

E.V. housing market shows signs of recovery

August 7, 2009 - Edward Gately, Tribune

A community in northeast Mesa that promises 2009 features and designs at 2002 prices provides ample evidence that the region's new-home market has turned a corner.

Mountain Bridge, three miles from Usey Mountain Regional Park, is selling three to eight new homes each week and has more than 50 homes under construction. The master-planned community of 1,200 houses is being developed by Blandford Homes, which also has numerous homes under construction at its Tuscany Villas at Painted Mountain community in northeast Mesa.



Workers build new homes at the Mountain Bridge community in Mesa. - Thomas Boggan, Tribune

"Even with the heat out here, nothing is stopping the people from coming in and buying," said Eric Williams, a sales agent at Mountain Bridge. "We're seeing first-time homebuyers and a lot of people still relocating to the Valley. A lot of people are still finding Arizona a real value to buy from where they currently live."

Many of the buyers at Mountain Bridge became frustrated with trying to buy existing homes either in foreclosure or through short-sales, he said.

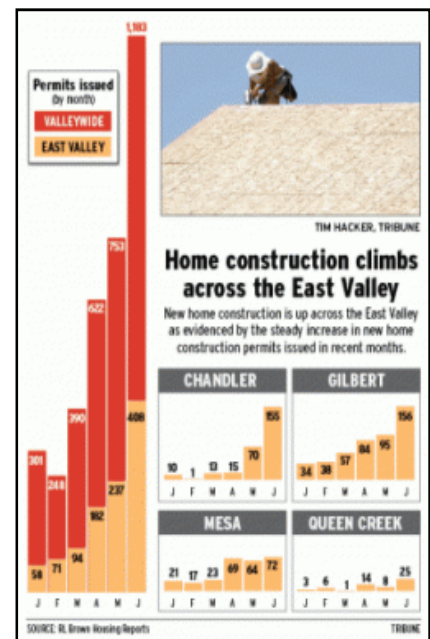
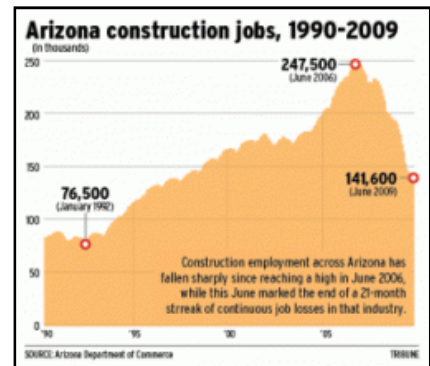
"We've got a lot of activity, a lot of growth out here," Williams said.

Mesa has seen an increase in new-home construction permit activity since falling below 20 in February. In June, the latest numbers available, permits totaled 72. The number of permits is viewed as a good measure of upcoming home construction activity.

While not yet back to normal levels, homebuilders are reporting steady progress in terms of sales and construction of new homes. Builders that were able to adapt and adjust to the downturn in the market are now reaping the benefits, said Greg Burger, co-principal of RL Brown Housing Reports, a Valley real estate research firm.

"Those builders who have reinvented themselves with new product, new amenities and new price points are doing very well, selling 25 homes a week in some cases," he said. "There's real traffic at the subdivisions, and so those handful of builders who have made those changes, they're seeing good results."

The East Valley is leading the way in the recovery of the new-home market, Burger said.



"We believe the low point is behind us," he said. "And when I talked to some builders, they say even if it's 115 out, they're still getting bodies through the door. Barring some global event outside of our sphere here, the Phoenix housing market is on the road to recovery."

Back to work

In June, new-home construction permits reached 1,183 across the Valley, the highest total in the last six months, according to the latest Phoenix Housing Market Letter. In the East Valley, permits totalled 408 in June, up from 58 in January.

"If we think in terms of permits ... that's going to bring additional jobs, or demand for those subcontractors," Burger said.

The uptick in construction ended a 21-month streak of construction job losses, according to the Arizona Department of Commerce. The state added 2,400 construction jobs in June, including 2,000 specialty trade jobs.

"If you look at over-the-year employment, the construction industry is still down 26.3 percent, and it's still too early to tell whether that slight increase indicates the start of recovery in the industry or is just a reflection of a single month's activity," said David Drennon, the department's director of community and public affairs.

Each new home under construction puts a lot of people back to work, said Dennis Webb, vice president of operations at Tempe-based Fulton Homes. The builder has hundreds of new homes under construction in the East Valley.

"There are 36 different trades that go in and out of the house, and a trade typically will have two or three people," he said. "A framing crew will have more. Generally, there's about 100 people involved per house. It's quite labor-intensive, because everything's assembled right on the site."

Construction trades include brick masons, concrete finishers and segment pavers, drywall and ceiling tile installers, electricians, painters, plasterers and stucco workers, carpet, floor and tile installers, plumbers and others.

"The house is really one of the last things in the country that's made by hand," Webb said.

At least some builders have begun hiring after shedding workers when the market went south. In the past month, Shea Homes has been hiring back workers it previously laid off, said Ken Peterson, the company's vice president. The homebuilder has about 220 homes under construction, with 70 percent of them in the East Valley.

"We've had to take some significant losses, like many businesses out there, so we have downsized as a company," he said. "Certainly we're much smaller, but we're very streamlined now and we're very excited about what's happening."

Busy time

Tom Davis, division president of D.R. Horton, said now is the busiest his company has been in the last 12 months. The company recently opened a new community in Queen Creek called Skylight Ranch and already has sold 30 homes there.

"I think from the new-home standpoint, we've hit the bottom," he said. "We just can't go any lower on our prices, and that's why I continue to say it's a good time to be out there buying."

Pierrette Tierney, Taylor Morrison's vice president of sales and marketing, said generating revenue is tough with the continuing downward pressure on pricing from foreclosures. The builder has about 30 homes under construction in the East Valley.

In some of Taylor Morrison's communities, the gap between the cost to build a home and the asking price for that home is very narrow, she said.

"That's where the struggle lies for us and everybody else as well," Tierney said.

Fulton Homes, which filed for Chapter 11 bankruptcy protection in late January, has succeeded in the still-struggling market by lowering prices to compete with foreclosure homes, building slightly smaller and more efficient houses and incorporating technology to do more with less workers, Webb said.

"Our sales have been very consistent over these last 18 weeks," he said. "We're selling about 22 houses a week so, it's been really consistent. That way we can even out our construction and start houses on a regular basis."

Shea Homes has been hurt by the drastic downturn in home and land values, but Peterson said his company is "committed to the Phoenix marketplace, especially the south East Valley ... and we're going to get through this thing."

"We are constantly looking at land and the acquisition of land, but to date we haven't acquired anything," he said. "We're basically moving through the land that we've already owned here for a number of years. And like many homebuyers out there, we paid higher prices for that land, and that certainly impacts our ability to sell it."

<http://www.eastvalleytribune.com/story/142721>