



*Arnie Porter*  
[arnie@arizonaforcanadians.com](mailto:arnie@arizonaforcanadians.com)  
1-877-294-2367 (AZ4-CDNS)

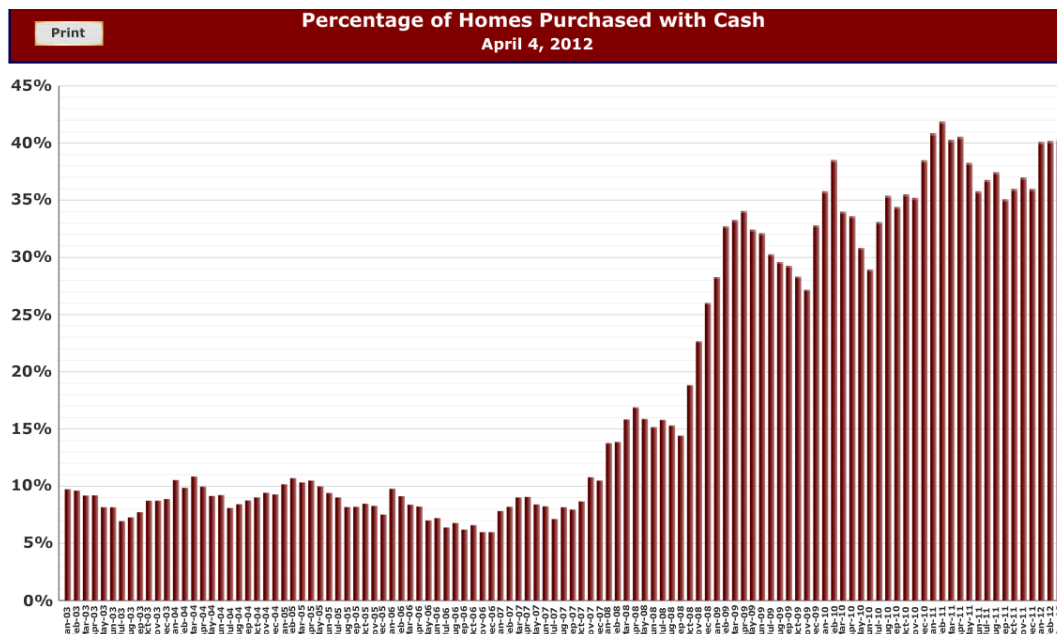
**The Realtors Canadians Trust**  
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# Volume III Edition III

Spring Market Update  
Price changes by City

## Market Summary for the Beginning of April

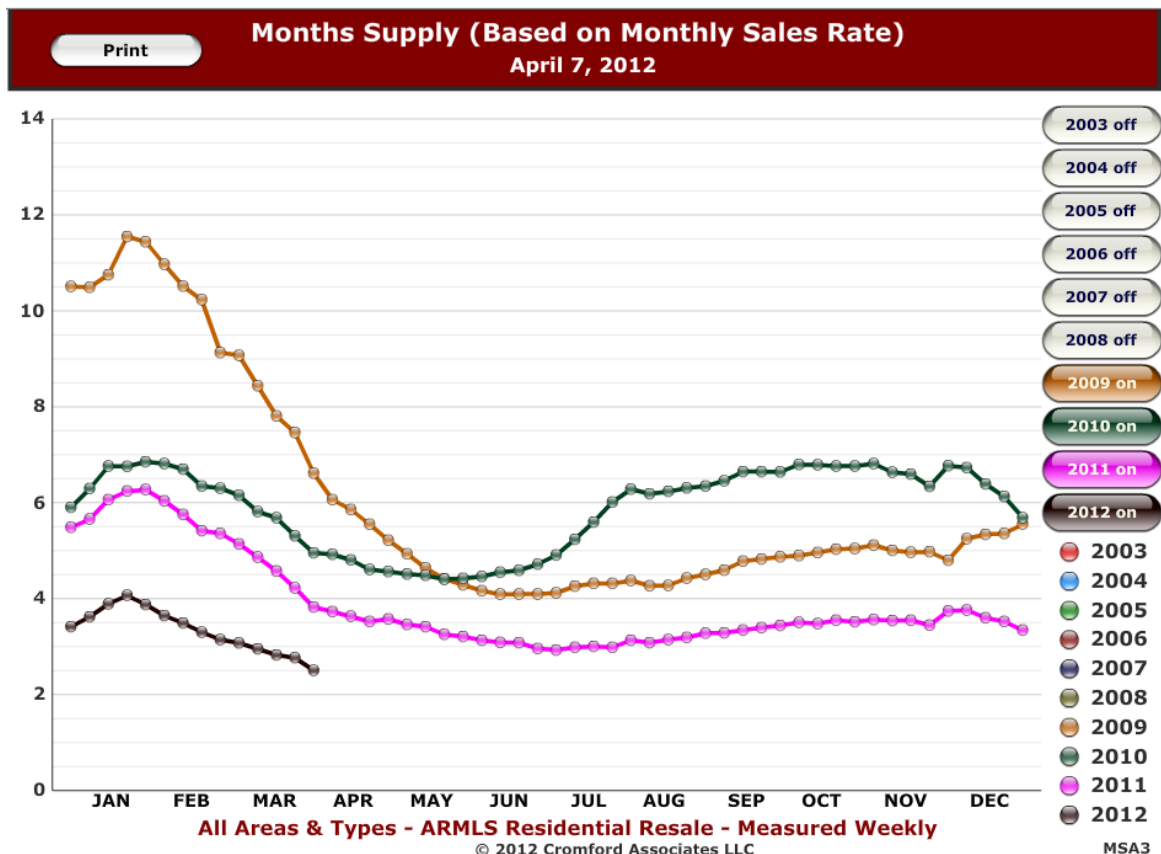
In 2011 we experienced a relatively stable and predictable market with very little price movement. In 2012 we have a market in which dramatic change is not only to be expected, but is already happening. Prices have moved in the single month of March 2012 more than they did in the whole of 2011. In these circumstances it is very difficult to appraise homes accurately, and in many cases appraisals are coming well below current market pricing. Normally this would act as a brake on price movement, but as so much of our market is cash-based, with the buyer waiving the appraisal contingency, the braking effect is less than normal.



Let us look at some basic numbers for March 2012 relative to March 2011. So for all areas & types we record the following:

- Active Listings (excluding AWC): 14,175 versus 30,230 last year - down 53%
- Active Listings (including AWC): 21,841 versus 37,246 last year - down 41%
- Pending Listings: 11,964 versus 12,923 - down 7.4%
- Monthly Sales: 8,782 versus 9,952 - down 11.8%
- Monthly Average Sales Price per Sq. Ft.: \$93.06 versus \$82.13 - up 13.3%
- Monthly Median Sales Price: \$129,900 versus \$110,000 - up 18.1%

So we can conclude that supply is down dramatically year over year, while pricing is clearly well up over last year at this time. It is no longer possible to measure demand freely since it is now heavily constrained by the lack of supply. Sales volumes are nearly 12% down on last year, so this suggests at first sight that demand has fallen. However we know that sales numbers would be much higher if more homes were available. That is why multiple bids have become the norm for most properties under \$450,000 and this supply shortage means the upward pricing pressure is continuing.



We have a confirmed market price bottom during the third quarter of 2011 and we are now a comfortable 18% above that low point when measured by average \$/SF, and 21% above when measured by monthly median sales price. The average \$/SF for pending listings on Apr 1 is \$91.68. The improvement in pricing is due to two separate factors:

- 1.Prices are increasing when comparing like with like properties
- 2.The sales mix is changing in favor of higher priced normal sales and flips and against distressed sales (especially lender-owned homes).

With annual appreciation now in highly positive territory we repeat our analysis of which cities are looking strongest from that perspective. Here's a ranking table which shows the change in monthly average sales \$/SF between March 2011 and March 2012 for single family detached homes:

- |   |                                |
|---|--------------------------------|
| 1.Coolidge - up 33.5%                     | 20.Surprise - up 8.0%          |
| 2.El Mirage - up 23.5%                    | 21.Gilbert - up 7.5%           |
| 3.Maricopa - up 22.8%                     | 22.Wittmann - up 5.7%          |
| 4.Florence - up 20.7%                     | 23.Scottsdale - up 4.9%        |
| 5.Buckeye - up 20.6%                      | 24.Youngtown - up 4.9%         |
| 6.Queen Creek / San Tan Valley - up 19.2% | 25.Anthem - up 4.7%            |
| 7.Eloy - up 16.8%                         | 26.Litchfield Park - up 4.0%   |
| 8.Casa Grande - up 15.5%                  | 27.Arizona City - up 2.5%      |
| 9.Waddell - up 14.7%                      | 28.Goodyear - up 1.4%          |
| 10.Tolleson - up 13.8%                    | 29.Fountain Hills - up 1.2%    |
| 11.Phoenix - up 13.8%                     | 30.Sun City - up 1.2%          |
| 12.Avondale - up 12.7%                    | 31.Tempe - up 0.8%             |
| 13.Apache Junction - up 12.4%             | 32.New River - down 0.7%       |
| 14.Chandler - up 11.9%                    | 33.Paradise Valley - down 6.3% |
| 15.Mesa - up 11.6%                        | 34.Rio Verde - down 6.9%       |
| 16.Cave Creek - up 11.2%                  | 35.Carefree - down 8.4%        |
| 17.Peoria - up 10.7%                      | 36.Sun Lakes - down 8.4%       |
| 18.Glendale - up 10.0%                    | 37.Sun City West - down 11.9%  |
| 19.Laveen - up 9.0%                       | 38.Wickenburg - down 12.5%     |

It is surely encouraging that we have 18 cities showing double digit appreciation rates, including the giant cities of Phoenix and Mesa. Scottsdale is now well into positive territory but is held back by its relatively slow super-luxury segment, as are Paradise Valley and Carefree. The active adult cities are also much weaker than average.

There is another obvious pattern here. Those cities least affected by foreclosures are seeing the least improvement in pricing (with several still showing negative appreciation). Those with a history of very high foreclosure rates and huge price collapses in 2006 through 2009 are seeing the fastest price improvement as distressed properties start to become a much smaller part of the market. So for example we have Coolidge, one of the most devastated cities where developers pulled out and abandoned their subdivisions, and prices fell by 79% from April 2006 to February 2011. Coolidge has seen average monthly sales \$/SF jump by over one third in 12 months. Now it has to be admitted this is a jump from an eye-wateringly low \$27.45 to a still very low \$36.65 per sq. ft., but 33% is still a healthy percentage growth in value in anybody's book.

We also note that Pinal County is extremely strong, and much of the west valley and southeast valley is doing well. One exception is Tempe, where appreciation is a modest 0.8%. Tempe saw fewer foreclosed homes because it had very little new construction and therefore fewer problem purchase-money loans issued during the crucial bubble period of 2004 to 2007. Its pricing therefore stayed higher for longer than most of its neighbors.

So what we are seeing so far is primarily a strong bounce back for the over-corrected areas. We are still a long way below the long term trend line for Greater Phoenix pricing. So despite the increases so far, housing is still very cheap by any historic measure and relative to our surrounding states. The recovery is still in a very early phase and the supply shortage is yet to have a big impact on normal (non-distressed) transaction pricing.

The Maricopa County foreclosure statistics are:

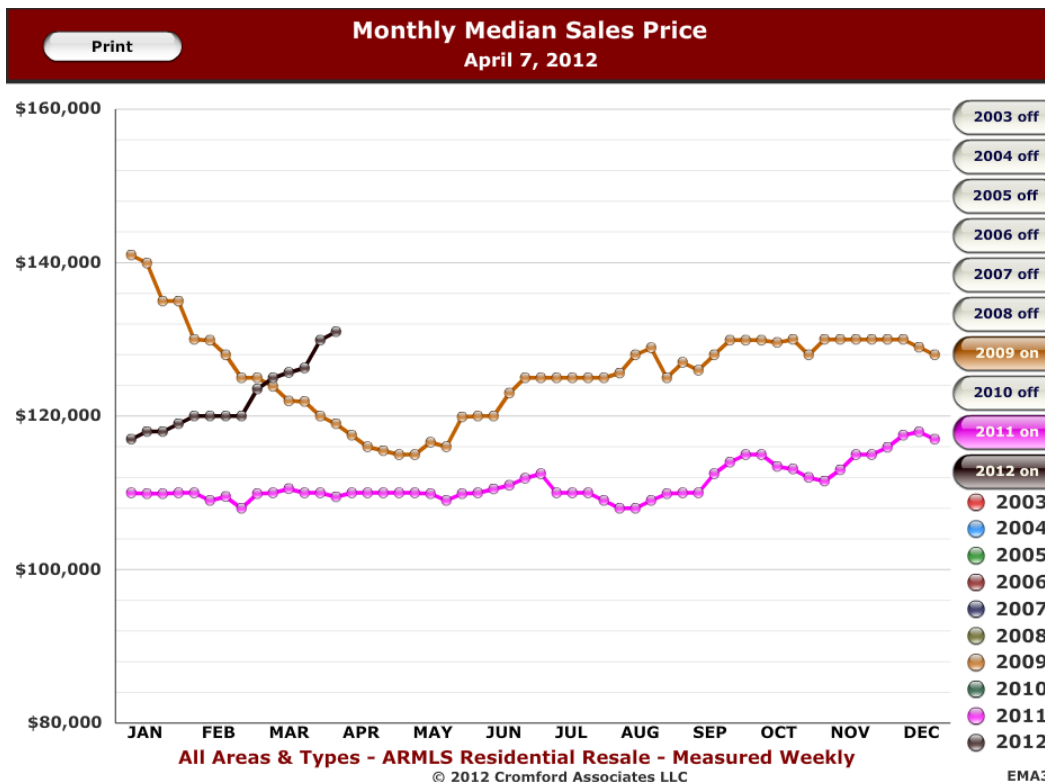
- New Notices of Trustee Sale: 4,487 versus 4,584 in February - down 2.1% for the month
- Trustee Deeds Recorded: 2,091 versus 2,219 in February - down 5.8% for the month

To put the current levels of foreclosure in proper context we need to compare March 2012 to March 2011:

- New Notices of Trustee Sale: 4,487 versus 5,693 - down 21.2%
- Trustee Sales: 2,091 versus 5,173 - down 59.6%

Since fewer than half of the trustee deeds were issued in favor of the beneficiary, we have a lower supply of REO properties coming onto the market than we have seen since 2007. There is still much talk of a "shadow inventory" supposedly manipulated in a conspiracy by the banks, but no sign whatsoever of it actually coming onto the market any time soon. Anyone attempting to buy a residential property in Greater Phoenix would love to see some of that mythical "shadow inventory" emerge in volume to relieve the severe shortage of homes currently offered for sale. The 30-day average rate for trustee deeds issued in Maricopa County is currently 69. That is the lowest figure we have recorded over the last 50 months. At the start of 2012 the number was 88 and so we have declined 22% over the last quarter. We still see absolutely no evidence whatsoever of that mythical "new wave of foreclosures" promised by so many other market observers. My advice is: don't hold your breath.

The monthly median sales price for all ARMLS areas & types reached \$131,000 on April 6th. This is significant because this is the highest it has been since January 30, 2009, over 3 years ago.



## Popular Delusions

- A glut of foreclosed homes overhangs the market
- A new wave of foreclosures is coming
- Shadow inventory is big, scary and out to get you!!!
- Prices are still declining
- Short sales take forever and rarely succeed
- 60% of Phoenix homes are underwater

These JUST AIN'T SO in Greater Phoenix today

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## Predictions for 2012

(warning – these may or may not come true)

- Phoenix will not behave like the national market
- Case-Shiller Index® for Phoenix will rise for the next 2 months
- Supply shortage will get worse below \$500,000
- Foreclosure levels may get close to normal by end of year
- Distressed properties will get much scarcer
- Lenders will slightly ease loan underwriting
- Buyer sentiment will improve
- Builders will start to re-enter the market
- Pricing will get more interesting

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**Market data and commentary supplied by The Cromford Report**

## **Steps in the Buying Process**

- **Determine primary use for the home**
- **Arrange financing**
- **Determine price range**
- **Determine best locations and amenities desired**
- **Get set up on a listing search**
- **Plan trip to view homes (2-3 days minimum)**
- **Write a Purchase Offer**
- **Negotiate and Write Counter Offers**
- **Open Escrow with Title Company**
- **Wire Earnest Money Deposit**
- **Setup U.S. bank account**
- **Home Inspection/ Issue Request for Repairs**
- **Order Homeowner's Insurance Policy**
- **Wire closing funds**
- **Close Escrow**
- **Set up home**
- **Contract for Property Management if appropriate**

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- **Trustee Auction services**
- **Property Management**
- **Financing for Canadians**
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- **Home and Auto Insurance**
- **House sitting services**
- **Lawn and Pool services**
- **Home renovation**
- **Listing services**

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