2021 State of the Market Report

TUCSON AND SOUTHERN ARIZONA

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A BERKSHIRE HATHAWAY AFFILIATE

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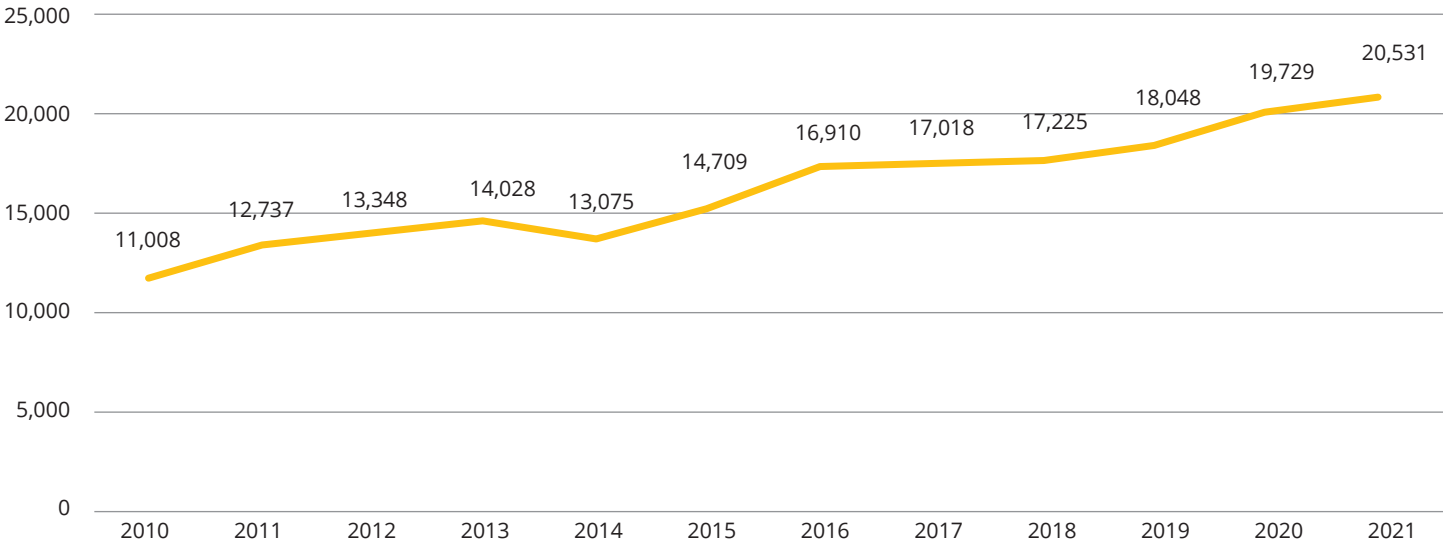
2021 At a Glance — Tucson

Closed Sales 20,531	Median List Price $299,000	Sold Price vs List Price 99%
New Listings 23,382	Median Sale Price $300,000	Average Days on Market 17
Properties Under Contract 22,351	Average Monthly Payment* $1,217.00	Months of Inventory 0.9

A Record Sales Year

Closed residential sales increased 4.1% over 2020, setting the pace for the highest sales year in a decade. In fact, annual sales have almost doubled from 2010. Historically low mortgage interest rates and pandemic-spurred demand for housing had buyers scurrying for home purchases while navigating through the challenges of a very limited supply of listings.

Closed Residential Sales — Tucson Metro



Closed Sales	Tucson	Green Valley	Sahuarita	Sierra Vista	Phoenix
2020	19,729	2,243	819	1,991	100,452
2021	20,531	2,436	888	2,252	104,988
% change	+4.1%	+8.6%	+8.4%	+13.1%	+4.5%



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Statistics based on information obtained from MLSSAZ and ARMLS on 01/06/2022 using TrendGraphix software. Median list price based on original list price of sold homes. *Average monthly payment are based on a 5% down payment on a median priced home at December 2021 interest rate. Information is believed to be reliable, but not guaranteed.

2021 At a Glance — Southern Arizona

Green Valley

Closed Sales
2,436

Properties Under Contract
2,635

Months of Inventory
1.1

Median Sold Price
$279,900

Sahuarita

Closed Sales
888

Properties Under Contract
967

Months of Inventory
1.5

Median Sold Price
$299,900

Sierra Vista

Closed Sales
2,252

Properties Under Contract
2,426

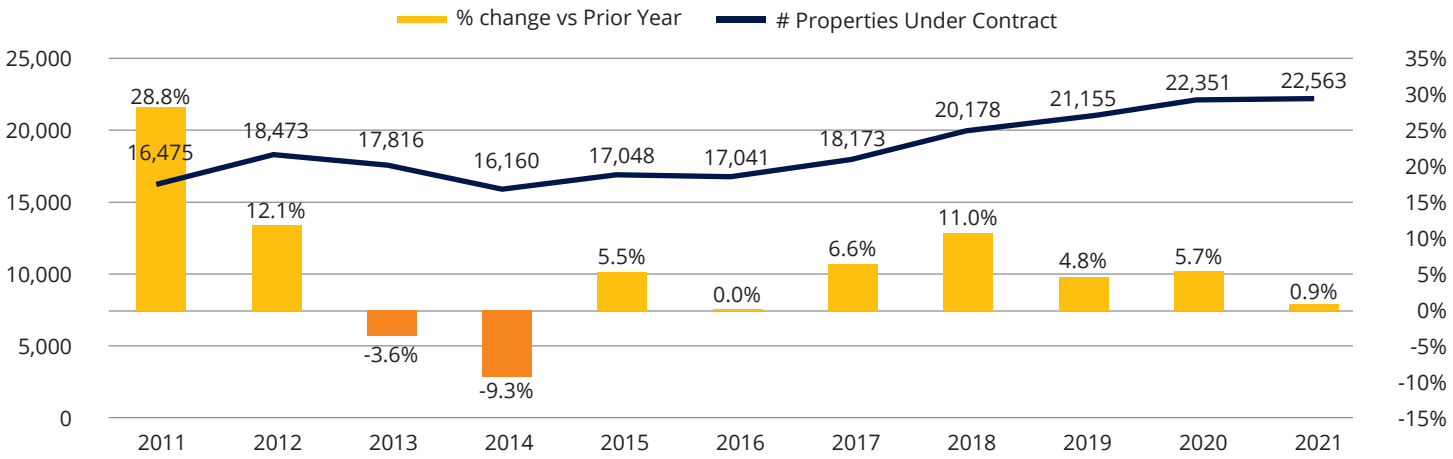
Months of Inventory
1.1

Median Sold Price
$225,000

Demand is High

When an offer is accepted on a listing, the property goes "under contract." Under contract is a leading indicator to closed sales. 2021 continued the very strong demand from buyers set in 2020, with properties going under contract almost 1% higher than 2020, despite inventory limitations, heavy competition from other buyers, and multiple offer situations.

Residential Properties Under Contract — Tucson Metro



Properties Under Contract	Tucson	Green Valley	Sahuarita	Phoenix
2020	22,351	2,485	948	107,037
2021	22,563	2,635	967	107,949
% change	+0.9%	+6.0%	+2.0%	+0.8%



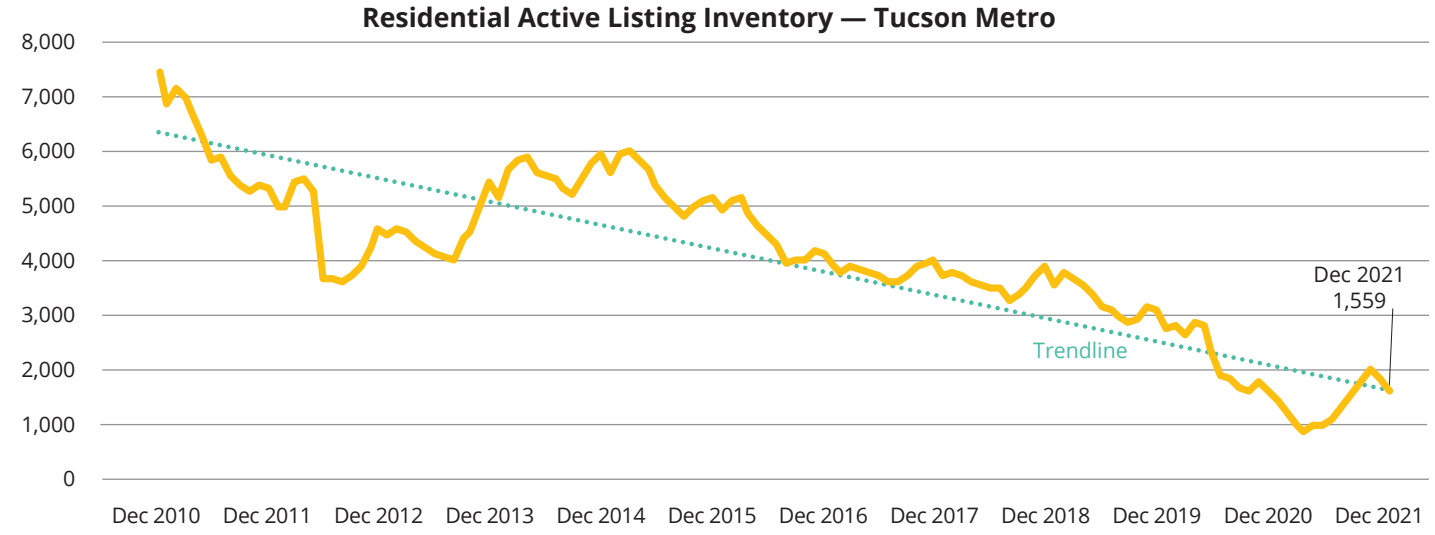
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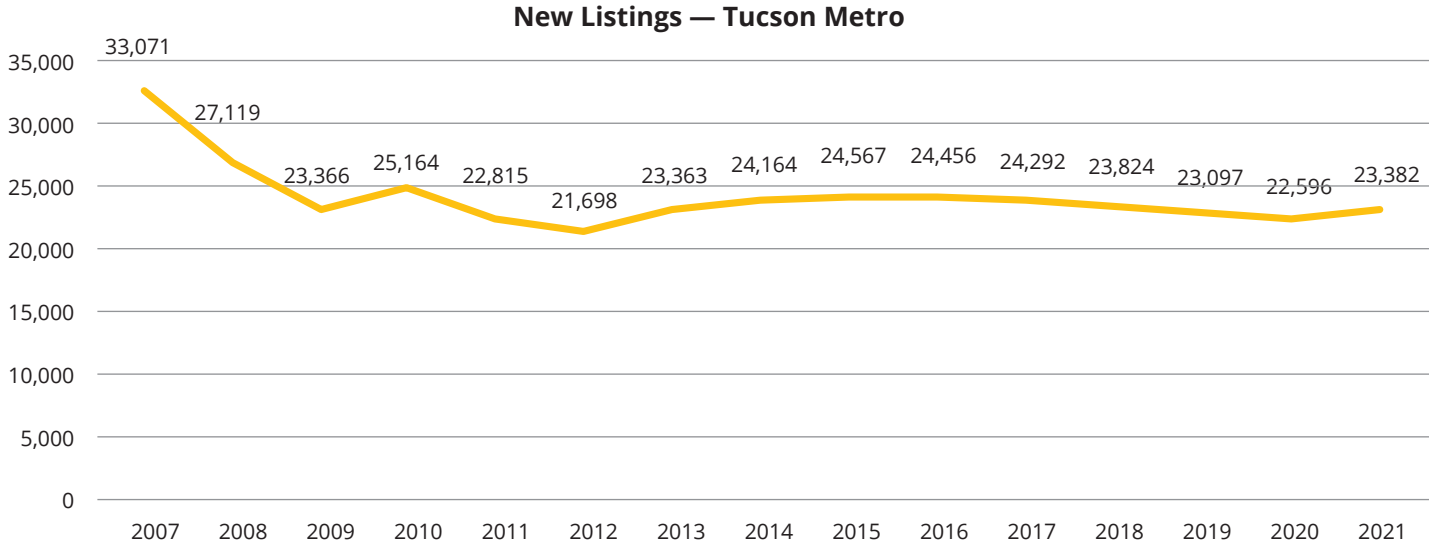
Listing Inventory Challenges

There just wasn't much in the way of active listings sitting in inventory for buyers to choose from. Listings would go under contract typically within days of hitting the market. In Tucson, in a "normal" market you could expect to see an average of 5,000–6,000 listings at any given time. In 2021, listing inventory was down to as low as around 800, and ended the year at 1,559.



New Listings Came on the Market Consistently

While the inventory of homes for sale hit new record lows in 2021, the number of new listings coming on the market has been quite consistent over the last 12 years. The difference in 2021 is that those homes sold very quickly, many times within days, and therefore were unavailable for other buyers to purchase.





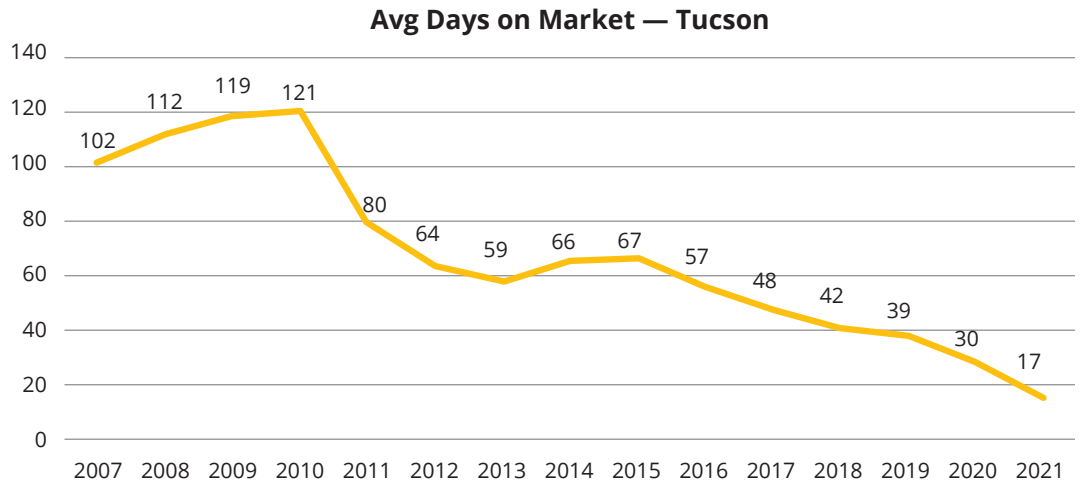
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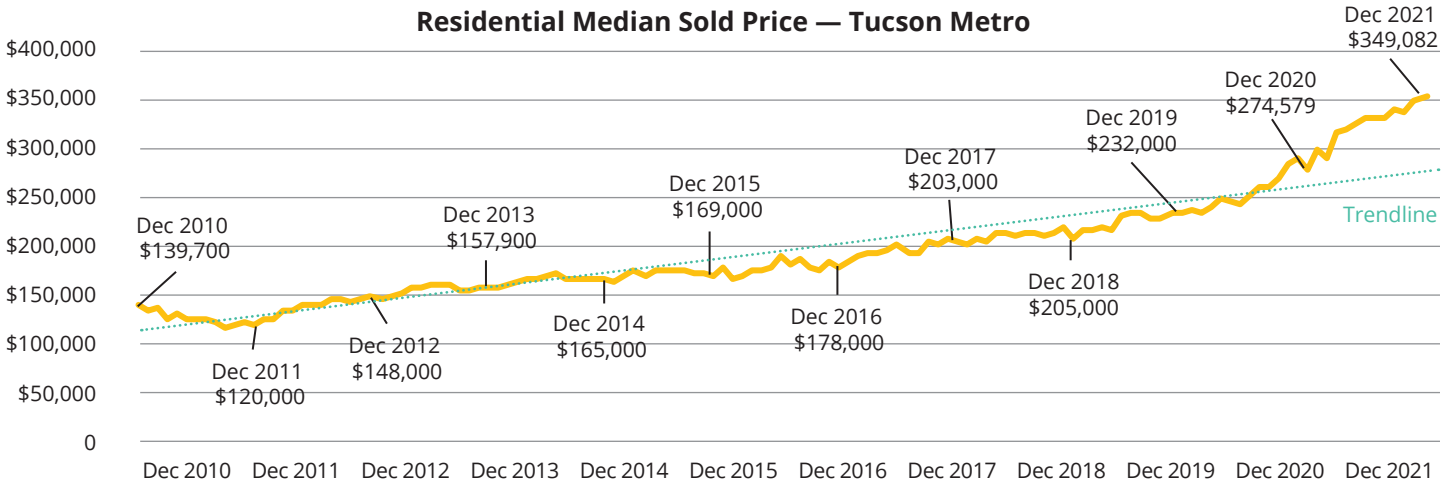
Listings Selling Immediately

On average, homes went under contract in 17 days in 2021, a record. As seen in this trend chart, this is drastically lower than previously experienced, and is reflective of the very fast pace of the real estate market in 2021. We expect a somewhat more moderate pace in 2022, which will help buyers.



Home Prices Increase at Break-Neck Pace

The combination of very strong demand and very limited supply of homes for sale combined to increase median home sale prices in Tucson 20.5% from 2020. Historically, home prices tend to appreciate in the 3–5% range annual, so this was a significant increase. We do not expect this year-over-year appreciation rate to continue and expect it will settle into more historic levels.



Median Sold Price	Tucson	Green Valley	Sahuarita	Sierra Vista	Phoenix
2020	$249,000	$232,013	$245,000	$199,700	$315,900
2021	$300,000	$279,900	$299,900	$225,000	$396,700
% change	+20.5%	+20.6%	+22.4%	+12.7%	+25.6%



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Mortgage Rates At Historic Lows

Mortgage rates plummeted to new lows in 2021, fueling a record sales year and high buyer demand. It also led to more refinances, which may prompt some homeowners to stay longer in their homes due to a very low mortgage interest rate. Rates have recently risen off their lows but are still very attractive.

30 Year Fixed Mortgage Rate

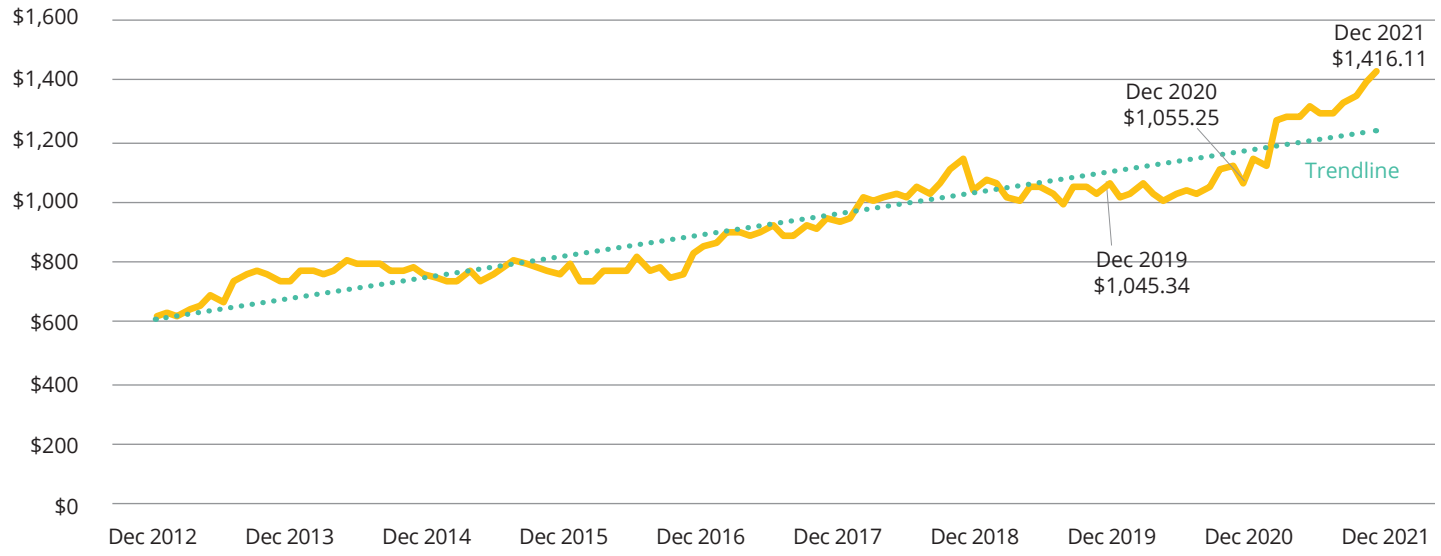
Source: FreddieMac.com



Monthly Home Payments See An Uptick

Low mortgage rates in 2020 were enough to offset home sales price increases, keeping monthly home payments relatively unchanged. In 2021 however, we see an upward trend in monthly payments due to 20% plus home sales price gains and slightly higher interest rates. Relatively speaking, monthly payments remain very competitive against rising rental rates, and against home payments in other parts of the country.

Monthly Home Payment — Tucson Metro





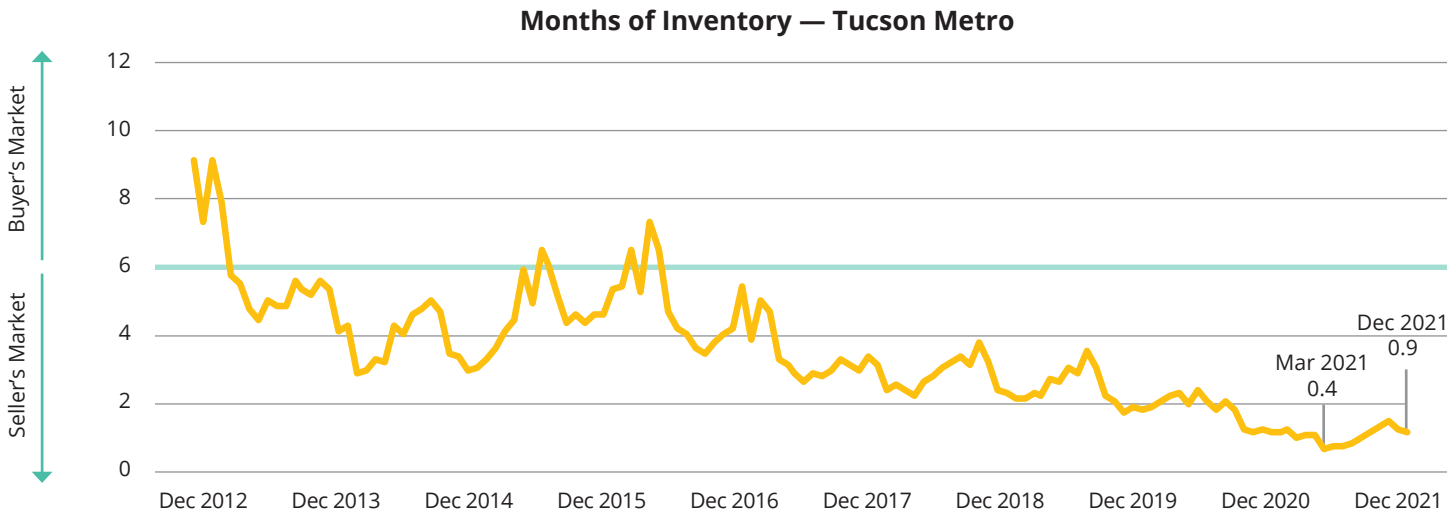
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Mortgage rates based on information obtained from FreddieMac.com. Statistics based on information obtained from MLSSAZ on 01/06/2022 using TrendGraphix software. Monthly payments are based on a 5% down payment on a median priced home. Information is believed to be reliable, but not guaranteed.

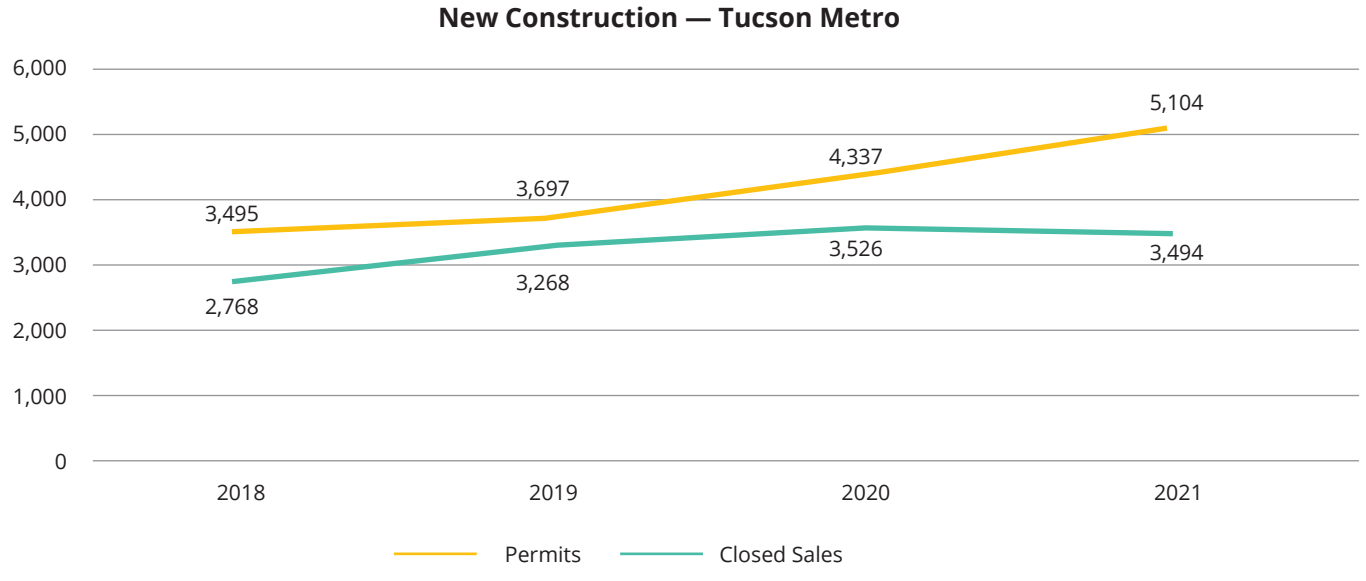
Very Strong Seller's Market

Months of Inventory reflects the relationship between closed sales and active listing inventory. Basically, it measures how long it would take to sell the current inventory at the current sales pace. 6.0 months is considered a balanced market, and less than 6.0 months is a seller's market. At one point in 2021 there was only two weeks of inventory, and the year ended with 0.9 months — a very strong seller's market.



New Construction Sales Lag

Strong buyer demand sparked permits on new construction to increase 17.7% in 2021. Despite that increase in permit activity, new construction closed sales lagged slightly from 2020 due to supply chain issues and other market factors. This has still left a gap in the marketplace, where the availability of new construction inventory is limited and not filling current buyer needs.



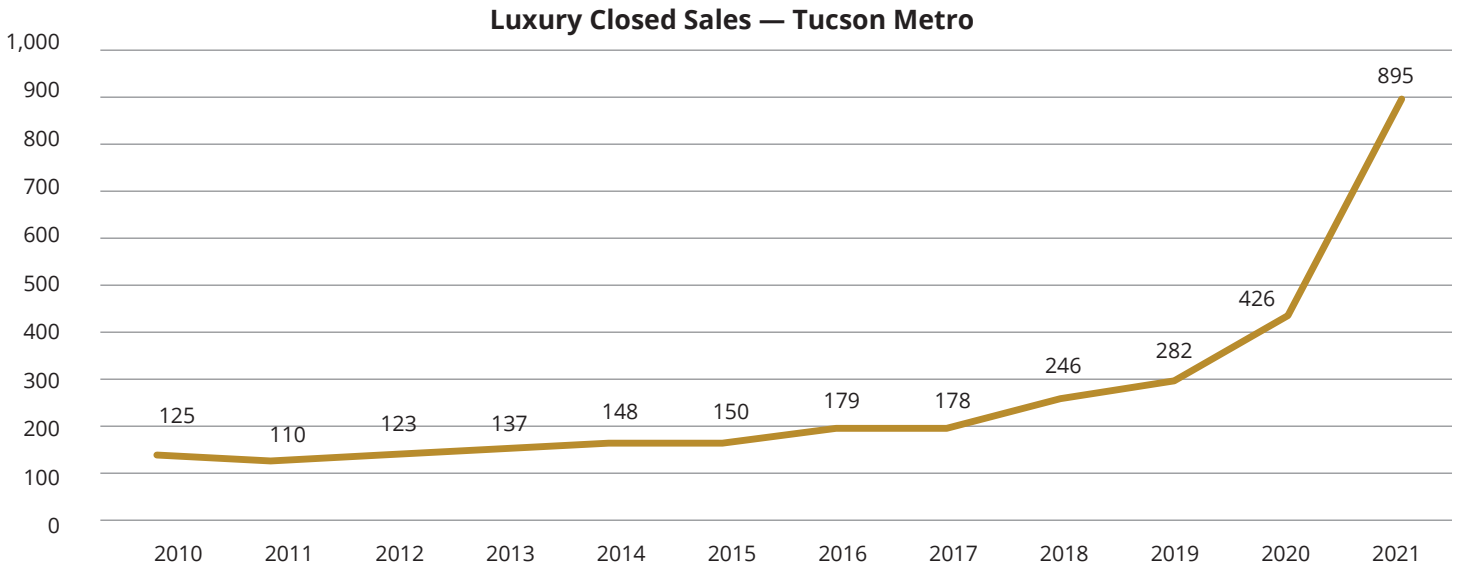


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Statistics based on information obtained from MLSSAZ on 01/06/2022 using TrendGraphix software. New construction data based on information obtained from RLBrownReports/Bright Future Real Estate Research. Information is believed to be reliable, but not guaranteed.

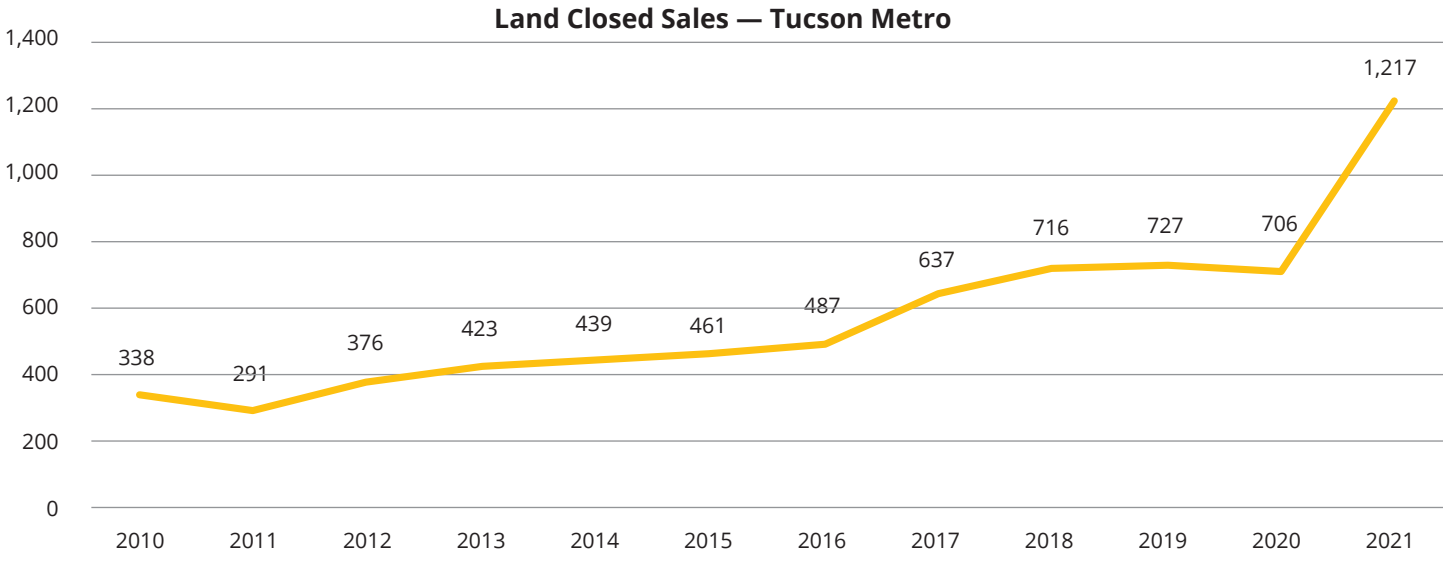
Luxury's Leap

The last two years have seen tremendous growth in the luxury home market in Tucson. Homes priced $800,000 and higher more than doubled in sales in 2021 from the year prior. Remote work, early retirement, shifts in what features people wanted in a home and the financial flexibility of the affluent had buyers on the move. Buyers at these price points can get a lot more home for the money when coming from high price point markets such as California.



Land Sales

With buyers desperately trying to find homes to purchase, more turned to purchasing land with the idea of building. Land sales rose an impressive 72% in 2021.





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Consumer Trends

Buyers

Hedging Inflation by Locking in Lower Home Payment Now
With inflation at 7% and at a 30 year high, it makes financial sense to purchase a home now at today's low mortgage rates to lock in a fixed monthly payment. As the costs of goods and services continues to rise with inflation, consumers can at least hedge against future inflation with a fixed home payment.

Higher Rents Driving Interest in Home Purchases
Rents in Arizona increased 29% year over year, and in Tucson increased 23.3%. As rental rates continue to climb, more renters will look to buy. According to Apartment List, rental rates for a 2-bedroom apartment in Tucson are now $1,350, while monthly payment on a median priced home is $1,416, only a $66 per month difference.

Demographic and Lifestyle Drivers
Millennials continue to show interest in purchasing a home, and slightly higher inventory may mean more choices and new opportunities for first time homebuyers. People continue to migrate to Arizona for greater value on home purchases, lower property tax base, attractive weather and lifestyle, and being enabled by remote work opportunities. Baby boomers continue to take advantage of retirement home purchases, even if still pre-retirement.

Sellers

iBuyer Immediate Offers
More sellers in 2021 opted for the convenience and assurance of a quick closing immediate cash offer, from one of several "iBuyers." In Tucson 5–6% of homes sold were to iBuyers and in Phoenix approximately 10%. These programs typically do not benefit from the knowledge of an expert local real estate agent. At Long Realty, however, we are now introducing our own immediate offer program called QuickBuy, enabling Long Realty agents to offer more options and solutions to home sellers. Please reach out for more information.

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***NEW* IMMEDIATE OFFER WITH QUICKBUY**
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2022 Forecast

A Strong Yet Normalizing Real Estate Market

Tapping into our 96 years of experience, we believe 2022 will be a strong year for real estate, and at the same time leveling to more normal market trends. In addition to national economists, we polled our 1,400 Long Realty agents across Arizona for their projections for 2022.

Mortgage Interest Rates Forecast to Rise
With inflation at 30-year highs, economists expect that Federal Reserve policies to combat inflation will in turn increase mortgage rates. Rising rates and recent home price gains, along with inflation on other goods and services, may temper buyer activity slightly, though rates should remain attractive enough to not significantly slow buying activity. In the short term, rising rates can create urgency for buyers.

Home Prices Appreciate, at a More Normal Rate
Long Realty agents project that home sale prices will rise 1–5% in 2022, which is in line with national forecasts. Of course, this can vary by neighborhood and price point. Strong sales and a continued shortage of listing inventory will keep prices growing, yet not at the torrid rate of 2021.

Home Sales Projected to Continue at Strong Pace
The majority of Long Realty agents project that home sales will remain at consistent levels with 2021 or increase 1–5%. Locking in a monthly payment at today's rates can help serve to offset future inflation for consumers.

Listing Inventory to Rise Slightly
Slow new construction starts, homeowners staying in their homes after refinancing, the absence of a rise in foreclosures coupled with strong buyer demand, means listing inventory will continue to be in short supply. The Long Realty survey has agents predicting that listing inventory will rise slightly 1–5% from 2021 levels.

Strong Seller's Market Shifts to Seller's Market
Strong home sales and slightly higher listing inventory means that a seller's market will continue, just not as severe as 2021. This will continue to present ideal conditions for sellers, while affording buyers a chance to find a home with more options and slightly less competition.

Please reach out for more information about what these trends mean to you.

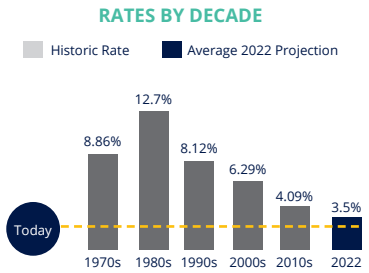


% MORTGAGE RATES ARE PROJECTED TO RISE

Mortgage rates are projected to rise in 2022, yet still remain historically low.

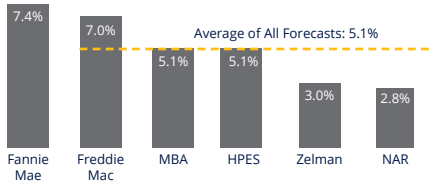
2022 PROJECTED RATES

Fannie Mae	3.3%
Freddie Mac	3.5%
MBA	4.0%
NAR	3.5%



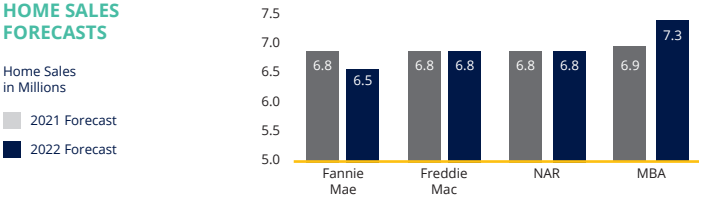
$ HOME PRICES FORECAST TO APPRECIATE

Home prices will also keep rising thanks to continued low housing supply and high buyer demand.



HOME SALES PROJECTED TO BE STRONG

Home sales are expected to perform well again in 2022 as more people move to meet their changing needs.



Forecast from
Keeping Current Matters

Sources: Fannie Mae, Freddie Mac, MBA, NAR, Pulsenomics, Zelman



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