

Housing Market Profile

Pacific • HUD Region IX



Prescott, Arizona

The Prescott metropolitan area is coterminous with Yavapai County. Prescott, which is located approximately 100 miles north of Phoenix, is the most populous city in the metropolitan area. The metropolitan area contains parts of the Coconino, Prescott, and Tonto National Forests and generated \$648 million of revenue from tourism in 2010. The largest employers in the area are the Yavapai Regional Medical Center, the Northern Arizona VA Health Care System, and Yavapai College, with approximately 1,700, 820, and 660 employees, respectively. From 2005 through 2008, net in-migration to the metropolitan area averaged 5,350 people a year and the population expanded from 195,424 to 211,211, an average annual increase of 2.6 percent. Between 2008 and April 1, 2010, however, net in-migration decreased to 65 people a year in response to declining economic conditions, and the population remained largely unchanged. As of October 1, 2011, the population of the metropolitan area was estimated at 213,500, reflecting an average annual increase of 1,625, or 0.8 percent, since April 1, 2010.

Economic conditions in the Prescott metropolitan area are weak, but the trend of job losses that began in 2007 appears to be slowing. Nonfarm payrolls fell by 1,000 jobs, or 1.7 percent, during the 12 months ending August 2011 compared with a decline of 3,300 jobs, or 5.7 percent, during the 12 months ending August 2010. Driven by recovering tourism, the leisure and hospitality sector grew by 400 jobs, or 5.3 percent, during the 12 months ending August 2011. The manufacturing sector also expanded, adding 100 jobs, or 3.8 percent, with all of those jobs resulting from the opening of the Drake Cement plant. These gains partially offset losses in all other sectors. Significant losses continued in the mining, logging, and construction sector, which averaged 4,000 jobs, a decline of 600 jobs, or 13.7 percent. In response to the soft housing market, the sector has declined by 55 percent since peaking at 8,900 jobs during the 12 months ending August 2006. The unemployment rate averaged 10.1 percent during the 12 months ending August 2011, down from the 10.7-percent rate during the previous 12 months.

The home sales market in the Prescott metropolitan area is currently soft because of slowed in-migration, weak economic conditions, and tighter credit requirements. According to data from Hanley Wood, LLC, new and existing home sales declined to 2,675 during the

12 months ending August 2011, down 32 percent from 3,950 sales during the previous 12 months. The average sales price for new and existing homes fell to \$175,500 during the 12 months ending August 2011, indicating a 9-percent decrease from \$192,100 during the previous period and a 37-percent decrease from a peak of \$278,200 during the 12 months ending August 2007. A significant amount of REO (Real Estate Owned) sales activity drove the decline in sales price. REO sales totaled 1,300 during the 12 months ending August 2011 and accounted for 48 percent of all home sales. According to LPS Applied Analytics data, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO fell from 8.4 in August 2010 to 7.0 as of August 2011.

Single-family home construction, as measured by the number of permits issued, continued to decline in response to the soft housing market, a trend that began in 2006. Based on preliminary data, 240 homes were permitted during the 12 months ending August 2011, a decrease of slightly less than 8 percent from the 260 homes permitted during the previous 12 months. An average of 2,750 homes was permitted annually during a 5-year peak period between 2001 and 2005. The average sales price of a new home was \$298,500 during the 12 months ending August 2011, up 23 percent from \$242,300 during the previous 12 months.

The rental market in the Prescott metropolitan area is currently soft because of slow population growth and a glut of single-family home conversions, which represent 38 percent of all rental units, according to the 2010 American Community Survey. The current estimated vacancy rate of 9.8 percent is down from the 10.1-percent rate as of April 2010. Current average rents are estimated at \$720 for a one-bedroom unit, \$820 for a two-bedroom unit, and \$930 for a three-bedroom unit. Multifamily construction, as measured by the number of units permitted, fell to 60 units during the 12 months ending August 2011 compared with 200 units during the previous 12 months, based on preliminary data. According to the 2010 Census, 36 percent of all renter householders in the metropolitan area are age 55 or older, and 84 percent of the multifamily units permitted since 2009 were part of three developments targeted to the elderly. In Prescott, Bradshaw Senior Community, a 46-unit project, was completed in May 2011, and The Boulders, a 132-unit retirement community, was completed in June 2011. In Prescott Valley, 50 multifamily units are currently under construction as part of the first phase of the View Point Senior Apartments, all of which are expected to be complete by November 2011.