

AUGUST 2019

Real Estate Update



JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

How are you handling the summer heat? Surprisingly, this seems to be a correct question to most anyone this year. It seems like it has been a hotter than average summer throughout the US and much of Europe! Here's hoping you have done a better job of planning some cool escape from the heat than I have!

Our Phoenix Metro real estate market has generally been as hot as our weather so far this summer. As always, the numbers that follow represent June happenings as July's numbers have not been crunched yet. The total \$ worth of MLS sales set an all time high for a June this year. At this point, 2019 totals for the year indicate this will be an all time record high \$ volume. Not overly surprising as it's hard to name most anything that doesn't (at least) seem high priced these days. June did set a new record high median home price for The Valley at \$279,000. The number that really caught my eye was the June AVERAGE sale price was \$350,600! Raise your hand if your budget comfortably supports an 'average priced' home. June was another month with a decrease in the number of homes for sale was down (7.5% from May and about 3% lower than last year). I checked the MLS Active Listings just before writing this Newsletter and saw just below 14,000. That's noticeably down, even from recent times. Why? Lots of guesses here. Many people are preferring to stay in their current home for a longer time than the past. Some are choosing to (perhaps financed through a mortgage refi at a lower interest rate) remodel/updated to stay in place because of school choices or their job. Many people who might like to move (both larger and smaller) look at the small available inventory and realize that they don't see much available that looks like what they are hoping to find. I'm finding potential Buyers having love/hate relationships with 'flip' homes on the market. They are a big reality. The AZ Republic referenced The Cromford Report (Sun, 5/28) saying nearly 20% of the homes sold in May were flips. Investors/Flippers seem to have embraced the mortgage rate decreases from this past Fall and have been very active in our market. I suspect we'll see even greater activity if the Fed relaxes interest rates again this week, as expected. The problem many potential Buyers have with 'flips' is that the quality, materials used and workmanship can vary greatly. Some are very good, some not so much.

We're still looking for the right Buyer for David's Phoenix home. Updated Mid-Century modern homes and this pricepoint require rather specific Buyers. Know anyone looking for one? I could use your help with referrals of anyone you know looking to Buy or Sell a home. I'll greatly appreciate it if you'll share my name with anyone you know that's in the market (or even thinking about Buying or Selling).

Regards,

JS Gerber 7/30/2019

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Real Estate For Today

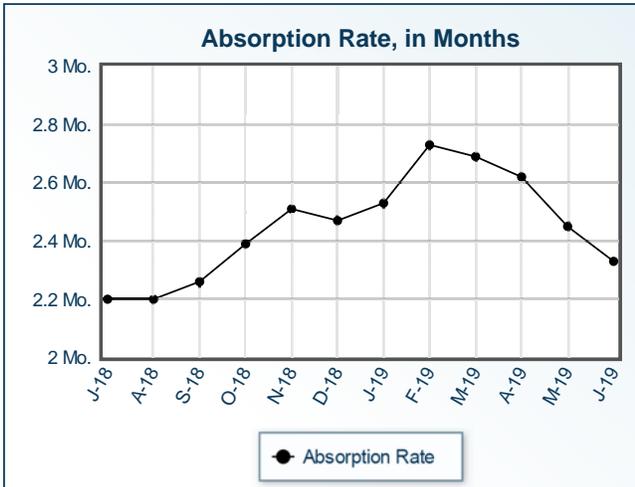


Visit my website at: www.jeffgerberrealtor.com



Market Summary

Residential, June 2019





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Between FRIENDS

Real Estate for Today

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Buying or selling a home on your own in the middle of summer is a lot of work! Contact me and let my knowledge and experience be your guide.



Looking to buy a new home? Now is the time to make the move! Of course, investing in a new home is more than just a financial decision—the pride that comes with homeownership is truly priceless.

I recommend including an Old Republic Home Warranty Plan to all my clients, whether they're buying or selling. A home warranty helps protect your budget from unexpected repair or replacement costs caused by the breakdown of your home's heating, plumbing, electrical systems, and most built-in appliances—before, during, and after the sale. Optional coverage choices are available for buyers to custom-fit the warranty to the unique needs of their new home.

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Health & Safety

Why Do We Crave Sugar?

American adults consume over 50 pounds of added sugar each year. That's in addition to the natural sugar we get from fruits, vegetables, and dairy! The American Heart Association recommends a daily intake of fewer than 6-9 teaspoons of sugar. Moreover, experts say less than 5% of that intake should come from added sugars.

Sugar is a generic term used to describe carbohydrates, but complex carbohydrates (e.g., brown rice or whole wheat) function differently than simple carbs (e.g., processed sugar or corn syrup). The blood sugar spike generated by simple carbs may contribute to irritability, fatigue, depression, and intense hunger cravings. The U.S. National Institute on Drug Abuse found that eating sugar can produce cravings and withdrawal symptoms similar to those in people with drug and alcohol addictions!

Stave off cravings by lowering your sugar intake, one week at a time, until you've found what works for your body. By cutting out sugar, you may become more sensitized to sweetness over time, with reduced cravings as your body adjusts. Start by cutting out sugary drinks like sports drinks, sweetened tea, juice, or soda from your diet. Replace them with fruit to get your sweet fix the healthy way!



Real Estate Today

Determining A Home's Value

When house hunting, many focus on the style and curb appeal of a home. While these factors do matter for appraising a home, remember that the physical structure depreciates over time. The value of the land under a home tends to appreciate, and many factors (schools, crime stats, etc.) can affect home values.

Value estimators like Zillow's Zestimate tool approximate home values based on property records and the selling price of comparable local properties. Automated valuations are a great place to start, but they're no substitute for a Competitive Market Analysis (CMA) from a real estate professional.



CMAs include properties that closed in the past year, active listings, pending sales, and expired listings, to offer a more comprehensive view of the local market. A real estate agent also looks at factors such as proximity to busy streets and freeways, landscaping, details of other neighborhood homes, and more to determine the value of a home.



2-4 long English cucumbers, thinly sliced

1 red onion, finely chopped

1/4 cup white wine vinegar

1 Tbsp sweetener (sugar or sugar substitute)

1/2 tsp fresh lemon juice

1/3 cup fresh dill, finely chopped

Kosher or sea salt, to taste

Fresh ground pepper, to taste

Mix sliced cucumbers and chopped onion in a serving bowl and set aside.

Whisk together white wine vinegar, sweetener, and fresh lemon juice in a small bowl. Pour over cucumbers and onions.

Sprinkle with dill, and toss with salt and pepper to taste.

Cucumbers begin to soften after being salted, so serve and eat immediately for crisper vegetables.



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Household Tips

Tiling Tips

Whether you do it yourself or hire a professional, tile is a functional and decorative way to add a little character to any room in your home. Spice up your living space with the following tips.

Test it first: Before you begin a tiling project, ask your supplier for a few sample tiles to take home. You may be surprised by how a given color, pattern, or style works in a particular room.

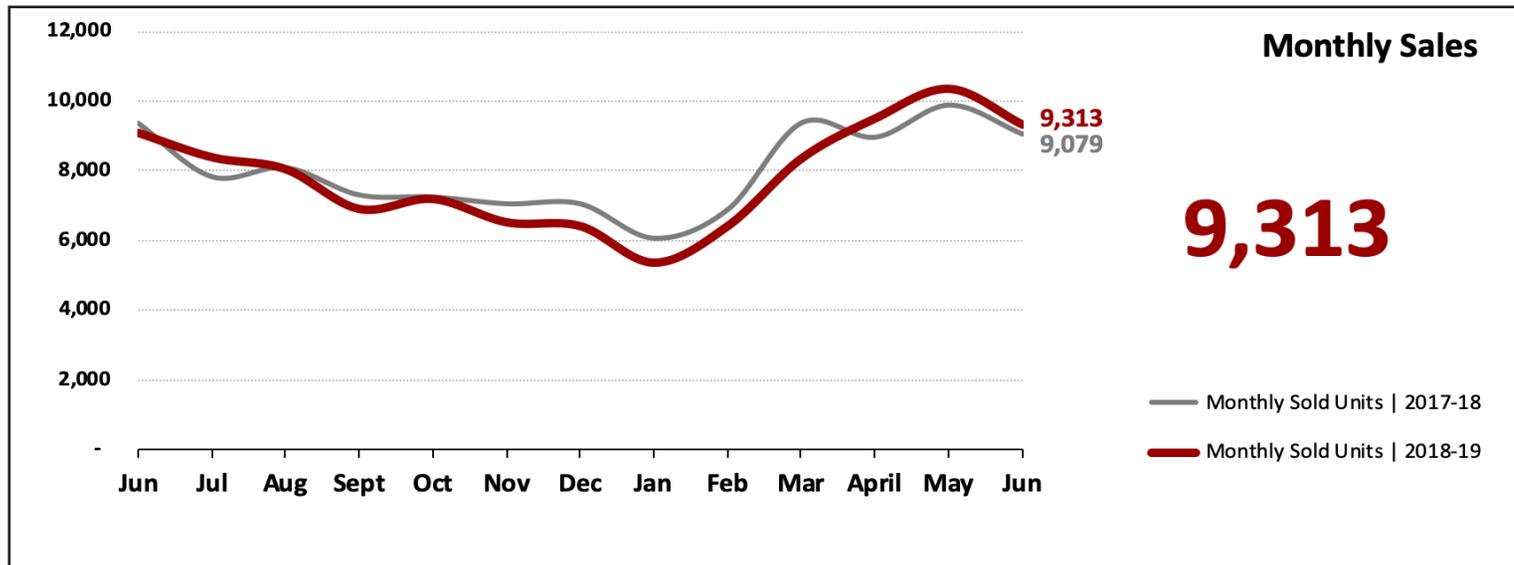
Consider going bold: A powerful pattern of alternating colors, such as dark grey tiles next to bright white tiles, can make a strong statement in the right room. Large format tiles can make a room look larger, and you can use decorative designs to help certain areas of your home stand out.

Arrange with style: The standard, square grid arrangement can work well in many settings, but you can arrange tiles at varying angles to create more interesting patterns, like herringbone, brick, basket weave, and more. You can also add borders and mix different sizes, shapes, and styles to create a unique look. Experiment with different layouts at your local showroom before laying tile to see what works for you!





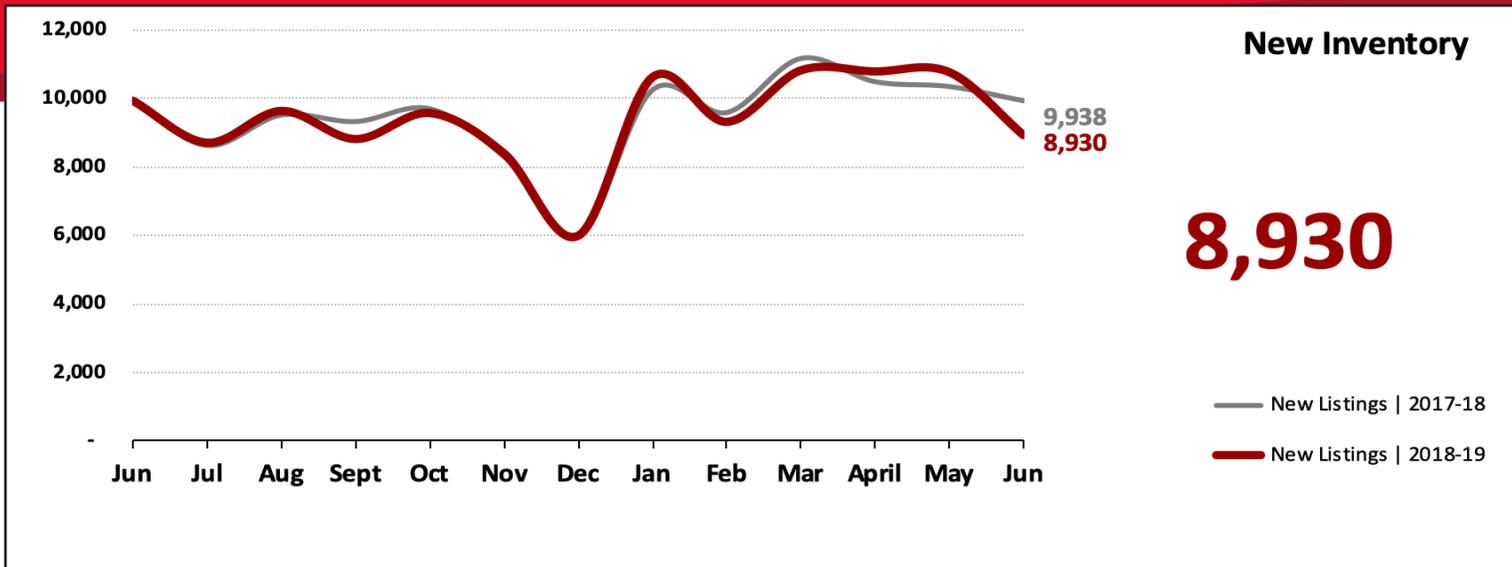
DATA FOR JUNE 2019 - Published July 16, 2019



Sales are down -9.9% month-over-month. The year-over-year comparison is up +2.6%.

9,313

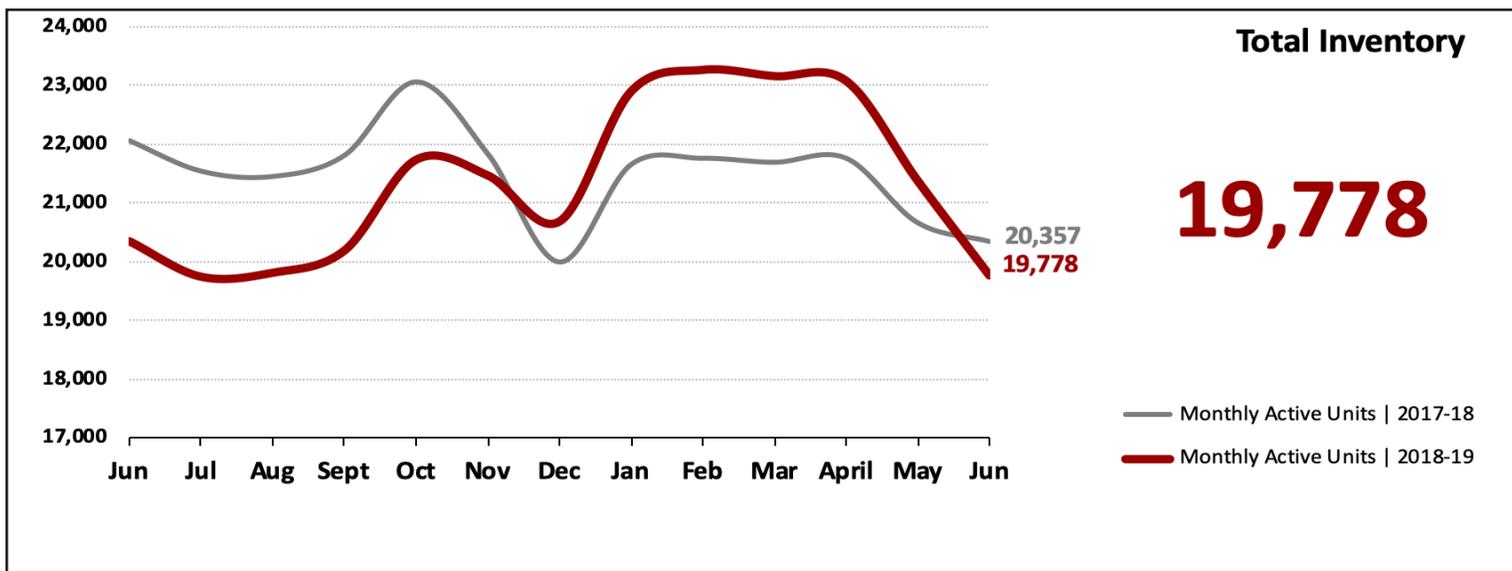
Closed MLS sales with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



New inventory is down -17.2% month-over-month while the year-over-year comparison decreased by -10.1%.

8,930

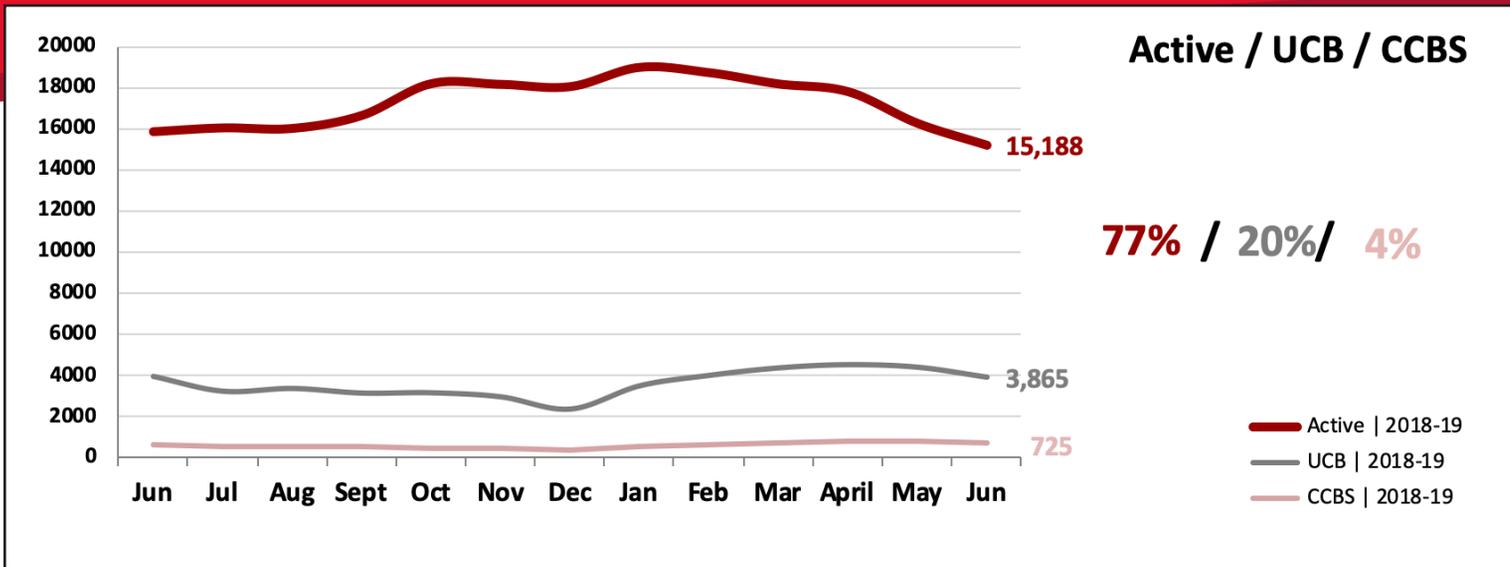
New MLS listings that were active for at least one day from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



Total inventory has a month-over-month decrease of -7.5% while year-over-year reflects a decrease of -2.8%.

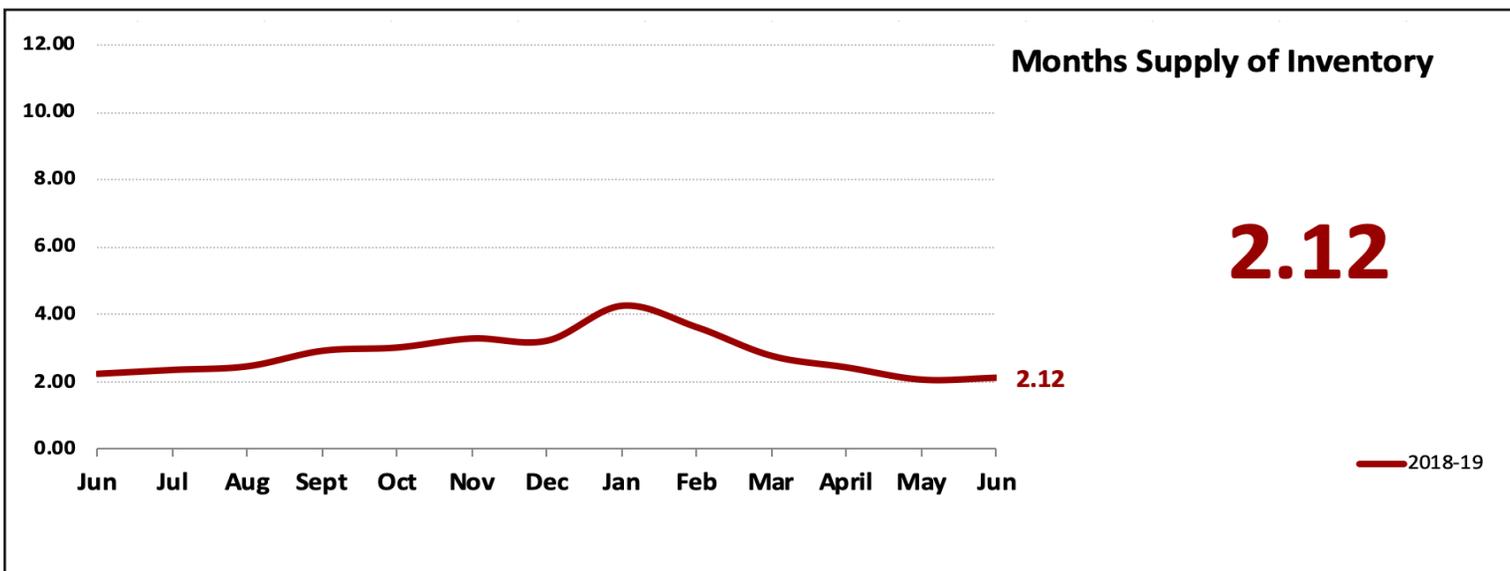
19,778

Snapshot of statuses on 6/30/2019



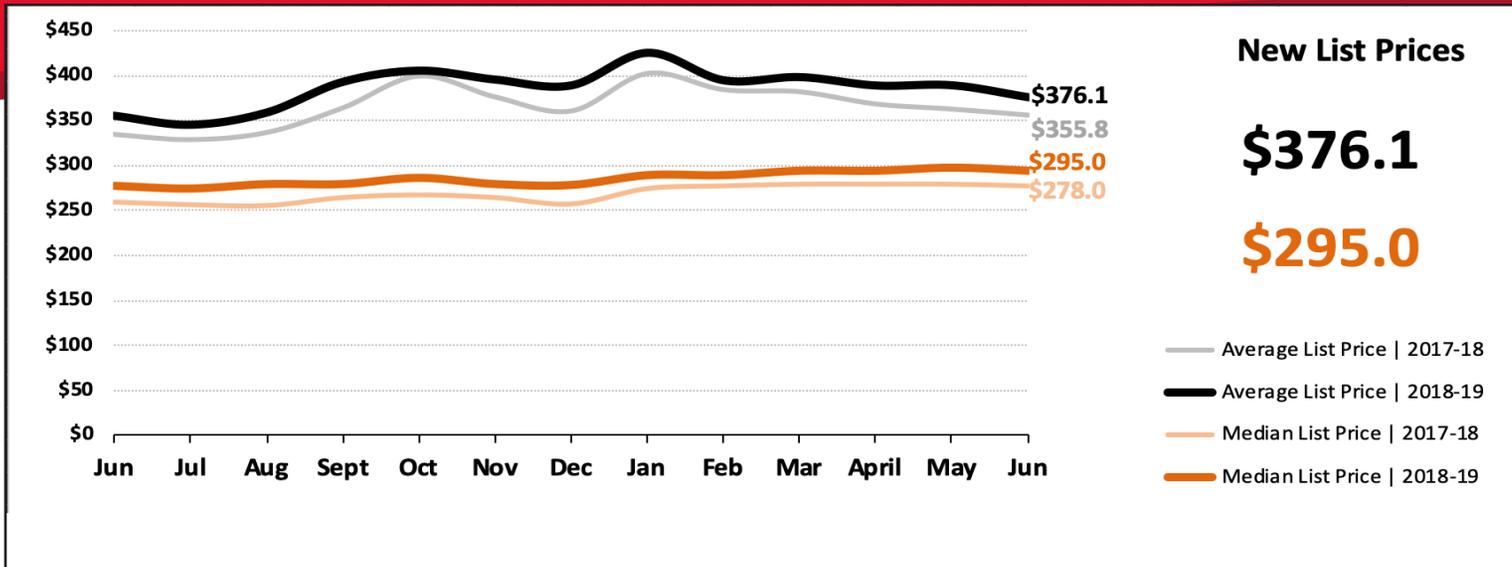
June UCB listings percent of total inventory was 19.5% with June CCBS listings at 3.7% of total inventory.

Snapshot of statuses on 6/30/2019



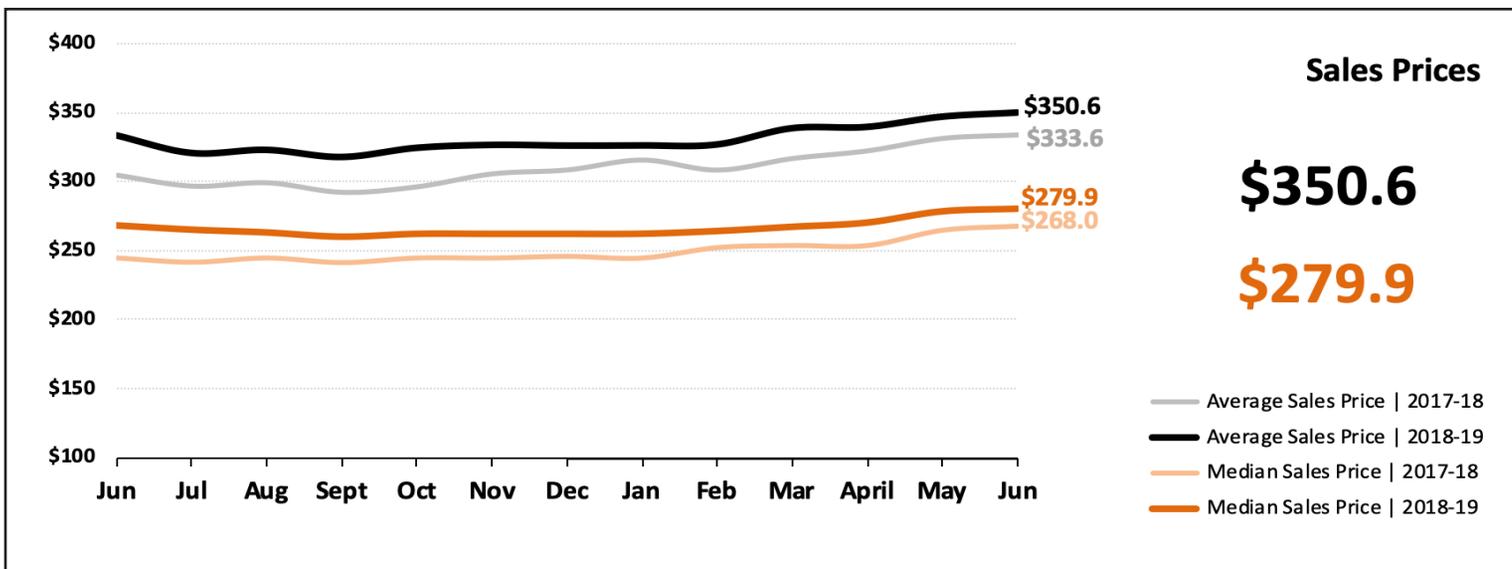
Months supply of inventory for May was 2.07 with June at 2.12.

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



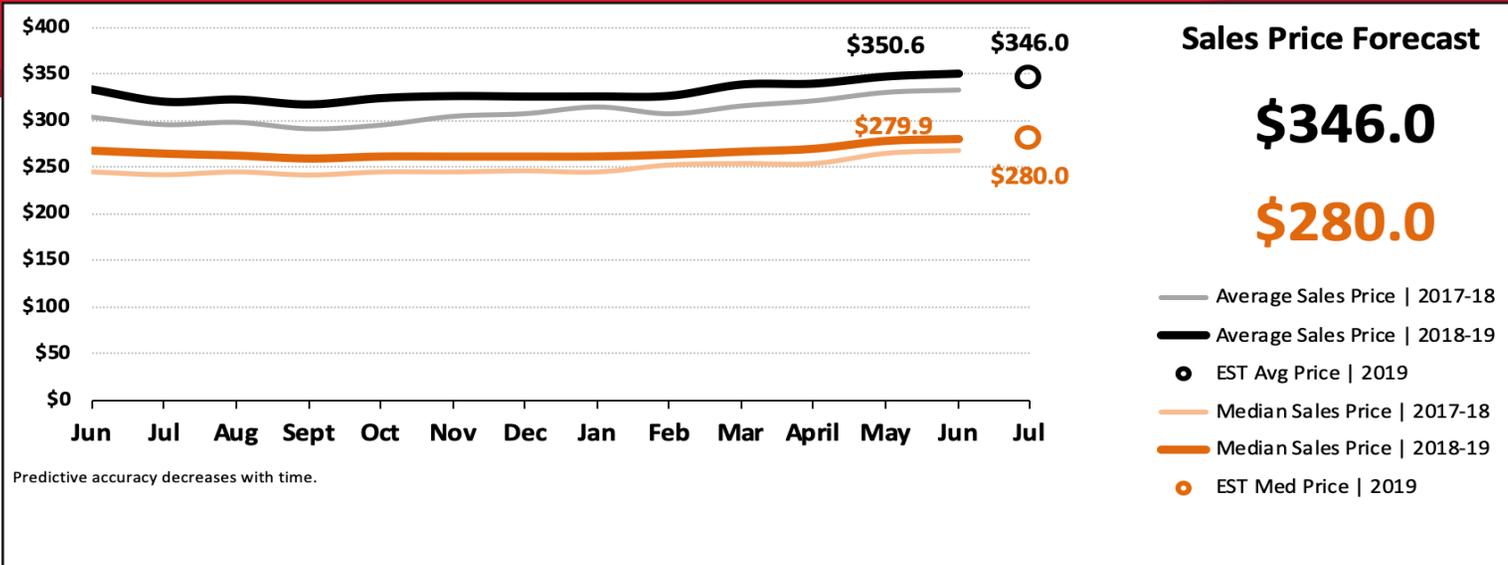
Average new list prices are up +5.7% year-over-year. The year-over-year median is up +6.1%.

List prices of new listings with list dates from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



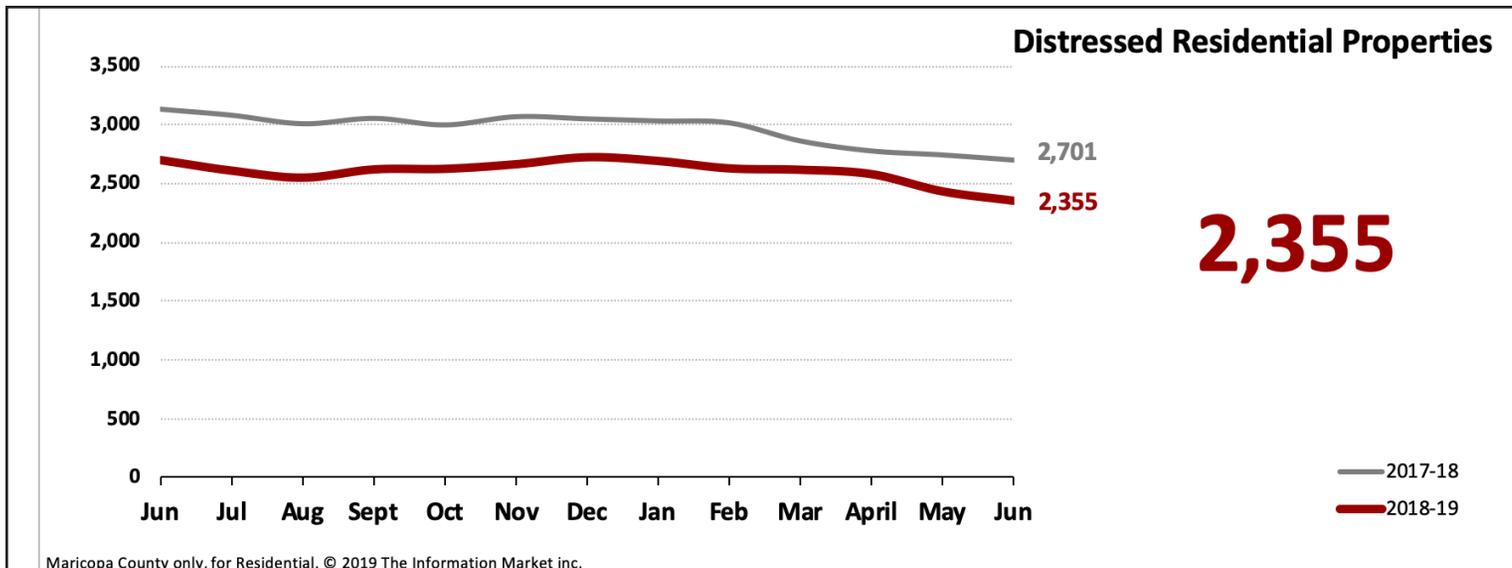
The average sales price is up +5.1% year-over-year while the year-over-year median sales price is also up +4.4%.

MLS sales prices for closed listings with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



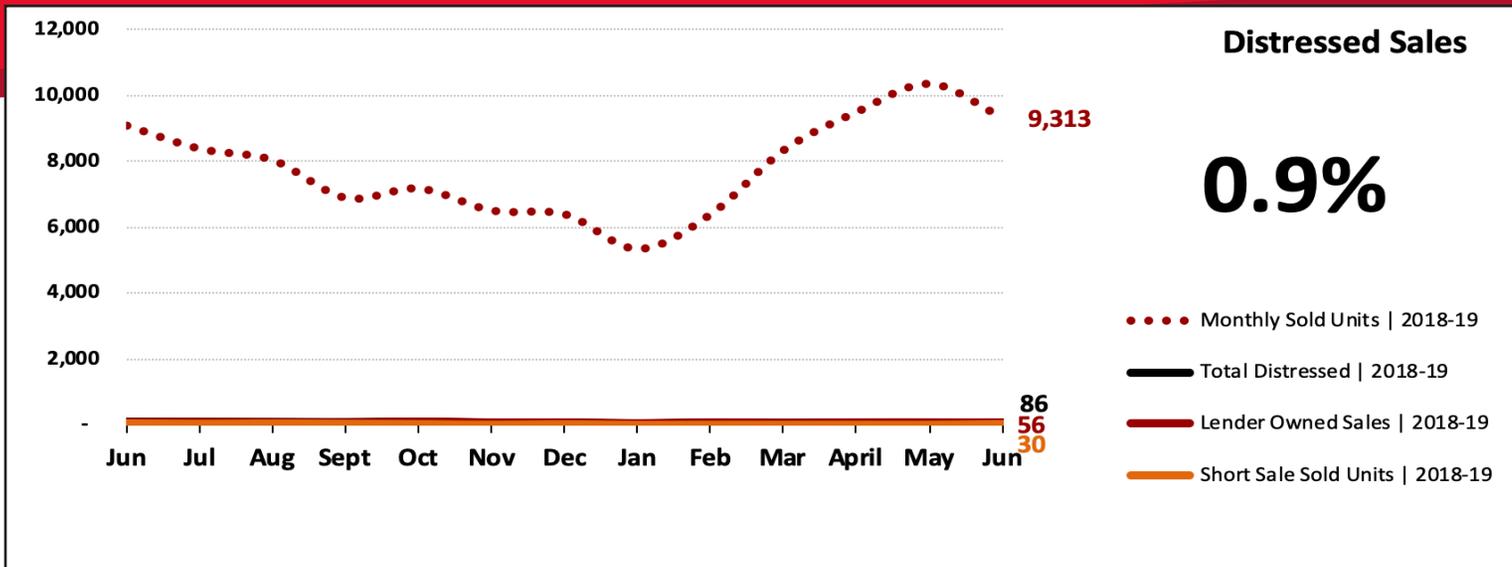
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

A decrease is forecasted in July for average sales prices while a slight increase is forecasted for median sales prices.



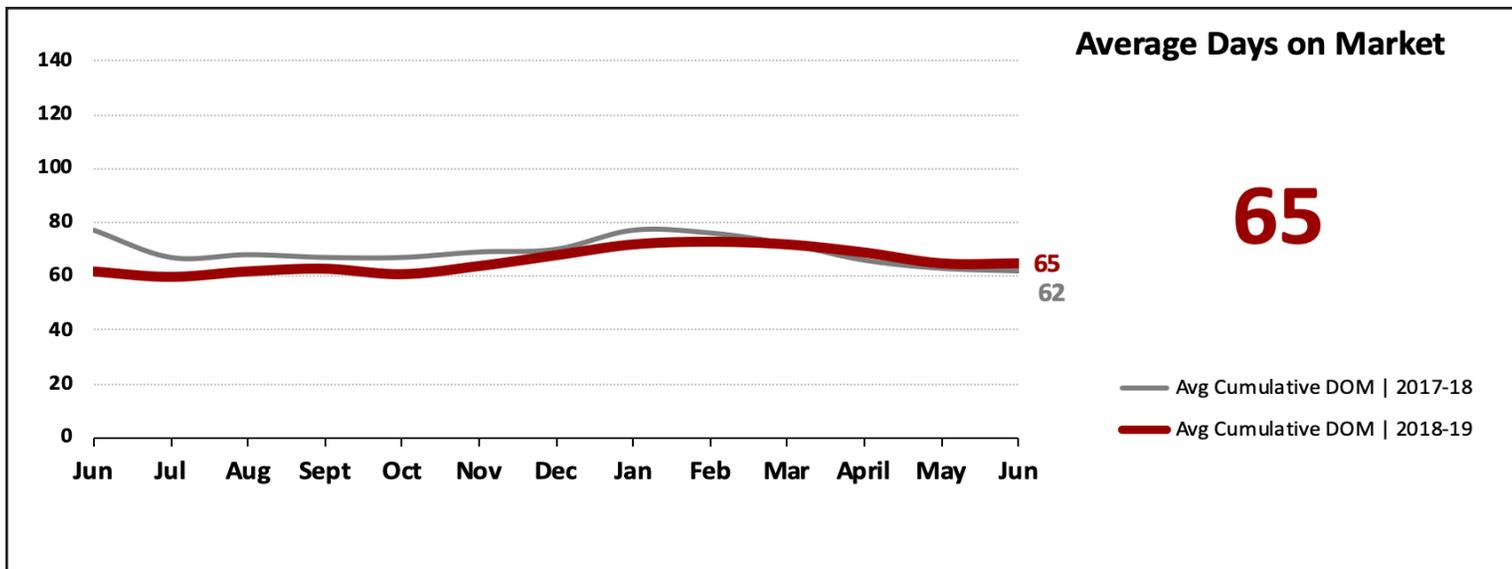
Snapshot of public records data on 6/30/2019 active residential notices and residential REO properties.

Foreclosures pending month-over-month showed a decrease of -3.3% while the year-over-year figure was down -12.8%.



Distressed sales accounted for 0.9% of total sales, up from the previous month of 0.8%. Short sales dropped -25.0% year-over-year. Lender owned sales dropped -23.3% year-over-year.

New MLS listings that were active for at least one day from 6/1/2019 to 6/30/2019, 0 day DOM sales removed



Days on market were up +3 days year-over-year while month-over-month stayed the same.

MLS sales prices for closed listings with a close of escrow date from 6/1/2019 to 6/30/2019, 0 day DOM sales removed

COMMENTARY by Tom Ruff

The loud explosions heard earlier this month were not coming from Independence Day celebrations. They were the 2019 year-to-date housing numbers being reported by ARMLS. The first half of 2019 began with a whimper and ended with a bang. May and June were both exceptionally strong with June having \$3,265,463,755 in dollar volume, the highest total for any June in ARMLS history. As an added caveat, there was one less business day this year compared to 2018, making this year's total that much more impressive. As we reach the halfway point for the year, 2019 ranks as the best year on record.

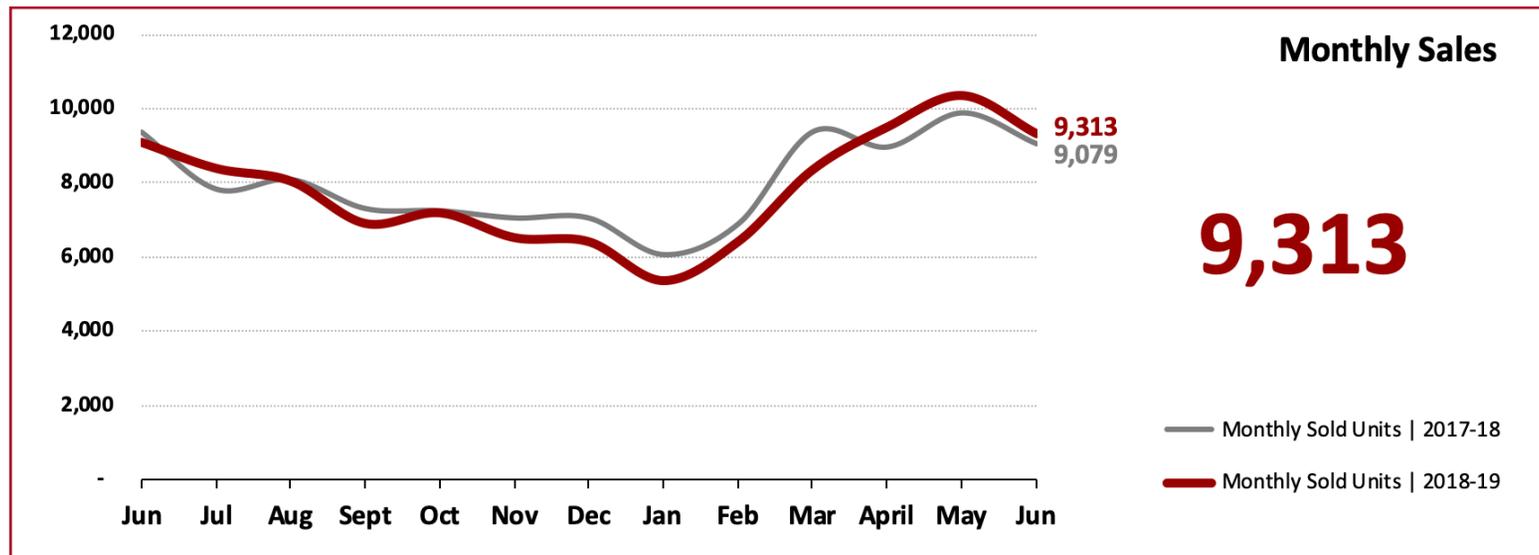
Total Dollar Volume Sales as reported by ARMLS

Year	January	February	March	April	May	June	Total:	Rank:
2001	636,030,000	782,147,300	1,003,333,600	1,005,025,900	1,081,460,800	1,110,752,800	5,618,750,400	19
2002	739,345,600	749,390,600	1,015,710,400	1,103,580,000	1,242,645,600	1,205,232,800	6,055,905,000	18
2003	876,792,000	1,020,050,100	1,235,041,500	1,397,260,800	1,485,385,200	1,513,990,000	7,528,519,600	16
2004	1,054,819,800	1,263,984,000	1,858,100,000	1,873,144,800	1,939,085,000	2,323,406,100	10,312,539,700	10
2005	1,694,476,000	1,938,247,100	2,709,473,100	2,692,800,000	2,967,989,000	3,244,758,000	15,247,743,200	3
2006	1,774,115,400	1,976,612,000	2,478,508,200	2,237,221,800	2,614,199,600	2,511,193,400	13,591,850,400	5
2007	1,502,793,600	1,650,518,200	2,071,941,000	1,847,583,000	2,030,568,000	1,900,037,200	11,003,441,000	8
2008	912,620,800	1,010,608,800	1,259,136,900	1,354,410,400	1,523,726,400	1,520,346,000	7,580,849,300	15
2009	855,115,376	944,032,151	1,214,734,880	1,367,508,084	1,517,804,024	1,600,326,660	7,499,521,175	17
2010	1,017,185,190	1,146,498,780	1,598,150,234	1,586,418,561	1,607,827,164	1,670,000,960	8,626,080,889	13
2011	1,026,793,098	1,113,664,985	1,567,407,534	1,505,062,307	1,557,473,020	1,654,558,610	8,424,959,554	14
2012	1,081,057,580	1,207,871,874	1,674,524,083	1,596,003,220	1,728,195,588	1,774,020,312	9,061,672,657	12
2013	1,214,561,028	1,438,378,500	1,819,022,472	1,994,450,082	2,243,909,108	1,949,657,512	10,659,978,702	9
2014	1,164,366,216	1,326,881,178	1,691,980,180	1,919,077,335	1,842,019,565	1,849,681,056	9,794,005,530	11
2015	1,219,848,240	1,501,082,020	2,026,318,400	2,221,187,490	2,235,257,067	2,350,480,520	11,554,173,737	7
2016	1,386,160,174	1,554,632,712	2,252,287,764	2,252,727,106	2,447,013,744	2,504,331,264	12,397,152,764	6
2017	1,668,131,788	1,836,735,615	2,633,156,600	2,531,633,244	2,895,066,967	2,857,014,539	14,421,738,753	4
2018	1,917,861,388	2,128,816,063	2,974,463,730	2,894,348,480	3,281,341,782	3,029,099,402	16,225,930,845	2
2019	1,746,890,915	2,094,275,339	2,827,447,840	3,226,528,305	3,593,145,906	3,265,463,755	16,753,752,060	1

In the ARMLS Monthly Sales Volume Figures chart below, you can see in the third quarter of 2018 year-over-year sales began to decline. In our October 2018 STAT report, we asserted, “*The October 2018 sales volume most likely signals an inflection point in our market.*” We believed this downturn was “*nothing more than a pause.*” Quoting Ivy Zelman we added, “*There’s a hesitancy to adjust to the new rate environment, but assuming no further upside in rates that reluctance starts to diminish in roughly four quarters, which would bode well for the spring selling season. Given the strength of the economy and consumer confidence and employment growth, housing should resume growth. That said, prices will likely be under pressure and will have to adjust, even if we do see a rebound in the spring, because it’s more expensive with rates moving higher.*”

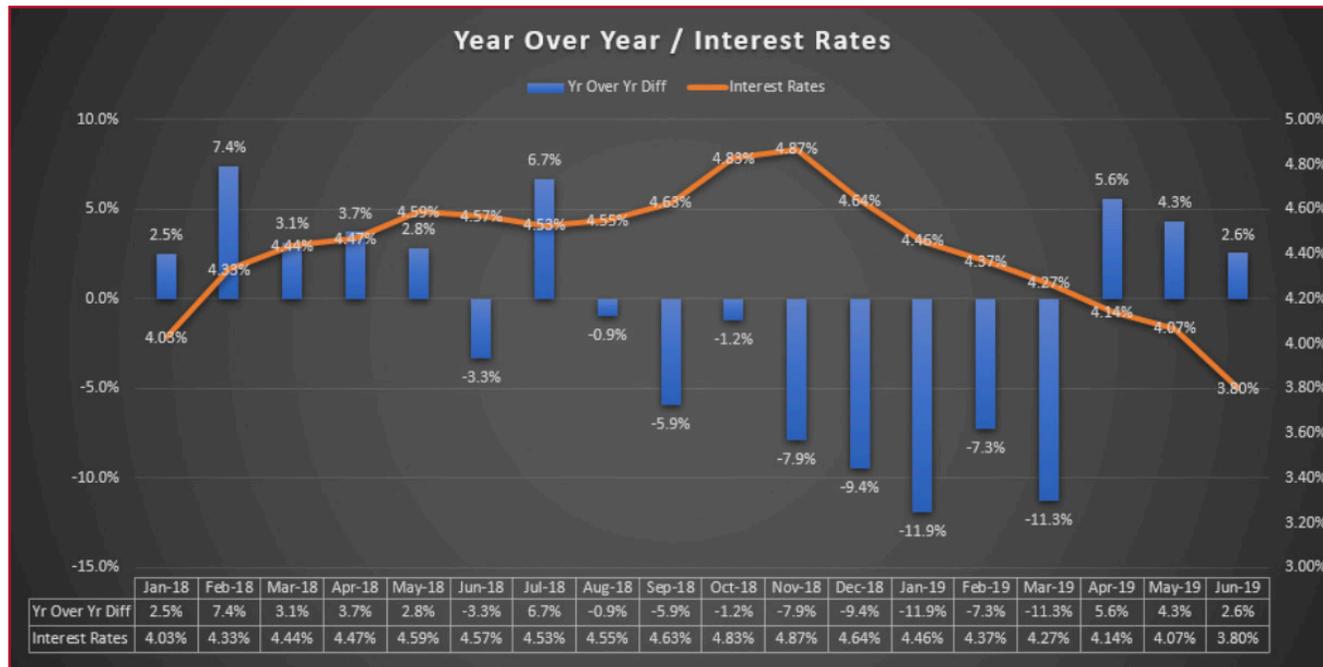
As the chart below shows, we saw five straight months of year-over-year declines with the last three months showing improvement.

ARMLS Monthly Sales Volume Figures



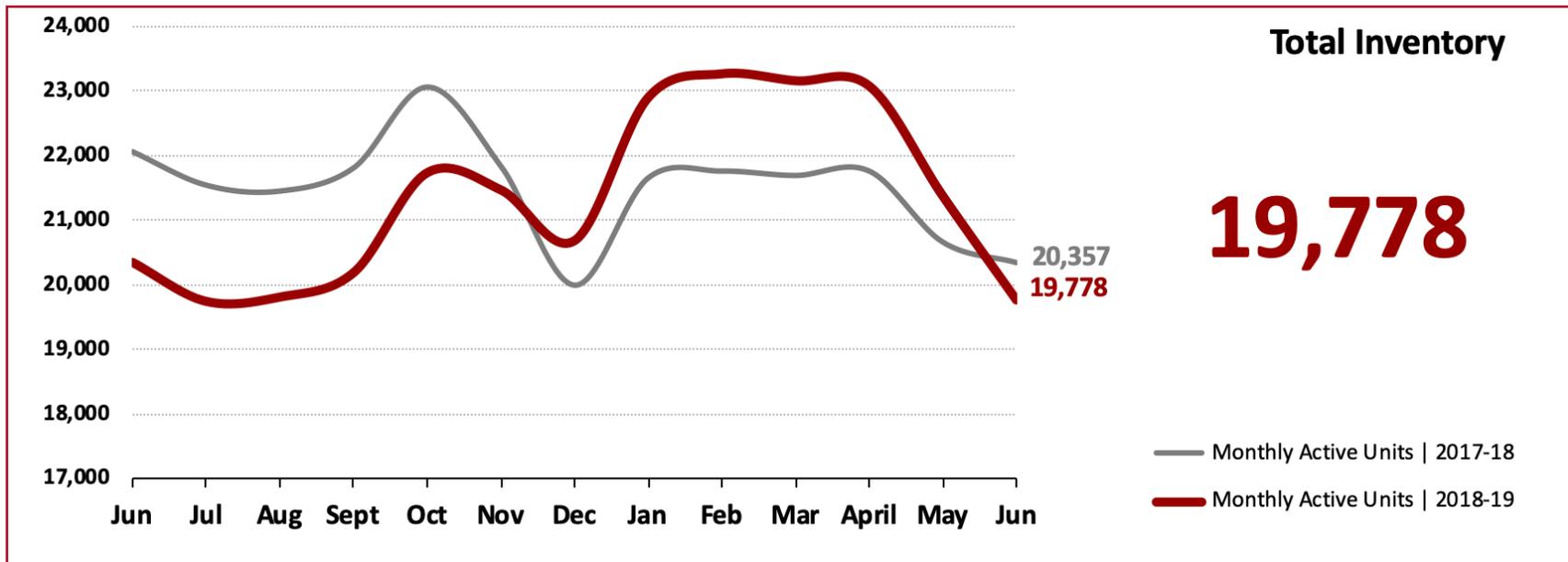
Our assertion in October ended up being correct. The premise on which we based our forecast was only partially correct. We believed in the economy and employment growth and felt the market would adjust to the rising interest rates. Our market has also seen a moderation in price increases with the year-over-year gain in the median sales price standing at 4.4%. What we didn't anticipate was a 1.07% drop in interest rates. The chart below displays the exact same data from the Monthly Sales Volume Figures chart above, only from a different perspective. Below we're showing the percentage change in year-over-year sales volume as reported by ARMLS. Think of this chart below as the "space" between the two years. It begins with January 2018 data while the chart above begins in June 2018. The chart below clearly displays the impact of declining interest rates with a lag time of between 2 and 3 months.

ARMLS Monthly Sales Volume Figures Percentage Change



Which leads us to what might be the most interesting metric reported in June- the rapid decline in active listings. The chart below resembling a yoga pose shows just how dramatically the number of active listings has declined with three consecutive strong months of sales.

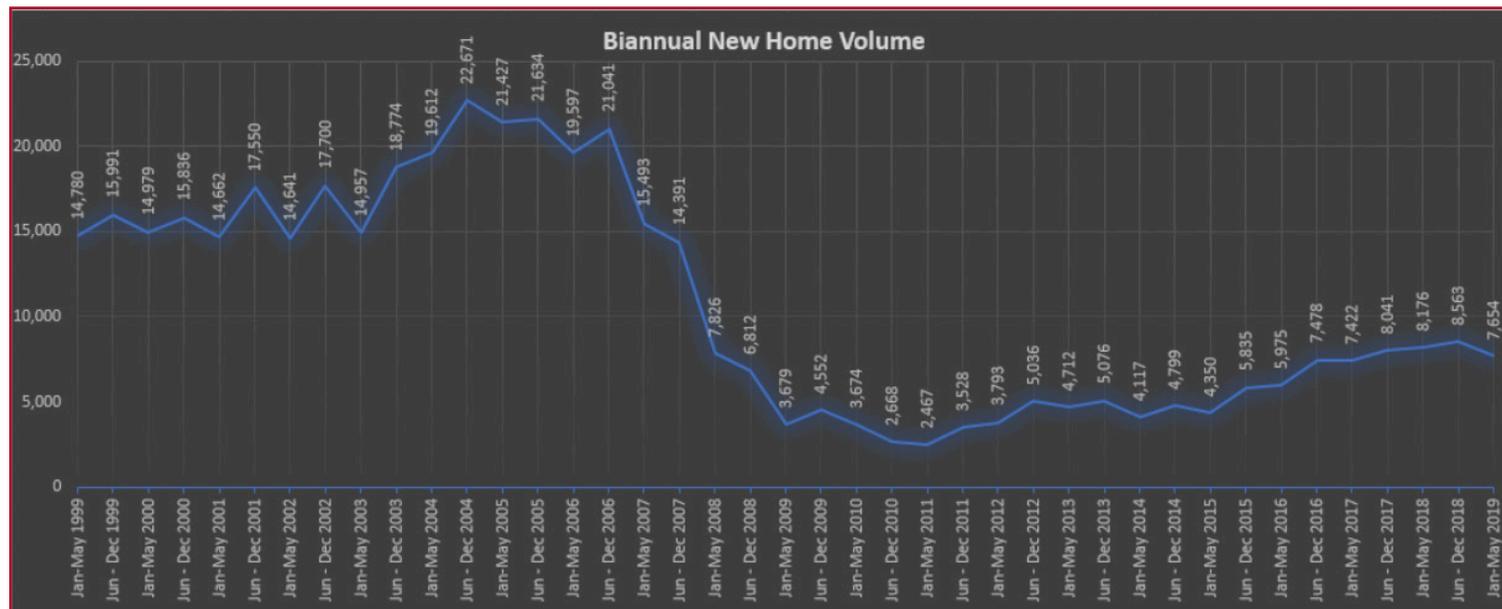
ARMLS Active Listings



We've been discussing low inventory numbers for several years now and what needs to transpire to see an increase in the number of properties available for sale. Maybe it's time to just accept low inventory as the new norm. New housing stock can only be added from one source- new construction. The chart below shows the number of new homes built in Maricopa County dating back to 1999. New home construction was consistent from 1999 through 2003.

We saw an explosion of new builds between 2004 and 2007 as the housing bubble formed, followed by a rapid decline. The 7,654 new builds in the first half of 2019 are just over 50% of the number of homes built in the first half of 1999.

New Homes Built via Public Records



Two additional factors can impact the number of homes available for sale on the MLS: distressed properties (REOS) and the velocity at which current homeowners move. In a just published report from Core Logic, Chief Economist Dr. Frank Nothaft stated, “Thanks to a 50-year low in unemployment, rising home prices and responsible underwriting, the U.S. overall delinquency rate is the lowest in more than twenty years.” In Maricopa County we saw only 663 residential foreclosures in the first 6 months of 2019, 257 of which reverted to the beneficiary. With Arizona delinquency rates lower than the national average, we can expect further declines in foreclosures in the coming year. Which leaves us with velocity.

In a June 8 report, Freddie Mac asked the question, “*Are Baby Boomers the Key to the Single-Family Market?*” The article states,

“One of the most important keys to today’s single-family housing market is homeowners who were born before the first-ever episode of Star Trek aired in the 1960s.

Today, more than 50 years later, Baby Boomers and other homeowners over the age of 55 control almost two-thirds of the nation’s home equity – about \$8 trillion. There are also more than 67 million 55+ homeowners. Whether they decide to move from their current homes or age in place, the cumulative impact of their decisions on mortgage demand, affordable housing supplies, and the housing options available to Millennials and other aspiring homeowners will be substantial.

63 percent of 55+ers prefer to age in place. This works out to an estimated 42 million homeowners who don’t plan to move.

27 million 55+ers would prefer to move at least one more time. Although movers are in the minority, it’s a big minority. According to the survey nearly 40 percent of all homeowners 55+ would like to move at least once more if they had complete control over it. This isn’t just about downsizing to a rental or nursing home; 19 million plan to buy a home and nearly 8 million expect to move within the next four years. What’s more, half of the 19 million likely movers expect to buy less expensive homes.

These are big numbers with the potential to tighten homebuying competition in the housing market, especially for Millennials and other first-time homebuyers.”

A recent Chicago Tribune article went on to say, *“The boomers are a stick in the spokes of the homeownership cycle, which counts on older people exiting to free up houses that can be resold to first-time buyers, keeping the market moving.”*

This will be an interesting trend to follow, particularly in our Arizona market where we could see the effect from both sides of the boomer equation as we are also a desired destination for retirees.

And now we look forward to July.

The Pending Price Index

Last month the STAT mathematical model projected a median sales price for June of \$279,900. The June reported median was \$279,900. Looking ahead to July, the ARMLS Pending Price Index anticipates the median sales price will remain relatively unchanged, projecting a median sales price of \$280,000.

We begin June with 6,382 pending contracts; 3,865 UCB listings and 725 CCBS giving us a total of 10,972 residential listings practically under contract. This compares to 10,618 of the same type of listings one year ago. At the beginning of July, the “pending” contracts are 3.3% higher than last year. There were 21 business days in July of 2018 and 22 this year. ARMLS reported 8,380 sales in July of 2018. We expect sales volume will be higher this year, our guess is 9,100 sales.