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February 07, 2007

## Insider numbers: here's what happened to the big home builders in the Phoenix bellweather in 2006

The Phoenix metro is such a bellweather for the national housing market that if a big builder doesn't have a good year there, odds are it's not going to have a good year *period*. Pulte (PHM), for example, just reported a [negative year-end quarter](#) for 2006, and we now know that closings for its Del Webb subsidiary in Phoenix were down 26 percent last year.

The data comes from [Frank Owens](#), a real estate industry figure in Phoenix and executive search consultant, who collected the numbers individually from 45 builders who are active in that market to create the proprietary table below ([the full spreadsheet is on Owens' site](#)). You won't see these stats in the *New York Times* or *Wall Street Journal* because the big builders -- especially the publicly-traded ones -- rarely break out their activities by individual metros.

	2005	2006	History to 2006 Growth	2005-2006 Growth	Rank in '06	Rank in '05
Pulte Homes	2,819	2,630	9.36%	-6.70%	1	1
Richmond American	2,625	2,598	13.34%	-1.10%	2	4
Dielz-Crane Homes	2,223	2,500	38.42%	12.46%	3	6
Meritage Homes*	2,151	2,420	24.25%	12.51%	4	9
Engle Homes*	2,204	2,202	29.48%	-0.09%	5	7
Continental Homes	2,898	2,068	0.07%	-23.42%	6	2
Del Webb*	2,856	1,950	0.54%	-28.58%	7	3
KB Home	1,788	1,851	13.49%	3.52%	8	12
Beazer Homes	1,835	1,578	-1.54%	-14.01%	9	10
Shea Homes*	2,573	1,520	0.66%	-40.92%	10	5
Centex Homes	1,532	1,490	10.05%	-2.74%	11	13
Standard Pacific	1,803	1,400	28.53%	-22.35%	12	11
US Home	748	1,343	10.61%	79.55%	13	21
Taylor Woodrow	1,009	1,245	25.37%	23.39%	14	17
Fulton Homes	2,202	1,090	1.41%	-50.50%	15	8

Phoenix has stood alone among housing markets: [no where else in the U.S. can so many builders get these kinds of volumes](#). In 2005, nine builders and/or subsidiaries racked up more than 2,000 closings each.

But Owens' data shows that that number fell to six last year, and he predicts it will be down two or three in 2007. In fact, he and his industry sources are betting that total closings for the market will fall to 35,000 -- about the same as they were in 2002.

Another piece of news that pops out of the intelligence that Owens collected is just what an [annus horribilis](#) it was for hometown player, Fulton Homes, as well as Shea, the largest privately-held builder in America: they were down 50 and 40 percent, respectively, in greater Phoenix.

But the full brunt of sales declines won't show up in the revenues of any of these companies until this year, argues Owens. "The irony is that most of the builders made significantly more money in 2006 than they did in 2005. Their closings were way off but their revenues rose because they raised their prices so much the the first six months of 2006. The telltale year will be 2007.

"Earnings will drop because they're in a price war, and offering incentives to unload inventory. There was a huge over-supply.

"The big question in Phoenix right now is how much of that inventory is held by speculators, and how long will it take to clear out? Seven or eight months, a year and a half? No one really knows."

Posted by Paul Kaihla on February 07, 2007 at 12:39 PM in [Real estate, no additives or antibiotics](#) | [Permalink](#)

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**Comments**

Currently we are showing 4200 plus spec homes available for movein. Under all builders, there are a total of 4900 possible models that are available. Current resale listings are at 45,700 with about 40% of them vacant.

Posted by: Tom | [February 07, 2007 at 07:21 PM](#)

Well,

I make six figures but can't afford a condo, even with over 700 pt credit score. You wonder why sales are off? WHO YOU GOING TO SELL TO AT THESE PRICES?

Posted by: Mike | [February 08, 2007 at 10:38 AM](#)

Where are the bulls?

Posted by: ED | [February 08, 2007 at 01:29 PM](#)

Where are the bulls?...They turned into PIGS and then got slaughtered. Greed is good, but it has its limits.

Posted by: Patrick | [February 09, 2007 at 05:43 AM](#)

My prediction...in 2011 houses will be 43% cheaper than what they are now.

Posted by: cindy | [February 09, 2007 at 06:58 AM](#)

Mike, if you make 6 figures a year and can't find a condo you can afford, GET A NEW REAL ESTATE AGENT!!! There are a lot of deals out there right now. Phoenix problem is the over supply....not the prices right now. If you think you can live in a place that has all that Phoenix has to offer with cheaper housing....good luck. There is a reason Phoenix was #1 in population growth and economy last year. The builder's incentives have made it tough on anyone who is trying to sell their house right now, but the incentives will eventually go away....like the article stated, it's just a matter of when. Until then, rent your houses. There are a lot renters out there right now as well. I love this place!!!!!!!!!!!!!!

Posted by: Eric | [February 09, 2007 at 12:43 PM](#)

Do to the overbuilding and a lack of proportionate increase in salaries housing prices will not appreciate for atleast 3 years, at 6% per year lost that's 18%. Plus the stockmarket can make atleast that over the next three years. That tells me prices need to come down at least 36% to actually be a break even investment. Otherwise the cash is going overseas via PE. The deals we see are relative, but still not deals.

Posted by: V | [February 09, 2007 at 01:41 PM](#)

Frank updated the report again and soon numbers for Tucson will be made available.

Posted by: David | [March 24, 2007 at 09:54 AM](#)

Frank added a top 10 builder report to the same page.

Posted by: David | [April 03, 2007 at 08:22 AM](#)

Ouch!

Posted by: Allen Parsley | [April 12, 2007 at 03:02 PM](#)

Could Beazer have slipped due to their recent shady accusations? Sending out customer surveys offering \$100 for "great" reviews? So sad.

Posted by: Shaun McLane | [May 07, 2007 at 07:34 AM](#)

Flat Fee MLS in Arizona is the best way for builders to lessen the pain of overbuilding.

Look its either that or they become brokers...its not so hard...lol

<http://www.mlsisland.com>

Posted by: mike | [May 07, 2007 at 03:10 PM](#)

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