State of the Market Report 2021 MID-YEAR

TUCSON AND SOUTHERN ARIZONA

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Arizona Housing — Market Pulse

Fast Start to Real Estate in 2021

The housing market was fast and furious in the first half of 2021. The pandemic, which started in early 2020, sparked an increased demand for housing which was further fueled by historically low interest rates. This created a “run” situation on available listings that were in limited supply. Multiple offers and homes selling almost “real time” became the norm, with large gains in home values as a result. Those fast market conditions created challenges for buyers trying to find a home to purchase and tilted the market to a strong seller’s market. Increases in home equity, strong market fundamentals, government stimulus, and recovering employment so far staved off the risk of increases in foreclosures or a market crash.

Early Signals of Normalization? Not a Burst

We do not see indications of a real estate bubble or any market burst. Rather, we have been experiencing robust buyer demand fueled by demographics, pandemic lifestyle shifts — such as untethering geographic constraints with remote work and re-evaluating needs in a home — and very attractive mortgage rates, coupled with a shortage of available inventory to purchase. The excess demand to supply resulted in home sale prices increasing. We are seeing some possible early signals of the start of a market normalization, with buyer demand leveling and supply increasing slightly.

- Buyer Demand Remains Strong; A Leveling? +6% YTD New Pended Sales; -8.4% May-Jun 2021 vs 2020
- Mortgage Rates Remain Favorable 30 Yr Fixed Rate 2.98%
- Active Inventory Starting to Rise +29.7% June 2021 vs March 2021
- New Listings Strong in Q2 +9.3% Q2 2021 vs Q2 2020

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Statistics based on information obtained from MLSSAZ on 07/07/2021 using TrendGraphix software. Information is believed to be reliable, but not guaranteed.
Strong Housing Sales

Very strong buyer demand translated into a robust first half of 2021 for closed home sales, outpacing 2020 and 2019. Closed home sales dipped slightly in May and rebounded in June.

In total, closed home sales increased 16.5% year-to-date (YTD), compared to the same period in 2020.

+16.5%

Buyer Activity Remains Strong

Pending home sales increased in the first half of 2021, with very strong March and April new pending activity, which translates to strong closed home sales in subsequent months.

There was a slight dip in new pending sales in May 2021 compared to May 2020 and a 14.4% decrease in June.

YTD 2021 new pending home sales were up 6.0% vs YTD 2020.

+6.0%
Strong Sales, Limited Inventory

Despite highly competitive conditions, including multiple offer situations, buyers vying for the same home, and listings selling as they hit the market, closed sales for homes under $800k increased 13.5% YTD 2021 compared to YTD 2020.

Luxury Sales Take Off

In arguably the most robust segment of the housing market, luxury home sales ($800k+) increased an astonishing 189.6% YTD 2021 as compared to YTD 2020.

Remote working, early retirement, vacation homes, the Arizona lifestyle, lower property taxes, and value compared to other markets are some of the many reasons for the uptick.

+13.5%

+189.6%
Active Inventory Scarcity

The number of available homes for sale is still historically low in 2021, with only 1,042 active listings as of June, up slightly from previous months. This represents a 43.1% decrease from June 2020.

The myth is there are no listings. Fact: the number of new listings this year is similar to YTD 2020; however, listings have been selling as fast as they hit the market.

-Tucson-Area Residential — New Pending Sales vs New Listings-

Listings Selling "Real Time"

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

YTD 2021
-11,380 new listings
-11,570 new pending sales
-1% more pending sales than new listings

New listings YTD 2021 are virtually the same as YTD 2020.
New Construction Can’t Keep Up With Demand

June new home permits in Tucson increased to 513, and YTD is outpacing the last three years. The increased rate of new home permits and construction is not enough to keep up with current demand and fill the gaps in listing shortages.

Home Prices Rise

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

In June 2021, the median residential sales price increased 31.3% to $327,150 from June 2020 levels.

Increasing values have bolstered the equity homeowners have in their properties.
Mortgage Rates Steady around 3%

After falling to record lows in late 2020, mortgage rates rose to slightly over 3% early in 2021 and have since fallen back to around 3% for the last few months.

Attractive mortgage rates helped to keep buyer demand high in the first half of 2021.

Tucson-Area Residential — Monthly Payment

Monthly Payment Rises

Low mortgage rates had partially offset monthly payment increases, but in 2021 the accelerated appreciation of home prices is finally being reflected in the monthly mortgage payment amount.

The monthly mortgage payment on a median-priced home is up 28.4% from June 2020.

+B28.4%
Homes Selling in Days

Buyer activity has been heated, competing for properties in 2021, with multiple offers being the norm and homes selling more quickly.

The days on the market, the average time listings go from being active to under contract, fell to only 12 days in June 2021, compared to 36 in June 2020.

Tucson-Area Residential — Sold Price to Original List Price % Difference

Homes Selling Higher Than List Price

In June, on average, homes sold for 101% of the original list price. This reflects how competitive the market has been, with homes being bid up over list price. This ratio has been steadily climbing in 2021.

This is a ratio to watch for the balance of 2021, as it may be an indicator of the market’s pace.
Southern Arizona — Residential Closed Sales YTD 2021 vs 2020

Sales Higher Across Southern Arizona

Even with a tight listing inventory environment, home sales increased across Southern Arizona YTD — with Sierra Vista seeing the largest increase of 33%. 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.

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 from June 2020 to June 2021. Tucson saw the highest increase percentage of home sales price.

Real estate is local, so trends and prices may vary for your specific situation.
2021 Projections

Home Prices Expected to Rise

Leading economists forecast that home prices nationally will rise in 2021, given the continued high demand and low inventory housing environment. The average of these six forecasts is 8.9%.

Despite the rapid rise in home prices YTD, we do not see indications that prices will go down; however, the pace of appreciation may normalize and smooth to a healthier level. Market conditions can vary considerably by area, so for your home's current value, please contact me for a complete market analysis.

Mortgage Rate Projections

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<td>2021 Q3</td>
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<td>3.68%</td>
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Mortgage Rates Will Likely Increase, but Remain Low

Economists are in agreement that they expect mortgage interest rates to rise modestly in the second half of 2021 and into 2022. The average forecast has rates at 3.48% at the end of 2021, and 3.68% at the end of 2022.

Since the forecasted interest rate rise is modest, we do not expect this to considerably slow buyer behavior or demand, but it may aid in normalizing the market. The possibility of higher future rates should keep current demand strong.

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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Forecasts and Projections Source: Keeping Current Matters. Information is believed to be reliable, but not guaranteed.