JUNE 2017

Real Estate Update

JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

Hey, guess what? It's summer! Where did that come from? Another year seems to be in hyper-mode! Here's wishing you and your family a great summer. Hopefully it will be filled with good times, maybe some safe traveling but always with family fun. My wife and I are looking forward to early August for a trip to the UP of Michigan (our former home) to visit with friends, embrace the Great Lakes and enjoy small town America! That time away really does tend is a good mental recharge.

2017 is proving to be a big year for the Phoenix Real Estate market. Real Estate expert Fletcher Wilcox noted that the sales volume for existing homes is at the highest level since 2006. That's before the crash and recession. Volume is up 18% in 2017 versus last year. This is especially noticeable since the average sale price is up nearly $100,000 since then. April sales volume was actually down 4.9% from March, but fewer business days in the month was the primary factor. The limited inventory also had significant impact on the numbers, as well. A recent check of the inventory of resale single family homes here in the Phoenix market that were priced below $200,000 resulted in 3229 listings. In April, 2546 single family homes sold for $200,000 or less. Remember, a 'healthy/normal' market typically has about a 3-month supply of properties available. Based upon the current numbers, there is a 1.27-month supply. That should help explain why it is so hard/competitive to find a home in the $200,000 and under price range. Inventory numbers are similar, but only slightly less severe, for properties priced up to $275,000 and even to those near $300,000. There is something resembling more market normalcy for properties priced $300,000 and above. Flips remain an important market component. About 10.7% of MLS sales in the past year were flips. Companies like Opendoor and Offer Pad control nearly 25% of the flip market. Interesting, to me, was learning that the top Flip Zip Code is 85351...Sun City! After careful thought, it does make sense. Many of those Sun City properties are 40-years old, or more. A home of that age will almost certainly need a pretty big 'refresh' to make it appeal to a contemporary Buyer. It doesn't matter your age, there's an almost certainty that your taste probably will not be reflected in Grand Ma & Grand Pa's style. You'll likely find "the bones" attractive, but want interior and exterior updates to reflect today as part of your home. Interest rates for home mortgages have been fluctuating slightly in reaction to daily news, but overall they are holding around the 4% mark. The Fed has indicated another 'overnight rate' adjustment is likely this summer. Time will tell how that might effect home mortgage interest rates, but historically the effect will be very small, if any.

It's been a busy month working hard to find the 'right' property for a number of clients. I'll tell you first-hand that the limited inventory of resale properties makes this a major challenge. I really appreciate the patience most of my clients have exhibited. I also understand the frustration on the part of others who resigned from the corps of potential home Buyers and decided to maintain their status as a renter..at least for now! Do you know of anyone thinking of Selling or Buying a home, especially in the East Valley? I would really appreciate a referral to that person. Thanks to you, my business grows each year.

Regards,

JSGerber 06/01/2017

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Local Market **Insight**

ARMLS
ARIZONA REGIONAL MULTIPLE LISTING SERVICE, INC.

April 2017

Arizona Regional MLS

New Listings 9,868

-13.7% from Mar 2017: **11,428**

-4.9% from Apr 2016: **10,371**

YTD	2017	2016	+/-
	40,680	**41,440**	-1.8%

5-year Apr average: **9,770**

New Contracts 10,548

-7.5% from Mar 2017: **11,408**

2.2% from Apr 2016: **10,325**

YTD	2017	2016	+/-
	41,337	**38,811**	6.5%

5-year Apr average: **10,149**

Closed Sales 8,615

-5.5% from Mar 2017: **9,115**

4.5% from Apr 2016: **8,246**

YTD	2017	2016	+/-
	30,173	**27,437**	10.0%

5-year Apr average: **8,250**

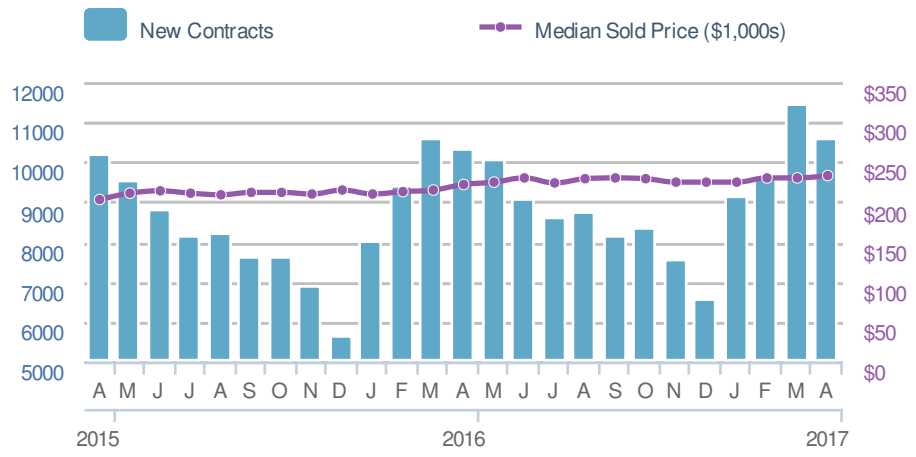
Median Sold Price $233,000

1.3% from Mar 2017: **$230,000**

5.0% from Apr 2016: **$222,000**

YTD	2017	2016	+/-
	$230,000	**$216,000**	6.5%

5-year Apr average: **$204,180**



Active Listings 17,737

17,737

Min 14,130 | 19,449 | Max 24,698

5-year Apr average

Mar 2017	Apr 2016
18,412	**20,761**

Avg DOM 73

73

Min 70 | 77 | Max 84

5-year Apr average

Mar 2017	Apr 2016	YTD
75	**76**	**76**

Avg Sold to OLP Ratio 96.7%

96.7%

Min 94.5% | 96.0% | Max 96.9%

5-year Apr average

Mar 2017	Apr 2016	YTD
96.6%	**96.3%**	**96.5%**

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Data Source: ARMLS. Statistics calculated May 02, 2017.

rbi REALESTATE BUSINESS INTELLIGENCE

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Between FRIENDS

Real Estate for Today
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When you understand the process of buying or selling a home, you're equipped to make the best decision. Call me today! I will guide you every step of the way.

As 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 reduce 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!

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Do you know anyone buying or selling a home? A qualified real estate professional offers unparalleled value. I'll provide tips for home staging, aid with financing, and more!

EQUAL HOUSING OPPORTUNITY

Health & Safety

Get More from Your Workout Routine

No one starts a workout routine hoping for mediocre results. So, how can you get the maximum benefit from every workout?

Do some heavy lifting: The easiest way to boost your metabolism is to build muscle. Certified Strength and Conditioning Specialist Dr. Jacob Wilson recommends adding resistance training to your workout to increase your metabolic rate and burn fat more efficiently. Don't want to wait in line for the weight machines? Grab some free weights or use your own body weight for resistance; both techniques activate a wider range of muscles than a machine.

Exercise your heart: Just because you've started lifting weights doesn't mean you can forget about cardiovascular training. Cardio burns calories, improves heart health, and can be a great stress reliever. Adding high-intensity cardio bursts to your resistance training can help preserve lean muscle mass and maximize fat loss.

Get into the groove: Blasting your favorite upbeat playlist is a great way to get your blood pumping during a workout. But studies show that listening to music with a slower tempo immediately *after* exercising helps your body relax and recover faster. Proper recovery is vital to getting the most from your workouts.

Real Estate Today

Upselling Your Home

If you're thinking of selling your home, you know upgrades add value. But some improvements will give you a bigger bang for your buck than others. Here are a few tips to help you sell your home for top dollar.

Consider an exterior facelift. If a buyer isn't interested in your home from the outside, they might not want to see the inside. Updating your home's exterior with new siding, or a less expensive option, such as a new paint job, can increase your home's value. Other smart exterior upgrades include new garage and entry doors.

Inside your home, focus on lower cost upgrades that make a great first impression. Replace outdated hardware and fixtures to modernize your home. Paint walls a neutral color to make the home look cleaner and newer. Remove old window coverings—this will depersonalize your home (a key part of home staging) and let in more light, making it more appealing to buyers.

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Savor the Flavor

Strawberry Shortcake

Filling

2 pints fresh strawberries

1/4 cup sugar, more to taste

Shortcake biscuits

4 cups flour

3 Tbsp. sugar

1/4 tsp. salt

5 tsp. baking powder

1 1/4 cups unsalted butter, softened

3 cups heavy whipping cream

1/4 tsp. vanilla extract

Rinse, hull, and slice strawberries. Crush 1/4 of the berries with a fork to release the juice. Mix with the remaining berries and 1/4 cup of sugar. Set aside.

Preheat oven to 450 degrees.

Mix flour, 3 Tbsp. sugar, salt, and baking powder in a large bowl. Cut in 3/4 cup of butter until the mixture resembles coarse crumbs.

Add 1 1/4 cups of heavy whipping cream and mix into a soft dough.

Knead for about one minute, then roll it out 1/2 inch thick. Cut out an even number of rounds (2 per serving).

Grease a baking sheet with butter. Place half the biscuit rounds on the baking sheet. Melt remaining butter and brush some on the rounds. Place remaining rounds on top of the buttered rounds.

Bake for 10-15 minutes until golden brown.

Remove biscuits from the oven and pull apart. Brush the insides with more melted butter. Beat remaining cream and vanilla extract until stiff peaks form.

Place one biscuit half on a plate. Add berry mixture, then cover with the other biscuit half. Add a few more berries on top and finish with whipped cream. Serve immediately.

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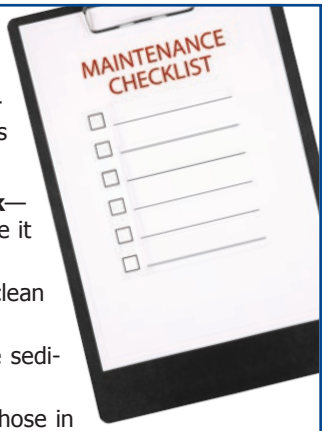
Household Tips

Summer Home Maintenance Checklist



Just as your car needs regular oil changes to keep it running smoothly, your home needs regular maintenance to save you from unnecessary headaches and expenses. Take advantage of the longer days and get your home in tip-top shape!

Clean and inspect your refrigerator—including door gaskets and coils

Remove grease buildup from range hood and clean the filter in hot, soapy water

Clean tub and sink drains to prevent clogging and mold growth

Soak showerheads in vinegar to remove mineral deposits

Examine all grout around tile throughout your home and repair as needed

Check the dryer vent for blockages and vacuum or brush lint from the dryer hose

Clean and repair your patio or deck—power washing or re-staining can make it look like new

Inspect plumbing for leaks and clean faucet aerators throughout your home

Drain your water heater to remove sediment buildup in the tank

Change or clean filters—including those in your water filtration system, ice maker, and air conditioner

Trim trees and shrubs away from AC units—at least 18" from the sides and three feet from the top of the unit

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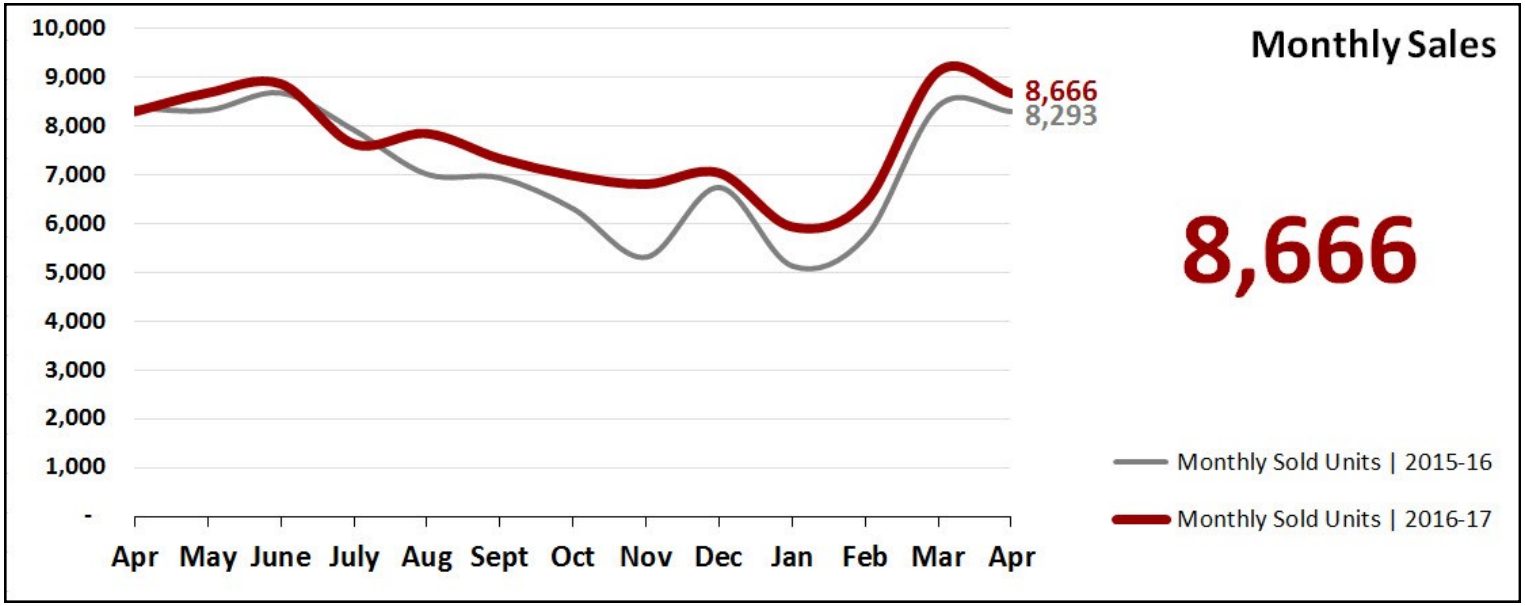
STAT

Your Monthly Statistics for the Phoenix Metro Area

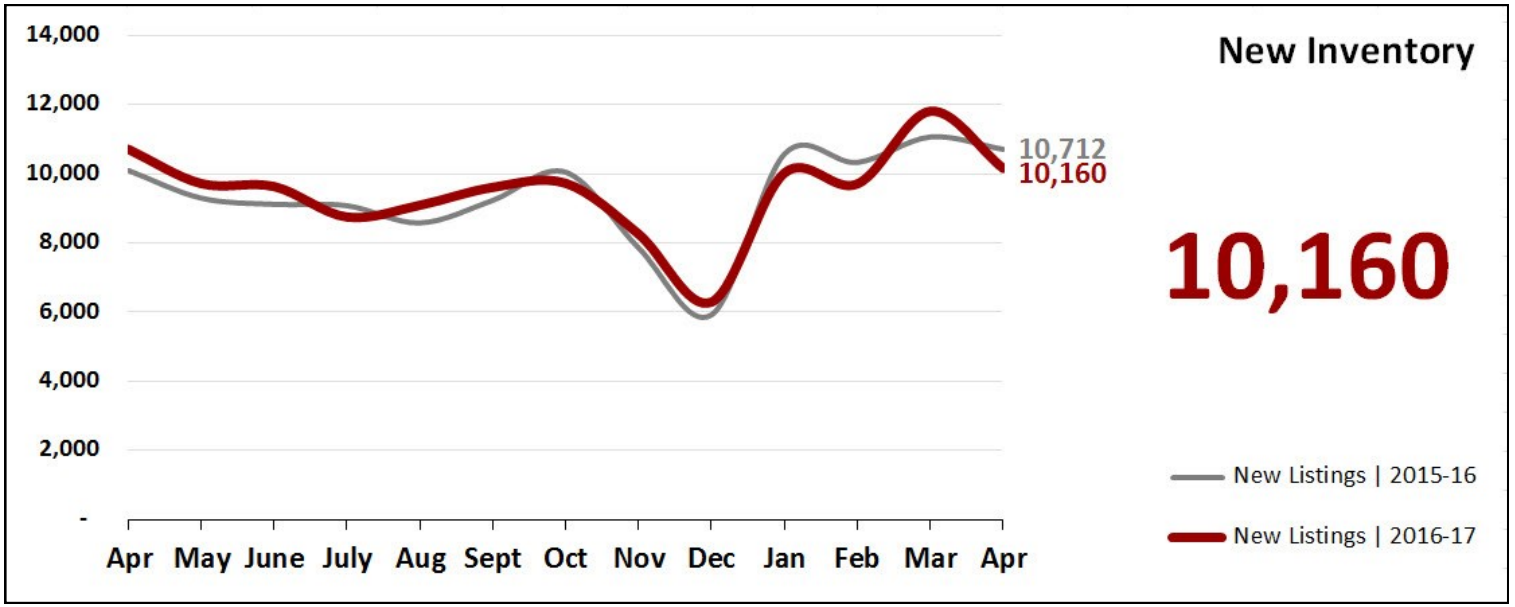
ARMLS®

DATA for APRIL 2017 - Published May 23, 2017



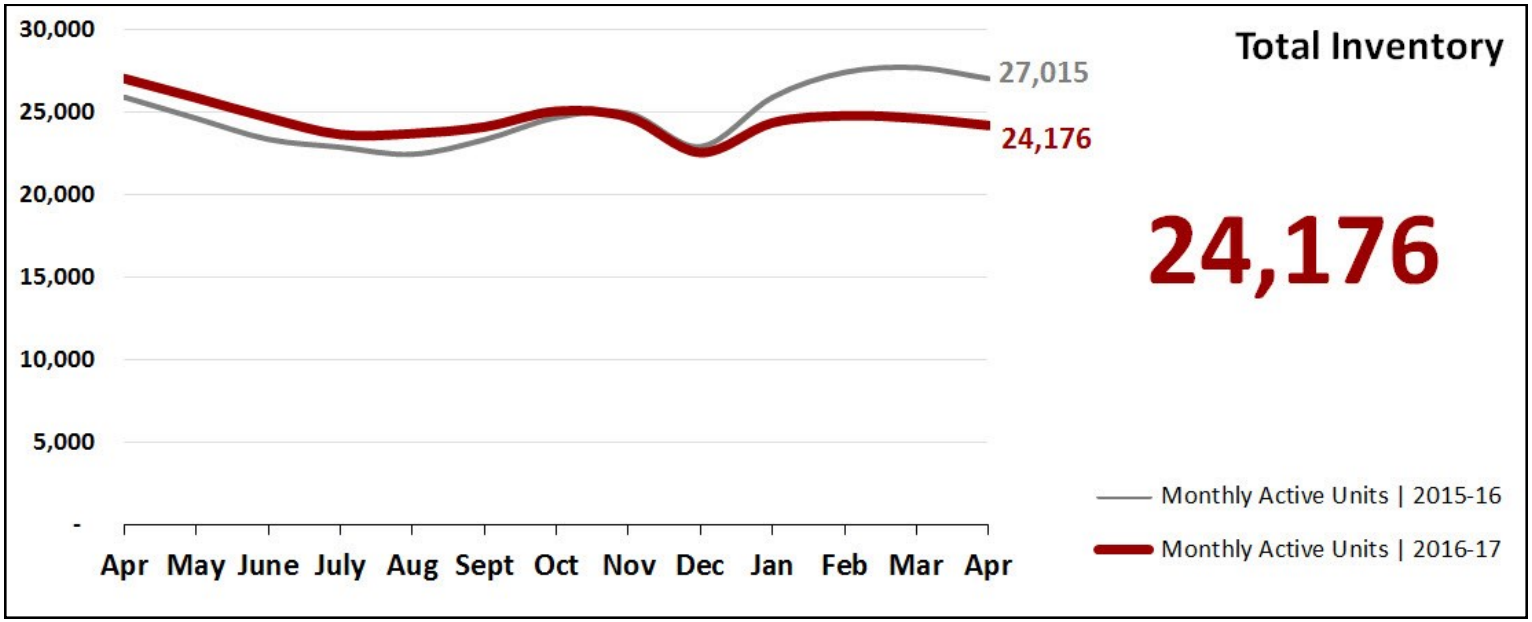
Sales are down -4.9% month-over-month. The year-over-year comparison shows an increase of +4.5%.

Closed MLS sales with a close of escrow date from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



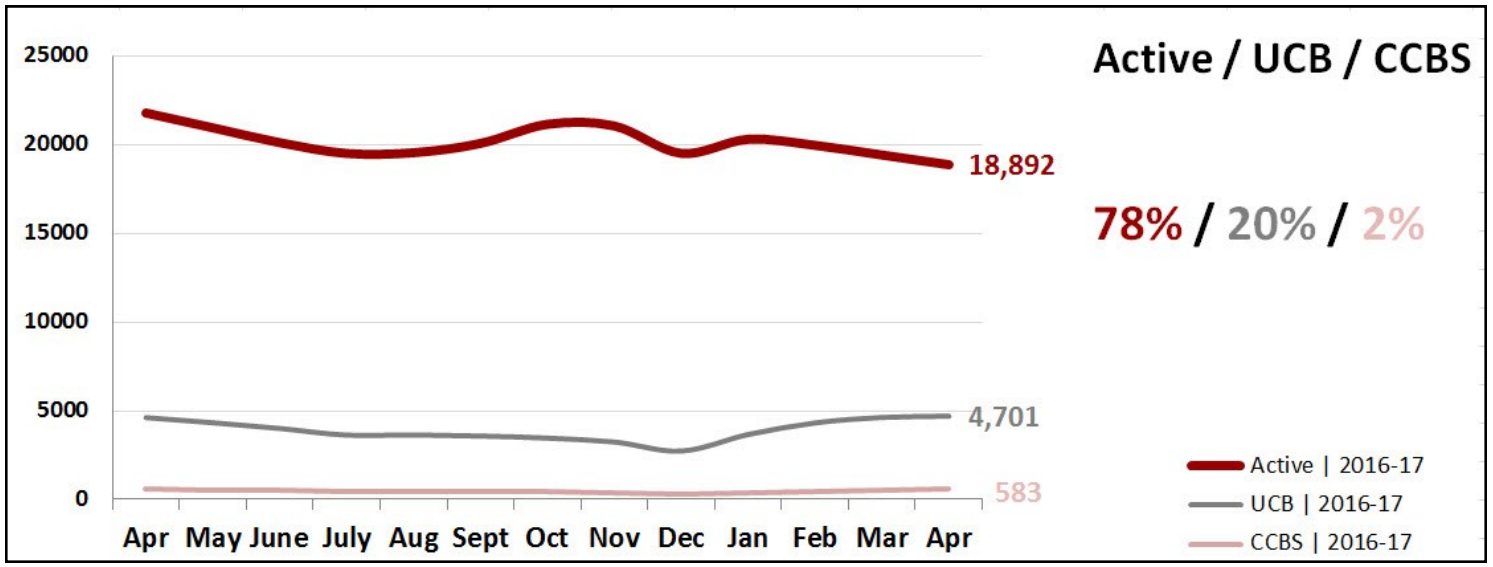
New inventory is down -14.0% month-over-month while the year-over-year comparison shows a decrease of -5.2%.

New MLS listings that were active for at least one day from 4/1/2017 to 4/30/2017, 0 day DOM sales removed



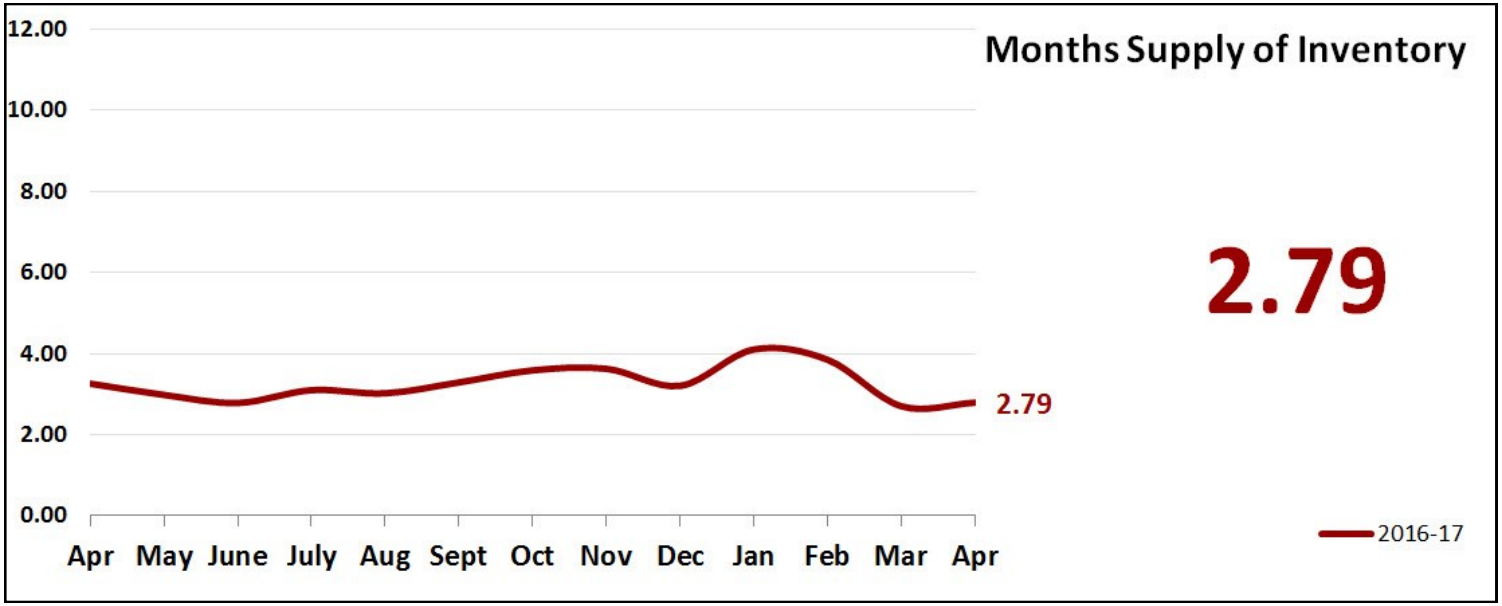
Total inventory has a month-over-month decrease of -1.8% while year-over-year reflects a decrease of -10.5%.

Snapshot of statuses on 4/30/2017



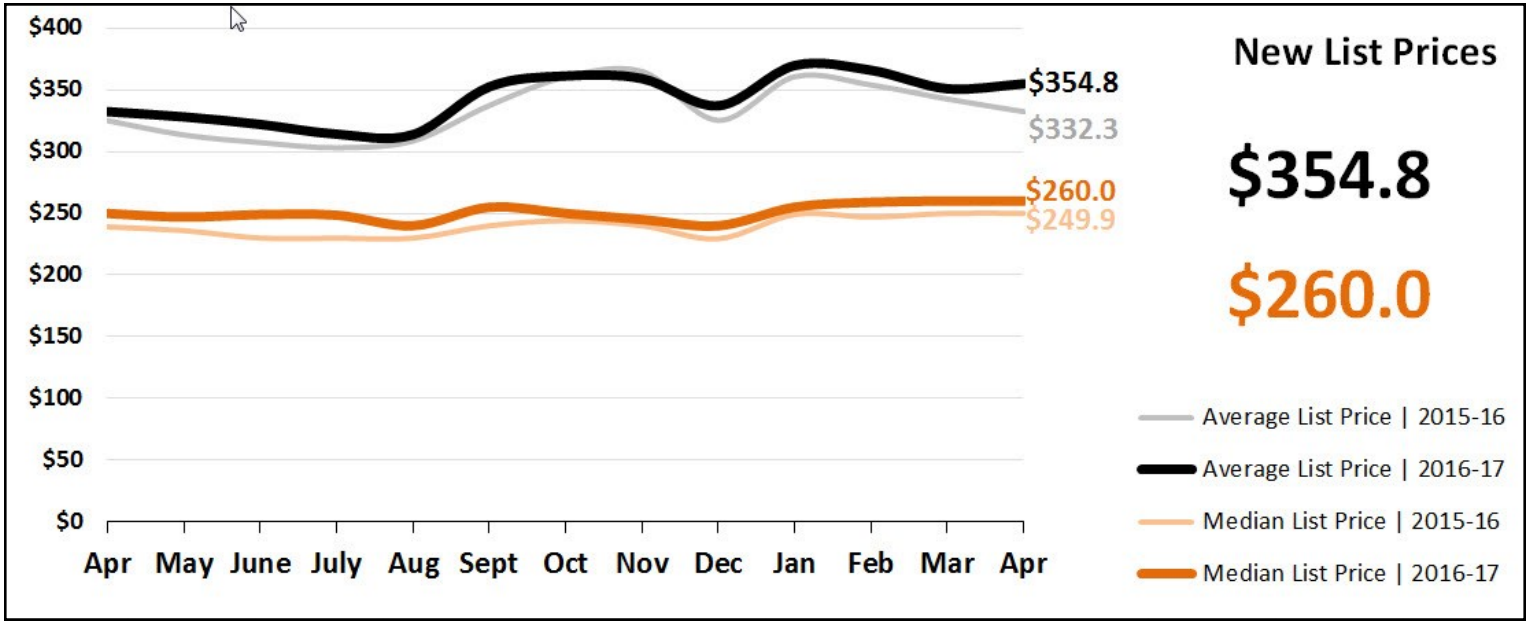
April UCB listings percent of total inventory was 19.4% with April CCBS listings at 2.4% of total inventory.

Snapshot of statuses on 4/30/2017



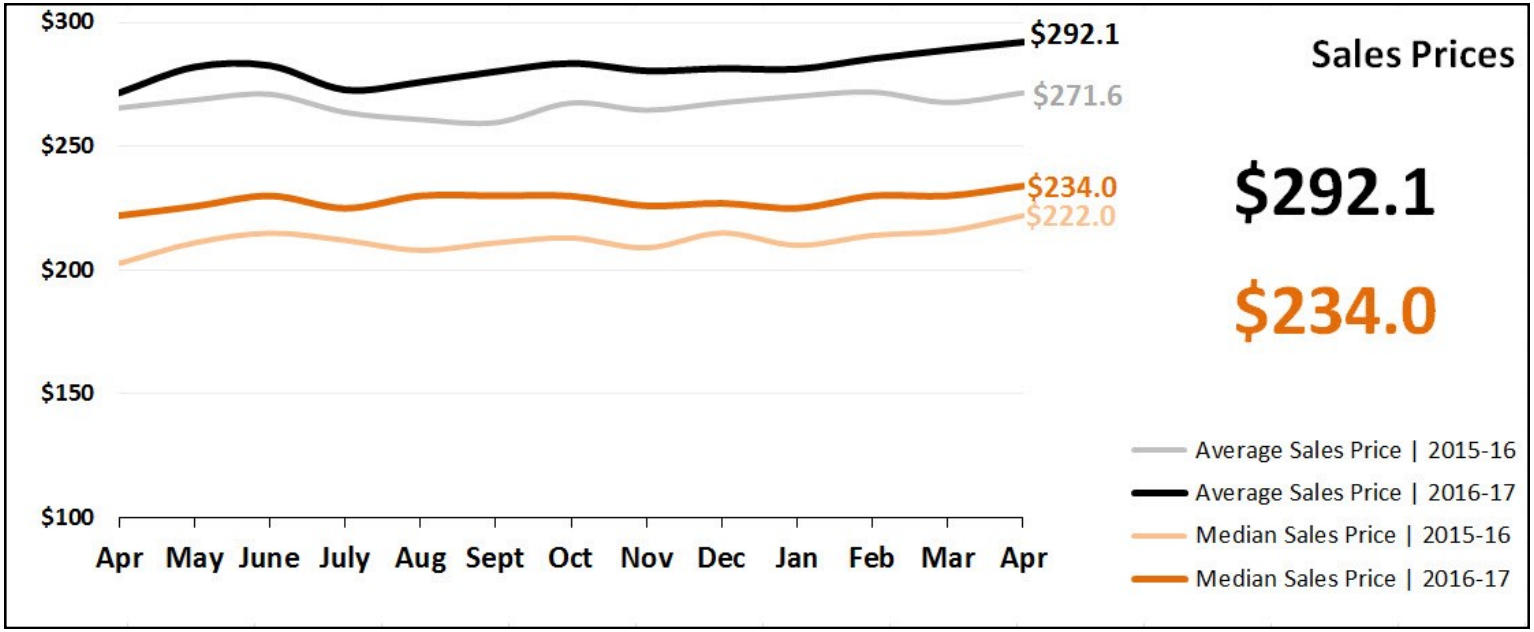
Months supply of inventory for March was 2.70 with April at 2.79.

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



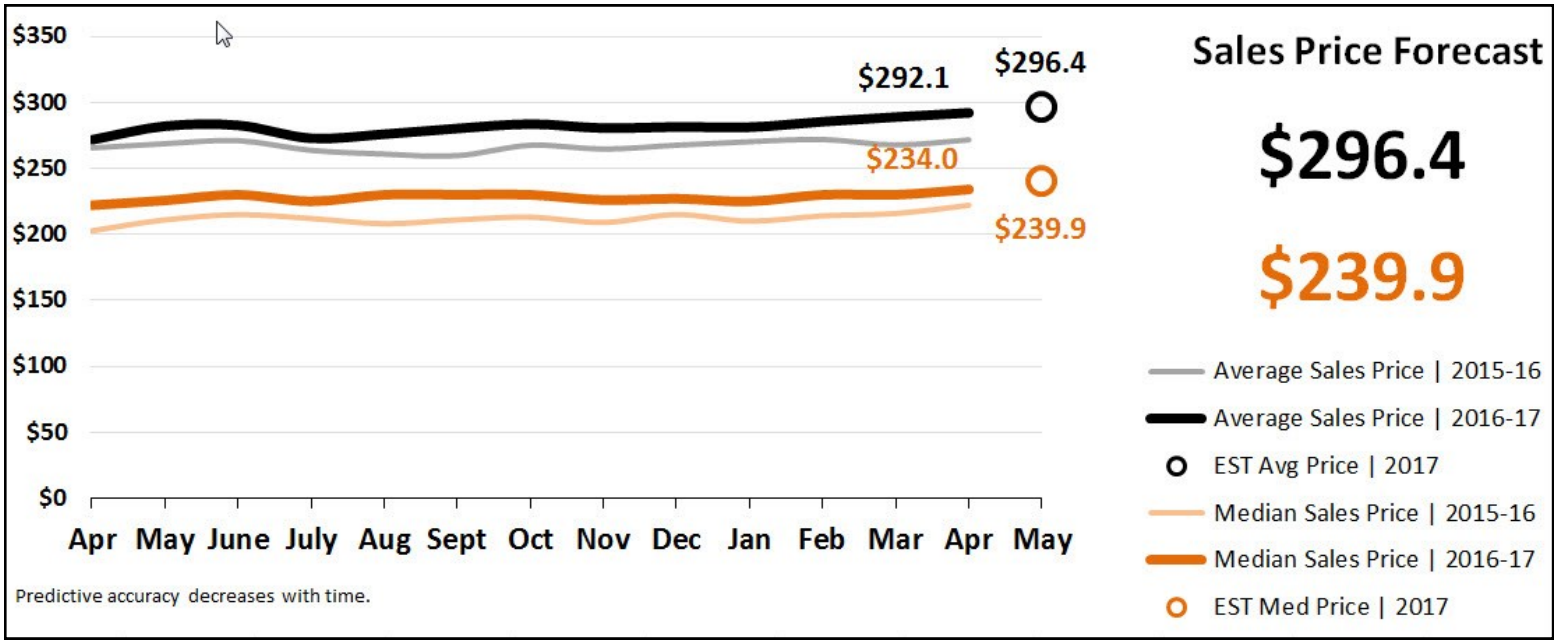
List prices of new listings with list dates from 4/1/2017 to 4/30/2017, 0 day DOM sales removed

Average new list prices are up +6.8% year-over-year. The year-over-year median is up +4.0%.



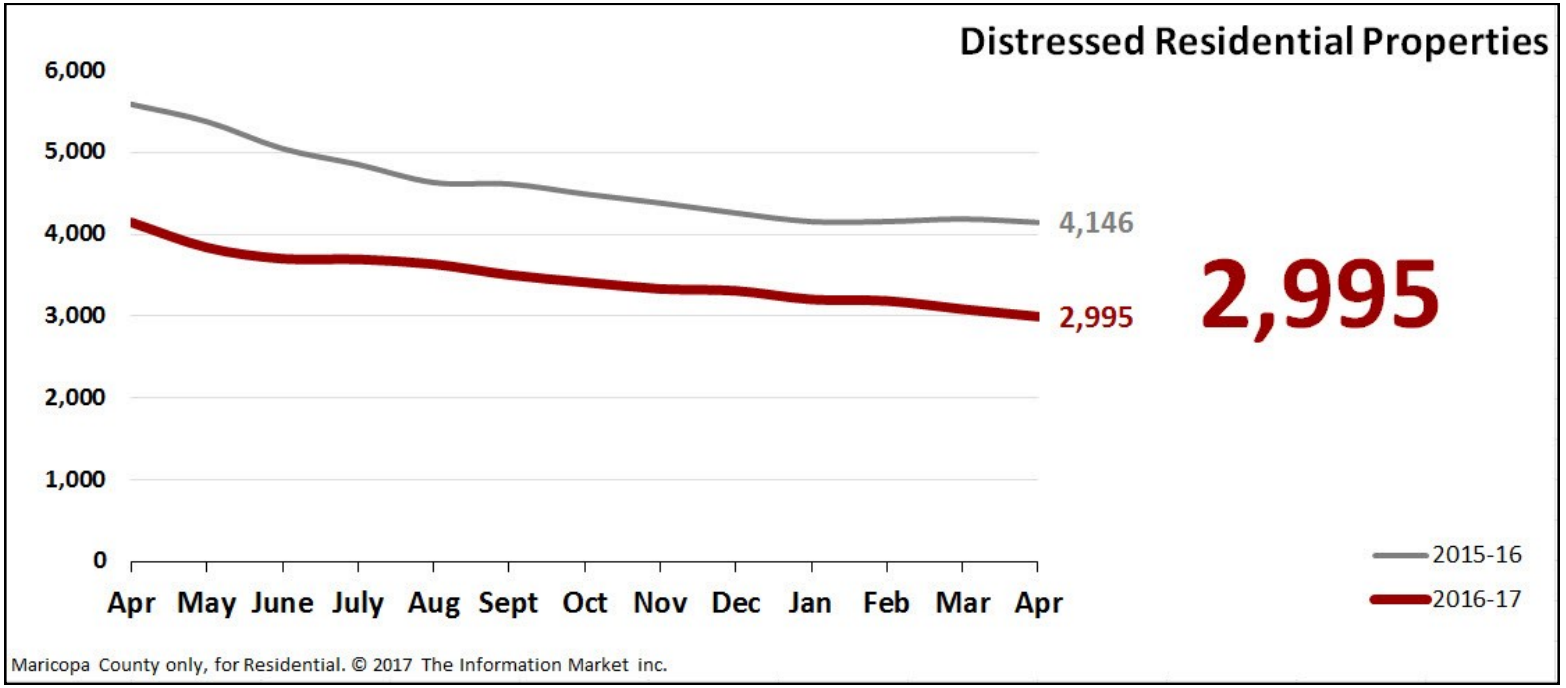
MLS sales prices for closed listings with a close of escrow date from 4/1/2017 to 4/30/2017, 0 day DOM sales removed

The average sales price is up +7.5% year-over-year while the year-over-year median sales price is also up +5.4%.



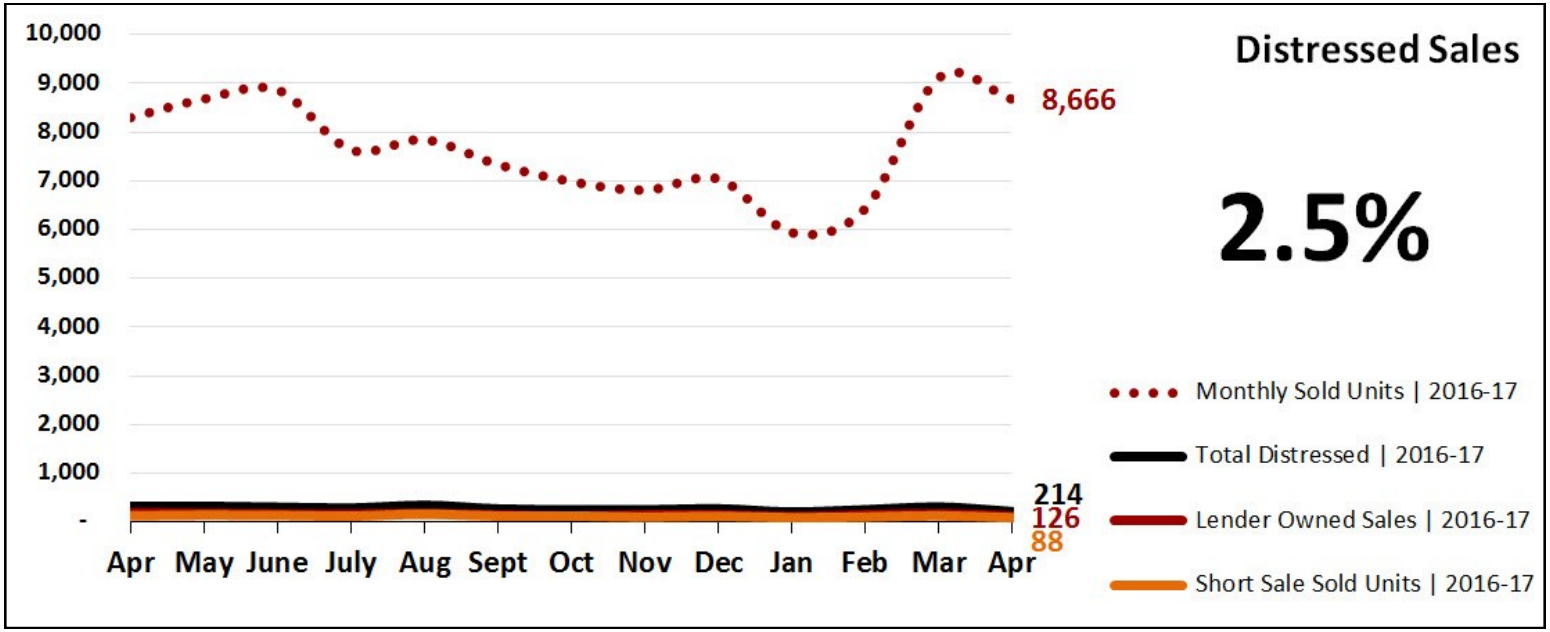
An increase is forecasted for average sales price with median sales price also increasing in April.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



Foreclosures pending month-over-month showed a decrease of -2.9% while the year-over-year figure was down -27.8%.

Snapshot of public records data on 4/30/2017 active residential notices and residential REO properties



Distressed sales accounted for 2.5% of total sales, down from the previous month of 3.4%.

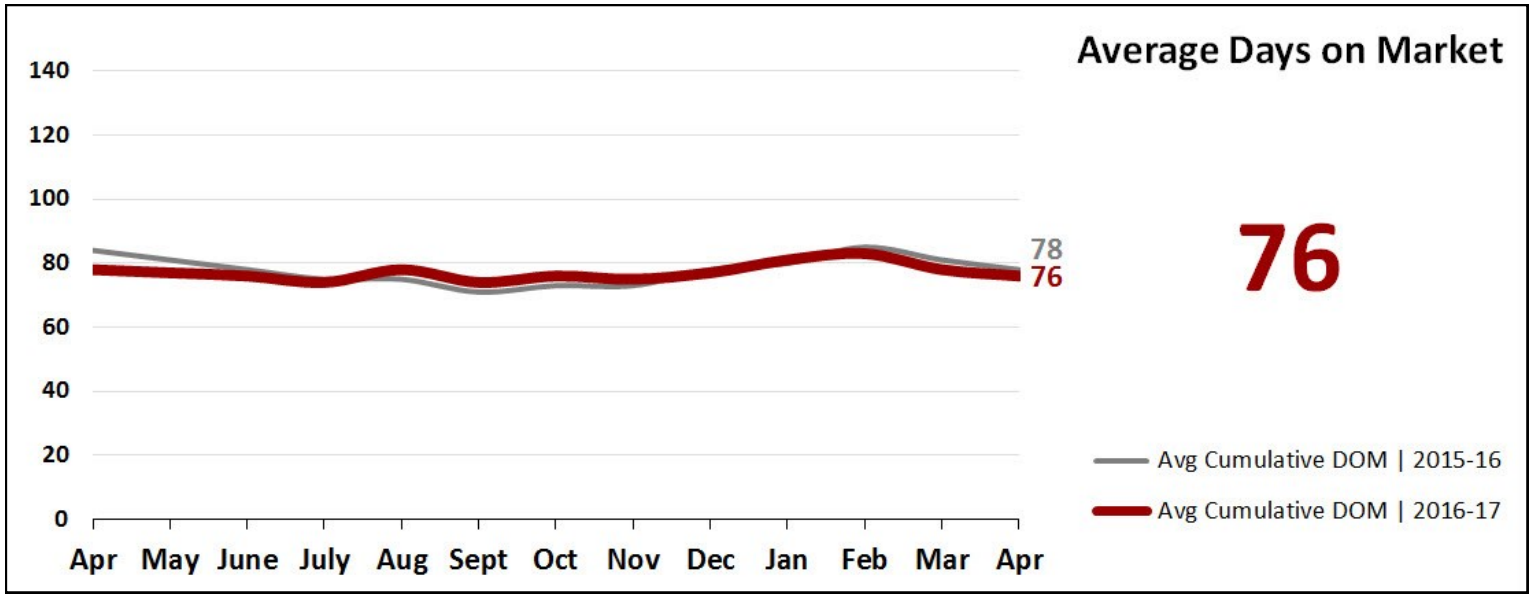
Short sales dropped -31.8% year-over-year.

Lender owned sales dropped -36.0% year-over-year.

Lender owned sales are MLS sales 4/1/2017 to 4/30/2017 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected

Short sales are MLS sales 4/1/2017 to 4/30/2017 where *Short Sale Aprvl Req, Previously Aprved SS* or *Lender Approved SS* special listing conditions were selected

0 day DOM sales removed



Days on market were down -2 days year-over-year while month-over-month decreased -2 days.

Average of all closed listings 4/1/2017 to 4/30/2017 where DOM was greater than 0

COMMENTARY

by Tom Ruff of The Information Market

Sales volume in April 2017 was down 4.9% from March 2017. But, if you read the projections from last month, a month-over-month decline was expected as March had 23 business days while April only had 20. When we compare April 2016 to April 2017, sales volume this year was 4.5% higher. Our biggest concern is and remains the supply of homes below $200,000. In Maricopa County we currently have only 3,229 listings for homes below $200,000. In April, 2,546 homes listed below $200,000 sold.

As our local housing market purrs along, STAT will take a closer look at our fix and flip market, a market segment made popular by reality TV shows like HGTV's "Flip or Flop". And if it's reality TV, it just has to be real. As a footnote, I for one believe there is no way Christina & Tarek are no longer together and are just pretending to be nice to each other.

For the purpose of this report, a home flip is defined as a property that is sold in an arms-length sale for the second time within a 12-month period (in Monsoon it's 180 days). The data is based on publicly recorded sales deeds in Maricopa County. We'll be viewing the last 12-month period, April 2016 through April 2017.

When we look at flips as a percentage of the total number of homes sold in Maricopa County over the past 12 months, we see flips account for 10.7% of the total resale volume, with a low of 9.5% in May of last year and a high of 12.5% in January of this year. These are the numbers which national entities will most likely report, a simple calculation based on a property selling twice in the same 366-day period (2016 was a leap year).

Month	Fliptotal	Totalresales	Percentageofflips
201605	803	8812	0.091126
201606	835	9075	0.092011
201607	720	7816	0.092119
201608	852	8133	0.104758
201609	830	7529	0.110240
201610	779	7234	0.107686
201611	769	6953	0.110600
201612	840	7150	0.117483
201701	793	6354	0.124803
201702	804	6621	0.121432
201703	1095	9412	0.116341
201704	880	8732	0.100779

Before delving into my extended definition of fix and flips, let's break down 4 different categories of a flip based on our technical definition. The categories are by no means irrefutable, they are simply based on the participants or the time between sales and the commonality of data within those data sets.

- New Brokerage Model: Opendoor and OfferPad
- Wholesale: A property purchased and sold again within 30 days, non-brokerage model
- Light Fix Up: A property purchased and sold again within 31 and 60 days of the original purchase via a non-brokerage model

- Fix and Flip: A property purchased and sold again within 61 and 365 days, or 366 days in a leap year, of the original purchase date via a non-brokerage model

New Brokerage Model

Opendoor and OfferPad are the two main players in our market. While each of their business models have distinct differences, they both buy directly from the seller and by acquisition of properties through their various marketing and advertising campaigns. Their acquisitions are purchased off of the MLS, but the majority of their sales are listed. OfferPad is also active at trustee sales. Over the past year in Maricopa County, the two together have accounted for 15.82% of all flips in Maricopa County. The rate of their acquisitions has been increasing as has their funding. In May of last year, they accounted for 8% of all flips. In March of this year, that percentage rose to nearly 23%. The median sales price of their acquisitions over the past year was $204,946 and the median year built for these acquisitions was 2000. The center point for the number of days between the original purchase and when the property is sold is 104 days. There are a handful of properties that sold within 30 days as well as a handful that took up to nearly a year to sell.

Wholesale

Real estate wholesaling is flipping, except the time frame is much shorter and no repairs are made to the home before the wholesaler sells it. A double escrow is a set of real estate transactions involving two contracts of sale for the same property to two different back-to-back buyers, for the same or different price, arranged to close on the same day. Nelson Rockefeller famously said, "The secret to success is to own nothing, but control everything." Wholesalers will take this adage to heart. A dozen or so companies dominate our local market. They actively solicit distressed properties, estate sales, absentee and out-of-state owners. The primary players in this market will have an active list of investors to whom they market their properties. These properties will also appear for sale on their individual websites. The median year built for all homes acquired by wholesalers in Maricopa County is 1971 with a median purchase price of $120,000. As for the markup by the wholesaler, it's what the market will bear and the percentage gains can vary wildly. By our definition, wholesaling accounts for 13.96% of all flips.

The Light Fix

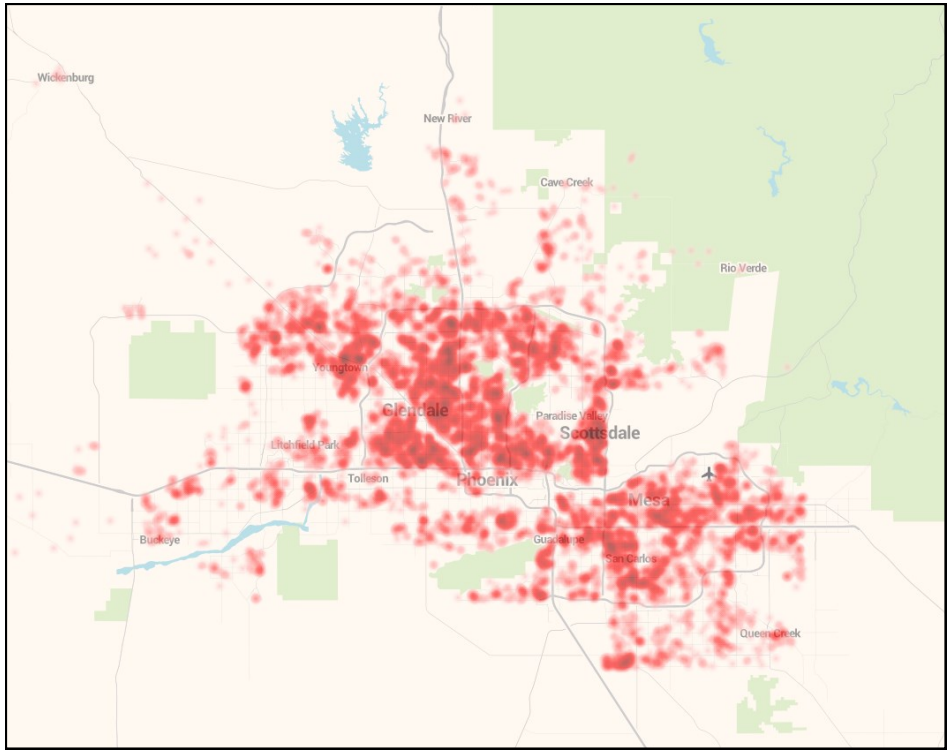
For the purposes of our discussion, light fixes are properties that are purchased and sold again between 31 and 60 days. The days between sales are calculated from the publicly recorded deeds and do not necessary imply the true days between acquisition and resale. These flips will involve cosmetic upgrades like new carpet and paint. Our definition of light fix ups account for 5.06% of our flip market. Only 26% of these flips were purchased on the MLS. The median year built for these homes is 1981 with a median purchase price of $140,000. At the conclusion of the flip, these properties will sell on average 22% higher than the original purchase price.

The Fix and Flip

Fix and flips are fun to study. In fact, that 45% are originally purchased on the MLS and 89% are sold on the MLS gives us ample opportunity to view the before and after pictures. Fix and flips are first and foremost a business mod-

el. A single flip can show us the lowest price in a neighborhood and on the flip side, the highest price. They also show us what design upgrades are popular and the features that current buyers prefer. Again, fix and flips are a business, they know what sells. Our definition of fix and flips account for 65.16% of all flips in our market. The average flip takes 180 days with an average gross margin of 43%. Even with a high gross average, this is not an arena for amateurs inspired by reality TV.

Losses do occur. The median purchase price of the original purchase is $164,900 and the median and average year of construction is 1981. Fix and flips are really about opportunity by purchasing an undervalued asset, improving that asset and then selling that asset at a profit. The Sun City ZIP code of 85351 is surprisingly a perfect example, it's the ZIP code with the highest number of fix and flips in the Valley over the past year. Another aspect of fix and flips that is fun to watch has to do with gentrification, older neighborhoods getting hip. A close eye on what's happening in the fix and flip arena will offer insights into the next hot and upcoming hood.



The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for March of $233,000. The actual median sales price was $234,000, $1,000 higher than the mathematical model projection. Our mathematical projections have been trending slightly lower than the actual results. Looking ahead to May 2017, the PPI projects a median sales price of $239,900. With limited supply and steady demand, particularly at the lower price points, the median sales price will definitely increase in May.

MLS sales volume in March 2017 was 8,666, 4.5% higher than the 8,293 total last year. This accounted for 134 fewer sales than our projected total of 8,800. Sales volume for the first four months of 2017 is 9.4% higher than 2017, with 30,149 sales in 2017 compared to 27,554 for the first 4 months of 2016. It should be noted, there was one more business day last April than this April. If we look at a daily sales average there were 433.3 sales per day in 2017 and only 395.9 sales per day in 2016 or a 9.45% increase, which is directly in line with our year-over-year sales total.

We begin May with 7,427 pending contracts, 4,701 UCB listings and 583 CCBS, giving us a total of 12,711 residential listings practically under contract. This compares to 13,115 of the same type of listings at this time last year. Even though we enter May with fewer residential listings practically under contract this year, I'm still projecting the sales volume in May 2017 to exceed the volume of 8,676 of May 2016. STAT is projecting 8,950 sales in May, a number I obviously just pulled out of a hat. There were 20 business days in 2016 and 21 business days this year.