

SEPTEMBER 2019

Real Estate Update



JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

Hope you had a good Labor Day Holiday weekend! For much of the country it's back to school and cooler temperatures. Not here!. Most kiddos went back to school in August. Our hopes for cooler weather really come into play later next month. Here's hoping you'll make the most with whatever weather you have this month!

Our Phoenix real estate market continues to evolve. It appeared we were heading toward a 'balanced/normal' market at the start of the year. Our then Sellers market actually has strengthened. Much of that can be attributed to things like slowly shrinking inventory, continued Buyer demand (much of that driven by continuing steady population growth in The Valley) and lowering (starting to get to near historic low rates again) mortgage interest rates (generally in the mid-3%'s). A recent Cromford Report article from Tina Tambour provided an interesting comparison of today vs 2004..the start of the run-up to "The Bubble". "Are we ready to have another Bubble in the Phoenix market? Her take is NO. We're not doomed to repeat The Bubble. The reality is that we're not afraid to repeat 2004, it's the rapid 45% appreciation rate of 2005 that sparks fear and hesitation. Many laws and industry changes have been put in place since that time to avoid repeating history; changes that affected nearly every industry involved in residential real estate. That's what makes this time interesting to watch going forward. We hve been here before, but this time the industry is wiser. Appreciation rates in Greater Phoenix are forecasted to be positive for the rest of the year and into 2020." I have followed The Cromford Report for many years and find that they generally find that they have the best 'fact based crystal ball' to predict what will happen in The Valley's Real Estate Market!

I'm happy to say I've been kept busy for the past month. That's not to say that I wouldn't really appreciate your referral and good recommendation of me to anyone thinking of Selling or Buying a home in the Phoenix area. Congrats to David as we found a Buyer for his Phoenix home. Now we just need to work through the process. I'm looking to working for Desarae & David (again) as we target September for listing their Gilbert home for sale. I appreciate the opportunities that have been presented in recent times to receive referrals and contacts to discuss working for a few potential Buyers and Sellers in the next few months. Planning and discussions with a Real Estate Professional, like me, should always be one of the first steps taken as you think of Buying or Selling a home. I'm pleased to share my years of knowledge and experience wiyh anyone.

Regards,

JSGerber 8/30/2019

Contact me anytime:
Call direct: 602-330-7272
Email: Jeff@jeffgerberrealtor.com
Fax: 877-824-7272
www.jeffgerberrealtor.com

The Empowered Team LLC
3370 N Hayden Road - Suite 123-119
Scottsdale, AZ 85251
AZ License # SA540122000

The Empowered Team, LLC
Real Estate For Today

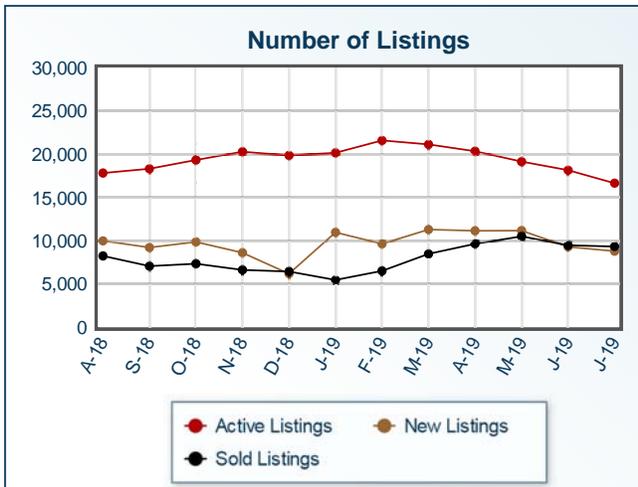


Visit my website at: www.jeffgerberrealtor.com



Market Summary

Residential, July 2019





Jeff Gerber, ABR, GRI,
SRES

The Empowered Team, LLC
Real Estate For Today



The Empowered Team LLC
Lic. #: SA540122000

Between FRIENDS

Real Estate for Today

Tel: (602) 330-7272, jeff@jeffgerberrealtor.com, www.jeffgerberrealtor.com, Lic. #: SA540122000

The days are getting shorter and the kids are heading back to school. Call me today for an update on the current local real estate market!



Do you know the difference between a home warranty and homeowner's insurance?

Home warranties are service contracts that cover the failure of home systems and appliances due to normal wear and use, while homeowner's insurance protects the homeowner against damage or liability due to an unknown or contingent event. Both offer valuable budget protection and they can work in conjunction with each other. For example, if a covered water heater leaks under normal use and floods the home, the home warranty will repair or replace the water heater, while homeowner's insurance may cover the water damage.

OLD REPUBLIC HOME PROTECTION

People Helping People

Safeguard your American dream with a home warranty!



Visit www.orhp.com or talk to your real estate professional to learn more.

Refer your friends, family, and colleagues to me and ensure they receive expert, knowledgeable assistance from an experienced real estate professional.



Health & Safety

Protect Your Kids: Medicine Safety Tips

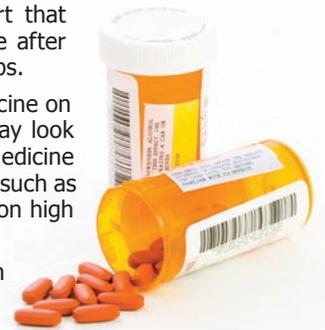
The Centers for Disease Control and Prevention report that thousands of children each year need emergency care after ingesting medicine. Keep kids safe with the following tips.

Store medicine out of reach and sight. Never leave medicine on a counter or in a sick child's room. Medicine and vitamins may look like candy to kids. Store them in hard-to-reach spots like medicine cabinets. But kids can also get into pills in less obvious places, such as purses, briefcases, and coat pockets. Hang jackets and bags on high hooks or set them on shelves out of sight.

If you think your child may have ingested medicine, call Poison Control at 800.222.1222 right away. Program this number into your cell phone so you have it in an emergency.

Follow safe dosing procedures. Always read the labels on medicine bottles. Ask your pharmacist if you're unsure how to administer medication. Write clear, legible instructions for caregivers giving your child medicine. Include what the medicine is, how much to give, and when to give it.

Safely dispose of unused or expired medication. The Drug Enforcement Administration hosts a national take back day in April and October. Many communities offer disposal services during that time.



Helpful Hints

Make the Most of Your Mornings

Ever wonder how the world's most successful people begin their days? The following tips from high achievers can help you make the most of your mornings. Try them out and find out which ones could work for you.

Prepare: Mornings will be less frantic if you prepare for the day the night before. Set out clothes and any items needed for the day ahead. Make and store lunches in the fridge. Load papers into backpacks and briefcases. The more you do before bed, the less you'll worry about in the morning.

Crush distractions: Resist the urge to grab your phone or tablet as soon as you wake up. The pull of digital media at your fingertips can derail your morning routine. Instead, ignore your phone, get up, and start your day.

Start your day off right: Begin your day with a nutritious breakfast and some exercise. Don't wait too long to eat after you wake, and find a workout routine you can commit to each morning. Get your mind and body ready to take on the day!



1 lb ground meat of your choice

1 cup onion, chopped

3-4 garlic cloves, minced

24 oz. marinara sauce

2 zucchini, thinly sliced lengthwise

1 cup mushrooms, sliced

1 cup mozzarella cheese

**1/2 cup Parmesan cheese,
freshly grated**

Salt and pepper to taste

Preheat oven to 325°F.

Brown ground meat in a large pot over medium-high heat. Add onion and garlic. Cook for 5 minutes, or until garlic and onion become fragrant, stirring frequently.

Pour in marinara sauce and bring to a boil. Remove from heat and stir in Parmesan cheese.

Spread a thin layer of sauce in the bottom of a 9"x13" baking dish. Layer zucchini, then mushrooms, then mozzarella cheese. Add salt and pepper to taste.

Spread another thin layer of sauce and repeat. Finish with a final layer of mozzarella cheese and sprinkle with Parmesan cheese.

Cover with foil and bake for 15 minutes. Remove foil, increase temperature to 350°F and bake for an additional 15 minutes, or until cheese is bubbly.



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

The Empowered Team, LLC
Real Estate For Today



Household Tips

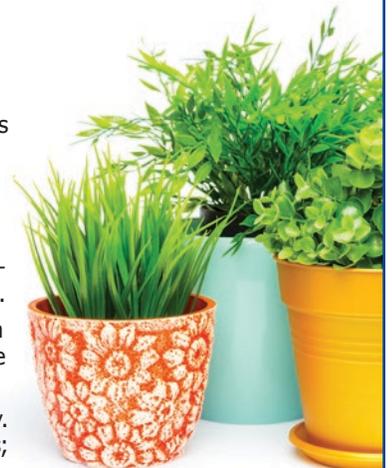
Inexpensive Interior Design

Whether you're looking to sell or you're just craving a new look, you can spruce up your home's interior without breaking the bank. Check out the following interior design tricks to transform your space.

A fresh coat of color: Color plays an integral role in interior design, and fresh paint doesn't cost much if you DIY. Light colored walls reflect light, so paint smaller rooms lighter colors to make them look larger. Warm colors can also brighten a room and work well in areas that don't receive much natural light. Conversely, dark walls can make a room feel smaller, so save the bolder colors for rooms with lots of windows.

What's old is new again: Don't be afraid to repurpose items you already own. Sometimes moving a piece of furniture or décor out of one room and into another can give the item, and your space, a whole new look!

Green goes with everything: Plants (real or faux) are great for accessorizing your home inexpensively. Add color and texture with a few decorative plants in each room. Bonus points if you spring for live plants; many varieties purify the air by absorbing pollutants!

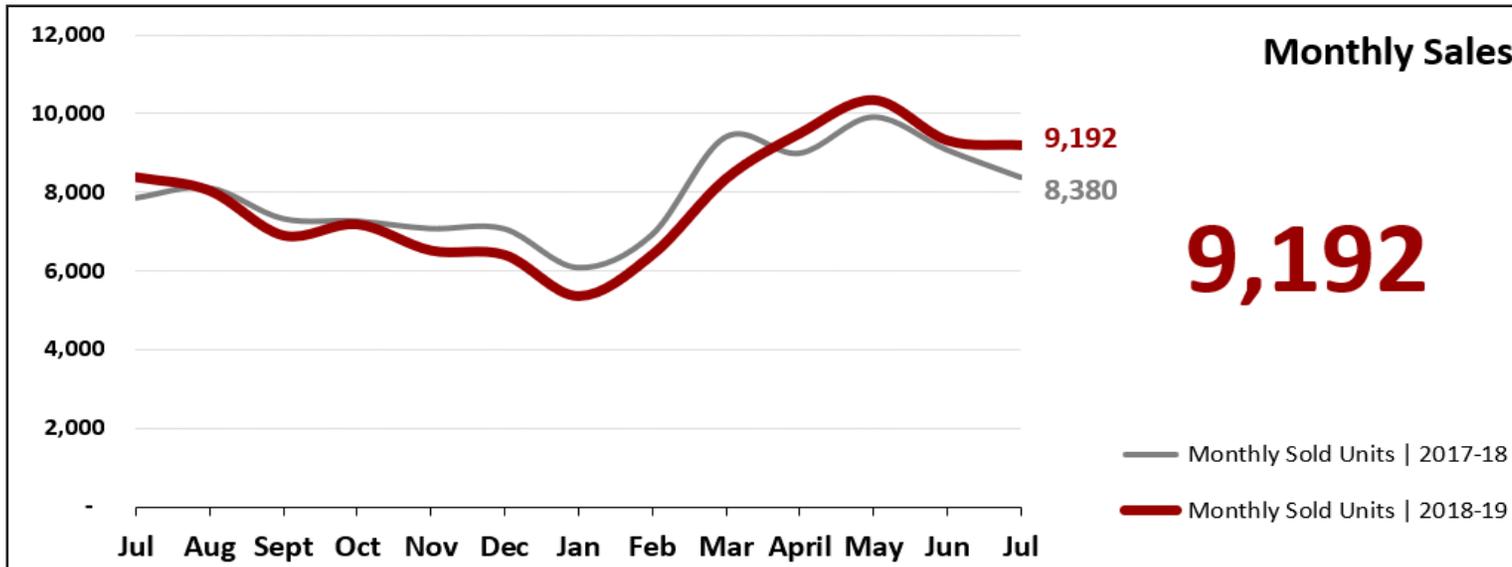




Your Monthly Statistics for the Phoenix Metro Area



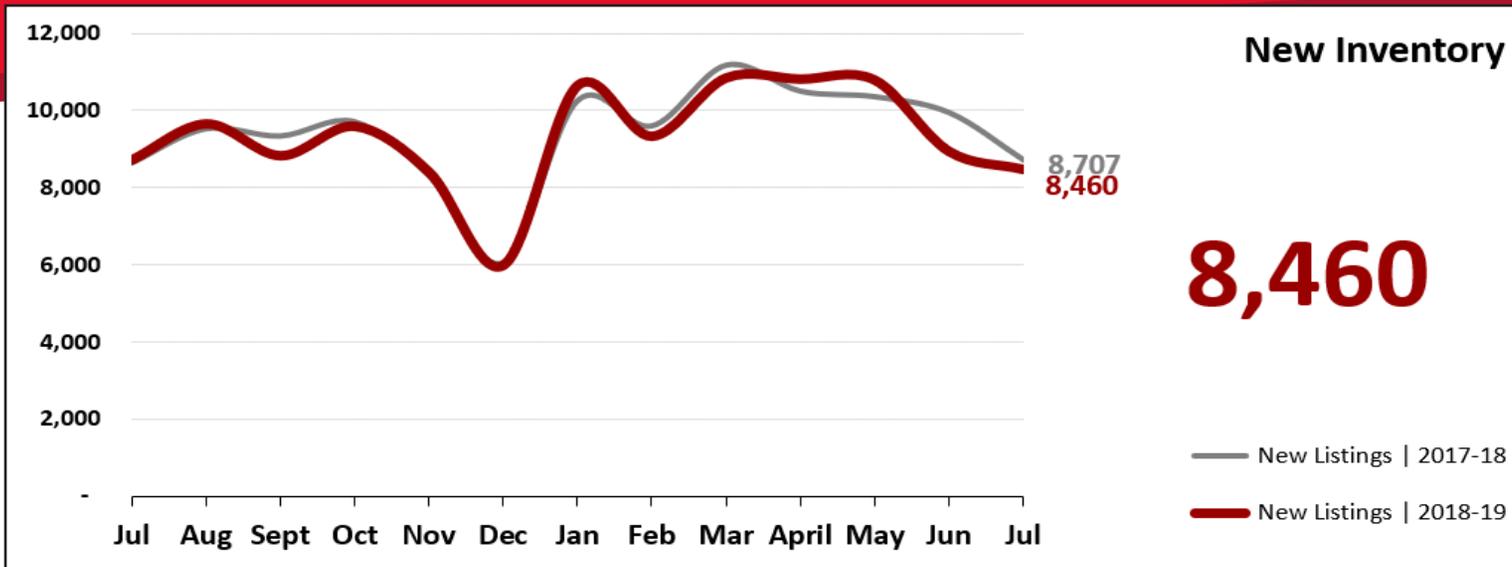
DATA FOR JULY 2019 - Published August 16, 2019



Sales are down -1.3% month-over-month. The year-over-year comparison is up +9.7%.

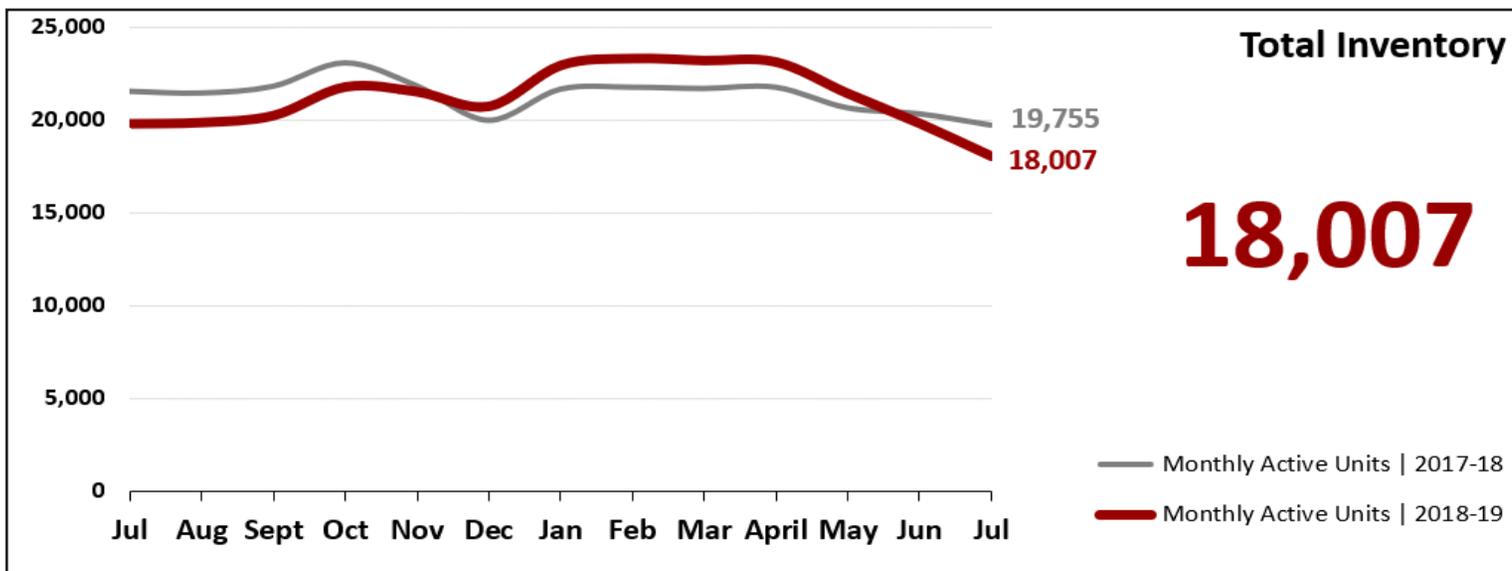
9,192

Closed MLS sales with a close of escrow date from 7/1/2019 to 7/31/2019, 0 day DOM sales removed



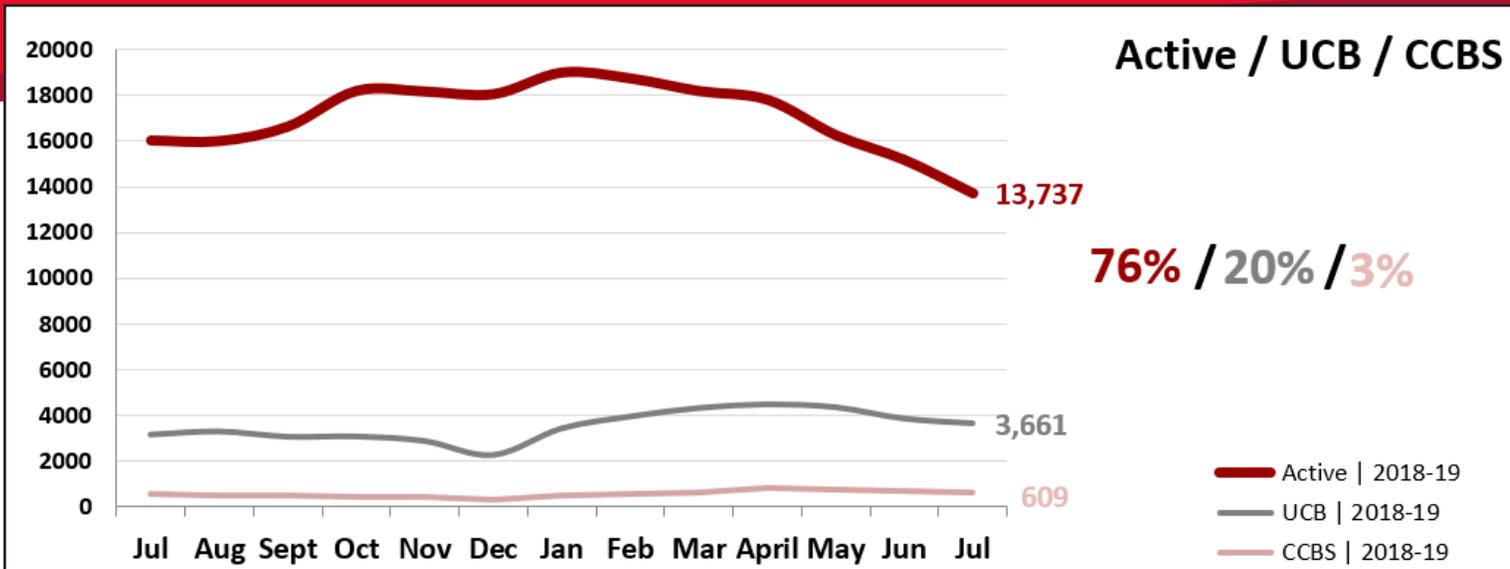
New inventory is down -5.3% month-over-month while the year-over-year comparison decreased by -2.8%.

New MLS listings that were active for at least one day from 7/1/2019 to 7/31/2019, 0 day DOM sales removed



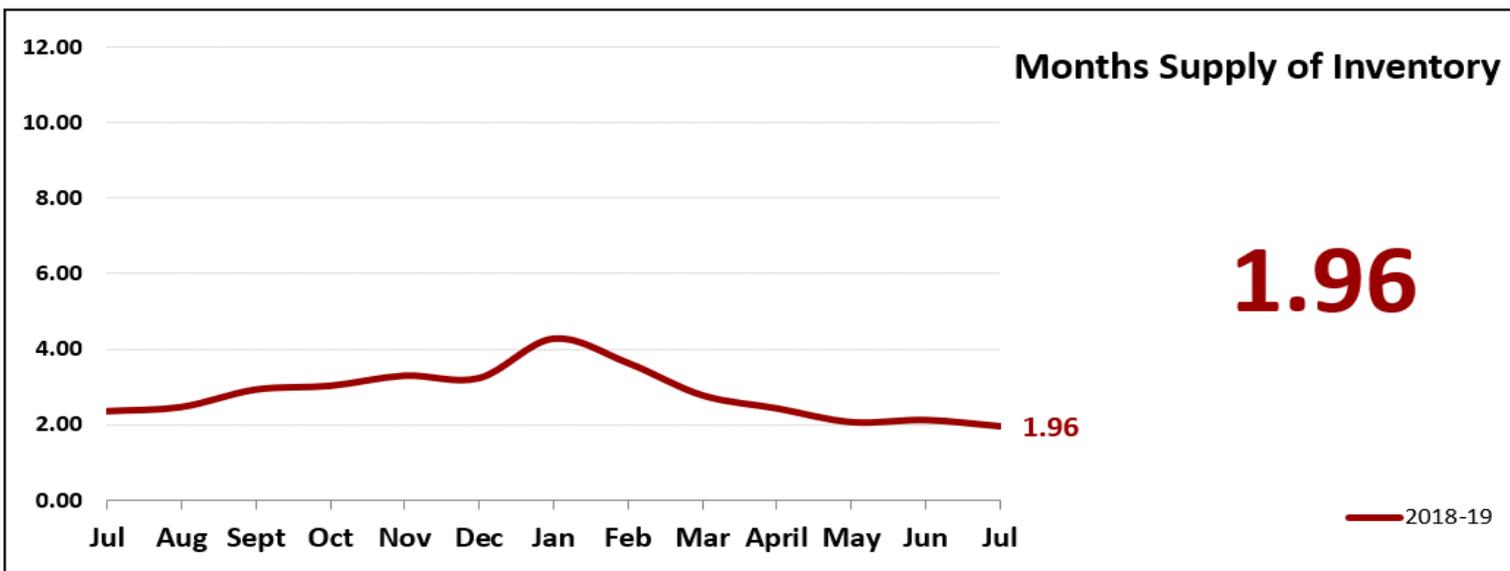
Total inventory has a month-over-month decrease of -9.0% while year-over-year reflects a decrease of -8.8%.

Snapshot of statuses on 7/31/2019



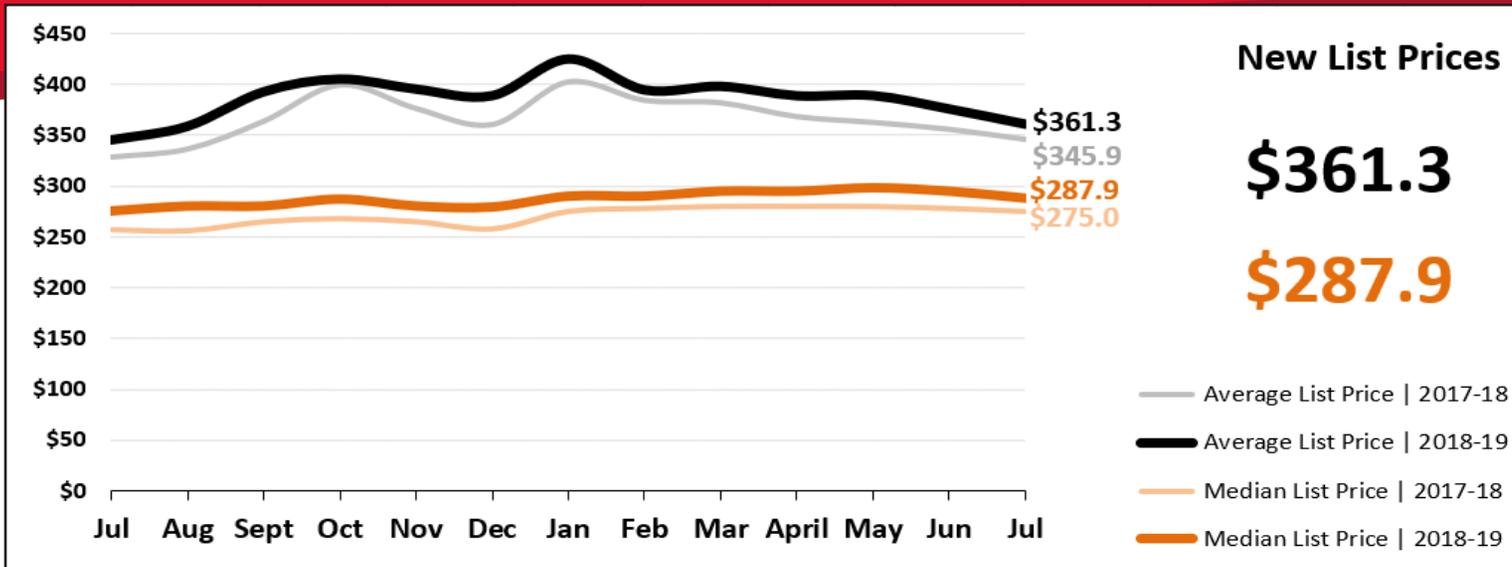
July UCB listings percent of total inventory was 20.3% with July CCBS listings at 3.4% of total inventory.

Snapshot of statuses on 7/31/2019



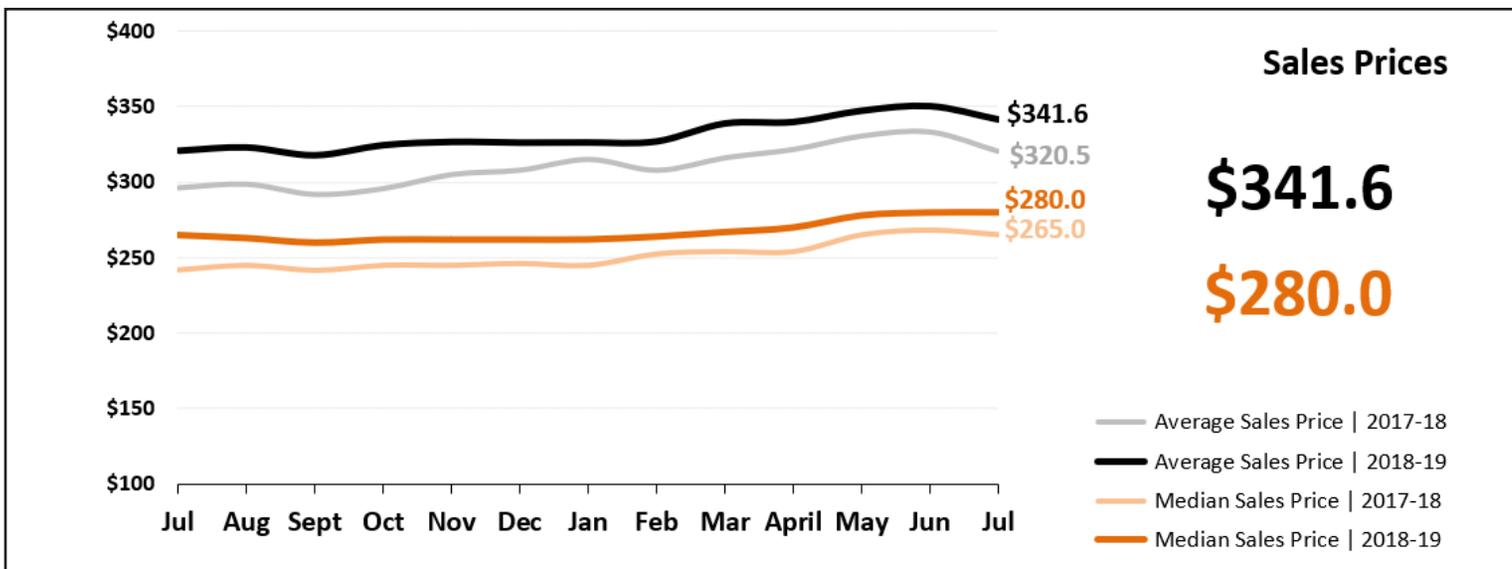
Months supply of inventory for June was 2.12 with July at 1.96.

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



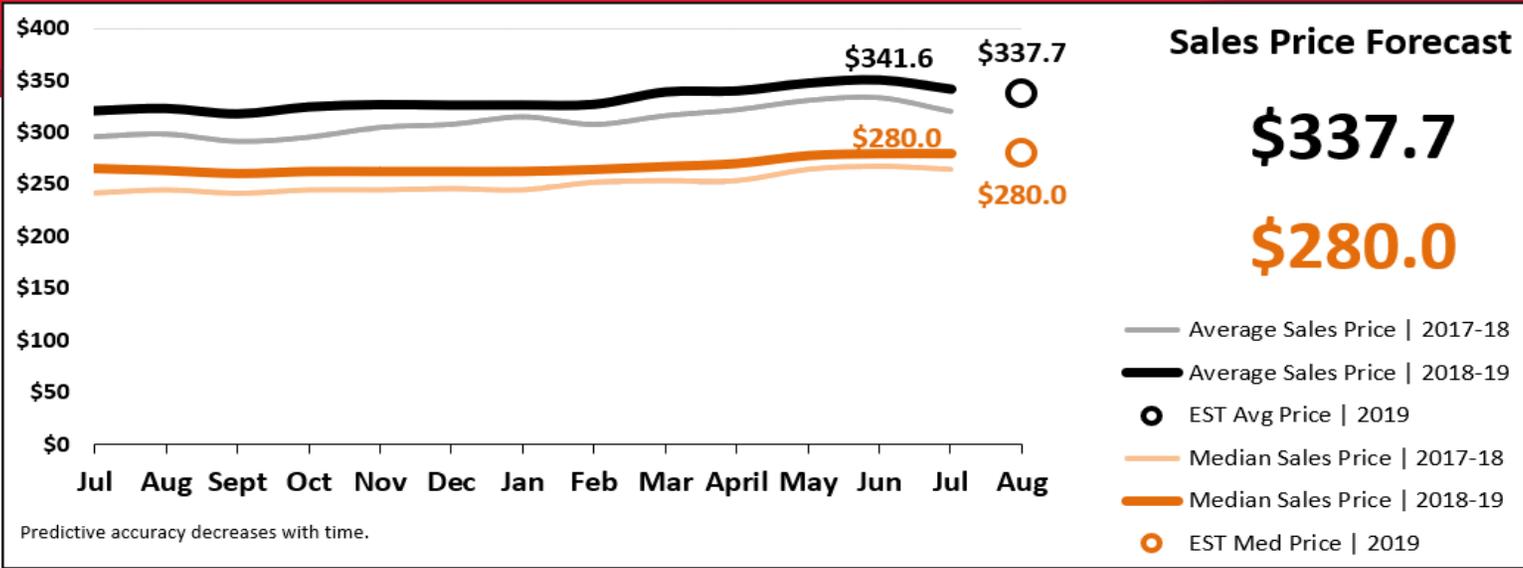
Average new list prices are up +4.5% year-over-year. The year-over-year median is up +4.7%.

List prices of new listings with list dates from 7/1/2019 to 7/31/2019, 0 day DOM sales removed



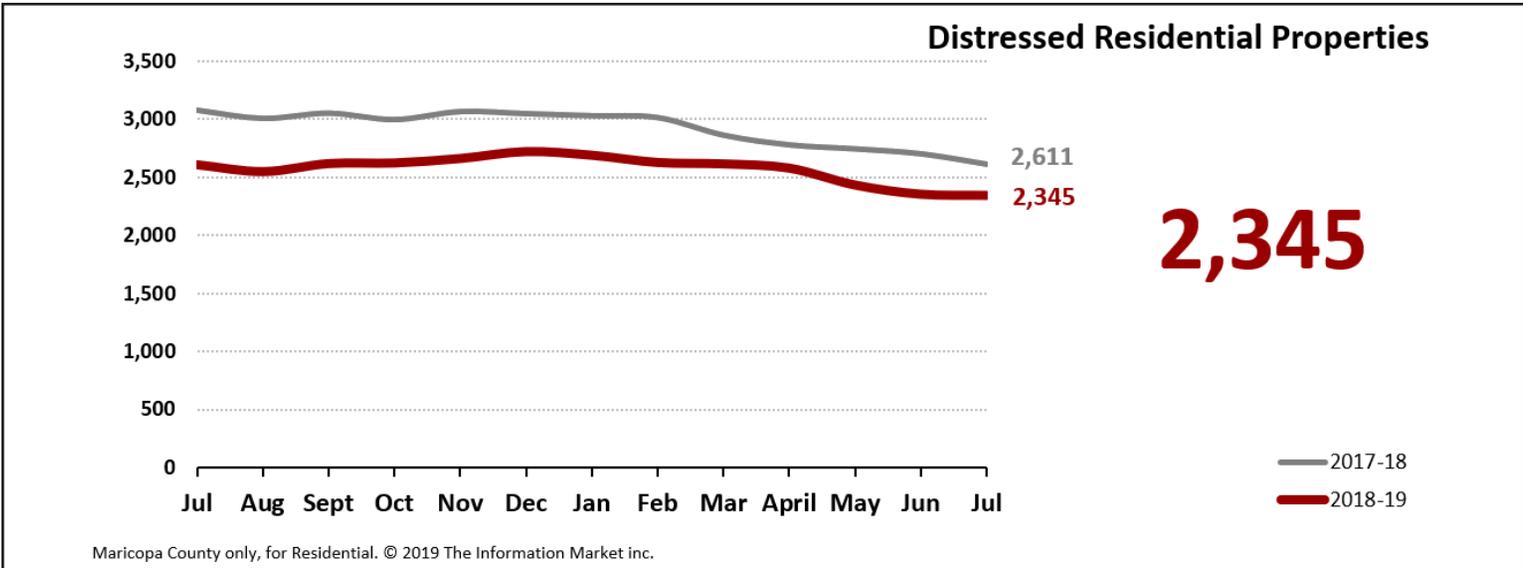
The average sales price is up +6.6% year-over-year while the year-over-year median sales price is also up +5.7%.

MLS sales prices for closed listings with a close of escrow date from 7/1/2019 to 7/31/2019, 0 day DOM sales removed



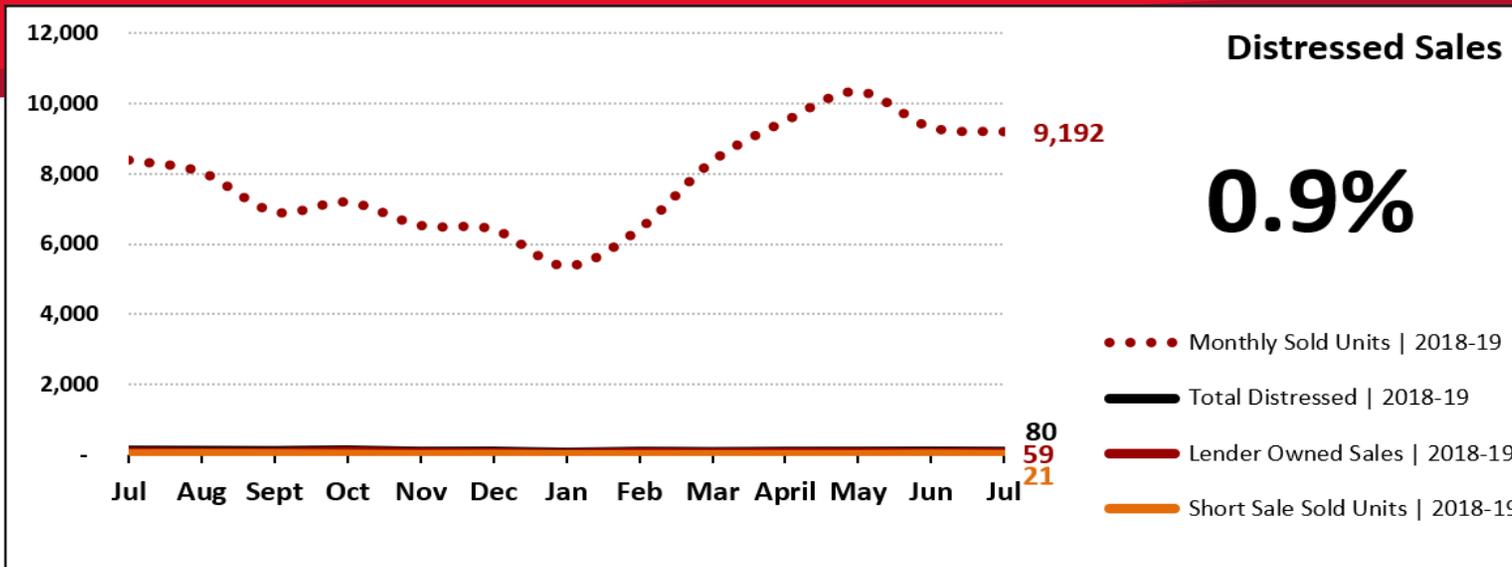
A decrease is forecasted in August for average sale prices while August median sale prices will stay the same.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



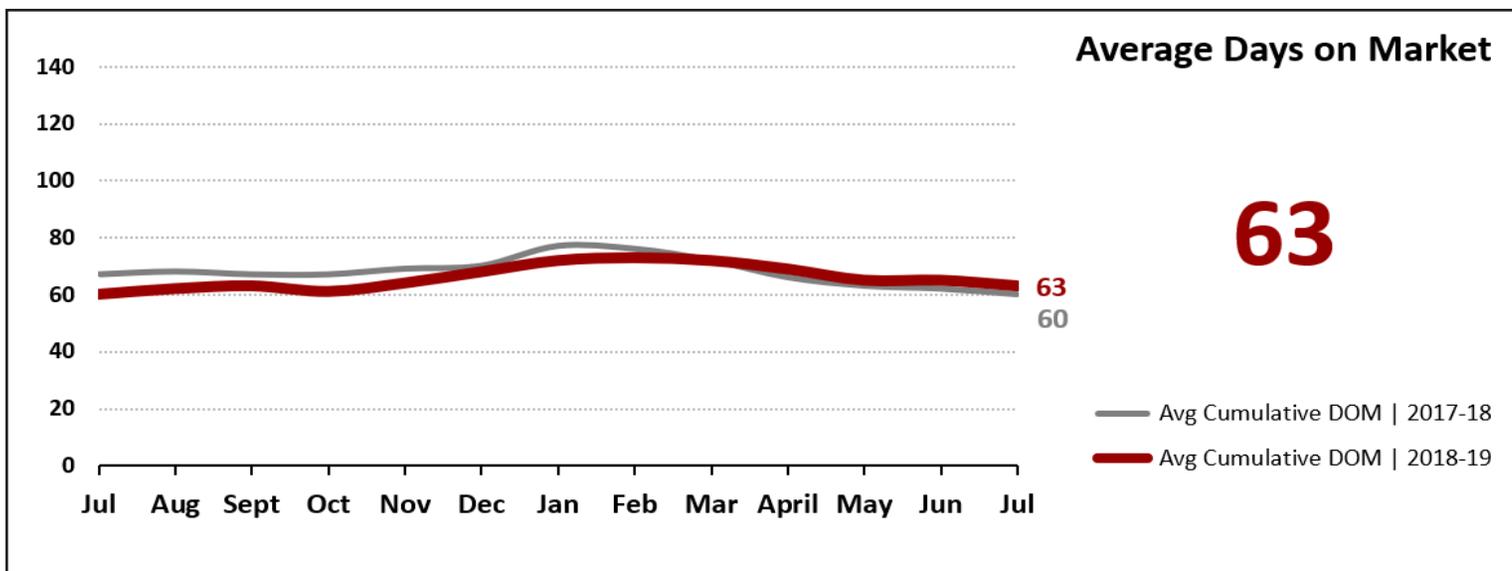
Foreclosures pending month-over-month showed a decrease of -0.4% while the year-over-year figure was down -10.2%.

Snapshot of public records data on 7/31/2019 active residential notices and residential REO properties.



Distressed sales accounted for 0.9% of total sales, the same as the previous month. Short sales dropped -38.2% year-over-year. Lender owned sales dropped -21.3% year-over-year.

New MLS listings that were active for at least one day from 7/1/2019 to 7/31/2019, 0 day DOM sales removed



Days on market were up +3 days year-over-year while month-over-month went down by -2.

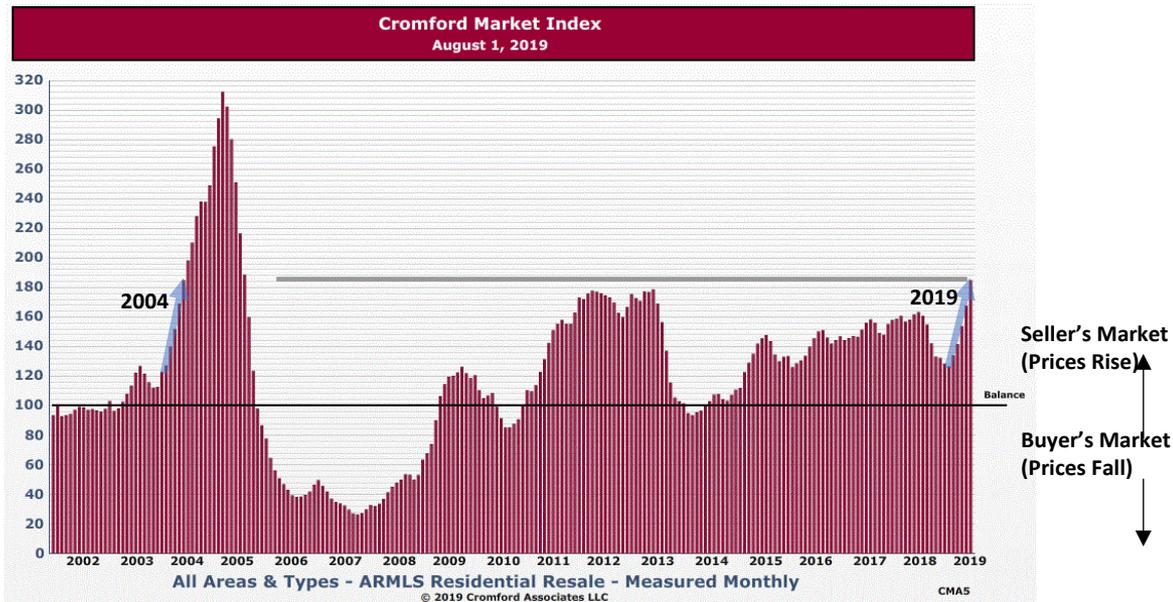
MLS sales prices for closed listings with a close of escrow date from 7/1/2019 to 7/31/2019, 0 day DOM sales removed

GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

It's "Back to the Future" for the Greater Phoenix residential housing market as multiple measures begin to resemble 2004, the precursor to the 2005 "Bubble". (Insert dramatic music here) Just mentioning those two years may trigger PTSD in those of us who lived through that period, unaware of the cliff that awaited us just 2 years later when housing prices crashed 55% from 2007 through early 2009. Will that happen this time? Will we make the same mistakes? Before we get into it, let's talk about what's similar to 2004 and then we'll discuss what is not.

What is similar to 2004:

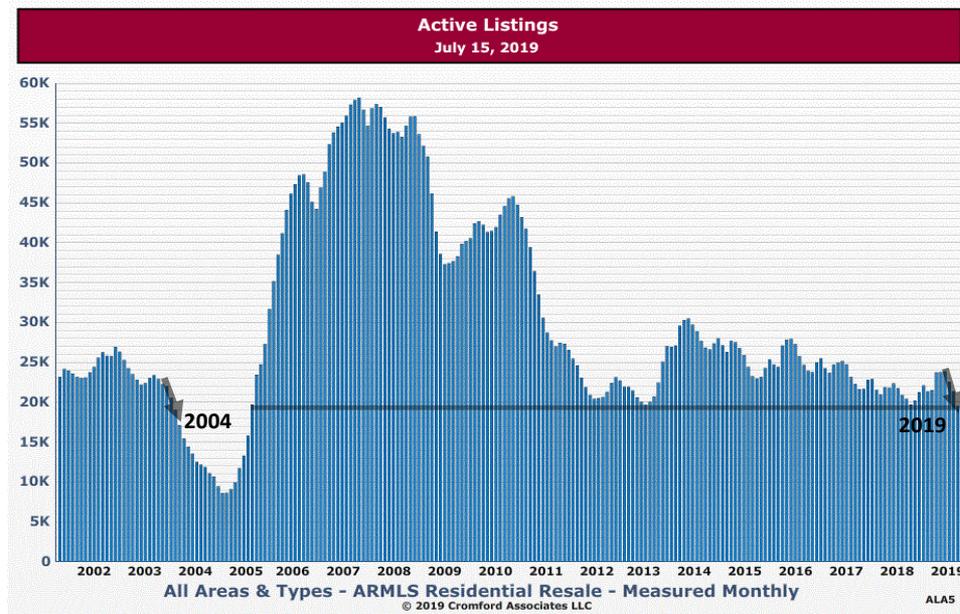
1) The relationship between Supply and Demand. In a short 5-month period, our Seller Market has gone from its weakest measure in 3 years to its strongest measure since 2005. However, since 2005 was on the decline our scenario today resembles 2004 more closely because the seller market was strengthening at nearly the same pace.



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

What is similar to 2004:

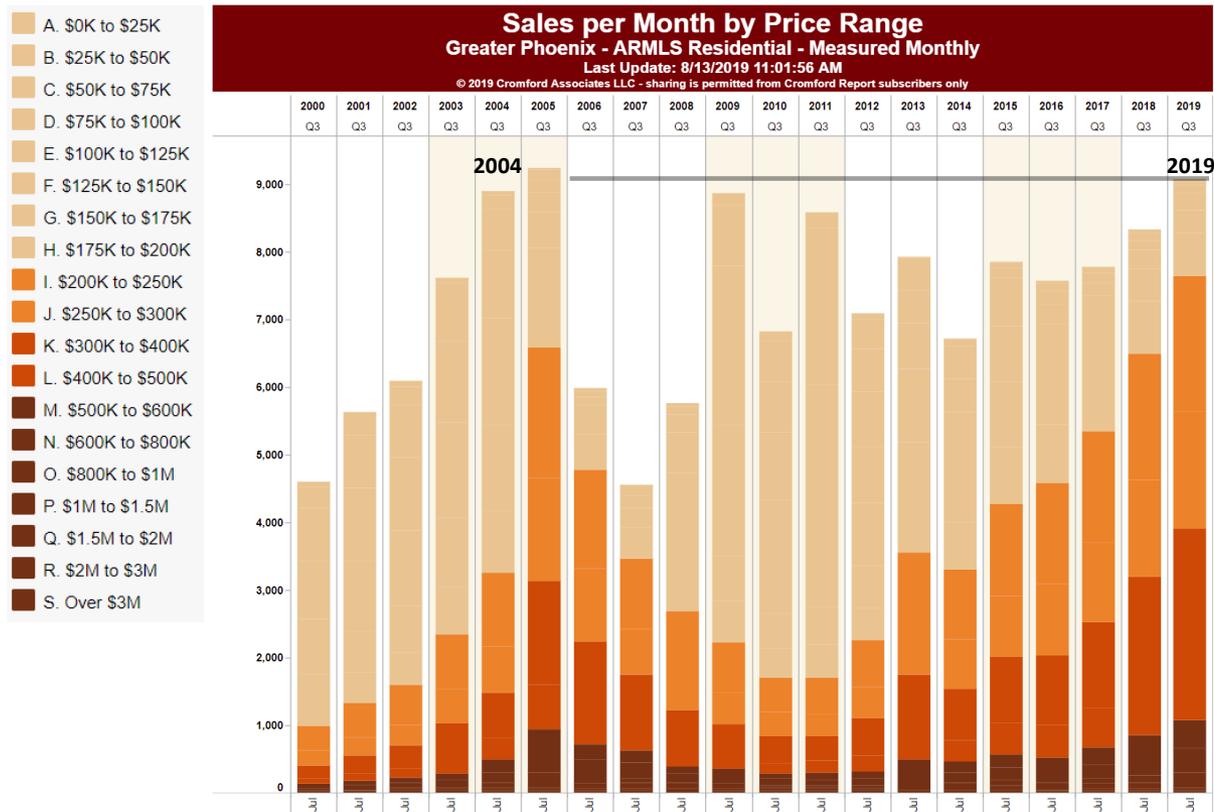
2) Drop in Supply. It may not look as dramatic to the casual observer, but supply hasn't been this low since 2005. However again, supply was rising in 2005 while it was declining in 2004 so the market today is more in line with 2004. Active supply is more complicated to count these days due to statuses like UCB or CCBS that keep MLS listings in Active status accepting backup offers while they're under contract. This practice was not prolific in 2004 and 2005 while today they make up 24% of the overall count. From this we can tell you that "true" active supply, counting only listings that are not under contract, is significantly lower and declining at a similar rate to 2004.



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

What is similar to 2004:

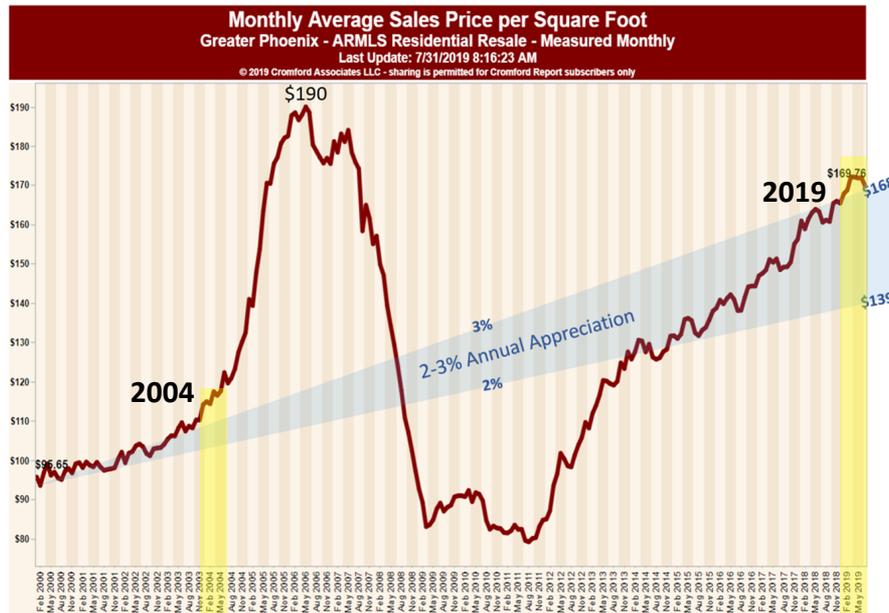
3) ARMLS Sales Volume. This past July outperformed 2004 in sales volume. In fact, 5 out of the last 7 months have outperformed 2004, and May 2019 was a record month that outperformed both 2004 and 2005.



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

What is similar to 2004:

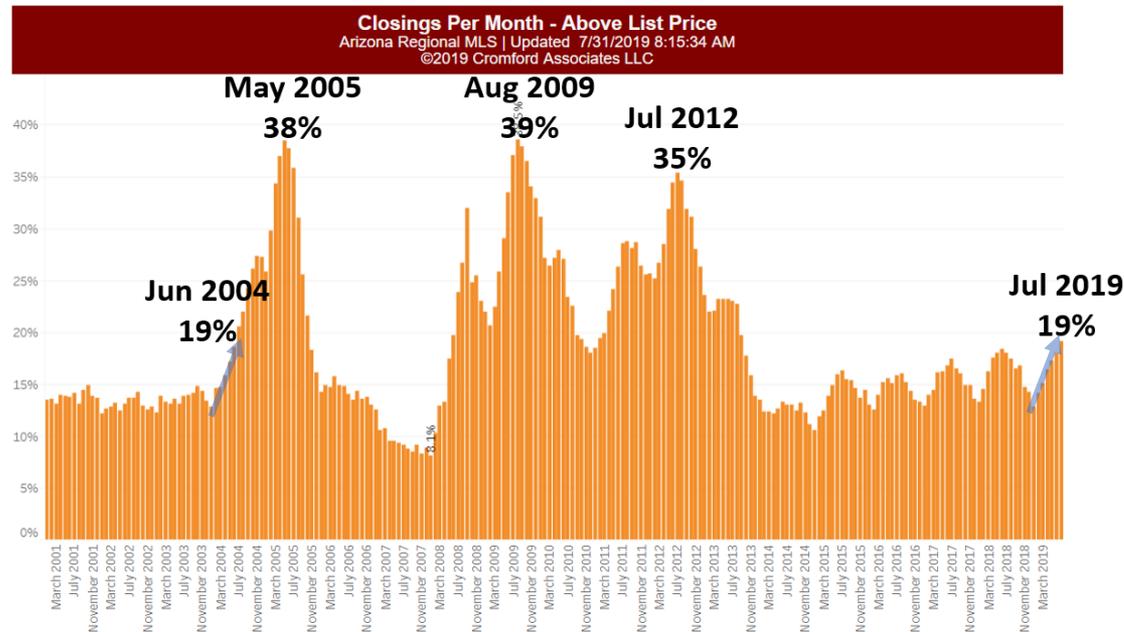
4) Price in Relation to Historical Inflation. The long-term average rate of inflation for the Greater Phoenix Area is 2.1%. Generally speaking, annual appreciation between 2-3% is accepted as a comfortable and sustainable rate to keep up with wage growth and maintain a normal range of affordability. Greater Phoenix has not experienced an appreciation rate that weak since 2014, but prices had dropped so low that the market could manage high appreciation rates without affecting affordability. Today prices have risen higher than where they would've been had the market followed a 3% annual return for nearly 20 years; also similar to 2004 when average prices pulled away from the range of inflation. At 5.8%, the current appreciation rate is conservative compared to the last 8 years, but because it's surpassed the historical comfort zone sustainability and affordability are back into the debate.



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

What is similar to 2004:

5) Homes Sold Over Asking Price. July saw 19% of sales with sale prices over asking price, the highest since 2013. It's not the highest percentage we've ever seen historically. The years between 2008-2013 were dramatically higher in sales over asking price, but back then homes were selling for less than the cost of a used car and it was a no-brainer to pay a little more and hold long-term. Over the past 4 years this measure has become more seasonal and July typically has the highest percentage of the year. Even though it will probably decline in August as contract activity cools, this measure is currently similar to 2004 and adding to our *deja vu*.



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

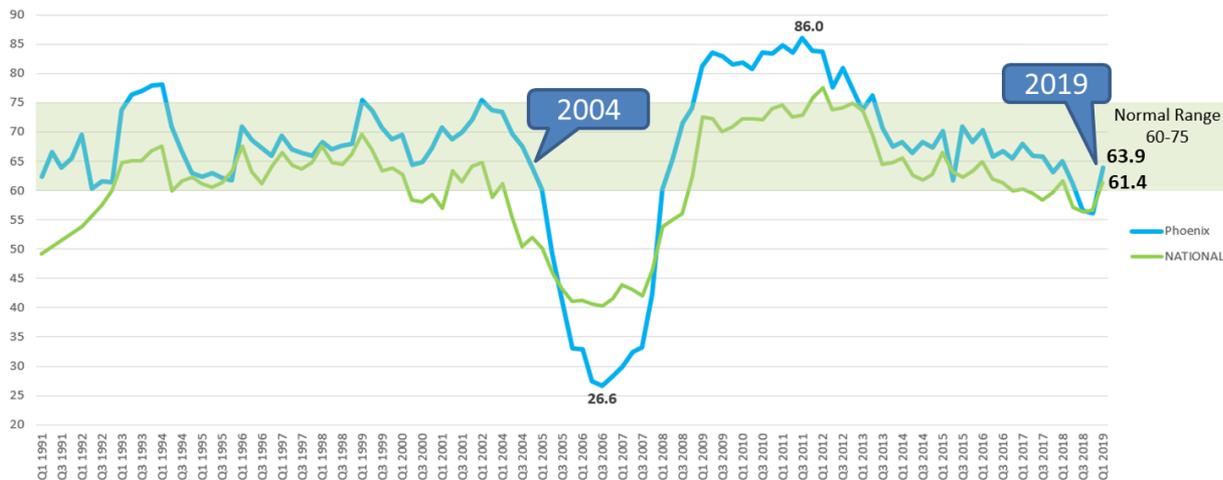
What is similar to 2004:

6) Affordability. It may surprise some people to see that affordability was still normal in 2004. It wasn't until 2005 that things went wonky. The Home Opportunity Index measures the percentage of homes sold in the prior quarter that were affordable to a family making the local median income under current lending practices. Greater Phoenix has historically been higher in affordability than the national index and maintains that today; although the gap has narrowed and was shaky in the last quarter of last year. The good news is that affordability is still within the normal range with rising private sector earnings and amazingly low mortgage rates. However it's still on the low end of the normal range and could easily drop if earnings don't keep up, mortgage rates increase, or prices rise too sharply.

Phoenix Metropolitan Area - Home Opportunity Index (HOI)

Measuring Affordability | 1991-2019 | Updated Through Q1 2019

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



GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

So what does this mean? Are we DOOMED to repeat the past

5 things NOT similar to 2004:

- 1) **Demand.** Demand is 6% above normal today. It was 26% above normal in 2004 and fueled by an extraordinary volume of flip investors. Today's demand is fueled primarily by people who need a place to live and less by people who have no intention of living in the home and no intention of renting it to someone. The proliferation of 2004-2005 flip investors and speculators selling amongst themselves was dubbed "false demand" during the bubble. Financing for their activity began to dry up in 2006 leaving a ghost town of empty homes with no one to buy them. Last June, flip sales acquired and sold within a 6-month period only accounted for 7.6% of all sales. While significant, they're not dominating the market.
- 2) **New Construction.** Builders are not overbuilding and have filed only 12,028 single family permits through June this year. In 2004 they filed a whopping 27,561 within the same time frame. Multi-family permits are on the rise with 5,652 permits issued through June this year versus only 3,716 in the same time frame in 2004. Sales of newly constructed single family homes, townhouses and condos only made up 12% of total sales last June.
- 3) **Appreciation Rates.** Annual appreciation rates per square foot are more modest today at 5.9% versus 11.3% in 2004. Reasons for this may include more conservative appraisal practices implemented after the crash and a higher percentage of buyers who are unwilling or unable to bridge the gap between the appraised value and contract price.

GUEST COMMENTARY by Tina Tamboer, Senior Residential Housing Analyst

- 4) **Short Term Rentals.** When it comes to “false demand”, the newest activity to qualify is the short-term rental investment. True housing demand is comprised of people who need to live in the home, whether as homeowners or renters. When a buyer purchases real estate for the sole purpose of renting it weekly or as an event venue, that is not housing demand. It’s tourism, which is often the first wave to go during a stormy economic cycle. New regulations requiring the issuance of an Arizona Tax ID number for these investments may give us better insight as to the degree they have infiltrated the market and what risk they pose to its stability.

- 5) **Skepticism.** This is one thing we did NOT have a lot of in 2004 and 2005. In fact, people were mostly euphoric about the market back then and felt it would accelerate forever and ever. Today, the very presence of skepticism and fear of another bubble mitigates the risk that we’ll see another one.

So no, we are not doomed to repeat the bubble. The reality is that we’re not afraid to repeat 2004, it’s the rapid 45% appreciation rate of 2005 that sparks fear and hesitance. Many laws and industry changes have been put into place since that time to avoid repeating history; changes that affected nearly every industry involved in residential real estate. That’s what makes this time interesting to watch going forward. We have been here before, but this time the industry is wiser. (I only wish I could have my age back too) Appreciation rates in Greater Phoenix are forecasted to be positive for the rest of the year and into 2020. Enjoy the ride!

The Pending Price Index

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

We begin August with 6,585 pending contracts; 3,661 UCB listings and 609 CCBS giving us a total of 10,855 residential listings practically under contract. This compares to 9,135 of the same type of listings one year ago. At the beginning of August, the “pending” contracts are 18.83% higher than last year. There were 23 business days in August of 2018 and 22 this year. ARMLS reported 8,036 sales in August of 2018. We expect sales volume will be higher this year, our guess is 8,450 sales.