

REALTY STUDIES
August 2009
RESALE HOME MARKET

There were 9,080 resale homes recorded sold in August 2009, while there were 11,820 recorded sales in July and 7,505 sales for a year ago. Foreclosure activity in August 2009 represented 34 percent (3,085 transactions), while there were 5,995 traditional market transactions. For August 2008, there were 3,295 sales in foreclosure or 44 percent on the month's recordings. In the traditional market for August 2009, approximately 50 percent of the recorded sales represent previously foreclosed property being sold. Thus, foreclosure-related activity represented 67 percent of the recorded activity. For August 2009, foreclosure activity as percentage of the total resale market differed throughout the Valley such as 35 percent in Surprise, 29 percent in Chandler and 19 percent in Tempe.

Historically, August typically represents the ending of the resale home season. During the resale season, sales and median prices tend to increase, so some improvement in the local housing market was not unexpected. The fundamental question is whether sales will stay strong, driven by the foreclosure-related market or start to move down, which is traditional for the end of the year. If the latter occurs, it could represent a preliminary signal that the market is beginning to return to normalcy. Although the level of activity has been at record levels, the market has been driven by foreclosure activity, including the sale of foreclosed homes, not the traditional owner-occupant segment.

Except for the sense of failure (foreclosures and bankruptcies), the current market is not much different than the 2003-2006 hyper-market, for it is driven by similar-minded investors looking for the deal, especially the potential of great appreciation. Thus, a recovery cannot really be established until foreclosure activity drops to historical levels (3-5 percent of monthly recordings), and owner-occupants are the primary driving force. Although mortgage interest rates and prices are attractively low, tighter underwriting standards, a weak economy and poor job market (including job losses and lost income through reduced pay and furlough programs) could continue to place severe obstacles before the potential of the market. The impact of foreclosures on the market has been the primary concern of the last year and will continue to be in the coming months, especially with the end of many hiatus programs and the weak job market.

The declining prices have piqued interest for potential investors and owner-occupants, especially in the lower income ranges. For the traditional market, the median price in August was \$139,000 or down 29 percent from the \$193,550 of a year ago, but slightly above the \$135,500 for July 2009. However, foreclosed properties had a median price of \$139,800, in contrast to \$161,875 for August 2008 and \$148,045 for July 2009. Investment interest is being driven by the anticipation that home prices will rise again in the next few years. While lower prices can greatly improve affordability, they can adversely impact

many owners and potential sellers who are watching their limited equity erode, as prices decline to and even below existing debt level. Rapidly declining value can be another issue in some of the mortgage modification programs that require a limited decline in value from the purchase and financing of the home.

There are two fundamental reasons why the median price for foreclosed homes is higher than traditional transactions. The first reason is more expensive homes continued to be foreclosed, with 17 being over \$1 million in August. Since most loan modification programs are designed for homes under \$400,000, the increase in foreclosure activity for the upper-end market was expected.

The other reason is that, for the last year, approximately 50 percent of the traditional sales were foreclosed homes that were sold again with a median price markdown of 19 percent. The markdown varied throughout the Valley, ranging from 36 percent in south Phoenix to 30 percent in Buckeye to 11 percent in Gilbert.

Since the greater Phoenix area is so large, the median price can range significantly. For August 2009 in north Scottsdale, the median price for a foreclosed property was \$423,300 (\$400,495 in July), while the traditional market was \$465,000 (\$500,000 in July). In south Scottsdale, the splits were \$179,020 (\$219,655 in July) and \$211,000 (\$190,000 in July), respectively.

In Maryvale, traditional transactions were \$50,000 (\$50,000 in July) and foreclosures were \$62,390 (\$86,000 in July), while in Union Hills it was \$196,000 (\$205,000 in July) and \$167,655 (\$190,560 in July), respectively. For August 2009, Paradise Valley had a median square footage of 3,835 and a median price of \$1.25 million.

Within the 1,140 total recorded sales for August 2009, the townhouse/condominium market had 380 foreclosed properties. For a year ago, there were 815 total transactions, with 265 being foreclosures. In August 2009, the median price for foreclosed properties was \$100,820, while the traditional market stood at \$105,000. Last year, the splits were \$125,330 and \$157,000, respectively.

The median square footage for a single-family home recorded sold as foreclosed in August was 1,705 square feet (1,640 for a year ago), while it was 1,790 square feet (1,825 for a year ago) for a market transaction home. In the townhouse/condominium sector, the median square footage for a foreclosed unit was 1,050 square feet (1,090 for a year ago), while the traditional market units was 1,145 square feet (1,155 for a year ago).

August 2008	SINGLE-FAMILY RESALE HOMES						August 2008	CONDOMINIUM/TOWNHOUSE RESALES					
	Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price		Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price
Selected Cities													
Phoenix	2,260	145,000	1,075	156,000	1,185	135,490	280	129,840	160	150,000	120	108,500	
Scottsdale	345	442,000	270	447,500	75	407,925	180	217,000	140	210,000	40	229,355	
Chandler	415	230,000	295	240,000	120	204,020	35	145,700	25	145,700	10	148,515	
Gilbert	470	228,000	295	232,900	175	213,635	15	162,750	5	209,750	10	135,000	
Mesa	680	169,860	400	183,000	280	155,000	110	115,370	75	120,000	35	113,350	
Tempe	110	212,500	85	230,000	25	172,975	55	160,000	45	160,000	10	134,065	
Avondale	275	158,300	120	157,000	155	159,815							
El Mirage	170	116,000	80	119,000	90	114,495							
Glendale	520	170,000	270	182,000	250	153,225	35	101,950	20	106,950	15	90,495	
Goodyear	215	181,735	125	179,500	90	187,705							
Peoria	350	205,000	215	210,000	135	197,460	10	175,000	10	175,000			
Sun City	65	157,000	50	145,000	15	188,490	35	108,000	30	115,000	5	91,915	
Sun City West	35	184,635	30	194,000	5	174,030	10	122,320	10	122,320			
Surprise	455	170,000	255	165,000	200	177,585							
County	7,505	178,000	4,210	193,550	3,295	161,875	815	146,820	550	157,000	265	125,330	

July 2009	SINGLE-FAMILY RESALE HOMES						July 2009	CONDOMINIUM/TOWNHOUSE RESALES					
	Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price		Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price
Selected Cities													
Phoenix	3,440	105,000	2,125	94,000	1,315	171,300	680	95,000	400	93,750	280	104,935	
Scottsdale	535	370,000	400	389,900	135	320,500	300	160,000	200	170,000	100	149,563	
Chandler	610	185,100	405	195,000	205	173,270	55	103,000	35	101,000	20	131,200	
Gilbert	645	199,000	440	19,900	205	198,000	25	135,000	15	125,000	10	141,700	
Mesa	1,135	130,000	730	127,000	405	136,000	120	75,335	70	69,785	50	77,825	
Tempe	190	200,000	135	208,700	55	185,685	70	121,400	55	119,930	15	135,000	
Avondale	410	109,600	245	110,000	165	106,950							
El Mirage	210	75,000	125	70,000	85	94,205							
Glendale	855	119,000	520	110,000	335	130,555	70	56,140	40	43,505	30	67,610	
Goodyear	360	145,290	210	130,000	150	163,620							
Peoria	515	165,000	330	161,750	185	171,300	35	84,140	25	69,500	15	108,485	
Sun City	80	135,000	55	135,000	25	148,630	45	83,000	35	81,250	10	94,950	
Sun City West	75	182,000	65	182,000	10	171,875	10	102,670	10	102,670			
Surprise	680	139,800	415	138,010	260	144,500	10	114,900	5	101,750	5	165,530	
County	11,500	140,000	7,300	135,500	4,200	148,045	1,475	107,535	920	106,500	555	109,545	

August 2009	SINGLE-FAMILY RESALE HOMES						August 2009	CONDOMINIUM/TOWNHOUSE RESALES					
	Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price		Total	Median Price	Traditional Sales	Median Price	Foreclose Sales	Median Price
Selected Cities													
Phoenix	2,675	90,000	1,720	85,000	955	97,570	455	85,000	265	80,000	190	94,040	
Scottsdale	470	394,510	335	410,000	135	347,285	230	158,500	165	160,000	65	150,000	
Chandler	460	198,000	325	197,500	135	198,450	40	95,295	30	88,500	10	119,000	
Gilbert	560	191,000	380	200,000	180	174,800	40	117,575	30	109,250	10	156,000	
Mesa	885	134,000	565	132,000	320	139,990	90	85,250	65	86,150	25	77,275	
Tempe	155	190,000	125	192,000	30	162,600	40	105,900	30	106,000	10	99,450	
Avondale	315	114,665	200	112,500	115	123,750							
El Mirage	155	73,250	105	75,000	50	70,000							
Glendale	650	117,475	420	120,000	230	110,500	60	52,000	30	37,500	30	65,000	
Goodyear	265	136,000	175	130,000	90	160,000							
Peoria	430	161,200	280	165,000	150	149,330	25	77,000	20	73,000	5	120,000	
Sun City	75	133,900	65	134,450	10	125,100	35	79,540	25	81,735	10	79,050	
Sun City West	55	170,000	50	170,000	5	203,270	15	113,000	15	113,000			
Surprise	510	131,000	330	132,500	180	127,500	10	88,650	5	103,500	5	37,275	
County	9,080	139,000	5,995	138,000	3,085	139,800	1,140	103,500	760	105,000	380	100,820	

