



Real Estate Reality...
Local Real Estate Market is in Transition

-Debbie Yost CLHMS, CRS, GRI, CPC

National economists and experts are predicting strong home sales in the summer and second half of 2008. The Casa Grande area is already experiencing a strong increase in home sales. The market is heating up due to a combination of factors including lower interest rates, lower home prices, pent up demand and revamped financing programs.

The nation's housing crisis resulted in a long overdue modernization of FHA and VA financing. These government backed financing programs were originally created to provide home loans for the average American. Due to outdated regulations and low loan limits, conventional and subprime loan programs became popular few years ago to provide financing for those who were no longer served by FHA and VA. The maximum loan limits for FHA have been raised to \$346,250 which will allow a maximum sales price of \$356,950 in Pinal and Maricopa Counties.

FHA loans may be combined with down payment assistance programs to reduce the currently required down payment from 3% to no down payment. FHA will also allow the down payment to be a gift to the buyer. Home sellers may pay up to 6% of the sales price toward the buyer's closing costs or up to 9% if combined with special down payment assistance programs. This may seem like a huge cost for sellers to assume in order to sell their property, but it may be less than the large price reductions necessary to sell in a market when financing is difficult or impossible to obtain. Further revisions will probably be in place by the time this article prints which will further refine FHA programs for home purchases and refinances. As I reviewed statistics in the Casa Grande area for financing over the past few years I noted that FHA and VA financing accounted for only 5% of the Casa Grande sales in 2006, 9% in 2007, and 26% in the first two months of 2008.

The ability to obtain affordable home loans has a huge impact on real estate cycles. National Association of Realtor's Chief Economist Lawrence Yun stated in his April 8th comments "Existing home sales could start to show a sustained increase within a few months, unless there are some additional economic problems or excessive inflationary pressure," he says. "We're looking for essentially stable sales in the near term, before higher mortgage loan limits translate into more sales in high-cost markets. The wider access to affordable credit should increase sales activity notably this summer as pent-up demand begins to be met." Keep in mind that economic reports are based on closed transactions with the actual purchasing occurring three or more months earlier. By the time we hear media reports verifying increased sales, the "bottom" of this market cycle will have already occurred.

Canadian residents have been home shopping here, as their dollar has increased in value to almost equal the US dollar. The Arizona Republic's April 9th front page article was titled "Canadian investors snapping up Valley homes" and quotes Canadian buyers and their Realtors. "There are definitely deals to be found in Phoenix," said Canadian investor Trevor Matheson, who plans to buy six homes in the area in the next year and hold onto the properties for at least three to five years. Last year, 752 Canadian buyers purchased Phoenix Valley homes, according to the real-estate data firm Information Market. That's almost double the number in 2006 and even in the boom years of 2004-05. Though Canadians account for only small part of the

Valley's total housing market, their interest is growing, and that's giving home sales a boost. Through mid-March of this year, 381 buyers from Canada invested in metro Phoenix homes." The article goes on to state that buyers who make "lowball" offers are often disappointed. "She said the couple had heard property was selling for 50 cents on the dollar in metro Phoenix. So no matter what, they weren't going to offer more than 50 percent of the asking price," she said, "and the bank turned the offer down. The buyers wound up getting back on a plane to Canada without having purchased anything. They could have had a great buy if they had just been realistic about the market."

The Arizona Republic article reflects the activity in Casa Grande. In our office, we've seen multiple offers on aggressively priced homes and in many cases the final sales price agreed upon is close to or even higher than the listed price, particularly on bank owned homes or those priced under \$200,000. In March, 47% of newly listed Casa Grande area homes sold compared to only 13% of those on the market more than 30 days. That's the highest percentage of new listings selling since April 2006. These numbers reflect closed transactions while the actual "purchase" occurred 45 to 60 days prior to the closing date.

Home buying is reflected in the number of new "pending sales" and the first 90 days of 2008 show a 71% increase in sales in the Casa Grande area. I reviewed monthly pending sales in the same Casa Grande area from 2003 through 2008. The highest number occurred in August of 2005 with 149 sales. The second highest number occurred in February and June of 2005 with 129 sales in each of those months.

Monthly Pending Sales for Casa Grande area as reported by ARMLS:					
3/2008	2/2008	1/2008	8/2005	6/2005	2/2005
140	110	82	149	129	129

The total listing inventory in the Casa Grande area is at its lowest number in almost two years. The number of new listings each month has continued to decline while the number of closed transactions is increasing. The number of closed sales in March of 2008 is the highest number in almost a year. With fewer new listings coming on the market and almost half of them selling in the first thirty days, a strong increase in the number of home purchases, a decrease in the number of available "spec" homes available from builders and an increase in the availability of affordable loan programs provide evidence of the Casa Grande real estate market in transition.

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