ISSUE 193

Al Gage Report

August 2023

Timing the Market!

I remember, several years ago, taking a class on financial management as part of my professional renewal classes to maintain my license with the State of Arizona. In this class, the instructor talked about what it would look like if you had perfectly timed the stock market on the top 10 days over the last 20 years to buy and sell. The return on investment was astronomical. Something like a 20,000 percent return on your money. So if you successfully hit the top 10 days to buy stock and the top 10 days to sell the same stock of the last 20 years, and had invested $1,000, that return would be $200,000 or if you had invested $20,000 that return would have been $4,000,000! Sounds pretty good to me.

Of course, then the instructor dropped the hammer on all that excitement. He explained that the random odds of picking those 20 specific days was something on the order of 500 million to one if they were chosen randomly, and most private investors would actually do worse, so that would make it closer to 520 million to one. Those are not great odds! When you compare it to a recent Power Ball odds for a pot of $429 million, the odds were 1:292.201,338. You may now be asking yourself what relevance does the stock market have to a my real estate?

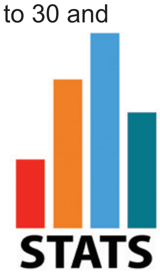
One of the first questions that I almost invariably get asked when someone inquires about listing their home is usually, "Is now a good time to sell?" The answer to this question is to make these kinds of decisions based on what your needs are rather than what you think is the right timing of the real estate market. Many of you are sitting on the sidelines right now because you have heard the market is weak, because interest rates are too high, or there are no buyers.

It may be true that there are less buyers than usual, but there are also significantly less sellers than usual, so this is an especially good time to sell. It is an even better time to sell and buy if you can transfer a large portion of your equity to a new home. But no one, and I mean no one, has a crystal ball.

If you bought a house in the frenzy of the 2007 run-up to the 2008 crash, it appeared identical to the run-up of 2020-2022, but there was no crash in 2022-2023. There was an adjustment, but that buyer's market lasted for only one month, while the crash of 2008 lasted for almost 6 years before we got back to 2001 pricing.

The lesson I am trying to drive home here, is that you cannot predict exactly what the real estate market is going to do.

A quick high level view of the statistics show exactly why that is. In June of last year, there were 46 total sales across all of our subdivisions and 37 in May for a total of 83. This is in contrast to 30 and 25 the last two months for a total of 55. This represents a 34% reduction in total sales, at which point you market trackers may conclude that this means that there is not enough demand and we are



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headed back to a buyer's market. Basic supply and demand.

This rule of supply and demand however, works both ways. This month we only show a total of 26 active listings across all the neighborhoods (some of those may actually have a contract on them and be seeking backup offers) and 6 pending sales. In normal conditions, there will be approximately twice the number of listings to the number of sales. The lack of the number of pending sales is not due to a lack, or softness, in the buyer market, it is because there is nothing for the buyer to choose from. The bottom line takeaway from all of this is that the supply and demand are pretty close to equal and just a tad bit toward a seller's market. Yes, as a seller you are still likely to have to pay some concessions in closing costs and repairs, but it is still a very stable market and a great time to sell or buy, if you can. You can also take advantage of the lack of pressure to take your time making decisions about the largest asset of your life.

It is important to protect what equity that you have by choosing the right agent. As I snuggle up to my 39th year in real estate (and yes it was hard to achieve credibility with buyers and sellers at the age of 24) I can still show you concrete evidence of the FACT that I can get you more money for your home than what most other agents can get for you. There have been two sets of sales this year that illustrate this point. The first one occurred recently in one of our neighborhoods. I will change the facts slightly but the margins are the same. Two homes, similar in condition, one listed with me and another listed with another brokerage. I advised my client to list their home for more money than

what the one across the street was listed for, even though our house was approximately 200 square feet smaller with no significant difference in upgrades with any advantage going to the home not listed with me. We listed $15,000 higher than the larger home. When the sales price settled, we had to pay $12,000 in incentives and $1200 in repairs, but we sold for $15,000 more. We received a net of $1800 more for a home that was 200 square feet smaller. If you multiply 200 square feet times $200/s.f. that works out to be $40,000. In essences, we came out $41,800 better than the other seller plus whatever repairs that they had to do.

In another example, we had two homes that were model matches, they were twins, listed within days of each other. The only real difference between the two homes was that my home had a solar lease which had to be assumed that is usually a negative. Both homes were really nice with a lot of upgrades. The other home had started out listed for $499,000 for a few months and did one giant price drop to $425,000 which, of course, made it sell within the week. We listed our home a few days after that for $450,000 and it sold for that. I am not saying that the other seller received bad advice, but I would have approached price drops in a much more incremental way to find the true value of the home. Perhaps there were other factors at play of which we are not aware.

We may well be in for some drastic swings in the buyer and seller supply as we go forward. With every increase in interest rate changing the buying power of a client seeking a loan, of about 15% of their ability, with every one percent increase or decrease in the interest rates. For now the interest rates have somewhat stabilized in the mid 6's, and the buyer demand is pretty equal to the seller supply, which leads to a pretty stable market.

Let's look at what could derail the market going forward. If suddenly, the interest rates went up another 2%, that would like sideline most of the buyer's seeking to buy with financing, which is by far and away the predominant method. This would create an almost instant oversupply of homes for sale and put downward price pressure on the homes that are for sale. Whenever pressures like that exist, just as in the example above, seller's tend to make a mistake and take drastic action that sometimes exceeds what is necessary.

The converse is also true. With our current, relatively small numbers as to demand, any sudden influx into the market of a large volume of homes, such as what is held by many different institutional investors, affects the market in two ways. It floods the market with homes for sale leading to an excess of supply and again creating that downward pricing pressure. This is somewhat mitigated by the fact that almost all of those homes that are owned by institutional investors are currently rental units. The loss of those units as rentals will also escalate the demand for homes to buy, because people have to have a place to live, and the ones that can buy probably will. This escalation will not be enough to offset the flood of homes if one of the larger owners were to decide to liquidate.

A sudden and drastic reversal of the interest rates, back to where we were in 2022, would also flood the market with both homebuyers and refinances. This would quickly promote the frenzied buyers market that we saw in 2022 and recreate the same inflationary pressures.

If you want someone that has survived and navigated through these difficult times, give the Al Gage team a call at 623.536.8200 or email us at al@alagage.com

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Go to **www.al@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 gift cards! 2 gift cards will be given out this month! Please share this opportunity with family, friends, and neighbors.

Terri's Corner — School Time!

I have been donating my time to various schools (K-5th grade) reading to students for many years and it has been the most rewarding thing I have ever done! I encourage all Parents, Grandparents, Aunts and Uncles to find some time and read to your children. The adventure begins with a turn of the page!

Benefits of Reading Aloud to Children

Builds vocabulary.
Improves reading comprehension.
Promotes empathy.
Reduces stress.
Boosts brain development.
Exposes children to different experiences.
Increases chances of later success.
Helps develop communication skills.

featuredlistings

12639 W. Roanoke Ave.

Spectacular Sedona model by Continental Homes with 3 BR, 2 completely remodeled baths, newer AC, plantation shutters and all the right touches!

SOLD by Al Gage for $400,000

This home should be your home for sale in the most proven marketing plan in the West Valley. Not three years old, but 35+ years the marketing plan has been working in Avonale and Litchfield Park!

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/August2023MarketUpdates.html***

*In 2022, Al Gage successfully represented **133%** more clients than the closest competitor and **250%** more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood NINE years in a row!*

Over 1500 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2021 Sales #s	2021 Price/ SF	2021 Days on Market	2022 Sales #s	2022 Price/ SF	2022 Days on Market	% Change In Price per SF	July 2023 Sales #s	July 2023 Price/SF	July 2023 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	66	211.0	21	31	257.0	26	21.80%	2	225.3	21
Cortes Sierra/Sage Creek/Las Palmeras	Multi	49	174.7	24	29	214.9	35	23.01%	2	202.5	32
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	84	212.7	16	53	258.6	32	21.58%	8	246.8	72
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	34	180.1	22	25	215.3	36	19.54%	1	211.4	17
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	1	37	221.6	20	21	251.6	27	13.53%	1	239.1	67
Garden Park, Palm Meadows, Palm Gardens and Donatela Phase 2	Multi	15	162.4	30	7	203.1	29	25.06%	1	165.1	67
Rancho Santa Fe	1	85	213.9	17	71	257.7	24	20.48%	8	249.6	42
Rancho Santa Fe	Multi	39	184.5	25	16	218.1	23	18.21%	1	210.4	62
Westwind and Glenarm Farms	1	17	218.3	15	12	271.3	23	24.28%	0	0	0
Westwind and Glenarm Farms	Multi	12	198.1	27	14	216.4	31	9.23%	0	0	0
Wigwam Creek South and Bel Fleur	1	52	215.9	21	45	252.4	28	16.91%	4	228.1	37
Wigwam Creek South and Bel Fleur	Multi	29	148.6	21	28	178.3	47	19.99%	2	149.3	186