Arizona Housing Market Overview

Alexander Casey
Senior Policy Advisor, Zillow Economic Research
Arizona metros slower to recover value than rest of U.S.

<table>
<thead>
<tr>
<th>City</th>
<th>Median Home Value</th>
<th>Above pre-recession peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flagstaff, AZ</td>
<td>$360,400</td>
<td>+$12,700 (+3.6%)</td>
</tr>
<tr>
<td>Prescott, AZ</td>
<td>$307,700</td>
<td>+$6,500 (+2.2%)</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>$271,600</td>
<td>-$12,400 (-4.4%)</td>
</tr>
<tr>
<td>United States</td>
<td>$231,000</td>
<td>+$30,500 (+15.2%)</td>
</tr>
<tr>
<td>Tucson, AZ</td>
<td>$214,100</td>
<td>+$23,600 (-9.9%)</td>
</tr>
<tr>
<td>Yuma, AZ</td>
<td>$153,500</td>
<td>-$24,900 (-14.0%)</td>
</tr>
</tbody>
</table>

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

Source: Zillow Home Value Index, September 2019

<table>
<thead>
<tr>
<th>Pre-recession Peak to Current</th>
<th>Trough to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top third</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Median home value</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Bottom third</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>
But the PHX bottom tier homes have been the most volatile
Annual home value change similar across AZ metros

Source: Zillow Home Value Index, September 2019
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>Location</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>
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

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.
Home value growth across AZ slowing in recent months

Flagstaff, AZ
$360,400

Prescott, AZ
$307,700

Phoenix, AZ
$271,600

United States
$231,000

Tucson, AZ
$214,100

Yuma, AZ
$153,500

Source: Zillow Home Value Index, September 2019
Home value change over past five years

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

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

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

3-year growth
- < 10%
- 10%-20%
- 20%-30%

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

3-year growth

- < 10%
- 10%-20%
- 20%-30%
- 30%-40%

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

3-year growth
- < 10%
- 10%-20%
- 20%-30%
- 30%-40%
- 40%+

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

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

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

Source: Zillow For-Sale Inventory, September 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.
Poverty Rate Among Renters by Structure and Age (PHX metro)

Renters poverty rate by structure type and age of unit

<table>
<thead>
<tr>
<th>Structure Type</th>
<th>1959 or earlier</th>
<th>1960-1979</th>
<th>1980-1999</th>
<th>2000 or later</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single family residence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duplex/Triplex/Quad</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-49 units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50+ units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15.4% to 40.3%
Where does this leave us?
Share of income necessary for typical rental at historic high

Historic average, 1985-2000

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

- Less than 15m
- 15m to 30m
- 30m to 45m
- 45m to 60m
- 60m to 75m
- 75m to 90m
- 90m to 105m
- 105m to 120m

$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
Share of rental listings affordable by profession
Higher rent burdens increase likelihood of nothing left over for savings

Healthy Housing:
Where Higher Rents Are Correlated With Worse Health

Choose State: Arizona

Median Household Income

Rent Affordability and Share of Renters Reporting Poor Health

Source: Zillow analysis of data from Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Division of Population Health; 500 Cities Project Data; the U.S. Census Bureau, American Community Survey, 2014; and the Zillow Rent Index (ZRI) by census tract.
Evictions filed in 2018 per 1,000 renter households
Homelessness Inflection Points

Graph showing the relationship between the share of income spent on rent and homelessness rate.
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
Two-bedroom units growing fastest at the 40th percentile in PHX metro
Fair Market Rent falls short for smaller units

![Bar chart showing Fair Market Rent vs 40th Percentile Rental Value by bedroom count](chart.png)
Affordable rental options unevenly available
Total Renter Households below 50% AMI and Total Vouchers