



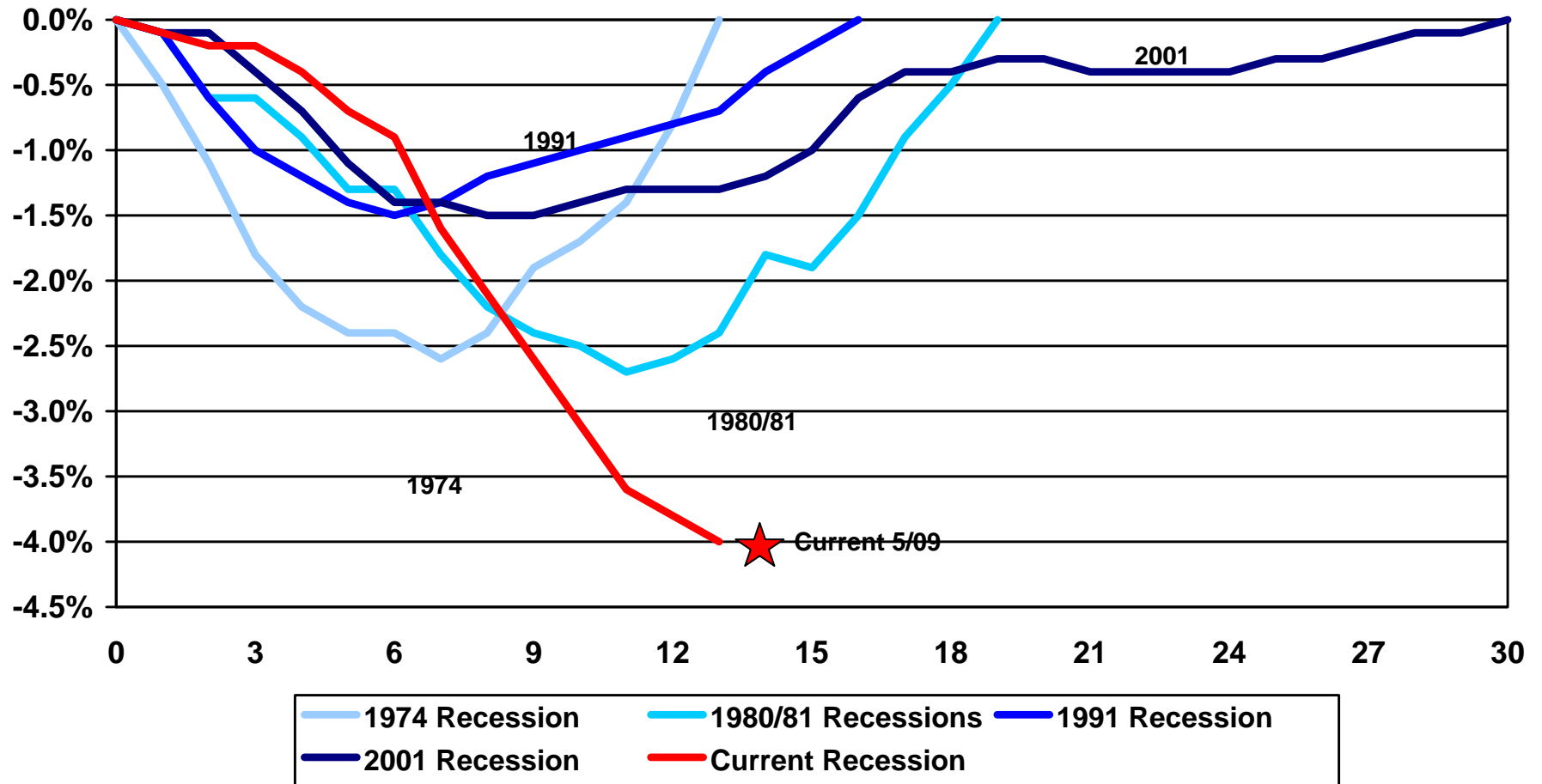
City of Maricopa Economic and Housing Update

**Presented by:
Jim Rounds
June 16, 2009**

Economic Environment

U.S. Y/Y Job Losses - Recent Recessions

Duration in Months - BLS



Recession Indicators Summary:

- Real GDP ↓
- Real Income ↓
- Employment ↓
- Industrial Production ↓
- Wholesale – Retail Sales ↓

**Why is spending
down?**

Reasons for Reduced Spending

- Paying for past purchases,
- No money left in homes,
- Declining stock values,
- Having to save more,
- Feeling poor.

Also:

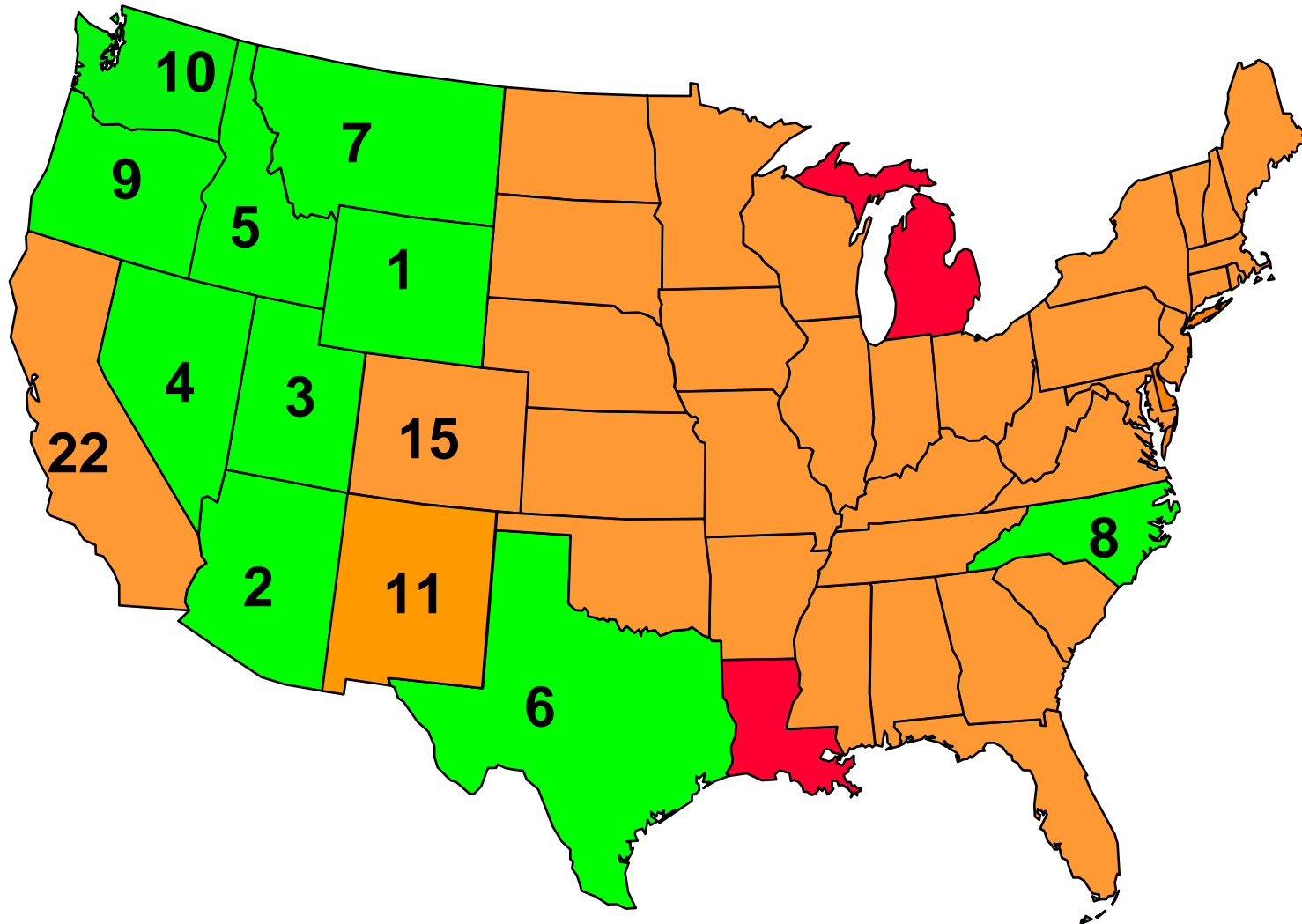
- Tighter access to money,
- Fear.

Why No Quick Recovery?

- Confidence will return but consumers will still feel poor for some time (i.e. wealth effect).
- Home sales will eventually increase but housing supply will still exceed demand.
- Job losses will continue past the recession ending date/gains will be slow to materialize.
- Stock market will initially surge then growth will slow. Look for possible “suckers” rallies.
- Just getting started with problems in commercial real estate.
- Excess production capacity.
- *No pent up consumer demand being created during downturn.*

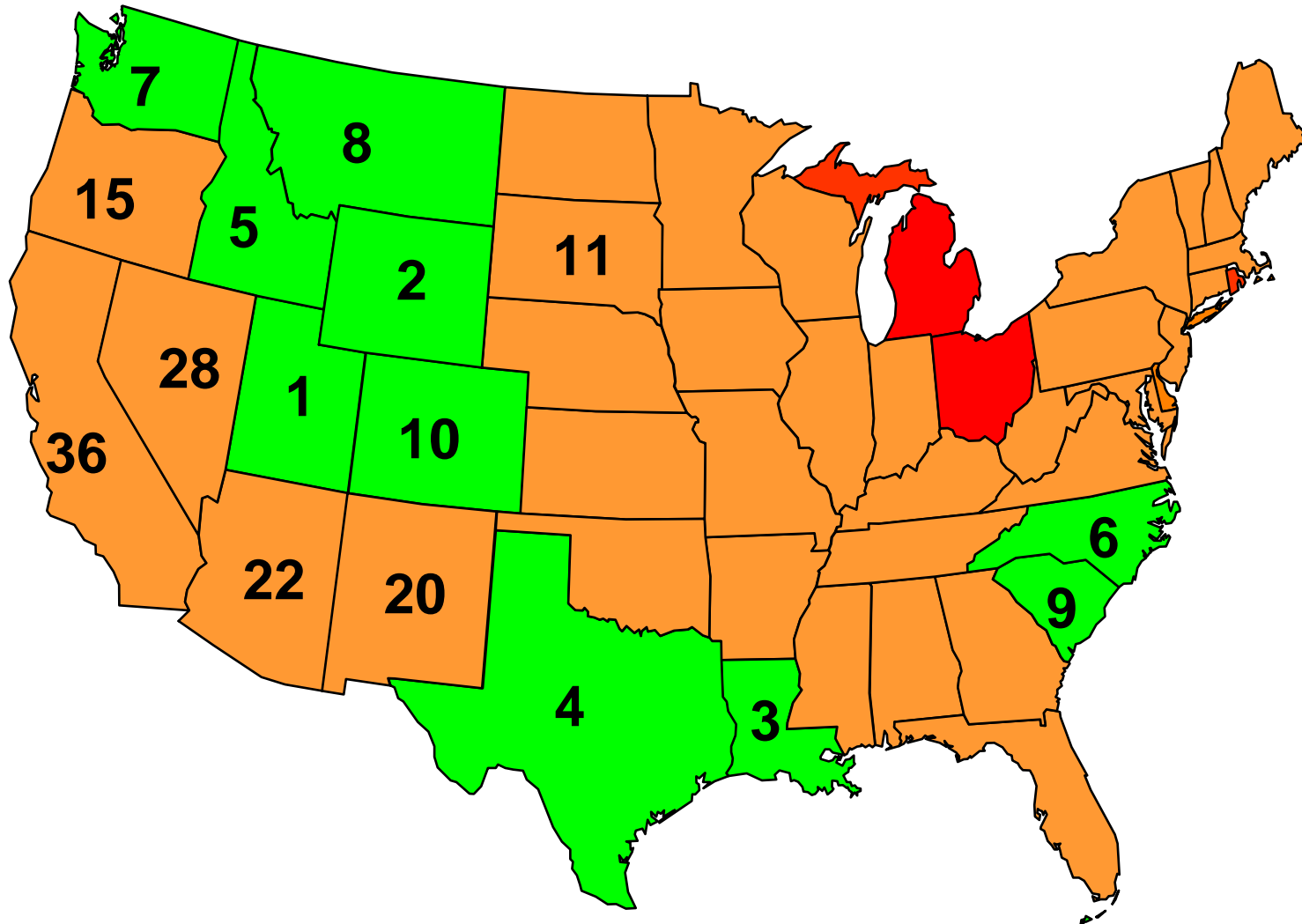
Job Growth 2006

Source: US BLS



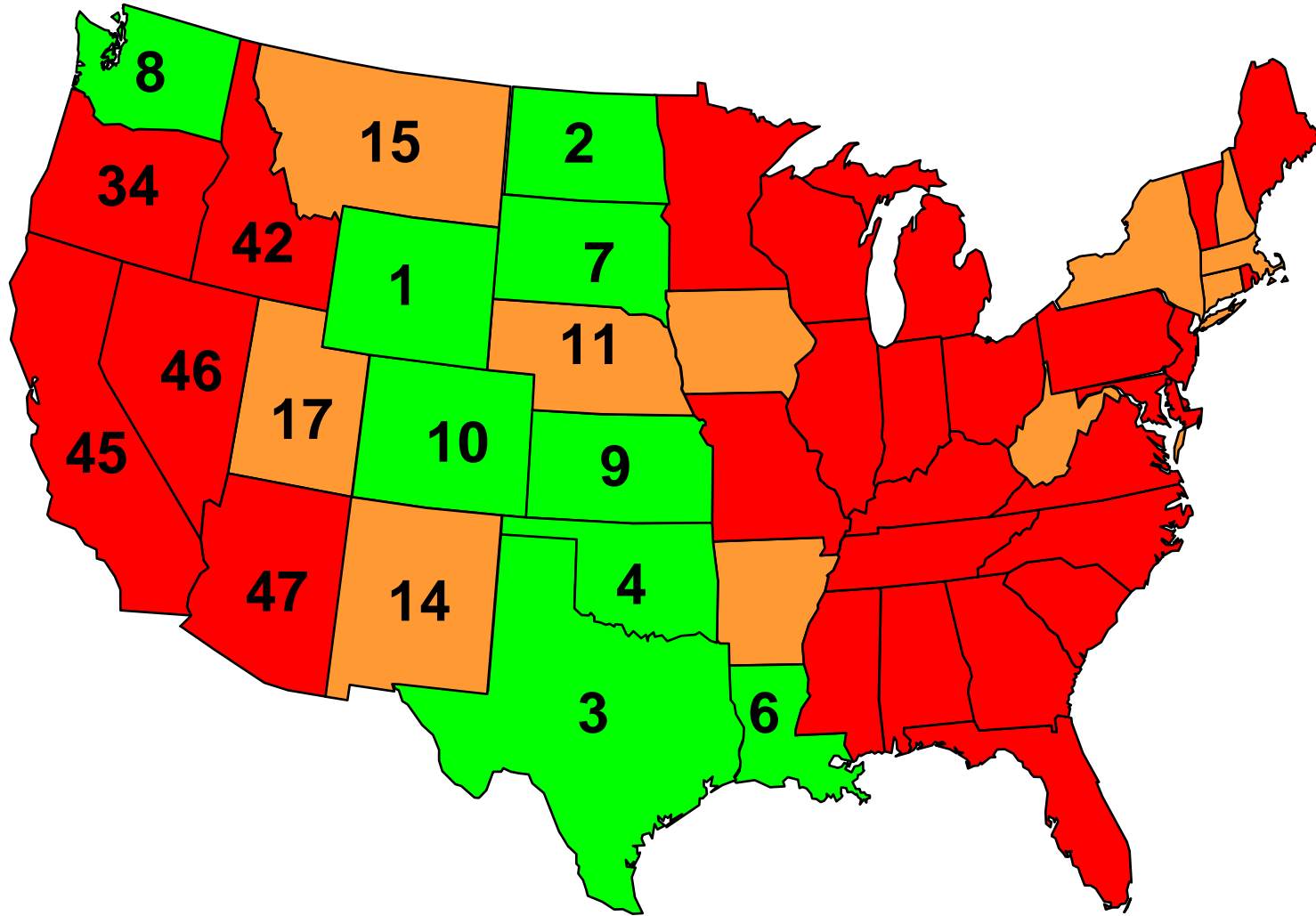
Job Growth 2007

Source: US BLS

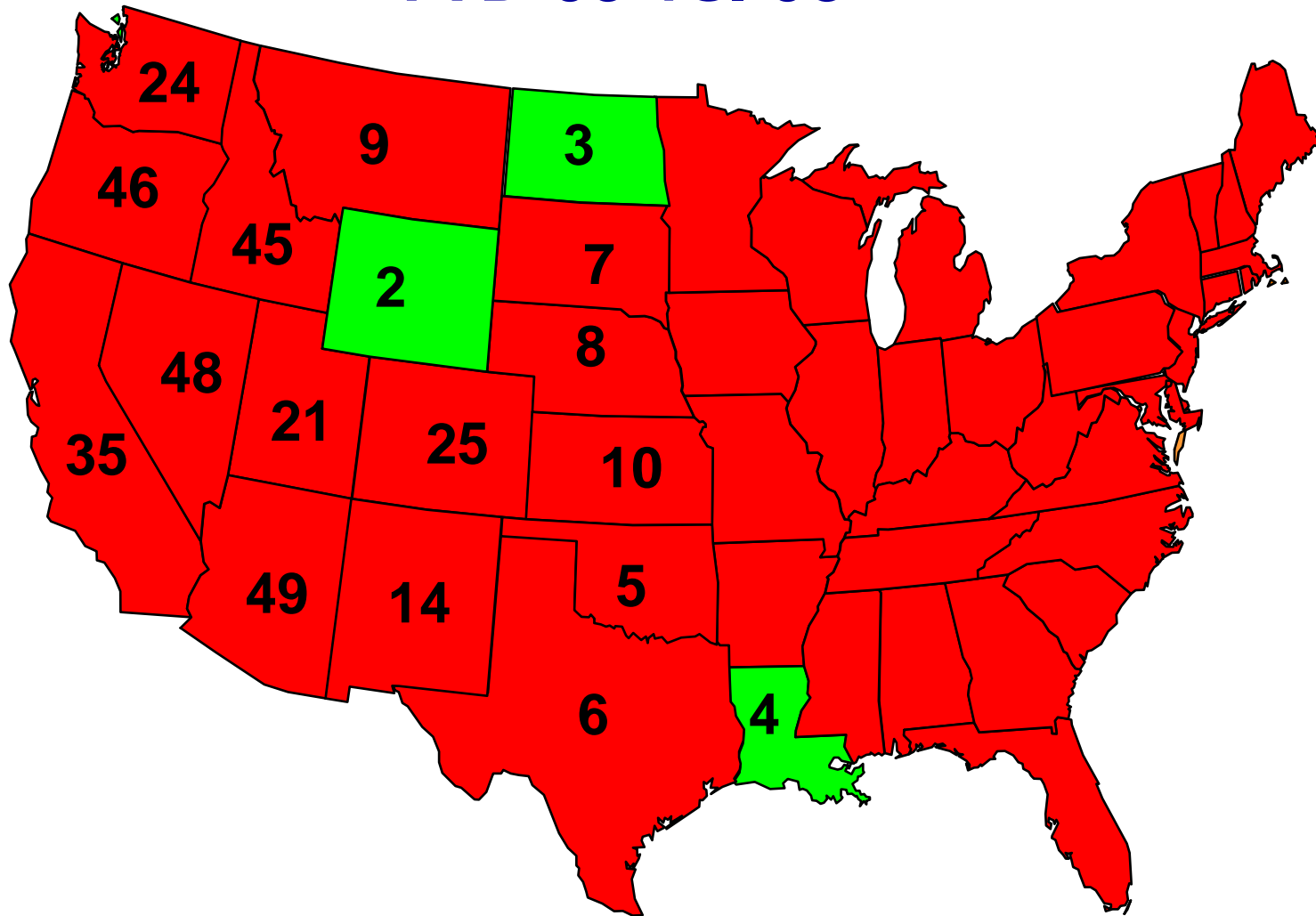


Job Growth 2008

Source: US BLS



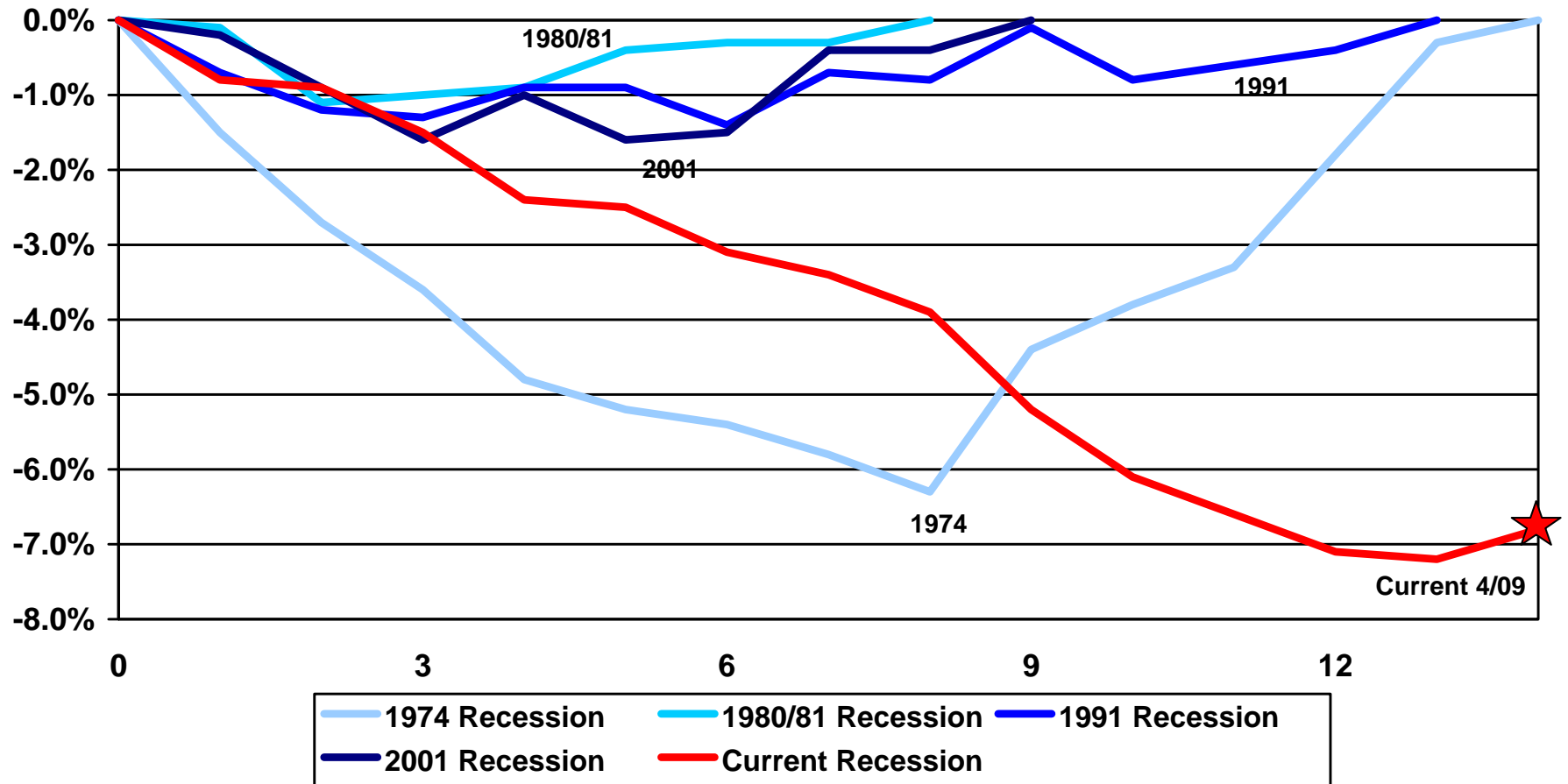
Job Growth Update: Arizona Falls to 49th YTD 09 vs. 08



Greater Phoenix

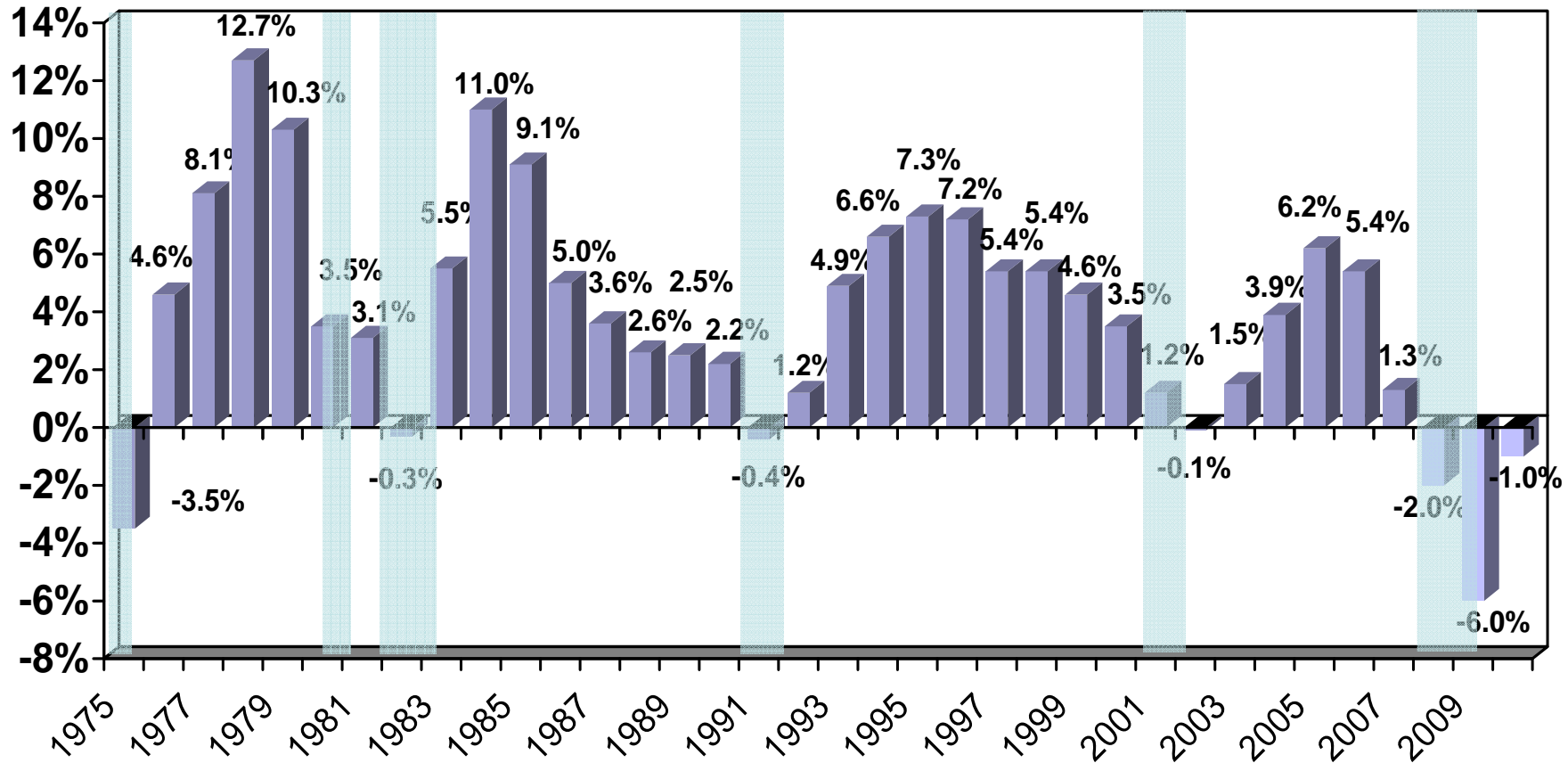
Greater Phoenix Y/Y Job Losses - Recent Recessions

Duration in Months - BLS



Phoenix-Mesa MSA Employment* Annual Percent Change 1975–2010**

Source: Department of Commerce, Research Administration



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

** 2008, 2009, & 2010 forecast is from *Elliott D. Pollack & Co.*

Recession Periods

Phoenix-Mesa Employment

Source: Arizona Department of Commerce, Research Administration

<u>Sectors (+/-)</u>	<u>Apr 09 / Apr 08 %</u>	<u>% of Total</u>	<u>Sectors (+/-)</u>	<u>Apr 09 / Apr 08%</u>	<u>% of Total</u>
Mining	-13.5%	0.2%	Health Services	0.2%	10.3%
Construction	-27.8%	6.0%			
Manufacturing	-4.6%	7.1%			
Trade	-7.2%	16.7%			
Transp. & Utilities	-5.9%	3.6%			
Information	-2.6%	1.7%			
Financial Activities	-4.1%	8.0%			
Prof. and Bus. Services	-11.0%	15.9%			
Other Services	-4.5%	4.0%			
Educational Services	-2.0%	2.0%			
Leisure & hosp svcs	-3.8%	10.4%			
Government	-1.3%	14.2%			
Percent of Total		89.8%			10.3%

Greater Phoenix Case Study:

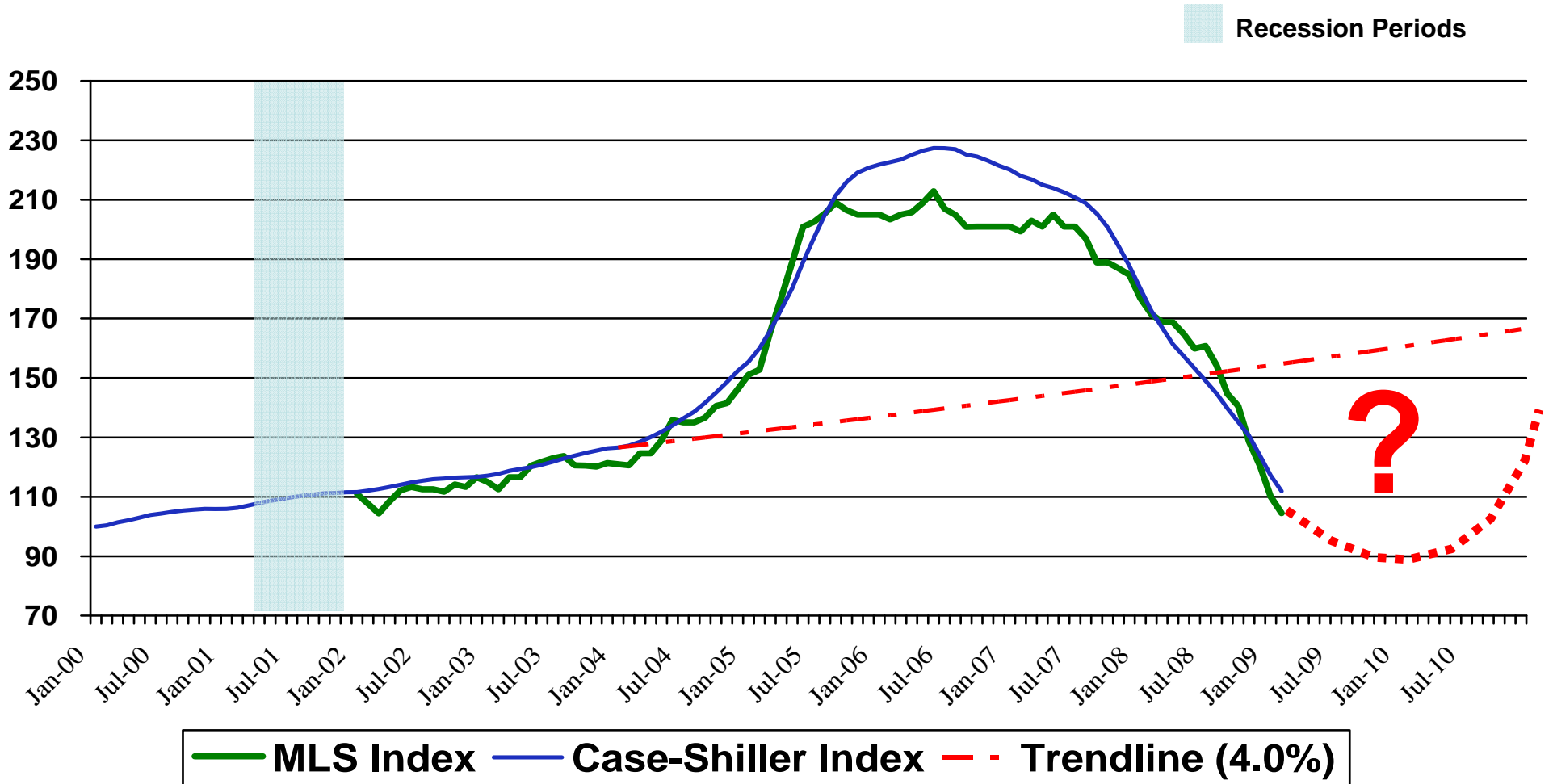
Housing



Home Prices Indices

2000 – 2009

Source: Macro Markets, LLC; AMLS



As of the end of 2010, given the expectation that foreclosures will continue to flood the market, excess supply will still be in the 50,000 units range regardless of how we do the calculation.

Greater Phoenix Listings

January 2002 - April 2009

Source: AMLS



Investors have been buying in bulk; doesn't show up on MLS.

Also expecting additional foreclosures from a forecasted loss of over 100,000 jobs in GP during the next year.

Commercial Real Estate?





Regional Commercial Forecast:

Chum!

ECONOMIC OUTLOOK

2009 - 2010



Greater Phoenix Forecast 2009 – 2010

<u>Indicator</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Population	3.5%	2.4% ?	1.6% ?	1.8% ?
Employment	1.3%	-2.0%	-6.0%	-1.0%
Personal Income	4.5%	3.0%	1.0%	3.5%
Retail Sales	0.1%	-10.0%	-4.0%	5.0%

Source: *Elliott D. Pollack & Company*, AZ Blue Chip, Department of Commerce, Research Administration

City of Maricopa Case Study:

Housing



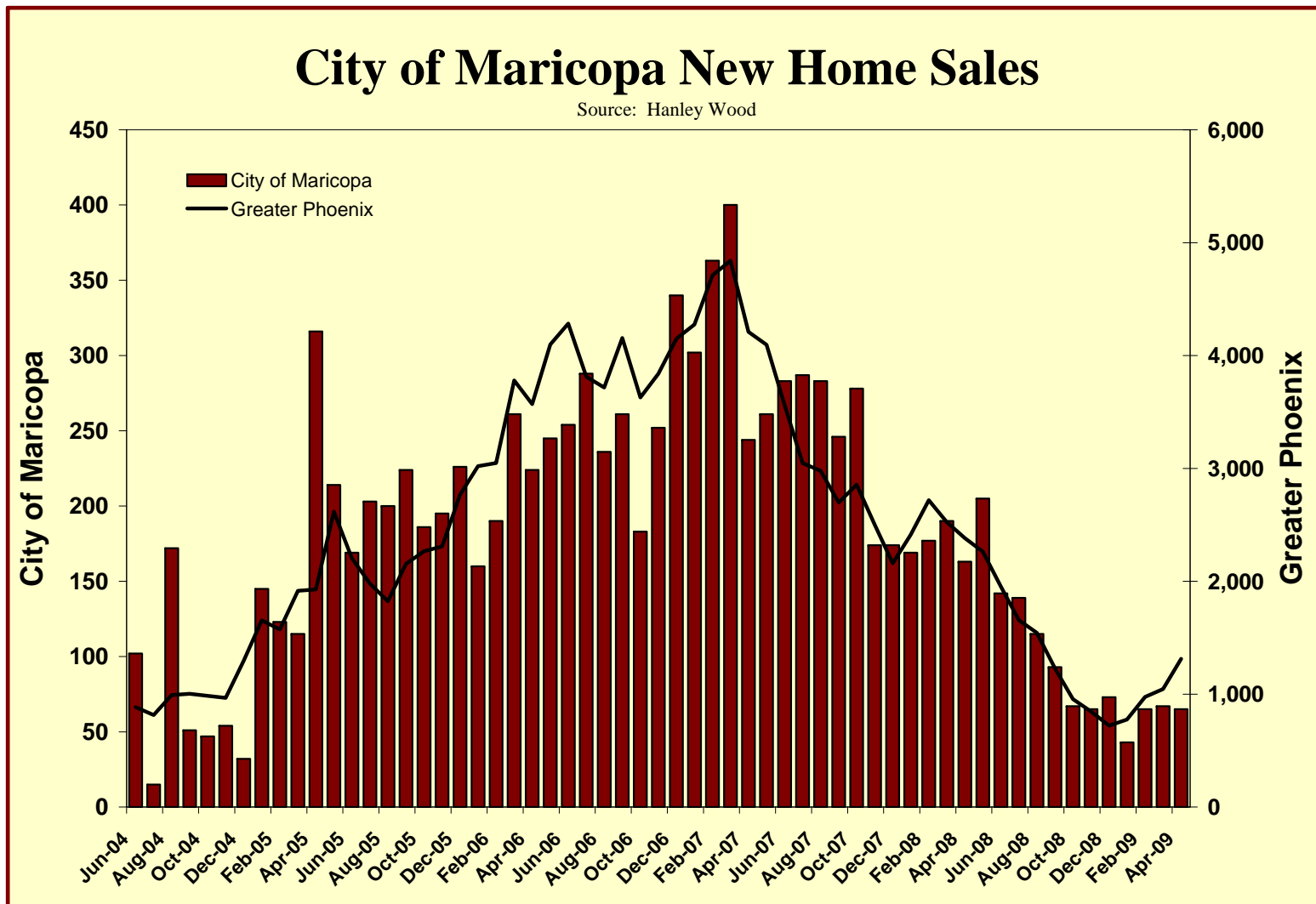
What's the Main Story?

The City has some things to work out, but is not a unique “poster child” for excess development.

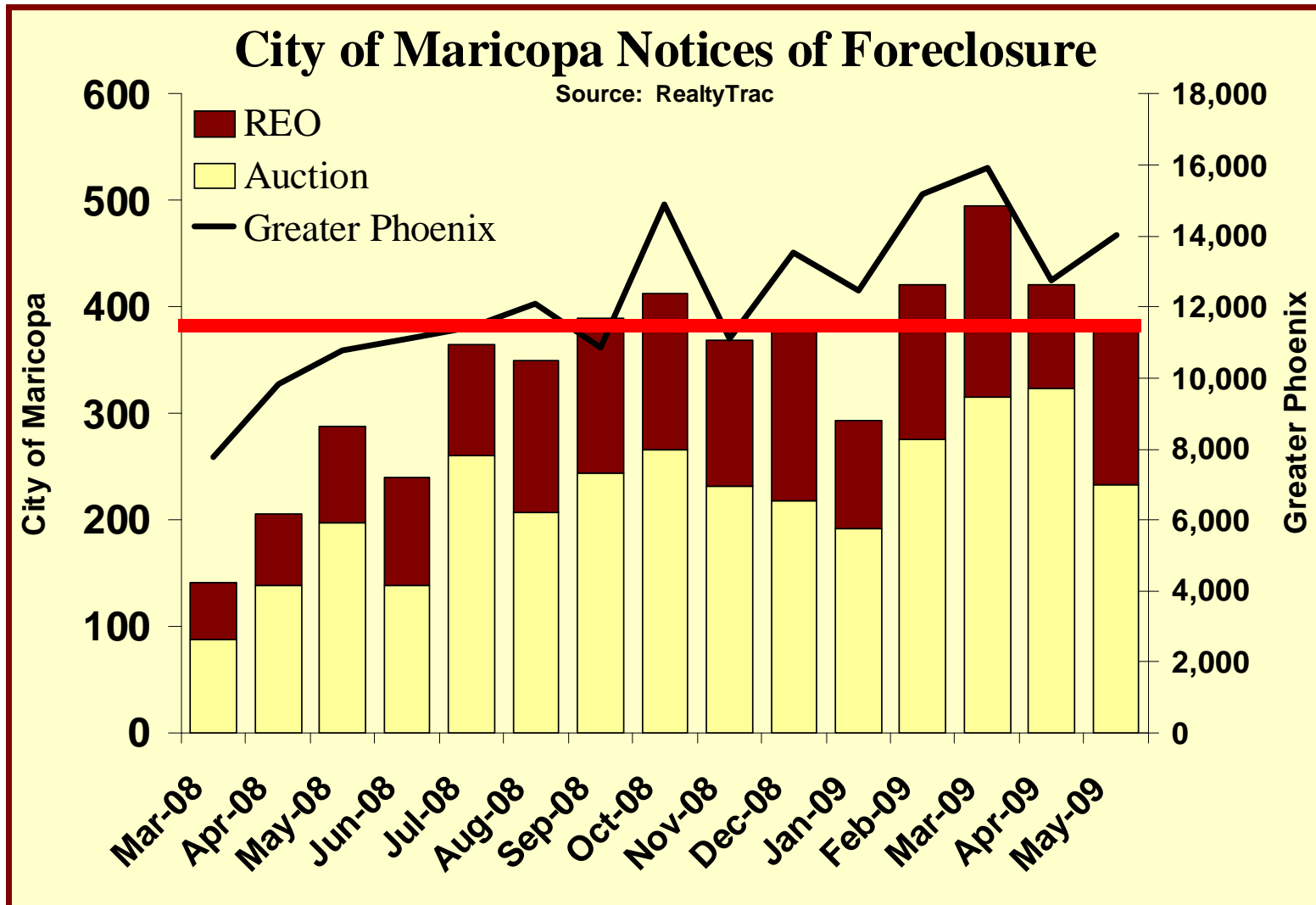
Biggest Issue: Bad Data.

**Secondary Issue: Bad
Interpretation.**

New Home Sales City of Maricopa – Consistent Pattern with G.P.

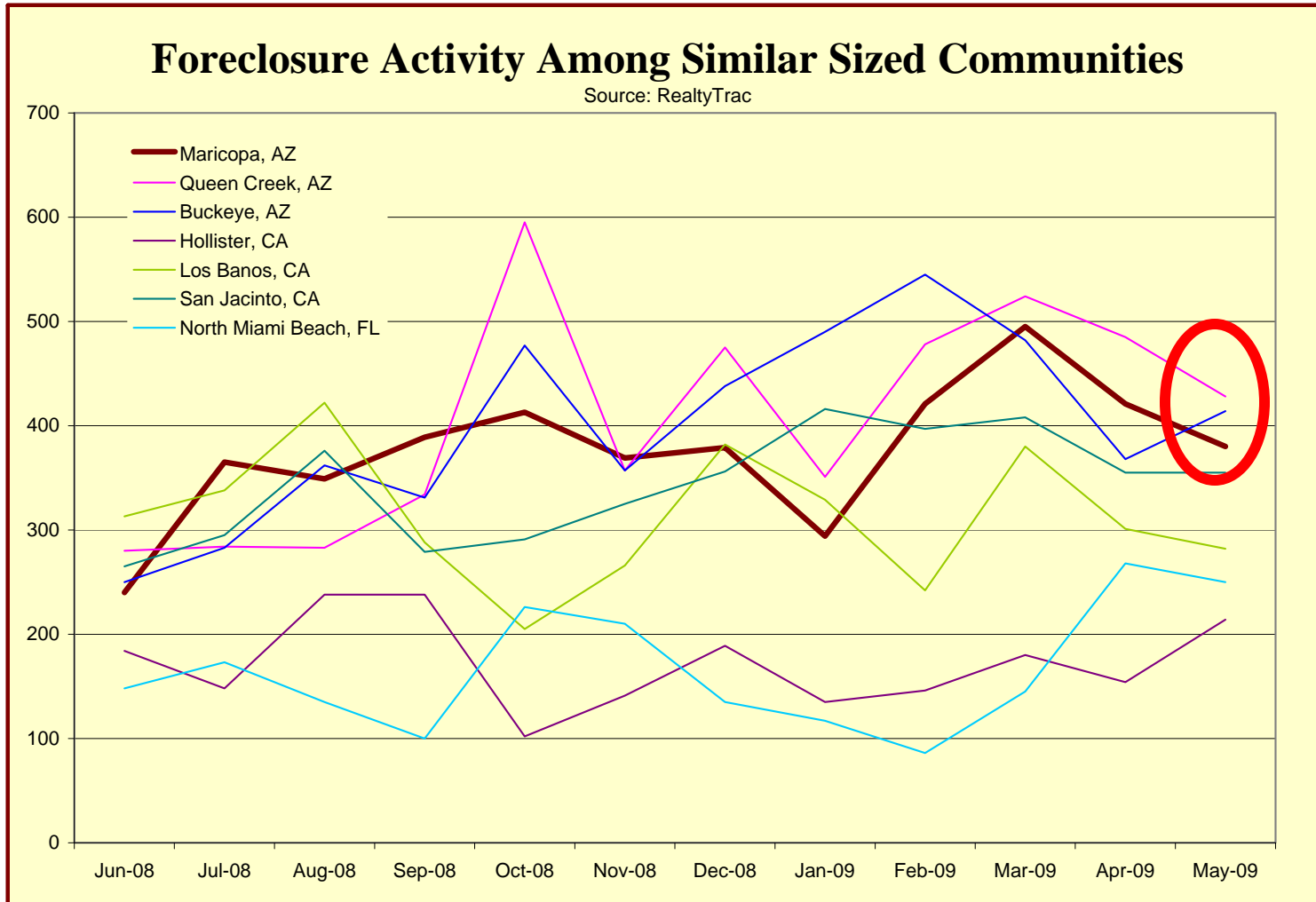


Foreclosure Activity City of Maricopa



Foreclosure Comparisons

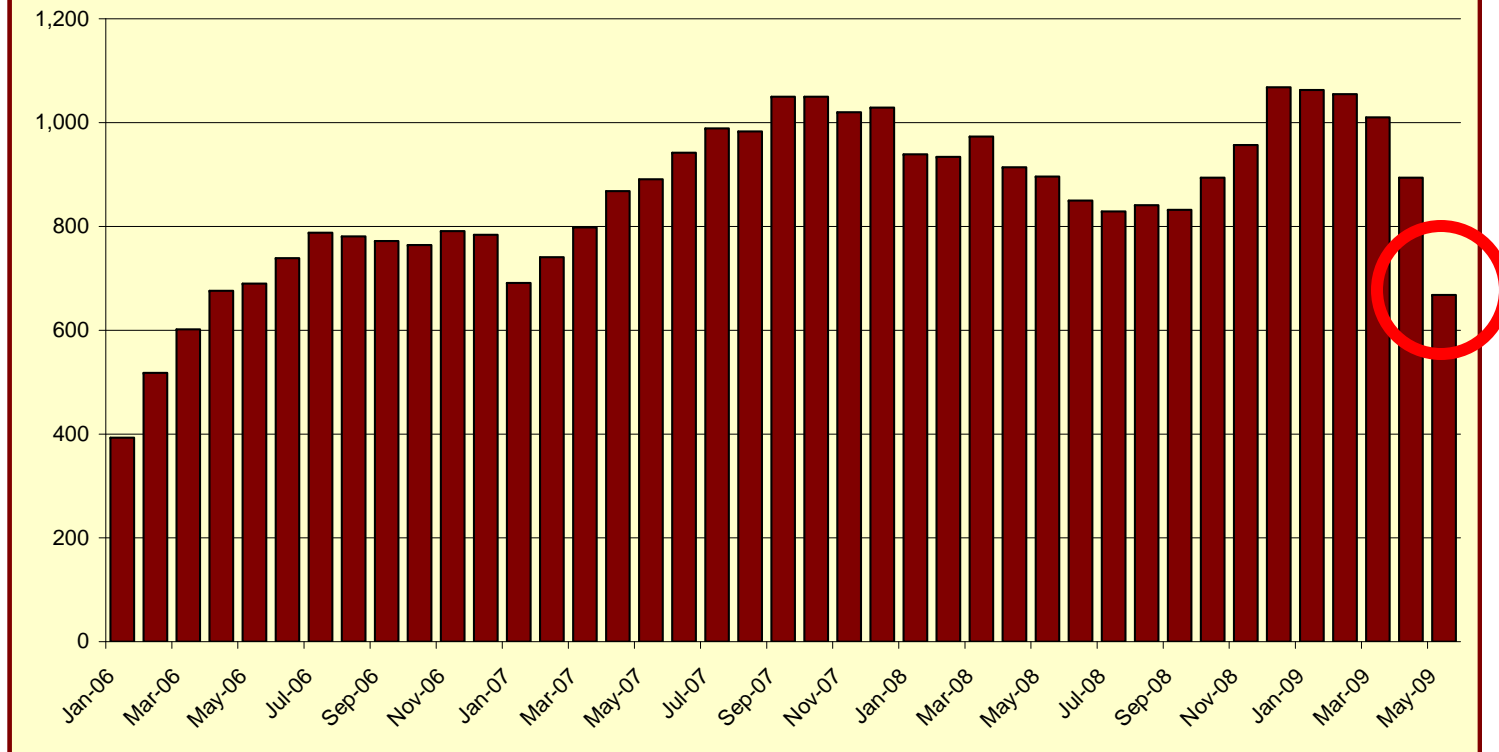
City of Maricopa vs. Similar Sized Cities (population)



History of Active Listings City of Maricopa

City of Maricopa Active Listings 2006 Through May 22, 2009

Source: Cromford Report, MLS, Elliott D. Pollack & Co.



Normal Listings

- ***Normal*** sales are those where the owner has the unencumbered right to sell the property without requiring approval from a lender, court or external corporation of any kind, and the owner is not a financial institution. **In a normal market these constitute the vast majority of all listings and sales.** The degree to which these sales become a smaller proportion of all sales indicates the level of distress being felt in the market.

Pre-Foreclosure Listings

- The *Pre-foreclosure* category includes those properties that have **started the foreclosure process** but have not yet had the trustee sale, including short-sales. Many of pre-foreclosures are in a "short sale" situation, where the price asked is lower than the outstanding debt secured by the home. Such sales require the approval of the lender. A few may also (or instead) be the subject of bankruptcy proceedings and the sale may require approval by the court.

REO/Foreclosed Listings

- *REOs or lender-owned* properties have already been through the foreclosure process and completed their trustee sale. These properties were sold by the trustee to the beneficiary (lender). Historically, lenders use the ARMLS system to market their inventory of homes and compete aggressively on price. MLS is less utilizedutilization is less for bulk sales (out of state investors, local, etc.). At the moment lender-owned properties constitute a significant share of the homes listed for sale.

ARMLS Listings City of Maricopa

Type	Inventory	% of Total
Foreclosed/REO	95	14.3%
Short Sale/ Pre-foreclosure	454	68.5%
Traditional Resale	114	17.2%
Total	663	

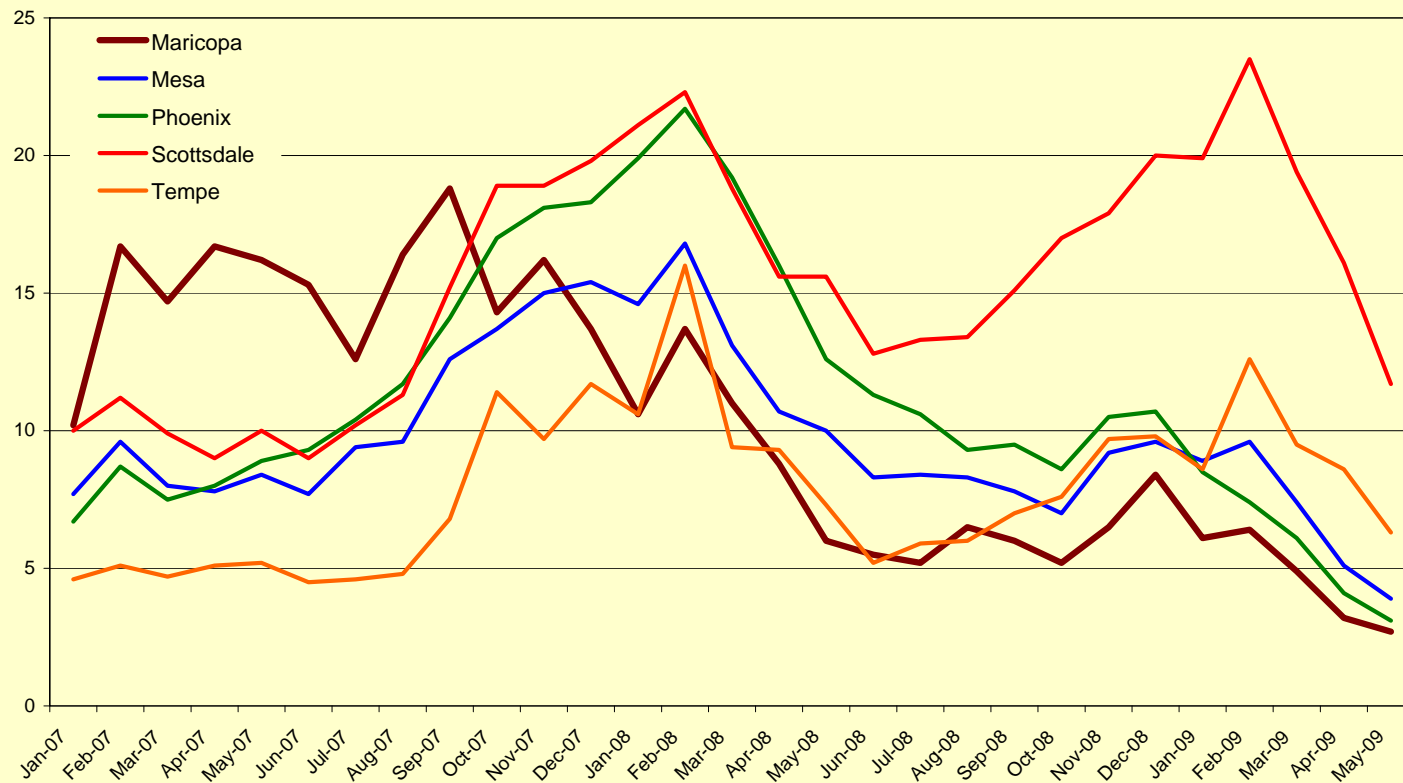
Source: The Cromford Report; ARMLS

Month's Supply of Listings

City of Maricopa vs. Other Metro Phoenix Cities

Months Supply of Listings - Select Cities 2007 - May, 2009

Source: Cromford Report; Elliott D. Pollack & Co.



Permit Projections City of Maricopa

	Conservative	Baseline	Aggressive
2009	145	205	345
2010	175	405	855
2011	690	1,210	3,220
2012	1,150	1,760	4,280
2013	1,540	2,250	4,790

Source: Elliott D. Pollack & Co.; U of A; RL Brown; City of Maricopa; GPBC

YTD through May 2009 there have been 110 SFR permits issued.

Why the slow regional housing recovery?

- **Weak population inflows,**
- **Not working through excess supply as some suggest,**
- **More foreclosure to come,**
- **Horrific economic downturn,**
- **Still building new product.**

How to lessen these impacts in the future?

- **You need base jobs. Retail is not a base industry.**
- **Diversify the economic base.**
- **Biggest issue for the City, even bigger than the current housing over-supply.**

How to lessen these impacts in the future?

- **Need to figure out:**
 - 1) **what your strengths are,**
 - 2) **how you want to grow, and**
 - 3) **what do the various base industries need.**
- **Find this intersection and you have a plan.**



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