

TUCSON AND SOUTHERN ARIZONA

2017

END OF YEAR HOUSING REPORT



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A BERKSHIRE HATHAWAY AFFILIATE

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



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* Active Listings reflect the percent of change from December 2017 vs December 2016.

Statistics based on information obtained from MLSSAZ, GVSAMLS 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
Tucson	\$193,000	+10%	➔
Green Valley	\$163,000	+5%	➔
Sierra Vista	\$142,500	+10%	➔

IN 2017,
TUCSON
RANKED



MOST AFFORDABLE
Large City in the U.S.

Source: Inc.com

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.

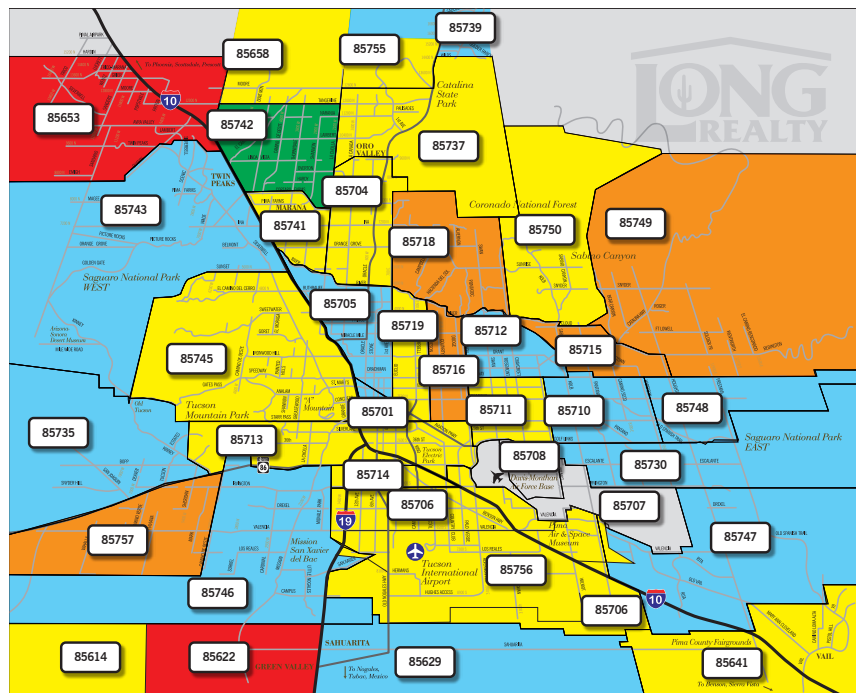
TUCSON MARKET CONDITIONS BY PRICE



	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, GVSAMLS 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.

TUCSON LUXURY HOUSING TRENDS

While there is still an abundant inventory of luxury homes, Tucson did see a slight increase in luxury sales in 2017. More significantly, there was a **13%** increase in the number of new sales contracts written, which may be a leading indicator for an increase in luxury closed sales in 2018. Long Realty continues to be the predominate Tucson luxury real estate company with **59.7%** market share.



- Long Realty had **214 CLOSED LUXURY TRANSACTIONS**, 181 more than the next company.
- Long Realty sold **OVER \$235 MILLION** in total luxury sales, more than all other companies combined.
- Long Realty had the **TOP 3 HIGHEST LISTING SALES** of the year:
\$2,200,000 (sold 4/25) **\$2,000,000** (sold 6/30) **\$1,995,000** (sold 9/28)

LUXURY PORTFOLIO INTERNATIONAL™

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 <http://longre.biz/TheTaxCutsandJobsAct>. 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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* 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

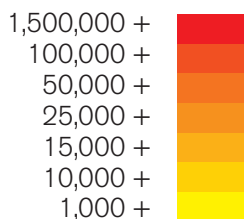
WHERE ARE BUYERS COMING FROM?

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.

U.S. WEBSITE
TRAFFIC FOR ALL
PRICE RANGES

*This heat map represents
which states visit
LongRealty.com the most.*

Number of Sessions



Source: Long Realty

WHY ARE THEY COMING TO SOUTHERN ARIZONA?

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

IN 2017, TUCSON RANKED:

#2 TOP

**'AMERICA'S BEST
CITIES' Report¹**

TOP 10

**Most POPULAR
Cities to Live in²**

GREEN VALLEY RANKED:

TOP 25

**Best Places to
RETIRE in 2017³**

SIERRA VISTA RANKED:

#16 TOP

**Best Overall Place in
AZ to RAISE A FAMILY⁴**

BUSINESS ACCOLADES:

Business Expansions
in Southern Arizona
created a total of **4,500 New JOBS⁵**

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

Arizona-Sonora Desert
Museum (turning 65
in 2018), ranked **#3 TOP**
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



Rosey Koberlein,
Long Companies CEO

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.

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.

BABY BOOMERS OVER 65: 2012-2030(E)



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

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.

TUCSON BUILDING PERMITS



Source: University of Arizona, Eller College of Management



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