



# TAR SCORECARD

September 2015

TAR/MLS   Inventory   New Constuction   Foreclosures   Land

## Mortgage rates are not *the* when-to-buy factor

With mortgage rates adrift at 50-year lows for the last six years, borrowers have forgotten what normal interest rates are: 6% to 8%. So regardless of the Federal Reserve's rate moves now, next quarter or next year, a sensible increase will not destroy the housing market.

Keep in mind the bottom line: A rate hike means that the nation's overall economy is doing well. Any increase will be based on higher employment and wages.

Southern Arizona real estate is at its healthiest level in about 5 years. After the financial collapse of 2007, foreclosures hit over 12,000 in 2009, about four times more than normal averages.

By 2011, selling prices had fallen about 48% from their peak values.

The Feds lowered interest rates, in part, to prop up the real estate market. Therefore, any rate hike is a significant, positive sign that the economy is stronger which in turn, should make the housing market stronger.

The status of the housing market cannot be appraised as a stand-alone commodity. It should be viewed in the context of the larger overall economy.

### Other sectors will see improvement

As rates rise, homes may become less affordable and demand may slow. Any declines in housing will be offset by gains in other sectors of the economy.

Just in the last year, gains support this expectation. The national unemployment rate (July 2014 to July 2015) has dropped from 6.2% to 5.3%. Locally for the same period, the rate went from 6.6% to 6.2%, effectively putting about 2,900 people back to work.

Foreclosure notices in the Tucson MSA are 9% lower year-over-year. Existing home sales have risen 10% with the Median Selling Price 6.3% higher.

Disposable personal income is forecast to grow 4.1%, according to Fannie Mae. That is the largest annual increase in about 10 years. All these economic improvements will benefit the housing market.

### The impact of small increases

For potential home buyers, small mortgage rate increases won't cause large spikes in monthly payments. For example, take two key price points in the

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## Market Trend Scorecard

Category	Aug 2015	Aug 2014	Trend	2015 YTD	2014 YTD	Trend
Units sold	1,276	1,158	10.2%	10,013	9,093	10.1%
Sales volume	\$269.3M	\$237.5M	13.4%	\$1.8B	\$1.8B	~
Median sales price	\$173,250	\$163,000	6.3%	\$173,182	\$165,686	4.5%
Average sales price	\$211,068	\$205,084	2.9%	\$212,135	\$205,459	3.3%
Avg. days on market	63	65	-2			
Avg. selling price/SF	\$110	\$107	2.8%			
New listings	2,011	2,024	~			
Active listings	4,758	5,155	-7.7%			
Total under contract	1,846	1,655	11.5%			

Full report at  
[www.tucsonrealtors.org](http://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.

# TAR SCORECARD

## 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	247	2010	11,663	972
June	272	2009	12,184	1,015
July	277	2008	8,956	746
Aug	232	2007	4,814	401
Sept		2006	2,842	237
Oct		2005	2,674	223
Nov		2004	3,053	254
Dec				
<b>Total</b>	<b>2,257</b>			
Avg/mo	282			

As part of the foreclosure process, Trustees Notices advise homeowners in default on their mortgages 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	158	2010	6,793	566
June	166	2009	5,826	486
July	188	2008	4,215	351
Aug	160	2007	1,564	130
Sept		2006	627	52
Oct		2005	792	66
Nov		2004	1,294	108
Dec				
<b>Total</b>	<b>1,374</b>			
Avg/mo	172			



Source: Pima County Recorder

### Mortgage rates not *the* when-to-buy factor (from page 1)

...Tucson housing market: the Median Selling Price of about \$175,000 and the Average Selling Price of about \$220,000. To set a baseline of comparison, those numbers are used (see tables) as the home buyer's loan amount at 4% interest.

The tables show the impact of small 0.25% increases in rates—the path that the Federal Reserve is expected to follow. The numbers are approximate, not exact payments. The intent is to give a representation of how much the monthly payment would increase as rates rise over the next year or so.

#### Borrower with a \$175,000 Loan

Mortgage	Interest Rate/Monthly Payment			
	4%	4.25%	4.5%	5%
15-Year	\$1,477	\$1,499	\$1,521	\$1,566
30-Year	\$1,018	\$1,043	\$1,069	\$1,122

#### Borrower with a \$220,000 Loan

Mortgage	Interest Rate/Monthly Payment			
	4%	4.25%	4.5%	5%
15-Year	\$1,856	\$1,884	\$1,912	\$1,969
30-Year	\$1,279	\$1,311	\$1,344	\$1,410

For the \$175,000 loan, the first quarter-point increase raises monthly payments by \$22 and \$25. For an entire year, that's \$264 more on the 15-year mortgage; \$300 on the of 30-year mortgage.

The \$220,000 borrower sees an increase of \$28 and \$32 monthly. That's \$336 more per year on the 15-year loan; \$384 more per year on the 30-year loan.

If rates increase a full point to 5%, the annual impact on the 15-year, \$175,000 loan is \$1,068; and \$1,248 on the 30-year. For the \$220,000 loan, the increase would be \$1,356 on the 15-year loan; \$1,572 on the 30-year.

Those payments are all well below pre-Recession rates when the Annual Average was 7.7% in 2000 and 5.4% in 2005 for a 15-year loan; and 8% in 2000 and 5.9% in 2005 for a 30-year loan.

#### Buyers will still buy

In the short term, most housing experts believe sales will remain steady even with higher rates. To buy an "average" home, they contend that the monthly payment

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# TAR SCORECARD

## SINGLE-FAMILY RESIDENTIAL PERMITS

### By Municipality in the Tucson MSA

		AUG	YTD	TREND
<b>Pima County</b>	2015	49	408	<b>-27.8%</b>
	2014	48	565	
<b>Marana</b>	2015	34	452	<b>19.9%</b>
	2014	50	377	
<b>Tucson (City)</b>	2015	26	189	<b>-15.2%</b>
	2014	48	223	
<b>Sahuarita</b>	2015	21	148	<b>25.4%</b>
	2014	14	118	
<b>Oro Valley</b>	2015	11	99	<b>1%</b>
	2014	10	98	
<b>S. Pinal County</b>	2015	23	152	<b>15.2%</b>
	2014	30	132	
<b>Total</b>	<b>2015</b>	<b>164</b>	<b>1,448</b>	<b>-4.3%</b>
	2014	200	1,513	

### Bad months happen

After hovering around 200 permits for the past 5 months, August's total of 164 was a little distressing. Why? It was simply a bad month.

Marana was about 30 homes short of its expected monthly pace and Pima County is down some 150 permits YTD.

Being 4% behind on total YTD permits, the 2015 forecast now has been lowered to 2,250 SFR permits. The 2014 total was 2,284 units. YTD closings are 6% ahead of 2014.

Year-over-year new home sales prices are basically flat for Average (@ \$272,000); and 4% higher for Median (@ \$246,000). Foreclosed home selling prices are flat, at about: Average \$143,275; and Median \$129,000.



Ginger Kneup  
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## Mortgage Rates Scorecard

As of Sept. 15, 2015

TERM	CURRENT	APR	1-YR. AGO	12-MO. HIGH	12-MO. LOW
30-Year	4.25%	4.5%	4.5%	4.5%	3.38%
15-Year	3.5%	3.75%	3.38%	3.88%	2.75%
5/1 ARM	4%	4.25%	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

SAMLMA: [Southern Arizona Mortgage Lenders Association](#)

Randy Hotchkiss, 2015 President

## Foreclosures down 72% from peak

Foreclosures are falling fast. For 22 consecutive months, there have been less than 400 foreclosure filings in Pima County.

Since peaking in 2009 at 1,015 filings per month (on average), foreclosures has dropped 72% as of August. Year-to-date, the monthly average is 282 notices, according to the Pima County Recorder.

If the pace holds, foreclosure notices are projected to decrease 6% to 8% year-over-year. That is good news for the region's economy and housing sector as it slowly returns to more normal market conditions.

A filing is a step in the foreclosure process, known as a Trustee's Sale. It notifies home owners in default on their mortgage when their home will be sold at public auction.

Year-to-date, there have been 2,257 notices compared to 2,485 for the same 2014 period, a 9.2% decline.

About two-thirds of filings result in completed foreclosures; with the house going back to the lender.



## Financing Scorecard

Method	Aug 2015	Aug 2014	Trend
Conventional	38.4%	38.5%	-0.1%
Cash	25.8%	26%	-0.2%
FHA	22.7%	20.7%	2%
VA	10.4%	10.6%	-0.2%
Other	2.7%	4.1%	-1.4%

#### Mortgage rates (from page 2)

is still affordable compared to “average” incomes.

The *fear* of higher mortgage rates is not the primary reason that determines *when* to buy. There are more important factors to consider, such as:

**Financial status:** The home-buying process starts with having good credit, plus enough in reserve for ongoing maintenance. Buying on the fly with little in reserve likely will cause financial stress in the near future.

**Job security:** If a job change or relocation is in the works, buying now just to beat a rate increase adds risk. Even worse, borrowers should consider the chances of being downsized or unemployed within two years.

**Major life events:** Although the amount of money saved for a down payment is always a concern, some type of life event is usually a more motivating factor to buy. Several life-changing reasons to buy include getting married, divorce, expecting a child, rent “fatigue,” purchasing as a lifetime investment, and retirement.

Instead of fearing a mortgage rate hike, focus on the financial benefits that it signals. For six years, the Feds made cheap money available because the economy was pathetic. A rate increase points to a stronger economy.

As jobs and wages continue to rise, the real estate sector, like the rest of the economy, will survive and thrive.

#### Nov. 5 Land and Housing forecast

Two editorial contributors to *The TAR Scorecard* will analyze the future of the Tucson region’s land and housing market in a special forum in November.

Ginger Kneup (Bright Future Real Estate Research) and Will White (Land Advisors) will present *2016: At The Crossroads* beginning at 2:30 pm, Nov. 5 at the Ritz-Carlton Dove Mountain.

Kneup specializes in analyzing Southern Arizona housing market data and trends. She has residential and commercial real estate industry experience in both research and brokerage.

White’s focus is on the sale and marketing of residential land to production homebuilders, production lot developers, and speculative investors throughout Pima County.

Scheduled presenters include: Randy Bury (Randall Martin); Michael IllesCremieux (Richmond American Homes Arizona); Amy McReynolds (KB Home Tucson); Josh Robinson (Mattamy Homes Tucson); and Dean Wingert (Crown West Land Group).

Former TV news anchor Tom McNamara, now with Realty Executives Tucson, will moderate.

Cost: \$75 (pre-registration). Online ticket sales close Nov. 2. **Quick Click:** [Forecast tickets](#)



### 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](http://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>

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