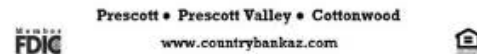


THANK YOU SPONSORS



Deborah Butitta | Commercial Broker



office 928.445.8010 | cell 928.308.1117



ECONOMIC UPDATE & OUTLOOK



U. S. - Arizona & Greater Prescott

Prescott, Arizona

October 1, 2014

Are We Out of the Woods Yet?

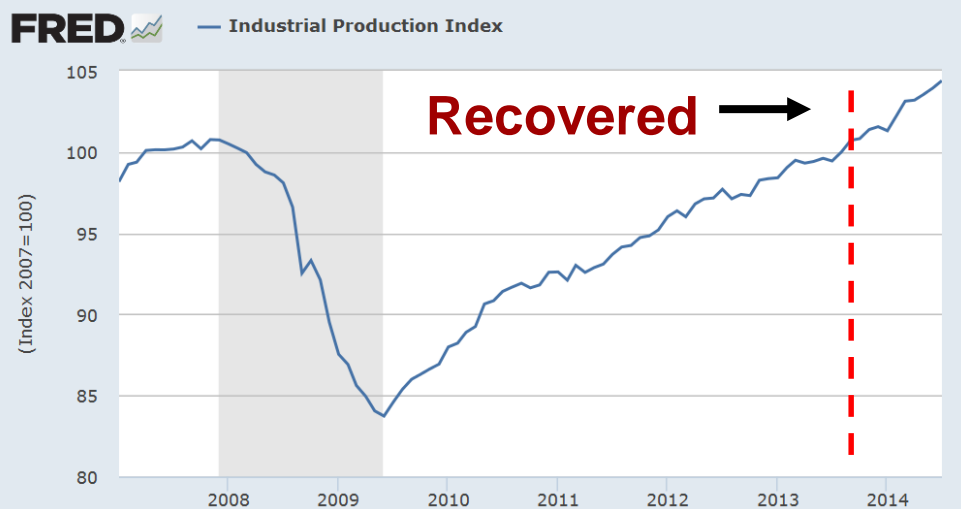
Still Recovering

- **Job Growth**
- **Unemployment**
- **Population**
- **Home Building**



Economic Update & Outlook

- **Is It Getting Better – or Worse?**
- **It's All Getting Better – Slowly**
- **Waiting for Drivers of Growth**
- **Prescott Recently Improving**
- **Long Term is Positive for Arizona**



At Record High

Industrial Production

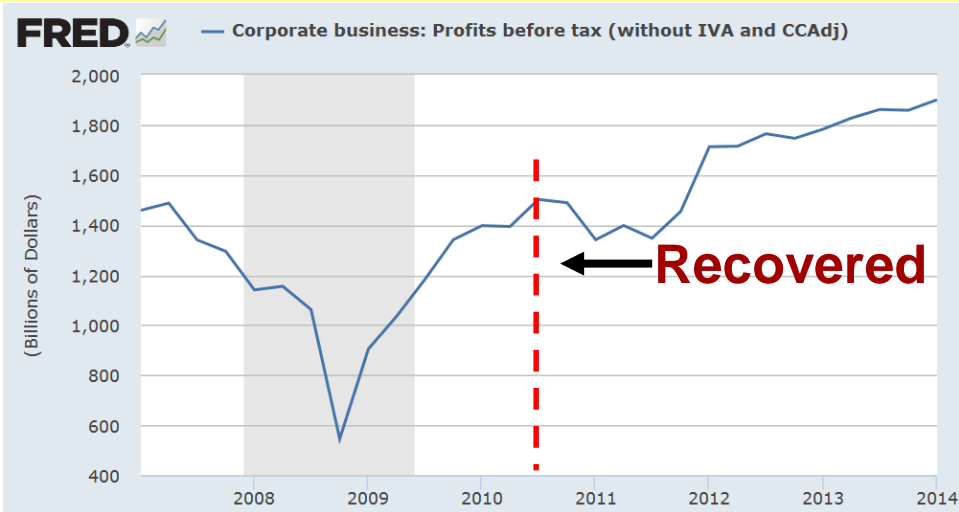
Recovered 2013 Q3
(After 6 years)



At Record High

S&P 500 Index

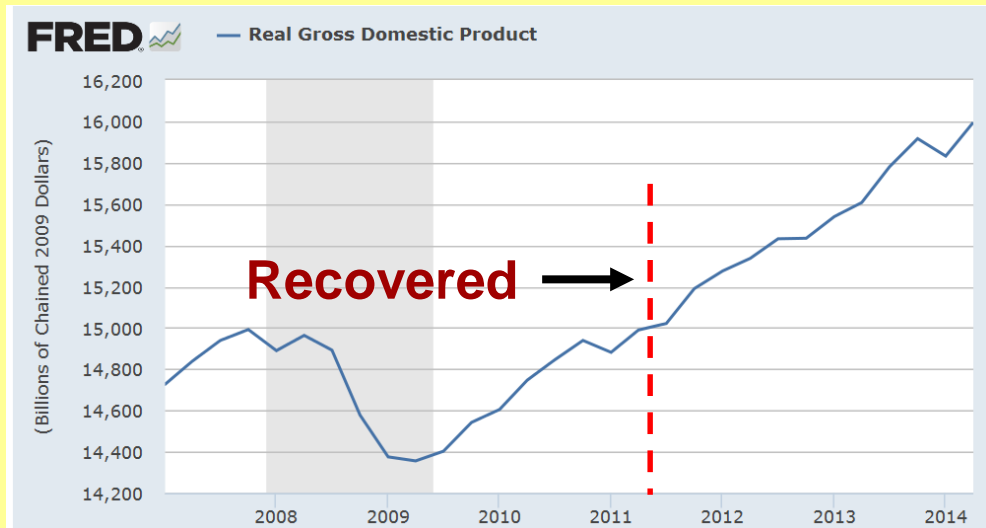
Recovered 2013 Q1
(After 6 Years)



At Record High

Corporate Profits

Recovered 2010 Q3
(after 4 years)



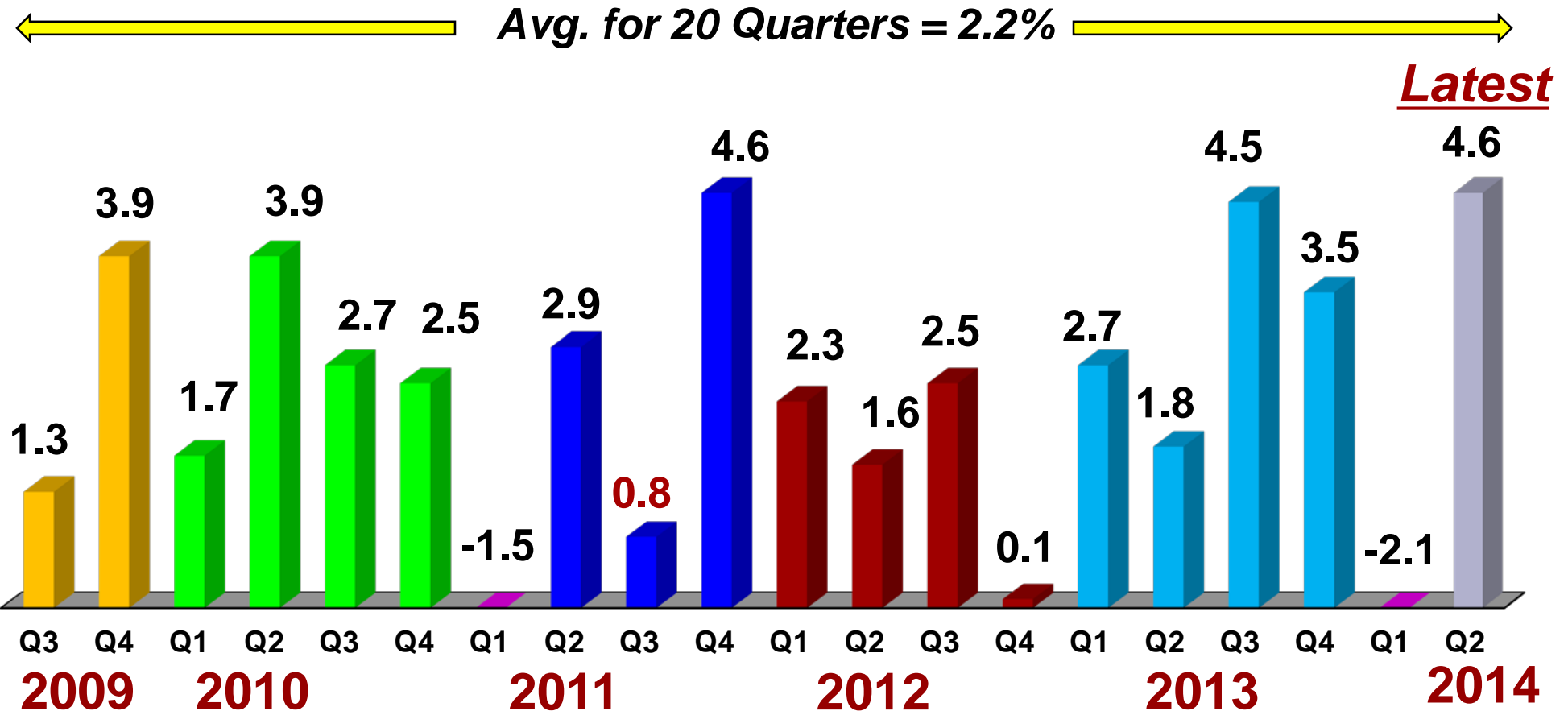
At Record High

Real GDP

Recovered 2011 Q2
(After 3 Years)

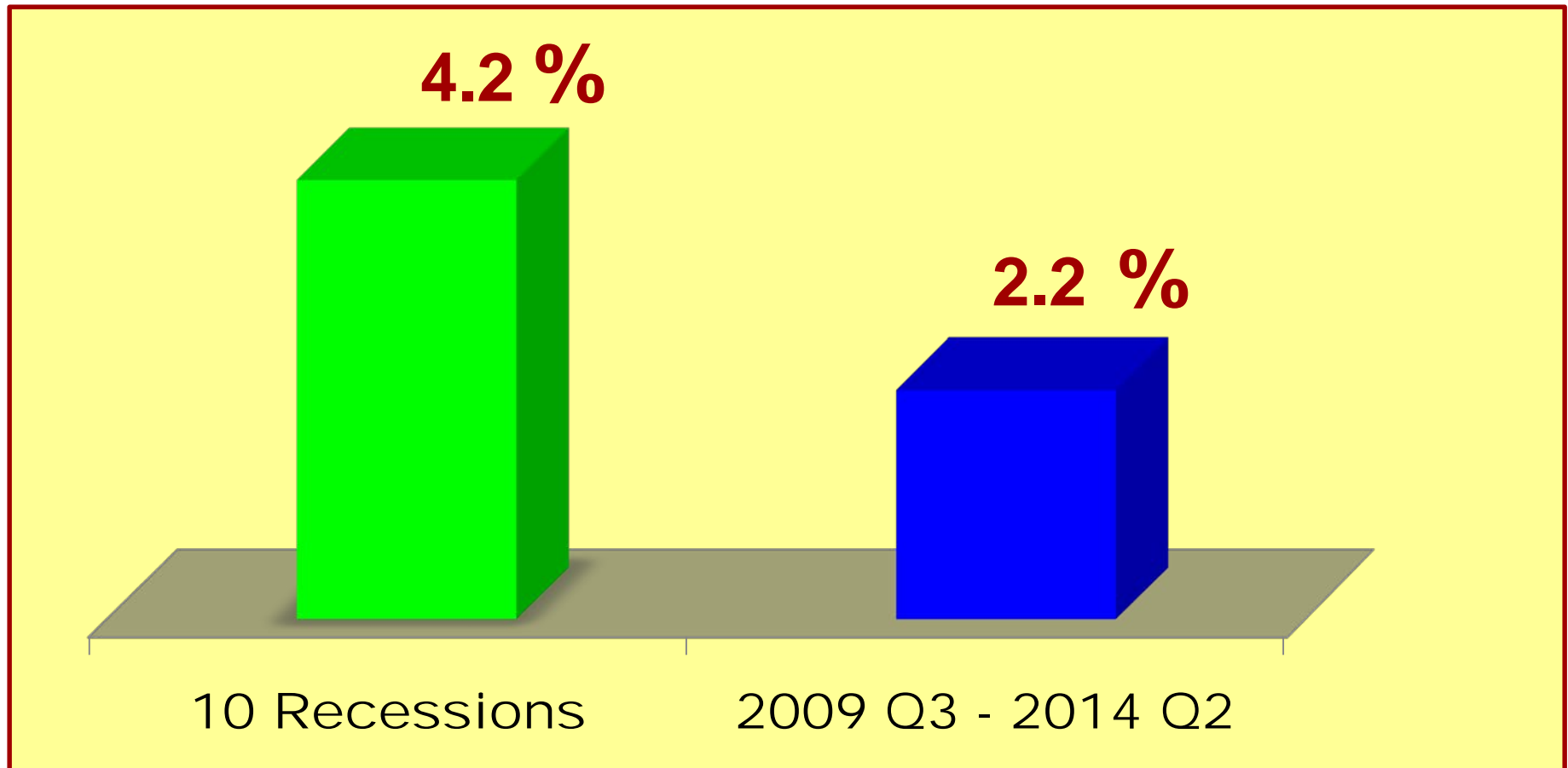
GDP Surged in Q2 2014

(Percent Change Real GDP)



U. S. Bureau of Economic Analysis, September 26, 2014

GDP 20 Quarter Recovery At Below Average Pace



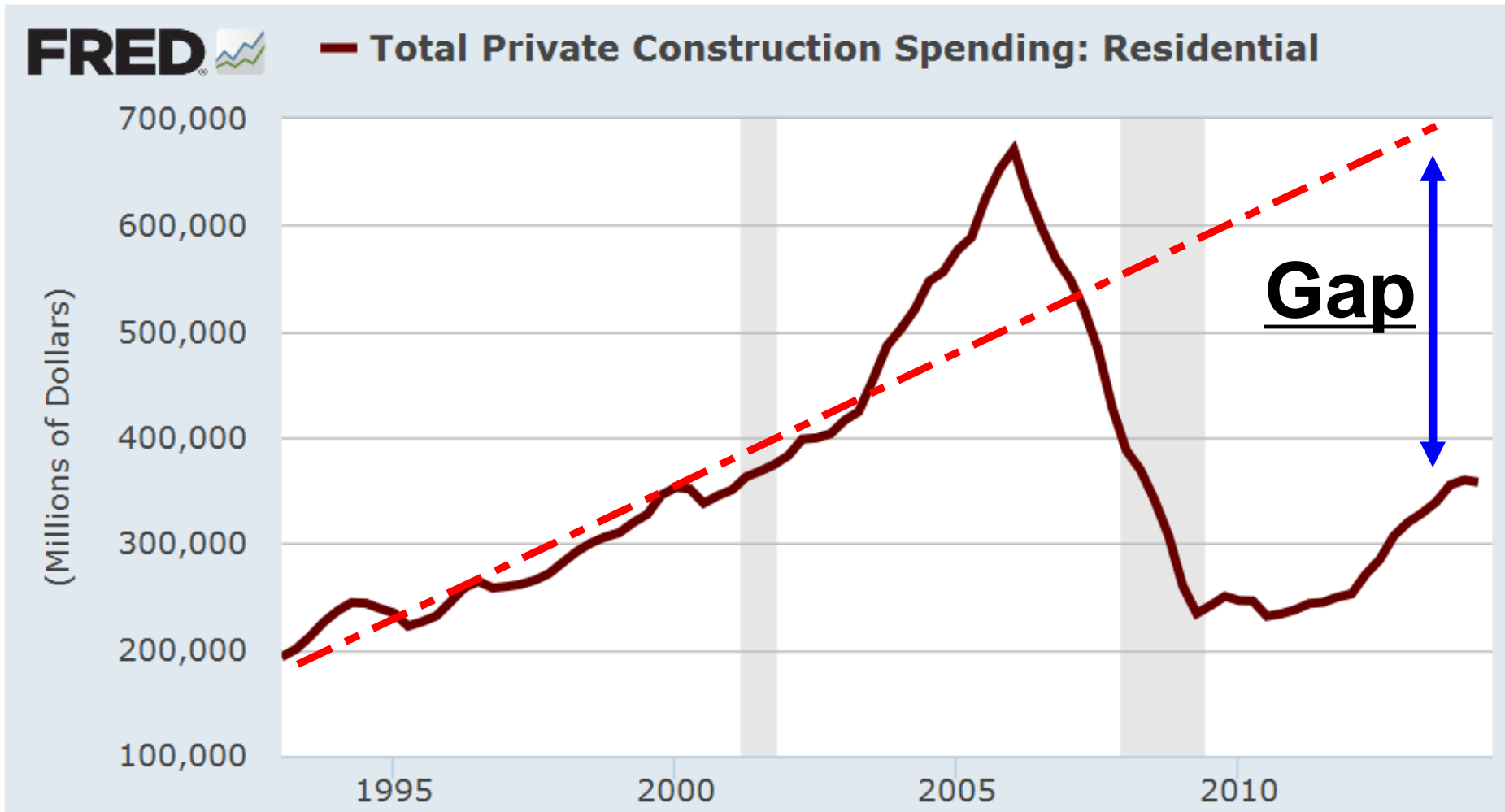
U. S. Bureau of Economic Analysis, average growth 20 quarters post recession

Will GDP Improve in Second Half?

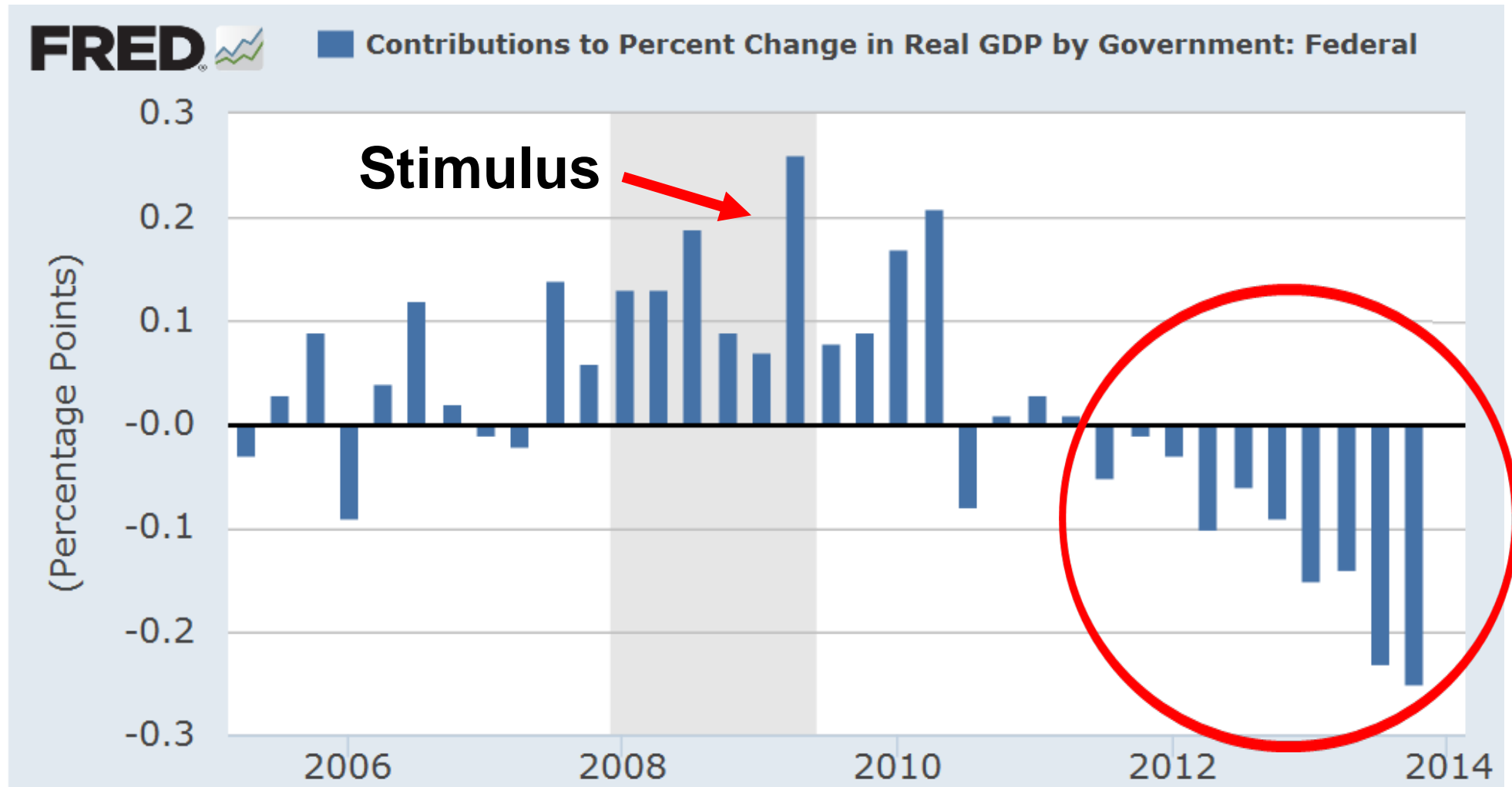
GDP Component	2013 Growth	2014 1st Half
U. S. GDP (Output)	2.2%	1.2% ↓
Consumer Spending	2.4	1.8 ↓
Gross Investment	4.9	6.1 ↑
<i>Residential Construction</i>	11.9	1.7 ↓
<i>Non-Resid. Construction</i>	-0.5	7.7 ↑
Government Spending	-2.0	0.4 ↑

U. S. Bureau of Economic Analysis, GDP Accounts, inflation adjusted

Residential Construction is Far Below Prior Trend Line



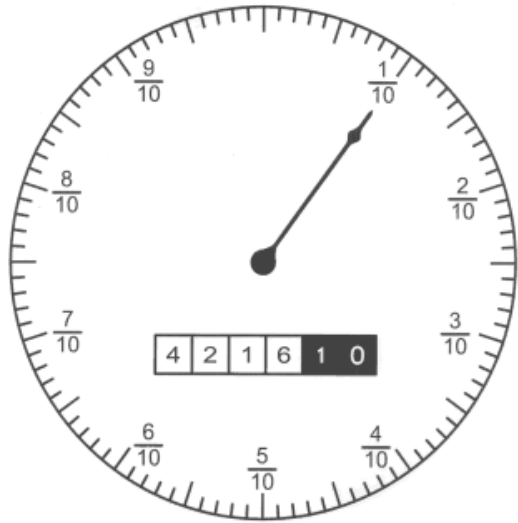
Government Contribution to GDP Turned Negative During Recovery



Consumer is Key to GDP

- Accounts for 70% of GDP...but..
- Consumer not driving recovery
- Paying off debt & saving more
- Long-term growth 3.6% year
- 1st half growth in low gear (1.8%)
- Inequality & Income an issue

Why Consumers Worry: American Dream Elusive



Worry Meter

- **Middle Class Struggles**
- **Still Paying Off Debt**
- **Real Incomes Stagnant**
- **Job Growth Slow**
- **Unemployment High**

Is Inequality Holding Back the Recovery?



Obama: “inequality defining challenge of our time.”



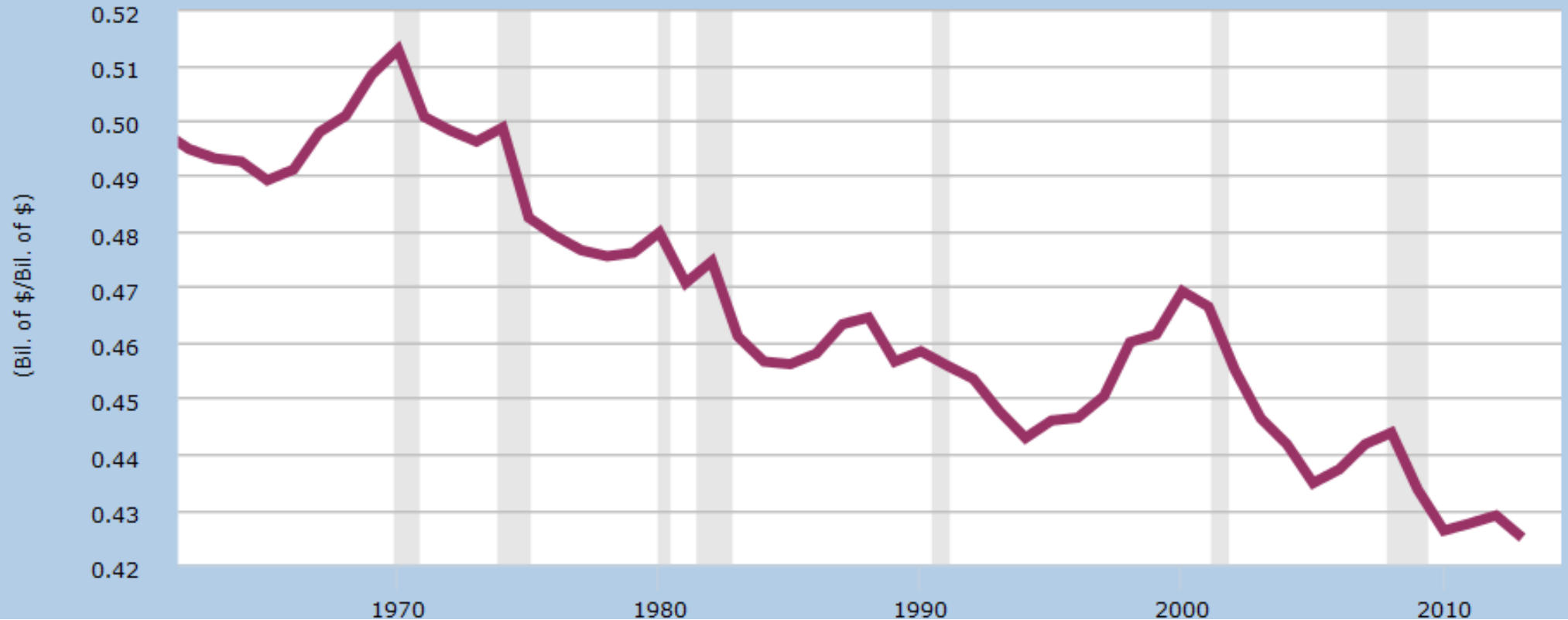
Pope Francis issued a rare economic verdict Tuesday in the first major document of his papacy, outlining his vision for the Roman Catholic Church denouncing **"trickle-down theories."**

Pope denounces “trickle-down theories.”

Wages as Percent of U.S. GDP Have Declined Since 1970s

FRED 

— Compensation of Employees, Received: Wage and Salary Disbursements/Gross Domestic Product



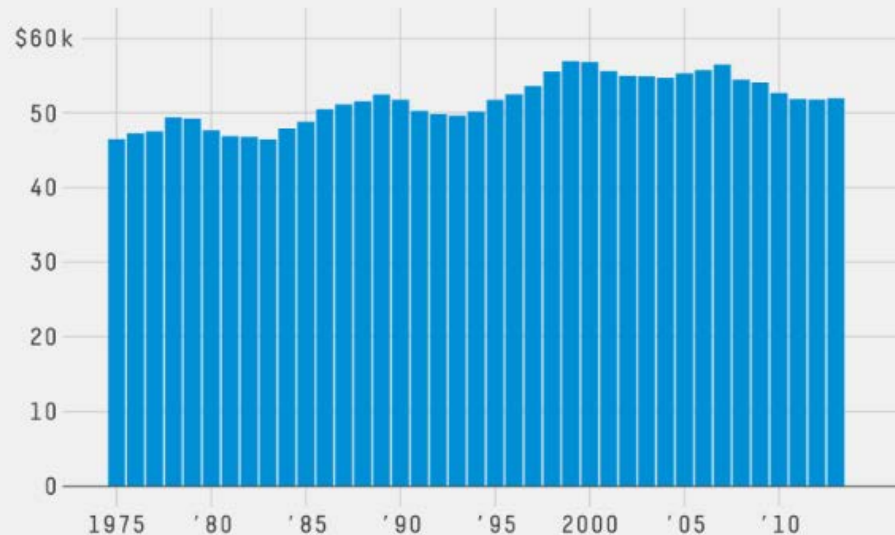
U.S. Bureau of Economic Analysis

Five Years Of Recovery Haven't Boosted The Median Household Income



Median U.S. Household Income

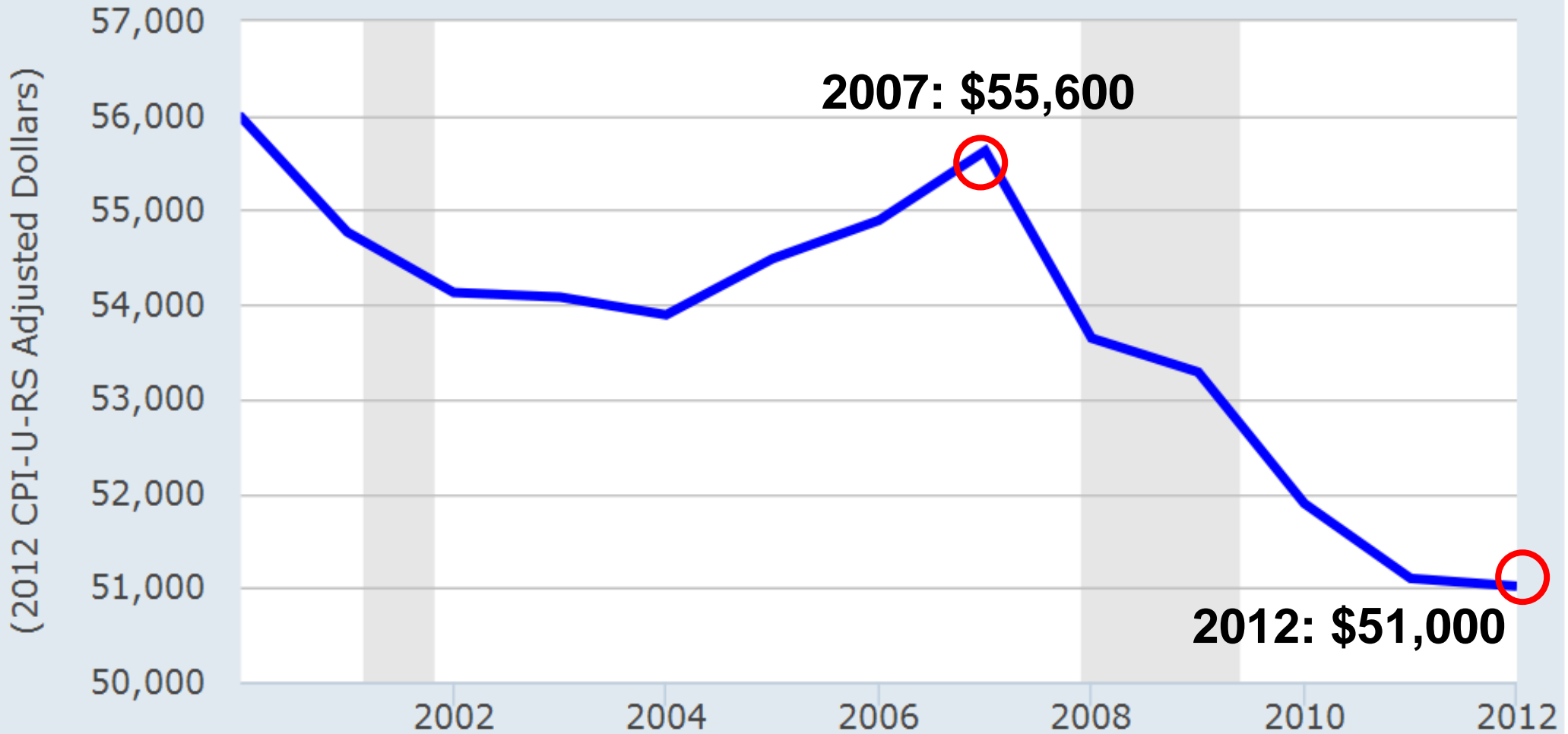
Adjusted for inflation



Median U.S. Income is Declining

FRED 

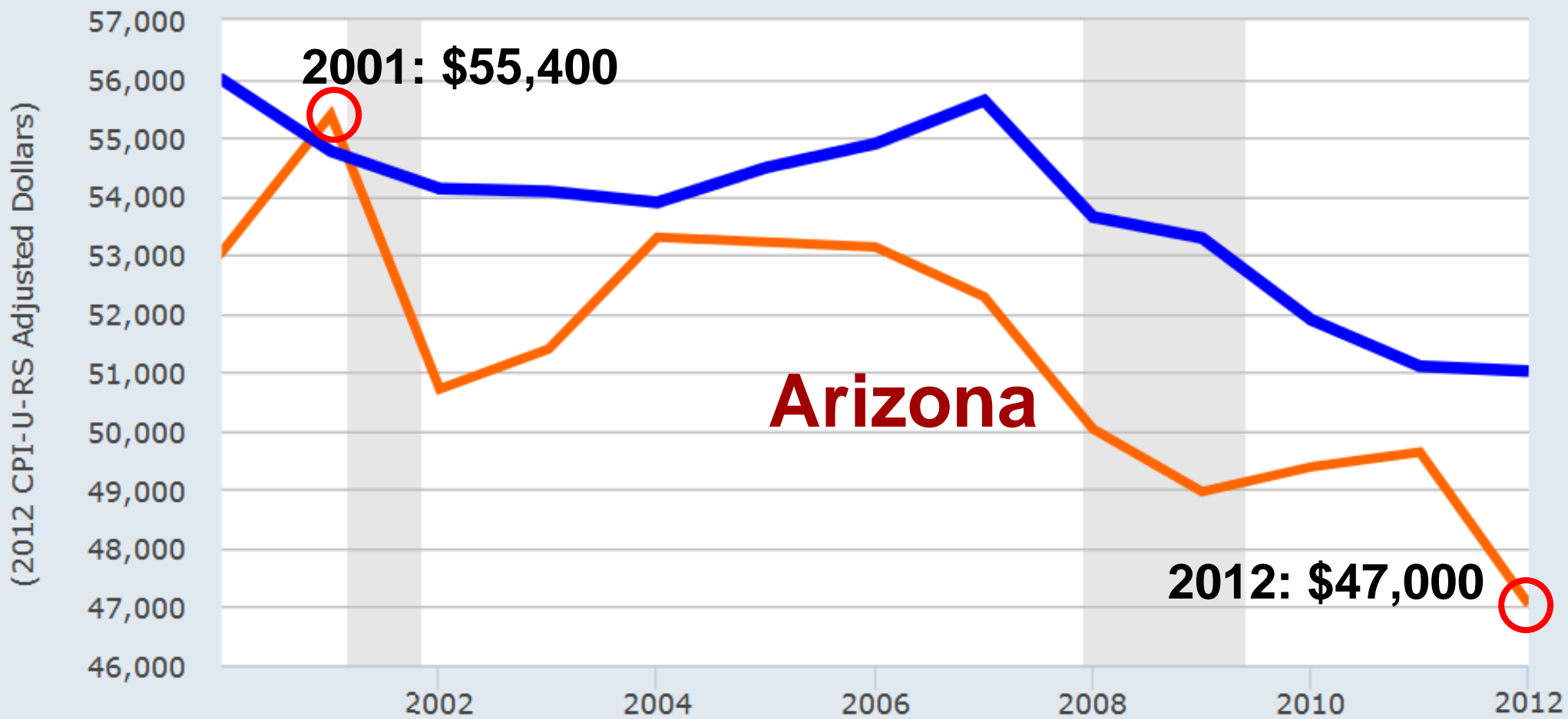
— Real Median Household Income in the United States



Arizona Real Income is Below U.S.

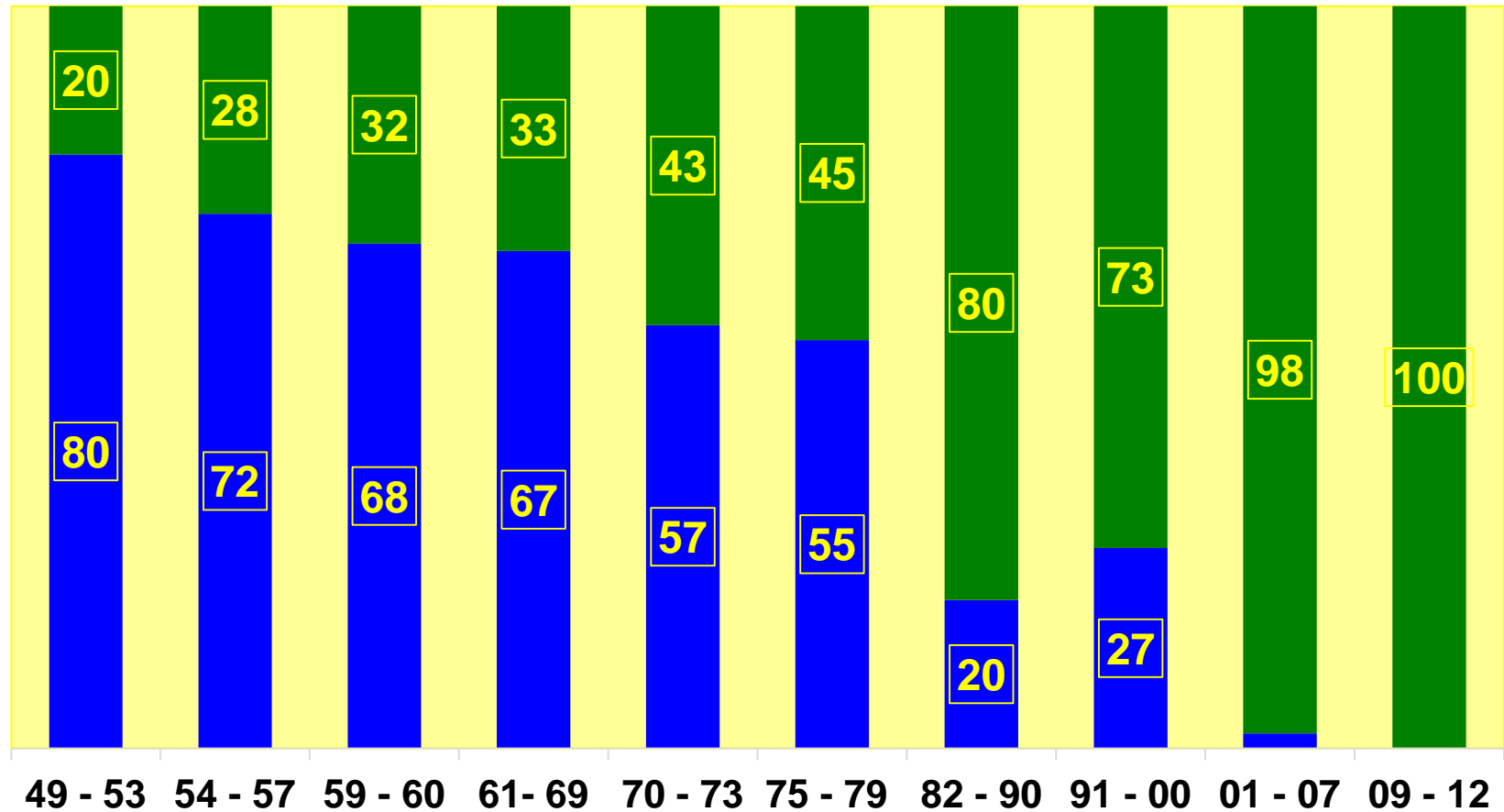
FRED 

— Real Median Household Income in Arizona
— Real Median Household Income in the United States



Income from Economic Expansions Increasingly Going To Top 10%

Bottom 90% Share Top 10% Share

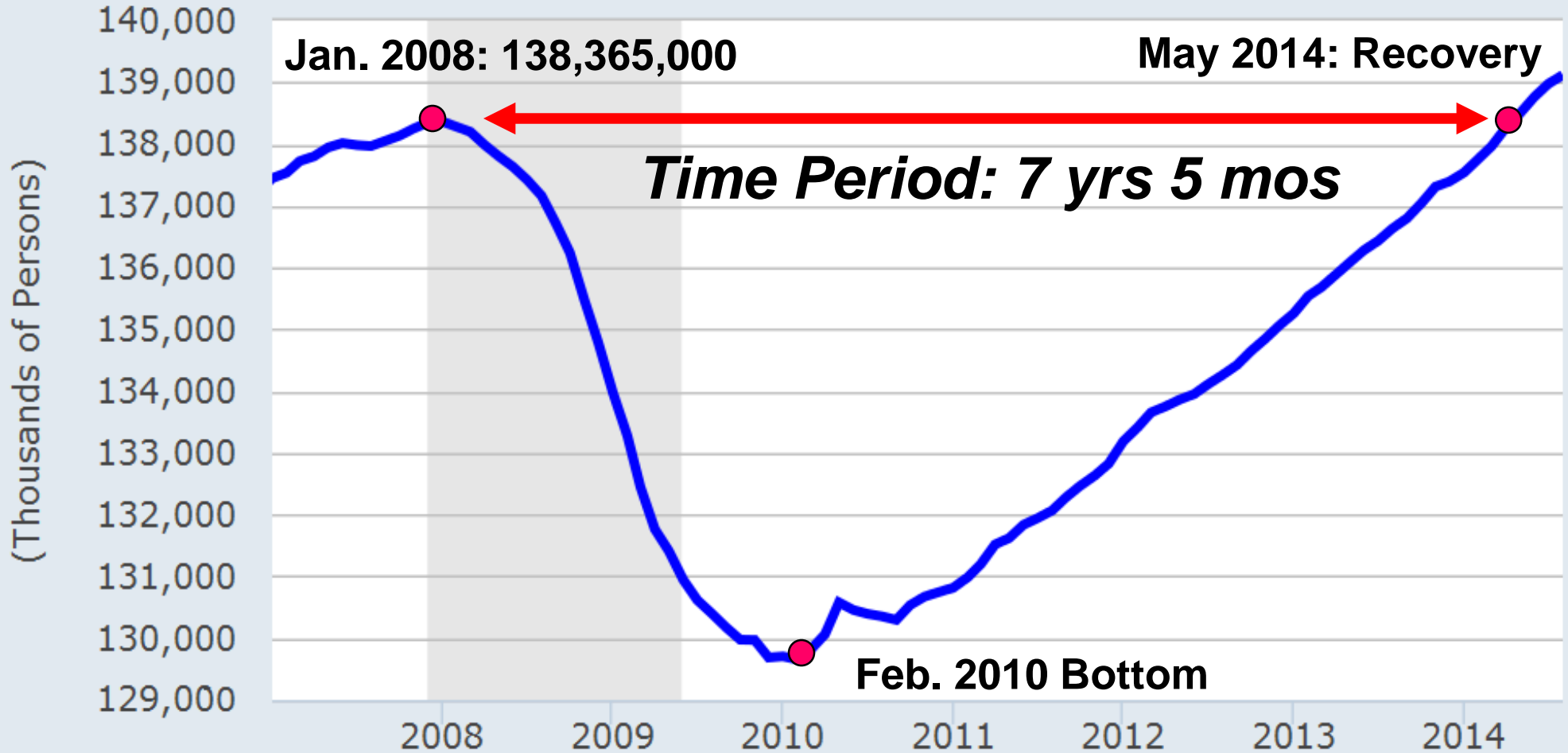


Expansion
Years

U.S. Regains Lost Jobs – Finally!

FRED 

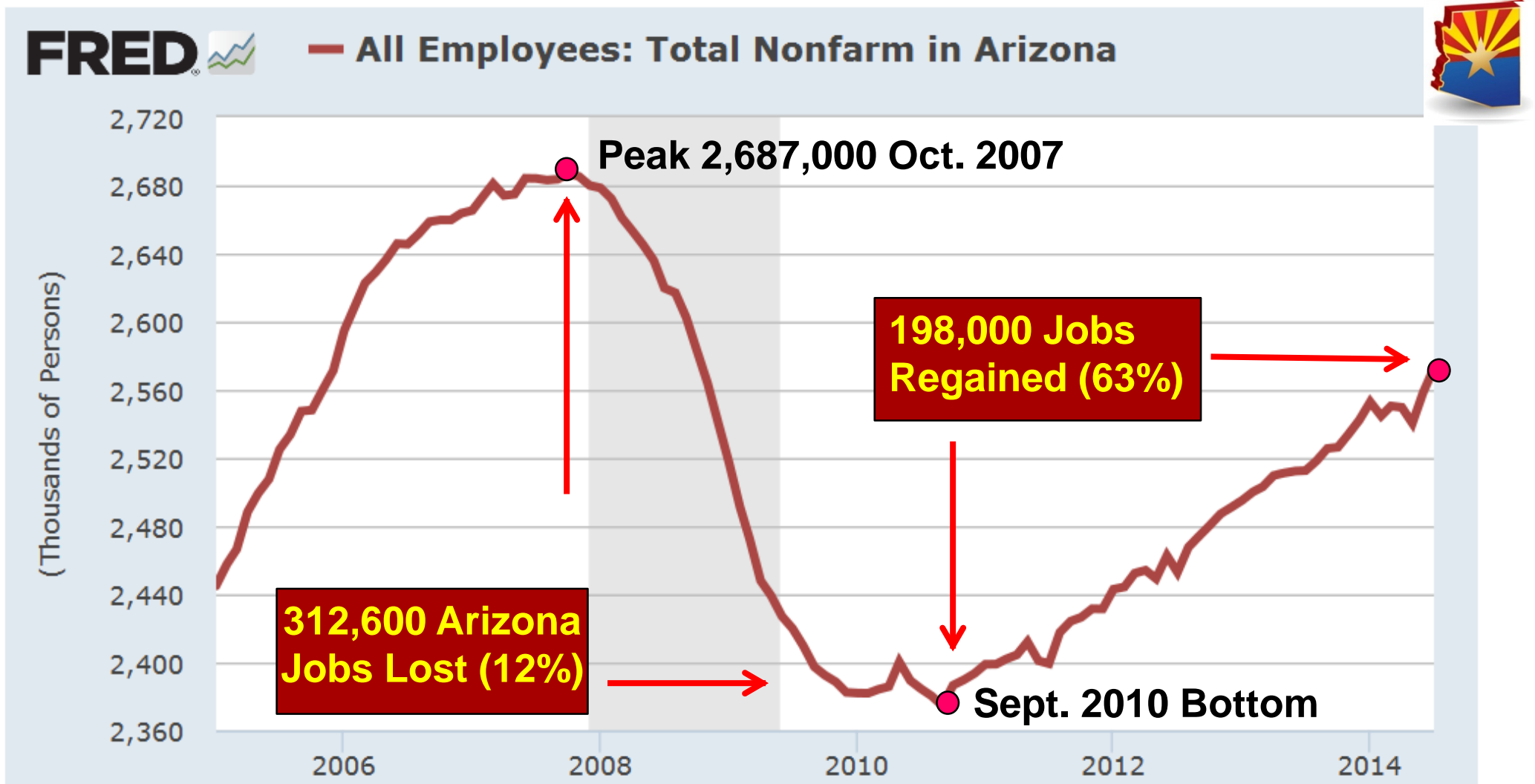
— All Employees: Total nonfarm



U. S. Bureau of Labor Statistics, Seasonally Adjusted

Arizona Has Regained 63% of Lost Jobs

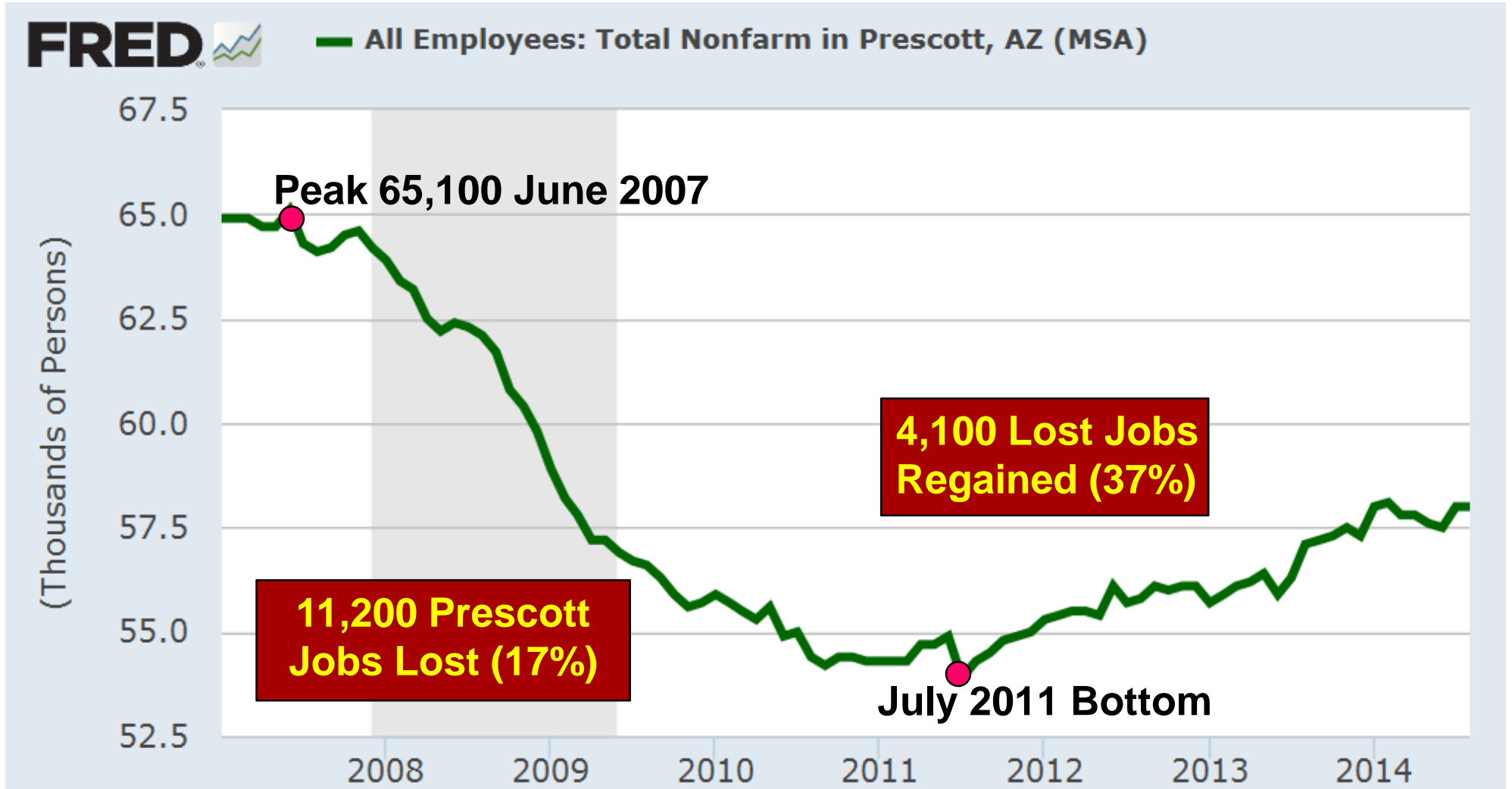
114,600 Jobs (37%) Still to Recover



U. S. Bureau of Labor Statistics, Seasonally Adjusted, Payroll Employment, August 2014

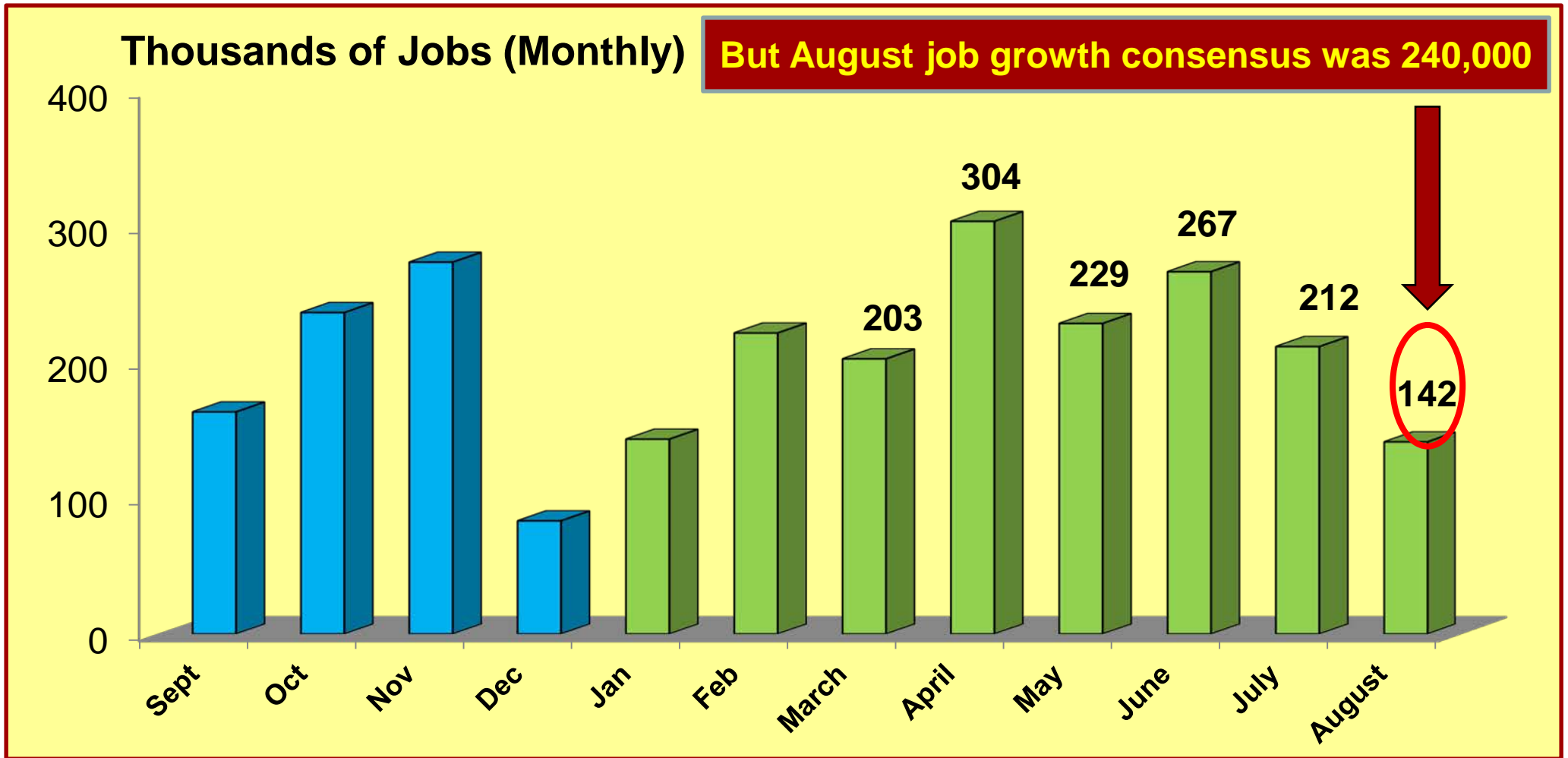
Prescott Has Regained 37% of Lost Jobs

7,100 Jobs (63%) Still to Recover



U.S. Job Growth Improves in 2014

6 Month Avg. Growth: 226,000/month



U. S. Bureau of Labor Statistics, Payroll Employment, Seasonally Adjusted

Which Statement is True?

- 1. Dick Van Dyke is Zodiac killer**
- 2. Kim Jong-Un named sexiest man**
- 3. 75% of all new jobs are part-time**

Facebook to test 'satire' tag after users mistake The Onion as real news

Dick Van Dyke Finally Confesses To Zodiac Killings

NEWS • Breaking • Celebrities • Crime • News • ISSUE 49•31 • Jul 31, 2013



33.9K



431



214

Facebook to test 'satire' tag after users mistake The Onion as real news



Kim Jong-Un Named *The Onion's* Sexiest Man Alive

NEWS • North Korea • Lifestyle • ISSUE 48•46 • Nov 14, 2012



61.2K



4.5K



707

People's Daily Reports Story As True

North Korea's top leader named Sexiest Man Alive for 2012

(People's Daily Online) 09:25, November 27, 2012



75 Percent Of Jobs Created This Year Were Part-Time Due To Weak Economy, Obamacare Concerns

WASHINGTON, Aug 21 (Reuters) - U.S. businesses are hiring at a robust rate. The only problem is that three out of four of the nearly 1 million hires this year are part-time and many of the jobs are low-paid.

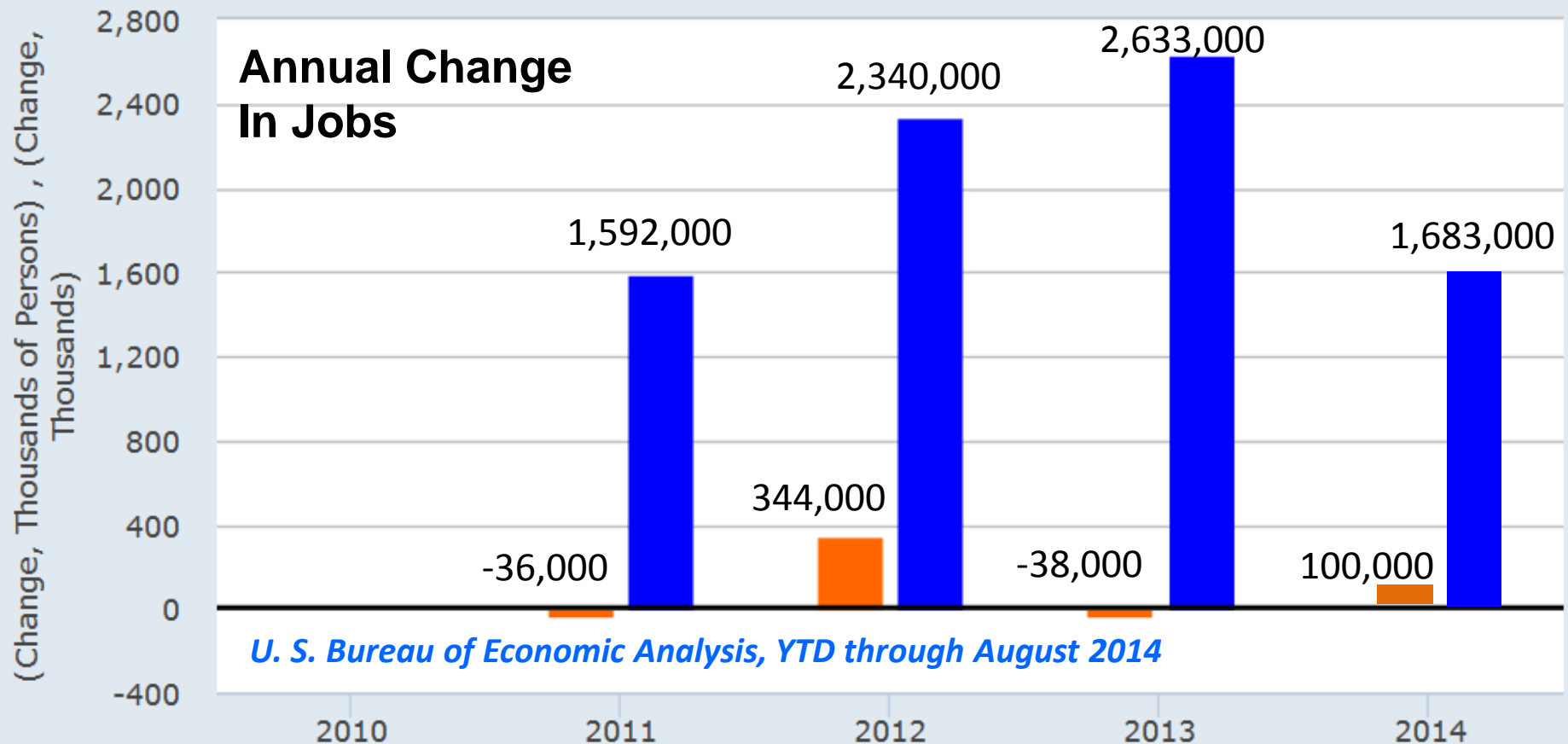
Faltering economic growth at home and abroad and concern that President Barack Obama's signature health care law will drive up business costs are behind the wariness about taking on full-time staff, executives at staffing and payroll firms say.

15% of New Jobs Were Part-Time in 2012 & Part-Time Jobs FELL in 2013

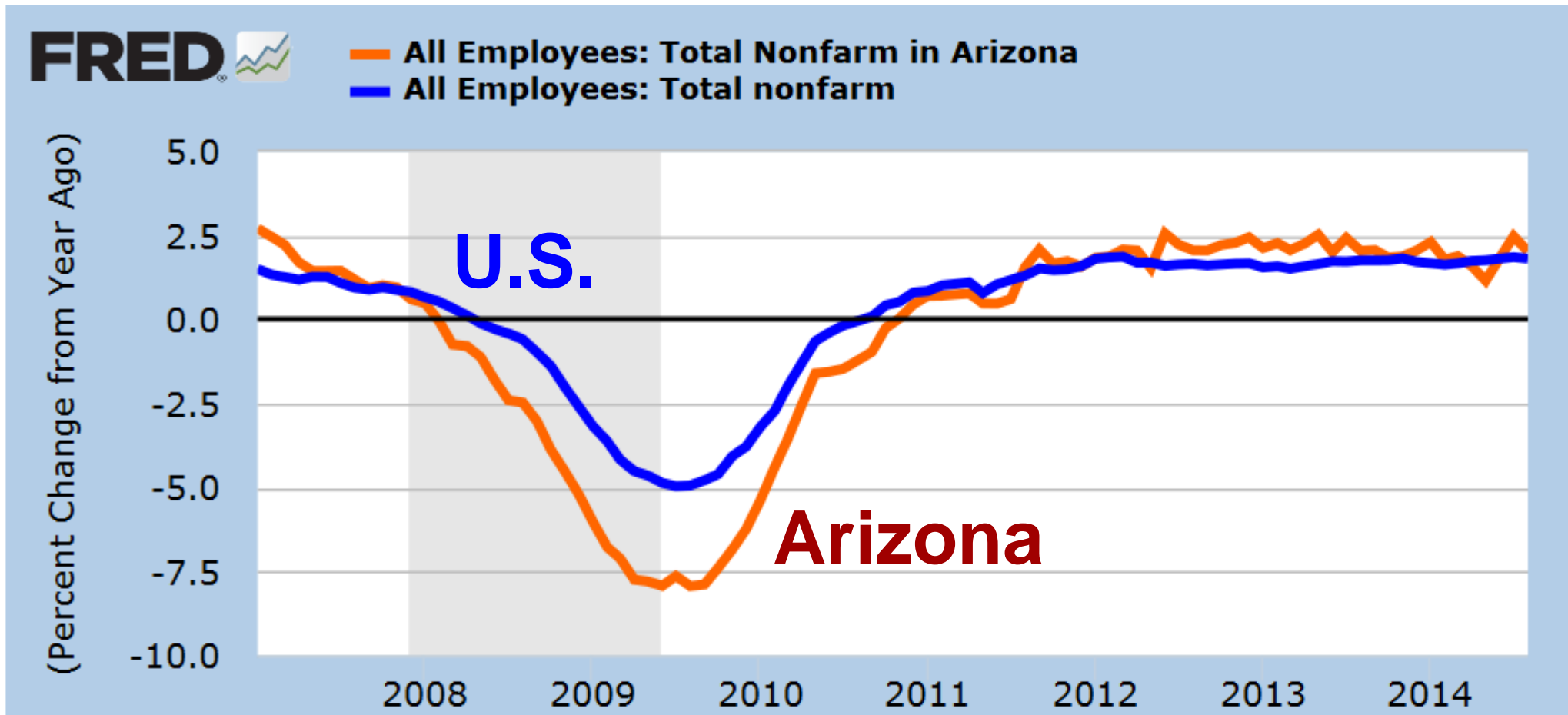
FRED

Employed, Usually Work Part Time
Full-time and part-time employees

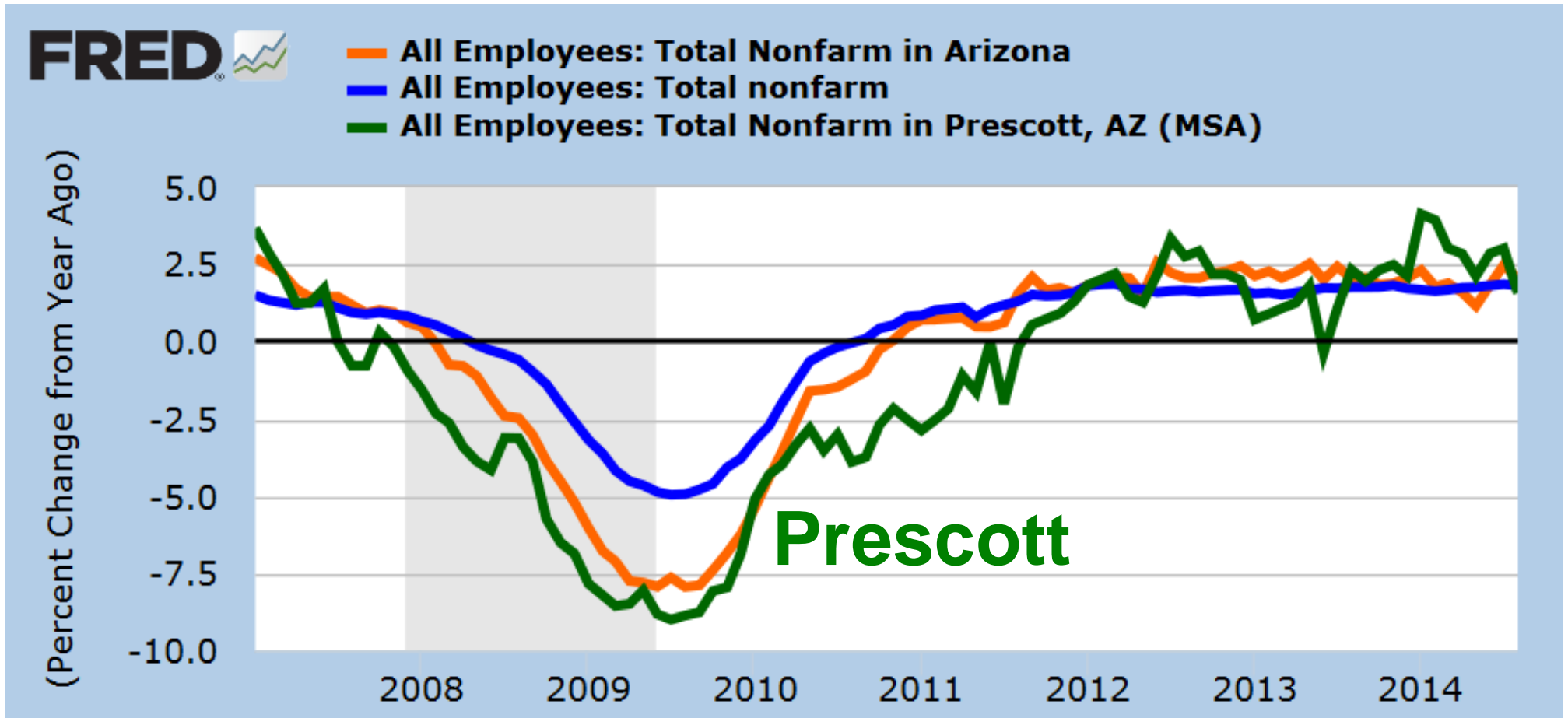
YTD 2014 FT jobs are up by 1.6 mil & PT jobs up by 100 thous. (6% of total)



Arizona Job Creation is Tracking With the National Business Cycle (+1.9% YTD)

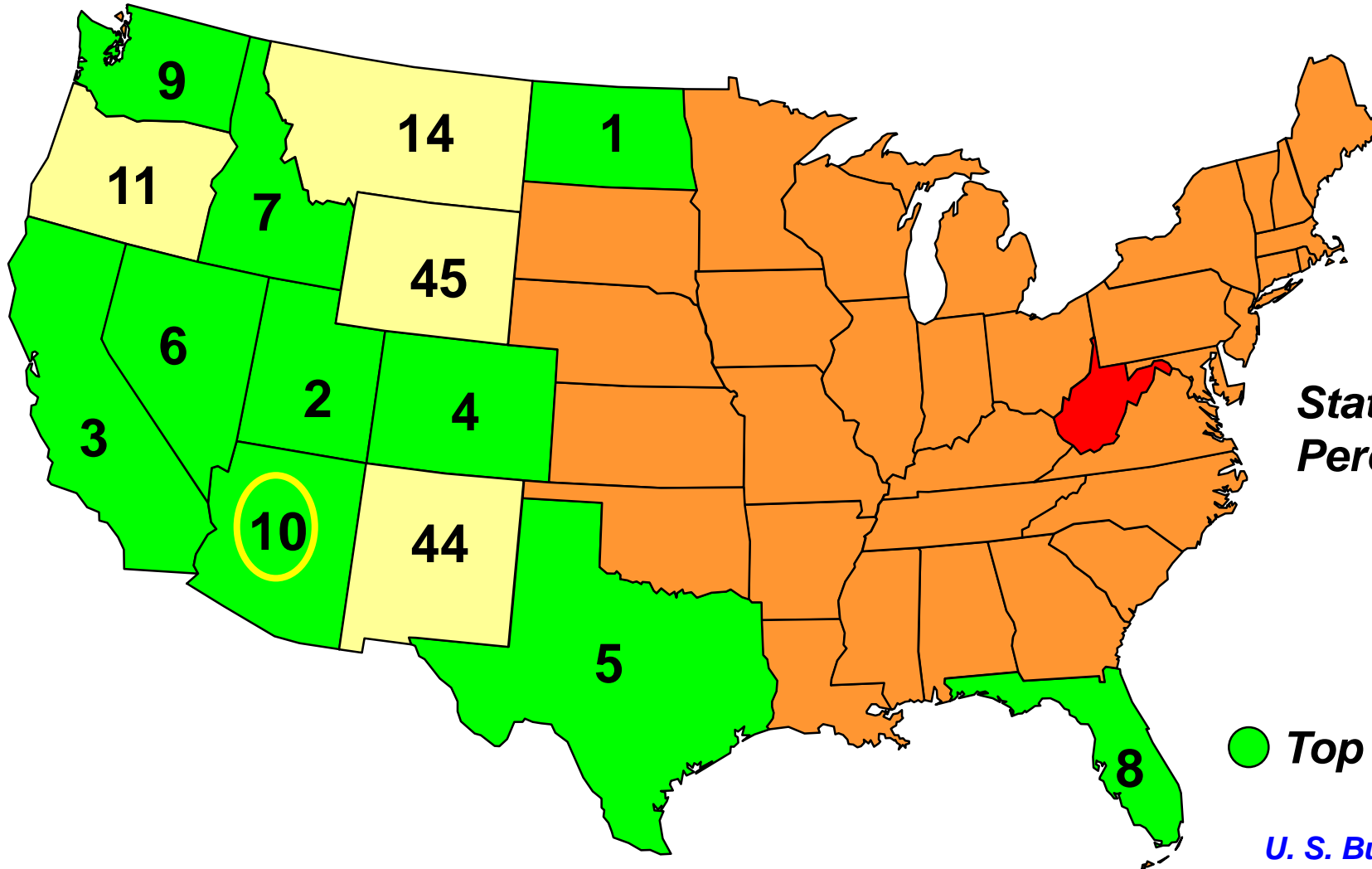


Prescott Job Growth To Date in 2014 is Faster (2.7%) Than Arizona and U.S. Pace



Arizona 10th in Job Growth in 2013

(AZ Jobs Up by 2.1% - 25 yr. Average is 3.9%)



*States Ranked by
Percent Change*

● *Top 10 Growth States*

U. S. Bureau of Labor Statistics

Latest Arizona Job Rankings

Ranked by Year-to-Date Growth: August 2014

Arizona Industry	% Growth	U.S. Rank
Overall Job Growth	1.9	16
Health Care	3.4	4
Financial Sector	4.6	5
Retail Trade	2.3	14
Food Services	3.5	20
Manufacturing	-0.1	35
Government	-0.6	35
Construction	-1.0	38

Latest Prescott Job Growth

Year-to-Date Growth Through August 2014

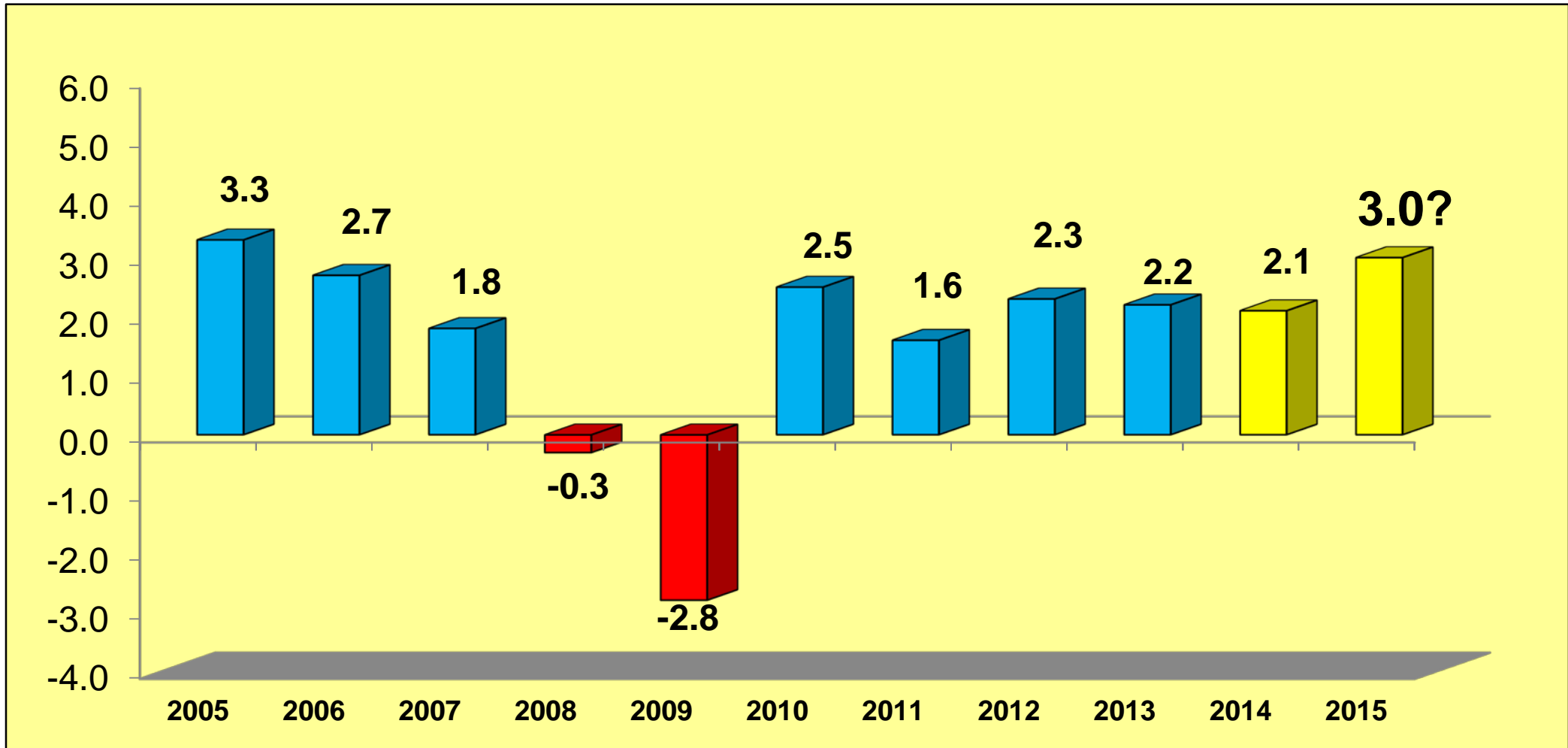
Arizona Industry	% Growth	Job Growth
Overall Job Growth	2.7	1,540
Health Care (+Pvt. Education)	3.5	370
Financial Sector	-5.1	-90
Retail Trade (+ Transport)	6.8	770
Leisure/Hospitality	1.3	100
Manufacturing	4.1	130
Construction (+Logging)	0.7	30
Government	2.8	290

U.S. Economic Outlook

Tight Fiscal Policy, Uncertainty, and Slow Global Growth Affect U.S. GDP

Indicator	2013	2014	2015
Real GDP Growth	2.2%	2.1%	3.0%
10 Year Treasury Note	2.4%	2.7%	3.3%
Inflation (CPI)	1.5%	1.9%	2.1%
Employment (Jobs)	2.3 mil.	2.6 mil.	2.6 mil.
Unemployment Rate	7.4%	6.2%	5.7%

3% GDP Growth? The Last Time GDP Grew By 3% Was 10 Years Ago!



U. S. Bureau of Economic Analysis

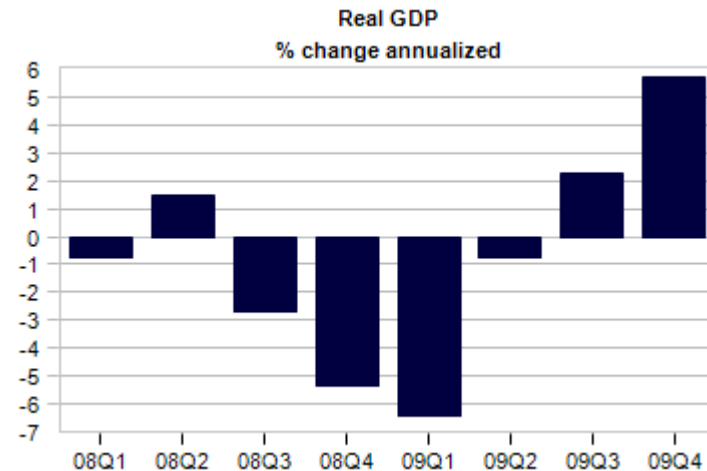
Can Anybody See What's Coming? Really?

Statement: December 2007

"To sum up the story on the outlook for real GDP growth, my own view is that, under appropriate monetary policy, the economy is still likely to achieve a relatively smooth adjustment path, with real **GDP growth** gradually returning to its roughly **2½ percent** trend over the next year or so, and the **unemployment** rate rising only very gradually to just above its **4¾ percent** sustainable level."



**Janet
Yellen**
Dec. 2007



GDP fell in five of the next six quarters and unemployment rose to 10 percent within two years

Arizona Outlook

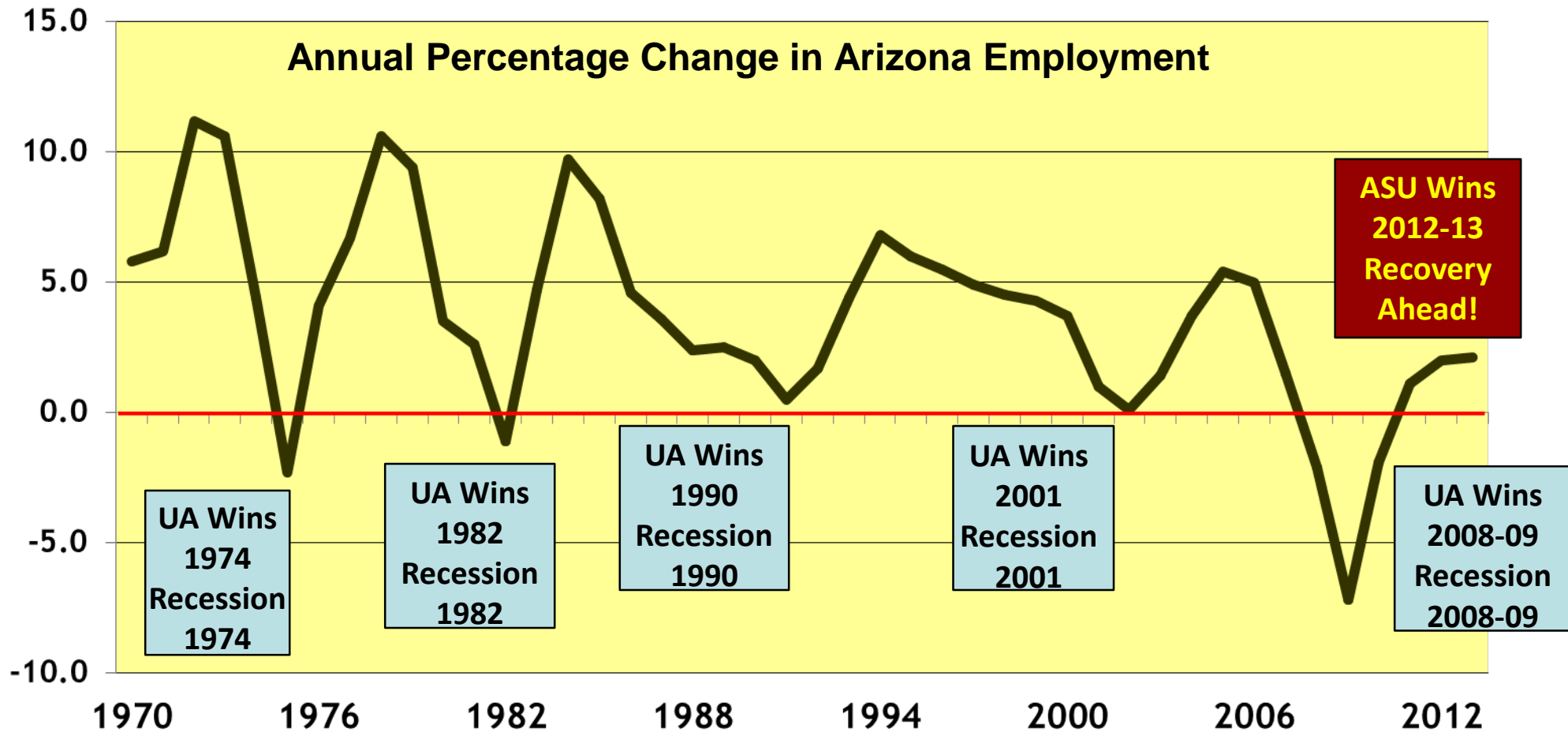
**Stronger gains
than the average
state...but below
the historical long
term “normal” pace
...an economy still
in recovery mode**



**Sharlot Hall
Arizona Frontier Historian**

Research Shows U of A Football Wins vs ASU Typically Associated With Arizona Recessions

(Association May Not Necessarily Imply Causation)



ARIZONA

Economic Outlook



Arizona Indicators	2013	2014	2015
Employment (%)	2.1	2.2	2.5
Unemployment (%)	8.0	7.0	6.2
Population (%)	1.2	1.4	1.5
Single Family Permits	18,386	17,500	20,125

W. P. Carey School of Business, ASU, based on data available September, 2014

Prescott

Economic Outlook



Prescott Indicators	2013	2014	2015
Employment (%)	1.5	2.7	2.8
Unemployment (%)	8.1	6.5	6.0
Population (%)	1.2	1.4	1.5
Single Family Permits	841	925	1,020

W. P. Carey School of Business, ASU, based on data available September, 2014

Arizona Jobs Grow At Half Speed

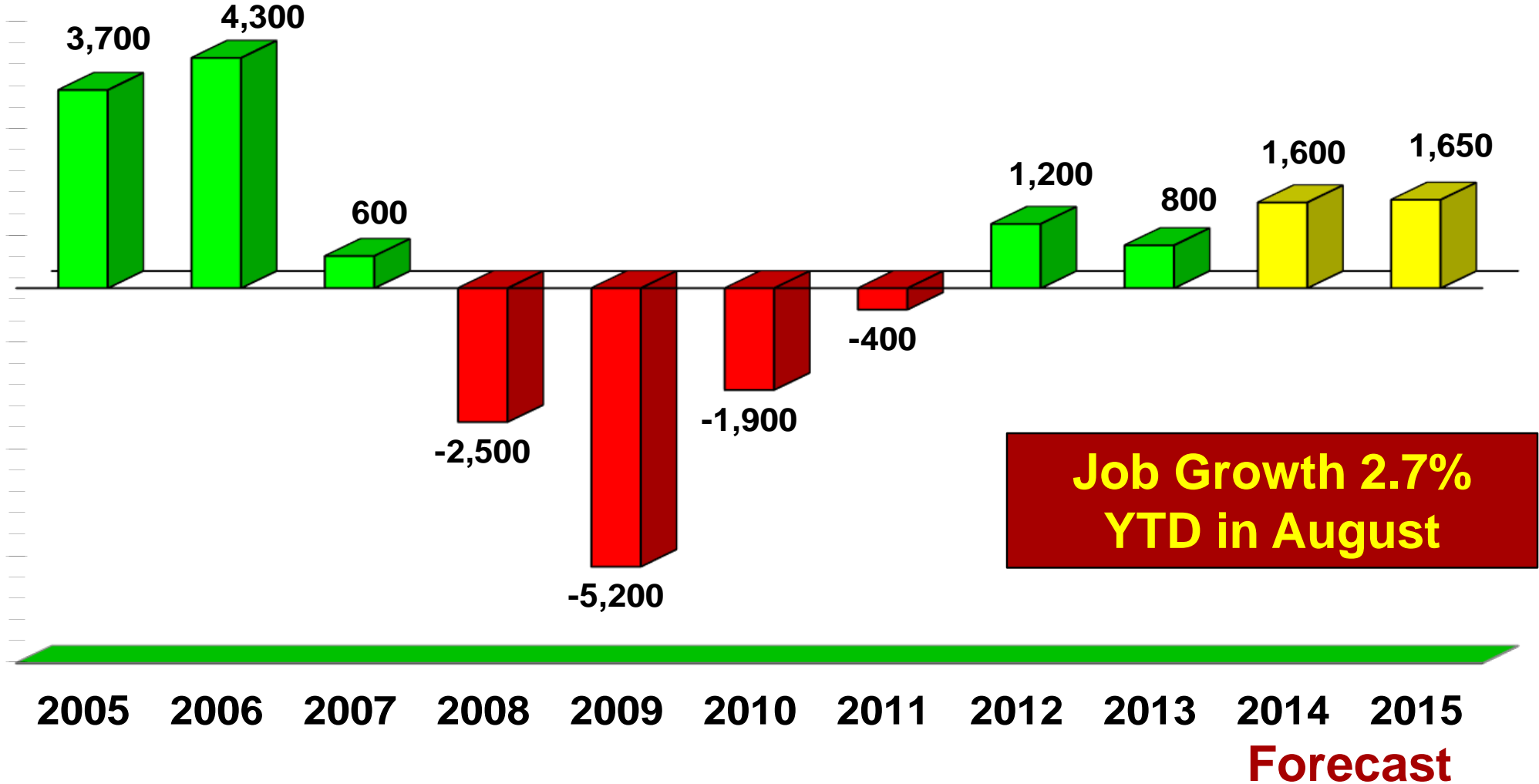
2 More Years to Regain 114,600 Lost Jobs

Annual Employment Change



Prescott Job Growth Improves in 2014

Annual Numeric Change In Prescott Employment



Prescott Unemployment at 6.7%

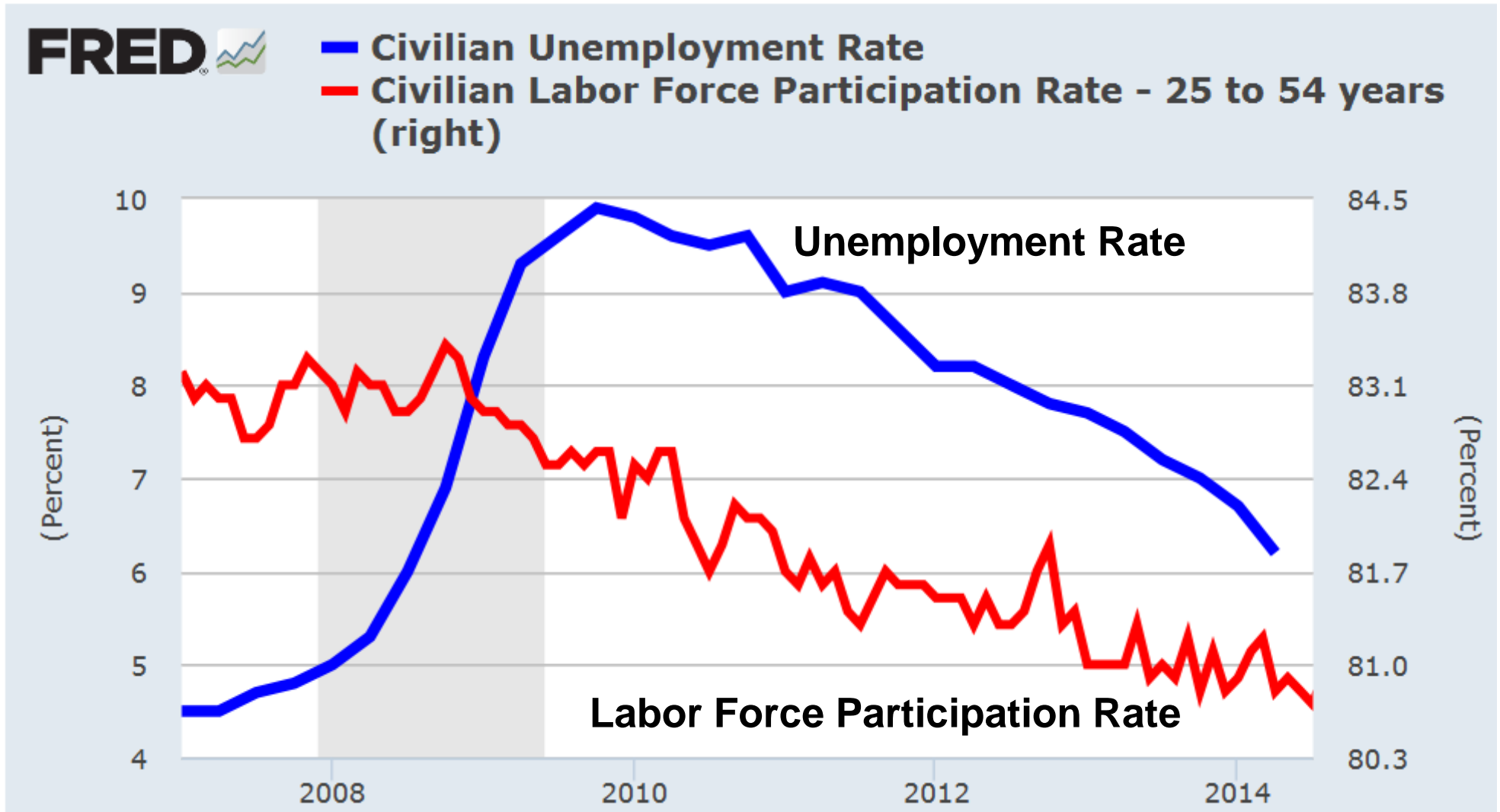
Region	Aug. 2014	Aug. 2013
USA	6.1%	7.2%
Arizona	7.1%	8.1%
Phoenix Metro*	6.3%	7.3%
Tucson Metro*	6.6%	7.5%
Prescott Metro*	6.7%	8.1%

US Bureau of Labor Statistics and AZ Dept of Administration

** unemployment rate not seasonally adjusted*

Unemployment Rate Falls If Workers Drop Out

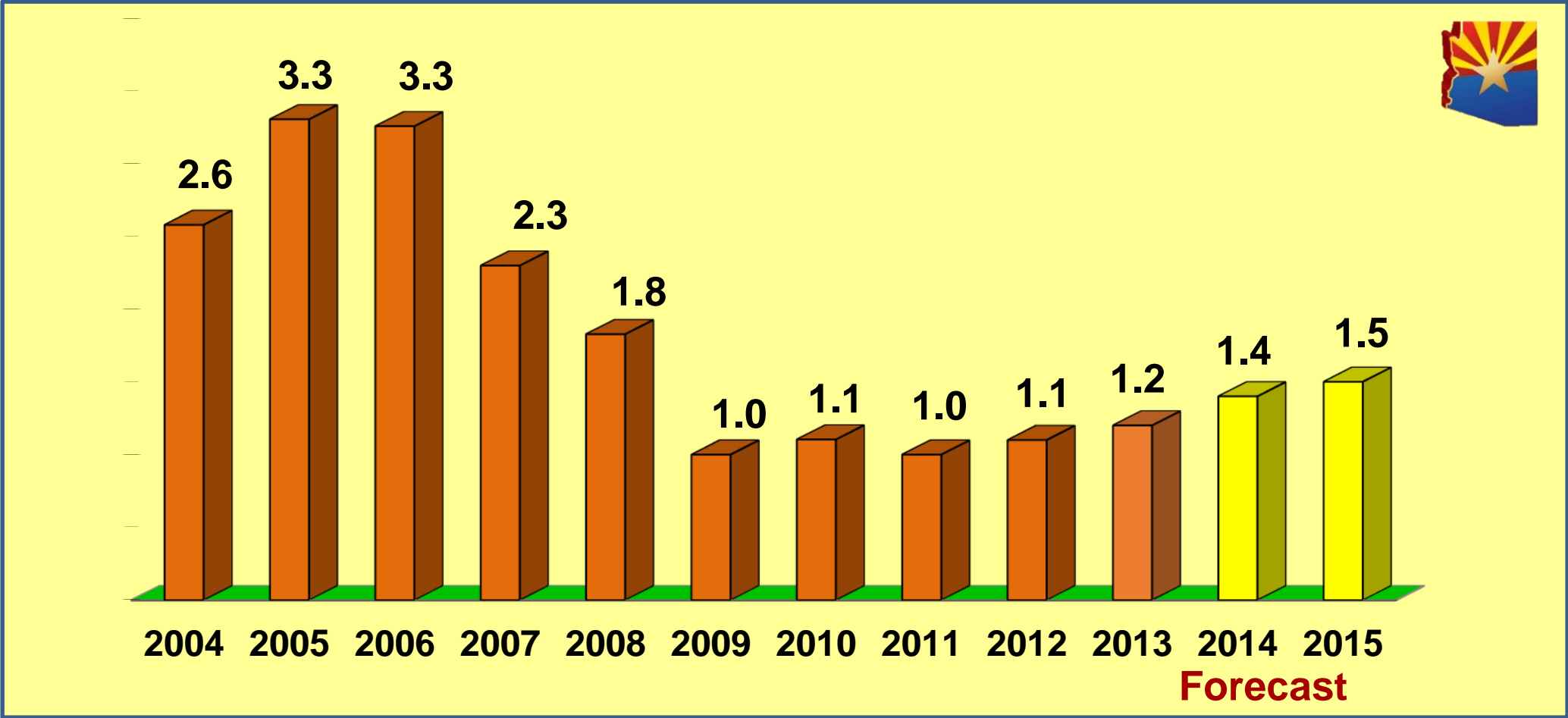
(U.S. Unemployment Rate vs. Participation Rate: 25 – 54 yrs)



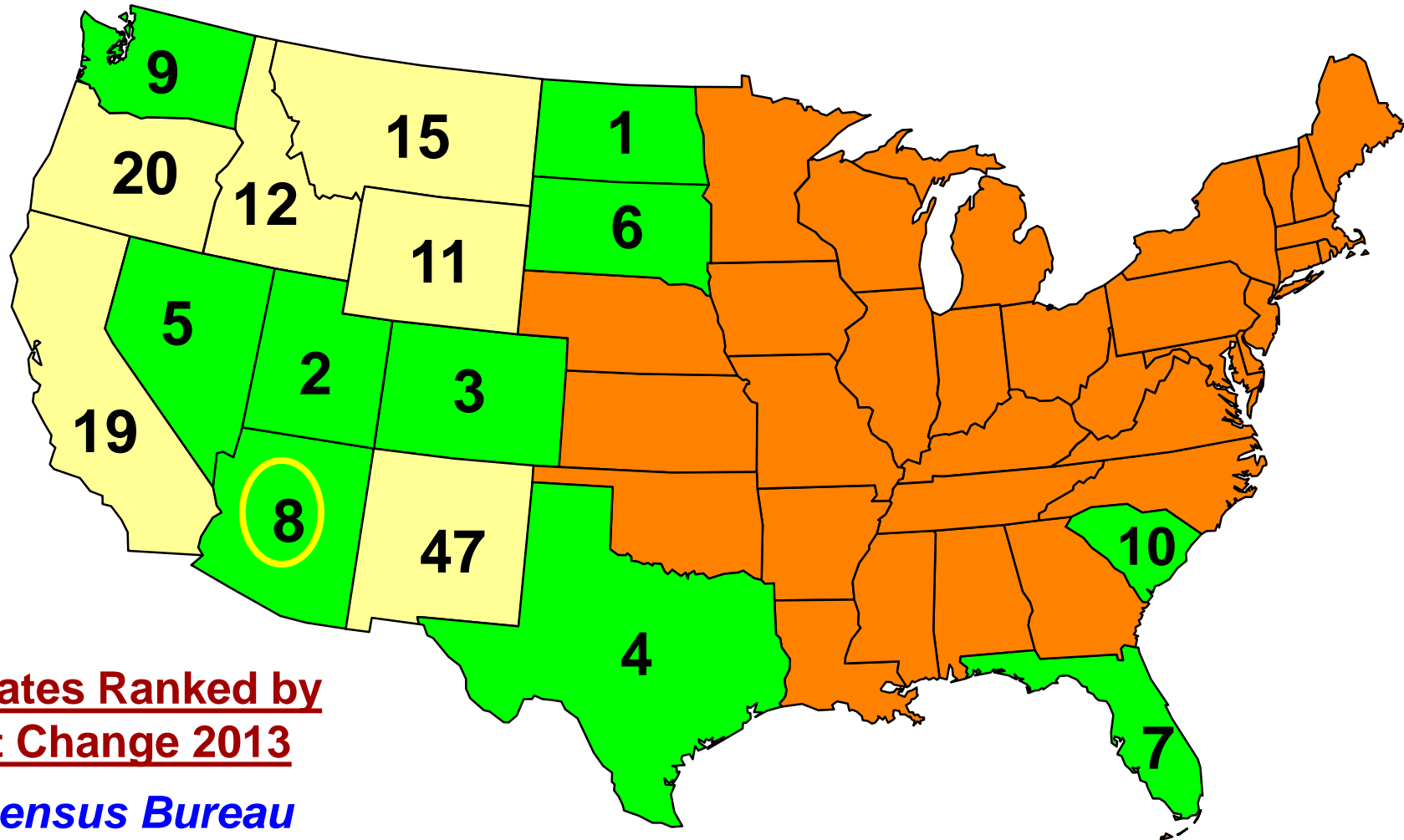
2014 Population Growth: 1.4%

Not Enough for Robust Recovery

Annual Percent Change



Arizona Ranked 8th (1.2%) in Population Growth in 2013

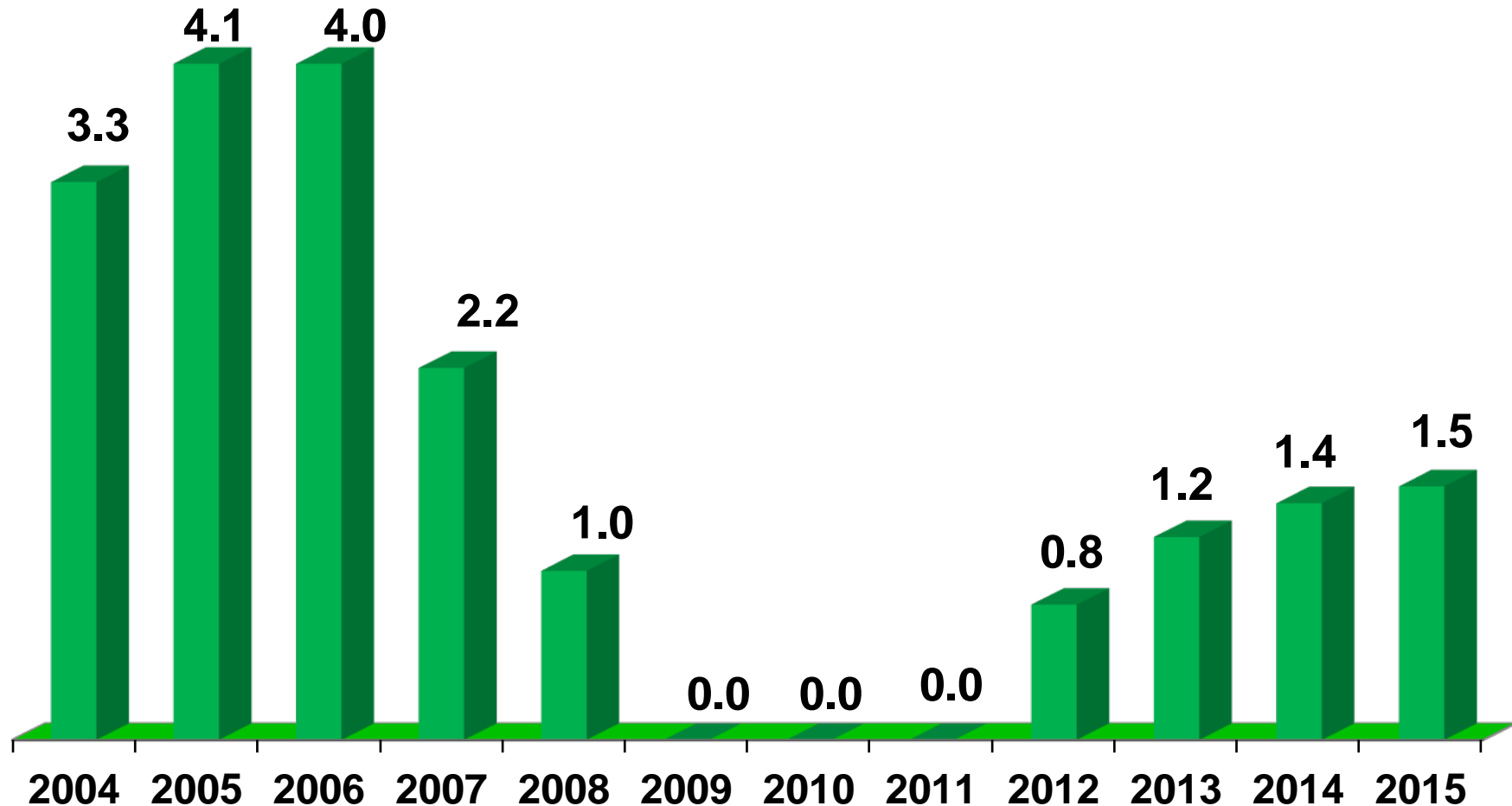


U. S. States Ranked by
Percent Change 2013

U. S. Census Bureau

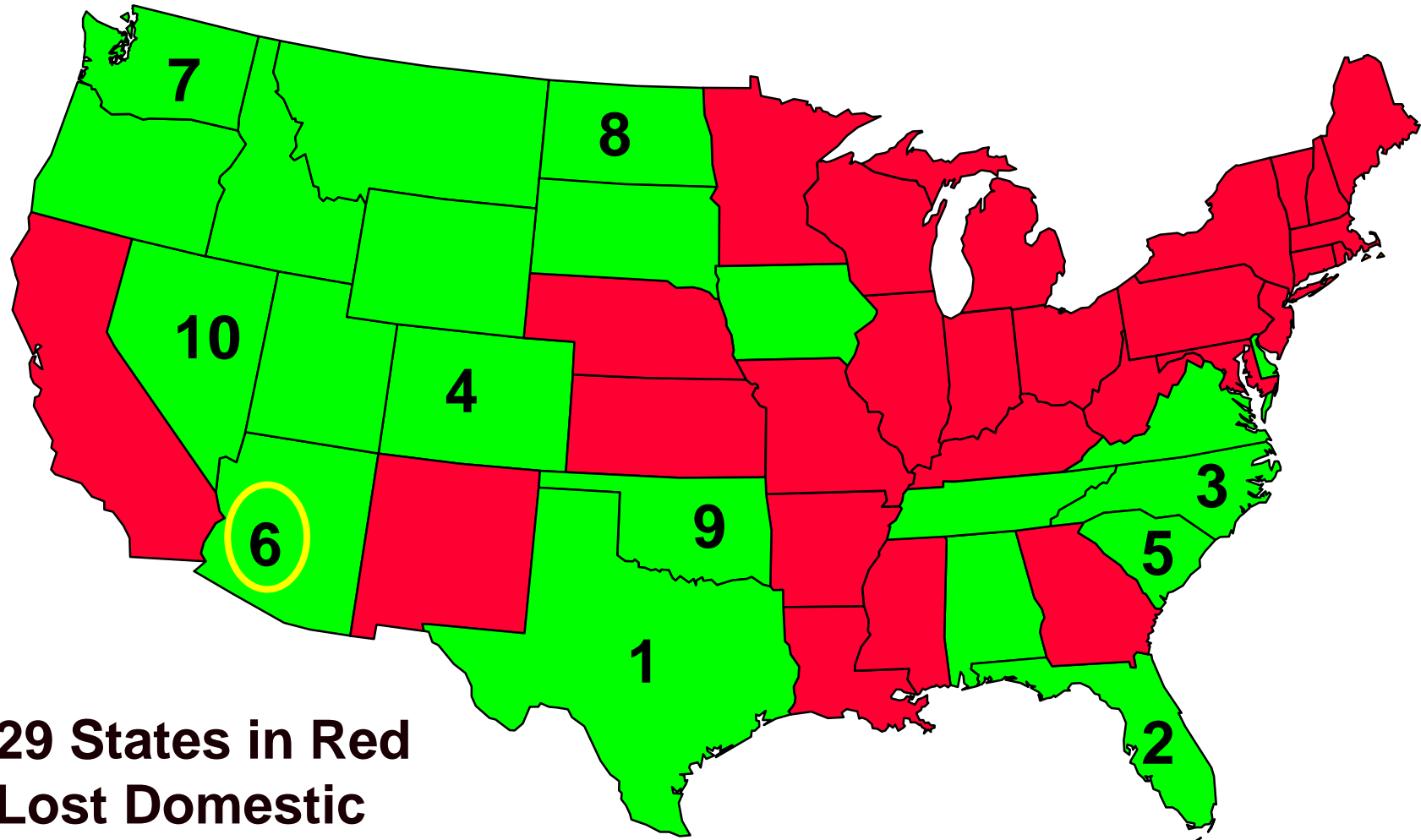
Prescott Population Growth: The Driver is Net Migration

Annual Percent Change



Forecast

Arizona 6th in Domestic Migration In 2013 – Down from 3rd in 2012



Alaska
Hawaii



29 States in Red
Lost Domestic
Population to 21 States in Green

U.S. Census Bureau

Phoenix 3rd as Domestic Migration Destination

(Gained 96,000 in 2006)

Top Ten Metro Destinations: 2013

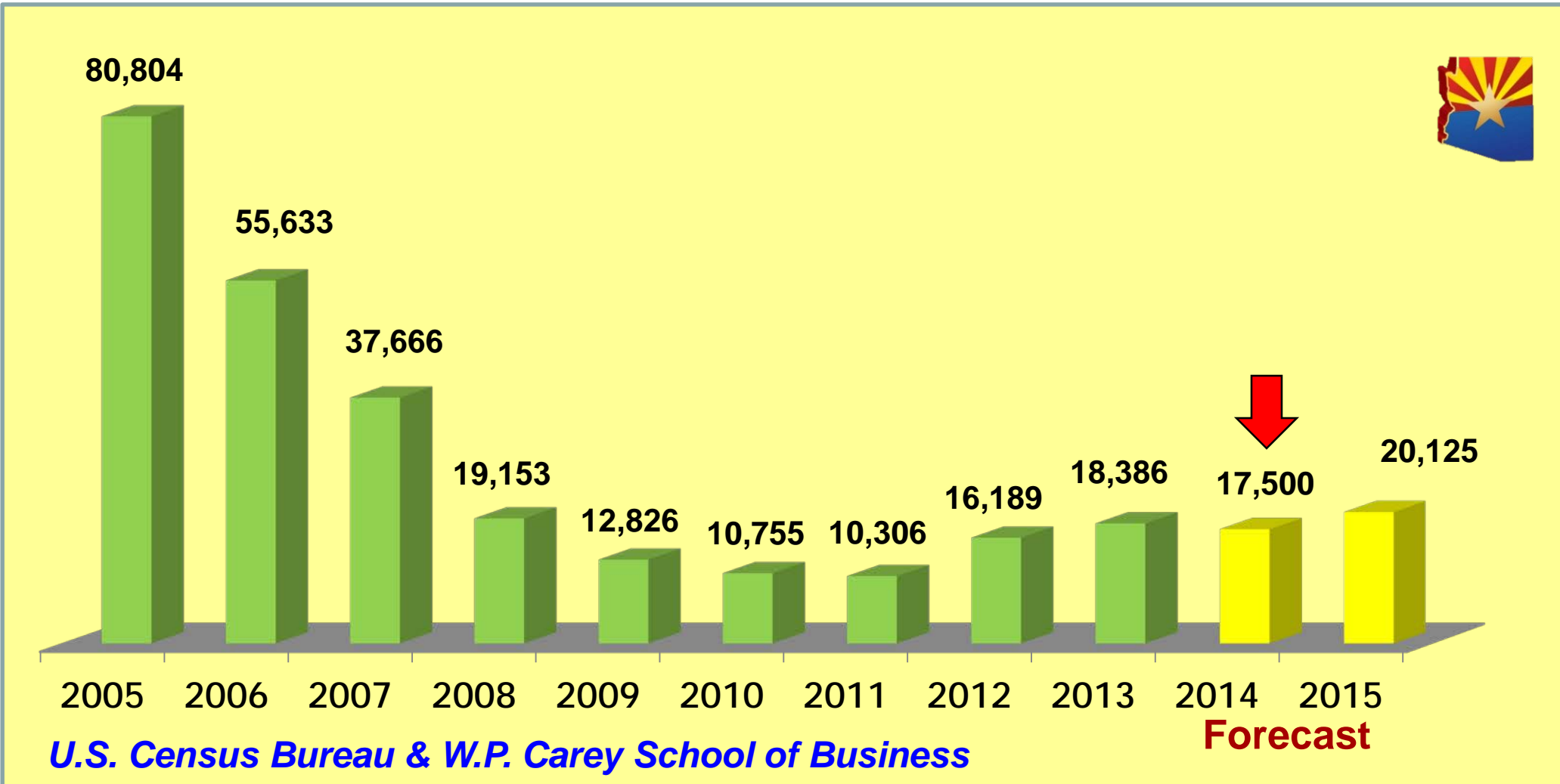
1. Houston (55,620)	6. San Antonio (22,392)
2. Dallas (32,641)	7. Charlotte (21,382)
3. Phoenix (32,014)	8. Nashville (17,975)
4. Denver (26,536)	9. Seattle (17,926)
5. Austin (25,908)	10. Orlando (17,316)

Arizona Net Migration : 2013

Metro	Total	Internat.	Domestic
Phoenix	40,451	8,437	32,014
Prescott	3,323	117	3,206
Tucson	774	1,754	-980
Lake Havasu	336	-1	337
Flagstaff	-342	72	-414
Yuma	-2,464	219	-2,683

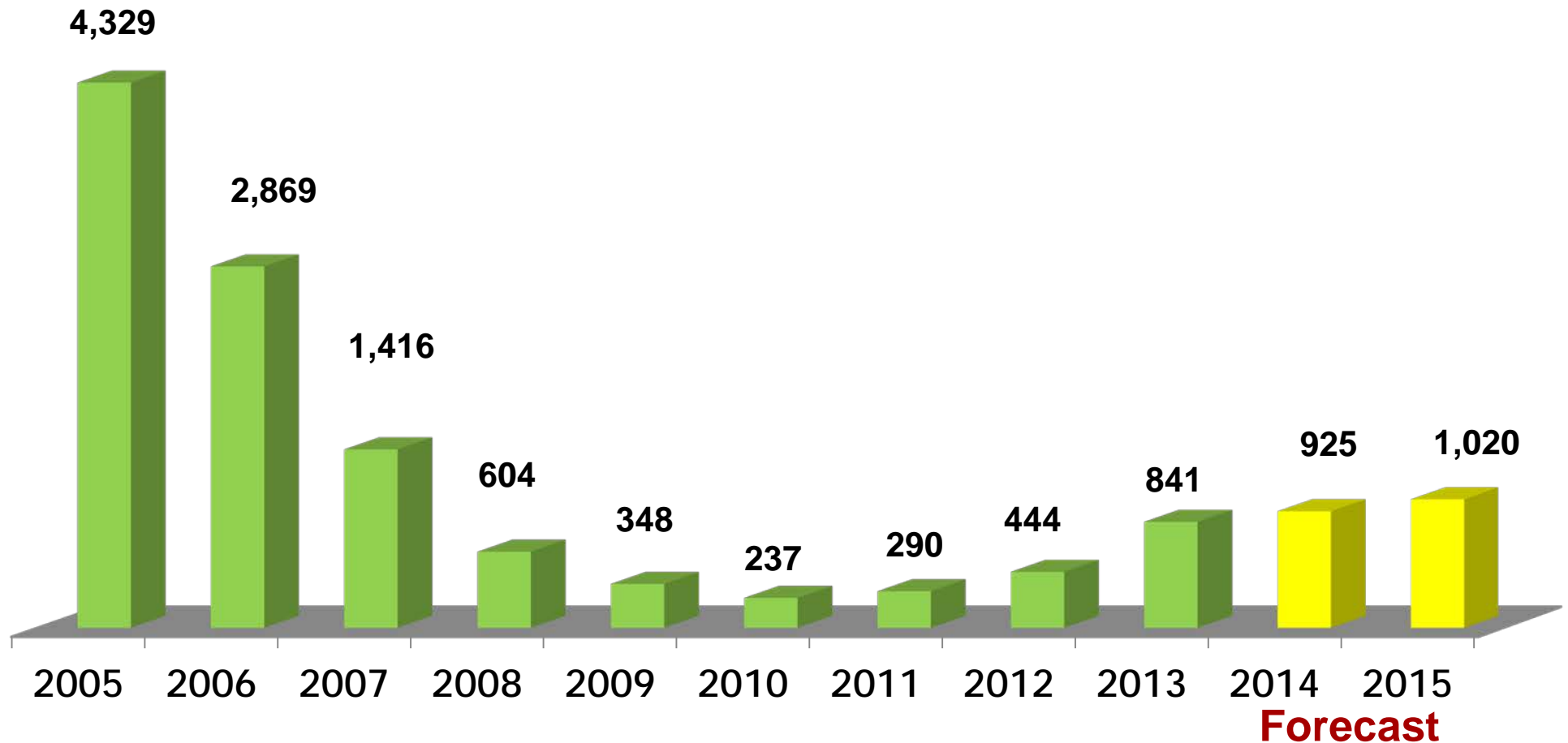
Arizona Home Building Slows Down

Single Family Permits Year-to-Date Down by 5%



Prescott Home Building Advances

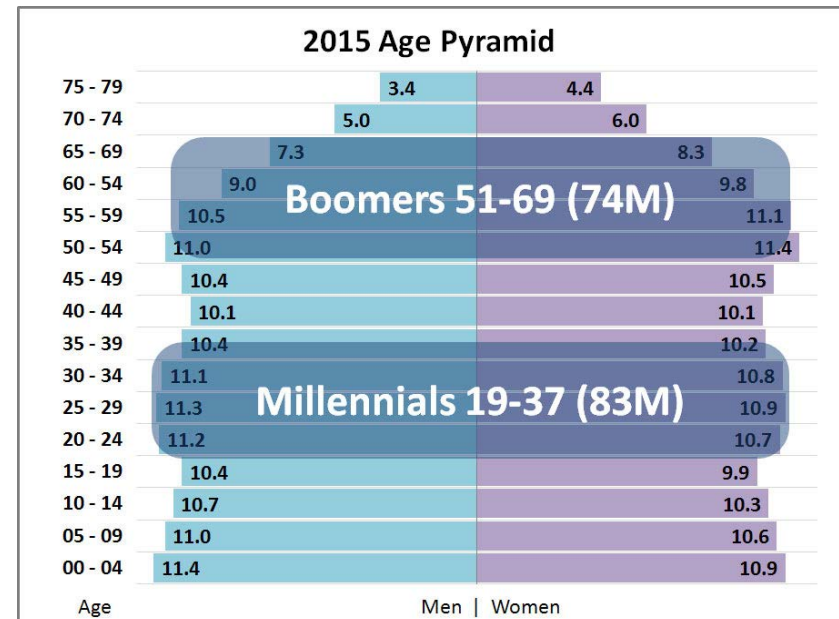
Single Family Permits Year-to-Date Up By 11%



U.S. Census Bureau & W.P. Carey School of Business

Millennials Replace Boomers

- Age 19 – 37 today; 39 – 57 in 20 years
- A larger group (83 mil.) than Boomers
- Millennials will dominate economy as Boomer group shrinks over time



Millennials Leaving Prescott Area?

10 places millennials are leaving fastest

Population change from 2007-2013

COUNTY, STATE	CITY / NEARBY CITY	MILLENNIALS POPULATION*	CHANGE IN POPULATION OF MILLENNIALS
Fayette, Ga.	Atlanta	15,608	-31.1%
Citrus, Fla.	Homosassa Springs	16,847	-26.9%
El Dorado, Calif.	Sacramento	29,288	-24.8%
Yavapai, Ariz.	Prescott	30,989	-22.6%
St. Clair, Mich.	Detroit	27,670	-22.3%
Livingston, Mich.	Detroit	30,262	-20.4%
DeKalb, Ill.	Chicago	29,234	-20.2%
Monroe, Mich.	Monroe	27,133	-19.2%
Monroe, Pa.	East Stroudsburg	29,889	-18.6%
Orange, N.Y.	Poughkeepsie	72,552	-18.5%

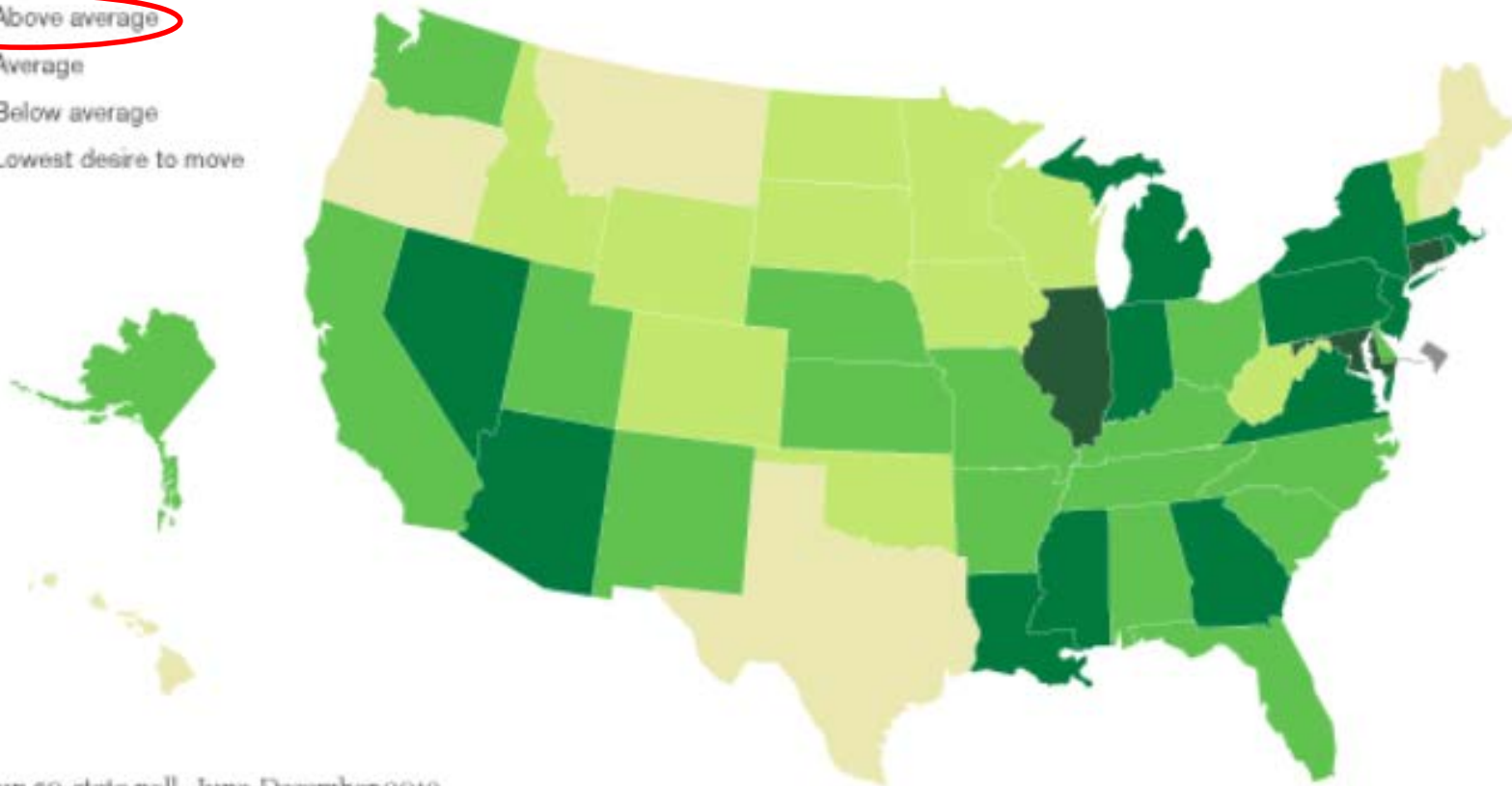
*As of 2013

Source: RealtyTrac

Many Arizonans Want to Move

State Residents' Desire to Move to a Different State

- Highest desire to move
- Above average
- Average
- Below average
- Lowest desire to move



Gallup 50-state poll, June-December 2013

Note: No data available for the District of Columbia

GALLUP

Arizona Economic Outlook Summary

- **2014 - better than most states - but 8th lean year of subpar Arizona growth**
 - **Indicators show “not out of the woods”**
 - **Still 2 – 3 years before full recovery**
 - **Major risk is continued ineffective growth policies at national level**
-

Arizona Advantages for Economic Development

- **Pro-growth economic setting**
- **Competitive tax structure**
- **Affordable space, labor, housing**
- **Relatively new infrastructure**
- **National brand needs tune-up**

Media Obsessed With Arizona

- MLK Day History
- Foreclosures
- Sale of State Buildings
- Fast & Furious
- Fiesta Bowl Politics
- Border Issues
- SB 1070 Publicity
- SB 1062 Backlash
- Can Super Bowl Help?



**So...what
became of
the wolf ...
and the girl...
in the woods?**



All is Well that Ends Well...



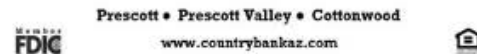
ECONOMIC UPDATE & OUTLOOK

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ARIZONA STATE UNIVERSITY

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