



**You Heard It Here First:
Less Dreadful Times
Ahead!**

To:
CAAG



By:
Jim Rounds, Senior Vice President
Elliott D. Pollack & Company

February 16, 2011

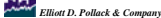


Case Study:

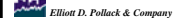
**Arizona, the
recession
“poster child.”**

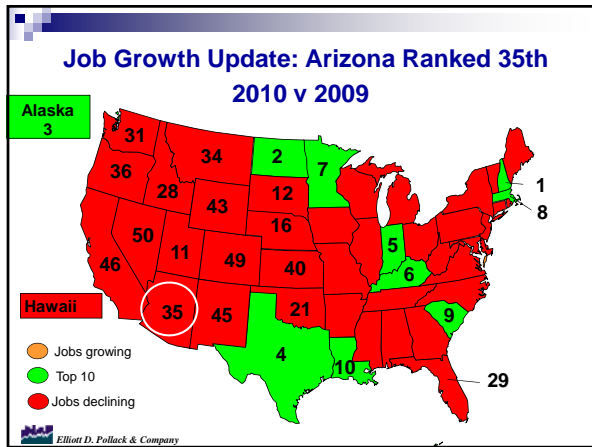
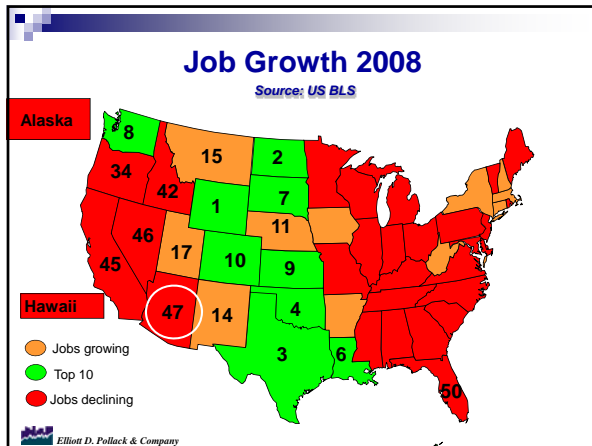



**It all comes down to
supply/demand
and
pop/employ growth.**



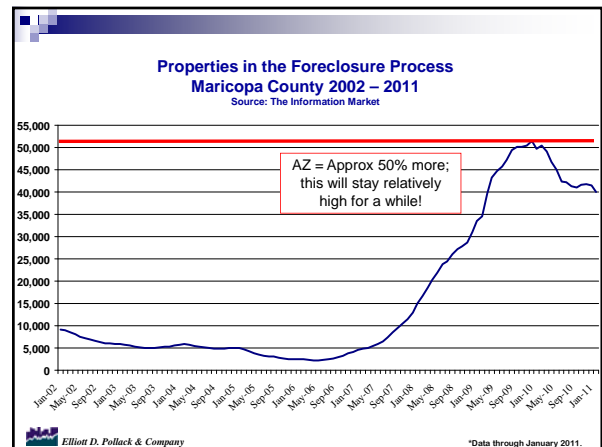
**A strong rate of
growth does not
mean we have
recovered.**

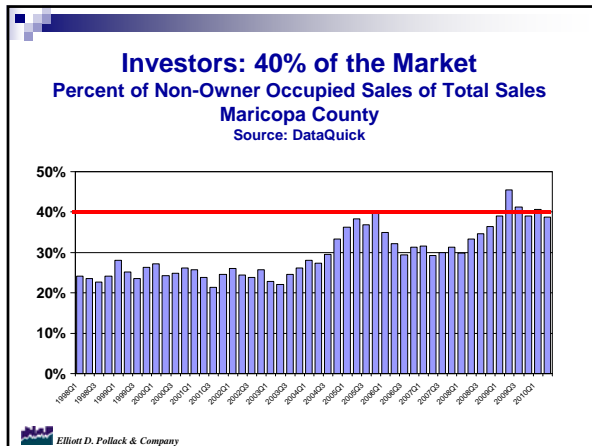


Real estate problems will continue...
 (principles hold for all areas)

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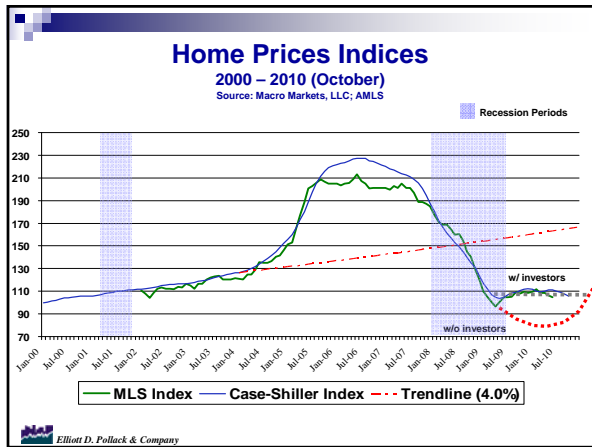




How Investors Impact the Market:

- Temporarily increase housing demand.
- This puts upward pressure on prices.

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Negative Equity in Homes Affects Ability to Sell or Buy

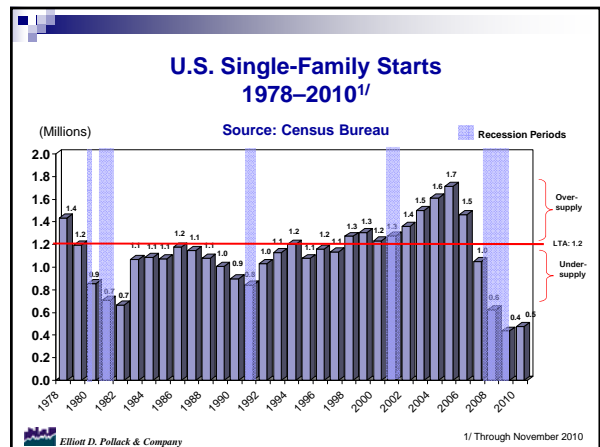
Source: First American Core Logic

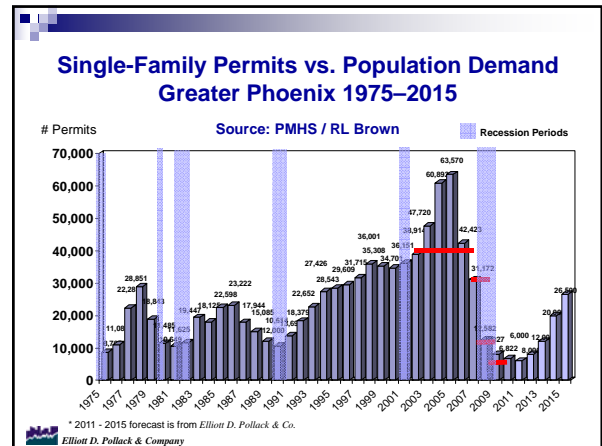
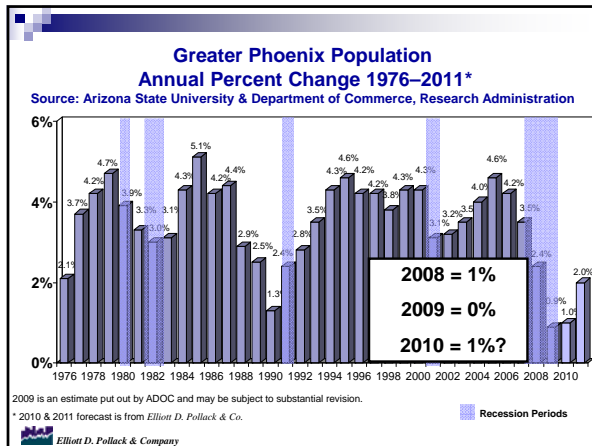
51% of homes in Arizona have negative equity.
(national average 23%).

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But it's also about supply...

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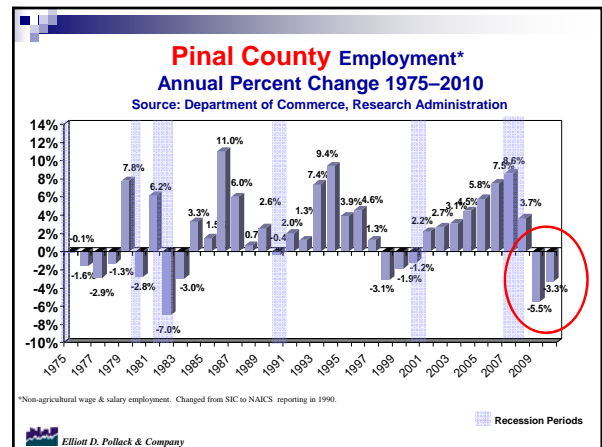
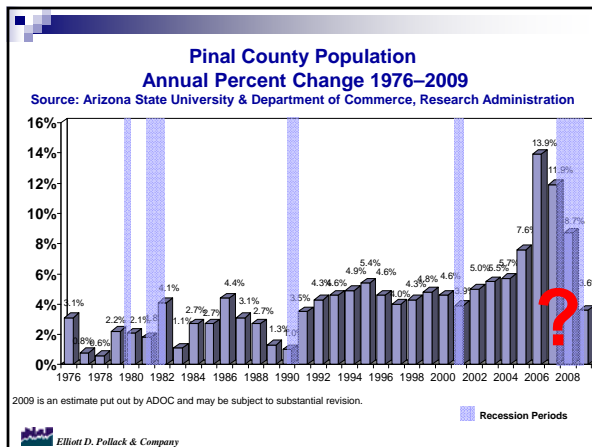
Single Family Permits Forecast (GP) 2011 – 2015

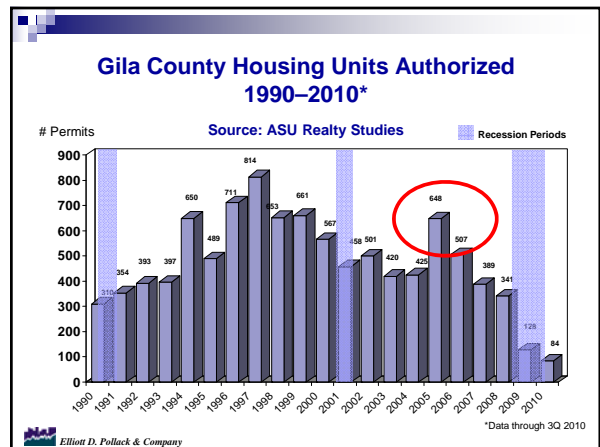
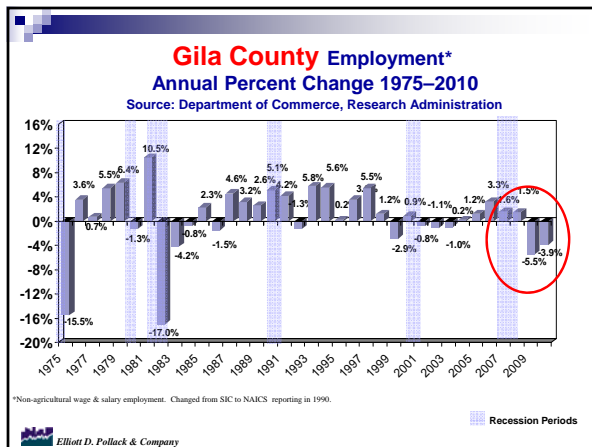
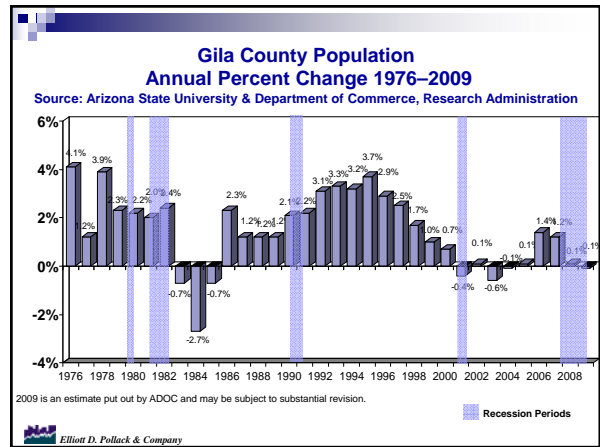
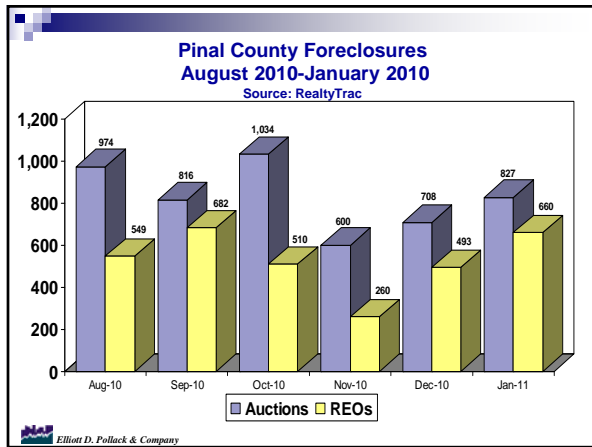
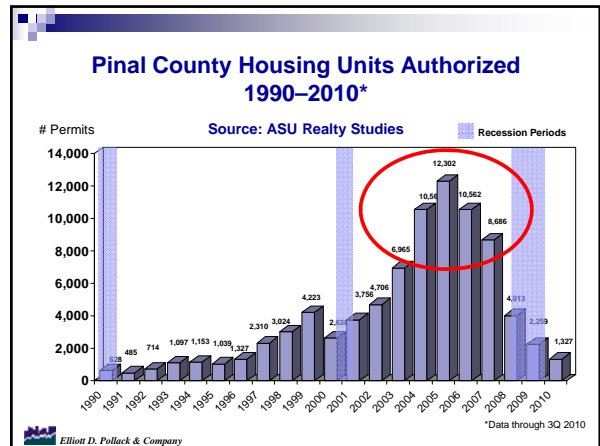
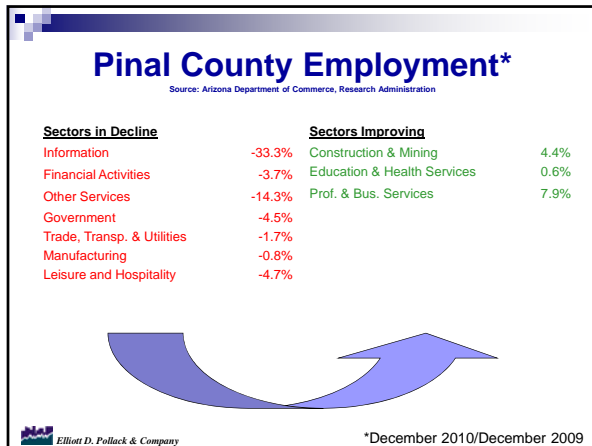
| Year | EDP Current Forecast | % Chg from Previous | U of A Current Forecast | % Chg from Previous |
|------|----------------------|---------------------|-------------------------|---------------------|
| 2011 | 6,000 | -40.0% | 12,080 | -28.5% |
| 2012 | 8,000 | -33.3% | 19,433 | -30.2% |
| 2013 | 12,000 | -11.1% | 26,676 | -26.2% |
| 2014 | 20,000 | 0.0% | 33,750 | 15.5% |
| 2015 | 26,500 | 0.0% | 41,868 | -2.5% |

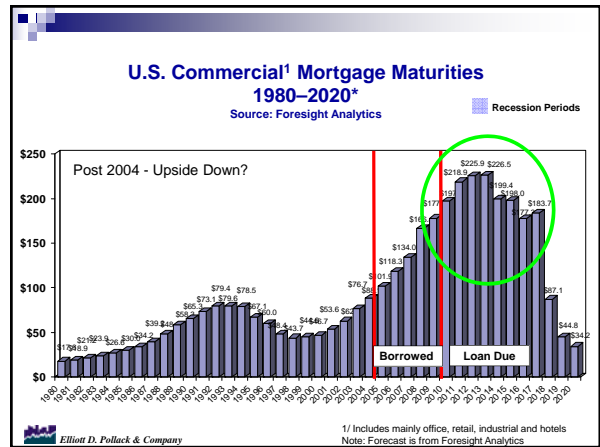
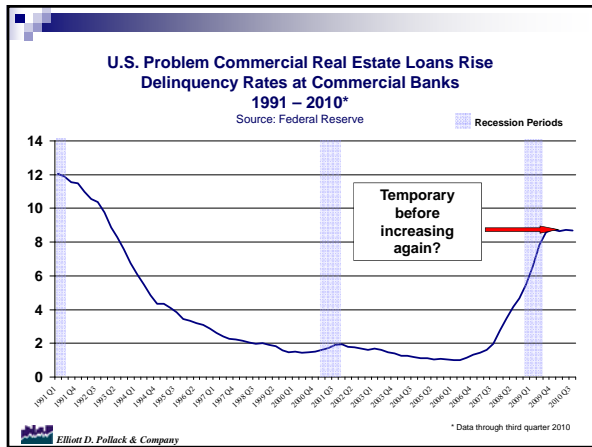
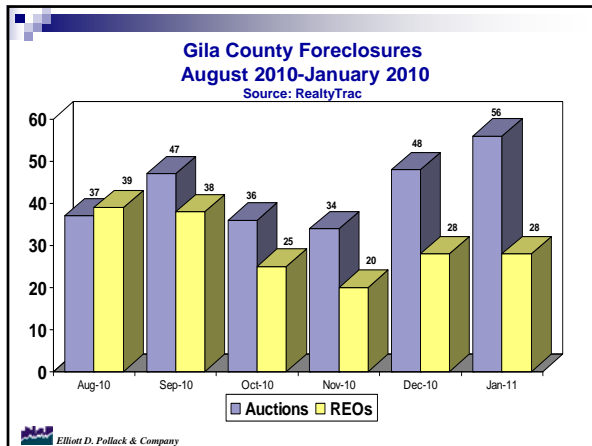
Source: Elliott D. Pollack & Company

CAAG Regions

Source: Elliott D. Pollack & Company







Commercial Summary:

For 2011 flat is the new up;
up is wishful thinking.

Greater Phoenix Forecast 2011 - 2012

| Indicator | 2009 | 2010(e) | 2011(f) | 2012(f) |
|----------------------------------|--------|---------|---------|---------|
| Population | 0.9% | 1.0% | 2.0% | 2.3% |
| Employment | -7.9% | -1.0% | 2.0% | 3.5% |
| Retail Sales | -10.6% | 0.0% | 5.0% | 8.0% |
| Personal Income | -3.5% | 2.5% | 4.0% | 5.0% |
| Building Permits (Single Family) | 36.2% | -15.0% | -12.0% | 33.0% |

AZ Summary:

Lagging the US in terms of full recovery; but leading the US in terms of rates of growth.

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CAAG Summary:

Don't expect noticeable growth until much later in the decade.

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CAAG Summary:

You should consider adjusting your forecast downward.

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