



TUCSON REAL ESTATE UPDATE

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The real estate market in southern Arizona continues to adjust and a buyers' market still prevails. As always, the following telling statistics are from the Tucson Association of REALTORS (TAR) Multiple Listing Service (MLS) which serves the greater Tucson metropolitan area. The numbers are in for August and clearly indicate a tough time for sellers.

Total home sales volume in August was down 22.35% from the same period last year to \$370,671,466. Number of units sold was down 23.06% to 1,381. The average sales price for all units sold actually increased by 0.93% from a year ago to \$268,408- but down almost 2% from the previous month. The median sales price in August was \$220,900 – down almost 2% from July, 2006 and only up 0.87% from August 2005.

The following statistics offer even more dramatic evidence of the adjustment that we are experiencing. The average time on market for listings in August 2005 was 26 days. That has increased to 53 days last month – a whopping increase of almost 104%. This is a number that home sellers and real estate agents really feel. Part of the reason for this feeling has been the continual dramatic increase in inventory. The total number of active listings last month was 9,401 – up 114% from August 2005. And, the number of new listings added last month was 3,145 – almost 34% more than in August 2005.

All of this, along with very attractive interest rates for home loans, adds up to continuing good news for buyers. There is plenty of inventory to choose from in every price range and sellers have finally begun to make concessions. It has been very difficult for many sellers to make the psychological transition from the frenzied price increases of last year. As with all financial markets, real estate prices are going to go up and they must come back down – the only questions are: when and how much? Predicting real estate cycles with any accuracy may be even more formidable than trying to predict the stock market.

Savvy buyers are also finding some pretty incredible deals at new home construction sites. Though the big name home builders may have scaled back a little bit from this time last year, they are pressured by market factors (e.g., labor, materials, overhead) and their stockholders to continue to produce volume sales. In this kind of market, that means they may be willing to bargain and provide all types of incentives.

Well, does all of this mean the bottom is falling out? Certainly not. Are there further adjustments to the real estate market coming? Very likely. Is now a good time to purchase, or should I wait a few more months? Crystal ball stuff – but now is very attractive – who knows what a couple more months will bring. The seasonal population will be back before you know it and increase the demand in the form of second homes and winter residences. And, the baby boomers are still coming in record numbers to claim their permanent retirement homes and a slice of the good life we enjoy in this paradise.

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