

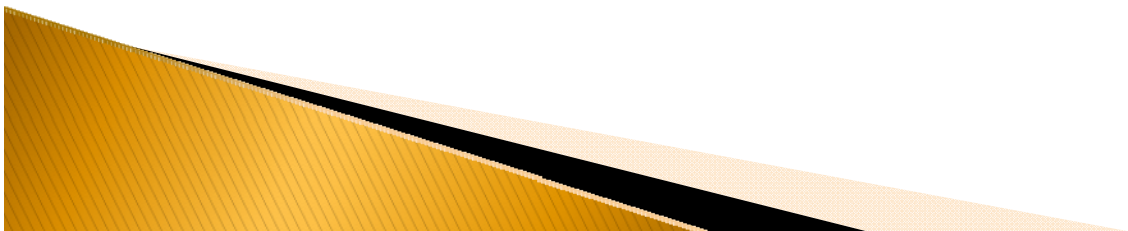
*ECONOMIC and REAL ESTATE OUTLOOK*

[realty.wpcarey.asu.edu](http://realty.wpcarey.asu.edu)



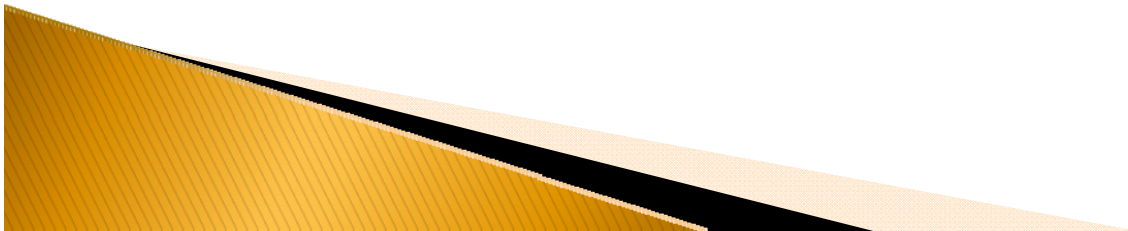
# PHOENIX METROPOLITAN REAL ESTATE MARKET

- ▶ Single-family 1.3 million homes
- ▶ Townhouse/condos 150,000 units
- ▶ Apartments 340,000 units
  
- ▶ Retail 148 million Sq.Ft.
- ▶ Office 63 million Sq.Ft.
- ▶ Industrial 229 million Sq.Ft.



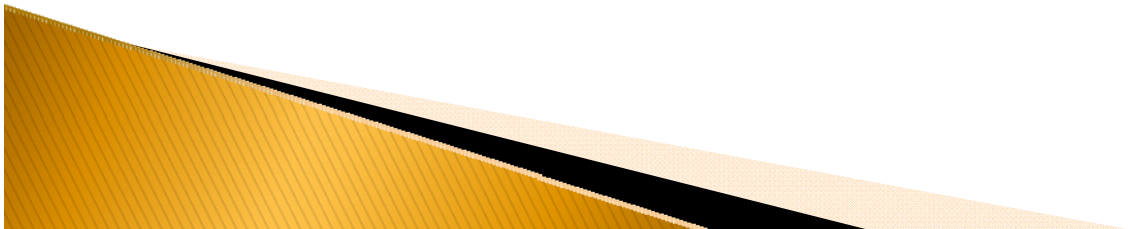
# OUTLOOK

- ▶ Success built on failure
- ▶ Game of checkers
- ▶ Basic idea is that the local economy and real estate market should structurally strengthen throughout 2012, but at a very slow level.



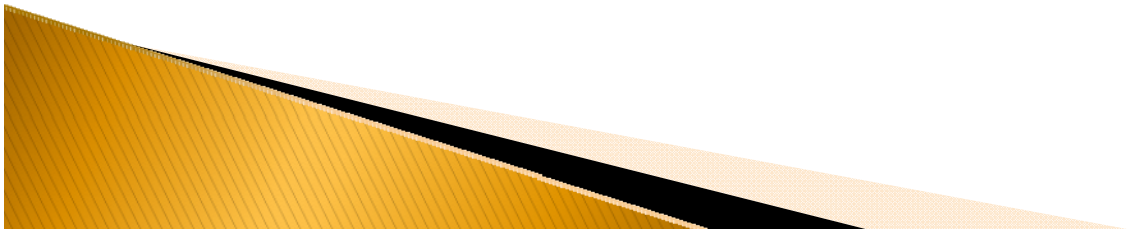
# WHY DID IT HAPPEN

- ▶ 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



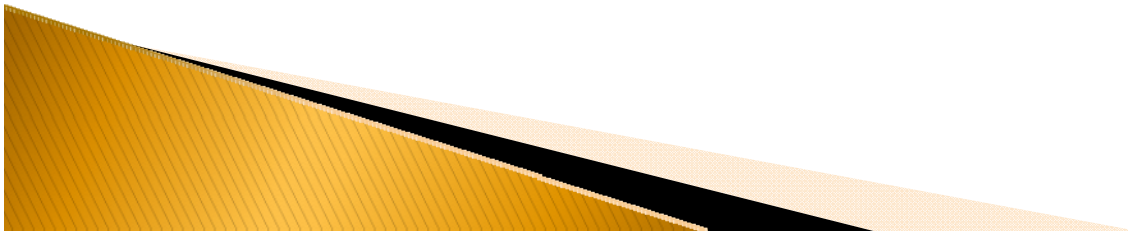
# RECOVERY??

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



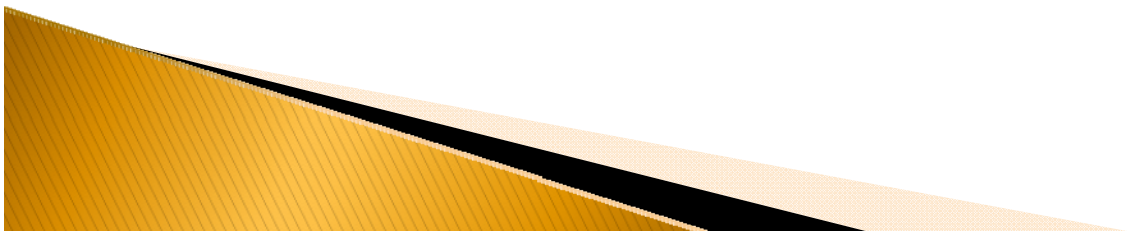
# ISSUES IMPACTING THE ECONOMY and MARKET

- ▶ Growth and demographic changes
  
- ▶ Role of Housing Ownership—American Dream?
  - Tax deduction
  - Secondary market
  - Buy vs. rent
    - Mobility
    - Affordability



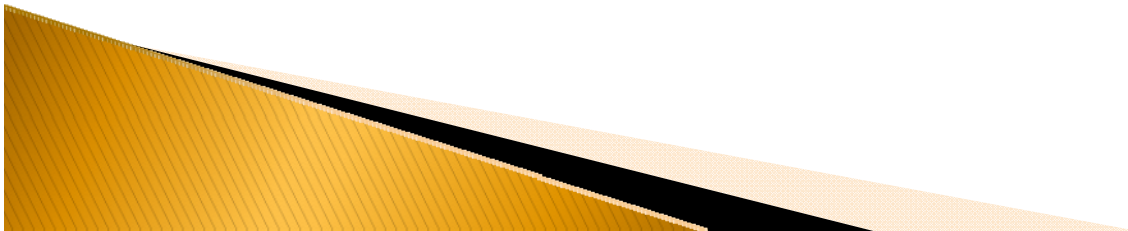
# ISSUES (con't)

- ▶ Housing market
  - Value recovery
  - Financial services
  - Over hang of homes for sale, vacant and foreclosed
- ▶ Commercial real estate
  - Increasing foreclosures
  - Loss of tenants
  - Loss of revenue
- ▶ Economic and job (income recovery)
- ▶ International, Federal and State deficits



# OTHER ISSUES

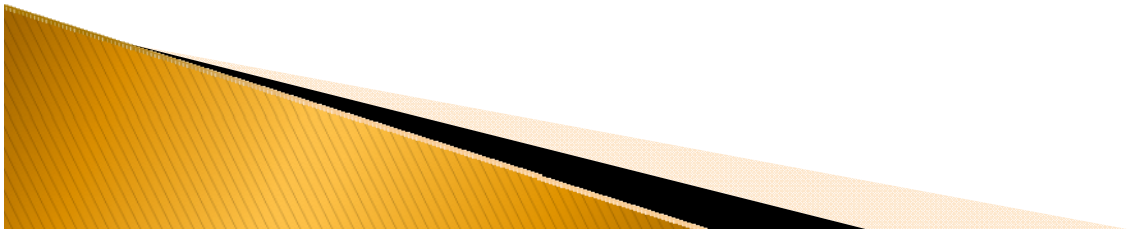
- ▶ Immigration
- ▶ Infrastructure
- ▶ Education
- ▶ Alternative fuels
- ▶ Sustainable development





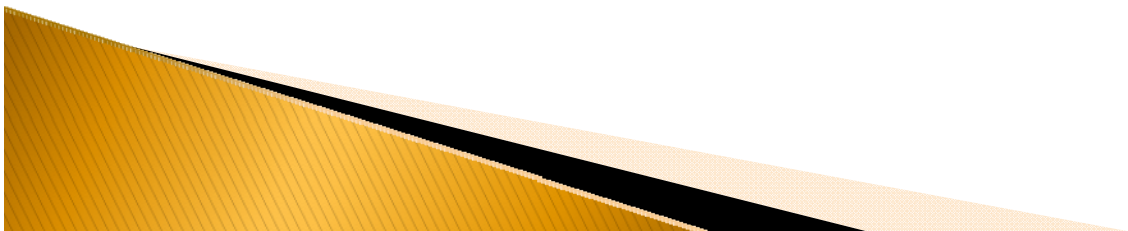
# OPPORTUNITIES

- ▶ Success built on failure
- ▶ Deal is the name of the game
- ▶ Understand closely
  - Condition of property
  - Condition of neighborhood
  - Potential demand
  - Competition
- ▶ Idea(s) might not be unique
- ▶ Look at trend



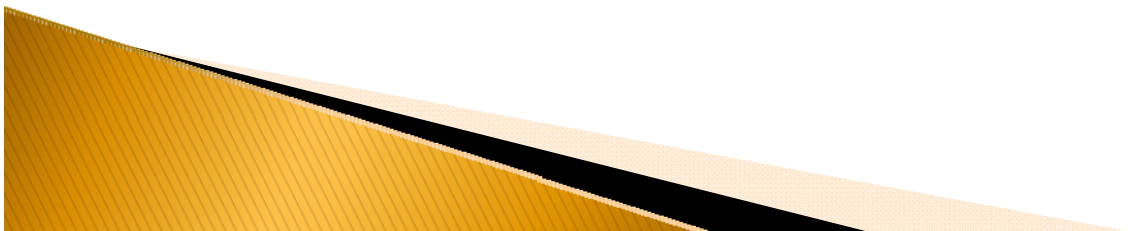
# HOUSING BEHAVIOR

- ▶ Homes are an investment
  - Owner/occupant investor
  - Owner/landlord investor
  - Owner/speculator investor
- ▶ Motivation
  - Long-term: self-sufficiency
  - Short-term: lifestyle enhancement
- ▶ Return
  - Income: Rental, Value-added, Financing
  - Appreciation



# TEPID MOTIVATION for PENT-UP DEMAND?

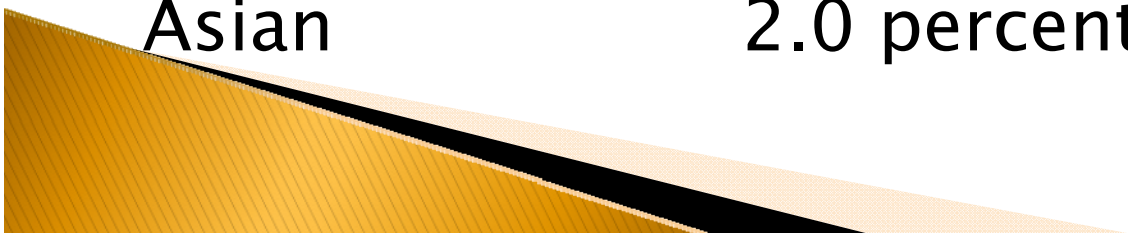
- ▶ Stricter underwriting
- ▶ Satisfied homeowner
- ▶ Income concerns
- ▶ Rental vs. owning
- ▶ Consumer confidence
- ▶ Low or no equity—difficulty to sell



# DEMOGRAPHIC

## Phoenix Metropolitan Area

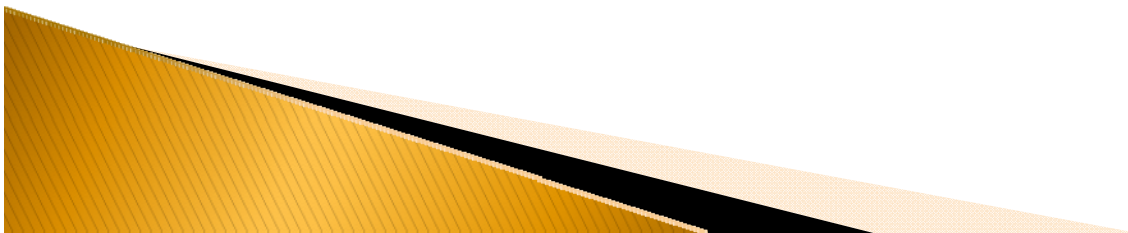
	2000	2010
Population	3,251,876	4,192,887
White Alone	66 percent	60 percent
Hispanic	25 percent	30 percent
Black	3.5 percent	4.6 percent
Asian	2.0 percent	3.2 percent



# DEMOGRAPHIC

## Phoenix Metropolitan Area

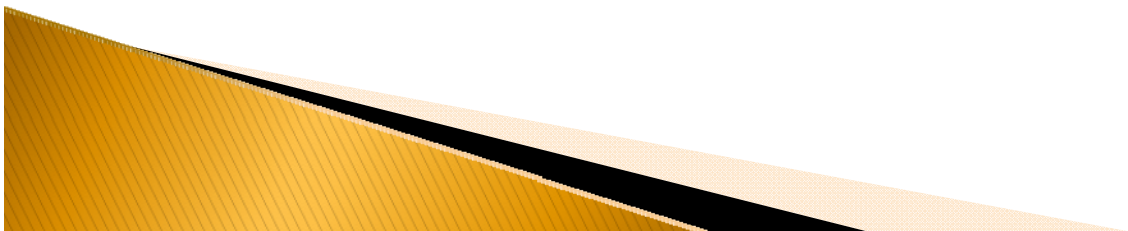
	White Alone	Hispanic
Growth (941,011)	34 percent	45 percent
18+ (74%)	80 percent	62 percent
Median Age	42 years	25 years
Household Size	2.5 people	3.7 people



# JOB GROWTH

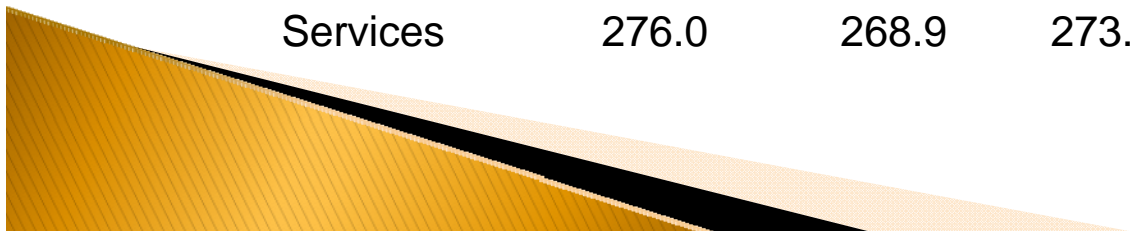
## Phoenix Metropolitan

YEAR	TOTAL	ABSOLUTE CHANGE	PERCENT CHANGE
2008	1,868,000	(47,000)	- 2.4
2009	1,841,850	(26,150)	-1.4
2010	1,803,170	(38,680)	-2.1
2011F	1,830,215	27,045	1.5
2012F	1,875,970	45,755	2.5



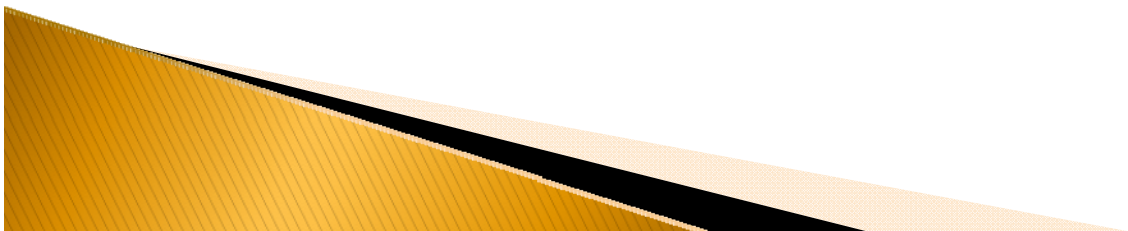
# WORKFORCE CHANGE

	Dec 2010	Nov 2011	Dec 2011	Change Yr to Yr	Change Mo to Mo
Total Nonfarm	1,713.9	1,741.5	1,742.5	28.6	1.0
Total Private	1,476.2	1,499.5	1,504.7	28.5	5.2
Goods					
Producing	193.1	199.4	197.0	3.9	-2.4
Service- Providing	1,520.8	1,542.1	1,545.5	24.7	3.4
Construction	79.5	83.8	81.9	2.4	-1.9
Manufacturing	110.6	112.5	112.0	1.4	-0.5
Retail Trade	211.7	217.8	218.2	6.5	0.4
Health Care	201.9	210.1	210.3	8.4	0.2
Tourism	150.4	153.8	154.6	4.2	0.8
Education	97.8	103.6	101.3	3.5	-2.3
Business Services	276.0	268.9	273.0	-3.0	4.1



# INTEREST RATES


Instrument	Jan. 2011	Jan. 2012
▶ 30 year Mortgage	4.7%	3.8%
▶ 1-year Index	0.27	0.12
▶ Prime Rate	3.25	3.25
▶ 10-year Treasury	3.39	1.97





# NEW HOME MARKET

▶ Permits	Maricopa	Pinal	Pima
○ 2011	6,284	858	356
○ 2010	5,612	1,500	1,000
○ 2009	6,355	2,130	1,865
○ 2008	10,348	4,027	2,630
○ 2007	21,882	8,147	3,715
○ 2006	27,976	10,788	8,115
○ 2005	43,256	18,191	11,035
○ 2004	48,136	11,495	9,585
○ 2003	39,652	6,730	8,010
○ 2002	34,309	4,433	6,500



# EXPECTATIONS

## Single-family

Optimistic      Pessimism      Consensus

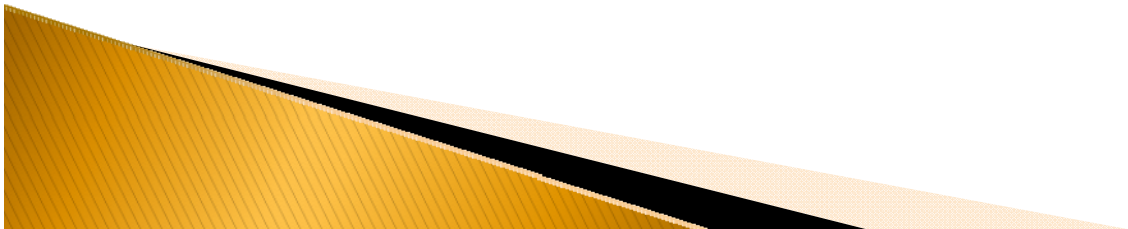
- ▶ Actual    2010: 7,112    2011: 7,142
- ▶ 2011      8,500          6,000          7,135
- ▶ 2012      18,800          7,500          11,300
- ▶ 2013      32,000          10,000          18,095

Source: Greater Phoenix Blue Chip



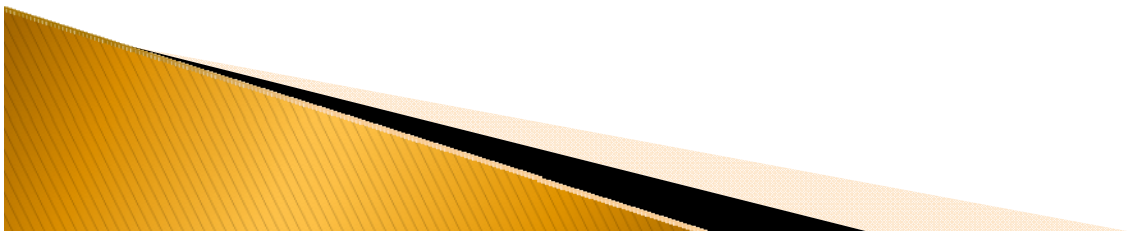
# HOMEBUILDERS

- ▶ Major issue is competition with foreclosed homes
- ▶ Market simulation:
  - ▶ Entry level
  - ▶ Infill
  - ▶ Age restricted
  - ▶ Green



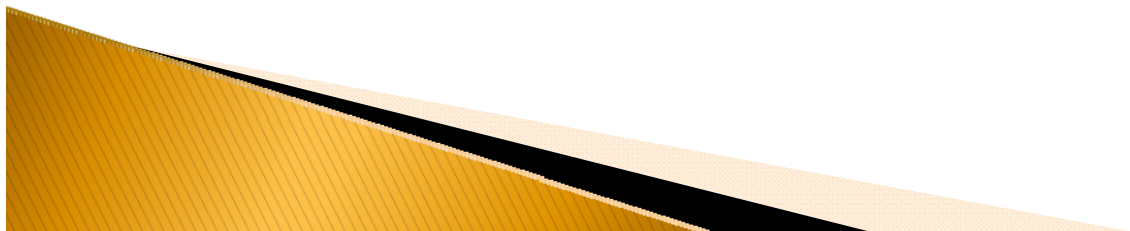
# NEW HOME MEDIAN SALES PRICE

▶ Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Maricopa County	\$ 224,340	\$221,800
▶ North Scottsdale	630,000	659,920
▶ South Phoenix	172,980	153,490
▶ Surprise	168,010	173,750
▶ Gilbert	221,825	168,800
▶ Avondale	159,305	134,655
▶ Goodyear	224,140	251,500



# NEW HOME MEDIAN SALES PRICE

Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Pinal County	\$161,805	\$157,050
▶ Apache Junction	110,350	153,380
▶ Casa Grande	163,950	157,480
▶ Maricopa	119,025	134,240
▶ Queen Creek	145,785	157,825



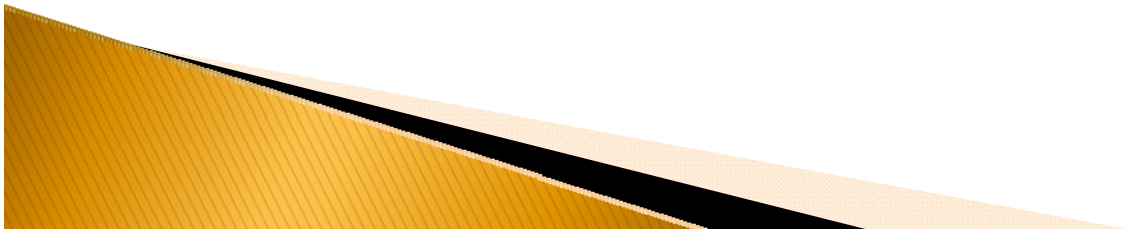
# RESALE HOME MARKET

• SALES ACTIVITY	Maricopa	Pinal
○ 2011	106,850	7,955
○ 2010	106,975	12,765
○ 2009	112,725	12,140
○ 2008	81,700	9,985
○ 2007	54,570	3,580
○ 2006	67,035	3,860
○ 2005	110,835	6,110
• MEDIAN PRICE		
● 2010	\$142,000	102,500
○ 2009	140,000	105,000
○ 2008	186,000	134,000
○ 2007	255,000	193,500
○ 2006	260,600	205,000



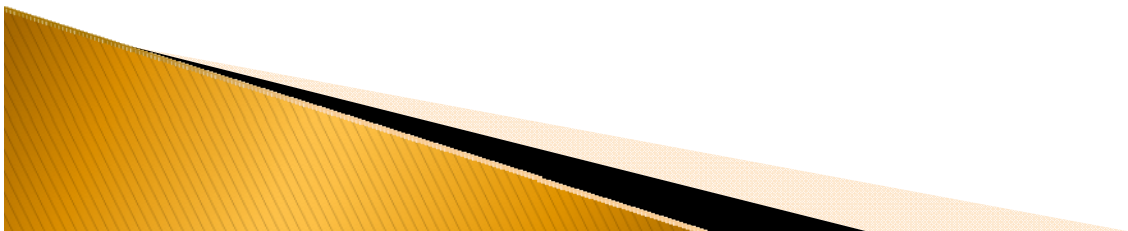
# RESALE MEDIAN SALES PRICE

Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Maricopa County	\$134,900	\$127,000
▶ North Scottsdale	410,000	420,000
▶ South Scottsdale	167,000	165,000
▶ Maryvale	51,500	48,000
▶ Surprise	125,000	121,000
▶ Mesa	125,000	115,000
▶ Glendale	111,950	98,000



# RESALE HOME MEDIAN SALES PRICE

Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Pinal County	\$95,095	\$ 95,000
▶ Apache Junction	110,440	113,950
▶ Casa Grande	98,750	96,000
▶ Maricopa	98,000	97,000
▶ Queen Creek	99,000	99,900





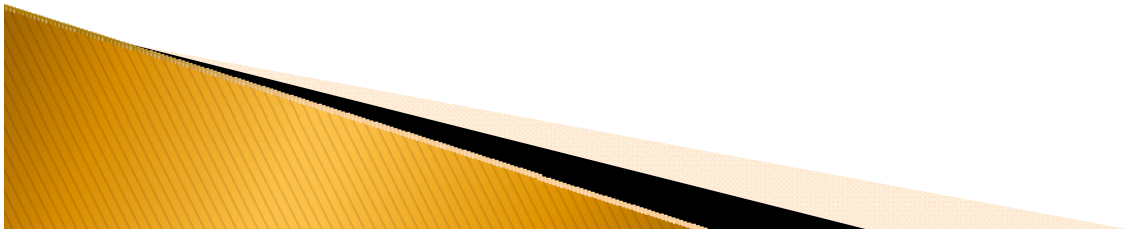
# BREAK-OUT OF DECEMBER RESALES

	Market Share	Sales Price	Median Share	Market Share (%)	Market Share (%)
Total	7,940	125,000			
Foreclosed	2,270	113,050		29	
Traditional	5,670	125,000		71	
REO	2,270	107,500		40	28
Foreclosure related	4,555				57



# FORECLOSURE SHARE Percent of Inventory

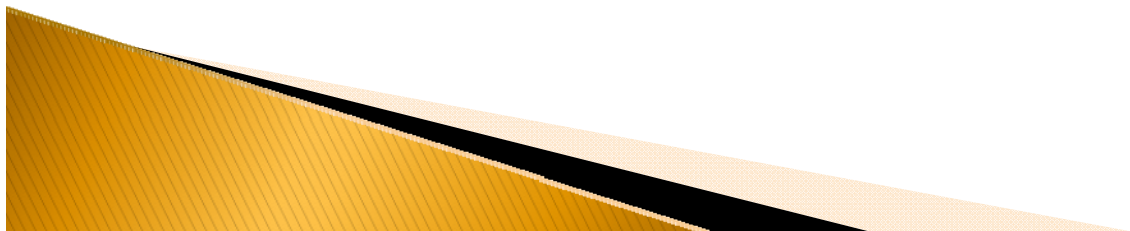
	2008	2009	2010	2011
Maricopa County	3.3%	3.8%	3.9%	3.3%
Pinal County	4.8	5.3	5.6	5.2
Total Maricopa County	14.3			
Total Pinal County	20.9			



# FORECLOSURE SHARE

## Percent of Inventory

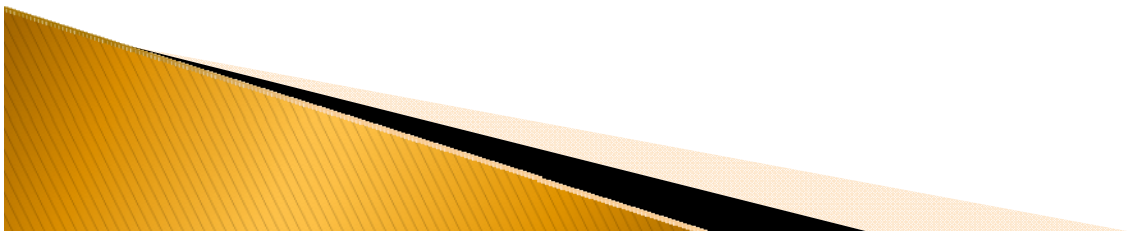
	2008	2009	2010	2011
▶ <b>Maryvale</b>	<b>9.3</b>	<b>8.9</b>	<b>7.8</b>	<b>6.2</b>
▶ <b>Gilbert</b>	<b>2.9</b>	<b>3.5</b>	<b>4.8</b>	<b>4.0</b>
▶ <b>Surprise</b>	<b>6.5</b>	<b>7.3</b>	<b>6.9</b>	<b>5.6</b>
▶ <b>Avondale</b>	<b>8.0</b>	<b>8.0</b>	<b>6.9</b>	<b>5.4</b>
▶ <b>Buckeye</b>	<b>11.6</b>	<b>15.9</b>	<b>14.6</b>	<b>11.8</b>
▶ <b>N. Scottsdale</b>	<b>1.0</b>	<b>1.6</b>	<b>1.7</b>	<b>1.5</b>
▶ <b>S. Scottsdale</b>	<b>1.0</b>	<b>1.5</b>	<b>2.0</b>	<b>1.8</b>



# COMPARATIVE RESALE HOUSING PRICES

▶ Areas	2010	2011
United States	\$176,900	\$171,900
Phoenix	144,700	126,000
San Diego	392,800	379,300
Las Vegas	142,300	126,200
Dallas	134,700	151,500
Atlanta	122,700	102,100

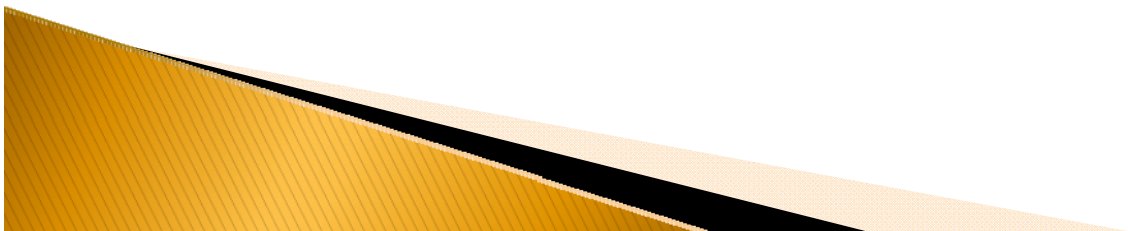
Source: NAR



# AFFORDABILITY

## Resale Homes

▶ Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Maricopa County	177	206
▶ Peoria	187	220
▶ Avondale	247	282
▶ Surprise	186	208
▶ Glendale	212	229
▶ Chandler	173	206
▶ N. Scottsdale	94	99
▶ S. Scottsdale	142	155



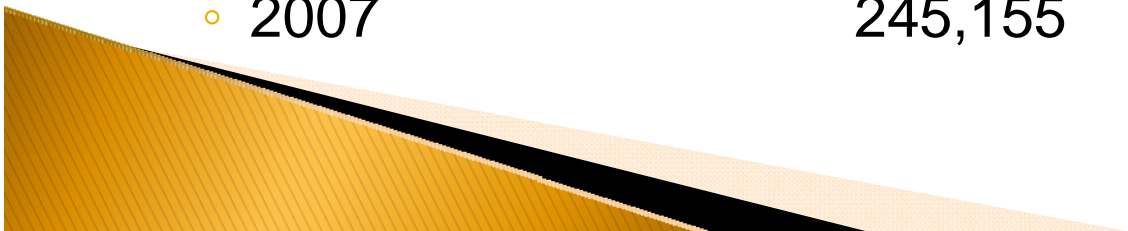
# CONDOMINIUM MARKET NEW HOMES

## ▶ Permits

○ 2011	501
○ 2010	353
○ 2009	561
○ 2008	1,085
○ 2007	7,203
○ 2006	6,187

## ▶ Median New Unit Sales Price

○ 2011	248,900
○ 2010	201,960
○ 2009	169,475
○ 2008	170,875
○ 2007	245,155



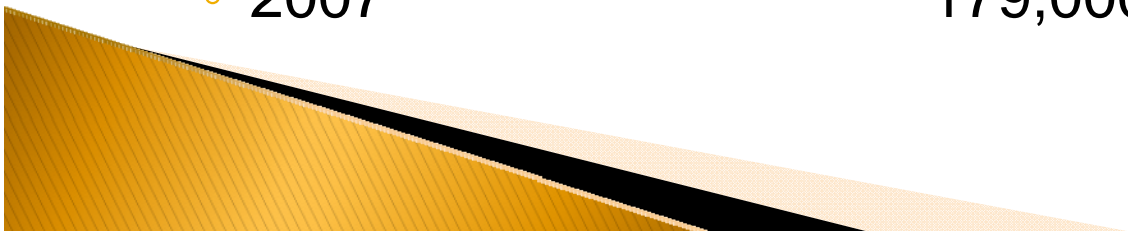
# CONDOMINIUM MARKET RESALE HOMES

## ▶ Sales Activity

◦ 2011	16,155
◦ 2010	16,955
◦ 2009	13,735
◦ 2008	9,420
◦ 2007	11,550

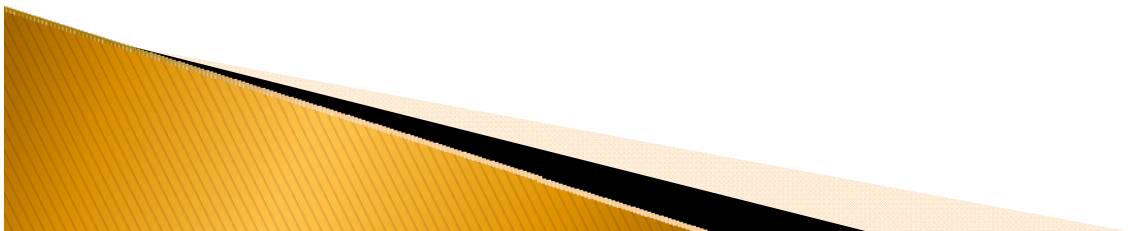
## ▶ Median Resale Home Price

◦ 2011	\$ 85,000
◦ 2010	95,000
◦ 2009	108,000
◦ 2008	150,000
◦ 2007	179,000



# RESALE CONDOMINIUM MEDIAN SALES PRICE

▶ Area	Fourth Qtr. 2010	Fourth Qtr. 2011
▶ Maricopa County	\$ 84,240	\$ 79,200
▶ Peoria	59,000	64,645
▶ North Scottsdale	170,840	155,000
▶ South Scottsdale	125,000	93,000
▶ Downtown	99,390	92,795
▶ Union Hills	110,000	80,765
▶ Glendale	42,300	49,000





# APARTMENT MARKET

## UNITS AUTHORIZED

○ 2011	1,961
○ 2010	408
○ 2009	637
○ 2008	6,365
○ 2007	6,676
○ 2000's	51,680
○ 1990s	51,608
○ 1980s	137,436

