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Zillow Rated 5 ★★★★★

Q3-2016



As Temperatures FALL... Market is RISING!

QUARTERLY MARKET UPDATE - BUYERS/SELLERS, GREEN UPDATE, INVESTORS

BUYERS/SELLERS Market Update:

- **BUYERS** (under \$1M)- Quality inventory remains a challenge for homebuyers under \$1M. This may be eased somewhat by a modest recovery in the new home market with forecasted units approaching 12,000 this year. This is probably a sustainable production level for the foreseeable future. The dilemma for new homebuilders is a severe shortage of buildable lots and constraints in the availability and capacity of the construction trades.
- **BUYERS** (above \$1M) - Oversupply of properties, especially above the \$1.5M range now has a 2+ year supply. This is great for buyers in this group, because cash can bring additional deep discounts and jumbo financing is available at incredible rates. Call me if you are looking for an amazing deal.
- **SELLERS** (under \$1M) – Most zip codes are short on inventory and remain favorable to sellers under \$500k. \$500k - \$1M is balanced, so move-in ready, well designed product is still advantage sellers.
- **SELLERS** (above \$1M) - In this category, oversupply has extended selling times and put extreme downward pressure on prices. To be successful as a seller in this category may mean converting the asset to a rental or do a seller carryback to generate an income stream. Alternatively, accept a market price and look to reposition the investment in a property that might be a better fit, more updated or right-sized. The market is dynamic and a long hold for prices to move-up will likely become a very high opportunity cost in the short and long run.

CLIENT TESTIMONIALS:

"My wife and I have used Steven for 3 sells and 2 buys over the past 3 years. Other than a close friend, who... is in a different market, I would never use anyone but Steve in the future. He has done it all in the real estate realm. Builder, Construction management, rehabs, seller's agent, and buyer's agent. He continually looks out for your interest, making sure you understand the process, but also adding information (value added features, long-term investment perspectives on properties...etc.) you might not think of. He continually moves the negotiating process along because he insures the home you have identified is the home you really want. So the rest becomes getting the parties to agree on a good number. He does all this with a... sense of humor...but never at the expense of others. With all parties, he is the ultimate "keep cool-problem solve the issue" agent! Do not hesitate, do not read other reviews, just call him."

J & C, B. - Multiple Transactions – Buy & Sell

FEATURED PROPERTY: Recent Sale - Timeless AL Beadle Design



Photography by Jeffrey Brunton, Phoenix, AZ - ©2016

"I would highly recommend Steve for any resale of any home. Our challenge was the solar panels on our house but Steve gave all information in detail, on the savings for the new homeowners, that the solar panels would give them. He kept us updated on all information, negative or positive, feedback on the showing of our home. We would definitely use Steven again..."

R & T, F. – Listed and Sold – SolarCity Lease

GREEN Update:

- **SOLAR PANELS** - Buying or Selling a home with solar panels is more common today. A good thing. On the other hand, it requires additional due diligence and analysis to evaluate for the buyer to determine if value is added and if assumption of the lease is an option. For sellers, that analysis is required to prepare a buyer information document to communicate to the prospective buyer and buyer's agent, the real value added to the home. I have the experience and expertise to assist buyers and sellers in transactions involving installed solar panels. Call for further assistance.
- **SOLAR ROOF** - Tesla agreed to purchase its sister company, SolarCity, earlier this year. Shortly thereafter, the combine announced plans to roll-out an integrated solar roof product that will be a huge disruptive event impacting not only distributed PV, but roofing, new home building and renovation markets. Watch for amazing market dynamics to evolve after the October 28th announcement.
- **SOLAR DEVELOPMENT:** SolPad (<http://solpad.com/>) has announced a PV solar panel that includes battery storage and an inverter making realistic off-grid implementations inevitable. Good time to look at dumping those public utility stocks and bonds built on coal, gas and other dirty climate changing power production plants. Further nuclear investment will most certainly receive onerous regulation as a way to limit proliferation of highly radioactive waste or worse ...disasters like Chernobyl and Fukushima Daichi.
- **GREEN BUILDING:** Check out this amazing site for the latest in high-quality modular green buildings to accommodate accessory building uses in the City of Phoenix. Guest house/Casita, Pool house/Cabana, Office/Studio. <http://www.YardHaus.com>

INVESTOR Market Update:

- **SINGLE FAMILY PORTFOLIO:** – Year over year performance for rents and appreciation have been positive with double digit rent rate increases and 5%-7% appreciation in property values under \$500k. Also, median home price is up 9.1%. Strong demand under \$500k is supported by the fact that 11.8% more homes are under contract while active listings remain relatively unchanged. This is a good time to look at the portfolio for properties to reposition or enhance yield with underperforming assets that might be sold to generate capital for new acquisitions. In addition, looking for systematic capital improvements to extend the useful life and also prepare the property for eventual sale is a good strategy. Major components like roof, A/C, water heaters, appliances, kitchen and bath updates are key to getting the best price when placing a property on the market. Take advantage of economies of scale and invest when labor and material pricing is attractive. Call me to review or help develop a plan to increase value and extend the economic life of your investment assets.
- **MULTI-FAMILY** – Looking for value add deals in 1-4 units rehabbed or new is one strategy: occupy one unit as owner occupant and gain rental income from the other units. A great way to start an investment portfolio or maybe a great option for retirement. Another option is an owner occupied single family home with a guest house or the ability to add a guest house. Airbnb rentals might be very lucrative, but due diligence is key to make sure there are no municipal or HOA restrictions. FHA financing is a viable option for Single Family & 1-4 units.
- **LUXURY:** Pristine luxury properties above \$1M are selling well and in many cases being sold turnkey with the furniture and furnishings at premium prices. An indication that time is more valuable than money at this price point. Fix and Flip in the luxury market represents an interesting niche for the well healed luxury investor. Carefully selecting the property and location combined with skillful renovation can bring big returns. A recent example started with a good buy in a great location requiring a complete renovation. The investor went the extra distance to strategically raise the roof, correct floor plan issues, install professionally designed interior finishes, use expert staging and photography to yield a solid \$400k profit...with only 2 weeks on the market once the renovation was completed.
- **LAND:** In-fill land, located within the 101 & 202 loops, remain in short supply for all asset classes. Buildable lots for new homebuilders is at less than a 2-year inventory, so continuing pressure on lot prices is chipping away at the builder's bottom line causing smaller homes to be built at higher densities to make margin. Looking for a spectacular golf oriented custom home lot or acreage...call me for details!
- **COMMERCIAL:** Adaptive reuse of existing vacant space and big box buildings has improved overall vacancy and sales prices in this asset class. Additional investments are more focused towards mixed-use or live-work-play developments at higher densities, reflecting the demand for urban versus suburban locations. Oversupply of high end apartments as components of mixed use urban districts, approaching 10,000 units, may be forming a serious bubble as the luxury rental inventory balloons. This is on my watch list for future opportunities.
- **OFFICE:** Office vacancies remain at an uncomfortable high level as companies 'virtualize' for economy and scale. Back office and people intensive operations are getting outsourced to data centers, cloud technologies or shipped overseas. Single tenant occupied properties are the best and safest investments in this asset class for present market conditions. The JDM purchase and lease back of the 1M sq. ft. State Farm Insurance regional headquarters at Tempe Town Lake is an example of this strategy at play in our local market.

PHOENIX METRO

RESIDENTIAL REAL ESTATE

Annual Changes from September 7th, 2015 to September 7th, 2016



Average Days on Market for Sold Listings = 77 Days



Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
25	26	27	28	29	30	31	29	30						27	28	29	30	31		

Encompassing the Arizona Regional MLS area, which includes Maricopa County, Pinal County and a small part of Yavapai County

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SOURCES: Michael Orr, W P Carey School of Business, *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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