're broken or you just don't like them anymore, get rid of them. Once the decorations are all packed up, store them immediately.

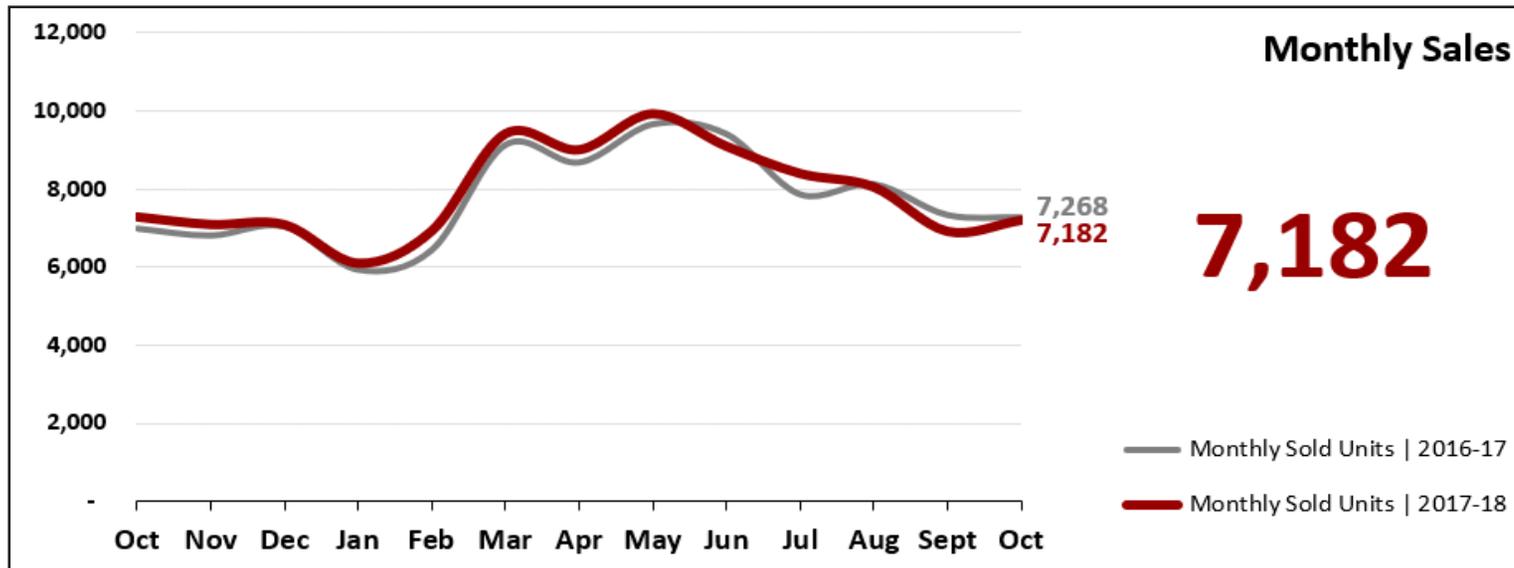


# STAT

## Your Monthly Statistics for the Phoenix Metro Area

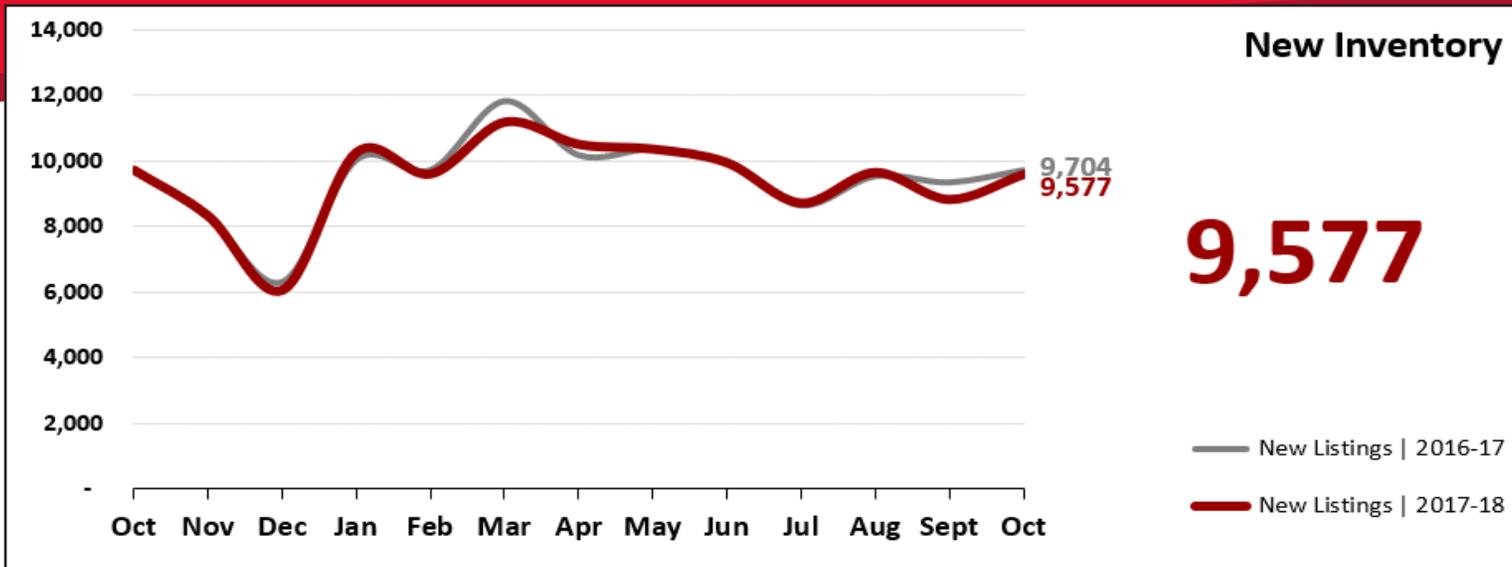


**DATA FOR OCTOBER 2018** - Published November 16, 2018

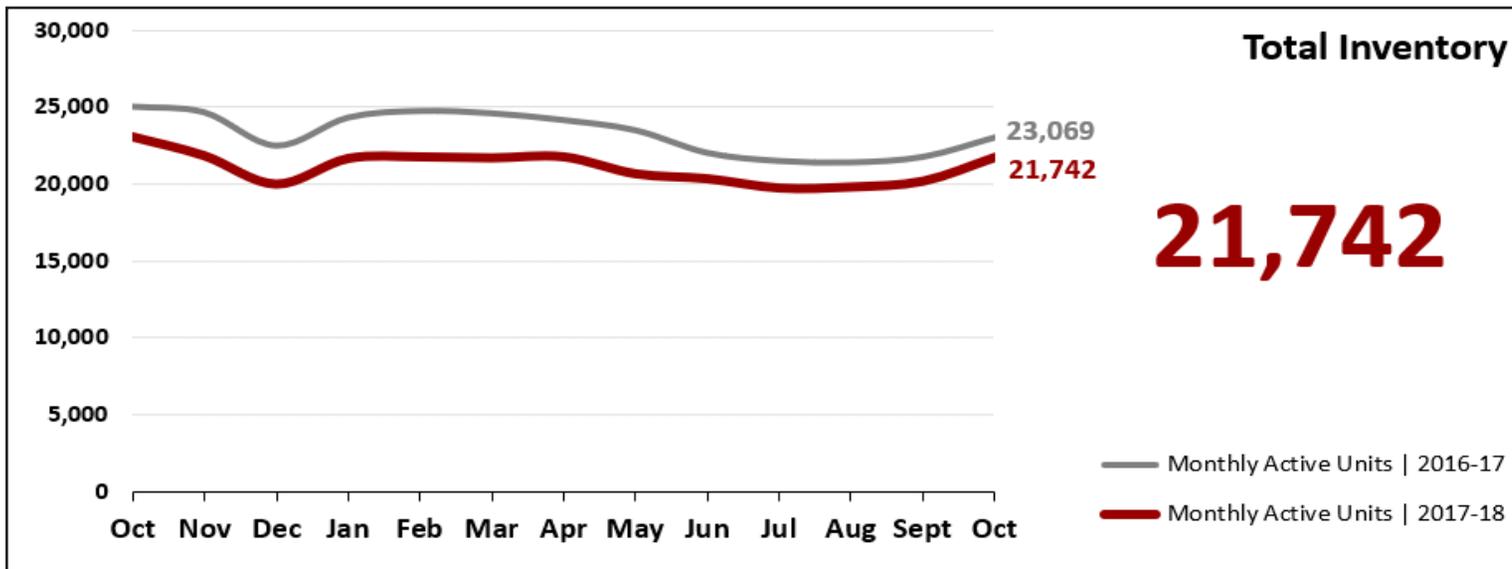


Sales are up +4.1% month-over-month. The year-over-year comparison is down -1.2%.

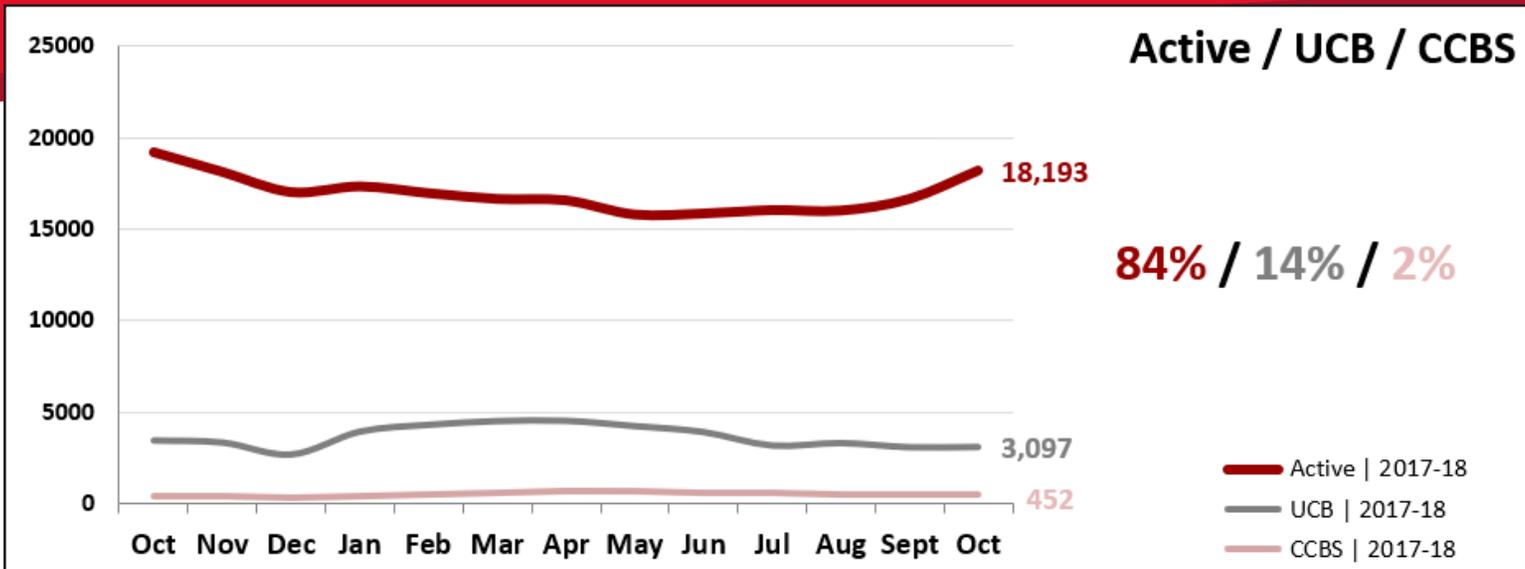
Closed MLS sales with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



New MLS listings that were active for at least one day from 10/1/2018 to 10/31/2018, 0 day DOM sales removed

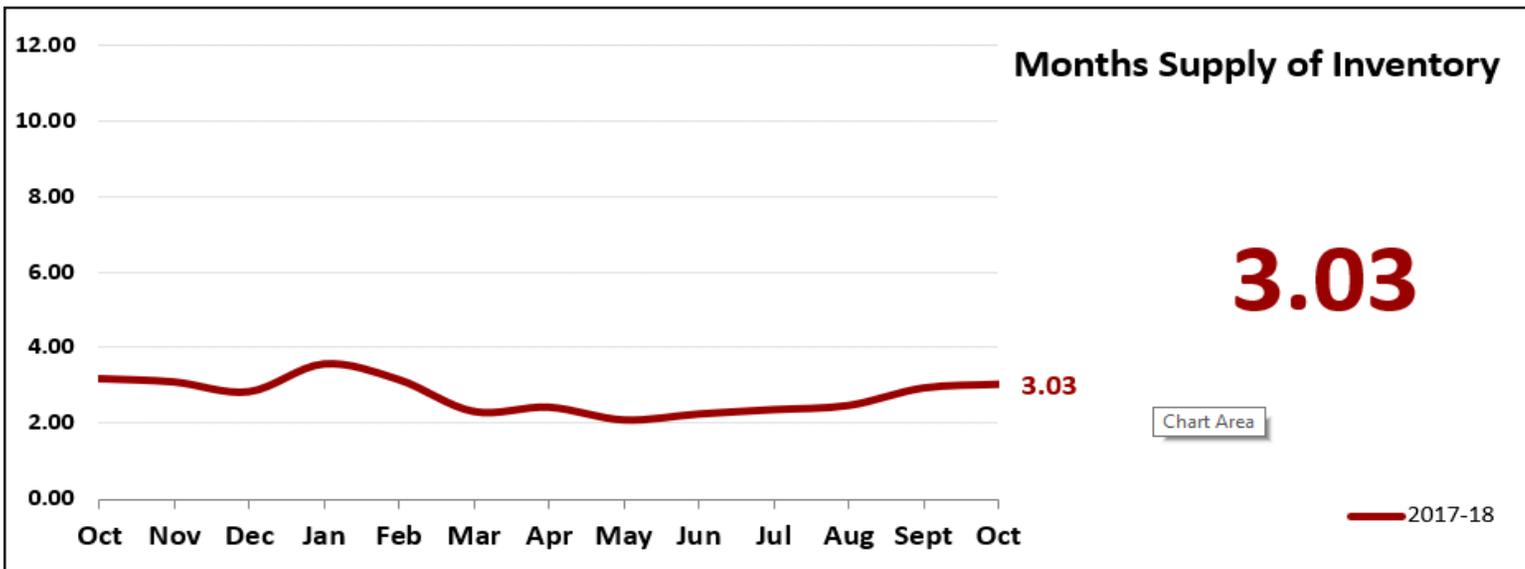


Snapshot of statuses on 10/31/2018



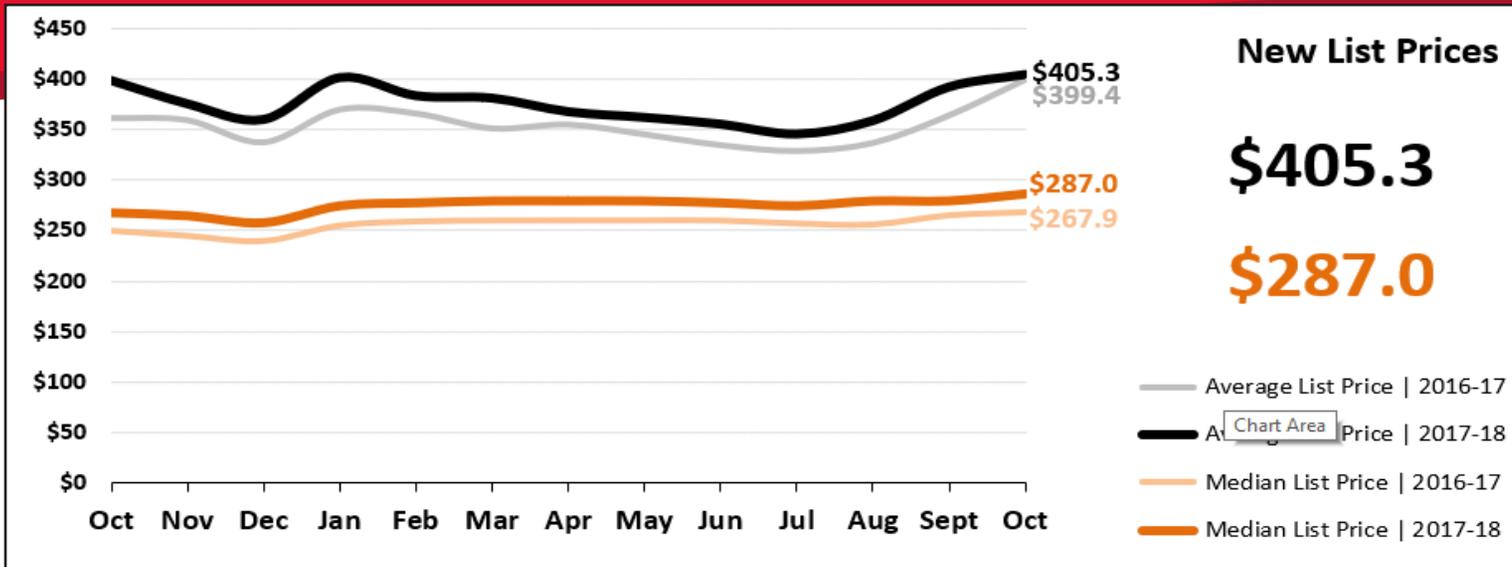
October UCB listings percent of total inventory was 14.2% with October CCBS listings at 2.1% of total inventory.

Snapshot of statuses on 10/31/2018

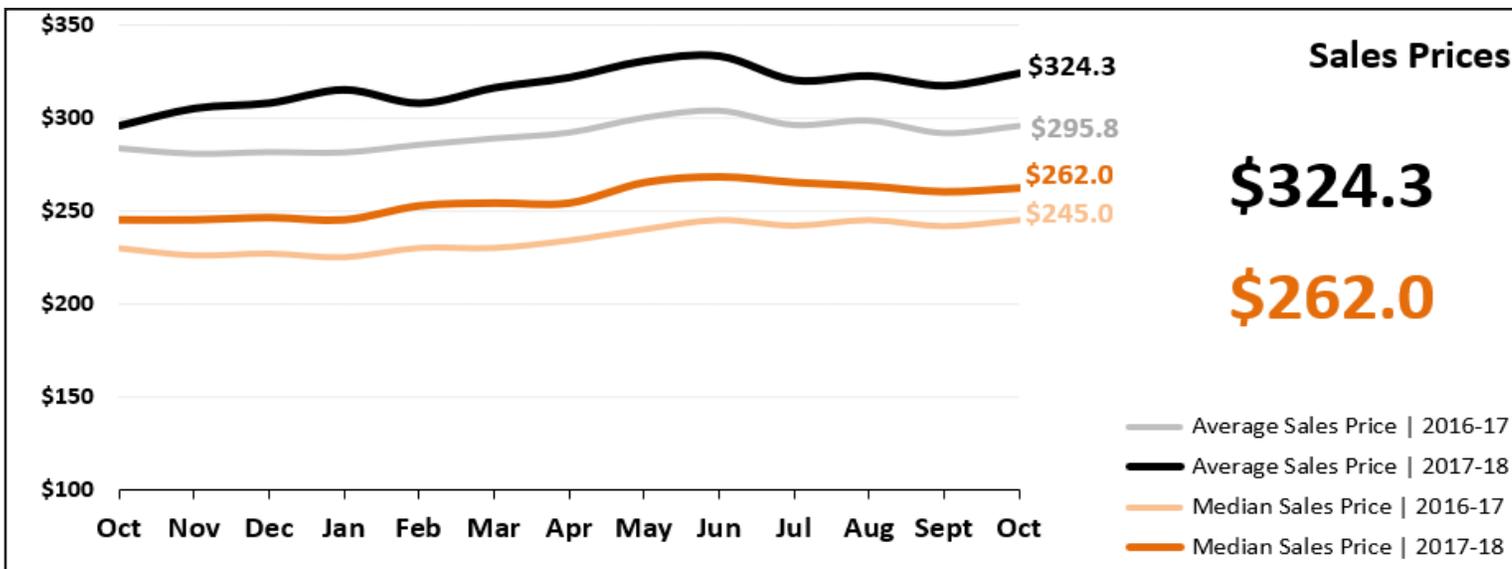


Months supply of inventory for September was 2.93 with October at 3.03.

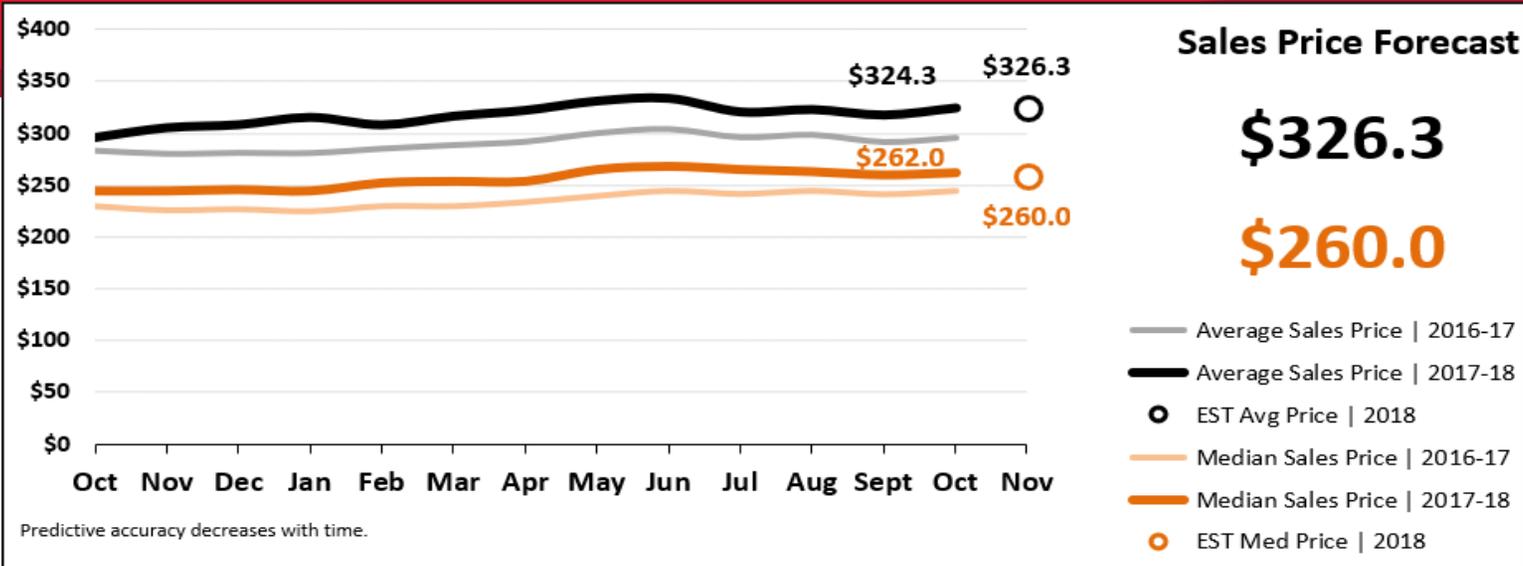
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of OCTOBER 2018, 0 day DOM sales removed



List prices of new listings with list dates from 10/1/2018 to 10/31/2018, 0 day DOM sales removed

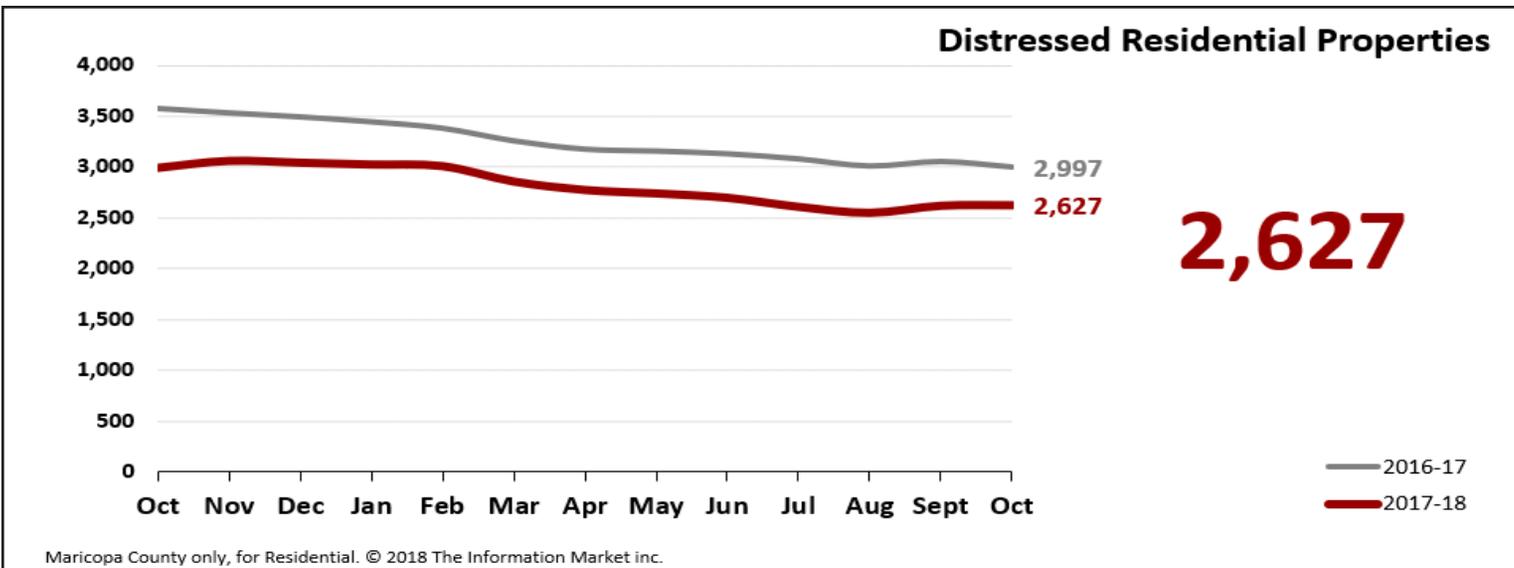


MLS sales prices for closed listings with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



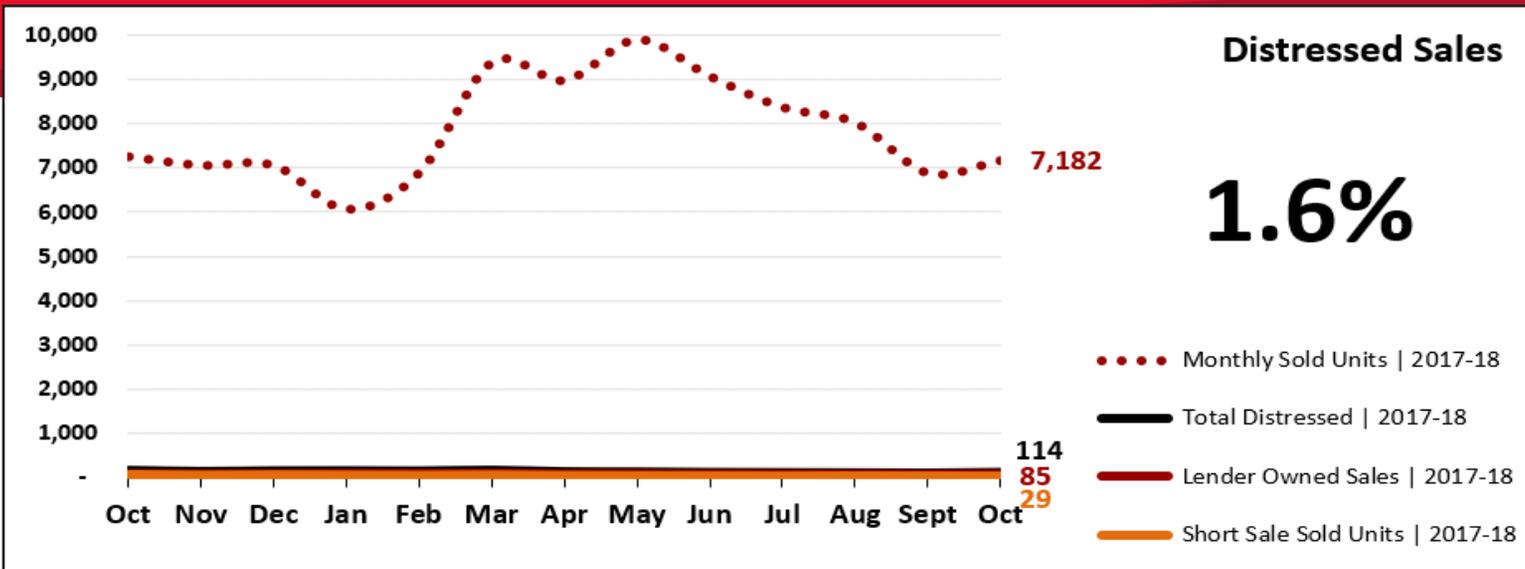
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

An increase is forecasted in November for average sales price while a slight decrease is expected in the median sales price.



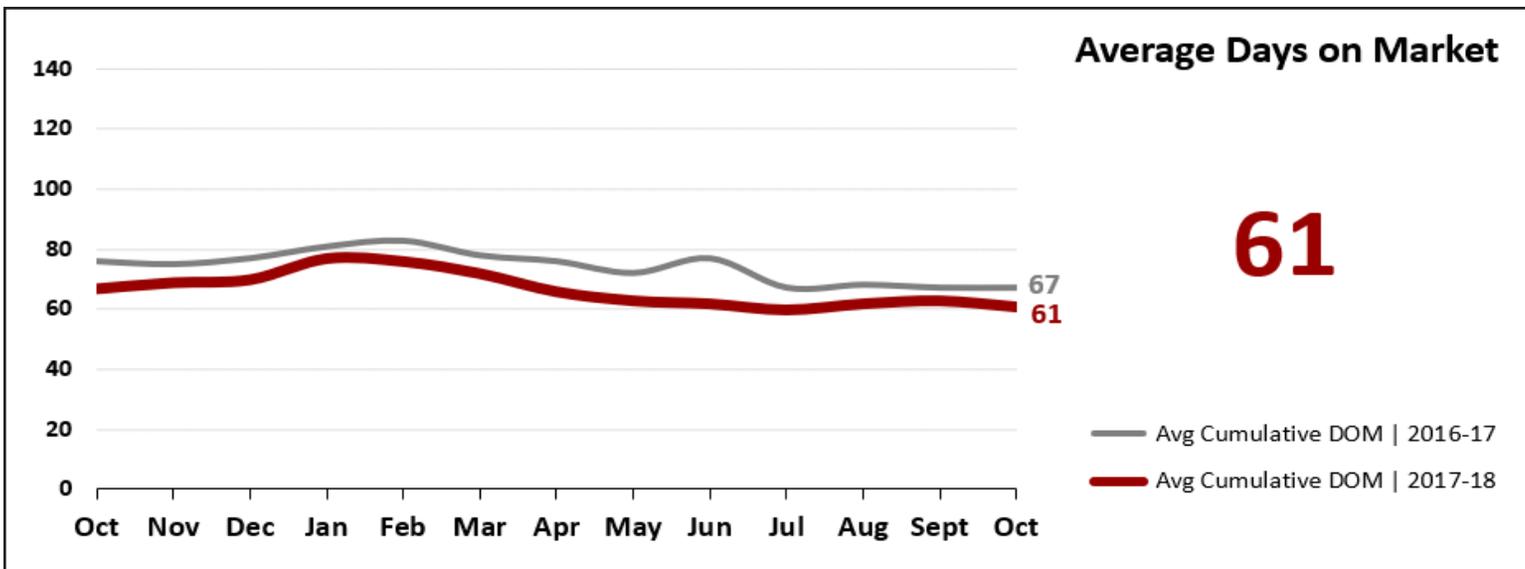
Foreclosures pending month-over-month showed an increase of +0.2% while the year-over-year figure was down -12.3%.

Snapshot of public records data on 10/31/2018 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 7 months.



Distressed sales accounted for 1.6% of total sales, up from the previous month of 1.4%. Short sales dropped -58.0% year-over-year. Lender owned sales dropped -12.4% year-over-year.

New MLS listings that were active for at least one day from 10/1/2018 to 10/31/2018, 0 day DOM sales removed



Days on market were down -6 days year-over-year while month-over-month also decreased by -2 days.

MLS sales prices for closed listings with a close of escrow date from 10/1/2018 to 10/31/2018, 0 day DOM sales removed

In October, ARMLS reported a decline in year-over-year sales volume, down 1.2 percent. When we take into consideration one less business day this year, the 1.2 percent decline is greater than it appears on the surface. The last time we saw a downturn in our market like this was in August 2013 as the large institutional investors abruptly curtailed their purchases. The result? Sales volume in the following year fell nearly 11 percent before recovering in 2015, when sales volume returned to 2013 levels. Traditional homebuyers, led by boomerang and first-time buyers, replaced the opportunistic investors and sales grew four consecutive years, validating the adage that economists and analysts are great at predicting the past.

The reason we mention 2013 is because October 2018 feels eerily similar, albeit a completely different scenario. Though too early to tell, the October 2018 sales volume most likely signals an inflection point in our market, but like 2013, it's probably nothing more than a pause. In 2013 we were able to immediately pinpoint the reason for the shift, as well as anticipate positive future growth. The shift we're seeing in our current market is not as easily identified. There is not a single metric screaming "LOOK AT ME" as there was with the investors departing. The notion that we are at an inflection point is subtler.

Let's turn to our two favorite analysts for insight. First up is Michael Orr of the Cromford report in his November 3rd Market Summary.

*“The supply of active listings without a contract rose 6.7% during the month of October, while total active listings increased by 5.0%. These are much bigger increases than we saw in October 2017 (2.7% and 2.8% respectively) so there has once again been a definite improvement in available supply. This was not due to an increase in new listings, in fact we saw 3% fewer new listings during October compared with 2017. Instead, we saw a sharp drop in demand meaning that far fewer listings went under contract during the month. We can see the drop in demand quite clearly from the pending listing count and under contract count, both down substantially from last year and suggesting that we will also see lower sales counts for November and December.*

*“At first the sales count of 7,182 seems quite respectable. However, October had the maximum number of working days - 23 - so we were expecting far more closings. October 2017 had 22 working days, so we dropped our closing run-rate by around 6% compared to this time last year. This is another sign of weakening demand. “Price cuts are getting more common - we saw the highest number of price cuts during the week beginning October 21 since February 2015. Sellers are clearly having to adjust their expectations lower now that buyer enthusiasm is fading.*

*“The big question is whether the drop in demand is a short-term event or the start of a longer-term downtrend. We saw a more extreme downtrend in the second half of 2013 which kept the market constrained throughout 2014. However, demand bounced back in 2015 and we enjoyed a lengthy period of positive momentum between early 2015 and mid-2018. We are now entering a period of change once more and the Cromford® Market Index is moving rapidly towards a more balanced market. At 142.2 as of November 1, it seems almost certain that it will drop further over the next few weeks, but whether it falls all the way back to 110 (indicating a balanced market) or even below 90 (indicating a buyer’s market) is impossible for us to foretell at the moment.*

*“We will just have to watch the Cromford Market Index carefully, both for the fall and the speed with which it happens.”*

Second, Ivy Zelman, in a recent [Barron's article](#), spoke of the same market occurrences but on a national basis.

*"It's at an inflection point and has definitely slowed from where we were last year.*

*"Existing-home sales are down year-to-date about 2%. Most of that has been attributed to inventories too tight at affordable price points. It's debatable if that negative trend is really due to an overall slowing or sellers' unwillingness to capitulate to what buyers want in terms of price.*

*"As interest rates have moved up, they've had an impact on demand, with more difficulty for consumers, in some cases, to afford to buy a home. Compared with a year ago, the monthly payment on a \$300,000 home using a Federal Housing Administration insured would be 13% higher. And home prices have also been increasing at 5% or 6%. It's much more expensive for that entry level, medium-priced home.*

*"There's a hesitancy to adjust to the new rate environment, but assuming no further upside in rates that reluctance starts to diminish in roughly four quarters, which would bode well for the spring selling season. Given the strength of the economy and consumer confidence and employment growth, housing should resume growth. That said, prices will likely be under pressure and will have to adjust, even if we do see a rebound in the spring, because it's more expensive with rates moving higher.*

*"If mortgage rates keep rising, affordability will no longer be favorable from a historical perspective. The monthly payment as a percent of consumer gross income is still actually lower than it's been for 40 years. But if you start to see mortgage rates go up, say above 5¾% roughly, that monthly payment as a percent of gross income would start to be higher than it's been historically."*

In our “*what to expect in 2018*” issue of STAT we stated, “*There are two prevalent notions as to sales volume in 2018, one being low inventory numbers will lead to higher prices, and the higher prices coupled with rising interest rates will restrict demand leaving 2018’s sales volume comparable or lower than 2017’s. The second line of thinking centers around millennials being one year older and an improving economy in which case the single-family housing market will make further gains this year.*” With the October numbers, it can be said we saw a little of both with gains early in the year, and now, an expected decline in the final quarter.

As we conclude this issue of STAT, let’s share one more observation from Ivy in anticipating market tailwinds and headwinds based on market demographics.

*“There are two stories here: the 75 million millennials, with phenomenal growth potential at the opening price points. The oldest are in their early-30s, and we’re seeing acceleration in marriage and family formation. This cohort is powerful as they get to that critical phase in their life to make a decision about a single-family home and the American dream.*

*“On the other hand, we’ve got the aging boomers, roughly 75 million as well. As you get older, you tend to age in place at a much higher rate. That becomes a headwind to housing. If boomers have a low mortgage rate, and rates keep moving up, that would also be a deterrent for them to sell and move, a secular headwind, because turnover is going to be slower.”*

As a market observer, housing analytics is becoming more interesting as well as challenging.

## The Pending Price Index

Last month in STAT, the mathematical model projected a median sales price for October of \$260,000. Our mathematical model, for the first nine months of 2018 had been underestimating the actual median sales price. The October median sales price followed our yearly pattern, reporting a median sales price of \$262,000. With one more business day this year compared to last year, we expected 2018 sales volume to be higher. It was not. We saw 7,182 sales this year compared to 7,268 last year. Our estimate of 7,400 sales overshoot the actual sales volume by 218. If we had been playing horseshoes, we would have at least scored. Looking ahead to November, the ARMLS Pending Price Index anticipates the median sales price will hold steady, projecting a median sales price of \$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 June's high-water mark.

Sales volume for the first ten months of 2018 was 1.42 percent higher than 2017, with 80,872 sales in 2018 compared to 79,743 in 2017. We begin November with 4,758 pending contracts; 3,097 UCB listings and 452 CCBS, giving us a total of 8,307 residential listings practically under contract. This compares to 9,468 of the same type of listings one year ago. The 2018 pending contracts are 12.27 percent lower than last year. There were 19 business days in November of 2017, as well as this year. ARMLS reported 7,074 sales in November of 2017. I expect sales volume to be lower this year, I'm guessing 6,800.