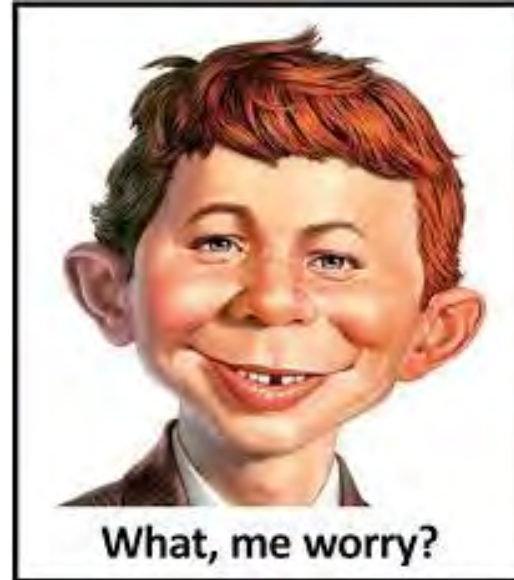


US, State and Local Outlook

“Economic Uncertainty”

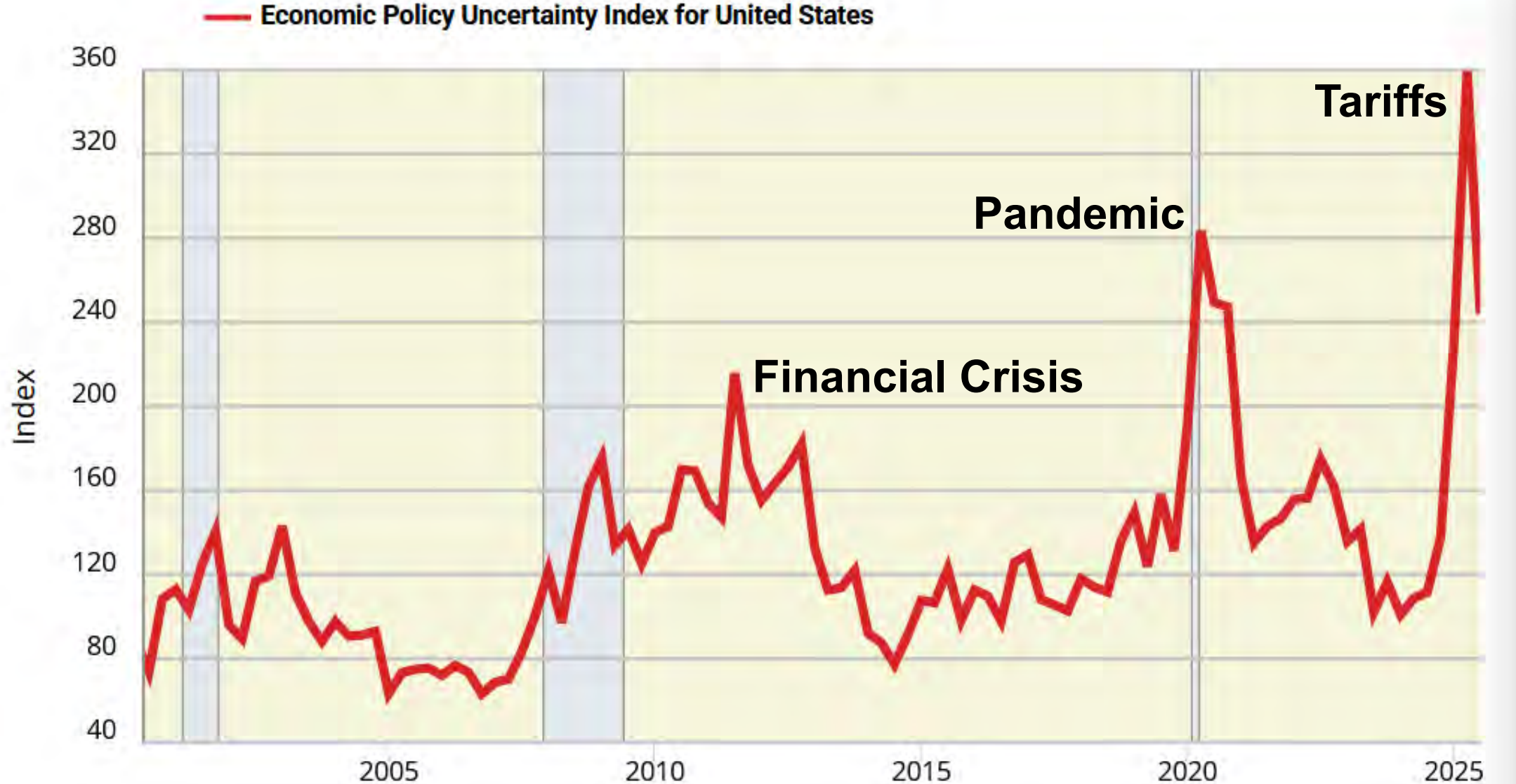


Appraisal Fall Forum
November 13, 2025

Dennis.Hoffman@asu.edu

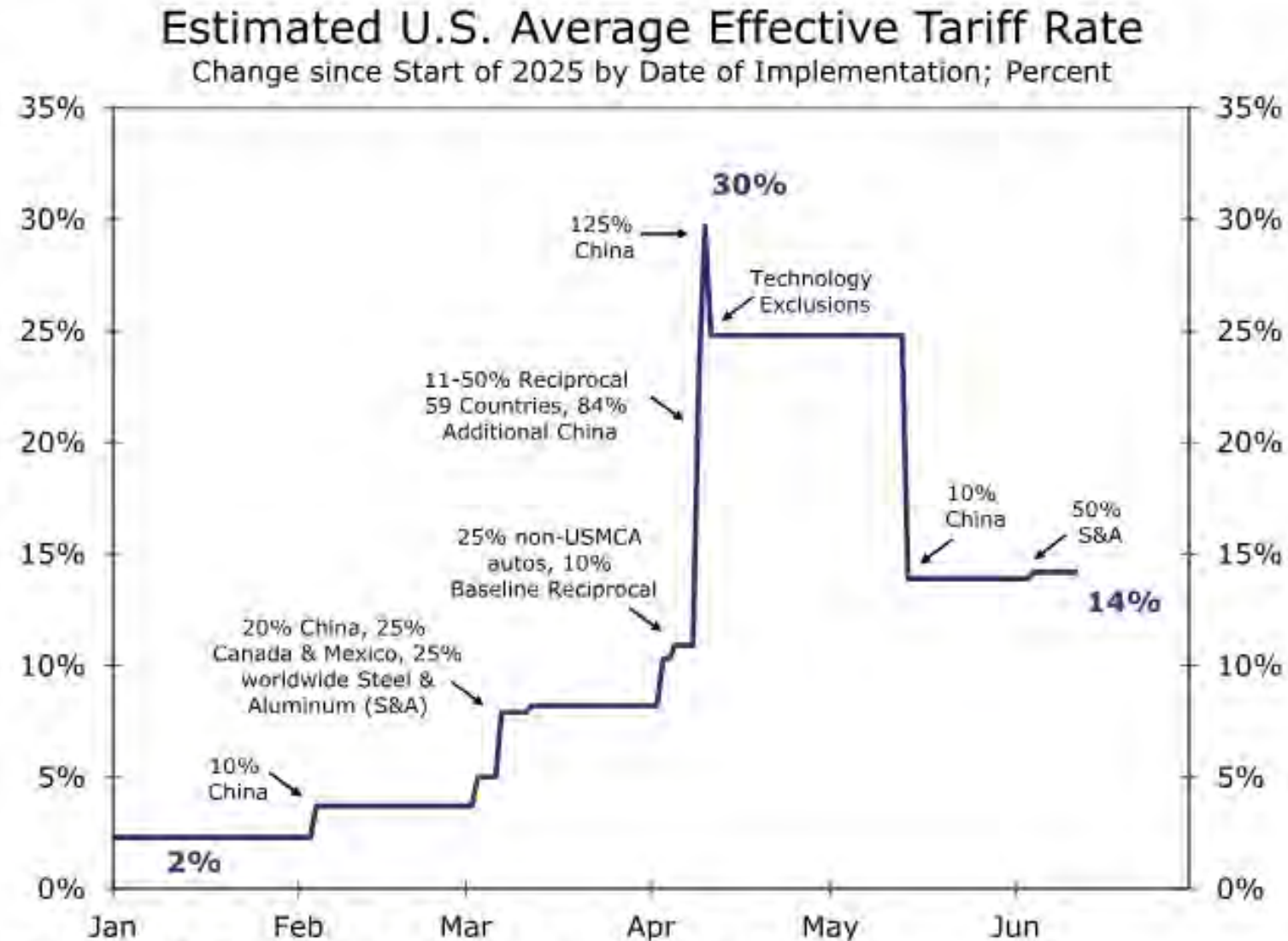


Tariff Policy Sparks Major Spike in Uncertainty



Policyuncertainty.com, November 2025

Tariffs Fluctuate Widely Since January 2025



Source: U.S. Department of Commerce and Wells Fargo Economics

Why do Economists Dislike Tariffs?

- **They are a tax and a distortion that results in inefficiencies.**
- **Costs have to be borne somewhere, e.g. producers, shippers, consumers, etc.**
- **Tariff revenue will likely go to those hurt, e.g. farmers, and not to reduce the deficit.**
- **Tariffs encourage inefficient domestic production as US companies start producing in areas where they have little comparative advantage.**
- **There is really no long run “gain” to offset the short run “pain”.**

Why Haven't Tariffs Been More Inflationary To Date? Well...They Have Somewhat

- 1. Costs up for many imports - apparel, durables, toys. About 30 basis points overall vs. the trend of slowing inflation pre tariffs**
- 2. Tariff hikes are about half of what was “promised” in April**
- 3. Carve outs, Brazil 700 exemptions, Pharma generics exempt, USMCA exemptions**
- 4. Imports were stockpiled pre tariff implementation**
- 5. Non-compliance, dodging, relabeling**
- 6. China tariff implementation delayed**

Commodity Price Effects from 2025 Tariffs (Through October 17)

Percent Change to Price Level

name	Short Run	Long-Run
Metals nec	40.3	14.0
Leather products	29.4	10.2
Wearing apparel	27.8	9.8
Crops nec	23.3	8.4
Electrical equipment	20.7	7.7
Ferrous metals	19.2	7.3
Textiles	17.3	6.3
Computer, electronic and optical	12.2	3.8
Mineral products nec	9.7	3.6
Motor vehicles and parts	9.4	5.4

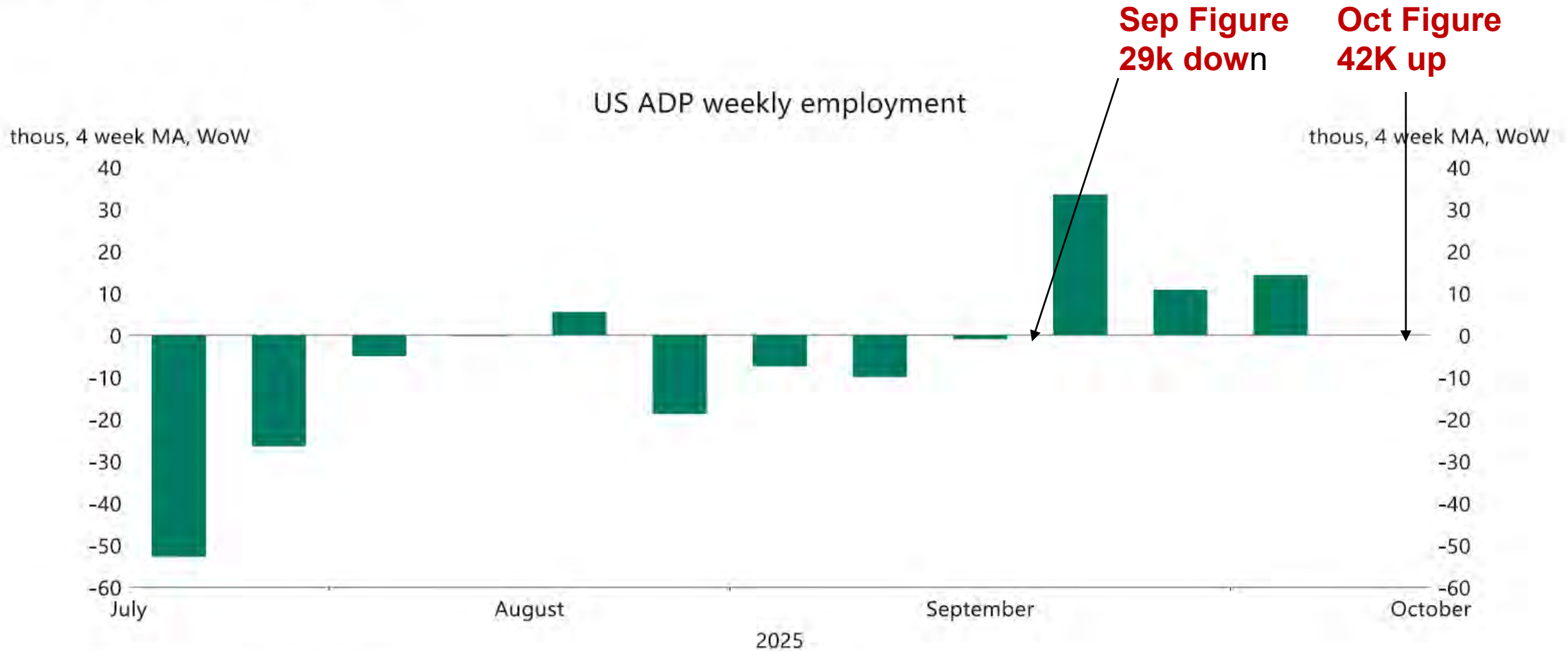
Impact of 2025 Trump Tariffs by the Numbers

President Trump's Imposed and Threatened Tariffs, Topline Preliminary Estimates

Average Tax Increase per US Household in 2025	10-Year Conventional Revenue, 2025-2034 (Billions)	Gross Domestic Product (GDP)	Capital Stock	Hours Worked Converted to Full-Time Equivalent Jobs
\$1,200	\$2,432.6	-0.6%	-0.5%	-657,000

Source: Source: Tax Foundation General Equilibrium Model, October 2025

ADP weekly job growth



Source: ADP, Bloomberg, Macrobond, Apollo Chief Economist

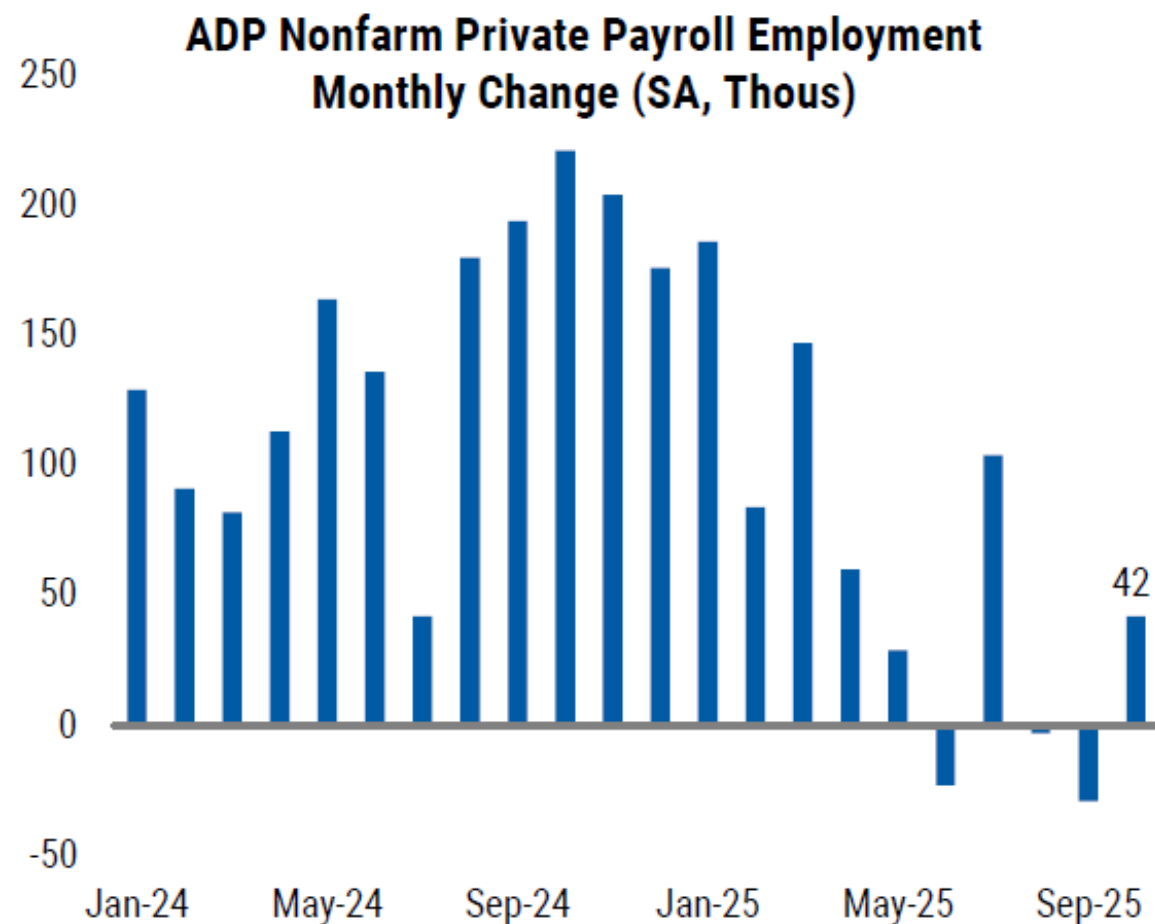
**2023 ave
102K**

**2024 ave
178K**

**2025 10mo ave
47K**

**2019 ave
47K**

Exhibit 4: ADP employment bounced back from the weak September, but labor demand is still soft



Source: ADP, Haver Analytics, Morgan Stanley Research



Layoffs Hit Highest Level for the Month Since 2003; Hiring Slows to Lowest Point in 14 Years



Challenger, Gray
& Christmas

Announced Layoffs

Ths

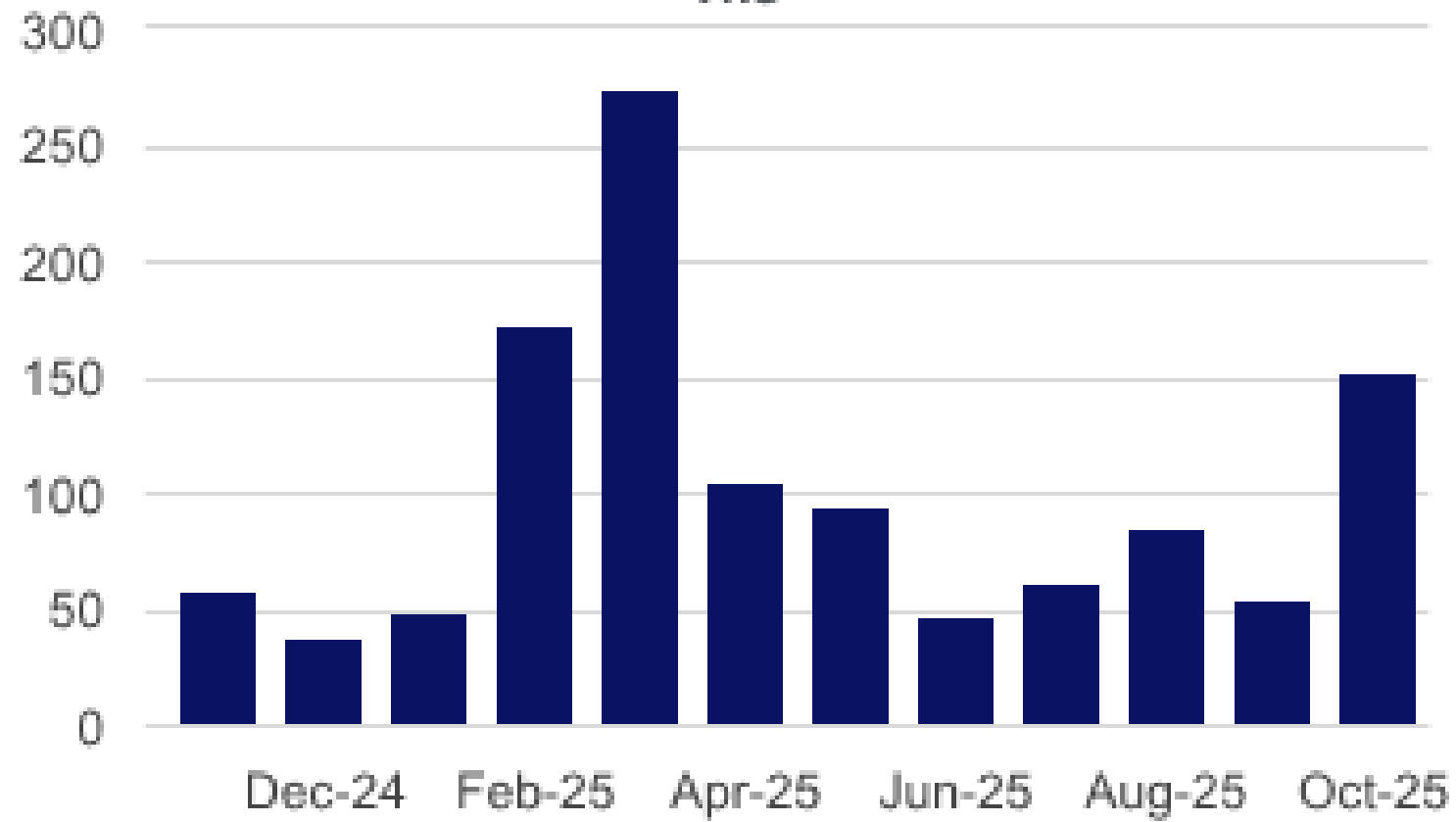
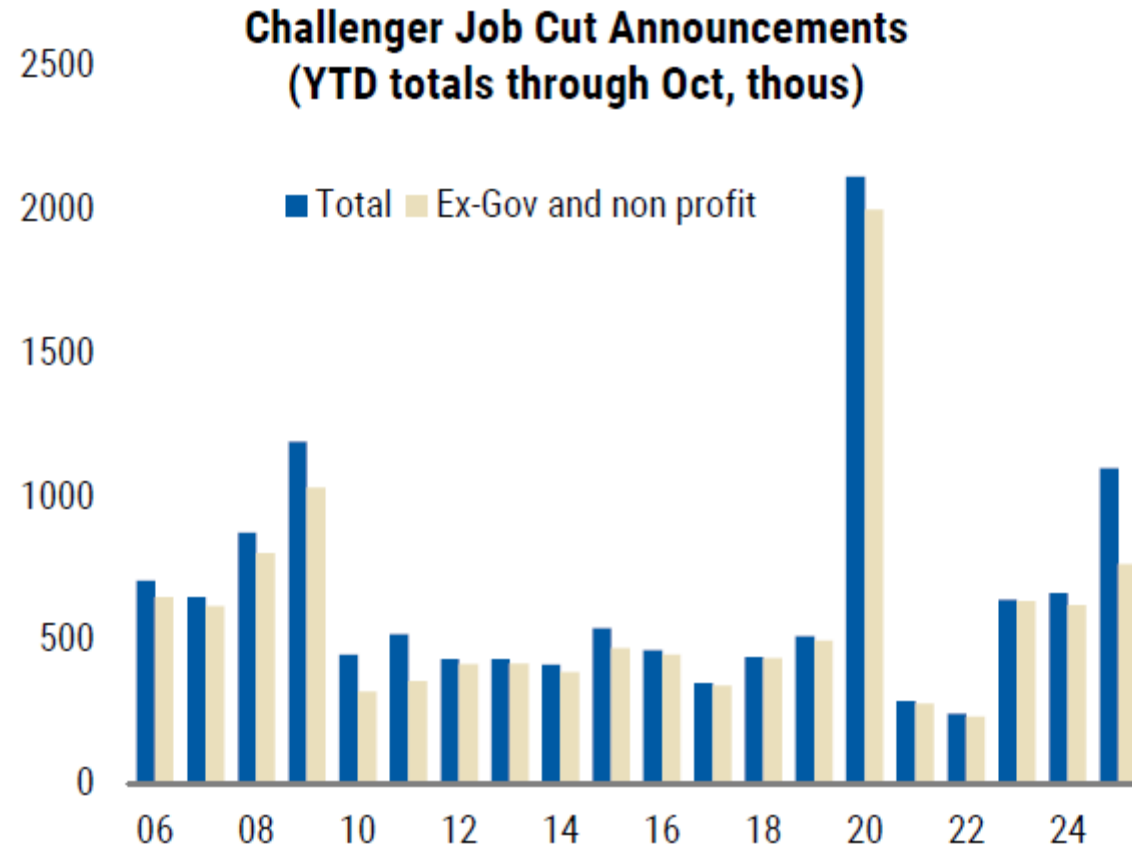
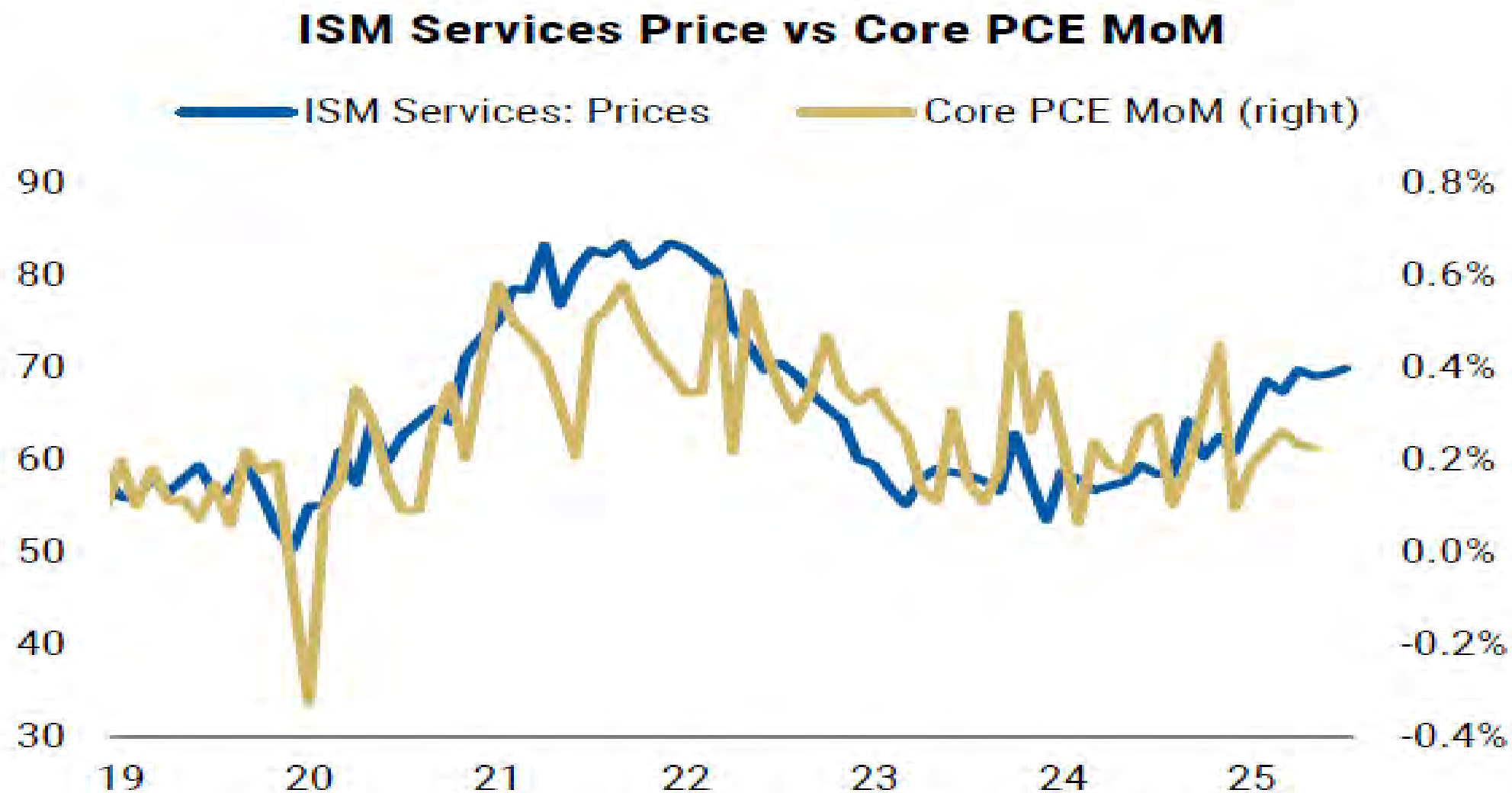


Exhibit 5: Year-to-date job cut announcements are the highest non-Covid total since the 2008-09 financial crisis



Source: Challenger, Haver Analytics, Morgan Stanley Research

Exhibit 3: ISM services prices paid index rose to the highest since October 2022



Source: ISM, Haver Analytics, Morgan Stanley Research

Blue Chip Forecasts			
	gdp	PCE	UN
	pct	pct	pct
2021	6.1	4.1	5.4
2022	2.5	6.6	3.6
2023	2.9	3.8	3.6
2024	2.8	2.5	4
2025	1.9	2.7	4.3
2026	1.8	2.8	4.5

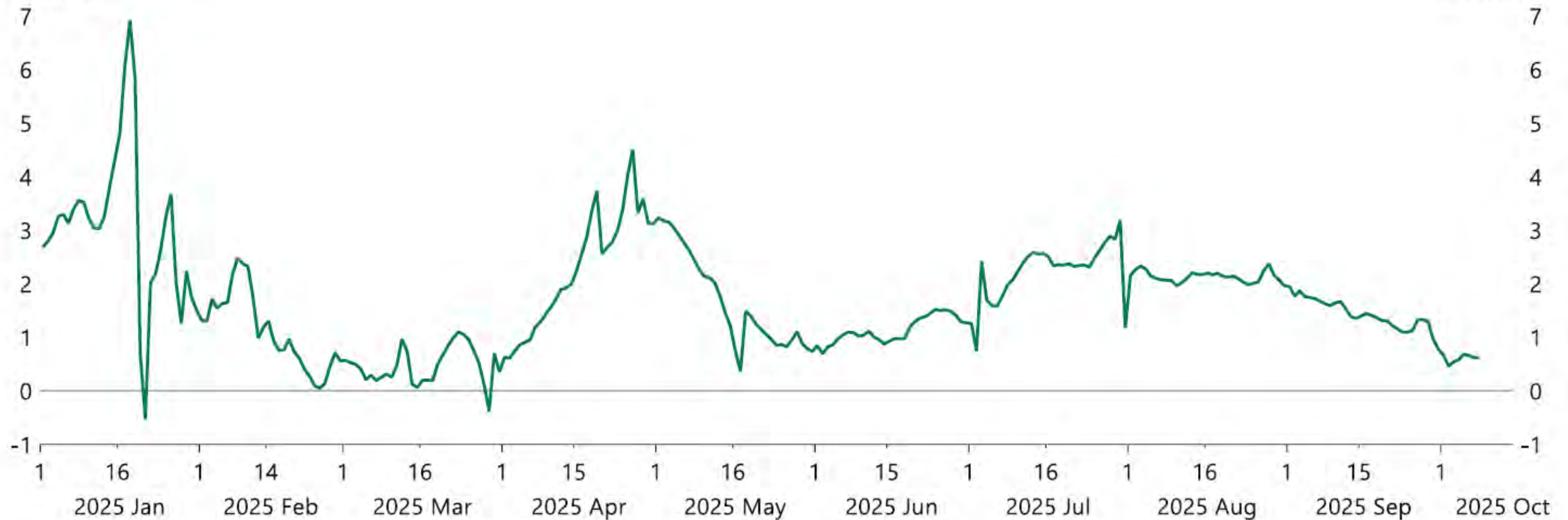
Bloomberg daily data for debit card transactions

US Consumer Spending

— US Total Consumer Spend

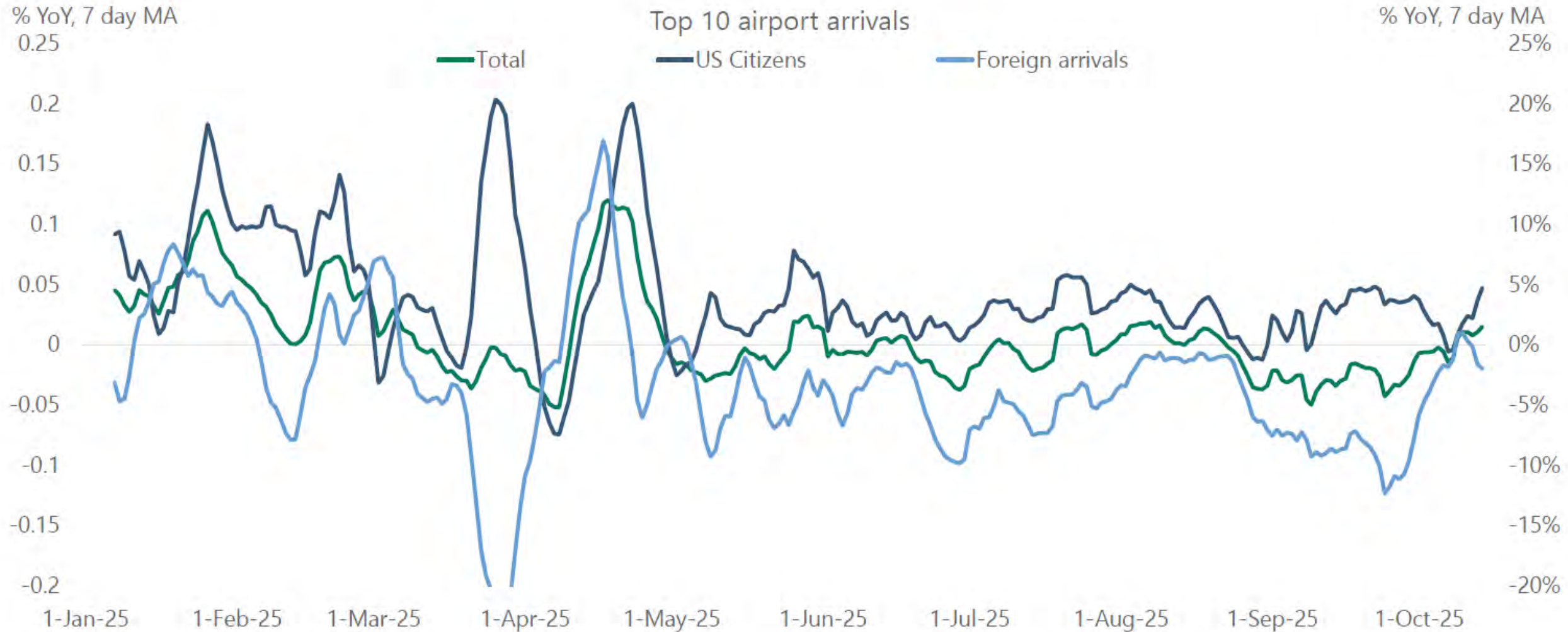
%YoY, 28d sum

%YoY, 28d sum

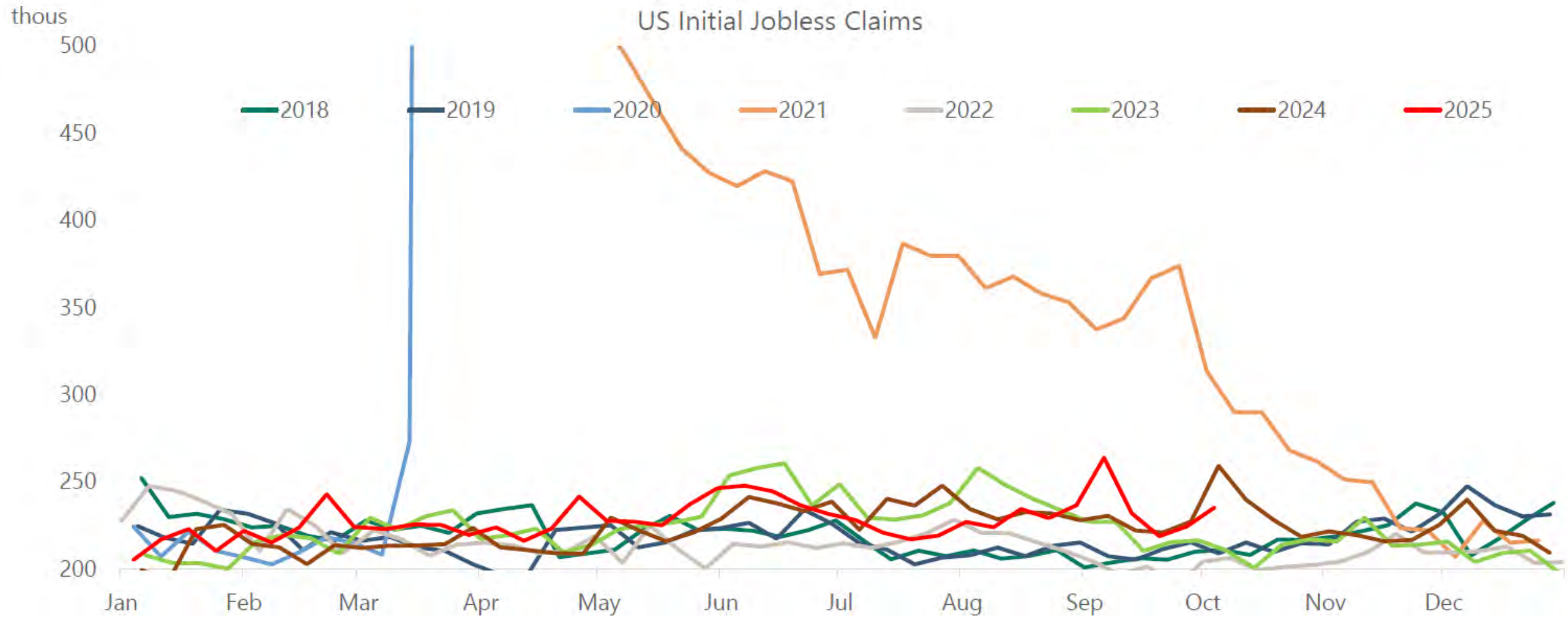


Source: US Bloomberg Second Measure Consumer Spend, Macrobond, Apollo Chief Economist

US airport arrivals: Foreign tourist growth negative



Initial jobless claims



FRED Job Postings on Indeed in the United States



Source: Indeed via FRED®
Shaded areas indicate U.S. recessions.

FRED — Job Postings on Indeed in Arizona



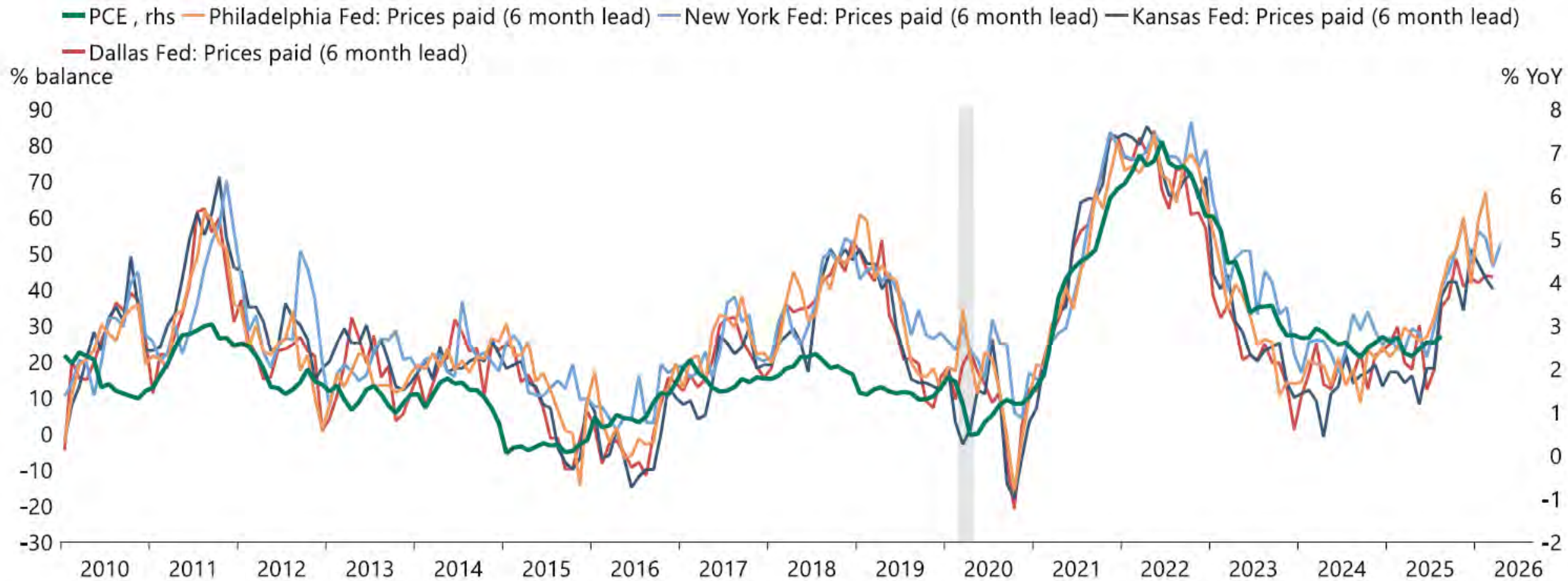
Source: Indeed via FRED®
Shaded areas indicate U.S. recessions.

Consumer confidence employment expectations



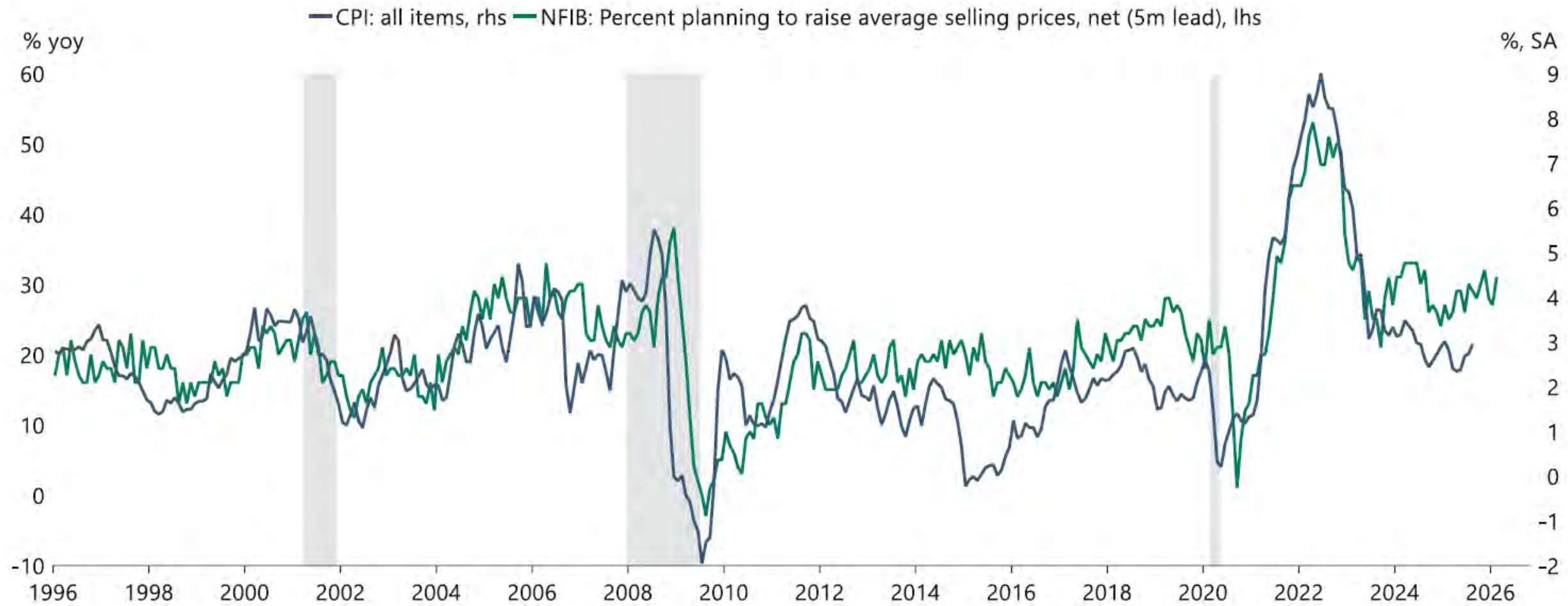
Source: Conference Board, Macrobond, Apollo Chief Economist

Latest Fed data points to upside risks to inflation



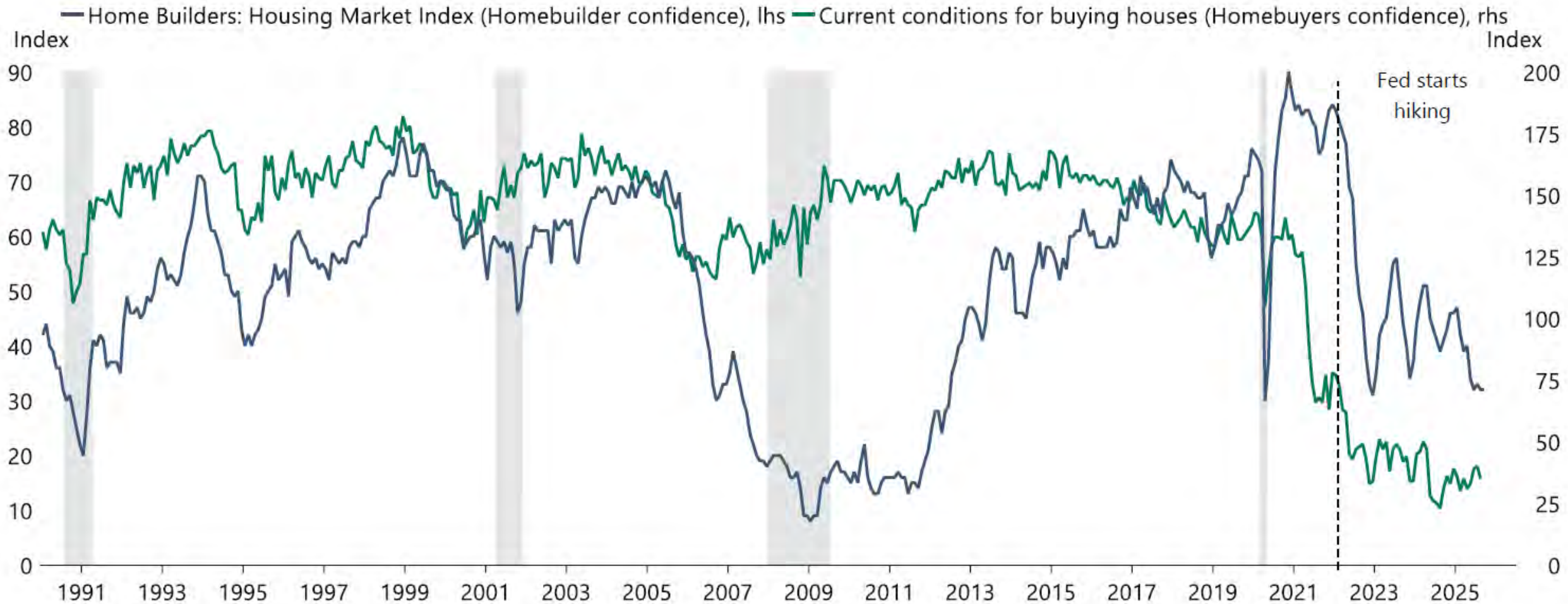
Source: Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

NFIB: Upward pressure on inflation



Source: National Federation of Independent Business, U.S. Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

Homebuyer and homebuilder confidence



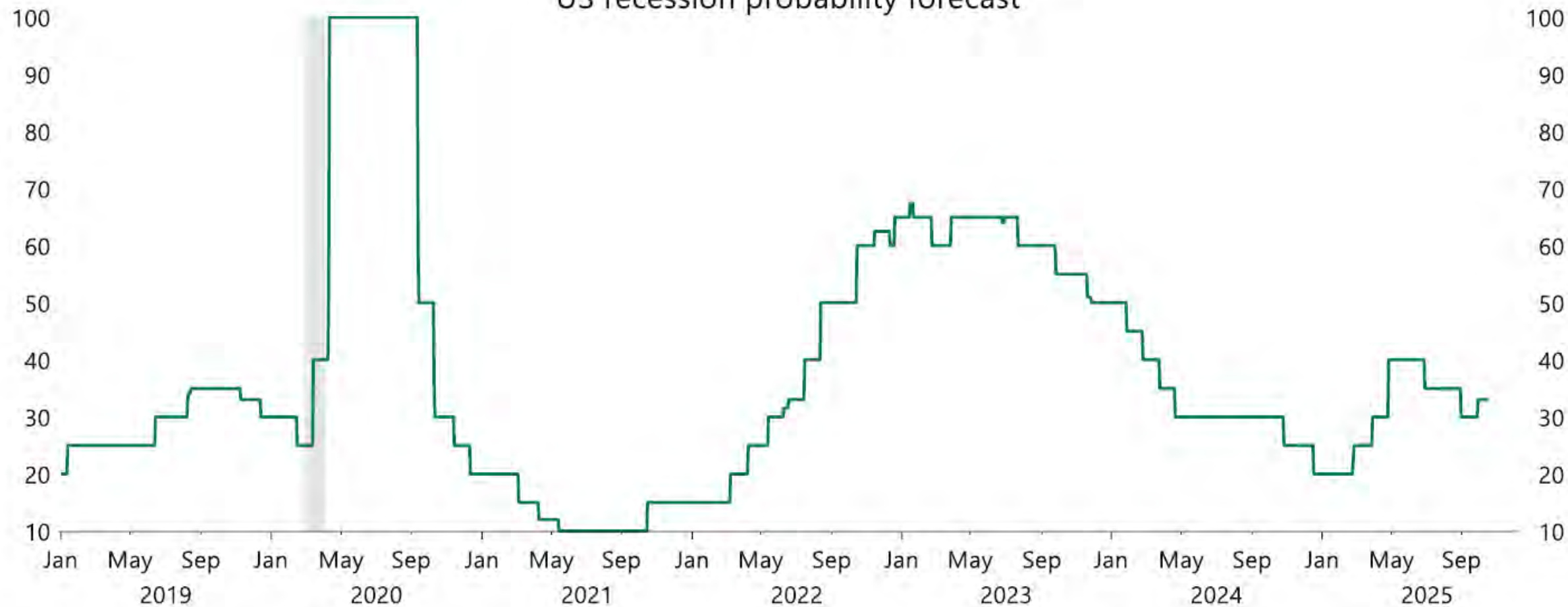
Source: University of Michigan, National Association of Home Builders, Macrobond, Apollo Chief Economist

ISM: Manufacturing and Services



US: Consensus recession probability 12 months ahead

US recession probability forecast



S&P 500 weekly forward profit margins at record high levels



Source: Bloomberg, Macrobond, Apollo Chief Economist. Note: The 12 months forward profit margins are calculated by using the weighted average of 1FY (current year estimate) and 2FY (next year estimate) to smooth out fiscal year transitions.

Employment expectations

Job finding expectations: mean probability of finding a job in the next 3 months if lose job today



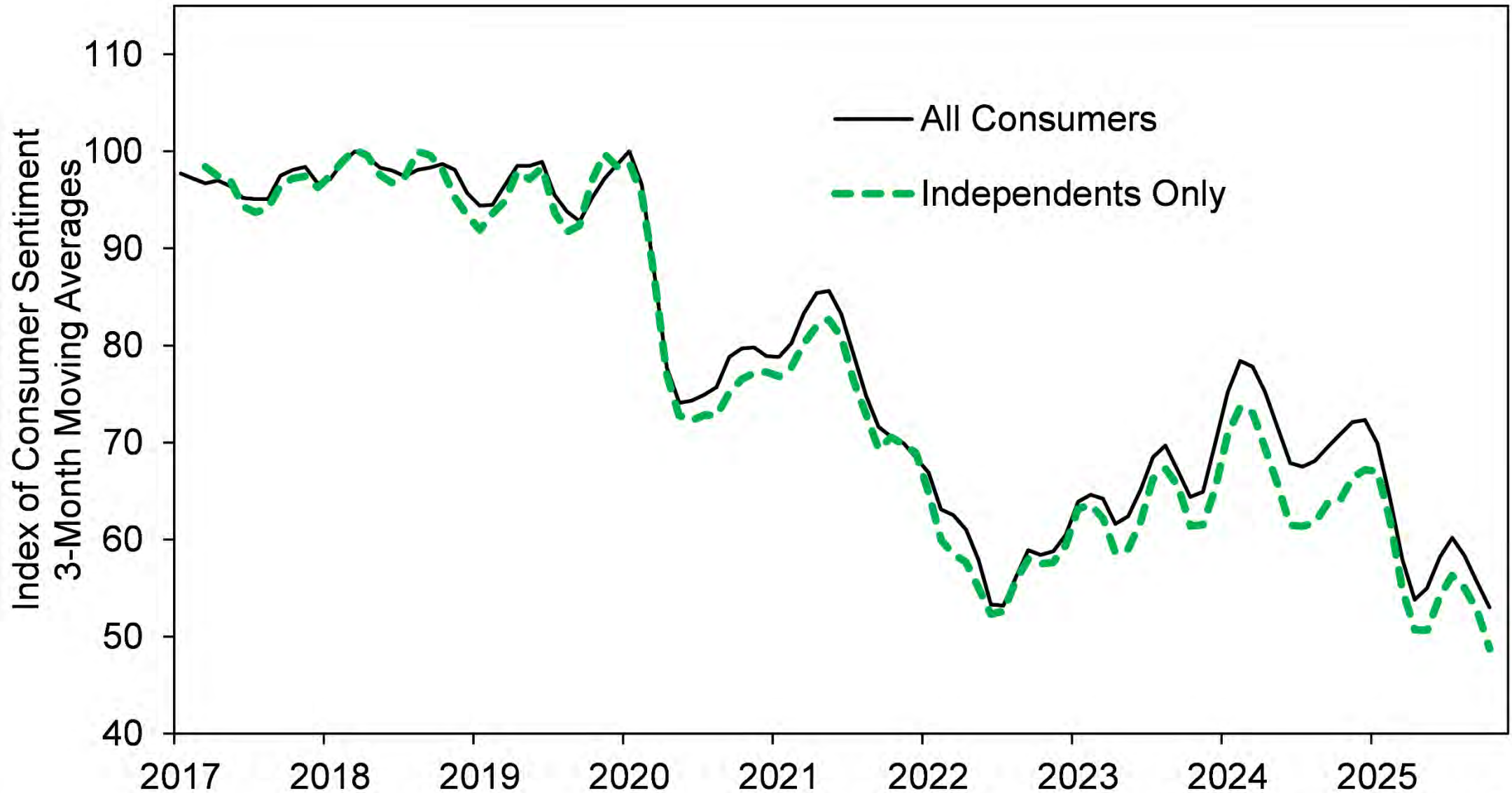
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Weekly loan growth for banks

All commercial banks: Loans & Leases in Bank Credit



National Sentiment Trends, Including Recent Declines, Remain Fully Aligned With Views of Independents





“Despite high levels of uncertainty, economists said today they will continue to make projections by pulling numbers out of their ears”



Arizona Economic Outlook

Indicators	2024	2025	2026
Employment Growth	1.3%	1.0%	1.4%
Job Creation	40,500	26,400	46,200
Unemployment Rate	3.9%	4.4%	4.3%
Population Growth	1.5%	1.3%	1.4%
Population Increase	109,357	98,500	107,000



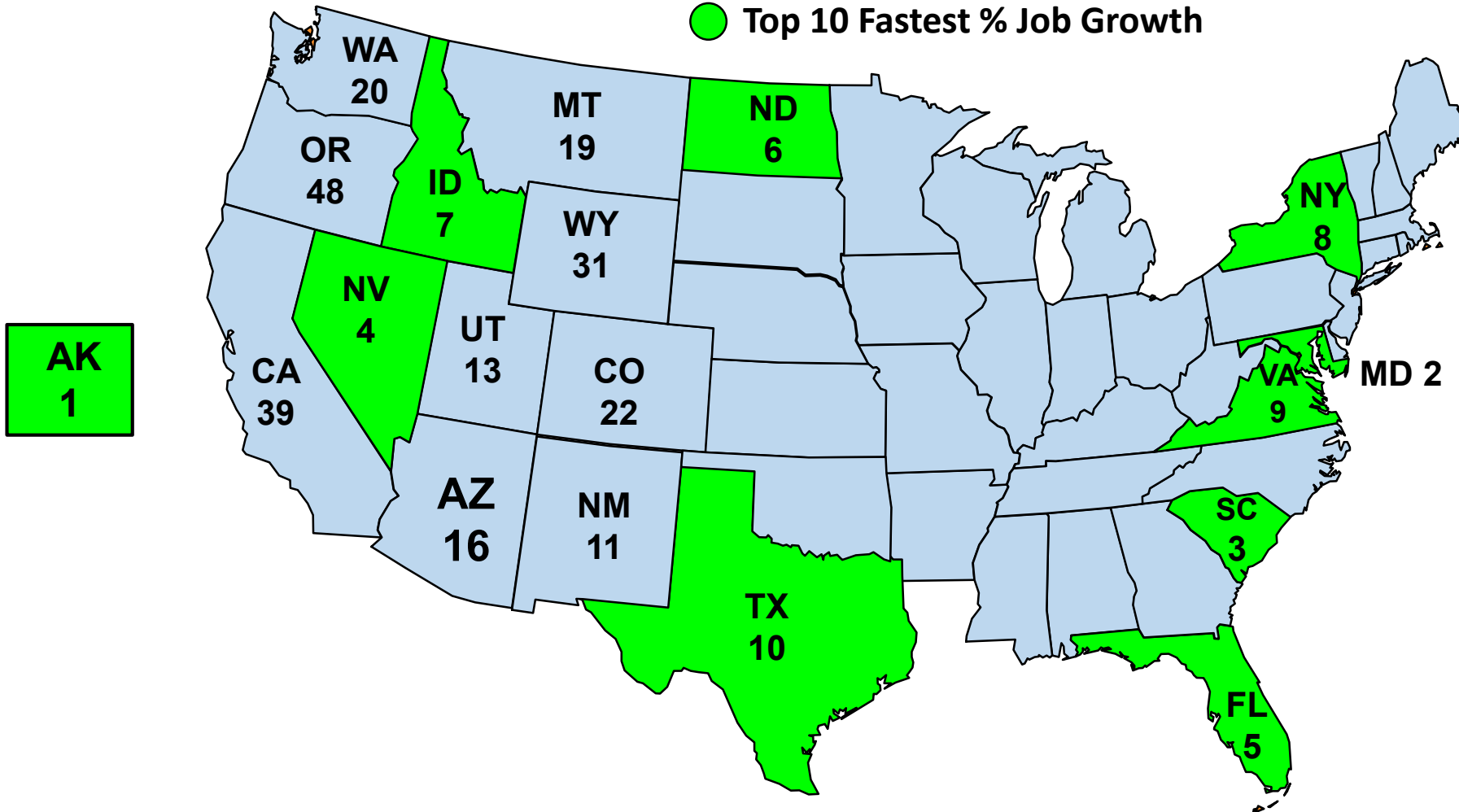
Phoenix Economic Outlook

Indicators	2024	2025	2026
Employment Growth	1.6%	1.0%	1.6%
Job Creation	39,200	24,000	39,600
Unemployment Rate	3.3%	4.2 %	4.1%
Population Growth	1.5%	1.5%	1.6%
Population Increase	77,700	76,800	84,600

AZ Job Growth Slipped Out of Top 10 in 2024

Ranked by Percent Change in Employment: 2024

● Top 10 Fastest % Job Growth

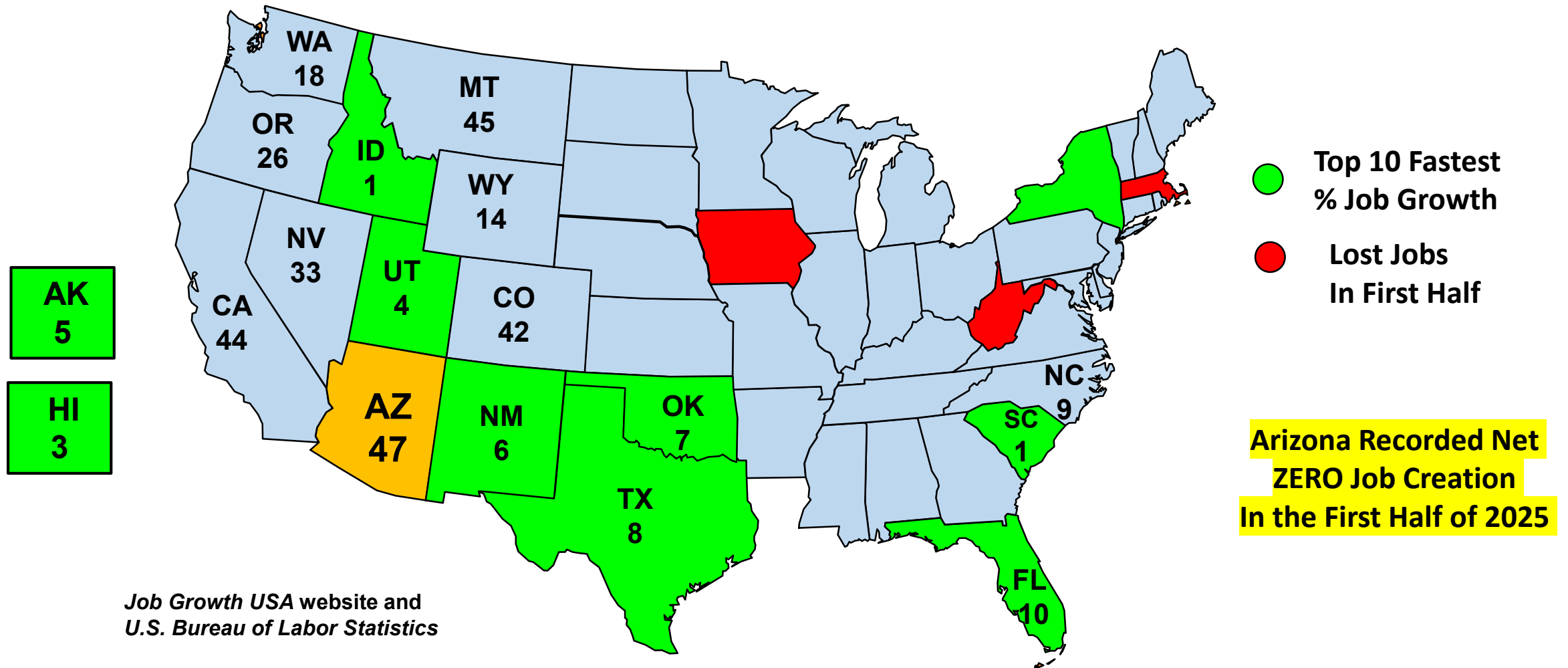


Arizona Job Growth slipped out of the top 10 in 2024 for the first time since 2015

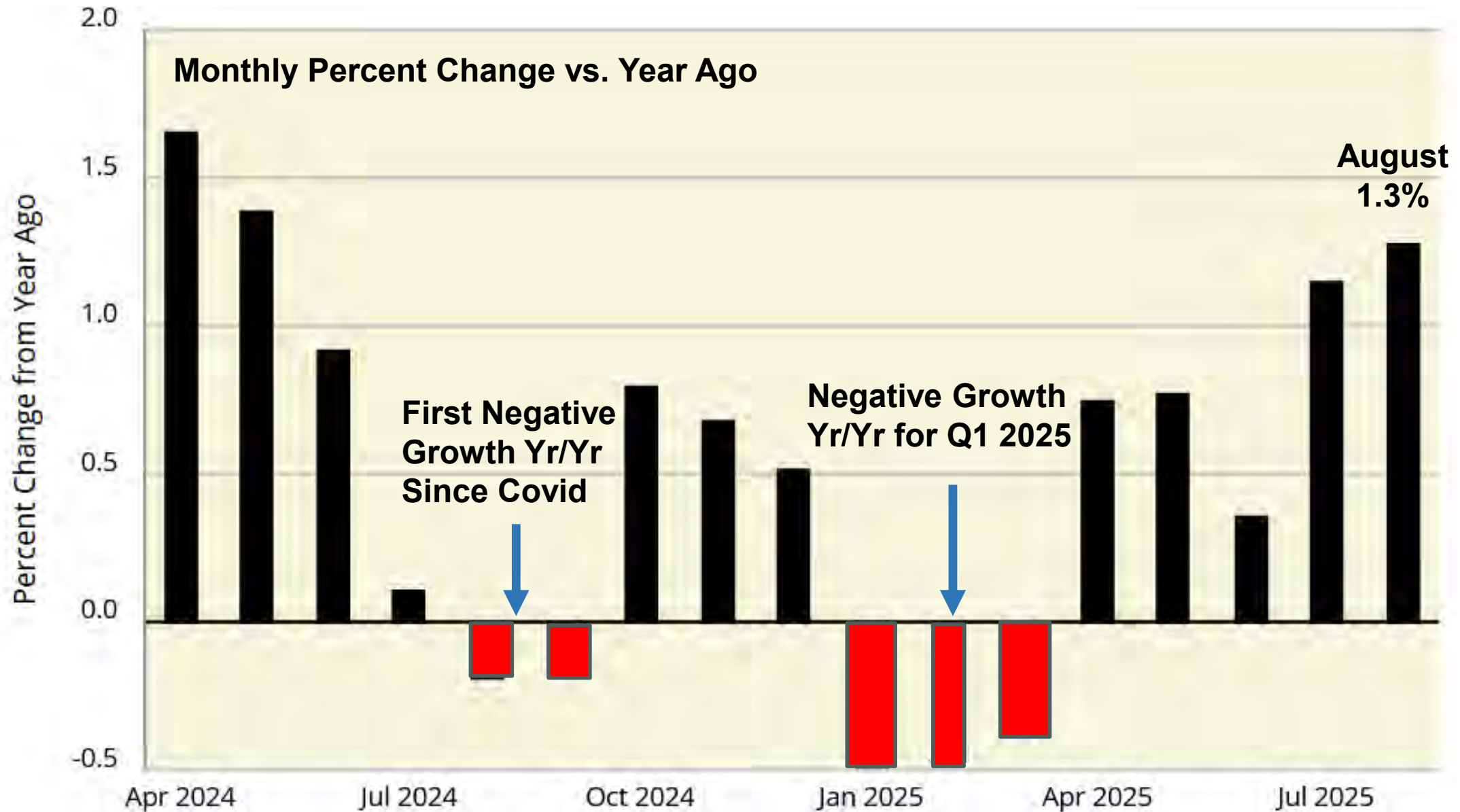
*Job Growth USA website and
U.S. Bureau of Labor Statistics*

Arizona Job Growth Ranked 47th In First Half 2025

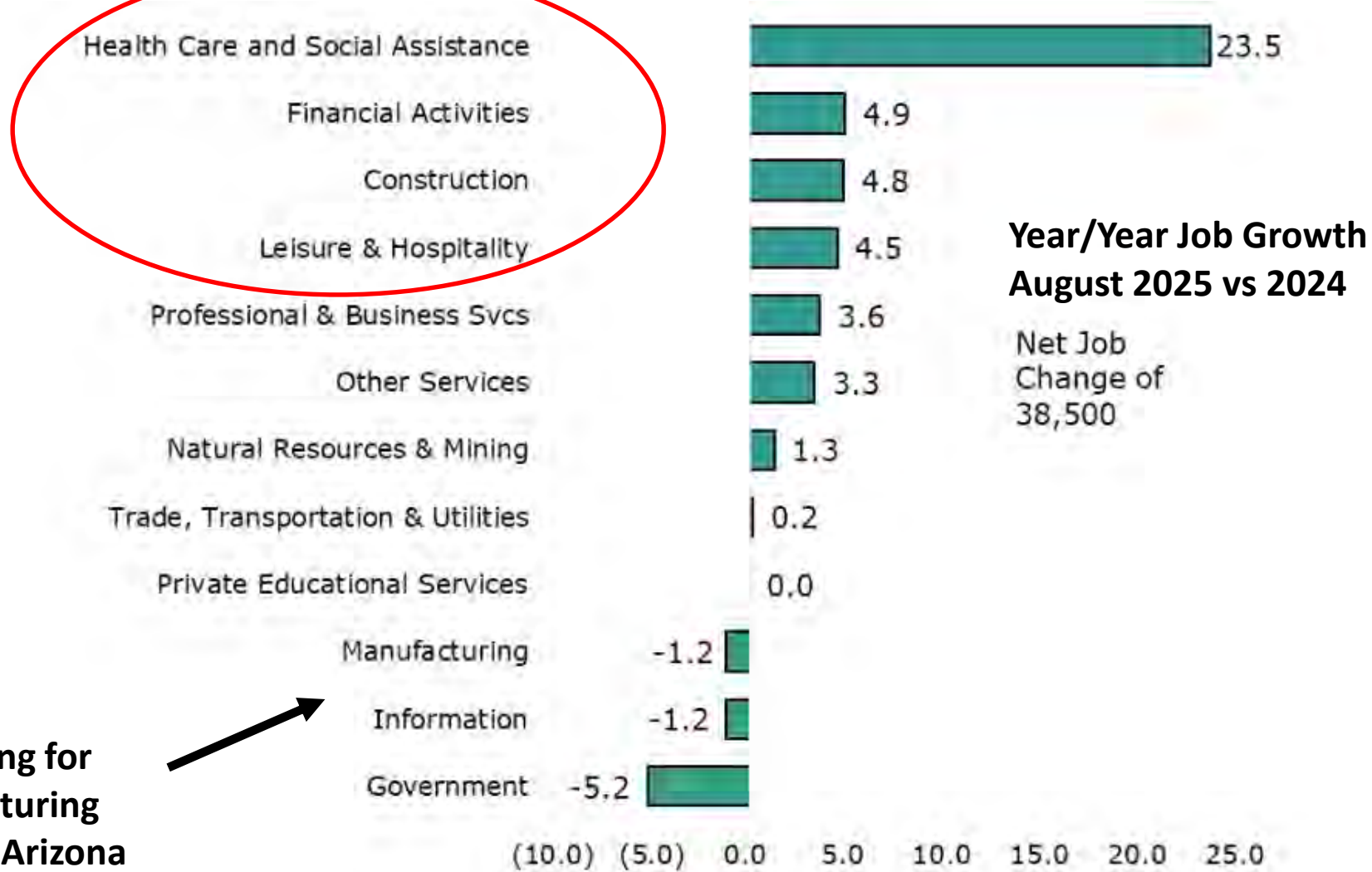
Ranked by Percent Change in Employment: First Half 2025 vs First Half 2024



AZ Job Growth Slowed In 2024, Sputters in 2025



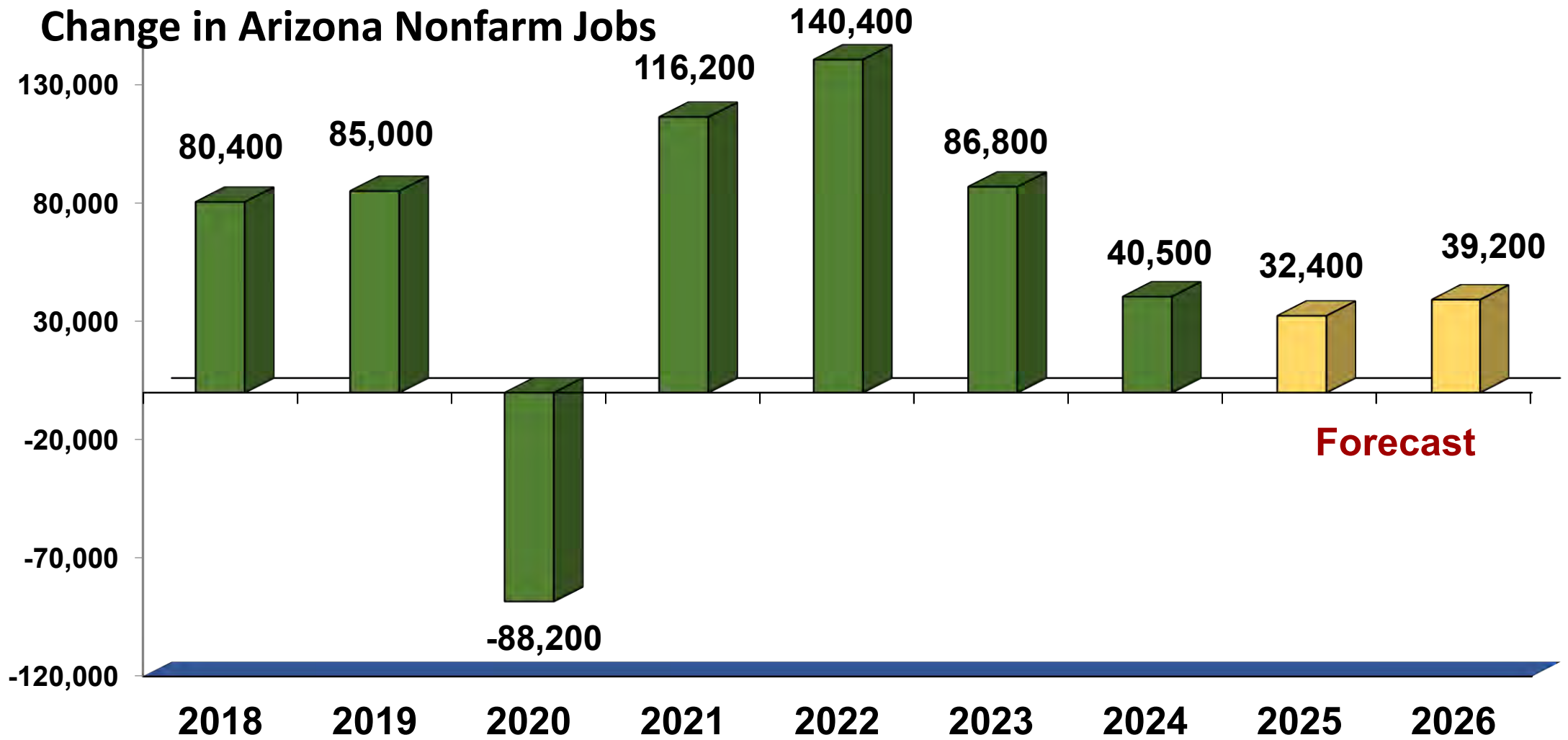
Arizona Year/Year Job Gains/Losses by Sector



Still Waiting for
“Manufacturing
Boom” in Arizona

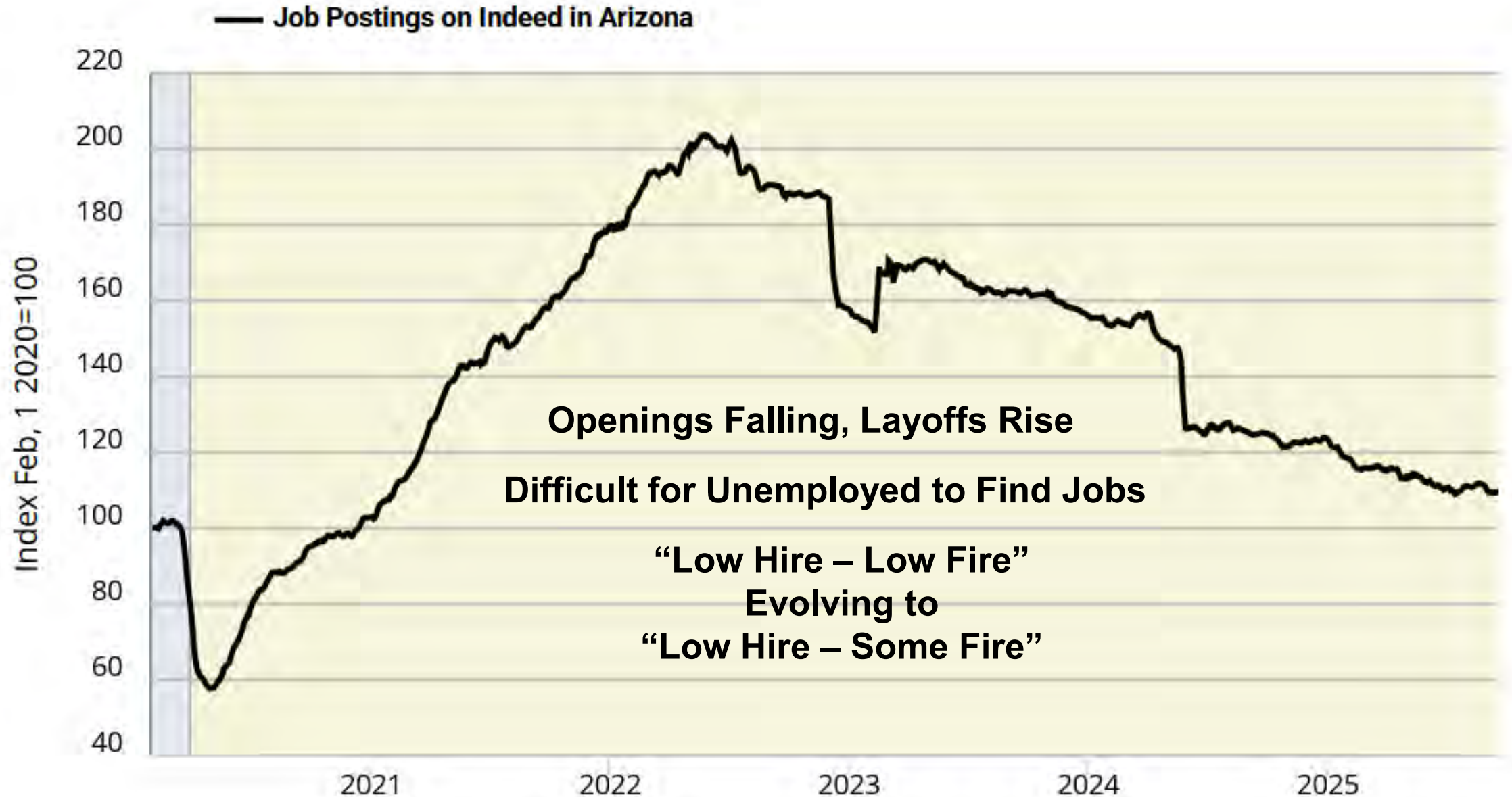


Arizona Job Growth Weak For 3rd Year



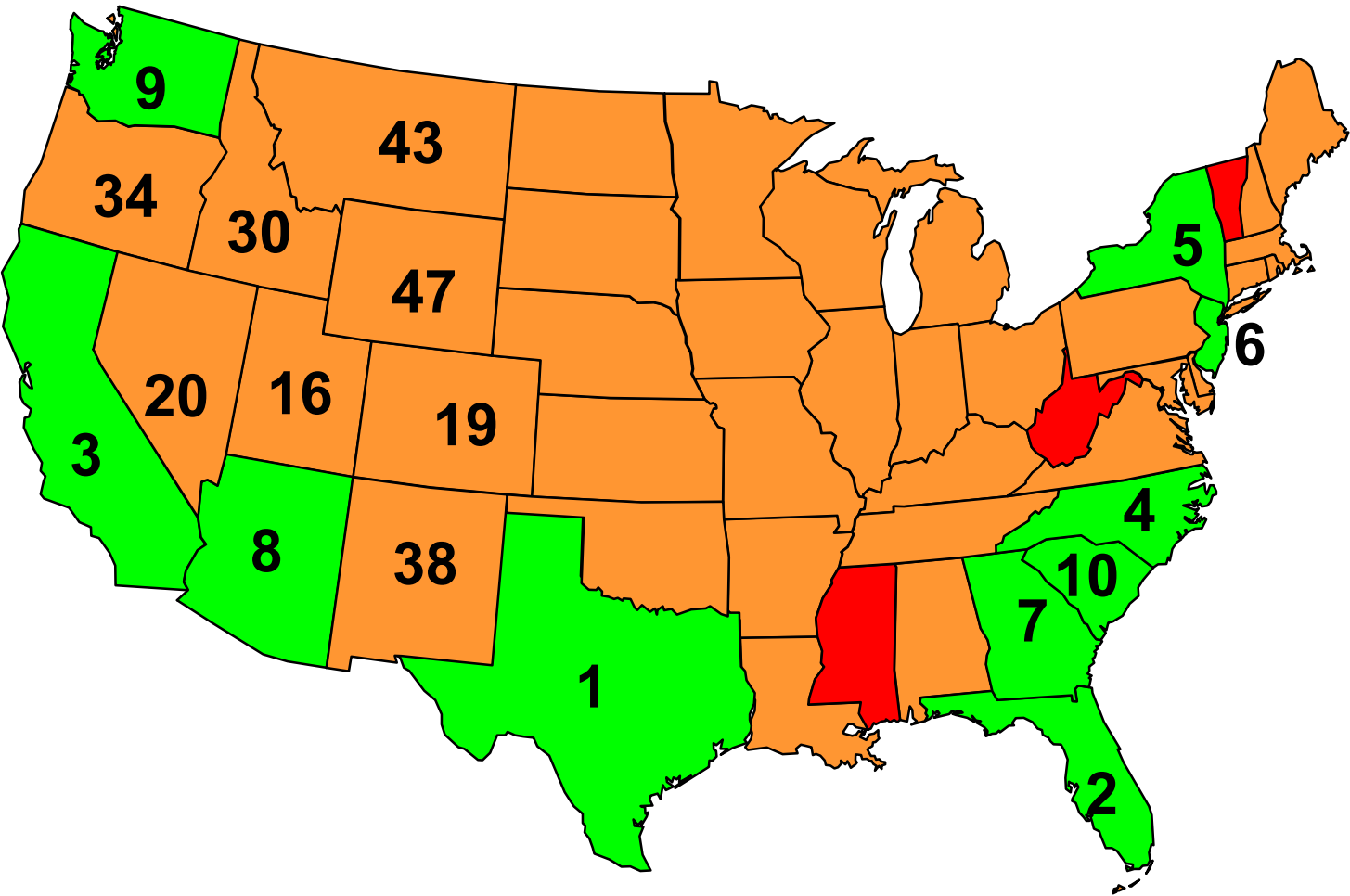
U. S. Bureau of Labor Statistics & W. P. Carey School of Business

Fewer Arizona Job Postings As Growth Slows



AZ Population Growth Ranked 8th in 2024

Ranked by Number of New Residents: Natural + Migration



Arizona Population Change: 2024	
Births	78,322
Deaths (-)	68,662
Natural	9,660
Domestic Migration	34,902
International Migration	64,486
Total Change	109,048

● 3 States Lost Population

U. S. Census Bureau, Dec. 2024

Arizona Migration - A Key Growth Catalyst

Potential Headwinds to Migration

Slowing Labor Markets, Fewer Openings

Climate Change – Triple Digit Temperatures

Housing Affordability/Availability

Wages Affected by “Sunshine Bonus”

K-12 Public Education Low Rankings

What Drives Arizona Migration?

Historically Strong Arizona Labor Markets

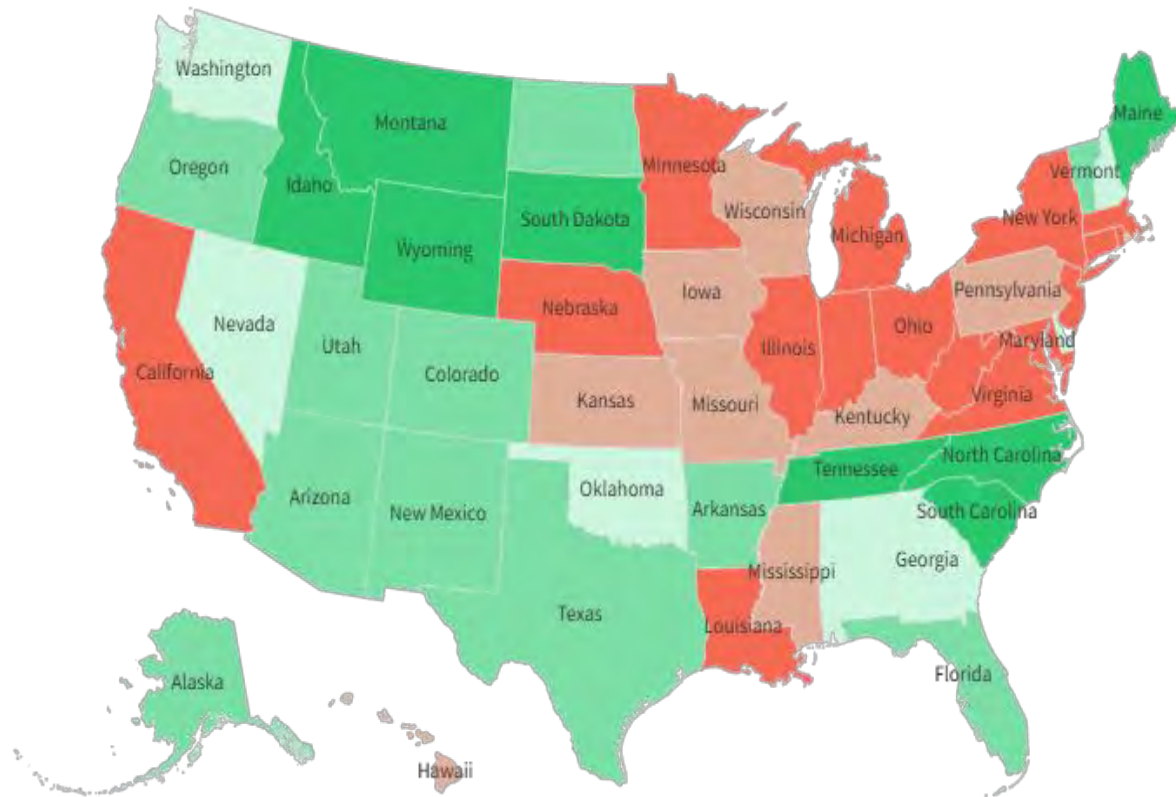
Evolving As High Tech & Distribution Center

Tax Burden Lower Than Far Western States

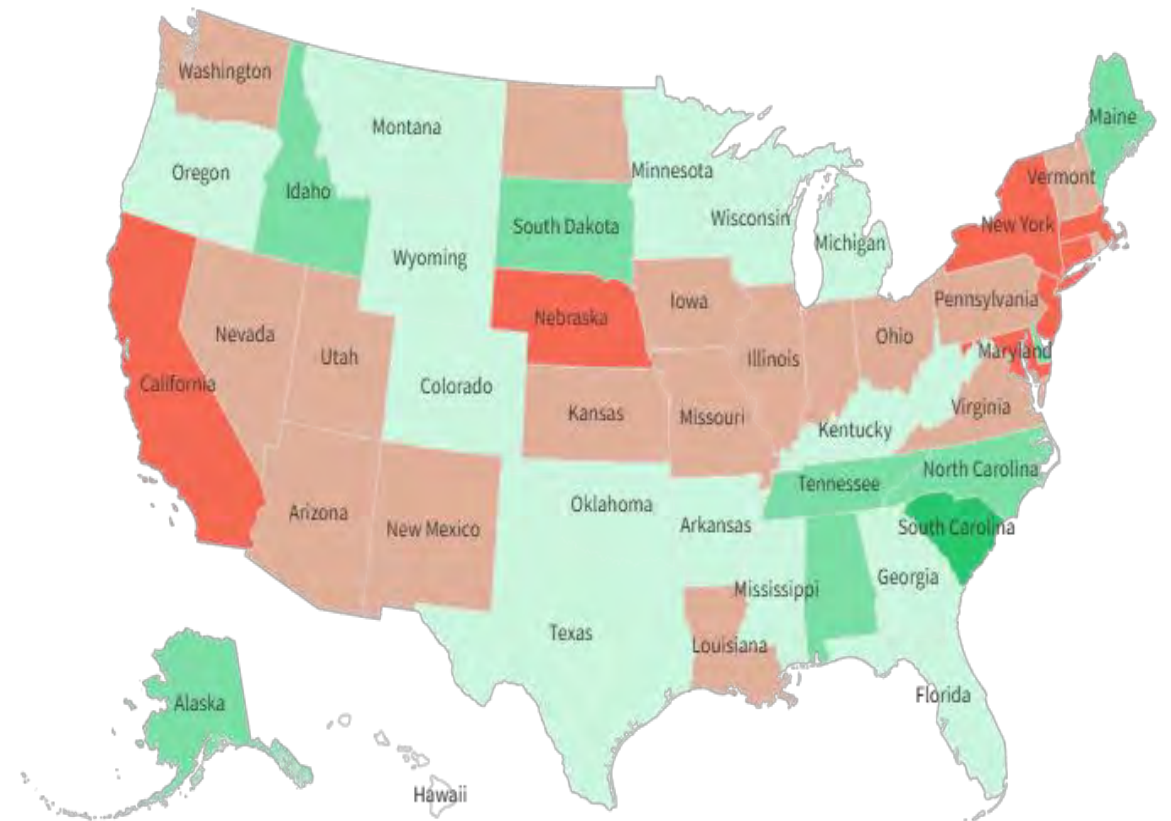
Retirees Able to Buy Homes with Cash

Arizona In/Out Moving Ratios Decrease

Arizona 2020 3 in for every 2 out



Arizona 2025 1 in for every 1 out



What Happened?

Why Wouldn't Folks Want to be Here??

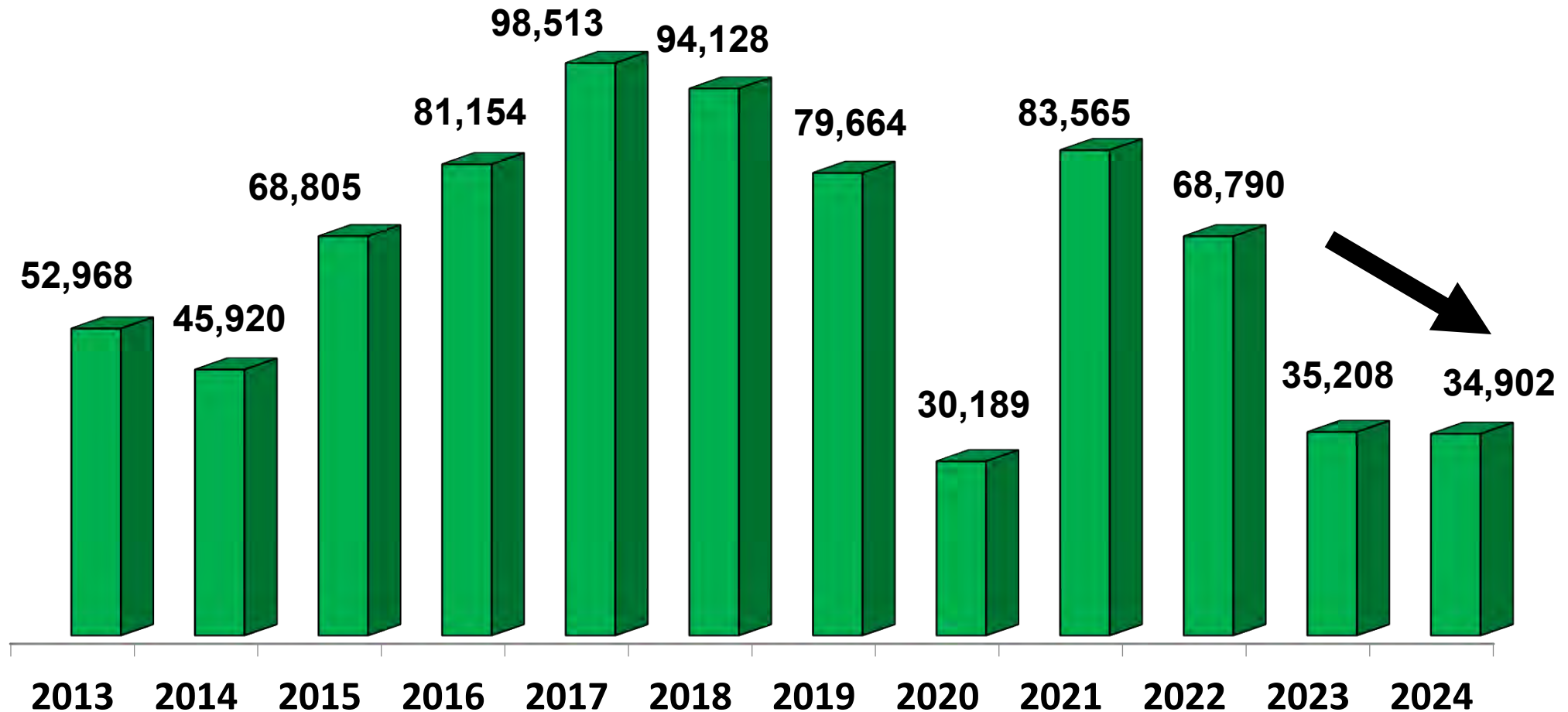


Maybe They Watch CNN...



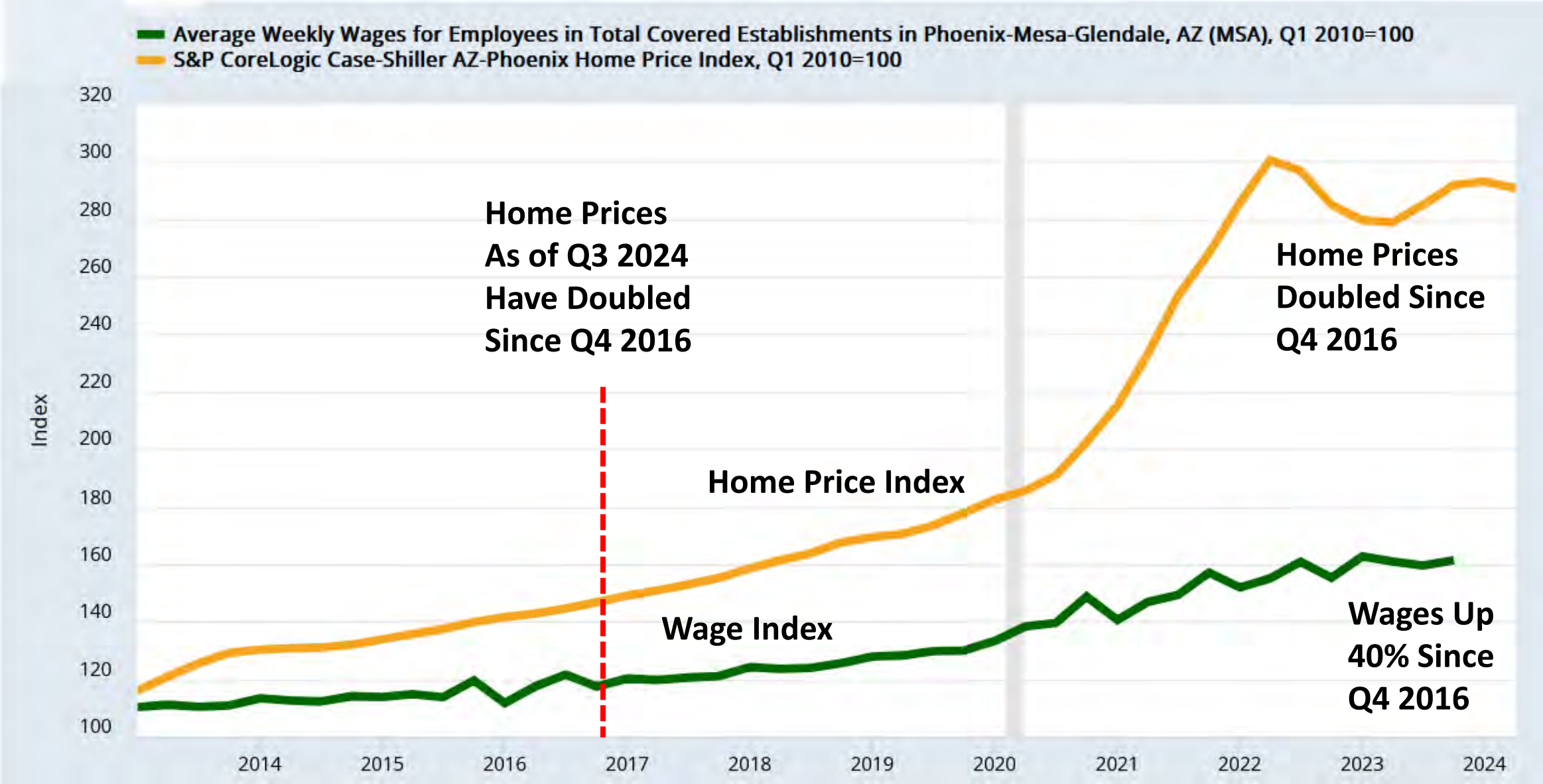
Is Arizona Affordability Hurting In-Migration?

Arizona Net Domestic Migration



U. S. Census Bureau

Phoenix Home Prices Have Doubled Since 2016



Heat & Water Issues Attract National Interest

Los Angeles Times

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31-day heat challenge: Phoenix sets record for consecutive days above 110 degrees



California is the leading origin state for domestic In-migration to Arizona

Phoenix “Heat Katrina” Would be Catastrophic

Last year, researchers at Georgia Institute of Technology, Arizona State University and the University of Michigan published a study looking at the consequences of a major blackout during an extreme heat wave in three cities: Phoenix, Detroit and Atlanta. In the study, the cause of the blackout was unspecified.

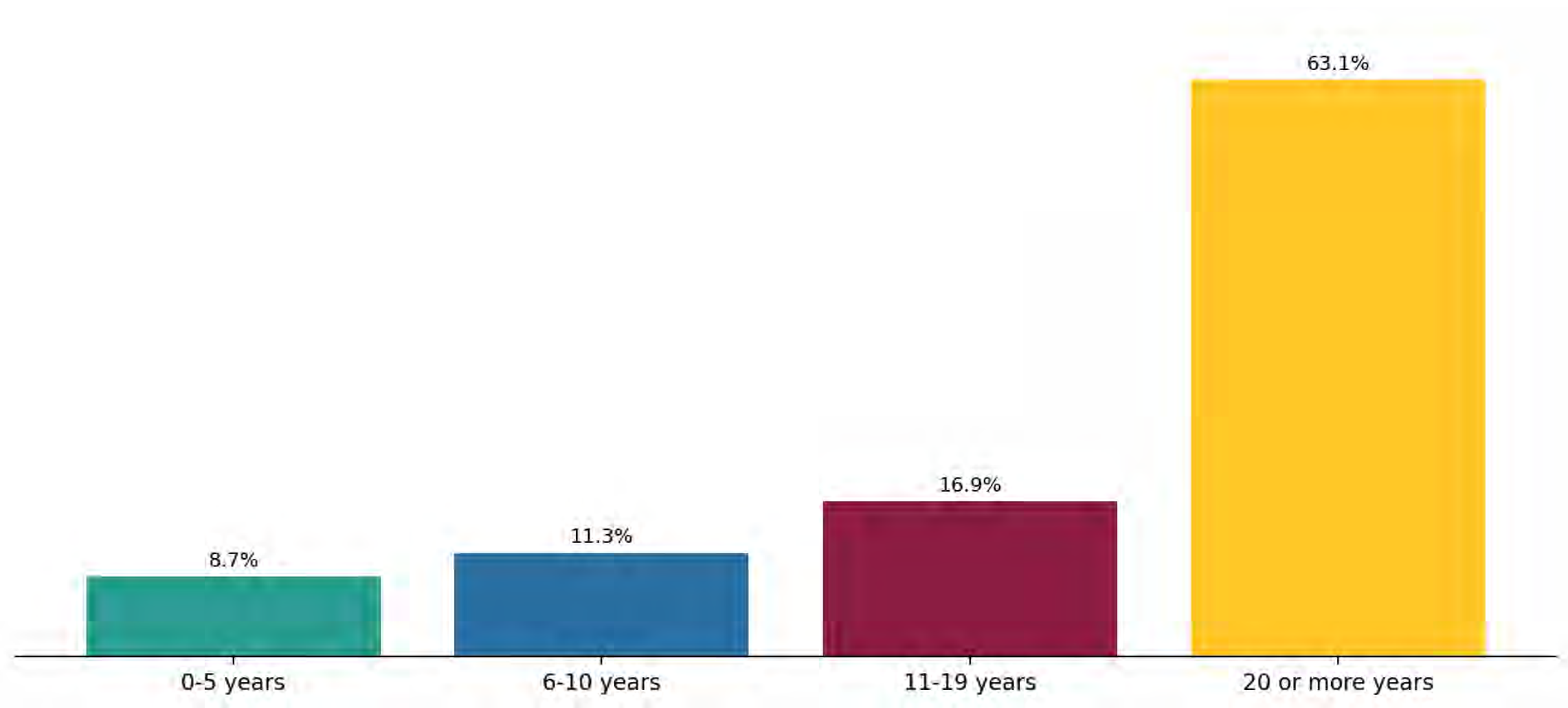
The results were shocking: In Phoenix, about 800,000 people — roughly half the population — would need emergency medical treatment for heatstroke and other illnesses. The flood of people seeking care would overwhelm the city’s hospitals. More than 13,000 people would die.

A Look at Phoenix Commercial Real Estate

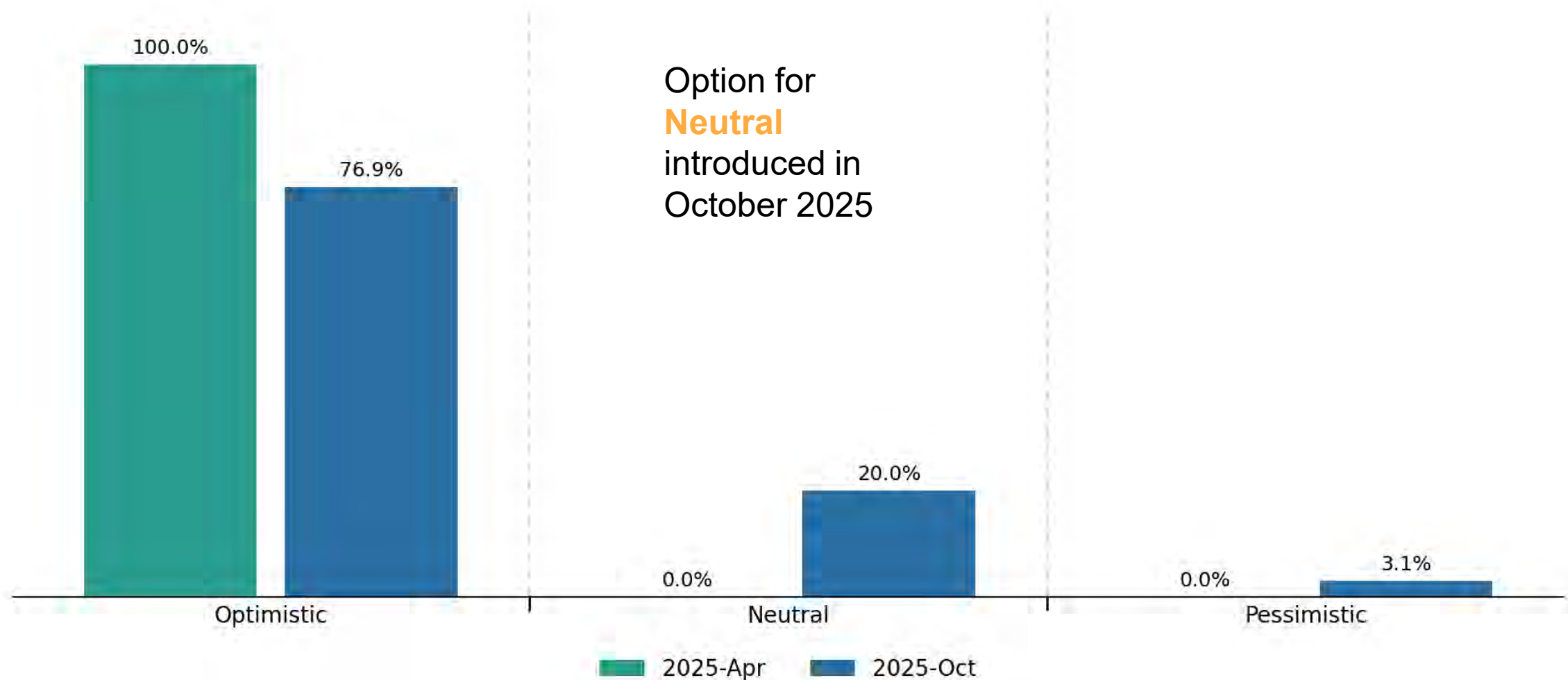
ASU Brokers Forum

Fall 2025

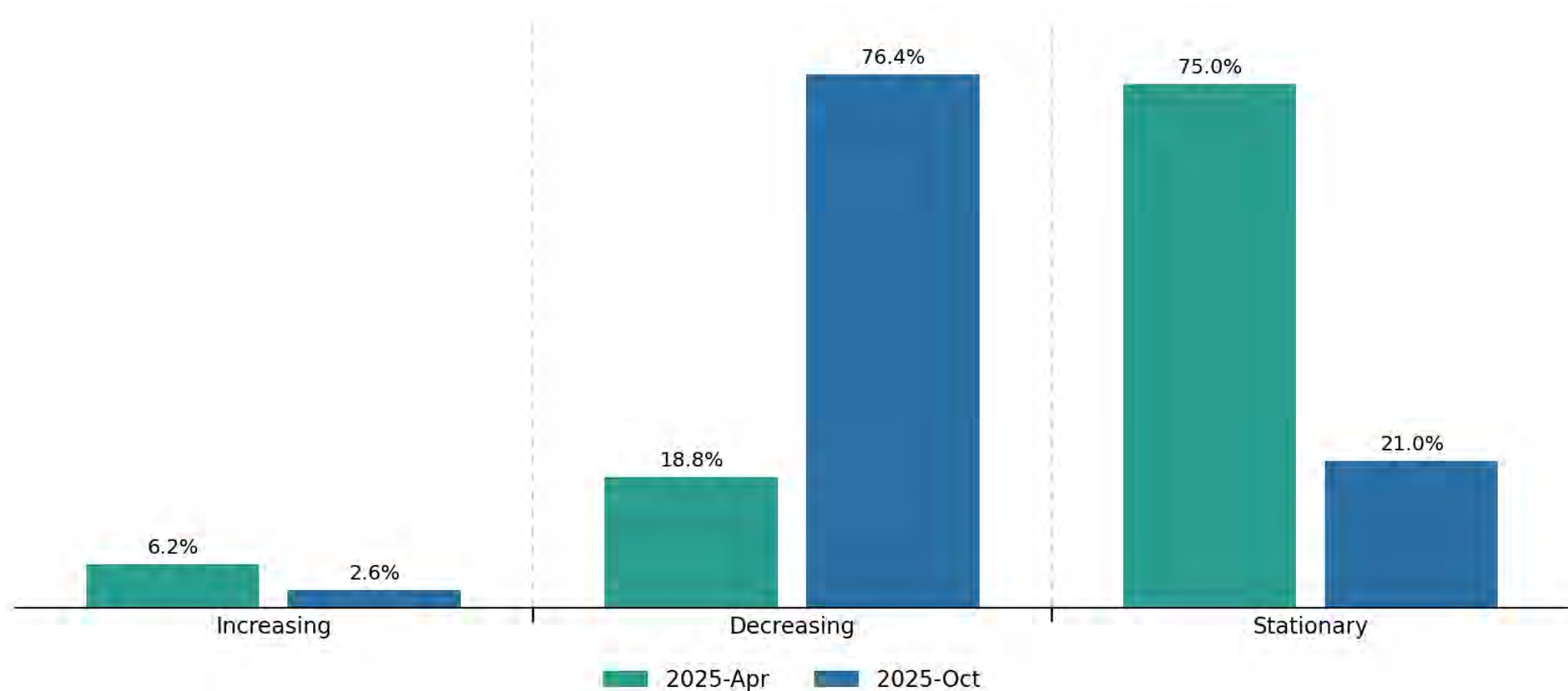
How long have you been in commercial brokerage?



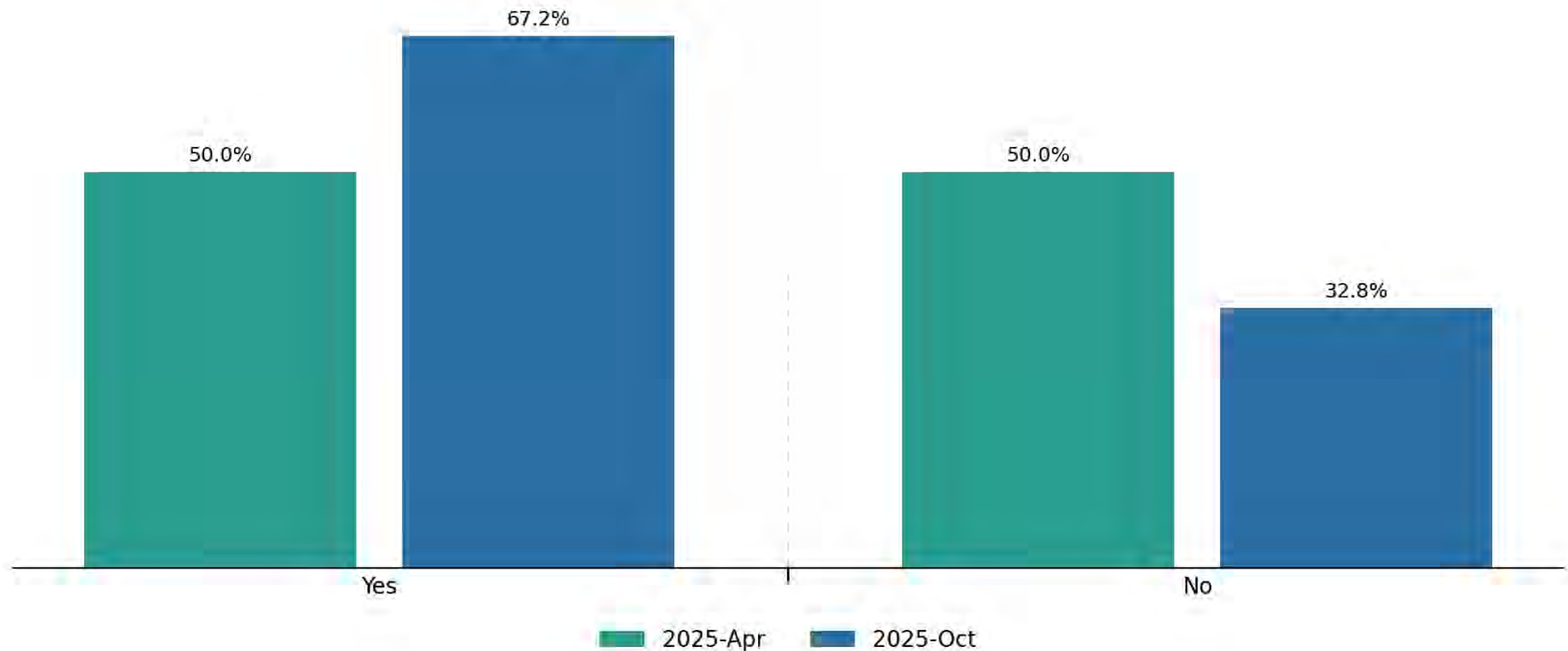
What is your overall feeling about the metro Phoenix CRE market?



Where are interest rates for commercial loans headed in the next 6 months?



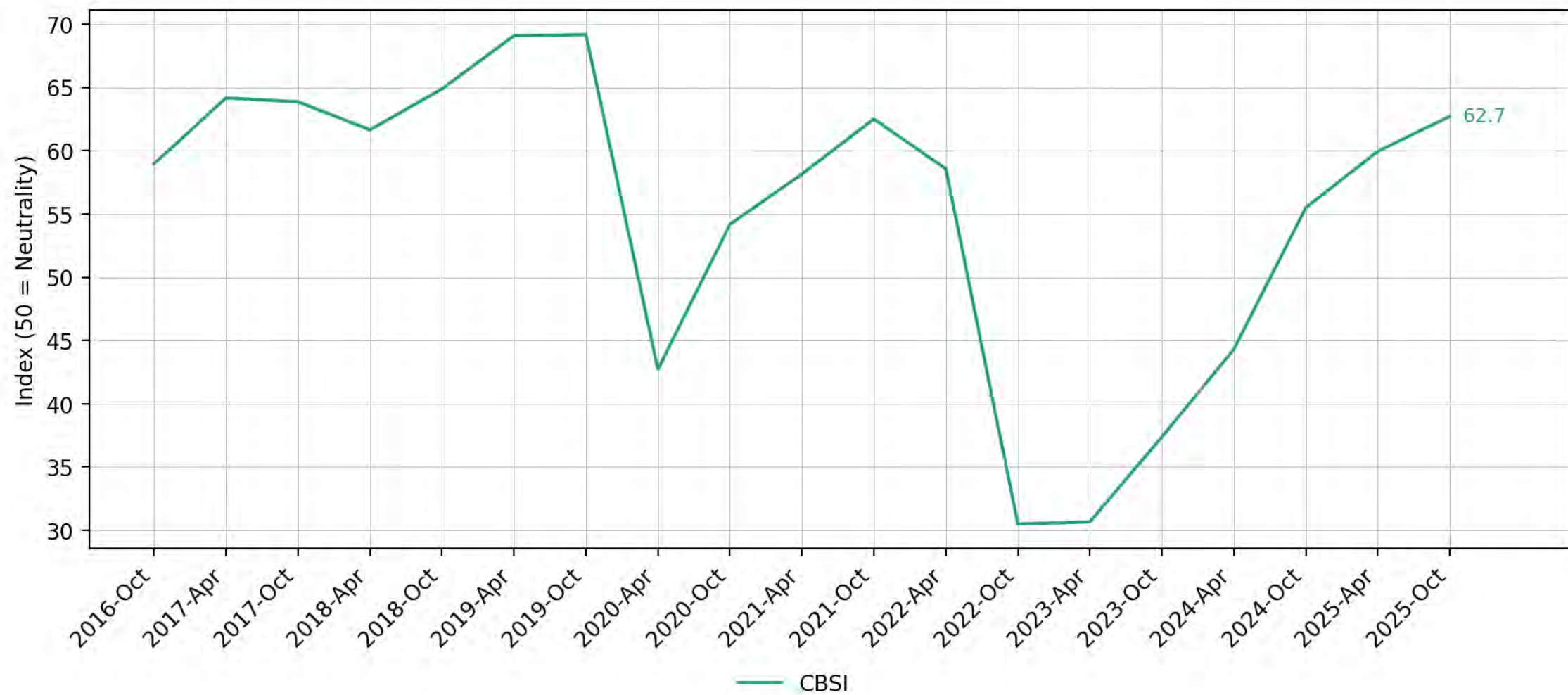
Is uncertainty in the federal government affecting the CRE market and hindering our local growth potential?



Metro Phoenix Commercial Broker Sentiment Index

- The W.P. Carey Center for Real Estate and Finance is developing a Metro Phoenix Commercial Broker Sentiment Index (CBSI) to serve as a forward-looking indicator of how brokers perceive the market
- The index leverages the breadth and continuity of the ASU Broker Survey
- Values are on a 0-100 scale
 - Below 50 -> unfavorable outlook
 - 50 -> neutral outlook
 - Above 50 -> favorable outlook

Metro Phoenix Commercial Broker Sentiment Index

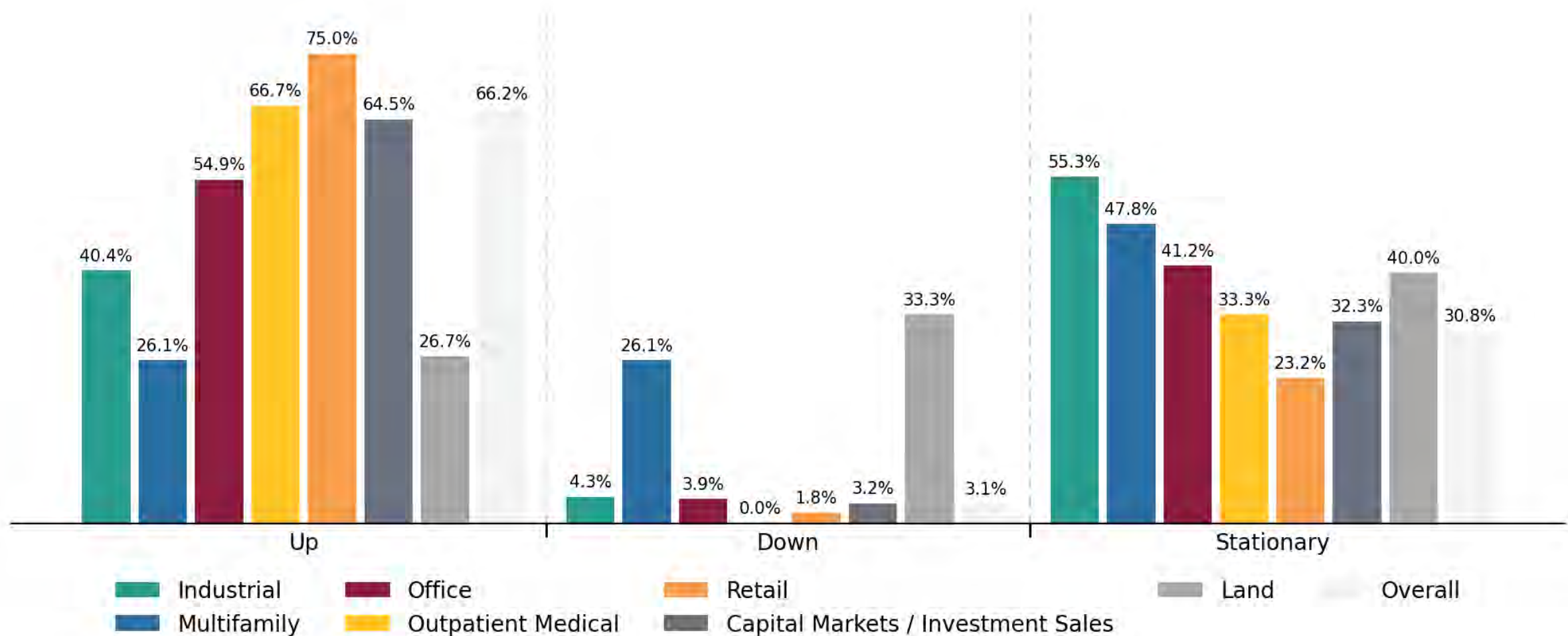


Sentiment index and components

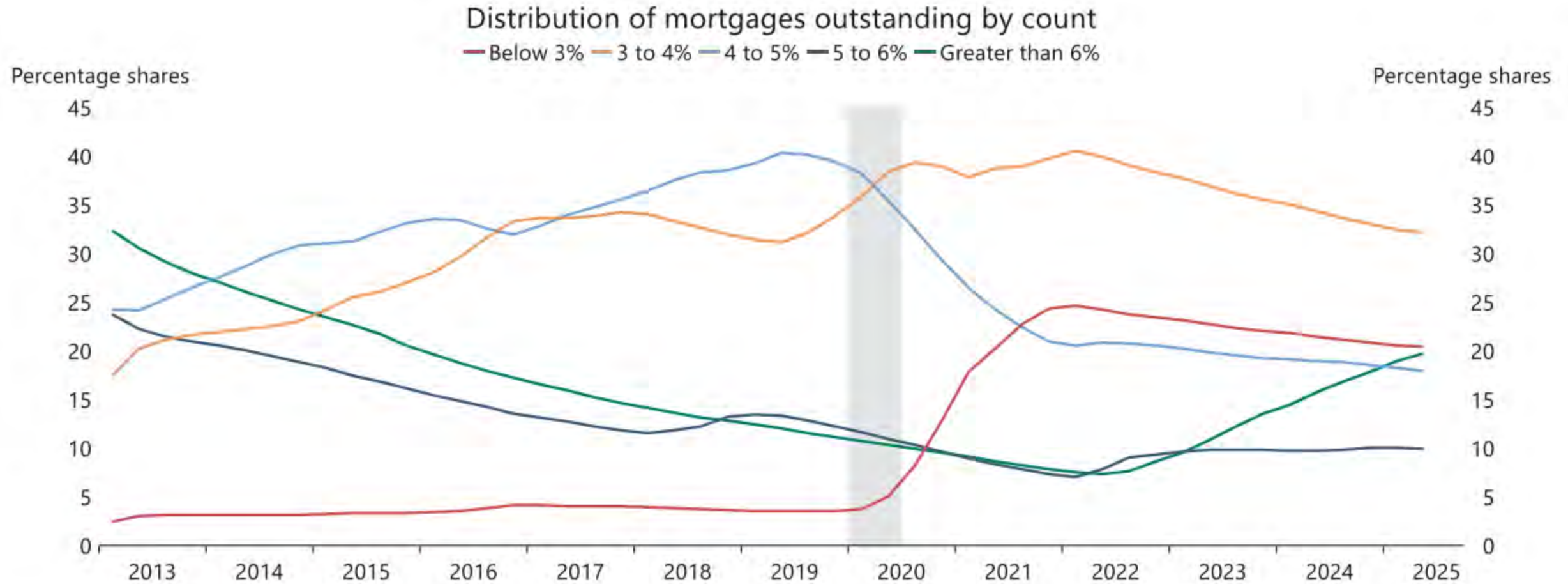
*Above 50 indicates favorable sentiment, below 50 indicates negative sentiment,
a negative change indicates declining (less favorable) sentiment*

	Apr-25	Oct-25	Change
Commercial Broker Sentiment Index	59.9	62.7	2.8
Local performance	60.0	63.9	3.9
Direction of the market	84.4	81.5	-2.8
Vacancies (decreasing → favorable)	48.9	55.0	6.1
Rents (increasing → favorable)	46.9	55.2	8.3
Economic conditions	59.4	68.6	9.3
Cycle (expansion, recovery → favorable)	65.6	55.1	-10.5
Interest rates (decreasing → favorable)	56.3	86.9	30.7
Investor returns (increasing → favorable)	56.3	64.2	7.9
Policy perceptions	60.4	55.4	-5.0
Local development program alignment	65.6	65.2	-0.4
Federal uncertainty (no → favorable)	50.0	32.8	-17.2
Federal regulation effect	65.6	68.4	2.8

In what direction is the metro Phoenix market moving?

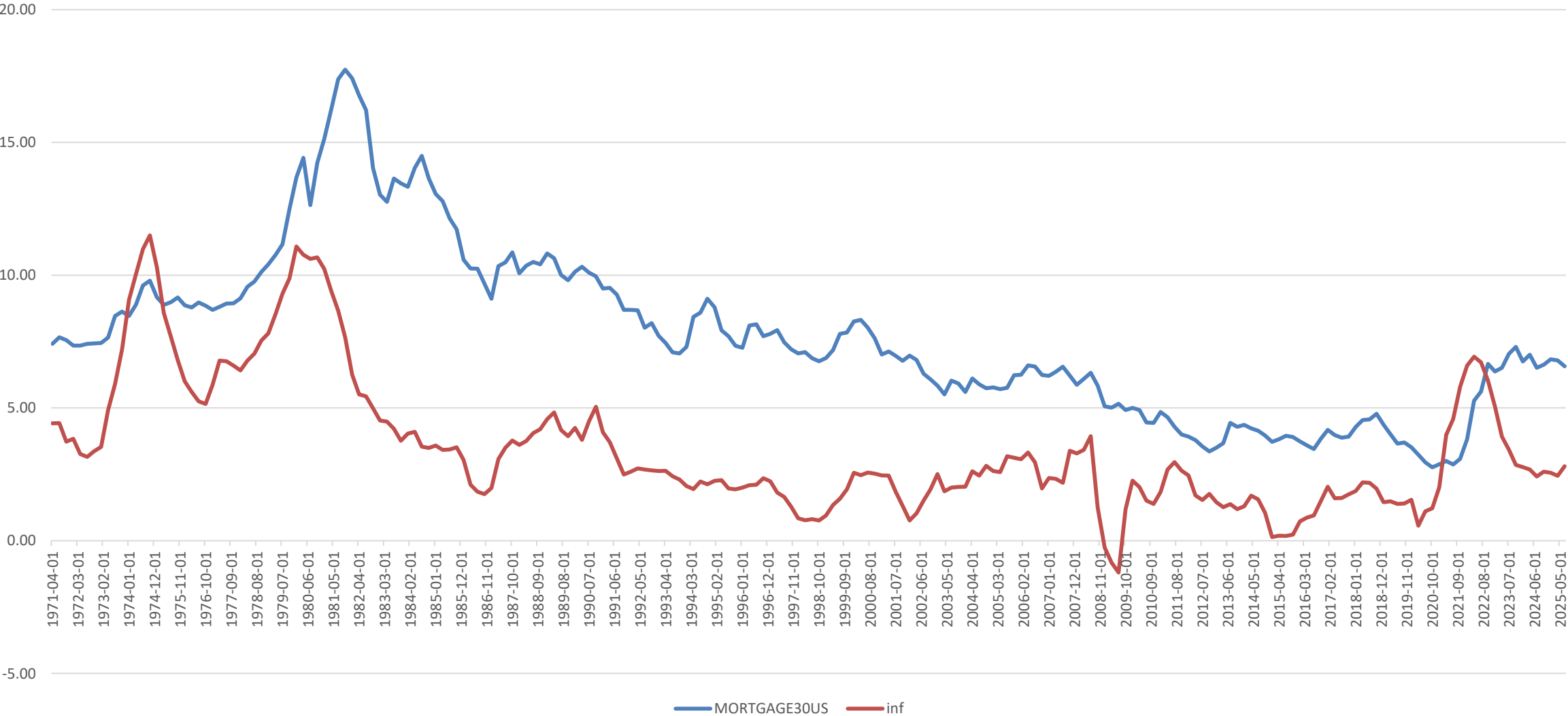


US: A rising share of mortgages outstanding have an interest rate above 6%

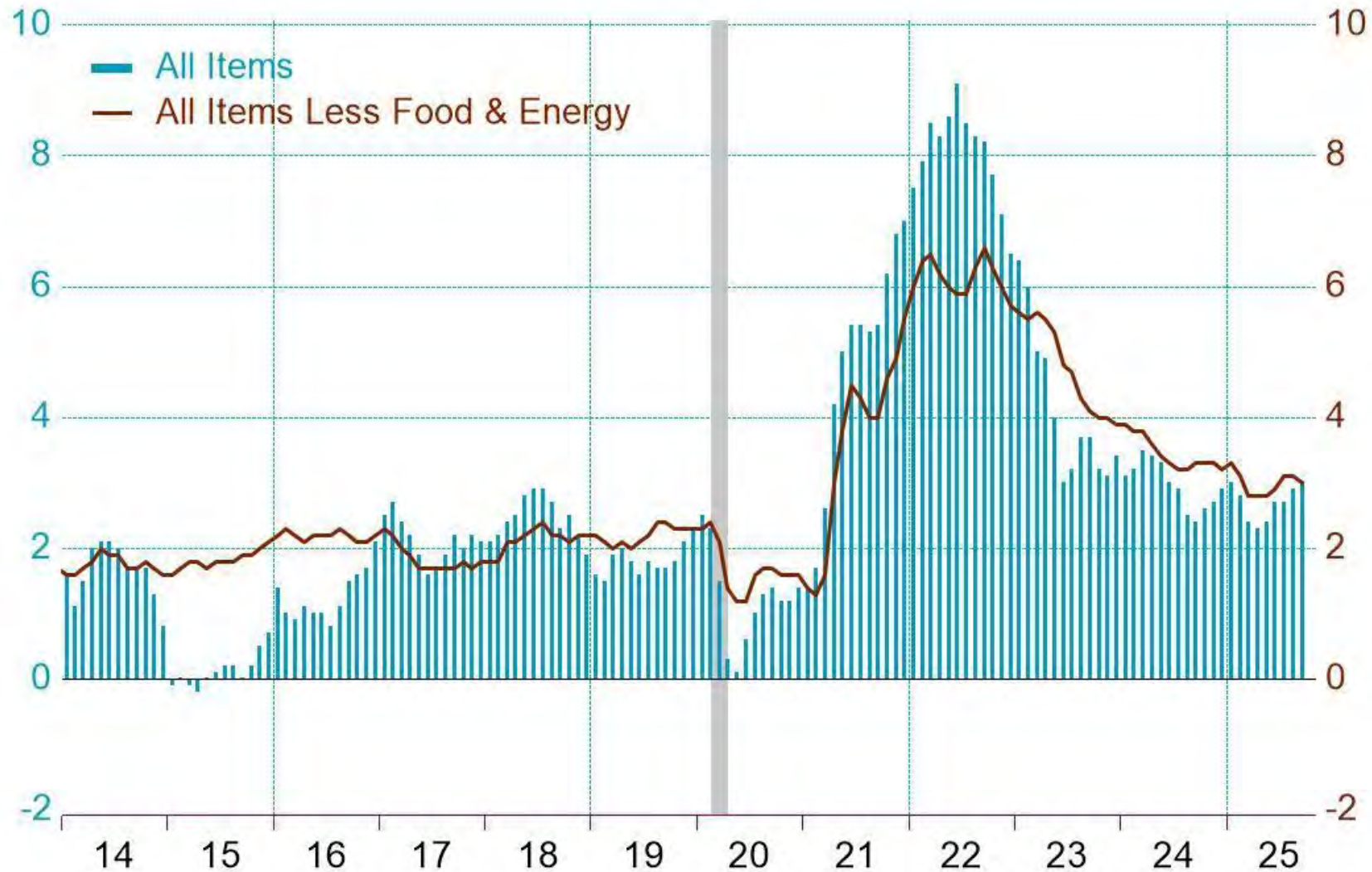


Mortgage Rates Won't fall unless Inflation Slows

30 year Mortgage Rate and PCE Inflation



CPI-U: All Items and Less Food & Energy % Y/Y

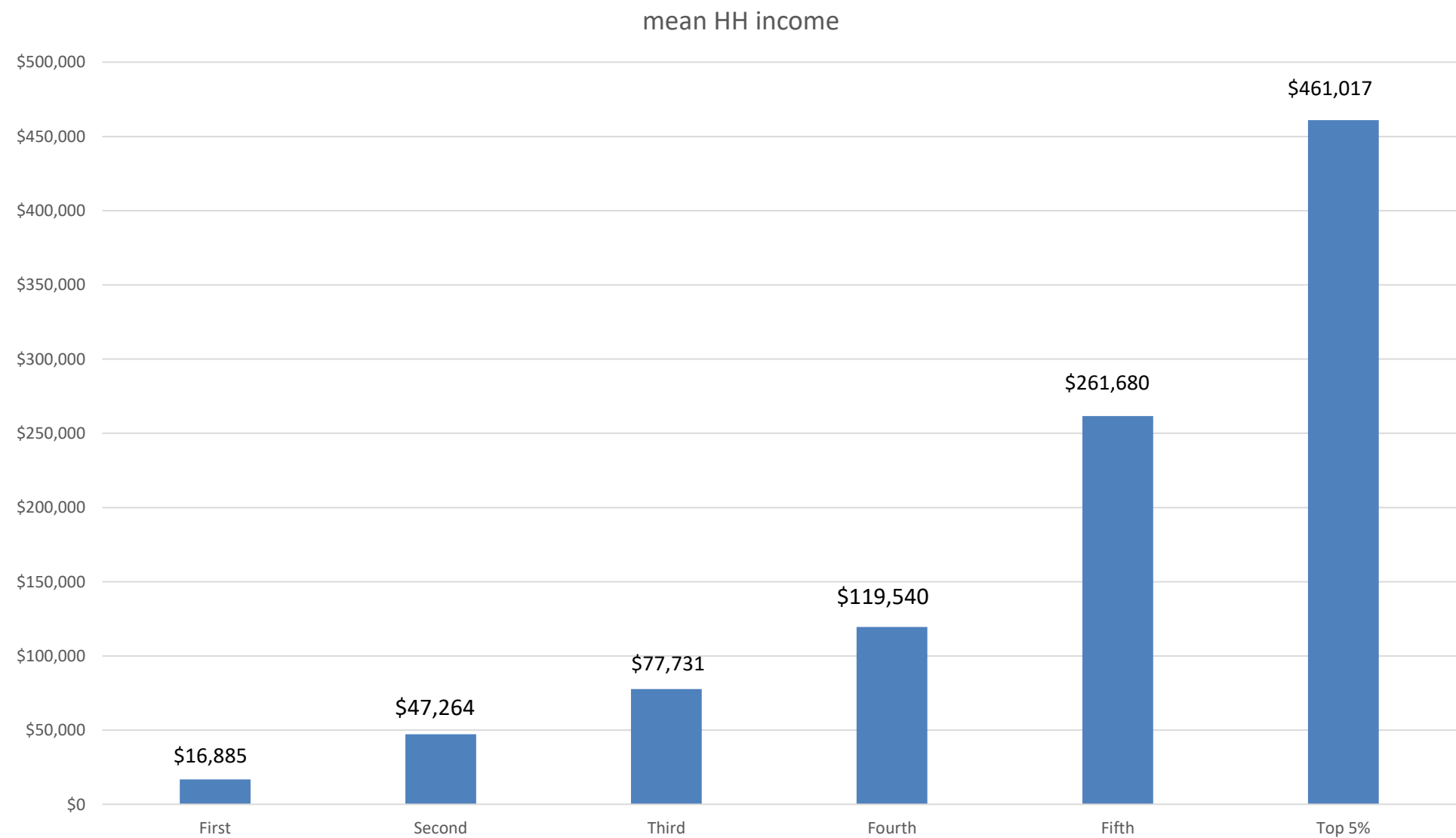


Source: Bureau of Labor Statistics/Haver Analytics

Inflation since COVID Has Been Tough on Arizona consumers

- **Since 2019 the Phoenix CPI is up 30.3%**
 - **Medical Care Costs are up 38%**
 - **All Services are up 35%**
 - **Groceries are up 30%**
 - **Household Energy costs are up 25%**
- **But average hourly wages are up 31.3%**
- **The problem with inflation is that it doesn't hit everyone the same way – lower income families spend a higher proportion of their budget on food, housing, energy, and medical care than the wealthy**

Mean HH Income in Arizona by Quintiles

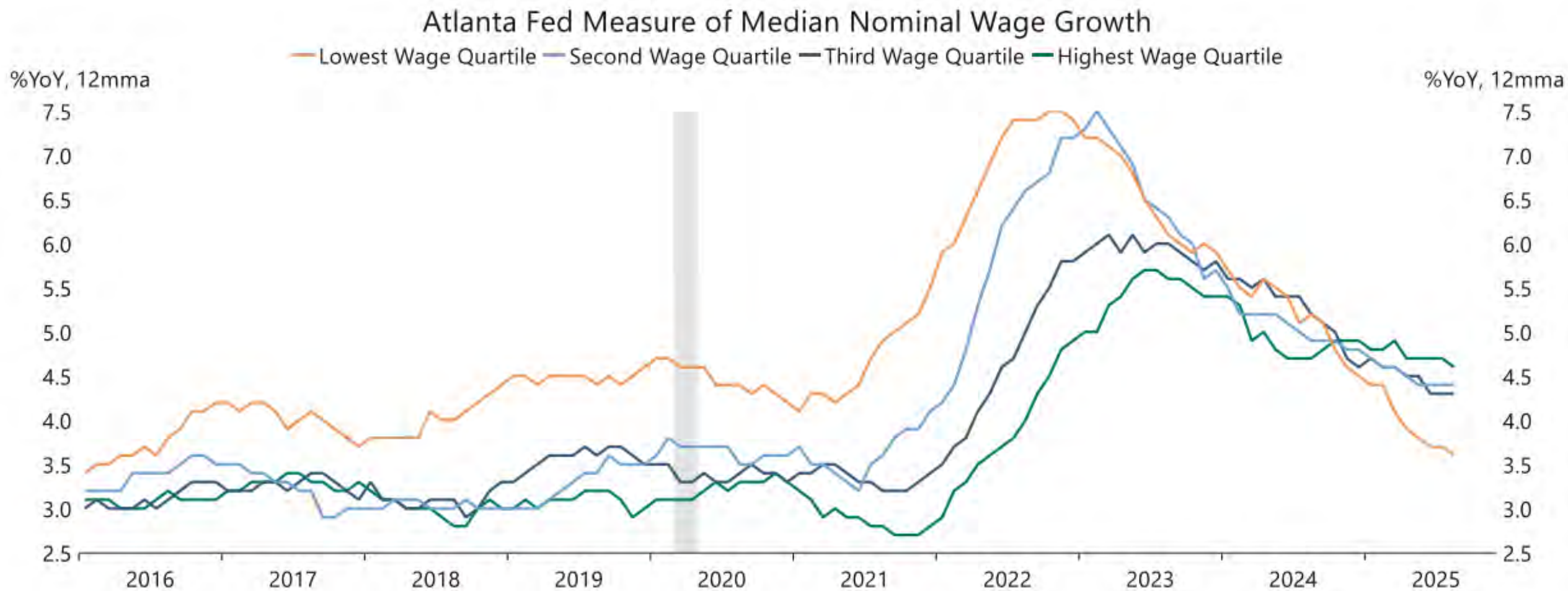


Seidman Estimates for 2025 Arizona Income Tax Payers

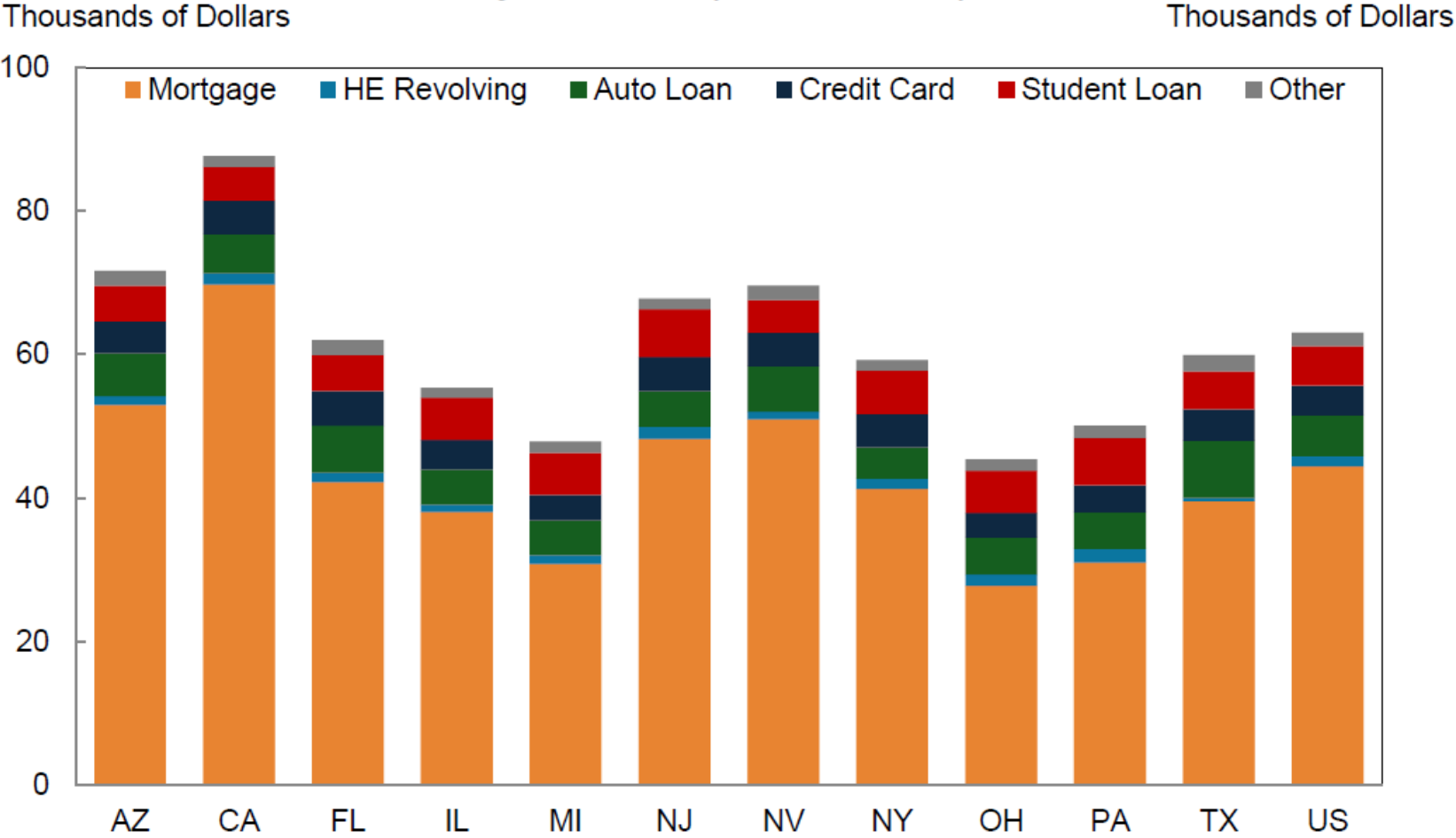
Total Filers			Married Joint and HH			Single and MS		
FAGI	Filers	PCT Fil	Filers	Tax Inc/Filer	PCT TI	Filers	Tax Inc/Filer	PCT TI
<100	2,357,238	72.45%	926,143	\$19,217	10.73%	1,431,095	\$21,204	47.45%
100_200	613,024	18.84%	471,175	\$92,215	26.19%	141,849	\$101,106	22.42%
200_500	230,750	7.09%	198,791	\$230,779	27.66%	31,959	\$236,049	11.80%
500_1000	35,253	1.08%	30,432	\$590,842	10.84%	4,822	\$579,240	4.37%
1000_5000	15,335	0.47%	12,991	\$899,958	12.72%	2,344	\$911,993	5.85%
5000+	1,871	0.06%	1,519	\$12,958,758	11.87%	352	\$14,749,075	8.12%

Nearly $\frac{3}{4}$ of the Filers earn 100k or less and the top 1.6% of filers pay over 30% of the taxes

K-shaped economy for consumers



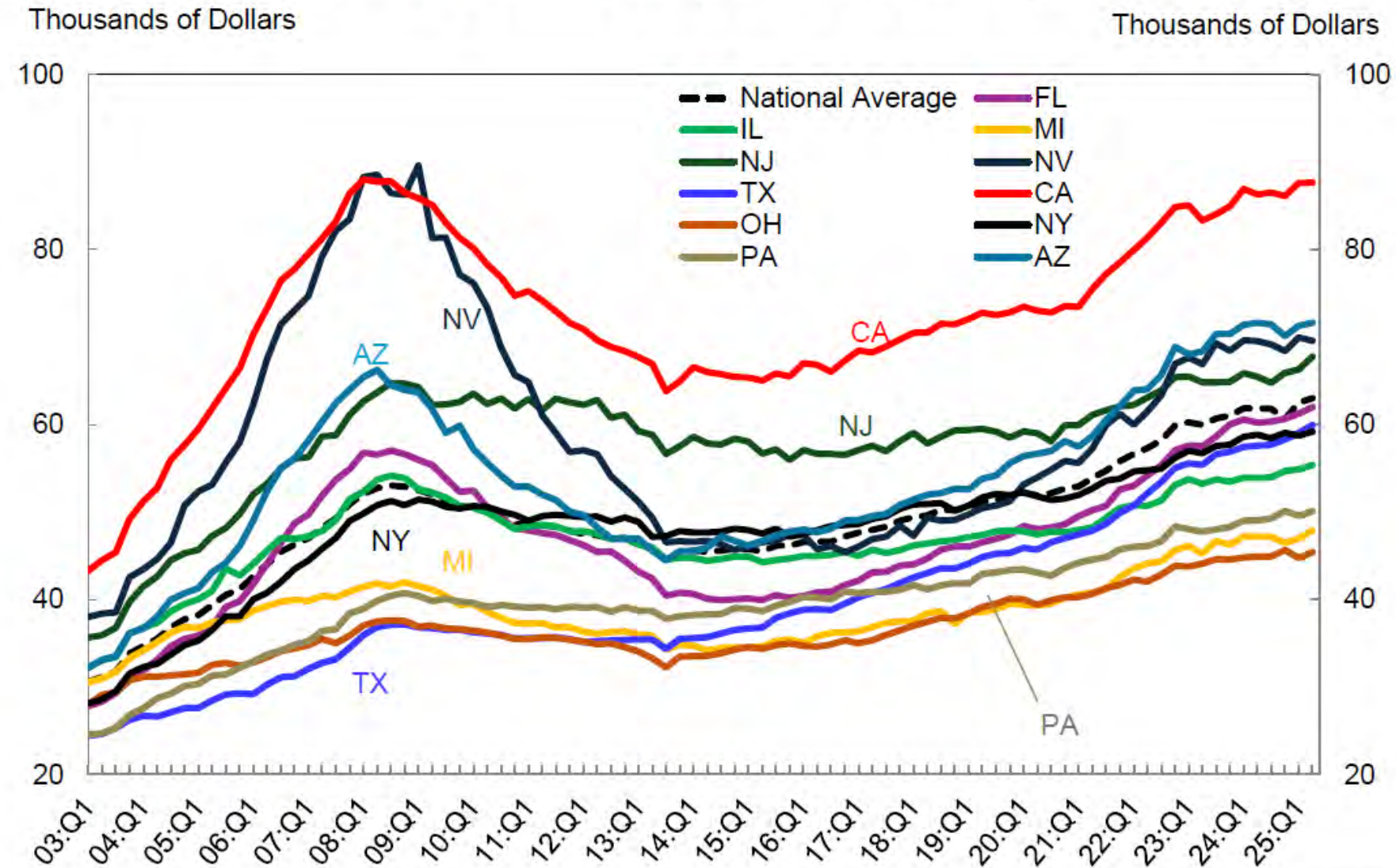
Composition of Debt Balance per Capita* by State (2025 Q2)



Source: New York Fed Consumer Credit Panel/Equifax

Note: * Based on the population with a credit report

Total Debt Balance per Capita* by State



Source: New York Fed Consumer Credit Panel/Equifax

Note: *Based on the population with a credit report

Opportunities and Risks for Arizona Economy

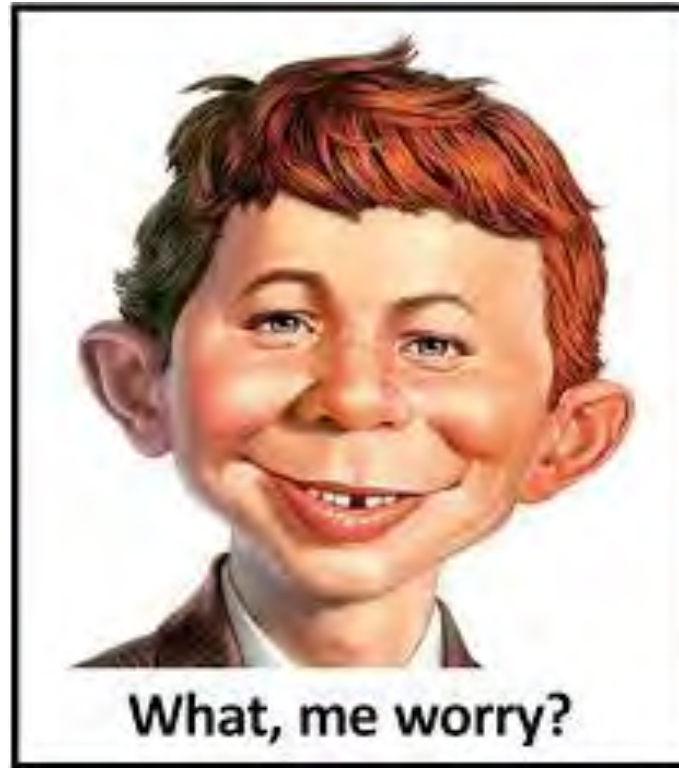
Reasons to be Optimistic

- **Arizona and Phoenix historically rank among top 10 U.S. labor markets**
- **Business taxes, costs, labor structure still competitive, driving relocations**
- **Image evolving as a dynamic area for high tech and regional distribution**
- **Among leading states attracting domestic migration**

Reasons for Caution

- **State-to-state migration is slowing in the US in recent years**
- **Quality of life reputation undercut by heat waves, water availability issues & perceptions**
- **Uncertainty about impacts of new policies at national level**
- **U.S. business cycle is greatest risk**

So...What Could Go Wrong??



Potential Problem Areas

- **National or Geopolitical Shock, e.g. recession, war, etc.**
- **Energy Crisis – especially in the summer**
- **Water Crisis, problems with dams, contamination, availability**
- **Continuing adverse conditions in the residential real estate market**
 - **High rates persist and so does “lock-in”**
 - **Building costs accelerate, tariffs, labor shortages, zoning restrictions**
- **How do we meet the demands for electricity amid the surge in industrial, commercial and data center expansions?**

Arizona Energy Resource Plans (2023)

- **“By 2031, APS customers will require a total of more than 13,000 MW and peak demand will grow by about 40%.”**
- **TEP’s 2023 IRP calls for 2,240 MW of new renewable generation and 1,300 MW of new energy storage by 2038.**
- **SRP’s 2023 ISP identifies one of its key drivers of change as: “Growing electricity demand ... increasing levels of large customers such as manufacturers and data centers ...”**
- **The ISP indicates SRP will need to double or triple resource capacity over the next decade in the high-growth scenarios to meet reliability needs.**
- **So How does this work? What will the energy sources be? How much will it cost and who will pay?**
- **TBD but something to monitor closely**

And...

A Little Reminder for You Stock Investors

Average Daily Price Performance of the S&P 500: 1928 – 2024

History Says The Santa Claus Rally Started Two Weeks Ago



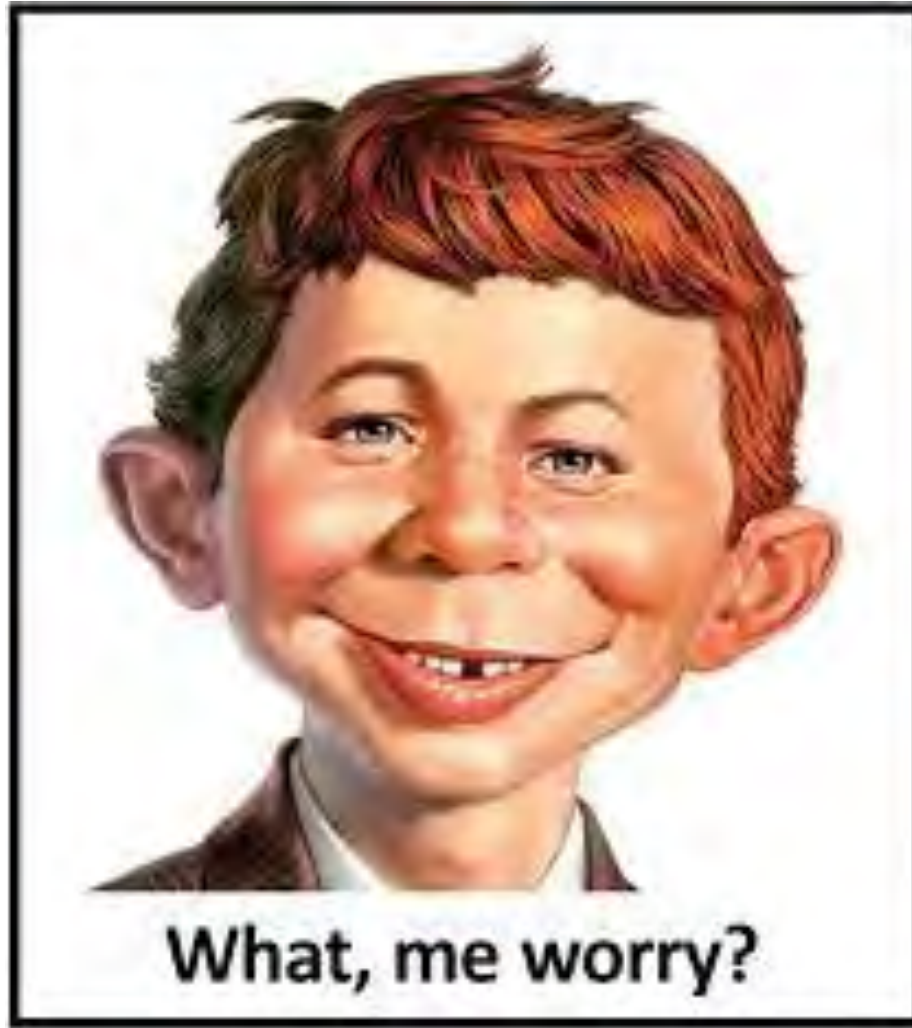
Source : : Bloomberg Finance LP, Deutsche Bank

97 Years of History vs. November 2025 Reality

“The market experienced a general decline through the beginning of November, with the index reaching its highest points immediately after October 27 and then falling due to factors such as weak jobs data and high valuations triggering a reassessment of bullish sentiment.”

Seeking Alpha Market Report, Nov. 7 2025

So...What Could Go Wrong??



Retail prices for turkeys are up 25%, and wholesale prices have risen by as much as triple that percentage.

