

In Chandler, downtown living is rising

by **Luci Scott** - Feb. 28, 2010 -- The Arizona Republic

Desert Viking, the developer of a big townhouse project in downtown Chandler, has resumed construction after receiving a \$10.2 million loan from Wells Fargo.

Work stopped last summer.

Single-family homes are being built and sold in Fulton Ranch and a project to the east, Geneva Estates. Model homes are expected to appear soon in Sun Groves.

Chandler is seeing an uptick in home-building activity, more than in some other areas, giving rise to the idea that Chandler may climb out of the recession sooner than other parts of metro Phoenix.

Construction has begun for the 42 townhouses in Phase 2 of the Villas at San Marcos Commons. Phase 1 has 37 townhouses and all but three are sold.

The project is one of only a few attached communities where construction is starting, said Jim Belfiore, an Ahwatukee-based real-estate consultant.

The townhouse market is a problem because the builder has to start several units; he can't build only one unit at a time as he could a single-family home.

"Construction is much more complex, and it takes a longer time to deliver units," Belfiore said.

Construction on single-family homes has resumed around the Valley but not on townhouses and condos, he said.

The Villas at San Marcos Commons in Chandler is an area of few foreclosures and no new-home competition.

"The builder is still able to sell a home at a price that justifies building those homes," he said.

Wells Fargo is among the few banks even considering residential construction financing, he said.

For his part, Desert Viking's Niels Kreipke said, "We already had a strong relationship with Wells Fargo. . . . Lending is still very, very tough out there."

Wells Fargo says it never stopped lending.

"We are out knocking on doors to find opportunities where we can make loans to creditworthy businesses," said Dean Rennell, regional president for Wells Fargo Arizona Business Banking.

Wells Fargo's lending standards are the same as in 2007, in terms of requirements for profitability, he said, but the company has made adjustments to manage risk.

"For example, we are asking for more substantiation of certain information and taking a closer look at the company's projected performance," Rennell said.

In the Villas at San Marcos Commons, prices have dropped from the initial offering. Units in Phase 2 start at \$199,000 for a two-bedroom home of 1,375 square feet.

A three-bedroom home of 2,050 starts in the mid-\$200s.

Eight units in Phase 2 have been sold and first occupancy is expected within five months, Kreipke said. Only three homes are left to sell in Phase 1.

Elsewhere in Chandler, construction and sales of single-family homes are doing better than in some other cities.

Construction is due to begin within a couple of months on model homes at Sun Groves at Lindsay and Riggs roads, where Gilbert-based Blandford Homes bought 43 lots from Wachovia, said broker and manager Mark Ramundo.

Dennis Webb, vice president of operations at Tempe-based Fulton Homes, said sales have been steady in master-planned Fulton Ranch, a 520-acre project with 28 acres of water features, parks, three retail centers and 600 home sites.

Prices in the five communities within the project range from the \$260,000s past the \$540,000s, in addition to custom sites.

Fulton Ranch is bounded by Ocotillo on the north, Chandler Heights on the south, Alma School on the west and Arizona Avenue on the east.

"We took kind of a hit in 2007 and '08, and it picked up in 2009," Webb said. He expects Fulton Ranch to sell out in three years.

Another Fulton project is Geneva Estates, about 250 home sites east of Fulton Ranch on Ocotillo between McQueen and Cooper roads.

About 150 homes have been sold there, and Webb said he expects the project will be sold out in a year and a half.

"Chandler is actually selling better than other cities right now," he said.

He credited that to amenities at Fulton Ranch, the fact that it's a master plan, that people want to be closer in and Fulton Homes' design center near its Tempe headquarters, where buyers design their home with thousands of options.

Fulton, which filed for bankruptcy protection some time ago, is accepting 3 percent down from homebuyers.

Belfiore keeps tabs on active subdivisions. He didn't have numbers specifically for Chandler, but in metro Phoenix, the number of active subdivisions at the beginning of 2006 was 1,250. At the end of 2009, it was 414.

"The subdivision inventory is decreasing rapidly," Belfiore said.

He forecasts that 38 percent of subdivisions that were active on Jan. 1 will be sold out by the end of this year.

<http://www.azcentral.com/business/realestate/articles/2010/02/28/20100228biz-cr-housing0228.html>