



Southern Arizona's Real Estate Sees Tremendous Growth

Randy Rogers • published in the February 2022 issue

2 2021 was a very strong year for Residential Real Estate in Southern Arizona.

The real estate market was driven over the past year by fervent buyer demand that was fueled by pandemic induced changes to housing needs and preferences as well as continued record low borrowing interest rates. This demand created a strong seller's market that continued from 2020 throughout 2021. This strong seller's market was also aided by record low inventory levels across all levels of property types. Jodi Koch, 2022 Tucson Association of REALTORS® President, stated that "the incredible market over the past couple of years continued in 2021, causing great opportunities for many sellers and placing additional stress on buyer's seeking new or existing homes."

Looking closer at the details that make up this robust market in Southern Arizona we see increasing numbers in almost all categories except for the inventory of properties for sale. Closed sales have increased year over year with 2021 recording 20,706 sales. This is up from 2017 closed sales of 18,080 and a 3.9% increase over 2020 sales of 19,938. Pending sales also recorded a 3.4% increase from 2020 with 21,094 recorded.

New listings rebounded from a drop in 2020 with a 3.8% increase to 23,578 properties listed. This is just below the 2017 new listings of 23,855. Except for the small decrease in 2020, new listings have maintained consistency over the past five years. This, coupled with the increase in sales, have caused an unprecedented low inventory of 1761 homes for sale. This is down from 4702 homes for sale in 2017.

The record low inventory, low mortgage rates, increased buyer demand have also led to multiple offers on homes and often several offers in the first hours of the home actually hitting the market. One indicator of this challenge is recorded as Days on Market. Five years ago, Southern Arizona averaged 53 days on market. But that number has continued to decline to 19 days on market average for 2021, a 42% drop from 2020!

All of this points to increased prices and that category did not disappoint, unless you were a buyer. The median sales price for Southern Arizona was \$305,000. This was a 22% increase from 2020 and up \$110,000 from 2017 median sales price of \$195,000. The average sales prices saw similar increases with \$365,018 for 2021, again a 22% increase over 2020 and up from 2017 average sales price of \$233,776. These were incredible growth numbers for any investment and with national and global concerns, real estate investment in primary and second homes continued to reward those seeking the dream of owning a home.

If we look closer at the interest of the buyer's and what they were searching for, space, inside and out, dominated the market. A move to suburbs or neighborhoods where services were close by was a trend seen nationally as well as in Southern Arizona. Buyers were also wanting more bedrooms, either for that home office or just more space, as remote work and remote school changed the needs of home owners. Median sales price of homes with four or more bedrooms was up 21.4% from 2020 to \$375,000. Two and three bedrooms also saw median sales increases of 19% and 20% respectively. Even one-bedroom properties increased 10.8% in the median sales price to \$113,000.

Affordability is a continuing issue in most markets around the nation and Southern Arizona continues to face the challenges of the rising prices putting buying a home out of reach for several first-time home buyers and those wanting to move up to that larger home. With median prices above \$300,000, homes that were priced between \$189,000 and \$290,000 saw the shortest time on market. The average in this price range lasted on 13 days on the market. Homes that were priced below \$129,000 lasted the longest on the market at 28 days but this segment saw a decrease of 58% in available properties. Mostly driven by the increasing prices, it is hard to find a home for the entry level price range.

As we look to 2022, there seems to be little pressure being released from the “hot” real estate market. Economists look for the pandemic related issues of needing more space for remote work as well as challenges for families as they navigate schools that are challenged with in-person and remote learning options. Mortgage rates are predicted to rise slightly throughout the year hovering around 4% by mid-year and continuing through year end and although this is a rise from historic lows of the past couple of years, it is still a very low interest rate for mortgages.

Southern Arizona and Tucson specifically are aided by individuals and companies wanting to relocate here. The relatively low cost of living, especially compared to neighboring west coast states, creates a desirable location for many. The strength of the region is also aided by the strong economic development efforts, continued commitment to our military base, and all-around quality of life. Collectively, these forces point to another strong residential real estate market in 2022.

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