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## Housing permits up 26% in Feb.

**Glen Creno**

The Arizona Republic

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Permits for new-home construction are on the rise in Maricopa and Pinal counties, jumping 26 percent in February compared with the previous month and building on two straight months of gains.

Builders pulled 3,630 permits for new construction last month, according to analyst RL Brown, publisher of the *Phoenix Housing Market Letter*.

The total is still below what it was the same time last year, when the Valley was beginning to wind down from a housing boom in which record demand distorted yearly comparisons. And Brown cautioned that 18 percent of the February permit total was for condos. That means the crucial single-family-home market still has some work to do in its recovery.

Yet the increases could indicate that builders are finally making a dent in excess inventory and are looking to start new construction, Brown said. Excess inventory, both new and resale, has been one of the drags on the local housing market, and analysts have said clearing it is key to any correction.

"Inventory is not stagnant," Brown said. "Permits have been down for so long. Obviously we are selling inventory."

The skyrocketing prices of the housing boom scared away buyers and many walked away from contracts, leaving some builders with cancellation rates of 30 to 40 percent. Builders were faced with getting rid of those speculative, or "spec," homes. Brown said the spec inventory is falling as more builders buckle down.

It's unclear exactly how many spec homes are on the market. Some analysts say the number could be more than 10,000.

Doug Fulton of Fulton Homes said his company will pull more than 50 permits to get started on a new community in Gilbert. Otherwise, he said, Fulton will be mainly selling down a spec inventory of about 280 houses.

Fulton hopes the surge in permits isn't just big public home builders cranking up

local production so they can book 2007 sales. Builders would need to pull the permits now to have the houses built in time to sell before this financial year ends.

"I would like to see permits go down," he said. "What are you doing? You are just generating more inventory. . . . I don't like to see permit increases any more than I like to see additional homes listed on the MLS (multiple listing service). It's a supply-and-demand issue."

Brown's report also noted that the number of closed sales was the lowest since May 2003. He said most new houses being sold in the Phoenix area these days are spec homes. Falling sales could mean either reduced demand or that a lot of the spec inventory has been sold.

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