YOUR SEDONA ADDRESS

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Monsoon Season in Sedona

We are enjoying a monsoon season in Sedona! The monsoon or rainy season is an annual weather pattern that typically affects the Southwest desert between the months of July and September. The summer monsoon used to be declared by the Phoenix National Weather Service (NWS) office when the dew point measurement in that city was 55 degrees or higher for three consecutive days but major storms struck before the dew point formula was reached. So beginning in 2008, the NWS began using a new calendar method - the Arizona monsoon season starts on June 15th and ends on September 30th. The NWS chose these dates from the analysis of a decades-worth of data including rainfall and season length.

The average start date for the monsoon season used to be July 7th and the average end date used to be September 13th. The earliest monsoon season start date on record is June 16th which was recorded in 1925 and the latest start date is July 25th recorded in 1987. The average total number of monsoon days is 56 and the greatest number of monsoon days is 99, recorded in 1984. The fewest number of monsoon days is 27, recorded in 1962.

Sedona's summer monsoon season is not like the endless torrential monsoons one associates with monsoons in Southeast Asia and other parts of the world. Monsoon summer storms generally bring short periods of heavy rain storms which usually occur in the late afternoon or early evening.

Total rainfall in July and August in Sedona averages just under four inches combined (the annual precipitation is 19 inches). The days will usually start out sunny and as temperatures rise, clouds will begin to gather, dropping heavy rain throughout Sedona and the Verde Valley.

The sunny and hot weather Arizona is known for begins to change as the regional high pressure zone that sits east of Arizona shifts north. This shift results in a change of direction for prevailing winds, which come from the west most of the year. When the winds change they flow from the south and southeast. Known as the Mexican monsoon, this seasonal shift of winds brings tropical moisture from the Sea of Cortez and the Gulf of Mexico into Arizona. When this moist Mexican air collides with Arizona's desert heat, monsoon thunderstorms are created.

Most monsoon thunderstorms develop in the late afternoon because that's when heat rises. The air has nowhere to go but up when winds push against Arizona's mountain ranges - that's why storms often start above the mountain ranges first. The sky generally clears by early evening for our usual superb star gazing.

The summer storms are often a welcome relief from Arizona's high temperatures. They can command high winds, dust, heavy rain and flash floods. The rapid onset of the storms can change weather conditions in an instant. The thunderstorms that result are often spectacular.

REAL ESTATE TRENDS

Numbers are for the greater Sedona area real estate market which includes the City of Sedona (West Sedona, Uptown Sedona & Little Horse Park) and the unincorporated areas of Village of Oak Creek (includes Big Park), Red Rock Loop Road and Oak Creek Canyon. Mainstream homes have a Listing/ Selling Price of less than $1,000,000 & luxury homes $1,000,000 or more.

We have reached the half-way mark for 2010 and the median selling price for homes, condos/townhomes and home-sites is down and prices have stabilized. Sales are up and buyers are enjoying some great values and historically low mortgage interest rates. Sales of home-sites & condos picked up some momentum in the second quarter 2010. Foreclosures continue to significantly impact the market as noted below. The inventory of properties available is back to more normal levels. Let's take a look at signs that are indicators of the conditions of the Sedona area real estate market. Detailed market statistics for the period 2003-2010 are attached.

Inventory of Properties

When inventories start to decline, the most desirable properties – those with the highest likelihood of profitable resale – are leaving the market. There was a 7% decline in total no. of properties available for sale

from July 2009 to July 2010 in the Sedona area. The mainstream home inventory has declined 10%, the luxury home inventory 19%, the condo/ townhome inventory 17% and home-sites inventory has remained approximately the same from last year at this time. The inventory of properties has stayed pretty consistent within the last 3 months (within 3%). The no. of listings that are short sales is down 38% and there is the same no. of listings that are foreclosures as compared with last year at this time. The no. of short sale listings has stayed the same & foreclosed listings have stayed within a range 10% for the past 3 months.

Days on the Market (DOM)

This is the period of time when a property is first offered for sale and when it sells. When the DOM get shorter we are headed for a seller's market – a seller's market has more buyers than properties, so prices go up and selection goes down. Some use a rule of thumb defining a "strong market" when the DOM falls below 90 days, a "seller's market" when the DOM falls below 60 days and a "buyer's market" when the DOM is 120 days or more. The Median DOM for the 2nd quarter 2010 for homes was 160 (down from 177 in the 1st quarter 2010), for condos/ townhomes it was 197 (down from 227 in 1st quarter 2010) and for home-sites it was 244 (down from 306 in the 1st quarter 2010). It is clearly still a buyer's market. The DOM is not showing a strong trend downwards as the same trend was evident in 2009. It is interesting to look at the foreclosure sales – the median DOM for foreclosures in the 2nd quarter 2010 is as follows: DOM is 59 for homes, 73 days for condos/townhomes & 136 days for home-sites.

Prices

The median selling price dropped to $371,800 in the 2nd quarter 2010 from $390,000 in the 1st quarter (down 5%) for homes. This is an 11% drop from the same quarter 2009. The median selling price for a home dropped as low as $332,500 in the 4th quarter of 2009. The median selling price for condos/ townhomes dropped to $299,900 in the 2nd quarter 2010 from $322,500 (down 7%) in the 1st quarter 2010. The median selling price for a condo/ townhome in the 1st quarter 2009 was $500,000 & in the 2nd quarter 2009 was $285,000. The median selling price dropped to $215,000 in the 4th quarter 2009 for condos/townhomes. The median selling price for home-sites in the 2nd quarter 2010 was $144,500 – down 30% from the 1st quarter 2010. It has been as low as $119,000 in the 2nd quarter 2009. Selling prices are rolled back to 2003/2004 prices and buyers are enjoying some great values.

Sedona has few consistent neighborhoods so the price/square foot is less significant for comparison purposes than for other cities. However, the price/ square foot range is meaningful when compared to 2009 figures. -The price/square foot for mainstream homes was in the range $43 to $294 with a median of $169 for the 2nd quarter 2010 as compared to the range $95 to $353 with a median of $173 the same quarter last year. The price/square foot range was $171 to $333 with a median of $255 for luxury homes as compared to $279 to $384 with a median of $313 for the same quarter 2009. Condos/townhomes sold in the price/square foot range $86 to $479 with a median of $220 as compared to $152 to $276 with a median of $228 for the same quarter 2009.

Selling/Listing Price Ratios

Buyers enjoy the upper hand in price negotiations in a "buyer's market" and there is a bigger gap between what the seller is asking and what the buyer is paying. The selling/listing price ratio range for homes was 69% to 156% with a median of 96% in the 2nd quarter 2010 as compared to 71% to 108% with a median of 93% in the 2nd quarter 2009. The foreclosures are having an impact on this range as buyers are offering more for a home than it is listed for with a foreclosure range of 83% to 156%. The selling/ listing price ratio range for condos/townhomes was 74% to 105% with a median of 95% in the 2nd quarter 2010 as compared to 84% to 101% with a median of 95% in the 2nd quarter 2009. The foreclosure range was 74% to 105% with a median of 100%. The selling/listing price ratio range for home-sites was 59% to 108% with a median of 84% in the 2nd quarter 2010 as compared to 70% to 100% with a median of 91% in the 2nd quarter 2009. The home-site foreclosure range was 59% to 100% with a median of 88%.

Market Activity

The no. of sales has increased significantly from last year. In the first six months of this year 216 homes sold. This is an increase of 48% from the same period last year. The luxury home market is down with 7 homes sold in the first six months compared to 9 for the same period last year. The no. of sales for homes increased 16% from the first to the second quarter of 2010. In the first six months of this year 36 condos have sold. This is an increase of 28% from the same period last year. Condo sales increased 77% from the first quarter to the second quarter 2010. In the first six months of this year 44 home-sites have sold. This is a 33% increase from the same period last year. Home-site sales increased 20% from the first to the second quarter 2010.

April total dollar value real estate sales were 24.4 million dollars (53% increase from April 2009), May sales were 18.2 million dollars (3% increase from May 2009) and June sales were 21.4 million dollars (down 17% from June 2009).

54% of the homes sold in the 2nd quarter 2010 has a selling price of less than $400,000 and 43% of these homes were foreclosures and 13% were short sales. 32% of the homes sold in the 2nd quarter were fore-

closures and 9% were short sales. 52% of the condos/townhomes sold in the 2nd quarter 2010 had a selling price of less than $300,000 and 25% of these were foreclosures and 25% were short sales. 71% of all home-sites sold in the 2nd quarter 2010 had a selling price of $200,000 or less and 65% of these were foreclosures.

Pending Sales

Pending sales on July 1, 2010 show that 60% of the upcoming sales for homes are foreclosures and short sales. The no. of pending sales for homes is up by 17%, down by 55% for condos/townhomes and home-site contracts have more than doubled when compared to pending sales for June 1st. Only time will tell if these pending sales translate into real sales.

Shadow Inventory

"Shadow inventory" refers to the number of homes with delinquent mortgages yet to move through the foreclosure process (including outstanding properties 90 days or more delinquent, properties in foreclosure and known REO properties not yet listed on the market). Standard and Poor's (S&P) released a report in June that says that "shadow inventory" of distressed properties that back residential mortgage-backed securities will take nearly three years to clear at the current sales rate. The "shadow inventory" varies from city to city. In the report, Phoenix, AZ had the smallest shadow inventory that would take 16 months to clear. Estimates on the "shadow inventory" and the time it will take to clear vary from firm to firm. Morgan Stanley most recently said it could take four years to clear; and Barclays Capital reported that it could peak at 4.7 million units in the summer of 2010. The research firm, Capital Economics, said the "shadow inventory" could reach 5.5 million units by the end of 2011. This inventory provides a continuing supply of great deals for buyers and the supply of distressed properties has to be cleared in order for prices to come back.

MORTGAGE NEWS

By Linda T. Rogers, the Sedona Branch Manager for Primary Residential Mortgage, Inc. Linda is a Certified Mortgage Planning Specialist with over 25 years experience in finance. Linda can be reached at lrogers@primeres.com or 928.203.0695 X 3.

What is Happening with Interest Rates? Are they going up or down?

I am asked this question more than any other. For months the alleged experts (including me) espoused the logic that after the Fed exited the Mortgage Backed Securities Purchase Program on March 31, mortgage interest rates would move up. But here we sit, over 90 days later, and rates are at their lowest point in four decades. What is up with that?

Let's start with some economic realities. First there is a finite amount of cash in the world. Second, there are only four basic places to put that cash:

- In the Stock Market
- In the Real Estate Market, this includes the financing of real estate (Mortgage Backed Securities or MBS).
- In the Commodities Market (gold, silver, orange juice, pork bellies, etc.).
- Or leave it in Cash (CDs, money market, stuffed in your mattress, etc.).

Cash itself has a near zero rate of return. Rates on CDs barely outpace inflation. Commodities are mostly an unknown for the average investor. So, for the most part, we look at cash moving back and forth from Stocks to Bonds (like MBSs) and vice versa.

When the stock market is moving up, investors buy stock with their cash, which means that cash leaves the bond market. To attract buyers back to bonds, the bond traders have to offer bonds with higher yields (that is loans with higher interest rates). When the stock market is trending lower, you hear the expression "flight to quality" towards the safety and stability of bonds. When more people want to buy bonds, bond traders lower yields (that is loans with lower rates).

How does this relate today? Look at the falling economies in Europe and Greece. Investors are nervous about the impact on our stock market as international partners struggle. The Dow has dropped, so people are pulling their cash out of the stock market and buying Mortgage Backed Securities at a feverish pace…**therefore lower rates.**

Will it last?

I don't think so. Many stock analysts are predicting a rebound in late July. We are back into a more traditional interest rate forecasting model. Watch stocks, watch inflation and watch jobs numbers. If these numbers increase you will see rates rise quickly. It will also be interesting to see what happens in the next 60-90 days when all of the loans come to market that we just closed pre-June 30th (as people were trying to beat the tax credit deadline) . I am not sure how big the appetite will be for all those 30 year loans under 5%. If the demand is not there for all of it at once, bond traders are likely to offer higher yields in the future. That means higher rates on loans closing at the end of the summer and fall.

Lock & Shop

My advice to you is to buy now if you are in the market to do so. Remember that if rates move from 5% to 6% that is equal to a decrease of 10% in the price of a home that you can afford. Even if you have not found a home yet you can still lock in a low rate while you are looking. We offer a great program called LOCK & SHOP that allows you to lock a rate now and then find a home. You must close on the prop-

erty within 60 days. That gives you 30 days to find your dream home. If rates go down after you find a home, you will receive the lower rate, but you are still assured that your rate will not be higher than the rate you locked.

AT A GLANCE

Tax Credit Deadline Extended

Congress passed a bill extending the Homebuyer Tax Credit closing deadline to September 30, 2010. The extension applies only to transactions that had ratified contracts in place as of April 30, 2010 and have not yet closed. First-time buyers were eligible for a tax credit of up to $8,000 and current owners who bought and moved into another home could qualify for a credit of up to $6,500.

Lights on State Route 89A

The Sedona City Council voted to approve one of three options from the Arizona Department of Transportation for streetlights in West Sedona. More than three years of discussion and numerous votes lead up to this decision. Council chose the option of 35-foot Monterey style poles. These are the same style as those in Uptown Sedona and along State Route 179. There will be approximately 93 poles and the lights will be staggered along State Route 89A on both sides of the roadway. ADOT plans to start installation of the lights this fall and the construction is expected to take eight months to complete. ADOT told the city it will not have to fund any portion of this project.

Sedona City Council Priorities

The Sedona City Council, at its retreat on June 28th, came up with its top six priorities for the next two years and also developed two committees to help them reach the goals. The six priorities that council decided on were: State Route 89A safety, a Community Plan update, public communication, outreach & education, Wastewater Treatment System Plan and financial management and sustainability. Council formed a budget steering committee and a sustainability committee whose direction will be to create a balance between economic and environmental issues to create long-term sustainability for the city. The State Route 89A safety priority includes both an alternative to the streetlights on the roadway in West Sedona along with the lights. Council also directed the city's Historic Preservation Commission to work with the state's centennial celebration that will occur in February 2012. Council also wants the Arts and Culture Commission to come up with an idea to help Sedona become a center of education for the arts.

New Airport Restaurant

The Sedona Oak Creek Airport Authority, the non-profit organization that operates the Sedona Airport, started construction on a new restaurant. The new restaurant was designed by local architect, Mike Bauer of The Design Group and the new 3,000 square foot building is designed to maximize the view of air operations and the red rocks in the distance. It will include both a covered dining terrace and a bar. The construction will feature green building technologies. The new restaurant is expected to open in spring of 2011.

Sewer Fee for Vacant Land Owners

The Sedona City Council voted to implement a new fee for property owners of vacant land in Sedona with sewer availability who will now have a monthly capacity standby charge assessed. Beginning July 1, the new fee of $18.71 per parcel per month will be billed on a monthly basis. Owners will receive their new sewer bill at the end of July, a monthly sewer billing is completed in arrears. Call 928-204-7185 or visit Finance_Dept@SedonaAZ.gov for more information.

Sedona: The Motion Picture

Accomplished cinematographer, Rudy Harbon joins the Sedona: the Motion Picture project. Harbon studied cinematography at the University of Paris-Sorbonne in his home country of France. In 2005, Harbon was nominated for an Emmy Award for "The Battle of Tripoli". He earned a Best Cinematography Award at the 2006 Phoenix Film Festival for "The Passing". Filming is planned to begin this summer in Sedona.

Arizona State Park Annual Pass

The Arizona State Parks Board now allows two names on either of their Standard or Premium Annual Passes. The change allows two pass holders to put their name on an Annual Pass rather than one name. The pass allows four adults entry to a park and children under 14 are not considered adult visitors. Only one vehicle per Annual Pass will be allowed to enter a park at a time. Visit AZStateParks.com or call 800-285-3703 for more information.

Average Size of a Newly Constructed Home

The National Association of Home Builders (NAHB) issued a report last month that finds that, after three decades, the average size of a newly constructed single-family home got smaller. The report says that the average size peaked at 2,521 square feet in 2007, was flat in 2008 and declined about 100 square feet in 2009. The decline is related to an increased share of first-time buyers, a desire to keep energy costs down, smaller amounts of equity in existing homes to roll into the next home, tighter credit standards and less focus on the investment component of buying a home.

WHAT'S HAPPENING

July 2nd to August 4th – "*Moments of Transcendence*" Art Exhibit: at the Sedona Arts Center features Jack Dykinga, Pulitzer Prize-winning photographer, who blends large-format, landscape photography with documentary phototjournalism.Call 928-282-3865 or visit the Gallery Page of the Center's website www.sedonaartscenter.com.

Friday, July 16th – Sedona Community Farmer's Market at the Sedona Airport. Call 928-821-1133 for more information.

Saturday, July 17th – Annual Summer Soiree 5:30-9 pm at the Arboretum at Flagstaff. Call 928-774-1442 for more information.

Sunday, July 18th (through to July 25th) – Sedona PhotoFest featuring an apprentice program, 3-day symposium, exhibition, sale & competition at various locations. Call Sedona Arts Center 928-282-3809 for more info.

Monday, July 19th (through July 23rd) – Camp Bear Wallow: The Art Camp for Kids at the Sedona Creative Life Center. Call 928-282-9300 for more information.

Tuesday, July 20th – Native American Storytelling 6pm at the Institute of EcoTourism. Call 928-282-2720 for more info.

Wednesday, July 21st – Naturalist-guided Bird Walk 7am Red Rock State Park. Call 928-282-6907 for more info.

Friday, July 23rd – Theater: *"See You at Two"* at 7:30pm. Sharlot Hall Museum in Prescott. Call 928-445-3122 for more info.

July 23rd to 25th – Zaki Gordon Institute for Independent Filmmaking 10-year anniversary celebration weekend workshop devoted to general filmmaking and editing. Visit www.zgi.yc.edu or call 928-649-4279 for more info.

Saturday, July 24th – National Day of the Cowboy Celebration 10am-8pm Uptown Sedona. Activities include gunfight performances, historical re-enactments, western trades-and-crafts demonstrations, cowboy art exhibitions, hands-on roping and live country music. Call Sedona Main Street Program 928-204-2390 for more info.

Sunday, July 25th – Concert: REO Speedwagon with Pat Benatar 6:30 pm Tim's Toyota Center, Prescott. Call 866-443-8849 for more info.

Tuesday, July 27th – Rhythm Devils 8:30 pm The Orpheum Theater in Flagstaff. Call 928-556-1580.

August 9th–16th – The First Annual Flagstaff Film Festival. Films will be screened at the Orpheum Theater in downtown Flagstaff with free outdoor programs taking place at other locations. For more info visit www.flagstafffilmfestival.org.

August 20th – 21st – Red Rock Road Completion Celebration. Come celebrate the end of nearly four years of road construction with the Sedona Chamber of Commerce. The celebration will begin Friday in the Village of Oak Creek, which is where construction began back in the fall 2006. Activities include a golf tournament, an outdoor evening movie and a full-moon walk through the VOC business district.

Century Plant (Family: Agave Family – Agavaceae)

The Century Plants were in full bloom this year in Sedona thanks to our wet winter. This is an occasion considering the plant blooms only once in a lifetime (on average, twenty-five years). The flower starts out as a yellow/orange/red spike and develops into a glorious bouquet. The blooming spike is so large & it grows so fast that it saps all the plant's resources & the plant dies thus earning its name the "Century Plant" because of this "once in a century bloom".

David Levine
REAL ESTATE TEAM
SATISFYING EXTRAORDINARY TASTE