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Commercial growth follows residential - Growth in Pinal County

By LARRY LOCKHART, News Editor, Casa Grande Dispatch August 27, 2007

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Home construction is on a slower pace

The current real estate market seems sluggish at first glance, but there's more to consider than the slowdown in single-family home sales. Commercial and industrial growth is still strong in Casa Grande, and the pace of new home construction is strong, if not at the record levels of a year or two ago.

New homes still are being built, though not at the same pace as a year or two ago. Permits for new homes fluctuate considerably from month to month, but the overall trend is a slowdown that began late last year. Casa Grande had issued 761 permits for new homes during the first seven months of 2007, according to information posted on the city's Web site. That figures to an average of less than 109 per month, compared to 155 per month in 2006 and 142 per month in 2005.

That could be misleading, though, because the first half of last year was the height of the new-home-building boom in Casa Grande. Of the 1,867 permits issued by the city in 2006, 1,243 of them were issued in the first six months. Only 624 were issued in the last six months, and 188 of those were in August. The per-month averages last year were 104 for the final six months, compared to 207 in the first six months.

In the first seven months of 2007, the highest single-month total was 137 permits in June. Only 90 were issued in July.

"I think we're going to see another wave of activity," says Rick Miller, director of planning and development for the city of Casa Grande. "Once (builders') inventory goes down and spec homes are gone, there's going to be more activity.

"(The boom of 2005 and early 2006) was almost like the perfect storm. It was bound to slow down. One good thing is that during this lull in housing, we've seen a lot of commercial and industrial development.

"That pace (for new home construction in Casa Grande) is very manageable. We've been able to focus on long-range planning to make sure the infrastructure needs are met."

That's new homes in a nutshell. If you intend to sell an existing home, even if it's the almost-new one you bought just a year or two ago, you'll need patience. Lots of patience. And don't even dream of selling it for the price it would have fetched a couple of years ago - even if you paid that price for it yourself.

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While the number of homes sold in Casa Grande seems to be holding nearly steady, according to statistics obtained from Melissa Data, the average purchase price has slipped.

Casa Grande had 141 home sales in July 2007, at an average price of about \$207,000. While the number of sales is the most in one month since 180 homes were sold in October 2006, the average purchase price was lower than all but one month since February 2006. The average purchase price in Casa Grande peaked at \$241,000 in September 2006, and was at least \$225,000 every month from June through November that year.

The trend is the same in other cities in western Pinal County, according to Melissa Data statistics, and is more pronounced in several neighboring cities.

Maricopa has seen the biggest drop-off, recording just 208 sales in July at an average price of under \$230,000. That's the lowest for any month in the new city in the last two years. Early 2006 saw two months with sales of more than 500 homes, and the average purchase price during a month was as high as \$281,000 in May 2006. The average price hasn't been below \$225,000 since July 2005.

Coolidge recorded 19 homes sold this July at an average price of \$143,000. The city had 12 sales in June, but at an average price of \$187,000. The monthly sales were easily the lowest totals in the last two years. The \$149,000 average price in July was the lowest monthly average since \$148,000 in December 2005.

Prices in Florence have held steady, and sales have remained strong. The town had 73 sales in July at an average price of \$208,000. Both are above the averages for the past two years.

The numbers provided by the Morrison Institute for Public Policy at Arizona State University are mixed. Those figures for the first quarter of 2007, the most recent available, show a gain over the first quarter of 2006 for Casa Grande (425 new homes sold this year compared to 305 last year), but a decline in the median price from \$236,870 last year to \$220,330 this year.

For Maricopa, new home sales slumped from 1,310 in last year's first quarter (\$252,565 median price) to 655 this year (\$227,000). Sales have spiked in Eloy as development picked up in Robson Ranch (from 25 sales in the first quarter of 2006 with a median price of \$198,450 to 75 sales this year at a median price of \$365,735), and in Florence (from 70 last year at a median of \$209,900 to 220 this year, but with a median of \$198,000). Coolidge also had a slight jump in new homes sold but a dip in price, from 155 last year (median price \$181,850) to 155 this year (\$169,175).

Figures from the Western Pinal Association of Realtors, which includes home resales in most of western Pinal County, show a similar trend. The most disturbing numbers, especially for anyone thinking of selling a home, are those for average time on the market.

The quickest sales of existing homes, on average, were in 2005 as prices were climbing rapidly. The average time on market for existing homes that sold in western Pinal County that year was 38.87 days. Those numbers were relatively low in 2004 (79.04 days) and 2006 (63.42 days) as well.

But for June 2007, the average time on market was 111.38 days on the 68 homes that sold. Worse yet, 848 residences were listed that month, meaning that sales amounted to just 8 percent of the number of homes listed for sale.

Also discouraging is the fact that the average sales price on the homes that sold this June was \$168,300, but the average price of the homes listed was \$217,500. The average sales price was \$169,200 for all of 2006, the



culmination of a spike in prices for existing homes. The average selling price was \$150,100 in 2005 and \$112,200 in 2004.

Still, Miller sees encouraging signs in the nonhousing development that continues at a healthy level in Casa Grande. He points to The Promenade at Casa Grande, where the first phase of the shopping center is nearing completion at the northeast corner of Florence Boulevard and Interstate 10. He points to the Fry's Marketplace on the northeast corner of McCartney Road and Pinal Avenue, where ground has been broken on the grocery store and other retail facilities. He points to plans being advance for The Shops at TC Village, an upscale shopping area at the northeast corner of Cottonwood Lane and Trezell Road.

And while single-family home sales have slowed, both for new and existing homes, Miller points out that two major apartment complexes are under construction in the city.

"There's a lot of interest in additional industrial," Miller says. The city currently is in discussions on two large warehouses that could be added to the complex near Sunland Gin Road and Jimmie Kerr Boulevard. Daisy Brand Foods is putting up steel for a facility north of the Wal-Mart Distribution Center on the city's southwest side. Artistic Pavers is expanding at Main Street and VIP Boulevard. Aco Polymer Products is nearing completion of a facility at the Casa Grande Municipal Airport on the city's north side. Diamond Plastics is nearing completion of a facility north of the old Chickasha cotton oil mill. And the city is working with Pepsi to bring a warehouse and distribution center to a location near Schultz and Ash streets, near the Wal-Mart Distribution Center.

Miller says the city is in discussions with a large bakery for a site in the industrial park on the west side, and that a number of businesses have expressed interest in the Thornton Road corridor between Interstate 8 and Gila Bend Highway.

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