

Al Gage Report

March 2022

How Does My Home “Appreciate”?

You bought your home in 2017 for \$225,000 and now you can sell it for \$550,000 so it has appreciated \$225,000. End of Article? Correct?

Not exactly! There are several other factors that come into play before you can declare that the homes have appreciated by 100% since 2017. There are actually two types of appreciation:

- **Improvement Appreciation** - An action is taken by the owner of the property that increases the intrinsic value of the home. This could include a new pool, granite counter tops, an addition (if done properly) or other upgrades. I know I am really dating myself, but my father moved our house from one location to another which greatly increased its value and no it was not a mobile home.
- **Market Appreciation** - This is the amount that my property and all the properties in the immediate area go up over time. This is a measurable number, but it is very important to realize that past “appreciation” is not a real predictor of future performance.

Individually, we have control over the first one (although I swear some folks just shouldn't have a Home Depot Credit Card) and little to no control over the vast array of market conditions that can affect the Market Appreciation. These market conditions might include significant increases or decreases in demand and/or supply. Here are a few examples of how demand and supply can affect the market.

- Major employer in the area closes an operation resulting in a mass exodus flooding the supply of homes.
- Major employer moves into the area and creates a mass influx of population increasing demand to buy.
- Natural disaster destroys the community and/or the infrastructure eliminating demand in the area.
- Gold, oil, gas or some other valuable commodity is discovered in the vicinity and creates a mass influx to the market which increases demand.
- Interest rate fluctuations. Higher rates lower demand and lower rates increase demand spurring the market in that direction.

For the most part, the Greater Phoenix area is immune to either of the employer based examples based on its size, but a large employer could certainly make a local impact.



I remember when Bechtel pulled out of the Palo Verde Nuclear Generating Station, and every employee of Bechtel lived in the Villa de Paz neighborhood, that local market crashed overnight.

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Interest rates are the most applicable, unless they do find oil or gold in our area.

Some would say that the difference in home value (intrinsic value if you will) is all embodied as appreciation, but we will analyze that number again after we look at our highs and lows for last year.

So if I look at the appreciation numbers from our neighborhoods for last year, I see the lowest appreciation of homes at approximately 26% in multi level homes in Corte Sierra and a high of over 54% in multi level homes in Westwind. All of the rest of the West Valley numbers fell more or less in this range, but these were the extremes.

So that solves it. Case closed! Buy real estate and enjoy a 26-54% return on your investment every year. Not so fast! There are a couple points to keep in mind that might alter your outcome.

- This was the best year of price increases I have seen in 37 years of real estate.

- What goes up can also certainly go down. We even have a real estate form now that discloses that the market is cyclical.

So this is great! Everybody gets more money for their home, has a ton of equity that they can either access for other purchases or just preserve in their home. Of course, if you are a buyer, you eventually get priced out of the market and decide to just stop looking, which leads to a decrease in demand and market pressure in the opposite direction.

But what about inflation? The definition to this point for appreciation has been the difference in the number of dollars given for a property. That is also the definition of inflation on product. In this case, the product is your home. It is a very complicated argument and economic problem to disentwine inflation from appreciation and I will not attempt it here. I can bless you with some good ole' fashioned country logic and math.

If you do a quick Google search for the inflation rate for 2021, the

consensus number appears to be 7.1%. If I use that number and subtract it from the appreciation rate for our neighborhoods in 2021 here are my results.

26% - 7.1% = 18.9% on the low end.

54.5% - 7.1% = 47.4% on the high end.

Either of those would be the highest rate of appreciation we have ever experienced.

I have no claim to being an economist and I still find it incredible the amount these homes have appreciated. I have been saying for two years that this is not sustainable and been proven wrong. I expect that this market will begin to slow, unless inflation gets worse, but most likely will not crash.



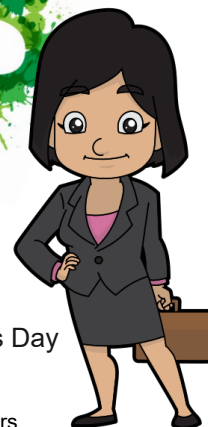
If you want years of experience and an honest, straightforward approach instead of one of the "new" market gimmicks, give the Al Gage team a call at 623-536-8200 or email al@algage.com

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Terri's Tips: St. Patrick's Day Trivia

- Where did the first ever St. Patrick's Day parade take place in 1762?
A. The United States **B.** Scotland **C.** Ireland
- If you were eating a boxty, what would this be?
A. Irish Seafood Bowl **B.** A box of Potato Chips **C.** An Irish Potato Cake
- What is a bodhran?
A. Irish Whiskey **B.** A drum shaped like a tambourine **C.** Irish shellfish Dish
- Before the color green, there was another color previously associated with St. Patrick's Day
A. Purple **B.** Blue **C.** Green



See Featured Listings for Answers



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featured listings



1936 N. 128th Dr.

A fabulous Jerome Model featuring 3 BR, 2 BA, great room, lots of tile, RV gate and two storage sheds in Rancho Santa Fe!

SOLD \$20,000 OVER LIST
by Al Gage for \$365,000



13816 W. Cheery Lynn Rd.

A 2216 S.F., 4 BR, 2 BA, 3 car garage, huge suite with shower & jet tub, granite counters & lots of tile in Fulton Estates!

SOLD OVER LIST
by Al Gage for \$470,000



3720 S. 102nd Ln.

A spectacular and well maintained home featuring 2216 S.F., 4 BR, 2 BA, split floorplan, with a three car tandem garage.

Listed by Al Gage for \$450,000



1805 N. 114th Ave.

A spectacular home featuring over 3200 S.F., 4 BR, 3.5 BA, two owner's suites, two pergolas, sauna, spa and 3 car garage in Donatela Phase 1!

Listed by Al Gage for \$570,000

Answers to Terri's St. Patrick's Day Questions! 1. A, 2. C, 3. B, 4. B

What's My Home Worth?

Email Al at al@algage.com with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge. Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

No automated valuations here!

Want a current and local Market Update? Go to www.algage.com/March2022MarketUpdates.html

In 2021, Al Gage successfully represented **133%** more clients than the closest competitor and **216%** more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood eight years in a row!



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Over 1400 Homes Sold in Avondale and Litchfield Park!

| Subdivisions | Home Levels | 2020 Sales #s | 2020 Price/SF | 2020 Days on Market | 2021 Sales #s | 2021 Price/SF | 2021 Days on Market | % Change In Price per SF | Feb 2022 Sales #s | Feb 2022 Price/SF | Feb 2022 Days on Market |
|--|-------------|---------------|---------------|---------------------|---------------|---------------|---------------------|--------------------------|-------------------|-------------------|-------------------------|
| Cortes Sierra/Sage Creek/Las Palmeras | 1 | 61 | 167.3 | 23 | 66 | 211.0 | 21 | 26.12% | 1 | 270.2 | 24 |
| Cortes Sierra/Sage Creek/Las Palmeras | Multi | 31 | 138.7 | 36 | 49 | 174.7 | 24 | 25.95% | 1 | 205.5 | 86 |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | 1 | 99 | 162.1 | 35 | 84 | 212.7 | 16 | 31.21% | 2 | 277.1 | 38 |
| Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I | Multi | 32 | 135.3 | 37 | 34 | 180.1 | 22 | 33.11% | 1 | 213.5 | 61 |
| Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2 | 1 | 29 | 156.3 | 27 | 37 | 221.6 | 20 | 34.77% | 1 | 228.2 | 45 |
| Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2 | Multi | 17 | 120.5 | 30 | 15 | 162.4 | 30 | 41.77% | 0 | 0 | 0 |
| Rancho Santa Fe | 1 | 68 | 160.2 | 29 | 85 | 213.9 | 17 | 33.52% | 6 | 248.8 | 20 |
| Rancho Santa Fe | Multi | 36 | 136.0 | 28 | 39 | 184.5 | 25 | 35.66% | 1 | 217.3 | 64 |
| Westwind and Glenarm Farms | 1 | 15 | 168.3 | 44 | 17 | 218.3 | 15 | 29.70% | 0 | 0 | 0 |
| Westwind and Glenarm Farms | Multi | 12 | 128.2 | 44 | 12 | 198.1 | 27 | 54.52% | 0 | 0 | 0 |
| Wigwam Creek South and Bel Fleur | 1 | 76 | 159.2 | 22 | 52 | 215.9 | 21 | 35.61% | 6 | 242.0 | 29 |
| Wigwam Creek South and Bel Fleur | Multi | 37 | 116.0 | 35 | 29 | 148.6 | 21 | 28.10% | 2 | 197.1 | 67 |