



Phoenix-Mesa-Scottsdale, Arizona

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2016



Housing Market Area



The Phoenix-Mesa-Scottsdale Housing Market Area (hereafter, Phoenix HMA) consists of Maricopa and Pinal Counties and is coterminous with the Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area. The principal city of Phoenix is Arizona’s capital and the sixth most populous city in the United States. The HMA accounts for more than two-thirds of the population of the state of Arizona.

Market Details

- Economic Conditions 2
- Population and Households... 5
- Housing Market Trends 7
- Data Profile 12

Summary

Economy

The economy of the Phoenix HMA began improving in 2011, and the rate of growth has exceeded the national rate since 2012. During the 12 months ending March 2016, nonfarm payrolls rose by 63,800 jobs, or 3.4 percent, to 1.93 million. This increase follows an average annual increase of 2.6 percent from 2012 through 2014. The unemployment rate as of the 12 months ending March 2016 was 5.1 percent, down from 5.7 percent a year earlier.

Sales Market

The sales housing market is slightly soft, with an estimated vacancy rate of 2.9 percent, down from 4.3 percent in April 2010. During the 3-year forecast period, demand is expected for 72,050 sales units (Table 1). Demand is expected to increase slightly each year during the forecast period, as net in-migration increases moderately. The 3,600 homes under construction and a portion of the 133,000 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

The rental housing market is balanced, with an estimated vacancy rate of 6.0 percent compared with 13.8 percent in April 2010. The apartment market is also currently balanced, with a vacancy rate of 4.8 percent during the first quarter of 2016, down from the 5.4-percent rate a year ago (Reis, Inc.). During the 3-year forecast period, demand is expected for 39,150 rental units (Table 1). The 3,600 units currently under construction and 7,650 units in planning will meet a portion of that demand.

Table 1. Housing Demand in the Phoenix HMA* During the Forecast Period

	Phoenix HMA*	
	Sales Units	Rental Units
Total demand	72,050	39,150
Under construction	3,600	3,600

*Phoenix-Mesa-Scottsdale HMA.
 Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2016. A portion of the estimated 133,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 1,000 mobile homes. The forecast period is April 1, 2016, to April 1, 2019.
 Source: Estimates by analyst

Economic Conditions

Economic conditions in the Phoenix HMA have recovered from the effects of the most recent national recession, and job growth since 2011 has outstripped growth in the nation. Nonfarm payroll growth averaged 2.6 percent annually from 2012 through 2014, higher than the national rate of 1.6 percent. During the 12 months ending March 2016, nonfarm payrolls in the HMA increased by 63,800 jobs, or 3.4 percent, to an average of 1.93 million jobs (Table 2). The recent job gains are in sharp contrast to annual declines of 4.1 percent from 2008 through 2010. Before the

most recent economic downturn, nonfarm payrolls increased by an average of 74,100 jobs, or 4.3 percent, annually from 2004 to 2007. Employment gains during that period were fueled by the in-migration of Californians and Canadians who were attracted by the HMA's relatively affordable housing options. During that period, the wholesale and retail trade sector, the education and health services sector, and the construction subsector added the greatest number of jobs, at the respective averages of 13,500, 11,000, and 9,975 jobs, or 4.7, 6.1, and 7.7 percent annually. During the 12 months ending March 2016, employment gains were largest in the education and health services and the professional and business services sectors, which grew by 13,500 and 13,400 jobs, or 5.0 and 4.3 percent, respectively. Gains of 4,600 jobs, or 4.6 percent, in the mining, logging, and construction sector during the 12 months ending March 2016 occurred mainly because of increased residential construction of single-family homes. The unemployment rate averaged 5.1 percent during the 12 months ending March 2016, down from 5.7 percent a year earlier, as resident employment gains far outstripped labor force increases. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Phoenix HMA,* by Sector

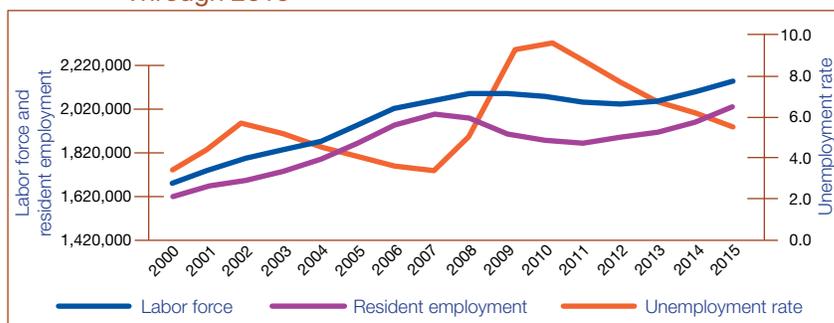
	12 Months Ending		Absolute Change	Percent Change
	March 2015	March 2016		
Total nonfarm payroll jobs	1,866,500	1,930,300	63,800	3.4
Goods-producing sectors	217,700	224,000	6,300	2.9
Mining, logging, & construction	99,200	103,800	4,600	4.6
Manufacturing	118,500	120,200	1,700	1.4
Service-providing sectors	1,648,800	1,706,800	58,000	3.5
Wholesale & retail trade	300,700	311,300	10,600	3.5
Transportation & utilities	66,500	69,300	2,800	4.2
Information	35,400	37,200	1,800	5.1
Financial activities	162,300	169,400	7,100	4.4
Professional & business services	313,300	326,700	13,400	4.3
Education & health services	271,700	285,200	13,500	5.0
Leisure & hospitality	201,300	209,300	8,000	4.0
Other services	64,300	65,600	1,300	2.0
Government	233,400	232,900	-500	-0.2

*Phoenix-Mesa-Scottsdale HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2015 and March 2016.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Phoenix HMA,* 2000 Through 2015



*Phoenix-Mesa-Scottsdale HMA.

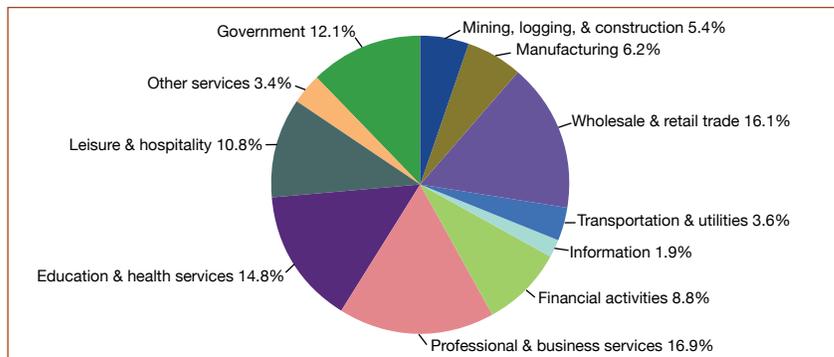
Source: U.S. Bureau of Labor Statistics

construction activity, and subsector employment rose by nearly 8 percent annually to a peak of 179,900 jobs in 2006. The housing market collapse and the national recession of the late 2000s resulted in net out-migration and declining construction employment. From 2007 through 2010, nonfarm payrolls declined in nearly every sector, but the greatest decrease was in the construction subsector, which lost an average of 29,000 jobs, or 21.4 percent, annually. Construction job losses accounted for 38 percent of the total job losses in the HMA, as residential housing and commercial building activity declined significantly. Following a low of 82,400 construction jobs during 2010, subsector employment began to moderately increase. From 2010 through 2014, construction employment increased by 3,250 jobs, or 3.9 percent, annually, to 95,400 jobs. During that period, residential construction permit activity averaged 23,950 units annually, about one-fourth the average of 92,600 units permitted in the HMA annually from 2000 through 2006. Stronger net in-migration and economic conditions increased the demand for housing during the 12 months ending March 2016, and the growth rate of construction

employment rose. During that period, construction subsector employment rose by 4,700 jobs, or 4.9 percent, to 100,500 jobs. Nonresidential construction is also supporting job growth in the subsector. Projects under way or expected to begin in 2016 include Phoenix Children's Hospital's new Emergency Department and Level 1 Pediatric Trauma Center and the expansion of Arizona State University's 193,000-square-foot Biodesign Institute. Those projects and continued net in-migration and job growth are expected to support ongoing residential and nonresidential construction job gains during the next 3 years.

The largest employment sector in the HMA is the professional and business services sector, with nearly 17 percent of total nonfarm payrolls (Figure 2). Despite job losses in the sector after the housing market collapse and the local effects of the national recession, sector employment is currently less than 1 percent from the previous peak in 2007. During the 12 months ending March 2016, the sector accounted for more than 20 percent of total nonfarm payroll gains in the HMA, increasing by 13,400 jobs, or 4.3 percent, to 326,700 jobs. From 2001 through 2007, the sector increased by an average of 8,700 jobs, or 3.0 percent, annually, as various national banks and insurance companies moved their support offices and data centers to the HMA because of Arizona's business-favorable corporate tax laws. The national recession, net out-migration, and subsequent housing market declines also impacted the sector, which shrank by 17,900 jobs, or 5.8 percent, annually from 2008 through 2010. From 2011 through 2014, sector employment increased by 9,400 jobs, or 3.3 percent, annually,

Figure 2. Current Nonfarm Payroll Jobs in the Phoenix HMA,* by Sector



*Phoenix-Mesa-Scottsdale HMA.

Note: Based on 12-month averages through March 2016.

Source: U.S. Bureau of Labor Statistics

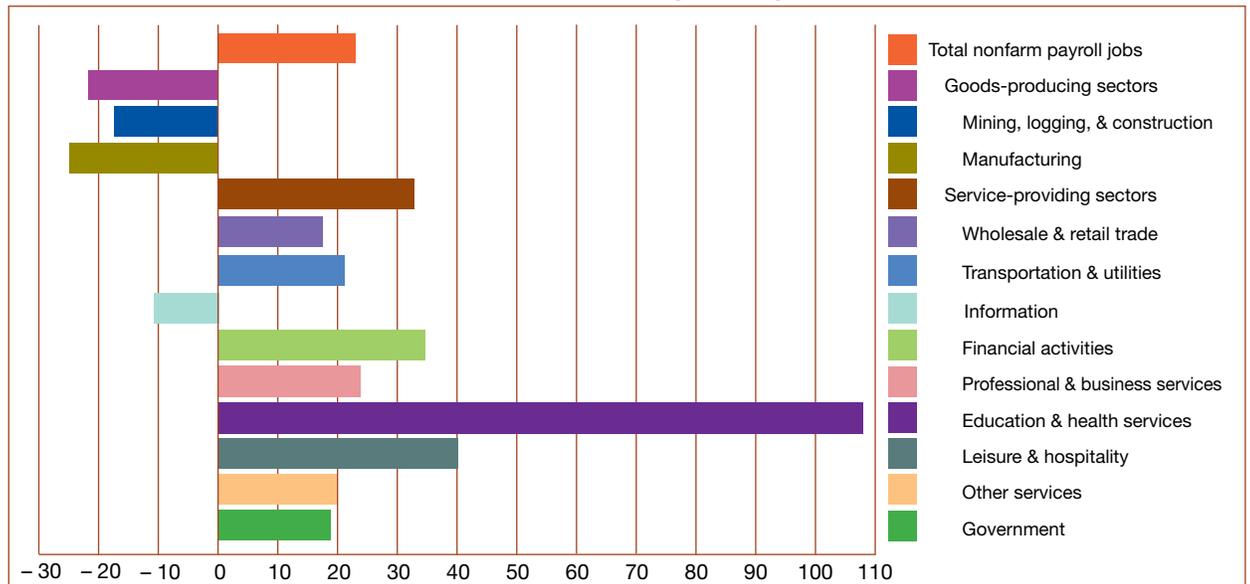
as overall economic conditions improved. American Traffic Solutions Fleet Services, a toll transaction and traffic safety company, recently relocated 464 employees to its new headquarters in Mesa. The sector is expected to continue to grow during the next 3 years, as companies continue to expand in the HMA. Apple, Inc. announced that it would be adding 300 to 500 more employees than originally planned to staff their new data center currently under construction in the HMA.

The education and health services sector is the third largest payroll sector and has had the largest increase since 2000, primarily because of gains in the health services subsector (Figure 3). The population of people age 62 years and older has increased since 2000, adding to increased demand for health services. During the 12 months ending March 2016, the education and health services sector added the most jobs, growing by 13,500 jobs, or 5.0 percent, to 285,200 jobs. The

sector includes 2 of the 10 largest employers in the HMA (Table 3). The sector is expected to continue to grow during the 3-year forecast period partly because of increased demand for health services from continued net in-migration. Phoenix Children's Hospital broke ground in December 2015 on a \$60 million expansion that will include a new emergency department and a pediatric trauma center. That project is in addition to the recent opening of the ninth floor of the hospital's 11-story patient tower, which added 48 beds to the existing 385 beds, making the facility the sixth largest children's hospital in the United States.

During the next 3 years, nonfarm payrolls in the HMA are expected to grow by 45,900 jobs annually, or 2.4 percent. The education and health services sector and the construction subsector are expected to contribute most of that growth during the forecast period. Abrazo Community Health Network announced that it would be adding 450

Figure 3. Sector Growth in the Phoenix HMA,* Percentage Change, 2000 to Current



*Phoenix-Mesa-Scottsdale HMA.

Note: Current is based on 12-month averages through March 2016.

Source: U.S. Bureau of Labor Statistics

positions, including 180 nurses, at its six Phoenix-area hospitals. Residential construction is expected to increase, including the addition of a 423-unit

apartment project near Arizona State University that is expected to begin construction in May 2016, supporting construction job growth.

Table 3. Major Employers in the Phoenix HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Arizona	Government	49,800
Wal-Mart Stores, Inc.	Wholesale & retail trade	30,634
Banner Health	Education & health services	24,825
City of Phoenix	Government	15,100
Wells Fargo & Company	Financial activities	13,308
Bank of America	Financial activities	13,300
Maricopa County	Government	12,792
Arizona State University	Government	11,185
Apollo Education Group, Inc.	Education & health services	11,000
JPMorgan Chase & Co.	Financial activities	10,600

*Phoenix-Mesa-Scottsdale HMA.

Note: Excludes local school districts.

Source: The Greater Phoenix Economic Council

Population and Households

The current population of the Phoenix HMA is estimated at 4.54 million, an increase of 58,500, or 1.3 percent, a year since 2010. From 2000 to 2003, population increased 2.8 percent annually and net in-migration averaged 60,250 people annually, accounting for nearly 65 percent of population growth (U.S. Census Bureau, July 1 estimates). During that period, net natural change (resident births minus resident deaths) averaged 33,950 people annually. Population growth was strongest from 2003 to 2006, averaging 3.7 percent, annually as net in-migration surged to an average of 98,400 people, or 72 percent of population growth, and net natural change increased to an average of 38,600 a year. Net in-migration began to slow in 2006, to an average of 54,700 people annually from 2006 to 2008, as the rate of job growth began to moderate. Net natural

change, however, continued to increase during the period, to an average of 44,400 people a year. After the beginning of the national recession in December 2007 and payroll declines in the HMA from 2008 to 2011, population growth slowed to 0.5 percent annually, pulled down by net out-migration of 15,700 people a year and net natural change of 35,900 people a year. As economic conditions began to improve after 2011, population growth increased, to 66,600 people, or 1.5 percent annually, boosted by net in-migration of 36,950 people a year. Net natural change, however, has continued to decline since 2011, to an average of 29,650 annually, as the population continued to age. The population of those age 62 years and older increased from 12.3 percent of total population in 2010 to 14.2 percent in 2014. During the next 3 years, the population of the HMA is

Population and Households *Continued*

expected to increase by an average of 91,650, or 2.0 percent, a year, to 4.82 million, with less than 50 percent of the growth from net in-migration.

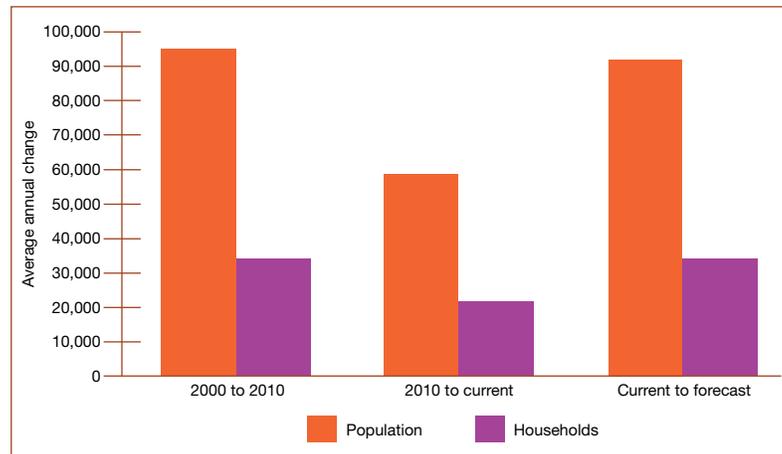
Figure 4 shows population and household growth in the HMA, and Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

The effects of the national recession in the HMA, coupled with home sales and price declines from overbuilding before the recession, greatly influenced household decisions to rent or buy. From 2000 to 2006, owner

households in the HMA increased by 26,750, or 3.0 percent, annually (U.S. Census Bureau survey, 2000 decennial Census, and 2006 American Community Survey [ACS] 1-year data). During that period, the homeownership rate rose slightly, from 68.0 percent to 68.6 percent. The growth in owner households was mirrored by renter households, which grew by 10,500, or 2.6 percent, annually during the period. As economic growth began to slow and demand for homes began to sharply decline, owner households began to decline, falling by an average of 4,450, or 0.5 percent, annually from 2006 to 2013, causing the homeownership rate to decrease from 68.6 percent to 61.0 percent. By comparison, the rate of renter household growth increased, rising by 22,500, or 4.4 percent, annually as foreclosures rose sharply after the national recession. Since 2013, improving economic conditions have led to moderate owner household growth, which averaged 15,400, or 1.6 percent, annually. Rising net in-migration and continued renter household growth encouraged investors to purchase affordable single-family homes, which they offered for rent. Since 2013, renter households have increased by 30,525, or 4.8 percent, annually. Stronger renter household growth and moderate owner household growth reduced the homeownership rate to 59.0 percent as of April 1, 2016.

Household growth in the HMA remains below the average growth rate from 2000 to 2010 but has increased since the late 2000s. The number of households in the HMA increased 34,300, or 2.6 percent, a year from 2000 to 2010, to approximately 1.54 million households. Delayed

Figure 4. Population and Household Growth in the Phoenix HMA,* 2000 to Forecast

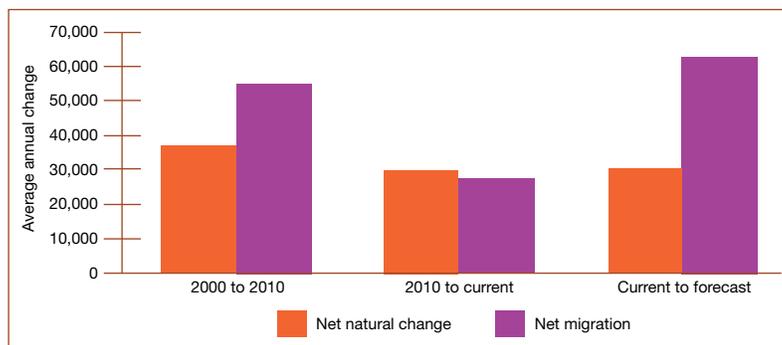


*Phoenix-Mesa-Scottsdale HMA.

Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Phoenix HMA,* 2000 to Forecast



*Phoenix-Mesa-Scottsdale HMA.

Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued*

household formation because of the effects of the national recession slowed the increase in households to 23,750, or 1.5 percent, annually since 2010.

Figure 6. Number of Households by Tenure in the Phoenix HMA,* 2000 to Current



*Phoenix-Mesa-Scottsdale HMA.

Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Despite foreclosure rates falling well below the national average during the past 3 years, homeownership rates have declined since 2010 because of high numbers of investor purchases of real estate owned (REO) properties and tight lending standards, encouraging households to rent. Household growth is expected to average 35,100, or 2.0 percent, annually during the next 3 years, to 1.79 million households. Figure 6 shows the number of households by tenure from 2000 to the current date. Table DP-1 at the end of the report shows additional data.

Housing Market Trends

Sales Market

The Phoenix HMA was one of the hardest hit areas in the nation during the housing crisis because of substantial overbuilding in the mid-2000s. Drastically reduced home construction and significant investor purchases of distressed properties (properties with loans 90 or more days delinquent, in foreclosure, or that had transitioned into REO status) have contributed to the absorption of some of the excess inventory. Sales housing market conditions in the HMA are slightly soft, with an estimated 2.9-percent vacancy rate, down from 4.3 percent in April 2010. During the 12 months ending March 2016, 111,300 new and existing single-family homes, townhomes, and condominiums sold, up nearly 11 percent from a year earlier (CoreLogic, Inc., with adjustments

by the analyst). Home sales rose sharply from 124,100 in 2000 to a peak of 227,600 in 2005 before declining precipitously to 87,700 in 2008, or nearly 21 percent annually. By comparison, national home sales declined 18 percent annually during that period. The decline occurred following the beginning of the national recession and the housing crisis. The number of sales increased to 109,900 during 2009, as REO sales increased from less than 2 percent of home sales during 2005 to 47 percent of sales. Home sales averaged 107,350 annually from 2010 through 2013 before declining to 98,750 in 2014, as investor purchases began to decline. Home sale prices followed a similar trend. During the 12 months ending March 2016, home prices averaged \$260,000, up more than 4 percent

Housing Market Trends

Sales Market *Continued*

from a year earlier. Although average home sales declined 20 percent annually from 2005 through 2008, average home prices peaked at \$316,700 in 2006 and declined by more than 17 percent annually to a low of \$173,700 in 2009. Home sales prices have increased since 2009, rising by nearly 9 percent annually from 2010 through 2014.

Although existing home sales in the HMA increased in the past year, existing home sales and prices remain below the highs reached in the mid-2000s. During 2005, approximately 80 percent of the 159,800 existing homes sold were purchased for owner occupancy, and REO sales were only 2 percent of existing home sales (Metrostudy, A Hanley Wood Company). The percentage of existing homes bought by owner households declined to 58 percent during 2007 and fell further to an average of 39 percent of 146,500 existing homes sold annually from 2008 through 2011. REO sales totaled 440, or less than 0.5 percent of existing home sales, during 2006 before rising sharply to nearly 60 percent of existing home sales during 2009. Existing home sales continued to decline to 96,900 during 2014, although owner-occupant purchases increased to 73 percent of sales, as investor purchases declined. REO sales fell to 7 percent of existing home sales by 2014, as distressed inventory continued to clear. During the 12 months ending March 2016, existing home sales increased to 105,600, up nearly 7 percent from the 98,750 homes sold during the previous 12-month period. Despite the recent growth, existing home sales are still more than 18 percent below the average of 129,900 homes sold annually in 2005 and 2006. Existing home sales prices reached a peak of \$325,700 in

2007 before declining dramatically by more than 40 percent to \$188,700 in 2011, as the large share of foreclosed properties kept downward pressure on prices (CoreLogic, Inc.). As investor purchases declined, existing sales prices increased by nearly 10 percent annually to \$245,000 in 2014. During the 12 months ending March 2016, existing home sales prices averaged \$252,900, up more than 4 percent from a year earlier.

Few areas in the nation were affected more severely by the housing crisis than the Phoenix HMA, and the steep home price declines during the national recession made the HMA a particularly attractive area for real estate investors, who have contributed to relatively rapid absorption of distressed properties. In January 2010, the HMA was among the top 3 percent of all metropolitan areas nationally in the percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status (CoreLogic, Inc.). The rate in the HMA has been below the national rate since March 2012, however, as investor purchases have absorbed those distressed homes. As of March 2016, the rate in the HMA was 1.4 percent, down from 1.7 percent during March 2015 and well below the high of 13.8 percent in January 2010. By comparison, the national rate was 3.0 percent as of March 2016, down from 3.8 percent as of March 2015 and from a high of 9.2 percent in January 2010. As the rate of seriously delinquent loans and REO properties increased when the housing bubble burst, the percentage of home purchases made by absentee owners (a measure of investor purchases) rose each year, from 15 percent of all home sales

in 2005 to a high of 26 percent in 2011. The percentage of purchases made by absentee owners declined to 17 percent in 2014 as home price growth began to accelerate, reducing the attractiveness of the HMA to investors (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

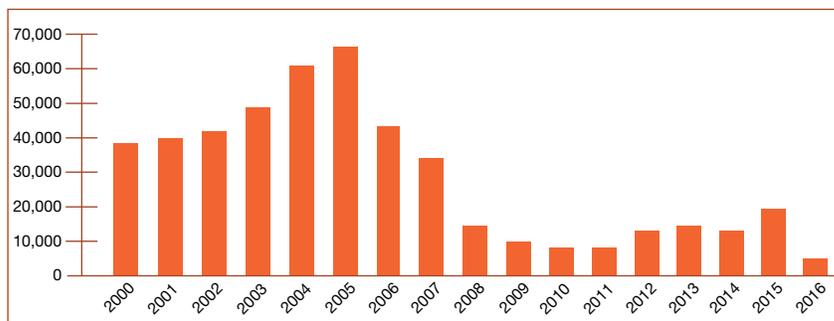
Improving economic conditions and net in-migration have increased household growth since 2011 and have supported new home sales in the HMA. New home sales increased more than 18 percent, to 12,900, during the 12 months ending March 2016 from a year ago, and the average new home sales price increased 1 percent, to \$328,400 (CoreLogic, Inc., with adjustments by the analyst). New home sales peaked in 2005, with 58,250 homes sold, but new home sales prices peaked in 2006 at \$303,700; the same years that new home sales and prices peaked in the nation. From 2007 through 2009, new home prices in the HMA decreased more than 15 percent annually, to \$232,100, and the number of new home sales decreased 53 percent annually, to 11,650 homes sold, partly because of slowing net in-migration and declining payrolls. During 2010 and 2011, new home sales continued to

fall, to a low of 8,300 homes sold, but new home sales prices rose slightly, by less than 1 percent annually. From 2011 through 2014, economic growth encouraged households to purchase homes, and the number of new home sales increased 37 percent annually, to 21,375, and the average price of a new home increased nearly 10 percent annually, to \$311,200.

Overbuilding of single-family homes in the HMA during the previous decade contributed to weak housing market conditions following the national recession. From 2000 through 2006, approximately 291,600 housing units were added, of which 89 percent were owner units and more than 260,800 were single-family homes (U.S. Census Bureau survey, 2000 decennial Census, and 2006 ACS 1-year data). During that period, owner households increased by 167,300. From 2006 through 2013, an additional 159,300 single-family homes were constructed in the HMA, but owner households decreased by 31,150. The production of excess for-sale housing units led to steep price declines following the national recession and increased pressure to shift single-family homes to renter tenure.

Economic and household growth following the most recent national recession is beginning to support single-family home construction in the HMA. Single-family permitting averaged 63,000 homes annually during 2004 and 2005 before declining more than 17 percent annually, to a low of 8,625 homes permitted annually during 2010 and 2011 (Figure 7). Homebuilding activity began to recover in 2012, and new home construction increased nearly 30 percent annually, to 13,400 homes

Figure 7. Single-Family Homes Permitted in the Phoenix HMA,* 2000 to Current



*Phoenix-Mesa-Scottsdale HMA.

Notes: Includes townhomes. Current includes data through March 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

permitted in 2013. During the 12 months ending March 2016, 17,850 single-family homes were permitted in the HMA, a 44-percent increase from 12,375 homes permitted during the previous 12 months (preliminary data), in response to improving sales market and economic conditions.

The Bridges at Gilbert, a 480-acre master-planned community with 1,600 lots, is one of the larger developments where single-family home construction is occurring in the

HMA. Eleven builders are constructing homes in this master-planned community. Taylor Morrison is offering homes ranging from 1,779 to 3,659 square feet, with prices from \$291,990 to \$360,990, and Meritage Homes is selling homes priced from \$353,990 to \$464,990. Toll Brothers is offering homes from 3,397 to 5,175 square feet, and starting prices from \$540,995 to \$606,995.

During the next 3 years, demand is expected for 72,050 new single-family homes, townhomes, and condominiums (Table 1). The 3,600 homes currently under construction and a portion of the 133,000 other vacant units that may come back on the market will satisfy a portion of the forecast demand. Demand for new homes is anticipated to be strongest for homes priced between \$140,000 and \$299,999. Table 4 shows the estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Phoenix HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	27,050	38.1
200,000	299,999	26,200	36.9
300,000	399,999	7,100	10.0
400,000	499,999	7,100	10.0
500,000	and higher	3,550	5.0

*Phoenix-Mesa-Scottsdale HMA.

Notes: The 3,600 homes currently under construction and a portion of the estimated 133,000 other vacant units in the submarket will likely satisfy some of the forecast demand. Demand for 1,000 mobile homes during the forecast period is excluded from this table. The forecast period is April 1, 2016, to April 1, 2019.

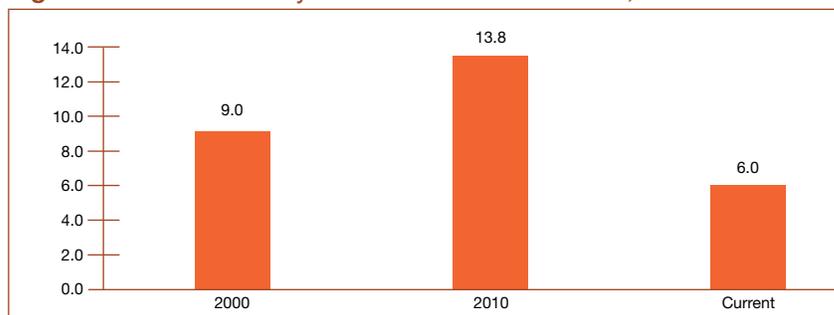
Source: Estimates by analyst

Rental Market

A surplus of single-family homes having been converted to rental units contributed to soft rental housing market conditions in the Phoenix HMA in the late 2000s and early

2010s. Increased rental household growth, slowed conversion of single-family homes to rental units, and low levels of multifamily construction have since allowed for the absorption of excess units, and the rental market is currently balanced. The estimated vacancy rate of all rental units (including single-family homes, manufactured homes, and apartments) is 6.0 percent, down from 13.8 percent in April 2010 (Figure 8). From 2008 to 2012, single-family homes increased from 25 to 40 percent of all renter-occupied units in the HMA (ACS 1-year data). Single-family homes represented 42 percent of all renter-occupied units in 2014, up slightly from 2012.

Figure 8. Rental Vacancy Rates in the Phoenix HMA,* 2000 to Current



*Phoenix-Mesa-Scottsdale HMA.

Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

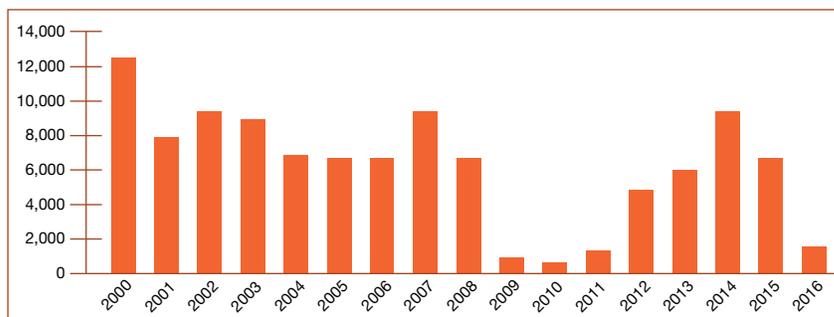
The apartment market in the HMA also is balanced, as apartment construction has kept pace with renter household growth. The apartment vacancy rate was 4.8 percent during the first quarter of 2016, down from 5.4 percent a year earlier and far below the 9.1-percent rate in the first quarter of 2011 (MPF Research). Apartment vacancy rates currently range from a low of 3.6 percent in the MPF Research-defined Gilbert market area to 6.9 percent in the North Tempe/University area. The average apartment rent was \$902 in the first quarter of 2016, up nearly 8 percent from a year ago. A balanced rental market and sustainable rent growth have caused the percentage of units offering concessions to decline from 9.1 percent a year ago to 6.4 percent in the first quarter of 2016 (MPF Research). The average apartment rent increased an average of nearly 5 percent a year from \$728 during the first quarter of 2011 to the first quarter of 2016. By comparison, the average rent for the nation increased by an average of 4 percent annually during the same period. Monthly rents averaged \$647, \$790, \$963, and \$1,272 for studio, one-bedroom, two-bedroom, and three-bedroom units in the HMA, respectively. The Central Phoenix area had the highest

average apartment rent in the HMA during the first quarter of 2016, at \$1,279, a 15-percent increase from the same period a year earlier. The West Phoenix area had the lowest average apartment rent, at \$603, an 8-percent increase from the first quarter of 2015.

The large shift of single-family homes from owner to renter tenure following the national recession led to decreased demand for new apartments from 2008 through 2013. Multifamily construction averaged 8,550 units annually from 2000 through 2007 before falling more than 70 percent to an average of 2,375 units annually from 2008 through 2011 because of a surplus of single-family homes, many of which were converted to rental units. Builders responded to improving rental market conditions, however, with notably higher levels of multifamily permitting from 2012 through 2014 (Figure 9). During the 12 months ending March 2016, multifamily construction totaled 6,025 units compared with 7,125 units permitted during the previous 12-month period (preliminary data). Multifamily permitting averaged only 940 units a year from 2009 through 2011, the three lowest single-year totals, including an all-time low of 650 units in 2010.

Recent developments under way in the HMA include Vela Apartments on Tempe Town Lake in Tempe. The 290-unit project is currently under construction and is projected to open in the fall of 2016. Rents are expected to start at \$1,355 for one-bedroom units and \$1,820 for two-bedroom units. In Glendale, the 286-unit Velaire at Aspera project is also under way and is expected to be complete

Figure 9. Multifamily Units Permitted in the Phoenix HMA,* 2000 to Current



*Phoenix-Mesa-Scottsdale HMA.

Notes: Excludes townhomes. Current includes data through March 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

in early 2017. Rents are anticipated to range from \$1,140 to \$1,250 for one-bedroom units, from \$1,350 to \$1,485 for two-bedroom units, and \$1,550 for three-bedroom units.

During the next 3 years, demand is expected for 39,150 new rental units in the HMA (Table 1). The estimated 3,600 units currently under

construction and 7,650 additional planned completions will meet a portion of the expected demand. Additional construction in the HMA should be timed to enter the market during the second and third years of the 3-year forecast period. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Phoenix HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600 to 799	3,200	760 to 959	13,700	930 to 1,129	12,200	1,260 to 1,459	3,075
800 or more	200	960 to 1,159	1,700	1,130 to 1,329	1,525	1,460 or more	340
		1,160 or more	1,700	1,330 or more	1,525		
Total	3,425	Total	17,100	Total	15,250	Total	3,400

*Phoenix-Mesa-Scottsdale HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 3,600 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Data Profile

Table DP-1. Phoenix HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	1,612,861	1,874,006	2,051,000	1.5	1.7
Unemployment rate	3.3%	9.6%	5.3%		
Nonfarm payroll jobs	1,577,700	1,691,600	1,914,000	0.7	2.4
Total population	3,251,876	4,192,887	4,544,000	2.6	1.3
Total households	1,194,270	1,537,173	1,679,800	2.6	1.5
Owner households	812,065	1,005,949	990,600	2.2	-0.3
Percent owner	68.0%	65.4%	59.0%		
Renter households	382,205	531,224	689,200	3.3	4.4
Percent renter	32.0%	34.6%	41.0%		
Total housing units	1,331,405	1,798,501	1,886,000	3.1	0.8
Owner vacancy rate	2.0%	4.3%	2.9%		
Rental vacancy rate	9.0%	13.8%	6.0%		
Median Family Income	\$60,200	\$62,334	\$64,201	0.3	0.6

*Phoenix-Mesa-Scottsdale HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 4/1/2016—Analyst’s estimates
 Forecast period: 4/1/2016–4/1/2019—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Phoenix_Mesa_ScottsdaleAZ_16.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.