TAR SCORECARD

TAR/MLS Inventory New Constuction Foreclosures Land

When sales and selling prices peak together

During a radio news interview this month, TAR/MLS President Henry Zipf was asked an intriguing question. With June's Median Selling Price at its highest point since 2009, the reporter asked how listings, unit sales and prices played off each other to impact the market.

What's "the correlation?" It was a great question (not a "gotcha" one) but the answer needed some thought and wouldn't fit into a 12-second, impromptu sound bite.

After the interview, we dug into the TAR/MLS data. In time, a strong and direct relationship between the three factors became apparent. Going back to 2009, when listings peaked, sales *and* selling prices typically peaked two quarters later.

In 2009, the housing market was still shaking off the Great Recession. The region's real estate industry was just beginning its slow climb back to recovery.

In 3 of the 6 years since 2009, listings have peaked in Q4. A fourth year that would have been a Q4-high fell only 200 homes short.

Since 2009, sales have peaked every year during Q2. That confirmed a direct timeline connection between listings and sales. As inventory increases, sales rise two quarters later. That trend is on track for 2015 as sales surged by over 1,200 units from Q1 to Q2.

But why do sales always peak in Q2?

Intuitively, the cause is mostly social. People buy then to relocate for their jobs, kids' schools, and to get settled before the summer heat hits. There appears to be little correlation to economic conditions. Jobs were lean in 2010; foreclosures plentiful in 2012; and buy-and-flip investors were active in 2013, yet all sales still peaked in Q2.

With all that competition (demand) for homes, what was the impact on the Median Selling Price? Since 2009, it has peaked in Q2 four times. And 2012 was the only time when the year-end Median Selling Price was higher than in Q2.

At times, there is no quick answer to a really great question. In real estate, listings, demand, mortgage rates, prices, consumer behavior, and location all correlate to each other.

• *Roger Yohem, TAR Communications Director*

Market Trend Scorecard

Category	June 2015	June 2014	Trend	2015 YTD	2014 YTD	Trend
Units sold	1,481	1,297	**14.2%**	7,267	6,759	**7.5%**
Sales volume	$324.9M	$274.4M	**18.4%**	$1.54B	$1.36B	**12.6%**
Median sales price	$173,000	$168,815	**2.5%**	$171,227	$166,746	**2.7%**
Average sales price	$219,370	$211,600	**3.7%**	$215,834	$206,411	**4.6%**
Avg. days on market	60	62	**-2**			
Avg. selling price/SF	$114	$110	**3.6%**			
New listings	1,976	2,020	**-2.2%**			
Active listings	4,992	5,284	**-5.5%**			
Total under contract	2,114	1,949	**8.5%**			

Full report at www.tucsonrealtors.org

Data is informational only, based on the flow of business at a set point in time through the TAR Multiple Listing Service (TAR/MLS). The data is substantively correct; yet does not represent full inclusion nor accuracy of all real estate activity in the market.

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RESIDENTIAL FORECLOSURES

In Pima County

Trustees Sale Notices
(Foreclosure Filings)

	2015
Jan	294
Feb	309
Mar	290
Apr	336
May	247
June	**272**
July	
Aug	
Sept	
Oct	
Nov	
Dec	
Total	**1,748**
Avg/mo	291

Historic	Total	Avg/mo
2014	3,586	299
2013	5,569	464
2012	9,287	774
2011	9,433	786
2010	11,663	972
2009	**12,184**	**1,015**
2008	8,956	746
2007	4,814	401
2006	2,842	237
2005	2,674	223
2004	3,053	254

As part of the foreclosure process, these Trustees Notices advise homeowners who are in default on their mortgages when their homes will be sold at public auction.

Trustees Deeds
(Foreclosed Homes Sold)

	2015
Jan	163
Feb	150
Mar	195
Apr	194
May	158
June	**166**
July	
Aug	
Sept	
Oct	
Nov	
Dec	
Total	**1,026**
Avg/mo	171

Historic	Total	Avg/mo
2014	2,526	210
2013	3,593	299
2012	5,818	485
2011	**6,956**	**580**
2010	6,793	566
2009	5,826	486
2008	4,215	351
2007	1,564	130
2006	627	52
2005	792	66
2004	1,294	108

Source: Pima County Recorder

Midyear Report: 2015 headed for best year since 2006

It's been a slow, long climb back.

As the region's housing industry continues to steadily improve, it is still struggling to shake off the impact of the 2006-07 housing bubble. That collapse triggered the Great Recession that lasted until June 2009.

The unbelievable loss of wealth caused a sharp drop in consumer spending, massive job losses, and great distress in the housing market

Although the post-recession economic recovery has been tepid, halfway through 2015, the Tucson area's real estate market is on track for its best year since those dark economic times.

Since topping out at 10.1% unemployment in January 2010, some 11,000 jobs have returned and/or been added to the economy. This growth has lowered the current jobless rate to about 5%.

In turn, the strengthening job market has helped to drive higher the demand for homes. During the 2006 peak, 15,726 homes sold. Since January, the volume is just under 7,300 closings. By year-end, total sales in the neighborhood of 13,500 units is realistic, even after adjusting for a Q4 seasonal slowdown.

Prices should finish strong

With rising demand, homes are selling faster and for more money. Just before the housing crash, the Median Selling Price was about $226,500. It hit bottom in Sept. 2011at $117,500, a 48% drop.

Now at $173,000, the Median sales price is on track for its best year since 2007-08.

After 19 consecutive months of under 400 foreclosure filings, the market has stabilized. In 2007, filings spiked from a normal level of 225-240 per month to about 400. Notices peaked in 2009 at 12,184, or 1,015 filings per month.

At only 291 per month YTD, 2015 looks headed for about 3,200 filings, the lowest since 2,841 in 2006.

The 2006-2011 years were tough on REALTORS® and our industry. Headed into the rest of 2015, TAR and its members can see all the positive improvements that bode well for the market's short and long-term future.

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SINGLE-FAMILY RESIDENTIAL PERMITS

By Municipality in the Tucson MSA

		JUNE	YTD	TREND
Pima County	2015	60	322	**-28.8%**
	2014	76	452	
Marana	2015	65	359	**25.1%**
	2014	51	287	
Tucson (City)	2015	26	125	**-21.4%**
	2014	27	159	
Sahuarita	2015	33	103	**22.6%**
	2014	22	84	
Oro Valley	2015	N/R	61	**-7.6%**
	2014	24	66	
S. Pinal County	2015	18	109	**25.3%**
	2014	17	87	
Total	**2015**	**202**	**1,079**	**-4.9%**
	2014	217	1,135	

10 years after the peak

Ten years ago in June, single-family permits peaked at the highest monthly volume ever at 1,240. That level was unprecedented; more than twice what is considered to be a healthy, normal volume for this market.

That year, 11,762 new home permits were issued. The economic/financial conditions that caused this mania collapsed and we continue to recover from the damage today.

At the 2015 mid-point, SF permits are only 56 off the 2014 YTD pace. Closing however, are 70 ahead for the same 6-month period.

YOY pricing has softened a bit, dropping to about $262,500 Average (-4.7%); and about $245,850 Median (-3%).

bright future REAL ESTATE RESEARCH, LLC

Ginger Kneup
ginger@orangereports.com

Mortgage Rates Scorecard

As of July 13 , 2015

TERM	CURRENT	APR	1-YR. AGO	12-MO. HIGH	12-MO. LOW
30-Year	***4.38%***	*4.625%*	*4.5%*	*4.5%*	*3.38%*
15-Year	***3.63%***	*3.875%*	*3.38%*	*3.88%*	*2.75%*
5/1 ARM	***3.75%***	*4%*	*3.25%*	*3.88%*	*2.63%*

Rates have 1% origination fee and 0% discount
$417,000 maximum conforming loan amount (FNMA/FHLMC)
Source: Randy Hotchkiss, Hotchkiss Financial #MB0905432
SAMLA: ***Southern Arizona Mortgage Lenders Association***
Randy Hotchkiss, 2015 President

Financing Scorecard

Method	June 2015	June 2014	Trend
Conventional	*40.2%*	*42.1%*	***-1.9%***
Cash	*25.1%*	*26.1%*	***-1%***
FHA	*21.9%*	*17%*	***4.9%***
VA	*10.7%*	*10.5%*	***-.02%***
Other	*2.1%*	*4.2%*	***-2.1%***

NW gets 2 new subdivisions

Two new prestigious communities in northwest Tucson will add 133 platted and engineered lots.

For $2.94 million, Lennar Arizona bought 75 lots for Eagles Rest, a new subdivision in Oro Valley's Rancho Vistoso MPC. At a cost of $39,200 per lot, the site's gross area is 39.02 acres; with the net is 26.57 acres. All are 70' x 125' lots.

DR Horton bought 58 lots at Sterling Meadows in Marana for $1.86 million ($32,000 per lot). Located southwest of Hartman and Overton Roads, the gross area of the subdivision is 58.8 acres. They are all 70'x125' lots.

Also in the NW sector, Cottonwood Properties sold two parcels that totaled about 57 acres for $3 million. The land is along the common boundary between Canyon Pass at Dove Mountain and Saguaro Ranch. The new owners of Saguaro Ranch, Connecticut-based Northlight Capital Partners, acquired the land.

Editor Karen Schutte, Real Estate Daily News
REDailyNews@outlook.com (520) 877-2656

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TUCSON ECONOMY UPDATE

Office Market concessions still in play

Look around, renegotiate is trending

At the end of 2Q-2015, we continue to see a slight increase in activity. Since January, the three largest office buildings sold totaled about $14.4 million.

Based on value, the highest sale was $9 million for 1617 E. Skyline Dr. Syndicated Equities bought the Morgan Stanley office building (19,761-SF) from DESCO Southwest for about $458/SF.

Based on space, the largest sale was for a 30,588-SF office at 6303 E. Tanque Verde. The price was about $1.5 million.

Higher rental rates?

Regarding rents, companies were out looking in the market, if only to go back to try to renegotiate their leases with their current landlords.

This caused the Office sector to see continued pressure from tenants for more concessions: lower the rate from the asking rate, free rent, etc.

For example, in reviewing a recent lease Comps Report from CoStar while doing a property analysis, I looked at rental comps of 52 leases for the last full year.

Most were renewals (about 93%) and the asking rents were between $18-$26 Full Service. Yet, the report's data showed:

Gross Asking Rent: $16.06/SF
Gross Starting Rent: $17.81/SF
Gross Effective Rent: $12.21/SF
Average Free Rent: 2.0 months

The effective rent is the first year rent after all the concessions are added into the deal. Free rent is typically booked upfront, so the first year rent distorts somewhat the Gross Starting and Gross Asking numbers.

Rates by Class

Headed into the third quarter, here is a look at what is typical in the sector:

- Class A Asking Rate: $21 Full Service
  Effective Rate lower due to concessions
- Class B Asking Rate: $18.57 Full Service
  Effective Rate $1-$2 lower due to concessions
- Class C Asking Rate: $15.39 Full Service
  Effective Rate $1-$2 lower due to concessions

At the year's mid-point, the City-wide vacancy rate remained at about 18%. That should improve as there is still a need for health care/medical expansion due to our aging population.

Source: Michael Gross, Tucson Realty & Trust
commercial@tucsonrealty.com

About The TAR Scorecard

Scorecard outlines a broad view of the region's real estate and housing market. It reports trends in subsectors that, when viewed separately, may not appear to be related. Over time however, the data ultimately converges to cause turning points throughout the entire market. TAR does not interpret any statistics and data is used with permission of the contributors. Scorecard is published monthly at www.tucsonrealtors.org/statistics.html with print copies in our lobby.

About the Tucson Association of REALTORS®

The Tucson Association of REALTORS® (TAR) represents 4,800 real estate professionals in Southern Arizona. The TAR Multiple Listing Service (TAR/MLS) is a cooperative real estate database of listings and sales information. TAR/MLS is a wholly owned subsidiary of TAR.
TAR website: http://www.tucsonrealtors.org/ MLS website: http://www.tucsonrealtors.org/mls

The Tucson REALTORS® Charitable Foundation is a 501c3 non-profit that awards grants to other non-profit organizations from donations by TAR members, affiliates, friends and events.
TRCF website: http://www.tucsonrealtors.org/foundation

Tucson Association of REALTORS® • 2445 N. Tucson Blvd. • Tucson, AZ. 85716
Roger Yohem, Communications Director • roger@tucsonrealtors.org