

# DECEMBER 2016

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

It seems almost impossible, but 'tis the Season! We welcome in December with one eye in the mirror and the other focused on the crystal ball! My view in the mirror is a pleasant one. The extremely slow recovery from my March 2015 motorcycle accident continues. The key word in that sentence is continues! We still don't know if I will actually regain meaningful use of my right arm and hand, but we're making progress. My most sincere thanks to the Dr's and PT/OT professionals who are directing me. A bigger thanks needs to go to my wife, Wanda, for her love & support through this ordeal. I also need to thank every client and customer who offered a 'hand' when needed. Words pale as I try to express my thanks to you. On to the crystal ball. Most everyone knows that my crystal ball is notorious for being out of service when most needed, but I was lucky to have a good session with it recently. In the year ahead, I see a continued (perhaps even improving) Phoenix Real Estate market. We've seen a small rise in mortgage interest rates since the Presidential election. We're likely to see a Fed rate increase soon after the first of the year. When that happens, we'll see another small rise in mortgage interest rates. These increases are inevitable. We can't continue at near record low rates. We're generally seeing rates around 4% now. I expect we'll see a rise to near 4.5% by sometime in the second half of 2017, maybe sooner. Remember, long term mortgage interest rates below 8% (no typo, 8) are considered good. The biggest wild card will come from people deciding to return to being home owners vs. renters and move up Buyers putting their existing homes on the market. If those folks become motivated, 2017 could be a very good and busy real estate year in Phoenix.

Real estate news has, as usual, been a bit quiet here at the end of the year. We've seen good indicators in that 2 airlines (Flair & WestJet) are adding winter flights from Calgary & Edmonton Canada to Phoenix-Mesa Gateway airport. I think this is a direct reaction to pent-up Canadian demand to get away from the cold and snow and enjoy our great winter weather even if the \$ exchange rate isn't great. We also have new max limits for conforming mortgage loan limits from Fannie Mae & Freddie Mac growing to \$424,100 (up \$7100) in 2017. That means more consumer buying power next year. I found a couple of facts in the Sept 16 Insight Report from Ellie Mae interesting enough to share with you. The average FICO score for mortgages closed in September was 731. The average Loan To Value ratio for those loans was 78% (in other words 12% was the average down payment). I would have guessed both of those numbers would have been lower. The good news is that there were more strong Buyers.

Congrats to (thanks Nate) Chris & Anita on the sale of their Mesa home in Nov. Here's hoping FL treats you well. Also, Congrats (thanks Tom) to Monty on the sale of the Family home in Chandler. I'll, as always, remind you that I really appreciate all the referrals you send my way. Please be sure to mention my name to anyone you know that might be in the market to sell or buy a home. **HAPPY HOLIDAYS. GOOD LUCK & GOODHEALTH IN 2017!**

Regards, *JS Gerber 11/28/2016*

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# October 2016

## Arizona Regional MLS

**New Listings** **9,552**

↑ **2.2%** ↓ **-2.5%**  
 from Sep 2016: **9,346** from Oct 2015: **9,801**

YTD	2016	2015	+/-
	<b>96,355</b>	<b>92,045</b>	4.7%

5-year Oct average: **9,742**

**New Contracts** **8,313**

↑ **2.2%** ↑ **9.2%**  
 from Sep 2016: **8,132** from Oct 2015: **7,615**

YTD	2016	2015	+/-
	<b>92,947</b>	<b>89,132</b>	4.3%

5-year Oct average: **7,768**

**Closed Sales** **6,914**

↓ **-4.0%** ↑ **12.6%**  
 from Sep 2016: **7,202** from Oct 2015: **6,143**

YTD	2016	2015	+/-
	<b>74,475</b>	<b>70,724</b>	5.3%

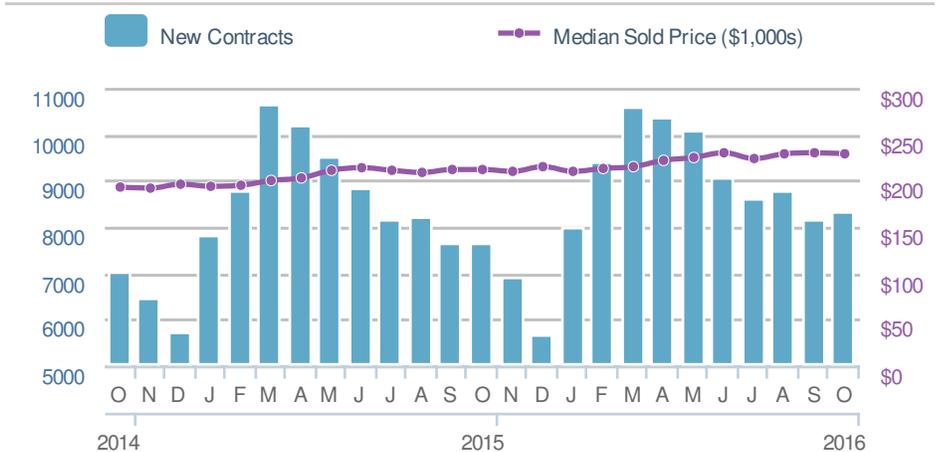
5-year Oct average: **6,383**

**Median Sold Price** **\$229,000**

↓ **-0.4%** ↑ **8.0%**  
 from Sep 2016: **\$230,000** from Oct 2015: **\$212,000**

YTD	2016	2015	+/-
	<b>\$225,000</b>	<b>\$208,000</b>	8.2%

5-year Oct average: **\$193,670**



**Active Listings** **19,528**

Min 15,570 | 19,528 | Max 23,275  
 5-year Oct average: **20,041**

Sep 2016	Oct 2015
<b>18,563</b>	<b>20,027</b>

**Avg DOM** **73**

Min 65 | 73 | Max 87  
 5-year Oct average: **73**

Sep 2016	Oct 2015	YTD
<b>71</b>	<b>72</b>	<b>75</b>

**Avg Sold to OLP Ratio** **96.3%**

Min 94.7% | 96.3% | Max 98.3%  
 5-year Oct average: **96.4%**

Sep 2016	Oct 2015	YTD
<b>96.5%</b>	<b>96.1%</b>	<b>96.2%</b>



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Real Estate For Today



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# Between FRIENDS

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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 2017.



**H**ome warranties vs. homeowner's insurance — what's the difference?

**Home warranties** are *service contracts* covering systems and appliances that fail due to normal wear and use. **Insurance** *indemnifies* against *damage or liability* arising from some unknown or contingent event. For example, if a covered water heater leaks under normal use and floods the home, the warranty will repair or replace the water heater; insurance may cover the damage to the home.

## Health & Safety

### Finding Joy in the Moment

**H**ave you ever noticed how your cares melt away when you lose yourself in a great song or a savory meal? Brain scans reveal that when you engage your senses and embrace the moment, you inhibit the circuits in your brain that search for reasons to worry. Mindfulness is the technical term for cultivating this peaceful state, and the following tips could help you add a bit more joy to your life.

**Engage Your Senses:** Observe a nearby object... anything will do! Your brain normally glosses over details, but when you focus your mind on the colors, shapes, textures, and sounds that surround you, you'll interrupt the "worrying mind" and induce a state similar to meditation.

**Observe Your Thoughts:** It's normal for your mind to wander when you start to engage your senses—simply observe your thoughts as they come, without judgment. According to Dr. David Rock, author of *Your Brain at Work*, the simple act of observing your thoughts can put your brain in a mindful state.

**Practice Acceptance:** Ruminating causes the body to release cortisol, the stress hormone, which makes it more difficult to think clearly. Instead of fixating on a given challenge, try accepting and even embracing it for a moment—and see what solutions come to mind!



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## Real Estate Today

### Upgrades that Help a Home Sell

**I**f you're thinking about putting your home on the market, it's always smart to consider any upgrade you might need in order to sell your home at top market value. *HGTV* and *This Old House* recommend exploring the following upgrades, but you'll want to carefully consider your budget and the specific needs of your home before committing to any home-improvement project.

**Low-Maintenance Landscaping:** A well-designed, low-maintenance yard is often a winner when it comes time to sell. Not only do these yards require less work, they're better for the environment since they need less water.

**Replace Worn-out Carpets:** A new carpet can make a home's interior look decades newer.

**Fresh Paint:** A new paint job, inside and out, has a similar effect to new carpet—it will make your home shine, and the overall cost probably won't break the bank.

**Take Care of Maintenance:** If you've let anything go over the years, address it now, *before* you put your home on the market.



### Cookies

3/4 cup chopped pecans  
1/2 cup (1 stick) unsalted butter,  
room temperature  
1/3 cup sugar  
1 tsp. pure vanilla extract  
1/8 – 1/4 tsp. salt  
1 cup all-purpose flour

### Coating

1/2 cup sugar  
1/8 tsp. nutmeg

Preheat oven to 350° F.

Spread chopped pecans on a baking sheet or in a shallow pan. Bake, stirring once or twice, until lightly browned and fragrant, 7-12 minutes. Let cool. Leave oven set to 350° F.

Beat butter and 1/3 cup sugar in a large bowl with an electric mixer on medium speed until light and fluffy.

Add vanilla, salt, and flour; mix until dough comes together. Fold in pecans. Shape into 2" balls.

Mix together remaining 1/2 cup sugar and nutmeg.

Roll balls in sugar mixture. Place 3" apart on a baking sheet. Gently flatten with the bottom of a glass, reshaping sides if necessary. Sprinkle with sugar mixture.

Bake until golden brown, about 15 minutes.

Cool cookies on a wire rack.



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Real Estate For Today

## Household Tips Making Your Home Cozy for the Winter

**W**hether the weather is frightful or delightful outside, you can make your home a warm and safe place with the following tips.

**Candles:** The flickering lights from candles can make a home feel more inviting in the winter-time. And scented candles, from cinnamon spice to pumpkin pie, can make your home feel even cozier.

**Throw Pillows and Blankets:** Add fluffy pillows and blankets to your sofa or your bed.

**Dine by a Fire:** *Forbes Magazine* recommends moving a table next to the fireplace while you enjoy a warm, home-cooked meal.

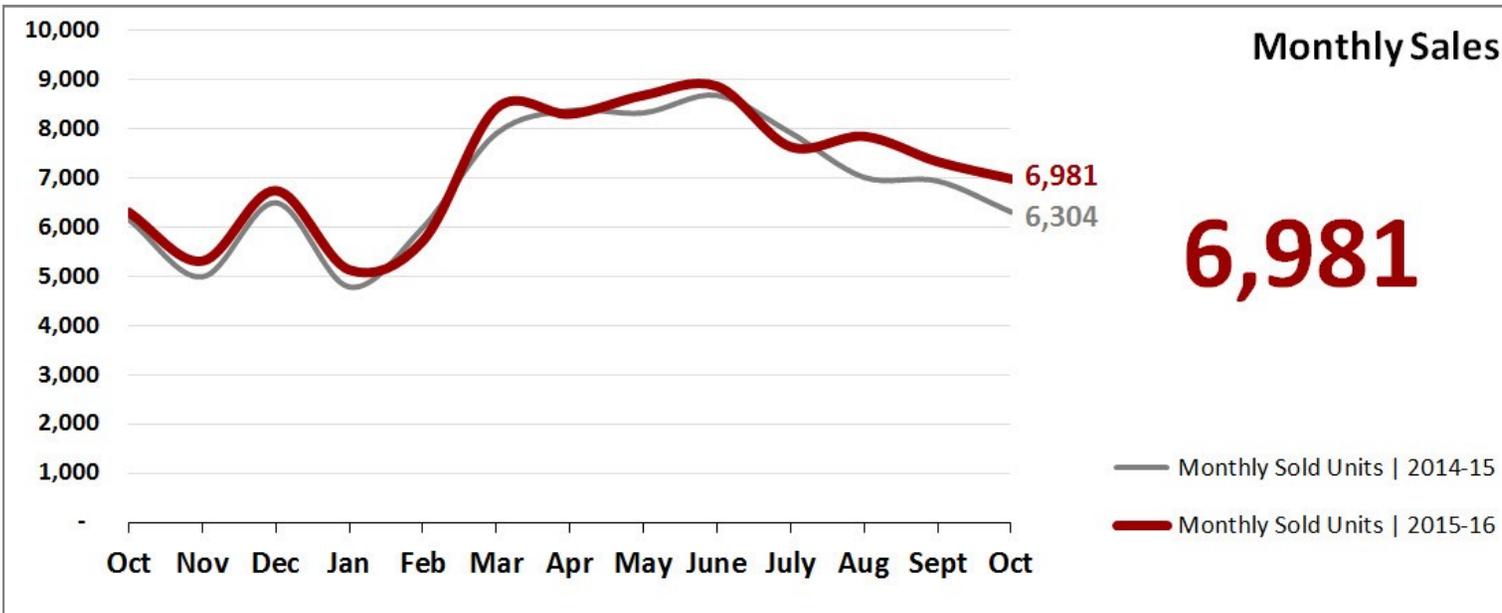
**Add Colors:** Warm, dark colors—especially on rugs and other textiles—can transform a bland room into a wonderful winter abode.

**Shine a Light on Your Favorite Items:** *Realtor.com* recommends arranging beloved objects, such as photographs and other keepsakes, under a lamp or next to one of your candles. By drawing attention to them, you can warm yourself up on the inside.



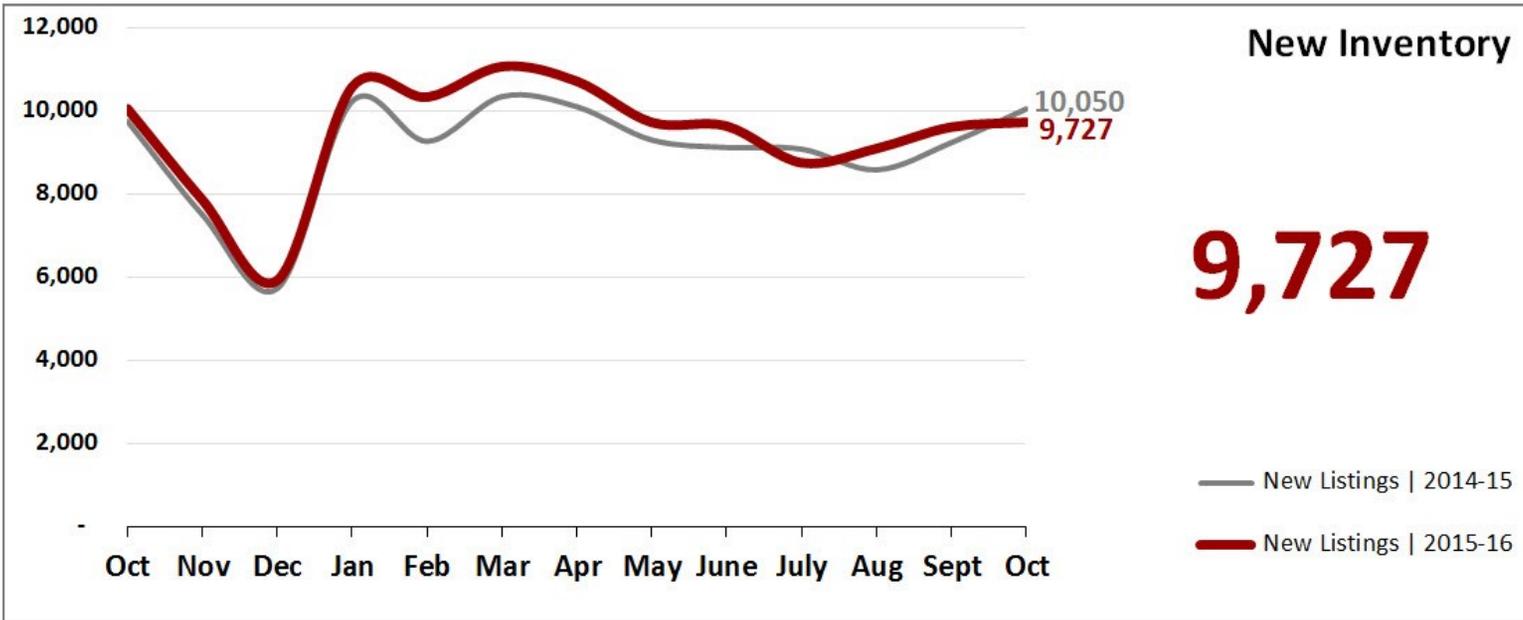


**DATA OCTOBER 2016** - Published November 18, 2016



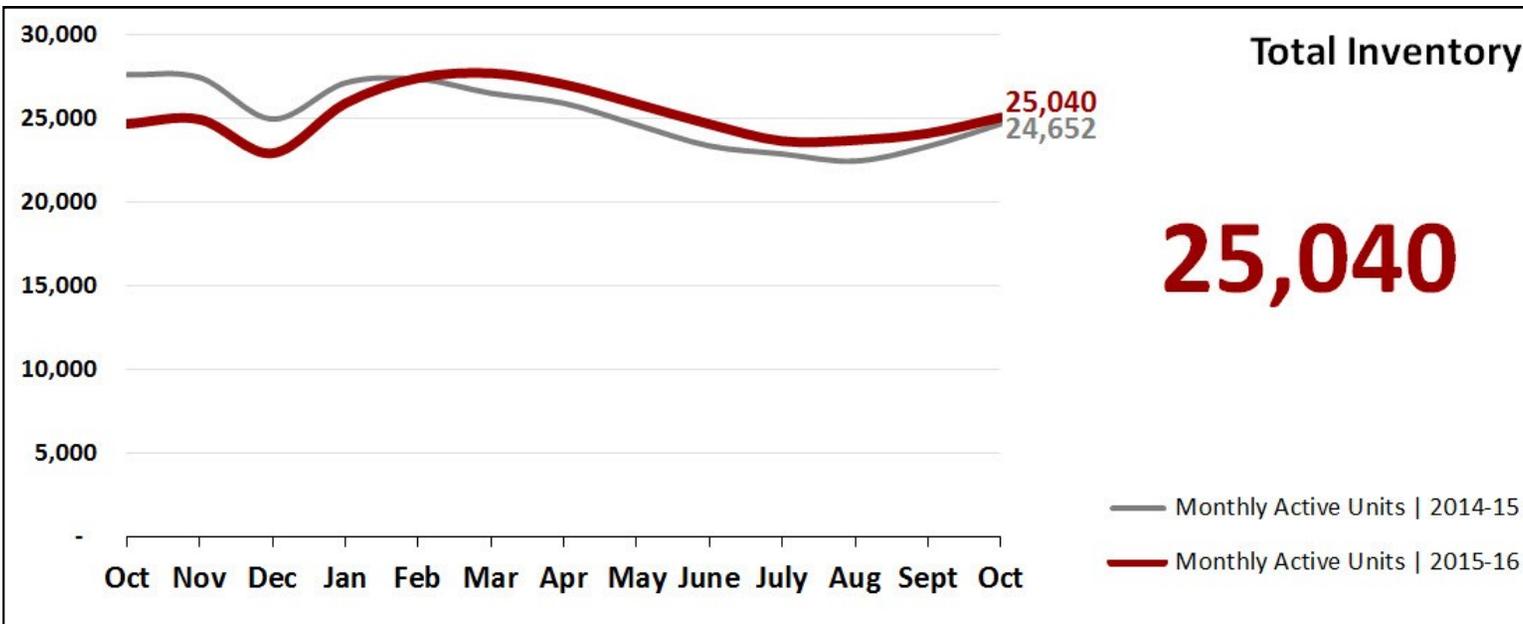
Sales are down -4.7% month-over-month. The year-over-year comparison shows an increase of +10.7%.

Closed MLS sales with a close of escrow date from 10/1/2016 to 10/31/2016, 0 day DOM sales removed



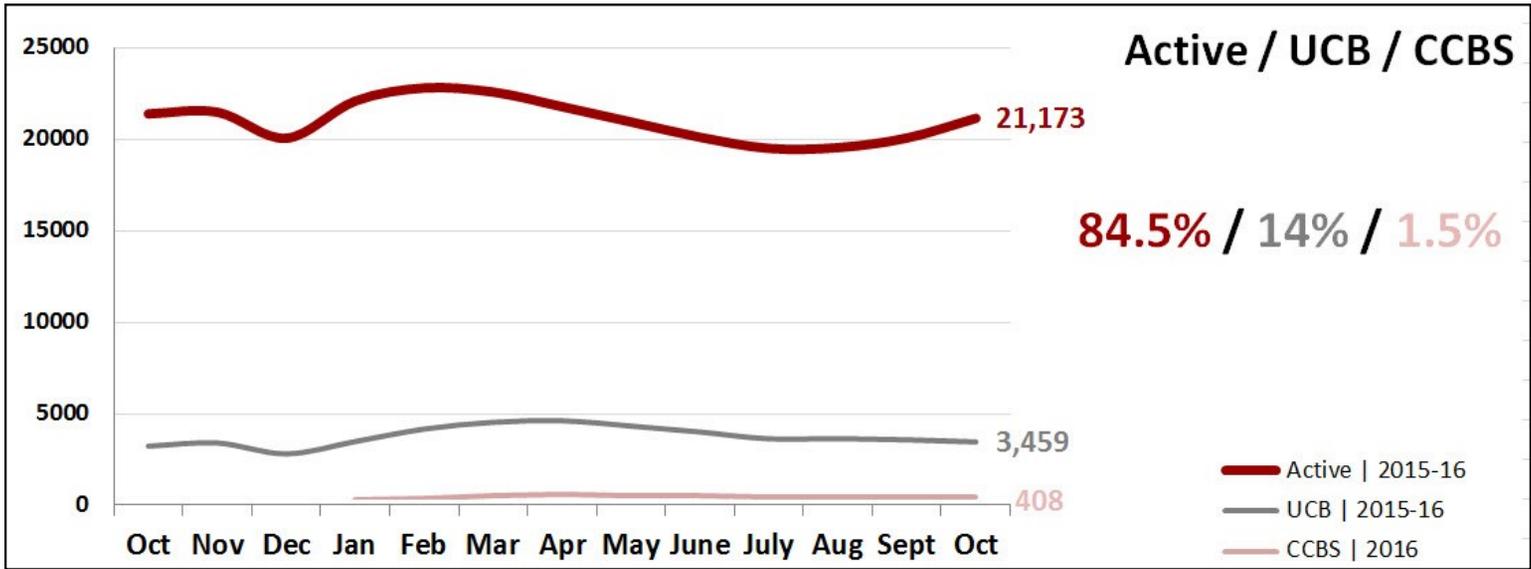
New inventory is up +1.2% month-over-month while the year-over-year comparison shows a decrease of -3.2%.

New MLS listings that were active for at least one day from 10/1/2016 to 10/31/2016, 0 day DOM sales removed



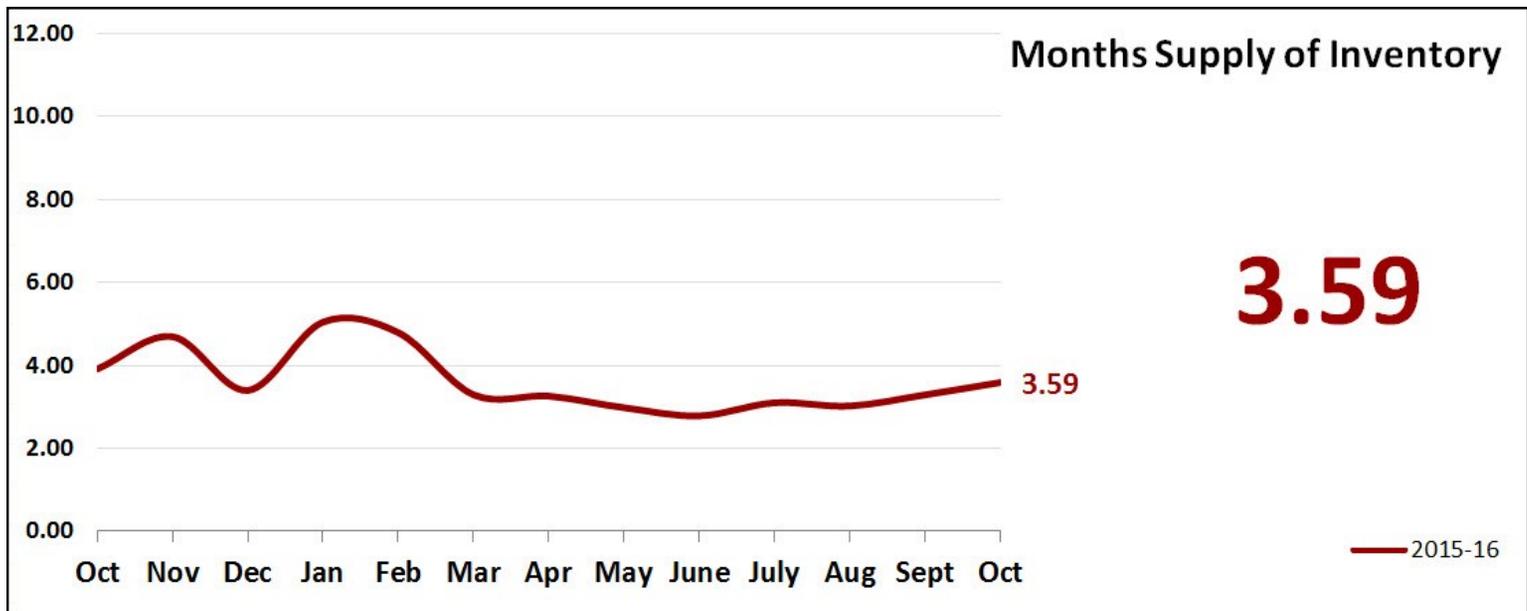
Total inventory has a month-over-month gain of +4.0% while year-over-year reflects an increase of +1.6%.

Snapshot of statuses on 10/31/2016



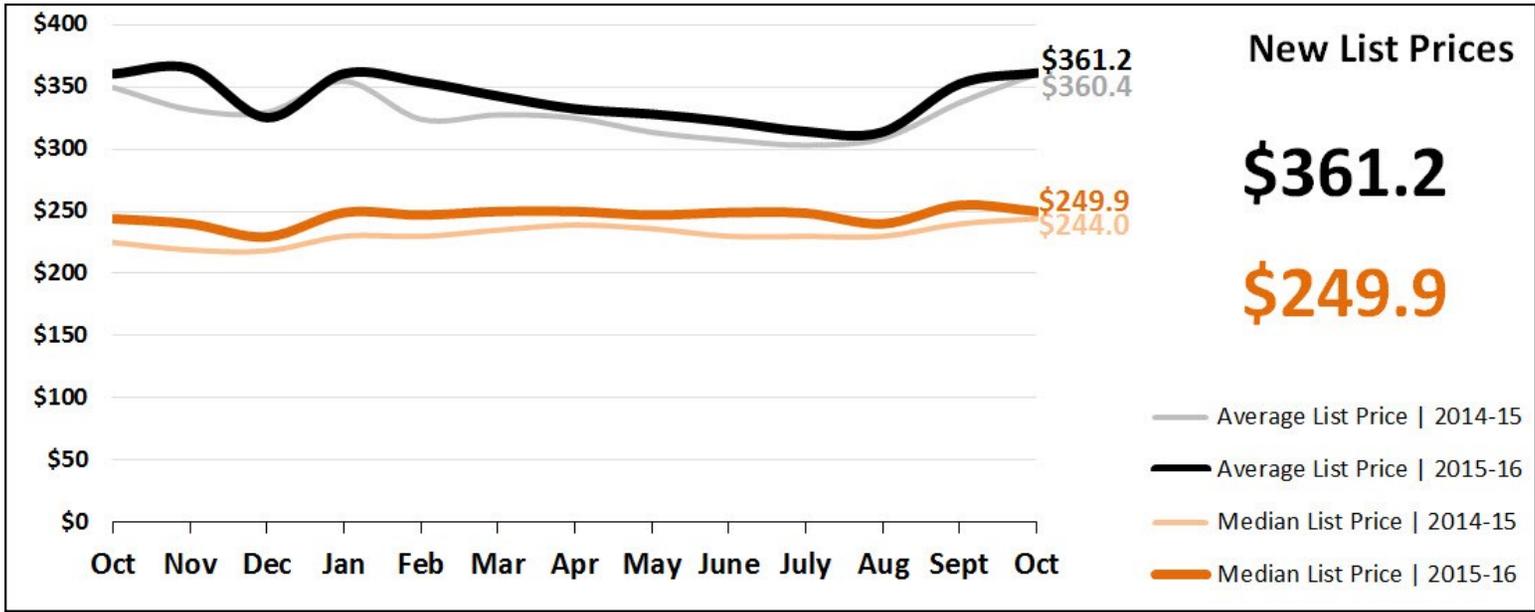
October UCB listings percent of total inventory was 13.8% with October CCBS listings at 1.6% of total inventory.

Snapshot of statuses on 10/31/2016



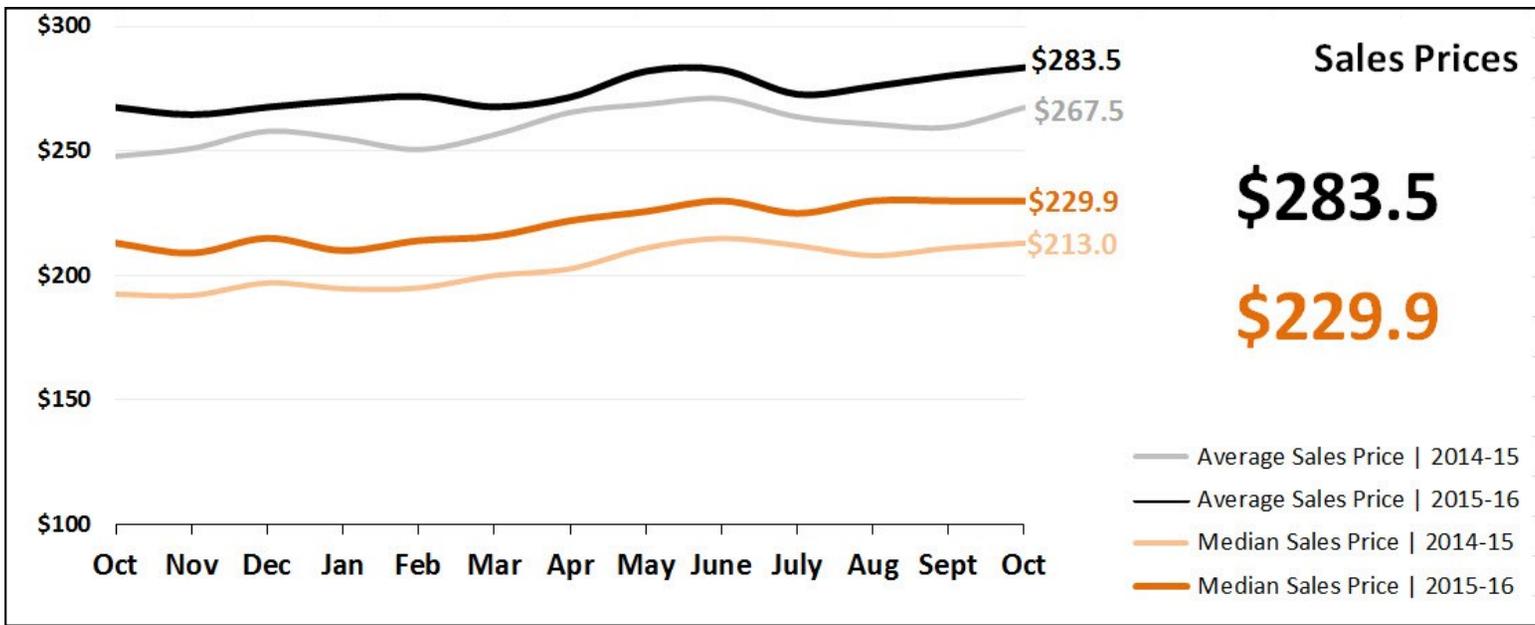
Months supply of inventory for September was 3.29 with October currently at 3.59.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of October 2016, 0 day DOM sales removed



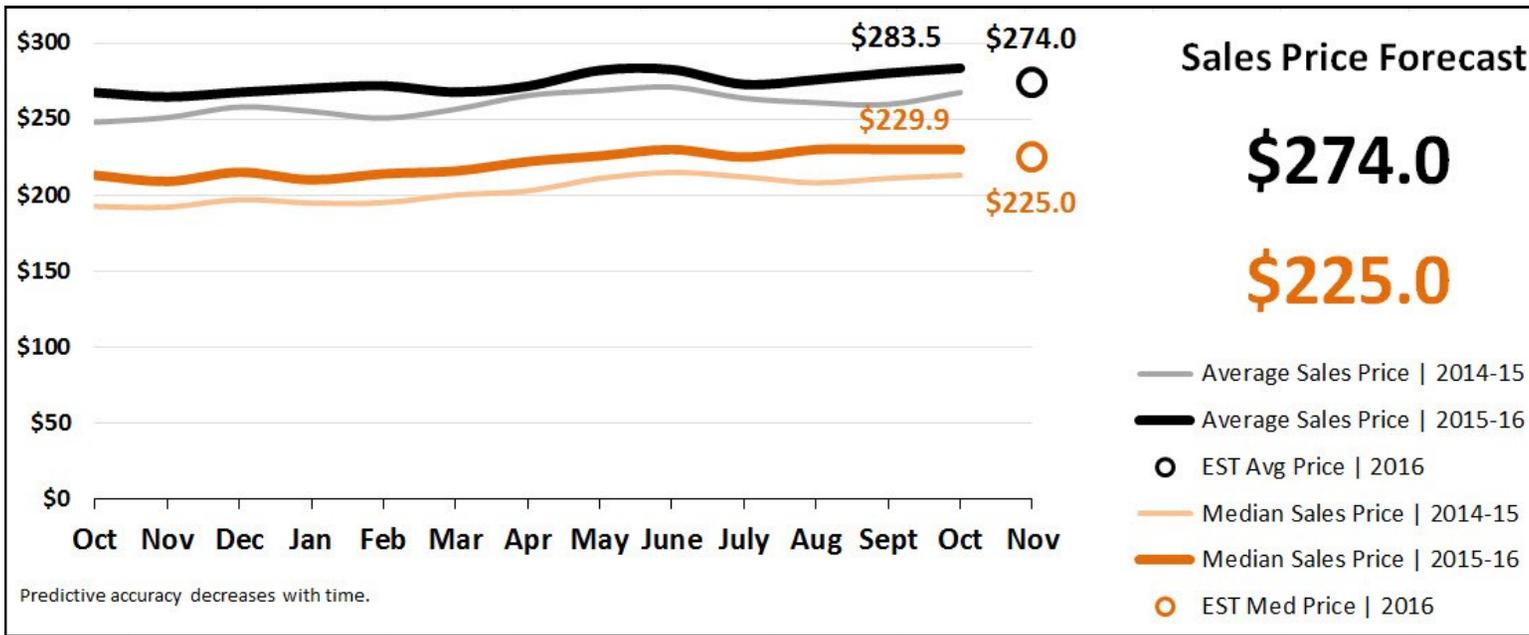
New average list prices are up +0.2% year-over-year. The year-over-year median is up +2.4%.

List prices of new listings with list dates from 10/1/2016 to 10/31/2016, 0 day DOM sales removed



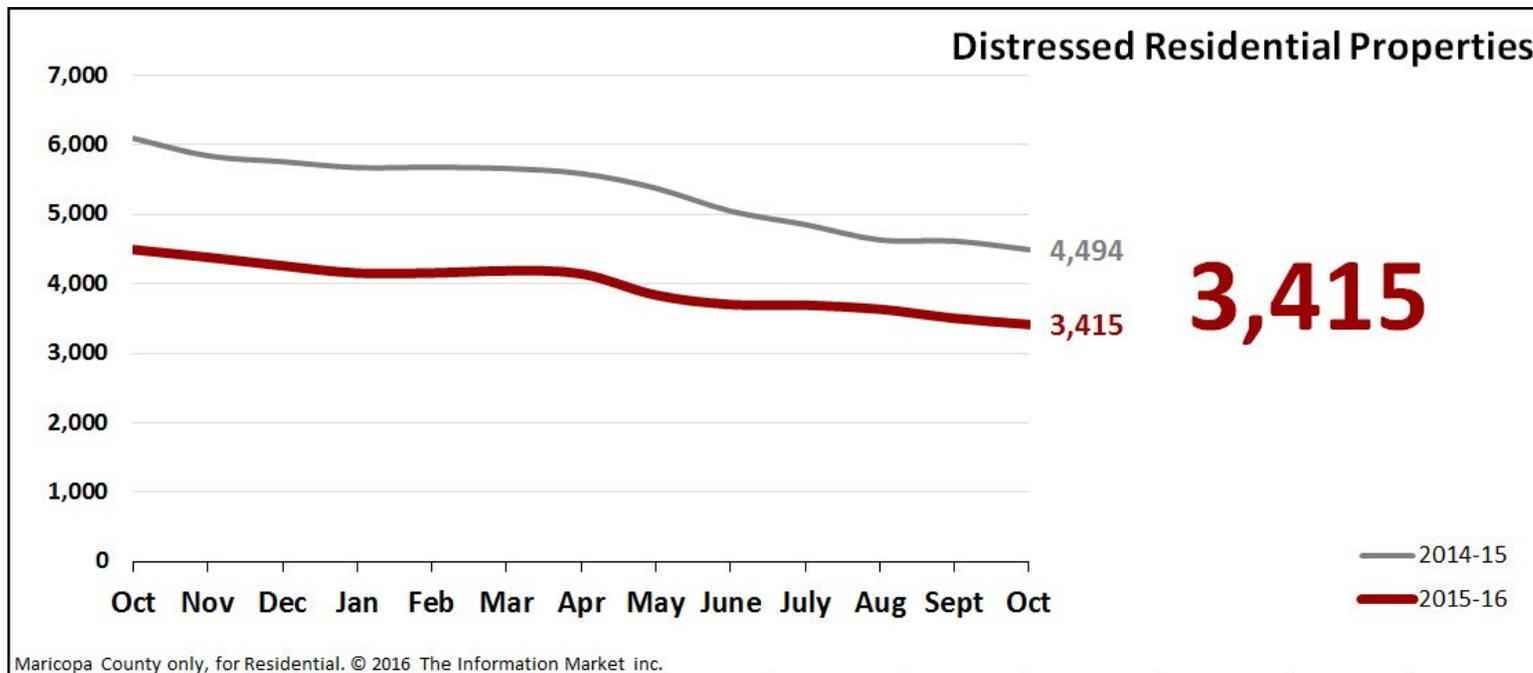
The average sales price is up +6.0% year-over-year while the year-over-year median sales price is also up +7.9%.

MLS sales prices for closed listings with a close of escrow date from 10/1/2016 to 10/31/2016, 0 day DOM sales removed



A decrease is forecast for average sales price with median sales price in October dropping slightly.

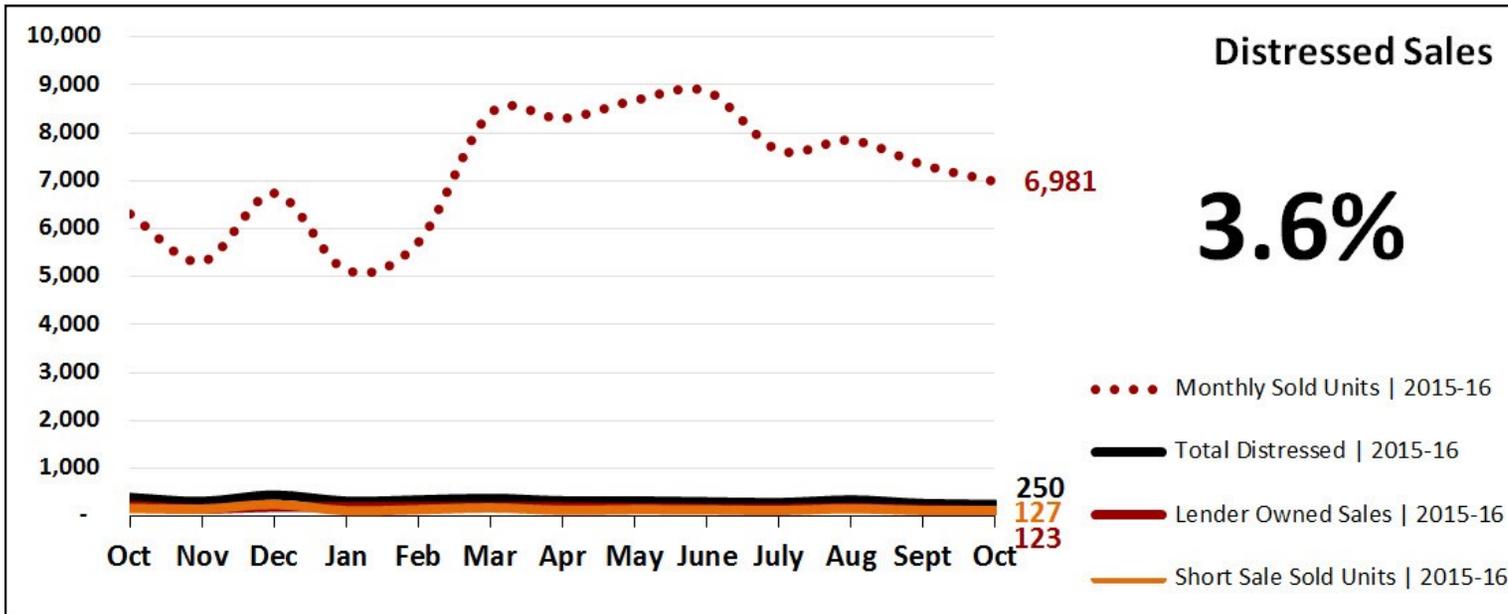
ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed a decrease of -2.6% while the year-over-year figure was down -24.0%.

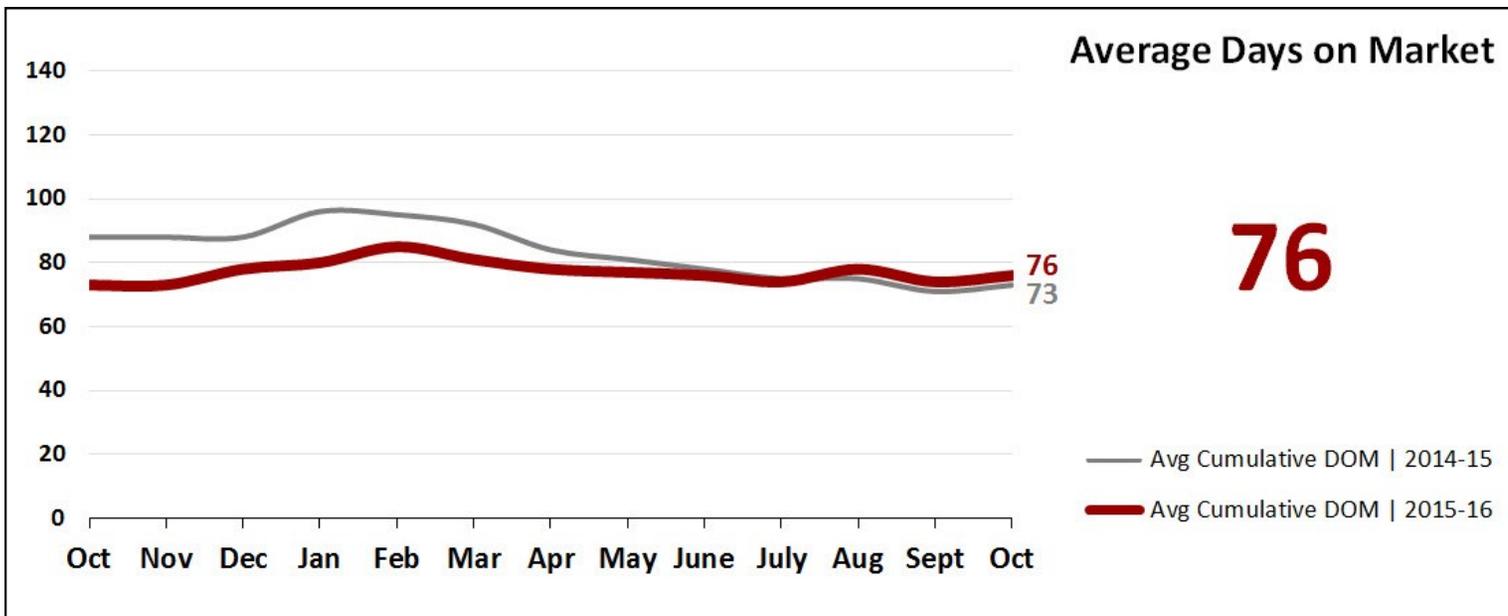
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Snapshot of public records data on 10/31/2016 active residential notices and residential REO properties



Short sales dropped -24.4% year-over-year. Lender owned sales dropped -46.1% year-over-year. Distressed Sales accounted for 3.6% of total Sales, down from the previous month of 3.7%.

Lender owned sales are MLS sales 10/1/2016 to 10/31/2016 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected  
 Short sales are MLS sales 10/1/2016 to 10/31/2016 where *Short Sale Aprvl Req, Previously Aprv'd SS or Lender Approved SS* special listing conditions were selected  
 0 day DOM sales removed



Days on market rose +3 days year-over-year while month-over-month increased +2 days.

Average of all closed listings 10/1/2016 to 10/31/2016 where DOM was greater than 0

## COMMENTARY

by Tom Ruff of The Information Market

Ivy Zelman is my favorite national housing researcher and analyst. In 2006, Ivy was a highly ranked analyst for Credit Suisse who followed home builders. As the housing markets partied that year, Zelman downgraded the sector which garnered her ridicule from the housing industry and backlash from her bosses. Shortly after, she left Credit Suisse to form her own firm. When the housing market collapsed, Zelman emerged as one of the few who had been right. Not only did Zelman call the top of the market in 2006, she also called the bottom of the market in 2011.

The reason I like Ivy is her down to earth common sense approach. Not only does she do extensive research, she also applies a human element to the math. Too many analysts rely solely on their mathematical models without factoring in human nature. Zelman and Associates are very strong on research, but even stronger in marrying that research to the human aspect of the consumer and as you will see further in STAT, it's a rare quality.

Zelman was recently interviewed on the exhibition floor at NAR. The interview is about 11 minutes long and [can be viewed here](#). Although the interview is national in scope, the information presented closely reflects what we're seeing in our local market. If you don't have time to watch the video in its entirety, here are the bullet points:

- Consumers rank overall market knowledge as the #1 consideration in choosing an agent for both listing and buying
- The housing market is the driver of our economy
- It is now sexy again for home builders to build affordable housing, the entry level builder is now the prettiest girl at the dance
- Affordable new construction takes time - they need roads, sewers and pipes
- Government data suggests housing is not good, government data is wrong (it's slow) and data that suggests homeownership rates will continue to decline is absolutely wrong
- The American dream is alive and well
- The average age of the 75 million millennials is 32, they will start to have families
- Millennials are actually moving to the suburbs, where they can buy move-in ready homes
- Millennials want move in ready, makes suburb attractive
- Birth rates for women over 35 are up, having children is the driving catalyst for buying a home
- Number one thing for a millennial in choosing an agent is responsiveness and trustworthiness
- Asian and Hispanic households are growing much faster than Caucasian households over the last decade
- Our current market is the tale of two markets, very strong demand for entry level affordable housing, the luxury market is already in a recession, the headwind in the luxury market is going to be here for a long period of time
- First time move up is a very good market

- Doing the math, you are over 20% better off buying a home over renting
- Even in a downturn market there are always transactions in the three Ds (death, divorce and default)
- Knock on apartment doors and SFR rentals to attract entry level buyers and work with and educate luxury buyers as to what they need to do to sell

While Zelman was masterfully blending data with the human element, CNBC did the opposite this month. Their headline, “What’s behind a sudden foreclosure spike” was an attention grabber for sure. The article states:

*“...a curious spike in October may be the first sign of a crack in the recovery... While some states are still slogging through the remnants of the last housing crisis, the foreclosure activity increases in states such as Arizona, Colorado and Georgia are more heavily tied to loans originated since 2009... Arizona foreclosure activity was up 17% in October.”*

Using our data, we see that there was a month-over-month increase in the number of new Notice of Trustee Sales recorded in Maricopa County. There were 609 new residential notices filed in October compared to the 532

notices filed in September, a 14.5% increase. This is where the common-sense approach we mentioned earlier is missing in this article. In my opinion, the article takes a false premise and then expounds on various market conditions to explain why the premise is true. The only thing that made the data stand out was its comparison to September. **September saw the lowest number of new notice filings the Information Market has reported since August of 1997 when Maricopa County had far fewer homes.**

The total residential notices in October, while greater than the number in September was still below our monthly average in 2016 of 637. As for actual foreclosures, properties that were sold at auction, there were 215 residential foreclosures in October compared to 224 last month.

MONTHLY FORECLOSURE ACTIVITY IN MARICOPA COUNTY							 Our knowledge, your success		Note: "Notice" refers to Notice of Trustees Sale		
MONTH	TOTAL NOTICES	RESIDENTIAL NOTICES	TOTAL FORECLOSED	RESIDENTIAL FORECLOSED	TOTAL CANCELLED	RESIDENTIAL CANCELLED	ALL ACTIVE NOTICES	MONTHLY CHANGE	ACTIVE RESIDENTIAL NOTICES	RESIDENTIAL REO PROPERTIES	DISTRESSED RESIDENTIAL INVENTORY
10/2016	644	609	239	215	443	421	2,472	-82	2,335	1,080	3,415
09/2016	566	532	247	224	449	420	2,554	-131	2,417	1,088	3,505
08/2016	698	649	311	285	486	455	2,685	-47	2,517	1,119	3,636
07/2016	658	619	303	280	398	390	2,732	-11	2,562	1,133	3,695
06/2016	638	601	341	306	497	479	2,738	-149	2,573	1,130	3,703
05/2016	608	564	277	254	399	376	2,887	-262	2,707	1,132	3,839
04/2016	704	653	259	229	468	453	3,149	21	2,966	1,180	4,146
03/2016	857	805	314	296	518	489	3,128	78	2,953	1,235	4,188
02/2016	740	702	291	261	416	398	3,050	38	2,875	1,282	4,157
01/2016	679	633	336	311	386	366	3,012	-84	2,801	1,355	4,156
12/2015	786	752	346	316	497	474	3,096	-116	2,900	1,361	4,261
11/2015	679	633	273	250	411	385	3,212	-103	2,992	1,391	4,383
10/2015	726	665	350	317	413	388	3,315	-40	3,094	1,400	4,494
09/2015	754	699	347	322	433	400	3,355	35	3,132	1,484	4,616
08/2015	681	641	323	301	466	441	3,320	-177	3,097	1,537	4,634
07/2015	742	688	419	383	508	486	3,497	-132	3,270	1,584	4,854
06/2015	683	641	377	344	582	545	3,629	-276	3,409	1,639	5,048
05/2015	703	660	348	300	471	450	3,905	-152	3,658	1,720	5,378
04/2015	890	835	388	362	531	510	4,057	2	3,785	1,804	5,589
03/2015	975	914	416	383	527	504	4,055	56	3,789	1,873	5,662
02/2015	864	799	323	298	436	417	3,999	97	3,749	1,931	5,680
01/2015	827	777	366	333	392	358	3,902	-24	3,669	2,006	5,675
12/2014	879	829	390	341	517	481	3,926	-50	3,674	2,086	5,760
11/2014	606	576	372	332	382	365	3,976	-217	3,699	2,145	5,844
10/2014	918	847	504	462	492	465	4,193	-12	3,880	2,217	6,097

Is our foreclosure market seeing a shift away from the remnants of the last housing crisis? The answer is yes, but the shift is and has been gradual. The notion of *“the first sign of a crack in the recovery,”* is false. Property values peaked over 10 years ago, at some point a shift away from the crisis is inevitable.

Eventually foreclosures will return to their traditional pattern of centering on loan originations two years prior. This is not yet the case in Maricopa County. In October, Maricopa had 63 actual foreclosures, properties which went all the way through the foreclosure process where the loan originated in 2009 or later, whereas 71% of all properties actually foreclosed on in Maricopa County involved properties where their financing originated during the bubble years. Foreclosures from buyers that purchased their homes between 2009 and 2013 are and will remain extremely low. The reason, they have equity! And when you have equity, you have options.

### **ARMLS Pending Price Index (PPI)**

Last month STAT projected a median sales price for October 2016 of \$228,000, with the actual median coming in at \$229,900. The actual median was 0.8 % higher than the \$228,000 projected by our model. Looking ahead to November 2016, our model projects a drop in the median sales price. The ARMLS Pending Price Index projects a median sales price of \$225,000. Our mathematical model projections have been trending slightly lower than the actual results. I’m guessing the median might well head lower in November but most likely not as low as our mathematical model suggests.

Sales volume in October as reported by ARMLS was 6,981, which was 10.7% higher than last year’s total of 6,304. October sales came in as expected with our projection of 6,850 missing the mark by only 131 sales. We begin November with 6,021 pending and 3,459 UCB listings giving us a total of

9,480 residential listings practically under contract. This compares to 9,149 of the same type of listings at this time last year. There are 19 business days in 2016 compared to 18 business days in 2015. Sales volume projections are always tricky during the holiday season, that said, November 2016’s sales volume will exceed last year’s total of 5,311. STAT is projecting 5,950 sales. Month-over-month sales volume will continue their annual descent with November volumes lower than October, sales will pick up in December. Sales volume for the first 10 months of 2016 is 3.71% higher than 2015, ARMLS has reported 74,873 sales this year compared to 72,197 sales last year.