

# Al Gage Report

November 2020

## Appraisals Are Becoming A Problem!

You have heard me talk about how hot the market is for the past three months. Despite this being the case, we are not seeing a great deal of all-cash transactions that do not require an appraisal. **One thing that is threatening to slow the market down is the inability to obtain an appraisal high enough to consummate the transaction.** An appraisal is supposed to, by definition, determine the market value of a property, which is defined as what a ready, willing, and able buyer and seller agree upon. The reality is that an appraisal is designed to protect the lending institution.

You have heard me talk about appraisal contingency waivers, but generally they are limited waivers. **What that means is that the appraisal is waived as long as the home appraises for at least an amount within so much of the sales price.** In other words, if the buyer agrees to pay the sales price or up to \$15,000 over the appraised value, whichever is less, then the transaction will proceed. I have had two instances where we were exactly in that position in the last month. In one transaction we represented the buyer and in the other we represented the seller.

In the transaction where we represented the buyer, the home appraised for \$18,000 less than the agreed upon sales price. The buyer and I reviewed the appraisal and the comparable sales and could not find any real basis to challenge the comparable sales being used, because there were a very limited

supply of comparable sales and the methodology of the appraiser appeared to be sound. We also made the decision that it was not possible to find another home in the same location and condition for less or equal to what we were paying, and that the appraisal was not an accurate representation of the current market, so we decided to proceed. The seller agreed to lower the price from the \$18,000 over appraised value to the \$15,000, which we had agreed to pay, and we proceeded with the transaction.

In the second scenario the roles are reversed, but the circumstances are essentially the same. The buyer had agreed to pay up to \$15,000 over the appraisal or the sales price, whichever was lower. The appraisal on this one came in at \$28,000 less than the sales price and \$13,000 under the list price. **When the seller and I reviewed the appraisal we found several methodological errors, in my opinion, by the appraiser.** The first of these errors was that they utilized comparable sales more than 6 months old AND place the most weight on these sales. Six months old in this market is an eternity.

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Al Gage, P.C.

Phone: 623-536-8200  
 Mobile: 623-694-9004  
 Fax: 623-536-8222  
 Email: [al@algage.com](mailto:al@algage.com)

[www.algage.com](http://www.algage.com)

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It is within their guidelines to utilize these comparable sales if there is nothing else. In this particular appraisal, there were more recent sales, that did support the list price, which were utilized, but as I said, the older sales were used more heavily in the weighting of the appraised value.

**The other major flaw in the appraiser's logic was that they didn't make any adjustment to any of the sales based on the age of the sale.**

I believe this to be somewhat of a discretionary call on the appraiser's part, but it is just not logical, if you have studied the market the way I do, to come to this conclusion. Of course, I thought to myself, the appraiser is never going to take my word for it, so what do I do?

I thought about it overnight and realized that I had two recent sales, one pending and one closed in the same subdivision that might have ammunition for me to use. I obtained the two appraisals, and low and behold, the appraiser had adjusted all of the sales in both of those appraisals for the ages of the sales. This clearly indicated to me that the appraiser was mistaken.

When I analyzed those two appraisals and averaged the adjustments for time, it worked out that the appraisers had used just under 1% of the sales price

per month of age of the sale to adjust for the time that had elapsed since the sale.

**I applied that amount to each of the sales listed in the appraisal as comparable. Voila! The appraisal then fell right in line with the list price.** On that basis, the buyer AND seller agreed to challenge the appraiser's estimate of value and this process is ongoing.

Not many real estate agents know the correct methodology and logic to use in challenging an appraisal. In fact, many agents do not even conceptualize, beyond complaining about it, that an appraiser is not the absolute final arbiter of value. I have done it many times. While it is only successful about 20% of the time for me, it is still a useful tool that only the best real estate agents possess. Both of these transactions would have failed if I had not been able to logically evaluate the appraisal and explain it to my clients.

**For the same level of professional and competent representation in your next real estate transaction, give the AI Gage Team a call at 623.536.8200 or email us at [al@algage.com](mailto:al@algage.com)**

Find us on  [/AIGagePC](https://www.facebook.com/AIGagePC)

## recent listings



### 4435 N. 129th Ln.

2296 S.F., **5 Full Bedrooms**, 2 BA features a huge custom kitchen with granite counters, dual wine fridges and a tile backsplash, plus solar and a premium lot in Wigwam Creek South!!

**Listed by AI Gage for \$365,000**



### 12511 W Honeysuckle St.

**Move-In Ready!** 1268 S.F., 3 BR, 2 BA, lots of cabinets and an eat-in kitchen in a great room concept with a 2 car garage in Wigwam Creek South!

**Listed by AI Gage for \$260,000**

## RITA'S CORNER

### It Makes No Sense!

Does everyone know that student loans have no payment due until after the student has been graduated for six months? The debt shows on the credit report and generally has a zero monthly payment. Lending rules have determined that if no monthly payment is showing, we have to use 1% of the student loan amount as a monthly payment. That can completely take someone out of qualifying, depending on the amount of the student loan. For instance, I had a borrower who had obtained nearly \$200,000.00 in student loans to cover the cost of his kid's education. The soonest the first payment can be is in 2024, but I have to count it as if were due now. The borrower needs to obtain a letter from the student loan provider of what the actual payment will be. If you are thinking of applying for a mortgage and you have student loans; start trying to obtain the needed letter now.

Call me for information about this and other available programs. We have a large variety of programs!

**PINNACLE CAPITAL**  
mortgage corporation

**RITA MARIE** NMLS ID #186758  
**623-935-4664**

Mortgage Advisor  
Please leave me a "LOAN"

**ritamarie2020@gmail.com**  
Creative Home Loans, LLC  
NMLS ID #132851

16401 N 40th Street  
Phoenix, AZ 85032





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## featured listings



### 12645 W. Verde Ln.

#### 4 Bedrooms and a Pool!

This 1827 S.F. 4 BR, 2 BA features a huge lot with a sparkling pool in a great room concept with a 2 car garage in Corte Sierra.

**Sold by AI Gage for \$325,000**



### 12536 W. Sells Dr.

This 2148 S.F., 3 BR, 3 BA features **Two Master Suites**, a 3 Car Garage with upgraded kitchen cabinets in perfect condition in Wigwam Creek South!!

**Listed by AI Gage for \$350,000**



### 2203 N. 115th Ln.

#### What a Buy!

This 1514 S.F. 3 BR, 2 BA has lots of cabinets and granite counters in a great room concept with a 2 car garage in Palm Gardens.

**Sold by AI Gage for \$260,000**



### 10555 W. Crimson Ln.

A Beautiful home featuring 3 BR, 2.5 BA, 1949 S.F. plus a loft, pool, green belt for a back neighbor in Westwind!

**Listed by AI Gage for \$255,000**

## What's My Home Worth?

Email AI at [al@algage.com](mailto:al@algage.com) with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge. Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

*No automated valuations here!*

*Want a current and local Market Update? Go to [www.algage.com/November2020MarketUpdates.html](http://www.algage.com/November2020MarketUpdates.html)*

*In 2019, AI Gage successfully represented 20% more clients than the closest competitor and 214% more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood five years in a row!*



West USA Realty  
2920 N Litchfield Rd, Suite 100  
Goodyear, AZ 85395

# Hello.

Interesting And Helpful  
Real Estate Info  
Just For You

Local Postal Customer

## Over 1500 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2018 Sales #s	2018 Price/SF	2018 Days on Market	2019 Sales #s	2019 Price/SF	2019 Days on Market	% Change In Price per SF	Oct 2020 Sales #s	Oct 2020 Price/SF	Oct 2020 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	71	136.47	48.6	68	144.9	36	6.17%	5	184.7	12
Cortes Sierra/Sage Creek/Las Palmeras	Multi	37	118.81	54.6	33	125.3	39	5.46%	5	142.8	103
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	85	137.72	41.0	103	146.7	42	6.52%	12	165.8	21
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	37	115.22	57.0	26	119.1	66	3.37%	3	134.2	9
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	1	45	128.41	54.3	48	141.8	34	10.43%	3	158.0	23
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	Multi	19	109.64	46.8	20	107	61	-3.41%	0	0	0
Rancho Santa Fe	1	87	139.05	50.4	83	145.3	50	4.49%	4	181.6	7
Rancho Santa Fe	Multi	26	117.53	43.1	36	126.2	41	7.38%	3	145.8	4
Westwind and Glenarm Farms	1	28	149.87	80.2	24	165.6	47	10.50%	1	194.0	159
Westwind and Glenarm Farms	Multi	16	118.10	41.2	21	136.4	41	15.50%	1	105.1	209
Wigwam Creek South and Bel Fleur	1	85	135.49	45.4	65	139.8	43	3.18%	8	166.7	17
Wigwam Creek South and Bel Fleur	Multi	45	98.78	60.1	45	101.3	73	2.55%	5	120.3	43