

Scottsdale condo conversion market hits wall

by **Peter Corbett** - Jul. 24, 2008 03:24 PM
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SCOTTSDALE - Anybody want to buy a condo conversion?

Not so much.

Three years ago, Montecito Property Co. LLC boasted of selling 316 Scottsdale condominiums, converted from apartments, in less than four hours for a combined \$60 million.

Now, only 80 Scottsdale condo-conversion units sold in the first four months of this year, according to Shaun McCutcheon, a senior analyst of the Sullivan Group Real Estate Advisors.

That is down from 340 sales for the same period a year ago.

The good news is that the median price of \$240,000 is up nearly 5 percent.

Not that new condominium sales are any better in Scottsdale.

Fifty-one new condos sold from January to the end of April, down from 167 the previous year, while the median price of \$647,000 fell 5 percent, McCutcheon said.

Meanwhile, some of the condo-conversion projects were put on hold and rental tenants returned to some complexes. Others apartment complexes sit vacant or with just a fraction of units occupied.

In some cases, investors have created a shadow sales or leasing market competing with the developers to sell or lease the units.

That of course is good for bargain-seeking buyers and renters.

Condo buyers are wary

Cal DeSouza, managing partner of Belleview Communities, said buyers are nervous but they are out there.

"They want to know that they are going to be safe" with their investment, De Souza said.

He has been doing condo conversions and other real estate development for more than 15 years in the Valley.

Belleview Communities has been selling condo-conversion units since March 2006 at the Plaza Residences, 7009 E. Acoma Drive, just south of a Kierland-area office park.

About 300 of 350 units have been sold, with prices starting at \$200,000 for a two-bedroom condo, DeSouza said.

Canadians tap market

Belleview, which has other Valley communities, is marketing its condos to Canadian buyers primarily in Alberta.

The Canadian dollar is strong in the United States and Alberta's economy is flush with oil and gas profits, said DeSouza. He grew up in Toronto and lived in Calgary before coming to Arizona in 1992.

More than 30 percent of recent sales have been to Canadians, DeSouza said.

He said he still believes in the local real estate market.

DeSouza recently bought 230 apartment units on McCormick Ranch, with no plans to convert it to condos.

He also is working on two projects in downtown Phoenix. That includes 70 condos at Third Avenue and Fillmore Street and a 130-room Aloft hotel at Central Avenue and Adams Street.

Area's foreclosures soar

There is plenty of pain in the 640 foreclosures in Scottsdale for the first half of this year, an increase of 378 percent from a year ago.

But foreclosures on homes in some other Valley communities are far higher relative to their population.

Phoenix led the Valley with 5,872 foreclosures, followed by Mesa with 1,575 and Glendale with 1,251.

Then it was Surprise, 958; Gilbert, 843; Chandler, 710; Avondale, 667.

And then Scottsdale at No. 8.

Who knew that there were even 667 homes in Avondale?

And there is more pain coming with 1,543 notices of trustee sales - the precursors to foreclosures - issued to Scottsdale homeowners for the first half of this year. That is an increase of 183 percent from the same period in 2007.

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