

Tucson Citizen

Tucson's economic growth high in 2006, not so rosy now

Economist: Rise during 2006 had too much emphasis on real estate

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The Tucson metro area's economic growth ranked in the top 20 percent in the nation in 2006.

Today, the picture is likely not as rosy, according to University of Arizona economist Marshall Vest.

"The stage for today was being set in 2005 and 2006," Vest said. "If we had numbers for 2008, we'd probably be in the bottom quintile (20 percent)."

All the metropolitan areas in Arizona and Las Vegas were in that top 20 percent in 2006, according to statistics released Thursday by the U.S. Bureau of Economic Analysis.

Tucson's gross domestic product two years ago was measured at \$29.9 billion, an 8.6 percent increase over 2005. The national GDP grew 3.2 percent in 2006, according to the statistics.

Vest noted the GDP increase for 2005 was 10.1 percent, giving Tucson a two-year excess in homebuilding mortgage lending.

Tucson's GDP growth ranked No. 46 out of 363 metropolitan statistical areas in 2006. Tucson had the 66th-highest GDP, which is about the same rank the Tucson metro has in population.

Gross domestic product is the total value of all goods and services.

"Relative to the nation, real growth was strong for metropolitan areas in the Southwest

and Far West," the BEA said in a news release. "The real estate industry was the driving force behind growth in many metropolitan areas in 2006."

The BEA also found that banking activities were even more important to economic growth in 41 cities.

Real estate and banking were key players in Tucson as well. The real estate sector increased from \$3 billion to \$3.2 billion in 2006 and finance and insurance rose from \$1.5 billion to \$1.65 billion, according to BEA statistics, but since then Tucson-based First Magnus Financial Corp. collapsed.

Vest noted real estate increases of 9.0 percent in 2005 and 9.4 percent in 2006, with financial services rising 16.4 percent and 12.3 percent in those two years.

"I would say the growth we had was not healthy growth," Vest said. "Texas cities didn't have the boom and their economies are quite healthy today. Their economy during the past five years has been more stable and healthy than what we've had."

Metropolitan areas in Arizona and Texas dominated the GDP leader board in 2006. Texas relied more on manufacturing increases and less on real estate.

Vest did notice a rebound in manufacturing in Tucson, which had slumped from \$4.1 billion in 2001 to \$2.8 billion in 2004. Manufacturing increased to \$3.2 billion in 2005 and \$3.48 billion in 2006.

ADDITIONAL INFORMATION

ON THE WEB

- Metro economic growth in 2006:
www.bea.gov/newsreleases/regional/gdp_metro/gdp_metro_newsrelease.htm
- Gross domestic product in Tucson:
www.bea.gov/regional/gdpmetro/action.cfm