

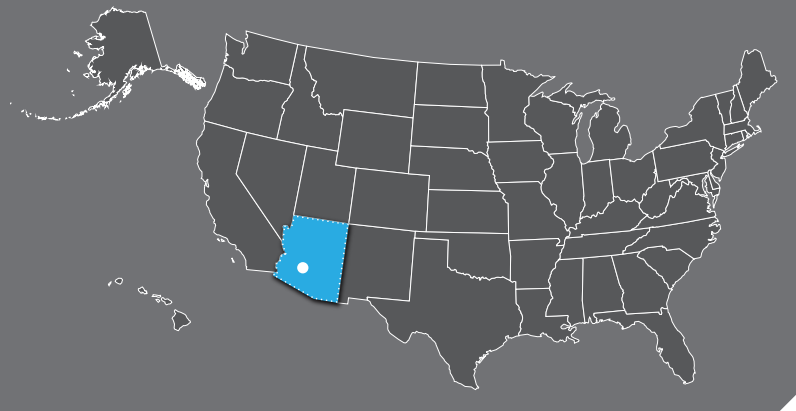
# HUD PD&R Housing Market Profiles

## Phoenix-Mesa-Chandler, Arizona



### Quick Facts About Phoenix-Mesa-Chandler

- Current sales market conditions: balanced
- Current rental market conditions: slightly soft
- Arizona State University is the largest public university in the state and one of the largest in the country, with 79,600 students enrolled (excluding exclusively online students) during the fall semester of 2023, 72 percent of whom were enrolled at the main Tempe campus. The university had a statewide economic impact estimated at \$32 billion (*The Economic Impact of Arizona State University on the Arizona Economy, Fiscal Year 2024*).



Phoenix, Arizona

By [Holi Urbas](#) | As of January 1, 2025

### Overview

The Phoenix-Mesa-Chandler, AZ Metropolitan Statistical Area (hereafter, Phoenix metropolitan area) includes Maricopa and Pinal Counties in central Arizona. The metropolitan area is home to more than two-thirds of the total population of Arizona, including the city of Phoenix, the state capital and fifth most populous city in the nation (U.S. Census population estimates as of July 1, 2023). Economic conditions in the metropolitan area are strong; however, job growth slowed during 2024. A surge of manufacturing investment, which began prior to 2021, helped fuel rapid job growth throughout the metropolitan area during 2021 and 2022. The manufacturing sector, however, has contracted for the past 2 years, contributing to the slowdown in total job growth. The home sales market is currently balanced. During the past year, home sales declined at a significantly slower rate than a year ago, and the average home sales price increased moderately. Rental market conditions are slightly soft, with rising vacancies and declining rents, because new apartment completions have exceeded the number of units absorbed since 2021.

- As of January 1, 2025, the population of the metropolitan area is estimated at 5.25 million, reflecting an average

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annual increase of 84,650, or 1.7 percent, since April 2020. By comparison, the population increased by an average of 76,950, or 1.7 percent, annually from July 2015 to April 2020.

- Increased net in-migration to the area mostly offset the negative effects of COVID-19 on net natural increase. Since April 2020, net in-migration has averaged 73,900 people a year, reflecting a 36-percent increase compared with an average of 54,500 annually from July 2015 to April 2020, whereas net natural increase has averaged 10,750 a year, representing a decline of 52 percent from the 2015-to-2020 average.

- Educational attainment is rising in the metropolitan area, with approximately 35.5 percent of the population aged 25 years and older holding a bachelor's degree or higher in 2023, compared with 29.4 percent of the population in 2015 (American Community Survey 1-year data). The educated workforce is one of the many factors attracting high-tech manufacturing jobs to the area.

## Economic Conditions

Economic conditions in the Phoenix metropolitan area are strong, but job growth has moderated significantly during the past year. As of the fourth quarter of 2024, nonfarm payrolls increased year over year by 40,000 jobs, or 1.6 percent, to 2.50 million. By comparison, payrolls increased 2.6 percent year over year as of the fourth quarter of 2023. This trend of slowing job growth is shared by the nation, where payrolls increased 1.2 percent in 2024 compared with 1.6 percent in 2023.

As of the fourth quarter of 2024—

- The education and health services sector added 24,200 jobs, or 5.9 percent, from a year ago, accounting for almost 61 percent of net job gains during the period. Contributing to these job gains was the opening of a \$195 million expansion at Phoenix Children's Hospital-Arrowhead Campus in

August 2024—creating 400 new jobs—and the opening of new facilities at the Mayo Clinic as part of an almost \$750 million expansion project that began in 2018 with plans for completion in the summer of 2026.

- The government, the wholesale and retail trade, and the transportation and utilities sectors had notable job growth. The metropolitan area added 58.9 million square feet of distribution and warehouse space between 2019 and 2023, marking the fourth highest percentage growth and fifth largest total increase among the top 100 warehousing markets in the country (AZ Big Media).
- The mining, logging, and construction and the manufacturing sectors experienced the largest job losses, which contrasts with strong gains in the former sector a year ago and is

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**As of the fourth quarter of 2024, year-over-year job growth occurred in 7 of the 11 nonfarm payroll sectors in the Phoenix metropolitan area.**

	3 Months Ending		Year-Over-Year Change	
	December 2023 (Thousands)	December 2024 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	2,456.4	2,496.4	40.0	1.6
Goods-Producing Sectors	327.2	321.7	-5.5	-1.7
Mining, Logging, & Construction	177.7	175.1	-2.6	-1.5
Manufacturing	149.5	146.6	-2.9	-1.9
Service-Providing Sectors	2,129.2	2,174.6	45.4	2.1
Wholesale & Retail Trade	358.7	363.7	5.0	1.4
Transportation & Utilities	124.7	129.2	4.5	3.6
Information	42.0	40.8	-1.2	-2.9
Financial Activities	212.9	215.5	2.6	1.2
Professional & Business Services	394.1	397.8	3.7	0.9
Education & Health Services	408.7	432.9	24.2	5.9
Leisure & Hospitality	251.7	250.7	-1.0	-0.4
Other Services	77.3	78.5	1.2	1.6
Government	259.1	265.5	6.4	2.5
<b>Unemployment Rate</b>	3.5%	3.2%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

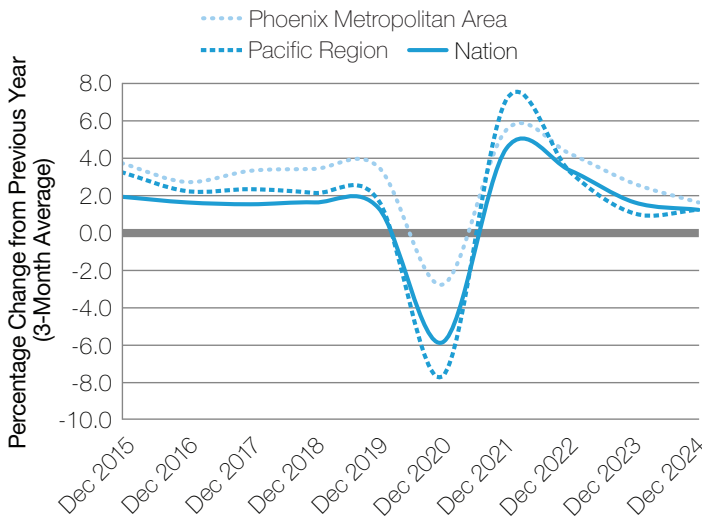


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largely because of a slowdown in construction activity. Operational and construction delays at the Taiwanese Semiconductor Manufacturing Company Limited (TSMC) \$65 billion semiconductor fabrication project contributed to the contraction in both sectors.

- The unemployment rate averaged 3.2 percent, down from 3.5 percent as of the fourth quarter of 2023, because

**Nonfarm payroll growth in the Phoenix metropolitan area has been faster than in the state and the nation for the past 2 years.**



Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

The sales housing market in the Phoenix metropolitan area is currently balanced. The overall sales vacancy rate is estimated at 1.9 percent, up from 1.6 percent in 2020, when conditions were tighter. Sales market conditions have eased since interest rates began rising in 2022. However, the 93,000 homes sold in 2024 reflect a 2-percent year-over-year decline compared with a 24-percent reduction in 2023 (CoreLogic, Inc., with adjustments by the analyst). Home price growth has been modest in the past 2 years, averaging 2 percent a year, but the current average home price of \$549,400 reflects a cumulative 67-percent increase since 2019. In December 2024, the supply of for-sale inventory increased to 3.9 months compared with 3.5 months of supply a year ago and a December low of 1.0 month in 2020 (Redfin, a national real estate brokerage).

During 2024 —

- Existing home sales in the metropolitan area fell 1 percent year over year to 72,750, following a 28-percent decline in 2023 (CoreLogic, Inc., with adjustments by the analyst).

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employment growth of 0.4 percent outpaced the 0.2-percent increase in the labor force.

The metropolitan area is home to the largest foreign direct investment in the history of the United States. The investment by TSMC in expanding the domestic production of semiconductors—growing from \$12 billion in 2020 to \$65 billion in 2024—has been a catalyst for job growth and infrastructure development throughout the metropolitan area. Two fabrication plants have been completed, and one has begun producing chips, with a third currently under construction. The project employs more than 10,000 construction workers daily, and upon completion of the first three fabrication plants, TSMC expects to employ more than 6,000 permanent workers, largely in high-wage jobs. In March 2025 (after the as-of date of this report), TSMC announced its intention to build three additional fabrication plants, two advanced packaging facilities, and a large research and development center, bringing the total investment to \$165 billion.

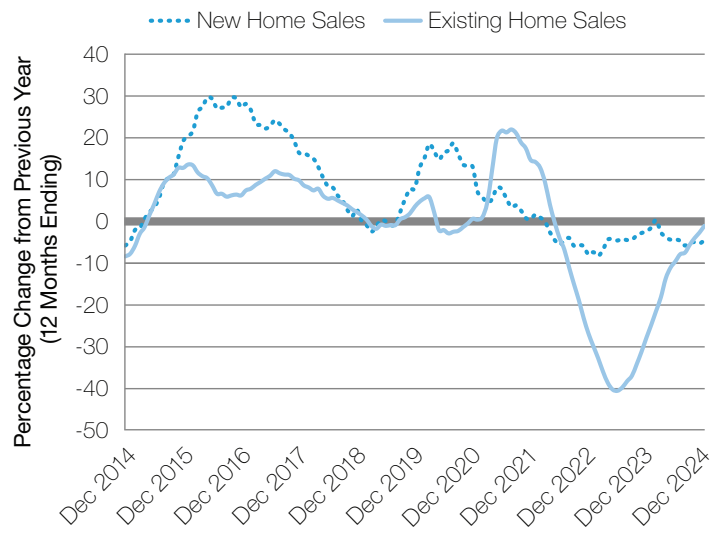
## Largest Employers in the Phoenix Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arizona	Government	30,890
Banner Health	Education & Health Services	29,770
Amazon.com, Inc.	Wholesale & Retail Trade	25,570

Note: Excludes local school districts.

Source: Maricopa Association of Governments, 2023

## The decline in home sales in the Phoenix metropolitan area slowed significantly in 2024 from a year ago.



Note: Sales are for single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst



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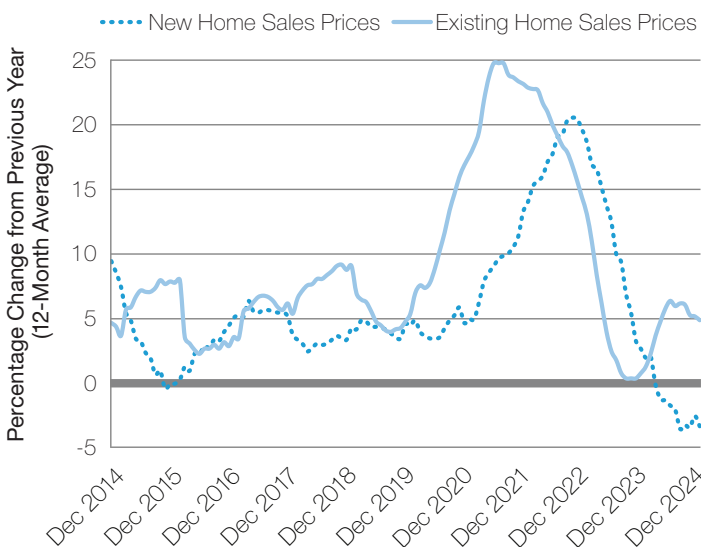
An average of 128,000 existing homes sold each year from 2019 through 2021 before falling 20 percent in 2022 as mortgage rates rose sharply.

- The average price for an existing home rose almost 5 percent in 2024 to \$550,900, following a 1-percent gain in 2023. Prices for existing homes increased at an average annual rate of 18 percent from 2020 through 2022.
- New home sales totaled 20,250, reflecting a 5-percent decline from 2023, when sales fell 3 percent year over year. The average price of a new home in the metropolitan area declined 3 percent in 2024 to \$544,200 after rising 3 percent a year ago.
- The percentage of home loans in the metropolitan area that were seriously delinquent or had transitioned into real estate owned status increased slightly in December 2024 to 0.7 percent compared with 0.6 percent in December 2023 (CoreLogic, Inc.). The current rate is equal to the statewide rate and below the 1.1-percent rate for the nation.

Sales construction activity—as measured by the number of single-family homes, townhomes, and condominiums permitted—increased considerably in 2024 following 2 years of decline.

- In 2024, sales construction activity increased 43 percent from a year ago to 31,050 homes permitted, similar to the recent peak of 31,650 homes permitted in 2021, when market conditions were tight.

**In the Phoenix metropolitan area, new home sales prices fell in 2024, contrasting with moderate price growth for existing home sales.**

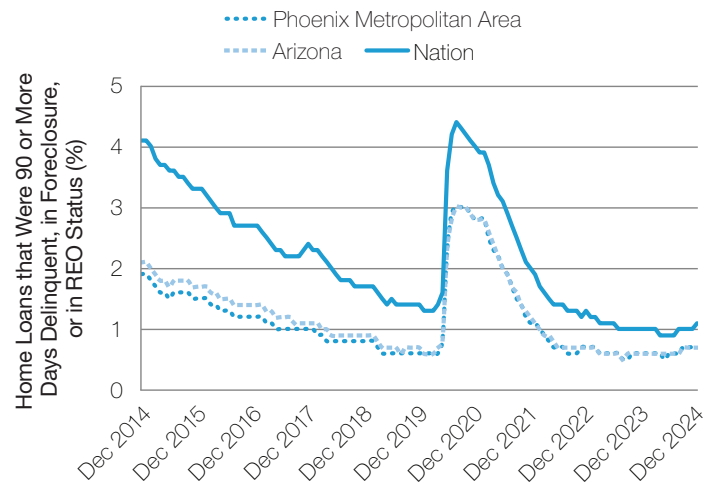


Note: Prices are for single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

- Sales construction activity was low in 2022 and 2023, averaging 22,600 homes permitted each year, because demand for new homes fell sharply in response to rising mortgage rates.
- Since 2021, approximately 26 percent of new home construction in the metropolitan area occurred in Pinal

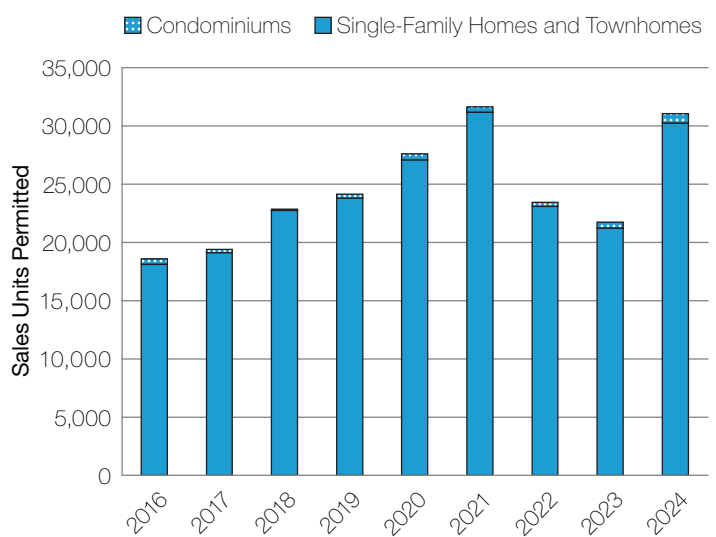
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**The share of seriously delinquent home loans and properties in REO status in the Phoenix metropolitan area has been consistently below the national and state rates since 2014.**



REO = real estate owned.  
Source: CoreLogic, Inc.

**The level of sales permitting activity in the Phoenix metropolitan area in 2024 approached the previous peak in 2021, when sales market conditions were tight.**



Sources: U.S. Census Bureau, Building Permits Survey; 2016–23—final data and estimates by the analyst; 2024—preliminary data and estimates by the analyst

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County, where land is more abundant, compared with less than 20 percent from 2017 through 2020.

- One of the most active new home subdivisions in the metropolitan area in 2024 was Radiance at Superstition Vistas in the city of Apache Junction in Pinal County (Zonda).

## Rental Market Conditions

Rental market conditions in the Phoenix metropolitan area are currently slightly soft, with an estimated rental vacancy rate of 10.0 percent, up from 8.5 percent in 2020, when conditions were more balanced. Conditions have eased since 2021 because rental construction has significantly outpaced absorption, resulting in rising vacancy rates and stagnant rents. Approximately 28,750 apartment units were completed in 2024, whereas 20,500 units were absorbed (CoStar Group). Despite lagging behind completions, the recent absorption was comparatively strong, almost doubling from a year ago and higher than the annual average of 8,625 units absorbed from 2015 through 2020.

As of the fourth quarter of 2024—

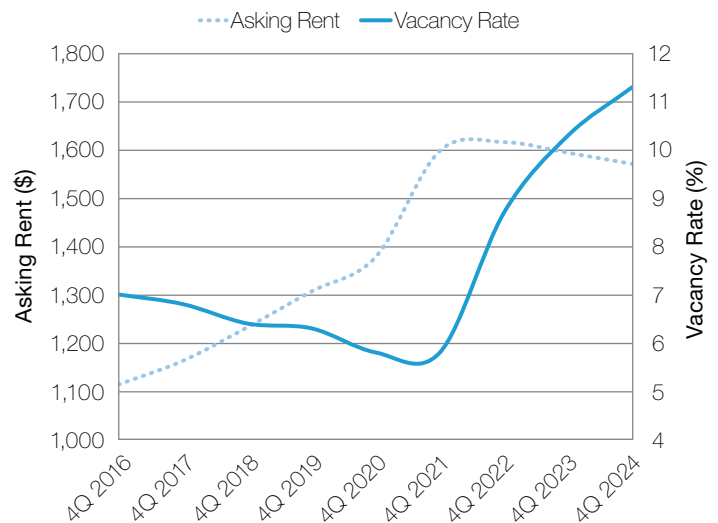
- Apartment market conditions are soft, with an average vacancy rate of 11.3 percent, up from 10.3 percent a year ago. From 2016 through 2022, the fourth quarter vacancy rate fluctuated but in a relatively narrow band of about 3.0 percentage points, ranging from 5.8 to 8.7 percent.
- Among the 15 CoStar Group-defined market areas, the West Maricopa County area had the highest vacancy rate—rising to 37.7 percent from 33.6 percent a year ago—and includes some of the fastest growing areas of the metropolitan area. The vacancy rate rose despite record-high absorption of 1,525 units during 2024 because the 2,670 units completed increased the covered apartment inventory by 75 percent.
- The average apartment rent was \$1,570, declining an average of 1 percent a year for the past 2 years. For context, rents increased 16 percent year over year as of the fourth quarter of 2021 and 1 percent the following year to a high of \$1,615 as of the fourth quarter of 2022.
- The only market area with rent growth was the Camelback area, where rents rose almost 1 percent year over year to \$1,561, partly because of limited new construction. The fastest rate of decline, 5 percent, occurred in the Southeast Valley area, where rents averaged \$1,392, the lowest in the metropolitan area.

Rental permitting in 2024 marks the lowest level in the past 5 years.

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Since opening in 2023, the community has sold 780 homes with 440 lots still available, including 160 currently under construction and 25 that are ready for move-in with an average sales price of \$479,200.

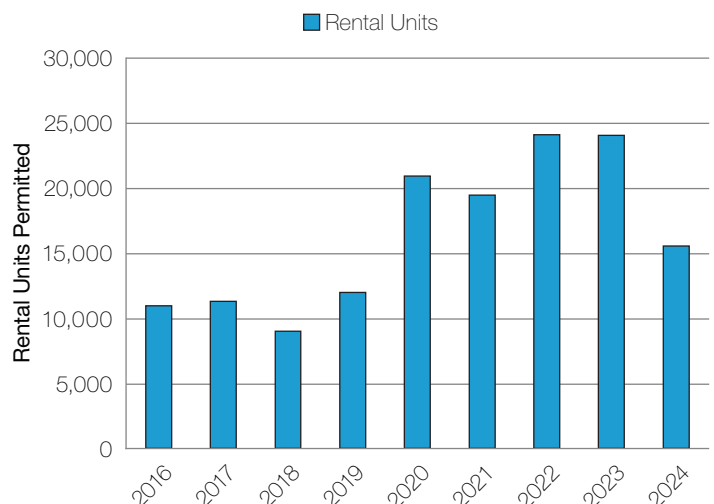
**The average rent in the Phoenix metropolitan area has declined a cumulative 2 percent since the fourth quarter of 2021.**



4Q = fourth quarter.

Source: CoStar Group

**Rental construction activity in the Phoenix metropolitan area fell sharply in 2024 in response to soft market conditions.**



Notes: Includes apartments and other units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2016–23—final data and estimates by the analyst; 2024 data—preliminary data and estimates by the analyst

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- Rental permitting in 2024 totaled 15,500 units (preliminary data), falling 36 percent from the average of 24,100 units permitted each year in 2022 and 2023.
- An average of 10,800 rental units were permitted annually from 2016 through 2019, and permitting almost doubled to an average of 20,200 units permitted each year in 2020 and 2021.
- In addition to record-level apartment construction, developers have increased the production of single-family homes built for rent (BFR). From 2020 through 2024, approximately 15 percent of rental units permitted in the metropolitan area were for homes BFR, compared with less than 8 percent from 2015 through 2019.
- The Deer Valley area, near the TSMC campus, had several completed rental developments in 2024, totaling approximately 1,125 units. The largest development, Bloom at Deer Valley, opened with 297 units of single-family homes BFR, with rents ranging from \$1,882 for studio homes to \$2,883 for three-bedroom homes. The property has leased an average of 18 homes per month (CoStar Group).
- An estimated 27,000 rental units are under construction in the metropolitan area. The highest concentration, 16 percent, is in the Downtown Phoenix area, followed by 8 percent in the Tempe area.

## Terminology Definitions and Notes

### A. Definitions

<b>Absorption</b>	The net change, positive or negative, in the number of occupied units in a given geographic range.
<b>Apartment Vacancy Rate/Average Monthly Rent</b>	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
<b>Building Permits</b>	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
<b>Distressed Sales</b>	Short sales and real estate owned (REO) sales.
<b>Existing Home Sales</b>	Includes resales, short sales, and REO sales. Resales are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
<b>Home Sales/Home Sales Prices</b>	Includes single-family home, townhome, and condominium sales.
<b>Net Natural Increase</b>	Resident births are greater than resident deaths.
<b>Rental Market/Rental Vacancy Rate</b>	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
<b>Resales</b>	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
<b>Seriously Delinquent Mortgages</b>	Mortgages 90 or more days delinquent or in foreclosure.
<b>Stabilized</b>	A property is stabilized once the occupancy rate has reached 90 percent or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.

### B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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