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Mobile/RV parks statewide report fewer winter residents

1999-2000 Arizona Winter Resident Survey

Approximately 160,000 winter residents (popularly referred to as "snowbirds" by local residents) were living in mobile home and RV/travel trailer parks in Arizona at the height of the 1999-2000 winter season according to a survey conducted by the Center for Business Research. The size of the snowbird population in the state's RV/travel trailer/mobile home parks implies that Arizona may have been the temporary home to a total winter resident population of approximately 300,000 during the past season. Spending almost $1 billion during their stay, the state's winter resident population is a major source of consumer demand for businesses in many Arizona communities.

These estimates of the number of snowbirds living in RV/mobile home parks in Arizona and the size of the state's overall winter resident population are not directly comparable with figures reported for previous years due to changes in methodology incorporated into the Spring 2000 survey. A separate analysis comparing the information from parks that responded to both the 1999 and 2000 surveys indicates that the number of winter residents staying in Arizona's RV/mobile home parks at the peak of the season was down again in 2000.

THE 2000 SURVEY

The Center for Business Research has conducted annual censuses of RV/travel trailer/mobile home parks in the Phoenix metropolitan area for the past 16 years. For the 1990–91 season, the study area was expanded to include parks located outside of the Phoenix/Apache Junction area. Since the 1991–92 season, the research team has surveyed parks in an 11-county study area. (The 1990–91 survey indicated few winter residents in four northern/eastern rural counties – Apache, Coconino, Navajo, and Greenlee — subsequent surveys have limited the study area to the remaining 11 counties.)

A number of changes were made this year in the winter resident survey. Due to a combination of higher mail costs and declining response to the mail survey, the 2000 survey was conducted primarily as a phone survey. Owners/managers of parks were asked about numbers of mobile home and travel trailer/RV spaces, occupancy rates, and numbers of winter resident households, as of the first week of February 2000. Only those parks that could not be contacted by phone (or asked to be contacted by mail) were sent a survey questionnaire. The Center obtained information from 685 parks, representing approximately 67 percent of total spaces.

Some changes also were made in the survey questions for 2000. In the prior two years, the size of the winter resident population decreased, after increases for most of the 1990s. The data showed the declines to be occurring in the state's two major metropolitan areas while the numbers of snowbirds wintering in many smaller communities continued to increase. Closer examination indicated that the number of people residing in the parks at the time of the survey had not declined substantially, but that park owners/managers reported that winter residents made up a smaller share of the total park population than in previous years. To obtain more insight concerning this phenomenon, the questionnaire was expanded to provide a more precise specification of the winter resident population and to find out more information about the other park residents.

The data provided by the responding parks was tabulated and used to produce the estimates of the winter resident population and the other statistics reported in this article. For non-responding parks, counts of the number of mobile home and travel trailer/RV spaces from the survey's database were combined with the computed occupancy rates to estimate the numbers of occupied spaces and spaces occupied by winter residents. These imputed data were then aggregated with the survey information to produce estimates of the total number of snowbird households residing in mobile home/travel trailer/RV parks during the first week of February 2000.

Another change in the 2000 survey was to include all parks

INSIDE

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in Maricopa County in the Phoenix/Apache Junction market area. In previous surveys, parks in the rural communities in Maricopa County had been included in the statewide figures. The new definition of the Phoenix/Apache Junction area is more consistent with the formal definition of the greater Phoenix area (the Phoenix-Mesa MSA is defined as the combination of Maricopa and Pinal counties). The parks located in central and southern Pinal County remain in the statewide figures since that area constitutes a separate market competing with Phoenix/Apache Junction.

SURVEY RESULTS

The Phoenix/Apache Junction Area

The 730 Phoenix/Apache Junction area parks included in the survey had 64,700 mobile home spaces and 37,900 RV/travel trailer spaces (Table 1). Valleywide occupancy rates during February 2000 were 96 percent for mobile home spaces and 93 percent for RV/travel trailer spaces — slightly higher than the 95 percent for mobile home spaces but lower than the 97 percent figure for RV/travel trailer spaces in 1999.

Based on the revised methodology for this year's survey, an estimated 41,700 winter resident households were living in area parks in February 2000. Assuming two persons on average in each winter resident household (as indicated by previous research), nearly 84,000 winter residents lived in area RV/travel trailer/mobile home parks at the height of the 1999-2000 winter season.

Outside the Phoenix/AJ Area

The 689 parks in the survey area outside of the Phoenix/Apache Junction area contained 40,400 mobile homes spaces and 49,000 RV/travel trailer spaces for a total of 89,400 spaces (Table 1). Occupancy rates in February 2000 averaged 92 percent for RV/travel trailer spaces and 93 percent for mobile home spaces — slightly lower than reported last year for the RV/travel trailer spaces but slightly higher for mobile home spaces. Occupancy rates varied significantly across the state, with the highest for RV spaces reported in the Yuma area and the highest for mobile home spaces in the Tucson and Central Arizona regions.

The percentage of spaces occupied by winter residents was much lower than, but not directly comparable to, last year at 44 percent. The highest proportion was found in the Yuma area and the Western region and the lowest in the Tucson area. Based on the revised methodology, an estimated 36,600 snowbird households were living in parks outside of the Phoenix/Apache Junction area in February 2000.

Again assuming approximately two persons per household, about 73,000 winter residents were living in RV/travel trailer/mobile home parks outside the Phoenix/Apache Junction area at the height of the 1999-2000 winter season.

Overall Totals

Statewide, the more than 1,400 parks included in the analysis contained some 192,000 total spaces, more than 105,000 mobile home spaces and nearly 87,000 RV/travel trailer spaces. Occupancy rates during February 2000 were 95 percent for mobile home spaces and 93 percent for RV/travel trailer spaces. Even though the largest concentration of snowbirds went to parks in the Phoenix/Apache Junction area, large numbers of winter residents also stayed in several other communities in southern Arizona. The Yuma area had the second largest snowbird population, with approximately 30,000 park winter residents. The winter resident population in Pima County parks was estimated to be about 13,000 during the 1999-2000 season. La Paz, Mohave, and central Pinal counties served as winter homes for thousands of winter residents, and a growing snowbird population resided in Cochise County.

1999-2000 VERSUS 1998-99

The estimated number of winter resident households was substantially below that for the 1998-99 season. However, due to changes in the survey, this year's estimates are not comparable to those from previous years. To measure changes in the size of the state's winter resident population over time, an

TABLE 1

WINTER RESIDENTS IN MOBILE HOME AND RV/TRAVEL TRAILER PARKS
1999 – 2000 Season

	Phoenix/Apache Junction Area				*Outside the Phoenix/Apache Junction Area*					
	East Valley	*City of Phoenix*	*West Valley*	*Total*	*Yuma Area*	*Tucson Area*	*Western Region*	*Central Region*	*Southeast Region*	*Total*
Number of Mobile Home Spaces	35,700	16,500	12,500	64,700	4,600	16,800	2,000	14,100	2,900	40,400
Occupancy Rate	96%	94%	96%	96%	85%	94%	82%	98%	86%	93%
Percent Occupied by Winter Residents	46%	13%	15%	31%	41%	18%	28%	22%	18%	22%
Number of RV/Travel Trailer Spaces	28,700	3,500	5,700	37,900	18,000	8,400	11,000	8,200	3,400	49,000
Occupancy Rate	92%	98%	96%	93%	97%	94%	94%	76%	87%	92%
Percent Occupied by Winter Residents	65%	38%	70%	63%	75%	46%	60%	59%	54%	63%
Number of Occupied Spaces	60,700	19,000	17,500	97,200	21,400	23,600	12,000	20,000	5,500	82,500
Percent of All Occupied Spaces Occupied by Winter Residents	54%	17%	32%	43%	69%	27%	56%	34%	37%	44%
Number of Spaces Occupied by Winter Residents	32,800	3,300	5,600	41,700	14,700	6,400	6,700	6,700	2,100	36,600

Western Region: La Paz and Mohave counties.
Central Region: Gila, Pinal (not including Apache Junction) and Yavapai counties.
Southeast Region: Cochise, Graham and Santa Cruz counties.

Note: Columns and/or rows may not add up due to rounding.
Source: Center for Business Research, L. William Seidman Research Institute, College of Business, Arizona State University.

additional step was added to this year's analysis. Responses to the 1998-99 survey were matched with 1999-2000 responses, and a set of 337 parks that had provided information for both years were identified. Using the data from both years, it was possible to compare the occupancy rates, proportions of spaces occupied by winter residents and the numbers of winter resident households in each park between the 1998-99 and 1999-2000 seasons.

The results of this matching process show that occupancy rates were somewhat higher in Phoenix-Apache Junction area parks but down slightly overall in the other communities in the study area. More significantly, the proportion of spaces occupied by winter residents was lower for the entire study area for the 1999-2000 season. As a result, the total number of spaces occupied by winter residents was approximately 6 percent lower compared with a year earlier. With the changes to the question relating to the proportion of winter residents in this year's survey, it still was not possible to make exact comparisons, so that these results cannot be viewed as precise measures of the year-to-year changes. However, the analysis implies that the number of winter residents in the Phoenix-Apache Junction area was down for the third year in a row and the snowbird population outside of the Phoenix-Apache Junction area also declined compared with a small increase for the 1998-99 season.

TOTAL WINTER RESIDENT POPULATION

The annual ASU survey attempts to enumerate winter resident households in the state's mobile home/travel trailer/RV parks. However, snowbirds also stay in a variety of other accommodations—single-family homes, townhouse/condos, apartments, hotels and motels, with friends and relatives, and on public lands.

Unfortunately, without a comprehensive survey of dwelling units across the state, an accurate count of the total number of winter residents is impossible. Surveys of winter residents conducted several years ago by the Center for Business Research in conjunction with *The Arizona Republic* newspaper indicated that approximately 50 percent of the respondents were staying in mobile home/ travel trailer/RV parks *at the time of the survey*.

Extrapolating from this year's estimate of nearly 42,000 park households in the Phoenix/Apache Junction area implies a total of more than 80,000 households at the peak of the 1998–99 season.

Information is even more limited for the winter resident population outside of the Phoenix area. However, surveys of Yuma seasonal households by Norton Consulting have found about three-quarters of winter residents living in mobile homes/travel trailers/RVs. Using the proportion from the Phoenix area household surveys for Tucson and the proportion found in the Yuma area for the other communities, this year's estimate of approximately 37,000 winter resident households implies a total of approximately 17,000 non-park seasonal households at the peak of the season.

Given the speculative nature of the number of non-park residents, using a range of 55,000 to 65,000 households (or 110,000 to 130,000 persons) for the number of non-park residents statewide is probably more appropriate. Combined with the approximately 160,000 park snowbirds, this means that 270,000 - 290,000 winter residents were staying in Arizona at the height of the 1999-2000 season.

ECONOMIC CONTRIBUTION

RV/travel trailer/mobile home households

Spending by the seasonal households provides a major stimulus to the economies of many Arizona communities. The results of a 1995 *Arizona Republic* survey of Phoenix area winter residents indicated the typical Phoenix-area seasonal household stayed four months and spent an estimated $1,600 per month in Arizona during their stay. Based upon these figures (adjusted for cost increases), seasonal residents staying in area RV/travel trailer/mobile home parks in the Phoenix/Apache Junction area spent approximately $300 million during the 1999-2000 winter season.

Using the same assumptions, the snowbird households in parks outside the Phoenix area would have injected about $260 million into local economies. Overall, park snowbirds throughout the state injected more than a half billion dollars over the 1999-2000 season.

Non-Park Winter Resident Population

Use of similar assumptions for average length of stay and monthly expenditure levels implies an additional injection of consumer spending in the range of $400 million by non-park households in 1999-2000. The number of winter residents staying outside of RV/travel trailer/mobile home parks are speculative. Yet it is clear that hundreds of millions of dollars are involved. When their expenditures are combined with those by park snowbirds, an overall impact in the billion-dollar range is the result.

COMPOSITION OF THE PARK POPULATON

To investigate who seems to be replacing winter resident households in the parks, the questionnaire for the 2000 survey asked what proportion of park residents fell into each of the following four groups: (1) permanent residents; (2) winter residents (snowbirds) — defined as retired or semi-retired individuals who reside in the park during the winter season; (3) other long-term temporary residents; and (4) short-term temporary residents (persons staying in the park for two weeks or less).

The responses indicated that permanent residents occupied about two-thirds of mobile home spaces and about one-fifth of RV/ travel trailer spaces. Even more interesting are the figures relating to the different categories of non-permanent residents. Winter resident households occupied approximately two-thirds of the RV/travel trailer spaces and almost all of the remaining mobile home spaces in the parks. While other temporary residents occupied only 2 to 3 percent of mobile home spaces, short-term temporary residents made up approximately 12 percent of the RV/travel trailer park population, and "non-snowbird" long-term temporary residents occupied 3 percent of RV/travel trailer spaces in Phoenix/Apache Junction parks and 6 percent in parks in the rest of the state.

When asked who made up the "other long-term temporary" group, responding owners/ managers most often identified families and working adults without children, but they also mentioned other groups including students, construction workers, farm workers (for parks outside the Phoenix/Apache Junction area), and a variety of other types of temporary workers.

–Timothy D. Hogan
Director, Center for Business Research
–Stephen K. Happel
Professor of Economics

The 2000 Winter Resident Survey was conducted in conjunction with a survey of mobile home/RV/travel trailer parks in Maricopa County sponsored by the Maricopa Association of Governments. The estimates of the Phoenix/Apache Junction winter resident population have been based on data collected as part of the MAG survey.

Single-family housing slips, but still dominates market

Construction activity in first quarter 2000 showed a strong increase over fourth quarter 1999. At $2.8 billion, the state's first-quarter figure was up from $2.4 billion – but was below last year's $3.0 billion first-quarter posting.

Although the single-family sector declined from last year's $1.7 billion to $1.6 billion, the sector still represented nearly 58 percent of the state's total construction activity. During first quarter 2000, all three commercial sectors and the industrial sector showed improvement over fourth quarter 1999 but only the value of apartments was greater than a year ago.

Phoenix was the most active area of development, with 18 percent of Arizona's construction market, while the 12 communities listed in Table 1 represented 78 percent of the state's recorded activity. Other areas of significant development included Goodyear ($52 million), unincorporated Pinal County ($49 million), Marana ($35 million), and unincorporated Yavapai County ($34 million).

RESIDENTIAL

With the Federal Reserve Board continuing to raise interest rates, 30-year mortgage interest rates averaged 7.8 percent in first quarter 2000, compared to 6.5 percent for a year ago and 7.4 percent during fourth quarter 1999.

The local housing market is confronting a paradox that will impact its future direction. The combination of higher interest rates and higher home prices has increased concerns about housing affordability, but the continuing strong economy and job market has maintained consumer confidence and their willingness to buy. Thus, the market still is sound, but declining affordability increasingly will force potential buyers out of the market and that in turn will lead to a slowing in new home construction.

Although the single-family sector in Maricopa County did not match the strong pace that opened 1999, it did show improvement over the quarter that ended the year (see Table 2). The leading areas of single-family development were Phoenix (1,340 permits), Mesa (1,280 permits), Peoria (855 permits), and Chandler (700 permits). New housing areas such as Surprise (860 permits), El Mirage (377 permits), and Goodyear (311 permits), are competing strongly with older markets.

Pima County represented 13 percent of the state's new housing market and showed improvement over a year ago and the last quarter of 1999. Tucson moved from 638 permits one year ago to 762 permits; unincorporated Pima County from 562 to 639, while Marana slowed slightly from 235 to 201 permits. The average permit value continued to grow — moving from last year's $124,206 to $134,683. Over the same period, the average permit value in Maricopa County increased from $134,892 to $137,165.

Pinal County with 563 permits constituted nearly 5 percent of the state's housing

TABLE 1

REPORTING UNITS WITH GREATEST TOTAL VALUE OF BUILDING PERMITS
First Quarter 2000

Reporting Unit	Value In Millions
Phoenix	$487
Mesa	290
Scottsdale	267
Chandler	206
Tucson	168
Unincorporated Pima County	139
Gilbert	122
Peoria	120
Surprise	94
Unincorporated Maricopa County	89
Tempe	87
Glendale	79

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

TABLE 2

KEY SECTOR CONSTRUCTION ACTIVITY
First Quarter 2000, Fourth Quarter 1999 and First Quarter 1999

	Single-family		COMMERCIAL: Apartments[a]		COMMERCIAL: Office Buildings[b]		COMMERCIAL: Retail Stores[c]		Industrial	
	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)	Number of Permits	Dollar Value (000)
MARICOPA COUNTY										
1st Quarter 2000	8,524	1,169,197	3,313	168,649	84	103,648	114	97,841	58	60,900
4th Quarter 1999	7,065	1,002,890	2,745	158,070	71	68,808	84	50,549	49	55,553
1st Quarter 1999	9,478	1,278,509	2,408	125,142	77	143,593	87	87,815	56	55,654
PIMA COUNTY										
1st Quarter 2000	1,602	215,763	417	27,932	13	5,756	16	16,627	8	3,427
4th Quarter 1999	1,277	157,472	400	24,514	18	6,317	5	4,648	9	2,809
1st Quarter 1999	1,454	180,595	0	0	6	4,612	20	28,929	2	231
REST OF ARIZONA										
1st Quarter 2000	2,254	233,156	104	5,509	23	6,390	34	10,638	21	5,673
4th Quarter 1999	2,145	230,141	36	2,056	34	4,180	34	7,250	11	1,947
1st Quarter 1999	2,573	255,562	240	11,942	29	6,777	51	30,331	42	15,393
ARIZONA TOTAL										
1st Quarter 2000	12,380	1,618,116	3,834	202,090	120	115,794	164	125,106	87	70,000
4th Quarter 1999	10,487	1,390,503	3,181	184,640	123	79,305	123	62,447	69	60,309
1st Quarter 1999	13,505	1,714,666	2,648	137,084	112	154,982	158	147,075	100	71,278

[a] Five or more housing units [b] Office, bank, medical and professional buildings [c] Shopping centers and other mercantile buildings

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

activity, including three of the more active housing markets — unincorporated Pinal County (379 permits), Apache Junction (97 permits), and Casa Grande (63 permits). Yavapai County had 4 percent of state's housing market with three leading areas — unincorporated Yavapai County (180 permits), Prescott (115 permits), and Prescott Valley (107 permits). Mohave County had 4 percent (444 permits) of the state's activity with 219 permits in Lake Havasu City and 66 permits in Bullhead City.

The average permit value for the rest of the state outside Maricopa and Pima counties increased significantly from $99,325 in first quarter 1999 to $109,890. More specifically, average permit values were $189,333 in Sedona, $150,330 in Prescott, $144,955 in Flagstaff, $91,228 in Lake Havasu City, and $70,722 in Apache Junction.

COMMERCIAL

Office building development in Maricopa County was the only area in the commercial sector not to show improvement over the one-year period beginning with first quarter 1999 (see Table 2). Scottsdale ($43 million) led all areas in office building development, followed by Tempe at $29 million (which had the single largest permit at $12.5 million). Retail activity continued strong with $54 million in Phoenix (with the largest single permit valued at $6 million) followed by Mesa at $21 million.

Even in the face of a strong single-family market, the apartment market showed improvement with 1,320 units in Phoenix and 799 units in Mesa. An important element of a strong construction market is the remodeling of existing space. Remodeling has grown from last quarter's $32 million to $55 million, with $15 million permitted in Scottsdale and $19 million in Tempe.

The apartment market in Pima County continues to be active with 345 units in Tucson and 72 units in unincorporated Pima County. For the remainder of Arizona, apartment activity was evident in Douglas (80 units) and Somerton (24 units). Tucson was the only reporting area outside of Maricopa County to issue a $1 million permit in the office building sector but Lake Havasu City had good activity with three permits totaling $2.1 million. The primary areas of retail development were unincorporated Pima County ($14 million) and Bullhead City ($3.4 million).

The hotel/motel sector slowed from last year's $47 million to $32 million, with the primary areas of development in Scottsdale ($9.6 million), Chandler ($8.5 million), Phoenix ($6.5 million), and Marana ($2.1 million).

INDUSTRIAL AND OTHER

Industrial development in Maricopa County improved over fourth quarter 1999 and a year ago. Phoenix led all areas with $25.6 million, with the largest permit for $4.6 million within a project totaling $6.9 million, followed by Tolleson ($18.8 million) with a project valued at $15.3 million. For the rest of Arizona, industrial development was permitted in Tucson ($2.4 million), Prescott ($2.2 million), and Casa Grande ($1.6 million).

Construction of educational facilities remained slow at $15.5 million, with $8.7 million reported in Avondale. In the public projects sector, Tucson issued the largest single permit at $7.9 million for an airplane hangar.

LOOKING AHEAD

The single-family sector continues to dominate the state's construction industry. A key force in the market has been low interest rates that have enabled many non-traditional homebuyers such as single females, seasonal visitors, and young married households to buy a new home. The continued rise in mortgage rates combined with higher home prices should begin to limit the entry of non-traditional homebuyers, and thus slow the market. However, as long as people remain financially confident in response to a good economy and job growth, the housing market should remain sound, especially for the move-up market where buyers can use the equity in their current homes to buy higher priced homes.

With an expected slowing in the single-family market, any growth in construction activity must increasingly rely on the commercial and industrial sectors. With announcement of the new Intel project in Chandler, the industrial sector should post strong activity for the coming year. However, the commercial sectors are fairly well balanced with a limited need for new projects.

The greatest uncertainty confronting the state's construction industry is how the proposed growth management strategies will affect development activity. Because the pro-

TABLE 3

ARIZONA BUILDING PERMITS
First Quarter 2000

	Residential*		Commercial		Industrial		Other		Total	
	Number of Permits	*Dollar Value (000)*	*Number of Permits*	*Dollar Value (000)*	*Number of Permits*	*Dollar Value (000)*	*Number of Permits*	*Dollar Value (000)*	*Number of Permits*	*Dollar Value (000)*
MARICOPA COUNTY	10,628	1,215,670	1,024	502,351	58	60,900	9,318	282,680	21,028	2,061,601
% Change, Previous Year	–16	–10	15	–11	4	9	29	6	1	–8
% Change, Previous Qtr.	14	15	12	37	18	10	33	4	21	18
PIMA COUNTY	2,686	227,902	171	61,690	8	3,427	733	49,515	3,598	342,534
% Change, Previous Year	9	21	50	60	300	1,384	–12	6	5	25
% Change, Previous Qtr.	23	35	16	30	–11	22	4	16	18	31
REST OF ARIZONA	5,964	289,955	423	51,851	21	5,673	1,840	25,454	8,248	372,933
% Change, Previous Year	9	–6	–4	–46	–50	–63	1	–66	6	–25
% Change, Previous Qtr.	–1	2	9	24	91	191	14	–34	3	1
ARIZONA TOTAL	19,278	1,733,527	1,618	615,892	87	70,000	11,891	357,649	32,874	2,777,068
% Change, Previous Year	–6	–6	12	–12	–13	–2	20	–8	3	–8
% Change, Previous Qtr.	10	15	11	35	26	16	27	1	16	17

*Includes mobile homes.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

posed strategies could dramatically change the market, some projects now and in the coming months may be more in response to political concerns than to market concerns. Thus, a façade of strong growth could quickly erode if a growth management proposition passes in November and is interpreted such that it restricts new construction. Even if the propositions do not pass or do not act to restrict growth, overbuilding in the next few months could lead to a subsequent slowdown.

–Jay Q. Butler
Director
Arizona Real Estate Center

TABLE 4

ARIZONA HOUSING UNITS AUTHORIZED
First Quarter 2000

	One Family	*Mobile Homes*	*Duplex*	*3-4 Family*	*5 or More*	*Total*
MARICOPA COUNTY	8,524	92	40	204	3,313	12,173
Percent Change, Previous Year	–10	–85	–5	106	38	–4
Percent Change, Previous Qtr.	21	–74	18	115	21	18
PIMA COUNTY	1,602	265	36	25	417	2,345
Percent Change, Previous Year	10	–9	80	108	—	32
Percent Change, Previous Qtr.	25	14	125	–36	4	19
REST OF ARIZONA	2,254	1,039	32	15	104	3,444
Percent Change, Previous Year	–12	0	–45	0	–57	–12
Percent Change, Previous Qtr.	6	12	–6	–52	189	9
ARIZONA TOTAL	12,380	1,396	108	244	3,834	17,962
Percent Change, Previous Year	–8	–29	–10	94	45	–2
Percent Change, Previous Qtr.	18	–9	–29	48	21	16

Note: A dash indicates that a percent change could not be calculated because at least one period had no activity.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

AZ Purchasing Managers Index slows pace in May

The Arizona Purchasing Managers Index declined in May, the first time it has fallen since January. The seasonally adjusted index fell to 61.0 from 67.8 in April. An Arizona Purchasing Managers Index reading of over 50 percent indicates that the local economy is generally growing, while a reading below 50 percent suggests a slowdown in the overall level of economic activity in the near term.

ANALYSIS

The overall index remains substantially above the 50 percent reading, which suggests that the economy is still growing. The index hit a very high level last month; it has been higher only 14 times since 1962, so it is not surprising that the index has retreated since then.

The price index dropped again in May to 64.1 from 65.7 in April. A continuation of the decline would suggest less upward price pressure in the overall economy. Few firms are experiencing falling prices, but at least the percentage of firms experiencing higher prices is down.

—Tracy Clark
Senior Research Economist
Bank One Economic Outlook Center

Yolanda D. Strozier, research economist for the Bank One Economic Outlook Center and the author of the Arizona Purchasing Managers Index article since 1996, has accepted another position. We wish her well in her new endeavors.

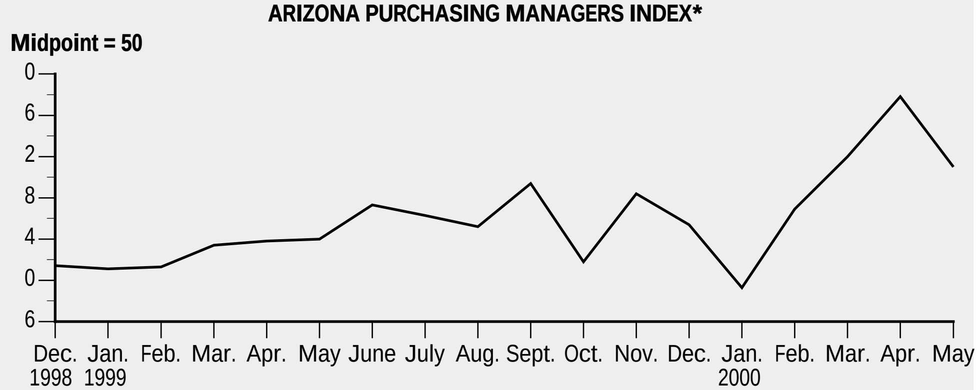
TABLE 1

ARIZONA PURCHASING MANAGERS INDEX AND PRICE INDEX

	May	**Apr.**	**Mar.**	**Feb.**	**Jan.**	**Dec.**
Overall Index	61.0	67.8	62.0	56.9	49.3	55.4
Delivery Times	55.2	68.9	64.8	67.4	60.0	62.7
Purchased Materials Inventory Level	55.2	60.8	51.3	52.8	42.8	44.8
New Orders	60.1	68.9	65.6	58.7	47.9	54.9
Production	67.6	71.8	63.2	56.3	47.3	60.6
Employment	61.6	63.7	58.2	49.5	49.2	49.6
Price Index	64.1	65.7	70.4	64.0	67.2	57.8

FIGURE I

ARIZONA PURCHASING MANAGERS INDEX*



* Excludes Price Index

Source: (Table 1 and Figure I): Bank One Economic Outlook Center, L. William Seidman Research Institute, College of Business, Arizona State University. Based on indicators from the Purchasing Management Association of Arizona, Purchasing Management Association of Southern Arizona and the Northern Arizona Group.

Bank One Arizona Leading Index continues up in March

The Bank One Arizona Index of Leading Economic Indicators rose to 109.9 in March. The number was 0.4 percent above the revised 109.5 number for February 2000 and 2.0 percent above the March 1999 number of 107.7 (1987 = 100).

Employment from the Purchasing Managers Survey, the inflation-adjusted value of the money supply M2, new orders and production were positive. Sensitive materials prices, the inflation-adjusted value of Maricopa County residential building permits, hours worked in manufacturing and delivery times were negative. Inventories were neutral.

ANALYSIS

The index clearly is not signaling a major change in the Arizona economy. The economy should continue to roll along for at least another six to nine months.

Employment from the Purchasing Managers Survey took a jump up this month after having been anemic for three months. Employment rankings from the *Blue Chip Job Growth Update* show that Arizona is again on the way to ranking first or second in the nation in terms of job growth. The state has held that distinction since 1994. It appears that employment growth has actually accelerated during the first quarter to a pace ahead of the fourth quarter of last year. It seems plausible that employment would be growing even faster if the labor market were not so tight. Arizona is actually in better shape to deal with tight labor markets because of the many people migrating from other parts of the country.

Manufacturing has recovered from the Asian financial crisis. Hours worked in manufacturing have eased a little bit and sensitive materials prices have been drifting down, not up. The impact of the Asian crisis – and before that, the Mexican peso crisis – brings home Arizona's dependence on trade and the international economy. The Phoenix area mainly has been dependent on Asia, while Tucson is more sensitive to what happens in Mexico. Mexico has the most effect on border counties. The state's northern counties are most concerned about events in Japan and Germany, home countries of many foreign tourists. The outlook for Germany is brighter than the prospects for Japan, which is struggling to improve its economic growth.

However, the major engine of growth continues to be the rest of the domestic economy. The U.S. economy appears to be the fastest growing among the industrial nations and, at least for now, will stay that way. Arizona should continue to do well as long as the nation does well. In particular, Arizona population growth, which has remained robust during the current expansion, would slow significantly if the national economy enters or approaches recession.

The notion that Arizona population growth depends on a good national economy may seem counter-intuitive to those who remember the exodus from the Rust Belt or the influx from California when hard times hit those areas. Population can flow out of one region or state when there is a difference in relative economic prosperity, but migration tends to slow when overall economic conditions are bad or declining and accelerate when the overall economy improves. Jobs – either actual or anticipated – are the primary reason that people of working age migrate. A poor or uncertain national economy is likely to reduce the number of people who move into the area with job commitments. Individuals may move without firm job offers, but this is inherently risky and is viewed as more so if the national economy is uncertain.

– Tracy L. Clark
Senior Economist
Bank One Outlook Center

TABLE 1

NET CONTRIBUTION OF INDIVIDUAL COMPONENTS TO THE ARIZONA INDEX OF LEADING ECONOMIC INDICATORS

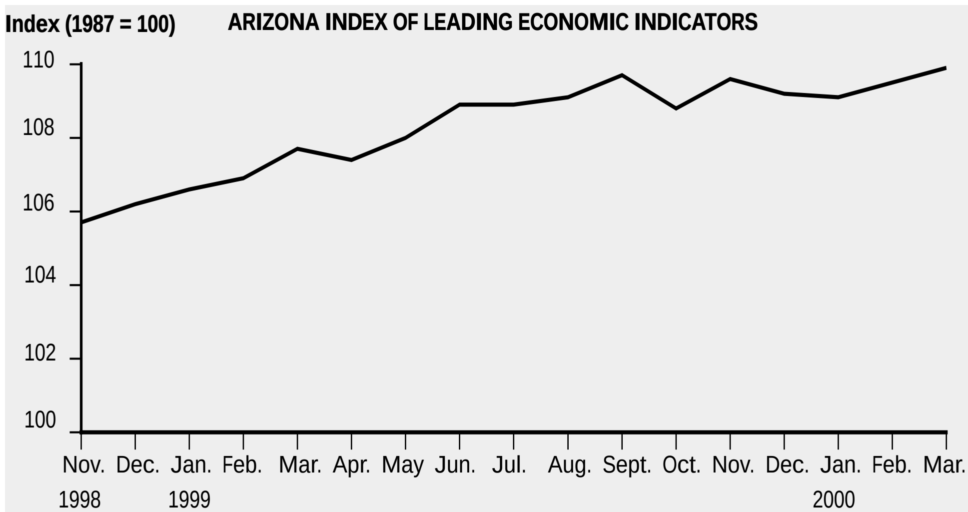
	Net Contribution+			
	Dec.	*Jan.*	*Feb.*	*Mar.*
Delivery Time*	–0.10	–0.03	0.08	–0.01
Inventory Levels*	–0.10	–0.01	0.14	0.00
New Orders*	0.00	–0.15	0.18	0.12
Production*	–0.04	–0.26	0.20	0.11
Employment*	0.00	0.00	0.00	0.25
Residential Building Permits	–0.21	0.08	0.03	–0.04
Average Workweek, Manufacturing	–0.11	0.11	–0.04	–0.04
Money Supply	0.20	0.15	–0.11	0.14
Change in Sensitive Materials Prices	0.00	0.01	–0.15	–0.14

+ The net contribution of each component is calculated by multiplying the monthly percent change in its index by its relative importance.

*Based on indicators from the Purchasing Management Association of Arizona, Purchasing Management Association of Southern Arizona and the Northern Arizona Group.

FIGURE I

ARIZONA INDEX OF LEADING ECONOMIC INDICATORS



Source: (Table 1 and Figure I): Bank One Economic Outlook Center, L. William Seidman Research Institute, College of Business, Arizona State University.

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ARIZONA ECONOMIC INDICATORS

	Month or Quarter	Current Value	Previous Value	Percent Change Previous Period	Percent Change from Year Ago	Year-to-Date Value	Year-to-Date Percent Change from Year Ago
LEADING ECONOMIC INDEX (1987 = 100)							
Arizona	March	109.9	109.5 r	0.4	2.0	NA	NA
PURCHASING MANAGERS INDEX							
Arizona	May	61.0	67.8	–10.0	13.5	NA	NA
BUILDING PERMITS (Thousands of $)							
Maricopa County	April	840,623	836,392	1	15	2,902,224	–2
Pima County	April	91,379	147,003 r	–38	–17	433,915	13
Balance of State	April	136,424	146,278 r	–7	–32	515,856	–26
Arizona	April	1,068,426	1,129,673 r	–5	2	3,851,995	-5
TOTAL HOUSING UNITS AUTHORIZED							
Maricopa County	April	3,959	4,984	–21	–6	16,132	–4
Pima County	April	691	1,130 r	–39	–10	3,041	20
Balance of State	April	1,204	1,416 r	–15	–35	4,745	–18
Arizona	April	5,854	7,530 r	–22	–14	23,918	–5
HOME SALES							
Maricopa County - Number	April	8,210	8,210	0.0	–2.6	30,630	–3.7
Maricopa County - Median Price($)	April	130,000	130,000	0.1	4.9	128,900	7.0
HOUSING AFFORDABILITY INDEXES							
Metropolitan Phoenix - New Homes	1st Qtr.	91	94	-3.2	–15.0	NA	NA
Metropolitan Phoenix - Resale Homes	1st Qtr.	108	114	-5.3	–18.2	NA	NA
MORTGAGE RATES (30-year Fixed)							
Maricopa County	May	8.1	7.7	5.2	19.1	NA	NA
POPULATION ESTIMATES (Thousands)							
Maricopa County	1st Qtr.	2,946	2,924	0.8	3.0	NA	NA
Arizona	1st Qtr.	4,933	4,900	0.7	2.7	NA	NA
RETAIL SALES (Millions of $)							
Maricopa County	April	2,551	2,545	0.2	9.5	9,735	9.4
Arizona	April	3,722	3,716	0.2	10.3	14,199	9.4

Note: The above figures reflect the latest data available as of date of publication and are subject to revision. NA = Not Applicable r = Revised

Source: Center for Business Research, Arizona Real Estate Center, and Bank One Economic Outlook Center, affiliates of the L. William Seidman Research Institute, College of Business, Arizona State University. Retail sales data are from the Arizona Department of Revenue.