

SEPTEMBER 2012

Real Estate Update



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

Hello Everyone,

It seems somehow appropriate to be writing this newsletter today, Labor Day 2012. I hope you enjoyed the 'last big weekend or the summer.' I'm excited to think we're only a few weeks from the end of the Monsoon season and the beginning of our great Fall weather here in The Valley. Here's hoping it's a great Fall for you, too.

Our Phoenix real estate market continues to operate with near record low inventory of available properties and near record low mortgage interest rates (expect 3.5 to 3.75% for 30-yr). Sales are happening fast for those who are not underwater. We're seeing property values increase, so less people are underwater. Contact me if you'd like an update on your situation. Various Real Estate forecasters say Phoenix metro pricing is up by as much as 38.9% for the year. Most, except Case Shiller, expect pricing to hold and perhaps gain slowly through next year. Case Shiller is predicting a 9.5% downward price correction in 1Q 2013 and then to hold flat through 1Q 2014. My money is on the continued slow growth on pricing. The Fed is giving every indication that they will continue to hold mortgage interest rates low perhaps for as long as through 2014. Reports in the past month from Jones Long LaSalle Capital Markets, a London based company, indicate that foreign investors (most notably Canadian) are flocking to the US. Good prices, low taxes (Turbo Tax says Mesa & Phx have the #2 & #4 lowest property tax rates of major US cities. We are seeing good news on delinquent mortgages as those rates have fallen to 6.1% (down 21% year to year) though that still ranks AZ as #43 of the 50 states who have an average delinquency rate of 5.7%. Those number are likely to continue to decline as the economy slowly improves. Phoenix was rated #2 for US construction job growth, adding 5600 jobs in July, according to the US Bureau of Labor Statistics. We're seeing a nice surge in new home construction across The Valley, though Gilbert seems to have issued the most new home permits so far this year. Belfiore Real Estate Consulting (per the 8/13 AZ Republic) reports that new home prices are up 5% through this year. They expect to see new home prices to be up 12% by the end of the year and another 6% in 2013. New home construction totals are expected to be about 12,500 for 2012 and 18,300 for 2013. Investors are expected to purchase at least 10% of all of the new homes constructed. Are new homes a good value now? Maybe! A serious look at existing homes may yield a find of more house for the money unless you have very specific desires. I still think the price advantage is with resale homes.

Congratulations to Amrita from Edmonton, AB on the successful purchase of her first investment property in N Phoenix. I really enjoyed working for you. We're less than 2 weeks away from a successful close on the sale of Barbara's (from CA) late father's home in Mesa. It's amazing how long a 6-week close feels when it only took a few days to get the home under contract. I'm excited to we working for Todd (thanks for the referral Noel) in Chandler to short sell his townhouse. This is a project property, but priced accordingly. If you know someone looking for a fixer, this is one to look at. I'm still searching for a Buyer for my Mother-In-Law's Sun Lakes updated manufactured home. This is a great low priced property ideal for a snow-bird. I'm pleased to have several people engaging me to be on the lookout for a specific type of property they are looking for and hopefully will be able to deliver for them in spite of the continued record low inventory. If you know of anyone looking to buy or sell a home, I would appreciate if you were to mention me to them. Your referrals mean the world to me!

Regards,

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Visit my website at: www.jeffgerberrealtor.com

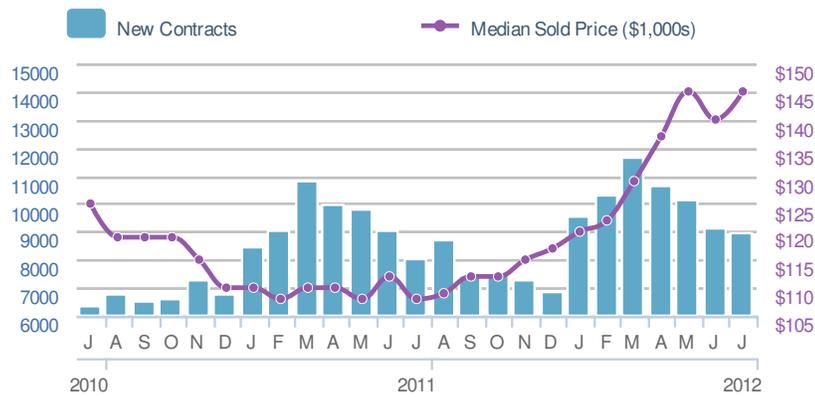


July 2012

Arizona Regional Multiple Listing Service (ARMLS)

The Empowered Team, LLC

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Curious to know what your home might be worth in today's ever changing economy? Knowledge is power! Give me a call for a free market evaluation.



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 use. **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.

An 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.



If you are working with another Real Estate Professional, please disregard this notice.

Health & Safety

Trim Your Healthcare Budget

The cost to provide health insurance for a family of four in the United States will average \$20,000 this year, according to healthcare consulting firm Milliman, Inc. While many of us are fortunate to work for organizations that shoulder the bulk of that burden, the steady rise in healthcare costs often equates to higher premiums with less coverage. Consider the following tips to keep your healthcare budget in check.

Cheaper medication: A generic version may not be available, but there might be something else on the market that will work just as well—and cost you less!



Crunch the numbers: Compare your current premiums to projected out-of-pocket costs. If you're generally healthy, you might save money with a high deductible plan designed to cover catastrophic illness.

Ask questions: Nancy Metcalf of *Consumer Reports* recommends questioning doctors when they suggest procedures that may cause financial hardship. Always place your health first, but find out if a particular test or procedure is truly necessary; there may be an alternative approach.

An apple a day: The proverbial ounce of prevention will help you save in the long run. Join a gym, reduce stress, and resolve to eat healthier foods for a longer, happier life.

Helpful Hints

Tips for Saving at the Pump

The open road has long symbolized freedom for Americans, even before Nat King Cole sang his homage to the legendary Route 66 back in 1946. Unfortunately, gas is considerably more expensive these days. Here are a few things you can do to save fuel and cut down on the cost of your daily commute.

Keep your tires properly inflated: Driving on underinflated tires forces your engine to work that much harder, reducing your gas mileage by as much as 15% according to Edmunds.com.

Replace clogged air filters: Change your air filter every three months or every 3,000 miles to improve your gas mileage up to 10%.

Keep it shady: Park in the shade during the summer. You'll reduce the amount of evaporative emissions your car will lose in the hot sun and you'll use less energy to cool it down.

Strategize: There are plenty of websites and smart phone apps that will help you find the cheapest gas. Gasbuddy.com is a popular one, and there are many more!



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Savor the Flavor

Broiled Tilapia Parmesan

- | | | | |
|---------|-------------------|----------|---------------------|
| 1/2 cup | parmesan cheese | 2 tbsp. | lemon juice |
| 1/4 cup | softened butter | 1/4 tsp. | dried basil |
| 3 | tblsp. mayonnaise | 1/4 tsp. | ground black pepper |

Mix parmesan cheese, butter, mayonnaise, and lemon juice in small bowl. Season fish with dried basil, pepper, onion powder, and celery salt, and place on greased pan. Broil a few inches from heat for 2 to 3 minutes. Flip fillets and broil for a few more minutes. Cover fillets with parmesan mixture. Broil for 2 more minutes and serve.

Household Tips

Do-it-Yourself Non-Toxic Cleaners

According to Dr. Aaron Glatt of New Island Hospital in New York, commercial cleaners aren't really necessary to kill most normal household germs. "Some of the cleaning agents out there are overkill, literally and figuratively," says Glatt. For alternatives that are healthier for your family, your wallet, and for the planet as a whole, try the following recipes for homemade cleaning products.

Multi-purpose cleaner: Mix 1/2 cup vinegar and 1/4 cup baking soda into 1/2 gallon of water.

Mold remover: In a spray bottle, mix one part hydrogen peroxide with two parts water. Spray, wait one hour, and rinse.

Cutting board disinfectant: Rub a slice of lemon across the cutting board.



Carpet stain remover: In a spray bottle, mix equal parts white vinegar and water. Spray on stain, let sit for a few minutes, and clean with a brush using soapy water.

Deodorizers: You have an array of options to absorb unpleasant odors. Run a slice of lemon through the garbage disposal, put out a bowl of potpourri, or mix vinegar with lemon juice and baking soda in a small dish and leave it in the corner of the room.

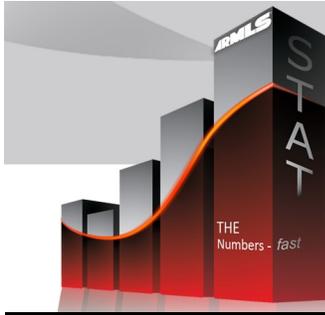
Brain Teasers



Great Works of Architecture

- The French built the Eiffel Tower to celebrate:
 - Bastille Day
 - The 1889 World's Fair
 - The July Revolution
 - Liberation
- The oldest Wonder of the Ancient World:
 - Hanging Gardens of Babylon
 - Roman Colosseum
 - Great Pyramid of Giza
 - Machu Picchu
- The Guggenheim Museum was designed by:
 - Frank Lloyd Wright
 - Ludwig Mies van de Roe
 - Bertrand Goldberg
 - Donald Trump
- A replica of the Taj Mahal can be found in:
 - Atlantic City
 - Bengali
 - Tripoli
 - All of the above

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



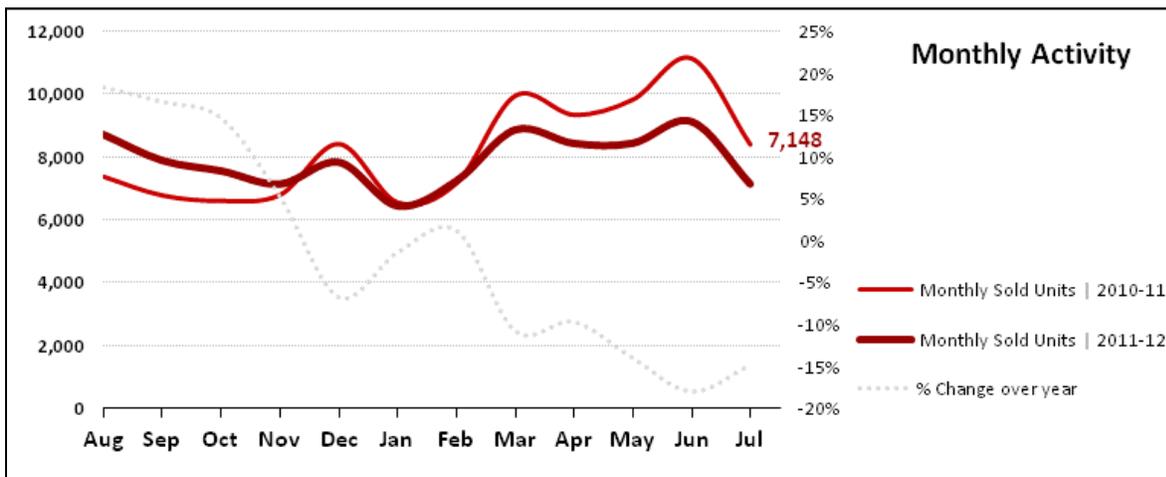
ARMLS® STAT - August 6, 2012

SALES Month over Month

Sales in July fell 21.7% to 7,148, after an 8.1% jump from May to June. The July figure is 11.84% below the 2012 average of 8,097 sales per month.

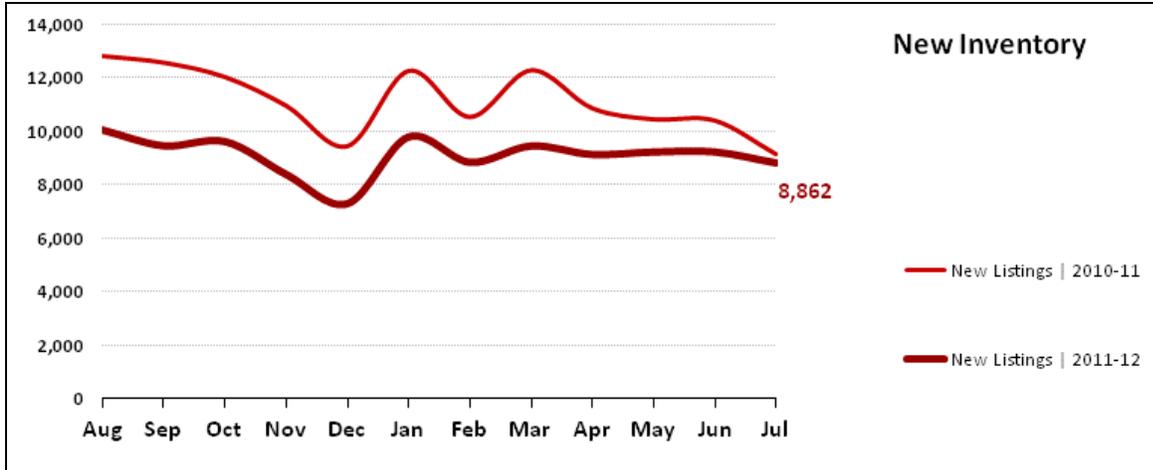
SALES Year over Year

July Sales (7,148) landed 14.8% below July 2011. Year over year comparisons have fallen behind current month sales totals since December 2011, with the exception of February 2012, 1.3% ahead of the February 2011 figure. Thus more units sold in the first seven months of 2011 than were sold in the first seven months of 2012



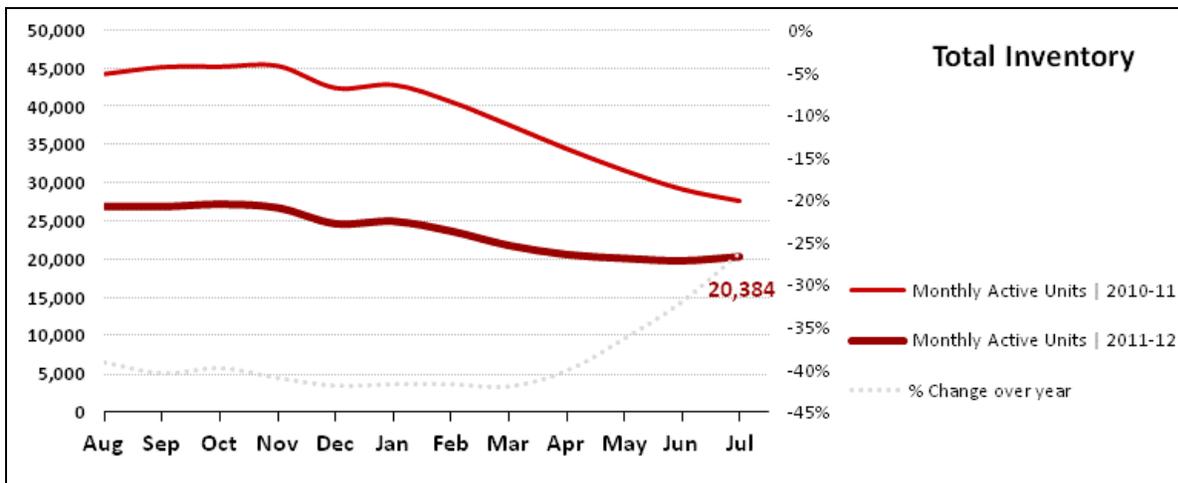
NEW INVENTORY

New listing inventory added to the market dropped by 4.4% to 8,862, representing the lowest new inventory figure in the last 8 months. New listing figures in the 9,000 and 11,000 range were typical of the Valley’s normal markets of 2001, 2002, 2003 and 2004. July’s new inventory is 4.92% below the 2012 average of 9,321.



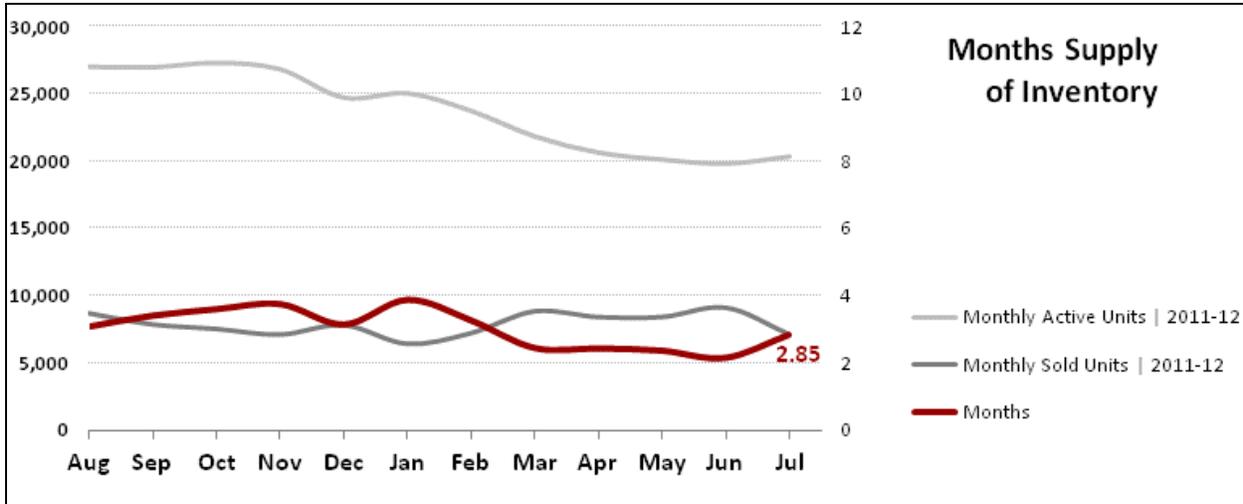
TOTAL INVENTORY

Total inventory rose for the first time since January to 20,384 total listings, representing a 2.7% increase over June. Valley inventory reached a decade high of 58,178 in October 2007, and remained above 50,000 through most of the first quarter of 2009. Since that time the total inventory trend line has been downward.



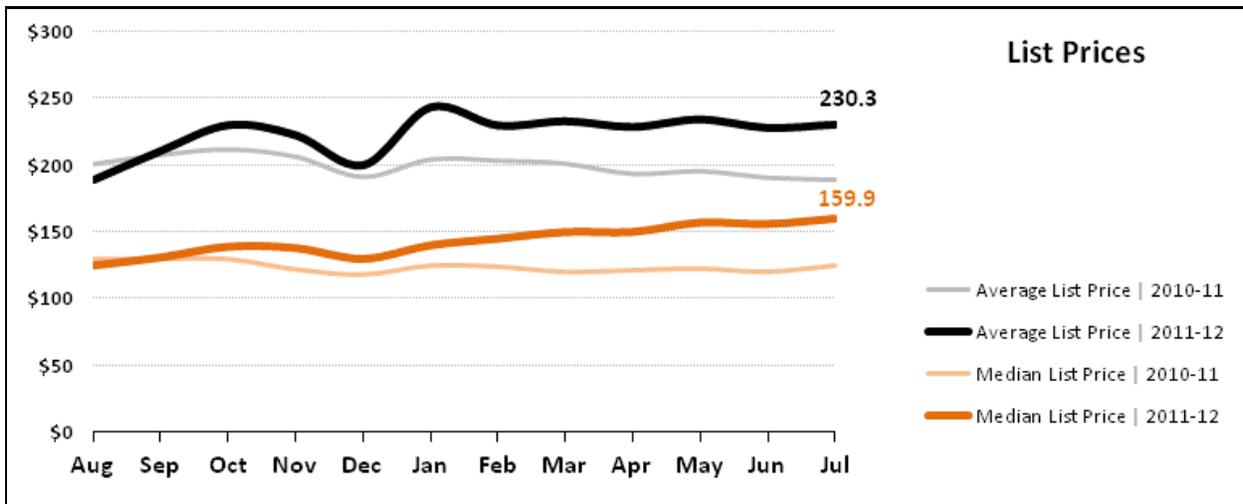
MONTHS SUPPLY OF INVENTORY (MSI)

MSI ticked up slightly to 2.85, breaking the monthly downward pattern started in January. July's figure still remains well below the four month threshold normally considered as the line separating a seller's market from a balanced market. MSI above six is widely held to be a buyer's market. Valley wide MSI as presented in STAT is seen only as a barometer of overall market health and should not be used to predict supply in smaller market niches, which have their own unique MSI.



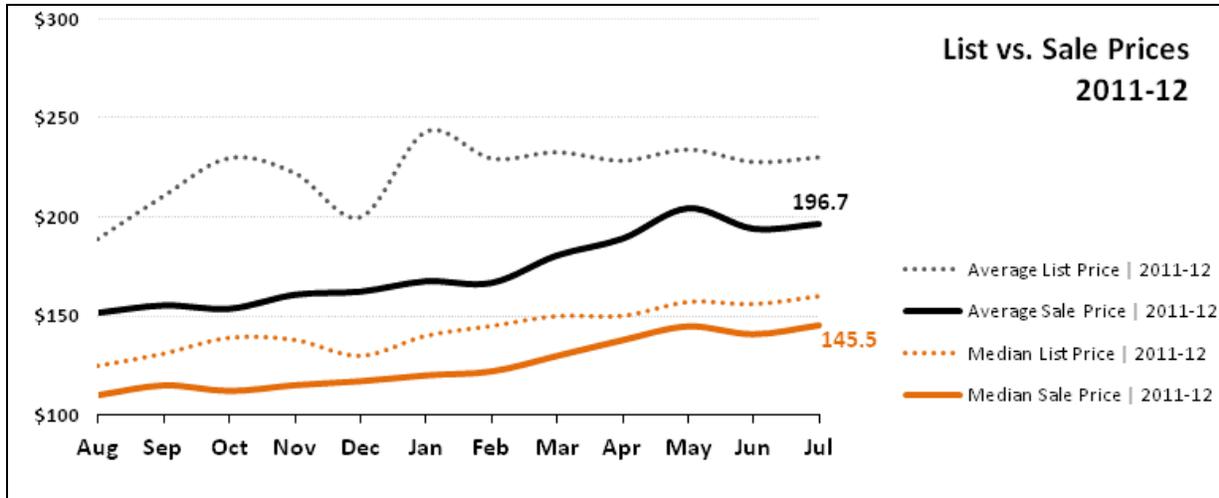
NEW LIST PRICES

Both list price metrics increased in July. Median list price rose 2.6% to \$159,900, while the average list price increased by 1.1% to \$230,300. These values are in line with average monthly increases over the last twelve month for median and average list price of 1.81% and 1.82%, respectively.



SALES PRICES

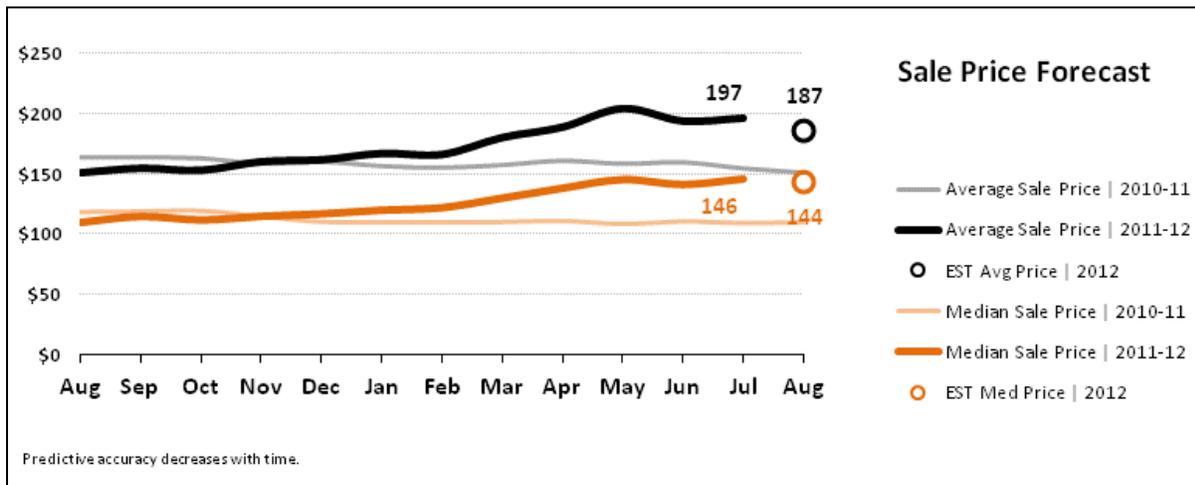
Sales prices continued on the upward trend begun in August/September 2011 with gains in both sales price metrics. Median sales price increased 3.2% to \$146,000, while average sales price increased 1.2% to \$197,000. The rise in sales pricing, while welcome, is anemic, remaining in sync with the pace of other economic indicators on the slow plodding march toward recovery.



THE ARMLS PENDING PRICE INDEX™

The Pending Price Index is a metric unique to ARMLS which uses pending data inside the MLS system to predict median and average sales price thirty days into the future. Last month the PPI predicted the median sales price for July at \$145,000, while the actual median was \$146,000, beating PPI's prediction by .35%. Likewise, PPI predicted the average sales price to land at \$190,100, while the actual average was \$197,000, besting the prediction by 3.5%.

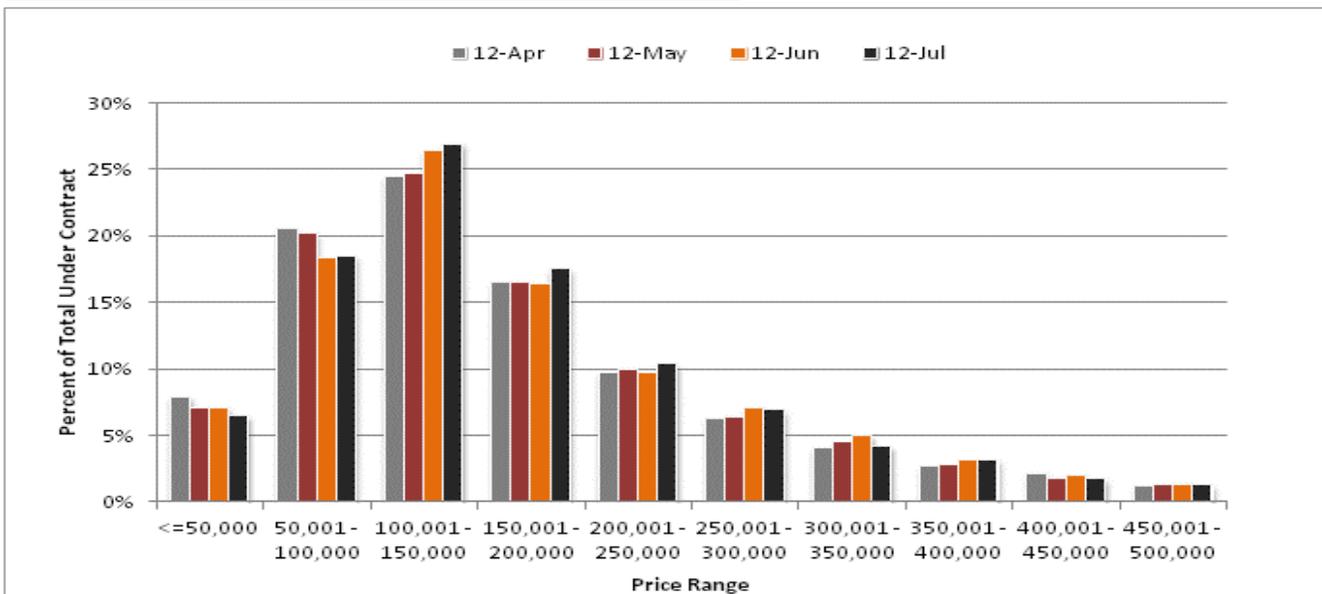
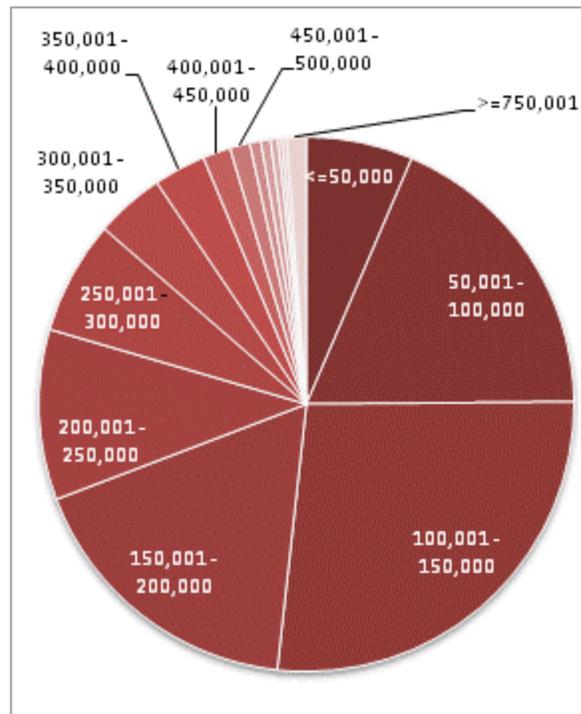
PPI forecast for August sends both median and average metrics downward to \$144,000 and \$187,000, respectively.



PPI SUPPLEMENT

The PPI Supplement focuses on newly pended properties added to the total pending pool each month on a rolling four view. Monthly pendings below \$100,000 exhibited negative trend lines over the last four months, a symptom of vanishing inventory in the lowest affordable ranges. Upward pricing pressure from the evaporation of low dollar inventory can be seen in the four month graphs of newly pended properties in the \$100,000 to \$250,000 price ranges.

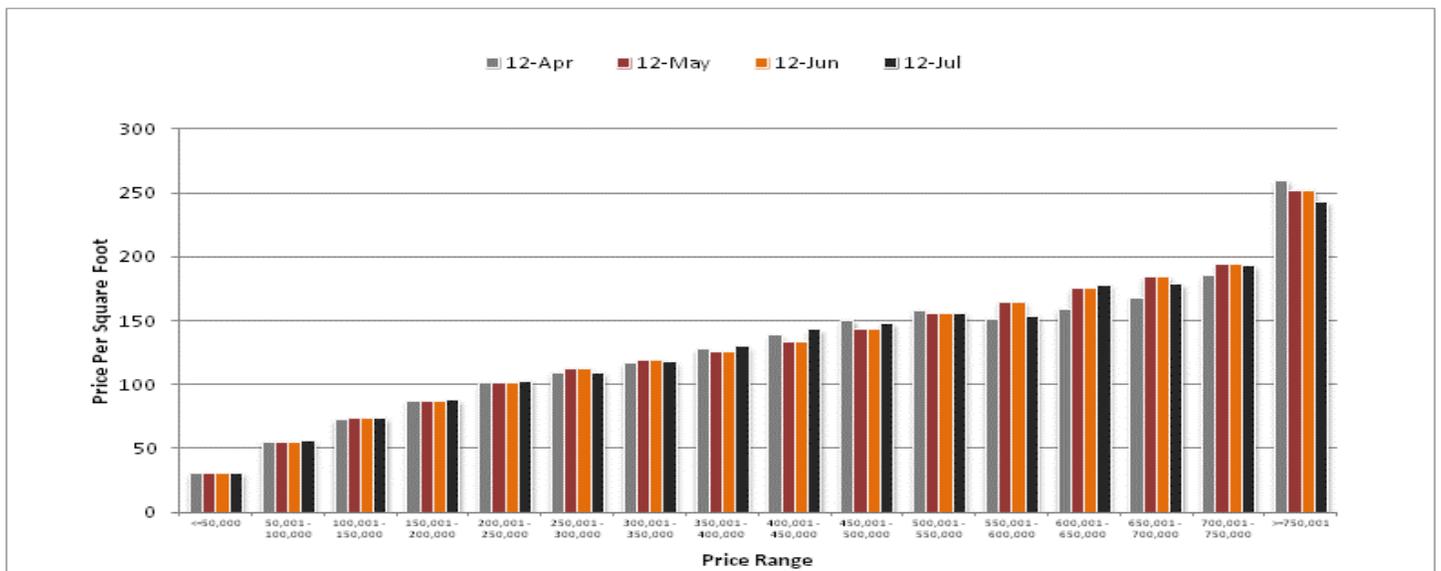
Pending Contracts Signed In July				
Price Range	PPI Avg	PPI Med	PPI Units	Units % of Total
<=50,000	36,414	37,501	478	6.43%
50,001 - 100,000	78,497	80,000	1,369	18.42%
100,001 - 150,000	126,113	125,000	1,998	26.89%
150,001 - 200,000	173,841	172,950	1,298	17.47%
200,001 - 250,000	226,369	225,000	766	10.31%
250,001 - 300,000	275,555	275,000	510	6.86%
300,001 - 350,000	326,199	325,000	310	4.17%
350,001 - 400,000	376,507	375,000	234	3.15%
400,001 - 450,000	426,151	425,000	125	1.68%
450,001 - 500,000	477,320	475,000	90	1.21%
500,001 - 550,000	527,340	526,250	50	0.67%
550,001 - 600,000	577,320	577,750	43	0.58%
600,001 - 650,000	626,100	625,000	33	0.44%
650,001 - 700,000	678,525	680,000	19	0.26%
700,001 - 750,000	729,736	725,000	20	0.27%
>=750,001	1,217,108	990,000	88	1.18%



PPI SUPPLEMENT - \$/SQ FT

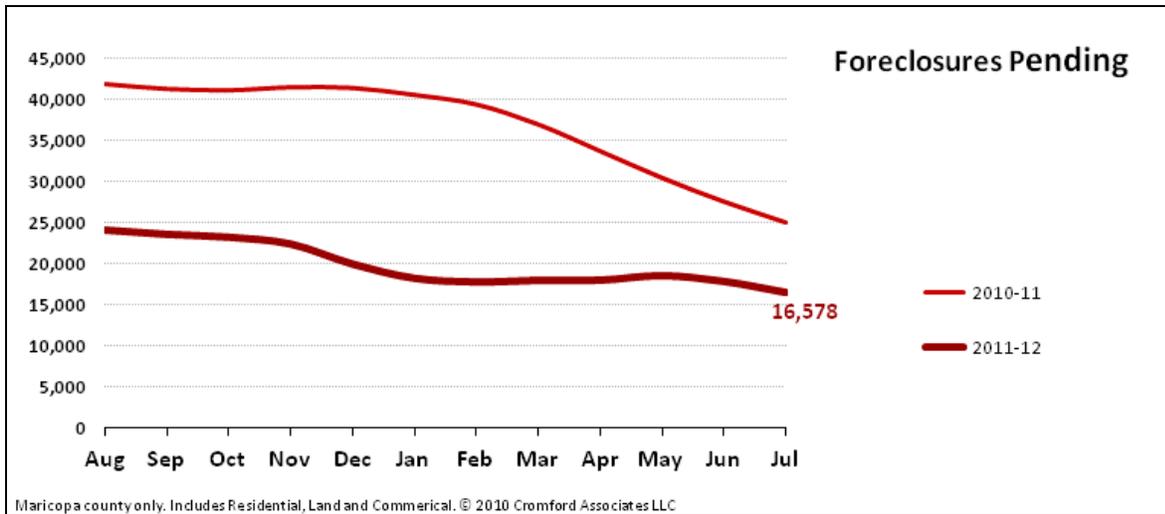
The PPI Supplement - \$/SQ report examines incremental gains or losses over a rolling four months in the price per square foot of newly pended properties added to the pending pool each month. The \$/SQ FT in the ranges from \$50,000 and below up to \$200,000 remained flat, and those in the \$250,000-\$350,000 ranges showed declines of \$2-4/SQ FT. Pending contracts in the \$350,000-\$500,000 ranges showed noteworthy gains. Specifically, \$350,001-\$400,000 gained \$5/SQ FT, \$400,001-\$450,000 added \$9/SQ FT and \$450,001-\$500,000 increased \$5/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	35,991	1,184	528	30	<=50,000	36,414	1,179	478	31
50,001 - 100,000	78,319	1,416	1,385	55	50,001 - 100,000	78,497	1,408	1,369	56
100,001 - 150,000	126,824	1,724	1,991	74	100,001 - 150,000	126,113	1,712	1,998	74
150,001 - 200,000	173,548	1,994	1,237	87	150,001 - 200,000	173,841	1,980	1,298	88
200,001 - 250,000	226,263	2,238	734	101	200,001 - 250,000	226,369	2,201	766	103
250,001 - 300,000	276,239	2,455	526	113	250,001 - 300,000	275,555	2,517	510	109
300,001 - 350,000	326,550	2,746	373	119	300,001 - 350,000	326,199	2,776	310	117
350,001 - 400,000	375,362	2,992	233	125	350,001 - 400,000	376,507	2,904	234	130
400,001 - 450,000	423,985	3,176	149	134	400,001 - 450,000	426,151	2,981	125	143
450,001 - 500,000	476,881	3,330	99	143	450,001 - 500,000	477,320	3,221	90	148
500,001 - 550,000	528,827	3,403	56	155	500,001 - 550,000	527,340	3,387	50	156
550,001 - 600,000	580,052	3,526	39	164	550,001 - 600,000	577,320	3,751	43	154
600,001 - 650,000	635,339	3,631	32	175	600,001 - 650,000	626,100	3,517	33	178
650,001 - 700,000	682,607	3,704	27	184	650,001 - 700,000	678,525	3,801	19	179
700,001 - 750,000	729,913	3,755	22	194	700,001 - 750,000	729,736	3,783	20	193
>=750,001	1,273,798	5,054	126	252	>=750,001	1,217,108	5,005	88	243



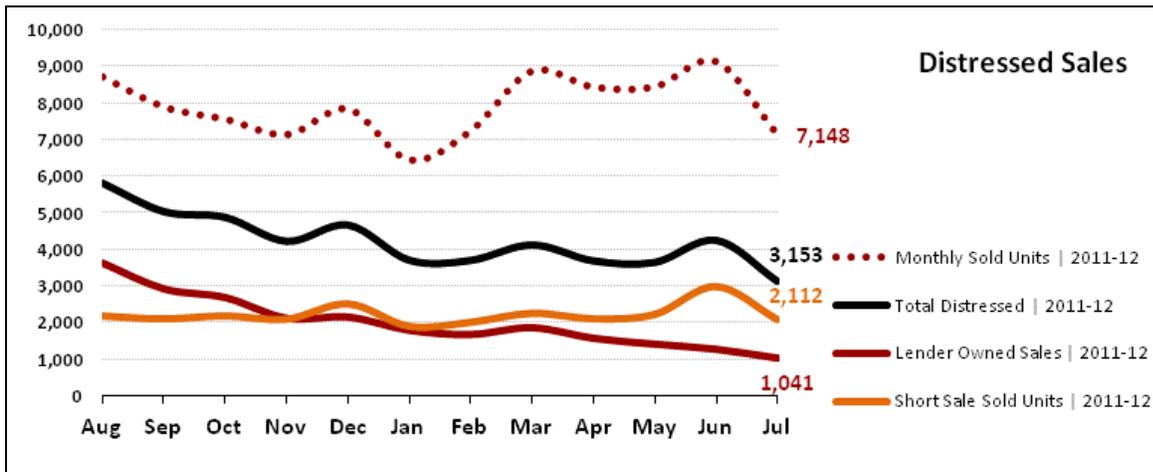
FORECLOSURES PENDING

Foreclosures pending continued on its steady downward trend line to land at 16,578. The decline in foreclosures pending began from a high of 50,568 in November 2009. July's figure represents a 67.2% decline over the last 32 months. Foreclosures pending in the 4,000-6,000 range is considered normal.



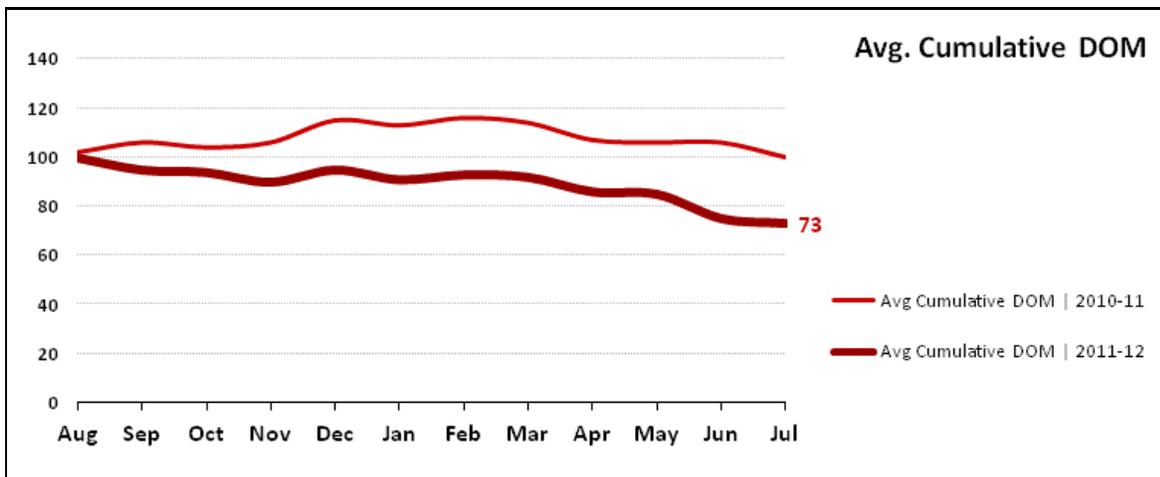
DISTRESSED SALES

In July the gap between the short sale and foreclosures trend lines widened again with 2,112 short sales to 1,041 foreclosures, greater than a 2:1 short sale to foreclosure ratio. Total distressed property as a percentage of total sales fell to 44.1%, with short sales accounting for 29.5% and foreclosures making up the remaining 14.6%. Lender preference for short sale over foreclosure is symptomatic of greater willingness to work out deficits over actually taking the property, more manageable case load, and other government programs such as TARP. Government programs have assisted some homeowners to refinance with lower debt service enabling more to stay in their homes.



AVERAGE DAYS ON MARKET (DOM)

Average Days on Market dropped two days to 73, continuing the downward trend line started from the high of 138 in February 2008. Declining days on market is another symptom of a brisk market.



COMMENTARY

Market pressure due to inventory shortages is evidenced in shortened days on market, low MSI and shifts in contracts pending to higher price ranges. ARMLS STAT Plus for Q2 illustrated this dramatically by citing the 50% increase in unit sales in the \$250,000-500,000 range in the second quarter compared to the first quarter.¹ Lack of inventory at the low end slowed July's total sales. But while lower, July's sales activity metric at 7,148 was still robust.

Inventory shortages continue to plague the Valley. Of the 15,626 active listings under \$350,000, only 9,404 were available for sale without contingency, with 6,222 in AWC status. It is ironic that the lack of inventory, while frustrating, is fueling the very rise in pricing essential to the Valley's real estate recovery.

All four pricing metrics rose in July, although modestly, continuing the upward price trend lines begun early last fall. Although decade low pricing has lured investor buyers into the market, restoration of pricing to more normal levels is a prerequisite of recovery. Many sellers, still wincing from mortgages higher than market value, remain immobilized, unable to sell or buy another home, until pricing rights itself.

At the July 2012 Real Estate FORWARD, sponsored by ARMLS and the Phoenix Business Journal, real estate experts representing residential sales and rentals, commercial sales and leasing, industrial and land market segments in the Valley cited significant recovery gains in all sectors. Their bullish commentary served as a marked contrast to predictions made at last year's Real Estate FORWARD, which forecasted only meager to modest gains in 2012.

In his Real Estate FORWARD address, Dr. Ted Jones, Chief Economist for Stewart Title, stressed that jobs are the key to recovery. He showed the percent change in jobs same month prior year since 2003 for the Phoenix Metro area, which significantly overshadowed both job gains and losses in the US. The Valley's monthly percentage job gains continue to outstrip gains made by the entire US.

At its low, Arizona employment figures logged in 224,200 less jobs in May 2012 than it had in May 2007. In raw numbers Arizona ranked 46th nationwide in terms of jobs lost, but third in percentage declines behind Nevada and Florida.² While the Bureau of Labor Statistics has not yet released its Phoenix Metro figures for July, its August 3 press release cited 163,000 new US jobs, still leaving the national unemployment rate unchanged at 8.3%. July's national jobs report bested economists' projections by 63,000 new jobs.³ According to the Arizona Office of Employment and Population Statistics, the state will gain 102,900 jobs this year and next, for growth of 4.3 percent over the two-year period.⁴

New construction, formerly a vibrant source of jobs in the Valley, all but evaporated under the negative pressures of inventory oversupply and drastically low pricing during the down turn. Normally new construction jobs account for 8% of all employment and 20% of small business employment.⁵

Building permits for new residential construction, which plummeted to their lowest level since 1980, have begun inching up. June year to date residential building permits for Maricopa County were 6,203, compared to the similar year to date metric in 2011 of 3,292.⁶ As new construction revitalizes, it will carry a double remedy by adding new jobs and easing the inventory shortage.

Boosting the Valley housing market is record affordability of financing. The most recent Freddie Mac survey reported the thirty year fixed rate mortgages at an all time low of 3.49%, which last year at this time averaged 4.55%. The fifteen year fixed rate mortgage is currently 2.8%, down from the average fifteen year rate a year ago of 3.66%.⁷

The Valley is enticing with its great housing affordability and the added incentive of record low mortgage financing. Despite lackluster economic job news on the national front, the Valley is poised for healthier job growth compared to the nation. It is still steady as she goes. What's needed is a sizable dollop of patience.

¹ [STAT Plus Q2 2012](#)

² <http://www.bizjournals.com/phoenix/news/2012/07/10/arizona-job-market-remains-battered.html>

³ <http://www.bls.gov/news.release/empsit.nr0.htm>

⁴ <http://www.azstats.gov/pubs/labor/ForecastUpdateOct11.pdf>

⁵ <http://www.bls.gov/news.release/empsit.nr0.htm>

⁶ <http://censtats.census.gov/bldg/bldgprmt.shtm>

⁷ <http://housingwire.com/news/mortgage-rates-drop-historic-lows>