

# DECEMBER 2012 Real Estate Update



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

**Hello Everyone,**

Happy Holiday Season!! It seems amazing to be saying this. Was it just me, or did 2012 unfold much faster than previous years? When I treflect on the past year I am grateful for a number of new friends that I have made, while saddened at the thought at the surprising number of friends and acquaintances who have passed in the past year. My wish for you this Holiday Season is for safe travels. good health, general good fortunes and plenty of time with family and friends. I look forward to our relationship to continue and prosper into 2013!

My summary of Real Estate news for the past month is generally positive. The Phoenix Real Estate Market continues to lead the nation in recovering from the Great Recession. Our foreclosure rate to just 2821 properties in September, a 15% drop in a year. AZ now ranks \$5 (FL #1, NV #2) in foreclosures. Our mortgage delinquency rate is down 25% since Sept 30, 2011 to 5.62% versus a 'normal market' 1—2%. Florida has a 13+% delinquency rate. Foreclosure rates are on the rise in the 'back east' 'Judicial Foreclosure' states. Zillow says only 45% of (down 13% since the first of the year) AZ mortgages are underwater, thought that varies quite a bit by area. The number skews higher in areas like South Phoenix (85043) where 74% of mortgages are underwater. CoreLogic reports that US home prices have jumped 5% year to date, though Phoenix prices are up 22.1%. That includes an 88.5% increase in new home sales in The Valley this year. Things we need to watch include the new Fannie Mae and Freddie Mac agreement with private mortgage insurance companies that started Nov 1 which should allow for more streamlined Short Sales and deed in lieu processes. These new rules could help many that are underwater. All eyes are on Washington with hopes that both political parties will work to avoid the 'financial cliff' that will happen without action at the end of the year. Most of us are hoping to see some real negotiation and compromise return to DC. We're also looking closely to DC for an extension of the Mortgage Forgiveness Debt Relief Act of 2007. Without an extension, many people could find forgive debt in a Short Sale treated as ordinary income for tax purposes. That would be devastating to most involved in a Short Sale. On a positive note, mortgage interest rates continue to hover at near historic record lows. Indications from the Fed are that those rates will remain low through 2013. We're also seeing a bit of relaxation in Lender requirements in the form of lower down payment requirements. The average down payment now is 9%, the lowest level since 2009. More specifically, the average is 4% for new home Buyers and 13% for repeat Buyers. Watch for an FHA mortgage fee increase in 2013 that will add approximately \$13 per month to every new FHA mortgage.

Here's hoping you have a very Merry Christmas, Happy New Year and overall great Holiday Season. Please remember to mention my name to anyone you know who is looking to buy or sell a home. Your referrals are really appreciated!

**Regards,**

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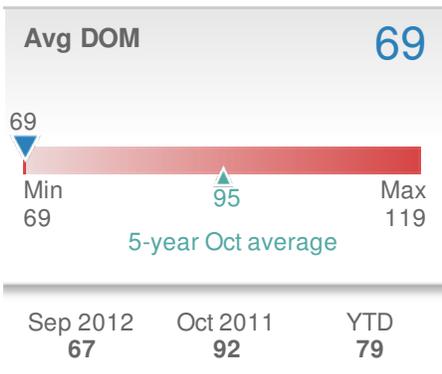
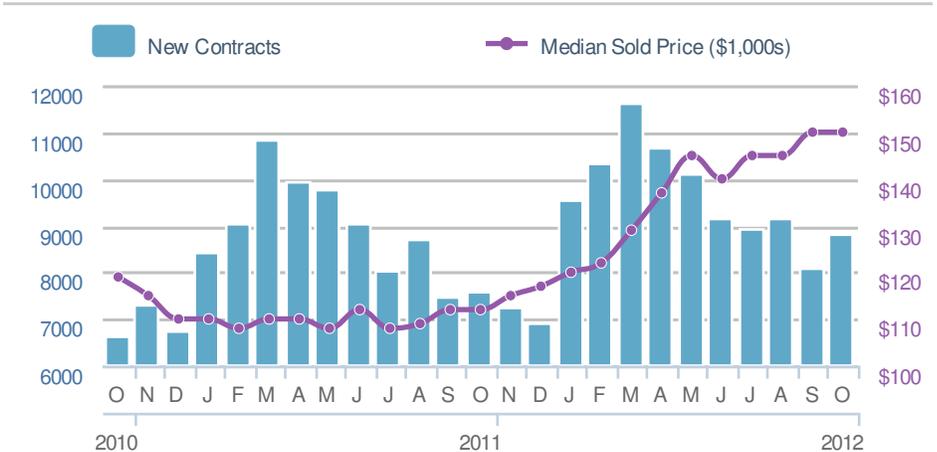


Visit my website at: [www.jeffgerberrealtor.com](http://www.jeffgerberrealtor.com)



# October 2012

## Arizona Regional Multiple Listing Service (ARMLS)





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*Real Estate For Today*



The Empowered Team LLC



Real Estate for Today

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**H**appy Holidays to you and yours! As the year winds to a close, take a moment to reflect upon this year's triumphs and prepare for a promising 2013.



**A**re you in the market for a new home? The time is right to make the move! Prices have stabilized and interest rates are attractive. Of course, investing in a home is more than a financial decision—the pride that comes with homeownership is truly invaluable.

I recommend that my clients include an **Old Republic Home Warranty Plan** with their home purchase or sale. 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. Optional coverage choices are available for buyers to custom-fit the warranty to the unique needs of their home.

Call me today to learn how you can gain added peace of mind with an Old Republic Home Warranty Plan, or visit [www.orhp.com](http://www.orhp.com) for more information.

**A** confident referral is, without a doubt, the highest form of flattery. Friends, family, and colleagues—send them my way! I'll answer all their real estate questions.



## Health & Safety

### Triumph Over Back Pain

**B**ack pain is all too common in the era of desk jobs and cubicle farms. These days, 80% of us will experience aches and pains caused by a sedentary lifestyle. While some back pain is related to pinched nerves or damaged discs, the majority is muscular in origin and much of it can be alleviated by stretching and strength training. Of course, be sure to check with your healthcare provider before adopting a new exercise routine. WebMD specifically recommends seeing a doctor if you experience numbness or tingling in any part of your body, if your pain doesn't improve with rest and medication, or if you experience pain after an injury.



A strong abdomen is key to a healthy back, and daily crunches will help strengthen your core. When performing crunches, the Mayo Clinic recommends crossing your arms at your chest. Bend your knees and hips at a 90° angle, raise your head and shoulders off the floor, hold for three deep breaths, release, and repeat.

When it comes to stretching, consistency is key. If you don't have time for an hour of yoga every day, don't fret! Visit [WebMD.com](http://WebMD.com) to view videos that guide you through some basic stretches that only demand a few minutes from your busy day.

## Helpful Hints

### Budgeting: Conquering the Phobia

**D**oes a small knot form in the pit of your belly at the thought of scrutinizing your spending habits? If so... you're not alone! Worldwide, one in five people experience some degree of financial phobia according to a recent Cambridge University study.

All phobias fester in darkness, but they evaporate in the light of exposure. Dragging the numbers into the limelight is the first step toward peace of mind and financial freedom. Quicken or Microsoft Money can take the agony out of tracking your expenses, and once you have a handle on the figures, you can re-think how you spend your money.

Instead of considering the pain—where you have to cut—think of budgeting in terms of what you'll get if you change certain habits. At \$3.50 per day, the annual price of a triple soy latte could cost more than a Hawaiian vacation. Economics is about choices. Are white sandy beaches enticing enough to make the "Folgers switch?" When you keep a budget, you get to decide!





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## Savor the Flavor

### 10 Minute Fudge

3	oz.	baking chocolate, unsweetened (3 squares)	1/3	cup	instant nonfat dry milk
4	tbsp.	butter	1/2	cup	light corn syrup
4 1/2	cups	powdered sugar	1	tbsp.	water
			1	tsp.	vanilla extract
			1/2	cup	chopped nuts (optional)

Melt chocolate and butter in top of 2-quart double boiler. Sift powdered sugar and dry milk together. Stir corn syrup, water, and vanilla into chocolate mixture. Stir in sugar and dry milk in two additions. Continue stirring until mixture is well blended and smooth. Remove from heat; stir in nuts. Pour into greased 8-inch square pan. Cool until firm. Cut into squares.

## Household Tips

### Removing Carpet Stains

**C**arpet stains are easy to treat if you act quickly, but time is of the essence! If you save that stain for later, you might be better off hiring a professional—or building a time machine. Use the following tips to treat stains quickly and keep your carpet looking new.

**Water-Soluble Stains:** For water-soluble stains, such as juice, milk, or mud, *This Old House* recommends a basic formula—1/4 teaspoon of white vinegar mixed with 32 ounces of water. Blot the stain, work from outside in, rinse with clean water, and repeat.

**Tougher Water-Soluble Stains:** Tougher stains, such as those from blood, chocolate, coffee, or mustard, require a stronger formula. Mix 1 tablespoon of Ammonia with 1 cup of water and follow the same blotting technique outlined above. (DO NOT use this formula to treat carpet made of wool or wool-blend—it might damage the fibers. Instead, mix a mild detergent with tap water to create your formula.)

**Wax, Oil, or Fat Stains:** Cover the stain with a paper towel and press a warm iron against it. When the oil or wax heats up, it should stick to the paper towel.



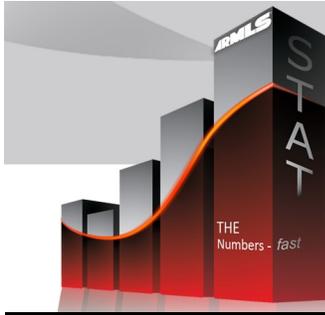
## Real Estate Today



### Long Distance House Hunting

Buying a new home from a distance can seem like a daunting task, but with today's technology, it's easier than ever. Even though you may be unfamiliar with the various neighborhoods in a given city, you can use websites such as nabewise.com to get a feel for which neighborhoods best suit your lifestyle. Also, be sure to put your feelers out among your circle of friends and colleagues—you may be surprised to discover who has the inside scoop on your prospective new area.

Once you've got a general feel for where you'd like to live, give me a call! Real Estate professionals are big networkers, so there is an excellent chance I can refer you to a savvy agent in a distant location. Make a list of everything you're looking for in your new home, and the local agent will help you narrow your choices before you hop on a plane. When you do your homework in advance, you pave the way for a swift, confident decision and an easier cross-country move.



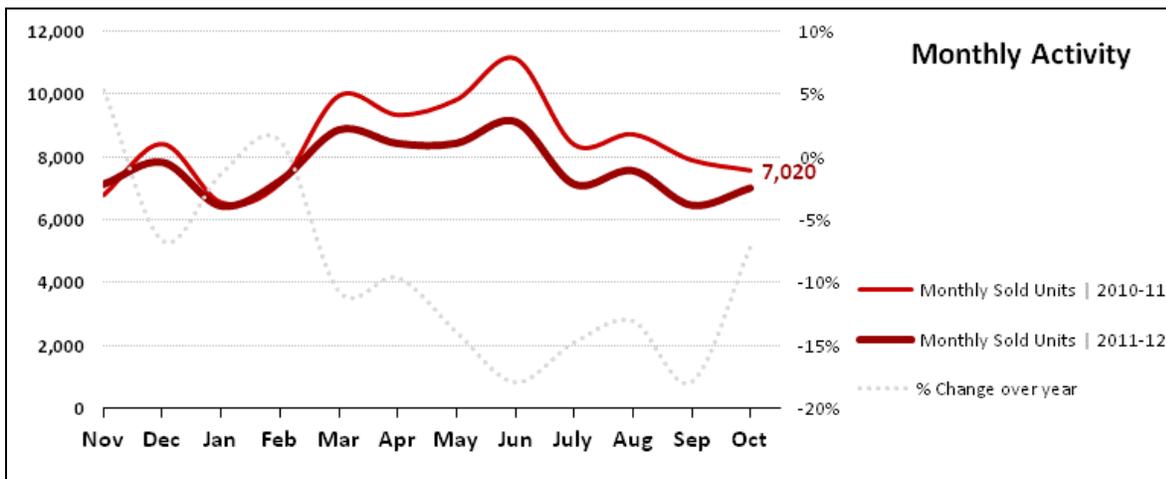
## ARMLS® STAT - November 6, 2012

### SALES Month over Month

Sales took an 8.4% upward turn in October to 7,020 units. This was welcome news after the disappointing decline (14.5%) in total sales in September. The overall trend line since March has been downward, but the average change per month since January is only 0.2%.

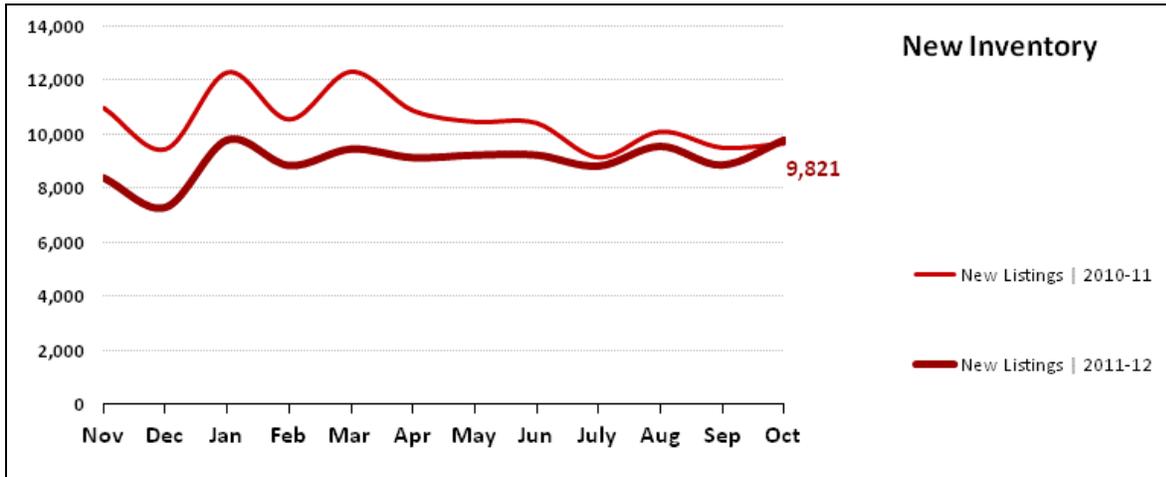
### SALES Year over Year

Sales in October (7,020) were 7.2% lower than the October 2011 figure. Lower sales figures are tied to lower inventory levels, which a year ago were 16.7% higher. Lack of inventory, particularly in the lower more affordable ranges, is *the* current market challenge.



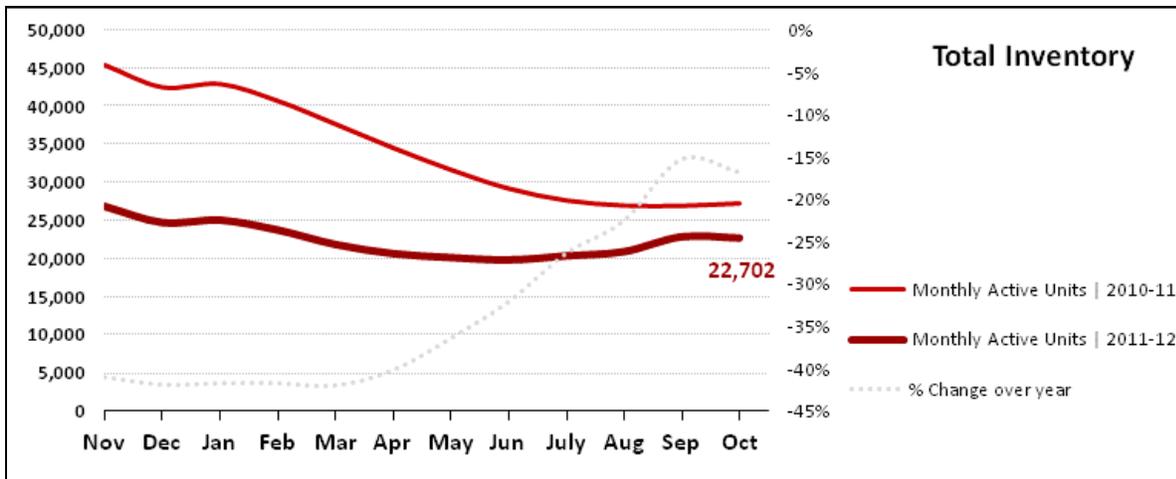
## NEW INVENTORY

New listings added to the market in October rose 10.3% to 9,821. Overall, the new listing trend line has been relatively flat since January. The October figure is only 1.7% above the same figure a year ago.



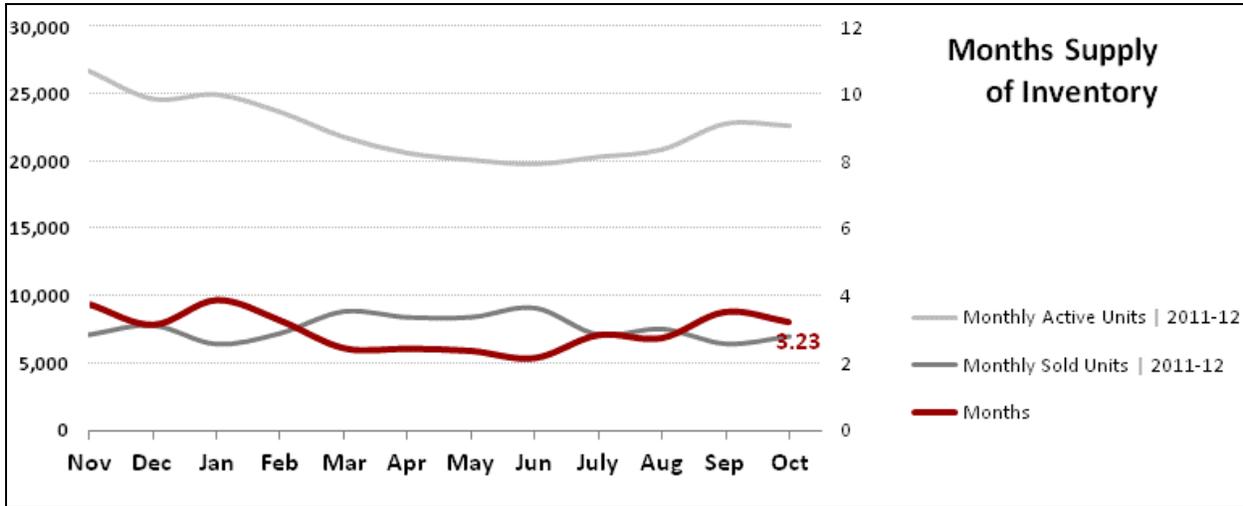
## TOTAL INVENTORY

Total inventory, which has been trending downward since October 2007, when the inventory hit an all time high of 58,178, dropped to a 68 month low in June of this year (19,857). Since June the total inventory figure has seen small incremental movement, averaging a 3.48% monthly gain. This month the total inventory metric came in slightly lower at 22,702, compared to 22,862 in September.



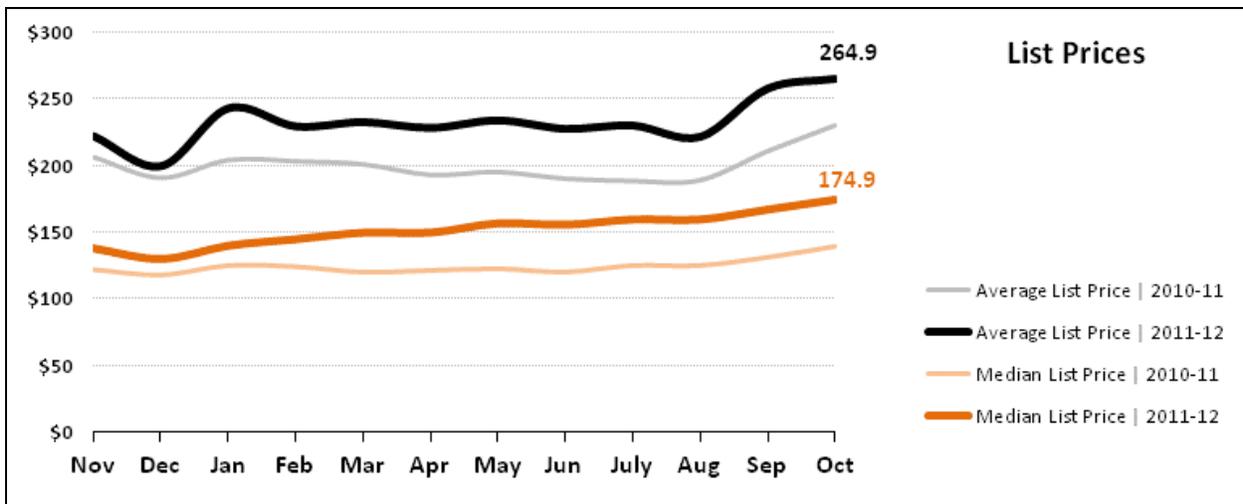
## MONTHS SUPPLY OF INVENTORY (MSI)

MSI in October landed at 3.23, down slightly from September's 3.53. At this level, the market is still regarded as a Seller's market. MSI as presented in STAT, is seen as a barometer of overall market health, and is not intended to be used to assess MSI in small market niches. Further, MSI varies greatly from the lower end of the pricing spectrum to the higher end.



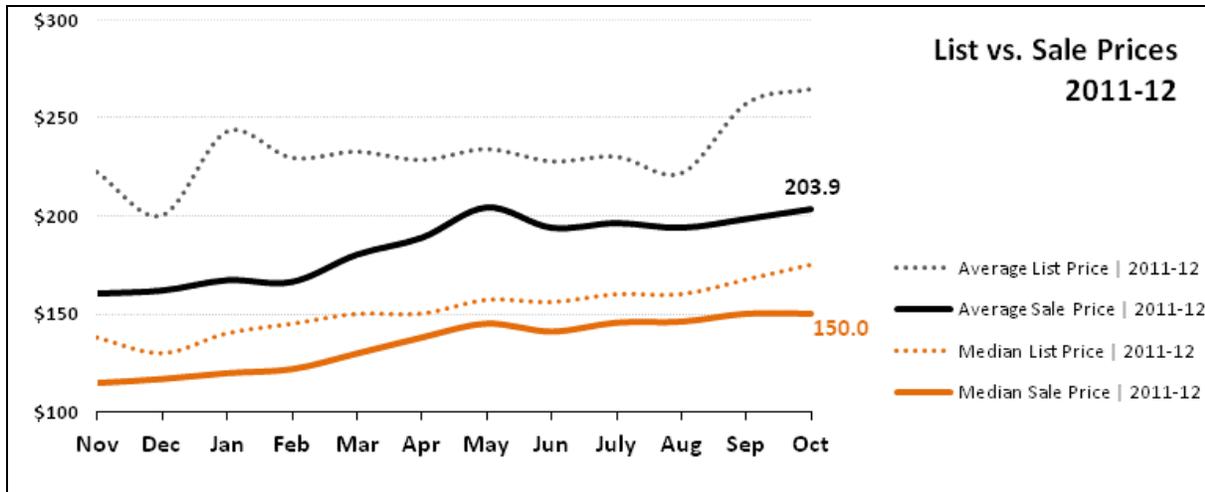
## NEW LIST PRICES

Both new list price metrics continued the upward trend lines begun in December 2011. The median list price rose to \$174,900, from \$140,000 at the start of 2012. In fact, the market had not seen a median list price of \$174,900 since October 2008, when the median list price was in its initial stages of crashing. October's average list of \$264,917 increased from \$243,152 in January 2012. The Valley has not seen an average list price in the \$264,917 range since the February/March period of 2009, when list prices were on their way down.



## SALES PRICES

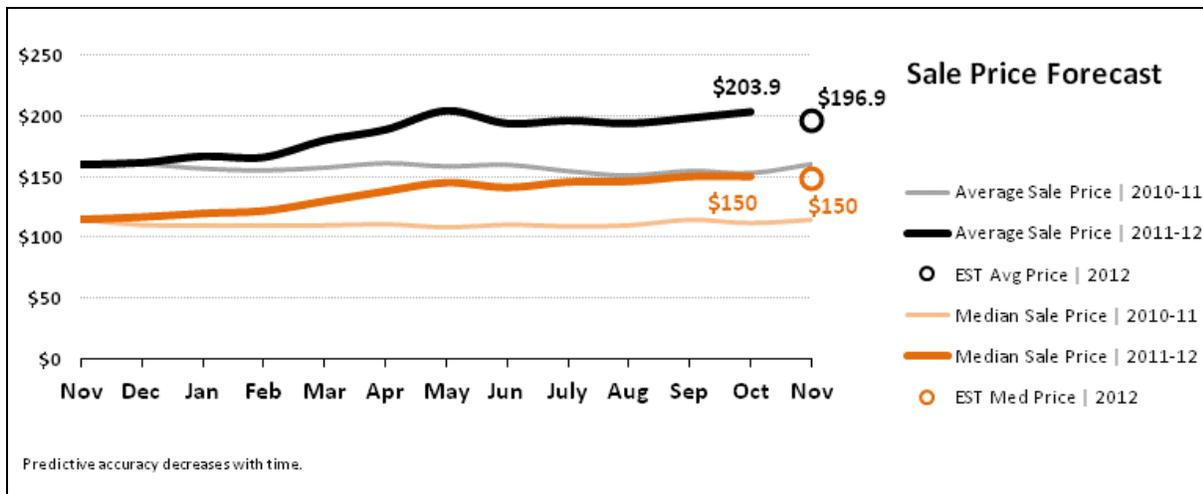
Following the path of new list pricing, both sales price metrics continued on their upward trend lines in October. The median price stayed level compared to September, at \$150,000 for both months. The last time the market saw a median price in the \$150,000 range was November 2008. The average sales price landed at \$203,867, a level not seen since November/December 2008.



## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a metric unique to ARMLS which forecasts the median and average sales prices 30 days in the future, based on the pending properties inside MLS. Last month STAT predicted the median sale price for October to be \$145,000, missing the actual median sales price by 3.45% to land at \$150,000. The average sales price predicted last month for October was \$191,500, missing the mark by 6.48% to land at \$203,900.

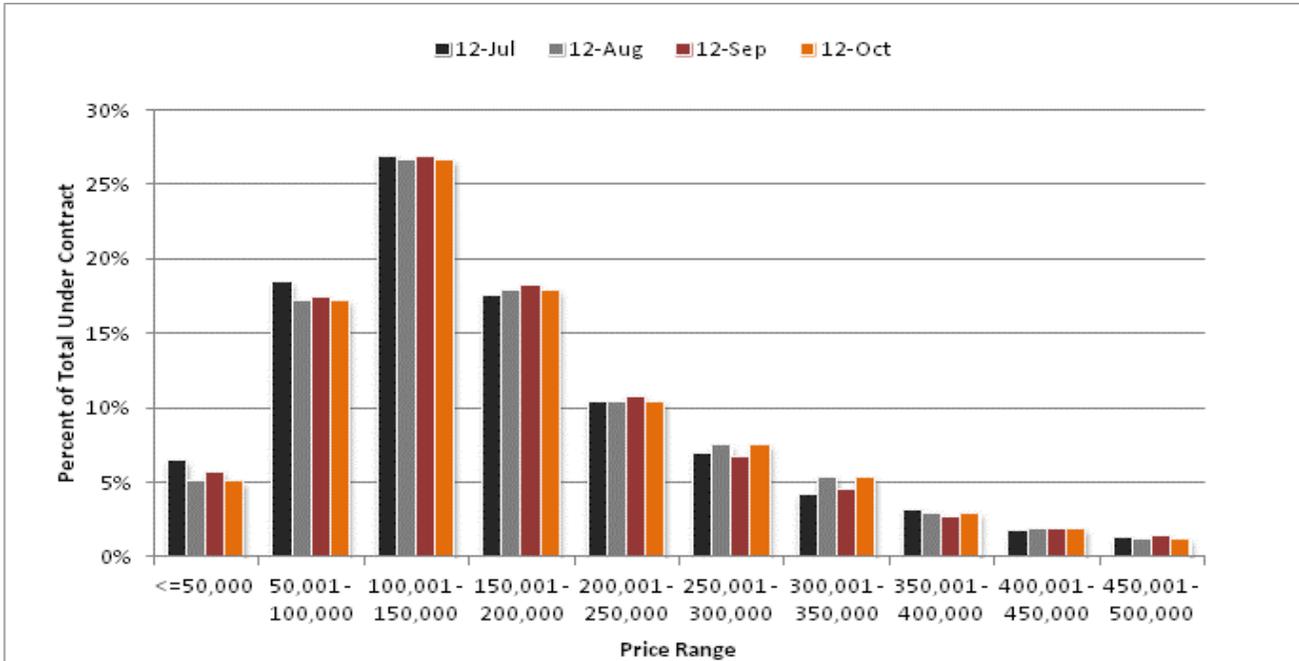
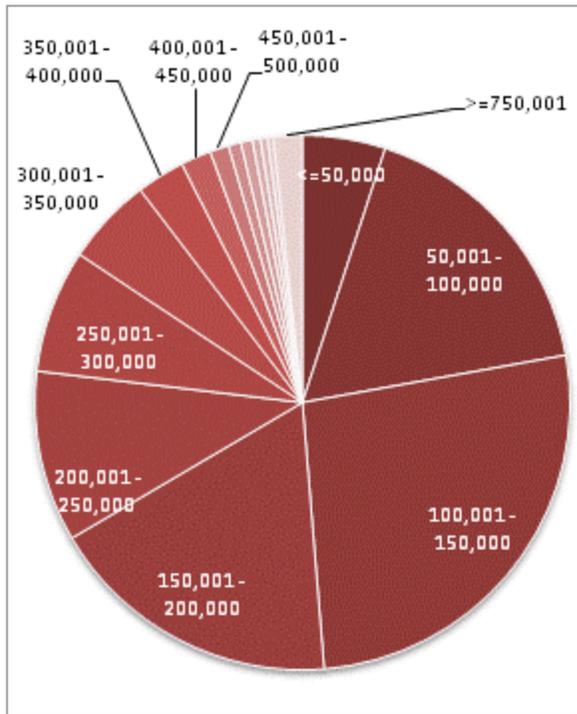
PPI predicts the November median list price to land at \$150,000, while the average sales price prediction is \$196,900.



# PPI SUPPLEMENT

The PPI Supplement focuses on newly pending properties added to the total pending pool each month on a rolling four month view. The percentage of newly pending property in October shows very little change from the preceding month. Pending in the \$150,001-\$200,000 range declined from the preceding three months, while ranges \$200,001 and above did not show any significant trending over the past four months.

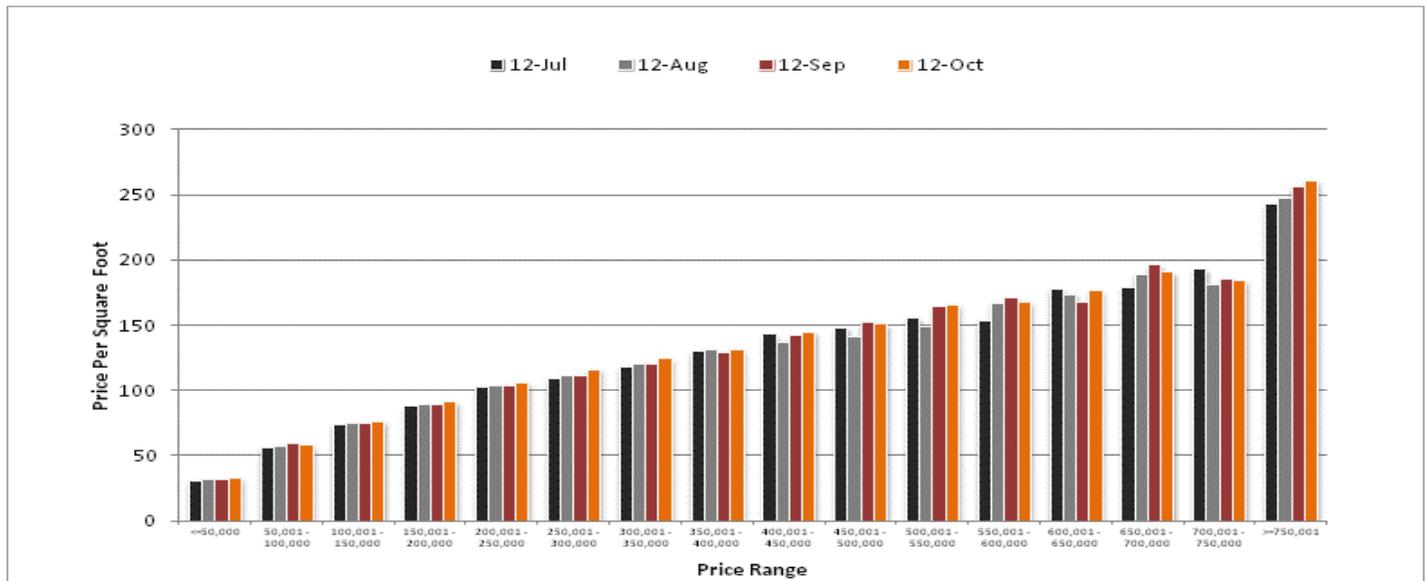
Pending Contracts Signed In October				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	36,430	38,500	363	5.00%
50,001 - 100,000	79,816	81,000	1,245	17.16%
100,001 - 150,000	126,489	125,010	1,926	26.54%
150,001 - 200,000	173,858	172,500	1,294	17.83%
200,001 - 250,000	226,226	225,000	751	10.35%
250,001 - 300,000	275,520	275,000	541	7.46%
300,001 - 350,000	327,370	325,500	384	5.29%
350,001 - 400,000	374,075	374,450	212	2.92%
400,001 - 450,000	428,230	428,000	133	1.83%
450,001 - 500,000	474,441	472,251	83	1.14%
500,001 - 550,000	524,266	520,000	55	0.76%
550,001 - 600,000	574,702	575,000	51	0.70%
600,001 - 650,000	628,215	625,111	35	0.48%
650,001 - 700,000	681,644	689,000	32	0.44%
700,001 - 750,000	729,529	727,500	24	0.33%
>=750,001	1,227,310	1,100,000	127	1.75%



## PPI SUPPLEMENT - \$/SQ FT

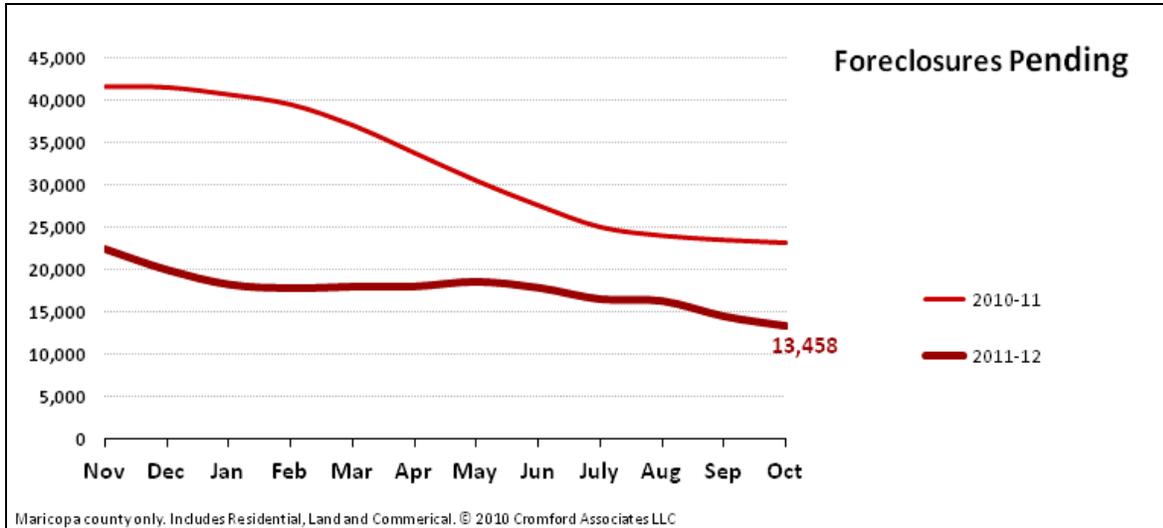
The PPI supplement - \$/SQ FT report examines incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the pending pool each month. Increases in \$/SQ foot were seen in all price ranges from \$100,001 through \$450,000.

Pending Contracts Signed In September					Pending Contracts Signed In October				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt	Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	36,801	1,150	379	32	<=50,000	36,430	1,125	363	32
50,001 - 100,000	79,101	1,345	1,173	59	50,001 - 100,000	79,816	1,372	1,245	58
100,001 - 150,000	126,989	1,692	1,815	75	100,001 - 150,000	126,489	1,659	1,926	76
150,001 - 200,000	173,566	1,941	1,229	89	150,001 - 200,000	173,858	1,904	1,294	91
200,001 - 250,000	226,324	2,174	728	104	200,001 - 250,000	226,226	2,135	751	106
250,001 - 300,000	274,759	2,459	448	112	250,001 - 300,000	275,520	2,374	541	116
300,001 - 350,000	326,146	2,726	304	120	300,001 - 350,000	327,370	2,634	384	124
350,001 - 400,000	375,535	2,900	181	130	350,001 - 400,000	374,075	2,859	212	131
400,001 - 450,000	426,438	2,998	121	142	400,001 - 450,000	428,230	2,958	133	145
450,001 - 500,000	478,158	3,145	93	152	450,001 - 500,000	474,441	3,147	83	151
500,001 - 550,000	526,055	3,204	65	164	500,001 - 550,000	524,266	3,160	55	166
550,001 - 600,000	580,913	3,396	39	171	550,001 - 600,000	574,702	3,418	51	168
600,001 - 650,000	633,574	3,775	31	168	600,001 - 650,000	628,215	3,565	35	176
650,001 - 700,000	679,193	3,459	28	196	650,001 - 700,000	681,644	3,572	32	191
700,001 - 750,000	728,171	3,934	17	185	700,001 - 750,000	729,529	3,962	24	184
>=750,001	1,192,900	4,661	119	256	>=750,001	1,227,310	4,707	127	261



## FORECLOSURES PENDING

Foreclosures pending continued on their steady downward trend, falling 7.72% in October to 13,458. Foreclosures pending reached an all time high of 50,568 in November 2009, and have been falling monthly since that time. Foreclosures pending in the 13,000 range were last seen in January 2008. A range of 4,000-6,000 foreclosures pending is widely considered to be normal for the Valley.



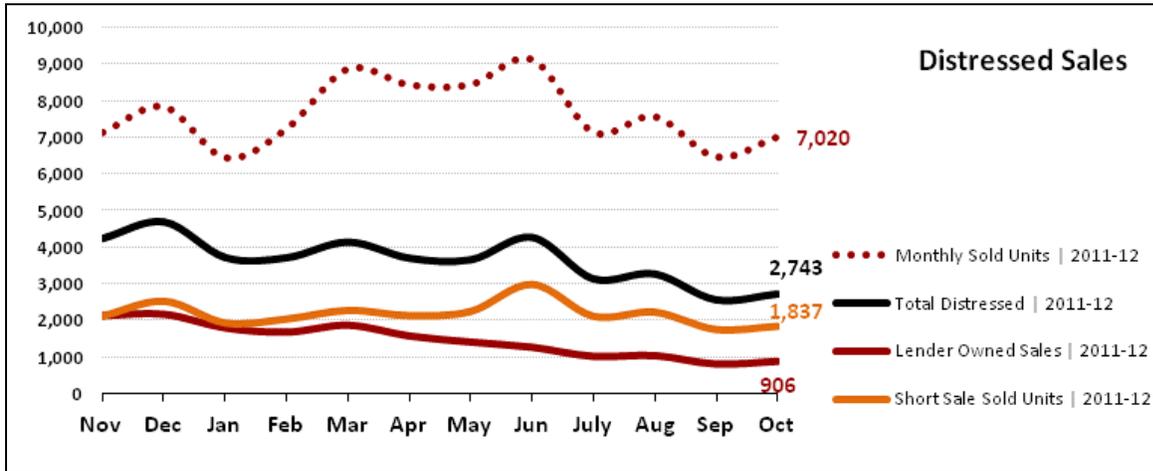
## DISTRESSED SALES

Distressed sales as a percentage of total sales fell in October to 39.1%, continuing the downward trend that started from the high of 74.1% in September 2010. October’s lender owned sales (906) accounted for 12.9% of total sales. Short sales (1,837) accounted for 26.2% of total sales, representing over a 2:1 ratio of short sales to lender owned.

A comparison of metrics from September 2010 with current distressed sales metrics underscores how much the market has improved. In September 2010, at the height of distressed properties’ influence, lender owned sales accounted for 43% of total sales, compared with 12.9% in October 2012. Short sales in September 2010 accounted for 31.1% of total sales, compared to last month’s 26.2%.

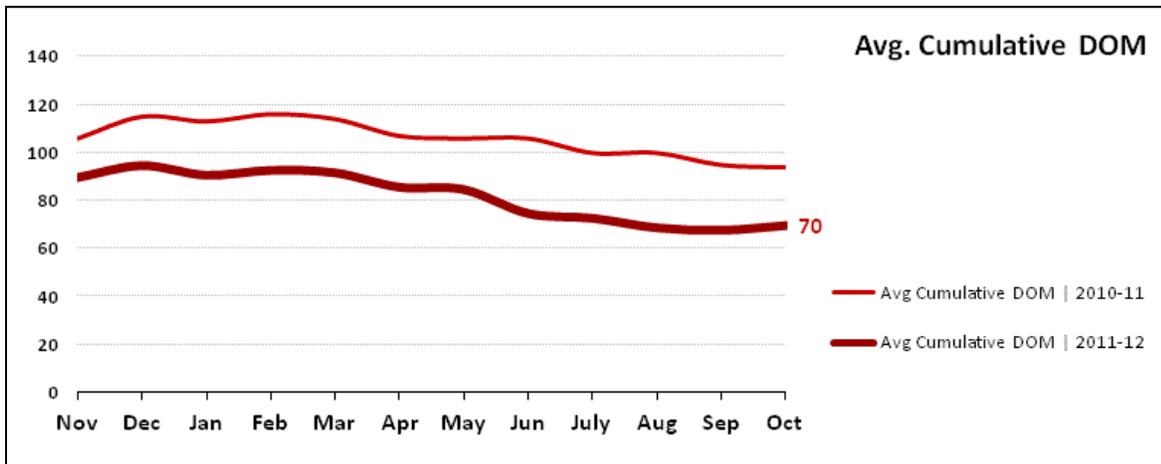
## DISTRESSED SALES (continued)

Before November 2011, lender owned sales outnumbered short sales in the total sales makeup. Since then, the number of lender owned sales as a percent of total sales has fallen behind that of short sales. The reversal of the lender owned and short sale ratio in the current market reflects lender appetite for workout over foreclosure, a big win for Sellers and the community.



## AVERAGE DAYS ON MARKET (DOM)

Days on market bumped up two days in October to 70, but remained on the downward trend line begun in February 2011. DOM in the 68-75 day range was last seen in mid 2006, right before the bubble burst in the Valley. Marketwide DOM is seen as a barometer of overall market health and should not be used to predict DOM in small market niches.



## COMMENTARY

This month STAT reveals more steady positive gains. All four pricing metrics continued to rise. In fact, median sales price showed an upswing of 38.5% from its decade low of \$108,300 in May 2011. Average sales price gained 34.7% from its low of \$151,368 in August 2011. Similarly, median list price gained 49.5% from its decade low of \$117,000 in January 2011. Average list price gained 40.4% from its low of \$188,698 in July 2011. Hindsight lends the perspective of how far the market has progressed, which is not seen in a monthly myopic view of statistics.

Lower inventory levels remain a challenge. In examining active listings \$350,000 and below, the number of actives has risen steadily since STAT began tracking them in May. There were 12,403 active listings and 5,020 AWCs in this range in October, but the percentage of AWC (Active With Contingency) in the active total continues to decline. In the December STAT, after having accumulated six months worth of AWC/Active data, STAT will begin publishing the active composition on a monthly basis. In May, AWCs represented 49.6% of the total active listings under \$350,000. In October that percentage fell to 28.8%. In the near future, ARMLS will be relabeling AWC to UCB (Under Contract-Backups), to help Subscribers place their listing in the correct status. AWCs, some of which are not truly accepting backup offers, has complicated the inventory dilemma.

Foreclosures pending continued their march downward to a level not seen since January 2008 when foreclosures pending were on the rise. Distressed sales as a percentage of total sales declined to its lowest level (39.1%) since STAT began tracking in January 2010. Further, short sales outnumbered lender owned sales 2:1. October's closed sales ratios were 5:2:1 (normal: short sales: lender owned). At its height, in September 2010, distressed sales represented 74.1% of total sales.

The recovery that might have seemed tentative at the beginning of 2012, is now well established as a slow and steady reality. Short of a jolt to jumpstart more aggressive gains, the pace of the recovery is likely to remain anemic. As STAT has reported repeatedly, jobs and net migration are the jolts that could hasten the recovery. Employers have remained hesitant to hire amid the economic uncertainty. After over a year of bitter campaigning, where glass half empty/glass half full politics toyed with employer psyches, the presidential election is coming to its conclusion. Regardless of the results, what will occur is a degree of certainty that has been missing for some time. Once the election is decided and a new Congress lines up, the next looming uncertainty is the fiscal cliff of automatic budget cuts that must be tackled before the end of the year. The hope is that a meaningful resolution to the crisis will emerge, as opposed to merely delaying action to fight the same battle another day.

In October, the US Bureau of Labor Statistics reported the formation of 171,000 new jobs. Since July, an average of 173,000 jobs per month have been added.<sup>1</sup> In normal times this would be seen as strong, but in the context of how many jobs were lost during The Great Recession, the gain is not enough to dig us out of the huge trench created by the loss of nine million jobs. Some economists predict that at that pace, it would be 2020 before we reached pre-recession employment figures.<sup>2</sup>

However, momentum has a catalytic effect. While current job growth is too low to move the unemployment needle significantly on the gauge, recent numbers do indicate that momentum is building. Arizona ranked number six in job formation in August compared to August 2011.<sup>3</sup> Phoenix metro ranked 15<sup>th</sup> in health care job growth.<sup>4</sup> Some economists report that there is a sense of stabilization and that the economy is no longer slipping.<sup>5</sup>

With the election, whatever the result, an element of uncertainty will be removed. We all will stay tuned.

<sup>1</sup><http://www.floridatoday.com/viewart/20121103/BUSINESS/311030029/Solid-job-growth-last-reading-before-election>

<sup>2</sup>[http://www.washingtonpost.com/business/economy/job-growth-and-unemployment-rate-rise-in-october-as-workers-reenter-labor-force/2012/11/02/d4e425c2-24e7-11e2-ba29-238a6ac36a08\\_story.html](http://www.washingtonpost.com/business/economy/job-growth-and-unemployment-rate-rise-in-october-as-workers-reenter-labor-force/2012/11/02/d4e425c2-24e7-11e2-ba29-238a6ac36a08_story.html)

<sup>3</sup><http://www.bizjournals.com/phoenix/news/2012/10/03/arizona-no-6-in-us-for-job-growth.html>

<sup>4</sup><http://www.bizjournals.com/phoenix/news/2012/10/18/phoenix-tops-200000-health-care-jobs.html>

<sup>5</sup><http://www.bloomberg.com/news/2012-11-01/ism-index-of-u-s-manufacturing-increased-to-51-7-in-october.html>