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The Skarphol Rapport[©]

Q2-2019



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*Ohhh say can you
 see....*

*The Q2 RE Market
 made h-i-s-t-o-r-y!*



*"In the business world, the
 rearview mirror is always
 clearer than the windshield."*

Warren Buffet

QUARTERLY MARKET UPDATE - FOR BUYERS, SELLERS, AND INVESTORS

EXECUTIVE SUMMARY – RESIDENTIAL REAL ESTATE MARKET IN 60 SECONDS

History in the making is shaping the residential real estate market in 2019. For example, the second quarter had 16 of the metro's 17 cities posting active listing inventories of less than 75% of their long-term averages. Avondale, at the low end, has only 28.5% of the average number of homes typically in that sub-market and it also represents only 9.7% of the number of homes listed there at the peak in 2006. At the other end of the spectrum Paradise Valley has only 81% of the of the number of homes compared to their long-term average and just 47% of the level available at the 2006 peak. When excluding the UCB and CCBS contingent active sales, inventory now represents just a 1.6-month supply at the current pace of sales.

Market strength for sellers is further evidenced by the average list price per square foot of \$235.94 extending 8 weeks beyond the seasonal decline that typically commences about week 26. Comparing this to 2018, at week 26 the average price was \$235 per square foot, then declining \$17 per sq foot (7.2%) over the subsequent 22 weeks to a low of \$218 before beginning the seasonal rise in the fall.

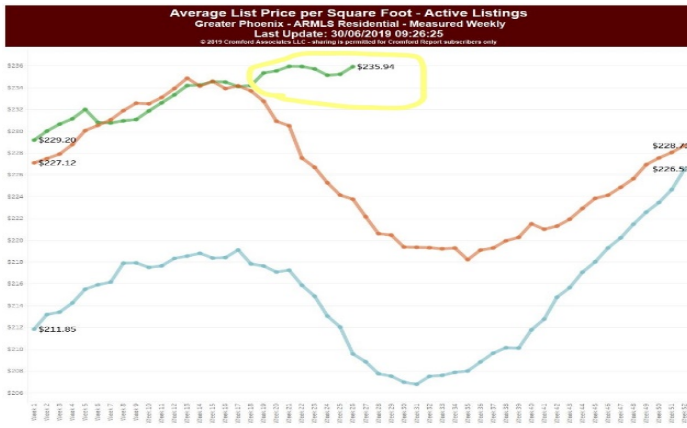
Buyer demand continues to build even as inventories shrink to unprecedented low levels because 30-year mortgage rates continue to decline, with client transactions settling at rates under 4%. Other factors fueling the buyer demand include equity returning for homeowners and repaired credit creating a larger pool of eligible buyers. Further, average rental rates have been increasing at an average rate of 3.5% over the past 12 years, taking average rental rates from \$.71 per square foot per month to \$1.01 per square foot per month for the first time. This makes buying versus renting compelling for many potential first-time buyers and renters looking to return to home ownership.

Testimonial:

"Steve is a master at what he does. He assisted us in looking at several homes on our schedule and helped us analyze price point, market value, and negotiating strategy. He arranged for contractors (on short notice) to meet us at the property to answer questions about whether walls could be moved and to discuss other renovations which were important for us to know as we made decisions on which house to purchase and what to offer. He is extremely responsive, knowledgeable, experienced, and considerate. The ultimate professional!"

M. M. – Scottsdale vacation home buyer

Average List Price – Holding and Bucking the Seasonal Trend!



All 17 markets are holding a CMI above 110, Continuing to favor sellers!

Rank	June 27, 2019	Cromford® Market Index Now	Chg	Cromford® Market Index Last Month
1	Avondale	275.2	11%	248.8
2	Mesa	219.9	7%	205.9
3	Glendale	218.0	8%	202.4
4	Chandler	195.6	12%	174.3
5	Gilbert	191.7	9%	176.2
6	Surprise	188.1	9%	172.2
7	Fountain Hills	181.8	15%	158.0
8	Phoenix	170.7	7%	160.0
9	Cave Creek	165.7	2%	162.2
10	Queen Creek	151.4	14%	133.3
11	Tempe	143.7	-8%	156.4
12	Peoria	143.3	6%	135.0
13	Goodyear	142.7	20%	118.6
14	Scottsdale	141.5	9%	129.6
15	Buckeye	132.5	8%	123.1
16	Paradise Valley	128.8	14%	112.8
17	Maricopa	124.2	3%	120.0

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CMR1

EXECUTIVE SUMMARY – COMMERCIAL REAL ESTATE MARKET IN 60 SECONDS

Multi-family: Metro Phoenix is currently the top ranked market for rental growth in the US. Higher construction costs have shifted the focus on infill and urban units at \$225 per sq. ft. to development in the suburbs where costs are running \$130-\$150 per sq. ft. Sales are continuing at a strong pace with cap rates for best properties holding in the 5%-6% range. Inventory for all classes remains limited.

Office: Robust job growth continues to benefit the Metro Phoenix market as Arizona enjoys 7% of all in-migration in the US. Currently major brokerages are working with over 90 firms seeking space in excess of 50,000 sq. ft. Further evidence of strength in this asset class is the fact that Phoenix's net absorptions of 4.4M sq. ft. second only to NYC with 5.5M sq. ft. of net absorption in the same period.

Industrial: This sub-market is also driven by users looking for 50k - 250k sq ft requirements. In addition to Microsoft and Vantage announcing massive data center developments in the Southwest Valley, the City of Mesa is preparing to provide incentives to encourage Google to develop a \$1B data center.

Retail: This segment is expecting continued softness as retail property tenants are disrupted by new product delivery systems and internet-based commerce. Necessity-based and Internet-resistant retail remains strong.

Land: Residential lots continue to trickle into the market and remain in short supply. A recent significant land transaction of 1,080 acres was acquired for the development of a Solar Power Plant.

Commercial – C-2 Office/Warehouse

4113 N Longview Ave
\$425,000.00

3,540 sq ft
5,940 sq ft lot

Multi-Family – R-3

4117 N Longview Ave
\$345,000.00

2,352 sq ft
6,720 sq ft lot

Medical Office Condo

5620 W Thunderbird Rd H-2
\$225,000.00

1,348 sq ft



Live/Work Potential!

6 offices, 2 bathrooms and kitchen could also be used for Live/Work. Additional 1,440 sq ft can be purchased for total available A/C space of 5,892 sq. ft. Also available for lease.

Adjacent Multi-Family:
A 2-bed 1-bath main house with 1,440 sq ft 8-car garage at the rear. Studio, workshop or Live/Work. Also available for lease.

Call me for details!

Great opportunity for medical practice or investment near **Thunderbird Banner Samaritan Hospital**. Existing medical suite with reception area, exam rooms, nurses' station, and breakroom.

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

If you want to opt-out of this Quarterly Market Update, click here info@skarphol.com and type REMOVE in subject line.