



Welcome to the New Abnormal

Pinnacle Bank Contractors Luncheon

March 11, 2026

Presented By:
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Elliott D. Pollack & Company

Where do we stand today?

Good News

- Easing Fed policy (2nd half of year)
- Fiscal stimulus (One Big Beautiful Bill)
- Deregulation and shrinking federal government (Federal Govt employment down 271,000 jobs between Dec 24 and Dec 25)
- Continued AI spending boom



Where do we stand today

Bad News

- Weak employment market
- COVID stimulus has worn off
- Consumer credit delinquencies up
- Saving rate down
- Stock market appears to be overvalued
- Out of control federal debt and deficits
- Unstable tariff policy
- Uncertain impact of President Trump's foreign policy



Unknowns

- **Tariff Policy**

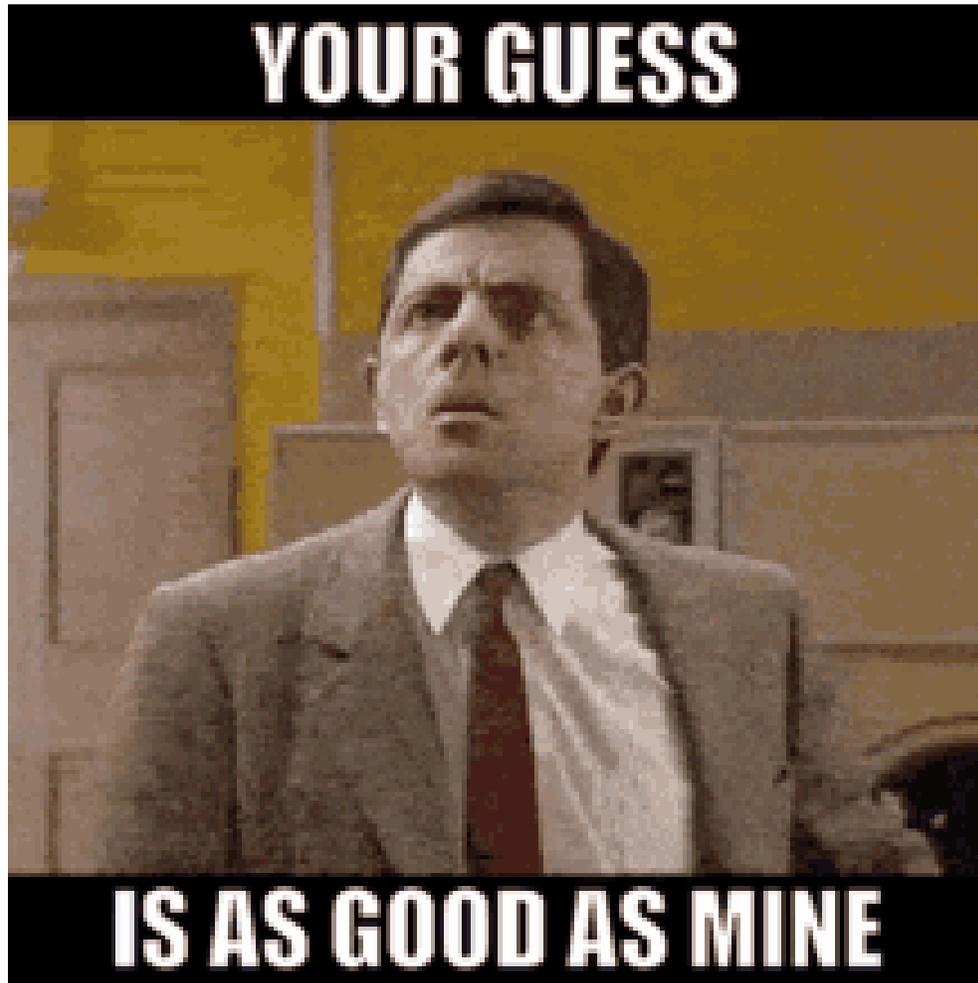
- Destabilizing for purchase and investment decisions
- Contributing to inflation BUT less than most economists thought

- **Immigration Policy**

- Need to match workforce to what business needs
- Slower growth



It is tough year to call.



- Most forecast call for growth from 2.0% to 2.5% in Real GDP and a relatively stable rate of inflation that is modestly above the Fed's rate target.

Traditional Economic Indicators

Traditional indicators have long flashed **red**
(= recession).

These normally reliable predictors have
forecasted a recession that we have not seen
(at least not yet).

Leading Indicators



Source: The Conference Board

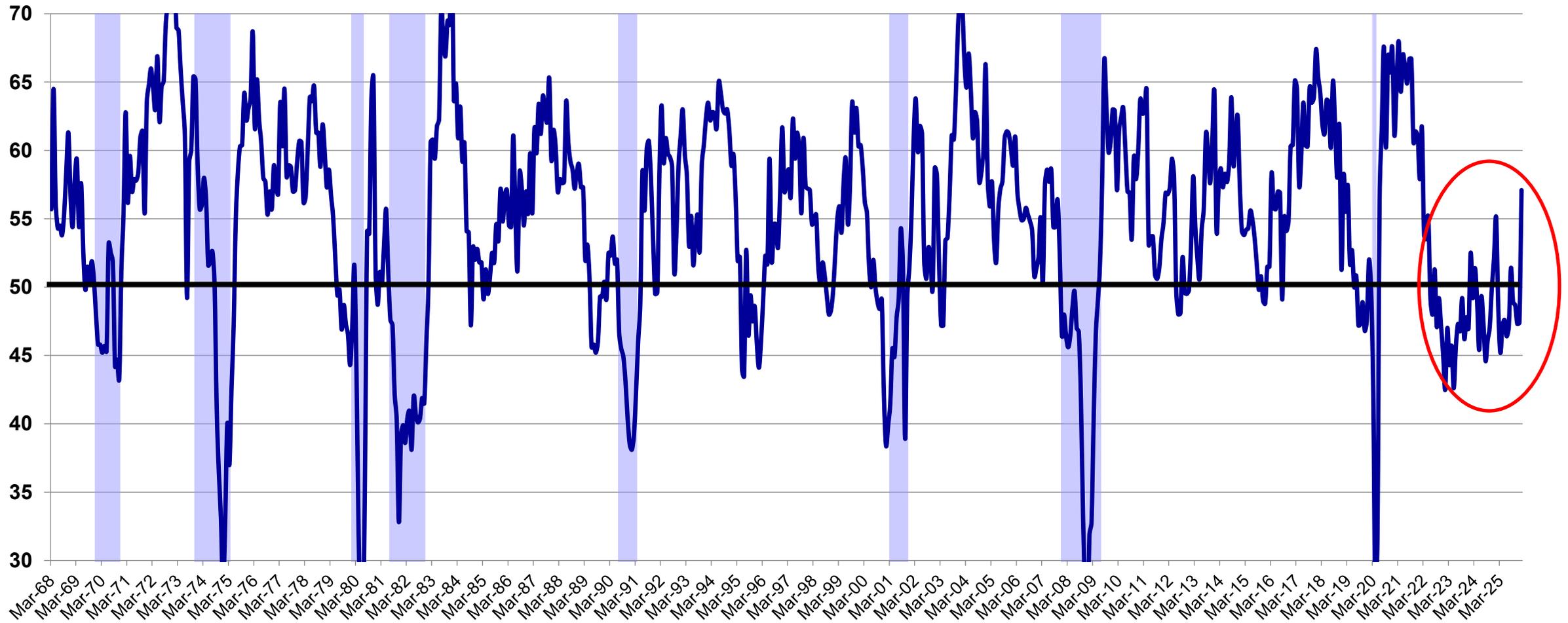
Note: Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.



ISM's Manufacturing PMI: New Orders

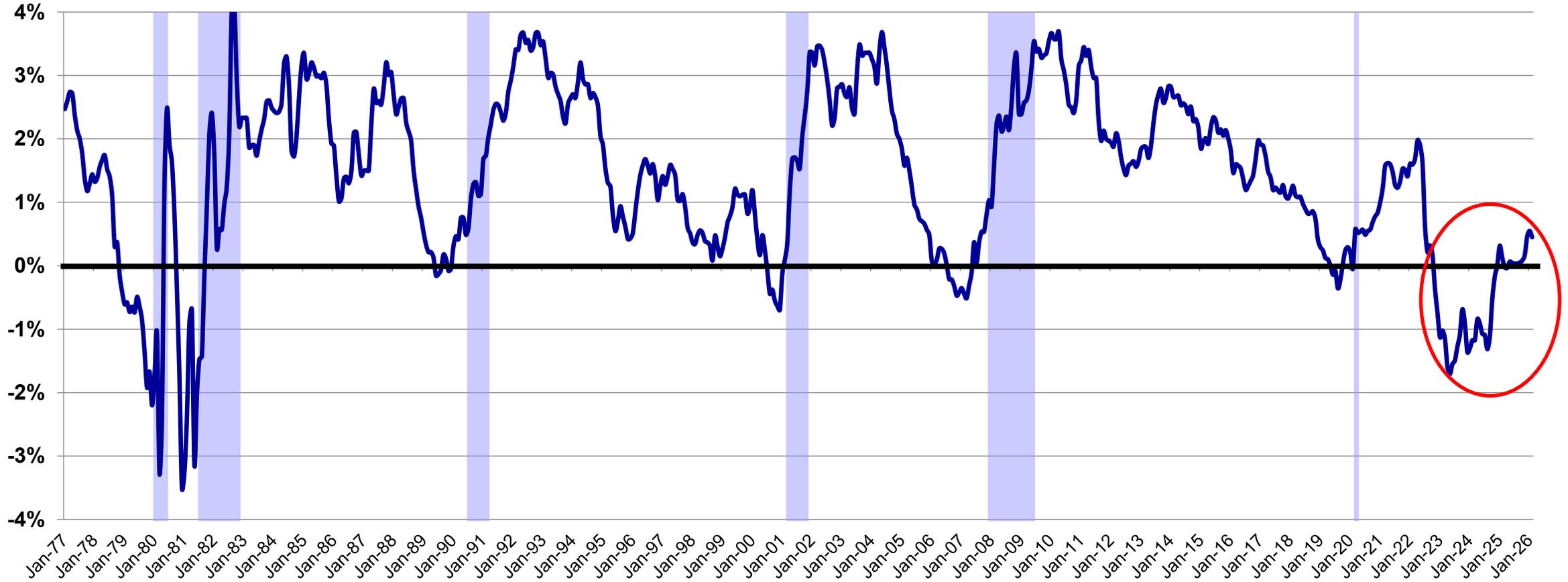
1968 – 2026*

Source: ISM



Treasury Spread 10-Year minus 3-month

Source: Federal Reserve

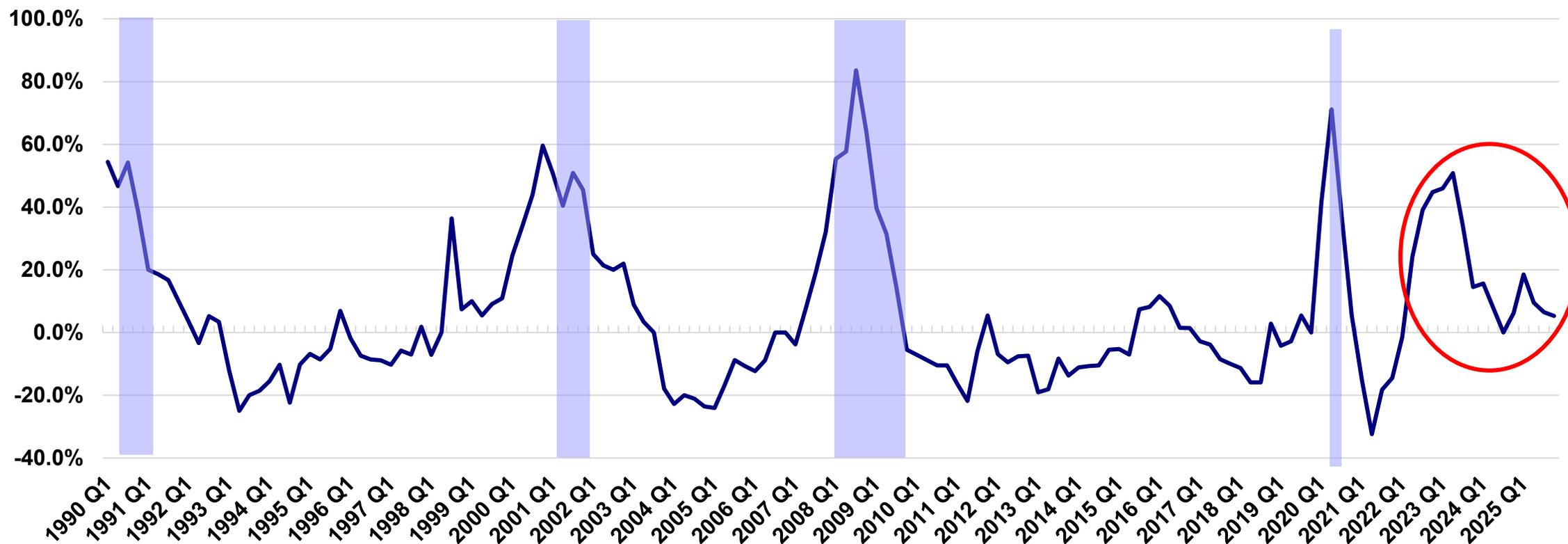


Net Percentage of Domestic Banks Tightening Standards

(Commercial and Industrial Loans to Large and Middle-Market Firms)

Source: Board of Governors of the Federal Reserve System

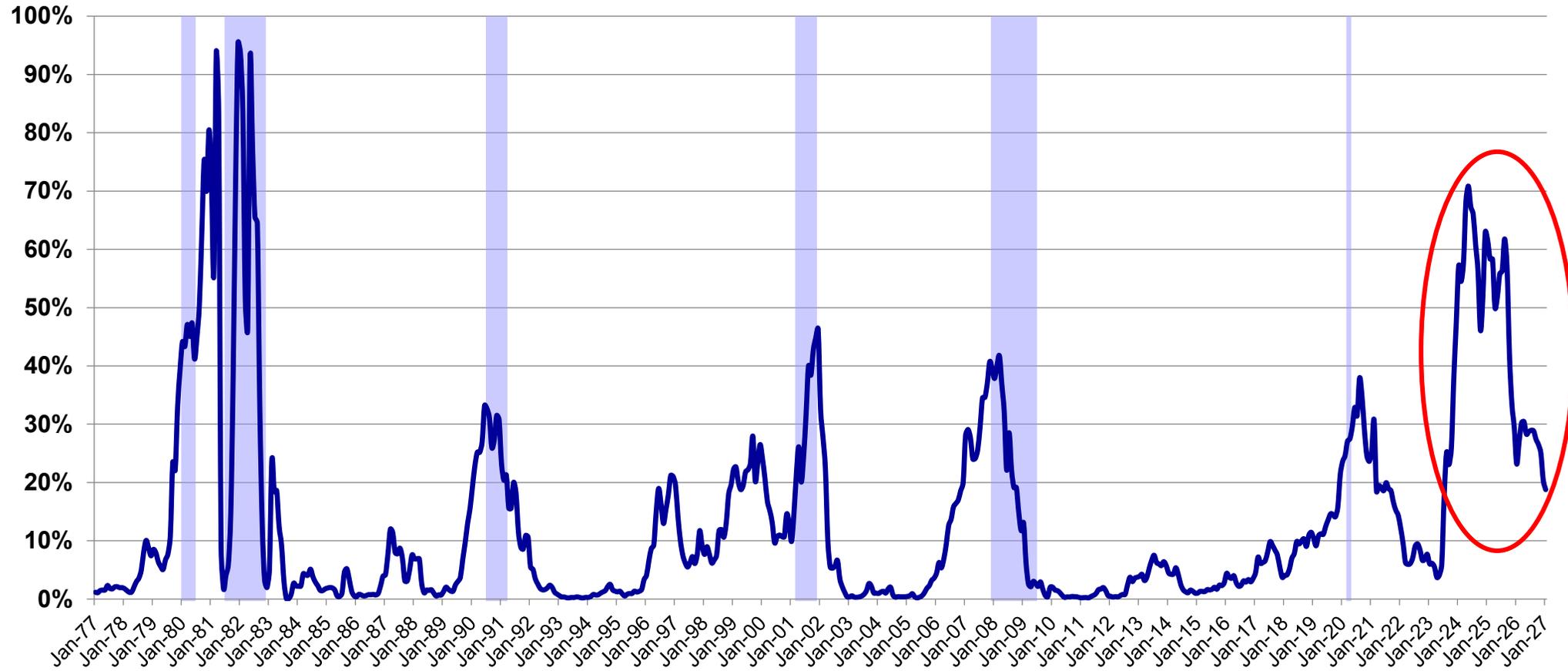
■ Recession Periods



Published in January, reflects changes over the past three months

Treasury Spread Probability of Recession

Source: Federal Reserve

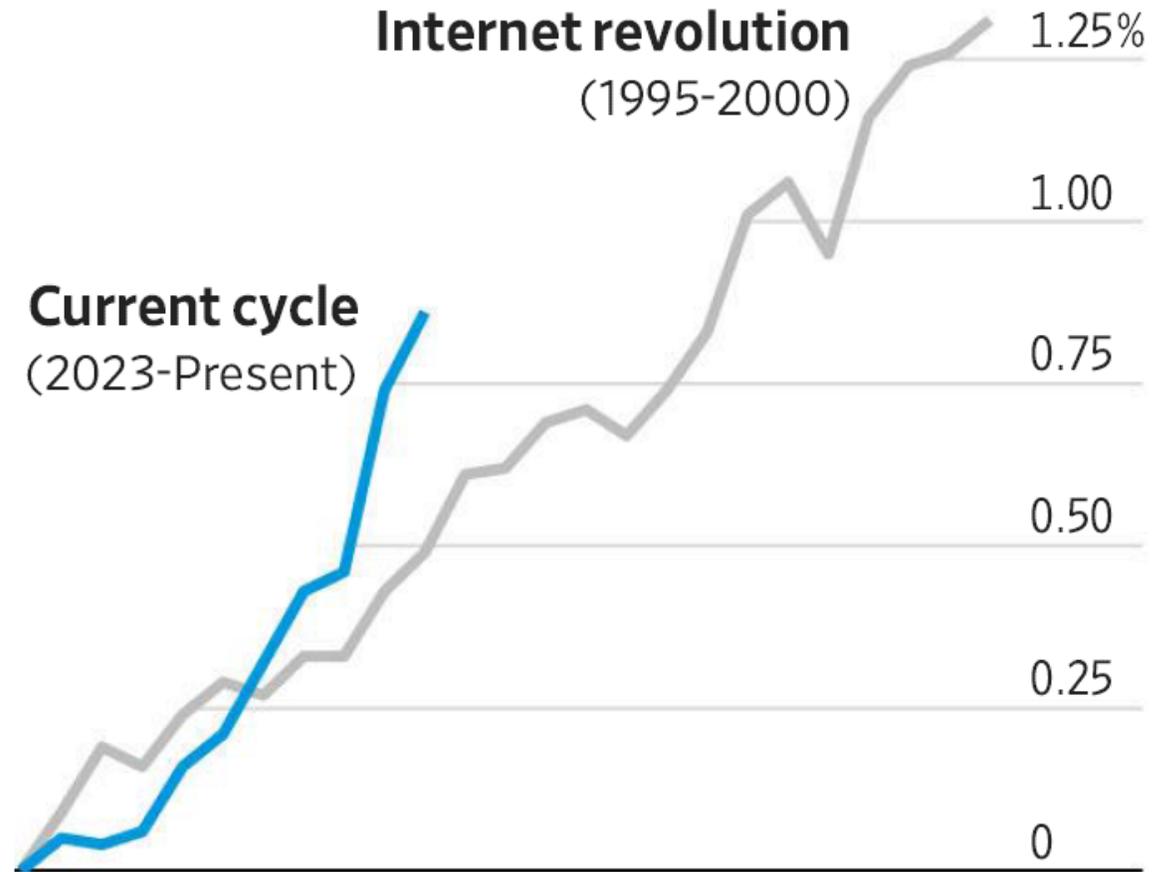
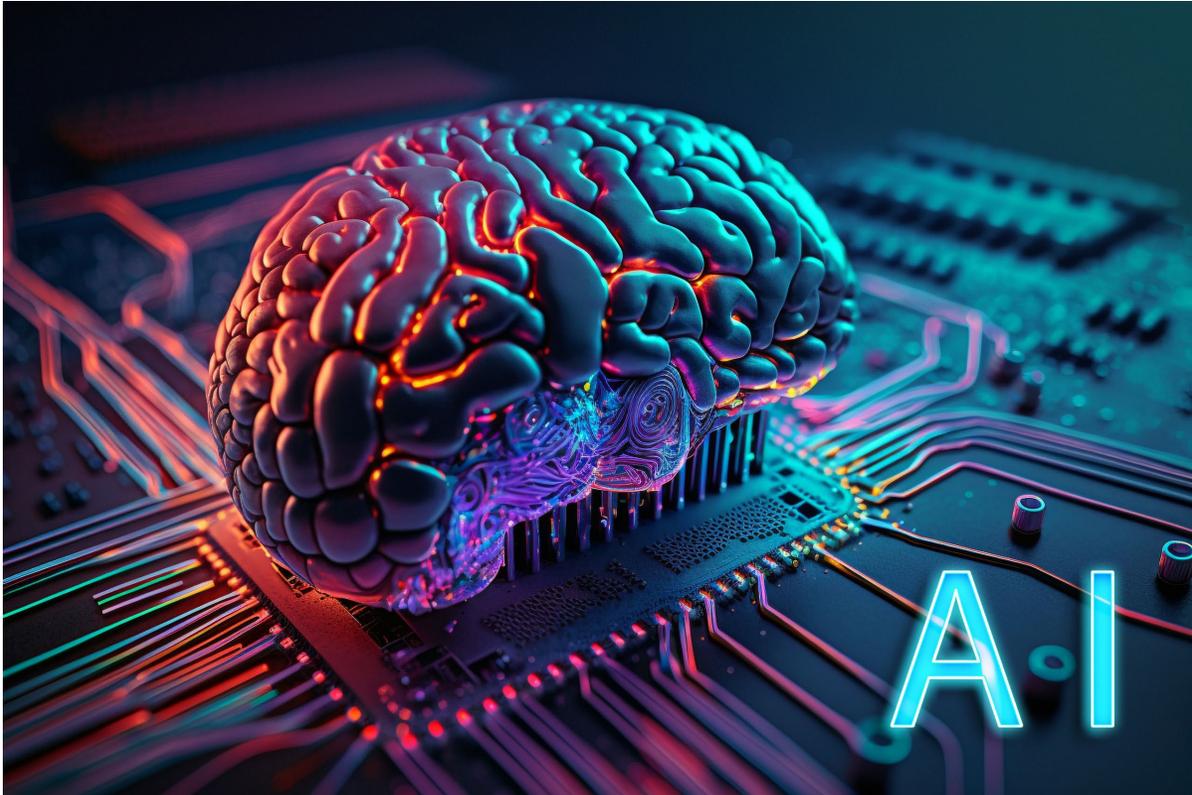


So, What Happened to the Recession?

Recession:
like recess,
but longer
...and no snacks.



AI Investment as a % of GDP

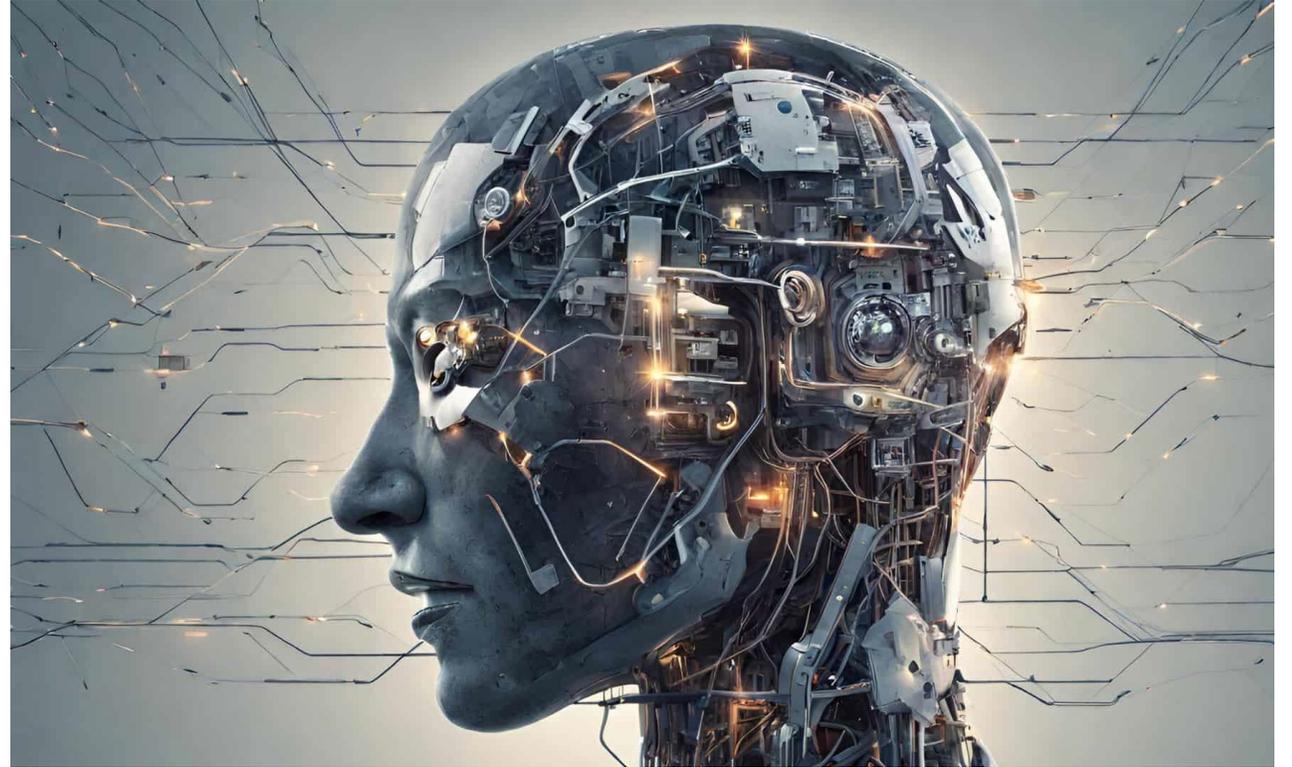


Source: Citi Research

AI Growth

2024 growth in real GDP

- with AI spending 1.8%
- without AI spending 0.5%



Source: Steve Eisman, The Real Eisman Playbook Podcast

AI Growth

- Without data centers, GDP growth was 0.1% in the first half of 2025 according to Harvard economist Jason Furman.
- Investment in information-processing equipment and software was only 4% of U.S. GDP for the first half of 2025, yet it also accounted for fully 92% of GDP growth over that period.



AI Growth

- AI investment as a % of GDP is starting to show explosive growth.
- Expected to lead to higher productivity gains. Timing uncertain.
- According to a senate report, up to **100 million jobs** could be replaced.
- Historically, technology booms have led to the creation of new jobs. Will it happen this time?

AI Growth

- Higher productivity could positively impact inflation and help offset the decline in employment and hours worked.
- Growth right now is being driven by AI investment - not yet by its supply side benefit that promises to accelerate growth in the future.
- Only time will tell what the effects on the overall labor force will be.

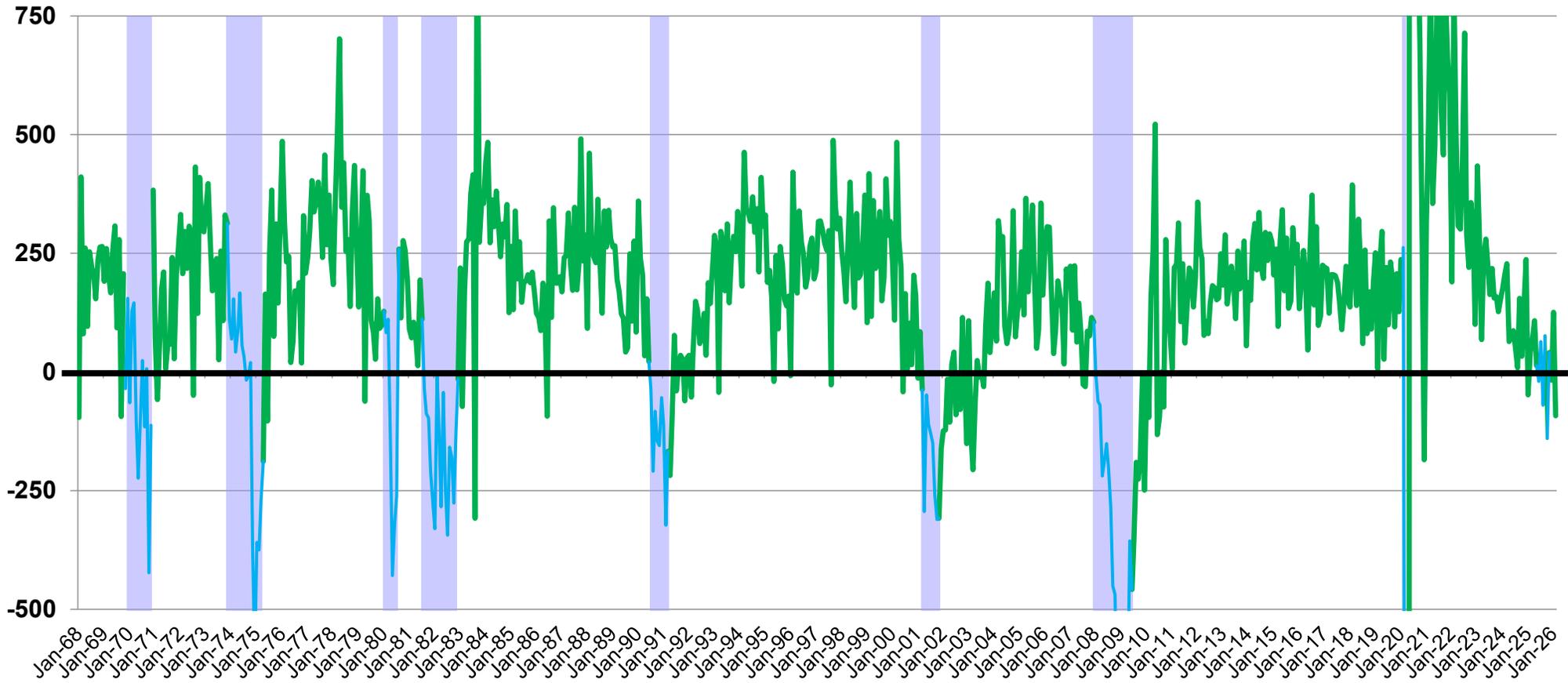
Total Non-farm Employment

Net Monthly Change

(1,000's)

Source: BLS

Recession Periods



3-month avg = 5,700 jobs per month

6-month avg = -1,000 jobs per month

Beware

Employment March 2024 through March 2025 was recently revised downward by 862,000 jobs. This appears to be a trend. Initial jobs reports have consistently been revised downward with additional data.

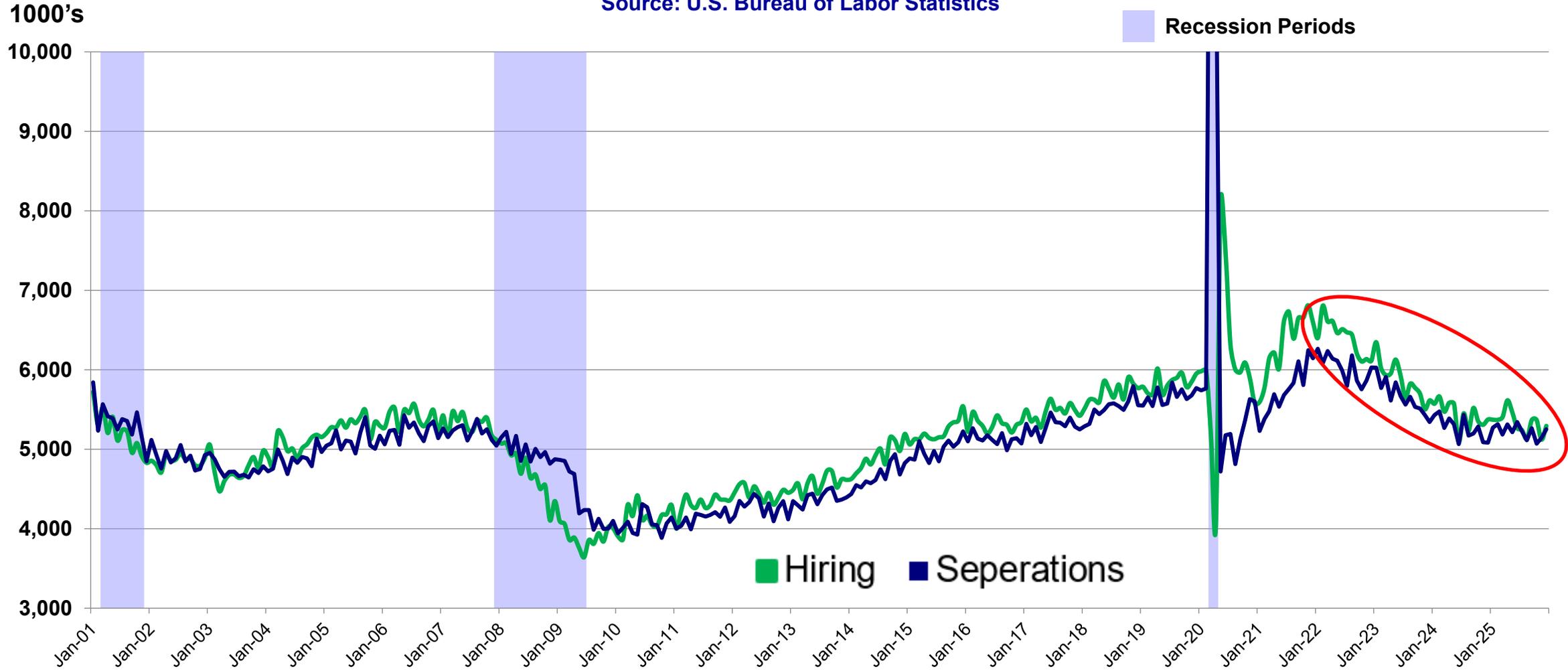
Employment Revisions

- Total nonfarm employment:
 - 2025: Revised down from +584,000 to +181,000 = 15,000/mo
 - 2024: Revised down from 2 million to 1.46 million = 122,000/mo
 - 2023: Revised down from 3 million to 2.7 million = 225,000/mo

Hiring versus Separations

2001 – 2025*

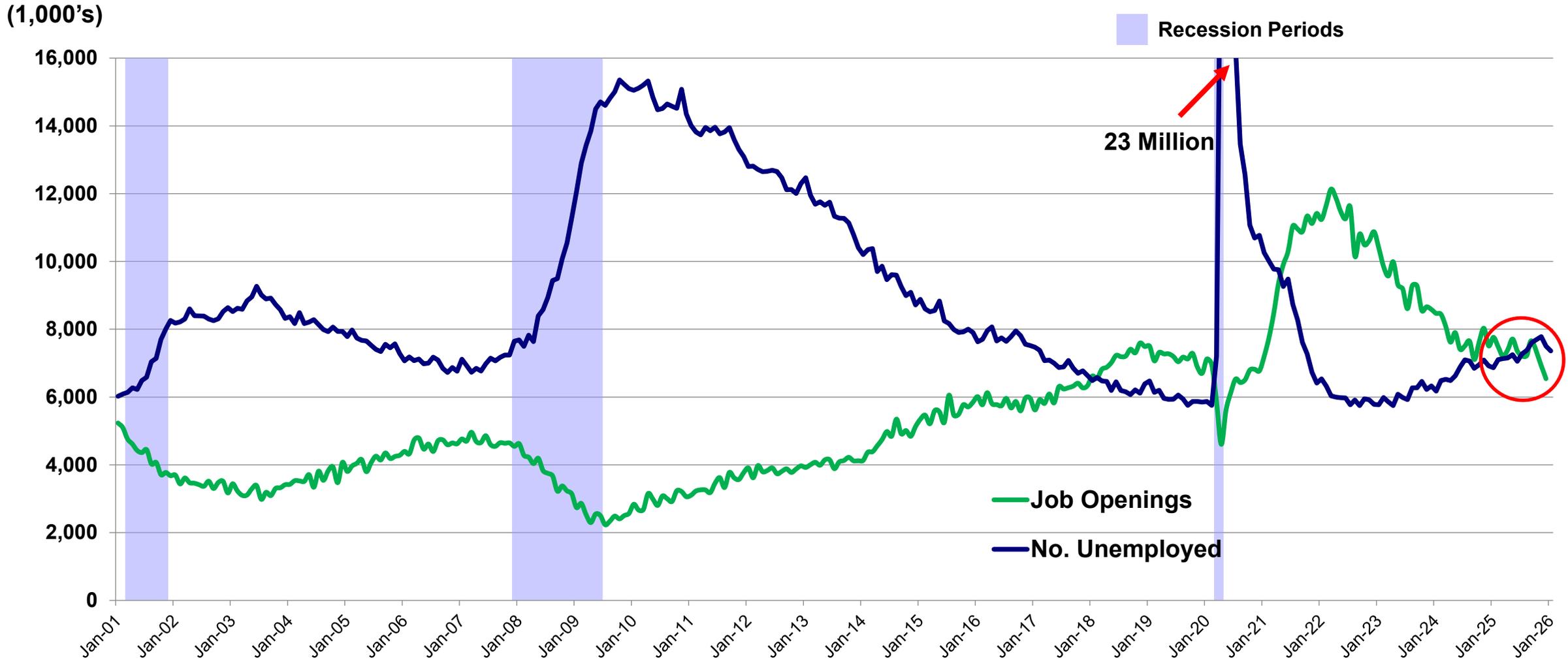
Source: U.S. Bureau of Labor Statistics



Job Openings and No. Unemployed

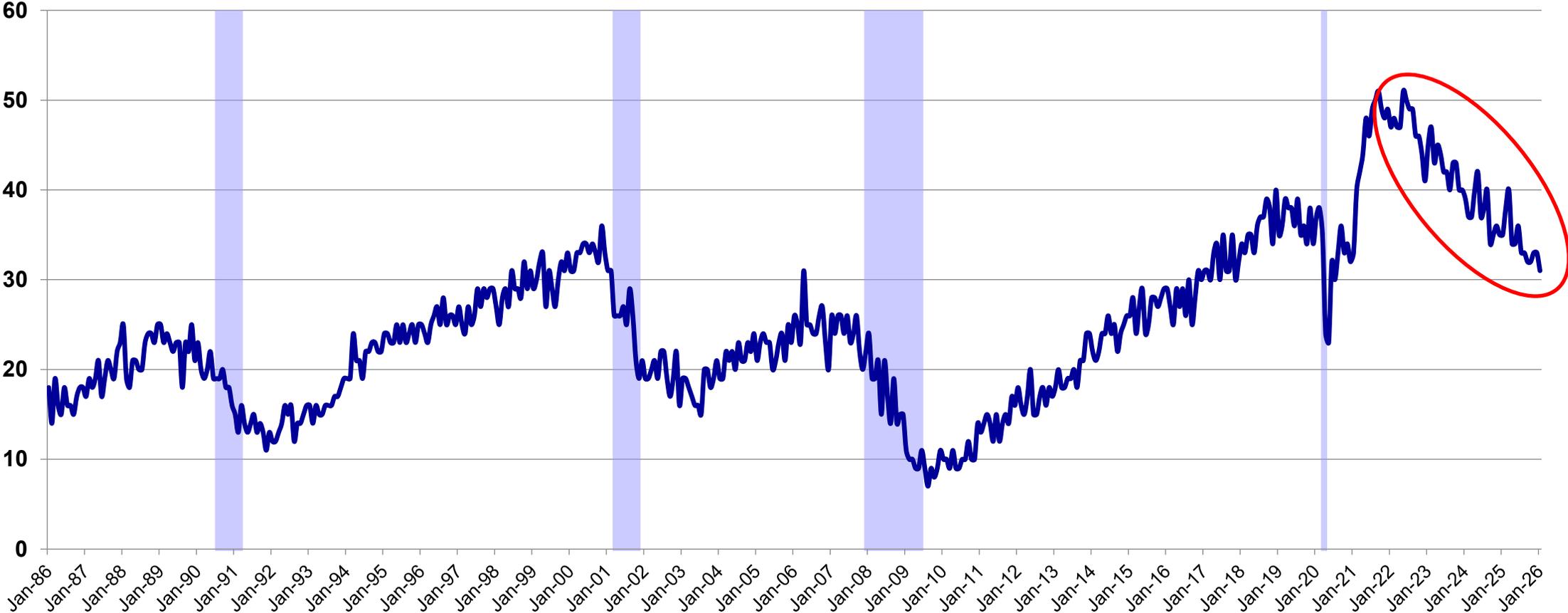
2001 – 2025*

Source: U.S. Bureau of Labor Statistics



Percentage of Small Businesses with Unfilled Job Openings 1986-2025

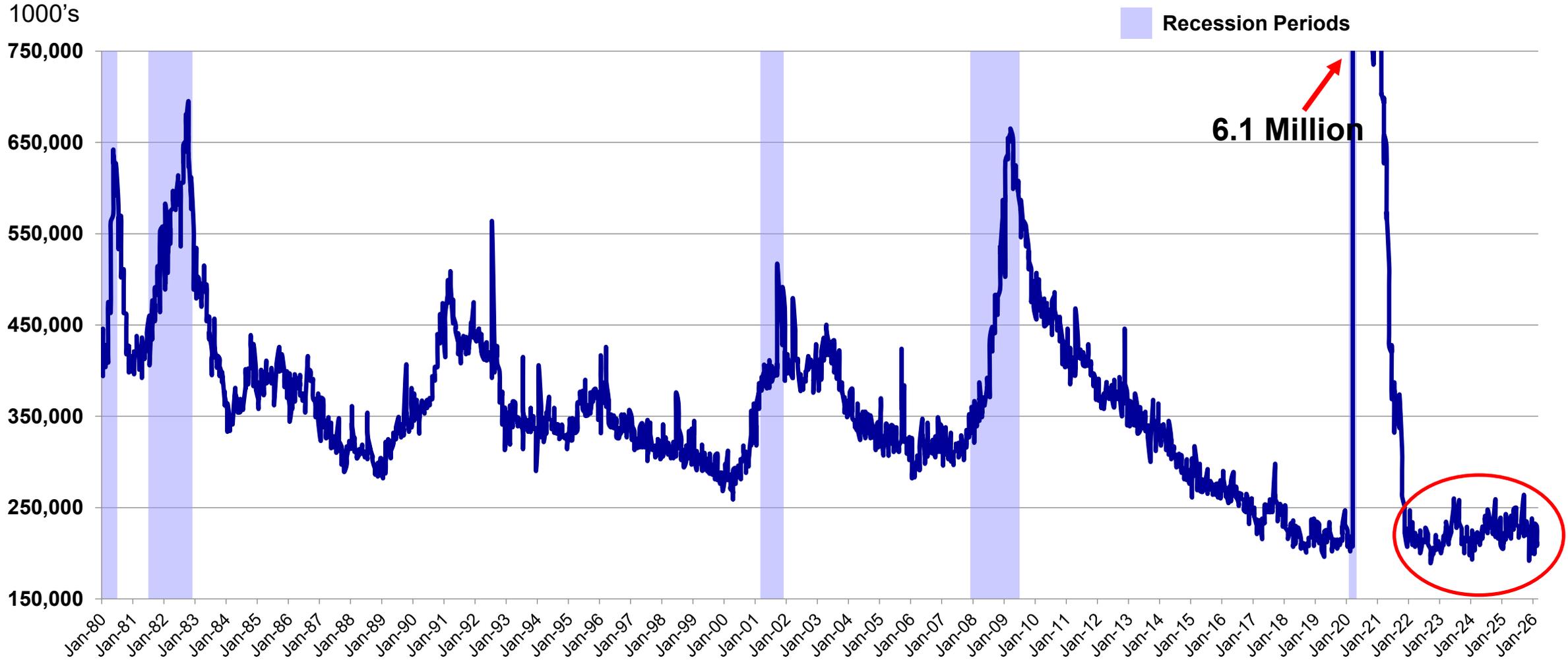
Source: NFIB



Initial claims

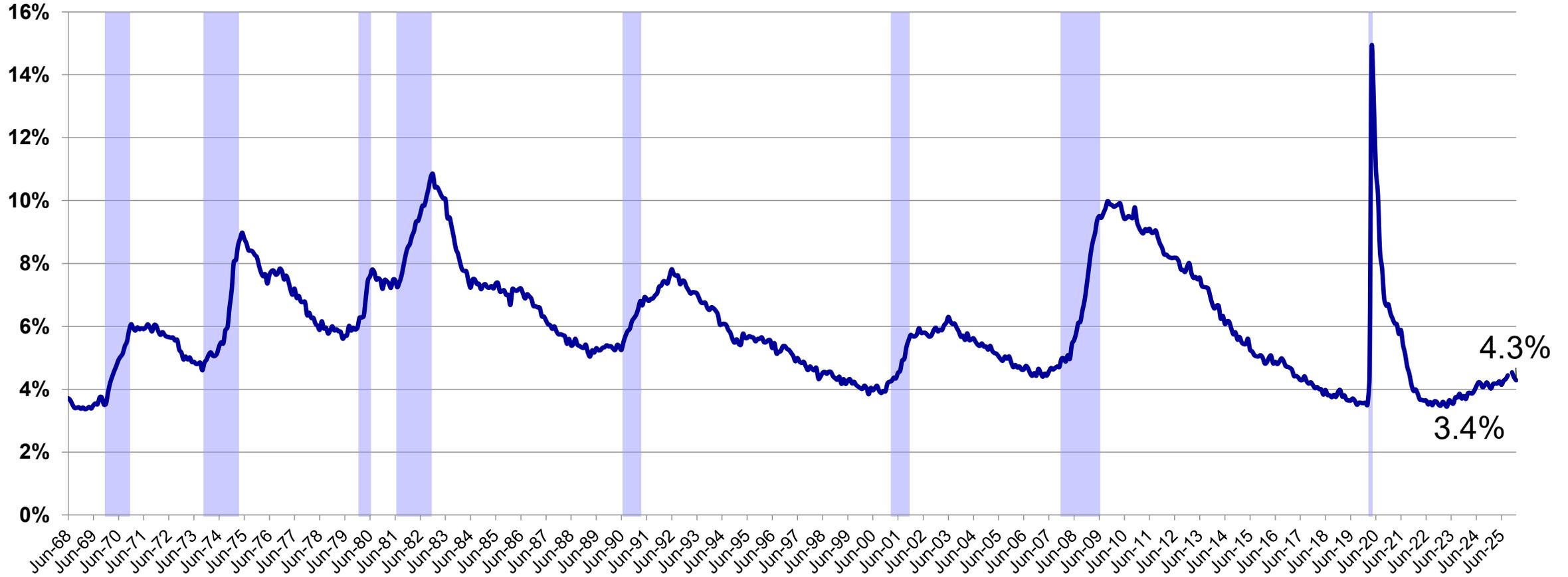
2000 – 2026*

Source: U.S. Department of Labor



Unemployment Rate (U-3) 1968-2026

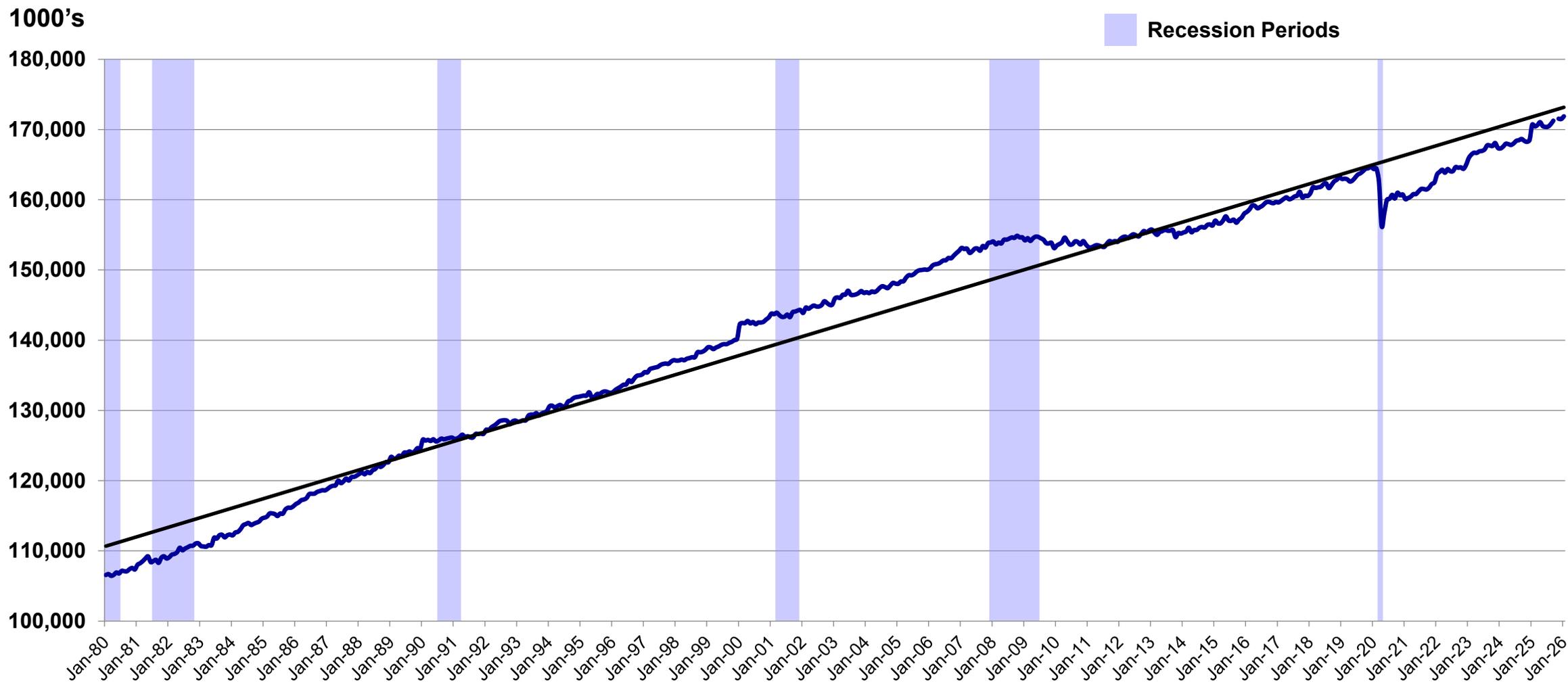
Source: BLS



Labor Force (S/A)

1980 – 2026*

Source: U.S. Bureau of Labor Statistics

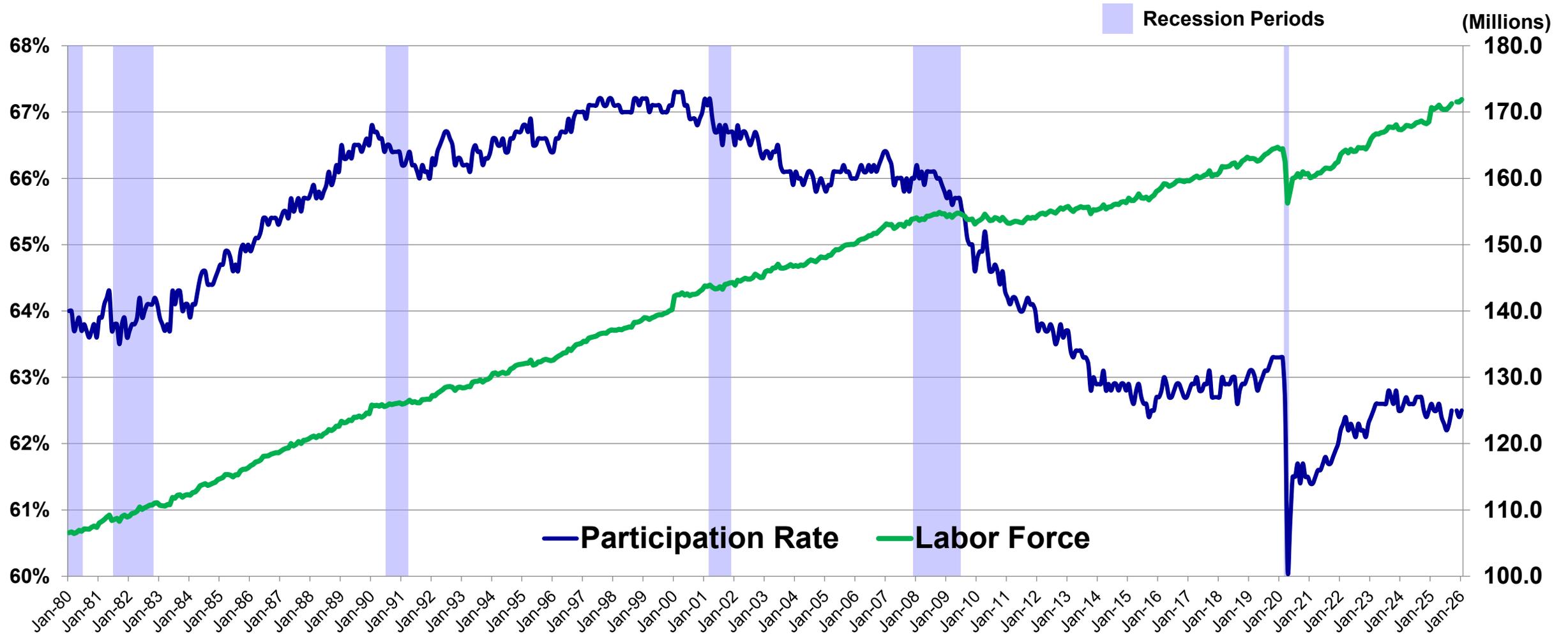


*Data through January 2026.

Labor Force Participation Rate (S/A)

1980 – 2026*

Source: U.S. Bureau of Labor Statistics



*Data through January 2026.

What Happened to Labor Force Growth?

The labor force has been growing slowly

Why?

- Aging labor force
- Less international migration
- Harsher immigration enforcement
 - Forced deportations and self-deportation

As a result, the unemployment rate remains low even as the labor force growth flattens.

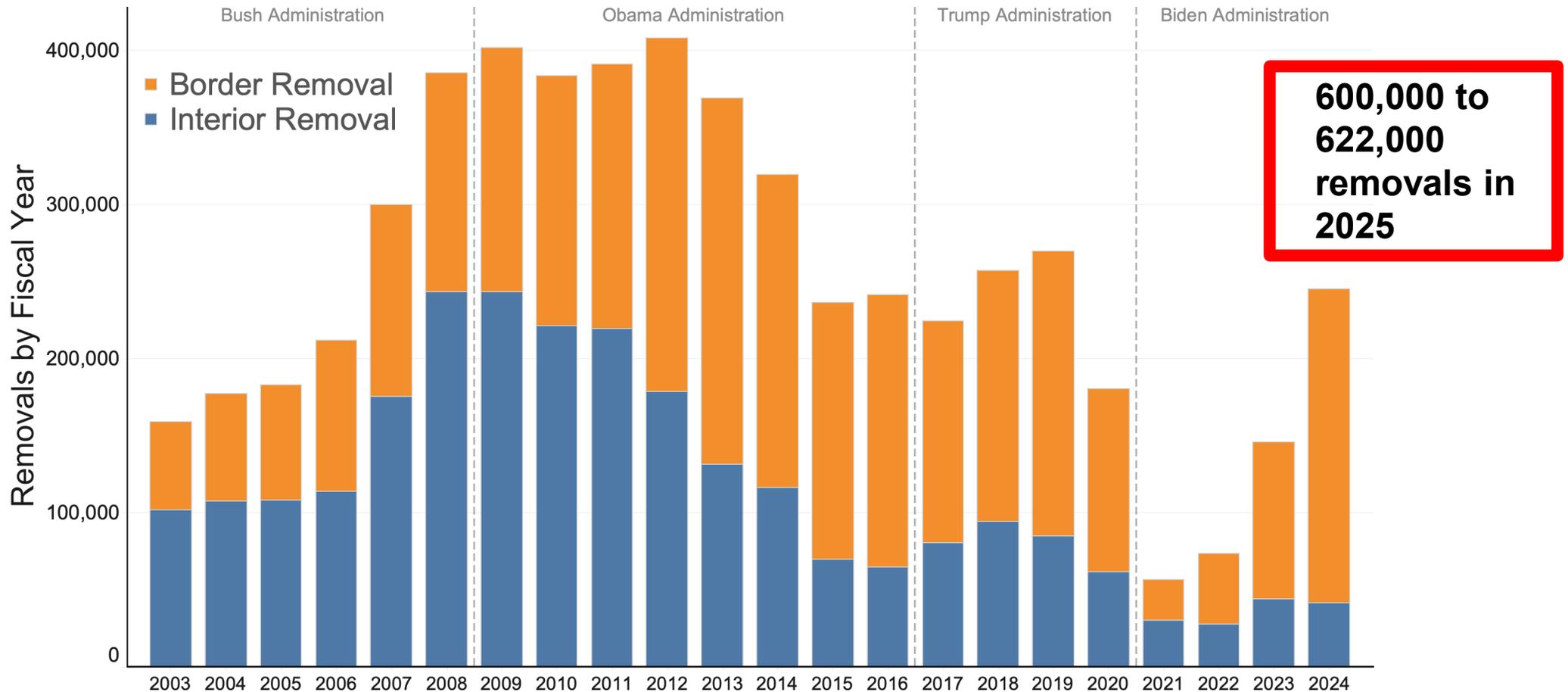
Labor force Projections (Thousands)

Source: BLS

	LF 2004	LF 2014	LF 2024	LF 2034	Net Change	% Change
Total, 16 years and older	147,402	155,922	168,104	173,454	5,350	3.2%
16 to 24	22,269	21,295	21,777	19,649	-2,128	-9.8%
25 to 34	32,207	34,199	37,181	38,046	865	2.3%
35 to 44	36,158	32,505	37,403	39,116	1,713	4.6%
45 to 54	33,758	34,062	32,937	35,768	2,831	8.6%
55 and older	23,010	33,861	38,806	40,876	2,070	5.3%

DEPORTATIONS FROM INTERIOR AND BORDER ENFORCEMENT

FY 2003 - FY 2024



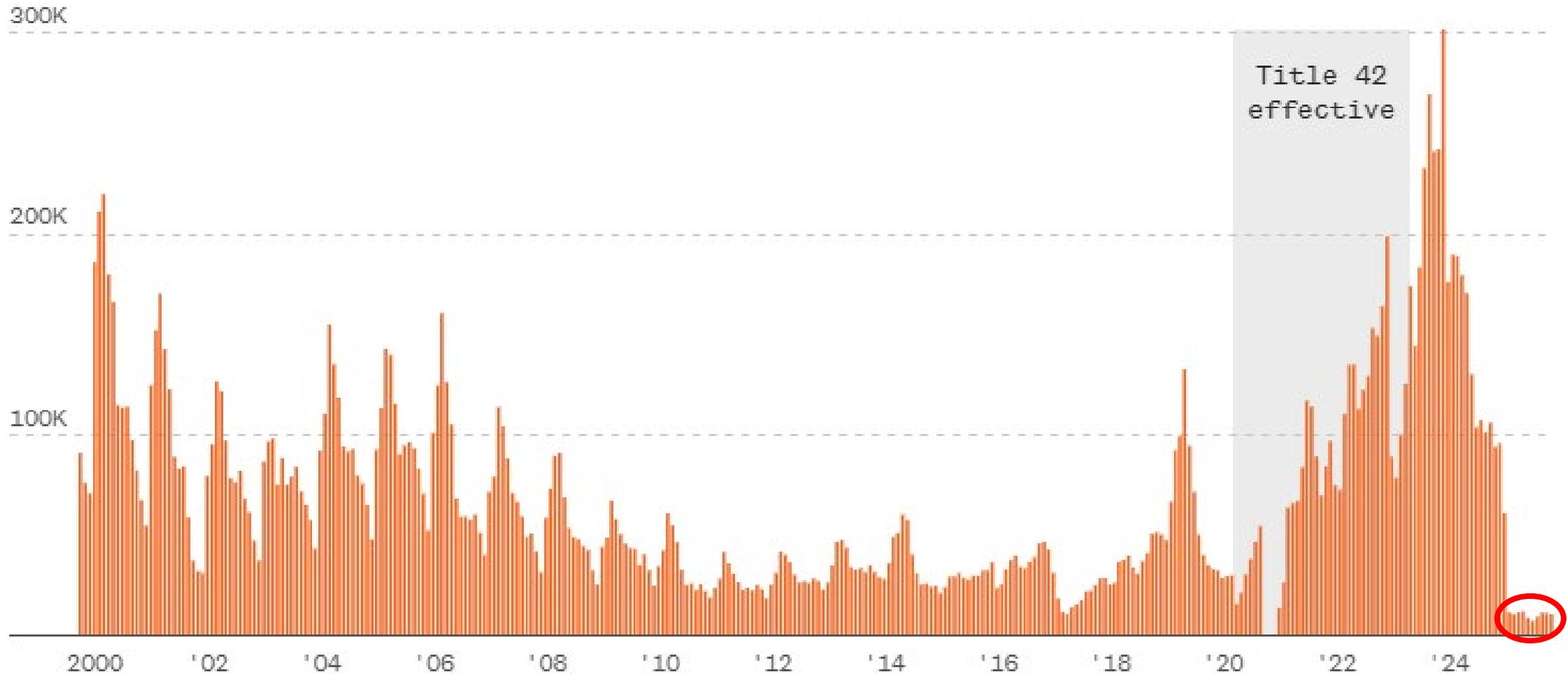
Source: The Transactional Records Access Clearinghouse (TRAC) at Syracuse University.

Notes: Includes only removals by US Immigration and Customs Enforcement (ICE), which account for the majority of removals. "Border" refers to removals initiated as arrests by Customs and Border Protection, usually near the border. "Interior" refers to removals initiated as ICE arrests, typically in the interior. Presidential administrations typically start during the fourth month of the fiscal year.

Data for 2024 is extrapolated from the first five months of FY24.

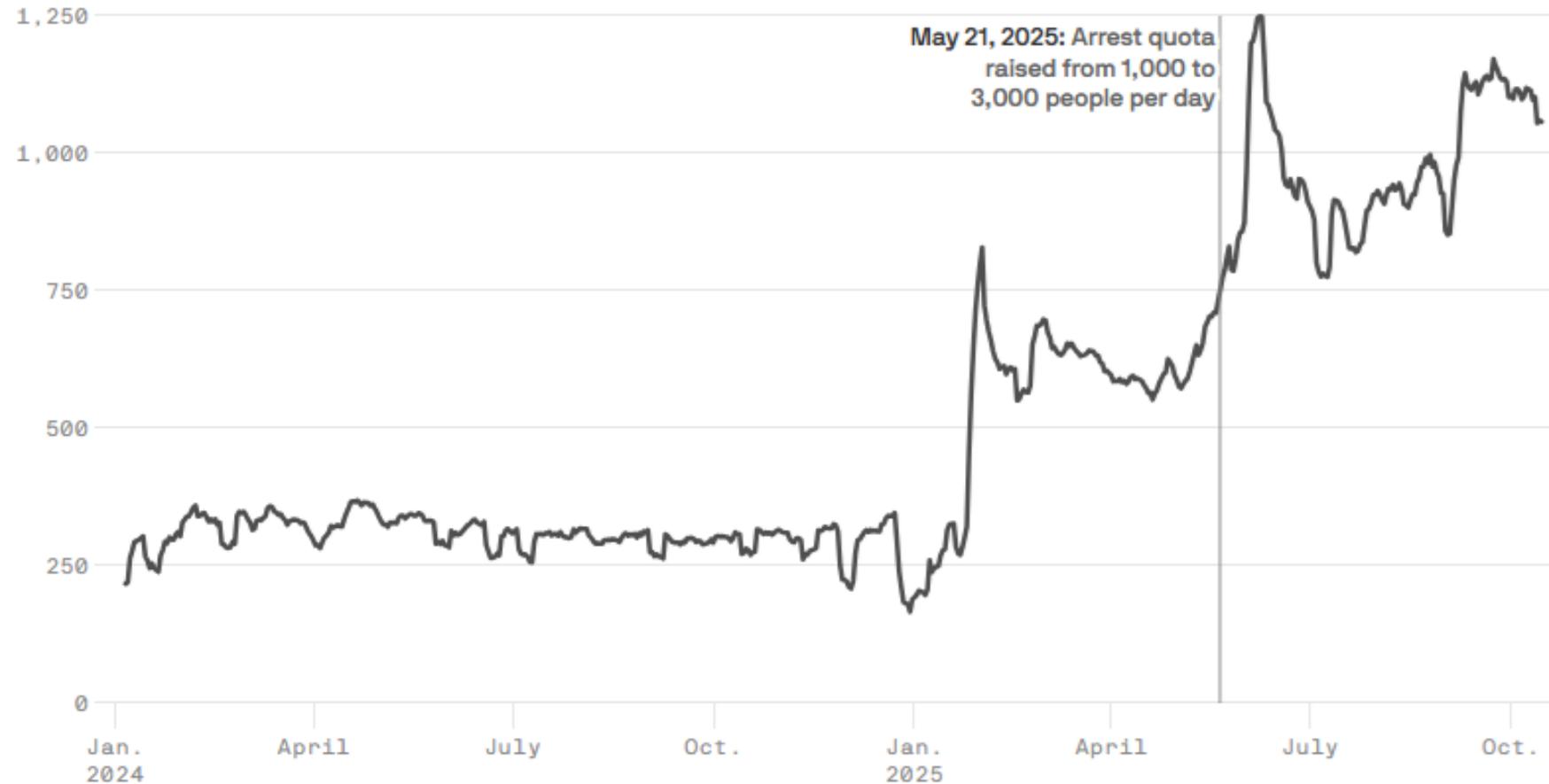
EconoFact: econofact.org

Attempted Southwest Border Crossings



Arrests by ICE

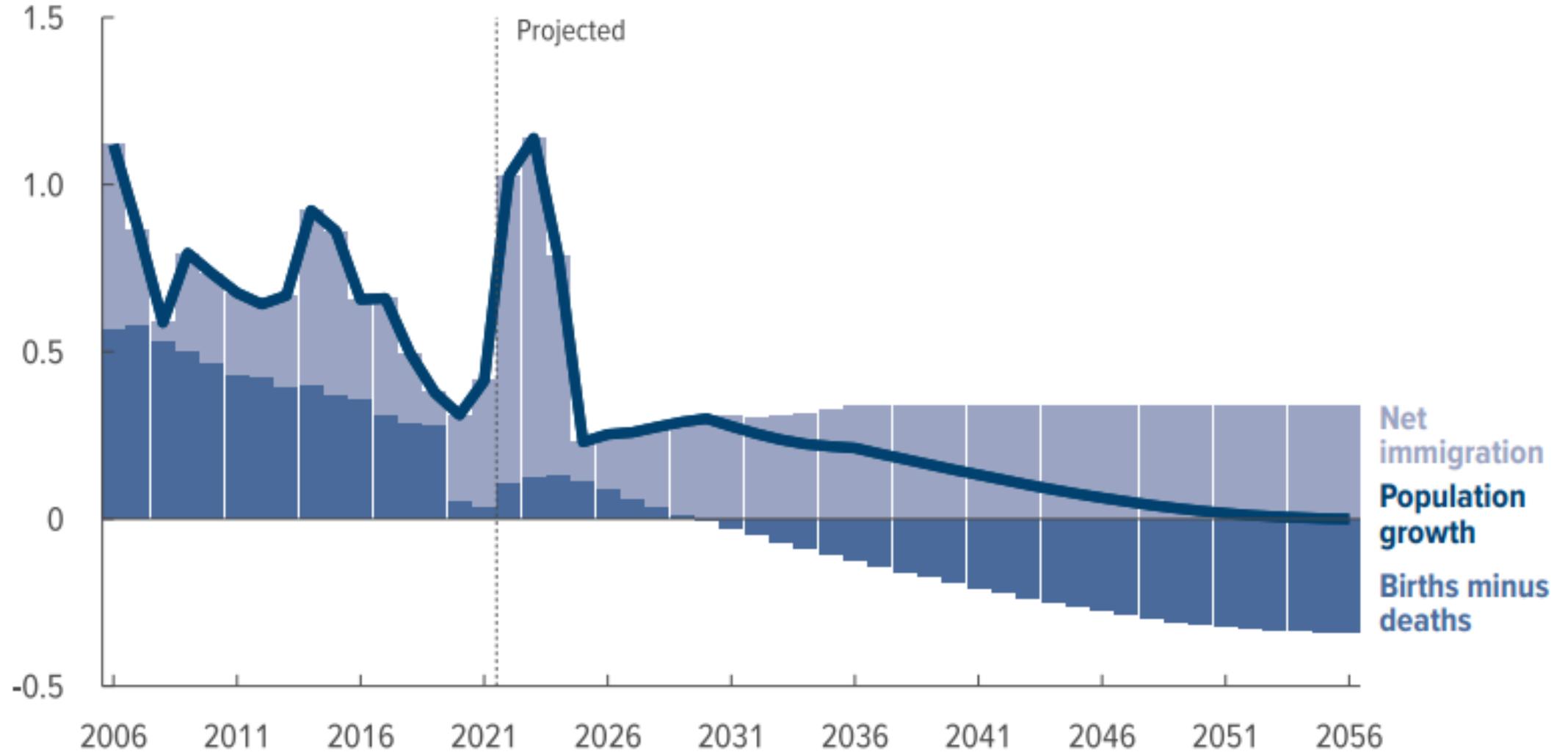
Seven-day trailing average; Daily, Jan. 6, 2024, to Oct. 15, 2025



Data: [U.S. Immigration and Customs Enforcement via UC Berkeley](#); (Note: Arrests were counted even if they did not lead to detainment; Multiple arrests of the same individual were counted separately); Chart: Erin Davis/ Axios Visuals

Population Growth and Contributing Factors

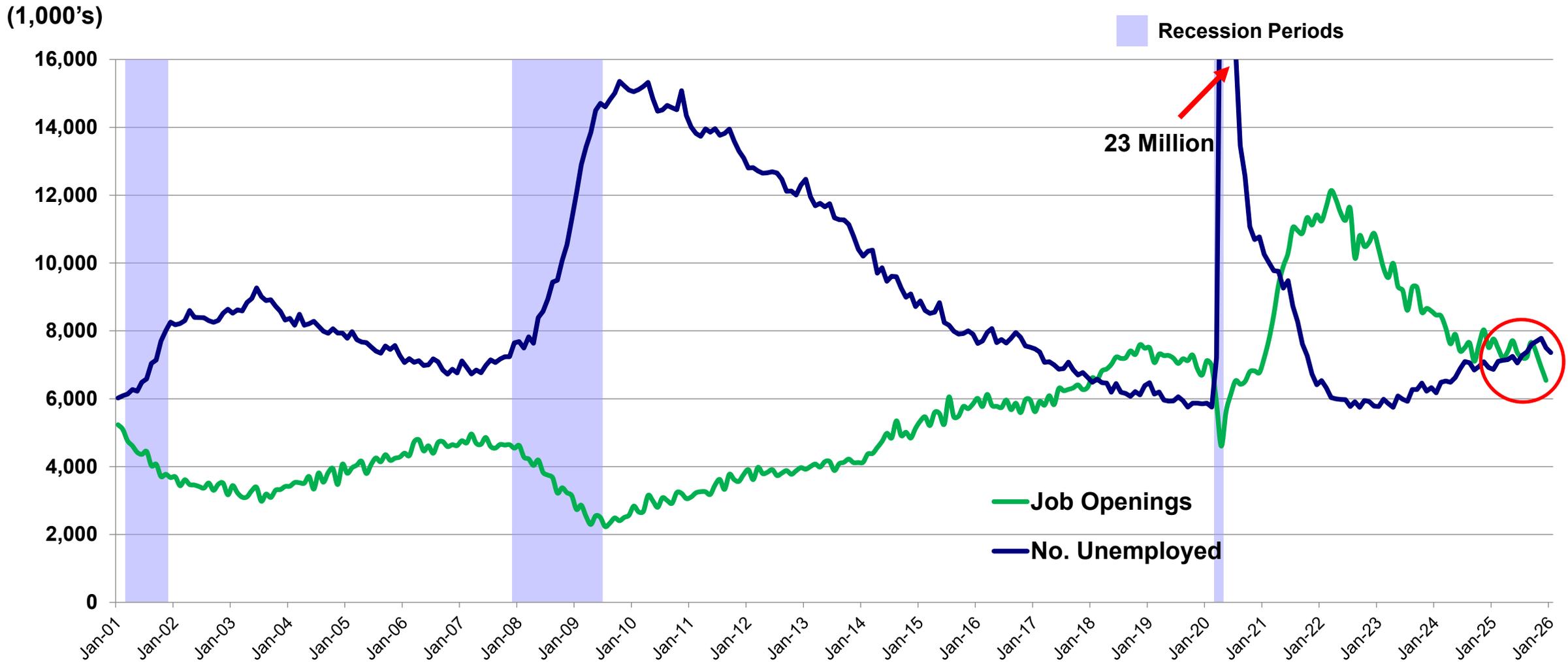
Percent



Job Openings and No. Unemployed

2001 – 2025*

Source: U.S. Bureau of Labor Statistics



Consumers

Consumer spending was hailed as the savior of the economy.

It was fueled by excess savings from the shutdown and later by increased credit card spending.

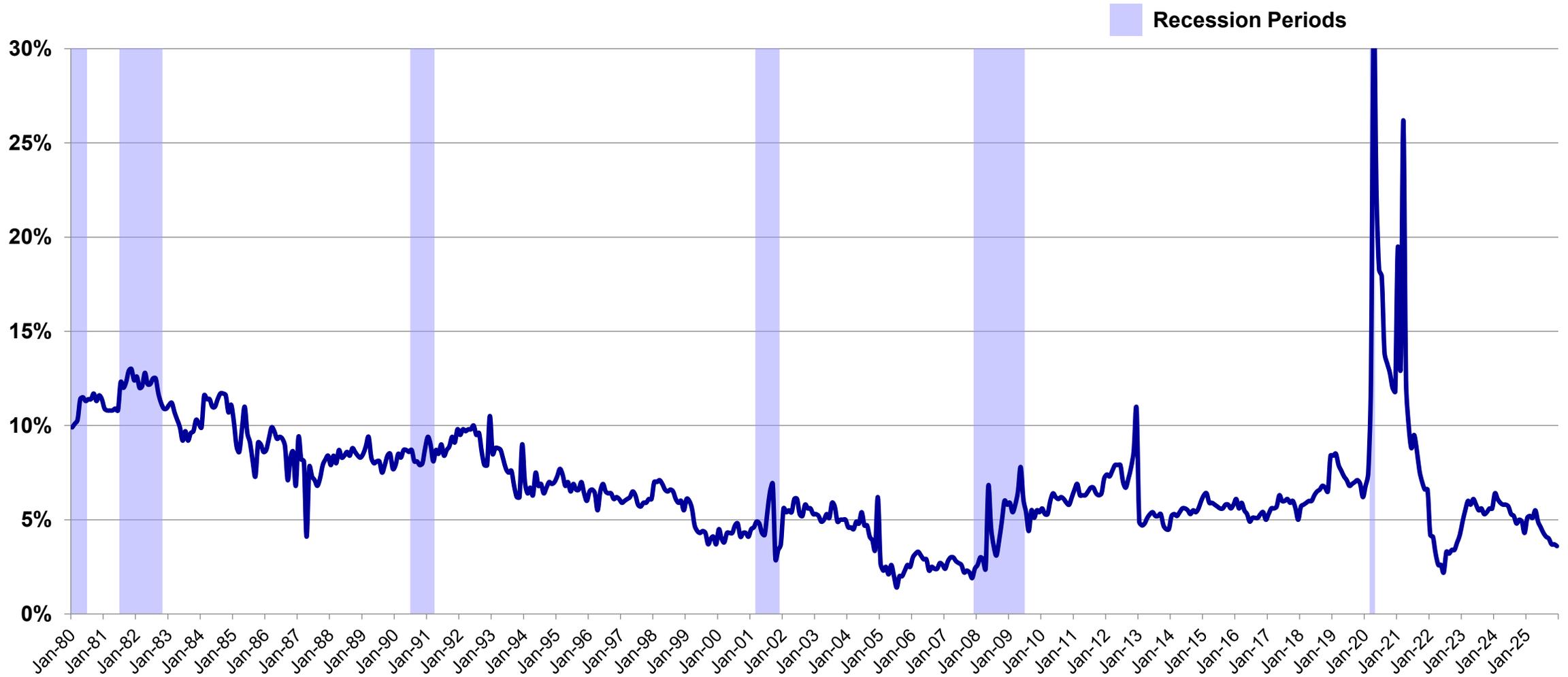
But, what about now?



Savings Rate (S/A)

1980 – 2025*

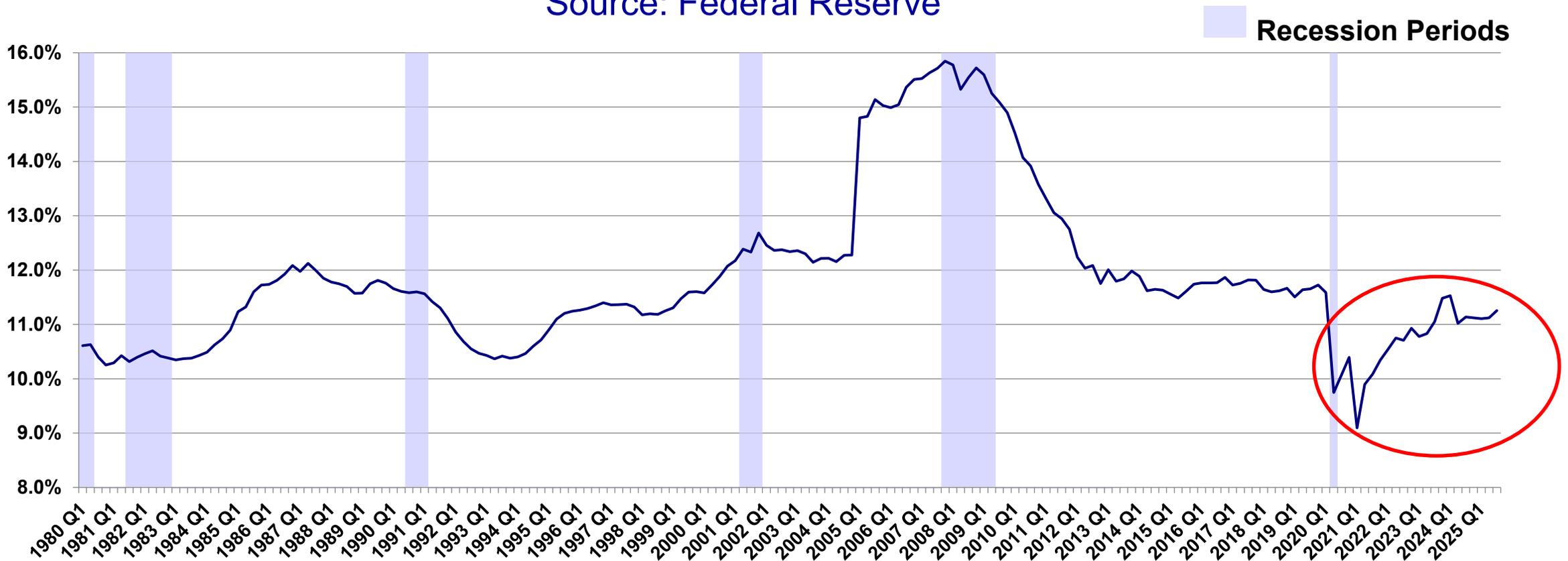
Source: BEA



*Data through December 2025.

Household Debt Service Payments as a Percent of Disposable Personal Income* 1980 – 2025**

Source: Federal Reserve



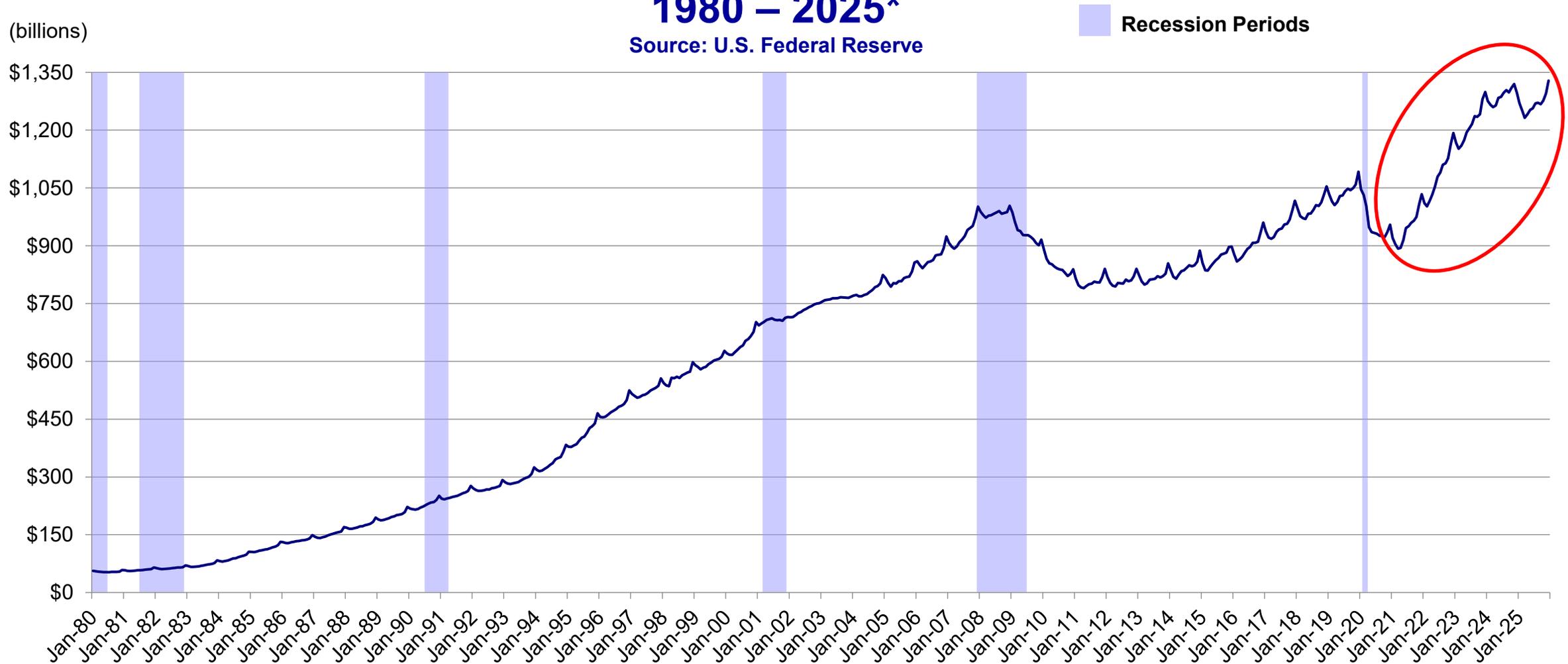
*the ratio of total required household debt payments to total disposable income.

**Data through the third quarter 2025

U.S. Consumer Credit Total Revolving Credit Outstanding 1980 – 2025*

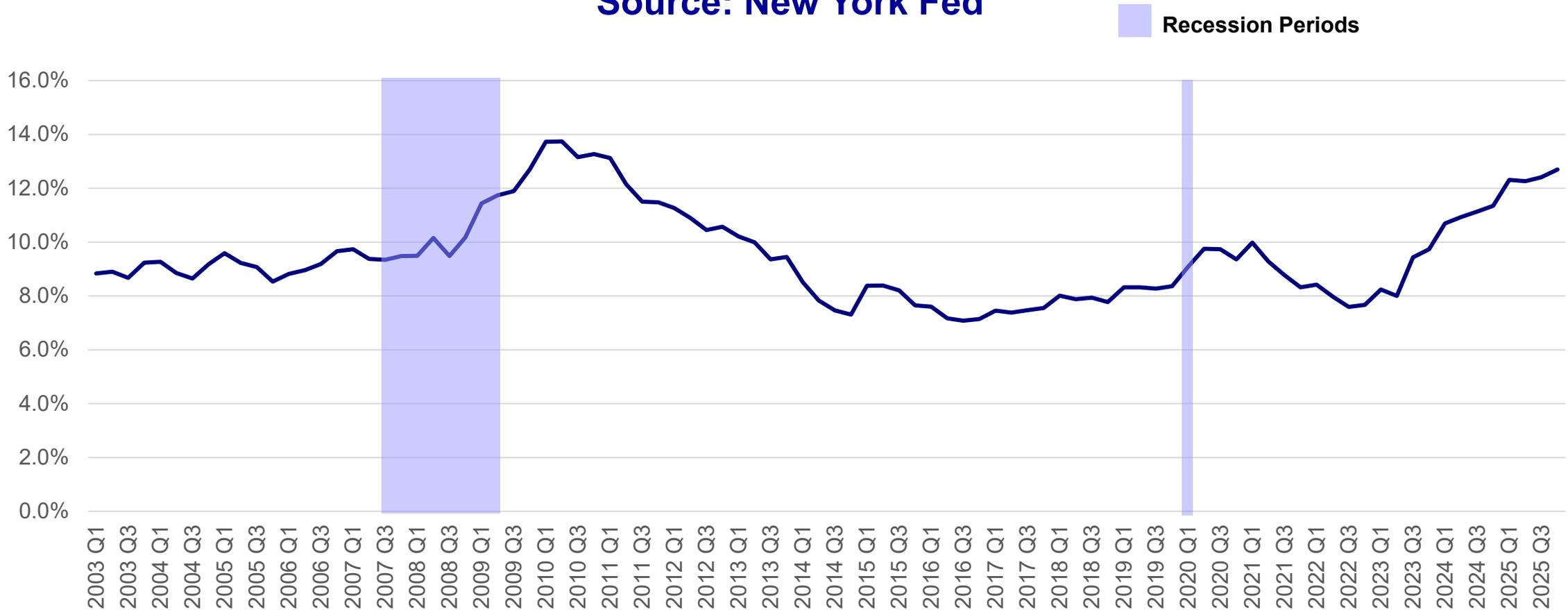
*Data through December 2025

Source: U.S. Federal Reserve



Credit Card Percent of Balance 90+ Days Delinquent

Source: New York Fed



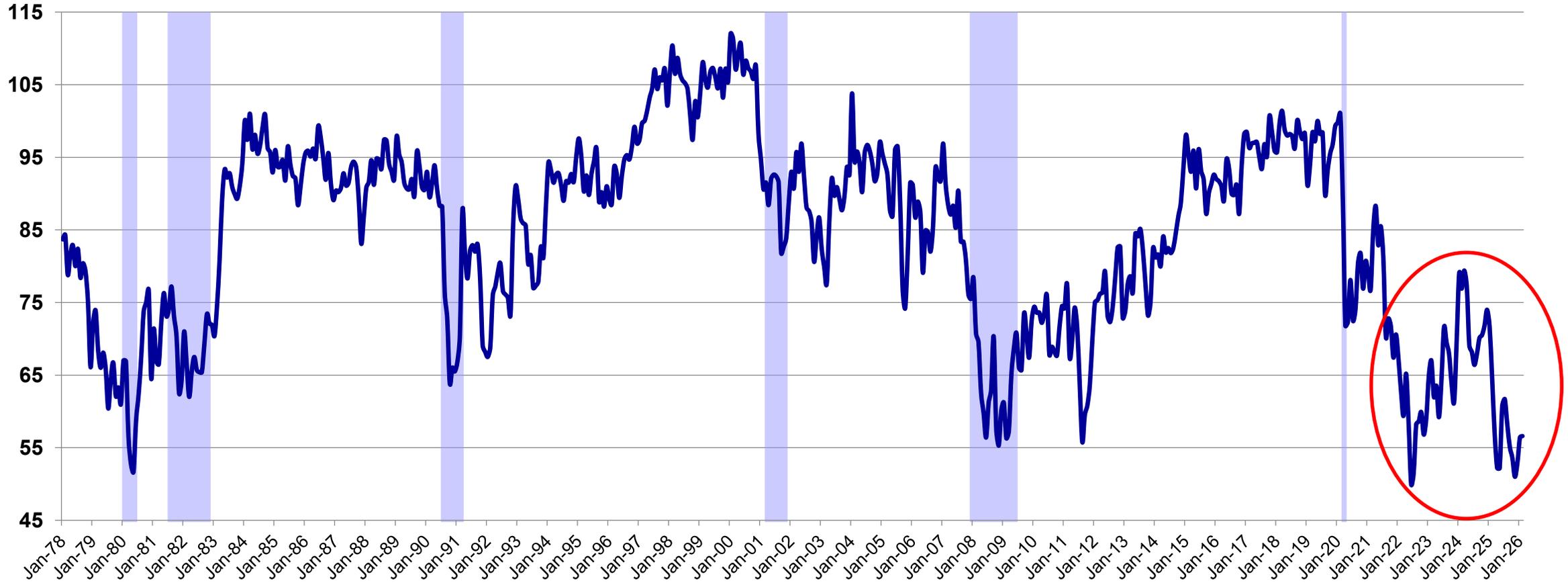
Percentage of People with Credit Card Debt 90 Days Delinquent



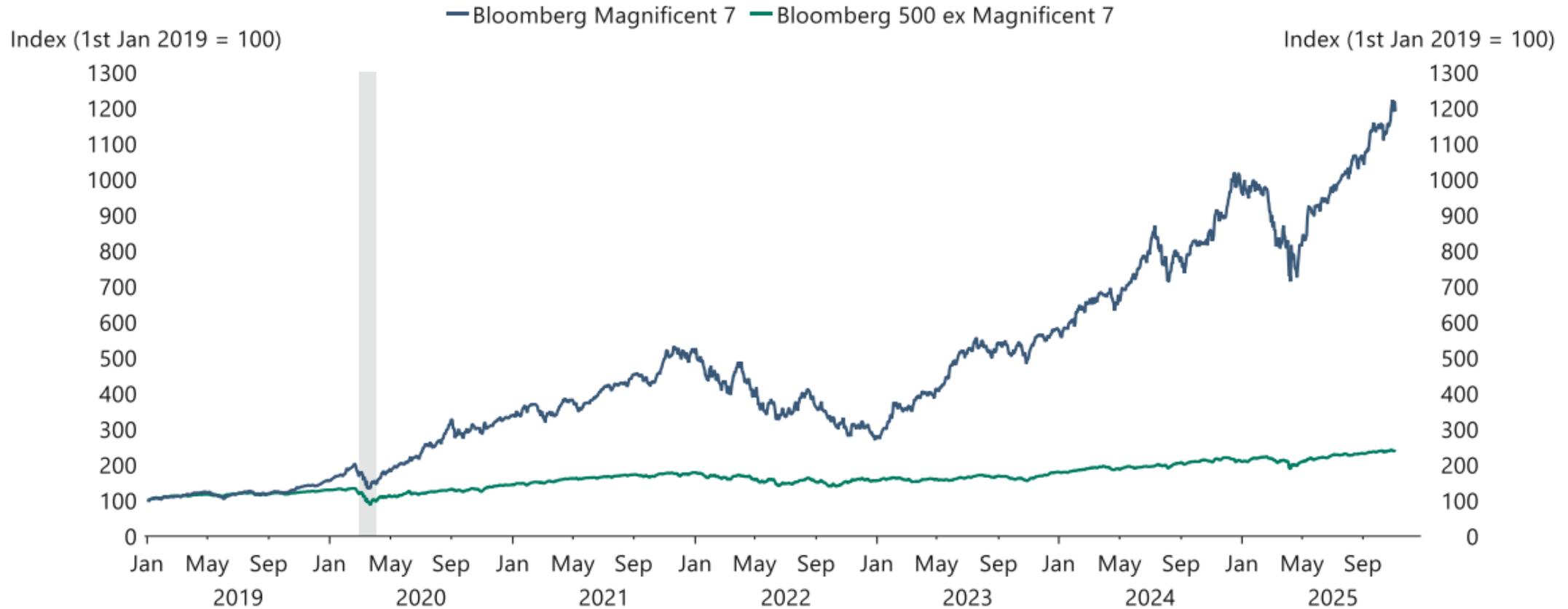
University of Michigan: Consumer Sentiment

1978 – 2025*

Source: University of Michigan



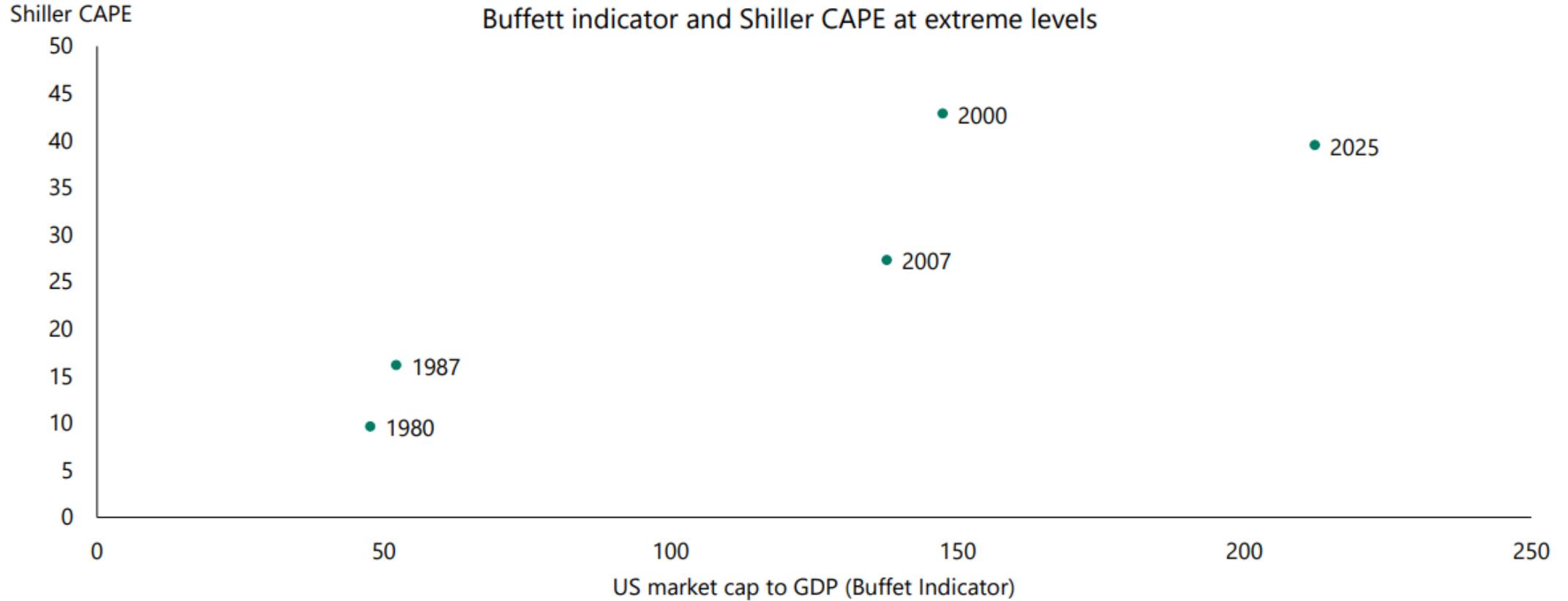
Equity returns over the past five years are all about the Mag 7



Sources: Bloomberg, Macrobond, Apollo Chief Economist

Google, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla

Extreme valuations for the S&P 500



Sources: WDI, Robert Shiller, Macrobond, Bloomberg, Apollo Chief Economist

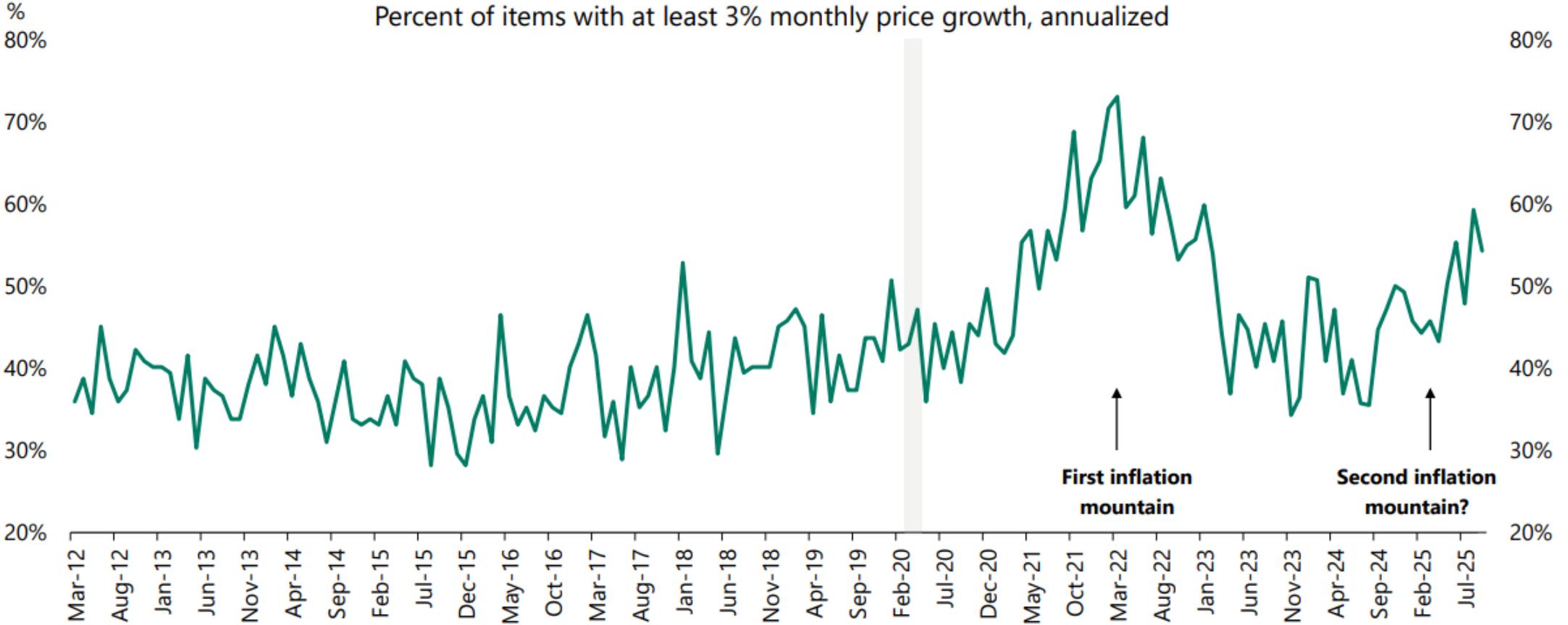
Fed Funds Rate Less Core-PCE

Source: Federal Reserve; BLS

Recession Periods



More than 50% of items in the CPI basket show at least a 3% price increase

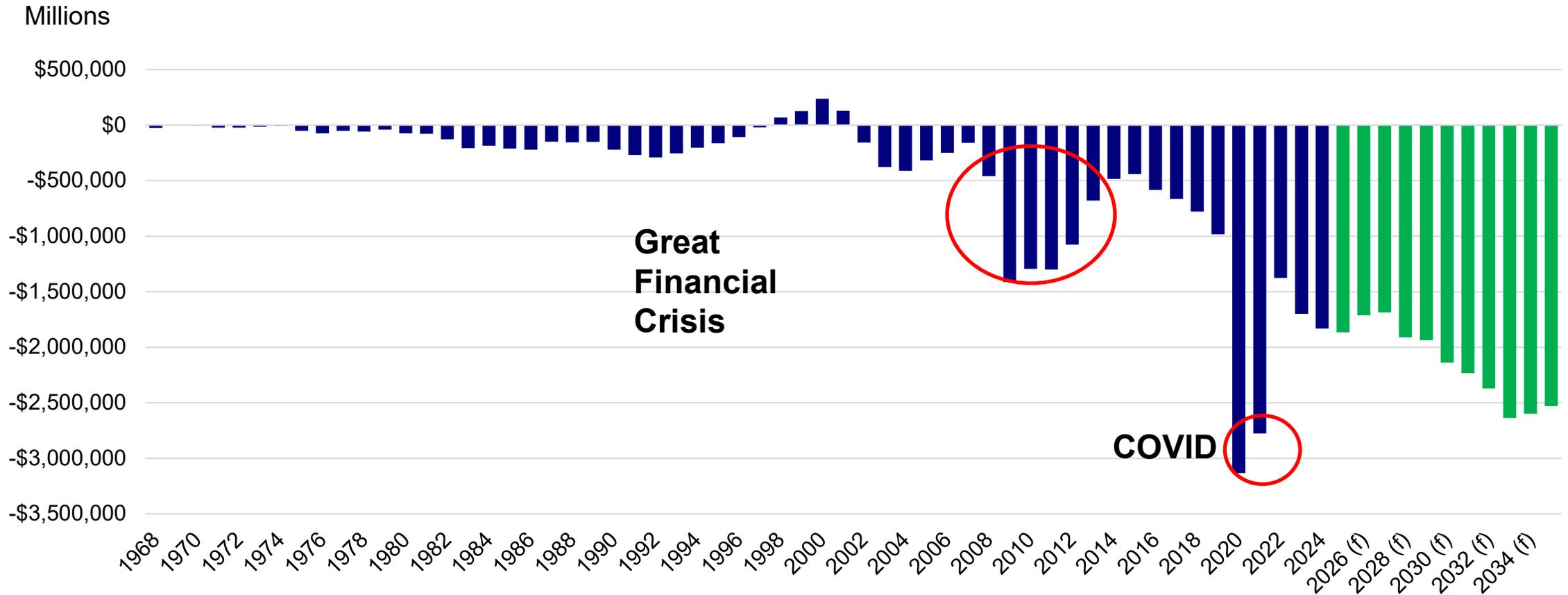


Tariffs???

- The uncertainty and inconsistency surrounding tariffs has created confusion on the part of manufacturers, importers, exporters, retailers and consumers.
- No one knows where we are or how much prices will increase or when they will increase.
- Manufacturers and importers will most certainly modernize and will make their supply chains more efficient once they have more certainty.
- As of the moment, it appears that inflationary pressures amounting to 2-3% are still in front of us.
- Once again, only time will tell.

FY Federal Surplus or Deficit [-]

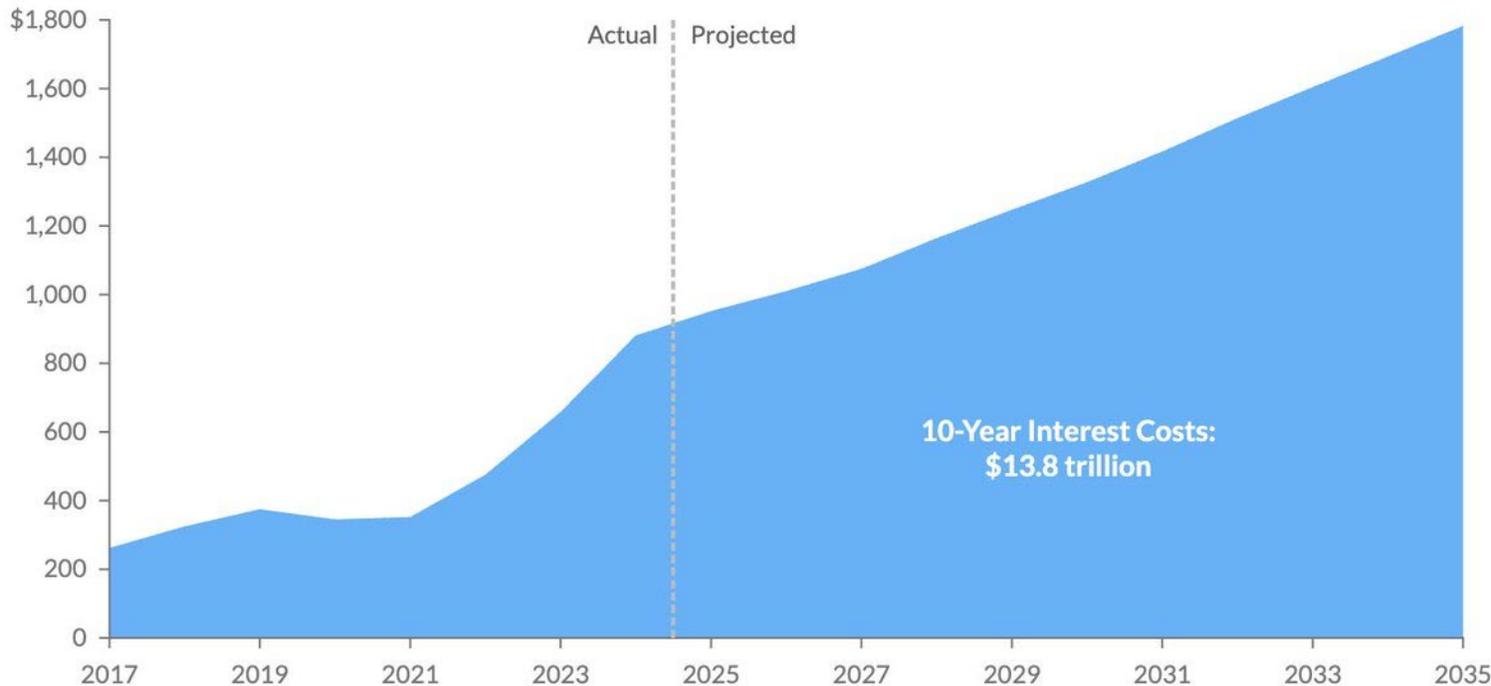
Source: U.S. Office of Management and Budget



At what point will the government be unable to borrow its way out of the next crisis?

Net interest costs are projected to rise sharply

Billions of \$



Sources: Congressional Budget Office • Embed • Download image

Interest Payments

2023 - \$659 Billion



2024 - \$892 Billion



2025 - \$970 Billion



2035 - \$1.8 Trillion



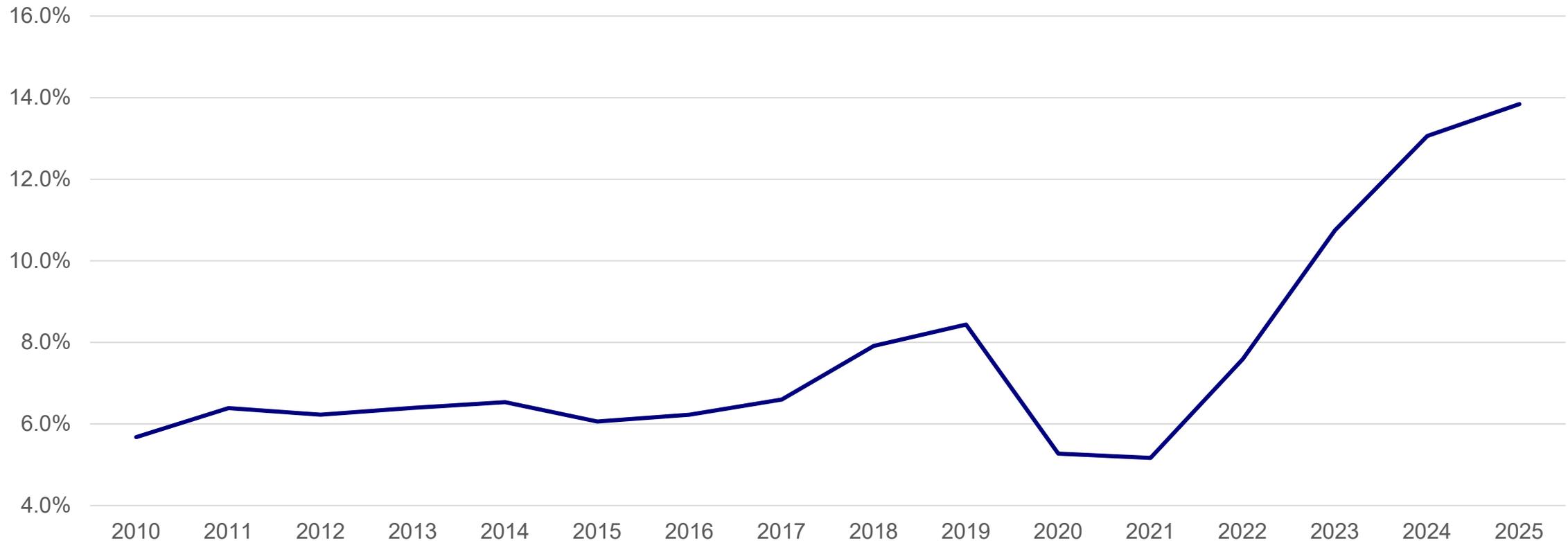
Next Decade - \$13.8 Trillion



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Interest on the debt as % of Total Government Outlays

Source: U.S. Office of Management and Budget



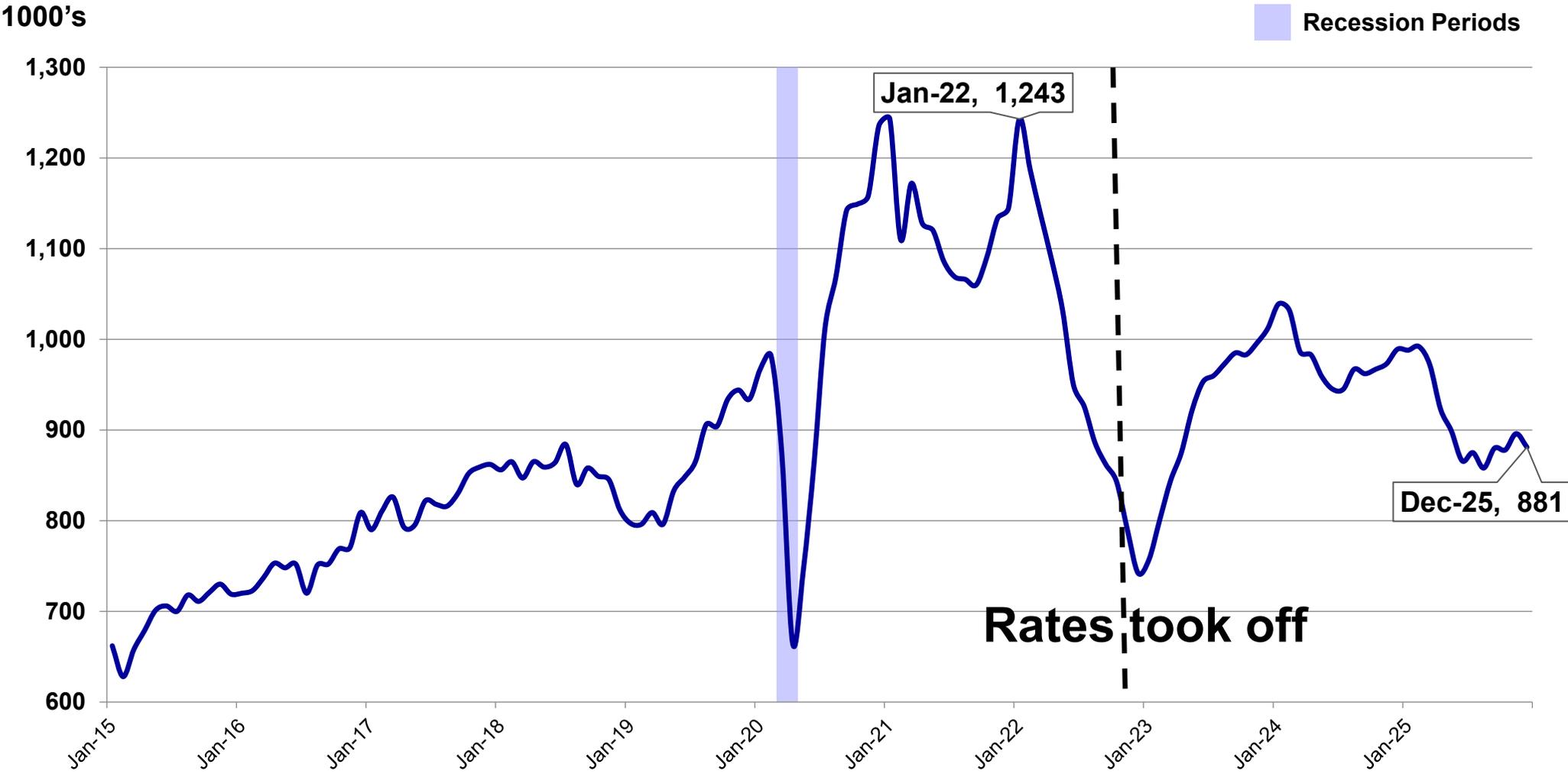
Housing



Single Family Permits (SAAR)

2015 – 2025*

Source: U.S. Census Bureau

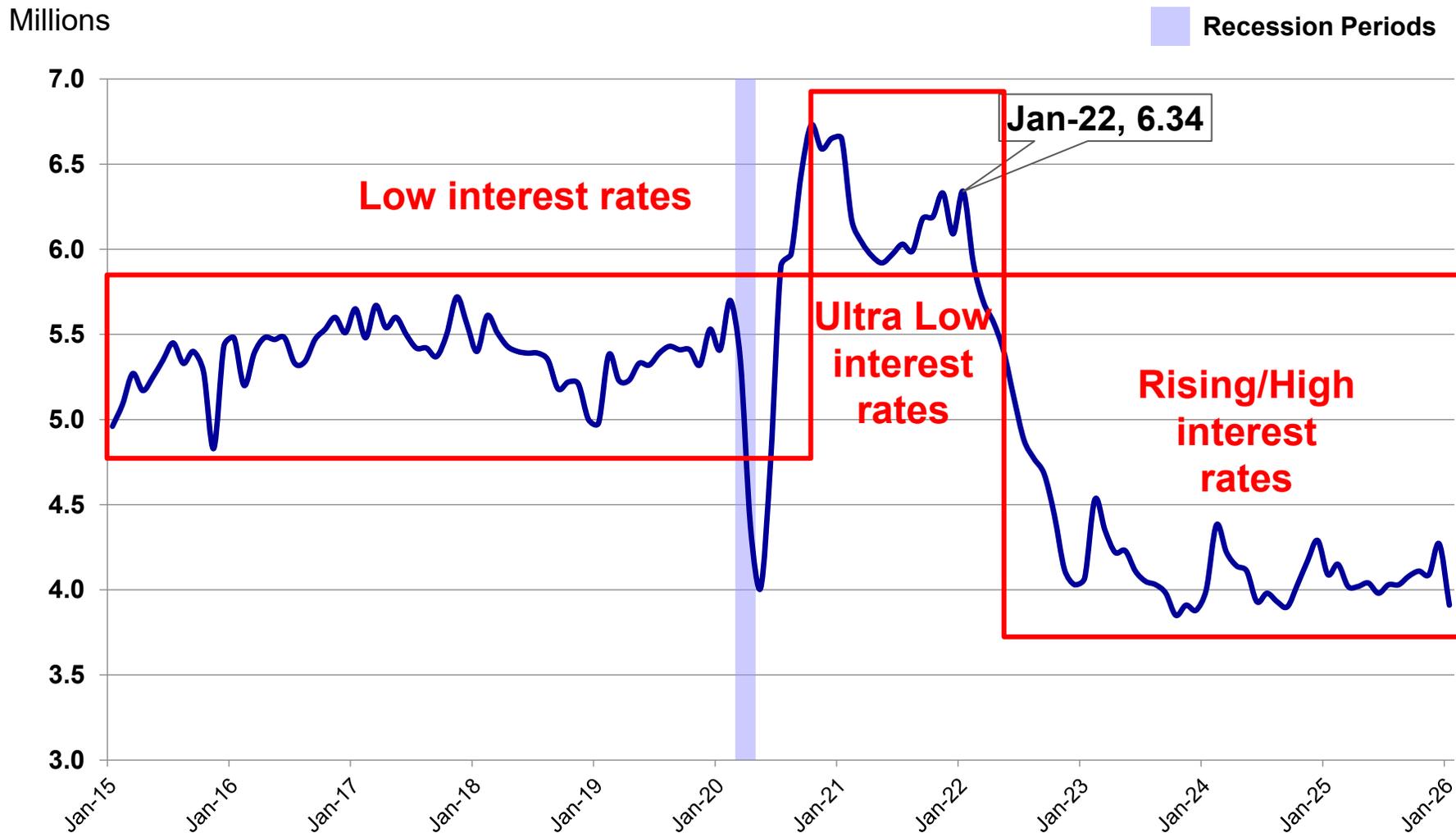


*Data through December 2025

Existing Home Sales (SAAR)

2015 – 2026*

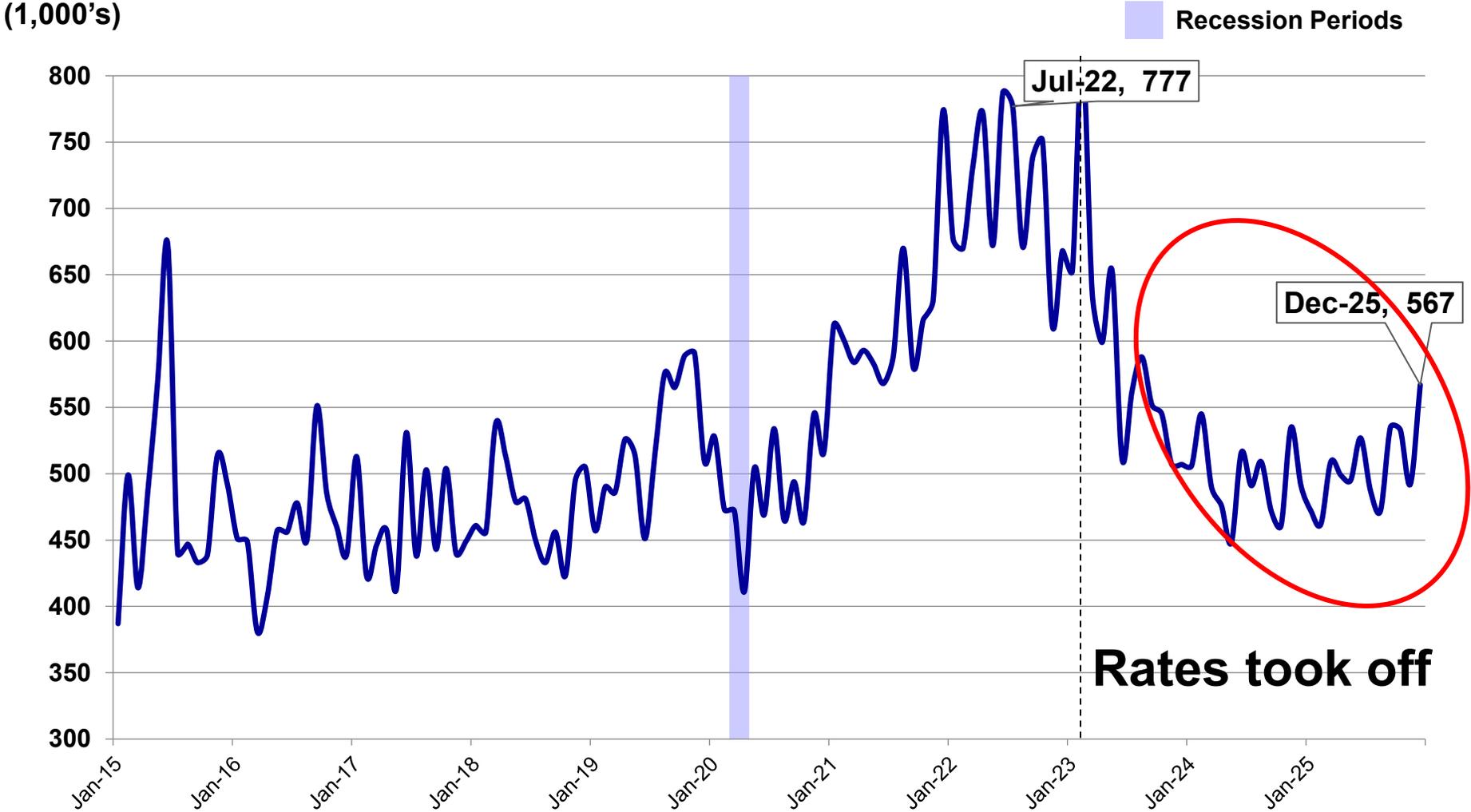
Source: NAR



Multi-Family Permits (SAAR)

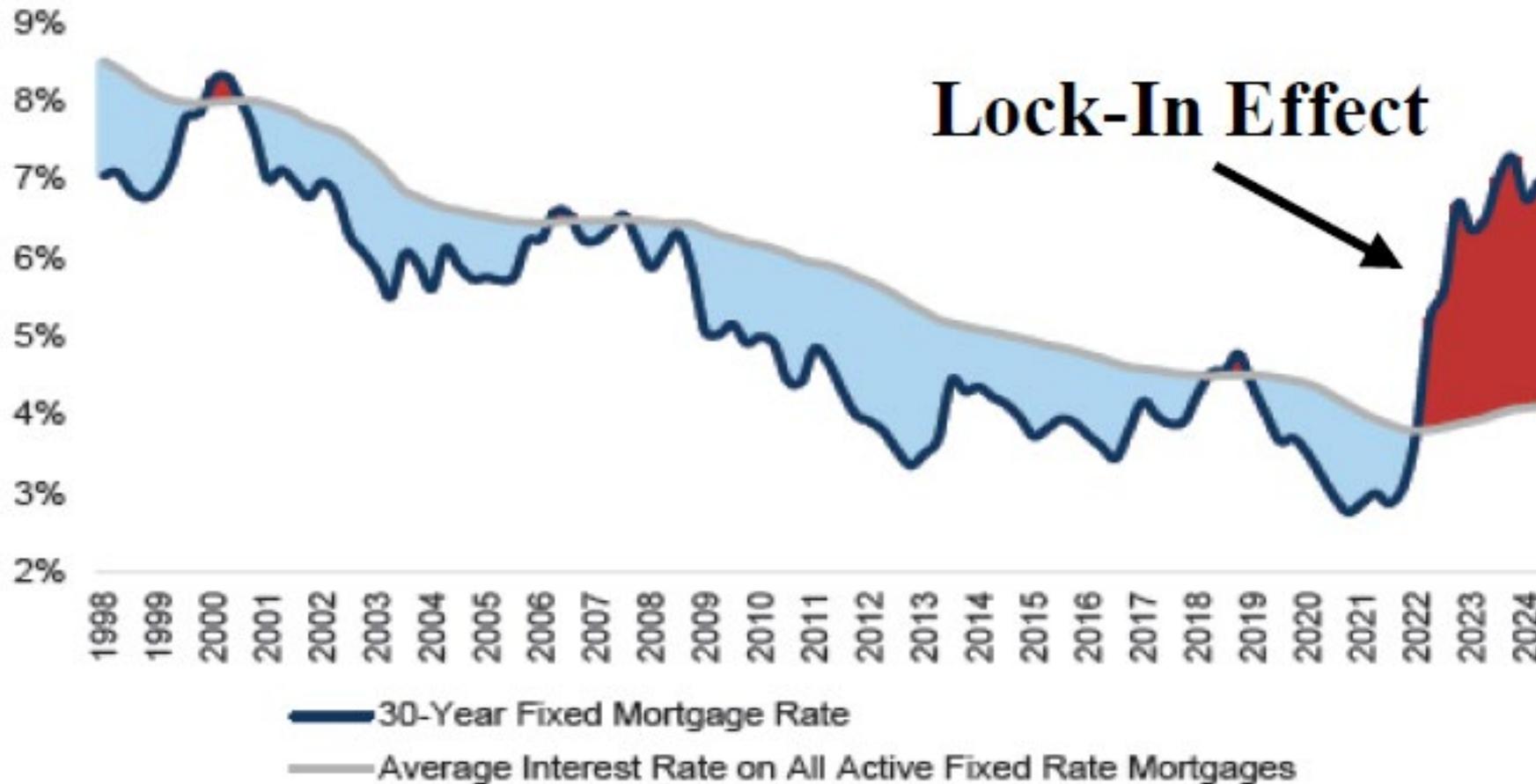
2015 – 2025*

Source: U.S. Bureau of Labor Statistics

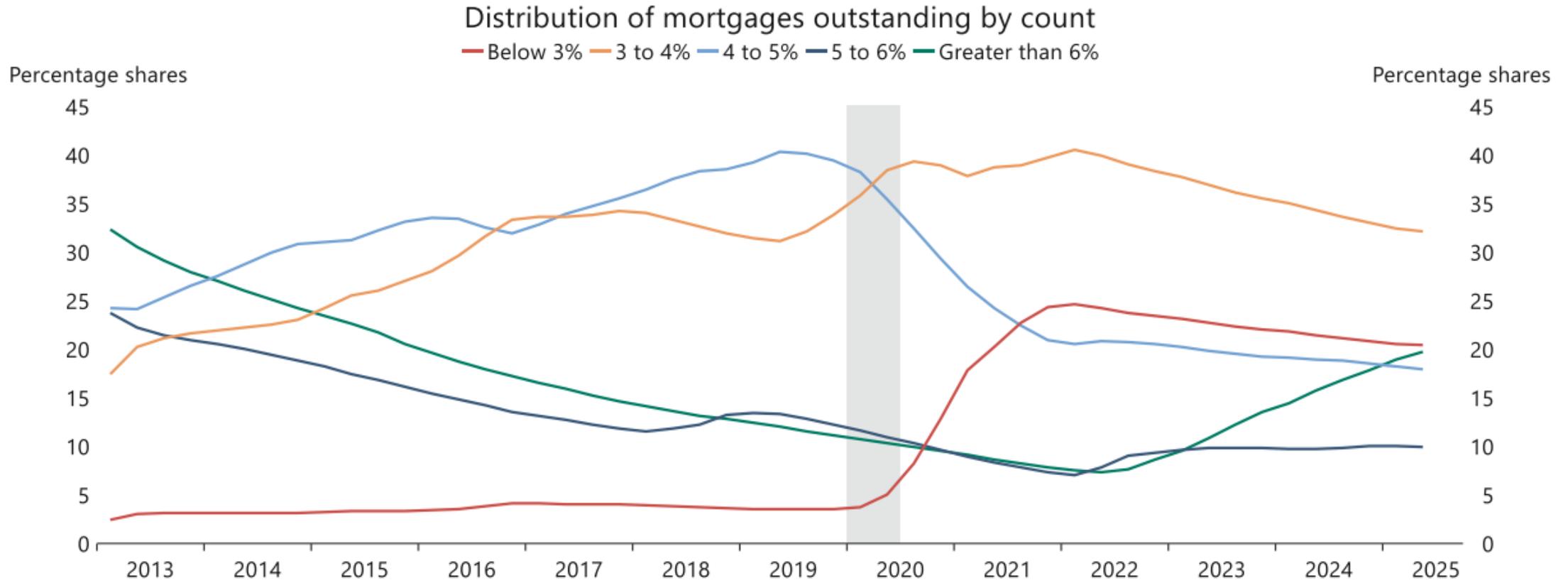


Spread Between Existing Mortgages and the Current Mortgage Rate Significantly Discourages Moving

Source: FHFA; Freddie Mac

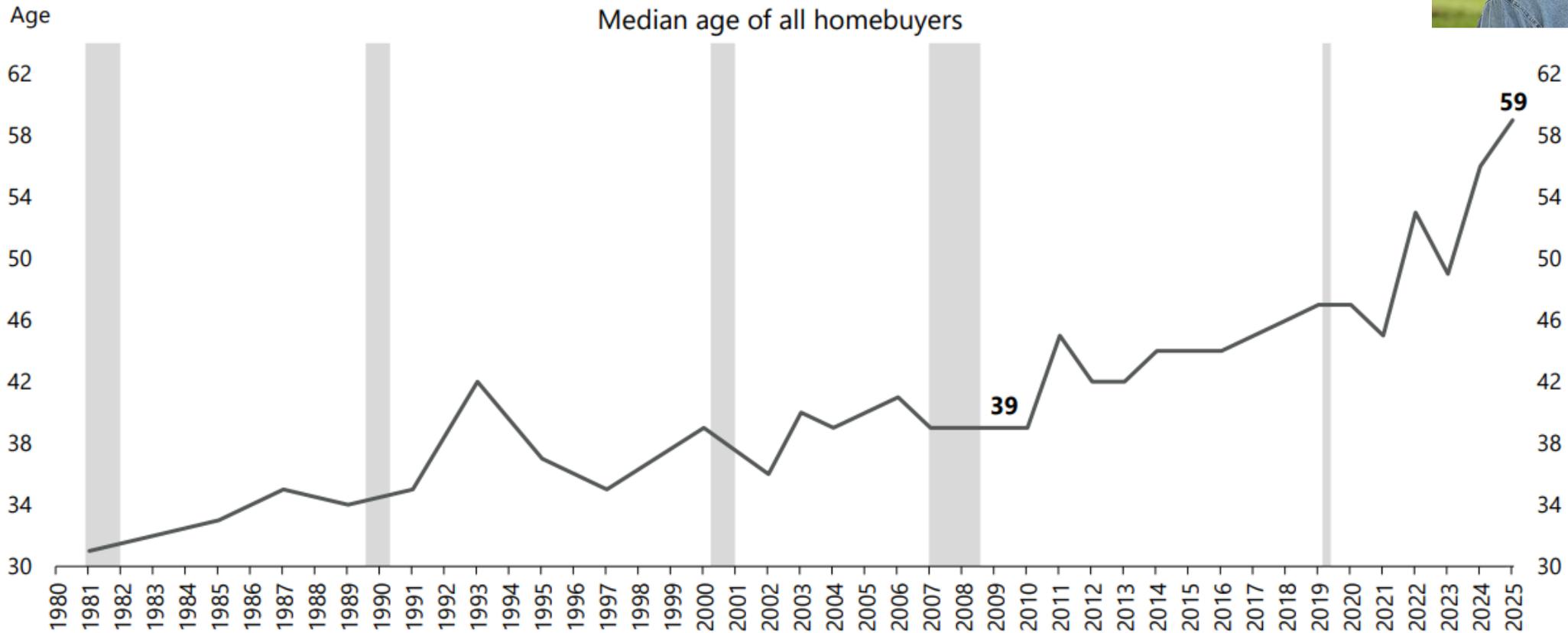


US: A rising share of mortgages outstanding have an interest rate above 6%



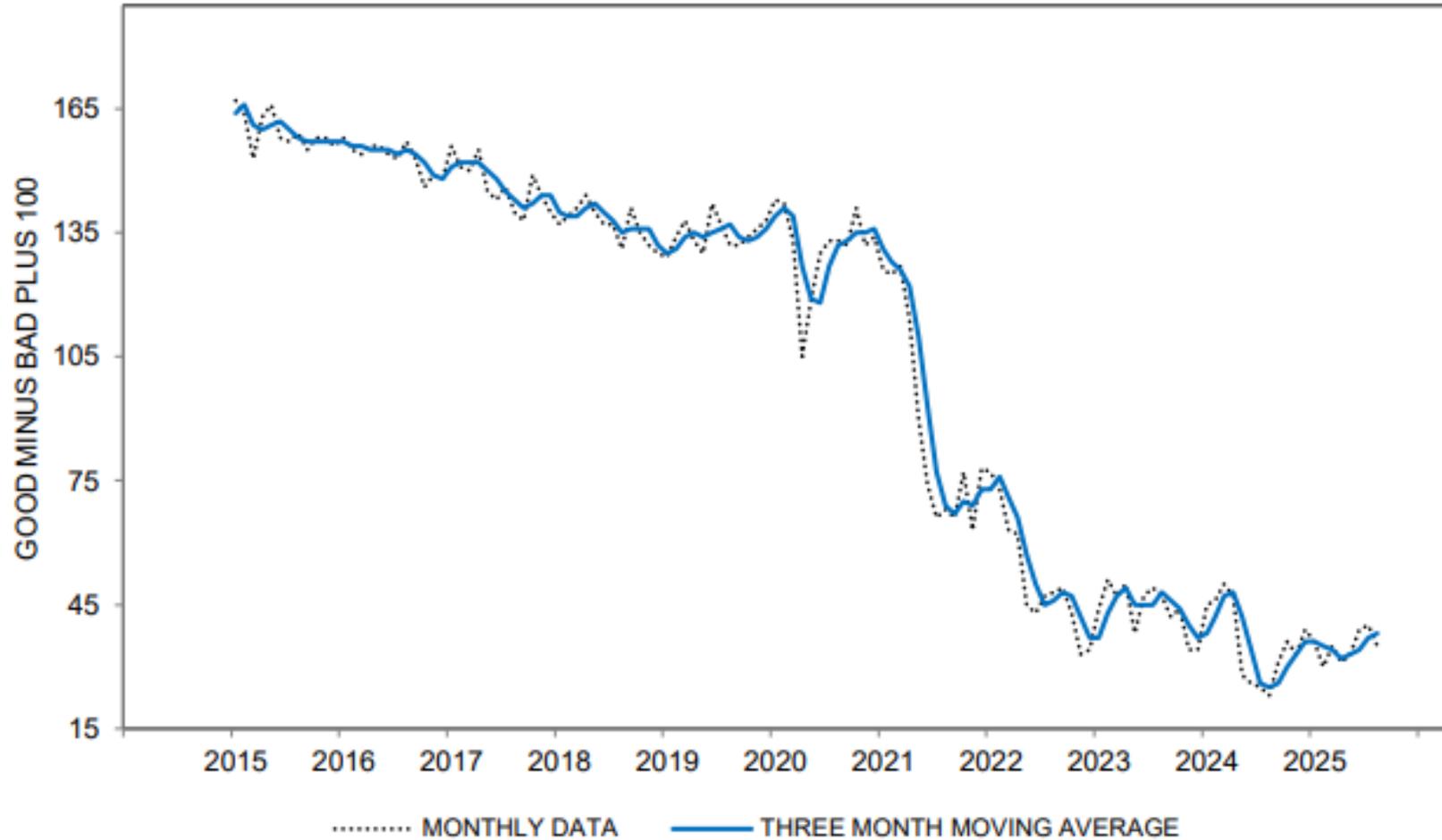
Sources: Federal Housing Finance Agency (FHFA), Macrobond, Apollo Chief Economist

Median age of all US homebuyers: 59 years old



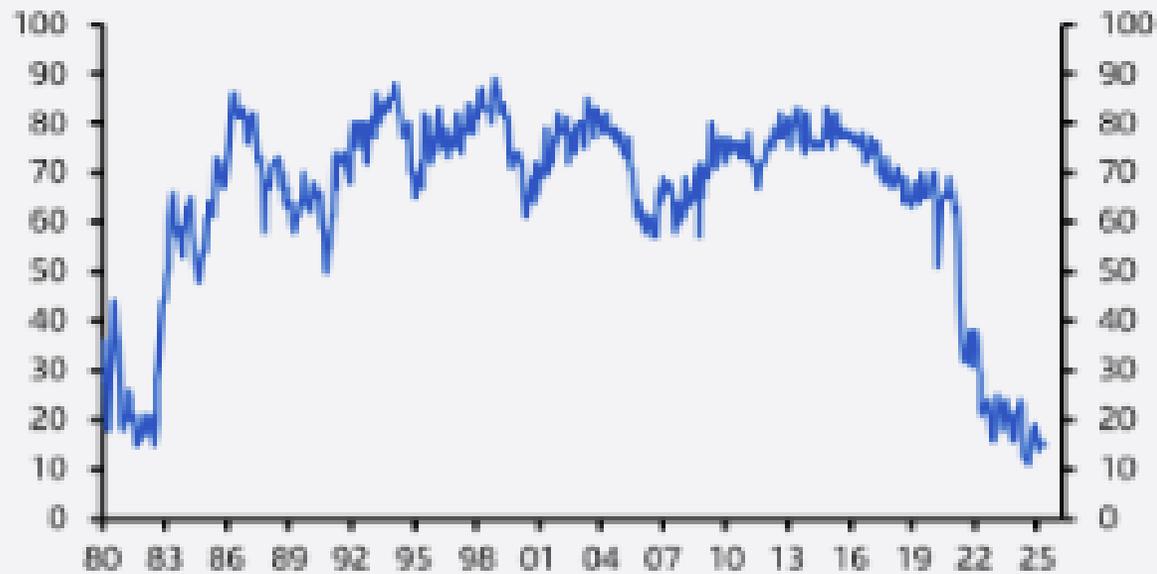
Sources: National Association of Realtors, Apollo Chief Economist

CHART 41: BUYING CONDITIONS FOR HOUSES



Source: University of Michigan

Chart 1: University of Michigan Good Time to Buy (%)



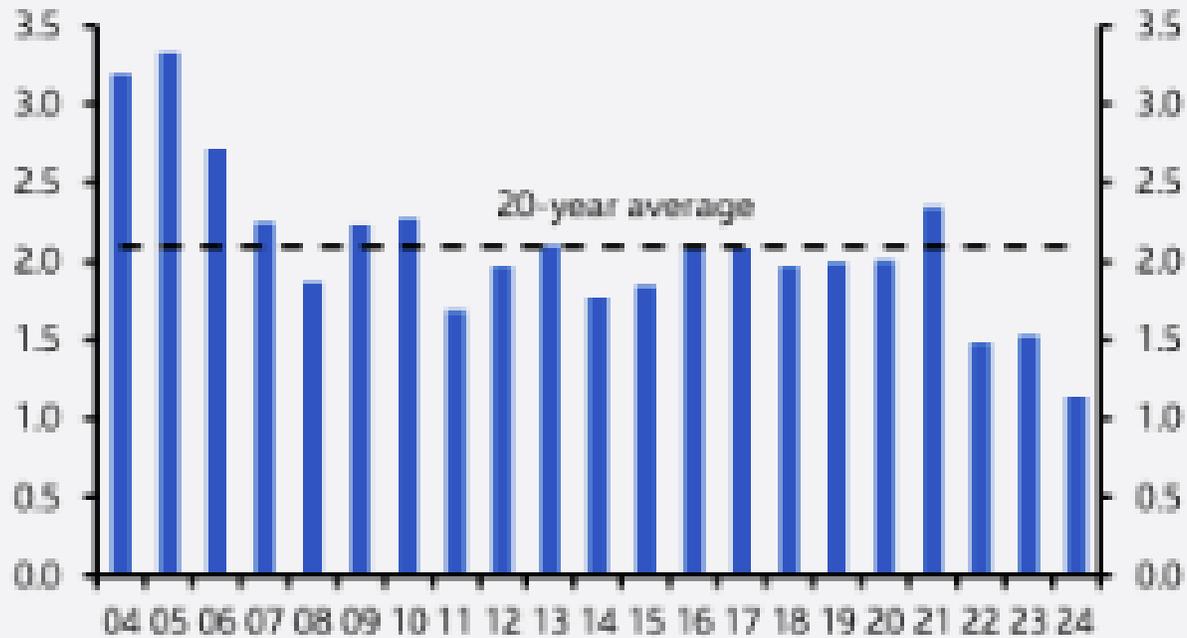
Source: University of Michigan



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Court, Merritt, Pollack, & Stevenson



Chart 3: Number of First-time Buyers (Million)



Source: University of Michigan

American starter home style evolution

1970s



1990s



2010s

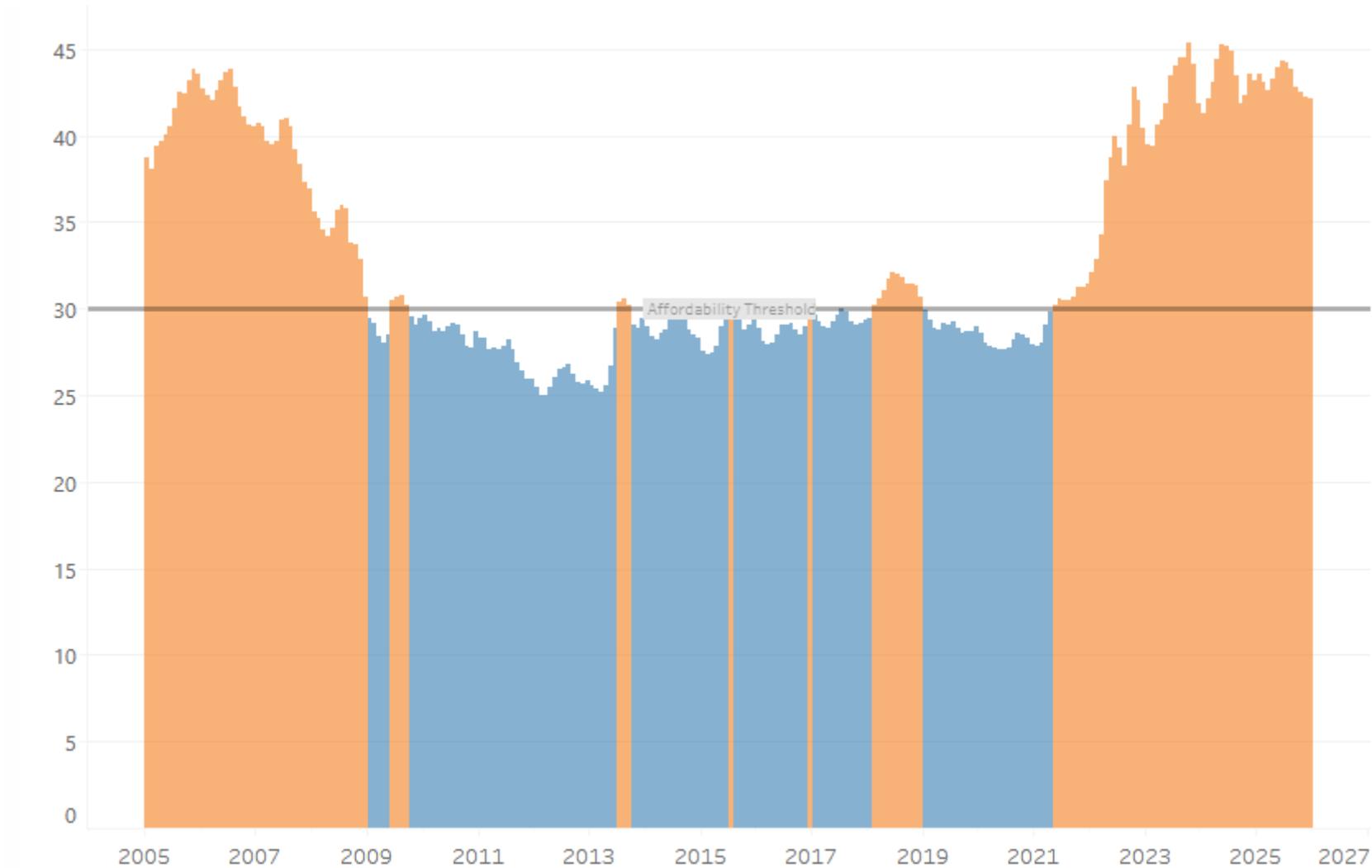


2030s



Median Income Household % of Income Toward Median Priced Home

Source: Atlanta Fed



What are the problems for housing?

Unlike the late 70's and early 80's, it's more than just interest rates.

So, what is it?

- Interest rates
- Housing cost burden
- Locked in effect
- Demographic changes caused by affordability
- Slowdown in job creation
- Continued significant increases in municipal impact fees and other costs
- Labor shortages, tariffs and supply chain issues
- Need for smaller houses on smaller lots
- Slowdown in national and international migration
- Cost of ownership insurance, HOA fees and taxes.

There is no quick fix.

A higher percentage of the population will be renters.

Real GDP Forecast

Blue Chip Economic Indicators

(February 2026)

Year	2025	2026	2027
Average	1.9%	2.4%	2.4%
Top 10	2.0%	3.0%	2.9%
Bottom 10	1.8%	1.6%	2.0%

32% Blue Chip contributors suggest a recession will occur in the next 12 months .

2025 forecast from December 2025 edition

CPI Forecast

Blue Chip Economic Indicators (February 2026)

Year	2025	2026	2027
Average	2.8%	2.7%	2.5%
Top 10	2.9%	3.1%	3.0%
Bottom 10	2.7%	2.4%	2.1%

2025 forecast from December 2025 edition

S&P Global Forecast (February 2026)

	2024	2025	2026	2027	2028
GDP Growth	2.8%	2.2%	2.7%	2.0%	1.7%
Job Growth	1.3%	0.9%	0.4%	0.5%	0.2%
Unemployment	4.0%	4.3%	4.6%	4.6%	4.6%
CPI	3.0%	2.7%	2.5%	2.8%	2.5%

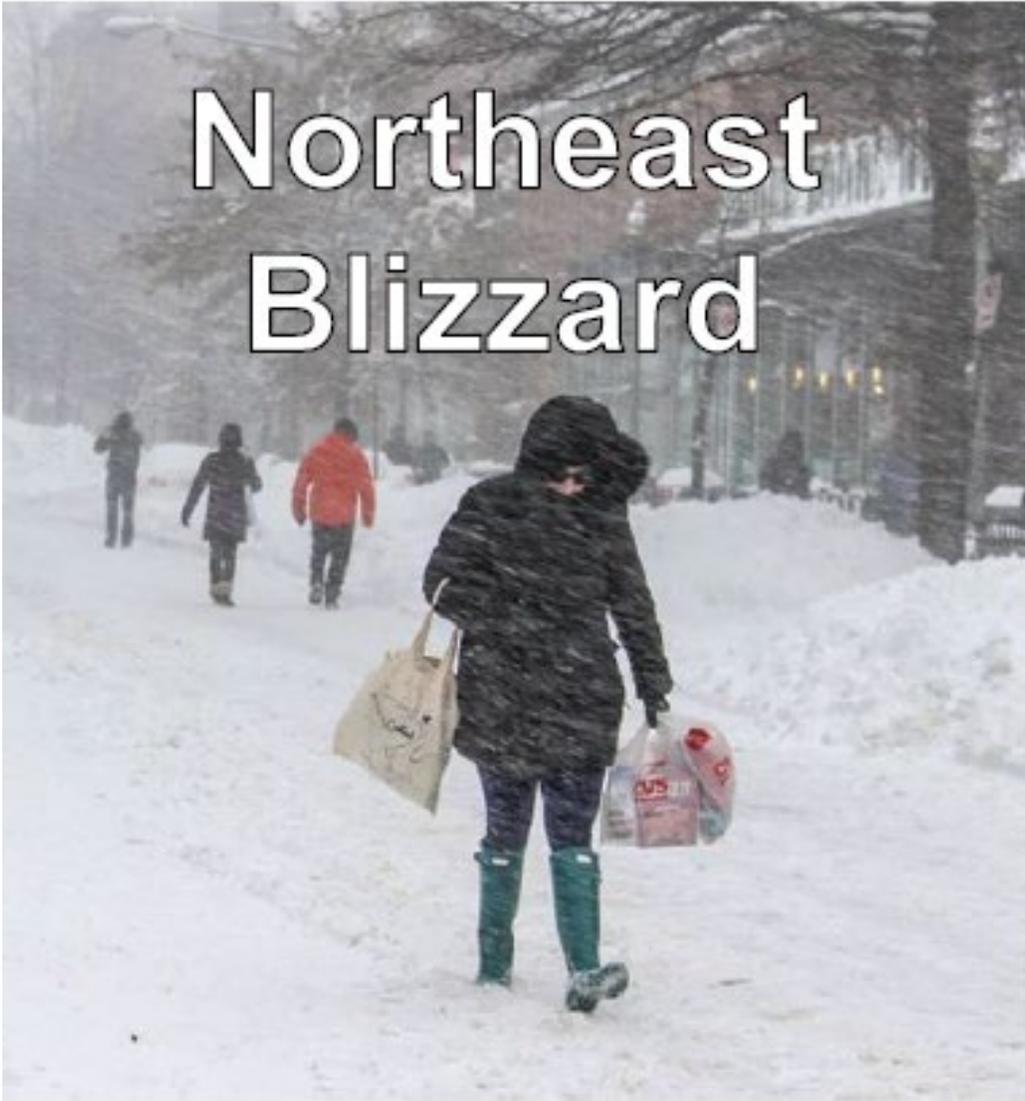


- The economy has been better than expected.
- AI spending has accounted for the great majority of growth over the last year and a half. Can that last?
- Consumers seem to be coming under pressure.
- Job market is under pressure.
- The consensus forecast is for continued slow growth.
- But, there are still many issues out there.
- We might still get that recession but right now it is difficult to see what is going cause it.
- Black Swan?

Arizona



Northeast Blizzard



Arizona Blizzard



Arizona Rankings Among States

Source: U.S. Bureau of Census; Bureau of Labor Statistics; Bureau of Economic Analysis

DECADE	POPULATION	EMPLOYMENT	PERSONAL INCOME
1950 - 1960	4 TH	1 st	2 nd
1960 - 1970	3 RD	3 RD	4 TH
1970 - 1980	2 ND	3 RD	3 RD
1980 - 1990	3 RD	3 RD	5 TH
1980 - 1990	2 ND	2 ND	3 rd
2000 – 2010	2 nd	12 th	12 th
2010 – 2020	9 th	3 rd	6 th

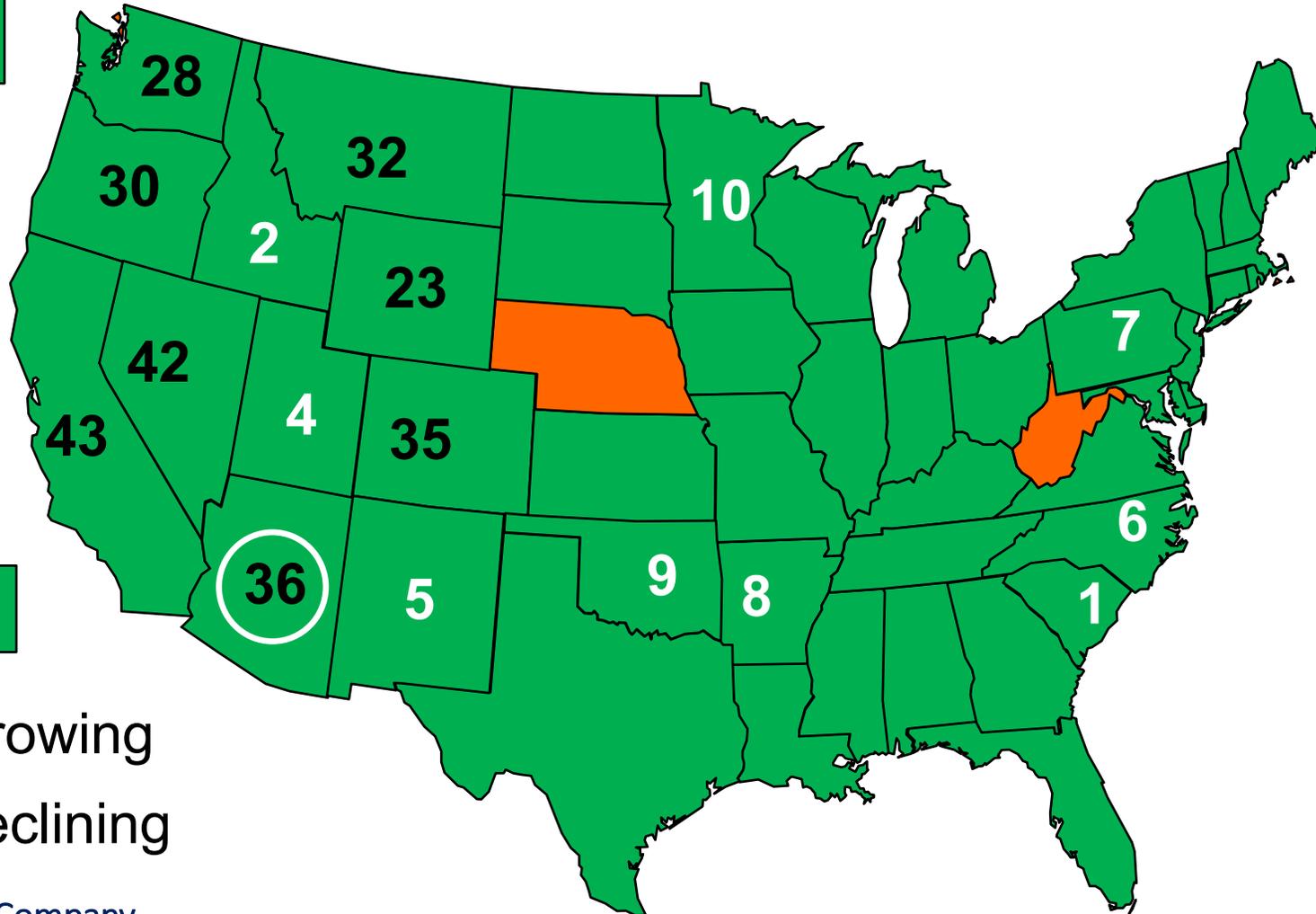


YTD Job Growth 2025 versus 2024

Preliminary 2025 vs. 2024

Source: U.S. BLS

Alaska
12



● Jobs growing

● Jobs declining



Arizona ranked #4 in Labor Force Growth Year over Year for 2025

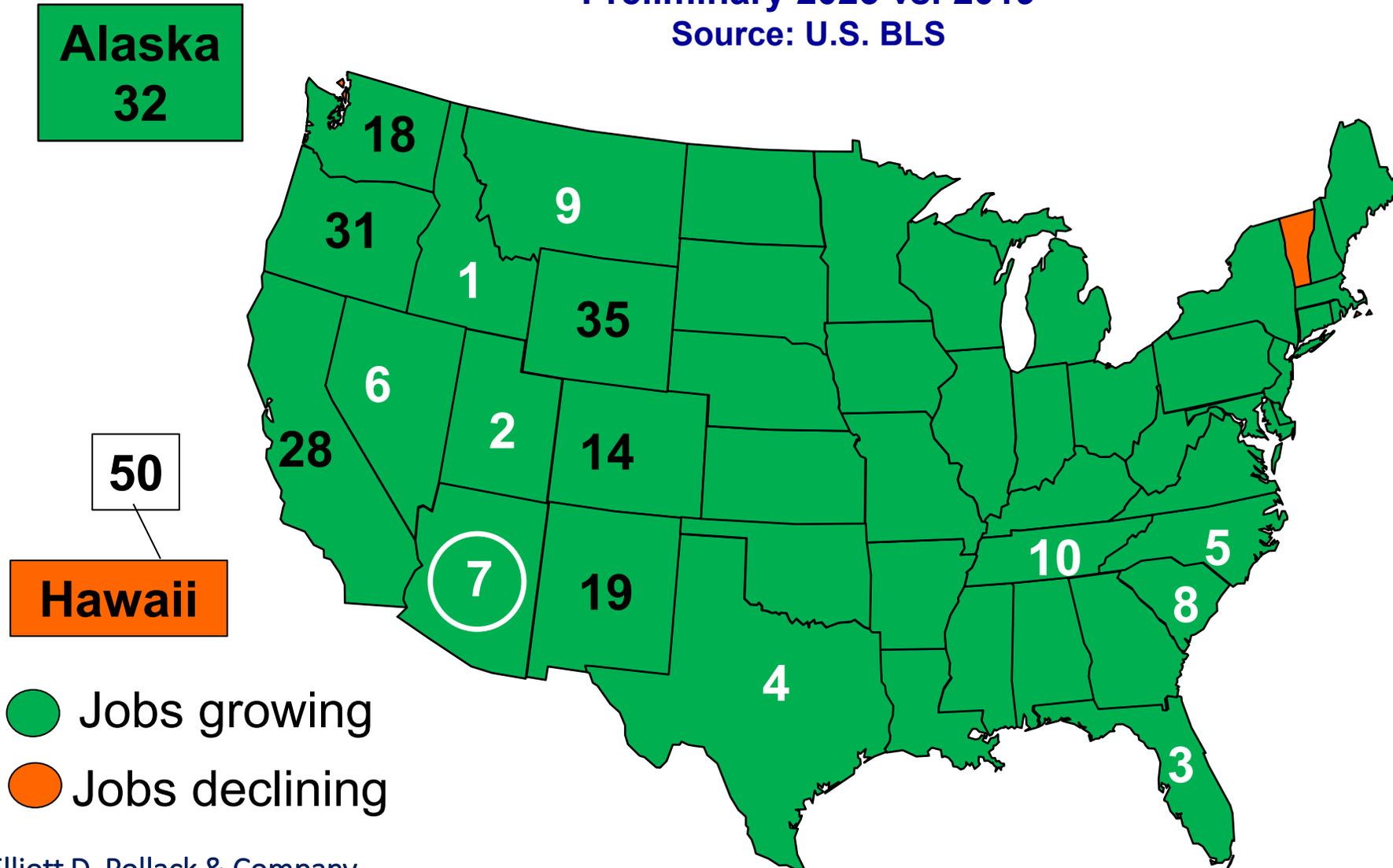
- December 2025 over December 2024 – 2.5% growth
- #1 in Natural Resources & Mining growth
- #8 in Professional & Business Services growth
- #11 for Private Sector job growth



YTD Job Growth 2025 versus 2019

Preliminary 2025 vs. 2019

Source: U.S. BLS



Arizona Commerce Authority – Statewide Activity

<i>Business Expansions</i>	FY20 – FY25	TOTAL 2012 - Present
PROJECTS	612	1,391
DIRECT JOBS	160,017	320,097
CAPITAL INVESTMENT	\$277.98B	\$303.61B

Arizona Commerce Authority's Fiscal Year Economic Development Results

Attracted companies from across the United States and World.

- **FY 2021**
 - 23,317 New Jobs
 - **\$24.81B CAPEX**
- **FY 2022**
 - 24,186 New Jobs
 - **\$10.75B CAPEX**
- **FY 2023**
 - 24,227 New Jobs
 - **\$40.73B CAPEX**
- **FY 2024**
 - 21,215 New Jobs
 - **\$50B CAPEX**
- **FY 2025**
 - 24,285 New jobs
 - **\$31.6B CAPEX**



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TOTAL PIPELINE BY PROJECT TYPE

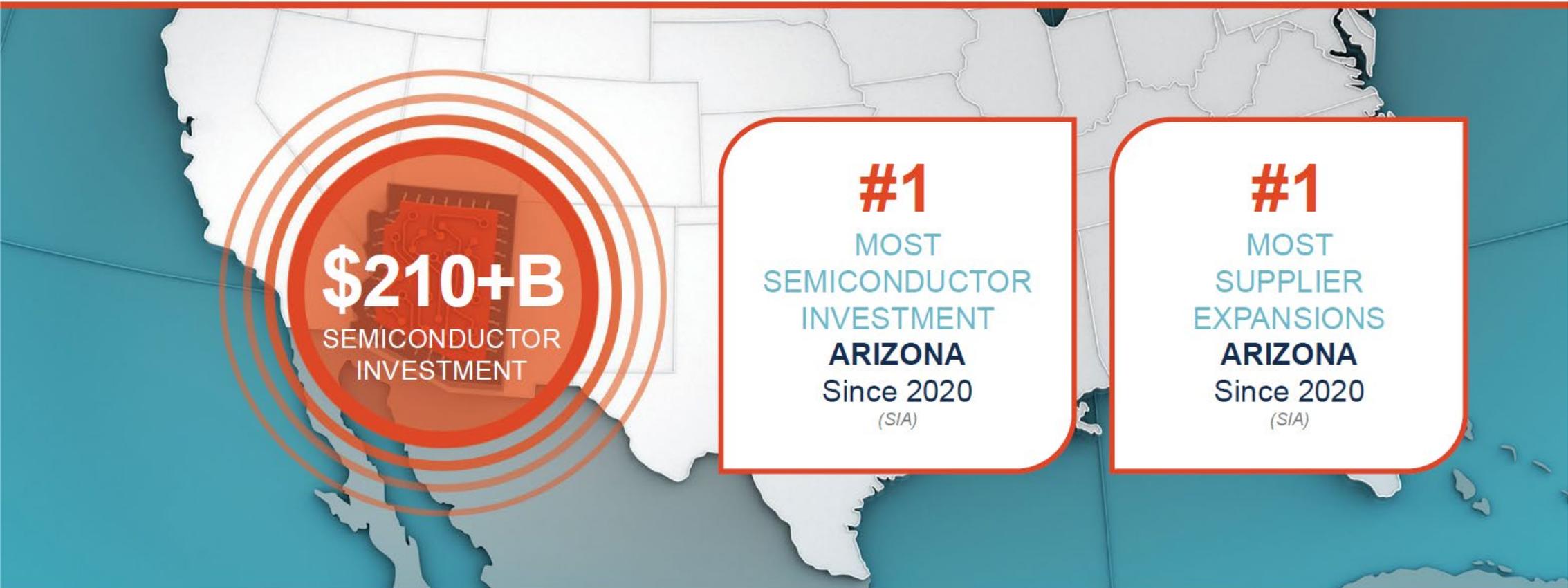
Business Attraction & Expansion

MANUFACTURING	HEADQUARTERS	OFFICE	LOGISTICS	DATA CENTER	RESEARCH & DEVELOPMENT	TRAINING FACILITY	MEDICAL FACILITY
314 PROJECTS	44 PROJECTS	16 PROJECTS	43 PROJECTS	8 PROJECTS	15 PROJECTS	9 PROJECTS	4 PROJECTS
JOB: 95,442 \$150.37B CAPEX WAGES: \$67,960	JOB: 11,707 \$4.37B CAPEX WAGES: \$85,556	JOB: 2,166 \$99.00M CAPEX WAGES: \$74,185	JOB: 4,773 \$911.52M CAPEX WAGES: \$60,183	JOB: 712 \$22.45B CAPEX WAGES: \$139,541	JOB: 4,291 \$12.44B CAPEX WAGES: \$122,383	JOB: 943 \$187.46M CAPEX WAGES: \$78,680	JOB: 245 \$72.80M CAPEX WAGES: \$89,392

TOTAL **465 PROJECTS** **121,208 JOBS**
\$191.20B CAPEX **\$71,892 WAGES**



SEMICONDUCTOR MEGA INVESTMENT

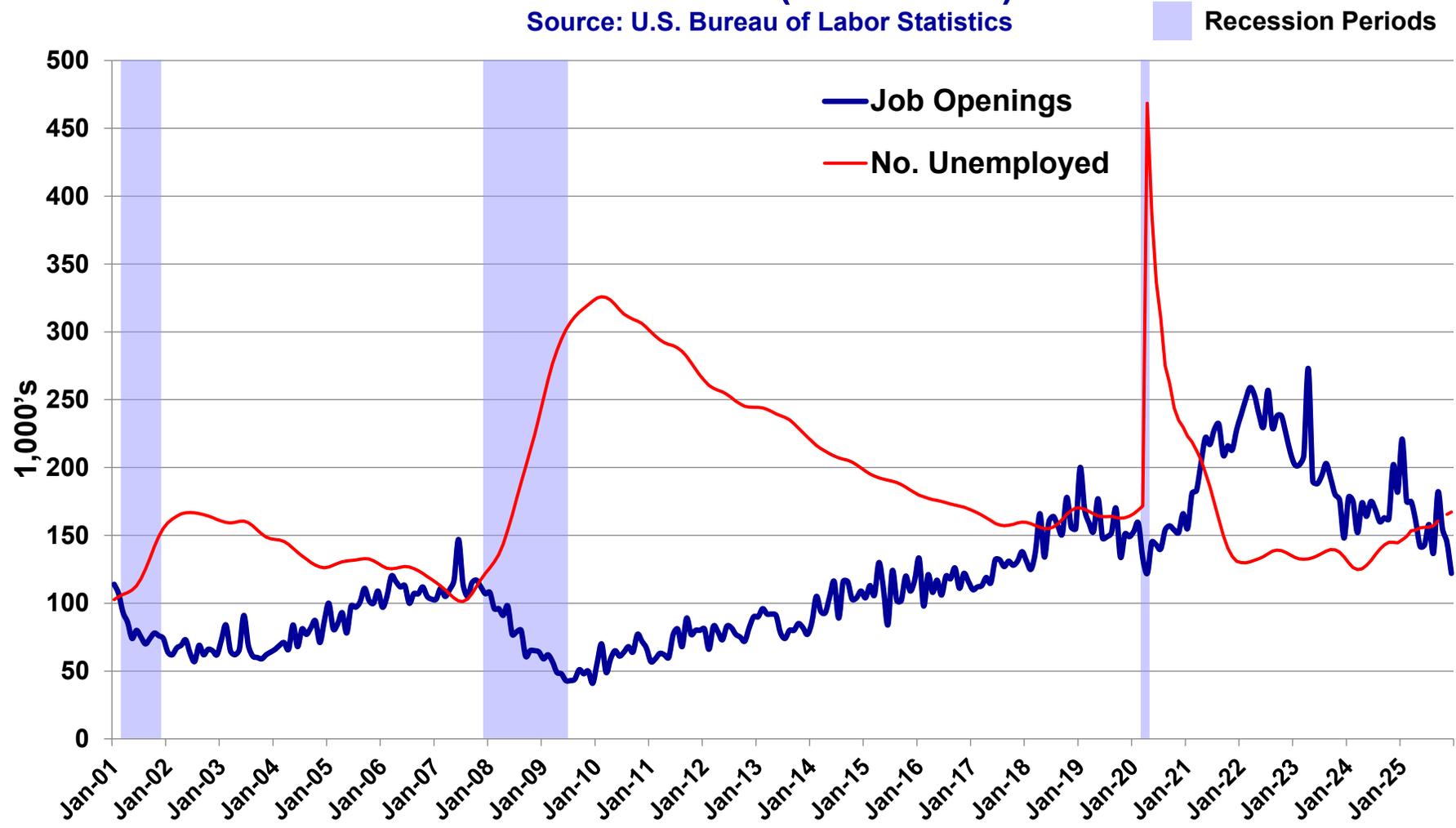


ARIZONA
COMMERCE AUTHORITY

Arizona Job Openings and No. Unemployed

2001 – 2025 (December)

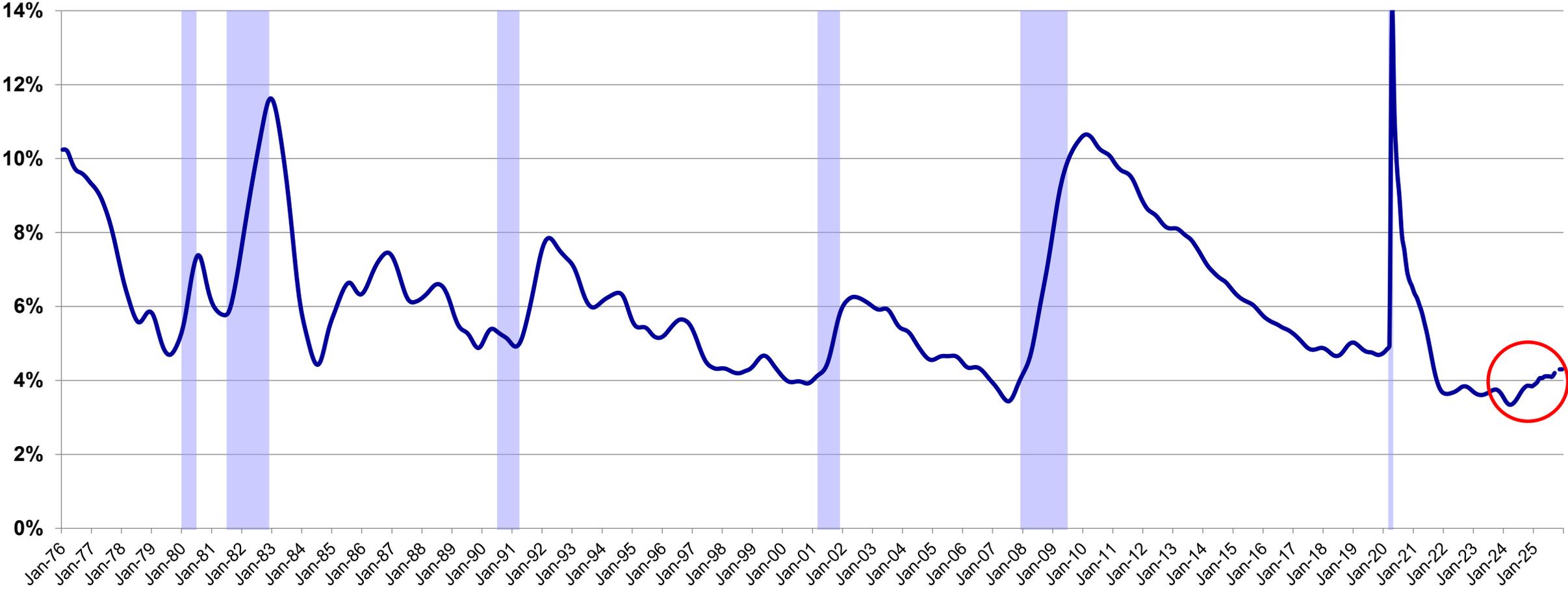
Source: U.S. Bureau of Labor Statistics



Arizona Unemployment Rate (S/A)

1976-2025

Source: BLS; AOEO

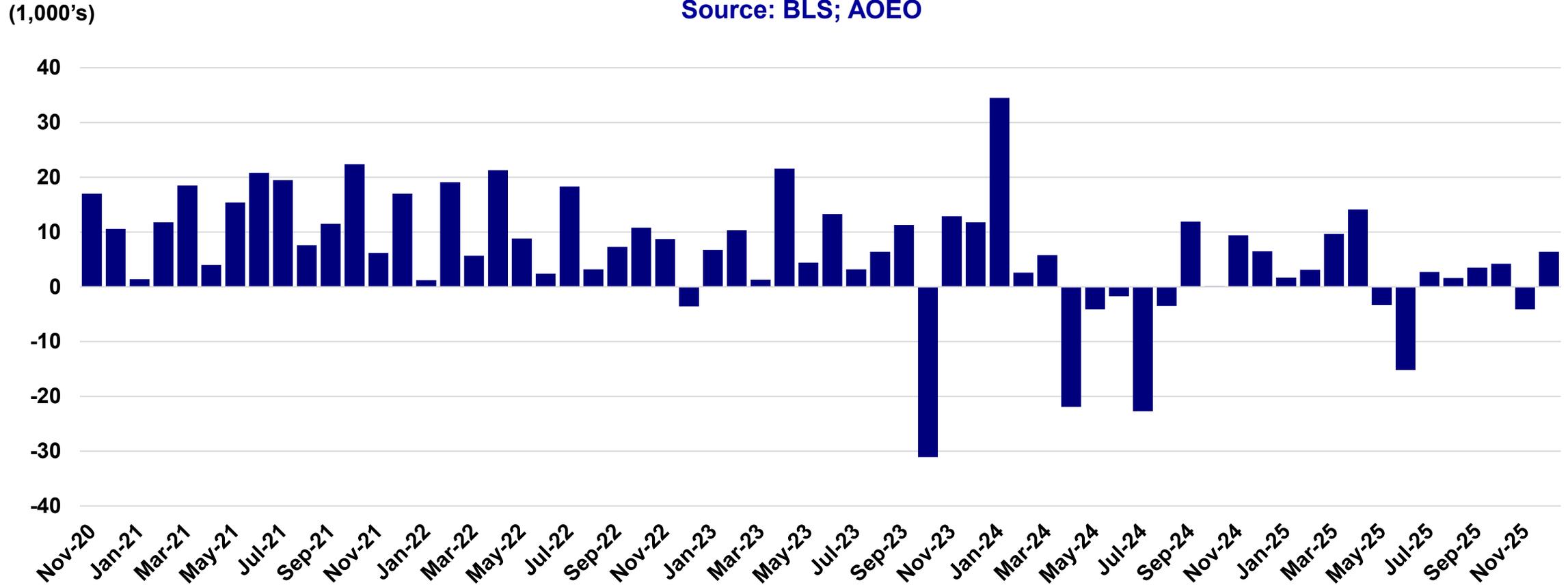


Arizona

Employment Monthly Gains (SA)

2020-2025

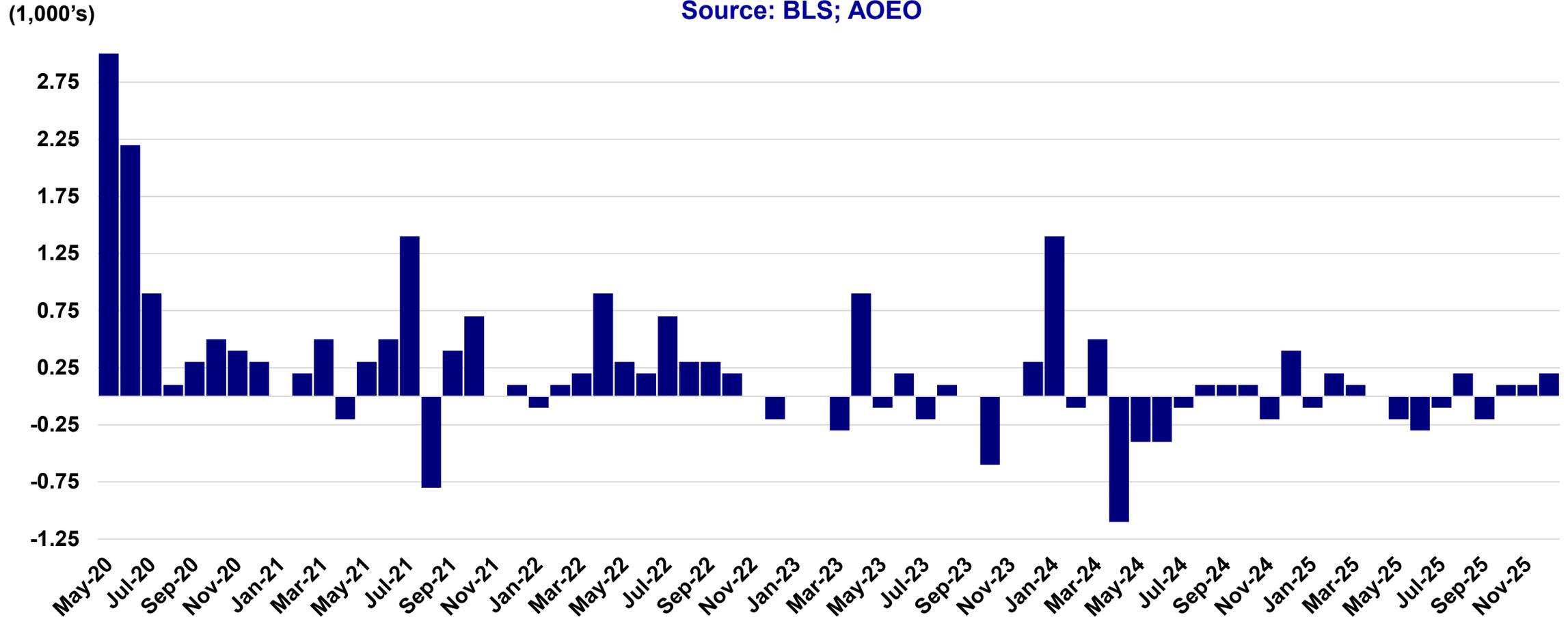
Source: BLS; AOEO



Greater Prescott Employment Monthly Gains (SA)

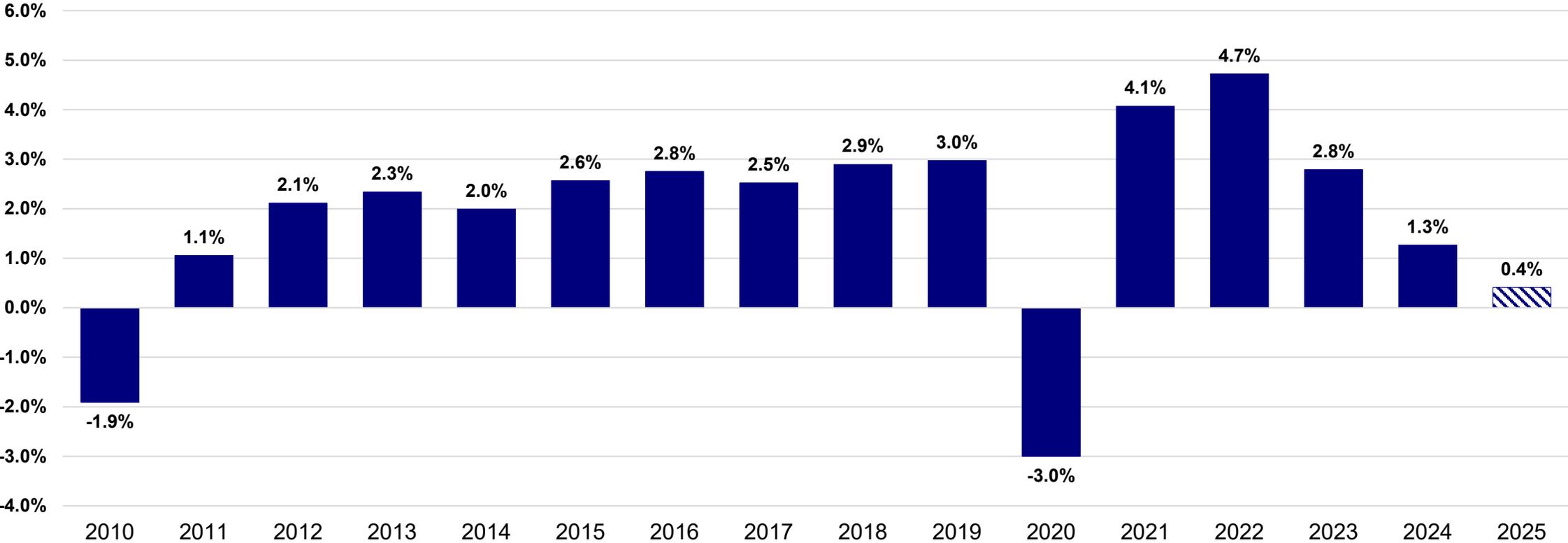
2020-2025

Source: BLS; AOEO



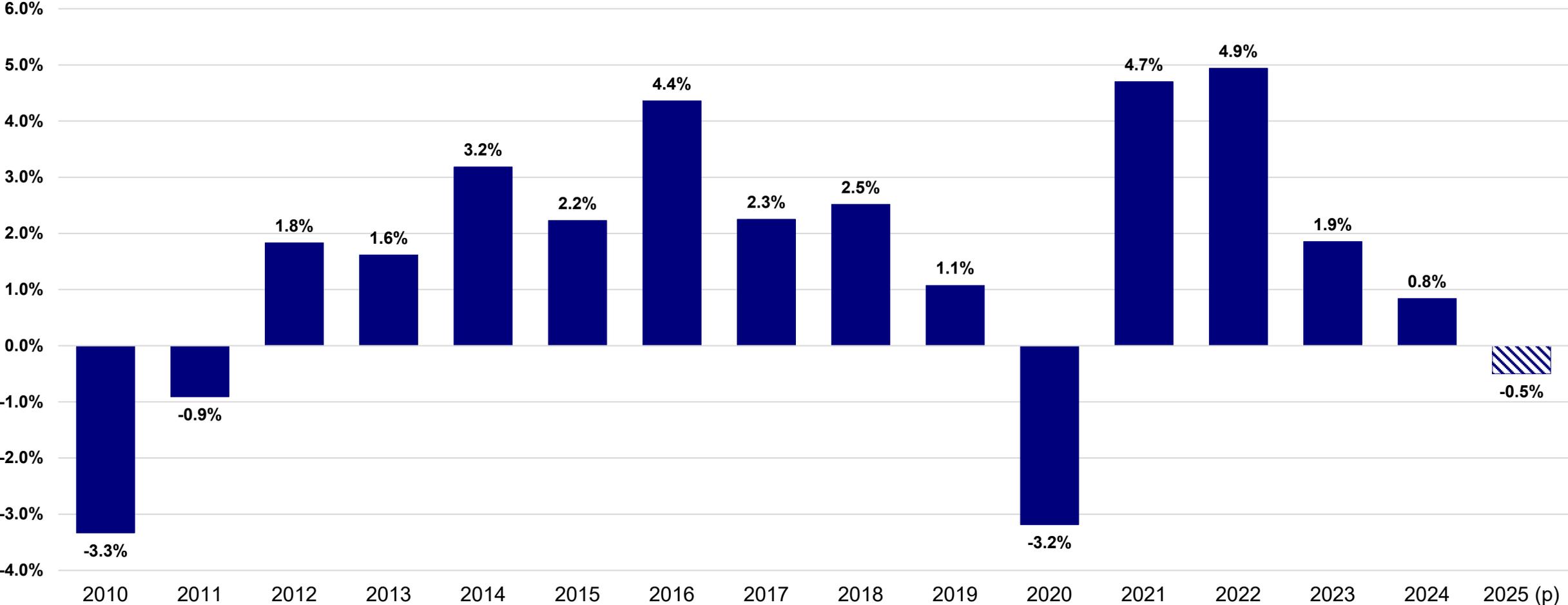
Arizona Employment Growth

Source: AOEO



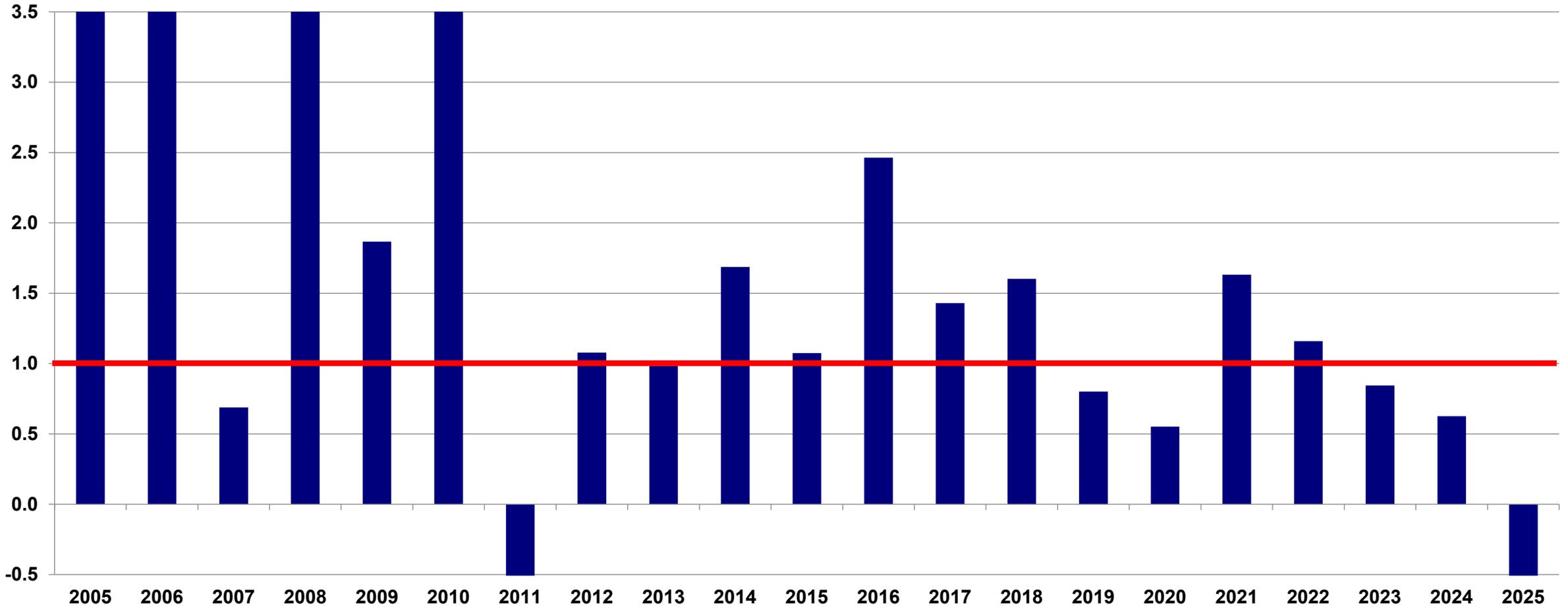
Greater Prescott Employment Growth

Source: AOEO



Employment: Greater Prescott to U.S. 2005-2025

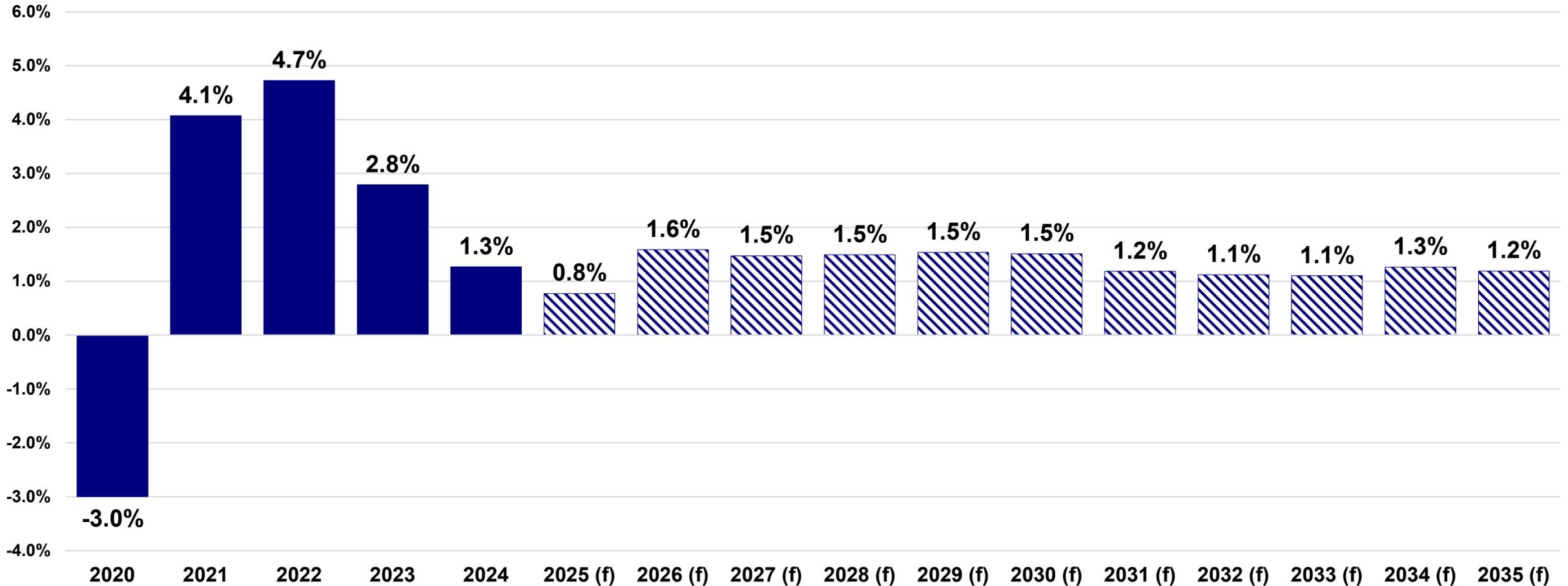
Source: Bureau of Labor Statistics



Arizona

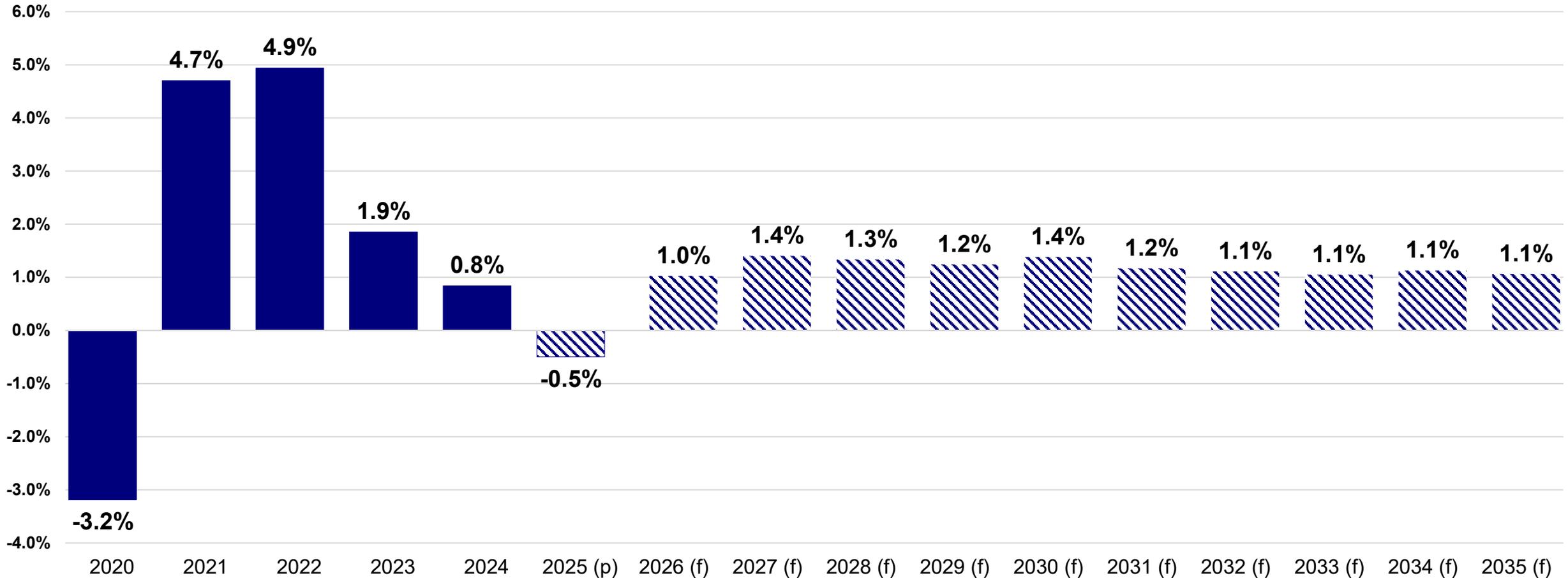
Employment Growth Forecast

Source: UofA Forecasting Project



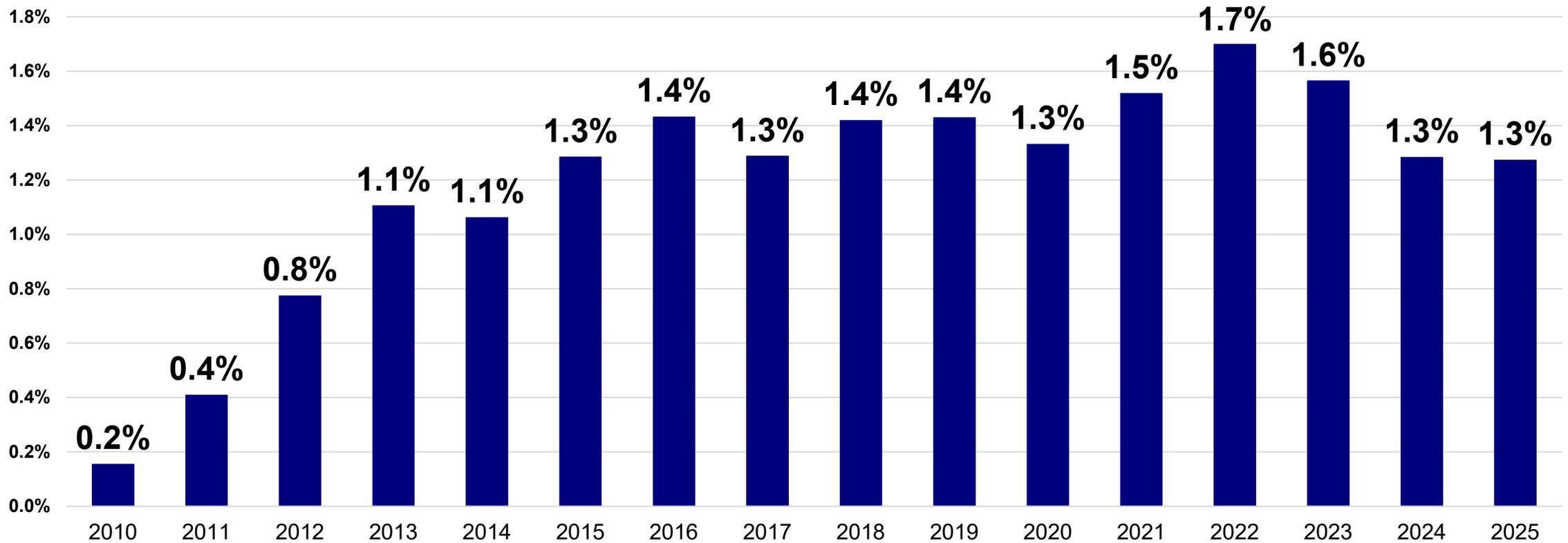
Greater Prescott Employment Growth Forecast

Source: UofA Forecasting Project



Arizona Population

Source: AOEO

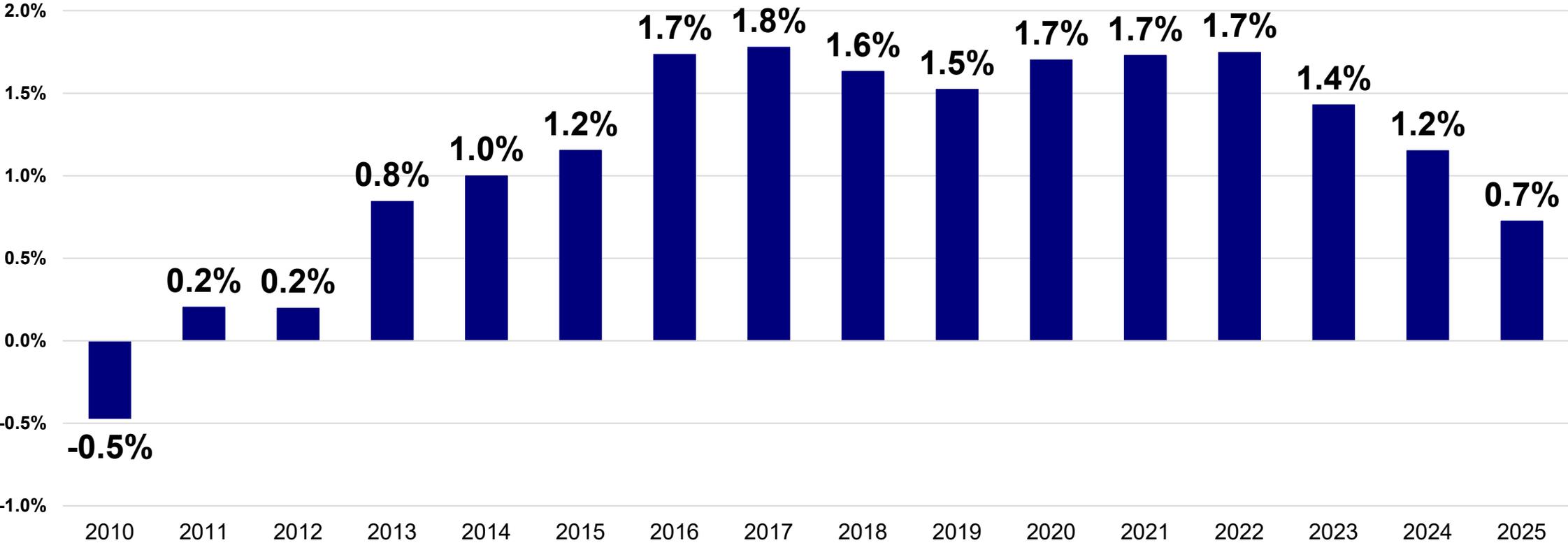


1.3% growth = 97,000 new residents.



Greater Prescott Population

Source: AOEO

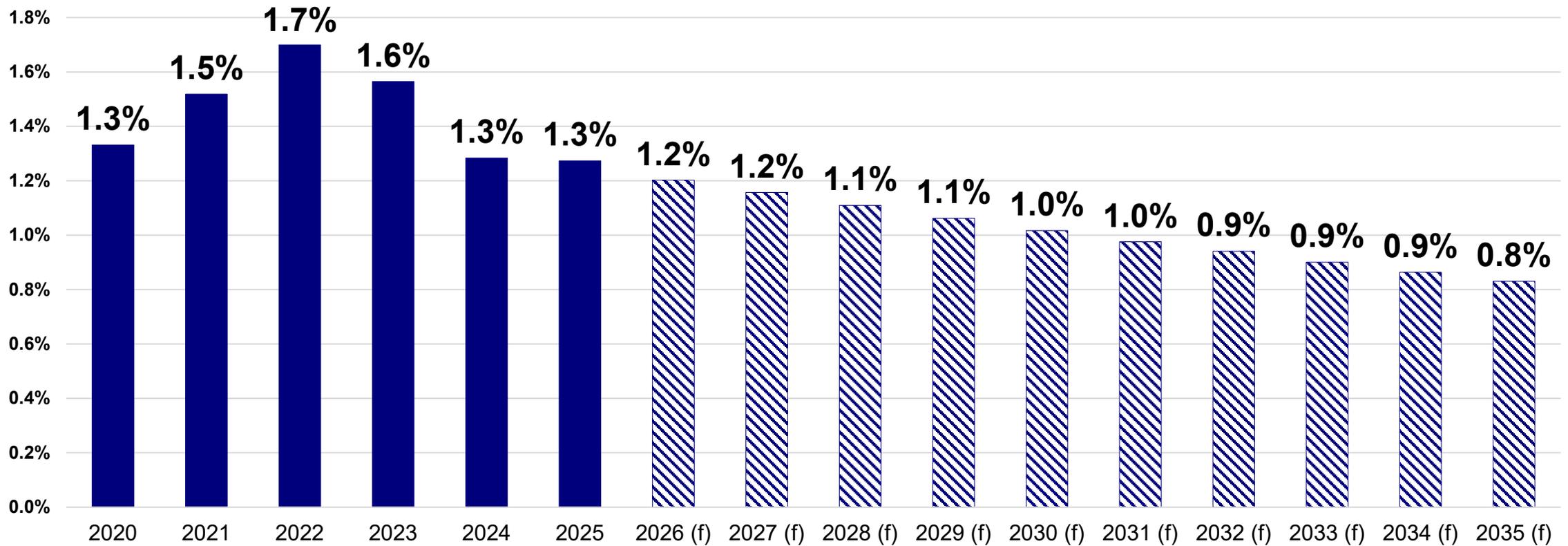


0.7% growth = 1,800 new residents.



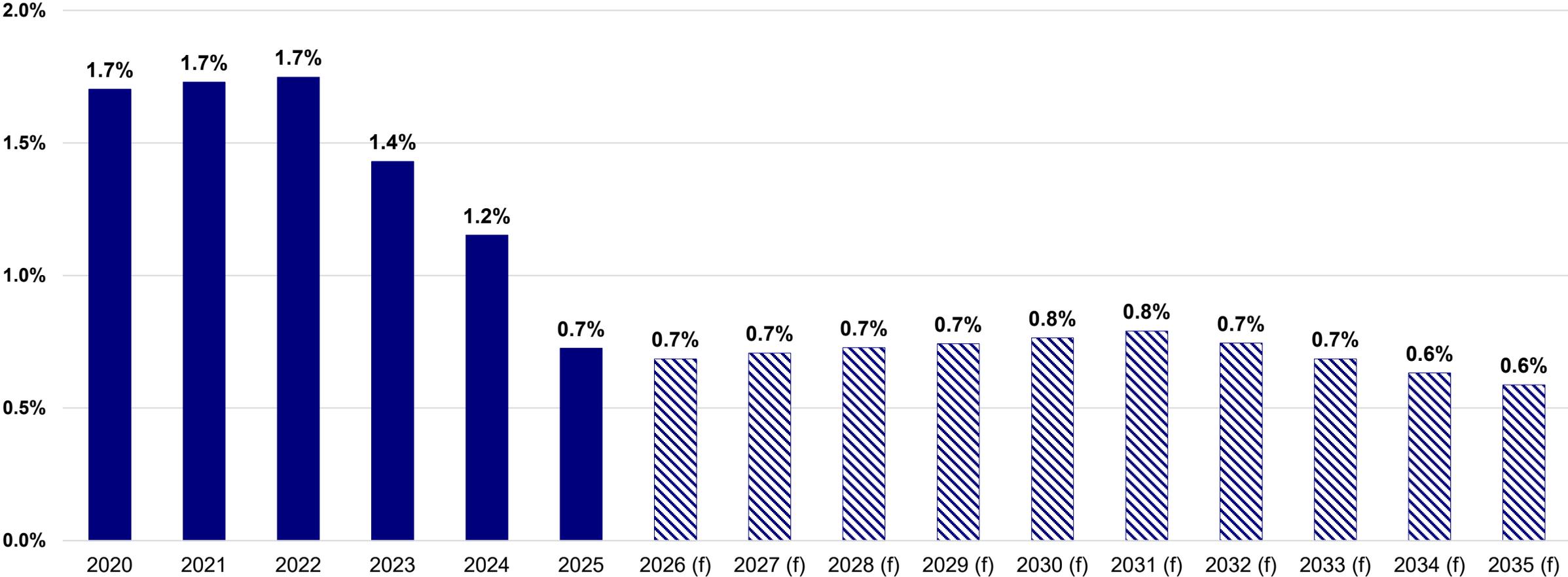
Arizona Population

Source: AOEO



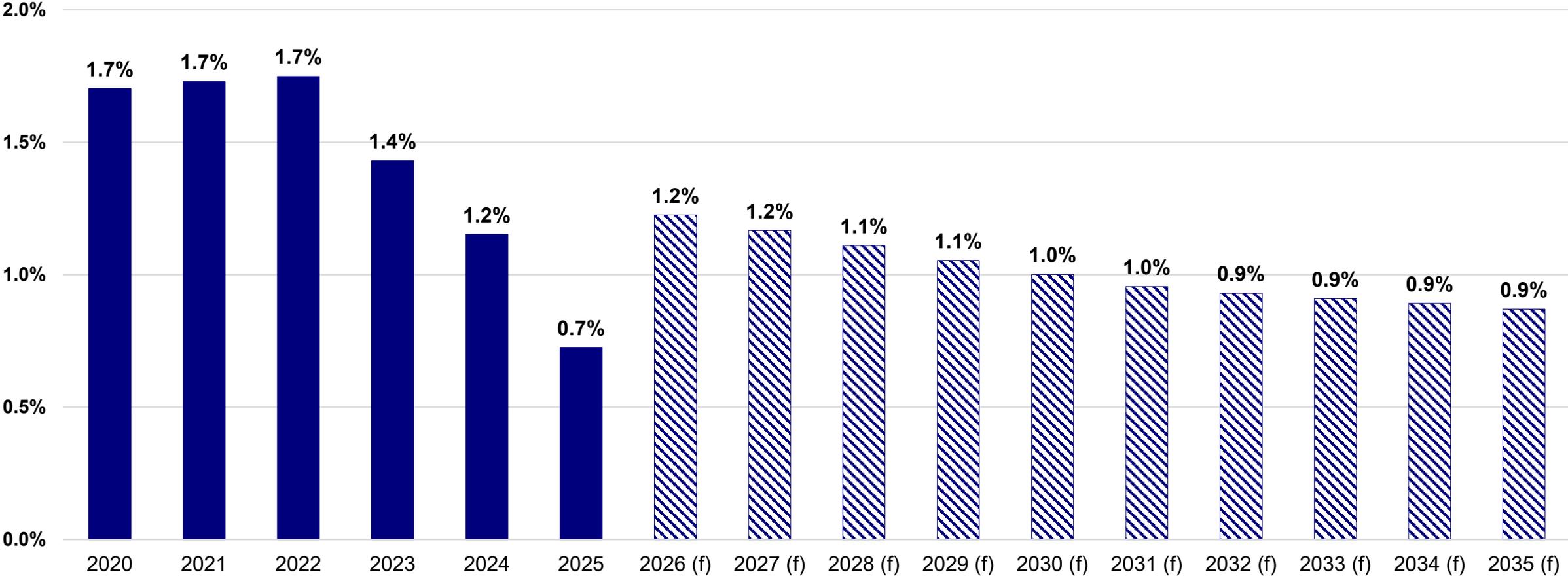
Greater Prescott Population

Source: AOEO



Greater Prescott Population

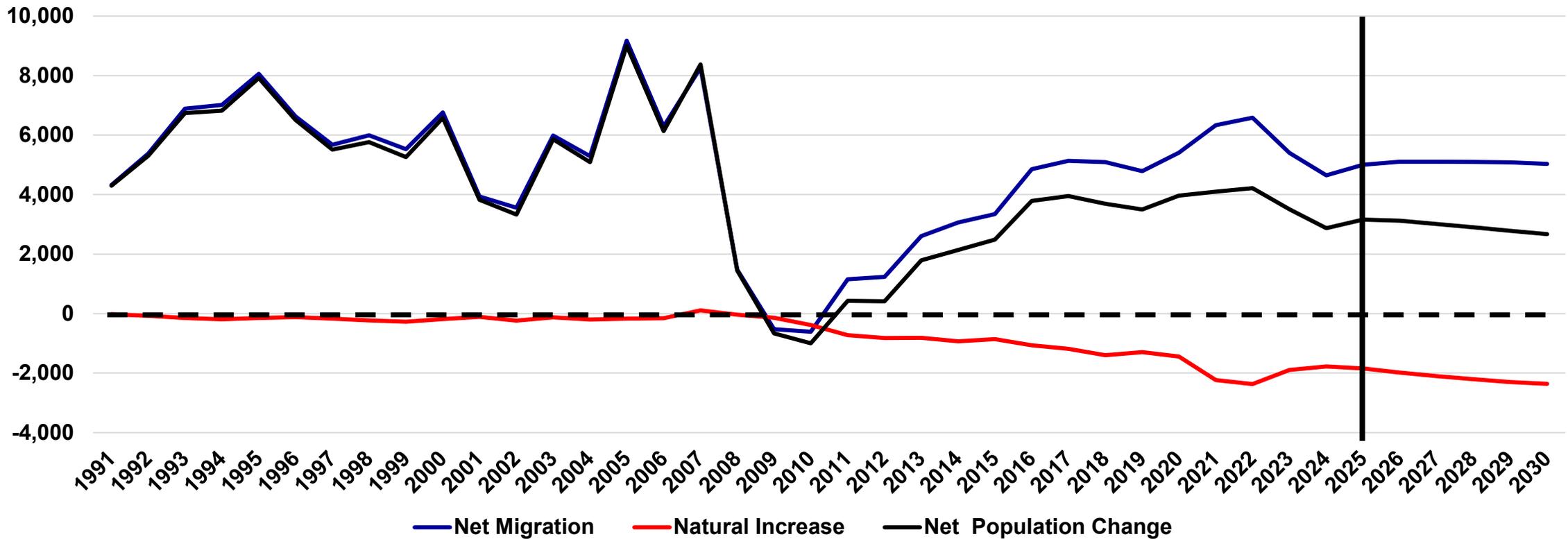
Source: UofA Forecasting Project



Greater Prescott

Net Migration and Natural Increase

Source: AZDHS; UofA Forecasting Project



2022

Greater Prescott Population Forecasts

	2020	2030	2040	2050	2060
Population	237,073	277,268	301,937	324,077	347,985
Net Change		40,195	24,669	22,139	23,908
% Change		17.0%	8.9%	7.3%	7.4%
CAGR		1.6%	0.9%	0.7%	0.7%

Source: AOEO 2022-2060 State and County Population Projections

2025

Greater Prescott Population Forecasts

	2020	2030	2040	2050	2060
Population	237,073	262,929	278,655	287,511	297,944
Net Change		25,856	15,727	8,855	10,434
% Change		10.9%	6.0%	3.2%	3.6%
CAGR		1.0%	0.6%	0.3%	0.4%

Source: AOEO 2025-2060 State and County Population Projections

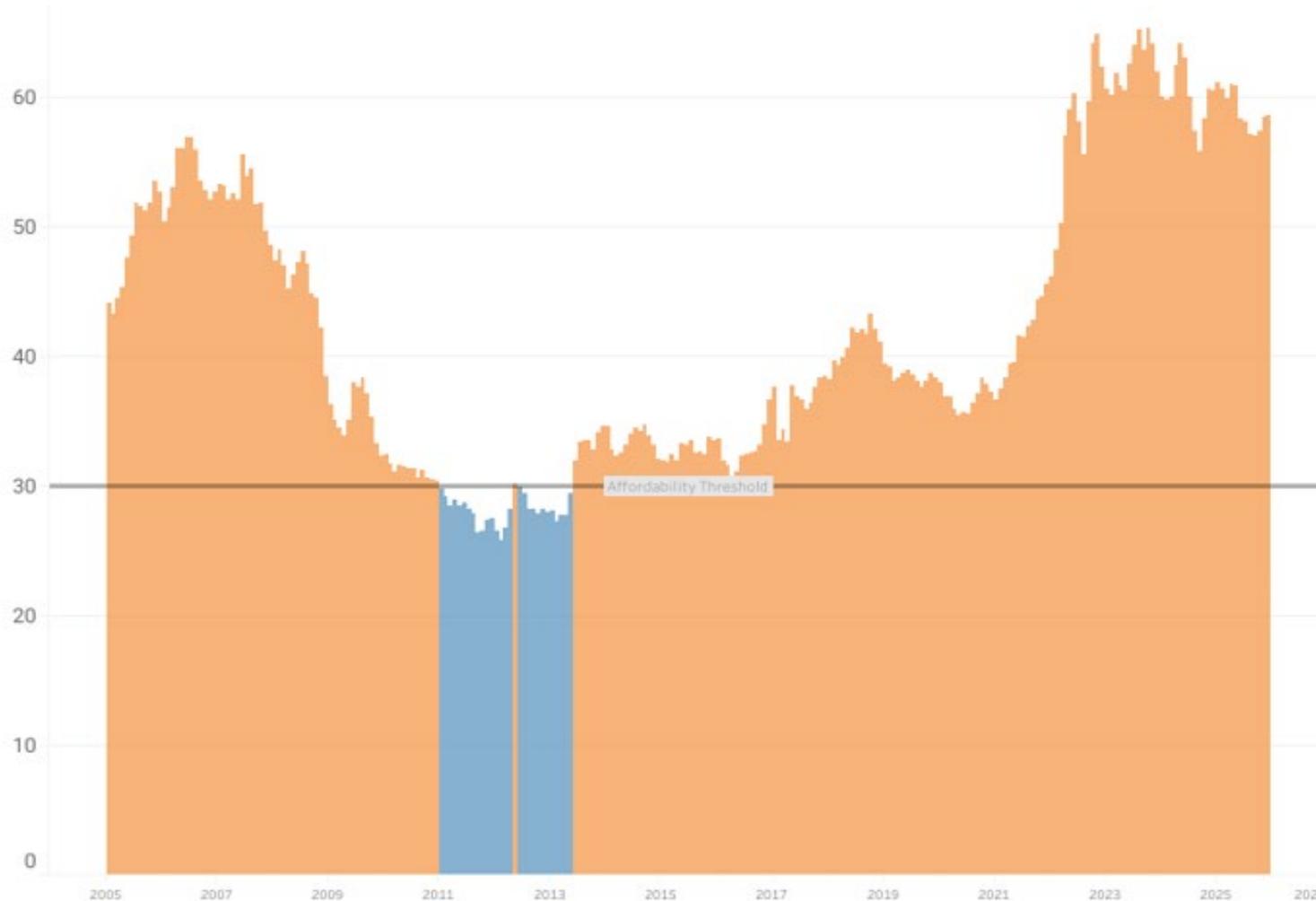
Local Housing



Greater Prescott

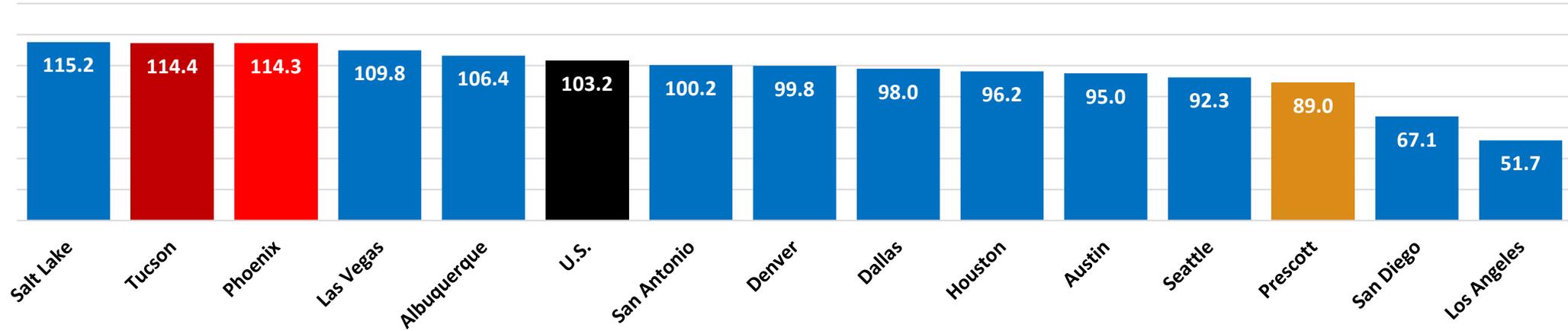
Median Income Household % of Income Toward Median Priced Home

Source: Atlanta Fed

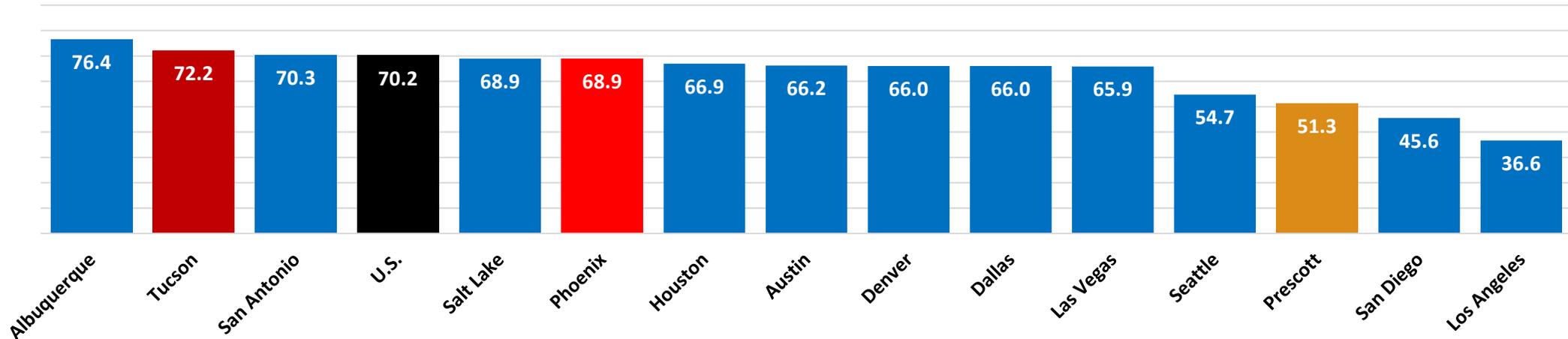


Federal Reserve Bank of Atlanta's Home Ownership Affordability Monitor (HOAM)

November 2015



November 2025



Single Family Home Prices

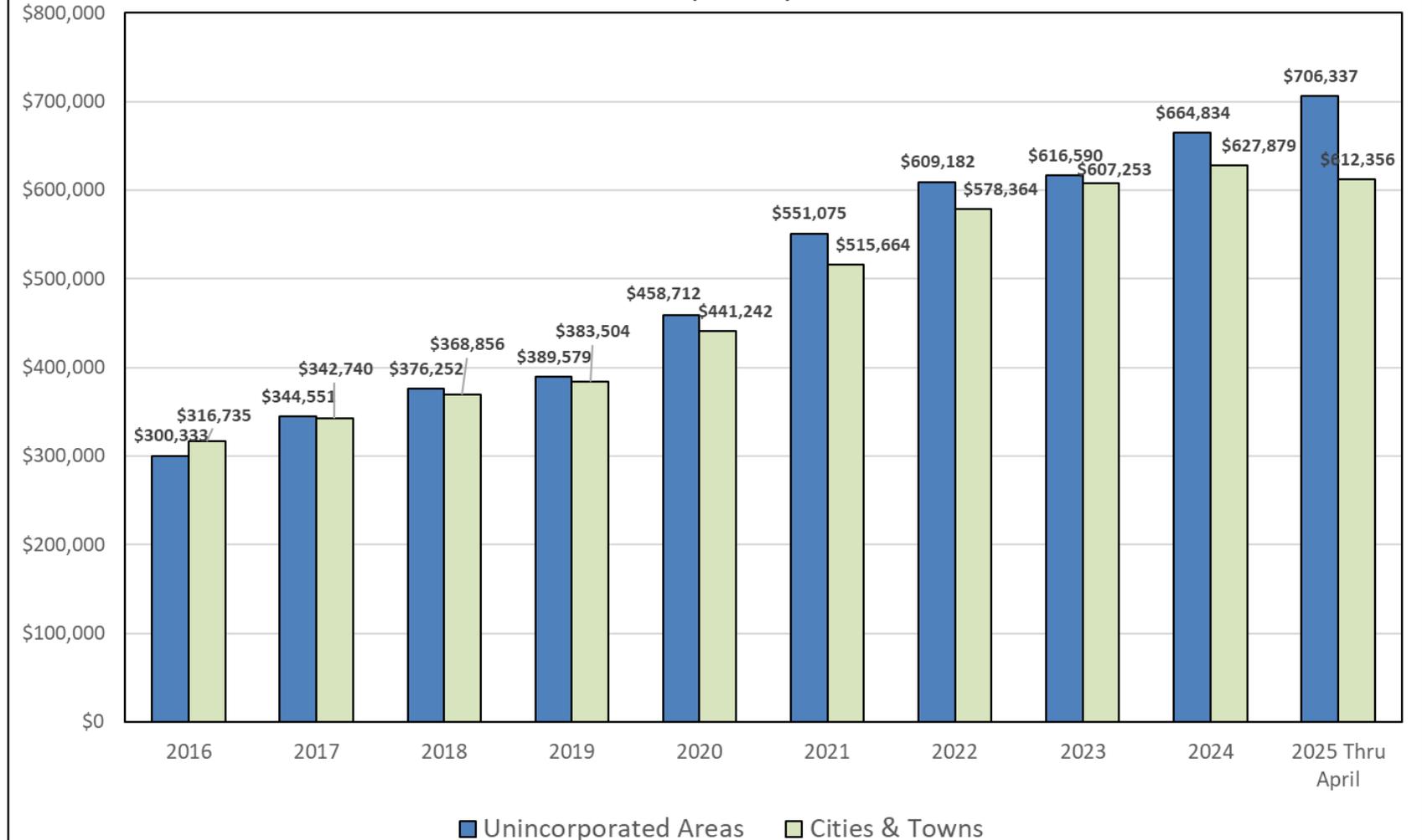
Required Income

2016: \$60,000

2025: \$160,000

Average Single Family Home Price Unincorporated Area & Cities/Towns

Source: Yavapai County Assessor



Prescott

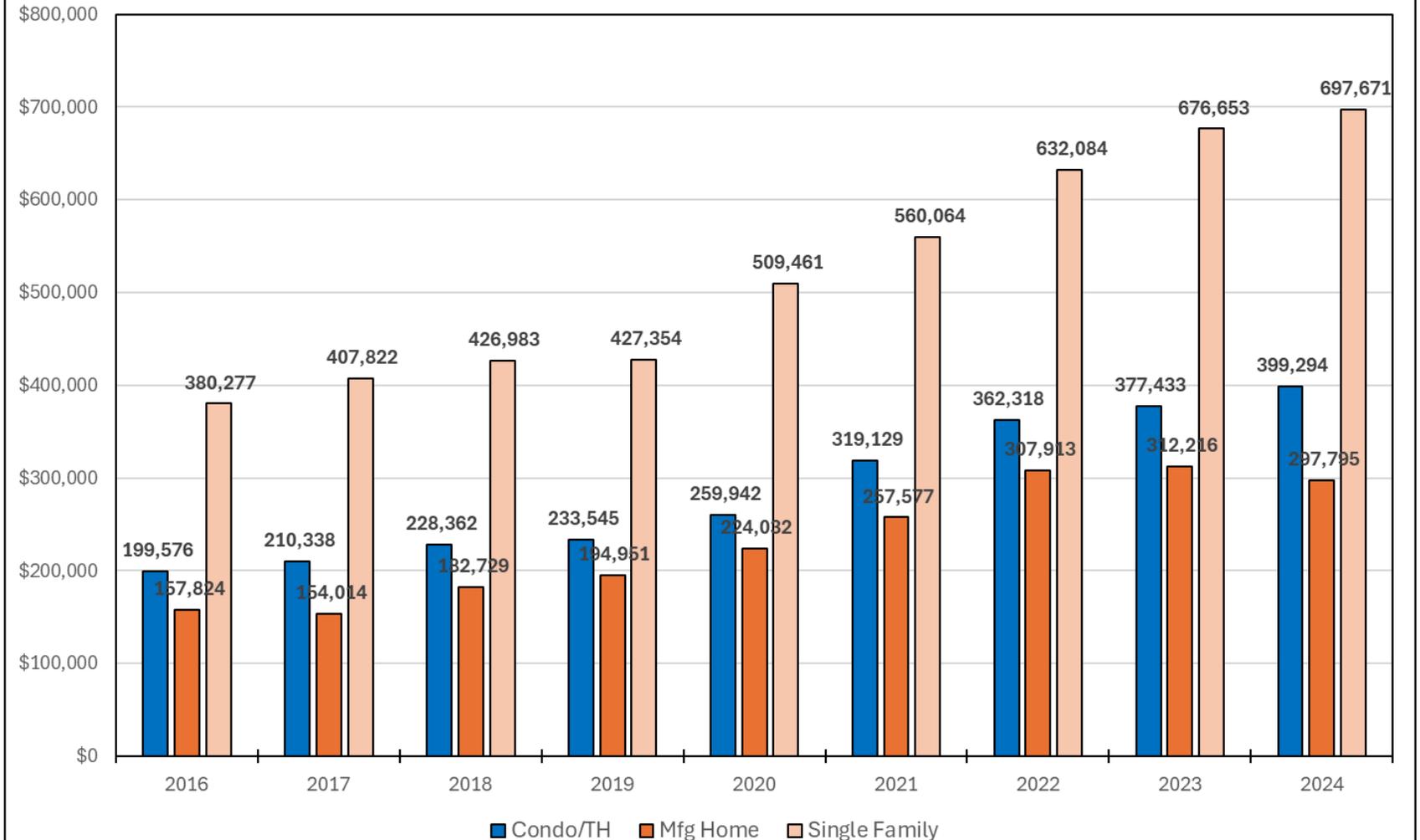
Required Income

2016: \$73,000

2025: \$177,000

Average Sale Prices Single Family, Condo & Townhome, Manufactured Home

Source: Yavapai County Assessor



Prescott Valley

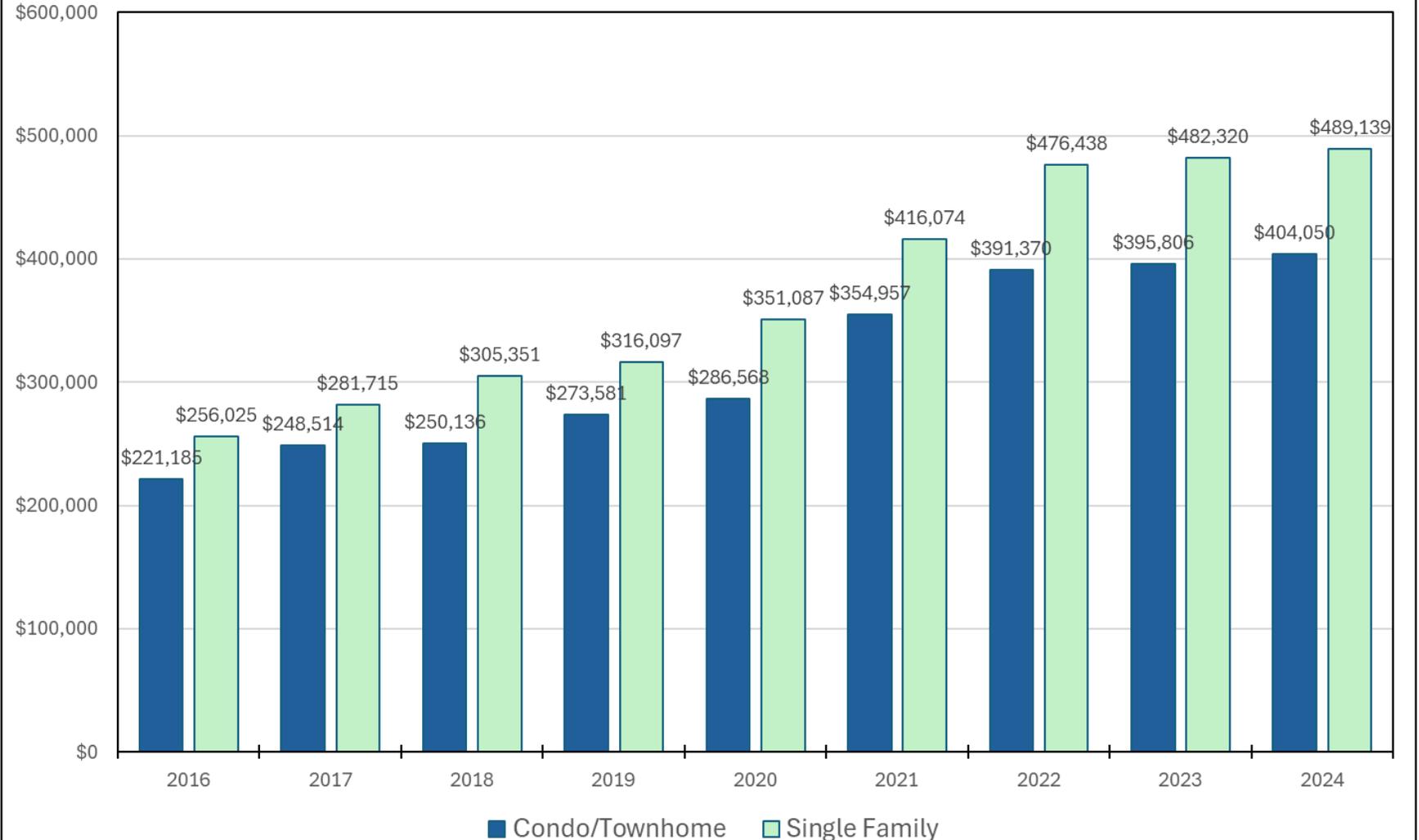
Required Income

2016: \$50,000

2025: \$124,000

Average Sale Price for Single Family & Condo/Townhomes Town of Prescott Valley

Source: Yavapai County Assessor



Verde Valley

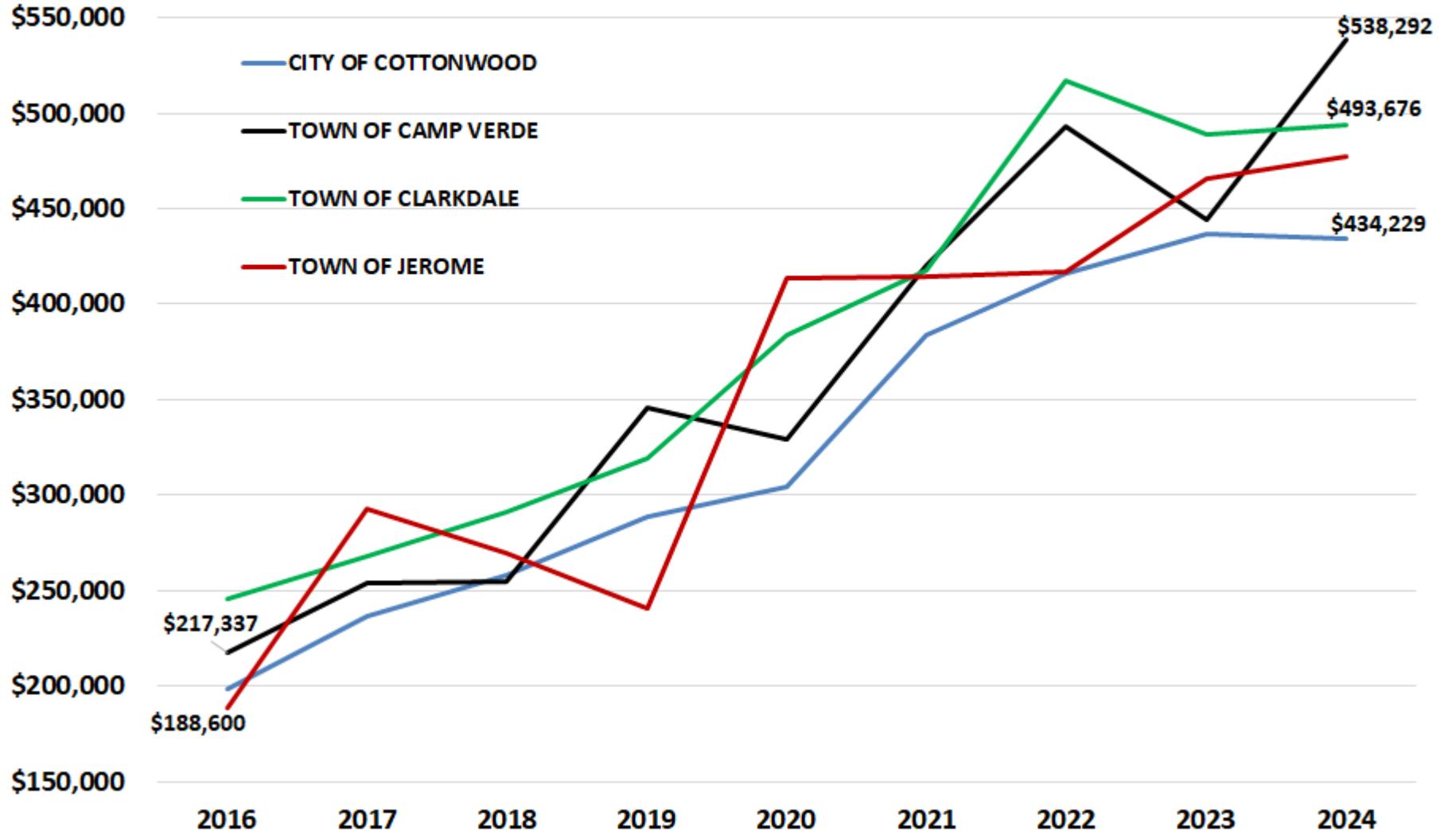
Required Income

2016: \$40,000

2024: \$115,000

Average Single Family Home Prices

Source: Yavapai County Assessor



Sedona

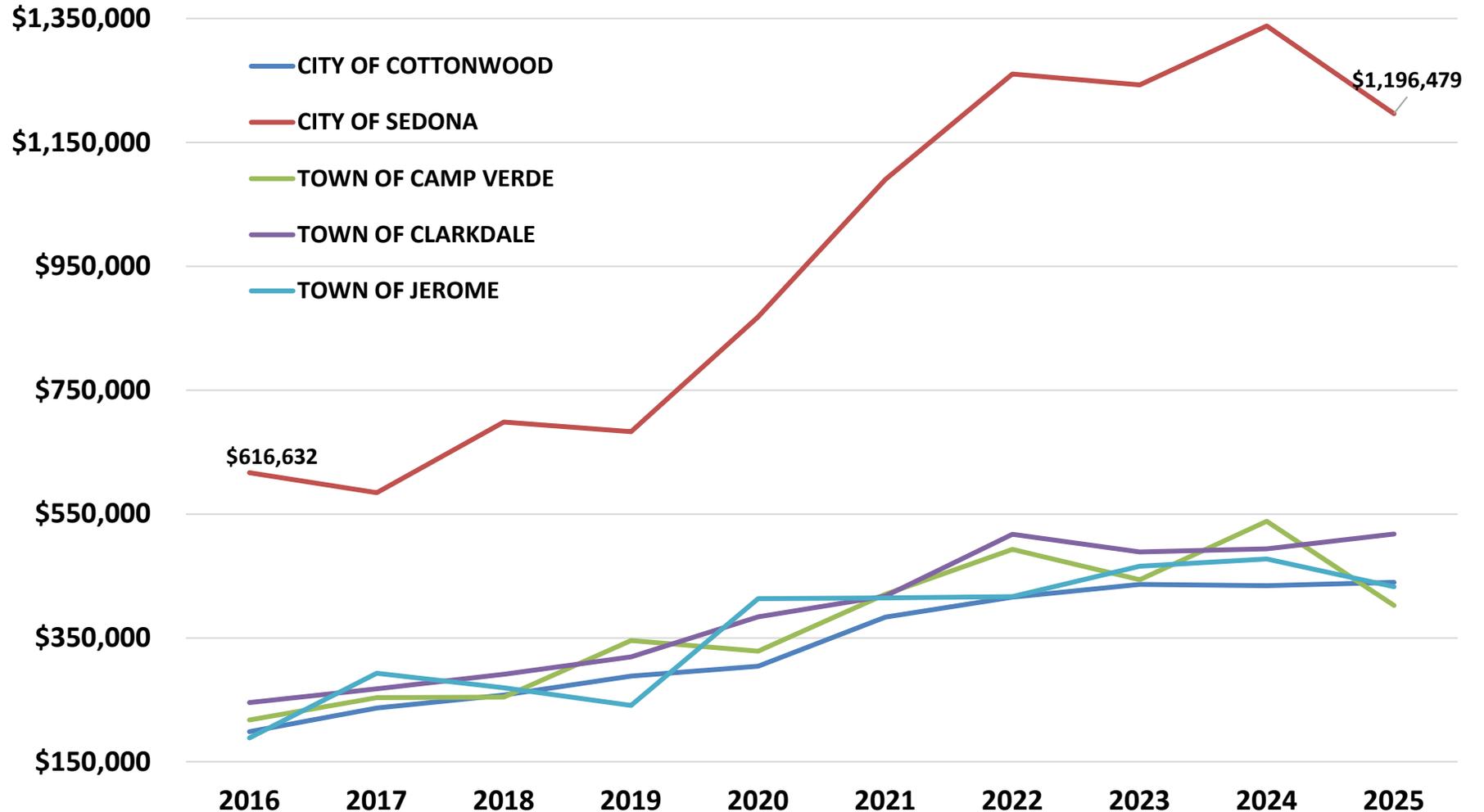
Required Income

2016: \$123,000

2024: \$305,000

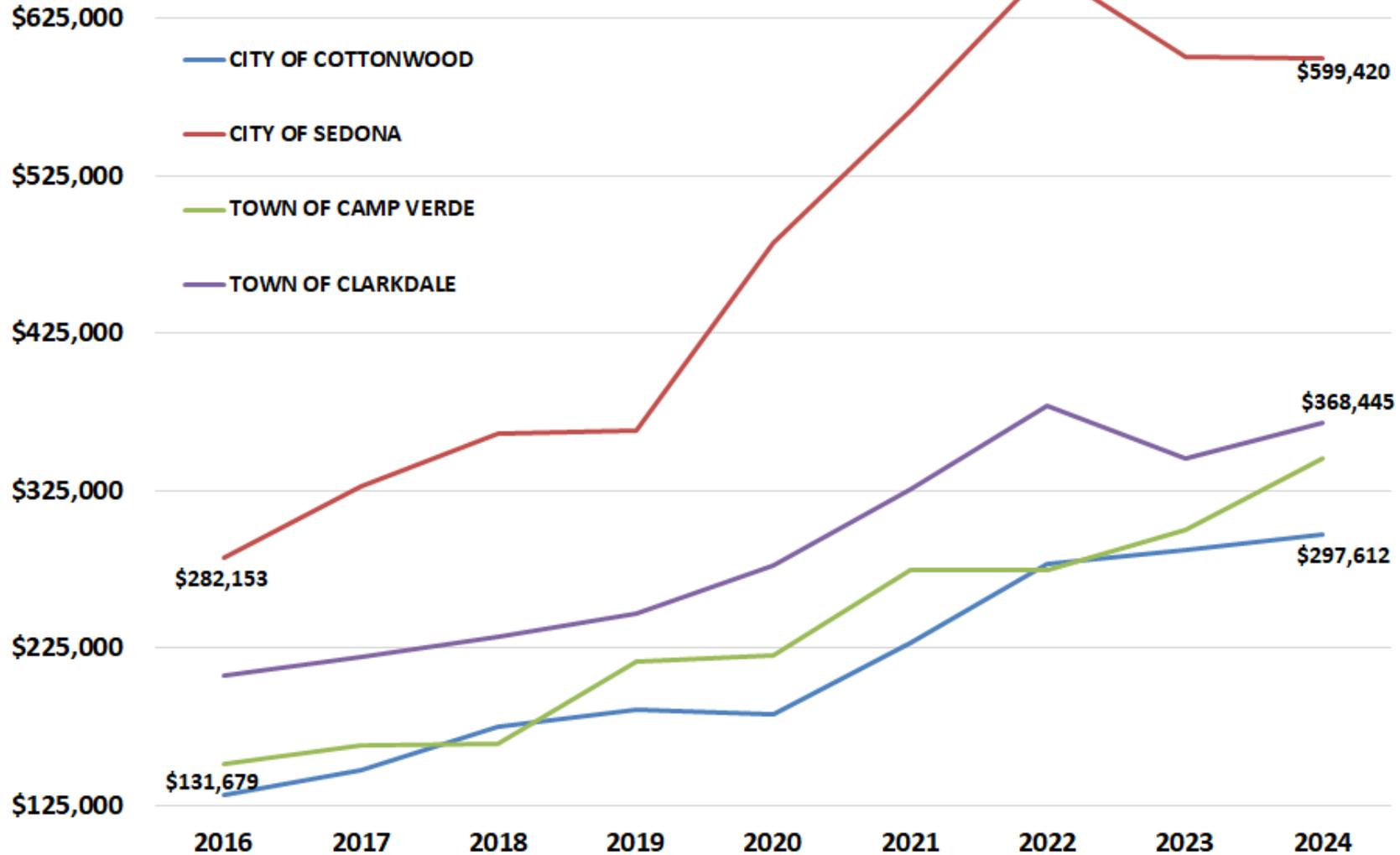
Average Single Family Home Prices

Source: Yavapai County Assessor



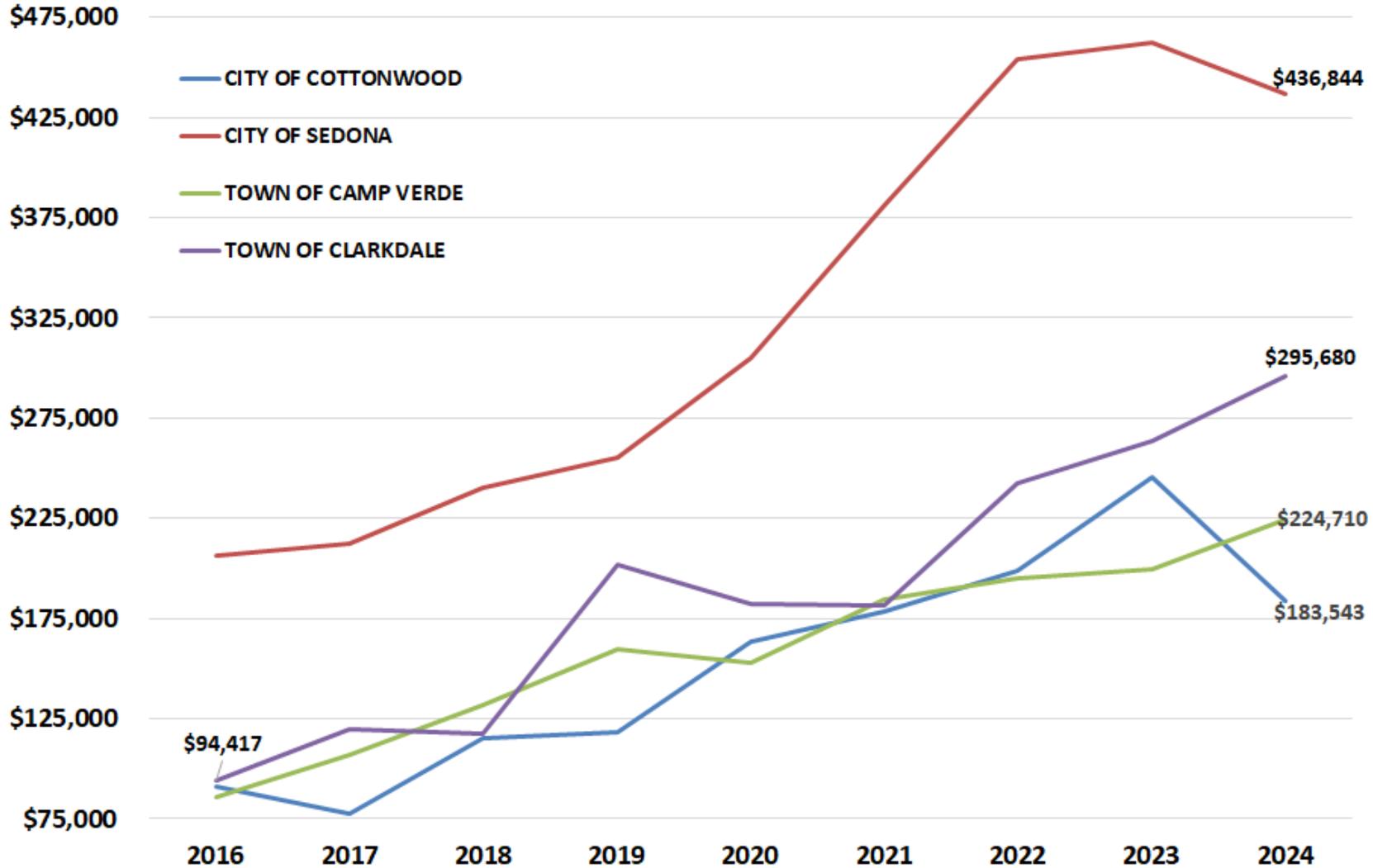
Average Condo/Townhome Prices

Source: Yavapai County Assessor



Average Mobile Home Prices

Source: Yavapai County Assessor



Incomes

Households By Income Yavapai County								
	Unincorporated Area		Cities/Towns		Yavapai County		Arizona	
	Households	%	Households	%	Households	%	Households	%
Occupied Units	40,777		68,123		108,900		2,796,790	
Less than \$10,000	2,235	5.1%	3,210	4.7%	5,445	5.0%	137,043	4.9%
\$10,000 to \$14,999	1,211	3.2%	2,601	3.8%	3,812	3.5%	81,107	2.9%
\$15,000 to \$24,999	2,991	7.7%	5,721	8.4%	8,712	8.0%	170,604	6.1%
\$25,000 to \$34,999	3,550	8.8%	5,598	8.2%	9,148	8.4%	192,979	6.9%
\$35,000 to \$49,999	4,644	10.9%	9,295	13.6%	13,939	12.8%	304,850	10.9%
\$50,000 to \$74,999	7,199	18.1%	12,294	18.0%	19,493	17.9%	475,454	17.0%
\$75,000 to \$99,999	6,017	14.9%	9,882	14.5%	15,899	14.6%	380,363	13.6%
\$100,000 to \$149,999	6,625	17.6%	10,363	15.2%	16,988	15.6%	506,219	18.1%
\$150,000 to \$199,999	2,892	6.1%	4,295	6.3%	7,187	6.6%	251,711	9.0%
\$200,000 or more	3,304	7.6%	4,864	7.1%	8,168	7.5%	296,460	10.6%
Median income	\$69,061		\$64,337		\$66,106		\$76,872	
Homeowner Median	\$73,961		\$74,041		\$74,009		\$91,561	
Renter Median	\$52,970		\$49,947		\$50,824		\$54,757	

Source: ACS 2023 5-year estimate; Elliott D. Pollack & Company

If you were purchasing your home today, at current market prices, would it still be affordable for you?

1 1 8

Yes, comfortably



Yes, but it would be a stretch



Probably not



Definitely not



How Can Affordability Recover?

- Lower mortgage rates – likely but modest
- Lower housing prices – unlikely

My wish list:

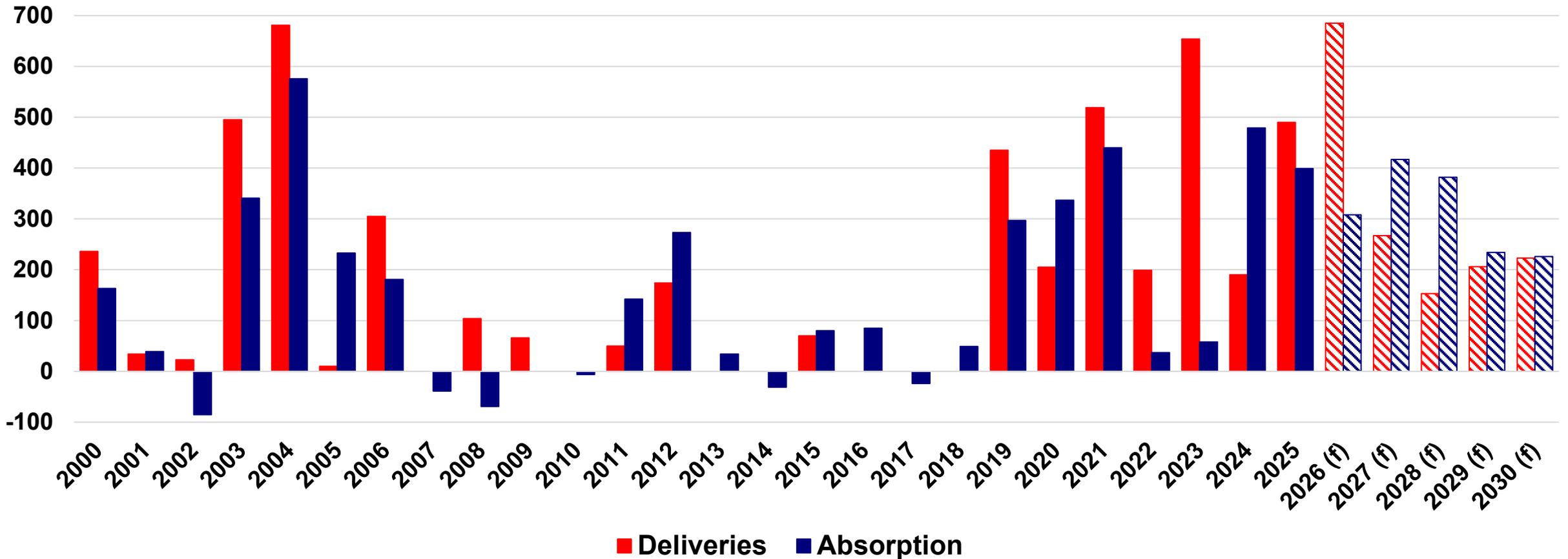
- More types of housing choice – smaller footprints
- Cities become more efficient – less regulation
- More supply

Apartment Market



Greater Prescott Apartments Deliveries vs. Absorption

Source: CoStar; Elliott D. Pollack & Company

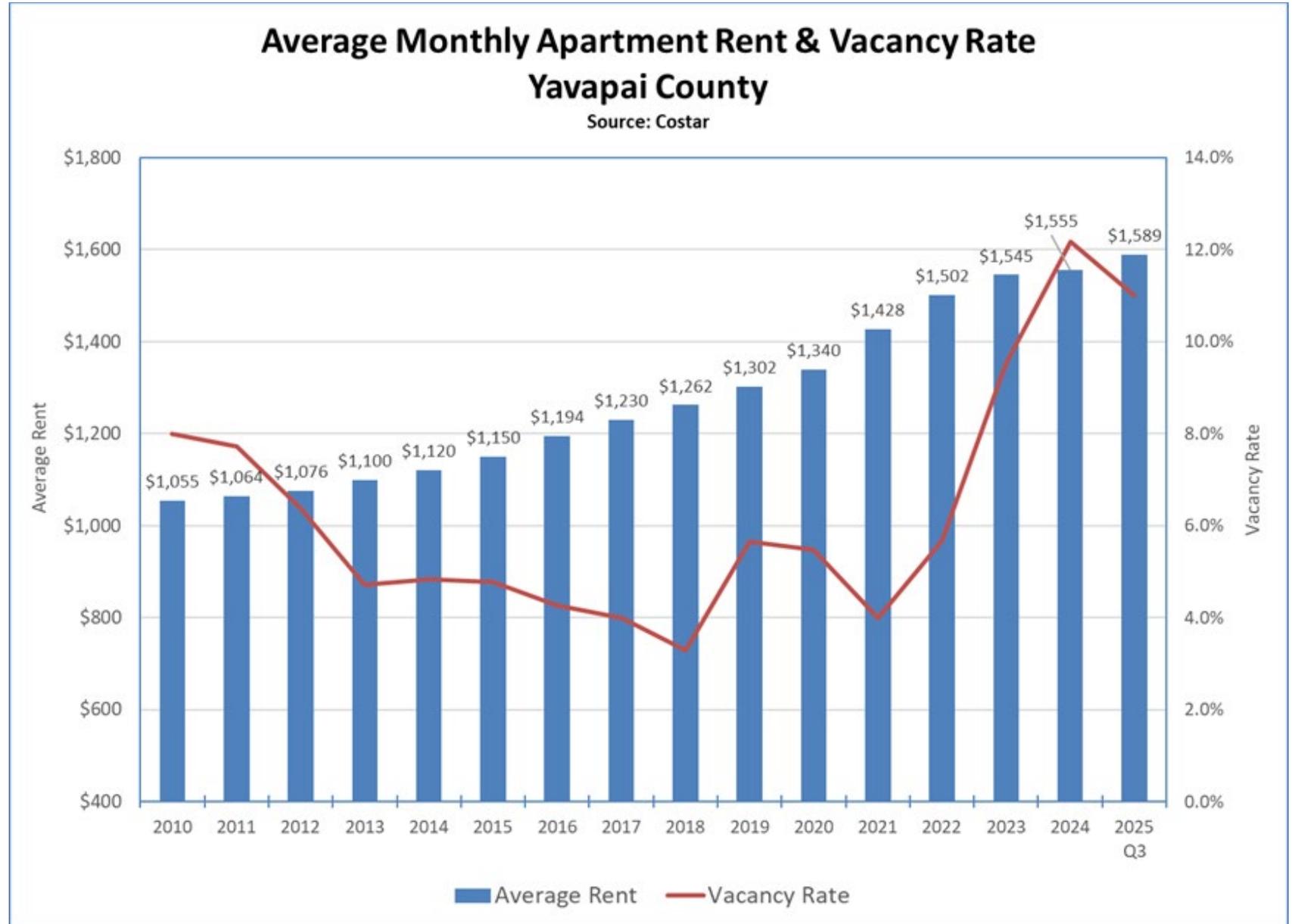


Yavapai County Apartment Rents

Required Income

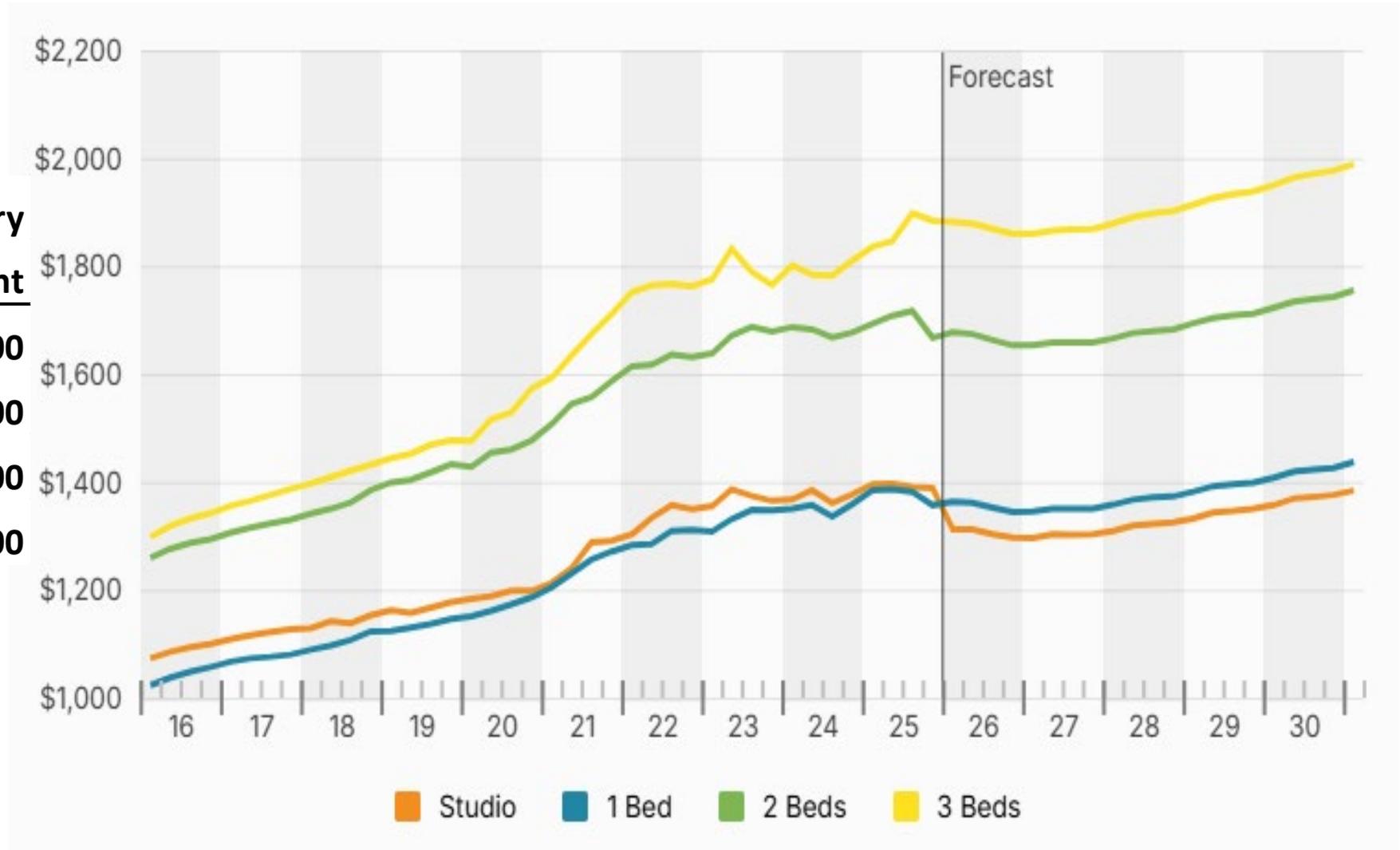
2016: \$48,000

2025: \$64,000



Apartment Rents

Market Effective Rent Per Unit By Bedroom



Unit	Rent	Salary Requirement
Studio	\$1,389	\$55,600
1 Bed	\$1,357	\$54,300
2 Bed	\$1,667	\$66,700
3 Bed	\$1,884	\$75,400

Source: CoStar

Apartment Market

- 741 units under construction
- Vacancy 10.9%
- 302 units net absorption
- Rents down **0.5%** YOY (\$1,556)
- Sales prices down **2.3%** YOY (\$181,000/unit)
- Cap rate flat (6.5%)

Commercial Real Estate



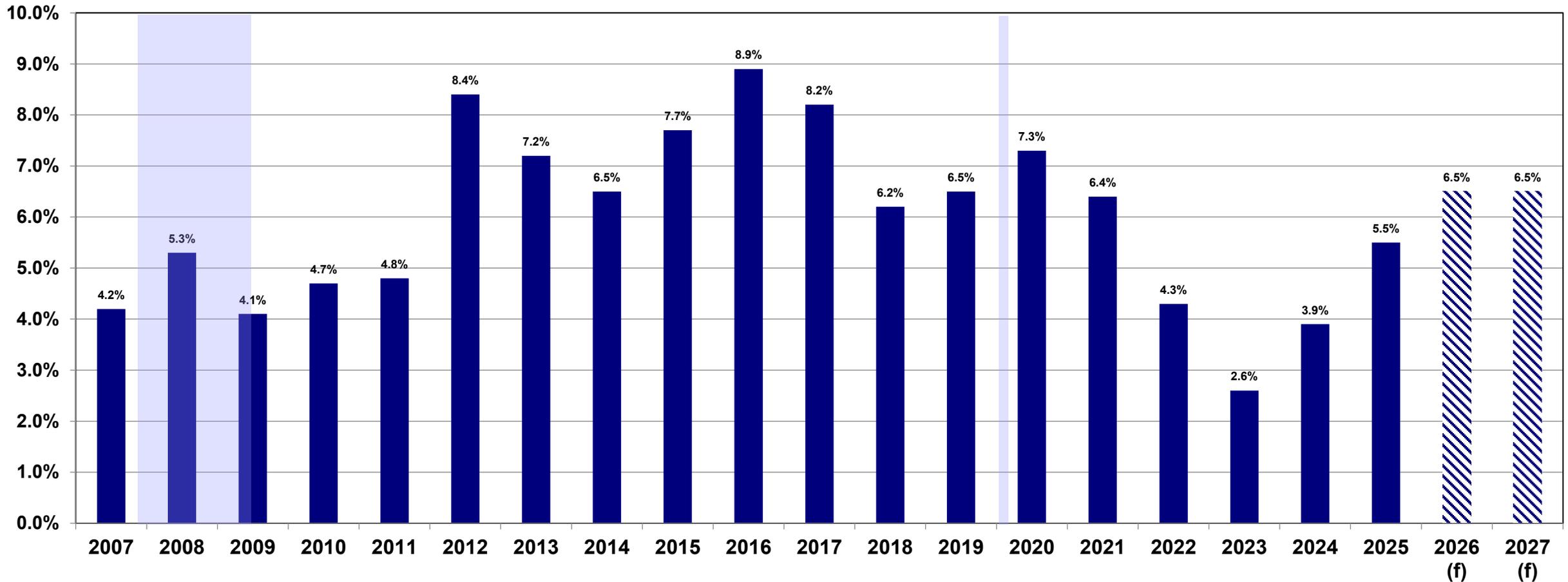
OFFICE



Office Vacancy Greater Prescott 2007–2027*

Source: CoStar

Recession Periods



Office Market

- 0 SF under construction
- -66,000 SF net absorption
- Rents up 1.8% YOY (\$23.71)
- Sales prices up 2.5% YOY (\$179/SF)
- Cap rate up 0.1% (9.9%)

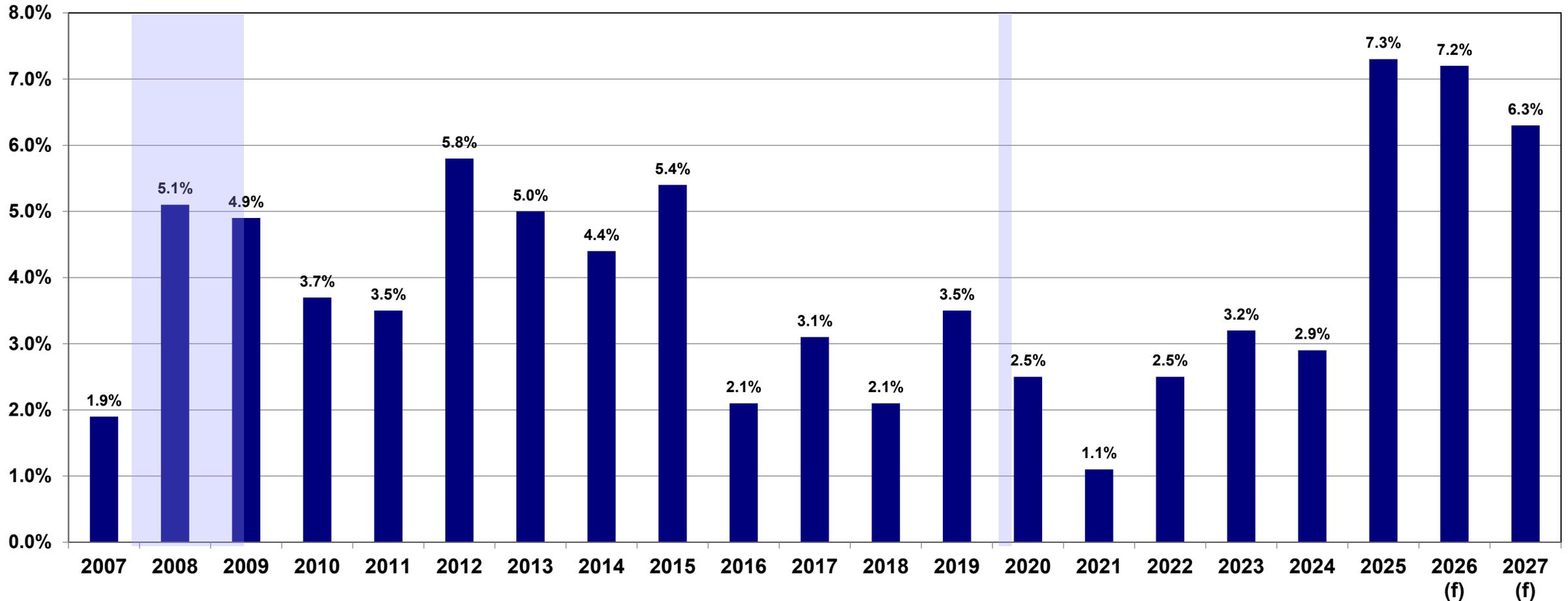
INDUSTRIAL



Industrial Space Vacancy Rates Greater Prescott 2007 – 2027*

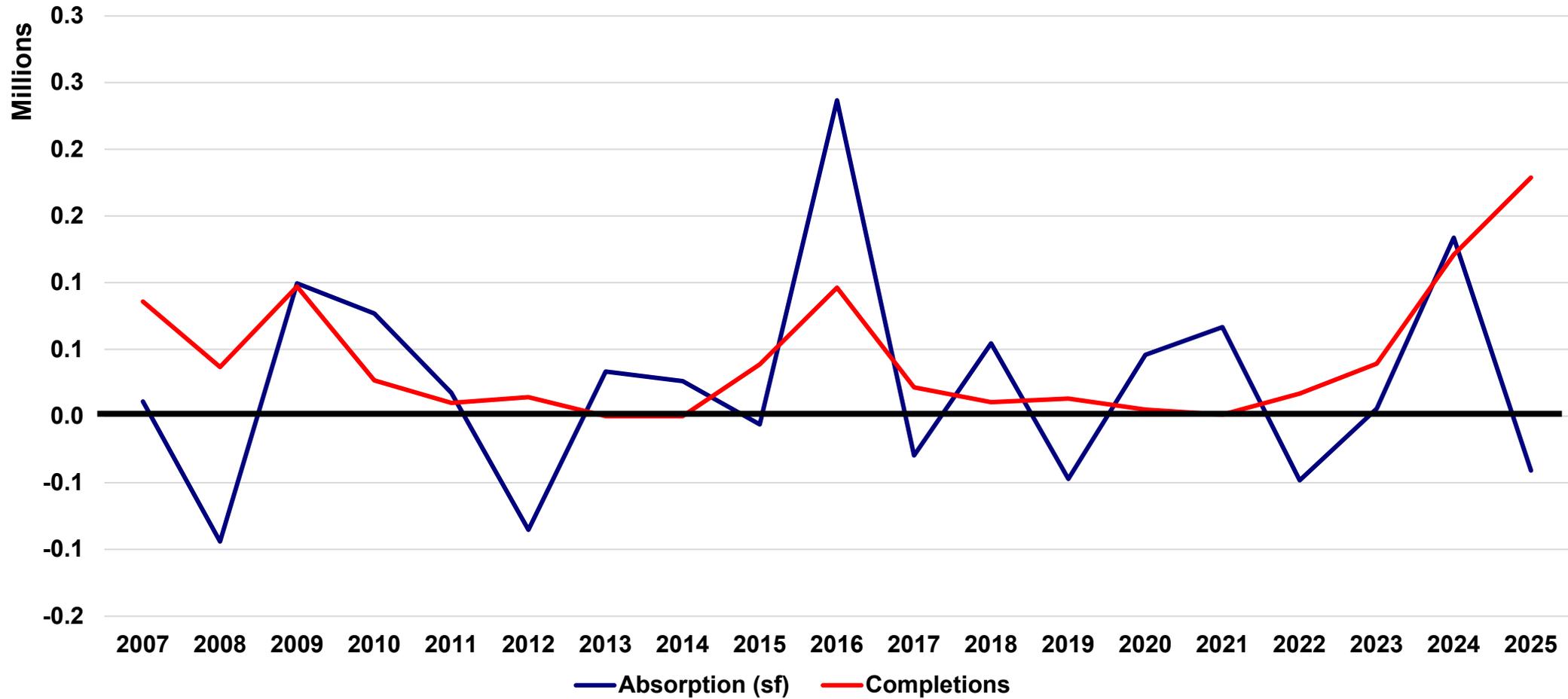
Source: CoStar

Recession Periods



Greater Prescott Industrial Market

Source: CoStar



Industrial Market

- 17,000 SF under construction
- -84,100 SF net absorption
- Rents down 1.4% YOY (\$11.67)
- Sales prices up 1.3% YOY (\$113/SF)
- Cap rate up 0.2% (8.7%)

RETAIL

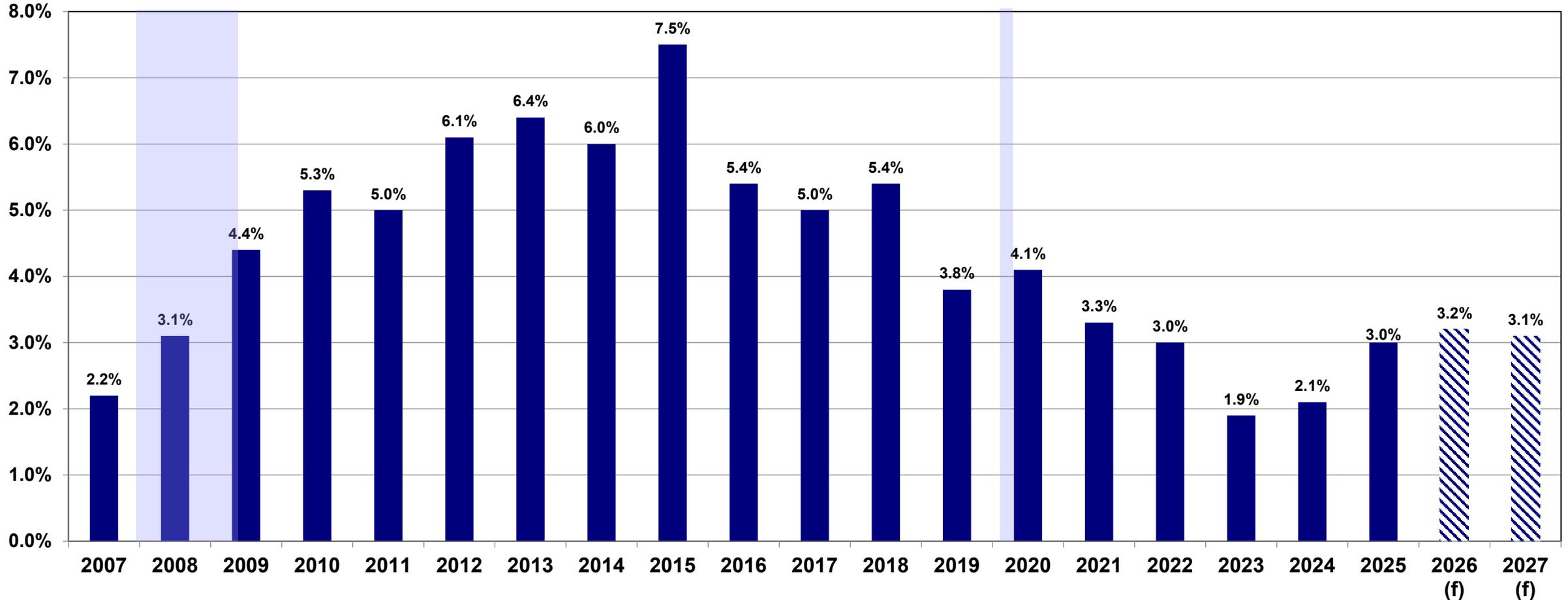


Retail Vacancy

Greater Prescott 2007 – 2025

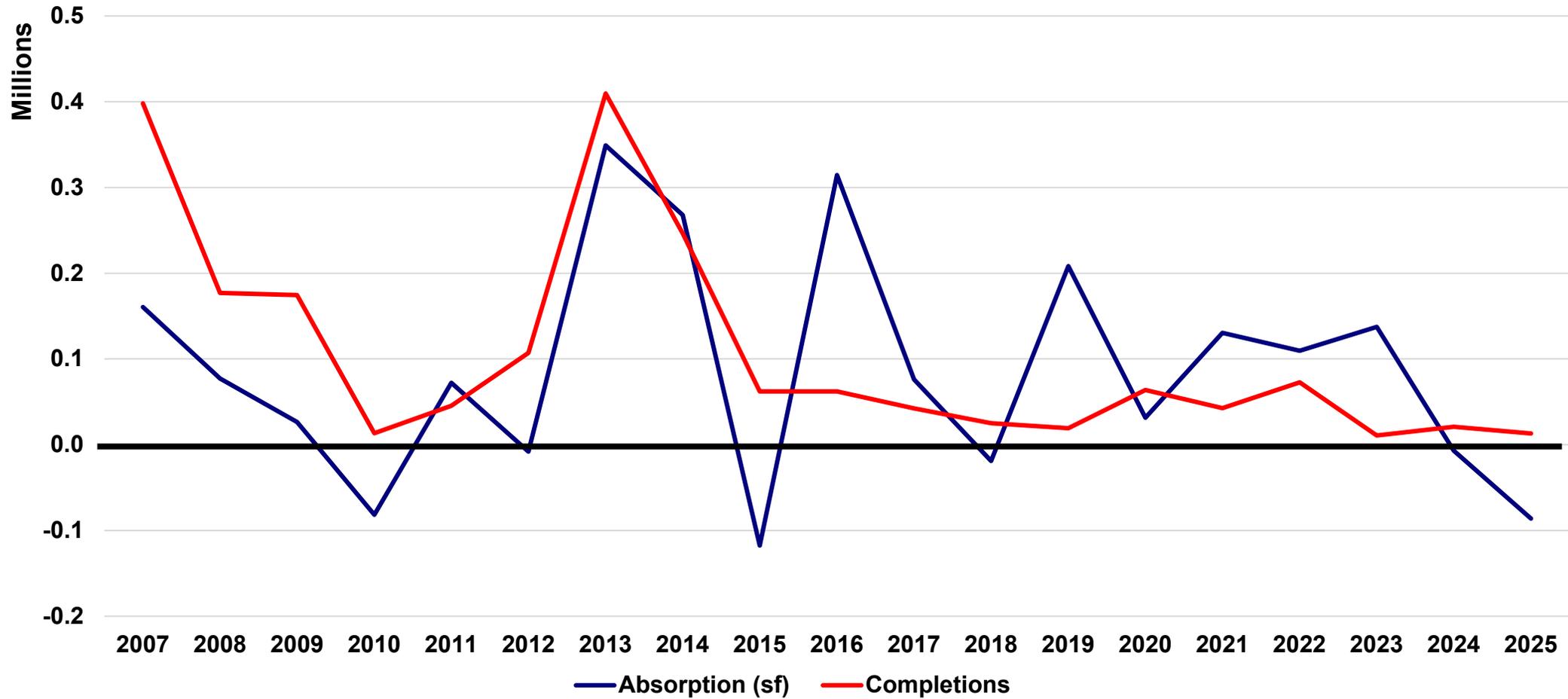
Source: CoStar

Recession Periods



Greater Prescott Retail Market

Source: CoStar

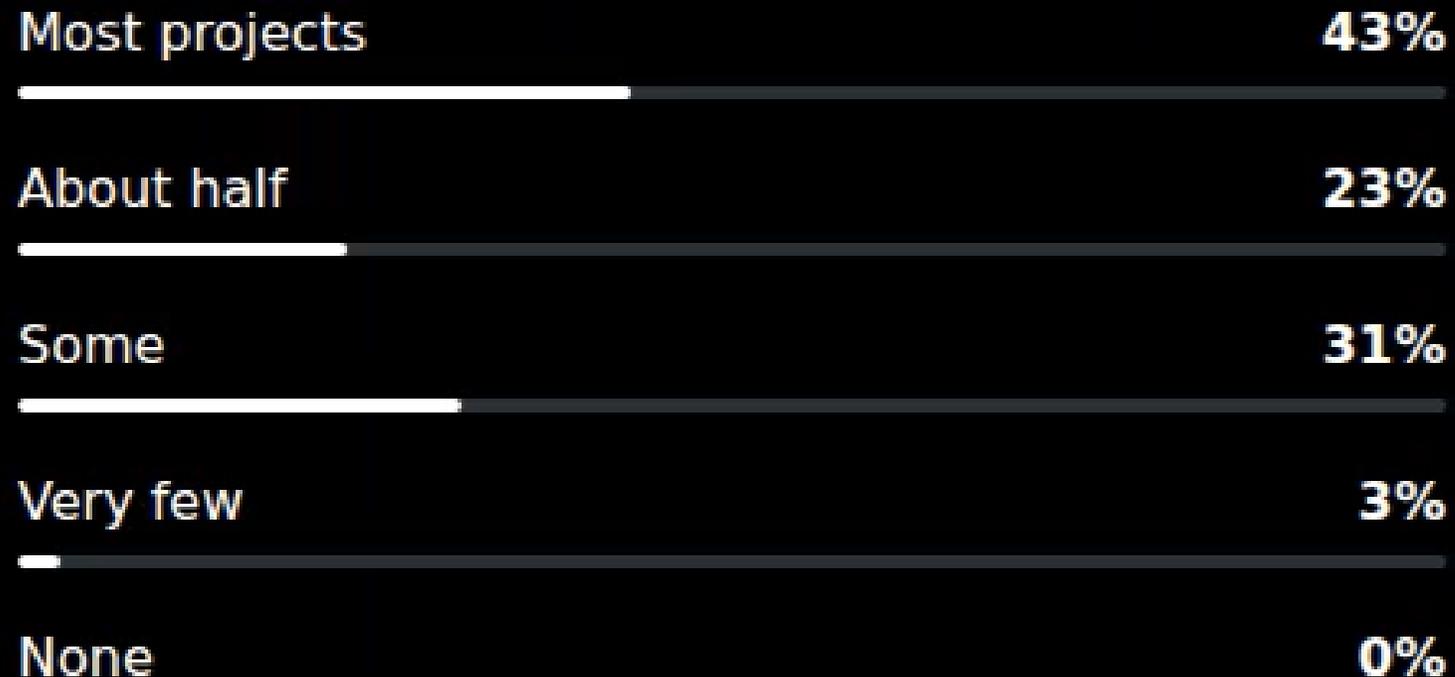


Retail Market

- 0 SF under construction
- **-57,200** SF net absorption
- Rents up 0.7% YOY (\$19.18)
- Sales prices up 4.5% YOY (\$227/SF)
- Cap rate down 0.1% (7.1%)

Construction Cost Trends

What portion of your projects experienced budget pressure due to material cost volatility?



Historical Pricing Trends

- **Material costs surged in 2025H2** alongside steady movement in Install
- Total costs for the Index **increasing** going into 2026H1



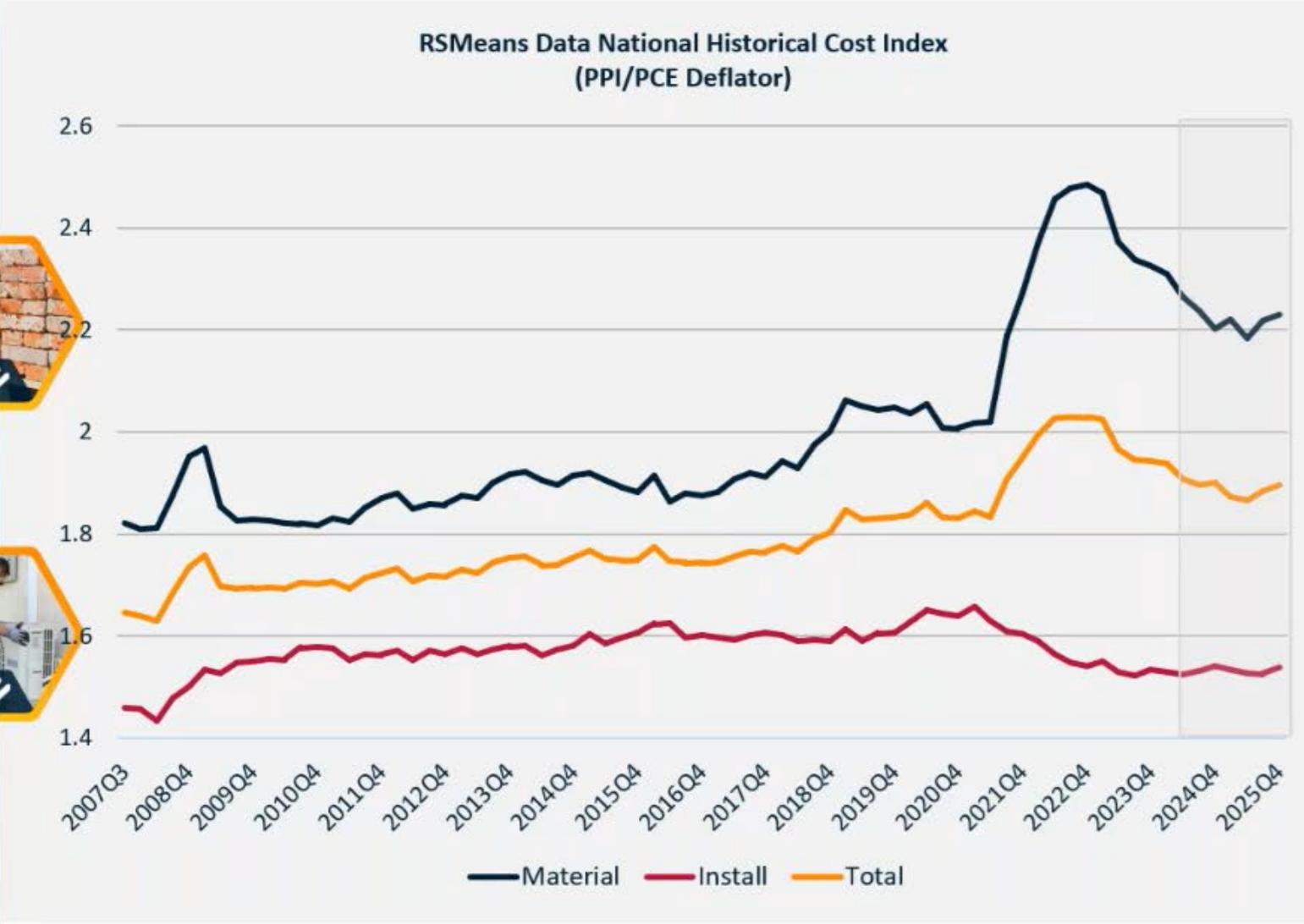
RSMean National Historical Cost Index (Nominal)



National costs shown for reference purposes only.

Historical Pricing Trends – Inflation Adjusted

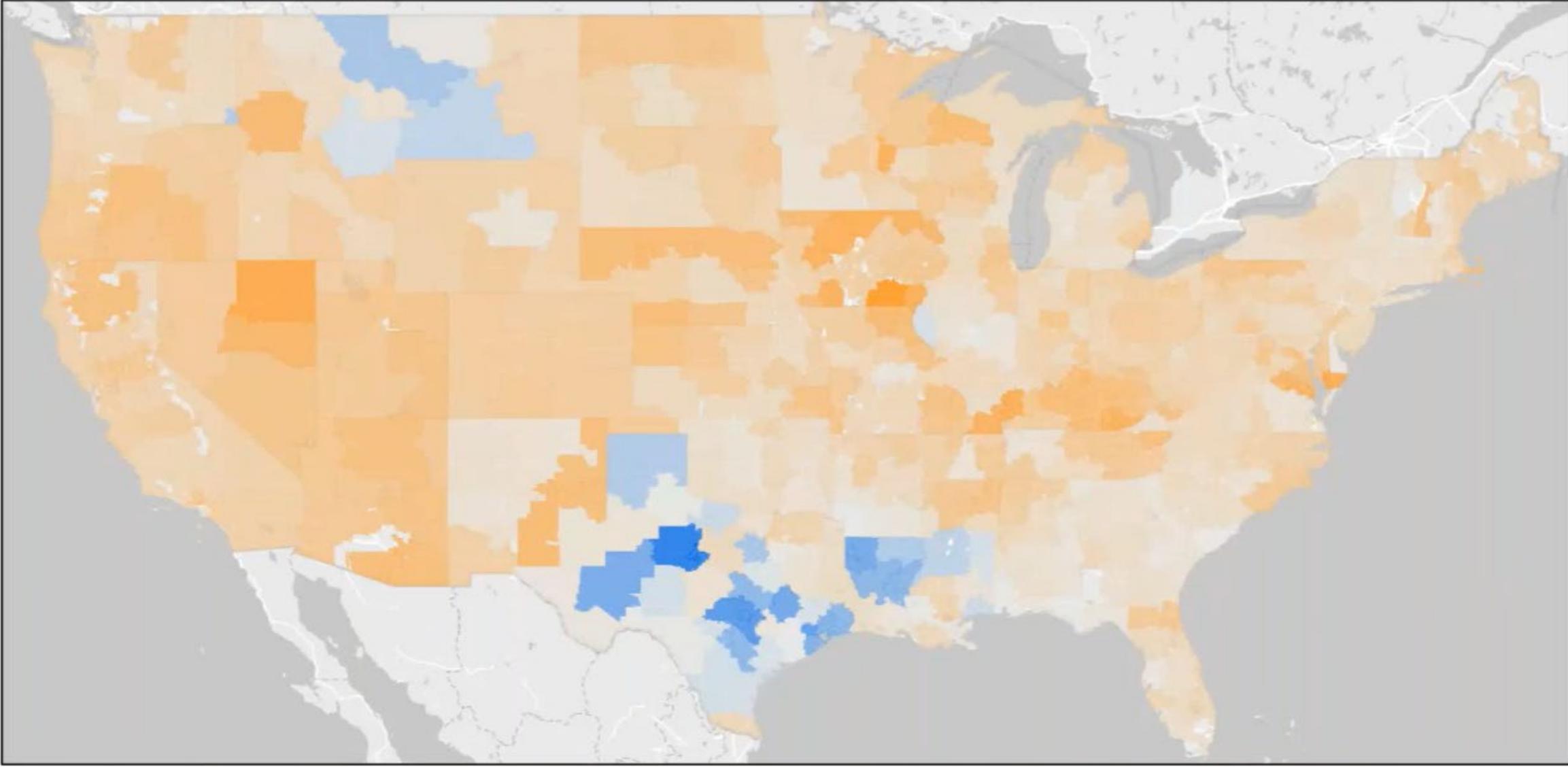
- A very real **resurgence in material** costs
- **Real installation** costs remain at historical lows



National costs shown for reference purposes only.

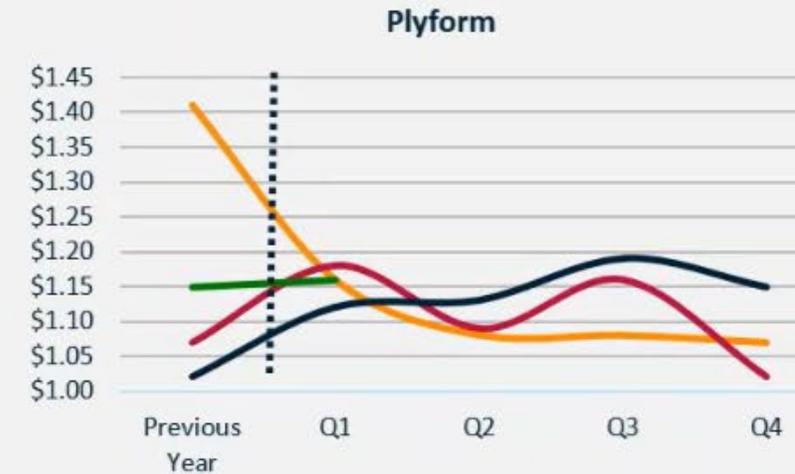
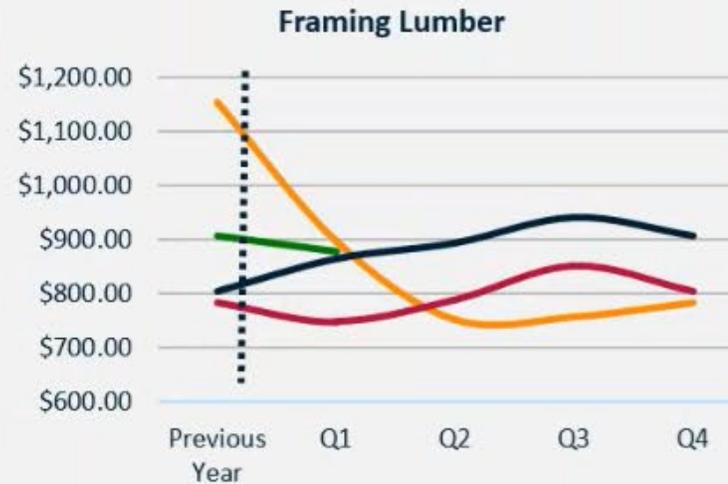
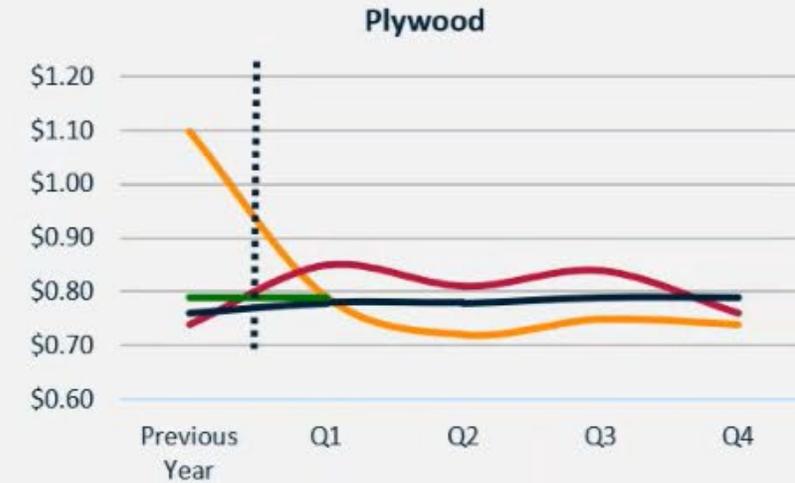
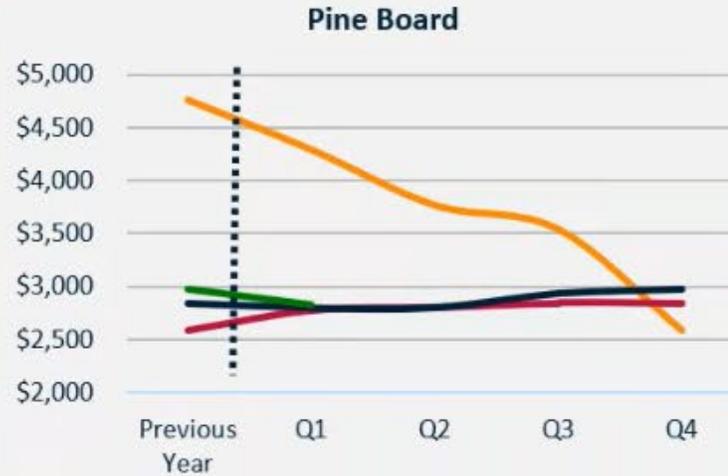
Labor costs have lagged overall inflation.

Yearly Total Cost Changes – 2025 to 2026



Cost Trends: Lumber

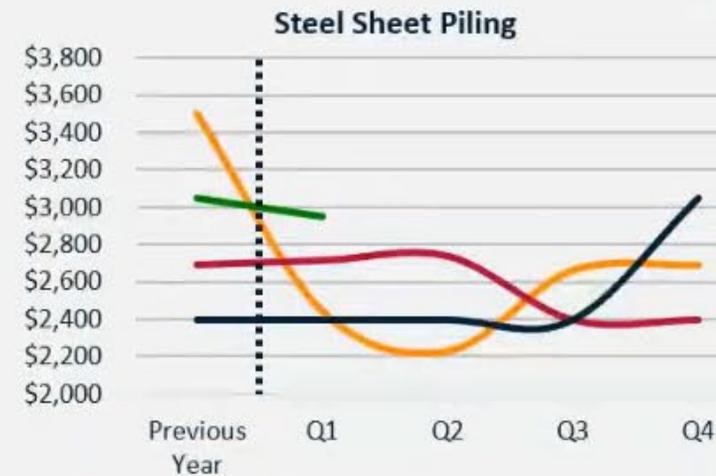
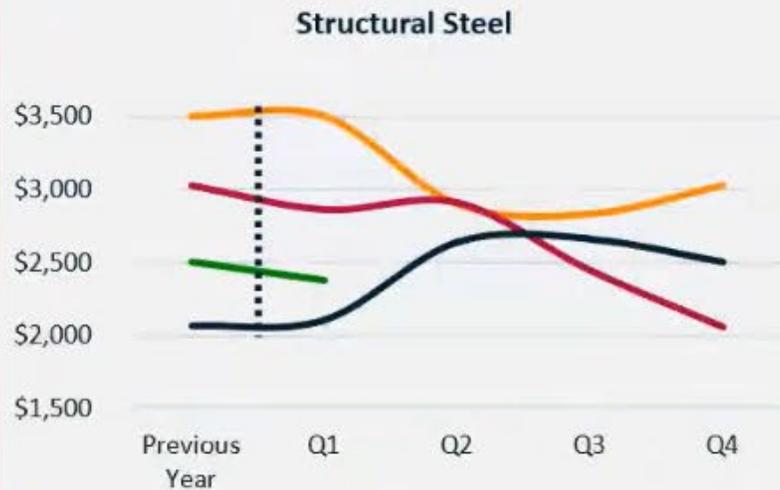
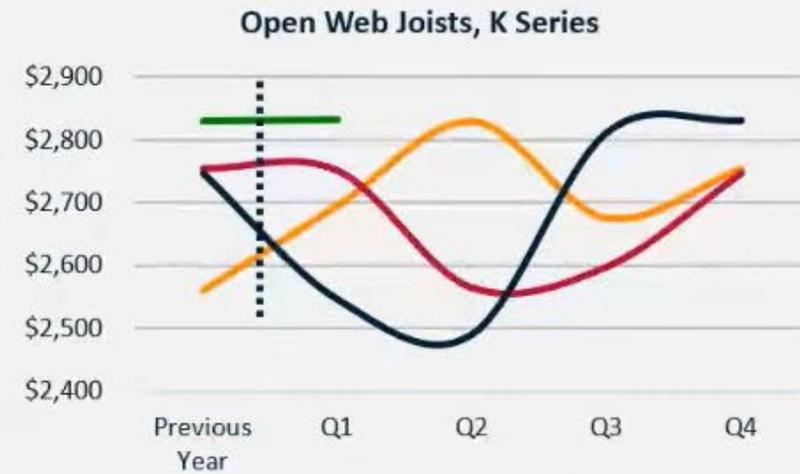
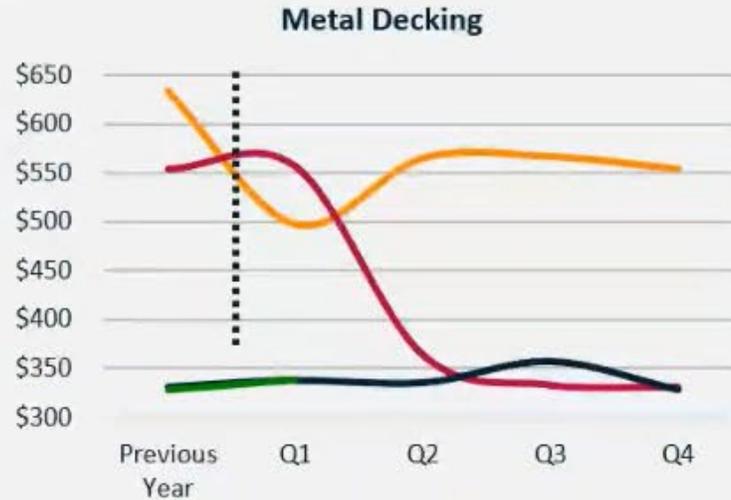
- All quiet on the lumber front with **marginal cost changes** in 2025
- **Supply-side concerns possible** in 2026Q3 and 2026Q4



LEGEND: 2023 2024 2025 2026

Cost Trends: Steel

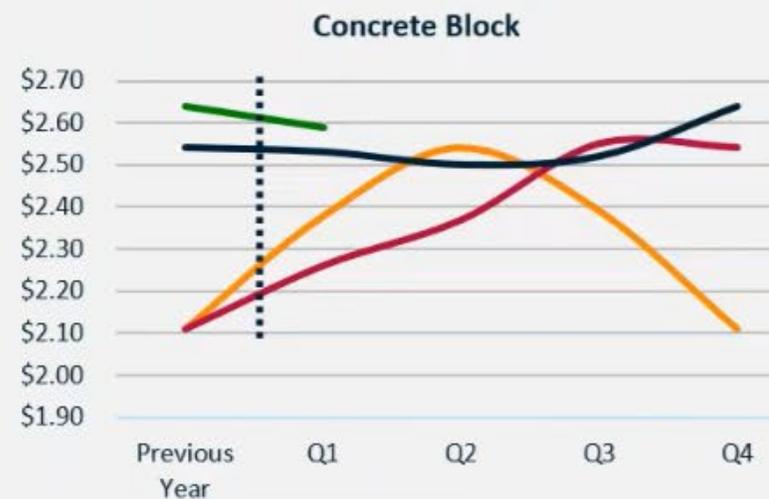
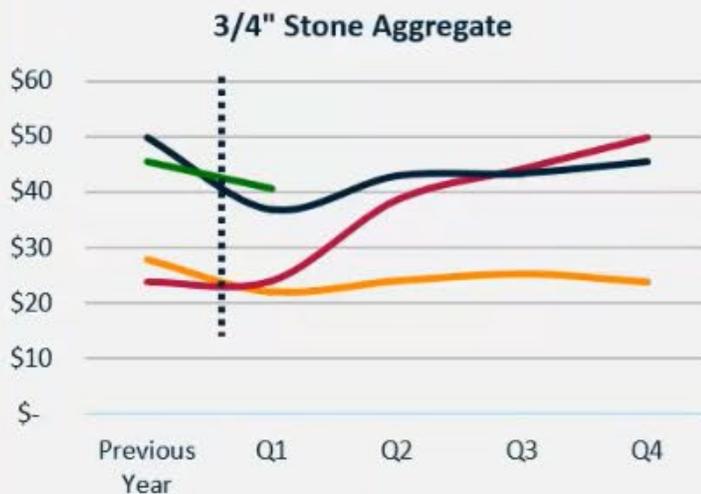
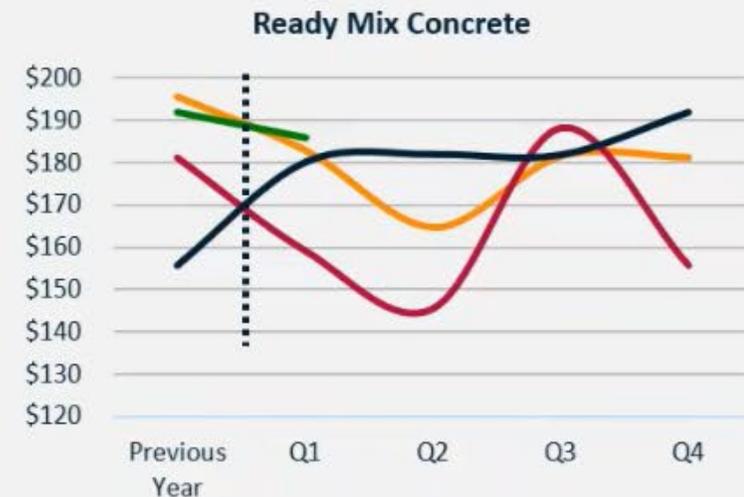
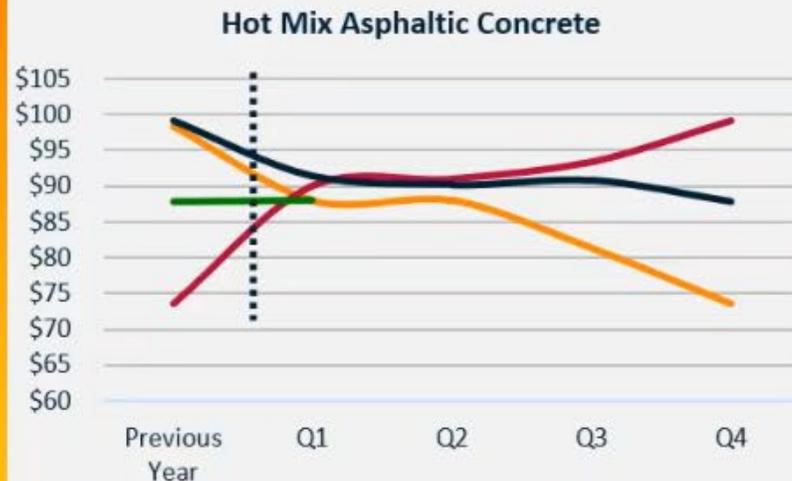
- Many benchmark categories at **high points in cost** relative to the post-COVID era
- Watching for stabilization in **demand and supply** in other categories in 2026H2



LEGEND: 2023 2024 2025 2026

Cost Trends: Concrete & Masonry

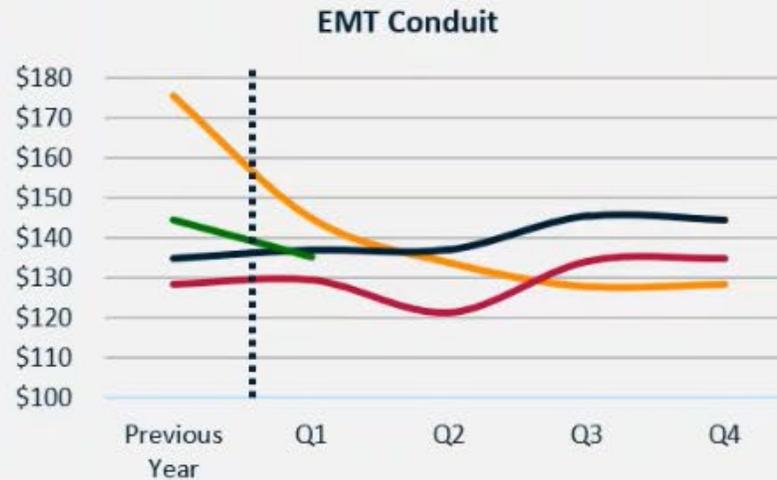
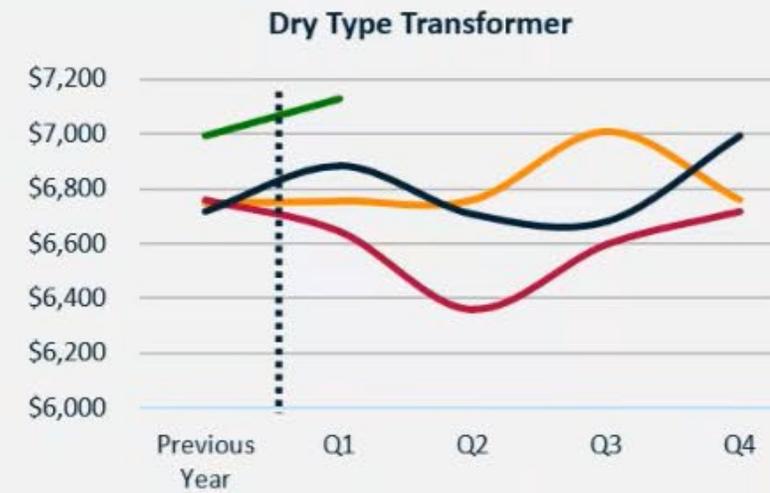
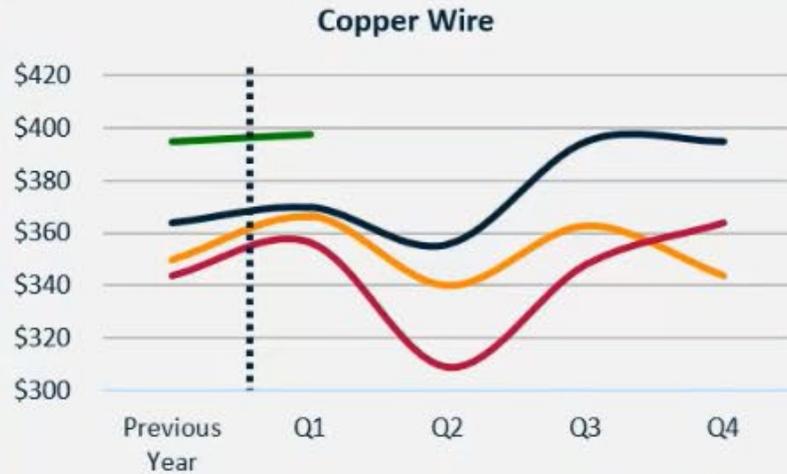
- Most categories **flat in 2025 prices**
- Expecting **continued price stability** going into 2026H1



LEGEND: 2023 2024 2025 2026

Cost Trends: Conduit/Electrical

- Supply-side disruptions drove **copper and mechanical materials** higher in 2025H2
- Watch for **impacts from demand increases** in 2026H2



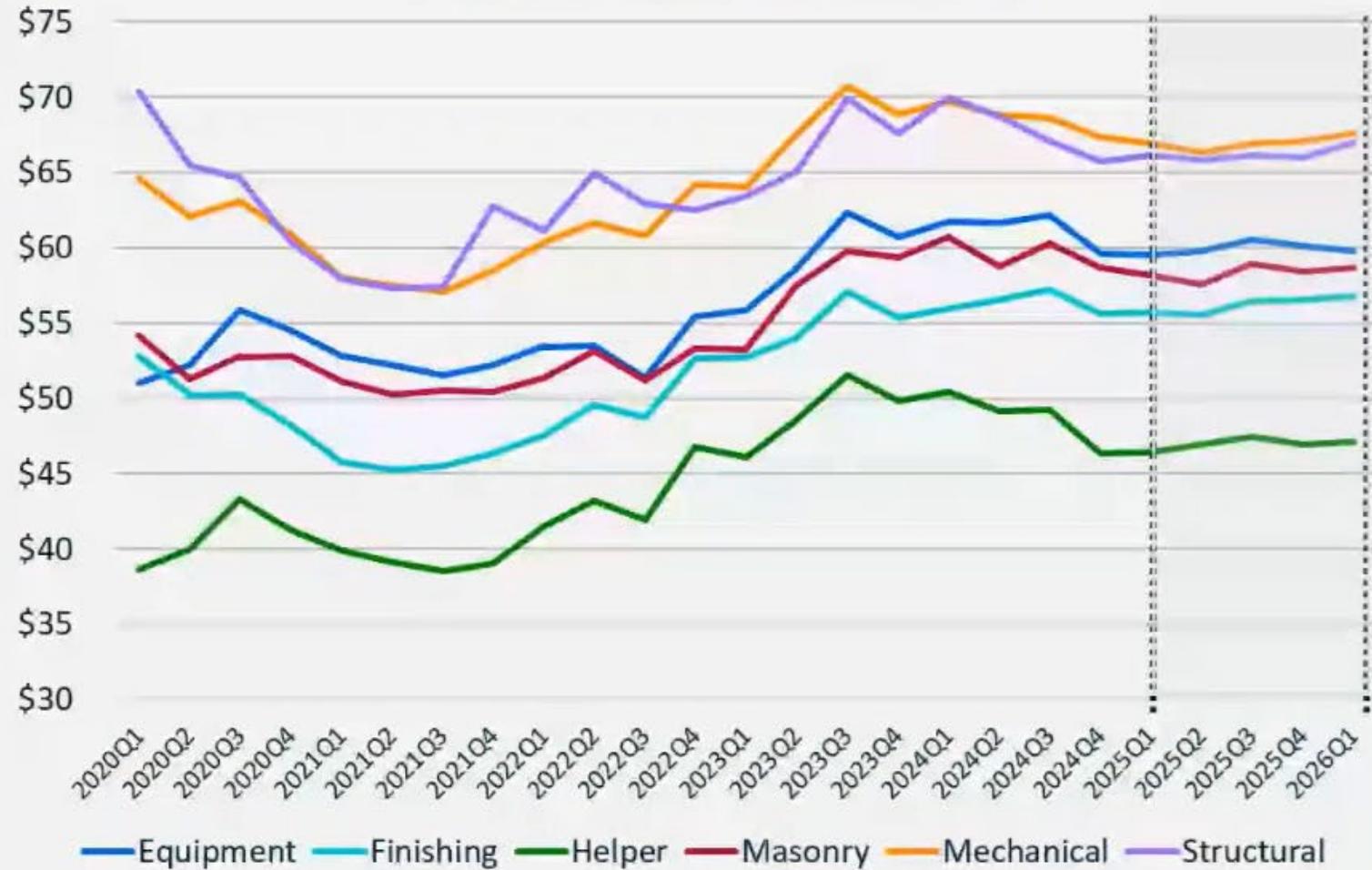
LEGEND: 2023 2024 2025 2026

High demand for copper generated by data centers and power infrastructure. Expected to continue.

Labor Cost Trends



Average Total Hourly Labor Cost by Category



2% growth in skilled labor costs 2025, less than overall inflation.

A Look at Uncertainties....



Global Dynamics



Labor Market



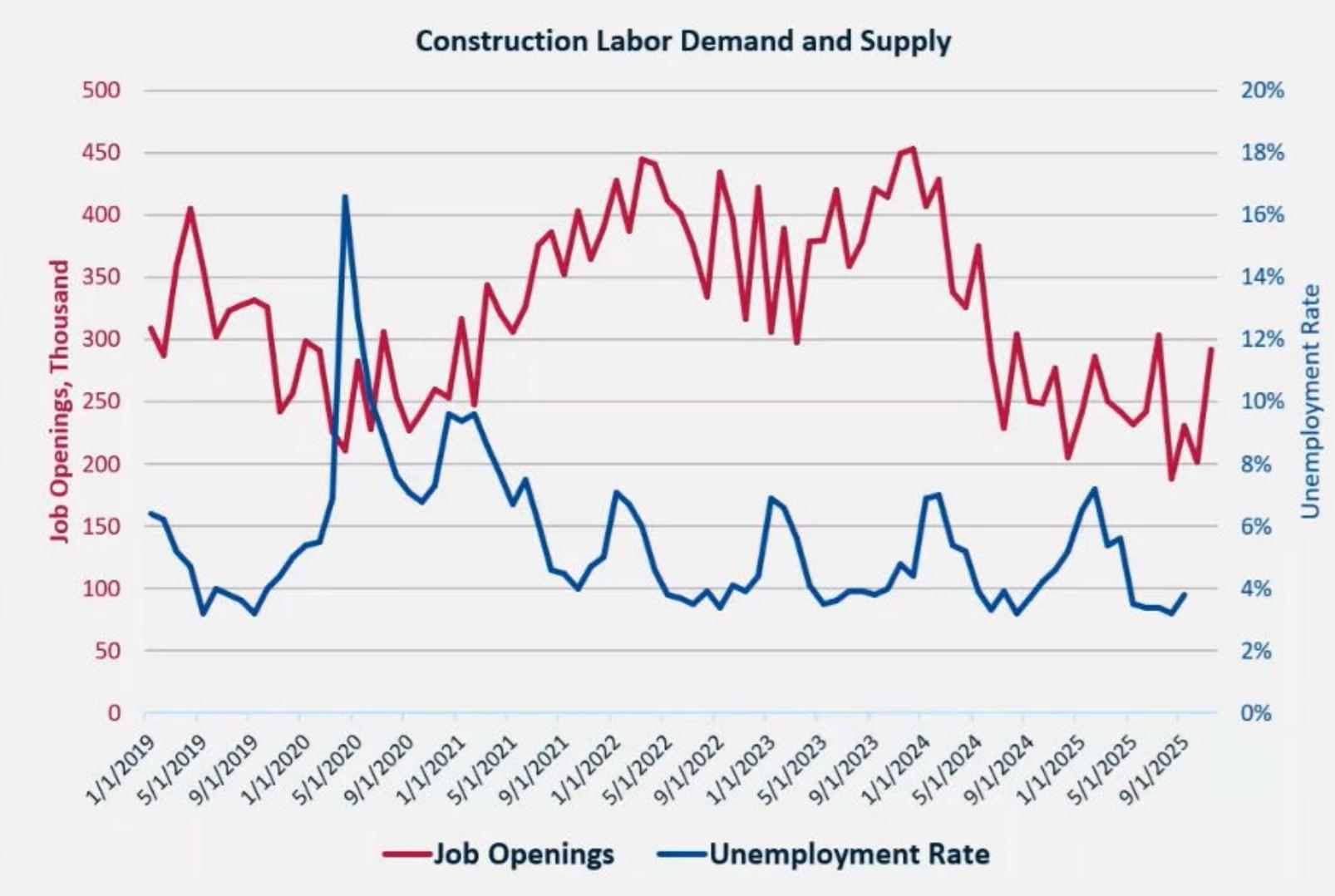
High Interest Rates



Public vs.
Private
Demand

Construction Job Openings & Unemployment

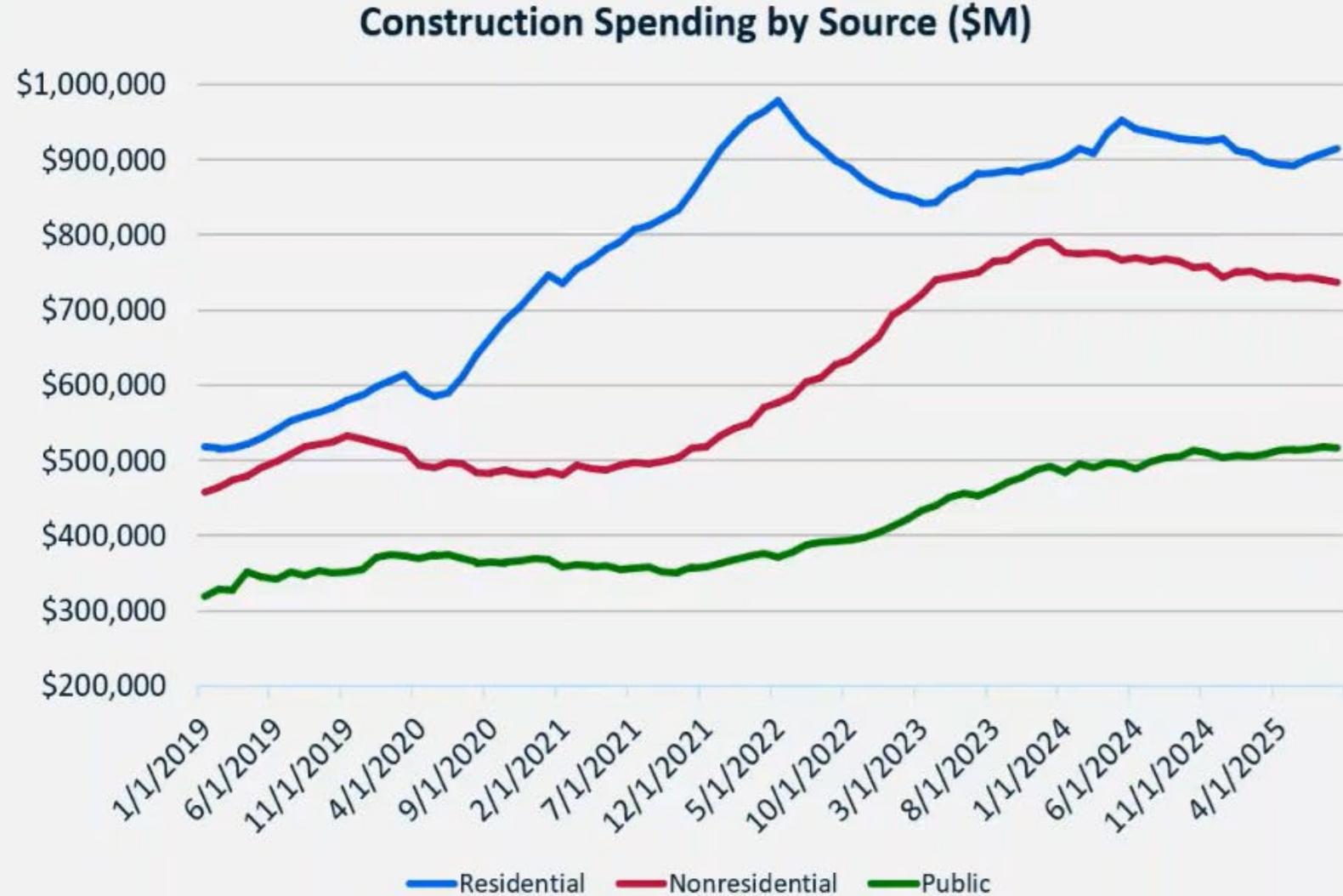
- **Significant declines in job openings** in 2025 relative to years prior
- **Unemployment stability** points to project contraction



Source: U.S. Bureau of Labor Statistics

Changing Market Composition – Fed vs. Private Spend

- Private nonresidential spending **continued its decline** far into 2025
- **Growth uncertainty** in all 3 spending sources

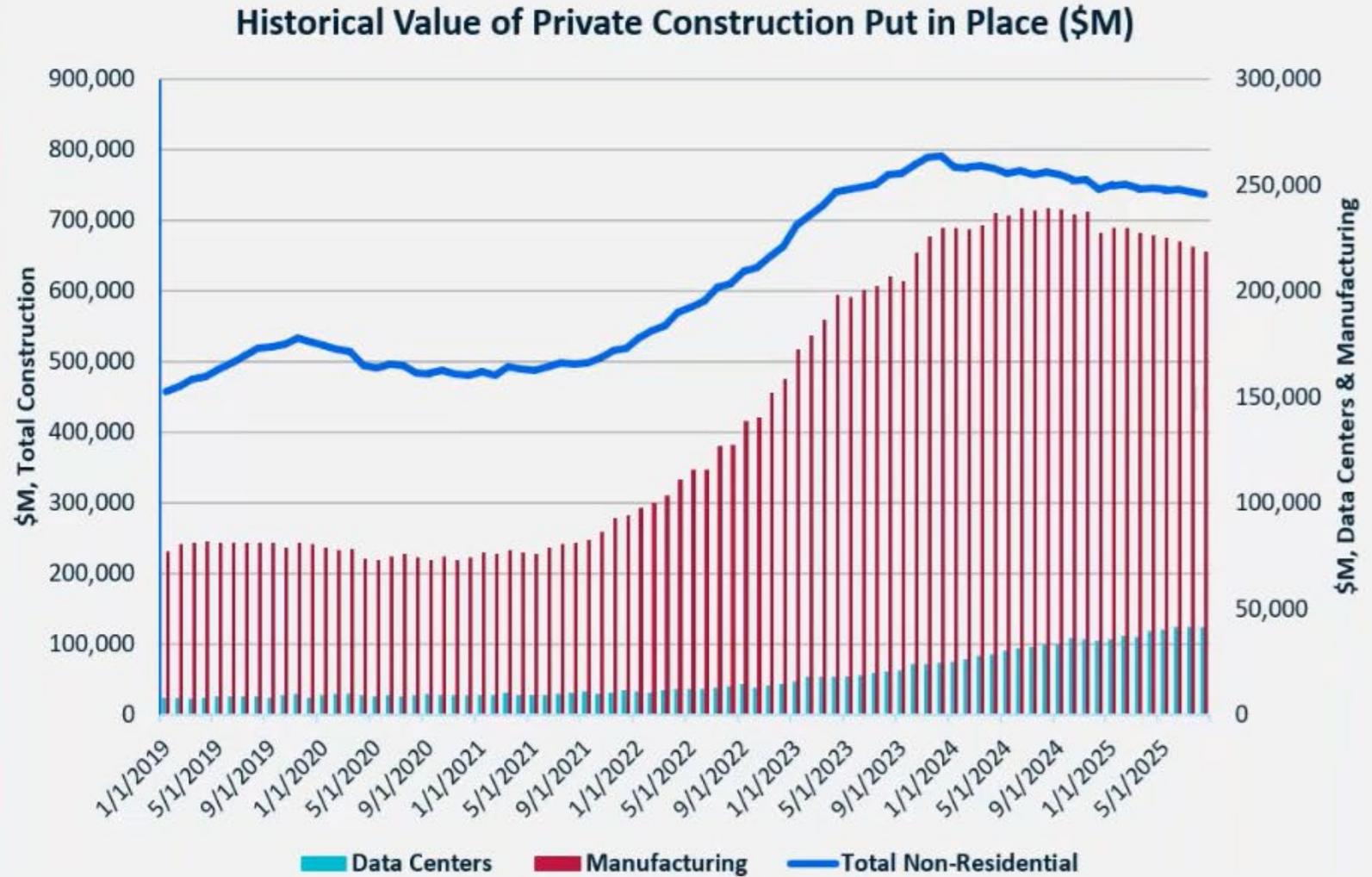


Source: U.S. Census Bureau Construction Value Put-in-Place

Demand shifted from residential to non-residential, followed by public spending. Where does the next bump come from?

Dynamics in Private Nonresidential Spending

- **Decline in manufacturing** spending driving trends
- **Data center construction** small but rapidly growing segment



Data center construction spending may double again in 2026.

Source: U.S. Census Bureau Construction Spending

Homeowners Insurance Trends

- Arizona property insurance rates experienced a 70% increase in premiums since 2019.
- 4th-highest hike nationwide.
- Rates rose 13% in 2025.
- The average annual cost of \$2,623 remains slightly below the national average.
- Key drivers include increased wildfire risk, inflation, and higher construction costs.



State Housing Legislation

- HB 2720 - Accessory Dwelling Units (ADUs) – cities over 75,000
- HB 2721 – Missing Middle Housing Bill - requires cities to allow townhomes, duplexes, triplexes, and fourplexes as a permitted use within certain residential areas – cities over 75,000
- SB 1162 - establishes timelines for review of zoning applications (within 180 days) – cities over 30,000
- HB 2447 - requires cities/towns to review and approve site plans, development plans, preliminary and final plats without a public hearing – does not apply to county land
- HB 2297 - establishes certain standards for adaptive reuse of commercial buildings. – cities over 150,000

State-to-State Net Migration Flows - 2022

Source: U.S. Census Bureau, 2022 American Community Survey, 1-year estimates.

Top 10

California	46,745
Washington	14,005
Oregon	5,985
Illinois	5,246
Utah	5,240
Colorado	4,846
Missouri	3,786
Michigan	3,677
Wisconsin	3,095
New Jersey	2,549

Bottom 10

Florida	(7,430)
Texas	(5,230)
North Carolina	(2,319)
Oklahoma	(1,726)
Nebraska	(1,689)
Hawaii	(1,514)
Pennsylvania	(1,288)
Mississippi	(1,248)
Indiana	(1,194)
Idaho	(1,005)

Conclusions

- **2025 experienced employment decline, but expected to rebound to 1.0% growth in 2026.**
- **Population gains remain slow – 0.7% growth with 0.7% growth expected in 2026 and 2027. Impacted by reduced housing affordability and population migration.**
- **Huge cut to long term growth forecasts. Housing affordability a likely contributor.**
- **Continued slow growth.**

Thank You!



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