

Study: New negative trend in Phoenix housing market

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It's official: The Phoenix housing market appears to be experiencing a new downward trend. A new report from the W. P. Carey School of Business at ASU confirms a year-over-year decrease in home prices for the third month in a row. The new dip follows a year of relative stability and may get worse.

"Since the [housing market](#) is entering what historically has been the slowest time of the year for [sales](#), it is likely that declines on a year-to-year basis will continue for at least the next several months," said Karl Guntermann, the Fred E. Taylor Professor of Real Estate, who wrote the report with research associate Adam Nowak.

The Arizona State University-Repeat Sales Index (ASU-RSI) measures annual changes in average Phoenix-area home [prices](#). The new report estimates a 6 percent drop in average house prices from October 2009 to October 2010. This follows a 4 percent decline from September 2009 to September 2010 and a 2 percent decline from August to August. Before that, the market had not been in negative territory since March.

However, Guntermann does offer some hopeful insight.

"The recent improvement in Phoenix employment is an important step in getting the housing market back to some semblance of normal conditions, but the process will continue through 2011 and beyond," he said. "The flow of foreclosures into the market is not likely to end soon, so the added demand associated with job creation and the eventual

increase in people moving to the Phoenix area may minimize the downward pressure on house prices going into 2011.”

Some positive news showed up in the non-foreclosure segment of the housing market. Prices in that area had been falling at an annual rate of 9 percent to 13 percent for several months, but the October-to-October decline was just 6 percent. Guntermann said the trend in this part of the market is “clearly in the right direction” and “should turn positive by mid-2011.”

The estimated median price for all house sales included in the October index is \$125,000, slightly up from August and September. For more than a year, the median price has stayed in the range between \$122,000 and \$135,000.

Avondale, Goodyear and Surprise are the only Valley cities seeing year-over-year average home price increases right now. In the townhouse/condo market, Phoenix-area prices continue to fall at an annual rate of about 20 percent.

The ASU-RSI is based on repeat sales, the most reliable way to estimate price changes in the housing market. Repeat sales compare the prices of a single property against itself at different points in time, instead of comparing different homes with different quality factors.

More information: The new ASU-RSI report can be found at [wpcarey.asu.edu/realestate/hou ... g-market-reports.cfm](http://wpcarey.asu.edu/realestate/housing-market-reports.cfm)

Provided by Arizona State University

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