COMMON SENSE INSTITUTE ARIZONA

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HOUSING AFFORDABILITY IN ARIZONA

QUARTER 4 2024 UPDATE

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ABOUT THE AUTHORS

Glenn Farley is CSI Arizona's Director of Policy & Research, where he leads its research efforts. Glenn has helped CSI provide accurate, timely, and insightful public information on issues ranging from tax and regulatory policy, to Arizona's changing K-12 landscape since the pandemic.

Prior to joining CSI in 2022, Glenn ended his 8 years in the Office of the Arizona Governor as Gov. Doug Ducey's Chief Economist and a policy advisor. In that role he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor's lead architects of his two major tax reforms – the 2018 tax overhaul that established the State's first remote sellers sales tax and dedicated the proceeds to a major simplification and overhaul of the individual income tax, followed by the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Mr. Farley has also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of conservative, structurally balanced budgets in State history.

Kamryn Brunner joined Common Sense Institute Arizona in 2022 as a research analyst. Since then she has conducted research primarily in charitable tax credits and education funding. After graduating from Grove City College in 2022 with a B.A in economics, Kamryn wrote for an online news publication. She has volunteered for various grassroots organizations throughout her college career. Kamryn also was a legislative aide in the South Dakota State Legislature assisting in various committees such as Education and Agriculture and Natural Resources. Kamryn grew up in South Dakota and moved to Arizona in 2022.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Arizonans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modelling to evaluate the potential impact of these measures on the Arizona economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Americans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

The housing market in Arizona remains tight and while homebuilding has picked up recently, the pace of permitting remains too slow and the supply of existing homes too low to bring prices down significantly. Prices have declined just 6.1% from their all-time peak in July 2022, and the average home costs 55.2% more today than it did at the end of 2019 – a consequence of inadequate new supply to keep pace with the explosion in demand during and after 2020. After declining briefly to a 2-year low of 6.18% in September 2024, mortgage rates are again rising (6.72% today).

This raises the question: why haven't high prices and a dearth of existing homes available for sale lead developers and homebuilders to fill the gap with more, affordable new-construction housing? The answer: the pace of permitting and cost of complying with numerous building codes and regulations makes bringing homes to market slow and expensive.

Existing homeowners largely remain on the sidelines unwilling to give up their low existing mortgage rates, and prospective new buyers have been turned off by high mortgage rates and high prices. While this reduces the demand for housing, the supply-side hasn't kept pace.

The introduction of housing supply through new construction remains the only mechanism by which Arizona, and indeed the U.S., can solve its structural housing affordability issues. Lower interest rates alone may help bring more existing homes to market, but by stoking demand too. To better understand this problem and track our progress, CSI produces its regular affordability study and "Housing Report Card".

Key Findings

- Although Arizona's housing shortfall has decreased since 2023, the latest data shows that Arizona is losing ground. As of Q4 2024, CSI estimates that Arizona is facing an immediate housing shortage of 56,616 units – down from the 68,658 estimated for 2023, but given the slowing pace of permitting in the state as well, **it would take at least 13 years for Arizona to resolve this deficit.**
- At $424,800, the average house in 2024 costs nearly $70,000 (+18%) more than it otherwise would have been if home prices had maintained the steady pre-pandemic trend. Despite prices declining since June 2024, it would still take 36 months for housing prices to fall back in line with the 2012-2019 trend if prices continued to decline at this pace.
- Homeownership remains financially burdensome. Historically, households in Arizona needed to work about 45 hours/month on average to afford their mortgage payment at current market wages, interest rates, and housing prices. **At the prevailing hourly wage rate, it takes around 64 hours of work to afford a monthly mortgage payment.** Alternatively, to afford the average home, a household needs to earn $109,500 under conventional mortgage guidelines.
- Arizona earned a "C-" rating on the CSI Housing Report Card for Q4 2024 – a decline from the previous grade of C. A combination of various inputs into the health and accessibility of Arizona's local housing markets, this decline is largely a reflection of the low permitting-to-shortfall ratio and the estimated length of time it will take to close Arizona's housing deficit.
- Maricopa County – the state's largest county by population – saw its grade fall to a D (from a B- in Q1 2024) after three years of positive progress, due to a dramatic slowdown in the pace of permits being issued by its cities and governments. 79 of the 90 cities and towns in Arizona had a housing deficit in 2023.
- While homebuilding in the urban core of the Valley – Arizona's largest metro area – struggles to keep up, some suburban parts of the area do well. **Pinal County still earns a B- overall letter grade,** and some cities do even better – Avondale in Maricopa County and Casa Grande in Pinal both earn an A.

HOUSING AFFORDABILITY

Arizona prices remained high in the last quarter of 2024, despite slight declines over the past two years. As of December, home prices in the state were just 6.1% below their all-time peak set in July 2022, while prices in the Phoenix Metro are 7.3% below their peak. Today, the average home in Arizona costs $424,800; in 2019, it cost $267,700.

CSI estimates that the average home in Arizona is $71,000 (20%) more expensive than it otherwise would have been if home prices had maintained their steady pre-pandemic trend. Given the current pace of price declines (-0.18%/month), it would take 36 months for house prices to return to their prior 2012-2019 trend.

Homebuyers Misery Index

The Homebuyers Misery Index increased in January to 105.9 (+3.3% since August 2024) – thanks primarily to a 0.4 percentage-point increase in the average 30-year mortgage rate since our last report (August 2024).

As a reminder, the 'Misery Index' sums normalized and equally weighted home prices and 30-year mortgage rates to measure effective costs of home buying relative to historical levels. The index is set to a long-run average value of 0. Conditions better than the long-run average are represented with negative numbers, and relatively more expensive conditions with positive values. Interestingly, excluding the two high-volatility periods of the 'housing market bubble' in the early 2000s and the current post-pandemic period, the index is relatively flat – generally rising home prices over time have been offset by an almost equally fast decline in interest rates. Although homebuyers have experienced some relief recently, the combination of high home prices and interest rates continues to depress potential buyers.

Housing Affordability Through Time

2019
Monthly Payment: $1,014
Work-Hours Needed: 38
Misery Index: 18.8

2023
Monthly Payment: $2,213
Work-Hours Needed: 69
Misery Index: 103.5

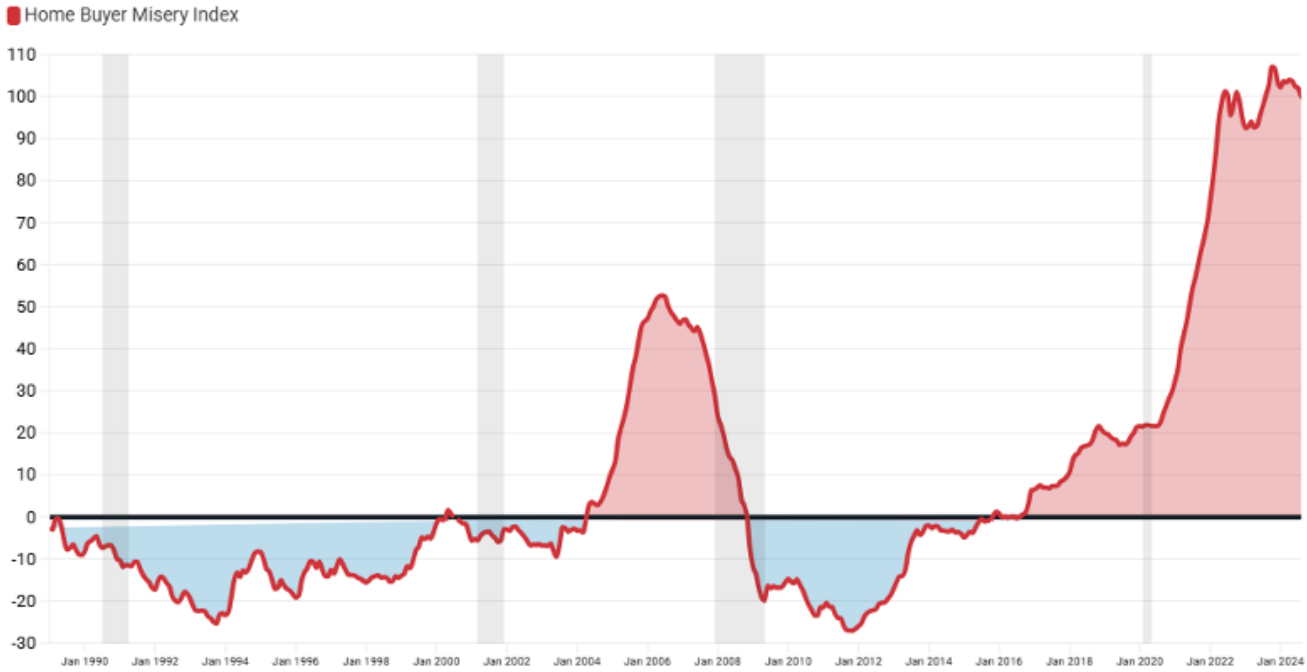
Q3 2024
Monthly Payment: $2,088
Work-Hours Needed: 61
Misery Index: 99.3

Q4 2024
Monthly Payment: $2,202
Work-Hours Needed: 64
Misery Index: 106.5

FIGURE 1

Phoenix 'Misery Index' of Mortgage Rates & Home Prices

The Misery Index increased 3.6%% between September and December 2024, due primarily to a 0.54 percentage point increase in mortgage rates.



Source: S&P Dow Jones Indices, Primary Mortgage Market Survey • Shaded areas indicate Recessions. Because the index is normalized to zero, direct percent changes are exaggerated; non-normalized percent changes are cited instead.

As a result, sales of existing homes in the western region of the country remain near the lows of the last two years, and the rate of sales of existing homes as of December 2024 is down 36% from the rate experienced in 2021.[i] Meanwhile, new homes for sale have increased 28% over the same period, but the volume is insufficient to offset the loss of existing sellers.

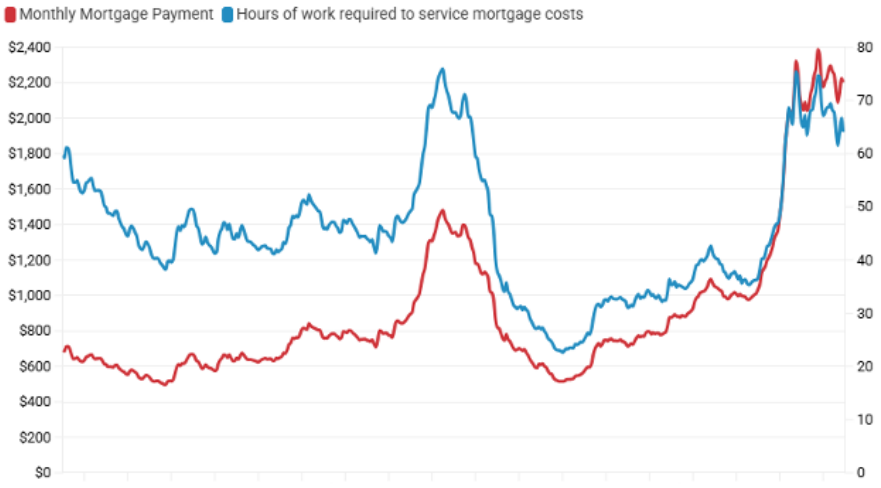
Mortgage Affordability

The average 30-year mortgage rate in December 2024 was 6.72% (+0.54 percentage-points since September 2024). The average price of a home in Arizona is $425,600. Given those figures, **a typical monthly mortgage payment would cost $2,201.** This is roughly unchanged over the past year. In December 2019, a typical 30-year mortgage would have had a monthly cost of $1,019.

FIGURE 2

Mortgage Affordability in Arizona

Although down from their late-2022 peak, as of December it would take the average Arizona household 64 hours of work to afford a typical 30-year mortgage.



To afford a house in today's market under conventional mortgage guidelines, Arizonans would need an annual income of $109,500. Alternatively, at the average hourly wage rate of $34.37, the typical household in Arizona would need to work 64 hours/month (over one-and-a-half weeks) to service the average mortgage payment.

FIGURE 3

Arizona Home Prices, Mortgage Payments, and Work Requirements

Date	Average Home Price	30-Year Mortage Rate	Mortage Payment	Average Wage Rate	Hours of Work Required	Year-Over-Year % Change
12/2015	$ 209,623	3.96%	$797.14	$23.23	34	6.83%
12/2016	$ 223,757	4.20%	$875.16	$24.07	36	5.96%
12/2017	$ 240,149	3.95%	$911.68	$25.42	36	-1.36%
12/2018	$ 259,139	4.64%	$1,067.42	$25.86	41	15.09%
12/2019	$ 276,054	3.72%	$1,019.00	$26.92	38	-8.29%
12/2020	$ 312,502	2.68%	$1,011.89	$27.92	36	-4.25%
12/2021	$ 401,121	3.10%	$1,369.93	$29.16	47	29.63%
12/2022	$ 426,975	6.36%	$2,128.56	$30.84	69	46.91%
12/2023	$ 423,820	6.82%	$2,213.78	$31.94	69	0.42%
12/2024	$ 425,590	6.72%	$2,202.51	$34.37	64	-0.6%

Source: Bureau of Labor Statistics, Freddie Mac, Zillow Data

PERMITTING & SUPPLY

In 2024 Q4, Arizona's local jurisdictions issued 12,866 residential building permits (-14.7% from Q3 2024 and -16.6% from Q4 2023). For the entire year, the state is on track to approve construction of 59,306 housing units – in increase of 1.7% from 2023 and an increase of 27.3% from 2019.

The 2024 permitting level is more than the states average permitting pace over the last 10 years of 47,600 annually. However, permit activity peaked in 2022 at 61,084 residential permits and has been slowing since.

New home construction and permit activity surged between 2020 and 2022, following pandemic-era price spikes. However, as with the U.S. more broadly, permitting fell in Arizona towards the end of 2022, and only briefly recovered before falling again in late 2024. A total of 3,275 residential building permits were issued in December 2024. At its recent peak (March of 2022) Arizona issued nearly 6,800 permits. The current pace of permitting is not enough to keep up with pent-up demand and resolve the housing shortfall.

While not all permits result in housing units, Permitting activity provides an insight into the pace of new homes entering the market with about a 1 year lag. On average, 91% of housing permits turn into housing units over the next year. Based on the number of housing permits in 2024, Arizona is not on track to build enough housing units to close the deficit. In order to keep up with population growth and growing housing demand, Arizona would have to add around 50,000 housing units annually; CSI forecasts 49,700 units over the next year.

While the housing shortage did shrink in late 2024, it is more attributable to rising vacancy rates as people leave the housing market after being frustrated by high prices and borrowing costs, rather than increasing supply.

Permitting & Supply Through Time

2019
Housing Permits: 46,580
Housing Deficit: 68,742

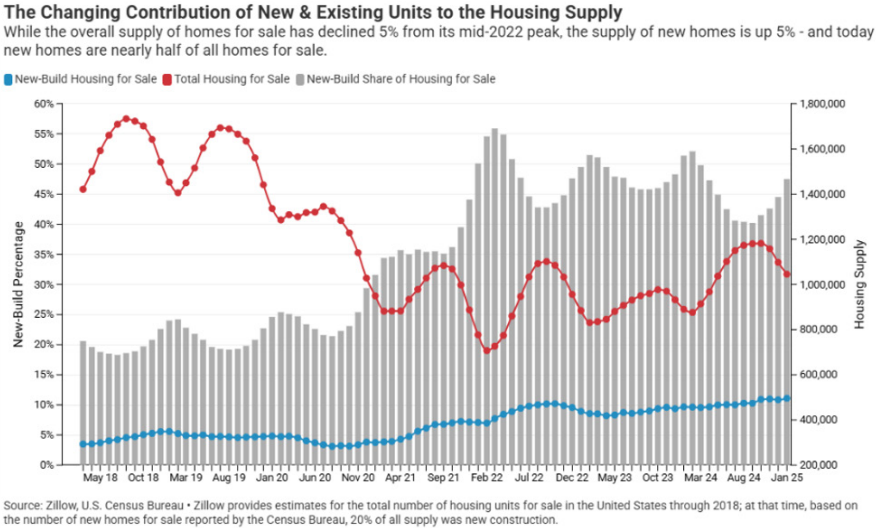
2023
Housing Permits: 58,335
Housing Deficit: 68,658

Q3 2024 (YTD)
Housing Permits: 51,410
Housing Deficit: 65,721

Q4 2024
Housing Permits: 59,306
Housing Deficit: 56,616

As discussed in prior CSI reports, there is a large gap between the mortgage rates possessed by current homeowners (who bought when rates were much lower) and the market rates available to current buyers. This creates a mortgage lock-in effect – a phenomenon where homeowners are reluctant to sell their current home and buy another due to higher mortgage costs. As a result, the number of housing transactions plummeted from pre-pandemic levels, and new homes as a share of all homes for sale increased 22.5 percentage points between 2019 and 2024 - as of January 2025, nearly half of all homes for sale are new.[ii] The number of U.S. homes for sale has decreased 5% from their 2022 peak, while new homes for sale are at an all time high and up 5% over the previous 2022 peak.

FIGURE 4



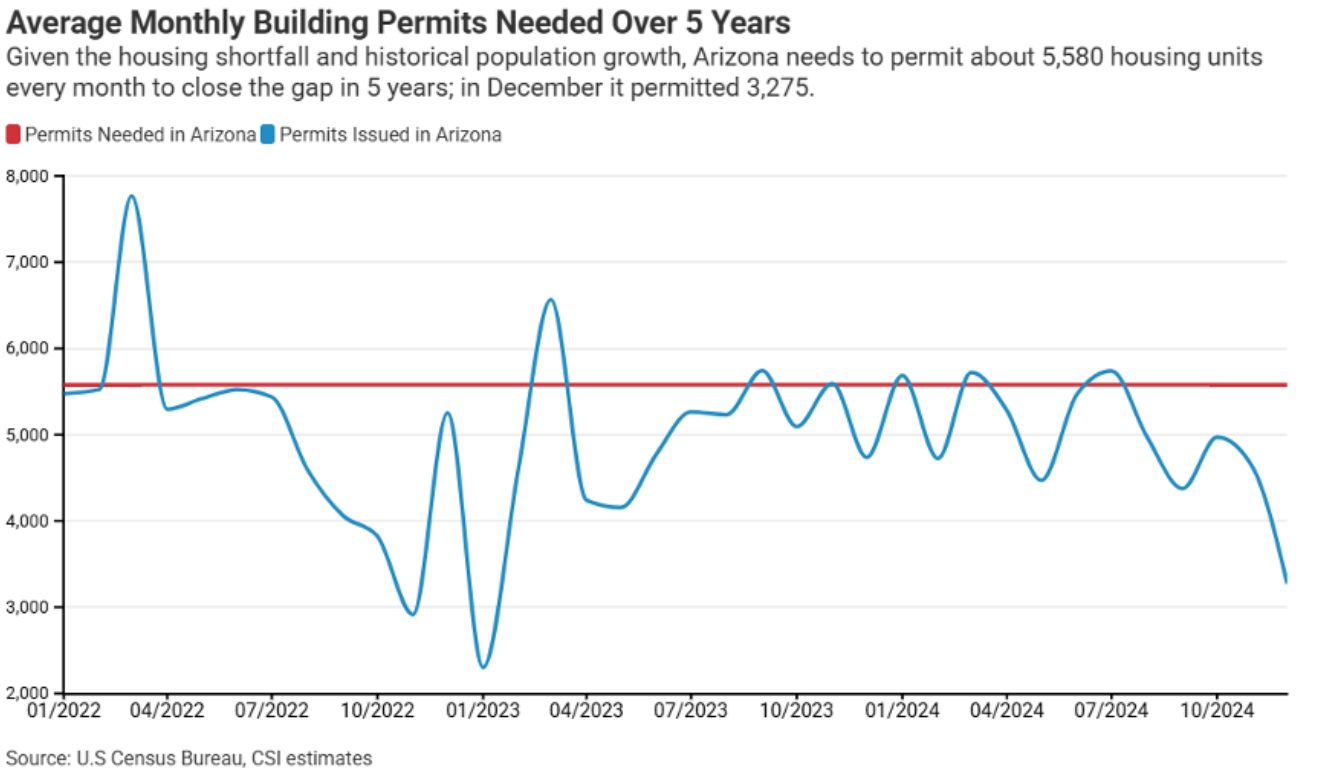
In summary, the housing market today is more dependent on new-construction than it has been historically – especially at the lower-end of the market. New construction is costly and slow to bring to market, in part due to local building codes and permitting restrictions.

Arizona's Housing Shortfall

To assess the pace of permitting, new construction, and overall additions to Arizona's housing supply in meeting the demands of buyers, CSI Arizona utilizes two measures: a market-based "instantaneous" estimate of the real-time gap between supply and demand informed by vacancy rates, and a housing-supply-focused "cumulative" measure that is slower and less responsive to demand changes but tracks longer-term growth in the housing supply relative to underlying population growth and household formation. The market-based measure captures demand changes when discouraged folks exit the housing market by, for example, living with parents or roommates for longer. The cumulative deficit does not account for this and assumes long-term housing growth must keep up with long-term population growth and historical housing formation rates. For completeness, both results are reported here as a range.

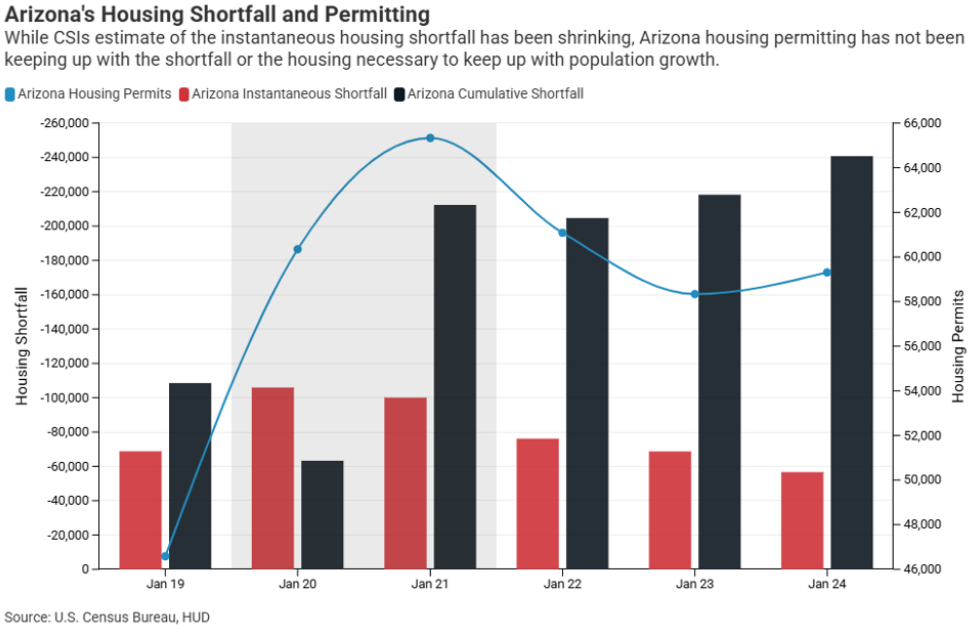
On a real-time basis, currently, **CSI estimates an instantaneous housing shortfall of 56,616 units in 2024, down 17% from the revised shortfall of 68,658 in 2023.** While this decline reflects the uptick in both home permitting and home-building after 2020, it also reflects the collapse in demand as rising prices and interest rates have driven consumers out of the market for homes. This estimate holds given the current state of the market (and particularly continued-high market interest rates coupled with relatively-low-rates for existing homeowners).

FIGURE 5



Alternatively, CSI's supply-driven "cumulative" estimate of the housing shortfall as of 2024 shows an Arizona housing deficit of 240,760 units. This larger shortfall tracks the tepid growth in housing units in the state relative to the growth in population and other benchmarks, cumulatively and over time. This provides some insight into the state's likely longer-term needs, if prices and interest rates normalized and more households were drawn into the housing market.

FIGURE 6



Although these estimates always differ, they have moved in opposite directions over the last couple years. This divergence illustrates a point we have made throughout this piece: any improvement in the contemporary Arizona housing market is characterized more by a lack of buyers at current prices and interest rates than an increased home supply. Given the number of permits issued in 2024, it would take the state 13 years to close just the "instantaneous" housing deficit. The state has made no meaningful progress in addressing its pent-up "cumulative" shortfall since 2022.

The Local Housing Shortage

As a reminder: Arizona local jurisdictions – cities, towns, and counties – are responsible for issuing residential building permits. They also determine local building codes, architectural and design requirements, and code and permit enforcement. Therefore, it is especially helpful to review local and regional housing supply conditions, versus purely statewide perspectives. But data availability issues make the consistent technical calculation of these indicators at the city-level difficult, and household freedom of movement – people can choose where they live and ultimately move to places that are building housing and especially affordability housing – make doing it difficult. CSI attempts to address both issues by relying on a mix of local and county-wide data, as available, and holding each city to the standard of its county population growth rate (rather than its local city-level population growth rate). So, for example, Scottsdale is held to Maricopa County's population growth rate when assessing its pace of permitting against growth-driven need, instead of its own (slower) growth rate, because we assume Scottsdale is growing more slowly in part because it lacks (affordable) housing.

FIGURE 7

Arizona's Housing Shortage, By County, Since 2021

The statewide shortfall decreased in 2024 due to higher vacancy rates.

County	2021 Deficit	2022 Deficit	2023 Deficit	2024 Deficit	Shortfall as % of Existing	2024 Permits	Years to Close the Deficit
Apache County	(1,109)	(1,056)	(980)	(673)	2.30%	99	3.8
Cochise County	(1,458)	(1,350)	(347)	290	N/A	437	0
Coconino County	(1,579)	(1,445)	(2,142)	(1,414)	1.96%	698	19.4
Gila County	(1,191)	(849)	(500)	(153)	0.46%	217	1.1
Graham County	(412)	(224)	(134)	17	N/A	137	0
Greenlee County	(113)	(46)	121	169	N/A	14	0
La Paz County	(387)	(193)	(404)	(259)	1.88%	92	2.4
Maricopa County	(60,279)	(44,995)	(33,877)	(37,744)	1.94%	36,011	160.4
Mohave County	(4,825)	(4,631)	(2,987)	(1,723)	1.38%	2,543	3.8
Navajo County	(2,262)	(2,170)	(2,335)	(1,725)	2.97%	485	9.5
Pima County	(13,603)	(6,691)	(12,299)	(4,663)	0.95%	5,268	N/A
Pinal County	(5,419)	(5,227)	(4,579)	(2,654)	1.36%	9,504	0.8
Santa Cruz County	(677)	(474)	226	438	N/A	340	0
Yavapai County	(5,197)	(5,038)	(4,167)	(2,842)	2.18%	2,062	N/A
Yuma County	(3,402)	(3,265)	(3,451)	(2,445)	2.52%	1,399	90.9
Arizona Shortage	(100,043)	(76,103)	(68,658)	(56,616)	1.99%	59,306	10.2

Source: US Census Bureau, AZ Office of Economic Opportunity • CSI's estimate of the housing shortfall is a combination of both housing supply and housing demand (as reflected in both household growth and vacancy rates). To assess an areas performance in permitting new units, the estimate of time to close the deficit fixes demand at current levels, grows the number of households by historic avg population growth, and assumes that the geographic areas YTD permitting pace persists in perpetuity. If an area's permitting pace doesn't keep pace with avg population growth, it is assumed to Never close its deficit.

11 of the 15 counties in Arizona had an ("instantaneous" or market-indicated) housing deficit in 2024. Out of those with a deficit, Navajo County has the largest as a share of its total existing housing units (2.97%), while Gila County (0.46%) has the lowest. Maricopa County – the state's largest county by population – has a projected deficit of 37,744 units, or 1.94% of the existing housing stock.

In the state's largest county, the housing deficit appears to be growing following a dip in permitting activity. According to Census data, Maricopa County issued 36,011 permits in 2024, which translates to an estimated 32,770 new housing units this year – roughly 2,000 less than the number from 2023. CSI estimates the county would need to build 32,600 units a year just to keep pace with population growth, leaving only 260 new units annually to contribute to lowering the current deficit of 37,744 housing units. **At this pace of permitting, CSI estimates it would take Maricopa County over 150 years to close their current housing shortfall.**

While U.S. Census and other sources provide good data about housing supply and households at the countywide-level, Arizona's 90 cities and towns issue the vast majority of the states building permits.

Because of this, CSI begun individual assessing how well these jurisdictions are performing in permitting and building new housing units, despite a relative lack of data. CSI estimates the housing deficit of each jurisdiction based on their respective vacancy rates and the grade is based on how well they are permitting relative to their population growth rate of their respective counties. To summarize, where available, this analysis uses city-level data; where not, we rely on county-level data prorated to that city or town.

79 of the 90 cities and towns in Arizona had a housing deficit in 2023. Chino Valley in Yavapai county had the largest deficit as a share of its total existing housing units (5.1%), while Safford in Graham county (0.1%) has the lowest. Phoenix – the state's largest city by population – has a projected deficit of 17,884 units, or 2.8% of the existing housing stock.

According to Housing and Urban Development data, Phoenix – Arizona's largest city - issued 14,468 permits in 2023, which translates to an estimated 13,165 new housing units

FIGURE 8

Arizona's Housing Shortage, For Select Cities

City	County	Population	Market Housing Deficit	Permits	Years to Close	Letter Grade
Phoenix	Maricopa	1,697,696	(17,885)	14,468	7.4	C
Tucson	Pima	557,219	(4,866)	1,668	N/A	F
Mesa	Maricopa	524,892	(5,689)	2,162	N/A	F
Gilbert	Maricopa	292,116	(3,214)	1,603	N/A	F
Chandler	Maricopa	286,342	(2,671)	765	N/A	F
Glendale	Maricopa	260,878	(1,920)	1,813	16.8	D
Scottsdale	Maricopa	249,935	(3,047)	1,067	N/A	F
Peoria	Maricopa	203,065	(1,373)	1,090	N/A	F
Tempe	Maricopa	193,336	(932)	1,496	N/A	F
Buckeye	Maricopa	113,349	(944)	2,411	0.57	A
Queen Creek	Maricopa	81,778	(854)	2,136	0.54	A
Flagstaff	Coconino	79,913	(330)	874	0.60	A
Sedona	Yavapai	9,771	12	35	N/A	F

Source: US Census Bureau, AZ Office of Economic Opportunity • CSI's estimate of the "instantaneous" housing shortfall is a combination of both housing supply and housing demand (as reflected in both household growth and vacancy rates). To assess an areas performance in permitting new units, the estimate of time to close the deficit fixes demand at current levels, grows the number of households by historic avg population growth, and assumes that the geographic areas YTD permitting pace persists in perpetuity. If an area's permitting pace doesn't keep pace with avg population growth, it is assumed to Never close its deficit.

in 2024. CSI estimates the city would need to issue 11,812 permits a year just to keep pace with population growth, leaving 2,655 new permits annually to contribute to lowering the current deficit of 17,884 housing units. At this pace of permitting, CSI estimates it would take Phoenix 7 years to close their current housing shortfall.

Tucson, Arizona's second largest city, has a deficit of 4,866 housing units and only issued 1,668 permits in 2023. In order to keep up with population growth, Tucson would need to permit for 2,667 units annually. At this pace of permitting and population growth, Tucson would never close their housing deficit.

Mesa, Arizona's third largest city, has a deficit of 5,689 units and needs to issue 4,063 permits annually to keep up with the population growth. With only 2,162 permits issued from Mesa in 2023, the city is not on pace to ever close its housing shortage.

Sedona – on the other end as one of Arizona's smaller, rural towns - presents an interesting case. With a population of less than 10,000 and just 6,822 housing units, it is one of the smallest cities in Arizona. But with an average home price of $497,000 – 17% higher than the statewide average – it is one of the more exclusive and expensive places to buy a home. Reflecting the unaffordability of the city's existing housing stock, "instantaneous" demand is low and vacancy rates (5.2%) relatively high – undercutting the argument that short-term-rentals, and not overall affordability and supply issues, are driving the city's housing issues, and instead reflecting buyer pessimism. Still, the "cumulative" shortfall (215 units) reflects the paucity of development here. Given expected population and demand growth and the tepid pace of permit issuances, the city is on track not even to keep pace with that natural demand and never resolve its underlying structural issues.

ARIZONA'S HOUSING REPORT CARD

CSI Arizona debuted its inaugural version of the state's Housing Report Card in May 2024 – which considering housing market data through Quarter 1 2024. At the time, the state earned an average "C+" letter grade for the overall performance of its local housing markets across four measures of price and supply: cumulative housing price increases, rent to household income ratio, people-per-housing unit, and permitting-to-shortfall ratio.

Since then, the decline in permitting has more than offset any other improvements in local conditions, and the statewide average grade has fallen to a "C-". Given current trends, homebuilding is likely to continue slowing in the short term, unless permitting trends change quickly and dramatically.

Housing Report Card Methodology

This methodology relies on national statistical data collected by various Federal agencies, allowing CSI to develop a consistent and objective grading rubric for Arizona's fifteen counties (as geographic areas, not political entities) and statewide conditions. While the letter grades apply to the counties and the state, they should not be interpreted as scores of the County or State governments themselves. Instead, local permitting jurisdictions – typically a City or Town, but occasionally the local County government – have the most immediate influence over the ability of developers and builders to rapidly and affordably bring to market the types of housing people are willing to buy. The more restrictive these local development and permitting processes, the slower newer housing comes to market, and the more expensive it may be.

Housing Report Card Through Time

2019
Arizona Letter Grade: C-
Maricopa County Grade: C-
Pima County Grade: C

2023
Arizona Letter Grade: C-
Maricopa County Grade: C-
Pima County Grade: C+

Q3 2024 (YTD)
Arizona Letter Grade: C
Maricopa County Grade: D
Pima County Grade: C+

Q4 2024
Arizona Letter Grade: C-
Maricopa County Grade: D
Pima County Grade: D

To assess these processes, CSI measured local performance across the four subject areas – cumulative price increases since 2020, rent-to-income ratios, the number of people-per-housing unit, and the pace of home permitting relative to its housing needs – relative to national and long run norms. A weighted average of these four units produces the area's final overall grade. Because this index is intended to primarily assess how permissive to development a region is, we double weight the pace of home permitting relative to an area's housing needs.

For each metric, all counties and the state were compared to the national average plus or minus a set number of standard deviations to yield the letter grades. Areas more than a full standard deviation below the national average received a 4.0 (A); one standard deviation below to 0.33 standard deviations above 3.0 (B); 0.33 standard deviations above to one full standard deviation above 3.0 (C); between one and two standard deviations above 1.0 (D); and higher than two standard deviations 0.0 (F).

Cumulative price increases: Areas were graded on their cumulative price increases since 2000 relative to the national average of 194.4% growth. Areas with less than 138% growth (one full standard deviation below average) earned an A, while areas with price growth exceeding 307% (two full standard deviations above the national average) received an F.

Rent-to-Income Ratio: Rent-to-income ratios for each area were compared to the national average of 20.4%. Counties with ratios below 17.21% earned an A grade, with counties over 26.83% earning an F.

People-per-housing unit: The average number of people-per-household in the U.S. was 2.35 in 2023. Counties with less than 2.19 people per household received an A, and counties over 2.67 people per household received an F.

Permitting to shortfall: Counties and the state were compared to the historical average time a county would take to close its housing given historical permitting

FIGURE 9

Arizona's Housing Report Card (2024 Q4)

Overall, Arizona's local housing markets earn a C- grade for affordability and developer accessibility (relative to long-run and national norms). Under this grading scale, a "B" is roughly average.

County	Cumulative Price Increases	Rent-to-Income Ratio	People-per-Housing Unit	Permitting-to-Shortfall Ratio	Overall Letter Grade (Q4 2024)
Maricopa County	2.0	1.0	3.0	0.0	D
Pima County	3.0	1.0	3.0	0.0	D
Pinal County	3.0	1.0	1.0	4.0	B-
Yavapai County	1.0	1.0	4.0	0.0	D
Mohave County	2.0	2.0	4.0	3.0	B-
Yuma County	3.0	3.0	3.0	0.0	C-
Coconino County	0.0	1.0	4.0	1.0	D
Cochise County	4.0	2.0	4.0	4.0	A-
Navajo County	1.0	3.0	4.0	2.0	C
Apache County	3.0	3.0	3.0	3.0	B
Gila County	0.0	3.0	4.0	4.0	B
Santa Cruz County	1.0	3.0	1.0	4.0	B-
Graham County	3.0	4.0	0.0	4.0	B
La Paz County	3.0	3.0	4.0	4.0	A-
Greenlee County	4.0	4.0	4.0	4.0	A
Arizona (Statewide)	**2.0**	**1.0**	**3.0**	**1.0**	C-

Source: New Residential Construction Reporting, Zillow Data, American Community Survey • Data limitations require us to assign scores based on countywide geographic areas. The letter grades should be read as generally applying to major cities and towns within each county, and not the Counties themselves.

rates. Counties that were estimated to take less than 3.7 years to close their deficit earned an A, while counties exceeding 58.1 years earned an F.

Figure 10 to the right provides an example of the grading for the pace of home permitting relative to each area's housing needs. The more permits an area issues the shorter the time frame to close the estimated housing deficit – all else equal – which results in a higher letter grade.

FIGURE 10

Housing Shortfall & Permitting Speed in Arizona

11 of the 15 counties in Arizona have a housing deficit. Maricopa County, the state's largest county by population, has lost ground on closing its deficit after experiencing a fall-off in permitting.

County	Housing Shortfall (2024)	Permits (2024)	Years-to-Close the Deficit	GPA	Rank
Apache County, Arizona	(673)	99	3.79	3.00	7
Cochise County, Arizona	290	437	0	4.00	2
Coconino County, Arizona	(1,414)	698	19.40	1.00	8
Gila County, Arizona	(153)	217	1.11	4.00	5
Graham County, Arizona	17	137	0	4.00	4
Greenlee County, Arizona	169	14	0	4.00	3
La Paz County, Arizona	(259)	92	2.39	4.00	6
Maricopa County, Arizona	(37,744)	36,011	160.35	0.00	15
Mohave County, Arizona	(1,723)	2,543	3.83	3.00	9
Navajo County, Arizona	(1,725)	485	9.46	2.00	10
Pima County, Arizona	(4,663)	5,268	N/A	0.00	14
Pinal County, Arizona	(2,654)	9,504	0.78	4.00	12
Santa Cruz County, Arizona	438	340	0	4.00	1
Yavapai County, Arizona	(2,842)	2,062	N/A	0.00	13
Yuma County, Arizona	(2,445)	1,399	90.86	0.00	11
Arizona	(56,616)	59,306	13.00	1.00	

Source: U.S. Census Bureau • Note that the shortfall and permitting data are available for county geographies, but generally city governments are the legal jurisdictions regulating and approving most permits. A regions grade is a function of its deficit, the number of permits being issues, and expected population growth. The scoring structure was deliberately designed to reward a high-pace of realtime permit issuances.

APPENDIX A: CITY HOUSING SHORTAGE

Arizona's Housing Shortage, By City

City	County	Population	Housing Deficit	Permits	Years to Close	Letter Grade
Apache Junction	Pinal County	41,643	(686)	1,016	2.05	A
Avondale	Maricopa County	96,803	(867)	1,891	0.72	A
Benson	Cochise County	5,536	(11)	78	0.18	A
Bisbee	Cochise County	5,028	(117)	0	N/A	F
Buckeye	Maricopa County	113,349	(944)	2,411	0.57	A
Bullhead City	Mohave County	43,578	(761)	293	N/A	F
Camp Verde	Yavapai County	12,390	(100)	25	N/A	F
Carefree	Maricopa County	3,738	(92)	8	N/A	F
Casa Grande	Pinal County	65,883	(144)	1,097	0.42	A
Cave Creek	Maricopa County	5,259	(98)	48	N/A	F
Chandler	Maricopa County	286,342	(2,671)	765	N/A	F
Chino Valley	Yavapai County	13,915	(297)	34	N/A	F
Clarkdale	Yavapai County	4,964	(131)	34	N/A	F
Clifton	Greenlee County	3,923	(72)	0	53.61	D
Colorado City	Mohave County	3,344	(25)	23	1.83	A
Coolidge	Pinal County	18,945	(188)	147	N/A	F
Cottonwood	Yavapai County	12,658	(1)	97	0.01	A
Dewey-Humboldt	Yavapai County	4,584	(101)	35	N/A	F
Douglas	Cochise County	16,059	(129)	14	N/A	F
Duncan	Greenlee County	692	(22)	0	53.61	D
Eagar	Apache County	4,582	(38)	22	1.46	A
El Mirage	Maricopa County	36,958	(413)	10	N/A	F
Eloy	Pinal County	18,994	(118)	96	N/A	F
Flagstaff	Coconino County	79,913	(330)	874	0.60	A
Florence	Pinal County	24,175	(343)	269	8.16	C
Fountain Hills	Maricopa County	24,163	(242)	62	N/A	F
Fredonia	Coconino County	1,341	(3)	0	N/A	F
Gila Bend	Maricopa County	1,894	(39)	1	N/A	F
Gilbert	Maricopa County	292,116	(3,214)	1,603	N/A	F
Glendale	Maricopa County	260,878	(1,920)	1,813	16.84	D

Globe	Gila County	7,159	(152)	0	N/A	F
Goodyear	Maricopa County	116,694	(918)	2,488	0.57	A
Guadalupe	Maricopa County	5,327	(77)	3	N/A	F
Hayden	Gila County	509	5	0	N/A	F
Holbrook	Navajo County	4,901	(91)	0	N/A	F
Huachuca City	Cochise County	1,628	(33)	0	N/A	F
Jerome	Yavapai County	459	10	0	N/A	F
Kearny	Pinal County	1,755	(51)	0	N/A	F
Kingman	Mohave County	35,657	(587)	194	N/A	F
Lake Havasu City	Mohave County	59,484	(1,084)	243	N/A	F
Litchfield Park	Maricopa County	7,016	(77)	1	N/A	F
Mammoth	Pinal County	1,078	(18)	0	N/A	F
Marana	Pima County	62,780	(773)	1,532	0.66	A
Maricopa	Pinal County	73,300	(763)	1,201	1.52	A
Mesa	Maricopa County	524,892	(5,689)	2,162	N/A	F
Miami	Gila County	1,530	(10)	0	N/A	F
Nogales	Santa Cruz County	19,998	(27)	16	N/A	F
Oro Valley	Pima County	49,159	(686)	126	N/A	F
Page	Coconino County	7,479	(136)	71	3.52	A
Paradise Valley	Maricopa County	12,781	(154)	79	N/A	F
Parker	La Paz County	3,487	(64)	2	14.45	D
Patagonia	Santa Cruz County	800	15	2	N/A	F
Payson	Gila County	16,738	(167)	73	3.45	A
Peoria	Maricopa County	203,065	(1,373)	1,090	N/A	F
Phoenix	Maricopa County	1,697,696	(17,885)	14,468	7.40	C
Pima	Graham County	3,140	(59)	24	4.89	B
Pinetop-Lakeside	Navajo County	4,182	52	34	0	A
Prescott	Yavapai County	48,082	(991)	373	N/A	F
Prescott Valley	Yavapai County	51,532	(772)	481	8.90	C
Quartzsite	La Paz County	2,446	(101)	8	9.31	C
Queen Creek	Maricopa County	81,778	(854)	2,136	0.54	A

Safford	Graham County	10,253	(5)	23	N/A	F
Sahuarita	Pima County	37,713	(347)	377	1.65	A
San Luis	Yuma County	39,383	(447)	296	2.97	A
Scottsdale	Maricopa County	249,935	(3,047)	1,067	N/A	F
Sedona	Yavapai County	9,771	12	35	N/A	F
Show Low	Navajo County	12,535	(193)	100	3.48	A
Sierra Vista	Cochise County	45,492	(414)	56	N/A	F
Snowflake	Navajo County	6,848	(97)	84	1.42	A
Somerton	Yuma County	14,743	(232)	6	N/A	F
South Tucson	Pima County	4,565	12	1	N/A	F
Springerville	Apache County	1,730	18	18	0	A
St. Johns	Apache County	3,432	19	2	0	A
Star Valley	Gila County	2,548	(100)	7	36.04	D
Superior	Pinal County	2,470	(66)	0	N/A	F
Surprise	Maricopa County	165,916	(1,051)	2,772	0.69	A
Taylor	Navajo County	4,443	(87)	37	3.34	A
Tempe	Maricopa County	193,336	(932)	1,496	N/A	F
Thatcher	Graham County	5,590	(66)	37	3.63	A
Tolleson	Maricopa County	8,627	(49)	6	N/A	F
Tombstone	Cochise County	1,406	24	6	0	A
Tucson	Pima County	557,219	(4,866)	1,668	N/A	F
Tusayan	Coconino County	599	1	0	N/A	F
Wellton	Yuma County	2,627	(47)	28	N/A	F
Wickenburg	Maricopa County	6,785	(175)	261	1.07	A
Willcox	Cochise County	3,271	44	1	N/A	F
Williams	Coconino County	3,606	(61)	45	2.24	A
Winslow	Navajo County	8,673	(51)	8	N/A	F
Youngtown	Maricopa County	7,161	(9)	0	N/A	F
Yuma	Yuma County	102,726	(924)	442	N/A	F

Source: US Census Bureau, AZ Office of Economic Opportunity • CSI's estimate of the housing shortfall is a combination of both housing supply and housing demand (as reflected in both household growth and vacancy rates). To assess an areas performance in permitting new units, the estimate of time to close the deficit fixes demand at current levels, grows the number of households by historic avg population growth, and assumes that the geographic areas YTD permitting pace persists in perpetuity. If an area's permitting pace doesn't keep pace with avg population growth, it is assumed to Never close its deficit.

SOURCES

i. Table 14 - New and Existing Homes Sold by Region, National Association of Home Builders.

ii. Table 13 – New and Existing Home Sales, U.S., National Association of Home Builders.