



***ECONOMY and REAL ESTATE  
OUTLOOK  
Road Thru Angst To Recovery***



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# WHY

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- To build capital for education, retirement and lifestyle (middle-class investment)
- Money was cheap and available
- What have you done for me lately.
- Hyped information and guidance

# RECOVERY??

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- Just because the bottom is found does not mean that recovery is imminent.
  - *The Titanic found bottom.*
- Recovery will not be even or include everyone.
- What is the driving force for recovery?
- What will recovery look like?

# CRUCIAL CONCEPTS

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- Cyclical vs. Structural Change, especially for jobs
  - Layoffs: temporary or permanent
  - Recovery to growth: source, income, image
- Over hang of homes for sale, vacant and foreclosed
- Funding Recovery to Growth
- Geopolitical Risks
- Affordability
- Resource Cost & Availability: Energy, time and water
- Consumer confidence & net income
- Inflationary/deflationary concerns
- Regulatory responses and actions

# DEMOGRAPHIC

## Phoenix Metropolitan Area

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	2000	2008
Population	3,251,876	4,281,900
White Only	66 percent	60 percent
Hispanic	25 percent	30 percent

# INTEREST RATES

Instrument	July July	2008	2009
■ 30 year Mortgage	6.3%	5.3%	
■ 1-year Index	2.3	0.49	
■ Prime Rate	5.0	3.25	
■ 10-year Treasury	4.0	3.6	

# ECONOMIC DEVELOPMENT

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- **Aerospace and aviation**
- **High-tech**
- **Advanced Financial & Business Services**
- **Bioindustry**
- **Software**

# JOB GROWTH

## Phoenix Metropolitan

YEAR	TOTAL	ABSOLUTE CHANGE	PERCENT CHANGE
2006	1,884,000	96,000	3.6
2007	1,915,000	31,000	1.6
2008	1,868,000	(47,000)	- 2.4
2009F	1,841,850	(26,150)	-1.4
2010F	1,849,220	7,370	0.4

# WORKFORCE CHANGE

	2007	2008	Change
<b>Total Nonfarm</b>	<b>1,914.8</b>	<b>1,868.3</b>	<b>-46.5</b>
<b>Goods Producing</b>	<b>309.9</b>	<b>275.8</b>	<b>-34.1</b>
<b>Service-Providing</b>	<b>1,605.0</b>	<b>1,592.6</b>	<b>- 12.4</b>
<b>Construction</b>	<b>169.4</b>	<b>140.7</b>	<b>-28.7</b>
<b>Manufacturing</b>	<b>137.2</b>	<b>131.2</b>	<b>- 6.0</b>
<b>Retail Trade</b>	<b>234.5</b>	<b>226.8</b>	<b>- 7.7</b>
<b>Health Care</b>	<b>172.9</b>	<b>180.2</b>	<b>8.1</b>
<b>Tourism</b>	<b>186.2</b>	<b>184.9</b>	<b>-1.3</b>
<b>Education</b>	<b>93.7</b>	<b>95.3</b>	<b>1.6</b>
<b>Business Services</b>	<b>325.3</b>	<b>308.9</b>	<b>- 16.4</b>

# WORKFORCE CHANGE

	June 2008	June 2009	Change
<b>Total Nonfarm</b>	<b>1,852.4</b>	<b>1,711.3</b>	<b>-141.1</b>
<b>Goods Producing</b>	<b>278.4</b>	<b>231.4</b>	<b>-47.0</b>
<b>Service-Providing</b>	<b>1,574.0</b>	<b>1,479.9</b>	<b>-94.1</b>
<b>Construction</b>	<b>143.4</b>	<b>105.4</b>	<b>-38.0</b>
<b>Manufacturing</b>	<b>131.1</b>	<b>122.8</b>	<b>-8.3</b>
<b>Retail Trade</b>	<b>228.4</b>	<b>209.3</b>	<b>-19.1</b>
<b>Health Care</b>	<b>182.3</b>	<b>181.4</b>	<b>-0.9</b>
<b>Tourism</b>	<b>158.4</b>	<b>156.0</b>	<b>-2.4</b>
<b>Education</b>	<b>74.6</b>	<b>77.2</b>	<b>2.6</b>
<b>Business Services</b>	<b>310.0</b>	<b>268.9</b>	<b>-41.1</b>

# NEW HOME MARKET

<b>■ Permits</b>	<b>Maricopa</b>	<b>Pinal</b>
■ 2009 YTD	2,817	962
■ 2008	10,348	4,027
■ 2007	21,882	8,147
■ 2006	27,976	10,788
■ 2005	43,256	18,191
■ 2004	48,136	11,495

# EXPECTATIONS

## Single-family

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	Optimistic	Pessimism	Consensus
■ 2009	10,000	4,100	5,975
■ 2010	14,500	5,400	9,075

Source: Greater Phoenix Blue Chip

# NEW HOME MEDIAN SALES PRICE

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■ Area	Second Qtr. 2008	Second Qtr. 2009
■ Maricopa County	\$235,225	\$205,480
■ N. Scottsdale	1,155,485	963,645
■ South Phoenix	219,570	160,000
■ Western Suburbs	219,245	173,135
■ Gilbert	260,390	227,330
■ Chandler	356,490	308,250

# NEW HOME MEDIAN SALES PRICE

Area	Second Qtr. 2008	Second Qtr. 2009
■ Pinal County	\$167,690	\$134,055
■ Apache Junction	213,430	169,995
■ Casa Grande	169,365	128,790
■ Maricopa	162,345	121,030
■ Queen Creek	163,440	142,780

# RESALE HOME MARKET

■ SALES ACTIVITY	Maricopa	Pinal
■ 2009 YTD	54,985	2,960
■ 2008	81,700	9,985
■ 2007	54,570	3,580
■ 2006	67,035	3,860
■ 2005	110,835	6,110
■ MEDIAN PRICE		
■ 2009	\$136,000	105,000
■ 2008	186,000	134,000
■ 2007	255,000	193,500
■ 2006	260,600	205,000
■ 2005	240,500	189,900

# RESALE MEDIAN SALES PRICE

Area	Second Qtr. 2008	Second Qtr. 2009
■ Maricopa County	\$216,845	\$140,000
■ N. Scottsdale	555,500	446,795
■ S. Phoenix	172,550	102,700
■ Maryvale	131,050	51,000
■ Surprise	187,670	135,800
■ Mesa	200,700	135,000
■ Glendale	184,210	113,000

# RESALE MEDIAN SALES PRICE

■ Area	Second Qtr. 2008	Second Qtr. 2009
■ Pinal County	\$143,100	\$ 95,900
■ Apache Junction	163,090	118,000
■ Casa Grande	140,625	106,950
■ Maricopa	157,000	95,000
■ Queen Creek	136,050	97,000

# FORECLOSURE SHARE

## Percent of Inventory

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	2007	2008
■ Maricopa County	1%	3.3%
■ N. Scottsdale	0.3	1.0
■ Glendale	1.1	5.2
■ Maryvale	1.4	9.3
■ S. Tempe	0.3	0.9
■ Western Suburbs	1.9	7.6
■ E. Mesa	0.5	2.1

# COMPARATIVE RESALE HOUSING PRICES

■ Areas	2006	2008
<b>United States</b>	\$221,900	196,300
Phoenix	268,200	222,200
San Diego	601,800	459,000
Las Vegas	317,400	247,600
Dallas	149,500	142,400
Atlanta	171,800	154,000

Source: NAR

# APPRECIATION

■ Area	2008	1981-2008
■ Maricopa County	-0.22%	4.3%
■ Chandler	-0.20	3.8
■ Peoria	-1.48	3.0
■ Glendale	0.00	3.2
■ Tempe	8.39	5.4
■ Surprise	-4.35	4.3

# AFFORDABILITY

## Resale Homes

■ Area	Second Qtr. 2008	Second Qtr. 2009
■ Maricopa County	99	163
■ Maryvale	113	331
■ South Phoenix	89	167
■ Surprise	102	159
■ Glendale	106	195
■ Mesa	100	155

# CONDOMINIUM MARKET NEW HOMES

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## ■ Permits

■ 2009 YTD	340
■ 2008	1,085
■ 2007	7,203
■ 2006	6,187

## ■ Median New Unit Sales Price

■ 2009	181,115
■ 2008	170,875
■ 2007	245,155
■ 2006	225,400

# CONDOMINIUM MARKET MEDIAN SALES PRICE

■ Area	Second Qtr. 2008	Second Qtr. 2009
■ Maricopa County	\$159,000	\$277,950
■ North Scottsdale	305,000	375,000
■ South Scottsdale	560,000	395,000
■ East Camelback	142,900	150,000
■ Union Hills	348,900	251,500
■ North Tempe	386,380	325,000

# CONDOMINIUM MARKET RESALE HOMES

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## ■ Sales Activity

■ 2009 YTD	5,875
■ 2008	9,420
■ 2007	11,550
■ 2006	13,995

## ■ Median Resale Home Price

■ 2009	\$112,830
■ 2008	150,000
■ 2007	179,000
■ 2006	174,000

# RESALE CONDOMINIUM MEDIAN SALES PRICE

■ Area	Second Qtr. 2008	Second Qtr. 2009
■ Maricopa County	\$159,000	\$112,830
■ North Scottsdale	251,645	200,265
■ South Scottsdale	182,000	130,000
■ Downtown	190,990	115,000
■ Union Hills	180,000	115,000
■ North Tempe	152,250	118,750

# APARTMENT MARKET

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## ■ UNITS AUTHORIZED

■ 2009 YTD	563
■ 2008	6,365
■ 2007	6,676
■ 2006	3,922
■ 2000's	50,865
■ 1990s	51,608
■ 1980s	137,436

# RETAIL SQUARE FOOTAGE

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	2000	2008
Regional	13,172,016	16,013,507
Power	27,163,988	53,017,706
Neighborhood	36,255,761	48,397,953
Strip	10,556,947	13,789,683
Total	87,238,712	131,218,849

# RETAIL MARKET

## Fourth Quarter 2008

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■ Inventory	131,218,849 sq.ft.
■ Occupied Space	116,388,852 sq.ft.
■ Vacant Space	14,829,997 sq.ft.
■ Absorption	-11,480 sq.ft.
■ New Space	1,373,696 sq.ft.
■ Under Construction	5,685,637 sq.ft.
■ Planned	9,825,546 sq.ft.

# OFFICE SQUARE FOOTAGE

	2000	2008
<b>Downtown</b>	<b>5,147,967</b>	<b>6,184,767</b>
<b>Uptown</b>	<b>11,119,594</b>	<b>11,119,594</b>
<b>Camelback</b>	<b>6,778,534</b>	<b>7,570,108</b>
<b>Northeast</b>	<b>8,807,153</b>	<b>14,469,883</b>
<b>Northwest</b>	<b>4,802,079</b>	<b>8,147,145</b>
<b>Southeast</b>	<b>6,082,653</b>	<b>10,457,121</b>
<b>Total</b>	<b>47,511,703</b>	<b>63,129,413</b>

# OFFICE MARKET

## Fourth Qtr. 2008

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■ Inventory	63,173,151 sq.ft.
■ Occupied Space	52,247,207 sq.ft.
■ Vacant Space	10,925,944 sq.ft.
■ Absorption	359,638 sq.ft.
■ New Space	0 sq.ft.
■ Under Construction	4,665,359 sq.ft.
■ Planned	6,165,214 sq.ft.