TUCSON AND SOUTHERN ARIZONA

END OF YEAR HOUSING REPORT



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HOUSING MARKET TRENDS

For the overall real estate market in Tucson and southern Arizona, the Seller's Market conditions continue. The inventory of homes for sale continued to decline in 2017, while sales increased further. The shortage of listings has not been a drag on home sales, however it has contributed to a **10% increase in median price.** This has created a very competitive environment, especially at lower price points. At the higher end of the market, there is still an oversupply of homes. We expect continued strength in the real estate market in 2018.



TUCSON RESIDENTIAL HOME SALES AND LISTING INVENTORY





| SIERRA VISTA | | |
|---------------------------------|-----------|---------|
| % C | Change fr | om 2016 |
| Closed Residential Sales | +9% | |
| Active Listings* | -10% | 1 |



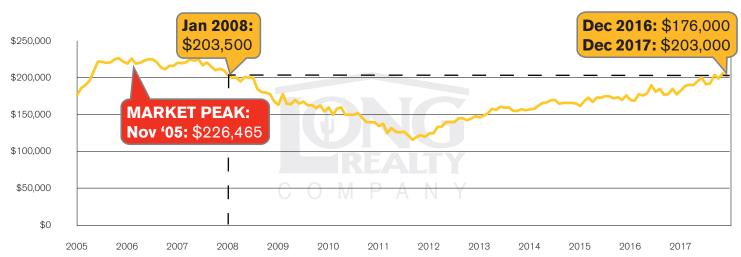
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* Active Listings reflect the percent of change from December 2017 vs December 2016. Statistics based on information obtained from MLSSAZ, GVSAHMLS and SAMLS on 01/04/2018. Information is believed to be reliable, but not guaranteed.

TUCSON MEDIAN SALES PRICE

The median price of sold homes in Tucson was **\$203,000** in December 2017 and **\$193,000** for all of 2017. Prices have recovered to January 2008 levels and are 90% recovered from the market's peak of **\$226,465** in November 2005.



| Area | Median Sales Price in 2017 | % Change from 2016 | Trend | IN 2017, # |
|--------------|-------------------------------|-----------------------|-------|------------------------|
| Tucson | \$193,000 | +10% | | IUCSON BANKED |
| Green Valley | \$163,000 | +5% | | MOST AFFORDABLE |
| Sierra Vista | \$142,500 | +10% | | Large City in the U.S. |

RECORD HIGH OPTIMISM For home financing

59% of consumers believe it is easy to get a mortgage.*

Average FICO scores on closed loans have remained lower in recent years with current average of **724.** For all your mortgage or refinancing needs, contact Long Mortgage Company.

AVERAGE FICO SCORE ON ALL CLOSED LOANS



Source: Ellie Mae



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* Source: Fannie Mae National Housing Survey, June 2017

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TUCSON MONTHS OF INVENTORY

Think of Tucson as a tale of 3 markets. The lower price range, especially under \$350,000, has a very tight supply of inventory and high buyer demand. In a Seller's Market like this, buyers need to move quickly and offer competitively.

The range from \$350,000 to \$600,000 is more balanced between supply and demand.

In the luxury market, \$800,000 and above, there is still an oversupply of homes for sale as compared to buyer needs. Though sales were up slightly, luxury sellers need to price very competitively to attract from the limited pool of buyers.

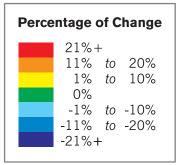


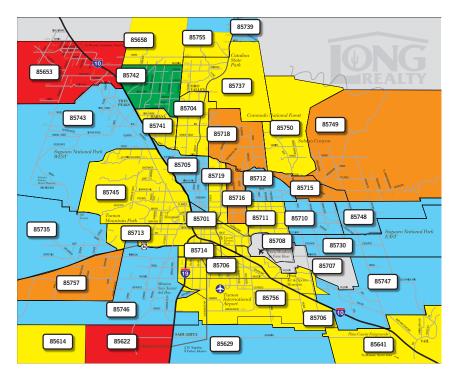


| | GREEN VALLEY | | SIERRA VISTA | |
|-------------------|-------------------|------------------|-------------------|------------------|
| Price Range | 3 Month Trend MOI | Market Condition | 3 Month Trend MOI | Market Condition |
| \$1-299,999 | 2.3 | Seller | 4.4 | Slightly Seller |
| \$300,000-499,999 | 6.7 | Slightly Buyer | 8.0 | Buyer |
| \$500,000-799,999 | 11.8 | Buyer | 6.5 | Balanced |

YEAR OVER YEAR CHANGE IN CLOSED HOME SALES

Many areas of metro Tucson experienced a growth in home sales in 2017 versus prior year. Some outlying areas saw a slight decrease. Market conditions can vary considerably by location and price, contact me for real estate information about your neighborhood.



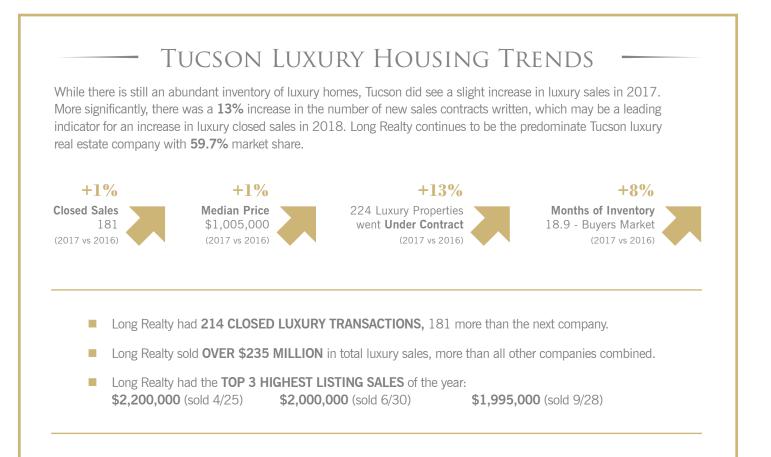




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Statistics based on information obtained from MLSSAZ, GVSAHMLS and SAMLS on 01/04/2018. 3 month trend in months of inventory is the average closed sales and active listings date from 10/01/2017 – 12/31/2017. Information is believed to be reliable, but not guaranteed.





Long Realty is a member of the largest global luxury real estate brand, Luxury Portfolio International, providing a unique opportunity to reach an international market of buyers.

As we look forward, the global market for luxury real estate is expected to pick up momentum – with **14%** of affluent consumers looking to buy and only **12%** looking to sell. This trend is expected to increase over the next three years when **25%** of global high net worth individuals expect to buy compared to only **17%** looking to sell.

Global Intentions for Residential Luxury Real Estate





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RECENT TAX CHANGES

There are a number of tax changes in the Tax Cuts and Jobs Act of 2017 that may affect homeowners and homebuyers. For a detailed list, visit <u>http://longre.biz/TheTaxCutsandJobsAct</u>. Some changes include:

- Doubling the standard deduction, and repeal of personal exemptions
- Mortgage interest deduction on new loans, up to \$750,000 loan limit
- Limit of \$10,000 on deductions for state and local taxes
- Continues existing law on exclusion of gain on sale of a principal residence

For homeowners that itemize their tax deductions, they can continue to benefit from real estate specific deductions including mortgage interest and property tax, within the limits as defined in the Tax Cuts and Jobs Act of 2017. There are many tax changes, and we recommend consulting a tax professional to learn more about your specific situation. According to the Institute on Taxation and Economic Policy, below is the average impact to families and individuals in the U.S. of the tax changes in 2019, by income range. What other impact may the tax changes have, relative to real estate?

Deductions for property taxes, and state and local income taxes are now capped at \$10,000 per year. For homeowners that live in high property tax states, this new limit may increase their cost of homeownership and prompt some to consider moving to lower tax-base states, such as Arizona.

New corporate tax rate cuts may help strengthen businesses. In addition, builders may use some of their tax savings to reinvest in expanding new construction starts, catching up on a shortage of inventory to meet a growing housing demand.

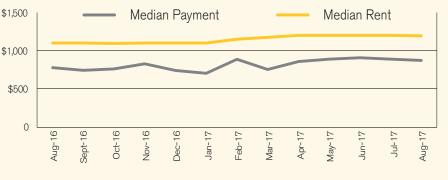
| Income Range | Average Income | Average Tax Change |
|---------------------|----------------|--------------------|
| Less than \$24,090 | \$14,600 | -\$100 |
| \$24,090-\$41,910 | \$32,900 | -\$350 |
| \$41,910-\$66,850 | \$53,400 | -\$650 |
| \$66,850-\$112,160 | \$86,400 | -\$1,040 |
| \$112,160-\$239,600 | \$155,700 | -\$1,680 |
| \$239,600-\$607,090 | \$356,800 | -\$7,270 |
| \$607,090 + | \$2,023,900 | \$1,750 |

Source: itep.org/finalgop-trumpbill

CHEAPER TO OWN VS RENT

The tax changes have also refocused consumers on the fundamental benefits of homeownership: building equity in owning real estate and the pride of homeownership. In many markets, like ours, rental rates have continued to increase and with mortgage rates still attractive, it is cheaper to own through financing than rent. Contact me for more information.

TUCSON MONTHLY MEDIAN RENT VS MONTHLY MEDIAN PRINCIPAL & INTEREST PAYMENT*



Source: Trulia



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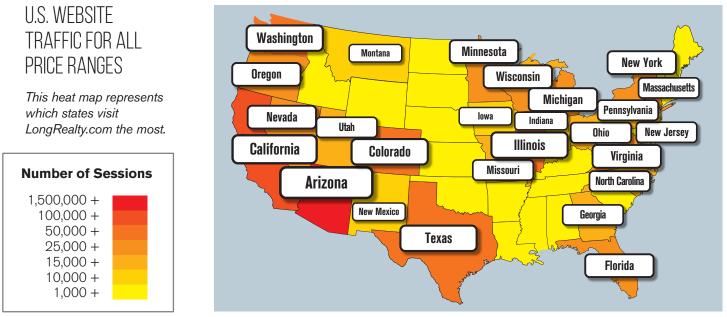
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* Monthly payments based on a 5% down payment on a median priced home. Statistics based on information obtained from MLSSAZ, on 01/04/2018. Information is believed to be reliable, but not guaranteed.

COMMUNITY GROWTH AND ACCOLADES

WHERE ARE BUYERS COMING FROM?

Buyer interest in Arizona comes from across the country. California, the pacific northwest, upper Midwest, Texas, other southwest states and the northeast all show strong interest in Arizona real estate.



Source: Long Realty

WHY ARE THEY COMING TO SOUTHERN ARIZONA?

For more information on these and other 2017 Arizona accolades, visit www.longrealtyblog.com.

AZ to RAISE A FAMILY⁴

IN 2017, TUCSON RANKED:



RETIRE in 2017³

BUSINESS ACCOLADES: **Business Expansions**



Arizona Ranks Among Top States for Job Growth Increase 2016-2017 JOB GROWTH⁶

Arizona-Sonora Desert **Museum** (turning 65 HJin 2018), ranked ZOO in the US⁷





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Sources: 1. Resonance 2. Business Insider 3. Forbes 4. Herald Review 5. Mayor's 2017 Progress Report 6. Bureau of Labor Statistics 7. USA Today

ROSEY'S MARKET INSIGHTS



While the net impact of tax changes is yet to be determined, the underlying fundamentals of strength in real estate remain. A strong demand for housing, a shortage of listing inventory, attractive mortgage rates, a strong stock market, a growing pool of retiring baby boomers, and promising growth in local employment will bring the local housing market continued sales and pricing growth in 2018. In fact, the National Association of REALTORS® forecasts that Arizona housing will see a 5.6% increase in 2018. Coupled with baby boomer retirement, the number of Millennials purchasing homes will continue to grow, to an anticipated 43% of total home loans in 2018. These dynamics create a demographic "bookend" of real estate activity.

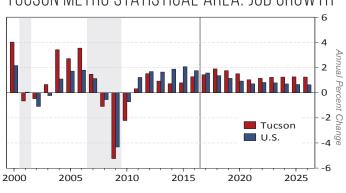
Rosey Koberlein, Long Companies CEO

BABY BOOMERS RETIRING

As the baby boomer generation ages, the number of baby boomers retiring continues to grow, which will spark further movement to fair weather locations like our area. Arizona continues to rank as one of the premier retirement destinations.

IMPROVING EMPLOYMENT

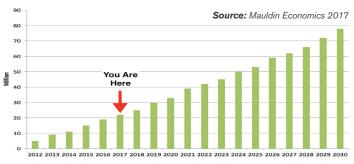
While Tucson job growth has lagged behind the US average in recent years, job growth is forecast to grow in 2018 and beyond. Job stability and growth will bolster consumer confidence, which in turn spurs large ticket purchases such as real estate.



TUCSON METRO STATISTICAL AREA: JOB GROWTH

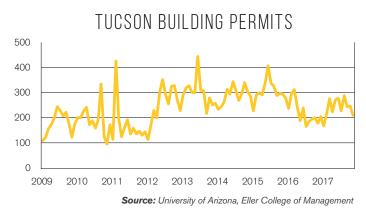
Source: University of Arizona, Eller College of Management

BABY BOOMERS OVER 65: 2012-2030(E)



SHORTAGE OF LISTING INVENTORY

We remain in a Seller's Market due to low listing inventory and high demand. New construction activity in Tucson has not kept up with this demand. Thus we expect a continued shortage of inventory in 2018 and Seller's Market conditions, especially at lower price points.





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