

# ORO VALLEY REAL ESTATE TRENDS

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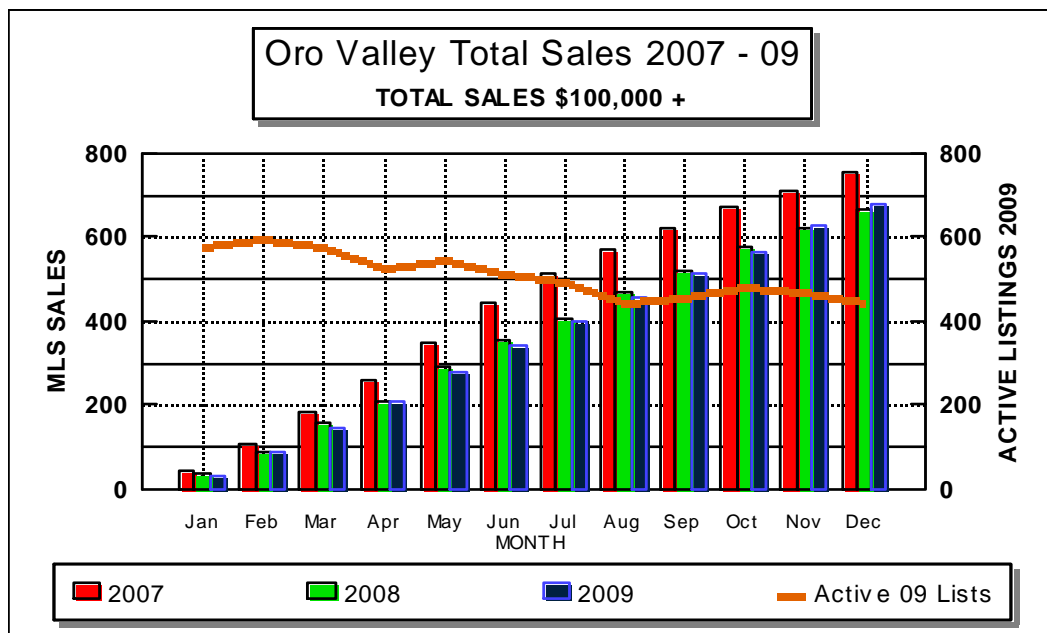
## EDITION 09 – 4

*This news letter provides information on the Oro Valley Real Estate market (zips 85737 and 85755). The data presented is for single family, Residential RESALES, including Town Homes and Condominiums, which are priced at \$100,000, or above.*

*This report provides detailed information on four specific Marketplace measurements  
Sales Activity, Sales Volume, MLS Listing Activity, and Price Trends*

### 1.0 - SALES ACTIVITY

*In this section we provide a 3 year history of Oro Valley sales and a running count of Active Listings for 2009.*



*2009 Sales totaled 681 units, virtually unchanged from 668 units sold in 2008. However, both of these totals are 12% below the 757 units sold in 2007. A late year sales improvement pushed the annual sales total over 2008 results. While sales appear to have stabilized, the quantity of Active Listings gradually declined through the first 7 months of the year and leveled off for the last 5 months, currently at 444 units, the lowest level in the last 2 ½ years. Overall Inventory of unsold homes at year's end sits just below eight (8) months, which is a notable improvement which may harbor the seeds for an improved 2010.*

The next set of data provides more insight into the makeup of the sales totals, breaking the monthly results down into \$100,000 price ranges. As noted above, total 2009 sales increased slightly from 2008 results. However, when the sales are viewed in various price segments we see that 62.6% of '09 sales occurred at prices below \$300k; compared to 52.6% in '08. The increasing concentration of sales at lower price levels is a tangible result of the effects of foreclosure and short-sale activity, which comprised a meaningful number of all Oro Valley sales closed in 2009.

- Sales in the \$100's increased 54% (47 units), while sales in the \$200's increased 10.9% (29 units)
- Sales in the \$300's, \$400's, and \$500's were lackluster, falling by 61 units in 2009.
- Sales above \$600,000 totaled 49 units, down by 4 units, accounting for only 7.2% of all '09 Oro Valley sales

At this point, any improvement in market activity is a welcome sign. The internals however, continue to show a continuing weakness in the mid and upper home price segments.

**ORO VALLEY SALES COUNTS (2008 – 2009)**

	\$100's	\$200's	\$300's	\$400's	\$500's	\$600's	\$700's	\$800's	\$900's	\$1M	Totals
Jan 08	3	16	13	3	0	0	1	1	0	1	38
Feb	7	21	9	6	0	1	2	2	1	1	50
Mar	6	22	22	11	3	3	1	1	0	1	70
Apr	8	20	12	3	2	0	1	0	2	4	52
May	8	37	22	5	3	2	0	0	1	1	79
Jun	11	21	21	6	2	1	3	2	0	0	67
Jul	2	21	14	5	3	0	2	1	0	4	52
Aug	10	24	14	9	1	0	0	0	0	2	60
Sep	10	22	8	9	1	0	0	0	0	1	51
Oct	8	23	12	8	4	3	0	1	1	1	61
Nov	5	24	9	2	3	0	0	0	0	1	44
Dec	8	14	11	7	1	1	1	1	0	0	44
12 Mo	86	265	167	74	23	11	11	9	5	17	668
	\$100's	\$200's	\$300's	\$400's	\$500's	\$600's	\$700's	\$800's	\$900's	\$1M	Totals
Jan 09	6	12	5	5	1	2	3	0	0	1	35
Feb	9	27	13	2	1	2	1	1	1	0	57
Mar	5	29	11	4	0	2	1	2	1	2	57
Apr	20	21	12	4	1	0	0	0	0	1	59
May	16	32	13	6	1	0	0	0	0	2	70
Jun	19	21	16	5	3	1	2	0	0	0	67
July	15	19	12	5	1	1	2	0	0	0	55
Aug	8	25	16	3	2	0	1	0	1	3	59
Sept	10	30	7	2	1	0	2	0	0	3	55
Oct	8	22	8	9	2	0	0	0	0	1	50
Nov	9	32	12	5	2	4	0	0	0	0	64
Dec	8	26	8	4	1	1	2	1	0	2	53
12 Mo	133	296	133	54	16	13	14	4	3	15	681
% Y-T-Y	+54.6%	+11.7%	-20.4%	-27.0%	-30.4%	-18.2%	+27.3%	-55.6%	-40.0%	-11.7%	+1.6%

## 2.0 - SALES VOLUME

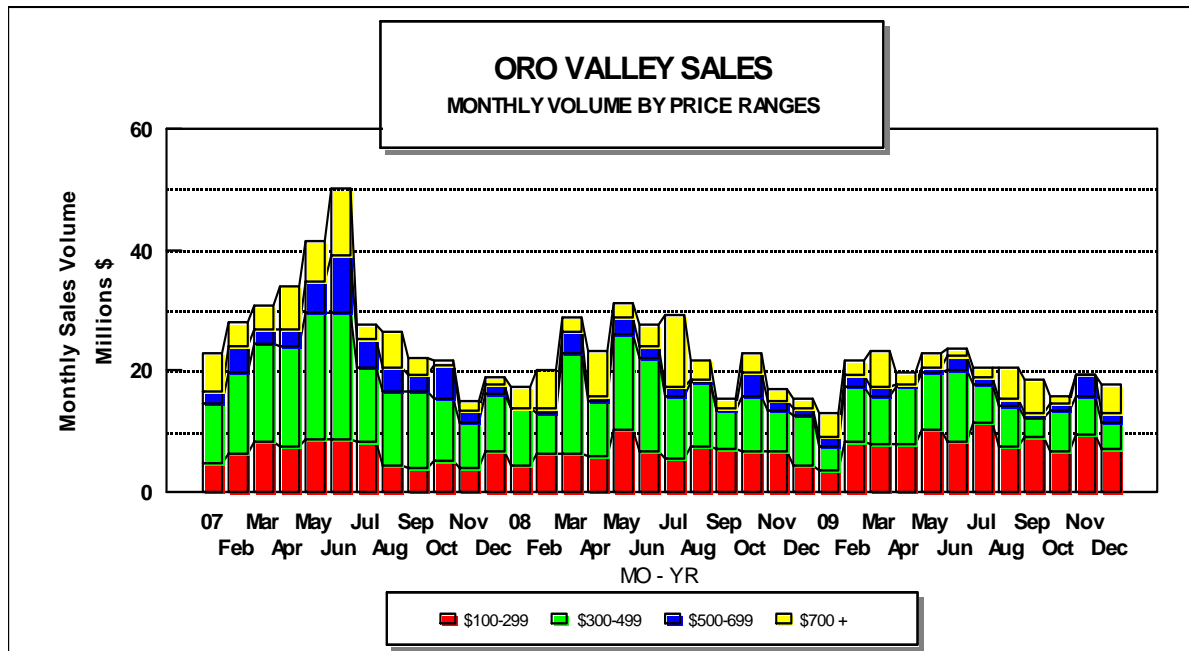
Sales count information is the typical media measurement of market activity and direction. In this section we provide a 3 year review of the sales activity, in monetary terms.

Upon conversion of the “’07 –’09 Sales Count” into invested dollars, we find that transaction values continued to decline in 2009, albeit at a lesser rate than occurred between 2007 -08.

### Sale’s volume fell by \$31 Million (14%) from 2008 to 2009.

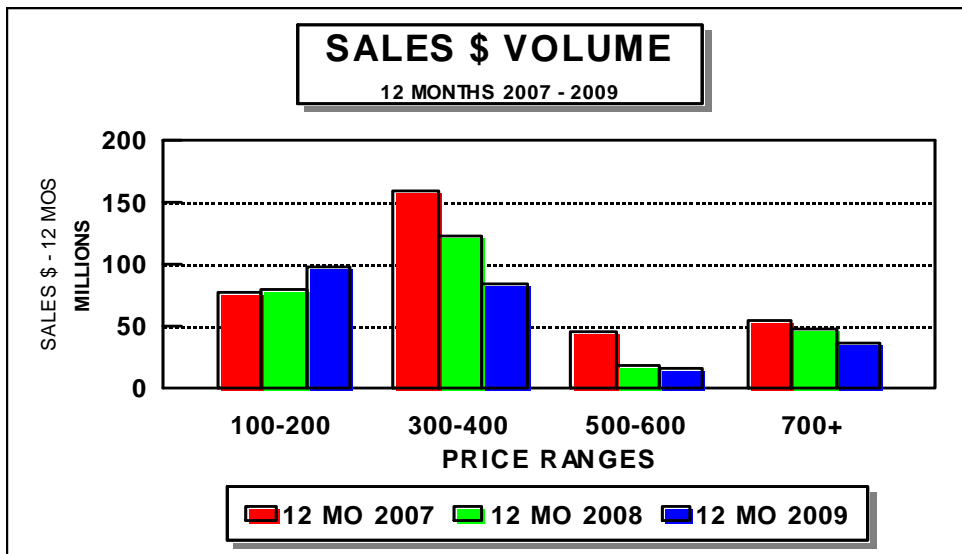
<u>Price Range</u>	<u>\$ 2007</u>	<u>\$2008</u>	<u>\$ 2009</u>
\$100-200K	78.7M	79.1M	98.9M
\$300-400K	160.6M	123.5M	85.4M
\$500-600K	48.4M	19.4M	16.8M
\$700K+	54.6M	48.7M	38.7M
<b><u>Annual Totals</u></b>	<b><u>342.3M</u></b>	<b><u>270.7M</u></b>	<b><u>239.8M</u></b>

As can be readily noticed, buying activity at the lower end of the price scale jumped \$19.8 million (25%) in 2009 but purchase dollar volume above these entry price levels fell by \$51.6 million (27%). Charting the sales dollar volume data from Jan 2007 through Dec 2009 shows the sizable 3 year decline in money flow into the OV real estate market.



In addition to the decline in dollar volume, the traditional mid-year peak in monthly sales noticeably flattened in 2008 and has basically disappeared in 2009. Monthly volumes in mid year 2009 hovered just above the \$20 million level, well below sales of \$50 million in June '07 and \$31 million in May '08. The absence of a spring buying season followed by a fall sales decline has turned into a constant level of purchase volume, concentrating more into the lower priced home ranges. The last quarter of '09 did exhibit a small uptrend in activity, most probably due to purchases based on the First-Time buyer tax credit which was to have expired in November.

This chart organizes the data into four price groupings and clearly demonstrates the dramatic drop in purchase money flows into \$300,000+ properties over the last 3 years.



**There are several factors, beyond a weak economy, which are contributing to this trend:**

- The \$8,000 “first-time” buyer tax credit initiated this year appears to have bolstered lower priced homes sales in late 2009. This program has been extended beyond its Nov ‘09 expiration date and has been complemented with the addition of a second tax incentive (\$6,500) for buyers who have been in their homes for more than 5 years. These programs expire in the spring but should provide a positive sales bias for the next two quarters.
- A significant quantity of Oro Valley sales in the past decade have come from second home purchases. The flattening characteristic of mid year sales in both 2008 and 2009, coupled with the decline in sales volumes in the \$300k-\$500k price range, signals a reduced snowbird appetite for second home purchases. The combination of declining in real estate values with depressed investment accounts has tempered the snowbird’s desire (and ability) for purchasing a winter vacation property.
- The consistent flow of distressed homes coming to market exerts negative pressure on prices. The Loan Modification Programs which were instituted by the Feds to help stem the growth in foreclosures have had minimal impact.
- Lender’s intense scrutiny of Appraiser valuations serves to restrict any potential for price appreciation.
- Lenders continue to be very reluctant to make a non-government insured loan, effectively capping the maximum loan amount at \$417,000. The secondary mortgage markets, which were extinguished in late 2008, have not reappeared to support the lending needs of the higher priced property buyer. It is only the Federal Reserve Bank’s current programs for buying mortgage-backed securities supporting the conventional loan market and keeping borrowing rates at their lows. Once these programs expire in March 2010, interest rates will have to move up to a level which will entice private investor purchases of mortgage securities.

### 3.0 – INVENTORIES

*This section presents information on housing supply conditions, concentrating on Active MLS Listings count. The data below shows the two years monthly MLS listings counts, in \$100,000 price increments. The data includes Active, Active Contingent and Active CAPA listings..*

	\$100's	\$200's	\$300's	\$400's	\$500's	\$600's	\$700's	\$800's	\$900's	\$1M+	Total
08		194	195	88	48	33	21	12	12	61	664
Feb		197	188	86	49	29	21	18	9	62	659
Mar		189	172	95	56	29	27	12	11	58	649
Apr		189	183	95	65	28	27	13	13	69	682
May		171	151	93	53	27	27	12	12	57	603
Jun		182	144	94	51	26	24	12	12	54	599
Jul		193	133	96	49	25	22	13	11	52	594
Aug		169	131	82	53	23	20	15	11	47	551
Sep		172	134	70	48	21	18	14	12	53	542
Oct		160	143	67	41	19	19	13	12	60	534
Nov		165	135	68	37	21	18	12	11	49	516
Dec		166	126	67	32	23	17	10	11	48	500
09		199	142	67	34	24	22	14	13	60	575
Feb		214	140	61	41	21	32	16	19	55	599
Mar		211	126	63	38	19	29	16	19	53	574
Apr		175	108	60	39	22	29	20	18	53	524
May		192	115	65	35	20	32	19	16	50	544
Jun	53	187	113	54	33	17	32	18	16	41	511
Jul	52	194	96	55	32	18	24	20	16	37	492
Aug	61	168	90	52	25	21	22	19	11	36	444
Sep	58	169	109	48	28	26	19	16	9	33	457
Oct	62	190	108	47	27	28	21	16	5	38	480
Nov	64	198	102	42	25	25	23	13	5	39	472
Dec	65	203	98	33	24	22	20	9	2	33	444

*Note: Active Listing totals shown **do not include** \$100,000 priced homes, as we did not collect that data prior to June '09.*

*Using the December 2009 listing count and the '09 -12 month average sales rate(s), we have estimated the number of months of Current Inventory, for each price range, at year end.*

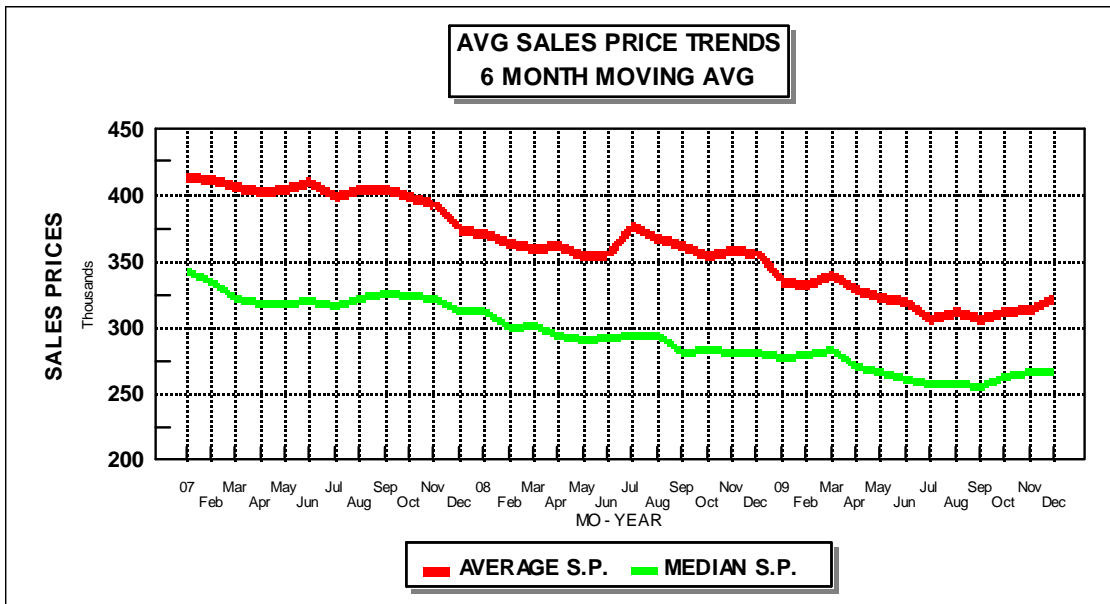
#### CURRENT INVENTORY LEVELS (MONTHS)

2009	\$100's	\$200's	\$300's	\$400's	\$500's	\$600's	\$700's	\$800's	\$900's	\$1M +	Total
	5.9	8.3	8.8	7.3	18.0	20.3	17.1	27.0	8.0	26.4	7.8

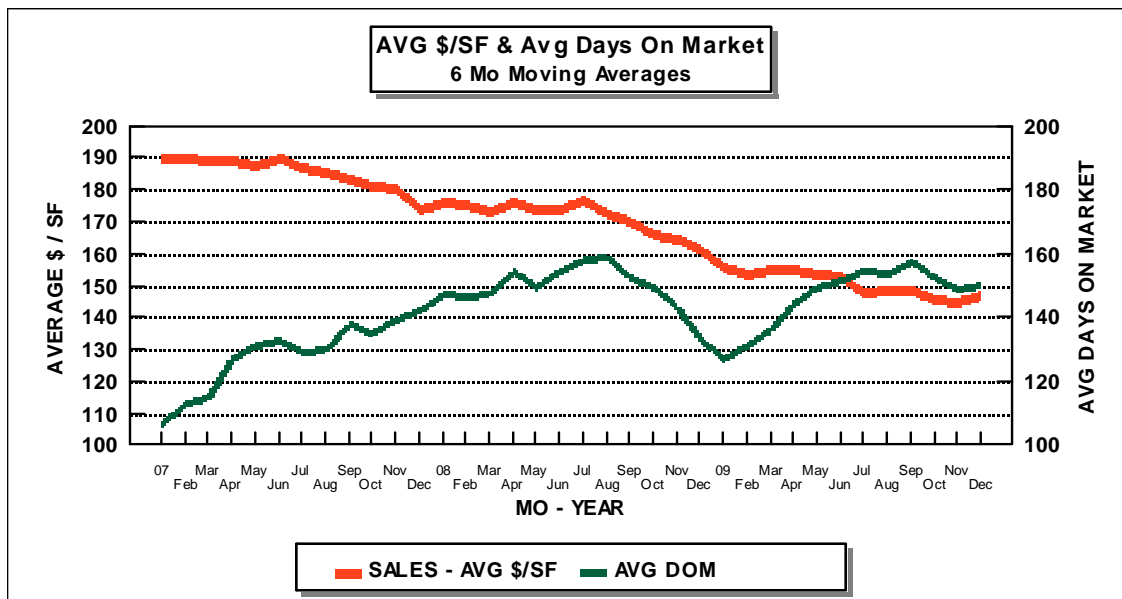
*Overall, the Active Inventory Level stands at 7.8 months, but note that variations between price ranges are substantial. Inventory levels are slowly returning to normal levels but continue to be very high above the \$500,000 mark.*

## 4.0 - PRICE TRENDS

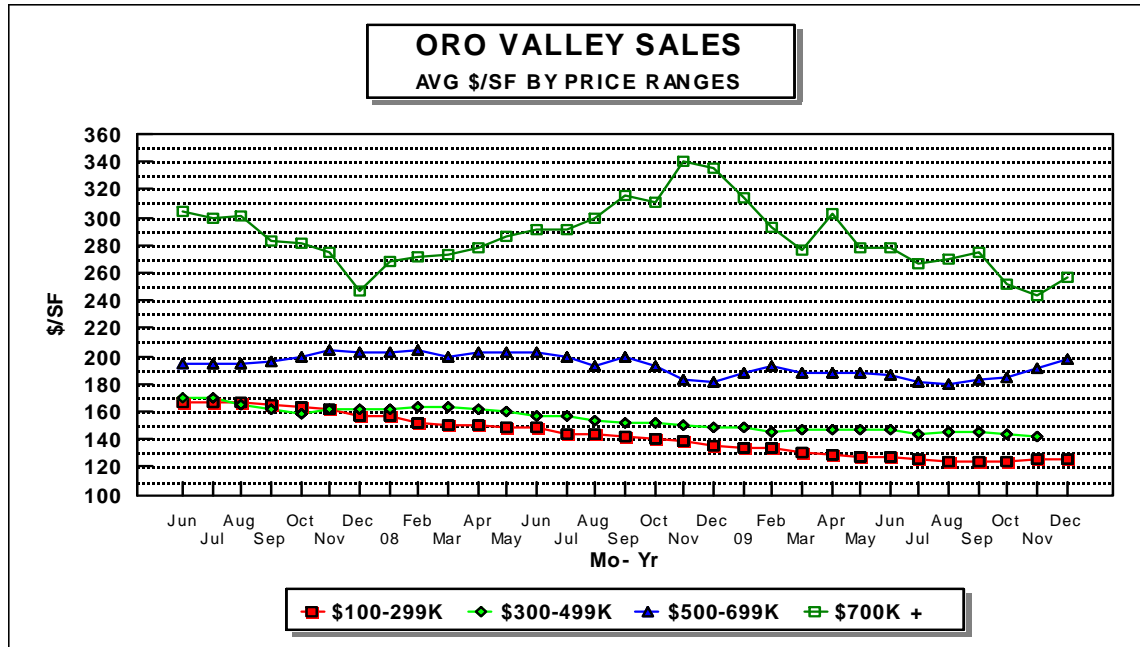
*This section provides visuals of various price indices, using data for the overall Oro Valley community. Both charts use a 6 month moving average to iron out month-month variations and provide a smoother trend line. In line with previous discussions, both Average and Median Sales Prices have been in substantial retreat for the last 3 years but have staged a small recovery in the final half of 2009.*



*The Average Days-on-Market for 2009 shows a decided uptrend for the first 9 months of the year but has started to decline in the final quarter. It is worth noting that the number of Days-on-Market is being negatively affected by extended decision making periods for transactions involving Bank-Owned and Short Sale properties.*



This chart displays the 3 year trend of the \$/SF paid on sales, using four price ranges. The data is again a 6 month moving average format. Of interest here are the trends noted at both the lower and upper price ranges, which are more pronounced than the two mid-price home ranges. Movement in \$/Sf values for the higher price homes also displays a larger amplitude of change, driven primarily by the smaller quantity of sales making up the data base.



**CY 2009 Sales Data by Home Size**

This chart displays 2009 sales data averages, divided in various size ranges.

SF Range	# Sales	Avg. SF	List \$	Sales \$	% \$ Disc	\$/SF	Avg. DOM
1000-1500	109	1267	199,489	185,472	7.0	146.4	122
1500-1999	219	1738	244,937	234,224	4.4	134.8	115
2000-2499	152	2224	313,572	297,948	5.0	134.0	151
2500-2999	111	2750	404,526	383,250	5.3	139.4	171
3000-3499	55	3181	532,418	498,810	6.2	156.8	229
3500-3999	15	3714	735,753	660,460	10.3	177.8	204
4000+	18	4613	1,361,268	1,212,748	10.9	262.9	349

## 5.0 - COMMENTARY

Our Q4 analysis indicates that the Oro Valley market is exhibiting solid signs of stabilization, which hopefully signals the end of a long-term decline in sales activity and market value. A reversal of the downtrend in Average Sales Prices indicates a bottom may have been set in late summer. Sales activity in 2009 remained steady, albeit at a reduced level, but continues to be biased toward lower priced properties. A recovery has to start somewhere and the lower price ranges are where one would expect the bulk of buyers to dip their toe back into the market. Many sales have had Banks in the Seller's role, which has resulted in accepted offers well below those of "normal" transactions. To provide a view into the magnitude of local foreclosure activity, we have culled this year's data for these transactions for display in the chart below.

### **Short and Foreclosed Transaction Summary - 2009**

\$ Range	Q-1	Q-2	Q-3	Q-4	Total	# Sold in \$ Range	% of \$ Range
\$100's	4	13	10	9	36	133	27.1
\$200's	20	12	21	14	67	294	22.8
\$300-499	12	10	6	7	35	187	18.7
\$500-699	1	0	1	0	2	29	6.9
\$700 +	1	1	5	1	8	36	22.2
Totals	38	36	43	31	148	679	21.8

Distressed sale closing were generally constant through out 2009, with 1 in 4 closings below \$300,000 falling into this category. What may be a surprise to many, 22% of all sales above \$700,000 were either short or REO transactions, requiring a Lender's financial participation. The Lender is primarily interested in recovering their money, which often results in a sale price below "market value". We'll continue to track this data into '10 and include it with each new quarterly report.

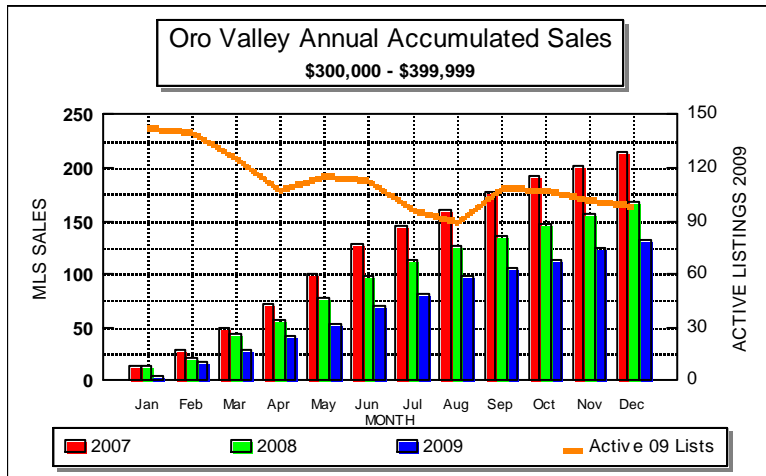
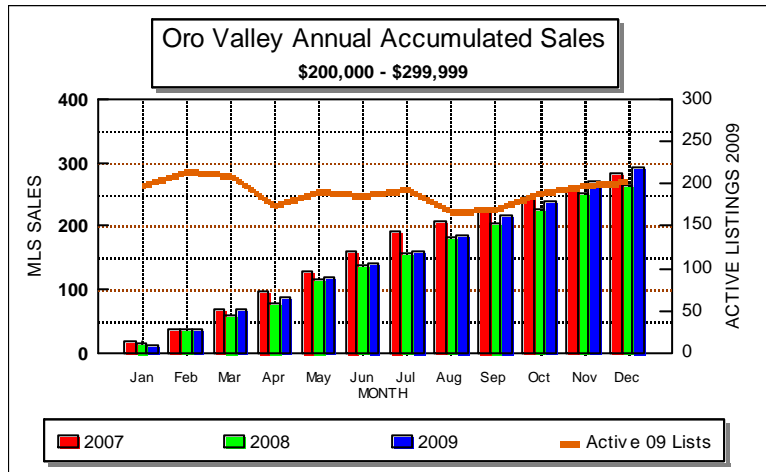
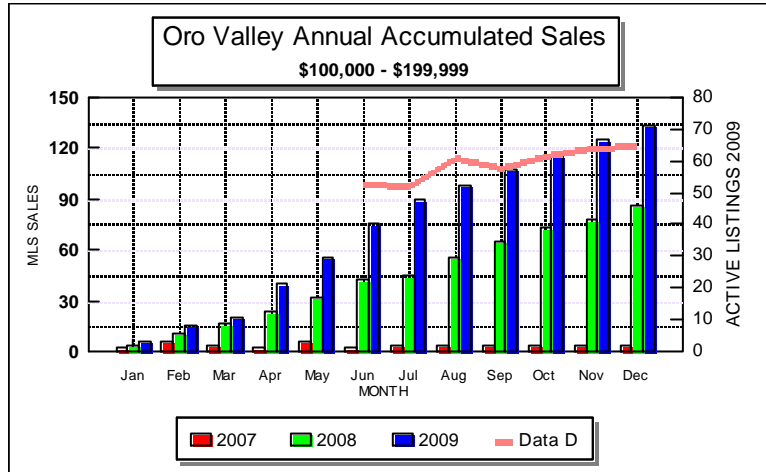
We expect that the Buyer Tax Credit Programs will help to spur improved Buyer demand for the first half of 2010. The keys for creating positive momentum will be an improving economy which will provide an increase in employment levels and confidence levels. Weekly unemployment claims has been trending lower for several months but job creation has yet to improve sufficiently to counter job losses. Most economists are forecasting net job additions in the first ½ of '10. We should also expect mortgage rates to start trending upwards in the middle of next year, as the Federal Reserve will be withdrawing its purchase program for Mortgage Backed Securities. An increase in rates will negatively affect current owners with adjustable rate ARMs, many being initiated in 2005, which could spur additional distressed sale activity into 2011.

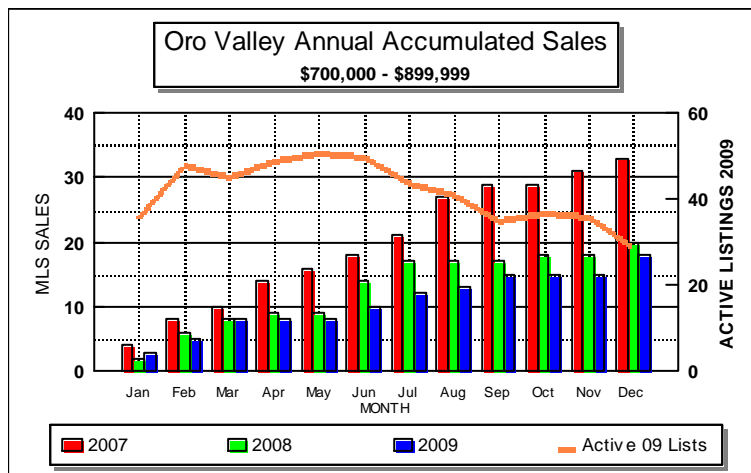
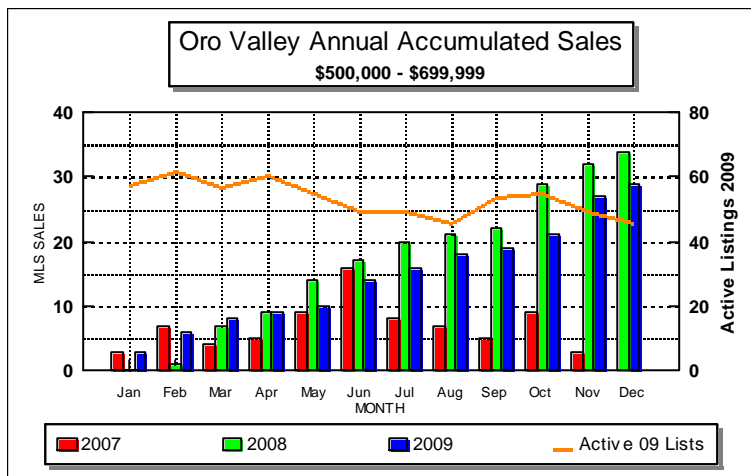
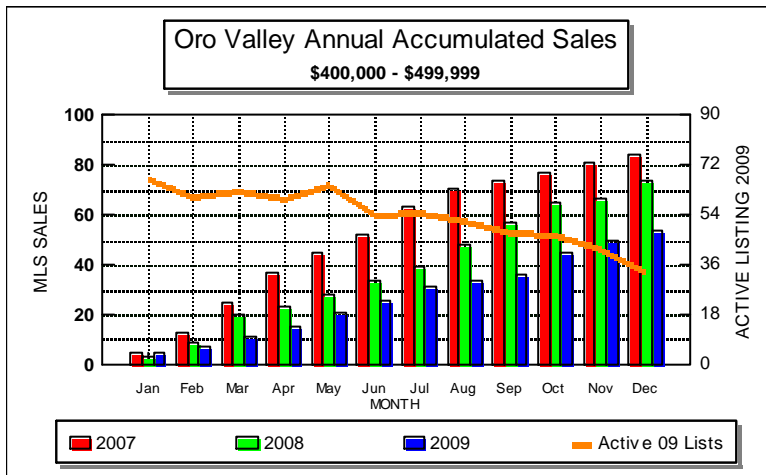
An overview of all the data for 2009 indicates that the declining trend in Market Values may have bottomed and a steady sales count could soon lead to increased activity in an improving economic picture. Sales over the last two years have run well below the average of 1133 units/year for 2001-04 or, 844 units/year for 2005-08. There just may be some pent-up demand, waiting for the right time to move back into the market.

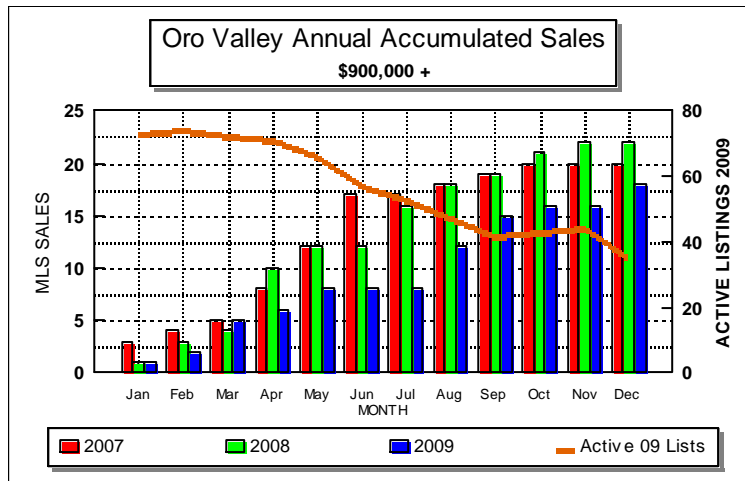
It's far from certain that a bottom is in, as there are still headwinds to be faced over the next 6 – 12 months, Expect any recovery for housing will be slow and steady. We'll settle for overall stability and market value increases that match, or slightly beat inflation.

## 6.0 - REFERENCE SALES CHARTS

The following charts provide graphic display 3 years of monthly sales count, in price ranges. The charts also contain 2009 monthly counts of Active Listings (\$100's starting in June).







*\* All data has been obtained from our local MLS system and is believed to be accurate and reliable. We cannot however, warrant the complete accuracy of all data presented herein.*