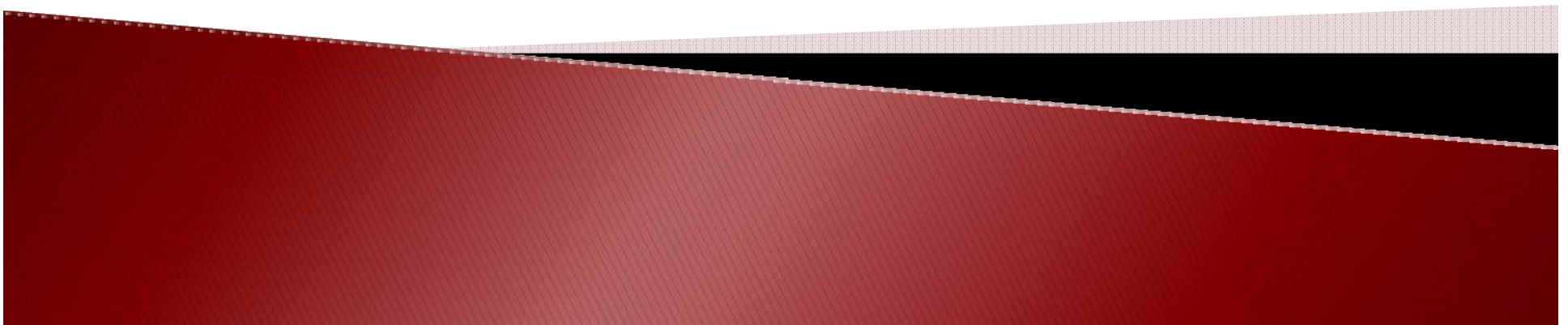


*GREATER PHOENIX REAL ESTATE
MARKET
2010: Year of Transition*

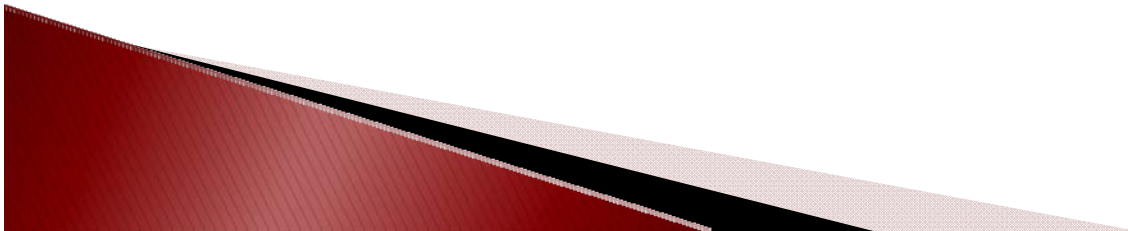
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PHOENIX METROPOLITAN REAL ESTATE MARKET

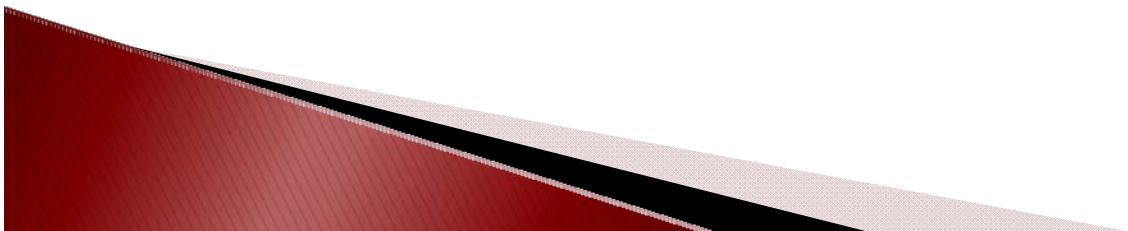
- ▶ Single-family 1.2 million homes
- ▶ Townhouse/condos 150,000 units
- ▶ Apartments 340,000 units

- ▶ Retail 132 million Sq.Ft.
- ▶ Office 63 million Sq.Ft.
- ▶ Industrial 229 million Sq.Ft.



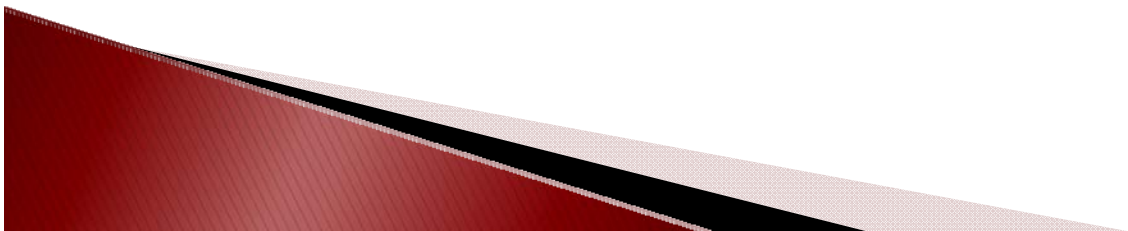
WHY DID IT HAPPEN

- ▶ 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



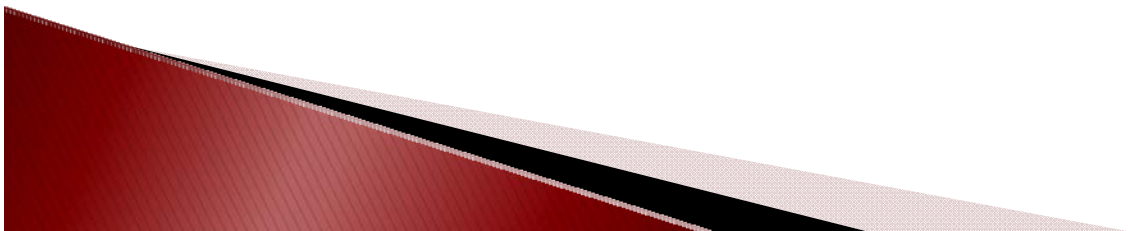
RECOVERY UNCHARTED TERRITORY

- ▶ 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?



CRITICAL AREAS FOR 2010 TRANSITION

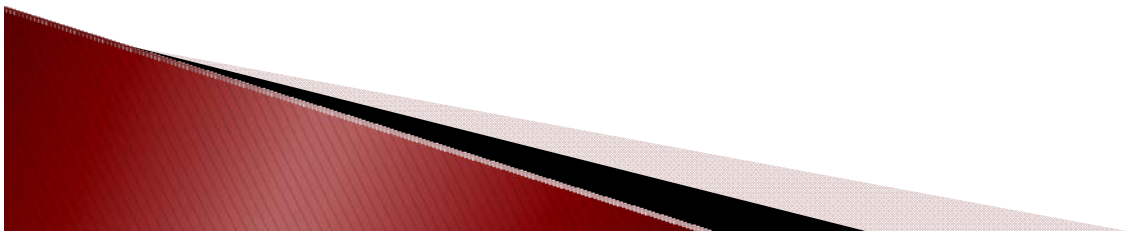
- ▶ **Economic recovery**
 - Jobs
 - Population
 - Real estate: Housing and Commercial
- ▶ **Election year**
- ▶ **Opportunities**



CRITICAL ISSUES FOR ECONOMIC RECOVERY

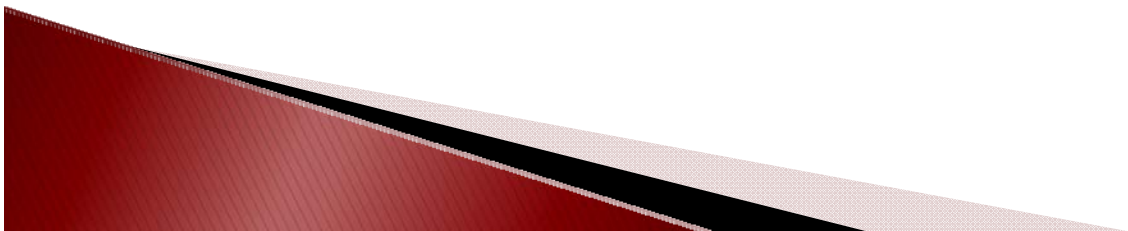
▶ **Jobs**

- **Recovery to growth: source, income, image**
- **Cyclical vs. Structural Change**
 - **Layoffs: temporary or permanent**
 - **Consumer confidence**



WORKFORCE CHANGE

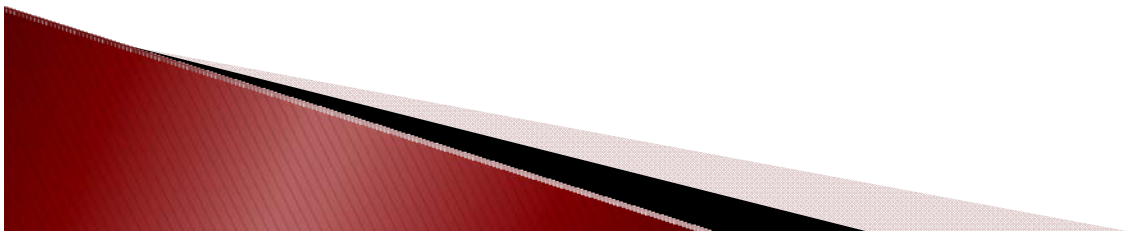
	Dec. 2008	Dec. 2009	Change
▶ Total Nonfarm	1,826.1	1,734.0	-92.1
▶ Total Private	1,573.5	1,496.4	-77.1
▶ Goods Producing	254.1	220.6	-33.5
▶ Service-Providing	1,572.0	1,513.4	-58.6
▶			
▶ Construction	121.5	97.8	-23.7
▶ Manufacturing	129.0	119.6	-9.4
▶ Retail Trade	222.2	211.8	-10.4
▶ Health Care	183.7	188.9	5.2
▶ Tourism	155.5	155.2	-0.3
▶ Education	103.7	97.0	-6.7
▶ Business Services	291.7	276.1	-15.6



JOB GROWTH

Phoenix Metropolitan

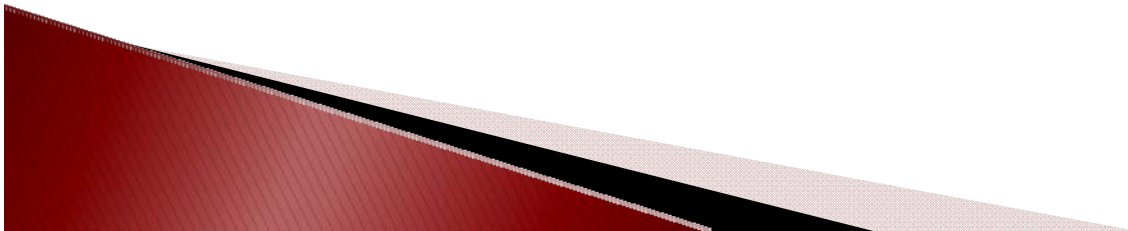
YEAR	TOTAL	ABSOLUTE CHANGE	PERCENT CHANGE
2006	1,884,000	96,000	3.6
2007	1,915,000	31,000	1.6
2008	1,868,000	(47,000)	- 2.4
2009F	1,841,850	(26,150)	-1.4
2010F	1,849,220	7,370	0.4



CRITICAL ISSUES FOR ECONOMIC RECOVERY

▶ **Population**

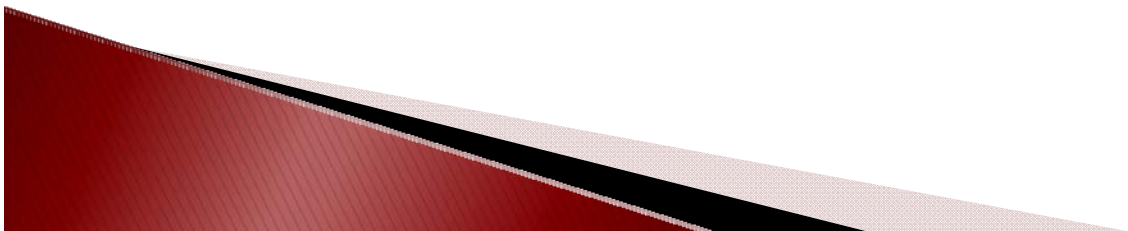
- **Net natural and net in-migration**
- **Census**
- **Estimates**
- **Projections**



DEMOGRAPHIC

Phoenix Metropolitan Area

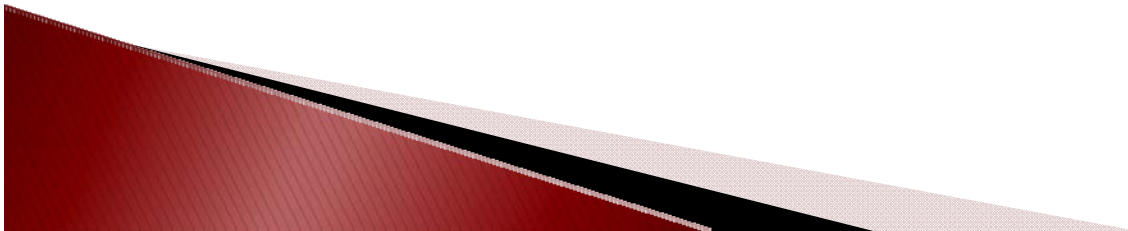
	2000	2008
Population	3,251,876	4,281,900
White Only	66 percent	60 percent
Hispanic	25 percent	30 percent



CRITICAL ISSUES FOR ECONOMIC RECOVERY

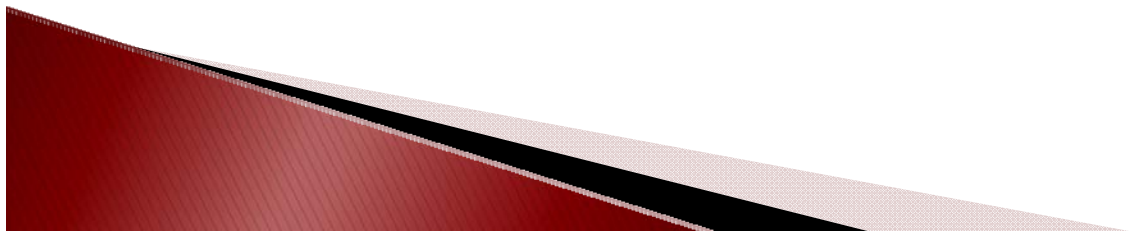
▶ Housing

- Value recovery
- Financial services
- Over hang of homes for sale, vacant and foreclosed
- Affordability
- Resource Cost & Availability: Energy, time and water



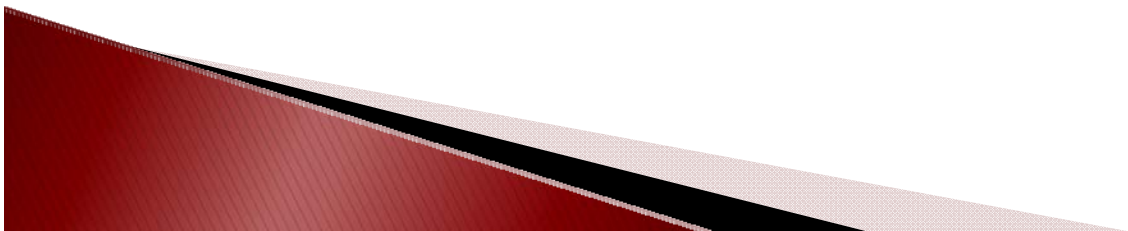
NEW HOME MARKET

▶ Permits	Maricopa	Pinal
◦ 2009	6,355	2,130
◦ 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
◦ 2003	39,652	6,730
◦ 2002	34,309	4,433



NEW HOME MEDIAN SALES PRICE

▶ Area	Fourth Qtr. 2008	Fourth Qtr. 2009
▶ Maricopa County	\$229,765	\$208,895
▶ N. Scottsdale	917,500	1,102,930
▶ South Phoenix	205,000	158,130
▶ Western Suburbs	198,435	173,225
▶ Gilbert	240,055	190,000
▶ Maryvale	136,405	139,950



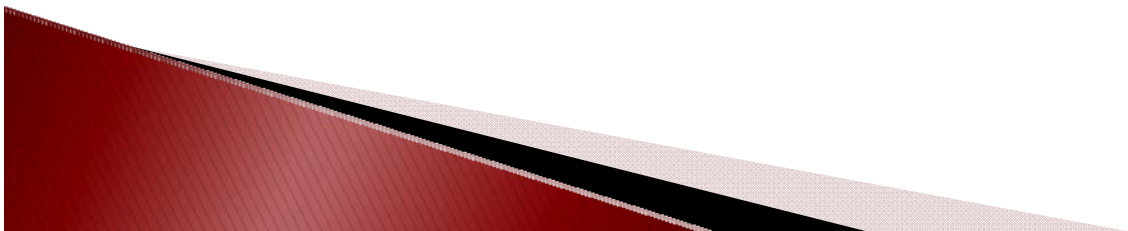
EXPECTATIONS

Single-family

Optimistic Pessimism Consensus

▶ 2009	Actual: 8,485		
▶ 2010	12,500	9,250	11,340
▶ 2011	22,400	11,000	16,075

Source: Greater Phoenix Blue Chip

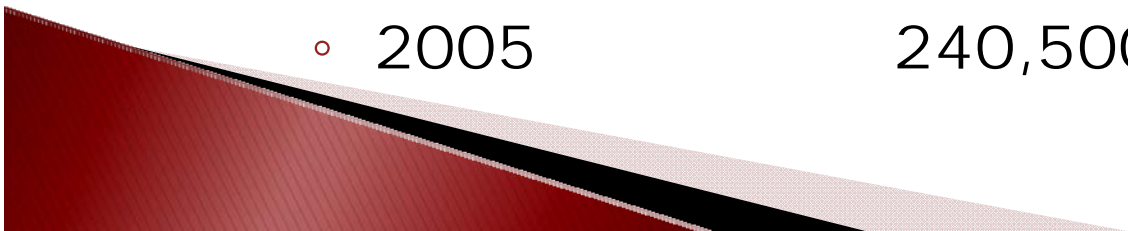


RESALE HOME MARKET

- SALES ACTIVITY

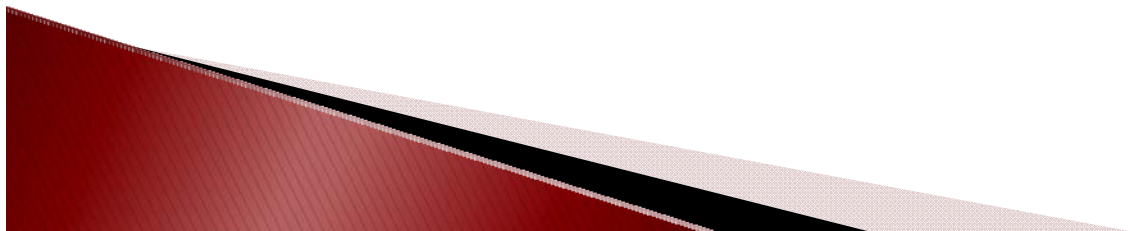
	Maricopa	Pinal
◦ 2009	112,725	2,960
◦ 2008	81,700	9,985
◦ 2007	54,570	3,580
◦ 2006	67,035	3,860
◦ 2005	110,835	6,110
- MEDIAN PRICE

◦ 2009	\$140,000	105,000
◦ 2008	186,000	134,000
◦ 2007	255,000	193,500
◦ 2006	260,600	205,000
◦ 2005	240,500	189,900



BREAK-OUT OF JANUARY RESALES

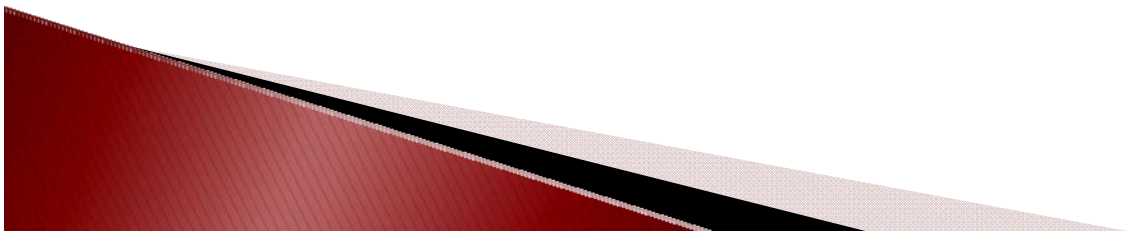
	Market Activity	Median Sales Price	Market Share (%)	Market Share (%)
Total	7,725	143,000		
Foreclosed	3,500	152,935	45	
Traditional	4,225	136,500	55	
REO	1,690	117,430,	22	40
Foreclosure related	5,190		67	



FORECLOSURE SHARE

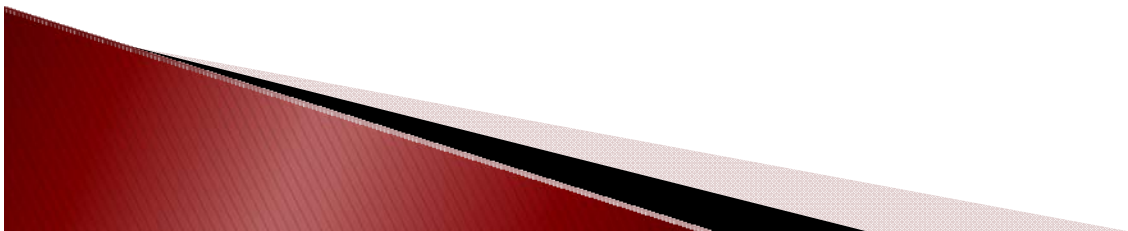
Percent of Inventory

	2008	2009
▶ Maricopa County	3.3%	3.8%
▶ N. Scottsdale	1.0	1.6
▶ Glendale	5.2	5.7
▶ Maryvale	9.3	8.9
▶ S. Tempe	0.9	2.8
▶ Western Suburbs	7.6	7.8
▶ E. Mesa	2.1	2.9



RESALE MEDIAN SALES PRICE

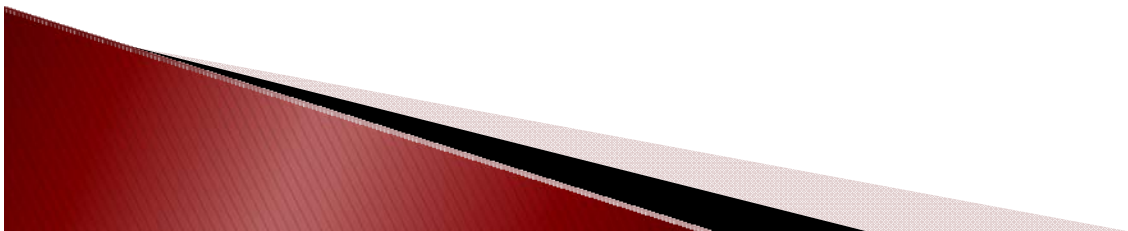
Area	Fourth Qtr. 2008	Fourth Qtr. 2009
▶ Maricopa County	\$158,000	\$144,540
▶ N. Scottsdale	499,900	429,000
▶ S. Phoenix	135,000	113,000
▶ Maryvale	84,225	60,900
▶ Surprise	159,950	141,000
▶ Mesa	154,700	135,500
▶ S. Tempe	220,000	195,000



AFFORDABILITY

Resale Homes

▶ Area	Fourth Qtr. 2008	Fourth Qtr. 2009
▶ Maricopa County	126	156
▶ Maryvale	180	282
▶ South Phoenix	114	154
▶ Surprise	121	155
▶ Glendale	136	184
▶ Mesa	121	157



COMPARATIVE RESALE HOUSING PRICES

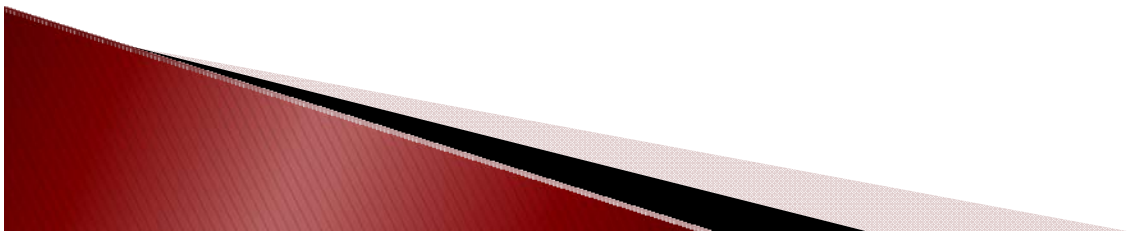
▶ Areas	2008	2009
United States	\$196,300	\$177,900
Phoenix	222,200	142,700
San Diego	459,000	378,100
Las Vegas	247,600	138,500
Dallas	142,400	150,500
Atlanta	154,000	129,400

Source: NAR



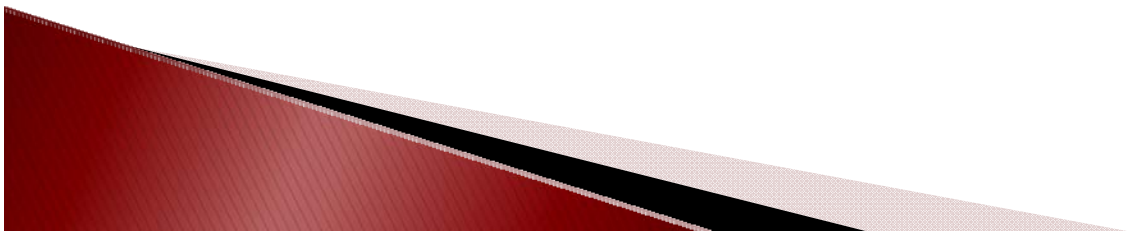
APPRECIATION

▶ 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



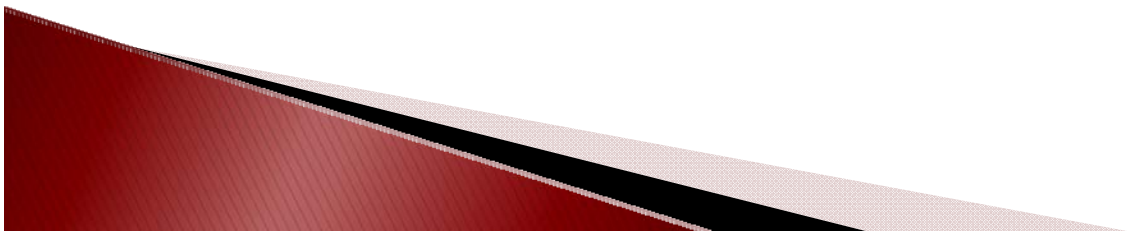
MULTIFAMILY MARKET NEW HOMES

▶ Permits	Condos	Apartments
○ 2009	561	637
○ 2008	1,085	6,365
○ 2007	7,203	6,676
○ 2006	6,187	3,922



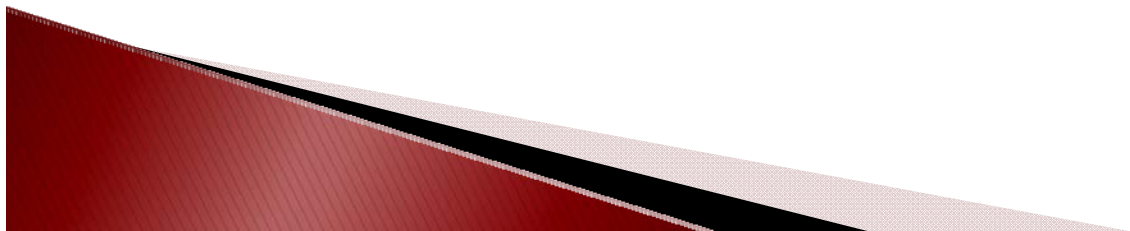
CRITICAL ISSUES FOR ECONOMIC RECOVERY

- ▶ **Commercial real estate**
 - **Increasing foreclosures**
 - **Loss of tenants**
 - **Loss of revenue**



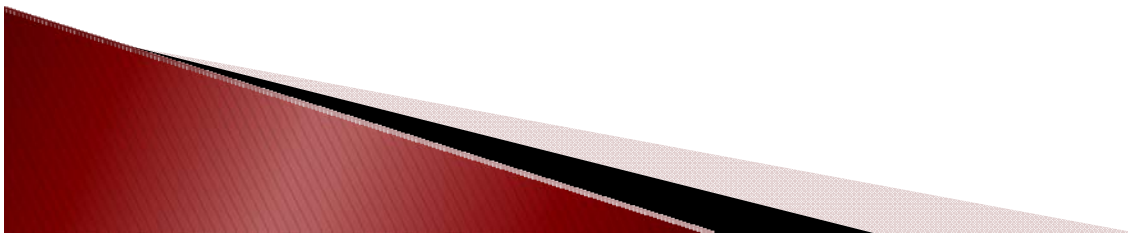
RETAIL SQUARE FOOTAGE

	2000	2009
Regional	13,172,016	16,135,507
Power	27,163,988	53,644,700
Neighborhood	36,255,761	48,622,955
Strip	10,556,947	14,094,687
Total	87,238,712	132,497,849



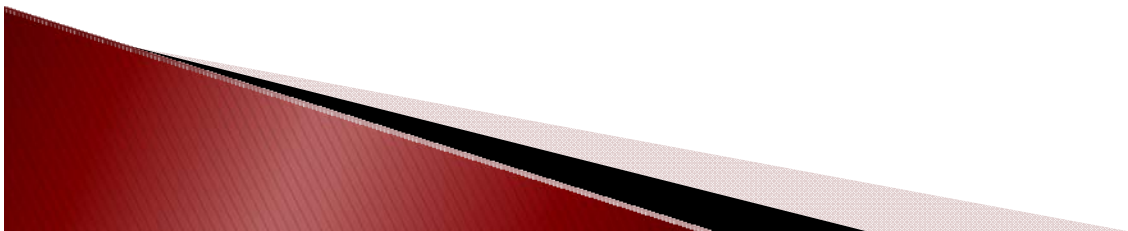
RETAIL MARKET 2009

▶ Inventory	132,497,849 sq.ft.
▶ Occupied Space	112,623,170 sq.ft.
▶ Vacant Space	19,874,677 sq.ft.
▶ Absorption	-3,765,000 sq.ft.
▶ New Space	1,279,000sq.ft.
▶ Under Construction	4,406,637 sq.ft.
▶ Planned	9,825,546 sq.ft.



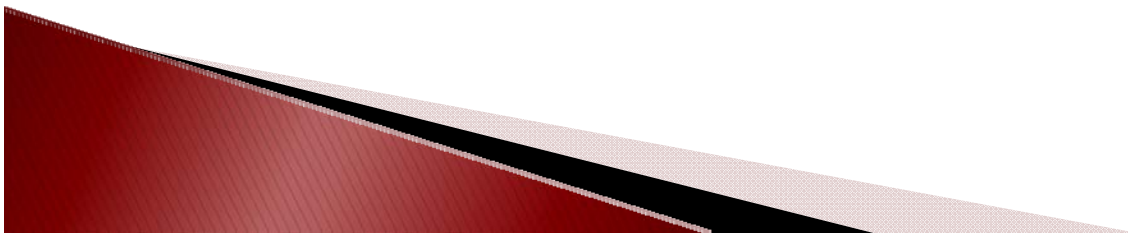
OFFICE SQUARE FOOTAGE

	2000	2009
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	14,513,621
Northwest	4,802,079	8,147,145
Southeast	6,082,653	10,457,121
Total	47,511,703	63,173,151



OFFICE MARKET 2009

▶ Inventory	63,173,151 sq.ft.
▶ Occupied Space	47,379,860 sq.ft.
▶ Vacant Space	15,793,290 sq.ft.
▶ Absorption	-4,867,346 sq.ft.
▶ Under Construction	4,665,359 sq.ft.
▶ Planned	6,165,214 sq.ft.

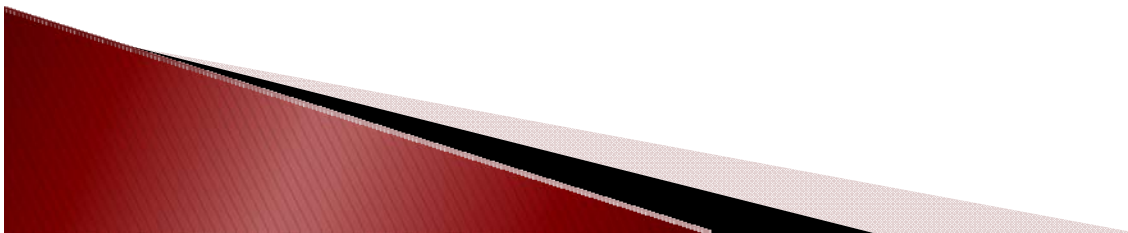


CRITICAL ISSUES FOR ECONOMIC RECOVERY

▶ Others

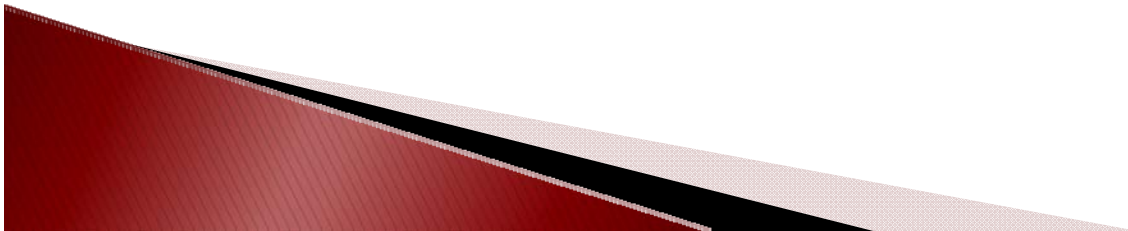
- **Geopolitical Risks**

- **Inflationary/deflationary concerns**



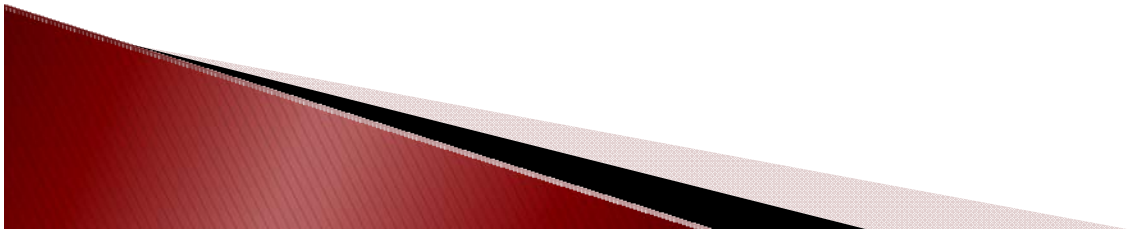
CRITICAL ISSUES FOR A ELECTION YEAR

- ▶ Rhetoric
- ▶ Regulations
- ▶ Analysis of existing programs
- ▶ Lawsuits



OPPORTUNITIES FOR 2010

- ▶ 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



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