

Arizona Economic Outlook & Tucson Real Estate Market

Prepared for
Tucson Association of Realtors
by William P. Patton, PhD

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U.S. Economic Conditions

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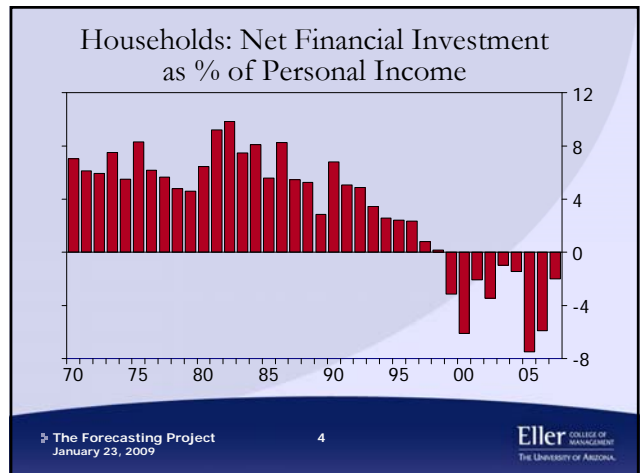
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Severe Economic Contraction

- Financial & credit markets (liquidity & solvency issues)
- Housing market
- Employment
- Stock market
- Consumer & business confidence
- Massive consumer debts

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Federal Stimulus & Bailout Programs

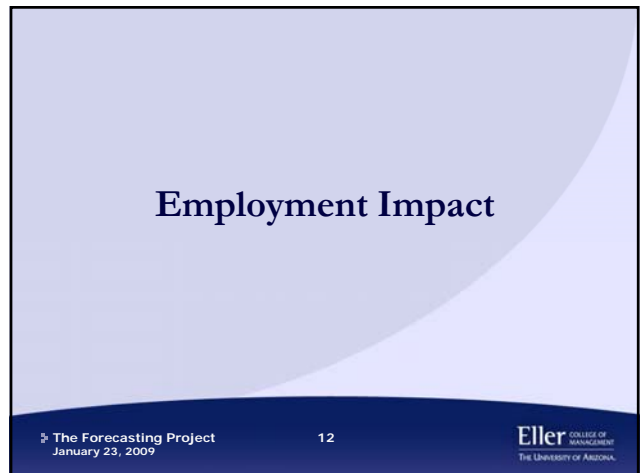
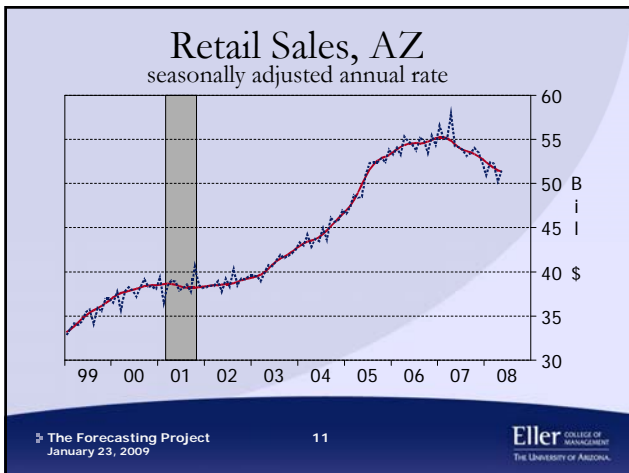
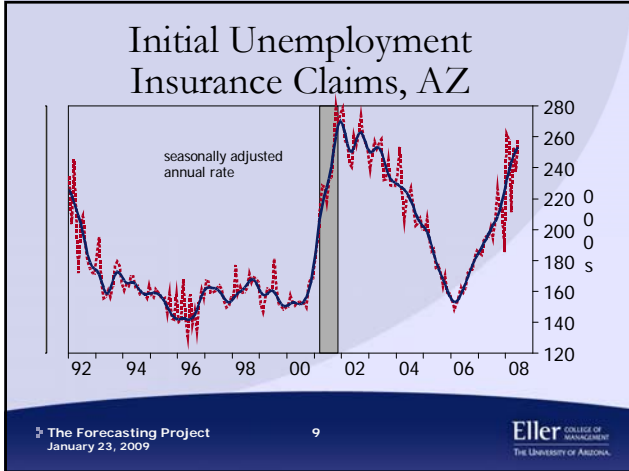
- Monetary stimulus – lower interest rate
- Fiscal Stimulus Package
- Troubled Asset Recovery Program (TARP)
- FDIC coverage increase
- Limited success to date
- **Risk - without Federal bailout entire economy could collapse**

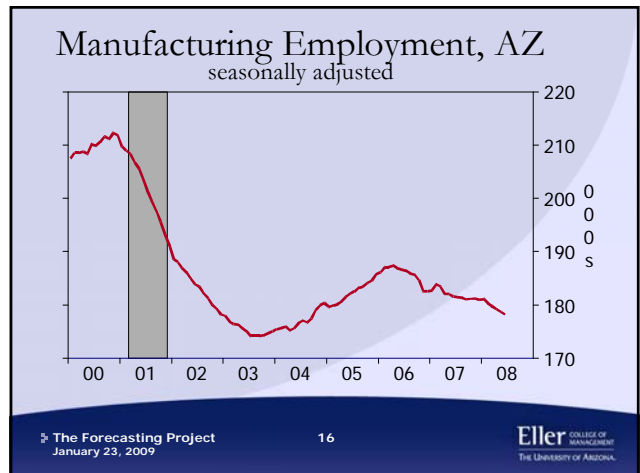
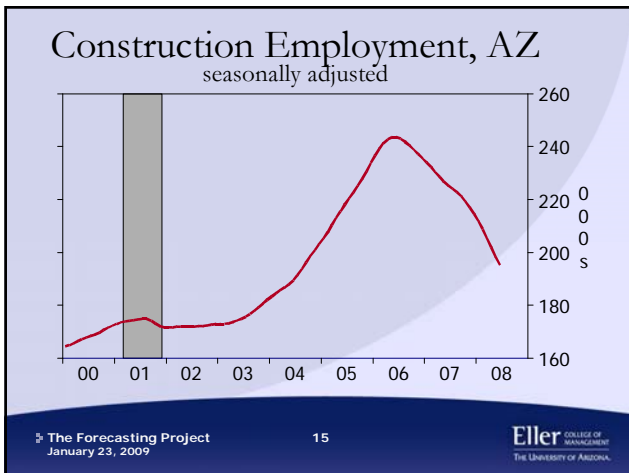
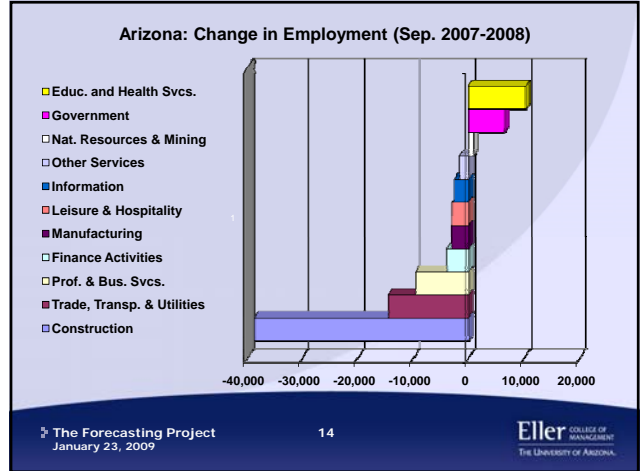
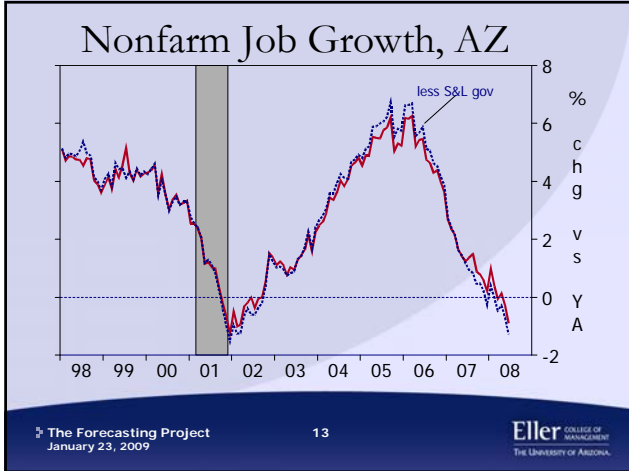
Pitfalls of Federal Intervention

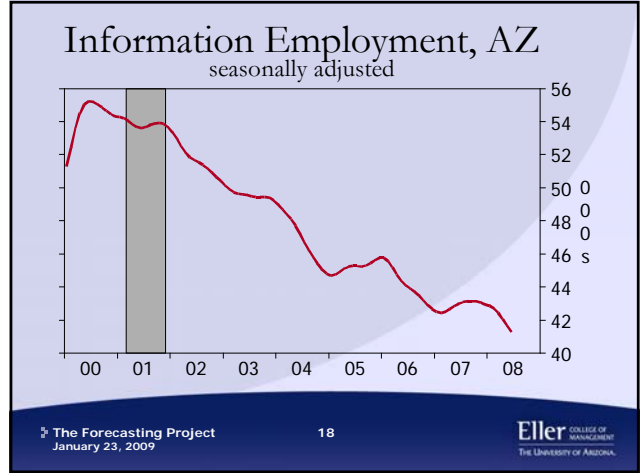
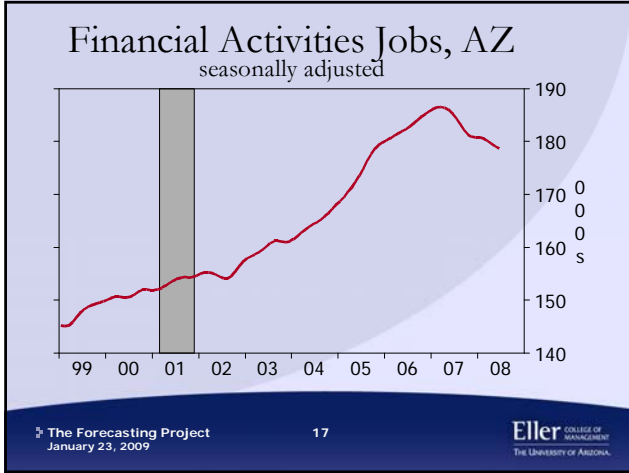
- Semi-nationalized banking system
- Moral hazard
- Financial instability & market volatility
- Risk of inflation
- Crowding out private investment
- How much is enough & who pays?

Recession Impact on Arizona

Early Indicators







High Tech to the Rescue?

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Arizona High Tech Jobs

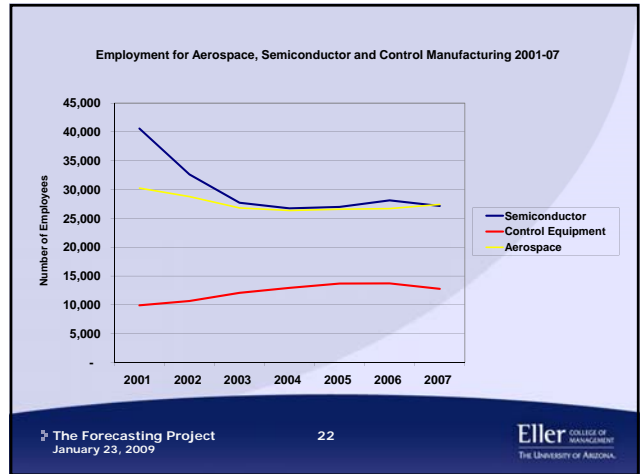
| Industry | # Employees 2007 | % of AZ Employment |
|-----------------------------|------------------|--------------------|
| Total, high tech industries | 278,700 | 11% |
| Total high tech mfg. | 79,500 | 3% |

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AZ High Tech Payroll/Employee

| Industry | Payroll per Employee 2007 |
|------------------------------------|------------------------------|
| Total, all industries | \$41,555 |
| Total, high tech industries | \$72,699 |
| Total, all manufacturing | \$58,402 |
| Total high tech mfg. | \$80,059 |

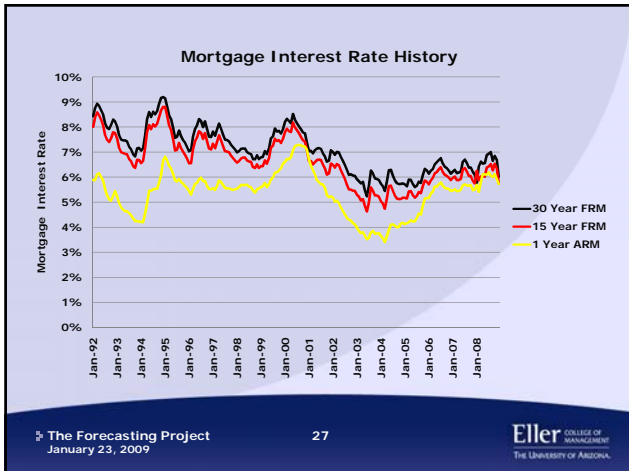
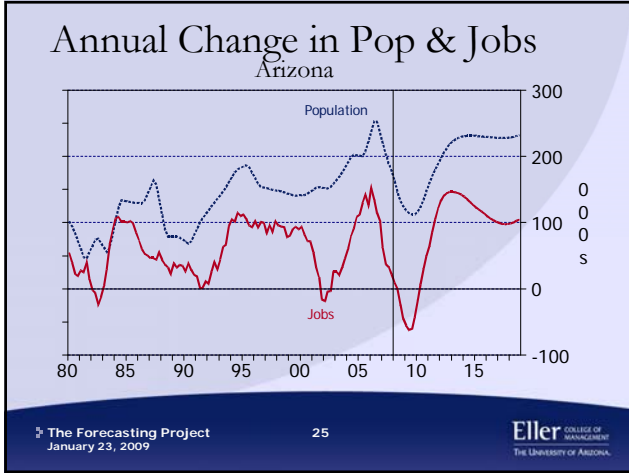
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Housing Market Outlook

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- ## Home Demand Drivers
- Population Growth
 - Willingness and Ability to Pay
 - Employment
 - Income
 - Availability of Credit and Liquidity
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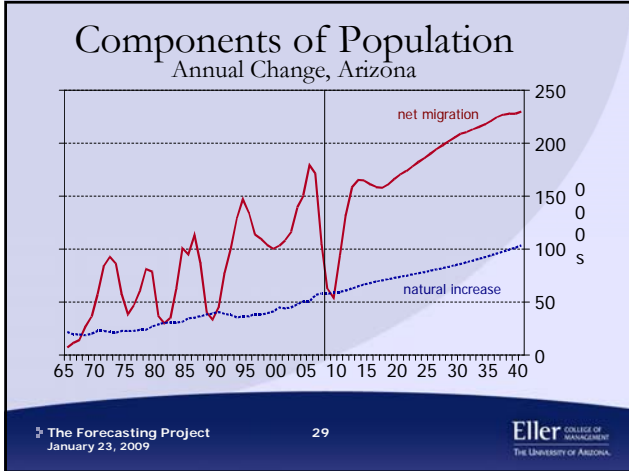
Population Growth

- Natural Increase
 - Births
 - Deaths
- Net Migration
 - Retirement Related
 - Work Related

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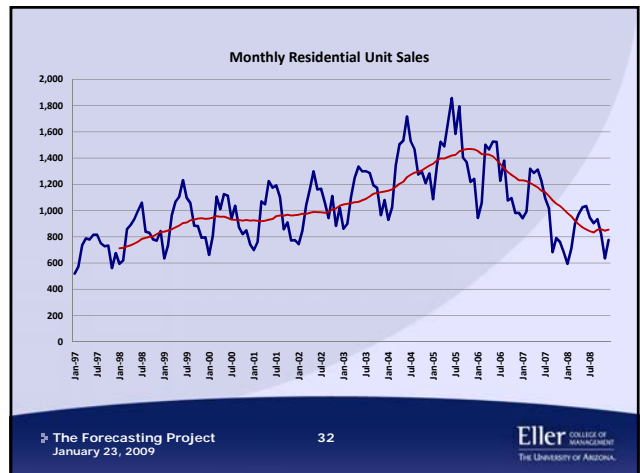
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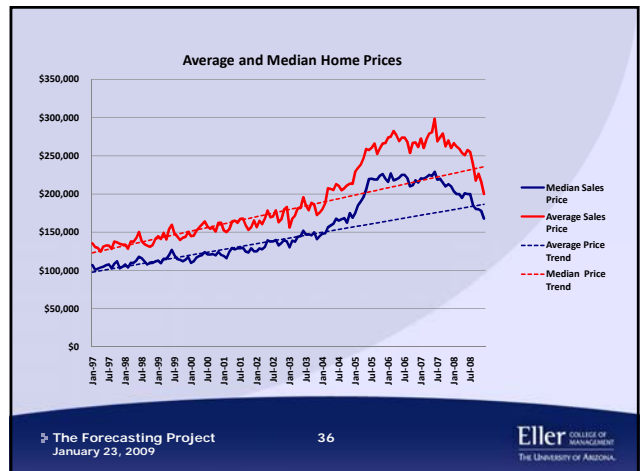
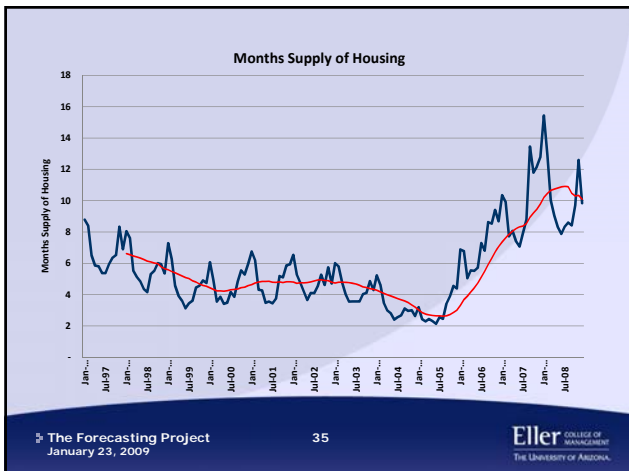
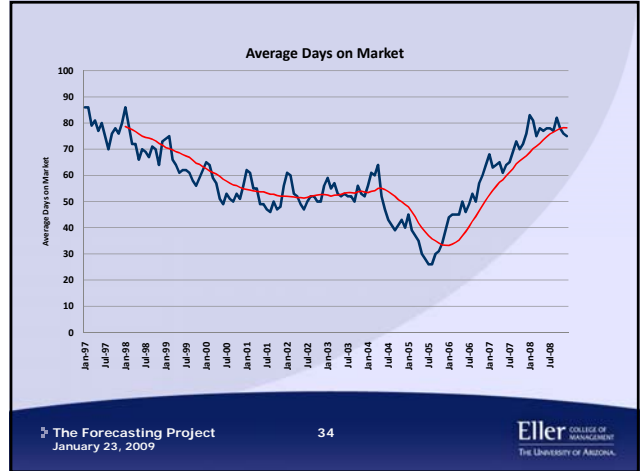


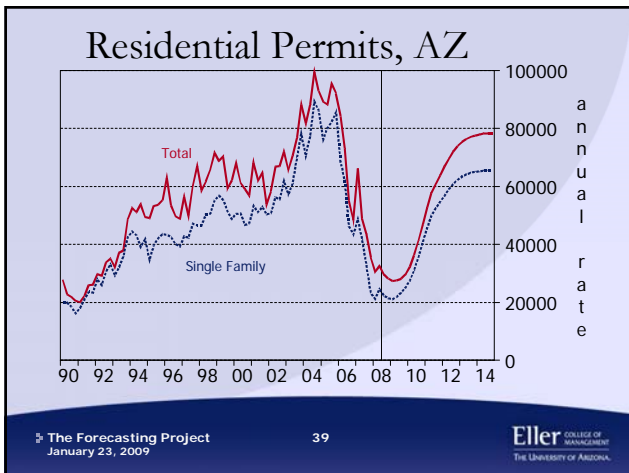
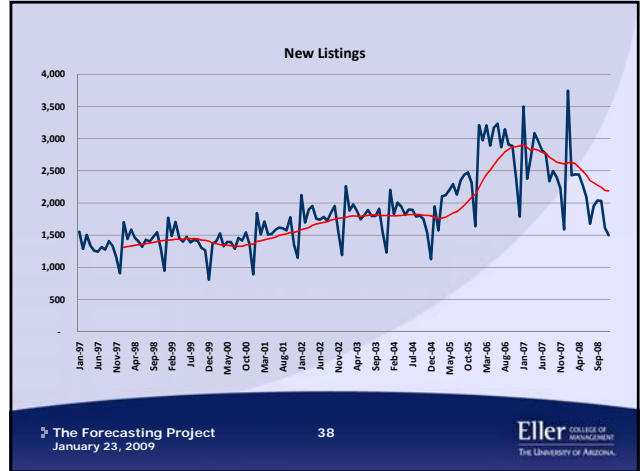
- ### Net Migration
- Retirement Related
 - Relative Price of Housing and Cost of Living
 - Retirement Aged Population
 - Wealth
 - Quality of Life
 - Work Related
 - Employment Opportunities
 - Wage Rate
 - Relative Price of Housing and Cost of Living
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Tucson Residential Home Market Activity

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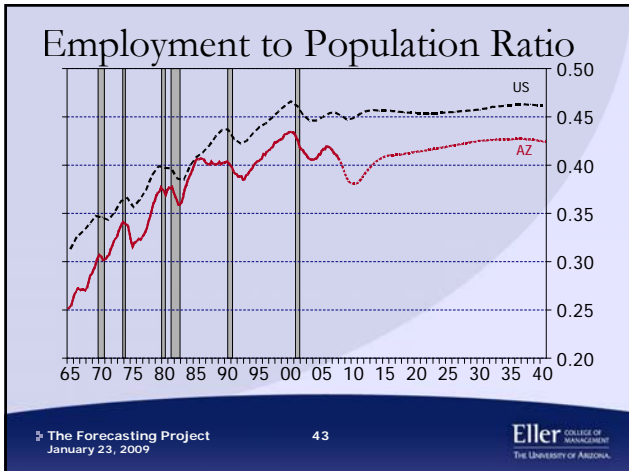
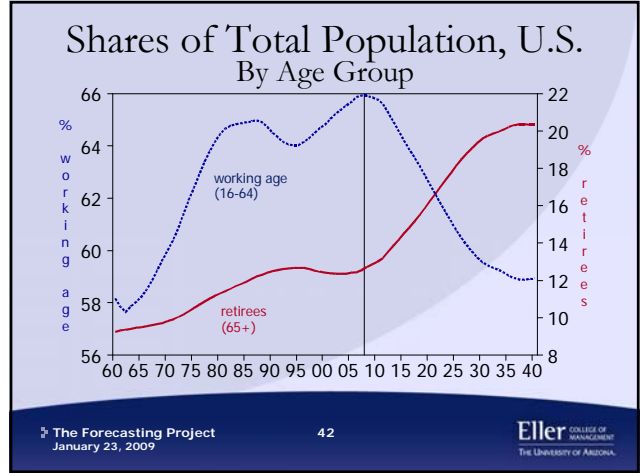






Long Term Structural Trends

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Forecasts to 2040, AZ

| | 2000 | 2010 | 2020 | 2030 | 2040 |
|-------------------------|-------|-------|-------|--------|--------|
| Population (000s) | 5,166 | 6,880 | 9,110 | 11,810 | 14,960 |
| Nonfarm Jobs (000s) | 2,243 | 2,620 | 3,770 | 5,020 | 6,350 |
| Personal Income (\$bil) | 133 | 230 | 480 | 900 | 1,580 |
| Retail Sales (\$ bil) | 54 | 90 | 160 | 270 | 430 |

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