Arizona’s housing market is booming, but not for everybody. Affordability is a relative term.

The term “housing” carries two related but distinct meanings. One defines a multifaceted industry linked to overall development and economic growth. The other represents a basic human need. When it comes to Arizona’s housing industry, the state consistently ranks in the top 10 nationally for total housing units built each year, percentage increases, and percentage of new homes – thanks largely to continuing population growth. When it comes to the basic need for housing, however, Arizona has not been as successful, nor does its future seem as bright.

The state’s median home prices, mortgages, and rents are about on par with national averages, as is Arizona’s 68% home ownership rate. Ranked 31st, Arizona’s level of home ownership is slightly above the national average. And while low interest rates during the past few years have kept new and resale homes within reach of most middle income buyers, this affordability may not last. Still, Arizona’s housing market is expected to continue booming over the near term – especially if California prices remain high and the expected influx of aging baby boomers occurs.
Affordable Housing

Scholars have repeatedly shown links between safe, stable, affordable housing and such issues as health, school achievement, and labor force participation. Yet no single definition for “affordable housing” fits all of the factors involved – from the size, quality, and location of the dwellings to the many ways to measure income. There is one constant however: Families are advised to commit no more than 30% of their income to housing.

Using that formula, most middle income households are likely to be able to afford homes in Arizona. For example, the 2003 estimated median sales price of an existing Maricopa County home was $159,500, according to the Arizona Real Estate Center at Arizona State University. This price would yield a monthly mortgage payment of approximately $946 under current conditions, well within the means of the county’s median monthly household income of about $4,060. Likewise, the 2003 estimated monthly “fair market rent” calculated by the U.S. Department of Housing and Urban Development for a 3-bedroom home or apartment in the Phoenix region was $1,121, also within the budget of the middle income county household.

But for those Arizona households with below-median income, finding affordable shelter can be much more difficult. A 2002 report for the Arizona Housing Commission calculated that 10.3% of all households in the state face a housing “affordability gap.” This means that there were 10.3% more households at a particular income level than there were housing units available at that income level. In addition, the U.S. Department of Housing and Urban Development estimated in 2000 that 36.7% of Arizona renters and 22.5% of owners were paying more than the advised share of monthly income for shelter. This shortage of affordable homes tends to increase crowding for low income households and stiffen housing competition for middle income families. Crowding is already an issue in Arizona, since the state is 4th highest for “crowded” housing among all states, tied with Alaska and Nevada.

The 2002 Arizona Housing Commission study found that the problem of affordable housing has become especially significant in some of the state’s rural areas. While the study placed Maricopa County’s “affordability gap” at 9.6% of households, it reported a gap of 14.1% for La Paz County, 15.3% for Coconino, and more than 17% for both Yavapai and Santa Cruz.
counties. The situation is much worse for Native Americans, who suffer a 56.7% affordability gap, most of which is due to poor housing conditions and shortages on reservations.

Mobile and manufactured homes play an important part in affordable housing. They comprise about 14% of the overall housing stock statewide, but account for 29% of all homes in places outside Maricopa and Pima counties. Census 2000 ranks Arizona 11th nationally on the percentage of mobile and manufactured homes.

Policy Choices Here and Now

Clean and decent housing for every American – rented or owned, cabin or mansion – was the famous goal of federal housing legislation in 1948. Housing experts say this is still the goal to strive for in Arizona. Here and now the policy talk is about:

> Revitalizing older neighborhoods to preserve rental and owned housing stock.
> Increasing affordable housing stock overall and maintaining affordability as areas revive and prices rise.
> Planning to include rental and owned housing at many price levels in new developments whether in downtowns or on the urban fringes.
> Increasing the capacity of community development organizations to build affordable rental and owned housing, work in historic areas, and prepare more residents for the ups and downs of home ownership.
> Addressing rural and reservation housing needs through public-private partnerships and other mechanisms.

Arizona and its urban areas do not yet suffer the monumental housing problems present in a number of states. “Cost of housing” was the brightest spot in the public opinion survey overall. However, the favorable comments are concentrated principally in the Phoenix region and fall off sharply in Pima and rural counties. The issues of housing are so basic to other topics, from education to crime to economic development, that Arizona cannot afford to wait for a crisis.

DATA NOTES

Housing information is complicated by the many variations in terms and definitions. Fair market price data should be viewed only as rough estimates.
METRO FOCUS

Phoenix-based public opinion firm Behavior Research Center asked relative newcomers to metro Phoenix (within the past 10 years) where they lived prior to metro Phoenix and why they moved to the area. They got a simple answer: jobs and housing. While many are now debating quantity versus quality, metro Phoenix and, to an extent, Tucson have been seen in recent years as hot spots for jobs and reasonably priced homes. Together, they have been a powerful magnet for growth, especially for former Californians and other states in the Rocky Mountain region. The Phoenix metropolitan area had the greatest net domestic migration of any metro area between 1995 and 2000. Including international migration, the Phoenix area ranked second.

For existing homes, Tucson placed 43rd on price with Phoenix at 47th among the 126 urban areas ranked by the National Association of Realtors. San Francisco was at the top of the list with the highest price for existing homes; Buffalo, by contrast, had the lowest sales price.

Homes are the greatest financial assets most families own, so rising home values are usually good news for individuals. In addition, increasing values generally mean that areas have healthy neighborhoods and attractive lifestyles.

While circumstances vary across neighborhoods, according to the U.S. Office of Housing Enterprise Oversight, for the year ending September 30, 2004, housing prices in metro Phoenix rose 13.2% (ranking 74th nationally). In the Tucson region, housing prices rose 14.3% (ranking 64th nationally). The Housing Price Index is based on sales of existing single-family homes and is not adjusted for inflation.