

A newsletter about Real Estate in the Phoenix, Arizona Metro area, including Scottsdale, Paradise Valley, Carefree, Cave Creek, Mesa, Tempe, Chandler, Gilbert, Queen Creek, Glendale, Peoria, Surprise, Avondale, Goodyear, Buckeye, and surrounding Maricopa and Pinal County markets.

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Contact Me!



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Check out our MLS Search at:
InternationalRealtyPartners.com

Brendan's Home Is Complete!
Check it out here:

BrendanMarrocco.org and

<http://www.youtube.com/watch?v=juOBn6pxwEA>

Real Estate Commissions – A Flawed and Outdated System?

By Dan Pinson, Designated Broker

This issue I offer a proposition that would turn the real estate business upside down because ***our current system of how we as agents and brokers get paid is flawed and outdated.***

It's not easily understood, communicated, nor transparent to the consumer. It certainly doesn't help us with the public perception of a flashy agent in a luxury car receiving fat commission checks. It's no wonder we're rated near the bottom on the trust scale, along with attorneys and used car salesmen (my apologies to you attorneys and car salesmen out there).

We need to move from a *selling* to a *consulting* paradigm like other professional service providers. As the Borg said in *Star Trek*, "resistance is futile." We'd better start changing with the times else we become extinct, or worse yet, *irrelevant!*

A Brief History of Real Estate Representation

Our current real estate sales system dates back to the late 19th century. From its beginnings, selling real estate was like selling anything else – get the highest price possible and buyer beware. There was no disclosure and no agency, and therefore, no fiduciary responsibility.

In 1908, states began licensing real estate salespeople and there was little change in our business until the 1980's, when salespeople began having to disclose things like building defects and environmental issues.

By the 1990's, we began offering buyer representation ("Agency"). Unfortunately, our new responsibilities coupled with an antiquated business model, created conflict in our system and in the consumer's mind.

*"When we are no longer able to change a situation,
we are challenged to change ourselves."*

~Victor Frankl

Our Services

- Residential Resale including Short Sales and Foreclosures
- New Home & Condo Developments
- Commercial
- Land
- International Real Estate
- Real Estate Consulting

Specializing in Phoenix, Scottsdale, and Paradise Valley markets, and Biltmore, Arcadia and North-Central Phoenix submarkets. See more at:

www.InternationalRealtyPartners.com

Real Estate Troubles?

- Behind on your payments?
- Received a “Notice of Default”?
- Tried to negotiate with the lender without success?
- Want to know if you qualify for a government program?
- Owe more on your home than it’s worth?

CALL ME TODAY! In our first consultation, I can help you determine your options.

Buyers

Contact us for more local market information and a **BUYER REPRESENTATION GUIDE**. Get a daily email of homes new to the market by sending an email describing what you’re looking for to:

dan@InternationalRealtyPartners.com

Sellers

Contact us for a **BROKER PRICE OPINION** and know what your home is worth!

Ask Us About Our Seller Short Sale Package

Investors

Call us today for information about:

- **Multi-family bargains**
- **Commercial bargains.**
- **Unlisted Short Sales**
- **Trustee Sales**

Call me now at 602.332.3499 to get your **RESIDENTIAL and COMMERCIAL FORECLOSURE LIST** or go online at www.InternationalRealtyPartners.com.

Anyone Can Be Licensed

Nearly anyone can obtain their real estate salesperson (agent) license. Attend some classes (90 hours in Arizona) and pass a State test. Want to be a broker? Acquire three years of experience, attend another 90 hours and pass a second State test. By the way, both tests have a passing score of only 70%!

Would you hire an attorney or CPA with this level of training? Not if you knew it! Then why would consumers trust their largest financial transaction to someone woefully undertrained and motivated by a commission that *increases* as you spend more?

Agency – The “Who Represents Whom” of Real Estate

Agency is one of the most misunderstood parts of the real estate business. Simply put, agency is “who represents whom.” It means we have a fiduciary duty to protect the interests of our client. For a more detailed description of Agency, [visit my Blog](#).

The question is how can we adequately represent a client’s fiduciary interest when we still operate with a commission-only paradigm? Regrettably, while real estate law, technology, and the consumer changed with the times, our business hasn’t.

Functionary vs. Fiduciary

Most consumers have little idea about everything we do. They often can’t distinguish between functionary and fiduciary tasks. While most functionary tasks can be accomplished by just about anyone, it’s the fiduciary tasks where we’re really needed.

Functionary tasks include entering listing data into the MLS or creating a property flyer. Fiduciary tasks include negotiating a transaction, performing a market analysis or scouting properties.

While you may not need all the functionary tasks we perform, most consumers need an agent for the fiduciary tasks – those that help them use their money wisely and minimize liability.

An Inherent Conflict

Here’s the rub – there’s an inherent conflict in our system. We’re limited to contingent-on-an-outcome compensation. If we want to pay our bills, we need to move the product as quickly and for as much money as possible.

On the other hand, we’re required to provide fiduciary counsel that is in the best interest of our client even if it goes against our own. No amount of “ethics training” will take away this basic conflict. It’s inherently wrong, but it’s the system we have and over a million REALTORS® nationwide go along with it. And our labor union, um, I mean “trade organization”, the National Association of REALTORS® (NAR) continues to promote the same old business model and protectionist practices.

“It is not necessary to change. Survival is not mandatory.”

~W. Edwards Deming

The Monthly Numbers

For the Metro Phoenix area, as of June 29, 2011. Percentage increases (+) and decreases (-) are the deviation from previous month numbers.

- Active Listings: 29,920 (-7%)
- Pending Listings: 13,161 (-5.7%)
- Sold Listings: 9,416 (+9.8%)
- Phoenix Median Resale Price: \$110,000 (+1.0%)
- Average Price per Square Foot (All Areas, All Types): \$83.23
- Sold to List Price Ratio: 96.14%
- Average Days on Market (Sold Listings, All Areas, All Types): 104
- Months Supply based on Monthly Sales:
 - All Areas: 3.0 months
 - Anthem: 2.0
 - Apache Junction: 3.6
 - Avondale: 2.3
 - Buckeye: 3.0
 - Cave Creek: 4.0
 - Chandler: 2.6
 - Fountain Hills: 4.3
 - Gilbert: 2.4
 - Glendale: 2.1
 - Goodyear: 2.9
 - Laveen: 2.4
 - Maricopa: 2.0
 - Mesa: 2.7
 - Paradise Valley: 6.8
 - Peoria: 2.9
 - Phoenix: 2.6
 - Queen Creek: 2.4
 - Scottsdale: 4.2
 - Surprise: 2.7
 - Tempe: 2.6

Market data courtesy of Arizona Regional MLS and
The Cromford Report.

Residential statistics courtesy of Matt Canady,
First American Title Co.

Commercial statistics courtesy of Loopnet.

Call now to find the home of your dreams!

I Appreciate Your Referrals!

Gatekeepers of Information vs. Interpreters of Information

In the old days (pre-Internet), agents were the gatekeeper of the data. As a buyer, you had to use a real estate agent in order to have access to properties listed in the printed MLS books. It was difficult to buy a home without an agent and these books.

Today, real estate information is *everywhere*. Anyone with an internet connection is suddenly a real estate expert. Or at least they think they are. Here's my main point – ***anyone can get the information, but few know how to interpret the information!***

FREE Everything!

Free everything is our mantra - "Free Comparative Market Analysis", "Free Reports", and the list goes on. Free stuff is worth exactly that – nothing. It's either shoddily done and the consumer gets something of no value, or the great agent does a great job and unfortunately doesn't get paid. A certain amount of this is our marketing, but regardless, we cost-shift these "free" services with the commissions we earn. Why should the commission you paid offset the freebie someone else received?

What's The Solution?

- *Raise the bar to entry into our profession.* Will it happen? Not until individual States strengthen licensing laws. And not until the National Association of REALTORS® (NAR) emphasizes the quality of representation over a body count of dues-paying members. My proposals would likely shrink NAR's enrollment and they're not going to like that!
- *Expand consumer choice.* Consumers should be able to choose from a pay-per-hour, fixed price, basket of services, or commission models. Each model should be easily communicated to and understood by the consumer. I imagine most consumers will still use the commission model, as it's the lowest risk method for them – pay nothing until something sells. But the point is offering choice.
- *Place value on what we do.* If we don't, who will?

In the next issue, I'll discuss my new business model. I'll still offer the standard commission model, but you'll also be able to hire me for the myriad of fiduciary and functionary tasks that buying and selling real estate entails, while choosing how you want to pay for the services. Most importantly, I'll present my case for *why* you should hire me using my new model.

You REALTORS® out there reading this can start hating me now. Maybe I'll be out of business soon because no one wants my business model. Or maybe I'll make more money while offering my clients more choices, representing their interests without conflict, and saving them money. I want to know what you think. Head over to InternationalRealtyPartners.com/blog and tell me what's on your mind. – DP

Now On Market

MLS# Non-MLS



\$595,000

Panama City, Panama
3 BR/ 4 BA Penthouse

Live in pampered luxury perched high atop your private penthouse in downtown Panama City! Just steps away from to everything offered by one of the most vibrant cities in the Western Hemisphere. This amazing property features unmatched city views, a rooftop pool, gourmet kitchen, TV room, separate laundry, and excellent craftsmanship. This property is being sold at a small fraction of its original \$3,000,000+ cost. Contact Dan Pinson at (602) 332-3499.

In Escrow

MLS#4495039



\$219,500

525 W. Seldon, Phoenix, AZ 85021
4 BR/2 BA

I Appreciate Your Referrals!

This Issue's Outrage

Thought the banks couldn't get any sleazier? This issue's outrage will make your blood boil.

<http://www.brokeragentsocial.com/article/1233/the-bankster-039-s-latest-tricks>

Big Changes Coming To Home Loans

The US Department of Housing and Urban Development (HUD) has announced potential changes to FHA loan limits beginning October 1, 2011. The limits for Maricopa County are currently at \$346,250. The new limit would be \$271,050. Here's the full 23-page text of the proposed changes:

<http://portal.hud.gov/hudportal/documents/huddoc?id=fhaloanlmhera.pdf>

We'll keep you updated on these changes in our next newsletter.

Metro Phoenix Market Data

(from ARMLS as of 6/1/2011):

Inventory



Prices



"It is not necessary to change. Survival is not mandatory."

~W. Edwards Deming

Be Part of Our Team

We are looking for motivated REALTORS to join our dynamic firm:

- **Full-time Agents** with at least 2 years experience. We work on a modified team concept – high splits, no transaction, E&O, or monthly fees. Also participate in our Large Accounts transactions.
- **Referral Agents** at any level of experience. Participate in our Referral Program and Earn **25%** on referrals plus up to **\$10,000** in annual bonuses!

Visit our website at:

www.InternationalRealtyPartners.com

Click on “*Join Our Team*” for more information, or contact Dan Pinson, Designated Broker, at 602.332.3499 for a confidential interview.

QR Codes

Get information fast with your Smartphone and Bar Code Scanner application. Just snap a picture of the code and go the bookmark!

IRP Website Home Page



IRP Property Search

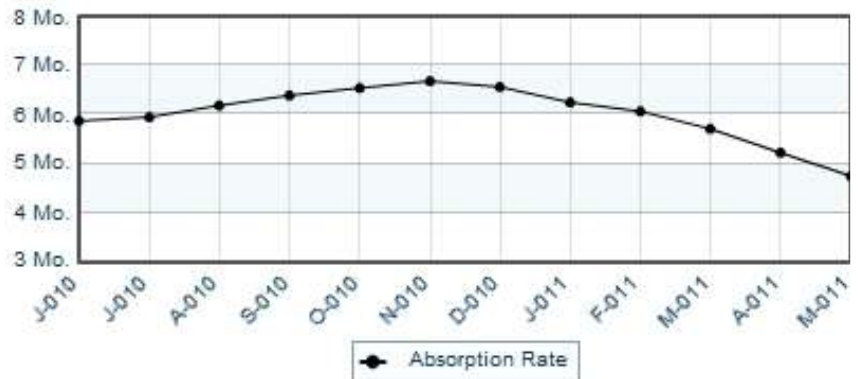


This newsletter is for informational purposes only. Real estate laws, market conditions, and local customs frequently change. Consult an attorney specializing in real estate law before buying or selling. Consult with your CPA as to the tax ramifications of any real estate transaction. Be sure to perform ALL of your due diligence. Only deal with reputable real estate agents, developers, CPAs, and attorneys.

Days On Market



Absorption



Volume



Sold Price to List Price Ratio

