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EDITOR'S PICK FEATURED

Tucson home prices hit new heights, driving up rent prices, too

Gabriela Rico
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Homebuilders are putting up rooftops across the Tucson area but can't keep up with demand.

Photos by Mamta Popat, Arizona Daily Star

Gabriela Rico

The average price of a new house in the Tucson area now tops \$411,000, creating fierce competition for buyers and driving up rents.

“It’s crazy,” said Diane Marzonie, president of the Tucson Association of Realtors. “The market is at a place that I’ve never witnessed before — I’ve been in the business for 16 years.”

A lack of housing inventory is the main reason for the upward pressure on the price of homes.

One day last week, there were 1,200 existing homes on the market locally — compared to an average of 9,000 homes just a few years ago.

And, while homebuilders are putting up rooftops across the metro area, new houses are selling quickly.

“They can’t build them fast enough,” said Marzonie, a Realtor with Coldwell Banker Realty. “We don’t see things changing much in the next 12 to 18 months.”

Taking risks

Aside from the tight inventory, local homebuyers are competing with recent arrivals from more expensive markets and retirees that are downsizing — both have a lot of cash.

“Buyers are losing out after six or seven offers,” Marzonie said. “First-time homebuyers are getting shoved to the corner — many are people who have lived here all of their life.”

That has led some to take big risks.

“There are buyers out there that are really desperate and giving up appraisals and inspections,” she said. “I ask them to look at the long haul and what happens if they overpay and need to sell in five years.”

Some buyers hope that by telling a seller their family's story, they might have a better chance of having their bid accepted.

But, the practice of writing the so-called "love letters" is generally frowned upon.

"It's like, 'Pick me! Pick me! I want you to like me best,'" said Laura Mance, president of Long Realty Co.

Agents are leery of love letters and many note on their listings that the seller does not want personal notes.

Recently, Oregon became the first state in the country to make the letters illegal, out of concern that they could violate the Fair Housing Act which prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, age or disability.

"They could lead a seller to discriminate indirectly either for or against somebody based on ethnicity or the number of children they have," Mance said. "When you have 16 people competing over one listing, there will be 15 people who didn't get it and they'll be angry and looking for a reason why. It's a sensitive issue."

Since most buyers are doing everything electronically instead of in person, they are just looking for a way to stand out.

But there are some who pen the love letters for less noble reasons.

"Sometimes the stories aren't true," Mance said. "One buyer presented a letter about how he was taking care of his grandma and it turned out to be an investor who just turned the house into a rental."





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Trickle-down effect on rents

The average new home price in June was \$411,244, according to a housing report from R.L. Brown Reports. In June 2020, the average new home price was \$360,691.

The Tucson market's new home price first topped \$300,000 in 2018. In 2019, the local market was ranked second in the U.S. out of 100 metro areas in house price appreciation.

Homebuilders confidence is also on the rise as the number of permits for new houses is up 43% to 2,812 in the first half of the year. In that same time period in 2020, builders had pulled 1,963 permits.

In June alone, the Tucson market had its best month for total value of both new and resale homes, nearly reaching \$1 billion at over \$997 million, the report shows.

The trickle-down effect is that those prices are discouraging some homebuyers who are turning to rentals but landlords are also reacting to the hot housing market.

Tucson had the second-highest rent prices growth in the southwest region at 11.1% compared to 2020 for a median rent of \$1,673 a month.

Investors who are buying single-family homes for cash are primarily touching them up to rent them.

“I have clients tell me, ‘I can’t buy a new home because they’re raising their prices

weekly and now rents are sky-high,” Marzonie said. “Buyers’ emotions are high.”

Silver lining

If there is a silver lining to the runup of home prices, it’s that buyers are coming from a place of financial security.

Whether it’s cash from a sale of a home on the West Coast for a work-from-home transplant or a the sale of large home in the foothills for a downsizing empty-nester, today’s buyers are generally well qualified.

They don’t pose the risk of foreclosures that the market saw before the housing crash when not-exactly-qualified borrowers were securing loans from questionable lenders.

And for homeowners sitting on large sums of equity, now is the ideal time to sell if there’s a solid plan for a new living situation.

“If anyone is wanting to get into the market, please,” Marzonie said, “we need the inventory.”

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Gabriela's been with the Star since 2007.