



Editor's Insights

Lucinda Smedley • published in the January 2019 issue

What a difference a year makes! The year concluded in an almost polar-opposite mood to the frothy optimism of early 2018. Stocks ended the year in the red, a downturn not seen since the height of the financial crisis a decade ago. The market gyrations have left investors both poorer and apprehensive about what's to come, with some analysts questioning whether 2019 could usher in a "bear" market or even another recession.

At the recent Eller Economic Forecast, both Dr. Hammond and Dr. Anthony Chan indicated that the US economy could enter a recession in 2020. Hammond said, "I think we'll carry that momentum into 2019 if the national economy avoids recession. 2020 will start to slow down as the national economy slows and that federal fiscal stimulus is really gone." Chan believes the American economy will continue at its current pace until 2020, when the combination of Boomers leaving the workforce and slowing federal stimulus could trigger the first economic recession since 2008.

Areas of Focus in 2019

Continued job growth: EBRC forecasts Tucson MSA job growth of 1.8% in 2018 and 1.7% in 2019.

Affordability issues in West Coast, Texas and Colorado will benefit Tucson: EBRC forecasts that Tucson MSA population will grow by 8,000 people, which equates to around 3,500 new households. This would support a forecast of 3,500–3,700 new home permits. Ginger Kneup of Bright Future Real Estate Research is forecasting 3,650 new permits in 2019.

Increasing Affordability Issues: According to Long Realty's December 2018 Housing Report, the housing market is a Seller's market up to the \$350,000 price point due to the limited inventory. The rising median home price and interest rates year over year have added \$165 to the monthly payment of a median priced home.

MONTHLY PAYMENT ON A MEDIAN PRICED HOME – TUCSON METRO

Year	Median \$	Int. Rate	MO. Payment
2006	\$220,000	6.14%	\$1,271.93
2017	\$206,000	4.25%	\$962.73
2018	\$218,000	5.13%	\$1,127.63

Source: Long Realty Housing Report - December 2018

Monthly payments based on a 5% down payment on a median priced home.

Sustained demand, limited supply and rising interest rates will impact first time homebuyers, therefore we expect to see continued momentum in multifamily construction.

Rising Construction Costs: According to Ken Simonson, chief economist for the Associated General Contractors of America, labor shortages and higher prices for materials loom larger. A tight labor market might sound like “old news” to most developers and property owners, but they should prepare for further jolts regarding both labor and materials, especially if they are planning new construction or renovation projects.

Learn more about the Tucson market at these two events:

February 19, 2019—CCIM Forecast Competition

The Southern Arizona CCIM Chapter Commercial Real Estate Forecast is scheduled for February 19th, 2019 at last year’s location. The Keynote Speaker will be KC Conway MAI, CRE who is the Chief Economist of the CCIM Institute.

June 6, 2019—Breakfast with the Economists

Get the low-down on what to expect for the local, regional, and national economies at mid-year over breakfast with George W. Hammond, Ph.D., Eller Research Professor and Director of the Economic and Business Research Center, and invited speakers.

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