

# JANUARY 2012

## Real Estate Update



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

**Hello Everyone,**

Happy New Year! Thank you to everyone who helped make my 2011 a successful year. I'm happy to report that I closed the highest number of transactions (11) in any business year. I look forward to besting that mark in 2012 with your continued support and referrals. I've made one big change in my business plan for the new year. You'll no longer find me behind the wheel of a red Matrix. After driving the 'same' (2 different model year) red car for 10 years, it was time for a change. I hope you will enjoy the expanded room offered in my new Platinum Gray 2012 VW Passat. Would you like to be the first Buyer to ride in my new car?

Signs point to a promising Phoenix real estate market in 2012. A Freddie Mac Primary Market Survey report issued 12/23 showed fixed mortgage interest rates at an all time low of 3.91%. The Fed's decision to not change baseline interest rates at their December meeting bodes well for continued low mortgage rates. The continued low inventory (approx. 26,000 properties at year end) combined with some demand has pushed the median price up slightly from \$115,000 in Oct to \$119,000 in Nov. Nighn Sood, Director of Wall Street's Deutsche Bank Securities said, in a mid-December speech in Phoenix, that the Phoenix market is in the final phase of 'the bubble' and is set to recover. Arizona's unemployment rate dropped to 8.7% in December as more than 10,200 jobs were added in November. Forbes magazine ranked AZ as the #3 state for an expanded jobs market over the next 5 years. Phoenix foreclosures dropped to the same as 2009 (26% of all transactions) in October, down 3% from the previous month. Predictions are that the number of Borrower's behind on mortgage payments will continue at about 6% in early 2012, but drop to 5% by year's end. These are all good signs for a continued recovery in the real estate market. The influx of foreign (92% from Canada in AZ) real estate investors has Mesa ranked #7 and Phoenix #9 in the list of the Top 10 US Cities for foreign investors. It all boils down to a positive look ahead to 2012, in my opinion. The political/election happenings of 2012 could have a major effect on this outlook however.

I found a HomeGain survey released in December very interesting. It showed that 68% of home buyer's believe that homes are overpriced. 76% of Sellers believe that their home is worth more than their Agent's recommended list price. That price gap has expanded over the past year even as US home prices have dropped 4 to 7 percent.

Thanks to Michael for the referral of Betty from South Carolina who is thinking of relocating to The Valley. Thanks to Scott & Erin for the referral of Anita who is considering a move from Phoenix to Gilbert. Thanks also to Devinder for the connection to Mr Thai and Michael for the connection to Mr Mian both considering investment/snowbird properties. If you know of anyone looking to buy or sell a home in 2012, I hope you will mention my name to that person. I would love the opportunity to earn their business, much as I have yours.

**Regards,**

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## Happy New Year!

If a new home is on this year's list of resolutions, I'm ready to help you find the home of your dreams!



Do you know the difference between a Home Warranty Plan and homeowner's insurance? **Home warranties** are service contracts that cover the failure of home systems and appliances due to normal wear and usage. **Homeowners insurance** indemnifies the homeowner against damage or liability arising from some unknown or contingent event. Both offer valuable budget protection for the homeowner, and they can work in conjunction with one another. For example, if a water heater leaks and floods the home, the home warranty will replace the water heater, while homeowners insurance may cover the secondary water damage.

For complete budget protection, I recommend that all my clients include an **Old Republic Home Protection Plan** in their home transaction. Call me today for more information about how a home warranty can benefit you.

Now anyone buying or selling real estate? Please refer me so that I can use my skills and knowledge in the real estate industry to help them with their sale or purchase.



## Health & Safety

### Protect Against Carbon Monoxide Poisoning

Carbon monoxide (CO) is an extremely toxic gas that is invisible, odorless and colorless. It is the byproduct of incomplete combustion of carbon fuels in heaters and furnaces, wood stoves, fireplaces, and gas stoves and ovens.

CO is often called the "silent killer." Because it can't be seen or smelled, the toxic fumes can incapacitate or kill people and animals before its presence is detected in a home. CO is responsible for an average of 450 deaths and 20,000 emergency room visits in the U.S. annually. As of 2011, thirty states require carbon monoxide alarms in homes to combat the serious threat of CO poisoning.



Here are some safety tips to help protect you and your family:

- DO have fuel-burning systems and appliances inspected by a trained professional at the beginning of every heating season.
- DO read and follow all of the instructions that accompany any fuel-burning device.
- DON'T idle the car in a garage, even if the garage door is open.
- DON'T ever use a charcoal grill indoors – even in a fireplace.
- DON'T sleep in any room with an unvented gas or kerosene space heater.
- **MOST IMPORTANTLY, DO** install carbon monoxide detectors throughout the home.

## Helpful Hints

### Set SMART Goals

To be truly successful, you need to set and pursue **SMART** goals. Write them down, and then check them to make sure they are:

- **Specific:** A specific goal is much more likely to be accomplished than a general goal. Make the goal detailed and well defined.
- **Measurable:** Establish concrete criteria for measuring progress toward the goal. Set criteria that can be tracked and inspected.
- **Achievable:** Make your goal attainable, but challenging enough that you must grow and expand to reach it.
- **Realistic:** A realistic goal must represent an objective toward which you are both willing and able to work, and that leads to important, suitable results.
- **Time-Sensitive:** Make your goal deadline driven. A goal with no time frame tied to it has no sense of urgency.





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## Savor the Flavor

### Black Bean and Corn Salsa

|              |  |              |                               |
|--------------|--|--------------|-------------------------------|
| 1-19 oz. can | black beans<br>(drained and rinsed)              | 1 large      | tomato, chopped<br>and seeded |
| 1/2 cup      | chopped red onion                                | 1            | garlic clove, minced          |
| 1 Tbsp.      | chopped fresh cilantro                           | 1-12 oz. can | kernel corn, drained          |
| 1 Tbsp.      | diced jalapeño pepper,<br>ribs and seeds removed | OR           |                               |
| 1 Tbsp.      | lime juice                                       | 1-1/2 cup    | thawed frozen corn<br>kernels |
| 1/4 tsp.     | ground cumin                                     | 1/2 tsp.     | salt                          |
| 1/4 tsp.     | chili powder                                     |              |                               |

Combine all ingredients in medium bowl. Cover and chill at least 2 hours to blend flavors. Serve with your favorite chips. Makes 4 cups.

## Household Tips

### Great Reasons to Compost

**H**ave you been thinking about composting, but aren't sure how to begin? Or maybe you think it could be time-consuming and smelly? (Not true, by the way!) Well, read on and check out these good reasons for composting.

#### Composting Can Save You Money

If you're a gardener, your compost pile can save you money by taking the place of expensive fertilizers.

#### That Stylish Composting Pail!

Fashionistas will love the look of the new, designer-styled composting pails that will dress up any kitchen. And, they are equipped with charcoal filters, so no onion or garlic smells can leak out.



#### Compost Makes a Garden Thrive

There's no better soil amendment than compost. It makes clay soils more porous and helps sandy soils retain water. Gardens that are composted produce higher yields of healthier fruits, vegetables and flowers.

#### It's Good for Mother Earth!

Across the nation, landfills are overflowing, and the EPA estimates that roughly 25% of the garbage in landfills is made up of yard trimmings and food scraps. That's over 60 million tons each year that could be recycled into compost!

For more information on composting, visit:

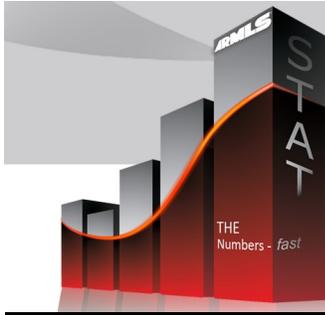
<http://www.epa.gov/osw/conservation/rrr/composting/basic.htm>  
[http://www.howtocompost.org/info/info\\_composting.asp](http://www.howtocompost.org/info/info_composting.asp)

## Brain Teasers

### The "Grand" Grand Canyon

- In what year did the Grand Canyon become a national monument?
  - 1900
  - 1908
  - 1902
  - 1922
- What is the total acreage of the Grand Canyon?
  - 1.2 million acres
  - 2 million acres
  - 800,000 acres
  - 500,000 acres
- What river runs through the Grand Canyon?
  - Colorado River
  - Rio Grande River
  - Desert River
  - Missouri River
- What is the average width of the Grand Canyon?
  - 5 miles
  - 8 miles
  - 10 miles
  - 12 miles
- Which U.S. President often visited the Grand Canyon and was a vocal advocate for its preservation?
  - Ronald Reagan
  - Theodore Roosevelt
  - Jimmy Carter
  - John F. Kennedy

ANSWERS: 1-b; 2-a; 3-a; 4-c; 5-b

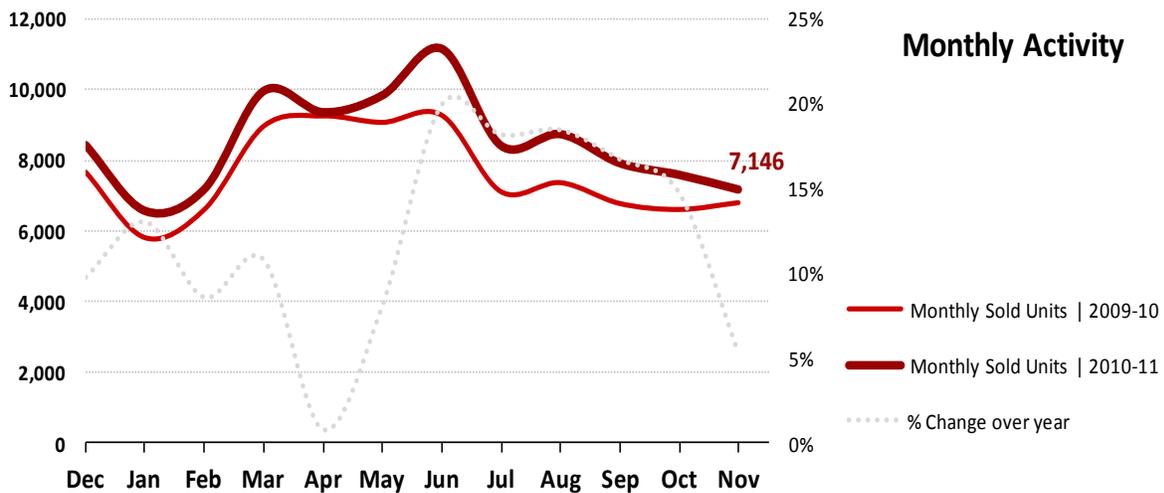


### SALES Month over Month

November sales of 7,146 followed the downward trajectory begun from the high of 11,125 in June. November sales represent a 1.7% drop below October.

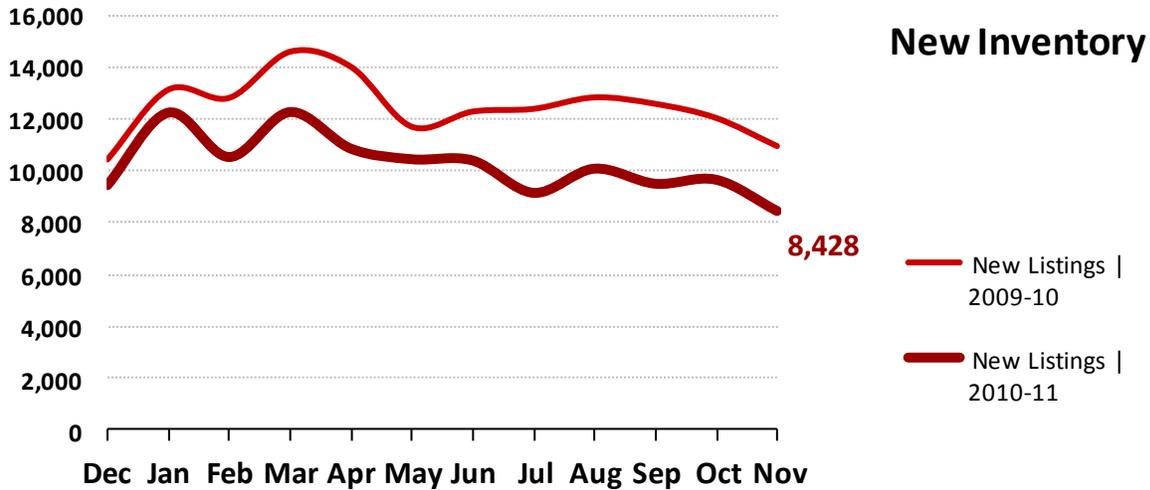
### SALES Year over Year

November sales were 5.3% higher than the same figure in 2010. Sales from October to November dropped in nine of the previous ten years with 2011 as no exception to the typical fourth quarter pattern.



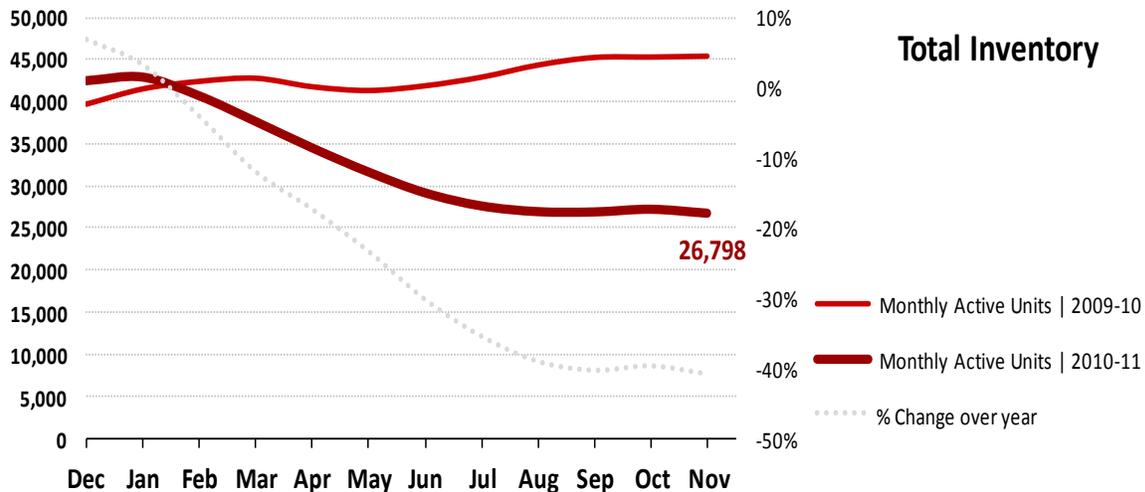
## NEW INVENTORY

New listings added to the market have been following a downward trend line since April. November's new listing figure of 8,428 is the lowest since December of 2004 (7,117). At its peak in March 2006, new listings hit the 16,686 mark. November's figure falls 50.5% below that high. Declines in new listings added to the market in the Valley's current climate is seen as a positive metric.



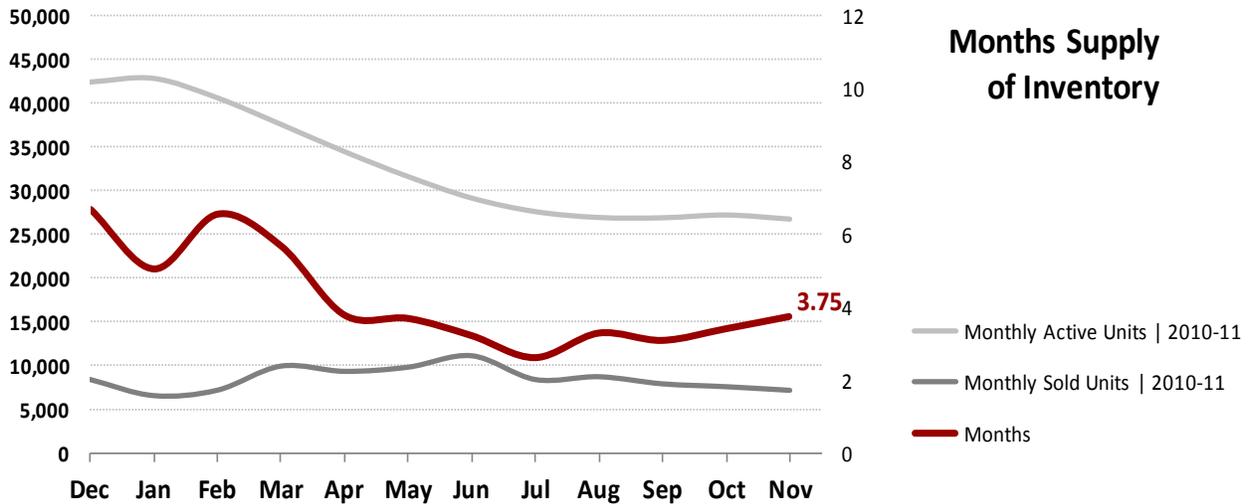
## TOTAL INVENTORY

Total listings declined a mere 1.7% in November to 26,798. The overall trend line for total inventory in 2011 has been downward characterized by a steep decline from January's high of 42,881 to July's 27,655, followed by a more gentle fall between August and November. Most striking is the 41% decline of November's new inventory total from the same figure in 2010.



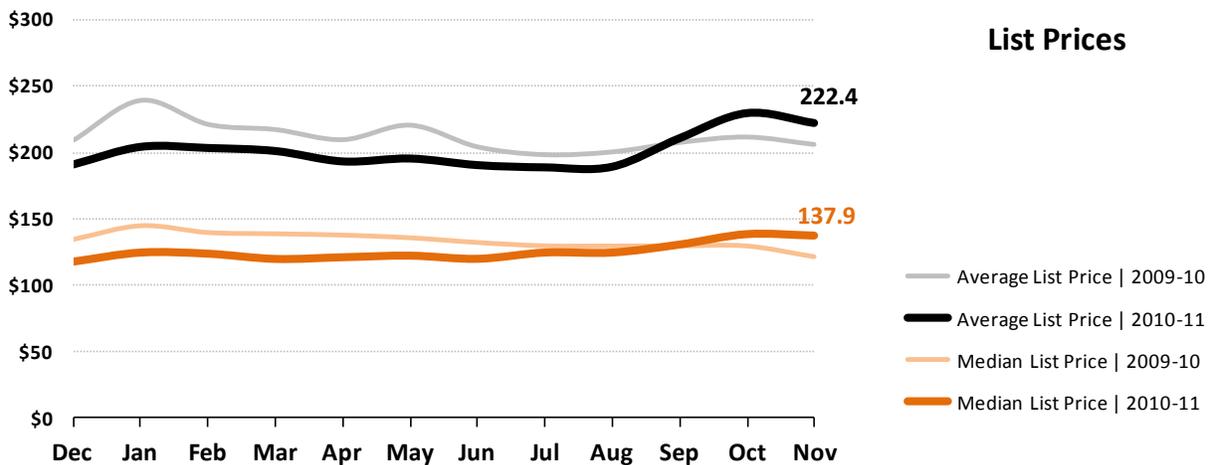
## MONTHS SUPPLY OF INVENTORY (MSI)

Total market wide month supply of inventory increased again in November to 3.75. While this is still under 4 months, often seen as the benchmark for a seller’s market, it continues the upward trend started from a low of 2.62 months in July. Market wide MSI is seen as a barometer of market health and should not be used in predicting MSI in smaller market niches.



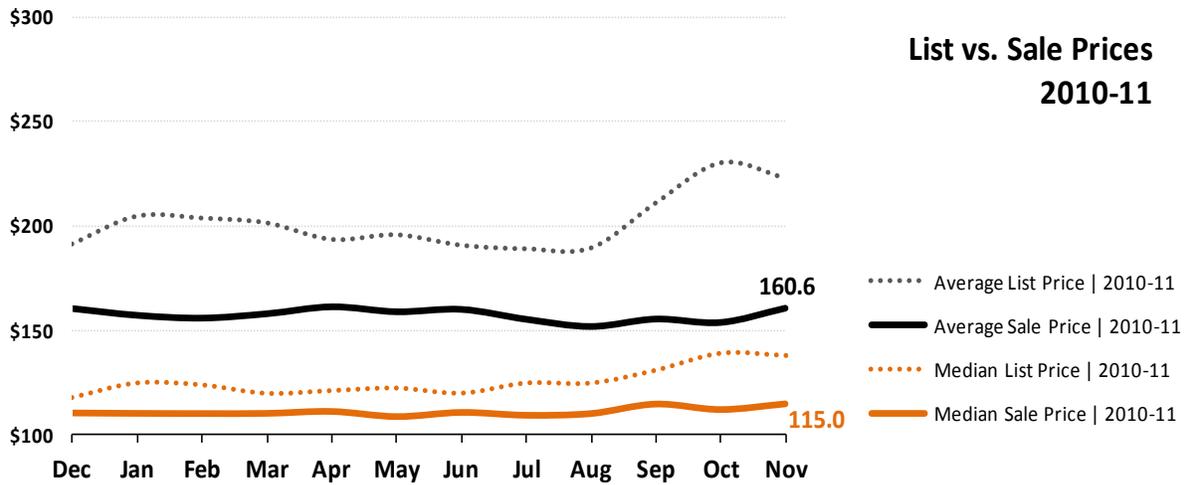
## NEW LIST PRICES

Average new list prices, which fueled optimism in September and October with an upward tilt, turned downward by 3.3% in November to \$222,400. The median list price declined only .8% to \$137,900 in November. The decline, while slight, is disappointing to those hopeful of a restoration of the Valley’s pricing.



## SALES PRICES

Sales prices offered more encouragement than list pricing in November. The average sales price rose 4.7% to \$161,600, while the median sales price rose 2.7% to \$115,000. Even with these positive upward tilts, the sales pricing trend lines for the entire year remain flat and lackluster.



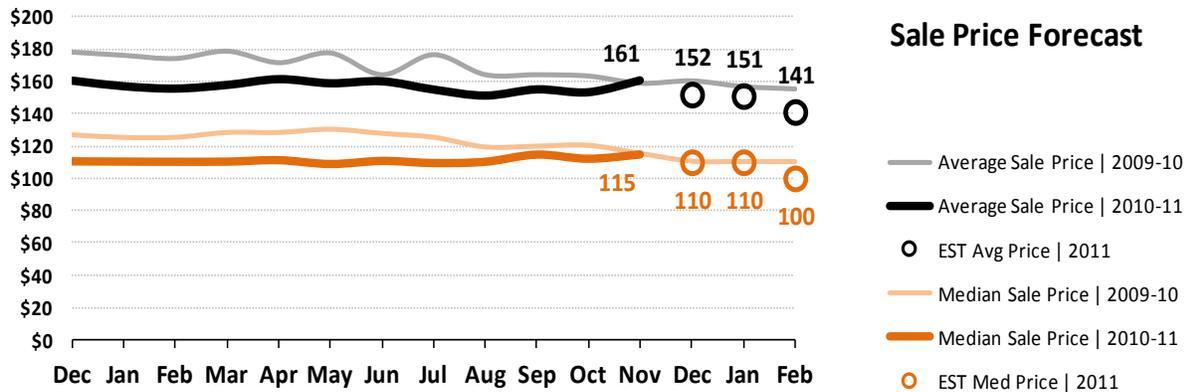
## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a forecasting tool unique to ARMLS which uses pending sales data in MLS to predict the average and median sales price 30, 60 and 90 days into the future. Last month PPI predicted the average sales price to be \$155,900, missing the actual average of \$160,600 by 3.01%. The median sales price predicted last month was \$114,000, missing the actual of \$115,000 by .88%.

In the December / January issue of *WAVE*, ARMLS examined the behavior of individual properties in the pending property pool inside MLS. Predictive accuracy of the PPI declines the further into the future it goes as the makeup of the pool grows heavily weighted with unclosed short sales. [Learn more.](#)

PPI predicts that the December average sales price will fall to \$152,000 followed by \$151,000 and \$141,000 in January and February respectively. The median sales price is expected to fall to \$110,000 in December, remain steady at \$110,000 in January and drop to \$100,000 in February.

Unfortunately predictions for the next 90 days show little improvement in the Valley's lackluster pricing.



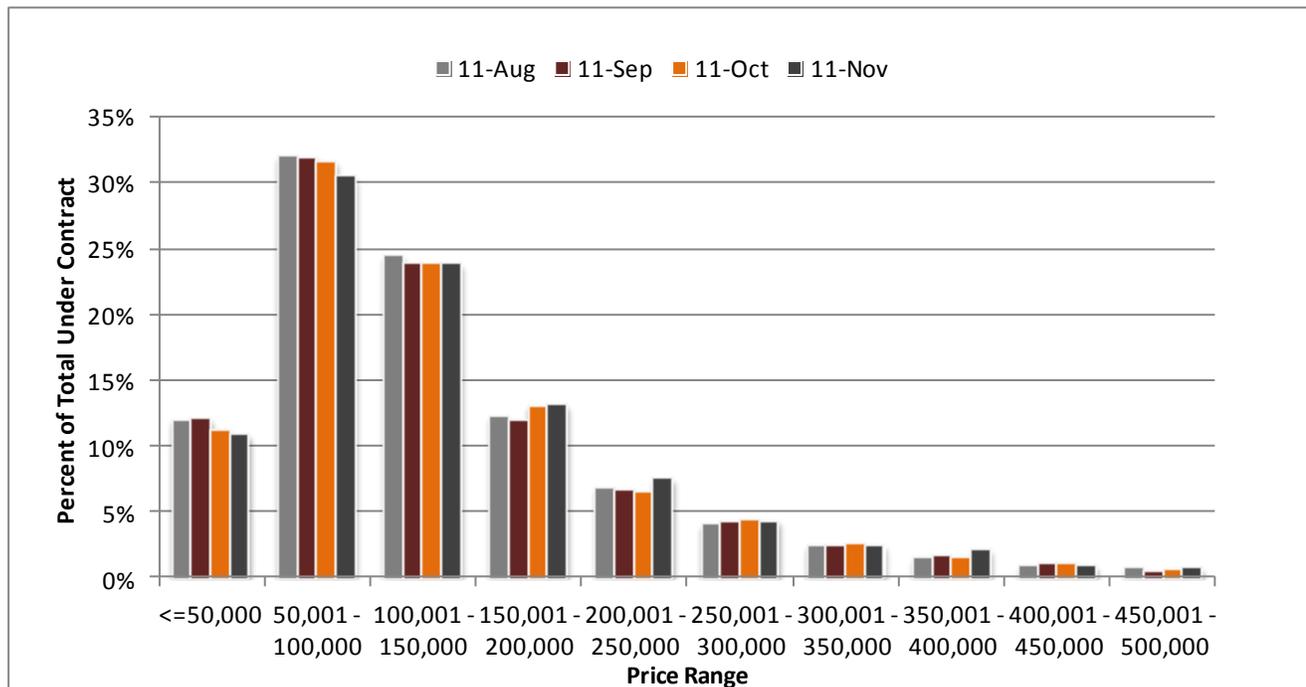
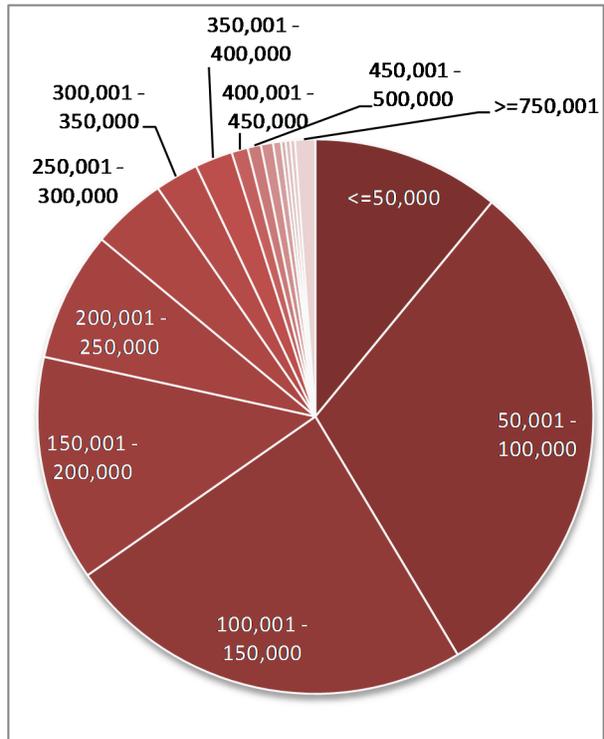
Predictive accuracy decreases with time.

## PPI SUPPLEMENT

The PPI Supplement focuses on the number and percentage of newly pended properties added to the total pending pool each month. By focusing on the newly pending properties on a rolling four month basis we can perceive subtle changes in pricing which are precursors to recovery.

Over the past four months the Supplement has reported declines in the number of newly pending properties in the below \$50,000 and \$50,001-100,000 ranges, while the \$100,001-\$150,000 range appears to have leveled out. Other ranges showing increases in the number of newly pended properties are \$150,001-200,000 and \$350,001-400,000. On such incremental changes a recovery is built.

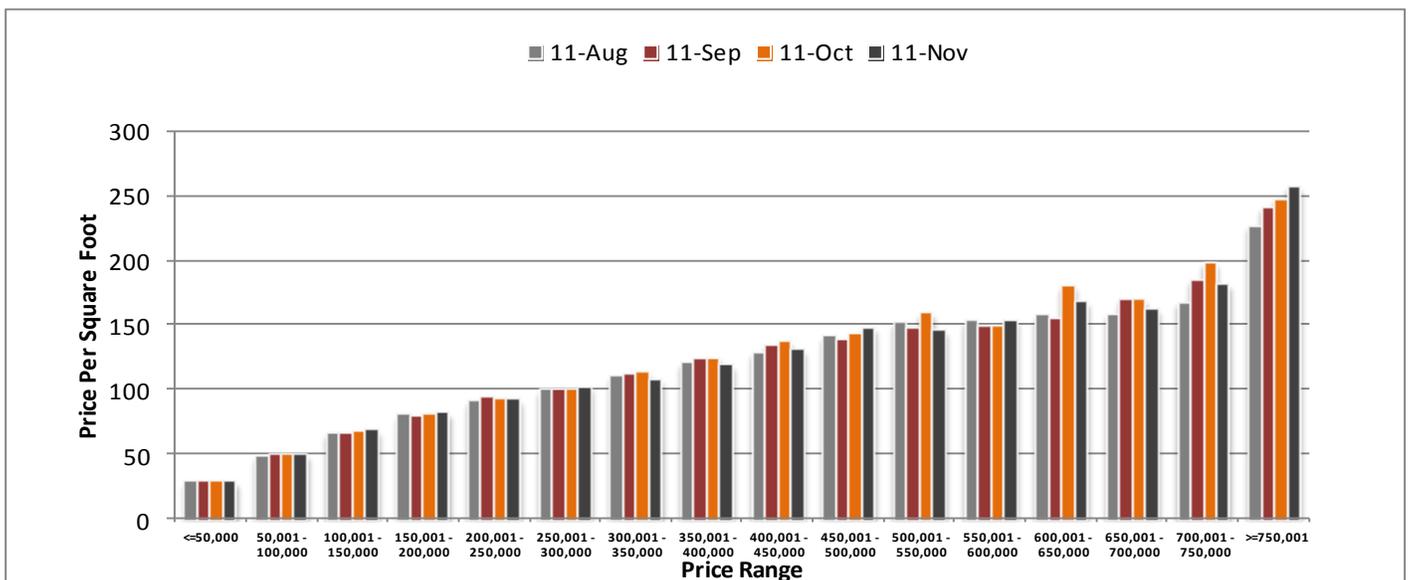
| Pending Contracts Signed In November |           |           |           |                  |
|--------------------------------------|-----------|-----------|-----------|------------------|
| Price Range                          | PPI Avg   | PPI Med   | PPI Units | Units % of Total |
| <=50,000                             | 35,250    | 36,000    | 842       | 10.94%           |
| 50,001 - 100,000                     | 77,475    | 78,050    | 2,348     | 30.51%           |
| 100,001 - 150,000                    | 125,193   | 125,000   | 1,836     | 23.85%           |
| 150,001 - 200,000                    | 173,568   | 172,000   | 1,013     | 13.16%           |
| 200,001 - 250,000                    | 226,453   | 225,000   | 583       | 7.57%            |
| 250,001 - 300,000                    | 275,797   | 275,000   | 337       | 4.38%            |
| 300,001 - 350,000                    | 326,649   | 325,500   | 195       | 2.53%            |
| 350,001 - 400,000                    | 376,735   | 375,000   | 168       | 2.18%            |
| 400,001 - 450,000                    | 426,097   | 425,000   | 73        | 0.95%            |
| 450,001 - 500,000                    | 476,761   | 475,500   | 60        | 0.78%            |
| 500,001 - 550,000                    | 526,209   | 525,000   | 54        | 0.70%            |
| 550,001 - 600,000                    | 580,908   | 579,500   | 36        | 0.47%            |
| 600,001 - 650,000                    | 627,475   | 625,000   | 20        | 0.26%            |
| 650,001 - 700,000                    | 678,119   | 675,000   | 21        | 0.27%            |
| 700,001 - 750,000                    | 728,905   | 730,000   | 21        | 0.27%            |
| >=750,001                            | 1,299,930 | 1,050,000 | 90        | 1.17%            |



## PPI SUPPLEMENT - \$/SQ FT

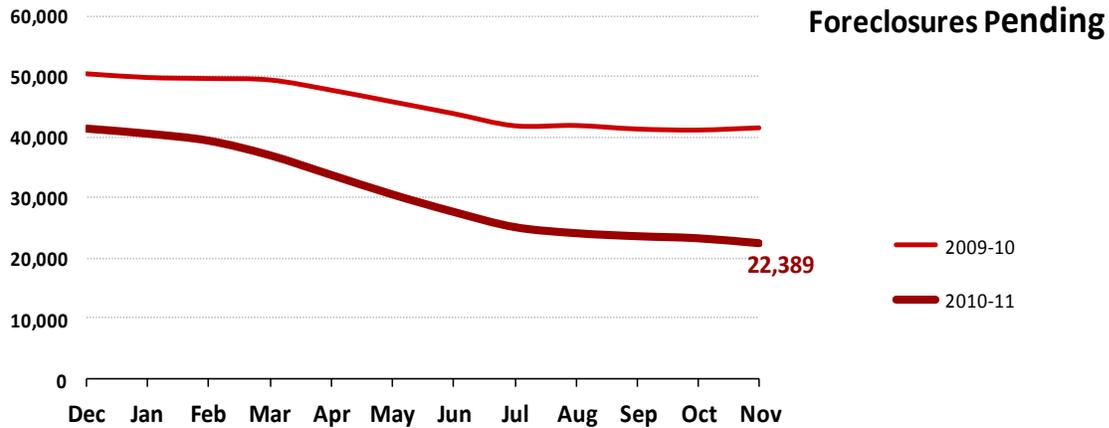
The PPI \$/SQ FT Supplement examines incremental gains and losses in the price per square foot of new pendings added to the pending property pool each month. Price per sq ft in the under \$50,000 and \$50,001 - \$100,000 ranges appear to have stabilized showing very little movement over the past four months. In the prices ranges above \$100,000, six of the ranges showed gains in price per sq ft and eight showed losses, with no clear pattern emerging yet.

| Pending Contracts Signed In October |           |           |           |                        | Pending Contracts Signed In November |           |           |           |                        |
|-------------------------------------|-----------|-----------|-----------|------------------------|--------------------------------------|-----------|-----------|-----------|------------------------|
| 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                            | 34,788    | 1,197     | 941       | 29                     | <=50,000                             | 35,250    | 1,222     | 842       | 29                     |
| 50,001 - 100,000                    | 77,030    | 1,554     | 2,628     | 50                     | 50,001 - 100,000                     | 77,475    | 1,549     | 2,348     | 50                     |
| 100,001 - 150,000                   | 124,771   | 1,858     | 1,981     | 67                     | 100,001 - 150,000                    | 125,193   | 1,830     | 1,836     | 68                     |
| 150,001 - 200,000                   | 173,988   | 2,135     | 1,091     | 81                     | 150,001 - 200,000                    | 173,568   | 2,121     | 1,013     | 82                     |
| 200,001 - 250,000                   | 226,212   | 2,435     | 541       | 93                     | 200,001 - 250,000                    | 226,453   | 2,455     | 583       | 92                     |
| 250,001 - 300,000                   | 275,454   | 2,768     | 373       | 100                    | 250,001 - 300,000                    | 275,797   | 2,711     | 337       | 102                    |
| 300,001 - 350,000                   | 327,801   | 2,892     | 218       | 113                    | 300,001 - 350,000                    | 326,649   | 3,059     | 195       | 107                    |
| 350,001 - 400,000                   | 375,412   | 3,026     | 130       | 124                    | 350,001 - 400,000                    | 376,735   | 3,174     | 168       | 119                    |
| 400,001 - 450,000                   | 427,335   | 3,124     | 98        | 137                    | 400,001 - 450,000                    | 426,097   | 3,267     | 73        | 130                    |
| 450,001 - 500,000                   | 476,318   | 3,346     | 63        | 142                    | 450,001 - 500,000                    | 476,761   | 3,223     | 60        | 148                    |
| 500,001 - 550,000                   | 527,658   | 3,328     | 45        | 159                    | 500,001 - 550,000                    | 526,209   | 3,622     | 54        | 145                    |
| 550,001 - 600,000                   | 576,686   | 3,863     | 37        | 149                    | 550,001 - 600,000                    | 580,908   | 3,781     | 36        | 154                    |
| 600,001 - 650,000                   | 631,357   | 3,506     | 24        | 180                    | 600,001 - 650,000                    | 627,475   | 3,740     | 20        | 168                    |
| 650,001 - 700,000                   | 678,720   | 4,013     | 22        | 169                    | 650,001 - 700,000                    | 678,119   | 4,186     | 21        | 162                    |
| 700,001 - 750,000                   | 728,687   | 3,689     | 15        | 198                    | 700,001 - 750,000                    | 728,905   | 4,032     | 21        | 181                    |
| >=750,001                           | 1,265,537 | 5,134     | 101       | 246                    | >=750,001                            | 1,299,930 | 5,072     | 90        | 256                    |



## FORECLOSURES PENDING

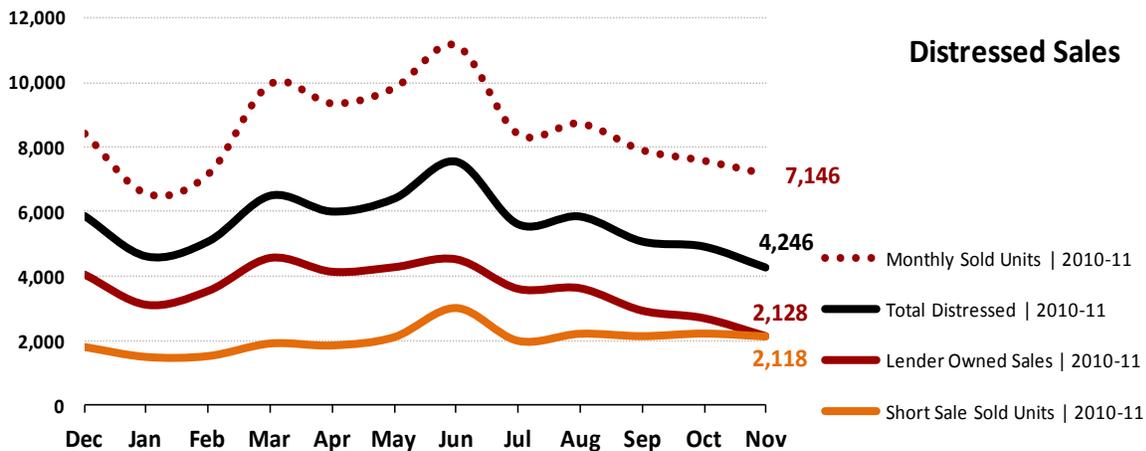
Foreclosures pending continued on this year's downward trajectory started from the high of 40,641 in January to 22,389 in November. The accelerated rate of reduction experienced from January through July eased from August to November. The Valley's foreclosures pendings hit its all time high of 50,568 in November 2009, which puts this month's figure of 44.2% of the high in a positive light. Declines in foreclosures pending foreshadow declines in actual foreclosures and ultimate market recovery. This metric is moving in the right direction.



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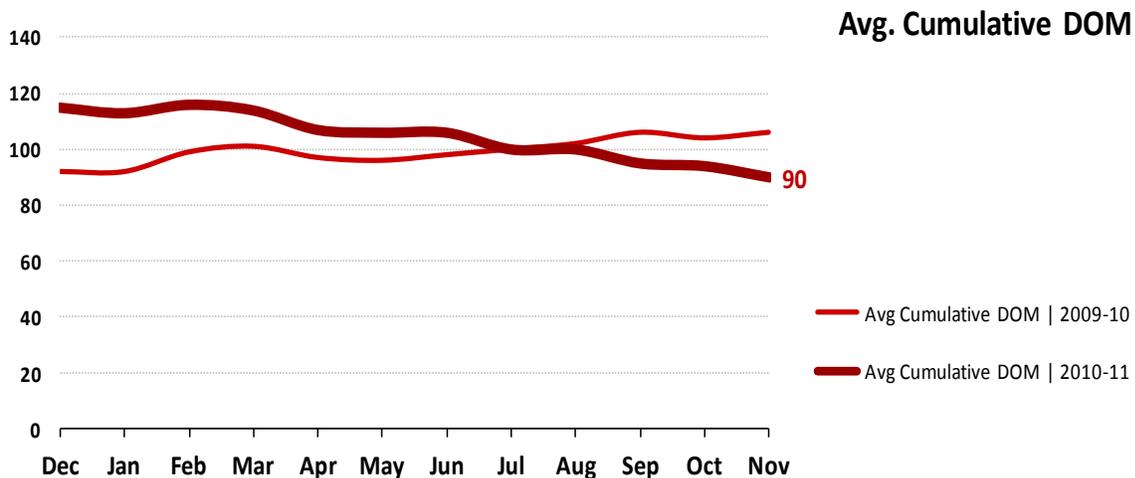
## DISTRESSED SALES

Distressed properties, a composite of short sales and lender owned sales, lie at the heart of the Valley's depressed pricing. Distressed properties as a percentage of actual sales reached a market high of 74.1% in September 2010. In November distressed properties (4,246 ) represented 59.4% of total sales, the first time since STAT has been tracking that its percentage of total sales has fallen below 60%. Trend lines for short sales and foreclosures has been tracking parallel but in November trend lines for lender owned sales (2,128) and short sales (2,118) intersected. Short sales, which had been consistently eclipsed by lender owned sales, appear to be gaining momentum. The decline in actual foreclosures coupled with a rise in short sales indicates that more homeowners are able to dodge foreclosure in favor of short selling. This is positive news for homeowners having difficulty making payments who are caught in homes where the property value is lower than the mortgage amount.



## AVERAGE DAYS ON MARKET (DOM)

Market wide average days in market fell to 90 days in November, a level not seen since October and November of 2009. Market wide days on market is a barometer of overall health and not indicative of average days on market in smaller market niches.



## COMMENTARY

As November marches toward the close of the year we are left with the familiar pattern of two steps forward one step back characteristic of 2011. This month's STAT has some positive news in the gain of shorts sales over foreclosures in the distressed property make up, the decline of distressed properties as a percentage of actual sales, reduction in the average days on market, a drop in total inventory and foreclosures pending and a continued reduction of new inventory added to the market. Yet, we saw rise in the MSI, a decline in sales and the continued lackluster performance of the median and averages prices, both listing and sales. Some metrics can be explained by seasonality typical of the fourth quarter. For a readership thirsty for more robust news, this doesn't quench.

ARMLS has watched Subscriber Confidence indices rise for the last three months with active Subscribers gaining confidence in their expectations of the economy, real estate in the Valley and their own future income. While STAT examines recent past history, Agents operating at the market's front line with real buyers and sellers are the first to actually experience positive momentum.

As STAT has often pointed out, the Valley does not operate in a vacuum, and gains in the market are dependent on factors beyond our control. The US Bureau of Labor Statistics reported a fall in the national unemployment rate from 9.0 to 8.6 in November. Figures for Phoenix Metro released December 6<sup>th</sup> by the US Bureau of Labor Statistics<sup>1</sup> show an 8.1% unemployment rate in the Valley, clearly a metric moving in the right direction albeit slowly. It is the interdependency of markets across the country that poses the biggest challenge. Net migration remains barely birth over deaths for the Phoenix Metro area.<sup>2</sup> What is needed are more jobs and the unfreezing of home equity not only locally, but also in our feeder markets which will free new homeowners to sell their homes and move into the area.

In praise of patience, the phrase of unknown origin, "All good things come to he who waits," perhaps is the best strategy for statistic-phile Subscribers anxious for recovery.

<sup>1</sup> [www.usbls.com](http://www.usbls.com)

<sup>2</sup> EBR DatabaseOnline