

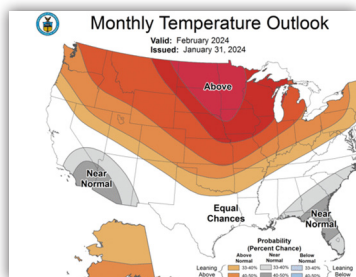
# Al Gage Report



February 2024

## Groundhog Day

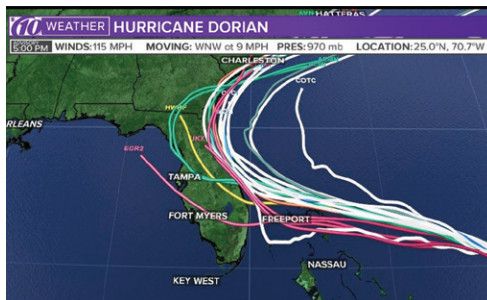
News Flash! Punxsutawney Phil did not see his shadow on February 2nd during the Groundhog Day celebration at the Gobbler's Knob in Punxsutawney, PA. This means, that according to the highly scientific meteorological forecasting models employed in the tiny groundhog brain, we are in for a mild and early spring. A welcome relief to many of our snowbird type friends and family that live in that unmerciful winter life that extends below 40 degrees Fahrenheit. I realize that by the time you receive this, his predictions may or may not have already come true.



Here is the best part of this story. NOAA the U.S. Government Weather experts tend to agree. At least with

regard to temperature. When you get to the precipitation forecast, it models a little bit in the opposite direction for most of the country with increased precipitation as the forecast. One of the major reasons that we live in the great State of Arizona is that you simply do not have to ever worry about that thing called winter. As a side note, I recently attended a conference in January in Kearney, NE. The temperature before wind chill approached -35° F. I got to discover what frost pimples were! Frost pimples are when you expose skin to cold and get goose bumps that then freeze. Not fun!

In any case, you may be wondering why your local realtor is going on and on about the weather. I assure you I am not. I am talking about weather prediction. Weather prediction is very similar to modeling the real estate market. Have you ever seen the possible paths of hurricanes posted on the news? They have a general idea of where the storm is going and when it is going to hit, but this is all subject to variables and differences in the models' mathematics. They are fairly accurate because all of their observations are based on real time measurements and data relays. Remember, NOAA flies through every storm taking

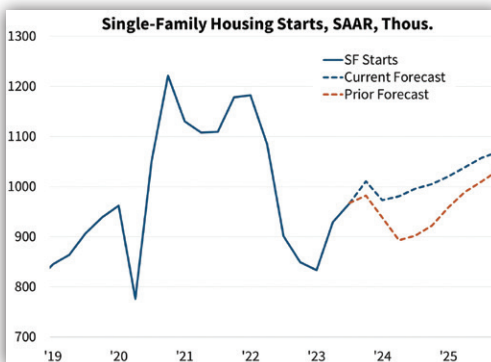


measurements.

The real estate market and those that predict it, including me, suffer from a couple of fundamental flaws in our predictions. The biggest of all is that sales data is always at least 30 days lagging from the actual activity of the market. This is because, even if the market is suddenly very hot and every home that is for sale sells this weekend, it will take at least 30 days to show in the sales market.

One of the statistics that you see used as an economic indicator in the real estate market is "new home starts." These statistics also suffer from the same type of lag as the above because contracts for purchase do not turn into actual starts until after at least 60 days. These starts also inflate numbers the other way by speculative starts, which you may know as spec or inventory homes. These are homes that builders construct, so that someone walking in the door can purchase a home without waiting for it to be entirely permitted and built.

Here is the current trend of New Home Starts from our good friends at Fannie Mae.



Continued on page 2

1 Groundhog Day

2 Cover Article Continued

Terri's Corner: February Trivia

3 Announcing Brent Sullivan!

Subscribers Win

Featured Listings

What's My Home Worth?

4 Sales Statistics



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As you can see, there is a huge uptick in new home starts in the second half of 2023. Why did this market turnaround so quickly without a significant change in the economy? The answer is simple! Or is it? The simple answer is interest rates have dropped significantly to around the 6% range, which many people find tolerable, even though over 90% of existing homeowners have rates still below that threshold. The answer is not entirely interest rates though. The new home builders have very aggressively incentivized the sales of their homes.

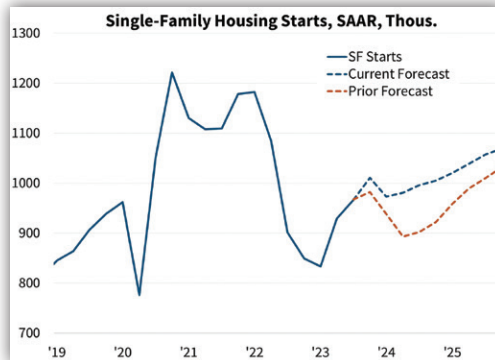
I cannot stress enough how important it is for you to take us with you before you look at new homes so that you are properly represented and have access to all the information that we have. Let me give you an example of what I mean by aggressive incentives. One builder is currently offering \$20,000 in savings (an ill defined term) and interest rates as low as 2.875% (6.32% APR) (which means it is likely a buy-down or temporary rate that they are paying an obscene amount of money to obtain). They are also offering agents 5% co-broke for bringing you in. Want a healthy break on the sale of your existing home, make sure you take us with you.

Another home builder is offering a 2-1 buy-down which means that you buy the rate down 2% the first year, 1 % the second year and years 3-30 are the same, or close to, the regular going rate. They are also including \$10,000 in additional closing costs with their lender for the next four months and \$20,000 starting in June as well as a 4% co-broke to the agents. I put those co-brokes in because they are attempting to incentivize you and to make the average seller realize that when they negotiate that really low commission

with an agent, they are actually hurting their chances of selling the home.

It is very difficult for the average seller to compete with these incentives on a sale, so how does a seller compete? The seller has three distinct advantages! Most of the new builds are on the perimeter of town, a little bit longer or tougher commute, and that is what makes the resale market viable. The second one, is that resale homes are usually just a little bit less expensive as compare to the new builds. Lastly, the resale home comes with the window coverings, mature landscaping, and all the other little incidentals that come with buying a new home.

What does the resale market forecast look like? Again, we will turn to our friends at Fannie Mae for that prediction.

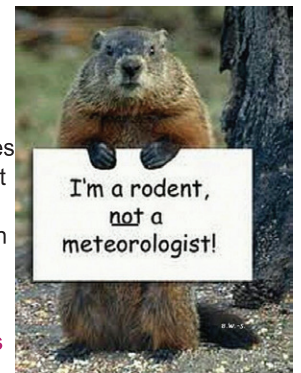


If you look closely at this prediction, the prediction was a steady and long upward trend of the housing market once the interest rates were stabilized and the public became velocitized with these new higher rates. That forecast has been improved, so to speak, to an even better forecast of a rapidly improving market. The numbers do not quite bare that out yet, but again, that is because the

numbers tend to lag behind because of the delay in closing.

As predictions go, I remember laboring to get back in shore on my friends boat after a day of diving in Florida that had been undertaken as a result of a forecast of 2-3 foot waves and a slight Westerly wind of less than 10 knots. Being on the West Coast of Florida, this would have meant that we had a following sea (easier to travel going with the wind) and a fairly smooth trip in my friends relatively large boat. Instead we were greeted about noon with 40 knot winds from the Northeast that built the 2-3's into 6-8's crossing the bow at a 45 degree angle. I am pretty sure I left a kidney on that boat.

The point of this story is that predictions are just that, predictions and can generally only show a trend. Please to not hesitate to call if you want the latest up to date market conditions and pricing on your home. Sometimes the meteorologist don't get it right and we believe in a groundhog?

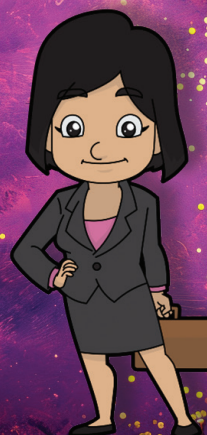


**If you want an agent has years of experience and a wealth of market predicting ability or if you want to purchase a new build and be aware of all of your options in both financing or purchase strategy, give the AI Gage Team a call at 623-536-8200 or email us at [al@algage.com](mailto:al@algage.com)**

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# Terri's Corner February Trivia

1. What holiday in February circles around the weather?
2. Which holiday in February is the second-highest day for food consumption for the year?
3. What are the traditional colors of Mardi Gras?
4. What is the name of the mythological being who represents February's famous day of love?
5. What does Mardi Gras mean in French?



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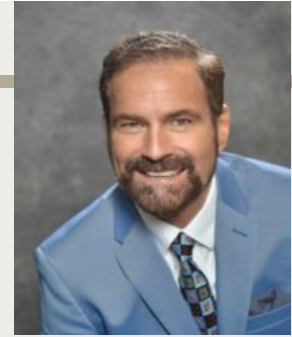
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Terri's Trivia Answers: 1) Groundhog Day 2) Super Bowl Sunday 3) Purple, Gold & Green 4) Cupid 5) Fat Tuesday

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|--|-------------|---------------|---------------|---------------------|---------------|---------------|---------------------|--------------------------|-------------------|-------------------|-------------------------|
| Cortes Sierra/Sage Creek/Las Palmeras                                      | 1           | 31            | 257.0         | 26                  | 25            | 230.7         | 43                  | -11.5%                   | 0                 | 0                 | 0                       |
| Cortes Sierra/Sage Creek/Las Palmeras                                      | Multi       | 29            | 214.9         | 35                  | 13            | 186.9         | 38                  | -15.0%                   | 0                 | 0                 | 0                       |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | 1           | 53            | 258.6         | 32                  | 48            | 244.0         | 63                  | -6.0%                    | 5                 | 230.9             | 86                      |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | Multi       | 25            | 215.3         | 36                  | 11            | 215.9         | 48                  | 0%                       | 1                 | 224.1             | 39                      |
| Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2               | 1           | 21            | 251.6         | 27                  | 12            | 213.9         | 89                  | -17.6%                   | 0                 | 0                 | 0                       |
| Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2               | Multi       | 7             | 203.1         | 29                  | 6             | 171.1         | 57                  | -18.7%                   | 1                 | 148.7             | 127                     |
| Rancho Santa Fe  | 1           | 71            | 257.7         | 24                  | 49            | 238.2         | 53                  | -8.2%                    | 5                 | 236.4             | 43                      |
| Rancho Santa Fe  | Multi       | 16            | 218.1         | 23                  | 15            | 195.8         | 51                  | -11.4%                   | 4                 | 211.5             | 45                      |
| Westwind and Glenarm Farms   | 1           | 12            | 271.3         | 23                  | 13            | 259.0         | 64                  | -6.6%                    | 0                 | 0                 | 0                       |
| Westwind and Glenarm Farms   | Multi       | 14            | 216.4         | 31                  | 13            | 217.4         | 44                  | .1%                      | 1                 | 187.6             | 43                      |
| Wigwam Creek South and Bel Fleur   | 1           | 45            | 252.4         | 28                  | 33            | 233.0         | 48                  | -8.3%                    | 1                 | 186.1             | 83                      |
| Wigwam Creek South and Bel Fleur   | Multi       | 28            | 178.3         | 47                  | 14            | 168.8         | 9                   | -5.6%                    | 0                 | 0                 | 0                       |