



## HOPES FOR RECOVERY ARE BUILDING

Infill developments in Phoenix's core are a positive sign for the housing market, according to real-estate experts.

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Work has begun at 33 Campbell Place. NICK OZATHE REPUBLIC

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# Infill development a positive sign for housing

## Developers snatching up land for new homes

By **Brittany Smith**  
The Republic | azcentral.com

Experts say the Phoenix residential real-estate market is rebounding, and one indicator of a turnaround is the appearance of new construction in the city's core.

Developers are jumping on available land in the heart of the city and turning those parcels into residential projects, according to Jim Belfiore, president of Belfiore Real Estate Consulting.

This type of construction inside the city's core is known as infill building.

Examples of infill projects in Phoenix include 33 Campbell Place, a luxury-housing development in the Arcadia neighborhood and Verona Vineyard, a project also in the Arcadia area that opened in July 2012.

Phoenix's Brophy College Preparatory is considering selling about 10 acres to Ryland Homes so it can build more homes in central Phoenix.

"These developers are taking advantage of a unique opportunity," Belfiore said. "There isn't a whole lot of residential land pieces inside Phoenix, and to see an opportunity and take advantage of it during this time is a positive thing."

Developers are buying land in areas that already have infrastructure so they can quickly finish development and sell homes, Belfiore said.

"Whatever is left of these little infill opportunities will be taken up over 12 months and will be built out," he said. "This is a good opportunity for developers because the housing market is in recovery mode."

### 33 Campbell Place

Rosewood Homes began development on 33 Campbell Place, near Campbell Avenue and 32nd Street, in September. When completed, the 3.7-acre community will have 18 single-family detached houses. The gated community will offer both single-story and two-story homes with plans ranging from 2,300 square feet to 3,400 square feet. Prices will start above \$400,000. Move-ins are expected to begin in the fall.

David Kitnick, president of Rose-



David Kitnick, president of Rosewood Homes, is bullish on development in Phoenix. He's so confident that the company has four projects in various stages. NICK OZA/THE REPUBLIC

wood Homes, said multiple factors in Phoenix made him "bullish" on building in the city now. Those factors include a decline in the number of foreclosures and short sales in the Valley, greater new-home appreciation, Phoenix job creation and substantial stock-market recovery.

"We are likely in the second or third inning of the metro Phoenix housing and job recovery," Kitnick said. "We are so confident about the future that we now have four new neighborhoods in various stages of planning and development."

Mike Orr, director of the Center for Real Estate Theory and Practice at Arizona State University, said Rosewood Homes shouldn't have any trouble selling.

"It's a well-off sort of area," Orr said. "Their price point is also in the sweet spot where people are willing to pay, but also where builders are willing to build to see a profit."

Kitnick said he hopes any success 33 Campbell Place has will encourage other developers to build in existing neighborhoods that already have a "wealth of amenities" instead of building outward on the city fringe.

"Infill developments ... are especially important because they help reinvigorate existing neighborhoods with new

residents supporting local businesses, schools and houses of worship," he said. "Infill development is also more environmentally friendly because building in mature areas utilizes existing infrastructure, reduces commute time and has less impact on traffic and air quality."

### More demand than supply

Urban new-home construction is only one trend in Phoenix's recovering residential real-estate market.

The metro Phoenix market overall is experiencing high demand from buyers for homes and not enough supply, Orr said.

Numerous constraints have led to a lack of supply, Orr said. These constraints include a shortage of vacant lots that investors are willing to turn over to builders; fewer foreclosed, short-sale and resale homes on the market; and a lack of labor to build homes after construction workers left Arizona in exodus when the housing market collapsed.

"The market has kind of gone the completely other way (from the boom years of 2005 and 2006)," Orr said. "Back then, there were too many homes and not enough buyers. The market is improving quite dramatically, but it would

be less stressful if it improved more steadily."

However, builders and developers have created a significant rise in the number of permits issued to build new homes. In 2012, Phoenix issued a little more than 12,000 such permits, a 70 percent increase from 2011. This year, Belfiore expects the city to issue about 19,500 permits. A normal market would have between 35,000 and 40,000 new permits issued annually, he said.

Home prices also are rising, partially due to high demand and low supply, but also because of the rising cost of lot prices.

The Valley leads the U.S. for home-price increases, according to S&P Case-Shiller. The median price of a metro-Phoenix home climbed 34 percent in 2012, from \$122,500 at the end of 2011 to \$164,000 at the end of 2012. The median price of a new house climbed almost 15 percent during 2012 to reach \$240,000.

### 'Cautiously optimistic'

Despite positive changes in the Phoenix market, those who follow the city's real-estate recovery are quick to say the market isn't out of the woods yet.

"Anything that is better than the year before is good news, but it still hasn't reached a point where any of us would consider Phoenix a normal market," Phoenix Councilman Sal DiCiccio said.

And while Orr is optimistic about increased building, he points out that the number of new builds in Phoenix isn't even a third of what it was in the 1990s, despite Phoenix's growing population.

"Since 2002, the market has either been going up or going down very fast," he said. "We could do with some quiet."

Legislative decisions, especially at the federal level, could take back gains, according to Spencer Kamps, vice president of legislative affairs for the Home Builders Association of Central Arizona, a trade association for the residential construction and development industry.

"At the end of day, the economy is good — things are looking positive and better, but everyone is cautiously optimistic," he said. "If interest rates took half a point rise, there would be a severe impact on consumer confidence. There are things out there that could cause anything to happen."