

## Arizona's Luxury-Housing Market Booms

By Catherine Bolgar

A car races along at 100 miles per hour, then decelerates to 70 mph. Yes, it slowed down, but it's hardly going slowly.

You could say the same thing about Arizona property sales.

"Not that many years ago, we'd have thought we were white-hot with the sales numbers we have today," says Jeff Swenson, president of Swenson Realty Group in Scottsdale. "The overall real estate market is still very strong, with 80,000 to 100,000 new people moving here every year. But for the past three years, we've had this white-hot market with speculators and all. Now it's stabilized."

According to the latest report from Arizona Regional Multiple Listing Service Inc. and the National Association of Realtors, for the second quarter of 2006, Phoenix home sales were down 27% from a year earlier, yet prices were up 14%.

"The market isn't dead," says Jay Q. Butler, director of the Arizona Real Estate Center at Arizona State University in Mesa. "We still get immigration from various parts of the country. Unemployment is low. We're usually in the top five nationally for job growth."

In addition, land is fairly scarce. Private land accounts for only about 15% of Arizona's area, with the rest held by state, federal or Indian governments.

Mr. Swenson says the bulk of the slowdown is at the lower end of the market and among those low-to-middle market homeowners looking to trade up and choosing now to wait.

### The Luxury Sector

Indeed, the high end of the market remains buoyant. "The \$1 million-plus market is booming," says Ray Jegge, a broker with Coldwell Banker First Affiliate in Sedona. In terms of the number of sales in Sedona, "the first eight months of this year are 10% over last year. And the slice of the market that's over \$2 million has more than doubled over last year," he says.

The \$1 million-plus buyer tends to be a couple of empty-nesters, not yet retired, looking for a second, third or fourth home, local real estate observers say. Others are entrepreneurs or self-employed and choose to relocate to Arizona for the climate.

At the high end of Arizona's property market, houses are not built on speculation, they tend to be custom-built. Even among the luxury planned-community projects under construction in Arizona, homes are being sold before the ground breaks.

For example, at Montelucia, a development in Paradise Valley, which lies northeast of Phoenix and next to Scottsdale, two-thirds of the 34 villas have been sold in less than a year, Mr. Swenson says. That's at prices from the low \$2 millions to low \$4 millions and an average price of \$3.3 million. Framing of the villas has just started, with move-in dates estimated for late next summer.

In West Valley, near Arizona Cardinals' Stadium, Swenson Realty sold 140 of 171 townhouses in just under three months. And 193 of 198 units are sold in Scottsdale Waterfront, a pair of 13-story condominium towers under construction in downtown Scottsdale, including six that sold over the summer, at an average price of \$1.2 million.

Richard and Ann Reich bought a condo at Portland Place, a development of between six and 10 stories under construction in downtown Phoenix. They weren't worried about buying something sight unseen because the sales office included a life-size model of one of the floor plans, with the bathroom fixtures and kitchen granite there for the touching. "You don't have to conceptualize it because you can actually see it," Mr. Reich says, adding that they decided to upgrade certain amenities they especially liked in the model.

Portland Place and Scottsdale Waterfront are examples of another trend -- urban living. Southwest cities like Phoenix have been marked by sprawl. Metropolitan Phoenix had a population of 3.2 million in 2000, up 45% from the 1990 Census. That was spread over 14,573 square miles, compared with 11,842 square miles for metropolitan New York, whose population topped 18 million in the 2000 Census. With high gas prices and traffic congestion, people are taking another look at downtown.

Scottsdale never had a residential building over three stories tall, Mr. Swenson says. "In fact, nobody has yet moved into a residential building more than three stories tall, but there are five high-rise condos under construction."

The Reichs have lived in Phoenix and Scottsdale for 10 years. "We lived the suburban life, but it's a lot of yard work," Mr. Reich says. After our kids grew up and moved into their own homes, we went on lots of trips. While we enjoyed working in our yard, with our travels, there were too many things that had to be done and not enough of what we wanted to do. With an urban lifestyle, you can come and go and just lock the door." The Reichs may have given up gardening, but not the benefits. Their new apartment will overlook the Japanese Friendship Gardens.

### **A Return to the City**

Montelucia, the village development in Paradise Valley, also symbolizes a return to the city, but in the form of single-family homes rather than apartments.

"A number of homeowners in the late 1980s to 1990s moved to Scottsdale and realized how far it was for them to commute [to Phoenix]," says Mr. Swenson of Swenson Realty. "People are coming back from the outlying areas. Montelucia is five to seven minutes to downtown Scottsdale, 10 minutes to downtown Phoenix, five to seven minutes to the Biltmore area."

But it's not bright lights, big city. City ordinances require the street lights be kept low so people can see the stars.

The stars shine bright at Chaparral Pines, near Payson, as well. Its 400-plus homes, high in the mountains, attract people who want Arizona's nice weather without the devastating desert heat of greater Phoenix, some 90 minutes away. "It's a good 20 degrees cooler than Phoenix," says Jess Gift, president of Crescent Arizona, a Payson-based unit of property developer Crescent Resources, a joint venture of Duke Energy and Morgan Stanley.

Home prices at Chaparral Pines start at \$350,000 and go up to \$3 million, Mr. Gift says. At the nearby Rim Golf Club (named after the Mogollan Rim, the geological formation it overlooks), homes start at \$1 million and go up to \$5 million. "It started as more of a second-home market, but as it matured, it's become more of a primary residence," Mr. Gift says.

If the Mogollan Rim is out there, Sedona is really out there. "It's almost like living in the Grand Canyon," says Mr. Jegge of Coldwell Banker. "Sedona is a retirement city, or for younger families who work from home."

Those who appreciate wide-open spaces in nature seem to like more of the same inside their homes. Bedroom suites are often 1,200 to 1,500 square feet, Mr. Jegge says. The Tuscan style, which featured many smaller rooms, is going out of style in favor of contemporary architecture. "Very large rooms, high ceilings and lots of glass," Mr. Jegge says. "Buyers want sweeping views."

Mr. Jegge, whose last home sale was for \$7 million, says the high end just keeps getting higher. "We just listed a \$14.5 million property. It's 15,000 square feet of livable space -- 21,000 under the room, with covered patios and such -- plus 10 acres of land."

The homes might be big, but the egos aren't. "The people who build in Sedona or move here in big houses generally are low-key people," Mr. Jegge says. "They are very successful and very discreet. They don't bring attitude from outside."