



Arizona

# 19th Annual TRENDS DAY

PERKINScoie  
COUNSEL TO GREAT COMPANIES

## ECONOMIC OUTLOOK



### Peter Ricchiuti

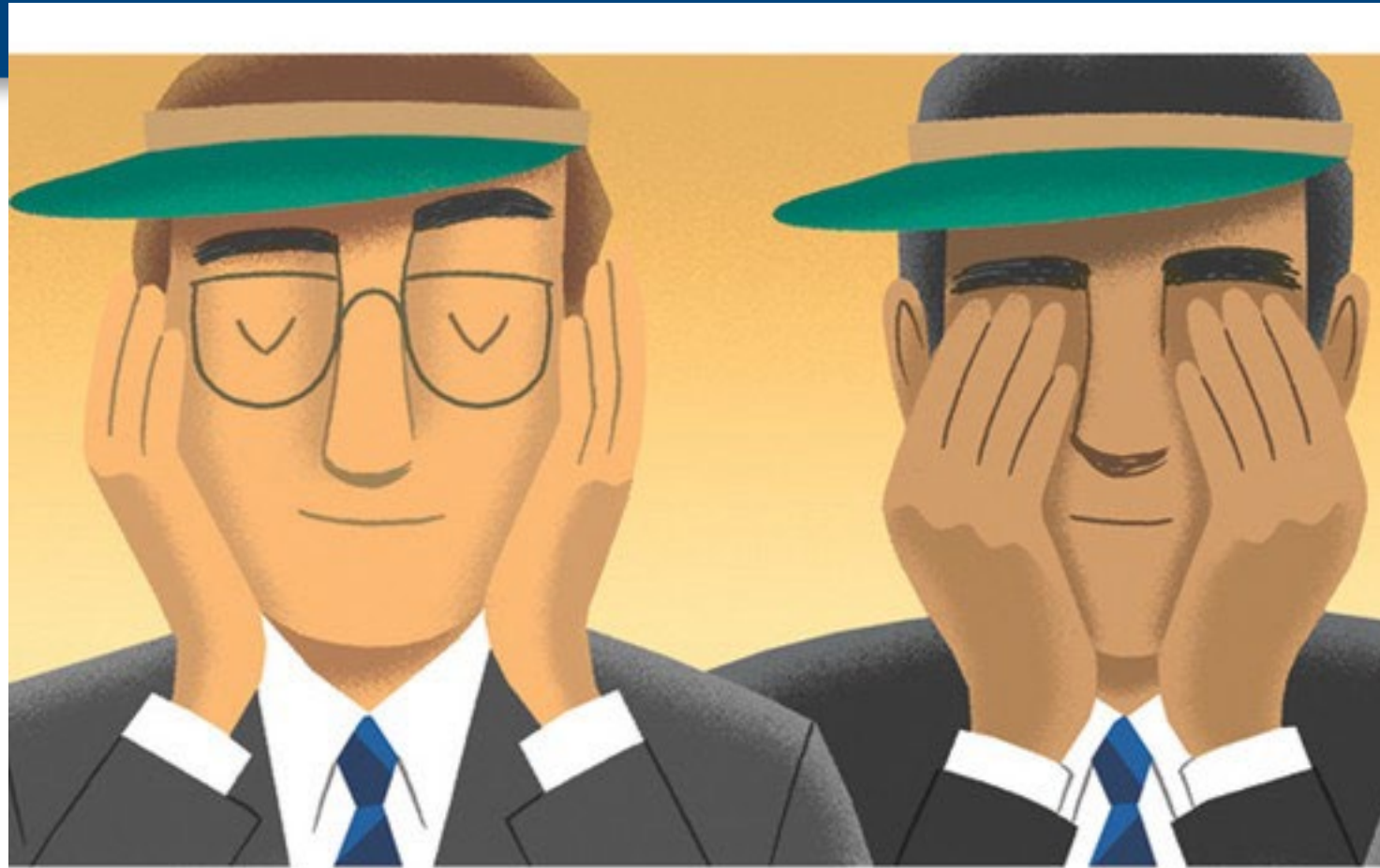
Director, Burkenroad Reports; Senior Professor of Practice, A.B. Freeman School of Business, Tulane University

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#ULIAZTrends

# MARKET SIGNALS



Peter RICCHIUTI

# DISCLAIMER

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## BEAT MIKE

### CELEBRITY STOCK PICKERS



1.	Peter Rischlud	18.30%
2.	Mary Judice	6.87%
3.	Mike Ditka	4.36%

### LEADERS IN THE LOUISIANA STOCK-PICKING CONTEST .

RANK	PLAYER	% GAIN
1.	Troy Sampay	25.40%
2.	Darryl Boykins	24.88%
3.	Jason Nunnally	23.09%
4.	Theodore Heine	22.81%
5.	Harold Rienstra	22.50%
6.	Stephen Eustis	22.38%
7.	Melvin Harrison	22.13%
8.	Robert Knight	22.02%
9.	Jefferey Wilson	21.91%
10.	Melissa Holmes	21.77%
11.	Charisse Zanca	21.75%
12.	Evans Blanchard	21.66%
13.	Garry Gregory	21.64%
14.	Daoping Zhang	21.52%
15.	Joachim Fernandez	21.47%
16.	George Guzzardo	21.42%
17.	Ronald Landry	20.80%
18.	Frank Gurintano	20.68%
19.	Jeff Stern	20.69%
20.	Mark Hightower	20.55%



# PANDEMIC EFFECTS

- Simpler Supply Chains
- On-Shoring (US, CA and MX)
- -BUT, not necessarily more jobs
- Higher Inventory Levels
- Costs AND RESILIENCE
- Succession Plans

# HOUSING TROUBLES

## DEMAND.

- -High Interest Rates
- -Buyers Can't Afford The Monthly Note

## SUPPLY.

- -People STUCK In Their Homes
- -We're Short About 400,000 Contractors
- -We Need To Build 5 Million More Homes



# COMMERCIAL BUILDING

- Muted Outlook After Near-Death Experience In 2023
- Valuation Recalibration Of Sorts For Offices, Multifamily, Industrial And Retail Properties
- Office Sector Will Continue To Face The Most Strain.
- Declining Inflation And Interest Rates Give Reason For Hope

-Moody's Analytics

# ONE YEAR

- Nasdaq 100 +43%
- S&P 500 +20%
- Dow Jones +19%
- Russell 2000 +4%

-January 19, 2023

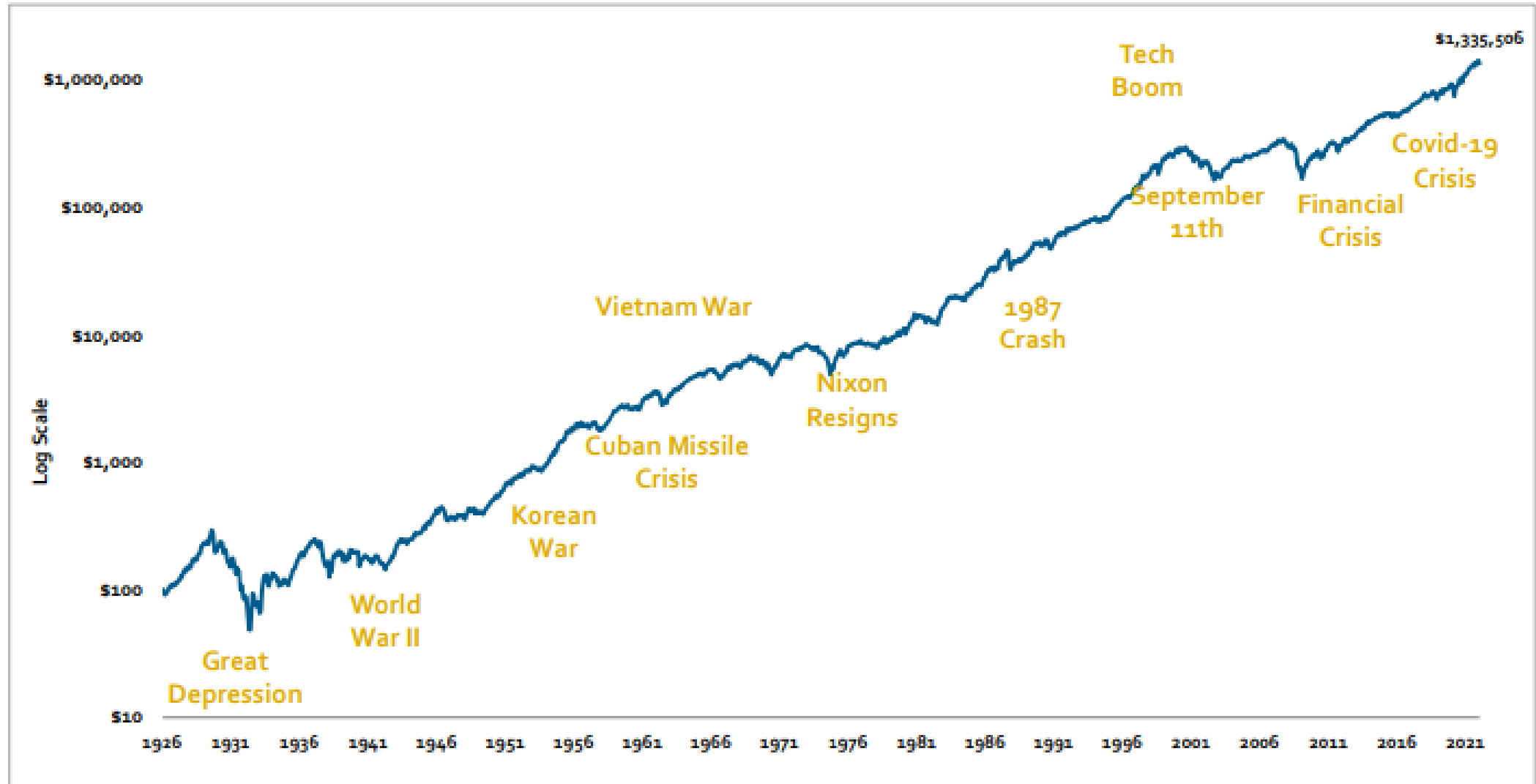
# WHY I LIKE SMALL CAPS



- ❑ Faster growth and higher historical long-term returns
- ❑ Management often owns a lot of shares
- ❑ More flexible as economic winds shift
- ❑ More likely to be bought out.
- ❑ Generally, more domestically focused
- ❑ Catalysts can “move the needle” for the company

# Over the Long Term, S&P 500 Has Grown Despite Negative Events

S&P 500: Growth of \$100  
January 1926 – January 2022



# HONEY, THEY'VE SHRUNK THE STOCK MARKET

*1990:*

8000 Publicly Traded Companies

*2023:*

3800 Publicly Traded Companies

# It's Easy to Let Emotions Get in the Way

Having a plan and sticking to it can help you avoid common mistakes such as buying and selling at the wrong time out of panic or exuberance.



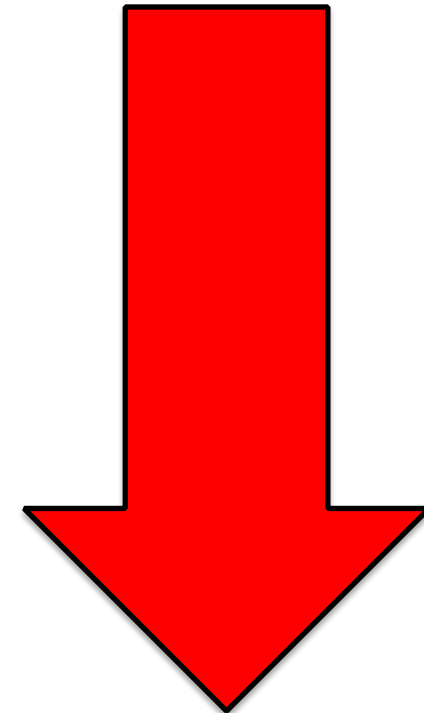


A white rectangular pillow with red cursive text. The text is arranged in two lines: "This Time" on the top line and "It's Different" on the bottom line. The pillow is set against a dark blue background.

*This Time  
It's Different*

# INFLATION TREND

- June 2022 9.1%
- January 2024 3.1%



# FUEL GAUGE



# PROJECTIONS

- INFLATION                      Now: 3.1%      2024: 2.5%
- GDP                                Now: 4.8%      2024: 1.5%
- UNEMPLOYMENT              Now: 3.7%      2024: 4.7%
- INTEREST RATES      Now: 4.25%      2024: 3.0%

# ENDING INFLATION



# U.S. LEADERSHIP

The U.S. is becoming a science-led economic juggernaut.

Energy, Technology, Life Sciences.

Although SOMEHOW science skeptics get all the attention; climate change, vaccinations....even the group that thinks we staged the moon landing.

# THEN AGAIN ...



# PROFITS COUNT, A LOT!

Over The Long Run, Stock  
Prices Move In Line With  
Corporate Profits

*Source: Standard & Poor's*





# TRUTHINESS

A company's success will be reflected in its stock price.

**Eventually.**

# ANNUAL S&P 500 EARNINGS

- 2024E - \$250
- 2023E - \$225
- 2022 - \$130
- 2021 - \$198
- 2020 - \$140
- 2019 - \$163
- 2018 - \$162
- 2017 - \$132
- 2016 - \$118
- 2015 - \$118
- 2014 - \$117
- 2013 - \$110

# ENERGY THOUGHTS

- Oil Demand Issues
  - Alternative fuels
  - Fuel efficiency
  - Ride-sharing
  - Electric cars
  - (70% of oil is used for transportation)



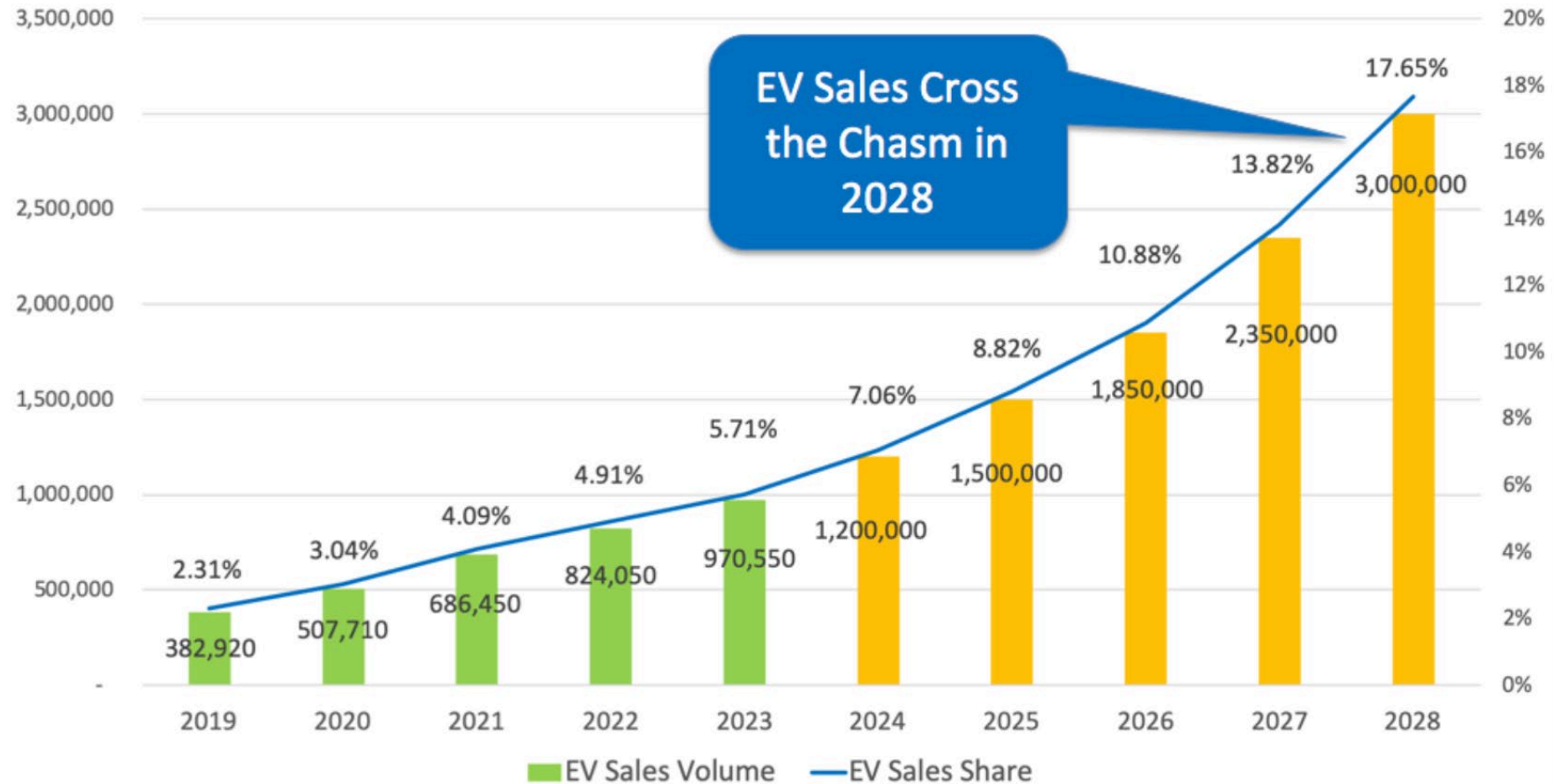
# PEAK OIL DEMAND

- **There's A Big Difference Of Opinion**
- International Energy Agency Says It's In 2030.
- Exxon and Aramco Believe It's About 2058.

# ELECTRIC AVENUE

## US Electric Vehicle Sales Forecast: 2019-2028

Forecast & Chart: Loren McDonald/EVAdoption.com



**If you're in a rural area and  
see signs like this**



**Chance of finding a EV charging station are  
very slim**

# DISTINCTIONS

- Electricity is generated by; natural gas, coal, solar, wind...
- BUT, planes, trains, (and boats), and automobiles are nearly entirely fueled by oil.

*Oil doesn't create electricity.*



# COAL MUSEUM



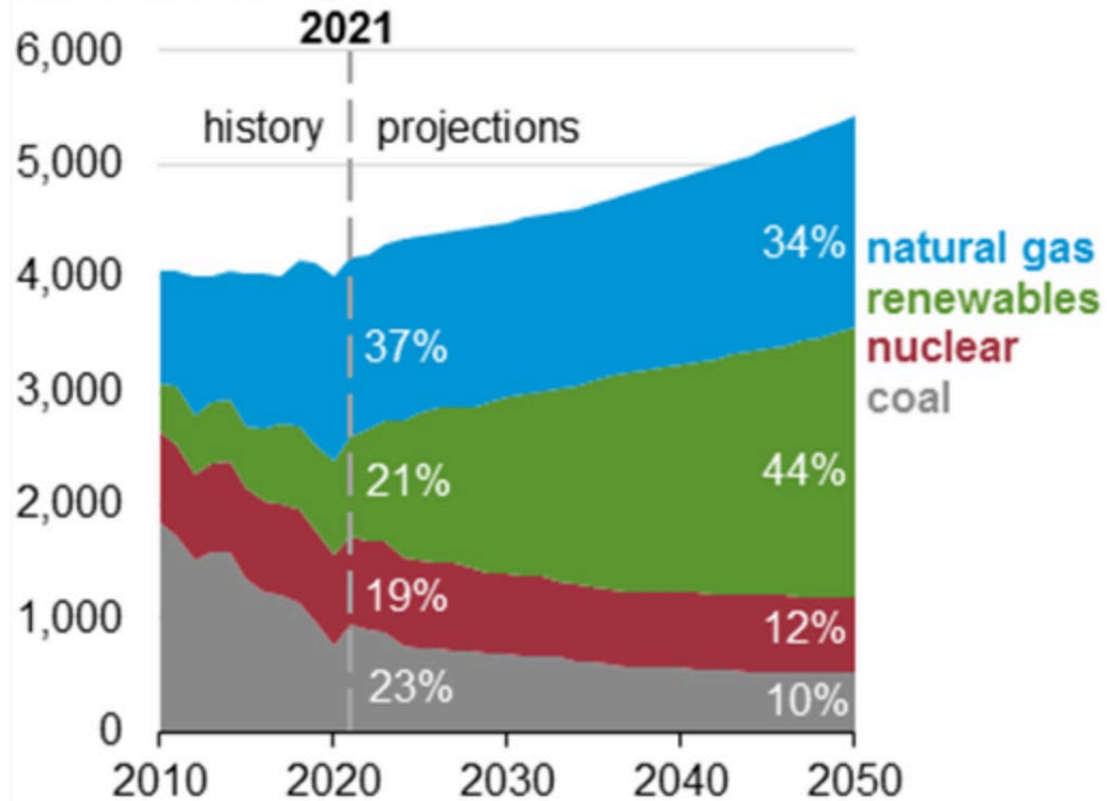
Source: The Louisville Courier, April 2017



# FUTURE FUEL

**U.S. electricity generation from selected fuels**  
**AEO2022 Reference case**

billion kilowatthours



# LNG

LNG is clearly the “game-changing” part of energy both today and tomorrow.



# THE STOCK MARKET

- The Stock Market Is NOT The Economy.
- The Stock Market IS A Measure Of Future Corporate Profits.

# MYTH BUSTER

Never Buy Stocks When The Economy Is Down.



# IMPORTANT MATH

If the market (or an individual stock) falls 50%, you'll need a 100% increase to get back to where you started.

# IF A MAJORITY OF THE PEOPLE...

- ❑ In the early 1990's, 2/3rds of Americans felt we were on the WRONG track
- ❑ In 2000, 80% of Americans believed the country was on the RIGHT track
- ❑ In 2010, nearly everyone thought the country was on the WRONG track and the market soared
- ❑ NOW, 83% of Americans believe we're going in the wrong direction

*Source: Wells Capital Management*

# MISINFORMATION

- TV News
- Internet
- Print
- The best way to build an audience is to skew stories that make people angry and fearful.

# POLITICS

Don't Let Personal Politics  
Influence Your Investment  
Decisions.



# ANNUALIZED RETURNS

## (S&P 500)

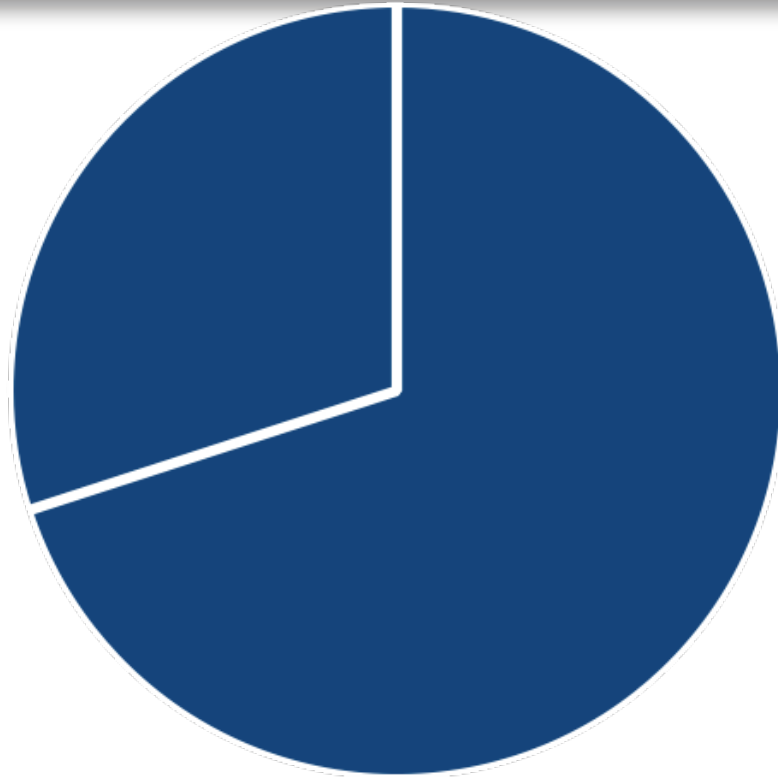
- Bill Clinton +15.2%
- Barack Obama +13.8%
- Donald Trump +13.7%
- George H.W. Bush +10.9%
- Ronald Reagan +10.2%
- Jimmy Carter + 6.3%
- George W. Bush - 6.2%

# PONZI SCHEMES

Social Security And Medicare  
Require More (Young) People  
Entering The Plan.



# OUR ECONOMY

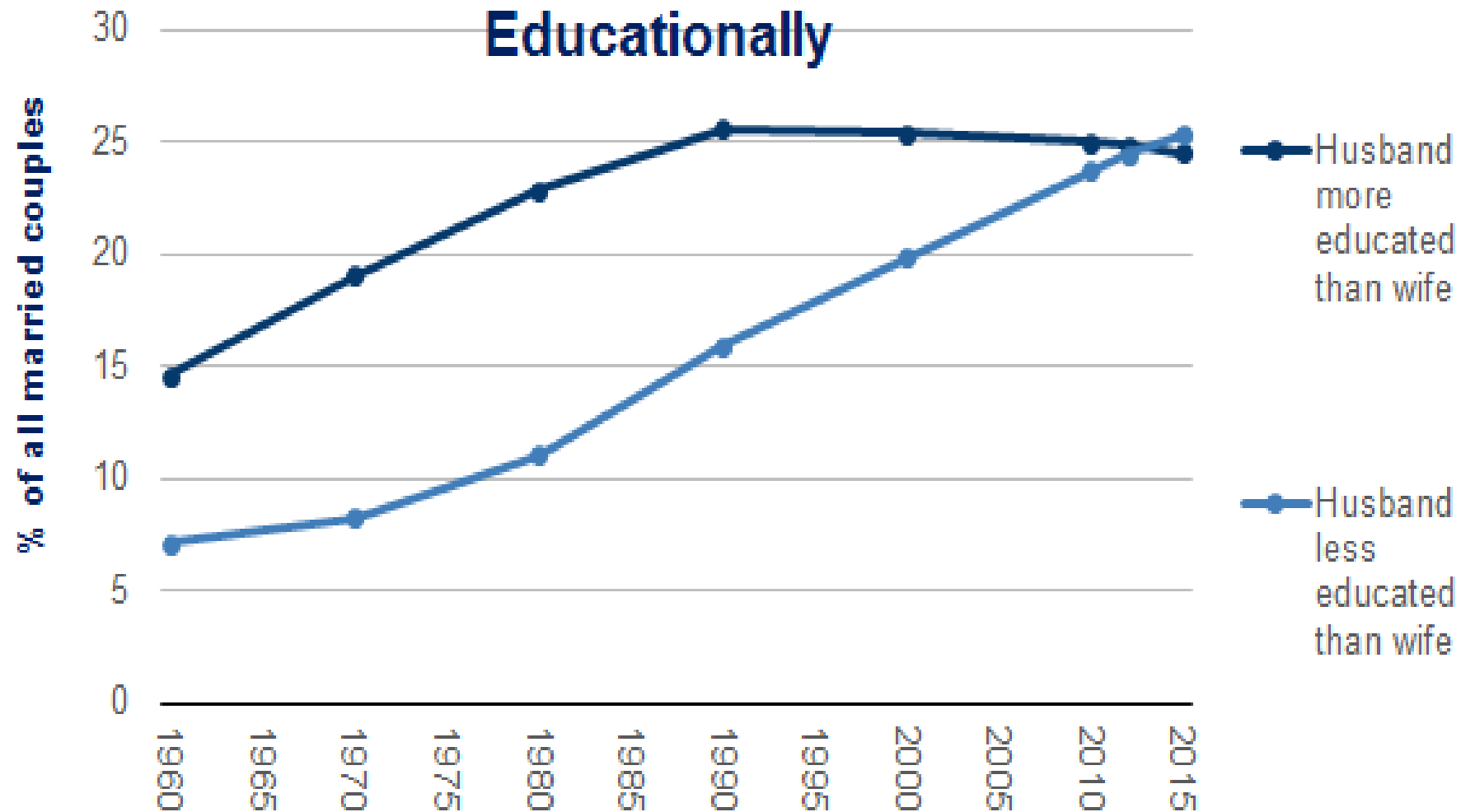


70%  
Consumer  
Driven



Middle class consumers are the job creators.

## Record Share of Men "Marry Up" Educationally



Source: Wendy Wang. "A Record Share of Men Are 'Marrying Up' Educationally."  
Institute for Family Studies, Nov. 7, 2017.

# DEMOGRAPHICS

- Without immigration, the U.S. population of working age people shrinks.
- (See Japan, Italy, etc.)

# LABOR SHORTAGES

- Workers at Nursing Homes and Retirement Centers

- OH, NO.

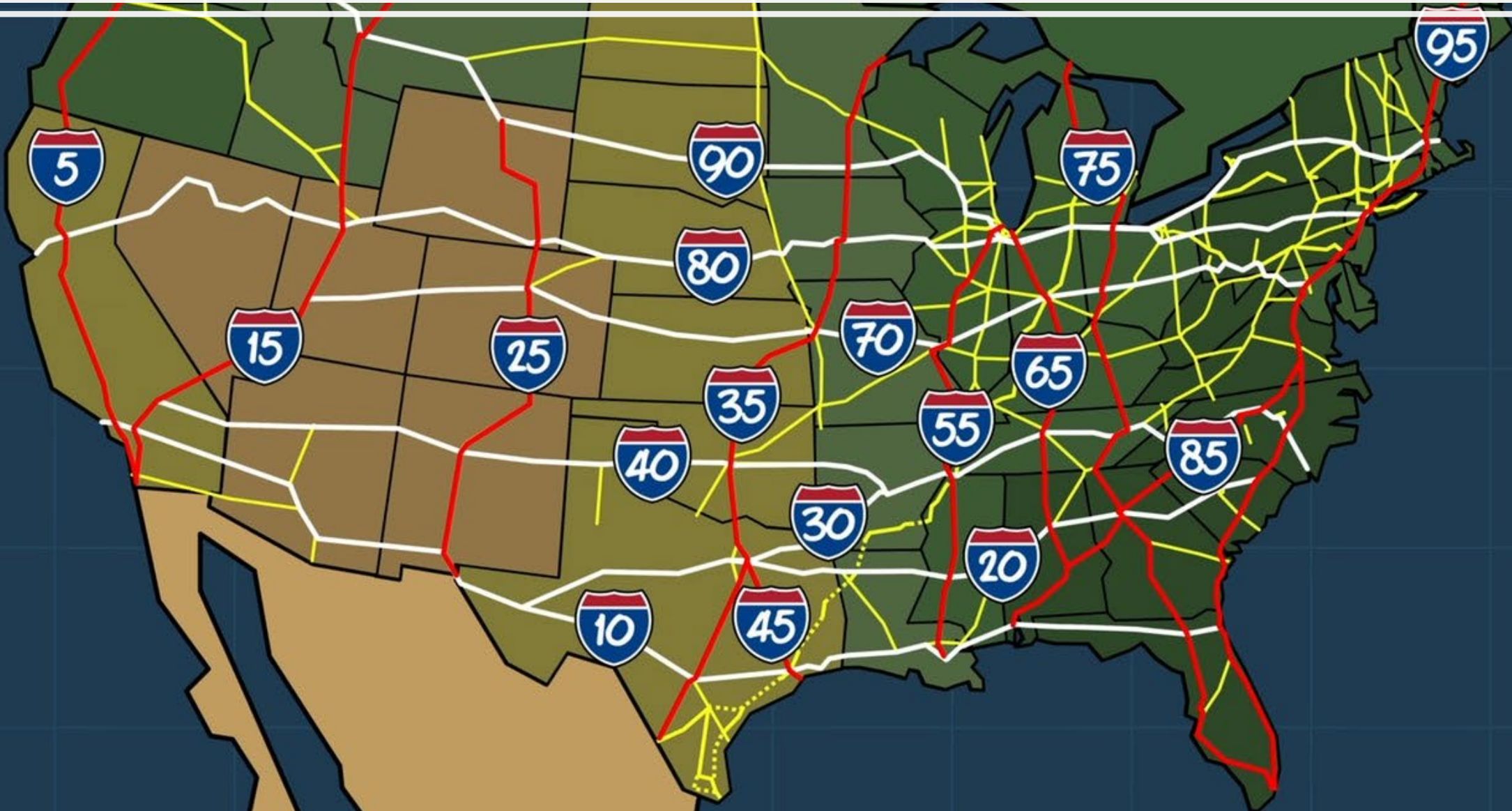


# SIMPLY PUT

We don't have  
enough D\*\*N people.



# INTERSTATES





# THE FED MODEL

$$\begin{array}{r} \$250.00 \\ \text{Earnings for the S\&P 500} \\ \hline \text{Price of the S\&P 500} \\ 5,000 \end{array} =$$

According to this measure, with the 10-year Treasury yielding about 4.25% and stocks have an earnings yield of 5.00%, stocks look more attractive than bonds.

March, 2024

# RECESSIONS

-November 1973	16 months
-January 1980	6 months
-July 1981	16 months
-July 1990	8 months
-March 2001	8 months
-December 2007	18 months
-March 2020	2 months

# WHAT IS THE FEDERAL RESERVE?

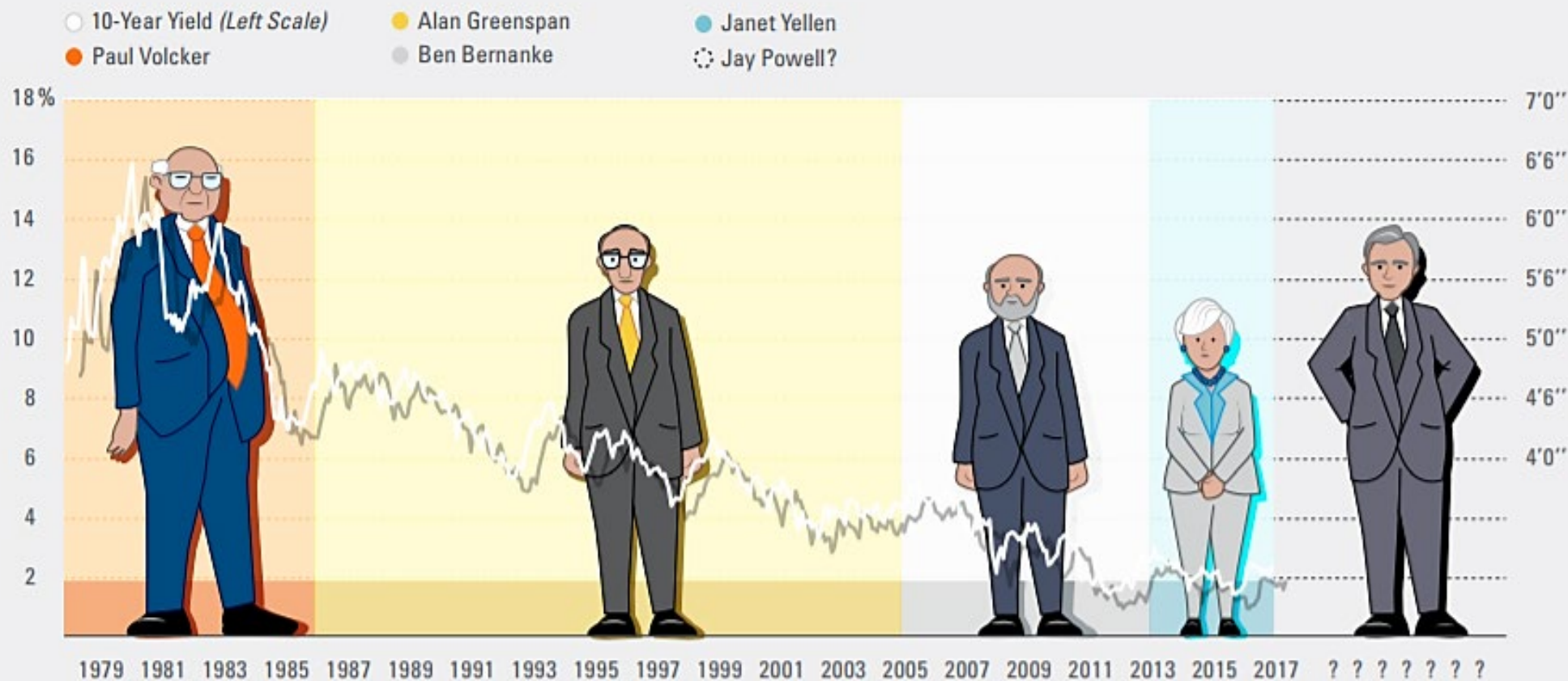
## Quiz

- - 25% A Brand of Whiskey
- - 30% An Indian Reservation
- - 45% A Wildlife Refuge

# TALLER RATES

2

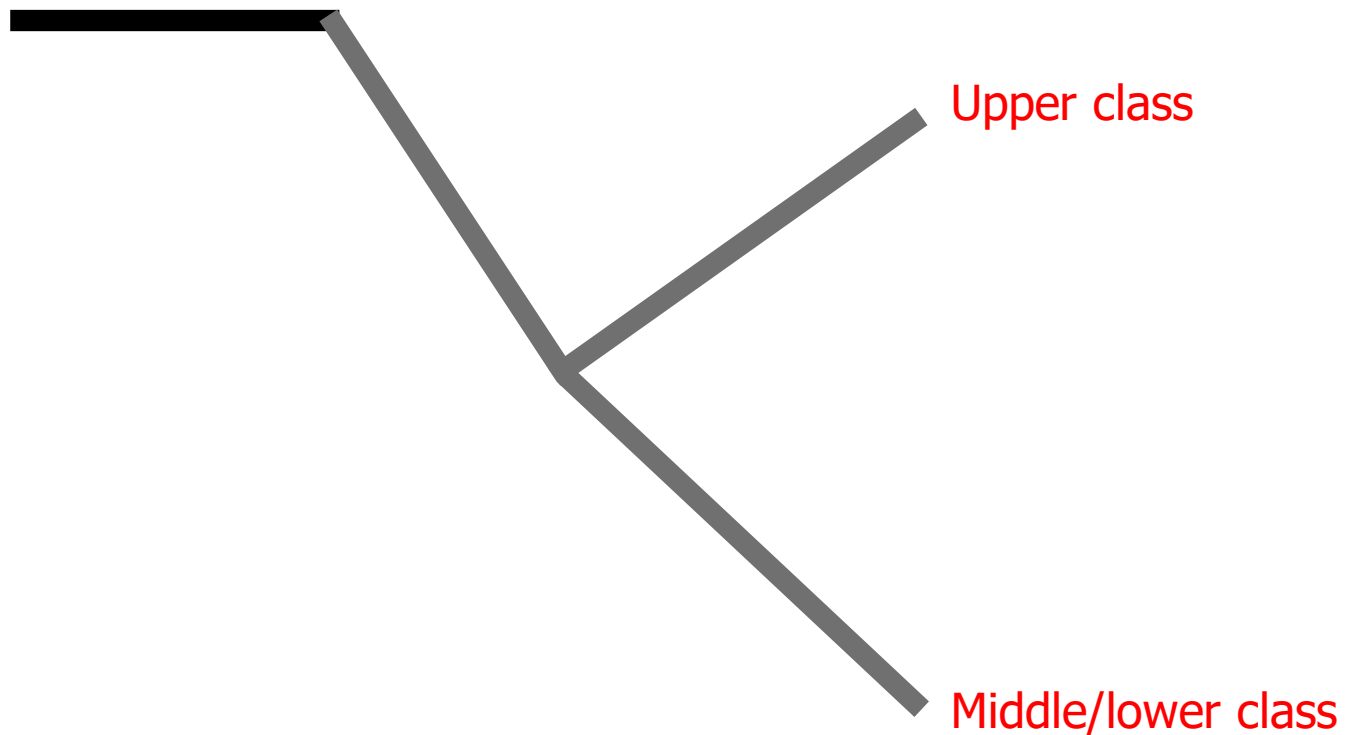
**BOTH THE HEIGHT OF THE FED CHAIR AND RATES HAVE FALLEN OVER TIME, COULD A TALLER FED CHAIR MEAN RATES RISE?**



Source: LPL Research, Bloomberg 10/22/17

We don't actually believe that interest rates are determined by the height of the Fed chair, but it has been an interesting coincidence.

# K SHAPED RECOVERY ???



# SAVING CAPITALISM

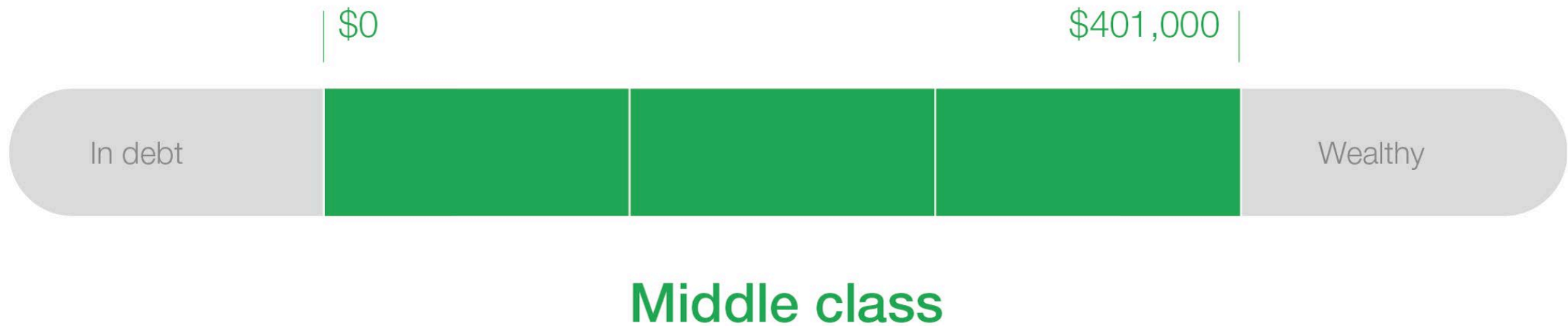
- At the time of the French Revolution (1789), the top 3% of French “Elites” commanded 30% of the country’s wealth.
- Today, the top 3% in the U.S. own 40% of the nation’s wealth.



# MIDDLE CLASS INCOME



# MIDDLE CLASS WEALTH



\*Net worth; Source: Edward Wolff, NYU



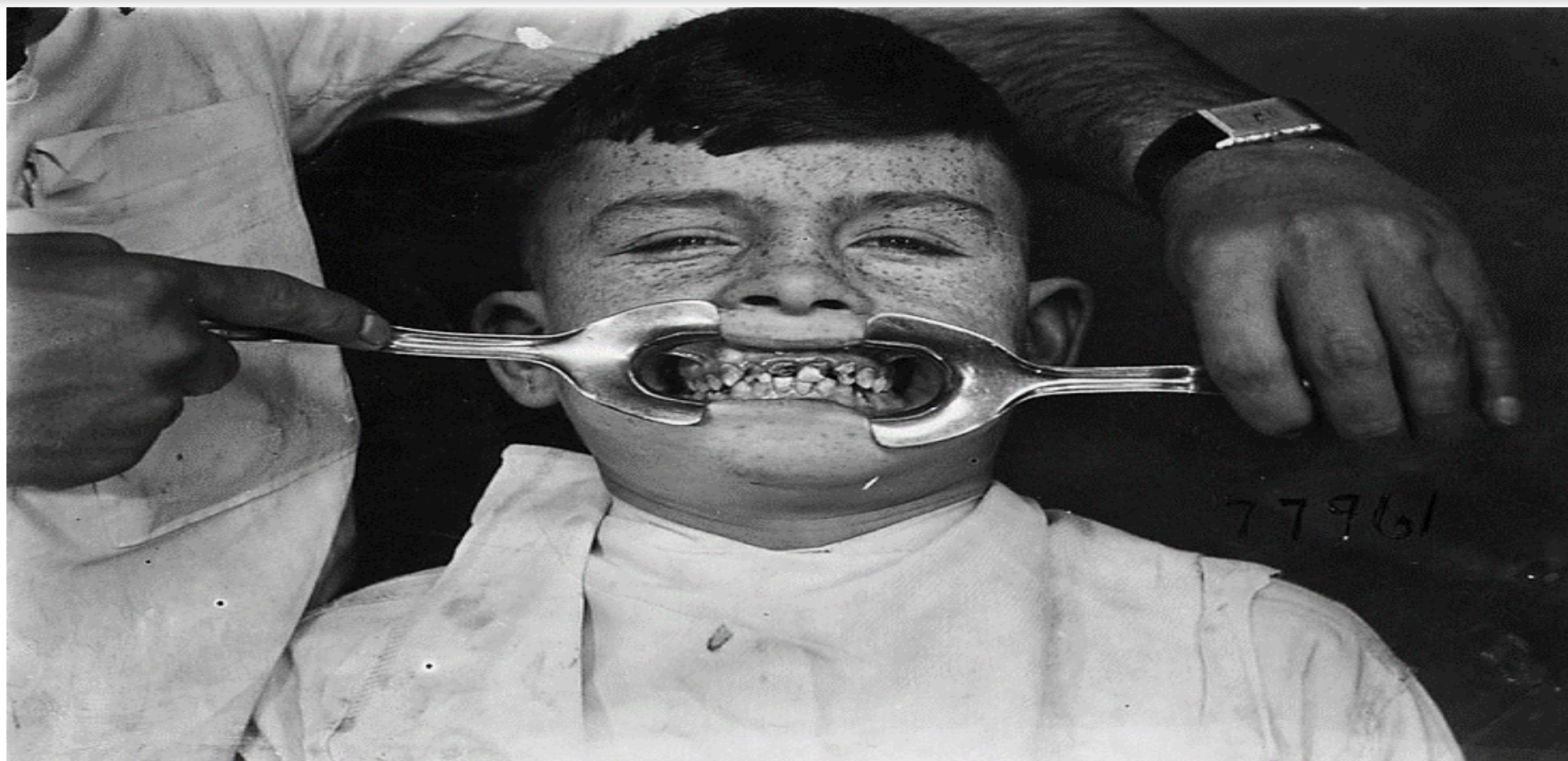
# GAMBLING PROBLEM



# NEW AND IMPROVED

- Things are getting better for most of us.
- The babies born in America today are the luckiest crop in history (Warren Buffett)
- The average American today enjoys access to better transportation, entertainment, communications and medical services than the robber barons did in the 1930's.

# THINK DENTISTRY

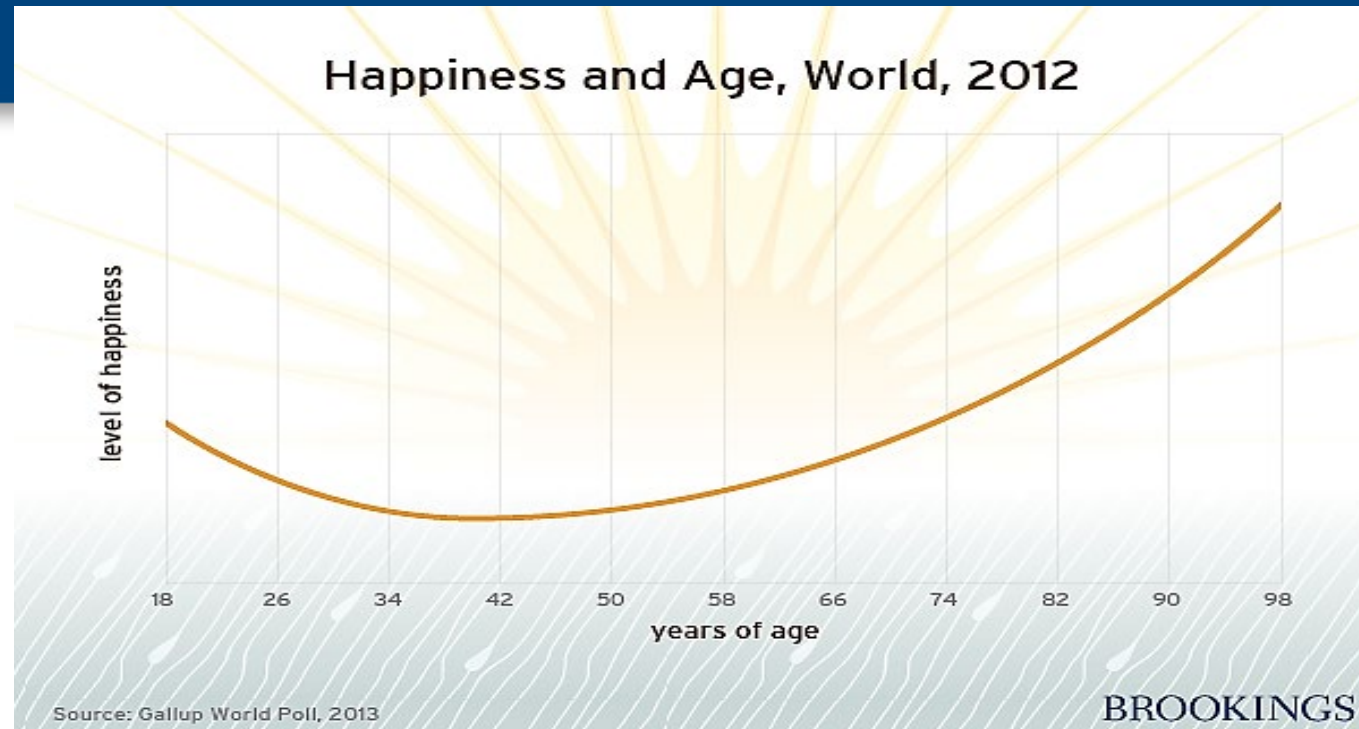


# TV & RADIO





# HAPPINESS AND AGE



- Older people are happier and feel healthier when they are active and feel needed.
- A happy work-free retirement is a myth.

# BLACK HIGHLIGHTERS



*The Onion*

# DON'T SHORT THE U.S.

Since 1776, anyone who has bet against the United States has lost.

# THINK ABOUT IT

“As long as people have babies, capital depreciates, technology evolves and tastes and preferences change, there is a powerful underlying impetus for growth that is almost certain to reveal itself in any reasonably well-managed economy”

-TIM DUY

Democracy And Capitalism Are The Only Systems That Work.



# GREAT READING & SOURCES

## Popular Books

How To Invest, David Rubenstein (Simon & Schuster)

One Up On Wall Street, Peter Lynch (Simon & Schuster)

A Zebra in Lion Country, Ralph Wanger (Simon & Schuster)

The Money Masters, John Train (Harper & Row)

The Little Book That Beats The Market, Joel Greenblatt (Wiley & Sons)

## Analytical Books

The Intelligent Investor, Benjamin Graham (Harper & Row)

Security Analysis, Benjamin Graham (McGraw-Hill)

## Personal Favorite Sources

BARRONS, The Economist, The Christian Science Monitor. Axios, Morning Brew, Bloomberg,

Howard Marks' Memos ([www.oaktreecapital.com](http://www.oaktreecapital.com))

# RETIREMENT INVESTING

- 1. Asset Allocation:

Stocks should make up about 100 Minus Your Age.

Perhaps rebalance every few years

- 2. Investment Vehicles:

- Index mutual funds and ETFs.

# AND MORE ...

- 3. Diversified Stock Market Holdings
- Index Funds/ETFs For Participation In The S&P 500, Mid-Cap Stocks, The Russell 2000 And International Markets

# EVEN MORE ...

- 4. Bond Indexes.
- Some Combination of Short-Term and Intermediate Term Bond Funds and GNMA's.

# AND FINALLY ...

5. Structurally.

Open An IRA. Yesterday.

If You Have A 401K At Work, particularly if It's Being Matched In Some Way By Your Employer, TAKE IT.

Reinvest Dividends And Interest- For Dollar-Cost Averaging

# OUT TO LUNCH

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[itsneworleans.com](http://itsneworleans.com)



# BURKENROAD

## REPORTS

SINCE 1993

[FREEMAN.TULANE/BURKENROAD.EDU](http://FREEMAN.TULANE/BURKENROAD.EDU)





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QUICK HIT

## Commercial Real Estate Construction Outlook



**Tom Chermack**  
President, Chermack  
Consulting Group

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SHOULD WE BE  
WORRIED?

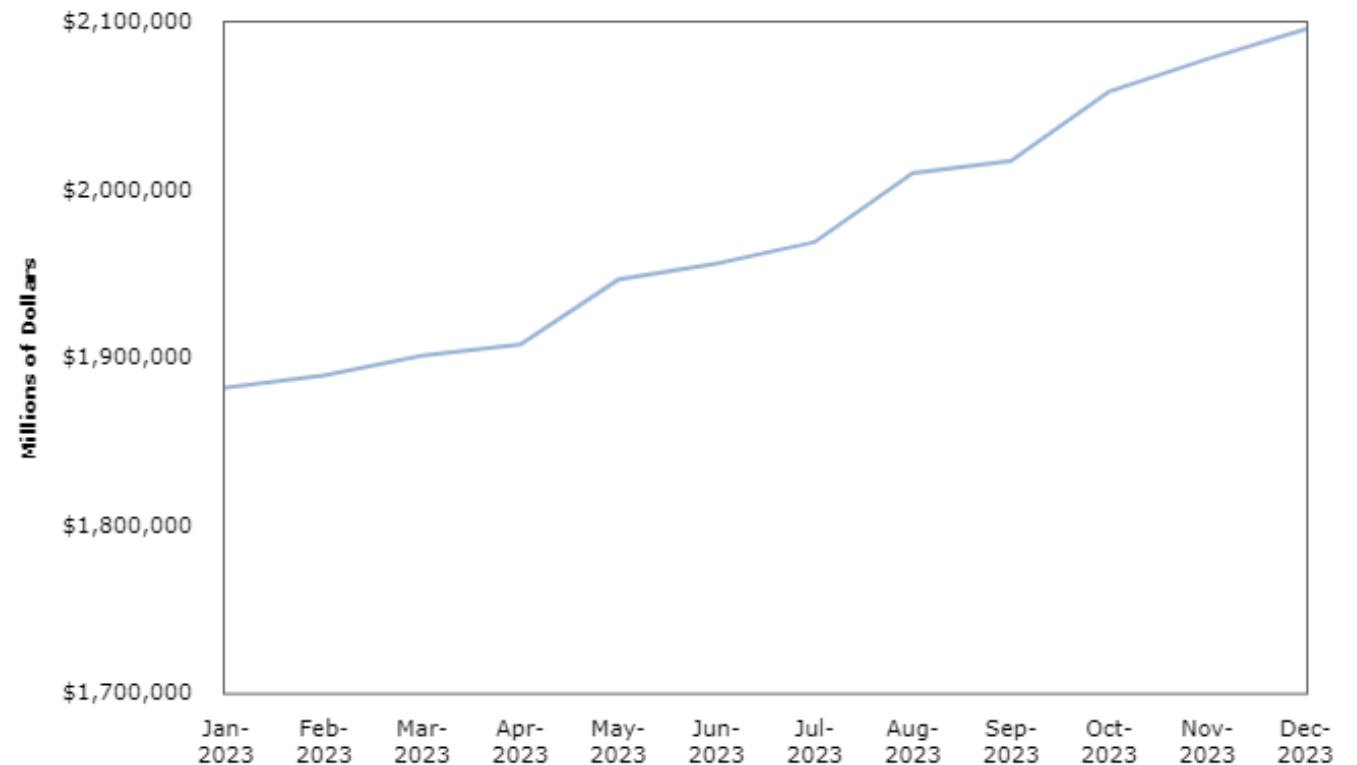


# 2023 AT A GLANCE

- ✓ Ongoing Inflation
- ✓ High Interest Rates / Tighter Lending Standards
- ✓ Increasing Labor Costs
- ✓ Material Availability & Supply Chain Disruptions

Source: Construction Spending  
Annual Rate for Total Construction: U.S. Total  
Jan-2023 to Dec-2023

Seasonally Adjusted Total Construction



# THE YEAR OF GUARDED OPTIMISM



Growth influenced by inflation vs volume



Project funding boosted by Federal incentives such as CHIPS Act, IRA, and IIJA

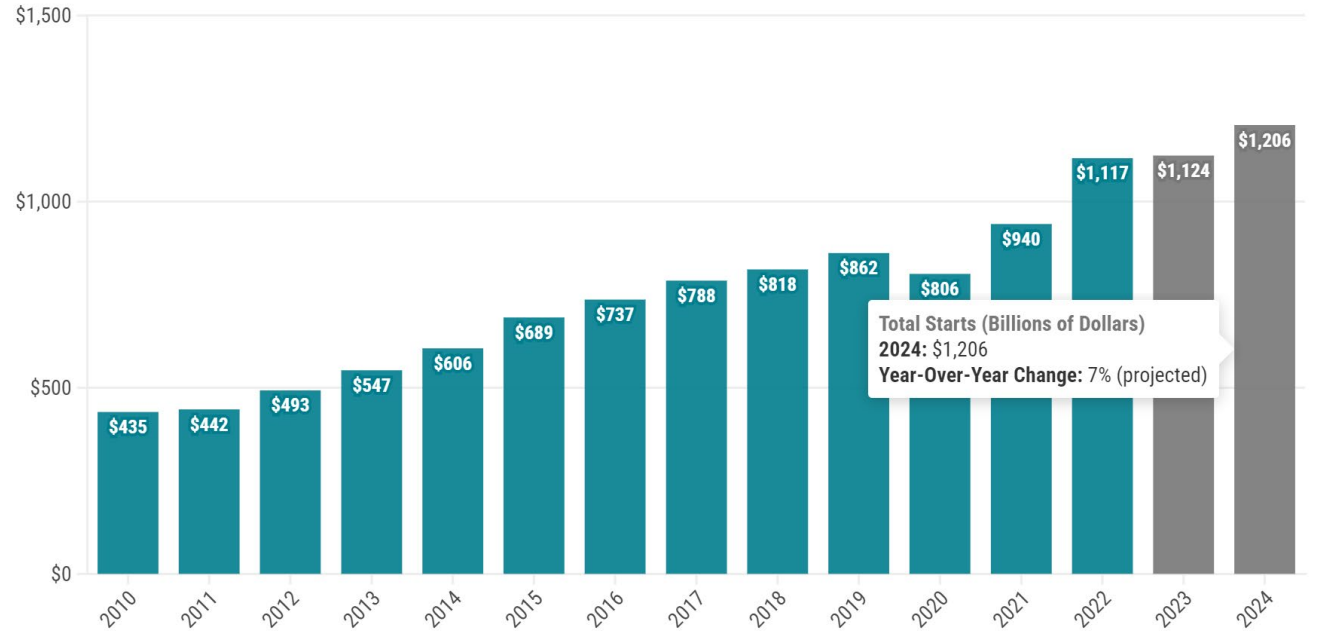


Industries to watch: Manufacturing, Clean Energy, and Transportation. Healthcare spending will continue to increase.

**Construction activity in Arizona is anticipated to continue its upward trajectory.**

## Total Construction Starts

Billions of Dollars



Source: Dodge Construction Network

# ARIZONA OUTLOOK BY MARKET SECTOR

MARKET	2024	2025
Education	↑	↑
Healthcare	→	→
Hospitality	↑	↓
Industrial	↓	↓
Infrastructure	↑	↓
Manufacturing	↑	↑
Multifamily	↑	→
Municipal	↑	→
Office	↑	↑
Retail	↑	↑
Transportation	↑	↑



# LABOR & MATERIAL OUTLOOK

**500,000**

Additional workers to meet 2024 demand for labor



Skilled labor shortage remains a significant hurdle.



Commodity-based materials are reported to be mostly stable, although volatility persists in some scopes.

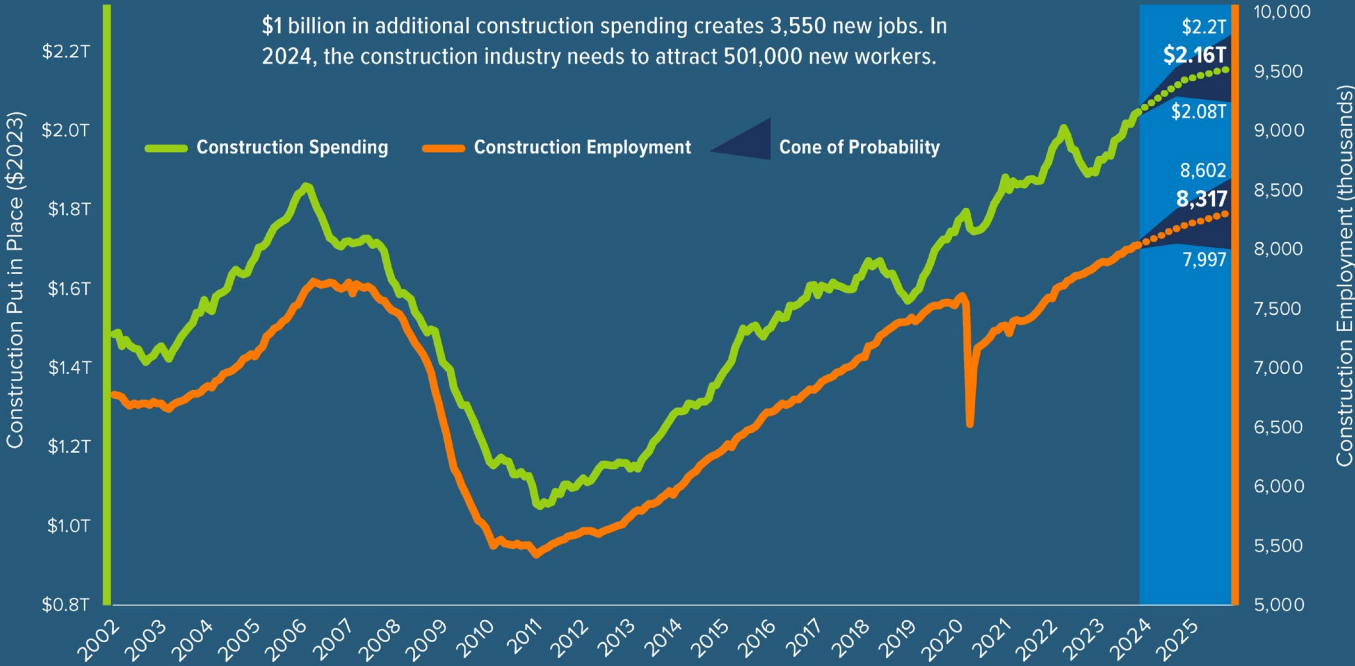


Material lead times are improving, with few exceptions (i.e. electrical gear).



## Construction Spending and Employment Forecast (High, Base and Low Scenarios)

\$1 billion in additional construction spending creates 3,550 new jobs. In 2024, the construction industry needs to attract 501,000 new workers.



# KEY TAKEAWAYS

**OPTIMISTIC OUTLOOK FOR  
2024 AND 2025**

**SKILLED LABOR REMAINS  
A SIGNIFICANT HURDLE**

**MATERIAL COSTS AND LEAD  
TIMES STABILIZING**

**ARIZONA WILL FAIR BETTER  
THAN OTHER MARKETS**

**NUMEROUS MARKET SECTORS  
PROJECTING GROWTH**



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QUICK HIT  
**BTR: A Permanent Asset Class**



**Trevor Koskovich**  
President, Northmarq

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Snell & Wilmer

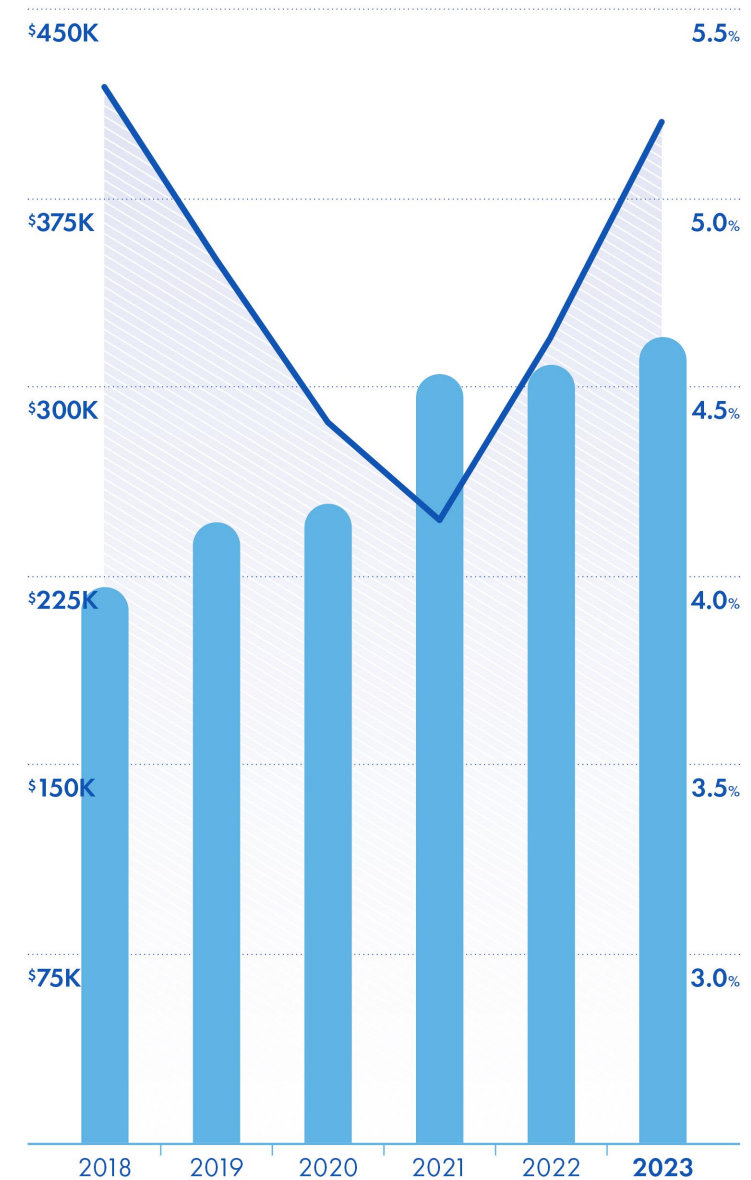
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# Cap Rates Up About 100 bps from 2021 Lows

## SF BTR Investment Trends

- Median Price per Unit
- Average Cap Rate

Sources: Northmarq, CoStar, Real Capital Analytics

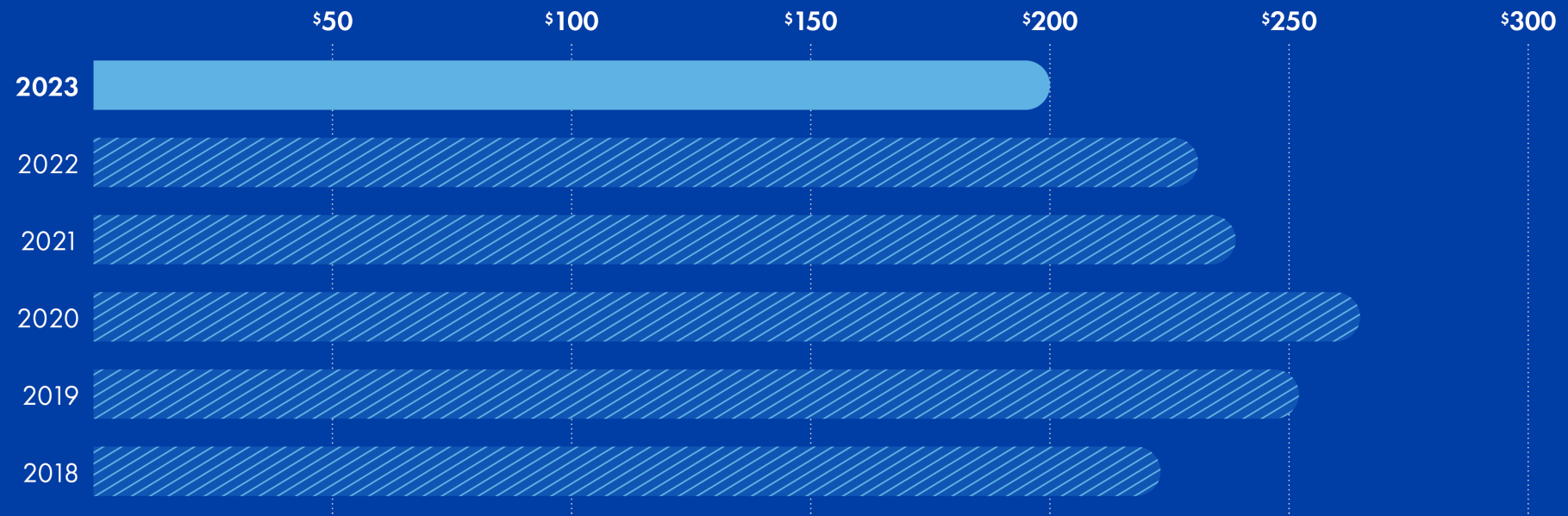




# Prices per SF Have Declined as Average Unit Sizes Have Increased

## Median Price per Square Foot

U.S. SF BTR

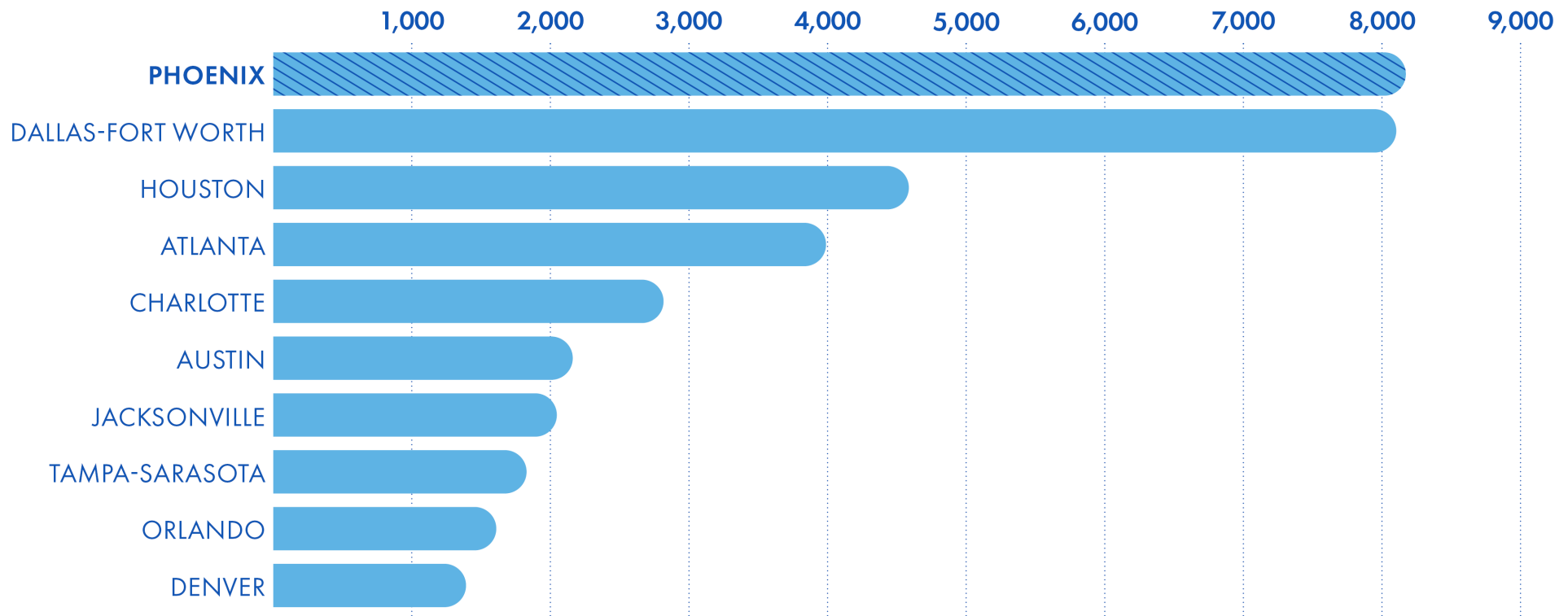


Sources: Northmarq, CoStar, Real Capital Analytics

# Development Concentrated in High-Growth, Sunbelt Markets

## Top Markets for New SF BTR Development

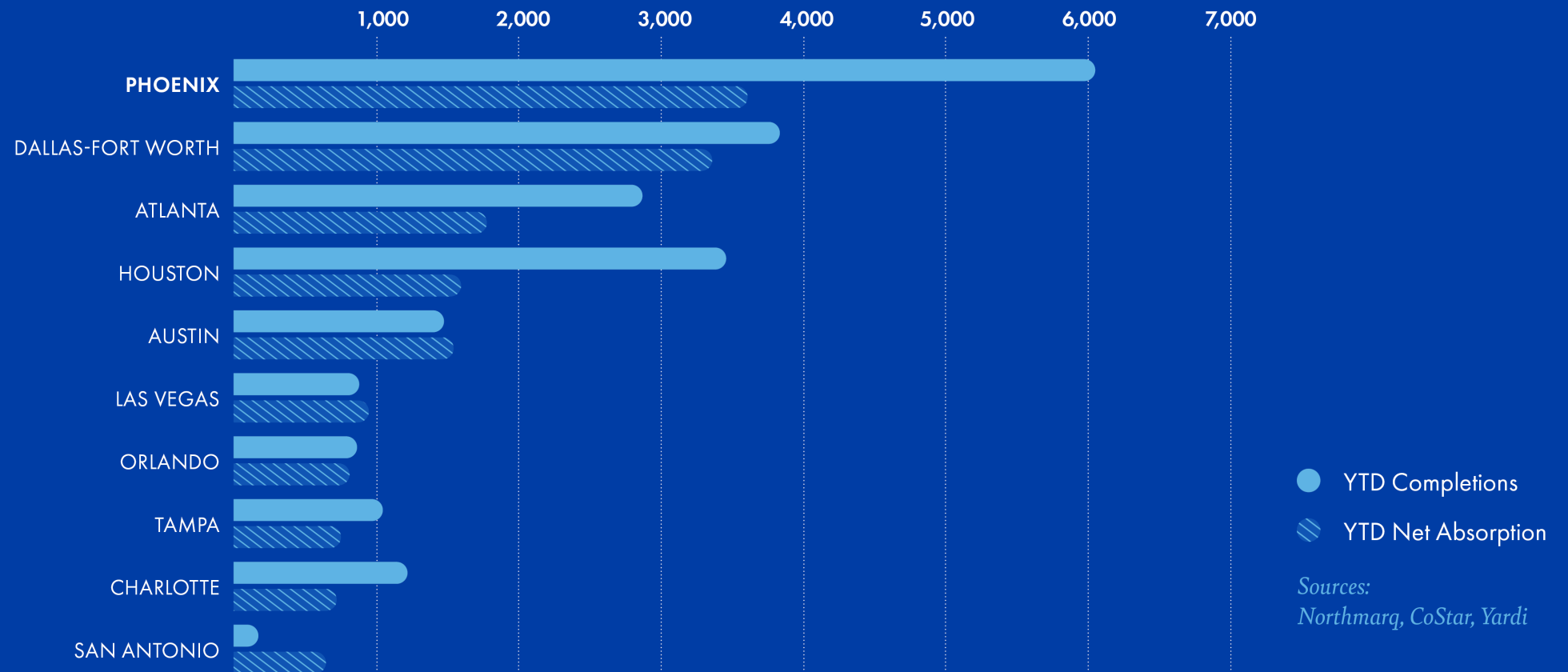
*BTR Units Under Construction*



Sources: Northmarq, CoStar, Yardi

# Supply Outpaced Demand in 2023, Pushing Vacancy Higher

## Top Markets for SF BTR Absorption & Construction





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## Addressing the Homelessness and Housing Attainability Epidemic

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**William Zeh Herbig,**  
**AICP**

Senior Director, Homeless  
to Housed, ULI Terwilliger  
Center for Housing



**Alison Cook-Davis,**  
**Ph.D.**

Research Director,  
Morrison Institute for  
Public Policy, Arizona  
State University



**Owen Metz**

Senior Vice President and  
Mountain West  
Development, Leader of  
Development &  
Acquisitions, Dominion



**Amy St. Peter**

Deputy Executive Director,  
Maricopa Association of  
Governments

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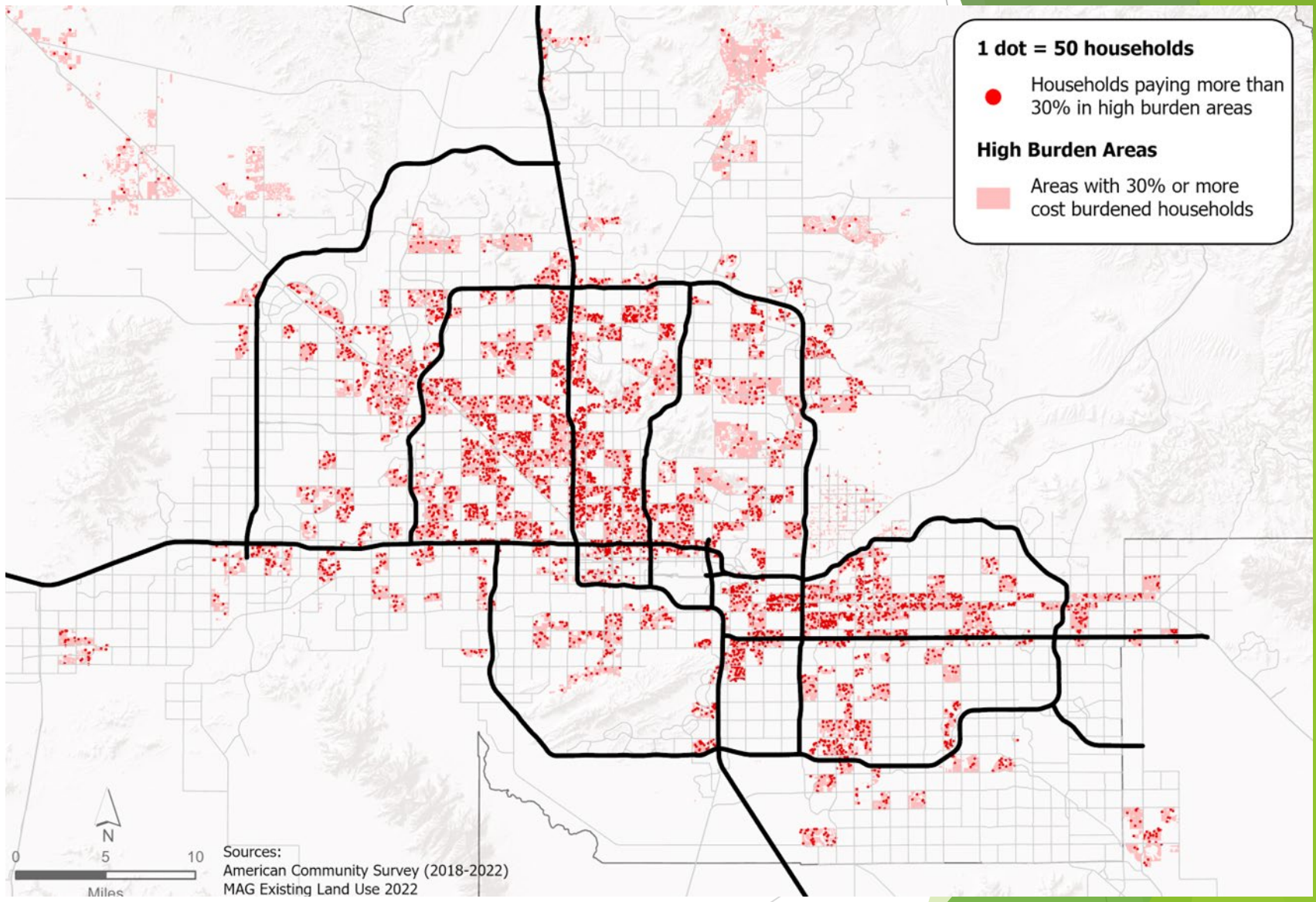
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***In all cases, the housing unit is the difference between a homelessness crisis and the time and space needed to get back on one's feet.***

Source: *Homelessness is a Housing Problem* by Gregg Colburn



Cost-Burdened  
Households  
in areas where  
30% or more are  
cost-burdened  
households



# THE SPECTRUM OF HOUSING INSECURITY

Housing Instability

Marginally Housed

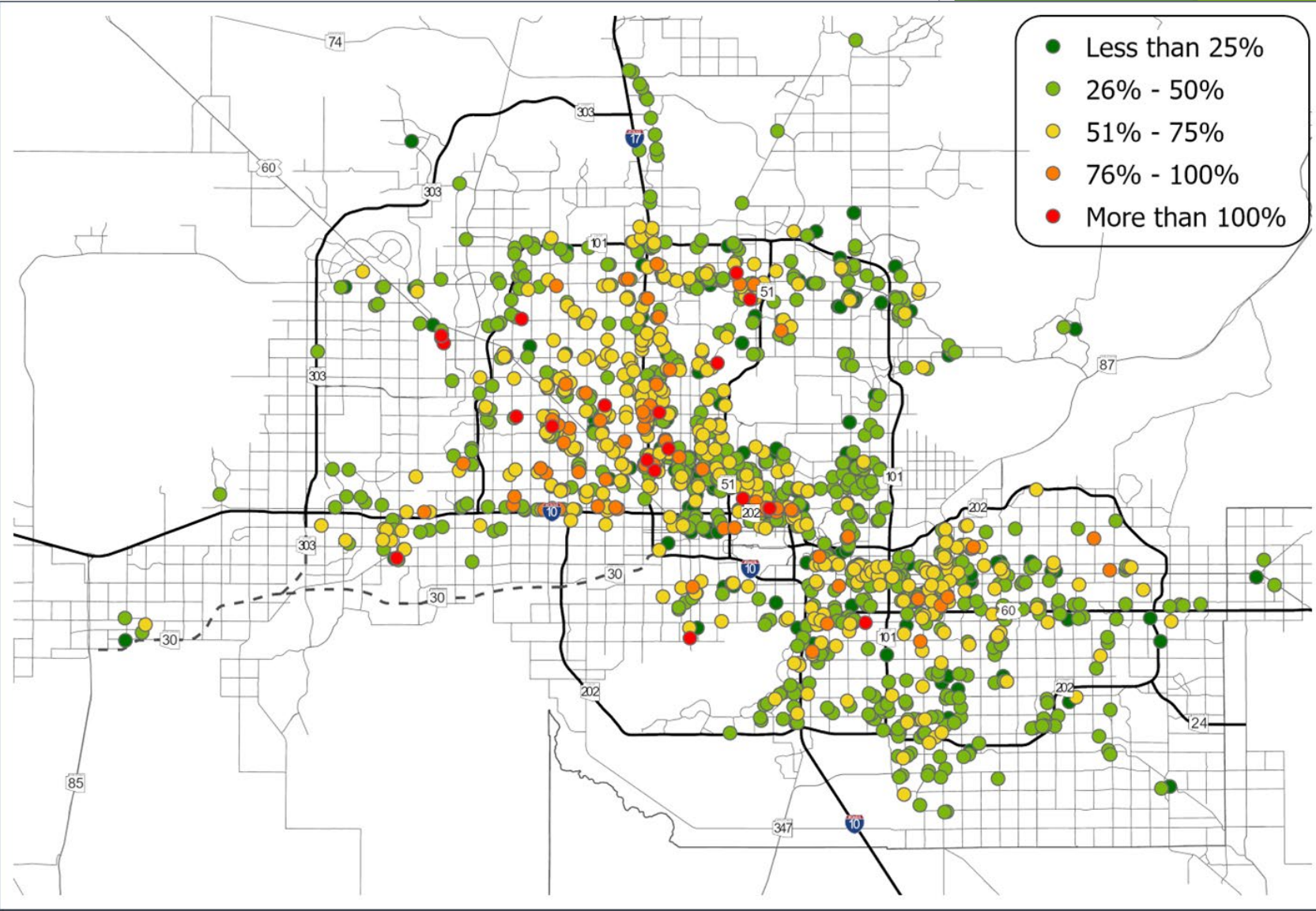
Homelessness



Highlights of Arizona Town Hall Sessions 2022

Rents Increased Significantly from 2019-2023

Source: *RealData, Inc.*





# Underlying Assumptions:

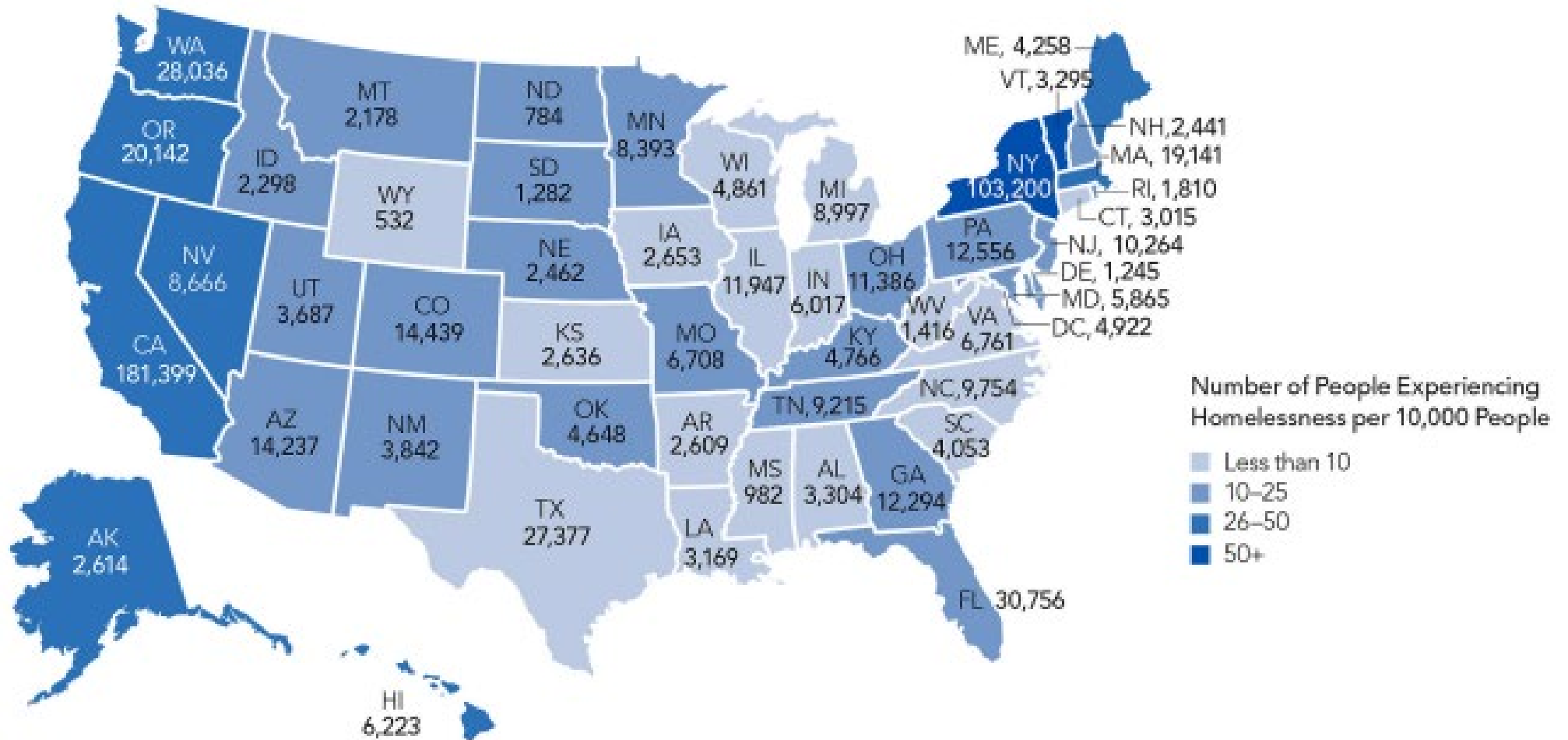
- ▶ Housing supply is a critical factor in establishing homelessness.
- ▶ Poverty is expensive!
- ▶ The problem CAN be addressed if we all act NOW.





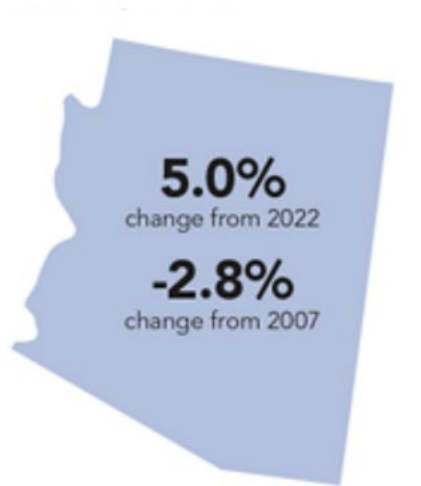
► Housing is an essential first step to solving homelessness. Housing—temporary or permanent—is the foundation on which all support services can be layered.

# US Point in Time Count by State, 2023



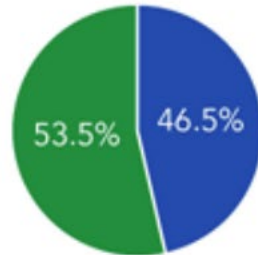
Source: HUD 2023 annual Homelessness Assessment Report (AHAR) to Congress

# ARIZONA



Total Homeless, 2023  
**14,237**

**19** in every **10,000**  
people were experiencing  
sheltered homelessness



■ Sheltered (6,622)  
■ Unsheltered (7,615)

## Estimates of Homelessness

**11,551** individuals

**2,686** people in families  
with children

**782** unaccompanied  
homeless youth

**932** veterans

**3,183** chronically homeless  
individuals



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**Exploring Advanced Air Mobility:  
Shaping the Future of Air Transportation**




**Michelle Olson, APR**

Managing Partner, Lambert

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An aerial photograph of a city skyline at sunset, viewed from across a large body of water. The sky is a gradient of light blue and orange. The city skyline is silhouetted against the bright sky, with several prominent skyscrapers. The water in the foreground is dark blue with some reflections of light.

# The Advanced Air Mobility Ecosystem



## eVTOL Use Cases More Than Passenger Travel

- ✓ Logistics
- ✓ Agriculture
- ✓ Fire Fighting
- ✓ Medical Services
- ✓ Search & Rescue
- ✓ Law Enforcement
- ✓ Border Surveillance
- ✓ National Security





# Robb Report

## 11 Electric Air Taxis That Could Revolutionize Your Daily Commute

They're coming, faster than you think. The first eVTOL air taxi is already operating, with a half-dozen others expected in the next two years.

Published on February 13, 2024

Air taxis will debut this year in places like France, Italy, South Korea, and Central America. They're already flying in China. Advanced Air Mobility (AAM) is a global movement to launch a new mode of transportation using what amounts in most cases to super-sized, passenger-carrying drones, known as electric vertical takeoff and landing (eVTOL) aircraft. While the name is clunky, the concept is quiet and sustainable: Move people and goods faster and safer than a car, while producing less noise and carbon emissions than a helicopter.



Courtesy Supernal, Embraer, Overair and Joby

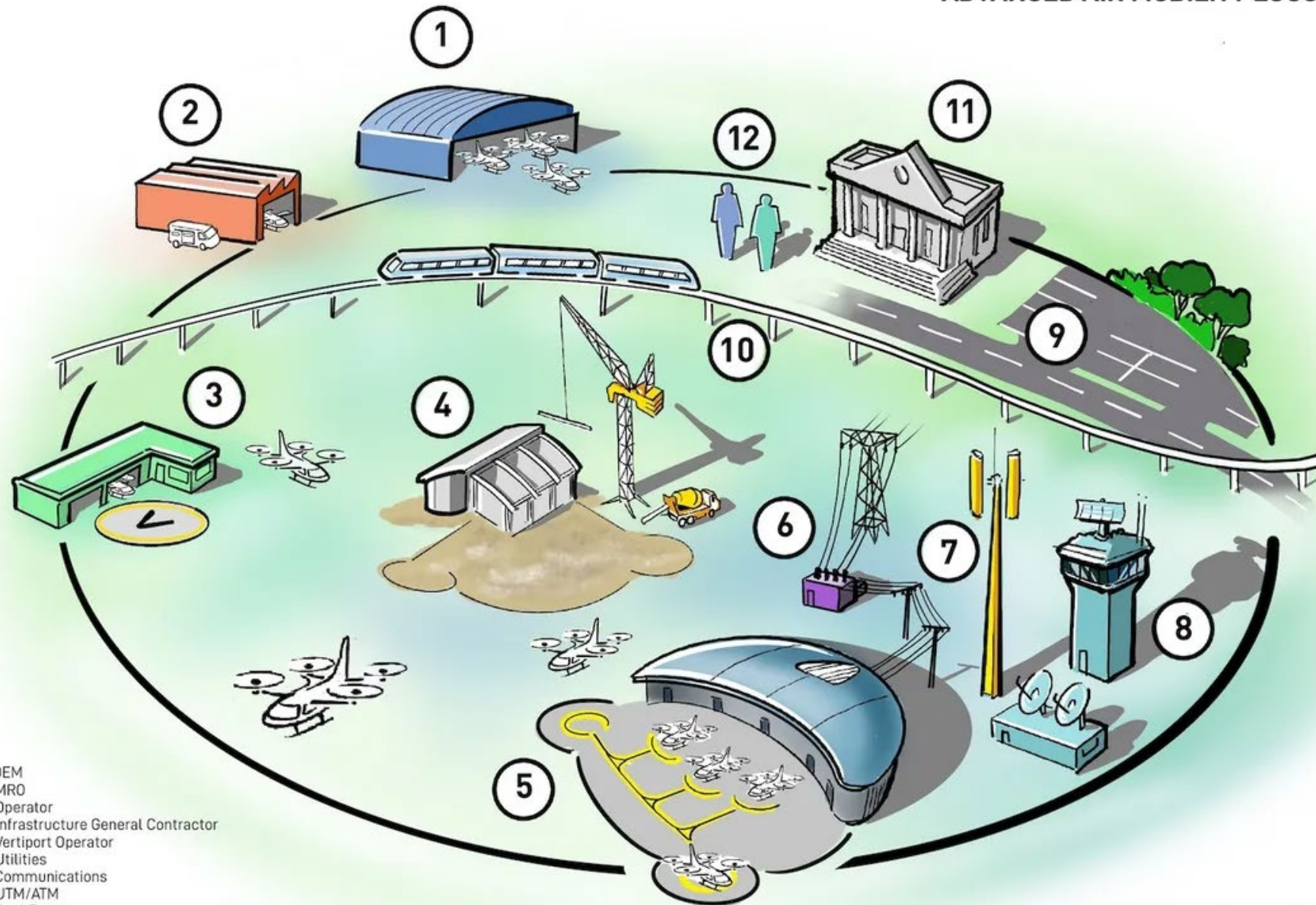


# The Market

Morgan Stanley expects global investments in eVTOL and Advanced Air Mobility(AAM) solutions to be **\$1.5 trillion by 2040**. With growing support from government, rising investment from other sectors, increased collaboration among industry partners, and spikes in consumer interest, **AAM is becoming the darling of the transportation industry and will commercialize its first aircraft by 2025.**

What does this mean for the real estate industry in Arizona? Opportunity.





- 1. OEM
- 2. MRO
- 3. Operator
- 4. Infrastructure General Contractor
- 5. Vertiport Operator
- 6. Utilities
- 7. Communications
- 8. UTM/ATM
- 9. Real Estate
- 10. Multimodal Transportation
- 11. Regulators/Government
- 12. Users



# The Industrial Market: Is It Picking Up Steam or Idling?

M  
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**Jackie Orcutt**  
Senior Vice President,  
CBRE



**Karla Moran**  
Manager – Economic  
Development, Salt River  
Project



**Ryan Norris**  
Principal, Trammell Crow  
Company



**Matthew Schaeffers**  
Vice President,  
Acquisitions, Nicola Wealth  
Real Estate

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**#ULIAZTrends**

# Leasing Activity Summary

## GREATER PHOENIX

### Yearly Leasing Activity By Size

29,423,739

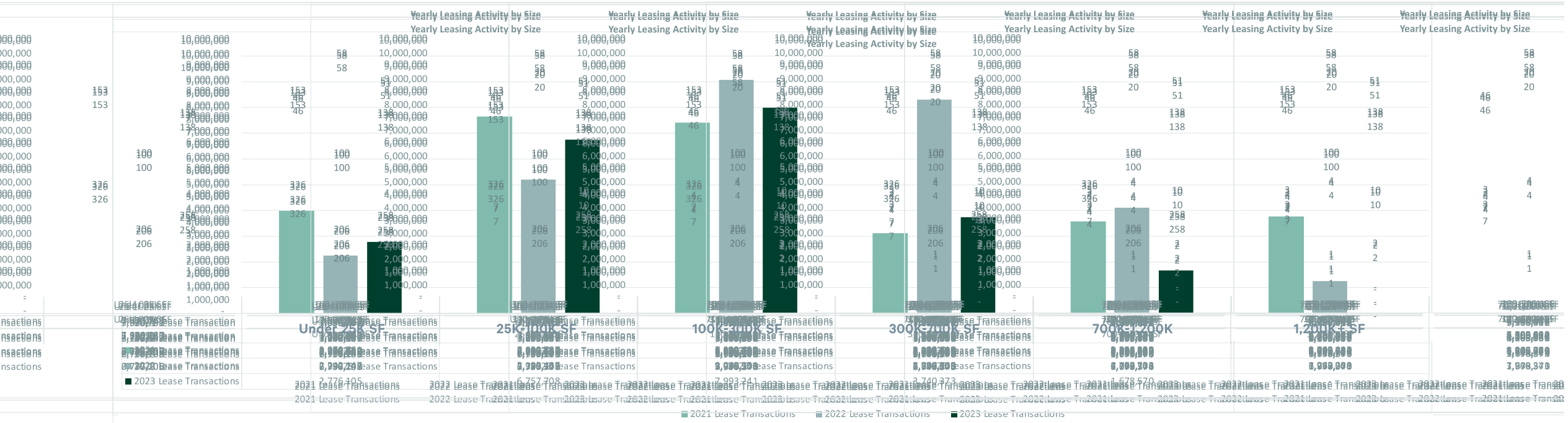
Gross SF of Lease Transactions in 2021

30,178,657

Gross SF of Lease Transactions in 2022

22,945,997

Gross SF of Lease Transactions in 2023



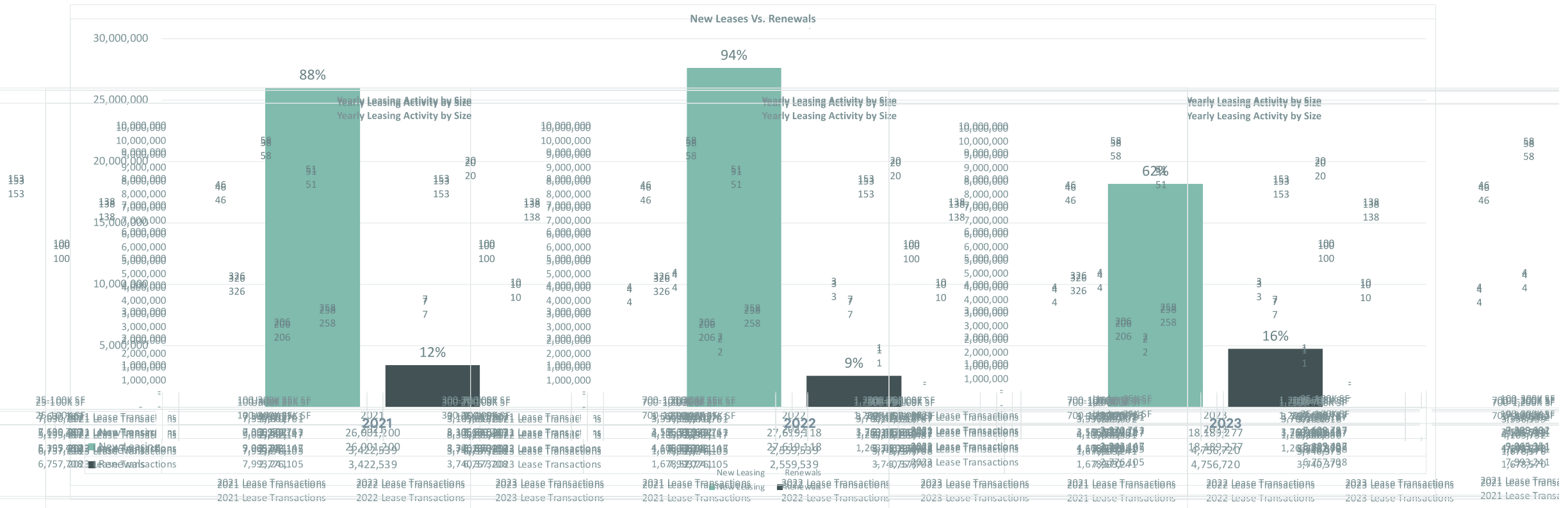
Source: CBRE Research, Q4 2023

# Leasing Activity Summary

## GREATER PHOENIX

### New Leases vs. Renewals

New Leases Vs. Renewals



Source: CBRE Research, Q4 2023

# Deal Report

## GREATER PHOENIX

### Deals Signed Over The Last 5 Years






#### Battery & Energy Industries

 KOREPOWER	±2,000,000 SF
 LG Energy Solution	±1,400,000 SF
 NIKOLA™	±1,000,000 SF
 LUCID	±820,000 SF
 Li-Cycle®	±250,000 SF
 ELECTRA MECCANICA	±235,000 SF
 ZERO ELECTRIC VEHICLES	±103,000 SF
 NXU	±43,000 SF
 URBIX	±31,000 SF
 EXRO	±15,000 SF

#### Semiconductor Related Industries

 intel.	±7,100,000 SF
 tsmc	±2,800,000 SF
 DSV	±1,730,000 SF
 ARROW	±305,000 SF
 RINCHM	±260,000 SF
 EDWARDS	±201,000 SF
 YES	±123,000 SF

#### Data Center Industries

 Apple	±1,300,000 SF
 Meta	±960,000 SF
 Google	±750,000 SF
 IRON MOUNTAIN*	±550,000 SF
 Microsoft	±540,000 SF
 EDGE CORE INTERNET REAL ESTATE	±181,000 SF

# Tenants in the Market

GREATER PHOENIX

## Industry Demand

## Current Deal Status

■ Requirements  
■ SF

## Requirements by Size Range (SF)

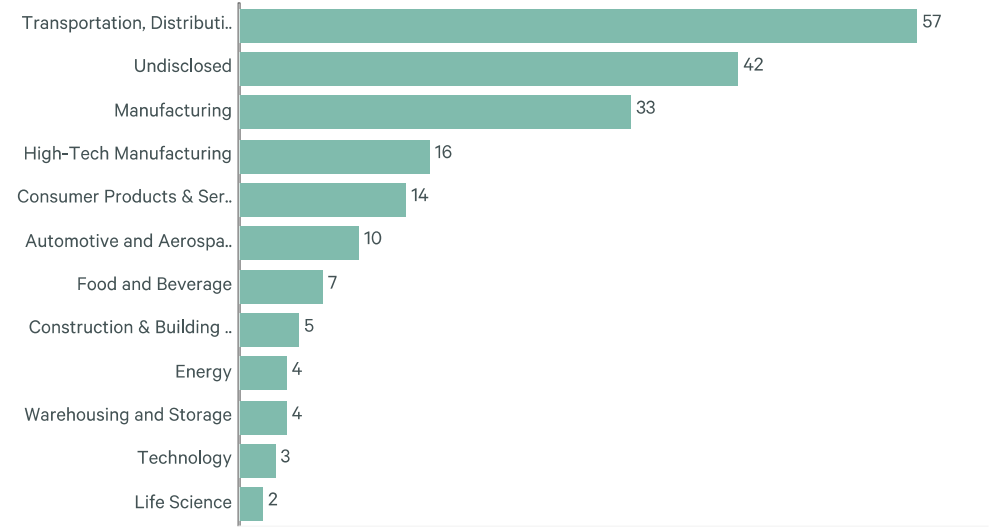
Requirements  
SF

# Tenants in the Market

GREATER PHOENIX

Requirements  
SF 62

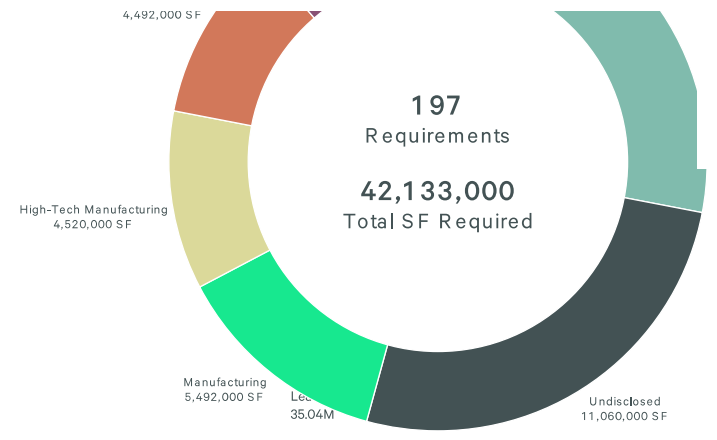
## Requirements by Industry



\*On hold requirements are NOT counted or reflected in any totals

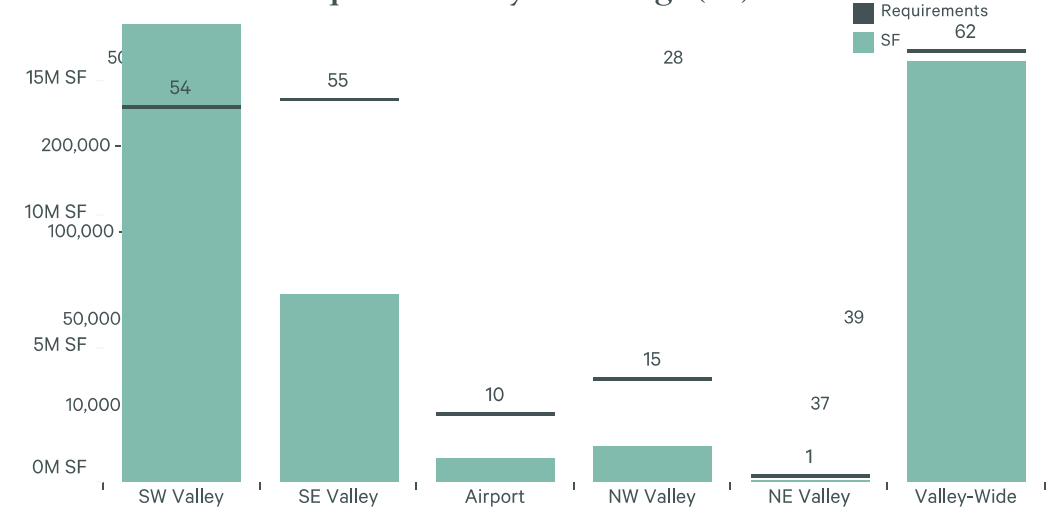
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Source: CBRE Research, Q4 2023



15M SF -  
-  
5M SF -  
0M SF -

## Target Submarket



## Requirements by Industry

