

# SEPTEMBER 2013

## Real Estate Update



**JEFF GERBER**

**ABR®, GRI®, SRES®, REALTOR®**

**Hello Everyone,**

It's a year in high gear! I'm putting together this newsletter and finding it amazing that it's Labor Day weekend. My 2 favorite thoughts about that are knowing we're getting close to that 'Chamber of Commerce' weather here in The Valley while most everywhere else prepares to deal with cooler, cold and then snow. Gosh, I love living and working in The Valley, though I'm looking forward to a few days in a cabin in the White Mountains with family in the second half of this week. I hope you found a way for some fun family time over the Holiday.

This month's Real Estate news contains a fair number of positive stories. Core Logic now says the Phx foreclosure inventory is now just 1%. The Phx Business Journal reports Phoenix as the #3 Metro for new construction jobs in the past year in the US, behind Boston and Houston. The AZ mortgage delinquency rate was at 6.14% this time a year ago, Now it's down to 3.58%. That's a full half percent below the national average! While Pres Obama was in town earlier in the month he announced a plan to phase out Freddie Mac and Fannie Mae and shift to a new mortgage model that will place more risk in the private sector. It was nice to see Freddie Mac post a \$5-Billion dollar profit in 2Q 2013. They sent \$4.4-B to the Treasury to pay down their debt. They have now paid down \$41-Billion with only \$30-Billion more to go. There have been a number of announcements of proposals to offer quicker FHA mortgage qualifications for those who had a Short Sale or Foreclosure that was a result of a Financial Crisis. There was also a recent story saying that the new Qualified Mortgage will move forward allowing for less than the originally proposed 20% down payment. These stories are still deals that are not fully finalized. Please speak to a quality Lender (yes, I'm happy to make suggestions) for the best advice. Morgan Stanley is now predicting that Buy to Rent will see substantial growth in the next few years. They suggest that wise investors are able to see 10% ROI especially as rental rates increase. Interested in looking at rental properties as a personal investment strategy? Give me a call or email me!

I'm happy to report that we did close on Michael & Brooke's sale of their Chandler home with only a small last minute glitch. I wish them luck on putting together a great deal on a home in CO. My Broker Brenda and I are expecting that we will really get an approval on the Short Sale of Carol's Mesa home 'in the next few days' as we've been told for nearly 2 weeks from the Bank(s) involved. I going to ask for your help in passing on the news of a nice larger size (nearly 2200 sq ft) single family home, 3-car garage, corner lot home that I have listed for sale for Carol in East Mesa. It's been disappointing to see the slow reaction to this very nice home. If you know anyone looking in that area, have them contact me. Congrats to Kelly & Jeremy of Phoenix. We listed their Baseline Corridor home on 8/15 and received multiple offers in the first weekend. I helped them find this home a few years ago and am sad to see them heading to Cleveland (one of my favorite Cities). I really appreciate the referrals that I've been getting from you over the past few months and hope you'll continue to share my info with anyone looking to buy or sell a home. I'm excited to be working with Ron & Michelle and family from Iowa as they relocate to Chandler. I'm working with several clients who will be looking to sell homes in Scottsdale, Laveen, Phoenix and Mesa over the next couple of months. There will be some interesting opportunities with these homes.

**Regards,**

Contact me anytime:  
Call direct: 602-330-7272  
Email: [Jeff@jeffgerberrealtor.com](mailto:Jeff@jeffgerberrealtor.com)  
Fax: 877-824-7272  
[www.jeffgerberrealtor.com](http://www.jeffgerberrealtor.com)

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

**The Empowered Team, LLC**  
*Real Estate For Today*



Visit my website at: [www.jeffgerberrealtor.com](http://www.jeffgerberrealtor.com)



# July 2013

## Arizona Regional MLS

**New Listings** **8,752**

↓ -1.9% ↑ 3.8%  
 from Jun 2013: **8,922** from Jul 2012: **8,433**

YTD	2013	2012	+/-
	<b>63,741</b>	<b>62,761</b>	1.6%

5-year Jul average: **10,225**

**New Contracts** **8,267**

↓ -8.4% ↓ -7.6%  
 from Jun 2013: **9,026** from Jul 2012: **8,947**

YTD	2013	2012	+/-
	<b>68,870</b>	<b>72,357</b>	-4.8%

5-year Jul average: **7,933**

**Closed Sales** **8,071**

↔ 0.0% ↑ 14.3%  
 from Jun 2013: **8,069** from Jul 2012: **7,060**

YTD	2013	2012	+/-
	<b>54,208</b>	<b>54,303</b>	-0.2%

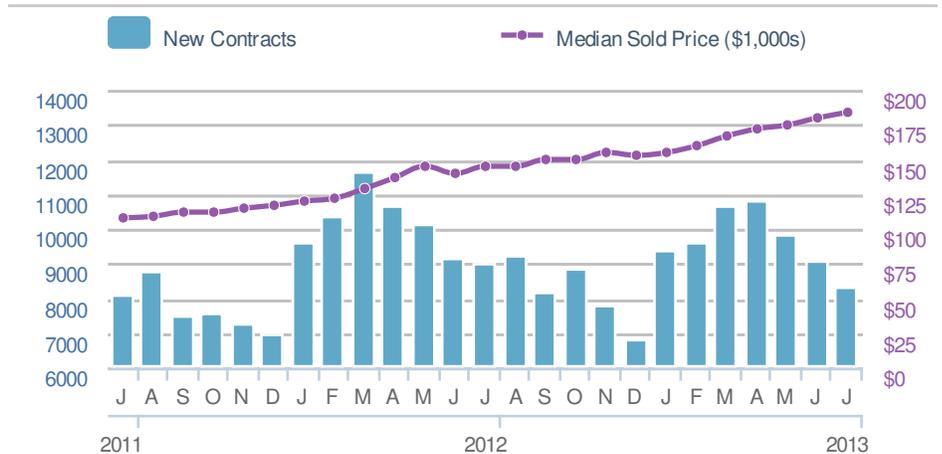
5-year Jul average: **7,832**

**Median Sold Price** **\$184,900**

↑ 2.7% ↑ 27.5%  
 from Jun 2013: **\$180,000** from Jul 2012: **\$145,000**

YTD	2013	2012	+/-
	<b>\$172,225</b>	<b>\$135,000</b>	27.6%

5-year Jul average: **\$137,760**



**Active Listings** **14,926**

14,926  
 Min 11,789 Max 42,331  
 5-year Jul average 26,290

Jun 2013	Jul 2012
<b>14,210</b>	<b>11,789</b>

**Avg DOM** **63**

63  
 Min 63 Max 110  
 5-year Jul average 88

Jun 2013	Jul 2012	YTD
<b>65</b>	<b>71</b>	<b>68</b>

**Avg Sold to OLP Ratio** **97.9%**

97.9%  
 Min 92.2% Max 98.8%  
 5-year Jul average 95.0%

Jun 2013	Jul 2012	YTD
<b>97.8%</b>	<b>98.8%</b>	<b>97.1%</b>



Jeff Gerber, ABR, GRI,  
SRES

The Empowered Team, LLC  
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# Between FRIENDS

Real Estate for Today

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

**A**s summer winds to a close and the kids head back to school, give me a call for a "crash course" on the current local real estate market!



**D**o 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. **Homeowner's insurance** *indemnifies* the homeowner against *damage or liability* arising from some unknown or contingent event. Both offer valuable budget protection, and they can work in conjunction with one another. 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.

I recommend an Old Republic Home Protection Plan with every transaction for complete budget protection. Call me today to learn more about how a home warranty can benefit you.

**A**n experienced real estate professional can ensure a smooth transaction for those near and dear to you. Please refer your friends, family, and colleagues to me.



## Health & Safety

### The Latest on Sunscreen

**Y**ou already know that excessive exposure to the sun's ultraviolet (UV) radiation can increase your risk for skin cancer, but do you know the difference between UVA and UVB? Once upon a time, sunscreens only protected against shorter wave radiation known as UVB rays, which are responsible for sunburns, but research has shown that UVA rays can also cause cancer and skin damage.



Sun Protection Factor (SPF) measures a sunscreen's ability to protect against UVB rays; there is currently no rating system for UVA protection. Choose a broad-spectrum or multi-spectrum sunscreen, paying close attention to its ingredients. Any of the following should work: ecamsule, avobenzone, oxybenzone, titanium dioxide, sulisobenzene, or zinc oxide.

Be sure to reapply sunscreen regularly, especially when swimming, because "water resistant" does not mean water proof. The Food & Drug Administration recommends reapplying sunscreen after 40 minutes of swimming.

## Household Tips

### Battling Weeds in Your Garden

**W**eeds happen. They are an inevitable part of gardening, but the following tips just may help you reduce their occurrence and deal with them more effectively when they arise.



**Grass Clippings:** A mulch of fresh grass clippings scattered around plants may help deprive weeds of the sunlight needed to sprout and take root in your garden. However, *10,001 Hints & Tips for the Home* warns against using composted grass, as it may create an impenetrable barrier that deprives your good plants of much needed air and water.

**Paint-on Gels:** The herbicides used in weed killers can just as easily damage the plants you want to save. Sprays can work well for a patch of weeds, but if you have weeds nearby your favorite plants, you can instead paint an herbicide gel onto specific weeds for a targeted approach.

**Grasping at the Roots:** Many weeds can regenerate from tiny root fragments. Pulling from the roots will help prevent their re-growth.

**Avoid the Compost Heap:** Weeds are hearty little critters, and they can actually take root in your compost heap. Place them in a plastic bag and dispose of them elsewhere.



- 3** skin-on, bone-in chicken breasts (about 2 lbs.)
- 1½ tsp.** salt, divided
- 1** orange
- ½ cup** mayonnaise
- ⅓ cup** sour cream or low-fat Greek yogurt
- 1 Tbsp.** dijon mustard
- 1 stalk** celery, chopped
- ½ cup** chopped pecans, almonds or walnuts, toasted
- ¼ cup** chopped fresh chives
- 1½ Tbsp.** poppy seeds
- freshly ground pepper**
- ½ cup** dried apricots, chopped (optional)
- ½** head of lettuce
- 4** whole-wheat pitas, halved

Cover chicken with cold water in a saucepan and add 1 tsp. salt. Remove strips of zest from half of the orange with a vegetable peeler; add zest to the water. Cover and bring to a boil over high heat, then reduce heat to medium-low and simmer, uncovered, until chicken is cooked through, about 18 minutes. Remove chicken and let cool.

Grate remaining orange zest into a large bowl; juice the orange into bowl. Stir in mayonnaise, sour cream, mustard, celery, nuts, chives, poppy seeds, 1/2 tsp. salt, and add pepper to taste. Add apricots, if desired.

Shred chicken, discarding bones and skin, and toss with dressing. Stuff a few lettuce leaves and some of the chicken salad into each pita.



**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](http://www.jeffgerberrealtor.com)

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## Helpful Hints

## Cell Phone Savings While Traveling Abroad

**I**nternational roaming rates can exceed \$2/min, but globe trotters have a trick to cut costs down to pennies per minute. Find out if your phone uses GSM technology—this means that the phone uses a “SIM card,” which serves as the “brain” of your phone. If you have a GSM phone, call your carrier and ask if they will “unlock” your phone, which means you can swap your U.S. SIM card with a local, country-specific one, allowing you to use a different carrier.

You can purchase local SIM cards online or at convenience stores around the world. Your phone will have a new local number while using the new SIM card and you can make and receive calls by buying and activating a pre-paid calling card.

Be aware that countries use different band frequencies (measured in MHz). Most fancy phones are quad-band phones, which accommodate all four frequencies. Check your manual and make sure your phone accommodates the right frequencies.

If your carrier refuses to unlock your GSM phone (or you don't have one), you can purchase a simple, unlocked quad-band GSM phone for less than \$40.

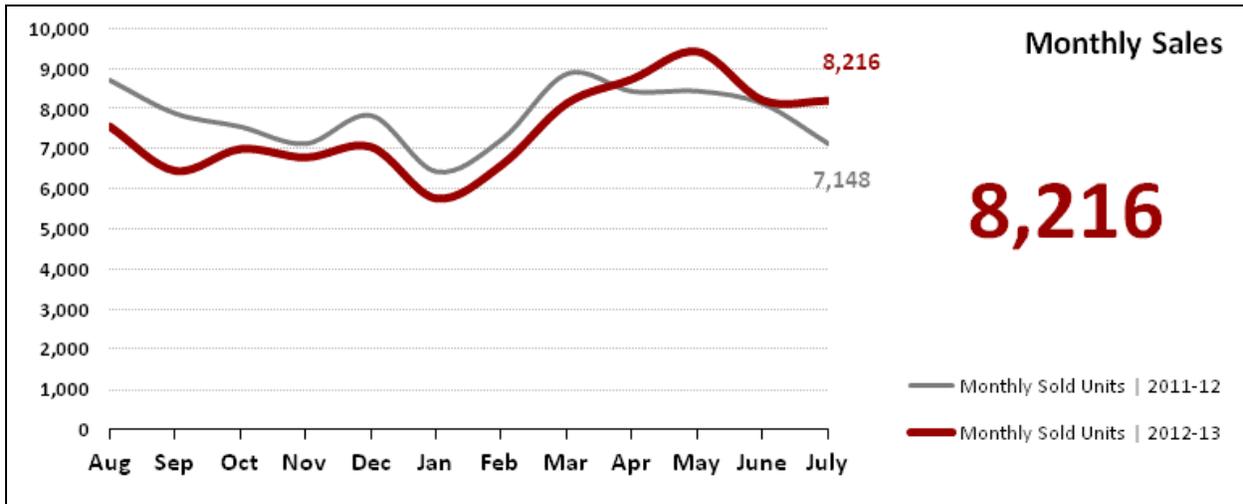
If swapping SIM cards seems like a hassle, you can always rent a phone or purchase a special international roaming plan—but these options can be costly!





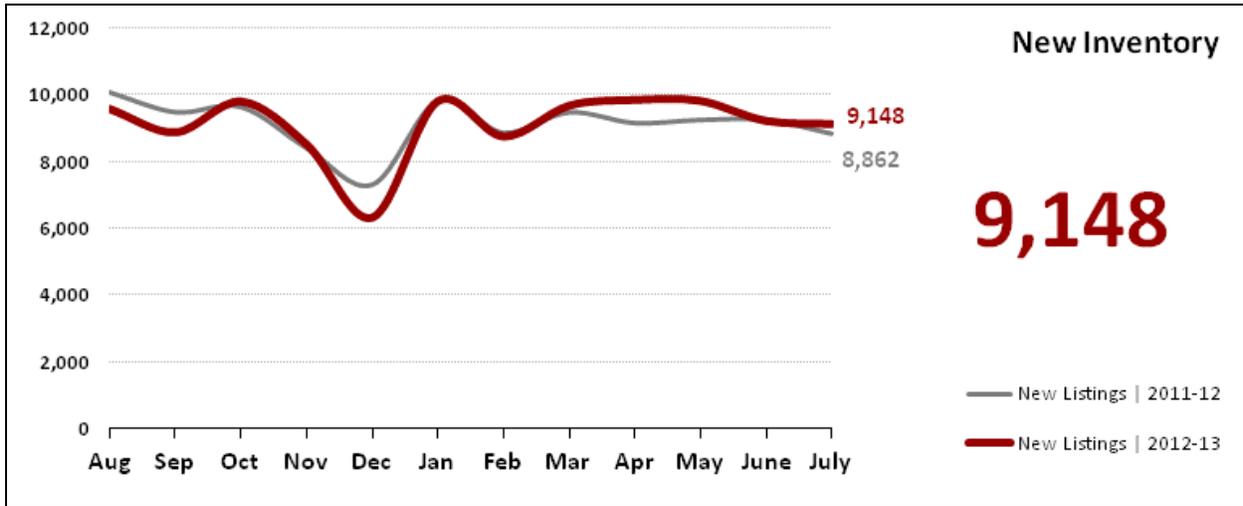
## ARMLS® STAT - August 9, 2013

### MONTHLY SALES



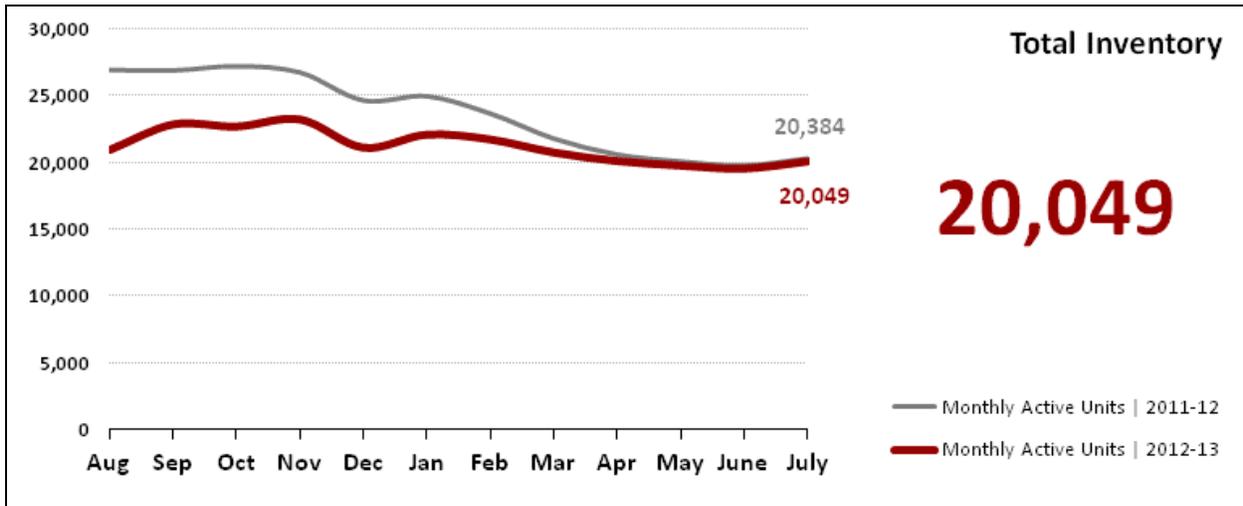
**+14.9%**, year over year  
**-0.1%**, month over month

## NEW INVENTORY



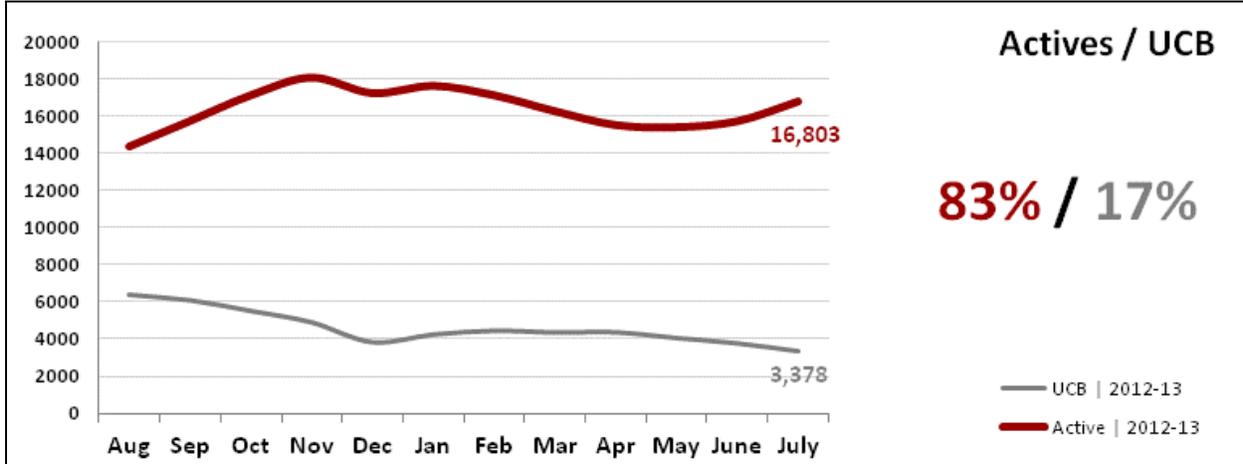
**+3.2%**, year over year  
**-1.1%**, month over month

## TOTAL INVENTORY



**-1.6%**, year over year  
**+2.8%**, month over month

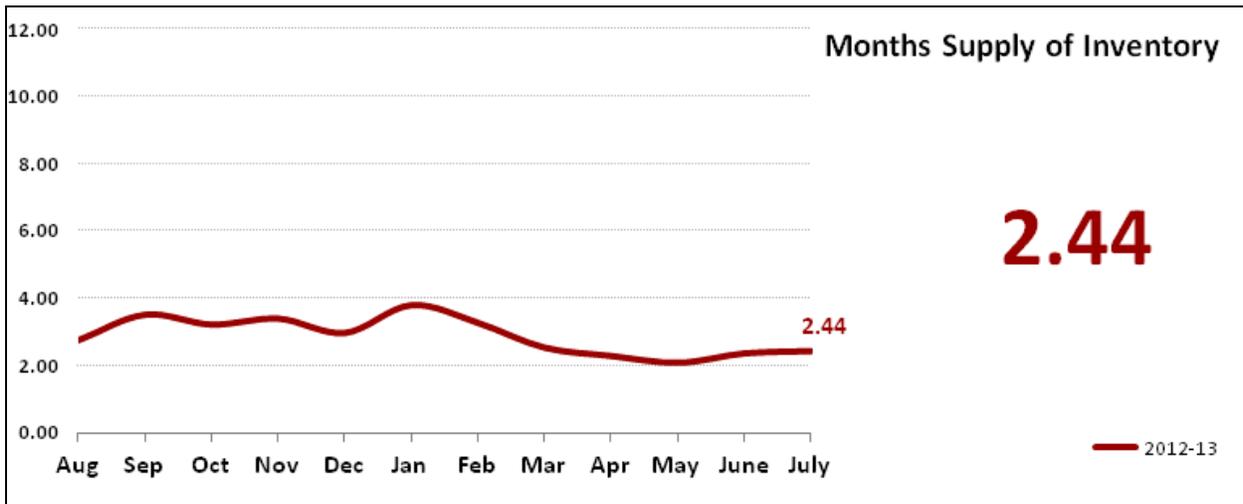
## ACTIVES / UCB



**33.0%**, July 2012 UCB percent of total Active

**19.4%**, June 2013 UCB percent of total Active

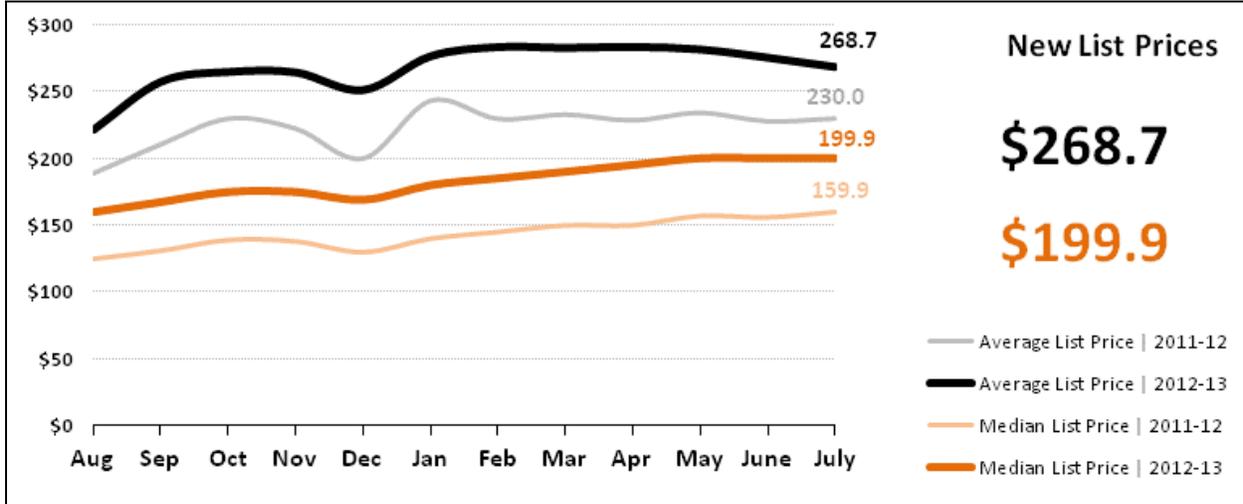
## MONTHS SUPPLY OF INVENTORY



**2.85**, MSI July 2012

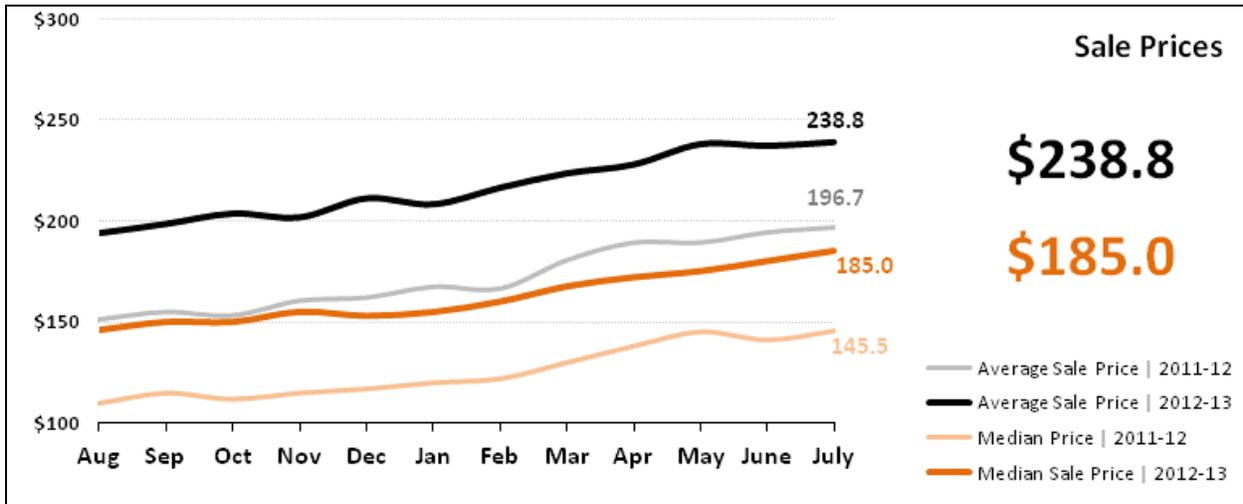
**2.37**, MSI June 2013

## NEW LIST PRICES



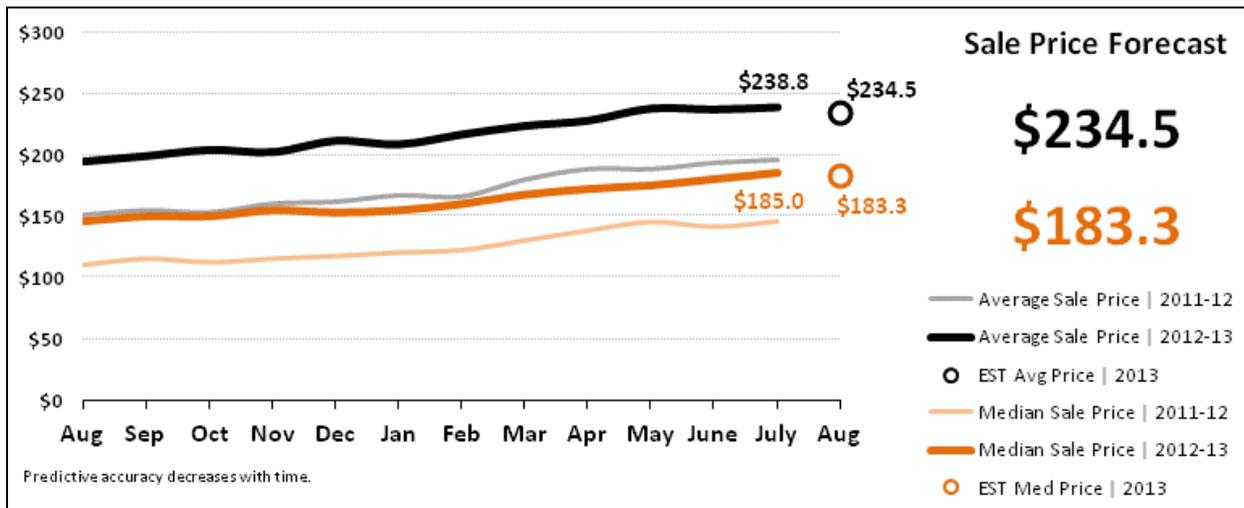
**+16.8%**, year over year average  
**+25.0%**, year over year median

## SALES PRICES



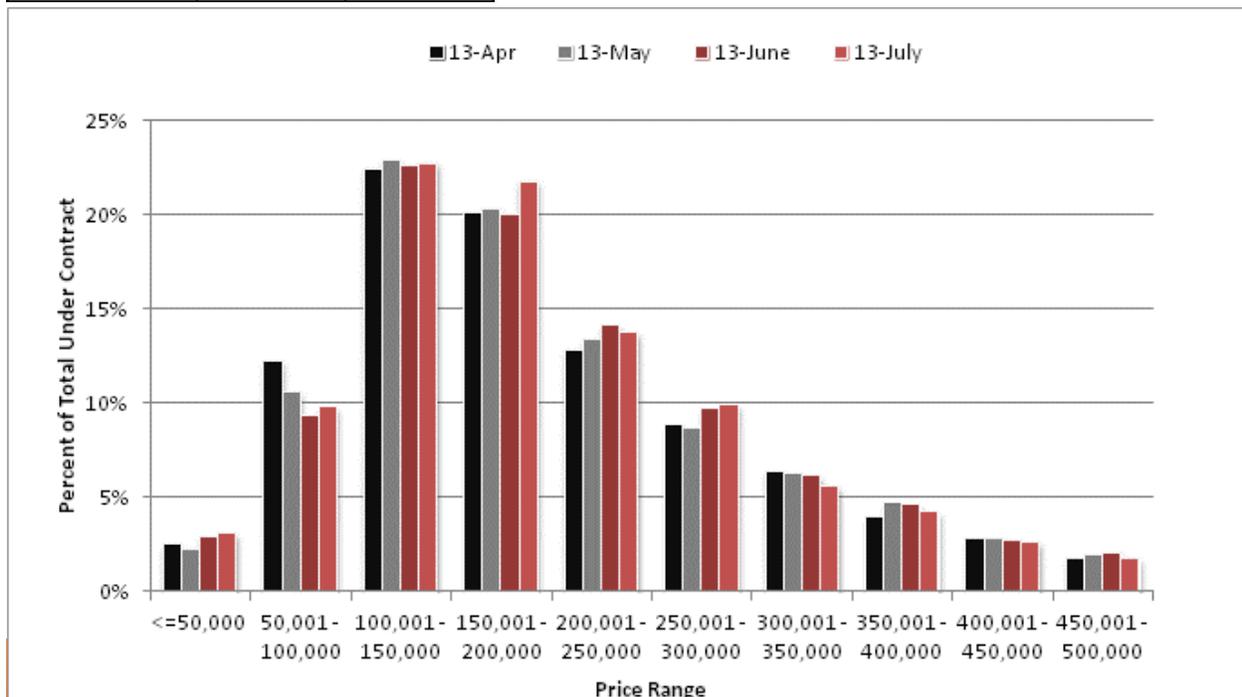
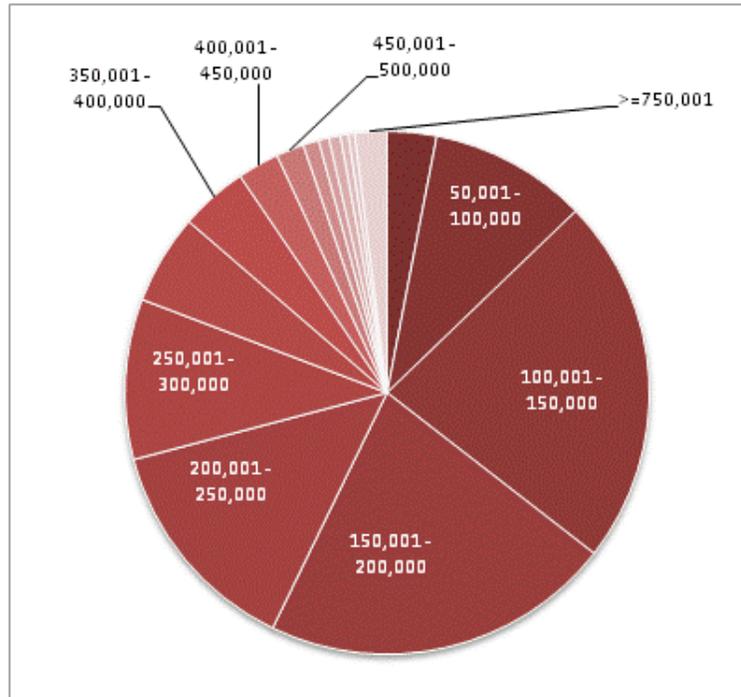
**+21.4%**, year over year average  
**+27.1%**, year over year median

## THE ARMLS PENDING PRICE INDEX™



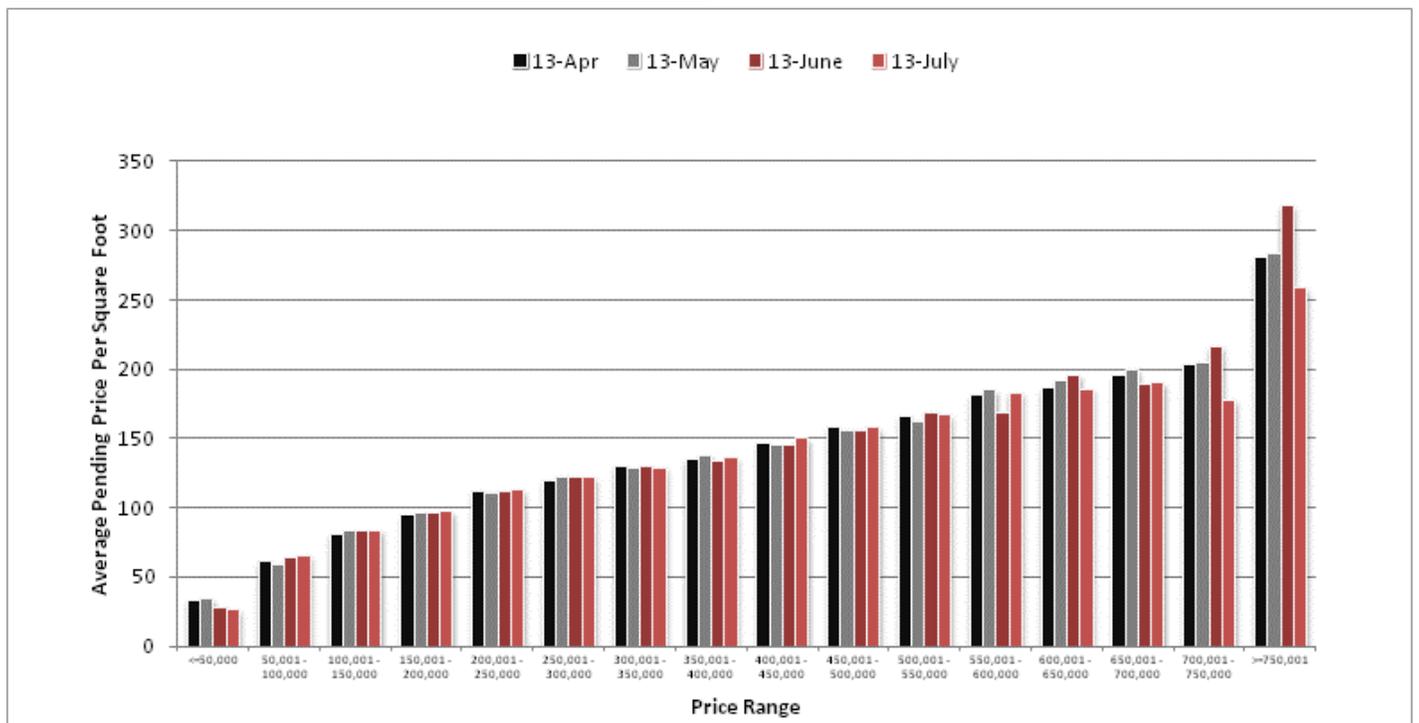
## PPI SUPPLEMENT

Pending Contracts Signed In July		
Price Range	PPI Units	Units % of Total
<=50,000	200	3.05%
50,001 - 100,000	640	9.75%
100,001 - 150,000	1,489	22.69%
150,001 - 200,000	1,425	21.72%
200,001 - 250,000	898	13.69%
250,001 - 300,000	648	9.88%
300,001 - 350,000	364	5.55%
350,001 - 400,000	274	4.18%
400,001 - 450,000	169	2.58%
450,001 - 500,000	113	1.72%
500,001 - 550,000	64	0.98%
550,001 - 600,000	42	0.64%
600,001 - 650,000	47	0.72%
650,001 - 700,000	32	0.49%
700,001 - 750,000	26	0.40%
>=750,001	130	1.98%

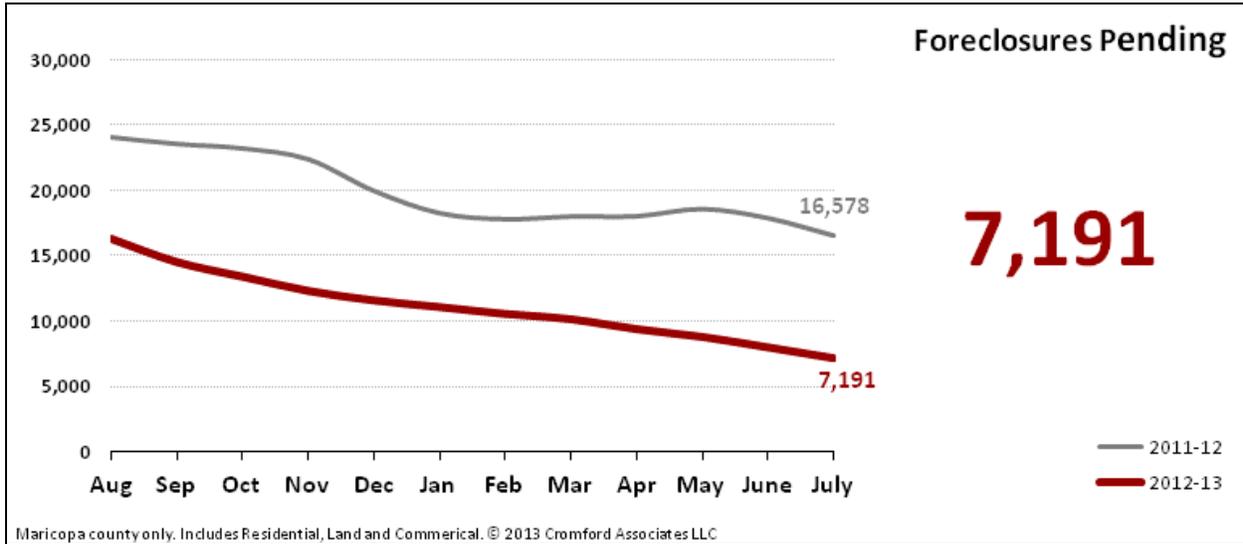


## PPI SUPPLEMENT - \$/SQ FT

Pending Contracts Signed In June					Pending Contracts Signed In July				
Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt	Price Range	PPI Avg	PPI Sq Ft	PPI Units	Avg Pending Price SqFt
<=50,000	33,004	1,189	205	28	<=50,000	33,964	1,297	200	26
50,001 - 100,000	79,442	1,252	674	63	50,001 - 100,000	80,656	1,228	640	66
100,001 - 150,000	129,321	1,544	1,626	84	100,001 - 150,000	128,743	1,531	1,489	84
150,001 - 200,000	174,019	1,797	1,438	97	150,001 - 200,000	174,223	1,786	1,425	98
200,001 - 250,000	225,865	2,027	1,016	111	200,001 - 250,000	225,152	1,996	898	113
250,001 - 300,000	276,072	2,257	701	122	250,001 - 300,000	275,391	2,256	648	122
300,001 - 350,000	327,285	2,507	439	131	300,001 - 350,000	327,488	2,543	364	129
350,001 - 400,000	375,924	2,814	332	134	350,001 - 400,000	376,764	2,765	274	136
400,001 - 450,000	424,215	2,907	193	146	400,001 - 450,000	426,392	2,840	169	150
450,001 - 500,000	474,505	3,041	148	156	450,001 - 500,000	477,013	3,024	113	158
500,001 - 550,000	528,882	3,126	91	169	500,001 - 550,000	527,445	3,156	64	167
550,001 - 600,000	574,680	3,409	60	169	550,001 - 600,000	575,293	3,136	42	183
600,001 - 650,000	626,449	3,196	42	196	600,001 - 650,000	628,383	3,384	47	186
650,001 - 700,000	677,357	3,571	39	190	650,001 - 700,000	678,169	3,562	32	190
700,001 - 750,000	724,745	3,346	28	217	700,001 - 750,000	731,425	4,110	26	178
>=750,001	1,448,937	4,556	182	318	>=750,001	1,247,119	4,820	130	259



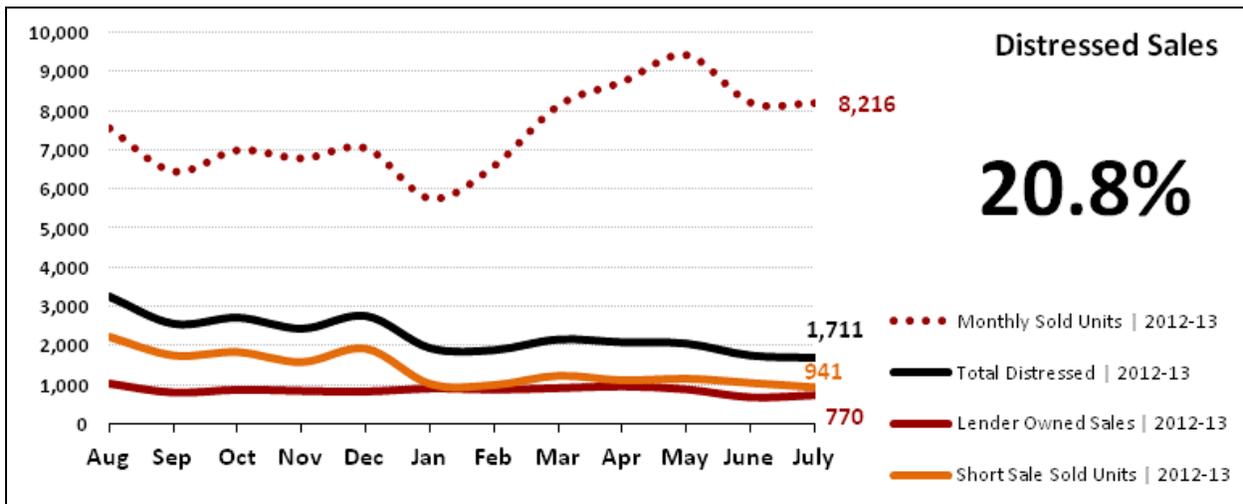
## FORECLOSURES PENDING



**-56.6%**, year over year

**-11.6%**, month over month

## DISTRESSED SALES

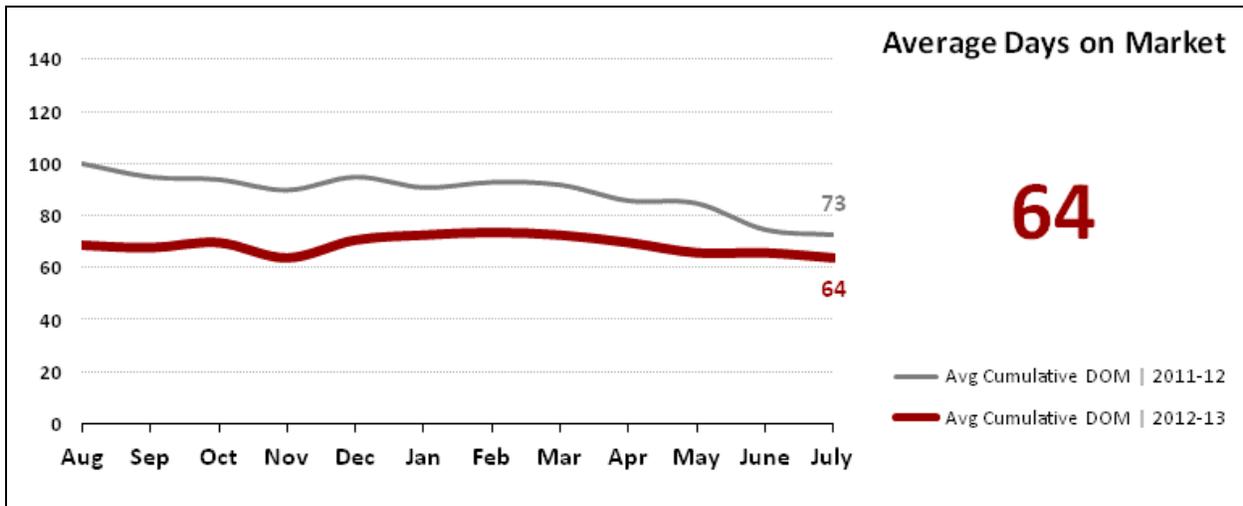


**-55.4%**, short sale units year over year

**-26%**, lender owned units year over year

**-45.7%**, total distressed year over year

## AVERAGE DAYS ON MARKET



**-9**, year over year

**-2**, month over month

## COMMENTARY

by Tom Ruff of The Information Market

**July sales volume came in higher** than expected with a year-over-year increase of 14.9% at 8,216 compared to 7,148. Month-over-month numbers were nearly identical with June numbers only 0.1% lower, 8,216 compared to 8,228. The median sales price rose again in July reaching \$185,000 compared to \$180,000 in June, which is a 2.8% increase for the month and 27% higher than at this time last year. Total inventory numbers remain low, down 1.6% from last year at 20,049 compared to 20,384 and only 2.8% higher than 19,511 in June. The long term forecast, as our imbalance between demand and supply continues, is for upward price pressure. However, in the short term a summer lull is quite likely. It is not uncommon for prices to move sideways or slightly downward in the summer months, but then pick up again as temperatures return to pleasant. The Pending Price Index forecasts a median sale price of \$183,000 for August, down slightly from July. Median sales prices are a great indicator of affordability, however the median can be weak as it tends to gravitate to rounded price points and monthly movements can exaggerate monthly price gains and declines. If the median sales price does fall as expected, it is best explained as temporary.

**The biggest changes** in our market continue to be in declining distressed inventories as we quickly transition to a normal market. Normal sales now account for 80% of sold properties. In July we saw 941 short sales sold, 55% below last year at this time and 10% lower than June. President Obama's choice of Phoenix for his economic speech on housing was not by chance, Phoenix is quickly becoming the poster child for the housing recovery.

**Home buyers looking for bargains** are going to have to work harder as added focus is given to the smaller inventory of distressed properties. The total number of distressed single-family residences in Maricopa County is now below 10,000. In this context distressed inventory is defined as the number of homes with an active notice of trustee sale combined with the number of bank/government owned homes. As of today there are only 9,915 total homes comprising the distressed property inventory, 6,588 with active notices and 3,327 are bank held. Of the 9,915 distressed homes, 1,362 of these properties are listed for sale, 1,277 have pending contracts and 227 are showing as closed on the MLS but have not yet publically recorded the conveyance. Our distressed inventory is even smaller than it appears. In July, 834 homes were sold at foreclosure auction, 374 reverted to the beneficiary and 460 were purchased by third parties. Of those 460 third party purchases, 30% were purchased at a price higher than the original mortgage. Bargain hunters looking to acquire property and agents looking to list distressed properties will increase their marketing efforts as the notices are recorded and door-knocking will be coming back in vogue. Defaults from the bubble mortgages will still be solicited as short sales, but defaults from 2009-forward will most likely have equity and will be solicited as normal sales. Early adapters not wanting to get lost in the shuffle with those soliciting notices as soon as they

are recorded will move their focus upstream by obtaining the names and addresses of people with mortgages in the early stages of delinquency.

**A recent article from Reuters news service** stated –*“Dramatic home price gains in some of America's largest cities point to a potentially new housing bubble in those areas, according to Robert Shiller, a co-founder of the S&P/Case-Shiller Home Price Index. Shiller said big price gains in Las Vegas, Los Angeles, San Francisco, Miami and Phoenix, fueled in part by a large influx of outside investor money, are a possible sign of trouble ahead. ‘There is a risk of bubbles in these cities.’ Shiller, told Reuters in June. ‘House prices increases have been dramatic. It looks like the beginning of the last bubble.’ There is a risk that prices could rise for another year in these areas and then fall back, hurting newer buyers as they try and compete in markets where low inventory and all-cash Wall Street investors were pushing upwards...”*

**Shiller is correct**, there have been dramatic home price increases in Phoenix, but this is where the similarities to the bubble years stop. In 2005, new home construction was taking place at record levels and credit was easy as the bubble was inflating. In June of 2005, we actually saw the median sales price of a resale home exceed the median sales price of new construction, as a 6-9 month time lag existed between the signed contract and the completed construction. Credit was easy and a new home could be ordered with minimal down. Prices were rising, but so was supply. Today we have a supply shortage, strict credit guidelines requiring a 770 credit score and a building industry responding slowly to our lack of inventory. The median price for a newly constructed home in Maricopa County for the month that just ended is \$285,524, \$100,000 greater than our current median sales price.

**Whenever asked about our sudden rise in prices** and why, my response is, it has a lot to do with how far our prices fell. The percentage increases we've seen have as much or more to do with the denominator as the numerator. We saw the median sales price peak in 2006 at \$264,800, and bottom in 2011 at \$108,300. Our current median sales price is \$185,000. Yes, we have had dramatic price increases, from the bottom of the market. The plunge in median sales prices from the top to bottom showed a nearly 60% decline. When prices fall by 60% you don't get back to the top by increasing 60%, prices need to increase 150%. Could our current increase in prices, in part, be attributed to a normal economic rebound where prices over corrected going down and are now seeking balance?

### **Wall Street is an easy target.**

Unfortunately, this dog doesn't hunt. Our data in Maricopa County shows 11,700 single-family residences owned by institutional investors, or roughly 1% of all single-family residences. Their interests in condos have been minimal and their footprint in Pinal is small, acquiring less than 500 homes. Since January 1, 2012, institutional investors have purchased 10,500 homes in Maricopa County through three basic channels: MLS, trustee sales and bulk/other investors. One portfolio of approximately 300 properties was acquired via a onetime Fannie Mae auction. The Wall Street investors have been driven by undervalued assets and an abundant rental pool created by homeowners displaced by foreclosure. Since the institutions purchase with cash and focus on distressed single-family properties, they are buying at a discount.

### **Of the 10,500 homes purchased in Maricopa**

since the beginning of 2012, roughly 4,200 were sold on the MLS, 3,000 were purchased at trustee's sale and 3,000 were purchased by acquiring the portfolios or individual assets of other investors (as previously mentioned 300 were acquired directly from Fannie Mae). While the 3,000 purchased at auction have had a dramatic impact on competing local investors, the 4,200 MLS purchases have had less of an impact on MLS pricing. Remember, our median sales price calculations have been based on MLS sold activity. One of the biggest factors driving our current market is the imbalance between our population growth and the number of new homes being built, not institutional investors.

Maybe the best argument I've read countering Shiller's hypothesis appeared in the daily comment section of The Cromford Report on July 28<sup>th</sup>. *"One more confirmation of how silly the idea of "another bubble" is. The monthly average price per square foot is today standing at \$119.79 for all areas and types. The average for the period January 1, 2001 to July 28, 2013 is \$119.40. Whoever heard of a bubble in which prices were almost the same as a 13 year average?"*