

Housing stays hot in Valley as resales hold lead

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Valley home shoppers trying to figure how to make the numbers work on that fixer-upper with the splotchy carpet might look for bargains elsewhere - the new-home market.

A typical resale house in metropolitan Phoenix now costs more than a new one: \$225,000 for the median resale home in May, compared with \$220,617 for a new one, according to R.L. Brown's *Phoenix Housing Market Letter*. The pattern was similar in April.

That's a reversal of the typical relationship between new and resale prices and another sign that the area's housing market is defying expectations.

It doesn't mean that new homes are the dollar store of housing these days. Demand is very strong for new homes with swarms of buyers competing for the limited number of lots being released by builders.

"When you have lines of people waiting for new homes, some people won't (wait) and some of that demand has spilled over into resale homes," said John Foltz, president of Realty Executives.

That's creating frustration that is steering buyers toward the resale market. Investors also drove up prices when they moved into resales after builders began banning or restricting their purchases.

Also, Brown said, the resale market no longer is dominated by 20-year-old houses. Newer, larger homes are in the mix and their values are higher, he said.

There also is the question of whether buyers are balking at moving to the far fringes of the city to buy a new house, shopping instead in established neighborhoods. But builders say demand is strong across the board, including the edges of the urban area.

"You're going to drive no matter where you live," said Carolyn Morrison, vice president of sales and marketing for Beazer Homes. "Land prices have been lower farther out, and a builder can pass on that savings to the customer."

Home building in the Phoenix area kicked back into gear in May, with permits for 5,994 homes issued in the area last month, or nearly 10 percent more than in May last year, according to Brown. He thinks the Valley is headed for another record home-building year despite earlier talk that the market would cool.

The latest numbers underscored the forces propelling an increasingly complex Phoenix market. Yet the basic drivers remain the same: low interest rates combined with a variety of mortgages, population growth, investors, move-up buyers and prices that still look affordable compared with other big cities in the West.

Prices for new and resale homes continue to climb, although market dynamics have turned the historic relationship between the two upside down.

"There's obvious strength in the resale market that is allowing sellers to be more aggressive," Brown said.

Some experts say the resale market is beginning to slow. The evidence: more listings, longer market times, more open houses and less of a frenzy in bidding wars and runaway prices seen in some areas. It is a complex market where values can vary greatly not only by city but by neighborhood, stretches of street and individual houses. Marilyn Niemann, of Coldwell Banker's McDowell Mountain Ranch office in Scottsdale, said average market time in her area has climbed from about 20 days a month ago to 31 days. Yet she recently saw a production house sell for \$360 a square foot in an area where \$280 to \$300 is the norm.

"I laughed when it came on the market," she said. "It was just a house. But it sold."

Even though permits fell slightly in April, there was little concern of a watershed slowdown in home building. Now the April numbers appear to be a statistical blip rather than a true reading of the market, Brown said.

Last year, metro Phoenix surpassed Atlanta as the top home-building market. Brown tallied 60,872 permits for the Phoenix area. Now, he says, the market is on pace to exceed that number this year.

"There's not a sign out there today that says things are cooling off or things are going to go cold or we're going to see a reversal in this market," he said.