

AI Gage Report

August 2021

What It Looks Like If The Market Changes

I am not ready to declare that this epic seller's market is over just yet! I am however sensing and feeling a bit of a shift. This is backed up by a quote from *The Cromford Report* which sums up my position for seller's at this time. This is a direct quote from last months report by Tina Tamboer with *The Cromford Report* and matches what I am seeing, hearing and feeling in the market.

"For Sellers:

The Greater Phoenix housing market continues to shift from an extreme seller market into a less extreme seller market. As prices continue to rise, more new sellers are motivated to put their home on the market and fewer buyers are able or willing to pay the higher price. Over the next 5 months, give or take, the market is expected to move into a weaker seller market, driven in part by dwindling affordability and buyer fatigue.

The first half of 2021 has been so insane with contingency waivers and exorbitant offers over asking price that many sellers may not know what a normal seller market looks like. Here are a few things to expect:



- ***Sales price appreciation will not average 3.1% per month.*** April 2021 saw prices appreciate 5.1% within 4 weeks. May was 2.3%. June was 1.1%. From 2015-2019, a long-term seller market but much weaker than today, prices appreciated at an average of 0.5% per month with a range between 0.3% and 0.8%.
- *There will be more list price reductions. It's important to remember that the sales price is the LAST thing to respond in a shifting market. One of the first things to respond is a list price, in the form of a price reduction. When a seller overshoots what the market can bear, they will get the silent treatment in the form of zero offers. That triggers a price reduction by the seller. Weekly price reductions have risen 112% since mid-February from 317 in a week to 672. In a weaker seller market, expect between 1,500-2,000 price reductions every week.*

Sellers will get their price, but pay more in concessions. If a seller prices their home high in anticipation of excess demand but only gets one offer instead of multiple offers, they are more likely to accept home warranties, do repairs and offer concessions.

Currently the percentage of sales involving concessions is very low at 4%, up from 2.7% the week prior. In 2019, a good seller market, 25% of closed sales involved seller concessions."

- 1 What It Looks Like If The Market Changes
- 2 Cover Article Continued
Terri's Tips: Reading To Children
- 3 Subscribers Win
Featured Listings
- 4 What's My Home Worth?



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To put this in perspective you also have to see what it says for buyers from the same report. It says:

“For Buyers:

Buyers with budgets over \$300,000 may be noticing that they have more listings to choose from compared to a few months ago. This is especially true in the price points between \$400,000 and \$800,000 where inventory has grown 92% since February. When a buyer has, for example, 4 or 5 homes available that meet their criteria instead of just one, they are less inclined to throw all of their ammunition into one home in order to win it. They may still offer full price or more, but may not be under as much pressure to waive contingencies and shorten inspection periods.

As this subtle change proliferates with more inventory, the buyer experience will become less stressful. As the median sale price continues to rise, affordability is something to pay attention to. Not what's affordable to you necessarily, especially if you're out of state, but what percentage of the local population can afford your home if you need to sell right away or sometime in the future. A family making the median income in Greater Phoenix could afford 63% of what sold in the 1st quarter of 2021. That was within the normal range

of 60-75%, indicating a good time to buy or sell. While we wait until August for the 2nd quarter measures to be released, we expect the new measure to land around 57%, slightly below normal. This does not indicate that the market will plunge into a buyer market causing prices to decline, but it does indicate a reason to expect prices to rise much slower going forward.”

When you combine those two positions, many people will conclude that the market is going to crash and we are going to have 2008 all over again. I do not believe this is where we are headed.

If the market swings back softly after a prolonged seller's market, we likely will not see any drop in sales price just a maintenance of price, and possibly a return to a few more concessions, as indicated in the article. A return to equilibrium in a gradual manner would actually be healthy for this market as

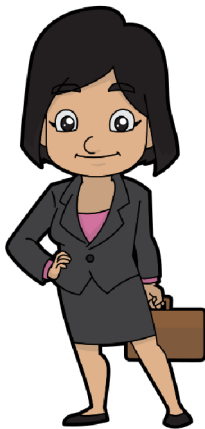
there are many may buyers who have simply given up after six months of writing offers without success.

If sellers view this as the beginning of the end, and flood the market with new listings, then would could see a shift to a buyers market. This shift however, will not likely be anything like the crash in 1991 or 2008 where we actually saw significant price corrections in the first, and major price corrections in the second, to the point that it almost destroyed the economy. I will reiterate it again that the 2008 crash, in my opinion, was precipitated by the artificial demand of speculative investors, which immediately evaporated when profit margins evaporated. In my opinion, this market is almost exclusively driven by demand from real potential homeowners for their primary residence which paints a much different scenario.



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Terri's Tips: Reading to Children



The importance of reading to children is a critical bridge to their success in school, work, and life. They imagine more, enrich their vocabulary, and engage in critical thinking. Children are learning to read until 3rd grade and then they are reading to learn.

Reading a story to your children is fun and rewarding! It is a relaxing, bonding time between parent or grandparent and child. Encourage a child to read, they are more likely to pick up a book instead of a tablet. With a book, they can be anything, go anywhere, and dream big! It all begins with the turn of a page.

Terri handles all of the paperwork for the AI Gage Team!



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featured listings



12344 W. Virginia

A fabulous Brigata model with a pool, lots of upgrades, 2335 S.F. 4BR, 2 BA in Rancho Santa Fe.

SOLD by AI Gage for **\$470,000**



2420 N. 126th Dr.

This beautiful **Cottonwood Model** features a 3BR, 2 BA, 1290 S.F. on a large cul-de-sac lot in Rancho Santa Fe!

SOLD for **\$35,000** over **List Price**



3713 N. 125th Dr.

2169 S.F. 4 BR, 3 BA with downstairs suite, huge kitchen with extra cabinets, counter space and large eat-in area. RV gate and lots of pavers in the back yard!

Listed by AI Gage for **\$400,000**



12 W. Brinker

A charming 3 BR, 2 BA, 1055 S.F. home near downtown Avondale!

Listed by AI Gage for **\$260,000**

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/August2021MarketUpdates.html

In 2020, AI Gage successfully represented **125%** more clients than the closest competitor and **283%** 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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Real Estate Info
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Over 1400 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2019 Sales #s	2019 Price/SF	2019 Days on Market	2020 Sales #s	2020 Price/SF	2020 Days on Market	% Change In Price per SF	July 2021 Sales #s	July 2021 Price/SF	July 2021 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	68	144.9	36	61	167.3	23	15.45%	9	223.4	16
Cortes Sierra/Sage Creek/Las Palmeras	Multi	33	125.3	39	31	138.7	36	10.69%	6	186.9	16
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	103	146.7	42	99	162.1	35	10.50%	10	217.9	21
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	26	119.1	66	32	135.3	37	13.60%	1	206.8	6
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	1	48	141.8	34	29	156.3	27	10.23%	0	0	0
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	Multi	20	107.0	61	17	120.5	30	12.62%	1	169.5	24
Rancho Santa Fe	1	83	145.3	50	68	160.2	29	10.25%	13	216.6	17
Rancho Santa Fe	Multi	36	126.2	41	36	136.0	28	7.77%	2	219.8	11
Westwind and Glenarm Farms	1	24	165.6	47	15	168.3	44	1.63%	1	216.1	3
Westwind and Glenarm Farms	Multi	21	136.4	41	12	128.2	44	-6.40%	2	183.5	13
Wigwam Creek South and Bel Fleur	1	65	139.8	43	76	159.2	22	13.88%	9	217.2	17
Wigwam Creek South and Bel Fleur	Multi	45	101.3	73	37	116.0	35	14.51%	1	150.6	6