

# JULY 2011

## Real Estate Update



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

**Hello Everyone,**

Chalk-up the first half of 2011 to experience and let's look forward to all that lies ahead of us for the balance of the year. It's been an early summer of huge wildfires in AZ, record heat as we entered the real summer season. I'm hoping that you have plans on escaping the desert, or wherever you call home, for a bit of cool fun times before the summer ends. I can't seem to figure out a good plan for this year, so I'm hoping I surprise myself and Wanda before summer ends. Before I forget, big congratulations to Nate & Jane on the birth of their beautiful Mila last month!

Sales of resale homes reached a 6-year high in May (9837 properties) as investors rushed into the Phoenix market looking for deals. Sales of homes priced under \$100K accounted for 40% of all May sales, up 40% from a year ago. In other words, investors are looking for bargain price homes in most any condition. Median pricing stayed at about \$120K due to about 2/3 of all sales being short sales and Lender Owned properties. The \$120K median marks the 11th consecutive month for lower median pricing in the market. Combine that with a declining (total listings down by over 25% in the last quarter) and there is some speculation of rising prices, though Buyer's seem reluctant to spend more than the last comp. Chandler Tax Auditors have hired some ASU interns to help identify properties listed on the tax rolls as owner occupied but are actually rentals. This program has been in operation for a few years and has yielded good results. City officials think many of the latest rush of investors have not listed their properties as rentals and the City is looking to capture it's owed 1.5% tax on rentals. Speaking of ASU, Dr Jay Butler, who has been the face/voice of authority on Real Estate for 40+ years has retired. His shared wisdom will be missed. The PHX Business Journal had an interesting article showing economists predicting the second half of 2011 to be much better than the first half. They say declining oil prices and manufacturing restarting in Japan will be the biggest positive influences. The story also predicted that mortgage interest rates should stay around 5% through the end of the year. Congrats to Fannie Mae for announcing a plan at the beginning of June that will require loan servicers to make contact quicker and be more responsive to mortgage holders falling behind in payments. This is a good sign of things to come.

June proved to be a very disappointing month as 2 deals long in the works both ended up not closing due to HOA issues. I really feel bad for Chris and Stacy, but it's part of what can happen with Short Sales. I'm enjoying the time being spent with (thanks for the referral Chris) James from Scottsdale and Rob (thanks Richard) from Tempe as we search to find the right home for each of them. I'm looking forward to helping Mark & Patty (congrats to daughter Haley & Kyle on their July marriage) from the UP of Michigan find a great winter getaway/future retirement home. I could really use your help if you know anyone looking for a nice 3 bed/2 bath/2 car garage Chandler home priced under \$100 per sq ft, Patty's listing could be perfect for that person. Have them call me. today I'm happy to get Craig & Shannon's Chandler short sale home under contract. I've got a beautiful little Sun Lakes home owned by Mark & Cathy from Michigan for sale. It's nicely updated and priced to sell! Finally, if you know anyone looking for a big 5-bedroom home (2 masters) in Queen Creek, let them know I would love to introduce them to PJ & Robert's short sale listing. If you know of anyone looking to buy or sell a home in the East Valley, please pass along my name and number to that person. Your referrals are always greatly appreciated.

**Regards,**

Contact me anytime:  
Call direct: 602-330-7272  
Email: [Jeff@jeffgerberrealtor.com](mailto:Jeff@jeffgerberrealtor.com)  
Fax: 877-824-7272  
[www.jeffgerberrealtor.com](http://www.jeffgerberrealtor.com)

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

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



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



ALL AREAS & TYPES	TODAY 7/5/11	ST	LAST MTH 6/5/11	LAST QTR 4/5/11	LT	LAST YR 7/5/10	2 YRS AGO 7/5/09
Active Listings	28,897	↓	31,227	37,088	↓	41,505	37,413
Pending Listings	11,696	↓	13,483	13,250	↑	10,454	12,741
Sales per Month	10,448	↑	10,114	9,273	↑	8,380	8,936
Sales per Year	95,943	↑	93,874	92,891	↑	95,114	77,321
Days on Market - Monthly Sales	105	↓	106	112	↑	98	116
Days on Market - Active Listings	152	↓	153	153	↑	142	164
Days Inventory	110	↓	122	146	↓	160	177
Months Supply	2.7	↓	3.2	4.0	↓	4.8	4.2
Active Listings \$/SF	\$133.99	↓	\$134.45	\$132.64	↓	\$138.85	\$175.01
Monthly Sales \$/SF	\$80.76	↓	\$82.97	\$81.55	↓	\$91.93	\$87.50
Appreciation - Monthly \$/SF	-12.1%	↓	-10.0%	-10.9%	↓	5.1%	-32.9%
Average Sale Price % List	96.31%	↑	96.00%	95.13%	↑	96.00%	96.12%
Listing Success Rate	74.5%	↑	71.6%	66.4%	↑	62.6%	62.7%
Dollar Volume - Monthly Sales	\$1,635M	↑	\$1,617M	\$1,449M	↑	\$1,520M	\$1,515M
Average Price - Monthly Sales	\$156,450	↓	\$159,891	\$156,289	↓	\$181,372	\$169,495
Median Price - Monthly Sales	\$110,000	↑	\$109,000	\$110,000	↓	\$127,500	\$125,000
Average Sq. Ft. - Monthly Sales	1,937	↑	1,927	1,916	↓	1,973	1,937
Cromford Market Index™	144.6	↑	133.5	115.5	↑	98.4	115.5

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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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Jeff Gerber, ABR, GRI,  
SRES



The Empowered Team LLC



Real Estate for Today

Tel: (602) 330-7272, jeff@jeffgerberrealtor.com, www.jeffgerberrealtor.com

If you are selling or buying a home this summer, let me dazzle you with a real estate transaction beyond compare! Call today!



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 coverage 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**.

I provide my clients with accurate and timely information throughout the home sale transaction. Please recommend me to family and friends who want the same thorough service.



## Health & Safety

### Avoid Food-borne Bugs

Harmful bacteria can multiply in improperly cooked or stored food, resulting in food-borne illness (commonly called food poisoning). Follow these tips from the USDA to keep food safe:

- When grocery shopping, make the meat and poultry section your last stop, and put the packaged meat into plastic bags to guard against cross-contamination of other items in your cart. Once home, immediately freeze meats that won't be used in 1 or 2 days, and use the refrigerator for slow, safe thawing.
- Always wash your hands with warm, soapy water before and after preparing food. Clean utensils and cutting surfaces to avoid contamination from raw meat to other foods.
- When barbecuing, don't return cooked meat to a dish that held the raw meat – bacteria in the raw meat juices could contaminate safely cooked food.
- Cook food to a safe minimum internal temperature to kill harmful bacteria. Hamburgers should reach 160° F and poultry should reach 165° F. NEVER partially grill meat or poultry and finish cooking later.
- Keep hot foods hot and cold foods cold until you are ready to eat them. Move leftovers to the refrigerator or an ice chest right away. Discard any food left out for more than 2 hours (1 hour if temperatures are above 90° F).



## Helpful Hints

### New Uses for Old Newspapers

Do you feel guilty about sending your old newspapers to the landfill? Don't despair; here are some creative ways to repurpose that old news!

- **Deodorize plastic food containers.** Put crumpled newspaper into a container or lunch box and keep it tightly closed for a day or two.
- **Ripen tomatoes.** Wrap the tomatoes individually in a sheet of newspaper and leave them on the kitchen counter to speed up the ripening process.
- **Dry shoes after wearing.** Crumpled newspaper placed in shoes will absorb excess moisture and smelly shoe odor.
- **Wrap gifts.** Use the wedding and engagement section for a wedding gift, or the comics to wrap a child's gift.
- **Eliminate garbage can odors.** Place several sheets of newspaper on the bottom of the can to keep odors at bay.
- **Keep the refrigerator vegetable drawer dry and odor free.** Line the bottom with newspaper to absorb extra moisture and extend the life of your veggies.





Jeff Gerber, ABR, GRI, SRES

The Empowered Team LLC

3370 N Hayden Road - Suite 123-119

Scottsdale, AZ 85251

Tel: (602) 330-7272

www.jeffgerberrealtor.com



## Savor the Flavor

### Red, White and Blue Potato Salad

- |       |  |          |                      |
|-------|--|----------|----------------------|
| 5 c   | boiled red potatoes with skins, quartered or cubed | 1/4 tsp  | prepared horseradish |
| 1/2 c | celery, diced                                      | 1/2 tsp  | celery salt          |
| 1 c   | red onion, diced                                   | 1 tsp    | salt                 |
| 1/2 c | blue cheese, crumbled                              | 1/8 tsp  | pepper               |
| 1 c   | mayonnaise   | 1/2 Tbsp | apple cider vinegar  |

Combine all ingredients and refrigerate for several hours before serving.  
Note: use red, white and purple potatoes if you can find them in your grocery store!

## Household Tips

### Energy-Saving Tips

Looking for ways to reduce your utility bill and keep more of your hard-earned cash? Here are some tips to get you started:



- Lighten the load on your AC by installing ceiling fans to keep you cool. Ceiling fans typically use no more energy than a standard light bulb.
- Turn lights off in rooms that are not in use.
- Wash dishes and clothes only when you accumulate full loads to save energy and water.
- Clean the lint filter on the clothes dryer before each use to improve the air circulation.
- Control the amount of light you are using with dimmer switches, and use natural light whenever possible.
- Clean or replace the filter in your furnace or A/C every 30 days when in use.
- Save on hot water (and the energy to heat it) by reducing your shower time by 2 minutes.
- Power off your desktop computer and monitor at night.
- Go portable – a laptop computer uses up to 90% less energy than desktop models.
- Clean light fixtures regularly. Dirty light bulbs and fixtures emit up to 50% less light than clean ones.

## Brain Teasers

### Independence Day



1. When was the first official US flag design approved?
  - a. June 14, 1777
  - b. July 4, 1776
  - c. May 12, 1778
  - d. September 6, 1779
2. Who designed the US flag?
  - a. John Hancock
  - b. Betsy Ross
  - c. Francis Hopkinson
  - d. Thomas Jefferson
3. Which is not one of the original 13 colonies to declare war on Britain?
  - a. Georgia
  - b. Florida
  - c. New Jersey
  - d. Virginia
4. What was the significance of the Treaty of Paris signed in 1783?
  - a. It was also known as the Declaration of Independence
  - b. It caused the Boston Tea Party
  - c. It was a post-war trade agreement between Paris and the 13 colonies
  - d. Britain recognized the independence of the 13 colonies as the United States

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

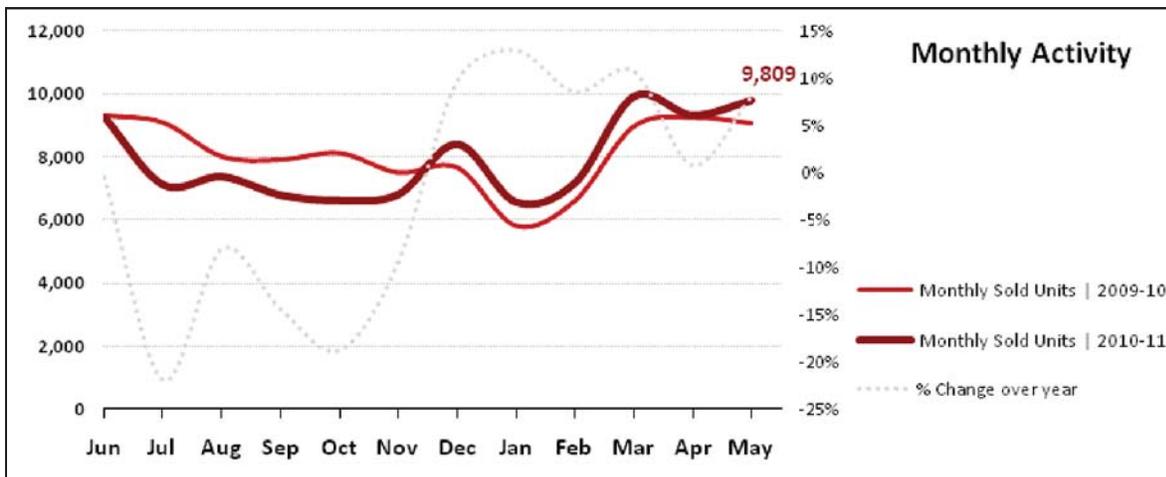


### SALES Month over Month

Sales rose 5.1% in May to 9,809, almost recouping the 6.1% decline in April. This metric is positive news indicating that Buyers continue to take advantage of extraordinary housing affordability with sales over the 9,000 mark for the third month in a row.

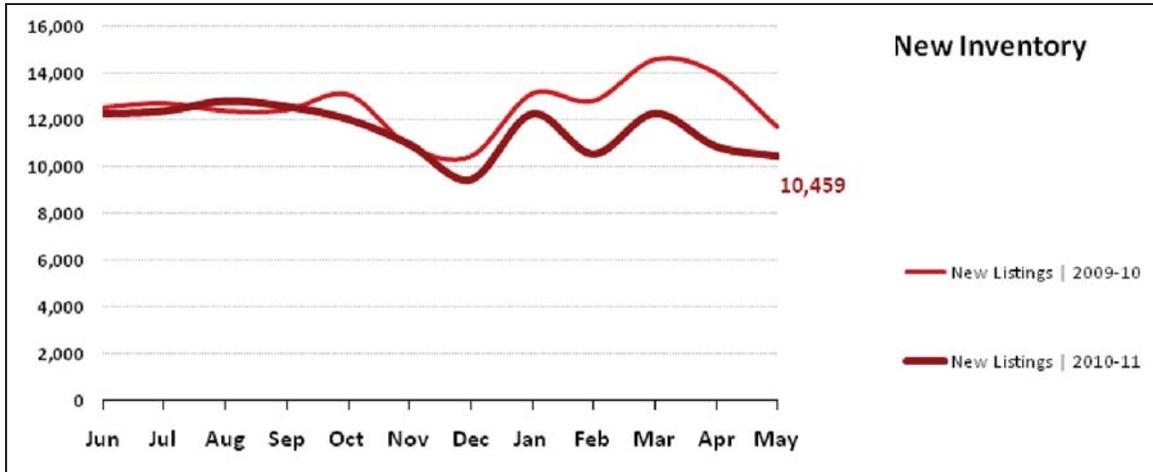
### SALES Year over Year

Sales were up 8.1% over the May 2010 figure of 9,077. May's 9,809 sales is the second highest sales figure since August of 2005.



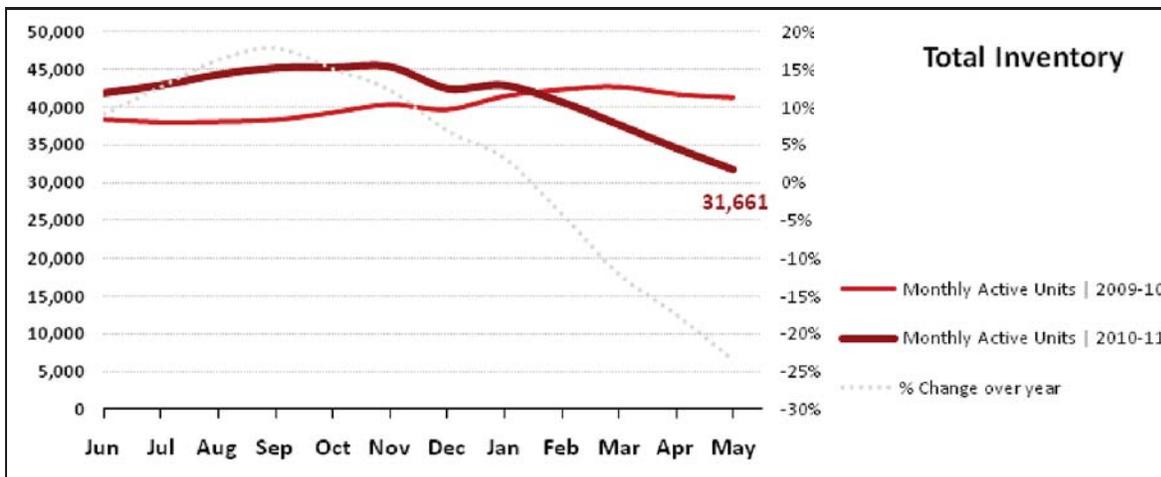
## NEW INVENTORY

New inventory declined again in May with 10,459 new listings added to the market. This represents a 3.8% decline from April's figure of 10,874. May's lower figure interrupts the wave pattern of new inventory started in December possibly signaling the beginning of a downward trend.



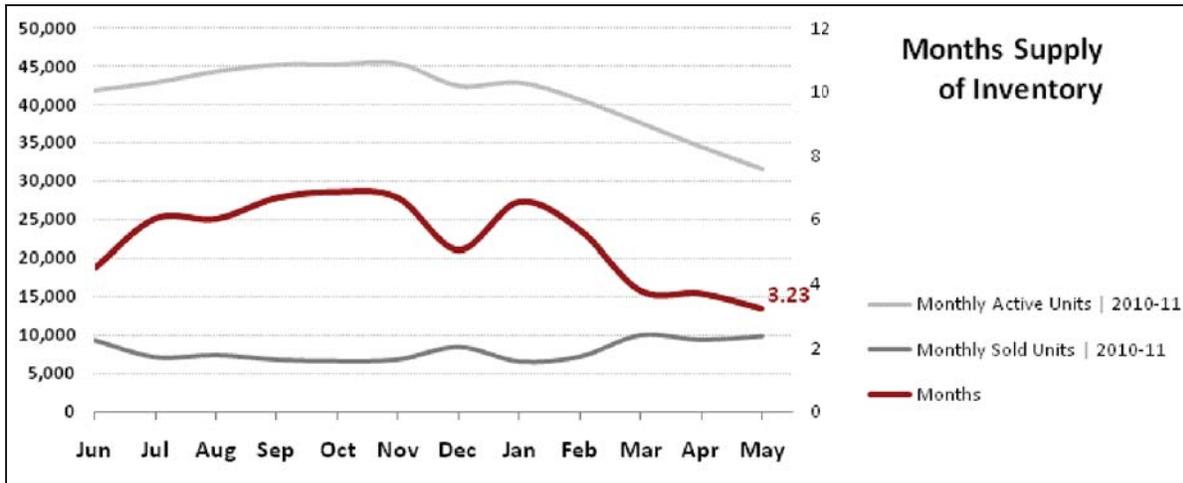
## TOTAL INVENTORY

The downward total inventory trend line, started from a high in November of 45,353, continues in May to 31,661, 8.3% lower than April and the lowest figure in the past 24 months. It represents a 23.4% year over year decline from the May 2010 figure of 41,317. Total inventory represents the supply side of the market balance and continuing declines are a welcome sign.



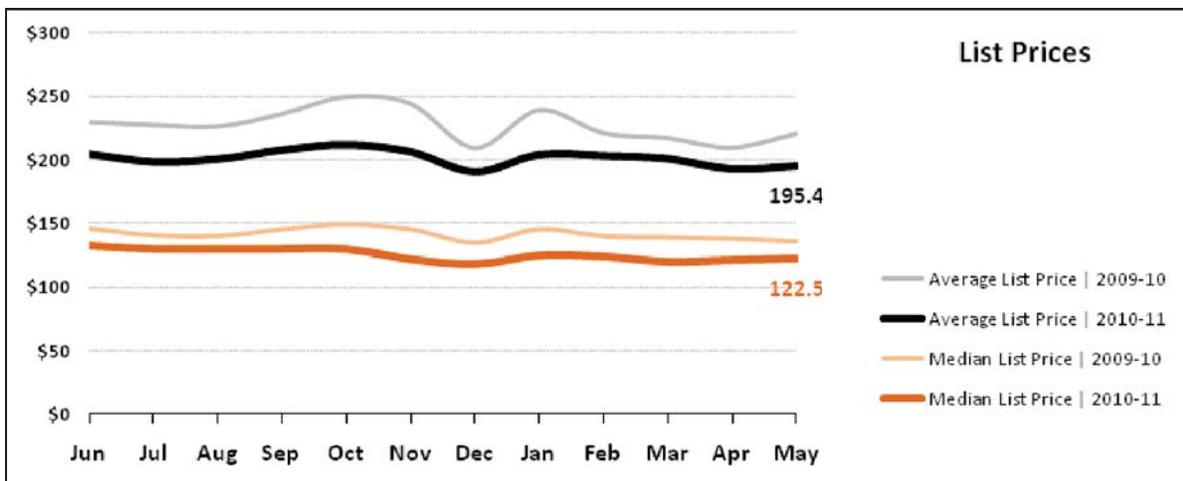
## MONTHS SUPPLY OF INVENTORY (MSI)

Total market MSI continued to decline in May to 3.23, less than half of January’s 6.56 MSI. MSI less than 4 indicates a Seller’s market, which has been the case for the last three months. Marketwide MSI is seen as a barometer of overall market health and not representative of smaller market niches, which have their own individual MSIs.



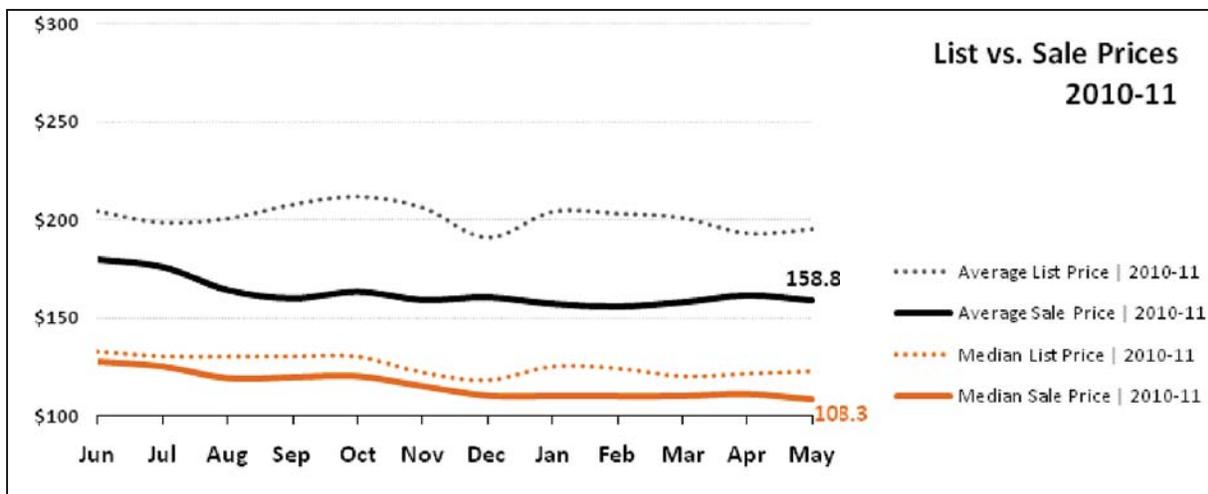
## NEW LIST PRICES

New median list price increased a meager 1% in May to \$122,500, continuing the relatively flat pricing trend line begun in November. May’s figure is the sixth lowest median price figure of the decade. However, it does represent a 5% increase over the decade’s lowest median price of \$117,000 set in January. May’s average list price increased 1.1% from April to \$195,400. The average list price for May is the third lowest of the decade behind December’s \$190,959 and April’s \$193,168.



## SALES PRICES

The median sale price for May is the lowest of the decade at \$108,300, representing a 2.4% decline from April. Average sales price of \$158,780 is the fourth lowest of the decade, 1.5% below April's average and 10.3% below May 2010's average. Trend lines for both median and average sales price have remained relatively flat over the last six months, with median and average prices showing month-over-month fluctuations hovering in or just above the narrow 0-2% range since January. As other market metrics show improvement, pricing's continued stagnation remains a disappointment.



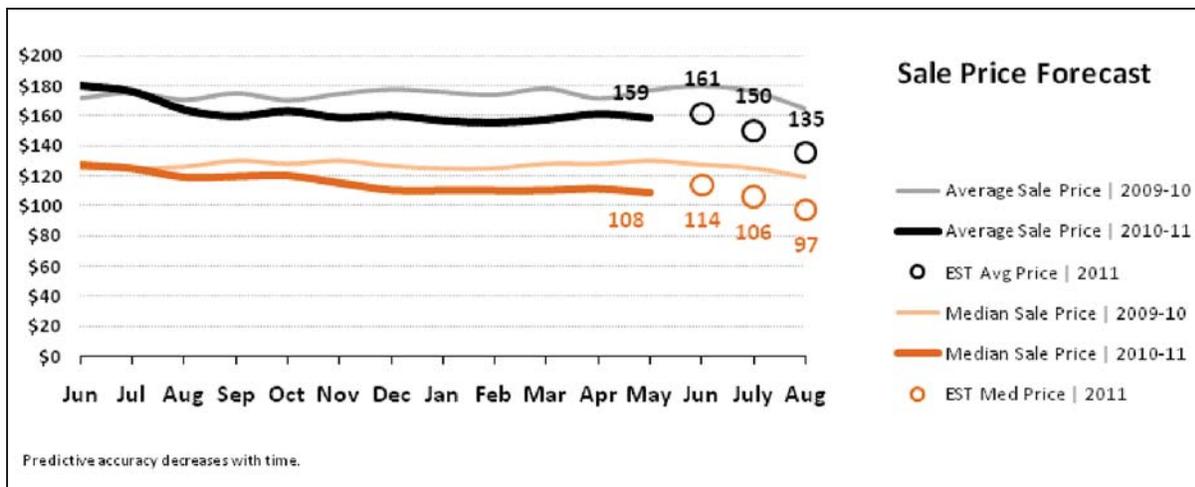
## THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a predictive tool unique to ARMLS which uses the prices of properties under contract in the MLS system to predict median and average pricing three months into the future. Its predictive accuracy decreases with time as more pending properties are added to the system.

The median sales price predictions for June, July and August are \$114,000, \$106,000 and \$97,000 respectively. If the August prediction is realized, it would be the first time in this decade that the median sales price dropped below \$100,000. The August median prediction based on May figures would represent a 10.43% decline from May's actual median. Many more pending properties though will be added to the pending pool before August, influencing the actual August median price.

The average sales price predictions call for a 1.6% increase to \$161,400 in June, a drop of 7% to \$150,200 in July, followed by a 10% drop to \$135,200 in August.

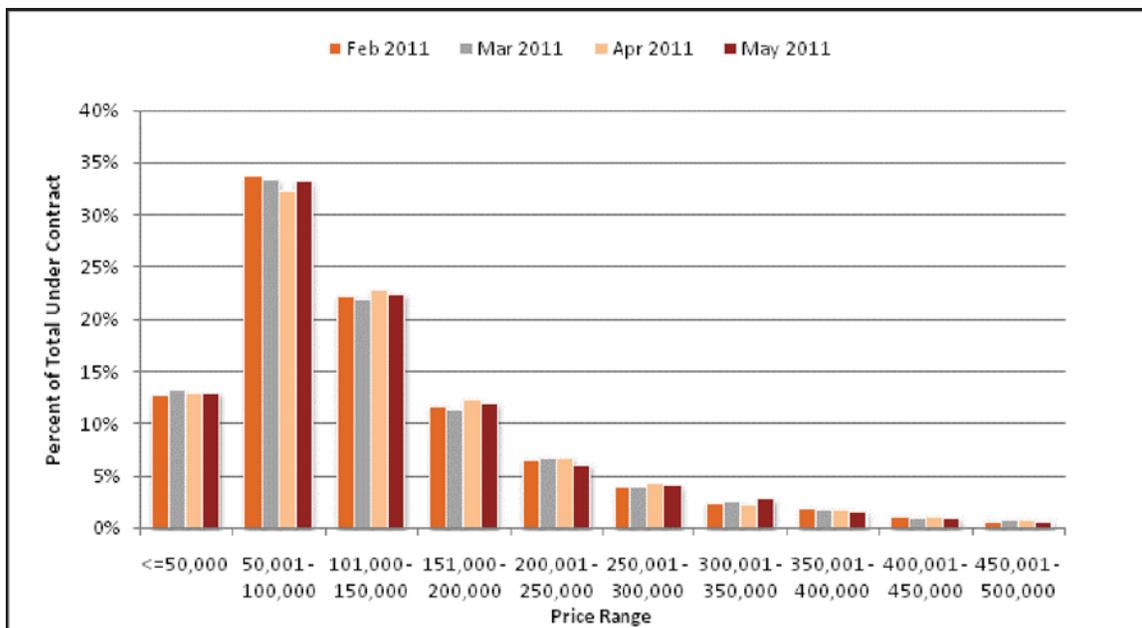
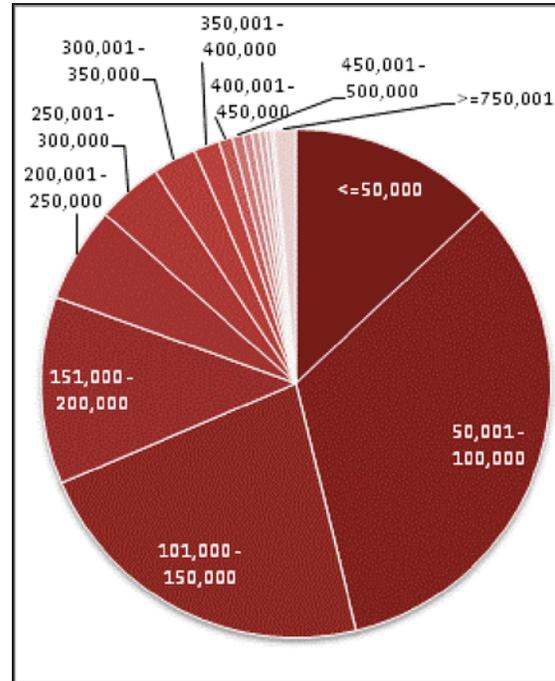
Pricing shows few signs of recovery, although other metrics reported in STAT show positive gains which must occur before pricing can rebound: namely, decline in inventory (supply), rise in sales (demand), decline in foreclosures pending, and reduction in the months supply of inventory.



## PPI SUPPLEMENT

This month ARMLS introduces the PPI Supplement, which analyzes pending properties added to the system in the current month only, focusing on average and median prices, total units and % of total units for that month in specific price ranges. It then compares the current month pendings with pendings from the preceding three months. The price range comparison graph at this time stops at \$500,000, since pendings from less than \$50,000 up to \$500,000 represent 96.67% of all pendings added to the pending pool this month. Metrics for pendings above \$500,000 are given in the actual chart. Over time we are able to observe pending activity foretelling price corrections in the higher price ranges.

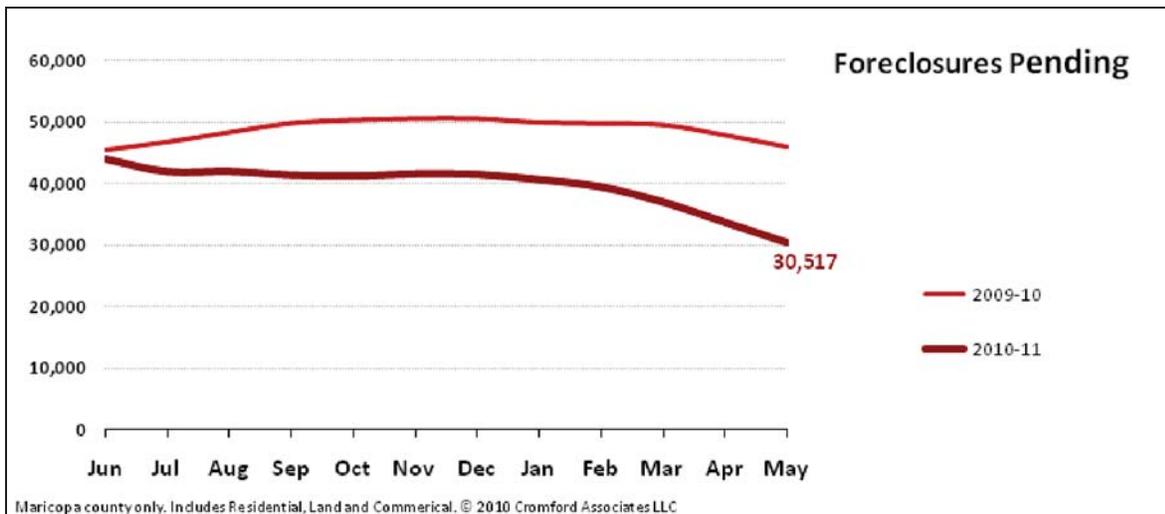
Pending Contracts Signed in May				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	35,485	37,000	1,404	12.98%
50,001 - 100,000	75,856	75,000	3,595	33.23%
101,000 - 150,000	124,954	126,349	2,421	22.38%
151,000 - 200,000	174,037	172,000	1,288	11.91%
200,001 - 250,000	227,182	227,114	658	6.08%
250,001 - 300,000	276,067	275,000	442	4.09%
300,001 - 350,000	328,234	329,000	303	2.80%
350,001 - 400,000	377,093	375,000	174	1.61%
400,001 - 450,000	426,937	425,000	99	0.92%
450,001 - 500,000	475,442	475,000	73	0.67%
500,001 - 550,000	528,067	527,000	60	0.55%
550,001 - 600,000	575,688	575,000	50	0.46%
600,001 - 650,000	630,534	627,500	44	0.41%
650,001 - 700,000	679,939	679,000	36	0.33%
700,001 - 750,000	734,026	730,000	19	0.18%



## FORECLOSURES PENDING

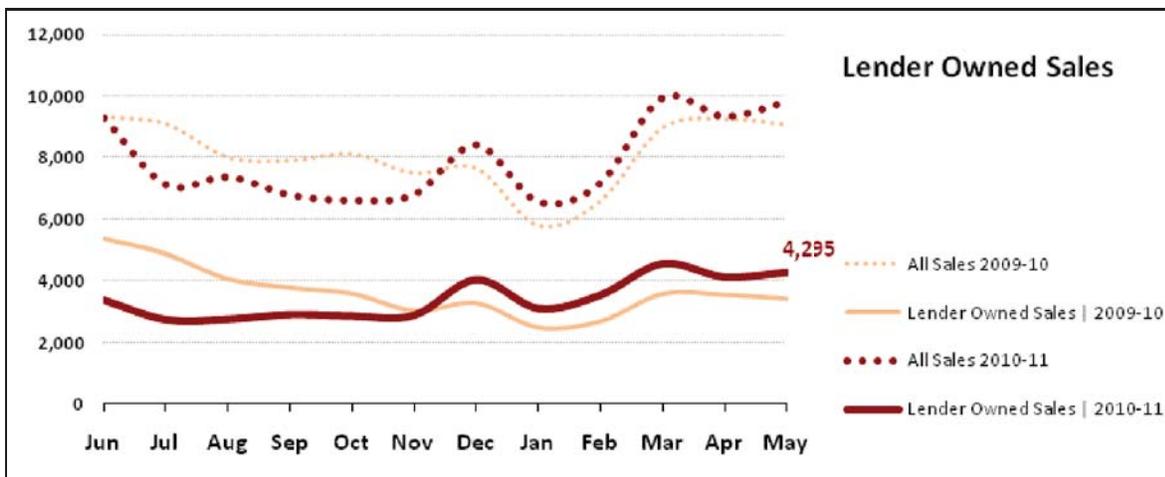
Foreclosures pending continued its downward trend in May to 30,517. The role played by foreclosures in deflating prices is massive. Declines in foreclosures pending, which make their way to closing as distressed sales, are necessary to reduce the influence of distressed properties on pricing.

The current foreclosures pending glut began in 2008, which started the year at 12,877 and ended the year at 30,676. The rise continued through 2009 to end the year at 51,022. The decline began in 2010, which saw foreclosures pending fall to 41,057 by year end. The current May figure of 30,517 continues the declining trend, which if continued on the current trajectory, would cross below the 2008 trend line by mid-July and could fall to 20,000 range by August.



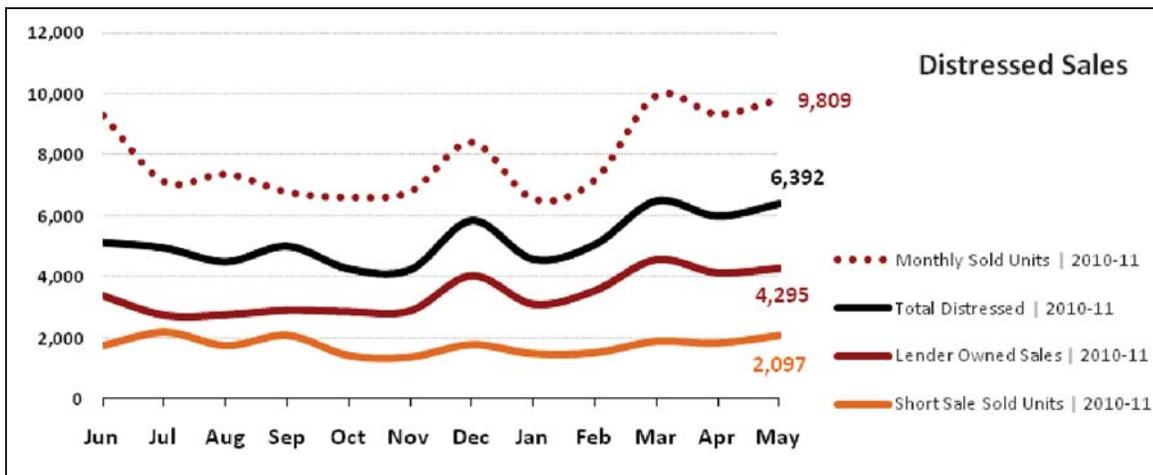
## LENDER OWNED SALES

Lender owned sales rose in May by 145 to 4,295, falling to 43.8% of the total sales, from a high of 48.3% in December. Lender owned sales are fed by foreclosures pending and their declining trend should eventually translate into lower percentage of total sales and waning influence on pricing.



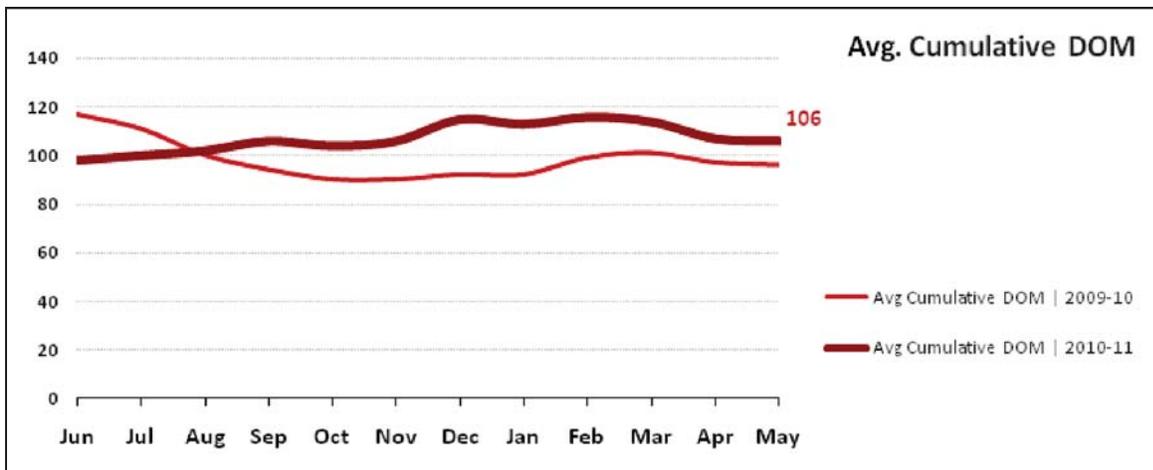
## DISTRESSED SALES

Distressed properties are a combination of lender owned sales and closed short sales, both representing closings which occurred under duress during the seller’s liquidation process. Total distressed properties for May were 6,392 representing 65.2% of total sales. This is a 5% decline in percent of total sales from January’s high of 70.2%, and follows the downward trend since the beginning of 2011. May short sales rose 14% to 2,097, the second highest total in the last twelve months. Short sales accounted for 21.4% of total sales in May. Decline of distressed sales as percentage of total sales is positive news. Since ARMLS began tracking distressed properties in October 2009, the distressed property makeup has remained relatively constant at two foreclosures sold for every short sale closed.



## AVERAGE DAYS ON MARKET

Average DOM showed only a little change in May dropping to 106 from April’s 107. May’s figure is the lowest since December.



## COMMENTARY

Recovery in slow motion is an apt description of gains this month. June STAT reports positive news on several fronts: sold units are up, new inventory added to the supply is down, total inventory continues to decline, and MSI dropped again in May. Pricing, of course, remains in the doldrums surprising no one, since pricing is a trailing indicator and significant gains have to occur in other metrics before we will see much pricing movement.

Most significant in the continued decline in foreclosures pending which fuels lender owned sales. Since STAT began watching distressed properties back in October of 2009, lender owned sales have accounted for two thirds of the total distressed properties, short sales accounting for the other third. The influence of distressed inventory on pricing cannot be overestimated. Pricing cannot begin any meaningful rebound until the influence of distressed properties on pricing is quelled.

The rise in foreclosures pending began in earnest in 2008 starting at 12,877 and climbed to its highest level by the end of 2009 to 51,022, almost four times the level at the start of 2008. Beginning in 2010 the numbers began a steady decline to the present 30,517 reported in this issue. Comparing the current downward trajectory with the 2008 upward trend, the two trend lines should intersect in mid July, meaning that the number of foreclosures pending at that point should be somewhere around 23,500, a level not seen since July of 2008. If the trajectory continues on its current path, foreclosures pending could be well below 20,000 by early fall. Naturally other factors or events could derail this prediction, but the steady definitive decline since the end of 2009 remained solid despite many economic events that could have altered its path, but did not.

A pricing rebound is not solely dependent on supply. The demand side of the equation also must grow. Many buyers are taking advantage of the record affordability of housing in the Valley as seen in the record high sales figures in 2011. This demand at some point will absorb the low end of the housing market, after the flow of lender owned properties into the market is stanchied. A combination of other key factors must occur to bolster demand: more potential Valley homebuyers getting back to work, net migration of homebuyers drawn to employment here from feeder markets, and continued recovery of feeder markets so that buyers can sell their homes in order to purchase here.

This month STAT introduced a supplement to the PPI to allow its readers to follow in four month segments the relative makeup, according to price range, of pending properties added to the pending pool each month. In May properties \$100,000 and under accounted for 46% of the total new pendings for the month. Properties over \$500,000 accounted for only 3.33% of the May pendings. Watching how the pendings change in specific price ranges will offer advance clues to changes in activity in the higher price ranges. Over time, as the percentages change, the market will right itself.

Unemployment continues to decline in the Valley. The US Bureau of Labor Statistics reported 8.1% unemployment for the Phoenix Metropolitan Area down from 8.7% in March, and well below the state rate of 9.3%.<sup>1</sup> Jobs continue to be added to the market. This month Safelite AutoGlass<sup>2</sup> announced plans to hire 300 in Chandler and the Vanguard Group<sup>3</sup> plans to add more than 300 hires to its Scottsdale call center by the end of 2011. Announcements such as these and many more just like them are needed to fuel the recovery.

For now the direction of recovery is the right one and the pace is very slow, but we know that eventually the Valley will get where it needs to go.

<sup>1</sup>[http://www.bls.gov/eag/eag.az\\_phoenix\\_msa.htm](http://www.bls.gov/eag/eag.az_phoenix_msa.htm)

<sup>2</sup><http://www.bizjournals.com/phoenix/news/2011/06/03/safelite-autoglass-to-hire-300-in.html><sup>3</sup><http://www.azcentral.com/arizonarepublic/business/articles/2011/02/25/20110225arizona-companies-that-are-hiring-photos.html?page=2>