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Some see signs of life in AZ home sales

Market surges in Phoenix area; flat rate locally hints at bottom

By Josh Brodesky

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Home sales in Arizona rose by 50 percent in the first quarter of the year, the National Association of Realtors reported Tuesday.

But in Pima County home sales remained flat, and that's a good thing, several experts said.

The uptick in sales statewide has largely been fueled by foreclosures in Maricopa County that have driven down home prices there and drawn investors who are looking for bargains. So, to not see an uptick in home sales in Tucson during the first quarter reflects fewer foreclosures and a more stable market.

"The increases (in sales) have primarily been in the metro Phoenix market. Home sales in Tucson really have not moved up strongly like what you have seen in Phoenix," University of Arizona economist Marshall Vest said. "The Tucson market did not get overheated. The prices did not get nearly as far out of line. We don't appear to have nearly the overhang of foreclosed houses here."

The National Association of Realtors reported home sales fell in all but six states — Arizona, Nevada, California, Florida, Virginia and Minnesota, where buyers have been able to snap up foreclosures at deep discounts.

Sales more than doubled in Nevada, rose 81 percent in California and grew 50 percent in Arizona — signaling the worst may be over for those distressed states.

Meanwhile, home prices continued to fall, declining in 134 out of 152 metropolitan areas compared with the same period a year ago. The median sales price nationwide was \$169,900, down 13.8 percent from a year ago.

But in Tucson, the median home price — the middle point in sales — has been flat, hovering around \$165,000 for four out of the last five months. It was \$164,000 in April, the Tucson Association of Realtors Multiple Listing Service's monthly report shows.

In fact, the market as a whole has been flat.

Not only has the median price been steady, but so have sales numbers: There were 2,268 home sales in the fourth quarter of last year, and there were 2,139 sales in the first quarter of this year. New listings have been dropping, but that is largely because people are not putting homes on the market.

"Flat is good. Flat means we are bottoming out," Vest said. "That's what we have been waiting for."

Home sales in Phoenix account for roughly 70 percent of the market statewide, so what happens there drives state numbers, said Jay Q. Butler, real estate studies director at Arizona State University.

"What's really picked up is homes that were foreclosed on are now being sold to investors," Butler said. Pima County "never really participated in the hyper-market. You were about ready to, but it ended, so you are lucky."

DID YOU KNOW

New home construction is on pace to hit fewer than 1,500 permits for the year for Pima County. Through the first three months of the year, there were 356 permits for new-home construction across Pima County. Last year, a down year, there were 3,018 permits, 775 in the first quarter.

SOURCE: John L. Strobeck, Bright Future Business Consultants

For the last few months, foreclosures have made up roughly 40 percent of home sales in the Phoenix market, driving down the median price to \$125,000 last month for non-foreclosure resales, Butler said.

While Butler labeled the uptick in home sales encouraging — there were 9,100 recorded sales in Maricopa County in April versus 8,610 in March and 6,395 in April of last year — he was reticent to call a bottom, saying there are too many unknowns around employment, potential loan modifications and government programs to help distressed homeowners.

"A month does not make a trend," Butler said.

Foreclosure activity will play a key role in whether the housing markets in Maricopa and Pima counties have bottomed or will continue to fall.

In Pima County, foreclosure activity has picked up this year as 4,145 foreclosure sale notices have already been filed, and 1,594 properties have gone back to the bank, according to the Pima County Recorder's Office. Both numbers are significantly higher than in previous years.

"I think these numbers will probably stay at a high level," Vest said. "We now also have people who have lost their jobs because of the weak economy who can't service their mortgages."

But in the Phoenix metro area, foreclosures have fallen off, dropping to about 27 percent of all transactions.

"Foreclosure activity is down because a lot of lenders went into hiatus waiting for some of the modification and refinancing programs," Butler said. "The simple reality is that 2008 was so bad, that if we don't show positive increases this year, then we would really be in trouble."

But Rosey Koberlein, CEO of Long Realty Co., said she sees the uptick in sales in Phoenix coupled with the relative flatness of Tucson's housing market as signs that the bottom has arrived.

The combination of low prices, low interest rates and an \$8,000 tax credit for first-time home buyers has created plenty of incentive for people looking to get into the housing market. It's a window, she said, that won't last long.

"I believe we have hit bottom, and we will be working our way back up from this bottom," Koberlein said.

On StarNet: Where are the houses selling in your area? Visit tucson.com/homes to see the homes-sold database and figure it out.

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This report includes information from The Associated Press. Contact reporter Josh Brodesky at 573-4178 or jbrodesky@azstarnet.com.

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