

TUCSON METRO AREA AND SOUTHERN ARIZONA

Location:	Southwestern United States Tucson, Arizona and Southern Arizona Counties: Pima, Santa Cruz, and Southern Pinal
Rank among other US cities	32nd largest city (525,529 population) 52nd largest Metropolitan area (1,023,321 population)
Airports:	Tucson International Airport
Air Base:	Davis Monthan Air Base
Institutions of Higher Learning:	University of Arizona University of Arizona Medical School University of Arizona Law School Pima Community Collage
Primary Industries and Major Employers:	Raytheon University of Arizona Davis Monthan Air Base Texas Instruments IBM 1200 businesses provide over 50,000 in high tech jobs. Tourism brings in 2 billion dollars annually.

The Tucson Metropolitan and Southern Arizona market include the most populous portion of Pima County. The area includes Tucson, Oro Valley, Marana, Vail, Sahuarita, Green Valley, and Santa Cruz County to the south.

Currently the unemployment rate is 7%. This is up from 4.4% a year ago.

The median home price had dropped below \$200,000 for the first time in 3 years. This drop, in Feb. 2008 to \$199,900, was a 9% decline from Feb. 2007 when the median price was \$219,500. Currently the median home price is \$190,000, a 4.5% decline from Feb to December 2008. The Average sales price for homes dropped from \$296,000 to \$239,661 from 2007 to 2008. This is a 19% drop in average sale price.

Building Permits for 1 unit housing were down 70% in 2008 compared to the same period in 2007.

MLS sales increased to 11,000 sales for 2008 compared to 10,000 sales in 2007. Much of the activity has been foreclosure activity. Active listings in MLS decreased from 10,551 active listings in 2007 to 9811 active listings for the 2008.

Tucson's real estate market is slow. The outlying areas, which typically ride the coat tails of the Tucson market, are very slow. Areas to the south (Sahuarita and Green Valley) are showing declining home values well over 30% in just a 2 year period. These areas followed Tucson when prices were increasing and have been the first to decline as inventory has increased and demand for homes has dropped off.

There was one sale of a property over \$3,000,000 in all of 2008. Values have declined 20-30% in this market segment. Properties are not selling. Inventory levels are at 60 months supply.

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The market for homes from \$2,000,000 to \$3,000,000 had 19 sales in the past year and currently has 47.5 months of inventory.

The market for homes from \$1,000,000 to \$2,000,000 had 89 sales in the past year and currently has 41 months of inventory.

The market for homes from \$500,000 to \$1,000,000 had 1041 sales in the past year and currently has 6.7 months of inventory.

The market for homes from \$200,000 to \$500,000 is the most active portion of the Tucson market. This market segment had 3757 sales in the past year and currently has 13.9 months of inventory. Builder incentives, downward pressure from REO, foreclosures, and short sales has taken its toll on this market segment. This market segment is entry level in some market areas and has more sales activity

The market for homes from \$100,000 to \$200,000 is entry level in some market areas and move up in other market areas. This segment gets attention since the median sale price is in this segment. There were 3374 sales in the past year and currently 17.7 months of inventory.

The market for homes under \$100,000 had 986 sales in the past year and currently has 11.7 months of inventory.

Sellers continue to have unrealistic expectations for their properties. The number of listings that are withdrawn and expire exceed the number of sold properties for the same period in many of the market segments. The MLS statistic for days on market is unrealistic due to the MLS not tracking the individual property, only the MLS#. As a result, the average market time is not accurate. It is hard to factor in the effect of properties being listed multiple times at successively lower prices.

Many analysts feel that Tucson's steady growth will continue to be a stimulus that will keep the real estate market moving forward.

The age restricted communities and active adult communities (Green Valley, Quail Creek, Saddlebrooke, Sun City Vistoso) are slow. Buyers originate from other areas of the country. These prospective buyers cannot sell their homes so that they can buy a property in the age restricted markets. This has caused a ripple effect in these markets. These markets are also feeling the pinch and are having to lay off work forces and cut prices as well.

The effect of the national economy and problems in the banking industry continue to cast a black cloud over the real estate market. Increasing foreclosure activity is putting downward pressure on prices. The southwest had been one of the first real estate markets to rebound during previous housing recessions. Tucson's continued growth hopefully will translate into a more active housing market than areas that have less growth. High tech industries and tourism remain strong. Tucson is home to the largest gem and mineral show in the world. The Accenture Match Play Golf Championship gives the Tucson area world wide attention. Tucson has an annual rodeo with schools closing for two days during this week. Tucson has a workforce with a broad range, from blue collar to high tech and white collar workers. Short term, we weather the same storm as the rest of the country. Long term, the outlook is for continued growth.



For additional or more current information on the residential market in the Tucson area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

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