LONG REALTY
A BERKSHIRE HATHAWAY AFFILIATE

ARIZONA HOUSING
State of the Market

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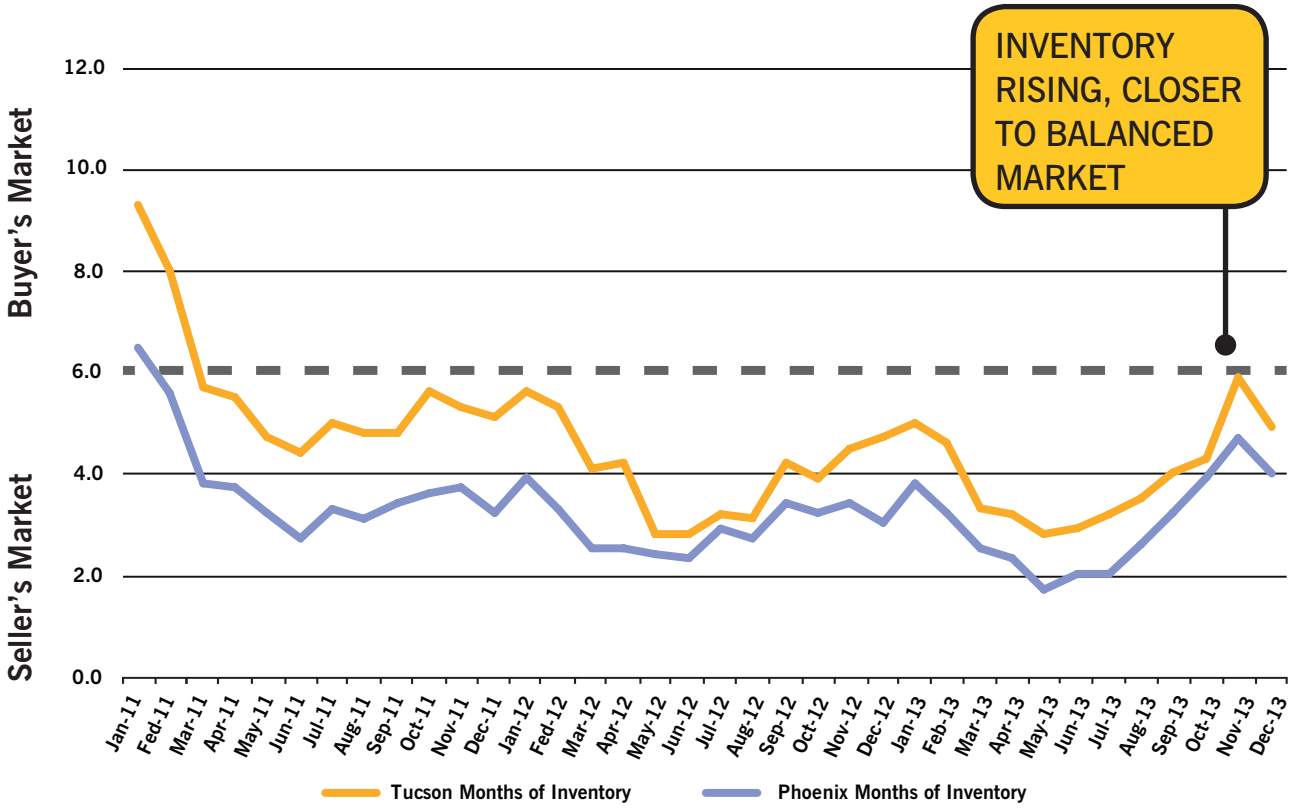
Edition 1 | 2014

In 2013 we saw a continuation of Arizona's housing recovery, which started late in 2011. ***We expect the housing recovery to continue in 2014 with a slower pace of growth and with only modest price appreciation.***

THE SHIFT FROM A BUYER'S MARKET TO A SELLER'S MARKET TO A BALANCED MARKET

During the housing recovery, we saw demand outpace supply of homes which led to a shift from a buyer's market to a seller's market. Distressed sales, selling at discounted prices, were quickly absorbed by buyers and investors while new construction starts lagged. In the last few months of 2013 we saw an increase in inventory levels as more home owners put their properties on the market. ***We forecast a more balanced market in 2014 and greater competition for sellers to attract buyers.***

TUCSON AND PHOENIX MARKET CONDITIONS



Source: These statistics are based on residential information obtained from TARMLS and ARMLS on 01/06/2014. Information is believed to be reliable, but not guaranteed.

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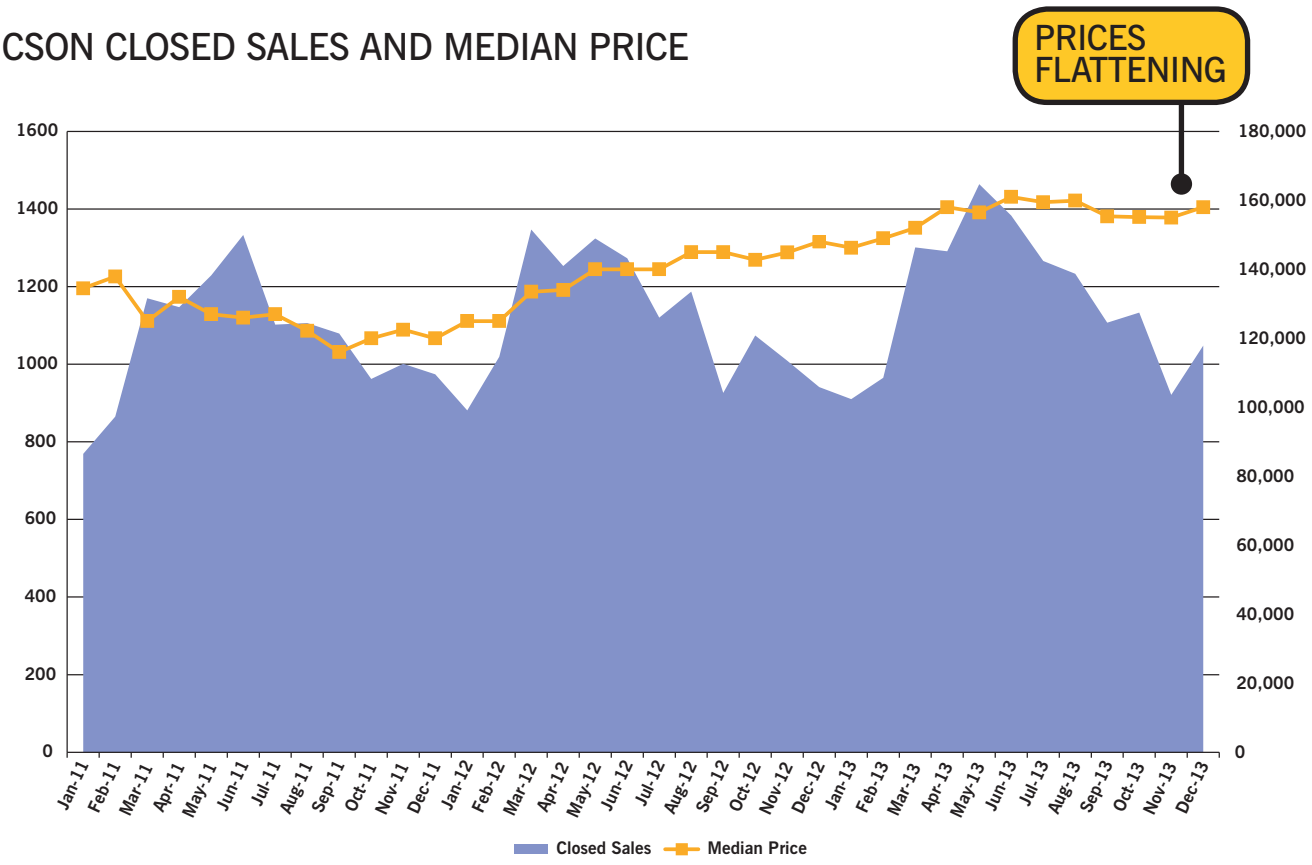


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TUCSON HOMES SALES AND PRICES INCREASED IN 2013, BUT HAVE FLATTENED IN FOURTH QUARTER

The Tucson housing market reached its bottom in the fall of 2011. Since then both sales and prices have risen consistently, until the fourth quarter where we saw a leveling off of the market. Distressed sales were down to 30% of all residential sales in 2013 from 40% in 2012. ***We expect a more balanced market in 2014 with only modest pricing appreciation.***

TUCSON CLOSED SALES AND MEDIAN PRICE



	2013	2012	% Difference
Tucson Closed Sales	14,022	13,354	5.0%
Tucson Median Price	158,000	148,000	6.8%
Tucson Months of Inventory	4.9	4.7	4.3%
Green Valley Closed Sales	1,118	981	14.0%
Green Valley Median Price	146,000	135,000	8.1%
Green Valley Months of Inventory	10.5	11	-4.5%
Sierra Vista Closed Sales	1,124	1,022	10.0%
Sierra Vista Median Price	130,000	139,900	-7.1%
Sierra Vista Months of Inventory	9.8	8.5	15.3%

Source: These statistics are based on residential information obtained from TARMLS, GVSAHMLS and SEAMLS on 01/06/2014. Information is believed to be reliable, but not guaranteed.

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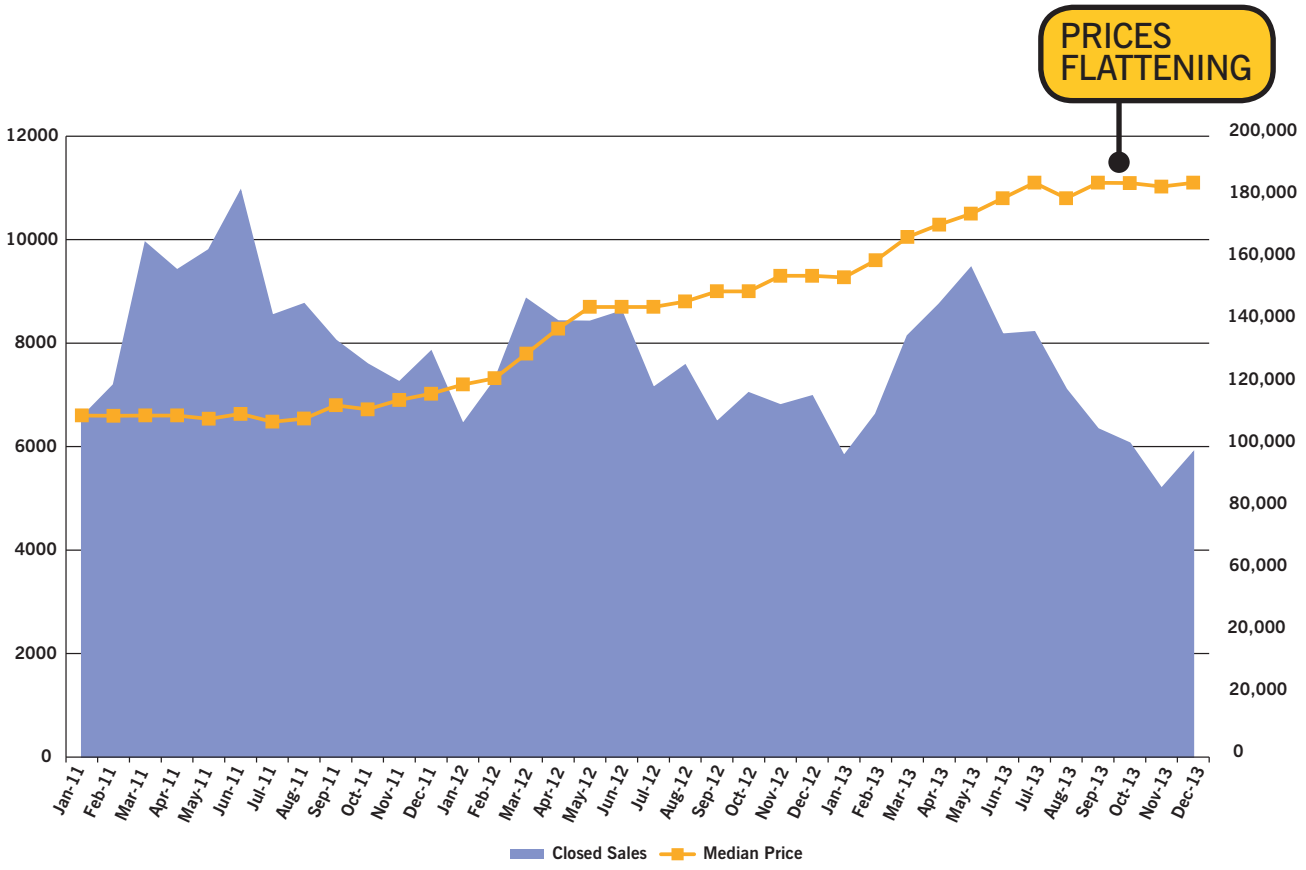


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PHOENIX MARKET STARTS TO COOL OFF IN 2013

The Phoenix housing market reached bottom in early 2011. Since that point, prices rose quickly, creating a seller's market and driving prices upwards. In the last half of 2013 we saw sales rates slow, inventories grow and prices level off. Distressed sales were down to only 19% of all residential sales in 2013, from 40% in 2012. *We expect a more balanced market in 2014 with only modest pricing appreciation.*

PHOENIX CLOSED SALES AND MEDIAN PRICE



	2013	2012	% Difference
Phoenix Closed Sales	85,775	90,034	-4.7%
Phoenix Median Price	185,000	155,000	19.4%
Phoenix Months of Inventory	4	3	33.3%

Source: These statistics are based on residential information obtained from ARMLS on 01/06/2014. Information is believed to be reliable, but not guaranteed.

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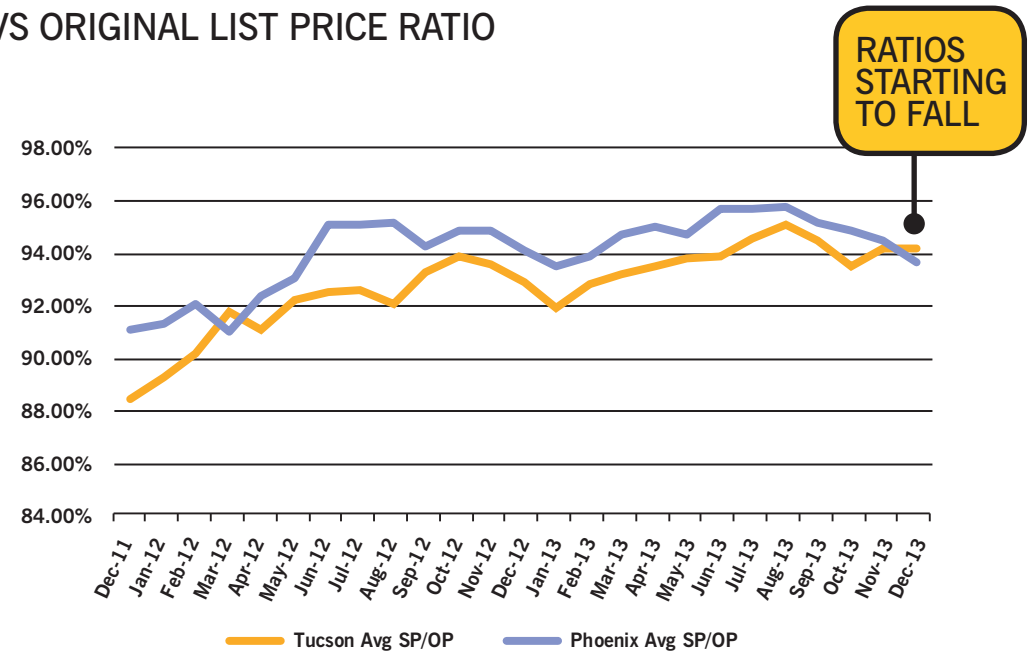


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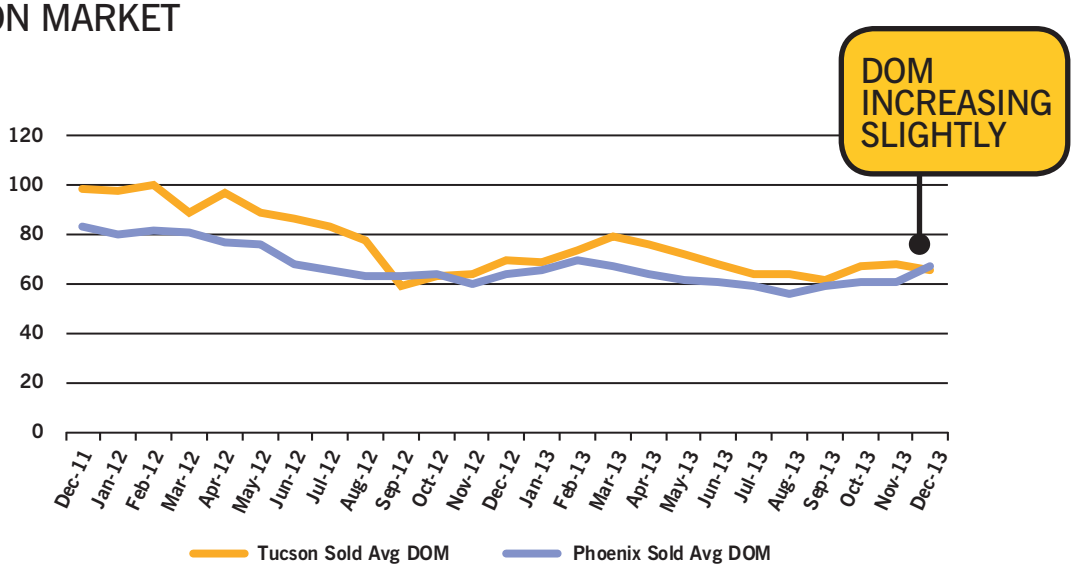
IT'S A PRICE SENSITIVE MARKET, AGAIN

Recent trends show that listings are selling at a lower percentage of original list price, meaning buyers are demanding lower prices. Listings are also starting to take longer to sell. *In 2014 we can expect a return to a more price sensitive market and more competition for sellers than during the last 2 years. "Value priced" listings will sell quickly, while those not priced correctly are less likely to sell.*

SALES PRICE VS ORIGINAL LIST PRICE RATIO



SOLD - DAYS ON MARKET



Source: These statistics are based on residential information obtained from TAMLS and ARMLS on 01/06/2014. Information is believed to be reliable, but not guaranteed.

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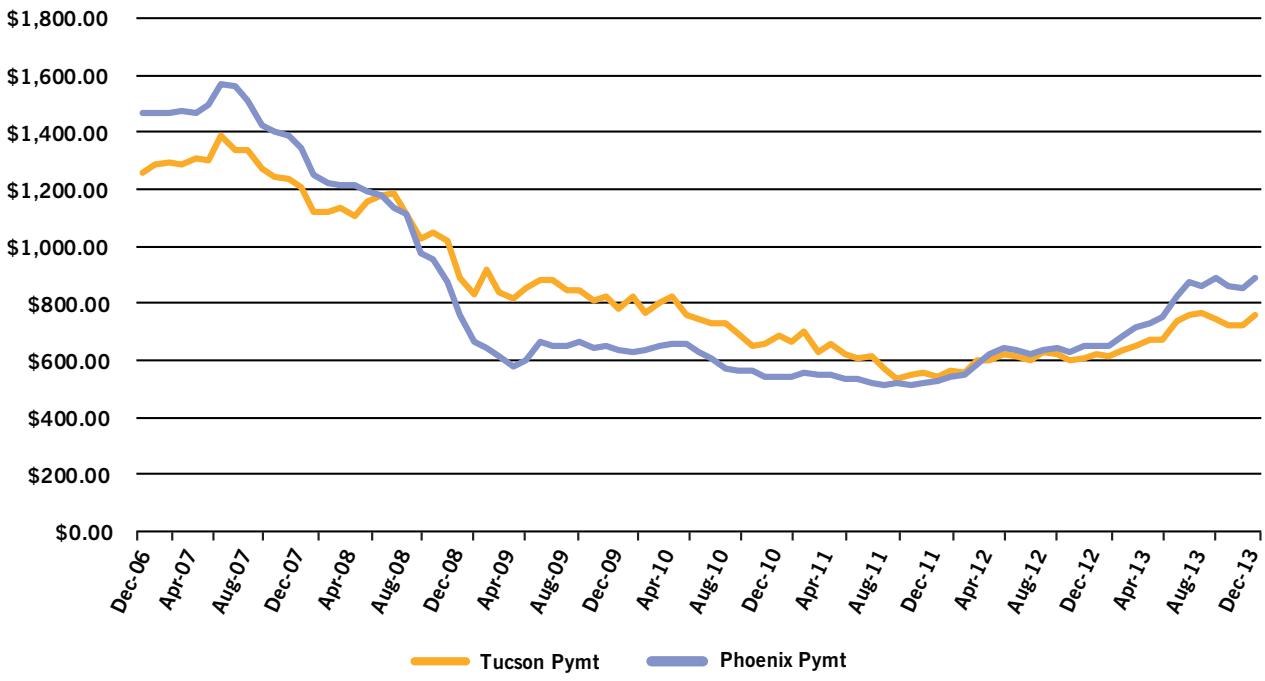
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COST OF PURCHASING A HOME UP SLIGHTLY BUT WELL OFF HIGHS

The housing bust resulted in lower home prices and record low mortgage rates. This helped to fuel the recovery as buyers took advantage of increased affordability.

Mortgage rates are expected to rise in 2014 to over 5%, effectively reducing the purchasing power of buyers. We do not anticipate any measured restriction to financing for borrowers from new government lending regulations which go into effect in 2014.

MONTHLY PRINCIPAL AND INTEREST PAYMENT ON A MEDIAN PRICED HOME



MONTHLY MORTGAGE PAYMENT - PRINCIPAL & INTEREST

	2006	2011	2012	2013
Tucson	$1,257.48	$540.97	$618.87	$756.97
Phoenix	$1,465.61	$527.45	$648.14	$886.33
Green Valley	$1,271.93	$575.91	$564.51	$699.48
Sierra Vista	$1,201.22	$649.17	$585.00	$622.82

Source: Data obtained 01/06/2014 from TARMLS , ARMLS, GVSAHMLS and SEAMLS. Monthly payments based on a 5% down payment on a median priced home. All data obtained is believed to be reliable, but not guaranteed.

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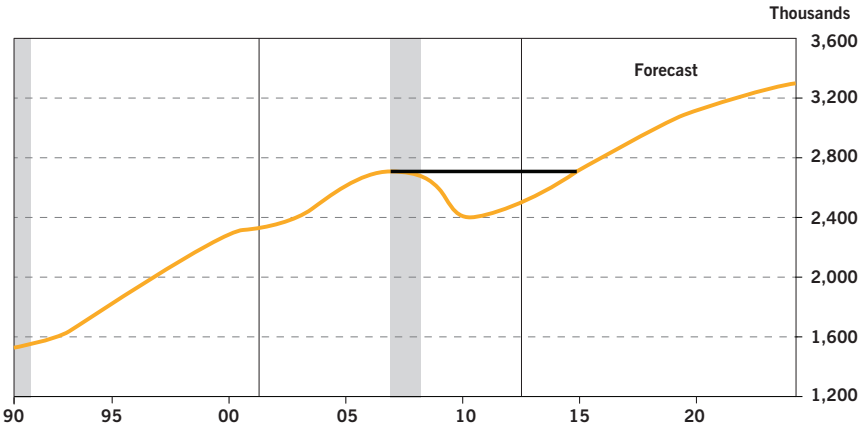
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JOBS ON THE RISE AND CONSUMER CONFIDENCE FLUCTUATES

Macro-economic factors clearly affect the housing market here in Arizona. During the recession job numbers declined dramatically but have since started to recover. Employment is forecasted to continue to increase and get back to pre-recession levels by 2015.

Consumer confidence has fluctuated month to month and is still tentative, yet is higher in January 2014 than it was in January 2013. An increase in consumer confidence can yield a stronger housing market, while a decrease can curb housing growth.

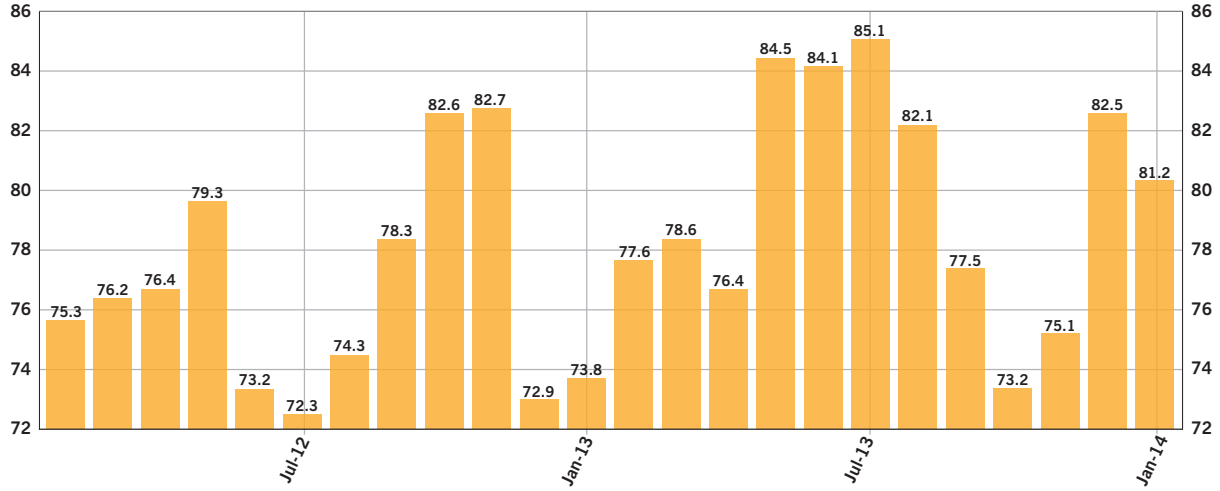
ARIZONA JOBS GET BACK ON EVEN TERMS IN 2015: ARIZONA TOTAL NONFARM EMPLOYMENT



Source: University of Arizona Eller College of Management, Economic and Business Research Center, 12/1/13 report.

UNITED STATES CONSUMER SENTIMENT

Consumer sentiment index measures consumers' attitudes towards the economy, the higher the index the greater the consumer sentiment. The index surveys people on their feelings about their individual financial situation, and the overall economy's situation in the present and in the future.



Source: Tradingeconomics.com - Thomson Reuters / University of Michigan.

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LONG REALTY CONTINUES TO LEAD THE OVERALL MARKET RECOVERY

Tucson	Units Jan-Dec 2012	Units Jan-Dec 2013	% diff
Long Realty	7,123	7,510	5.4%
Non-Long Realty	21,704	22,279	2.6%
Total Market	28,827	29,789	3.3%

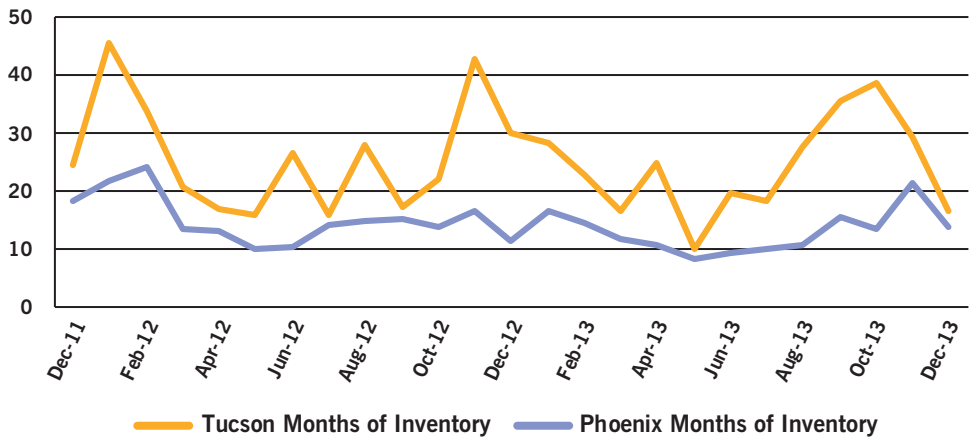
Phoenix	Units Jan-Dec 2012	Units Jan-Dec 2013	% diff
Long Realty	1,767	2,314	31.0%
Non-Long Realty	176,967	167,922	-5.1%
Total Market	178,734	170,236	-4.8%

TUCSON LUXURY MARKET RECOVERY LAGS PHOENIX, COMPETITIVELY PRICED HOMES STILL SELL

The Tucson luxury market is still experiencing an excess supply of homes for sale compared to Phoenix's luxury market demands. With on average only 11 luxury home sales in Tucson a month in 2013, we see wide fluctuations in the monthly absorption rates based on actual sales. Luxury is defined as $800,000 or higher.

Luxury homes that are value priced will continue to sell, those that are not will be challenged to find a buyer and sellers should re-evaluate pricing.

LUXURY MARKET - MONTHS OF INVENTORY



Source: Data obtained 01/06/2014 from TARMLS and ARMLS using BrokerMetrics Software. All data obtained is believed to be reliable, but not guaranteed.

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ARIZONA IN THE NEWS

Tucson named one of the top 25 places to retire in 2014 – *Forbes Magazine* http://onforb.es/1enEVJe

Tucson and Phoenix both named one of the 35 best cities for People 35 and Under – *Vocativ Livability* **Index** http://bit.ly/1evyeTL

Tucson's startup scene among the "New Hot Spots" for entrepreneurs – *Entrepreneur Magazine* http://bit.ly/1evymml

Tucson named one of the Top 10 Cycling Cities in the US – *Travel Channel* http://bit.ly/1nPa0rG

Phoenix named one of the top 10 destinations to move to – *Penske Truck Rental* http://cnnmon.ie/1ikTdc5

Arizona-Sonora Desert Museum named one of the Top 10 museums in the US – *Trip Advisor* http://bit.ly/1lyWutQ

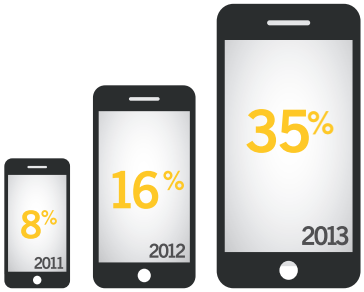
Phoenix named one of nation's best hiking cities – *National Geographic* http://on.natgeo.com/1c0A3Uq

Sierra Vista named as one of the best places to live "Least Crowded Towns" – *CNNMoney* http://cnnmon.ie/1jcC2gh

Green Valley Region Highlighted as Place to Retire – *Where to Retire Magazine* http://bit.ly/1aDI4ER

GROWING USE OF MOBILE FOR REAL ESTATE SEARCH

Mobile devices are quickly becoming a primary way to get real estate information. In 2013 over 35% of online searches with Long Realty were from a mobile device. Recently Long Realty expanded its mobile presence with a new consumer app.



DOWNLOAD THE NEW LONG REALTY MOBILE APP

Search active, pending and closed sales across Arizona from your iPhone, iPad and Android device.

To get my app, visit:
longrealtyapp.com/terryenright
from your mobile device.

The housing market in Arizona continues to shift, most recently from a seller's market to a more balanced one. Inventory of homes for sale has risen and prices have flattened. We expect the housing recovery to continue in 2014 at a slower pace of growth compared to the past 2 years.

Buyers continue to look for value, forcing sellers to be very aware of asking price. This gap in perceptions between some buyers and sellers makes a review of pricing strategy prudent for sellers; especially at mid to upper price points and for those on the market for 2 months or more. Buyers need to accept the reality that the "foreclosure bargains" of 2012 and 2013 are few and far between.

These constant market shifts accentuate the wisdom in hiring a real estate professional from Long Realty to correctly navigate the most current market conditions. For the most current Housing Report for your area, visit my website or contact me.