

# Phoenix home sales show promising trends

## Long-term buyers return

**Catherine Reagor** – May 22, 2010

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April figures for existing-home sales in metro Phoenix reveal several promising shifts for those searching for signs of a housing-market recovery.

The overall number of home sales in the region continued to hover near record levels last month.

Beneath the sales figures were other encouraging numbers:

- Foreclosures did not dominate sales of existing homes in the Valley for the first time in more than a year.
- The number of investors purchasing homes from lenders dropped.
- More buyers purchased homes with the intent of living in them.
- More buyers financed their purchases with long-term mortgages.

April sales included the last wave of first-time buyers who rushed to buy before a federal tax credit expired. Many did not want to purchase foreclosure homes.

More than 1.8 million people nationally, most of them first-time buyers, used the tax credit to purchase homes, according to early government- and housing-industry estimates. The figures haven't been broken down by state yet, but Phoenix-area real-estate agents have seen a significant increase in first-time buyers.

The return of average buyers to the market suggests more people are buying for the long haul rather than for a quick resale. The shift away from foreclosures also means more Valley homeowners were able to sell their houses last month.

"It appears foreclosures may have finally made their downward turn," said Tom Ruff, analyst for real-estate-research firm Information Market. "The number of home sales might drop now, but prices could go up."

The uptick in first-time buyers may be temporary. But the shift from a market dominated by foreclosures and speculative buying may be more lasting.

Foreclosures and pre-foreclosures in the Valley also fell in April. So far in May, the number of bank-owned home sales is down compared with April.

Ruff calculated April's buyers and sellers through an analysis of property records. Bank-owned foreclosure homes accounted for about 33 percent of all Valley home sales last month. Foreclosures accounted for more than 50 percent of Phoenix-area home sales during 2009.

These new trends could mean there are more long-term buyers vs. short-term speculators buying homes in the Valley now, which could lead to home-price increases in the future.

Here's the breakdown of metro Phoenix's 8,955 home sales in April:

- Only 650 were new-home sales, and the median price of those houses was \$213,483.
- Regular sales of existing homes totaled 5,287. The median price of these houses purchased from homeowners was \$150,000.
- The remaining 3,018 home sales from the tally were bank-owned foreclosures, which had an overall median price of \$106,000.
- The overall median price for all homes sales was \$135,000.

- About 34 percent of all homebuyers paid cash.
- About 15 percent of all homes were purchased by investors who signed real-estate documents saying they intended to rent the property to tenants. A year ago, 20 percent of all Valley homebuyers recorded as investors. The rate was 19 percent in January of this year.
- Nearly half of the 5,953 homebuyers who financed their purchase through mortgages used Federal Housing Administration loans, which are primarily obtained by first-time buyers.

## **Tax Credit**

The federal tax credit expired April 30, so most last-minute sales for people trying to beat the deadline closed last month.

First-time homebuyers were eligible for an \$8,000 credit, and existing-home owners were eligible for a \$6,500 credit. Buyers had to have signed contracts by the deadline to receive the credit but have until June 30 to finalize their purchases. Those lagging home sales will show up in Valley figures for May and June.

Real-estate agents say it appears that in Phoenix, first-time buyers were the biggest group to tap the tax credit because they didn't need to sell a home to buy another. But a drop in foreclosures means regular homes will be drawing more attention from buyers. More demand for non-foreclosure homes will drive up values.

## **Investors**

Investor purchases are dropping along with the number of inexpensive foreclosure homes for sale. Among those investors still buying homes, some have shifted to short sales, which are recorded as regular sales and fetch higher prices than foreclosure homes, real-estate agents say.

The number of actual investors in the Valley is always higher than the number tallied on real-estate documents. Some investors fail to disclose the home is not their primary residence.

During the height of the Valley foreclosure-sales boom in April 2009, more than 60 percent of all home purchases were made by investors, according to realty industry estimates. Then, there were 8,156 home sales in the region, and the overall median price was \$126,000.

Vicki Cox Golder, president of the National Association of Realtors, said there has been a change in housing-market psychology. "Buyer confidence is back, and homebuyers have long-term views," said Golder, a Tucson real-estate agent. "The typical buyer plans to stay in their home for 10 years, so we've put the flipping mentality behind us."