Economic Club of Phoenix

Economic Outlook

May 2, 2023

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A Hard Landing, Soft Landing, or No Landing

Dennis Hoffman
University Economist and Director Seidman Research Inst.
May 2023
Pandemic Impact on GDP

Real Gross Domestic Product, Q1 1947=100

Shaded areas indicate U.S. recessions. Source: U.S. Bureau of Economic Analysis fred.stlouisfed.org
Pandemic Impact on Employment

Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org
Recent CPI Inflation

Demand and Supply of Labor

Job Market Tightness

- Employment+Openings
- Labor Force

3.5m gap
Rate of Job Creation Slowing

Tapping the Brakes

Monthly change, ths

Sources: BLS, Moody’s Analytics
Immigrants and Labor Supply

Working age immigrant population is up 4 million over the past 2½ years

Source: BLS, Haver Analytics, Apollo Chief Economist
## Where Do We Go From Here? Blue Chip Forecast

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2023 high 10</th>
<th>2023 consensus</th>
<th>2023 low 10</th>
<th>2024 high 10</th>
<th>2024 consensus</th>
<th>2024 low 10</th>
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<tbody>
<tr>
<td>GDP</td>
<td>1.7</td>
<td>1.2</td>
<td>0.7</td>
<td>1.7</td>
<td>0.9</td>
<td>0</td>
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<tr>
<td>CPI</td>
<td>4.6</td>
<td>4.0</td>
<td>3.3</td>
<td>3.0</td>
<td>2.5</td>
<td>2.0</td>
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<td>Unemp</td>
<td>4.3</td>
<td>3.9</td>
<td>3.6</td>
<td>5.2</td>
<td>4.5</td>
<td>3.9</td>
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<td>10 Yr Note</td>
<td>4.0</td>
<td>3.6</td>
<td>3.1</td>
<td>3.9</td>
<td>3.3</td>
<td>2.7</td>
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Source: Blue Chip Economic Indicators, 10, 2023
<table>
<thead>
<tr>
<th></th>
<th>Mar 23</th>
<th>Feb 23</th>
<th>Jan 23</th>
<th>Dec 22</th>
<th>Nov 22</th>
<th>Oct 22</th>
<th>Sep 22</th>
<th>Aug 22</th>
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<tbody>
<tr>
<td>CPI</td>
<td>5.0</td>
<td>6.0</td>
<td>6.3</td>
<td>6.4</td>
<td>7.1</td>
<td>7.8</td>
<td>8.2</td>
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<tr>
<td>Food</td>
<td>8.5</td>
<td>9.5</td>
<td>10.1</td>
<td>10.5</td>
<td>10.7</td>
<td>10.9</td>
<td>11.2</td>
<td>11.3</td>
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<tr>
<td>Energy</td>
<td>-6.4</td>
<td>5.0</td>
<td>8.4</td>
<td>7.1</td>
<td>13.1</td>
<td>17.7</td>
<td>19.9</td>
<td>23.8</td>
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<tr>
<td>Core CPI</td>
<td>5.6</td>
<td>5.5</td>
<td>5.5</td>
<td>5.7</td>
<td>6.0</td>
<td>6.3</td>
<td>6.6</td>
<td>6.3</td>
</tr>
<tr>
<td>Goods</td>
<td>1.6</td>
<td>1.0</td>
<td>1.3</td>
<td>2.2</td>
<td>3.7</td>
<td>5.1</td>
<td>6.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Services</td>
<td>7.1</td>
<td>7.3</td>
<td>7.2</td>
<td>7.0</td>
<td>6.8</td>
<td>6.7</td>
<td>6.7</td>
<td>6.1</td>
</tr>
</tbody>
</table>
Inflation Clearly Slowing

- Personal consumption expenditures (implicit price deflator)

Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org
Investment In The Oil Patch Remains Low

Rig Counts and Oil Prices

- Blue line: Rig counts
- Orange line: Oil price
Beat LA! Beat LA! Beat LA!

18 Month Average Retail Price Chart

- Regular Gas Price (US $/G)
- LosAngeles
- Phoenix
- USA Average

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Q1 GDP Grew Just 1%

Exhibit 1: Contributions to GDP Growth

Contributions to % Change in Real GDP percentage points

Source: Bureau of Economic Analysis, Morgan Stanley Research
The consensus expects essentially zero percent growth for the coming three quarters.
What will determine the severity of the downturn?

• Length of Fed tightening
• Health of Consumer & Housing
• SVB and Republic Bank Contagion
• Other Shocks
Federal Funds Effective Rate

Source: Board of Governors of the Federal Reserve System (US)
Consensus is forecasting a soft landing in home sales.
Cellphone activity in downtown San Francisco is currently 31% of pre-pandemic levels.
Need to monitor Senior Consumption Trends

People age 55 and above account for 41% of total consumer spending
Weekly credit card debt is rising as the economy re-opens
Households are running down their savings, but still about $1.7tn left

Note: Bloomberg, Apollo Chief Economist
What are the implications of SVB/Republic Failures

• Disintermediation from Community Banks
• More Bank Regulation
• Less lending especially in the Commercial Real Estate Sector
• Credit Crunch?
• More Likely slowdown in the next few months as lending slows for autos, homes, commercial real estate
OK but will we have a recession?

• If so mild, especially for Arizona but that will be up to Lee to Confirm or Deny
• Strength of the Labor Market may be determining factor. Not likely to have an official recession if UN rates stay below 5%
• Housing will also be important as will be the pace of Fed tight money policy
• Fallout from recent bank failures still pending.
• So ask me again in the fall.
What about other Shocks

• China invades Taiwan
• Ukraine escalation
• Oil? Gas? Energy
• Weather or Earthquake?
Lee McPheters
Research Professor of Economics and Director
JPMorgan Chase Economic Outlook Center
W. P. Carey School of Business,
Arizona State University
## Arizona Forecast – Reality Check

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2022 Forecast</th>
<th>2022 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment (% change)</td>
<td>3.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Job Creation</td>
<td>106,500</td>
<td>124,700</td>
</tr>
<tr>
<td>Population (% change)</td>
<td>1.5%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Population Increase</td>
<td>109,100</td>
<td>94,320</td>
</tr>
<tr>
<td>Net Migration</td>
<td>96,000</td>
<td>93,200</td>
</tr>
</tbody>
</table>

*Source: Economic Club of Phoenix May 2022 compared to data available May 2023*
Arizona Economic Highlights 2022

• Arizona added 124,700 jobs, the most since 2005 – 2006
• Overall, Arizona ranked 12th for rate of job growth (4.2%)
• Manufacturing increased by 9,900 jobs, most in 30 years
• Arizona manufacturing ranked 3rd for rate of job growth (5.4%)
• The most new jobs (28,280) were in leisure and hospitality
• Low births and covid deaths slowed natural population growth
• But net migration was robust (93,000 and 8th among all states)
## Arizona Economic Outlook

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Growth</td>
<td>4.2%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Job Creation</td>
<td>124,700</td>
<td>55,700</td>
<td>60,000</td>
</tr>
<tr>
<td>Unemployment (Q4)</td>
<td>4.0%</td>
<td>4.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Population Increase</td>
<td>94,320</td>
<td>103,000</td>
<td>105,000</td>
</tr>
<tr>
<td>Single Family Permits</td>
<td>37,348</td>
<td>26,120</td>
<td>31,350</td>
</tr>
</tbody>
</table>

*Source: W. P. Carey School of Business based on data available May 2023*
Services & Tech Adding Q1 2023 Jobs

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Services</td>
<td>19,200</td>
</tr>
<tr>
<td>Leisure/Hospitality</td>
<td>13,500</td>
</tr>
<tr>
<td>Professional, Tech</td>
<td>8,800</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7,700</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>6,800</td>
</tr>
</tbody>
</table>

These 5 Private Sectors Account For 3/4 of 76,000 New Arizona Jobs Added in Q1 2023 Vs Q1 2022

Source: W. P. Carey School of Business and U. S. Bureau of Labor Statistics
Fed Policy Slows Arizona Job Growth

Source: W. P. Carey School of Business and U.S. Bureau of Labor Statistics
The 3.5% U. S. unemployment rate in Q3 2022 and again in Q1 2023 is the lowest quarterly average unemployment in over 50 years.

The 3.5% Arizona unemployment rate in March 2023 ties a record low, matching previous 3.5% levels in summer of 2007.

Source: W. P. Carey School of Business and U. S. Bureau of Labor Statistics
Arizona Population Growth 8th Fastest

States Ranked by Percent Change: 2022 over 2021

Color Code

Top 10
Others Faster Than U.S.
Slower Than U.S.
Lost Population

US = 0.4%

Source: U. S. Bureau of the Census, Dec. 2022
# Largest Population Growth by County

**Source:** U.S. Census Bureau, 2022 data, released March 2023

<table>
<thead>
<tr>
<th>Rank</th>
<th>County</th>
<th>State</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maricopa</td>
<td>Arizona</td>
<td>56,831</td>
</tr>
<tr>
<td>2</td>
<td>Harris</td>
<td>Texas</td>
<td>45,626</td>
</tr>
<tr>
<td>3</td>
<td>Collin</td>
<td>Texas</td>
<td>44,246</td>
</tr>
<tr>
<td>4</td>
<td>Denton</td>
<td>Texas</td>
<td>33,424</td>
</tr>
<tr>
<td>5</td>
<td>Polk</td>
<td>Florida</td>
<td>32,225</td>
</tr>
<tr>
<td>6</td>
<td>Lee</td>
<td>Florida</td>
<td>31,777</td>
</tr>
<tr>
<td>7</td>
<td>Fort Bend</td>
<td>Texas</td>
<td>29,022</td>
</tr>
<tr>
<td>8</td>
<td>Hillsborough</td>
<td>Florida</td>
<td>28,846</td>
</tr>
<tr>
<td>9</td>
<td>Bexar</td>
<td>Texas</td>
<td>28,635</td>
</tr>
<tr>
<td>10</td>
<td>Montgomery</td>
<td>Texas</td>
<td>28,229</td>
</tr>
</tbody>
</table>
## Metro Phoenix Economic Outlook

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Growth</td>
<td>4.4%</td>
<td>1.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Job Creation</td>
<td>98,300</td>
<td>44,000</td>
<td>47,300</td>
</tr>
<tr>
<td>Population Growth</td>
<td>1.5%</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Single Family Permits</td>
<td>26,830</td>
<td>19,000</td>
<td>22,750</td>
</tr>
<tr>
<td>Multi-Family Permits</td>
<td>20,540</td>
<td>18,400</td>
<td>15,000</td>
</tr>
</tbody>
</table>

**Source:** W. P. Carey School of Business based on data available May 2023
Phoenix CPI Rise Outpaces Wage Gains

Over-the-Year Percent Change in Phoenix CPI Feb. 2023

Source: W. P. Carey School of Business and U. S. Bureau of Labor Statistics
High Gas Prices to Drive Phoenix CPI

Why Are Phoenix Gasoline Prices So High?

1. Dependent on long distance pipe lines from West and Gulf region
2. Special mixtures vary by locality and season

Source: GasBuddy.com
Will Phoenix Lose Affordability Label?

Housing Analysts Predict Phoenix Affordability Issues Will Persist into the Future

1. Continuing strong population growth and pent up demand will keep home prices higher than in the past

2. Growth in higher paying jobs leads to stronger purchasing power for housing - “Silicon Valley Syndrome”

Data compiled March 2023.
Source: S&P Global Market Intelligence.
Affordability is Now a Social Issue

The U.S. Cities With the Most Homeless People

<table>
<thead>
<tr>
<th>CoCs* with the largest numbers of people experiencing homelessness in 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles City &amp; County, CA</td>
</tr>
<tr>
<td>New York City, NY</td>
</tr>
<tr>
<td>Seattle/King County, WA</td>
</tr>
<tr>
<td>San Jose/Santa Clara City &amp; County, CA</td>
</tr>
<tr>
<td>Oakland, Berkeley/Alameda County, CA</td>
</tr>
<tr>
<td>Sacramento City &amp; County, CA</td>
</tr>
<tr>
<td>Phoenix, Mesa/Maricopa County, AZ</td>
</tr>
<tr>
<td>San Diego City &amp; County, CA</td>
</tr>
<tr>
<td>San Francisco, CA</td>
</tr>
<tr>
<td>Metropolitan Denver, CO</td>
</tr>
</tbody>
</table>

* CoC - Continuums of Care
(local planning bodies coordinating homelessness services)
Source: U.S. Department of Housing and Urban Development

Source: U.S. Department of Housing and Urban Development, Jan. 2022
Outlook Summary – Big Picture

- Short term outlook uncertain, long term positive
- Job growth slows in second half 2023, unemployment up
- Population growth is tailwind to Arizona economy
- Domestic migration driven by job growth & affordability
- Affordability issues: average worker/average home; need workforce housing; low income housing; no income shelters
- Water use stable for decades; now a management issue
- Greatest economic threat: national business cycle
Single Family Housing – Median Sales Price

Not just low interest rates driving price increases

Fed Funds Rate June 8, 2009 0.17%
Fed Funds Rate Nov. 30, 2015 0.13%
Fed Funds Rate March 30, 2020 0.05%
Why Rapid Rise in Home Prices?

Median Sales Price Metro Phoenix

<table>
<thead>
<tr>
<th>February 2020</th>
<th>June 2022 (17 months)</th>
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<tbody>
<tr>
<td>$295,000</td>
<td>$475,000</td>
</tr>
<tr>
<td>(61% increase in 17 months)</td>
<td></td>
</tr>
</tbody>
</table>

Months Inventory - 2.14

Months Inventory 2.33

Note: Lowest Inventory March 2022 - 0.89 months

Source: Arizona MLS
Phoenix Metro Existing Homes Inventory

Months supply of inventory for February was 3.25 with March at 2.28.

Source: ARMLS March, 2023
Total Existing Homes Inventory

Population Growth
Est. = 93,800

Source: ARMLS March, 2023
Single Family Housing – Median Sales Price

Adjust to trend line

Sources: Census; HUD
fred.stlouisfed.org
Median Sales Price of Houses Sold in US 1985 - 2023
Avg and Median Sales Price March 2023

Sales Prices

- Average Sales Price | 2021-22: $569.8
- Average Sales Price | 2022-23: $538.0
- Median Sales Price | 2021-22: $460.0
- Median Sales Price | 2022-23: $419.9

MLS sales prices for closed listings with a close of escrow date from 3/1/23 to 3/31/23, 0 day DOM sales removed
Housing Affordability Index

Impact of Interest Increases

Shaded areas indicate U.S. recessions.

Source: National Association of Realtors

fred.stlouisfed.org
## % Population able to Afford Median Price Home

### Source: Census Bureau

<table>
<thead>
<tr>
<th>Location</th>
<th>Median Income</th>
<th>Median Home Price</th>
<th>Median Home Price/Income</th>
<th>Population Able to Afford</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medford, OR</td>
<td>18.9</td>
<td>81.4</td>
<td>399</td>
<td>186</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>18.7</td>
<td>102.4</td>
<td>493</td>
<td>187</td>
</tr>
<tr>
<td>Prescott Valley-Prescott, AZ</td>
<td>18.6</td>
<td>76.2</td>
<td>429</td>
<td>188</td>
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<tr>
<td>Fort Collins, CO</td>
<td>16.3</td>
<td>111.3</td>
<td>525</td>
<td>190</td>
</tr>
<tr>
<td>Phoenix-Mesa-Chandler, AZ</td>
<td>18.3</td>
<td>88.8</td>
<td>441</td>
<td>190</td>
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<tr>
<td>Eugene-Springfield, OR</td>
<td>18.1</td>
<td>84.0</td>
<td>417</td>
<td>192</td>
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<tr>
<td>Colorado Springs, CO</td>
<td>18.0</td>
<td>96.1</td>
<td>440</td>
<td>193</td>
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<tr>
<td>Seattle-Bellevue-Kent, WA <strong>^</strong></td>
<td>18.0</td>
<td>134.6</td>
<td>720</td>
<td>193</td>
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<tr>
<td>El Centro, CA</td>
<td>17.6</td>
<td>63.9</td>
<td>325</td>
<td>195</td>
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<tr>
<td>Hanford-Corcoran, CA</td>
<td>17.4</td>
<td>68.0</td>
<td>352</td>
<td>196</td>
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<tr>
<td>Las Vegas-Henderson-Paradise, NV</td>
<td>17.2</td>
<td>81.7</td>
<td>425</td>
<td>197</td>
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<tr>
<td>Salem, OR</td>
<td>17.0</td>
<td>89.1</td>
<td>404</td>
<td>198</td>
</tr>
<tr>
<td>Mount Vernon-Anacortes, WA</td>
<td>16.5</td>
<td>86.1</td>
<td>470</td>
<td>199</td>
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<tr>
<td>St. George, UT</td>
<td>16.3</td>
<td>83.9</td>
<td>500</td>
<td>200</td>
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<tr>
<td>Olympia-Lacey-Tumwater, WA</td>
<td>16.2</td>
<td>103.5</td>
<td>474</td>
<td>201</td>
</tr>
<tr>
<td>Provo-Orem, UT</td>
<td>16.1</td>
<td>96.0</td>
<td>483</td>
<td>202</td>
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<tr>
<td>Portland-Vancouver-Hillsboro, OR-WA</td>
<td>15.7</td>
<td>106.5</td>
<td>518</td>
<td>204</td>
</tr>
<tr>
<td>Flagstaff, AZ</td>
<td>15.6</td>
<td>85.2</td>
<td>530</td>
<td>205</td>
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<tr>
<td>Fresno, CA</td>
<td>15.4</td>
<td>72.9</td>
<td>395</td>
<td>206</td>
</tr>
<tr>
<td>Tacoma-Lakewood, WA <strong>^</strong></td>
<td>15.3</td>
<td>101.8</td>
<td>495</td>
<td>207</td>
</tr>
<tr>
<td>Bremerton-Silverdale-Port Orchard, WA</td>
<td>15.0</td>
<td>102.5</td>
<td>491</td>
<td>208</td>
</tr>
</tbody>
</table>

Source: Census Bureau
### Existing Home Inventory Below Median Sales

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maricopa &amp; Pinal Total Listings</td>
<td>12,024</td>
<td></td>
</tr>
<tr>
<td>Listings at/or Below Median Sales Price</td>
<td>4,202</td>
<td>(38%)</td>
</tr>
<tr>
<td>Listings at/or Below $350,000</td>
<td>2,408</td>
<td>(20%)</td>
</tr>
<tr>
<td>Listings at/or Below $300,000</td>
<td>1,469</td>
<td>(12%)</td>
</tr>
</tbody>
</table>

Source: ARMLS April 29, 2023
U.S. Housing Supply v. Prices

Figure 1: Housing supply and prices

Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data
12 years of underbuilding Housing
New Home Sales by Price Metro Phoenix

Only 23% New Homes Below Median Price
35% of New Home Sales
$350K to $400K

47% > $450K

Difficult to add inventory
Development Pattern - Single Family Housing

Metro Phoenix Single-Family Permits by Region

Shifting Development Pattern
Growth Pattern

2023-2040

Growth - West and South

West Valley - 52%
Pinal County – 22%
Average Asking Rent/Unit & Vacancy Rate

Avg. Asking Rents

1Q/2022  $1,544
4Q/2022  $1,522
1Q/2023  $1,525

Source: Kidder Mathews
Multi-Family Market

New Construction far exceeded absorption

Source: Kidder Mathews
Multi-Family Market

Multi-Family Building Permits Metro Phoenix

Avg. 1999-2018: 6,424
Avg. 2019-2022: 14,585

Source: Northmarq Capital
Industrial Market

332,158,428 s.f. Total existing supply

2022 record metro net absorption @ 27MSF - 4.0 million sq. ft. in Q1 2023

2.7% Total vacancy

The 45.8M SF UC will be delivered over next 18-24 months

Entitled/Improved industrial land - $12-$15psf (Vegas/SLC @ $30psf....SoCal @ $60 to $150psf)

Source: JLL Tony Lydon
Office Market

SPACE DEMAND / DELIVERIES

Source: Cushman Wakefield
Office Market

Work Locations for U.S. Employees With Remote-Capable Jobs

Employees are returning to the office — but with more remote work flexibility than ever.

- % Exclusively remote
- % Hybrid
- % On-site

20% In Office all the time
Office Market

Work Locations for Remote-Capable Jobs

Among U.S. employees

- Exclusively remote
- Hybrid (≥10% to <100% remote)
- On-site

- Pre-Pandemic 2019
- February 2022
- February 2023
- Expected Future Location (as of Feb. 2023)
- Preferred Location (as of Feb. 2023)

60% Prefer Hybrid
33% Prefer Remote
-53% Decline in Preference for on-site

Note: Due to rounding, totals may not sum to 100%.
Office Market

Source: Cushman Wakefield
Retail

8 of last 9 years absorption far exceeded new construction

Source: Kidder Mathews
Retail

Vacancy Rates dropped and rents increased

Source: Kidder Mathews
Retail

Source: Kidder Mathews

Cap Rates dropped and Values increased
In early 2022, capitalization rates across all asset types started to increase.

Capitalization rates and vacancy rates for major property types in the US, % (quarterly)

Interest Rates go up, CAP Rates go up = values go down

New projects & refinance don’t pencil

Credit Crunch

1Green Street data include all historical transaction data for asset purchases >$25 million across all asset classes in the top 50 metropolitan statistical areas. Source: Green Street Cap Rate Observer
Bank Exposure to Commercial RE Loans

Figure 1 – Share of Outstanding $4.5 Trillion US Debt Backed by Income-producing Multifamily and Commercial Real Estate, by Lender Type

- Loans originated 2018 – 2020 Mature
- Diverse Exposure – 38.7% Banks
- Concern is Community Banks
- Credit issues nation wide Republic Bank didn’t help

Sources: MBA, FBIC, Moody’s Analytics
CMBS Origination Volume

CMBS Originations Have Dried Up for All Asset Classes
Monthly CMBS Origination Volume, USD Bn.

Source: CoStar, Nov. 2022
CMBS Origination Volume

Volume lowest since 2009
Commercial Property

Rate hikes, fears of a recession, make it challenging to finance new projects and refinance existing debt – *adding new space to meet demand challenging*

Rate hikes have also led to a decline in property sales

Investors and lenders are being more cautious

Default risk increased could be very problematic if rates increase more and the economy slows.
Forecast

- COVID impacts continue to affect market
- Employment Growth continues to drive population growth = Demand/Supply imbalance.
- Industrial development very strong slows toward year-end 2023 – expect +/-20M SF delivered.
- Still hard to add new housing - supply remains very low - Millennials push household formation.
- Home prices continue rise – Inventory remains very low – “lock in” effect helps keep inventory of existing homes tight – new construction a must but has its own issues.
- Homebuilding - single family new construction continues but rate of price growth slows - land costs, supply chain issues and labor costs issues – expect +/-23,000 new units.
- Retail follows roof-tops – slow and steady growth
- Multi-family underwriting slows dramatically – Valuations and credit concerns, land supply & material cost – slow delivery of units. Rents soften then pick-up continue to grow but slightly slower due to affordability.
- Office – We’re not Chicago, NYC, SF - Still demand for best located, quality office due to employment growth.
### 5. Is uncertainty in the Federal Government affecting the commercial real estate market and hindering our local growth potential?

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### 8. Where are Investor Returns headed in the next three months?

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### 1. In what direction is the Metro Phoenix Investment Market heading?

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Concerns

• Just as supply is increasing, softening pricing, credit slows new growth – Makes tight market worse. Underwriting for all segments impacted.

• Affordability/Homelessness remains issue – Market can’t fix need policy. Need more housing – bad time to constrain.

• Conflict with growth pattern and water – Water policy may cause change in development patterns long term.

• Capital markets slow all underwriting – constrains inventory, keeps prices up.
Thank you for and have a great summer!