# *GREATER PHOENIX REAL ESTATE MARKET*

## *Road Thru Angst To Recovery*

**www.poly.asu.edu/realty**

# WHY

- 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

# Stabilize-Recovery-Growth

- How to get there? Steps
- What will it look like? Expectations
- When will we get there? Timing

# STEPPING STONES

- Stabilize the financial system
- Regain economic vitality
- Housing market improvement

# CRUCIAL CONCEPTS

- 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
- Jobs
  - Layoffs: temporary or permanent
  - Recovery to growth: source, income, image
- Inflationary/deflationary concerns
- Regulatory responses and actions

# EXPECTATIONS
# Single-family

| | Optimistic | Pessimism | Consensus |
|---|---|---|---|
| 2009 | 19,200 | 9,500 | 14,285 |
| 2010 | 25,980 | 13,900 | 19,430 |

Source: Greater Phoenix Blue Chip

# DEMOGRAPHIC
# Phoenix Metropolitan Area

| | 2000 | 2007 |
|---|---|---|
| Population | 3,251,876 | 4,179,427 |
| White Only | 66 percent | 60 percent |
| Hispanic | 25 percent | 30 percent |

# INTEREST RATES

| Instrument | Jan. 2008 | Jan. 2009 |
|---|---|---|
| 30 year Mortgage | 5.6% | 5.2% |
| 1-year Index | 2.7 | 0.5 |
| Prime Rate | 7.0 | 3.25 |
| 10-year Treasury | 3.5 | 2.5 |

# ECONOMIC DEVELOPMENT

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

# JOB GROWTH
## Phoenix Metropolitan

| YEAR | TOTAL | ABSOLUTE CHANGE | PERCENT CHANGE |
|---|---|---|---|
| 2006 | 1,836,000 | 93,000 | 5.3 |
| 2007 | 1,854,400 | 6,500 | 1.0 |
| 2008F | 1,842,900 | (11,500) | - 0.6 |
| 2009F | 1,848,430 | 5, 530 | 0.3 |

# WORKFORCE CHANGE

| | 2007 | 2008 | Change |
|---|---|---|---|
| Total Nonfarm | 1,908.5 | 1,877.6 | -30.9 |
| Goods Producing | 309.0 | 280.2 | -28.8 |
| Service-Providing | 1,599.6 | 1,597.4 | - 2.2 |
| Construction | 168.7 | 142.0 | -26.7 |
| Manufacturing | 137.2 | 134.9 | - 2.3 |
| Retail Trade | 233.0 | 226.7 | - 6.3 |
| Health Care | 172.1 | 180.2 | 8.1 |
| Tourism | 186.4 | 187.7 | 1.3 |
| Education | 94.0 | 96.6 | 2.6 |
| Business Services | 324.2 | 317.3 | - 6.9 |

# WORKFORCE CHANGE

| | Dec. 2007 | Dec. 2008 | Change |
|---|---|---|---|
| Total Nonfarm | 1,928.0 | 1,841.2 | -86.8 |
| Goods Producing | 297.0 | 280.2 | -28.8 |
| Service-Providing | 1,631.0 | 1,581.1 | - 49.9 |
| Construction | 158.2 | 123.0 | -35.2 |
| Manufacturing | 135.7 | 134.1 | - 1.6 |
| Retail Trade | 241.8 | 220.9 | -20.9 |
| Health Care | 176.0 | 182.9 | 6.9 |
| Tourism | 190.5 | 184.6 | -5.9 |
| Education | 101.8 | 105.7 | 3.9 |
| Business Services | 325.5 | 302.2 | -23.3 |

# NEW HOME MARKET

| Permits | Maricopa | Pinal |
|---|---|---|
| 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 |

# NEW HOME MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
| --- | --- | --- |
| Maricopa County | $280,690 | $229,770 |
| N. Scottsdale | 1,332,585 | 917,500 |
| South Phoenix | 237,025 | 205,000 |
| Western Suburbs | 239,360 | 198,435 |
| Gilbert | 277,450 | 240,055 |
| Chandler | 425,915 | 359,380 |

# NEW HOME
# MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Pinal County | $181,585 | $161,320 |
| Apache Junction | 244,955 | 234,950 |
| Casa Grande | 187,750 | 170,000 |
| Maricopa | 180,000 | 148,990 |
| Queen Creek | 182,325 | 156,820 |

# RESALE HOME MARKET

| | Maricopa | Pinal |
|---|---|---|
| **SALES ACTIVITY** | | |
| 2008 | 81,700 | 9,985 |
| 2007 | 54,570 | 3,580 |
| 2006 | 67,035 | 3,860 |
| 2005 | 110,835 | 6,110 |
| **MEDIAN PRICE** | | |
| 2008 | $ 186,000 | 129,200 |
| 2007 | 255,000 | 193,500 |
| 2006 | 260,600 | 205,000 |
| 2005 | 240,500 | 189,900 |

# RESALE MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Maricopa County | $235,000 | $158,000 |
| N. Scottsdale | 631,105 | 499,900 |
| S. Phoenix | 197,000 | 135,000 |
| Maryvale | 169,900 | 84,255 |
| Surprise | 225,000 | 159,950 |
| Mesa | 219,000 | 154,700 |
| Glendale | 215,000 | 145,000 |

# RESALE MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Pinal County | $174,270 | $119,000 |
| Apache Junction | 195,000 | 135,000 |
| Casa Grande | 160,000 | 119,900 |
| Maricopa | 197,680 | 130,000 |
| Queen Creek | 170,000 | 116,000 |

# FORECLOSURE SHARE
## Percent of Inventory

| | 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 |
|---|---|---|
| **United States** | $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 | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Maricopa County | 83 | 111 |
| Maryvale | 88 | 180 |
| South Phoenix | 78 | 114 |
| Surprise | 86 | 121 |
| Glendale | 91 | 136 |
| Mesa | 84 | 121 |

# CONDOMINIUM MARKET NEW HOMES

- Permits
  - 2008 1,085
  - 2007 7,203
  - 2006 6,187
  - 2005 4,526

- Median New Unit Sales Price
  - 2008 $ 170,875
  - 2007 245,155
  - 2006 225,400
  - 2005 214,615

# CONDOMINIUM MARKET MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Maricopa County | $262,170 | $179,900 |
| North Scottsdale | 436,170 | 342,500 |
| South Scottsdale | 603,870 | 482,750 |
| Downtown | 533,575 | 601,265 |
| Union Hills | 376,625 | 241,265 |
| North Tempe | 393,650 | 335,000 |

# CONDOMINIUM MARKET RESALE HOMES

- Sales Activity
  - 2008 9,420
  - 2007 11,550
  - 2006 13,995
  - 2005 21,290
- Median Resale Home Price
  - 2008 $150,000
  - 2007 179,000
  - 2006 174,000
  - 2005 150,000

# RESALE CONDOMINIUM MEDIAN SALES PRICE

| Area | Fourth Qtr. 2007 | Fourth Qtr. 2008 |
|---|---|---|
| Maricopa County | $172,380 | $128,375 |
| North Scottsdale | 265,000 | 220,000 |
| South Scottsdale | 201,000 | 154,645 |
| Downtown | 183,495 | 97,460 |
| Union Hills | 174,280 | 150,000 |
| North Tempe | 172,125 | 150,000 |

# APARTMENT MARKET

- UNITS AUTHORIZED

| | |
|---|---|
| 2008 | 6,365 |
| 2007 | 6,676 |
| 2006 | 3,922 |
| | |
| 2000's | 50,865 |
| 1990s | 51,608 |
| 1980s | 137,436 |

# RETAIL SQUARE FOOTAGE

| | 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

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

# OFFICE MARKET
## Third Qtr. 2008

| | |
|---|---|
| Inventory | 63,129,413 sq.ft. |
| Occupied Space | 51,887,569 sq.ft. |
| Vacant Space | 11,241, 44 sq.ft. |
| Absorption | -21,982 sq.ft. |
| New Space | 224,795 sq.ft. |
| Under Construction | 4,709,097 sq.ft. |
| Planned | 6,165,214 sq.ft. |