



# Update & Outlook



# Arizona/Phoenix/Western States

*55<sup>th</sup> Annual Economic Forecast Luncheon*

November 28, 2018



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**ASU** W. P. Carey  
School of Business  
Arizona State University



# Arizona 97 Month Expansion Is Source For High Business & Consumer Satisfaction

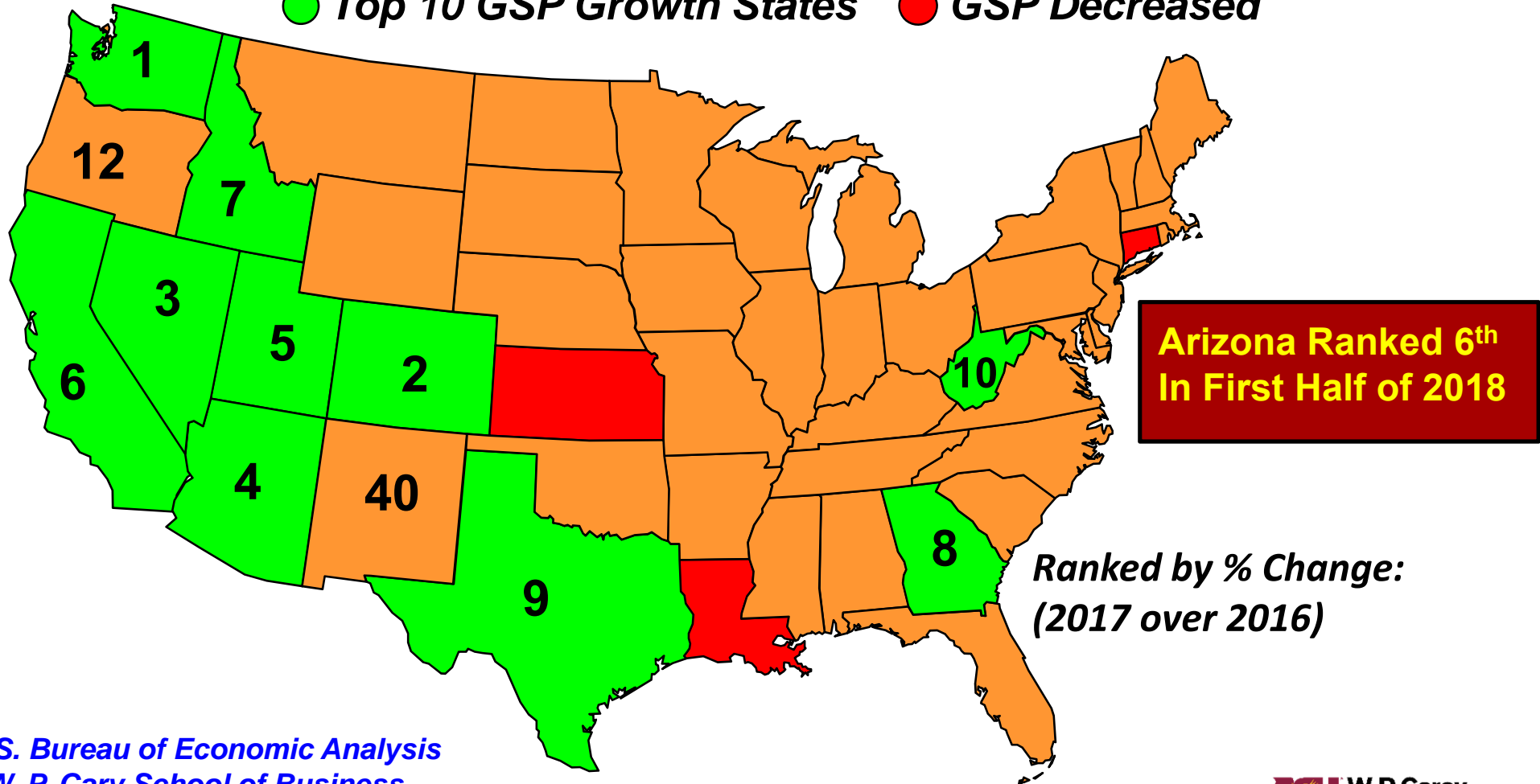
— All Employees: Total Nonfarm in Arizona



U. S. Bureau of Labor Statistics, St. Louis Federal Reserve Bank

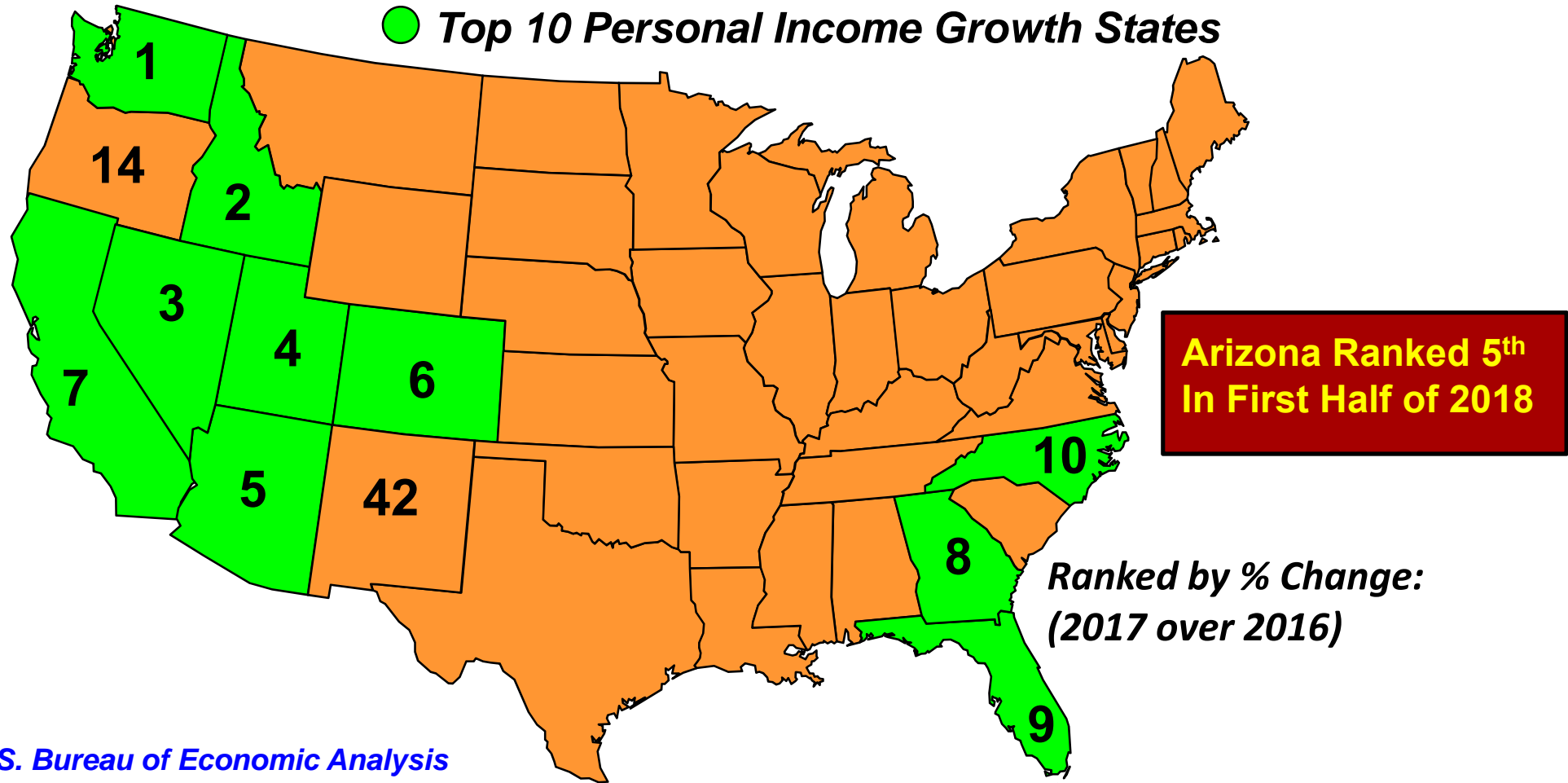
# Arizona 4<sup>th</sup> in Growth of Gross State Product in 2017

● Top 10 GSP Growth States ● GSP Decreased



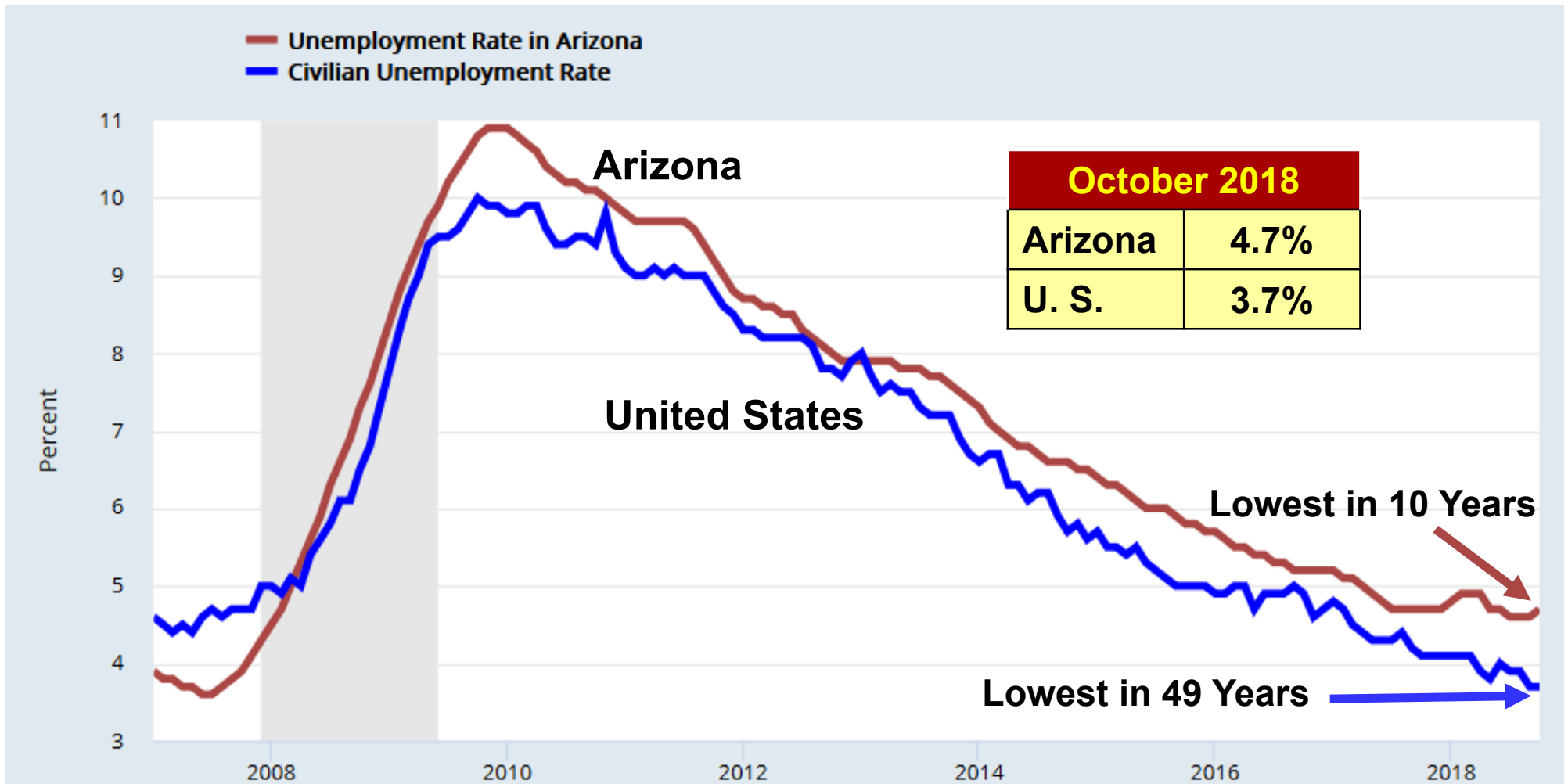
U. S. Bureau of Economic Analysis  
& W. P. Carey School of Business

# Arizona 5<sup>th</sup> in Personal Income Gains Among States in 2017



U. S. Bureau of Economic Analysis  
& W. P. Carey School of Business

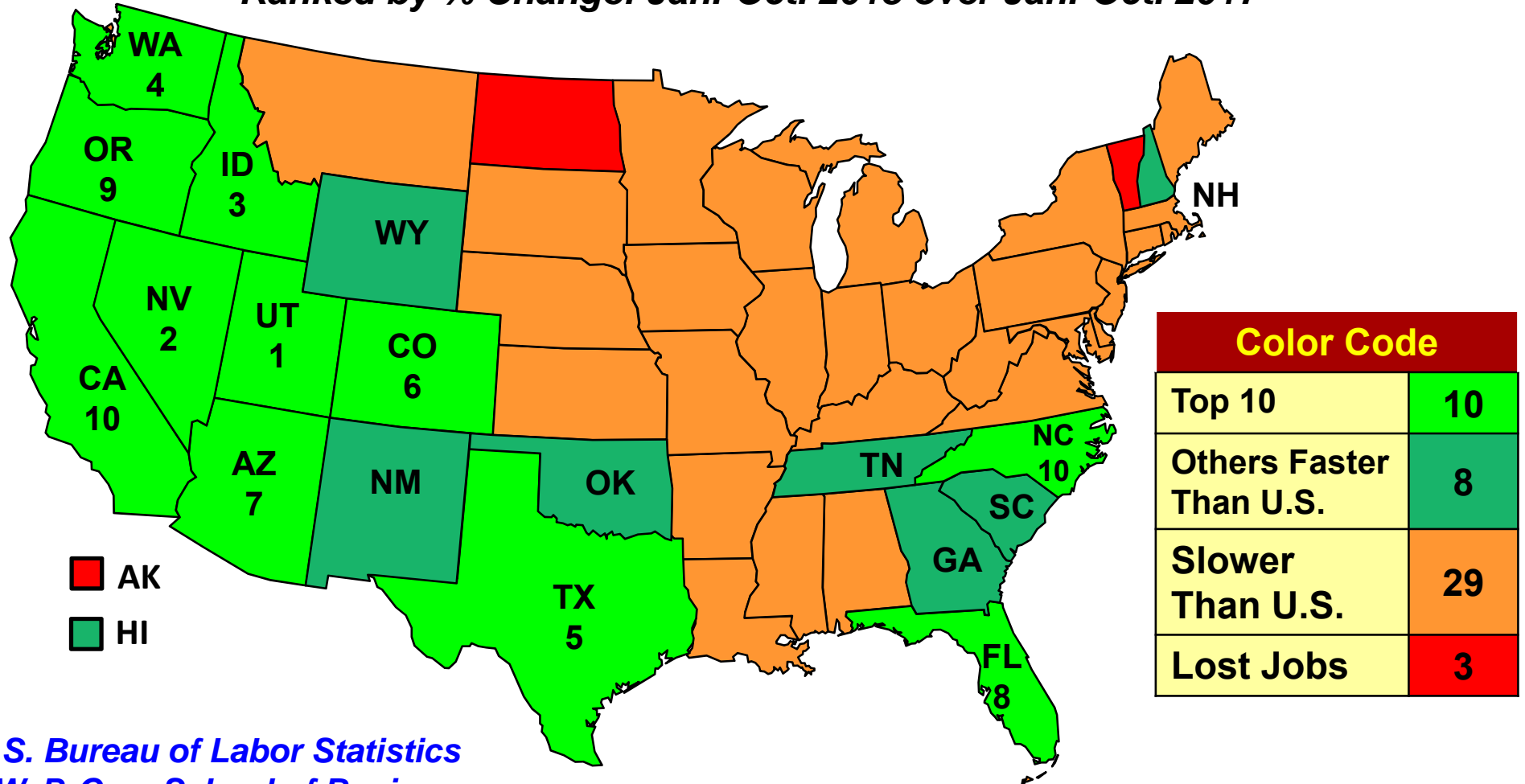
# Arizona and U.S. Unemployment Rates Continue to Decline From 2010 Cycle Peak



*U.S. Bureau of Labor Statistics, St. Louis Federal Reserve Bank*

# Arizona Ranks 7th in Non-Farm Job Creation Year-To-Date 2018

Ranked by % Change: Jan.-Oct. 2018 over Jan.-Oct. 2017



U. S. Bureau of Labor Statistics  
& W. P. Cary School of Business

## ***Western Blue Chip Forecasters Project Utah and Nevada Repeat As Employment Growth Leaders for U.S. in 2019***

<b>State</b>	<b>% Growth YTD</b>	<b>U.S. Rank YTD</b>	<b>% Growth 2019</b>
<b>Utah</b>	<b>3.4</b>	<b>1</b>	<b>3.1</b>
<b>Nevada</b>	<b>3.2</b>	<b>2</b>	<b>2.7</b>
<b>Idaho</b>	<b>3.1</b>	<b>3</b>	<b>2.2</b>
<b>Washington</b>	<b>3.0</b>	<b>4</b>	<b>2.6</b>
<b>Texas</b>	<b>2.9</b>	<b>5</b>	<b>2.5</b>
<b>Colorado</b>	<b>2.7</b>	<b>6</b>	<b>2.0</b>
<b>Arizona</b>	<b>2.7</b>	<b>7</b>	<b>2.5</b>
<b>Oregon</b>	<b>2.4</b>	<b>9</b>	<b>2.3</b>
<b>California</b>	<b>2.1</b>	<b>10</b>	<b>1.6</b>
<b>Wyoming</b>	<b>2.0</b>	<b>12</b>	<b>1.4</b>
<b>New Mexico</b>	<b>1.8</b>	<b>17</b>	<b>1.4</b>
<b>Montana</b>	<b>1.2</b>	<b>31</b>	<b>1.2</b>
<b>United States</b>	<b>1.6</b>		<b>1.4</b>

Notes: YTD is growth from Jan. – October 2018 vs same period in 2017; Arizona and U.S. forecasts from W. B. Carey School of Business; state forecasts from *Western Blue Chip Forecast* at <http://seidmaninstitute.com/western-blue-chip/>

# Arizona's Leading Growth Industries

U.S. Rank & Percent Change: Year-To-Date 2018

Arizona Industry	U.S. Rank	% Change
Nonfarm Employment	7	2.7
Construction	1	9.8
Educational (Private)	1	5.2
Manufacturing	2	5.2
State Government	3	5.1
Prof., Technical, Scientific	5	5.0
Food Services	5	4.5
Information Services	6	1.5
Finance & Insurance	7	2.4

*Job Growth USA, W. P. Carey School of Business; Year-To-Date through October 2018*

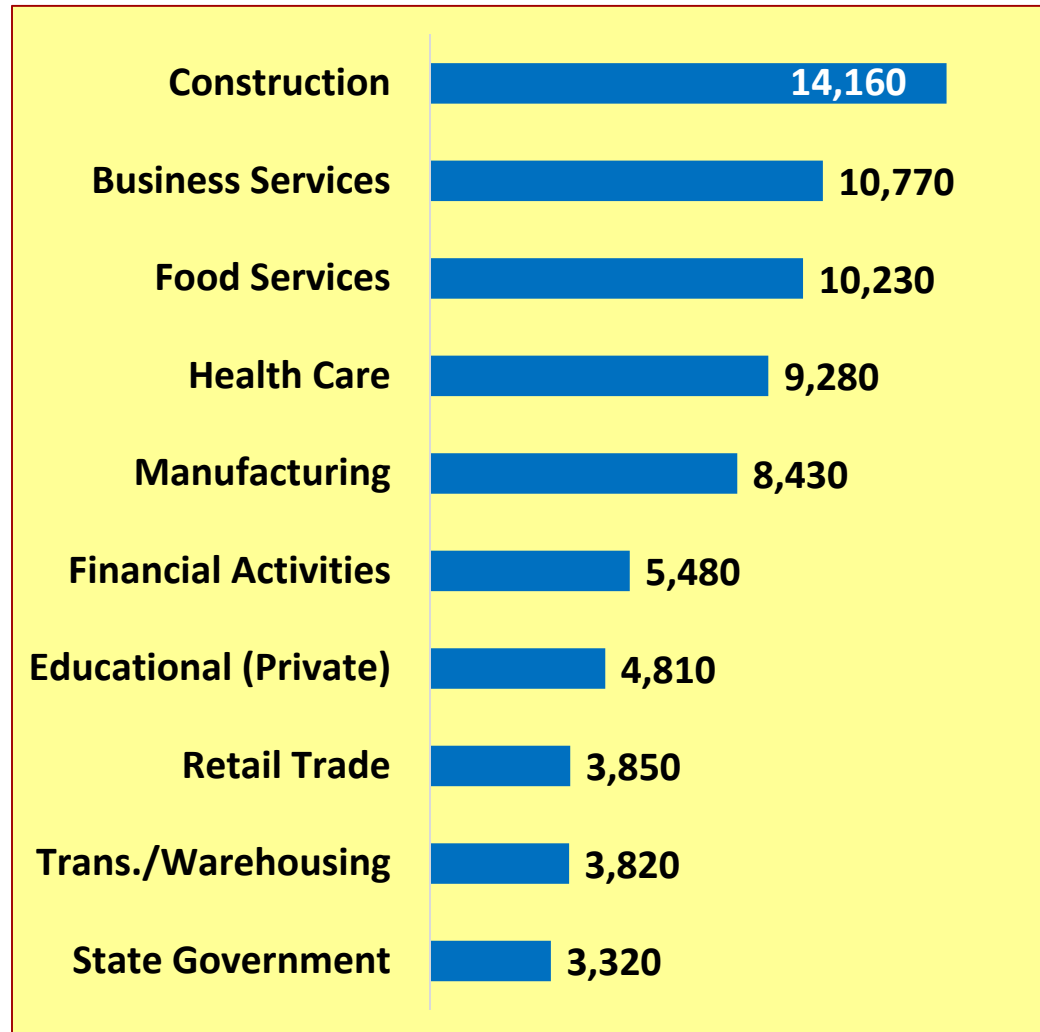


# Arizona New Jobs YTD October

## Job Growth Notes

- Arizona added 73,000 new jobs through October 2018
- The construction industry was the source of the most new jobs (14,160), at an annual growth rate of 9.8%, first in the nation
- There were 8,430 new manufacturing jobs, at an annualized growth rate of 5.2%, second in the nation
- The Greater Phoenix metro area has accounted for 88 percent of all new jobs in Arizona so far this year

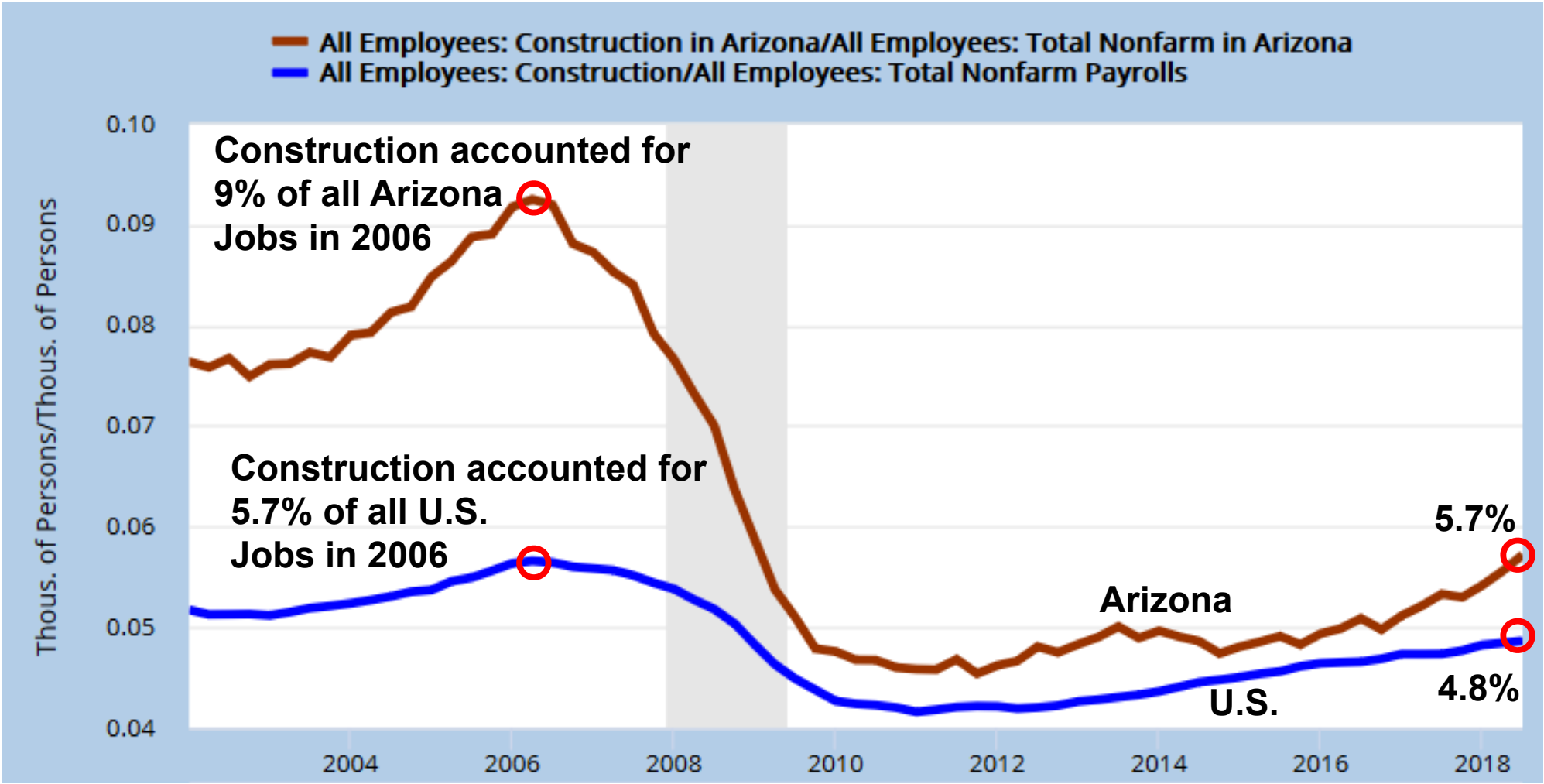
Number of Arizona Jobs Added by Industry YTD\*



U. S. Bureau of Labor Statistics

\*YTD is Year-To-Date October 2018 vs. same period 2017

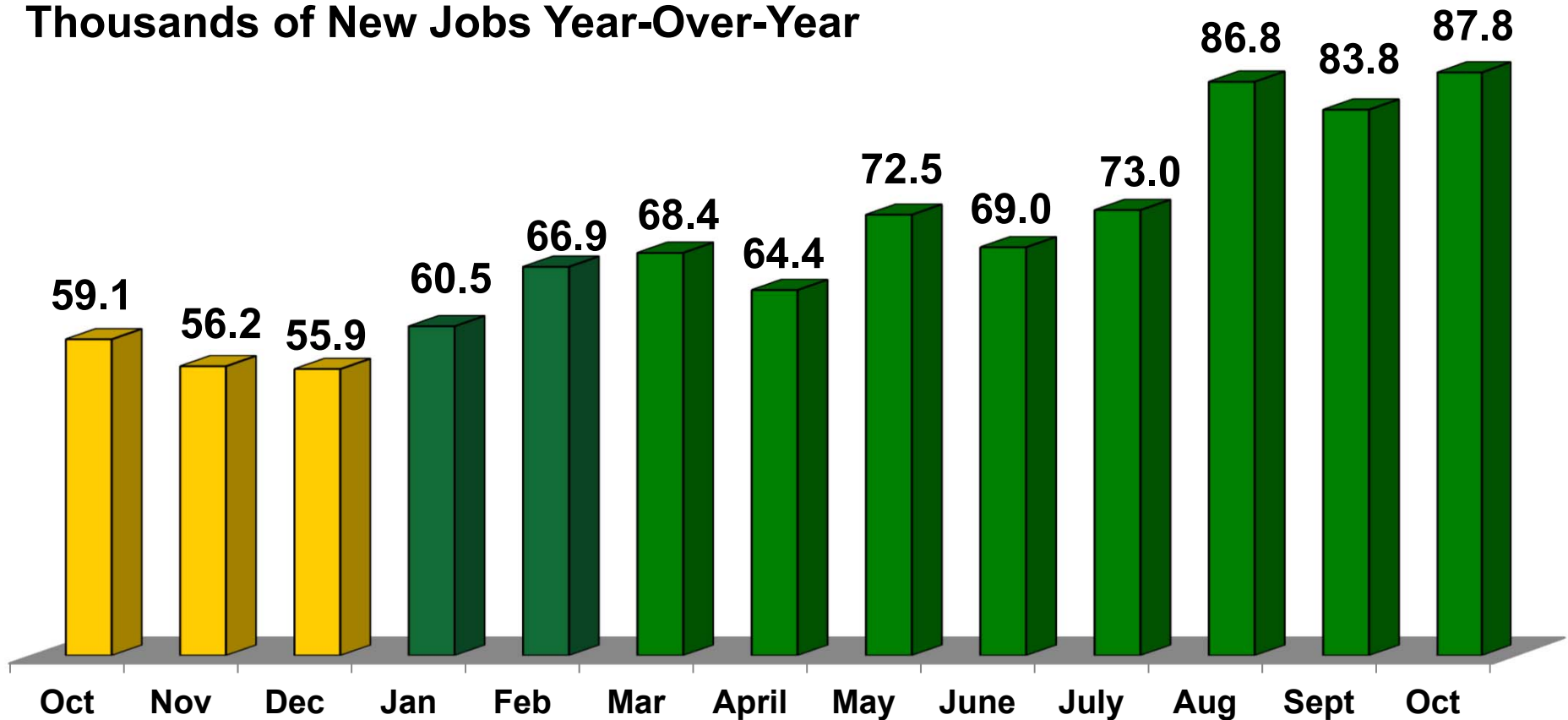
# Deja Vu All Over Again? Is There an Arizona Construction Bubble? Economy Now Diverse



U.S. Bureau of Labor Statistics, St. Louis Federal Reserve Bank

# Accelerating Arizona Job Growth Sets Foundation for Gains in 2019

Thousands of New Jobs Year-Over-Year



*U. S. Bureau of Labor Statistics*



# Arizona Economic Outlook

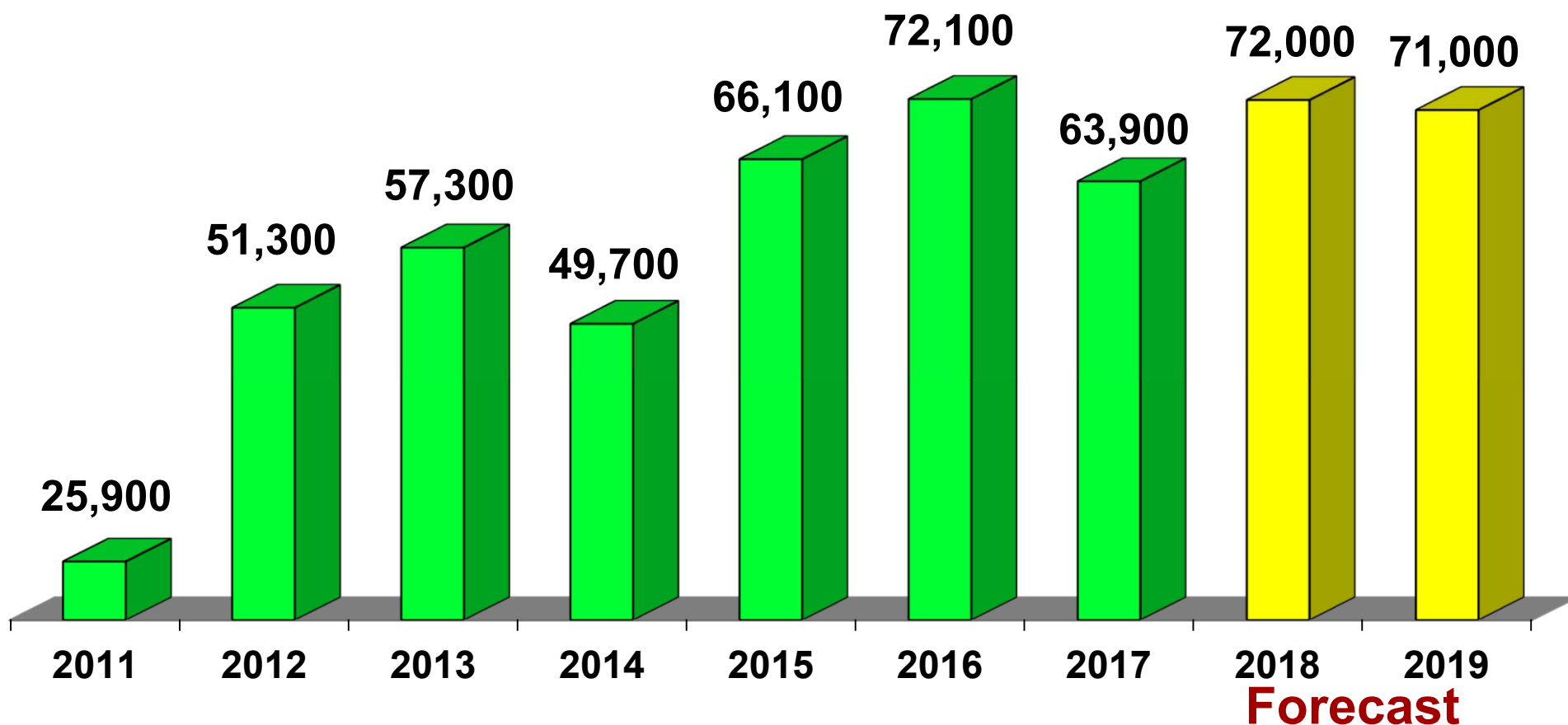
*Greatest Risk is National Economy*

<b>Arizona Indicators</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>New Jobs (thousands)</b>	<b>63.9</b>	<b>72.0</b>	<b>71.0</b>
<b>Employment (% change)</b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>
<b>Unemployment Rate (December)</b>	<b>4.7</b>	<b>4.5</b>	<b>3.9</b>
<b>Population (% change)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>
<b>Single Family Permits (thousands)</b>	<b>28,072</b>	<b>32,285</b>	<b>35,510</b>

*W. P. Carey School of Business based on data available November 2018*

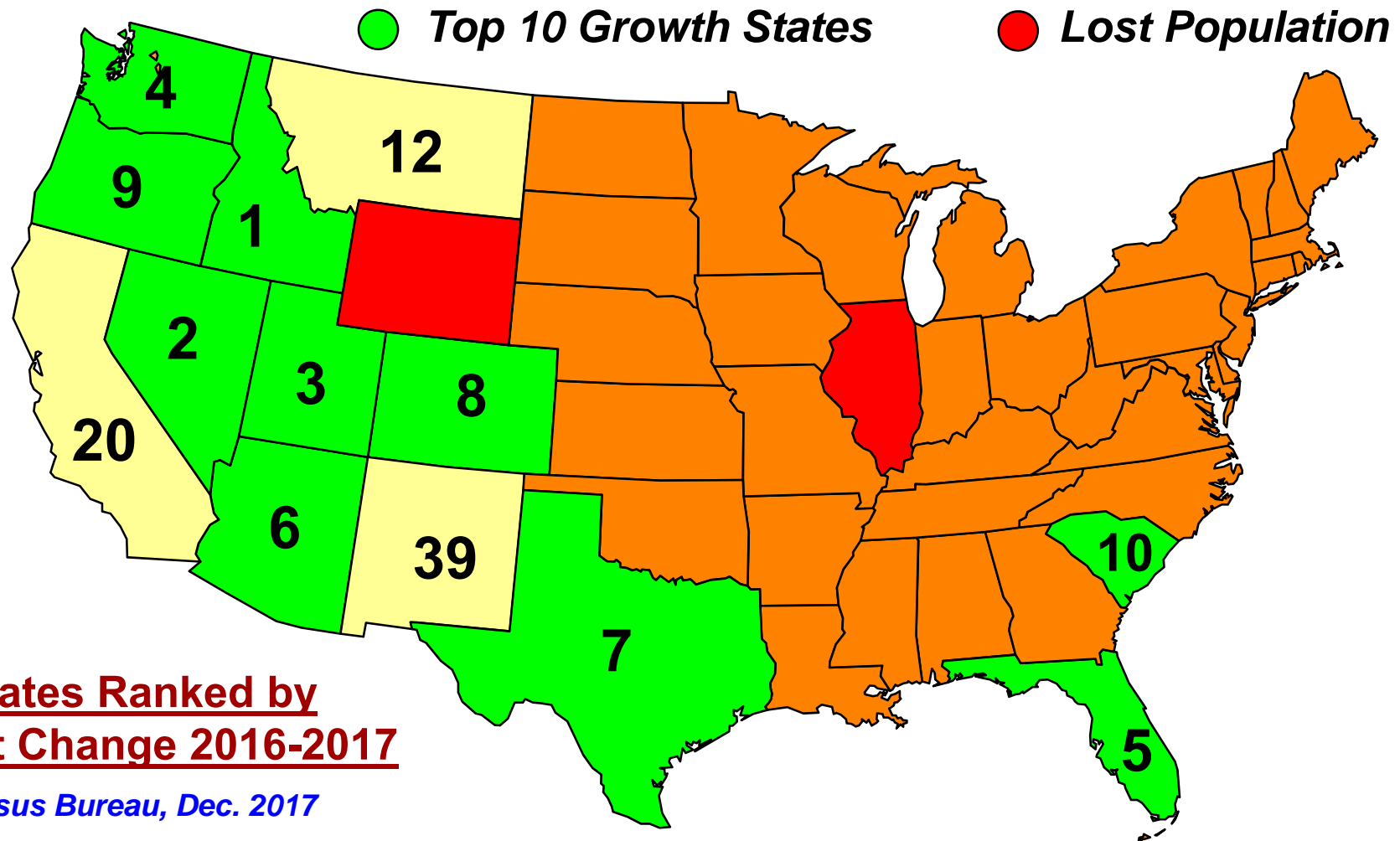
# Arizona To Add 71,000 Jobs in 2019

## Annual Job Creation



*U. S. Bureau of Labor Statistics & W. P. Carey School of Business*

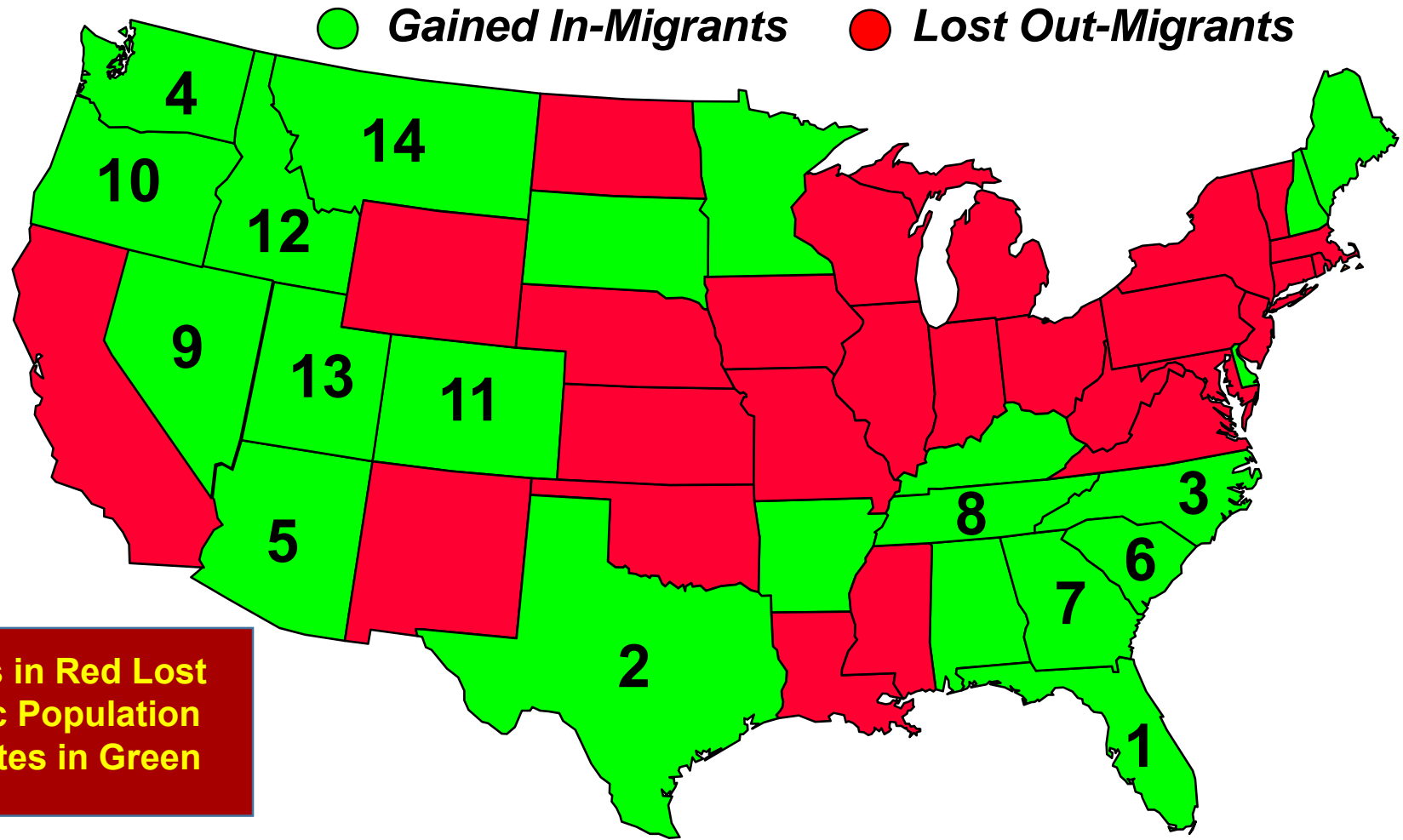
# Arizona Ranked 6<sup>th</sup> Fastest in Population Growth in 2017



U. S. States Ranked by  
Percent Change 2016-2017

*U. S. Census Bureau, Dec. 2017*

# Arizona Ranked 5<sup>th</sup> Among All States for Domestic In-Migration



Alaska  
Hawaii

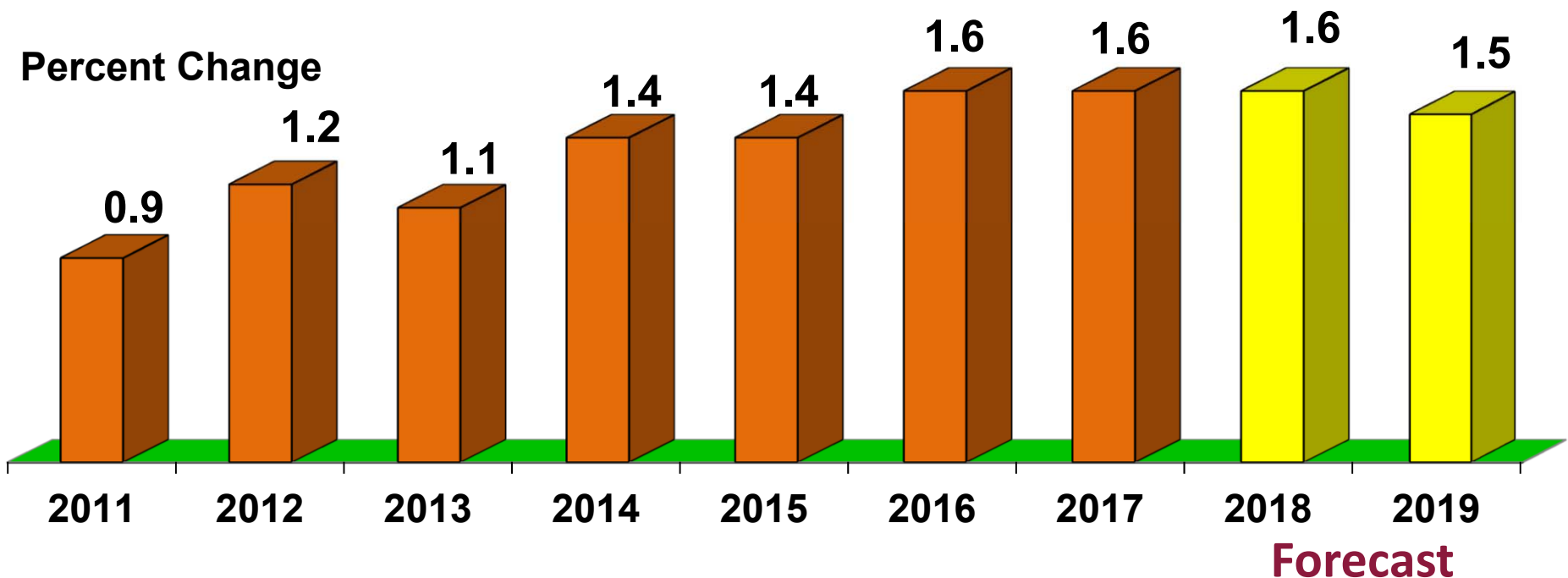
28 States in Red Lost Domestic Population to 22 States in Green

U. S. Census Bureau, Dec. 2017

# Arizona 2019 Population Growth Will Yield 106,000 New Residents

## Population Growth Notes

- Arizona 1977 – 2007 Annual Average growth was 3.2%, four times the U.S. rate
- 2019 will be the third consecutive year of growth exceeding 100,000 new residents



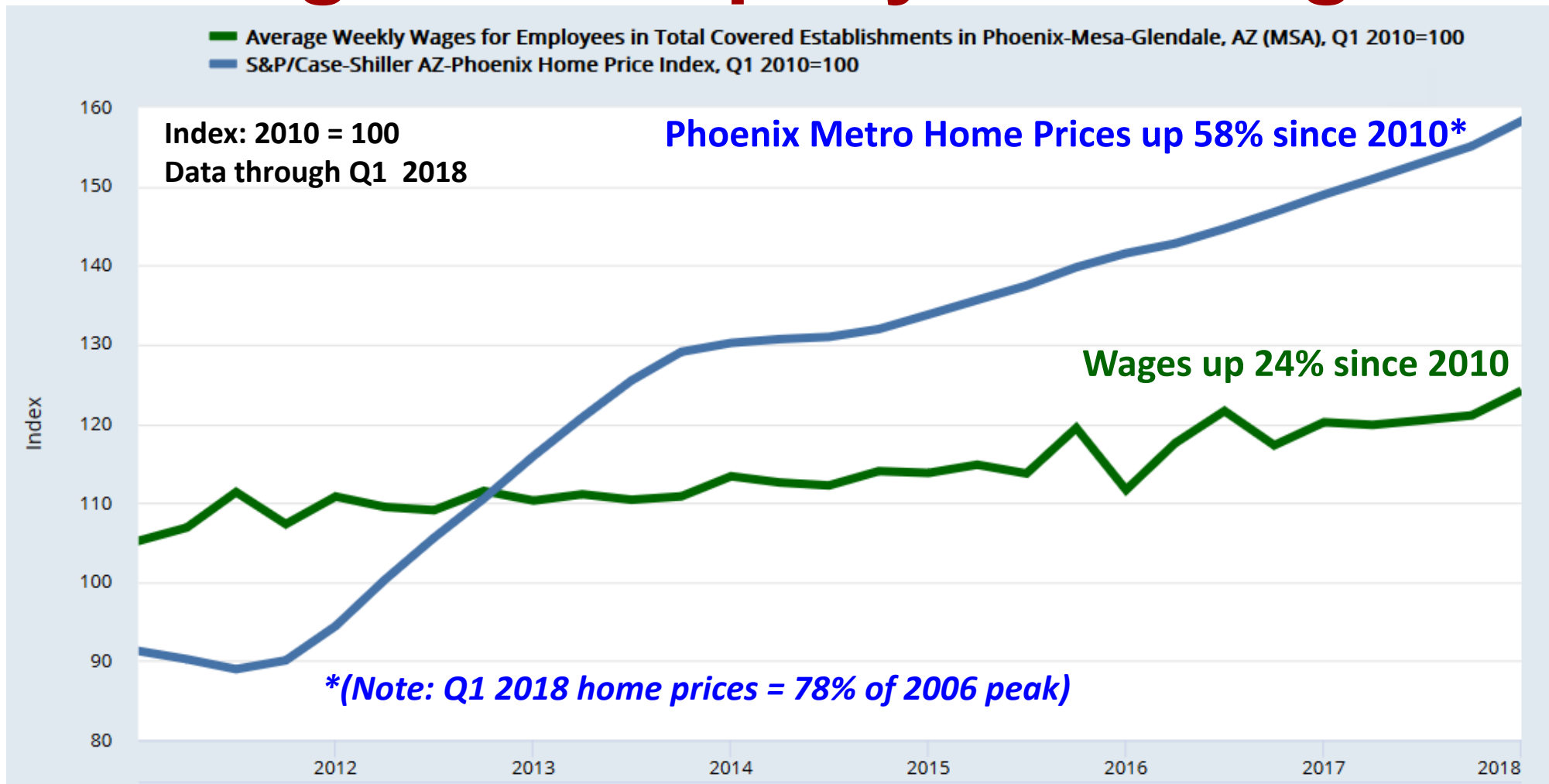
*U.S. Census Bureau &  
W. P. Carey School of Business, November, 2018*



# Headwinds For Housing

- **Lot Costs**
- **Labor Costs**
- **Labor Availability**
- **Materials Costs**
- **Interest Rates**
- **Loan Approvals**
- **Affordability**

# Metro Phoenix Home Prices are Rising More Rapidly than Wages

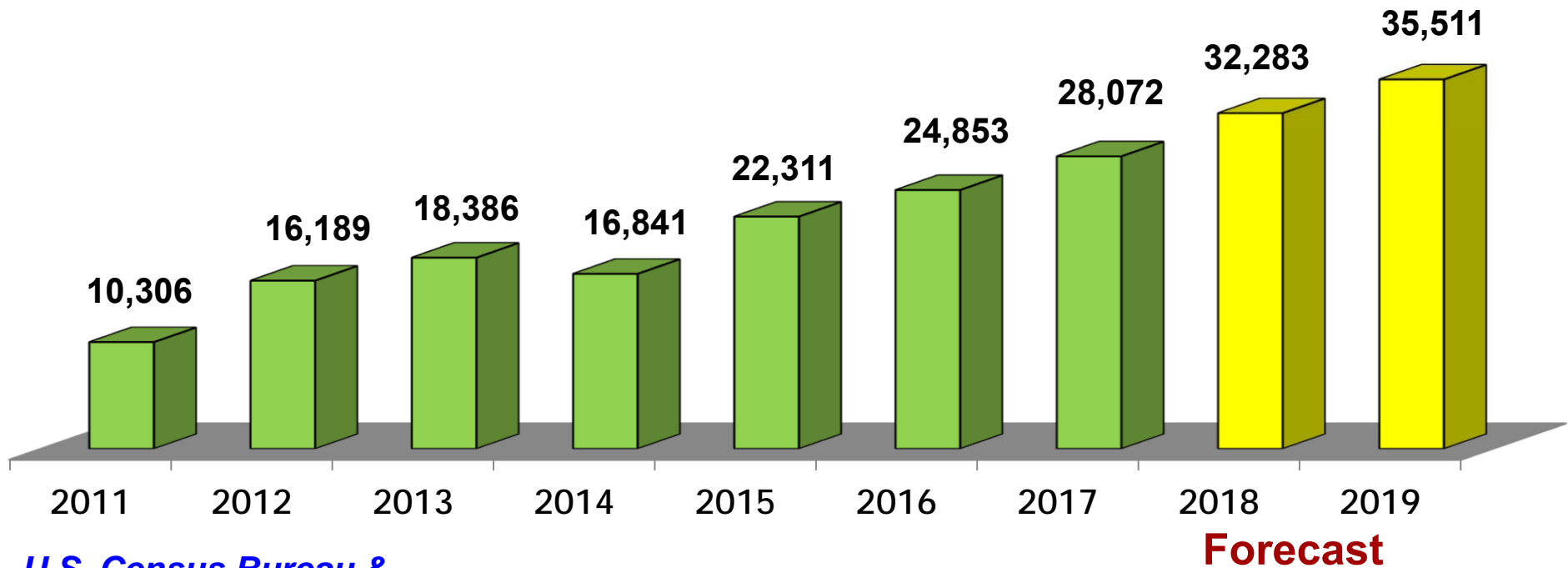


U. S. Bureau of Labor Statistics, S&P Dow Jones Indices, St. Louis Federal Reserve Bank

# 5<sup>th</sup> Year of Home Building Gains

## 10% Arizona Rise Expected in 2019

### Arizona Single Family Permits



*U.S. Census Bureau &  
W. P. Carey School of Business, November 2018*

# Return of “Drive Til You Qualify?”

Greater Phoenix Single Family Permits Year-to-Date October 2018

Location	Permits	% Change Vs. 2017
Phoenix	3,164	29%
Pinal Co	2,285	29%
Mesa	2,116	-6%
Buckeye	1,867	1%
Maricopa Co.	1,531	61%
Gilbert	1,275	-7%
Surprise	1,172	78%
Peoria	1,143	-20%
Queen Creek	1,112	49%
Goodyear	1,059	18%
All Other Locations	2,571	9%
<b>TOTAL</b>	<b>19,925</b>	<b>15%</b>

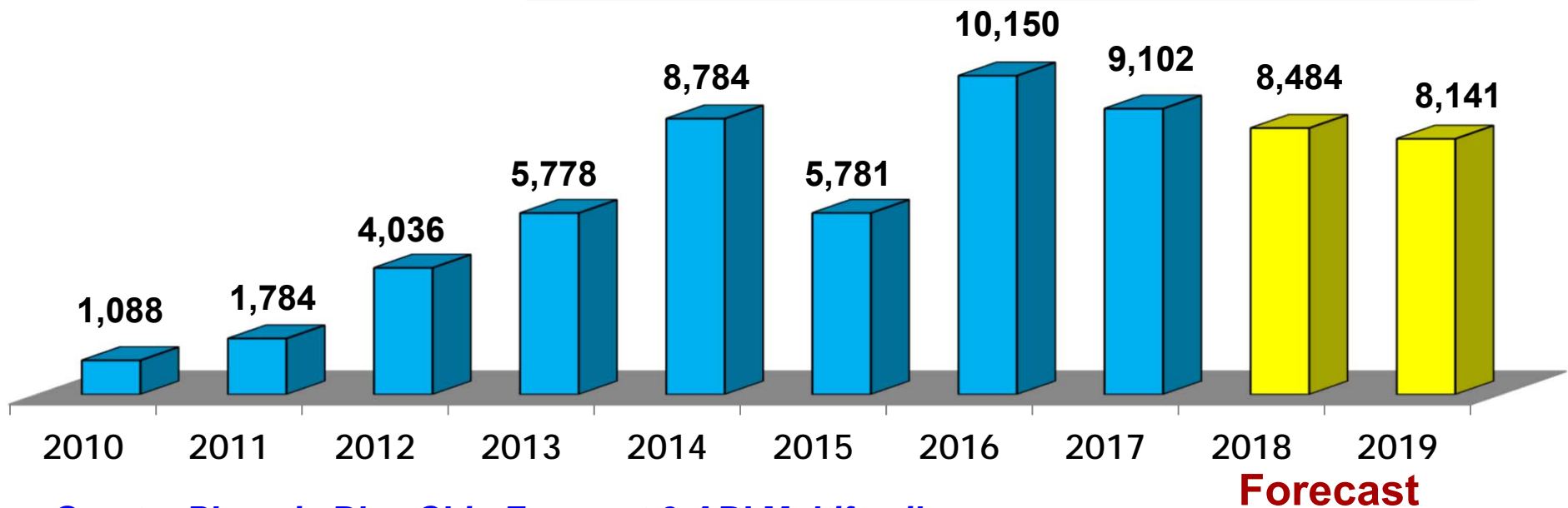
Rush Commute Time: Cotton Lane & Waddell, Surprise to 12<sup>th</sup> St. & Washington, Phoenix: 53 minutes

*Home Builders Association of Central Arizona*

# Multi-Family Permits Above 8,000

## Greater Phoenix Multi-Family Permits

PHOENIX MSA - PER CITY ANALYSIS	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (3Q 2018)	\$984	\$955	\$1,390	\$1,307	\$915
% Change (y-o-y)	+5.8%	+5.8%	+6.3%	+7.4%	+6.3%
Occupancy Rate (3Q 2018)	95.3%	95.7%	94.6%	94.8%	95.4%
% Change (y-o-y)	+0.6%	+0.2%	+0.4%	+0.3%	+0.2%
Units Delivered (3Q 2018, 50+)	210	523	365	667	0



Greater Phoenix Blue Chip Forecast & ABI Multifamily  
 W. P. Carey School of Business, November 2019



# Greater Phoenix Outlook

<b>Phoenix Indicators</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Employment (thousands)</b>	<b>2,034</b>	<b>2,099</b>	<b>2,162</b>
<b>Employment Growth (% change)</b>	<b>2.8</b>	<b>3.2</b>	<b>3.0</b>
<b>New Jobs (thousands)</b>	<b>54.9</b>	<b>65.0</b>	<b>63.0</b>
<b>Population (% change)</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>
<b>Single Family Permits (thousands)</b>	<b>20.5</b>	<b>23.4</b>	<b>26.2</b>

*W. P. Carey School of Business, November 2018*

# Greater Phoenix Outlook Summary: 2019

- Phoenix MSA adds 240 new residents daily
- Phoenix area accounts for nearly 90% of new jobs, 70% of housing permits, 60% of Arizona exports
- Phoenix MSA ranks 5th in job creation among large metro areas; 2<sup>nd</sup> in construction job growth
- But wage structure is 5% to 10% below U.S.; as home prices rise, affordability declines
- One of the most dynamic areas again in 2019

# Arizona Economic Outlook Summary:2019

- **Arizona unemployment rate is at 10 year low.**
- **Key industries strong and growing: Construction, Manufacturing, and services such as Health Care, Information, and Professional/Technical Services**
- **Headwinds develop as interest rates, labor costs rise, expansion slows, still a leading growth state**
- **Population, start ups, and cost structure will drive growth in 2019 – U.S. business cycle is greatest risk**