

MAP TALK: What the Future Holds for Tucson's Economy & Housing Market

October 13, 2023



MAP
TALK:
Housing

“Sometimes the lights all shining on me, other times I can barely see, lately it occurs to me, what a long, strange trip it’s been.”

- Truckin’ by Grateful Dead



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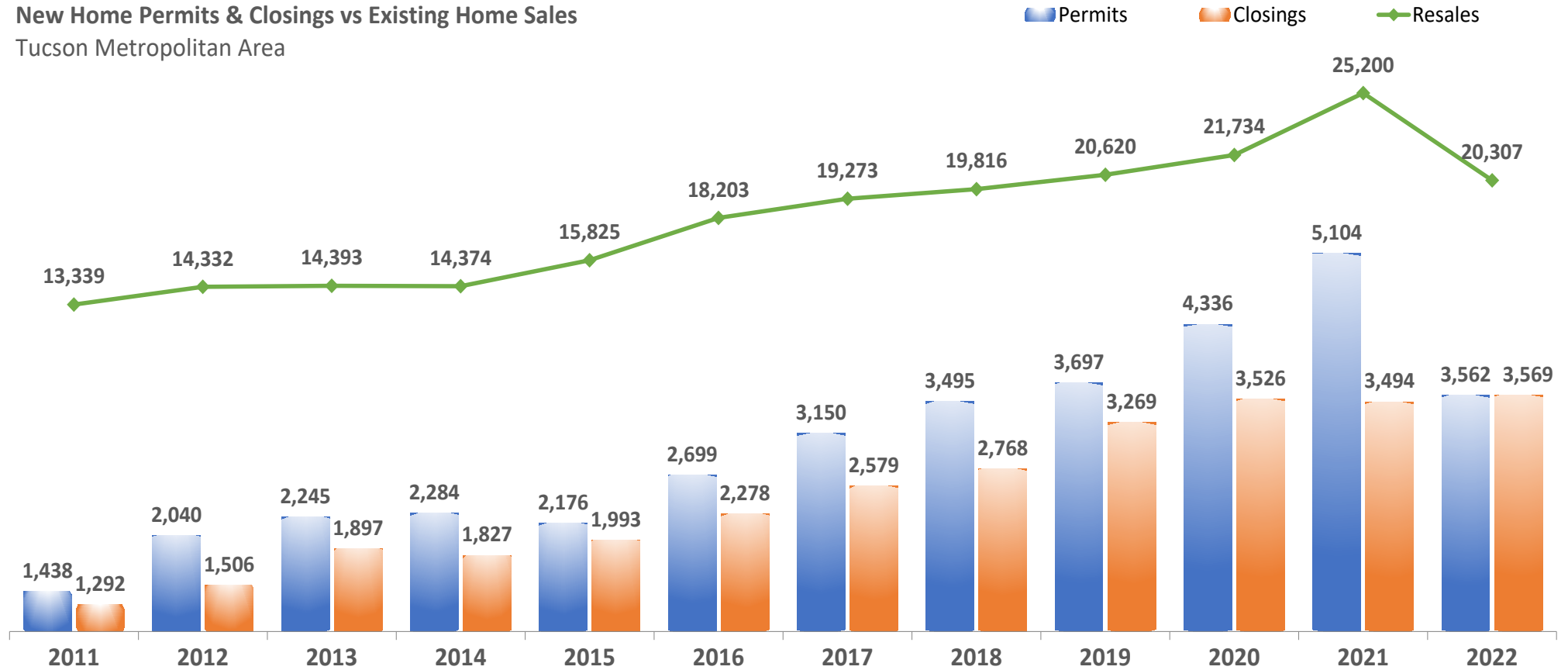
MARKET SNAPSHOT

- Market continues to evolve
- Permits start slow, finishing strong
- Interest rate complications persist
- Build times improving
- Some construction challenges persist
- Land acquisition stop start
- High-volume production builders dominate
- Prices aren't softening

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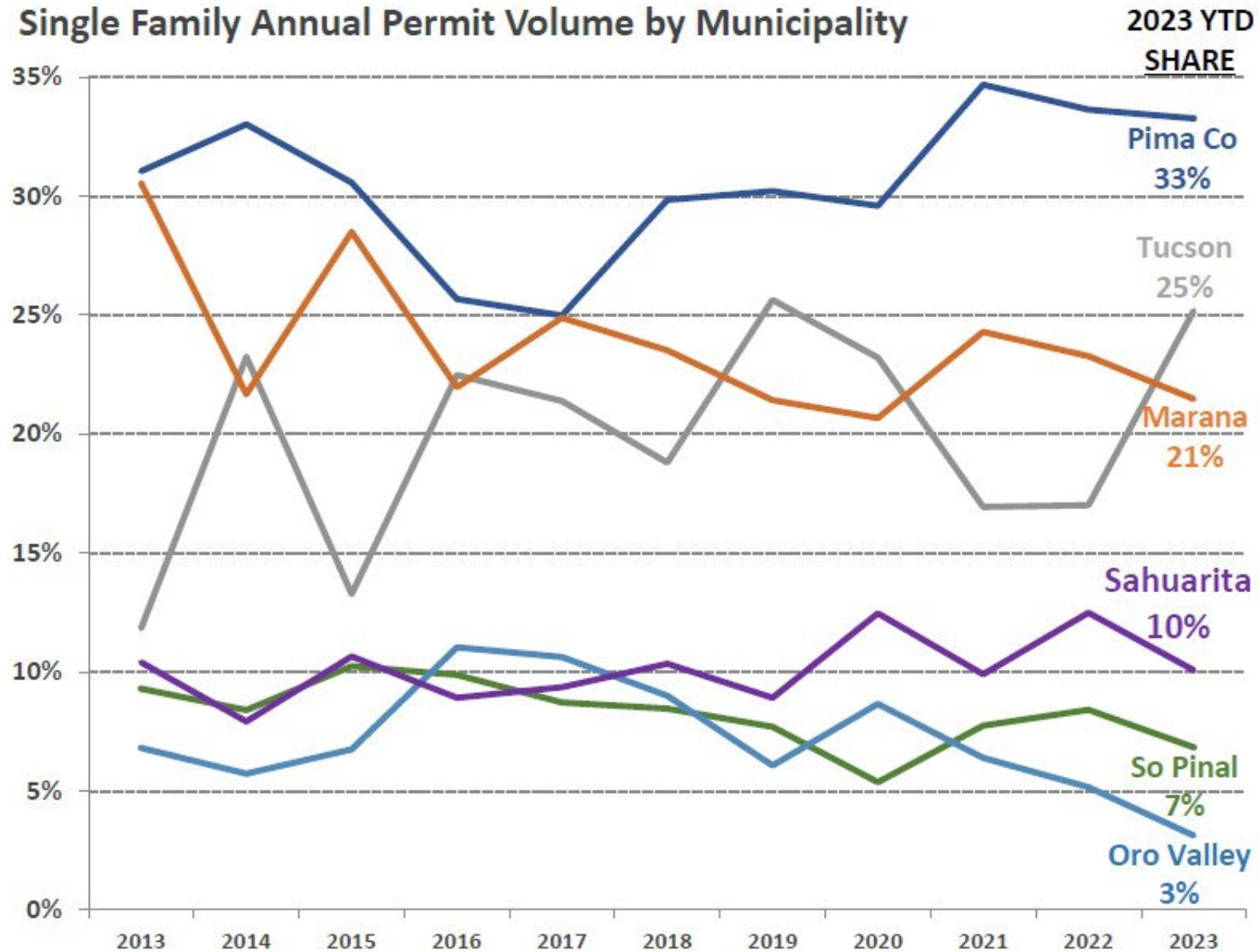
TRENDS

New Home Permits & Closings vs Existing Home Sales
Tucson Metropolitan Area



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TRENDS

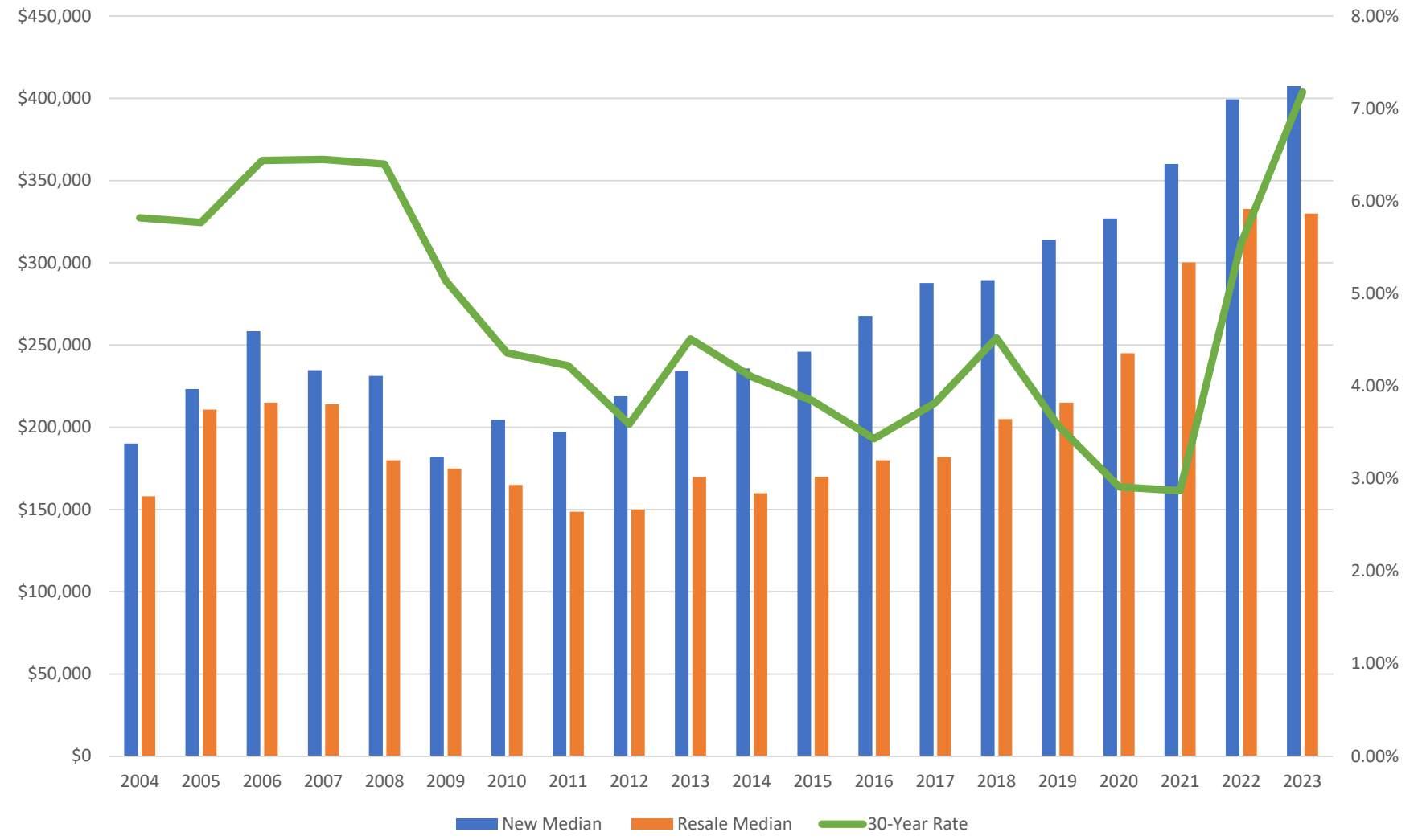


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TRENDS

PRICING



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IMPACTS ON DEMAND

- **Affordability**
 - Med new \$408k; resale \$330k
 - Interest Rates at 7-8%
 - Difficult to save downpayment
 - Student loan payments return
- **Resale Housing Supply**
 - Listings down 22% YoY
 - Limited homeowner mobility
- **Multifamily Options**
 - There will be some relief on single family demand with more apartments coming on-line
- **Uncertainty**
 - 2024 is an election year – this will slow housing activity in 2nd Half
 - Economic slowdown – more rate hikes? more jobs lost?



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IMPACTS ON SUPPLY

- **Lot Supply in Master Planned Communities**
 - MPCs in diverse locations are key to housing volume
 - Launching a new MPC requires tremendous outlay of capital as well as layers of complex governing agreements
 - These required costs to bring more lots to market props up land prices, preventing new home prices from softening
- **State Land**
 - Nearly 850,000 acres of State Land in Pima County
 - Lot delivery would be minimum of 3-5 years from a sale – entitlements, planning & engineering, lot development
- **Supply Chain/Labor Impacting Build Times & Costs**
 - Supply chain and labor shortages persist
- **Infrastructure**
 - Current infrastructure needs must be addressed in tandem with planning for new communities

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LOOKING INTO THE FUTURE

- Interest rates will continue to linger at current levels
- Builders scramble to bring new communities to market
- Land availability, entitlement processes and labor will make it challenging
- Permitting remains flat
- Little relief on pricing

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WILD CARDS

- Mortgage Interest Rates
- Legislative Action
- Local Regulation
- Water

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THANK YOU!

