

AUGUST 2011

Real Estate Update



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

Hello Everyone,

It's certainly been a hot summer in most parts of the country. I hope you and your family have found some fun ways and places to keep cool this year. It's amazing to think that school has started for some of the year round districts and is ready to get back in session within the next 30 days most everywhere. I'm still trying to figure out when we'll have time for a little summer R&R at the Gerber's before summer leaves us.

The biggest news around seems to be the debt ceiling limit. It looks like some progress is being made on that today and hopefully it will translate into a better economy on all fronts. Mortgage interest rates continue to be quite low averaging around 4.5% with Jumbo (yes, they are back for folks with good credit and money down) around 5.5%. Good news was seen in the Phx Business Journal on the 20th saying that experts are predicting our real estate market should be back to normal by 2013 or 2014. The general consensus was to buy now, especially if you are looking to buy a rental property. CNN Money Report chose Phoenix as the 7th best City in which to own a rental property. They are predicting a 2.3% bigger return on a rental property in Phoenix versus the national average. June resale activity was the highest in 6 years, but July's resale home sales were down by nearly 20%. Much of that is due to a combination of seasonal activity and a market decrease in available inventory. I've read about a new Shared Appreciation Modification program offered by Ocwen Financial. It's available in 33 states, but I have not been able to confirm if it is available in AZ. It sounds like a good and fair program. They will reduce the mortgage principal to 95% of the current market value. The amount written down will be forgiven in 1/3 increments over 3 years, as long as the home owner remains current on payments. When the home is sold, the home owner gets 75% of the appreciation and shares the other 25% appreciation with Ocwen. It sure sounds like a win/win to me. If Ocwen is your loan servicer, call them and see if this program is available to you!

We have had lots of lookers (and some lowball offers) lately, but we're still looking for a qualified Buyer for a great home in Chandler's Andersen Springs. If you know anyone looking for a nice little 2-master suite unit in Sun Lakes, I've got a great one available. I'm pleased that we were able to find a project property in Gilbert for Terry. Here's hoping he will be hard at work by mid-August. I'm excited for Primo & Marisa as we have a nice Moon Valley home under contract for them. I'm looking forward to a positive response on an offer for a Pointe Tapatio home for Cabot that we submitted today. Now if I can just find the right properties for Rob from Tempe, Samir & Lina from Gilbert, Mark & Patti from Michigan and Alex & Chris from Edmonton, AB. If you know anyone else looking to sell or buy a home, please pass along my name and contact info. It will be my pleasure to work for them and make their housing dreams a reality.

Regards,

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ALL AREAS & TYPES	TODAY 7/31/11	ST	LAST MTH 7/1/11	LAST QTR 5/1/11	LT	LAST YR	2 YRS AGO
						7/31/10	7/31/09
Active Listings	27,918		28,837	34,594		42,708	37,281
Pending Listings	11,467		12,224	13,326		9,952	12,414
Sales per Month	8,278		10,579	9,463		6,789	8,050
Sales per Year	97,033		95,540	93,204		94,092	79,989
Days on Market - Monthly Sales	99		105	107		99	111
Days on Market - Active Listings	151		150	154		141	162
Days Inventory	105		110	136		166	171
Months Supply	3.0		2.9	3.5		6.0	4.4
Active Listings \$/SF	\$134.41		\$134.35	\$134.10		\$135.12	\$171.36
Monthly Sales \$/SF	\$79.64		\$82.54	\$83.58		\$90.24	\$89.91
Appreciation - Monthly \$/SF	-11.8%		-9.8%	-6.7%		0.4%	-27.9%
Average Sale Price % List	96.55%		96.28%	95.67%		95.70%	95.88%
Listing Success Rate	75.3%		73.5%	69.9%		59.9%	65.0%
Dollar Volume - Monthly Sales	\$1,278M		\$1,698M	\$1,517M		\$1,199M	\$1,410M
Average Price - Monthly Sales	\$154,395		\$160,492	\$160,264		\$176,662	\$175,171
Median Price - Monthly Sales	\$109,000		\$112,000	\$110,000		\$125,000	\$125,000
Average Sq. Ft. - Monthly Sales	1,939		1,944	1,917		1,958	1,948
Cromford Market Index™	152.0		143.0	123.0		92.0	119.5

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Between FRIENDS

Real Estate for Today

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Buying or selling a home in today's market is an increasingly complex process. Call me and let my skill and experience guide you through your transaction.



Are you in the market to purchase a home? The time is right to make the move – home prices are beginning to stabilize and interest rates are attractive. And the pride that comes with home ownership... well, that's priceless!

Get peace of mind with your home purchase by including an **Old Republic Home Warranty Plan**. A home warranty will help protect your budget from unexpected repair or replacement costs caused by breakdowns of your home's heating, plumbing and electrical systems, and most built-in appliances. Optional coverage choices are available to custom-fit the warranty to the unique needs of your new home.

Call me today to learn how you can get added peace of mind with an Old Republic Home Warranty Plan, or visit www.orhp.com for more information.

As your local Real Estate Professional, I can offer tips for home staging, aid with financing, and more. If you know someone thinking of buying or selling, please refer me to them!

~~~~~ Health & Safety ~~~~

Social Insecurity: Stop Doing These Things on Facebook

The number of online U.S. households using social networks such as Facebook and LinkedIn is increasing each year, expanding opportunities for cyber criminals. To minimize your risk of becoming a victim, stop doing these things NOW!

Using a weak password – Avoid easy-to-guess names or birth dates. Instead, create a secure 8-character password by mixing upper- and lower-case letters, numbers, and symbols.



Leaving your full birth date in your profile – It's an ideal target for identity thieves.

Posting your child's name in a caption – Don't use a child's name in photo tags or captions. If someone else does, delete it.

Mentioning that you'll be away from home – That's like putting a "no one's home" sign on your door.

Letting search engines find you – To help prevent strangers from accessing your page, go to the Search section of Facebook's privacy controls and select "Only Friends." Be sure the box for public search results isn't checked.

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~~~~~ Household Tips ~~~~

Clean Your Showerhead

Plumbing problems are always bad news, but during the scorching days of summer—when a refreshing cool shower can invigorate a heat-weary soul—it could be the worst news of all. So, make an offensive move now – keep your showerhead flowing freely with these simple instructions.

To eliminate mineral buildup, which can reduce water pressure and create spurting, give the showerhead a thorough cleaning. To avoid removing the showerhead, pour distilled white vinegar in a small plastic bag, such as a sandwich bag.

Pull the bag over the showerhead so that it is totally immersed in the vinegar and fasten with a rubber band. Let it soak overnight, and in the morning you will have a clean and disinfected showerhead. Using white vinegar instead of harsh chemicals is safe, environmentally friendly, highly effective, and inexpensive.

If your showerhead has seen better days, install a new low-flow showerhead. It's an easy do-it-yourself project that will help conserve water and save you money.





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~~~~~ Savor the Flavor ~~~~

Prosciutto and Spinach Stuffed Shells

Ingredients:

24	uncooked jumbo pasta shells (about 6 oz)
1	26-oz jar tomato-basil pasta sauce
3 c	shredded mozzarella cheese (12 oz)
1 c	ricotta cheese
1 c	chopped prosciutto (4 1/2 oz)
1 box	(9 oz) frozen spinach, thawed, squeezed to drain
2 Tbsp	chopped fresh basil leaves, if desired

Directions:

Heat oven to 375°F. Cook and drain pasta as directed on package. Spray a 13 x 9 (3-quart) glass baking dish with cooking spray and spread 1/3 cup pasta sauce over bottom.

In a medium bowl, mix 1 cup mozzarella cheese with the ricotta cheese, prosciutto and spinach. Spoon a scant 2 tablespoons of the mixture into each shell. Arrange filled shells in baking dish and cover with remaining pasta sauce. Sprinkle evenly with remaining 2 cups mozzarella cheese. Cover dish with foil and bake 30 to 40 minutes or until thoroughly heated. Sprinkle with basil and serve.

~~~~~ Real Estate Today ~~~~



Avoid Moving Scams

Rogue movers typically start by giving a low-ball estimate via phone or Internet. Once your goods are on their truck, they demand more money before they'll deliver or unload them. They hold your possessions hostage and force you to pay more if you want your possessions back. Here are some "red flags" to help you recognize a rogue mover before they have your goods!

- The mover doesn't offer or agree to an on-site inspection of your household goods and gives an estimate over the phone or Internet—sight-unseen.
- The moving company demands cash or a large deposit before the move.
- The company's Web site has no local address and no information about licensing or insurance.
- When you call the mover, the telephone is answered with a generic "Movers" or "Moving company" rather than the company's name.
- Offices and warehouse are in poor condition or nonexistent.
- On moving day, a rental truck arrives rather than a company-owned and marked fleet truck.

Source: <https://www.protectyourmove.gov>

~~~~~ Helpful Hints ~~~~

Sleep Better – Be Smarter

A good night's sleep is critical for cognitive function and learning. However, as an "always connected" society, we have more and more difficulty "switching off" at night. If this describes you, try these suggestions to get more quality shut-eye.

- Establish a bedtime routine, going to bed at the same time each day. A consistent routine will signal your brain that it's time for bed.
- Get exposure to bright light/sunlight during the day and minimize light exposure at night. This helps maintain a normal circadian rhythm. Too much light at night disrupts the body's nocturnal release of melatonin, a natural hormone that causes drowsiness.
- Eat a light snack before bed. Try foods that are more conducive to sleep – warm milk, bananas, oatmeal, whole-wheat bread, turkey and chamomile tea, to name a few.
- Exercise to increase your sleep quality. Just be sure to exercise earlier in the day and not just before bedtime, which can actually have the reverse effect.





ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

STAT

your monthly statistics
for the Phoenix Metro area

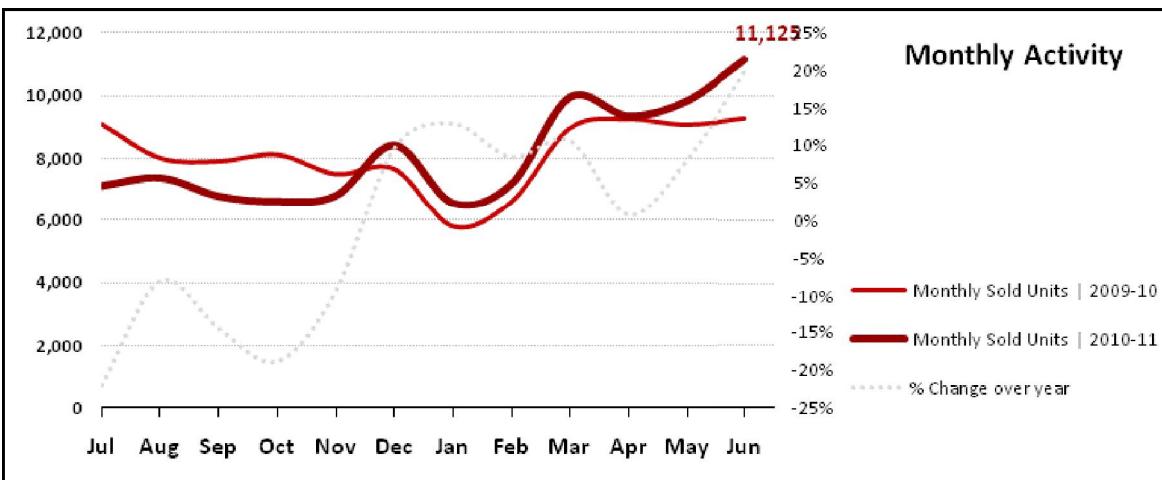
July 6, 2011

SALES Month over Month

Sales in June took a 13.4% surge to 11,125. This completes the second quarter's upward trend. The continued increase in sales is good news.

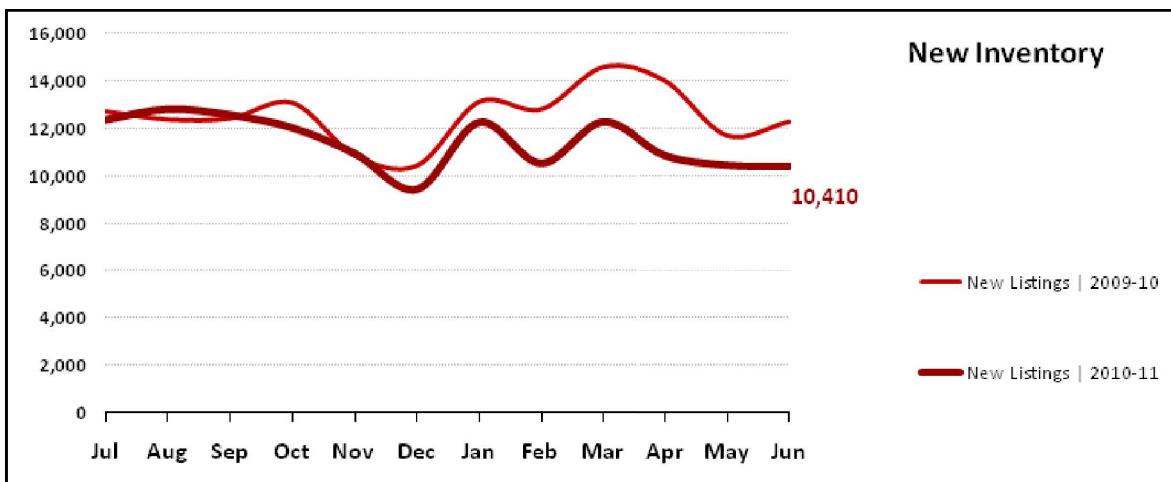
SALES Year over Year

June sales were 19.9% higher than June of 2010. More impressive is the 11,125 sales in June represent the highest sales figure of the decade, even surpassing the two highest sales figures in the 2005 boom of 10,252 and 10,031, in June and August of 2005, respectively.



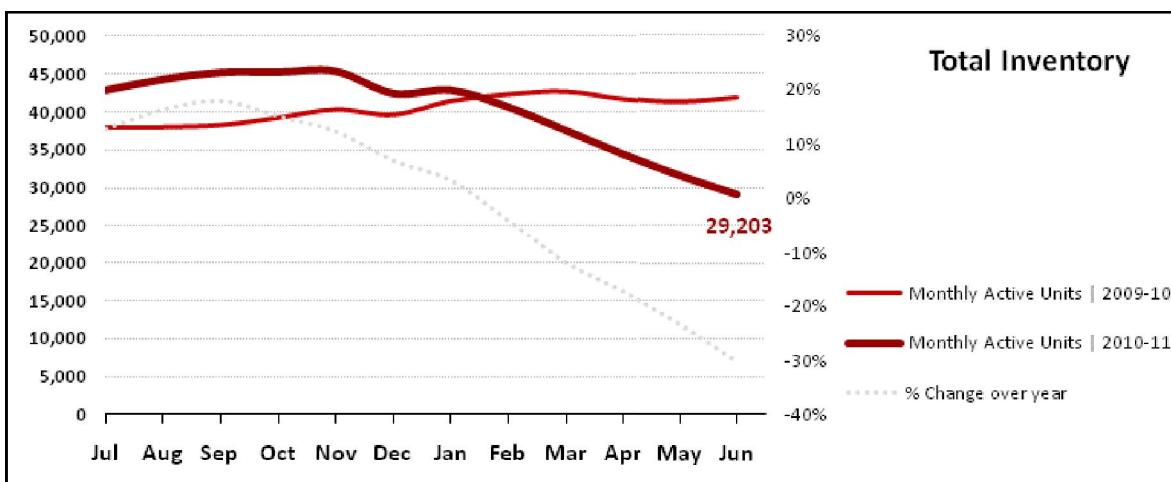
NEW INVENTORY

New Inventory dropped again for the third month in a row, albeit by only .5%, adding 10,410 new listings to the total inventory pool. June's figure is a 15.4% decline over June 2010. Slowing of the new inventory flow into the market affects the total inventory and is seen as a positive and necessary recovery metric.



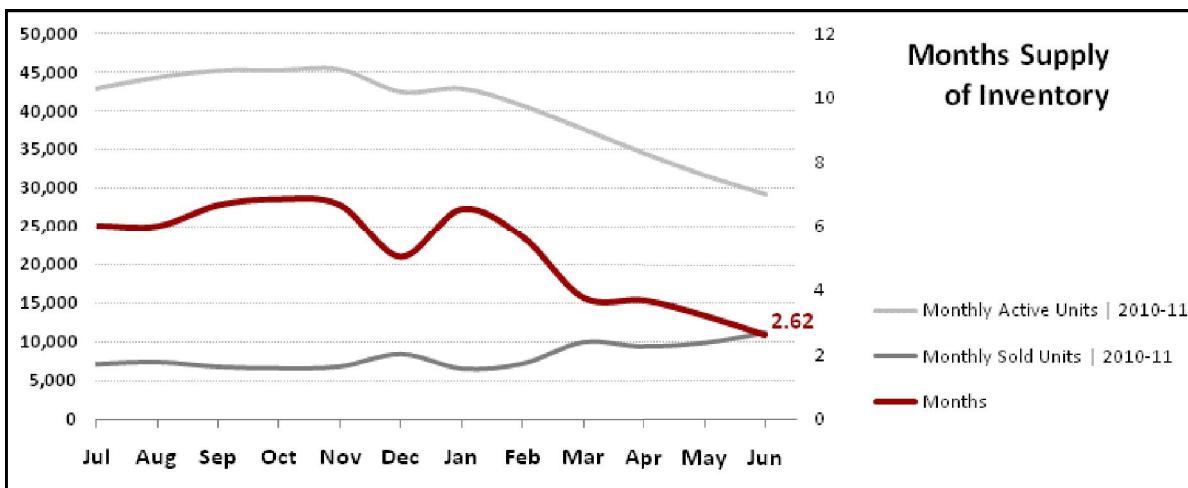
TOTAL INVENTORY

With the exception of a small 1% increase in January, the total inventory trend line has been declining since December. June's 29,203 figure is the first time that the total inventory figure has dropped below 30,000 since STAT began tracking this metric in June 2008. Reduction in total inventory directly affects the market balance. Declines in inventory weigh in Sellers' favor and can positively influence pricing.



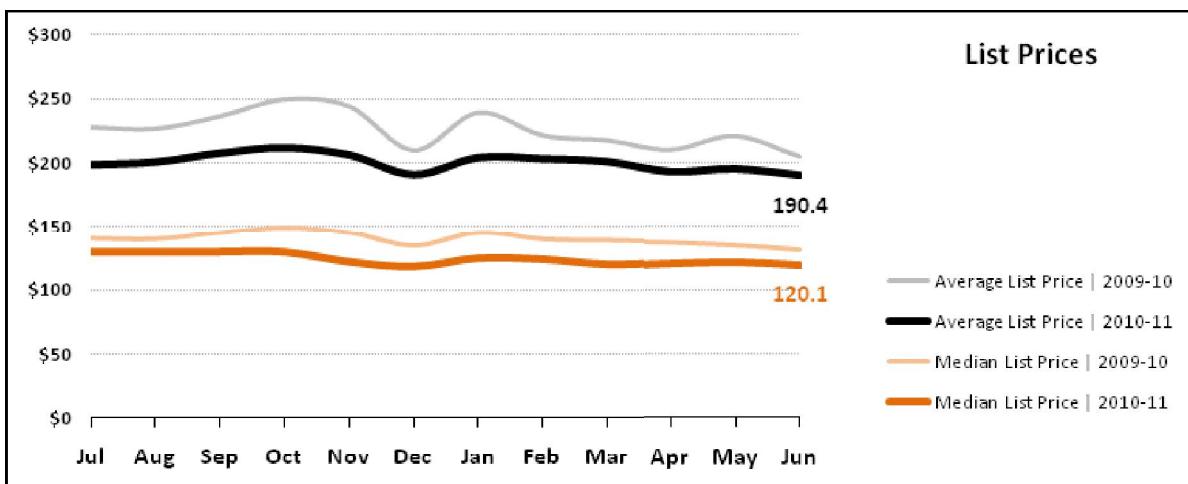
MONTHS SUPPLY OF INVENTORY (MSI)

Months supply of inventory (MSI) declined from May's 3.23 months to 2.62 months in June, representing a 18.9% decline, and following a steady downward trend started in January. MSIs below 4 are typically seen as Sellers markets and exert upward pricing pressure. Market wide MSI is a barometer of overall market health. MSIs in smaller niche markets will have their own unique MSI and which could or could not follow the MSI trend for the entire market.



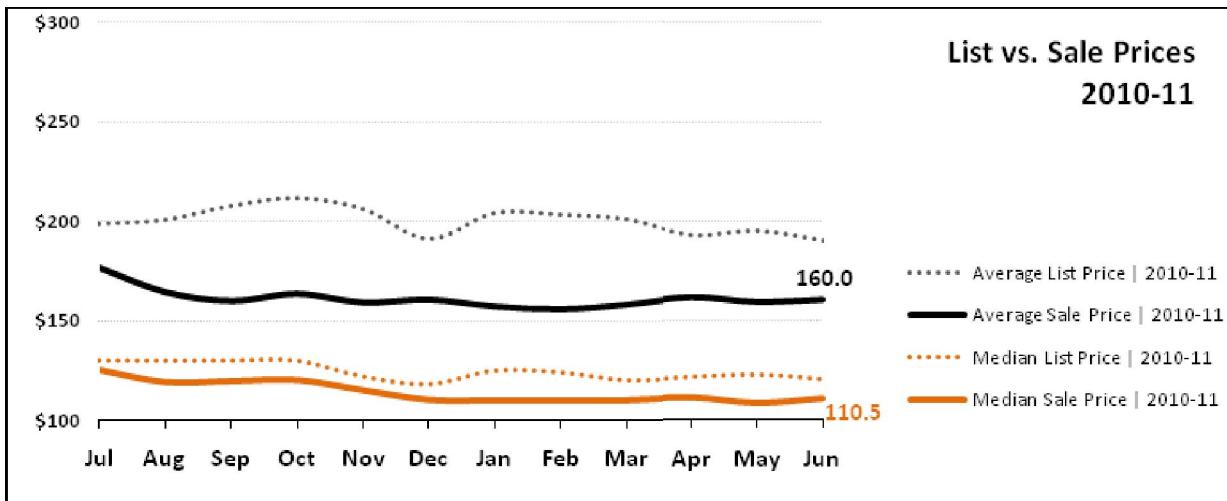
NEW LIST PRICES

Median and average new list prices both declined in June to \$120,100 and \$190,400 respectively. The Valley pricing trend appears to have flatlined, with little indication of imminent recovery. The 2% decline in median list price coupled with 2.6% decline in the average are clearly disappointing given other metrics showing signs of rebound.



SALES PRICES

Both the median and average sales prices ticked up slightly to \$110,500 and \$160,000, respectively. The median sales price has fluctuated between a narrow \$2,700 spread since January, with the average sales price fluctuating an anemic \$5,700. Similar to new list pricing, the trend lines for both median and average sales price have remained flat since December.



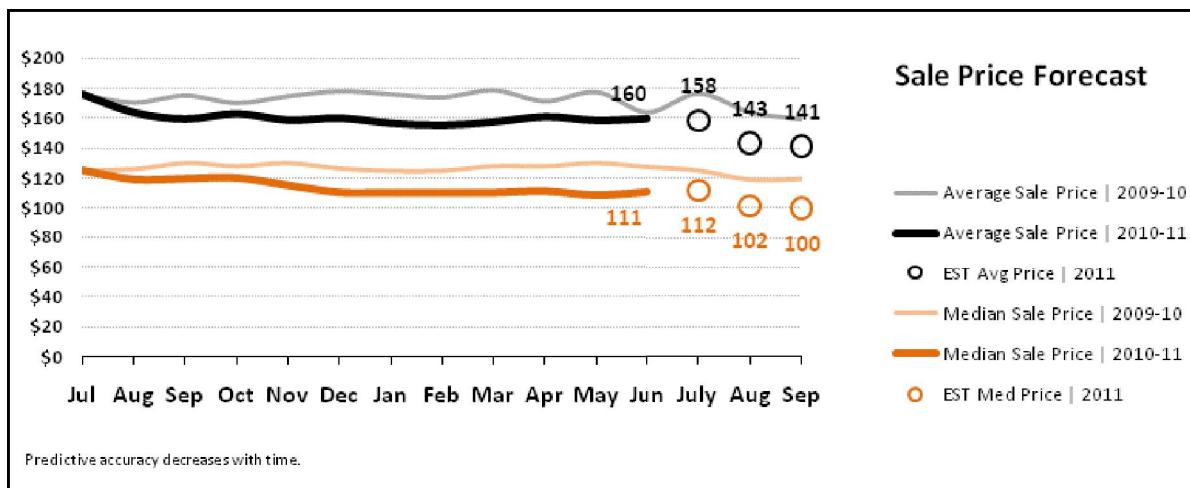
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index is a predictive tool unique to ARMLS which uses pending sales data in the system to forecast median and average sales prices 90 days into the future. The accuracy of the predictions diminishes the further into the future it goes.

Last month's PPI predicted an average sales price for June of \$161,400, missing the mark by -.87%, to actually land at \$160,000 in June. The median sales price for June missed last month's predicted \$114,000 by 3.07% to come in at \$110,500.

The average sales price forecast for the next three months dips to \$158,000 in July, followed by further drops to \$143,000 and \$141,000 in August and September. The median sales price prediction follows a similar pattern with an increase to \$112,000 in July, followed by a drop to \$102,000 in August and \$100,000 in September.

Unfortunately, the PPI forecasts very little pricing recovery over the next ninety days.

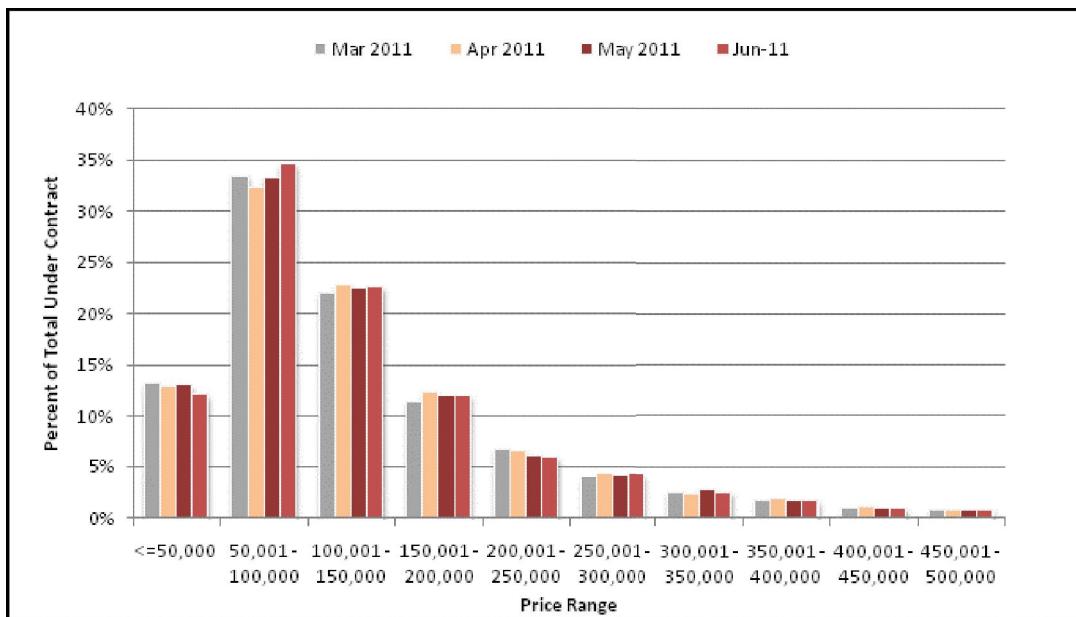
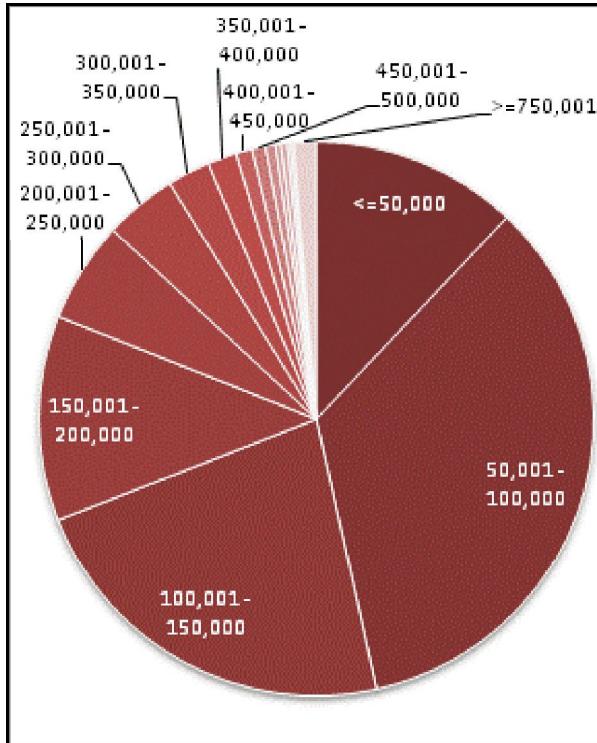


PPI SUPPLEMENT

The PPI Supplement spotlights the number of pending contracts added to the MLS system in the current month. Data represents the average and median pending sales prices as well as units and their percentage of the total pending units for June in each specific price range.

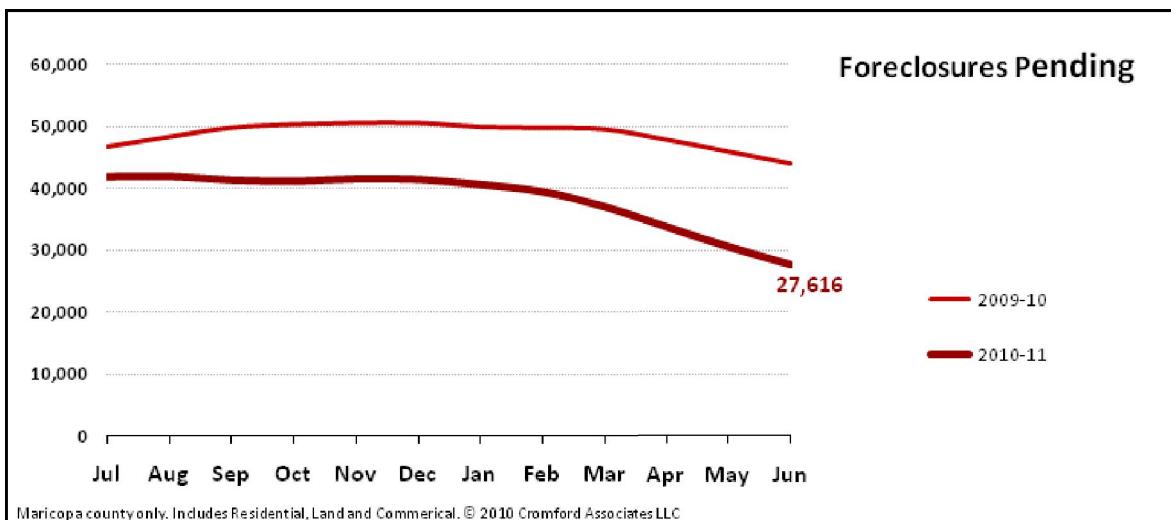
Data is graphically presented in four month increments so that the reader is alerted to changes in the behavior of properties in given price ranges over time. June pendings in the \$50,000-\$100,000 price range show an upward tick from April to June. Metrics for properties above \$500,000 are delivered in chart format only. As the market recovers we should observe an increasing percentage of pendings in the higher ranges. Over time such sales will eventually move the actual median and average sales prices to higher levels.

Pending Contracts Signed in June				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	35,034	35,500	1,182	12.05%
50,001 - 100,000	76,285	76,000	3,383	34.48%
100,001 - 150,000	124,183	124,000	2,211	22.53%
150,001 - 200,000	174,474	174,900	1,174	11.96%
200,001 - 250,000	226,121	225,000	579	5.90%
250,001 - 300,000	275,536	275,000	415	4.23%
300,001 - 350,000	326,637	325,000	244	2.49%
350,001 - 400,000	377,258	375,000	166	1.69%
400,001 - 450,000	428,646	429,000	94	0.96%
450,001 - 500,000	480,188	480,000	77	0.78%
500,001 - 550,000	529,136	528,000	55	0.56%
550,001 - 600,000	575,513	571,000	32	0.33%
600,001 - 650,000	630,165	630,000	35	0.36%
650,001 - 700,000	681,452	680,000	21	0.21%
700,001 - 750,000	730,813	728,000	16	0.16%
>=750,001	1,172,629	985,000	128	1.30%



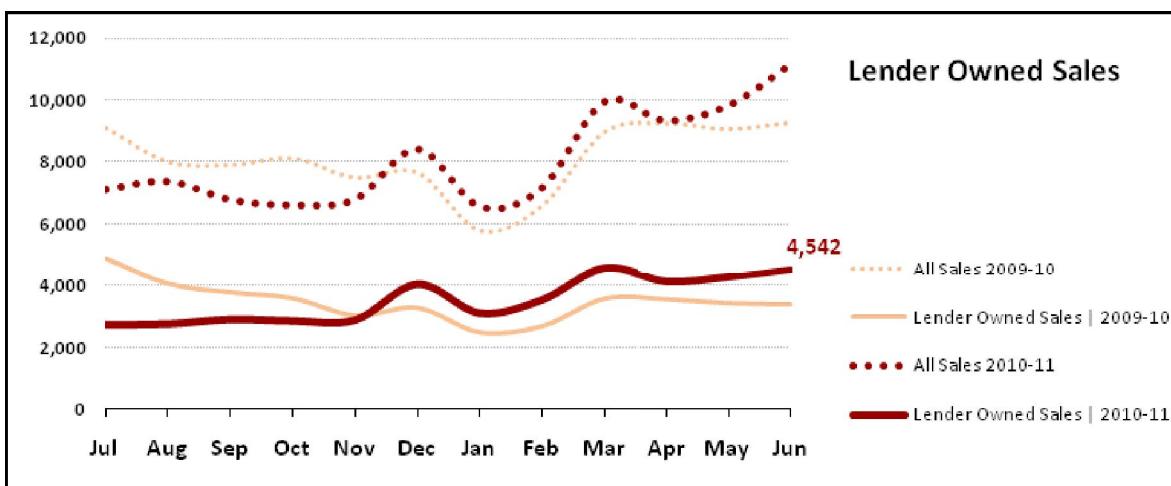
FORECLOSURES PENDING

Foreclosures pending, which fuel lender owned sales, dropped 9.51% to 27,616 in June, continuing a downward trend that started from a high of 50,568 in November of 2009. The June foreclosures pending figure represents a 45.39% drop from the decade high. The downward trajectory of foreclosures pending should cross below 20,000 levels by July, and fall below 20,000 in the August /September timeframe. Foreclosures exert negative pricing pressure, and a decline in foreclosures pending is seen as a positive.



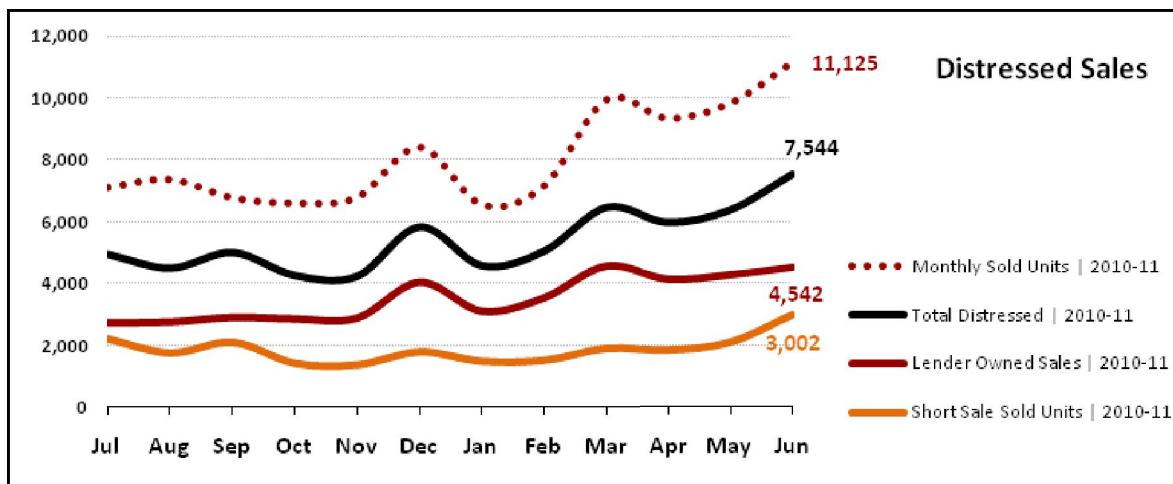
LENDER OWNED SALES

In June lender owned sales (4,542) accounted for 40.8% of the total sales. Lender owner sales, as a percentage of total sales, have been trending downward from February's high of 49.6%.



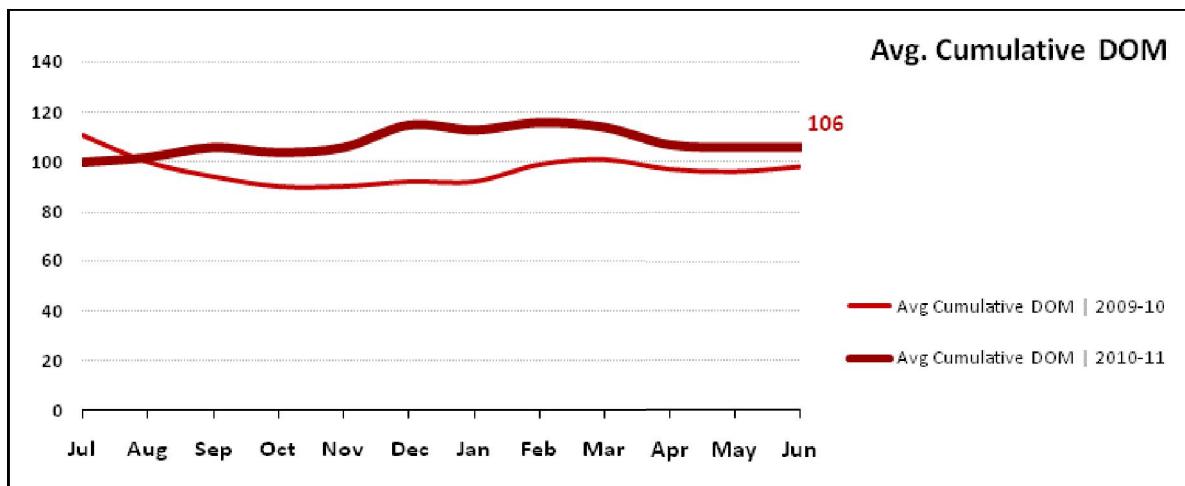
DISTRESSED SALES

Distressed sales are comprised of lender owned sales and short sales. In June the total distressed properties were 7,544, or 67.8% of total sales. The short sale component increased from 21.4% of total sales in May to 27% in June. A shift in the lender owned sales/short sales balance in favor of short sales means that more homeowners have been able to work out agreements with their lenders and avoid foreclosure.



AVERAGE DAYS ON MARKET

Average days on market is unchanged from May at 106 days, and remained flat during the second quarter. June's figure, though, is 10 days lower than the twelve month high of 116 in February.



COMMENTARY

Positive metrics reported in this issue of STAT are welcome and necessary signs of recovery: the highest sales activity of the decade, continued drop in foreclosures pending, market wide MSI in the 2.62 range, and a reduction in total inventory. Also this month, a shift in the lender owned sales/closed short sales mix may signal a more holistic lender approach to distressed inventory, favoring Seller workouts over foreclosure. Positive results from ARMLS's Fannie Mae Short Sales Assistance Desk¹ support this.

Still, new list and sales pricing remains anemic, with PPI predicting little upward motion in the foreseeable future. This is clearly a disappointment. In Phoenix, as well as other metropolitan areas, prices for low-end homes, which made especially large gains during the housing boom, have now dropped much more sharply than those for high-end properties.² The disproportionate number of low end properties in the sales mix, as seen in the PPI Supplement, continues to exert negative pressure on median and average pricing. Marshall Vest, the Forecasting Project Director at the University of Arizona's Eller College of Management, predicts the housing market will continue to be plagued by falling house prices and the large inventory of vacant housing. "The 2010 Census found 463,000 vacant houses statewide. That's enough to accommodate an entire decade of population growth at 'normal' rates."³

In June, the Joint Center for Housing Studies at Harvard University released its annual [State of the Nation's Housing](#). "With employment growth strengthening, consumer spending up, and rental markets tightening, some of the ingredients for a housing recovery were taking shape in early 2011. Yet in the first quarter of the year, new home sales plumbed record lows, existing sales remained in a slump, and home prices slid. Tight underwriting requirements, on top of uncertainty about the direction of home prices, continue to dampen home buying activity. The weakness of demand is slowing the absorption of vacant properties for sale, hindering the recovery."¹

STAT has reported for some time that jobs and net migration are the keys to recovery. Unemployment in April fell to 8.15% from the January high of 9.28 in Maricopa and Pinal Counties.⁴ Jobs creation continues to stir with this metric moving positively but very slowly in the right direction. The US Bank 2011 Small Business Annual Survey, which in April and May surveyed small businesses in 11 select markets including Arizona, reported that 70% of small businesses expect the number of employees working for them to remain the same over the next 12 months, citing economic uncertainty as their biggest challenge.⁵

Net migration lured by job opportunity remains low, with gains in population in the Valley just barely births over deaths.⁴ Demand for housing is a key ingredient to recovery and other factors besides net migration are exerting negative influence. The slow pace of household formation is worrisome. The 2010 Census revealed that household formation during the 2000s was 17% lower than the 1990s. Young adults are delaying marriage and opting to live with parents, and young families are doubling up. While the years from 2004-2007 showed a large increase in foreign born households, the years since 2007 are relatively flat for this demographic.² At risk for low foreign born household formation, is Arizona, particularly Phoenix Metro, with its anti-immigration laws encouraging migration out of the area.

The Valley's elusive pricing recovery rests on the supply and demand balance. Supply appears to be righting itself, as is demand in lower end housing. What is more problematic is the demand for higher end housing, which remains depressed. Recovery across all price segments will depend heavily on a combination of net migration and household formation. The complexity and combination of factors indicate that the path to total recovery will be long and the pace will be slow.

¹ <http://www.armls.com/training-and-events/fannie-mae-short-sale-assistance-desk.aspx>

² <http://www.jchs.harvard.edu/publications/markets/son2011/son2011.pdf>

³ http://azeconomy.eller.arizona.edu/AZE11q2/Road_Rough_Rocky.asp

⁴ EBELLER Online

⁵ www.usbank.com