

OCTOBER 2016

Real Estate Update



JEFF GERBER
ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

I hope you can tell that summer has ended and Fall is starting with more comfort than I. I seem to get a cold and/or sinus infection most years to signal the change of seasons. This year it was an especially nasty cold. I'm finally beginning to feel 'human' today. Here's hoping you beat the bug! I will be happy to share the weather forecast I saw delivered by April on Good Morning Arizona with each of you. Mostly sunny skies, low humidity, highs in the 80's and 90's with lows mostly in the 60's for the next week. Phoenix, I love you!

The Phoenix Real Estate market continues to chug along in 2016. It seems like we have seen a few less Buyers in the market over the past couple of weeks, but the nicer fall weather ahead typically sees an improved market till just before the year end Holidays. Let's hope that pattern stays true! It continues to be a good time for Buyers. Interest rates for home mortgages hit a 10-week low point at the end of Sept. 30-year fixed are around 3.42% with 15-year mortgages closer to 2.72%. Both down about 0.05% from last year. I posted an interesting video on my website from Economist Robert Shiller (Case-Shiller Index) that is worth a view for anyone considering a purchase now or in the near future. The Phx Business Journal quotes 'LawnStarter' as ranking Phoenix as the #10 new home start City for the first half of 2016. Bankrate.com also ranks Phoenix among the best housing markets in the Country. Perhaps it is time for you to get your own (or maybe a second as an investment) piece of The Valley of the Sun. Real Estate transactions are finding the available pool of Appraisers to be smaller than normal. The number of working Appraisers is down 22% since 2007. We're sometimes seeing a week or so delay on appraisals. That can mean a 45-day Escrow period versus a 30-day as we have been used to. We're lucky. It's much worse in other parts of the Country. My client, Deborah, is a Broker in OR. She tells me a 6-week wait for an Appraisal is not unusual in her area.

The month of September proved to be probably the busiest real estate month for me, ever. On positive notes, everything appears to be in order for the sale of Julie's Mesa (Camelot Country Club) home on the 11th of this month and the purchase of her new Mesa (Alta Mesa) home on the 12th. There were lots of twists and turns to navigate, but it is easier when you have a great client! We found a nice Mesa (Dreamland Villa) home for Deborah, as she makes the move from OR back to AZ by November. It proved to be a "small world" situation when the Seller of the home Deborah is buying and I discovered we had mutual acquaintances from Escanaba, MI! We continue to find the right match of a Buyer for my W Chandler/Kyrene (Gila Springs) listing of Monty's Mom's home. I appreciate the opportunity to put Chris & Anita's (thanks Nate) Mesa (Superstition Springs) home on the market today. I wish them well as they transition to FL. If you know of anyone looking to Buy or Sell a home, please don't forget to mention that I would love to earn their business.

Regards,

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August 2016

Arizona Regional MLS

New Listings **8,738**

▲ **2.8%** from Jul 2016: **8,502**
▲ **5.3%** from Aug 2015: **8,300**

YTD	2016	2015	+/-
	77,431	73,248	5.7%

5-year Aug average: **8,703**

New Contracts **8,743**

▲ **1.6%** from Jul 2016: **8,604**
▲ **6.9%** from Aug 2015: **8,177**

YTD	2016	2015	+/-
	76,150	73,590	3.5%

5-year Aug average: **8,287**

Closed Sales **7,770**

▲ **2.4%** from Jul 2016: **7,589**
▲ **12.9%** from Aug 2015: **6,885**

YTD	2016	2015	+/-
	60,335	57,735	4.5%

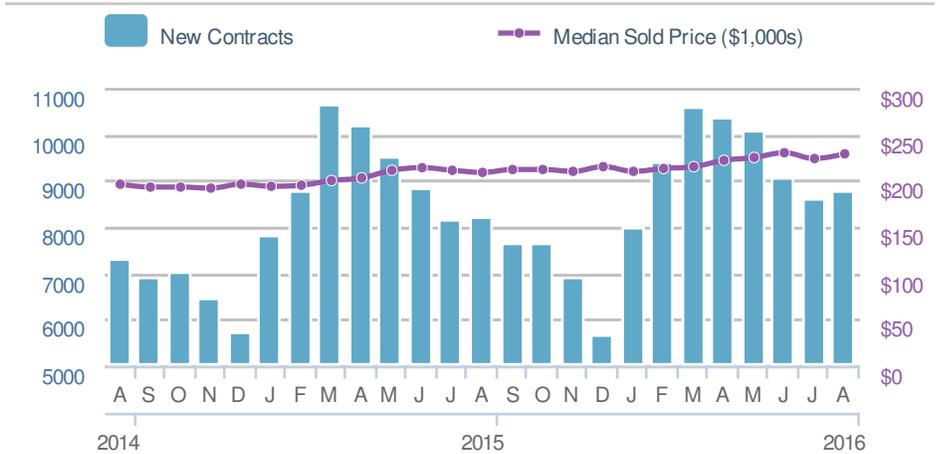
5-year Aug average: **7,039**

Median Sold Price **\$229,000**

▲ **1.8%** from Jul 2016: **\$224,900**
▲ **9.6%** from Aug 2015: **\$209,000**

YTD	2016	2015	+/-
	\$223,000	\$206,450	8.0%

5-year Aug average: **\$192,200**



Active Listings **17,492**

Min 12,815 | 17,153 | Max 21,475
 5-year Aug average

Jul 2016	Aug 2015
18,023	17,320

Avg DOM **75**

Min 58 | 72 | Max 86
 5-year Aug average

Jul 2016	Aug 2015	YTD
72	74	76

Avg Sold to OLP Ratio **96.5%**

Min 94.7% | 96.7% | Max 98.8%
 5-year Aug average

Jul 2016	Aug 2015	YTD
96.5%	96.2%	96.2%



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Between FRIENDS

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The days are getting shorter, the nights are growing longer, and autumn is in the air. Call me today for helpful tips on preparing your home for the winter.

Does the prospect of an expensive home repair keep you up at night? A Home Warranty Plan is a service contract that helps safeguard your budget against unexpected repair or replacement costs caused by the breakdown of covered heating, plumbing, electrical systems, and most built-in appliances. Home warranties offer peace of mind to home buyers and sellers alike—paving the way for a smooth, seamless, worry-free transaction.

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Protect your budget against the high cost to repair or replace home systems and appliances.

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Visit www.orhp.com or talk to your Real Estate Professional to learn more.

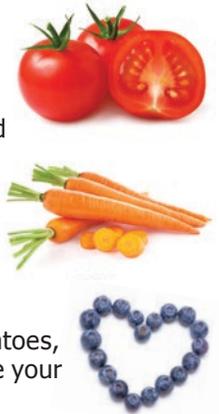
Do you know anyone buying or selling a home? A savvy real estate professional can help with all the pivotal steps—home staging, aid with financing, and more... so send them my way!



Health & Safety

4 Anti-Aging Tips

In 2006, researchers at Washington University in St. Louis used an experimental drug to extend the lives of a very simple organism—the round worm—by 50 percent! And it turns out, we have a fair bit in common with round worms on a micro-cellular level, which means the cure for aging could be discovered within our lifetimes. Until then, however, the following tips could be your best bet for fending off old age.



Eat Well: Eating foods rich in antioxidants (e.g., carrots, tomatoes, squash, spinach, dark berries) may work synergistically to reduce your risk of age related diseases, so variety is key!

Sleep Right: Quality sleep is essential to longevity, and studies have found that those who get less than six hours of sleep each night may suffer serious consequences, including an increased risk of heart disease.

Reduce Stress: Stress can affect your overall health in many ways, and it might even accelerate the aging process. Meditation, yoga, and exercise are all great tools to reduce stress.

Keep Your Brain Sharp: Keeping your brain active into old age may reduce your risk for Alzheimer's disease, so be sure to challenge yourself and learn new things at every stage of life.

Real Estate Today

5 Features that May Help a Home Sell

If you're thinking about upgrading your home within the next few years, it's never a bad idea to pay attention to the latest trends in home décor—especially if you intend to sell within the next decade.

Larger Bathroom Tiles: Larger tiles mean less grout, less space for mildew, and a sharper look overall.

Low Pile Carpets: According to *Inman News*, high pile carpets are falling out of favor.

Whole House Filtration Systems: Filter all your water from the main supply line.

Built-in Storage: Shelves built directly into the wall allow for more living space.

Appliances with Matte Finishes: Just three years ago, *USA Today* found that 41 percent of buyers were willing to pay more for stainless steel appliances—but earlier this year, *Inman News* predicted matte finishes will "slowly replace stainless steel." Fortunately, these two styles don't clash, so you don't need to replace everything at once if you already have stainless steel appliances.



1 green apple, cored and thinly sliced
Juice of 1 lemon
1/3 cup cider vinegar
1/3 cup honey
1 tsp cinnamon
1/4 cup olive oil
8 cups arugula, red leaf lettuce, or romaine lettuce
1/2 cup chopped dried apricots
1/2 cup crumbled blue cheese
1/2 cup shelled pistachios

Cover apple slices with cold water. Add lemon juice. Let stand until ready to serve. Whisk vinegar, honey, and cinnamon in a small bowl. Gradually add oil, whisking until well blended. To serve, divide greens among 8 plates. Top each with drained apple slices, apricots, blue cheese, and pistachios. Serve with dressing.



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Real Estate For Today

Household Tips 3 Clever Storage Tips

Nobody likes clutter, and it's been well documented that an organized living space can calm your mind and reduce your stress levels. If you're looking for creative ways to store your stuff and clear your mind, the following tips may help.

Shower Curtain Hooks to Hang Purses: Do you have extra space in your closet? *RealSimple.com* suggests placing shower curtain hooks on the bar in your closet to hang purses and other bags so they don't take up room on the floor.

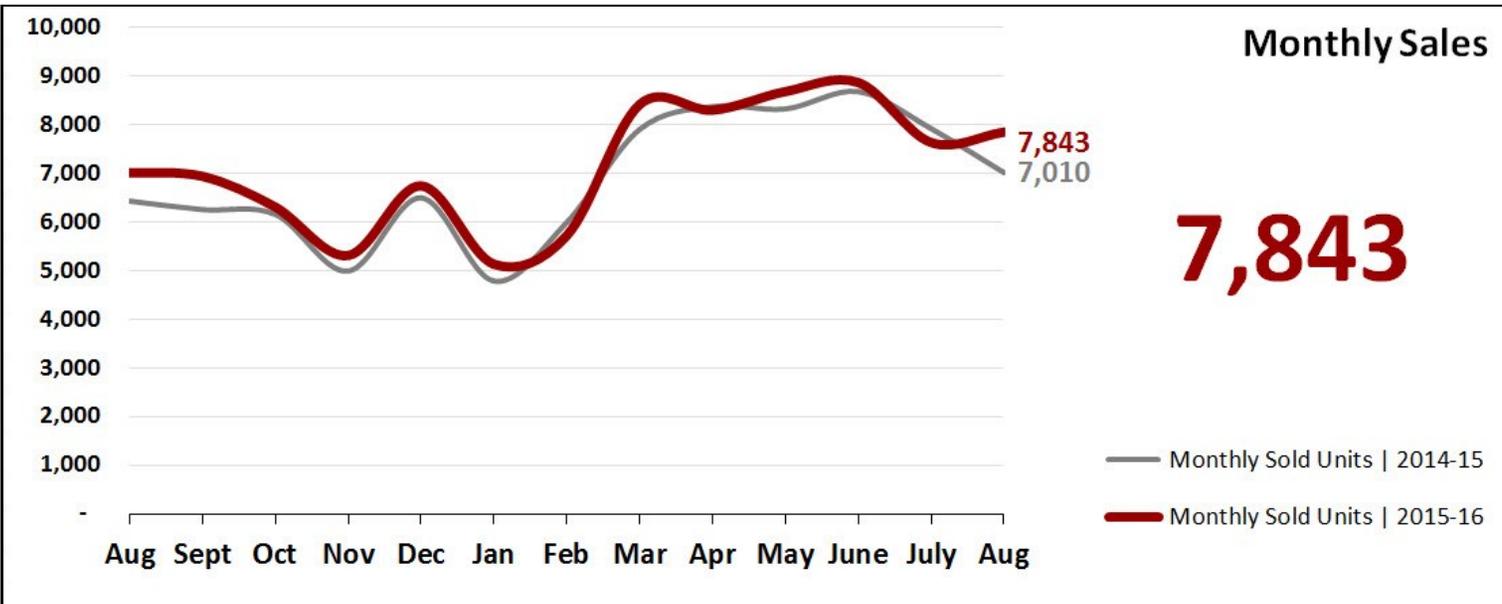
Color-code Your Kids' Supplies: If you have trouble organizing your children's personal effects (including toys and bathroom supplies), *Staples.com* recommends assigning a different color bin for each child—wherever their belongings might mingle.

Hang a Rod Under the Bathroom Sink: Installing a rod or a bar under the bathroom sink allows you to hang spray bottles for cleaners by their handle. This gives you more space underneath the bar for your other cleaning supplies.



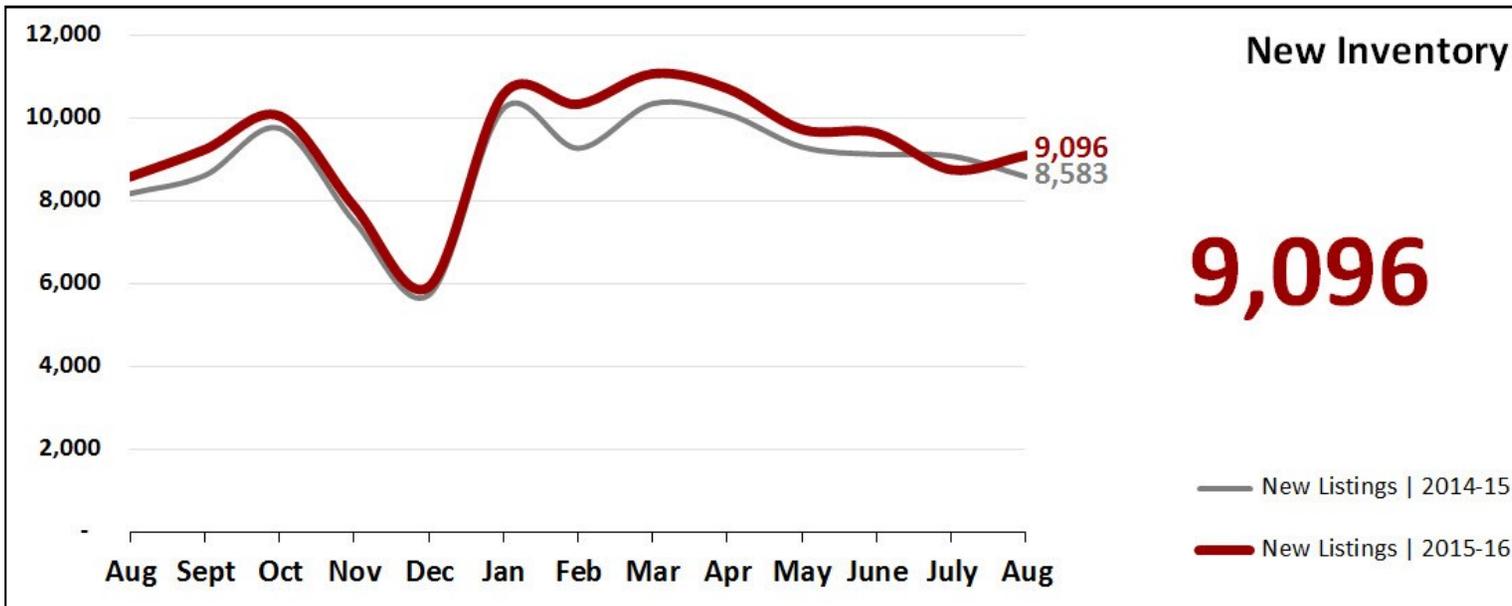


DATA AUGUST 2016 - Published September 16, 2016



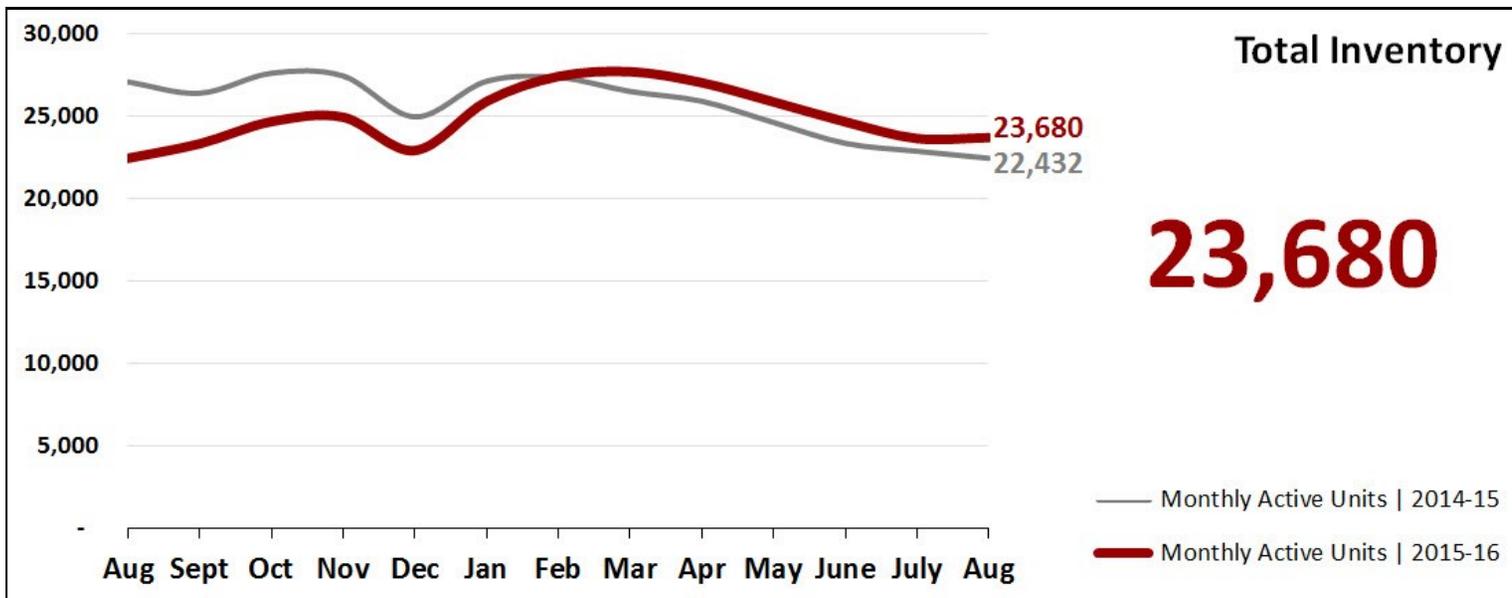
Sales are up +2.8% month-over-month. The year-over-year comparison shows an increase of +11.9%.

Closed MLS sales with a close of escrow date from 8/1/2016 to 8/31/2016, 0 day DOM sales removed



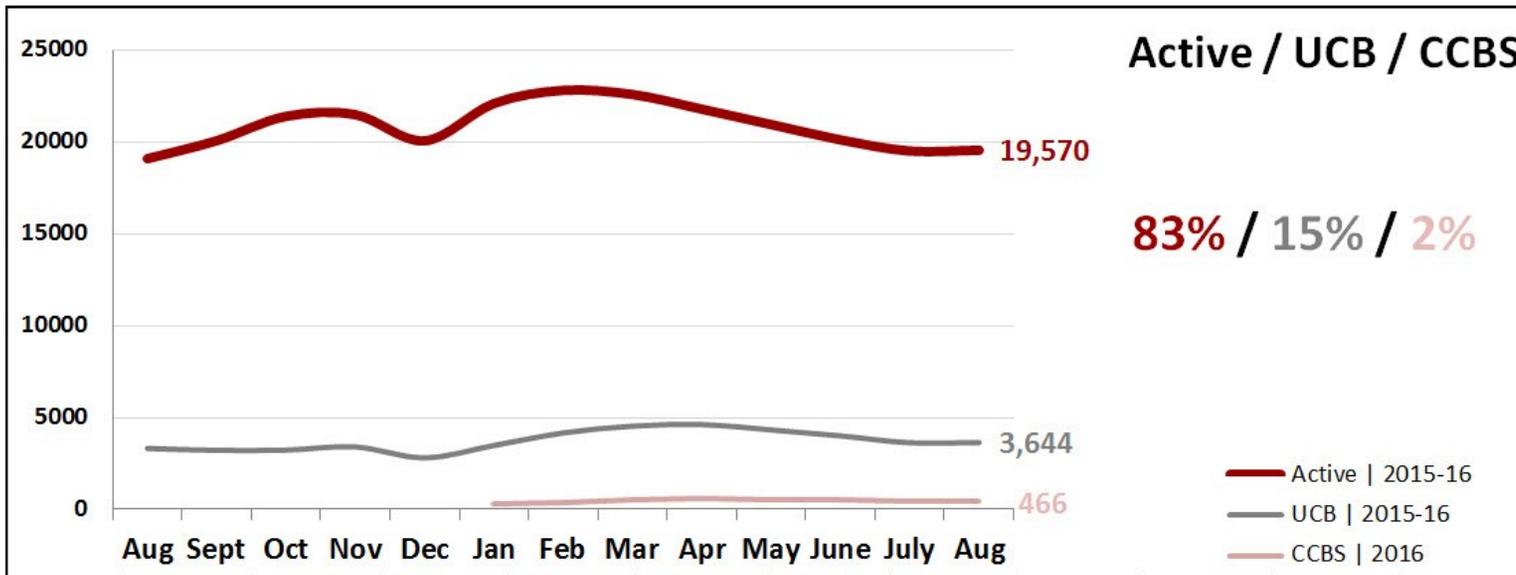
New inventory is up +3.9% month-over-month while the year-over-year comparison shows an increase of +6.0%.

New MLS listings that were active for at least one day from 8/1/2016 to 8/31/2016, 0 day DOM sales removed



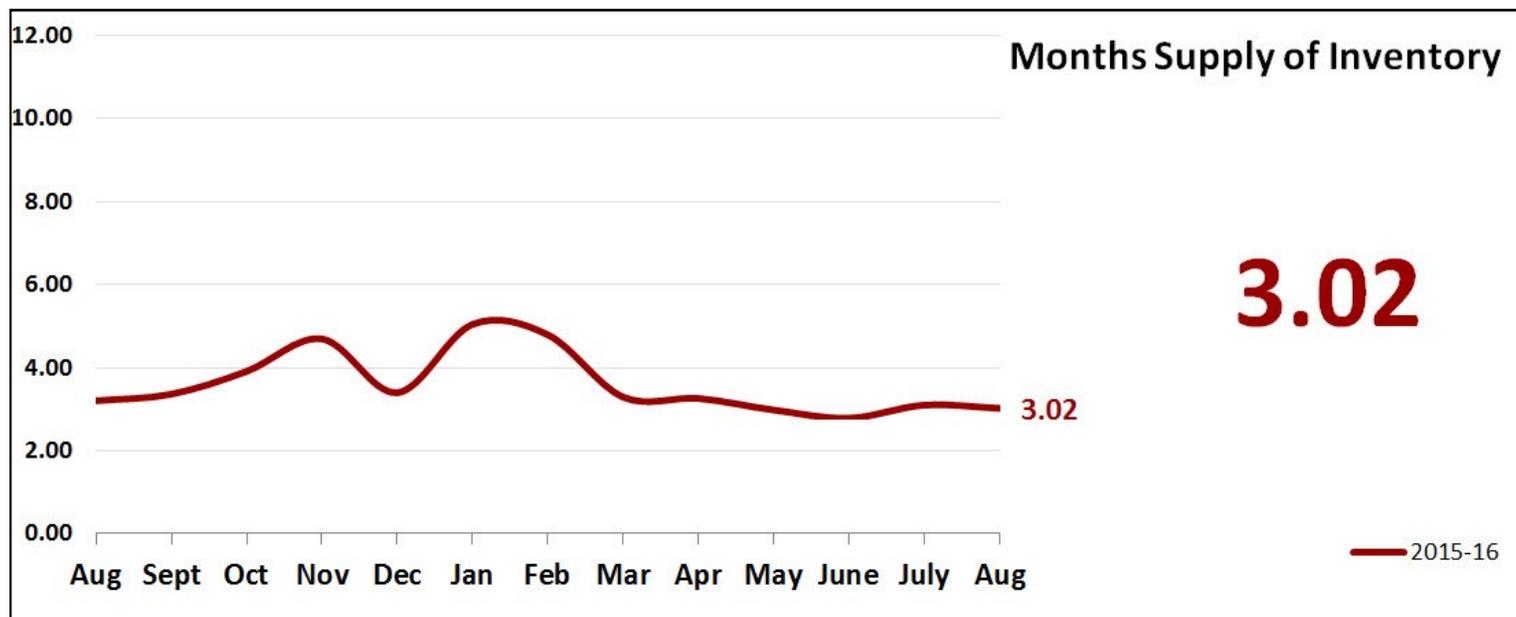
Total inventory has a month-over-month gain of +0.2% while year-over-year reflects an increase of +5.6%.

Snapshot of statuses on 8/31/2016



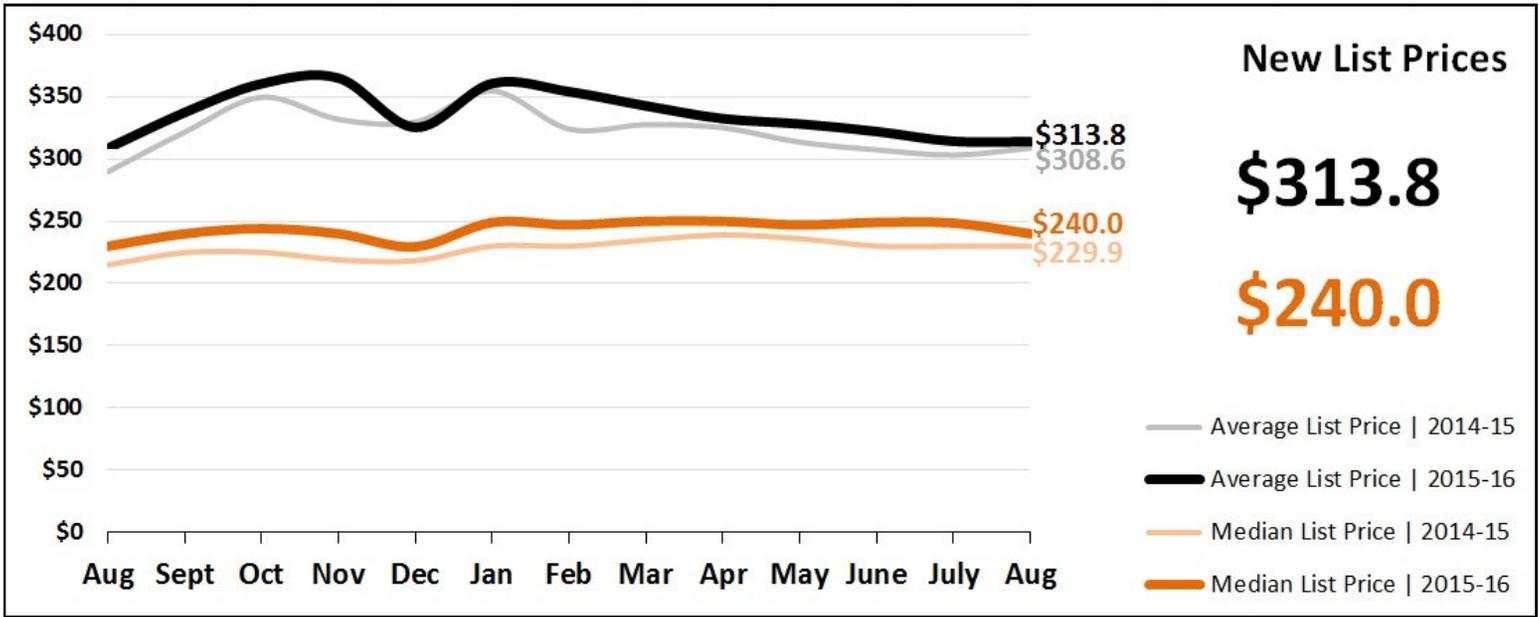
August UCB listings percent of total actives was 15.4% with August CCBS listings at 2.0% of total actives.

Snapshot of statuses on 8/31/2016



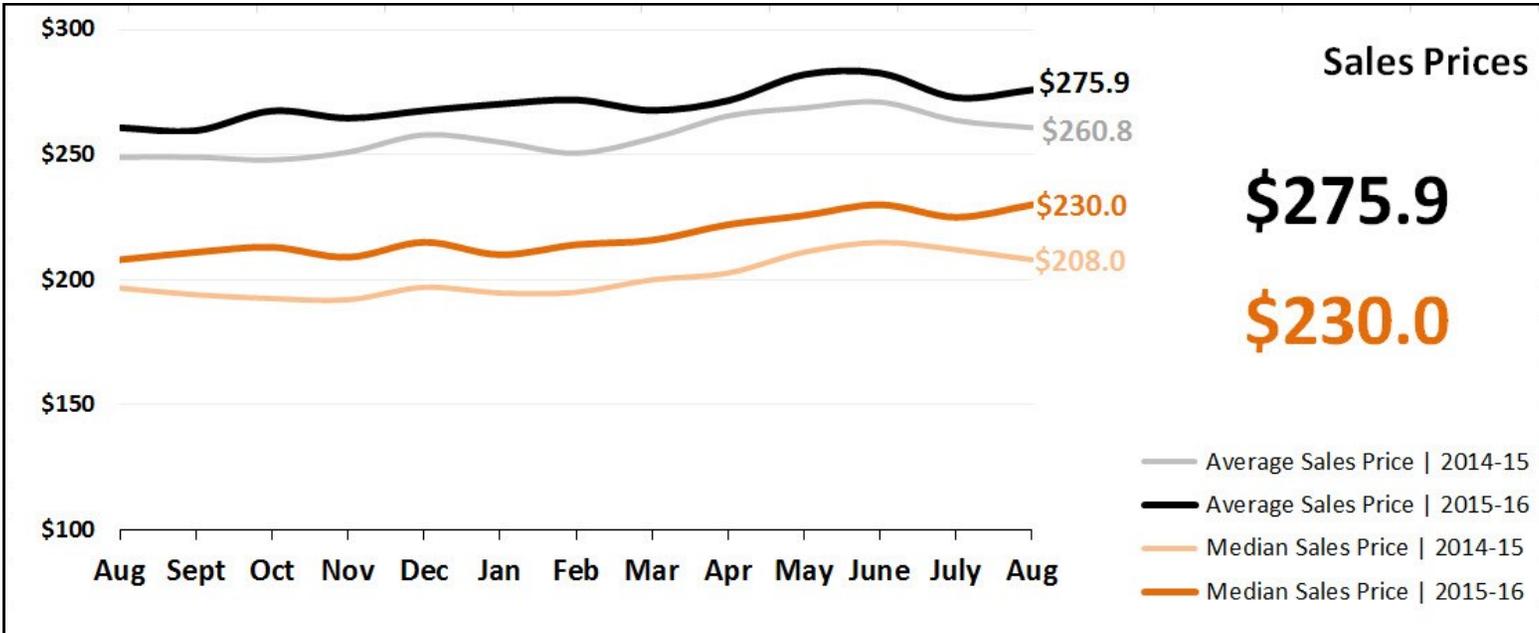
Months supply of inventory for July was 3.10 with August currently at 3.02.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of August 2016, 0 day DOM sales removed



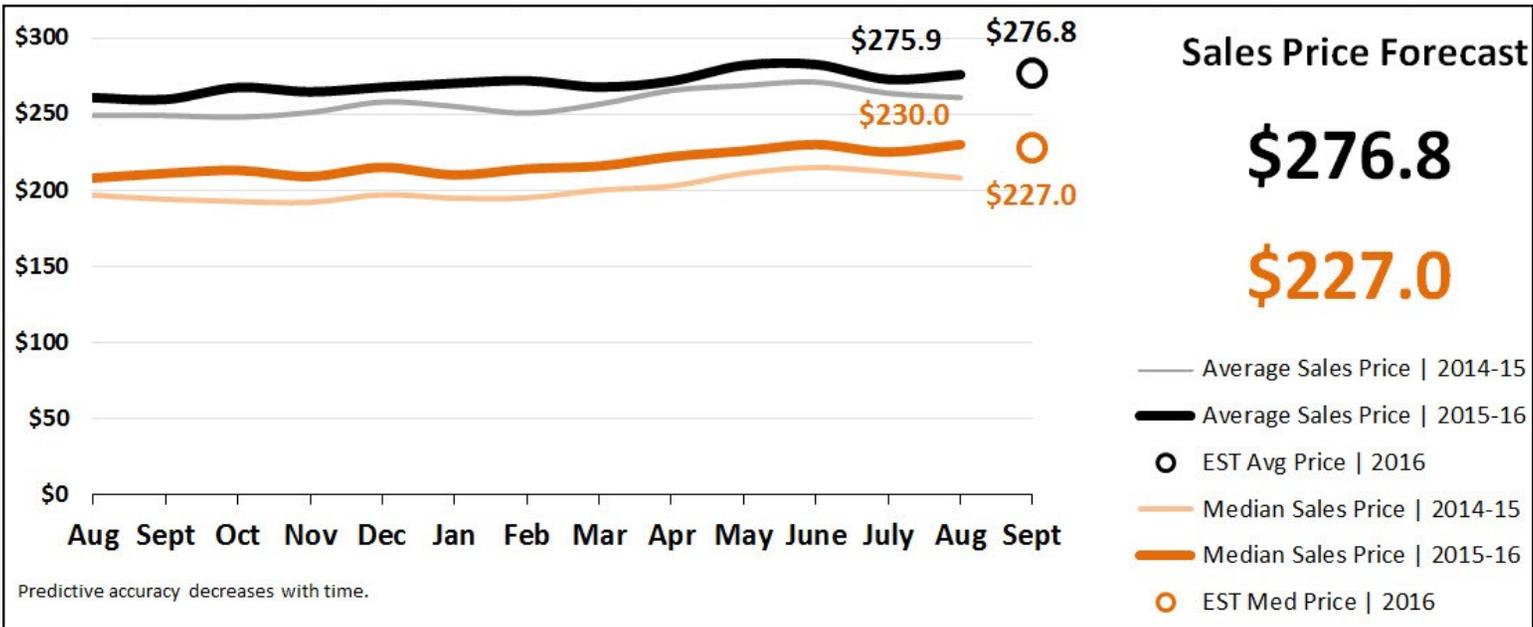
New average list prices are up +1.7% year-over-year. The year-over-year median is up +4.4%.

List prices of new listings with list dates from 8/1/2016 to 8/31/2016, 0 day DOM sales removed



Sales prices are up +5.8% year-over-year on average while the year-over-year median is also up +10.6%.

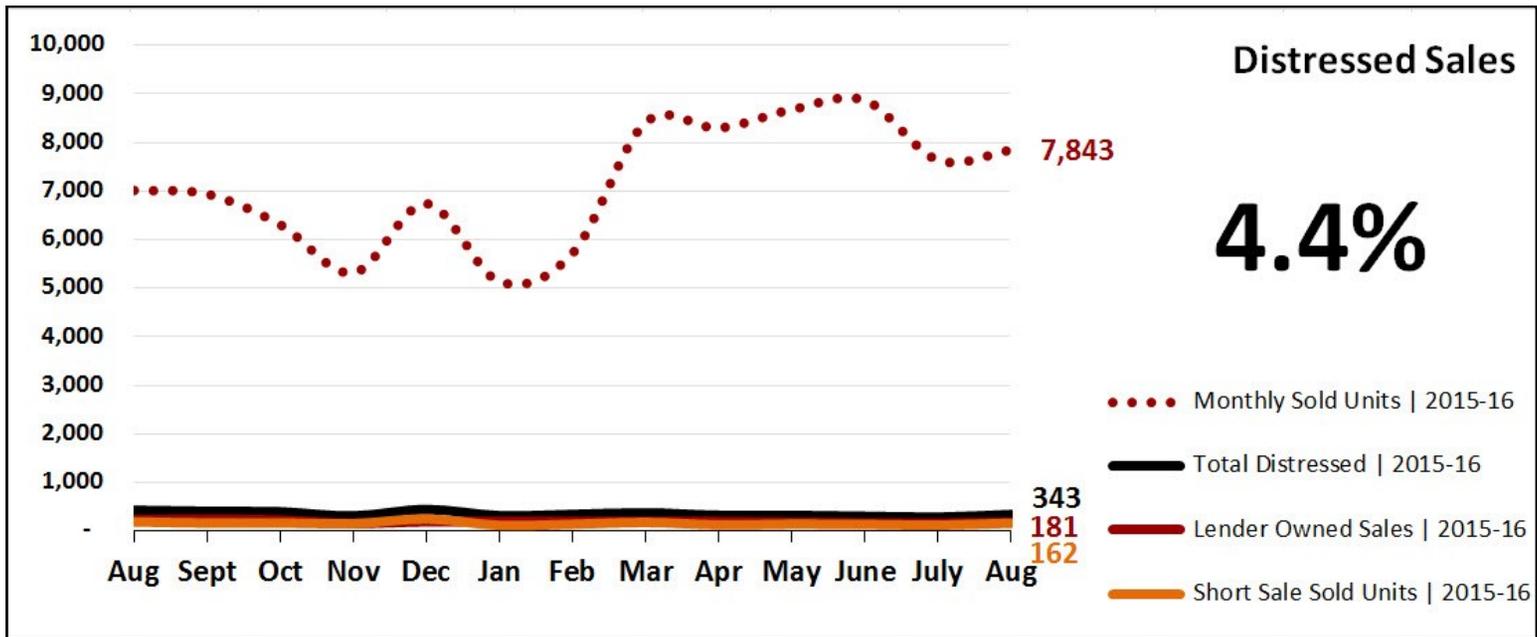
MLS sales prices for closed listings with a close of escrow date from 8/1/2016 to 8/31/2016, 0 day DOM sales removed



A very slight increase is forecast for average sales price while median sales price in September drops.

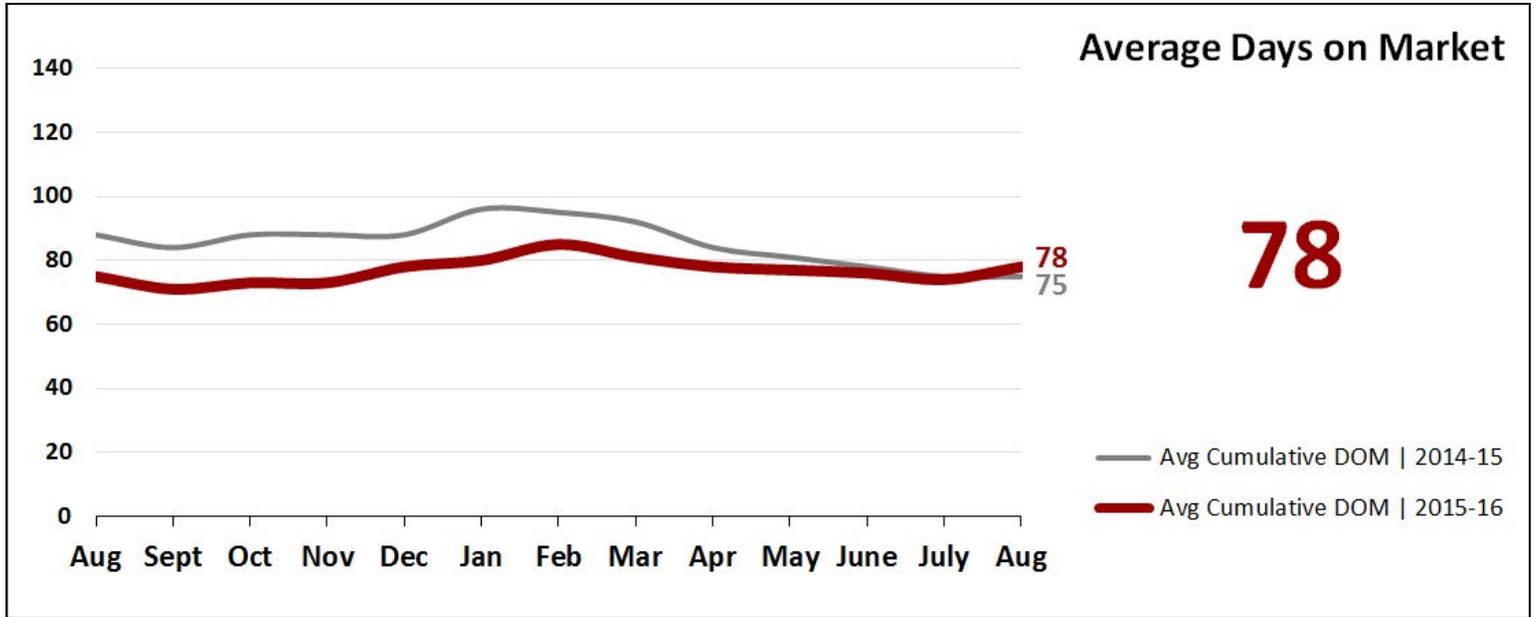
ARMLS proprietary predictive model forecast, 0 day DOM sales removed

The foreclosure information process as provided by public records had a hiccup in its reporting this month. Therefore, the foreclosures graph normally seen here for August 2016 will be published in the next issue of STAT.



Short sales dropped -15.2% year-over-year. Lender owned sales dropped -23.9% year-over-year. Total distressed year-over-year changed to -20.0%.

Lender owned sales are MLS sales 8/1/2016 to 8/31/2016 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected
 Short sales are MLS sales 8/1/2016 to 8/31/2016 where *Short Sale Aprvl Req, Previously Aprved SS or Lender Approved SS* special listing conditions were selected



Days on market rose +3 days year-over-year while month-over-month saw an increase of +4 days.

Average of all closed listings 8/1/2016 to 8/31/2016 where DOM was greater than 0

COMMENTARY

by Tom Ruff of The Information Market

Over the past two months, we've shared our thoughts and prognostications on how the July and August 2016 housing numbers would come out and what others would say about them. Now with the actual numbers out, there is no one better than our good friend Michael Orr of the Cromford Report to explain what actually happened:

"Just as we predicted last month, August was a very robust month for sales, up almost 14% from August last year in stark contrast to the uninspiring numbers in July (down over 3% from July 2015). We have already seen countless headlines about weak sales in July and no doubt we will see as many stories about the very strong recovery in August once the numbers are widely distributed. However all these headlines serve to do is illustrate that reporters (and even some real estate analysts) have a hard time properly understanding the effect of the Gregorian calendar on monthly real estate numbers.

July 2015 had 22 working days

July 2016 had 20 working days (10% fewer)

August 2015 had 21 working days

August 2016 had 23 working days (10% more)

"All the variation in monthly sales counts in July & August are due to the above facts and had nothing to do with conditions in the real estate market which remained very similar throughout the period. It is amusing to see all the analysts trying to explain the July numbers with 'low inventory' and 'poor affordability' the favorite excuses. Nope. The correct reason was 'there was a weekend at both ends of July'. It will be interesting to see what explanations are used for the August bounce, because inventory

has moved lower still and affordability did not improve at all. If we combined July and August in both 2015 and 2016 we get 43 working days in both years and the numbers match properly again. Then we see that the two month sales count rose 4.6% over last year. We have been seeing a similar volume improvement in the ARMLS numbers all year. Nothing unusual has gone on in July or August. However, sales have increased much more than this among new homes, just as they have all year. New homes are poorly represented among ARMLS listings since about 90% of them sell outside of ARMLS. In public recordings however, we are seeing new home growth rates far in excess of the growth rates for re-sale homes."

Confessions of an AVM modeler

Automated Valuation Models (AVMs), whether we love them or hate them, are here to stay. Over the past few months we've been working on our own model through continual testing and improvement. We hit upon this topic in [STAT last month](#) but it's big enough to drive an RV through and therefore worthy of another write-up.

By analyzing all past sales we are able to calculate an estimated value for nearly all 1.25 million homes in Maricopa County. Our model is tested by comparing new sales as they occur to our previously calculated estimated value with the thought being that the price for which the home sells is its true value. We then ran our test against the last 10,384 sales. The historical data used to calculate the AVM were from home sales occurring prior to the 10,384 sales used in the test - no listing data was used.

Our test results read as follows:

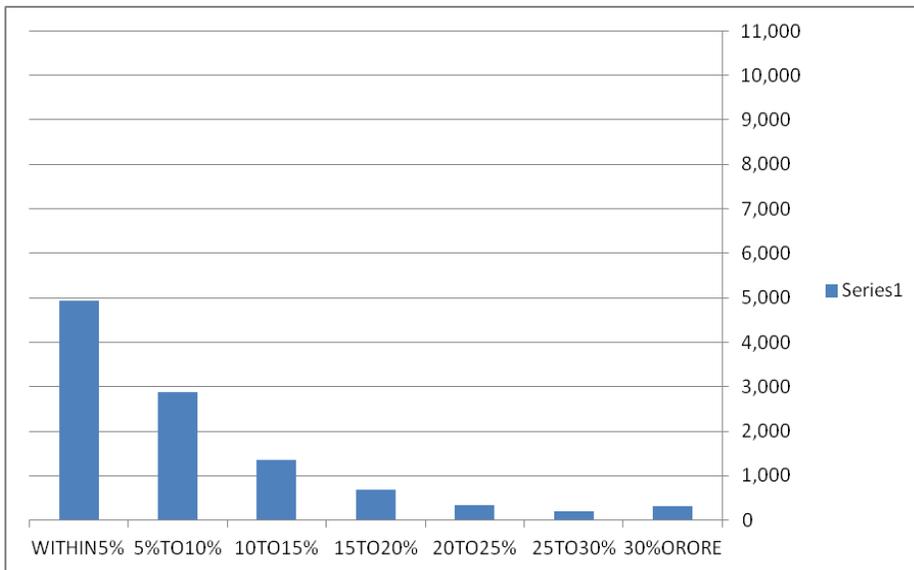
47.5% of estimated values were within 5%

75.2% within 10%

88.3% within 15%

The full test results are displayed on the chart below.

Public Records Only AVM Accuracy



Going one step further, we can break down the percentage differences between the actual sales price and our AVM. When we test our model against MLS sales only, properties that were sold using a real estate agent via the MLS sell between 8.5% and 9.0% higher than properties not listed on the MLS.

When we view the public remarks sections of the listings in our sample, it gives us further insights into both the properties the AVM undervalued as well as overvalued.

For the properties overvalued by more than 20% we see phrases such as: “great fix & flip”, “property offered as is”, “fix up needed”, “handyman special”, and “no loans/cash only/as is.”

When we categorize the properties overvalued by the AVM the following groups reoccur: incorrect data, houses that burned down, houses that were torn down, partial interest, mobile homes, wholesale properties, hard money loans, investor buys, fixer uppers, REOs, properties in foreclosure, short sales and non-MLS sales.

For the properties undervalued by more than 20% we see these comments in the MLS: “painstakingly restored”, “completely reconstructed master suite added”, “master architect rebuild”, “beautifully remodeled”, “stunning high quality remodel” and “beautifully upgraded.”

When we categorize the properties undervalued by our AVM the following groups reoccur: sold on the MLS, partially renovated, added square footage, custom homes, complete remodels, new construction on previous tear downs, suspected fraud, extraordinary properties and incorrect data.

MLS Listing Data Model

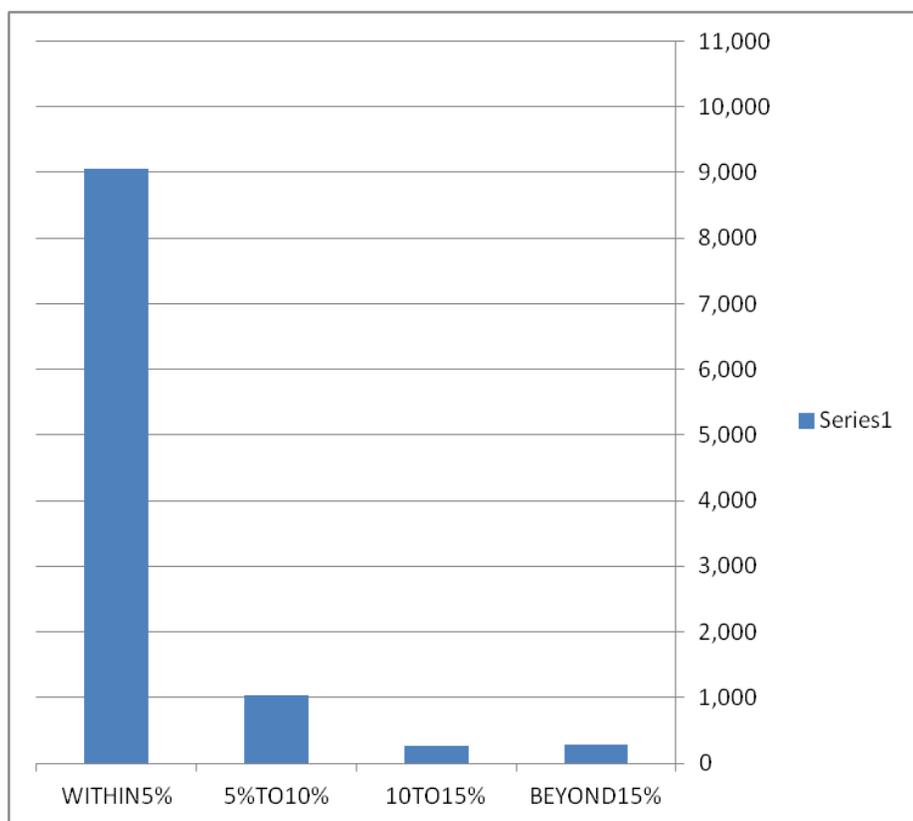
The AVM discussed earlier was built without using listing data. If we factor the listing price into our model, our accuracy scores go up dramatically! Further proof that if you want to know what your home is worth, ask an ARMLS Subscriber.

84.6% of estimated values were within 5%

94.2% within 10%

96.8% within 15%

The full test results are displayed on the chart below.



On a final note, we have found that by using our AVM to audit the reported sales price we can identify data errors that we would have had no other way of identifying. Comparing our AVM to the actual sales price is now an intrinsic part of our data cleanup.

ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for August of \$225,000. As has been the trend this year, our mathematical projections were slightly lower than the actual results. The reported median sales price for August was \$230,000, 2.2% higher than the \$225,000 projected by our model. Looking ahead to September 2016, we expect little change in the median sales price. The ARMLS Pending Price Index projects a median sales price of \$227,000. A betting man would wager on \$230,000.

MLS sales volume in August 2016 was 7,843, which was 11.9% higher than the total last year of 7,010. STAT had expected August sales volume that resulted in strong year-over-year gains, as there were 23 business days this year compared to 21 business days in 2015. We begin September with 6,388 pending and 3,644 UCB listings giving us a total of 10,032 residential listings practically under contract - this compares to 9,596 of the same type of listings at this time last year. There were 21 business days in both years. MLS sales volume in October 2016 will be comparable to last year's total of 6,935 where STAT is projecting 7,175 sales. We have now reached the point in the year where monthly sales volume begins its annual descent, with declines each month through November. Sales volume for the first eight months of 2016 might best be described as 2015 revisited with ARMLS reporting 60,564 sales this year compared to 58,958 sales last year.