Arizona Housing Market Overview

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Arizona metros slower to recover value than rest of U.S.

Source: Zillow Home Value Index, June 2019
Phoenix lower-value homes leading the comeback

Source: Zillow Home Value Index, June 2019

Top third
Median home value
Bottom third

Pre-recession Peak to Current
Trough to Current

-10.4% +68.8%
6.3% +107.7%
3.7% +183.1%

Median Home Values

$0K $50K $100K $150K $200K $250K $300K $350K $400K $450K $500K
$65,500 $128,600 $259,700 $489,400 $438,300
$185,400 $267,100 $284,000

Source: Zillow Home Value Index, June 2019
But the PHX bottom tier homes have been the most volatile
Annual home value change similar across AZ metros

Source: Zillow Home Value Index, June 2019
Phoenix hit especially hard by negative equity and foreclosures

Source: Zillow Negative Equity, 2018 Q2 and Zillow Foreclosure Re-Sales %, 2019 Q2.
Entry-level homes were hit the hardest by the foreclosure crisis

<table>
<thead>
<tr>
<th>Location</th>
<th>Entry-level</th>
<th>Middle-tier</th>
<th>High-end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles, CA</td>
<td>58.0%</td>
<td>30.9%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>54.8%</td>
<td>32.6%</td>
<td>12.6%</td>
</tr>
<tr>
<td>United States</td>
<td>45.4%</td>
<td>37.7%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>45.3%</td>
<td>39.6%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>41.3%</td>
<td>46.0%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Las Vegas, NV</td>
<td>37.8%</td>
<td>42.7%</td>
<td>19.5%</td>
</tr>
</tbody>
</table>

Source: Zillow analysis of foreclosed homes between the beginning and end of the bust.
Phoenix-area Hispanic communities hit hardest by foreclosures

Homes in communities of color were hit the hardest by foreclosures
Share of homes in Hispanic, black and white communities that were foreclosed

- **Hispanic communities**: 19.2% of all homes, 29.7% of foreclosed homes
- **White communities**: 80.8% of all homes, 70.3% of foreclosed homes

Zillow Economic Research | Source: Zillow analysis of foreclosed homes between January 2007 and December 2015 in racial pluralities identified using data from the U.S. Census Bureau, Decennial Census and American Community Survey.
A greater share of home buyers in Atlanta, Phoenix put down 5% or less

Share of home buyers who put down at least 20%, 6-19% and 5% or less

<table>
<thead>
<tr>
<th>City</th>
<th>At least 20%</th>
<th>Between 6 and 19%</th>
<th>5% or less</th>
<th>Don't remember</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>43.2%</td>
<td>27.7%</td>
<td>24.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>32.4%</td>
<td>18.6%</td>
<td>44.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Chicago</td>
<td>52.1%</td>
<td>27.8%</td>
<td>18.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Phoenix</td>
<td>31.0%</td>
<td>30.4%</td>
<td>36.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>50.7%</td>
<td>30.2%</td>
<td>17.6%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>43.8%</td>
<td>28.9%</td>
<td>25.4%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Zillow Group Consumer Housing Trends Report 2018
The share of single-family home rentals were rising steadily until recent years.
Home value growth across AZ slowing in recent months

Source: Zillow Home Value Index, June 2019
Phoenix once led the nation as “hottest market”
Home value change over past five years

Source: Zillow Home Value Index, June 2019
Three-year home value growth by ZIP code

Source: Zillow Home Value Index, June 2019
Three-year home value growth by ZIP code

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Three-year home value growth by ZIP code

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Three-year home value growth by ZIP code

Source: Zillow Home Value Index, June 2019
Three-year home value growth by ZIP code

Source: Zillow Home Value Index, June 2019
Median rental values surging in recent years

Source: Zillow Rent Index, June 2019
So what’s driving this
A lot of jobs have come to Maricopa County
Average wage growth in AZ tracks with national average

![Graph showing average weekly change since 2012 for U.S. Total, Arizona Total, Maricopa County, with values $160, $130, $119 respectively.]
Californians love Arizona

Share of 2017 Movers to Arizona Per State

Source: American Community Survey 2017
For-sale inventory still tighter than recent past

Source: Zillow For-Sale Inventory, June 2019
Home building behind historic average

Permits per 1,000 residents in previous 12 months

Source: U.S. Census Bureau: New Residential Construction
Homebuilding lagged new employment
Construction wages climbing steadily

Year-Over-Year % Wage Growth (12-month moving average)

- All private sector workers
- Construction industry workers
- Residential construction workers

Source:
Cities with the most land use restrictions see their home values grow faster when new jobs come to town.
Where does this leave us?
Share of income necessary for typical rental at historic high

Source: Zillow Rent Affordability, 2019 Q2.
Affordability pinch most severe on the lower-end of the market

Source: Zillow Rent Affordability, 2019 Q2.
Phoenix metro mortgage affordability sensitive to interest rates

Source: Zillow Mortgage Affordability, 2019 Q2.
Drive ‘til you qualify

Commute Times (to Downtown Core) and Home Values and Rents for Phoenix

Median Home Value by Commute Time

- $300K
- $250K
- $200K
- $150K
- $100K
- $50K
- $0K

- Less than 15m
- 15m to 30m
- 30m to 45m
- 45m to 60m
- 60m to 75m
- 75m to 90m
- 90m to 105m
- 105m to 120m
Share of rental listings affordable by profession

Nurse

Fire Fighter

Teacher
Share of rental listings affordable by profession

Nurse

Fire Fighter

Teacher

Share of Affordable Listings

0%  100%
Share of rental listings affordable by profession

Nurse

Fire Fighter

Teacher

Share of Affordable Listings

0% - 100%
Higher rent burdens increase likelihood of nothing left over for savings

Housing assistance lagged Maricopa County rents

Change in Median Rents and Maximum Voucher Payment
Percent change since 2012

Red dots indicate FMR formula based on 50th percentile rents

Source: Zillow Analysis of Zillow Listings, Zillow Rent Index and HUD Fair Market Rents
Affordable rental options unevenly available