

AI Gage Report

July 2020

Realty Or Reality TV

I recycled this article from 7 years ago this month, because the same conditions apply and the TV advice is still being given. I did adjust the costs and prices for some of the home improvement projects.

I am often asked by both buyers and sellers about something they have seen espoused on one of the numerous "documentary" or "reality" TV shows about real estate. I usually have to chuckle and then explain the "reality" of our current market. For sellers, I am usually asked something like,



"We were told (which means they watched it on TV but don't want to admit it) that if we paint the house it would add three times the amount of the paint job to the sales price of the home." Or, "If we knock out this wall and remodel this kitchen we can double our money." In my experience, although each of these things



will add value to the probable sales price of a home, they usually will not add enough value to cover the cost of these upgrades. A pool is a perfect example. The most value I have ever received for a pool on an appraisal in recent years is \$14,000 and there are few pools that can be installed for less than \$30,000.

Another common misconception that I see portrayed on these programs is that a four bedroom adds \$10,000 to the value of a home over a 3 bedroom. This simply is not true. **Although a 4 bedroom may appeal to more buyers than a 3 bedroom, homes with more bedrooms and the same square footage do not sell for more money.** In fact, some of the smaller floor plans where the builder crammed 4 bedrooms into 1400 to 1600 square foot homes do not sell as well because the rooms are too small. This misconception is very common in one of the programs based here in Phoenix. This same program, and many others, also portrays investors purchasing homes site unseen and then flipping them for huge resale profits. Many of these scenarios are absolutely true, but they rarely show the bad purchases where the seller takes a bath on the home and loses a great deal of money or even worse consistently risks a couple hundred thousand dollars to make a profit of \$5-6,000. Basic investment strategy says that the risk is too high for the potential return. In addition, these investments are best designed for individuals with liquid capital to **RISK** with experience in remodeling homes **NOT** the average real estate investor. A real estate investor will usually do much better purchasing potential rental property and holding it for the long term or at least an extended period of time. Some of my investors have doubled their overall

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investment and realized a 100 percent return on their actual cash return in just the past two years. **Whether that will continue to be the case can only be found in the infamous crystal ball.**

On the buyer's side, the reality shows often portray a couple purchasing a home with an agent that they have been recently introduced. The buyer always has a wide financing range and usually has 3 very different homes to choose from. The agent typically either "overacts" for the program or they are the most phony and cheesy agents you have ever met.

If you require me to gush over the "lavish" and "extraordinary" 12' X 12' master bedroom with a tiny closet even though it is less than average, then I am probably not the agent for you.

I would characterize the bedroom as small and the closet as tiny. Maybe that is too straightforward, but if I have to sell you on the home, it is probably not the right home for you.

In these shows, the agent invariably allows the buyers to "sleep" on the decision for a few days or at least overnight. This just is not realistic in our current market. We used to have a quotation in our office that read something to the effect of "The home that you looked at and want to think about overnight, somebody looked at yesterday." This is very much the status quo in today's market. On the shows they also typically go see the loan officer after a purchase contract has been accepted which also is just not realistic in this market.



Finally, I typically hear some bizarre "advice" that both buyers and sellers have received on negotiating techniques that I know come from the TV shows. (I can tell by the 5 year old saying "love it or list it" at every home.) They commonly act as if there is a common amount that you should offer lower than list price and there should be at least two counter offers. **In today's market, offering below list price (unless the home is overpriced) is frequently a recipe for outright rejection.** Many buyers currently have written numerous over list offers without even a nibble.



If you want REALTY advice instead of REALITY advice, give the AI Gage Team a call at 623.536.8200 or email us at al@algage.com

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

RITA'S CORNER

Changes - Good And Not So Good!

Mostly everyone knows that unless you have enough money for a down payment of at least 20% of the sales price, in addition to the principal, interest, property taxes and homeowner's insurance, your payment will also include mortgage insurance. Mortgage insurance is pricey and does nothing to assist the borrowers. It primarily protects the lender. That seems less than fair, kind of like life. Depending on credit score, ratios, and loan to value, mortgage insurance can add up to 1.5% per month which effectively increases your monthly payment. Now, we have something called Lender Paid Mortgage Insurance. The interest rate is a bit higher, but your overall mortgage payment is less.

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

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mortgage corporation

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featured listings



11010 W. Holly St.

Spectacular Home With a Pool

A 2569 S.F., 4 BR, 3 BA huge tri-level home with a pool, spa, 3 Car Garage, huge back yard in Crystal Gardens!

SOLD Over List Price by Al Gage for \$345,000



13014 W. Luchana Dr.

A Bel Fleur Beauty!

This large 5 BR, 3.5 BA has 4457 S.F. with a ton of upgrades including premium flooring, granite counters in a gorgeous kitchen with a dry bar and a huge loft!

Listed by Al Gage for \$470,000



12406 W. Virginia Ave.

A Beautiful Azure Model featuring 4 BR, 2 BA, 2277 S.F. with a pool, BI BBQ, 3 car garage and much more in Rancho Santa Fe!

Listed by Al Gage for \$337,500



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 Al Gage for \$255,000

What's My Home Worth?

Email Al at 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/July2020MarketUpdates.html

In 2019, Al 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!



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Hello.

Interesting And Helpful
Real Estate Info
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Local Postal Customer

Over 1400 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	June 2020 Sales #s	June 2020 Price/SF	June 2020 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	71	136.47	48.6	68	144.9	36	6.17%	6	157.1	31
Cortes Sierra/Sage Creek/Las Palmeras	Multi	37	118.81	54.6	33	125.3	39	5.46%	2	146.9	17
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	85	137.72	41.0	103	146.7	42	6.52%	5	163.5	30
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	37	115.22	57.0	26	119.1	66	3.37%	7	135.8	23
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	1	45	128.41	54.3	48	141.8	34	10.43%	2	146.6	33
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	Multi	19	109.64	46.8	20	107	61	-3.41%	1	138.0	48
Rancho Santa Fe	1	87	139.05	50.4	83	145.3	50	4.49%	10	158.6	38
Rancho Santa Fe	Multi	26	117.53	43.1	36	126.2	41	7.38%	3	134.3	66
Westwind and Glenarm Farms	1	28	149.87	80.2	24	165.6	47	10.50%	0	0	0
Westwind and Glenarm Farms	Multi	16	118.10	41.2	21	136.4	41	15.50%	1	139.5	8
Wigwam Creek South and Bel Fleur	1	85	135.49	45.4	65	139.8	43	3.18%	6	160.0	14
Wigwam Creek South and Bel Fleur	Multi	45	98.78	60.1	45	101.3	73	2.55%	3	110.1	40