

Arizona & Greater Phoenix Outlook

“It’s A Whole New Ballgame”



61st Annual Economic Forecast Luncheon

November 13, 2024

Dennis.Hoffman@asu.edu

Risks and Opportunities for Arizona Economy

Reasons for Caution

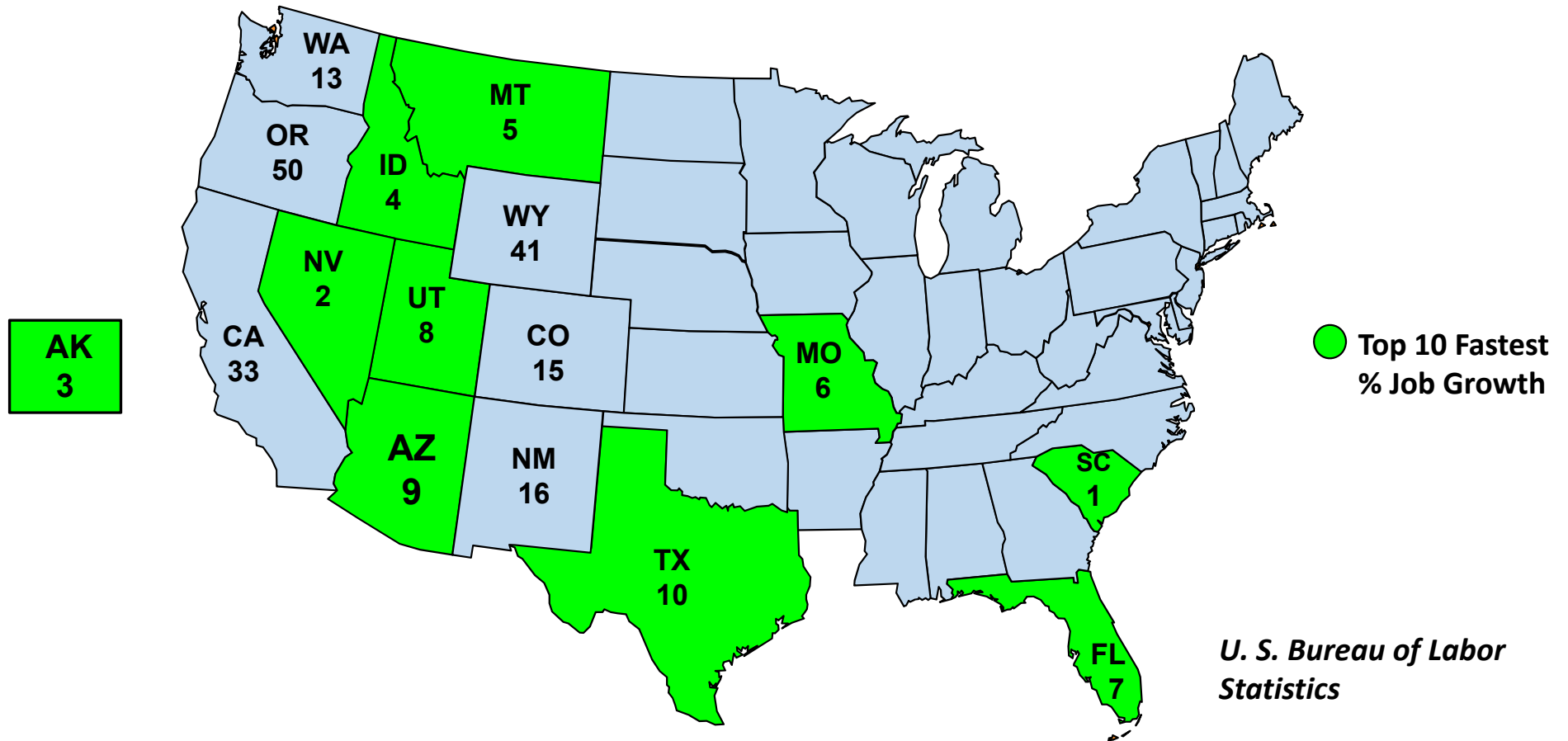
- **National business cycle remains the greatest risk to growth**
- **State-to-state migration is slowing in the US in recent years**
- **Quality of life reputation undercut by heat waves, water issues**
- **Chips Act benefits will not be felt until 2 – 3 years or longer**
- **U.S. economic policy uncertainty**

Reasons to be Optimistic

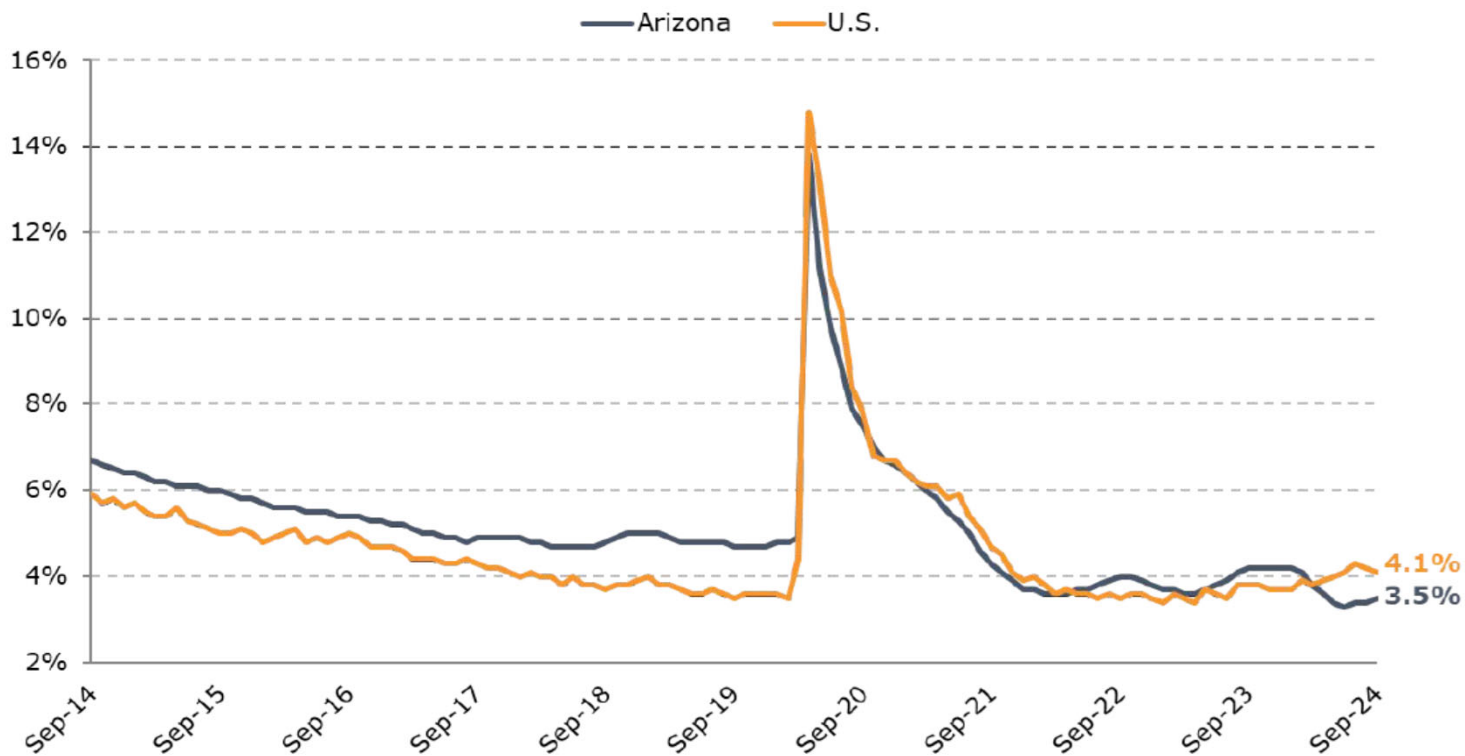
- **Arizona and Phoenix rank among Top 10 U.S. labor markets for 2024**
- **The Phoenix metro added more new jobs (53,200) than 37 states as of Q3**
- **Image evolving as a dynamic area for high tech and regional distribution**
- **Nationalism may favor more foreign onshore investment in Arizona, especially in high tech sector**

Arizona Ranks 9th in Rate of Job Creation

Ranked by Percent Change in Employment: Year-to-Date Sept. 2024



U.S. and Arizona Unemployment Rates Remain Near Record Lows

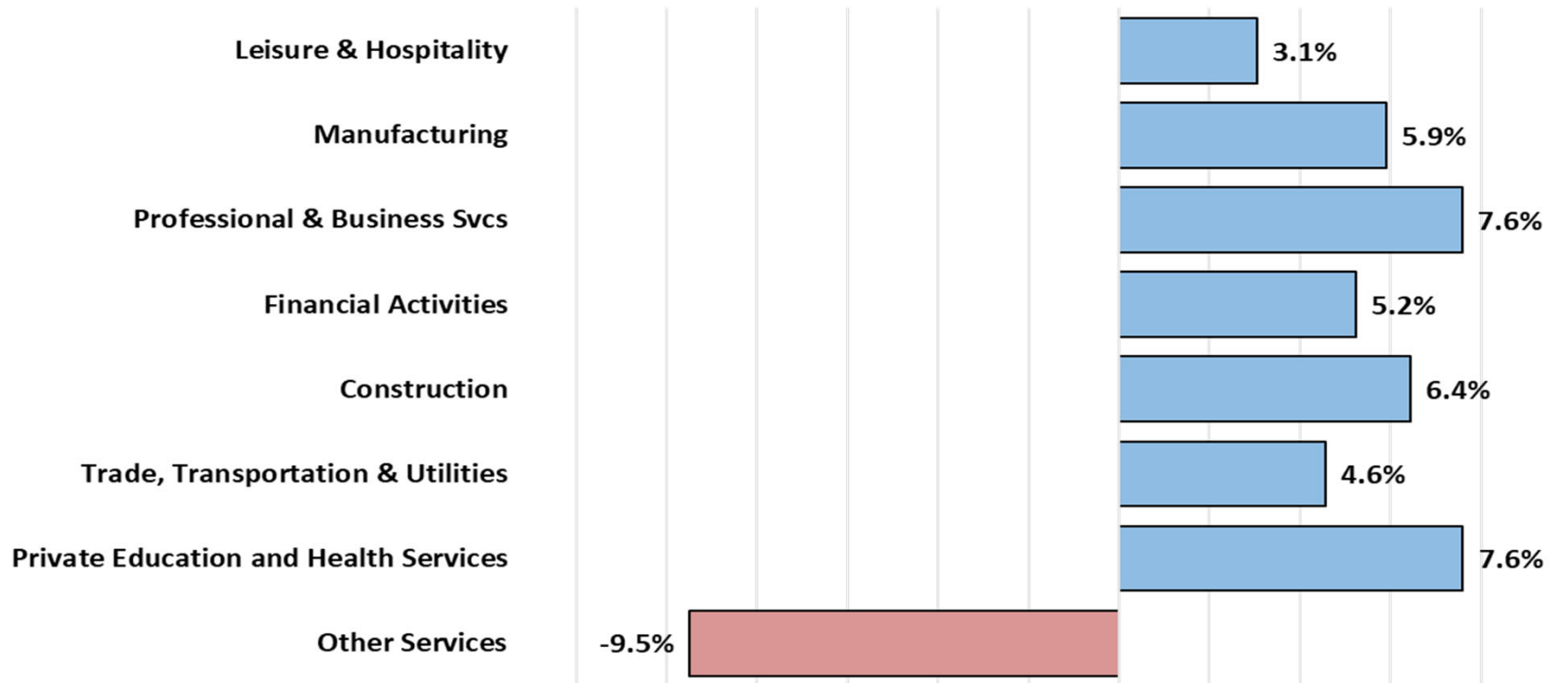


Arizona Office of Economic Opportunity October 2024

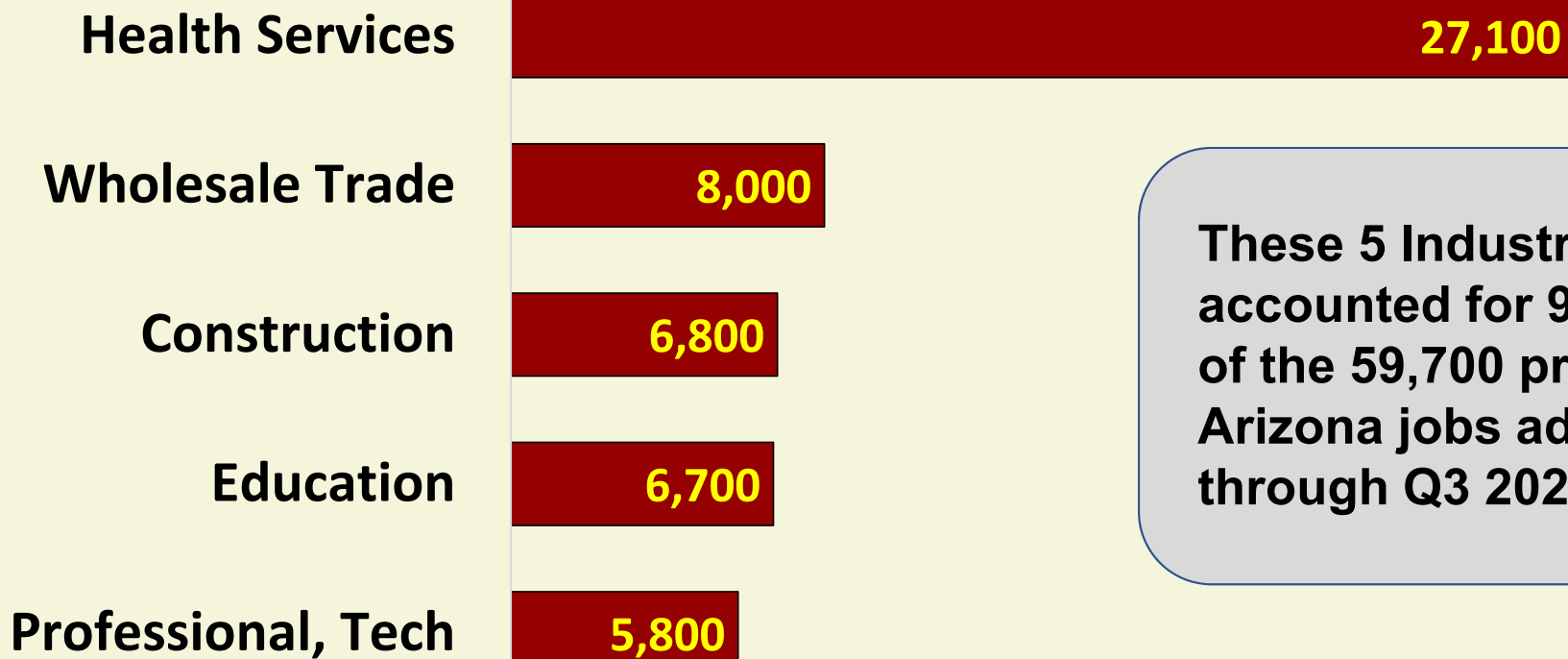


Wage Growth in Arizona is Strong

Arizona Over-the-Year Hourly Earnings Percentage Gain/Loss by Sector



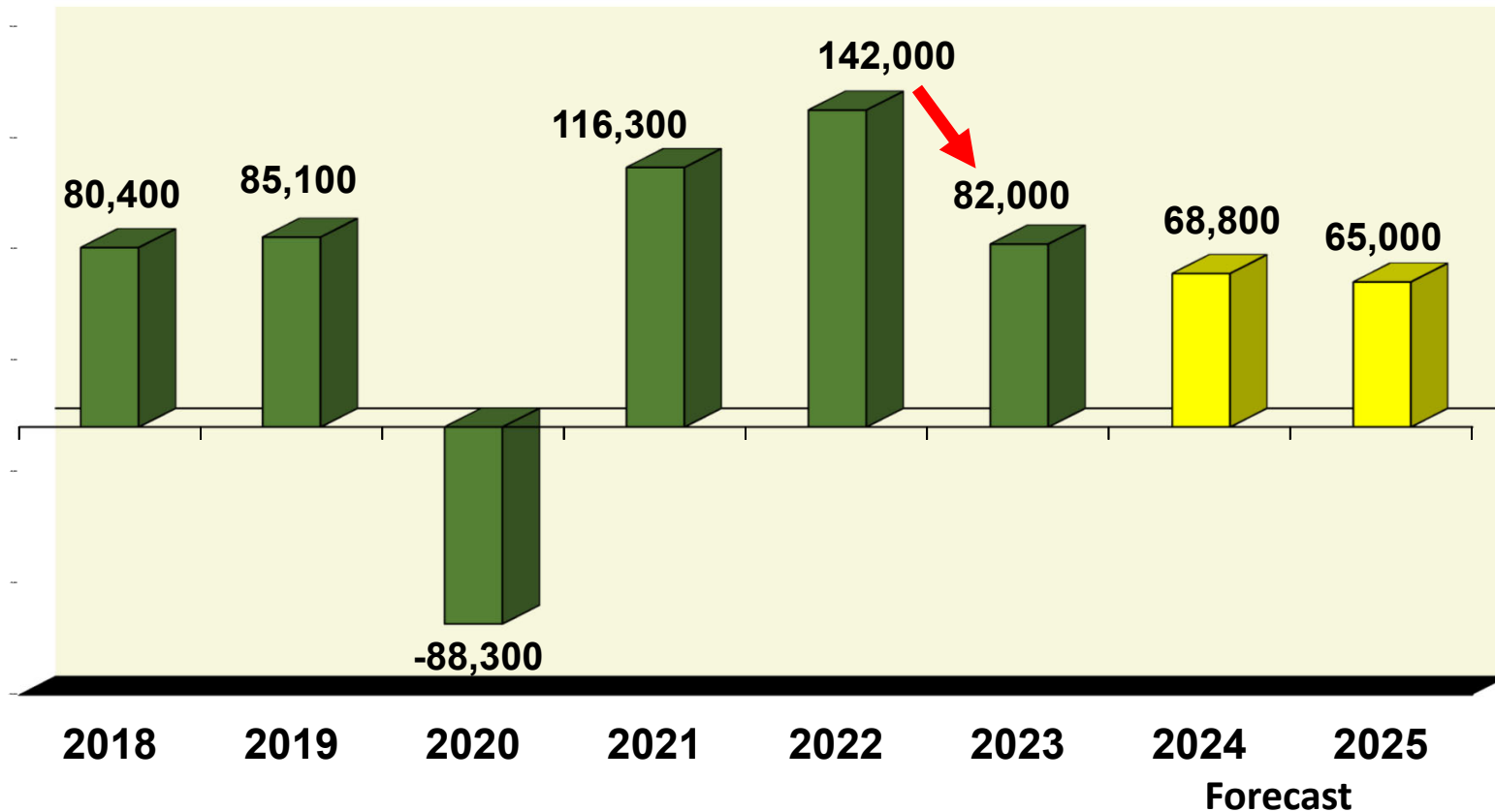
Five Key Industries Drive 2024 Arizona Job Growth



**These 5 Industries
accounted for 90%
of the 59,700 private
Arizona jobs added
through Q3 2024**

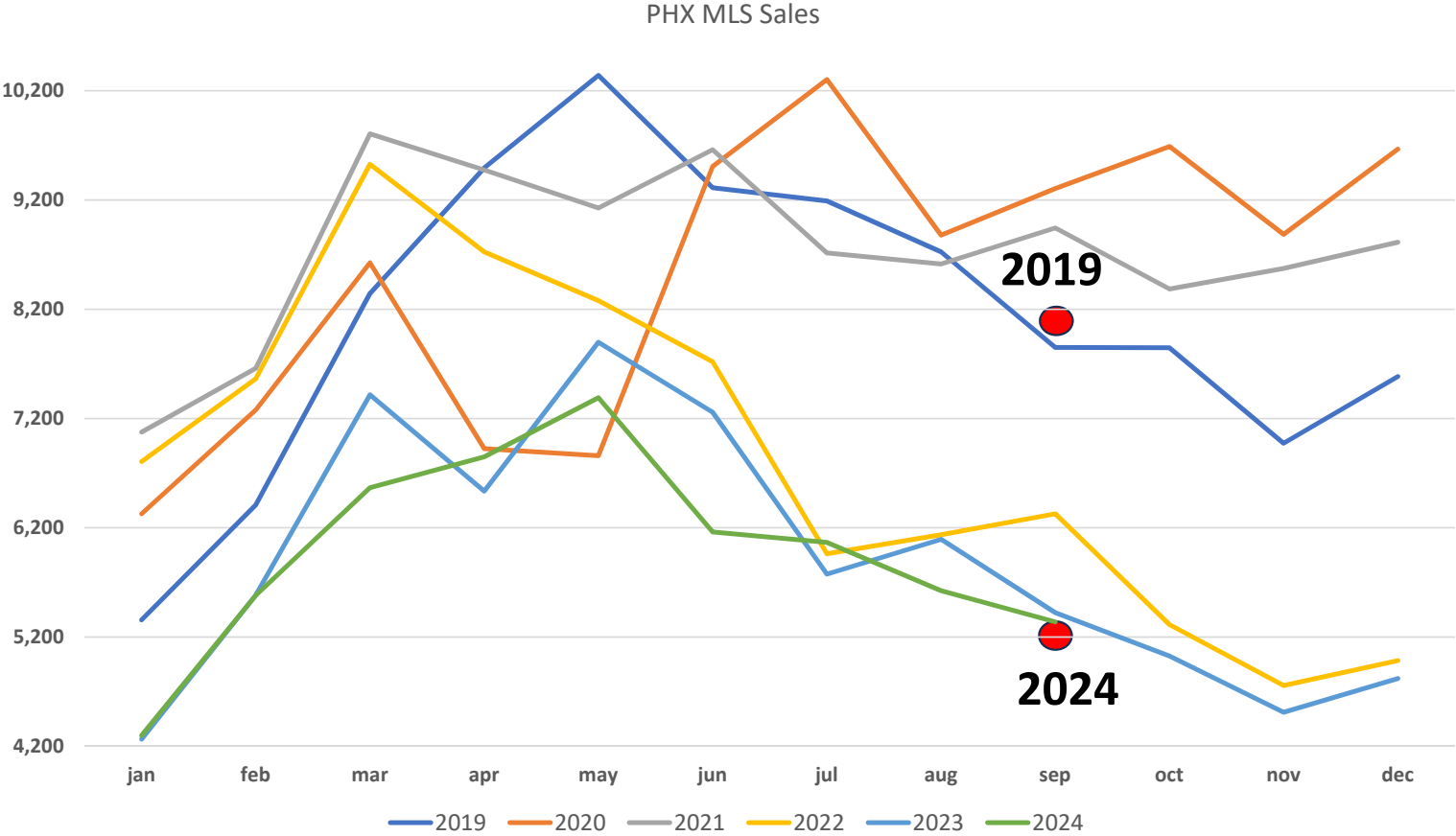
Tight Fed Policy Reined in Arizona Job Growth

Annual Change In Arizona Nonfarm Jobs 2018 - 2025



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

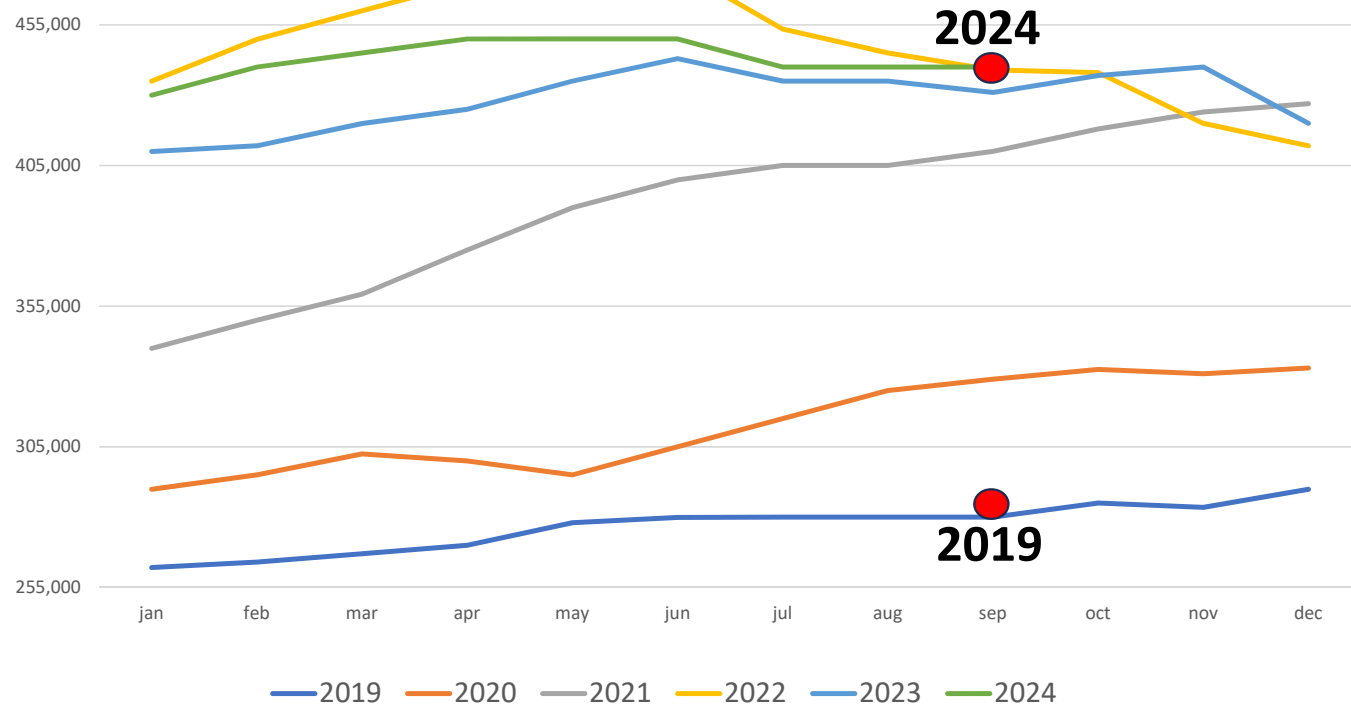
Residential Housing Sales Pre and Post Pandemic



ARMLS Market Reports and W. P. Carey School of Business

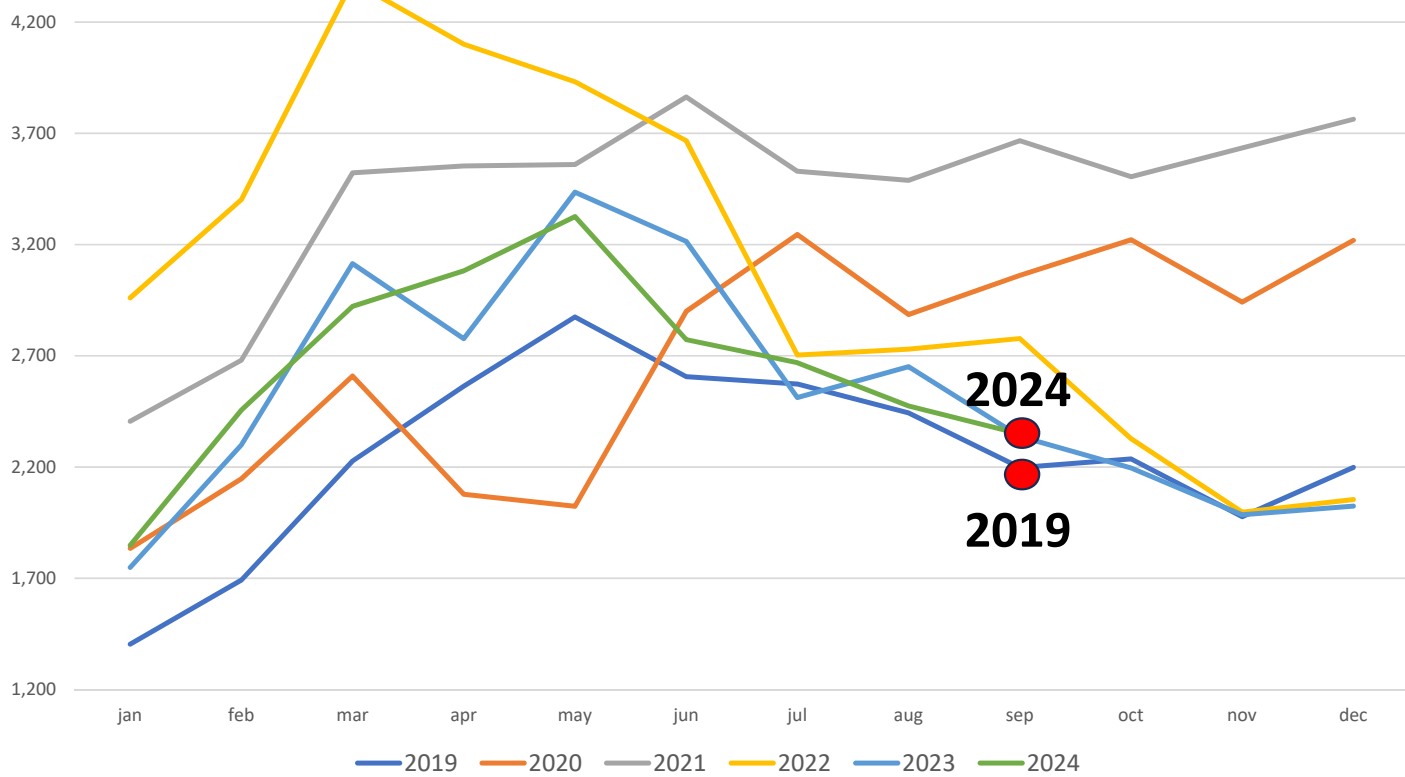
Residential Median Housing Prices for Sales Pre and Post Pandemic

PHX MLS Median Sales Prices



Residential Housing Sales Volume Pre and Post Pandemic

PHX MSA Sales \$ Volume pre and post pandemic



New Administration Economic Policy implications for AZ

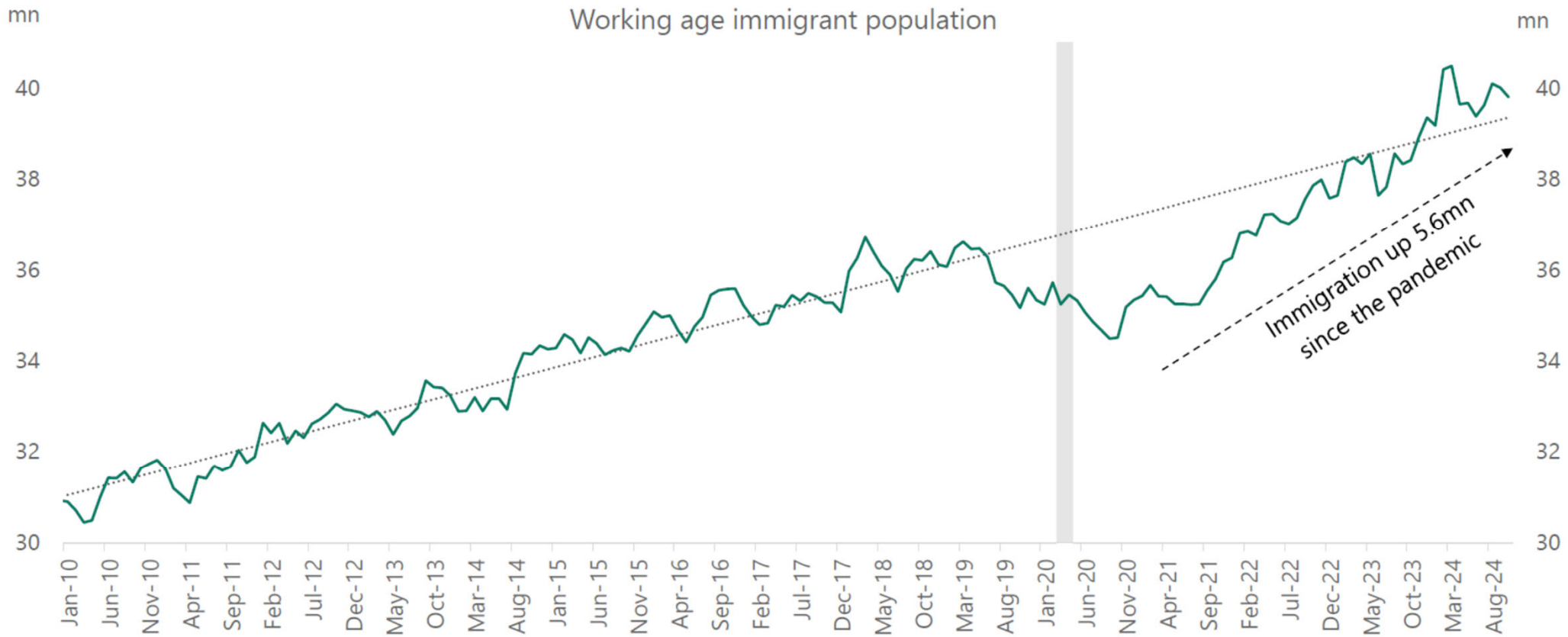
- **Tariffs and anti-global trade, fixation with foreign company ownership**
- **Tax cuts**
- **Less immigration and perhaps deportation?**
- **Fed independence?**
- **Reduced renewable Energy Credits**



Will Deportations Happen??

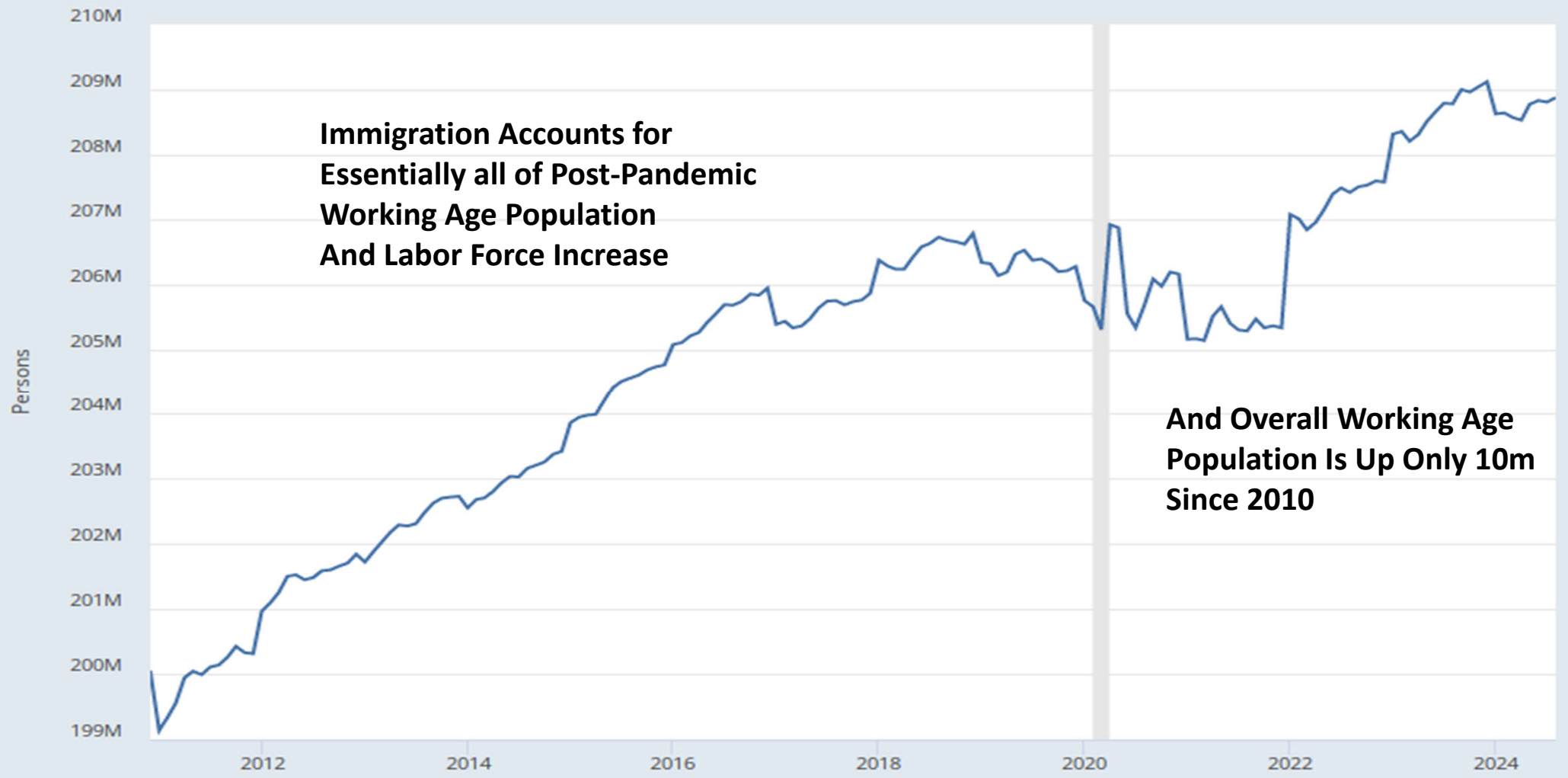
Trump announced in a social media post that [Tom Homan](#), the former acting director of U.S. Immigration and Customs Enforcement, will be his administration's "border czar." Homan had said at a conservative conference earlier this year "No one's off the table. If you're here illegally, you better be looking over your shoulder." [He vowed](#) to "run the biggest deportation force this country has ever seen."

Working Age Immigration Up By 5.6mn Post-Pandemic and 10mn since 2010





— Infra-Annual Labor Statistics: Working-Age Population Total: From 15 to 64 Years for United States

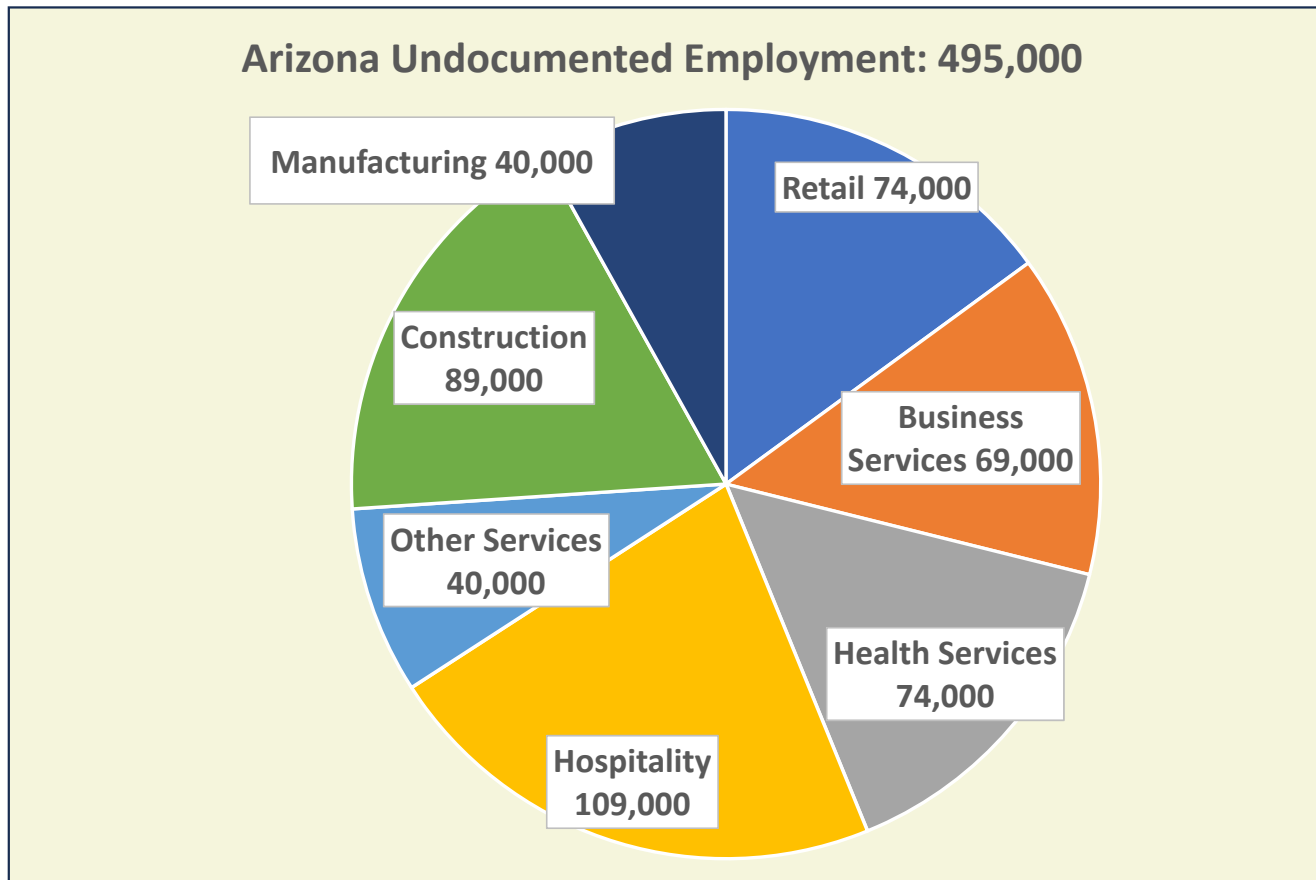


**Immigration Accounts for
Essentially all of Post-Pandemic
Working Age Population
And Labor Force Increase**

**And Overall Working Age
Population Is Up Only 10m
Since 2010**

Source: Organization for Economic Co-operation and Development

Deportation Would Hit Construction & Hospitality Industries Hardest



Preliminary: Pew Research Center & W. P. Carey School of Business

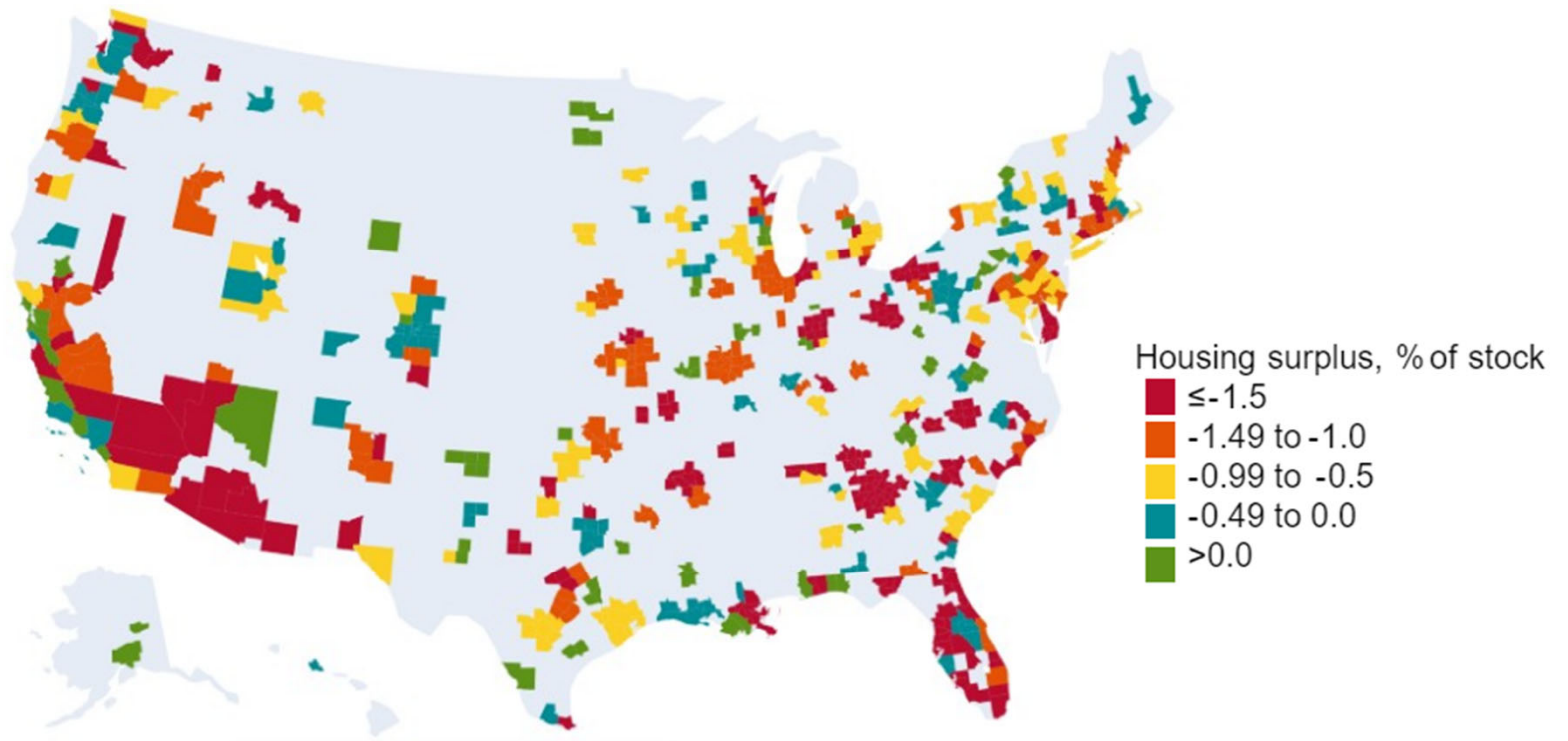
Impact of Mass Deportations on Arizona Industry Workforce

| Arizona Industry | Undocumented Workers | Share of Industry Jobs |
|-------------------|----------------------|------------------------|
| Construction | 89,000 | 41.0% |
| Manufacturing | 40,000 | 20.4% |
| Retail Trade | 74,000 | 21.2% |
| Business Services | 69,000 | 14.6% |
| Education, Health | 74,000 | 13.5% |
| Hospitality | 109,000 | 31.0% |
| Other Services | 40,000 | 37.7% |
| Total | 495,000 | |

Preliminary: Pew Research Center & W. P. Carey School of Business

Affordable Housing Shortage is National Issue

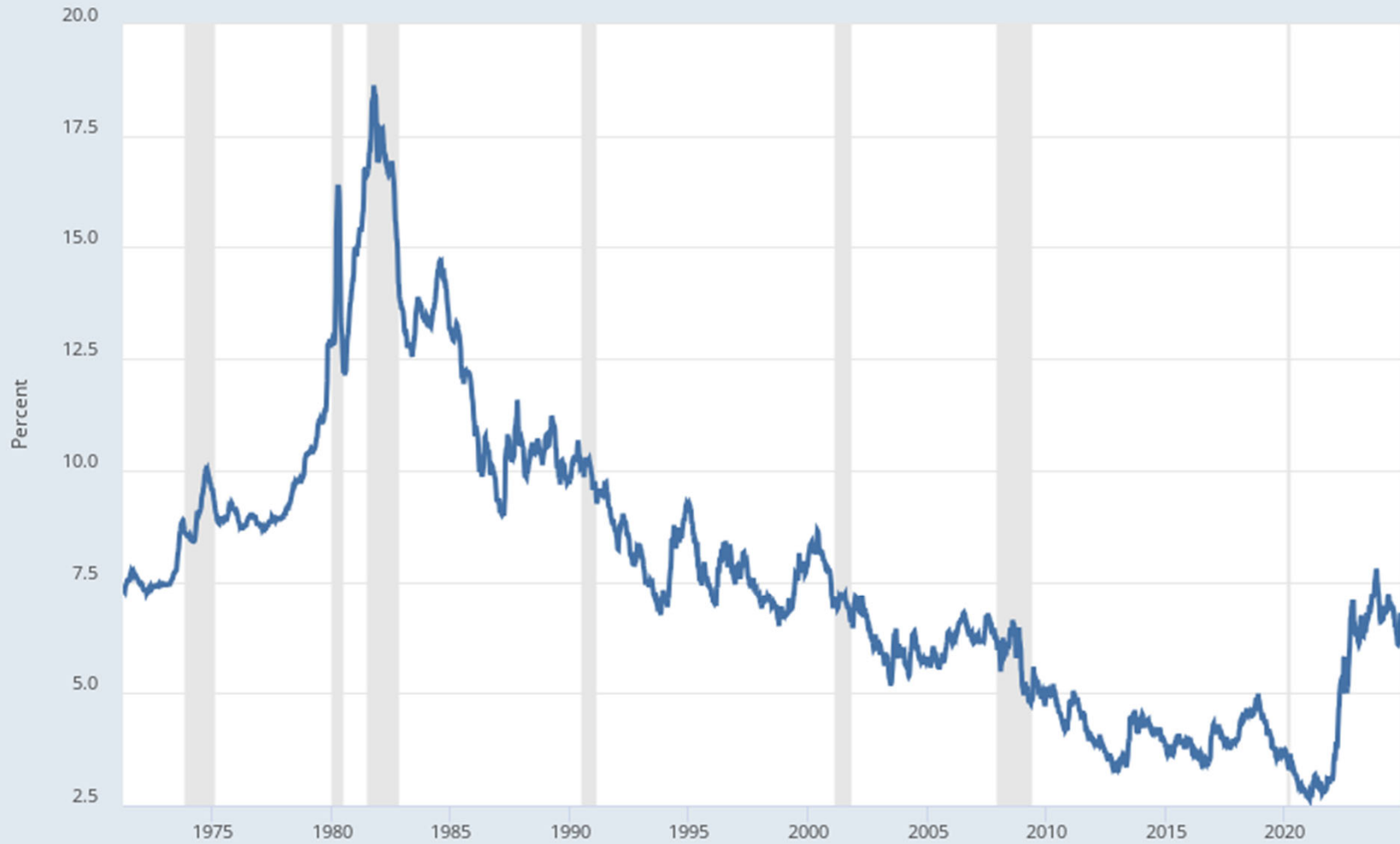
Housing surplus (deficit), % of housing stock



Sources: Census Bureau, Moody's Analytics

**And what will happen to
interest rates under the new
administration????**

FRED  — 30-Year Fixed Rate Mortgage Average in the United States



Source: Freddie Mac

myf.red/g/1zKpj

FRED — 30-Year Fixed Rate Mortgage Average in the United States



Source: Freddie Mac

myf.red/g/1zCup



Arizona Economic Outlook

| Indicators | 2023 | 2024 | 2025 |
|---------------------|--------|--------|---------|
| Real GSP Growth | 2.7% | 3.5% | 3.0% |
| Employment Growth | 2.6% | 2.2% | 2.0% |
| Job Creation | 82,000 | 68,800 | 65,000 |
| Unemployment | 3.9% | 3.6% | 4.5% |
| Population Increase | 66,000 | 84,000 | 105,000 |

Phoenix 6th Among Metro Labor Markets

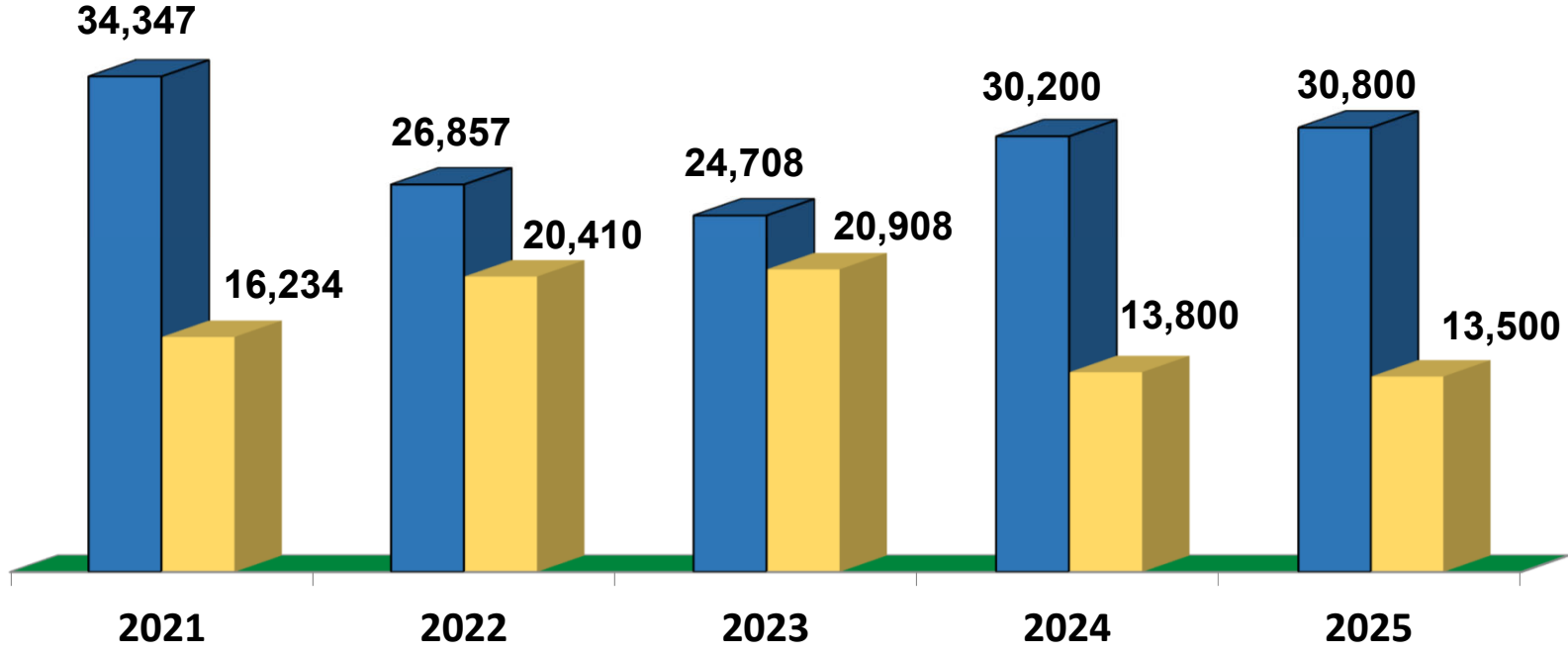
(Ranked by New Jobs Year to Date September 2024)

- 1 New York (148,300 Jobs)
- 2 Houston (77,400 Jobs)
- 3 Miami (69,600 Jobs)
- 4 Dallas-Ft. Worth (68,900 Jobs)
- 5 Los Angeles (62,400 Jobs)
- 6 Phoenix (53,200 Jobs)

Phoenix Single Family Up As Multi-Family Slows

Single Family Permits

Multi-Family Permits



Forecast

U.S. Census Bureau and W. P. Carey School of Business



Metro Phoenix Economic Outlook

| Indicators | 2023 | 2024 | 2025 |
|-----------------------|--------|--------|--------|
| Employment Growth | 3.0% | 2.3% | 2.1% |
| Job Creation | 69,800 | 55,900 | 51,400 |
| Population Growth | 92,100 | 92,700 | 92,600 |
| Single Family Permits | 24,700 | 30,200 | 30,800 |
| Multi-Family Permits | 20,900 | 13,800 | 13,500 |

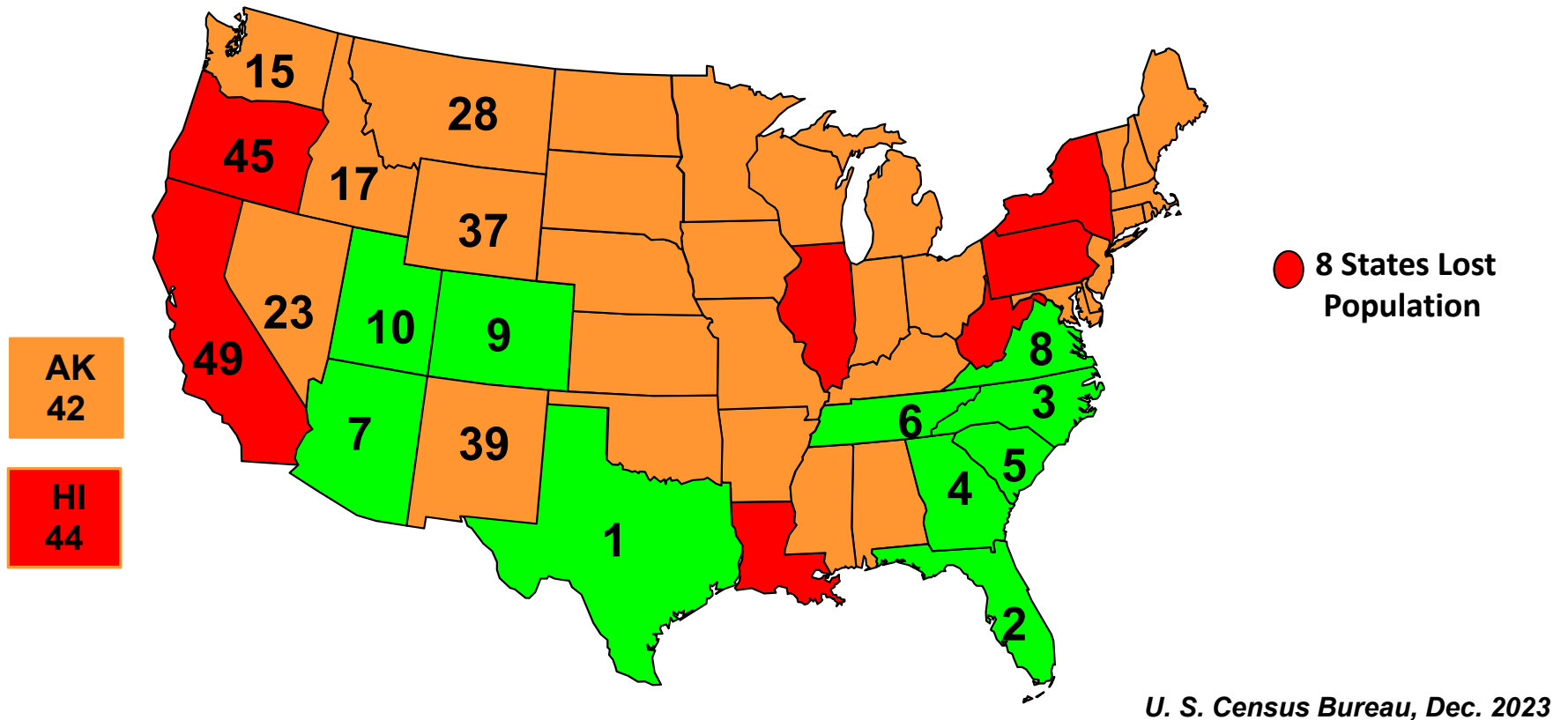
Mark Stapp, Director

ASU Center for Real Estate Theory and Practice
Masters of Real Estate Development Program

- **Commercial Real Estate Outlook from broker survey October 2024**
 - **88% Optimistic, up somewhat from last year with financing improving**
 - **Office:** Mixed, mostly a tenant market with some new growth but no expansion from existing tenants. Rents stable to down
 - **Industrial:** Been hot, but now softening, mostly a tenant market
 - **Retail:** Strong, rents moving up, demand high, mostly a landlord market
 - **Multi-Family:** Rents have peaked, will continue to soften over next year but there remains modest optimism from survey respondents
 - **Land:** Majority optimistic with prices steady or up
 - **Single Family** remains constrained by **rate lock in** which limits inventory. Not enough building in general but build-to-rent is strong. Demographic tailwinds strong. But affordability is an issue. Lower rates will be welcomed when/if they arrive

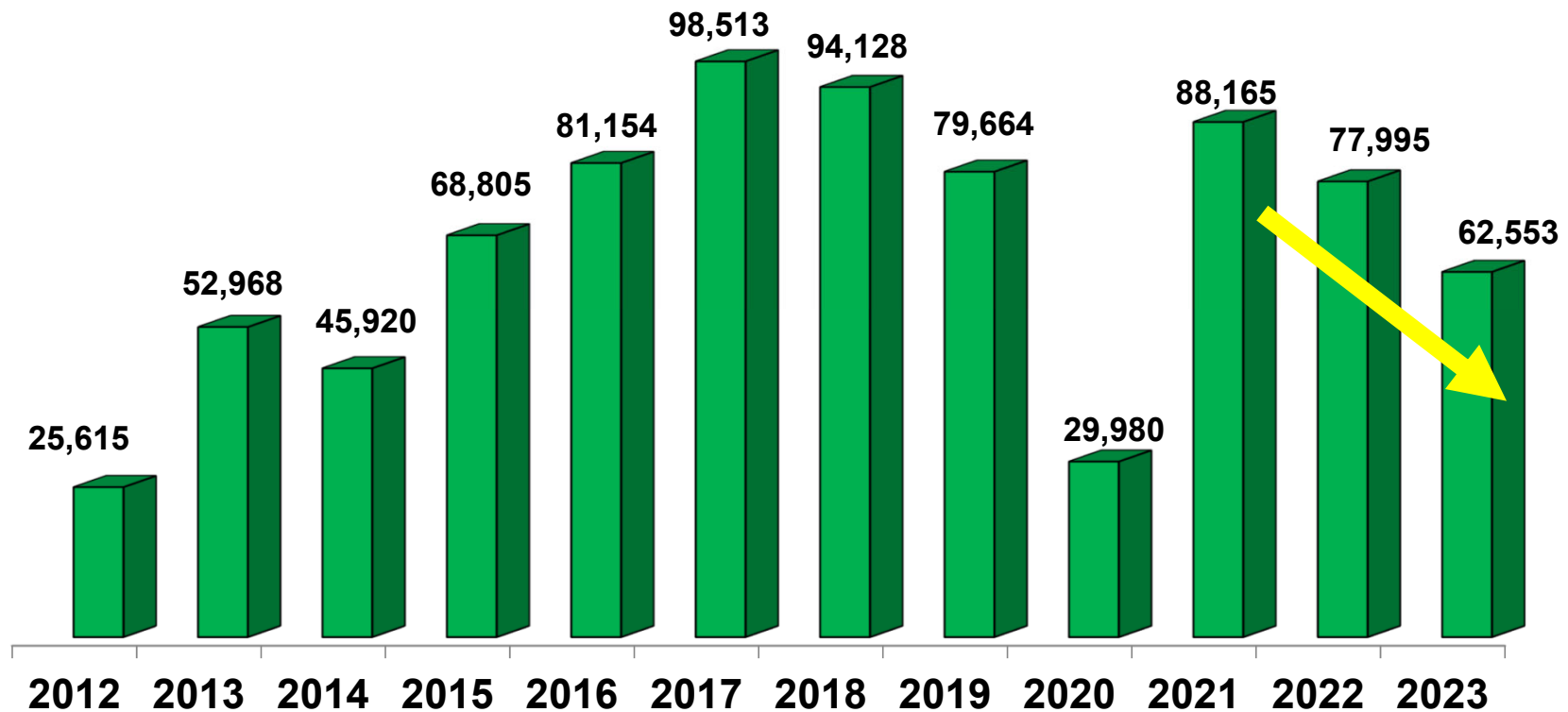
Arizona Among Top Population Growth States

Ranked by New Residents 2023: Natural Increase + Migration



Is Arizona Affordability Hurting In-Migration?

Arizona Net Domestic (State-to-State) Migration



U. S. Census Bureau, ACS