

# SEPTEMBER 2010

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

### **Hello Everyone,**

It's the wrap-up of Summer, Labor Day weekend. Who could have imagined the year could move so quickly. I hope it was a good one for you and if you have kids in the house they are excited and ready to head back to school, if they have not already done so. Those of us in The Valley are now crossing our fingers for the heat of summer to end and we get to welcome back the window open sunny and beautiful days of fall.

The highlights of this month's real estate news are lead by continuing record low interest rates. Rates are 4.5% or perhaps a bit less with great credit ratings. It's history making, take advantage if you can. The market continues to limp along. Home sales are somewhat flat to down a bit. Average pricing is down to about where it was 2 months ago. I think we have (at least) another year of this lackluster market to look forward to. It's a great time to be a buyer if you cash or the credit rating to perform. Mortgages are somewhat tough to get, with fairly stringent requirements, this also includes the requirement that your Loan Officer must have passed a state and national competency program. That's actually good news for you. It means better trained Lenders. Preforeclosure notices were down in the 2nd Quarter, but actual Trustee Sales increased slightly. Studies are now showing that first time home buyer's are now looking at older and smaller homes in nice neighborhoods in Near Valley locations instead of out in the fringe. Location seems to be trumping the lowest prices. Welcome back Canadians. You accounted for 4.2% of all sales in the 2nd quarter. That puts you ahead of the CA influx to AZ. FHA financing Buyer's should take note that starting on/about Sept 7 there will be a new policy at the FHA. The Senate approved a reduction in up front fee from 2.25% to 1%. They also allowed for the monthly fee to go from a .55% annual charge payable monthly to .90%. The up-front fee will go from 2.25% of the purchase price to 1%. It sounds like you should save money, but it's not the case. Welcome 1200 new employees to a new Amazon.com center.

Congratulations to Kelly & Jeremy., homeowners on the Baseline Corridor of Phoenix since 8/27. Early congrats to Dave & Jan from Seattle/Chandler on having their offer accepted on an amazing Chandler property. Congrats to Stacy. I'm excited that we were able to find another potential Buyer for your short sale in Mesa. I've got my fingers crossed that offers for buyer's Amanda & Mark from Chandler and Mike & Holli from St Louis will be accepted soon. I'm still looking for Buyer's for Patty's home in Andersen Springs/Chandler and also the Sabo home in Sun Lakes. If you know of someone looking, have them give me a call. I'm enjoying my time working with Stoil & Desi Chandler/Bulgaria to find their first US home to buy. I'm looking forward to meeting with Mike and Brook next week and discuss listing their Chandler home for sale as they think of relocating to Colorado. If you know of anyone looking to buy or sell a home, please pass long my name an number. I really appreciate each referral you are able to send my way. I promise nothing but the best service possible for anyone you refer to me.

**Regards,**

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ALL AREAS & TYPES	TODAY 8/31/10	ST	LAST MTH 7/31/10	LAST QTR 5/31/10	LT	LAST YR 8/31/09	2 YRS AGO 8/31/08
Active Listings	43,773	↑	42,708	41,369	↑	37,460	53,245
Pending Listings	10,018	↑	9,952	13,022	↓	12,615	6,813
Sales per Month	6,520	↓	6,886	8,542	↓	7,917	6,119
Sales per Year	92,928	↓	94,313	95,205	↑	81,804	51,797
Days on Market - Monthly Sales	102	↑	99	95	↑	100	115
Days on Market - Active Listings	141	↔	141	144	↓	160	153
Days Inventory	172	↑	166	159	↑	168	376
Months Supply	6.2	↑	5.9	4.4	↑	4.5	9.0
Active Listings \$/SF	\$131.04	↓	\$135.12	\$145.13	↓	\$166.57	\$188.46
Monthly Sales \$/SF	\$84.32	↓	\$90.02	\$91.97	↓	\$86.88	\$119.67
Appreciation - Monthly \$/SF	-3.0%	↓	0.1%	7.8%	↑	-27.4%	-32.3%
Average Sale Price % List	95.86%	↑	95.75%	96.22%	↓	96.77%	96.19%
Listing Success Rate	56.5%	↓	60.2%	66.6%	↓	64.7%	41.9%
Dollar Volume - Monthly Sales	\$1,064M	↓	\$1,214M	\$1,527M	↓	\$1,337M	\$1,465M
Average Price - Monthly Sales	\$163,189	↓	\$176,360	\$178,742	↓	\$168,912	\$239,486
Median Price - Monthly Sales	\$119,000	↓	\$125,000	\$130,000	↓	\$125,000	\$185,000
Average Sq. Ft. - Monthly Sales	1,935	↓	1,959	1,943	↓	1,944	2,001
Cromford Market Index™	86.3	↓	92.4	109.2	↓	120.4	50.2

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The table below 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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*Real Estate For Today*



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**W**ith the change of seasons fast approaching, it is a good time to check your weather stripping. Call me today for more tips on preparing your home for winter weather.



**D**o you know the difference between a Home Warranty Plan and Homeowners Insurance? **Home Warranties** are *service contracts* that cover the failure of home systems and appliances due to normal wear and usage during the term of the Plan. **Homeowners insurance indemnifies** the homeowner against damage or liability which might arise from some unknown or contingent event. Both offer valuable budget protection for the homeowner, and they can work in conjunction with one another. For example, if a water heater leaks and floods the home, the home warranty will replace the water heater, while homeowners insurance may cover the resulting secondary water damage to the structure and/or its contents. For complete budget protection, I recommend that all my clients include an Old Republic Home Protection Plan in their home transaction. Call me today for more information about how a home warranty can benefit you.

**I**f you have worked with me in the past, you know the level of dedication and commitment I provide. I promise that same commitment to your family and friends – please tell them how much I will do for them!



## Health & Safety

### Back to School Safety Tips



**P**arents should be aware of these elements regarding their children's safety while traveling to and from, and attending school.

#### Transportation

Make sure your children are aware of the potential safety hazards present when boarding and exiting the bus, or when crossing the street at the bus stop location. Children who ride their bikes to school should use hand signals, follow traffic rules, and wear helmets. Teach children who walk to school to always use crosswalks and watch for cars making sudden turns into and out of driveways.

#### School-Yard Bullying

To protect your child from being bullied, or becoming a perpetrator, help your child understand that acting in abusive ways is unacceptable and harmful to all involved. Help your child to express his or her feelings and emotions with words, not violent or destructive behaviors.

#### Violence

Because of violent events that can occur at schools, be sure that your child's school has an emergency plan in place, properly monitors all who enter and exit the school grounds, and that they work closely with local police to ensure the safety of everyone at school.

## Helpful Hints

### GREEN Your Gift Wrapping

**W**hy waste money on expensive gift wrap and ribbon? Try wrapping gifts with these free or inexpensive ideas that encourage reuse and recycling:

- Reusable shopping bag - 99 cents at almost any grocery store.
- Holiday gift bags - free, when you reuse last year's holiday bags.
- Homemade gift bags - make gift bags from beautiful but inexpensive fabric from the local craft store. Sew up three sides, use pinking shears to give the top edge some flair, then bunch the top and tie with reusable ribbon or twine.
- Kitchen towels – Wrap a small gift in a new kitchen towel and tie it with a reusable ribbon – you don't even need tape!
- Sunday comics – they make free...and very colorful...gift wrap!
- For gift tags, repurpose last year's holiday cards: cut off the front of the card, thread a ribbon through one corner, and voila!...a beautiful (and free) gift tag.





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Real Estate For Today



## Savor the Flavor

### Grandma's Slow Cooker Vegetarian Chili

1 19-oz can	black bean soup	1	onion, chopped
1 15-oz can	kidney beans, rinsed and drained	1	green bell pepper, chopped
1 15-oz can	garbanzo beans, rinsed and drained	2 stalks	celery, chopped
1 16-oz can	vegetarian baked beans	2 cloves	garlic, chopped
1 14.5-oz can	chopped tomatoes in puree	1 Tbsp	chili powder, or to taste
1 15-oz can	whole kernel corn, drained	1 Tbsp	dried parsley
		1 Tbsp	dried oregano
		1 Tbsp	dried basil

In a slow cooker, combine black bean soup, kidney beans, garbanzo beans, baked beans, tomatoes, corn, onion, bell pepper and celery. Season with garlic, chili powder, parsley, oregano and basil. Cook for at least 2 hours on High. Dip chili into individual bowls, garnish with a dollop of sour cream, and serve with cornbread or your favorite crackers.

## Household Tips

### Get Out of Debt and Start Saving

**A**mericans carry too much consumer debt, which can damage your mental well-being and the stability of your financial future. Here are a few tips to help improve your financial health:

**Partake in a little self-reflection.** A misaligned mindset toward spending and shopping—compulsive or otherwise—can severely affect your financial and personal well-being.

**Make a plan to reduce debt and stick to it.** Most of us don't plan to fail, but we do fail to plan.

**Research before you enter the store.** Prior to going shopping for necessities that aren't everyday purchases—say, a new refrigerator—do some research first to identify brands and models that are a good value.

**Watch what you are paying for insurance.** Many people overspend on insurance by carrying coverage that's unnecessary or coverage for small potential losses, which wouldn't be a financial catastrophe to most people.

Getting out of debt isn't easy, and it's certainly not achievable overnight. Like losing weight, it's something that takes constant dedication but has a great payoff in the end.

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## Brain Teasers



### Labor Day Quiz

- When is Labor Day?
  - September 15
  - Second Monday in September
  - First Monday in September
- Who began the labor movement?
  - Peter McGuire
  - Paul McGuire
  - Peter Cottontail
- Why did Peter have to work at such a young age?
  - Because they lost the farm
  - He was saving to buy a car
  - His father went to war and he had to help support his family
- How many hours did the immigrants work in factories every day?
  - Three or four hours
  - Ten to twelve hours
  - They worked until they got tired
- When was the first Labor Day Parade held?
  - September 5, 1982
  - September 5, 1882
  - September 5, 1802
- When did Congress vote Labor Day a federal holiday?
  - 1894
  - 1984
  - 1899

ANSWERS: 1-c; 2-a; 3-c; 4-b; 5-b; 6-a



August 16, 2010

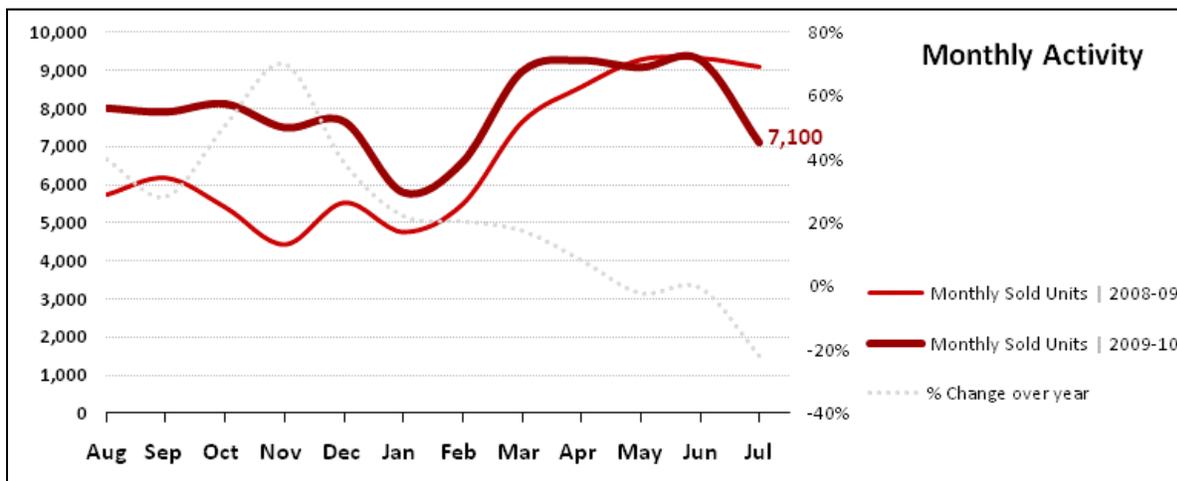
There are many indicators to discuss this month and they all point in different directions. The Phoenix metro market continues to show mixed emotions about embracing a recovery.

### SALES Month over Month

July single family sales dropped off a cliff to 7,100 units, down over 2,000 units from June, and negating the steady, albeit somewhat erratic, totals we saw in the previous three months. After a strong run up in February and March, and steady numbers in April through June, the precipitous fall in July adds credence to the fear of many economists – that the first time buyer and move-up tax credits merely accelerated the purchase decision for many homebuyers who would have bought anyway.

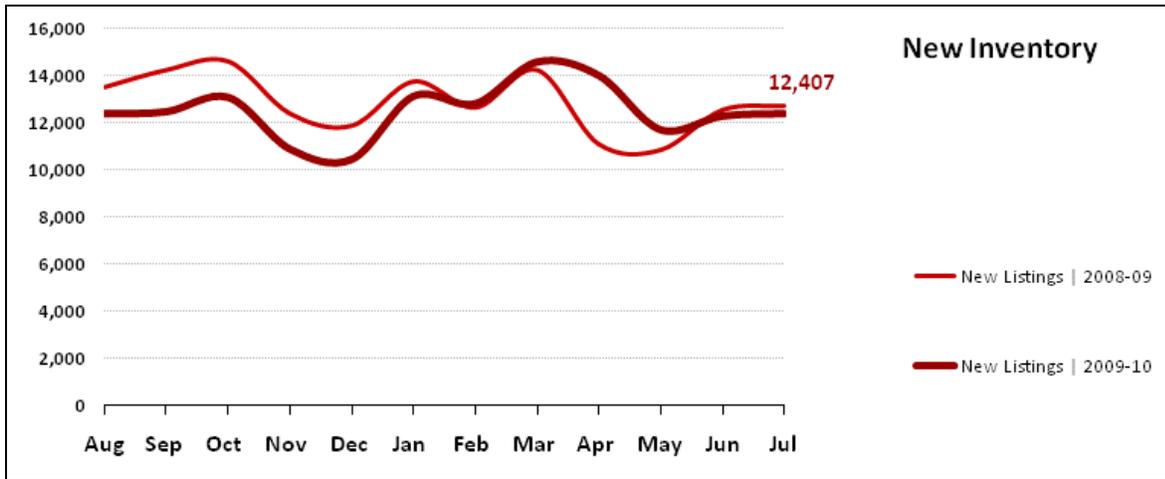
### SALES Year over Year

2009 was a banner year in terms of number of homes sold, the third highest on record. 2010 is showing signs of exceeding that figure. Despite NAR's most recent data (June)<sup>1</sup> that indicated a 5.1% decline in existing home sales on a seasonally-adjusted annual basis, the pattern here was just the opposite until July when this market fell 22% over the year before. This third consecutive month of declines reverses the 23 month trend of year over year sales unit increases dating back to June 2008. If the previous five-year average sales per month holds for the remainder of the year, **STAT** projects that nearly 87,000 homes will be sold in 2010, a 7% decline from the 2009 total of 93,300.



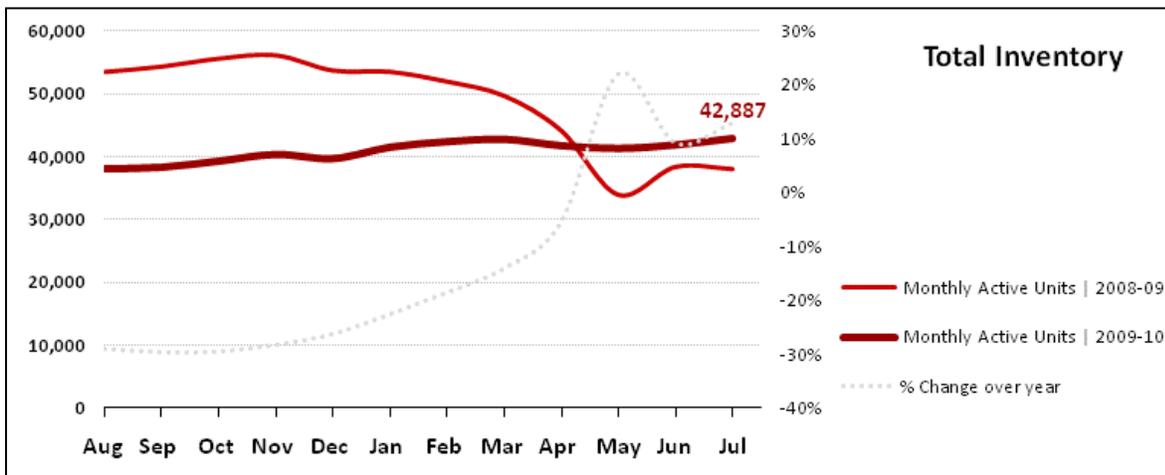
## NEW INVENTORY

July showed little change over June (only 100 more net listings), continuing the normal seasonal pattern as fewer sellers show their willingness to test the market during the summer selling season. Overall the new residential inventory for July remains close to the average of 12,556 new listings per month that has continued over the last 12 months. But July's total is also the lowest for any July since 2004. REO and Short Sale properties continue to be the lion's share of the new listings. In July, 61% of new listings were in one of these distressed categories.



## TOTAL INVENTORY<sup>2</sup>

Total residential inventory for July (42,887 units) rose only slightly from the preceding month (41,869). Inventory has remained fairly flat for the past eight months, varying no more than 4% in any month from the 41,300 average for that period.

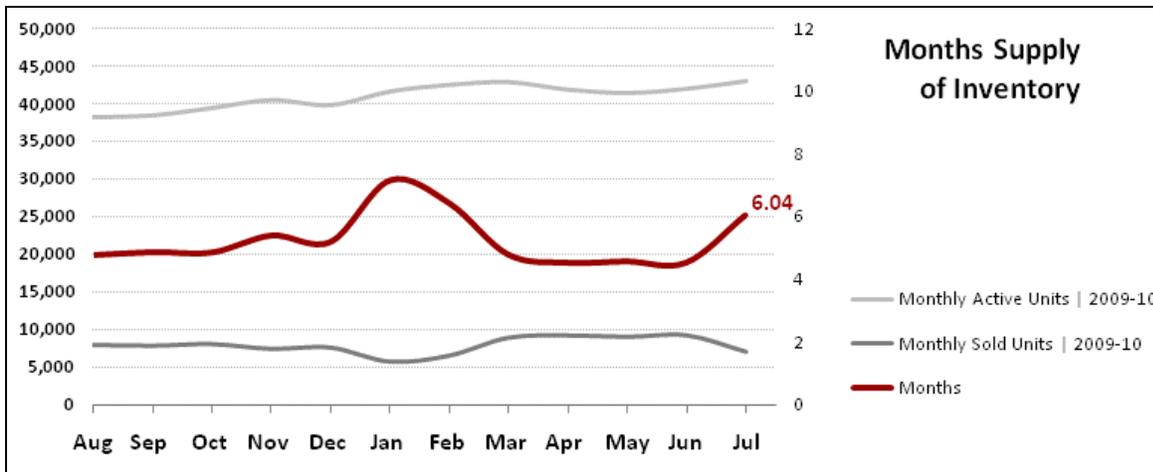


<sup>2</sup>Total active listings are pulled from flexmls on the 10<sup>th</sup> of every month.

## MONTHS SUPPLY OF INVENTORY (MSI)

MSI is a macro level look at how long it would take to absorb the current active residential inventory. It divides the total residential active units by the number of sold units in a given month to estimate how many months supply of inventory (MSI) exists in the market as a whole. Over the four months from March to June, MSI stayed in the narrow range between 4.77 and 4.51 months. With the large drop in closed units in July, the MSI jumps to 6.04.

Convention holds that an MSI less than 5 months indicates a seller's market, while an MSI equal to 5-7 months is a balanced market, and an MSI exceeding 7 months equates to a buyer's market. This is a look at the residential MSI for the entire market and is not representative of smaller niches. Over time though, the MSI for the entire market can serve as a barometer of overall market health. Nationally, June NAR reports indicate an 8.9 month supply of inventory<sup>3</sup>.



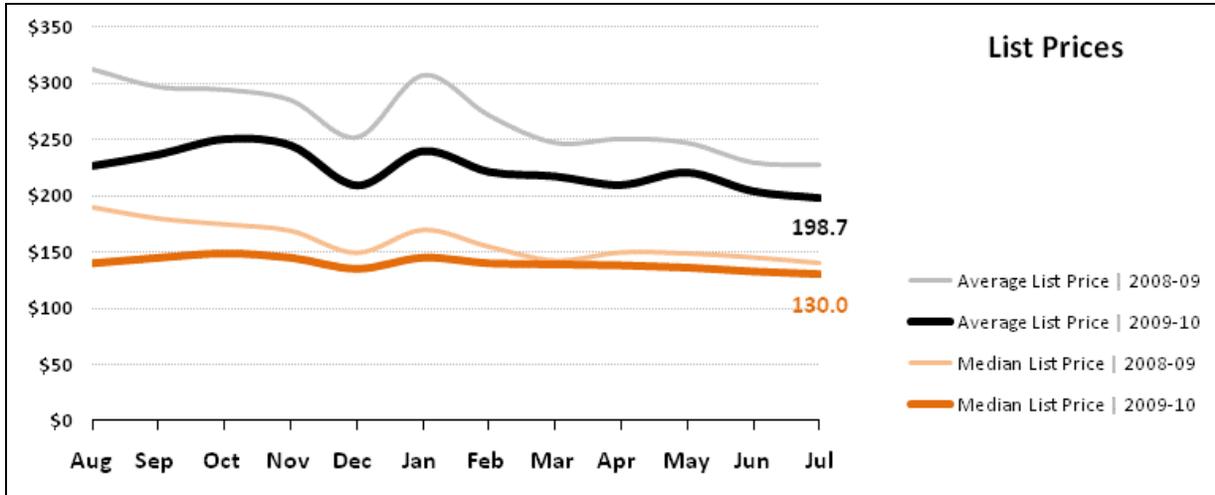
## LIST PRICES

After a short burst of optimism in May when the average list price (\$220.9K) rose by 5% over April, the average list price slipped in June and then set another new low record for the decade when July's average list dropped below \$200,000 for the first time since Y2K.

Average list price peaked in January 2007 at \$422,000, so July's average of \$198,715 represents a plunge of 53% from the market peak.

Likewise, the median list price declined in July to \$130,000 from June's \$132,500 and set a record for lowest median list price since current reports have been tallied (January 2001), and an even bigger fall (57%) from the peak median in February 2006 of \$303,900.

Both numbers indicate a fall in optimism of homeowners (be they individuals or banks) of what properties can expect to bring and mirroring a drop in consumer confidence being reported nationally.

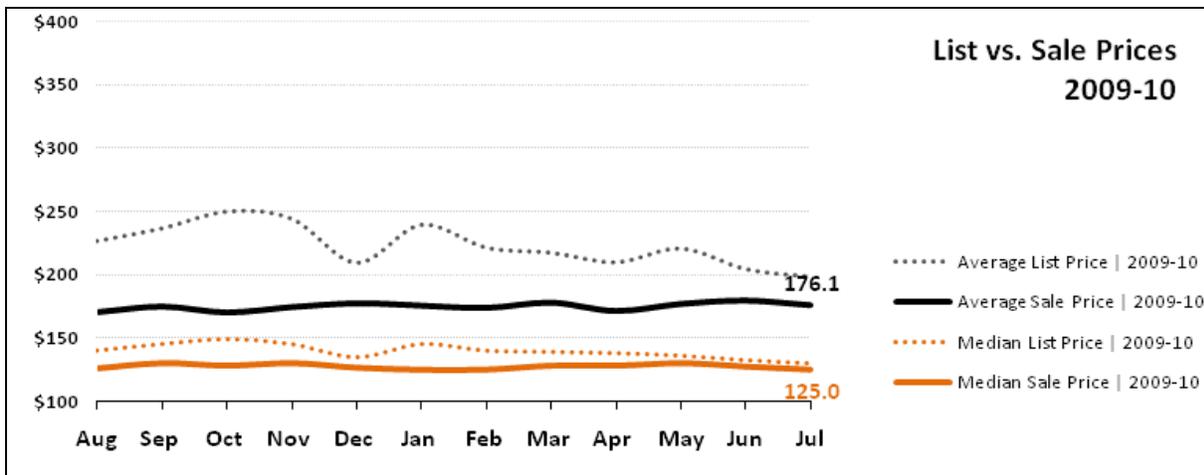


## SALES PRICES

The ARMLS Pending Price Index™ last month pointed to downward turns in both Median and Average sales prices, and both predictions proved true.

July's median declined 1.9% from \$127.4K to \$125K while the Average sales price fell slightly more, 2.1% from \$179.9K to \$176.1K in July.

The Average and Median sales price declines put a little damper on the optimism that several months of small but steady increases fostered. And both numbers are almost exactly where they were one year ago, thus giving back the gains seen last fall and earlier this spring.



Whether this is an indicator of a longer term trend has yet to be seen. But the PPI™ is not optimistic, pointing to lower numbers in August through October before trying to turn the corner in November.

### THE ARMLS PENDING PRICE INDEX™

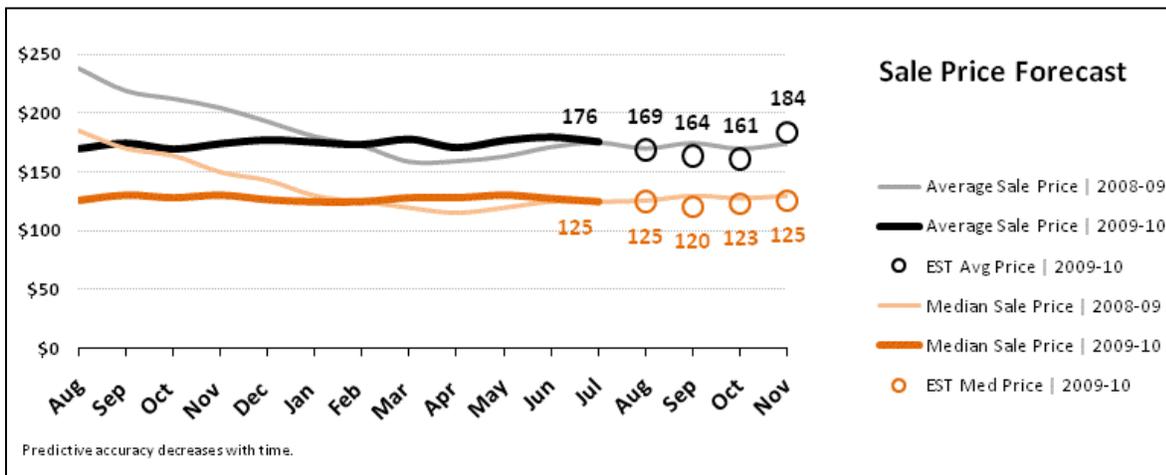
THE ARMLS Pending Price Index™ (PPI™) is a predictive market tool exclusive to ARMLS. The Index uses pending sales data from the Arizona Regional MLS system to predict Median sales price and Average sales price three to four months into the future. This information is only available through ARMLS, the sole aggregator of pending sales data.

Pending sales data predict that the Average price will drop over 4% in August to \$168.7K and continue downward but at a slower rate in September (3.1%) and October (1.5%) then spike strongly upward, recovering 14% to \$183.7K in November.

The accuracy of the ARMLS PPI™ diminishes the further into the future the prediction is made because the sample size diminishes with time. So the strong recovery in November should be tempered with caution because of a long lead time.

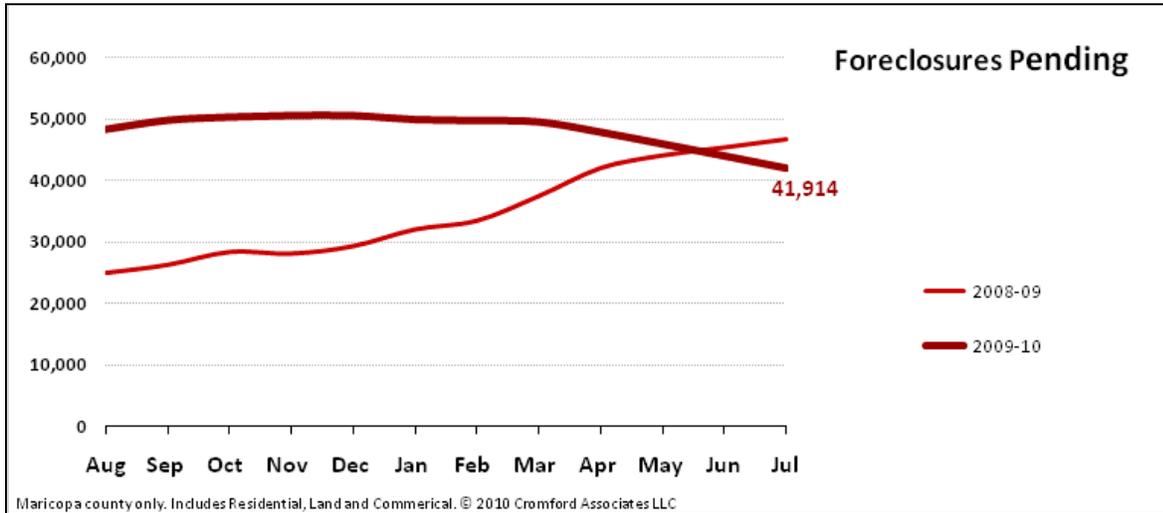
The Median sales price shows a counter trend, falling fractionally (only \$100) in August and significantly (-3.9%) in September, then recovering strongly October (2.1%) and November (2.0%) to finish right where it started four months earlier.

Overall, the Median and Average sales prices have remained relatively flat over the previous 18 months with only small monthly fluctuations. The Median is exactly where it was in February 2009 and the Average is fractionally higher than it was that same month. The market appears to be in a fairly stable pattern although it is prone to slight dips indicating that the recovery is still tentative and subject to many outside economic factors.



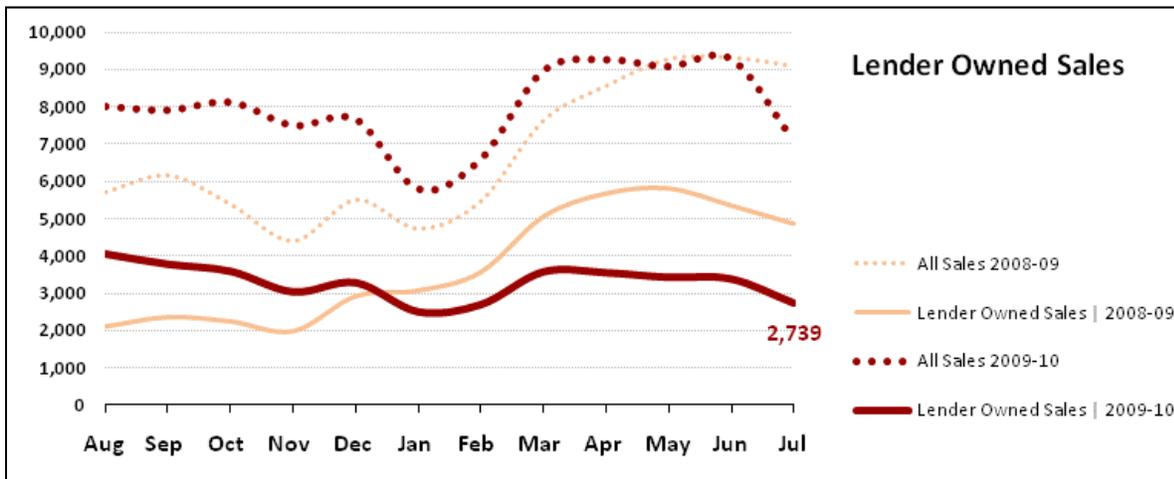
## FORECLOSURES PENDING

Foreclosures pending in all property classes continue the downward trend of the last four months to 41,914 in July. It is unclear though if this pattern is reflective of greater lender success in expediting workouts with distressed owners to avert foreclosure, or is due to impaired lender capacity to initiate and process foreclosure inventory, due to inadequate resources. But when one takes into account the increased number of Short Sales closing, up from 14.1% in July 2009 to 24.7% this July, the pressure and incentives from Washington on banks to settle accounts short of foreclosure is clearly being felt.



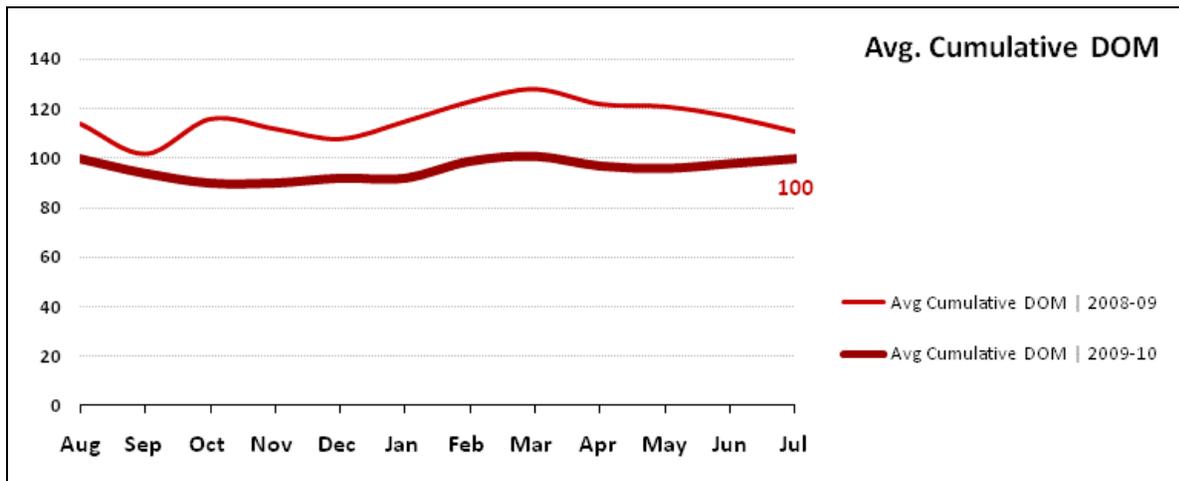
## LENDER OWNED SALES

Lender owned sales have declined each month for the past 17 consecutive months when measured as a percentage of all residential sales. From January to April 2009 the percentage was 65-66%. This month it was only 38%, just over half of the figure a year ago. As the new FNMA and Freddie Mac Home Affordability Foreclosure Alternatives (HAFA) program is implemented, the market may expect to see the trend of lender owned sales as a percentage of total sales continue to decline. The impact of HAFA is yet to be realized but a positive impact could lead the way by example for other non-FNMA and Freddie Mac lenders to alter their policies regarding distressed homeowners.



## AVERAGE DAYS ON MARKET

July showed another two day increase over June in the average days on the market to a nice round 100. The days on market figures have held relatively steady over the last twelve months, fluctuating slightly between 90 and 100 days and matching the same ADOM in August 2009. The prevailing pattern of average market times tracking proportionally to list price continues, as homes priced below \$150,000 sell in less than 60 days while those over \$750,000 are taking months rather than days, on average, to sell.



## COMMENTARY

The prediction of a slow market recovery becomes more questionable this month than it has in the past few months. Where patterns seemed to be establishing over the last three months, now the market is showing more fluctuations and in some cases reversing its previous good trends.

**STAT** sees a clear relationship between the strong sales data over the last several months and the first time buyer tax credit which is no longer available. The credits seem to have caused a mini-bubble in the market, accelerated buying decisions that would have occurred in summer and fall, pushing them into this past spring. This push created a vacuum of buyers to fill the transaction pipeline. Consequently those that are left are able to buy at lower prices due to decreased demand and the numbers suffer as a result.

Many market observers remain optimistic that the effects of the new government program, HAFA, a last resort for many home owners facing foreclosure, will reduce the number of lender owned sales. HAFA aims to address many of the complaints surrounding Short Sale and deed in lieu of foreclosure transactions. Timing of solid market recovery is directly related to the removal of distressed properties, i.e., lender owned and Short Sales candidates, from the active residential inventory.

ARMLS staff provides this commentary on the market as fact-based analysis, not as opinion or editorial positioning. Your comments are welcome and opposing viewpoints on interpretation of the market trends identified in **STAT** are welcome. Send your comments to [Communication@ARMLS.com](mailto:Communication@ARMLS.com).