U.S Department of Housing and Urban Development
U.S. Department of the Treasury

Spotlight on the Housing Market in: Phoenix-Mesa-Glendale, Arizona

The Obama Administration's Efforts to Stabilize The Housing Market and Help American Homeowners | May 2011

The Phoenix-Mesa-Glendale Metropolitan Statistical Area (MSA), which includes Maricopa and Pinal Counties in Arizona, has been one of the hardest hit areas in the nation following the housing market downturn. It is also an area in which the Administration's broad approach to stabilizing the housing market has been very active. This bimonthly addendum to the Administration's housing scorecard provides a summary of trends and conditions in the local economy and the impact of Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

The capital of Arizona, Phoenix, has seen rapid population growth since 2000, increasing by 28 percent – a total of 923,700 – to almost 4.2 million as of April 2010. Nearly two-thirds of the city's growth is due to new residents moving into the area. As employment options grew between 2004 through mid-2007, the population increased by an average of 127,400, or 3.9 percent, annually. In 2007, as the housing crisis began and the local economy weakened, population growth slowed to an average of only 6,300, or 0.2 percent, annually.

Housing Crisis Has Ended Rapid Population Growth in Phoenix

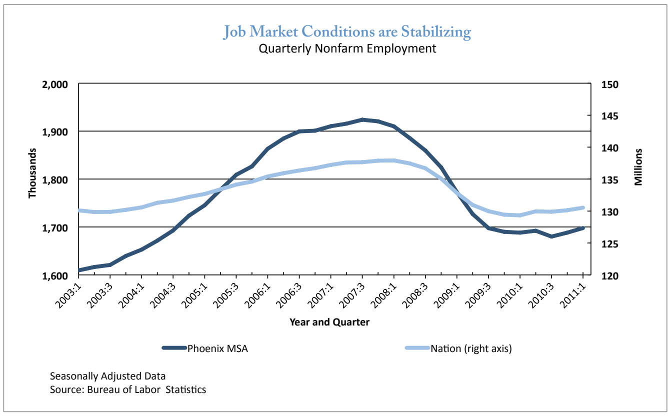
Date	Phoenix MSA Population	Annual Growth Rate From Prior Date
4/1/2000	3,251,900	
7/1/2007	4,175,600	3.9%
4/1/2010	4,192,900	0.2%

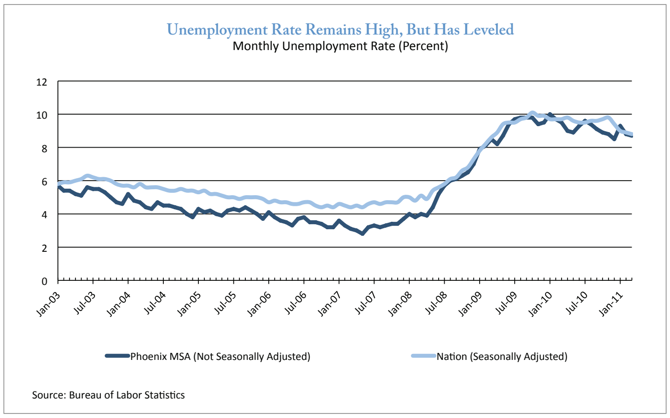
Source: Census Bureau (2000 Decennial, 2007 CPS, and 2010 Decennial)

After strong growth in the mid-2000s, employment began to drop in the fourth quarter of 2007 and continued a steep decline through the third quarter of 2010.

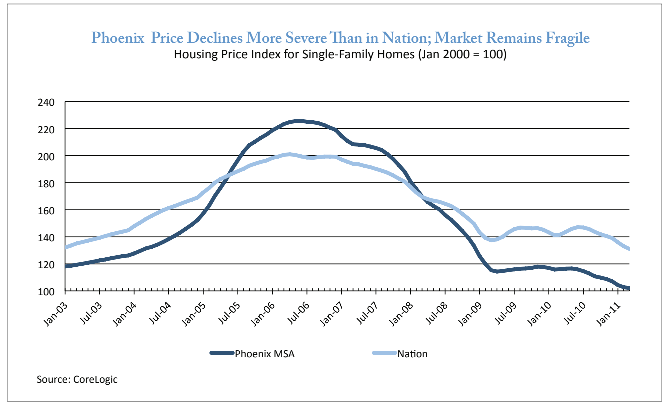
Since the third quarter of 2010, the Phoenix economy has shown some signs of improvement. As of March 2011, employment totaled 1.7 million – up 0.6 percent compared with a year ago but slightly below the nation's job growth rate of 1 percent during the same period. Despite recent employment gains, payrolls remain 211,700 jobs below pre-recession levels with construction jobs accounting for almost half of local job losses. The average unemployment rate was 8.8 percent during the 12 months ending March 2011, the same as a year ago. In comparison, the national average unemployment rate during the same period was higher at 9.4 percent, down slightly from 9.7 percent a year ago.

The home sales market remains soft in Phoenix. Existing home sales rose in 2008 and 2009, though the boost was due in part to sales of

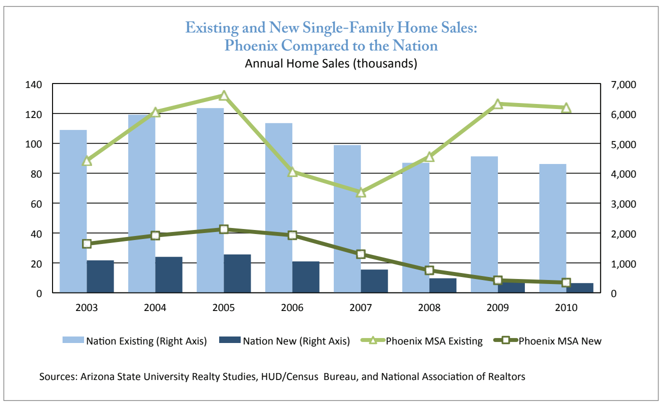




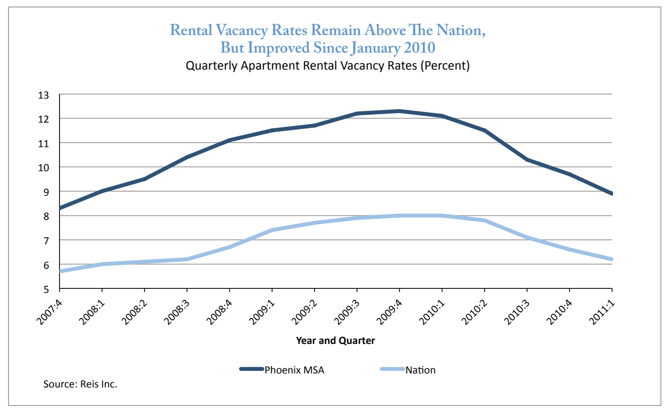
distressed homes – foreclosures and short sales – which currently represent 56 percent of all existing homes sales in the MSA, compared with 35 percent nationally. During the first quarter of 2011, existing home sales increased by 6 percent compared with the first quarter of 2010, while new home sales declined 24 percent during this period. The high proportion of distressed sales has kept Phoenix home prices depressed. The CoreLogic repeat-sales house price index shows that Phoenix single-family home prices declined by 49 percent between June 2006 and April 2009, compared with only 31 percent nationally. Local home prices showed signs of stabilizing during most of 2009 and the first half of 2010, but the overall sales market remains fragile. As of March 2011, the rental market remains soft with apartment vacancy rates at 8.9 percent in the first quarter, down from 12.1 percent a year earlier and still above the national average. The average rent for a Phoenix apartment, at $755, was up 0.8 percent from a year ago. Nationally, the vacancy rate over this period improved to 6.2 percent from 8.0 percent, while the average rent increased 1.9 percent to $1,047.



Phoenix Price Declines More Severe Than in Nation; Market Remains Fragile



Existing and New Single-Family Home Sales: Phoenix Compared to the Nation



Rental Vacancy Rates Remain Above The Nation, But Improved Since January 2010

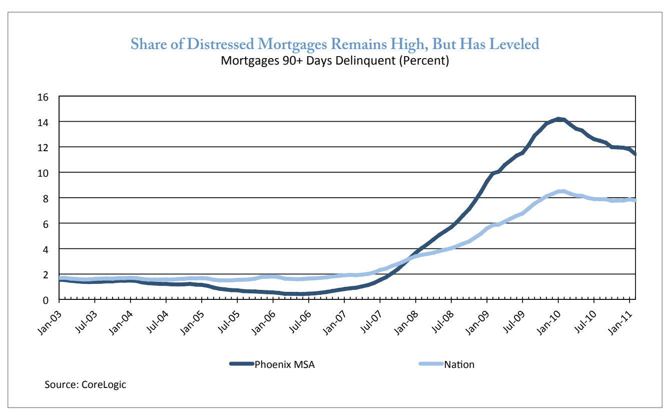
Trends in Mortgage Delinquencies and Foreclosures:

Phoenix homeowners have struggled with some of the highest levels of mortgage delinquency and foreclosure in the nation. As of March 2011, Maricopa County had the 4th largest number of mortgages in the nation that were 90 days delinquent, or in the process of foreclosure, while Pinal County had the 14th highest percentage in the nation compared with counties with the same or more total mortgages, according to LPS Applied Analytics. More than half of all mortgages in the Phoenix area (56%) are in negative equity – more than twice the national rate (23%), according to CoreLogic. However, due in part to improving economic conditions and to the efforts of numerous state and local organizations and municipalities in partnership with the federal government, the number of mortgages at risk of foreclosure (90 or more days delinquent or in the process of foreclosure) declined during the past year from 103,200 in March 2010 to 81,900 in March 2011.

Foreclosure Completion Rates in Phoenix Outpace The Nation

	First Quarter 2011		Since April 1, 2009	
Area	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Phoenix MSA	15, 067	0.9%	104,542	6.0%
Nation	215,046	0.2%	1,931,681	1.5%

Note: Foreclosure Rates as Percent of All Housing Units; Data through March 2011 for Foreclosures
Source: Realty Trac and Census Bureau



Share of Distressed Mortgages Remains High, But Has Leveled

The Administration's Efforts to Stabilize the Phoenix MSA Market:

Since April 1, 2009 (through March 2011) more than 65,000 mortgage assistance interventions have been offered to Phoenix area homeowners through the Administration's assistance programs (Home Affordable Modification Program and FHA's loss mitigation and early delinquency intervention programs). An additional 40,000 to 42,000 proprietary modifications are estimated to have been offered through Hope Now Alliance servicers, bringing the total for the metropolitan area to about 106,500 interventions offered. While some homeowners may have received help from more than one program, the number of times assistance has been offered is close to the very high number of foreclosures completed during this period (104,500) in the Phoenix-Mesa-Glendale MSA, which has been one of the hardest hit areas in the nation.

In addition to offers of mortgage aid to homeowners, the Administration's Neighborhood Stabilization Program (NSP) and Hardest Hit Fund (HHF) have both contributed toward signs of housing market stability in the Phoenix area.

Phoenix MSA NSP Activity (Housing Units)	Projected	Completed
NSP1	2068	479
Clearance and demolition	19	5
Construction of new housing	6	0
Homeownership assistance to low- and moderate-income	514	419
Rehabilitation/reconstruction of residential structures	1548	60
NSP2	1423	0
Clearance and demolition	30	0
Rehabilitation/reconstruction of residential structures	1423	0
NSP3	715	0
Clearance and demolition	15	0
Homeownership assistance to low- and moderate-income	160	0
Rehabilitation/reconstruction of residential structures	555	0

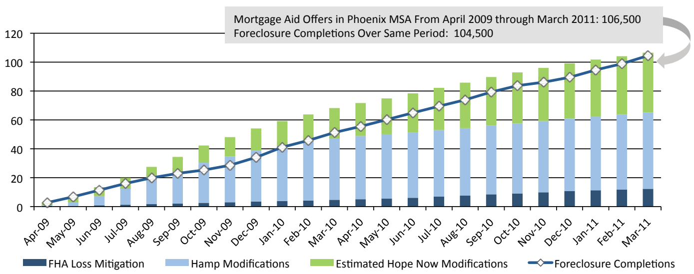
Seven jurisdictions in the MSA (cities of Phoenix, Mesa, Glendale, Avondale, Chandler, Surprise Town, and Maricopa County) plus the State of Arizona have received NSP grants. Overall, $72,375,065 in NSP1 funds and $31,935,463 in NSP3 funds have been awarded to these seven jurisdictions. Under NSP2, the City of Phoenix administers $60,000,000 and the national non-profit Chicanos Por La Causa expects to invest $30,583,000 in the Phoenix metro area. Approximately 500 households have already benefitted from NSP and activities funded by the program are expected to provide help to an additional 3,500 owner and renter households. Examples of how the funds are being used include:

- The 523-unit Park Lee apartment complex in Phoenix had become notorious for crime, vandalism, drug activity, and poor maintenance, leading to 20% occupancy and squatting of vacant units. Using NSP funds, the City acquired and will rehabilitate the complex. Half of the units will be for very low income persons and the rest for moderate income persons.

- The Sunset Manor Apartments, a 52-unit complex that struggled with code violations, crime, and blight earning the reputation as one of Maricopa County's worst slum properties, was acquired through NSP and demolished.

Mortgage Aid Extended More Than 106,000 Times To Mitigate Rising Foreclosures

Phoenix MSA: Cumulative Offers of Aid by Source Compared with Foreclosures Since April 1, 2009 (Thousands)



Note: Data on Hope Now proprietary mortgage modifications not available at metropolitan area level. However, Hope Now Alliance reports 55,200 non-HAMP modifications since April 1, 2009 in the state of AZ, of which 75 percent are estimated by HUD to have occurred in the Phoenix MSA.

Sources: Departments of HUD and Treasury, Hope Now Alliance, and Realty Trac.

The demolition project used a green approach to minimize the amount of materials sent to landfills and other waste facilities – at completion, 75 percent of the demolition materials were salvaged or recycled. The city's vision for the future is to redevelop the land with a transit-oriented residential development project.

- The City of Phoenix is using NSP funds to pay an innovative energy efficiency plan by leasing solar panels to buyers of NSP properties using NSP funds to pay the entire upfront costs of the lease. This allows the homeowner to have no monthly payments while benefiting from approximately 30% reduced utility costs, making the homes more affordable over time.

- NSP outreach is promoting stable home values and stimulating the market. With a 460% increase in applications since the beginning of January 2011, an NSP homebuyer assistance program has helped owner occupant homebuyers purchase or contract to purchase 200 single-family homes. With an average mortgage amount of $90,000, the program has initiated $18 million in homebuyer investment within Phoenix. In addition, more than 1,600 multifamily rental units have been acquired for rehabilitation and re-occupancy. Of these, 988 are reserved for families with income at or below 50% of area median income.

- As leverage to NSP investments in West Phoenix and Maryvale neighborhoods, a $200,000 grant to rehabilitate 65 owner occupied homes has been contributed by Wells Fargo *Leading the Way Home Priority Markets* to complement and support NSP revitalization work.

All seven jurisdictions in the Phoenix area are faced with market conditions that reflect relatively new housing stock and a need for absorption of already existing homes. Therefore, NSP is mainly targeting homeownership assistance and rehabilitation of existing residential structures. The Phoenix MSA has provided homeownership assistance for 479 households and rehabilitated 60 units with thousands more projected for the remainder of the NSP programs.

The Arizona Department of Housing (ADOH) received almost $268 million through the Hardest Hit Fund to launch the *Save My Home AZ* program. *Save My Home AZ* now includes four major initiatives: permanent modifications utilizing principal reduction for "underwater" mortgages; second mortgage assistance; mortgage assistance to help unemployed homeowners make their mortgage payments while looking for re-employment; and transition assistance to help homeowners who can no longer afford their home complete a short sale or deed-in-lieu of foreclosure. All major national servicers are participating in at least one of Arizona's programs. Homeowners must demonstrate a financial hardship and meet other eligibility criteria to qualify, and can enter the program with the assistance of a local HUD-approved housing counselor. Arizona has this assistance available until the end of 2017 to help prevent avoidable foreclosures.