

# HOMES Frenzy feeds seller's market

From Page D1

cent last year to an annual record of \$174,815. And price increases aren't showing any sign of waning. The median cost of an existing house in the Phoenix area hit an all-time high of \$190,000 in December.

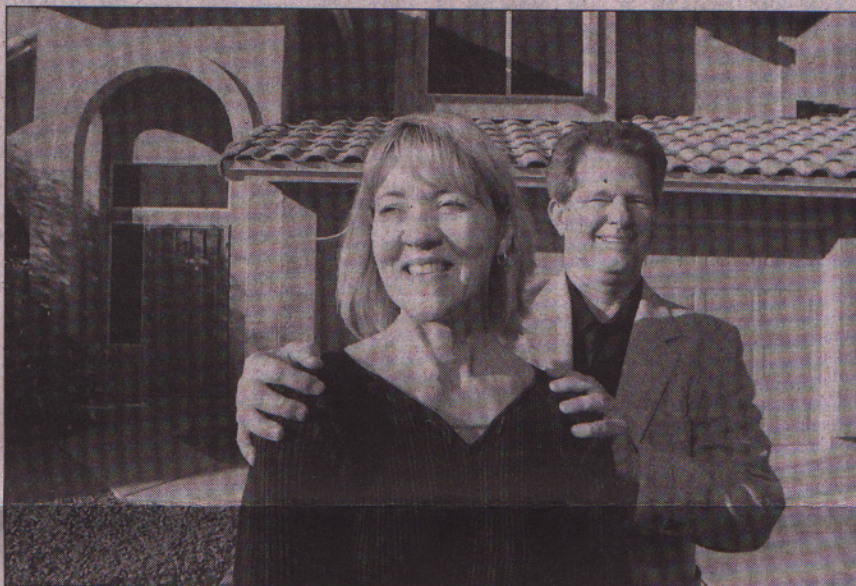
The home-buying frenzy is being driven by investors speculating on the Valley housing market's continued climb and move-up buyers able to cash out of one home to buy a bigger or better one. Tame interest rates are helping buyers stay in the game at a time of stagnant wages, and mortgage lenders have an increasing arsenal of creative products that let money-pressed home shoppers get in the door with minimal payments.

First-time buyers are having a hard time finding Valley homes they can afford due to higher prices and a dwindling inventory. There are tales of growing resentment toward out-of-state investors muscling out locals.

"Not only is inventory low, but there's a whole bunch of investors from California and other states added on top of Joe Buyer out there finding very little for sale," said Brett Barry, a Realty Executives agent in the northeast Valley. "Investors are making the situation tougher, but I don't believe they are the cause of the problem."

Instead, Barry said homeowners are staying put, secure in a low-rate payment and rising equity they may have tapped for upgrades. He said people looking to sell won't do so unless they've got the next house locked up. The market is running on so much juice that Barry didn't have to advertise last year. Why bother when listings will disappear before buyers see the ads?

"The time on the market is the lowest I've ever seen," he



John Severson/The Arizona Republic

The sale of John and Phyllis Hysong's rental house in Tatum Ranch will close this week. They live in Anthem but are building another house at West Wing Mountain. Eventually they want to move to Prescott.

said. "Homes are selling in two, three, four days, a week maximum."

The number of homes for sale has dropped in half during the past year.

Now Valley houses priced right sell within days or even hours in some neighborhoods.

Deborah Townsend of Coldwell Banker Success Realty recently sold a \$252,000 house in Litchfield Park in two days. Townsend sold the house for Anita and Pierre Cavalcanti, who plan to move to Biloxi, Miss., to be near their daughter.

Townsend said she has sold houses in a day and even hours.

Housing-market tales have replaced stock tips as cocktail-party chitchat around town.

The big question: What's next?

Jay Butler, head of the Real Estate Center at ASU, has been worried about the market through most of last year. He looks for prices to veer from their rocket ride into a more settled pattern this year. That's a warning shot to speculators looking to make quick money.

"Everyone is waiting for

more big appreciation gains," Butler said. "It's unlikely prices will plummet, but they are likely to stabilize this year."

Buyers also need to worry about interest rates, which are headed higher.

"If interest rates climb, it will be a double whammy for first-time buyers," Butler said.

Rates for 30-year mortgages have been hovering around 6 percent for the past year, but some buyers are opting for five-year adjustable-rate mortgages to get a lower rate they can afford. Interest-only loans also have gained cachet, and some lenders now offer a 40-year loan.

Smart buyers and sellers are looking for creative ways to work the market. The Hysongs have put together a four-move strategy that they expect will let them retire in Prescott without a house payment.

Seeing that the market was rising, they turned their house in Tatum Ranch into a rental when they moved to Anthem in 2003. Rent covered the payment on the Tatum Ranch house while it climbed in val-

ue from \$176,000 to the \$348,500 price at closing this week.

Now, they're building a \$400,000 home in West Wing Mountain in the northwest Valley. When they get a completion date, they'll sell the place in Anthem if they don't decide to make it a rental. They eventually will sell that house, then head for Prescott, where they already own land.

"We'd like to be able to have that house free and clear," John Hysong said.

The number of homes listed for sale is down partly because some Valley homeowners don't want to sell and pay more for something smaller. People like Mary Holden have amassed big appreciation in their homes and have reasonable monthly payments due to low mortgage rates.

"I know we could sell for a great profit, but if we can't move up to the right house for the right price, it's not worth it," she said.

Holden has been house-hunting with Realty Executives agent Bobby Lieb but is in no rush to buy.

"It's a seller's market," Lieb said.