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Luxury-home sales gathering steam in Valley as deals abound

Phoenix Business Journal - by Jan Buchholz

Sales of luxury homes in Paradise Valley and portions of Scottsdale are picking up, largely because of dramatic price discounts that have prompted all-out bidding wars.

"It's out-of-state buyers, it's in-state buyers — but what's selling are the deals," said Rusty Davis, a luxury-home specialist with Russ Lyon Sotheby's International Realty.

As an example, Davis cited a spec home just east of Mummy Mountain that was completed about a year ago and listed for more than $4 million. The construction lender took possession of the property after the builder defaulted and put it back on the market Aug. 15 for about $1.6 million.

"There were more than 15 bona fide offers," Davis said.

The winning bid was for more than $2 million. The buyers closed on the deal within two weeks, bringing all cash to the table.

Another spec house northeast of Camelback Mountain, which Davis describes as one of the prettiest homes he's ever seen, also sold for less than half of its original list price of nearly $6 million. It was a short sale, meaning a deal was made before the property was sold to the highest bidder at a trustee sale. The cash deal closed for almost $2.8 million, Davis said.

The amount of inventory of very high-end homes remains staggering. There's an estimated five- to six-year supply of homes valued at more than $3 million throughout the Valley, and capable buyers are snatching up what they believe are the best long-term deals.

"The majority of them are wealthy people with a lot of cash. We're especially seeing Canadian buyers," said Evan Katz, an agent with **Realty Executives** in Paradise Valley.

With conventional lenders requiring down payments of 20 percent to 30 percent, some creditworthy buyers are having to pass on the best deals — but not everyone.

Beth Jo Zeitzer, president of **ROI Properties** in Phoenix, brokered a recent deal using a "professional loan," which is being offered locally by **Compass Bank**.

A physician and his family who were moving to Phoenix from Tampa, Fla., purchased a spec house near Hayden Road and Sweetwater Avenue in Scottsdale. When it was built, the list price was close to

$1.8 million. As the market declined, the price dropped to $1.1 million. The first-time home buyers with high credit scores negotiated the price below the $1 million threshold in a short sale. The family ended up putting 5 percent down on a $950,000 professional loan through Compass Bank.

In another instance, a physician who moved from New York to take a position with Phoenix Children's Hospital purchased a home south of Shea Boulevard, near 56th Street. During the height of the real estate market, homes in that area were selling for more than

$1 million. In this case, the lender had repossessed the home and deeply discounted it to $554,900. A bidding war ensued, with the doctor offering $565,000 to seal the deal with a conventional loan.

Courtney Thissell-Blake, a Compass mortgage banking officer, said her bank is the only one doing the low-down-payment professional loans in the Valley.

"Bank of America was doing these loans for doctors only, but they cut off the program about four months ago," she said.

In a normal market where values have stabilized, the Compass professional loan program is designed to be a 100 percent loan — a rare opportunity even the best of market conditions. Compass' jumbo professional mortgages are available to attorneys, physicians, oral surgeons, dentists, certified public accountants, CEOs and CFOs of publicly traded companies. New graduates in these fields are eligible if they have an offer letter from an employer, Thissell-Blake said, and all borrowers must have high credit scores.

Zeitzer said one of the positive aspects of the luxury-home market is the predominance of buyers who will occupy the property.

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"Investors are totally out on the sidelines. When they look at how long it will take to absorb the inventory, it doesn't make sense," Zeitzer said. "This market presents a phenomenal opportunity for many buyers."

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