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State of the Market Report

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TUCSON AND SOUTHERN ARIZONA

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Housing is Healthy in a Pandemic

Impacts of COVID-19 on Real Estate

The impacts of the COVID-19 pandemic on real estate were quite unknown in the first quarter of 2020. While there was an initial slowdown in sales and listing activity during the early onset of COVID-19, the market quickly rebounded with increasing sales activity. Our homes became our whole lives and the ability to work remotely untethered geographic ties. A reduction in interest rates helped enhance buyer demand, while a shortage in homes for sale drove multiple offers.

Real estate professionals adapted quickly to the new world, holding virtual open houses, virtual showings with Facetime and Zoom, leveraging virtual tours and arranging for contactless closings. By the end of the year, more homes sold in 2020 than 2019, and real estate was leading the economy.

The Year Ahead

The strong pending sale activity in the fourth quarter of 2020 will result in first quarter 2021 closed sales outpacing last year, starting the year off with positive momentum. Mortgage interest rates are expected to remain very low, with only a modest possible increase, which extends the opportunity for home buyers. Listings will continue to be absorbed by buyers quickly, resulting in low available inventory levels and prime conditions for those homeowners considering selling.

As the country and economy start to recover from the pandemic, GDP will start to grow, unemployment rates will drop and government stimulus programs will mean that, in future years, we may experience higher inflation and interest rates. 2021 represents a finite window of opportunity for buyers to hedge inflation by locking in low fixed housing payments now.

Consensus Outlook on Economy and Housing Market

FORECAST	2020 A	2021 F	2022 F
GDP Growth	-2.7%	3.5%	3.0%
Unemployment Rate	6.9%	6.2%	5.0%
Inflation Rate	1.2%	1.7%	2.0
30-year Fixed Mortgage Rate	2.83%	3.0%	3.25%

Sparse inventory, multiple offers and a fast-paced market mean that both buyers and sellers should engage the assistance of a knowledgeable real estate professional. Navigating this market has its rewards for those who are prepared.

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Consensus Outlook on Economy and Housing Market source: NAR Chief Economist Lawrence Yun. Information is believed to be reliable, but not guaranteed.

Tucson Residential Closed Sales

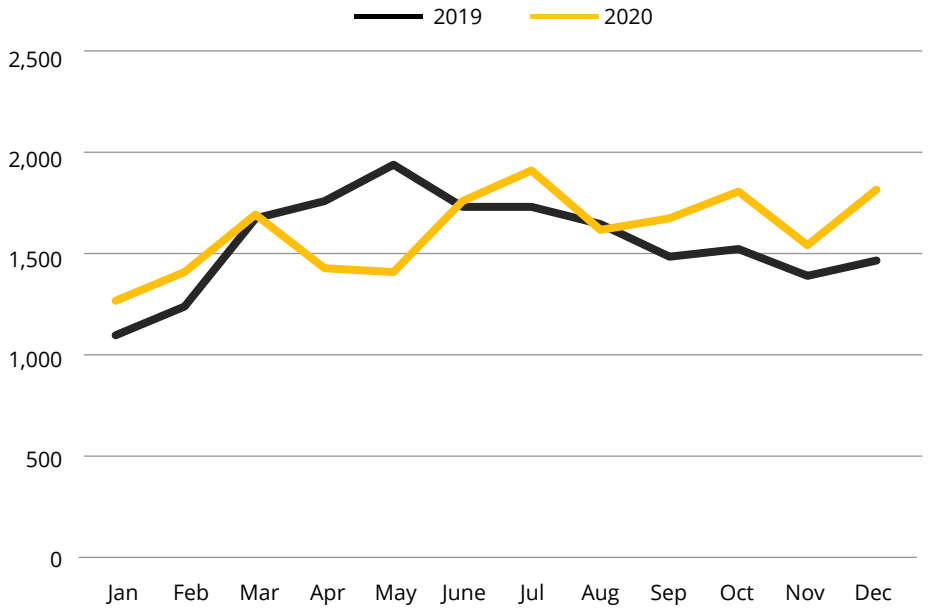
Home Sales Increase

Residential home sales started off 2020 outpacing the prior year, and then dipped with the initial onset of COVID-19.

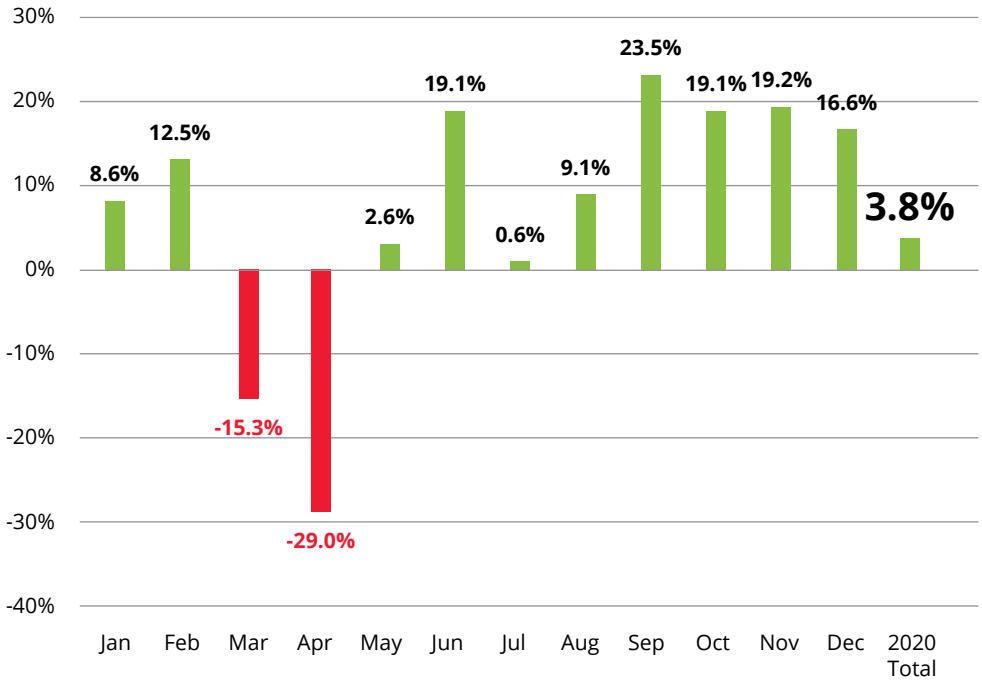
Falling mortgage interest rates and increased demand for homes drove a resurgence in the market, with the second half of the year outpacing 2019.

In total, closed home sales increased 3.7% from 2019.

+3.7%



Tucson Residential New Pending Sales



Buyer Activity Surges

New pending sales are homes that have gone under contract, but the sale has not yet closed. This chart shows the number of homes going under contract each month, as a percentage comparison to same month 2019. Pending sales are an indicator of current buyer demand and predictor of home sale closings in the next 30-90 days.

Strong new pending sales activity in the fourth quarter will lead to a high rate of closed sales in first quarter 2021.

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Statistics based on information obtained from MLSSAZ on 01/08/21 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

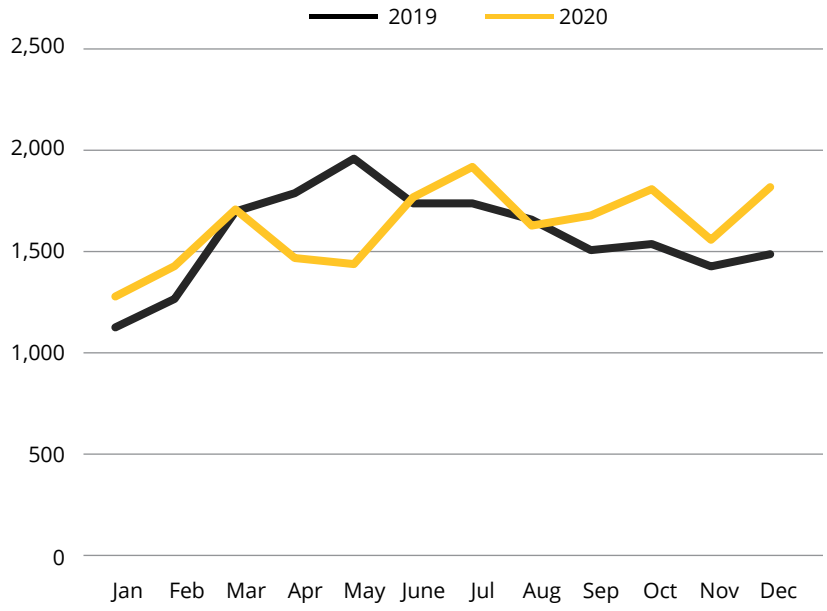
Tucson Residential — Closed Sales Below $800,000

Increased Sales, Low Inventory

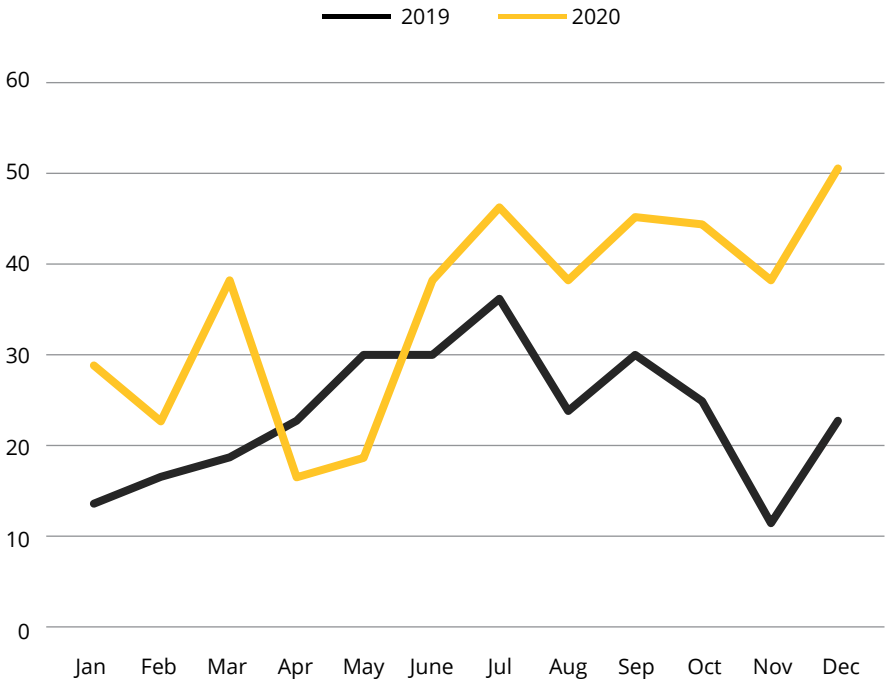
Despite severe seller's market conditions and low levels of available inventory, home sales priced under $800,000 still managed to increase 3.3% over the prior year.

This is a very competitive segment of the market and buyers need to act with urgency when finding homes for sale and making offers.

+3.3%



Tucson Residential — Closed Luxury Sales ($800,000+)



Luxury Launches Upwards

One of the most robust segments of the residential housing market, luxury home sales increased dramatically in 2020, up 50.2% over 2019.

Prior to 2020, the luxury market had not seen a rebound in the last decade like lower price points had. 2020 marked a breakout year, driven by the flexibility to work remotely, value of home, indoor/outdoor spaces, and movement away from areas with natural disasters or higher taxes.

+50.2%

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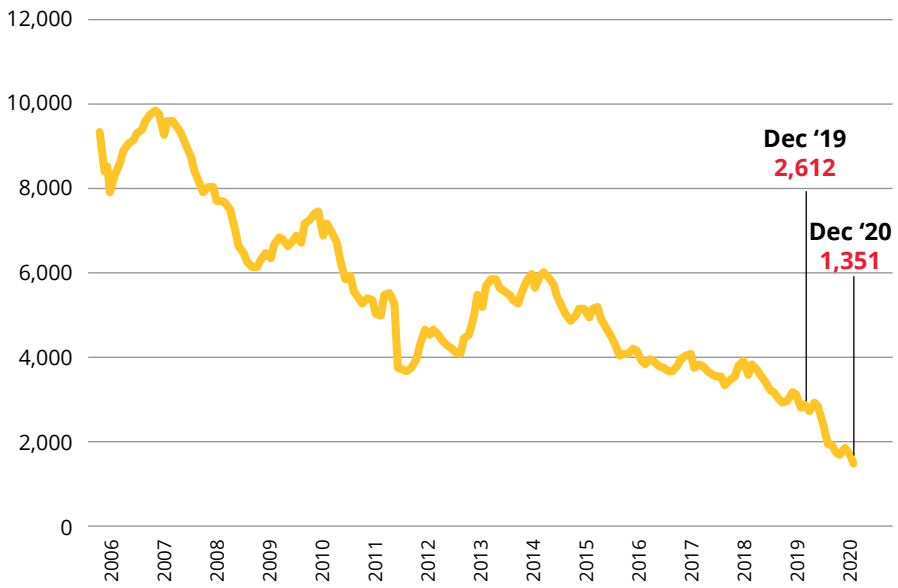
Tucson Residential Homes for Sale

Inventory At Historic Lows

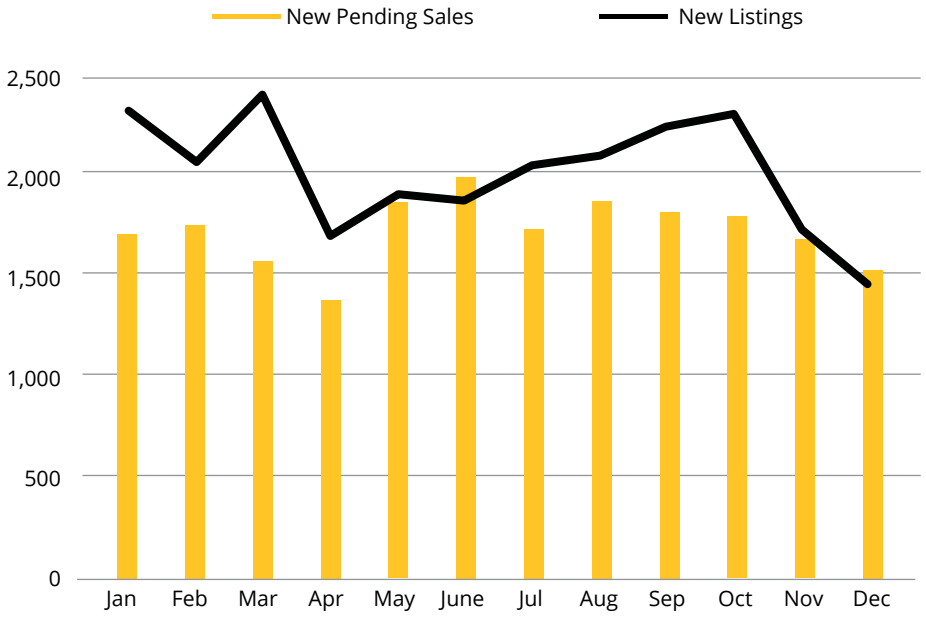
The number of available homes for sale continued to slide in 2020, ending the year with only 1,351 active listings. This represents a 50.2% decrease from end of year 2019.

This does not mean that new listings are not coming on the market, however. It means that listings are selling at a rapid clip. A low listing situation can create opportunities for sellers, and a very competitive landscape for buyers.

-50.2%



Tucson Residential — New Pending Sales vs New Listings



Listings Absorbed Instantly

In 2020, the pent-up demand from buyers and low available inventory meant that as soon as listings hit the market, they went under contract.

22,581 new listings
20,500 new pending sales
Only a 9% difference

New Listings Happening

Despite a pandemic and stay-at-home order, new listings were **only 2.2% lower** in 2020 as compared to 2019.

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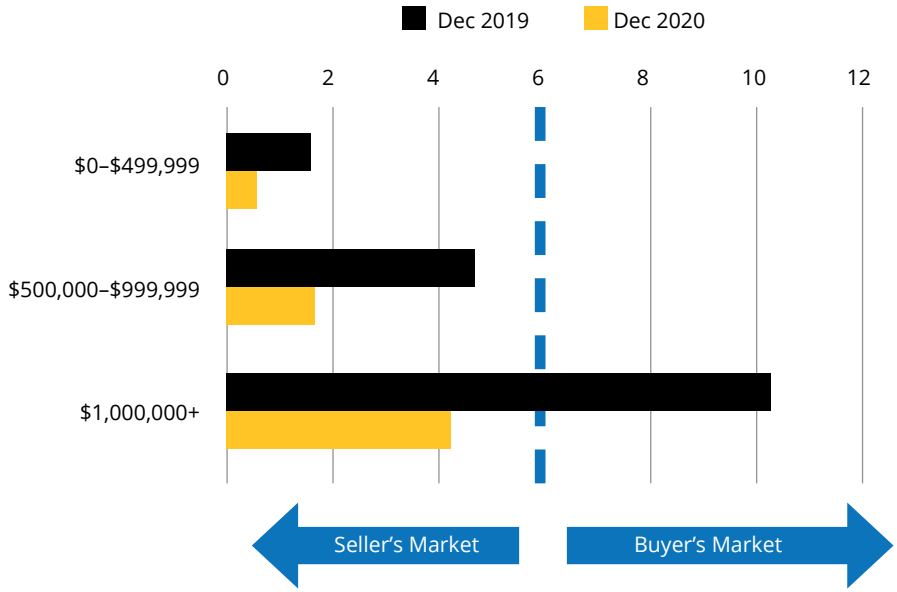
Tucson Residential Market Conditions — Months of Inventory

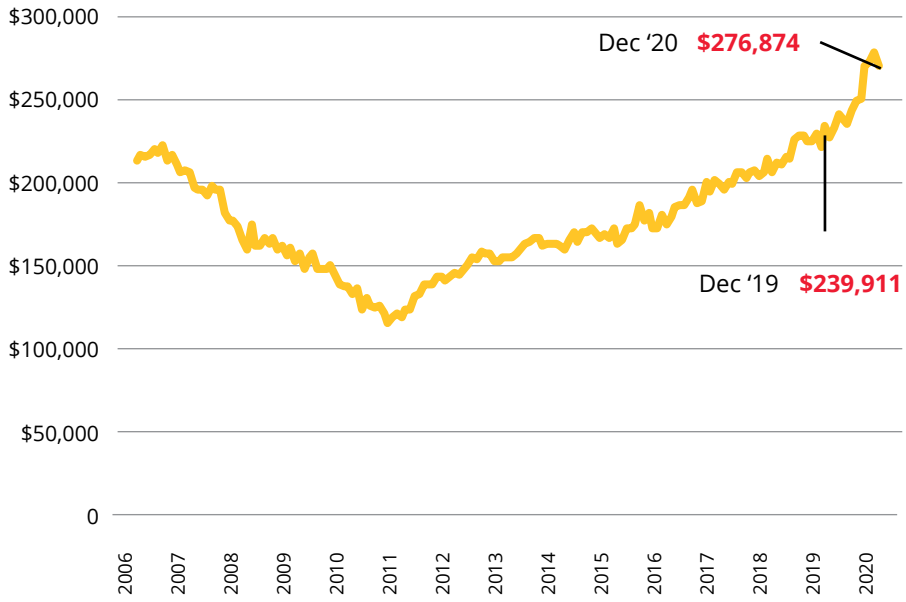
It's a Seller's Market

When you have high buyer demand and low listing inventory, it results in a seller's market — reflected by the lower months of inventory number.

In 2020, the market shifted even deeper into a seller's market, including all price points. A seller's market presents a unique opportunity for potential sellers to list and maximize their home value with less time on market. At the same time, buyers can benefit from historically low interest rates.



Tucson Residential Median Sales Price



Home Prices Rise

When you have high demand and low supply, you can expect prices to increase.

In 2020 the median residential sales price increased 15.4% to $276,874 from end of 2019 levels.

Higher prices have been mainly offset for buyers with historically low interest rates. At the same time, this increases market value and equity positions for many homeowners.

+15.4%

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Mortgage Rates

Mortgage Rates Hit Historic Lows

Mortgage interest rates continued their steady trend downwards in 2020, hitting new historic lows with 30-year fixed rates under 3%.

Low rates resulted in a boom in refinances and new home purchases - helping to offset increases in home prices for buyers by keeping monthly mortgage payments in check. This helped with increasing the affordability for buyers.

Tucson Residential Monthly Payment

Monthly Payments Steady

Despite increasing home sale prices, historically low mortgage rates have enabled buyers on average to buy homes at higher prices while keeping their monthly principal and interest payment the same – helping with affordability.

The monthly mortgage payment on a median priced house is virtually unchanged from December 2019.

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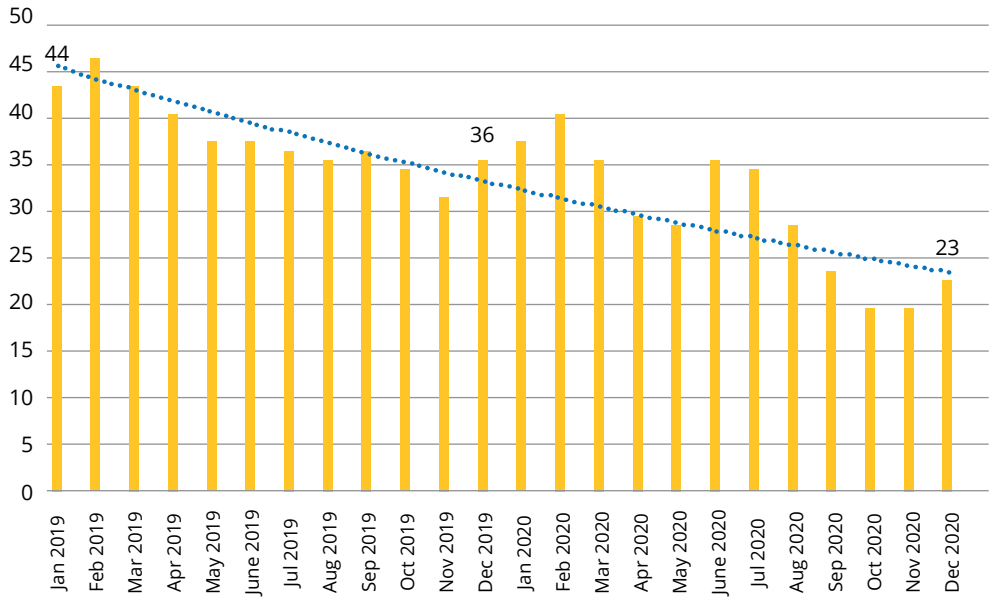
Mortgage Rates source: Freddie Mac as of 01/14/21. Statistics based on information obtained from MLSSAZ on 01/08/21 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

Tucson Residential Days on Market

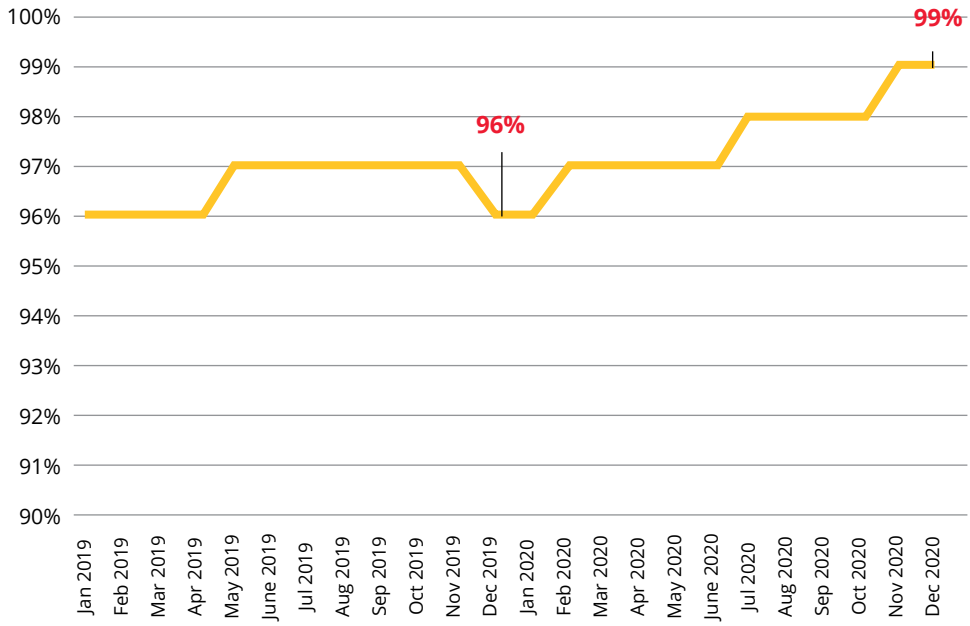
Homes Selling Faster

The average days on market for listings, meaning the number of days from being new-to-market to going under contract, is getting lower. As of December 2020, the average days on market was only 23, down 36% from 36 days in December 2019.

This trend means buyers need to be ready to act quickly when making offers, and work with a real estate professional to be aware of all available inventory, including new construction and coming soon listings.



Tucson Residential — Sold Price to Original List Price % Difference



Homes Selling At or Close to List Price

With higher demand and low available supply, listings are selling faster and closer to list price.

In December 2020, listings sold for 99% of the original list price, on average. This percentage was 96% at the end of 2019.

A Long Realty Market Pulse Study revealed that **79% of Long Realty listings received multiple offers.** Another great reason to have a knowledgeable real estate agent help you navigate this fast-paced market.

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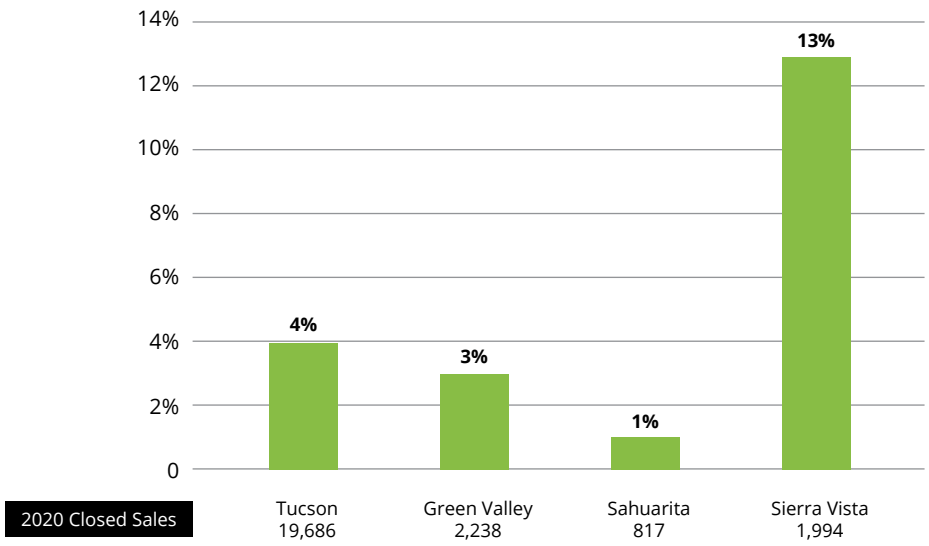
Statistics based on information obtained from MLSSAZ on 01/08/21 using TrendGraphix software. Long Realty Market Pulse Study conducted Fall of 2020 among Long Realty agents. Information is believed to be reliable, but not guaranteed.

Southern Arizona — Residential Closed Sales 2020 vs 2019

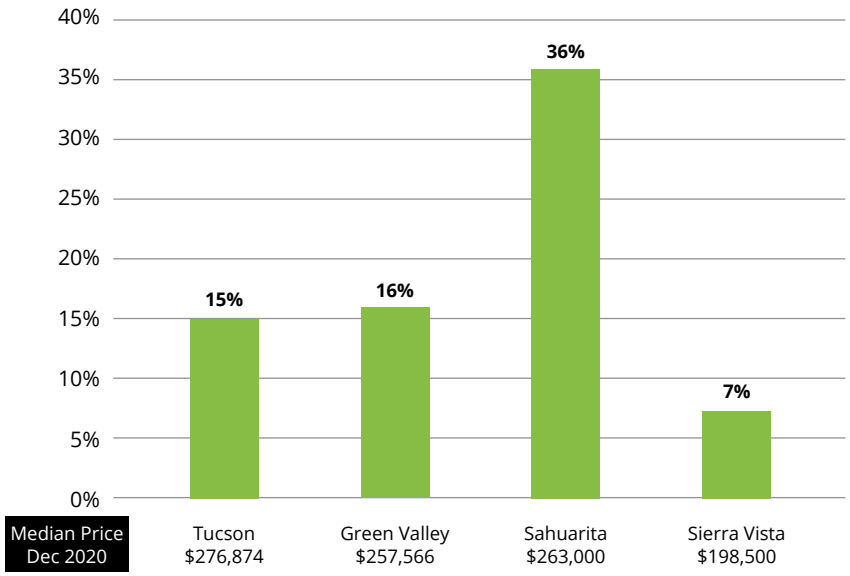
Home Sales Up Across Southern Arizona

Even with a tight listing inventory environment, home sales increased across Southern Arizona in 2020, with Sierra Vista seeing the largest increase of 13%.

Low interest rates and the attractive qualities of a Southern Arizona lifestyle drew more buyers in, and we expect to continue to see strong real estate sales across the region in 2021.



Southern Arizona — Residential Median Sales Price 2020 vs 2019



Home Sales Prices Rise Across the Region

Across Southern Arizona, the high buyer demand and low supply of available listings resulted in an increase in median sales prices.

Sahuarita saw the highest increase percentage in home sales price.

With current treads in market conditions, one could expect a continued increase in sales price.

Real estate is local, so trends and prices may vary for your specific situation.

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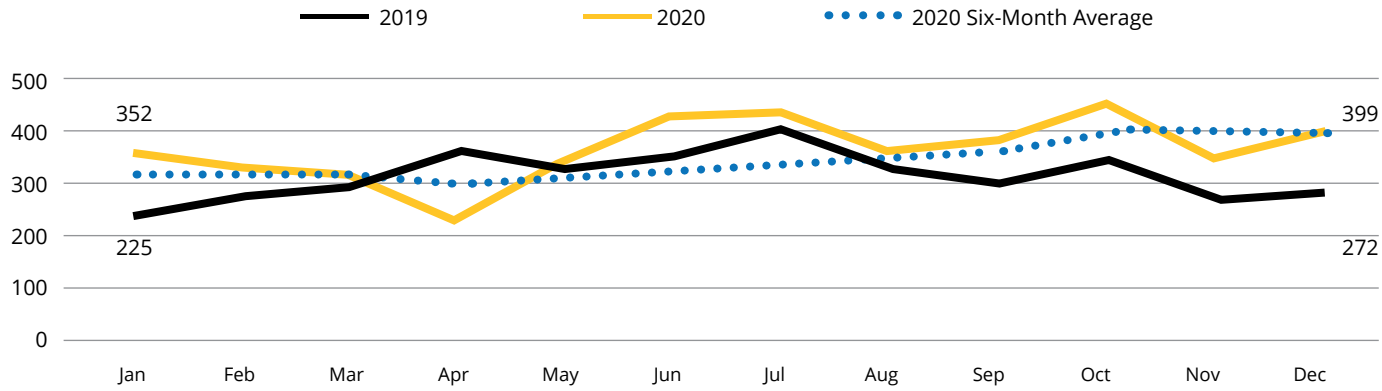
Statistics based on information obtained from MLSSAZ and ARMLS on 01/08/21 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.

Tucson — New Home Permits

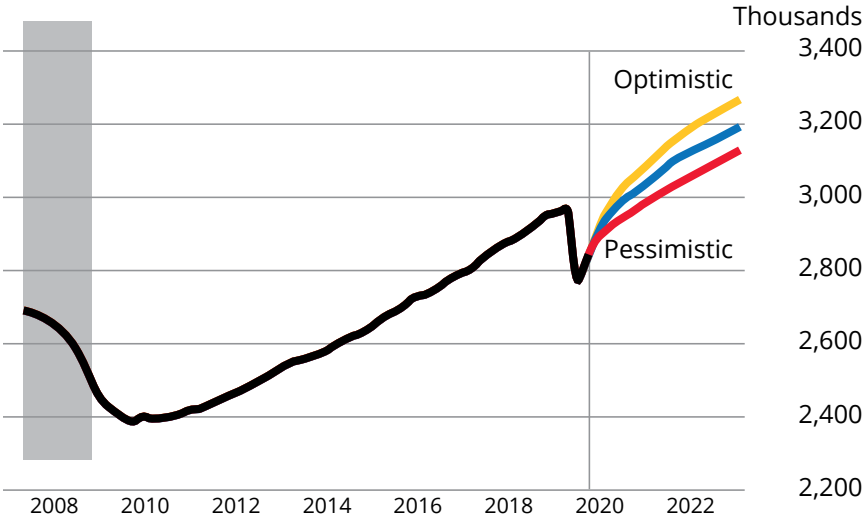
New Home Permits Grow

As buyers considered all their home purchase options, the pace of new construction permits increased in 2020, after an initial COVID-19 related dip. The increase in permits and construction activity, however, are not large enough to fill the listing shortages seen in the resale market. Increases in labor and supply costs, and buyer demand, have increased new construction pricing as well.



Jobs Projected to Grow

Arizona Non-Farm Jobs Forecast



Jobs Projected to Increase

As the US and state fight the COVID-19 pandemic, economists are projecting that job growth will return in 2021, though the rate depends on several factors including the pandemic status and economic recovery track.

As employment grows, the economy will grow and provide continued support for housing.

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Tucson New Home Permits source: RLBrownReports/Bright Future Real Estate Research, Volume 434. Arizona Non-Farm Jobs Forecast source: Economic and Business Research Center, The University of Arizona. Information is believed to be reliable, but not guaranteed.

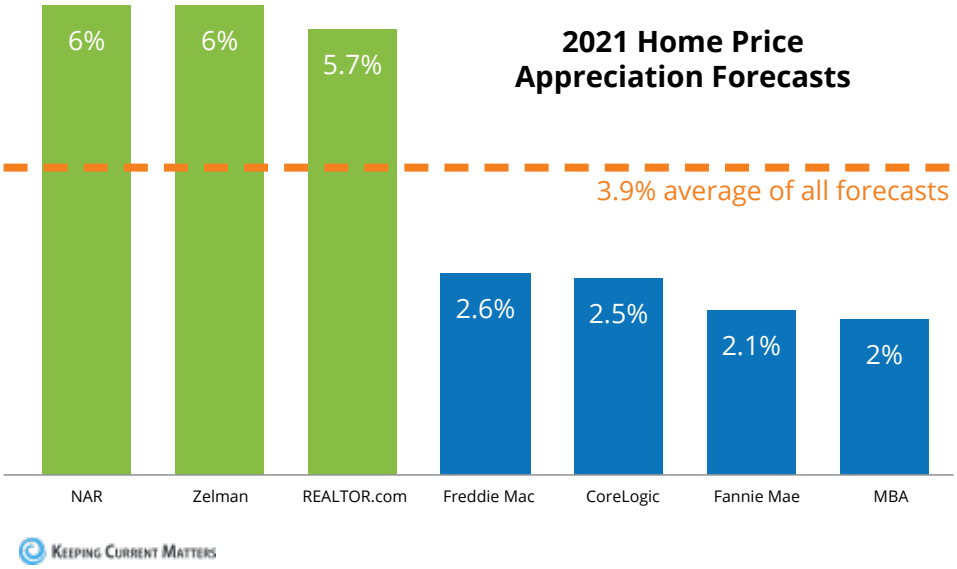
2021 Real Estate Forecasts

Home Prices Projected to Rise

Leading economists are forecasting that home prices will rise in 2021, given the continued high demand and low inventory housing environment.

The average of these six forecasts is 3.9%, and Realtor.com is forecasting a 4.5% home price increase in Tucson for 2021.

A continued rise in home prices will help increase homeowner wealth.



Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average
Q4 2020	3.0	2.9	3.0	2.9	2.95%
Q1 2021	3.0	2.8	3.1	3.1	3.00%
Q2 2021	3.0	2.8	3.1	3.1	3.00%
Q3 20210	3.0	2.8	3.2	3.2	3.05%

Keeping Current Matters

Slight Increases in Mortgage Rates Possible

Mortgage interest rates are projected by economists to potentially increase just slightly in 2021.

Eventually, as the general economy recovers and starts to grow, inflationary pressures may push rates higher. In the short term, however, it seems the opportunity to finance at a very low rate will continue.

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YOUR REAL ESTATE RESOURCE

This is a fast-paced, changing real estate market. Navigating through it can be difficult, which is why I am here as a resource for whatever questions or assistance you may need. 2021 presents opportunities for both sellers and buyers, and a knowledgeable professional can help you make well educated decisions.

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Information source: Keeping Current Matters and Realtor.com, January 2021. Information is believed to be reliable, but not guaranteed.