

Casa Grande Real Estate Reality

2006 Real Estate Market Forecast for the Casa Grande Valley

-Debbie Yost



Economic reports are always interesting because they report what has ALREADY happened. By the time they are released, the news is old because the market has changed again. In fact, sometimes I think these reports create market changes.

For example, last year the Arizona real estate market was on fire, fueled by low interest rates, relatively low prices in comparison to the rest of the country, and investors moving their money into our real estate market. While many of the experts were predicting rapid appreciation, few anticipated the 41% increase in the average sales price for the Pinal County and Maricopa County markets from January through October 2005. In fact, in the spring of last year I was cautioning that we would hit the top of this market cycle soon. By late summer most newspapers and media experts were cautioning that our real estate bubble would "burst."

Our local real estate market frenzy peaked in late August and early September of 2005. Sales activity slowed in October, and was quite a bit slower for the last quarter of 2005. It is typical for home sales to slow during the holidays. If you don't have to move during the holidays, why would you? The graph shown below provides a 24 month history of both active listings and sold listings for Casa Grande. While the number of active listings has increased, inventory levels are just beginning to reach those that were typical at the end of 2003, which was a "normal" market.

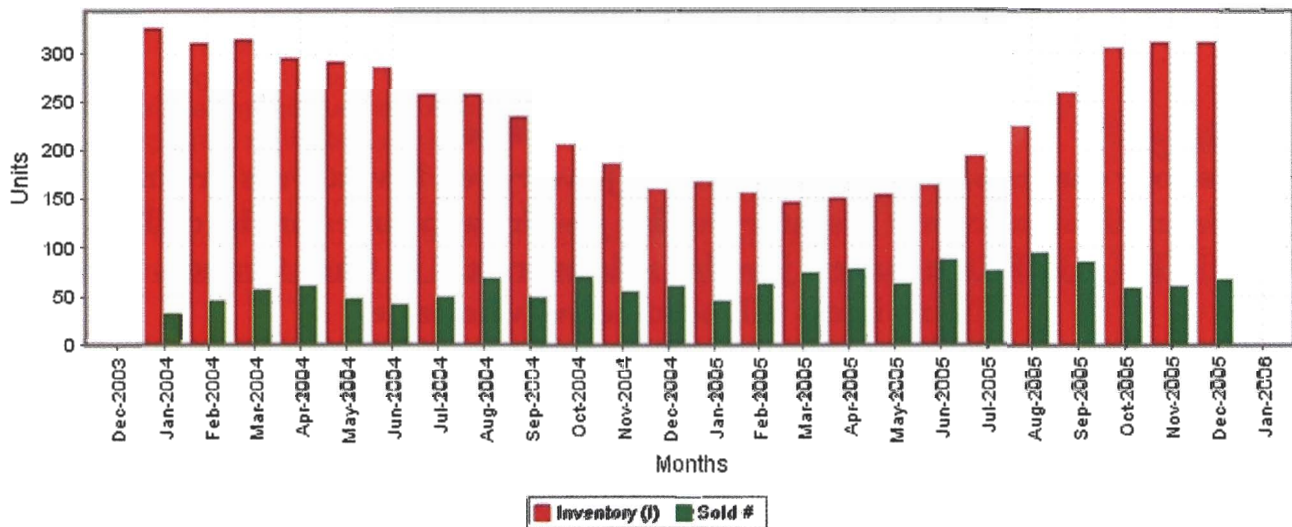
While it's doubtful that Maricopa and Pinal Counties will experience another year of 40+% appreciation, Lawrence Yun, Senior Research Forecaster for the National Association of Realtors is predicting a 17% gain in home prices in Pinal County for 2006 compared to a 4 to 7% estimate for the rest of the country. In an Associated Press report on Dec 1st in the Arizona Republic, the Office of Federal Housing Enterprise Oversight (OFHEO) reported the average U.S. home price jumped 12.02 percent in one year versus a 30% overall increase in the average Arizona home price. That was the largest one year rate increase of any state. The second highest state gain was Florida with an increase of 25%, while Nevada dropped to a 17.6% gain.

Economic reports from the first week of 2006 indicate that consumer confidence is continuing to improve. The Index rose to 103.6 in December, which was the highest reading since August, when our local real estate market was peaking! Interest rates at the time of this article being written have actually declined a bit from December rates.

So what does all of this mean? I believe 2005 was a record year for housing appreciation across the country and particularly in this area. People are still moving to Arizona in record numbers, and that doesn't appear to be stopping anytime soon. The demographer Harry S. Dent, Jr. predicted massive inward migration to sun belt states by baby boomers who would inherit their parents' hefty savings and spend it on vacation and retirement homes. He predicted that these active boomers would seek small towns outside of major metropolitan areas with good freeway access, access to good medical care and warm climates. That certainly describes the Casa Grande Valley.

Interest rates are still very low. For the first time in several months there is enough inventory for homebuyers to have a selection to choose from. Last summer many buyers were disillusioned by the limited selection of homes, the bidding wars that required them to pay prices that exceeded appraisal values, and sellers' refusals to make reasonable repairs. When you evaluate all these factors, it's an excellent time to buy a home here. If you are selling, you've experienced

Active Listings vs. Sold Listings - Units



Looking at just the last 18 to 24 months sales activity may give some the incorrect impression that home prices will decline here. In my 27 years in the local real estate market, I've seen a slight decrease in home prices only once and unless we experience a disastrous economic event I doubt we'll see any decline in prices now either. In fact, I believe our local market appreciation just experienced a normal cycle, caused by the normal holiday season, an increase in interest rates, and mass media predictions of a bubble bursting.

a hefty increase in value. If you are buying, you can look forward to an estimated 17% appreciation in 2006. Combined with the tax advantages of owning real estate, I can't imagine a better investment!

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