

# OCTOBER 2017

## Real Estate Update



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

**Hello Everyone,**

It's October in Phoenix: finally, temperatures are generally comfortably warm (might even need a light sweater at night by towards the end of the month), humidity is back at low levels, Go Cardinals & Coyotes and how about the D'Backs making the playoffs. There's even a change of color becoming seen more each day. Of course, our change of color has nothing to do with leaves. It's just that auto license plates become more colorful as snow-birds start to arrive in The Valley! Here's hoping you have a great fall.

Our local Real Estate market continues to be pretty brisk. Sales volume is down only slightly from last year, but last year was a quite good year. I think the biggest limitation to real estate sales is the continuing low inventory of properties for sale. Listings are down 10% from last years meager numbers. Demand is still strong. That demand has pushed Average Days On Market to less than 70 days. It has also caused the median price (August) to rise to \$245,000, up 6.3% from last year. Even with the strong demand, one statistic that really has not changed is sale price vs listing price. It continues to hold near the 5-year average of 97%. This is quite different from many other areas where there is a 10—20% "cushion" built into the list price to allow for sale price negotiation. (I'm constantly amazed watching Real Estate shows on TV where the Buyer says something like "Well, they are asking \$350,000, so let's offer \$299,000" and they have an expectation of actually getting a positive response from a Seller. The same holds true for the Seller scenario of "We know the market value of our property is \$300,000, so let's list at \$350,000 and see what happens." In Phoenix, what happens is....cue the chirping crickets! A few positive items. WalletHub ranked Scottsdale #31, Tempe #38 and Phoenix at #47 on it's Top 50 Most Fun Cities. The ranking based on restaurants/bars/entertainment/costs, etc. Las Vegas, Orlando and NYC topped the list. Good news for Canadians is that we have seen a small growth in the exchange rate. The Canadian Dollar is up about 5-cents about \$0.80 USD) since spring. Finally, 30-year fixed mortgage rates continue to stay near 4%.

I appreciate the chance to meet with John earlier this month and discuss revised retirement plans for him and Mary. I'm grateful to Marty for the potential Buyer referral of Pam. I'm looking forward to working with Linda, in the near future, to help her settle the family estate in Mesa as soon as some obstacles can be conquered. I appreciate the continued patience of several potential Buyers who are waiting for a rather specific Listing to come to market Thanks to David for including me in his plans for a new home for his family. If you know someone thinking about selling or buying in the Phoenix/East Valley area, please mention my name to them as someone who has the professional education and experience necessary to help them with a good buying or selling experience.

**Regards,**

**JSGerber 09/29/2017**

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# August 2017

## Arizona Regional MLS

**New Listings** **9,224**

▲ **11.1%** ▲ **5.6%**  
 from Jul 2017: **8,306** from Aug 2016: **8,738**

YTD	2017	2016	+/-
	<b>77,787</b>	<b>77,431</b>	0.5%

5-year Aug average: **8,710**

**New Contracts** **9,098**

▲ **3.8%** ▲ **4.1%**  
 from Jul 2017: **8,763** from Aug 2016: **8,743**

YTD	2017	2016	+/-
	<b>79,842</b>	<b>76,150</b>	4.8%

5-year Aug average: **8,272**

**Closed Sales** **7,933**

▲ **2.2%** ▲ **2.1%**  
 from Jul 2017: **7,765** from Aug 2016: **7,770**

YTD	2017	2016	+/-
	<b>65,008</b>	<b>60,335</b>	7.7%

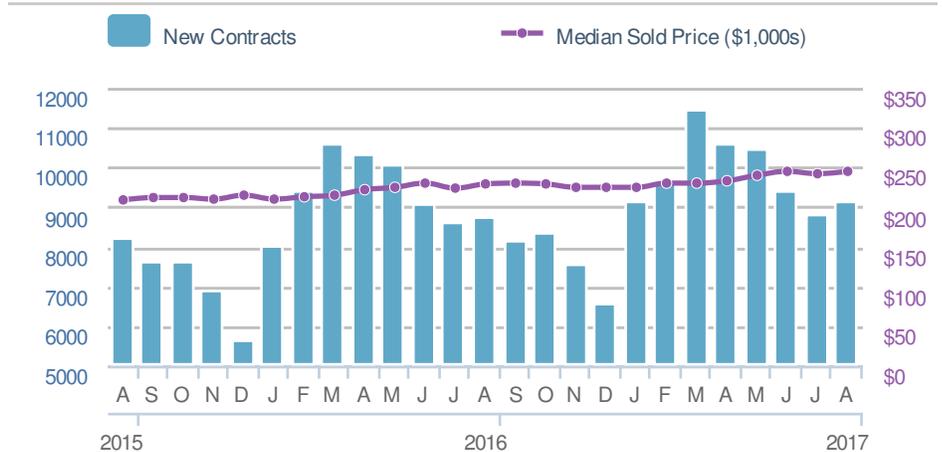
5-year Aug average: **7,139**

**Median Sold Price** **\$245,000**

▲ **1.2%** ▲ **7.0%**  
 from Jul 2017: **\$242,000** from Aug 2016: **\$229,000**

YTD	2017	2016	+/-
	<b>\$237,000</b>	<b>\$223,000</b>	6.3%

5-year Aug average: **\$212,100**



**Active Listings** **15,792**

15,792  
 Min 15,792 Max 21,475  
▲ **17,749**  
 5-year Aug average

Jul 2017	Aug 2016
<b>15,794</b>	<b>17,492</b>

**Avg DOM** **65**

65  
 Min 58 Max 86  
▲ **72**  
 5-year Aug average

Jul 2017	Aug 2016	YTD
<b>65</b>	<b>75</b>	<b>71</b>

**Avg Sold to OLP Ratio** **96.9%**

96.9%  
 Min 94.7% Max 97.6%  
▲ **96.4%**  
 5-year Aug average

Jul 2017	Aug 2016	YTD
<b>97.0%</b>	<b>96.5%</b>	<b>96.7%</b>



Jeff Gerber, ABR, GRI,  
SRES

*The Empowered Team, LLC*  
*Real Estate For Today*



The Empowered Team LLC  
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# Between FRIENDS

Real Estate for Today

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**T**he 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 Old Man Winter.



**A**s a real estate professional, I know the anxiety that a home system or appliance breakdown can create for a home seller during the listing period or for the buyer after close-of-sale. Fortunately, you can eliminate that stress with a home warranty that provides coverage for both the seller and the buyer!

A Home Warranty Plan is a service contract that protects your major systems and appliances for a specified period of time. Should a failure occur during the term of the Plan, a qualified contractor is dispatched to repair or replace the covered item for a reasonable service call fee. Help is only a phone call away, 24/7, 365 days a year!

## OLD REPUBLIC HOME PROTECTION



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

*People Helping People™*



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**I** give my clients 100% because I want to make every transaction as smooth and stress-free as possible. If you have real estate needs, or know someone who does, call me today!



## Health & Safety

### Stay Safe on Holiday Road Trips

**D**iving in winter weather can be frightening and hazardous, and it never hurts to be prepared—even if you live in a more temperate climate. The following tips can help you deal with road emergencies and drive safer and smarter on your holiday road trips.

1. Maintain your car. The Occupational Safety and Health Administration recommends checking the battery, windshield wipers, coolant/antifreeze levels, and tire treads before taking a road trip.
2. Plan your route and allow plenty of time to reach your destination. Check the weather beforehand, and leave early if necessary to avoid speeding or driving recklessly in harsh conditions.
3. Avoid cruise control on wet, icy, or snowy roads—it can cause you to lose control of your vehicle. The use of cruise control also diminishes your focus.
4. Keep the following items in your car: a flashlight, jumper cables, abrasive material (like cat litter or even floor mats), shovel, ice scraper/snow brush, emergency flares, blankets, water, and nonperishable snacks.
5. Unsure what to do in icy or snowy conditions? AAA offers Winter Driving Tips online at [exchange.aaa.com/safety/driving-advice](http://exchange.aaa.com/safety/driving-advice), or pick up their "How to Go on Ice and Snow" brochure in your local AAA office before you begin your road trip.



## Real Estate Today

### Selling Your Home in the Fall

**S**pring may be considered the best time to sell a home, but there's still plenty of opportunity to sell in the fall! Putting your home on the market this time of year simply requires a different blueprint for success.

Curb appeal matters. Rake the lawn and sweep surfaces to remove fallen leaves. Cut back dead flowers and bushes, and add a pop of color by filling flower pots with bright fall blooms—verbena, viola, and chrysanthemum are all great choices! Set a pumpkin or two outside the front door for a festive touch.



Ensure your home is well lit. As winter approaches, earlier sunsets may affect home showings held later in the day. Dark homes are harder to sell, especially when it's chilly out. Add a floor lamp to brighten up the space, or set up path lighting around outdoor landscaping.

Remember, buyers are looking to purchase homes *any* time of year. With a little extra effort, selling your home in the fall can be a piece of cake... or pumpkin pie!

**5 lbs red potatoes, diced with peel**

**1 cup water or chicken broth**

**1 cup butter, cut into chunks**

**1 Tbsp salt**

**1 tsp garlic powder**

**1/2 tsp onion powder**

**1/2 tsp ground black pepper**

**1 cup milk**

**Additional salt and pepper to taste**

Place potatoes, water or chicken broth, and butter into a slow cooker.

Add salt, garlic powder, onion powder, and black pepper.

Cover and cook on high for 3-4 hours, or cook on low for 6-7 hours.

Mash potatoes until smooth using a masher or a fork, slowly adding milk until the potatoes reach desired consistency.

Season with additional salt and pepper to taste.

Keep warm in the slow cooker until ready to serve.



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## Household Tips **Cut the Clutter**

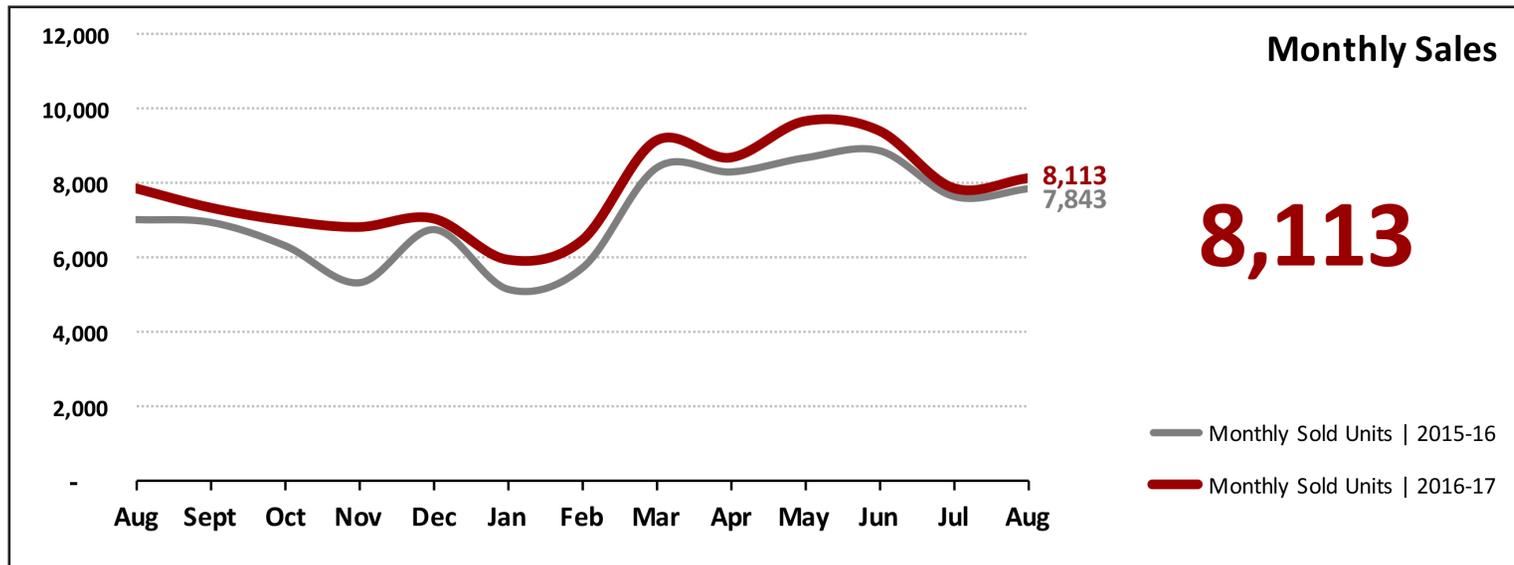
**G**et a handle on clutter and remove the excess stuff in your home! You'll find it takes significantly less time to organize your clutter than to repeatedly sift through it looking for lost items. Joshua Becker, a leading voice in the modern minimalist movement, offers the following tips for living clutter free.

- Everything that enters your home should go into one of the following three categories:  
1. Your "To Do" basket 2. Another family member's "To Do" basket 3. The garbage  
This technique is perfect for keeping mail from piling up.
- Break down large tasks into smaller, more manageable ones. For example, instead of attempting to clean out an entire closet, clean one shelf every Saturday morning. By the end of the month, you will have completed the entire job!
- Establish a routine. Rather than waiting until the clutter gets out of control, set aside some time once a week to put things back in their proper places. Assign each family member a room or area in your home to clean and organize, and pick a specific day and time to do it. Together, you'll clear out the extra stuff throughout your home, transforming it in a single day!



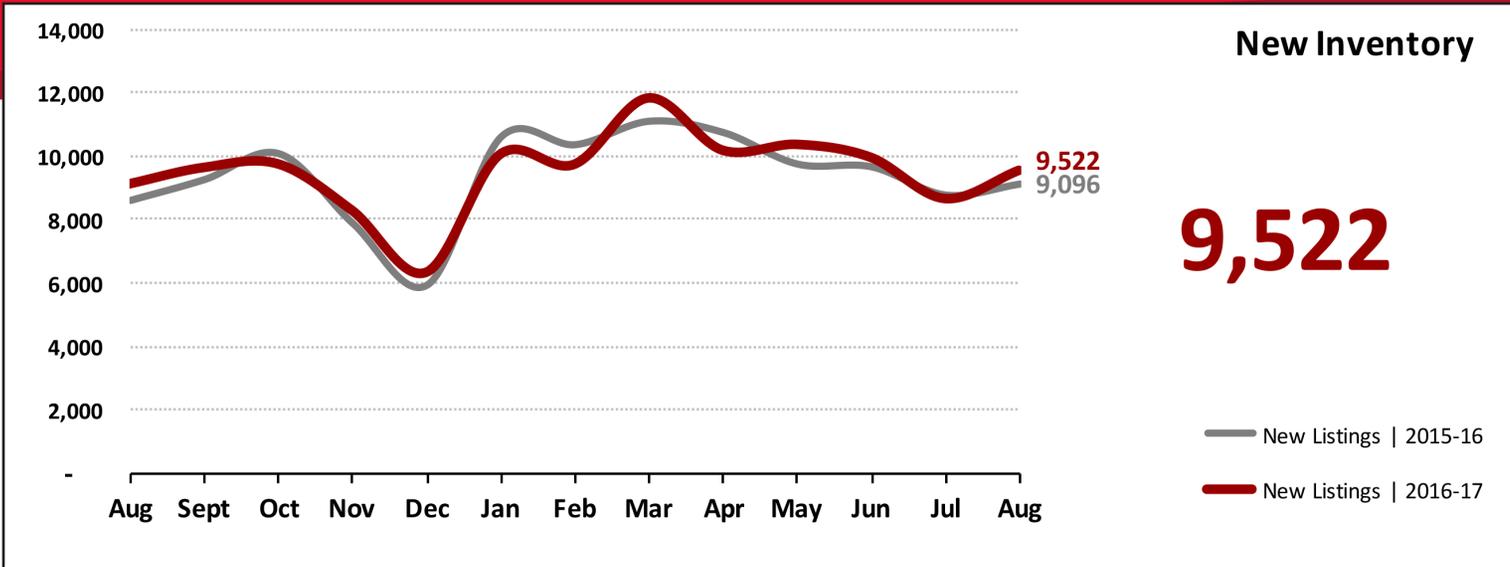


DATA FOR AUGUST 2017 - Published September 14, 2017



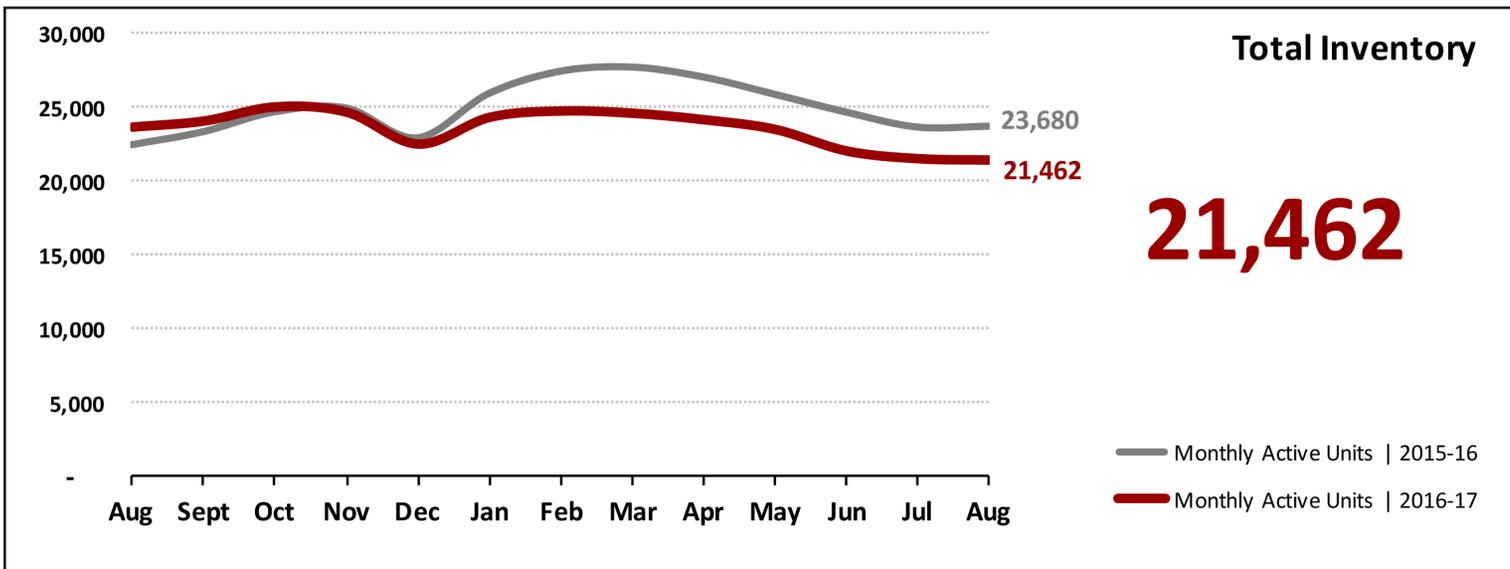
Sales are up +3.3% month-over-month. The year-over-year comparison shows an increase of +3.4%.

Closed MLS sales with a close of escrow date from 8/1/2017 to 8/31/2017, 0 day DOM sales removed



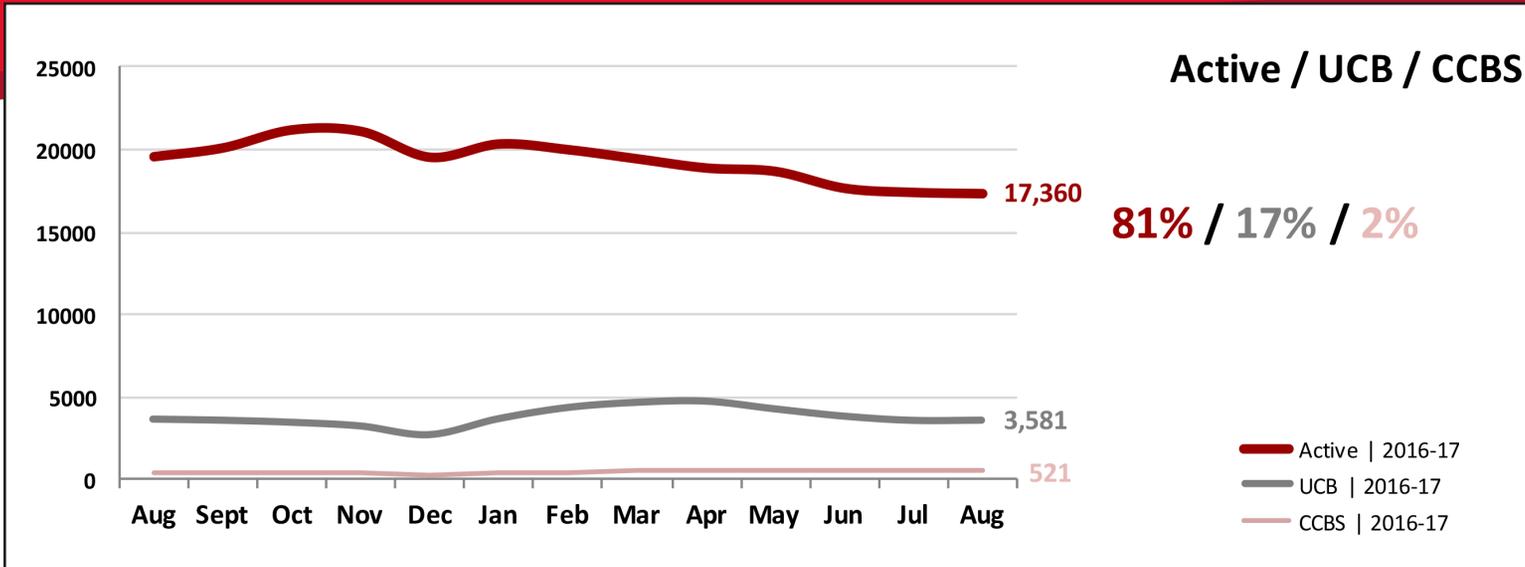
New inventory is up +10.3% month-over-month while the year-over-year comparison shows an increase of +4.7%.

New MLS listings that were active for at least one day from 8/1/2017 to 8/31/2017, 0 day DOM sales removed



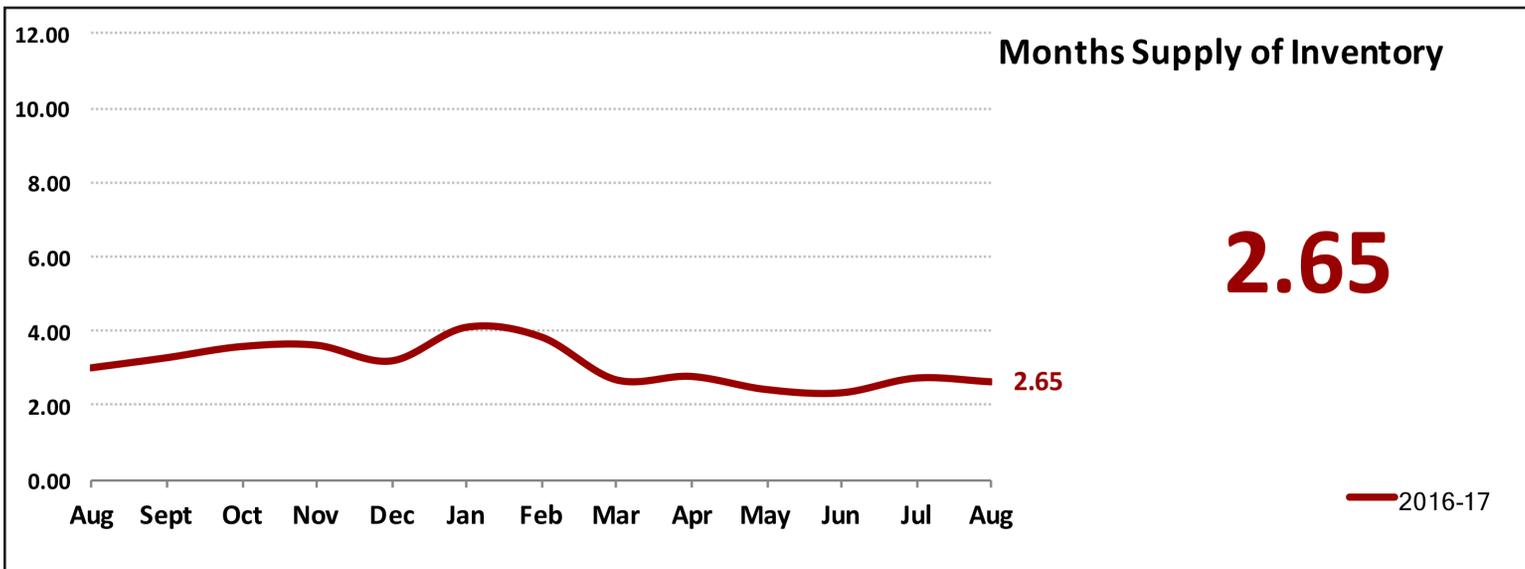
Total inventory has a month-over-month decrease of -0.4% while year-over-year reflects a decrease of -9.4%.

Snapshot of statuses on 8/31/2017



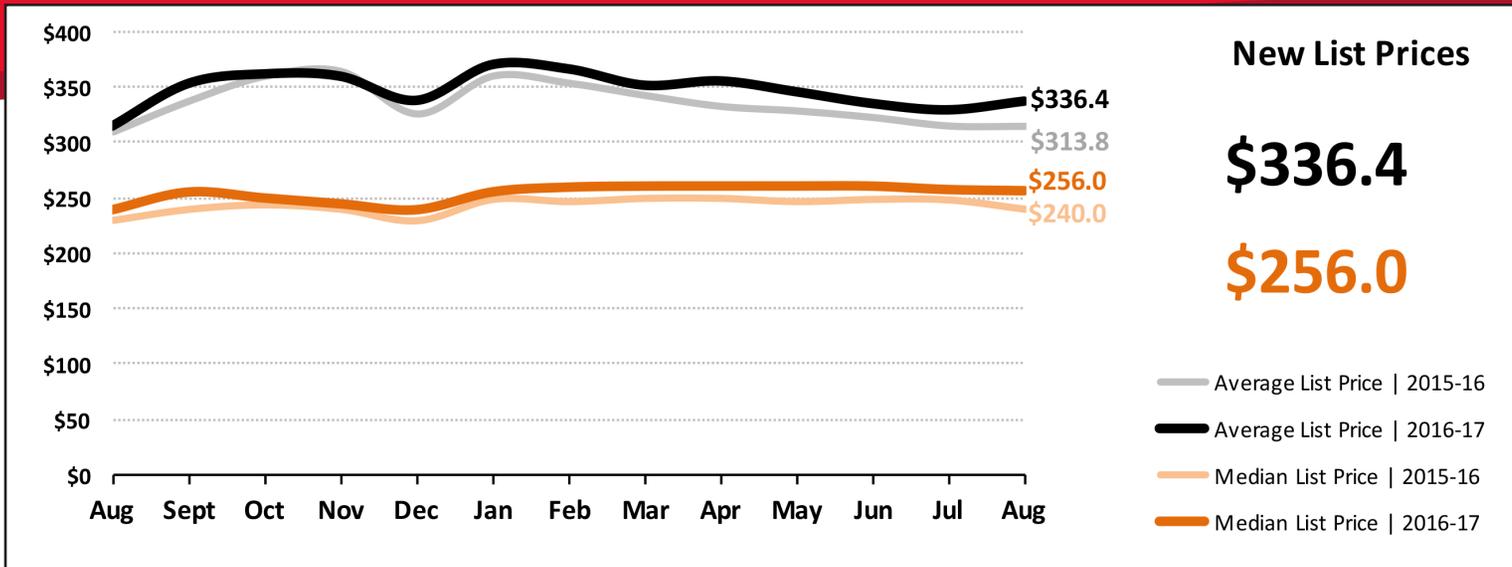
August UCB listings percent of total inventory was +16.7% with August CCBS listings at +2.4% of total inventory.

Snapshot of statuses on 8/31/2017



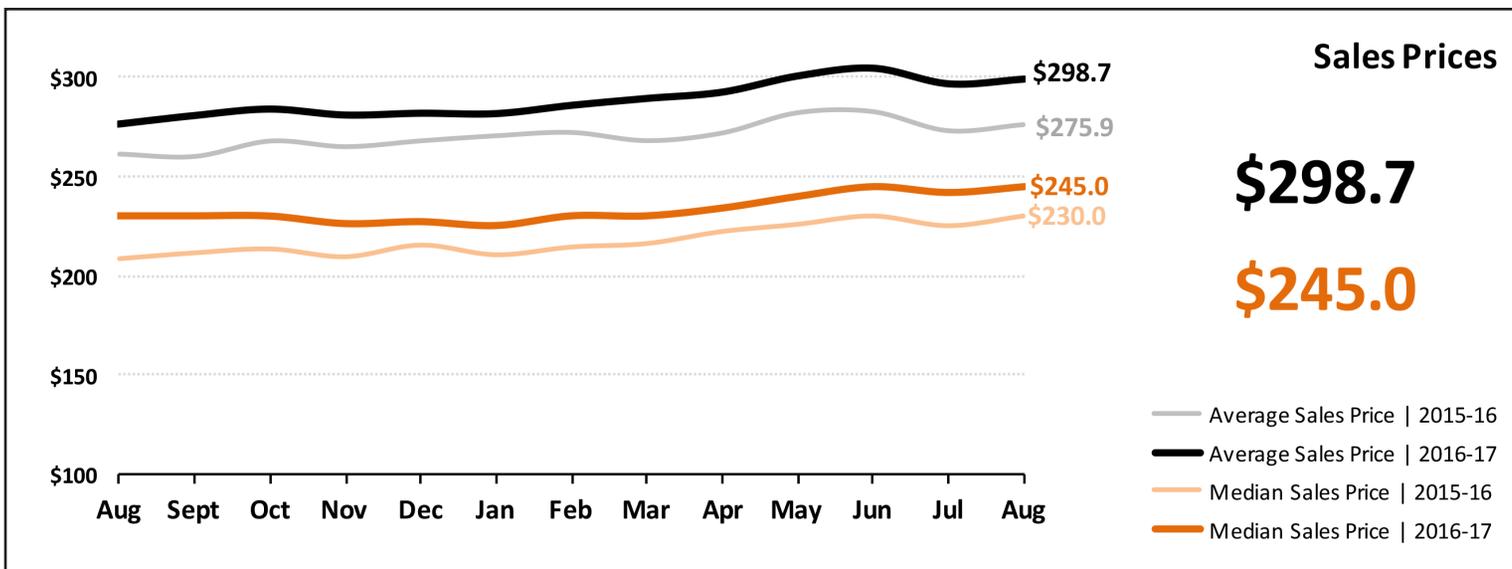
Months supply of inventory for July was 2.74 with August at 2.65.

Current inventory of Active/UCB/CCBS divided by the monthly sales volume of AUGUST 2017, 0 day DOM sales removed



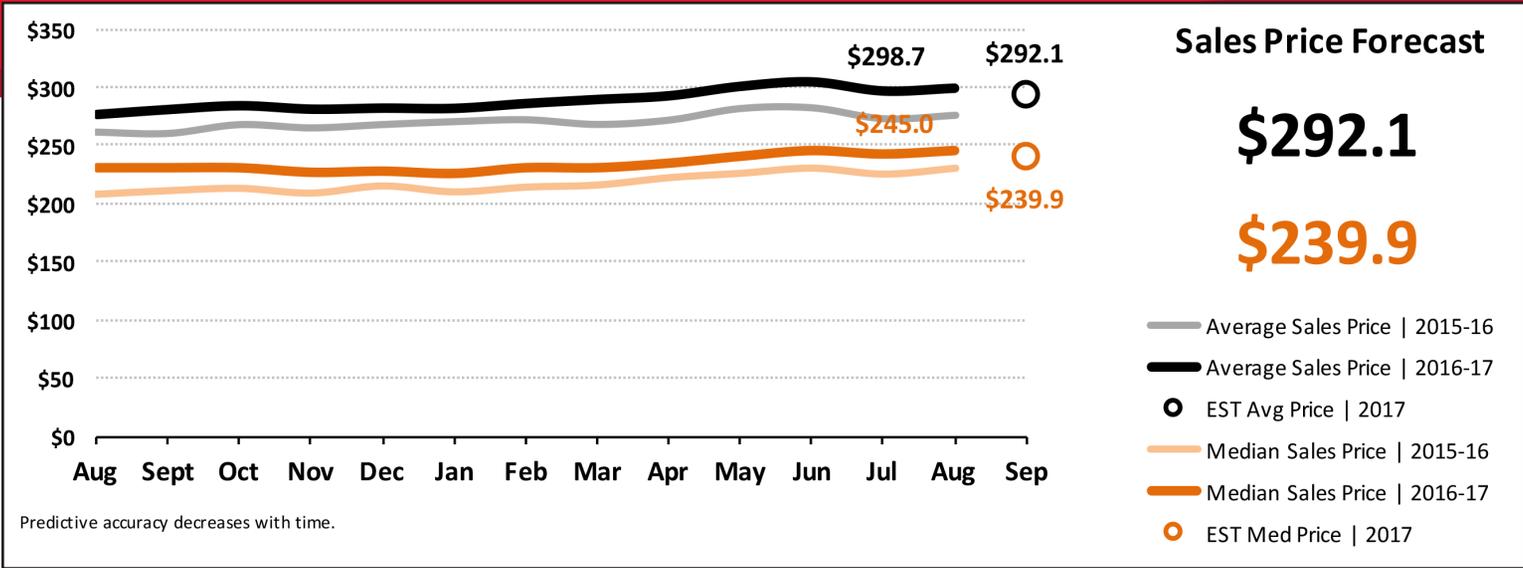
Average new list prices are up +7.2% year-over-year. The year-over-year median is up +6.7%.

List prices of new listings with list dates from 8/1/2017 to 8/31/2017, 0 day DOM sales removed



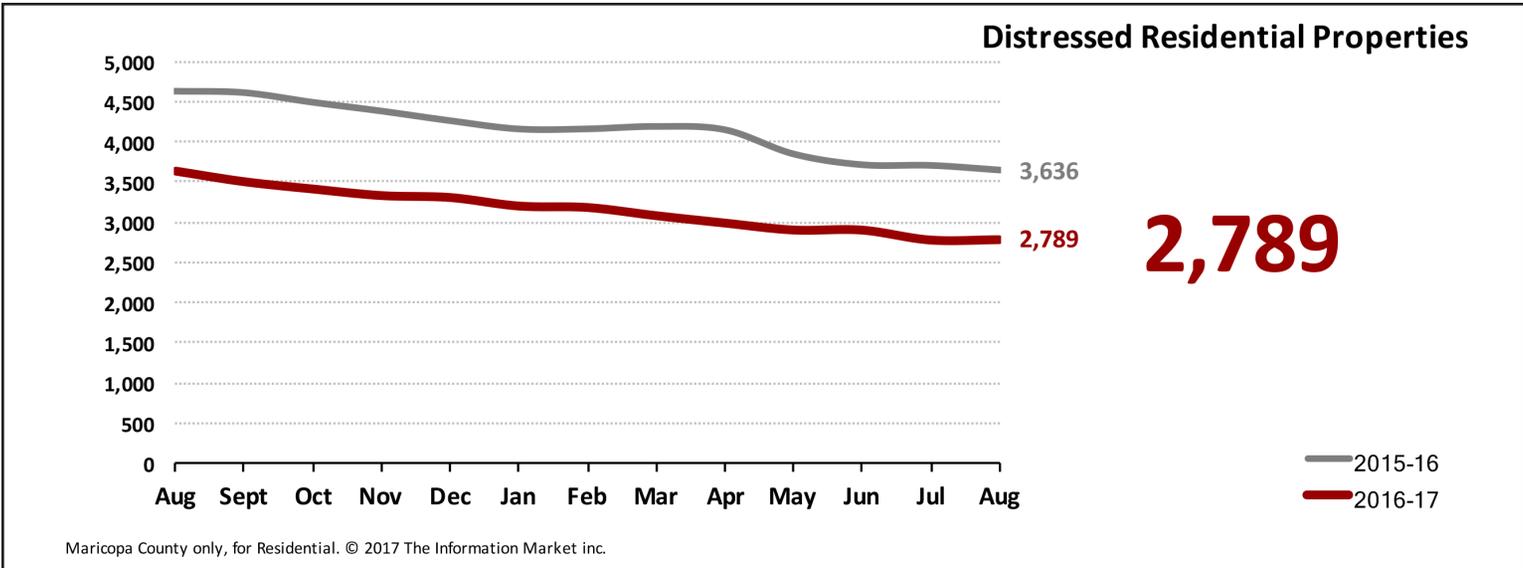
The average sales price is up +8.3% year-over-year while the year-over-year median sales price is also up +6.5%.

MLS sales prices for closed listings with a close of escrow date from 8/1/2017 to 8/31/2017, 0 day DOM sales removed



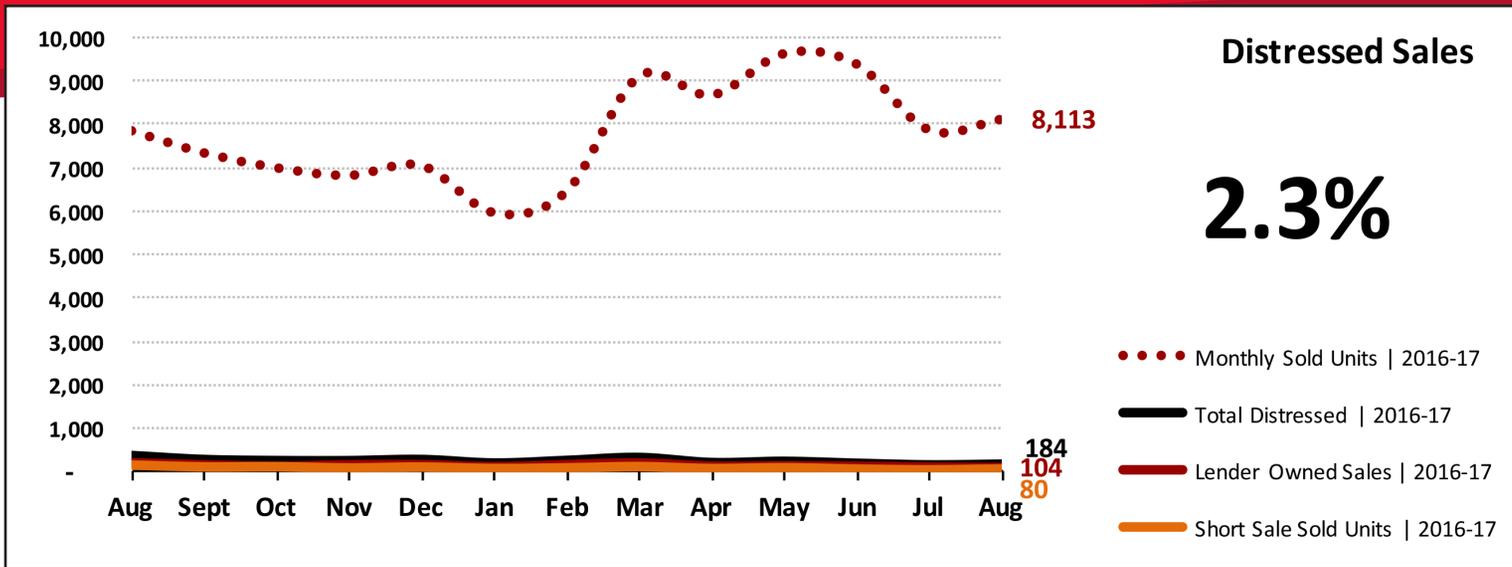
A slight decrease is forecasted for average sales price while August had a decrease in median sales price.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



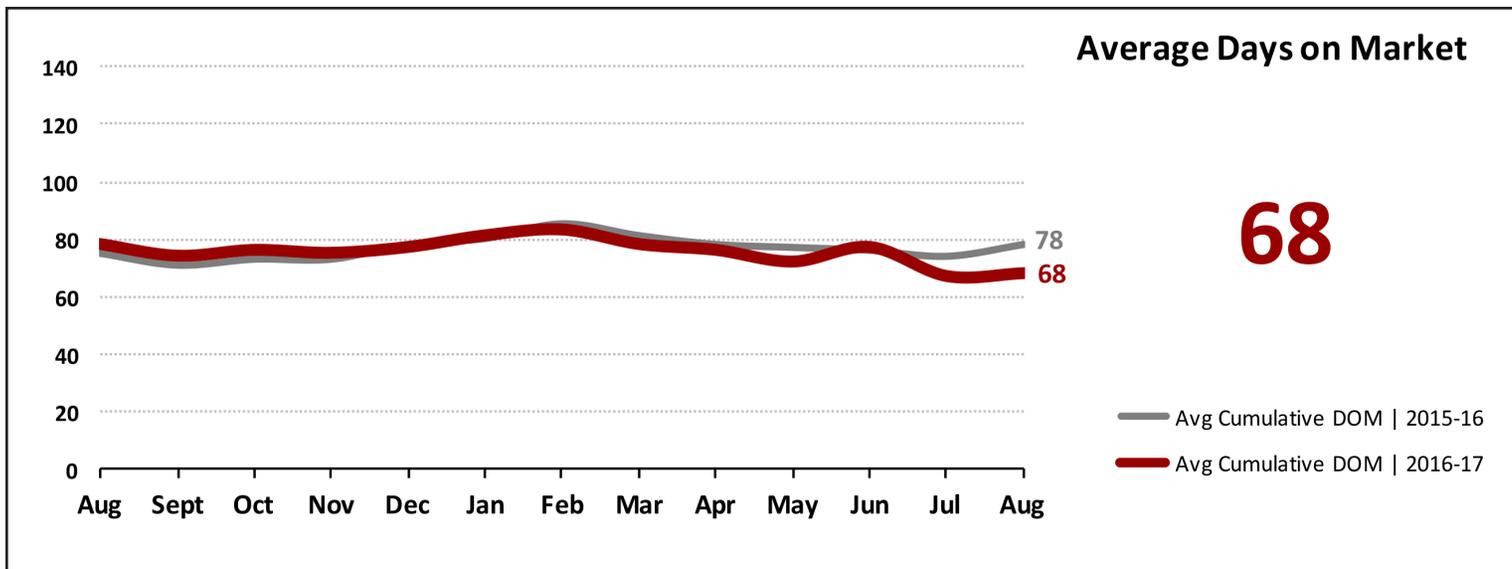
Foreclosures pending month-over-month showed an increase of +0.1% while the year-over-year figure was down -23.3%.

Snapshot of public records data on 8/31/2017 active residential notices and residential REO properties



Distressed sales accounted for 2.3% of total sales, down from the previous month of 2.2%. Short sales dropped -50.6% year-over-year. Lender owned sales dropped -42.5% year-over-year.

New MLS listings that were active for at least one day from 8/1/2017 to 8/31/2017, 0 day DOM sales removed



Days on market were down -10 days year-over-year while month-over-month increased +1 days.

MLS sales prices for closed listings with a close of escrow date from 8/1/2017 to 8/31/2017, 0 day DOM sales removed

As an analyst, the number one question I get asked is, “What percentage of homes sold are listed on the MLS?” This month in STAT, we’ll attempt to answer this question as well as place this answer in an historical perspective. We’ll also consider the value aspect of these sales, comparing the value of homes sold on the MLS to homes sold off market.

The answer to this question, like every other question I’m asked, is... it depends. It depends on how you define your data. For this discussion, we’re going to look at all homes sold in Maricopa and Pinal counties as defined by public record and eliminate Trustee Sales (trustee sales are homes sold at foreclosure auction on the court house steps). There have been 1,584 foreclosure auctions held in Maricopa County this year. Of the properties sold at auction, 602 reverted to the beneficiary and 982 were purchased by a third party. To put these numbers in perspective, on average only 5.78 homes were purchased daily at auction for the 170 business days of this year, and only 3.54 reverted to the lender/bank.

When we do a down and dirty comparison for the first 7 months of this year, we reported 57,034 home sales. Public records tell us 76,200 homes sold for this same period in Maricopa and Pinal counties. Using this simplified methodology, the percentage of homes sold on the MLS is 74.84%.

So, the answer is 74.84% of homes are sold on the MLS? Again, it depends. I think what we’re really trying to define is the percentage of resale homes listed on the MLS. For the first 7 months of 2017 there have been 10,287 newly built homes sold, but only 26.28% of new constructions are listed on the MLS. When we remove newly built homes we show 65,844 sales. In other words, 81.44% of all resale home sales are listed on the MLS.

Does this mean 18.56% of the homes sold this year are FSBO (For Sale By Owner)? No, not at all. When we think of FSBOs, we traditionally picture a homeowner that sells their home without using an agent. We might also picture an FSBO sign in the front yard, a Craig’s list ad or Zillow’s Make Me Move or Instant Offers. I believe it’s

impossible to identify a true FSBO from our existing data sets. Our only reliable conclusion is that 18.64% of all publicly recorded resale homes are not listed on the MLS. Today we have “iBuyers” like Opendoor and Offerpad and for over 20 years we’ve had We Buy Ugly Houses. We also have wholesalers and a myriad of small investors that market directly to the homeowner. Wholesalers and investors love the “D” sales: death, divorce and distress. All of the above purchases are a result of direct solicitation from the buyer. Since our industry loves acronyms so much, maybe we need a new one like BOSA (Buyer Offered Solicitation Accepted). On the purchase side, none of the BOSAs are listed on the MLS. But after the properties have been purchased and flipped, our data tells us 75% are listed on the MLS. The “iBuyers” list nearly all the properties they’ve purchased on the MLS.

Let’s take all the homes purchased in Maricopa and Pinal counties in the first 7 months that were not listed on the MLS. If we look for buyers’ names or addresses that appear multiple times, we can identify parties that directly market to potential sellers. The one metric we cannot account for are “pocket listings.” We know there can be a variance in the percentage of properties listed on the MLS and this variance is directly tied to market conditions. Low supply and high demand increases the likelihood of pocket listings while high supply and low demand has the opposite effect. The stronger the sellers’ market, the greater likelihood of pocket listings. At present, we do not have a means of identifying pocket listings. Since we can’t clearly define a true FSBO from our data, and we can’t identify pocket listings, we’ve combined the two in the table below.

<b>Type</b>	<b>Sales</b>	<b>Percentage</b>
<b>MLS</b>	<b>53,625</b>	<b>81.44%</b>
<b>NON MLS Bosa</b>	<b>3,389</b>	<b>5.15%</b>
<b>FSBO/Pocket</b>	<b>8,830</b>	<b>13.41%</b>

To place the percentage of historical sales listed on the MLS is difficult. We began matching all MLS sales to the recorded deed reporting that sale in 2012. Prior to 2012, we tracked public record sales and MLS sales separately. We believe the percentage of MLS listings hit their low point in 2005 when the supply of homes for sale hit their historical lows. We also believe the percentage of homes listed on the MLS peaked when bank and short sales dominated our market. Nearly 100% of all bank and short sales were listed on the MLS. My best guess is the low point for MLS listings was in the high 60 percentiles in 2005 and in the mid 90 percentiles when distressed sales dominated the market. The data below is for 2012 forward.

<b>Yearmlsyn</b>	<b>Count</b>	<b>Totalsales</b>	<b>Percentageoftotal</b>
<b>2012 N</b>	16051	100408	0.159858
2012 Y	84357	100408	0.840142
2013 N	16283	94465	0.172371
2013 Y	80182	94465	0.848801
2014 N	14435	85399	0.169030
2014 Y	70964	85399	0.830970
2015 N	16548	94842	0.174480
2015 Y	78294	94842	0.825520
2016 N	18557	101682	0.182500
2016 Y	83125	101682	0.817500
2017 N	12219	65844	0.185575
2017 Y	53625	65844	0.814425

## Value Proposition

A [recent article published in RealtorMag](#) looked at a study of price differences between homes sold by traditional agents and FSBO.

“The authors found that the differential in selling prices for FSBOs when compared to MLS sales is “remarkably close to average commission rates.” A FSBO sale, on average, nets nearly a 6 percent lower price than an MLS sale for a similar property.”

The report was based on a study done by [Collateral Analytics](#). I have an issue with data scientists, as they don't always understand the nuances of the data they are analyzing. In this case, based on the data they studied and the methodologies they used, I think they got it right. My only real issue is their simplistic definition of FSBOs and the message that conveys. In Arizona, we are fortunate to have our assessors provide us with full cash values (FCV), values held to strict equalization standards. By comparing the sale prices of resale homes to their FCV and averaging the individual calculations we can compare values. In laymen's terms, properties sold on the MLS were 6.3% higher than properties sold off the MLS, confirming the conclusion of Collateral Analytics.

Thanks to the Information Market, we have additional data points not available to Collateral Analytics that allow us to view other variables. One of those variables is transaction type. Nearly 100% of all GSE (Government Sponsored Entity), bank sales and short sales take place on the MLS. By their very definition, they're going to sell at lower values even though they're listed on the MLS and the agent represents the best interests of their client. There were 450 short sales that sold at a factor of 1.1969, 380 GSEs that sold at a factor of 1.2736 and 539 bank sales that took place at a factor of 1.1729. Maybe the most interesting statistic centers around properties that were sold while being in foreclosure. In our system, we code these as Active Notice transactions. These are properties that are heavily solicited by listing agents and investors. When in foreclosure, you're definitively better off selling your property on the MLS. Foreclosures listed on the MLS sold for 20.40% more than bargain stalking

BOSAs and 10.10% more than FSBOs

<b>Combined</b>	<b>Count_combined</b>	<b>Average_percentage</b>
ACTIVE NOTICE BOSA NON MLS	115	1.0028
ACTIVE NOTICE NON MLS	87	1.0966
ACTIVE NOTICE MLS	471	1.2074

### The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for August of \$242,000. The actual median sales price was \$245,000, missing the mark by 1.2%. Looking ahead to September, the ARMLS Pending Price Index anticipates the median sales price will fall in September, projecting a median sales price of \$239,900. I expect the median price will be lower in September but not as much as our model suggests. It's not unusual for the median sales price to fluctuate downwards in the fall months as seasonal patterns take hold.

Sales volume in August was 8,113, roughly 3.4% higher than the 2016 total of 7,843. Sales volume for the first 5 months of 2017 was 7.6% higher than 2016, with 65,147 sales in 2017 compared to 60,564 for the first 8 months of 2016. We begin September with 6,203 pending contracts, 3,581 UCB listings and 521 CCBS giving us a total of 10,305 residential listings practically under contract. This compares to 10,498 of the same type of listings one year ago. Even with fewer "pending" listings this year compared to last, I expect September sales to be higher than the volume of 2016. We reported 7,328 sales in August of 2016. Sales this September are expected to be in the 7500 range.