

# MARCH 2019

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

Hi! How was your February? I know I should have little to no winter complaints compared to most of the country, but it was a cold (for us desert dwellers) and wet, even snowy, month in Phoenix. Thankfully, the 70's have made their return. Good reasons to enjoy The Valley and Spring Baseball. We should be in for an amazing show of desert flowers this year. Here's hoping you'll get to experience that amazing sight this or some year soon.

Time to share some thoughts to answer the question I hear most. "How's the market?" Interesting is my usual one word answer. We continue to see a slightly cooler (most other parts of the country wish their real estate market were even close to this active) than last year's Buyer activity. Sales are down about 10% from a year ago. Remember last year was one of the biggest sales years in history. The available inventory is up a little, but still well below 'average'. As expected, good, clean, nicely updated homes that are priced to the market generally sell rather quickly. Those that are priced above market, especially if they don't have that Buyer preferred 'freshly updated' look will have difficulty finding a Buyer until their price is corrected to a realistic market level. While the pool of active Buyer's is a bit smaller than in the past year, it is still a market that slightly favors Sellers. Multiple offers on attractive properties still happen often. The best advice for potential Buyers is to be (Lender PreApproval is a must) ready to make an offer quickly when you find a property to your liking. Also, consider making your 'best' offer first if you really want the property. Freddie Mac announced around mid-February that interest rates for 30-year fixed rate mortgages reached their lowest rate in a year! Gone are the days of the 3's, but current rates at about 4.5% still represent a very good long term rate. The greater Phoenix area continues to see nearly 10,000 new residents a month, many from CA. That population growth will continue to see home prices stay steady or rise slightly. It remains a good time, albeit more expensive than in the past, to be a home Seller or Buyer in The Valley.

February proved to be a busy and rewarding month. We accepted a near list price on Arvind's N Phoenix condo. We also found a nice new home in Mesa for Mel. Hopefully both will finalize this month. I'm hopeful we'll find the right 'new' property for Julie, David, Nate & Jane as well as Matthew, in the next few months. I look forward to meeting with Betsy later this month to discuss the thought of selling her Mesa investment property. Sounds like I'm busy, right? Thankfully, yes, but I'm never too busy to go to work for you or that family member, neighbor /co-worker or friend you know who might be thinking of Buying or Selling a home in The Valley. When you hear of someone thinking of buying or selling a home, please mention my name to them. I truly appreciate when you refer a potential client to me. I promise that they will receive my best personal and professional service.

**Regards,**

*JS Gerber 3/02/2019*

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*Real Estate For Today*



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# January 2019

## Arizona Regional MLS

**New Listings** **10,277**

↑ **78.1%** from Dec 2018: **5,771**  
 ↑ **2.5%** from Jan 2018: **10,025**

YTD	2019	2018	+/-
	<b>10,277</b>	<b>10,025</b>	2.5%

5-year Jan average: **10,065**

**New Contracts** **8,792**

↑ **47.0%** from Dec 2018: **5,981**  
 ↓ **-8.3%** from Jan 2018: **9,593**

YTD	2019	2018	+/-
	<b>8,792</b>	<b>9,593</b>	-8.3%

5-year Jan average: **8,655**

**Closed Sales** **5,342**

↓ **-16.0%** from Dec 2018: **6,357**  
 ↓ **-11.3%** from Jan 2018: **6,024**

YTD	2019	2018	+/-
	<b>5,342</b>	<b>6,024</b>	-11.3%

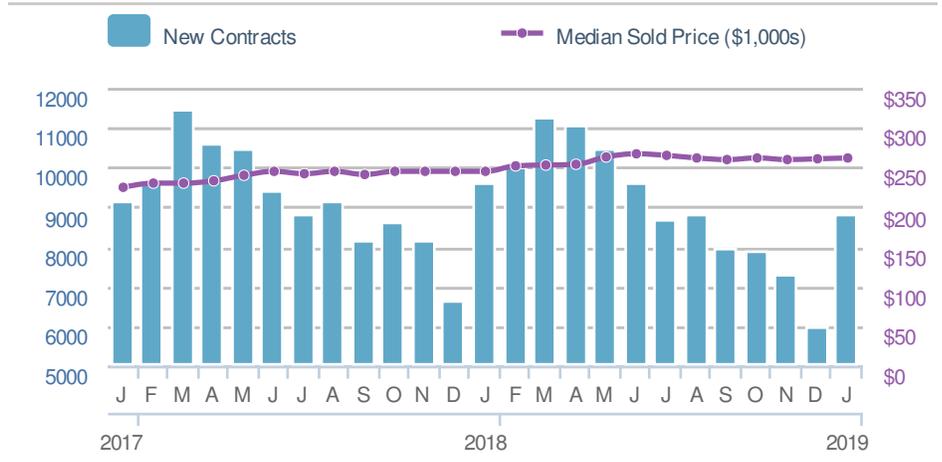
5-year Jan average: **5,403**

**Median Sold Price** **\$262,368**

↑ **0.5%** from Dec 2018: **\$261,000**  
 ↑ **7.1%** from Jan 2018: **\$245,000**

YTD	2019	2018	+/-
	<b>\$262,368</b>	<b>\$245,000</b>	7.1%

5-year Jan average: **\$227,564**



**Active Listings** **17,725**

Min 15,959 | Max 22,711 | 5-year Jan average 19,154

Dec 2018	Jan 2018	YTD
<b>16,623</b>	<b>15,959</b>	<b>17,725</b>

**Avg DOM** **70**

Min 70 | Max 95 | 5-year Jan average 79

Dec 2018	Jan 2018	YTD
<b>66</b>	<b>74</b>	<b>70</b>

**Avg Sold to OLP Ratio** **96.2%**

Min 94.4% | Max 96.3% | 5-year Jan average 95.7%

Dec 2018	Jan 2018	YTD
<b>96.5%</b>	<b>96.3%</b>	<b>96.2%</b>



Jeff Gerber, ABR, GRI,  
SRES

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## Health & Safety

### Three Habits of Mentally Resilient People

**Y**ou know the old adage: "When the going gets tough, the tough get going." Learn to become one of the tough and get going through any challenging life situation!

**Let go of negativity.** Dealing with difficult people or toxic situations can be an exhausting struggle for anyone. Mentally tough people don't let outside forces bring them down. Identify your emotions in the face of chaos, and approach the situation calmly and rationally. Don't let frustration dictate your response.



**Don't be afraid to say no.** The ability to say no is an important part of a healthy life—it validates your self-esteem and honors your true feelings. A research study from the University of California found that the more difficulty you have saying no, the more likely you are to experience burnout, stress, and anxiety in your daily life. Practice consciously asking yourself "Do I really want to do this?" before agreeing to a request.

**Embrace change.** Change is hard. We prefer to stay in our comfort zone, but stepping out of it can lead to opportunities for growth and learning. Emotionally resilient people consistently work to embrace change in all aspects of their lives. Through change, they become stronger and more capable.

## Helpful Hints

### Be a Better Listener

**G**ood listening skills are vital for healthy communication. Use the following tips to engage with your conversation partner during your next chat.

**Relax** – A few minutes of controlled breathing before you start a meaningful conversation helps create the ideal mental state for listening. When you focus your attention on building genuine connections, you open the door to improved dialogue.

**Ask Questions** – An interactive listening style will help you feel more engaged and facilitate stronger relationships. When you ask questions, it reinforces your understanding of others' needs and demonstrates that you have their best interests at heart.

**Be Mindful** – When your mind wanders, you could miss information that might help you communicate better. Keep your mind free to remain fully present in conversations with others.

These skills take time to develop, and it may be hard to let others do the talking—but doing so may help you build more solid relationships.



## Savor the Flavor

## Vegetarian Chili

<b>2 Tbsp olive oil</b>	<b>4 cups vegetable broth</b>
<b>1 yellow onion</b>	<b>2 cups black beans, drained</b>
<b>1 red bell pepper</b>	<b>1 cup kidney beans, drained</b>
<b>1 yellow bell pepper</b>	<b>1 cup white beans, drained</b>
<b>1 jalapeno</b>	<b>1 Tbsp hot sauce, optional</b>
<b>4 garlic cloves, minced</b>	<b>Salt and pepper, to taste</b>
<b>2 Tbsp chili powder, or more to taste</b>	<b>Shredded cheese</b>
<b>2 Tbsp Mexican oregano</b>	<b>Tortilla chips</b>
<b>1 tsp cumin</b>	
<b>1 tsp salt</b>	
<b>4 cups tomatoes, diced</b>	

Chop onions and peppers into similar sized pieces.

Heat olive oil in a large pot until shimmering. Sauté onion, peppers, and garlic until softened.

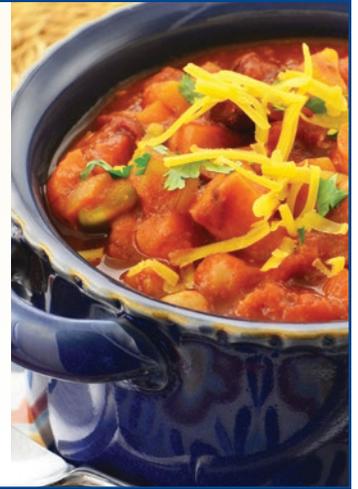
Add spices and cook until fragrant, about a minute.

Add diced tomatoes, vegetable broth, and beans. Stir to combine and bring to a simmer.

Cook on low heat for 30 minutes, stirring occasionally.

Remove from heat. Add hot sauce, additional salt, and pepper to taste.

Serve warm and garnish with shredded cheese and chips.



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## Household Tips

### Garbage Disposal Cleaning and Maintenance

**U**se the following maintenance schedule to keep your garbage disposal running smoothly throughout the year.

**Weekly:** Cut several lemon or orange rinds into small pieces and grind to help eliminate odors.

**Monthly:** Clean all visible parts of your garbage disposal with a sponge, warm water, and dish soap. Fill sink half-way with water and a tablespoon or two of vinegar. Open the drain and turn on the disposal to flush out any debris. Run cold water while grinding 2-3 cups of ice and one cup of rock salt, followed by a cut-up lemon. The coarse texture of the ice and salt helps keep the blades sharp, while the lemon keeps your disposal clean and odor-free.

**Quarterly:** Inspect and tighten disposal drain connections and fasteners.

#### General Tips:

- Always run water during use and for 10-20 seconds after grinding is finished to help prevent stoppages.
- Run disposal regularly to prevent corrosion or rust.
- Don't put potatoes, carrot peels, and other stringy or fibrous vegetables down the disposal.
- Always unplug the unit to clear a jam and use tongs or pliers (never hands!) to remove debris.

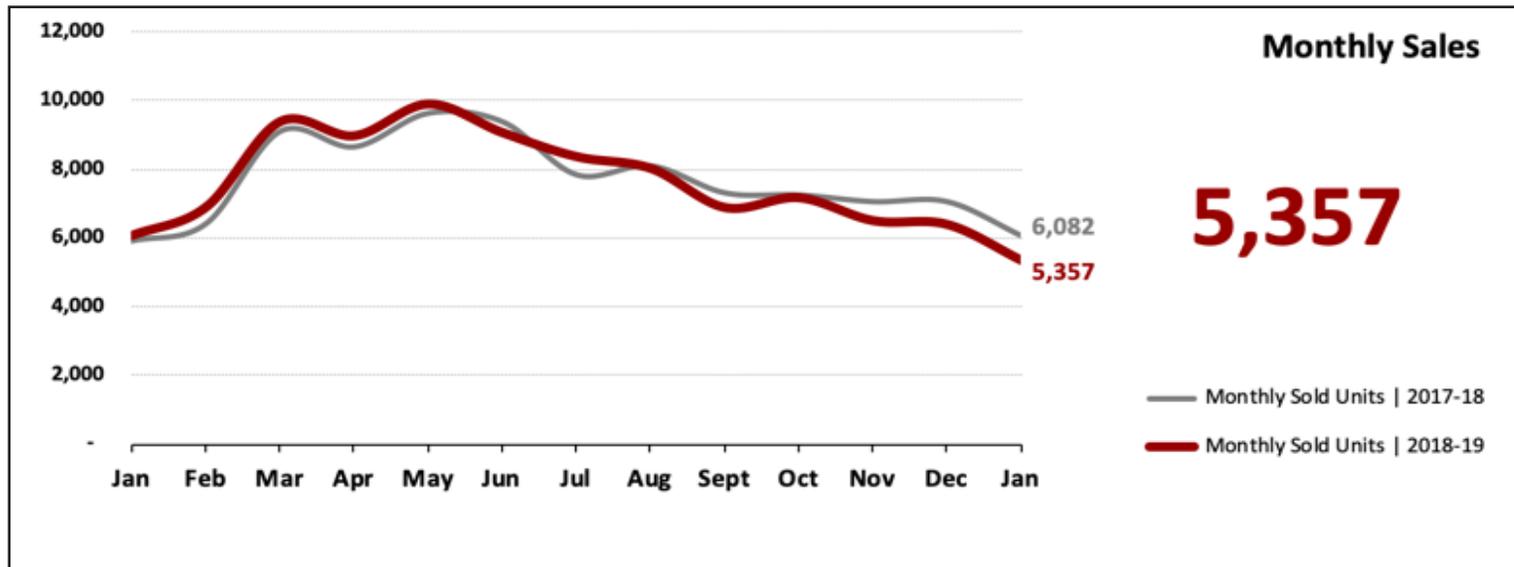


# STAT

## Your Monthly Statistics for the Phoenix Metro Area



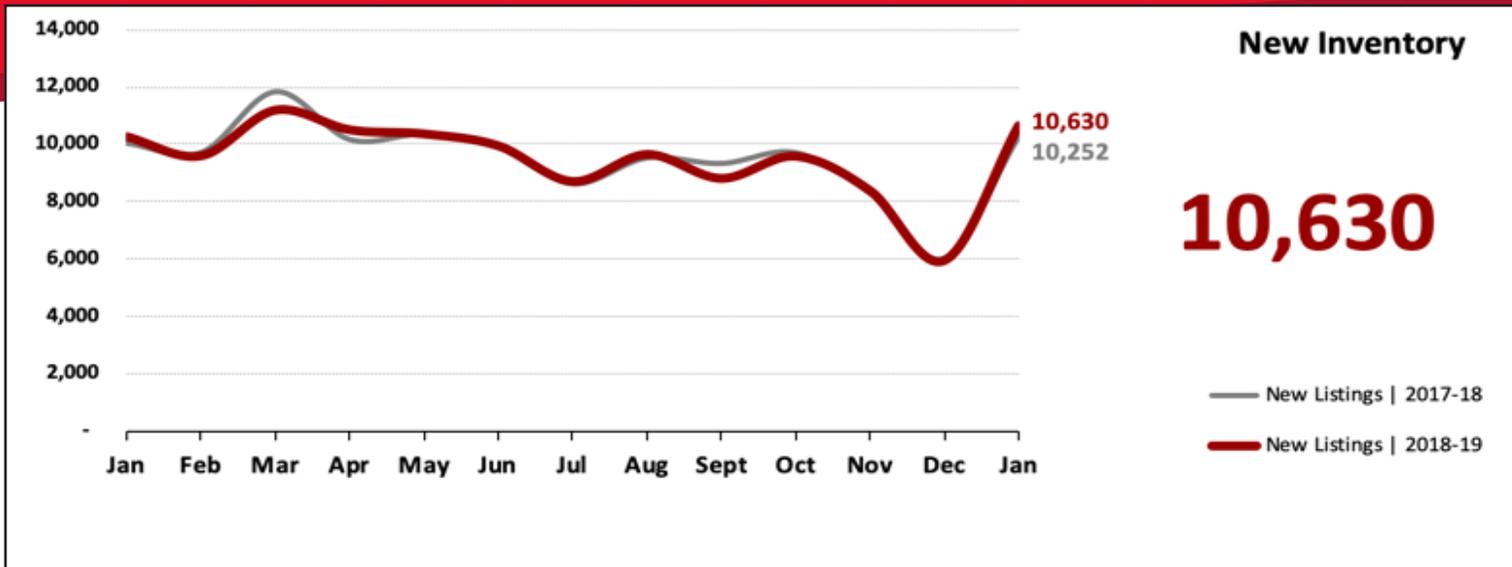
**DATA FOR JANUARY 2019** - Published February 19, 2019



Sales are down -16.3% month-over-month. The year-over-year comparison is down -11.9%.

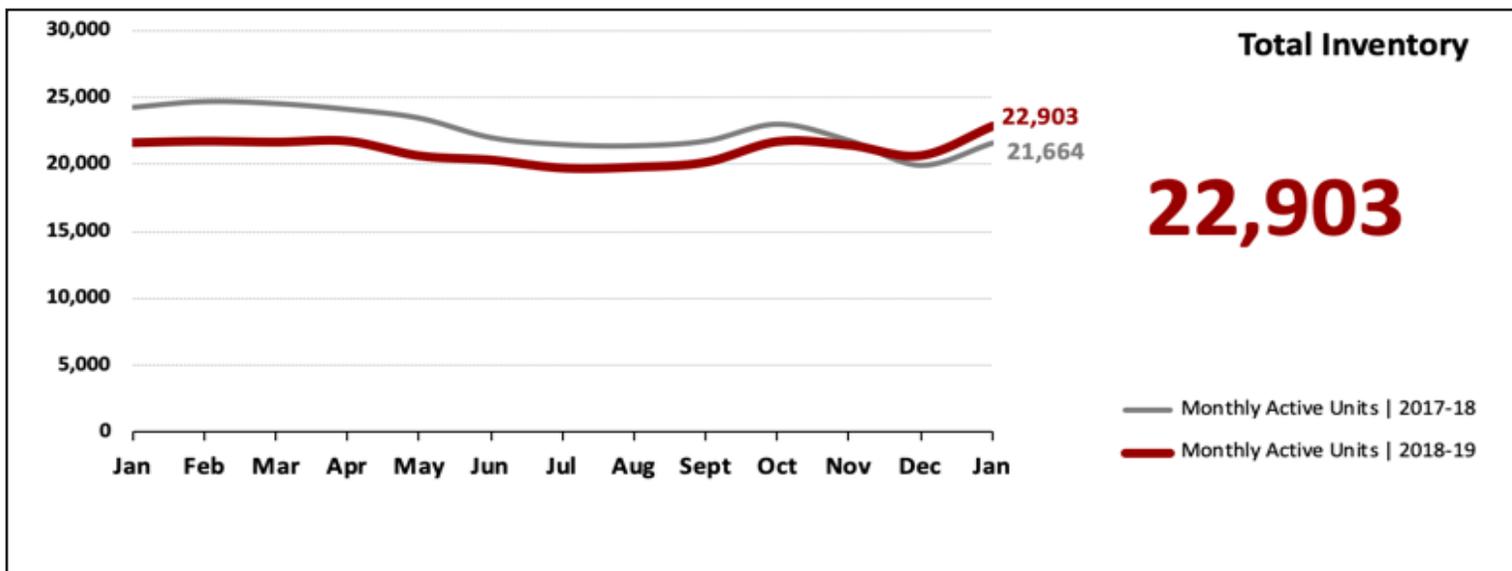
**5,357**

Closed MLS sales with a close of escrow date from 1/1/2019 to 1/31/2019, 0 day DOM sales removed



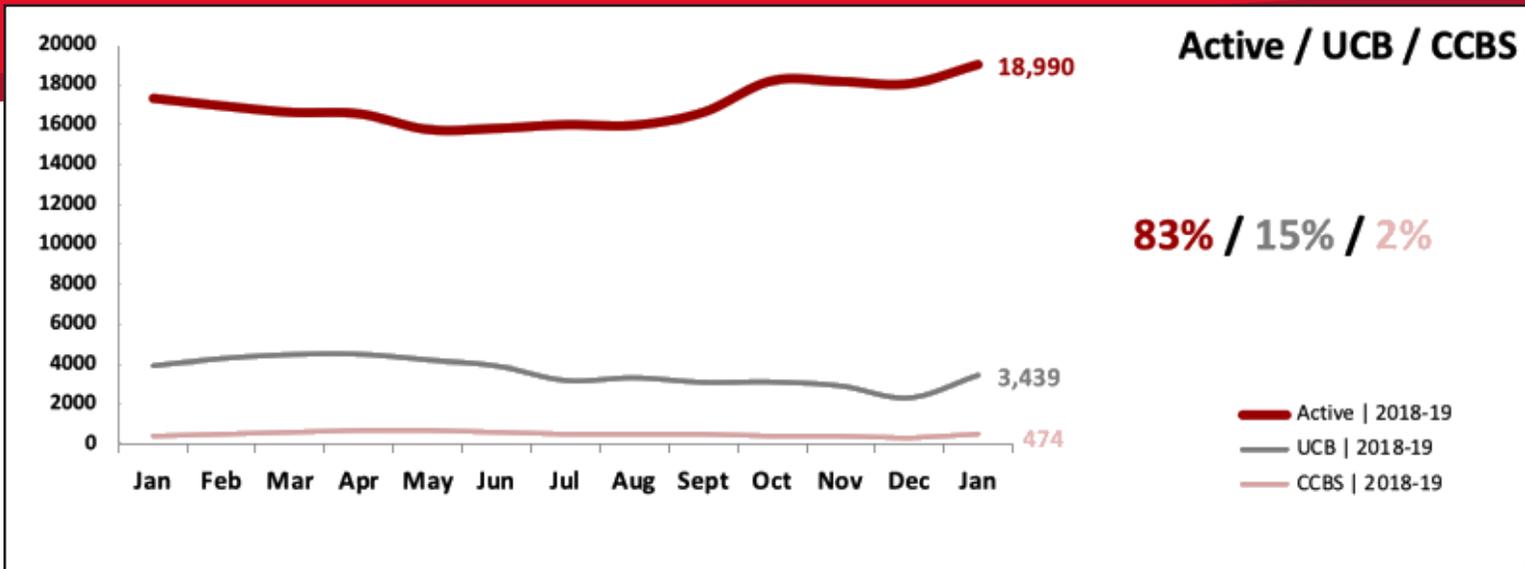
New inventory is up +78.0% month-over-month while the year-over-year comparison increased by +3.7%.

New MLS listings that were active for at least one day from 1/1/2019 to 1/31/2019, 0 day DOM sales removed



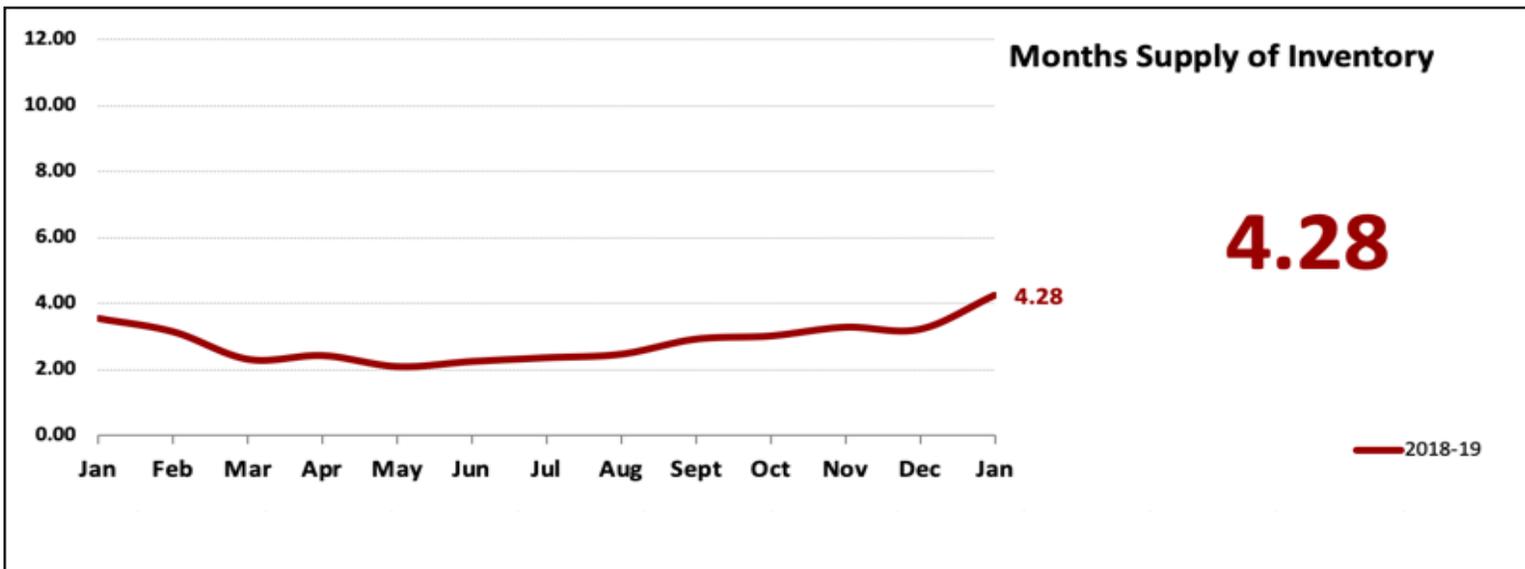
Total inventory has a month-over-month increase of +10.7% while year-over-year reflects an increase of +5.7%.

Snapshot of statuses on 1/31/2019



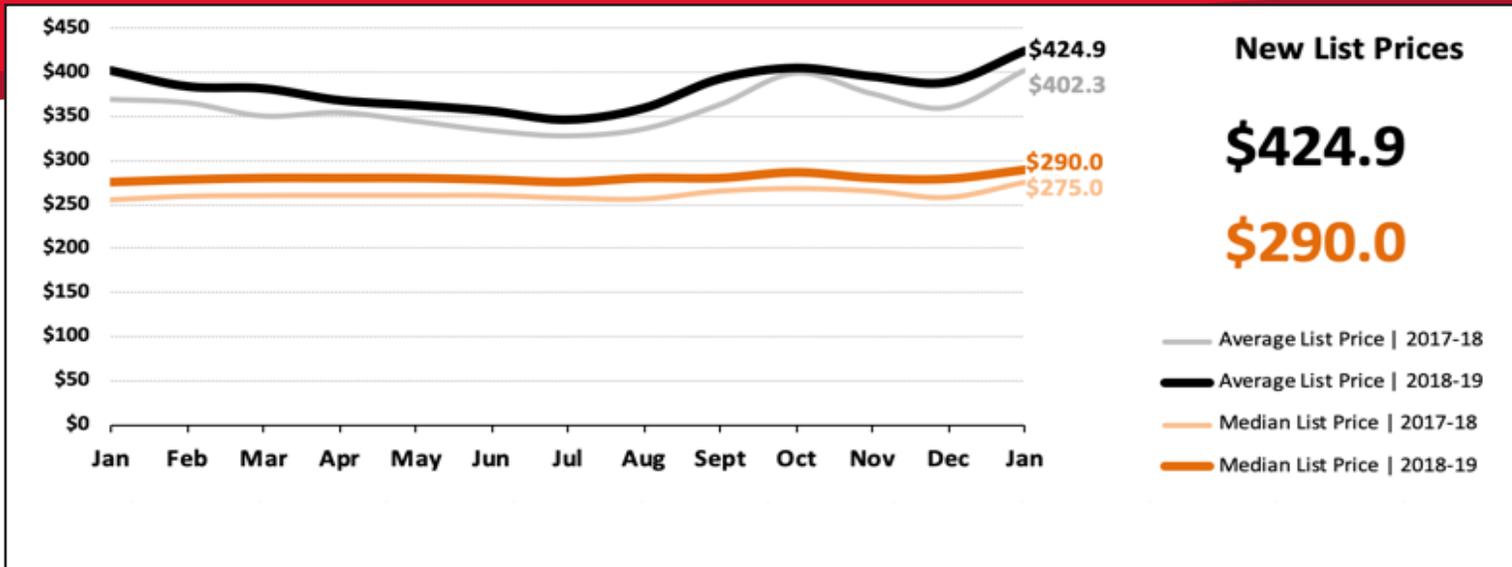
January UCB listings percent of total inventory was 15.0% with January CCBS listings at 2.1% of total inventory.

Snapshot of statuses on 1/31/2019



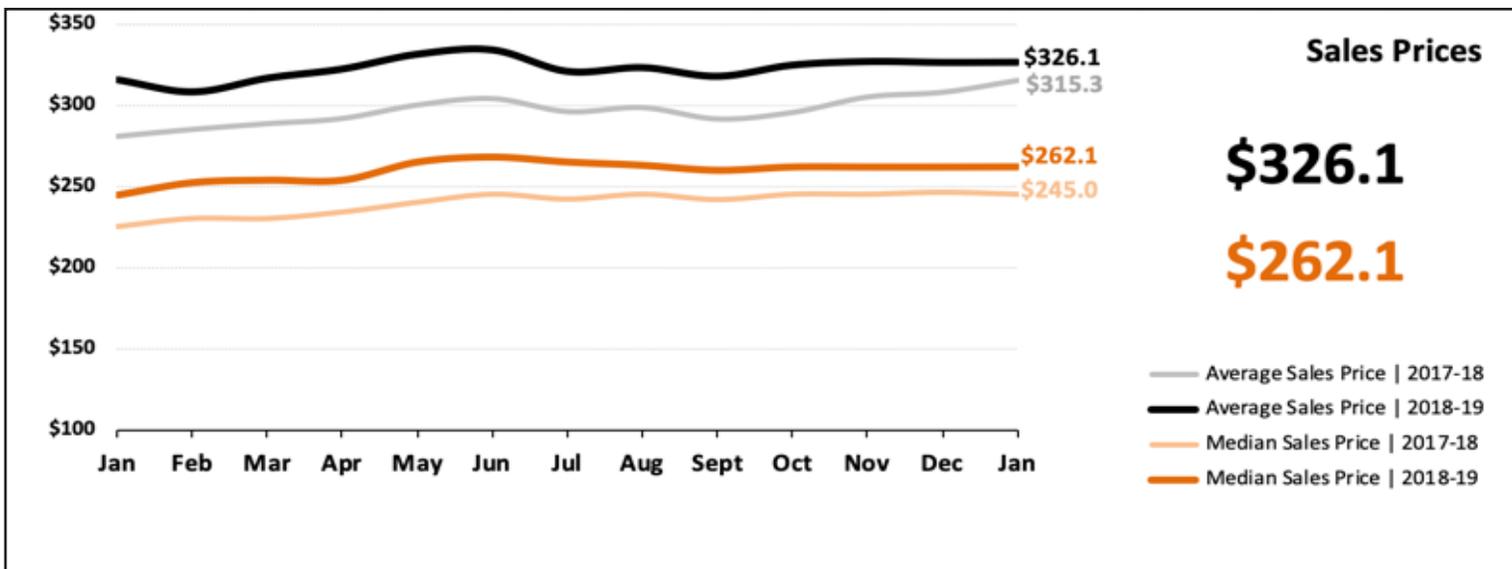
Months supply of inventory for December was 3.23 with January at 4.28.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of JANUARY 2019, 0 day DOM sales removed



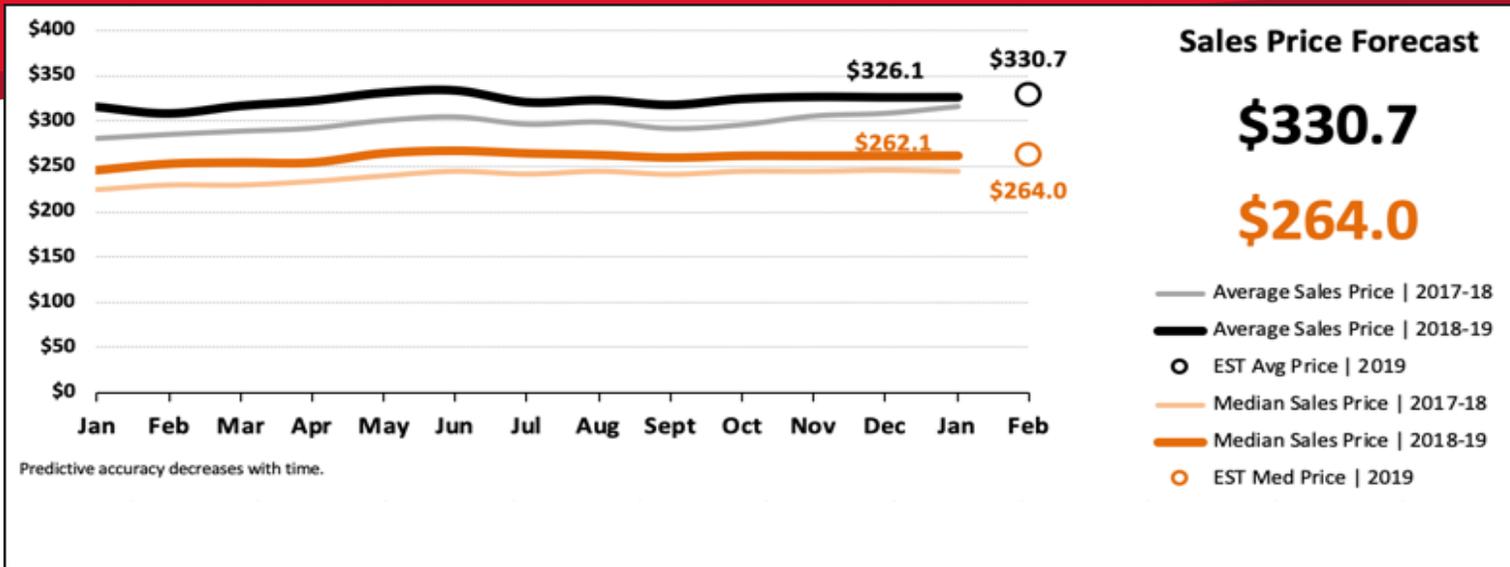
Average new list prices are up +5.6% year-over-year. The year-over-year median is up +5.5%.

List prices of new listings with list dates from 1/1/2019 to 1/31/2019, 0 day DOM sales removed



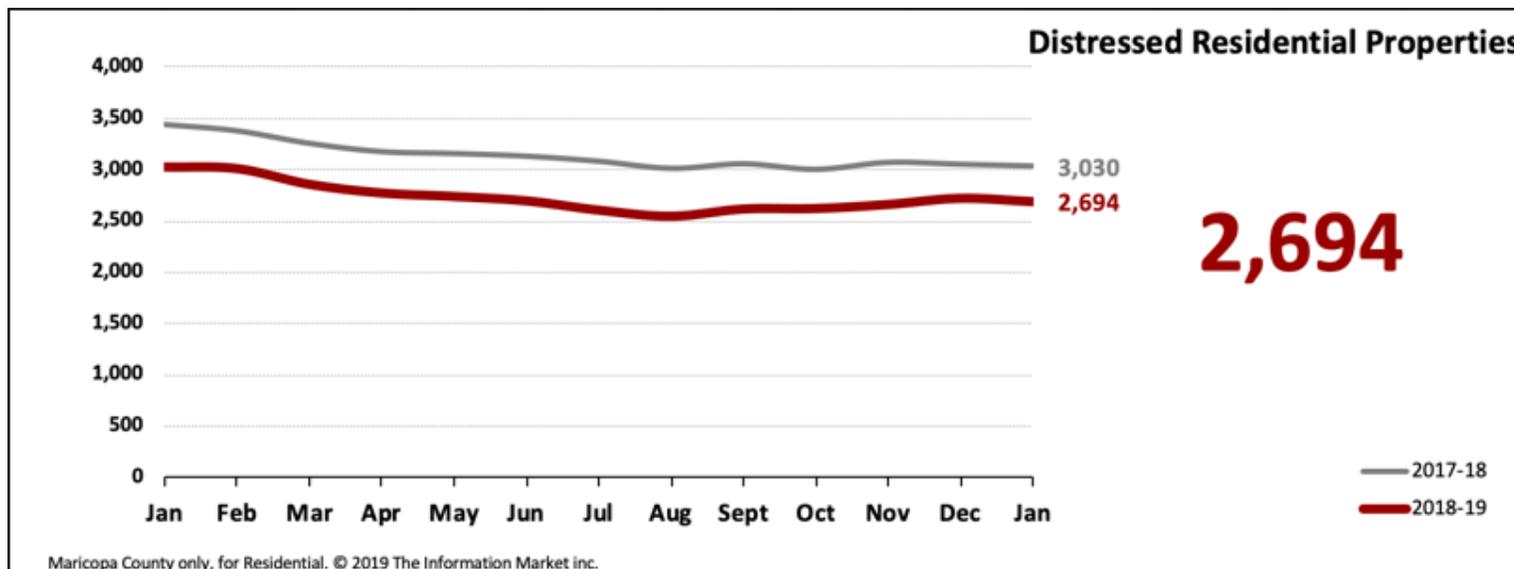
The average sales price is up +3.4% year-over-year while the year-over-year median sales price is also up +7.0%.

MLS sales prices for closed listings with a close of escrow date from 1/1/2019 to 1/31/2019, 0 day DOM sales removed



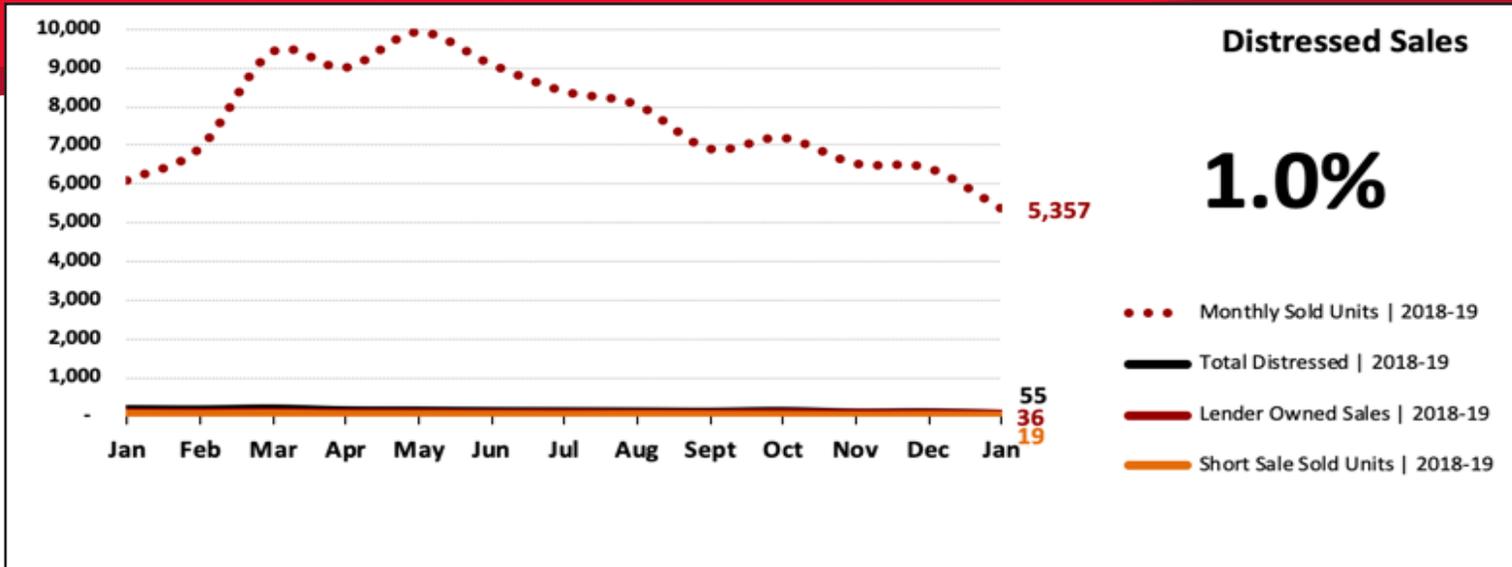
A slight increase is forecasted in February for both average and median sales prices.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



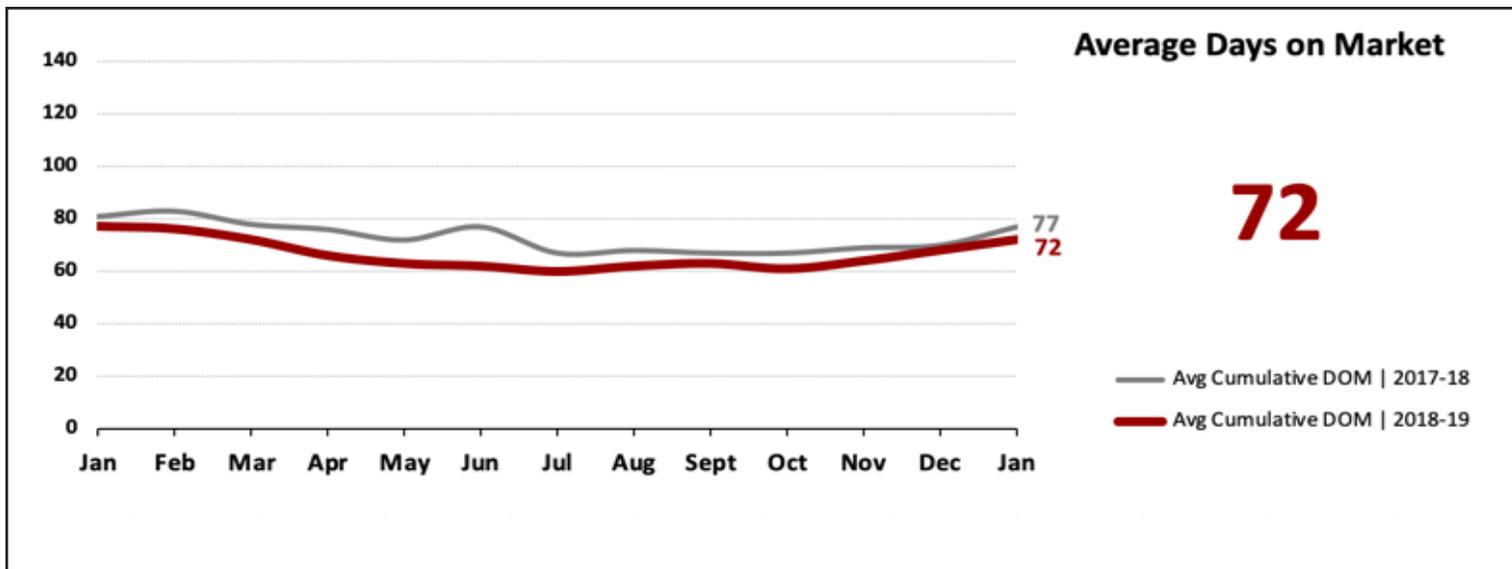
Foreclosures pending month-over-month showed a decrease of -1.2% while the year-over-year figure was down -11.1%.

Snapshot of public records data on 1/31/2019 active residential notices and residential REO properties. Note: this graph was adjusted as total foreclosure counts were under reported for the last 4 months.



Distressed sales accounted for 1.0% of total sales, down from the previous month of 1.3%. Short sales dropped -66.1% year-over-year. Lender owned sales dropped -64.4% year-over-year.

New MLS listings that were active for at least one day from 1/1/2019 to 1/31/2019, 0 day DOM sales removed

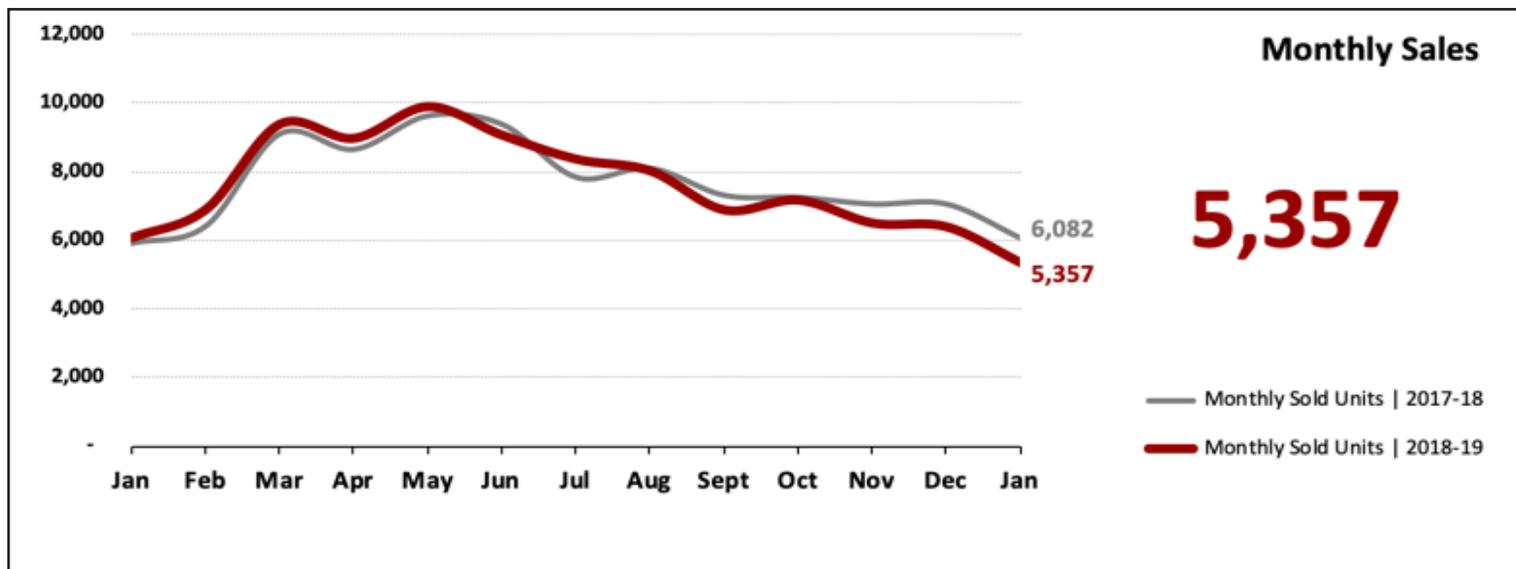


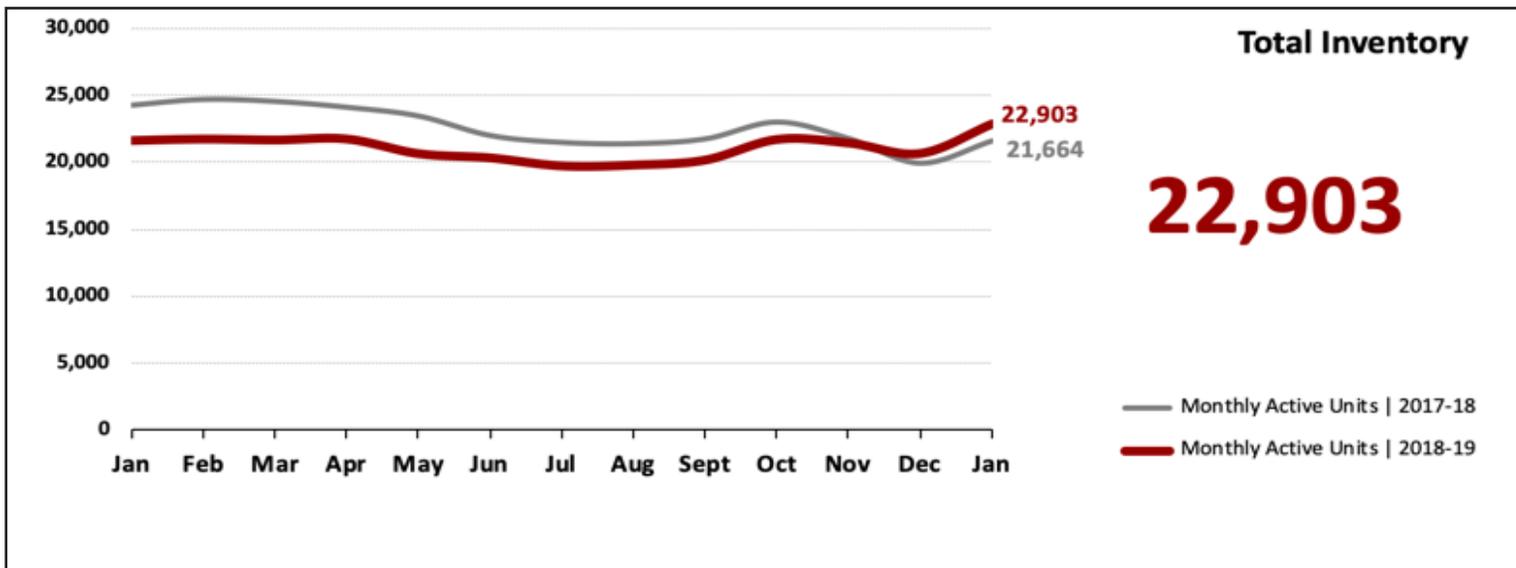
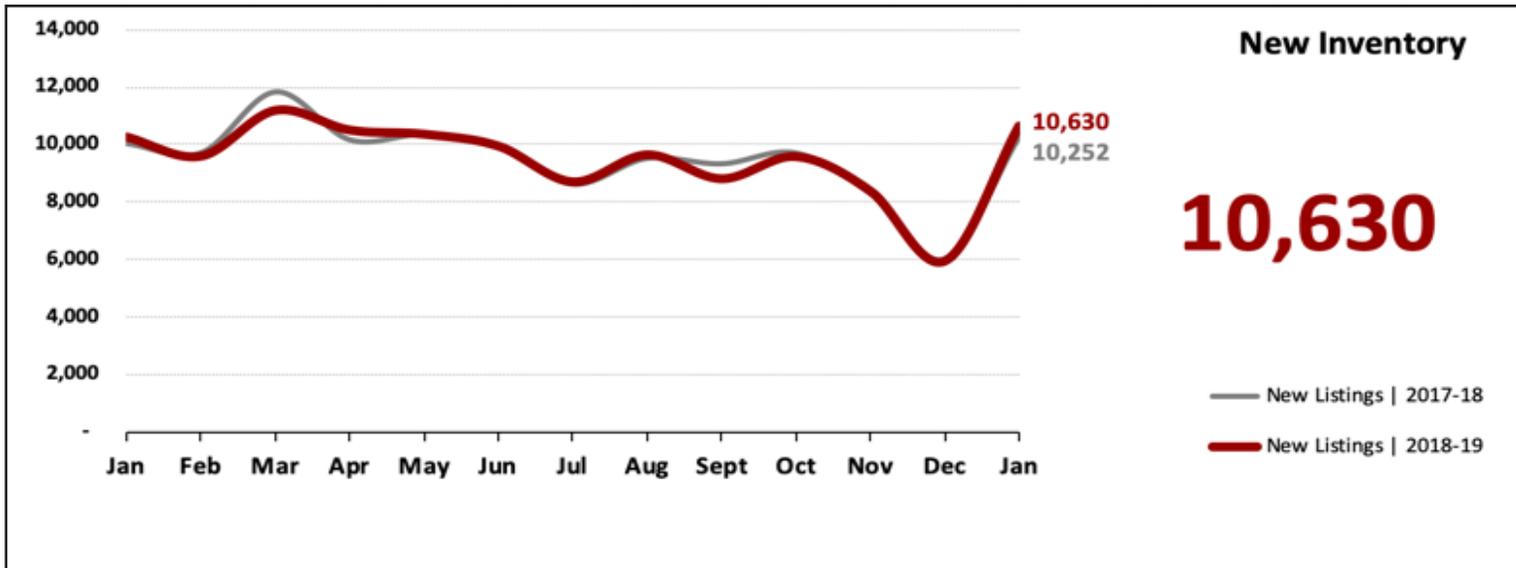
Days on market were down -5 days year-over-year while month-over-month increased by +4 days.

MLS sales prices for closed listings with a close of escrow date from 1/1/2019 to 1/31/2019, 0 day DOM sales removed

**COMMENTARY** by Tom Ruff

January numbers are in the book and we're off to a roaring mediocre start. If we put it in terms of teams in the NFL, January would be the Tennessee Titans. Not good, not bad, just slightly above average. Of the 19 years ARMLS has been reporting sales data, this January ranked third in terms of sales volume. Year-over-year sales were down 11.9%, new listing we're up 3.7% and total inventory numbers rose 5.7%.





The decline in year-over-year sales volume began in October as interest rates rose. Adding angst to the problem, employees saw their 401(k)s shrink as the Dow Jones Industrial and the S&P 500 indexes fell 18.8% and 19.6% respectively between the first of October and Christmas Eve. Attempting to soothe nerves, the federal government shutdown from December 22 thru January 25. Happy Holidays everyone!

We start our selling season with far less optimism than last year, although the current news has been much better. On Valentine's Day Freddie Mac reported the following:

### "Fixed-Rate Mortgages Reach 12-Month Low"

*"The combination of cooling inflation and slower global economic growth led mortgage rates to drift down to the lowest levels in a year. While housing activity has clearly softened over the last nine months and the lingering effects of higher rates from last year are still being felt, lower mortgage rates and a strong job market should rekindle demand for the spring homebuying season."*

## Primary Mortgage Market Survey®

U.S. weekly averages as of 02/14/2019

### 30-Yr FRM

**4.37%** | ▼0.04 1-Wk  
▼0.01 1-Yr

**0.4 Fees/Points**

### 15-Yr FRM

**3.81%** | ▼0.03 1-Wk  
▼0.03 1-Yr

**0.4 Fees/Points**

### 5/1-Yr ARM

**3.88%** | ▼0.03 1-Wk  
▲0.25 1-Yr

**0.3 Fees/Points**

This leaves current interest rates at almost the exact same place as 2018 as we enter the homebuying season. Last February, Freddie Mac reported a 30-year FRM of 4.33%. The most recent peak was reported in November at 4.87%. As for the stock market, the Dow Jones Index and S&P 500 index have regained the largest percentage of their losses, now only 5.1% and 6.1% below their October highs. As we always state, March is usually the [bellwether month for home sales](#). We'll have a better idea of what to expect for the year in early April.

### **Should I wait until the housing market crashes before buying?**

In just the last two weeks, I've heard this from two different agents, both frustrated and perturbed by this comment. The question is obviously being tossed around. In a recent MarketWatch article entitled, "[Want to buy a home? You might want to wait](#)," the author's conclusion appeared in the opening statement, "*Home buyers who exercise patience over the next couple of years may be handsomely rewarded.*" This conclusion was drawn from a Zillow and research firm Pulsenomics study where, "*In a survey of 100 real-estate economists and experts a 43% plurality said they believe the U.S. housing market will become a buyer's market in 2020.*"

This is the type of insanity that comes from an "*informed*" consumer. Real estate investing is not for amateurs and the average homebuyer should not be trying to "*time the market*". Not even a professional investor tries to do that. They buy the value. Regardless, the true purpose of a home is shelter, a place to live, a place to share with friends, a place to raise a family. History shows a home purchase is the largest and best investment most individuals make in their lives. Equity gains are the icing on the cake for owning a home. The questions prospective buyers should really be asking are: Do I like/love the house? Does it meet my/our needs? Can I see me/us living in the house for several years? And finally, and most importantly, can I/we afford it?

## Current Health of our Market

In a previous life I made home loans. Maybe that's why when I look at the overall health of our market, I always look at what's going on in the mortgage market first, from underwriting to delinquency rates to foreclosures. We've had strong underwriting principles for many years now. You might hear of loan requirements softening but that simply means an average FICO score moving from 730 to 726 and a debt-to-income ratio moving a percentage point or two. The greatest type of loans being made are conventional, which require a 20% down payment. Delinquency rates have declined year-over-year across the board, with 30, 60, and 90-day delinquencies all improving. Put in an historical perspective, they're great. CoreLogic's chief economist, Dr. Frank Norhaft said, *"Solid income growth, a record amount of home equity and an absence of high-risk loan products put the U.S. homeowner on solid ground. All of this has helped push delinquency and foreclosure rates to the lowest levels in almost two decades and will provide a cushion if the housing market should turn down."*

Foreclosures are the tricky metric to interpret, as an extremely low foreclosure rate can signal an extremely unhealthy market. To see this, we need to look no further back than 2006 when foreclosures were at a historical low. Rapid appreciation can cover up a bad loan for a while, but not forever. As Warren Buffett would say, *"You only see who's swimming naked when the tide goes out."*

We had 300,000 bad loans that ended in either a short sale or foreclosure that were made while the bubble was forming. Today, the number of properties in foreclosure and the number properties being foreclosed are extremely low. While the appreciation we've seen the past five plus years is part of the reason, the real reason centers on the strong underwriting environment in which these loans were written.

Our persistently low inventory numbers have led to an appreciation rate greater than the rise in wages. This leads me to my biggest concern in our market affordability.

I'd like to see appreciation rates in line with inflation, but hey, we're Phoenix. And as the spreadsheet below shows, I don't think we really know what "normal" appreciation really means.

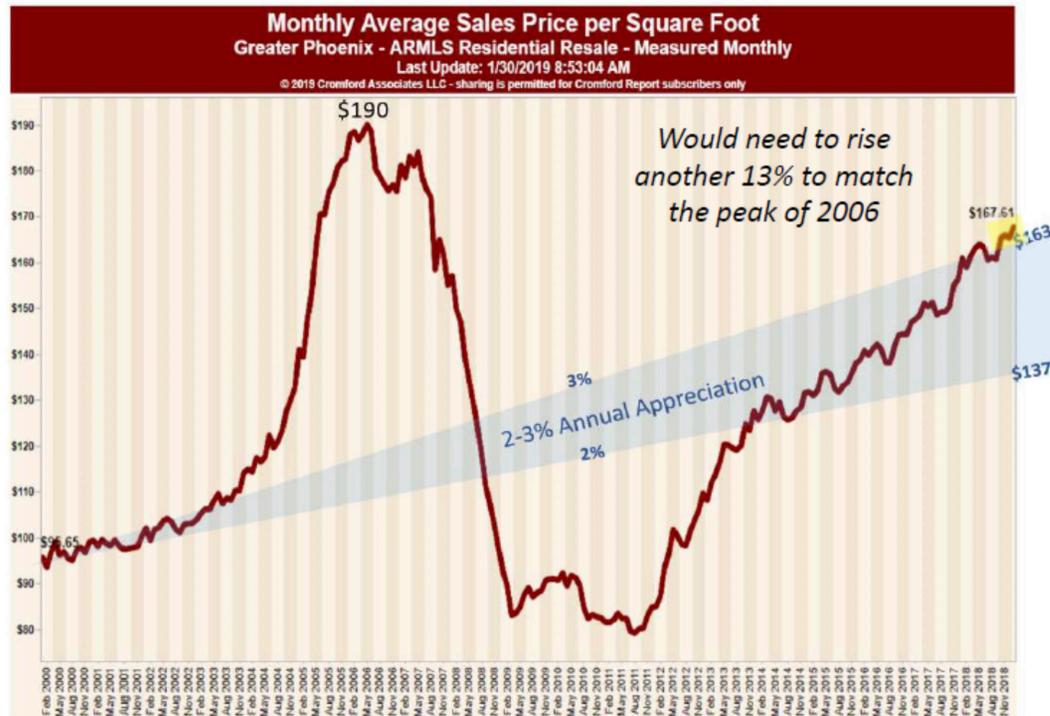
### Median Resale Price Via TIM Public Records Data

All	Resale Median						
	Date	Resale Count	Low Qtr	Low Qtr Prev YearΔ	Middle	Middle Prev YearΔ	High Qtr
199901	4,255	\$ 82,000	0.00%	\$ 110,900	0.00%	\$ 156,000	0.00%
200001	4,112	\$ 85,000	3.66%	\$ 117,000	5.50%	\$ 163,500	4.81%
200101	4,291	\$ 93,000	9.41%	\$ 124,500	6.41%	\$ 170,000	3.98%
200201	4,965	\$ 100,750	8.33%	\$ 132,000	6.02%	\$ 183,000	7.65%
200301	5,540	\$ 110,000	9.18%	\$ 142,000	7.58%	\$ 202,450	10.63%
200401	5,807	\$ 116,500	5.91%	\$ 150,000	5.63%	\$ 215,000	6.20%
200501	8,071	\$ 139,000	19.31%	\$ 185,000	23.33%	\$ 270,000	25.58%
200601	6,945	\$ 185,000	33.09%	\$ 247,000	33.51%	\$ 345,000	27.78%
200701	5,346	\$ 197,000	6.49%	\$ 245,950	-0.43%	\$ 358,500	3.91%
200801	3,046	\$ 169,950	-13.73%	\$ 225,000	-8.52%	\$ 338,000	-5.72%
200901	4,238	\$ 78,000	-54.10%	\$ 135,000	-40.00%	\$ 216,000	-36.09%
201001	5,152	\$ 79,250	1.60%	\$ 127,000	-5.93%	\$ 206,950	-4.19%
201101	5,846	\$ 66,700	-15.84%	\$ 115,000	-9.45%	\$ 189,900	-8.24%
201201	5,926	\$ 72,920	9.33%	\$ 121,500	5.65%	\$ 192,000	1.11%
201301	5,715	\$ 104,900	43.86%	\$ 156,900	29.14%	\$ 250,000	30.21%
201401	4,962	\$ 127,000	21.07%	\$ 182,000	16.00%	\$ 279,900	11.96%
201501	4,813	\$ 133,000	4.72%	\$ 194,000	6.59%	\$ 295,000	5.39%
201601	5,405	\$ 153,000	15.04%	\$ 212,000	9.28%	\$ 302,500	2.54%
201701	6,362	\$ 164,900	7.78%	\$ 223,000	5.19%	\$ 312,000	3.14%
201801	6,602	\$ 181,000	9.76%	\$ 240,000	7.62%	\$ 332,375	6.53%
201901	5,954	\$ 200,000	10.50%	\$ 258,900	7.88%	\$ 352,750	6.13%

The Cromford Report was generous enough to provide us with two charts on affordability. The first chart shows the average monthly sales price per square foot over time, as well as the inflation rate over this same period. We would like to see home appreciation in line with inflation. The second chart is based on data from the National Association of Home Builders. The Housing Opportunity Index (HOI), defines the share of homes sold in our area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Both charts show the same thing, we are teetering on the outer edge of affordability.



## Affordability



# AFFORDABILITY

Phoenix Metropolitan Area - Home Opportunity Index (HOI)  
Measuring Affordability | 1991 - 2018 | Updated through Q3 2018



Source: National Association of Home Builders/Wells Fargo (NAHB.org)

In January, Kiplinger published a report on the median price of a home in the top 100 U.S. metro areas. It also created an affordability index on a scale of 1 to 10. Their affordability index shows the relative affordability of cities (on a scale of 1 to 10, 1 being the most affordable and 10 being the least affordable). It's based on the percentage of annual income required to buy a median-priced home in each metro area in late 2018. Kiplinger showed Phoenix as having the 26th highest median sales price in the country and rated our affordability as a 7. Assuming 4 to 6 is normal, again, we're just above the normal range.

As a point of interest, I went back and looked at the out-of-state buyers in Maricopa County and where they came from as stated on the recorded affidavit of value. I removed investors, companies and corporate buyers and only looked at individuals (ex: single male, single female etc). I then combined our report with the Kiplinger data. This information is displayed in the table below. For example, San Diego was the city with the largest number of out-of-state homebuyers in our market. The median price home in San Diego was listed as \$545,000, which was the sixth highest price median in the country, which carries an affordability index of 10. Chicago and Minneapolis were the only two cities represented in our top 10 with a lower affordability index. Minneapolis is a cold weather city and Chicago is well, Chicago, and cold. I would like to see our home appreciation moderate and the charts fall back into the affordably range, but clearly, our market is attractive to our higher priced, less affordable neighbors.

## U.S. City / Median Sales Price Ranking / Affordability Score

- 1.) San Diego \$545,000 / 6th / 10
- 2.) San Jose \$1,100,000 / 1st / 10
- 3.) Seattle \$430,000 / 8th / 9
- 4.) Denver \$383,000 / 11th / 9
- 5.) Chicago \$215,000 / 41st / 4
- 6.) Las Vegas \$266,000 / 21st / 8
- 7.) Minneapolis \$252,000 / 27th / 5
- 8.) Portland \$370,000 / 14th / 9
- 9.) Littleton \$442,200 / 7th / 9
- 10.) Los Angeles \$634,000 / 3rd / 10

## Closing Thoughts

Finally, I'd like to share comments from a recent newsletter written by Brian Boero, a cutting-edge real estate technology consultant and author at 1000watt. Brian's lineage includes time with Inman News, and for those of you not familiar with Inman news, they pride themselves in promoting the "*disrupters*" in the real estate industry. For as long as I can remember, we've heard "*the next big idea*" that's going to disrupt the way real estate is bought and sold. Here are [Brian's predictions](#) for 2019:

*"I am reasonably confident that these things will happen this year:*

*Over 1 million Realtors will sell over 5 million homes.*

*The vast majority of these transactions will be done the "old-fashioned" way: commissions, co-brokerage, MLS.*

*The result will be tens of billions of dollars in fees for the real estate industry.*

*The competition, chaos, fear-mongering, self-diminishing pettiness and endless hand-wringing (no small amount of that last one done here) will intensify, but the outcomes that matter most won't change much*

*Why do I think this?*

*Well, first off, all the data, money and bravado in the world aren't going to decouple millions of interpersonal relationships between Realtors and their clients overnight. These are social-emotional bonds that aren't easily broken with clever advertising and an app.*

*Second, we Americans have a [peculiar relationship with property](#). Our homes are us, or who we want to be, and we don't take buying or selling them lightly.*

*These two things, in combination, have armored the real estate industry. One alone wouldn't be enough. Many of us had personal relationships with our stockbrokers, but that hundred shares of Coca-Cola wasn't an asset that defined us. We now trade online.*

*We did not have personal relationships with our taxi drivers. They didn't send us birthday cards, or come to our block parties. When something better came along we abandoned them without compunction, en masse.*

*Real estate agents reside in our world - our neighborhoods, our families, our social circles — in a way, and in numbers, that few service providers are.*

*So change is slow. Much slower than the funding announcements and hype glazed over our “industry” vision make it appear.”*

With that, get back to work, it's your busy season.

## The Pending Price Index

Last month in STAT, the mathematical model projected a median sales price for January of \$263,000. The January median was \$262,100. Looking ahead to February, the ARMLS Pending Price Index anticipates the median sales price will increase slightly, projecting a median sales price of \$264,000. Last month STAT projected 5,450 sales with actual sales reported 5,357.

We begin February with 5,334 pending contracts; 3,439 UCB listings and 474 CCBS giving us a total of 9,247 residential listings practically under contract. This compares to 10,696 of the same type of listings one year ago. The 2019 practically pending contracts are 13.5% lower than last year. There were 19 business days in February of 2018 as well as this year. ARMLS reported 6,911 sales in February of 2018, sales volume will be lower this year, I'm guessing 6,150.