

MARCH 2011

Real Estate Update



JEFF GERBER
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Hello Everyone,

It's the beginning of March! Many of the sure signs of spring are showing here in The Valley...spring training, PGA golf, pro basketball and hockey seasons winding down, car shows and auto races, the influx of spring break visitors, etc. What seems to be missing this spring is the influx of 'snowbird buyers'. We did see a very small increase in sales in February, but most Agent's I speak with seem to agree that we are seeing fewer 'snowbird buyers' this spring than compared to previous years. It's especially interesting since prices are at their lowest levels in years (average home prices are at levels seen 10—12 years ago) and interest rates on mortgages are still holding close to 5%. Perhaps it will take the sunnier and warmer spring days to really motivate that Buying group.

Much of the real estate news discussed in this month has been centered around the Federal Government's indications that it wants to revamp the mortgage industry and perhaps eliminate or at least greatly reduce it's part in the process through downsizing or eliminating the GSE's like Fannie Mae and Freddie Mac. This is 'problem' that will really need long term thinking. I think our economy will always depend on some sort of Federal program to help keep mortgage rates affordable. Common sense (does anyone remember that) will need to prevail. Housing signs are looking a bit better in AZ according to the Mortgage Banker's Assn. They report AZ now as #12 in 30 day or more delinquent mortgages, but still #2 in the number of defaulted loans that have triggered foreclosure notices. On more positive notes, new home builder's are starting to see communities in the East Valley come alive with sales. The Chief Economist of BBVA/Compass Bank and the Northern Trust Chief Economist paint a relatively rosy picture for AZ in 2011 predicting 3.4% growth in the economy, versus a US average of 3.0%. The City of Chandler received news that will actually effect many parts of the Metro Area as Intel announces they will build a new FAB 42 plant in Chandler. Construction (jobs) will start this summer and manufacturing (jobs) should start in 2013.

We're just a few days away from being able to congratulate Chandler's (by way of Bulgaria) Stoil & Desi on the purchase of their first US and ever home in Gilbert. Chris in St Louis is awaiting word that should come this week on acceptance of his offer for the purchase of a second Scottsdale condo. I'm hoping to get word of acceptance of Shane's offer on a condo in Mesa this month. We're still looking for that elusive Buyer for Patty's Chandler home. I know that person is out there! I'm excited to list Mark & Cathy's Sun Lakes home for sale, though I will be sorry that I will not get to see them every winter. If you know of anyone looking for a really cute home in an active adult community, please let me know. This will be a great buy for someone. I'm looking forward to seeing clients Michael & Holli in from St Louis this month and also a possible visit from Mark & Carrie (and a chance to be introduced to son Jacob) from Calgary during the month of March. With that busy schedule ahead, I still have time to help anyone you might know who is in the market to buy or sell a home in the East Valley. Your referrals are always greatly appreciated.

Regards,

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ALL AREAS & TYPES	TODAY 3/1/11	ST	LAST MTH 2/1/11	LAST QTR 12/1/10	LT	LAST YR 3/1/10	2 YRS AGO 3/1/09
Active Listings	40,240	↓	42,522	44,941	↓	42,139	51,014
Pending Listings	11,997	↑	10,565	9,931	↓	12,221	9,362
Sales per Month	7,058	↑	6,594	6,709	↑	6,423	5,453
Sales per Year	91,793	↑	91,154	89,361	↓	93,758	63,062
Days on Market - Monthly Sales	116	↑	112	105	↑	99	123
Days on Market - Active Listings	151	↓	152	148	↑	147	162
Days Inventory	160	↓	171	184	↓	164	296
Months Supply	5.3	↓	6.1	6.5	↓	6.2	9.1
Active Listings \$/SF	\$129.80	↑	\$127.43	\$128.15	↓	\$151.29	\$175.68
Monthly Sales \$/SF	\$81.68	↑	\$81.33	\$82.67	↓	\$90.84	\$89.33
Appreciation - Monthly \$/SF	-10.1%	↑	-10.8%	-9.0%	↓	1.7%	-40.2%
Average Sale Price % List	95.29%	↑	95.05%	95.61%	↓	95.61%	94.39%
Listing Success Rate	63.4%	↑	53.1%	60.2%	↑	62.6%	44.4%
Dollar Volume - Monthly Sales	\$1,099M	↑	\$1,032M	\$1,063M	↓	\$1,123M	\$937M
Average Price - Monthly Sales	\$155,742	↓	\$156,542	\$158,429	↓	\$174,818	\$171,767
Median Price - Monthly Sales	\$110,000	→	\$110,000	\$115,000	↓	\$125,000	\$125,000
Average Sq. Ft. - Monthly Sales	1,907	↓	1,925	1,916	↓	1,925	1,923
Cromford Market Index™	110.1	↓	111.0	91.1	↓	110.5	67.9

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The table above provides a concise statistical summary of today's residential resale market in the Phoenix metropolitan area.

The figures shown are for the entire Arizona Regional area as defined by ARMLS. All residential resale transactions recorded by ARMLS are included. Geographically, this includes Maricopa county, the majority of Pinal county and a small part of Yavapai county. In addition, "out of area" listings recorded in ARMLS are included, although these constitute a very small percentage (typically less than 1%) of total sales and have very little effect on the statistics.

All dwelling types are included. For-sale-by-owner, auctions and other non-MLS transactions are not included. Land, commercial units, and multiple dwelling units are also excluded.

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In like a lion, out like a lamb: however it comes and goes, spring is a great time to buy or sell a home. Call me today for a free, insightful market analysis!



Thinking of selling your home? As an experienced real estate professional, I would like to point out the benefits of adding an Old Republic Home Warranty to your transaction. While the home is on the market, Seller's Coverage provides repair and replacement coverage for your home's systems and appliances. It keeps the home showing well during the listing period, which can result in a faster sale at a higher price. At close, the Buyer's Plan seamlessly takes effect, protecting the buyer against potential unknown after-sale problems. Last but not least, the home warranty provides budget protection from the high cost of home repair and peace of mind for both the home seller and home buyer.

Call me today for more information on the value of an Old Republic Home Warranty.

May I assist you by helping a trusted friend or close family member who is in need of professional real estate services? I will make you and your referral my number one priority.



Health & Safety

Annual Home Safety Checklist

No one knows when an emergency will strike that could confine us to our homes, possibly without electricity, running water, or working telephones. That is why experts recommend keeping an "Emergency Preparedness Kit" on hand.

Listed below are items to include in your kit.

Drinking water – enough for several days for each family member.

Non-perishable Food – enough to nourish the family for several days. Include a manual can opener and special food items if required.

Flashlights – at least one, more if possible, and a **portable radio** – and charged batteries.

First aid kit and book.

Cooler to store ice and food – one each for ice and food is ideal.

Large plastic garbage bags and duct tape – for repairs and other mishaps that might occur.

Infant necessities if you have a baby. Blankets, pillows, and sleeping bags – enough for each family member.

Extra clothing – store several pairs of sweats that can be easily used by different-sized family members.

Crayons and coloring books – to keep small, restless children occupied.

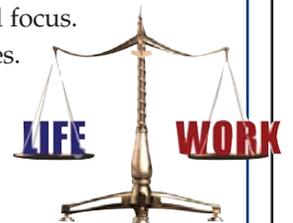


Helpful Hints

Balancing Life and Work

People today work hard and wish for more balance between their jobs and their personal lives. It's no surprise that studies show employees who feel they are achieving a balance in their work and personal lives tend to do better and have more satisfaction in both areas. Creating a balance between work and life outside of work can be beneficial to both employees and employers in the following ways:

- Employees show increased productivity, competency and focus.
- There is more flexibility and team work among employees.
- Morale levels among employees increase, which results in increased levels of motivation and commitment.
- There is a reduction in employee absenteeism.
- Employee retention is increased.



Contrary to popular belief, the over-achieving workaholics are not the ones who are the most successful in their careers — or in their personal lives. Those who realize the most success in both areas achieve a healthy balance in life, on and off the job.



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Savor the Flavor

Moroccan Lentil Salad

- | | |
|--|---------------------------------|
| 1/2 C. dry lentils | 1 green bell pepper, chopped |
| 1 1/2 C. water | 1/2 yellow bell pepper, chopped |
| 1/2 15-oz. can garbanzo beans, drained | 1 red bell pepper, chopped |
| 2 tomatoes, chopped | 1 lime, juiced |
| 4 green onions, chopped | 2 Tbsp. olive oil |
| 2 minced hot green chile peppers | 1/4 C. chopped fresh cilantro |
| | Salt to taste |

Place lentils and water in a pot and bring water to a boil; reduce heat and simmer for 30 minutes or until lentils are tender. In a medium size mixing bowl, combine lentils, garbanzo beans, tomatoes, green onions, green chilies, bell peppers, lime juice, olive oil, cilantro, and salt to taste. Toss well. Chill for 20 minutes. Serve chilled.

Household Tips

Staging Your Home to Sell

Sellers want a quick sale and top dollar for their home. One of the best ways to achieve both goals is through "home staging" – displaying your home to look it's best. Here are some helpful home staging tips:

- Less is more – no mess, clutter or personal items anywhere.
- Keep kitchen counters as bare as possible. Remove everything from the exterior of the refrigerator.
- Keep cupboards and cabinets organized and neat.
- Keep floors vacuumed, swept, mopped and waxed. Steam clean or replace carpets.
- Place only a few key pieces of furniture in each room – this makes the room appear larger and helps the buyers imagine their own furnishings in the room.
- Open all curtains and blinds, and ensure that windows and sills are clean.
- Remove fixtures that you will be taking with you and install inexpensive replacements.
- Make repairs to cracks in tiles and sinks, flooring, walls, and ceilings; re-caulk bathroom tubs and showers.
- Maintain the yard for "curb appeal." Mow the lawn, trim bushes and plant some yellow flowers (a color that inspires buying).



Brain Teasers



Beware the Ides of March!

1. On what date does the Ides of March occur?
 - a. 17th March
 - b. 15th March
 - c. 10th March
 - d. 1st March
2. Which Roman leader was killed on the Ides of March in 44 B.C.?
 - a. Tiberius Caesar
 - b. Caligula Caesar
 - c. Augustus Caesar
 - d. Julius Caesar
3. Who speaks the line "Friends, Romans, countrymen, lend me your ears"?
 - a. Brutus in "Julius Caesar"
 - b. Mark Antony in "Julius Caesar"
 - c. Cleopatra in "Julius Caesar"
 - d. Calpurnia in "Julius Caesar"
4. How did Julius Caesar die?
 - a. Stabbed by conspirators
 - b. Crushed by a falling statue
 - c. Poisoned by his mistress
 - d. Fed to the lions
5. In what language did Julius Caesar most commonly speak and write?
 - a. Greek
 - b. Romany
 - c. Latin
 - d. Etrurian

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



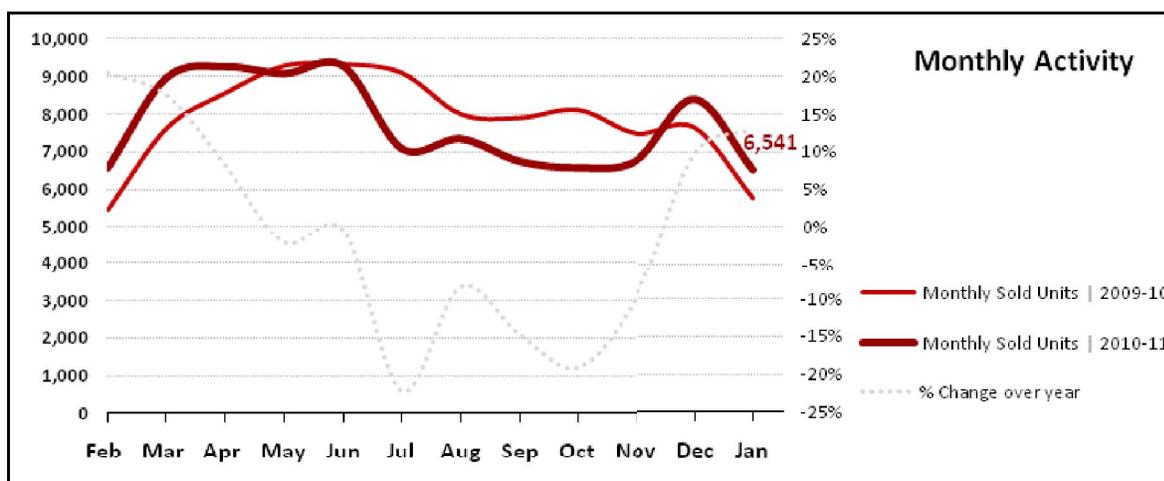
SALES Month over Month

The new year, buoyed with optimism from the December sales figures, was put back into its place with a disappointing 22% decline in January sales. The total number of closed sales in January was 6,541 compared to December's 8,401. The natural sales decline from December to January has occurred every year since December 2001. This Dec/Jan drop is the second highest of the decade, surpassed only by the Dec 2008-Jan 2009 decline of 24.4%. However, the January figure is only a small deviation from November. If we consider that December was an anomaly driven by seasonal pressure to close by December 31st, then the market simply picked up where it left off in November. In any event, the Valley continues to struggle.

SALES Year over Year

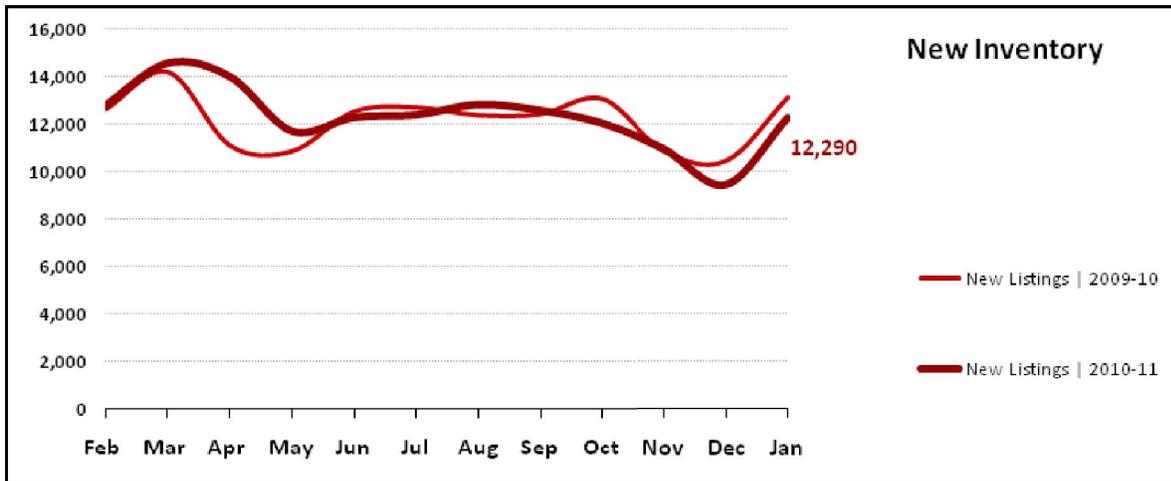
Sales for January at 6,541 rose 13% over January 2010 (5,789). Both December 2010 and January 2011 sales figures are higher than their preceding year's counterpart. While it is tempting to project that this is as an indication of a better year to come, it mimics the robust increase (22.1%) of January 2010 over 2009, which disappointed us with year over year declines from May through November. It is, however, the second highest since 2001.

Total yearly sales have been trending upward starting in 2006. With the exception of the record high total sales set in 2004 and 2005 (98,922 and 104,725), the total sales for 2009 and 2010 represent the 3rd and 4th highest of the decade (93,308 and 91,972). The positive year over year sales figure for this January though is a good start, and fuels optimism that 2011 will follow the total yearly sales patterns of 2009 and 2010.



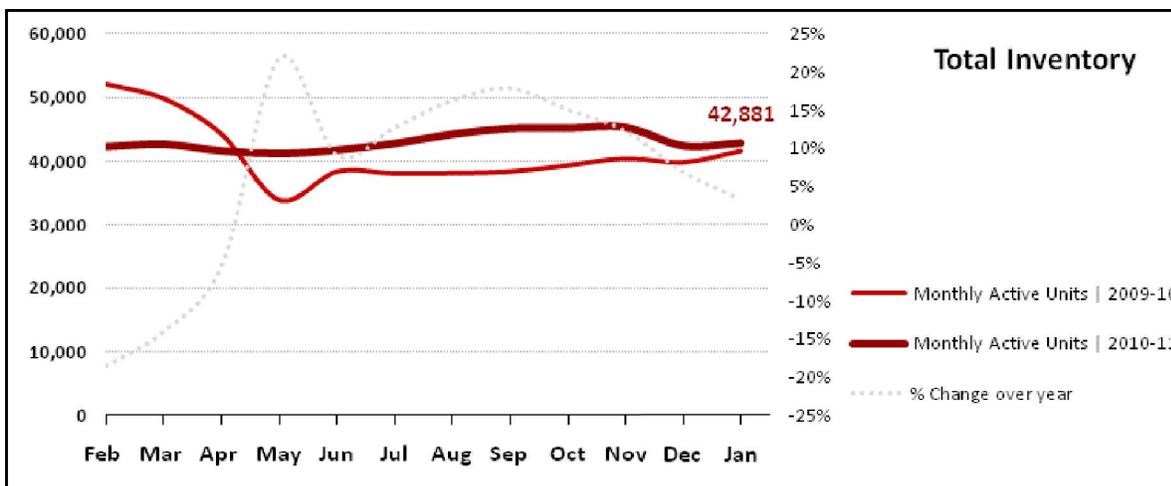
NEW INVENTORY

Total new listings are up 30.1% in January to 12,290. This is a reversal of the declining trend in new inventory from September through December, but is typical of every January of the decade. While the increase in January's new inventory is no surprise, its 30.1% is well below the decade's average January rise of 63.74%.



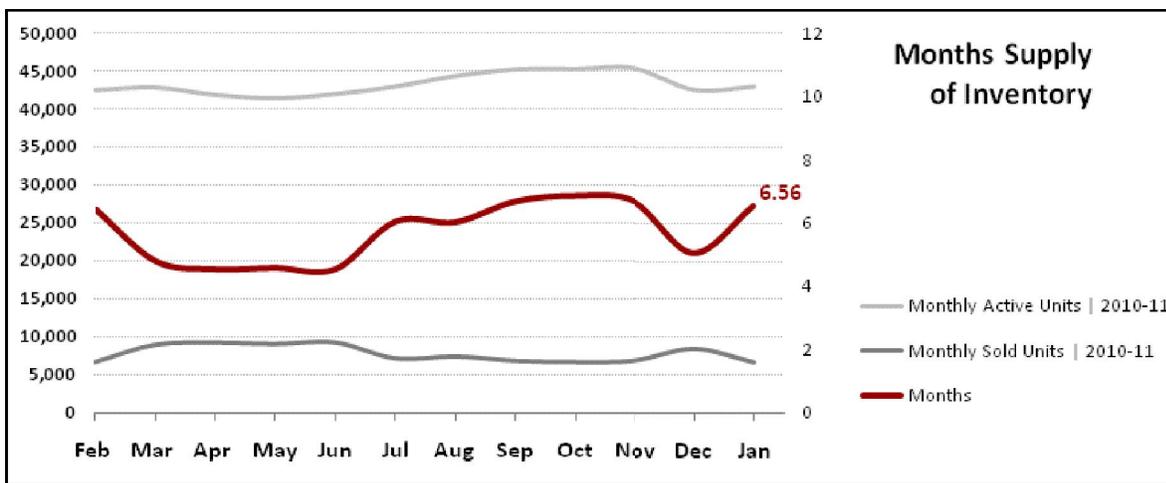
TOTAL INVENTORY

Total inventory remained relatively stable with only a 1% increase to 42,881. Total inventory has fluctuated within a narrow range between 41,317 and 45,353 for the last twelve months, with the average monthly inventory of 43,202. Total inventory is a key component of supply and demand.



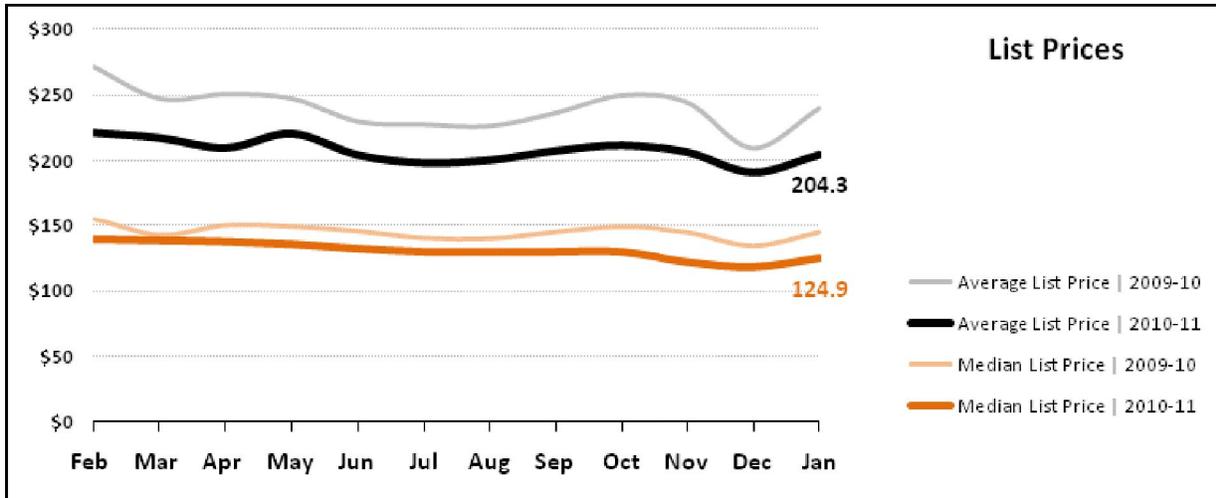
MONTHS SUPPLY OF INVENTORY (MSI)

Not surprisingly, the MSI for January jumped to 6.56 from December's 5.05, an aberration when considering that MSI has hovered above six months since July. While a market-wide MSI is not reflective of months supply in smaller niche markets, it is a barometer of the overall supply and demand balance and health of the market. At 6.56 we are clearly in a Buyer's market. Such conditions do not support any significant rise in the average or median sales prices. Until total inventory declines and sales rise, we can expect that the market will remain favorable toward Buyers.



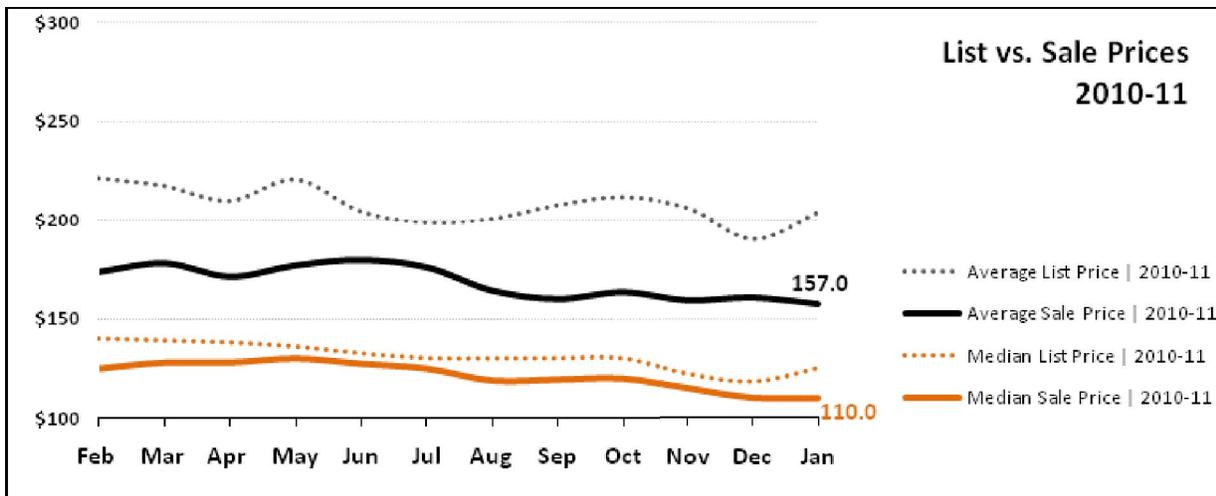
NEW LIST PRICES

New list price took a jump in both the average and median in January. The average new list price rose 7% from December's \$191,000 to \$204,300. The median new list price rose 5.8% from December's \$118,000 to \$124,900. Unfortunately rises in new list prices do not directly correlate with increases in actual sales prices. However, if December's numbers were an anomaly driven by seasonal Seller reticence, leaving only new Sellers who must sell to drive the new list prices, then January figures are close to where the market left off in November.



SALES PRICES

The median sales price for January held stable at \$110,000, only a .2% decline from December's median of \$110,200. The average sales price fell by 2.1% to \$157,000 from \$160,400. Downward pressure on prices continues in the current buyer's market, as a result of high inventory levels and the disproportionate percentage of distressed sales in the overall sales count. The looming high levels of foreclosures pending will prolong the downward pressure.

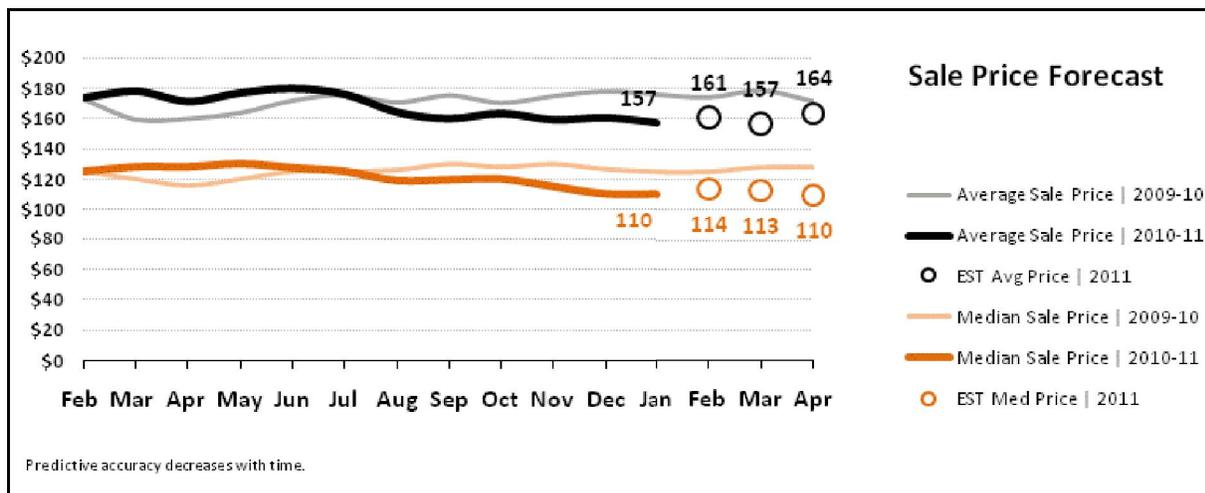


THE ARMLS PENDING PRICE INDEX™

Pending properties in the MLS system continue to be reliable predictors of median and average pricing ninety days into the future. The ARMLS Pending Price Index (PPI™) is a metric unique to ARMLS since only ARMLS possesses sales price data on properties under contract awaiting future closing.

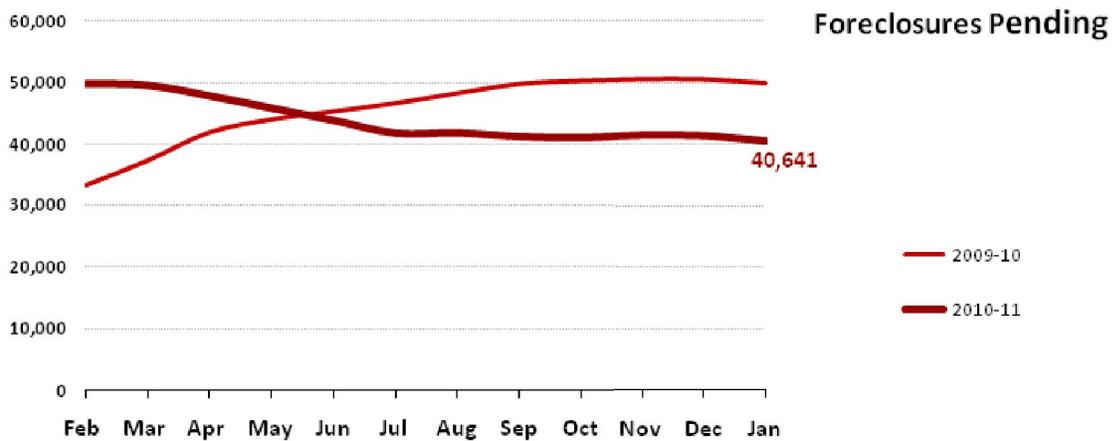
Last month the PPI predicted \$159,400 as the average sales price for January. The actual figure fell short of the prediction by 1.51%, with January's average sales price coming in at \$157,000. This follows a steady 12.73% (\$22,900) decline in average sales price that started with June's twelve month high of \$179,900, and culminated in January at \$157,000. The predictions for the average sales price for February, March and April are \$161,000, \$157,000 and \$164,000 respectively, a pattern reminiscent of a fish flopping around the bottom of the boat trying desperately to get over the gunwale.

The median sales price predicted by the PPI last month was \$115,000, but the actual figure fell 4.35% lower to \$110,000. This may be reflective of the large percentage of distressed properties in the pending property pool exerting downward pressure on the market's median price. PPI's predictions for median sales price for February, March and April are \$114,000, \$113,000 and \$110,000 respectively.



FORECLOSURES PENDING

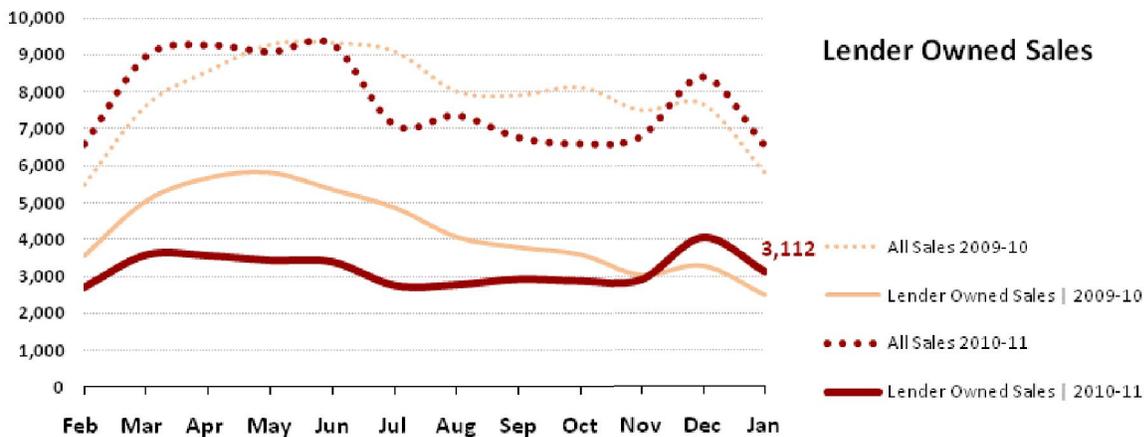
Foreclosures pending fell to 40,461 from the previous month's 41,485, continuing on a steady, fourteen month downward trend that marked its high point in November 2009 at 50,568, and ended this month 20% lower (a drop of 10,107). These levels though remain very high, and since they are not yet on the market, they are a reliable harbinger of continued downward pricing pressure well into the future. Foreclosures pending must wend their way through the system before they enter the marketplace and are absorbed as new sales.



Maricopa county only. Includes Residential, Land and Commercial. © 2010 Cromford Associates LLC

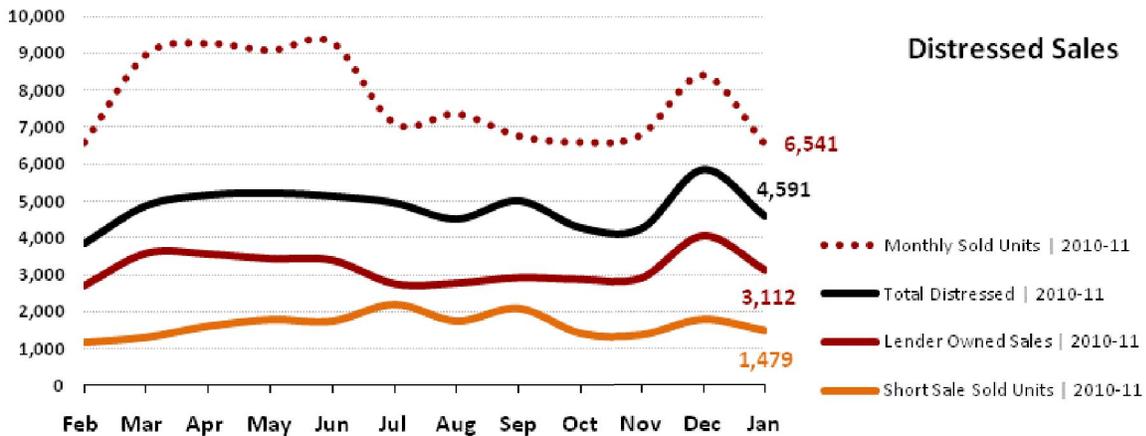
LENDER OWNED SALES

Lender owned sales fell 23.37% from December's 4,061 to January's 3,112. The current figure is in line with the twelve month average of 3,170. Lender Owned Sales in January accounted for 47.6% of total sales.



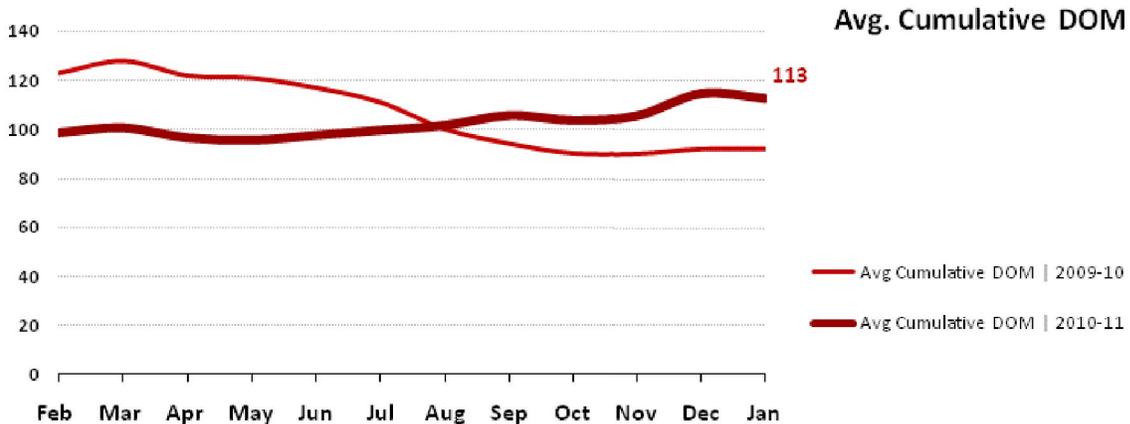
DISTRESSED SALES

Distressed sales are a composite of closed Short Sales and sales of Lender Own Properties. They exert a disproportionate pressure on the supply and demand balance and negatively affect average and median prices of both listings and sales. Of the 6,541 total sales in January, 70.2% (4,591) were distressed. Closed Short Sales of 1,479 accounted for 22.61% of total sales and 32.22% of all distressed sales, as Lender Owned Sales continued to dominate the market.



AVERAGE DAYS ON MARKET

Average Days on Market dropped two days from December's 115 days to 113 in January, making December and January the highest DOM in the last twelve months. Days on market will typically be lengthened in a Buyer's market, as the consequence of large inventory and a smaller Buyer pool.



COMMENTARY

The numbers for January are disappointing, yet they follow a very typical seasonal pattern: decrease in sales at the start of the year and increase in inventory as Sellers come back into the market after the holiday season. On the pricing front, the market seems to be engaged in the perfect storm: small Buyer pool, very large inventory, high foreclosures pending, and disproportionate percentage of distressed sales: all creating a greater Months Supply of Inventory and higher Days on Market. Like all storms there is no other strategy but to wait it out. The PPI shows that prices will continue flopping along the bottom, and the high numbers of foreclosures pending indicate that as the market glut of lender owned properties are sold, there will be plenty more to take their place, for some time into the future.

Accompanying the disproportionate percentage of distressed sales is the discomfoting reality that lenders, through their negotiation on short sales and liquidation of lender owned properties, exert undue influence on the Valley pricing. It is always an unhealthy phenomenon when any sector dominates a market, but 70.2% distressed sales is chronic pain and suffering. However, more short sale closings mean those properties don't go to foreclosure. That's good. More foreclosure sales means we are getting rid of them, albeit slowly. That's good. And the pending foreclosures are coming down which means fewer replacement lender owned listings. So an increase in the number of distressed sales may just be the medicine the market has to take for a while to help it on its way.

Many economic indicators evidence that recovery has started. On the national level, the U.S. Commerce Department released an advance estimate of gross domestic product (GDP) for the fourth quarter of 2010, indicating a 3.2 percent annual rate in the fourth quarter, up from a third quarter growth rate of 2.6 percent.* The Bureau of Labor Statistics reports the net change in unemployment in Q2 was 728,000, the first positive net employment change since the recession began in December 2007. In addition, the national unemployment rate fell by 0.4 percentage point to 9.4 percent in December. **

In Arizona, employment in most sector categories (manufacturing; wholesale and retail trade; transportation, warehousing and utilities; finance, insurance, real estate; professional and business services; education and health services; leisure and hospitality; non-farm) realized a month over month gain from November to December 2010. The Phoenix Metropolitan Area (Maricopa and Pinal Counties) mirrors the same pattern. ***

The essential ingredients to the Valley's real estate recovery have always been jobs and net migration. In Maricopa and Pinal counties, the December unemployment rate declined for the sixth month in a row to 8.41%, compared to the state rate of 9.14%. The decline, coupled with the employment growth in many sectors, is a healthy sign. Unfortunately, population increase from 2008 to 2009 was only .9%, and 2010 figures may be even lower, given the loss of residents due to immigration issues. *** A new resident considering a relocation to the Valley will look for affordable housing, financing and a job. The first two we have covered, and we are creeping in the right direction on the third.

* <http://www.commerce.gov/news/press-releases/2011/01/28/statement-us-commerce-secretary-gary-locke-advance-estimate-gdp-fourth>

** <http://www.bls.gov/bls/newsrels.htm#major>

*** EBR Database Online