ECONOMIC AND REAL ESTATE OUTLOOK

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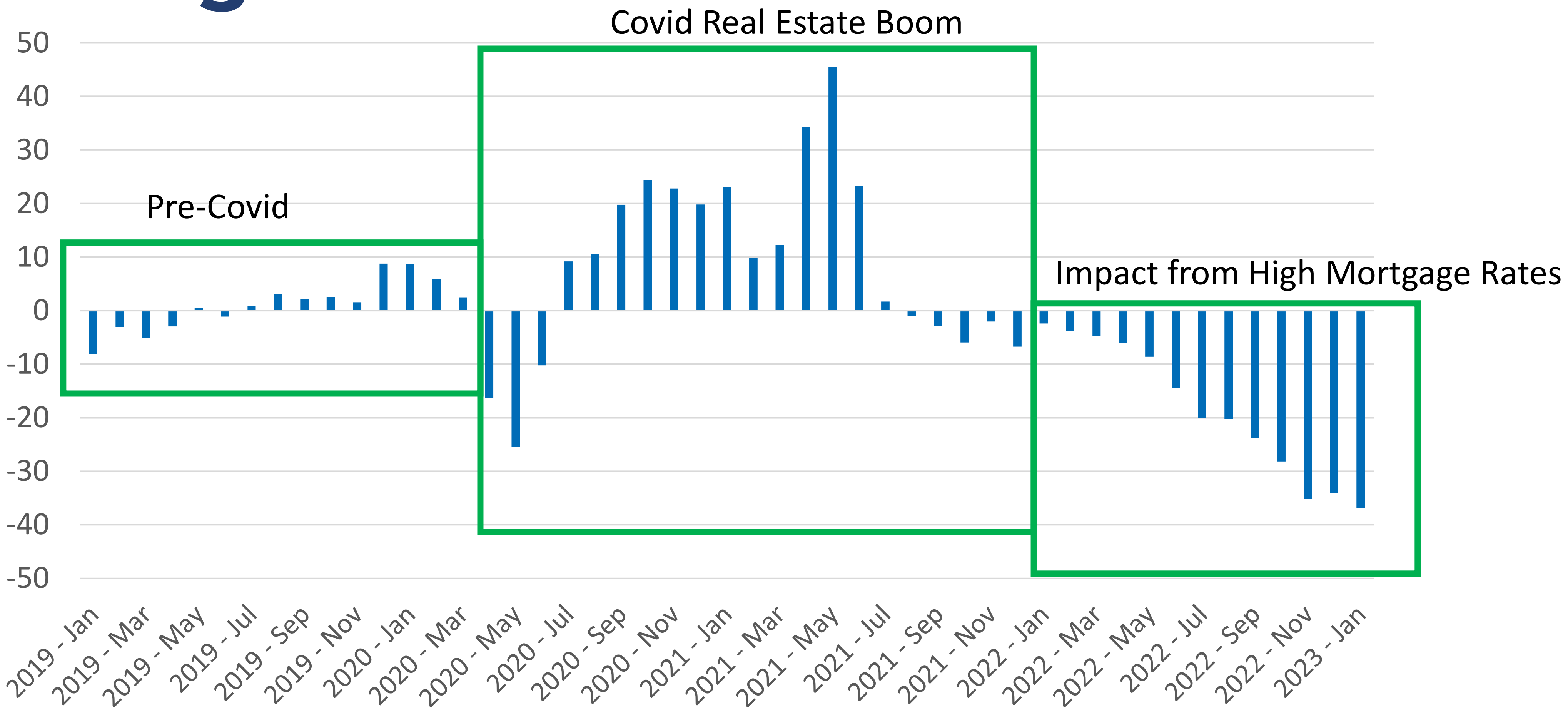
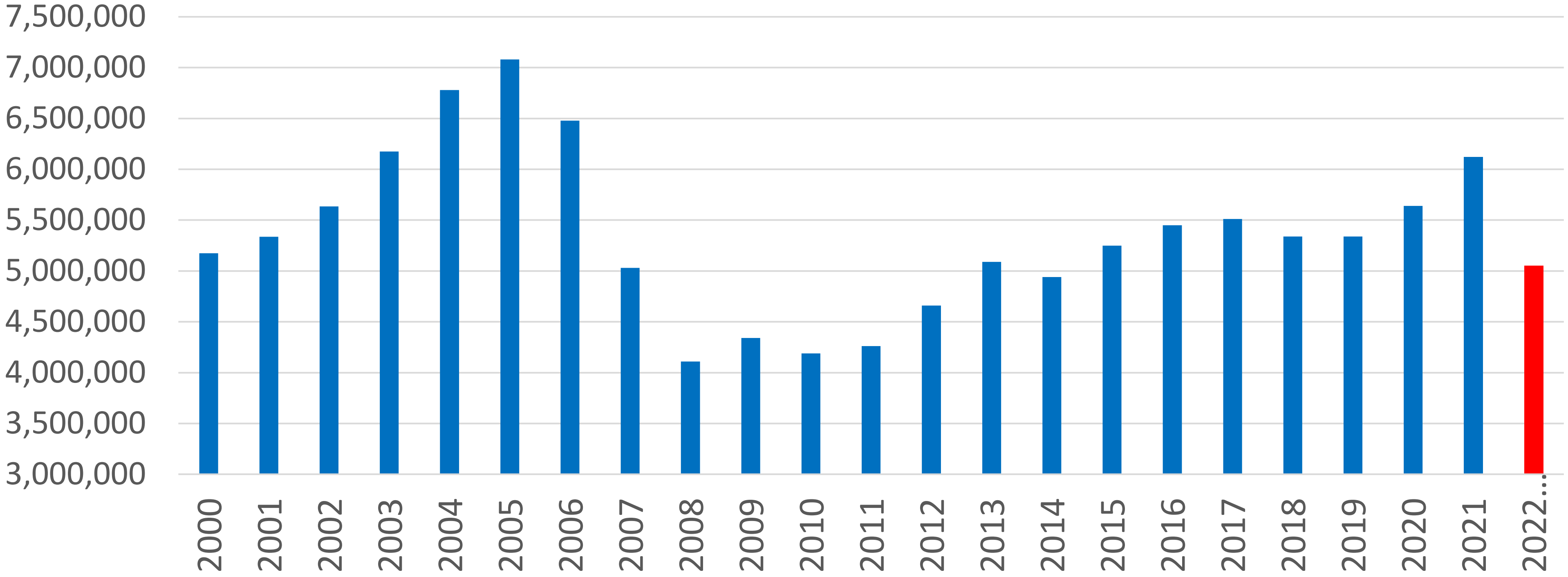
National Association of REALTORS®

Existing Home Sales % change from a year ago



Source: NAR

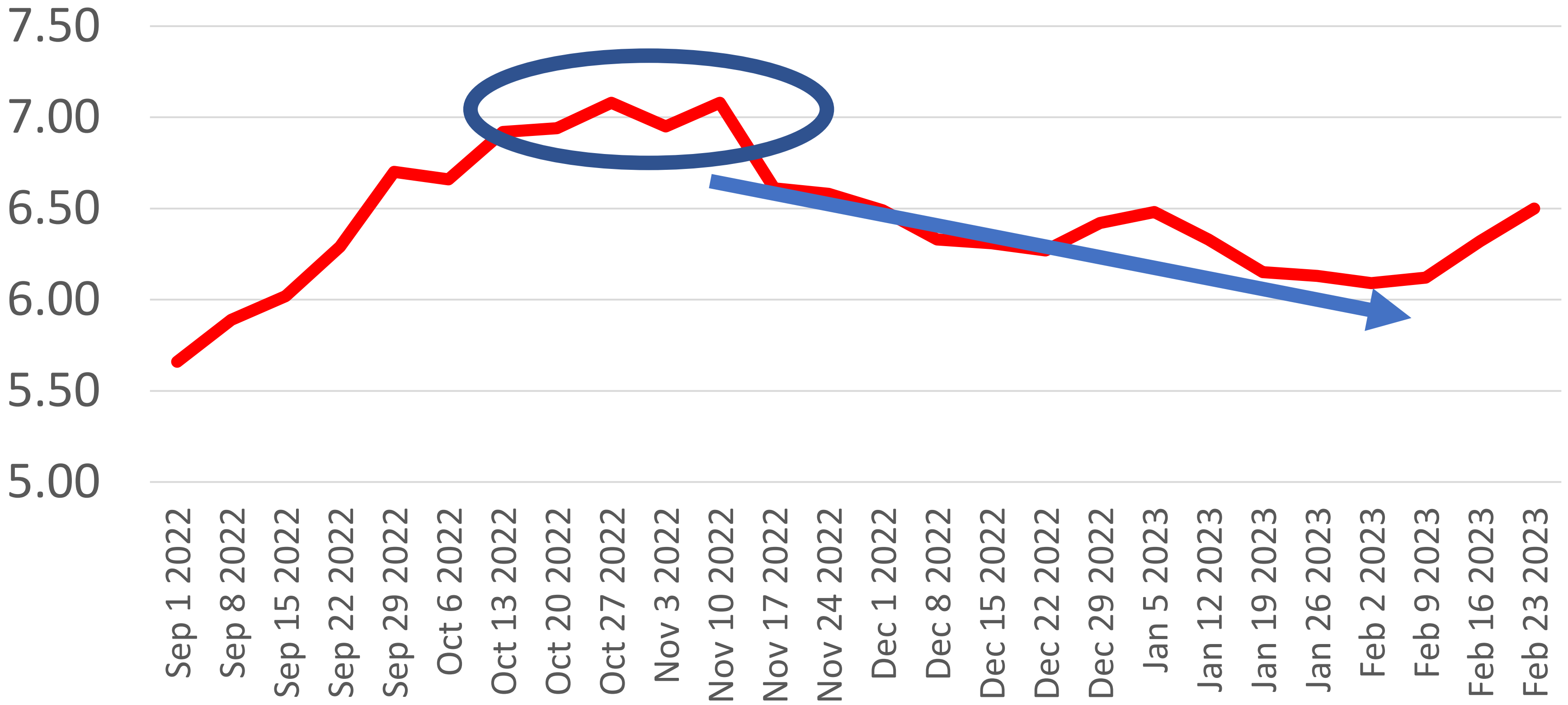
Annual Existing Home Sales …
Down 18% in 2022 and lowest since 2014



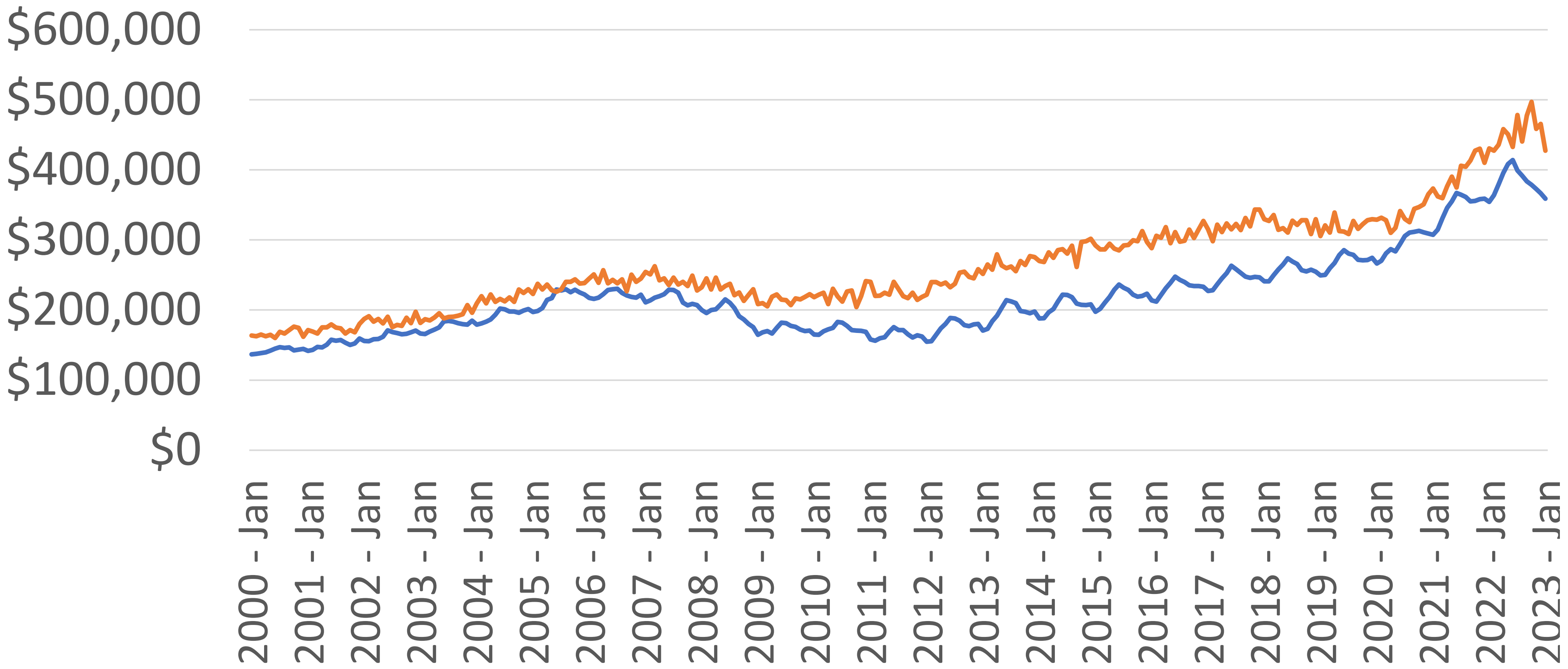
Source: NAR

Mortgage Rates Retreated … on the news of calming inflation

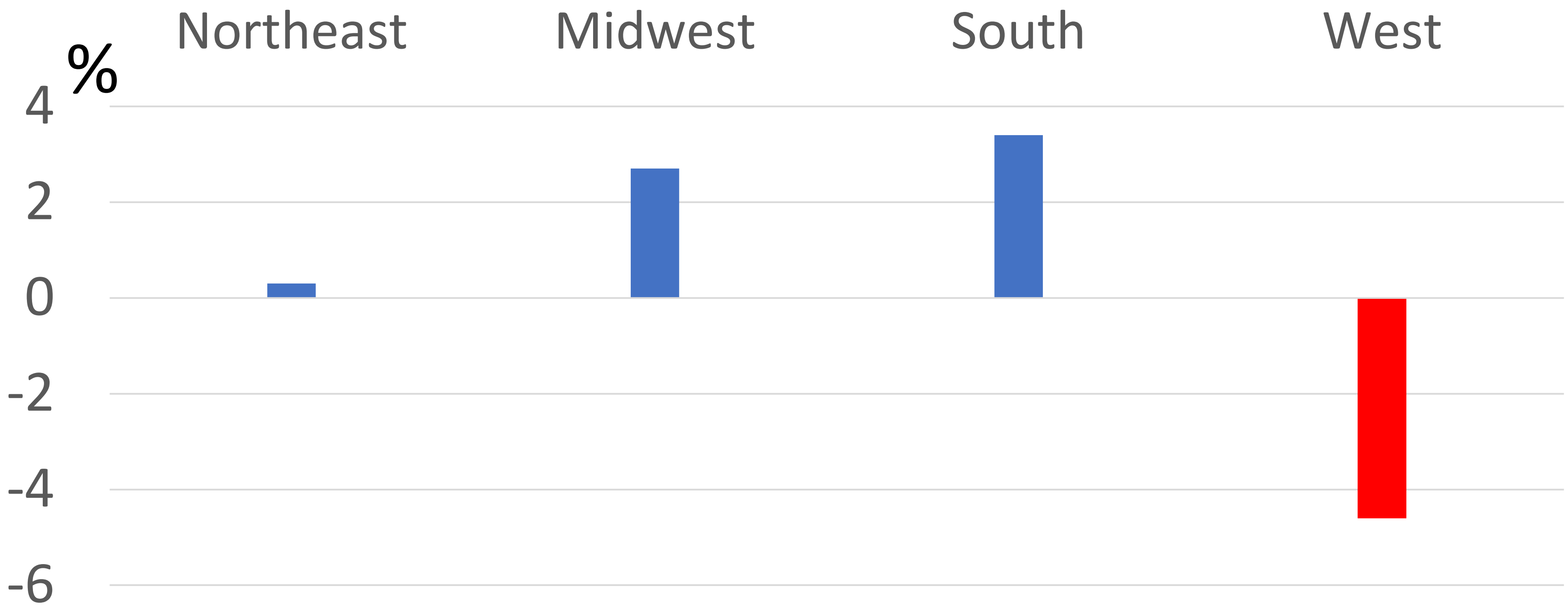
Until the news of non-calming inflation and deficit warning



Median Home Price of New and Existing Home



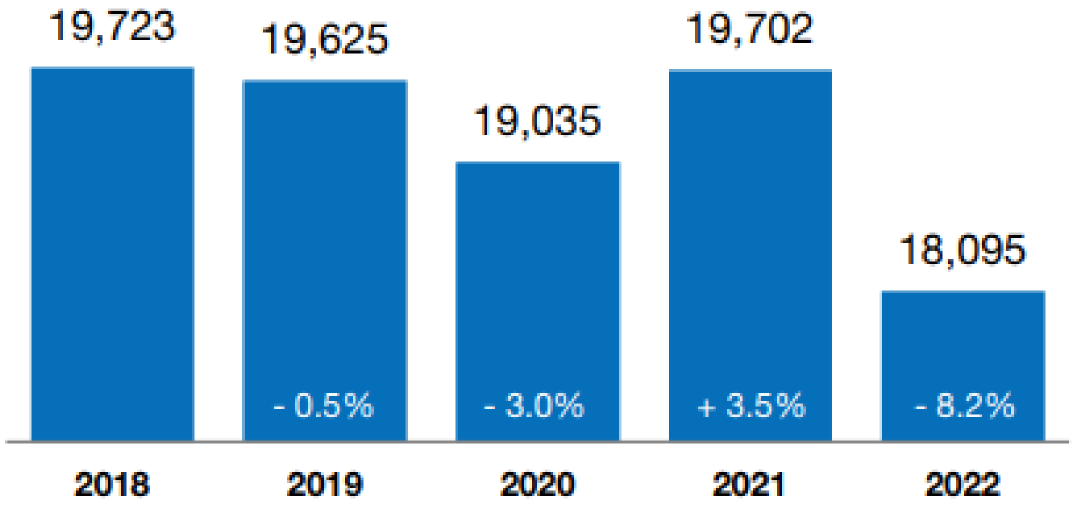
Median Home Price Change from a year ago to January



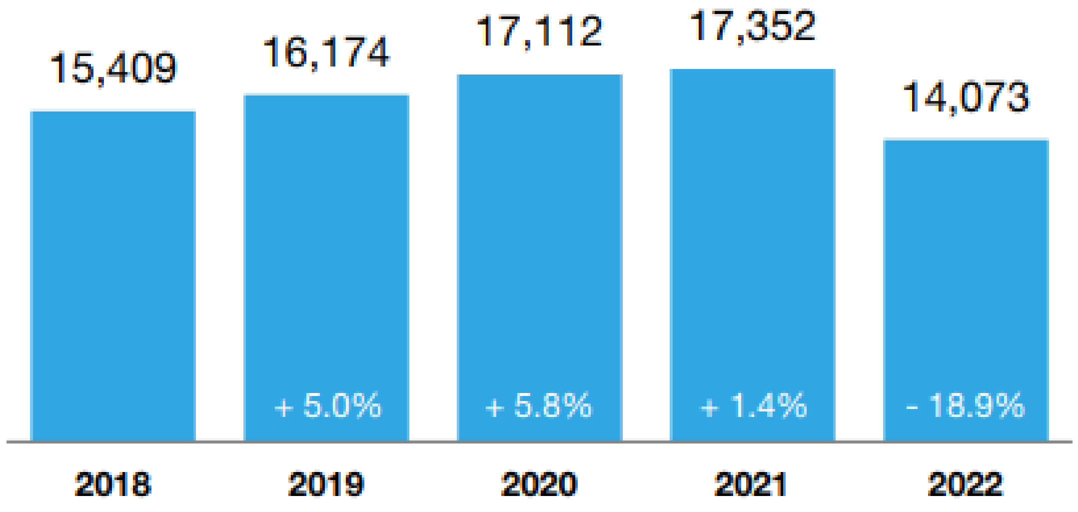
2022 Annual Report for Tucson Association of Realtors®

Quick Facts

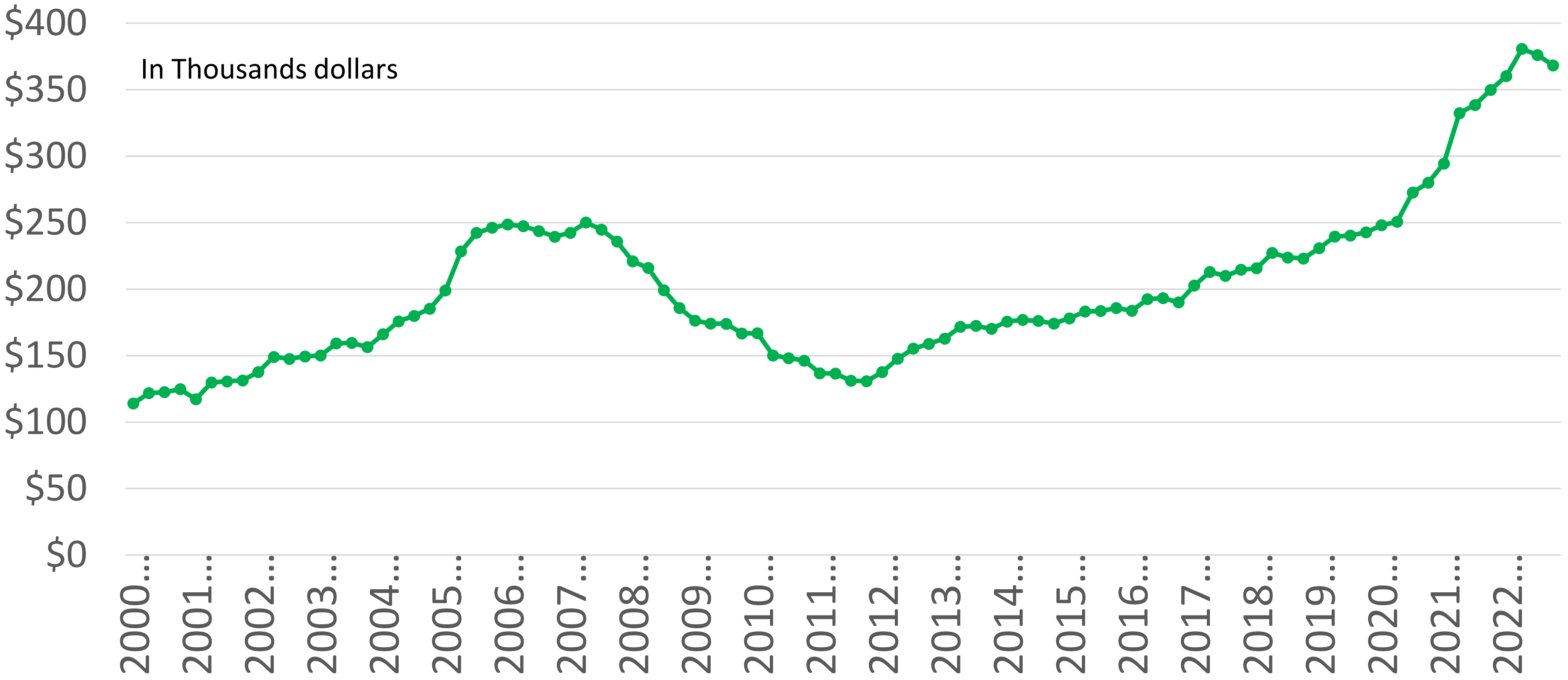
New Listings



Pending Sales



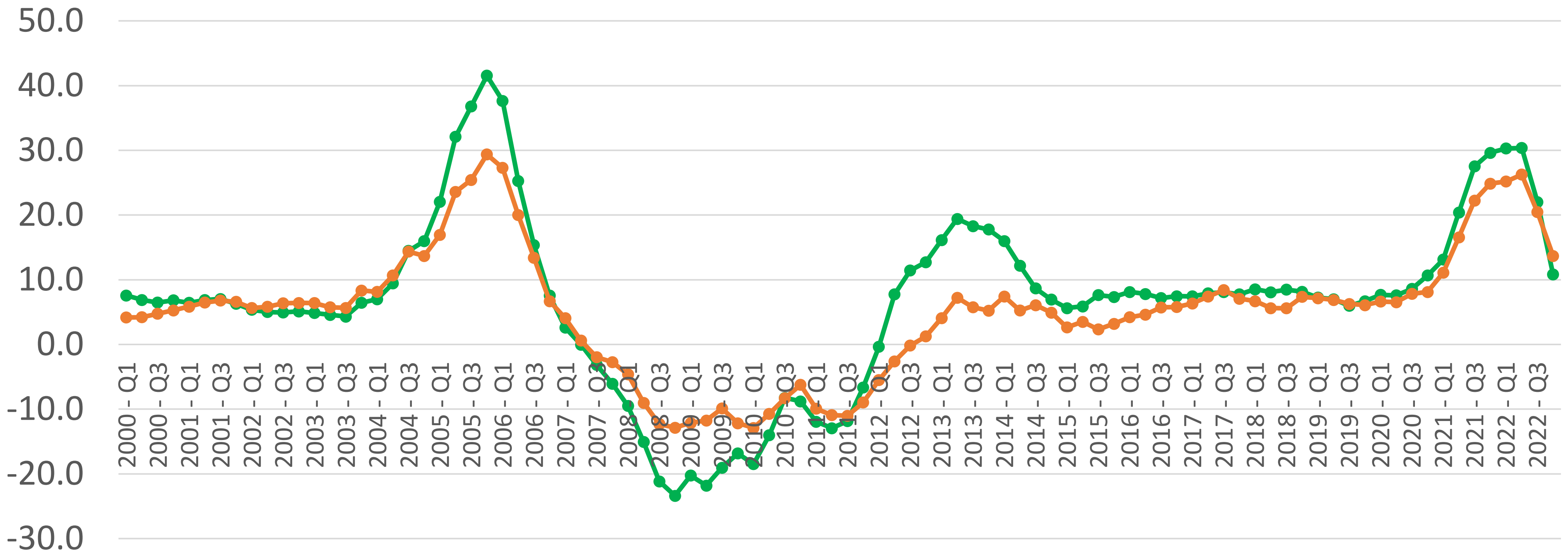
Tucson Metro Median Home Price



Source: NAR

Price Appreciation in Tucson and Phoenix

(% change from a year ago)



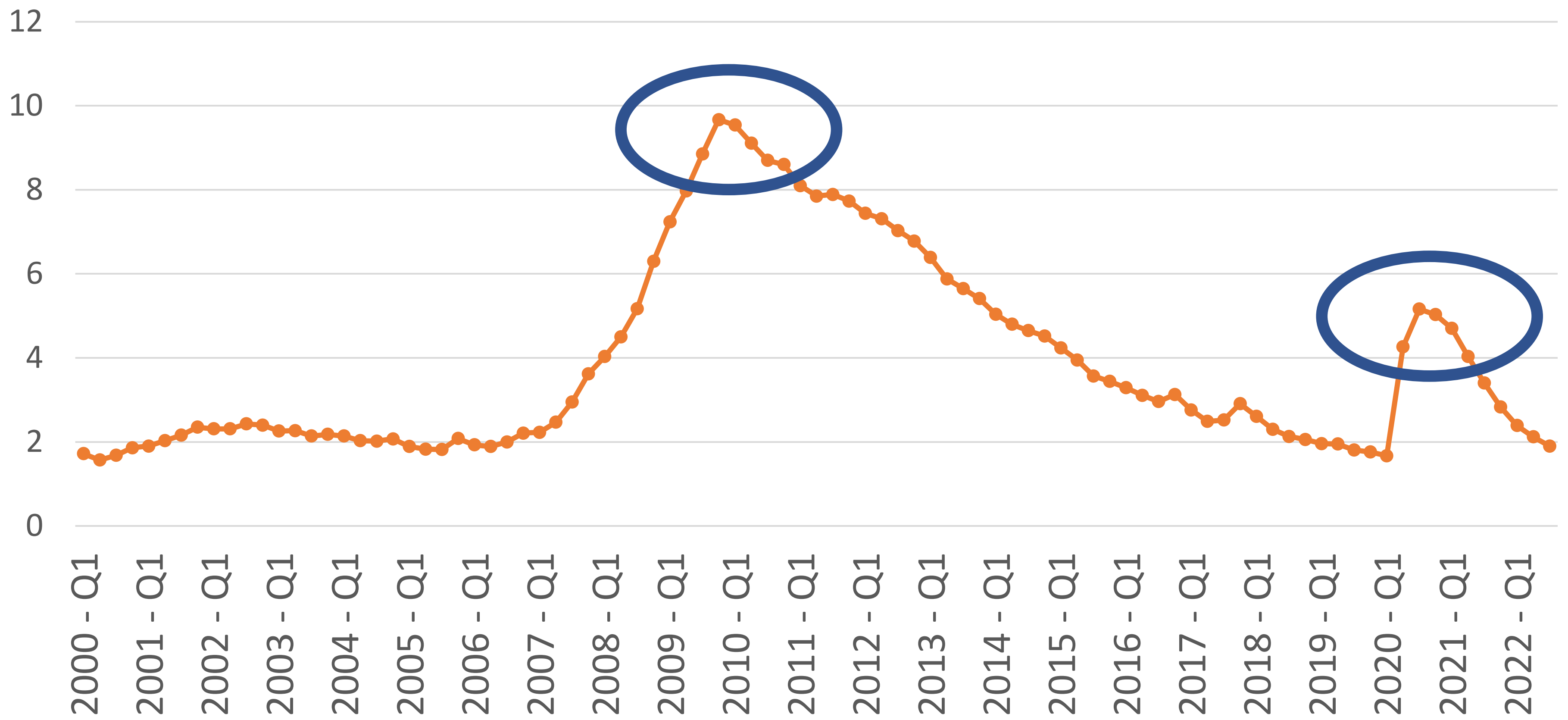
Source: Federal Housing Finance Agency

Home Price Crashing Coming?

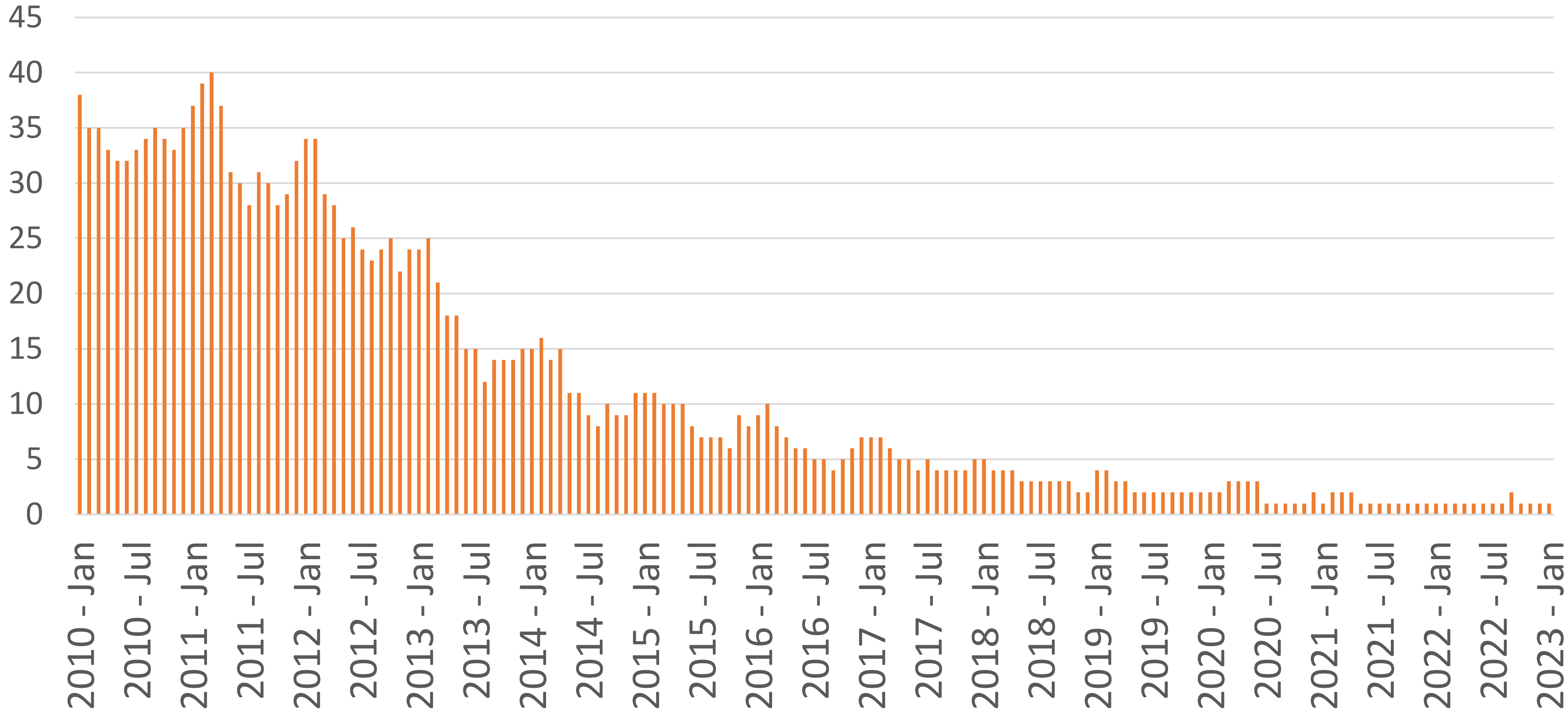
Key Variables	Last Housing Cycle	Current Housing Cycle
Job Cuts (net of gains and losses)	8 million	none
Total Payroll Jobs (W-2 salary jobs)	130 million	153 million
Total Jobs (Household survey)	138 million	158 million
Subprime Loans	Prevalent	Virtually none
5-year cumulative to new home construction before crash	7.65 million	4.6 million
Inventory on Market	3.8 to 4 million	1 to 1.2 million
Mortgage Delinquency	10.1%	3.6%
Homes in Foreclosure	4.6%	0.6%

Source: NAR Analysis of BLS, MBA, NAR data

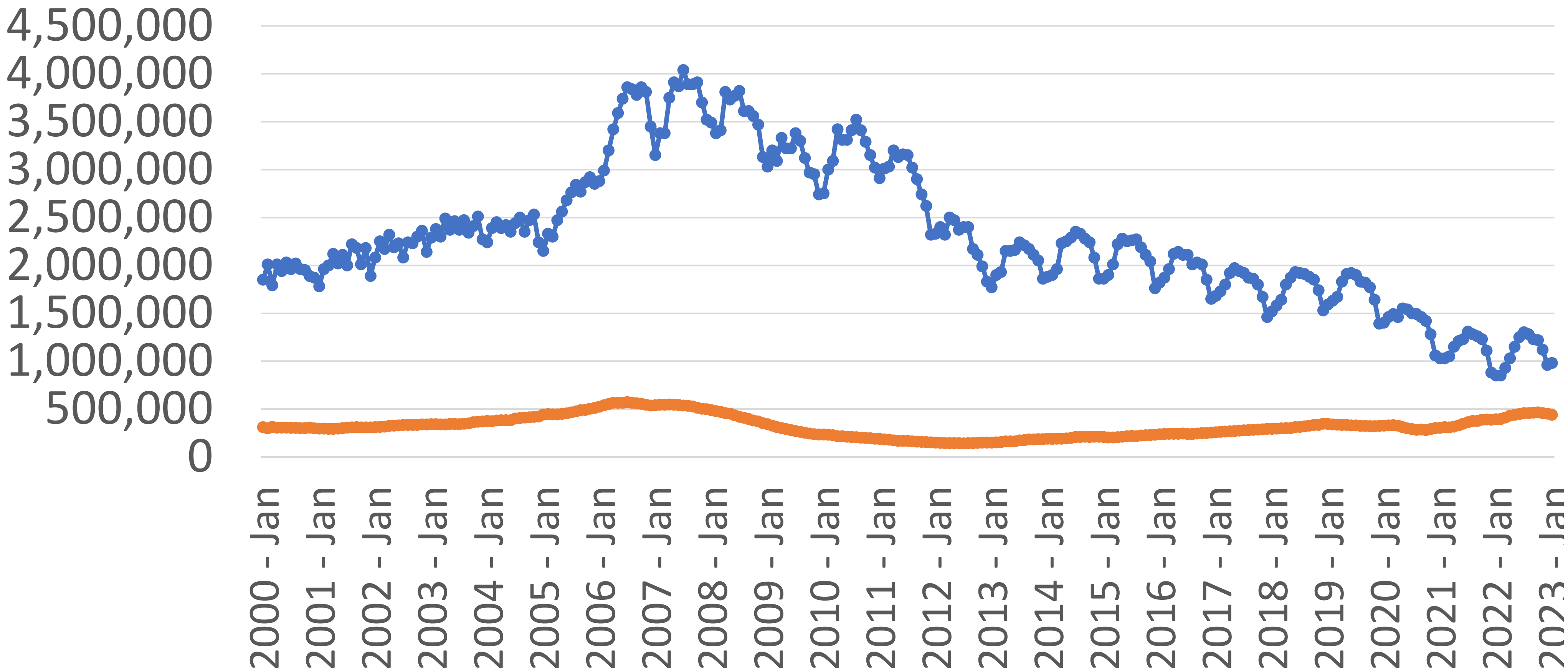
Mortgage Delinquency Rate by at least 90 days



Distressed Property Sales as % of Total (Short Sale or Foreclosures)

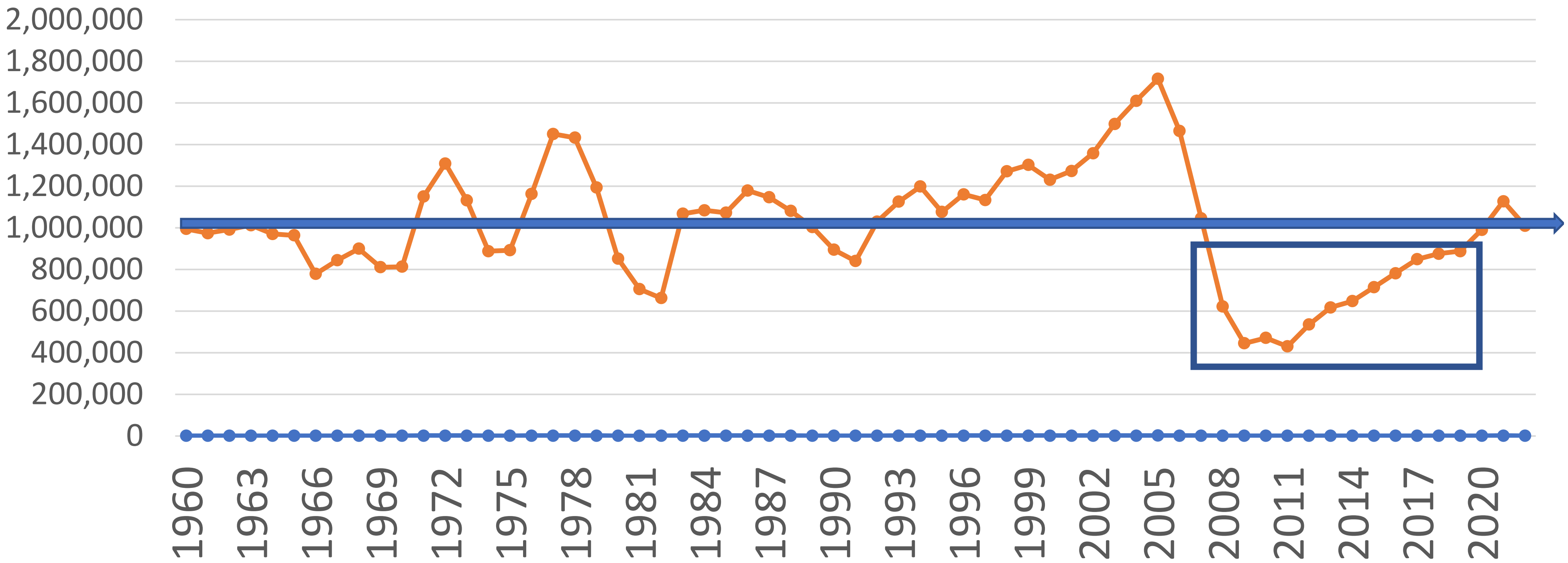


Inventory of Homes on Market: Existing and Builders (lot, unfinished, finished)



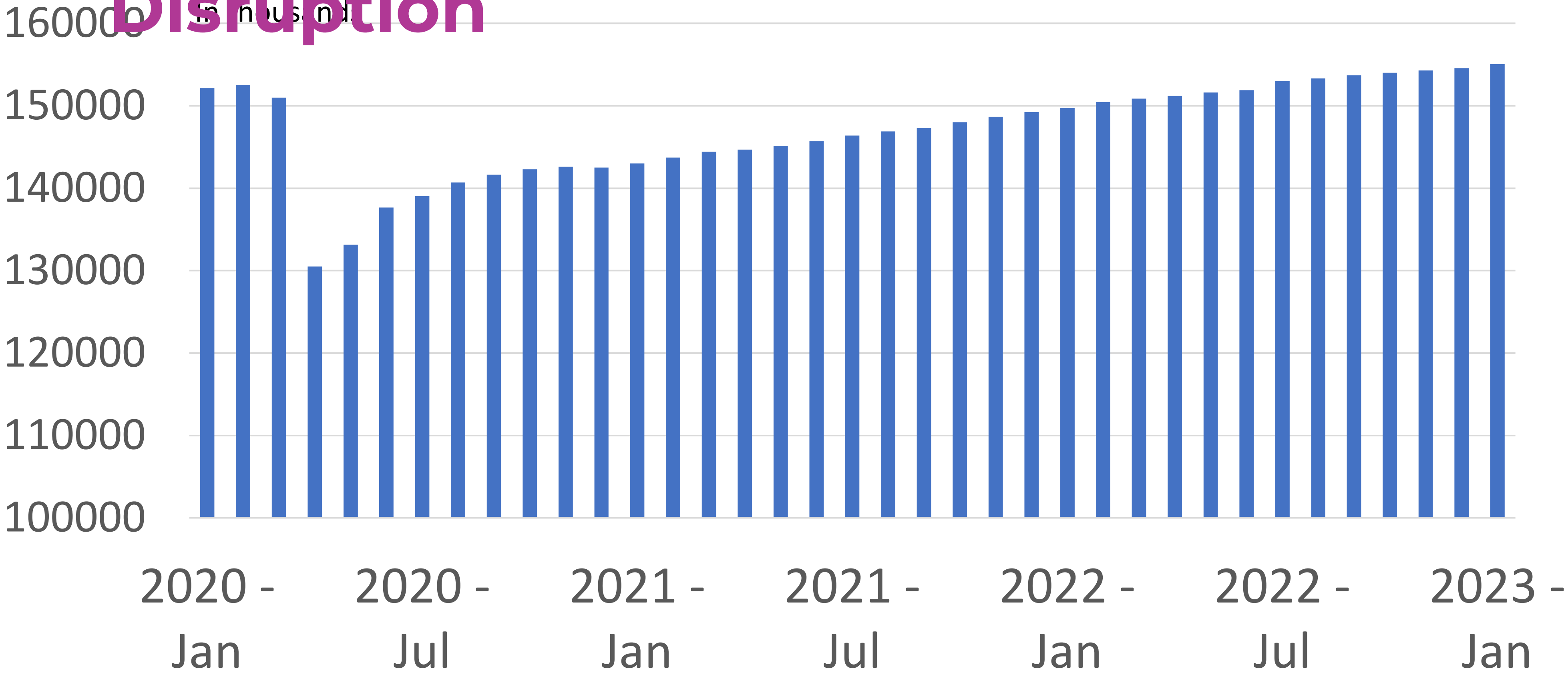
Long-term Single Family Housing Starts

Historical average of 1.02 million per year

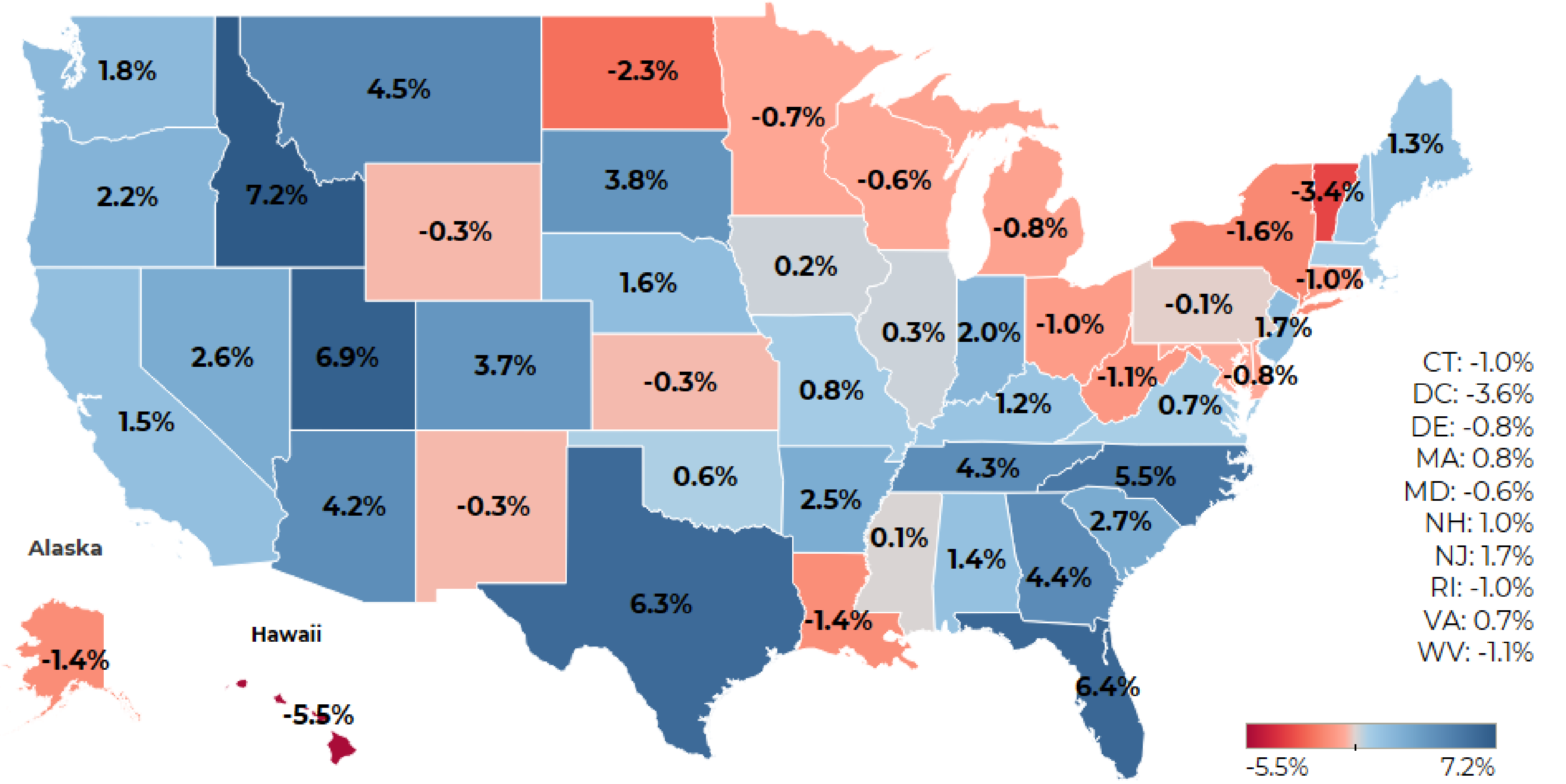


Source: Census/HUD

Record High Payroll Jobs after Covid Disruption



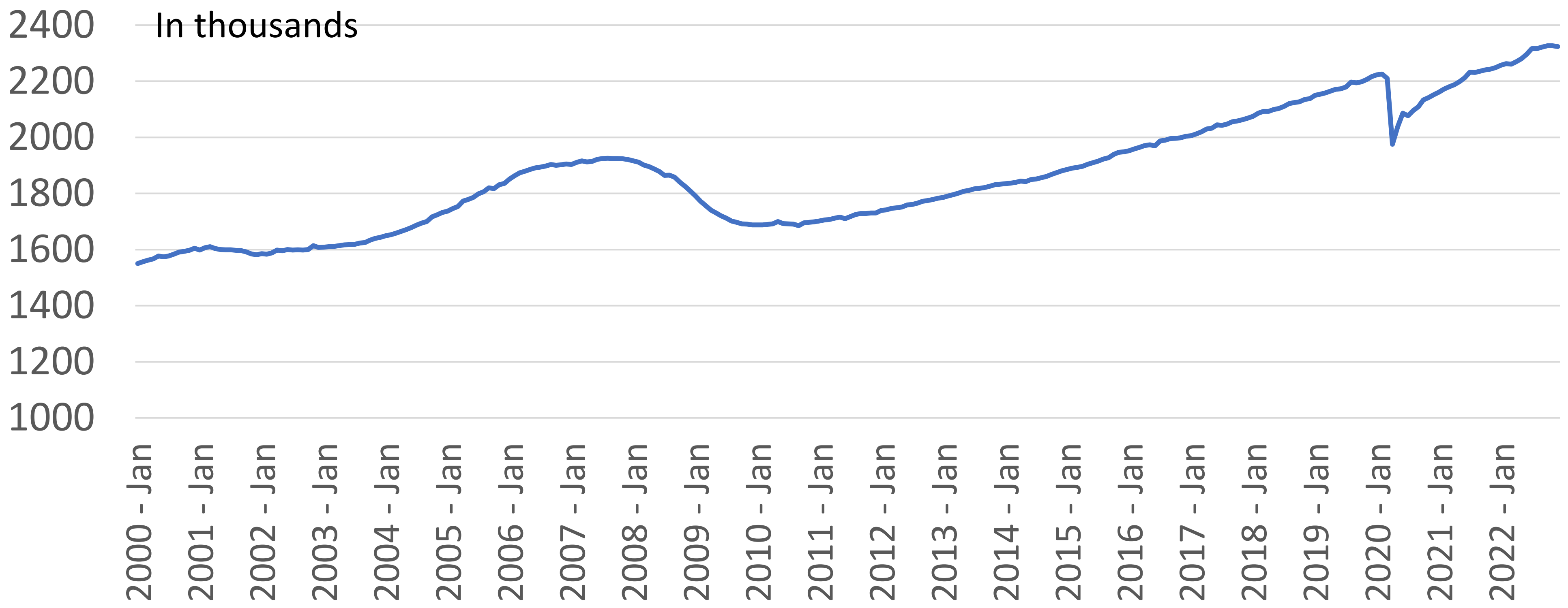
Job Gains Since Pre-Covid Record High Employment Conditions (% change from March 2020 to December 2022)



Payroll Jobs in Tucson Metro

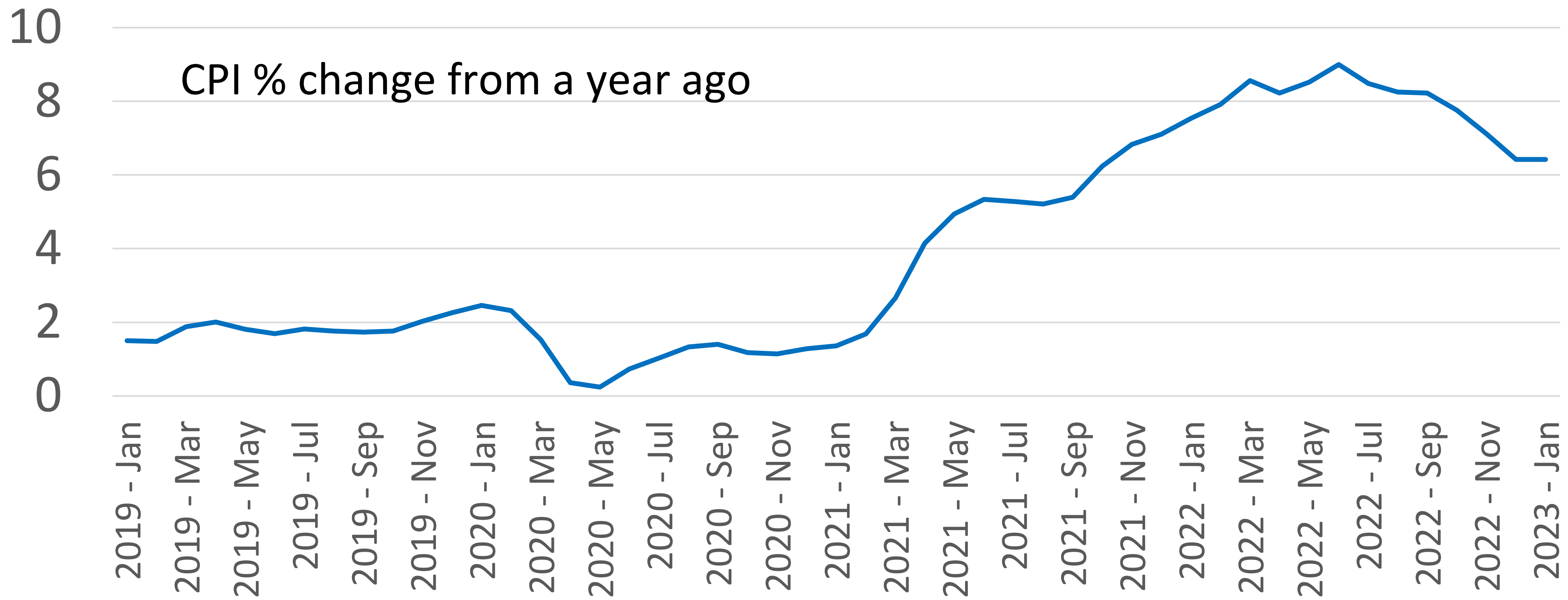
Source: BLS

Payroll Jobs in Phoenix Metro

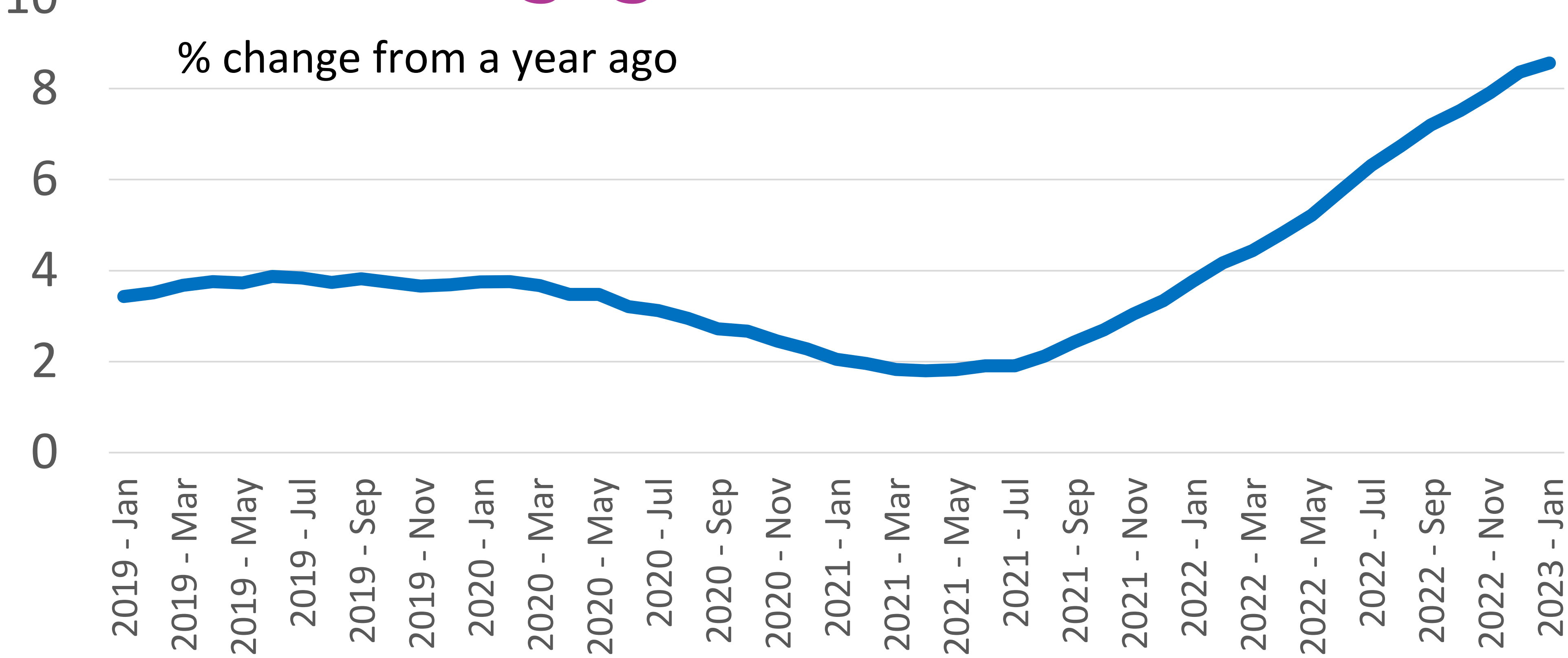


Source: BLS

Calming or non-calming inflation?

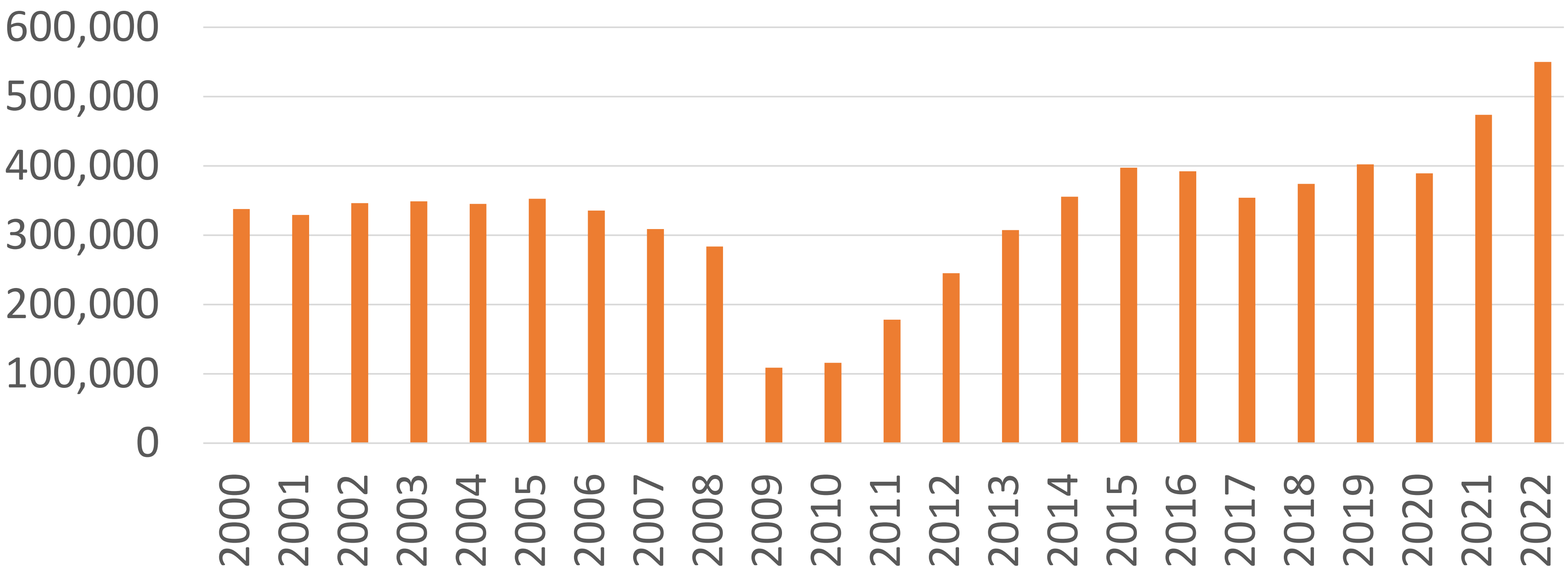


When Rent Component <u>will</u> calm down …
Then mortgage rate will descend



Robust Multifamily Housing Starts

Historical average of 375,000 million per year

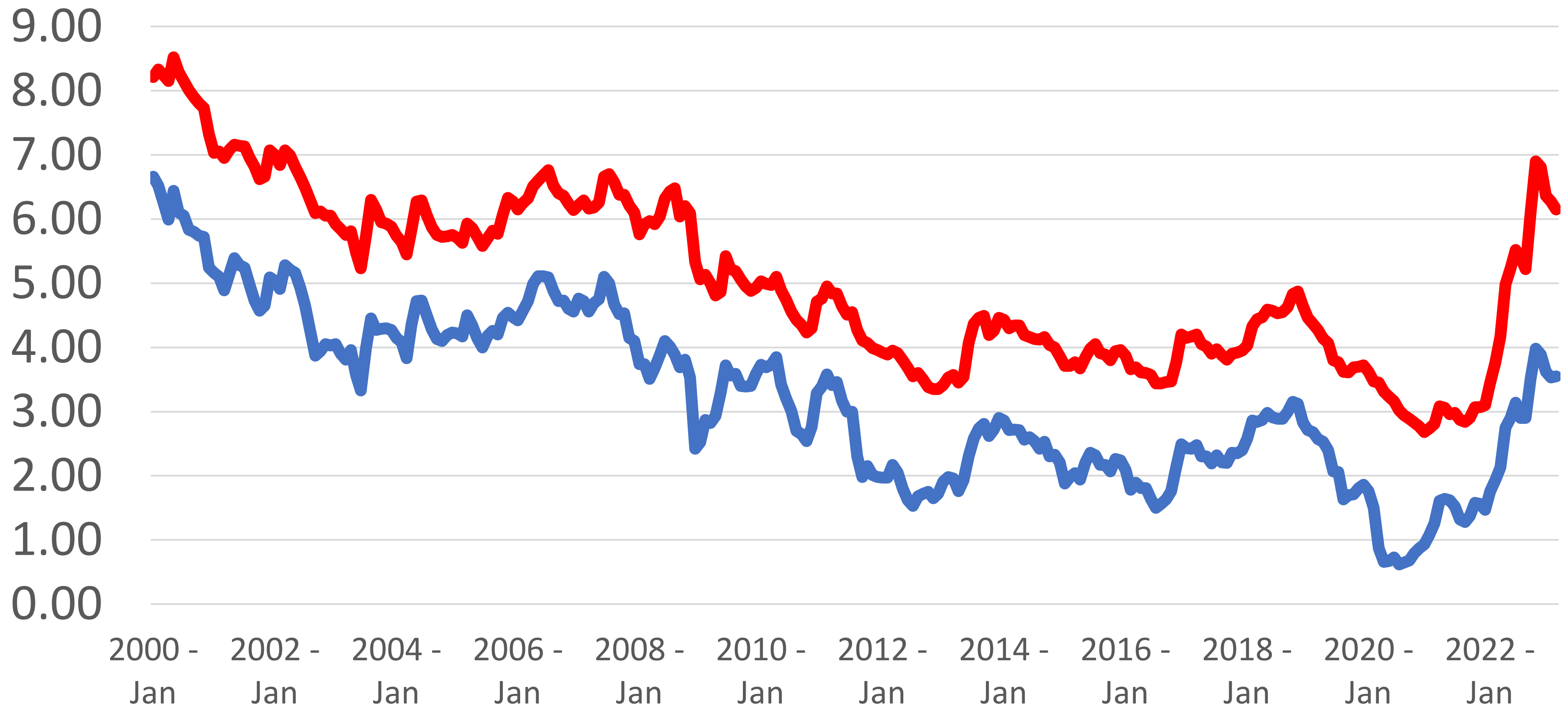


Source: Census/HUD

Price Increases

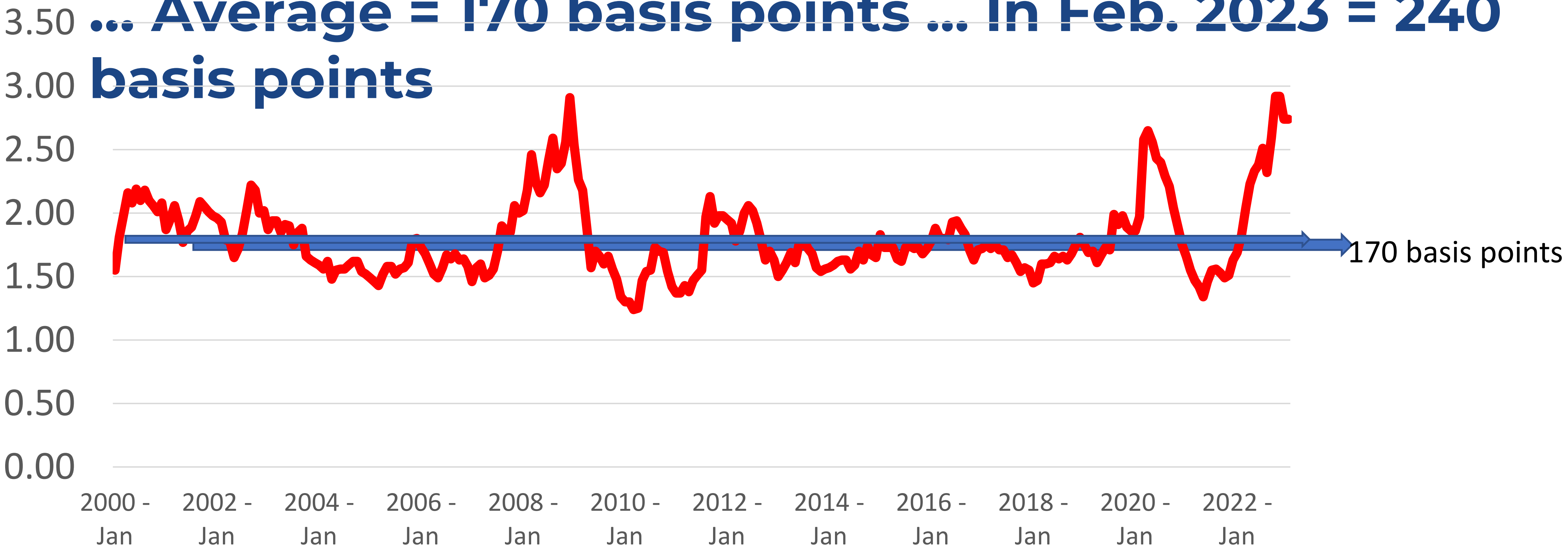
Item	% change from a year ago in January
Eggs	70%
Gas heating	27%
Airfare	26%
Car Insurance	15%
Floor Covering	13%
Rent	9%
Gasoline	2%
Appliance	1%
Sporting Goods	1%
Mass Transit	0%

Long History: 10-year Treasury and 30-year Mortgage



Mortgage Rate to Descend as the Spread returns to Average

… Average = 170 basis points … In Feb. 2023 = 240 basis points

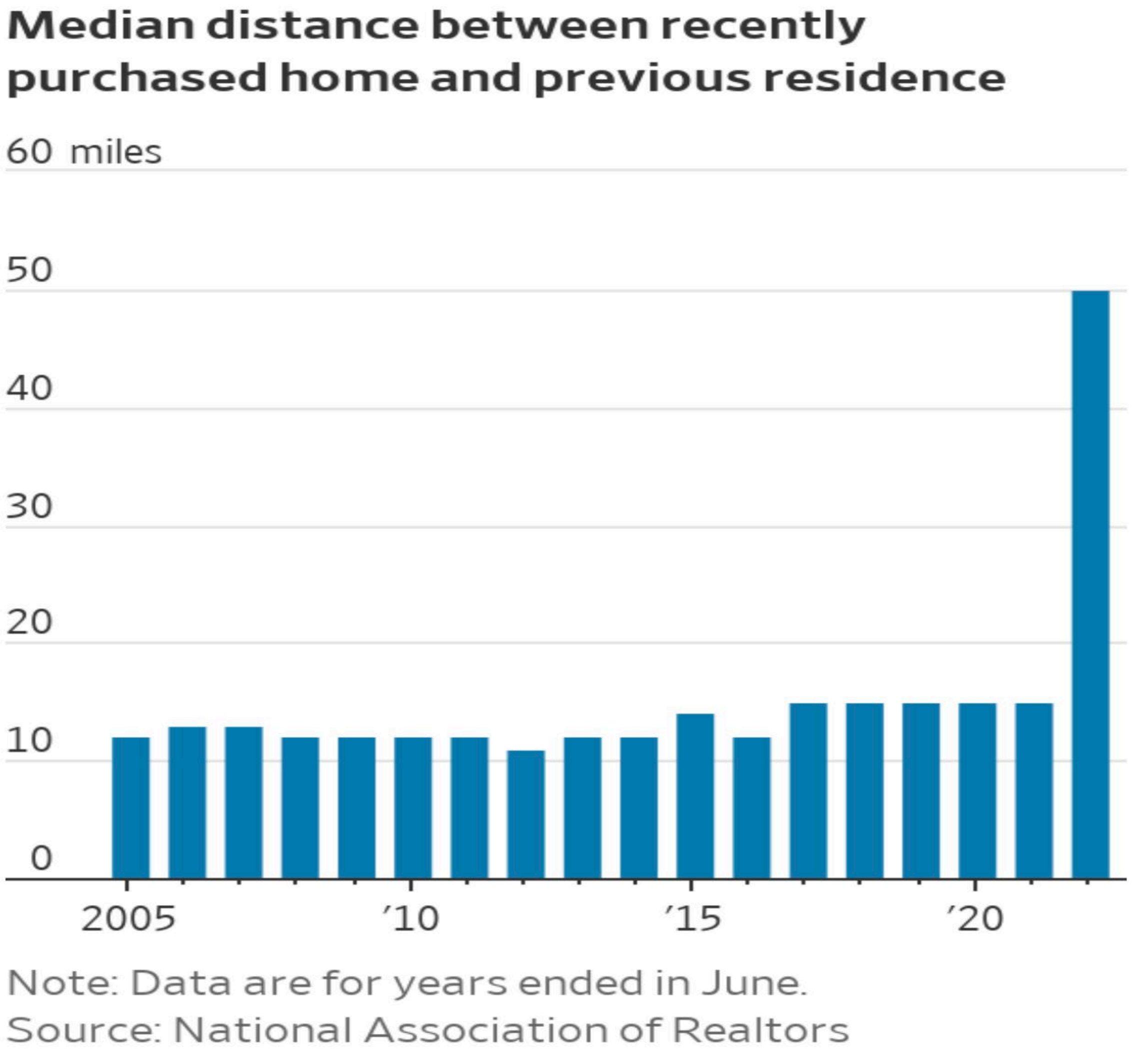


Mortgage Rate?

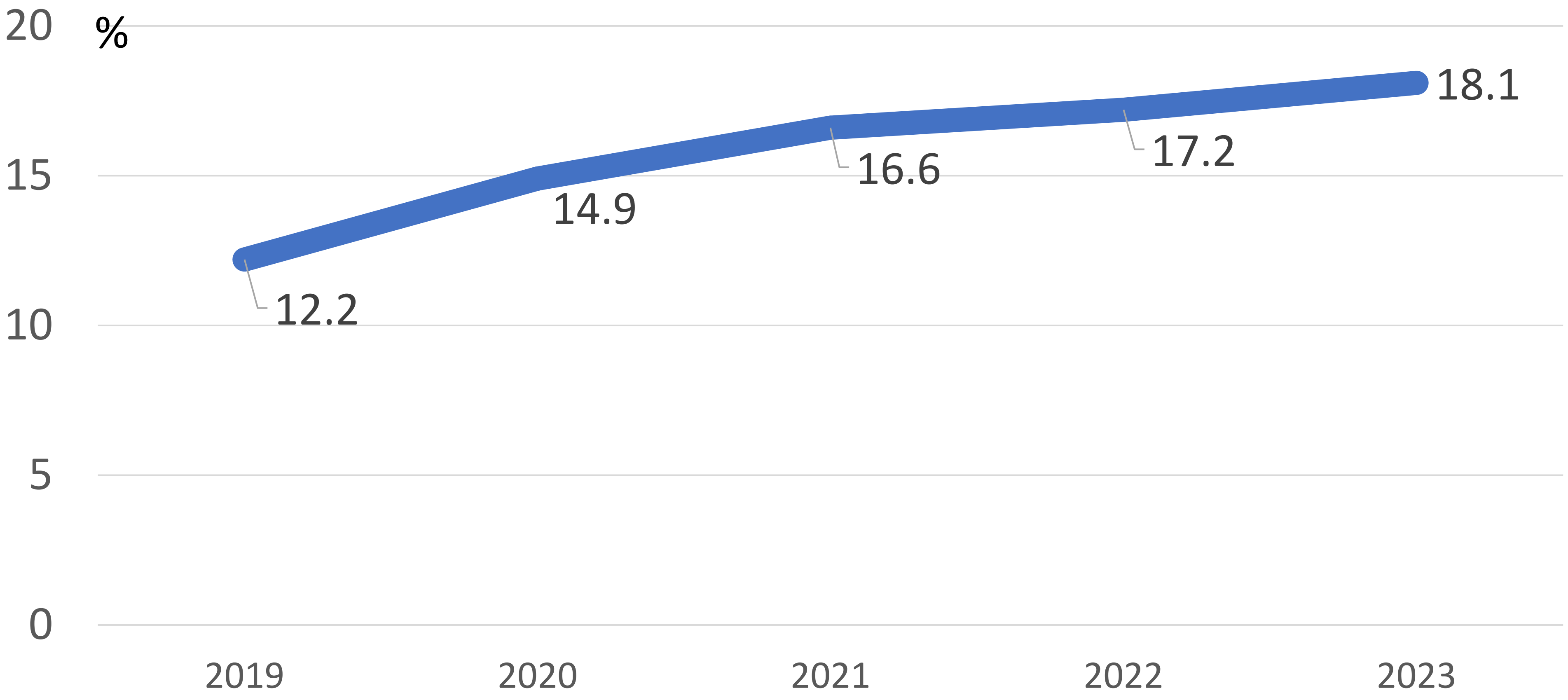
30-year Fixed Rate at 5.5% by the year end

Risks and Uncertainties

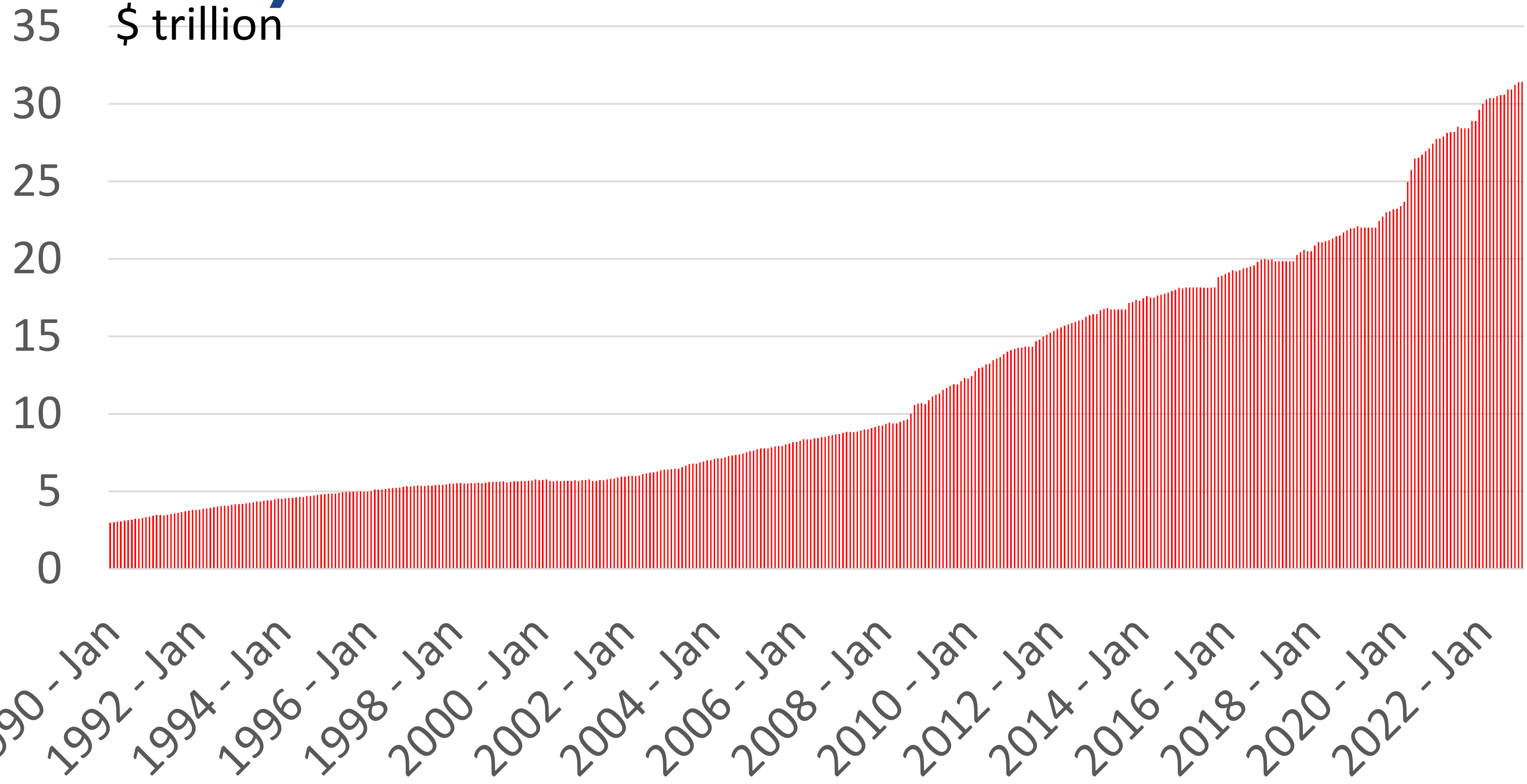
The Clash of Culture in the U.S.?



Office Vacancy Rate

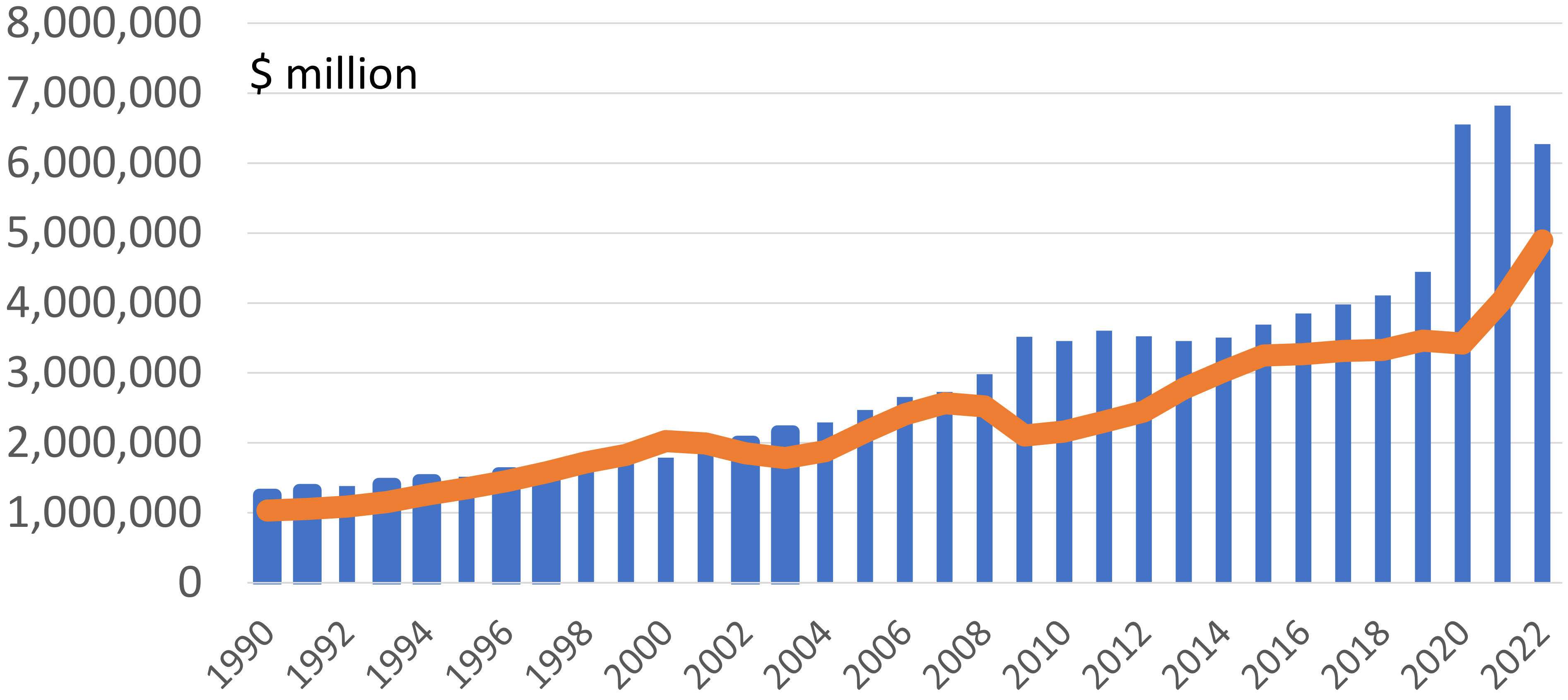


National Debt (cumulative of all deficits)



Source: U.S. Treasury

Why? Federal Outlay (blue bar) > Tax Receipts (orange line)



Source: U.S. Treasury

Annual Forecast

Year	Unit Sales	Home Price	Dollar Volume
2019	0.0%	+4.9%	+5%
2020	+5.6%	+9.1%	+15%
2021	+8.5%	+16.9%	+25%
2022	-17.8%	+10.2%	-8%
2023 forecast	-11%	-2%	-13%
2024 forecast	+18%	+3%	+21%

Source: NAR

THANK YOU!