



# ***The Arizona Real Estate Market: Not Quite Deja Vu***

**Arizona State University Economic Outlook**

**December 5<sup>th</sup>, 2012**

**Presented By:  
Elliott D. Pollack  
CEO, Elliott D. Pollack & Company**



*Elliott D. Pollack & Company*

**ARIZONA**

**Happy  
Birthday!!**



**LEE**

**Happy  
Birthday!!**



**LEE**

**At the 1st annual  
*Tempe Normal School*  
Forecast Luncheon**



# The real estate market we wanted...



# The real estate market we got...



28th Annual Economic Forecast Luncheon  
Arizona State University and  
Valley National Bank  
December 4, 1991  
Author: Elliott D. Pollack

**ARIZONA REAL ESTATE MARKET: HOW I SPENT MY MID-LIFE CRISIS**

Like most people my age, I had hoped to spend my early 40's wondering about the meaning of life, being bored with my job, and contemplating quitting my chosen field to become a bartender in Steamboat Springs. However, like everyone else related to the real estate field, I spent the last five years of my life surviving and dealing with yesterday's problems. Once again, I have the Federal government to thank for keeping me on the straight and narrow.



# FISCAL CLIFF ?





# Speaking of stupid...



# What will be the impact of defense cutbacks in Arizona?



**You won't  
know what  
you're  
getting  
until it's  
*TOO LATE.***



# 1991 Speech Conclusion









## The Recovery after '88- '92





## The Recovery after '07- '09





# SRP Residential Utility Hookup Percentage Growth Greater Phoenix 2003 – 2012\*

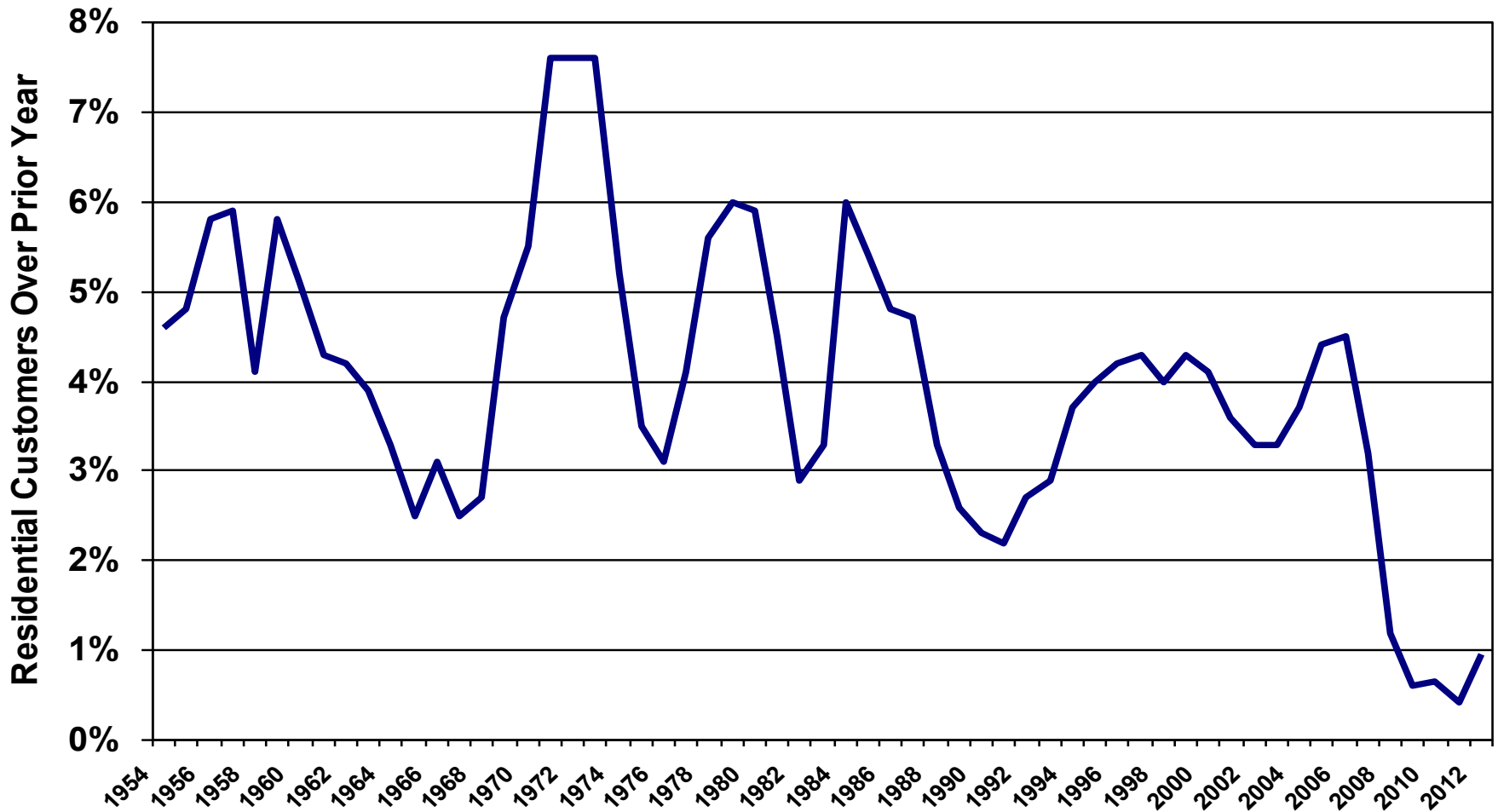
Source: SRP



\*Data through July 2012.



# APS: Slowest Growth in over 50 years 1954 – 2012\*

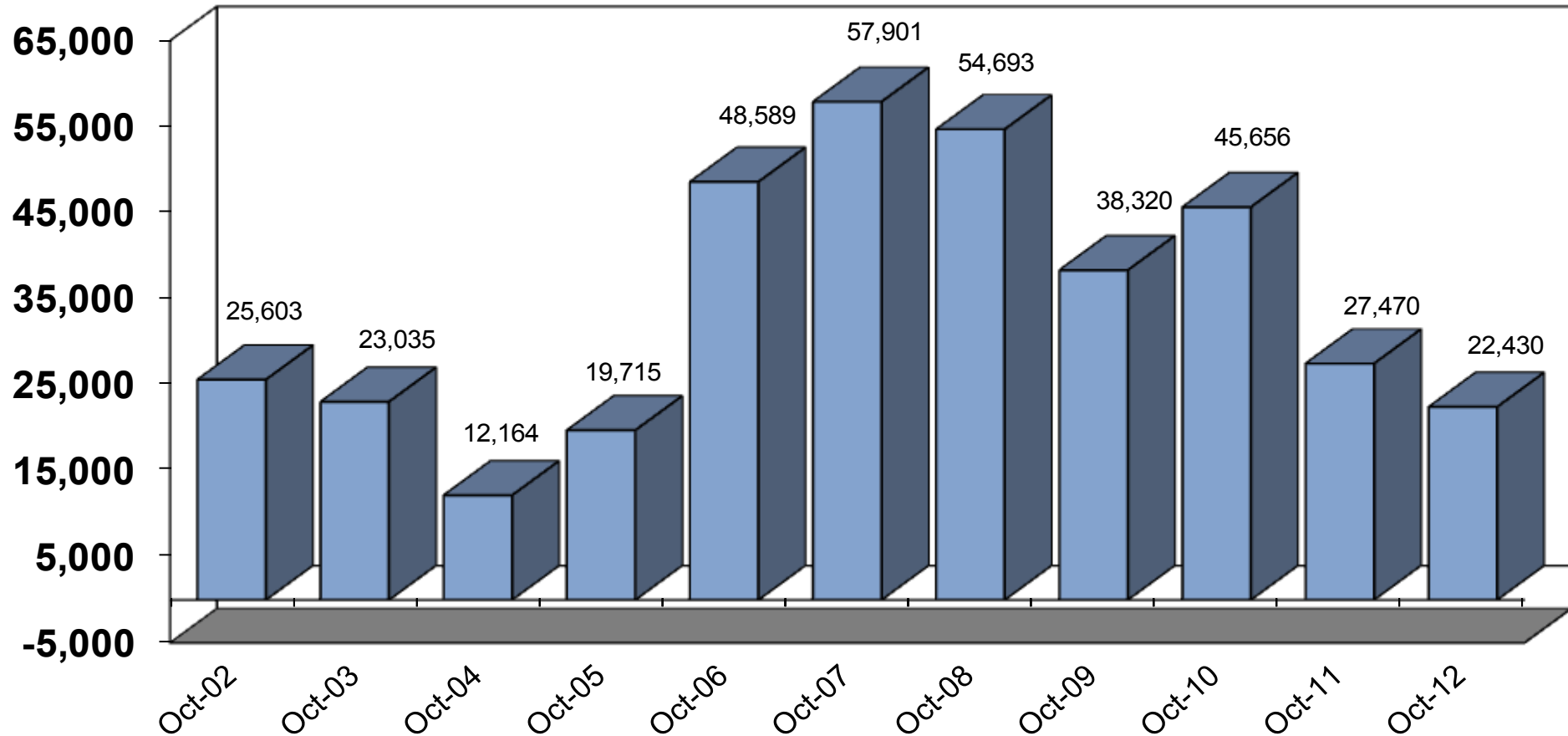


# It's hard not to be optimistic about HOUSING



# Single Family Active Listings Greater Phoenix

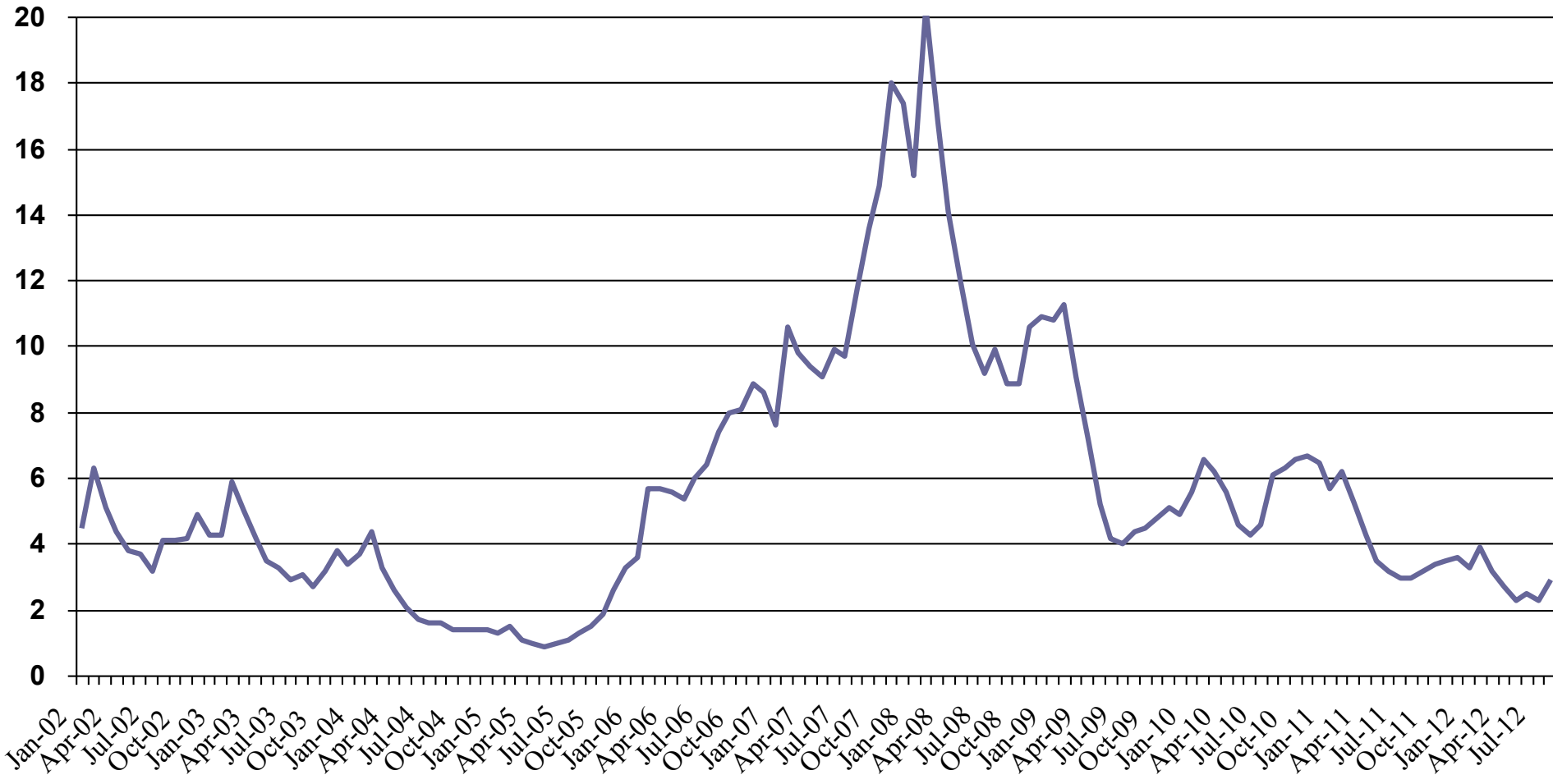
Source: Cromford Report



# Greater Phoenix Single Family Months Supply

2002 – 2012\*

Source: Cromford Report

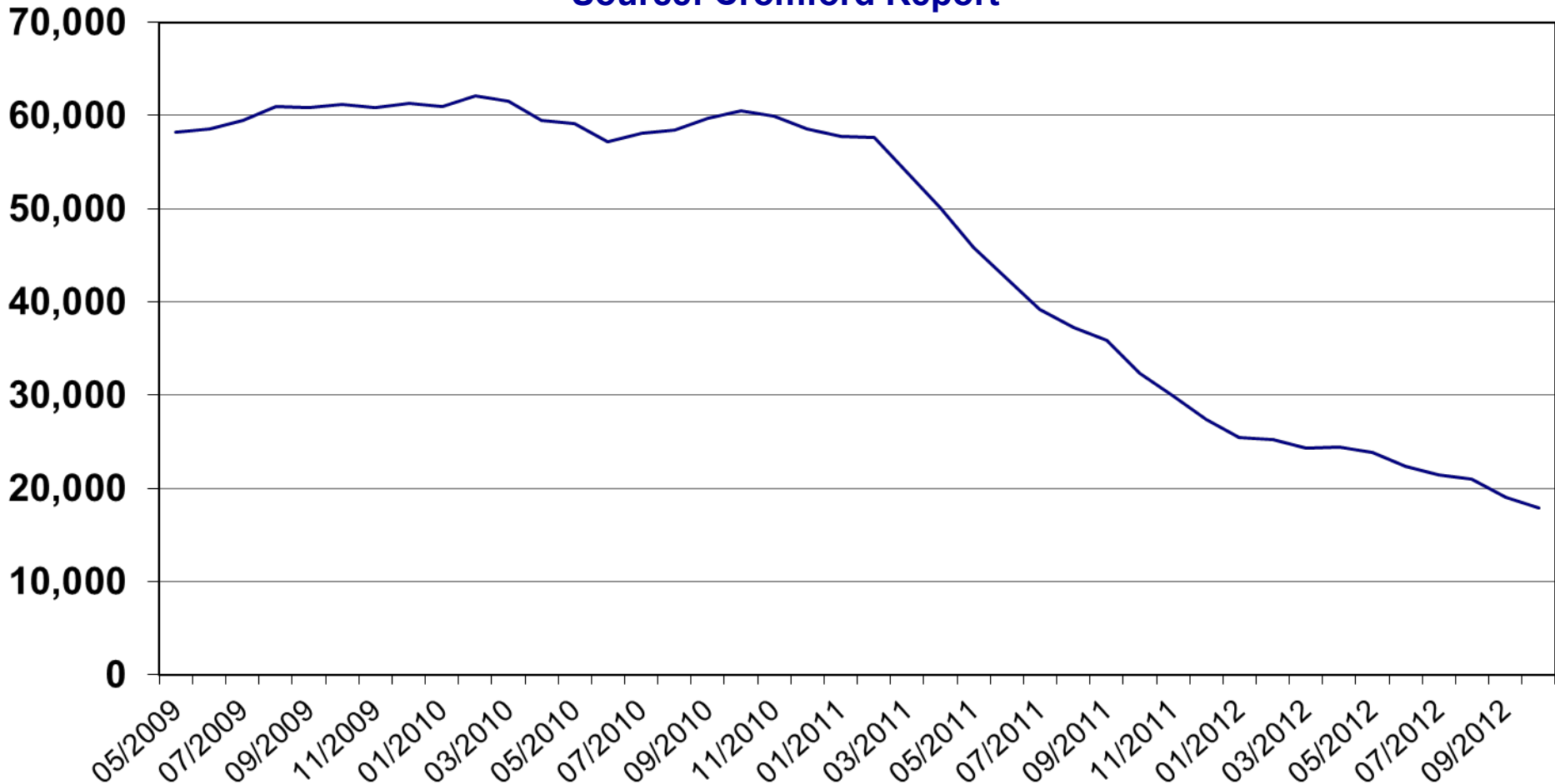


# Distressed Residential Inventory\*

## May 2009-October 2012

### Greater Phoenix

Source: Cromford Report

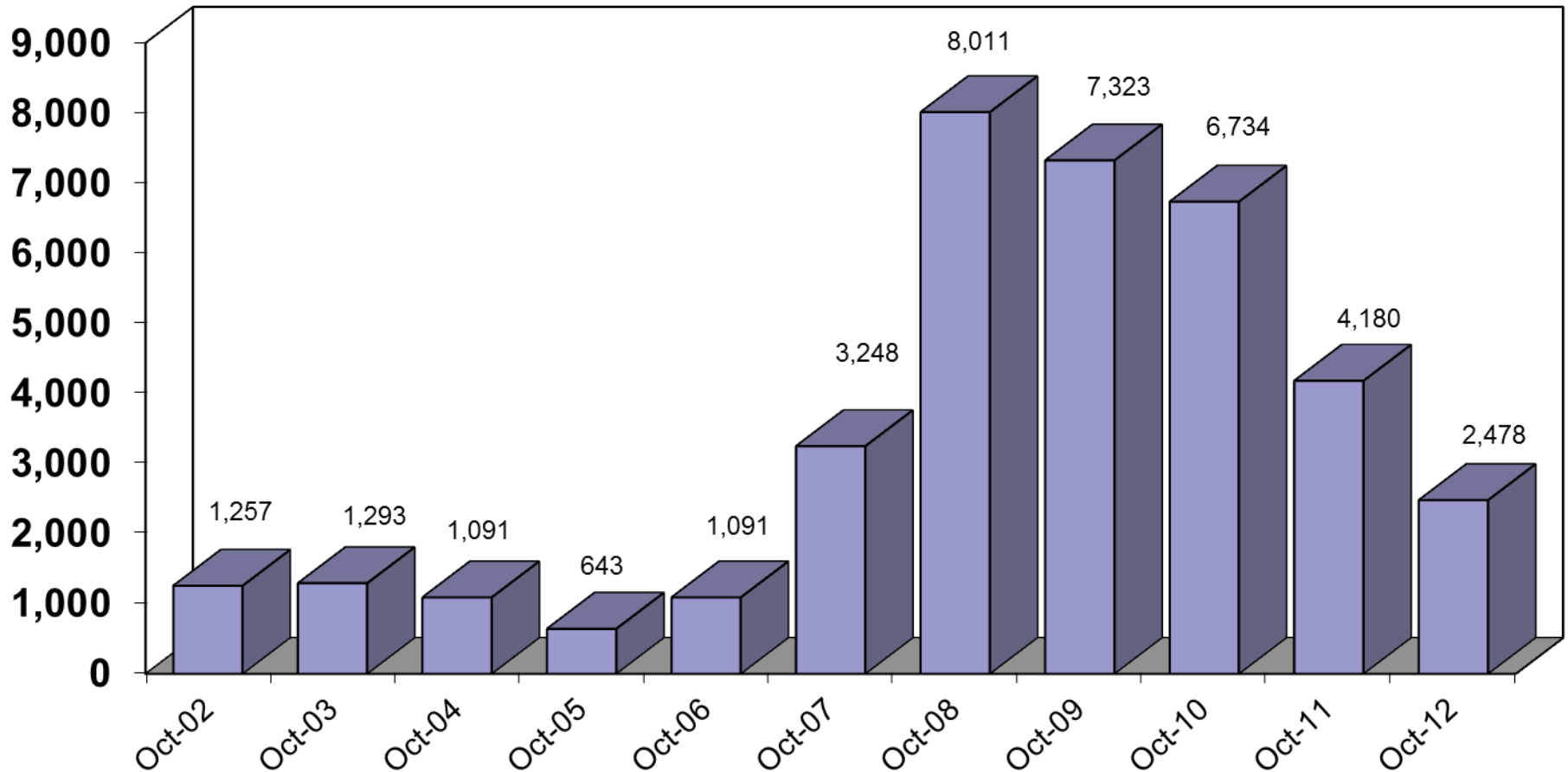


\*Distressed residential inventory includes pending residential foreclosures and residential REO properties



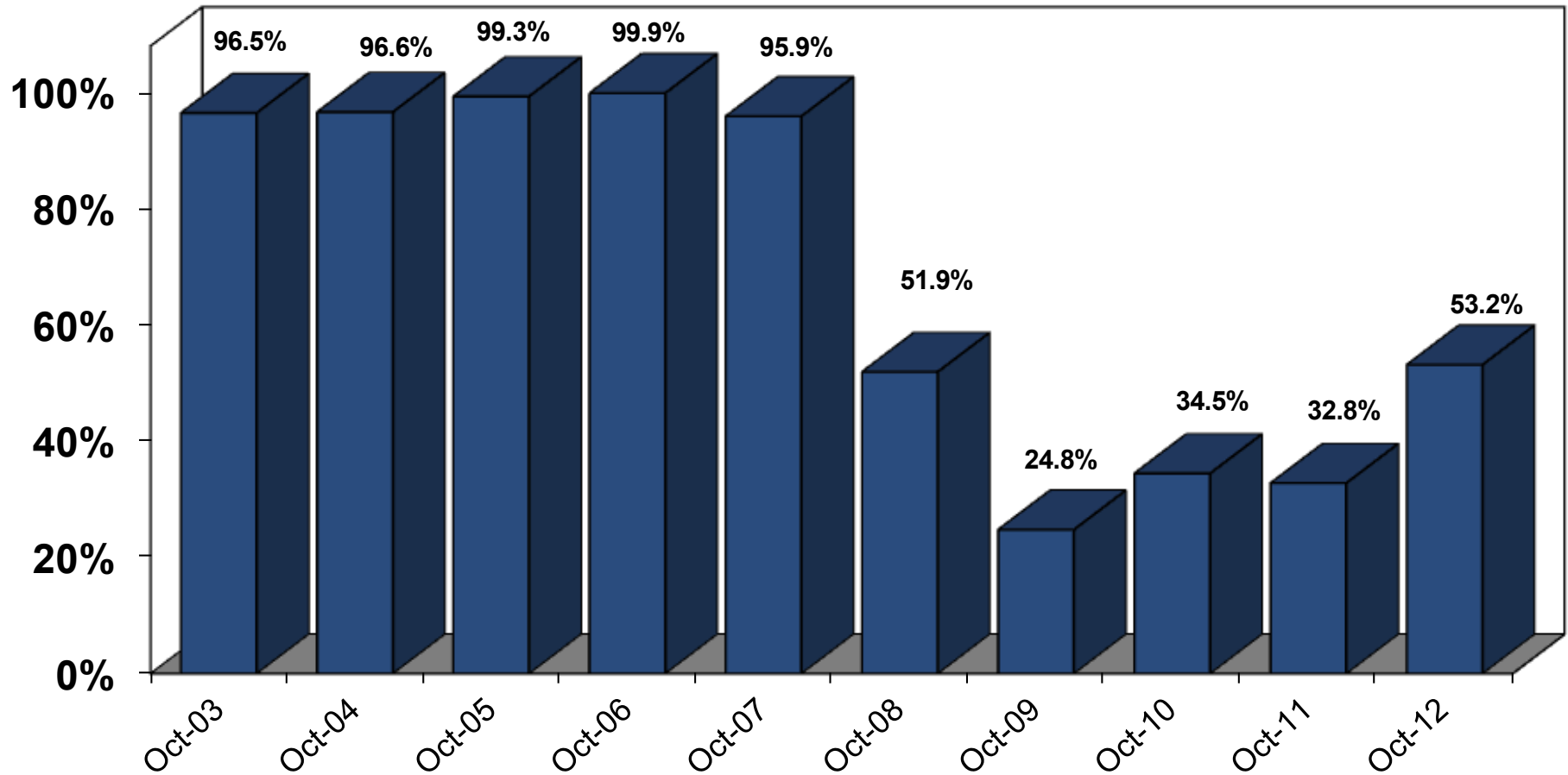
# New Residential Foreclosure Notices Greater Phoenix

Source: Cromford Report



# Single Family Normal Sales % of Total Sales Greater Phoenix

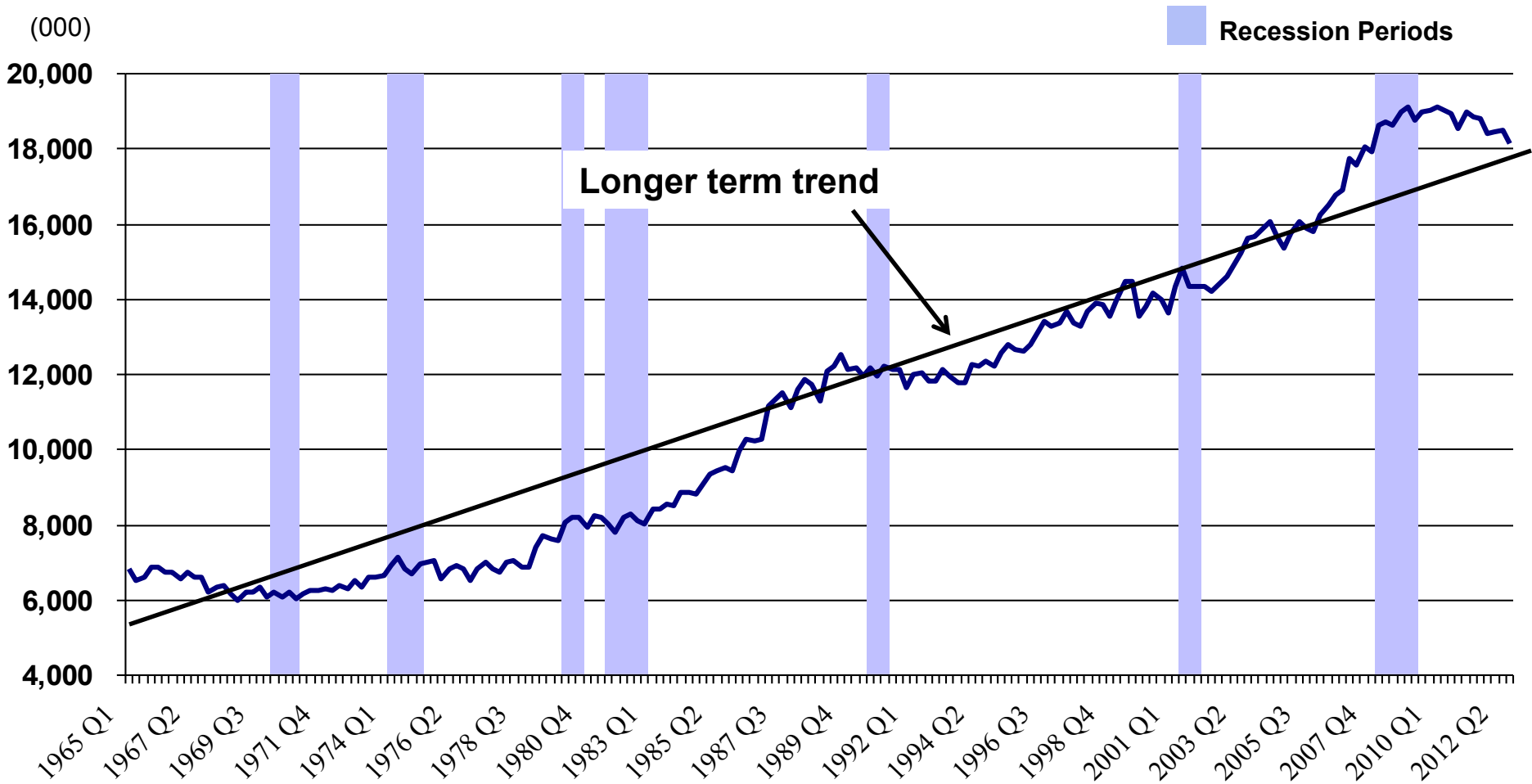
Source: Cromford Report





# US Total Vacant Housing Units 1965-2012\*

Source: US Census Bureau



\*Data through 2012 Q3



# Greater Phoenix Jobs

Source: BLS

**Jobs lost** Peak to Trough: **302,500**  
(Dec-07) (Jul-10)

**Jobs gained** Trough to Current: **133,500**  
(Jul-10) (Oct-12)

**\*\*\*We are 44% of the way back\*\*\***



# Single Family New Home Sales Greater Phoenix

Source: RL Brown

October 2011 YTD: 5,521

October 2012 YTD: 7,971

A 44.4% increase



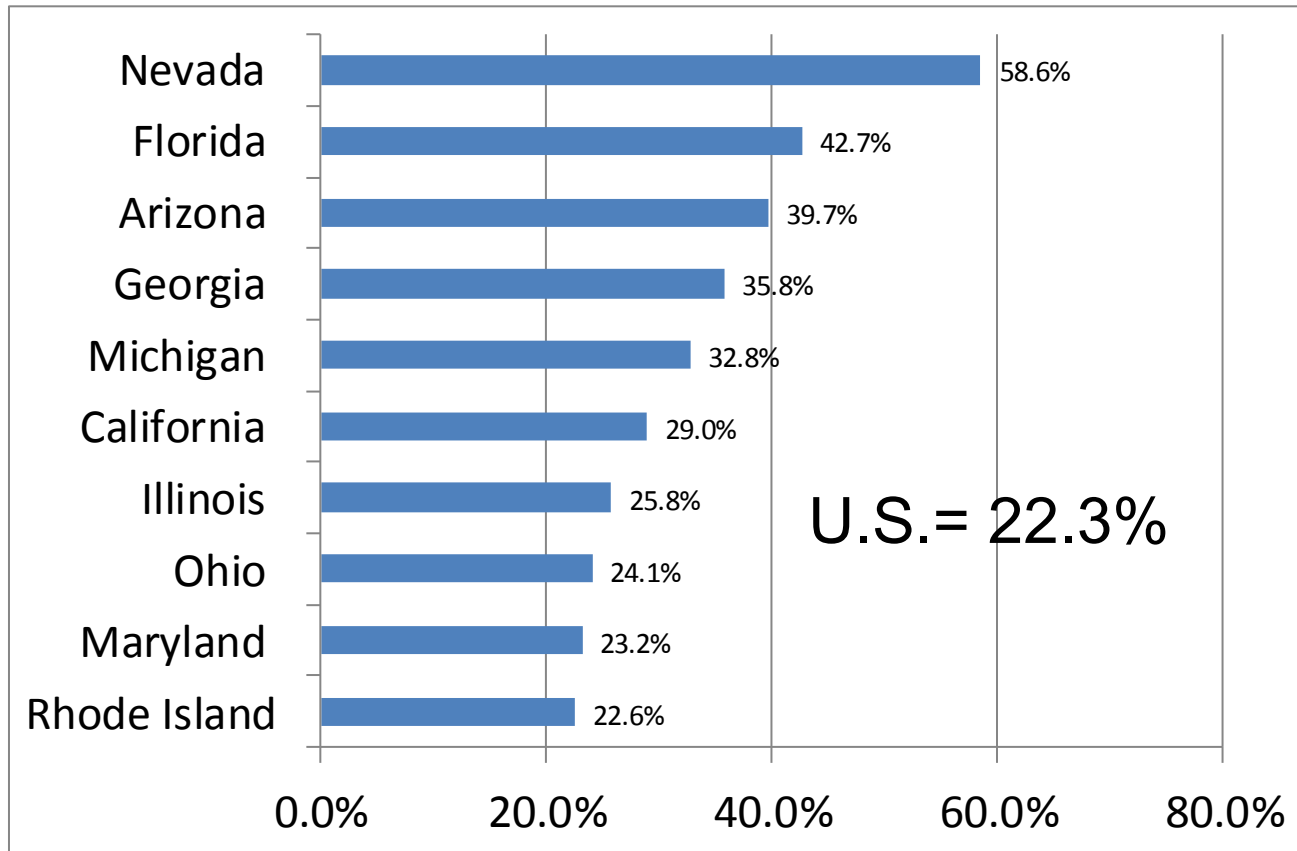
# Speaking of stupid...



# Top 10 States

## Percent of Homes with Mortgages with Negative Equity

Source: Core Logic



**Also, 40% of Households are not credit worthy.**



# **GREATER PHOENIX—**

**2013 will be better than 2012**

**2014 will be better than 2013**

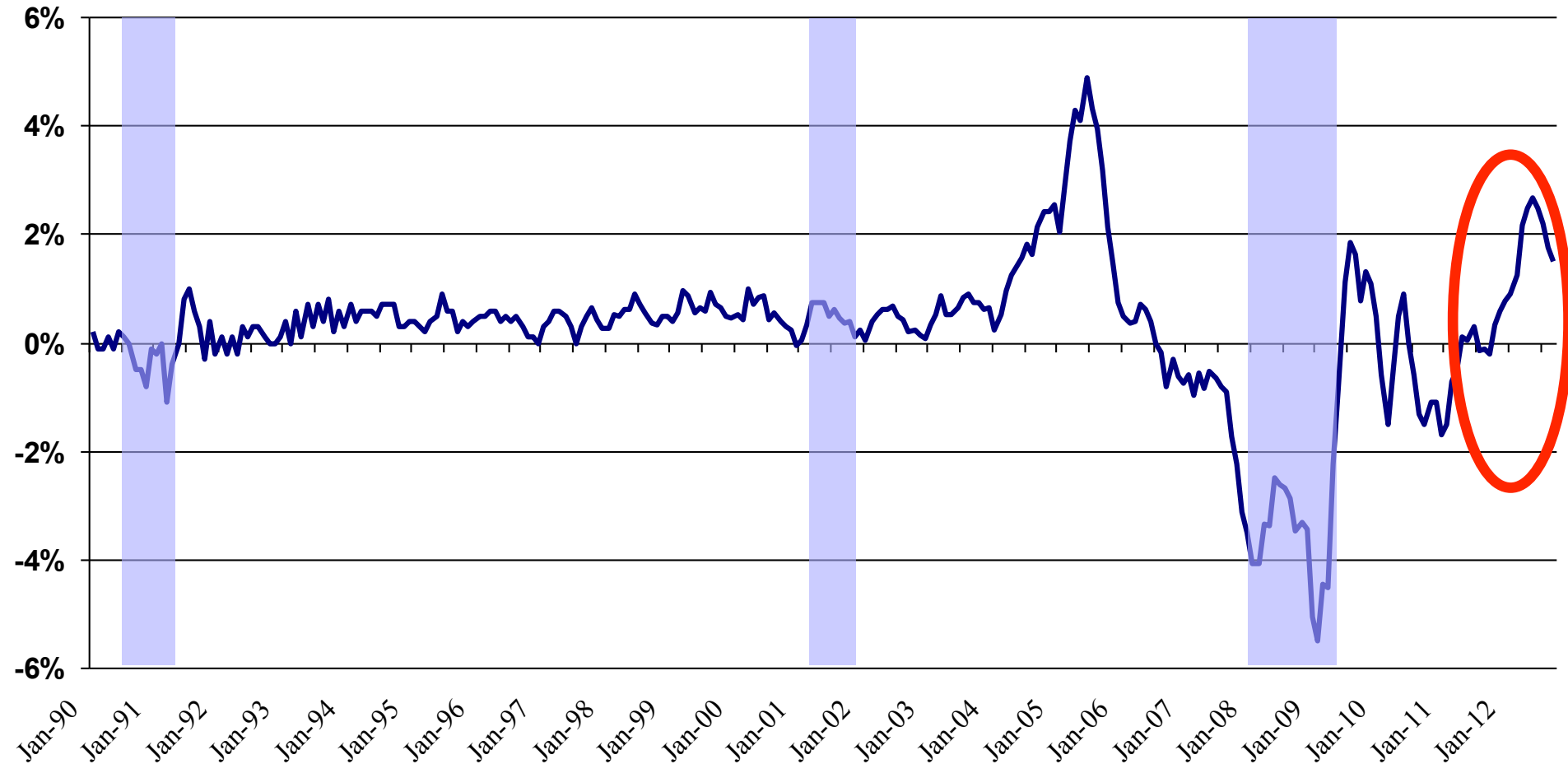
**2015 should be a really good year.**



# Greater Phoenix S&P/Case-Shiller Home Price Index\*\* Percent Change Month Ago 1990 – 2012\*

Source: Macro Markets, LLC

Recession Periods



\*Data through September 2012



Elliott D. Pollack & Company

\*\*Measures changes in existing single family home prices given a constant level of quality.

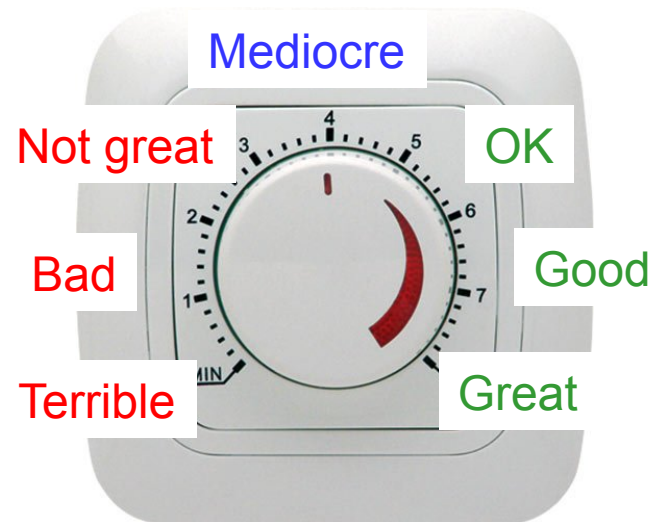


# Housing

Not a light switch...

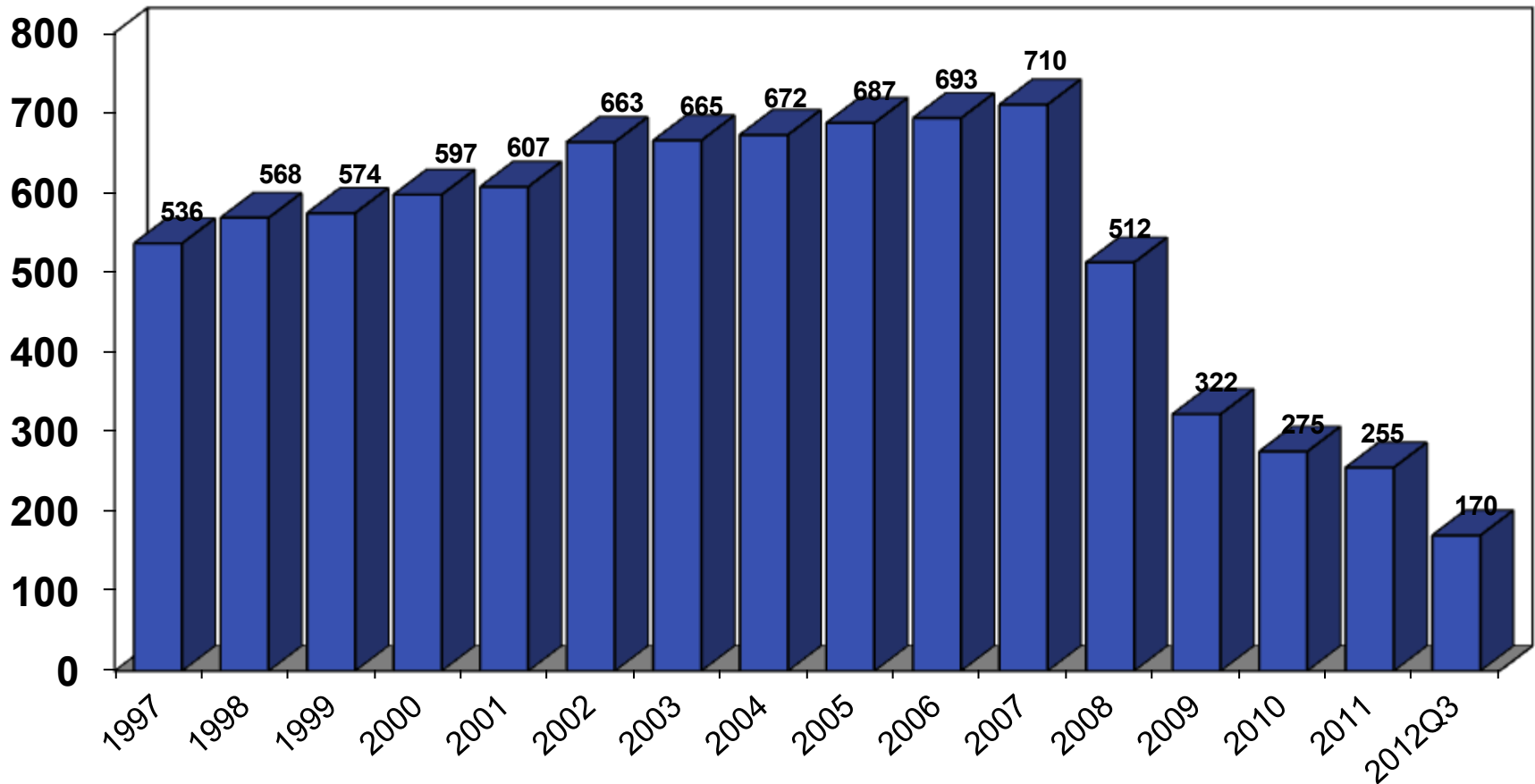


A dimmer switch...



# Number of Active Subdivisions Greater Phoenix

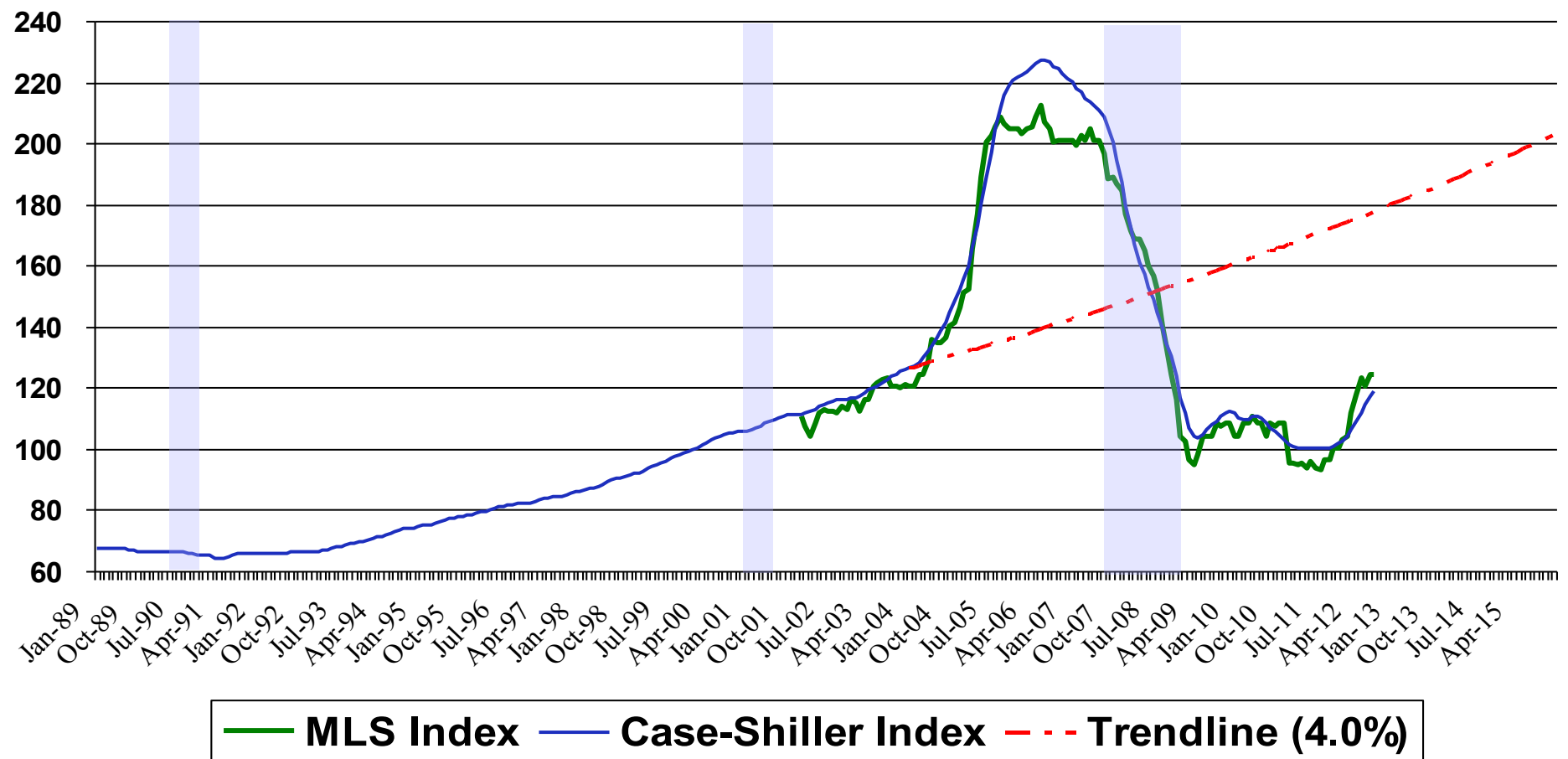
Source: CRA



# Home Prices Indices Greater Phoenix 1989 – 2012\*

Source: Macro Markets, LLC; AMLS

Recession Periods



\*Data through August 2012.



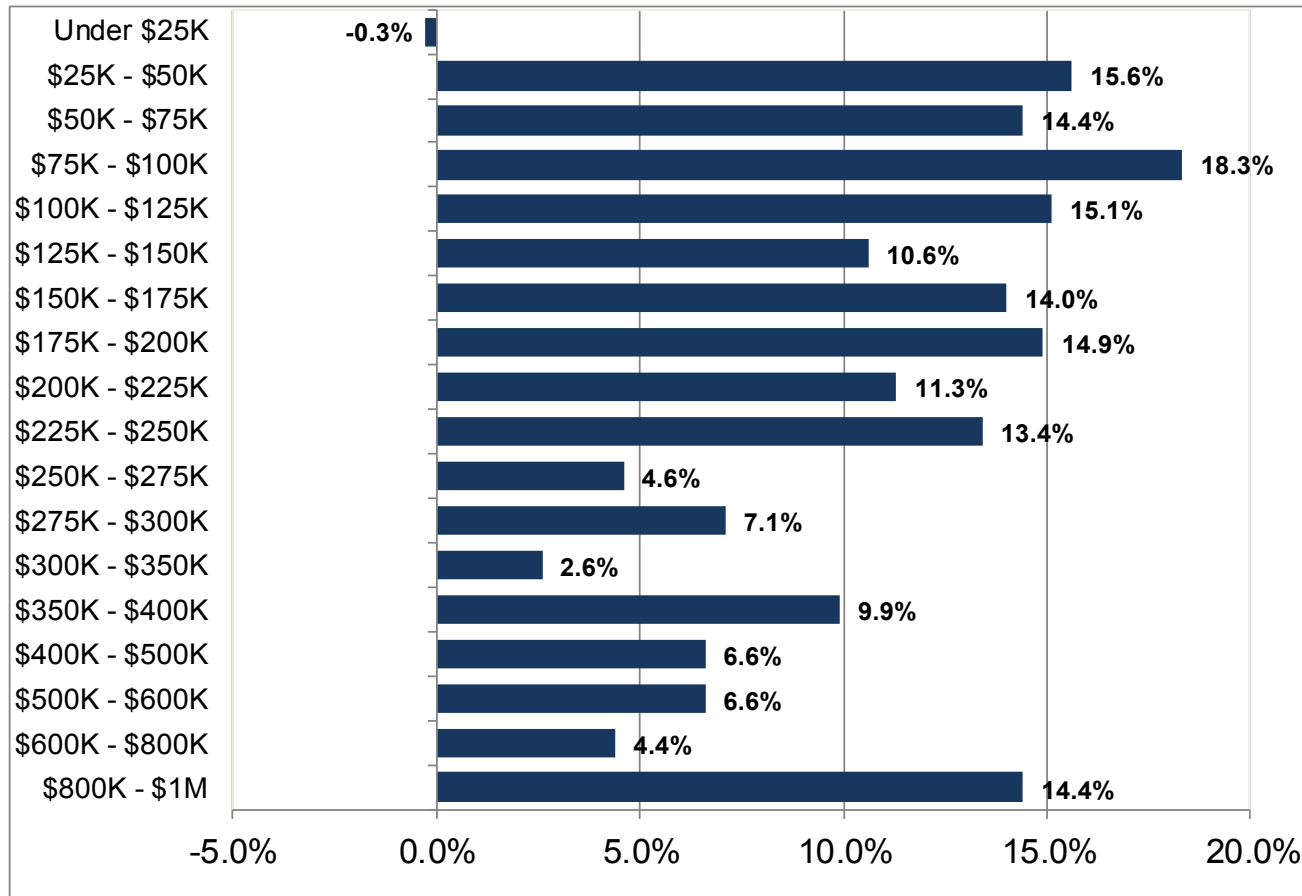
- Think of what the housing market is going through as the same as any manufacturer that finds themselves with excess inventory...
- Prices are cut until the excess is sold.
- Then prices rise.



# Greater Phoenix Single Family Appreciation by Price Range

October 2012

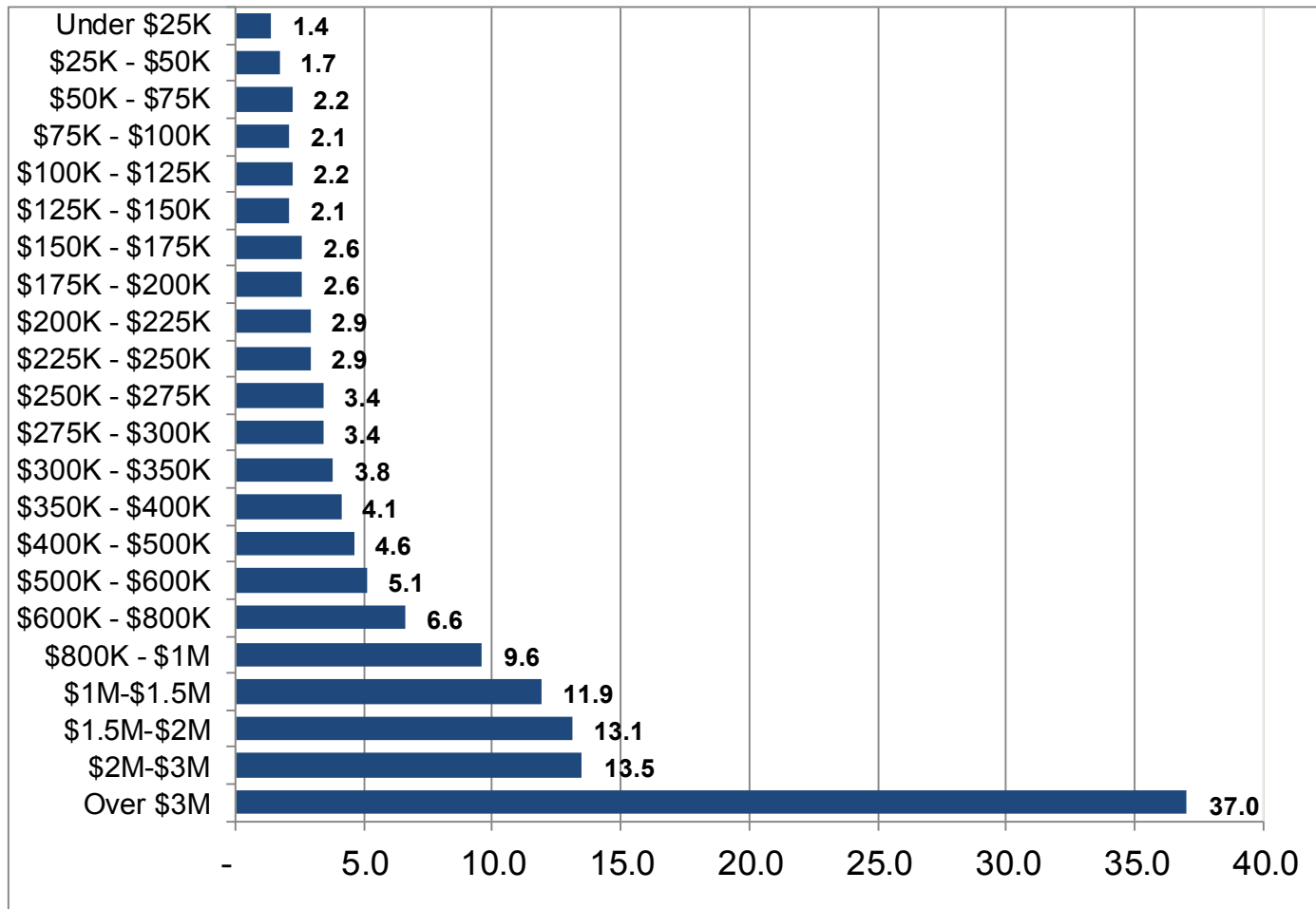
Source: Cromford Report



# Greater Phoenix Single Family Months Supply by Price Range

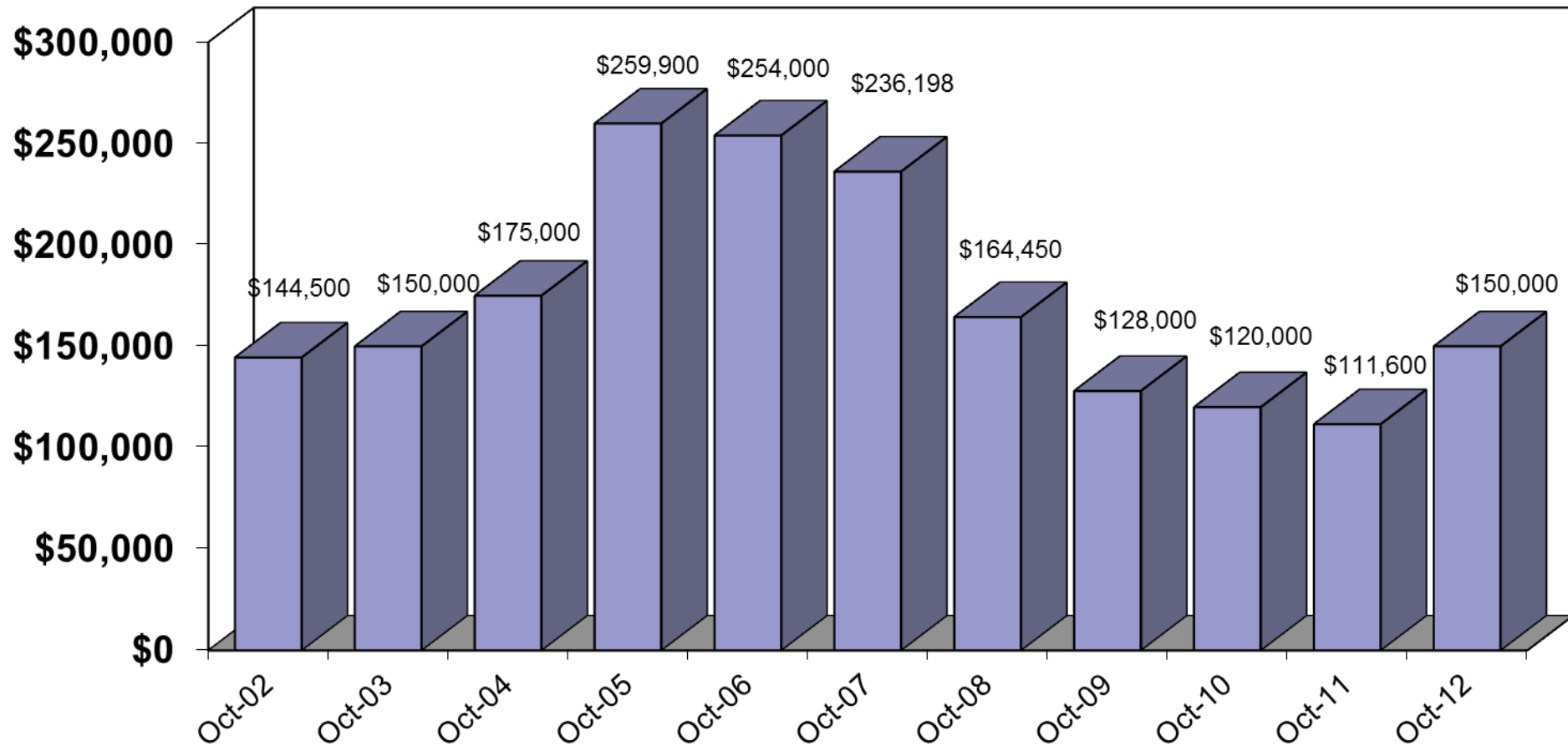
October 2012

Source: Cromford Report



# Greater Phoenix Median Sales Price New and Resale Single Family

Source: Cromford Report



# Household Formations

Lower during recessions (doubling up, living at home with mom & dad, etc)

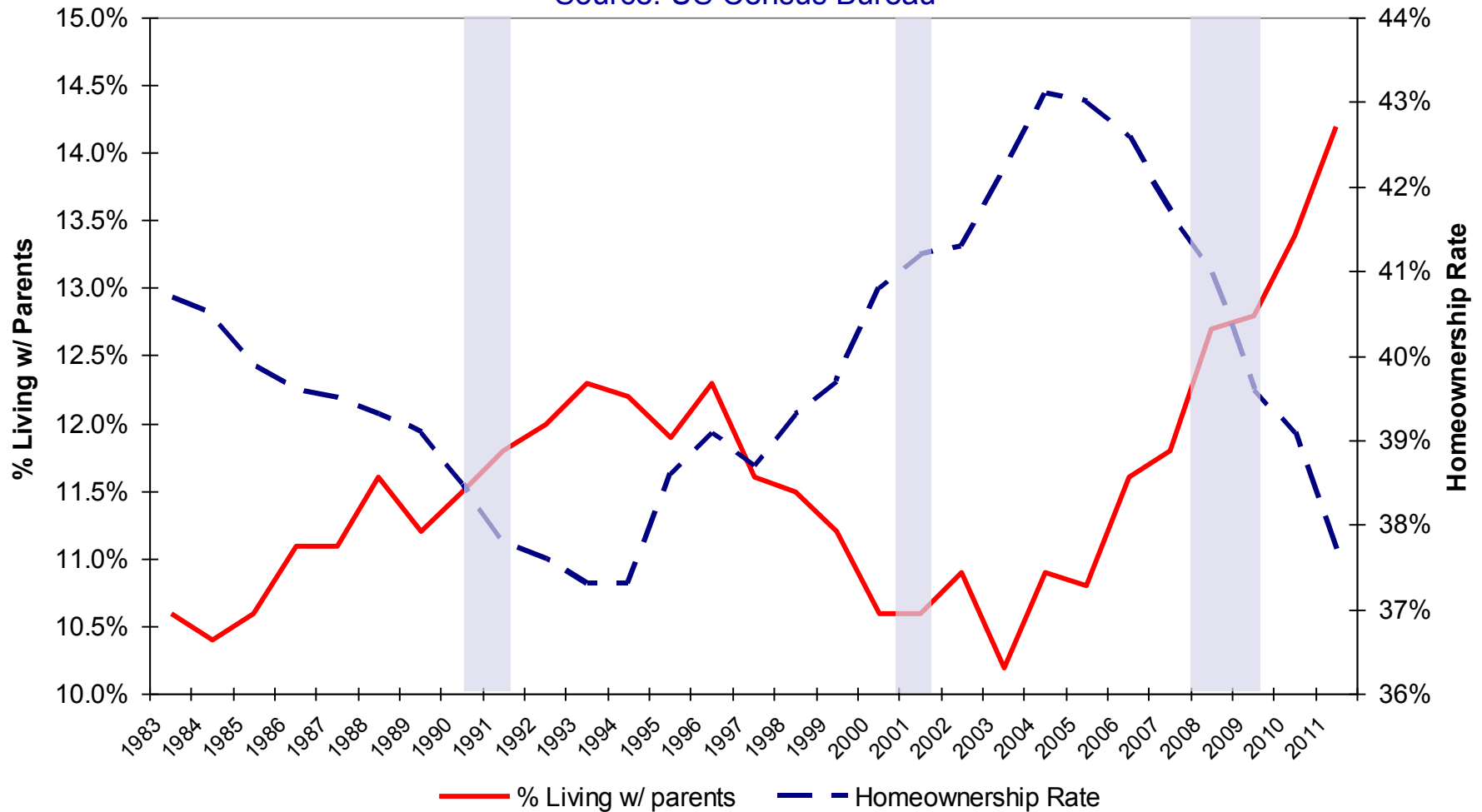




# Percent of 25-34 Year Olds Living With Parents vs. Homeownership Rate, Under 35 Years Old

## U.S.: 1983 – 2011

Source: US Census Bureau



# Speaking of stupid...



**In a weak economy,  
population growth fails to  
translate into household growth,  
but when the economy begins to  
strengthen, there is pent-up  
demand for housing.**

Source: Linneman Letter

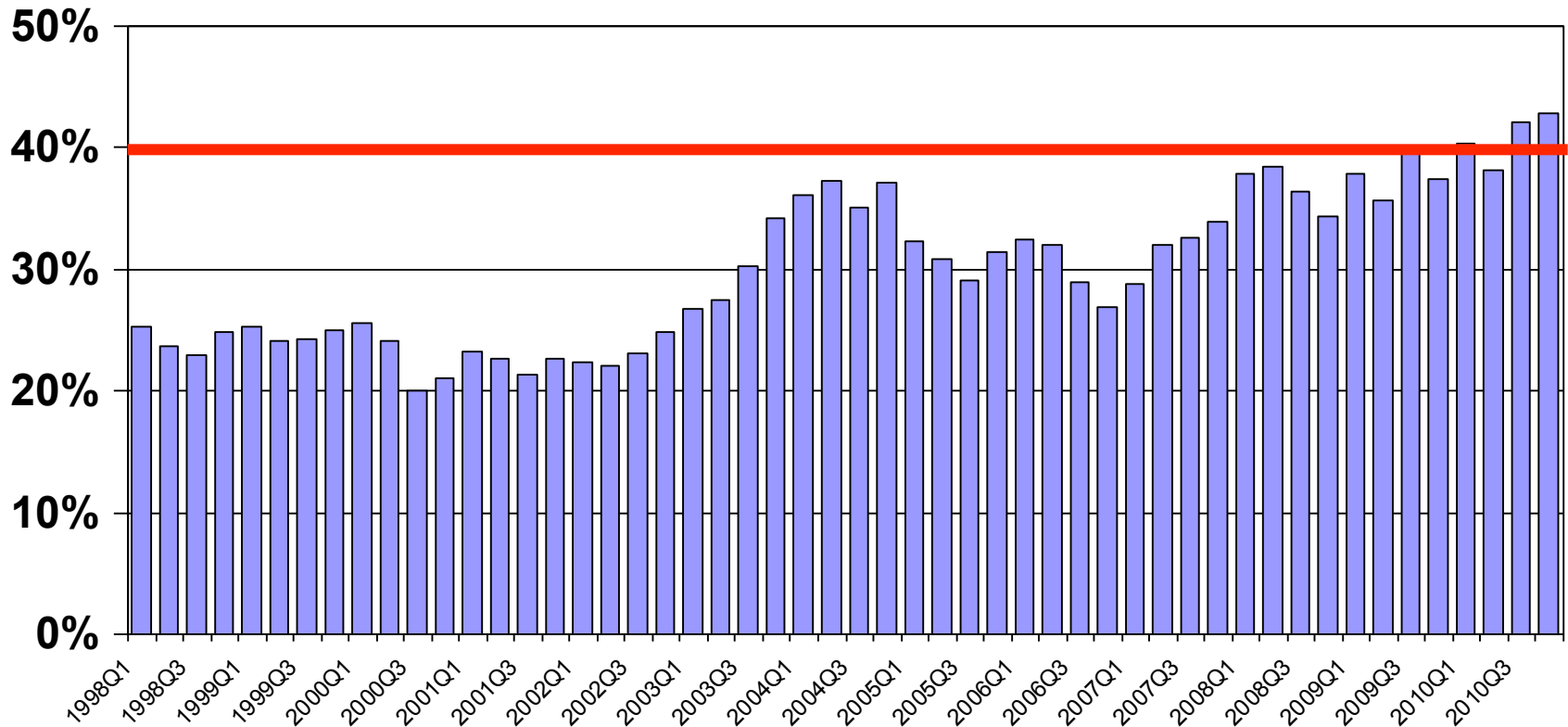


# Investors: 40% Market?

Percent of Non-Owner Occupied Sales of Total Sales

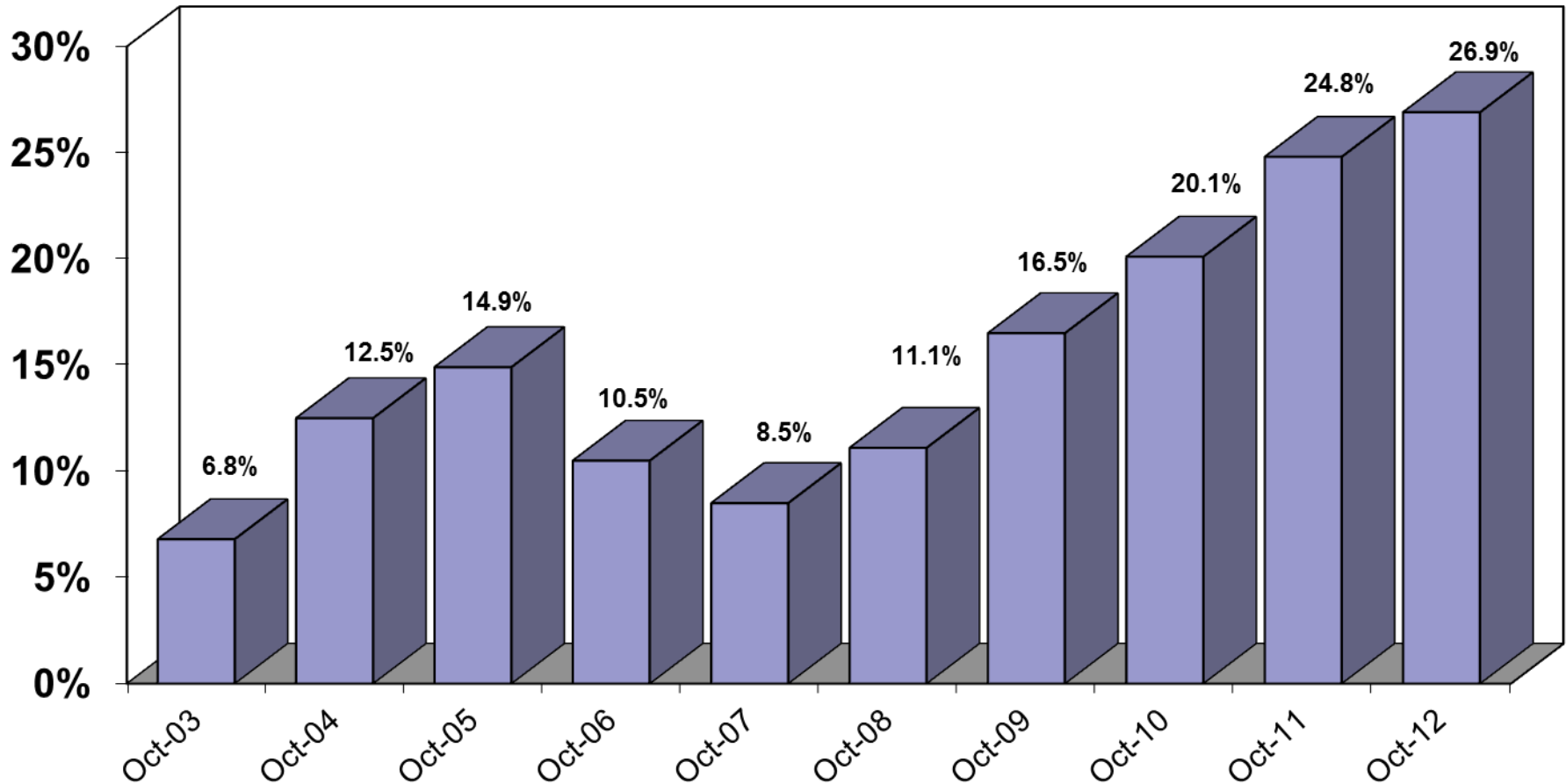
Greater Phoenix

Source: DataQuick



# Single Family Sales to Landlords Greater Phoenix

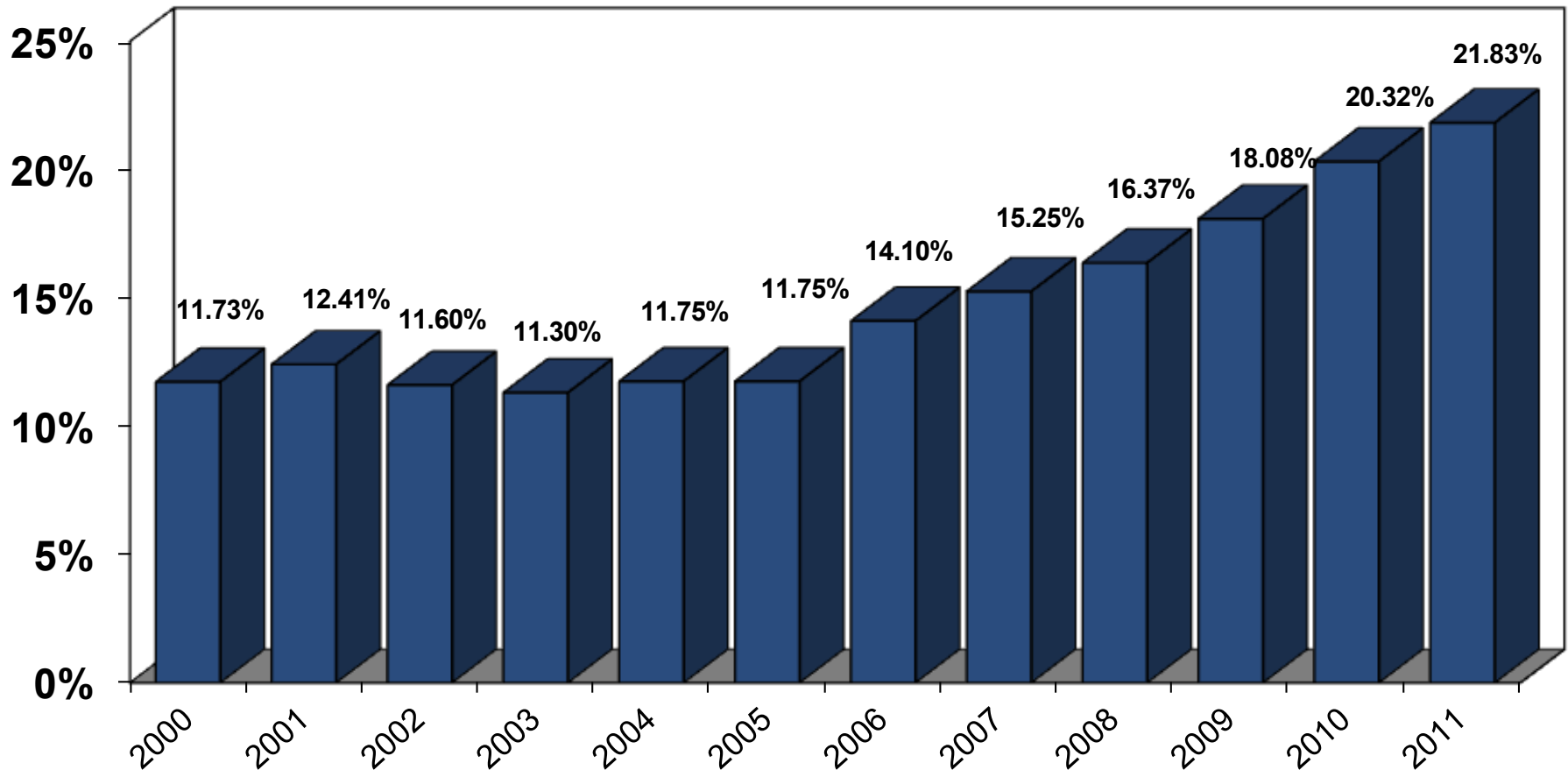
Source: Cromford Report



# Total Single Family Units Occupied by Renters 2000-2011

## Greater Phoenix

Source: American Community Survey



**We are recovering,  
we are not recovered.**



# Speaking of stupid...





**2010  
and  
2011**



**2012**



**2013**



**2014**



**2015**



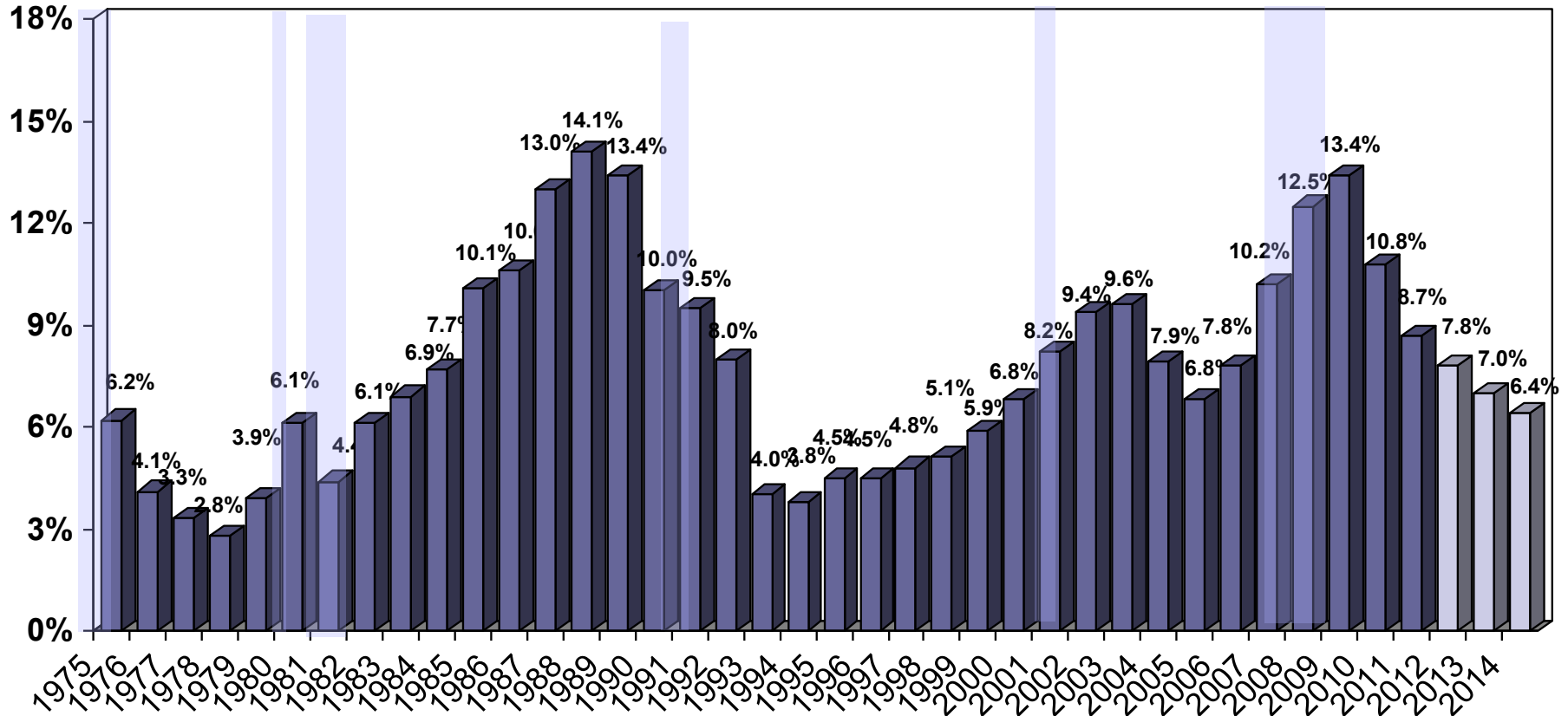
# Multi-Family



# Multi-Family Year-End Vacancy Rates Maricopa County 1975–2014\*

Source: ASU Realty Studies / Hendricks & Partners\*\*

Recession Periods



\*2012 -2014 are forecasts from the Greater Phoenix Blue Chip

\*\*Data prior to 2005 is from ASU



# Multi-Family Housing Market

Source: PMHS and Hendricks & Partners

	<u>Absorption</u>	<u>Completions</u>
<b>2007</b>	<b>(3,121)</b>	<b>3,800</b>
<b>2008</b>	<b>(4,466)</b>	<b>5,900</b>
<b>2009</b>	<b>9,100</b>	<b>6,231</b>
<b>2010</b>	<b>11,619</b>	<b>200</b>
<b>2011</b>	<b>7,729</b>	<b>248</b>
<b>2012q2</b>	<b>2,491</b>	<b>274</b>





# Multi-Family Housing Market

Source: Cassidy Turley

Start Date	Total # of Projects	% of Projects	Total # of Units
2012/ U/C	25	35%	6,601
2013	25	35%	7,384
2014	12	17%	3,570
Undetermined	10	14%	2,588
<b>TOTAL</b>	<b>72</b>	<b>100%</b>	<b>20,143</b>



# Office Market Conditions



# INDUSTRIAL



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# RETAIL



# CONCLUSIONS: How will it all turn out?



**For sale housing markets,  
while not recovered,  
are recovering.**



**The apartment market  
looks good.**



**Office market will take time.  
Industrial market has improved.  
Retail will also take some time.**





# Speaking of Stupid...





# Greater Phoenix Real Estate

**2013 will be better than 2012**

**2014 will be better than 2013**

**2015 should be a good year.**





# ***ELLIOTT D. POLLACK*** ***& Company***

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- **Economic and Fiscal Impact Analysis/Modeling**
- **Real Estate Market and Feasibility Studies**
- **Litigation Support**
- **Revenue Forecasting**
- **Keynote Speaking**
- **Public Finance and Policy Development**
- **Land Use Economics**
- **Economic Development**



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