

# FEBRUARY 2013

## Real Estate Update



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

**Hello Everyone,**

Hi! Nice to see you made it past the Holiday's and the Super Bowl! Various rodents did or did not see their shadows on Groundhog Day, but I predict 6 more weeks of reasonable winter weather here in the Phoenix area followed by a wonderful spring! We've had plenty of rain so the desert bloom should be spectacular. Here's hoping you'll be making a trip to The Valley this winter or on spring break. Contact me in advance and we can arrange for you to take a look at some great properties you can consider so you can own your own piece of the Sun!

Real Estate news from the past month is a bit slim. It seems we're all trying to wrap our minds around what to expect for this year. Phoenix area news has been generally good. The latest ASU report says the Nov 2012 median price was \$162,500. That's up 3% from Oct and 35% from Nov 2011. Realty Trac reports AZ foreclosure activity down 33% from 2011 and 51% from 2012. Only 2.69% of AZ homes have a pending foreclosure filing in process. Phoenix was named the #3 city in a list of the top 7 Metro areas (Las Vegas and Seattle top the list) with the biggest median price gains in 2012. A few points to ponder...The AZ Dept of Insurance survey says home owners insurance rates are up an average of 6% this year due to overall insurance claims. The FHA has announced they will up their premiums on most mortgages by 0.1% (projected to average \$13 per month) soon. Those premiums will now stay with the loan until paid off. The previous drop off of mortgage insurance on FHA loans at 78% LTV disappears. If you purchase using this new FHA regulation, you'll just need to keep on top of things and consider refinancing to rid your mortgage of the insurance premium. The PHX Business Journal had a report saying 5000 construction jobs were added last year in the Phoenix market. That makes Phoenix rank \$5 in highest job creation in November. Finally, you'll be hearing about "QM" (Qualified Mortgage) in the news. This new program went into effect in December. These new mortgage Lending rules are supposed to reduce Lender's risk and better inform borrower's about what they are actually signing for. This is generally a good thing and should provide for more investors to have interest in purchasing mortgage backed securities. It should avoid the investment mess of 'the bubble' from being able to repeat itself.

We're back on the market in a couple of weeks with a nice manufactured home in Sun Lakes, if you know of anyone looking for a 55+ community property. I'm looking forward to listing an East Phoenix home for David & Terry probably next month, again if you know someone looking in that area have them contact me. I'm appreciative of the opportunity to discuss listings with a home Seller in South Scottsdale and also in Gilbert. I'll update you on those opportunities as they come together. I'm happy to be talking with a number of snowbirds and investors who are looking at the Phoenix market. I've just got to convince them that now is still a great time to purchase while pricing is relatively low and interest rates continue at near record lows. If you happen to know of anyone thinking of Buying or Selling (less and less homes are underwater these days) a home in the East Valley, I would appreciate your referring that person to me. I promise that they will receive great personalized service. Thanks, in advance for your help in promoting my business.

**Regards,**

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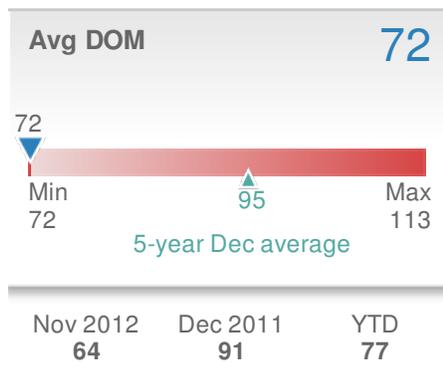
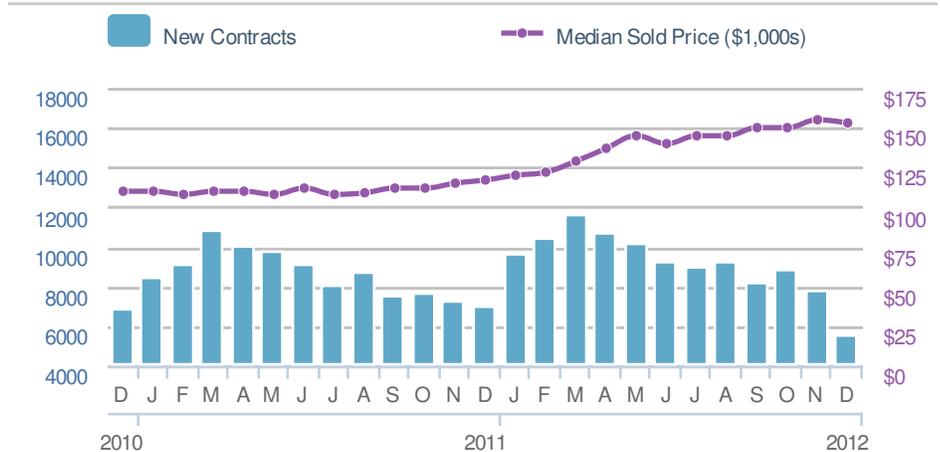


Visit my website at: [www.jeffgerberrealtor.com](http://www.jeffgerberrealtor.com)



## December 2012

### Arizona Regional Multiple Listing Service (ARMLS)





Jeff Gerber, ABR, GRI,  
SRES

*The Empowered Team, LLC*  
*Real Estate For Today*



The Empowered Team LLC

# Between FRIENDS

Real Estate for Today

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**T**hese days, home values are in a constant state of flux. Call me today for an estimate of your home's present value—I'll explain the latest market forecast!



**A**s a real estate professional, I know the anxiety that a home system or appliance breakdown can create for a home seller during the listing period or for the buyer after close-of-sale. Fortunately, you can eliminate that stress with a home warranty that provides coverage for both the seller and the buyer!

A Home Warranty Plan is a service contract that protects your home's major systems and appliances for a specified period of time. Should a failure occur during the term of the Plan, a qualified contractor is dispatched to repair or replace the covered item for a nominal service call fee. Help is only a phone call away, 24/7, 365 days a year!

For complete peace of mind, I recommend an **Old Republic Home Protection Plan** for all my clients. Call me today for more information on how a home warranty can benefit you.

**D**o 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.



## Health & Safety

### Smart Foods for a Sharper Mind

**A**s you gaze at your ever-expanding "To Do" list and explore techniques to meet the demands of a complicated and understaffed workplace, have you considered how much more effective you might be with a boost in brainpower? Your ability to focus and retain memories is influenced, in large part, by the foods you eat.



Carbohydrates fuel the brain and should comprise 45% to 65% of our diet according to the USDA. Complex carbs, such as whole wheat bread, multi-grain pasta, and brown rice, provide long-lasting energy along with a healthy dose of Vitamin B to keep you sane. Minimize simple sugars, such as those found in donuts or soda, or you'll experience a quick boost followed by a sharp crash.

Anti-oxidant rich fruits and vegetables are thought to improve memory and may reduce your risk for Alzheimer's disease. The right amount of Omega-3 fatty acids (e.g., salmon, walnuts, and flaxseeds) are believed to have a wide array of benefits, including increased blood-flow to the brain and a possible elevation in mood.

Combined with regular exercise, a healthy diet can improve your focus and effectiveness.

## Helpful Hints

### Road Trip Games that Kids Love

**T**hanks to the marvels of GPS technology, you have something to offer your kids that your parents could never give you—a precise answer to that age-old question, "How much longer 'til we get there?" If the answer fails to satisfy, try distracting them with the following games.

**Group Story:** Get the creativity flowing with a group story. Someone starts a story and the next person adds their own twist until you've told a collective tale.

**I Spy:** Look out the window and see who can spot something that begins with the letter "A," then continue through the rest of the alphabet.

**Grocery List:** This classic game begins with the phrase, "I went to the store and bought [make up an item]." The next person repeats the phrase with the initial item and adds an item of his own (and so on) until you've stretched your list (and your memory) as far as it will go.

**Botticelli:** Someone thinks of a famous person and everyone else takes turns asking 20 "yes" or "no" questions to see if they can solve the mystery.





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## Savor the Flavor

### Carrot Raisin Salad

3	large	carrots, shredded	1/2	cup	mayonnaise
1	cup	raisins	2	tbsp.	sour cream
1	cup	walnuts	1	tbsp.	cider vinegar
1/4	cup	finely chopped celery	1/2	tsp.	white sugar
2	tbsp.	shredded coconut	1/4	tsp.	salt

In a medium bowl, combine shredded carrots, raisins, walnuts, celery, and coconut. Whisk together mayonnaise, sour cream, vinegar, sugar, and salt. Stir dressing into carrot mixture. Chill a few hours before serving.

## Household Tips

### Conserve Water with Drip Irrigation

**S**ince the dawn of civilization, the beauty of plant-life has enraptured humanity—from the legendary Hanging Gardens of Babylon to Marie Antoinette’s wild, untamed English-style gardens. Today, a vibrant yard can boost curb appeal and your quality of life.

If you’re concerned about your garden’s water consumption, you might consider a drip irrigation system. Drip irrigation consists of small, plastic drippers connected to a network of hoses that applies precise, concentrated doses of water directly to the root system. It reduces wasteful run-off caused by the typical sprinkler, which can reduce your water use anywhere from 30% to 40%.



Setting up a drip irrigation system is relatively simple, and resources abound on the Internet that offer step-by-step guidance. Of course, since you can’t actually see the irrigation system working on every plant (as you can with surface irrigation), you’ll want to monitor your plants on a regular basis to make sure the system is working properly. Also, keep in mind that the plastic parts can be damaged by intense heat, animals, or toddlers on a backyard adventure.

## Real Estate Today



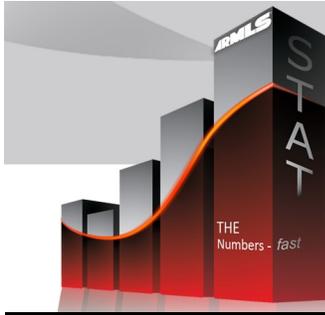
### Renting vs. Owning in Today’s Market

Does purchasing a home make sense in today’s economy? The case for homeownership remains strong for a number of reasons.\*

A real estate investment is unique in that it allows you to place a small down payment on a large investment. You could never offer 10% down on, say, \$200,000 worth of solid, blue chip stock and reap the rewards 30 years later. Moreover, interest payments are tax deductible in the U.S, which is especially beneficial during the beginning stages of repayment, when the vast majority of your monthly payments go toward interest.

Eventually, you’ll build equity as you pay down your principle balance. While inflation drives up the price of most things over the long haul (including your home), monthly payments remain the same based on the original price. Meanwhile, U.S. renters may incur (on average) a 5% increase in rent every year, building no equity and receiving no deductions. This makes ownership, in most cases, the obvious choice.

\* Consult a financial adviser for guidance on your personal situation.



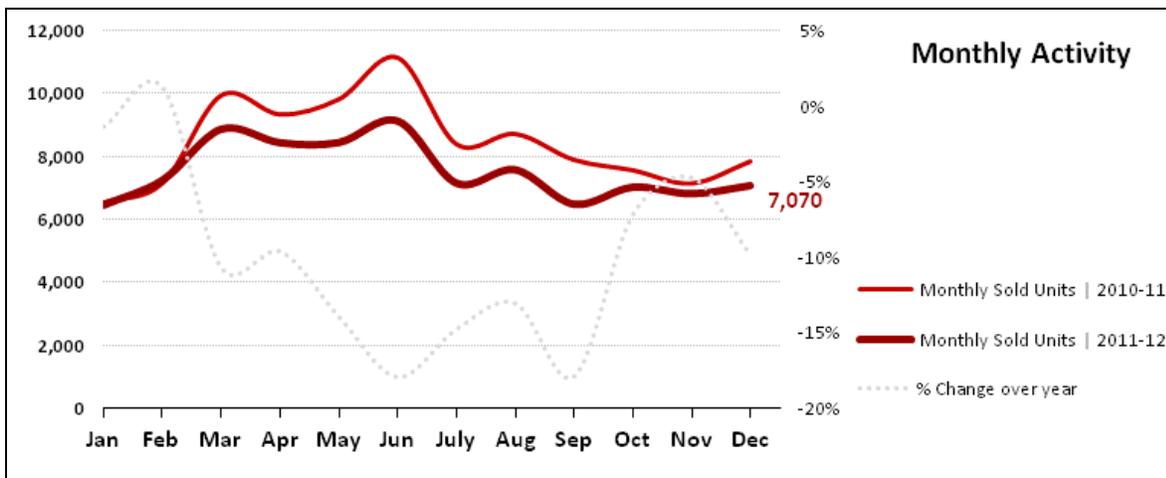
## ARMLS® STAT - January 7, 2013

### SALES Month over Month

Sales bumped up 3.8% over November to 7,070. This is typical of the November to December uptick of the last seven years, as purchasers act on their preference to close before year end.

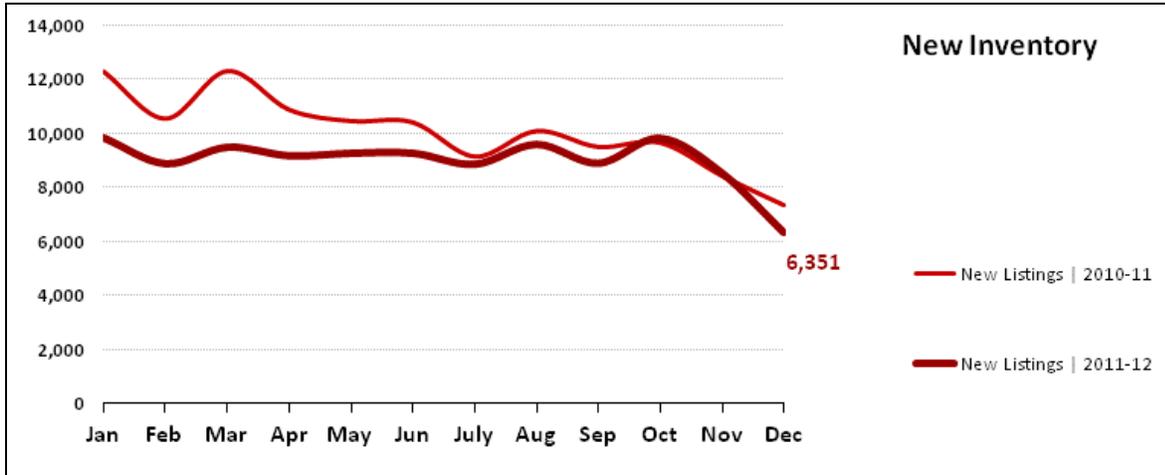
### SALES Year over Year

The December sales figure at 7,070 fell 9.8% below the same figure in 2011. This is reflective of the decline in the Valley's total inventory. The total number of closed sales in 2011 was 101,436, contrasted with 2,012's 90,680. This year's difference of 10,756 sales averages 896 sales per month. Sales in 2011 were the second highest of the last 12 years, surpassed only by 2005 at the height of the bubble. Sales in 2012 rank 6<sup>th</sup> highest out of the last 12 years.



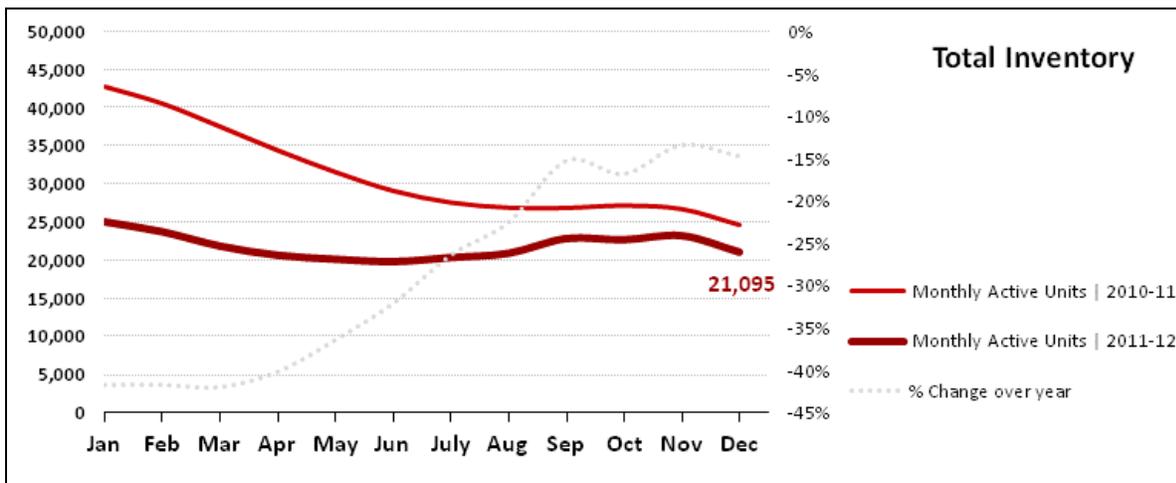
## NEW INVENTORY

New inventory dropped 25.6% to 6,351, a decline typical of past Decembers' new listings. Inventory figures have dropped from November to December in all of the last 12 years by an average of 19.18%.



## TOTAL INVENTORY

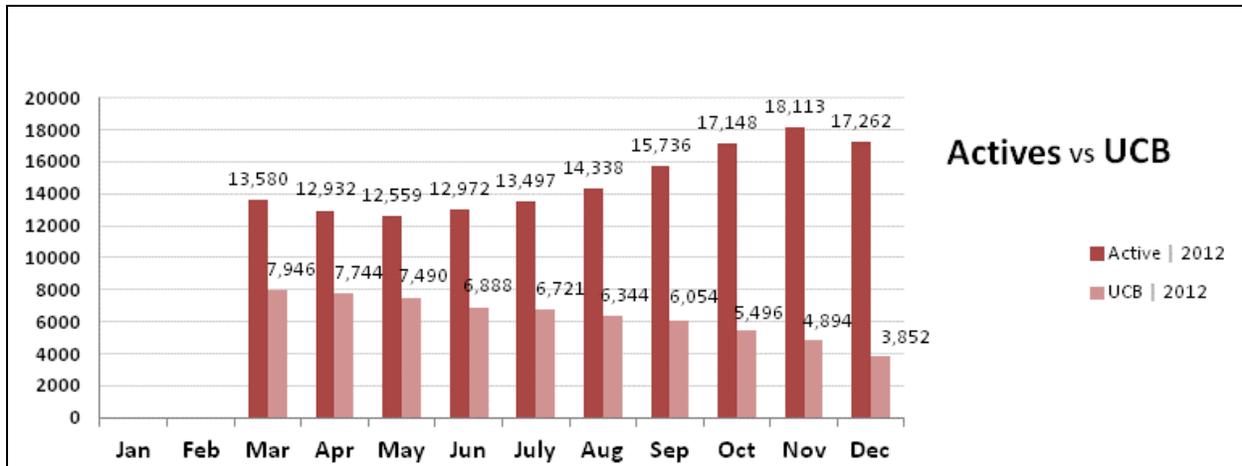
As no surprise, total inventory fell 9.2% in December to 21,095. While lower inventory remains a market challenge, December's figure should be viewed as typical of a seasonal pattern, rather than a reversal of the upward inventory trend started in June.



## ACTIVES and UCBs

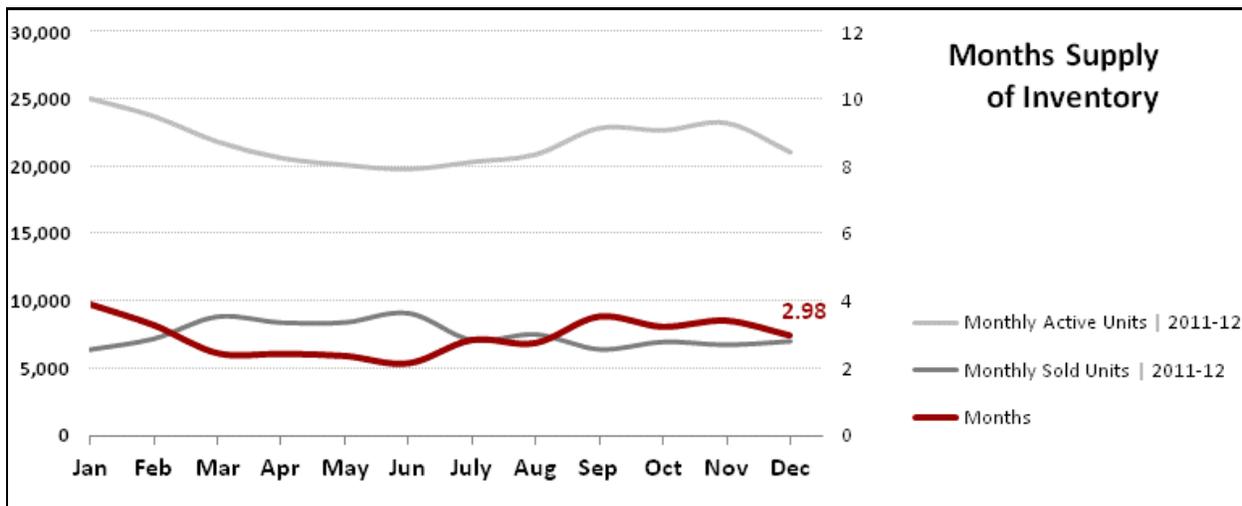
In March 2012, ARMLS began tracking Active inventory and its Active With Contingency (AWC) makeup. Many listings had an AWC status, but were really not available for sale. Confusion surrounded the proper status of a listing with a contingency, many of which belonged in Pending. On December 5, ARMLS changed the AWC label to Under Contract-Backups (UCB). This change codified that only listings under contract, where the Seller has requested in writing that the property be marketed for backups, should be in UCB status.

The AWC/UCB trend had been declining steadily since ARMLS began tracking the AWC makeup in March. At that time there were 21,526 active listing of which 36.91% were labeled AWC. At the end of December, after the label change to UCB, the percentage of AWC declined to 18.24%.



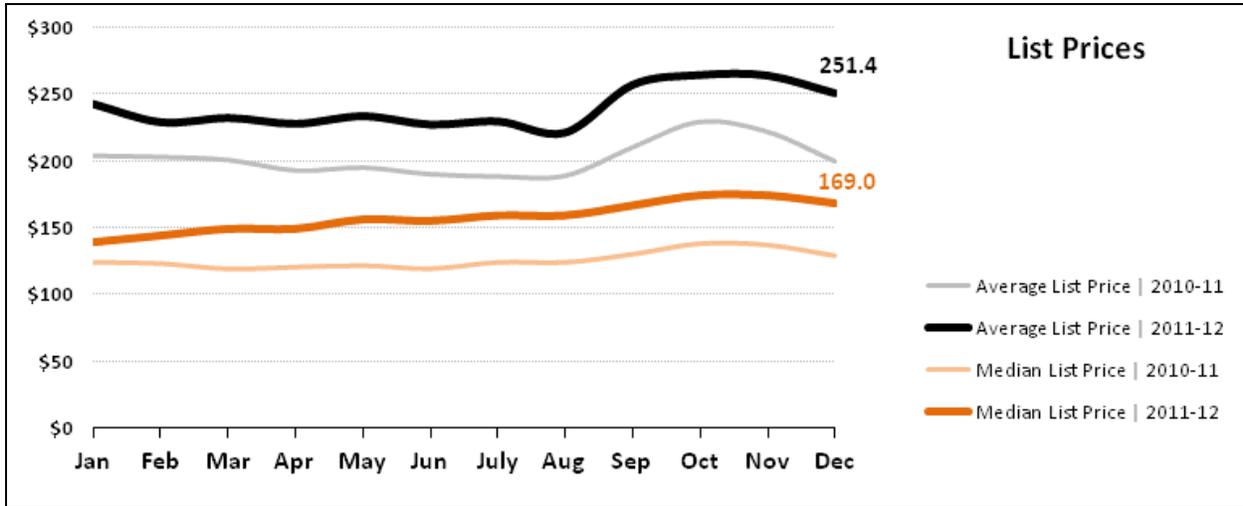
## MONTHS SUPPLY OF INVENTORY (MSI)

MSI dipped below three months to 2.98, the first time below three since August. MSI below four months is considered a Seller's market. Market wide MSI is tracked as a barometer of overall market health, and should not be used to assess inventory levels in small market niches. Each of these has its own MSI based on the supply and demand of that niche.



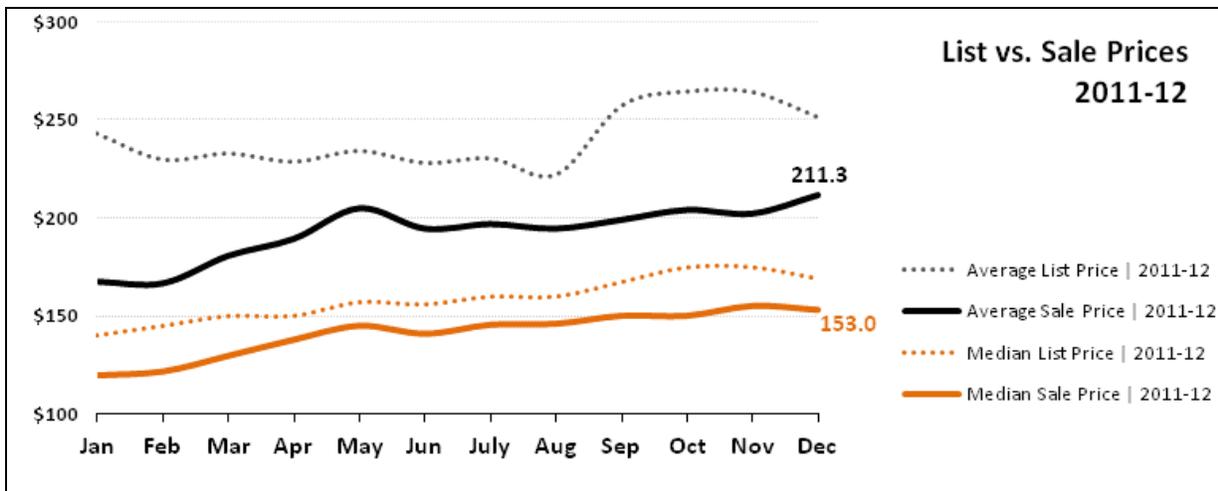
## NEW LIST PRICES

New list pricing declined in December, but still remained on the 2012 upward trend line. The median new list price declined 3.4% in December to \$169,000, but was up 30.1% from the median list price in December 2011. The average list price dropped 5.0% in December to \$251,400, but was 25.6% above the December 2011 average.



## SALES PRICES

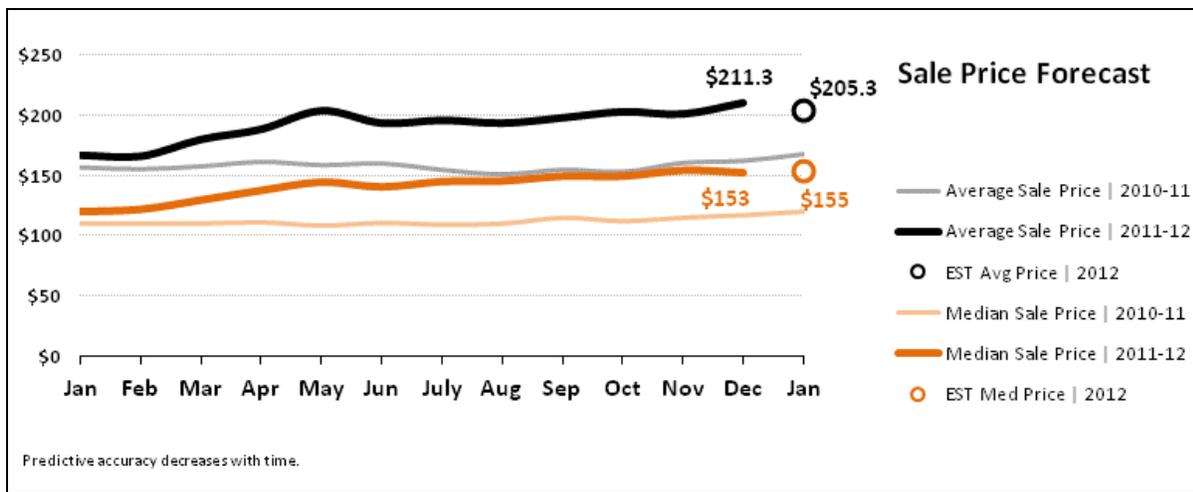
Median sales price declined 1.3% to \$153,000 in December, but was 30.8% above the same figure a year ago. Average sales pricing fared better with a 4.6% increase in December to \$211,300, representing a 30.3% gain over December 2011.



## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a metric unique to ARMLS which forecasts pricing 30 days into the future based on pending property data inside MLS. Last month, the PPI predicted the median sale price to fall to \$143,000, missing the actual median sales price of \$153,000 by 6.99%. The November average sales price forecast of \$194,200 missed the mark by 8.83% to land at \$211,300. A similarly wide margin between the December prediction and the December actual occurred in 2011, perhaps driven by year end pressure to close by December 31.

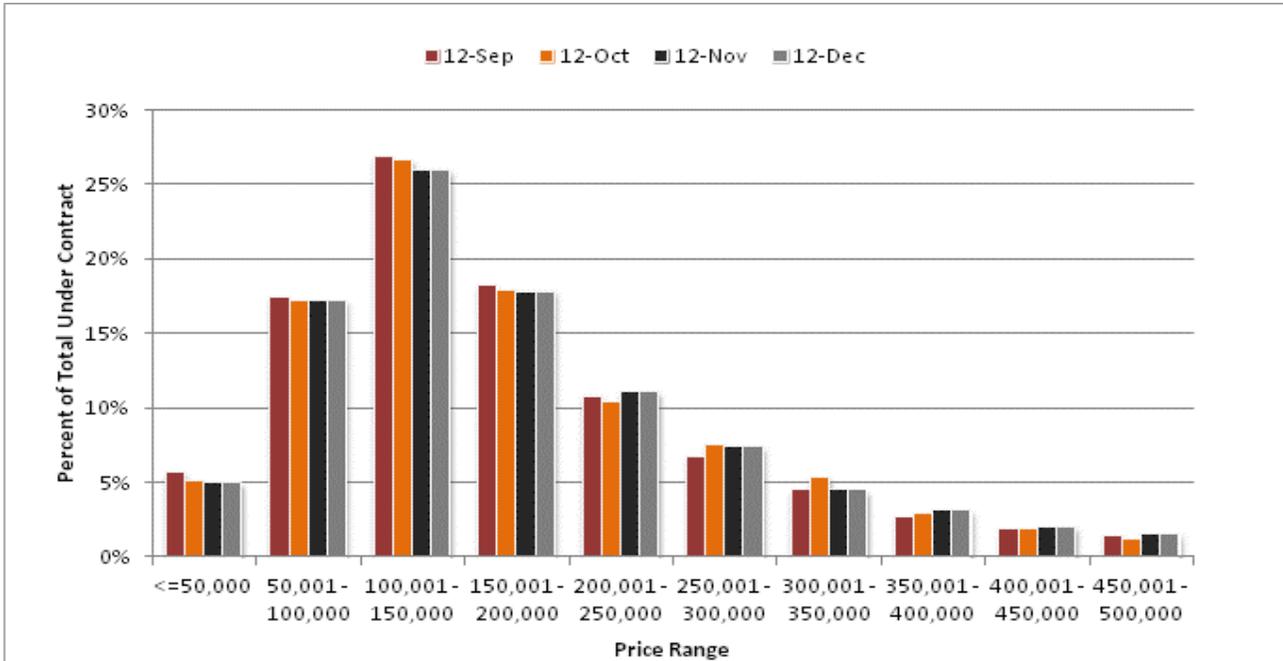
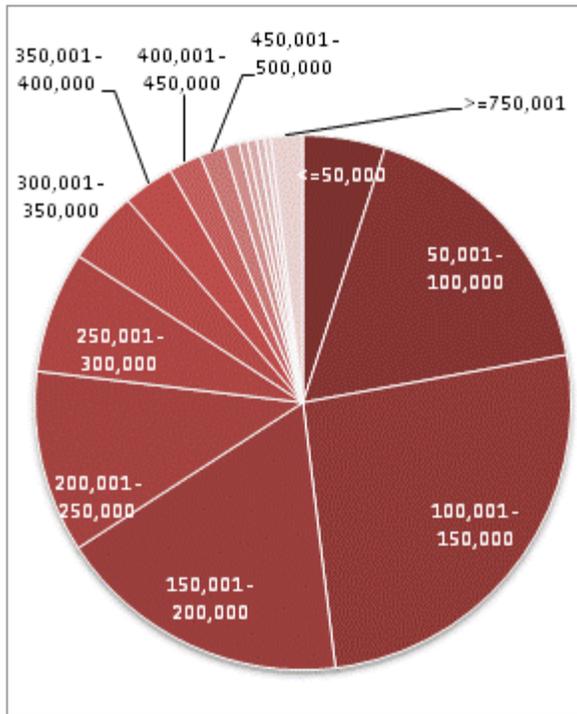
PPI predicts the median sales price for January to land at \$155,000. The average sales price is forecasted at \$205,300.



# PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the pending pool each month on a rolling four month view. Percentage makeup of pended properties added to the pool in December showed no significant trending over the last four months.

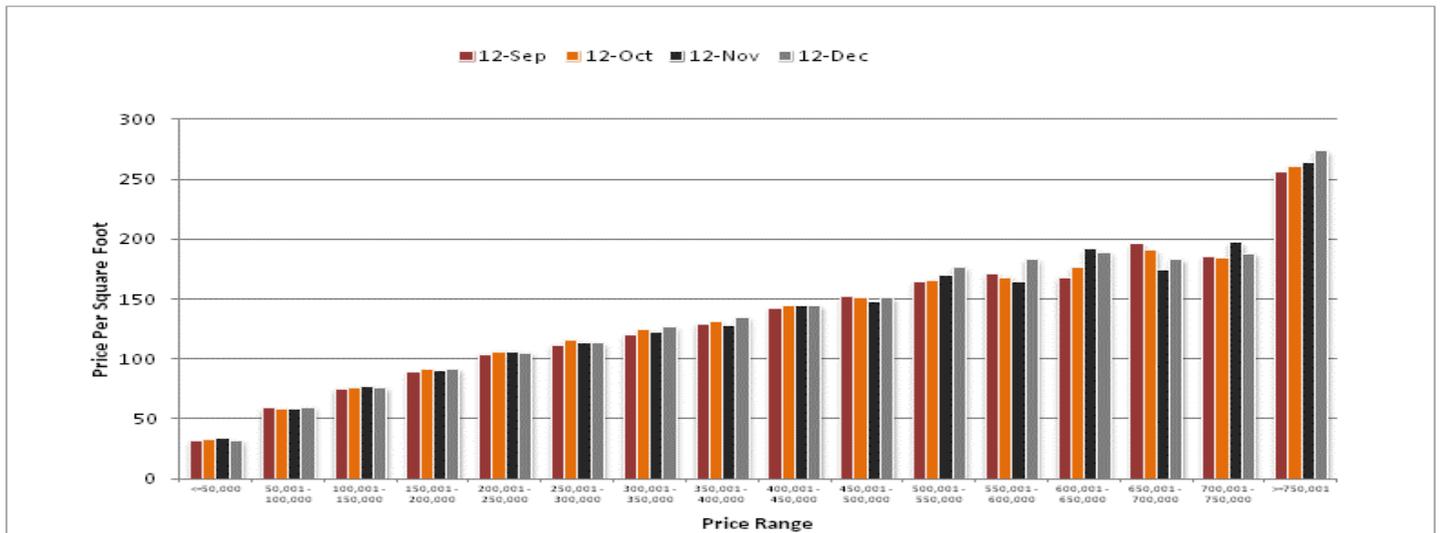
Pending Contracts Signed In December				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	37,199	38,000	266	4.95%
50,001 - 100,000	79,718	80,000	924	17.19%
100,001 - 150,000	126,827	127,000	1,394	25.93%
150,001 - 200,000	173,976	173,250	956	17.78%
200,001 - 250,000	227,474	227,000	593	11.03%
250,001 - 300,000	275,613	275,000	395	7.35%
300,001 - 350,000	326,539	325,000	238	4.43%
350,001 - 400,000	373,794	373,939	166	3.09%
400,001 - 450,000	424,164	424,000	107	1.99%
450,001 - 500,000	475,382	475,000	82	1.53%
500,001 - 550,000	526,824	526,250	48	0.89%
550,001 - 600,000	582,653	580,000	27	0.50%
600,001 - 650,000	626,111	621,000	31	0.58%
650,001 - 700,000	679,089	675,000	25	0.47%
700,001 - 750,000	729,824	732,000	20	0.37%
>=750,001	1,272,366	1,020,000	104	1.93%



## PPI SUPPLEMENT - \$/SQ FT

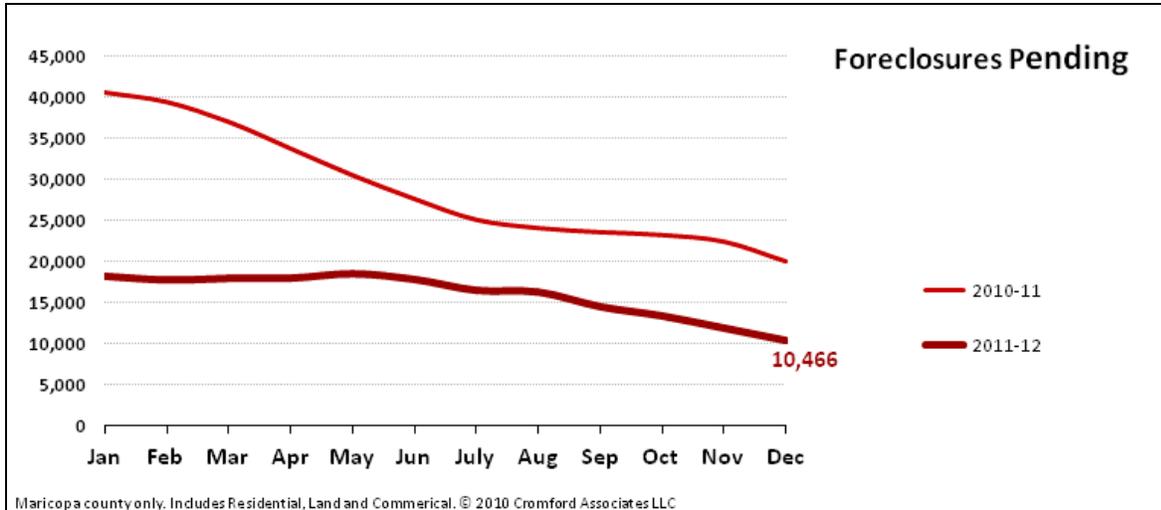
The PPI Supplement - \$/SQ FT report examines the incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the pending pool each month. Pricing of new Pendingings from under \$50,000 through \$300,000 exhibited narrow fluctuation from -\$1 to +\$2/SQ FT. Pending pricing above \$300,000 appeared more volatile, from -\$9 to +\$19/Sq FT. Pricing in the higher ranges is more susceptible to high or low outliers, which can have a distorted effect on the average pricing for any range where the total number of properties is relatively small.

Pending Contracts Signed In November					Pending Contracts Signed In December				
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	36,902	1,102	311	33	<=50,000	37,199	1,161	266	32
50,001 - 100,000	78,724	1,357	1,050	58	50,001 - 100,000	79,718	1,335	924	60
100,001 - 150,000	126,882	1,650	1,657	77	100,001 - 150,000	126,827	1,668	1,394	76
150,001 - 200,000	173,833	1,922	1,138	90	150,001 - 200,000	173,976	1,898	956	92
200,001 - 250,000	225,785	2,129	672	106	200,001 - 250,000	227,474	2,168	593	105
250,001 - 300,000	274,639	2,411	469	114	250,001 - 300,000	275,613	2,439	395	113
300,001 - 350,000	325,458	2,659	284	122	300,001 - 350,000	326,539	2,577	238	127
350,001 - 400,000	373,569	2,927	181	128	350,001 - 400,000	373,794	2,777	166	135
400,001 - 450,000	426,454	2,955	136	144	400,001 - 450,000	424,164	2,935	107	145
450,001 - 500,000	477,680	3,232	74	148	450,001 - 500,000	475,382	3,149	82	151
500,001 - 550,000	526,042	3,101	61	170	500,001 - 550,000	526,824	2,983	48	177
550,001 - 600,000	576,921	3,511	38	164	550,001 - 600,000	582,653	3,177	27	183
600,001 - 650,000	627,908	3,272	34	192	600,001 - 650,000	626,111	3,314	31	189
650,001 - 700,000	678,327	3,884	33	175	650,001 - 700,000	679,089	3,710	25	183
700,001 - 750,000	727,341	3,689	28	197	700,001 - 750,000	729,824	3,885	20	188
>=750,001	1,266,478	4,800	140	264	>=750,001	1,272,366	4,653	104	273



## FORECLOSURES PENDING

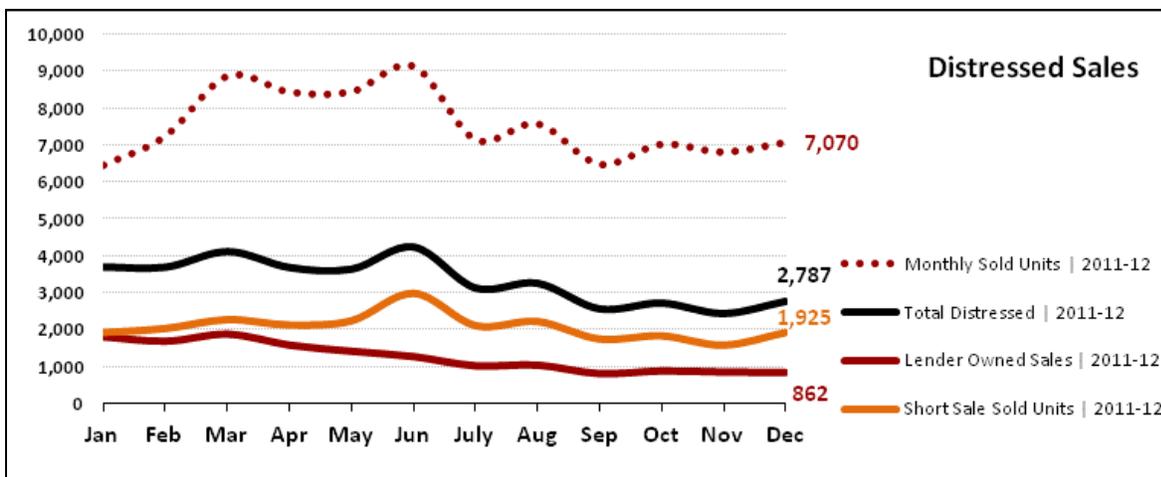
Foreclosures pending, which fuel foreclosure sales, continued on a steeper declining trajectory which started in mid-May. December's metric (10,466) was 12.5% below November's foreclosures pending. Since May, the average decline in foreclosures pending per month was 1,161 units, or 7.8%. Foreclosures pending in the 4,000-6,000 range are considered normal for the Valley. If the foreclosures pending trend line continues on its same downward slope, foreclosures pending could reach normal range in the coming April/May time frame.



## DISTRESSED SALES

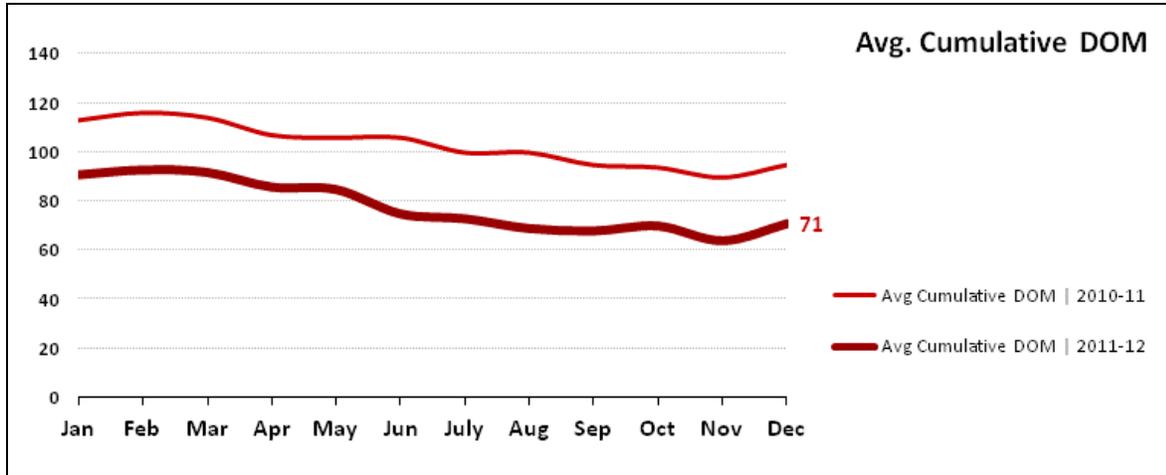
Distressed sales (2,787), composed of closed short sales and lender owned sales, hiccupped upward 3.3%, to land at 39.4% of total sales. Every month in 2012, with the exception of June (3.2%) and December, witnessed a distressed property decline from the previous month's percentage of total sales. Distressed sales, long regarded as the bane of the Valley's pricing recovery, were 57.7% of total sales in January of 2012, declining 18.3% by year end.

Short sales (1,925) as a percentage of total sales buoyed to 21.6%, driven by lender appetite to close by year end. Lender owned sales (862) as a percentage of total sales continued downward to 12.2%. Short sales and foreclosures which began the year at a 1:1 ratio, ended 2012 at a greater than 2:1 ratio, reflecting greater lender expertise and appetite for short sale over foreclosure.



## AVERAGE DAYS ON MARKET (DOM)

Average days on market jumped seven days in December to 71, but still remained on a steady downward trend line all of 2012. DOM started at 91 in January 2012 and dropped 20 days, or 21.98%, by year end. Market wide DOM is monitored as a barometer of market health, and is not intended to be used to predict DOM in small market niches. Each niche has its own unique DOM, which is influenced by the supply and demand in that market niche.



## COMMENTARY

December's statistics followed a very typical pattern for the last month of the year, showcasing a decline in inventory and new listings, and an uptick in sales. Metrics that had been performing slowly but steadily all year in the right direction, e.g., pricing, DOM, MSI and foreclosures pending, continued on the same positive trend lines.

Over the last quarter, STAT focused on the uncertainty of the presidential election, the fiscal cliff and the economic situation in Europe, reasoning that as these challenges were resolved, the economy would respond positively. With the election and the fiscal cliff behind us, and Europe set to muddle along slowly through its difficulties, the uncertainty which had held back investment in job growth seems to have dissipated.

The deal which averted the fiscal cliff, permanently extended the tax cuts for middle income earners, averting the \$2,200 average tax hike they would have experienced if Congress had not acted. It also expanded the Child Tax Credit and marriage penalty relief, while increasing taxes on the wealthiest 2%.<sup>1</sup>

The day after the Tax Agreement investors reacted positively with tech stocks leading the euphoria. NASDAQ rose 2.4% and the DOW industrials gained 1.7%. Google, Yahoo, Amazon, Microsoft, Dell, Hewlett Packard, Apple and Intel all rose, by 1.9%, 1%, 2%, 1.8%, 2.7%, 4.8%, 2.4% and 2.8%, respectively.<sup>2</sup>

More uncertainty though is lining up to cast its shadow over recovery. The debt ceiling<sup>3</sup> and challenge to mortgage interest deductions<sup>4</sup> loom ahead, as well of the impact of the new national health care directives which start in 2013, such as a new surtax on investment income, a new Medicare tax for high earners and tightening the threshold for itemized medical deductions.<sup>5</sup> Logically, more cliffs and uncertainty should impede recovery, as employers and investors hold back until there is more certainty.

Perhaps the takeaway is that uncertainty is the new normal, and that holding back until it's dissipated is not a sound strategy for anything, since the next uncertainty is already waiting in line. Perhaps drama from the brinkmanship of our Executive and Legislative branches should move into the national consciousness as the little boy who cried wolf. After all, the recent fiscal cliff itself and the upcoming cliffs it spawned were self inflicted wounds in the first place.

STAT predicts that positive trends manifested in 2012 will continue in 2013. It promises to continue to deliver to its Subscribers statistical data and commentary that will inform their strategic business decisions, as well as their clients' housing decisions. Watch for the fourth quarter STAT Plus and STAT Year in Review coming in January.

1 <http://www.whitehouse.gov/the-press-office/2013/01/01/fact-sheet-tax-agreement-victory-middle-class-families-and-economy>

2 <http://www.usatoday.com/story/tech/2013/01/02/apple-microsoft-facebook-qualcomm/1804687/>

3 <http://www.csmonitor.com/Business/Robert-Reich/2013/0102/After-the-fiscal-cliff-comes-the-debt-ceiling>

4 <http://www.inman.com/buyers-sellers/columnists/kenharney/fiscal-cliff-bill-addresses-some-key-housing-issues>

5 <http://www.forbes.com/sites/gracemarieturner/2013/01/02/as-2013-begins-get-ready-for-an-obamacare-tax-onslaught/>