Tucson News & Views—August 14, 2010

Market Update
Courtesy of The Murray Group
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First Half of 2010

The first half of this year has shown proof of how many buyers were on the fence! Uncertainty remains a major factor in the recovery of the housing market, as it does with other investments. With the Tax Credit deadline of June 30th, many buyers who were debating whether or not to buy made their decisions prior to the April 30th contract deadline. We see this demonstrated by the fact that 1072 closed homes in June as compared to 862 in July. This demand for homes also helped slow the price decline as we have noticed in our year-over-year review, included with your newsletter.

Trends of Our Market

Our attached spreadsheet shows the market trends in each area of Tucson and some specific neighborhoods. One statistic that jumped out at us was that even though many areas are still down year-over-year, for the most part, they are down significantly less than they were a year ago. Numbers that used to be down 15-30% are now only down by single digits. This is evidence of the flattening price trend we have forecast and see continuing.

One thing to understand, when you see headlines reporting that prices are down 10%, 15% or 20%, is that it does not mean that your house or the house you want to buy is down that much specifically. What it tells you is that the homes that are selling are in price ranges 10%, 15% or 20% less than the year before. Most of the time when it comes to city-wide statistics, it means that there are many fewer homes selling in the higher price ranges. With the vast majority of homes under contract being Foreclosures and Short Sales, it creates a reduced median and average sale price. So the point to remember: Do not take the blanket statements the media gives as fact for every home.

Make sure you contact an expert to verify home values when you are either buying or selling a home. This is also why we always share our knowledge with you. We give every client a complete and realistic Market Analysis, whether he or she is considering selling or we are working with a buyer for whom we have found their "perfect home." Knowing Fair Market Value is critical in making wise real estate decisions. Additionally, you do not want to be disappointed should an appraiser reject an agreed upon contract price, which does happen in the current market.

Tucson Today

We are making progress in this complicated real estate environment. Some areas and neighborhoods have stabilized which should provide you with a greater level of confidence.

Since the Tax Credit expired on June 30th, there have been 1300 "Pending" sales (including Contingent, Active CAPA or Can Accept Purchase Agreements and Pending sales). This is a higher level of activity than many forecast, however 389 of them are Short Sales, pending acceptance from the sellers' lenders. (Short Sales can take many months to close so some of these are sales that entered escrow months before and still show up as Active CAPA.) Even if ALL of the Short Sales were written before June 30th, that would still leave 911 sales opened since July 1st. Of those 911 sales, only 495 are Owner Occupied homes or at least not Foreclosures. This is why many of the sellers are frustrated with lower traffic through their listed homes. Out of the 4,217 homes listed as "Clean" homes (not distressed sales), only 495 have gone under contract since July 1st. If all of those homes were to close (and we all know that does not always happen) it would take close to 9 months to sell off the existing "clean" inventory if no new homes came on the market.

The fact that 62% of the sales in escrow in July are Foreclosures and Short Sales shows that the buyers in the Post Tax Credit Market are looking for the best deals. The Median asking price for the "Clean" sales is $217,950 (as we will not know the accepted sale price until the sale closes and records). The Median asking price for the Short Sales is $149,000 and for Foreclosures it is $126,450. This explains why the Owner occupied homes are not getting the traffic we are all looking for.

What this tells us is if you need to sell your home and sell it *fast,* you need to be priced below your competition. Make your price ***Compelling*** to buyers! Do not just be Competitive. For sellers with more unique and rare properties (we all think our home is unique and rare but look at it from the eyes of a buyer, not through the eyes that have loved the home for years), if they are not in a crunch to sell fast then they can stand being competitive. It is not a good time to be the highest priced home in the neighborhood if you truly wish to sell.

Tucson Luxury Market
Our Luxury Market is still soft and will remain so for some time. Luxury homes skyrocketed in price and they have a ways to go before the market returns to normal and healthy.

The **Northwest Luxury Market** is the hardest hit with all of the Builder Spec homes that were built, hoping the boom would continue. Many of these have ended up in foreclosure. A surprising fact is that the $1,000,000+ market owns the highest percentage of Strategic Foreclosures, where owners just decide to walk away from their debts. We cannot testify if this is the case here but it would not be surprising. In 2007 we went on a home tour of 28 homes on the market in **Canyon Pass** located in Dove Mountain. Of those 28 homes, at least 23 were Builder Spec homes and all were over $1,500,000. It is interesting to note that in the last six months 6 of 9 sales in Canyon Pass were foreclosures or short sales, closing at prices of $660,000 to $1,500,000 (originally listed from $1,597,000 to $3,495,000).

Currently the Northwest has 84 homes priced over $1,000,000 with only 3 under contract; however, 17 have sold in the last 6 months--much better than **Northeast** Tucson where there are 28 homes in that price range, only one under contract and only three selling in the last 6 months.

The **Catalina Foothills**, however, is stronger than it has been is some time. There are fewer Builder Spec homes and fewer Foreclosures to work through. There are 91 homes on the market in the Catalina Foothills over $1,000,000 with 7 under contract and 24 that have sold in the last 6 months. The more impressive statistic is that the Median Sold Price in the Catalina Foothills Luxury Homes is $1,149,500; up 2.63% from $1,120,000 this same time last year. This shows the trend that we have seen for some time that as we work through the Short Sales and Foreclosures, property values are adjusting, leveling out and even improving.

The **Catalina Foothills Estates** (in Catalina Foothills School District) have a Median Sale price of $588,500, up 4.86% from $561,250 a year ago. There are 33 single family homes on the market with 5 under contract; 16 have sold in the last 6 months. For Luxury Homes under $1,000,000, these numbers are as good as they have been in several years. If someone is thinking of selling a single family home in the Catalina Foothills, more specifically, Catalina Foothills Estates, this is the time to be getting it on the market. Even though the prices look to be leveling out and improving in many areas, it would be foolish to believe prices will go up significantly in the Luxury Market any time soon.

Staying in the Catalina Foothills, **townhomes and condos** sales have been down. In Canyon View, there are 24 condos on the market and none in escrow. In Fairfield in the Foothills there are 32 townhomes on the market with only 2 in escrow. That gives us a percent pending of only 5.9%, showing a strong buyer's market, while 25% gives us an even market.

We have a beautiful townhome listed for clients in Fairfield with 2065 square feet, very nice views, private being an end unit, and nicely updated. (Many in Fairfield are vintage 1980.) We have it priced compellingly at $400,000 as one unit with the same floor plan has just sold for $479,000. We are ready as the snowbirds and vacationers return. (Six Fairfield townhomes sold per month during the first six months of 2010.)

Financing ???

Buyers' ability to obtain financing has been one of the biggest and most frequently misunderstood concerns. There is a common belief that banks are just not lending to anyone without a perfect credit score. This is not true. FHA Loans are available to most buyers with a credit score of 620 or higher. Of course, your rate will reflect your credit scores, but loans are available to many buyers who do not know if they will be approved.

Loan programs are available through the FHA to a maximum of $316,250; conventional loans are capped at $417,000. While many of the latter will be stricter with credit scores and qualifications, there are many options available. Jumbo Loans (loan balances over $417,000) are starting to become more attractive as there are some portfolio lenders who offer good rates for loans up to $750,000. Only one year ago those loans were either non-existent or at exorbitant interest rates.

Land loans are another matter. Banks have not been financing vacant lot purchases! We have now found some options available from a local lender. The rates are somewhat higher but do allow for new construction.

With interest rates now at record lows it has spurred many of our clients to refinance. One client just refinanced their loan to a 15 Year Fixed Rate of 3.875%. With home prices low and interest rates at record lows, buyers are gaining more confidence. We expect to see sales to continue to progress well in the upcoming months. Even Richard Band in a recent financial newsletter is encouraging subscribers to consider purchasing real estate in addition to equities.

We are marketing a vacant lot in the Tucson Mountain Foothills in a gated community with 1.95 acres. It is a small gated subdivision with 13 lots of custom homes built since 2005. One of only two remaining lots, it is set high on a hill to capture fantastic views across the Tucson Valley, the Catalina and the Rincon Mountains. Offered at only $150,000 we now have financing available for any interested buyers—the owner welcomes all offers.

Other clients are preparing to put their homes on the market as our weather begins to cool.

Positive Trends

- Much improved statistics in all but Central and Southeast Tucson tell us that prices are stabilizing
- *Passages of Tucson* near I-10 and Highway 83 in Vail is moving forward—Google it for more information. *Passages* will bring numerous businesses, retail, offices and healthcare to the southeast—A destination shopping center
- *Costco's* new location at Kino Parkway and I-10 is already underway
- Bookman's is expanding nationally with its large new facility as a resale bookseller
- Major developments in biotech in Innovation Park in Oro Valley
- New stores and restaurants have opened or soon will open in the vicinity of the Tucson Mall

Watch for our new and improved website, www.GoTucsonRealEstate.com, coming soon, designed to make your searches more helpful. Also, we are moving more towards a paperless Newsletter. We will still mail them out to all of our clients who prefer them in print. If you would enjoy a PDF version, simply e-mail us your current e-mail address where you would like to receive it. Our e-mail address is info@abmurray.com.

We welcome your calls, e-mails and questions, as we know these are seriously trying times for all of us. And, we humbly thank you for all your kind comments and many referrals in these past six months.

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Absorption Rate		**Single Family Residences**					**Dates: February 7 to August 7, 2010**						
		Under	**Ratio--Acti**	**Sold--**	**Sold**	**Monthly**		**Median**	**Median**	**Median**		**Median**	
Area	**Actives**	**Contract**	**to pending**	**6 months**	**per month**	**Supply**	**% Pending**	**2007**	**2008**	**2009**	**% Change**	**2010**	**% Change**
Central	710	149	4.77	672	112.00	6.34	17.35%	$214,950	$194,000	$162,250	-16.37%	$137,000	-15.56%
East	367	95	3.86	384	64.00	5.73	20.56%	$222,450	$190,000	$170,000	-10.53%	$158,000	-7.06%
North	444	88	5.05	313	52.17	8.51	16.54%	$570,000	$525,000	$430,000	-18.10%	$415,000	-3.49%
Northwest	1494	447	3.34	1454	242.33	6.17	23.03%	$278,000	$245,000	$212,000	-13.47%	$207,000	-2.36%
Northeast	331	54	6.13	214	35.67	9.28	14.03%	$382,000	$344,900	$296,000	-14.18%	$285,000	-3.72%
Southeast	546	175	3.12	520	86.67	6.30	24.27%	$229,900	$199,500	$179,000	-10.28%	$158,695	-11.34%
South	322	216	1.49	541	90.17	3.57	40.15%	$174,000	$140,000	$91,438	-34.69%	$93,750	2.53%
Southwest	318	163	1.95	461	76.83	4.14	33.89%	$199,900	$165,000	$115,000	-30.30%	$114,000	-0.87%
West	279	69	4.04	259	43.17	6.46	19.83%	$229,000	$205,000	$165,000	-19.51%	$153,500	-6.97%
Total Tucson SFR	4811	1456		4818	803.00	5.99	23.23%						
$1 million plus	254	11	23.09	46	7.67	33.13	4.15%	$1,318,000	$1,317,500	$1,200,000	-8.92%	$1,149,500	-4.21%
North	91	7	13.00	24	4.00	22.75	7.14%	$1,350,000	$1,300,000	$1,120,000	-13.85%	$1,149,500	2.63%
Northwest	84	3	28.00	17	2.83	29.65	3.45%	$1,395,000	$1,550,000	$1,368,000	-11.74%	$1,168,888	-14.55%
Northeast**	28	1	28.00	3	0.50	56.00	3.45%	$1,158,854	$1,217,625	$1,325,000	8.82%	$1,050,000	-20.75%
		Selected Neighborhoods											
Castle Rock (Lakes	4	4	1.00	11	1.83	2.18	50.00%	$173,000	$330,000	$214,000	-35.15%	$227,000	6.07%
Canyon View**	24	0		8	1.33	18.00	0.00%	$195,000	$137,000	$179,500	31.02%	$208,750	16.30%
Bluffs (The) NW	8	7	1.14	12	2.00	4.00	46.67%	$244,000	$239,000	$182,750	-23.54%	$202,500	10.81%
Catalina Shadows*	13	1	13.00	16	2.67	4.88	7.14%	$322,750	$297,500	$245,000	-17.65%	$251,000	2.45%
Cont Ranch/Reserv	109	45	2.42	147	24.50	4.45	29.22%	$254,950	$220,000	$197,000	-10.45%	$187,500	-4.82%
Alta Vista Est**	17	1	17.00	2	0.33	51.00	5.56%	$1,175,000	$960,000	$655,000	-31.77%	$807,000	23.21%
Catalina Foothills E	33	5	6.60	16	2.67	12.38	13.16%	$1,169,000	$807,500	$561,250	-30.50%	$588,500	4.86%
Pima Canyon**	19	1	19.00	5	0.83	22.80	5.00%	$1,525,000	$1,660,000	$1,465,000	-11.75%	$1,075,000	-26.62%
Heritage Highlands	43	7	6.14	31	5.17	8.32	14.00%	$335,267	$308,500	$250,000	-18.96%	$252,500	1.00%
Saddlebrooke	135	15	9.00	77	12.83	10.52	10.00%	$275,000	$387,500	$340,000	-12.26%	$350,000	2.94%
Rita Ranch	86	43	2.00	109	18.17	4.73	33.33%	$215,000	$195,500	$165,000	-15.60%	$160,000	-3.03%
Rancho del Lago	58	26	2.23	65	10.83	5.35	30.95%	$259,918	$235,000	$219,000	-6.81%	$185,000	-15.53%
Condos/TH	1094	216	5.06	868	144.67	7.56	16.49%		$169,867	$135,000	-20.53%	$119,900	-8.89%

All statistics taken from Tucson MLS, August 7, 2010

***Not enough statistics for accurate percentage*