

## **Casa Grande Home Listing Prices Average 39% Increase In the Past Year!**

In the April issue of this magazine I wrote about increasing property values and discussed market trends. In that article I compared the Las Vegas market to our local market, including the Phoenix market.

I'm smiling as I read that April article today and reflect upon what's happened in just the past few months. In the March 6<sup>th</sup> Arizona Republic, University of Arizona economist Marshall Vest quoted appreciation rates for the previous year of 41.7% in Las Vegas, 30.4% in San Diego, and just 14.2% in Tucson and 13.2% in Phoenix. I'm writing this article today, July 14<sup>th</sup>, just three months later. This morning, the Arizona Republic reported an appreciation rate of 43% in the past year for existing homes in Phoenix. It seems as though Phoenix has surpassed the Las Vegas appreciation rate for last year! (Just as a reminder, the Las Vegas market bubble did burst last year, and home values did decrease, temporarily. Las Vegas Realtors report that prices have stabilized and are climbing once again, although not at the same appreciation rate.)

If you've owned real estate in Casa Grande in the past year, then I offer you my congratulations. Your property has increased in value handsomely. Will the appreciation continue? Probably, but I'm not going to even try to predict the appreciation rate. Here are some facts supplied by the Arizona Regional Multiple Listing Service, which reports sales of homes listed and/or sold by Realtors. In May of 2004 there were 410 homes on the market for sale in Casa Grande (these numbers exclude most of the new homes by production builders.) The average price of those 410 homes was \$115,900 and the average time on the market was 92 days. Just one year later (May 2005) there were just 149 homes on the market for sale, with an average sales price of \$161,000 and an average market time of just 36 days. That calculates to an increase of 39% in the average list price of a home in Casa Grande in just one year. And the number of properties sold year to date has increased since a year ago, by 41%!

So the questions seem even more appropriate today than just a few months ago. "Are we in a real estate bubble or not? And if we are not in a bubble, how much longer will this appreciation continue?" In the past few weeks I've seen several articles written by experts addressing the high appreciation we are experiencing in Arizona. Two of those experts postulated that we are in a real estate "bubble" which will burst (meaning property values will drop) and two experts provided reasons why the Arizona market may be immune to the "bubble" bursting. The big question being debated is whether Arizona's lower overall prices when compared to other communities across the nation are low enough that even though we may reach the top of this cycle, real estate values will continue to rise rather than fall. Experts argue that because of the continued increase in population, even with higher interest rates, there will still be enough demand that appreciation will continue, just at a slower rate than we've experienced in the past year.

While I generally believe that even though we may soon be approaching the peak of this market, and appreciation rates may slow, I agree that there may be enough inward migration of young families as well as baby boomers looking for second homes or retirement homes for values to continue to climb at a healthy rate, if not at the dramatic rates we've experienced during the past year. With over 9000 people moving into Maricopa County per month alone there is reason to believe that this market still has more room to grow! We just spent the weekend in the White Mountains and in my discussions with Realtors there, and looking at property values in that area, the increasing appreciation trend has definitely spread to that market as well.

However, having acknowledged that Arizona may continue to break records for sustained property appreciation and transaction activity, I believe there may be another threat to continued property appreciation at these incredible rates. I believe greed is a factor that economists possibly haven't considered when they look at statistics. What do I mean by greed having a negative impact?

Buyers outbid each other and are often willing to pay more than the appraised value because of the limited supply of available properties. At face value, none of this is "bad." It's truly a market system that is functioning based on the laws of supply and demand. But at some point, buyers will say "Enough." When the people who work in a community can't afford to live there because the housing costs are too high, demand will drop and the supply of available homes for sale will increase. That will be the top of this market cycle.

Remember the stock market in the '90s? Everybody and his brother heard of the huge fortunes being made in the stock market. Discount or limited service brokerage firms offered the opportunity to buy or sell stocks on line for one low fee, and that encouraged the individual investor to begin trading on their own, without the benefit of advice from brokers. Stocks continued to trade upward and prices exceeded their true value. Fortunes were made and lost when that bubble burst. Unfortunately, the individual, uninformed investors who were trading on their own without true knowledge of market values were the ones who lost their savings. The informed, knowledgeable investors and the large corporations were the ones who exited from the market before it hit its peak and they pocketed large profits as a result of knowing when to buy and when to sell.

Are there some lessons to be learned from the Las Vegas markets and the stock markets in the '90's that we should be applying here? Perhaps. Only time will tell.

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