

2013 Arizona Housing Market Mid-Year Report



This mid-year market report outlines the latest trends in Arizona real estate. The housing market hit bottom in mid to late 2011, and has been in recovery mode ever since. In 2013 we have seen continued strengthening in the major metro areas of Phoenix and Tucson, and improving conditions in the smaller Southern Arizona markets of Green Valley and Sierra Vista.

ARIZONA MARKET CONDITIONS

Months of Inventory is an important indicator of the overall health of the housing market. The balance of supply and demand is reflected by taking into account current inventory levels and the rate of home sales.

PHOENIX



TUCSON



GREEN VALLEY



SIERRA VISTA



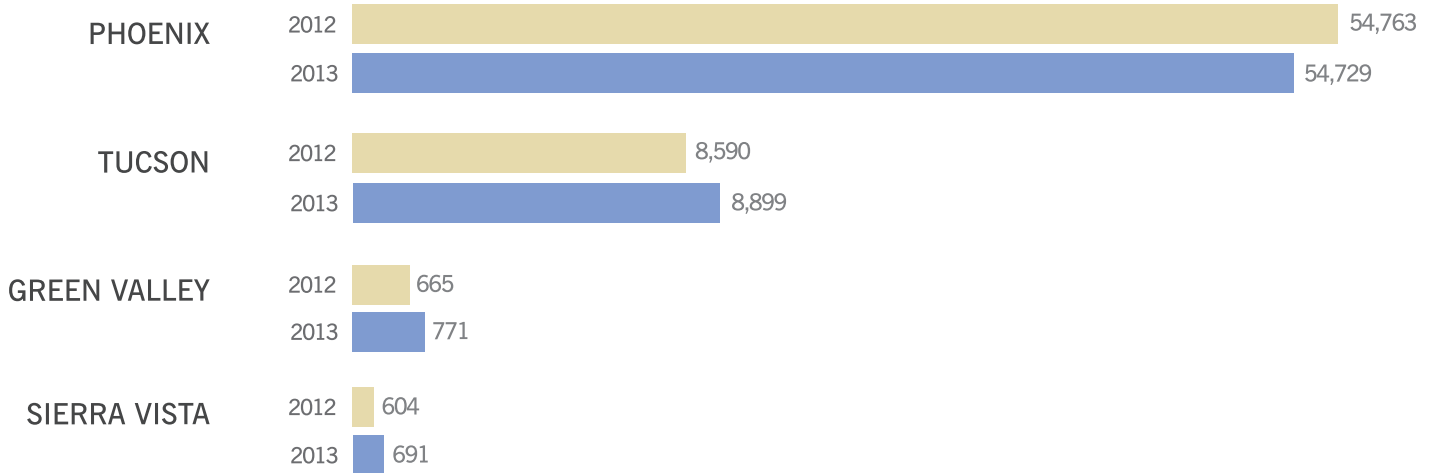
Source: Data based on residential sales information obtained from the TARMLS and ARMLS using brokermetrics software, and from GVS AHMLS and SEAMLS on 8/13/2013



HOME SALES TRENDS

CLOSED HOME SALES

Housing sales have been relatively flat in 2013 for Phoenix and Tucson as compared to 2012. Those markets started recovering in 2011 and currently have significant shortages in inventory, which may be creating challenges for buyers. Green Valley and Sierra Vista are now seeing signs of the recovery as well.

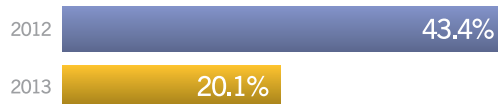


DISTRESSED VS. NON DISTRESSED SALES

The percentage of residential sales that are distressed, meaning bank owned or short sales, has declined significantly in 2013, which is leading to improving market conditions.

PHOENIX

Distressed



TUCSON

Distressed



GREEN VALLEY

Distressed



SIERRA VISTA

Distressed



Source: Data based on residential sales information obtained from the TARMLS and ARMLS using brokermetrics software, and from GVSAHMLS and SEAMLS on 8/13/2013



REALTY
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MARKET PERFORMANCE

LONG REALTY OUTPERFORMS THE MARKET

Across Tucson, Southern Arizona and Phoenix, Long Realty sales associates and offices are outperforming the residential housing market and the competition. These graphs represent sales activity from January-July 2013 as compared to January-July 2012.

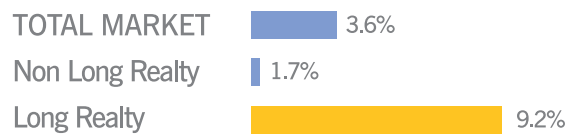
TUCSON

A reduction in distressed properties and increase in sales prices in most areas has lifted sales volume in Tucson. Long Realty is outpacing the market in sold units and total dollars sold.

\$Volume - %Change



Units - %Change



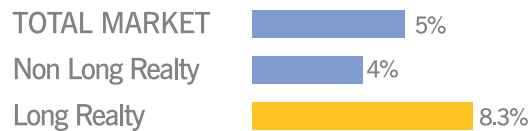
SOUTHERN ARIZONA

Collectively Tucson, Green Valley and Sierra Vista markets make up the Southern Arizona region, where Long Realty also outperforms the market and competitors.

\$Volume - %Change



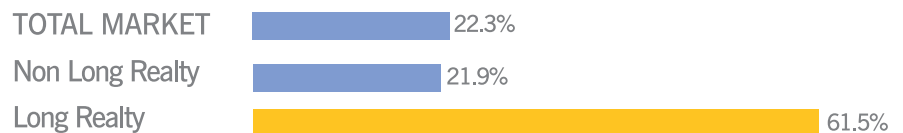
Units - %Change



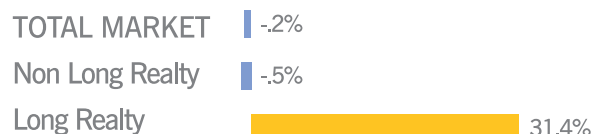
PHOENIX

Long Realty affiliate offices in Phoenix are significantly outperforming the market and their competitors.

\$Volume - %Change



Units - %Change

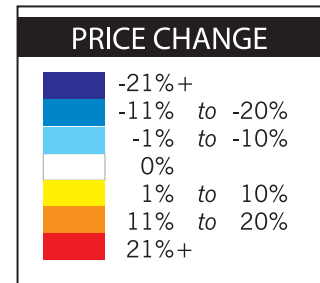
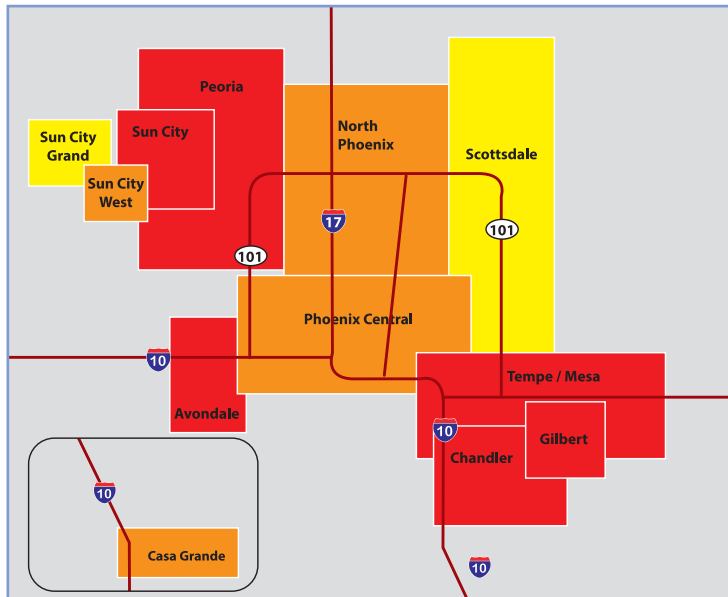


Source: Data based on residential sales information obtained from the TARMLS and ARMLS using brokermetrics software and from GVS AHMLS and SEAMLS on 8/14/2013

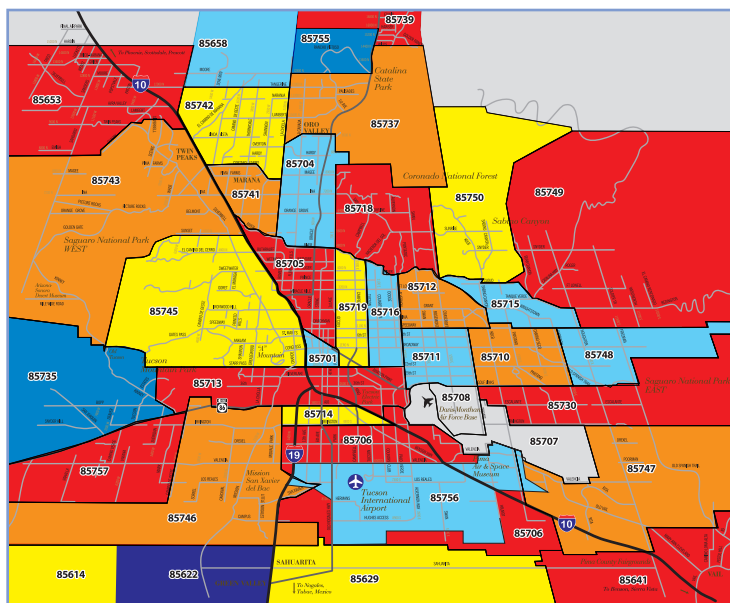
HOME SALES PRICES

These heat maps represent the changes in sold home prices from June 2012 to June 2013, by region. As you can see, many areas have seen price appreciations due to strong buyer demand and a tight supply of inventory.

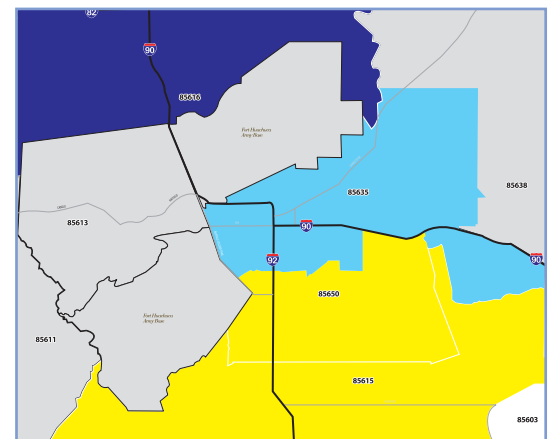
PHOENIX METRO



TUCSON METRO



SIERRA VISTA



Source: Data based on residential sales information obtained from the TARMLS and ARMLS using brokermetrics software, and from GVS AHMLS and SEAMLS on 8/14/2013

The cost of purchasing a home increased slightly in 2013 due to rising prices and a recent increase in mortgage rates. However, homes remain affordable when compared to historic levels.

30 YEAR FIXED MORTGAGE RATE

Mortgage rates steadily declined since 2008, and only until recently have they begun to increase to just under 4.5%. Still, current rates are near historic lows and have helped to make homes more affordable to buyers.



Source: Bankrate.com

MONTHLY PAYMENT ON A MEDIAN PRICED HOME

	Year	Median Price	Int. Rate	MO. Payment
Green Valley	2006	\$220,000	6.7%	\$1,407.32
	2012	\$137,000	4%	\$620.90
	2013	\$147,000	4.5%	\$707.17
Sierra Vista	2006	\$193,000	6.7%	\$1,213.81
	2012	\$139,500	4%	\$632.24
	2013	\$134,000	4.5%	\$644.60
Tucson	2006	\$216,000	6.7%	\$1,377.34
	2012	\$132,500	4%	\$600.49
	2013	\$153,500	4.5%	\$738.46
Phoenix	2006	\$255,000	6.7%	\$1,603.51
	2012	\$172,500	4%	\$781.91
	2013	\$175,000	4.5%	\$841.95

Source: *Residential median sales prices. Data obtained from the TARMLS and ARMLS using Brokermetrics software. 2006 Monthly payments based on an FHA mortgage with a 3.5% down payment on a median priced home, 2012 and 2013 amounts based on 5% down payment.

PHOENIX-MESA-
SCOTTSDALE, AZ
231



TUCSON, AZ
203



NATIONAL
194



ARIZONA IS STILL MORE AFFORDABLE

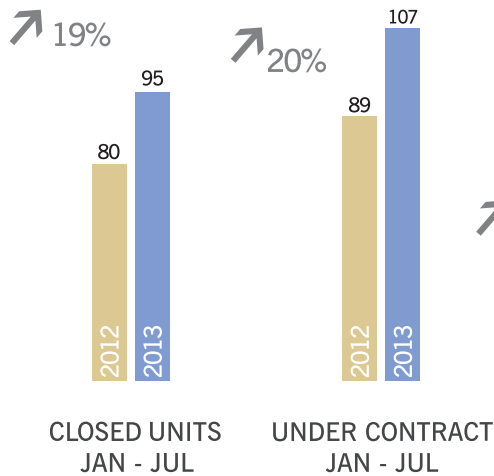
Both the Phoenix and Tucson metro areas have a higher affordability index in 2012 than the national average. Home prices are near historic lows and mortgage rates remain attractive, helping to increase the purchasing power of buyers.

Source: National Association of REALTORS

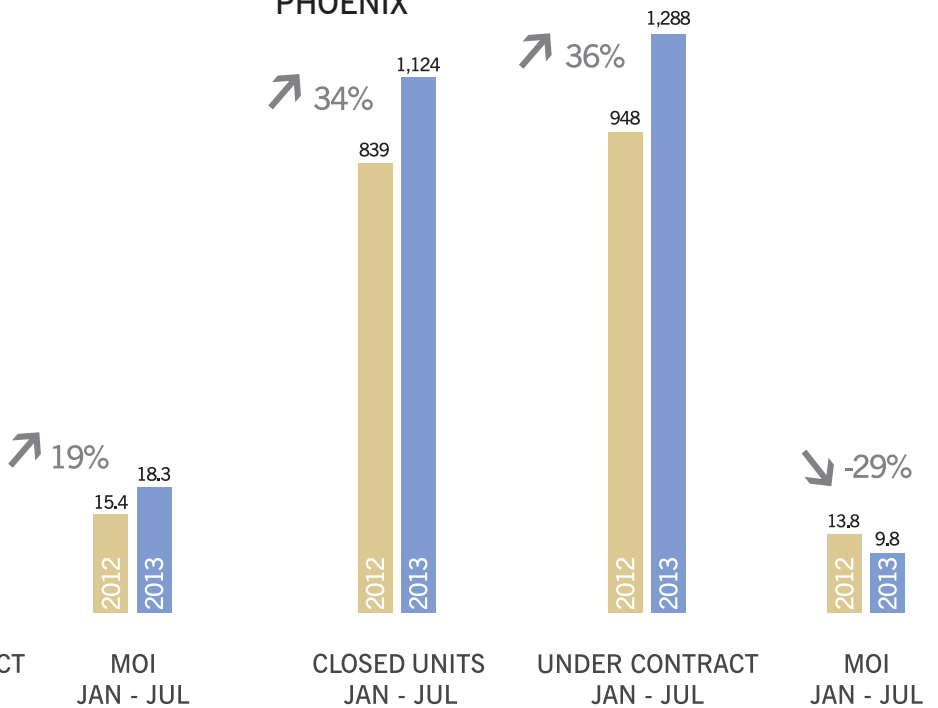
LUXURY PORTFOLIO INTERNATIONAL™

The luxury housing market, homes priced at \$800,000 and above, saw a considerable uptick in 2013. Luxury homes sales and the number of luxury properties under contract rose significantly over 2012 mid-year levels, while at the same time MOI (Months of Inventory) dropped in Phoenix.

TUCSON

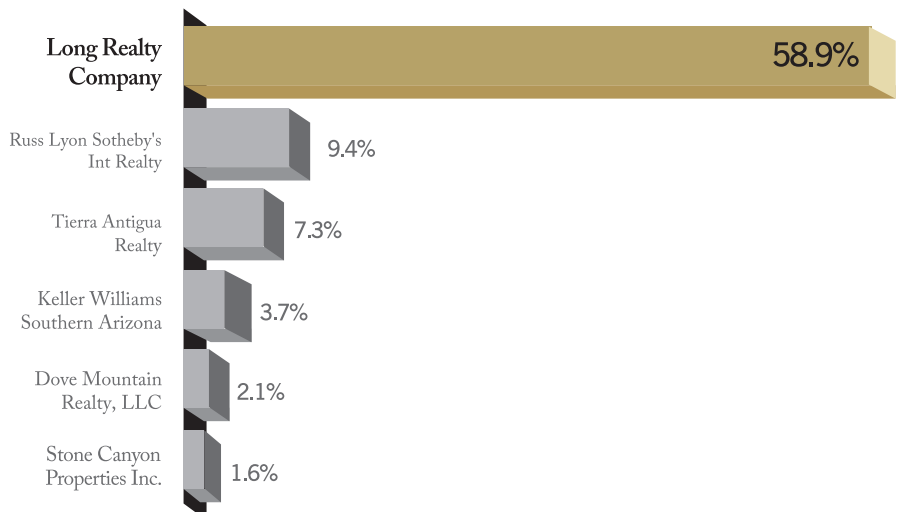


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2013 TUCSON LUXURY MARKET SHARE

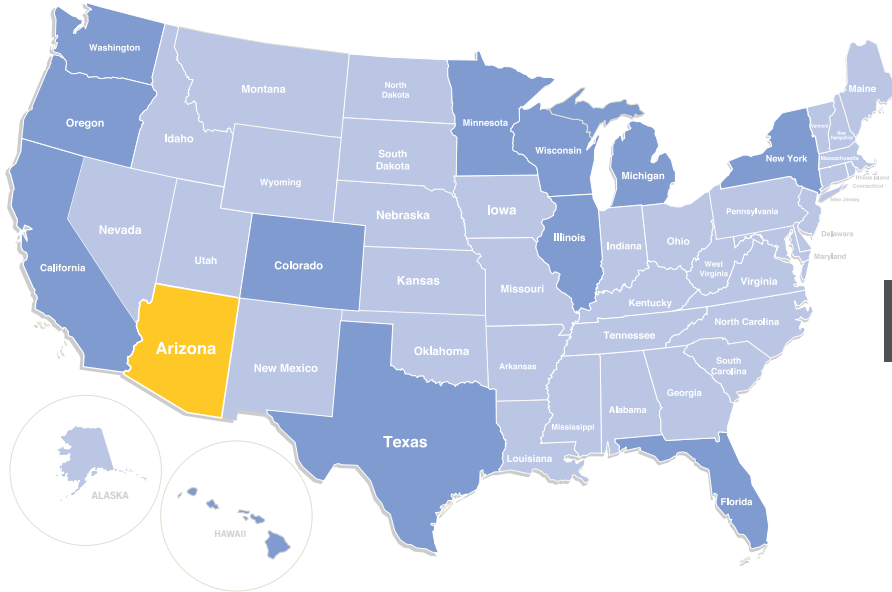
Long Realty continues to sell more luxury real estate in Tucson than all other companies combined. Based on luxury sales January-July 2013



Source: Luxury market data based on residential sales \$800,000 and above obtained from the TARMLS and ARMLS using brokermetrics software on 8/13/2013.

WHERE OUR FUTURE BUYERS ARE COMING FROM

Based on over 1.3 million website visits to LongRealty.com in 2013, Arizona leads the way in terms of home shoppers looking in Arizona. Other leading areas include California, the Pacific Northwest, Texas and Colorado, the upper Mid West, New York and Florida. Outside the US, other leading countries include China, Canada, Mexico and parts of Europe.



■ Top Market ■ Top 10 States ■ Under 1% of Buyers

INTERNATIONAL WEB TRAFFIC

RANK	COUNTRY
1	China
2	Canada
3	Mexico
4	United Kingdom
5	Germany
6	India
7	Taiwan
8	Japan
9	Turkey
10	Australia

GROWING USE OF MOBILE FOR REAL ESTATE SEARCH

Mobile devices are quickly becoming a primary way to get real estate information. In 2013 over 30% of online searches with Long Realty were from a mobile device. Recently Long Realty expanded its mobile presence with a new consumer app.



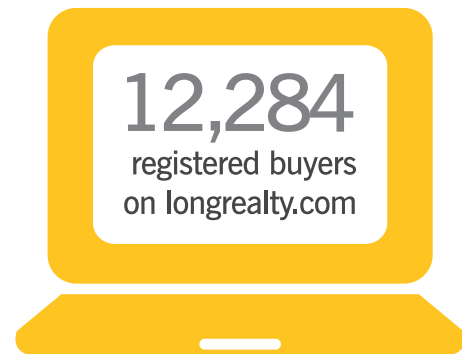
DOWNLOAD THE NEW LONG REALTY MOBILE APP

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

To get the app, visit:

longrealtyapp.com

from your mobile device.



STRONG BUYER ACTIVITY ON LONGREALTY.COM

11,375 potential buyers are currently registered on LongRealty.com and actively tracking listings. This is a strong pipeline of buyers for a tight inventory of just over 56,000 homes for sale across Arizona.

Source: Data based on website visits to LongRealty.com from 1/1/13-6/30/13 using Google Analytics.



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HOUSING FORECAST

Overall, we expect the trends outlined in this report to continue through the end of the year, however there are some important economic factors that should be watched and taken into consideration.

MORTGAGE RATES

30 year fixed mortgage rates have increased slightly in the past few months to over 4%, however they are still very attractive and not far off historic lows. Industry experts are mixed in their projections of rates for the balance of 2013, with some projecting rates dipping down to 3.9% (National Association of REALTORS®), while others are forecasting rates to end closer to 4.7% (Fannie Mae). Almost all agree that in the long term rates will rise. If rates rise faster than predicted, it could serve to dampen the purchasing power of borrowers, however a window of opportunity still exists for buyers to capitalize on current rates.

HOUSING INVENTORY

Many parts of Arizona are currently facing a shortage of housing inventory, with buyer demand exceeding supply. Contributing factors include a diminishing supply of distressed properties and a lack of new construction. For a number of reasons, home builders can have a longer lag time to react to shifting market conditions. Downward pricing pressures and reduced buyer demand held builders at bay during the housing bust. With housing now rebounding in Arizona, we are seeing signs of life in new construction however those levels are still well below their peak. A severe housing shortage may drive higher prices, however it may also leave buyers struggling to find a home to purchase. Increases in supply may come from further production of new construction homes and/or more existing homeowners considering selling as prices rise.

JOB GROWTH

The Brookings Institute Mountain Monitor for June 2013 reported “The unemployment rate averaged 7.7 percent across the nation’s 100 largest metropolitan areas in the first quarter of 2013. Unemployment ran 7.0 percent or below in Phoenix and Tucson.” The report also went on to say “ Phoenix had a 0.6 percent growth in employment over the prior quarter, beating the national average of 0.4 percent. Tucson’s employment recovery advanced by only 0.2 percent, by contrast. “ The health of the housing market has a direct tie to employment. When people have jobs they have the income, stability and ability to purchase homes. Employment gains have been only nominal in this economic recovery so any stalls in positive momentum may have a negative impact on housing. If job growth continues that will help fuel further housing recovery.

CONSUMER CONFIDENCE

The Conference Board Consumer Confidence Index®, which had improved in June, pulled back slightly in July. The Index now stands at 80.3 (1985=100), down from 82.1 in June. Says Lynn Franco, Director of Economic Indicators at The Conference Board: “Consumer Confidence fell slightly in July, precipitated by a weakening in consumers’ economic and job expectations. However, confidence remains well above the levels of a year ago. Consumers’ assessment of current conditions continues to gain ground and expectations remain in expansionary territory despite the July retreat. Overall, indications are that the economy is strengthening and may even gain some momentum in the months ahead.” Consumer confidence is cautiously optimistic and should be watched closely. People buy houses when they are confident about the economy and tend to exhibit nervousness when they are not. Rising home prices and a strong stock market may have the effect of boosting the equity positions of consumers, thus increasing consumer confidence.