

Valley home prices remain on steep climb upward

BY MIKE PADGETT

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New homes in metro Phoenix are costing about 28 percent more today than two years ago, according to R.L. Brown, publisher of *The Phoenix Housing Market Letter*.

In his newest monthly report, Brown also said nearly 4,700 permits for new single-family houses in metro Phoenix were issued in February, which is a 30.5 percent increase over the 3,586 issued in February 2004.

Brown said this continued high pace of residential construction is a key reason why the prices of new homes keep climbing.

"The median price of a new home in Phoenix this last month was \$210,855, up from \$201,714 just the month before," Brown said. "In February of 2004, the median new

home price was \$175,076, and two years ago it was \$164,484."

In the resale market, there were 8,772 resales transactions in February, up nearly 33 percent from 6,608 in February 2004. The median resale price also increased — \$187,900 in February compared to \$151,950 in February 2004, according to Brown's report.

Brown's review of month-to-month price increases show that the latest monthly median price for new homes is up 20 percent in the past year and 28 percent in the past two years.

His tabulations show that today's \$210,855 median-priced home cost about \$164,500 in February 2003.

The rapid increases over the past two years are in contrast to the 6 percent change in



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The Phoenix Housing Market Letter

prices from 2002 to 2003, he added.

Major factors in the rapid jump in prices are "substantial materials cost increases and in municipal impact fees" as well as investors shifting their assets from stock to real estate, Brown said.

"The strong demand for new and used housing flowing from population growth and from shifts of investor interest from the dismal stock markets into real estate has been the largest reason for price inflation," Brown said.

He also said he believes the rapid increases in median prices for new homes will be short-lived. Despite a strong housing market and projected increases in employment, "the rousing price changes in the metro Phoenix housing market are not sustainable over any but the briefest of periods."

"A backlash is bound to occur at that point where consumers say 'whoa' and lenders begin rejecting buyers for income shortfalls," Brown said.

Mortgage rates today still are under 6 percent, but there is growing concern that inflationary pressures in the U.S. economy are growing. While Valley home builders and developers are projecting rate increases, they don't expect them to reach 7 percent until 2006 or later.

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The Phoenix Housing Market Letter:

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Phoenix firm scores 2 major corporate deals

BY RUBEN HERNANDEZ

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On The Mark Inc. has contracted with two major corporations in the United States and in England.

The small Phoenix-based consulting firm helps companies reorganize and strategize for entering the global marketplace. It was founded in 1990.

The contract with The UnitedHealth Group will have the Phoenix firm working on the Minneapolis area company's internal structure and organization design, said Mark LaScola, managing principal of On The Mark.

UnitedHealth Group serves more than 18 million individual customers with a network of more than 433,000 physicians and 3,600 hospitals across all 50 states and in four international markets.

LaScola said that UnitedHealth Group is expanding into the United Kingdom and Europe.

In addition, On The Mark has signed another contract with BAE Systems, a London-based company that makes defense products, including aircraft, missiles, radar, ships and aerospace electronics. Many of its operations are based in the United States.

The contract calls for On The Mark to train the BAE's human resource personnel, LaScola said. This is the third year the Phoenix company will be working with BAE, he said.

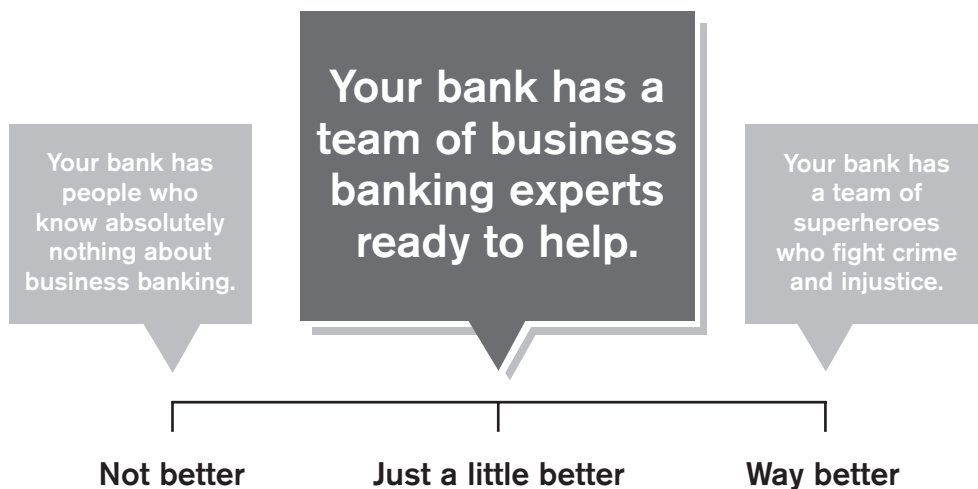
"They consider us their preferred vendor when it comes to organization and design work," he said.

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