

# Valley of the Sun Real Estate Update

September, 2006

## Fall 2006 Market Update

It seems like the local real estate market is always making news. A year ago, the papers were filled with stories about the buying frenzy and how much of the Arizona economy is based, directly or indirectly, on homes sales. Now, in the midst of a big slowdown in sales, we read about builders going bankrupt, sellers cutting prices, and other tales of doom & gloom. Either way, what you see in the media (surprise!) tends to be heavy on sensationalism and light on the facts. So what's really going on in our local market?

Before gazing into my crystal ball for a look at the future, let's take a look back at where we have been—and what I had to say about it at the time. For instance, in March of 2005 home supplies were dwindling and prices were moving up sharply. I wrote then that “current trends show no sign of slowing down”, and I was right: the market continued its remarkable run for another 6 months.

At the end of July of 2005, though, we were starting to see signs that market dynamics might be shifting. New listings were starting to outpace sales, and the typical summer slowdown was beginning to have an effect. I wrote that we were nearing a peak, and sure enough the continued rise in inventory caused prices to peak about 2 months later. Score another point for the crystal ball.

In January of 2006, it was clear that the new year had brought us new market conditions as well. Inventory had quickly come back to what we historically considered to be a “balanced” level with around 24,000 homes for sale, and I wrote that while we would likely see some easing of prices, we should not expect a “significant decline in values”. That, unfortunately, may have been overly optimistic. Through the middle part of this year, home values are down about 10% over their late-2005 peak. Inventory appears to be leveling off around 46,000 homes—almost double what we saw back in January.

So where are we going from here? At the current ratio of inventory to sales, we have about an 8-month supply of homes, which is well over the 3-month level that would indi-

cate a return to a balanced market. That means our current buyer's market is likely to be with us for quite a while, and prices can be expected to drop another 10% by early next year.

That may sound bad, but if you remember that our prices went up almost 50% from 2004 to 2005, most homeowners are still sitting on 30% gains over just a few years – a very respectable profit in real estate. If you are moving here in town, any difficulty you have selling should be offset by the great buy-side opportunities you can expect. And softening prices will help keep the Arizona market attractive to people relocating from other states, which continues to be a vital part of our overall economic situation.

As always, your own personal circumstances will have a lot to do with how you should approach any potential real estate transaction. If you want to set up a time to discuss your plans, please feel free to give me a call.

## On the Home Front



We had a great trip to Boulder at the end of August. We had a fun hike up Mt Neva (it got sunny on the way down!) and also had a chance to spend time with both of our families. The highlight of the trip came on the last day, when we visited the local airfield to show Taran the planes. One of the pilots was hanging around, and he took us all for a sightseeing flight!



### Ken Mayer

Ken@LucasRealtyGroup.com

Direct: 602-750-3678

Office: 480-603-3310

www.kenmayer.com

*“Creating excellent real estate experiences...one home at a time”*



**LUCAS**  
Realty Group

## Recipe of the Month

### Champagne Risotto

4 thin slices prosciutto	¾ cup Arborio rice
3 cups low-salt chicken broth	¾ cup Champagne
12 asparagus spears, cut in 1" sections	¼ cup grated Parmesan
3 tablespoons butter, divided	¼ tsp salt
1 shallot, finely chopped	½ tsp black pepper

Pre-heat the oven to 450°.

Place the slices of prosciutto on a lightly-greased cookie sheet and bake until it is almost completely crisp, about 6-8 minutes. (It will crisp up more as it cools.) Set aside.

In a medium saucepan, bring chicken stock to a boil, then reduce to a simmer. Blanch the asparagus in the stock for 2 minutes, then remove with a slotted spoon. Set asparagus aside and keep broth at a low simmer.

In another medium saucepan, melt half of butter over medium heat. Add the shallot & cook until tender, about 2-3 minutes. Be careful not to brown it. Add the rice and stir to coat in the butter. Continue toasting the rice, stirring constantly, for 3 minutes more. Add the Champagne and simmer over medium-low heat until liquid is almost evaporated, about 3 minutes. Add ½ cup of simmering broth and stir until almost completely absorbed, about 2-3 minutes. Continue cooking rice, adding another ½ cup of broth at a time, stirring constantly and allowing each addition of broth to absorb before adding the next, about 20-25 minutes total.

When rice is tender but still firm, remove from heat. Gently stir in asparagus, remaining butter, Parmesan, salt, and pepper. Spoon the risotto into serving bowls and garnish with crumbled prosciutto. Serve immediately—makes 2 bowls.

Notes: Low-salt broth is important – you'll get plenty of salt flavor from the butter & prosciutto. Use Mexican green onion if you can't find a shallot. Keep another cup of broth or champagne available if the rice needs it.

This is a great date-night meal, because you are already half-way to brunch the next day. Use the left-over champagne for mimosas, wrap the prosciutto around some melon, and use any extra asparagus with your Eggs Benedict!

## Culture Corner

### Quick reviews of some recent favorites

**Food:** Friends of ours organized a brunch recently at **Z Tejas**, and it was a lot of fun. The menu features a nice balance of skillet meals and sweeter dishes, as well as a very elaborate mix-your-own Bloody Mary bar. Best of all, everything was moderately priced. They have locations in Scottsdale, Tempe, and Chandler.

**Books:** After seeing "A Scanner Darkly" earlier this summer, I was in a Philip Dick mood, so I went back to re-read **Do Androids Dream of Electric Sheep**, the book "Blade Runner" was based on. It's a quick but compelling story that gets to the heart of Dick's constant questions: who are we, how do we know, and—most importantly—does it even matter? By the way, the book is different from the movie, so you can still be surprised by the ending.

**Food:** Summer may be officially over, but here in AZ it's always a good time for tasty frozen treats. Some of the best gelato I have had can be found at **Angel Sweet**, on the northeast corner of Dobson & Chandler. My favorite is the Panna Cotta, but you can sample the whole range with their great half & half bowls.

## Lucas Mortgage Funding

**For all of your mortgage  
and refinancing needs.**

**No Origination Fee**

**It is a great time to refinance**

**Call today for a free, no obligation  
quote or prequalification.**

**480-940-0922**

License #MB-0903955



## Ken, how much is my home worth?



**If you would like a free Current Market Analysis of your home, please fill out this form:**

\_\_\_\_\_ I'm not thinking of selling my home. I'm just curious about value. Please send me a complimentary current market analysis.

\_\_\_\_\_ I'm thinking about selling my home. Please send me a complimentary current market analysis plus a Home Seller's Handbook with information about ERA Lucas Realty Group, our "Common Sense Commission Plan", "Aggressive Marketing Plan", and other money-saving tips.

### Home Description:

Stories: \_\_\_\_\_ Sqft: \_\_\_\_\_ Beds: \_\_\_\_\_ Baths: \_\_\_\_\_ Pool: \_\_\_\_\_ Garage Size: \_\_\_\_\_

Other features and upgrades: \_\_\_\_\_ Condition of home: \_\_\_\_\_

**Send this form back:** fax: 480-603-3311 mail: 4040 W Ray Road, #8, Chandler, AZ, 85226 e-mail: Ken@LucasRealtyGroup.com

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-Mail: \_\_\_\_\_