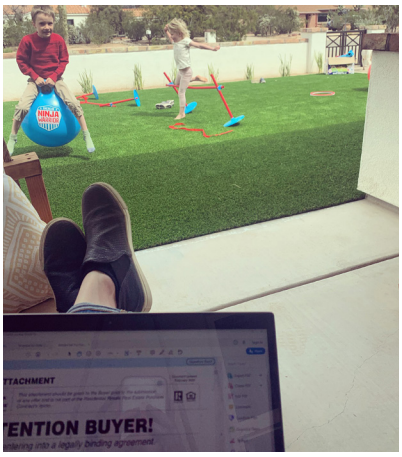










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# State of the Market Report | 2020 Mid Year

## Tucson and Southern Arizona

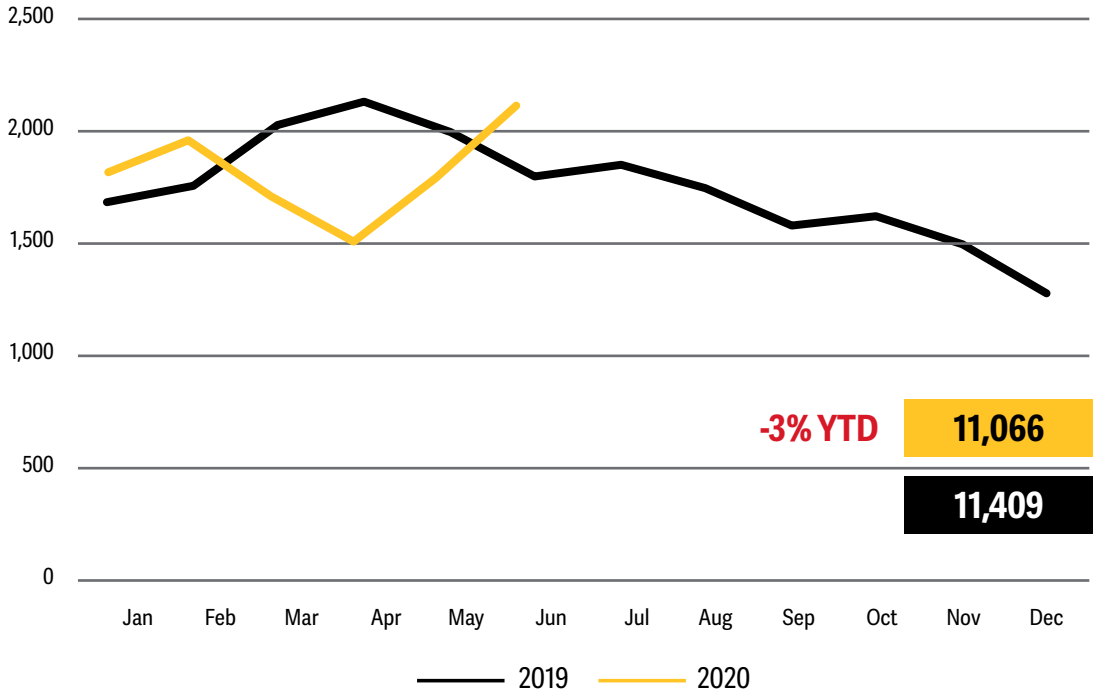
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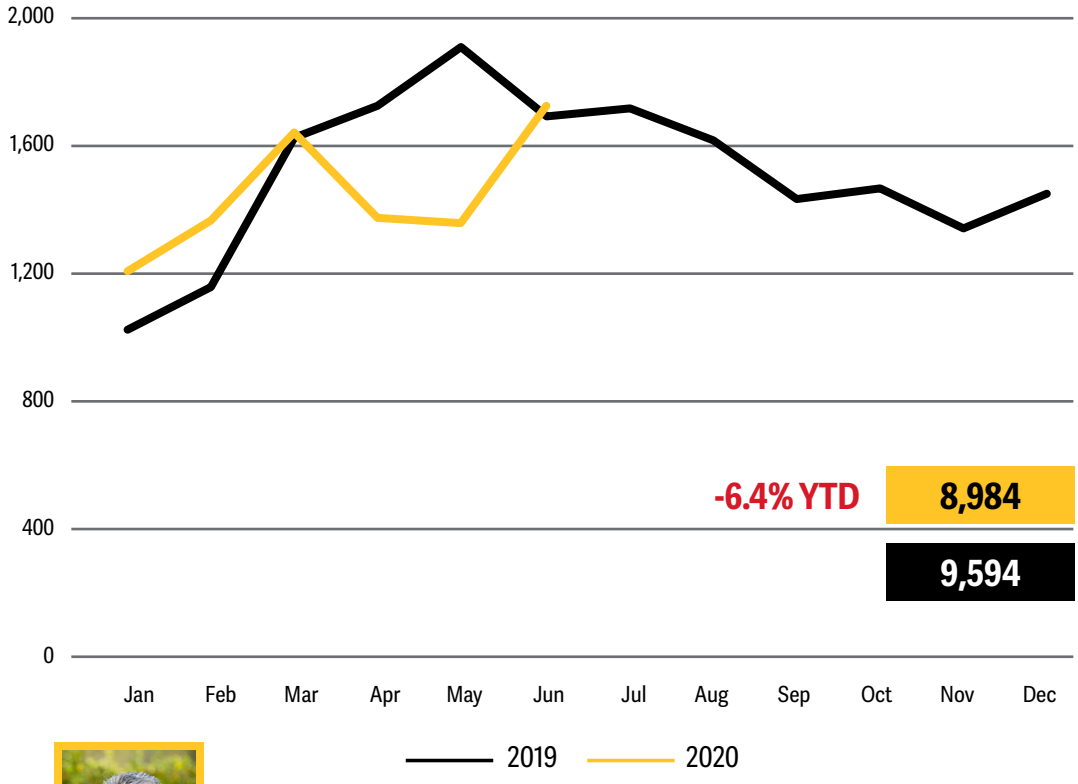
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## Residential Pending Sales (listing under contract) — Tucson Metro

**V-Shaped Housing Recovery**
After a robust start to the year, pending home sales in the Tucson metro experienced a dip in new activity in March and April due to the COVID-19 pandemic. In April, new pending sales decreased 29% from April '19. As the industry adjusted quickly to virtual showings and social distancing to safely conduct essential real estate business, new pending sales increased 19.6% in May, and June recorded the highest number of new pending sales in the last 24 months.




## Closed Residential Sales — Tucson Metro




**Home Sales To Increase**
Closings on home sales typically occur 45–60 days after a listing goes under contract. Therefore, while closings are down slightly by 6.4% versus YTD 2019, we expect they will exceed 2019 levels for the first part of the third quarter, based on the increased pending activity in May and June of this year. While the full economic impact of COVID-19 is yet to be understood, low mortgage rates and high buyer demand should have a positive impact on housing in 2020.

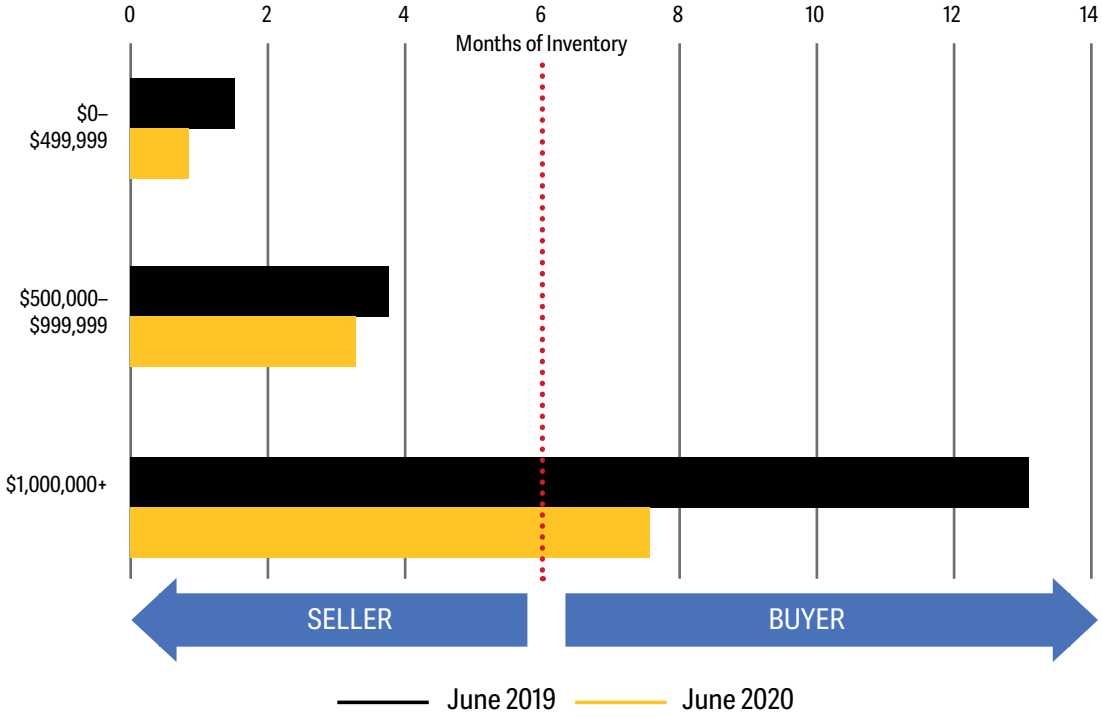


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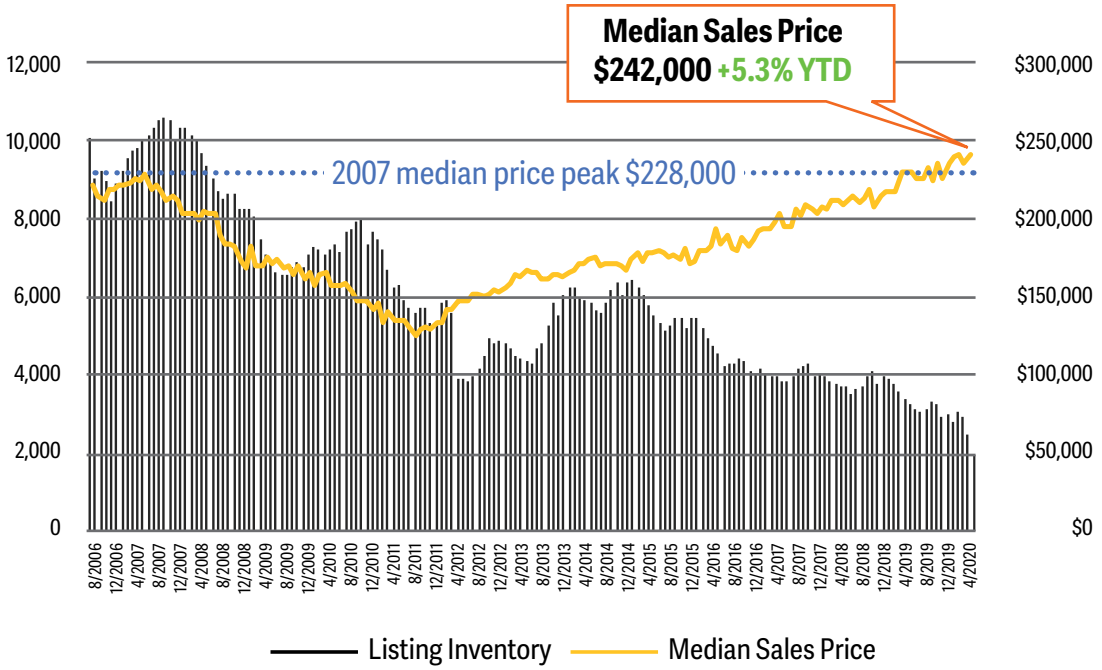
Statistics based on information obtained from MLSSAZ on 07/06/2020 using Brokermetrics software. Information is believed to be reliable, but not guaranteed.

## Market Conditions by Price — Tucson Metro

**Seller's Market Intensifies**
Due to continued low listing inventory and the robust level of buyer activity fueled by low rates, the Tucson area moves deeper into seller's market territory. Even in the luxury $1 million and up segment, an increase in buyer activity and shortage of marketable inventory moves luxury to a more balanced supply and demand. In the under $500k market, there is less than one month of inventory, a very tight seller's market, resulting in listings selling very quickly and in multiple offer scenarios.




## Listing Inventory and Median Sales Price — Tucson Metro




**Inventory Shortage / Price Gains**
Active listing inventory has fallen to new lows, fueled by high buyer demand and COVID-19 impacts. This limited and highly sought after supply will continue near-term to grow home price appreciation. These conditions are ripe for those considering selling a home.

**Inventory 3,057**

**-40% YTD**



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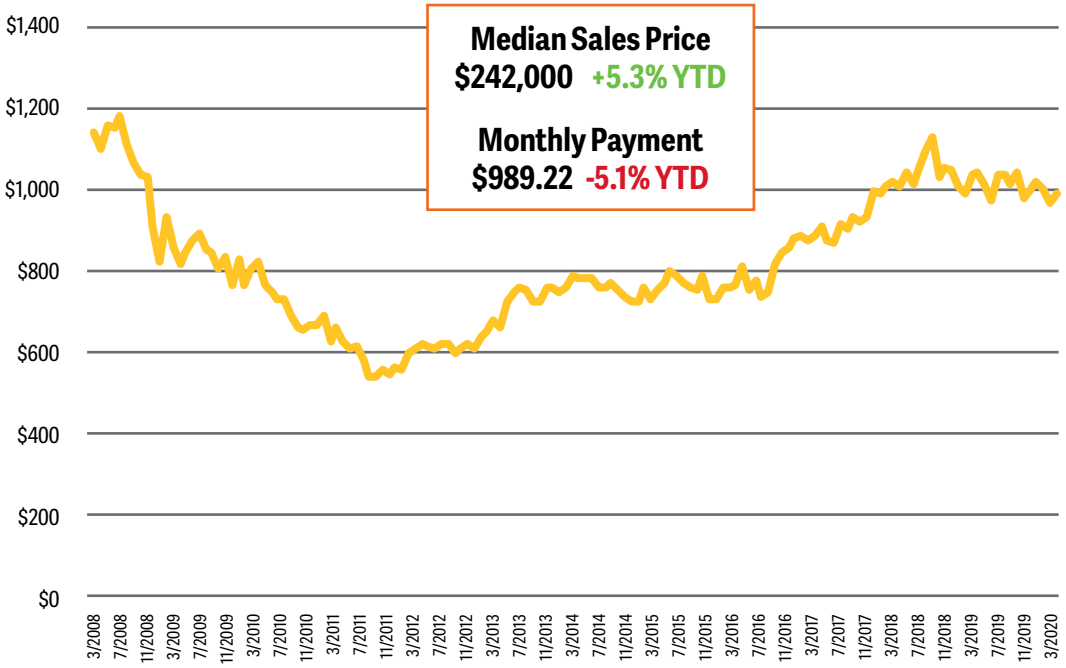
## Interest Rates Over Time

| 70s | 80s | 90s | 00s | 10s | TODAY |
|---|---|---|---|---|---|
| 8.86% | 12.7% | 8.12% | 6.29% | 4.07% | 3.07% |

**Historically Low Mortgage Interest Rates**
Buyers are currently benefiting from historically low mortgage interest rates. These low rates are driving both home purchases and a boom in refinances, lowering homeowners' monthly housing payment expense. The low rates and pent-up demand are fueling a rapid recovery for housing during the COVID-19 pandemic. While we expect rates to remain low in the short term, economists predict they will rise at some future point, so buyers should take advantage now.

Source: Freddie Mac

## Monthly Payment on a Median Priced Home — Tucson Metro




**Lower Monthly Home Payments**
Despite upwards pressure on home sale prices, historically low mortgage rates have actually improved affordability and lowered the monthly payment on a median-priced home in Tucson.



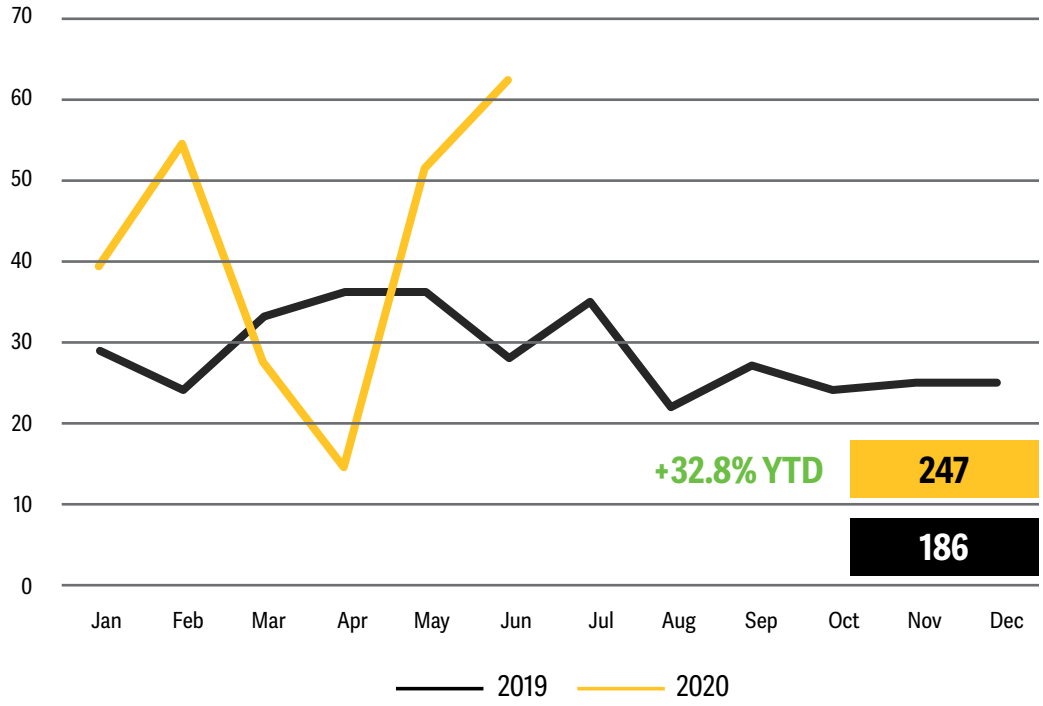
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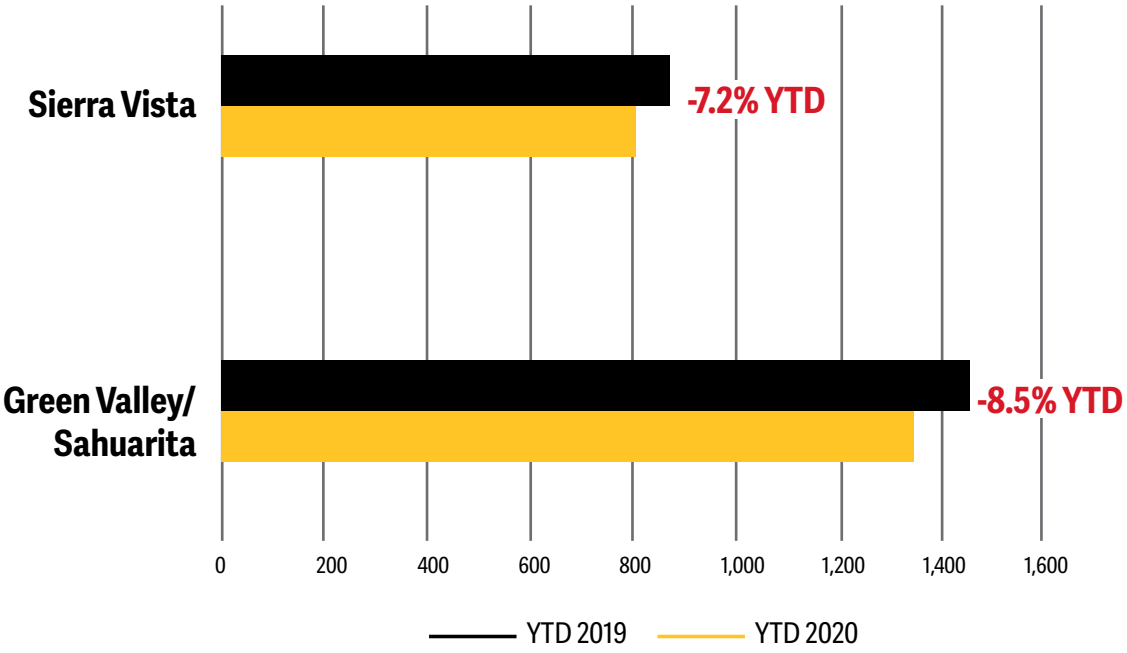
## Luxury Residential New Pending Sales — Tucson Metro

**Robust Luxury Sales**
The $800,000 and up housing market has experienced a robust increase in sales activity in 2020. Despite the COVID-19 pandemic, reduction in travel and an at times volatile stock market, affluent buyers have stepped up interest, and bounced back in earnest in May and June.

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## Sierra Vista and Green Valley/Sahuarita Closed Sales




**Southern Arizona Markets Follow Tucson**
While the Green Valley, Sahuarita and Sierra Vista markets saw dips in sales activity in March and April due to the COVID-19 pandemic crisis, they have rebounded quickly in May and June and made up much of the earlier losses in buyer activity.



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In these uncertain times, the future of our economy, housing and what additional impact COVID-19 may have is not entirely clear. That being said, many economists predict that the economy, while negatively impacted this year, will start to recover in the second half of 2020 and continue into 2021.

## Annual Forecast

**Home Sales Forecast To Rise**
COVID-19 certainly will have an impact on the economy this year. Dr. Lawrence Yun, Chief Economist for the National Association of REALTORS, believes that nationally home sales will be impacted downward this year but recover even stronger in 2021, partly fueled by the expectation of continuing low rates, economic expansion and job growth. Locally, we are seeing trends that our home sales rebound is happening faster.

| | 2019 | 2020 Forecast | 2021 Forecast |
|---|---|---|---|
| **GDP Growth** | 2.3% | -4.5% | +3% |
| **Job Gains** | 2.2 million | -4 million | +2 million |
| **Home Prices** | 4.8% | 0% to 2 % | 1% to 3% |
| **Home Sales** | 0% | -10% to -15% | +13% to +18% |

Source: National Association of REALTORS, Dr. Lawrence Yun

## 2025 to 2030: Delayed Inflation

| | Future Possibilities |
|---|---|
| **Inflation Rate** | 4% to 7% |
| **Mortgage Rate** | 6% to 9% |
| **Home Sales** | Negative |
| **Homeownership Rate** | 62% |
| **Home Price Appreciation** | 5% to 10% |
| **College Tuition, Medical Expenses** | Rising |
| **Income, Rent, Food** | Rising |
| **Mortgage Payment for those who bought in 2020–2021** | Not Rising |

Source: National Association of REALTORS, Dr. Lawrence Yun

**Hedging Possible Future Inflation Now With A Lower Housing Payment**
Dr. Yun also forecasts that the government economic stimulus and economic policies related to the pandemic crisis may lead to future increases in inflation, affecting household goods, education costs, rent, home prices, food and other goods and services. One way to offset future inflation is by locking in a home purchase or refinance now at these historic low rates, to have a fixed monthly house payment, sheltered from future inflation.



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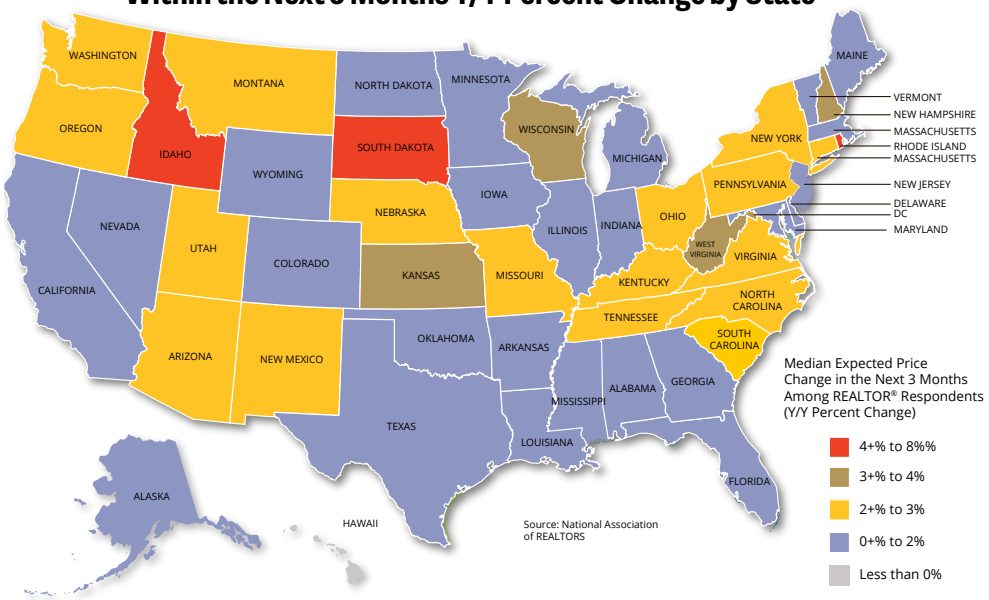
# Home Prices Forecast to Rise

**Economists Bullish on Home Prices**
These economists are forecasting home prices to rise moderately this year, and increase at a higher rate in 2021 and into 2022. This is driven by economic and employment expansion, an expectation of continued low mortgage rates and on the supply side a continuation of limited availability related to home inventory for sale, including resale and new construction. Forecasters are not predicting a drop in prices.

| Source | 2020 | 2021 | 2022 |
|---|---|---|---|
| Mortgage Bankers Association | +4.3 | +3.2 | +2.4 |
| Zelman & Assoc | +3.0 | +4.2 | +4.6 |
| Fannie Mae | +0.4 | +2.1 | N/A |
| National Association of Realtors | +3.8 | +2.1 | N/A |
| Freddie Mac | +0.4 | +0.7 | N/A |

Source: Keeping Current Matters

**Within the Next 3 Months Y/Y Percent Change by State**




**REALTORS Anticipate Prices to Rise**
Like economists, REALTORS "on the street" across the country are anticipating prices to be stable or in some cases rise moderately this year. In Arizona, REALTORS are expecting prices to rise in the 2%–3% range (from prior year). This bodes well for buyers who may see short term price and equity gains on purchases, and sellers who are looking to optimize the pricing on their home sale now.

# In Closing...

2020 has proven to be a challenging year, with many unknowns. One thing we do know though, is the underlying resiliency and strength in our local housing markets. If you are considering buying, the very attractive mortgage rates could benefit you. Just be prepared to act quickly and aggressively when making offers. For those considering selling, the conditions are ideal to do so. With safety guidelines and practices in place, and virtual marketing and showings, you can have a successful sale with everyone involved in your transaction maintaining proper safety measures. It is also a good time to have an updated analysis completed on your home's current value. Contact me for a complimentary home value analysis, or any other real estate needs.



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