

Housing Market Profile

Pacific • HUD Region IX



Phoenix-Mesa-Glendale, Arizona

The Phoenix-Mesa-Glendale metropolitan area encompasses Maricopa and Pinal Counties in central Arizona. The principal city of Phoenix, the sixth largest in the United States, is in Maricopa County. As of October 1, 2012, the population of the metropolitan area was estimated to be 4.33 million, reflecting an average annual increase of approximately 55,250, or 1.3 percent, since April 2010. By comparison, from 2006 through 2009, the population increased at an average annual rate of 105,800, or 2.6 percent.

The economy of the metropolitan area continued to improve during the past 12 months, a trend that began in October 2010. During the 12 months ending August 2012, nonfarm payrolls increased by 37,300 jobs, or 2.2 percent, to 1,740,000 jobs, up from a 0.8-percent gain during the same period a year ago. By contrast, from 2008 through 2010, nonfarm payrolls decreased annually by an average of 76,300 jobs, or 4.1 percent. Despite job gains during the past 2 years, nonfarm payrolls remain 179,000 jobs below the peak of 1,919,000 jobs recorded during the 12 months ending February 2008. Although the economic recovery in the metropolitan area has been slow, strong hiring continued in the education and health services sector, which increased by 10,100 jobs, or 4.1 percent, during the 12 months ending August 2012, matching the growth from a year earlier. The construction subsector gained 4,000 jobs, or 4.9 percent, which represents the fastest growth rate of any sector or subsector in the metropolitan area during the 12 months ending August 2012. The increase in construction subsector jobs is because of new defense contracts totaling \$1 billion statewide and a new \$300 million research and Intel Corporation's construction of a development facility in the city of Chandler. Although construction subsector payrolls have increased steadily since January 2012, they remain about 50 percent below the peak of 180,100 jobs recorded in 2006. The largest private employers in the metropolitan area include Wal-Mart Stores, Inc., and Banner Health, with 30,650 and 24,850 employees, respectively. During the 12 months ending August 2012, the unemployment rate in the metropolitan area averaged 7.6 percent, down from 9.0 percent during the previous 12 months. From 2005 through 2008, the unemployment rate averaged 4.1 percent.

Home sales market conditions in the Phoenix-Mesa-Glendale metropolitan area are currently soft, with an estimated sales vacancy rate of 3.6 percent, down slightly from 4.3 percent in April 2010. Based on data from Hanley Wood, LLC, during the 12 months ending July 2012 (the most recent data available), new and existing home sales in the metropolitan area totaled approximately 105,200 homes, a 1-percent increase compared with the number sold a year ago but a 21-percent decrease from the average of 134,000 homes sold annually from 2005 through 2008. During the 12 months ending July 2012, the average sales price of new and existing homes increased nearly 9 percent, to \$187,300, compared with the average price during the previous 12 months, because of a 35-percent drop in the number of REO (Real Estate Owned) sales, which had an average price of \$143,000. According to data from LPS Applied Analytics, as of August 2012, 6.1 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 9.3 percent a year ago.

Single-family home construction activity, as measured by the number of single-family building permits issued, increased in the metropolitan area but remains at levels much lower than those recorded earlier in the decade. According to preliminary data, during the 12 months ending August 2012, permits were issued for 11,000 single-family homes, a 61-percent increase compared with the 6,825 homes permitted during the previous 12 months. By comparison, an average of 42,900 homes was permitted annually from 2005 through 2007. After peaking at 60,950 homes permitted in 2005, single-family home construction activity declined each year through 2010. West Glen Villas, a single-family development currently under construction in the city of Glendale, northwest of downtown Phoenix, offers sales prices that range from \$135,500 for new three-bedroom, two-bathroom homes to \$153,500 for four-bedroom, three-bathroom homes.

The improving economy and continued population growth have caused an increase in the number of permits issued for new multifamily units each year since 2009, although multifamily permitting remains well below the levels reached during the middle of the past decade. Based on preliminary data, during the 12 months ending August 2012, approximately 2,200 multifamily units were permitted, up nearly 38 percent compared with the 1,600 units permitted during the previous 12 months. Multifamily construction activity averaged 8,250 units permitted annually from 2005 through 2008, then it fell to an average of 880 units permitted annually in 2009 and 2010.



Condominiums and townhomes account for an estimated 10 percent of existing multifamily units in the metropolitan area, but they have accounted for slightly less than 7 percent of all multifamily construction activity since 2010, according to data from the McGraw-Hill Construction Pipeline database.

The rental housing market in the Phoenix-Mesa-Glendale metropolitan area is currently soft but improving. As of October 1, 2012, the overall rental vacancy rate was an estimated 11.0 percent compared with the rate of 13.8 percent in April 2010. Rental market conditions have improved since the fourth quarter of 2010 because apartment production declined, which allowed for the absorption of the supply of vacant available units. According

to ALN Systems, Inc., in the third quarter of 2012, the apartment vacancy rate in the metropolitan area was 8.5 percent compared with the rate of 9.5 percent recorded in the third quarter of 2011. The average apartment rent in the metropolitan area increased \$20, or nearly 3 percent, to \$740 compared with the rents recorded a year earlier. Recent apartment completions include Parcland Crossing in Chandler and San Marquis in Tempe, with 383 and 224 units, respectively. Both properties are currently offering move-in specials averaging \$500 with a 12-month lease. Of the 960 apartment properties surveyed in the metropolitan area by ALN Systems, Inc., approximately 55 percent were offering concessions, which averaged \$40 a month.