

SEPTEMBER 2011 Real Estate Update



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

Hello Everyone,

I hope you have had a nice summer and are ready for 'back to school' season and cooler fall weather. After a record hottest ever August here in Phoenix, I know I'm looking forward to cooler temperatures. I know we'll see them when we head to Milwaukee, WI later in the month for a wedding. I hope you and your family get to spend some vacation time together this month either on Labor Day weekend or any other time of the month.

We're blessed with a strange combination of factors in the current market here in Phoenix. Mortgage interest rates are at near 50 year low levels, with 30 year fixed at about 4.15% with .7points. Qualifications needed to get a mortgage are still quite stringent, but it's certainly within reach of many. The great low interest rates seem to be somewhat offset by the low inventory. We're below 27,500 properties in the MLS right now. I can tell you that it has made the process of finding a home quite frustrating for some (ask my client Rob). The good news is that the Fed has said that they will keep interest rates low at least through mid-2013. The Valley foreclosure rate accounted for under 30% of sales in July the lowest since spring 2009. Overall both mortgage delinquencies and foreclosure notices are down in the 2nd Quarter. If you're in the market for a condo as your primary residence, you may find a new Freddie Mac program that offers up to \$1500 towards HOA dues to your liking. There are quite a few restrictions to the program, contact me if you want to know more.

Congratulations to Primo & Marissa on the purchase of their Moon Valley home. I really enjoyed working for them but found it heart wrenching to squeeze a home closing in with the death of their friend and employer. Rest in Peace Mr Leavy! I'm excited that we were able to find a great Pointe Tapatio home for Cabot. After an appraisal hiccup, we should be good to close on his home by the 21st. Congrats also to Terry from Chandler. We'll be closing about mid-Sept on a cute little project property in the Val Vista area of Gilbert. I'm happy to report that we're making good headway on the Short Sale of PJ & Robert's Queen Creek home. That should be a completed deal in the next 60 days. I'm still looking to find the right Buyer for my listings of Patty's move in ready Andersen Springs, Chandler home and Mark & Cathy's lovely Sun Lakes home. We've had multiple offers from prospective Buyer's for each over the last couple of months, but just have not found the right Buyer to move to completion in either case.

Regards,

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

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ALL AREAS & TYPES	TODAY 8/29/11	ST	LAST MTH 7/29/11	LAST QTR 5/29/11	LT	LAST YR 8/29/10	2 YRS AGO 8/29/09
Active Listings	27,441	↓	28,085	32,176	↓	43,906	37,523
Pending Listings	12,064	↓	12,116	13,950	↑	10,266	12,588
Sales per Month	7,925	↓	9,435	10,061	↑	7,015	8,801
Sales per Year	98,012	↑	97,102	93,476	↑	92,033	82,414
Days on Market - Monthly Sales	98	↓	99	105	↓	101	101
Days on Market - Active Listings	149	↓	152	155	↑	141	159
Days Inventory	102	↓	106	126	↓	175	167
Months Supply	3.2	↑	3.0	3.3	↓	6.3	4.5
Active Listings \$/SF	\$134.31	—	\$134.31	\$135.13	↑	\$131.01	\$166.69
Monthly Sales \$/SF	\$79.74	↑	\$79.37	\$82.61	↓	\$85.56	\$87.39
Appreciation - Monthly \$/SF	-6.8%	↑	-12.2%	-10.3%	↓	-2.1%	-27.8%
Average Sale Price % List	96.63%	↓	96.65%	96.07%	↑	95.82%	96.72%
Listing Success Rate	73.4%	↓	74.7%	71.7%	↑	57.9%	65.9%
Dollar Volume - Monthly Sales	\$1,215M	↓	\$1,444M	\$1,591M	↑	\$1,164M	\$1,496M
Average Price - Monthly Sales	\$153,271	↑	\$153,053	\$158,148	↓	\$165,900	\$170,036
Median Price - Monthly Sales	\$109,900	↓	\$109,913	\$108,500	↓	\$120,000	\$125,000
Average Sq. Ft. - Monthly Sales	1,922	↓	1,928	1,914	↓	1,939	1,946
Cromford Market Index™	155.1	↑	151.0	130.4	↑	85.7	120.4

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The table above provides a concise statistical summary of today's residential resale market in the Phoenix metropolitan area.

The figures shown are for the entire Arizona Regional area as defined by ARMLS. All residential resale transactions recorded by ARMLS are included. Geographically, this includes Maricopa county, the majority of Pinal county and a small part of Yavapai county. In addition, "out of area" listings recorded in ARMLS are included, although these constitute a very small percentage (typically less than 1%) of total sales and have very little effect on the statistics.

All dwelling types are included. For-sale-by-owner, auctions and other non-MLS transactions are not included. Land, commercial units, and multiple dwelling units are also excluded.

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Jeff Gerber, ABR, GRI,
SRES

The Empowered Team, LLC
Real Estate For Today



The Empowered Team LLC

Between FRIENDS



Real Estate for Today

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

Fall is approaching! Call me today and I will provide you with some helpful tips on preparing your home and yard for the arrival of "Old Man Winter."



Do you know the difference between a home warranty plan and homeowner's insurance? Home warranties are *service contracts* that cover the failure of home systems and appliances due to normal wear and usage. Homeowners insurance *indemnifies* the homeowner against *damage* or *liability* arising 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 secondary water damage.

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 am dedicated to ensuring a home purchase is a smooth and positive experience for you, and for your family, friends, and acquaintances. Please tell them how much I will do for them!



Health & Safety

Cold or Allergy...which is it?

You're stuffed up, you're sniffing—but do you have an allergy or is it a cold?

Colds, which are viruses, hit suddenly and usually leave in three to five days, although symptoms can linger longer. Additional signs can include mild fever, enlarged lymph nodes, muscle aches and coughing.

Allergies are an overreaction of your immune system. They come on slowly and linger as long as the allergen is around. Allergies are more characterized by sneezing and an itchy or runny nose.

Doctors generally recommend common treatments for both cold and allergy sufferers: eight hours of sleep, eight glasses of water daily, sinus rinses, humidifiers and warm chicken soup. All of these measures

can lessen the symptoms and help you bounce back sooner.

With colds, you may also want to take acetaminophen for mild fever and muscle pain, and rest for a week to 10 days: your immune system may be low, making you more vulnerable to infection.

For allergies, the best defense is a good offense—avoid what you are allergic to. If you can't, and over-the-counter allergy medications don't help, your doctor may want to prescribe stronger allergy medications or discuss allergy shots, which can decrease sensitivity to allergens over time for some people.



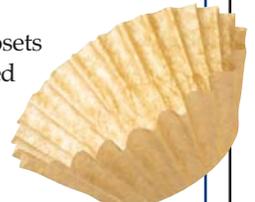
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Helpful Hints

New Uses for Coffee Filters

Coffee aficionados value coffee filters simply for what they're designed to do. But check out these practical and creative uses for this kitchen basic:

- Strain wine from a bottle with a broken cork. Place the filter over a pitcher or a carafe and slowly pour the wine through it.
- Serve popcorn or other snacks. The filters act as disposable bowls, so there's no dishwashing!
- Heat up leftovers in the microwave. Use a filter as an alternative to plastic wrap over a bowl or a plate.
- Prevent soil from draining out of flower pots. When repotting, place a filter over the drainage hole, then add the soil.
- Prevent scuffs and scratches on fine china. Use flattened basket coffee filters as spacers when you stack your dishes.
- Protect hands from ice pop drips. Slide the stick or handle of an ice pop through a coffee filter so your hands stay mess-free.
- Make sachets for closets and drawers. Place dried flowers and herbs in a coffee filter and tie with string or yarn.





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

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Savor the Flavor

Sloppy Veggie Joes

4	cups	frozen soy burger crumbles	1	Tbsp	yellow mustard
1		small onion, chopped	1/2	tsp	pepper
1-1/2	cups	ketchup	1/4	tsp	salt
2	Tbsp	packed brown sugar	16		sandwich buns, split
2	Tbsp	white vinegar			

In a slow cooker, mix all ingredients for the filling. Cover; cook on low heat 4 to 6 hours. Fill each bun with 1/3 cup mixture.

Household Tips

Tips to Trim the Food Budget

The average American family of four spends \$9,172 on food each year, according to the government's Consumer Expenditure Survey. Use these tips to cut that total by just 20% and save more than \$1,800 annually!

Cook at home to reduce spending on dining out and convenience foods. Make double and triple batches when you cook and freeze the overage for other meals. The extra hassle is minimal, and it's about the same amount of cleanup. If necessary, consult family, friends, cookbooks and cooking shows to improve your culinary skills, or take a cooking class.

Plan meals and shopping trips. You'll save time and money by reducing the number of trips to the store and eliminating impulse buys. With careful planning, you can shop just once a month rather than two to three times per week. Running out of menu ideas? Look at the weekly supermarket advertisements for inspiration.

Avoid impulse buys. Always shop with a list and stick to it! You'll spend less time in the store and avoid spending money on things you don't need.

Get a loyalty card. Sales in most supermarkets are tied to loyalty cards. Seek out the items on your list that are on sale.



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Brain Teasers

What's Up, Doc?



- Who was Yosemite Sam's enemy?
 - Sylvester
 - Daffy Duck
 - Bugs Bunny
 - Tweety Bird
- Pepé Le Pew was a:
 - Cat
 - Skunk
 - Chipmunk
 - Gopher
- What was first full length cartoon created by Disney?
 - Beauty and the Beast
 - Fantasia
 - Cinderella
 - Snow White and the Seven Dwarfs
- The original name for Mickey Mouse was:
 - Squeaky
 - Maxwell
 - Myron
 - Mortimer
- Which studio created the Road Runner?
 - Loony Tunes
 - Hanna-Barbera
 - Universal Studios
 - Warner Brothers

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

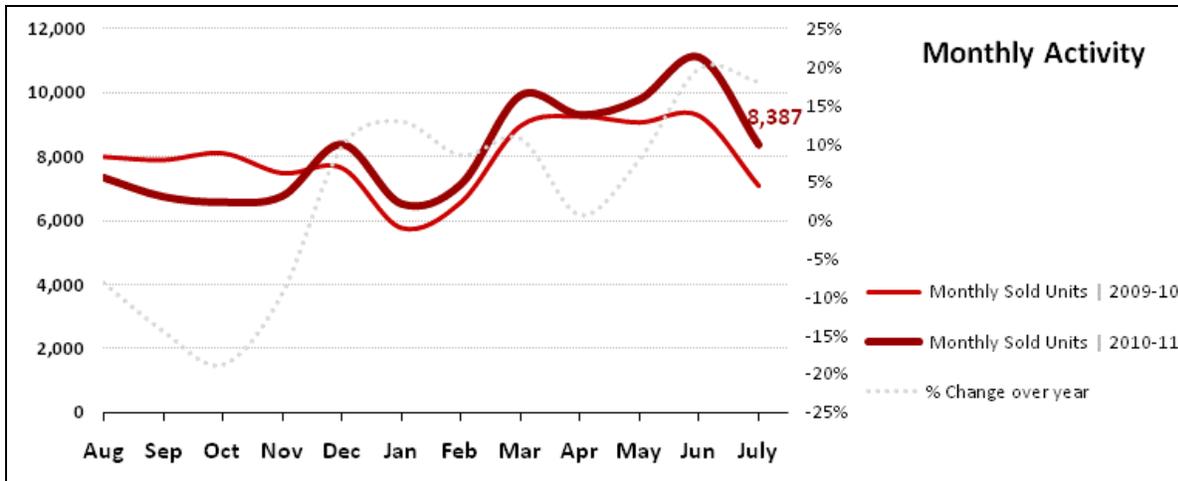


SALES Month over Month

Total sales in July (8,387) regressed to pre-March levels. The 24.6% decline from June's 11,125 is a disappointment. However, it follows a distinct wave pattern in total sales which started with November's trough. We should not read too much into July's decline which could reverse itself next month if sales follow the pattern of the last nine months.

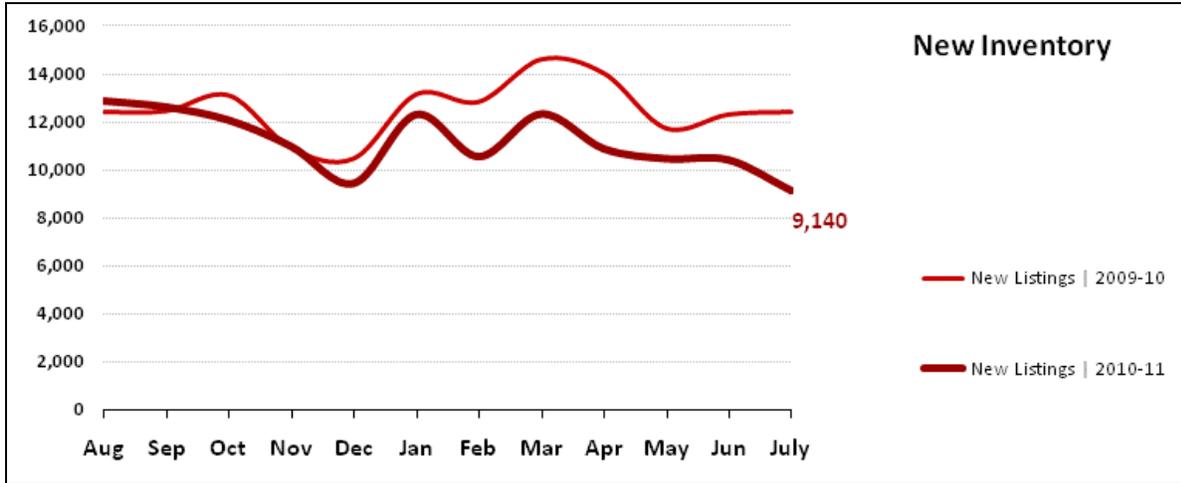
SALES Year over Year

July sales (8,387) represented an 18.1% increase over July 2010. This figure, while disappointing after the June's emotional and numerical high (11,125), follows a typical June to July sales pattern, where sales fell from June to July in eight of last ten years.



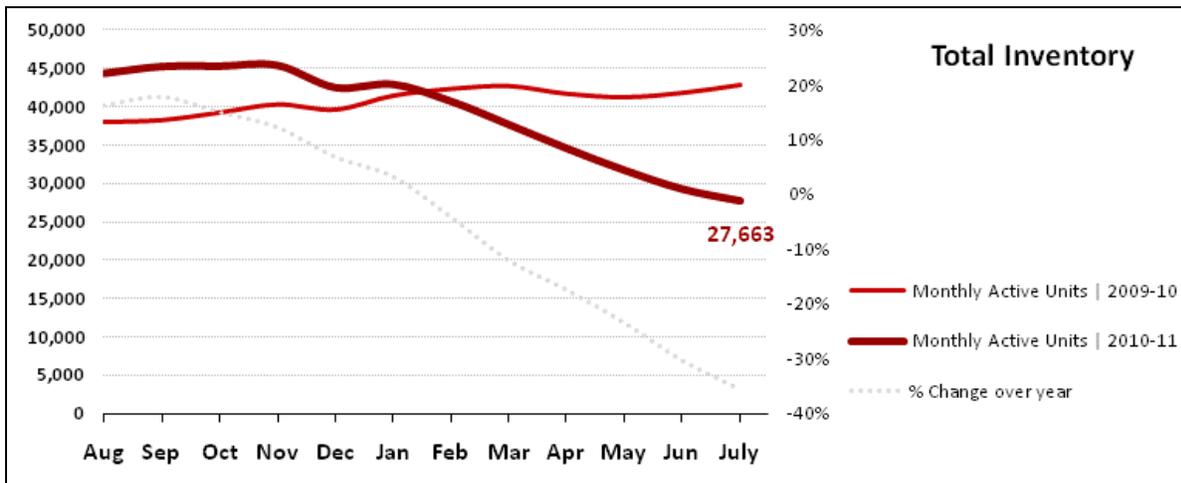
NEW INVENTORY

New inventory dropped again in July to 9,140, besting December’s twelve month low of 9,443. New inventory added each month has traveled on a downward trend line since last August. Declines in new inventory affect the current supply and are recognized as a healthy sign.



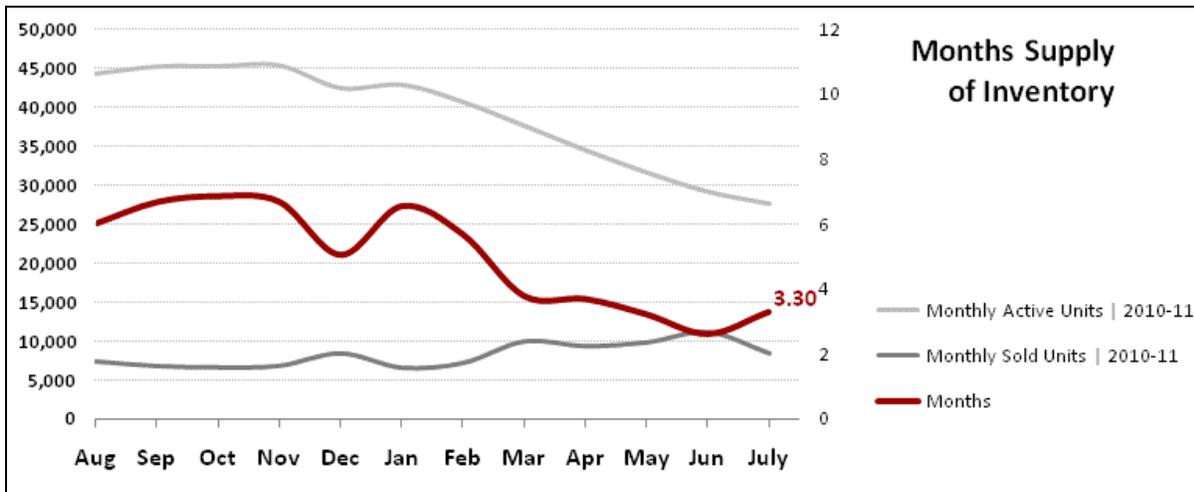
TOTAL INVENTORY

Total inventory in July continued its decline started in November. July’s figure (27,663) is a 5.3% decline from June and a 35.5% drop from July 2010. The Valley’s large inventory perpetuates the market’s imbalance in many market niches, and the steady decline in total inventory is a vital component in righting the supply and demand balance.



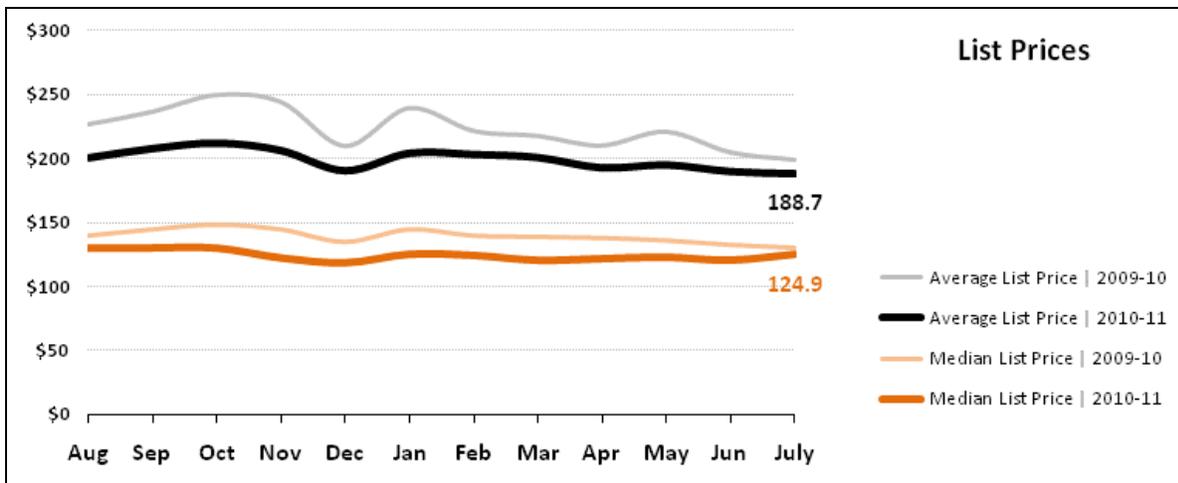
MONTHS SUPPLY OF INVENTORY (MSI)

Months supply of inventory ticked up to 3.30 in July from June's 2.62, not a surprise given the decline in sales activity. Even with the slight rise, the trajectory of MSI has been on a steady downward trend line since November. MSIs below 4 indicate a Seller's market, between 4 and 6 a balanced market and above 6 a Buyer's market. The MSI for the entire Valley as provided in STAT is merely a barometer of market health, and not indicative of inventory supply in smaller market niches which can vary widely. In reality, many areas and price ranges are in oversupply, even though the MSI for the entire Valley indicates a Seller's market.



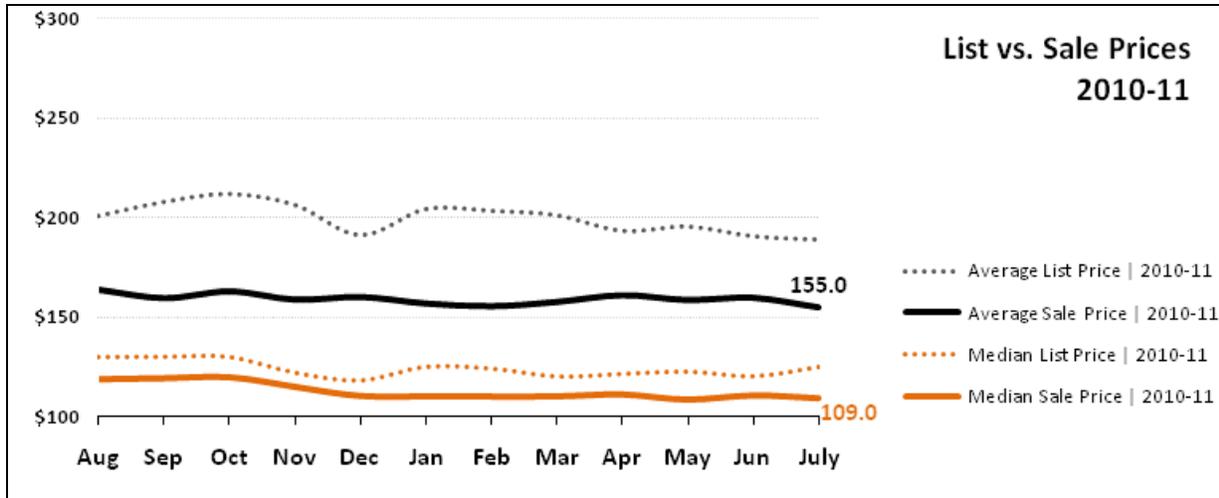
NEW LIST PRICES

New list pricing continues on the anemic flat line of the last twelve months. The median new list price ticked up 4% to \$124,900, while the average fell .9% to \$188,700 from last month's \$190,400. The median price is 3.9% below last year's July median, and the average is 5% lower than July of 2010. All in all, there is not much of a pulse for a market trying for a pricing recovery.



SALES PRICES

Sales prices show the same lackluster recovery attempt as list pricing. Median sales price declined 1.4% to \$109,000 in July. This median figure is 12.8% below July 2010's \$125,000. The average sales price also declined 3.1% to \$155,000, 12% below July 2010's figure of \$176,100. Sales pricing, like new list prices, is a different verse of the same song.



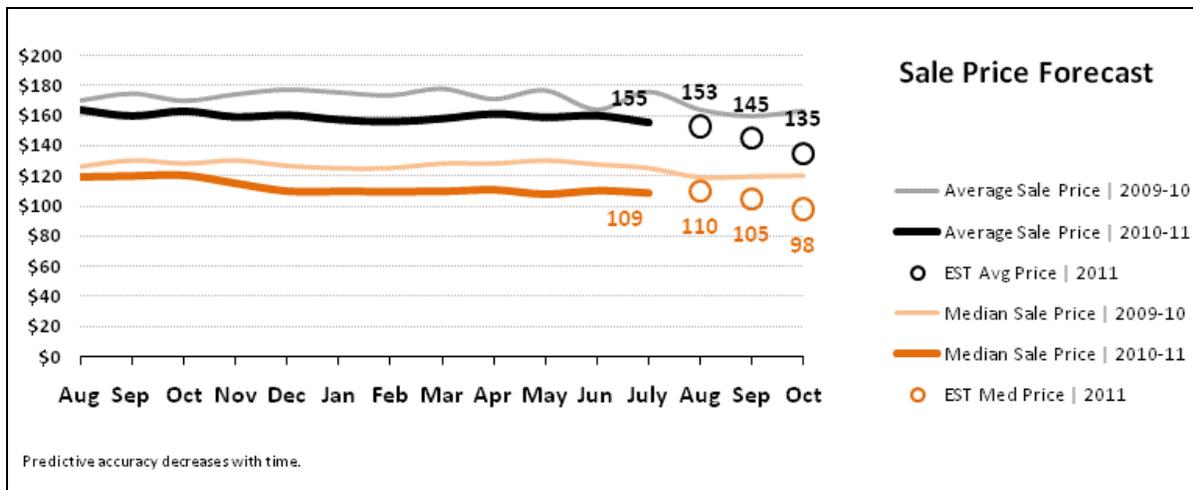
THE ARMLS PENDING PRICE INDEX™

The ARMLS Pending Price Index (PPI) is a metric unique to ARMLS which focuses on pending sales in the MLS system. By focusing on pending prices of properties yet to close, ARMLS is able to forecast pricing trends ninety days into the future. Naturally the predictive accuracy diminishes with time as fewer properties make up the pending pool.

The PPI scorecard last month was off by 3.4%, predicting an average sales price for July of \$158,200: the actual was \$152,800. The median of \$112,000 predicted last month came in only 1.79% off the mark at \$110,000.

This month's prediction calls for a slight rise in the median sales price to \$110,000 in August, followed by a decline to \$105,000 in September and a drop again to \$98,000 in October. The median sales price has not dropped below \$100,000 this decade, but the market seems to be edging closer and closer to that benchmark. The average sales price predicted for the next ninety days is downward for all three months: \$152,800 for August, \$144,700 for September and \$134,900 in October.

The overall impression is that pricing is going to continue to languish. It took many months to get to where we are, and unfortunately, it will take many months to climb back.

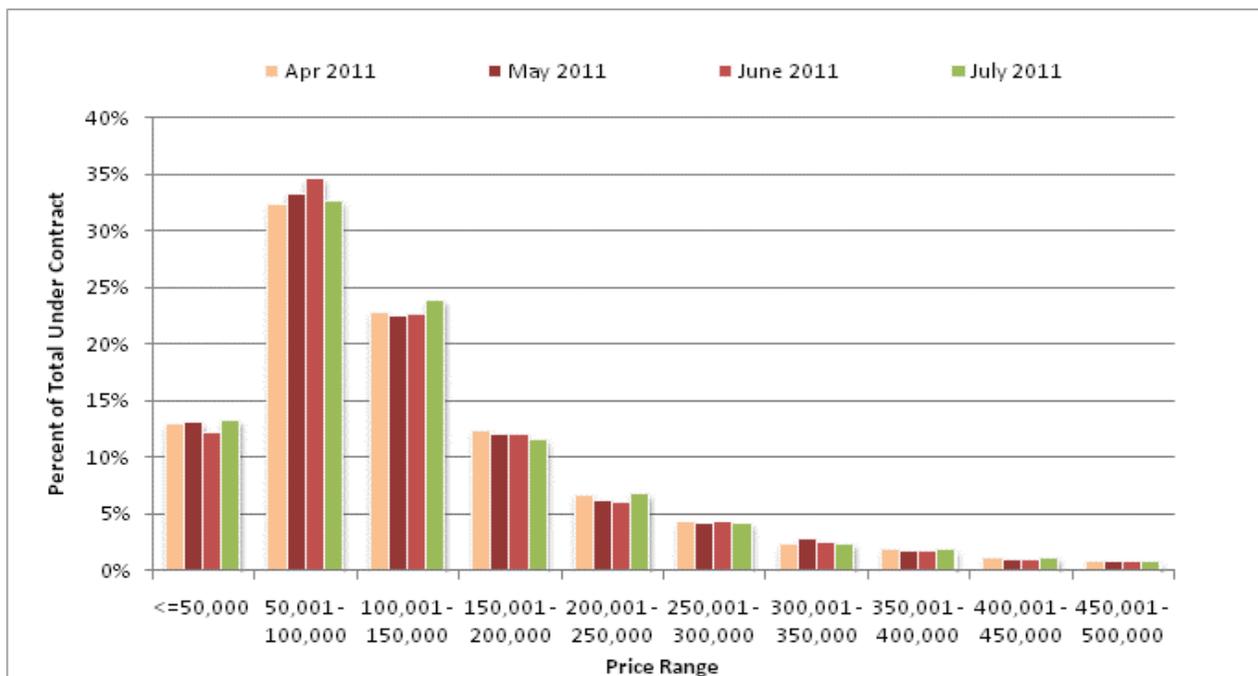
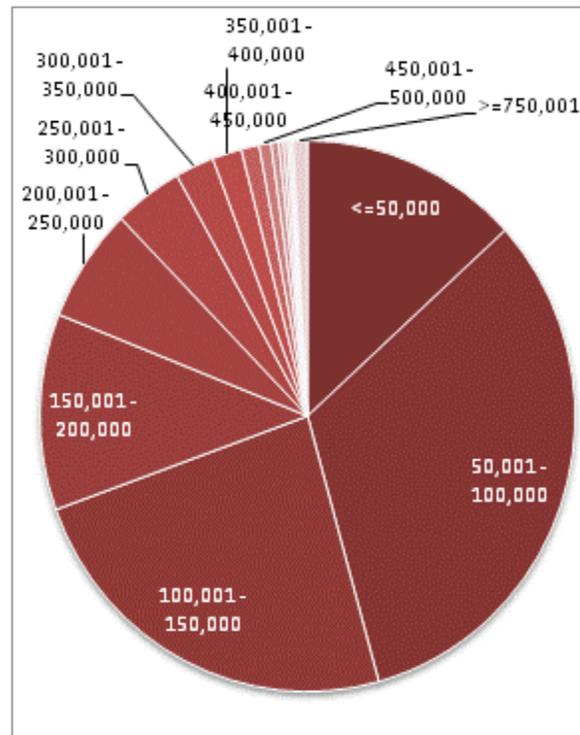


PPI SUPPLEMENT

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.

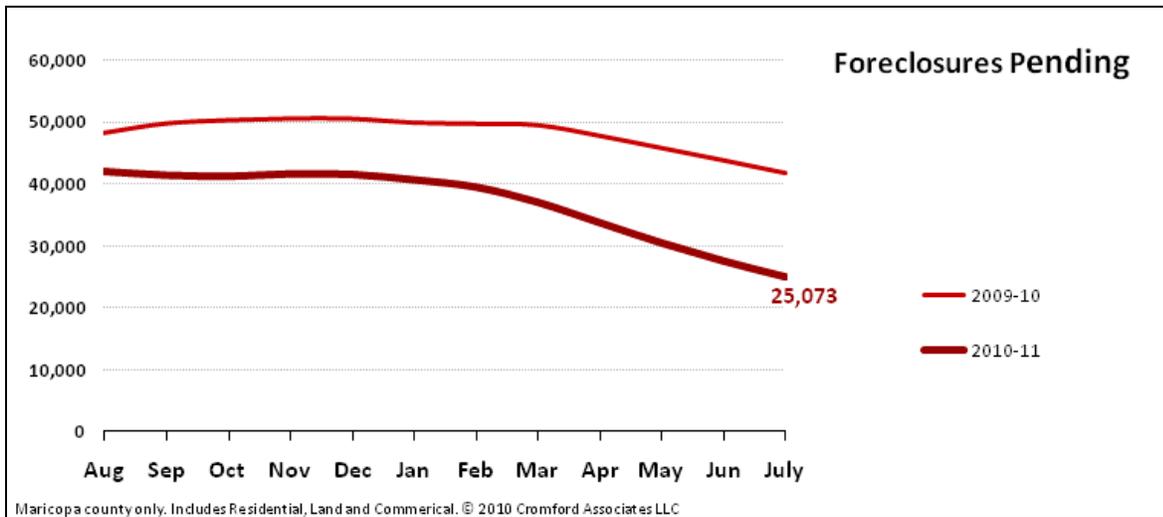
Data is graphically presented in four month increments so that the reader is alerted to changes in the behavior of properties in given price ranges over time. July pendings showed an uptick in the below \$50,000, \$100,000-\$150,000 and \$200,000-\$250,000 ranges. Metrics for properties above \$500,000 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 July				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	34,791	35,736	1,202	13.22%
50,001 - 100,000	76,311	76,000	2,955	32.49%
100,001 - 150,000	124,976	125,000	2,162	23.77%
150,001 - 200,000	173,478	172,950	1,048	11.52%
200,001 - 250,000	226,369	225,000	611	6.72%
250,001 - 300,000	275,468	275,000	378	4.16%
300,001 - 350,000	329,021	329,000	213	2.34%
350,001 - 400,000	376,425	375,000	162	1.78%
400,001 - 450,000	426,754	426,500	99	1.09%
450,001 - 500,000	478,702	480,000	65	0.71%
500,001 - 550,000	525,842	525,000	42	0.46%
550,001 - 600,000	579,581	575,000	25	0.27%
600,001 - 650,000	626,386	622,500	22	0.24%
650,001 - 700,000	677,241	680,000	15	0.16%
700,001 - 750,000	728,667	720,000	15	0.16%
>=750,001	1,256,089	1,050,000	80	0.88%



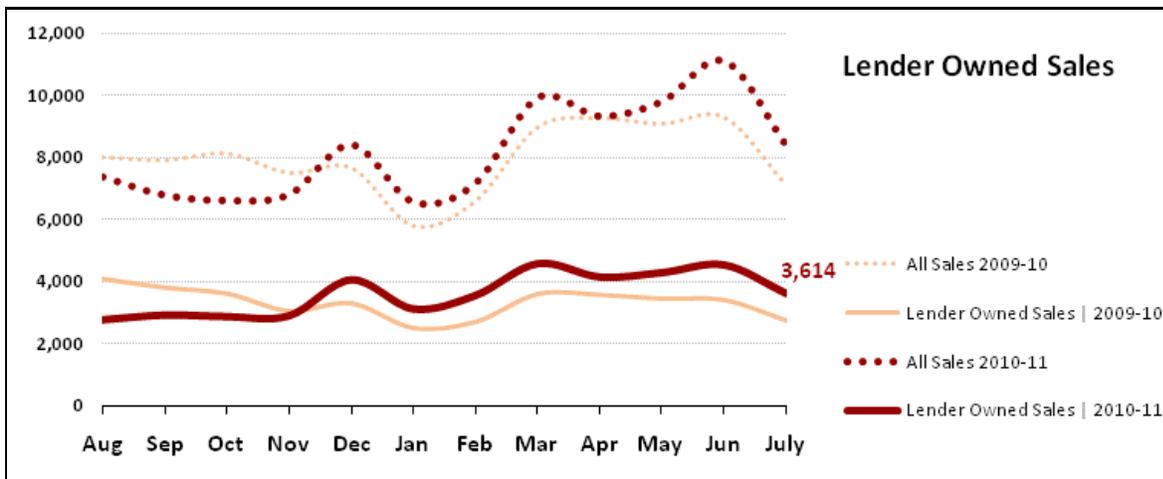
FORECLOSURES PENDING

Foreclosures pending continued its sharp, steady downward trajectory for another month. Total foreclosures pending for July were 25,073, down from last month's 27,616, and crossed below the 2008 inclining foreclosures pending trend line. If the current trajectory holds true, it is highly likely that foreclosures pending will drop to the 10,000 mark by year end, a level not seen since September 2007. Current depressed pricing cannot recover until the foreclosures glut is absorbed. While the total number of foreclosures in the system remains high, declines in the foreclosures pending, the replenishment source for lender owned properties, signal an eventual end to the foreclosure oversupply. This is a positive indicator of better times to come.



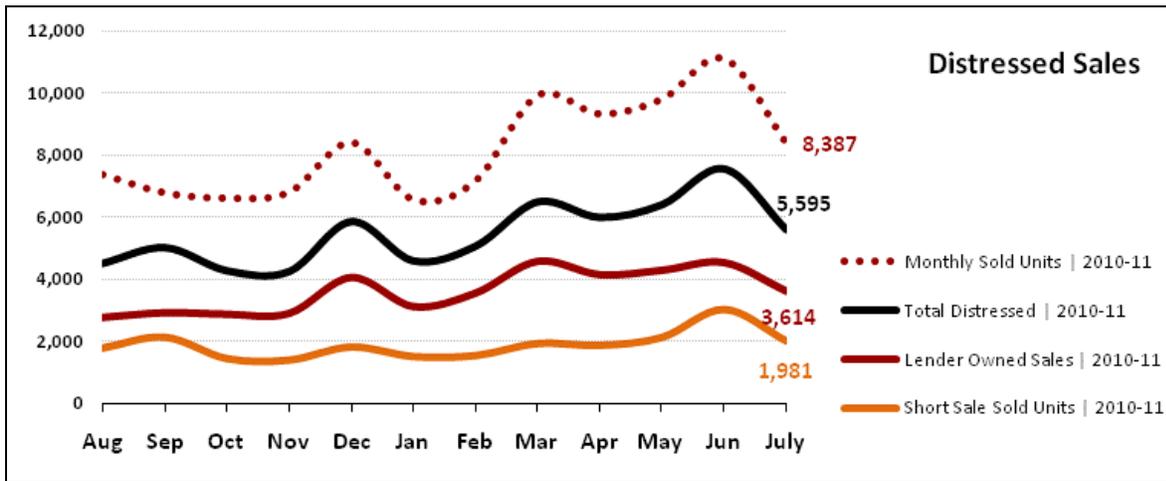
LENDER OWNED SALES

Lender owned sales (3,614) accounted for 43.1% of total sales in July, up 2.3% over June's percentage. These sales hovered between 46.2% and 40.8% since March, still accounting for a significant portion of total Valley sales. Future declines in this metric must occur for Valley prices to rise.



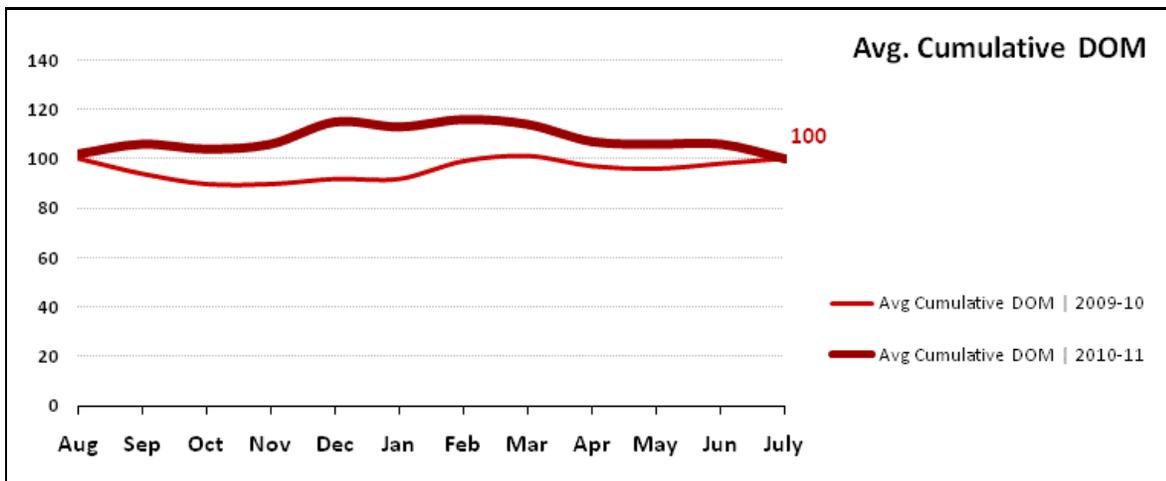
DISTRESSED SALES

Distressed sales are a combination of lender owned and short sales and have dominated the total sales since well before STAT began to track them. Distressed sales (5,595) for July accounted for 66.7% of total sales, right in line with the previous twelve month average of 67.13%. July short sales (1,981) dropped 34% from June's 3,002. The July figure represents 23.6% of total sales. Distressed sales continue to dominate the total sales landscape although with the promise of an end as the foreclosures pending continue to dwindle.



AVERAGE DAYS ON MARKET

This metric dropped to 100 days in July, a low not seen since July 2010. For the last 24 months DOM has fluctuated between 90 and 116, with an average of 101.



COMMENTARY

A recap of STAT's good news this month focuses on the six day drop in days on market, continued ebb in the new listing flow, decline in the total inventory pool and the steep, steady downward trajectory of foreclosures pending, all supportive of the coming recovery. Disappointing, yet no surprise, is the state of Valley pricing which remains singularly lackluster. The ARMLS PPI predictions forecast more of the same for the next ninety days, with average pricing in the \$152,800 to \$134,900 range and median pricing hovering in the \$110,000 to \$98,000 range. At the recent REAL ESTATE FORWARD event, sponsored by ARMLS and the Phoenix Business Journal, panelist Michael Orr, Founder and President of The Cromford Report, perhaps said it best: "Pricing right now is like driving across Kansas and trying to find the lowest point."

Looking around the country it is not hard to find cities whose median prices actually make the Valley's look good. A recent CNN Money report listed cities with low median prices, such Lansing, Michigan (\$64,400), Toledo, Ohio (\$64,900), South Bend, Indiana (\$68,700), Akron, Ohio (\$74,900), Ocala, Florida (\$75,400), Dayton, Ohio (\$78,000), Cumberland, Maryland (\$80,700), Grand Rapids, Michigan (\$81,100) and Decatur, Illinois (\$81,300)¹, reminding us that our pricing dilemma could look worse.

STAT has reported for many months that jobs are the key to recovery. Dr. Ted Jones, Chief Economist for Stewart Title Guaranty Company, provided the national perspective at REAL ESTATE FORWARD. He reported that the label "a jobless recovery" attached to the current economy is an oxymoron. Jones reasoned that without jobs there can be no recovery. The Valley lost 220,000 jobs since July 2007 and gained only 5,000 in May.² At this pace, recovery is 4-5 years off, if the population remains at 2011 levels. Jones reported that we need 1.25-1.5 jobs per housing unit to return to normal.

ARMLS is now tracking weekly Valley new job postings on the three major career websites, Career.com, Monster.com, and Jobing.com. A graph of the postings is available each Saturday morning in its new publication, ARMLS REWIND, a weekly recap of news and emails from the preceding week. This metric will serve as a barometer to anticipate job growth.

Other panelists at REAL ESTATE FORWARD counseled that now is not the time to buy just one house, but rather two or three. The current affordability of the Valley's housing market is unprecedented, and for those with the cash and the credit to act, the investment is sound and bound to pay off in the future. For now many factors are affecting jobs over which we have no control, e.g., oil prices, acts of God, general business confidence, etc. All panelists predicted 2013-2014 when asked when they expected the Valley to recover. We can hardly wait!

¹ http://money.cnn.com/galleries/2011/real_estate/1105/gallery.cheapest_housing_markets/

² Bureau of Labor Statistics