

SEPTEMBER 2016

Real Estate Update



JEFF GERBER

ABR®, GRI®, SRES®, REALTOR®

Hello Everyone,

I'm writing this Newsletter on the eve of the last big weekend of the summer. That brings with it different emotions depending upon where you live. For those of us in The Valley it brings thoughts of one last (hopefully) month of hot weather that will change to 6 or 7 months of near paradise. If you're most anywhere else, it means making the most of every warm and sunny day because the cold and snow (gray days, too for many of you) are just weeks away. If you're not in The Valley maybe it is time to think about getting your own piece of The Valley of the Sun. My job is to help you realize that dream. Let's get together and work on that project for you soon!

What's happening in the (Phoenix) Real Estate market? It is a question I'm asked virtually every day. Here's my take on the current state of things. Let's start with financing a purchase. Interest rates remain at close to record low interest rates. Lenders are able to offer a greater array of Down Payment Assistance programs that can really help first time home Buyers. Generally speaking, the cost of purchasing a home is likely to be less costly than renting in the Phoenix market. For those with a good credit score and some cash for a down payment, buying can really make financial sense. The same can be said for anyone who is eligible to obtain a VA mortgage. Our inventory remains similar in size from last year. The inventory is tight for the under \$200,000 'starter' home market segment. That actually seems to hold true for homes priced \$300,000 and below., though to a smaller extent. The main problem in the mid-priced (\$300,00 to \$500,000) seems to be 'nice' inventory. The luxury home segment remains in a state of oversupply and very low demand. New home sales have improved quite a bit over the last 24 months. They seem to be attractive to the \$300,000 to \$600,000 price market segment. New home Builders are putting items that used to be options into current market offerings as standard items which creates very attractive offerings. I'm pleased to see some growth in the buying power of the Canadian Dollar in the US. It's now at about \$0.77 per USD. That is up almost 10% from last winter. Perhaps that will be enough to entice a few more Snow-birds this winter.

Congratulations to Julie. We put her Mesa home under contract this week. Now comes the big challenge of finding the right new place for her to call home. Yesterday we introduced the market to a very nice West Chandler 3/2/3 home where Monty from Goodyear Mom used to live. I'm hoping for a good response to this offering. Thank you to Deborah, Cabot, Linda & Tanya, Carrie and Dee and others for the opportunity to discuss your home ownership plans. I'm pleased to be able to share my professional knowledge with you. If you know of anyone even in the early stages of thinking about Buying or Selling a property in The Valley, I will really appreciate if you would refer that person to me. It would be my honor to earn their business and work as their REALTOR.

Regards,

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Real Estate For Today



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July 2016

Arizona Regional MLS

New Listings **8,502**

↓ -8.1% ↓ -2.7%
 from Jun 2016: from Jul 2015:
9,252 **8,742**

YTD	2016	2015	+/-
	68,667	64,927	5.8%

5-year Jul average: **8,509**

New Contracts **8,604**

↓ -4.8% ↑ 5.7%
 from Jun 2016: from Jul 2015:
9,042 **8,142**

YTD	2016	2015	+/-
	67,194	65,245	3.0%

5-year Jul average: **8,292**

Closed Sales **7,589**

↓ -13.7% ↓ -2.1%
 from Jun 2016: from Jul 2015:
8,798 **7,752**

YTD	2016	2015	+/-
	52,579	50,827	3.4%

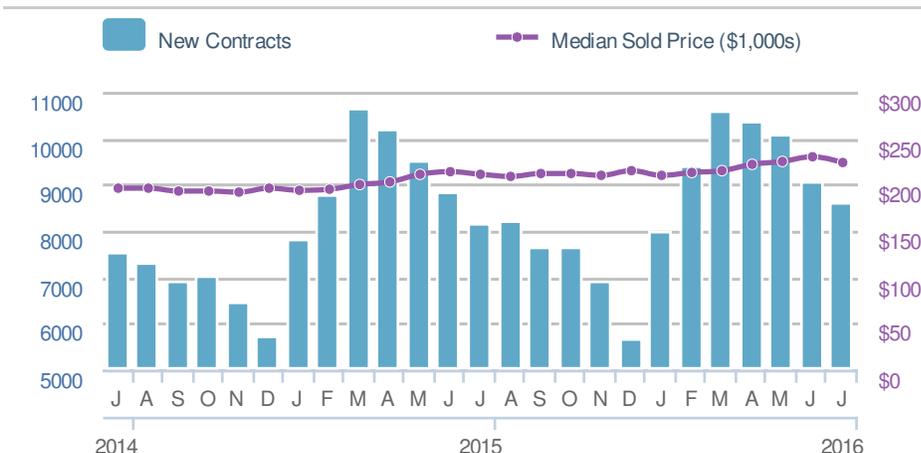
5-year Jul average: **7,430**

Median Sold Price **\$224,900**

↓ -2.2% ↑ 6.2%
 from Jun 2016: from Jul 2015:
\$230,000 **\$211,750**

YTD	2016	2015	+/-
	\$222,000	\$206,000	7.8%

5-year Jul average: **\$192,510**



Active Listings **18,023**

Min 11,789 16,863 Max 21,938
5-year Jul average

Jun 2016	Jul 2015
18,828	17,640

Avg DOM **72**

Min 63 73 Max 85
5-year Jul average

Jun 2016	Jul 2015	YTD
74	75	76

Avg Sold to OLP Ratio **96.5%**

Min 94.9% 96.9% Max 98.8%
5-year Jul average

Jun 2016	Jul 2015	YTD
96.5%	96.3%	96.2%



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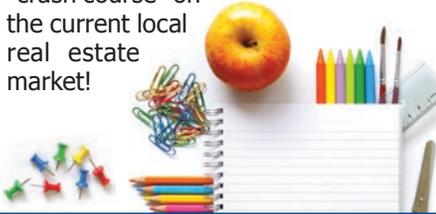
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Between FRIENDS

Real Estate for Today

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As summer winds to a close and the kids head back to school, give me a call for a "crash course" on the current local real estate market!



Thinking of selling your home? Adding a Home Warranty Plan to your transaction may result in a faster sale at a more advantageous price. A home warranty provides budget protection from the high cost to repair or replace covered home systems and appliances—helping to reduce your risk of after-sale disputes and offering optimal peace of mind to buyers and sellers alike.

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An experienced real estate professional can ensure a smooth transaction for those near and dear to you. Please refer your friends, family, and colleagues to me.



Health & Safety

Backpack Safety for Kids

Are your children's backpacks putting extra strain on their growing backs? According to the National Safety Council (NSC), kids should carry no more than 10% of their body weight on their backs. The NSC also recommends looking for the following features when shopping for an ergonomically designed backpack.

Correct size: Choose backpacks that are not wider or longer than your child's torso and don't drop further than four inches below his or her waist.



Hip and Chest Belts: Secure belts will transfer weight from the back to the torso and hips.

Compartments that Evenly Distribute Weight: Look for multiple compartments so the contents don't clump at the bottom of the backpack.

Lumbar Support Backpacks: You can purchase special backpacks that pad the lower back. Some use soft material, such as memory foam, while others allow you to pump a chamber full of air to give it a little extra cushion.

Reflective Material: Shiny, reflective patches will make your kids more noticeable to drivers when it's dark outside!

Helpful Hints

3 Tips to Work Smarter

In *The 7 Habits of Highly Effective People*, Stephen Covey tells the tale of a woodcutter who is so eager to finish his work that he saws away for hours and hours... with a dull blade! He works longer and harder with fewer results—a problem that many of us understand!



How can you "sharpen your saw" to work smarter instead of harder?

Make a Plan: Take a look at your regular processes from start to finish and plot them out on paper. Question whether each step is truly necessary. Does each step add value for your organization and its customers? If not, it's time to rethink the process.

Collaborate: Talk to your colleagues about how you can help each other reach your productivity goals. We all depend on each other, and we often don't realize how our jobs impact our co-workers. Be kind, respectful, and open-minded in your approach to building a better workflow, and you'll all come out on top.

Stay Organized: Keep detailed notes with your latest updates on every task in progress (e.g., "left message for Amy on 9/19—will follow up Monday"). That way, you can seamlessly juggle multiple projects at the same time. *Asana.com* and *Toodledo.com* are great web-based task management tools.

**1 pork tenderloin
(about 1 lb.)**

**3/4 cup sesame ginger
marinade**

**1 can (20 oz.) pineapple chunks
in juice, drained**

**1 medium red bell pepper,
cut into strips**

**1 medium red onion,
sliced**

Place pork in a large bowl. Add 1/2 cup of the marinade; turn to coat well. Refrigerate 30 minutes or longer for extra flavor.

Place pineapple, bell pepper, and onion in a second large bowl. Add remaining 1/4 cup marinade; toss to coat. Set aside.

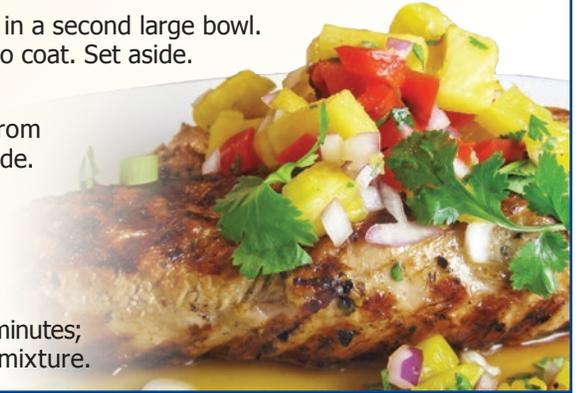
Preheat oven to 400°F.

Remove pork and pineapple mixture from marinade. Discard any remaining marinade.

Arrange pork and pineapple mixture in foil-lined baking pan.

Bake 30 minutes or until pork reaches 160°F on a meat thermometer.

Remove from oven and let pork rest 10 minutes; slice and serve topped with pineapple mixture.



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Household Tips **Renovations that Could Make Your Home Harder to Sell**

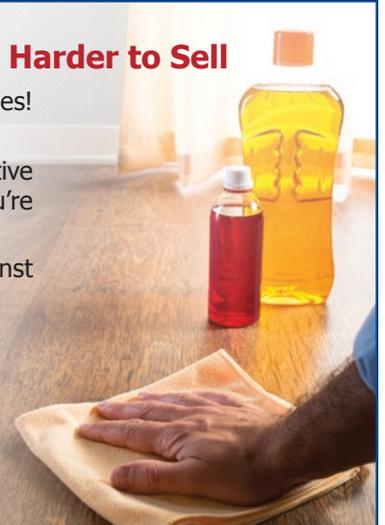
Renovating your home can produce a great return on investment, assuming they're good ones! Here are a few renovations to avoid...

Bold Exterior Paint: Bright, bold colors on the outside of a home could turn off prospective buyers. Florescent pink may be your thing, but if you plan to sell anytime soon, Bob Vila says you're better off with earth tones.

Excessive Wallpaper: Wallpaper can be difficult to remove, and too much of it might work against you if prospective buyers are planning a remodel.

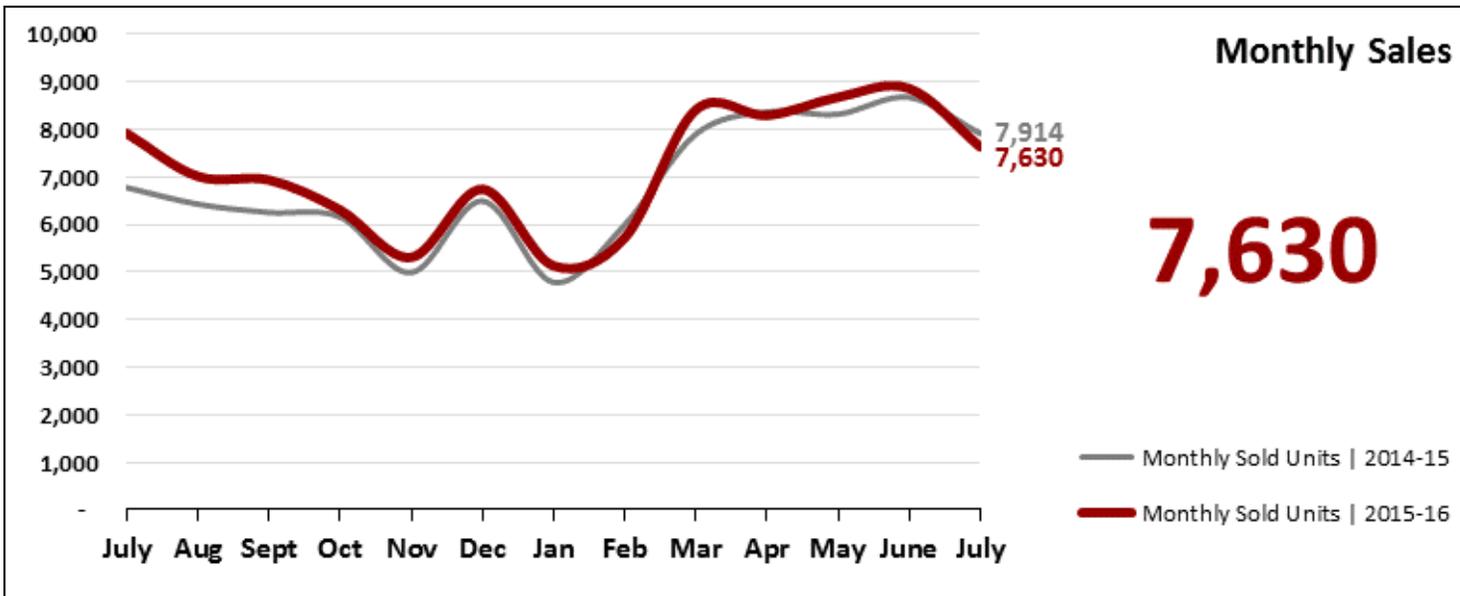
Converting the Garage to Living Space: While attic and basement conversions can produce a healthy return on investment, most buyers want to park their car in the garage—not their teenage son!

Carpeting over Hardwood: You may be tempted to cover your hardwood floor, but *USA Today* reported that 54 percent of home buyers are "willing to pay more for a home with hardwood flooring." Rather than covering it with carpet, consider refinishing that old, hardwood floor.



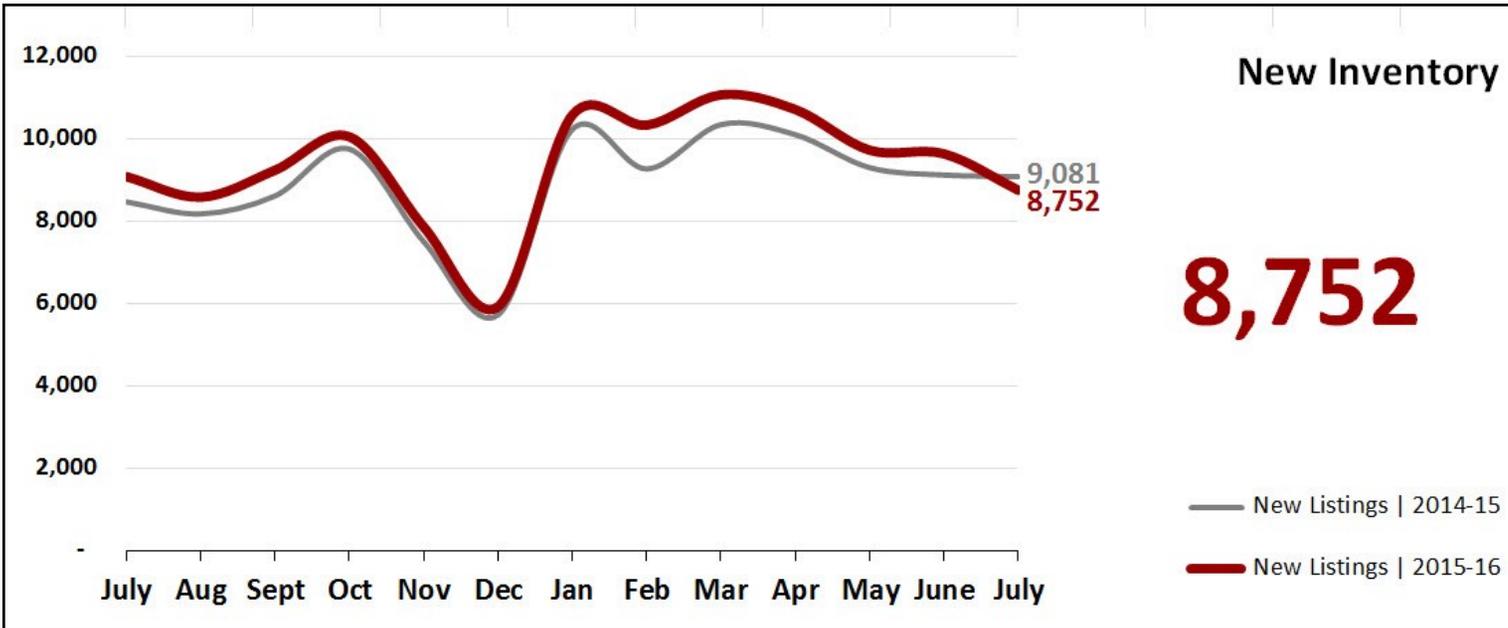


DATA JULY 2016 - Published August 19, 2016



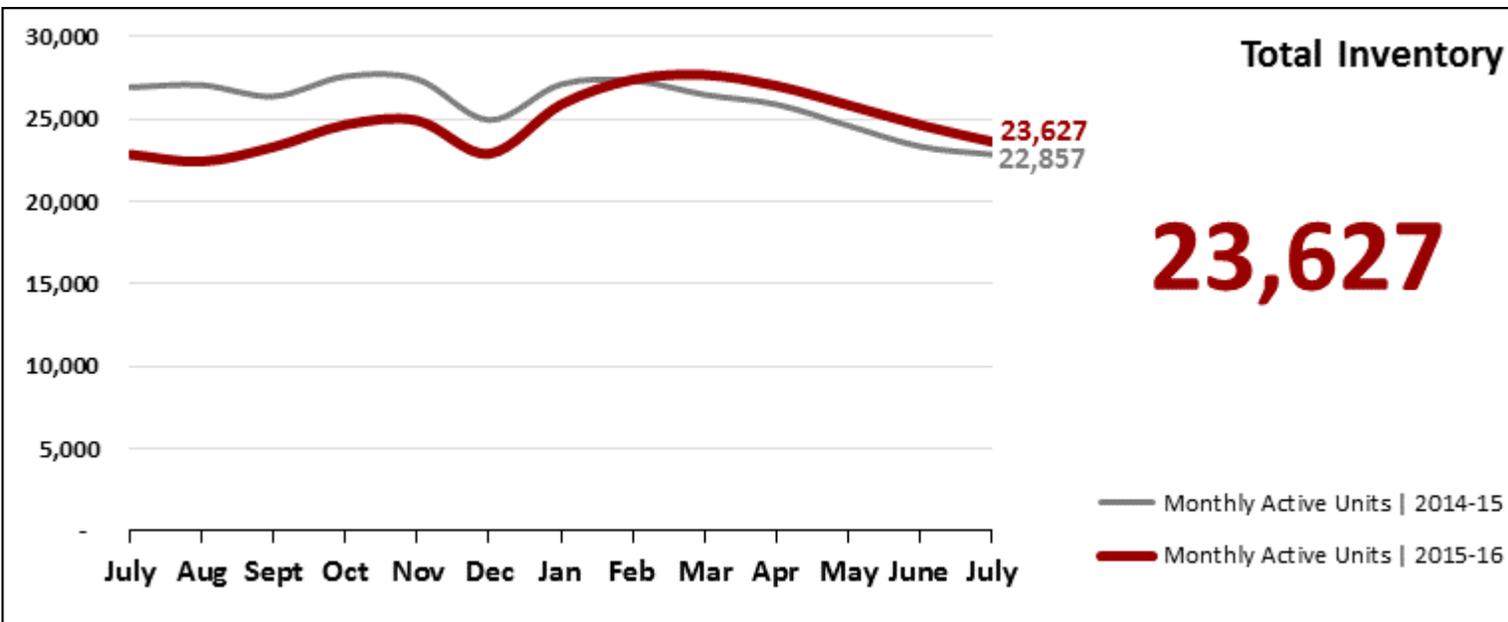
Sales are down -13.9% month-over-month. The year-over-year comparison shows a decrease of -3.6%.

Closed MLS sales with a close of escrow date from 7/1/2016 to 7/31/2016, 0 day DOM sales removed



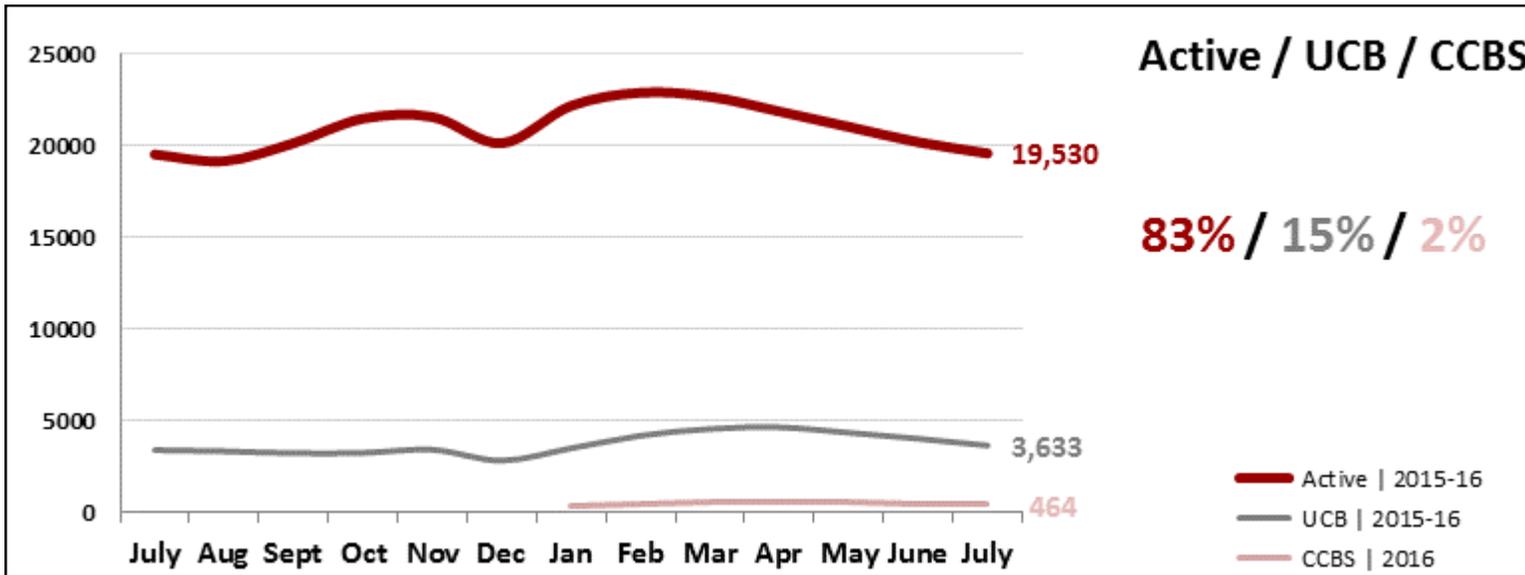
New inventory is down -9.2% month-over-month while the year-over-year comparison shows a decrease of -3.6%.

New MLS listings that were active for at least one day from 7/1/2016 to 7/31/2016, 0 day DOM sales removed



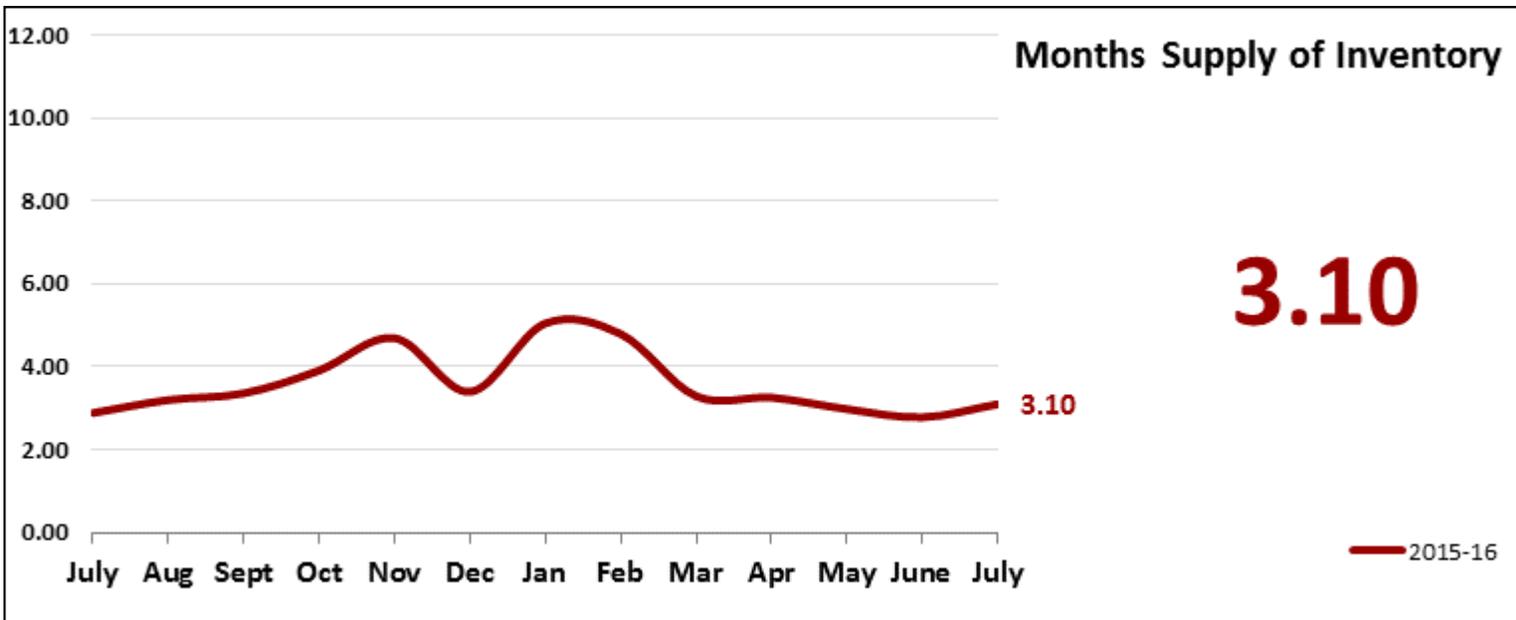
Total inventory has a month-over-month loss of -4.1% while year-over-year reflects an increase of +3.4%.

Snapshot of statuses on 7/31/2016



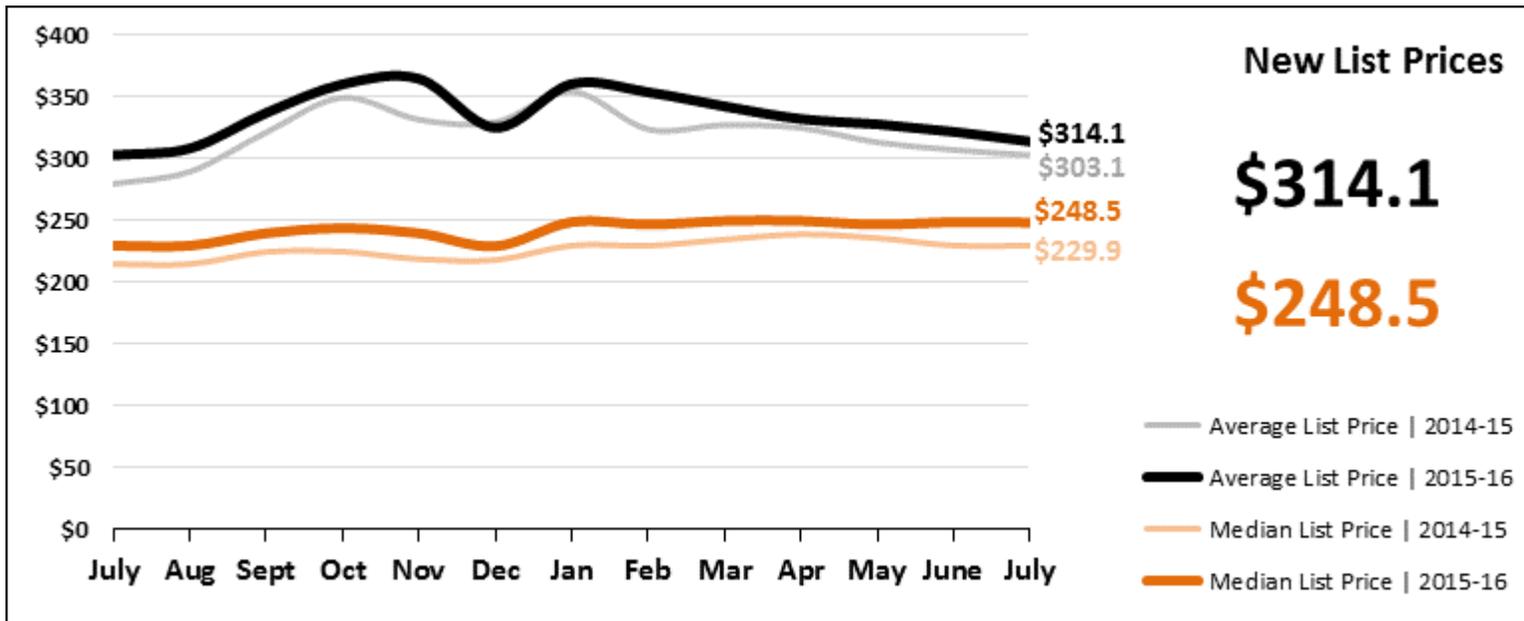
July UCB listings percent of total actives was 15.4% with July CCBS listings at 2.0% of total actives.

Snapshot of statuses on 7/31/2016



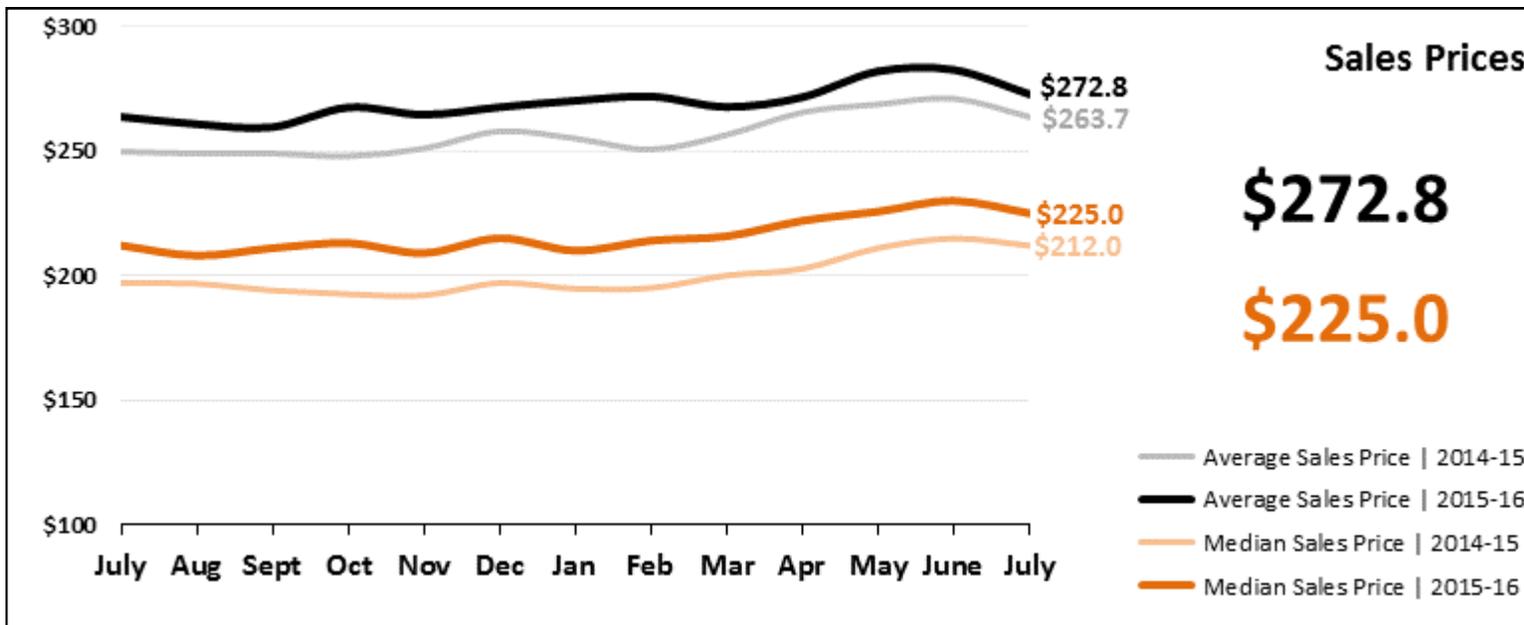
Months supply of inventory for June was 2.78 with July currently at 3.10.

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



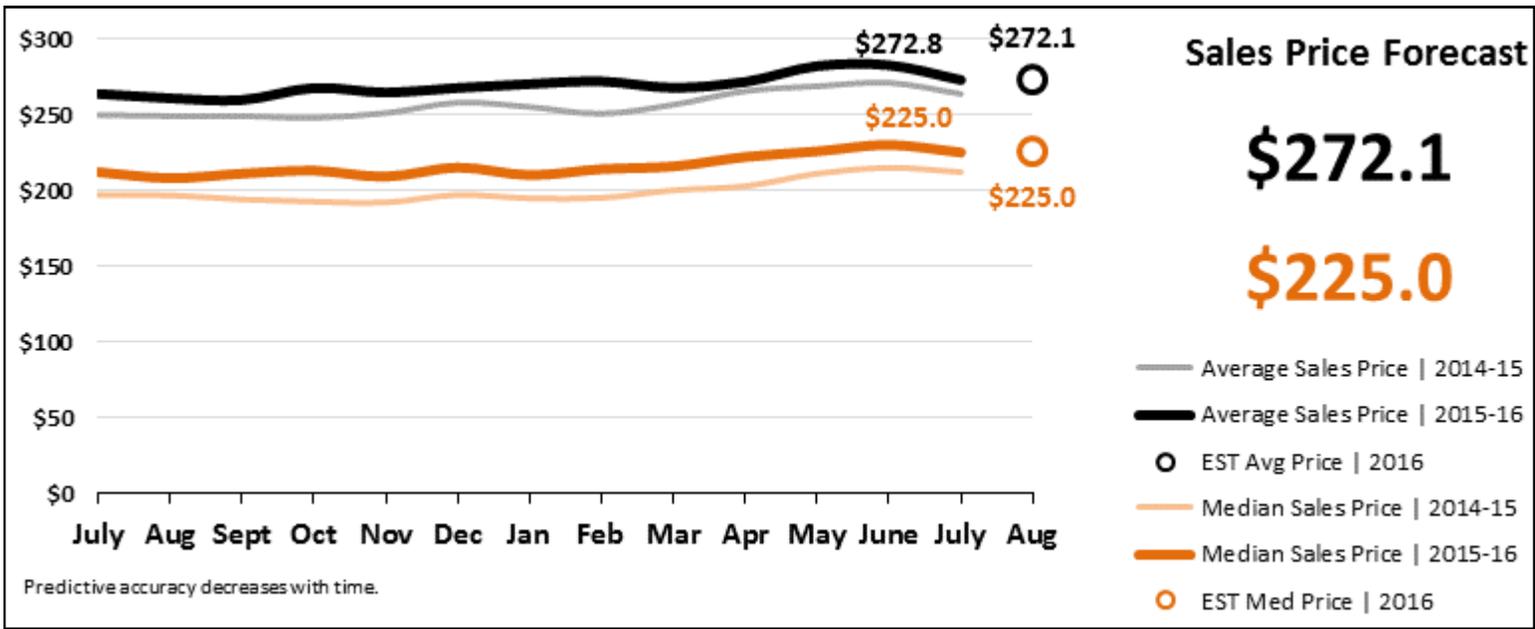
New average list prices are up +3.6% year-over-year. The year-over-year median is up +8.1%.

List prices of new listings with list dates from 7/1/2016 to 7/31/2016, 0 day DOM sales removed



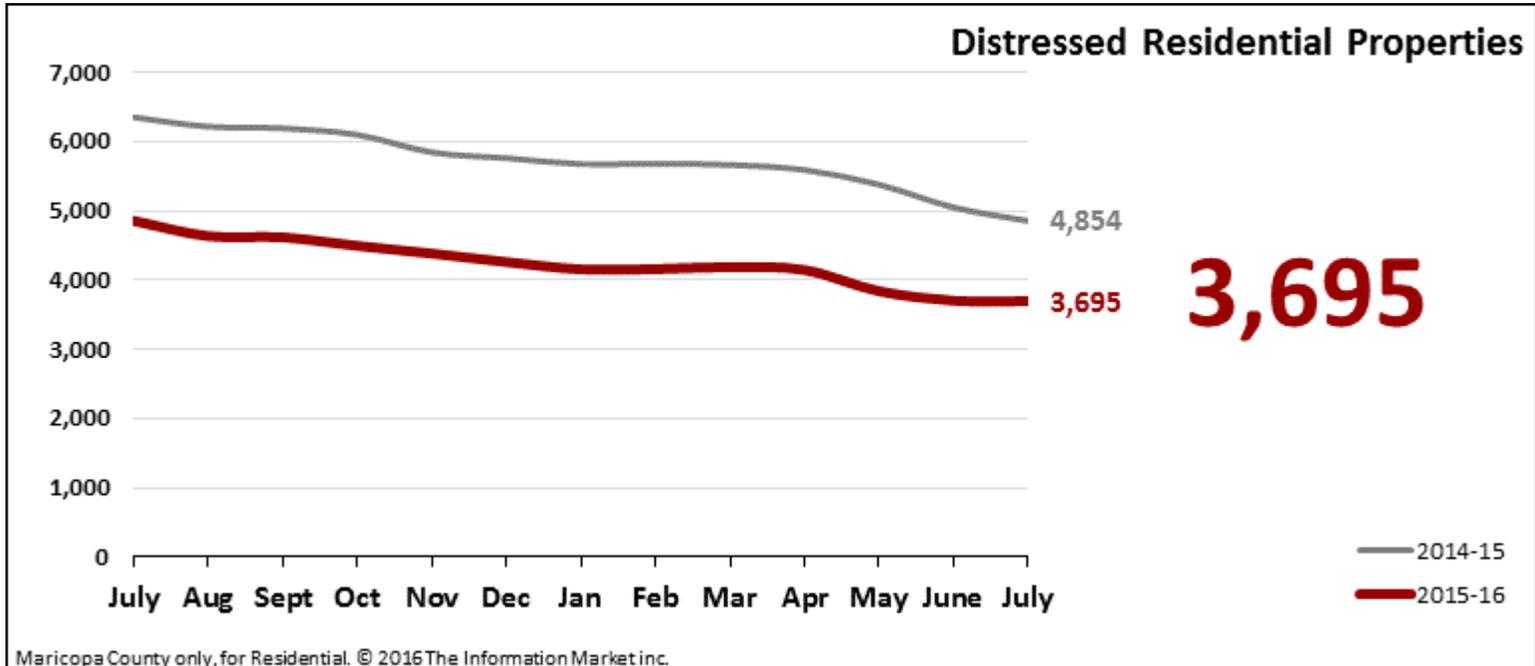
Sales prices are up +3.5% year-over-year on average while the year-over-year median is also up +6.1%.

MLS sales prices for closed listings with a close of escrow date from 7/1/2016 to 7/31/2016, 0 day DOM sales removed



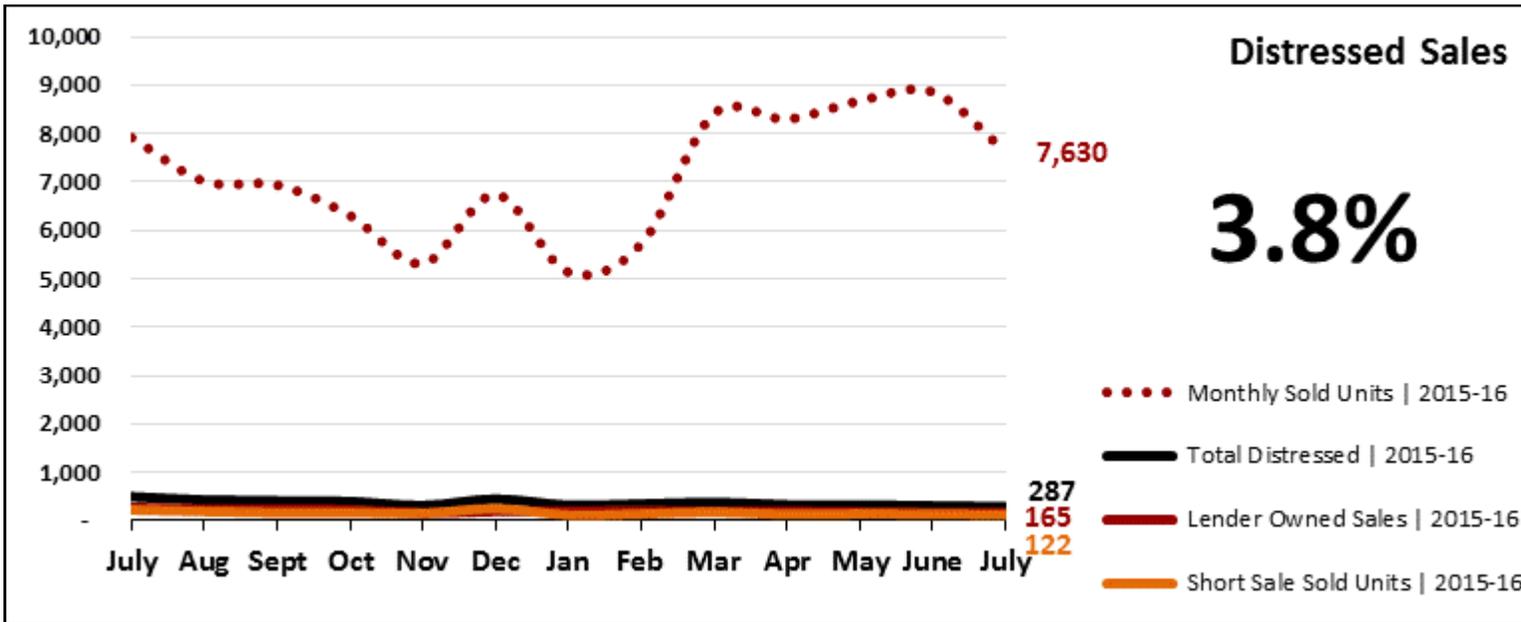
A very slight decrease is forecasted for average sales price while median sales price in August remains steady.

ARMLS proprietary predictive model forecast, 0 day DOM sales removed



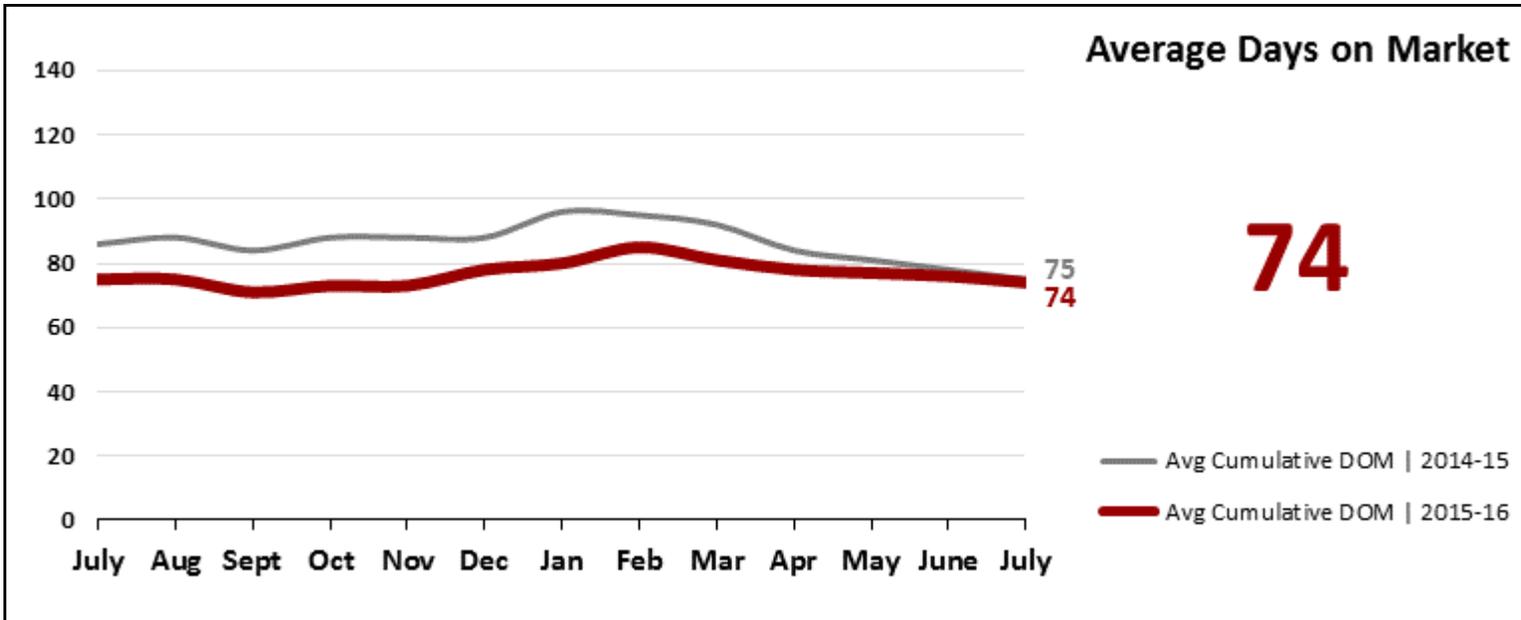
Foreclosures pending month-over-month showed -0.2% while the year-over-year figure was down -23.9%.

Snapshot of public records data on 7/31/2016 active residential notices and residential REO properties



Short sales dropped -45.8% year-over-year. Lender owned sales dropped -39.1% year-over-year. Total distressed year-over-year changed to -42.1%.

Lender owned sales are MLS sales 7/1/2016 to 7/31/2016 where *Lender Owned/REO, HUD Owned Property* special listing conditions were selected
 Short sales are MLS sales 7/1/2016 to 7/31/2016 where *Short Sale Aprvl Req, Previously Aprvcd SS or Lender Approved SS* special listing conditions were selected
 0 day DOM sales removed



Days on market fell -1 day year-over-year while month-over-month saw a drop of -2 days.

Average of all closed listings 7/1/2016 to 7/31/2016 where DOM was greater than 0

COMMENTARY

by Tom Ruff of The Information Market

The charts in STAT are mostly self-explanatory but sometimes they need context when market conditions change or even when the calendar falls funny. July 2016 was one of those months. On the surface, MLS sales numbers were disappointing with volume down 3.6% year-over-year and down 13.9% month-over-month. However, the decline in sales is more a factor of the calendar as opposed to declining demand this month. If you compare the sales volumes of July 2015 to July 2016 in the context of business days, you have your culprit! There were 359.7 sales per day in 2015 and 381.5 sales per day in 2016.

I have already seen early reports talking about how market conditions contributed to slowing July numbers. When viewing the closing numbers in July I can almost guarantee you , the missing sales in July simply got pushed into August closings. When August numbers are reported, they'll be talking about stronger numbers but for both months it was simply the calendar.

Over the past few weeks our team has been working on various Automatic Valuation Models. An AVM is mathematical modeling based on market forces to make predictions. I would like to share with you some of our early observations derived from our modeling efforts.

Statistical Models

Zestimates can sometimes cause uproar with agents. We also create models but make no mistake; no model can outperform the price opinion of an ARMLS Subscriber on an individual property basis, period. If you want to know what your property is worth, ask an ARMLS Subscriber. Our analysis is based on listing prices and at the moment properties are selling at 97.5% of the list price on average. Our model can't take into consideration the condition, curb appeal or other factors at play but we need to work at making predictions to better help our Subscribers.

The Full Cash Value (FCV) as determined by the County Assessor is based on mathematical models that are clearly meeting their objectives of accurate, fair and equitable. In our analysis based on recent sales by price range, we determined that 1.25 is the best multiplier to determine the value of a property using the FCV model. A restricted supply of homes and consistent demand for homes in the lower price ranges are causing strong appreciation gains, while higher priced homes are seeing limited price gains due to an increase in supply. According to the model, here are the expected valuations based on price ranges equally divided by volume:

AVERAGE MODELED VALUATIONS BY PRICE RANGE

Price Range	June/July 2015	June/July 2016	Percentage Change	Properties Listed
Less than \$134,000	1.2440	1.4358	15.42%	1144
\$134,000 to \$163,000	1.2658	1.4316	13.10%	922
\$163,000 to \$185,000	1.2693	1.3919	9.67%	1056
\$185,000 to \$210,000	1.2555	1.3719	9.27%	1430
\$210,000 to \$235,000	1.2661	1.3661	7.90%	1523
\$235,000 to \$262,000	1.2626	1.3539	7.23%	1315
\$262,000 to \$299,000	1.2460	1.3127	5.35%	1860
\$299,000 to \$355,000	1.2317	1.2846	4.30%	2138
\$355,000 to \$465,000	1.2253	1.2643	3.18%	2869
Over \$465,000	1.2474	1.2670	1.57%	5125

Leaving the FCV model and looking at price per square foot models, the two biggest challenges are properly defining the geography which identifies similar properties and having a large enough sample size to garner meaningful results. Regardless of how strong your data set is, bad data always exists and incorrect data will garner incorrect results.

In conclusion, coming up with a good AVM is a daunting challenge, but to be honest, it's kind of fun. I believe the greatest value of an AVM is that it creates an interesting tool for investors wanting to identify undervalued assets, but for the individual homeowner they simply provide water cooler conversation, some boasting, some complaining and some agreeing. Again, the best way to know the true value of a home is to consult with a real estate professional.

The ARMLS Pending Price Index (PPI)

Last month STAT projected a median sales price for July of \$223,000 with the added caveat that our mathematical projections have been coming in slightly lower than the actual results for most of this year. We expected a decline in the median sales price in July, but we also thought it would probably not be as low as our projection of \$223,000. The actual median sales price in July was \$225,000, 0.9% higher than the \$223,000 projected by our mathematical model. Looking ahead to August, the ARMLS Pending Price Index projects a median sales price of \$225,000.

MLS sales volume in July 2016 was at 7,630, which was 284 fewer sales than July 2015 at 7,914. STAT had expected July sales volume to be lower than the total last year as there were only 20 business days this year compared to 22 business days last year. We begin August with 6,705 pending and 3,633 UCB listings giving us a total of 10,338 residential listings practically under contract. This compares to 9,726 of the same type of listings at this time last year. There are 23 business days in August this year compared to 21 business days in August of 2015. August 2016's sales volume will definitely be higher than last year's total of 7,010 and because of the calendar nuances I'm expecting August sales volume to also surpass July's sales total of 7,630.