

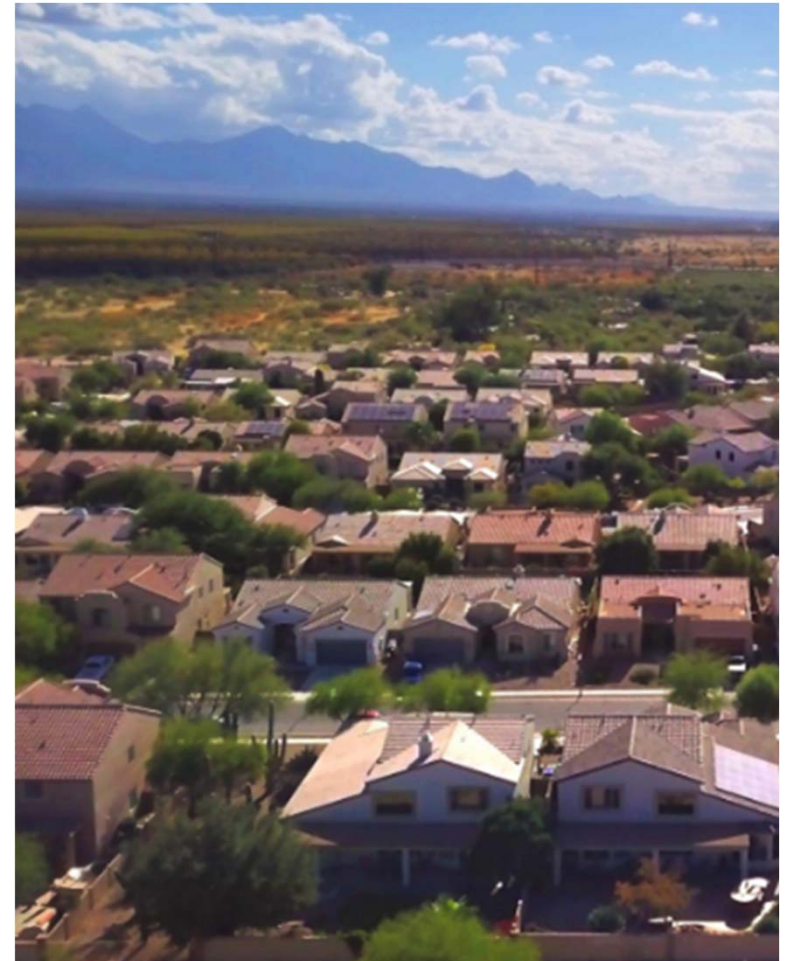
# Current Housing Market Challenges & Opportunities



RANCHO SAHUARITA  
IT'S ALL IN YOUR BACKYARD

## Today We'll Cover:

- About Rancho Sahuarita
- Current Housing Market
- What Goes Into Building a New House?
- Housing Prices & Construction Costs
- Labor & Material Shortages
- Opportunities





# Jeremy Sharpe

President, Sharpe and Associates, inc.

- 40 year, second generational family development company
- Oversees development, operations and asset management of Rancho Sahuarita
- Active member of the Urban Land Institute (ULI)
- Urban Land Magazine's 2016, 40 under 40 Global Business Leaders



[Jeremy@ranchosahuarita.com](mailto:Jeremy@ranchosahuarita.com)



[@RanchoSahuarita](https://www.instagram.com/RanchoSahuarita)



[www.RanchoSahuarita.com](http://www.RanchoSahuarita.com)



# Rancho Sahuarita

Growing master-planned community comprised of residential, commercial, educational, industrial and recreational uses.

- Founded in 2001
- Located in Pima County, Town of Sahuarita
- 9 Miles South of Tucson, Arizona
- 5,700+ Homes Sold
- 11,400 Homes Planned
- 1.5 Million Sq. Ft. Sahuarita Town Center Plan

# Rancho Sahuarita Homebuilding

- 1500 Lots in Escrow
- 700 Lots in Development
- New Neighborhoods & Amenities
- 18,000 Residents
- 5 National Homebuilders

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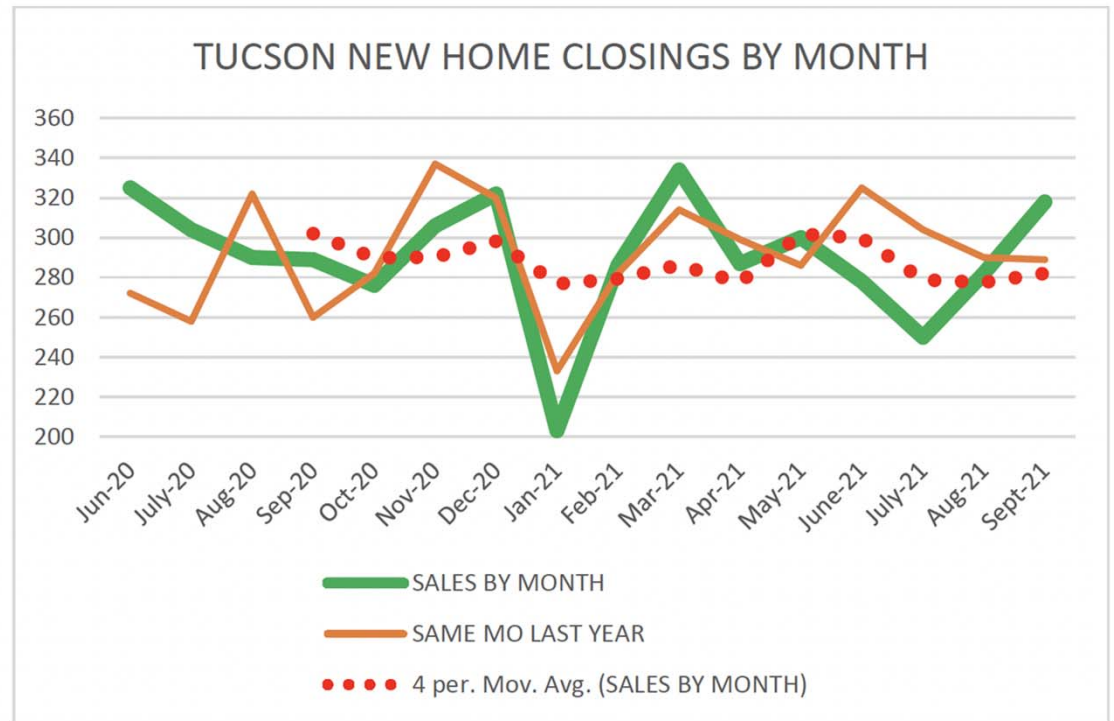
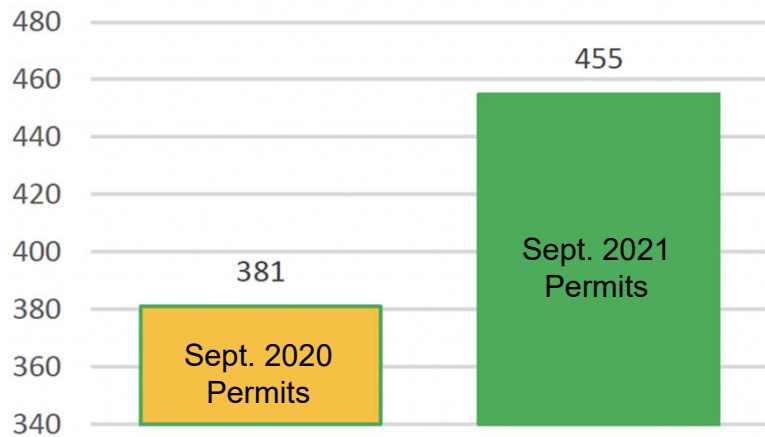


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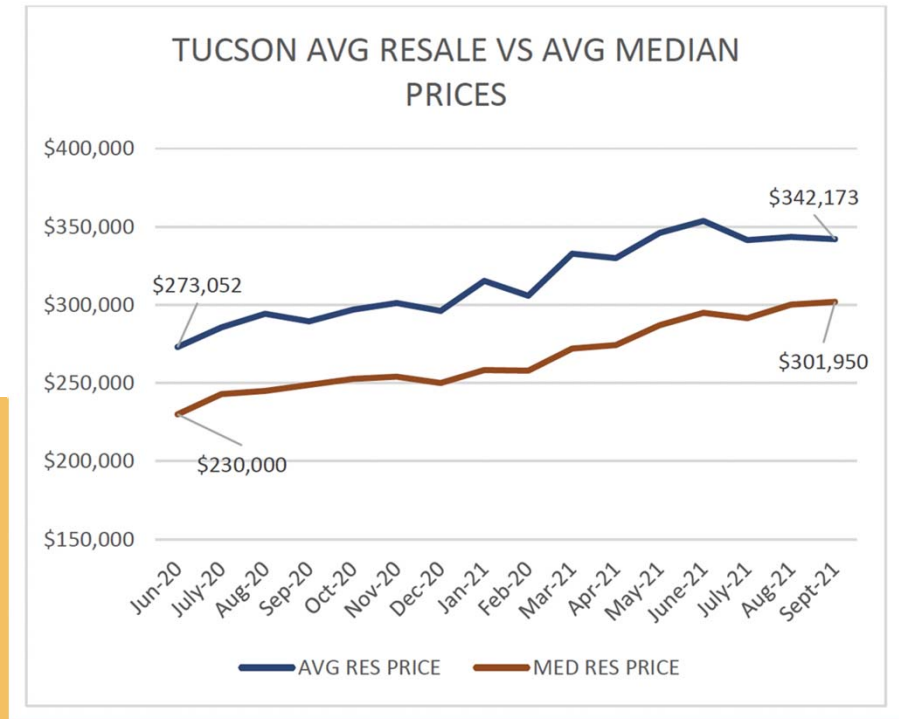
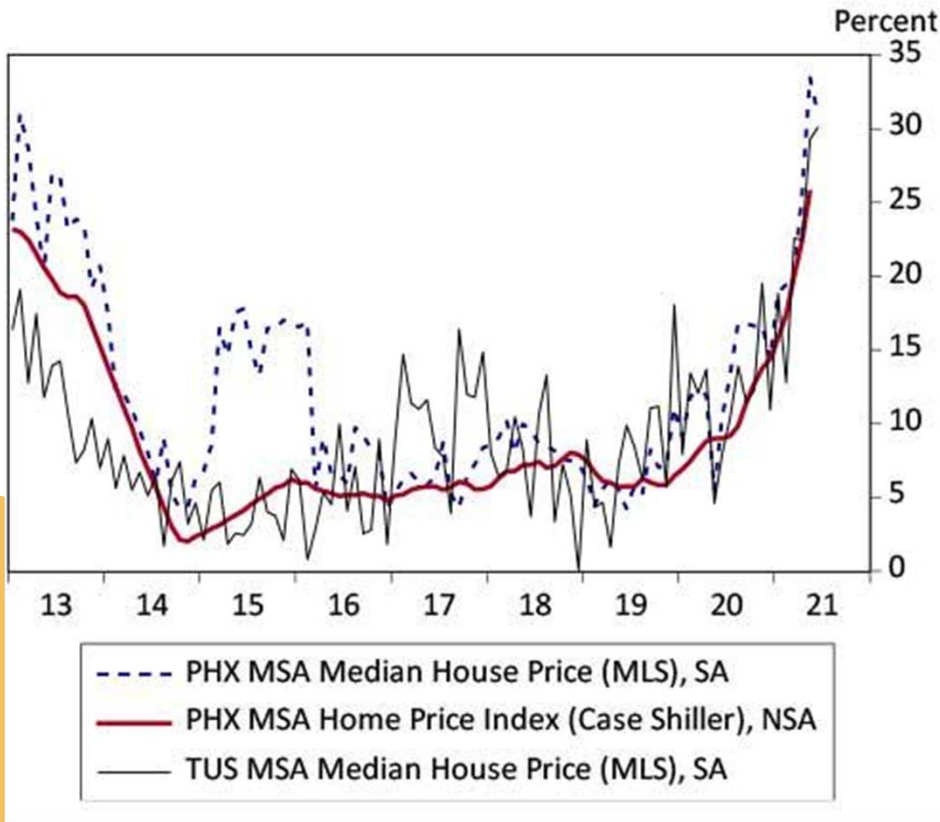
**RICHMOND**<sup>®</sup>  
AMERICAN HOMES

# Current Housing Market

- Permit Activity: 4,000 through third quarter
- New construction closing activity up 10% (over Sept. 2020)
- Resale closing activity up 5% (over Sept. 2020)
- New construction Pricing up 13%
- Resale price increase of 21%



# Current Housing Market



# Why is There So Much Demand for Housing?

- Underbuilt since Great Recession - All Housing Types
- Accelerated Generational shifts
  - 86 million Millennials (ages 30-49) - Forming families and needing shelter
  - Baby Boomers
- Covid changed how we think of home
- A lot of money in marketplace:
  - Despite the pandemic, savings and investments increased over the last year.
  - Government Stimulus



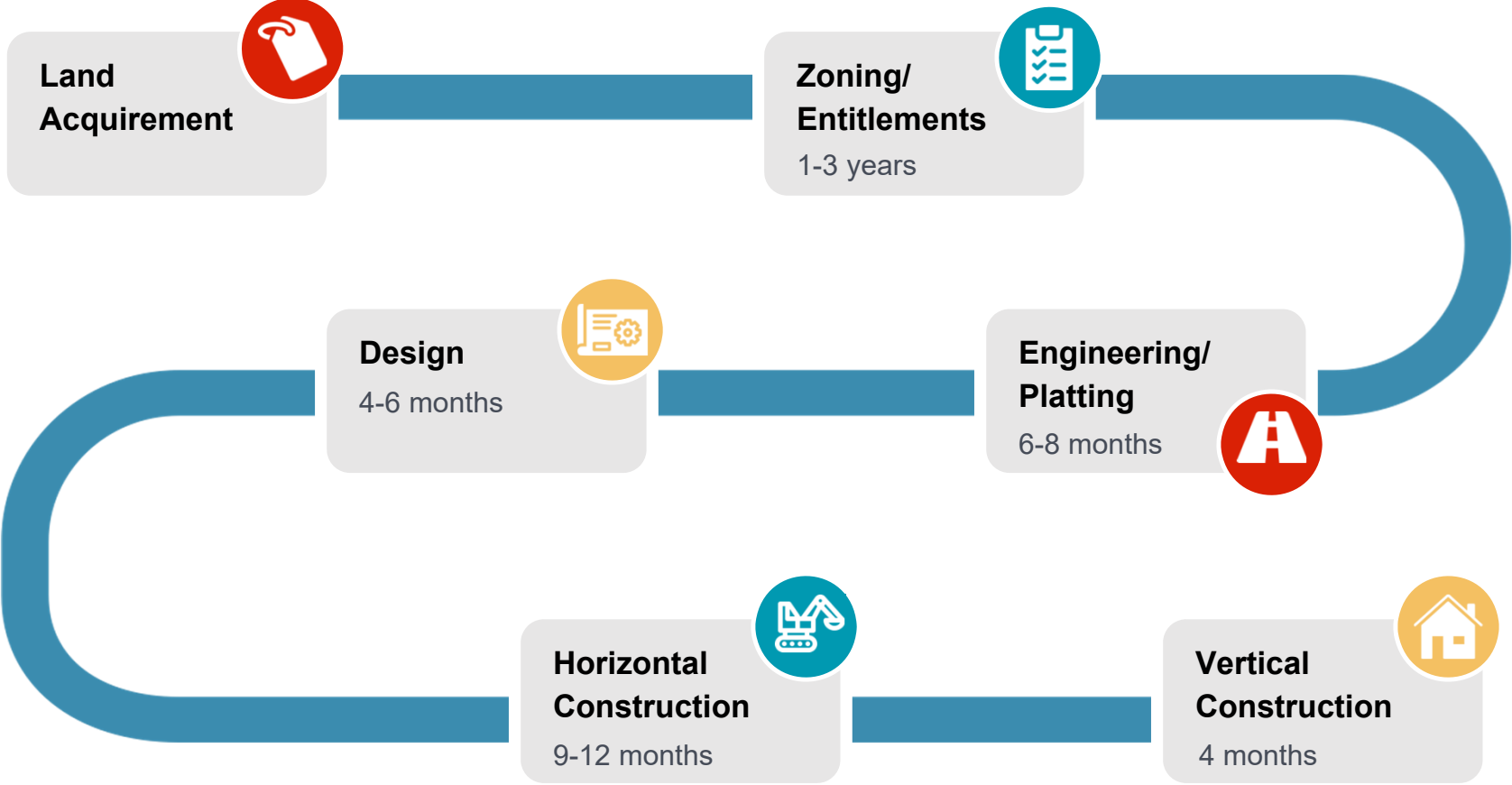


# HOME AFFORDABILITY EQUATION

- LAND + Due Diligence + Closing Costs + Financing Costs + Length of Carry + Rezoning Costs + Platting and Engineering + Pre-Development Costs + Off-Site Improvements + On-Site SUBDIVISION Improvements + LOT Improvements + Government and Utility Permits and Fees + HOME Construction Costs, Materials and Labor + Inspection and Impact Fees + Sales Commissions + General Overhead and Administration + Homebuilder Profit = **HOME PRICE**



# Residential Development Process - Pre-Covid



# Housing Pricing & Construction Costs

**As mortgage rates rise, the real-estate market grapples with high prices, supply-chain issues and labor shortages**

Last Updated: Oct. 21, 2021 at 1:43 p.m. ET  
First Published: Oct. 21, 2021 at 10:14 a.m. ET

ECONOMY | ECONOMIC DATA

**Home-Price Growth Holds at Record in August**

Case-Shiller index rose 19.8% as demand remains robust despite rising prices pushing some buyers out of the market

**Tucson's rising housing prices are putting home ownership out of reach for many**

Christina Duran, Tucson Local Media Jul 7, 2021 0

Business

**Home building drops to one-year low amid material, labor shortages**

**Why Supply Chain Bottlenecks Are Keeping Home Prices Sky High**

by Clare Trapasso | Oct 27, 2021 | 5:00 PM

MARKETS

**Zillow Says It Can't Buy Any More Homes This Year**

The real-estate company cited labor constraints and other challenges related to construction and renovation

 CNBC



**Homebuilder sentiment bounces back despite ongoing supply chain problems**

Diana Olick

Monday, 18 Oct 2021 10:09 AM EDT

Residential Real Estate

**Construction costs, labor shortages threaten to slow white-hot housing market**

Advisor > Mortgages

**Housing In Q4: Will Anything Be Affordable?**

# Current Challenges

## Labor & Materials Shortages

This is causing homebuilders to be forced to:

- Limit Sales Activity
- Delay Closings
- Increase Pricing
- Take what many perceived to be drastic actions to unclog the production lines.





# Material Shortages

## Supply Chain Issues

- Hurricane impact
- Raw material shortage
- Cabinets
- HVAC
- Windows
- Microchips
- Paint
- Wood

# Labor Shortages

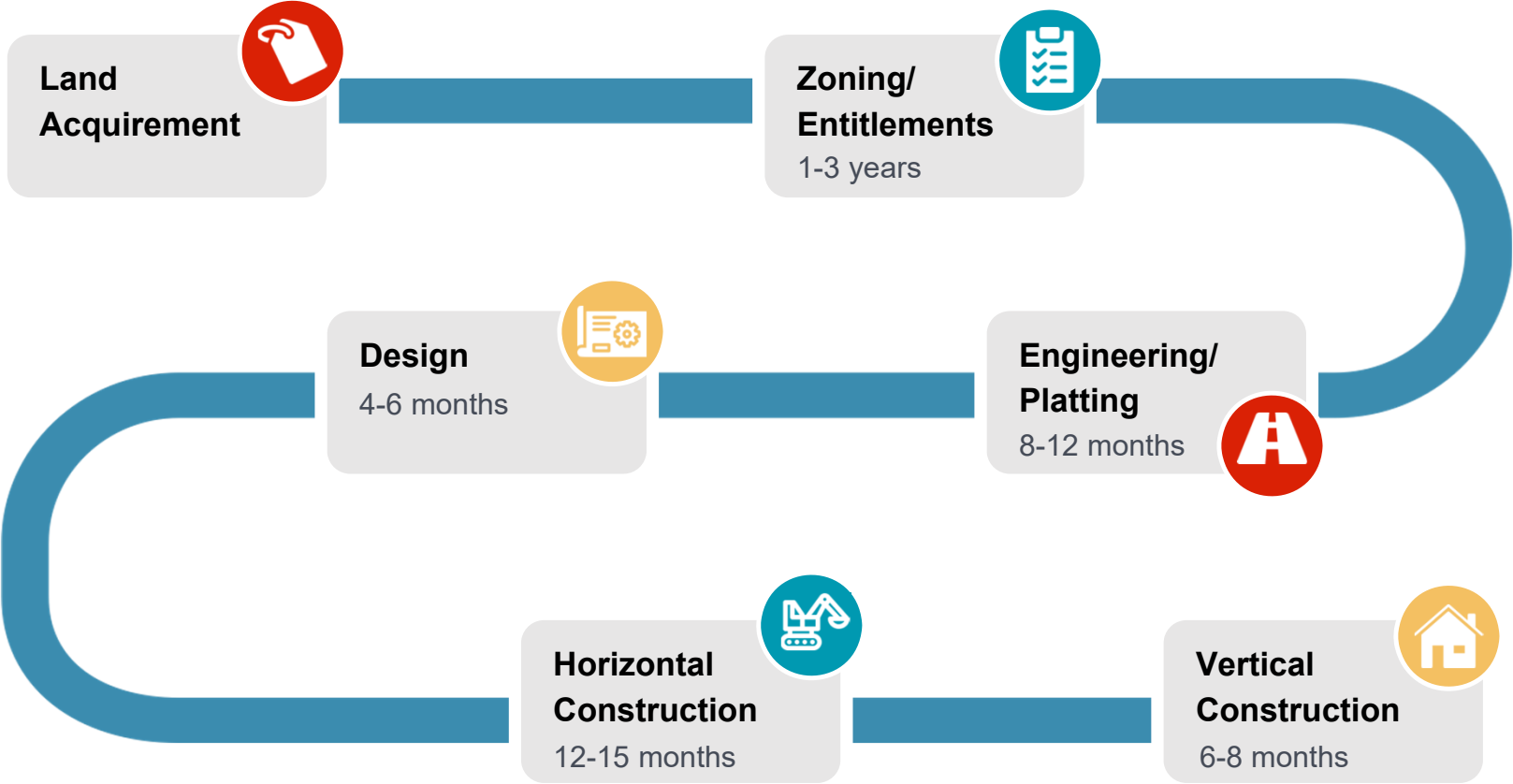
## High Demand for Labor

- Covid accelerated trends in Labor/Supply
- Training programs limited in ability to transition students to labor market due to COVID
- Over 3m people dropped out of Labor force - Majority retired
- Subcontractors having trouble finding and keeping qualified labor
- Immigration policy affecting available workers



# Residential Development Process - Today

Total Additional Delays are 7-11 Months



# Opportunities: Partnership, Collaboration & Communication

- Public/Private Partnerships
  - Flexibility on zoning to enable various residential options
  - Streamlined entitlements
  - Better communication
  - Implement utilization of Technology wherever possible to address staffing challenges
- Labor
  - JTED/Trade Schools
  - Industry marketing opportunities
  - More collaboration to identify real time needs







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THANK YOU