

# Home resale market hot; demand up, supply down

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Angela and Jim Chapman figured their Tatum Ranch house would attract interest when they put it on the market, but they weren't prepared for what happened when the for-sale sign went up.

Phones immediately began to ring at their home and the office of their real estate agent. They sold the house a day later for more than \$8,000 above the \$309,000 asking price after a marathon session of sizing up formal offers that was interrupted by walk-ins who wanted to bid on the place, too.

"My front door was a revolving door," Angela Chapman said. "Every time I turned around, people were walking in wanting to make offers on it. It was crazy, absolutely crazy."

There's a frenzied edge to metropolitan Phoenix's residential resale business these days. Economic pressures have created what agents say is one of the tightest markets they've ever seen, with a sudden shortage of homes for sale letting sellers reap full asking prices and creating California-style bidding wars that drive deals even higher.

It's a major style change for Phoenix-area home buyers who have come to expect a more deliberate negotiation process that involves offers, counteroffers and, typically, a contract for less than the asking price. Agents say that has changed in the past few months as strong demand for houses and fewer listings collide, putting sellers in the driver's seat.

"I would almost call it a frenzy,"

said Judy Perrin-Crone, manager of Coldwell Banker's Biltmore-area office in Phoenix. "I've been a broker for 22 years, and I have never seen a market like this."

Experts say rising interest rates, frustrated buyers and investors looking to play Valley housing like a hot stock market are driving demand. At the same time, homeowners who have secured low rates are hunkering down and not looking to move. For them, selling means a higher mortgage rate, higher house prices and fewer houses from which to choose. Their decision to stay put, though, reduces the supply of homes for sale.

"Buyers are trying to beat interest rates," said John Foltz, president of Phoenix-based Realty Executives. "But now listings are in short supply. Anyone who has been undecided about buying is trying to buy now, but there aren't that many more sellers."

All of that is putting pressure on prices and is shortening selling times. Phoenix alone has seen a 20 percent drop in the number of home listings in April compared with the same month last year, according to Arizona Regional Multiple Listing Service. The median house price is up more than 7 percent in Phoenix and the selling time is down by more than five days.

It's the same story all around the Valley but the averages of such things as time on the market don't convey the urgency some players see on the front lines. They say houses sell in a matter of hours, or days, sometimes after bidding wars. Buyers have less leverage to demand contingencies in sales contracts and less ability to object to house's cosmetic flaws.

"Many agents have called me to say, 'I'm going to write an offer on your house. How much earnest money would you like? What title company do you use? When would you like to close?'" said Brett Barry, a Realty Executives

agent specializing in the Tatum Ranch area of the northeast Valley who listed the Chapmans' home.

"Some people are saying they are willing to waive the home inspection," he added. "When you have multiple offers on a house, it comes down to intangibles of why a seller would choose a particular buyer."

National market watchers say rising mortgage rates are pushing house shoppers to take the plunge and sellers to dump their homes onto the market to catch the buying spree. Traditionally tight markets such as metropolitan New York still have an inventory squeeze of the sort that's just hitting the Phoenix area.

Perrin-Crone's office listed a 1,400-square-foot house in south Scottsdale at 3 p.m. on a Monday earlier this month. By the next morning, she said, she had 12 offers. The house listed for \$144,000, and the offers ranged from full price to higher. The house is in escrow for \$160,000.

"Things come on market and, literally, in hours if the price is right, they will sell that day or the next day, getting multiple offers, similar to what you hear about the California market," Perrin-Crone said. "The market has to find a price. It's difficult for sellers and agents to know how to sell a property. The buyers are making the market."

The shortage is hitting in a wide band of price ranges though agents say it hasn't affected the million-dollar market where there's a smaller stable of buyers. Housing analyst R.L. Brown said April was the second-straight record month for new and resale housing in the Phoenix area.

"Home builders are telling us they have people rushing to buy in anticipation of any interest-rate increases," said Terry Turk, president of Mesa-based Sun American Mortgage.

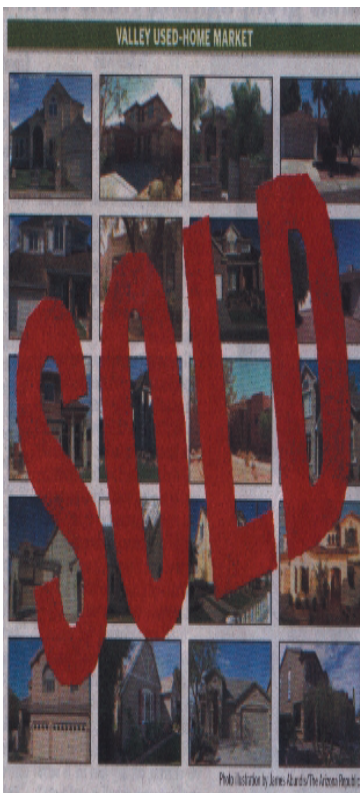
The grapevine is becoming a more important source of listings as agents scramble to maintain inventory. Also, agents

representing sellers are dusting off such old ploys as bringing buyers to bargaining sessions in the hope they'll make some sort of emotional connection with the sellers.

Barry said prices are escalating so quickly that he worries about appraisals keeping pace. He said banks won't lend more than the appraised price so the buyer either has to come up with the difference or the seller has to cut the price, two undesirable scenarios in a house deal.

Mike Mendoza of Keller Williams Realty in the Ahwatukee Foothills said on average 650 houses were on the market in that area last summer. Now, he said, it's more like 200 to 250. He's sold several houses recently by merely pairing sellers with someone on a waiting list of buyers.

The house is never on the market in the traditional sense, but Mendoza still hangs one of his signs in front. The difference: It goes up with a "sold" tag attached.



### Valley home shortage?

Fear of rising interest rates is prompting a flood of home buyers to jump into the market. But since there aren't as many sellers, the subsequent shortage is causing homes to sell faster and prices to rise. (Yearly data are for the month of April)

#### Number of listings

	2004	2003	Change
Phoenix	5,064	6,348	-20%
Glendale/West Valley	1,980	2,382	-16.87%
Scottsdale	5,518	6,774	-18.5%
Southeast Valley	8,049	10,142	-20.6%

#### Homes sold

	2004	2003	Change
Phoenix	2,005	1,737	+18.3%
Glendale/West Valley	1,012	712	+42.1%
Scottsdale	1,941	1,652	+17.4%
Southeast Valley	3,313	2,786	+18.9%

#### Time on Market (in days to sell)

	2004	2003	Change
Phoenix	60.7	65.89	-5.19
Glendale/West Valley	50.86	58.78	-7.92
Scottsdale	66.93	74.48	-7.55
Southeast Valley	60.07	64.01	-3.94

#### Median home sales price

	2004	2003	Change
Phoenix	\$149,000	\$139,000	+7.2%
Glendale/West Valley	\$150,000	\$144,000	+4.16%
Scottsdale	\$324,900	\$325,000	Flat
Southeast Valley	\$167,500	\$162,000	+3.39%