

JANUARY 2016

Real Estate Update



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

Hello Everyone,

Welcome to my first Newsletter of the New Year. I'm not sure that I'm liking this El Nino winter. I know we need the precipitation throughout the West, but I find that I almost forgot how accustomed I've become to seeing the sun on most days. Cloudy, damp gray groups of 3, 4 or 5 days in a row are hard to accept after 13 years of living here in The Valley of The Sun. I've taken to the thought process that Barrett-Jackson is only a few weeks away. Then it's the Super Bowl, the TPC golf tournament, the Arabian Horse show and Spring Baseball starts right after that. It feels good to say Spring and only a few weeks away all in the same sentence because Spring almost always includes lots of sunny days.

Our Real Estate market is taking on a bit of 'autopilot' feel. Buyer demand continues to on the low side of normal. The supply of available resale properties continues to be below historic average. These conditions generally hold true across most price points in the market. In the \$200,000 and under market, we are seeing a bit more Buyer pressure. The really nice listings (regardless the type of property) do seem to attract Buyers, and many times multiple offers, rather quickly. What this means, especially for Buyers is a need to make their first offer on a property in this price range with the thought of 'best and final' in mind. The thought of "let's make a lowball offer and see how they respond" many times ends with a Seller simply choosing a 'better than lowball' offer and bypassing the whole "negotiate for the best deal" process. Mortgage interest rates rose slightly on the heels of the Fed interest rate change in December, but have backed down to the 4% range. Predictions are all over the board for what our 2016 financial/real estate' year will look like. It appears like the economy of China will be directing the way, at least to some extent. That, my friends, isn't the best of news. Personally, I'm expecting to see 2016 perform much like Presidential election years of the past. That would be somewhat slow and conservative. I hope my prediction is more 'right' than those predicting another near 2008. I think we will have a very interesting (entertaining at times) year ahead. I suggest you joining me by buckling in, keeping your eyes and mind open and enjoying the ride!

I'm looking forward to what sounds like a busy start to this new year. We're working hard to find the right investment properties for Linda of Mesa. Thanks for choosing to have me work for you again Linda. Thanks to Nate and Diane for the introduction to folks thinking of selling a property. Hopefully I will be able to turn those referrals into satisfied clients. Discussions continue with the Bhullar's from Canada on how to maximize their investments in AZ real estate. I'm looking forward to Glenn and JoAnn from MI to arrive for their winter visit. Hopefully this will be the year I help them change their status from winter visitor to snowbird property owner. If you happen to know anyone thinking about Selling or Buying real estate here in The Valley, I would truly appreciate your referral of that person to me. I promise I'll provide great, personal, service to them!

Regards,

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November 2015

Arizona Regional MLS

New Listings 7,665

↓ **-21.8%** ↑ **4.7%**
 from Oct 2015: from Nov 2014:
9,801 **7,321**

YTD	2015	2014	+/-
	99,722	98,536	1.2%

5-year Nov average: **7,984**

New Contracts 6,879

↓ **-9.7%** ↑ **6.9%**
 from Oct 2015: from Nov 2014:
7,615 **6,436**

YTD	2015	2014	+/-
	96,283	87,761	9.7%

5-year Nov average: **6,940**

Closed Sales 5,198

↓ **-15.4%** ↑ **6.6%**
 from Oct 2015: from Nov 2014:
6,143 **4,877**

YTD	2015	2014	+/-
	75,947	68,864	10.3%

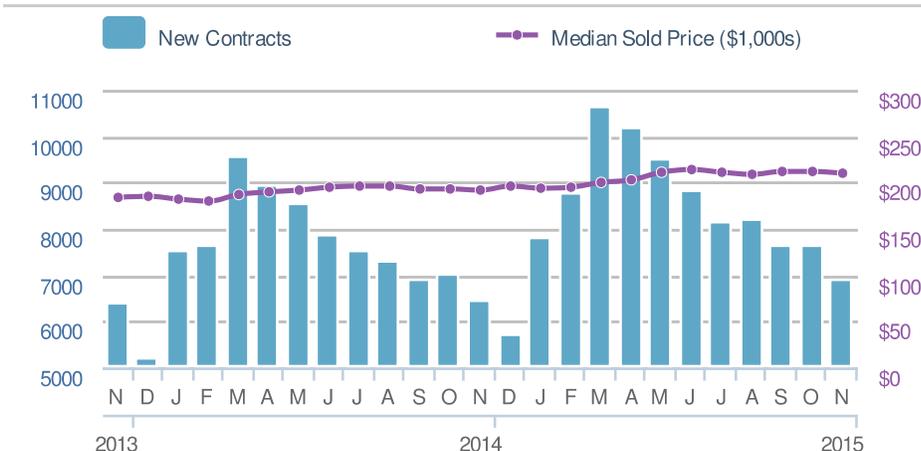
5-year Nov average: **5,776**

Median Sold Price \$210,000

↓ **-0.9%** ↑ **9.3%**
 from Oct 2015: from Nov 2014:
\$212,000 **\$192,113**

YTD	2015	2014	+/-
	\$208,000	\$192,000	8.3%

5-year Nov average: **\$171,223**



Active Listings 20,033

Min 16,848 21,148 Max 23,078
5-year Nov average

Oct 2015	Nov 2014
20,027	23,005

Avg DOM 72

Min 64 76 Max 91
5-year Nov average

Oct 2015	Nov 2014	YTD
72	87	80

Avg Sold to OLP Ratio 96.1%

Min 94.5% 95.8% Max 97.7%
5-year Nov average

Oct 2015	Nov 2014	YTD
96.1%	94.7%	95.9%



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Between FRIENDS

Real Estate for Today

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Happy New Year! If purchasing a new home is one of your resolutions, I'm ready to help you find the home of your dreams.



Thinking of selling your home? Adding a Home Warranty Plan to your transaction may result in a faster sale at a more advantageous price. A home warranty provides budget protection from the high cost to repair or replace covered home systems and appliances—helping to reduce your risk of after-sale disputes and offering optimal peace of mind to buyers and sellers alike.

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.

When buying or selling a home, there are countless factors to consider. Refer your friends and family to me so they can breathe easy—with a true professional in their corner!



Health & Safety Disaster Preparedness

A disaster can strike anytime, and it pays to have a kit with some essential survival items packed away in case you end up at the center of a natural disaster or some other large scale emergency.



Potable water is the number one item necessary for survival, and *Ready.gov*, the U.S. government's website for emergency preparedness, recommends storing at least three gallons of water per family member (which should last three days). Non-perishable food, such as canned goods, are the second most important component of a survival kit... but don't forget to pack the can opener!

Your kit should also include first aid supplies, a flashlight with extra batteries, a solar cell phone charger, a battery operated radio, dust masks, a whistle (to signal for help), a wrench or pliers, garbage bags with plastic ties, and local maps (in case you can't get a signal on your phone).

Visit www.ready.gov/kit to learn more!

Helpful Hints

What to Do with Unwanted Gifts

You've wrapped up the season of joy and giving... and now begins the season of re-selling and re-gifting! According to a *Time Magazine* survey, three quarters of Americans regularly receive gifts they're not so crazy about each holiday season—and they have various strategies for dealing with those misfit toys!



According to a survey from Rakuten, a Japan-based retailer, one third of those who receive unwanted gifts will simply re-gift them. Of course, that makes you wonder... how many times *will* that singing bass get pawned off to an unsuspecting friend?

Another third of unsatisfied gift recipients will extend their holiday spirit into the new year by donating their unwanted gifts to charities, such as Goodwill or the Salvation Army. These stores then resell the items and improve the lives of those less fortunate. Meanwhile, only about 14% resell their gifts for a profit through services, such as eBay or Craigslist.

Savor the Flavor

Cheesy Tortilla Appetizers

- 6 fajita-size flour tortillas (6-inch)
- 1 3/4 cups refried beans
- 1/2 cup taco sauce
- 1/2 cup chopped green bell pepper
- 1/2 cup chopped red bell pepper
- 1/2 cup sliced green onions (about 3 onions)
- 1/4 tsp crushed red pepper (optional)
- 4 ounces shredded Monterey Jack cheese
- 4 ounces shredded cheddar cheese

Preheat oven to 400° F.
Place tortillas on baking sheet.
Bake for 3 to 4 minutes or until crisp.
Spread refried beans evenly on tortillas.
Spread 1 tablespoon taco sauce over beans.
Top with bell peppers, green onions, and crushed red pepper.
Sprinkle with cheese.
Bake for 7 to 8 minutes or until cheese is melted.
Cut into wedges.



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Household Tips **The Power of Composting**

Yard trimmings and food residuals make up more than a quarter of the solid waste that goes into our municipal waste systems throughout the United States. Using a compost system to return that chunk of organic junk back to the earth, rather than piling it into a landfill, is not only great for the environment—it can benefit you as a homeowner!

Applying composted soil to your garden can balance its pH and provide nutrients to plants, which means you may be able to get away with less fertilizer. It also improves overall soil structure, helping with water retention... and that could mean less watering.

As if that's not enough, composting can help with pest and weed control, so get your compost going now! You'll have a healthy batch of soil ready to feed your garden when the flowers begin to bloom.

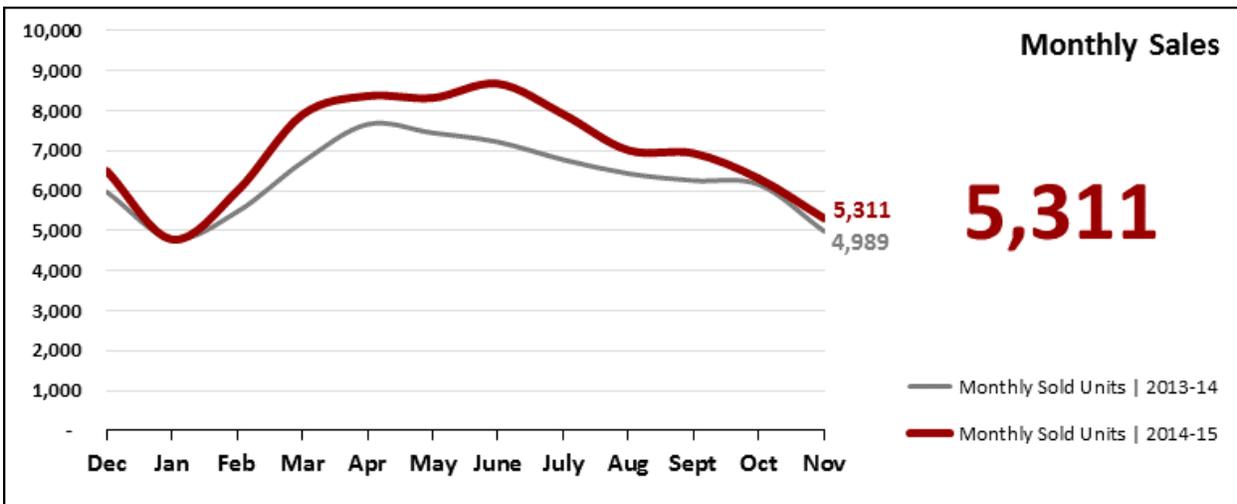
To learn more about composting, visit the U.S. Composting Council at www.compostingcouncil.org.





ARMLS[®] STAT - December 21, 2015

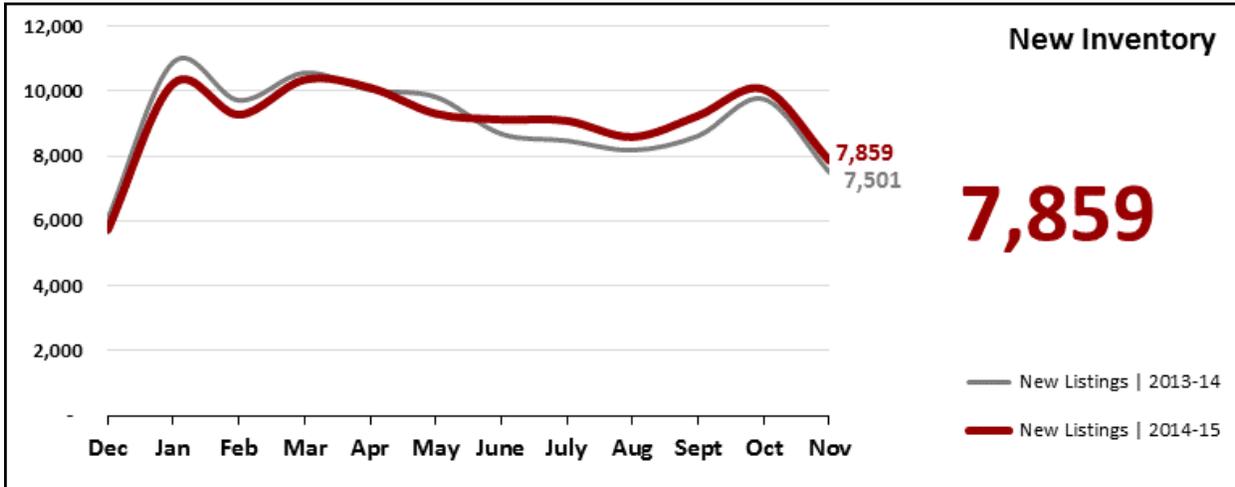
MONTHLY SALES



+6.5% year-over-year
-15.8% month-over-month

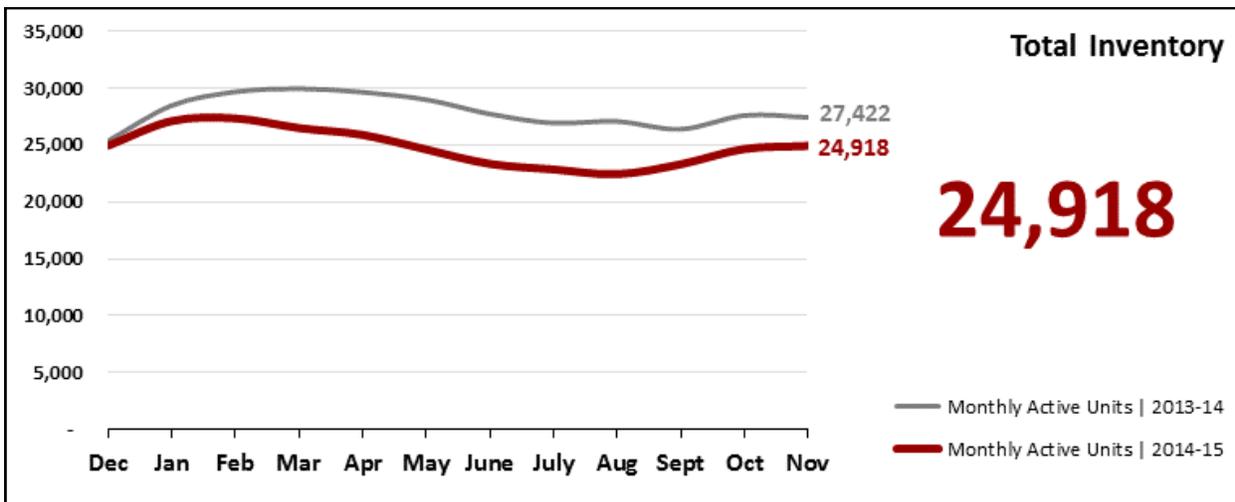
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NEW INVENTORY



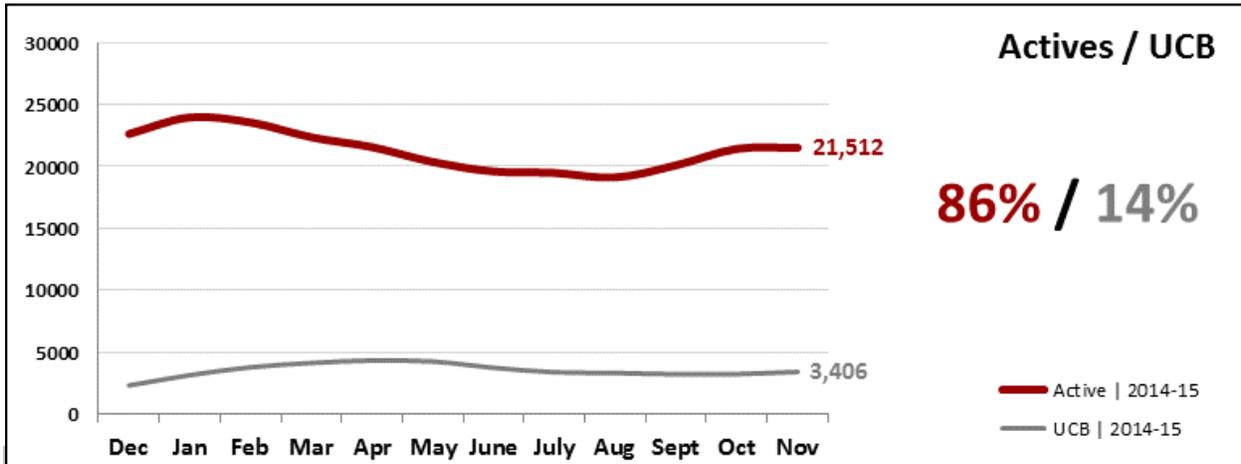
+4.8% year-over-year
-21.8% month-over-month

TOTAL INVENTORY



-9.1% year-over-year
+1.1% month-over-month

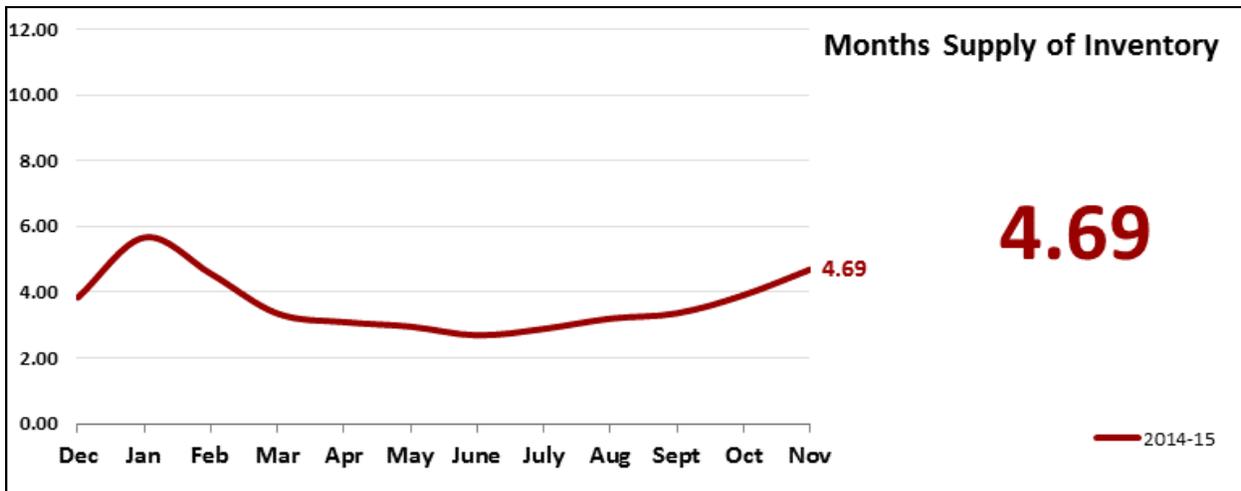
ACTIVES / UCB



13.1% OCT 2015 UCB percent of total Active

13.7% NOV 2015 UCB percent of total Active

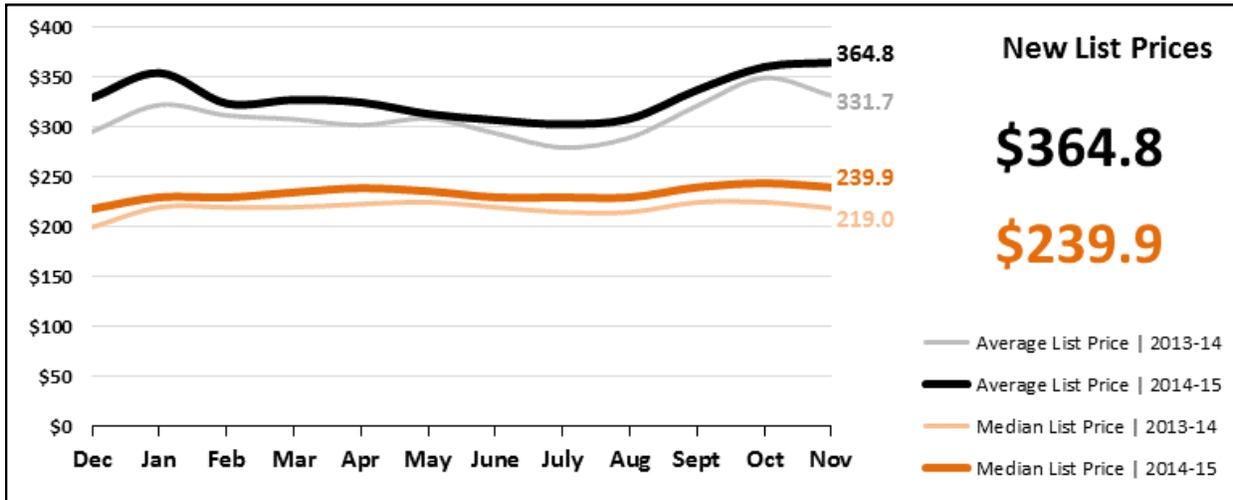
MONTHS SUPPLY OF INVENTORY



3.91 MSI OCT 2015

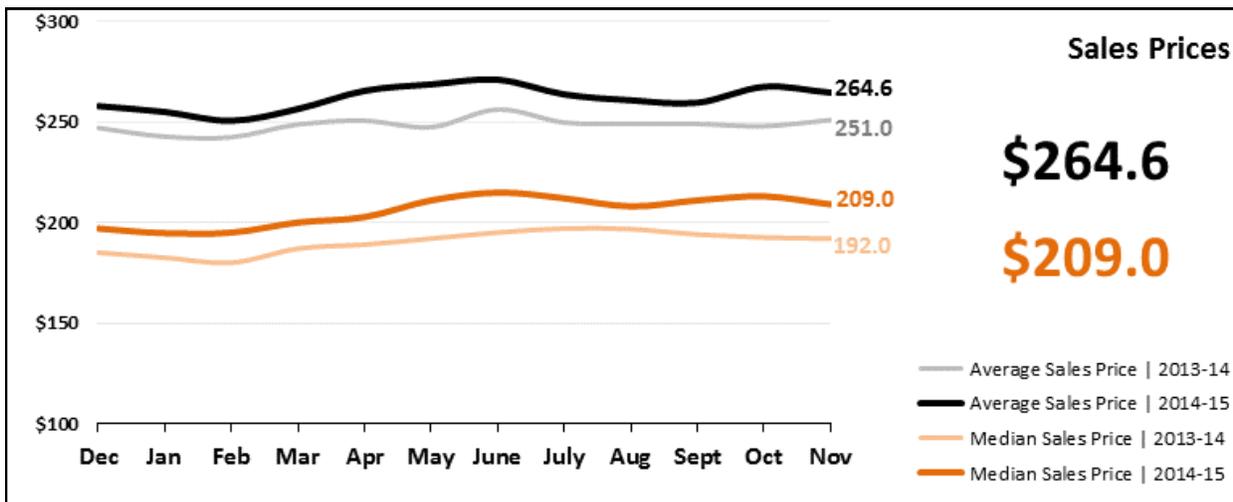
4.69 MSI NOV 2015

NEW LIST PRICES



+10.0% year-over-year average
+9.5% year-over-year median

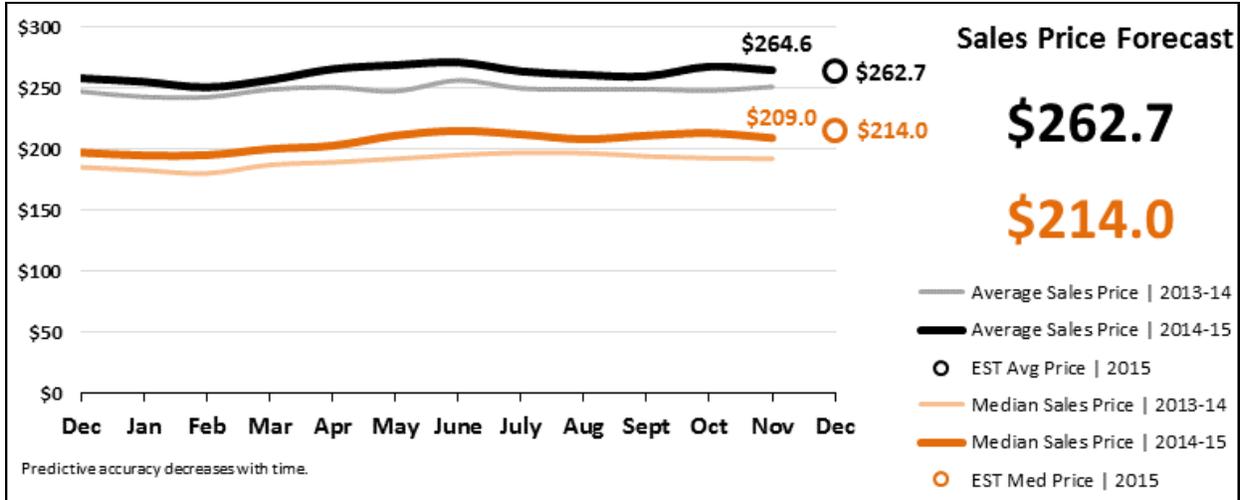
SALES PRICES



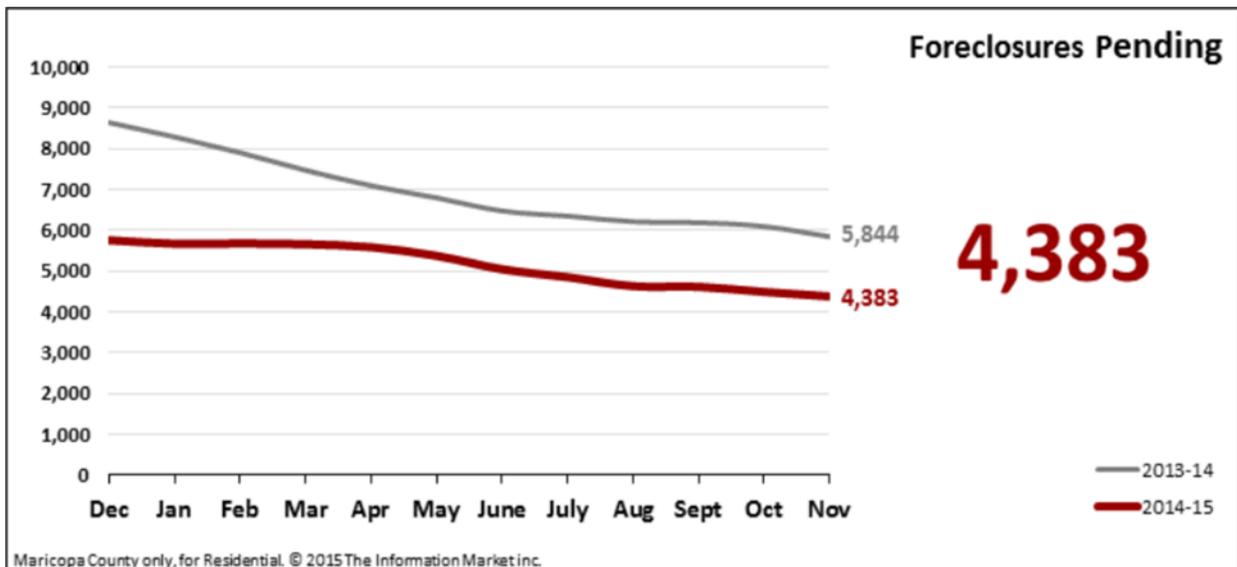
+5.4% year-over-year average
+8.9% year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST

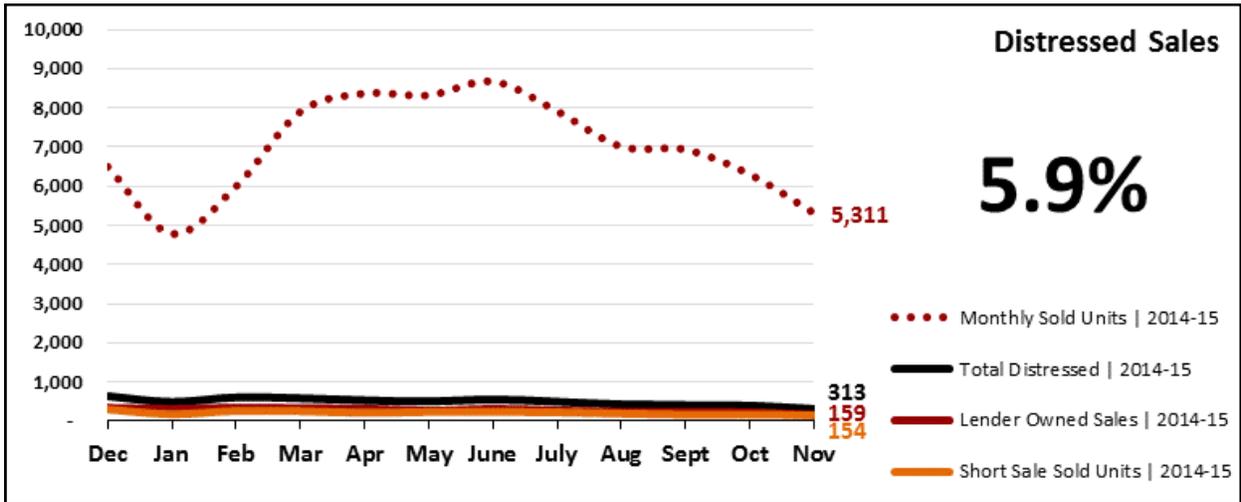


FORECLOSURES PENDING



-25.0% year-over-year
-2.5% month-over-month

DISTRESSED SALES

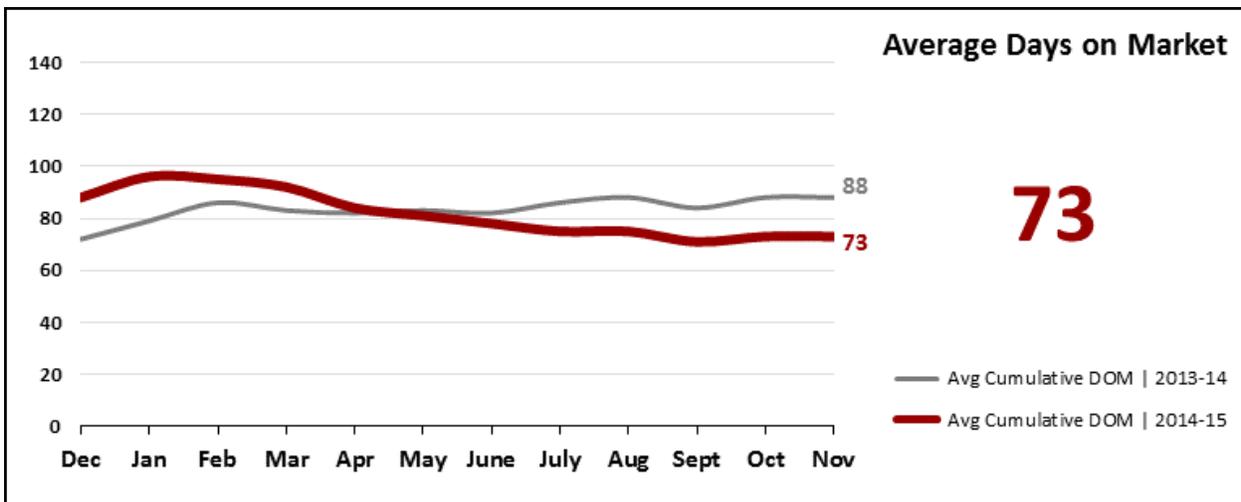


-24.5% short sale units year-over-year

-43.6% lender owned units year-over-year

-35.6% total year-over-year

AVERAGE DAYS ON MARKET



-15 year-over-year

0 month-over-month

COMMENTARY

by Tom Ruff of The Information Market

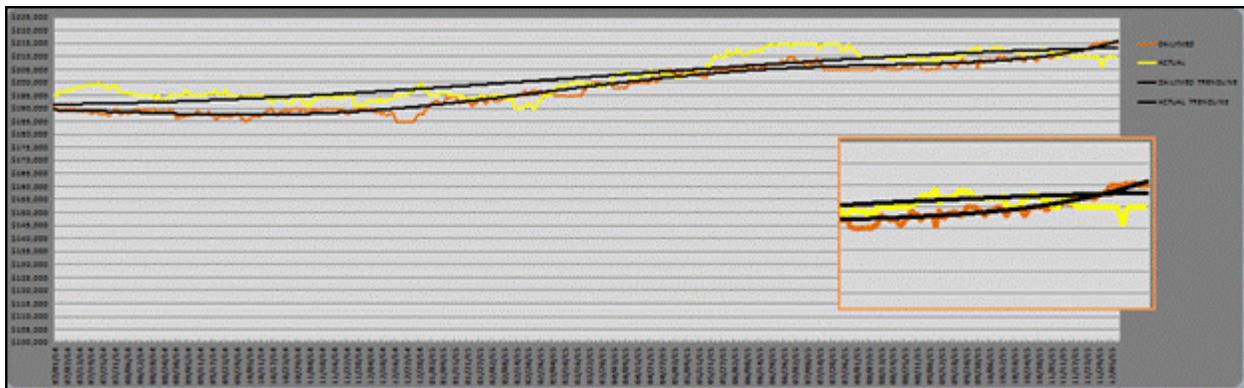
November was both very typical and very interesting. When we looked back at the historical data, most metrics landed exactly as we expected, but something odd was brewing with the median sales price. In our last issue of STAT, we were scratching our heads when we reviewed our prediction for prices:

“Our math on the PPI is projecting lower numbers than logically acceptable, leaning more on the model than the logical prediction. The ARMLS Pending Price Index projects a median sales price of \$206,400 for November. Using more ARMLS secret sauce and my own logic, I predict a median of \$210,000. We’ll see if our model holds up.” — STAT November 2015 (analysis of data for October 2015)

Our median sales prices landed at \$209,000, which confirmed that something went haywire in our model. Conversely, our secret sauce prediction was off by a tiny 0.5% difference. What is in the ARMLS secret sauce that is missing in our model? TRID!

The data in November points out a temporary disruption in volume and the median sales price. This was a surprise as the conventional wisdom found through various Facebook groups was that a few closings were taking longer, but the overall consensus was much ado about nothing. In reality, we believe TRID has pushed back several hundred closings causing lower than expected sales volumes as well as a decline in the median sales price.

Just like measuring the weather, many of our metrics are daily. Two of these daily metrics involve the median sales price for pending home sale contracts as well as monthly homes sold. It’s a little bit counter intuitive but the daily measurements of the median sales price of all pending contracts will trend slightly below the daily measurements of the monthly closed contracts, as evidenced in the chart below:

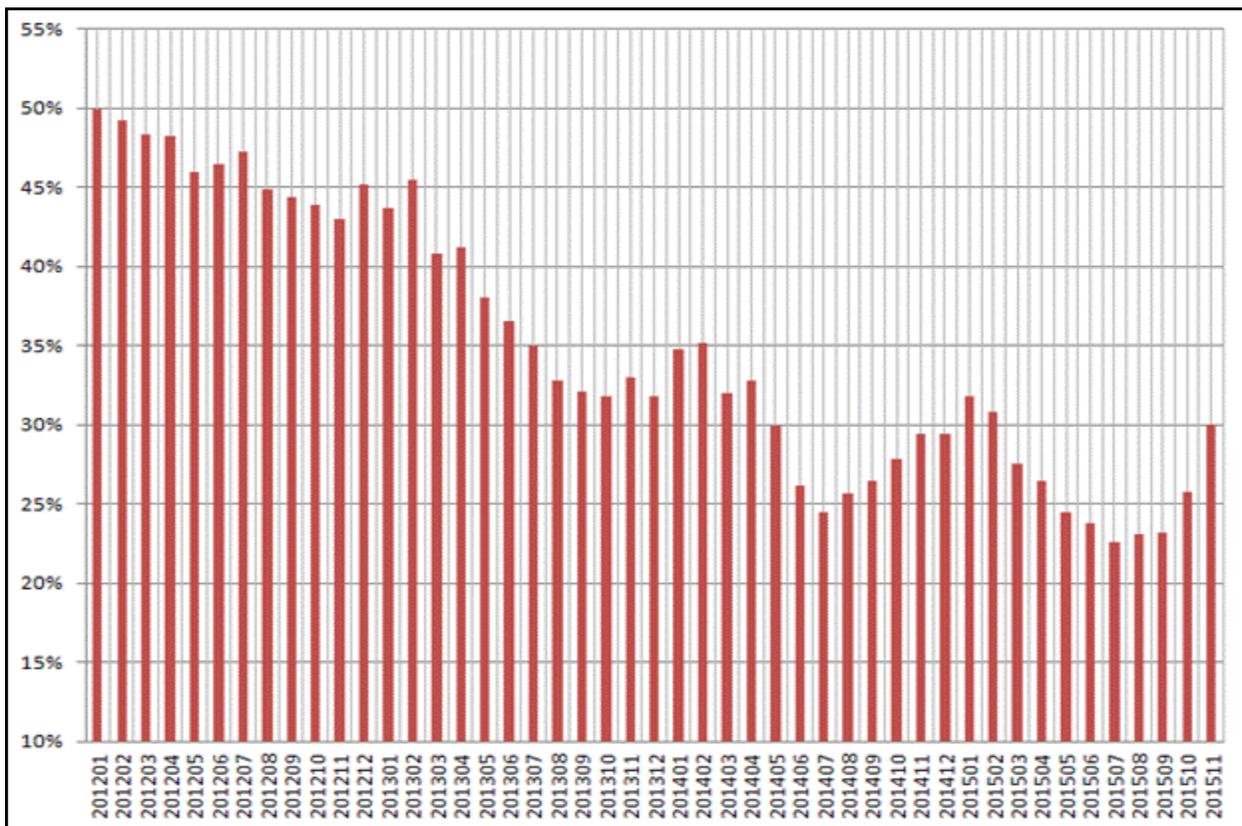


As you can see by the chart, the gap between the monthly median sales price and the median sales price for all pending contracts narrows in October with the lines crossing in November. The disruption in these numbers can be attributed to TRID.

Why? TRID only affects purchases with a mortgage, in some instances delaying them. This causes a temporarily higher cash to mortgage ratio. Public records for November in Maricopa County tell us the price of a median resale home where the buyer paid cash was \$173,000 while the median price for a resale home where the buyer obtained a mortgage was \$215,000. This negative pricing pressure from the increase in cash sales in the cash to mortgage ratio accounted for the “lower numbers than logically acceptable” drop we talked about last month in the PPI. This will be a temporary disruption with numbers returning to their normal patterns.

If our hypothesis is correct we should expect to see the percentage of cash sales increase and they did. Here’s where it gets tricky! There are seasonal patterns that also affect the percentage of cash sales, however, the chart below shows that the percentage increase this year is clearly higher than normal seasonal trends.

Percentage of Cash Sales



ARMLS Pending Price Index (PPI)

We expect the lagging sales from November to record in December as the TRID effect wears off. We predict sales volume will improve to 6,750 and the median sales price will land around \$214,000 in December 2015.