

## Sunny Outlook for Arizona's Economy

The Arizona economy ended 2018 on a strong note with GDP growth up 3.4 percent in Q4. For the full year 2018, Arizona GDP was up 4.0 percent, making Arizona the fourth fastest growing state economy in the U.S. last year. Job growth slowed somewhat in the first quarter of 2019 as employment in accommodations and food services declined by 2,300 jobs in Q1. The state's important tourism industry was hurt in Q1 by bad weather and by the longest ever federal government shutdown. The closure of national parks and recreation facilities may have spilled over to state parks as well, which posted year-over-year declines in visitations in January and February. However, Arizona continues to be well positioned to benefit from an ongoing expansion of the overall U.S. economy this year. Arizona tends to benefit from its low cost of living and business friendly environment as the overall U.S. economic expansion matures. Strong inflows of people and businesses are driving up real estate demand in the Phoenix area. RealPage noted that Phoenix area apartment rental prices were up 7.4 percent in 2018 which was about two times the national average. Apartment occupancy for the Phoenix area was at 95.4 percent last year. Office space is also seeing a boost from the inflow of businesses. According to Colliers International, the Phoenix market saw net absorption of office space climb to 850,000 square feet in Q1. This was enough to push the Phoenix office market vacancy rate down to 13.6 percent. Industrial space, which includes warehousing and manufacturing, saw the vacancy rate tighten to a low 7.2 percent in Q1.

### Arizona Economic Outlook

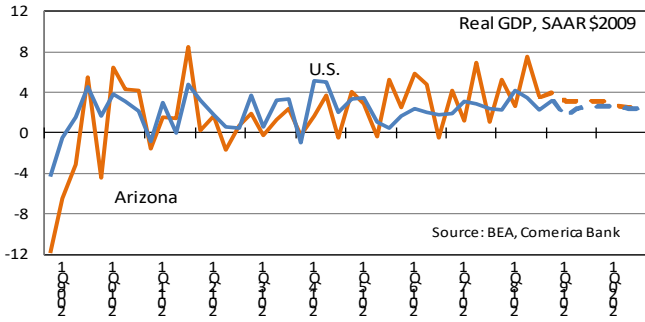
	4Q'18a	1Q'19a	2Q'19f	3Q'19f	4Q'19f	1Q'20f	2Q'20f	3Q'20f	2018a	2019f	2020f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	314320	317414	319934	322451	324974	327522	329718	331767	309067	321193	330656
<b>Percent Change Annualized</b>	<b>3.5</b>	<b>4.0</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>2.7</b>	<b>2.5</b>	<b>4.0</b>	<b>3.9</b>	<b>2.9</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	2888	2901	2923	2940	2955	2970	2984	2998	2857	2930	2990
<b>Percent Change Annualized</b>	<b>2.7</b>	<b>1.8</b>	<b>3.1</b>	<b>2.4</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>2.9</b>	<b>2.5</b>	<b>2.1</b>
Unemployment Rate (Percent)	4.9	5.1	4.9	4.8	4.8	4.7	4.7	4.7	4.8	4.9	4.7
Population (Thousands)	7252	7288	7322	7356	7389	7421	7453	7485	7194	7339	7469
<b>Percent Change Annualized</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>1.8</b>
Net Migration (Thousands)	20.9	19.5	18.7	18.3	18.0	17.7	17.5	17.2	97.3	74.5	69.4
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	319861	323509	328526	333108	337726	342458	347108	351794	313040	330717	349457
<b>Percent Change Annualized</b>	<b>6.0</b>	<b>4.6</b>	<b>6.3</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.6</b>	<b>5.7</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	38052	37030	40515	41132	41692	42234	42674	43052	41330	40092	42843
<b>Percent Change Annualized</b>	<b>-38.9</b>	<b>-10.3</b>	<b>43.3</b>	<b>6.2</b>	<b>5.6</b>	<b>5.3</b>	<b>4.2</b>	<b>3.6</b>	<b>7.9</b>	<b>-3.0</b>	<b>6.9</b>
SF Housing Starts (# of Units, Ann Rate)	31106	32212	32935	33453	33888	34321	34698	35008	32486	33122	34834
MF Housing Starts (# of Units, Ann Rate)	6946	4818	7580	7679	7803	7913	7976	8045	8844	6970	8009
Existing Home Sales (Ths. of Units, Ann Rate)	164	170	172	174	176	179	181	183	170	173	182
House Prices, FHFA (1991 Q1=100, SA)	326	332	337	342	347	352	357	362	317	339	359
<b>Year/Year Percent Change</b>	<b>8.2</b>	<b>6.9</b>	<b>7.3</b>	<b>7.0</b>	<b>6.4</b>	<b>6.3</b>	<b>6.1</b>	<b>5.9</b>	<b>8.5</b>	<b>6.9</b>	<b>6.0</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	435	435	433	428	424	420	416	414	457	430	415
Total Personal (12 Months Ending)	15902	16227	16259	16395	16508	16623	16741	16868	15714	16347	16803

a = actual f = forecast

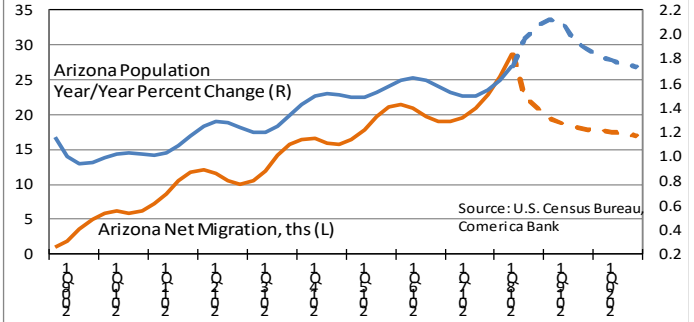
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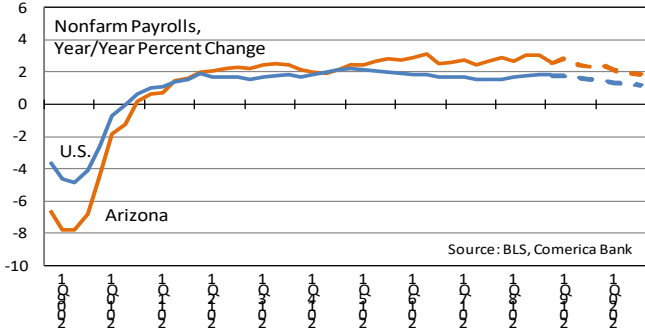
## Arizona GDP Outlook Remains Positive



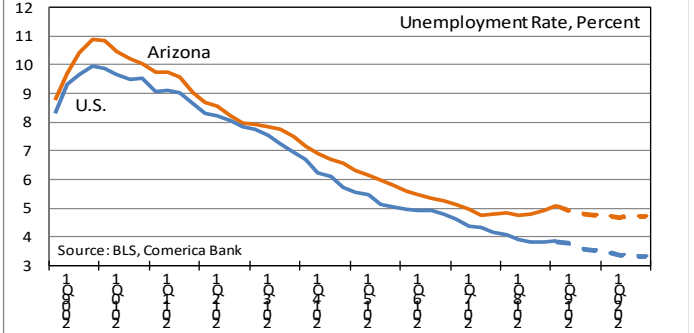
## Strong Net Migration to Continue



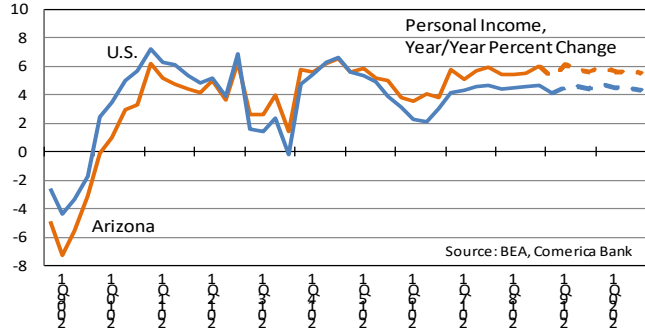
## Steady Job Growth in 2019



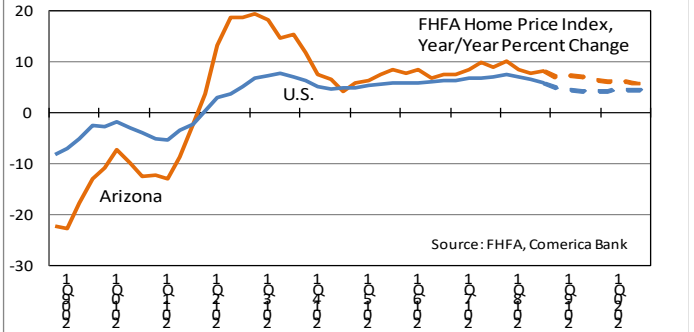
## Arizona U. Rate at 5.0% in March



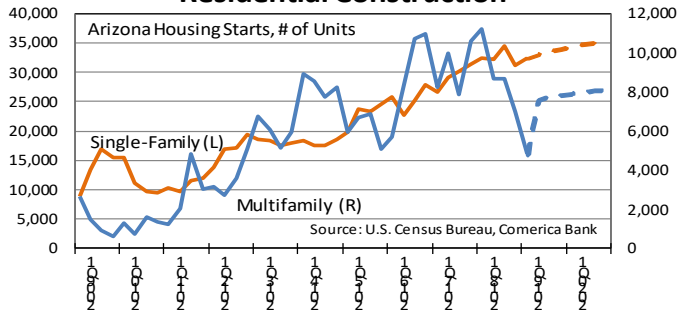
## Incomes Continue to Improve



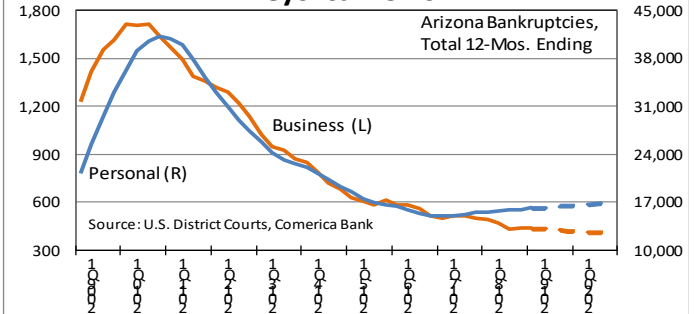
## Home Price Growth to Moderate



## Population Growth will Support Residential Construction



## Arizona Personal Bankruptcies are Off Cyclical Lows



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