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Zillow Rated 5 ★★★★★

The Skarphol Rapport®

Q1-2018



TOP 5%

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SPRING HAS SPRUNG!



2018 – On A Record Setting Pace!

*“Spring is the time of plans
and projects.”*

Leo Tolstoy

QUARTERLY MARKET UPDATE - FOR BUYERS, SELLERS, AND INVESTORS

EXECUTIVE SUMMARY – RESIDENTIAL REAL ESTATE MARKET IN 60 SECONDS

Early results from the residential resale market are indicating a very big year; maybe record setting. For starters, the **listing success rate reached 84.1%**. The highest reading since July of 2005 at the beginning of the last run-up or bubble. This compares properties that successfully sold in the month to the total sold, canceled, or expired in the month. For reference, the listing success rate in 2008 during the free-fall to 2011 was 20.4%. Conclusion; good news for sellers and not so good for buyers.

More good news for sellers is **17% of the closed sales are at prices above the listing price**. In contrast, no homes over \$1M sold above list price, obviously due to inventory quantity and quality in this price range. Median price is up 8.7% year-over-year (YOY). Active listings are down 14.2% YOY while sales are up 8.9% YOY creating further upward pressure on price with falling inventory, resulting in the month's supply of properties dropping to 2.9 months.

Also, interesting to note, there are more multi-family permits being issued than for new single-family homes. Tempe for example, which is land-locked, has almost no new single-family product as everything has shifted to multi-family. Phoenix leads the market with 4,500 multi-family permits.

Even with the steady and robust recovery of home prices resulting in a rebuilding of homeowner equity, **most areas still have 10%-30% additional appreciation before reaching the 2006 peak**. On the flip side, **some areas have now exceeded the peak with Old Town Scottsdale (85251) up 7.9% above peak and South Scottsdale (85257) 4.3% above peak**. No bubble or super-hot price escalation based on current statistics and further supported by the average S&P / Case-Shiller Home Price Index appreciation index for Metro Phoenix at 5.9% for November YOY (a lagging indicator) just below the 6.2% national average.

The luxury market over \$500k, is also showing positive signs of improvement as luxury demand has strengthened even as the market remains significantly over supplied. Closings are up an average of 25% YOY with **sales up most between \$1 million and \$2 million increasing 37%**. The supply is also down 4% YOY above \$500k, but 2% up in the \$1M-\$2M for active listings (excluding UCB & CCBS). Price is also improving in this market segment with a 5% increase in the YOY \$/SF value. Further good news here is the days of inventory has declined 18% going from 9.4 months to 7.7 months' supply.

EXECUTIVE SUMMARY – COMMERCIAL REAL ESTATE MARKET IN 60 SECONDS

Multi-family: High investor demand combined with 3 strong years of rental gains is naturally compressing cap rates into the mid to low 5% range. Supporting this market is that even with substantial flows of new units to the market, overall vacancy in the market remains under 6%. Average rents hovering just under \$1,000 with sales averaging \$110k per unit.

Office: Average vacancy rate for this segment is now 18.9%, which is the lowest since 2008. Bright spot is the Tempe market absorbing almost 60% of the inventory with 236k sq. ft. for Centene and 170k sq. ft. for Union Bank combined with continuing consolidations at companies headquartered in Tempe like State Farm Insurance.

Industrial: Over 7 million sq. ft. of inventory was added last year and the vacancy rate still dropped to 9.3%. This was precipitated by 9.2 million sq. ft. of absorption making 2017 the largest year for net absorption gain since 2005. Large deals included: Amazon 474k sq. ft., California Closets 302k sq. ft. and Cardinal Glass at 250k sq. ft.

Retail: Growth in this segment is supported by population growth and household formation. Arizona ranks #1 (finally) with a net migration of 74,000 for 2017. Although vacancies are above 20% on average, rents and absorption are showing improvement. The star in this segment with over 2 million sq. ft. of new space entering the pipeline in 2018, where Gilbert stands out with 275k sq. ft. under construction, most in the San Tan Pavilions at Williams Field Road and the SR-202.

CLIENT TESTIMONIAL:

"Steve carried us through one of the most difficult times in our lives. After months of NO activity on our house sale he took over, taking all the burden off of us and brought it to a successful sale. He is very knowledgeable, personable and ethical. I would HIGHLY recommend him!"

J.L. & L.L. - Phoenix



SOURCES: Michael Orr, The Cromford Report, The Information Market, ARMLS - the most accurate and comprehensive Arizona Real Estate Statistics and Data available. Phoenix Business Journal, The Rose Law Group /Belfiore – Dealmaker.

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