

STATE OF ARIZONA

## Joint Legislative Budget Committee

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1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

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STEPHEN TULLY

### FINANCE ADVISORY COMMITTEE

March 4, 2005

Senate Hearing Room 1 – 9:00 a.m.

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#### Members Present:

Dan Anderson, Arizona Board of Regents  
Jay Butler, ASU  
Pete Ewen, APS, Pinnacle West  
Elliott Pollack, Elliott D. Pollack and Co.  
Hank Reardon, Reardon Economics  
Elaine Smith, DOR  
Blaine Vance, Treasurer's Office  
Marshall Vest, UofA  
Don Wehbey, Dept. of Economic Security

Mr. Richard Stavneak, Director, JLBC Staff, opened the meeting at 9:05 a.m. and welcomed everyone to the Finance Advisory Committee (FAC) meeting.

Mr. Tim Everill, Mr. Hans Olofsson, and Mr. Brian Cary, JLBC Staff, provided a slide presentation and handout with an overview of the major revenue categories. ([Click here to view handout](#))

Mr. Everill said they were interested in the panel's perspective on when the housing boom will finally peak. They also wanted the panels view on inflation and if rising prices would push interest rates higher and again impact the housing market. Finally, will the recent improvement in the job market continue.

Mr. Vest asked Mr. Cary what was the lag between when profits accrue and when taxes are actually collected.

Mr. Cary said there was a lag pattern to collections versus reported corporate profits. The UofA model reflects picking up profit activity over a course of six to eight quarters. The revenue numbers reflect that to an extent. The 50% increase in profitability reported by Business Week for calendar year 2003 was largely felt locally in FY 2004 and through this year as well, given that revenue collections are actually over 50% for the year-to-date. Likewise, the profitability numbers for calendar year 2004, an increase of almost 30% according to Business Week, is auspicious for Arizona going forward. The momentum embedded in those profit figures should be reflected in the tax returns and estimated payments made in the months ahead. The job report out of Washington noted that 261,000 jobs were added, which is a sign that hiring is picking up a little at the national level. While there is a lag, there is also a certain amount of momentum in the numbers. That is why there is a fairly strong forecast for FY 2006 as well as the current year.

Ms. Elaine Smith, DOR, thought the lag would be a little different. First, the estimated payments would be a little more immediate, and then there would be an adjustment when final returns were filed.

Mr. Elliott Pollack gave a slide presentation and handout on the national and Arizona economies. ([Click here to view handout](#))

Mr. Pollack said Arizona has consistently outperformed the nation as a whole. There are only two states that have been in the top five growth states every decade since the end of World War II and they are Arizona and Nevada. Arizona has been in the top five growth states every decade since the 1880's except for the 1920's. Arizona is also second in population growth. This is no more than a movement of people away from the rustbelt in the northeast to the sunbelt. That will continue. It will always be Nevada and Arizona, although Nevada is about to price itself out of the market in terms of housing.

Mr. Stavneak asked Mr. Pollack if he had any thoughts on the extraordinary growth we have seen this year in individual income tax estimated payments and corporate income tax collections. Mr. Pollack responded that he could not provide much insight into this growth.

Mr. Jay Butler gave a presentation and handout on housing in Arizona. ([Click here to view handout](#)) Mr. Butler said in some areas 60% to 70% of the homes being sold are being bought by investors. This could be a big problem down the line, or turn out to be nothing.

Mr. Hank Reardon said he agrees with Mr. Pollack. He said down the road there is a mix of things that could be problematic like the budget deficit, buying a lot of products overseas, and not exporting much overseas, and the weakening dollar. On the state revenue numbers, he feels they are reasonable, but he is slightly more optimistic.

Ms. Smith said that in the Transaction Privilege Tax (TPT) section, we have seen a lot of growth; it has been a good year. Most of the growth is coming from contracting and use tax, both of which are extremely volatile and should cause everyone a little concern.

Mr. Vest said it is clear that what is driving the economy is the continuing increase in population and the flow of money into real estate. Our real estate is cheap compared to the market these people are coming from, such as California. He thinks the revenues have to be at their peak at this point. He also feels the state has an affordability issue coming up in terms of real estate.

Mr. Don Wehbey said they have a press release next Thursday to release figures for January. They have been watching very carefully the quarterly census of employment and wages and the 3<sup>rd</sup> quarter figures were put out on the Internet this week. What they are seeing from that data is that employment was much stronger in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, actually picking up into the 3.5% range. Knowing that the 4<sup>th</sup> quarter tends to shine more so than the 3<sup>rd</sup> quarter, it may approach 4%. Also of note is the fairly strong wage growth. The latest figures show growth of close to 9%. He feels 2006 should be a good year.

Mr. Dan Anderson said that he agrees with most of the optimism about FY 2005 and FY 2006. Construction is doing real well, there is enough momentum to keep things going. He is concerned as we look out at FY 2007 and FY 2008, trying to figure out what is going to happen once construction has run its course. Most of the growth in Arizona economy has been construction related. In general, Arizona has a good economy right now.

Mr. Blaine Vance said the Treasurer's Office is more concerned with oil pricing. Also, the Feds have announced a march toward higher short term interest rates.

Mr. Pete Ewen said that there are a couple of things that are important to note with regard to oil. One is that the demand for oil has helped prop up prices, certainly from India and China and some 3<sup>rd</sup> world countries. The devaluation of the dollar is another critical component. The finances for most of the oil

exporting countries are now pressured severely because now their trade ties to European countries are dominating their financial flow. There is a lot of pressure to maintain a high oil price as long as the dollar is as weak as it is. That will be with us for quite awhile given the current state of the budget deficit and our trade deficit. In that context, that rolls through all other energy prices.

The meeting adjourned at 10:30 a.m.

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Cheryl Kestner, Secretary

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Tim Everill, Revenue Section Chief

NOTE: A full tape recording of this meeting is on file in the JLBC Staff office at 1716 West Adams.

# **Finance Advisory Committee**

**March 4, 2005**

**JLBC**

# **FY 2005 Revenue Collections**

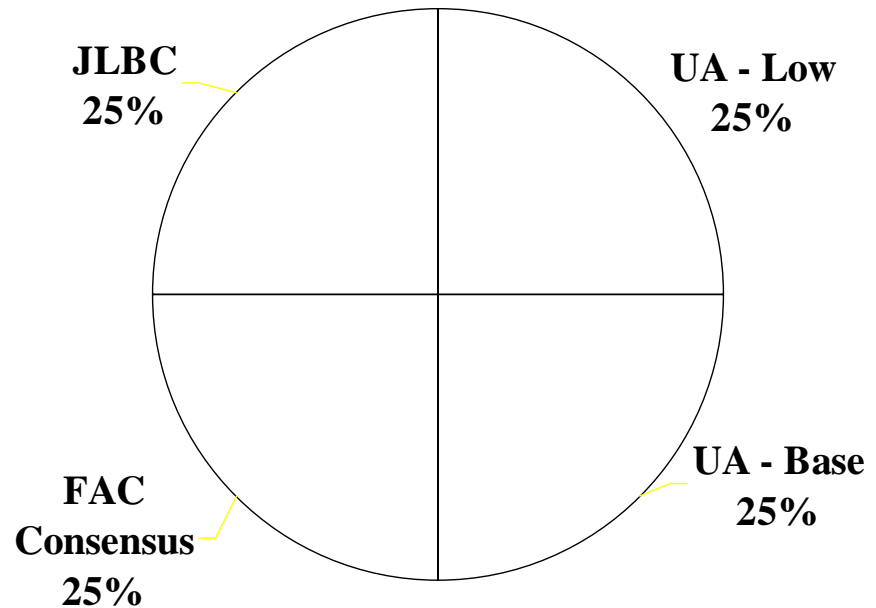
## **Strong Year-to-Date Performance**

- Through February, revenue collections are \$66 million above the January forecast.
- Collections for the first 8 months are 14.2% above last year.
- Big 3 categories all show strong increases.

# FAC Forecast is a Component of FY 2006 “Big 3” General Fund Revenue Consensus Estimate

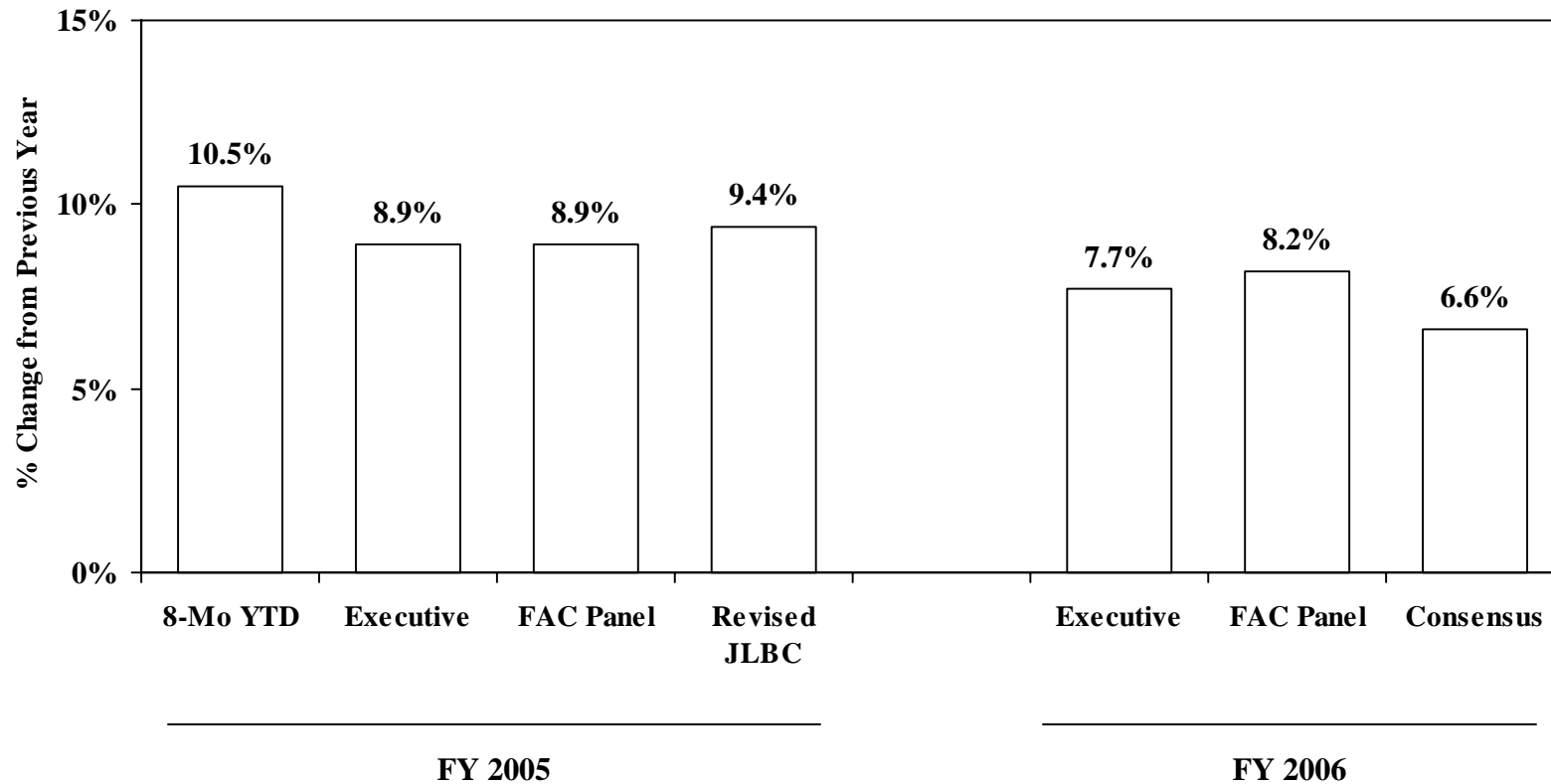
**Big 3 forecast equally weights:**

- **FAC average**
- **UofA model - base**
- **UofA model - low**
- **JLBC staff forecast**
- **Remaining revenues (6% of total) are staff forecast**



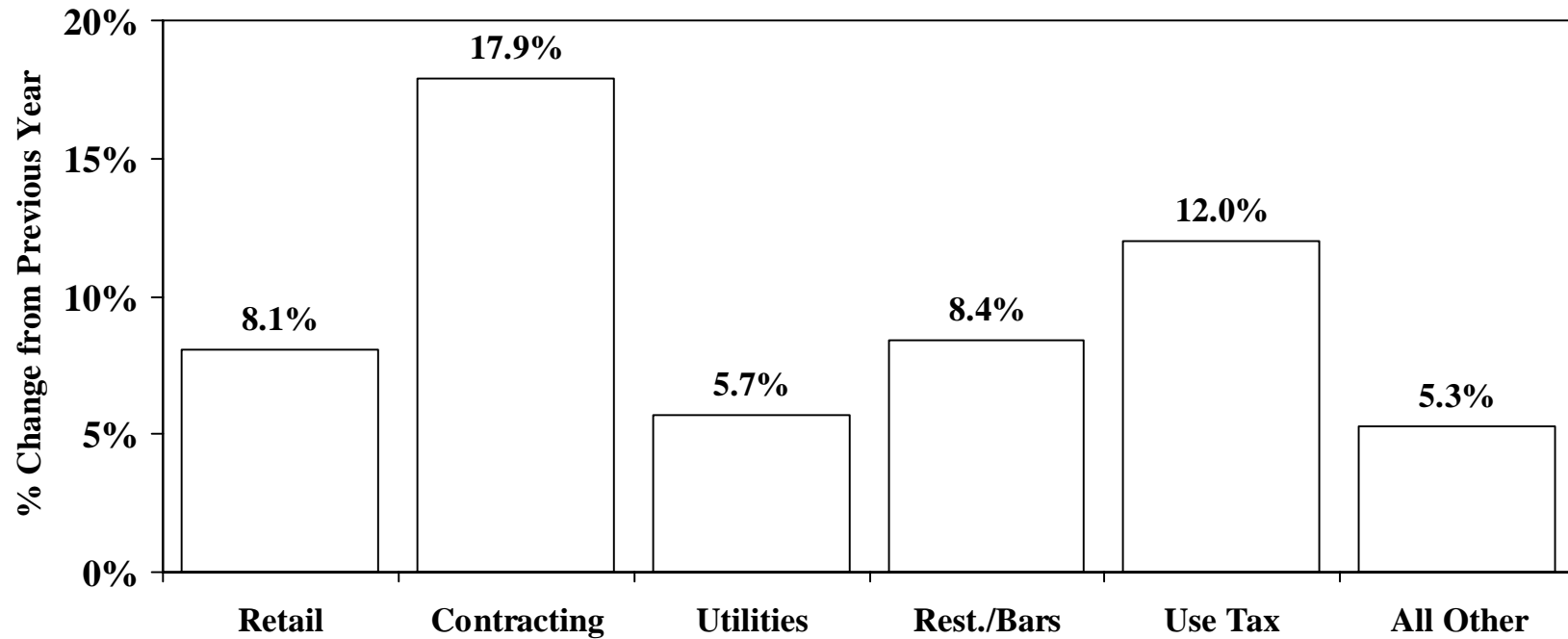
# Sales Tax Collections

## Growth Rate Expected to Slow Some in FY '06



# FY '05 Sales Tax Collections

Remain Strong Across a Broad Range of Categories

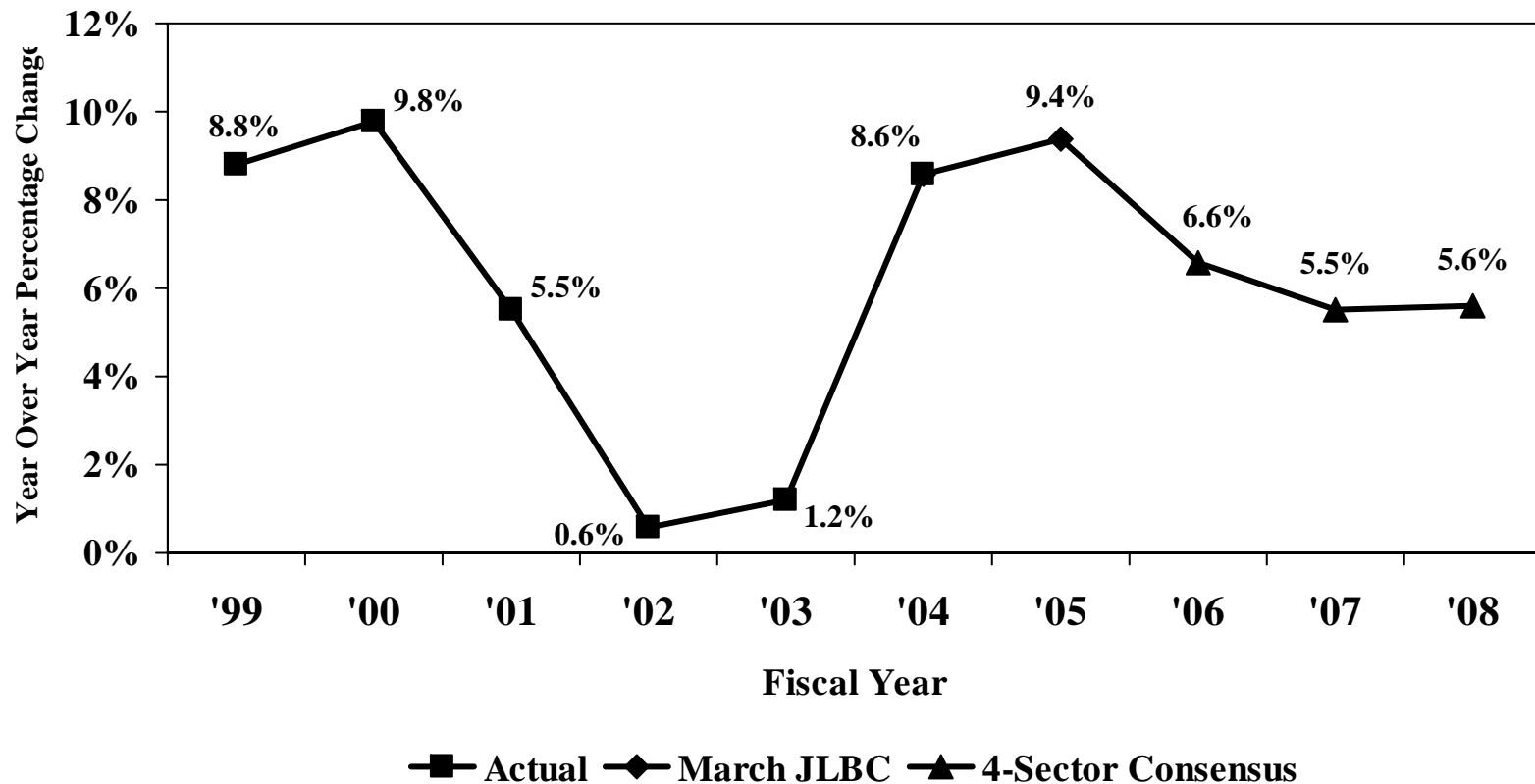


**FY 2005 7-Mo YTD Growth**



# Sales Tax Growth Rate

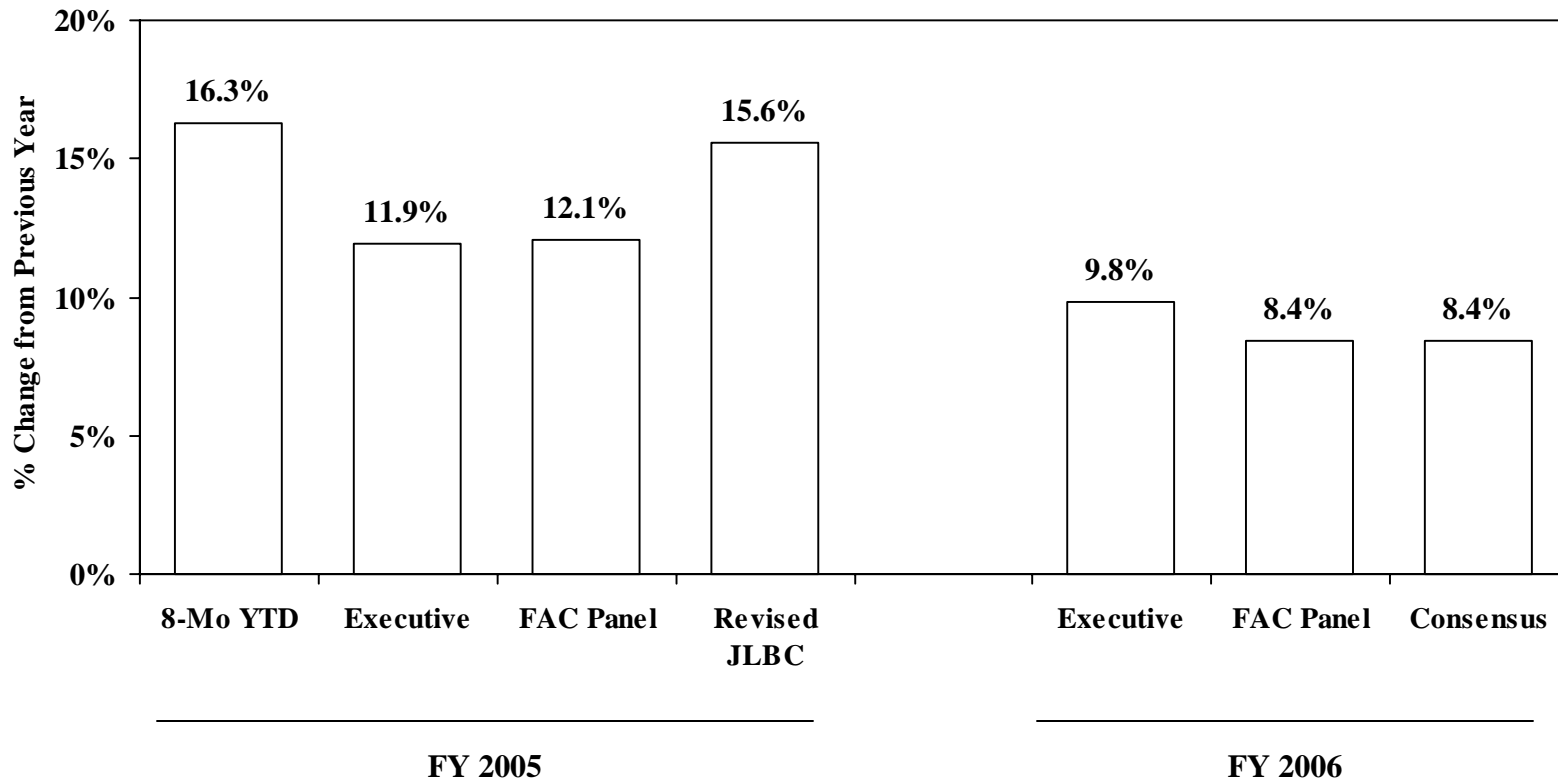
Consensus Projects Continued Strong Growth Rates,  
But Not at Levels of Last 2 Years



FY 2004 Actual = \$3.3 Billion

# Individual Income Tax Collections

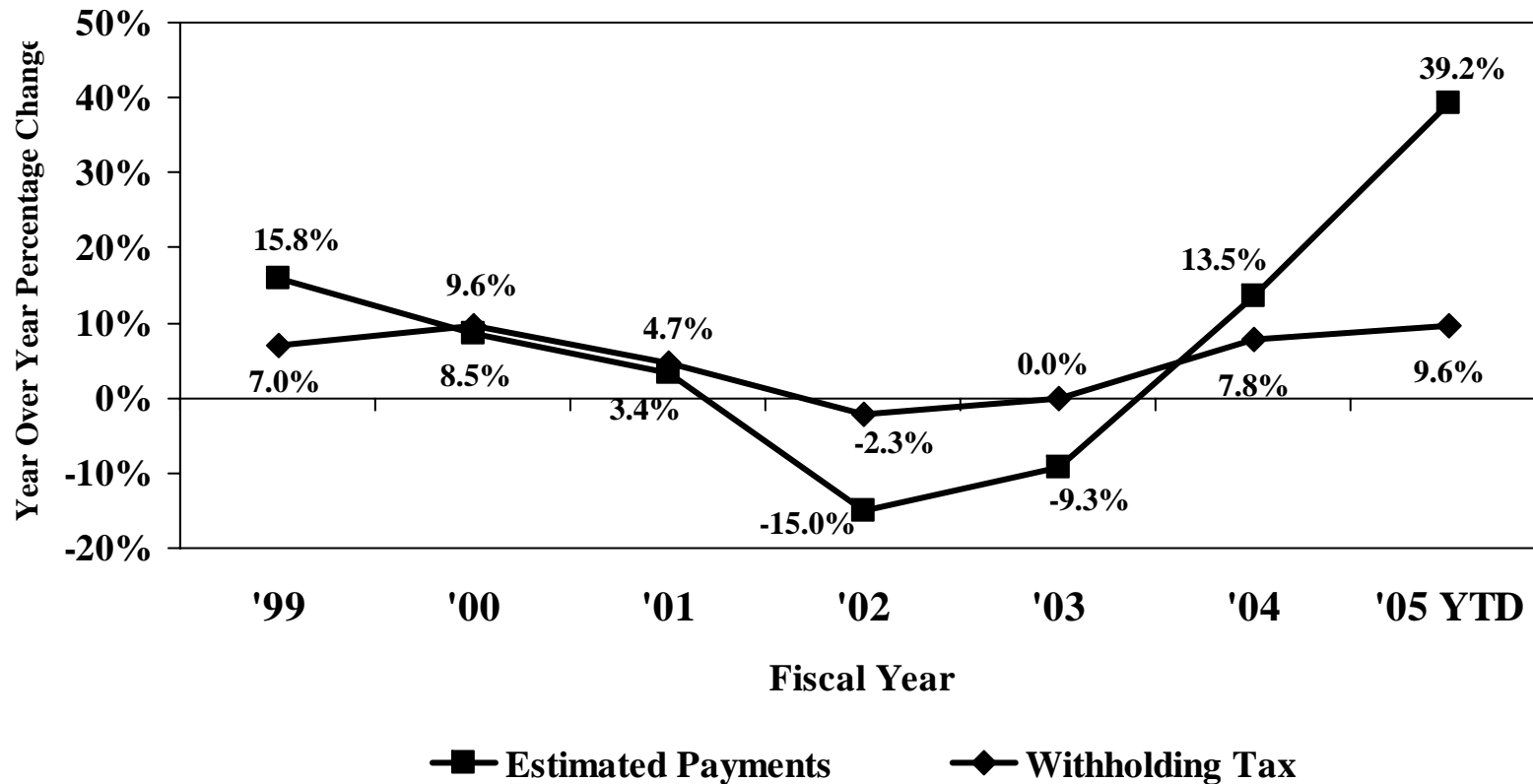
## FY '06 Consensus Growth Rate Below FY '05



Note: Growth rates adjusted for one-time \$76 million withholding increase in FY '05.

# Estimated Payment Growth Compared to Withholding Tax Growth

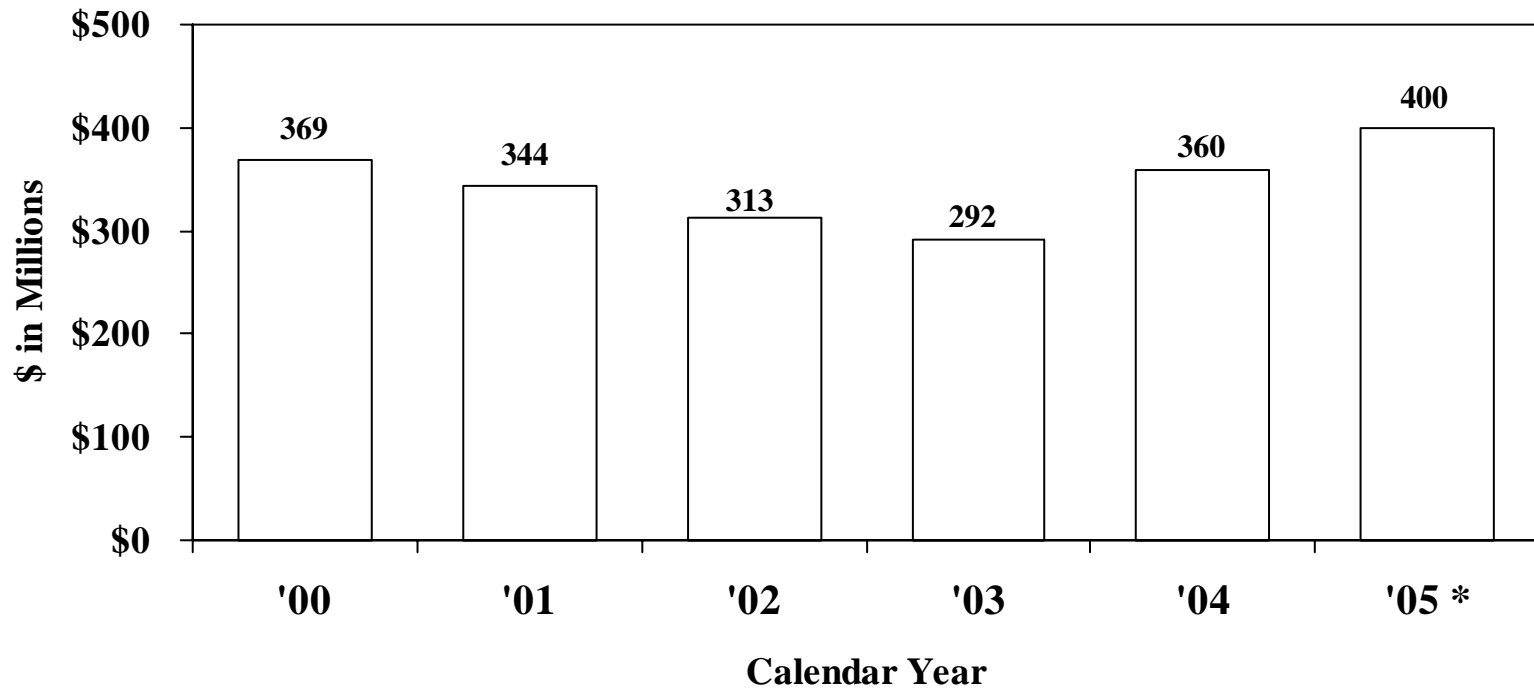
## Estimated Payment Growth More Volatile



Note: FY 04 and FY05 actual % changes adjusted for withholding rate changes in FY 04 and FY 05.

# Estimated Payment Tax

In Dollar Terms, CY '04 Collections Were on Par with CY '00 Pre-recession Level



\* CY '05 estimate based on FAC consensus forecast.

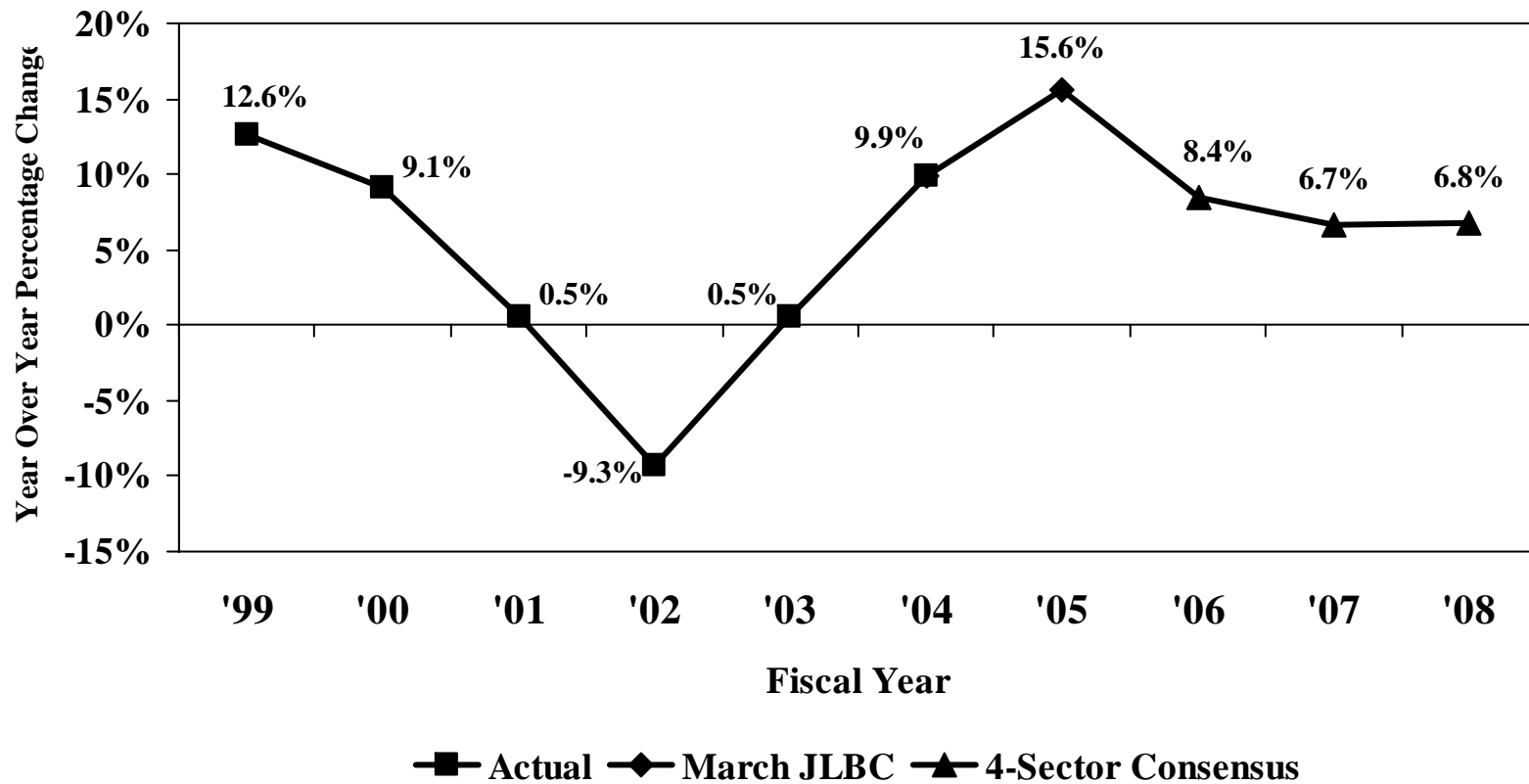
# What Has Caused Rapid Estimated Payment Growth?

## Reasons Unclear – 3 Possible Factors

- Stock market gains – S&P 500 index gained 9% during 2004, almost all in the 4<sup>th</sup> quarter.
- \$32 billion worldwide Microsoft dividend.
- Arizona real estate market for investors.

# Individual Income Tax Growth Rate

Consensus Projects Tapering Off  
of Current Strong Growth Rates

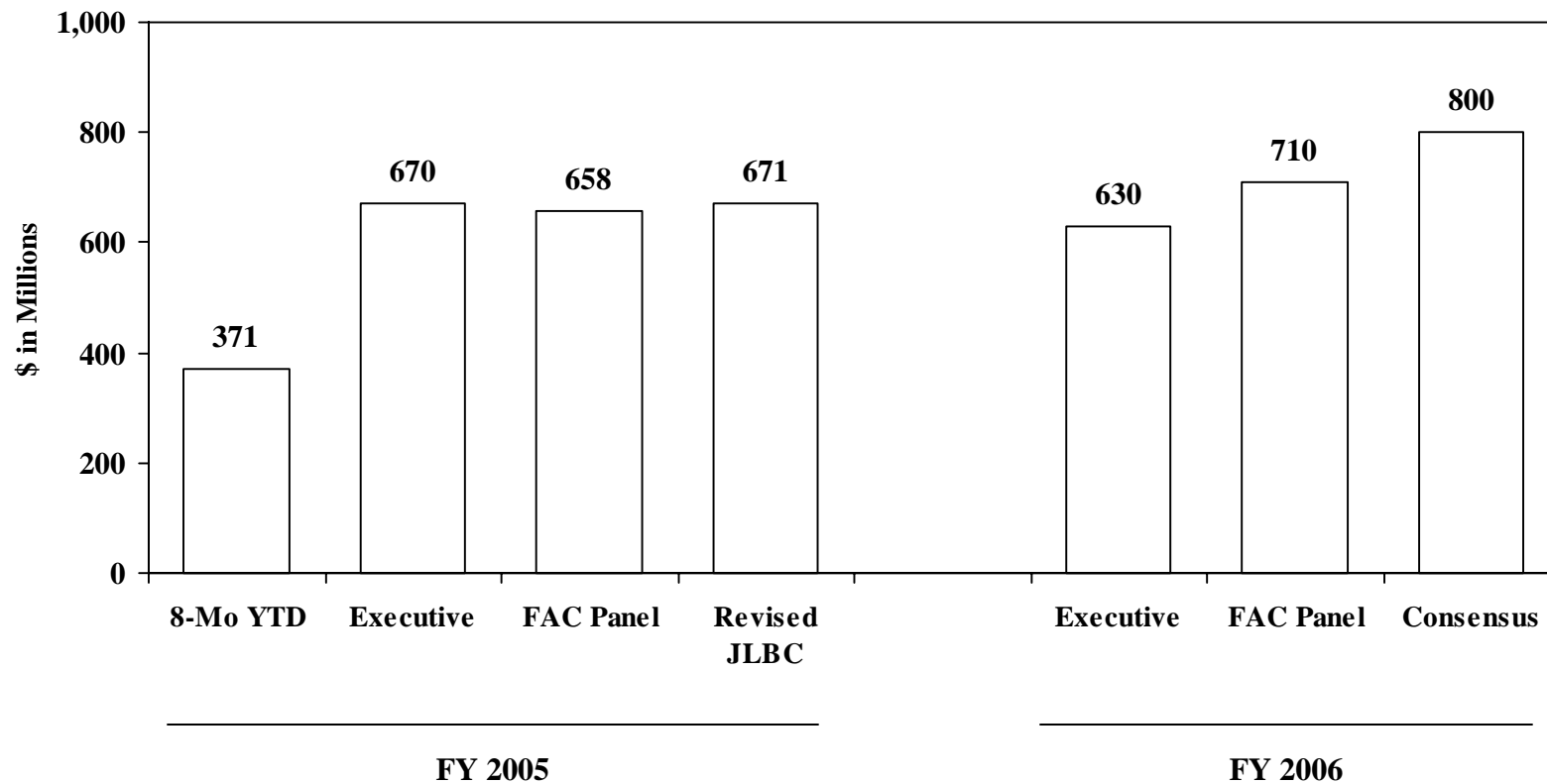


FY 2004 Actual = \$2.3 Billion

# Corporate Income Tax Collections

## Projected FY '06 Growth Rates Slower Than FY '05

### Executive Projecting a Decrease



## **FY '06 Forecasted Corporate Growth Rates Vary Widely**

- Two FAC panelists forecast negative growth rates.
- Two FAC panelists forecast 20% growth.
- U of A models forecast over 20% growth.

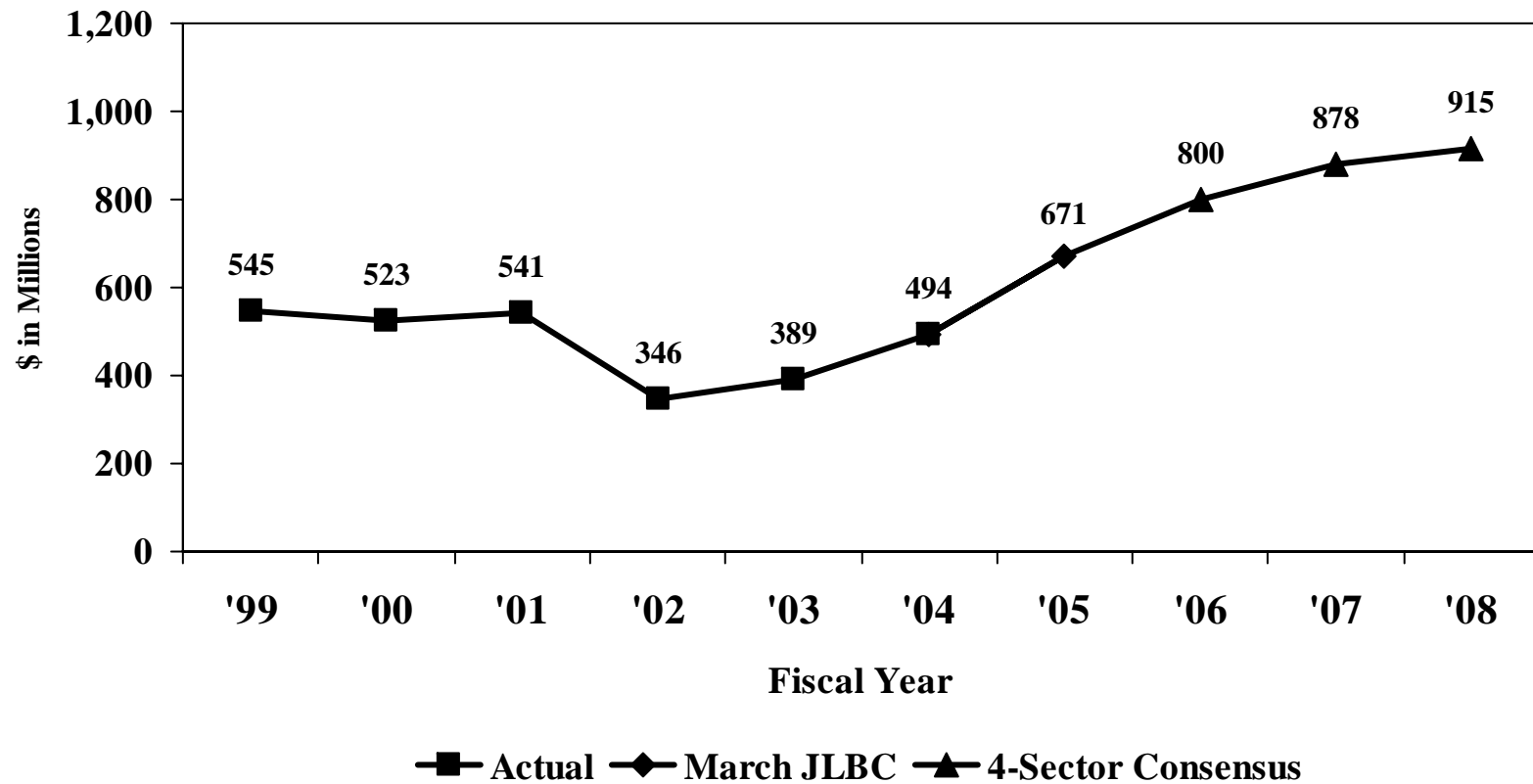


# Critical Issues for Corporate Income Tax Revenue

- According to the *Business Week* Corporate Scoreboard of 900 companies, corporate profits increased by 29% in 2004, following a 50% gain in 2003.
- The U.S. Blue Chip forecast panel predicts corporate profits will increase by 10.1% in 2005 and 6.0% in 2006.
- Future corporate use of “banked” credits unknown.

# Corporate Income Tax Growth Rate

## Consensus Calls For Continued Growth in Corporate



# Questions for the Panel

- Will the housing boom finally peak in 2005?
- What are your views on inflation?  
Will rising prices push interest rates higher?
- Will the recent improvement in the job market continue?

## FY 2005 – FY 2008 Quartile Forecast Worksheet

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<b><u>Sales Tax</u></b>				
JLBC Forecast (3/2/05)	9.4%	7.0%	5.8%	5.3%
UA - Low (2/05 revision)	10.5%	5.5%	4.4%	5.2%
UA - Base (2/05 revision)	10.5%	5.5%	4.7%	4.8%
FAC (3/4/05 Survey)	8.9%	8.2%	6.9%	6.9%
<b>Average:</b>	<b>9.8%</b>	<b>6.6%</b>	<b>5.5%</b>	<b>5.6%</b>
<b><u>Individual Income Tax</u></b>				
JLBC Forecast (3/2/05)	15.6%	7.9%	6.6%	6.2%
UA - Low (2/05 revision)	8.6%	8.0%	6.0%	6.9%
UA - Base (2/05 revision)	9.0%	9.4%	7.6%	7.4%
FAC (3/4/05 Survey)	12.1%	8.4%	6.6%	6.5%
<b>Average:</b>	<b>11.3%</b>	<b>8.4%</b>	<b>6.7%</b>	<b>6.8%</b>
<b><u>Corporate Income Tax</u></b>				
JLBC Forecast (3/2/05)	35.9%	18.7%	6.1%	5.2%
UA - Low (2/05 revision)	19.3%	26.2%	13.7%	3.3%
UA - Base (2/05 revision)	19.3%	25.5%	13.2%	0.5%
FAC (3/4/05 Survey)	33.3%	5.8%	6.0%	7.6%
<b>Average:</b>	<b>27.0%</b>	<b>19.1%</b>	<b>9.8%</b>	<b>4.2%</b>

# **National Outlook**

## **Finance Advisory Committee JLBC**

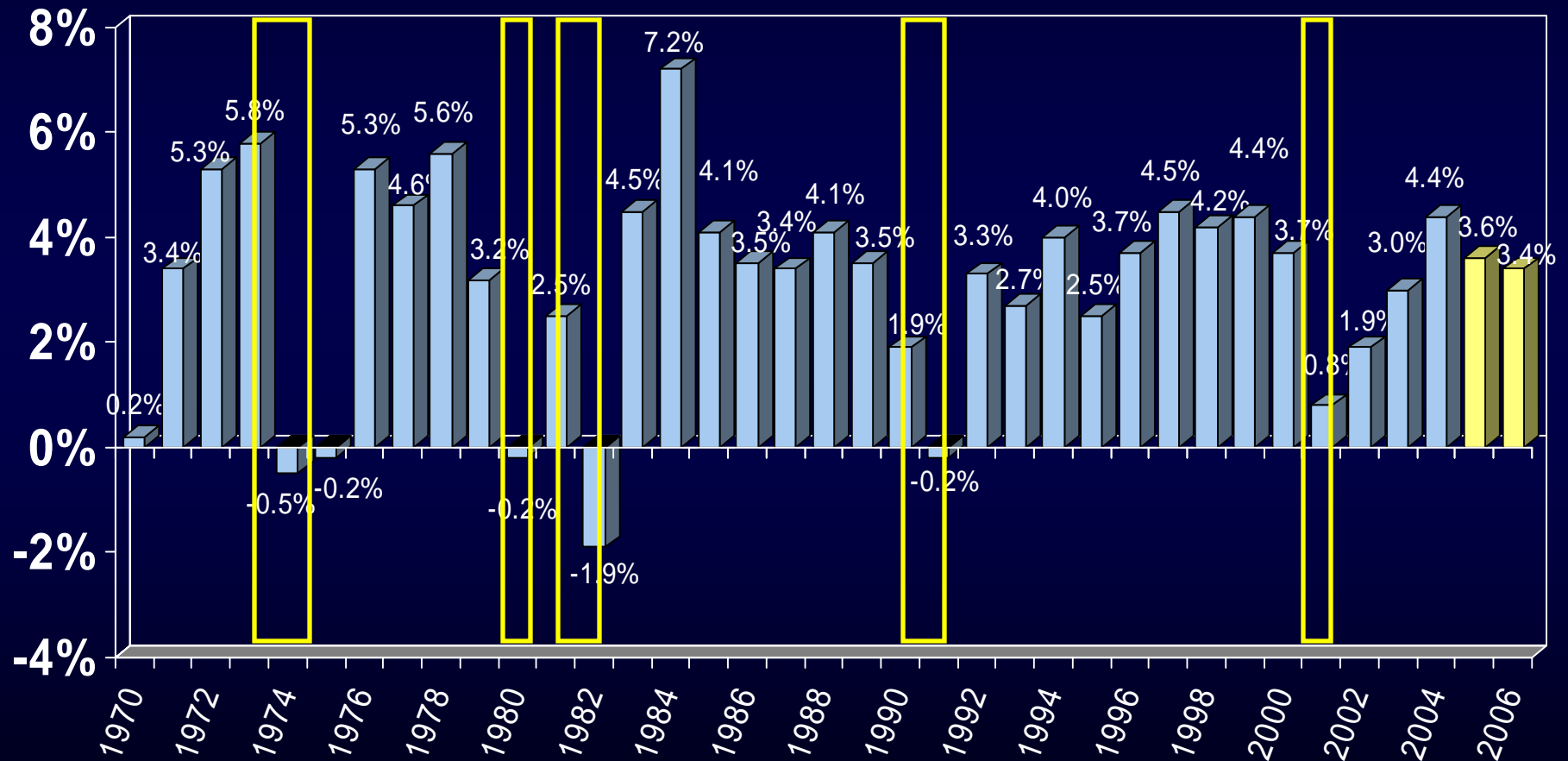
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**Elliott D. Pollack & Company**

**March 4, 2005**

# United States Real Gross Domestic Product\* Annual Growth 1970 - 2006\*\*

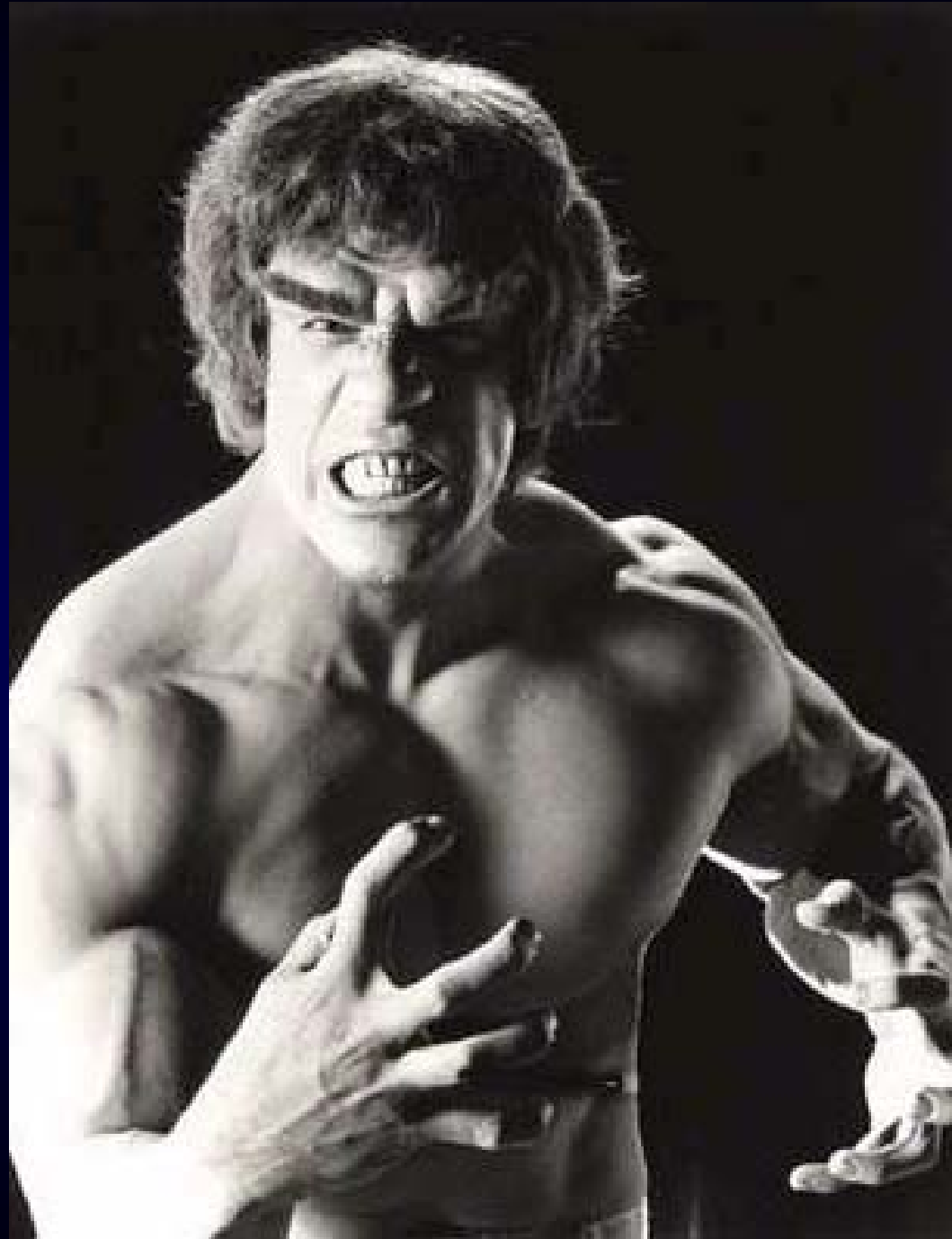
Source: U.S. Bureau of Economic Analysis & *Blue Chip Economic Indicators*



\* Based on chained 2000 dollars.

\*\* 2004 - 2006 are forecasts from the Blue Chip Economic Indicators, Feb 2005

 Recession Periods



**The  
economy  
is  
strong.**

# Media's Problem Du Jour



**30 months ago:**

**“Double Dip”**

**2 years ago:**

**“Housing Bubble”**

**18 months ago:**

**“Inflation v. Deflation”**

**Last year:**

**“Jobless Recovery”**

**Last fall:**

**“Oil Prices”**

**Now:**

**“Dollar Decline”**



**There is always  
something negative to  
focus on...**

**...the key is to focus on  
the data as a whole.**

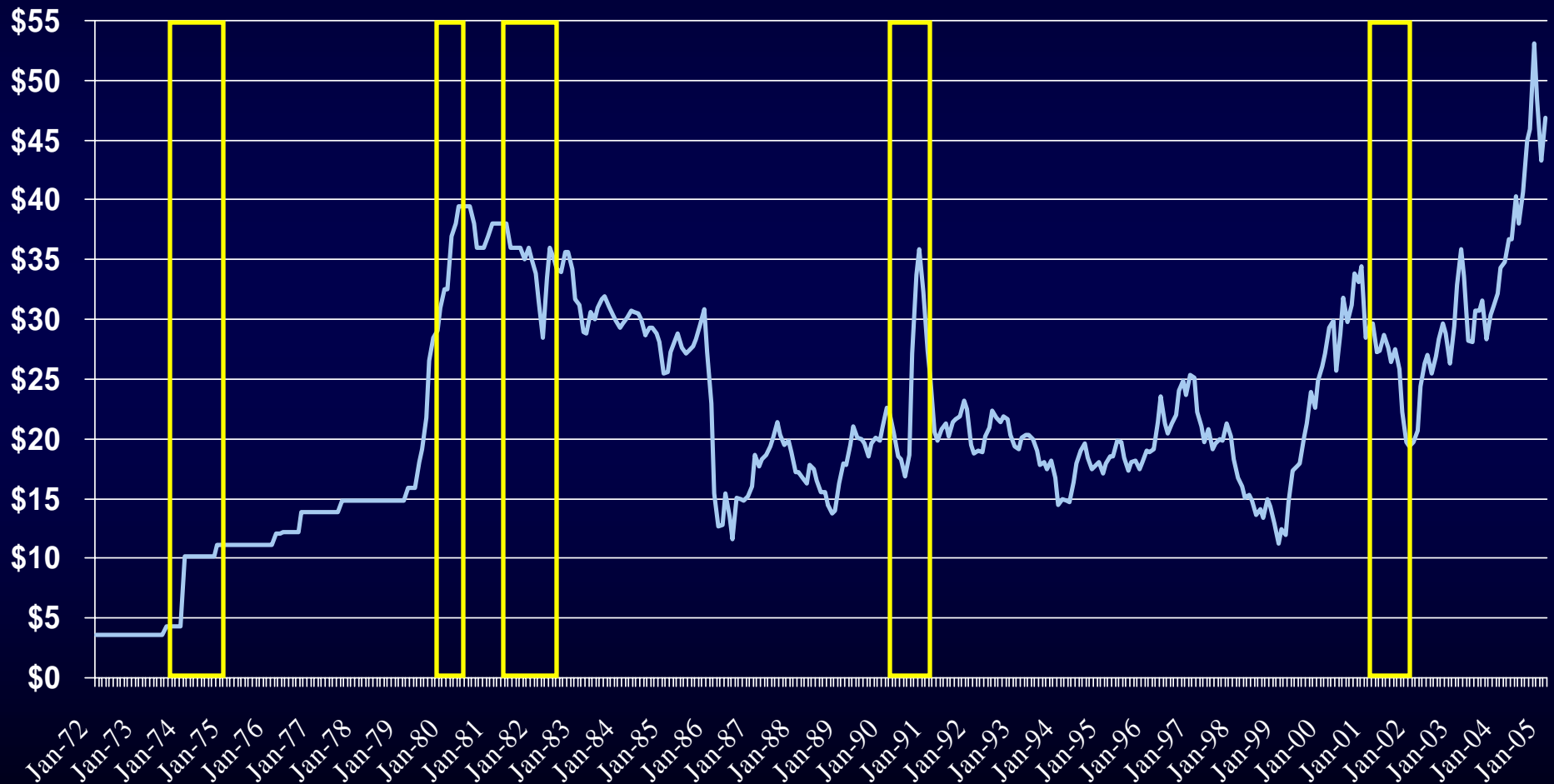


Oil



# Oil Prices 1972 – 2005\*

Source: Federal Reserve Board of St. Louis



•Data through January 2005

□ Recession Periods

# IMPACTS

- **Cuts into consumer spending.**
- **Squeezes corporate profits and leads to less hiring and spending.**
- **Price effects → CPI → Bond prices**

## IMPACT ON JOBS

**Because labor is a major variable cost, higher energy outlays add more pressure to control labor costs.**

**So far, little price or  
bond effect.**

**Future of oil prices is uncertain.**



**But shocks  
could  
occur that  
would  
make the  
expansion  
bumpy.**



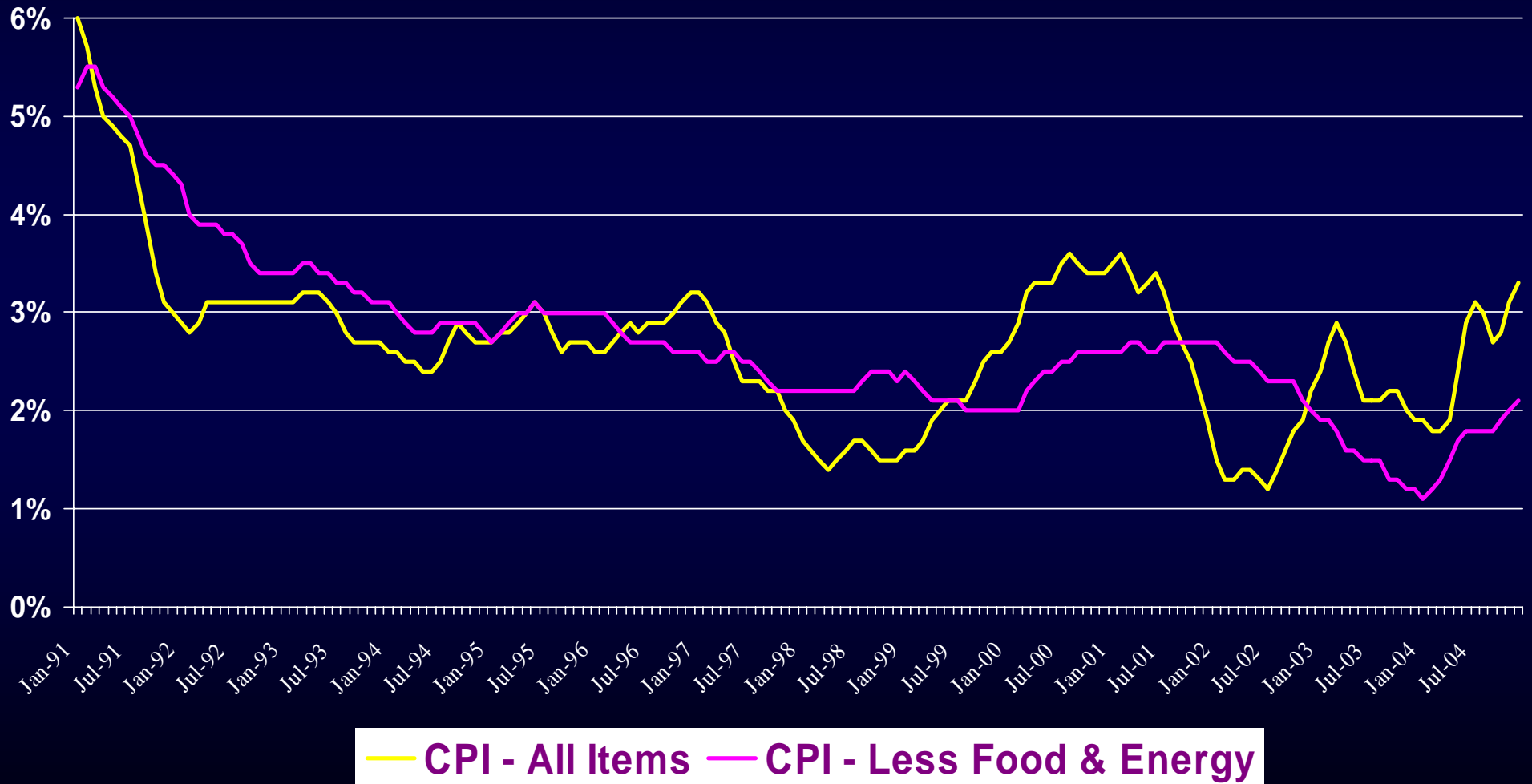


# Consumer



# Consumer Price Index Percent Change Year Ago 1991 – 2004\*

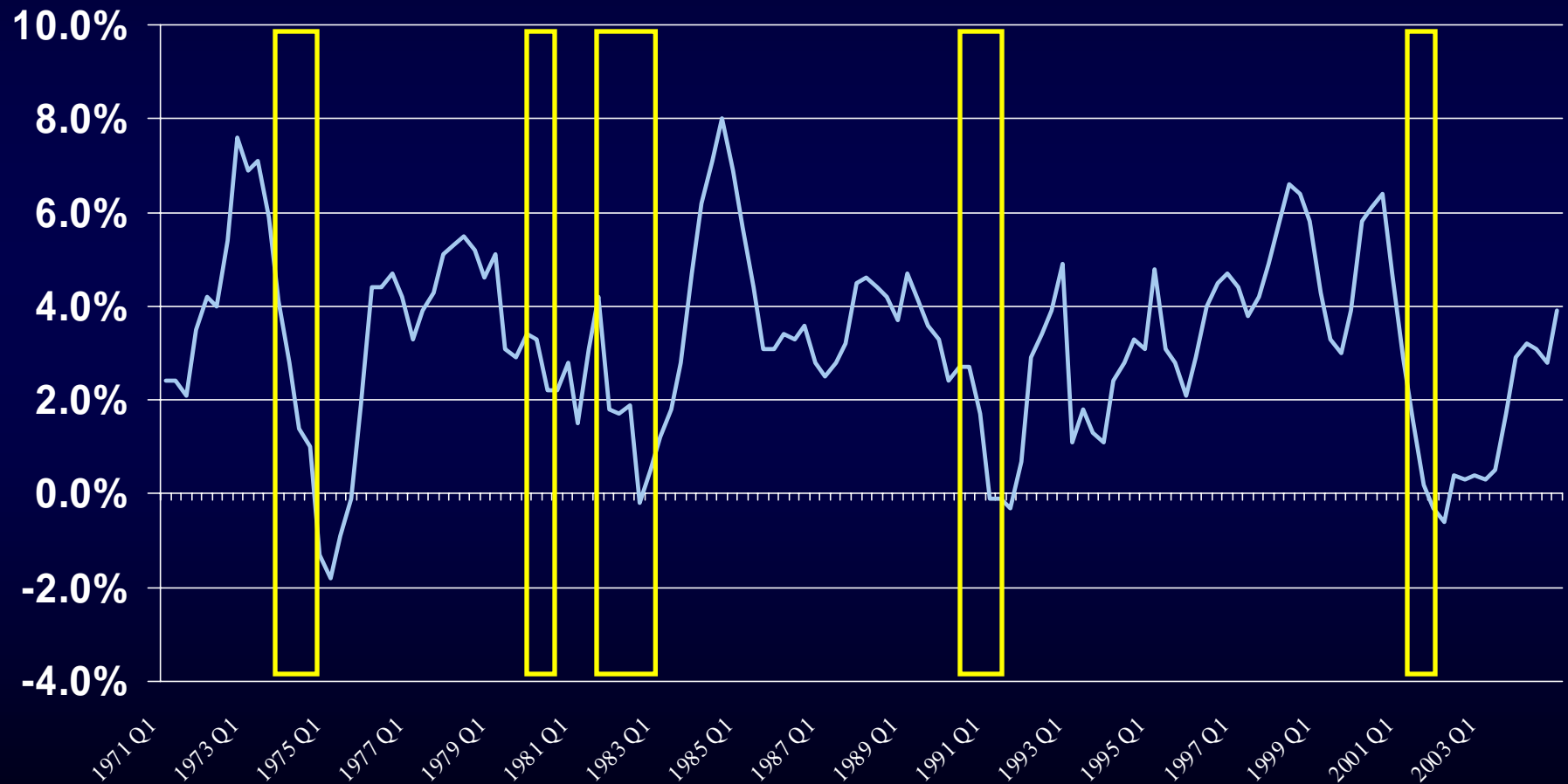
Source: Bureau of Labor Statistics



•Three-month moving average. Data through December 2004.

# U.S. Real Personal Income Percent Change Year Ago 1971 – 2004\*

Source: Bureau of Economic Analysis

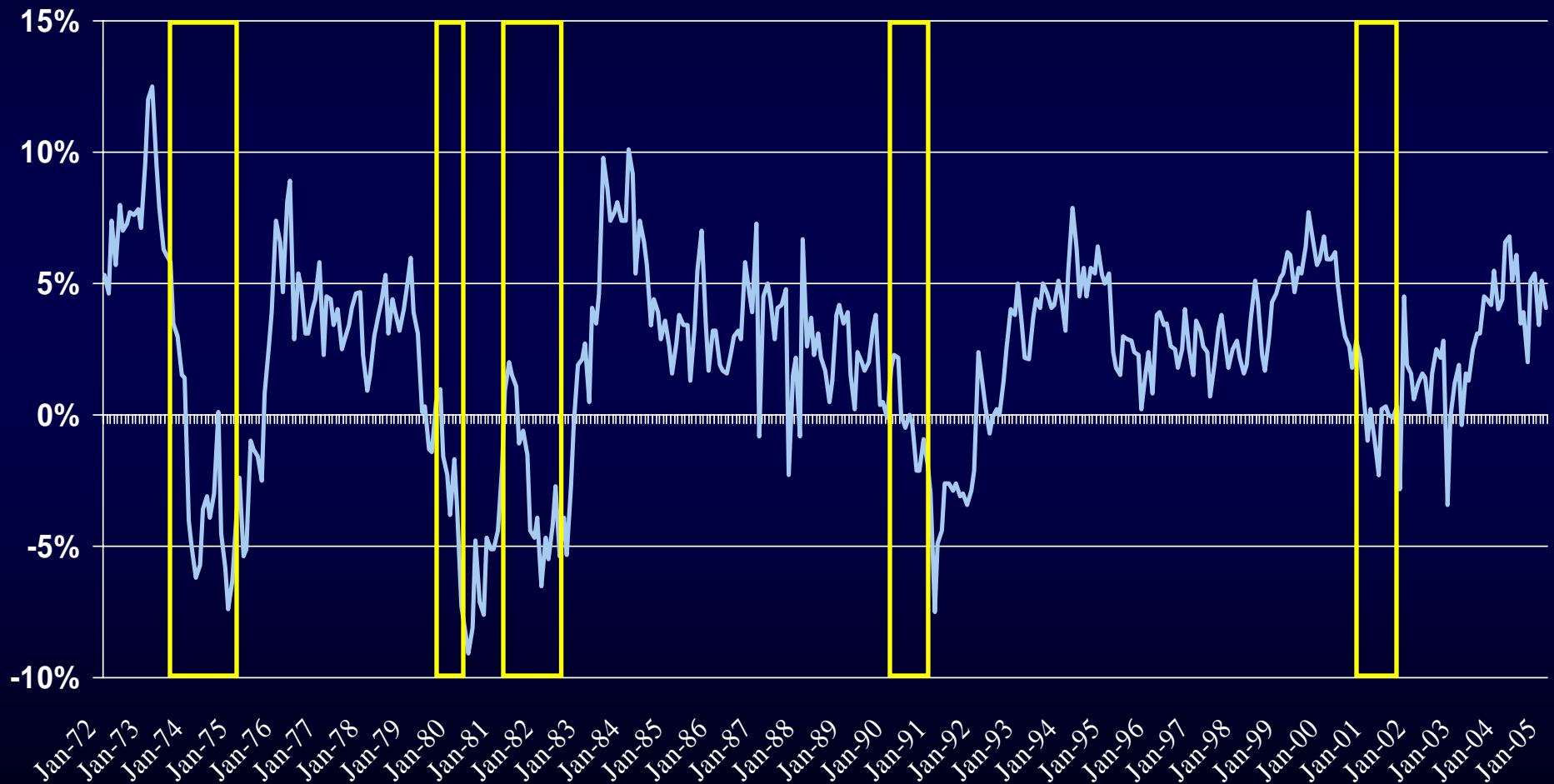


\*Data through fourth quarter 2004

 Recession Periods

# U.S. Real Retail Sales 1972 – 2005\*

Source: Federal Reserve Board of St. Louis

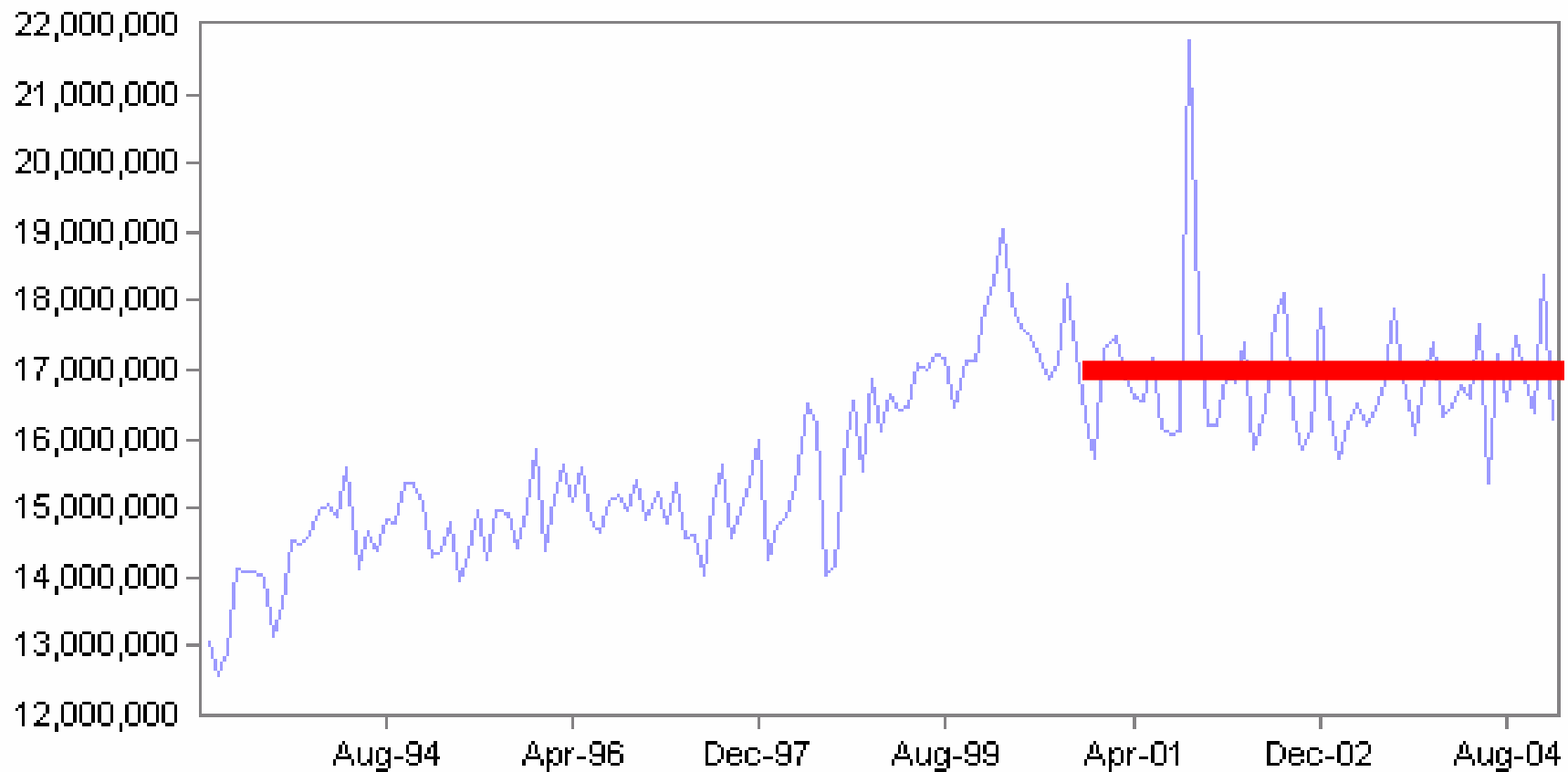


\* Data through January 2005

 Recession Periods

# Vehicle Sales Activity (1992-2004)

Vehicle Sales: Total Domestic and Imported, (Ths., SAAR)  
United States



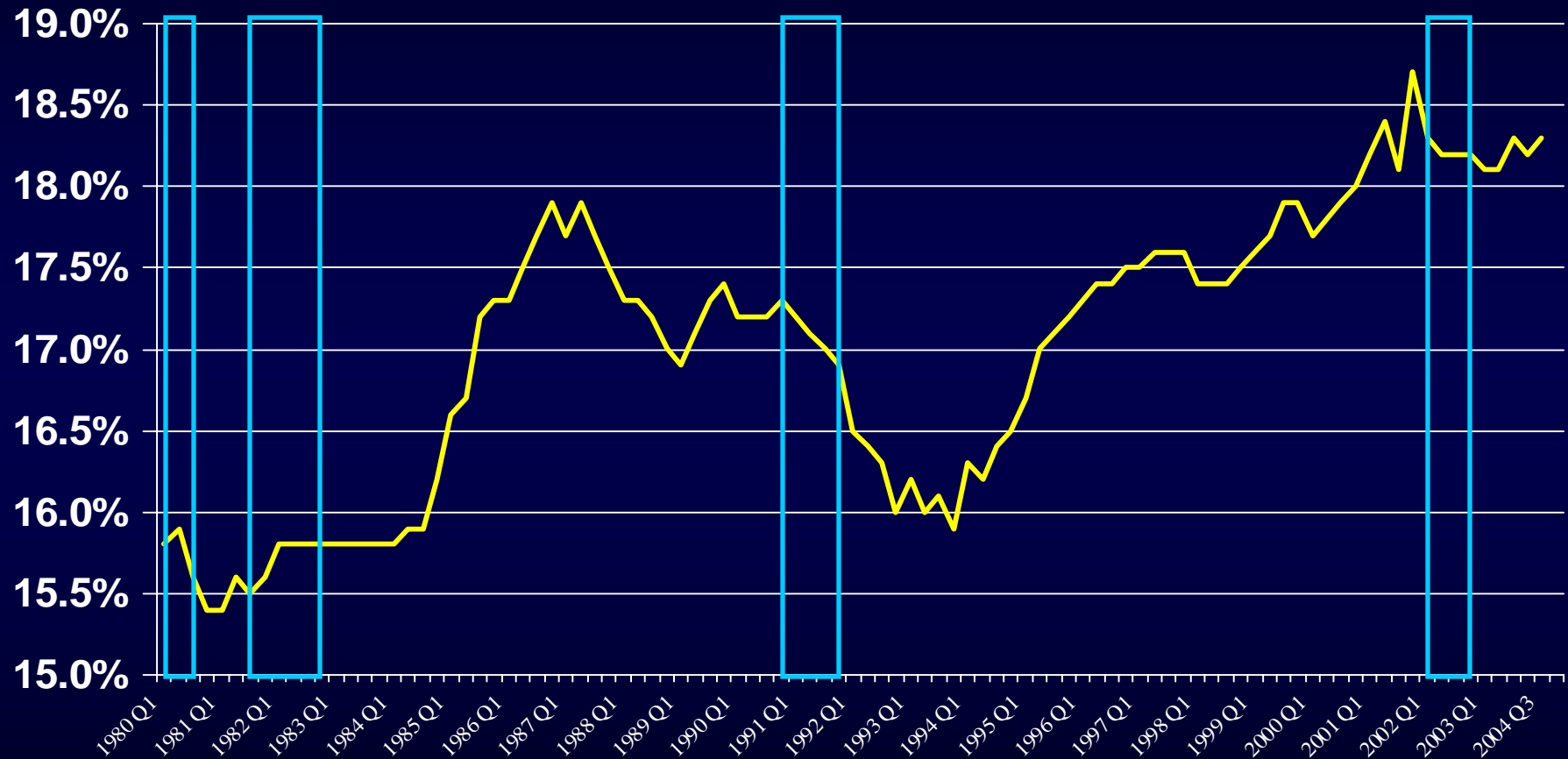
**Why no recovery in  
vehicle sales  
activity?**

- The recession was relatively mild by historical standards.
- Zero percent financing further enhanced car sales in 2001-2003.
- Individuals supplemented their disposable income by taking equity out of their homes...less severe spending reductions.

(i.e. no sharp decline = no pent up demand  
= no sharp recovery)

# Financial Obligation Ratio 1980 – 2004\*

Source: Board of Governors, Federal Reserve Board



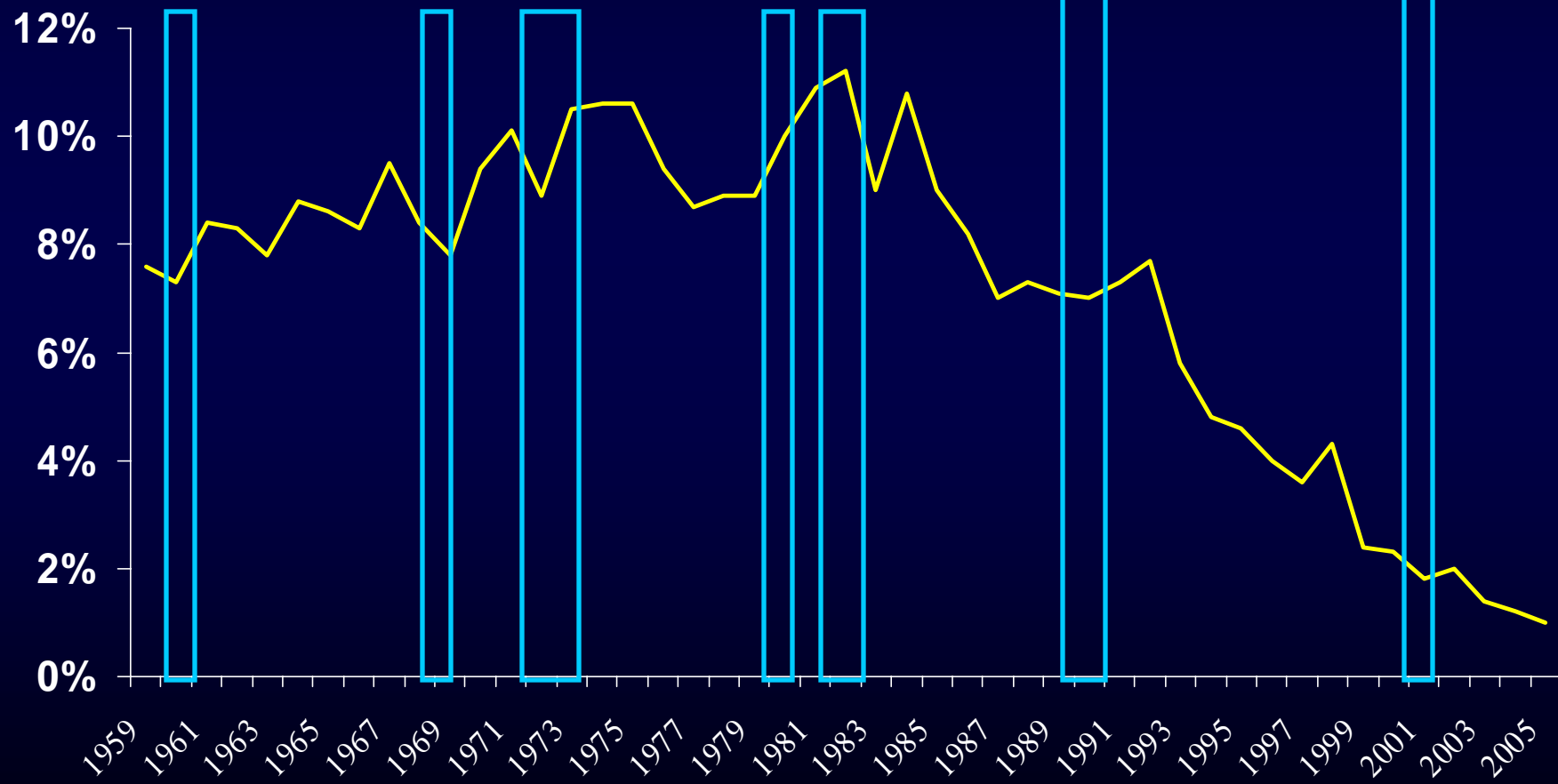
NOTE: The FOR includes debt service payments as a percent of disposable income. The FOR is a broader measure as it includes auto lease payments, rental payments, homeowner's insurance and property taxes.

\*Data through third quarter 2004.



# U.S. Personal Savings Rate 1959 – 2005\*

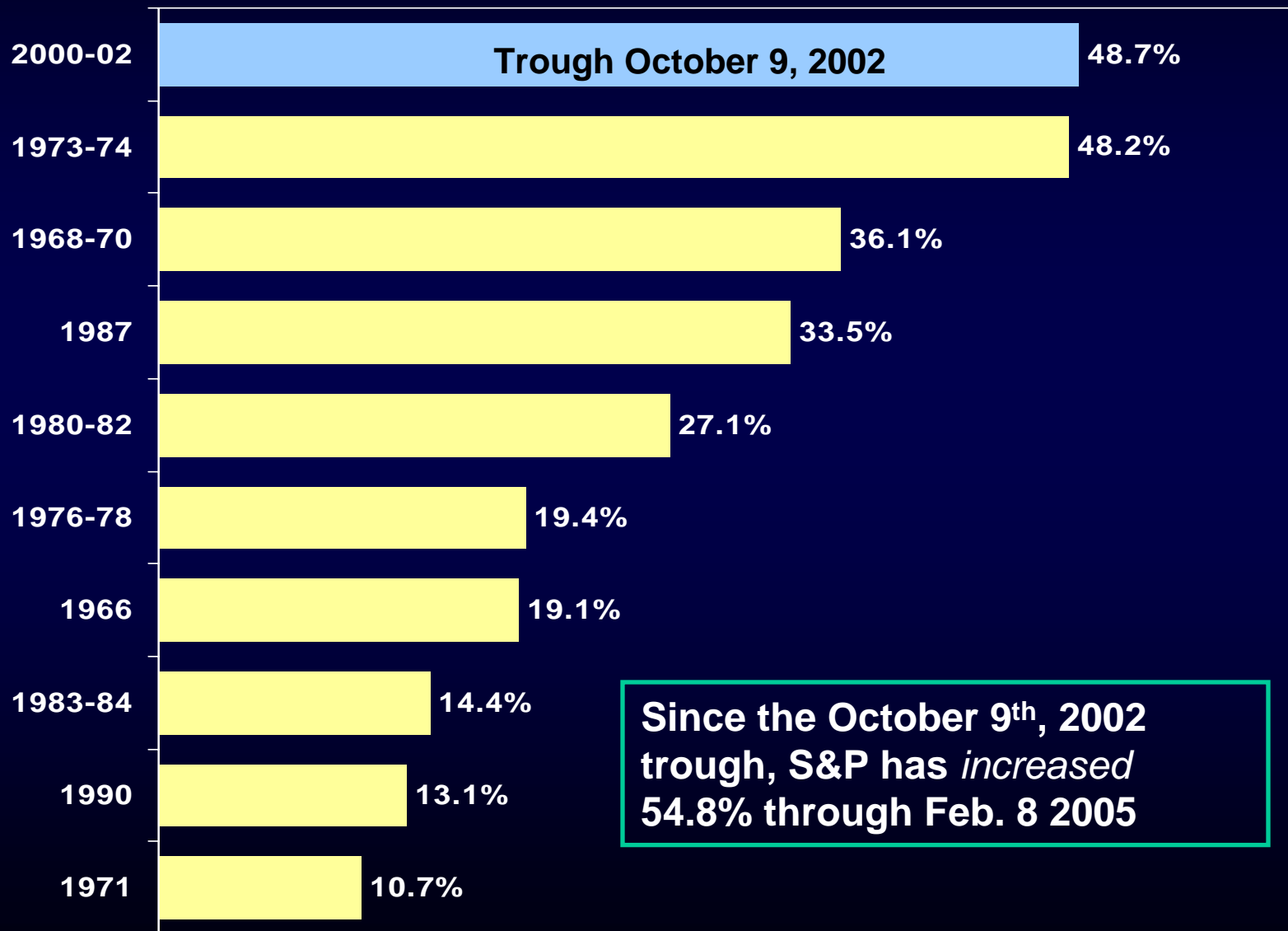
Source: U.S. Bureau of Economic Analysis



\*Data through January 2005

# Bear Markets

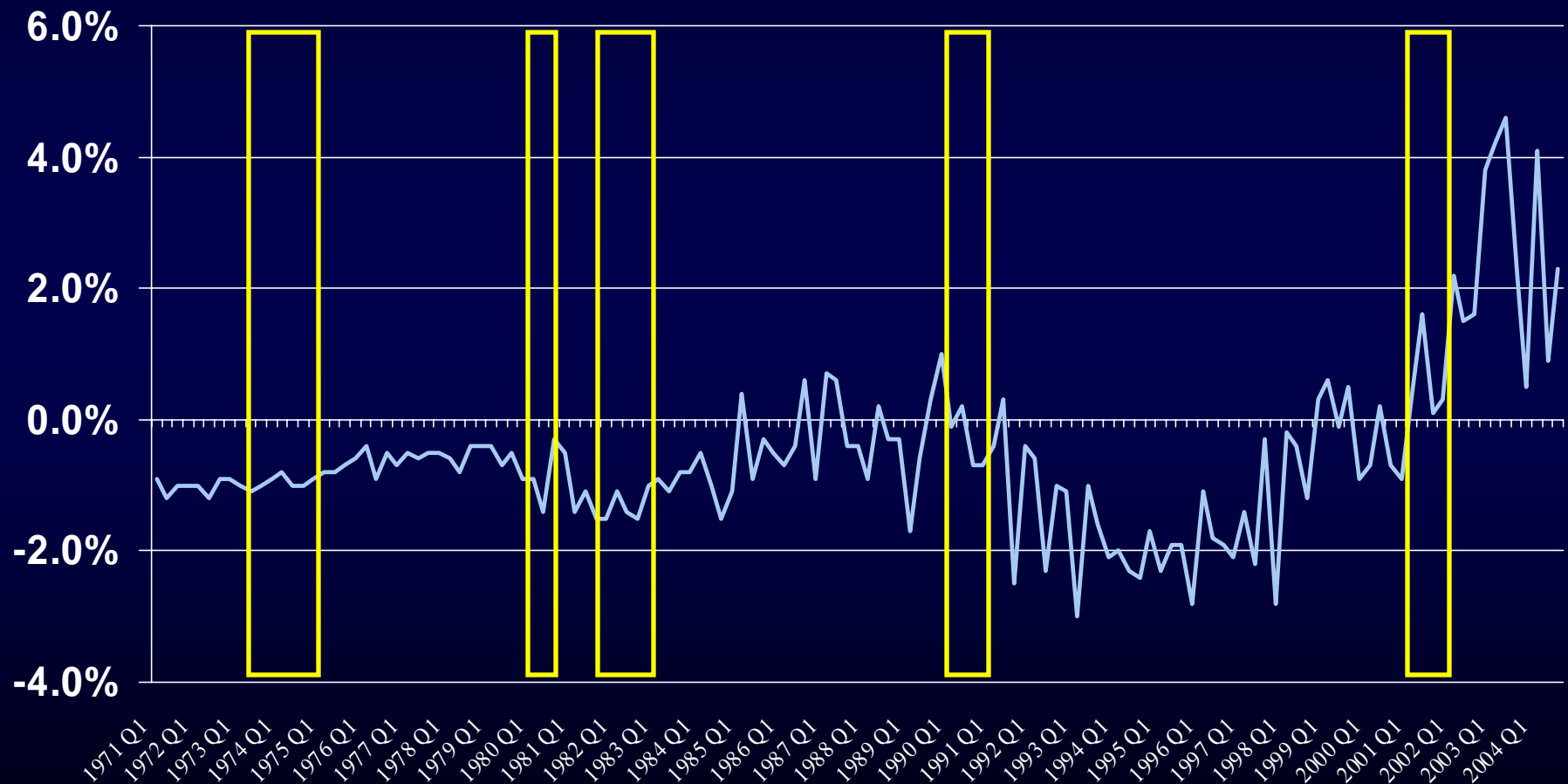
## Ranking of Peak to Trough Declines S&P Composite Stock Price Index



# Mortgage Equity Withdrawal as a share of Disposable Income

## U.S.: 1971 – 2004\*

Source: Bureau of Economic Analysis



\* Data through third quarter 2004

Recession Periods

# Unemployment Rate

## Unemployment Rate 3 years Post Recession

<u>Recession</u>	<u>UER at End</u>	<u>UER 3 years post</u>
1975	8.5%	7.0%
1982	10.8%	7.1%
1991	6.8%	6.5%
2001	5.6%	5.4%

# Business



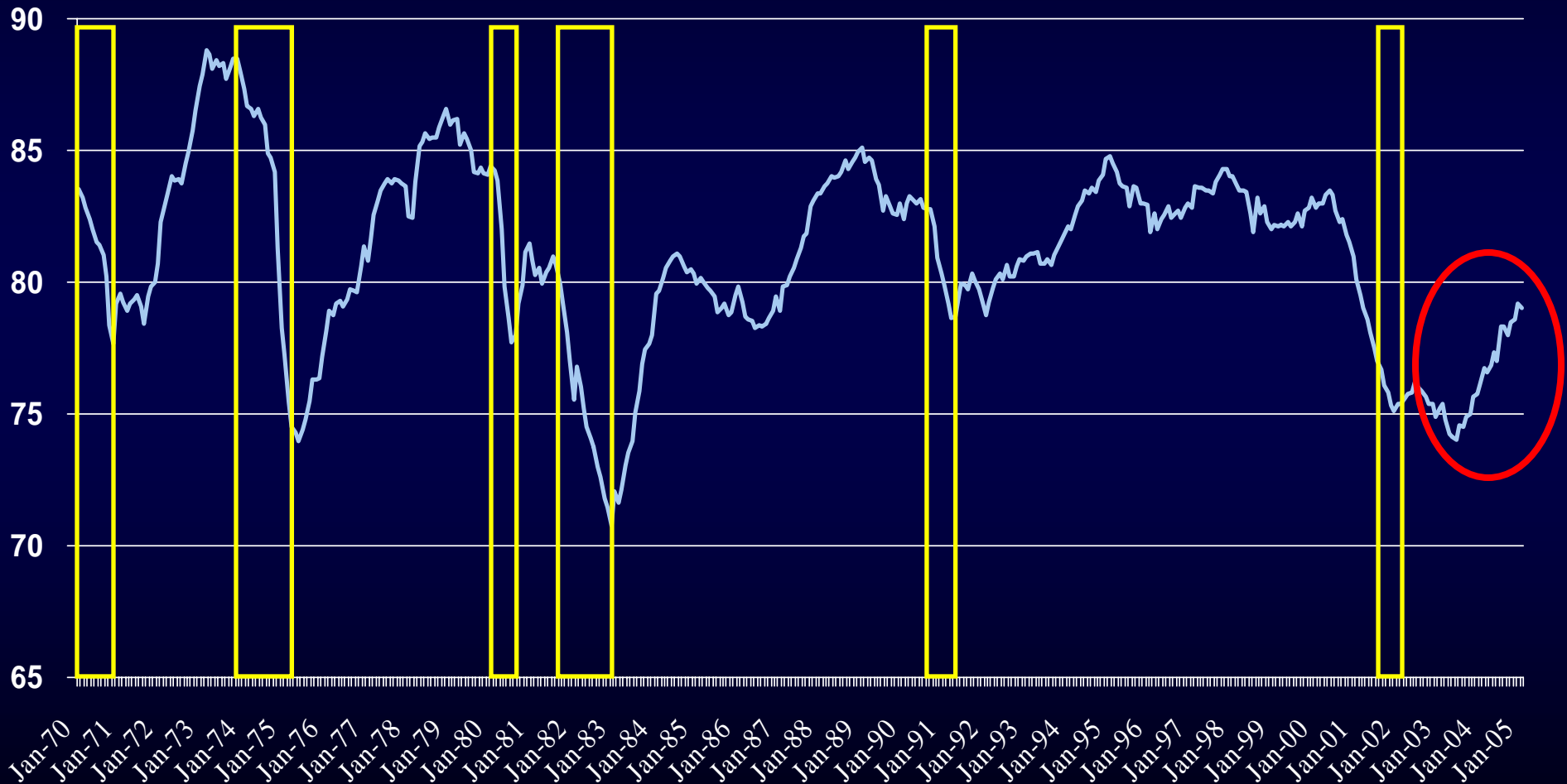
**You're  
Fired!**

**Entering portion of  
cycle where business  
spending will drive  
economy.**

**Businesses  
playing things  
close to the vest**

# Capacity Utilization Rate 1970 – 2005\*

Source: The Conference Board



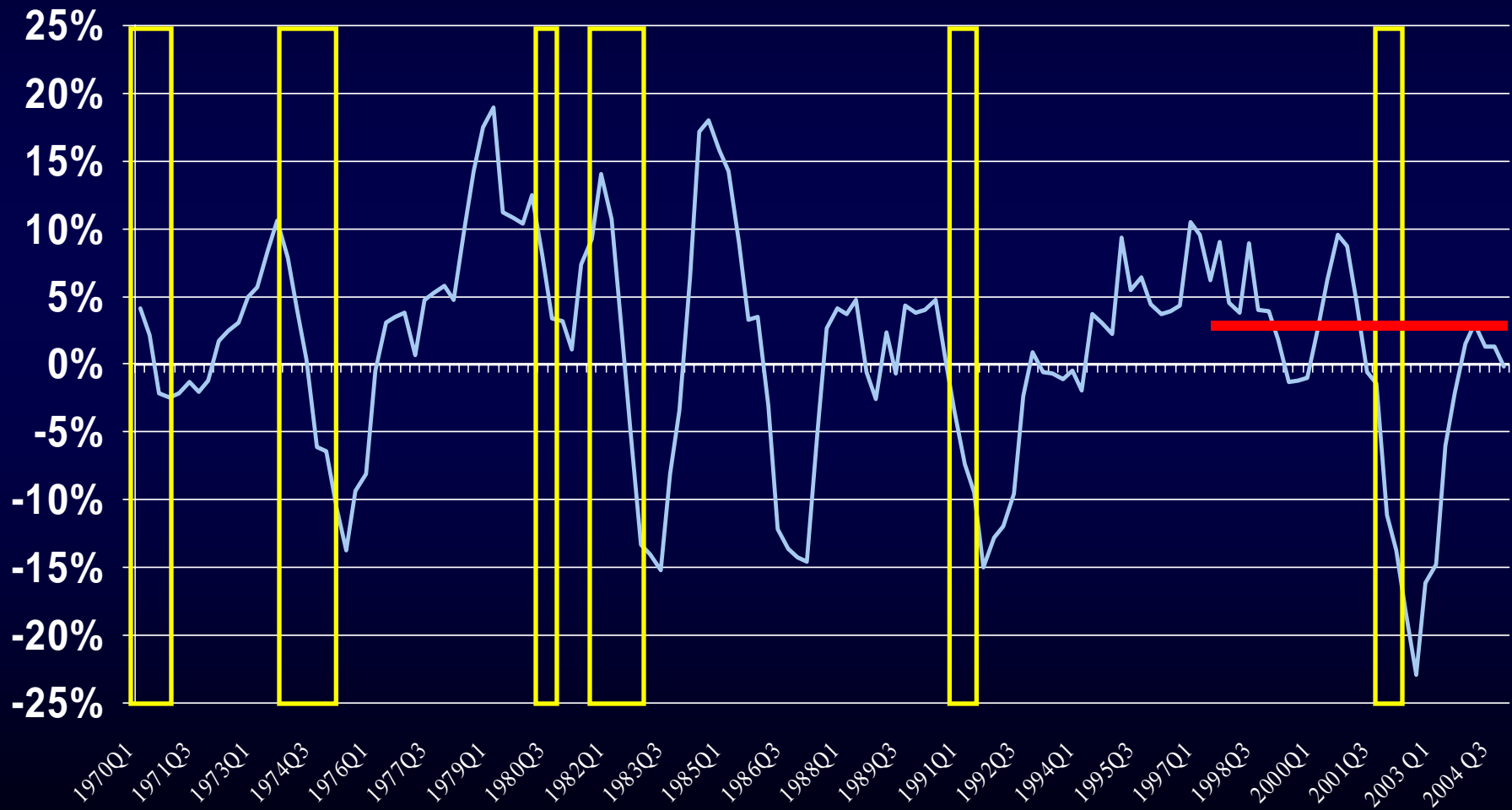
\* Data through January 2005

Recession Periods



# Total Plant Spending Percent Change Year Ago (Real Dollars) 1970 – 2004\*

Source: Bureau of Economic Analysis



•Data through fourth quarter 2004.

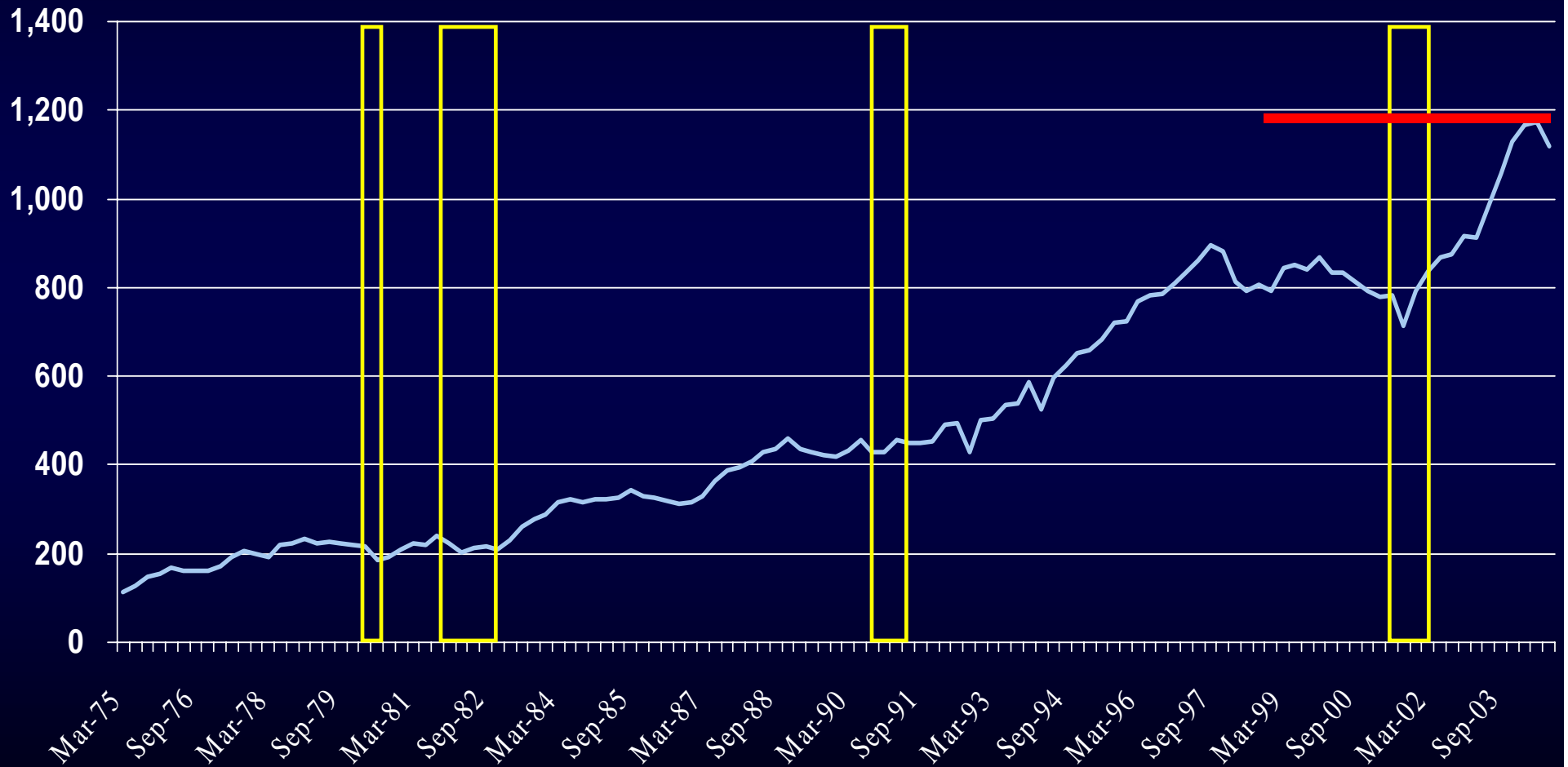
•NOTE: Series was revised in March 2004. Data prior to 1990 was not provided.

 Recession Periods

# Corporate Profit 1975-2004\*

(Billions of Dollars, SA)

Source: Freelunch.com



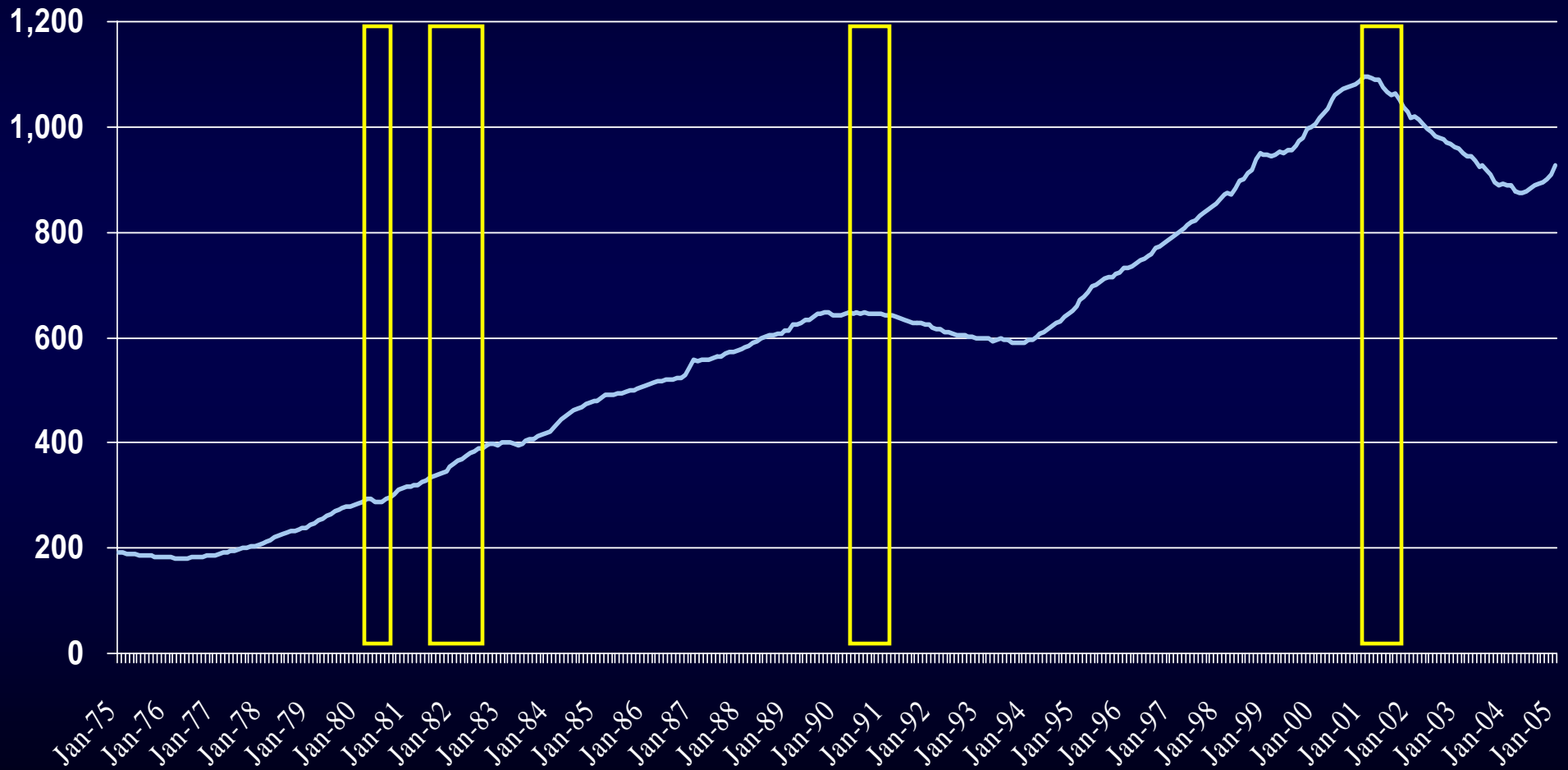
•Data through third quarter 2004

Recession Periods

# Commercial & Industrial Loans, U.S. Based Banks 1975-2005\*

(Billions of Dollars, SA)

Source: Federal Reserve Economic Database

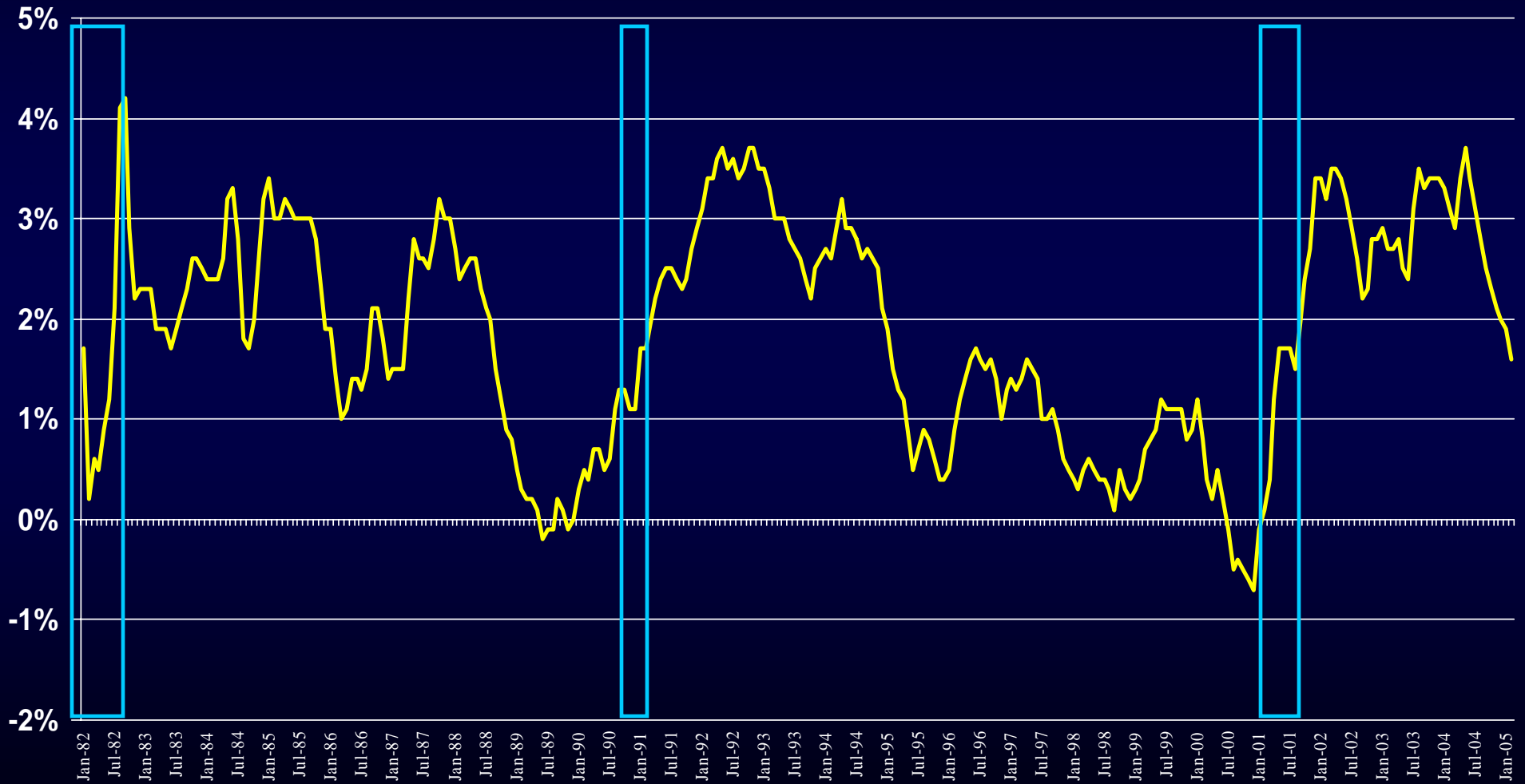


•Data through January 2005.

 Recession Periods

# 10-Year Treasury Rate minus 3-month Treasury Rate 1976 – 2005\*

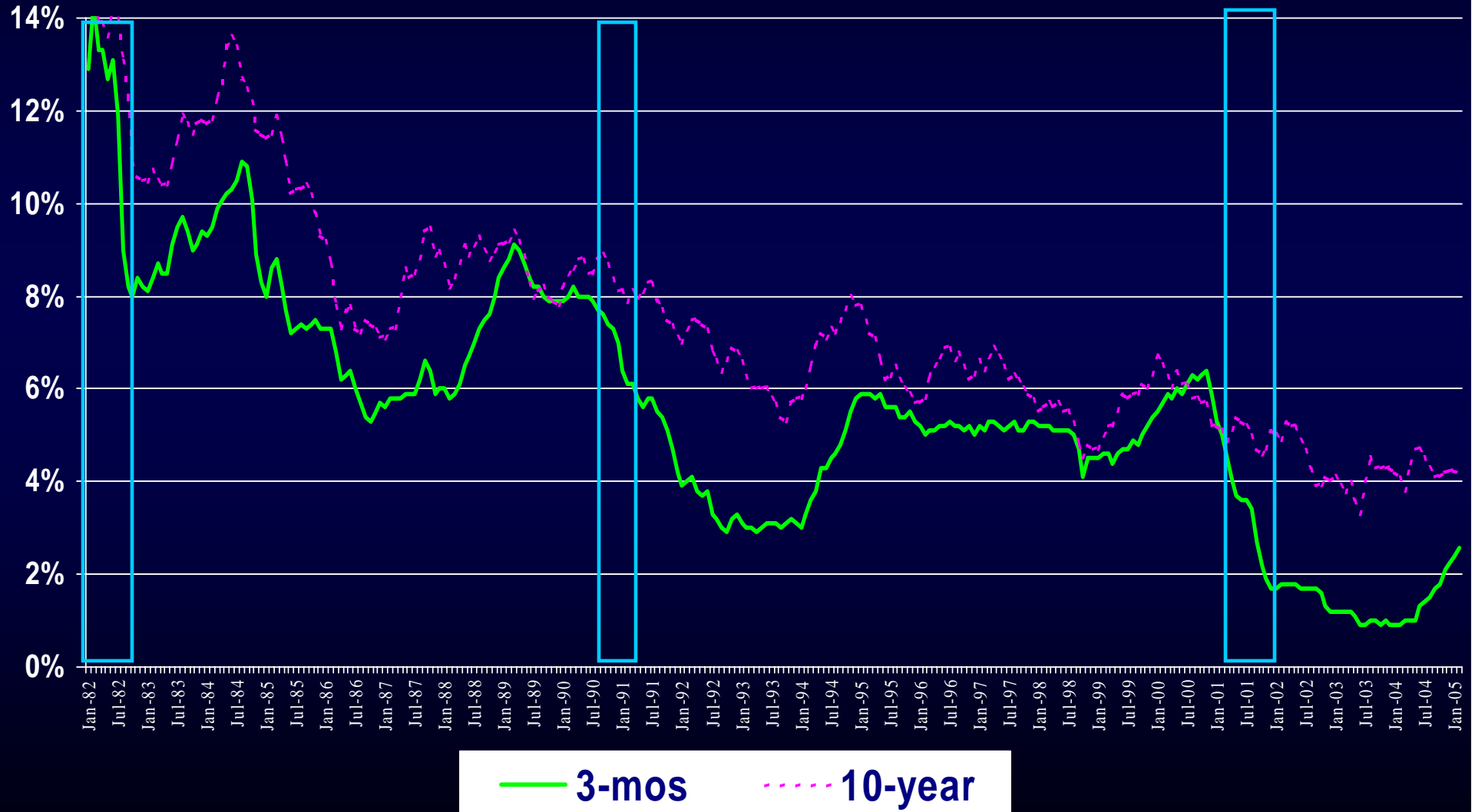
Source: Federal Reserve Economic Database



•Data through February 2005.

# 10-Year Treasury Rate v. 3-month Treasury Rate 1976 – 2005\*

Source: Federal Reserve Economic Database



•Data through February 2005.

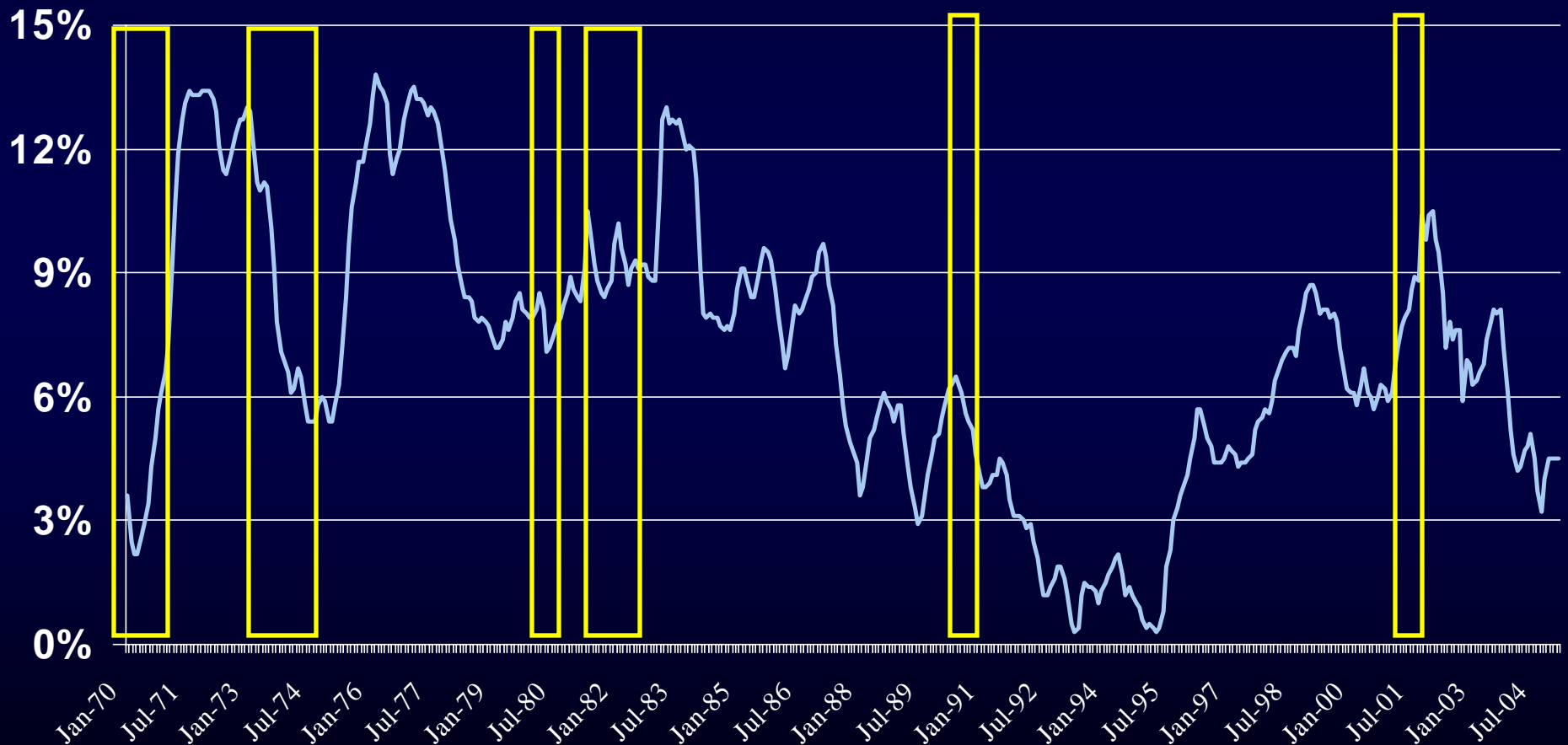
# Government



**Lots  
of  
Stimulus**

# M2 Stock – Seasonally Adjusted Percent Change Year Ago 1970 – 2005\*

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



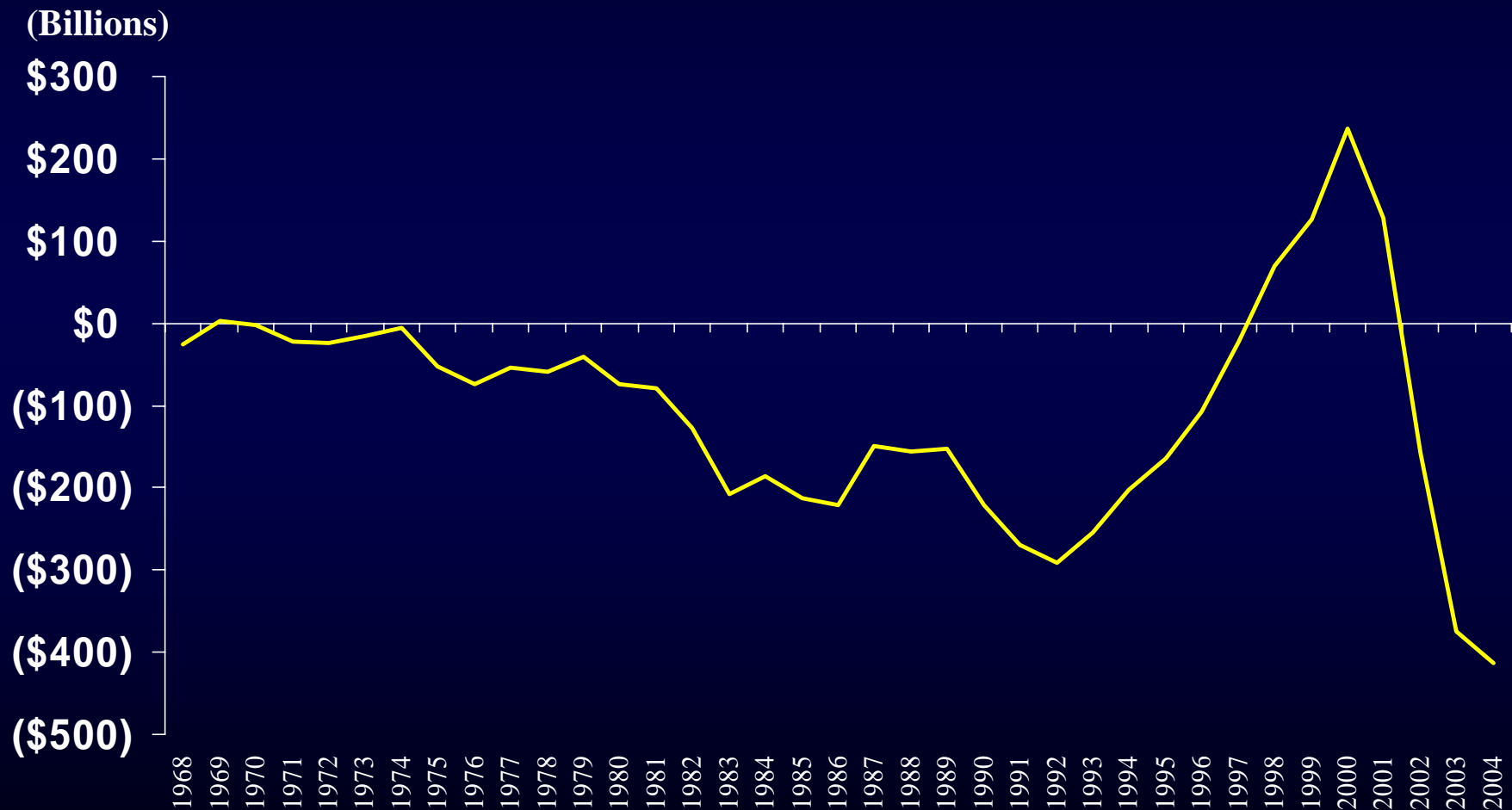
\* Data through January 2005.

 Recession Periods



# U.S. Federal Surplus/(Deficit) 1968 – 2004

Source: White House Office of Management and Budget

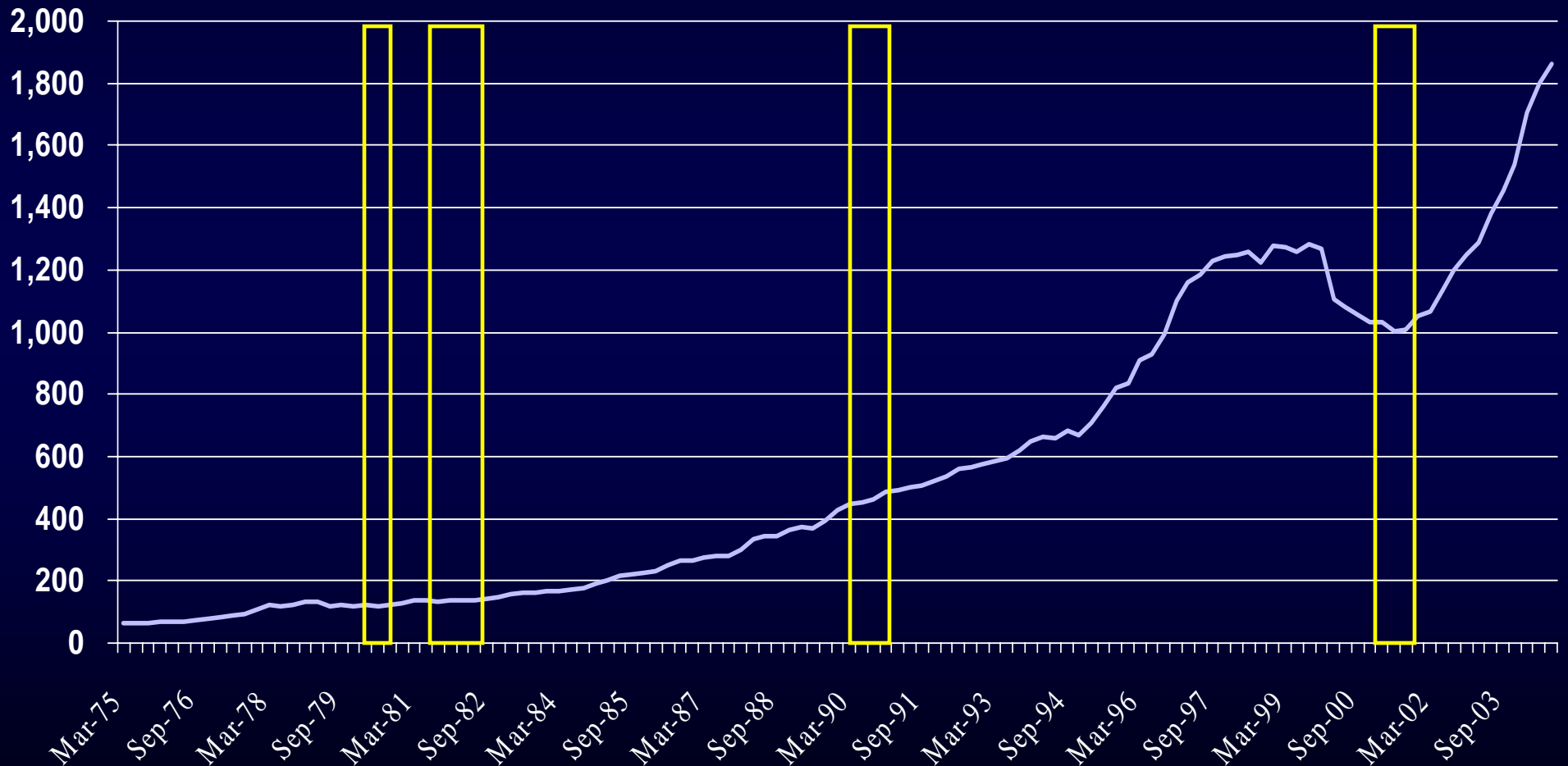


**Deficit ??**

# U.S. Debt Held by Foreign & International Investors 1975-2004\*

(Billions of Dollars, SA)

Source: Federal Reserve Economic Database



•Data through third quarter 2004.

**2005**

**Good times  
ahead?**

**Mostly.**

# U.S. OUTLOOK **GOOD** NEWS

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- **Fiscal stimulus**
- **Monetary stimulus**
- **Real incomes up**
- **Businesses mean and lean**
- **Productivity growth strong**
- **Job growth accelerating, albeit slowly**
- **Cheaper dollar means more exports**
- **Inflation (in near term) not a problem**
- **Tech changes will shortly be upon us**
- **Low interest rates**

# **U.S. Outlook NET:**

**Economy will  
continue to  
expand...**



# ARIZONA OUTLOOK

**Arizona consistently  
outperforms the  
nation as a whole.**

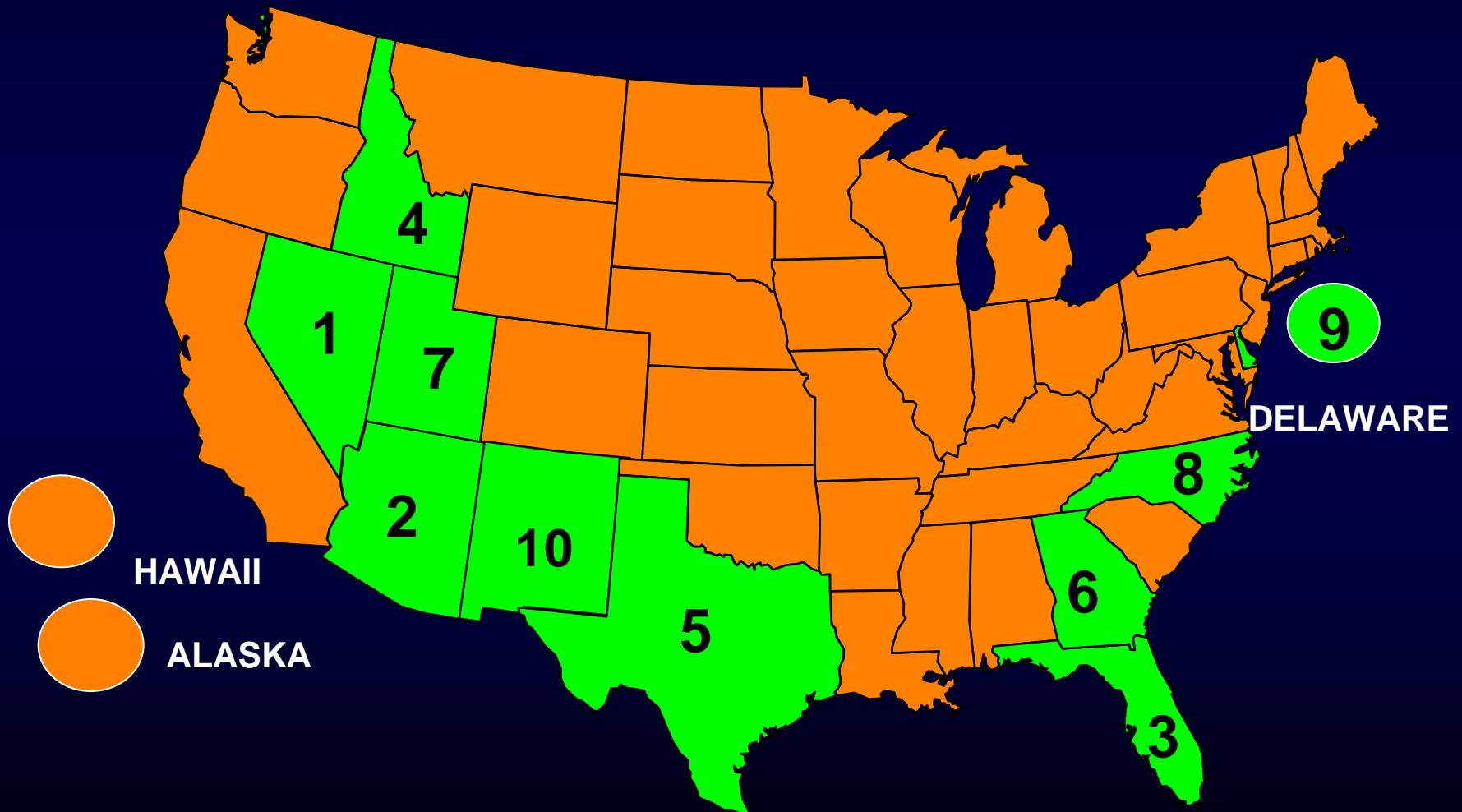


# How Arizona Ranks Among the States in Percentage Growth

Source: Census Bureau; Bureau of Labor Statistics

<u>DECADE</u>	<u>POP.</u>	<u>EMPLOY.</u>
1950 - 1960	4TH	3RD
1960 - 1970	3RD	3RD
1970 - 1980	2ND	3RD
1980 - 1990	3RD	3RD
1990 - 2000	2ND	3RD

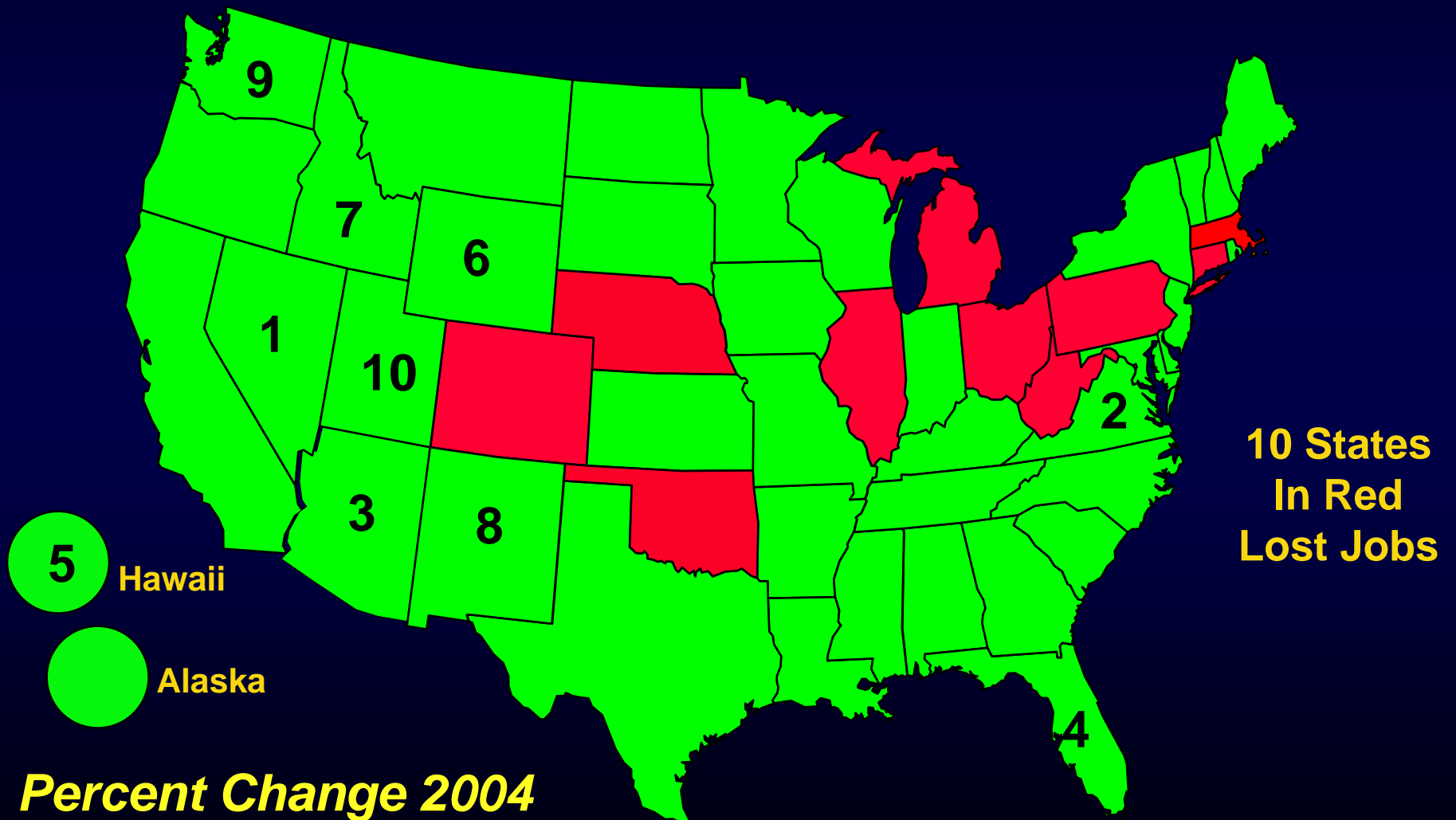
# Arizona 2nd in Population Growth for 11th Year



*Percent Change 2004*

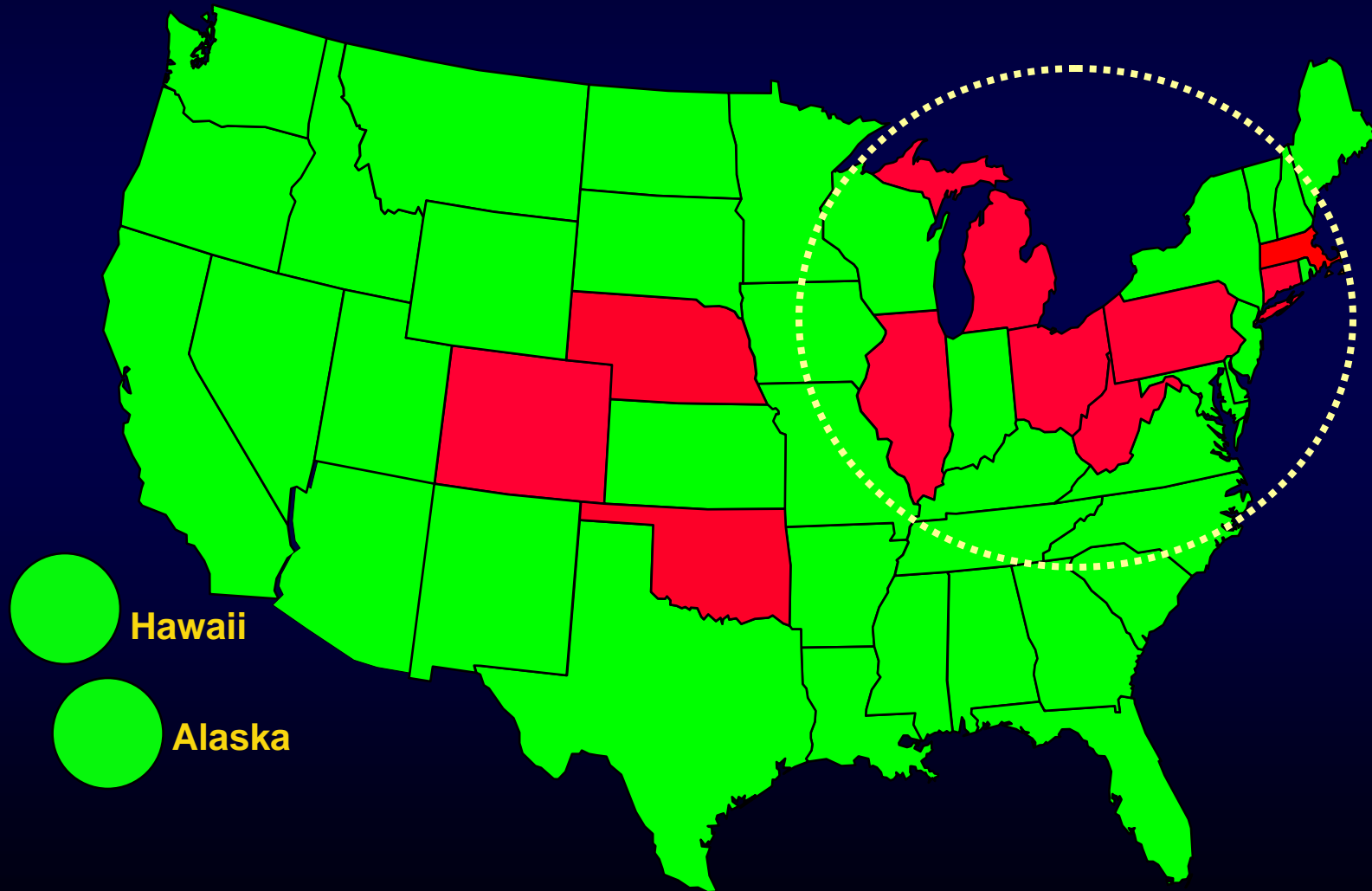
# Arizona 3rd in Job Growth

(Preliminary)



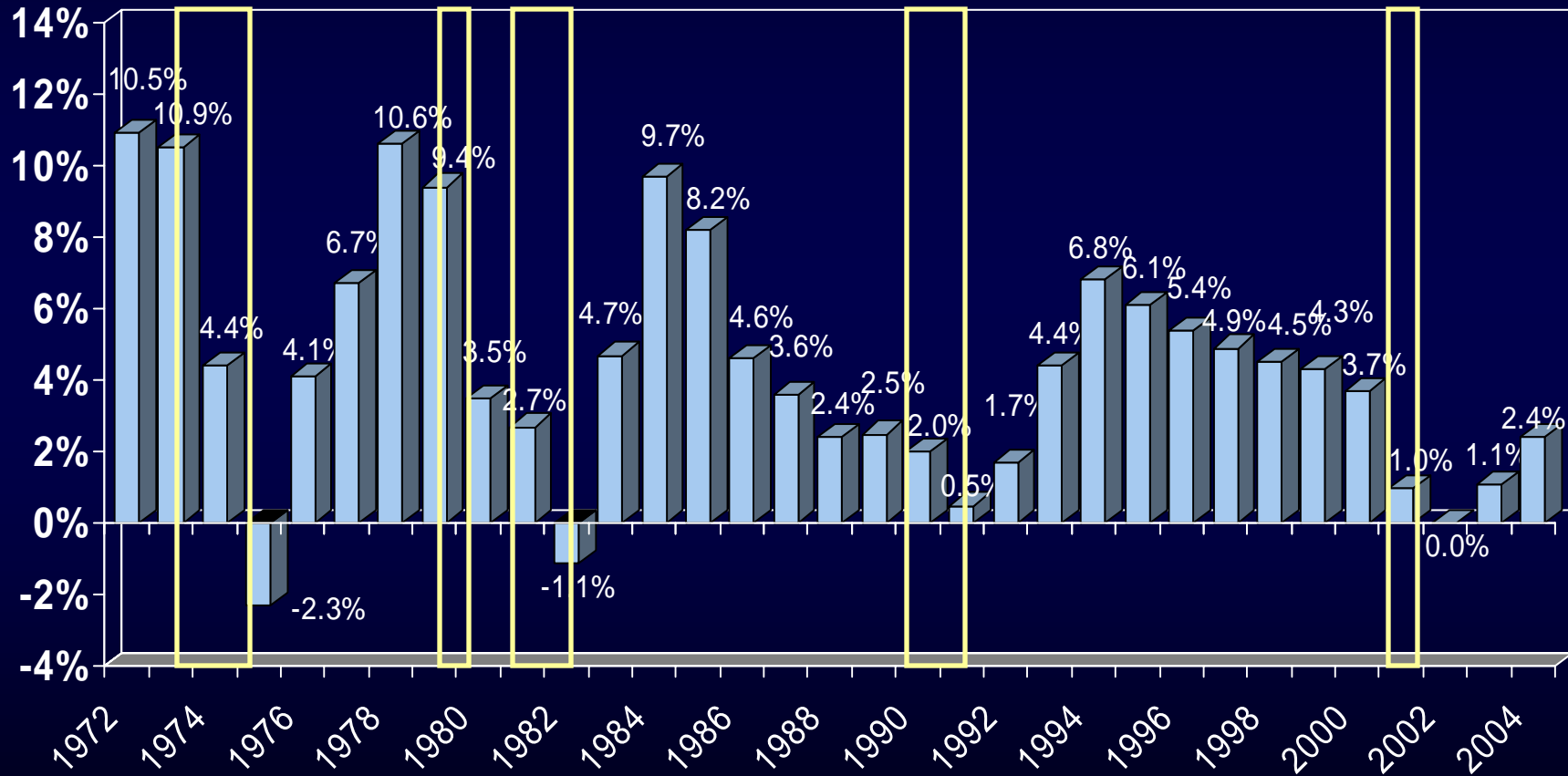
# States Losing Jobs

(10 states in red lost jobs)



# Arizona Employment\* Annual Percent Change 1972–2004

Source: Arizona Department of Economic Security



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

= National recessions

# Arizona Employment

## Annual % Change 2002–2004

Source: Arizona Department of Economic Security

	2002	2003	2004
<b>Total Nonfarm</b>	<b>0.0%</b>	<b>1.1%</b>	<b>2.4%</b>
<b>Natural Resources and Mining</b>	<b>-8.4%</b>	<b>-8.0%</b>	<b>3.9%</b>
<b>Construction</b>	<b>-0.8%</b>	<b>2.6%</b>	<b>8.8%</b>
<b>Manufacturing</b>	<b>-9.0%</b>	<b>-5.2%</b>	<b>-1.0%</b>
Wholesale Trade	-1.9%	-1.1%	-1.2%
Retail Trade	1.0%	1.6%	2.5%
Transp., Warehousing, and Utilities	-0.8%	0.8%	0.4%
Information	-4.1%	-4.4%	-5.3%
Financial Activities	1.1%	2.7%	1.5%
Professional and Business Services	-1.8%	1.9%	2.8%
Educational and Health Services	5.8%	5.9%	5.1%
Leisure and Hospitality	-0.2%	0.9%	2.2%
Other Services	1.8%	-0.5%	1.9%
Government	3.3%	0.8%	1.9%

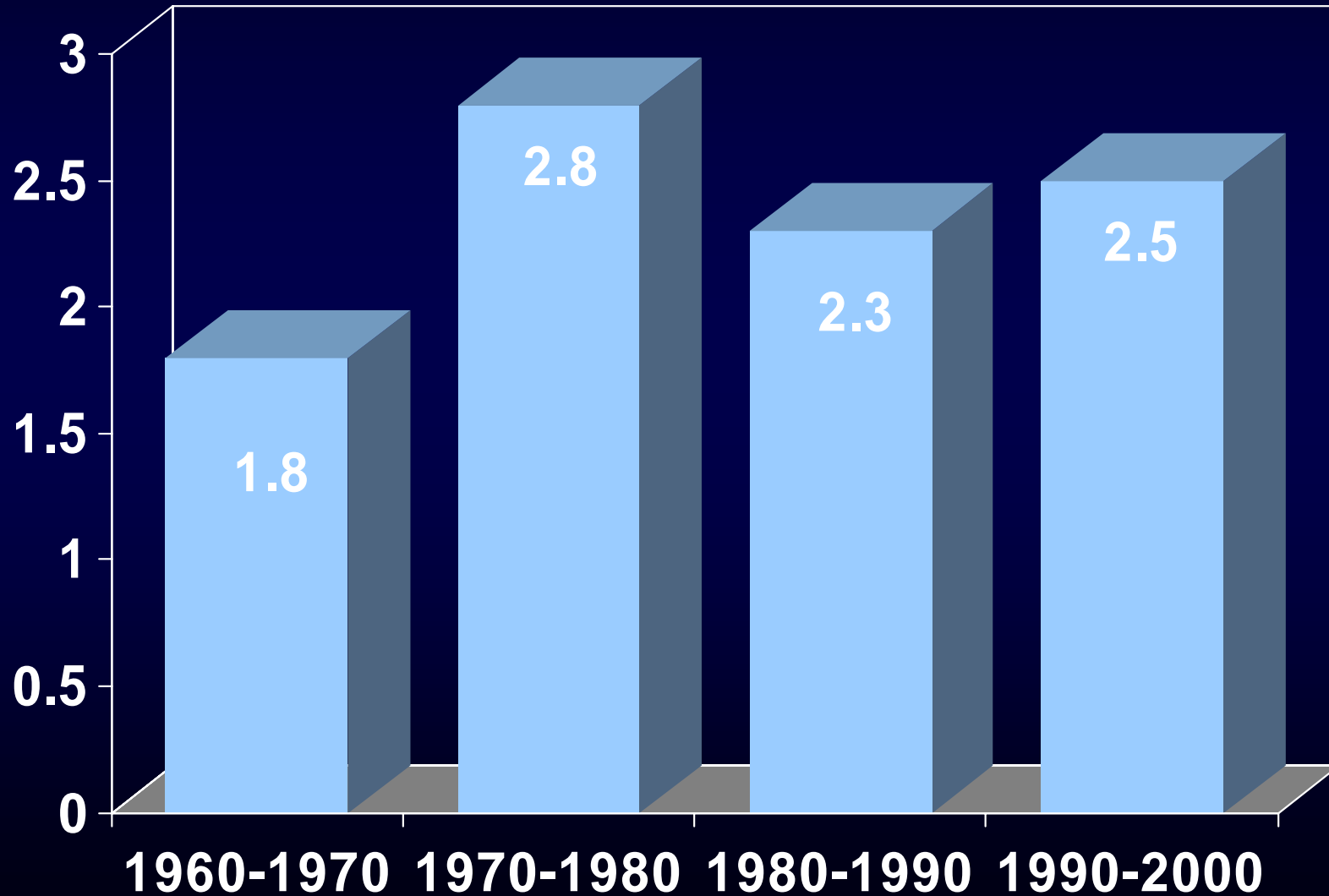
# Percent Change of Non-Agriculture Wage & Salary Employment Peer Metropolitan Statistical Areas (Not Seasonally Adjusted)

Source: Labor Market Information From Various States

	National Recession 1/70 to 11/70		National Recession 11/73 to 3/75		National Recession 1/80 to 11/82		National Recession 7/90 to 3/91		National Recession 3/01 to 11/01 ^		% Change Between 11/01 to 12/04	% Change Between 12/03 and 12/04
U.S. Average	1.1	10.9	(3.7)	18.2	(0.2)	22.4	(1.7)	22.3	0.1	1.0	1.7	
<b>PHOENIX-MESA MSA*</b>	<b>**2.1</b>	<b>**35.3</b>	<b>**(5.6)</b>	<b>47.1</b>	<b>6.0</b>	<b>49.4</b>	<b>3.0</b>	<b>58.4</b>	<b>(1.0)</b>	<b>6.6</b>	<b>2.7</b>	
Albuquerque, NM	6.5	26.0	(3.0)	30.2	4.6	40.6	(0.9)	36.5	0.2	3.9	2.2	
<b>Atlanta, GA</b>	<b>2.1</b>	<b>19.2</b>	<b>(7.3)</b>	<b>35.3</b>	<b>7.7</b>	<b>45.2</b>	<b>(2.6)</b>	<b>47.1</b>	<b>(0.5)</b>	<b>0.7</b>	<b>1.1</b>	
<b>Dallas, TX</b>	<b>(1.6)</b>	<b>16.4</b>	<b>N/A</b>	<b>32.7</b>	<b>9.6</b>	<b>29.4</b>	<b>(0.9)</b>	<b>42.4</b>	<b>(2.0)</b>	<b>(1.6)</b>	<b>0.9</b>	
Denver-Boulder, CO ^^	6.5	22.5	(2.7)	30.6	8.9	12.8	0.0	43.2	(1.4)	(14.3)	1.6	
Houston, TX	2.2	19.9	3.7	39.7	10.3	9.2	0.5	29.7	0.7	0.7	1.7	
<b>LA-Long Beach, CA</b>	<b>(2.6)</b>	<b>9.5</b>	<b>(3.1)</b>	<b>20.5</b>	<b>(2.6)</b>	<b>17.4</b>	<b>(2.5)</b>	<b>2.8</b>	<b>(1.4)</b>	<b>(0.5)</b>	<b>0.6</b>	
Portland, OR	0.5	15.0	(2.0)	27.6	(5.6)	39.3	(1.0)	34.6	(1.5)	(1.2)	1.3	
Salt Lake City, UT	3.3	15.9	1.6	23.2	3.4	24.1	1.1	44.1	0.0	1.9	2.3	
San Antonio, TX	2.1	14.3	0.1	25.6	8.9	22.6	1.2	37.8	(0.4)	2.1	1.6	
<b>San Diego, CA</b>	<b>2.1</b>	<b>18.7</b>	<b>1.7</b>	<b>37.0</b>	<b>2.8</b>	<b>44.9</b>	<b>0.3</b>	<b>25.7</b>	<b>1.4</b>	<b>3.5</b>	<b>1.5</b>	
<b>San Francisco, CA***</b>	<b>(0.4)</b>	<b>6.1</b>	<b>0.5</b>	<b>17.0</b>	<b>1.5</b>	<b>8.8</b>	<b>(1.4)</b>	<b>16.2</b>	<b>(6.1)</b>	<b>(5.9)</b>	<b>1.1</b>	
San Jose, CA	0.6	22.6	(0.7)	44.3	7.4	16.3	(1.3)	29.7	(8.9)	(12.1)	(1.1)	
Seattle, WA	(8.1)	10.3	2.6	37.1	(1.1)	47.1	(1.1)	26.8	(1.6)	(0.6)	1.8	
Tucson, AZ	4.6	33.0	0.7	27.1	6.4	24.3	8.0	35.3	(0.7)	3.5	2.1	

# Greater Phoenix v. U.S. Ratio of Employment Growth Rates

Source: Bureau of Labor Statistics





**2005**

**Good times  
ahead?**

**Mostly.**



# Arizona Outlook NET:

**Economy will  
continue to expand  
and accelerate...**



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Joint Legislative Budget  
Committee  
Finance Advisory Committee

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**Friday March 4, 2005**

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# New Housing Permits

## Maricopa County

- 2000s 187,458
  - 1990s 242,161
  - 1980s 151,796
  - 1970s 171,406
-

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# New Housing Permits

	Maricopa	Pinal
■ 2004	48,136	11,495
■ 2003	39,652	6,730
■ 2002	34,309	4,433

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# Median New Home Price Maricopa County

■ 2000	\$150,770
■ 2001	\$156,650
■ 2002	\$159,990
■ 2003	\$173,240
■ 2004	\$195,000

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# Median New Home Price Maricopa County

- **January 2004** **\$178,110**
  - **June 2004** **\$194,180**
  - **December 2004** **\$211,640**
  - **January 2005** **\$213,585**
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# Resale Home Market Maricopa County

## ■ SALES ACTIVITY

□ 2004	102,115
□ 2003	73,785
□ 2002	62,625

## ■ MEDIAN PRICE

□ 2004	\$ 174,815
□ 2003	\$ 155,000
□ 2002	\$ 144,900

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# Resale Home Market Maricopa County

- **January 2004** **\$156,000**
  - **June 2004** **\$175,000**
  - **December 2004** **\$190,000**
  - **January 2005** **\$194,000**
-

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# Median Rate of Appreciation Maricopa County

- **2000**                    **4.8 percent**
  - **2001**                    **5.4 percent**
  - **2002**                    **6.0 percent**
  - **2003**                    **6.3 percent**
  - **2004**                    **8.4 percent**
  
  - **1981-2004**            **4.0 percent**
-

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# Housing Indicators Maricopa County

## ■ Affordability

■ Year	Resale	New
□ 2000	117	100
□ 2001	124	108
□ 2002	124	113
□ 2003	126	113
□ 2004	114	102

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# Housing Indicators Maricopa County

## ■ Inventory Turnover

■ Year	Resale	New
□ 2002	7 percent	3 percent
□ 2003	8 percent	4 percent
□ 2004	11 percent	5 percent
□ 1982-2004	7 percent	3 percent

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# Housing Indicators Maricopa County

- Jobs per resale home

■ Year	Resale
□ 2000	29
□ 2001	26
□ 2002	25
□ 2003	22
□ 2004	16
□ 1982-2004	29

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# Housing Behavior

- Homes are an investment
    - Owner/occupant investor
    - Owner/landlord investor
    - Owner/speculator investor
  - Motivation
    - Long-term: self-sufficiency
    - Short-term: lifestyle enhancement
  - Return
    - Income: Rental    Financing
    - Appreciation
-

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# Contact

- [WWW.EAST.ASU.EDU/AREC](http://WWW.EAST.ASU.EDU/AREC)
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