



• TAR/MLS • Inventory • New Construction • Foreclosures • Land & Lots

The “Great Delay” has housing off track

WASHINGTON, DC - During the Great Recession, the staggering decline in jobs, marriages and household formation shattered the housing market. Thankfully, those days are over yet the fallout continues to be a drag on real estate’s recovery.

Today, new home construction is only at half its normal pace. In the resale market, selling prices are still one-third below the peak. This frustrating situation was addressed by economists Dr. Lawrence Yun of NAR and Robert Dietz of the National Association of Home Builders at last week’s NAR Midyear Legislative Meetings.

“Now we’re in the Great Delay. The decline in homeownership and marriage rates among young adults has delayed the market’s return to normal until 2017,” said Dietz.

New home demand is weak because the nation’s 75 million Millennials remain a rental generation. An early indicator that these first-time buyers are coming

into the market enmasse will be a notable spike in town-home construction, he added.

“Supply needs to increase measurably to meet the pent-up demand for buying,” said Dr. Yun. The good news is that we are on the right path. Shadow inventory is declining. Layoffs have stopped. The credit box is opening up.”

Mortgage rates are up 50 basis points since April. Yun expects the Fed’s rate hike will be in September “for all the right reasons.”

“There will be 2.5 to 3 million more jobs this year. Millennials will leave their apartments as

jobs improve. There is no inflation. Oil prices will settle at \$60 to \$70 a barrel. Underwriting standards are so high, there is no threat of a housing bubble,” he said. “Even with higher mortgage rates, 2016 will be better.”

• Roger Yohem, TAR Communications Director



NAR Chief Economist Dr. Lawrence Yun

Market Trend Scorecard

Category	Apr 2015	Apr 2014	Trend	2015 YTD	2014 YTD	Trend
Units sold	1,383	1,301	6.3%	4,398	4,247	3.6%
Sales volume	\$291.5M	\$256.4M	13.7%	\$910.1M	\$840.5M	8.3%
Median sales price	\$167,500	\$164,900	1.6%	\$167,657	\$162,357	3.3%
Average sales price	\$210,749	\$197,066	6.9%	\$208,078	\$197,884	5.1%
Avg. days on market	66	65	+1			
Avg. selling price/SF	\$112	\$106	5.7%			
New listings	2,161	2,021	6.9%			
Active listings	5,487	5,466	0.4%			
Total under contract	2,336	2,127	9.8%			

Full report online 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.



RESIDENTIAL FORECLOSURES

In Pima County

Trustees Sale Notices (Foreclosure Filings)

	2015	Historic	Total	Avg/mo
Jan	294	2014	3,586	299
Feb	309	2013	5,569	464
Mar	290	2012	9,287	774
Apr	336	2011	9,433	786
May		2010	11,663	972
June		2009	12,184	1,015
July		2008	8,956	746
Aug		2007	4,814	401
Sept		2006	2,842	237
Oct		2005	2,674	223
Nov		2004	3,053	254
Dec				
Total	1,229			
Avg/mo	307			

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

Trustees Deeds (Foreclosed Homes Sold)

	2015	Historic	Total	Avg/mo
Jan	163	2014	2,526	210
Feb	150	2013	3,593	299
Mar	195	2012	5,818	485
Apr	194	2011	6,956	580
May		2010	6,793	566
June		2009	5,826	486
July		2008	4,215	351
Aug		2007	1,564	130
Sept		2006	627	52
Oct		2005	792	66
Nov		2004	1,294	108
Dec				
Total	702			
Avg/mo	175			



Source: Pima County Recorder

Atkins named land commissioner

Lisa Atkins, an Arizona native and graduate of the University of Arizona, has been appointed commissioner of the Arizona State Land Department, an agency that manages about 9.3 million acres of State Trust land.

In making the appointment, Gov. Doug Ducey said Atkins has “keen and extensive knowledge of public policy, particularly land management issues facing Arizona.” He also commended her “strong business background and commitment to economic growth.”

Atkins currently serves as VP-Public Policy at Greater Phoenix Leadership, a business organization focused on economic vitality and quality of life issues in Phoenix and throughout Arizona. She also is board president of the Central Arizona Water Conservation District (CAP) and co-chairs the Arizona Military Affairs Commission.

For over 20 years, she was Chief of Staff for former Arizona Congressman Bob Stump, advising on issues related to land, water and military.

• *Karen Schutte, Editor; Real Estate Daily News*
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Housing headwinds: 3 Ls & 1 M

At 75 million strong, Millennials are easy targets of blame for the housing market’s woes. Many of them are under-employed, have a lot of student loan debt, and have delayed marriage (i.e., household formation).

Also known now as the “rental generation,” they are just one key reason why home ownership is at a 25-year low.

A deeper look at the issue reveals three other keys dragging down the market. Economist Rob Dietz (National Association of Home Builders) calls them the “3 Ls:”

- **Labor:** The construction pool is tight because builders can’t find the right workers at the right time at the right price. When workers ask about wages, their attitude is: Why frame when we can frack?
- **Lots:** A shortage of buildable lots translates into higher new home prices; impacting affordability.
- **Lending:** Tight credit conditions still affect builders and buyers. Builders are wary of taking on too much financial risk. Creditworthy borrowers face restrictions that can make it difficult to obtain financing.



SINGLE-FAMILY RESIDENTIAL PERMITS

By Municipality in the Tucson MSA

	YEAR	APR	YTD	TREND
Pima County	2015	62	210	-34.2%
	2014	99	319	
Marana	2015	56	204	12.1%
	2014	44	182	
Tucson (City)	2015	28	74	-28.8%
	2014	41	104	
Sahuarita	2015	11	53	8.2%
	2014	13	49	
Oro Valley	2015	10	44	33%
	2014	11	33	
S. Pinal County	2015	21	70	29.6%
	2014	15	54	
Total	2015	188	655	-11.6%
	2014	223	741	

No more volume volatility

The dramatic volume volatility in monthly permits since August 2013 is likely over. The end of big swings in permits is a good sign that the new-build market is normalizing.

Based on good sales in April, YTD closings are now 15% ahead of 2014. And while the market is still absorbing those speculative City of Tucson permits from last year, May permits should exceed 200.

Foreclosure sales are down 8.4% YTD, a key shift that supports price stability overall. The Median Sales Price of a foreclosure is now \$134,000, a 3.1% gain (+\$4,000) YOY.

In April, the new home Median Selling Price was \$239,464, about the same as last year.



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Mortgage Rates Scorecard

As of May 18, 2015

TERM	CURRENT	APR	1-YR. AGO	12-MO. HIGH	12-MO. LOW
30-Year	4.13%	4.375%	4.49%	4.49%	3.38%
15-Year	3.5%	3.75%	3.38%	3.88%	2.7%
5/1 ARM	3.63%	3.875%	3.21%	3.63%	2.61%

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

Best sellers in airport area

In April, two of the top-selling zip codes for resale homes were near the Tucson International Airport. These best-sellers were based on the percent of listings sold; with a minimum of 20 listings.

- Based on TAR/MLS, the top three zip codes were:
- **85706:** The area immediately north of the airport where 24 of 37 listings (64.9%) sold.
 - **85756:** A large area south and east of the airport where 37 of 71 listings (51.1%) sold.
 - **85743:** A large area west of I-10 from Twin Peaks south along Sandario Road where 69 of 176 listings (39.2%) sold.

Of the 1,383 homes sold in April, the best-selling price point was from \$200,000 to \$249,900 with 182 sales, a 13.2% market share. Closings from \$120,000 to \$139,999 captured another 11.9% share with 165 sales.

The \$200,000 - \$249,900 price range also had the highest home inventory at 695 units. The next-largest group of listings was in the \$300,000 - \$399,999 price range with 652 homes.



Financing Scorecard

Method	Apr 2015	Apr 2014	Trend
Conventional	37.5%	37.4%	0.1%
Cash	27.1%	30.5%	-3.4%
FHA	21.4%	17.6%	3.8%
VA	10.7%	11.1%	-0.4%
Other	3.3%	3.5%	-0.2%



TUCSON ECONOMY UPDATE

Land market sees new life in NE sector

New homes for once-quiet submarket

With little fanfare, the NE Tucson sector has moved into position to take a small but vital presence in the region's land market. Other than individual lot sales and custom homes, it has long been regarded as a quiet, established area with little new home activity.

Like in the NW sector, the typical NE homeowner is a bit more affluent than average and many are living in aging homes. Those who want to move up want to stay in the general area but have not had any significant options for new homes until recently.

In response to this suppressed demand, several new NE communities are coming online.

For example, in five different projects, builders AF Sterling Homes, The Carlier Company/C. Scheaf Co., Maracay Homes, and Pulte Homes already have or will bring some 210 lots to market. The home prices range from \$400,000 to \$1 million.

Who owns the lots?

In the region overall, there were 3,645 finished lots at the end of the first quarter. Homebuilders controlled 2,769 lots; or 76% of the total. The remaining 876 lots were owned by investors.

Clearly, the NW sector will continue to dominate the

new home activity in the near term. Of the investor owned dirt, about 42% (367 lots) are located there.

The next largest investor-owned grouping is in the far south sector where they control 33% (292) of the lots.

Q1 2015 SFR community review

During the quarter, there were no bulk finished lot transactions. Of note, there were:

- 467 new home permits issued
- 80 active traditional SFR communities
- 3 communities built out or closed
- 4 new communities finished or opened
- 7 communities under construction (750 lots)
- Up to 3 new communities could be added in Q2

With typical development costs of about \$30,000 per lot plus land costs, entry-level product remains challenging to build and to make the numbers work.

Lot Supply Scorecard

Type	Q1 2015	Q1 2014	+/-
New lots	231	268	-37
Finished lots	3,645	3,906	-261
SFR permits	467	518	-51

Source Aaron Mendenhall, Associate

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[Chapman Lindsey Commercial Real Estate](#)



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.
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