FEBRUARY 2016

Real Estate Update

JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

So, is it me or has this year's first month gone by in hyper-drive? Mardi Gras is about a week away. Business tax deadlines and Spring training Baseball are just over a month away. Winter visitor season here in The Valley is in full swing. It really doesn't matter to me what the Groundhog prognosticators say tomorrow, it sure feels like an early spring is in the offing for this year.

The Phoenix Real Estate market continues to do reasonably well. We do have an overall lower than normal supply of available properties. Buyers activity seems to come and go in waves, but overall market sales numbers remain near (slightly below) average. The Buyer pressure on the market seems to be biggest below $300,000. and perhaps even more pronounced below $250,000. That probably has a lot to do with FHA loan limits for the Phoenix market. Buyers are seeing the mortgage PreQualification process be a bit more complex since the advent (Oct 15) of the TRID rules. The good news for Buyers is that mortgage interest rates continue to hover in the 4% range. That is an excellent rate compared to the long term average which is in the 8% range. Two things that are hurting the Phoenix Real Estate market are the strong decline in oil prices and the very strong value of the US Dollar. The strong Dollar has had a marked effect on Canadian real estate Buyers and Canadian winter visitors in general. It wasn't all that long ago (mid 2014) when the Canadian and US Dolls had near equal value. The US dollar strengthened through 2015. Today, the Canadian Dollar is worth around 70-cents (sometimes even less) on the US Dollar. That exchange rate makes many Canadians want to wait for a time when the Dollar exchange rate is better before they will purchase. Conversely, some Canadians see the current market conditions as a right time to sell US holdings. The 30% gain in Canadian Dollars simply by converting US Dollars to Canadian Dollars plus factor in any gain in value on the property and there is a good case for Canadian property owners to sell. The lower oil prices have caused many oil fields to suspend production. We had a nice influx of folks from the Dakotas (site of Midwest oil fields.) purchasing snowbird properties over the last couple of years. With much of the oil production suspended in that area an AZ snowbird property search also gets suspended.

I'm glad to report that Brenda (my wonderful Broker) and I were able to get Bob & Vivian's Gilbert home under contract. I have the pleasure of working for Arvind to sell his Laveen property to the renter tenants. We're well into the search for the right property for MI snowbirds Glenn & JoAnne to call their own AZ escape from winter. My search continues to find the right investment property for Linda of Mesa. I look forward to taking a listing from Canadian clients in the next month. I'll have a nice Phoenix/Scottsdale 2/2 condo available for a lucky Buyer. I appreciate the opportunity to discuss both potential property purchases and sales with several other clients. With that said, I'm never too busy to ask you the favor of remembering to mention my name to anyone you might know who is looking to buy or sell a property. I really do appreciate your business referrals.

Regards,

Contact me anytime:
Call direct: 602-330-7272
Email: Jeff@jeffgerberrealtor.com
Fax: 877-824-7272
www..jeffgerberrealtor.com

The Empowered Team LLC
3370 N Hayden Road - Suite 123-119
Scottsdale, AZ 85251
AZ License # SA540122000

Visit my website at: www.jeffgerberrealtor.com

Local Market **Insight**

ARMLS
ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

December 2015

Arizona Regional MLS

New Listings 5,772

-24.7% from Nov 2015: **7,665**

3.6% from Dec 2014: **5,570**

YTD	2015	2014	+/-
	105,506	**104,120**	1.3%

5-year Dec average: **6,176**

New Contracts 5,621

-18.3% from Nov 2015: **6,879**

-1.8% from Dec 2014: **5,722**

YTD	2015	2014	+/-
	102,085	**93,725**	8.9%

5-year Dec average: **6,048**

Closed Sales 6,605

27.1% from Nov 2015: **5,198**

3.3% from Dec 2014: **6,396**

YTD	2015	2014	+/-
	82,590	**75,278**	9.7%

5-year Dec average: **6,672**

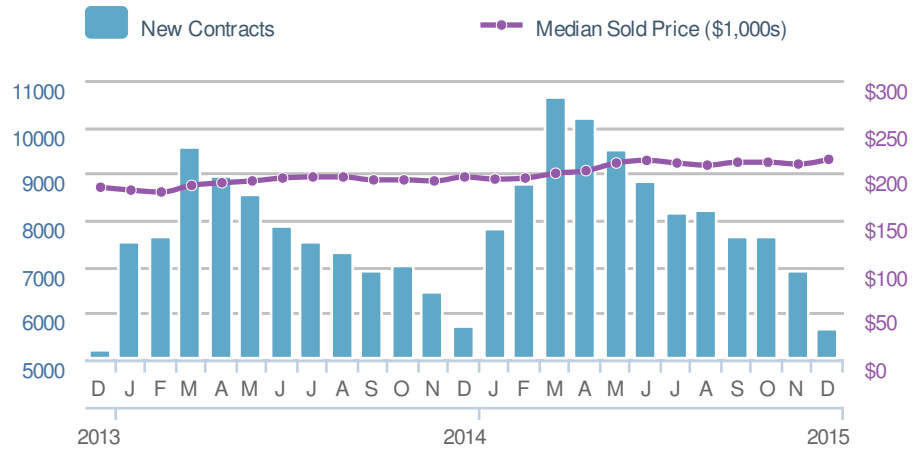
Median Sold Price $215,000

2.4% from Nov 2015: **$210,000**

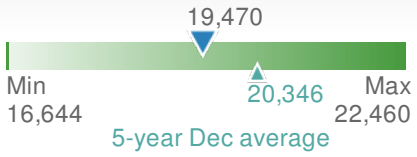
9.7% from Dec 2014: **$196,000**

YTD	2015	2014	+/-
	$209,000	**$192,000**	8.9%

5-year Dec average: **$173,342**

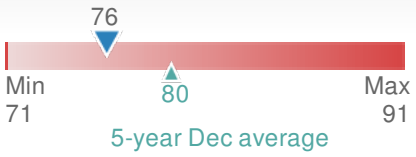


Active Listings 19,470



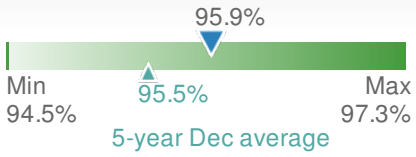
Nov 2015	Dec 2014
20,033	**21,842**

Avg DOM 76



Nov 2015	Dec 2014	YTD
72	**88**	**80**

Avg Sold to OLP Ratio 95.9%



Nov 2015	Dec 2014	YTD
96.1%	**94.8%**	**95.9%**

Data Source: ARMLS. Statistics calculated January 04, 2016.

rbi REALESTATE BUSINESS INTELLIGENCE

Jeff Gerber, ABR, GRI, SRES

The Empowered Team, LLC
Real Estate For Today

The Empowered Team LLC
Lic. #: SA540122000

Between FRIENDS

Real Estate for Today
Tel: (602) 330-7272, jeff@jeffgerberrealtor.com, www.jeffgerberrealtor.com, Lic. #: SA540122000

Home values are in a constant state of flux these days. Call me today for an estimate of your home's present value—I'll explain the latest market forecast!

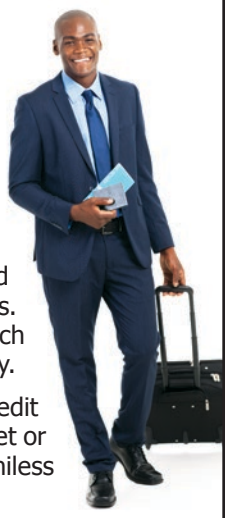
Does the prospect of an expensive home repair keep you up at night? A Home Warranty Plan is a service contract that helps safeguard your budget against unexpected repair or replacement costs caused by the breakdown of covered heating, plumbing, electrical systems, and most built-in appliances. Home warranties offer peace of mind to home buyers and sellers alike—paving the way for a smooth, seamless, worry-free transaction.

Do you have colleagues or friends who need assistance with a real estate transaction? Please refer them to me and I'll put my skills and experience to work on their behalf.

EQUAL HOUSING OPPORTUNITY

Health & Safety

3 Travel Safety Tips



The world contains countless treasures waiting to be discovered, but travel *does* come with a few risks. The following tips are designed to make travel a bit safer, so you can relax and enjoy your adventures.

Choose the Right Floor: When staying at a hotel or a motel, avoid booking rooms on the ground floor—it provides criminals easier access. On the other hand, rooms above the sixth floor may be difficult to reach with fire engine ladders, so avoid rooms that are too high in the sky.

Money Matters: *Lonely Planet* recommends storing cash and credit cards in different places, rather than storing everything in your wallet or purse. If you get pick-pocketed, you don't want to find yourself penniless in a foreign land with no credit card!

Vital Documents: Store passports, travel visas, and travel insurance documents online so you can access them from anywhere. Scan any non-secure documents with your smart phone, and send them to your account on a free, web-based e-mail service, such as Gmail. Store sensitive documents on a secure, cloud-based server that encrypts your files (such as Dropbox).

Real Estate Today

Single and Ready to... Buy!

Singles may face a few extra hurdles when buying a home, but proper planning can help. If you're single and ready to purchase, check out the following tips.

House Hunt with a Buddy: House hunting can be stressful, so *Money Magazine* recommends getting input (and an occasional reality check) from someone you respect.

Look into FHA Loans: Special loans from the Federal Housing Authority (FHA) might allow you to purchase a home with a much lower down payment as a first-time buyer (or someone who hasn't owned a home for three years). This may be especially valuable to singles who want to put more money into savings.

Get a Home Warranty: Couples with dual incomes can rely on each another if one of them loses a job, but singles don't have that luxury. A home warranty is a service contract that covers the cost to repair or replace certain home systems or appliances when they become inoperable through normal wear and use—so a breakdown won't break the bank!

Savor the Flavor Parmesan Crusted Chicken

1/2 cup mayonnaise

1/4 cup grated parmesan cheese

4 boneless, skinless chicken breast halves (about 1-1/4 lbs.)

4 tsp. Italian seasoned dry bread crumbs

1. Preheat oven to 425° F.
2. Combine mayonnaise with cheese in medium bowl. Arrange chicken on baking sheet. Evenly top with mayonnaise mixture, then sprinkle with bread crumbs.
3. Bake until chicken is thoroughly cooked, about 20 minutes.

Timesaving Tip: Try making this dish with thin-cut boneless, skinless chicken breasts! Prepare as above, decreasing bake time to 10 minutes or until chicken is thoroughly cooked.

Jeff Gerber, ABR, GRI, SRES
The Empowered Team LLC
3370 N Hayden Road - Suite 123-119
Scottsdale, AZ 85251
Tel: (602) 330-7272
www.jeffgerberrealtor.com

The Empowered Team, LLC
Real Estate For Today

Household Tips Trim Your Food Budget

We spend roughly 9–12% of our income on food according to the US Department of Agriculture, and that's not bad at all! Your grandparents probably spent twice as much after we adjust those figures for inflation. However, there are often ways to reduce your food budget even further, and the following tips may help.

Make More Meals from Scratch: Ready-made meals make life easier for overworked Americans, but we *do* pay for the convenience. If you and your family eat a lot of ready-made meals, try replacing one meal per week with a large, simple recipe that leaves plenty of leftovers.

Reduce Meat Consumption: Simply put, meat is expensive. Eating a few vegetarian meals a week can stretch your food dollar and, in some cases, leave you a bit healthier.

Specials and Coupons: Plan your meals based on grocery store specials. For example, if you see a great deal on tomatoes, do a quick Internet search for tomato recipes. You'll save money and discover new recipes!

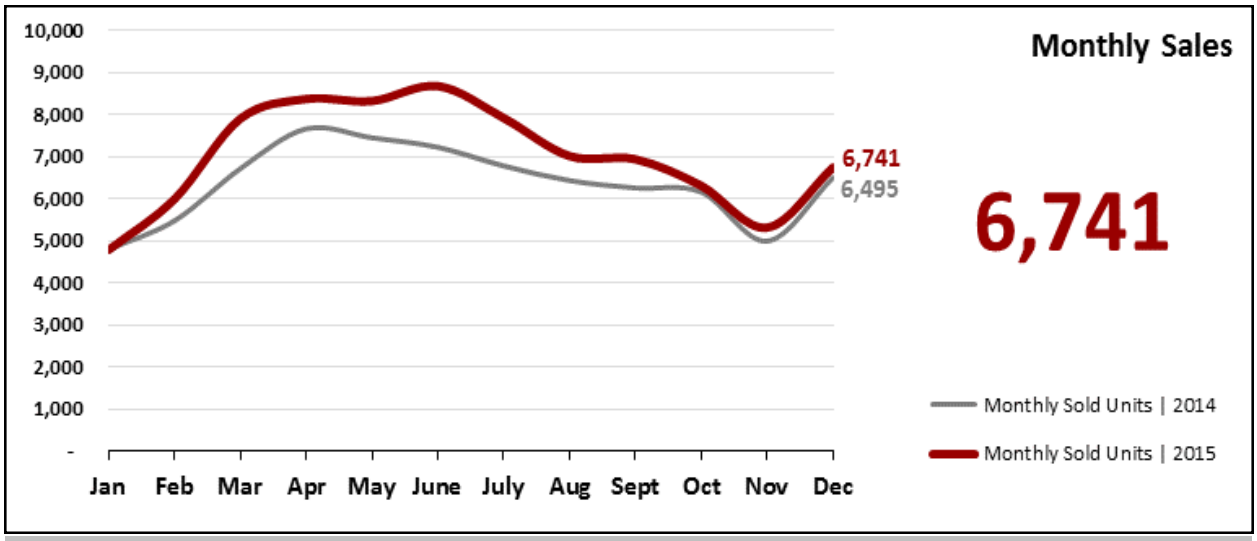
Eat Before You Shop: Studies suggest that when you shop hungry, you're far more likely to purchase junk food, which could cost you in more ways than one!

ARMLS® STAT

your monthly statistics for the Phoenix Metro area

ARMLS® STAT - Published January 22, 2016
Data is from December 2015.

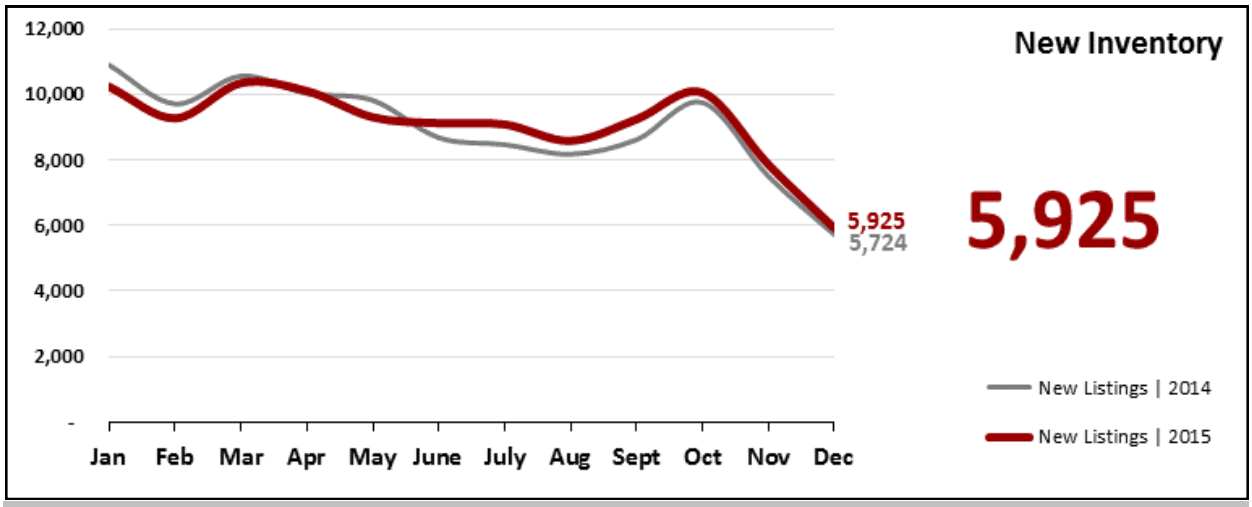
MONTHLY SALES



+3.8% year-over-year

+26.9% month-over-month

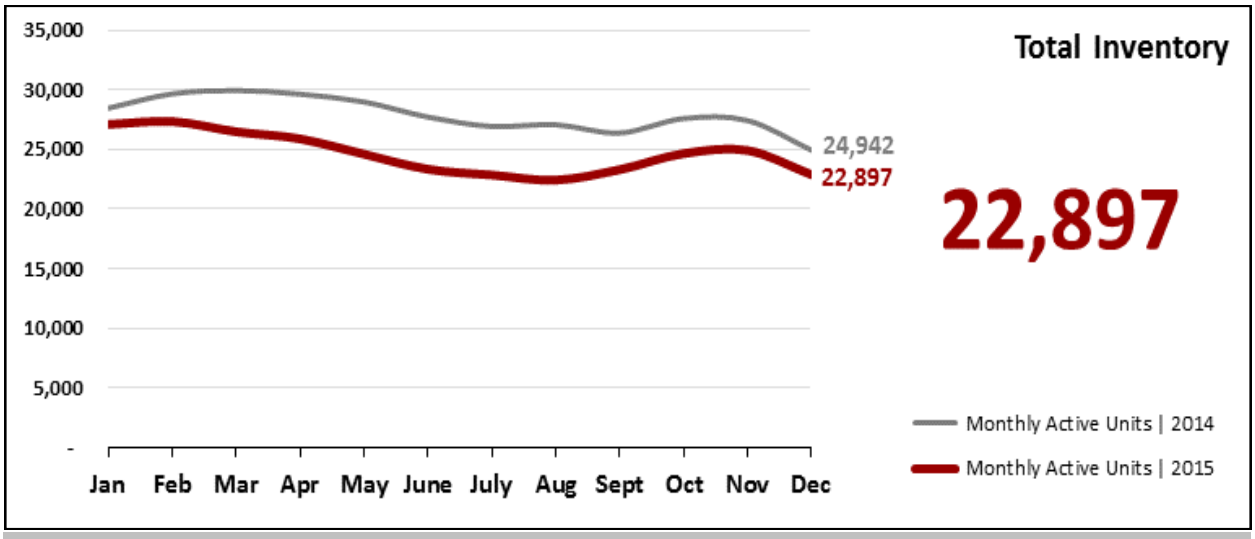
NEW INVENTORY



+3.5% year-over-year

-24.6% month-over-month

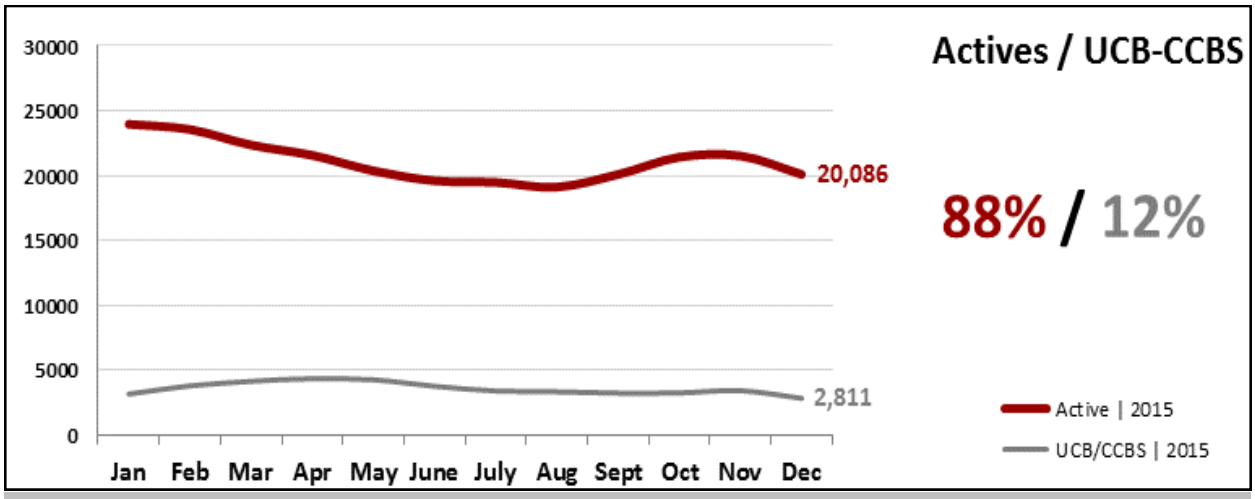
TOTAL INVENTORY



-8.2% year-over-year

-8.1% month-over-month

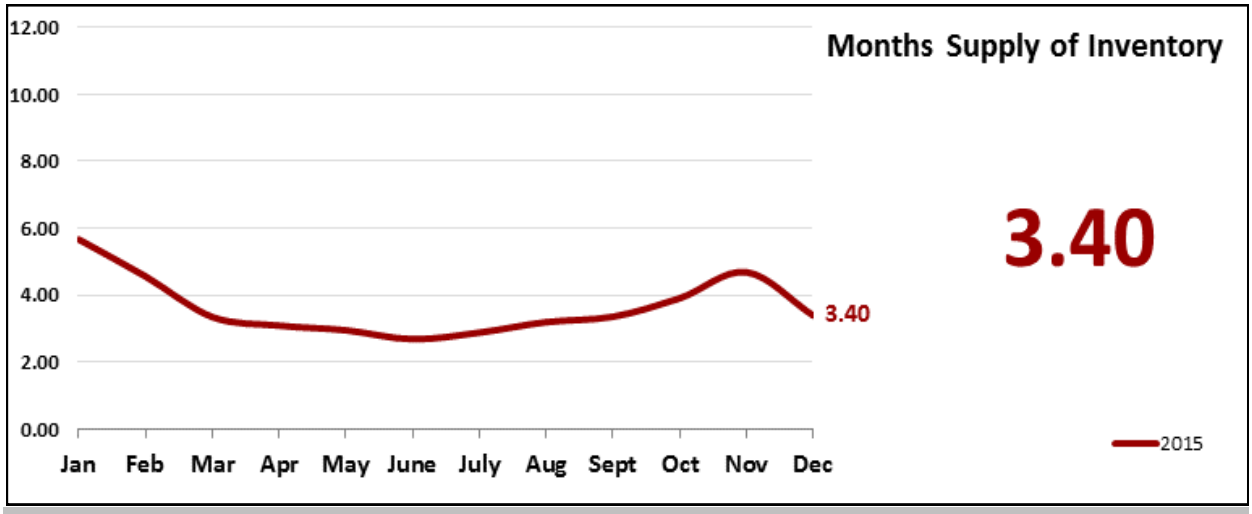
ACTIVES / UCB



13.7% NOV 2015 UCB /CCBS percent of total Active

12.3% DEC 2015 UCB /CCBS percent of total Active

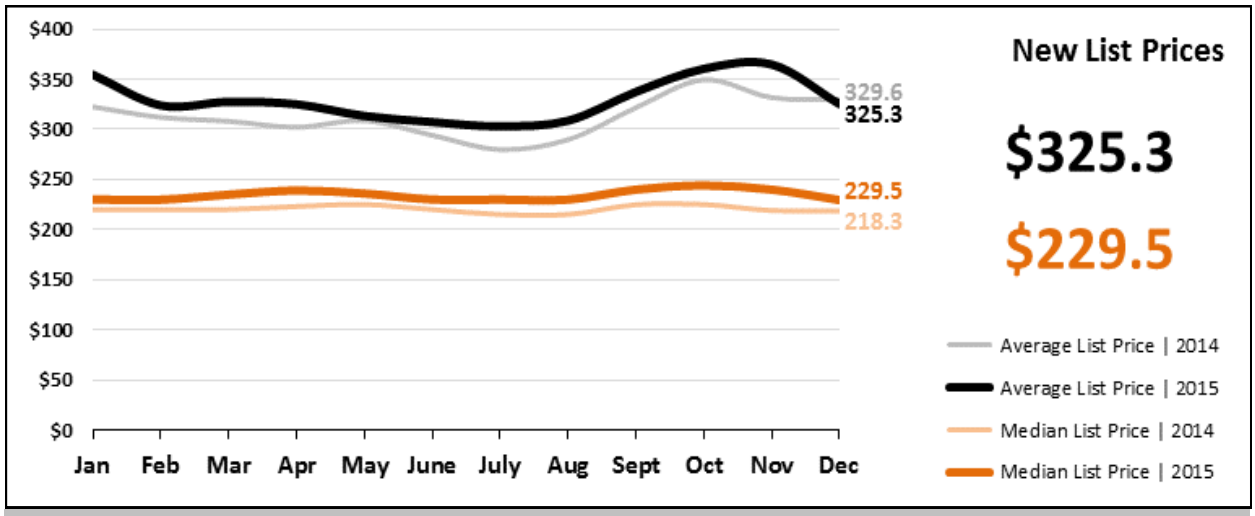
MONTHS SUPPLY OF INVENTORY



4.69 MSI NOV 2015

3.40 MSI DEC 2015

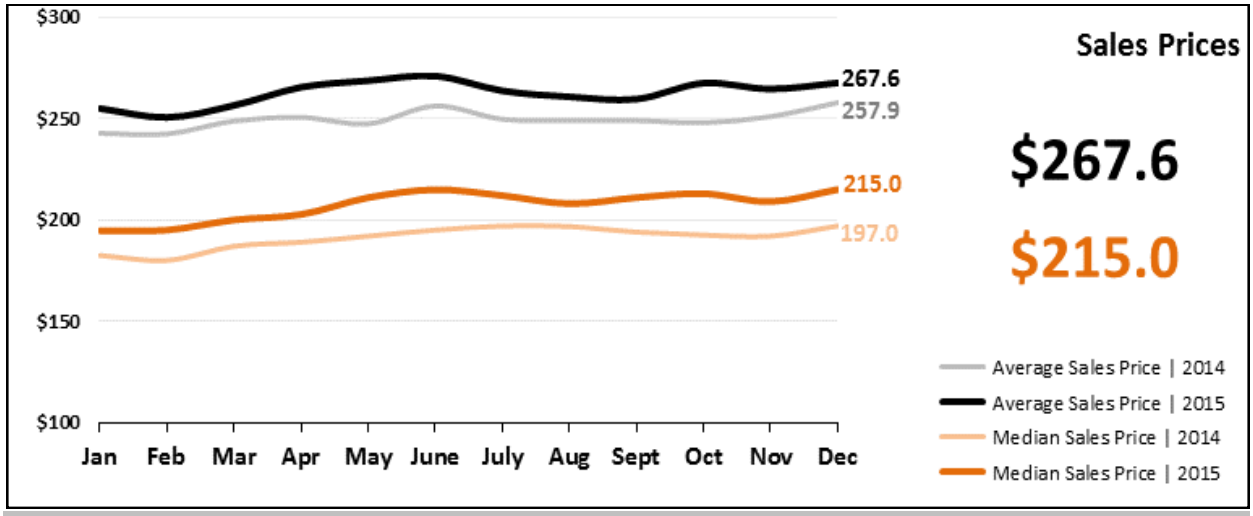
NEW LIST PRICES



-1.3% year-over-year average

+5.1% year-over-year median

SALES PRICES

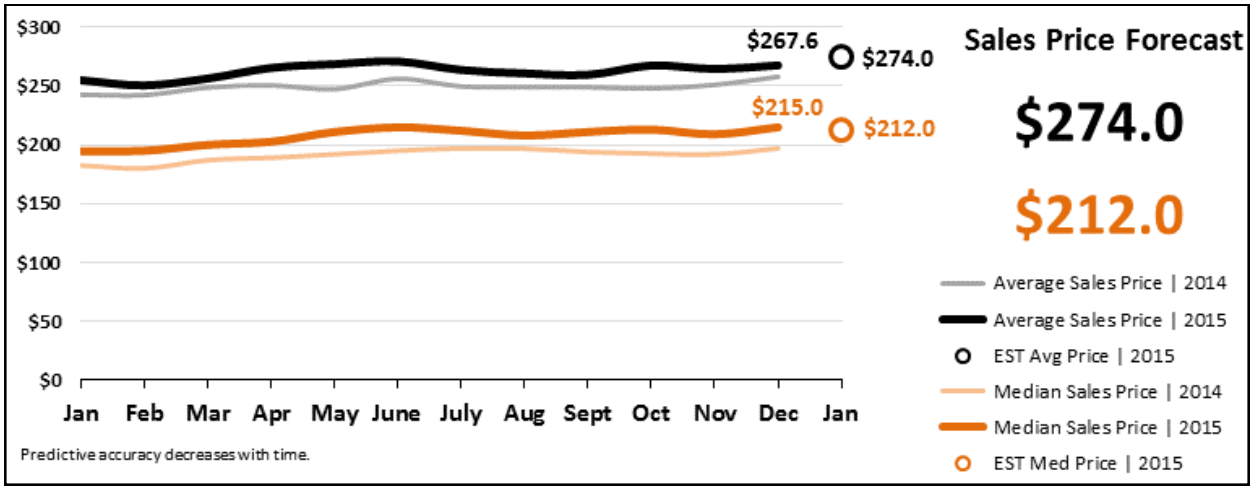


+3.8% year-over-year average

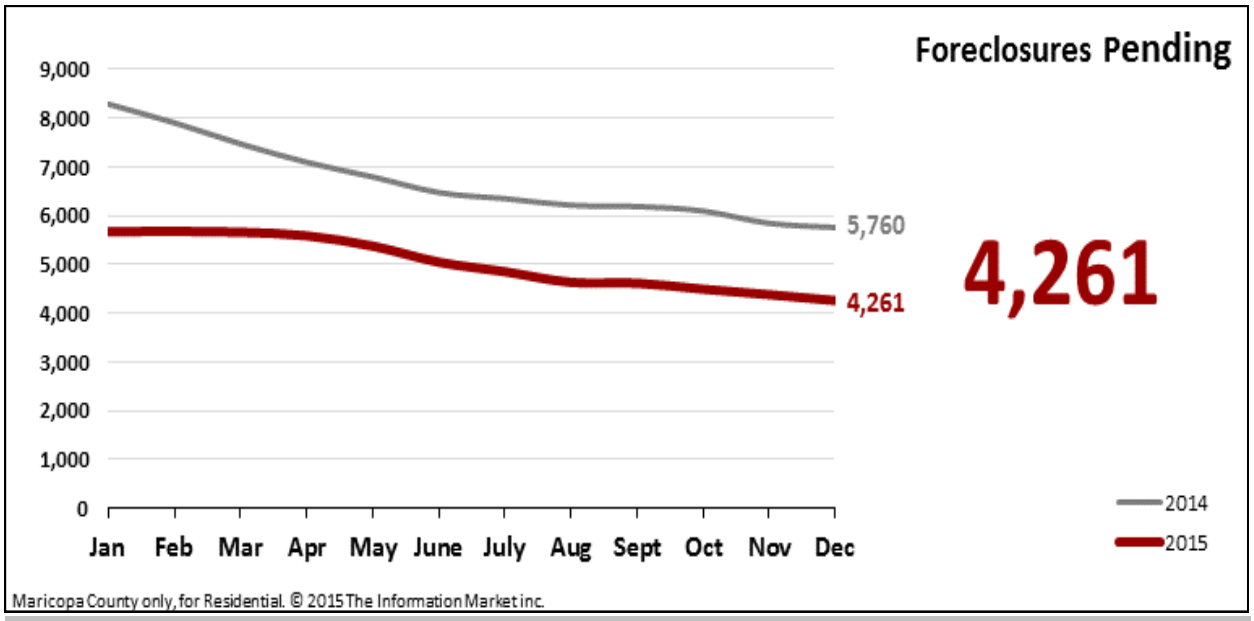
+9.1% year-over-year median

THE ARMLS® PENDING PRICE INDEX™

SALES PRICE FORECAST



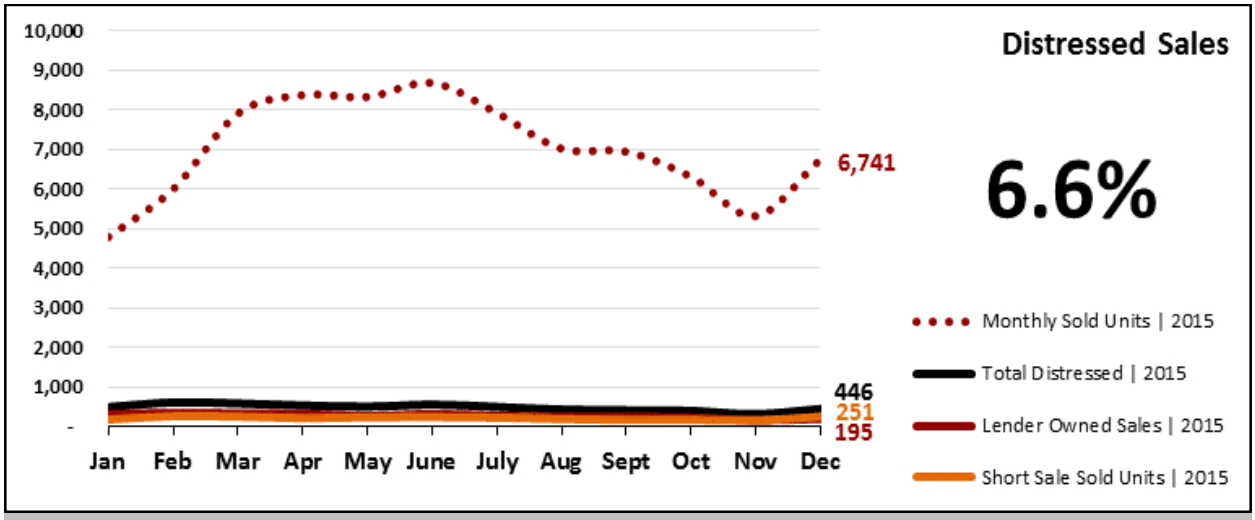
FORECLOSURES PENDING



-26.0% year-over-year

-2.8% month-over-month

DISTRESSED SALES

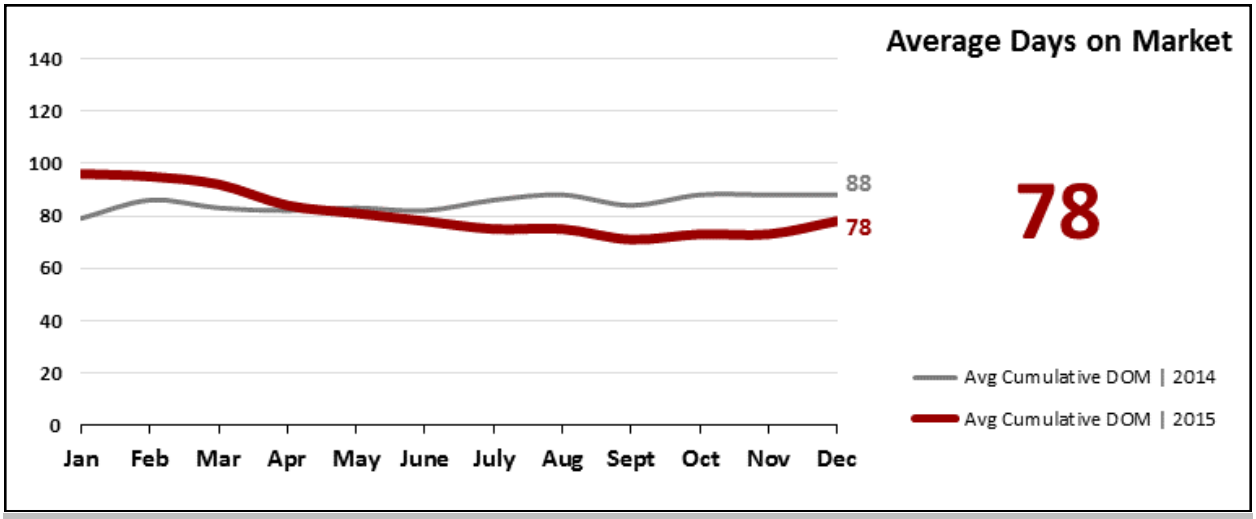


-16.1% short sale units year-over-year

-42.3% lender owned units year-over-year

-30.0% total year-over-year

AVERAGE DAYS ON MARKET



-10 year-over-year

5 month-over-month

COMMENTARY

by Tom Ruff of The Information Market

STAT: 2015 in Review

Each month in STAT, our charts and commentary reflect on the previous month. For example, a December STAT issue will have November's numbers. This month our commentary will focus on year 2015 in review.

We started 2015 as quietly optimistic, bucking what Freddie Mac's Multi-Indicator Market Index (MIMI) defined as a "*weak and declining market*". It can be great to be a prognosticator of prognosticators, especially when we can sit back and relish our own accomplishments. We were right to be optimistic. The success of 2015 doesn't rise to champagne corks popping off but there were market improvements in almost every way.

As 2014 ended and 2015 began, there were obvious improvements in our underlying market fundamentals. Put simply, our market was healthier. Price increases had returned to sustainable levels, distressed inventories continued their descent and the percentage of conventional buyers continued to improve. These improving metrics continued throughout the entirety of 2015. With the exception of January, monthly sales volumes for each and every single month were higher in 2015 than in 2014.

Beyond a doubt, 2015 was a much better year than 2014. When Freddie Mac published their quarterly report in October, our market was redefined as *improving*. Of the four metrics comprising the index, Phoenix outperformed national metrics in terms of affordability and mortgage currency, but lagged behind national averages in overall employment and home purchase applications. As anticipated, our weakest metric, home loan purchase applications (which were still impacted from credit scores damaged by foreclosures), showed marked improvement as 2015 progressed. In particular, the home loan purchase application metric improved 13.73% between August and October.

October 1 saw the introduction of new TRID guidelines causing a temporary disruption of our charts in terms of both sales volume and the median sales price. By mid-December our charts returned to their normal trajectory, leaving the one last noticeable remnant: +4 days added to average closing time for home purchased with a mortgage.

All things considered, 2015 will go down as an average year. Of the 15 years ARMLS has been reporting sales volume, last year ranks as the 8th highest. After the highs and lows our market has experienced over the last decade, an average year is a nice place to land. It was the type of year you can build a career around.

Year-over-year comparisons:

	2014	2015	% Chg
Sales Volume	76,399	84,249	10.3%
	December 2014	**December 2015**	**% Chg**
Median Sales Price	$197,000	$215,000	9.1%
Average Sales Price	$257,902	$267,621	3.8%
Price Per SqFt	$131.70	$137.73	4.58%
Active Inventory (excludes UCB and CCBS)	22,626	20,086	-11.2%
Distressed Inventory	5760	4261	-26%
Interest Rates	3.86%	3.96%	

Credit

Any talk of an easing of credit requirements in 2015 was just that, talk. The average FICO score for FHA loans in January of 2015 was 682. This number rose to 689 in June through October and was 687 in November. The average loan-to-value (LTV) ratio for FHA closed loans remained constant through 2015 beginning the year at 95 and closing in November at 96. One of two metrics that did change on FHA closed loans was the closing rate. The closing rate of FHA loans was 57% in January, this number improved to 63.8% in November. When it came to conventional loans closed, the trend lines were very similar. The average FICO score in January was 752 with the number rising slightly in November to 754. LTV ratios for the year ranged between 80% and 81% with the November ratio at 80%. Just like FHA loans, the closing rate ratio saw improvement throughout the year moving from 69.8% to 71.9%.

The second metric that changed in 2015 was how long it took loans to close. The average time to close a conventional purchase increased from 38 days in January to 49 days in November. A portion of this increase was directly attributable to TRID, the average number of days to close a loan increased from 45 to 49 days between October and November. The improvements we saw in closing ratios in 2015 were a result of improving credit scores among applicants.

New Construction
New construction was up 18.2% in Maricopa County, according to public records. Historically, economists have recognized that new home sales are a leading indicator of economic activity, which means they are the first to turn up before a rebound and the first to decline before a recession. New home construction in Maricopa County has been at historic lows for seven years. In the spring of 2015 in Maricopa County, we saw reports of new home building permits increasing 40% year-over-year. In December, we saw these numbers translate into newly constructed homes. December 2015 reported the highest number of new home sales in the last seven years. The 1,284 new construction sales were 44.9% higher than last year for the same period. While new home sales account for only 3.7% of the homes sold on the MLS (27% all new builds were sold on the MLS in 2015), tracking new builds still remains important to the average agent both as an economic indicator and a source of future product.

Rentals
The rental market in 2015 remained tight, vacancy rates were low and rents were on the rise. Say no more, 2015 saw Maricopa County in the midst of an apartment boom. *Maps and Facts Unlimited*, citing local sources in October, reported nearly 20,000 apartment units in some stage of planning and development. As a caveat they added "*Apartment permits peaked in 1984 (30 years ago!) when 33,000 units were permitted.*" The significance of 1984 is that baby boomers were between the ages of 20 and 38. Just like the boomers before them, I believe the current boom in apartment construction can be linked directly to the millennials. In 2015 millennials (adults ages 18 to 34), surpassed Generation X to become the largest share of the American workforce according to a Pew Research Center Analysis of U.S. Census Bureau data. The significant number of millennials is impacting our rental market. The renters of today will become the homeowners of tomorrow and these new apartments will offer a source of buyer leads.

As we begin 2016, all of our housing market metrics are positive, nothing but green lights. Over the next three years, approximately 3,500 to 4,000 completed foreclosures per month will hit their magic seven year anniversary and millennials will mature one more year (or at least grow one year older). Gas prices today are continuing downward with a gallon of regular selling for $1.97 compared to $2.04 last year at this time. Oil prices are down to $30.48 a barrel compared to $48.55 last year.

If you followed STAT for any time, you know I've been very bullish on housing and that I've been expecting a break out year. To be precise, I've been anticipating 2016 to be that year. So now that we are on the cusp of 2016 and all our housing metrics have been trending in a positive direction, why do I feel cautious looking ahead to 2016? I don't know. Maybe it's because our market is facing a lack of inventory on the lower end as reflected in the median price appreciation more than doubling the appreciation of an average priced home. Maybe it's because our booms translate into busts and while the metrics are positive now for apartment construction — is it possible we're over building? While prices at the gas pump are great, is the price of oil reflective of a deflationary cycle and what will be the economic impact of job losses in the oil sector? Will homebuilders that have been focused on affluent buyers be able and willing to address the entry-level buyer?

I believe everyone is in agreement that we currently have a huge amount of pent-up demand, but pent-up demand can stay that way for a long time, and while our recovery has been consistent it has also been slow, very slow. While the sentiments of local builders are positive and have been accentuated by our positive gains in December, the national homebuilder stocks are trending negatively. The S&P Homebuilders Select Industry Index is down 12.62% year-over-year and the S&P Building and Construction Select Index is down 17.96%. The stock market has been volatile, where a 401k based on S&P 500 is down 7.5% in the first two weeks of the year (which can be problematic for first time buyers hoping to use their 401k as the source of their down payment).

It's apparent my concerns for 2016 lie outside of housing numbers. So, what do I expect for the 2016 housing market? My final answer is I don't know. Maybe I'm confused because it's a presidential election year and I saw a euphoric housing year in 2004, followed by a crushing housing collapse in 2008. While I have no idea what 2016 holds for our housing market, I'd be happy to see a repeat of 2015, as I said earlier — it's the type of year you can build a career around.

The ARMLS Pending Price Index (PPI)

The ARMLS PPI projects a median sales price for January 2016 of $212,000. We begin January of 2016 with 7,486 Pending/UCB listings compared to 6,731 last year. In January of 2015, ARMLS reported 4,784 sales, this year we are anticipating 5,300 for January 2016.