

# MAY 2012

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

Spring is almost behind us and we look forward to sunny, fun filled, summer days. Have you thought about summer vacation plans yet? I hope they will include fun and weather that's cooler than we can expect here in The Valley. I'm looking forward to the 4th of July (hopefully on the water) in the cool UP of Michigan with friends I have not seen for a couple of years.

It's certainly interesting real estate times (when isn't it) in Phoenix. It has some of the feelings of 2005, though didn't we learn from those times? Properties listed for sale at \$250,000 and under are regularly seeing multiple CASH offers, appraisal contingency waived and usually from investor buyers. The disconcerting news of that is it makes it difficult for 'normal buyers' who will need a mortgage to finance their purchase left on the competition sidelines. What may Sellers are now realizing is that many of those investor offers (sight unseen, cash, no appraisal, etc) are making offers on multiple properties at a time and then choosing which one or two they will actually move forward with. That forces many Sellers to put their property back on the market 2, 3 even 4 times till they get a buyer who will actually perform. Many Sellers then learn that what they would like to sell their property for will be higher than the appraised value. Welcome to re-adjusted expectations! You'll get much more insight from Michael Orr's report on page 2. Other real estate news within the past month includes the US Census Bureau reporting that home ownership matches early 1997's low of 65.4%. Good news included Zillow predicting a 6.5% growth of home prices in the Phoenix market in 2013. The Case Shiller Index reports home prices up for 5 consecutive months in Phoenix. Mortgage interest rates for 15-year fixed hit an all-time low in mid April at 3.11%. 30-year fixed was at 3.88%. Speaking of mortgages, Costco announced a new full service mortgage lending program that customers can access online. Congrats to Gilbert..leading The Valley with 167 new homes sold in March and also being selected as the site for a new VA clinic (Val Vista & Pecos) to open in 2014 and employ nearly 75 people. There was potential good news for Bank of America mortgage holders who are looking to short sale their home. B of A says they will now address offers with all of the required info/docs within 20 days of submission. That would be a refreshing change from the accepted standard of 90 days or more.

If you know of anyone wanting to sell their home, I would appreciate the referral. I have a nice group of clients looking to purchase the 'right' property, but I've managed to sell all of my listed properties. I really do appreciate when you recommend me to a friend, co-worker or family member!

**Regards,**

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## **Phoenix-area housing update: Prices up, new-home sales coming back**

Posted: April 26, 2012

The latest report from Mike Orr at the W. P. Carey School of Business shows the median single-family-home price in the Phoenix area went up more than 20 percent in the last year.

Foreclosures are dramatically down in the Phoenix-area housing market. This means fewer cheap homes coming onto the market, prices rising for the sixth month in a row as a result, and many buyers finally starting to turn their attention from bargain resale homes to new-home sales. A new report from the W. P. Carey School of Business at Arizona State University reveals some trends for Maricopa and Pinal counties, as of March:

- The number of foreclosures completed this March was down a huge 60 percent from March 2011.
- The median single-family-home price went up more than 20 percent from last March.
- New-home sales rose 35 percent in the same time period.

Mike Orr, the report's author, says the home-buying season is in full swing and peak activity will last until June. The median single-family-home price in the Phoenix-area was \$134,900 in March. That's up 20.4 percent from a year ago when it was \$112,000. Realtors will note the average price per square-foot went up 14.4 percent.

"Prices have begun to rise at a fast pace, and bargains are no longer plentiful," says Orr, director of the Center for Real Estate Theory and Practice at the W. P. Carey School of Business. "Most homes that are priced well are attracting multiple offers within a couple of days, and many are exceeding the asking price."

Orr emphasizes there's been a dramatic change in the types of transactions happening in the market. Normal resales, new-home sales, investor flips and short sales are on the rise, while lender-owned home sales are down 61 percent from the year before.

Overall, the supply of single-family homes on the market (without an existing contract) went down 64 percent from March 2011 to March 2012. Orr estimates there is only a 23-day supply of homes priced under \$250,000 available and that the market is very unbalanced, with far more buyers than sellers. The existing supply is heavily weighted toward the higher-priced end of the market.

"The very low number of inexpensive homes available for resale means more buyers are considering purchasing new homes as an option," says Orr. "This signals the start of a distinct upward trend in new-home sales."

When it comes to resales, Orr says all-cash buyers are still receiving preference over those with offers that require some form of financing. That's because lenders need an appraisal, and appraisers are typically looking at months-old home sales for comparison. Those are priced well below the current market value.

"This puts ordinary home buyers at a severe disadvantage," explains Orr. "More than 26 percent of Phoenix-area transactions are investor purchases."

Orr's full report, including statistics, charts and a breakdown by different areas of the Valley, can be viewed at <http://wpcarey.asu.edu/finance/real-estate/upload/Full-Report-201204.pdf>. More analysis is also available from knowWPCarey, the business school's online resource and newsletter, at <http://knowwpcarey.com>.

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**Y**ou've weathered the winter months and summer is just around the bend. Call me today and find out why NOW is a perfect time to buy or sell a home!

**A**s a real estate professional, I know the stress 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 prevent 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 of my clients. Call me today for more information on how a home warranty can benefit you.

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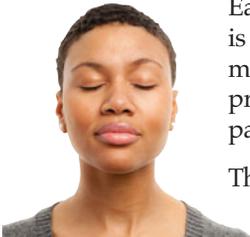
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## Health & Safety

### Meditation Made Easy

**T**he idea of meditation may conjure up images of bearded mystics tucked away in the Himalayas, but you don't have to go to such extremes to benefit from a little mindfulness training. Researchers at Harvard Medical School found that just five minutes of daily meditation can result in a stronger immune system, enhanced cognitive function, and lower blood-pressure.

If the word itself sounds intimidating, forget twisting yourself up like a pretzel in the perfect lotus position! Just find a quiet space, sit with your back straight and your eyes closed, and breathe. While there is nothing magical about breathing, it can be a useful focal point for your attention, because it's something we do all the time. Focusing on your breath takes you out of your head and into your body, and that's what meditation is all about — remaining alert and thinking about absolutely nothing.



Easier said than done in today's fast-paced world, but perfection is not the goal. In fact, perfection is impossible, because the mind always wanders. When it does, gently bring it back to the present, the way you would a meandering child who veers off-path from time to time.

The result? A smarter, healthier, more efficient, and happier you!

## Helpful Hints

### Family Vacations That Won't Break the Bank

**W**e'd all love to see the wonders of the world, but Stonehenge has lasted more than 4,000 years and the Great Pyramids can wait until the economy rebounds (or the kids have finished college!). For now, take advantage of these tips to see how far you can stretch your vacation budget.

**Travel to the hubs:** Do a quick Google search for major airline hubs in the US. They make excellent vacation spots and tend to offer great deals on airfare.

**Child discounts:** Always ask — whether you're visiting amusement parks, dining at restaurants, or looking for lodging. Most kids don't need a fancy bed, so take advantage of free cots in hotels so you won't have to spring for an extra room.

**Membership Discounts:** AAA discounts abound, but don't forget about discounts for any professional organizations or clubs to which you may belong.

**Camping:** Kids love the outdoors! And for the price of firewood, roasted marshmallows, hot cocoa, and a nominal camping fee, you'll create memories that will last a lifetime.



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## Savor the Flavor

### Brown Sugar Meatloaf

1/2 cup	brown sugar	1/4 tsp.	ground black pepper
1/2 cup	ketchup	1	small onion, chopped
1 1/2 lb.	lean ground beef	1/4 tsp.	ground ginger
3/4 cup	milk	3/4 cup	finely crushed saltine cracker crumbs
2	eggs		
1 1/2 tsp.	salt		

1. Preheat oven to 350° F. Lightly grease a 5"x9" inch loaf pan.
2. Press brown sugar at the bottom of pan and spread ketchup over sugar.
3. Gently mix remaining ingredients and shape into a loaf. Place on top of ketchup.
4. Bake for 1 hour or until juices run clear.

## Household Tips

### Homemade Laundry Detergent

Simple, clean, and green — making your own laundry detergent is not only great for the planet, but it can save you a bundle! *The Learning Channel* suggests the following “recipes” for dry and liquid detergent. Dry detergent is simpler, with just a few easy steps and no cooking required. On the other hand, you can have fun experimenting with liquid detergent by adding a few drops of any essential oil to each batch, giving your clothes a signature scent that you could never buy in a store.

#### Dry Laundry Detergent

- 2 cups finely grated soap (unscented or lightly scented)
- 1 cup washing soda (sodium carbonate)
- 1 cup borax

Mix thoroughly.  
Use 2 tablespoons per load.



#### Liquid Laundry Detergent

- 2 cups grated bar soap
- 2 cups borax
- 2 cups washing soda
- 1 qt. water

Mix finely grated soap into boiling water and stir until soap is melted. Pour soap mixture into a large pail. Add borax and washing soda. Add 2 gallons of water, stir until fully mixed. Add 5 to 7 drops of your favorite essential oil per/gallon. Be sure to stir detergent each time you use it, otherwise it will begin to gel. Use ¼ cup per load.

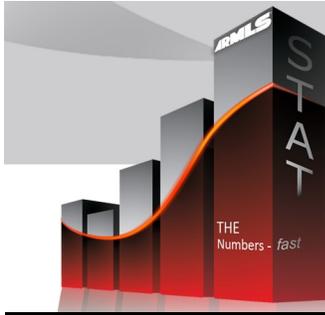
## Brain Teasers



### Greek Mythology

1. Zeus founded the Olympics to commemorate his wrestling triumph over his father, whose name was:
  - a. Pan
  - b. Apollo
  - c. Kronos
2. Aries was the god of:
  - a. Love
  - b. War
  - c. Wealth
3. Apollo granted Cassandra the gift of prophecy, but his love was unrequited, so he cursed her by:
  - a. Turning her into an oak tree
  - b. Causing a horn to sprout from her forehead
  - c. Making it such that nobody would ever believe her predictions
4. Prometheus was punished severely for stealing \_\_\_\_\_ from the gods:
  - a. Fire
  - b. Gold
  - c. Baklava

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

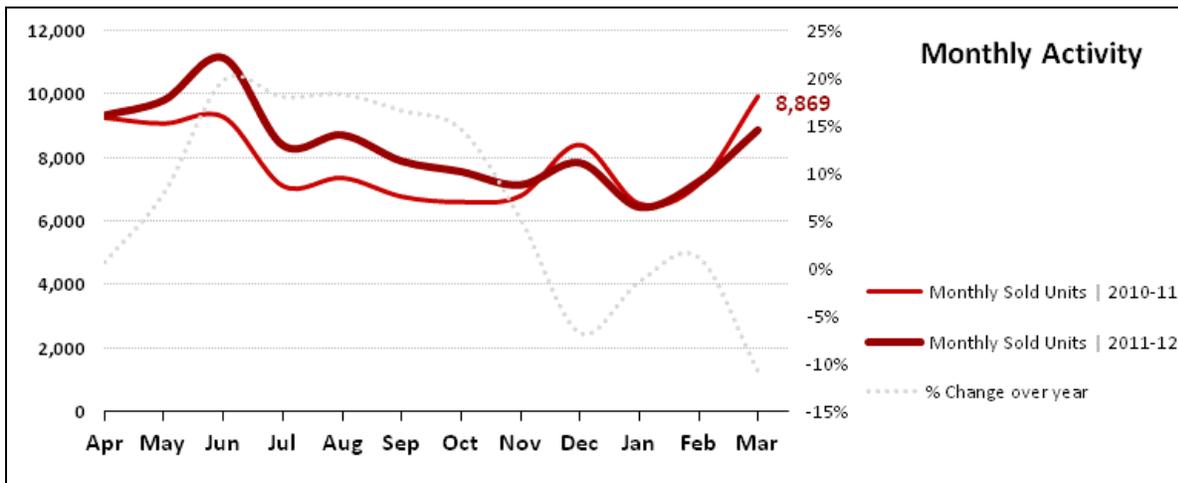


### SALES Month over Month

Total sales in March increased by 1,620 sales (22.3%) to land at 8,869. This continues the upward sales trend begun in January.

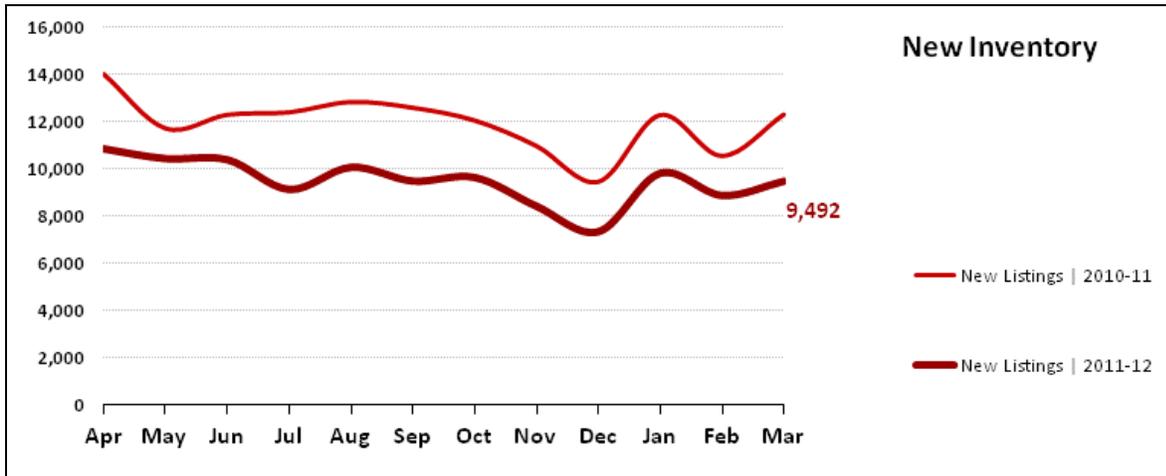
### SALES Year over Year

March sales of 8,869 fell 10.7% below the March 2011 figure. However, it is slightly above the 12 month average of 8,453. High sales figures, a consequence of the Valley's strong affordability, contrast sharply with the decade record low sales figure of 2,912 sales in January 2008.



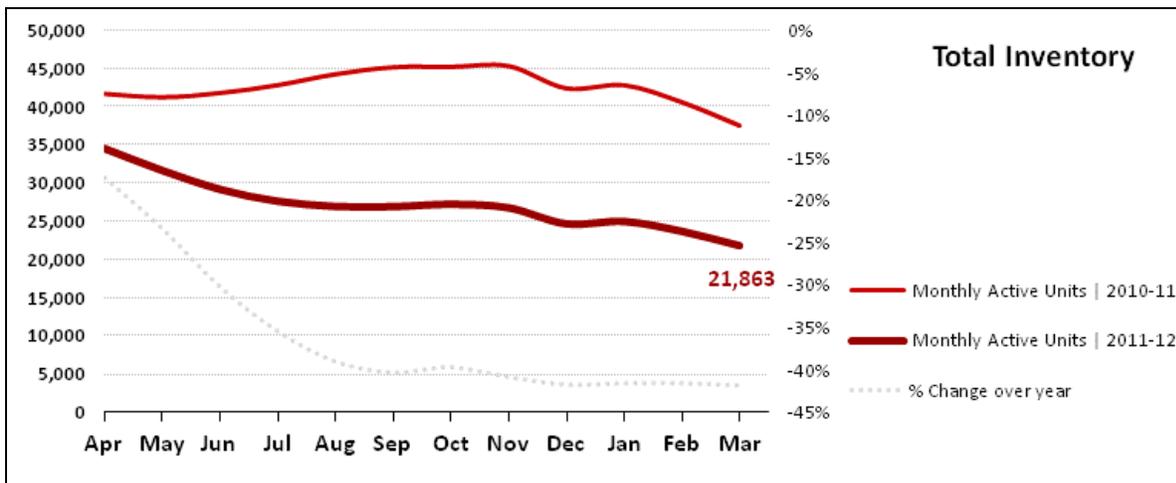
## NEW INVENTORY

New inventory rose slightly (6.8%) in March to 9,492. New listings, which had been on a downward trend line since April 2011, reversed direction in January and have been following an upward trend since then.



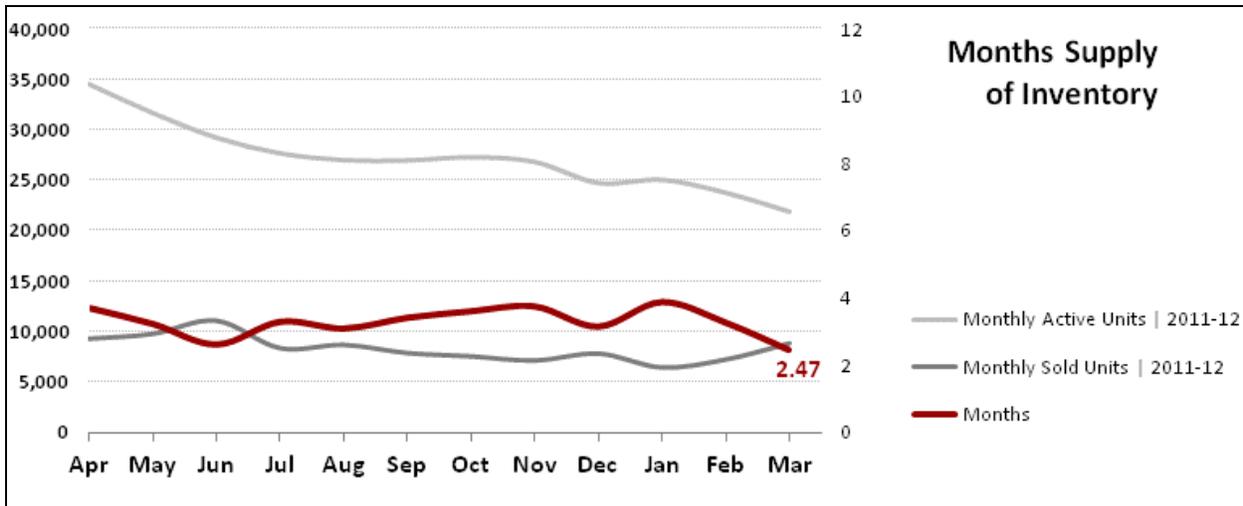
## TOTAL INVENTORY

Total inventory, which began a decline from 56,227 in November 2009, continued to fall in March by 7.9%, to 21,863. The reduction in total inventory to this level is reminiscent of inventory numbers in 2003 and 2004, the Valley’s last normal market.



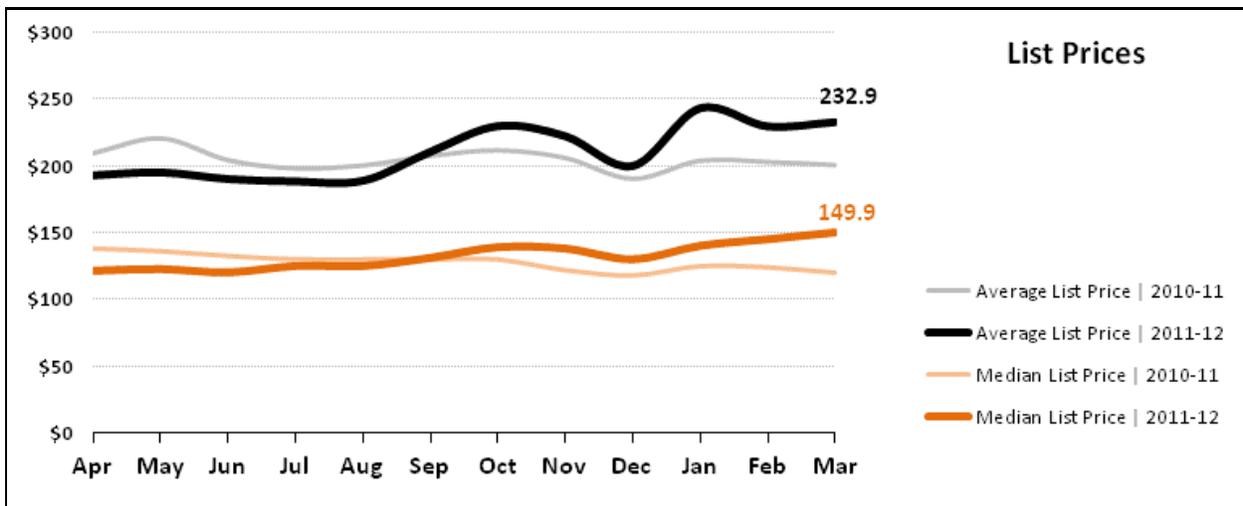
## MONTHS SUPPLY OF INVENTORY (MSI)

Market wide MSI fell to 2.47 months in March, the lowest level since September 2005. While the market wide MSI is not indicative of inventory supply in smaller market niches, it does signal declining inventory and upward market pressure on pricing.



## NEW LIST PRICES

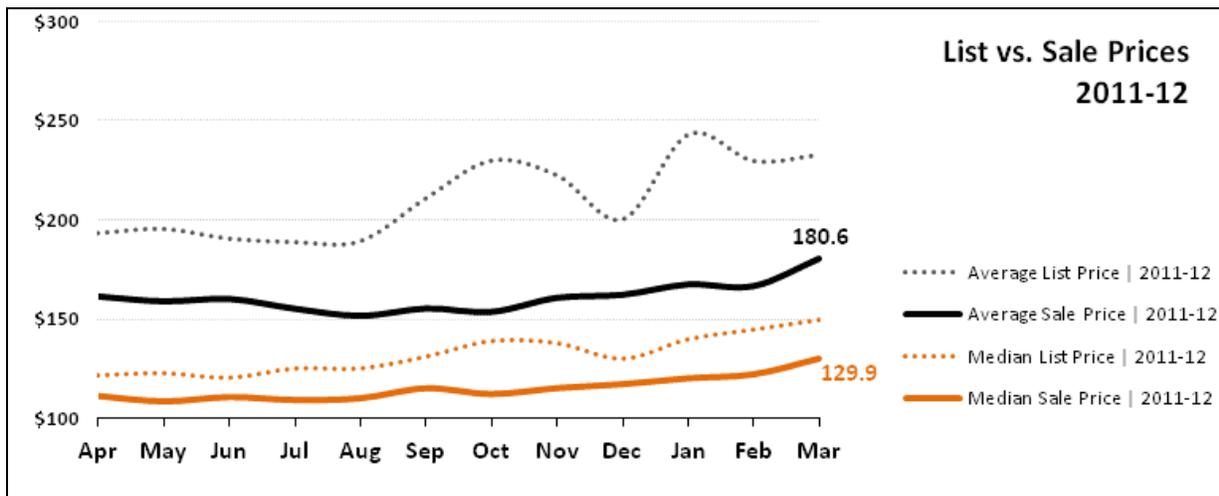
New list pricing continued upward in March. The median new list price rose 3.5% to \$149,900. The last time the median new list price hit the \$149,000 mark was in May of 2009, when pricing was still in free fall. The average new list price rose 1.4% to \$232,900, continuing the positive pricing momentum started in August.



## SALES PRICES

After remaining relatively flat for the first eight months of 2011, median sales pricing began a slow and steady rise in September 2011, which continued in March to land at \$129,900. The median sales price climbed 19.9% from the decade low of \$108,300 in May 2011. The average sales price rose 8.4% in March to \$180,600. The last time average sales price was \$180,000 was in January 2009, while pricing was declining.

Median sales price hit its decade high of \$264,800 in June 2006 to tumble 59.1% to its low of \$108,300 in May 2011. Average sales price fell 56.8% from its decade high of \$350,400 in May 2007 to \$151,368 in August 2011. The upward pricing we have seen over the last months is welcome, but should be seen only as the first steps in the right direction of a long climb.

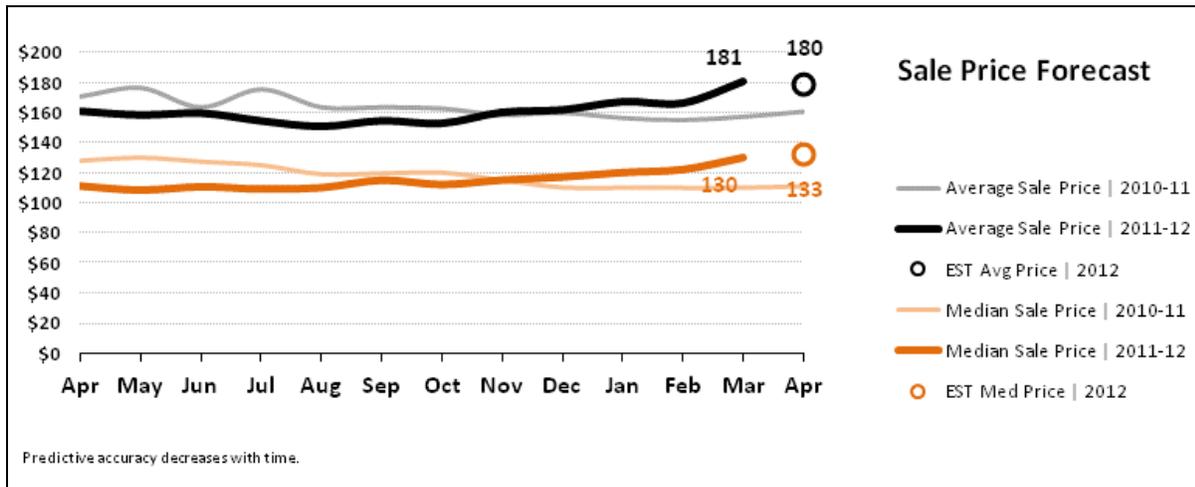


## THE ARMLS PENDING PRICE INDEX™

The Pending Price Index is a forecasting tool unique to ARMLS, which uses pending properties in the MLS system to predict median and average pricing 90 days into the future. The thirty day predictions have proved to be the most reliable, usually within the acceptable margin of +/- 5%. The 60 and 90 day predictions are less so, as they are more heavily influenced by short sales, whose closing dates are less reliable. STAT depends solely on the data in the MLS system for its predictions, and postponed closing dates, particularly on Short Sales, cause deviations from STAT's published predictions by unacceptable margins.

Last month's STAT predicted the median sale price for March to be \$126,000, missing the mark by 3.10%, with the actual median price of \$130,000. STAT predicts the April median price to land at \$133,000. The average price prediction last month was \$174,000, missing the actual April average price of \$181,000 by 3.79%. STAT predicts the average sales price for April to be \$180,000.

The current market is relatively brisk with less than three months supply of inventory. While ARMLS will continue to track 60 and 90 day predictions, it is temporarily suspending its reporting on the 60 and 90 day predictions until their reliability settles down to more closely resemble actual pricing metrics.

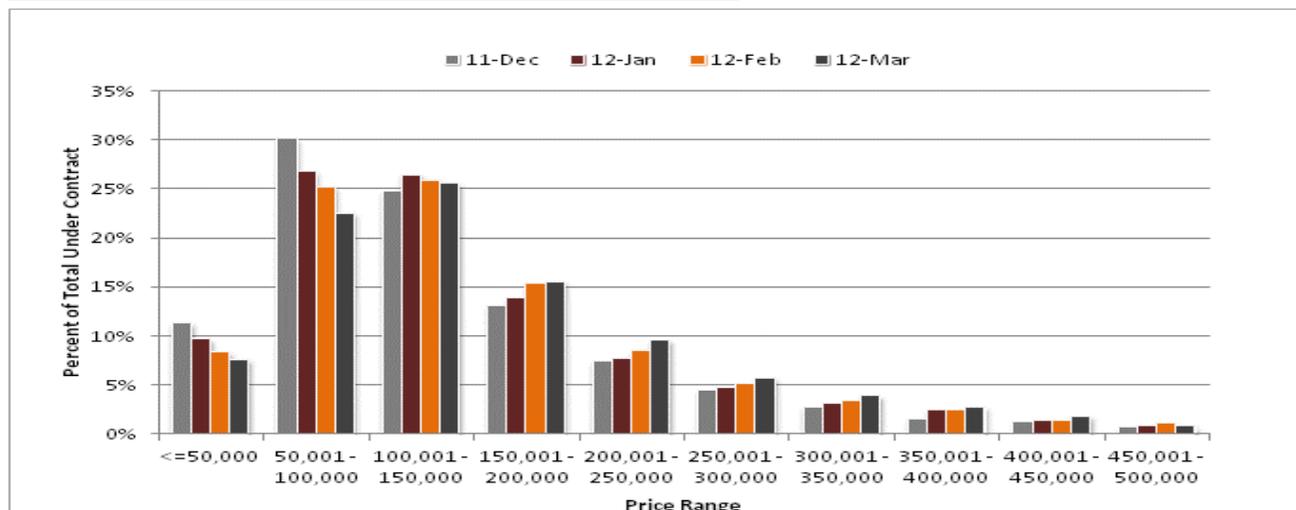
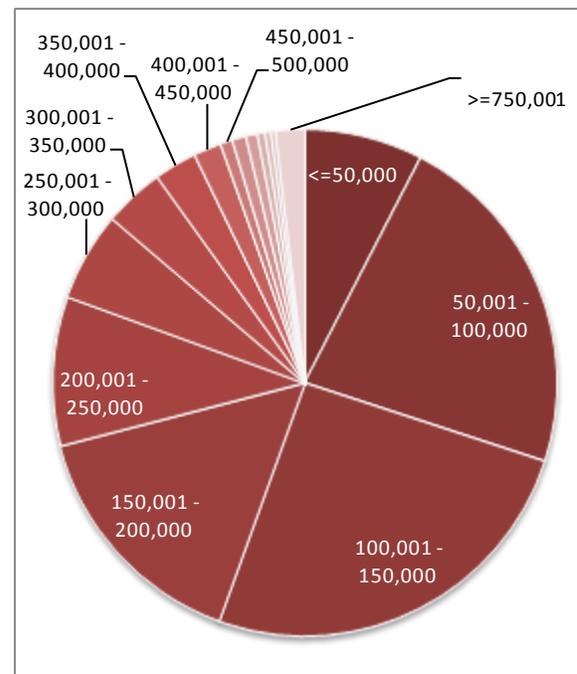


## PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the total pending pool each month. Looking back over the most recent four months of new pending data, STAT reports a shift in the makeup of pendings at the various price points. Pending properties in the ranges \$50,000 and under and the \$50,001 to \$100,000 declined 3.7% and 7.64%, respectively, over the last four months. The \$100,001 - \$150,000 declined .93% over that last three months.

Also noteworthy is the percentage rise during the December to March period, in the \$150,001 to \$200,000, the \$200,001 to 250,000, the \$250,001 to \$300,000 and the \$300,001 to \$350,000 price ranges. These increased 2.46%, 2.25%, 1.24%, 1.14% and 1.21 %, respectively. Changes in the percentage of properties in the \$350,001 and above are too small to be significant at this point. As the inventory in the lower ranges is absorbed, buyers are shifting to more plentiful inventory in the higher price ranges, which are still very affordable. Pricing recovery will first be seen in incremental gains in the pending pool.

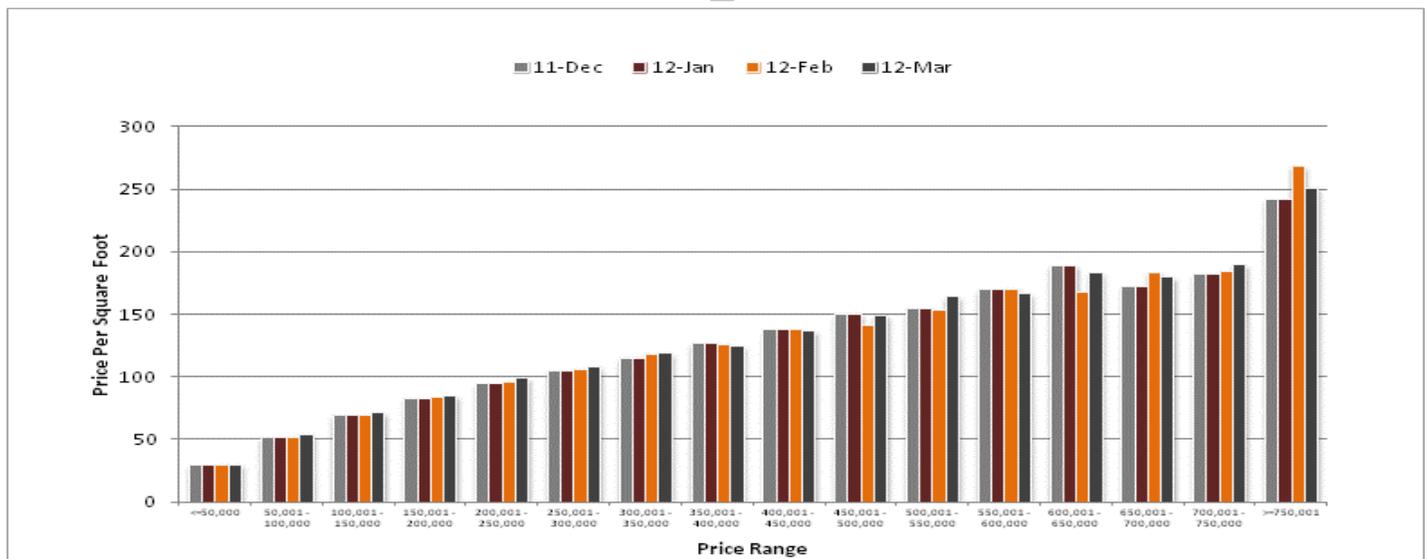
Pending Contracts Signed In March				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	35,088	36,550	737	7.57%
50,001 - 100,000	78,338	80,000	2,186	22.46%
100,001 - 150,000	125,893	125,000	2,478	25.46%
150,001 - 200,000	173,230	171,000	1,507	15.48%
200,001 - 250,000	226,105	225,000	933	9.58%
250,001 - 300,000	275,100	274,000	554	5.69%
300,001 - 350,000	326,331	325,000	377	3.87%
350,001 - 400,000	375,754	375,000	266	2.73%
400,001 - 450,000	427,168	425,000	172	1.77%
450,001 - 500,000	478,457	480,000	76	0.78%
500,001 - 550,000	528,305	525,000	86	0.88%
550,001 - 600,000	577,791	575,000	71	0.73%
600,001 - 650,000	635,347	637,500	47	0.48%
650,001 - 700,000	679,768	680,000	37	0.38%
700,001 - 750,000	733,255	740,000	29	0.30%
>=750,001	1,279,186	1,025,000	178	1.83%



## PPI SUPPLEMENT - \$/SQ FT

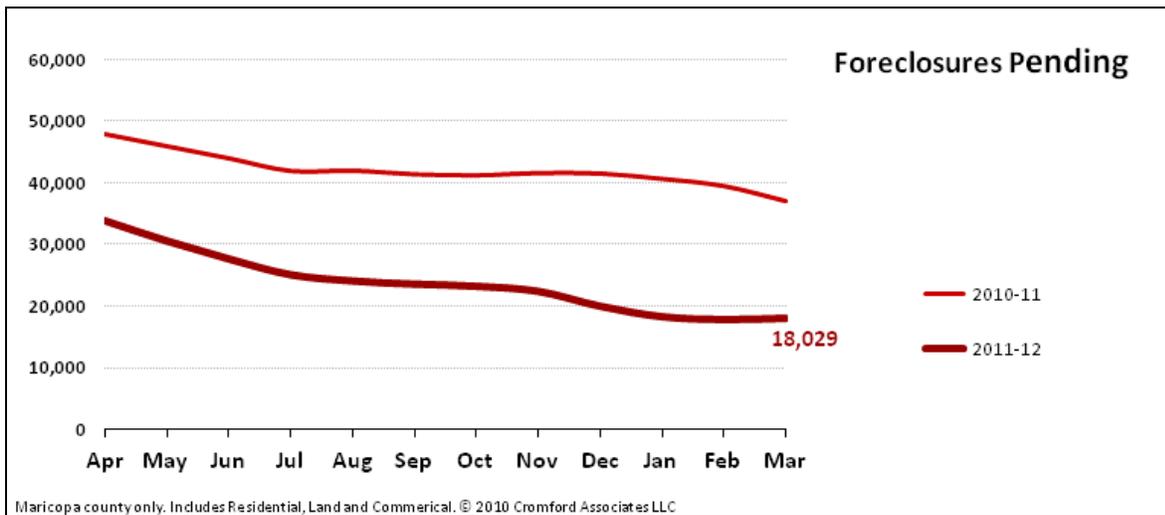
The PPI - \$/SQ FT report examines on a rolling four month basis incremental gains and losses in the price per square foot of newly pended properties, added to the pending pool each month. Since ranges above \$350,001 have relatively small numbers of pendings each month, they are more vulnerable to influence by one or several atypical sales, and are thus not statistically significant. In the ranges from \$50,001 through \$350,000, there were only small price per square foot gains, with the \$200,001 to \$250,000 and \$250,001 to \$300,000, showing increases of 3.13% and 1.89%, respectively.

Pending Contracts Signed In February					Pending Contracts Signed In March				
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	34,898	1,166	769	30	<=50,000	35,088	1,178	737	30
50,001 - 100,000	78,183	1,501	2,334	52	50,001 - 100,000	78,338	1,458	2,186	54
100,001 - 150,000	125,661	1,805	2,397	70	100,001 - 150,000	125,893	1,773	2,478	71
150,001 - 200,000	173,788	2,079	1,422	84	150,001 - 200,000	173,230	2,045	1,507	85
200,001 - 250,000	226,283	2,353	781	96	200,001 - 250,000	226,105	2,281	933	99
250,001 - 300,000	275,802	2,604	476	106	250,001 - 300,000	275,100	2,550	554	108
300,001 - 350,000	326,449	2,762	306	118	300,001 - 350,000	326,331	2,751	377	119
350,001 - 400,000	374,685	2,976	217	126	350,001 - 400,000	375,754	3,021	266	124
400,001 - 450,000	427,532	3,095	122	138	400,001 - 450,000	427,168	3,128	172	137
450,001 - 500,000	477,282	3,388	100	141	450,001 - 500,000	478,457	3,208	76	149
500,001 - 550,000	530,024	3,460	55	153	500,001 - 550,000	528,305	3,220	86	164
550,001 - 600,000	577,562	3,388	56	170	550,001 - 600,000	577,791	3,471	71	166
600,001 - 650,000	629,825	3,748	36	168	600,001 - 650,000	635,347	3,473	47	183
650,001 - 700,000	669,182	3,646	22	184	650,001 - 700,000	679,768	3,789	37	179
700,001 - 750,000	730,287	3,959	27	184	700,001 - 750,000	733,255	3,862	29	190
>=750,001	1,394,592	5,195	166	268	>=750,001	1,279,186	5,093	178	251



## FORECLOSURES PENDING

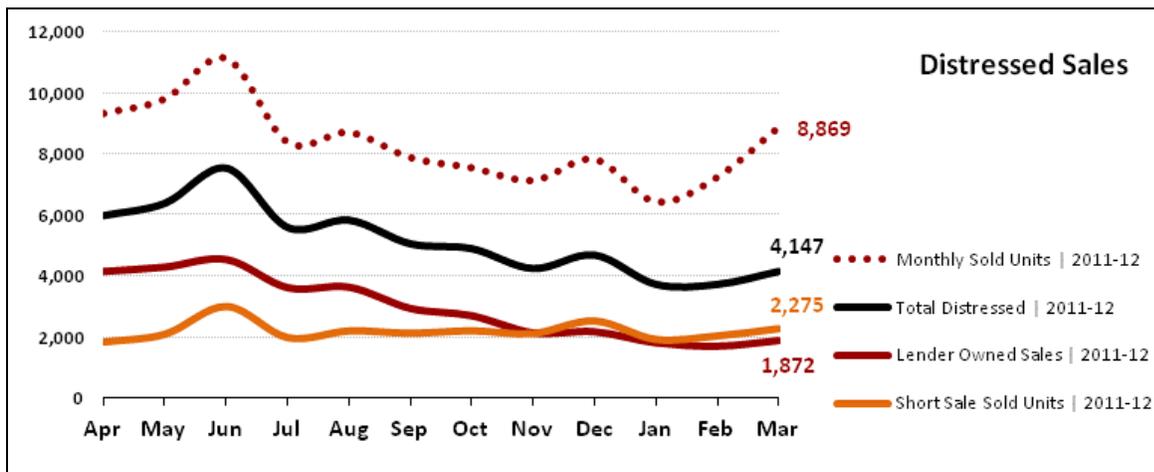
Foreclosures pending in March increased by 196 units, to end at 18,029. Foreclosures pending remain on the steady downward trend line, begun from a high of 50,568 per month in November 2009. Foreclosures pending are the precursors to lender owned inventory and sales. Steady declines in properties are good news for the Valley's pricing recovery. This is the third month in a row foreclosures pending has hovered around 18,000. Prior to January, this level was last seen in second quarter of 2008.



## DISTRESSED SALES

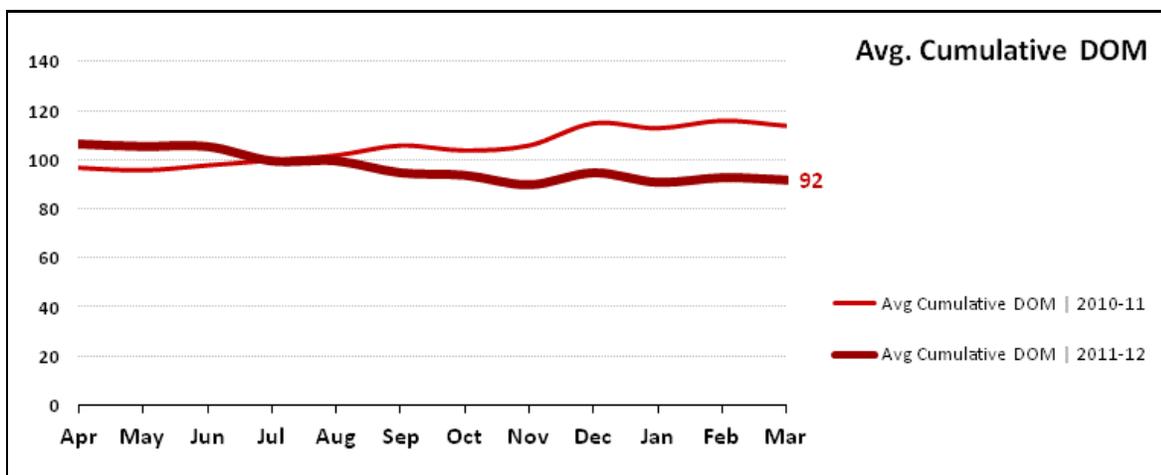
Distressed sales as a percentage of total sales fell 4.6% in March, to 46.8%. This is the first time since ARMLS began tracking this metric that it dipped below 50%. Distressed properties have unduly influenced Valley pricing for some time. In September of 2010, its percentage reached an all time high of 74.1% of total sales.

In March, there were 2,275 short sales closed compared to 1,872 lender owned sales. In the past foreclosures dominated short sales, but in November 2011, the trend reversed, and short sales have eclipsed lender owned since. This possibly reflects greater lender appetite for workout over foreclosure.



## AVERAGE DAYS ON MARKET (DOM)

Average Days on Market dropped another day in March to 92. This metric fell below 100 in September, and has remained in the 92-95 day range since then. Market wide DOM is not reflective of DOM in smaller markets, which are influenced by the supply and demand of that specific market niche. DOM as reported in STAT is a barometer of overall market health. STAT recorded its highest DOM of 138 in February 2008.



## COMMENTARY

March STAT reports a continuation of good news seen over the last several months. A 7.9% decline in inventory to 21,863, coupled with a 22.3% rise in sales to 8,869, exerts positive pressure on pricing. Once again STAT reports gains in all four pricing metrics: median and average prices, for both listing and sales. The upward pricing trend that began in the August/September time frame continues. Although not robust, it is steady and definitely upward.

MSI dropped to 2.47 in March, which makes for a brisk market, fueling Subscriber complaints over lack of adequate inventory. The current forces of supply and demand should support this upward pricing trend. Valley pricing fell approximately 60% between June 2006 and the Q2/Q3 2011, leaving much ground to be made up. Many doubt that the high average of \$350,400 or the high median of \$264,800 will be matched in this recovery.

At the Scottsdale Area Association of REALTORS® Economic Forecast on April 2, NAR Chief Economist Lawrence Yun reported on the recovery and forecasted some trends and concerns for Phoenix Metro, Arizona and the nation. While the Valley has record affordability and historically low interest rates, other factors are impeding recovery.

As the Valley watches inventory dwindle, particularly worrisome, according to Dr. Yun, is that builders are not restocking to keep up with the US population growth of 3 million per year. Some areas are seeing shortages already. Large builders have been able to tap their stock holdings to get the necessary capital to build, but other medium to small builders are stuck without access to funding. While interest rates are historically very low, many homebuyers are still denied credit. Banks have tightened their lending standards, keeping many buyers out of the market. The FNMA average credit score is 720, and the FHA average score is 650. Consumers with credit scores of 720-760 represent only 20% of the population. If lending standards were set back to the year 2,000, Dr. Yun believes that sales could be 15-20% higher than they are today.

Banks, though profitable, have not seen their stocks rise. Investors are staying away from bank stocks, fearing the negative effects of lawsuits. There has been only partial implementation of the Dodd-Frank legislation<sup>1</sup>, which has left banks and investors uncertain of the implications of full implementation. This further encourages them to hoard cash, and hold firm on restrictive lending standards.

Arizona, California, Florida and Nevada, where job losses were the most severe, are now leading U.S. job expansion. Arizona posted a 40,600 job growth year over year through February.<sup>2</sup> From August through December, the four above states added 222,100 jobs, 28% of the U.S. increase in employment, according to Labor Department figures.<sup>3</sup> While unemployment for Phoenix is 8.3%,<sup>3</sup> greater Phoenix job growth increased by 37,800 jobs (1.6%) from a year ago, according to Economist Elliott Pollach's March 12 publication.<sup>4</sup>

While important indicators are moving in the right direction, and there are many positive metrics in March STAT, there are still hurdles and issues to overcome. As STAT has said in months past, this recovery is steady as she goes.

<sup>1</sup> [http://en.wikipedia.org/wiki/Dodd%E2%80%93Frank\\_Wall\\_Street\\_Reform\\_and\\_Consumer\\_Protection\\_Act](http://en.wikipedia.org/wiki/Dodd%E2%80%93Frank_Wall_Street_Reform_and_Consumer_Protection_Act)

<sup>2</sup> <http://bls.gov/news.release/pdf/laus.pdf>

<sup>3</sup> <http://www.moneynews.com/Economy/Arizona-California-Florida-Nevada/2012/03/11/id/432112>

<sup>4</sup> [www.bls.com](http://www.bls.com)

<sup>5</sup> MMQ031212