

Guest Perspective: Is Arizona Immune to Economic Downturn?

By Anna Sepic, MRED, CAM

Jim Rounds of Rounds Consulting led an interesting summary of the Arizona market at REIAC's Economic Outlook event held on June 8, 2023 at the Paradise Valley Country Club. Despite historic metrics on defining economic conditions, those should be thrown out the window post COVID era. Arizona is not currently in a recession and projections remain optimistic that we will continue to be resilient despite a forecasted national economic downturn to take place in 2024.

A large factor for Arizona's resilience is the diversification of the employment base here. Also, the ability to maintain strong economic development directors will keep Arizona in the Top 5 post recession.

A "spring cleaning" is the projection for the upcoming recession — rather than jobs lost. Businesses will just not advertise their vacant positions and operate on a lean and mean policy. However, the free ride broad incentive packages doled out during the COVID era will certainly be felt by future generations carrying the heavy debt load.

Conservative homebuilding over the past decade and the astronomic net migration seen during COVID certainly left an impact on the housing market in Arizona, with a significant demand and low supply that will continue to impact both rental and homebuying numbers.

We can expect the usual impact on large Class A office, potentially an impact on absorption on the industrial space as well as a lag in retail. However, as long as we continue to have competitive tax rates, invest in tech and trades training, and improve our K-12 education standards, Arizona will be in a position to excel.

Our city and state leadership need to analyze our long-term investment dollars in tech, education and tax credits as a dollar-for-dollar investment and look at the long-term ROI that it holds for the state. We have the snowball rolling for a successful compounding economic development effect, so if our politicians can keep off the "political dogma," we will succeed in holding our own and come out very strong post-recession.

The value of becoming a REIAC member

REIAC Southwest provides an environment for relaxed communication in an intimate and upscale setting. We honor our relationship with each other by sharing, not selling. We are known throughout the community as a network of prominent and dynamic real estate executives.

We invite you to have a conversation with us to determine if our organization will be appropriate and relevant for you. We value developing relationships with influential and leading members of the real estate community. We seek those who are forward thinking and willing to openly interact with other members and champion the "Power of REIAC."

Learn more at reiac.org/southwest.

ANNA SEPIC

VICE PRESIDENT

4414 N Civic Center Plaza, Suite 100, Scottsdale, AZ 85251

602.832.4472

asepic@levrose.com

LEV ROSE
COMMERCIAL REAL ESTATE



Anna Sepic, MRED, CAM, holds a Masters in Real Estate Development (MRED) from Arizona State University. She was a member of the winning team for the 2017 REIAC/Rockefeller Group Challenge. A Vice President at LevRose CRE/TCN Worldwide, she specializes in land and multifamily, representing owner-operators and brokers investment sales and land for development with an emphasis in off-market transactions throughout Arizona.