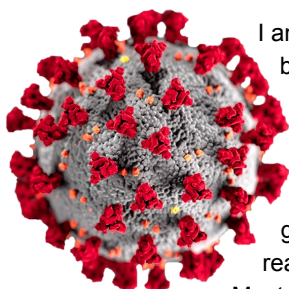


AI Gage Report

April 2020

The Real Estate Market and COVID-19!



I am getting bombarded with questions about what the current concerns over the Coronavirus is going to do to the real estate market!

Most of the information I am about to present is anecdotal and, at this point, NO ONE really knows what the actual effect will be! I fully acknowledge that what I am currently writing may be completely wrong in 3-6 months.

First let's examine what the state of the real estate market was at the time of the onset of the pandemic in Arizona. We were (and as far as I can tell still are) in an extreme undersupply of homes. At the time of the onset, many buyers were having to write as many as 15 offers at or above asking price with no concessions in order to gain acceptance of an offer. It was very common for a home to receive up to 10 offers within the first few days of a listing. Another way of looking at this is essentially, there were 10 buyers (especially in the lower price ranges under \$250,000) for every listing that came on the market. If you consider that multiplier valid, the buyer pool would have to shrink to 10% of its former level to bring the market to equilibrium.

I am sure that a certain percentage of the current buyer population will be affected by the loss of a job or temporary layoff, so let's cut that figure in half to 5 times as many buyers as sellers. On the opposite side of the spectrum, let's make an assumption that a significant number of regular homeowners and investors, either because of the loss of job income or simply panic in this situation, decide to put their homes on

the market. Let's assume that the current inventory doubles in the next few months.

That would divide the number down to the point that there would still be 2.5 times the number of buyers to sellers.

Now I realize I have made a lot of assumptions in arriving at this conclusion. There are some things that come to mind that could really impact all of these assumptions. One concern that has been raised is that these potential gaps in employment may prevent buyer's from buying for up to a year. I spoke to my good friend Rita for an explanation of how this could impact potential buyers. Of course, this assumes that once the virus abates, they will get their jobs back! She said that the gap in employment is only a problem if it was due to their conduct or is not explainable. I believe that being laid off as a result of a total statewide shutdown of your industry is likely as good an explanation as any buyer could ever have. IF the mortgage industry is to survive, I would suggest that they are going to have to be willing to accept this particular explanation.

Another scary situation, and what I hope is actually a vicious rumor, is that appraisers are devaluing homes based on the corona virus outbreak. Admittedly, I am not an appraiser, but this would seem impossible to do based on any demonstrable change in the market at this point. It may be possible to make such an adjustment down the road when a demonstrated effect on the market can be shown, the same way they do with either an appreciating or depreciating market. At this point, I can see no statistically significant change in the real estate market,

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so this remains to be seen. An appraiser should not be making adjustments of this sort based on anticipated changes in the market without any kind of a trend line to justify the adjustment. I would not hesitate to challenge this assertion, should it come up on an appraisal for one of my clients.

In 2008, we saw a huge crash based on a variety of other factors that simply were not present at the beginning of this crisis. That dip lasted almost 5 full years before the housing market fully recovered, and we are still suffering under some of the vestiges of that crisis, such as a three day waiting period to fund a loan and excessive verification of the source of funds. Of course, the economic recovery will depend on how long the current situation lasts!

Let's analyze the factors from the Federal Government that may help to mitigate the economic dip that we simply didn't have back in 2008. **The Coronavirus Aid, Relief, and Economic Security (CARES) Act, authorizes the following relief.** First of all the Stimulus Package of up to \$3200 for every family of 4 making under \$148,000 will certainly help mitigate the situation, but, of course, could not be a long term solution should this crisis last into the summer. More stimulus may be coming from Congress, but this is what we know now.


The Payroll Protection Plan, which is a loan available and guaranteed by the SBA (Small Business Administration), may actually save the day. It provides for **a small business owner to apply for a loan of up to 2.5 times their monthly expenses and income.** If those funds are utilized on qualified expenses, then the loan will not have to be repaid. Essentially this will allow businesses with less than 500 employees to stay in business for the next 2.5 months without being in business. Essentially, they will be able to (and must to avoid repayment) continue to pay their employees their salaries, their rent and/or mortgage and other qualified expenses. This is true even if they are sole proprietorships and/or personal corporations. If this program is fully implemented, and does not run short of money, it should essentially mitigate the effects of this crisis to small business for the next 2.5 months. Of course, this assumes that it can be rolled out and implemented in a timely manner.

If the crisis runs beyond 2.5 months, it will be a Herculean effort to jump start the economy. Another part of the economy that goes un-noticed is the sectors that are overwhelmed right now and will be forced to hire additional staff. Grocery store workers, essential medical professionals, infrastructure providers (I

am sure every Netflix and any internet provider is on overload right now), supply chain vendors and any of the essential needs of the economy will be either expanded or other industries re-purposed to fill in the slack.

Right now real estate agents, along with members of the legal profession, are considered essential personnel and so we still be available to show homes and make the other arrangements necessary to close on your dream home or the sale of your existing home. We are taking the appropriate medical precautions and doing as much signing and showing remotely as possible. Please forgive me if I don't shake your hand when we meet, which is very difficult having been trained to do so since I was five years old! We will likely meet you at the property, maintain our social distancing and still be able to obtain a high price for your listing or negotiate a good price for your purchase! I think the market will be just fine!

For the ultimate in social distancing, while still getting your home sold or your new buy in escrow, call the Al Gage Team at 623-536-8200 or email us at al@algage.com

Find us on  [/AlGagePC](https://www.facebook.com/AlGagePC)

RITA'S CORNER

Confusion!

Several years ago major changes happened in the mortgage industry. One major change was that pre-payment penalties were outlawed and not allowed to be included in a mortgage loan. Most people are aware that mortgages are generally sold, so that you generally don't make your payment to the same lender who funded your loan. Even though there is no penalty for early payoff, if the loan is paid off prior to 6 monthly payments being made, the servicing lender can charge the loan originator a fairly large penalty. The lenders that we send the loan to have increased their fees, making it almost impossible to benefit from a refinance to stave off the flood of refinances at the current lower rates.

Call me for information about this and other available programs. We have a large variety of programs!

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Subscribe Online & Get Your Subdivision Report!

Go to www.ai@algage.com/SubscribeToENewsletter.html or just send us an email with your address and subdivision. We now offer individual subdivision reports. Stay up to date with the current news, right in your inbox. Subscribers are placed in a drawing to win a set of FREE movie passes! 4 sets of passes will be given out this month! Please share this opportunity with family, friends, and neighbors.

featured listings



335 W. Pacifico Circle

Spectacular Old Litchfield

An 1592 S.F., 3 BR, 2 BA with a great room, lots of tile, cabinets, a pool, 2 car garage on a Large Lot in Litchfield Park.

SOLD by AI Gage for **\$338,000**



13014 W. Luchana Dr.

A Bel Fleur Beauty!

This large 5 BR, 3.5 BA has 4457 S.F. with a ton of upgrades including premium flooring, granite counters in a gorgeous kitchen with a dry bar and an RV Gate!

Listed by AI Gage for **\$480,000**



12929 W. Monterey Way

A Beautiful home featuring 4 BR, 2 BA, 2113 S.F. split floorplan with family room and solar in Las Palmeras!

SOLD by AI Gage for **\$255,000**



10555 W. Crimson Ln.

A Beautiful home featuring 3 BR, 2.5 BA, 1949 S.F. plus a loft, pool, green belt for a back neighbor in Westwind!

Listed by AI Gage for **\$255,000**

What's My Home Worth?

Email AI at ai@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/April2020MarketUpdates.html

In 2019, AI Gage successfully represented 20% more clients than the closest competitor and 214% more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood five years in a row!



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2920 N Litchfield Rd, Suite 100
Goodyear, AZ 85395

Hello.

Interesting And Helpful
Real Estate Info
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Over 1400 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2018 Sales #s	2018 Price/SF	2018 Days on Market	2019 Sales #s	2019 Price/SF	2019 Days on Market	% Change In Price per SF	Mar. 2020 Sales #s	Mar. 2020 Price/SF	Mar. 2020 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	71	136.47	48.6	68	144.9	36	6.17%	7	155.2	26
Cortes Sierra/Sage Creek/Las Palmeras	Multi	37	118.81	54.6	33	125.3	39	5.46%	1	121.0	56
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	85	137.72	41.0	103	146.7	42	6.52%	8	153.6	39
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	37	115.22	57.0	26	119.1	66	3.37%	2	146.8	40
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	1	45	128.41	54.3	48	141.8	34	10.43%	2	138.2	22
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	Multi	19	109.64	46.8	20	107	61	-3.41%	1	100.7	107
Rancho Santa Fe	1	87	139.05	50.4	83	145.3	50	4.49%	8	155.9	22
Rancho Santa Fe	Multi	26	117.53	43.1	36	126.2	41	7.38%	1	119.6	50
Westwind and Glenarm Farms	1	28	149.87	80.2	24	165.6	47	10.50%	0	0	0
Westwind and Glenarm Farms	Multi	16	118.10	41.2	21	136.4	41	15.50%	1	98.6	40
Wigwam Creek South and Bel Fleur	1	85	135.49	45.4	65	139.8	43	3.18%	0	0	0
Wigwam Creek South and Bel Fleur	Multi	45	98.78	60.1	45	101.3	73	2.55%	2	118.2	89