

STATE OF ARIZONA

Joint Legislative Budget Committee

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FINANCE ADVISORY COMMITTEE

September 14, 2006

Senate Hearing Room 1 – 9:30 a.m.

Members Present:

Dan Anderson, Arizona Board of Regents
Jay Butler, Arizona State University
John Lucking, ECON-LINC
Georganna Meyer, DOR
Elliott Pollack, Elliott D. Pollack and Co.
Hank Reardon, Reardon Economics
Marshall Vest, University of Arizona

Mr. Richard Stavneak, Director, JLBC Staff, welcomed everyone to the Finance Advisory Committee (FAC) meeting. He said the 2nd year of phenomenal growth in General Fund revenues has just been completed. Since the last meeting in the March, the economic focus has somewhat changed. Whereas the discussions of the past couple of years have been more about how big the expansion will be, we have moved into that phase of the economic cycle where we talk about how long the expansion will last. There is more of a difference of opinion about what the economy will be over the next 22 months as we work on revenue forecasts through the end of FY 2008. The Blue Chip believes the economy will perform near the historical average. Yet FAC members see a forecast of greater growth than the historical average. The University of Arizona cautious model shows flat growth for FY 2008, which would be a change from what has been seen recently. All the inputs together put a growth rate in the vicinity of 4%, which would be below more long-term growth rate in General Fund revenues of 7%.

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

Mr. Stavneak asked Mr. Pollack's perspective relative to the state as opposed to the national economy.

Mr. Pollack said the cyclicity of the revenues will be greater in the state because much of it came from movement in the single family housing market.

Mr. Tim Everill, Mr. Grant Nülle, Mr. Hans Olofsson, and Mr. Brian Cary, JLBC Staff, provided a slide presentation and handout with an overview of state revenues and issues for the panel to consider. ([Click here to view handout](#)).

Mr. Pollack asked Mr. Marshall Vest what probability is given in the low forecast.

Mr. Vest said the low forecast is a recession type forecast. It calls for a recession similar to what was seen in 2001 or 1990 and 1991. There was 50% to 60% probability put on the base forecast and 20% on the low forecast.

Mr. Stavneak commented that the recession may have been mild based on the perspective of economic statistics, but it had a large impact on state revenue collections.

Ms. Georganna Meyer asked if the individual income tax growth rate reflect the individual rate reduction that was passed during the last session.

Mr. Stavneak said this is the baseline forecast, and does not include the rate changes.

Ms. Meyer asked if the corporate income tax growth rate takes into consideration the apportionment ratio changes over the next 3 years.

Mr. Cary said this is also a baseline forecast, and does not include the impact of tax law changes.

Mr. Stavneak asked if much credence is given to the Sarbanes-Oxley scenario and if somehow the federal accounting legislation has improved corporate profitability.

Mr. John Lucking said that he would be surprised if it is a significant proportion of the 19% increase in business profitability.

Mr. Jay Butler gave a presentation using a handout on the real estate market. ([Click here to view handout](#)).

Mr. Stavneak said that the housing market could potentially go back to historical appreciation levels. He asked Mr. Butler what he thinks about the volume of activity.

Mr. Butler said that unless something really bad happens in 2007, we will stay where we are. There is good population growth. Resale is at 5,800 per month, we haven't been below 4,000 in many years on a monthly basis. The real problem is that home builders are optimistic that they are going through a short downturn and they will see an improving market early next year. There are still a lot of new subdivisions being created, so there is belief these projects will start coming online early next year. He is not convinced of their optimism. The volume numbers will be down significantly, more like several years ago.

Mr. Stavneak asked the panel for their perspective on the economy for the next few years.

Mr. Vest said his low scenario is a recession scenario. The base scenario has a slowdown built-in more than what is found in the Blue Chip consensus. The big questions are how much will the slowdown in residential construction feed through and how much of a slowdown can we expect from consumers. The slowdown is overdue.

Mr. Stavneak asked how much it incorporates national factors as opposed to Arizona specific factors.

Mr. Vest said that the national economy is now slowing down and the forecasts are being revised. The Arizona growth was driven by population growth and real estate. Real estate has been removed at this point and the population is still growing. The residential electrical customer growth is still strong. Real estate has a bigger impact in Arizona than it does nationwide.

Mr. Lucking said that his scenario would be continued moderate growth in GDP for the U.S. The concern is now inflation. The federal government bumped up rates to relatively neutral. The consensus forecast has been driven a lot by foreign capital. The U.S. accounts for about 28% of the total world GDP. Rates

in the U.S. are more attractive than those in Japan or Europe, so foreigners do not have a lot of choice. This is the biggest market with relatively attractive rates. Unit labor costs and hourly wage rates are going up. The federal government does not have as much control as it did 15 to 20 years ago. This would be the risk factor.

Mr. Dan Anderson said he is on the slower growth end of the distribution. He is more concerned about the world economy slowing down given that the U.S. is a significant part of that economy. Inflation is headed up and the federal government will start to move interest rates up. There will be more inversion of the yield curve that historically has been a good precursor to a slow down in the economy. Growth will be slower in the next couple of years. Arizona tends to outperform the nation. When the nation is doing well we tend to mirror the nation as the national economy slows down. We are going to mirror the national economy over the next couple of years.

Mr. Stavneak asked if growth in Arizona will be in the 4% range, or closer to the historical 7% range.

Mr. Anderson replied that for the Big 3, he tends to be at the lower end of the distribution.

Ms. Meyer said that she is feeling conservative and cannot divorce the forecast from the law changes. She has fears about the law changes coming to fruition about the time that the economy starts to slow.

Mr. Hank Reardon said the economy is modestly good to the lower end of the spectrum. Arizona is in for slower growth. This is the time when we get at risk for unexpected occurrences that could wreck the direction of the economy. Inflation has become a concern.

The meeting adjourned at 10:47 a.m.

Yvette Medina, Secretary

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.

NATIONAL ECONOMY

Finance Advisory Committee

Elliott D. Pollack & Company

September 14th, 2006

Some of the Many Questions:

- **What will happen with oil prices?**
- **Will inflation rear its ugly head?**
- **How will the slowdown in housing affect the local economy?**

Negatives

- **Slowing housing market.**
- **Consumer spending slowing.**
- **Inflation an issue?**
- **Rising labor costs.**
- **Uncertainty of oil prices.**

Positives

- **Employment still positive.**
- **Wages increasing faster than inflation.**
- **Still taking money out of their houses.**
- **Businesses lean and mean.**

**Weakening economies
are more sensitive to
shocks.**

Examples of Direct Shocks:

- **Unexpected oil supply disruption.**
- **Unexpected oil price escalation.**
- **Terrorist event (especially to financial or commerce infrastructure).**
- **International political crisis.**

Examples of Indirect Shocks:

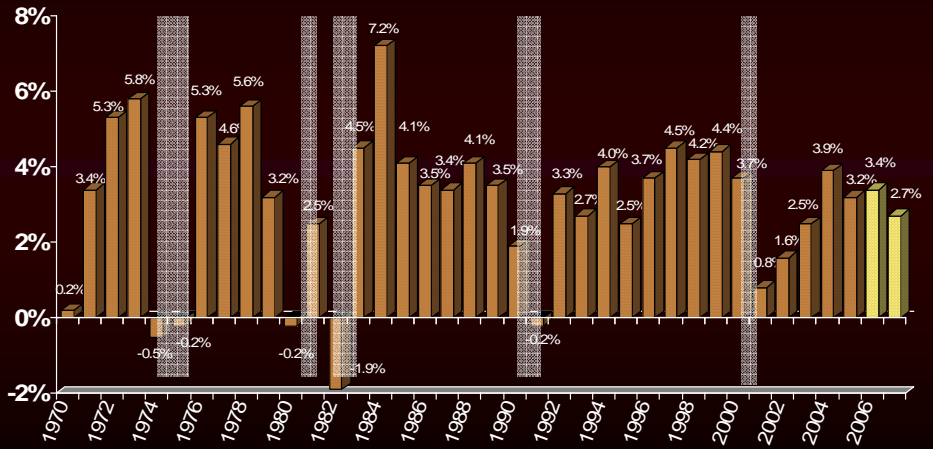
Other unpredictable events also qualify as shocks, such as the collapse of housing prices or stock market, but require some initiating event.

What is the national Blue Chip panel telling us?



United States Real Gross Domestic Product* Annual Growth 1970 - 2007**

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



* Based on chained 2000 dollars.

** 2006 - 2007 are forecasts from the Blue Chip Economic Indicators, August 2006

Recession Periods

Is oil going to be a factor?



Much of the world's oil production is found in bad neighborhoods

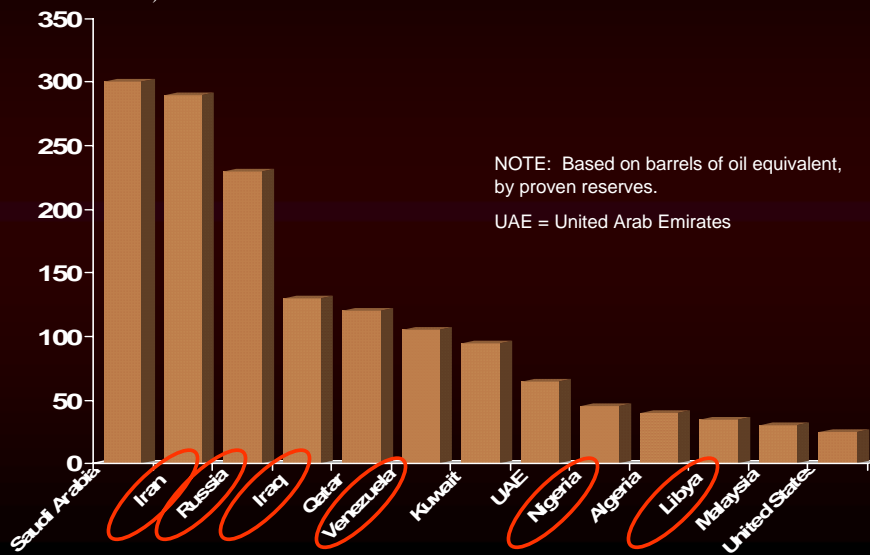


The Oil Giants

The World's Largest Oil and Gas Firms, by Reserves

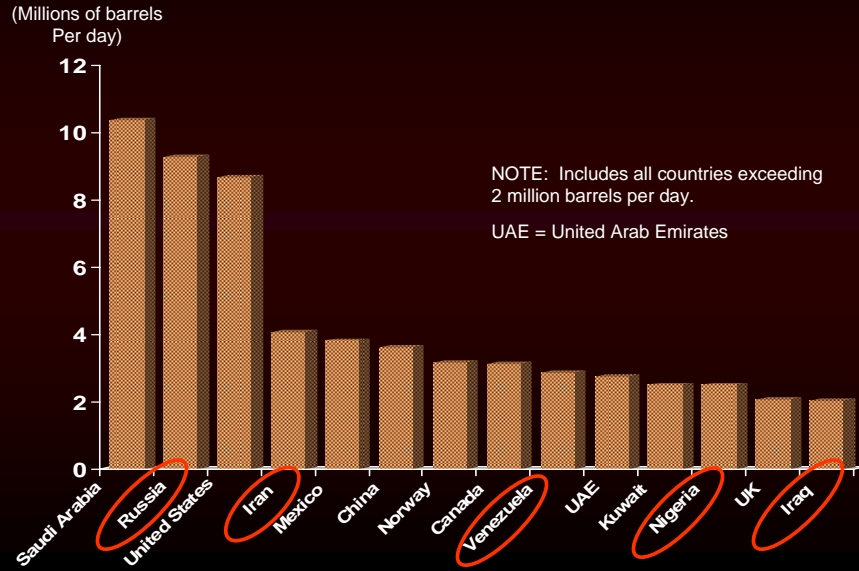
Source: PFC Energy

(Billions of barrels)



The World's Largest Oil Producers

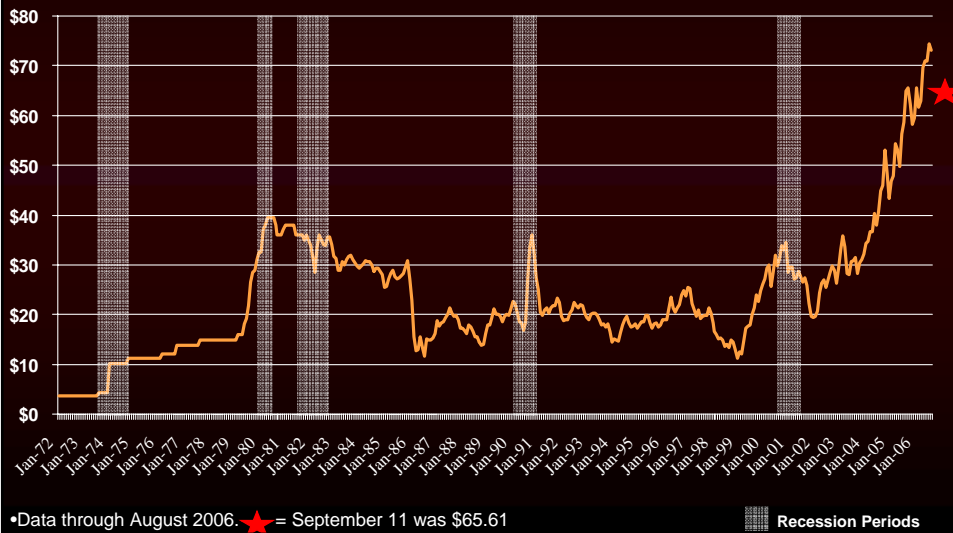
Source: OPEC

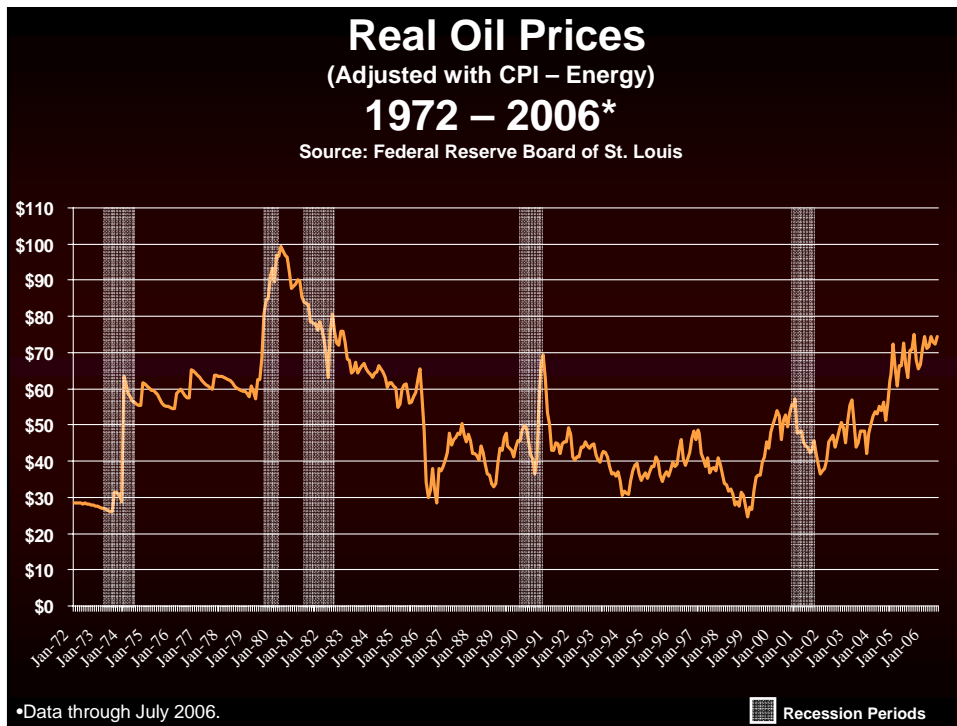


Oil Prices

1972 – 2006*

Source: Federal Reserve Board of St. Louis



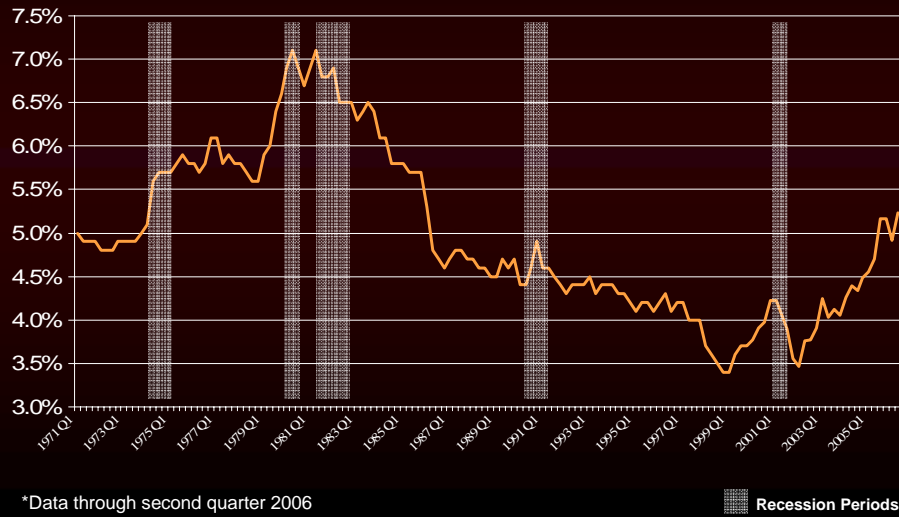


Impacts of high prices:

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

Consumer Energy Goods & Services Spending as a Percent of Personal Income 1971 – 2006*

Source: Bureau of Economic Analysis



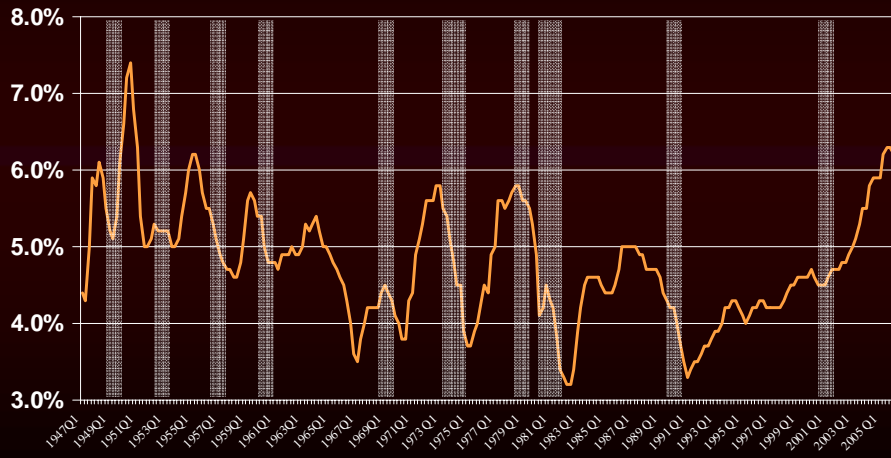
**The future of oil prices is
uncertain.**

**The longer they are high,
the greater probability of
viable alternatives being
found.**

Residential Investment as a Percent of GDP

1947 – 2006*

Source: Bureau of Economic Analysis



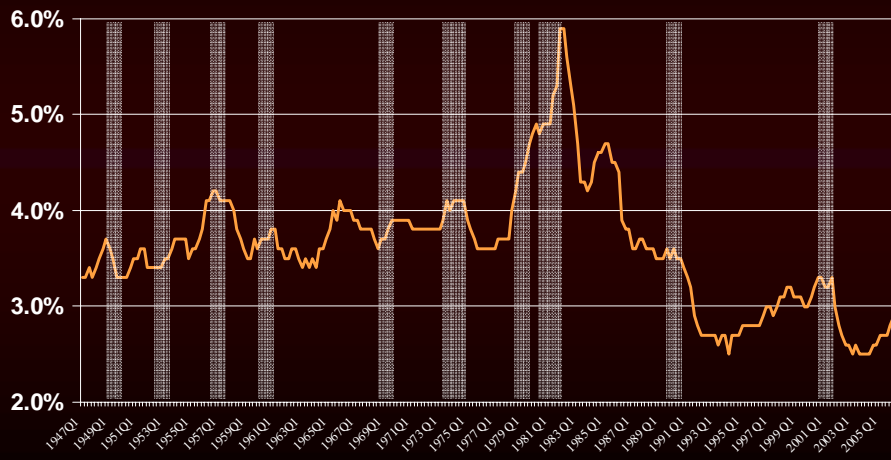
*Data through second quarter 2006

Recession Periods

Non-Residential Structures Investment as a Percent of GDP

1947 – 2006*

Source: Bureau of Economic Analysis



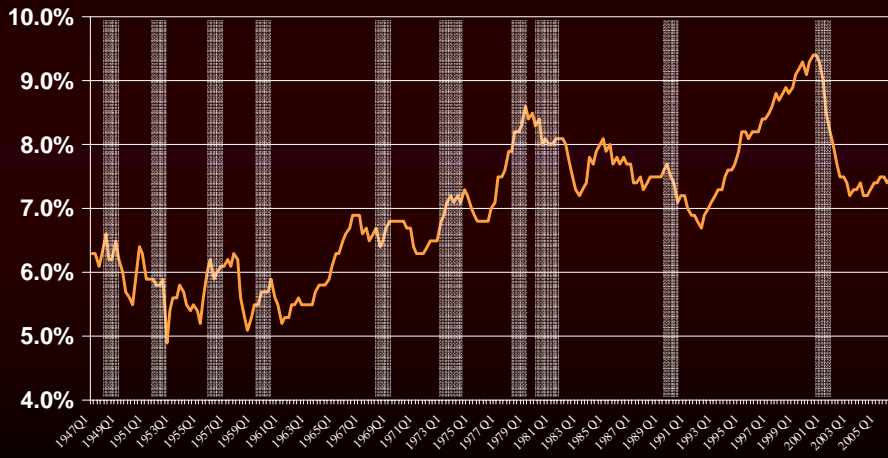
*Data through second quarter 2006

Recession Periods

Equipment & Software Investment as a Percent of GDP

1947 – 2006*

Source: Bureau of Economic Analysis

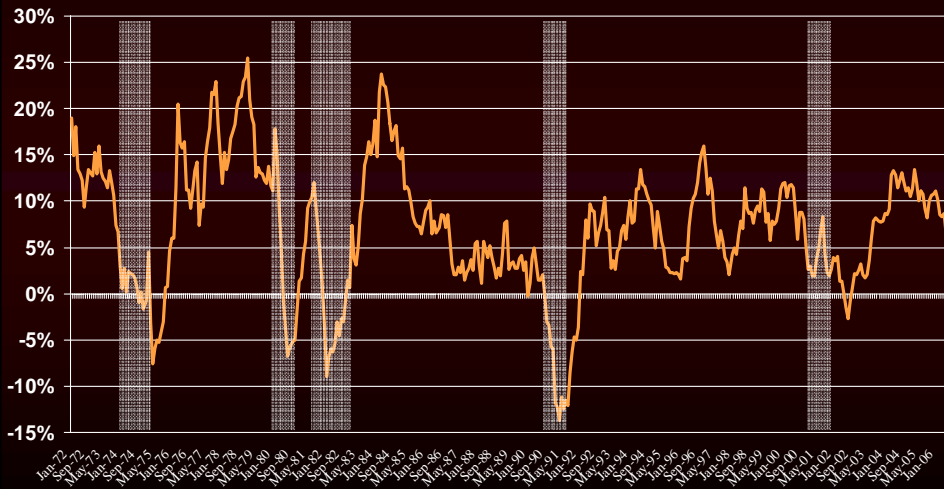


*Data through second quarter 2006

Recession Periods

Total Construction* Percent change Year Ago January 1972 – July 2006

Source: U.S. Census Bureau



*Includes both residential and non-residential construction.

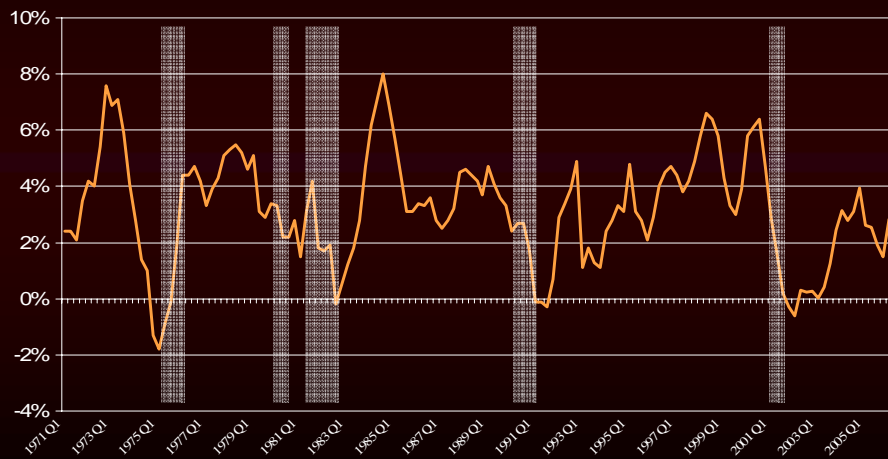
**Series reporting changed in August 2003. Data prior to 1994 is old series.

Recession Periods

Are people making ends meet?

U.S. Real Personal Income Percent Change Year Ago 1971 – 2006*

Source: Bureau of Economic Analysis

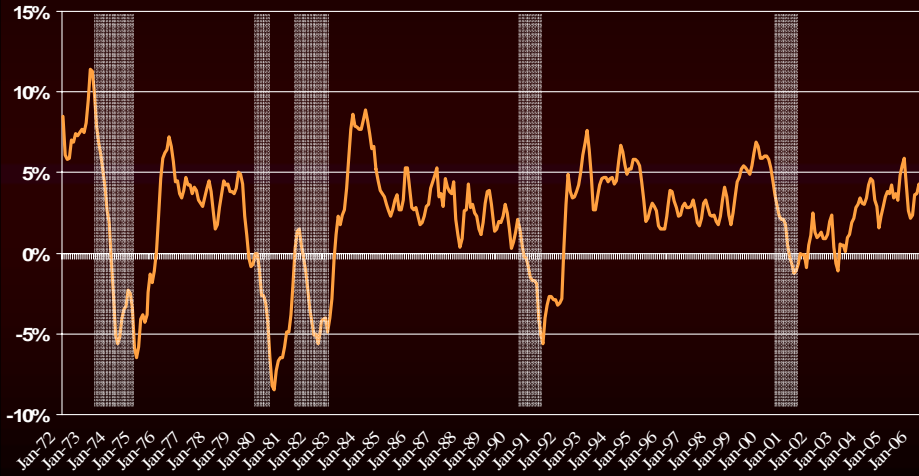


*Data through second quarter 2006

Recession Periods

U.S. Real Retail Sales Percent Change Year Ago, 3-Month Moving Average 1972 – 2006*

Source: Federal Reserve Board of St. Louis

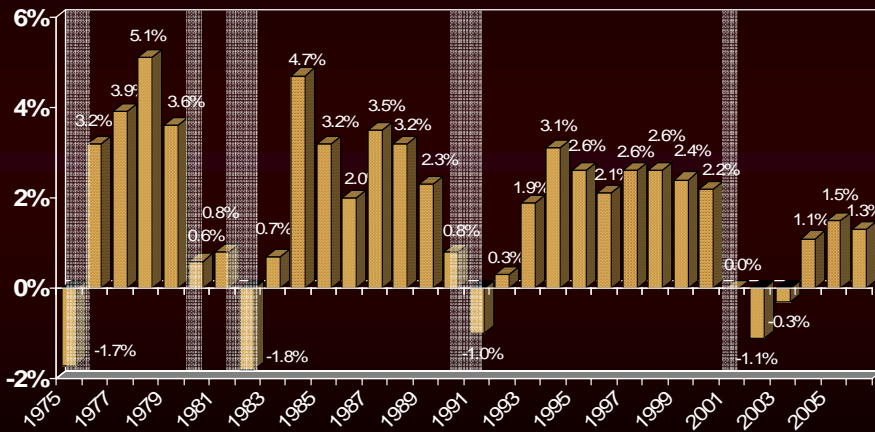


* Data through June 2006

Recession Periods

National Employment* Annual Percent Change 1975–2006*

Source: Bureau of Labor Statistics



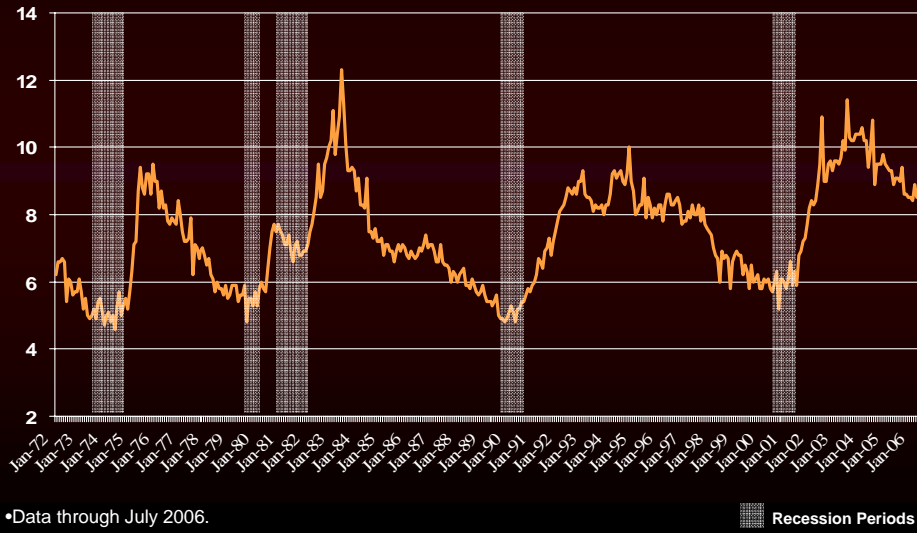
*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

*Data through July 2006

Recession Periods

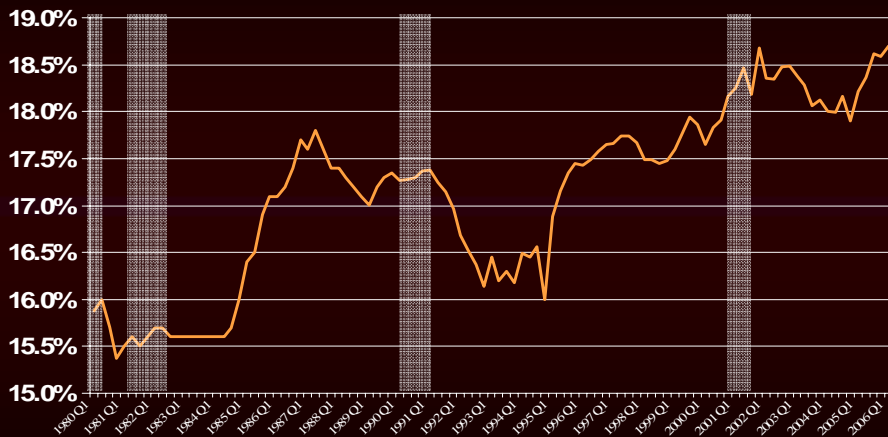
Median Weeks Unemployed (S/A) 1972 – 2006*

Source: Bureau of Labor Statistics



Financial Obligation Ratio 1980 – 2006*

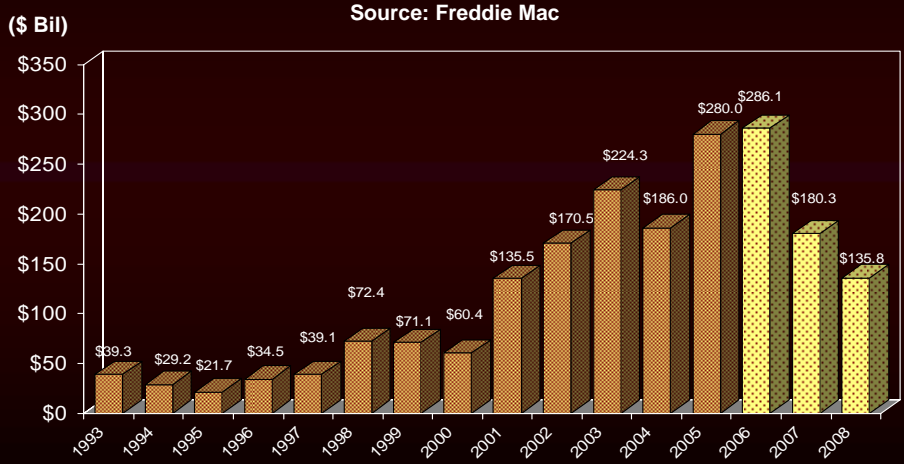
Source: Board of Governors, Federal Reserve Board



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 first quarter 2006.

Home Equity Cashed Out

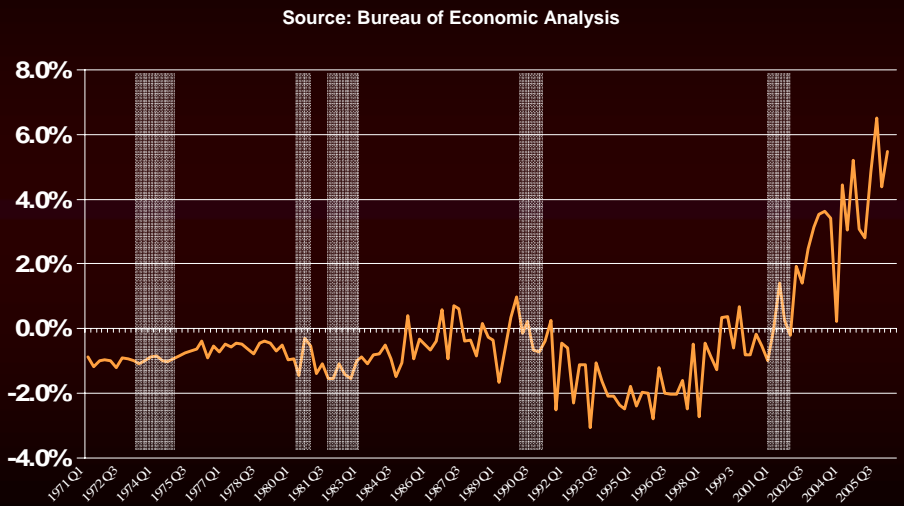
During Mortgage Refinancings, Second Mortgages and Home Equity Credit 1993–2008*



* 2005 estimate and 2006 -2008 forecasts are from Freddie Mac

Mortgage Equity Withdrawal as a share of Disposable Income

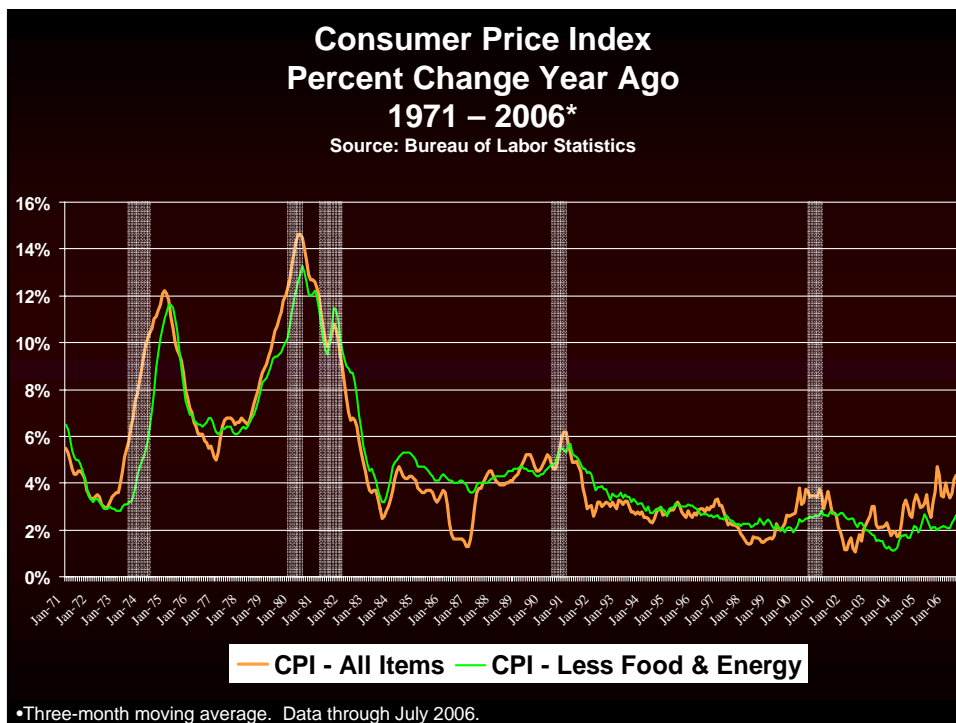
U.S.: 1971 – 2006*

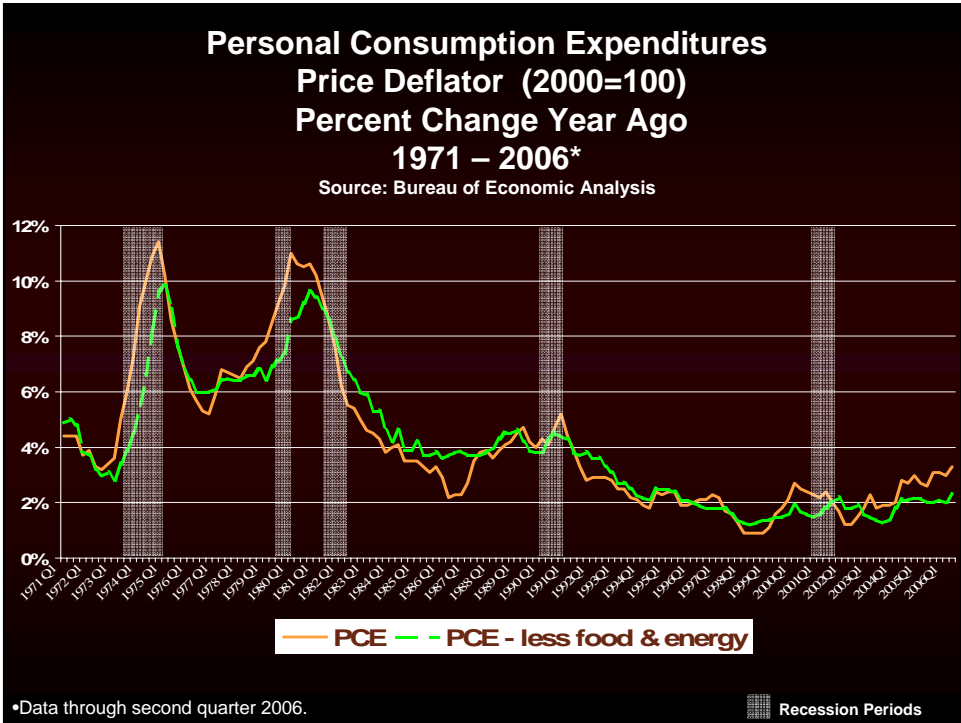
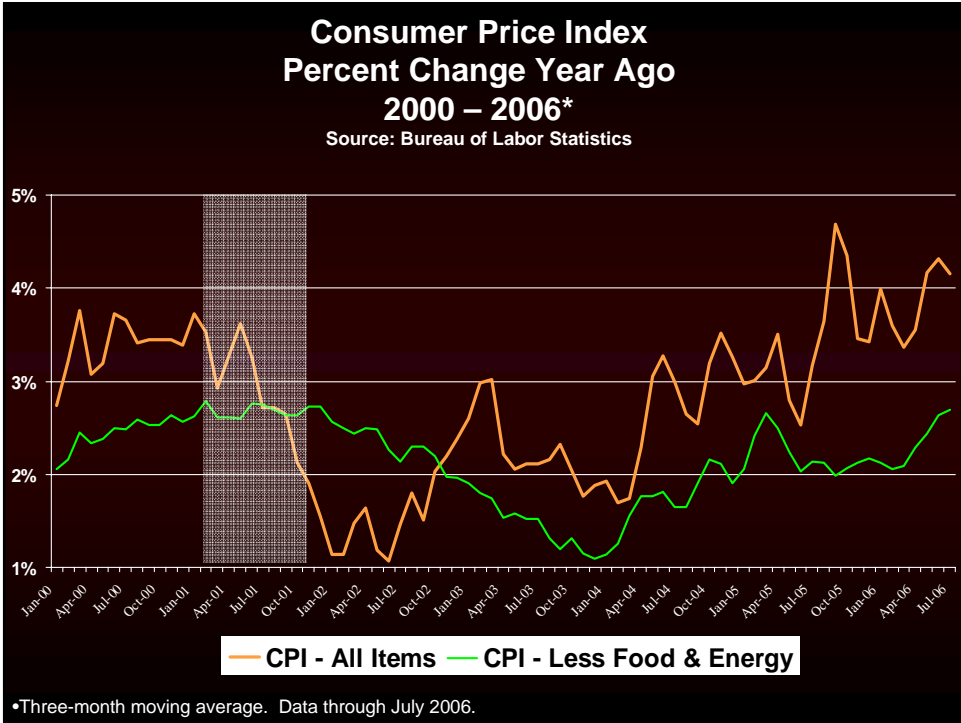


* Data through first quarter 2006

Recession Periods

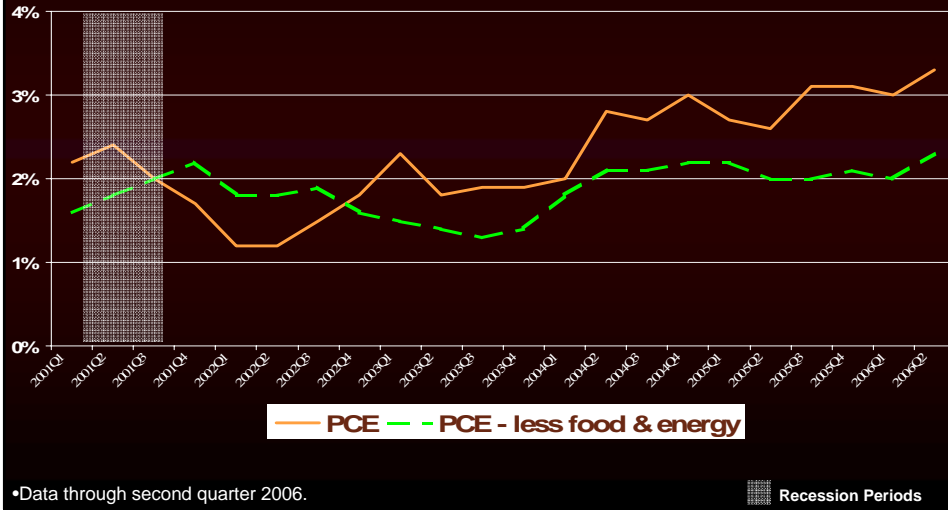
Will inflation get ugly?





**Personal Consumption Expenditures
Price Deflator (2000=100)
Percent Change Year Ago
2001 – 2006***

Source: Bureau of Economic Analysis



**Compensation / hour
over**

Output / hour

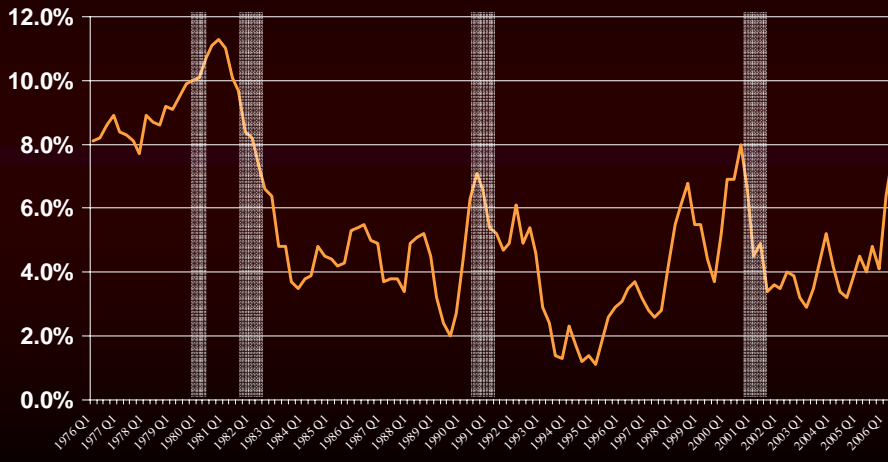
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Unit Labor Costs

2/3 of Business Costs

Compensation per Hour* Percent Change Year Ago 1976 – 2006**

Source: Bureau of Economic Analysis



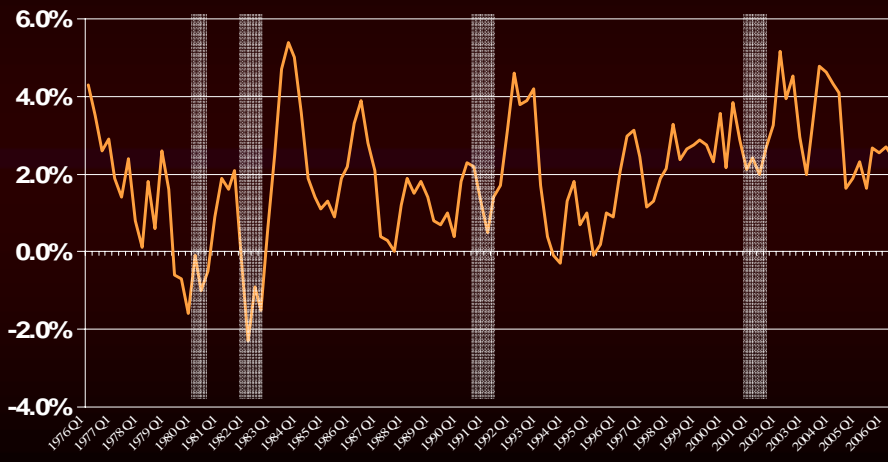
*Non-farm Business

**Data through second quarter 2006

Recession Periods

Output per Hour* Percent Change Year Ago 1976 – 2006**

Source: Bureau of Economic Analysis



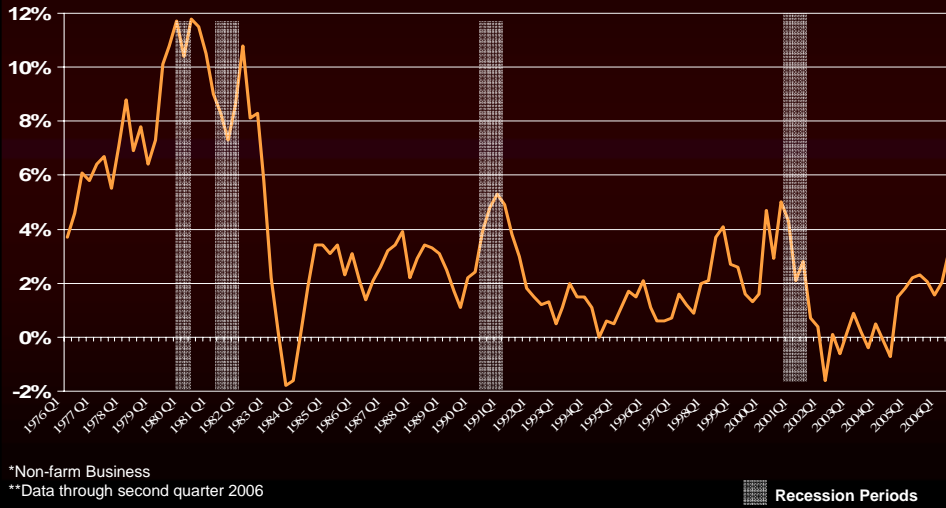
*Non-farm Business

**Data through second quarter 2006

Recession Periods

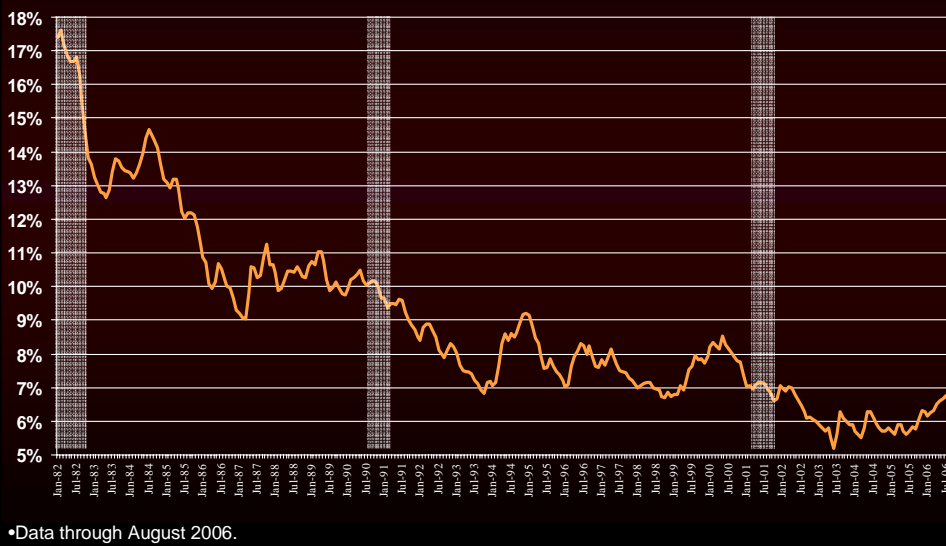
Unit Labor Costs* Percent Change from Year Ago 1976 – 2006**

Source: Bureau of Labor Statistics



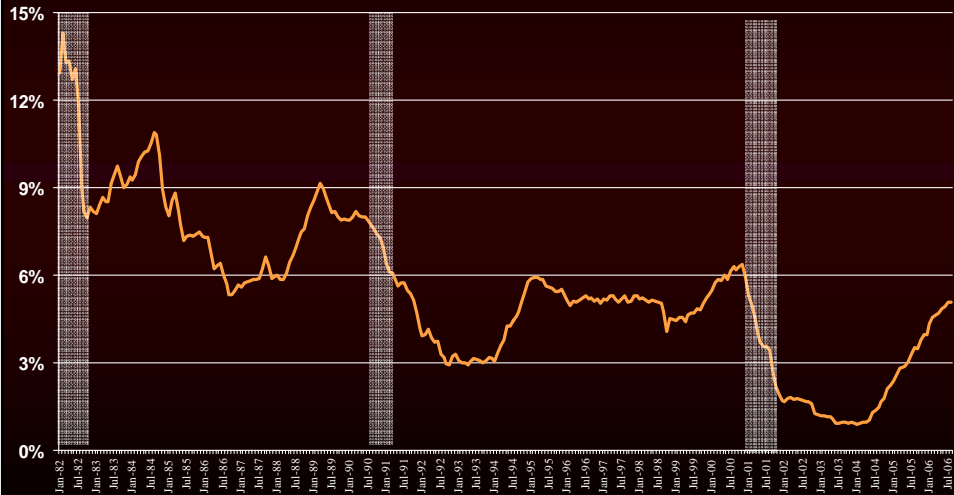
30-Year Conventional Mortgage Rates 1982 – 2006*

Source: Federal Reserve Economic Database



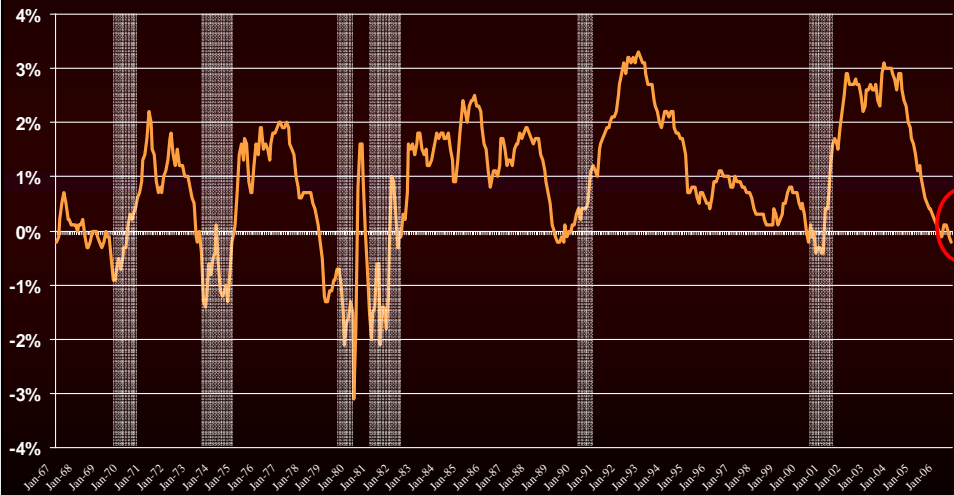
3-Month Treasury 1982 – 2006*

Source: Federal Reserve Economic Database

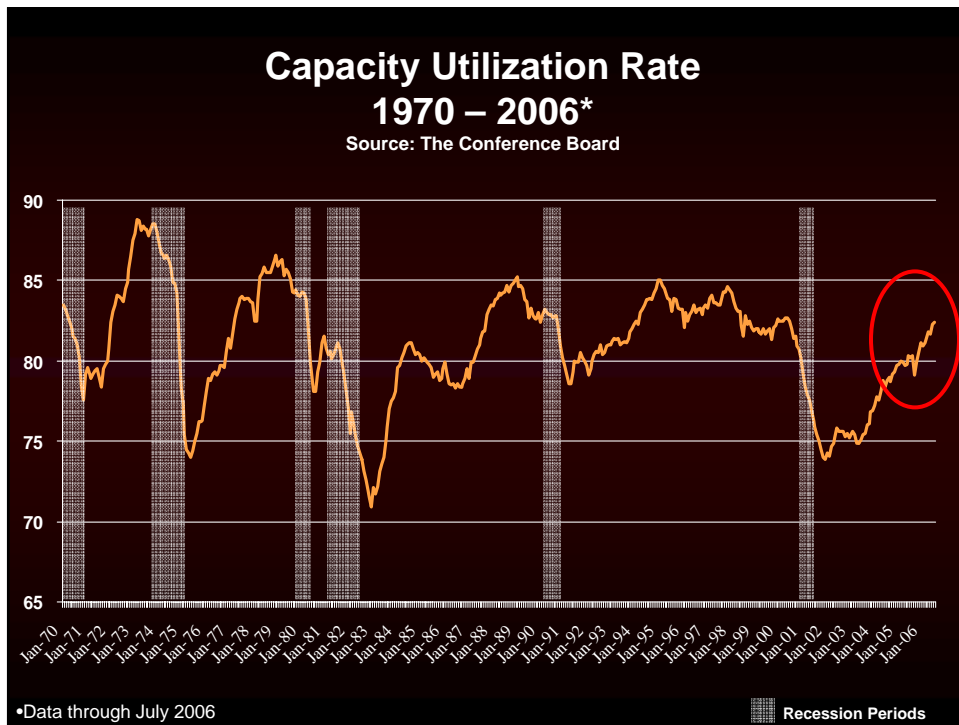


10-Year Treasury Rate minus 1-Year Treasury Rate 1967 – 2006*

Source: Federal Reserve Economic Database

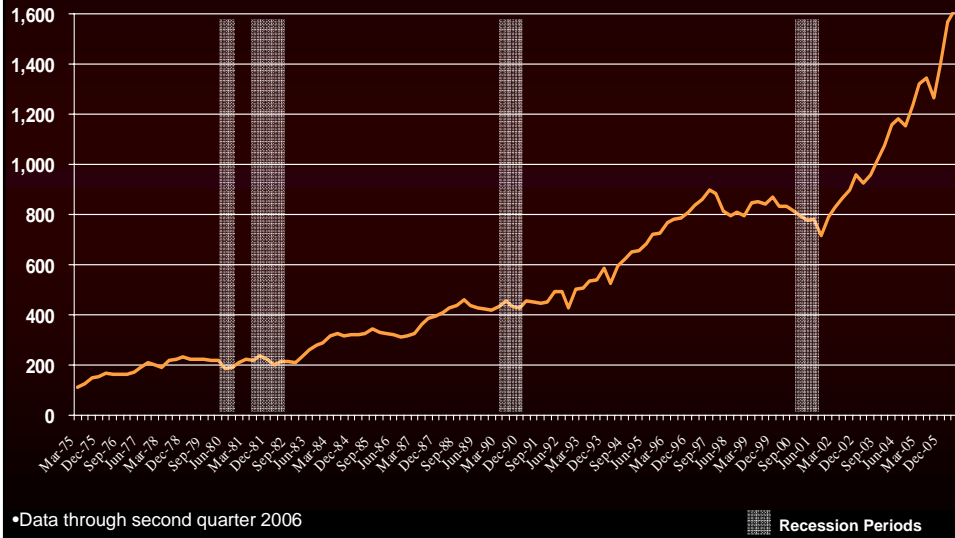


Can business pull us forward ?



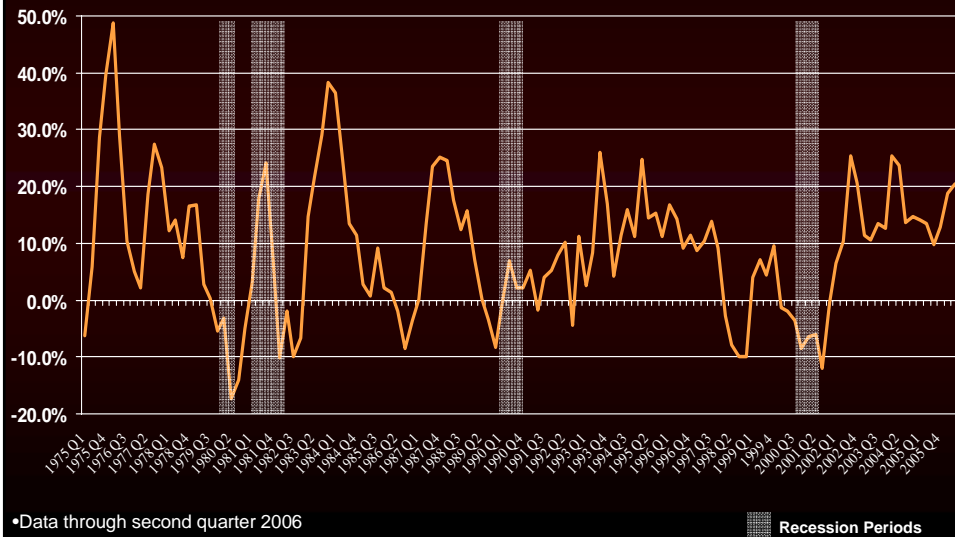
Corporate Profit (Billions of Dollars, SA) 1975-2006*

Source: Freelunch.com



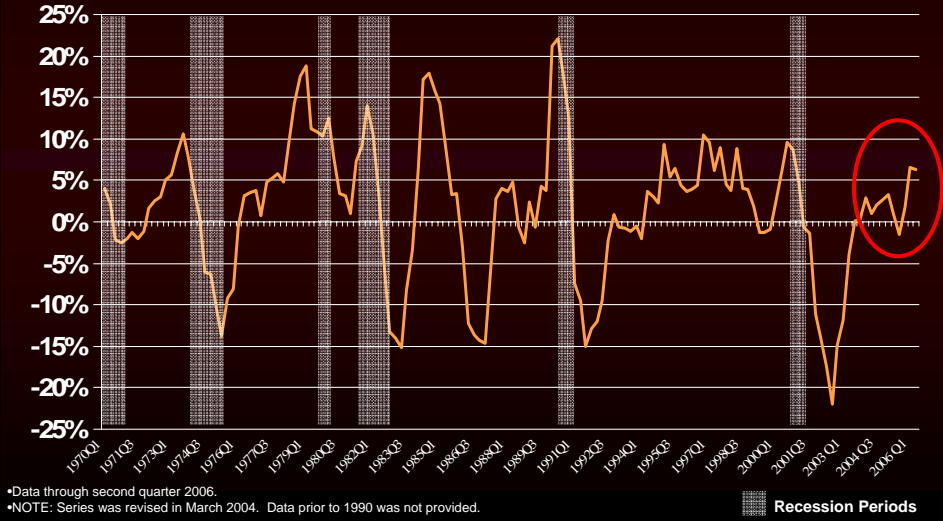
Corporate Profit Percent Change Year Ago 1975-2006*

Source: Freelunch.com



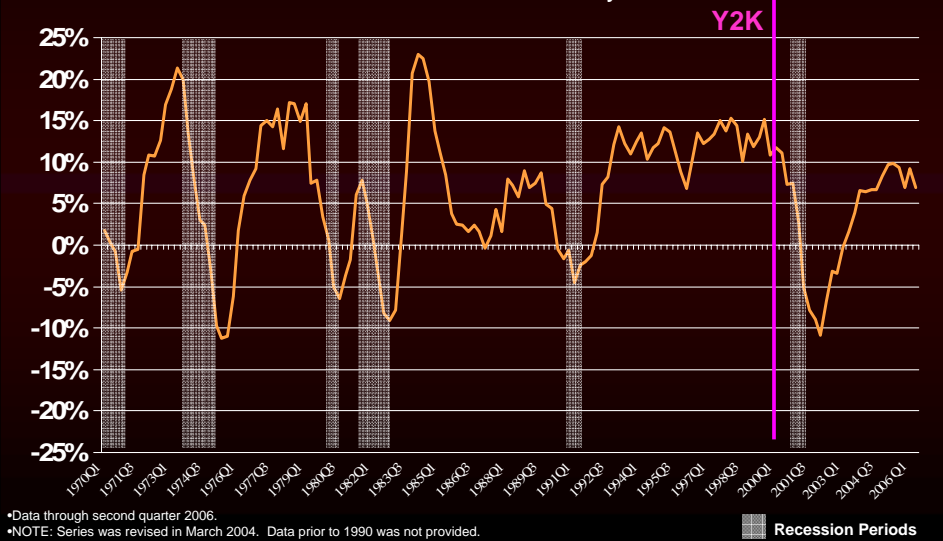
Total Plant Spending Percent Change Year Ago (Real Dollars) 1970 – 2006*

Source: Bureau of Economic Analysis



Total Equipment & Software Spending Percent Change Year Ago (Real Dollars) 1970 – 2006*

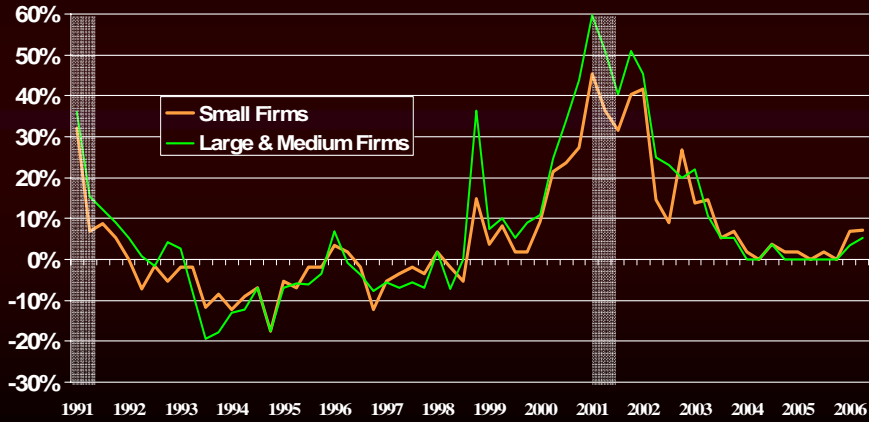
Source: Bureau of Economic Analysis



Net Percentage of Large U.S. Banks Reporting Tougher Standards on Business Loans

1991 – 2006*

Source: Federal Reserve, Board of Governors



*Data through second quarter 2006.

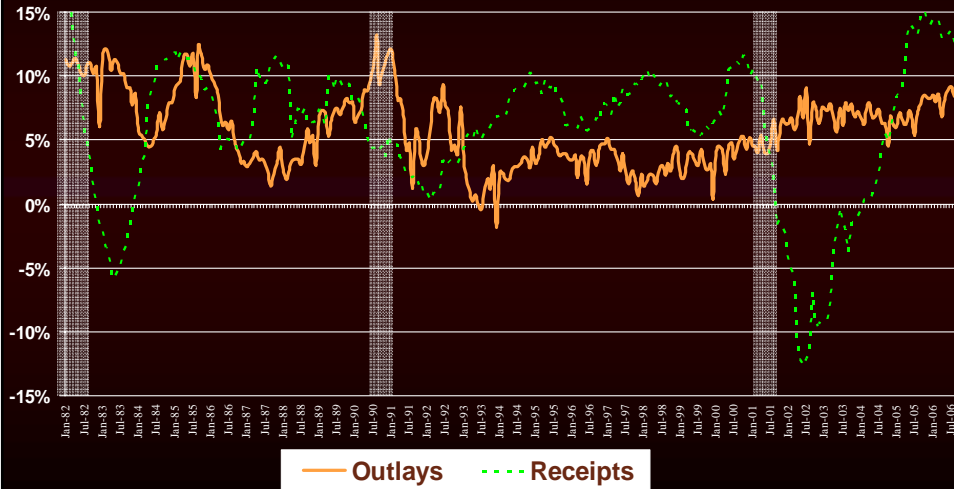
Recession Periods

Government



Government Receipts v. Outlays Percent Change Year Ago 1982 – 2006*

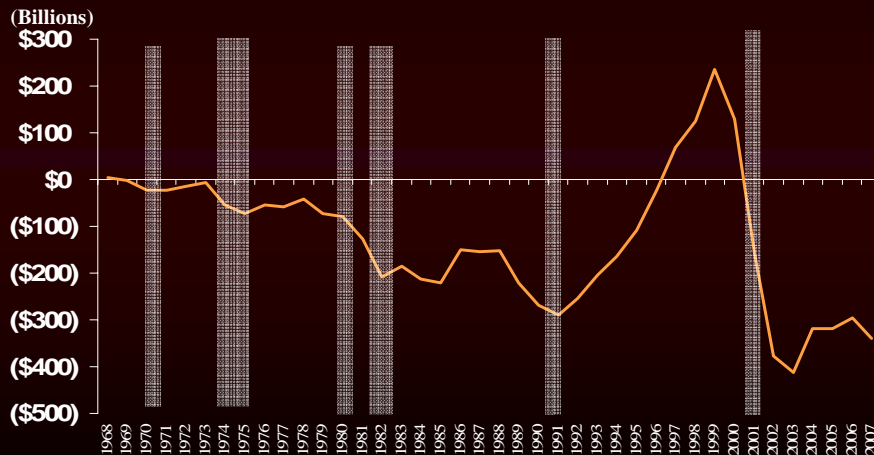
Source: Department of the Treasury



*Data through August 2006.

U.S. Federal Surplus/(Deficit) 1968 – 2007

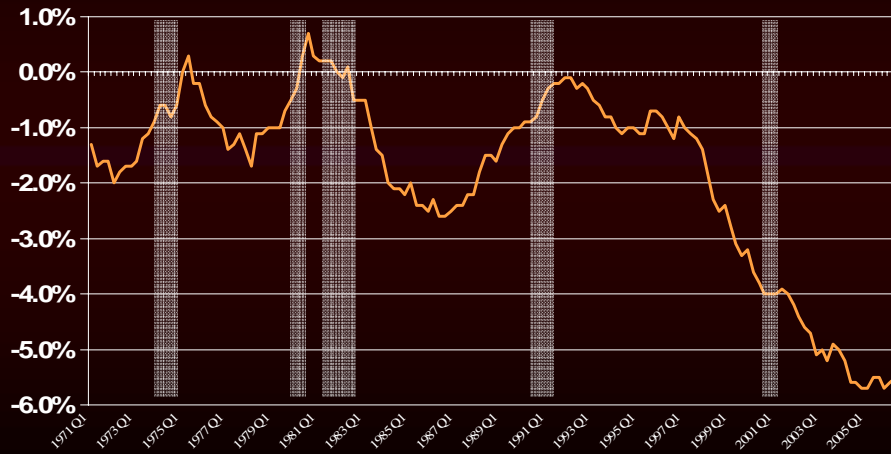
Source: White House Office of Management and Budget



Note: 2006 and 2007 are forecasts from the 2007 Mid-Session Review

U.S. Real Net Exports as a Percent of Real GDP 1971 – 2006*

Source: Bureau of Economic Analysis

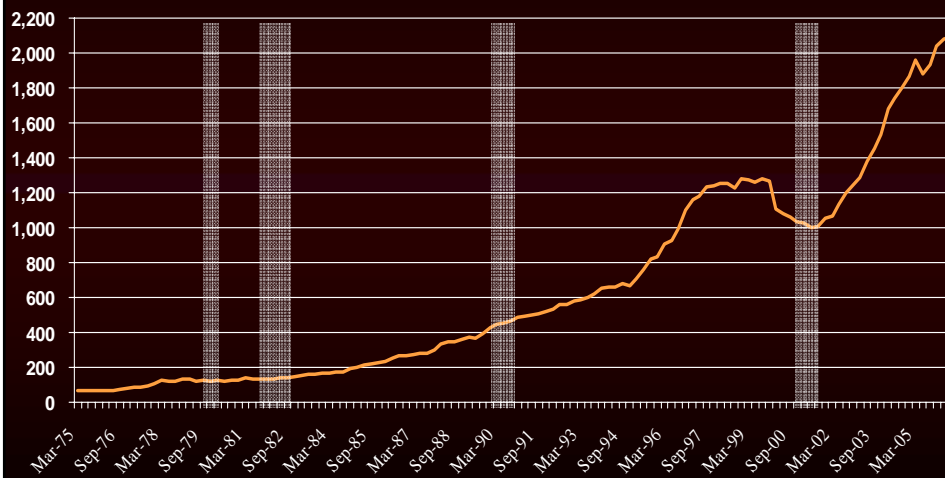


*Data through second quarter 2006

Recession Periods

U.S. Debt Held by Foreign & International Investors 1975-2006* (Billions of Dollars, SA)

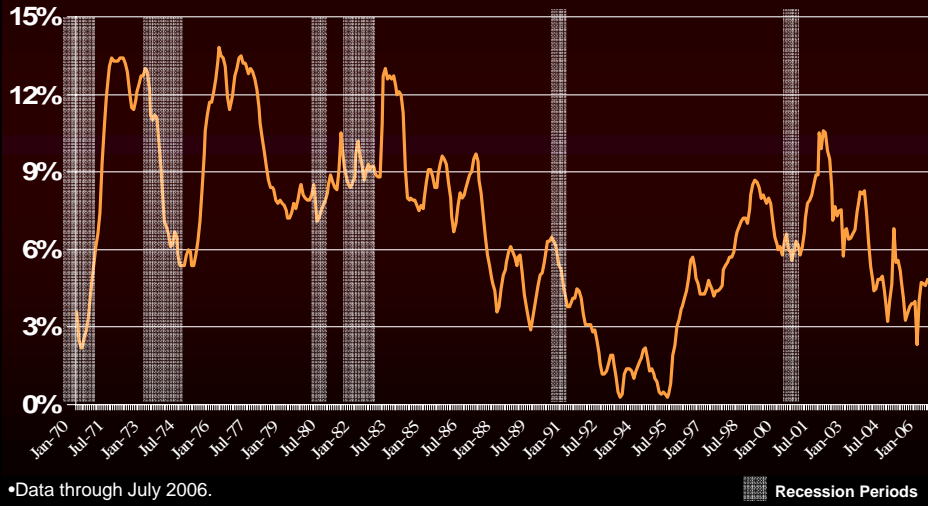
Source: Federal Reserve Economic Database



*Data through second quarter 2006.

M2 Stock – Seasonally Adjusted Percent Change Year Ago 1970 – 2006*

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



Summary:

U.S. Economy...

U.S. OUTLOOK - 2007

- Consumer spending (+ / -)
- Business spending (+)
- Fiscal stimulus (-)
- Monetary stimulus (+ / -)
- Real incomes (+ / -)
- Businesses mean and lean (+)
- Productivity growth still positive (+ / -)
- Job growth (+)
- Inflation (-)
- Low interest rates (-)

Question of the Day:

Is a recession on the horizon?



Answer:

**At some point, yes,
but not now.**

**Most likely it's the
7th inning, not the
bottom of the 9th.**



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Finance Advisory Committee

September 14, 2006

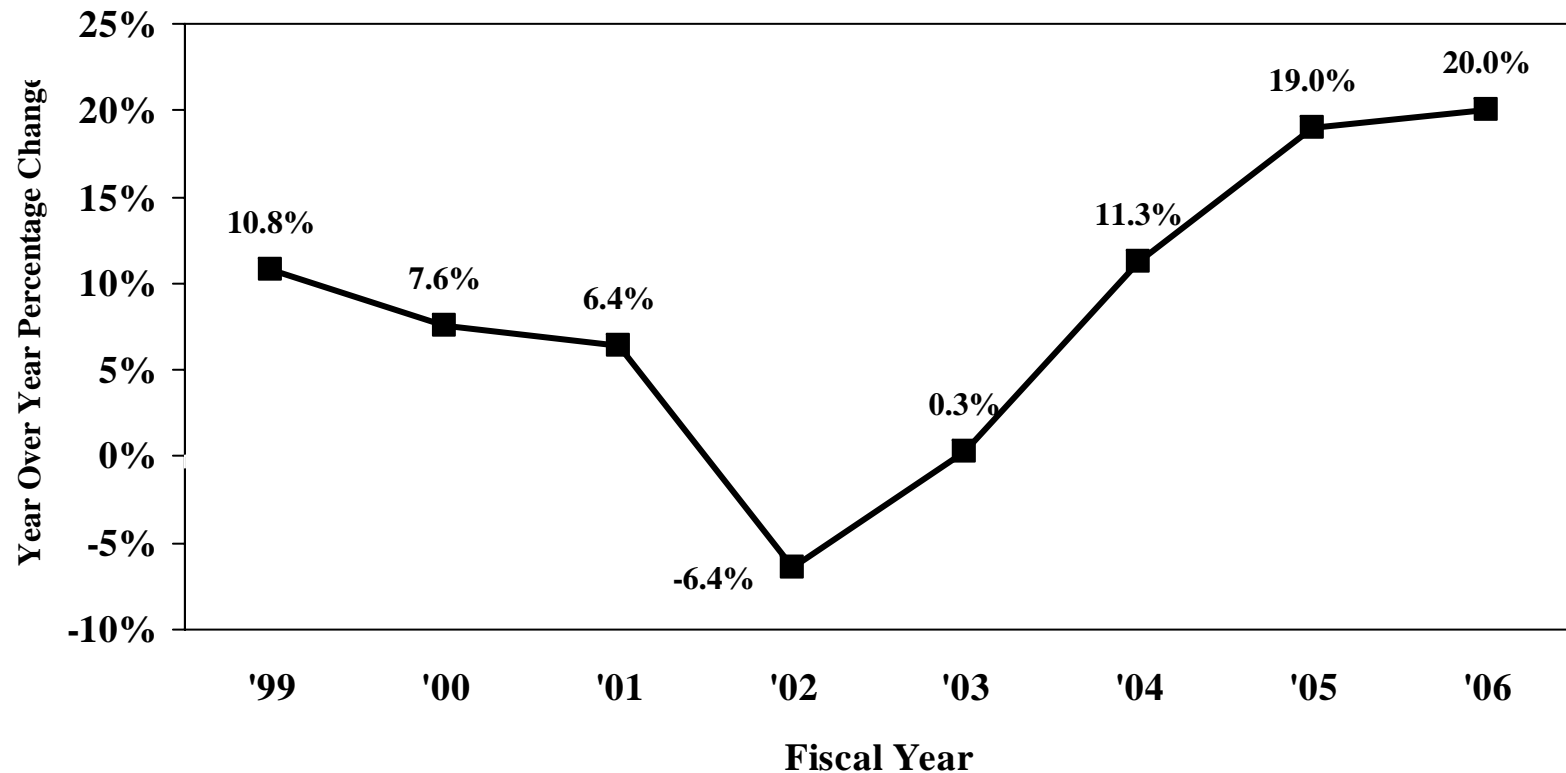
JLBC

FY 2006 Revenue Collections

2nd Year of Extraordinary Growth

- Baseline revenue collections for FY 06 were 20% over FY 05 collections.
- Highest two-year growth in at least the last 35 years.

General Fund Baseline Revenue Growth Rate

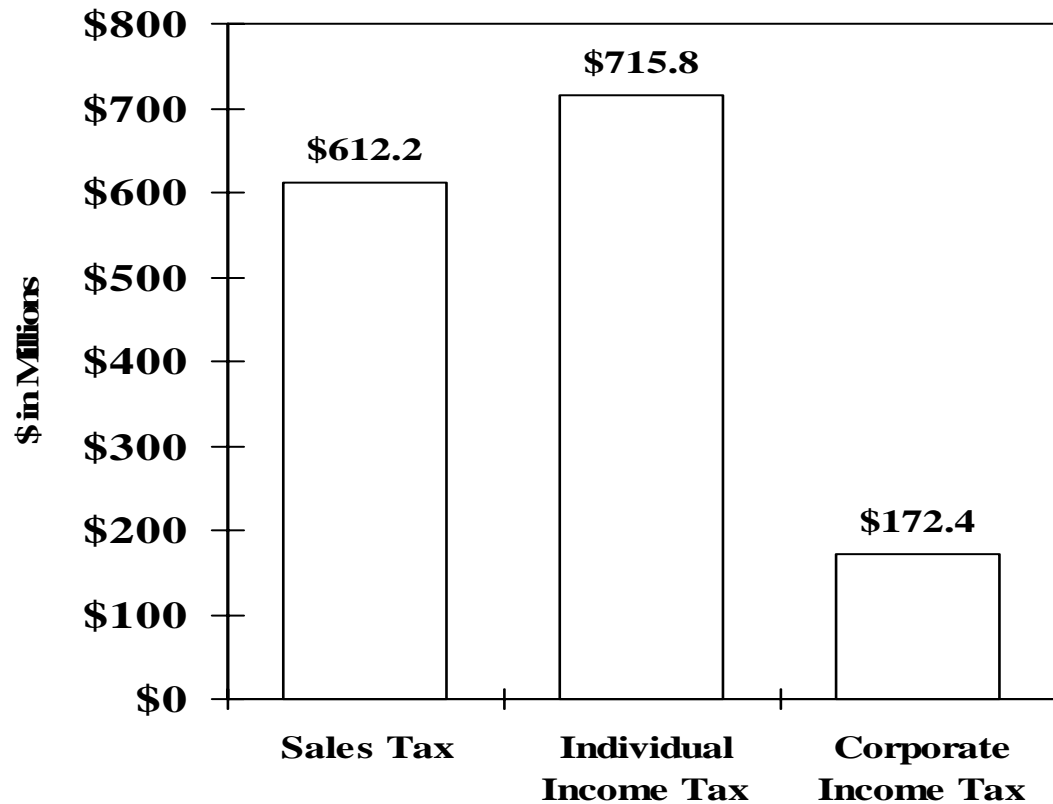


* Excludes statutory and one-time changes.

FY 2006 Major Tax Collections were \$1.5 Billion Higher than Prior Year

- All Three Major Categories Were Strong

- 16.7% - Sales Tax Growth
- 24.1% - Individual Income Tax Growth
- 24.6% - Corporate Income Tax Growth



FY '06 above FY '05

FY 2006 Revenue Collections

Factors Behind High Growth

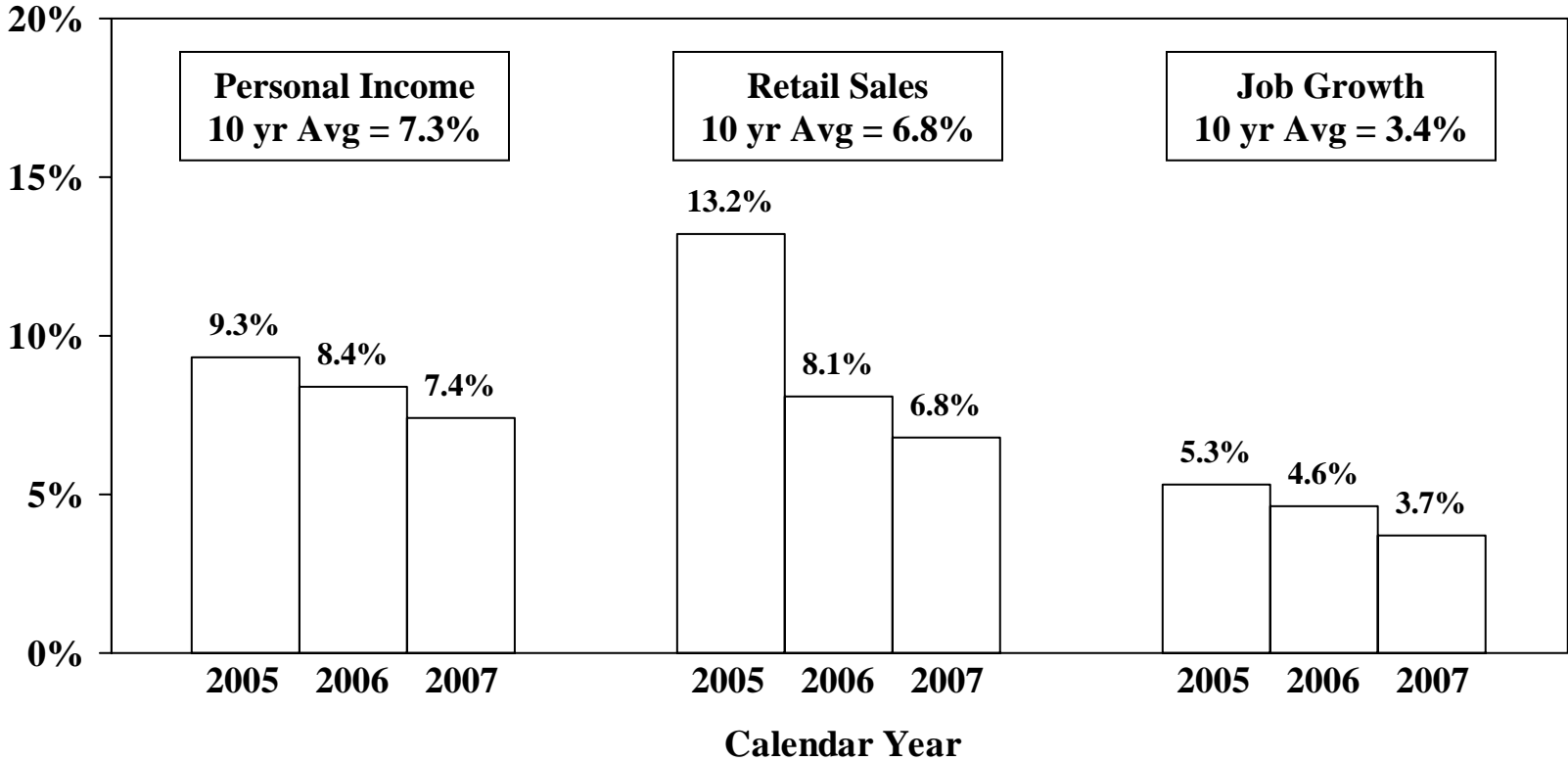
- Strong construction industry, both residential and commercial.
 - Arizona building permits up 21% in calendar 2004, leveled off in 2005 – reflected in FY 2006 revenue collections.
- Business profitability – impacted both corporate and individual income tax collections.
- Real estate – market began to cool in mid-2005, however strong conditions up to that point affected FY 2006 collections.
 - High level of capital gains.
 - Real estate industry income.

What is the Current Economic Outlook?

- Elliott's Presentation Addressed National Economy**
- Arizona Economic Indicators Show Mixed Picture**

- Business Conditions Index's 2006 average of 60 points is below 2004-2005 average of 65.5, but still above neutral point of 50.
- Leading Index negative in 5 of first 6 months of 2006.
- Business Leaders Confidence Index declined 8.1 points to 49.8 in 3rd Quarter.
 - Index has fallen below neutral point of 50, indicating a possible economic slowdown.

While Arizona Blue Chip Forecasts A Slowdown in CY 2006 and CY 2007, Projections Remain Near Historical Averages

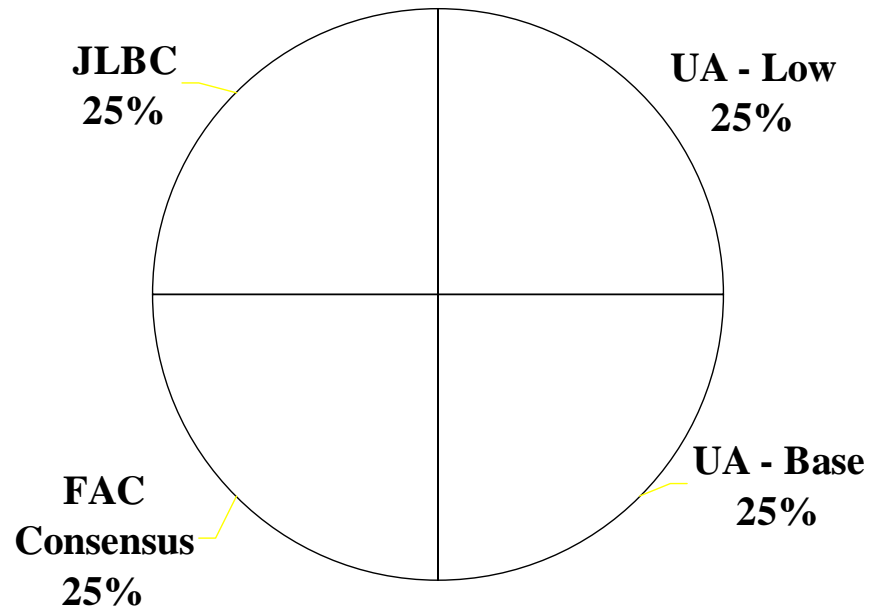


FAC Forecast is a Component of “Big 3” General Fund Revenue Consensus Estimate

UA Model Represents 50% of the Forecast

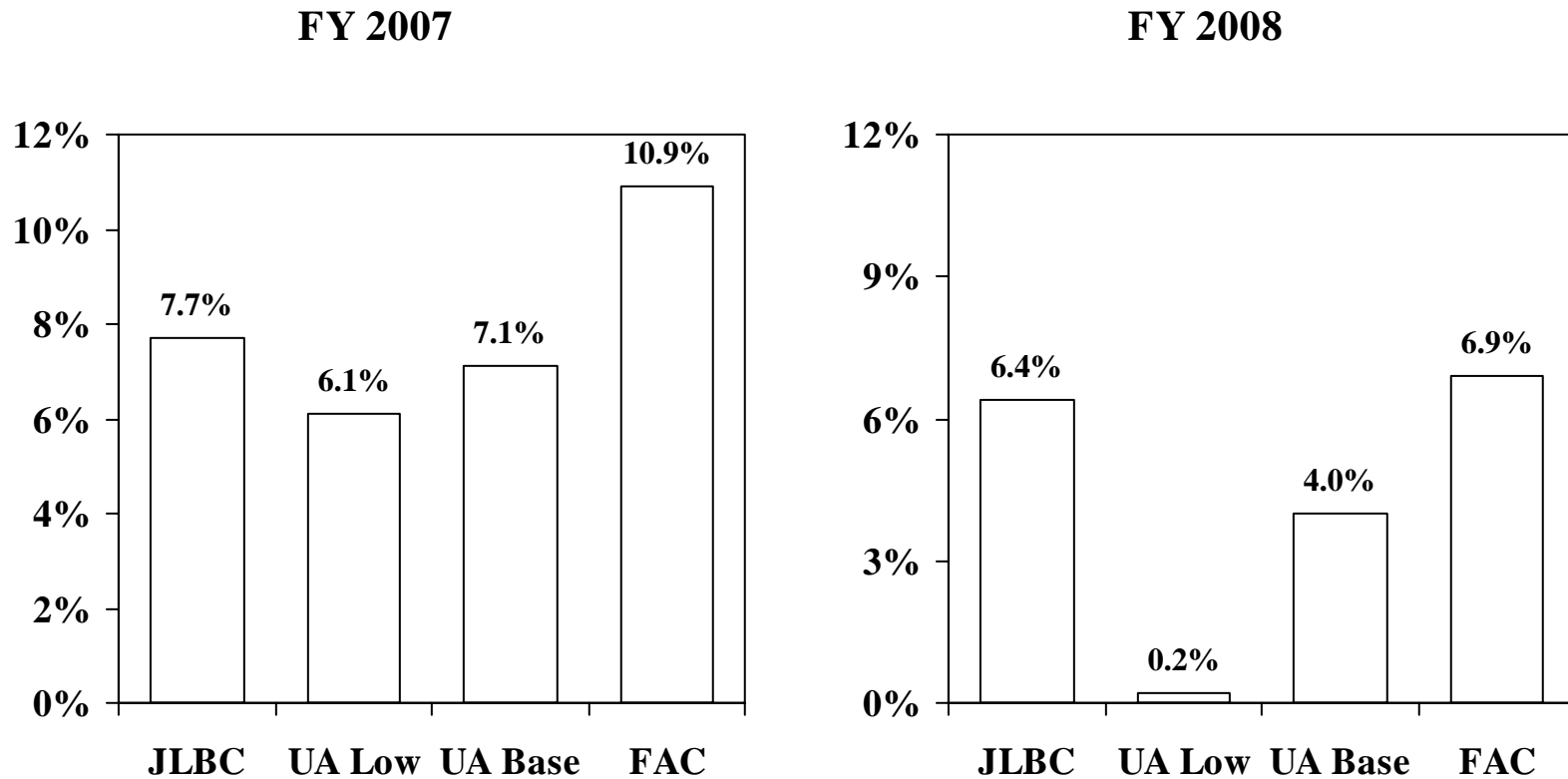
Big 3 forecast equally weights:

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



“Big 3” Forecast Growth by Input

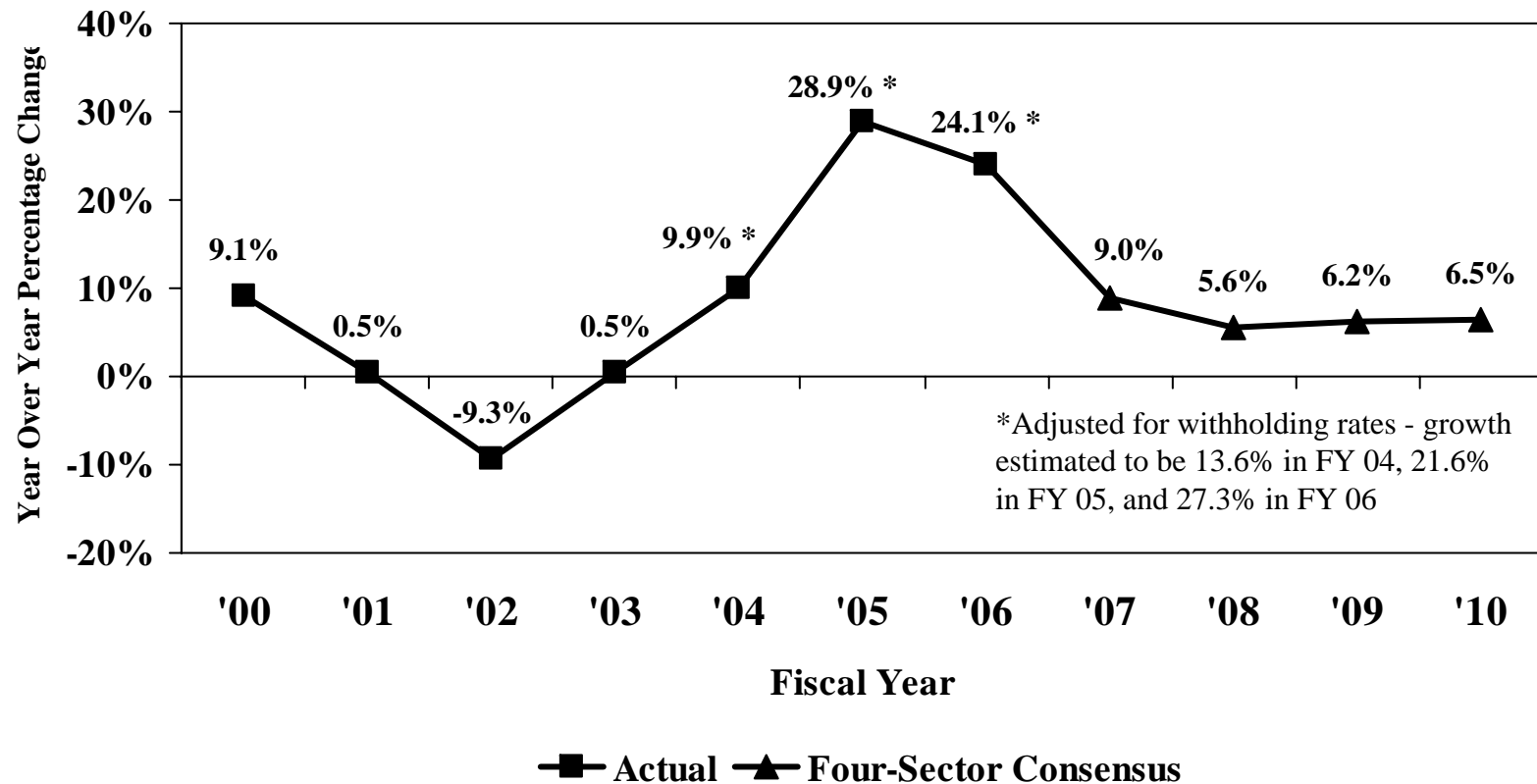
- UA Models More Cautious Than Other 2 Inputs, Especially in FY 2008



Individual Income Tax Growth Rate

FAC Consensus Higher Than 4-Sector Forecast

11.7% for FY 2007 and 7.2% for FY 2008



FY 2006 Actual = \$3.7 Billion

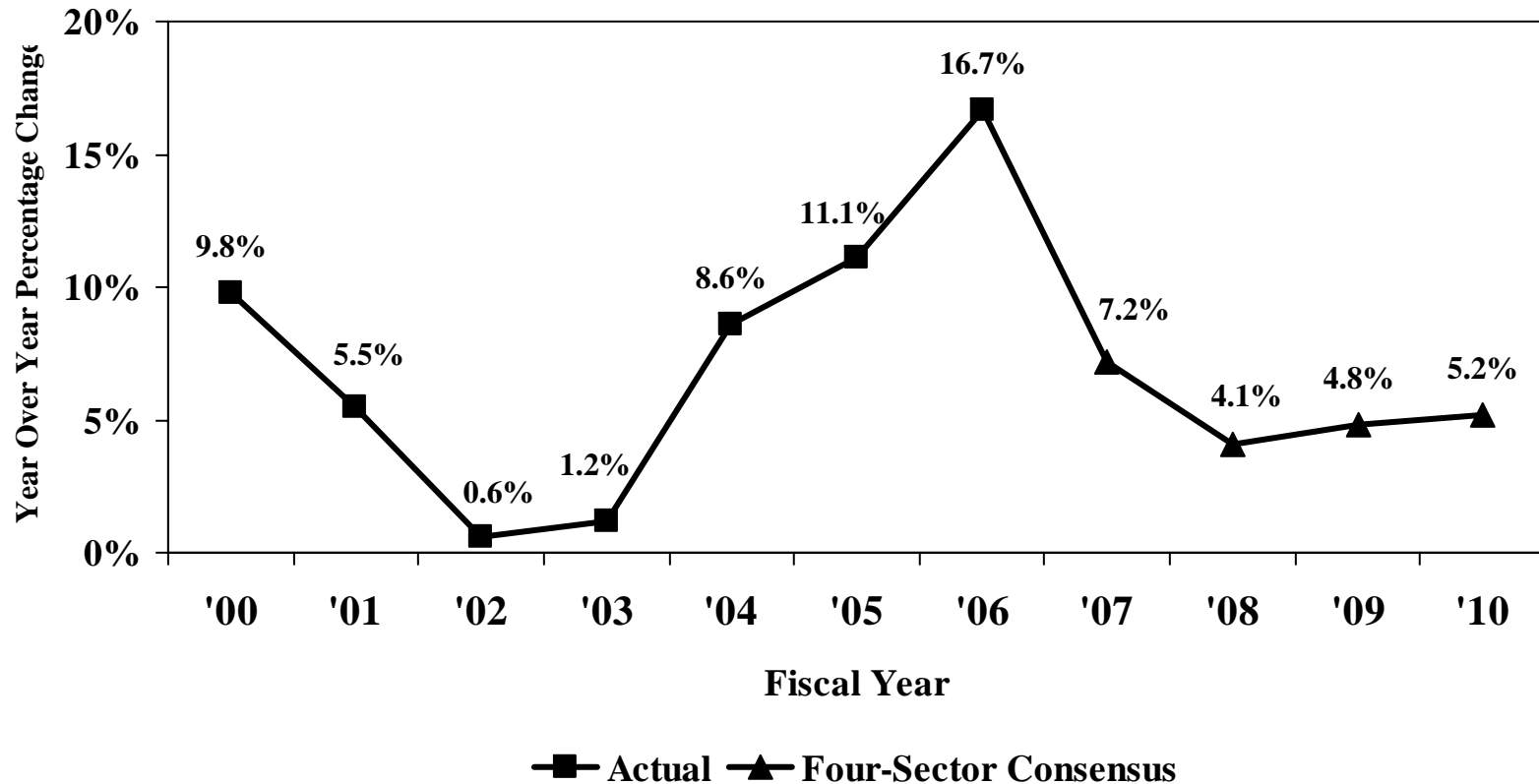
FY06 Individual Income Tax Growth of 24.1% Fueled By A Strong Arizona Economy

- Job growth of 5.3% and average wage increase of 5.1% explains less than 50% of this growth.
- Remainder attributable to:
 - Increased small business profitability as evidenced by a 14.7% growth in proprietors' income.
 - Large but still unknown amount of capital gains.

Sales Tax Growth Rate

FAC Consensus Higher Than 4-Sector Forecast

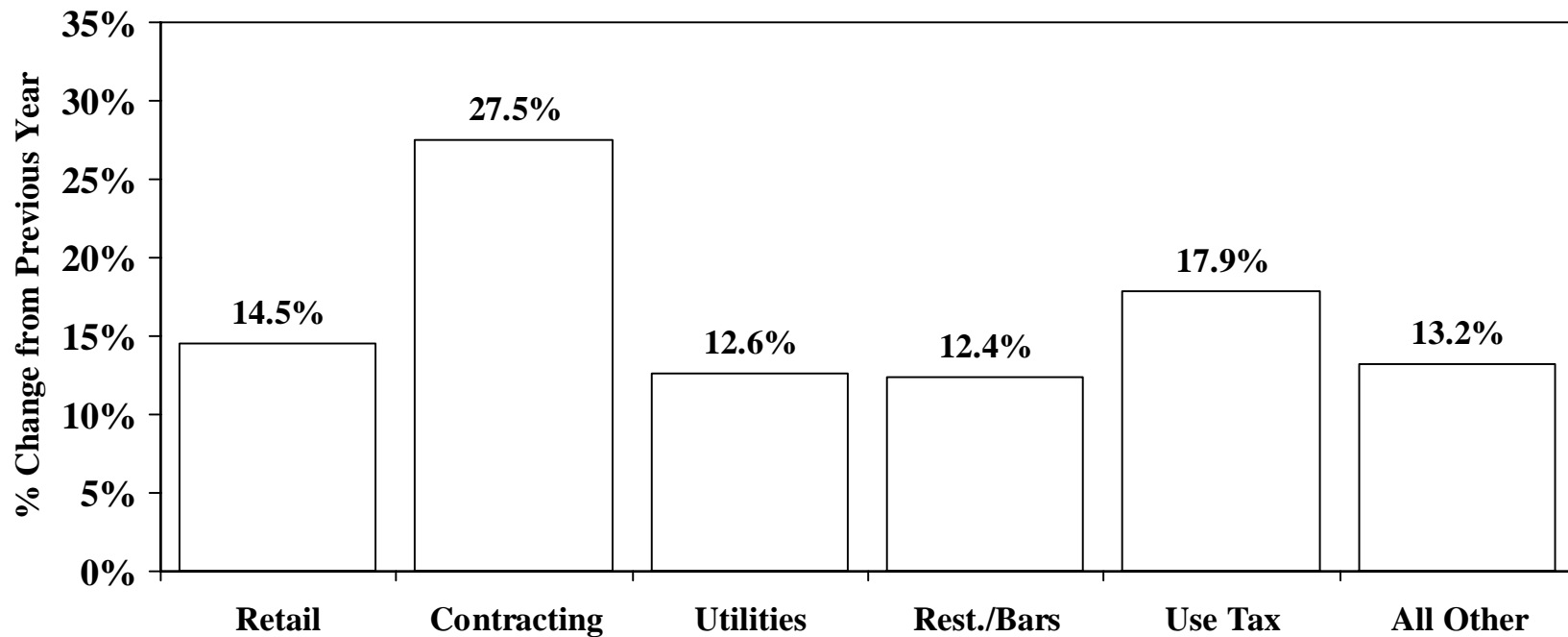
10.1% for FY 2007 and 7.3% for FY 2008



FY 2006 Actual = \$4.3 Billion

FY 2006 Sales Tax Collections Were Strong Across All Major Categories

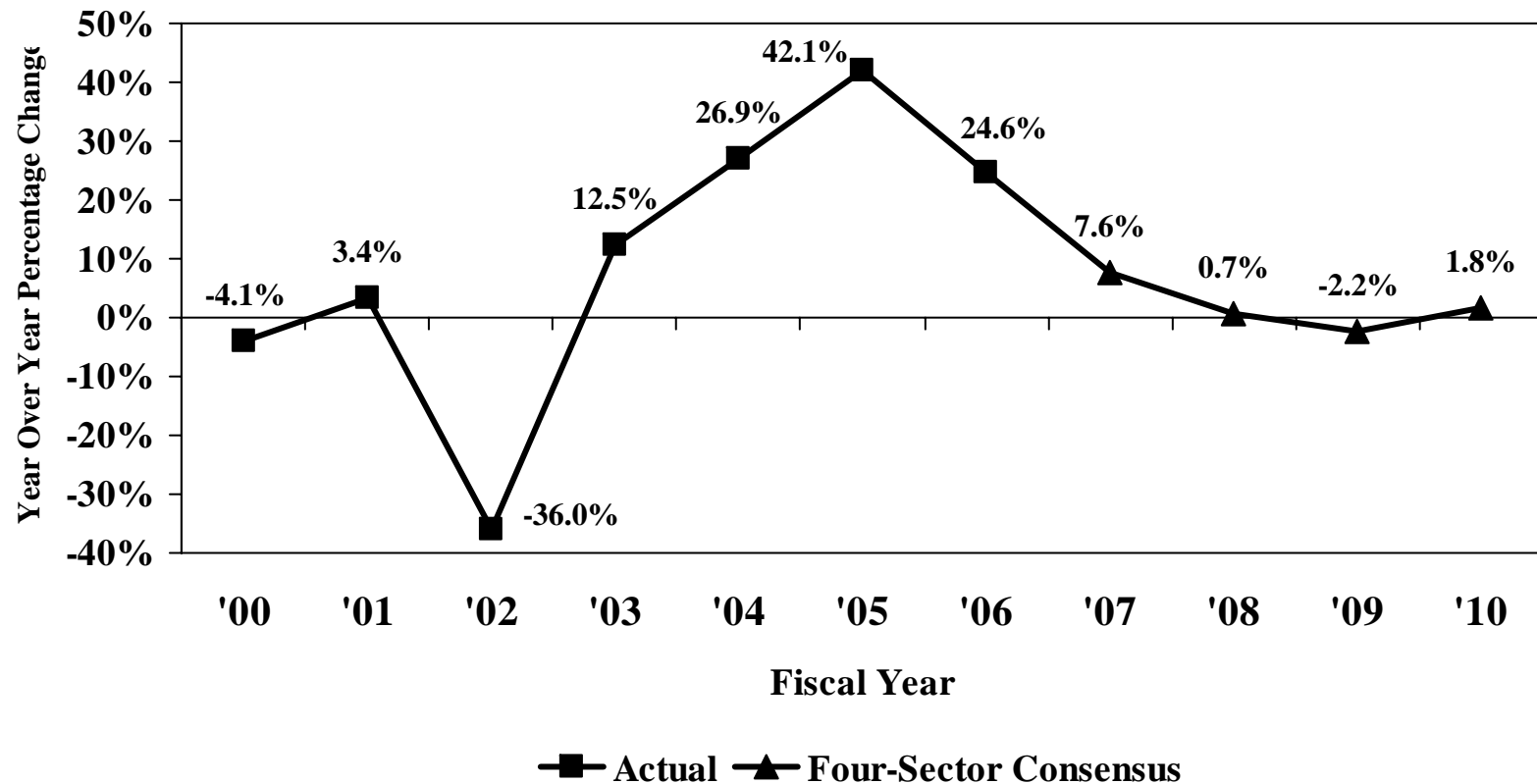
- Overall Growth was 16.7%



Corporate Income Tax Growth Rate

FAC Consensus Higher Than 4-Sector Forecast

11.6% for FY 2007 and 3.6% for FY 2008



FY 2006 Actual = \$874 Million

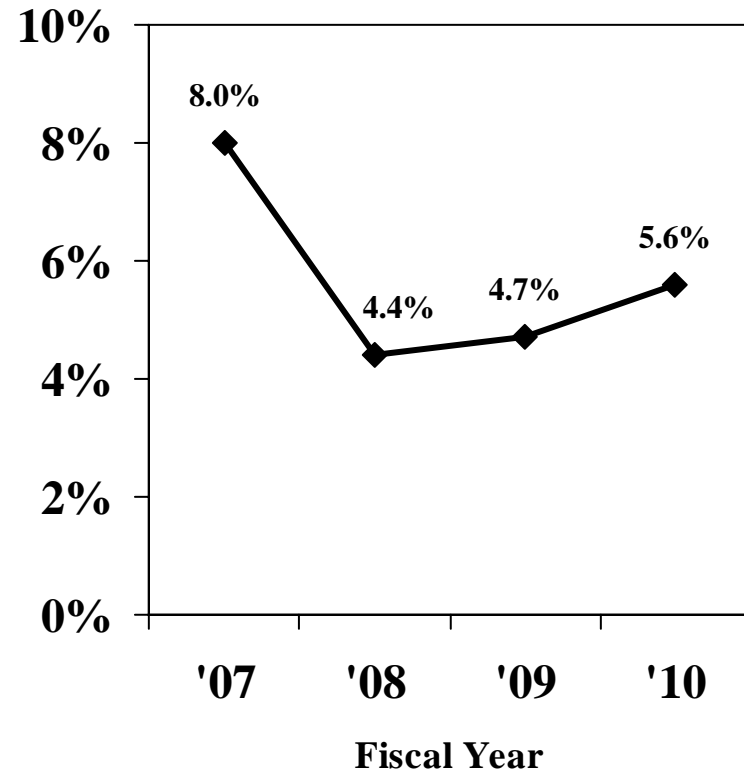
Exceptional Growth Pushed Corporate Tax Revenue to Record Levels in FY 2006

- U.S. corporate profits soared by 19.1% in 2004, 12.5% in 2005, and 19.7% in the first half of 2006.
- Sarbanes-Oxley accounting reform induced better compliance and fewer tax-avoidance strategies.
- 2004 federal law may have led to a one-time repatriation of more than \$350 billion in U.S. corporate profits.

Big 3 Forecast Growth

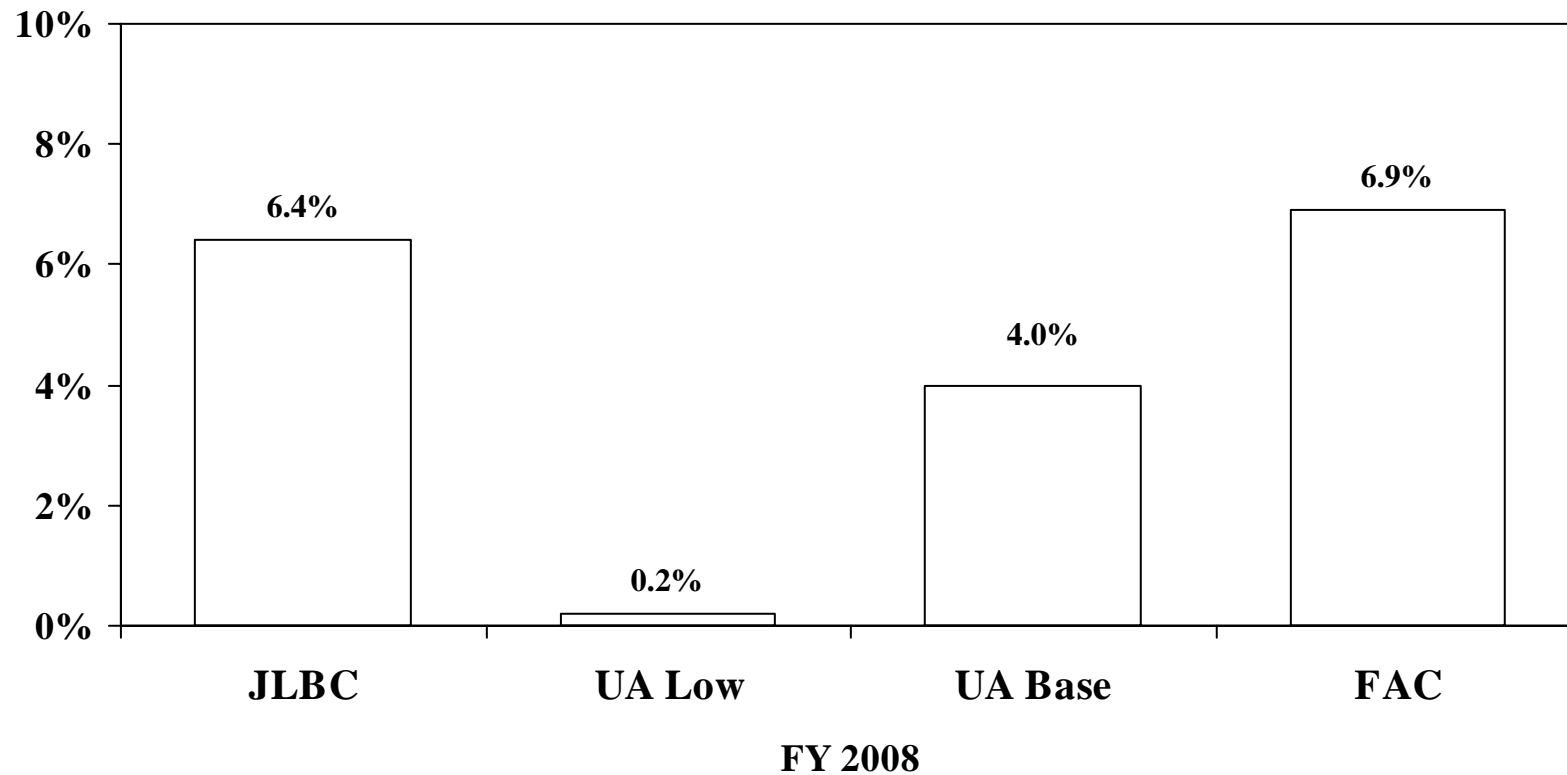
Four-Sector Consensus Forecast Has Growth of 8.0% in FY 2007 and 4.4% in FY 2008

- '07 Growth of 8% would be steep decline from 20% in '06, but close to budgeted rate.
- Year to date '07 data is inconclusive.
- '08 Forecast is pulled down by flat growth scenario in the UA-Low Model.
- Without UA-Low, '08 grows by 5.8%.



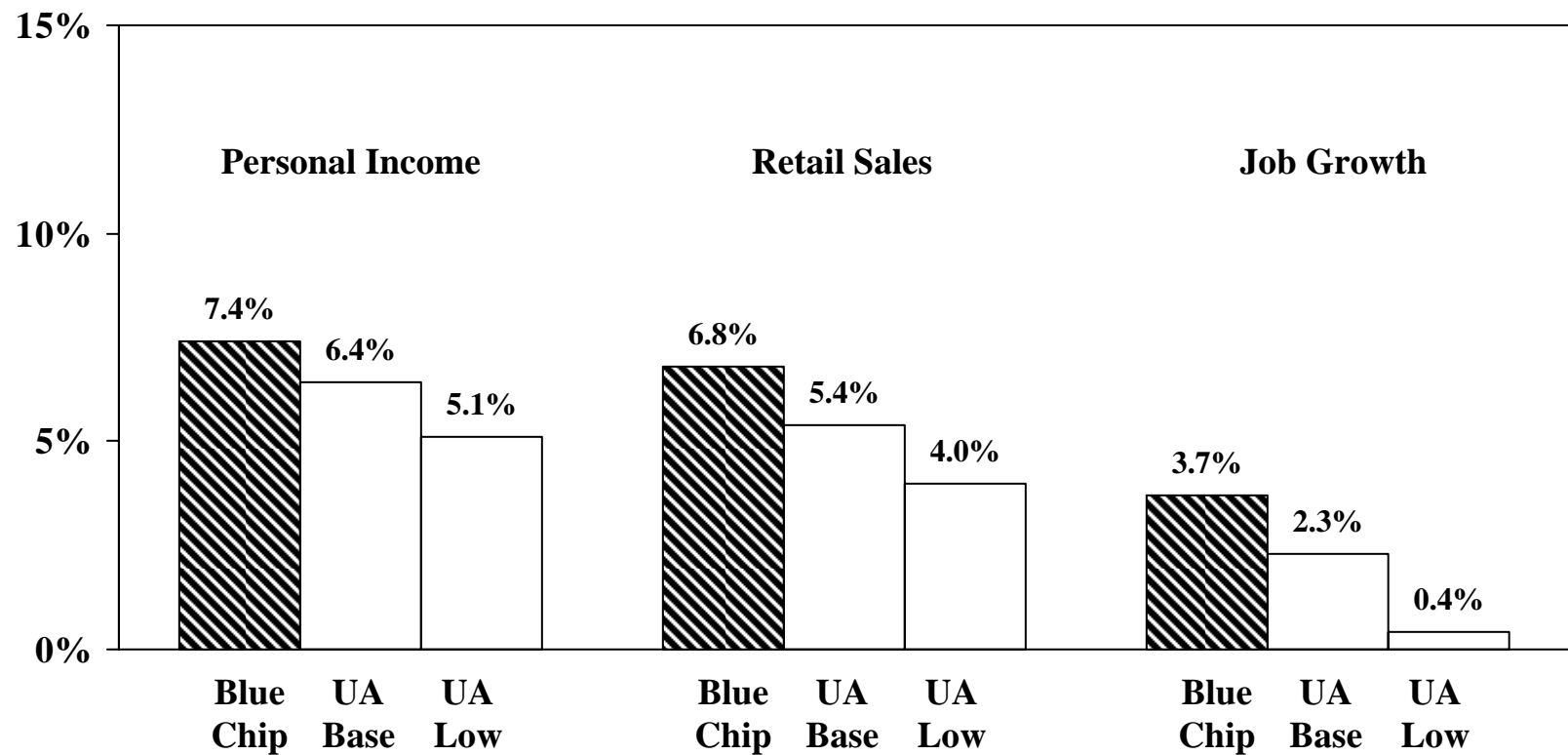
“Big 3” Forecast Growth by Input

- 25% of FY 2008 Consensus is Based on a No-Growth Scenario



What are the Chances for a Flat Revenue Growth Scenario?

- Blue Chip More Optimistic than UA Models for CY 2007



Evaluating the Odds of Flat Revenue Growth - How Does that Compare to the Odds of a Recession?

- National Blue Chip places the odds of a recession at 21% in 2007
 - Based on responses from 55 panelists
 - Top 10 Average 33.1%
 - Bottom 10 Average 9.5%
- Arizona Blue Chip was asked when the next recession would occur in Arizona
 - 13% said prior to 2008
 - 20% said 2008
 - 67% said 2009 or beyond

FY 2007-FY 2010 Quartile Forecast Worksheet

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
<u>Sales Tax</u>				
JLBC Forecast (9/7/06)	6.9%	6.5%	6.0%	6.0%
UA - Low (8/06 revision)	5.4%	-0.6%	1.9%	3.7%
UA - Base (8/06 revision)	6.3%	3.2%	5.1%	5.7%
FAC (9/14/06 Survey)	10.1%	7.3%	6.3%	5.5%
Average:	7.2%	4.1%	4.8%	5.2%
<u>Individual Income Tax</u>				
JLBC Forecast (9/7/06)	8.2%	7.1%	6.8%	6.6%
UA - Low (8/06 revision)	7.3%	2.7%	4.9%	5.2%
UA - Base (8/06 revision)	8.6%	5.3%	7.1%	7.4%
FAC (9/14/06 Survey)	11.7%	7.2%	6.1%	6.6%
Average:	9.0%	5.6%	6.2%	6.5%
<u>Corporate Income Tax</u>				
JLBC Forecast (9/7/06)	9.8%	3.0%	2.4%	2.4%
UA - Low (8/06 revision)	4.0%	-6.6%	-13.5%	-3.1%
UA - Base (8/06 revision)	5.0%	2.8%	-2.5%	2.2%
FAC (9/14/06 Survey)	11.6%	3.6%	4.9%	5.7%
Average:	7.6%	0.7%	-2.2%	1.8%
Overall Weighted Average:	8.0%	4.4%	4.7%	5.5%
Overall Weighted Average-3 sector: (exclude UA Low)	8.6%	5.8%	5.8%	6.0%

Joint Legislative Budget
Committee
Finance Advisory Committee

September 14, 2006

Arizona Single Family Construction Activity

County	2002	2005	2006
■ Maricopa	63 %	52 %	56%
■ Pinal	8	16	16
■ Pima	12	13	15
■ Coconino	2	1	1
■ Yavapai	4	5	5

Arizona Single Family Average Permit Value

County	2002	2005	2006
■ Maricopa	\$155,080	\$184,025	\$195,540
■ Pinal	108,130	125,090	113,680
■ Pima	151,220	168,725	178,530
■ Coconino	145,910	200,835	189,430
■ Yavapai	136,725	179,985	184,750

Arizona Commercial Construction Activity

Share of State Commercial Activity

County	2005	2006
■ Maricopa	75 percent	79 percent
■ Pinal	4	2
■ Pima	10	7
■ Coconino	1	2
■ Yavapai	1	2

Arizona Commercial Construction Activity

Share of County Total Construction Activity

County	2005	2006
■ Maricopa	23 percent	26 percent
■ Pinal	6	6
■ Pima	12	12

New Housing Permits

	Maricopa	Pinal
❑ 2006 YTD	17,600	6,959
❑ 2005	43,256	18,191
❑ 2004	48,136	11,495
❑ 2000s	239,598	
❑ 1990s	242,161	
❑ 1980s	151,796	
❑ 1970s	171,406	

Median New Home Price Maricopa County

■ 2002	\$159,990
■ 2003	\$173,240
■ 2004	\$195,000
■ 2005	\$251,795
■ 2006	\$296,665

New Home Median Sales Price

■ Area	Second Qtr. 2005	Second Qtr. 2006
■ Maricopa County	\$240,610	\$313,775
■ N. Scottsdale	611,035	830,750
■ Phoenix	224,465	294,435
■ Peoria	316,340	394,995
■ Surprise	231,295	311,035
■ Chandler	298,380	456,145

New Home Median Sales Price

■ Area	Second Qtr 2005	Second Qtr 2006
■ Pinal County	\$187,515	\$249,915
■ Apache Junction	263,190	313,130
■ Casa Grande	173,870	246,940
■ Maricopa	205,000	263,115
■ Queen Creek	186,335	245,985

Resale Home Market Maricopa County

■ SALES ACTIVITY

□ 2005	110,835
□ 2004	102,115
□ 2003	73,785

■ MEDIAN PRICE

□ 2005	\$ 240,500
□ 2004	\$ 174,815
□ 2003	\$ 155,000

RESALE HOME MARKET

■ SALES	Maricopa	Pinal
□ 2006 YTD	41,835	2,565
□ 2005 YTD	68,235	3,220
□ 2004 YTD	56,745	1,640
□ 2003 YTD	41,200	

Resale Median Sales Price

Maricopa County

■ Area	Second Qtr. 2005	Second Qtr. 2006
■ Maricopa County	\$235,500	\$265,000
■ Scottsdale	521,250	615,000
■ Phoenix	182,500	223,000
■ Mesa	210,000	248,000
■ Surprise	231,000	255,000
■ Glendale	215,000	250,000

Housing Market Pinal County

	New	Resale
■ 2004	7,445	3,790
■ 2005	15,370	6,110
■ 2006 (thru July)	8,470	2,565
■ 2004	\$145,900	\$137,500
■ 2005	199,025	189,990
■ 2006 (July)	236,015	200,000

RESALE MEDIAN SALES PRICE

■ Area	Second Qtr 2005	Second Qtr 2006
■ Pinal County	\$186,000	\$211,000
■ Apache Junction	193,500	224,450
■ Casa Grande	152,000	179,000
■ Maricopa	222,500	256,500
■ Queen Creek	205,840	235,000

Housing Indicators Maricopa County

■ Affordability

■ Year	Resale	New
□ 2000	117	100
□ 2001	124	108
□ 2002	124	113
□ 2003	126	113
□ 2004	114	102
□ 2005	84	80
□ 2006 2 nd Qtr	71	60

COMPARATIVE RESALE HOUSING PRICES

■ Areas	Second Qtr. 2005	Second Qtr. 2006
United States	\$219,400	\$227,500
Phoenix	243,400	272,200
San Diego	605,600	613,100
Las Vegas	300,100	319,100
Dallas	149,100	146,400
Atlanta	166,500	173,900

Source: NAR

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**
 - **2005** **14.1 percent**

 - **1981-2005** **4.4 percent**
-

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

Housing Indicators Maricopa County

- Jobs per resale home

■ Year	Resale
□ 2000	29
□ 2001	26
□ 2002	25
□ 2003	22
□ 2004	16
□ 2005	16
□ 1982-2005	28

Other Real Estate Topics

- Condomania
 - New projects
 - Conversions
 - Commercial
 - Retail Development
 - Industrial Development
-

CONDOMINIUM MARKET NEW HOMES

■ Permits

■ 2006 YTD	3,330
■ 2005	4,526
■ 2004	2,597

■ Median New Unit Sales Price

■ 2006	\$220,000
■ 2005	214,615
■ 2004	186,485

CONDOMINIUM MARKET RESALE HOMES

■ Sales Activity

□ 2006 YTD	9,255
□ 2005	21,290
□ 2004	18,835

■ Median Resale Home Price

□ 2006	\$176,000
□ 2005	\$ 150,000
□ 2004	\$ 114,530

APARTMENT MARKET

■ UNITS AUTHORIZED

□ 2006 YTD	2,533
□ 2005	3,250
□ 2004	4,997
□ 2003	4,836
□ 1990s	51,608
□ 1980s	137,436

COMMERCIAL ACTIVITY

2006 YTD

	Retail	Office
Inventory	111,698,554	59,025,097
New Supply	1,396,895	731,221
Absorption	2,463,303	1,669,936
Vacancy	7.8 percent	16.9 percent

Contact

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