



TUCSON AND SOUTHERN ARIZONA State of the Market

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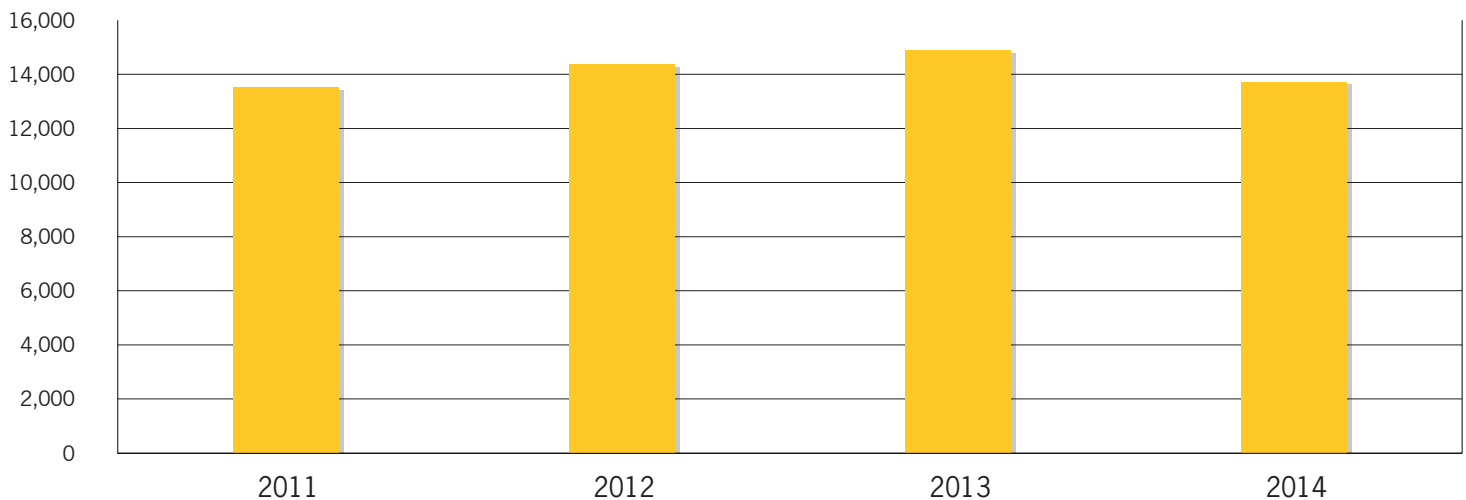
Edition 1 | 2015

Housing in 2014 for Tucson and Southern Arizona returned to a more normal market. Since the market bottom in 2011, prices have risen and the inventory of distressed properties has declined, leading to the retreat of the institutional investors. This has resulted in a market more reflective of the activities of traditional sellers and homebuyers. The small decline in home sales in 2014 as compared to 2013 can be attributed to this shift.

The luxury market in Tucson saw increased sales over 2013, which was a positive sign given that high-end housing has lagged the market recovery of 2012 and 2013. Sales in Green Valley increased year over year by over 9% and Sierra Vista was only down 2%.

2014 paved a solid foundation for the long term stability and growth of housing in Southern Arizona.

CLOSED RESIDENTIAL SALES – TUCSON



| | 2011 | 2012 | 2013 | 2014 | 2014 vs 2013 |
|--------------------------|--------|--------|--------|--------|--------------|
| Tucson - All Residential | 13,512 | 14,366 | 14,870 | 13,716 | -7.8% |
| Tucson - Luxury Only | 119 | 127 | 148 | 154 | 4.1% |
| Green Valley | 822 | 1,009 | 1,160 | 1,268 | 9.3% |
| Sierra Vista | 1,041 | 1,082 | 1,199 | 1,173 | -2.2% |



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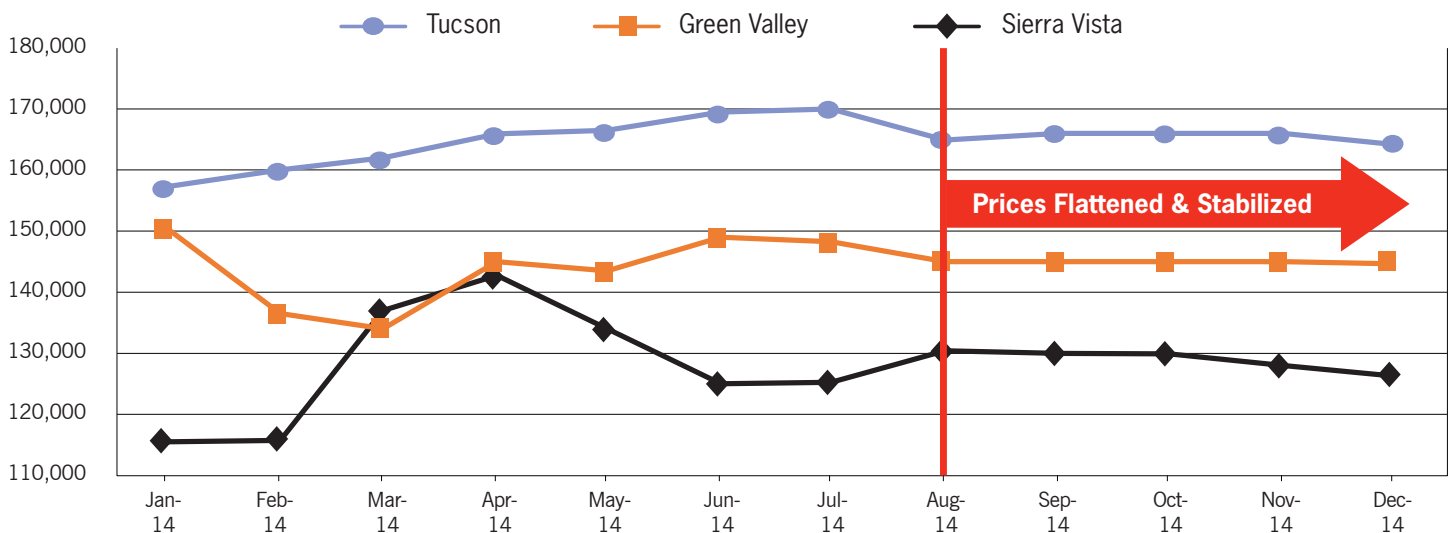


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The balance of supply and demand has stabilized prices in the second half of 2014. This flattening trend in pricing gives buyers a new window of opportunity to purchase, as lower interest rates coupled with stable prices result in an increase in affordability.

Sellers will need to adjust to this new pricing trend and manage their expectations as prices overall are currently not appreciating. Homes in the mid to upper tier can have considerably more competition, and therefore may be facing declining price trends. Well priced, attractive homes will sell, however those that are not will struggle to attract serious buyers.

RESIDENTIAL MEDIAN SALES PRICE - 2014



MONTHLY PAYMENT ON A MEDIAN PRICED HOME TUCSON

| Year | Median Price | Int. Rate | MO. Payment |
|------|--------------|-----------|-------------|
| 2013 | \$157,900 | 4.500% | \$760.05 |
| 2014 | \$165,000 | 3.875% | \$737.10 |

GREEN VALLEY

| Year | Median Price | Int. Rate | MO. Payment |
|------|--------------|-----------|-------------|
| 2013 | \$146,000 | 4.500% | \$702.77 |
| 2014 | \$145,000 | 3.875% | \$647.75 |

SIERRA VISTA

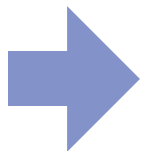
| Year | Median Price | Int. Rate | MO. Payment |
|------|--------------|-----------|-------------|
| 2013 | \$130,000 | 4.500% | \$625.76 |
| 2014 | \$127,000 | 3.875% | \$567.34 |

AFFORDABILITY TRENDS

Rates
DOWN



Prices
FLAT



Affordability
UP





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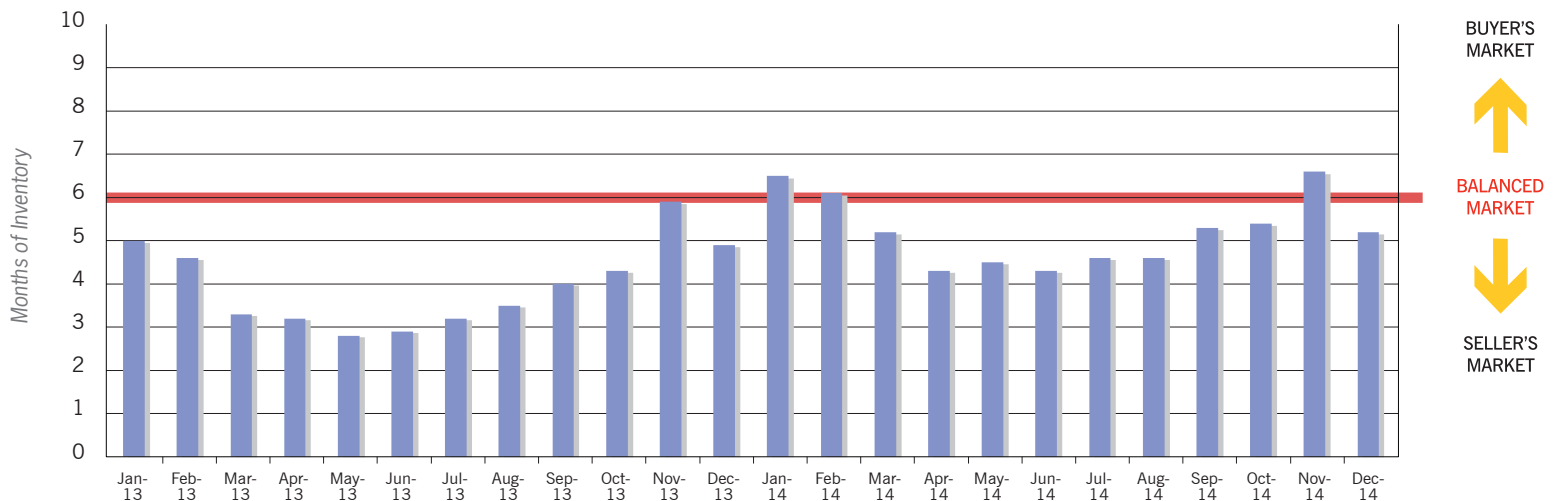
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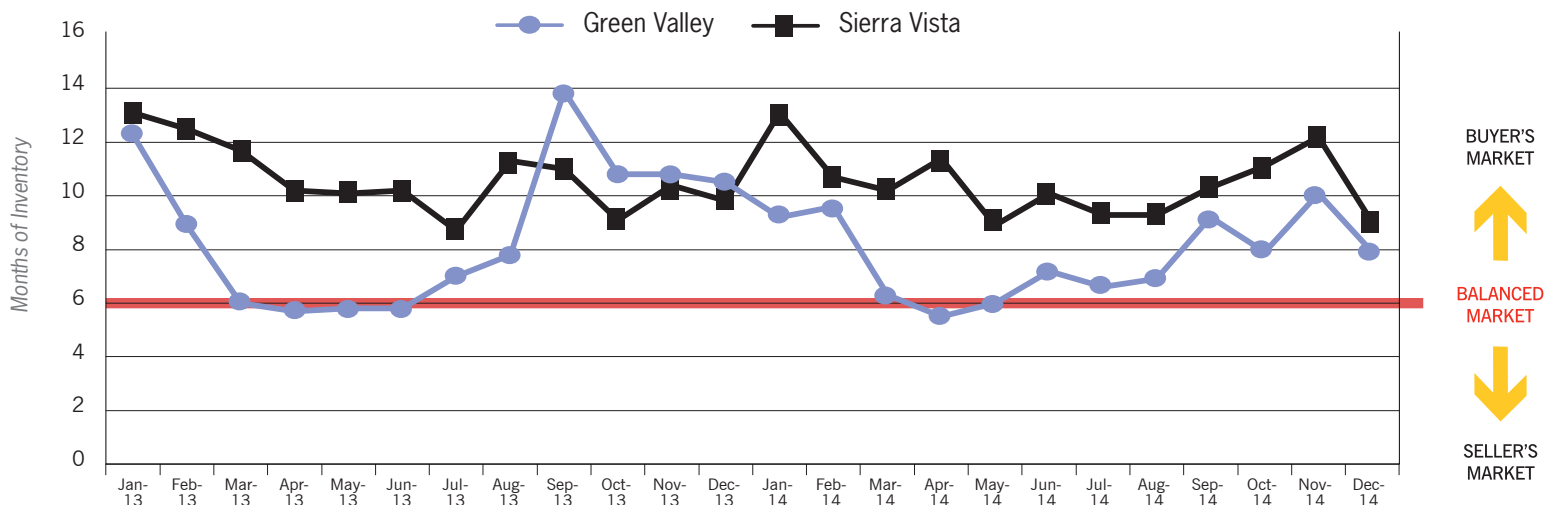
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Months of Inventory measures the relationship between supply and demand, and the overall health of a housing market. Tucson has emerged from the inventory shortages of the housing recovery into a more balanced position, being neither a seller's or buyer's market, which creates opportunities for both sellers and buyers, and neither has extreme leverage. Green Valley and Sierra Vista continue to fall in an area of balanced to slightly buyer's market. Overall, this recent equilibrium in supply and demand will be a catalyst for a strong and stable market in 2015.

MONTHS OF INVENTORY – TUCSON



MONTHS OF INVENTORY – GREEN VALLEY AND SIERRA VISTA





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MARKET INSIGHTS

In residential real estate there are always opportunities. While the American Dream of homeownership is still intact, access to financing has been a challenge to some. I believe we will start to see some movement on this issue in 2015. Fannie Mae and Freddie Mac have already announced that they will be rolling out a 3% down payment loan product in January 2015. It's a myth that a buyer needs a 20% down payment to purchase a home. Also, we have already seen some changes to how credit scores are evaluated and this will help buyers as well. Interest rates are still very low and are rumored to continue to stay low throughout most of 2015.

Sellers need to focus on creating their own opportunity with appropriate pricing. Buyers are very savvy and price sensitive. Pricing is absolutely critical in all price ranges but particularly in the \$500,000 and above market.

2015 will be a bit better year than 2014. On a national level, consumer confidence has increased to a high that we have not seen for some time. Also, stock market increases fuel the real estate market. Lower gasoline prices will create a sense of "life is better" which will free up the "hunker down" mentality the recession created.



Rosey Koberlein
Long Companies CEO

Housing market conditions can vary greatly depending on factors including location, price point, condition of the property and time of year. If you would like a professional opinion on the current value of your property, please contact me.