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November 28, 2006

Home-building halved in a real estate bellweath? A first proof for our Phoenix prediction

When I first met Rick Buss in the fall of 2005 he was working out of an office converted from a trailer home. A 37-year-old tech entrepreneur, he'd stepped up to take the job of [city manager of Maricopa](#), AZ, a freshly incorporated "boom village" south of Phoenix. He's been overseeing the nuts and bolts of [the buildout of America's newest instant city](#). Maricopa has tripled its population to 28,000 since I saw Rick, and is [projected to grow by more than 10 times that over the next two decades](#).

But right now it's in a dip in that trajectory: Rick provided an early confirmation of [the prediction reported here two weeks ago by Frank Owens that the output of the major builders in the bellweather Phoenix market would be halved by next year](#).

Rick estimates that Maricopa will have issued a total of 3,000 building permits for homes by the end of 2006. Last year, it did 6,600 permits. "I think Frank's estimate is amazingly accurate," Rick said on the phone.

Maricopa is where the minor builder, [Turner Dunn, flamed out over the past year -- and is now liquidating subdivisions courtesy of a Phoenix bankruptcy trustee](#). But Rick thinks this pocket of the Valley of the Sun bottomed in the summer, and claims that the inventory of homes on the market is shrinking. He also stressed that development has hardly stagnated in Maricopa. Bulldozers are currently grading the golf course for Avalea, a master plan where homebuilders like [Fulton](#) and [Shea](#) will erect more than 7,000 units over the next few years.

And Rick's [council](#) just green-lighted a 700,000 square-foot power center at the nearest freeway interchange led by Vestar, a southwest U.S. mall-developer. (Size benchmark: a Home Depot store is typically about 100,000 square feet). The deal is so new it's not even listed in the [project pipeline section on Vestar's site](#), and the developer is currently recruiting potential tenants like Target.

Rick himself has traded up quarters, and is now working out of a complex of 24 prefab offices. Plans are being drawn up for Maricopa's permanent city hall, and it's on a hiring spree. Rick is interviewing dozens of candidates for public works jobs, and the police department is adding 40 officers. Let's also congratulate Rick for putting his money where his mouth is, so to speak -- he just bought a home in Maricopa.

Posted by Paul Kaihla on November 28, 2006 at 12:51 PM in [Real estate, no additives or antibiotics](#) | [Permalink](#)

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Maricopa is experiencing a lot of pain. A realtor sent me info on a property that he could pick up for \$58/sq. ft. out there- and that was without any negotiating. I drove around in Maricopa after dark a few weeks ago (one of the better ways of determining how many homes are really empty) and it's a market in meltdown out there.

I'm assuming the continued development means that in spite of recent slowdowns, builders intend to skinny margins and squeeze the resellers- I see no other explanation for the increasing number of developments in the area. I see this happening not only in Maricopa, but across the Phoenix metro.

- Debi at [HousingDoom.com](#)

Posted by: [Twist](#) | [November 29, 2006 at 04:33 PM](#)

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