

Phoenix Business Journal - August 24, 2009  
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## PHOENIX Business Journal

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# Housing experts divided over Valley real estate recovery

Phoenix Business Journal - by [Jan Buchholz](#)

Housing experts mining data and economic statistics don't agree about the current state of residential real estate in the Valley, but they have strong opinions.

The Phoenix Business Journal asked a variety of experts for their take on the housing market. Each holds different benchmarks as being particularly compelling, such as trends in median home prices, or the number of building permits pulled by home builders, or the percentage of foreclosure sales compared with traditional sales. While no one describes the current market as anything near normal, they differ on whether the Valley's housing market is slowly improving or a more ominous outcome lies ahead.

### Digging into data

RL Brown, founder of **RL Brown Reports**, has been crunching Phoenix housing numbers for 25 years. He's confident the market bottomed out earlier in the year.

"How can you be pessimistic when there were 10,445 houses sold in the middle of a heat wave in July? That is a remarkable thing," he said.

Brown's assessment is echoed by Karl Guntermann, the Fred E. Taylor professor of real estate at Arizona State University's W.P. Carey School of Business. He released his monthly Repeat Sales Index on Aug. 19, declaring, "The worst is over for housing price declines."

Guntermann tracks the sales price history of the same houses over the course of time. It's a smaller sample than many surveys, but it tells a story of what occurs at a specific property.

The median home price in the Valley dropped to \$117,500 in April and increased to \$119,000 in May. Guntermann predicts a continued upward trend.

Still, he concedes, the Phoenix housing market is volatile in part because many homeowners are selling under financial duress, creating atypical behaviors.

"This is not a normal discretionary sale market, and clearly we're a couple years away from what could be called a normal market," Guntermann said.

### Bigger problems ahead?

While Brown and Guntermann take optimistic approaches based on two factors — the volume of transactions and improving home values — Jay Butler, director of Realty Studies at ASU, believes unemployment and consumer timidity are more formidable issues.

"My big concern is, where are the jobs going to come from (to support increased home buying)?" he said.

Expectations of more layoffs and furloughs will deter would-be buyers and might lead to more distressed properties, Butler said.

He believes the housing market would be in much worse shape without the federal government's temporary \$8,000 tax credit for first-time home buyers.

"Without the government's intervention, is the market strong enough to stand on its own? In my mind, it isn't," Butler said.

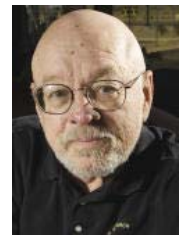
The impact of that tax credit has been positive and measurable, according to Frank Owens, a Scottsdale-based real estate consultant who tracks residential building permits pulled by housing contractors in 32 U.S. markets.

The increase in new home building activity jumped dramatically in Phoenix from the first to the second quarter of this year, he said. Builders obtained 2,714 permits in the second quarter, compared with 1,106 in the first quarter.

"My belief is that builders have aggressively pulled permits to have product so they can close before Nov. 30. There's a huge push right now for spec homes," Owens said.

The most formidable issue going forward, however, is whether Congress will extend the tax credit beyond Nov. 30.

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"It that's not renewed, all bets are off," Owens said.

#### **Waiting for the next wave**

Meanwhile, the role foreclosures play in the Phoenix market is not easily settled among the experts.

Beth Jo Zeitzer, president of **ROI Properties**, said many lenders are modifying loans and accepting short sales. But there still is reason for alarm, she said.

"We are seeing a significant increase in higher-end homes. These are areas which have rarely seen foreclosures," she said.



Sitting somewhere between optimism and pessimism is John Foltz, president of **Realty Executives Phoenix**.

Foltz expects another wave of foreclosures, but he's not sure how large it will be. He believes lenders have held back foreclosure inventory to avoid flooding the market and forcing another drop in prices.

"Intuitively, I believe there is a shadow (foreclosure) market, but I know that more from anecdotal feedback," Foltz said.

On the other hand, he's more optimistic this month given the increase in transactions occurring among the company's 1,300 agents in the metro area.

"We'll see if the August activity carries through, though I don't expect a lot of change," Foltz said.

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