

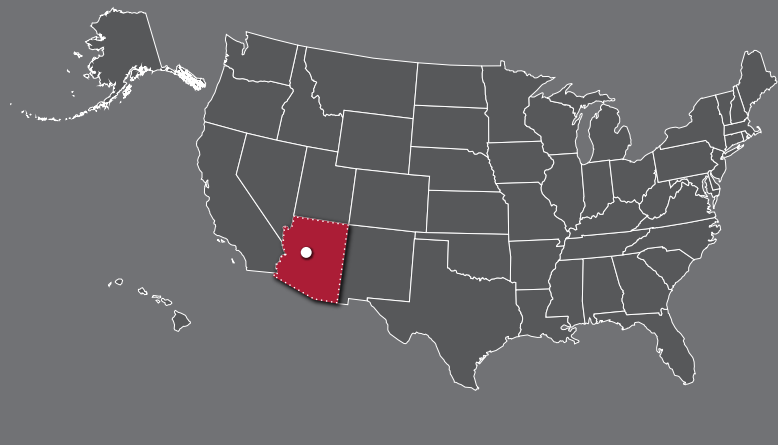
HUD PD&R Housing Market Profiles

Prescott, Arizona



Quick Facts About Prescott

- Current sales market conditions: balanced
- Current rental market conditions: balanced
- The Prescott metropolitan area was originally settled for mining in the 1860s, an industry that continues to this day. The town of Bagdad is the fifth largest producer of copper ore in the United States.



By [Alexander Flowers](#) | As of August 1, 2024

Overview

The Prescott Metropolitan Statistical Area (hereafter, Prescott metropolitan area) is in central Arizona, abutting both the Phoenix-Mesa-Chandler metropolitan area to the south and the Flagstaff metropolitan area to the north. The metropolitan area is coterminous with Yavapai County and contains the municipalities of Chino Valley, Cottonwood, Jerome, Prescott, Prescott Valley, and part of Sedona. The area is a popular destination for retirees, and net in-migration has accounted for all population growth since at least 2010. The metropolitan area is home to the Embry-Riddle Aeronautical University and Yavapai College, with respective enrollments of 3,250 and 7,000 students as of the fall of 2023. Major employers in the area include Yavapai County, the Yavapai Regional Medical Center, and the Yavapai County Community College District.

- As of August 1, 2024, the metropolitan area population is estimated at 252,300, an average increase of 2,900, or 1.5 percent, annually since 2022, with average annual net in-migration of 4,550 people more than offsetting the average annual net natural decline of 1,650 people.

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- From 2020 to 2022, population growth in the metropolitan area averaged 4,450 people, or 1.9 percent, annually, with net in-migration averaging 6,700 people annually (U.S. Census Bureau population estimates as of July 1). Strong migration from adjacent Maricopa County and southern California into the metropolitan area supported population growth.
- In 2023 (the most recent data available), the population of the municipalities of Chino Valley, Prescott, and Prescott Valley reached 13,800, 47,750, and 50,050, respectively. Combined, these communities, which are in the center of the metropolitan area, account for 42 percent of the total population. The remaining residents live in smaller towns throughout the county or the connecting rural areas.

Economic Conditions

Economic conditions in the Prescott metropolitan area are currently stable. Job growth continued but moderated during the past year. Nonfarm payrolls averaged 70,700 jobs during the 3 months ending July 2024, an increase of 900 jobs, or 1.3 percent, from a year earlier, when nonfarm payrolls increased by 1,300 jobs, or 1.9 percent. The unemployment rate in the metropolitan area averaged 3.6 percent during the 3 months ending July 2024, down from 3.9 percent a year earlier and well below the national unemployment rate of 4.2 percent. Unemployment in the metropolitan area reached an all-time peak in the second quarter of 2020 at a rate of 11.8 percent, which was also below the national average of 12.9 percent.

As of the 3 months ending July 2024—

- The government sector led job growth, increasing by 600 jobs, or 5.7 percent, from a year earlier to 11,200 jobs. The local and state government subsectors led growth in the government sector, adding 500 jobs, or 5.7 percent, to a combined 9,200 jobs in the past year.
- The largest nonfarm payroll sector, education and health services, increased by 400 jobs, or 3.3 percent, from a year earlier to 12,400 jobs, continuing trends from the previous year, when the sector increased by 400 jobs, or 3.1 percent.
- Partially offsetting job gains, the leisure and hospitality sector fell by 300 jobs, or 2.9 percent, to 10,200 jobs. The sector remains the third largest in the metropolitan area, partly because of tourism associated with visitors to Prescott and Chino Valley, two of the historical capitals of Arizona.
- Resident employment in the metropolitan area averaged 107,000 employees, an increase of 1,700, or 1.6 percent, from a year earlier, when employment increased by 1,975 employees, or 1.9 percent. Resident employment outnumbers nonfarm payrolls by 51 percent, indicating that a sizable portion of the labor force commutes from the metropolitan area for work, with an estimated 32 percent of workers traveling to neighboring Maricopa County (2021 American Community Survey [ACS] 1-year data).

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As of the 3 months ending July 2024, 4 of the 11 sectors added jobs year over year in the Prescott metropolitan area, led by the government sector.

	3 Months Ending		Year-Over-Year Change	
	July 2023 (Thousands)	July 2024 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	69.8	70.7	0.9	1.3
Goods-Producing Sectors	10.9	10.9	0.0	0.0
Mining, Logging, & Construction	7.2	7.2	0.0	0.0
Manufacturing	3.7	3.7	0.0	0.0
Service-Providing Sectors	58.9	59.8	0.9	1.5
Information	0.5	0.5	0.0	0.0
Financial Activities	2.6	2.8	0.2	7.7
Professional & Business Services	6.4	6.2	-0.2	-3.1
Education & Health Services	12.0	12.4	0.4	3.3
Leisure & Hospitality	10.5	10.2	-0.3	-2.9
Other Services	2.5	2.6	0.1	4.0
Government	10.6	11.2	0.6	5.7
Unemployment Rate	3.9%	3.6%		

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

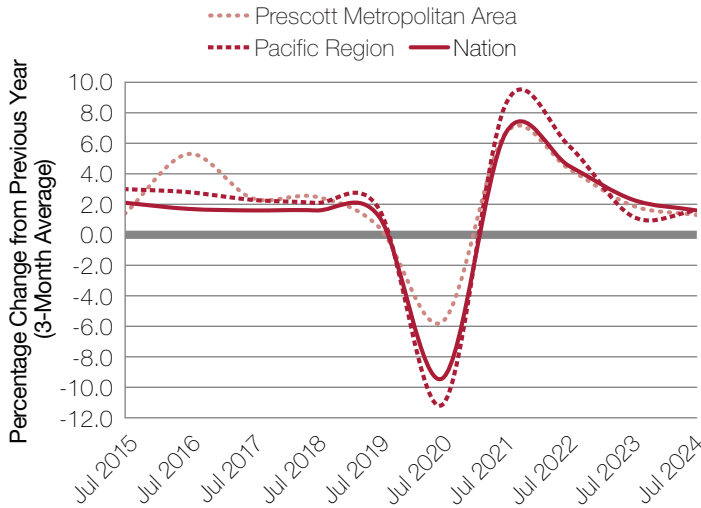
Source: U.S. Bureau of Labor Statistics



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The growing presence and continued net in-migration of retired and elderly residents contribute heavily to the demand for health services in the metropolitan area. Retirees are attracted

Since recovering from the COVID-19 pandemic, job growth in the Prescott metropolitan area has mirrored national trends.



Source: U.S. Bureau of Labor Statistics

to the local climate and community, and the median age in the metropolitan area was 55 in 2022, well above the national median of 39 years (2022 ACS 1-year data). Furthermore, the share of residents aged 60 and older in the metropolitan area is increasing, growing from 31.9 percent in 2010 to 43.3 percent in 2022 (2010 and 2022 ACS 1-year data). Consequently, the education and health services sector is the largest sector in the metropolitan area, representing 18 percent of total nonfarm payrolls. Exceptional Healthcare Inc., a Texas-based hospital group opening facilities across Arizona, has been building a new \$25 million community-based hospital that is planned to open in late 2024.

Largest Employers in the Prescott Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Yavapai Regional Medical Center	Education & Health Services	2,792
Yavapai County	Government	1,856
Walmart Inc.	Wholesale & Retail Trade	1,310

Note: Excludes local school districts.

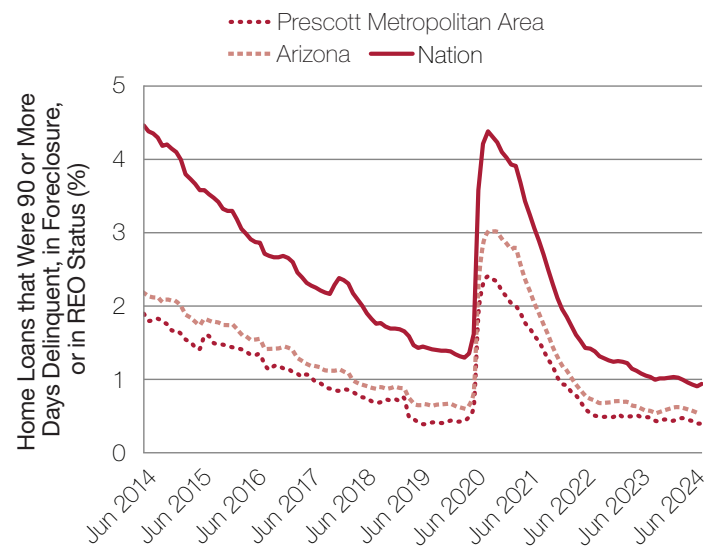
Sources: Prescott Valley, Prescott, and Cottonwood 2023 Annual Comprehensive Financial Reports

Sales Market Conditions

Sales market conditions in the Prescott metropolitan area are currently balanced, with an estimated 2.5-percent vacancy rate, up from 2.2 percent in April 2020, when conditions were slightly tight. Elevated levels of net in-migration from numerous households moving to the metropolitan area to purchase retirement homes, combined with very low interest rates, contributed to significant absorption of for-sale inventory in the early stages of the COVID-19 pandemic. Consequently, the supply of homes for sale fell from 3.8 months in September 2018 to a low of 1.3 months in February 2022 (CoreLogic, Inc.). Total home sales in the metropolitan area reached a recent peak of 12,100 homes sold in the 12 months ending July 2021. Following a rise in mortgage interest rates beginning in early 2022, home purchases slowed, and the inventory of homes for sale rose to 4.3 months in July 2024, the highest since 2016. The percentage of home loans that were seriously delinquent or that had transitioned into real estate owned status rose to a recent peak of 2.4 percent in August 2020, during the pandemic. The rate has since fallen to 0.4 percent as of June 2024, down from 0.5 a year earlier, and remains below both the state and national rates of 0.6 and 0.9 percent, respectively, continuing a trend that began at least a decade ago.

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The percentage of home loans 90 or more days delinquent, in foreclosure, or that recently transitioned to REO status in the Prescott metropolitan area has consistently remained below the state and national rates since at least mid-2014.



REO = real estate owned.

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

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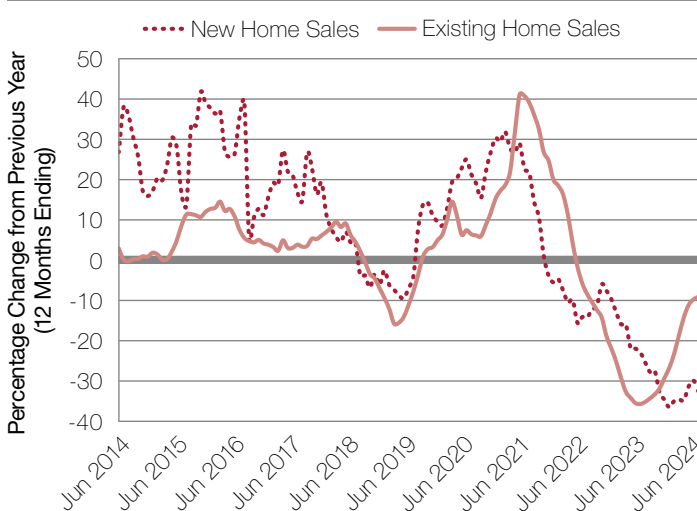
During the 12 months ending June 2024 —

- New home sales in the metropolitan area totaled 540, down by 260 homes sold, or 33 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). By comparison, new home sales reached 1,225 in the 12 months ending June 2021, a recent peak, with an increase of 230 homes sold, or 23 percent, from the previous 12 months.
- Existing home sales fell by 600, or 9 percent, from a year earlier to 5,975 homes sold. By contrast, existing home sales in the 12 months ending June 2021 rose by 3,075, or 39 percent, to reach a recent high of 10,900 homes sold.
- The average sales price of a new home in the metropolitan area was \$578,000, an increase of \$26,300, or 5 percent, from a year earlier, when the average price of a new home increased by \$87,600, or 19 percent.
- The average price of an existing home was \$470,400, up \$19,650, or 4 percent, from a year earlier. By comparison, the average price of an existing home increased by \$22,300, or 5 percent, in the 12 months ending June 2023.

Single-family home construction activity in the metropolitan area, as measured by the number of single-family homes permitted, reached a recent peak of 1,900 homes in 2021, then declined sharply by an average of 20 percent each year to 1,225 homes permitted in 2023.

- The number of single-family homes permitted during the 12 months ending July 2024 increased by 460, or 45 percent,

During the 12 months ending June 2024, new and existing home sales in the Prescott metropolitan area declined for the third consecutive year after reaching recent peaks in 2021.

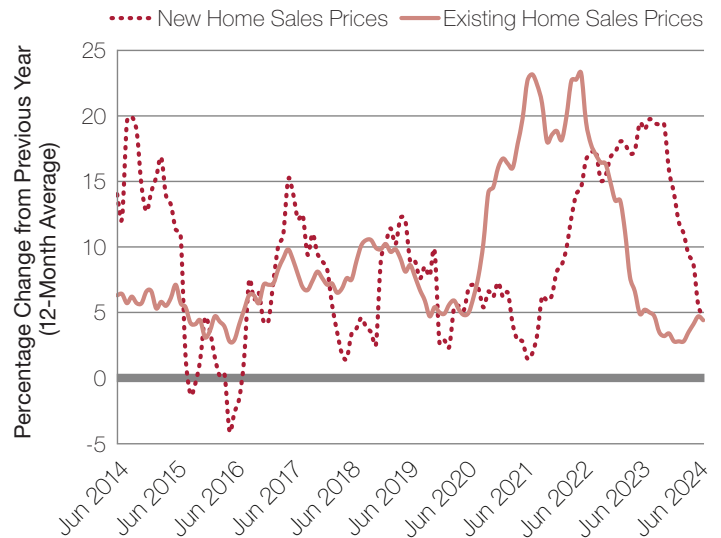


to 1,475 homes compared with the previous 12-month period (preliminary data, with adjustments by the analyst).

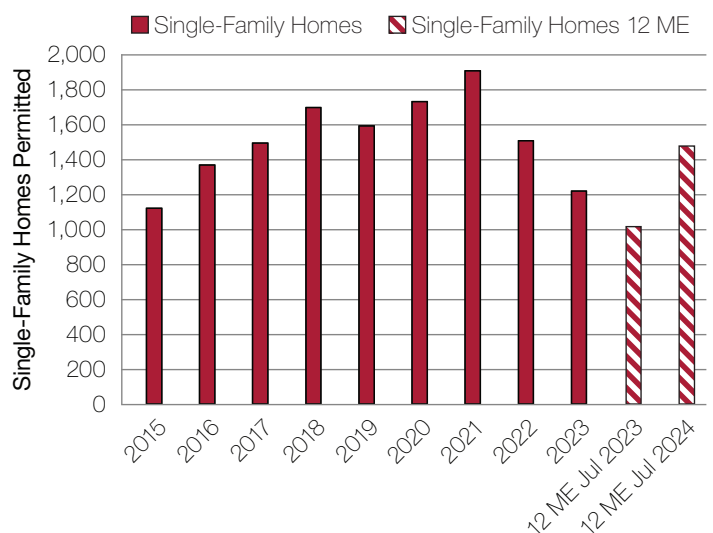
- Homebuilding activity in the metropolitan area has historically been concentrated primarily in the municipality of Prescott Valley and, to a lesser extent, in Prescott. Prescott Valley

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Although price growth for existing homes has decelerated since 2022, sales prices for existing homes have not declined in at least a decade.



Single-family permitting in the Prescott metropolitan area peaked in 2021 but has since trended downward.



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averaged 32 percent of single-family construction activity from 2013 through 2023, whereas Prescott averaged 22 percent.

- Several subdivisions are under construction in the metropolitan area, including several in the northern parts of Prescott and Prescott Valley. These communities include Northridge, Morningstar, and Westwood by Evermore, which offer two-, three-, and four-bedroom homes between 1,527

and 2,860 square feet, ranging from \$473,000 to \$681,900. Skyview by ECCO Homes offers two- and three-bedroom homes between 1,653 and 2,254 square feet from \$494,900 to \$595,900. Meadow at Antelope Park, Horizon at the Dells, and Overlook at the Dells by Woodside offer two-, three-, four-, five-, and six-bedroom homes between 1,629 and 3,055 square feet from \$529,890 and \$899,900.

Rental Market Conditions

Rental market conditions in the Prescott metropolitan area are currently balanced. Approximately 37 percent of renter households live in single-family attached or detached units, another 17 percent live in mobile homes, and only 23 percent live in multifamily buildings with five or more units, such as apartments (2022 ACS 1-year estimates). Strong levels of population growth contributed to a slightly tight rental market during the early stages of the COVID-19 pandemic. Slowing net in-migration combined with increased recent construction activity has subsequently led to increased rental vacancy rents and declining rents.

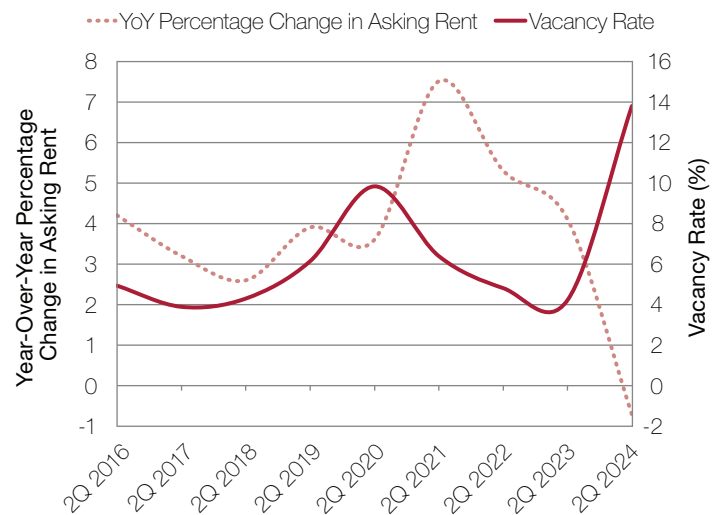
- The estimated vacancy rate for all rental units was 8.2 percent as of August 2024, up from 7.6 percent in April 2020, when conditions were slightly tight.
- The overall apartment market in the metropolitan area is currently soft, partly because of the recent completion of several large projects. The average vacancy rate increased to 13.8 percent as of the second quarter of 2024, up from 4.2 percent a year earlier (CoStar Group).
- Asking rents for apartments in the metropolitan area averaged \$1,616 as of the second quarter of 2024, down \$11, or less than 1 percent, from a year earlier, when rents increased by \$64, or 4 percent, year over year. Rent growth had the strongest increase as of the fourth quarter of 2021, rising by \$128, or 9 percent.
- Absorption of apartment units in the metropolitan area reached 250 units in the 12 months ending June 2024, up from 50 units a year earlier. By comparison, apartment absorption peaked at 380 units in the 12 months ending June 2021.

Multifamily home construction activity in the metropolitan area, as measured by the number of units permitted, decreased significantly during the most recent 12 months in response to elevated rental vacancy rates and softening rental market conditions. Multifamily construction in the area peaked at 860 units permitted in 2022.

- During the 12 months ending July 2024, multifamily permitting in the metropolitan area declined by 450 units, or 55 percent, to 370 units compared with the previous year (preliminary data, with adjustments by the analyst).

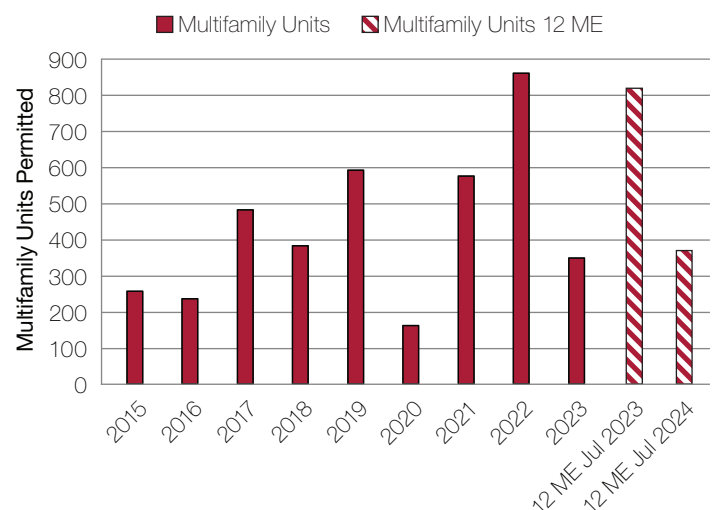
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Following a prolonged period of strong rent growth from 2020 through 2022, rent growth fell sharply because vacancy rates have risen since late 2023.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

Following a peak in 2022, multifamily permitting in the Prescott metropolitan area has since declined.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- As the population grew and the local economy expanded from 2015 through 2018, multifamily permitting averaged 340 units annually. Increasing levels of net in-migration to the metropolitan area contributed to multifamily permitting reaching average annual levels of 440 units from 2019 through 2021.
- Approximately 330 multifamily units are under construction in the metropolitan area, more than one-half of which are multifamily complexes with five or more units in the municipality of Prescott Valley.
- Recent construction in the metropolitan area includes the Crossings at Windsong, a 152-unit complex completed in 2024 in Prescott Valley. The development contains a mix of studio and one-, two-, and three-bedroom units between 357 and 1,338 square feet, ranging from \$1,483 to \$2,616.
- Construction is underway on the Baja PV Apartments, a 140-unit complex of one- and two-bedroom units in Prescott Valley. Construction is expected to be complete by early 2025.

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	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.
Building Permits	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.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Decline	Resident deaths are greater than resident births.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family homes, multifamily units, and mobile homes.
Resales	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.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized Units	Apartment properties that have been online for 18 months or have reached 95-percent occupancy.

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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