The Phoenix Housing Market Letter – An RLBrownReport
A Monthly Publication of Home Builders Marketing, Inc – Available by subscription or single copy

Published continuously since 1985 by the region's most respected locally owned housing research and analysis firm
www.rlbrownreports.com – Greg Burger 480-614-0211 – greg@rlbrownreports.com

Volume 322 – Sept. 18, 2011

"August new home closings up 26% over last August…."

August saw significant improvement over last year in new home closings, and some improvement in new home permit activity and in resale activity, as we see in the detailed data below and elsewhere herein.

NEW HOME CLOSINGS	Aug-11
SALES BY MONTH	632
SAME MO LAST YEAR	500
PERCENT CHG	26.40%
YTD CLOSINGS	4,186
YTD CLOSINGS LAST YR	5,657
PERCENT CHG	-26.00%
AVG NEW PRICE	239,703
MED NEW PRICE	210,244

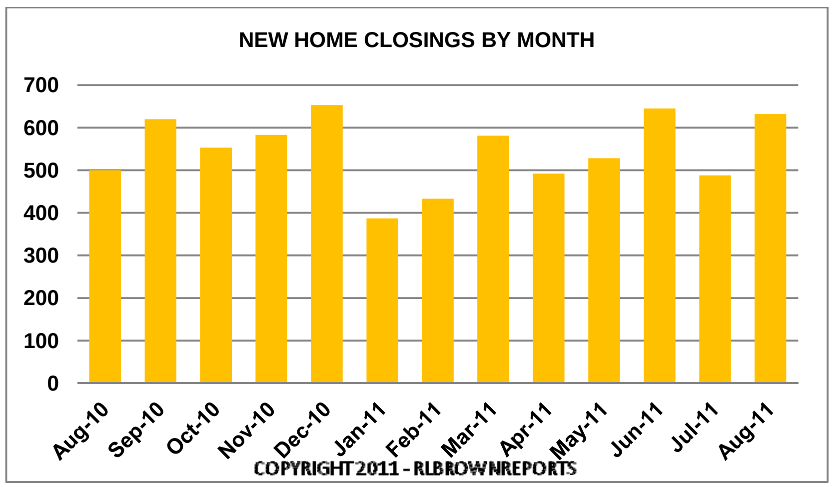
PERMITS	Aug-11
PERMITS BY MONTH	692
SAME MO LAST YR	504
PERCENT CHG	37.30%
YTD PERMITS	4,612
LAST YTD PERMIT	5,170
PERCENT CHG	-10.79%

RESALES	Aug-11
RESALES BY MONTH	8,605
SAME MO LAST YR	6,623
PERCENT CHG	29.93%
YTD RESALES	67,804
LAST YTD RESALES	61,730
PERCENT CHG	9.84%
AVG RES PRICE	153,565
MED RES PRICE	109,000

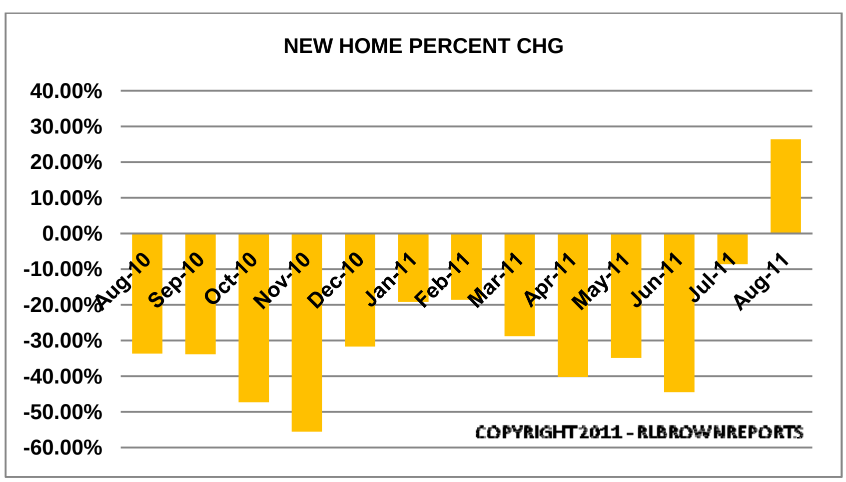
CONDO CONVERSIONS	Aug-11
SALES BY MONTH	15
SAME MO LAST YR	56
PERCENT CHG	-73.21%
YTD CLOSINGS	262
LAST YTD CLOSINGS	254
PERCENT CHG	3.15%
AVG COE PRICE	149,206
MED COE PRICE	116,000

Last August we counted 500 new home closings in the metro Phoenix housing market, and this year we tallied 632 new home closings for the month, a 26% increase.

The total for August, while below the tally for June, was the 3rd best new home closing month for the last 12 months, surpassed only by December and by June. Later in these pages we identify the best selling home builders and the best selling subdivisions.



In terms of percentage change in new home closings versus the same month last year, August was a stellar month.



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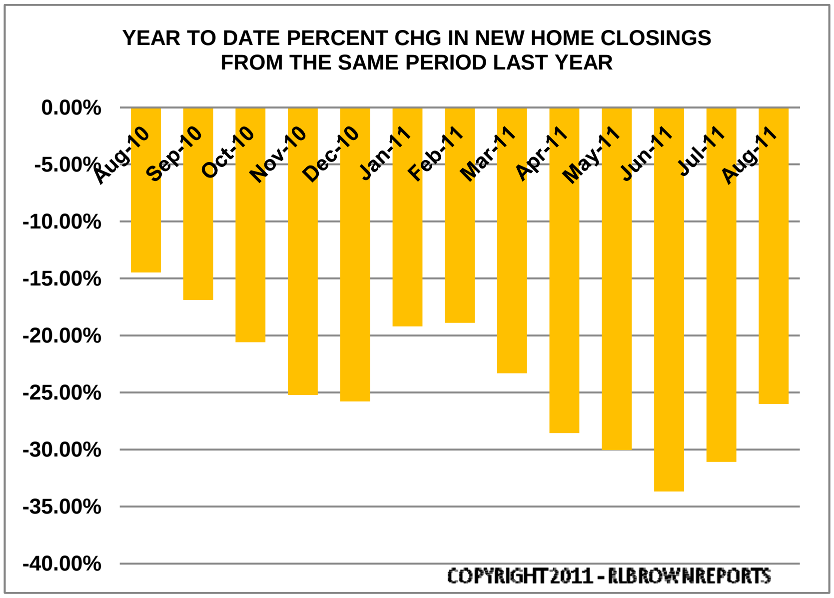
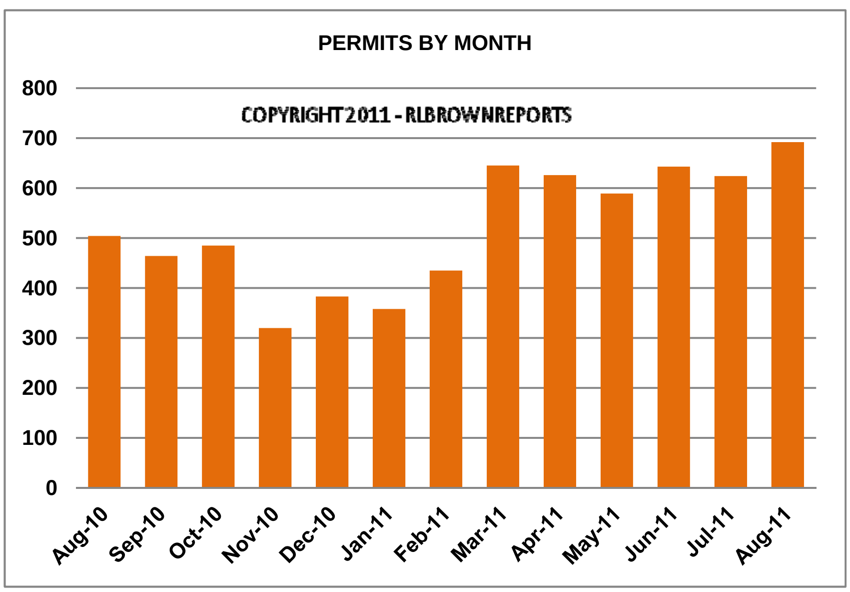


When we examine the percentage change in the year to date closings for the same period from the previous year, we continue to see a negative year to date performance over time but we do see an improvement in the deficiency over the last three months, which is a positive sign.

The Mesa/Gilbert area leads the market for new home activity in August, followed by the SW submarket and then the NW submarkets. [Users of MAGIC-Pro can get the details in Volume 322 which is already available to them online.]

The $195,000-$249,000 price range was the most active range in the overall region for the month, while the $130,000 to $164,000 range was the most active price point in the Mesa/Gilbert market area for the month.

The *market share capture by price bracket within each market area* for every subdivision in the region is available for those seeking a really "tree top" level of insight into just what is selling in the new home market. Market share allows a clear look at direct competition that isn't available from more generalized stats.

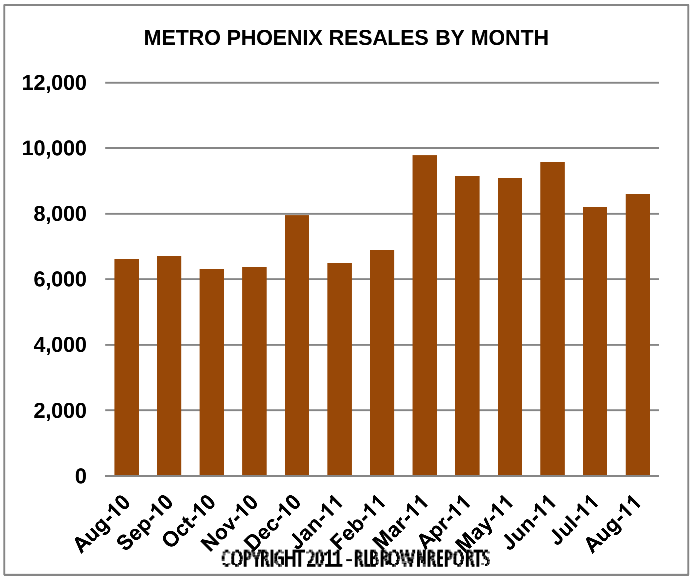


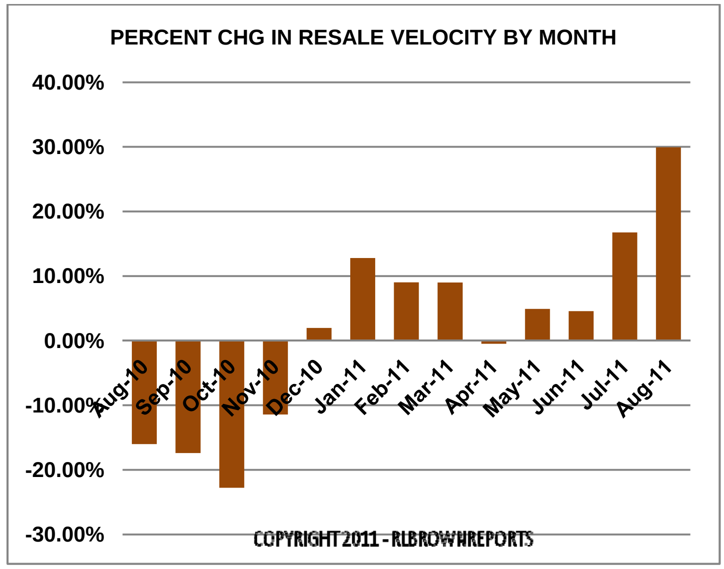
As we noted at the onset, new home permits in the region for August were also up, by 37% from the same month last year, even though they remain down in comparison to year to date last year.

As you can see from the graphic at the left, permit activity for the last six months has consistently been ahead of permits for the previous six months.

Year to date through August, we have counted 4,612 new home permits in the metro Phoenix area. That total compares with 5,170 permits issued for the same period last year. Off by 10.79%.

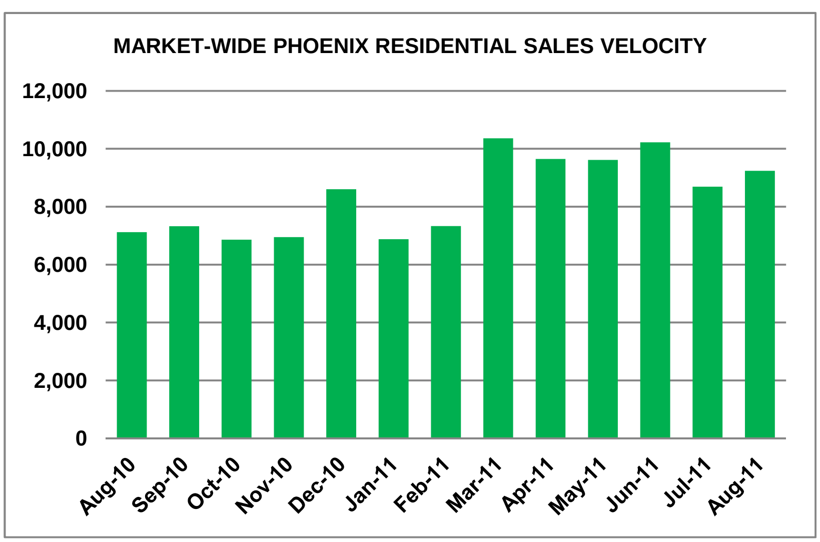
That trend, if carried out, would result in a total permit count for this year in the same range as that last year, when we logged 6,822 new home permits in the region. The improved performance of the last six months, if sustained or improved upon, suggests that possibility.





Resale activity in the region rebounded in August, with 8,605 resale transactions recorded in Maricopa and Pinal Counties for the month. This total includes those homes sold through the ARMLS and those homes sold by owners and others outside of the MLS system. The August activity was up 30% from last August and was up almost 10% for the year to date from last year at this same time.

So far in 2011 we have 67,804 resale home sales in the region, versus 61,730 over the same period last year. When we compare the percent of change in the resale market from the same month the previous year we note an improvement in the market over the last three months. It is important to also note that a substantial portion of the resale sales that are included in these numbers are sales of foreclosed bank-owned homes as well as short sales of distressed homes in lieu of foreclosure. While these sales represent positive activity and a clearing of the depressed inventory necessary for a real housing recovery, they are not reflective of a return to normal market conditions.



Overall residential velocity in the metro Phoenix area remains relatively strong, especially when viewed in the context of the economic challenges of housing overall.

In August we counted a total of 9,237 residential home sales, up substantially from the 6,800 units we tallied in January.

The high point of the last 12 months was in March, when we counted a total of 10,363 residential housing transactions in the region. The wide gap between new home sales and resales remains an overriding problem for the new home side of the market.

"Additional Housing Markets added to our MAGIC-Pro housing data application"

We have had many requests over the last several months to *expand the reach* of the data available to public builder and major subcontractor and financial subscribers to our MAGIC-Professional housing data application, and we have now done so.

MAGIC subscribers now have the option of including housing market data for **Tucson**, using data developed by our partner in Tucson, John Strobeck of Bright Future Consulting. John has been the "go to guy" for Tucson housing data and analysis for many years, and his excellent data is now available for MAGIC subscribers that have a need for market intelligence on the metro Tucson market.

Our data partner in **Denver**, David Laffoon of Home Builders Research, Inc., maintains a wide range of housing market data on the entire Front Range housing market. David's data is now available as an option in MAGIC for those active in that market, allowing them a level of definitive housing market intelligence that is without peer in that market, including the ability to filter and define market parameters like they have never been able to before using MAGIC's sophisticated search engine.

Dennis Smith, Home Builders Research in **Las Vegas,** our long time data partner in Vegas and the "guru" of Vegas housing**,** will be adding his data as an option to MAGIC over the next several weeks, giving Vegas housing market pros tools like they have never had before.

Housing pros, subcontractors, lenders, appraisers, investors, land owners, and others with operations in one or more of these four markets will have the best of all worlds, a sophisticated web-based research engine populated with the most accurate monthly-updated housing and land sales, permit, closing, and product data available, all available in one easy to use package, with *the client* retaining the option to receive only the data that he needs.

Call Greg [480-614-0211] for additional details, or call John, David, or Dennis. See our website at www.rlbrownreports.com for contact information. And, you guessed it, more markets on the way!

"Pulte Homes combined divisions capture the most new home closings for August….."

BUILDER	COE AUG 2011
D R HORTON	62
BLANDFORD HOMES	47
SHEA HOMES	41
PULTE HOMES	38
MERITAGE HOMES	33
FULTON HOMES	33
TAYLOR MORRISON	30
LENNAR HOMES	28
K HOVNANIAN	27
BEAZER HOMES	27
RICHMOND AMERICAN	27

Pulte combined, including its Del Webb and Centex divisions, captured the new home closing title for the region for August with 65 homes closed. Pulte Homes had 38, Pulte-Webb had 16, and Pulte-Centex had 11.

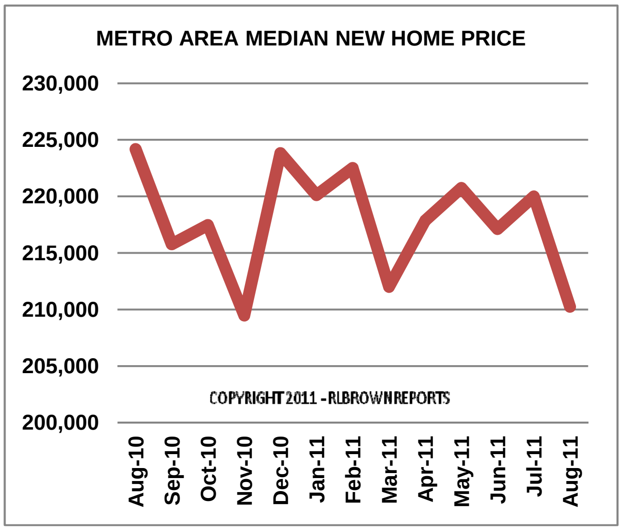
DR Horton was first as a division and second overall with 62 homes even though they beat-out any single Pulte Homes division.

Blandford Homes had a strong month, capturing 47 closings followed by Shea Homes, Meritage Homes and Fulton Homes.

Also, Taylor Morrison continues with another solid closing performance this month. These top 10 are the builders to watch and to analyze over the months ahead as are several others that did not make the top 10 in closing performance this month. The complete builder ranking for August and for the last 12 months is a "Quick View" report in MAGIC-Pro.

"Median new home price at lowest since last November…."

At $210,244, the median new home price for August [based on closed homes] is the lowest we have seen since last November, suggesting that the mix of new home sales continues to shift lower as more builders reposition their mainstream products to fit today's consumer demand.

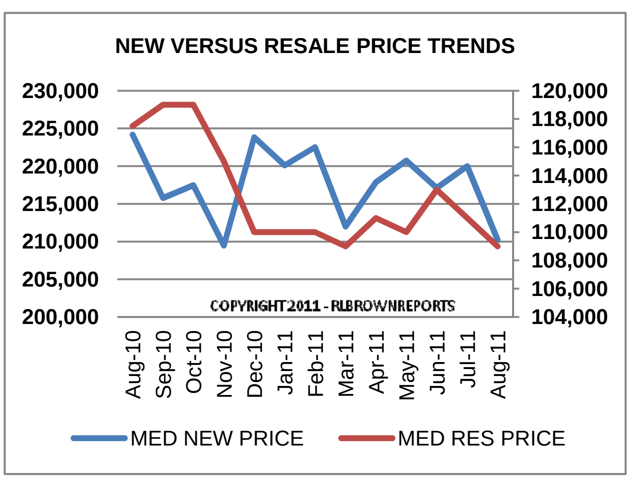


Contrary to the belief of some media-oriented housing sources, we do not see this as evidence of a "double dip" in housing over the period, since a median represents a point where half of the homes sold in the month were priced above this number and half were priced below.

As those who follow the market closely know, most housing producers have reduced costs, negotiated lower lot prices, whittled square footage, lowered overhead, and created more efficient designs over the last two years or so, and most continue to do so.

These efforts have the effect of lowering the sales prices of the homes that they offer and sell. Since this is an ongoing process, we conclude that new home price shifts most often reflect the changes as opposed to signaling that prices have softened for the same product offerings of the past.

The median resale house price this month, on the other hand, declined to $109,000 from $111,000 last month. The median resale price has remained almost flat since last December, which should begin to suggest that the resale housing market has bottomed out price-wise. The resale market is more reflective of supply versus demand conditions and this flattening could be considered as a positive sign for the market overall.



the graphic on the left overlays the new home price trend and the resale price trend on the same graphic, with the left axis portraying the new home prices and the right axis showing the resale price prices.

Up until this month the trends have been generally dissimilar, with resale prices more stable from December thru May than new home prices while new home median prices have shown wider month to month variations over the data period.

The price gap between new homes and resale homes remains at over $100,000 dollars, with the new home median price at almost a 100% premium to resale homes, well out of the "norm" for a traditional relationship in this market.

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"Blandford Craftsman Collection leads best subdivision ranking for August……."

Blandford Homes, a privately held local builder, leads the best selling subdivision rankings for August, with 18 new home closings in its Power Ranch community.

SUBDIVISION	BUILDER	COE AUG 2011
POWER RANCH 9-2/CRAFTSMAN COLLECTION	BLANDFORD HOMES	18
PALM VALLEY/PEBBLECREEK	ROBSON COMMUNITIES	13
VISTANCIA/TRILOGY	SHEA HOMES	11
WILLOWS (GW)	K HOVNANIAN	10
VISTA DE MONTANA 1B,2/CENTEX	PULTE HOMES/CENTEX	9
LYNN HAVEN ESTATES	D R HORTON	9
IRONWOOD CROSSING 1/PARADISE	FULTON HOMES	7
MOUNTAIN BRIDGE/LANTANA	BLANDFORD HOMES	7
CAMERON RANCH/CLASSICS	KB HOME	6
COUNTRY PLACE 5/37,38,39;4/11-17	D R HORTON	6
MOUNTAIN GROVE COMMUNITY/WP	WILSON PARKER HOMES	6
GENEVA ESTATES/CARIBBEAN	FULTON HOMES	6
SUNLAND SPRINGS VILLAGE	FARNSWORTH DEV	6
LYONS GATE 6/RIVIERA	ASHTON WOODS HOMES	6

Robson's Pebblecreek led the active adult communities in the region in closings for August and was #2 overall with 13 closings for the month.

Only three of the region's active adult communities made the list of communities with 6 or more closings for the month, with the remaining nine communities classed as non-adult.

A complete ranking of all active communities including their August closing and permit numbers and their 1**2 month closing and permit numbers** is one of the 12 "Quick View" reports in MAGIC-Pro every month. These reports are automatically generated and formatted for printing and including in your management reports and gives instant insight into the regional marketplace.

"Blandford and Fulton score at the top with best selling plans….."

It appears that the "hot hands" as far as housing product go are Blandford Homes and Fulton Homes, with some plans by DR Horton, Shea Homes, and Wilson Parker Homes also in the top group.

BUILDER	SUBDIVISION	PLANNUM	SQFT
BLANDFORD HOMES	POWER RANCH 9-2/CRAFTSMAN COLLECTION	3	2106
FULTON HOMES	FULTON RANCH 2/MONTEREY	3967	3967
BLANDFORD HOMES	LAKEVIEW TRAILS NORTH @ MORRISON RCH/BH	5512	0
FULTON HOMES	FULTON RANCH 2/MONTEREY	3420	3420
BLANDFORD HOMES	POWER RANCH 9-2/CRAFTSMAN COLLECTION	4	2181
SHEA HOMES	VISTANCIA/TRILOGY	4560	0
D R HORTON	POWER RANCH 11A,B/TIMBERS	1047	2503
BLANDFORD HOMES	POWER RANCH 9-2/BUNGALOW	1578	0
BLANDFORD HOMES	POWER RANCH 9-2/CRAFTSMAN COLLECTION	1	1687

The table on the left lists the plans with the most permits for the last 6 months market-wide, and calls them out as the "best selling plans" in the marketplace for the period.

The complete ranking of activity for every plan in the active marketplace is in the "Permits by Plan Table" in MAGIC-Pro each month. With these tables users can filter out the best selling plans by any area they draw on the map, by lot size, by price point, and more. Further detail is in the "Product Table", also updated every month with current prices, new offerings, and more.

This intel is at your fingertips right on your desktop, laptop, or tablet.

FULTON HOMES	FULTON RANCH 2/MONTEREY	3502	3502	
WILSON PARKER HOMES	MOUNTAIN GROVE COMMUNITY/WP	1979	1979	
TAYLOR MORRISON	MOUNTAINWOOD F/ADORA TRLS/ENCORE & DISCOVERY	3523	1739	
MARACAY HOMES	WHISPERING HEIGHTS/MARACAY	5541	2987	
K HOVNANIAN	WILLOWS (GW)	1488	1506	
BLANDFORD HOMES	POWER RANCH 9-2/BUNGALOW	1704	0	
TAYLOR MORRISON	STRATLAND ESTATES	4551	2240	

This table is also linked to each builder's website so you can see the floor plan, elevation choices, and most current feature list for each of the plans you want to view.

"Our view of the marketplace and other important matters…."

Even though the temps in Phoenix may be cooling, the housing market and the economy remain as brutal as they have been, with little or no relief in sight, as least for housing.

The national and international economists that I read daily have almost universally revised their expectations downward, with most anticipating a long cold winter and a 2012 disrupted by political infighting and stagnation of positive actions for economic relief for housing.

The rhetoric of the national leadership and the wannabes leaves little hope for compromise, which to many of the experts means little hope for positive actions to move the economy forward. The hopes of last spring [and the springs before that] have all been pushed off into some time in the future, with few economists now willing to call the date and time of a change for the better.

The concept of a beneficial global economy has turned sour, and essentially magnified the problems that we have created for ourselves by our actions and excesses of the "bubble" period. Experts are stymied, and housing clearly will not lead the nation out of its current dilemma.

Some of the experts have now turned back to the thought of 2008 or so that the housing economy won't be fixed until the foreclosures are flushed [at whatever cost], the banks left standing are recapitalized with private funds, and stiff new regulations are in place and being enforced. You may recall that these solutions were proposed several years ago, and rejected. These experts have apparently now concluded that there is little incentive for "fixes" by the financial industry and that no amount of government largess to them will force them to mark their bad deals to market, accept their losses, recapitalize, and begin lending again. They also point out that little blame has been assessed for mismanagement, and bonus monies are still being awarded to the same folks.

Sounds disappointing doesn't it? However, the good news is that a handful of housing producers in this community put all of this aside, regrouped, applied themselves to the problem of a dramatically shrunken marketplace, and are moving ahead. They are seeing success in the market as it is. These folks are using new product, solid market intelligence tools, innovation, and by being nimble on their feet are capturing sales while others still wring their hands and "wait" for someone to fix the marketplace.

It is also interesting to note that several of these guys are local, without the "deep pockets" of Wall Street or the multi-layered staff support that a "home office" can bring to the table. At the same time, our successful builder list is also

populated with some national public builders that have morphed into "fast on their feet", lean and mean, innovative organizations on the local level, shedding the egos and baggage that often mean "hard to turn" battleships.

The point is, there **is** a housing market here. When over 9,000 homes are sold in a month [as there were this month] there is opportunity. This is not a "dead" market by any means. Success is now measured by competing in the market as it is, by capturing a profitable share of the new home market as it is, and by moving to increase the capture of new homes versus resale homes in the market as it is.

Positive signs are growing. A friend recently noted that resales in Vistancia are receiving multiple offers with clients frequently missing out on the home of their choice. Another friend seeking a condo in the downtown Scottsdale area has submitted offers on multiple homes, and is yet to be successful as his choices have been usurped by higher offers. Similar situations have developed in preferred locations across the region.

Sooner or later the voters will choose leaders that can lead all of the country and the economy will improve. Sooner or later the lenders and servicers will flush their inventories, rework or foreclose on the folks who have no hope of making their mortgages viable again, take their losses, and realize that their business opportunity is not in taking government money and investing in government bonds, but in loaning money to qualified borrowers of homes and automobiles in the traditional manner. When these things happen, this market will begin to improve and the market leaders today will have the upper hand.

So, we don't look for much change in our regional housing market yet this year and perhaps not even next year, but we do expect to see some flushing activity in the distressed housing inventory and therefore some opportunity for the new housing share of the market to improve. A 20% or so improvement in the market share capture of new homes over the next several months would be a huge help for new housing and could begin a steady climb in vitality for new housing in the region. Something to hope for!

We wish Tom Lewis and TW Lewis Homes well in their new association with David Weekley Homes of Texas. Tom has been a solid performer in the production upscale marketplace for many years, and David Weekley Homes has been a well-respected builder for many years in its area of operation. This should be a good marriage and could produce some innovative new product opportunities for move-up home buyers in our region.

Home Builders Marketing, Inc.

Greg Burger – COO

RL Brown – CEO

Speaking of reality and of forecasts … if you missed our Mid Year 2011 Housing Market Forecast presentation, you missed a good one. As usual, we pulled no punches and presented the facts of the marketplace as well as our own take on what you can expect here in this market for the rest of this year and thru 2015. You can get a copy of the PowerPoint and transcript on-line at our website at www.rlbrownreports.com . If you have questions or comments we would love to hear them. Email us at rlbrownreports@aol.com or at greg@rlbrownreports.com

Greg has included **New Home transaction level data** and builder reported **sales contracts, traffic, spec inventory, and co-broke rates** in MAGIC-Pro, opening another dimension of utility and information for power users. Call 480-614-0211 for a quick online demo of these new features. And, if you haven't heard yet,

Greg also has introduced **the "Level 3"** of our MAGIC-Pro housing data application. The special upgrade allows users **to upload any geo-coded file** and use it as one of the MAGIC-Pro data tables, fully functional with the mapping and filtering capabilities of MAGIC-Pro. These files can reference any place on the globe, allowing you to interface literally a world of demographic and economic data with our housing data.

MENU OF SERVICES AND REPORTS

Affordable reports and data tables to assist you in participating in the market recovery…

MAGIC – **12 monthly housing reports rolled into one package**, each just clicks away from the print copy being on your desk, plus the most sophisticated and comprehensive analysis tool of this housing market available … affordable, complete, and easy to use. Contains all you need to perform fully fleshed feasibility and analysis of all or any part of this housing market.

The Sales and Permit Report – An affordable electronic or printed [your choice] monthly report detailing the monthly sales and permits for each active subdivisions Valley-wide. This report has been published continuously since 1985.

Vacant Lot Analysis – **A** COMPREHENSIVE ANALYSIS OF THE VACANT LOT INVENTORY IN ACTIVE SUBDIVISIONS, analyzed by market area, by price range, by lot size, and by velocity.

Dormant Lot Report – A spreadsheet based identification of the dormant subdivisions with finished lot inventory. Searchable and sortable for lot size, area, and more.

Land and Lot Sales Report – Rolling 12 month transaction detail on builder/developer land and lot sales. Excel format. Update monthly.

Custom Lot Buyer Report - Names and addresses of the most recent buyers of custom home lots.

Custom Home Permit Report - The most recent custom home starts, with buyers/builders contact information.

Subcontractor Plan Report – Product data re current builder offerings. Prices, sq ftg, features, and more.

The Annual Report 2010- The most comprehensive statistical abstract of this housing market available anywhere, covering 1985 thru 2009...

The Sales and Permit E-Report - The "bible" of permit and closing data by subdivision with the last 12 month's permits and closing, by month, by subdivision … in Xls format.

Project specific market and feasibility analysis – Half the price of competing analysis, written by RL Brown. These are the most authoritative analysis works in the region.

Best selling plans report … identified from among some 4,000 floor plans available from over 300 builders.

Competition Product Report … the pricing history and plan features of all of the plans currently offered in the region, updated every month. A report in Microsoft Excel.

Builder and Subdivision Market Share Report. - The market share capture by area and price range category of every subdivision in the region … update monthly. The real gauge of subdivision performance.

The new **Commercial Land transaction report** - Commercial land transactions valley-wide.

Custom Competitive Market Area analysis - You define the area and we create the competitive market area analysis. Accurate, timely data, very affordable.

Custom housing market data reports – designed to your specifications.

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You are still the "good guy" and we get paid … a really nice arrangement, don't you think? Thanks