JANUARY 2018

Real Estate Update

JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

Happy 2018! The slate is wiped clean and we engage in the process of working our way through the new year. Despite starting the process with a migraine headache, I'm looking forward to a better '18 versus last year on both personal and business levels. I'm hoping the same for you. I think I'm already ahead of the game simply by comparing my Phoenix weather with that in most other parts of the country.

December brought lots to talk and speculate about especially with the Fed rate increase and the Tax Reform that was passed. How much effect do we see at this point? Thankfully not all that much, for most people. 30-year Mortgage interest rates are holding generally below 4.5%. The new tax reform decided to continue with the existing capital exemption ($250K single/$500K couple maximum) for personal residences owner occupied 2 of the last 5-years. The mortgage interest deduction will drop the max mortgage amount from $1mil to $750K. That change isn't likely to effect most people. The State And Local Tax (SALT) property tax deduction will now have a $10K limit. Not much effect in AZ, but it will effect those in high property tax states. The newly posted FHA loan limits should be helpful for many. The Maricopa loan limit for 2018 is $294,515 (up over $15K from '17) which translates to a $305,200 sale price. I'll disclaim all of the above by telling you to check with your professional tax preparer, mortgage loan officer, etc and that interest rates vary by credit score, income, etc. We continue to see (here in Phoenix and in most parts of the US) a resale home supply that is well below historic average and current Buyer demand levels. Probably now, more than ever, property showing value and condition are very big factors in how quickly a property will sell. If you're selling, a little fix and paint go a long way today!

I'm looking forward to helping David K and family and Marty to finding their next home in the coming weeks. I look forward to listing John & Mary's winter get away condo in Mesa next week. They may miss the AZ sunshine, but that will be replaced with family love in CO. Conversations continue that hopefully will result in marketing a 55+ Mesa community family home for Linda and an absolutely lovely Scottsdale/Kierland home for Lyle & Betty among other projects I'm working on for the first quarter. If you happen to know anyone thinking of selling or considering buying a home now or in the near future, I would truly appreciate if you were to refer them to me. I'd love to interview for their business.

Regards,

JSGerber 1/2/2018

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Local Market **Insight**

ARMLS
ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

November 2017

Arizona Regional MLS

New Listings 8,118

-14.0% from Oct 2017: **9,437**

1.1% from Nov 2016: **8,032**

YTD	2017	2016	+/-
	104,528	**104,400**	0.1%

5-year Nov average: **7,846**

New Contracts 8,110

-6.0% from Oct 2017: **8,624**

7.8% from Nov 2016: **7,522**

YTD	2017	2016	+/-
	105,231	**100,634**	4.6%

5-year Nov average: **7,066**

Closed Sales 7,007

-2.0% from Oct 2017: **7,150**

4.0% from Nov 2016: **6,739**

YTD	2017	2016	+/-
	86,587	**81,221**	6.6%

5-year Nov average: **5,786**

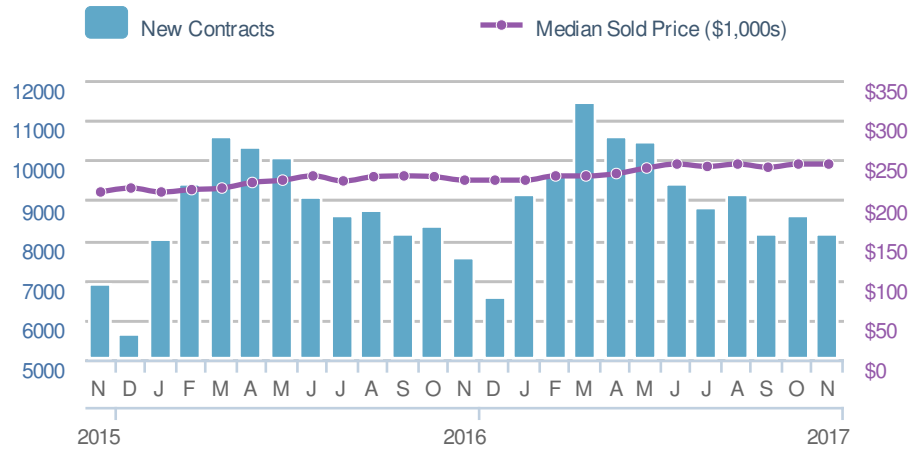
Median Sold Price $245,000

0.0% from Oct 2017: **$245,000**

8.6% from Nov 2016: **$225,500**

YTD	2017	2016	+/-
	$239,500	**$225,000**	6.4%

5-year Nov average: **$211,323**



Active Listings 17,023

17,023

Min 17,023 | 20,471 | Max 23,005

5-year Nov average

Oct 2017	Nov 2016
17,231	**19,514**

Avg DOM 66

66

Min 64 | 72 | Max 87

5-year Nov average

Oct 2017	Nov 2016	YTD
64	**72**	**70**

Avg Sold to OLP Ratio 96.6%

96.6%

Min 94.7% | 95.9% | Max 96.6%

5-year Nov average

Oct 2017	Nov 2016	YTD
96.8%	**96.3%**	**96.7%**

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Data Source: ARMLS. Statistics calculated December 04, 2017.

rbi REALESTATE BUSINESS INTELLIGENCE

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Happy New Year! If buying a new home is on your resolutions list, I can help you find the home of your dreams!

Do you know the difference between a home warranty and homeowner's insurance?

Home warranties are service contracts that cover the failure of home systems and appliances due to normal wear and use, while **homeowner's insurance** protects the homeowner against damage or liability due to an unknown or contingent event. Both offer valuable budget protection and they can work in conjunction with each other. For example, if a covered water heater leaks under normal use and floods the home, the home warranty will repair or replace the water heater, while homeowner's insurance may cover the water damage.

OLD REPUBLIC HOME PROTECTION

Protect your budget against the high cost to repair or replace home systems and appliances.

People Helping People™

Visit www.orhp.com or talk to your real estate professional to learn more.

Buying or selling a home can be stressful. Refer your friends and family to me so they can breathe easy—with a true professional in their corner!

EQUAL HOUSING OPPORTUNITY

Health & Safety

Best Apps for Staying Mindful

Mindfulness, the practice of focused awareness on the present moment, is an everyday habit and a lifelong process. The following apps can help you discover new techniques to practice mindfulness in your daily life, reduce stress, improve your well-being, and increase your productivity and effectiveness.

Headspace: This app is great for anyone new to meditation and mindfulness practice. The first ten 10-minute exercises are free with more available for purchase.

Calm: This versatile, free app is designed to help you build on your mindfulness practice. It includes various 3- to 25-minute guided meditations, breathing exercises, sleep stories, and more!

The Mindfulness App: Customize your meditation, get daily meditation reminders and mindful notifications, and track/sync your journey. This app has plenty of free content, but you can also sign up for a premium 1-month subscription ($9.99).

Smiling Mind: Developed by psychologists and health professionals, this free app is designed for anyone, including kids as young as seven. One family can create multiple sub accounts to make daily mindfulness a fun group activity!

Helpful Hints

Actionable Ways to Save Money All Year

Small, daily expenses can really add up over time. Avoid the following budget-breakers and pocket the savings instead!

Going out for lunch: At an average cost of $10, if you buy rather than pack your lunch every weekday, you eat up about $2,400 over a year. Pack your lunch to save some cash!

Manicures/pedicures: These recurring beauty rituals can set you back a pretty penny at an average cost of $20 each. Tip: gel polish costs a little more upfront, but lasts a lot longer than traditional lacquer.

Coffee runs: One latte for your morning commute each day (about $3) costs almost $780 per year. Brew your own coffee instead!

Credit card interest: The average American spends $855 a year in credit card interest. Pay down your high interest balances first and then use that savings to pay down your lower interest cards.

Bottled water: A bottle a day adds up to about $365 a year. Invest in a reusable bottle with a built-in filter.

If you are working with another real estate professional, please disregard this notice. The material in this publication is for your information only and not intended to be used in lieu of seeking additional consumer or professional advice.

Savor the Flavor

Low Carb Mexican Chicken Veggie Soup

3 lbs. boneless, skinless chicken thighs
4 cups chicken broth
1 can tomatoes and green chiles
1 Tbsp. olive oil
3 garlic cloves, minced
1 cup sweet bell pepper, diced
1 cup mushrooms, sliced
4 cups cabbage, shredded
2 cups zucchini, diced
1 Tbsp. taco seasoning
1 Tbsp. chili powder (or more to taste)
2 tsp. cumin
Salt and pepper, to taste
Shredded cheese (for garnish)
Avocado slices (for garnish)

Combine all ingredients except zucchini in a large soup pot.

Bring to a boil and cook for 15 minutes.

Reduce heat to low and simmer for 2-3 hours.

Stir in zucchini. Continue cooking for another 20-30 minutes, or until zucchini is tender, but not mushy.

Serve topped with shredded cheese and avocado slices.

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The Empowered Team, LLC
Real Estate For Today

Household Tips

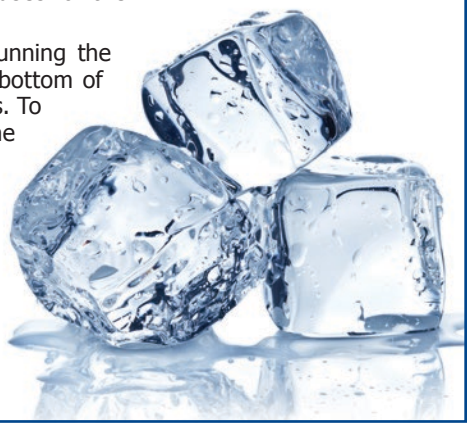
Unusual Uses for Everyday Items

Your house is full of useful objects if you know where to look! Find new and unusual uses for the following everyday items.

Ice cubes are great household cleaning tools. Throw a few in your drain before running the garbage disposal to dislodge any stuck food bits. Combine ice cubes with salt to scrub the bottom of coffee pots/carafes—the salt will stick to the ice and act like sandpaper to remove coffee stains. To skim fat off the top of soups, place a few ice cubes in a metal ladle and drag the bottom of the ladle across the surface of the soup. The cold metal will harden the fat so it sticks to the ladle, making it easy to remove.

Dryer sheets can be used wet to remove soap scum and water spots from your bathroom faucets, shower doors, and tub walls. Dryer sheets are also great for removing deodorant marks from clothing.

Tennis balls have many uses off the court. Toss a few in your dryer with a load of towels to increase fluffiness and absorbency. Tennis balls also make great backyard pool/spa scum skimmers. Just let them float around in the water—they'll absorb any leftover body oils on the water's surface.



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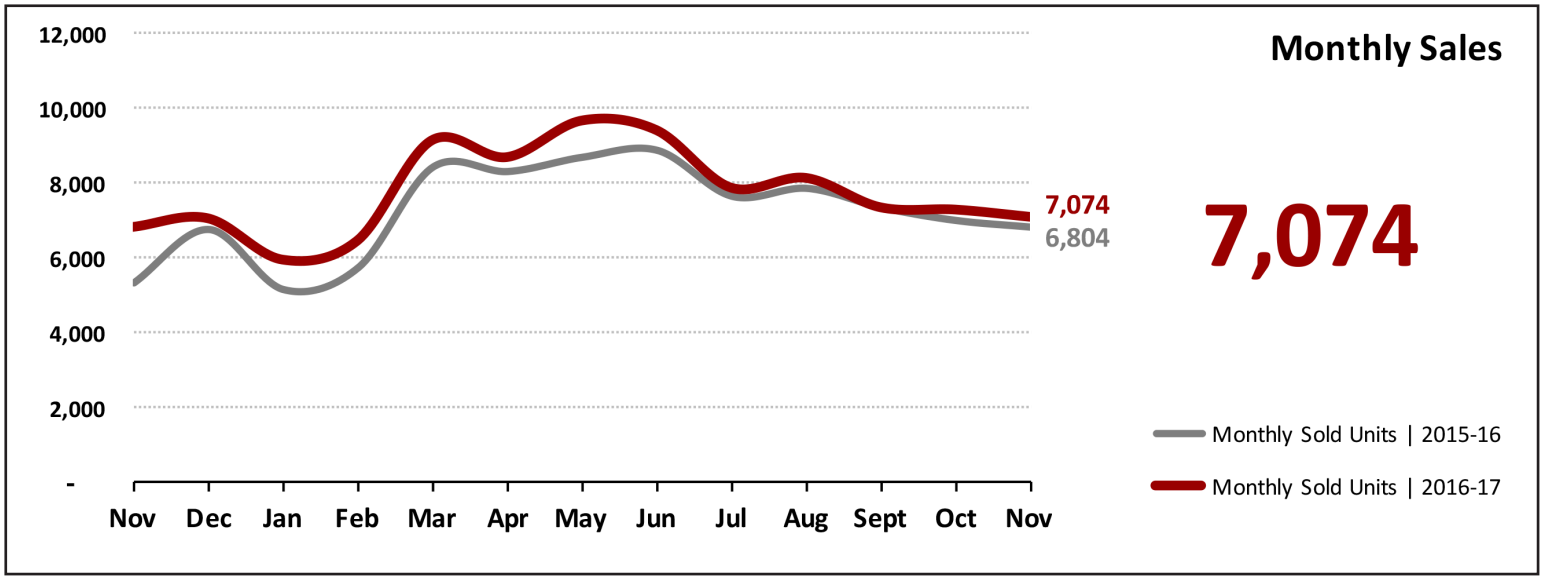
STAT

Your Monthly Statistics for the Phoenix Metro Area

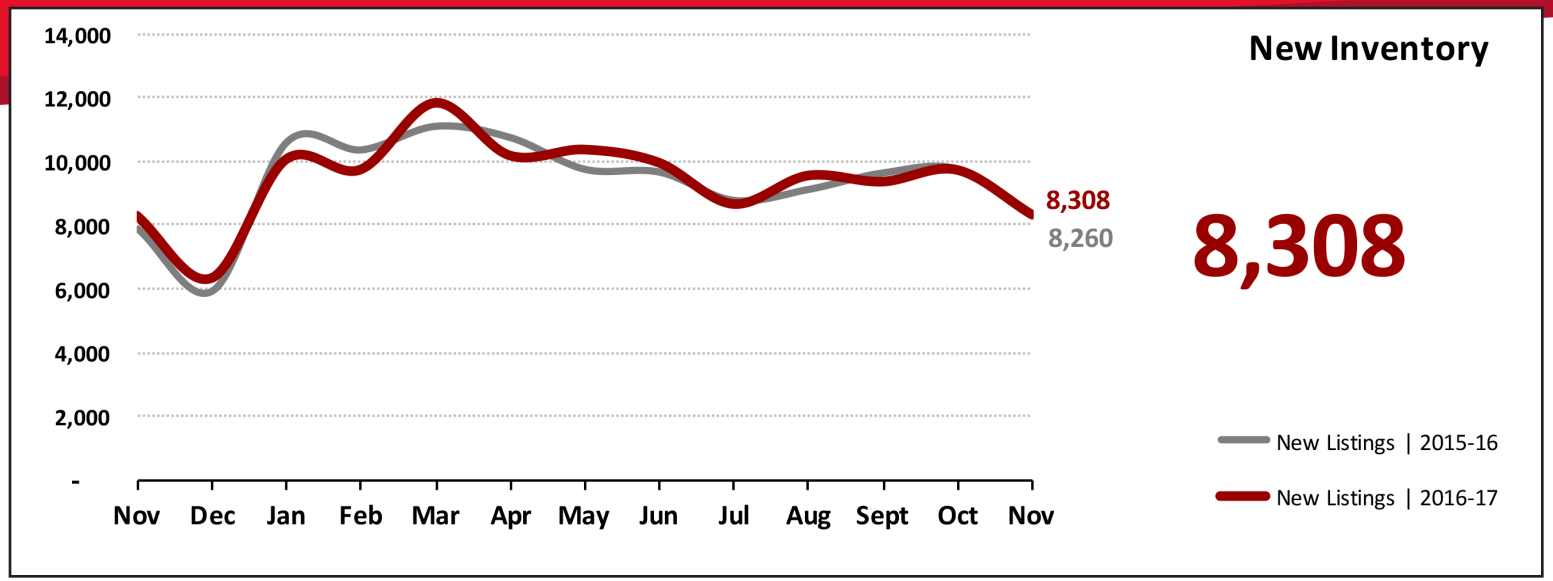
ARMLS®

DATA FOR NOVEMBER 2017 - Published December 20, 2017



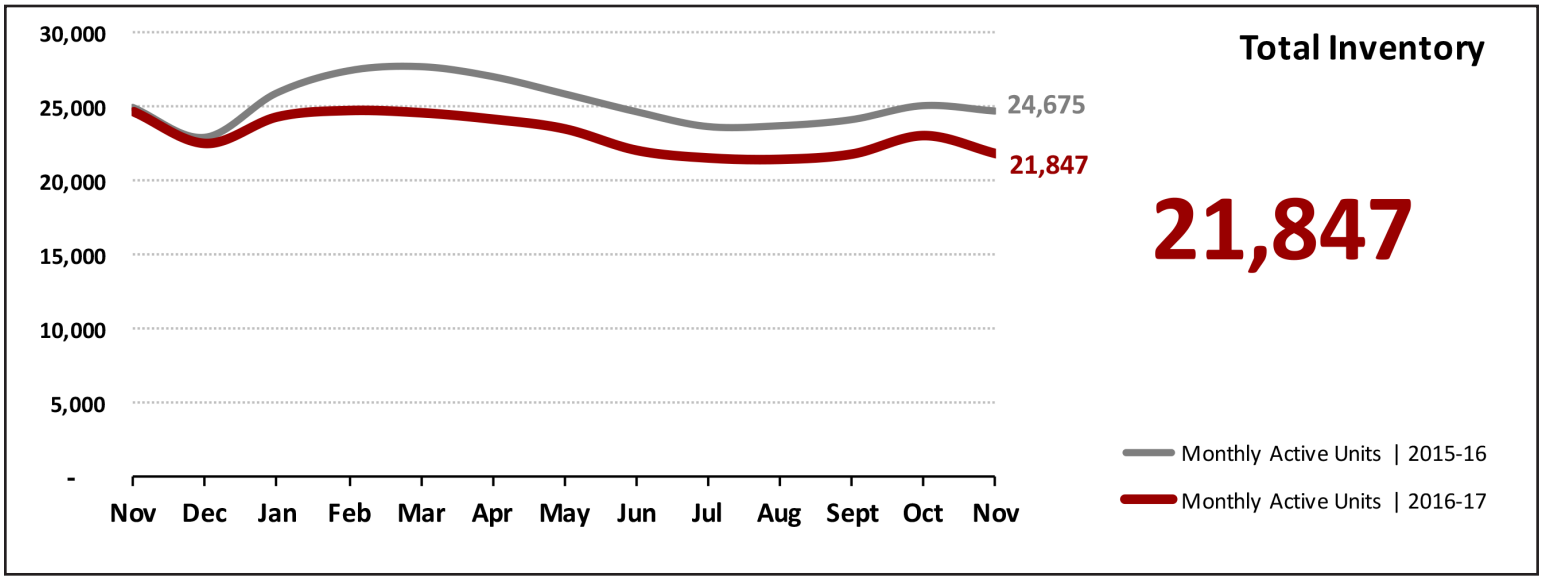
Sales are down -2.7% month-over-month. The year-over-year comparison is at 4.0%.

Closed MLS sales with a close of escrow date from 11/1/2017 to 11/30/2017, 0 day DOM sales removed



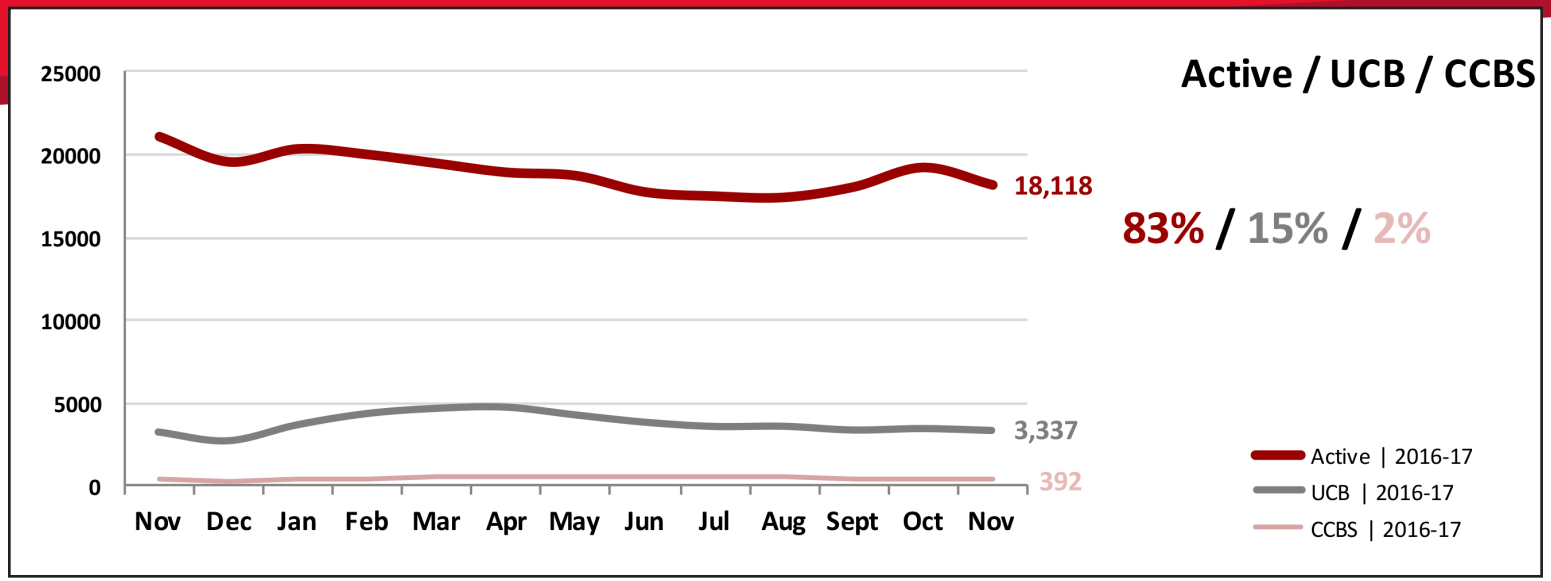
New MLS listings that were active for at least one day from 11/1/2017 to 11/30/2017, 0 day DOM sales removed

New inventory is down -14.4% month-over-month while the year-over-year comparison shows an increase of 0.6%.



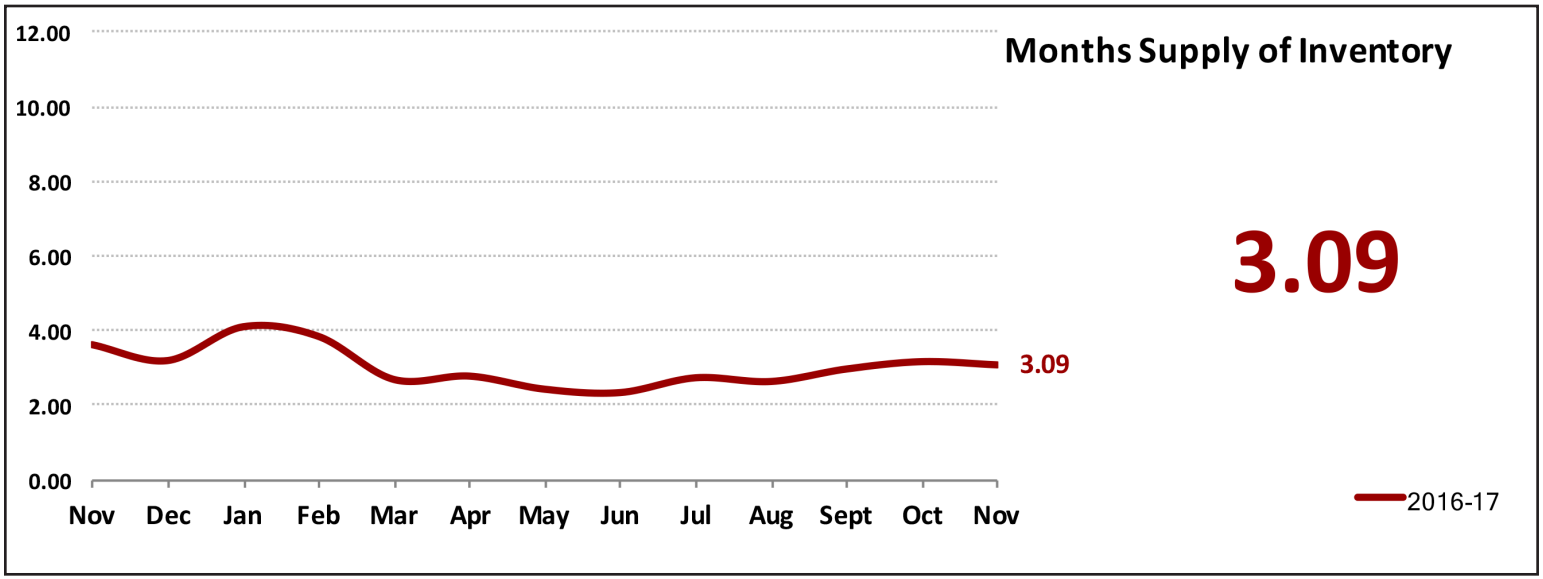
Snapshot of statuses on 11/30/2017

Total inventory has a month-over-month decrease of -5.3% while year-over-year reflects an decrease of -11.5%.



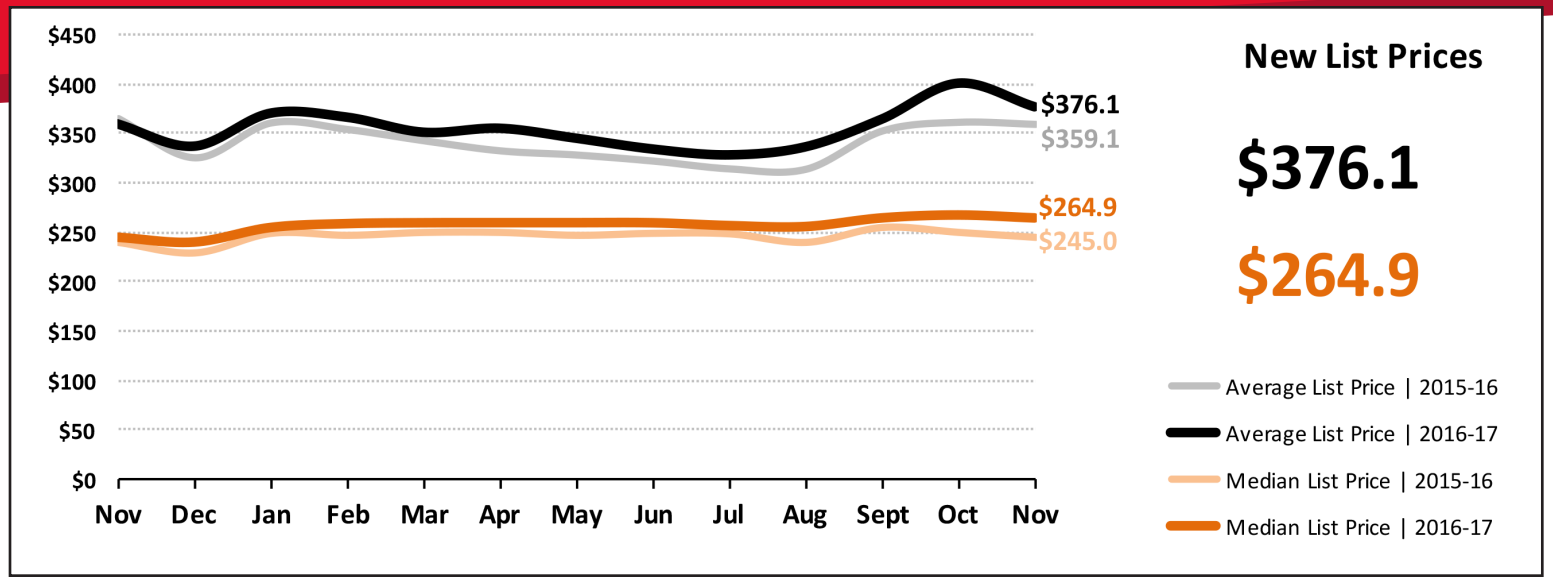
Snapshot of statuses on 11/30/2017

November UCB listings percent of total inventory was +15.3% with November CCBS listings at +1.8% of total inventory.



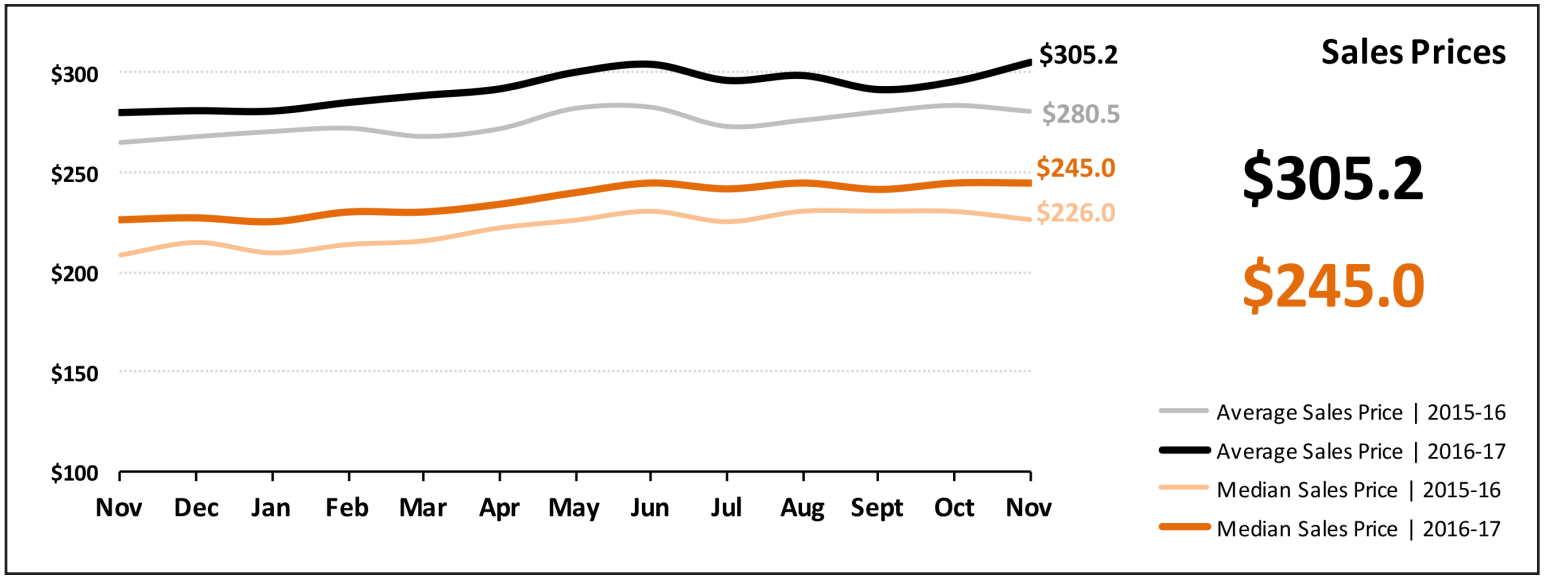
Current inventory of Active/UCB/CCBS divided by the monthly sales volume of NOVEMBER 2017, 0 day DOM sales removed

Months supply of inventory for October was 3.17 with November at 3.09.



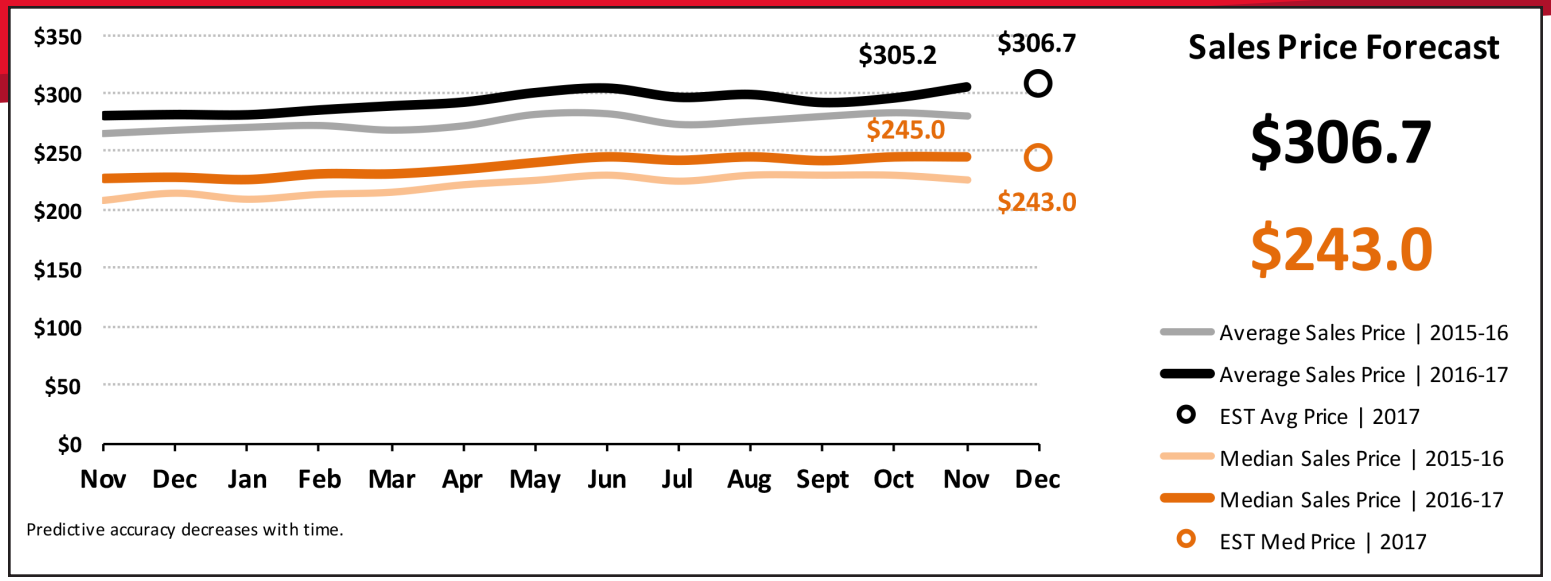
List prices of new listings with list dates from 11/1/2017 to 11/30/2017, 0 day DOM sales removed

Average new list prices are up +4.7% year-over-year. The year-over-year median is up +8.1%.



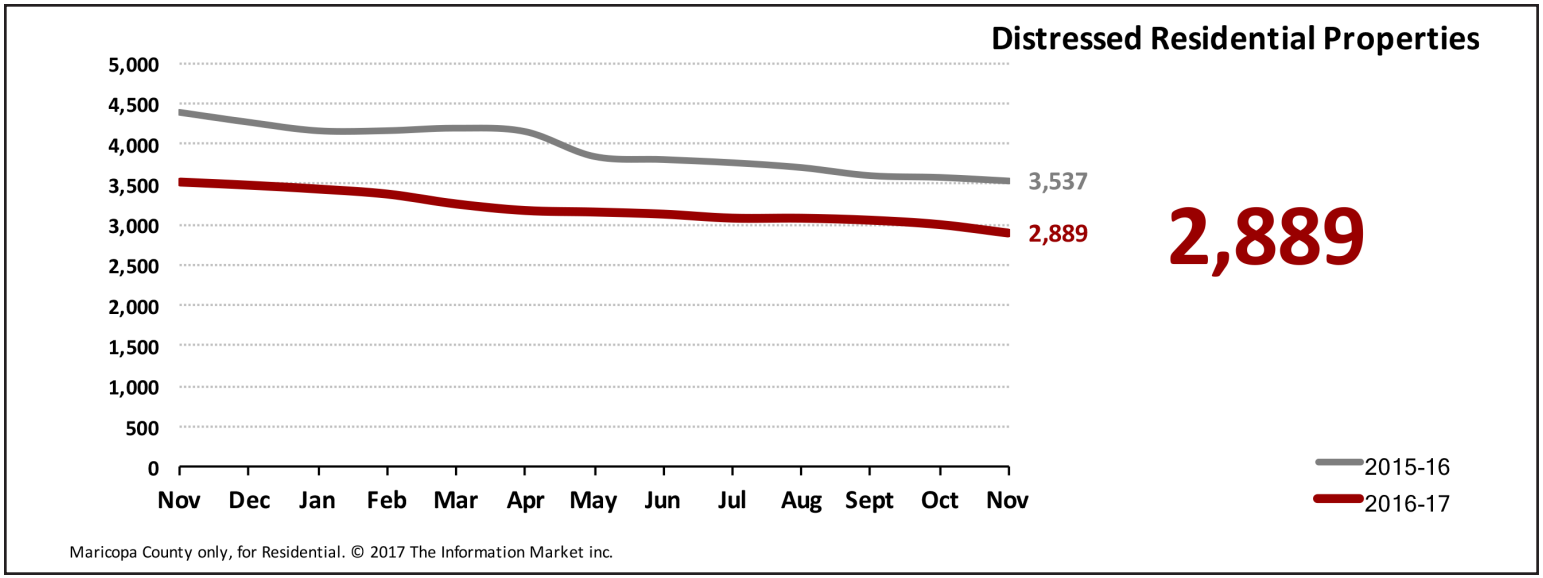
MLS sales prices for closed listings with a close of escrow date from 11/1/2017 to 11/30/2017, 0 day DOM sales removed

The average sales price is up +8.8% year-over-year while the year-over-year median sales price is also up +8.4%.



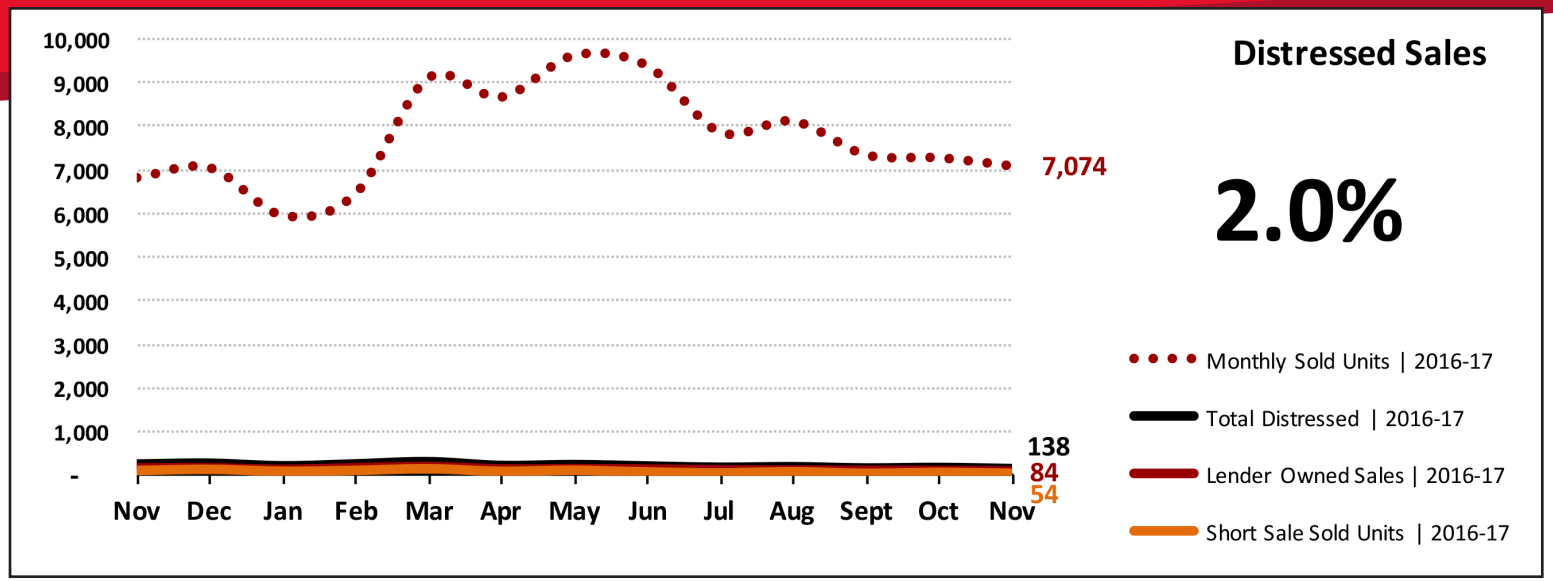
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A slight increase is forecasted for average sales price while November had a decrease in median sales price.



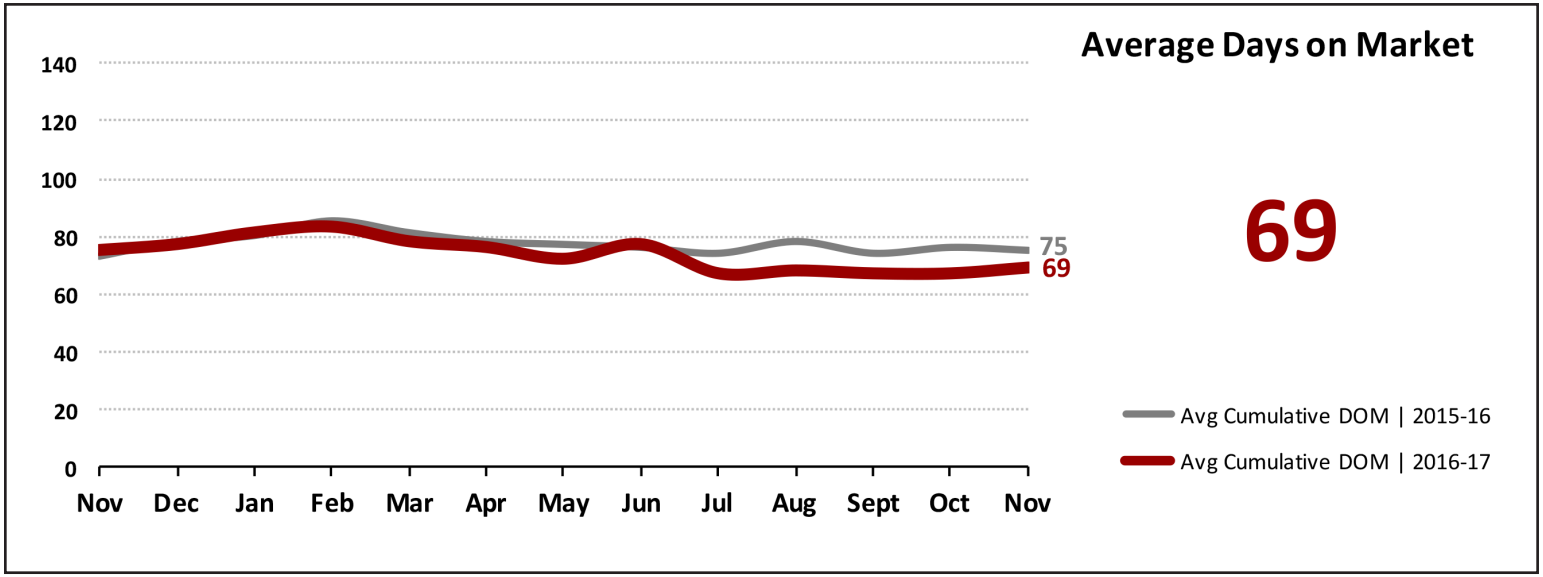
Foreclosures pending month-over-month showed a decrease of -3.6% while the year-over-year figure was down -18.3%.

Snapshot of public records data on 11/30/2017 active residential notices and residential REO properties.
Note: this graph was adjusted as total foreclosure counts were under reported for the last 16 months.



New MLS listings that were active for at least one day from 11/1/2017 to 11/30/2017, 0 day DOM sales removed

Distressed sales accounted for 2.0% of total sales, down from the previous month of 2.3%. Short sales dropped -46.5% year-over-year. Lender owned sales dropped -43.2% year-over-year.



MLS sales prices for closed listings with a close of escrow date from 11/1/2017 to 11/30/2017, 0 day DOM sales removed

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

As each new month of housing stats enter the books, I feel like the character Charlie Kaufman in the movie "Adaptation" as I look for any means to describe a market whose primary metrics have followed similar trend lines for 3 years running. Next month we'll delve into our annual housing numbers review, but on this day, I'm struggling to complete the December STAT.

The hot housing topics of the day are the top predictions for 2018, low inventory levels, affordability concerns, bubble talk and decade low foreclosure numbers. As for the top predictions for 2018, I have a friend who's a time traveler, but I refuse to ask him what the future holds, as it goes against my conscience.

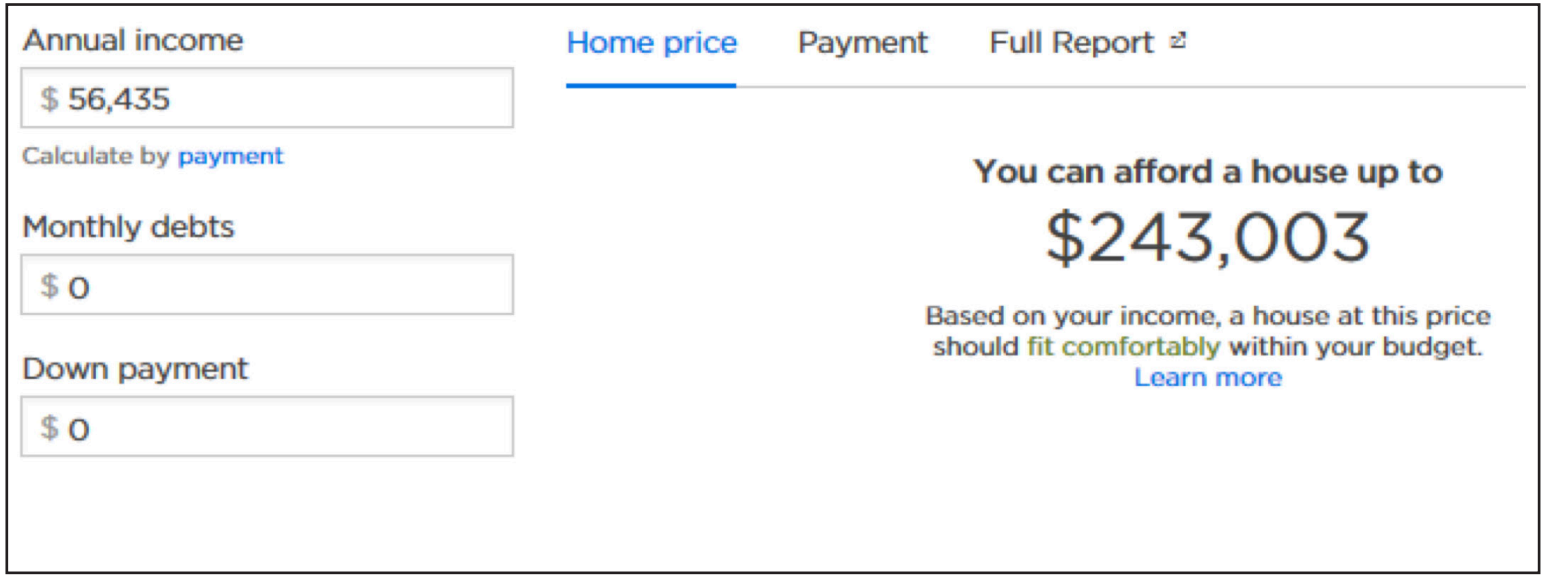
I did allow him to give me one piece of insight about the 2018 housing market. He said "Housing economists are only good at predicting the past." With the top predictions for 2018 spoiled and all talk about low inventory numbers already in previous editions of STAT, any further conversation in this arena would be like riding a dead horse. So this month, we're going to run with the third topic on the menu:
affordability.

Home Affordability

The main reason I like the reporting of the median home sales price is the relationship it has to affordability- half of the buyers pay less, half of the buyers pay more. Taking the next step in logic, affordable housing is housing that is deemed affordable by those with a median household income.

Our current monthly median sales price for all resale homes in Maricopa County, as reported by The Information Market, is $243,000. This brings us to our next question: what does the median household income have to be to afford this home? Here are two different calculators to help figure that out, one from Realtor.com and one from Zillow.

For simplicity sake, we've displayed the Zillow model and assumed an unrealistic $0 monthly debts and a $0 down payment.



Based on these inputs, the annual household income in Maricopa County needed to afford the current median priced home is $56,435. Finding current median household income numbers in Maricopa County is not as easy as finding home sales data, but according to Census.gov, the median household income is $55,676. It's remarkable how close the reported census number is to our calculated income needed to buy the median priced home.

Looking Back

The chart below shows November median sale prices for all resale homes in Maricopa County for the last 19 years. The price points are broken down by quarters. We also show the year-over-year appreciation rate for each of the quarters. Using the data for November of 2017, we can see there were 7,401 sales of previously owned homes. Of these sales, 25% were for less than $184,500, which was 9.82% higher than the 2016 corresponding price of $168,000. Our median priced resale home sold for $243,000. That's 8.0% higher than the 2016 median price of $225,000.

All	Resale Median						
Date	Resale Count	Low Qtr	Low Qtr Prev YearΔ	Middle	Middle Prev YearΔ	High Qtr	High Qtr Prev YearΔ
199911	4,700	$ 86,500	0.00%	$ 117,000	0.00%	$ 165,000	0.00%
200011	5,069	$ 93,500	8.09%	$ 124,900	6.75%	$ 173,900	5.39%
200111	5,179	$ 103,000	10.16%	$ 131,000	4.88%	$ 176,000	1.21%
200211	5,778	$ 109,000	5.83%	$ 140,000	6.87%	$ 198,500	12.78%
200311	6,274	$ 115,950	6.38%	$ 149,396	6.71%	$ 214,000	7.81%
200411	9,034	$ 135,000	16.43%	$ 177,000	18.48%	$ 255,000	19.16%
200511	9,125	$ 185,000	37.04%	$ 250,000	41.24%	$ 345,000	35.29%
200611	5,920	$ 200,000	8.11%	$ 248,000	-0.80%	$ 350,000	1.45%
200711	3,315	$ 180,000	-10.00%	$ 236,500	-4.64%	$ 339,000	-3.14%
200811	3,888	$ 107,000	-40.56%	$ 160,000	-32.35%	$ 242,000	-28.61%
200911	6,500	$ 85,000	-20.56%	$ 135,000	-15.63%	$ 210,000	-13.22%
201011	5,839	$ 72,900	-14.24%	$ 121,595	-9.93%	$ 200,000	-4.76%
201111	6,326	$ 72,000	-1.23%	$ 119,775	-1.50%	$ 189,000	-5.50%
201211	6,488	$ 105,000	45.83%	$ 157,000	31.08%	$ 245,000	29.63%
201311	5,180	$ 128,000	21.90%	$ 184,000	17.20%	$ 280,000	14.29%
201411	4,913	$ 135,000	5.47%	$ 189,500	2.99%	$ 277,000	-1.07%
201511	5,370	$ 150,000	11.11%	$ 207,700	9.60%	$ 299,250	8.03%
201611	6,953	$ 168,000	12.00%	$ 225,000	8.33%	$ 310,000	3.59%
201711	7,401	$ 184,500	9.82%	$ 243,000	8.00%	$ 335,000	8.06%
			4.30%		4.14%		4.01%

I have yet to find a single chart that can accurately show the insanity and resiliency of the metro Phoenix housing market. A 41.24% year-over-year gain and a 32.35% year-over-year loss within 4 years of each other is fascinating.

If you look at the last row of the chart, you'll see three other percentages listed. These are the long-term averages and these numbers, in my opinion, are the reasons why you buy a home. The reasons not to: you can't afford it or you're only going to be living in the same place for a short period of time.

Start Value	$117,000.00
Total Appreciation (107.693%)	$126,000.37
Final Value	$243,000.37

For a final value of $243000, the yearly appreciation should be

4.14406%

Anytime there is a large deviation between the long-term appreciation and annual appreciation, take note. The market is offering you an opportunity or a warning. By monitoring the balance between supply and demand as well as affordability, you should have all the tools you need to make the best decision.

Looking Ahead

"A central theme for the 2018 housing market will be the continuing erosion of housing affordability", according to Frank Nothaft, Chief Economist of Core Logic. Nothaft is basing his concerns on three economic factors he believes will further weaken affordability in the coming year: rising interest rates, rising home prices and the low inventory of starter homes for sale.

Nothaft does not give his opinion on the other side of the affordability equation: household income. If the economy grows jobs and increases wages, this of course would have a positive impact on home affordability. What happens to interest rates, home prices, job creation and wages in 2018 are all speculation at this point and my time traveler friend is not talking.

The one thing I do know is the 8% to 9% price growth we've seen in the median sales price over the last three Novembers is not sustainable. To put this in perspective we'll employ the rule of 70. The rule of 70 is a way to estimate the number of years it takes for a certain variable to double by taking the number 70 and dividing it by the appreciation rate. At the 8.5% annual appreciation we've seen over the last three years in median price growth in November (70/8.5), prices would double in less than 8 years and three months.

Conclusion: Our current market is in balance and our median sales price is in line with our reported median household incomes. Our current appreciation rates will need to fall back in-line with our long-term appreciation rate.

PPI

Last month STAT projected a median sales price for November of $239,900. The actual median sales price was $245,000. Our algorithm in October was spot on. November… not so good. Our November projection missed the mark by $5,100 (or 2.1% lower than the actual median), by far the worst forecast in modern history. We've sent the November algorithm to stand in the corner and think about what it did.

We projected that home closings would be comparable to the 2016 total of 6,804. The final sales volume was 7,074. There were 270 more sales this year than last year. Looking ahead to December, we anticipate the median sales price will be $243,000. In other words, expect the December median sales price to see little to no movement. A repeat of last month's $245,000 would not be out of the realm of possibility.

Sales volume for the first 11 months of 2017 was 6.30% higher than 2016, with 86,817 sales in 2017 compared to 81,677 in 2016. Following the pattern of the previous 6 months, we enter December with fewer residential listings practically under contract this year. We begin December with 5,645 pending contracts (3,337 UCB listings and 392 CCBS) giving us a total of 9,374 residential listings practically under contract. This compares to 9,395 of the same type of listings one year ago. Even with fewer "pending" listings this year compared to last and with one less business day this year compared to last, I still expect sales in December to exceed the 2016 volume. ARMLS reported 7,036 sales in December of 2016. Our bold December 2017 forecast of 7,350 sales may be joining the November algorithm in the corner.