

APRIL 2016

Real Estate Update



JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

Corporate and even personal 2015 taxes filed? Check! (Thanks for another great job, Elaine.) It's hard to believe that 1/4th of 2016 is already behind us. I'm looking forward to April & May as I generally find those months (March is many times included in that group) to be the most amazing weather months here in The Valley. Typically it means lots of sunny days with highs in the 80's or maybe low 90's with evenings perfect for dinner or a visit with friends on the patio. Here's hoping lot of the above for each of you!

The Phoenix housing market continues to be interesting. Our resale inventory rose a bit in early March, but (thankfully) so did Buyer activity. Competition for Buyers looking to purchase in the \$275,000 and under price range is quite keen. We also see activity quite strong in many areas and not very strong in others. It is important to note to Sellers that Buyers generally are still looking for that updated, truly move in ready, home. That usually will be the property that sells first in a competitive neighborhood. Buyers are still finding interest rates 'in the 4's'. Thankfully the Fed chose not to increase base rates at their last meeting. Rumor still is that we will see interest rates rise to the 5% range over the next year. We saw encouraging news on AZ's unemployment. December '15 had us reach employment levels from pre-recession times. Our unemployment rate of 5.5% still exceeded the national average of 4.9%, but things seem to be improving. The RL Brown housing report showed Phoenix new home sales of 980 units in February. That is up 38% from '15. The median new home price was \$304,000. On the resale home side of things, 6500 sales in February '16 versus 6117 in '15. The resale median price was down 0.7% to \$200,000.

It's busy times for me. Thanks everyone! About mid-month, we closed on Glenn & JoAnne's (from MI) condo on the golf course in Phoenix. A week later congratulations go to Linda and Tanya of Mesa on the purchase of 2 investment properties in Chandler. Yesterday was closing day on the sale of an investment property in Laveen for my Canadian client Arvind. I was fortunate enough to list a Phoenix/Scottsdale condo for sale for Canadian clients "The B's" in March. On the market Friday, under contract on Monday at about 97% of list price. That should close at mid month in April. We worked hard to find a nice Chandler property for Todd and his family. It's now under contract and in the Inspection Period. Hopefully Todd and family will have a new address by the end of April. Thanks to Cabot, Mark and Julie for the opportunity to have meaningful discussions about current and future house plans. To each of you who have been kind enough to send a referral my way recently, Thank You. Know that I really appreciate the referrals and encourage you to mention my name to anyone you know who is thinking of selling or buying a home in the Phoenix area.

Regards,

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Real Estate For Today

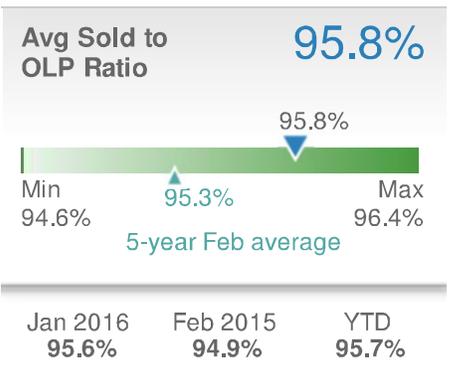
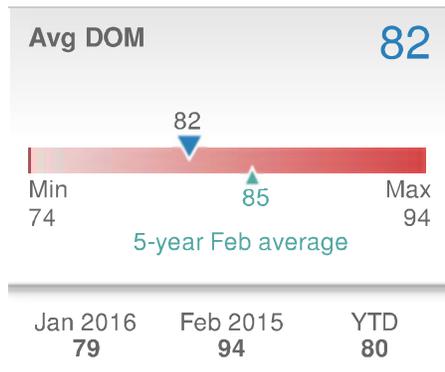
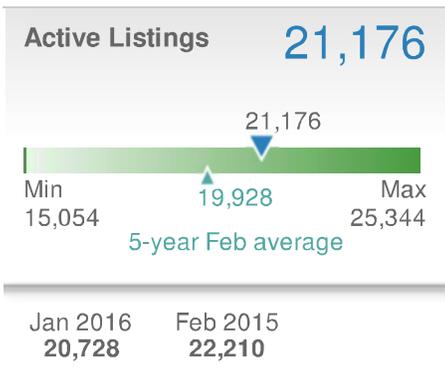
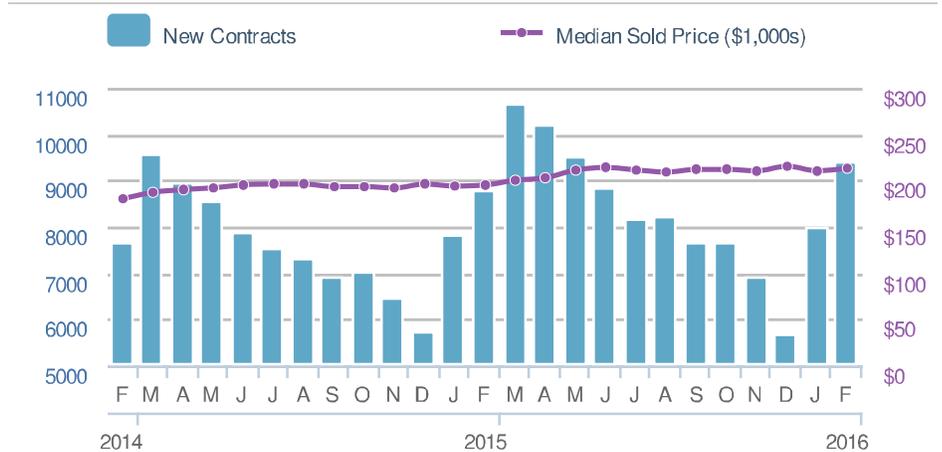
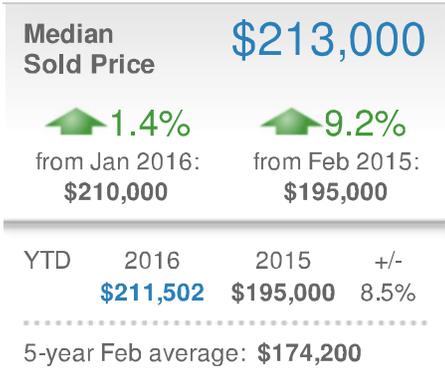


Visit my website at: www.jeffgerberrealtor.com



February 2016

Arizona Regional MLS





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Between FRIENDS

Real Estate for Today

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Are you curious about current real estate trends? I've got my finger on the pulse of the local market. Call me today for a free, insightful analysis.



Home warranties vs. homeowner's insurance—what's the difference?

Home warranties are *service contracts* covering systems and appliances that fail due to normal wear and use. **Insurance** *indemnifies* against *damage or liability* arising from some unknown or contingent event. For example, if a covered water heater leaks under normal use and floods the home, the warranty will repair or replace the water heater; insurance may cover the damage.

OLD REPUBLIC HOME PROTECTION



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

People Helping People



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

Do you know anyone looking to buy or sell a home? Send them my way! I'll put my expertise to work to guide your family and friends through their next real estate transaction.



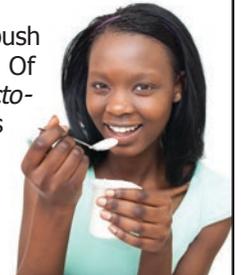
Health & Safety

How Healthy is Your Belly?

As your mother always told you—it's what's on the inside that counts! And this is especially true when we're talking about your gut, which *should* be packed with healthy bacteria (such as *Lactobacillus* and *Bifidobacterium*).

These wonderful microorganisms help move food through your intestines, and if you don't have a thriving colony in your belly, you could end up with digestive problems. The bacteria also crowds out pathogens, such as candida, and some evidence suggests that reducing candida can alleviate various skin conditions... and may even help you lose weight!

You can increase the amount of good bacteria in your system, and push out the bad bacteria, by taking probiotics under a doctor's care. Of course, you can also ingest them naturally by eating yogurt (it's *Lactobacillus* that turns milk into yogurt). That said, putting more probiotics into your system isn't enough... you need to feed those little critters and keep the colony alive! They feed off fiber, so eating a variety of fiber-rich foods (e.g., fruits and vegetables) can make your belly a healthy, happy place where friendly bacteria can hang their hats.



Real Estate Today

Why Hire a Real Estate Professional to Sell Your Home?



They say you should never ask a barber whether you need a haircut, but think about this... have you ever tried to cut your own hair? Sure, real estate professionals have a vested interest in convincing home sellers to use their services, but without an expert by your side, you could leave thousands of dollars on the table.

A knowledgeable agent knows the local market and can help you identify the perfect price point for your home. According to the National Association of REALTORS®, the average For Sale By Owner property in the U.S. sold for \$208,700 last year, while the average agent-assisted home sold for \$26,300 more!

A real estate professional can also help you review and negotiate the terms of your contract, handle the piles of paperwork that go along with selling a home, and serve as a gatekeeper so you don't have to deal with all the looky-loos.

Why work harder... and leave money on the table... when a qualified real estate professional is just a phone call away?

Savor the Flavor

Black Forest Brownies

1 package (21 ounces) brownie mix

1 can cherry pie filling

Whipped cream

**2 ounces semi-sweet chocolate bar,
grated**

Bake brownies according to package directions.

Cool completely.

Cut into pieces.

Top each brownie with cherry pie filling, whipped cream, and grated chocolate.



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Household Tips **Personal Assistants for Everyday People**

Life is full of mind numbing tasks, and in an effort to reduce stress and free up their schedules, many Americans are outsourcing everyday chores—from laundry to dog walking, to waiting in line!

There are plenty of people offering their services on websites like Craigslist, and many are flexible with the kind of work they'll perform. TaskRabbit is a website that connects you with people looking for gigs, and while the company's reach is limited when it comes to physical chores (it's found in 19 U.S. cities), you can outsource plenty of "virtual projects" through them (e.g., computer help, research, data entry).

Of course, it's important to consider whether you can afford to hire extra help. If you earn a salary or an hourly wage, take a look at your budget and consider targeting those tasks that would cost the least to outsource. On the other hand, if you're self-employed or have a commission-based sales job where you could use that time to earn more money, the equation is simpler. If you earn more per hour than it costs to outsource a job you hate, outsourcing could fatten your paycheck.

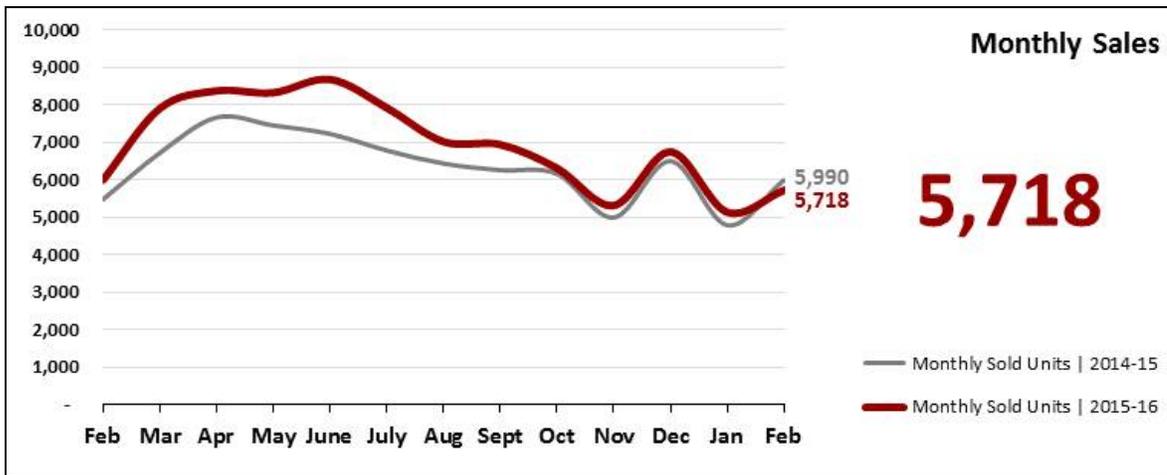




YOUR MONTHLY STATISTICS FOR THE PHOENIX METRO AREA STAT

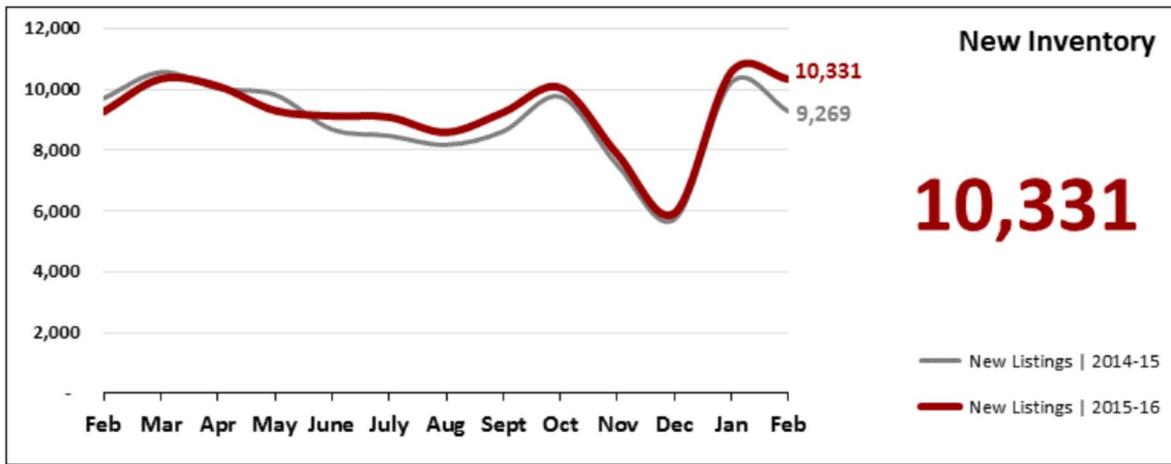


FEBRUARY 2016 - Published March 25, 2016



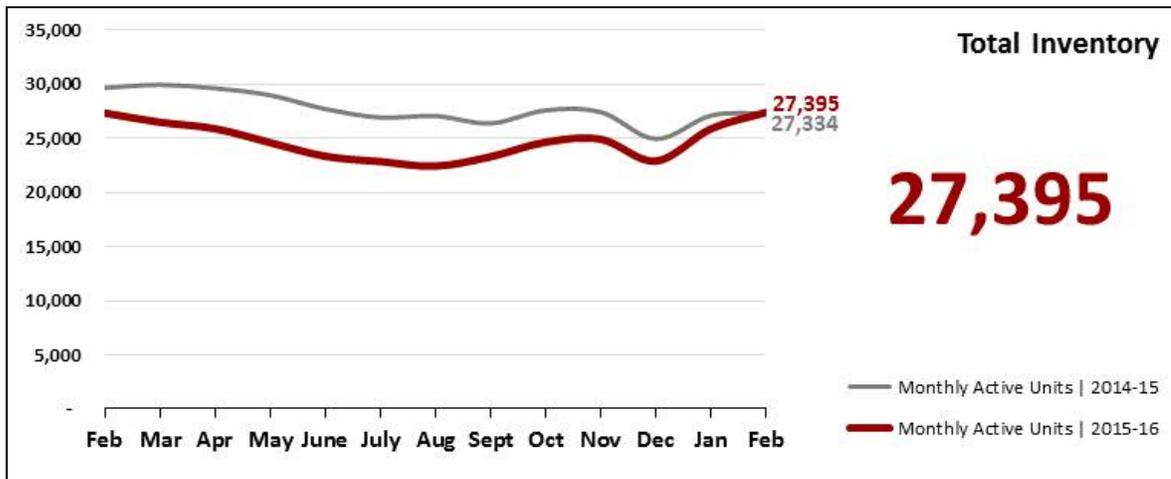
Monthly sales are up +11.4% month-over-month. A change in methodology has skewed the year-over-year comparison. See commentary for more details.

Closed MLS sales with a close of escrow date from 2/1/2016 to 2/29/2016, 0 day DOM sales removed



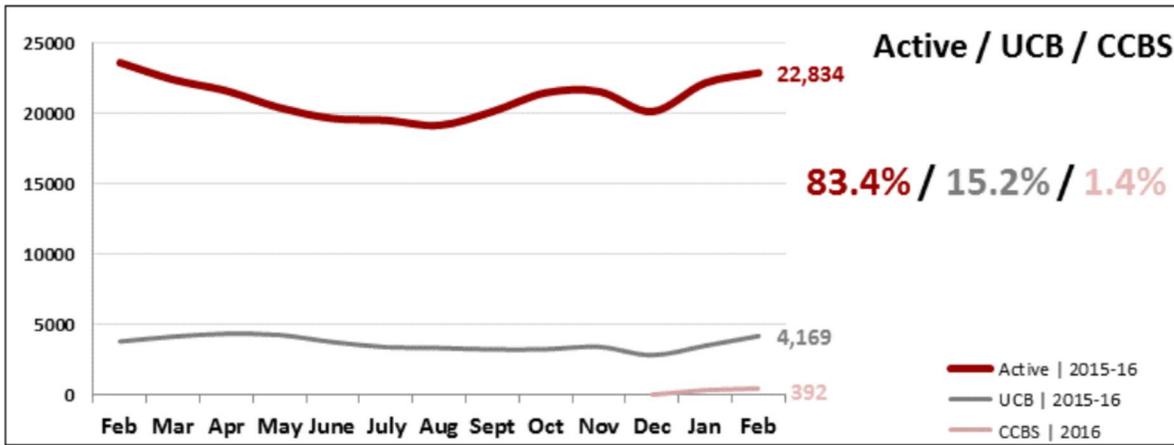
New inventory is down -2.3% month-over-month while the year-over-year comparison shows an increase of +11.5%.

New MLS listings that were active for at least one day from 2/01/2016 to 2/29/2016, 0 day DOM sales removed



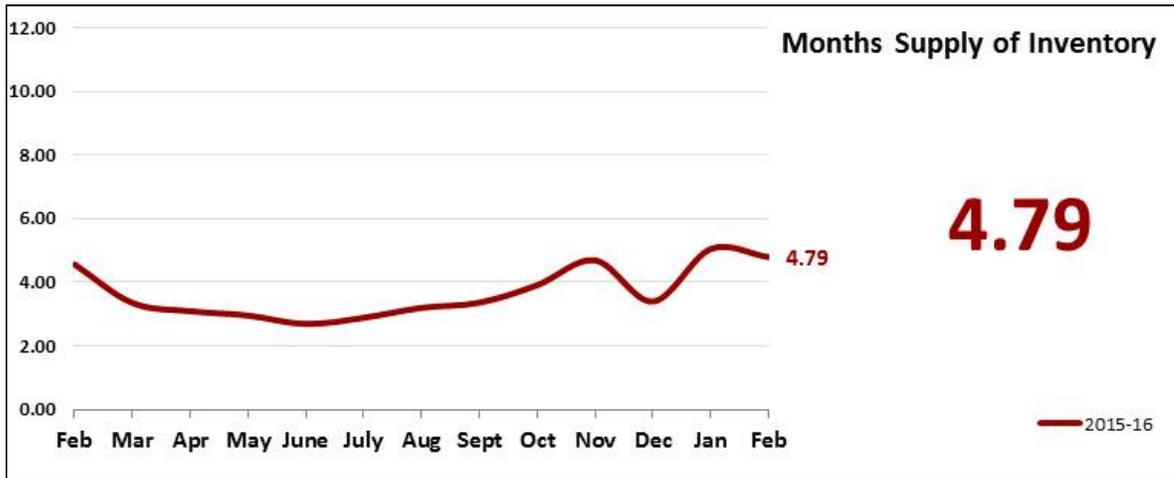
Total inventory has a month-over-month gain of +5.8% while year-over-year reflects a slight increase at +0.2%.

Total MLS listings that were active for at least one day from 2/01/2016 to 2/29/2016, 0 day DOM sales removed



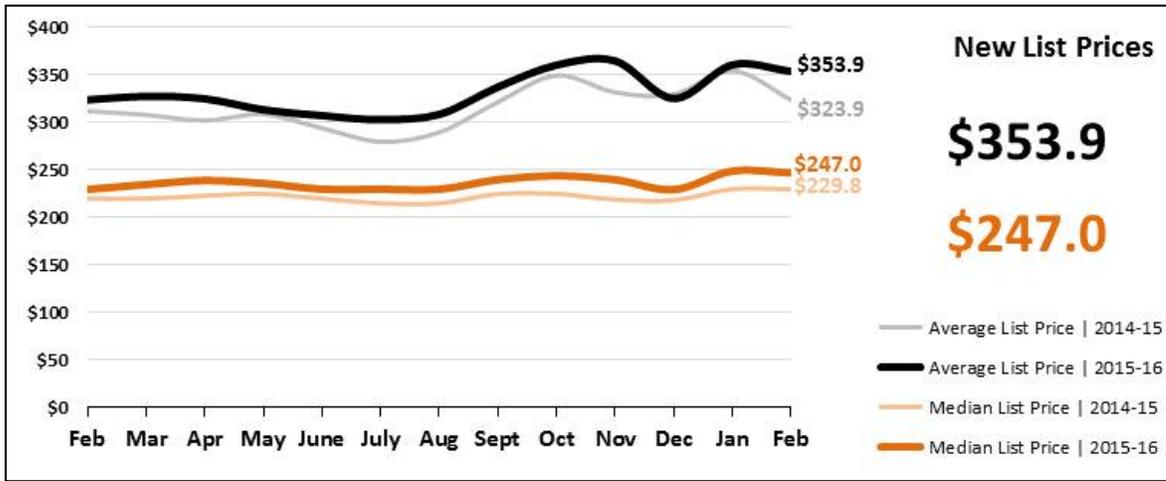
UCB listings increased 1.2% month-over-month.

Snapshot of statuses on 2/29/2016



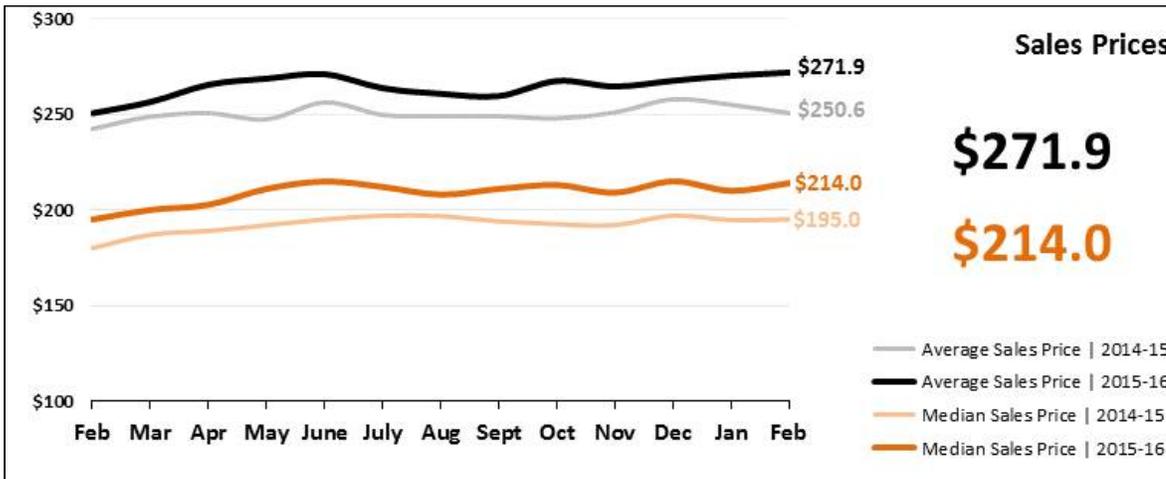
Months supply of inventory for January was 5.05 with February currently at 4.79.

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



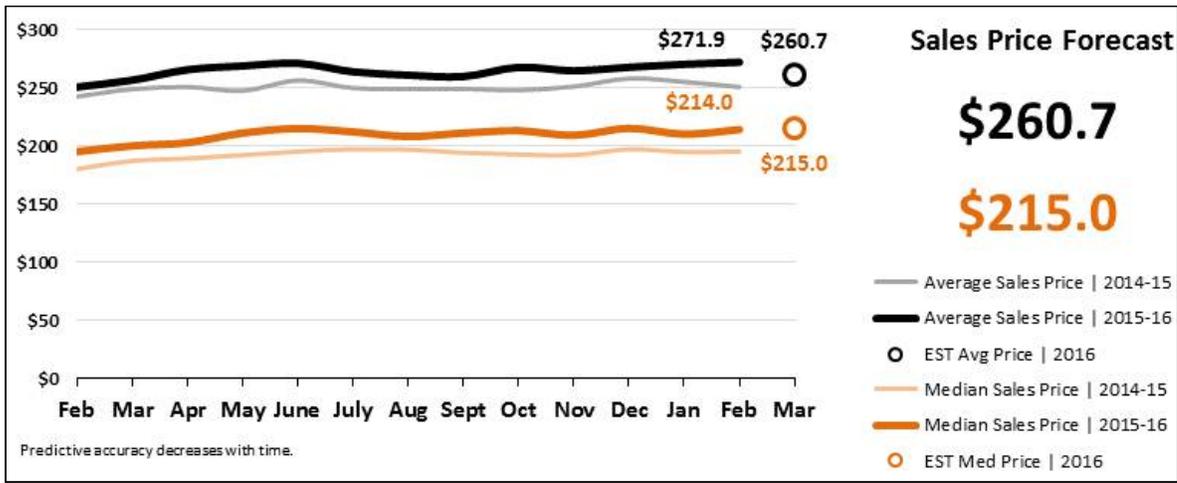
New average list prices are up +9.3% year-over-year average. The year-over-year median is up +7.5%.

List prices of new listings with list dates from 2/01/2016 to 2/29/2016, 0 day DOM sales removed



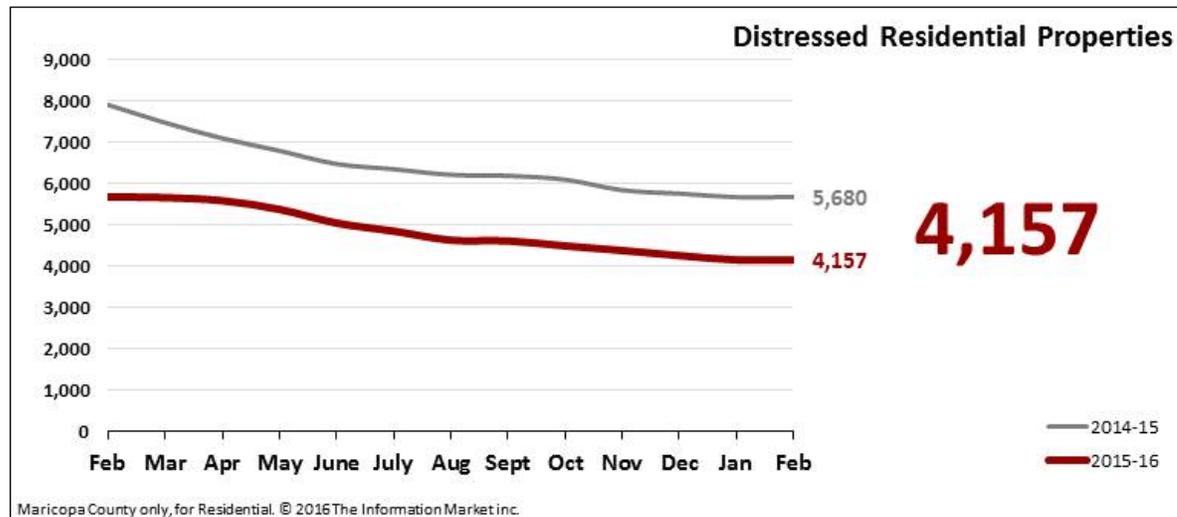
Sales prices are up +8.5% year-over-year on average while the year-over-year median is also up +9.7%

MLS sales prices for closed listings with a close of escrow date from 2/01/2016 to 2/29/2016, 0 day DOM sales removed



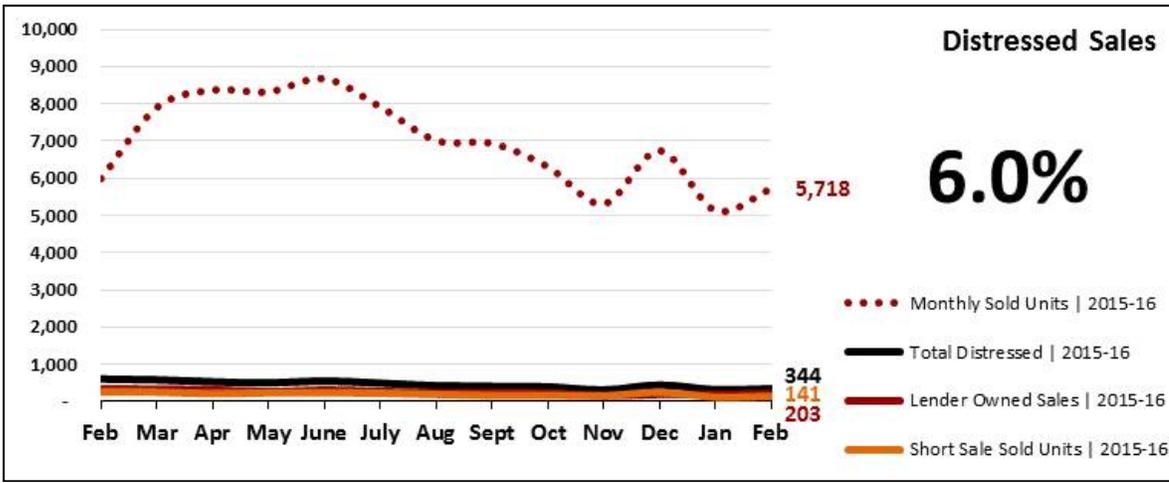
A slight increase is forecast for March in the median sales price.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



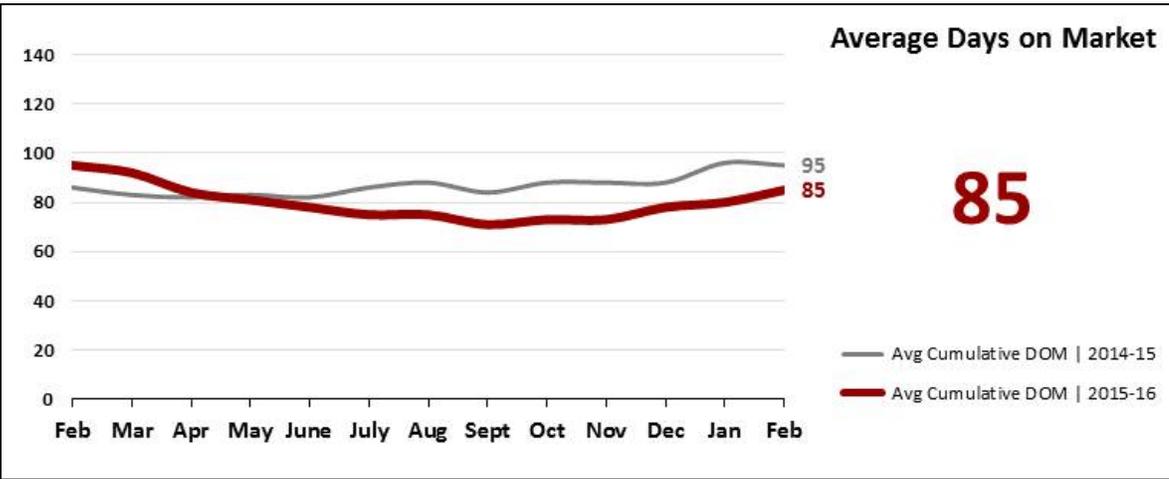
Foreclosures pending month-over-month held while the year-over-year figure was down -26.8%.

Snapshot of public records data on 2/29/2016 active residential notices and residential REO properties



Short sales dropped –46.2% year-over-year. Lender owned sales dropped –41.2% year-over-year.

Lender owned sales are MLS sales 2/01/2016 to 2/29/2016 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected
 Short sales are MLS sales 2/01/2016 to 2/29/2016 where *Short Sale Aprvl Req, Previously Aprved SS or Lender Approved SS* special listing conditions were selected



Days on market fell 10 days year-over-year while month-over-month saw an increase of 5 days.

Average of all closed listings 2/01/2016 to 2/29/2016 where DOM was greater than 0

COMMENTARY

by Tom Ruff of The Information Market

Ask three different agents what's happening with home prices and you will get three different opinions. Oddly, they might all be correct. Prices have heavy upward pressure below \$250,000, are moderate in the mid-ranges and are slow to negative in the luxury market. High demand and limited supply in the lower price ranges have pushed up the median sales price.

Turning to sales volume we have a bit of a conundrum. At the beginning of the year we changed our statistics methodology. We no longer include sales with zero cumulative days on market in our reporting. Some Subscribers use the MLS to log their non-MLS sales by listing and immediately closing them. They report over as having a DOM of 0. Since the sales didn't occur on the MLS, we feel removing these sales from our reports gives a more accurate representative of the MLS sales market. Note: reports in Flexmls remain the same, this change only affects the reports we publish on our statistics section of ARMLS.com.

The outcome of this change is seen when we compared sales numbers year-over-year in our charts. Around 200 faux MLS sales in the high season each month will not appear due to the new methodology, not because of the market. Compounding things is the fact that February 2016 also had an extra day this year.

Our headaches continued this month when we read about a study done by a Florida Gulf Coast University as reported by [TheRealDaily](http://therealdaily.com). <http://therealdaily.com/big-data/mls-errors-study/>

The author addressed the question, *how serious are the errors in the MLS sales price data?* Quoting the article, *"For years, appraiser, economists, and other experts have quietly questioned the discrepancies between multiple listing services (MLS) prices and the legal prices recorded on HUD-1 forms (and filed in local jurisdictions.)"* The article is based on a study by *Marcus T. Allen, PhD, Kenneth M. Lusht, PhD, MAI, SRA, and H. Shelton Weeks, PhD.*

The study looked at 400 sales transactions over a period of four years in a single southeastern market. From this small sampling Lusht maintains that the problem of MLS errors is longstanding and certainly not limited to one or two markets.

"I would say that any appraiser who has a reasonable amount of experience already knew there were errors in the MLS. They knew that it is very possible some of the prices weren't right, but no one has ever measured it before and found how frequent the errors were or how big they might be." — Lusht

From their evidence, the authors suggested that Brokers may be gaming the system by intentionally inflating sold price information in the MLS, perhaps to make it appear that they negotiated a higher price for their clients.

“Whatever the cause of the errors”, the study concluded, “Regardless of the motivation or source of the error, the result is the same – a misstated price. Maybe someone else will get interested in it and look at different areas to see if what we found is typical or not. My guess is that what we found here, we will find in other markets, especially during down markets.”

Challenge accepted.

We will take Dr. Lusht up on his challenge and evaluate MLS sale prices within Maricopa County. One of the obstacles mentioned in the article is the long delay for local government to post official sales price data. This is not the case in Maricopa County. Thanks to ARS § 11-1133, we have no such issues. When a home closes the county recorder will make the affidavit of value available for viewing within minutes. These closings are reported in the Monsoon tax system before the start of the next business day. Quick links within Monsoon allow users to quickly view and verify the recording in less than 24 hours of the close of escrow.

For the purposes of our study we viewed the last 100,000 MLS closings in Maricopa County and compared the MLS sold price to the recorded affidavit of value where the recording was not an A3 exemption or a Service Link transaction. Our sample size was exponentially larger than the 400 sales included in Lusht’s study. The reason A3 transactions were removed is because government transactions (HUD/VA) do not require an affidavit of value and Service Link transactions, where bank sales were handled by an out-of-state entity are obviously not familiar with ARS § 11-1133 (there were 233 A3 sales and 176 sales handled by Service Link in the past year). So what does our analysis tell us?:

94.567% of all sales as reported on the MLS precisely matched their affidavit of value. Of the 5,433 sales where the price varied, 1,934 had an MLS price that was lower and 3,499 had an MLS price that was higher.

Of the sales where the MLS price was higher:

1,204 sales were within 1% of the affidavit of value.
793 were between 1% and 2%
505 were between 2% and 3%
316 were between 3% and 4%
280 were between 4% and 5%
401 were greater than 5%

Of the sales where the MLS price was lower:

1853 sales were within 1% of the affidavit of value.
61 were between 1% and 2%
11 were between 2% and 3%
4 were between 3% and 4%
2 were between 4% and 5%
3 were greater than 5%

To quickly summarize, 94.567% of MLS prices were precise while 97.624% were within 1% and 98.478% were within 2%. Here are a few examples of the types of issues we saw when we viewed the small percentage of extreme differences:

- MLS sold price was transposed, sale for \$25,000 instead of \$52,000 (These types of errors are caught by data integrity and corrected, appearing correctly in MLS today).
- MLS sold price entered as \$360,000 instead of \$260,000.

- Data processing errors matching the correct MLS sale to the correct affidavit of value where there were issues with improperly reported parcel numbers or where more than one sale took place on the same property and the MLS sale was matched to the incorrect transaction.
- The original affidavit of value was incorrect and a subsequent correction was filed after the initial matching process.
- Two affidavits were recorded on same transaction showing half of the sale price on each.
- MLS price is correct, affidavit was filled out incorrectly.
- New construction where parcels reported do not match the actual property sold, new construction accounts for 3.93 % of the sales and 8.37% of the differences between MLS price and the price given on the affidavit.

The study done at Florida Gulf Coast University drew some very broad conclusions based on a very small sample. I cannot argue with their math but I will question the apparent assumptions they made. Data is messy, read by machines and often input by humans. Humans make mistakes. When comparing two different data sources you have to be extremely cautious. I'm not comfortable with these assumptions that appear to have been made:

- Anytime there was a difference between the HUD-1 data and the MLS they assumed the HUD-1 data was correct.
- An assumption was made the correct HUD-1 was matched to the correct MLS sale.
- An assumption was made that the assessor tax number and address were reported correctly in both sources. In their report they state the two data sources were matched by the assessor ID and

address. There is no mention of a third matching criteria. In our study we saw the difficulty in matching MLS data with the public record, particularly when a property is flipped on the same day or in a very short period of time and the second sale is at a much higher price than the first.

The one conclusion they made in the report on which I agree is the indisputable bias of more errors above the MLS sold price than below. We showed a difference of 3.499% where prices were over reported in the MLS while 1.934% where the prices were under. It's very likely that the price pended in the MLS might have changed at the final negotiating table and the agent never went back and changed the data. It might also suggest that some gaming is taking place within the MLS but nowhere near the extent implied in the article. The issues we have in Maricopa County are a far cry from those stated in the study.

It is vital to understand the importance of reliable MLS and public records data, as well as their weaknesses. The depth and richness of MLS data makes it far more attractive to appraisers than public records data, nonetheless, the prices listed should be confirmed by viewing the affidavit of value. And finally, if you see errors in the public records data or the MLS, report them. They can be fixed making everyone's job easier.

ARMLS Pending Price Index (PPI)

Our last Pending Price Index projected a February median price of \$209,900 with the actual median coming in at \$214,000, off by 1.92%. Sales volume in February as reported by ARMLS was 5,718 with 482 fewer sales than our projected volume of 6,200. Looking ahead to March, the ARMLS Pending Price Index projects a median sales price of \$215,000. We begin February with 7,222 pending and 4,169 UCB listings giving us a total of 11,391 residential listings practically under contract. This compares to 10,502 of the same type of listings at this time last year. We expect sales volume in March to be very similar to the numbers last year with a slight increase in the median sales price. February was not a great month for projections as I still remain single and unengaged.