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The Skarphol Rapport[©]

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Sellers are
CELEBRATING...
Buyers are
RESOLUTE!



"It is a capital mistake to theorize before one has data."
 Sherlock Holmes

QUARTERLY MARKET UPDATE - FOR BUYERS, SELLERS, AND INVESTORS

EXECUTIVE SUMMARY – RESIDENTIAL REAL ESTATE MARKET IN 60 SECONDS

Happy New Year with an extra-special thank you to all my valued clients who helped to make 2019 another record year! Without your loyalty, enthusiastic referrals, and collaborative teamwork it would not have been possible. Tusen takk!

Economic supply and demand principals are hard at work in the residential resale market with the supply shrinking so dramatically, 30% YOY, that it has the local real estate statisticians 'scratching their heads' to describe where the market will go from here in the year ahead.

Early evidence of this unusual set of market conditions is, for example, the first week sales volume at \$2.75B, up 26% YOY which is the **highest volume for this week on record!**

Obviously, the year is setting up to be record-breaking on many dimensions. Sellers in all 17 metropolitan areas are strongly advantaged, but **PRICE** and **PROPERTY CONDITION** will still determine success or failure when looking to sell.

I am a firm believer in the principal that movement or momentum in the real estate market creates opportunity and value, just like the stock market. In the stock market accumulating or short selling on momentum is fundamental to investment decisions; buyers and sellers can both profit in the same market. The perspective and goals just need to align. Same holds true for real estate.

Buyers must recognize the upward pressure on prices. For example, the Case-Shiller index pegged Metro Phoenix as the #1 market for appreciation – August-October 2019 with a YOY gain of 8.8%. For buyers, the strategy is to find the best value at market today and negotiate the best deal the market will accept. Otherwise, pay 5%-10% more in 6-months or potentially be completely priced out and face declining inferior inventory conditions.

Whether you are buying, selling or just looking for real estate related information, I welcome your text, calls or email! Put my experience, knowledge and expertise to work for you!



Secluded Mountain-Top Private Gated Estate
360-degree panoramic views on 12+ acres.
\$3,595,000



New 2019 Medical Office – Multi-Tenant Building
\$2,090,000

EXECUTIVE SUMMARY – COMMERCIAL REAL ESTATE MARKET IN 60 SECONDS

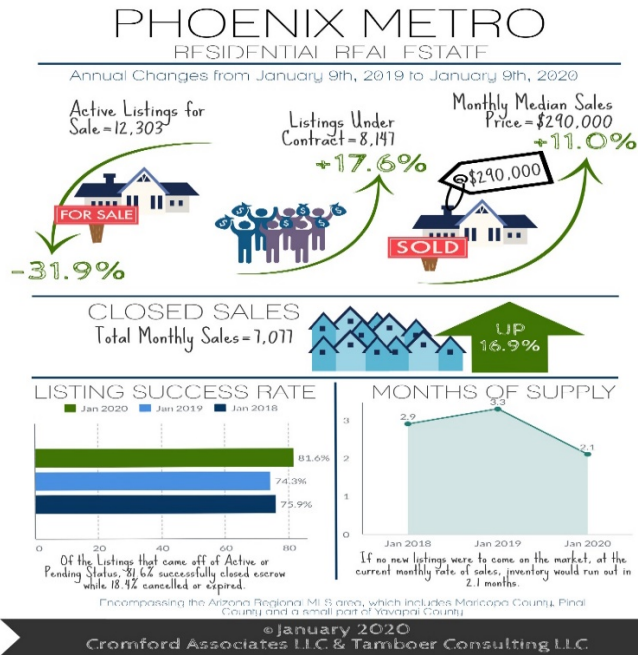
Multi-family: Rents in the Metro-Phoenix market, top the nation with total rent paid increasing by 7.5% YOY. This is followed by Las Vegas up 5.6%. The strong income growth in this sector has increased demand for investments, with record purchase prices paid in all areas of the Valley; Scottsdale - \$96M, Goodyear \$75.5M, Phoenix, \$65M as examples. New luxury rental development continues with global behemoth Hines announcing the 'Adeline' project in central Phoenix bringing 379 units to market opening 2022.

Office: CoStar reports Office vacancies in Metro-Phoenix dropped below 12% for the first time since 2007, thanks to some of the fastest job growth in the country and conservative levels of new supply. Phoenix office assets still represent a relative bargain, with pricing below previous peak levels. Affordability and higher yields are luring California buyers to the local market.

Industrial: Healthy employment growth is supporting demand for industrial properties. According to the most recent CoStar data, Phoenix ranks seventh in the Nation for industrial demand with 6.4 million square feet of net absorption. The transportation, utilities, and manufacturing sectors, typical industrial space-users, achieved healthy job gains. Combined, the three sectors added 19,300 jobs, a 3.5% employment growth YOY. These factors in addition to strong population growth, will continue to stimulate demand for manufacturing, warehouse and logistics space.

Retail: News-making headlines in the retail sector focus on bankruptcies, store closures and investors exiting the retail sector. Also making news is repositioning of malls and strip centers, expanding the mix of restaurant offerings, residential & hospitality additions and repurposed employment centers. As an example, a shuttered Sears building in Los Angeles is being redeveloped as a dining and entertainment district.

Land: Land sales are up 6.5% YOY for a volume of \$508M representing 2,185 transactions. Small lots under .25 Acres have less than a 6-month supply. Larger lots up to 2.5 acres have a 12 to 18-month supply. Given the land inventory shortage, it would suggest vacant lots should increase in price and transaction volume to help supplement the short supply of houses for infill and custom building.



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
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