

Phoenix Economic Health and the Road Ahead

Recent Trends

Employment

The average state has experienced an employment increase of 8.0% since its lowest post 2008 trough. Arizona has increased 10.4%, and currently boasts an unemployment rate of 6.3%. Metro Phoenix is even better, weighing in at 5.7%.

Some of the most recent hiring activity across the valley has been driven by the following companies: CVS (700 new jobs in Chandler), State Farm (600 new jobs in Tempe), Groupon (100 new jobs in Scottsdale), Davita Rx (500 new jobs in Chandler) Stitch Fix (600 new jobs in West Phoenix) and HonorHealth (500 new jobs throughout Metro Phoenix).

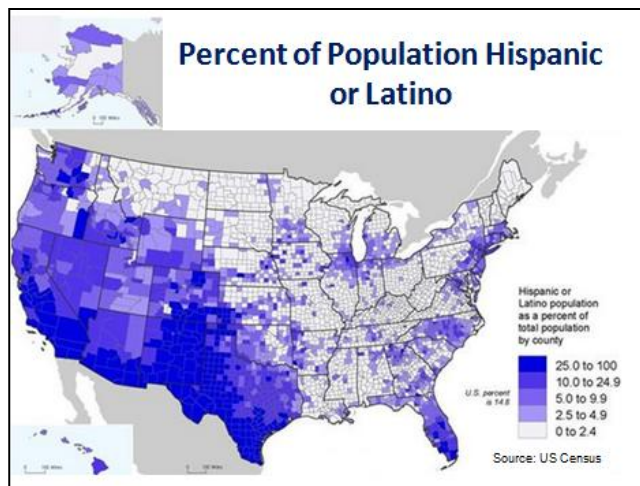
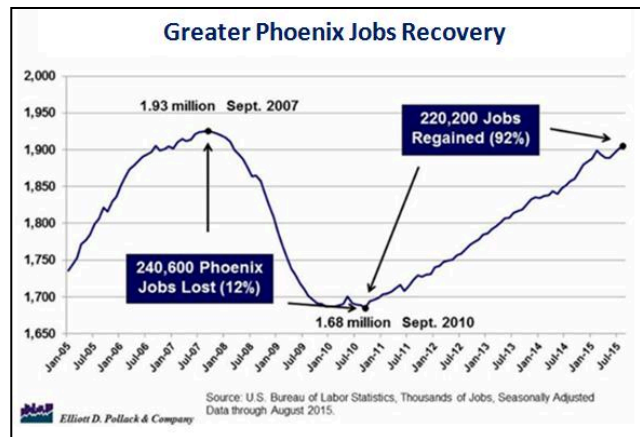
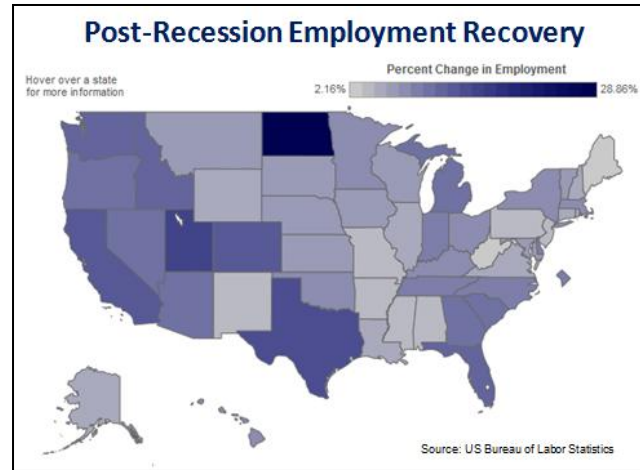
While recent economic improvement may lead some analysts to speculate about the next market crash, it is important to note that Phoenix has yet to fully recover the jobs lost since the last peak. Given the fact that Metro Phoenix has regained just over 90% of the jobs lost since September, 2007, one might suggest that the market still has a ways to go before finding itself in bubble territory.

Demographics

In 2015, Millennials officially replaced the Baby Boomers as America's largest generation. Understanding this shift is essential for anyone projecting long term macroeconomic trends. One of the striking difference between America's youth and elderly relates to ethnic diversity.

According to the US Census, 21.7% of today's Baby Boomers fall into a minority group (defined as anything other than non-Hispanic, single-race white) vs. 44.2% of Millennials. Even more diverse than Millennials are America's youngest generations. 48% of those under 18 and 50.2% of those under 5 years old are minorities. US Census expects to see a majority-minority status for the rest of the under 18 population by 2020 and the entire US population by 2044.

Arizona has the country's fourth largest Hispanic share of total state population. According to the Center for Immigration Studies, over 30% of Arizona children speak a language other than English at home, up from 20% in 1980. Metro Phoenix has the 8th largest Hispanic population (1.1 million) among all U.S. metro areas.



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Market Impact

The Demand Institute projects that Hispanics alone will account for almost 4 out of every 10 households formed in the United States between now and 2020. “Nearly 4 million would like to purchase a home when they move, the report said, but only 1.5 million are financial prepared to do so.” As the economy continues to recover, many of these marginal home buyers will become eligible, pushing ownership rates (currently 44%) towards the national average (63.5%).

Everest Insight

Contrary to popular belief, most Mexicans are not returning to Mexico. They just aren’t coming in the same numbers that they used to. While some of this slowdown might be attributed to political and economic factors in the U.S., the heart of the issue comes down to demographic shifts in response to the urbanization of Mexico. Mexican fertility rates have dropped drastically from an average of 7.3 in the 1970s to just 2.4 today.

It is unlikely that U.S. immigration from Mexico will ever reach the levels experienced over the past 30-40 years. As the flow of Latino immigrants begins to ease, it is being replaced by other minority groups (particularly from Asia). That being said, Hispanic fertility rates in the U.S. are still higher than the national average (2.4 vs. 1.9), so even without immigration, they are increasing their share of the total population.

Opportunities

While Arizona’s Latino community is one of the nation’s largest, it is also one of the youngest. Of the top ten Hispanic metro areas, Phoenix has the lowest median age (24 years) and is tied with Dallas for the highest percent under 18 (38%).

As this group reaches adulthood, there will be a surge in demand for affordable multifamily *and* single family housing. Everest projects that underutilized space in Central and West Phoenix will become attractive for new development as these users enter the market.

