

COMPREHENSIVE HOUSING MARKET ANALYSIS

Prescott, Arizona

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2024



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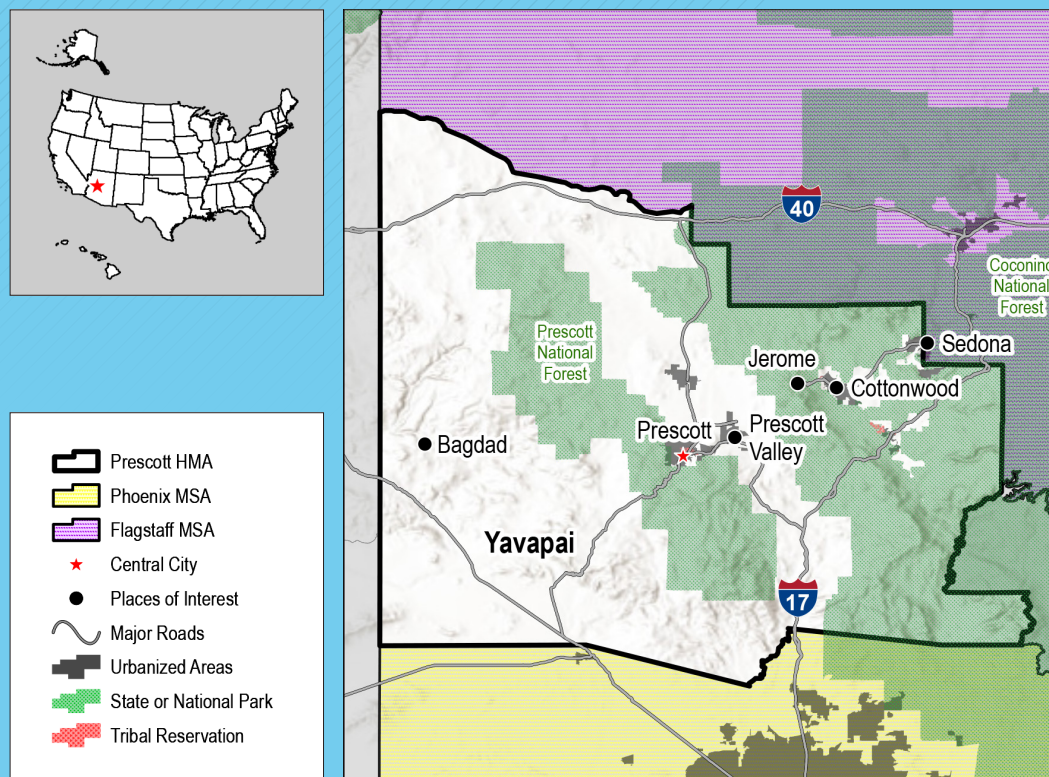


Executive Summary

Housing Market Area Description

The Prescott Housing Market Area (HMA) is coterminous with the Prescott Metropolitan Statistical Area (MSA) and is defined as Yavapai County in central Arizona. The HMA borders the Flagstaff MSA to the north and the Phoenix-Mesa-Chandler MSA (hereafter, Phoenix MSA) to the south. The HMA includes the principal municipalities of Prescott, Prescott Valley, and part of Sedona, which borders the Flagstaff MSA. The HMA also contains reservation land belonging to the Yavapai-Prescott Tribe and the Yavapai-Apache Nation.

The current population of the HMA is estimated at 252,300.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Stable: The economy in the Prescott HMA has fully recovered from the 2020 economic downturn, but job growth in the HMA has slowed in the past year.

During the 12 months ending July 2024, nonfarm payrolls in the HMA totaled 70,900 jobs, reflecting an increase of 800 jobs, or 1.1 percent, from the previous 12 months. By contrast, nonfarm payrolls increased by 2,200, or 3.3 percent, during the 12 months ending July 2023. The government sector led job growth during the past 12 months, increasing by 400 jobs, or 3.6 percent, from a year earlier and accounting for one-half of total job gains. Job growth is expected to continue to slow in the HMA during the 3-year forecast period, averaging 0.9 percent annually.

Sales Market



Balanced: The HMA has an estimated sales vacancy rate of 2.5 percent, up from 2.2 percent in 2020 but down from 4.1 percent in 2010.

During the 12 months ending July 2024, home sales in the HMA totaled 6,575, a decline of 680 sales, or 9 percent, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). Home sales reached a recent peak during the 12 months ending July 2021, with 12,150 homes sold, and have generally declined since. The average home sales price during the 12 months ending July 2024 was \$479,800, an increase of \$16,800, or 4 percent, from a year earlier compared with a 7-percent annual increase during the previous 12 months. During the next 3 years, demand is expected for 4,700 new sales units. The 600 units under construction are expected to satisfy a portion of the demand in the first year.

Rental Market



Balanced: The overall rental housing market has an estimated vacancy rate of 8.2 percent, up from 7.6 percent in 2020 and down from 10.1 percent in 2010.

Rental housing market conditions in the HMA are currently balanced, compared with slightly tight conditions in 2020. Immediately before and during the early stages of the COVID-19 pandemic, elevated levels of net in-migration contributed to rental market conditions tightening; however, increased rental construction immediately following the pandemic and recently slowing population growth have since caused overall market conditions to ease. Apartment market conditions in the HMA are soft, with a vacancy rate of 13.1 percent as of the second quarter of 2024, up from 4.2 percent a year earlier, partly because of a significant number of units currently in lease up (CoStar Group). The average apartment rent was \$1,615, down \$12, or less than 1 percent, from a year ago. However, the average apartment rent was higher than rents in the second quarters of 2022 and earlier because of strong rent growth through the second quarter of 2023. During the forecast period, demand is estimated for 1,200 new rental units. The 330 units under construction will satisfy a portion of demand in the first year.

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3-Year Housing Demand Forecast			
Prescott HMA		Sales Units	Rental Units
	Total Demand	4,700	1,200
	Under Construction	600	330

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2024. The forecast period is August 1, 2024, to August 1, 2027.
Source: Estimates by the analyst



Economic Conditions

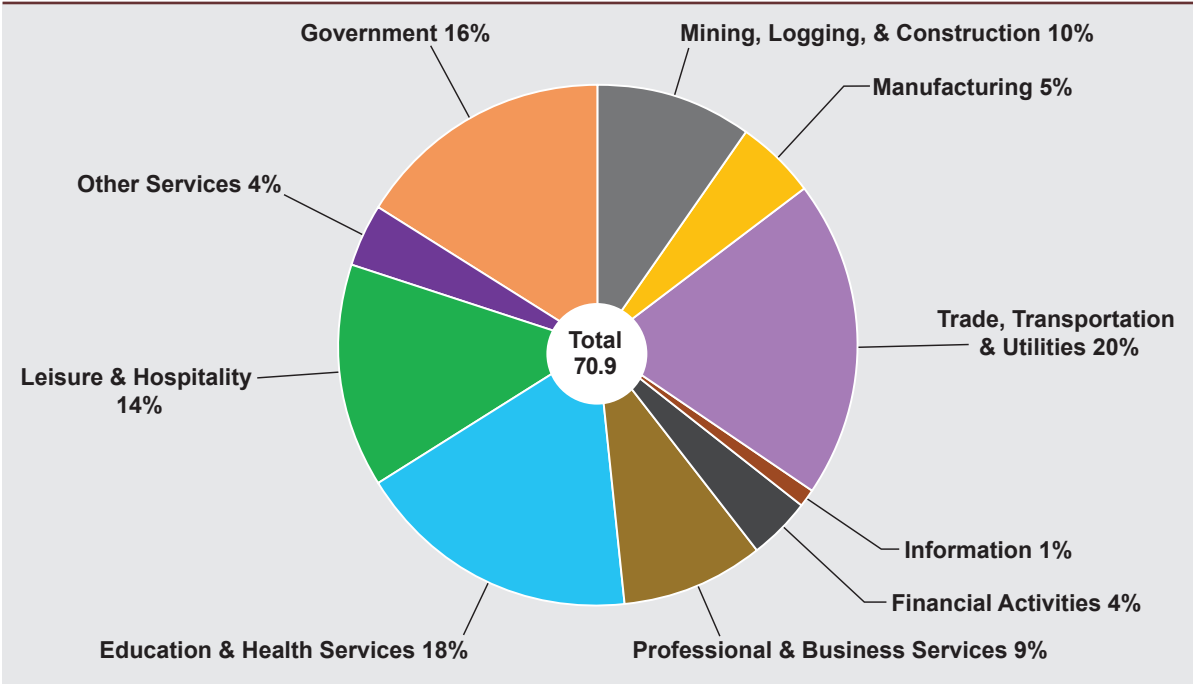
Largest Sector: Education and Health Services

Education and health services is the largest single nonfarm payroll sector in the Prescott HMA, representing 18 percent of total jobs.

Primary Local Economic Factors

Originally settled in the 1860s, the HMA historically has depended on the mining industry as a primary foundation of the economy. Several towns in the HMA began as mining communities, with gold mines in the municipalities of Prescott and Prescott Valley, copper mines in the towns of Jerome and Bagdad, and a copper refinery in the town of Clarkdale. Bagdad, a company town owned by Freeport-McMoRan Inc. in the western part of Yavapai County, is the fifth largest producer of copper ore in the United States. However, as mining facilities closed operations in Jerome and Clarkdale in the 1950s, the economic base of the HMA shifted toward agriculture, tourism, and trade. The towns now offer high-end winery tours, accommodations for tourists, and locally produced goods for sale. The mining, logging, and construction sector represents 10 percent of total nonfarm payrolls, and the leisure and hospitality sector represents 14 percent (Figure 1). By comparison, the mining, logging, and construction sector represented 13 percent of payrolls in 2007 before strongly decreasing copper prices in late 2008 contributed to declining mining jobs in the HMA. Tourism plays a significant role in the overall

Figure 1. Share of Nonfarm Payroll Jobs in the Prescott HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through July 2024. Trade, Transportation & Utilities includes the wholesale and retail trade and the transportation and utilities sectors, which are not reported separately for this HMA.
Source: U.S. Bureau of Labor Statistics

HMA economy, partly because of an abundance of nearby outdoor recreation activities and the presence of several historical attractions, which support the third largest nonfarm payroll sector, leisure and hospitality. Yavapai County contains both the Prescott National Forest and part of the Coconino National Forest, with 38 percent of land in the HMA maintained by the U.S. Forest Service, 27 percent by the state of Arizona, and 9 percent by the U.S. Bureau of Land Management. The central city of Prescott, one of the two original capitals of the Arizona Territory in the HMA, boasts one of the oldest continuously operating rodeos in the world. Likewise, Sedona has attracted tourists since the 1950s, drawing visitors to its natural beauty.

The HMA is an important regional medical hub, providing health services for the residents of central Arizona, particularly the relatively high share of elderly residents. The Yavapai Regional Medical Center is the largest employer in the HMA, employing approximately 2,800 people in 2023 (Table 1). The education and health services sector, the largest nonfarm payroll sector in the HMA, is supported by approximately 460 jobs at the



Embry-Riddle Aeronautical University. The second largest nonfarm payroll sector, government, is supported by Yavapai County, Yavapai College, and the city of Prescott, employing approximately 1,850, 620, and 550 people, respectively. Of all the nonfarm payroll sectors in the HMA, only the other services and the information sectors have declined since 2011, falling by 5.3 and 16.7 percent, respectively (Figure 2).

Current Conditions—Nonfarm Payrolls

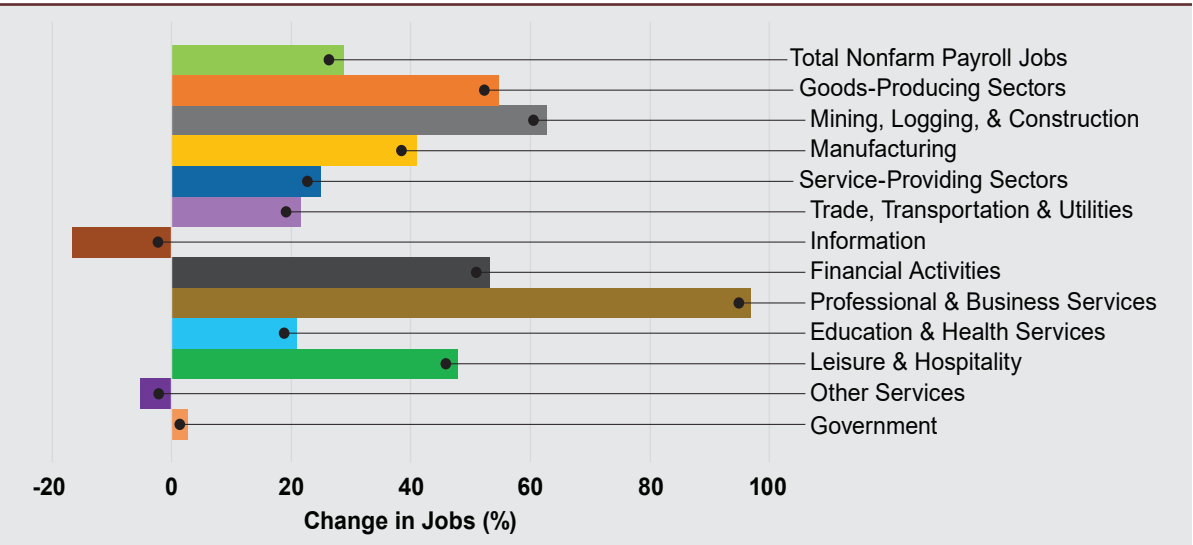
The economy in the HMA is currently stable, with 3 consecutive years of job growth. During the 12 months ending July 2024, nonfarm payrolls in the HMA increased by 800 jobs, or 1.1 percent, annually to 70,900 jobs compared with an increase of 2,200 jobs, or 3.3 percent, a year earlier (Table 2). Job gains during the most recent 12 months were greatest in the government sector, which increased by 400 jobs, or 3.6 percent, similar to the rate of growth a year earlier. One-half of the growth in the sector is attributed to growth in the federal government subsector, which increased by 200 jobs, or 11.9 percent. The government sector has grown strongly in the past 2 years, partly because of the recovery of local government jobs lost during the early stages of the COVID-19 pandemic and job gains associated with the Prescott VA Medical Center. Growth also occurred in the professional and business services, the education and health services, and the mining, logging, and construction sectors,

Table 1. Major Employers in the Prescott HMA

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
Veterans Health Administration	Government	1,295
Freeport-McMoRan Inc.	Mining, Logging, & Construction	1,150
Northern Arizona Healthcare	Education & Health Services	1,050
Yavapai College	Government	624
City of Prescott	Government	548
Embry-Riddle Aeronautical University	Education & Health Services	455
Sturm, Ruger & Company, Inc.	Manufacturing	400

Note: Excludes local school districts.
Sources: Prescott, Prescott Valley, and Cottonwood 2023 Annual Financial Reports

Figure 2. Sector Growth in the Prescott HMA, 2011 to Current



Note: Current data are based on the 12-month averages ending July 2024.
Source: U.S. Bureau of Labor Statistics

which increased by 200, 100, and 100 jobs, or 3.3, 0.8, and 1.4 percent, respectively. Those gains followed larger gains a year earlier of 900, 500, and 300 jobs, or 17.7, 4.6, and 3.6 percent, respectively. Partially offsetting payroll gains, the manufacturing sector declined by 100 jobs, or 2.6 percent, during the 12 months

ending July 2024, and the leisure and hospitality sector fell by 200 jobs, or 1.9 percent, the largest decline of any sector. Those declines are a continuation from a year earlier, when the manufacturing and the leisure and hospitality sectors decreased by 200 and 100 jobs, or 4.0 and 1.0 percent, respectively.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Prescott HMA, by Sector

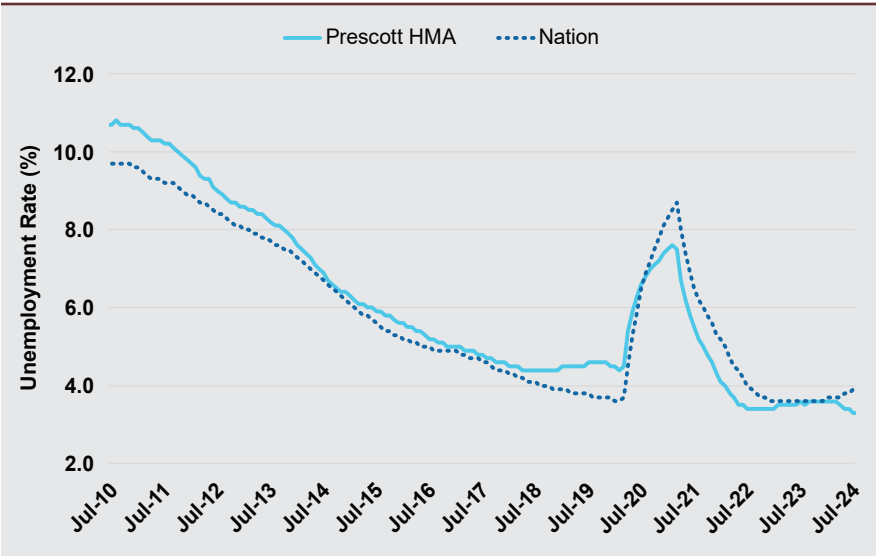
	12 Months Ending July 2023	12 Months Ending July 2024	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	70.1	70.9	0.8	1.1
Goods-Producing Sectors	10.9	10.8	-0.1	-0.9
Mining, Logging, & Construction	7.1	7.2	0.1	1.4
Manufacturing	3.8	3.7	-0.1	-2.6
Service-Providing Sectors	59.2	60.0	0.8	1.4
Trade, Transportation & Utilities	13.7	13.9	0.2	1.5
Information	0.5	0.5	0.0	0.0
Financial Activities	2.7	2.8	0.1	3.7
Professional & Business Services	6.1	6.3	0.2	3.3
Education & Health Services	12.4	12.5	0.1	0.8
Leisure & Hospitality	10.4	10.2	-0.2	-1.9
Other Services	2.5	2.6	0.1	4.0
Government	11.0	11.4	0.4	3.6

Notes: Based on 12-month averages through July 2023 and July 2024. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

The unemployment rate in the HMA during the 12 months ending July 2024 averaged 3.3 percent, down from an average of 3.6 percent a year earlier. The unemployment rate is currently below the national average of 3.9 percent, which was up from 3.6 percent the previous year (Figure 3). The unemployment rate in the HMA reached a recent peak of 7.6 percent during the 12 months ending February 2021 because of the economic downturn from

Figure 3. 12-Month Average Unemployment Rate in the Prescott HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

the COVID-19 pandemic. However, the unemployment rate remained below rates in the early 2010s, which reached 10.8 percent in the 12 months ending August 2010 as the area recovered from the Great Recession.

Commuting Patterns

Many of the residents in the HMA work in neighboring MSAs, most notably the Phoenix MSA to the south. In 2021, approximately 46 percent of the working residents in the HMA commuted to jobs outside Yavapai County, including 32 percent who worked in the Phoenix MSA (U.S. Census Bureau, OnTheMap). An additional 6 percent worked in the adjacent Flagstaff MSA to the northeast, and 2 percent worked in the Tucson MSA. The city of Phoenix drew 17 percent of resident workers, accounting for more employment than any other municipality except the city of Prescott.

Economic Periods of Significance

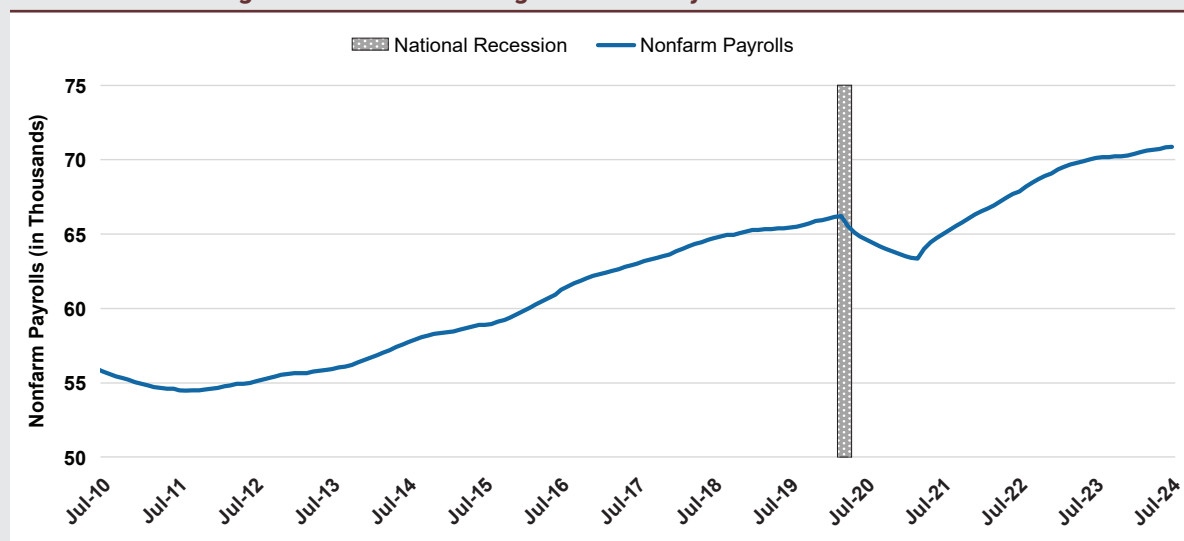
2011 Through 2013

In 2011, the economy in the HMA was weak and had not yet begun to recover from the impact of the Great Recession. Total nonfarm payrolls in 2011 fell by 500, or 0.9 percent (Figure 4). Copper prices fell to a low of \$1.40 a pound in early 2009, contributing to a multiyear decline in the mining, logging, and construction sector, including a loss of 400 jobs, or 9.1 percent, in 2011. The government sector also fell by 400 jobs, or 3.6 percent, in 2011. However, from 2012 through 2013, economic conditions improved, with nonfarm payrolls increasing by an average of 900 jobs, or 1.7 percent, annually. The leisure and hospitality and the education and health services sectors led growth, increasing by 400 jobs each, or 4.7 and 3.9 percent, respectively. The Yavapai Regional Medical Center contributed significantly to healthcare services growth, completing construction of the James Family Heart Center, the Family Birthing Center, and the Baskin Breast Care Center in late 2011. In addition, growth in the mining, logging, and construction sector resumed from 2012 through 2013, adding an average of 200 jobs, or 3.7 percent, annually as copper prices stabilized.

2014 Through 2019

Following the years of slow job growth during the initial recovery, the HMA economy grew strongly from 2014 through 2019 but did not fully recover

Figure 4. 12-Month Average Nonfarm Payrolls in the Prescott HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

the jobs lost during the Great Recession until 2018. Nonfarm payrolls during the period increased by an average of 1,600 jobs, or 2.6 percent, annually. The leisure and hospitality sector led growth, increasing by an average of 400 jobs, or 4.6 percent, annually. The professional and business services, the mining, logging, and construction, and the education and health services sectors also grew, increasing by averages of 300 jobs each, or 9.2, 6.6, and 2.3 percent, respectively. Only the other services sector declined, falling by an average of 100 jobs, or 4.2 percent, annually. Job growth during the period included a notable surge during 2016, when nonfarm payrolls increased by 2,600 jobs, or 4.4 percent. The education and health services sector led growth, increasing by 700 jobs, or 6.1 percent, when the Yavapai Regional Medical Center opened an outpatient center. The leisure and hospitality and the professional and business services sectors also grew strongly, increasing by 600 and 500 jobs, or 6.7 and 16.7 percent, respectively. Following this surge, the mining, logging, and construction sector led growth from 2017 through 2019, increasing by an average of 500 jobs, or 8.7 percent, annually. Growth in the sector was partly due to elevated levels of residential construction associated with accelerating net in-migration and higher copper prices during much of the period.

2020

The COVID-19 pandemic had a negative impact on the HMA economy, with nonfarm payrolls declining by 2,200 jobs, or 3.3 percent, in 2020. The pandemic brought a sudden halt to the trend of growth in the leisure and hospitality sector during the previous decade. In 2020, the sector declined by 1,600 jobs, or 15.2 percent, the largest decline of any nonfarm payroll sector. Shelter-in-place orders and the temporary closure of national parks severely limited tourism to the HMA. The education and health services and the government sectors also declined, falling by 500 and 400 jobs, or 4.0 and 3.6 percent, respectively. However, the financial activities, the professional and business services, and the mining, logging, and construction sectors increased by 200 jobs each, or 9.5, 4.5, and 3.2 percent, respectively. Historically low mortgage interest rates led to a surge in demand for home sales and mortgage lending services.

2021 Through 2022

Helped in part by elevated levels of net in-migration, the local economy surpassed prepandemic job levels in late 2021. Nonfarm payrolls in the HMA grew by an average of 2,700 jobs, or 4.2 percent, annually in 2021 and 2022. The leisure and hospitality sector led growth, increasing by an average of 900 jobs, or 9.1 percent, annually as the economy fully reopened with the widespread availability of vaccines. The professional and business services sector also grew strongly, increasing by an average of 500 jobs, or 10.3 percent, annually. The mining, logging, and construction sector increased by an average of 300 jobs, or 3.8 percent, annually as residential permitting accelerated and copper prices rose strongly to a peak of \$4.90 a pound in 2022. Only the education and health services sector, the largest sector in the HMA, did not grow during the period, unchanged from the previous period.

Forecast

During the 3-year forecast period, nonfarm payrolls in the HMA are anticipated to increase by an average of 0.9 percent annually. Notable job growth is expected to continue in the education and health services, the mining, logging, and construction, and the government sectors. The continued net in-migration of residents aged 65 and older to the HMA will lead to increased demand for healthcare services. Exceptional Healthcare Inc., a Texas-based

hospital group that has opened community-based hospitals across Arizona in recent years, is building a new \$25 million facility in the city of Prescott, expected to open in late 2024. The Yavapai Regional Medical Center is planning to open a new rehabilitation center in Prescott in late 2024, and Freeport-McMoRan Inc. has announced plans to double the Bagdad mine's copper ore production to more than 200 million pounds per year.



Population and Households

Current Population: 252,300

Population growth in the HMA surged from 2019 through 2022 but has since decelerated.

Population Trends

The population of the Prescott HMA is currently estimated at 252,300, reflecting an average annual increase of 3,700 people, or 1.5 percent, since April 2020 (Table 3). Net in-migration during this period averaged 5,650 people a year, accounting for all of the population growth. By contrast, from 2010 through 2020, population growth in the HMA averaged 2,525 people, or 1.1 percent, annually, with net in-migration averaging 3,575 people annually. Net in-migration to the HMA historically has included a significant number of retirees.

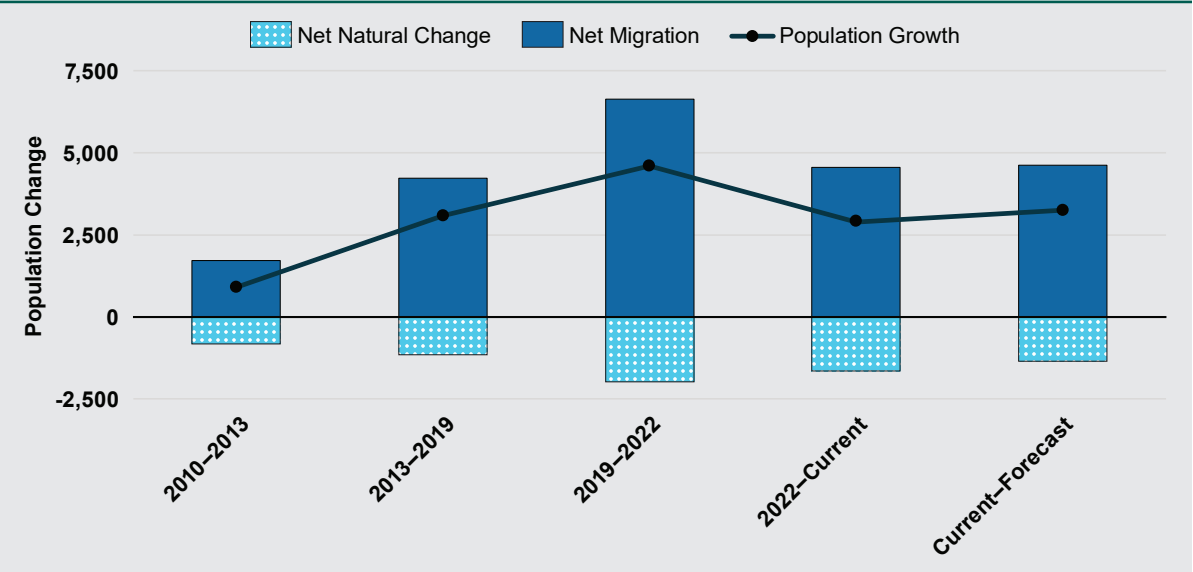
Population growth following the Great Recession was notably low as economic conditions remained weak, net in-migration slowed drastically, and home sales stagnated. From 2010 through 2013, the population of the HMA grew by an average of 890 people, or 0.4 percent, annually, and net in-migration and net natural decline averaged 1,725 and 835 people, respectively (Figure 5). As the economy recovered, population growth gradually increased, averaging 3,075 people, or 1.4 percent, annually from 2013 to 2019. Net in-migration and net natural decline averaged 4,225 and 1,150

Table 3. Prescott HMA Population and Household Quick Facts

Population Quick Facts	2020	Current	Forecast
	Population	236,209	252,300
	Average Annual Change	2,525	3,700
	Percentage Change	1.1	1.5
Household Quick Facts	2020	Current	Forecast
	Households	104,425	112,550
	Average Annual Change	1,350	1,875
	Percentage Change	1.4	1.7

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (August 1, 2024) to August 1, 2027.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Prescott HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is the current date (August 1, 2024) to August 1, 2027.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

people each year, respectively. From 2019 to 2022, a sharp increase in net in-migration to an average of 6,625 a year strongly outpaced accelerating levels of net natural decline, which averaged 2,000 people a year, including a rise in pandemic-related deaths. The increase in net in-migration was largely the result of continued net in-migration of retirees combined with relatively large numbers of working professionals



moving to the HMA from other metropolitan areas, such as the neighboring Phoenix MSA and southern California, particularly during the early stages of the COVID-19 pandemic (Table 4). Consequently, population growth during the period averaged 4,625, or 1.9 percent, annually. Since 2022, however, population growth has slowed, averaging 2,900 people, or 1.2 percent, annually. Net natural decline slowed because of the diminishing impact of COVID-19 on mortality, but net in-migration decelerated in the HMA, partly because of a significant easing of COVID-19-related restrictions in more urbanized areas, such as the Phoenix MSA. From 2022 to the current date, net natural decline and net in-migration have averaged 1,650 and 4,550 people each year, respectively.

Age Cohort Trends

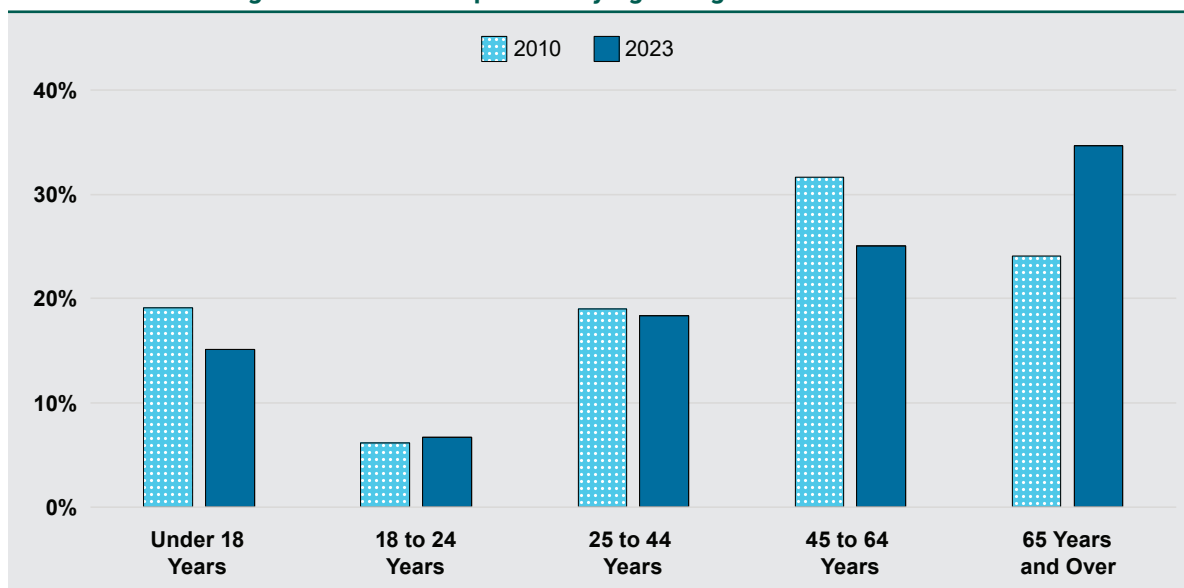
The percentage of the population aged 65 and older has increased notably in the HMA because an increasing number of retirees have moved there in recent years. In 2023, this cohort accounted for approximately 35 percent of the total population in the HMA, up from 24 percent in 2010 (Figure 6). The only other cohort that also increased as a share of the total population was residents aged 18 to 24, up slightly from 6 to 7 percent. Residents aged 45 to 64 had the largest decrease in total population share, falling from 32 percent in 2010 to 25 percent in 2023. From 2010 to 2023, the median age in the HMA

Table 4. County-to-County Migration Flows in the Prescott HMA, 2016–20

Into the HMA	
Maricopa County, AZ	861
Orange County, CA	563
Pinal County, AZ	520
Gila County, AZ	435
San Bernardino County, CA	429
Out of the HMA	
Humboldt County, CA	326
Coconino County, AZ	324
Benton County, AR	258
Hays County, TX	200
Cochise County, AZ	184

Source: U.S. Census Bureau Migration Flows, 2016–2020 American Community Survey 5-year data

Figure 6. Share of Population by Age Range in the Prescott HMA



Source: 2010 and 2023 American Community Survey 1-year data

increased from 49.5 to 55.3 years (Table 5).

By comparison, the national median age increased from 37.2 to 39.2 years. The net natural decline in the HMA is partly due to the relatively high proportion of older residents, with deaths outnumbering births.

Household Trends

Household growth in the HMA since 2020 has outpaced population growth since 2010, largely because a significant share of the population growth has been associated with seniors, who tend to have smaller households. The elevated household growth rate is also partly due to multiperson households who dispersed into separate households following the onset of the COVID-19 pandemic. The current number of households in the HMA is 112,550, reflecting an average increase of 1,875, or 1.7 percent, annually since April 2020, compared with the 1.5-percent population growth. By comparison, the number of households increased by an average of 1,350, or 1.4 percent, annually from 2010 through 2020, more than the population growth rate of 1.1 percent.

Household by Tenure

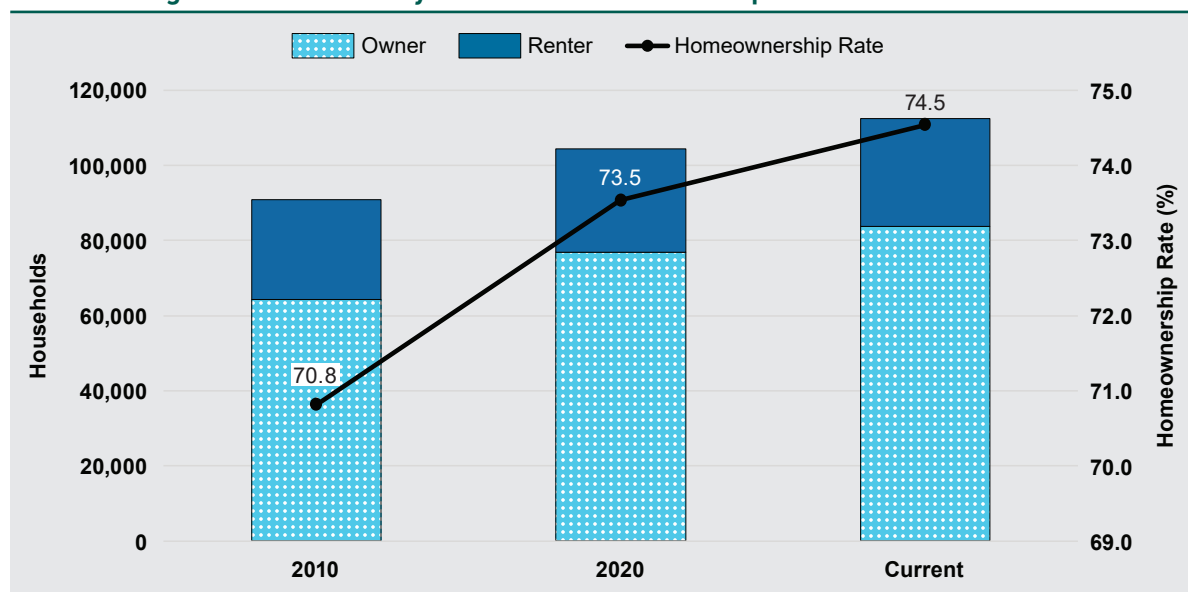
The current homeownership rate is estimated at 74.5 percent, up from 73.5 percent in 2020 and 70.8 percent in 2010 (Figure 7). The homeownership rate trended upward during the 2010s, partly because of significant net in-migration of elderly residents looking to purchase retirement homes. The homeownership rate has continued to rise since 2020, although high mortgage interest rates,

Table 5. Selected Population and Household Demographics

	Prescott HMA	Nation
Population Age Under 18	15.1%	21.7%
Population Age 65 and Over	34.7%	17.7%
Median Age	55.3	39.2
White	79.4%	60.5%
Black	0.6%	12.1%
Asian	1.3%	6.0%
Other Race	3.7%	7.4%
Hispanic	15.7%	19.4%
Non-Hispanic	84.3%	80.6%
Median Household Income	\$67,245	\$77,719
Households With One or More Children Under Age 18	17.5%	28.8%

Source: 2023 American Community Survey 1-year data

Figure 7. Households by Tenure and Homeownership Rate in the Prescott HMA



Note: The current date is August 1, 2024.

Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

increasing housing prices, and non-retiree net in-migration have moderated the increase since late 2022. An estimated 83,900 owner households are currently in the HMA, reflecting an average increase of 2.1 percent annually since April 2020. Renter households have increased an average of 0.8 percent annually since April 2020 to a current total of 28,650. By comparison, from 2010 to 2020, owner and renter households in the HMA increased by averages of 1.8 and 0.4 percent each year, respectively.

Forecast

The population of the HMA is anticipated to increase by an average of 3,250 people, or 1.3 percent, annually during the 3-year forecast period to 262,000. Net in-migration is expected to slow slightly in each subsequent year of the forecast period as economic growth in the HMA moderates, reaching levels comparable to those before 2019. The ongoing expansion of healthcare facilities in the HMA is anticipated to support continued strong net in-migration of retirees. Household growth is expected to average 1,650, or 1.4 percent, annually, to 117,500 households. The homeownership rate is expected to increase to 74.9 percent as retirees continue to expand as a share of the total population.



Home Sales Market

Market Conditions: Balanced

Sales market conditions in the Prescott HMA have eased from slightly tight to balanced because increased interest rates have diminished sales demand.

Current Conditions

The home sales market in the HMA is currently balanced, with an estimated vacancy rate of 2.5 percent, up from 2.2 percent in April 2020, when conditions were slightly tight, but down from 4.1 percent in April 2010, when conditions were soft (Table 6). The average rate for a 30-year, fixed-rate mortgage fell to 2.7 percent in December 2020, the lowest rate since at least 1971 (Freddie Mac). Historically low interest rates and accelerating net in-migration to the HMA resulted in strong sales demand and a sharp decrease in the inventory of homes available for sale during the early stages of the COVID-19 pandemic. The months of supply of for-sale inventory in the HMA fell to a low of 1.3 in February 2021, down from 2.8 months 1 year earlier (CoreLogic, Inc., with adjustments by the analyst). As mortgage rates rose in 2022 and 2023, reaching a peak of 7.8 percent in November 2023, and net in-migration to the area slowed, home sales demand moderated. The supply of for-sale homes in the HMA reached 4.3 months in July 2024, up from 3.9 months a year ago and higher than any level since 2016.

Table 6. Home Sales Quick Facts in the Prescott HMA

Home Sales Quick Facts	Prescott HMA		Nation
	Vacancy Rate	2.5%	NA
	Months of Inventory	4.3	3.5
	Total Home Sales	6,575	4,952,000
	1-Year Change	-9%	-11%
	New Home Sales Price	\$577,300	\$497,600
	1-Year Change	3%	0%
	Existing Home Sales Price	\$471,800	\$416,200
	1-Year Change	4%	7%
	Mortgage Delinquency Rate	0.4%	0.9%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2024; and months of inventory and mortgage delinquency data are as of July 2024. The current date is August 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory, mortgage delinquency rate, and home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Current Home Sales and Prices

During the 12 months ending July 2024, new and existing home sales in the HMA totaled 6,575, down by 680 homes, or 9 percent, compared with a year earlier (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales decreased by 3,800, or 34 percent, during the 12 months ending July 2023. Total home sales reached a peak of 12,150 during the 12 months ending July 2021, the highest 12-month total since 2005, before the Great Recession. The average home price during the 12 months ending July 2024 was \$479,800, an increase of \$16,800, or 4 percent, from a year earlier, when prices increased by \$29,700, or 7 percent. By comparison, the national average home price during the 12 months ending July 2024 was \$421,500, up 6 percent from a year earlier. Existing homes priced between \$200,000 and \$400,000 accounted for approximately 27 percent of home sales during the past 12 months; those priced between \$400,000 and \$600,000 accounted for an additional 26 percent. During the same period, new homes priced between \$200,000 and \$400,000 accounted for 5 percent of all home sales; those priced between \$600,000 and \$1,000,000 accounted for an additional 3 percent (Zonda; Figure 8).

New Home Sales and Prices

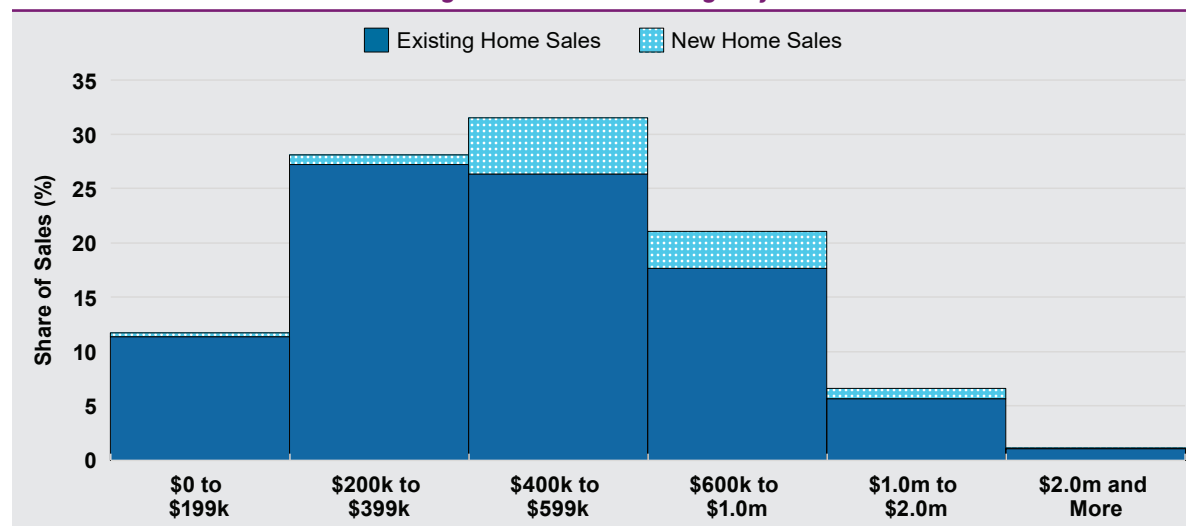
During the 12 months ending July 2024, 540 new homes sold in the HMA, down 30 percent from a year earlier (CoreLogic, Inc., with adjustments by the analyst). By comparison, new homes sold during



the 12 months ending July 2023 declined by 25 percent from a year earlier. Following continuous annual declines from 2006 through 2010, exacerbated by the Great Recession, new home sales in the HMA slowly recovered in the early 2010s. From 2011 through 2013, new home sales in the HMA increased by an average of 90 homes, or 43 percent, annually to 400 homes (Figure 9). As net in-migration, particularly of retirees, strengthened, new home sales growth continued steadily, increasing from 2014 through 2017 by an average of 110 units, or 21 percent, annually to 860 units. New home sales growth stagnated in 2018 and 2019, with sales averaging 840 homes annually. In 2020, however, accelerating net in-migration contributed to an increase of 270 homes, or 30 percent, to 1,150 homes sold. Partly because of slowing net in-migration and increased interest rates, sales demand moderated and new home sales in the HMA declined slightly from 2021 through 2022 by an average of 85 units, or 8 percent, annually.

New home prices in the 12 months ending July 2024 increased by \$15,450, or 3 percent, to \$577,300 from a year earlier, when prices increased by \$92,500, or 20 percent. From 2011 through 2012, despite increasing sales in the HMA, new home prices fell by an average of \$14,050, or 6 percent, annually to \$217,100, partly because of increased construction of low-priced homes (Figure 10). New home price growth then resumed in 2013 and 2014, with prices increasing by an average of \$30,650, or 13 percent, annually

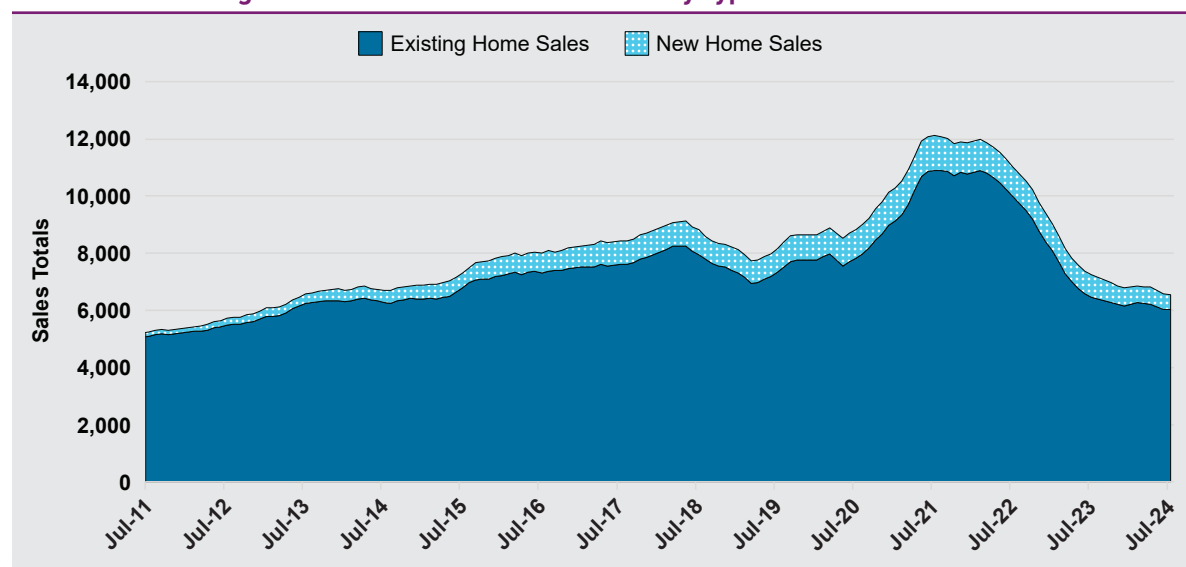
Figure 8. Share of Overall Home Sales by Price Range in the Prescott HMA During the 12 Months Ending July 2024



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: Zonda

Figure 9. 12-Month Home Sales Totals by Type in the Prescott HMA



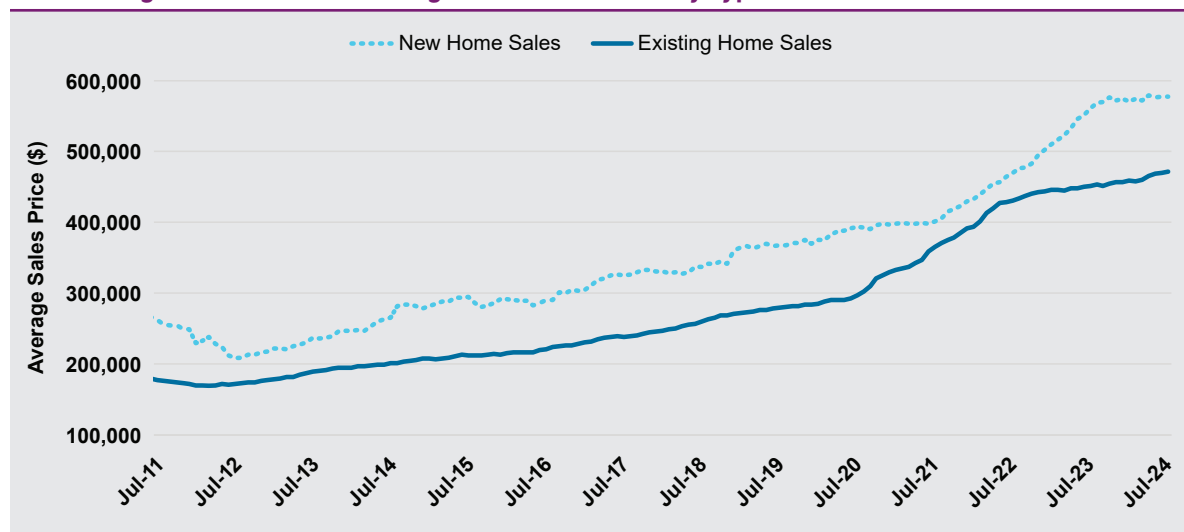
Source: CoreLogic, Inc., with adjustments by the analyst

to \$278,500 as new home sales continued to increase and net in-migration picked up. As economic and population growth stabilized in the late 2010s, new home price growth slowed to an average of \$19,800, or 6 percent, annually from 2015 through 2020. However, following the surge in new home sales in 2020, new home prices trended sharply upward. From 2021 through 2022, new home prices rose by an average of \$52,850, or 13 percent, annually to reach a then-record high of \$502,800.

Existing Home Sales and Prices

Existing home sales in the HMA fell by 440, or 7 percent, during the 12 months ending July 2024 to 6,025, slowing from a 35-percent drop a year earlier. From 2011 through 2013, existing home sales grew by an average of 480 sales, or 9 percent, annually to 6,350 sales. Distressed sales made up 27 percent of total existing sales during the period, a share that trended sharply downward as the HMA recovered from the Great Recession. Growth in existing home sales averaged an increase of 420 sales, or 6 percent, annually from 2014 through 2015 as the local economy improved. Distressed sales accounted for only 9 percent of all existing sales during the period. From 2016 through 2019, as economic and population growth was steady in the HMA, existing home sales were relatively stable, averaging 7,650 sales annually. A decline in interest rates and a rise in net in-migration to the HMA during the early

Figure 10. 12-Month Average Home Sales Price by Type of Sale in the Prescott HMA



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

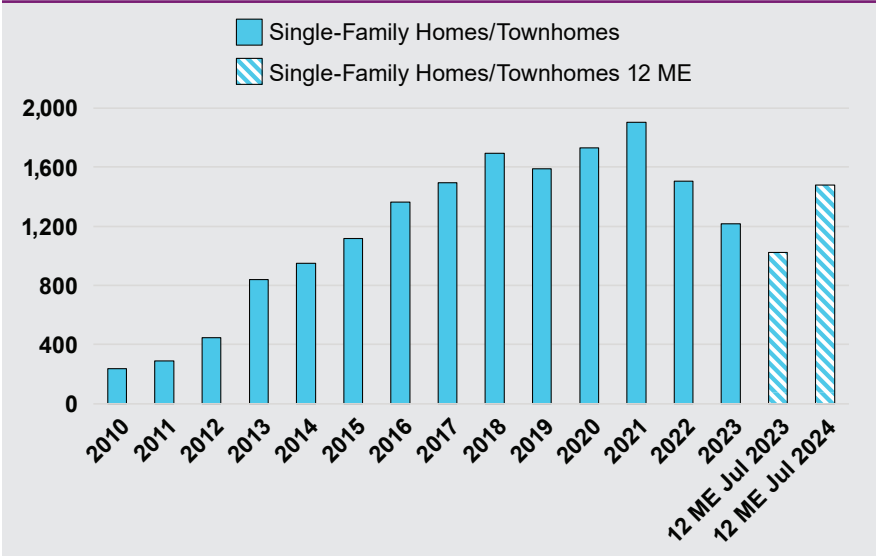
part of the COVID-19 pandemic prompted rapid existing sales growth, increasing by an average of 1,500, or 18 percent, annually in 2020 and 2021 to 10,800 existing homes sold. However, as interest rates rose, existing home sales fell, declining by 2,375 homes, or 22 percent, to 8,400 homes in 2022, a trend that has persisted through the current date.

The average existing home price grew by \$20,000, or 4 percent, to \$471,800 during the 12 months ending July 2024, slowing slightly from a growth of \$21,450, or 5 percent, a year earlier. During 2011 and 2012, existing home prices fell by an average of \$4,500, or 2 percent, annually to \$177,000 despite increasing home sales, partly because of the significant share of distressed sales, which sell at a considerable discount. As the economy continued to recover and distressed sales declined, existing home prices began to increase, rising from 2013 through 2015 by an average of \$12,200, or 6 percent, annually to \$213,600. Existing home price growth strengthened slightly from 2016 through 2019 as economic growth and net in-migration stabilized at elevated levels, with prices increasing by an average of \$17,550, or 7 percent, annually to \$283,800. Existing home price growth accelerated sharply at the onset of the COVID-19 pandemic as sales market conditions tightened, with prices increasing from 2020 through 2022 by an average of \$53,400, or 16 percent, annually to \$444,000.

Sales Construction

Home sales construction activity, as measured by the number of building permits issued, trended upward from low levels in 2010, when the HMA was still affected by the Great Recession. From 2011 through 2015, permitting gradually increased by an average of 180 units, or 36 percent, annually to 1,125 units as the local economy recovered and net in-migration levels rose (Figure 11). Permitting increased to an average of 1,525 units annually from 2016 through 2019 as local economic growth continued at a strong pace during the latter half of the decade and population growth was steady. From 2019 through 2021, net in-migration surged in the HMA, and total home sales rose sharply. Builders responded by increasing new home construction and permitting rose to an average of 1,825 units annually in 2020 and 2021. However, as increasing mortgage rates reduced sales demand, home sales construction activity steadily fell, with permitting declining by an average of

Figure 11. Annual Home Sales Permitting Activity in the Prescott HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

340 units, or 20 percent, annually in 2022 and 2023. During the 12 months ending July 2024, 1,475 homes were permitted, up 44 percent from the previous 12 months (preliminary data and estimates by the analyst).

New Construction Activity

Recent new home construction in the HMA generally has been concentrated north of the municipalities of Prescott and Prescott Valley. Single-family home subdivisions have been constructed both by local companies, such as ECCO Homes, and national builders, such as Evermore Homes and Woodside Homes. New home communities under construction include the Morningstar, North Ridge, and Westwood developments by Evermore Homes, with 43, 67, and 132 lots, respectively, offering two-, three-, and four-bedroom homes. The homes will range from 1,527 to 2,860 square feet, with prices ranging from \$473,000 to \$681,900. Other new communities include Meadows at Antelope Park, Horizon at The Dells, and Overlook at The Dells by Woodside Homes, with 82, 90, and 64 lots, respectively, offering two-, three-, four-, five-, and six-bedroom units. These homes range from 1,629 to 3,055 square feet, with prices ranging from \$529,890 to \$899,900. In addition, Skyview by ECCO Homes is a 108-lot subdivision offering two- and three-bedroom units between 1,653 and 2,254 square feet priced from \$494,900 to \$595,900.

Forecast

During the 3-year forecast period, demand is expected for 4,700 new homes in the HMA (Table 7). The 600 homes under construction will meet a portion of demand during the first year. Demand is expected to remain concentrated to the north of the municipalities of Prescott and Prescott Valley.

Table 7. Demand for New Home Sales Units in the Prescott HMA During the Forecast Period

Sales Units	
Demand	4,700 Units
Under Construction	600 Units

Note: The forecast period is August 1, 2024, to August 1, 2027.
Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

Waning net in-migration since 2022 and elevated rental construction activity have contributed to an increase in the rental vacancy rate.

Current Conditions and Recent Trends

The overall rental market in the Prescott HMA, which includes renter-occupied single-family homes, townhomes, apartments, and mobile homes, is currently balanced, with an estimated vacancy rate of 8.2 percent, up from 7.6 percent in 2020, when conditions were slightly tight, but down from 10.1 percent in April 2010, when conditions were soft (Table 8). Elevated levels of net in-migration caused vacancy rates to decline following the onset of the pandemic, but increased rental unit deliveries and slowing net in-migration have contributed to a rising vacancy rate during the past year. An estimated 41 percent of occupied rental units in the HMA in 2023 were single-family homes, down from 50 percent in 2010 (American Community Survey 1-year data). Units in buildings with five or more units, which include most apartments, accounted for 27 percent of all occupied rental units, up from 13 percent in 2010.

The apartment market is currently soft, with a vacancy rate of 13.1 percent as of the second quarter of 2024 (CoStar Group), representing a

Table 8. Rental and Apartment Market Quick Facts in the Prescott HMA

Rental Market Quick Facts	2020 (%)		Current (%)
	Rental Vacancy Rate		7.6
			8.2
	2010 (%)		2023 (%)
	Occupied Rental Units by Structure		
Apartment Market Quick Facts	Single-Family Attached & Detached		50
	Multifamily (2–4 Units)		20
	Multifamily (5+ Units)		13
	Other (Including Mobile Homes)		17
			14
Apartment Market Quick Facts	2Q 2024		YoY Change
	Apartment Vacancy Rate		13.1
	Average Rent		\$1,615
	Studio		\$1,356
	One-Bedroom		\$1,469
	Two-Bedroom		\$1,718
	Three-Bedroom		\$1,778

2Q = second quarter. YoY = year-over-year.
Notes: The current date is August 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2023 American Community Survey 1-year data; apartment data—CoStar Group

large shift from a year ago, when the market was slightly tight, with a vacancy rate of 4.2 percent. Vacancy rates rose sharply during the past year as several new apartment properties were completed and began leasing up, contributing more than 690 new units to the apartment supply. Absorption of apartment units in the HMA totaled 280 units during the 12 months ending June 2024, up from 50 units 1 year ago and slightly more than the 260 units absorbed during the 12 months ending June 2022. Absorption remains below the 380-unit peak during the 12 months ending June 2021. The average apartment rent fell slightly as of the second quarter of 2024, declining by \$12, or less than 1 percent, from a year ago to \$1,615. By comparison, the average apartment rent rose by \$64, or 4 percent, annually as of the second quarter of 2023 and by \$102, or more than 7 percent, as of the second quarter of 2021. As of the second quarter of 2024, average rents for studio and one-, two-, and three-bedroom units in the HMA were \$1,356, \$1,469, \$1,718, and \$1,778, respectively.

Historical Apartment Vacancy and Rent Trends

Apartment market conditions in the HMA generally trended from slightly soft in 2010 to slightly tight in 2017. The apartment vacancy rate fell from 9.7 percent as of the second quarter of 2010 to 3.9 percent as of the second quarter of 2017 because of limited apartment construction and rising net in-migration



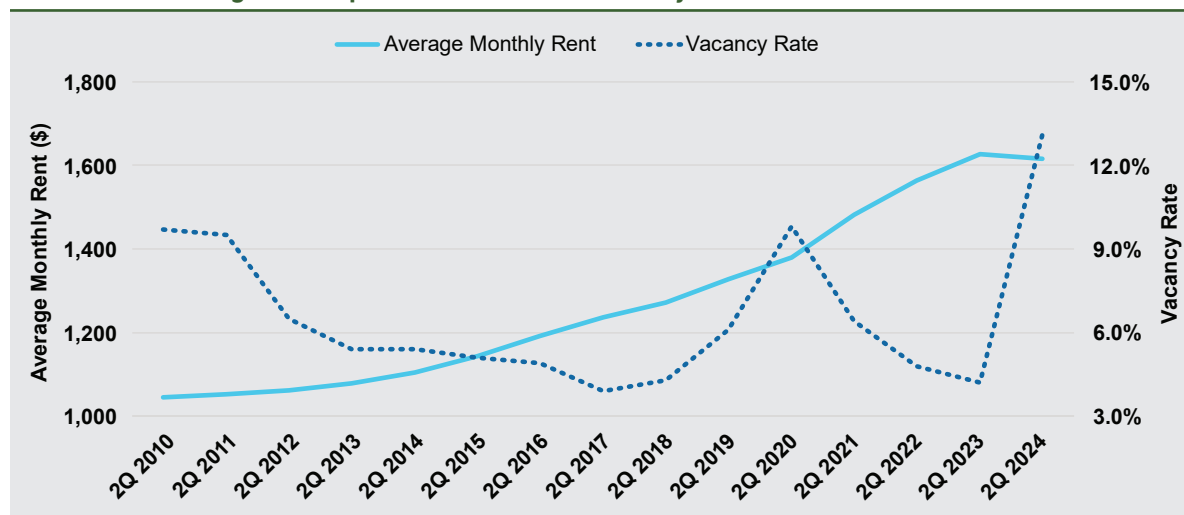
(Figure 12). However, despite accelerating net in-migration during much of the period, the apartment vacancy rate rose to a high of 9.8 percent as of the second quarter of 2020, largely because of elevated levels of rental permitting in 2019. The number of rental units entering the market subsequently slowed, driving the apartment vacancy rate down to 4.2 percent as of the second quarter of 2023.

Average apartment rents in the HMA increased slowly from 2010 to 2013, rising by an average of \$11, or 1 percent, annually to \$1,078. The average rent rose slightly faster from 2013 to 2017, increasing by an average of \$40, or 3 percent, annually because of rising net in-migration and limited multifamily permitting. Despite an increasing vacancy rate from 2017 to 2020, rent growth strengthened to an average of \$48, or 4 percent, annually. As net in-migration continued, rent growth spiked from 2020 to 2023, with rents increasing by an average of \$83, or 6 percent, annually to \$1,627.

Rental Construction

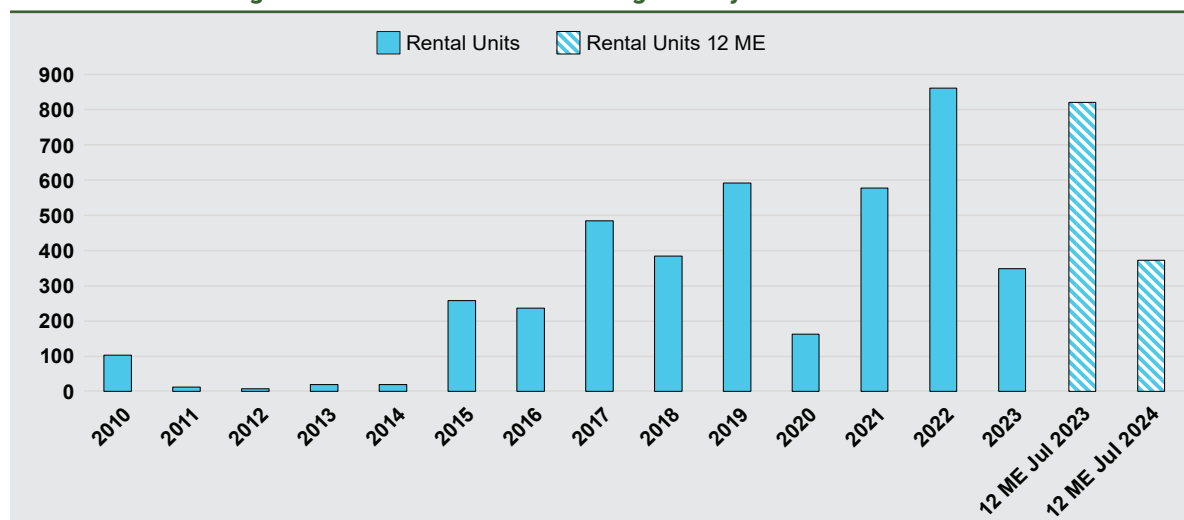
Rental unit construction in the HMA, as measured by the number of rental units permitted, was noticeably subdued in the early 2010s because net in-migration was relatively low following the Great Recession. From 2010 through 2014, rental permitting in the HMA averaged only 30 units annually (Figure 13). As increasing net in-migration levels contributed to decreasing vacancy rates, builders increased construction

Figure 12. Apartment Rents and Vacancy Rates in the Prescott HMA



2Q = second quarter.
Source: CoStar Group

Figure 13. Annual Rental Permitting Activity in the Prescott HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

activity steadily from 2015 through 2019, averaging an increase of 110 units, or 97 percent, annually to 590 units. This rise in permitting contributed to a sharply increasing apartment vacancy rate, however, and builders responded by decreasing rental permitting in 2020 to 160 units. Apartment market conditions subsequently tightened, contributing to elevated rental permitting activity, which averaged 720 units annually from 2021 through 2022. As these units were completed and entered lease-up, the rental vacancy rate in the HMA began to rise, and rental permitting fell steeply again beginning in late 2023. During the 12 months ending July 2024, multifamily permitting in the HMA fell by 450 units, or 55 percent, from a year earlier to 370 units (preliminary data and estimates by the analyst). By comparison, rental permitting during the 12 months ending July 2023 increased by 130 units, or 19 percent, from a year earlier.

New Construction Activity

Several rental properties have been completed in the past year and are leasing up. These properties include The Crossings at Windsong, a 152-unit apartment development in Prescott Valley with a mix of studio and one-, two-, and three-bedroom units for rent between \$1,483 and \$2,599, and Inspiration Apartments, a 192-unit complex of one-, two-, and three-bedroom units ranging between \$1,708 and \$1,793. The Flats at Jasper in Prescott Valley, built in 2023, is a

community of 240 single-family homes built for rent, with rents between \$1,760 and \$2,165. Several multifamily projects are also under construction in the HMA, primarily within the Prescott Valley, Prescott, and Cottonwood municipalities. The projects nearing completion include the Baja PV Apartments, a 140-unit complex in Prescott Valley expected to be complete in early 2025, and View Point Senior Apartments, a 72-unit expansion of an age-restricted property in Prescott Valley, expected to be complete in late 2024.

Forecast

During the 3-year forecast period, demand in the HMA is estimated for 1,200 additional rental units (Table 9). Demand is expected to wane slightly during the forecast period because of slowing net in-migration each year. The 330 units under construction are expected to partially satisfy rental demand during the first year of the forecast period.

Table 9. Demand for New Rental Units in the Prescott HMA During the Forecast Period

Rental Units	
Demand	1,200 Units
Under Construction	330 Units

Note: The forecast period is August 1, 2024, to August 1, 2027.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
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 <u>stabilized</u> 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.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Forecast Period	8/1/2024–8/1/2027—Estimates by the analyst.



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, multifamily, 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.
Stabilized	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 definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau’s 2020 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2020 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
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2.	<p>The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.</p>
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D. Photo/Map Credits

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