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
@RanchoSahuarita
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

Centex
LENNAR
kb HOME
Meritage Homes
RICHMOND
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

[Graph showing trends in housing prices]

TUCSON AVG RESALE VS AVG MEDIAN PRICES

[Graph showing comparison between average resale and median prices]

Sept. 2021, RL Brown

Sept. 2021, University of Arizona
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

1. **Land Acquisition**
   - Duration: 1-3 years

2. **Zoning/Entitlements**
   - Duration: 6-8 months

3. **Design**
   - Duration: 4-6 months

4. **Engineering/Platting**
   - Duration: 6-8 months

5. **Horizontal Construction**
   - Duration: 9-12 months

6. **Vertical Construction**
   - Duration: 4 months

*Note: The timeline is approximate and can vary based on specific project requirements.*
Housing Pricing & Construction Costs

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

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

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

Why Supply Chain Bottlenecks Are Keeping Home Prices Sky High
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

Homebuilder sentiment bounces back despite ongoing supply chain problems

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

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

- **Land Acquisition**: 1-3 years
- **Zoning/Entitlements**: 8-12 months
- **Design**: 4-6 months
- **Engineering/Platting**: 8-12 months
- **Horizontal Construction**: 12-15 months
- **Vertical Construction**: 6-8 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
THANK YOU