

10 Buy Now Talking Points



1. **'The Inverse Relationship'**—As prices have come down sales have gone up...proportionately.
 - In short, 'we can't predict the future, but we can cite trends'. See the Cromford Report for today's numbers.
2. **'The conventional wisdom is usually wrong'**—In 2005 buyers were buying like the appreciation would never stop and it was effectively over!
3. **3 Generations of Buyers:** Differences between Boomers, Gen X and Gen Y can make for practical, as well as amusing conversation. See Dream Homes Vary by Generation (below) for summary points of distinction...
4. **Low interest rates**—For every 1% interest rates go up, the effective price of the home goes up about 10% (assuming an 80% loan).
 - What buyers hope to gain in lower prices they may lose in a higher effective cost with higher interest rates.
 - Interest rates are arguably 'artificially low' to stimulate the market. However, with over 1 trillion in additional capital (printed money) being pumped into the economy it is inevitable interest rates will have to go up at some point to offset inflationary pressure. Inflation is caused by *too many dollars chasing too few goods and services*. The Federal Reserve has historically raised interest rates to combat inflation.
 - Future inflationary pressures may bode well for real estate as home prices rise.
5. **'The U curve'**—Buying a home is at least a 3 to 5 year decision. No one knows 'the bottom'. By the time you know the market has bottomed out you missed it. The historic reality is that prices have always rebounded. So, a buyer can feel confident taking advantage of the low rates, great selection and soft prices with the knowledge that historically real estate has always appreciated over time. Note: price rose some 47% in 2005 - 2007, then in the crash declined to 2004 levels (pre hyper appreciation levels). Now about 25% below the peak. See Extreme Statistics page
6. **Demographic Trends**—The demographics favor continued growth in our area. The baby boomers are retiring at 12,000 per month. They want their place in the sun. This demand has made Arizona a top growth state since air conditioners began appearing in 1947. It will continue for at least another decade. As much as 25% of our in migration now comes from California!
7. **Supply and demand**—There is a pent up demand of buyers—who have postponed purchasing the home they would like to own for fear of further declines in the market. At the point that we reach 'critical mass' and buyers generally get the green light that it's a good time to buy prices may actually accelerate quickly because of a limited / finite supply:
 - We are beginning to see signs of inventories decreasing in certain market segments.
8. **Portfolio conversion**—Many have cashed out their 401K's and other stocks for fear of further stock market loss. They are looking for a safe haven for that cash. Real estate is a tangible asset that can provide that PLUS has the further advantages of tax benefits and leverage.
 - *Tax benefits*—Not only the interest rate deduction, but the 250 and 500K gain (*while they last!*)
 - *Leverage*—Most prospective buyers who are not investors per se may not realize the power of leverage in real estate. For example, a 100K (20% down payment) on a 500K property that over time appreciates at an average rate of 5% yields a 25% return cash on cash i.e. 5% of 500K, not 5% of their 100K investment.
 - {This may be a marketing opportunity e.g. do a public seminar on the benefits of holding real estate.}
9. **Price to Rent Ratio** as a leading indicator: One conservative historical barometer of a healthy real estate market is when you can buy investment property and the rents cover the mortgage payment on a typical 80% loan to value. Economists feel the price to rent ratio is perhaps the most accurate gauge of fair home value. Most human beings are rational animals: If home prices get too high, many will choose to rent. If rents get too high, many will choose to buy. Prices and interest rates currently favor buying. As an example, even with Scottsdale's 'lifestyle premium' it is not difficult to find properties today where you can put 20% down and rent it for the payment. Test this for yourself. In short we're talking about affordability.
10. **More than Shelter**—'*Home is where the heart is*'. For the 40+% of Arizona homeowners upside down (owe more on their home than it's worth) this may sound like more of a curse than a blessing. The clock has been turned back on home values. This is not good news for those who purchased in the last 4 to 5 years and want to move on. The sheer weight of this problem is the focus of both the private sector and government. Just as the 2010 Tax Credit was designed to provide an incentive to buyers, there are new programs and guidelines being rolled out almost daily to assist upside down homeowners. As the duress properties work their way through the market balance will ultimately be restored. Bottom line: In this crisis there is opportunity. It may sound crass, but as JD Rockefeller once said '*The way to make money is to buy when blood is running in the streets.*'

ALL AREAS & TYPES	HIGH	DATE	LOW	DATE	TYPICAL	NOTE
Active Listings	58,334	10/30/07	8,342	04/01/05	29,695	Avg
Pending Listings	15,149	04/28/10	3,025	01/01/08	8,146	Avg
Sales per Month	11,090	04/30/05	2,517	01/29/08	6,937	Avg
Sales per Month (7 Day Average)	10,196	06/22/05	2,732	01/30/08	6,937	Avg
Sales per Year	106,815	10/15/05	48,491	06/30/08	83,239	Avg
Days on Market - Monthly Sales	140	02/09/08	25	07/15/05	77	Avg
Days on Market - Active Listings	173	05/27/09	43	10/29/05	123	*1
Days Inventory	429	04/28/08	30	04/01/05	143	Avg
Months Supply	20.6	01/30/08	0.9	05/04/05	4.8	Avg
Active Listings \$/SF	\$228.27	02/20/06	\$126.62	01/21/11		*2
Pending Listings \$/SF	\$211.61	03/30/06	\$77.59	08/20/11		*2
Monthly Sales \$/SF	\$190.61	05/05/06	\$78.82	09/15/11	\$125.89	Avg
Annual Sales \$/SF	\$184.56	09/22/06	\$81.73	11/21/11	\$125.89	Avg
Appreciation - Monthly \$/SF	46.0%	09/15/05	-44.7%	04/06/09	4.4%	Avg
Appreciation - Annual \$/SF	37.2%	03/05/06	-36.5%	07/02/09	2.9%	*3
Appreciation - Monthly Median \$	54.9%	10/07/05	-46.5%	05/05/09	5.7%	Avg
Appreciation - Annual Median \$	46.8%	02/26/06	-38.9%	09/13/09	5.4%	Avg
Appreciation - Long Term \$/SF	12.2%	07/01/06	-1.5%	11/01/11	2.9%	*3
Average Sale Price % List	99.55%	06/05/05	93.82%	02/05/09	97.18%	Avg
Annual Growth in Sales per Month	77.0%	05/05/09	-41.2%	11/03/07	5.2%	Avg
Annual Growth in Pending Listings	107.0%	10/30/09	-42.9%	01/18/14	3.4%	Avg
Listing Success Rate	87.0%	05/28/05	20.4%	01/29/08	65.0%	Avg
Dollar Volume - Monthly Sales	\$3,619M	06/30/18	\$520M	01/30/01	\$1,665M	Avg
Dollar Volume - Annual Sales	\$31,405M	02/24/06	\$9,498M	01/29/01	\$19,984M	Avg
Average Price - Monthly Sales	\$357,774	06/21/07	\$151,015	09/05/11	\$240,076	Avg
Average Price - Annual Sales	\$339,029	09/01/07	\$156,955	11/21/11	\$240,076	Avg
Median Price - Monthly Sales	\$269,500	06/26/18	\$107,000	02/24/11	\$184,900	Avg
Average Sq. Ft. - Monthly Sales	2,041	06/26/18	1,721	02/28/02	1,907	Avg
Average Sq. Ft. - Annual Sales	1,996	09/19/08	1,761	12/30/01	1,907	Avg
Monthly Sales \$/SF as % Peak	100.0%	05/31/06	41.4%	09/15/11	76.4%	Avg
Annual Sales \$/SF as % Peak	100.0%	10/26/06	44.3%	11/21/11	78.6%	Avg
Active List Price \$/SF Premium	117.7%	04/27/09	13.0%	06/18/06	46.3%	*2
Cromford Market Index™	312.9	04/08/05	26.5	10/30/07	121.2	Avg
Cromford Supply Index™	214.0	10/03/07	41.3	04/15/05	105.2	Avg
Cromford Demand Index™	150.8	11/15/09	56.5	10/30/07	106.2	Avg

'Dream homes' vary by generation

When you were born says a lot about your idea of the perfect house. Here's a review of the features that appeal most to boomers, Gen X and Gen Y, plus tips on how to sell to homebuyers in each generation.

By Christopher Solomon of MSN Real Estate

What's your dream house? A marble manse stuffed with art? A swinging pad where the stereo's always thumping and the hot tub's always bubbling? A clean, well-lighted place ... that also has a Viking range and a Sub-Zero fridge?

Your answer says a lot about your values and attitudes -- and may have a lot to do with when you were born. So say the authors of a new study of 1,000 homeowners nationwide. The market research company GfK Roper Reports asked Americans to prioritize the amenities they'd have in their dream home -- not necessarily amenities they already have, or will have in their next home. The different responses, from baby boomers through first-time generation-Y buyers, reflect how different features appeal to different ages and also how tastes have shifted over time.

"I think what the study reveals is very different value sets among the generations," says Kathy Sheehan, senior vice president for GfK Roper Reports, which surveys the American consumer for [Fortune 500](#) companies.

Definite patterns emerge from the survey data, Sheehan says, and you can glean some potentially important insights -- especially if you're considering pre-sale renovations. But first, here's a review of the survey results:

Boomer dream homes: the picture of success

Baby boomers, those born 1946 to 1964, rank a state-of-the-art kitchen No. 1 on their list of must-haves, with walk-in closets, whirlpool baths, fireplaces and swimming pools rounding out the top five. They also rank a workshop/hobby studio highly. (You can see a full list of each generation's top 10 below.)

Sheehan explains: As they're becoming so-called "empty nesters," boomers think about having a private retreat that's as much gallery as home. They waited until later in life to have a grand home, and now they generally want to flaunt its many niceties -- a home where they can age (extremely) gracefully. "It's about the show," she says, with amenities such as a grand kitchen and places to display art. In a nutshell, the boomer home says, "I've made it."

Generation X: family-focused informality

Those born roughly between 1965 and 1978 also place a high priority on a fine kitchen and on amenities like large walk-in closets. As these sons and daughters of baby boomers age, their aspirations for dream houses are now dovetailing with those of their parents, says Sheehan. The reason? This generation has moved into child-rearing age, says Sheehan, and now "want stuff that speaks to organization." Their buzzword: family.

"Gen X-ers are at childbearing age," Sheehan says. "That means that Gen-X homes are about the family center. They are looking for things that help them organize and eradicate clutter and chaos."

But Gen X-ers are notably different from boomers, too, says Sheehan. For one thing, "Gen X-ers have different attitudes about family and disciplining their children." Those different attitudes show themselves not only in how these former slackers prioritize their dream amenities, but also in how little they like the formality of boomer homes; they want a casual home, says Sheehan.

They're also much more in tune to style and design, and know exactly what they want in a home -- and are less inclined to settle for less, she says.

Generation Y: Let the good times roll

Gen Y-ers, those born after 1978 to about 1995, want a home that hollers "entertain me." Top-10 priorities include a whirlpool bath, sauna/steam room and entertainment center. "All of these things are about fun," says Sheehan.

That might explain why gardens and workshops don't make an appearance on the Gen-Y list.

And they're clearly not yet worried about accommodating children. This generation is emerging socially, and wants amenities that enhance that aspect of its life. So instead of a place to hunker down, Gen-Y homeowners "might be more interested in the home as a social hub," says Sheehan.

Technology is also second nature to this generation. They're completely wired. So a Gen-Y home, more than any other, will practically hum with electronics.

Top dream-home amenities vary in importance by generation:

Rank	Generation Y (Born 1978-1995)	Rank	Generation X (Born 1965-1977)	Rank	Baby boomers (Born 1946-1964)
1	Whirlpool bath	1	State-of-the-art kitchen	1	State-of-the-art kitchen
2	Swimming pool	2	Large walk-in closets	2	Large walk-in closets
3	Game/billiard room	2	Fireplace	3	Whirlpool bath
3	Large walk-in closets	4	Whirlpool bath	4	Fireplace
5	Fireplace	5	Swimming pool	5	Swimming pool
6	State-of-the-art kitchen	6	Patios, porches and decks	6	Workshop/hobby studio
7	Sauna/steam room	7	Game/billiard room	7	Patios, porches and decks
7	Gym/fitness room	8	Garden	8	Garden
9	High-tech entertainment center	9	Gym/fitness room	9	Game/billiard room
10	Patios, porches and decks	10	Workshop/hobby studio	9	High-tech entertainment center

Some common ground

So, how immutable are these traits, anyway? Observers say attitudes about homes do change as people enter different stages of their lives: Witness the Gen X-ers who want high-end kitchens now that they're nesting, just like their boomer parents before them.

But the study turned up somewhat unexpected results, too. For Gen X-ers, "It's a little more surprising that their values seem to be staying with them as they age," says Sheehan, mentioning attitudes such as informality. "There might be life-stage changes, but the values will remain consistent." Another is the Gen Y embrace of technology. That shouldn't be expected to dissipate, either, she says.

Perhaps most interesting to homeowners renovating with an eye toward selling their home are the features the generations agreed were important. Walk-in closets made an appearance in the top three on all three-generation's lists, for example. And those state-of-the art kitchens ranked No. 1 for both boomers and Gen X-ers -- and made a not-so-shabby appearance at No. 6 for the Gen-Y set. Other features cracking the top five for all three generations:

Whirlpool baths; Swimming pools; Fireplaces