

## As recession hit, real estate sank

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It's over . . . 2008 was a year that won't be soon forgotten," is the headline on longtime real-estate analyst's RL Brown's latest Phoenix Housing Market Letter .

The report, which many market watchers follow closely, has the year-end tallies for new-home sales and building. But Brown's latest edition, sent out Tuesday, also has some interesting predictions and observations.

First, the numbers.

The final tally for Valley home building in 2008 was 12,582 single-family permits, down 60 percent from 2007's pace of 31,172 permits.

December permits didn't drop from November's surprisingly low level of 295, but they didn't rebound much, either. There were 365 single-family permits issued from Pinal County to Peoria last month.

Last year, there were 20,547 new-home closings, or sales, down 46 percent from 38,308 in 2007.

The median price of a new **Phoenix** -area home fell to \$214,397 in December,

compared with \$242,000 in December 2007. But the median price was up from \$206,000 in November.

D.R. Horton was the top home builder in the Valley last year with 3,607 sales. It has held the top spot for the past few years. Pulte Homes was second.

Now for some observations from Brown.

"Fortunes were lost, and one source reports 110 home builders closed their doors or undertook reorganizations," Brown said.

"Many of them were Phoenix companies," he said.

He said subcontractors were especially hard hit.

"One story made the rounds of a builder who notified the sub that they weren't going to pay him for work already done, and then called to demand warranty work" on the same project, Brown said.

And finally, home prices.

"It seems like yesterday that a Realtor called us to dispute our suggestion that the resale median might fall to \$150,000," he said.

"It now appears reasonable to assume the resale median could fall into the \$125,000

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range before mitigation of the foreclosure impact is felt," he said.

"Housing speculators will lose a lot of money."

Brown's forecast is for approximately 70,000 new- and existing-home sales this year, similar to 2008's level.

He sees the market growing to 105,000 home sales by 2013.

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