JULY 2025

HOUSING AFFORDABILITY IN ARIZONA

QUARTER 1 2025 UPDATE

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ABOUT THE AUTHOR

Zachary Milne is CSI Arizona's Senior Economist and Research Analyst. Prior to joining CSI, Zachary served as an economist and budget analyst for the Arizona Governor's Office of Strategic Planning & Budgeting. In this capacity he developed the state's revenue forecasts and advised a team of budget analysts on the creation of K-12 and Medicaid caseload figures for the State's annual budget. He also advised the Executive policy and leadership teams on fiscal policy, and regularly presented detailed analyses on each of the dozens of tax bills introduced in the Arizona Legislature each year. Originally from upstate New York, Zach's then-active-duty service with the United States Air Force brought him to Arizona, where he has remained. Zachary is currently also a member of the Arizona Air National Guard.

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INTRODUCTION

Arizona's housing market remains supply constrained, even as more recent data shows a rising gap between sellers and buyers in the current market. Home prices in Greater Phoenix through Q1 2025 have fallen 6.9% since their peak in July of 2022 (1.25% since Q4 of 2024), but the average house remains 53.6% more expensive than it was in 2019. Mortgage rates are providing little relief to potential buyers as well; rates on the average 30-year fixed rate mortgage increased 0.10 percentage points to 6.82% in May (a 1.49% increase relative to Q4 2024). After accounting for the most recent rise in interest rates, conditions for a homebuyer have never been more miserable in Arizona - the cost to service a new mortgage are still more than double what they were at the close of 2019, despite the recent price declines. Even after accounting for overall inflation, housing prices (mortgage costs) are over 20% (68%) more expensive relative to pre-pandemic levels.

While the demand for housing today is much lower than it was during the 2020-2022 period, homebuilding has not been sufficient to catch up to and lower the state's persistent housing deficit. CSI estimates the current "instantaneous" housing deficit for the entire state sits at 56,047 units as of Q1 of 2025 - only marginally better than the revised deficit for 2024 of 56,812 units. On a "cumulative" basis through 2024, the state is short 121,334 units.

For about two years, the housing market has been paralyzed by an absence of both buyers and sellers. More recently, there appears to be a shift towards more sellers than buyers, though the underlying imbalance between the supply and demand of housing remains. Although CSI now expects some downward price pressure in the coming months, new home building remains the primary mechanism by which Arizona and the U.S. more broadly can solve its persistent housing affordability issues over the long term and avoid more recent volatility.

Key Findings

- Arizona maintained a large housing deficit through Q1 of 2025. CSI estimates that Arizona is currently facing an immediate housing shortage of 56,047 units – only marginally down from the revised 56,812 estimate for 2024. Additionally, the pace of permitting in 2025 fell nearly 20% relative to 2024 totals, meaning that the state is now on pace to *never* close the current deficit (absent other changes).
- At $434,797, the average house remains nearly $70,000 (+20%) more expensive than it otherwise would have been if home prices had maintained the steady pre-pandemic trend. Despite prices declining since December 2024, **it would still take nearly two years (-36% since Q4 2024) 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, today it takes over 65 hours of work to afford a monthly mortgage payment (-3.1% since Dec 2024).** Alternatively, to afford the average home, a household needs to earn $96,490 (92% of the average household income) under conventional mortgage guidelines.
- Arizona earned a "D" rating on the CSI Housing Report Card for Q1 2025 – 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, and particularly the decline in the recent pace of permitting.
- Maricopa County – the state's largest county by population – saw no improvement from its D rating in the previous quarterly report. 79 of the 90 cities and towns in Arizona had a housing deficit in 2023 – the latest data available for cities and towns (unchanged).

HOUSING AFFORDABILITY

Home prices fell slightly through Q1 (down 0.9% in Q1 relative to Q4 2024; down 1.3% as of April) but remain just 6.9% off the July 2022 peak. Prices in the fast-growing Phoenix Metro fell 1.0% relative to Q4, and as of April are 8.2% below peak. As of the latest data available from April, the average home in Arizona costs $434,797 – $151,649 more than at the close of 2019.

CSI estimates that the average home in Arizona is $62,826 (17%) 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 since Q4 (-0.31%/month), it would take 23 months for house prices to return to the 2012-2019 trend.

Homebuyers Misery Index

The Homebuyers Misery Index fell to 105.3 at the close of Q1, representing a 0.79% decline since the close of Q4 thanks almost exclusively to falling housing prices in the Phoenix Metro. The average 30-year fixed mortgage rate at the close of Q1 fell 0.07 percentage points from the close of Q4, however data through May shows rates rising again (+0.10 percentage points above Q4), which may increase future readings of the Misery Index.

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 preclude many buyers from entering the market.

Housing Affordability Through Time

2019
Monthly Payment: $1,045
Work-Hours Needed: 39
Misery Index: 21.3

2023
Monthly Payment: $2,291
Work-Hours Needed: 72
Misery Index: 103.3

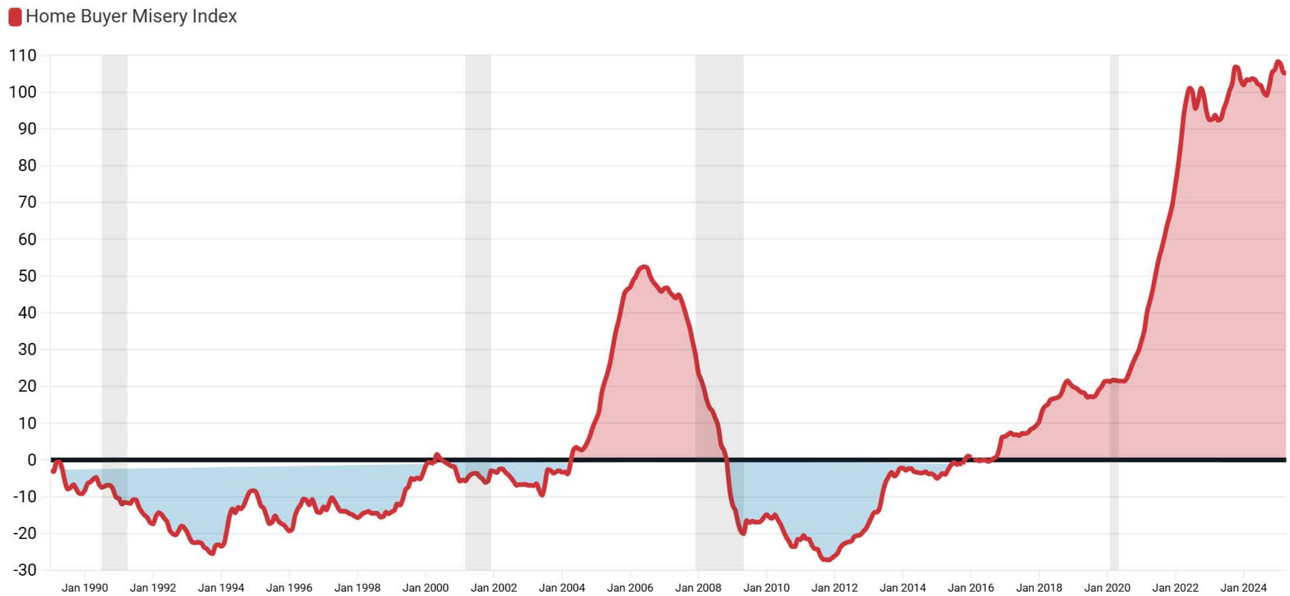
2024
Monthly Payment: $2,278
Work-Hours Needed: 67
Misery Index: 106.2

Q1 2025
Monthly Payment: $2,241
Work-Hours Needed: 65
Misery Index: 105.3

FIGURE 1

Phoenix 'Misery Index' of Mortgage Rates & Home Prices

The Misery Index fell 0.8% between December 2024 and March 2025 after peaking in January. The index is down at the end of Q1 thanks to falling mortgage rates and housing prices, although more recent data shows rates rising again.



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 April 2025 is down 40% from the rate experienced in 2021.[i] Meanwhile, new homes for sale have increased 24% over the same period, but the volume is insufficient to offset the loss of existing sellers.

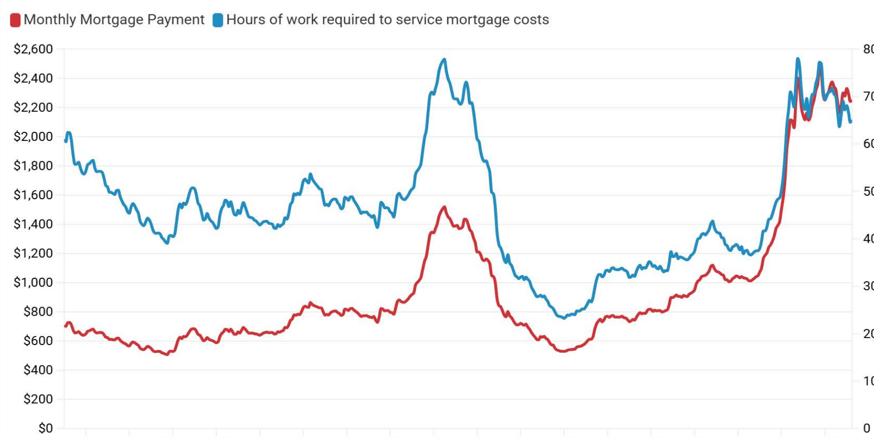
Mortgage Affordability

The average 30-year mortgage rate in April 2025 was 6.73% (+0.01 percentage-points since December 2024). The average price of a home in Arizona is $434,797. Given those figures, a typical monthly mortgage payment would cost $2,251. In December 2019, **a typical 30-year mortgage would have had a monthly cost of $1,045.**

FIGURE 2

Mortgage Affordability in Arizona

While housing prices have fallen slightly, it would still take the average household a total of 65 hours of work to afford a monthly mortgage payment at prevailing prices and interest rates.



Source: Zillow Home Value Index, US Bureau of Economic Analysis

To afford a house in today's market under conventional mortgage guidelines, Arizona households would need an annual income of at least 96,491. Alternatively, at the average hourly wage rate of $34.59, the typical household in Arizona would need to work 65 hours/month (over one-and-a-half weeks) to service the average mortgage payment. Note there may be multiple workers per household and this is the total time needed, not per-worker.

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	Mortgage Payment Year-Over-Year % Change
12/01/2015	$215,010	3.96%	$817	$23.23	35	6.8%
12/01/2016	$229,507	4.20%	$898	$24.07	37	4.9%
12/01/2017	$246,320	3.95%	$935	$25.42	37	9.3%
12/01/2018	$265,798	4.64%	$1,095	$25.86	42	20.8%
12/01/2019	$283,148	3.72%	$1,045	$26.92	39	-7.6%
12/01/2020	$323,299	2.68%	$1,046	$27.92	37	0.5%
12/01/2021	$414,980	3.10%	$1,418	$29.16	49	33.8%
12/01/2022	$441,727	6.36%	$2,201	$30.84	71	68.3%
12/01/2023	$438,463	6.82%	$2,291	$31.94	72	3.9%
12/01/2024	$440,294	6.72%	$2,278	$33.9	67	-7.8%
04/01/2025	$434,797	6.73%	$2,251	$34.59	65	-4.2%

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

PERMITTING & SUPPLY

In 2025 Q1, Arizona's local jurisdictions issued 12,665 residential building permits (-1.6% from Q4 2024 and -21.5% from Q1 2024). **For the entire year, CSI estimates the state is on track to approve construction of just 47,539 housing units – a *decrease* of 19.8% from 2024 and the slowest pace since 2019.** In fact, Arizona is on pace to issue less permits in 2025 than the 10-year average of 49,661.

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 according to the latest data. A total of 5,024 residential building permits were issued in March 2025. At its recent peak (March 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 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 twelve months. Based on the number of housing permits in Q1, Arizona is not on track to build enough housing units to close the deficit. To keep up with population growth and growing housing demand, Arizona would have to add around 49,600 housing units annually; CSI forecasts 43,300 units over the next year.

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

Permitting & Supply Through Time

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

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

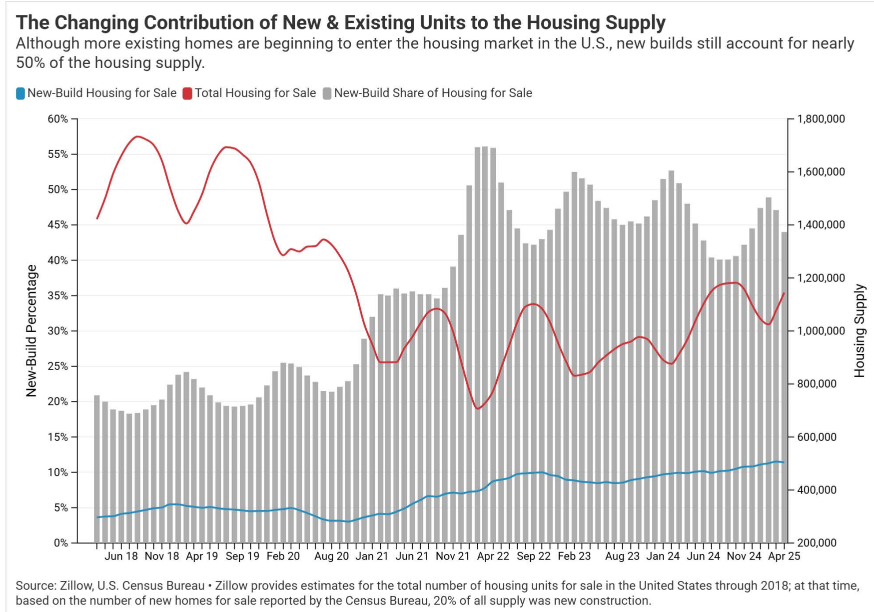
2024
Housing Permits: 59,306
Housing Deficit: 56,812

Q1 2025 (YTD)
Housing Permits: 12,665
Housing Deficit: 56,047

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 April 2025, nearly half (44%) of all homes for sale are new.[ii]

While the data cited in this report is largely backwards looking, more recent data shows a significant uptick in sellers – the potential effects of which (e.g., falling prices) we discuss at the end of this report. Our next quarterly report will contain new data reflecting these trends.

FIGURE 4



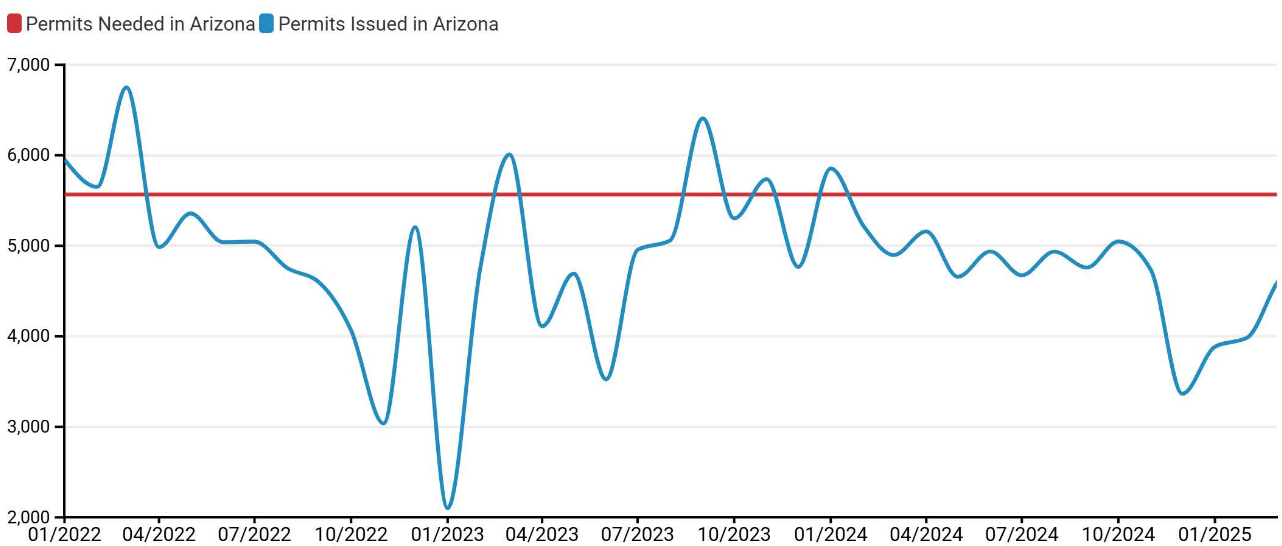
ARIZONA'S HOUSING SHORTFALL

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.

FIGURE 5

Average Monthly Building Permits Needed Over 5 Years

Given the housing shortfall and historical population growth, Arizona needs to permit about 5,570 housing units every month to close the gap in 5 years; it is on pace to issue only 47,500 permits in 2025.



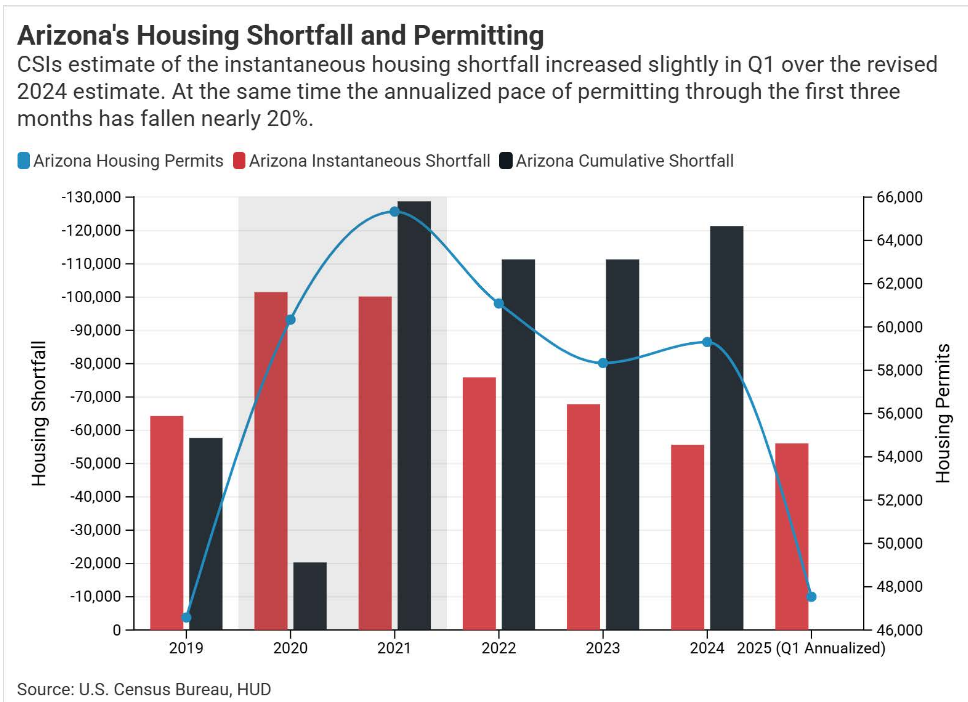
Source: U.S Census Bureau, CSI estimates

On a real-time basis, currently, **CSI estimates an instantaneous housing shortfall of 56,047 units in 2025, down 1.3% from the revised shortfall of 56,812 in 2024 thanks to small increases in the vacancy rate statewide.**

Alternatively, CSI's supply-driven "cumulative" estimate of the housing shortfall as of 2024 shows an Arizona housing deficit of 121,334 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.

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 our quarterly housing reports: 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 current pace of permitting in Q1, the state will never close the instantaneous housing gap,** and no meaningful progress has been made to address its pent-up "cumulative" shortfall since 2021.

FIGURE 6



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 – variance between nearby cities can help us understand the impact variances in permit practices have on housing development. But data availability issues make the consistent technical calculation of these indicators at the city-level difficult, and households can choose where they move.

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. On the other hand, cities and towns growing faster than countywide average receive a higher effective grade under this method.

12 of the 15 counties in Arizona had an ("instantaneous" or market-indicated) housing deficit based on the Q1 data. Out of those with a deficit, Navajo County has the largest as a share of its total existing housing units (4.6%), while Gila County (1.2%) has the lowest. Maricopa County – the state's largest county by population – has a projected deficit of 37,773 units, or 1.9% 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 but is on pace to issue only 23,490 in 2025 based on activity from Q1. This level of permitting translates to an estimated 21,376 new housing units this year – over 12,500 less than the number from 2024. CSI estimates the county would need to build 31,600 units a year just to keep pace with population growth, meaning at the current rate Maricopa is losing ground. **Put another way, at the current pace of permitting Maricopa County will never close its current housing deficit.**

On the other hand, Pima County now has no deficit and is currently issuing enough permits to keep pace with expected population growth. Two points to consider here, though: the 5-yr population growth rate in Pima County is already very low (0.92%, vs. 1.59% in Maricopa County and 1.48% statewide), and nearly all the apparent improvement in the greater Tucson area since the last report can be tied to the wide margin of error for vacancy rate point estimates.

Detailed housing data is only available annually, with vacancy rates and other housing statistics for all 15 counties provided through the Census Bureau's annual American Community Survey. Although monthly and quarterly data are published through other Census products, they cover only the state as a whole and the Phoenix and Tucson metro areas—used here as proxies for Maricopa and Pima counties, respectively. The margins of error in the quarterly data can meaningfully impact our surplus/deficit estimates and, for instance, cause a region to swing from showing a deficit to showing a surplus (as is the case with Pima and the Tuscon metro).

As more data becomes available, future reports will revise these figures and improve their reliability.

While the 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 most of the state's building permits. Because of this, CSI pays particular attention to the pace of permitting by these jurisdictions, despite data availability and timing issues. 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.

FIGURE 7

Arizona's Housing Shortage, By County, Since 2022

The statewide shortfall decreased in Q1 2025 thanks to slight increases in vacancy rates.

County	2022 Deficit	2023 Deficit	2024 Deficit	2025 Q1 Deficit	Shortfall as % of Existing	2025 Permits (Q1 Annualized)	Years to Close the Deficit
Apache County	(1,039)	(980)	(671)	(1,154)	3.9%	164	12.62
Cochise County	(1,316)	(347)	290	(708)	1.2%	526	3.72
Coconino County	(1,405)	(2,142)	(1,413)	(2,624)	3.6%	1,241	3.25
Gila County	(831)	(500)	(153)	(697)	2.1%	243	5.09
Graham County	(216)	(134)	17	(222)	1.5%	209	3.54
Greenlee County	(44)	121	169	96	N/A	15	0
La Paz County	(185)	(404)	(259)	(487)	3.5%	71	N/A
Maricopa County	(43,949)	(33,877)	(37,927)	(37,773)	1.9%	23,490	N/A
Mohave County	(4,564)	(2,987)	(1,732)	(3,886)	3.0%	2,628	8.35
Navajo County	(2,138)	(2,335)	(1,729)	(2,695)	4.6%	567	30.92
Pima County	(6,423)	(12,299)	(4,674)	9,062	N/A	4,108	0
Pinal County	(5,123)	(4,579)	(2,632)	(6,087)	3.0%	11,359	1.37
Santa Cruz County	(463)	226	438	115	N/A	418	0
Yavapai County	(4,967)	(4,167)	(2,853)	(5,076)	3.8%	1,416	N/A
Yuma County	(3,212)	(3,451)	(2,467)	(4,113)	4.2%	1,082	N/A
Arizona Shortage	(76,103)	(68,658)	(56,812)	(56,047)	1.7%	47,539	N/A

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.
N/A implies that the deficit will not be closed given the current pace of permitting.

79 of the 90 cities and towns in Arizona had a housing deficit in 2023 – the latest year for which city-level vacancy rates are available. We cite the latest city results based on that data here but note that updates to these estimates will be available upon the release of the 2024 American Community Survey data from the U.S. Census in the fall. Detailed city-level updates will be made available in future Q4 releases.

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)	6,560	N/A	F
Tucson	Pima	557,219	(4,866)	1,400	N/A	F
Mesa	Maricopa	524,892	(5,689)	1,620	N/A	F
Gilbert	Maricopa	292,116	(3,214)	940	N/A	F
Chandler	Maricopa	286,342	(2,671)	244	N/A	F
Glendale	Maricopa	260,878	(1,920)	696	N/A	F
Scottsdale	Maricopa	249,935	(3,047)	1,764	N/A	F
Peoria	Maricopa	203,065	(1,373)	1,280	N/A	F
Tempe	Maricopa	193,336	(932)	968	N/A	F
Buckeye	Maricopa	113,349	(944)	2,412	0.57	A
Queen Creek	Maricopa	81,778	(854)	1,300	1.04	A
Flagstaff	Coconino	79,913	(330)	488	1.66	A
Sedona*	Yavapai	9,771	12	64	0	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.
*Although Sedona currently has a housing surplus, the city's permitting pace is insufficient to keep up with natural growth.

ARIZONA'S HOUSING REPORT CARD

CSI Arizona debuted its inaugural version of the state's Housing Report Card in May 2024 – which considered 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 "D". Given current trends, homebuilding is likely to continue slowing in the short term, unless permitting trends change quickly and dramatically. On the other hand, rising vacancy rates and the return of existing homes to the market may put offsetting downward pressure on prices during Q2.

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

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

2025 Q1
Arizona Letter Grade: D
Maricopa County Grade: D
Pima County Grade: B

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.

FIGURE 9

Arizona's Housing Report Card (2025 Q1)

Overall, Arizona's local housing markets earn a D 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	4.0	B
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	2.0	B-
Yuma County	3.0	3.0	3.0	0.0	C-
Coconino County	0.0	1.0	4.0	3.0	C
Cochise County	4.0	2.0	4.0	3.0	B
Navajo County	0.0	3.0	4.0	1.0	C-
Apache County	4.0	3.0	3.0	1.0	B-
Gila County	0.0	3.0	4.0	3.0	B-
Santa Cruz County	1.0	3.0	1.0	4.0	B-
Graham County	3.0	4.0	0.0	3.0	B-
La Paz County	3.0	3.0	4.0	0.0	C
Greenlee County	4.0	4.0	4.0	4.0	A
Arizona (Statewide)	**2.0**	**1.0**	**3.0**	**0.0**	**D**

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.

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 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 below 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.

As mentioned in earlier sections, the change in Pima county's housing shortfall between this report and the previous is of particular note. The county moved from a deficit of 4,674 units to a surplus of 9,062 units due to a sharp increase in the weighted vacancy rate in the Tucson metro area. As a result, Pima County's permitting-to-shortfall grade improved significantly - from a "D" to an "A." This apparent progress stems from the rise in vacancy rates, which, as discussed earlier, likely reflects statistical noise or point estimates with wide margins of error rather than a true 13,736-unit improvement. This is further underscored by the fact that only 9,504 permits were issued in the county in 2024. Alternatively, the rising vacancy rates in Pima county could demonstrate a significant fall in demand for housing in that area, but given the large quarterly margin of error we believe the former more accurately explains the county's shift between reports. The availability of additional data in future reports will lead to more reliable estimates.

FIGURE 10

Housing Shortfall & Permitting Speed in Arizona

12 of the 15 counties in Arizona have a housing deficit. Pima County is now showing a housing surplus thanks to a relatively large increase in its vacancy rate - likely a reflection of the large margin of error in the quarterly estimates.

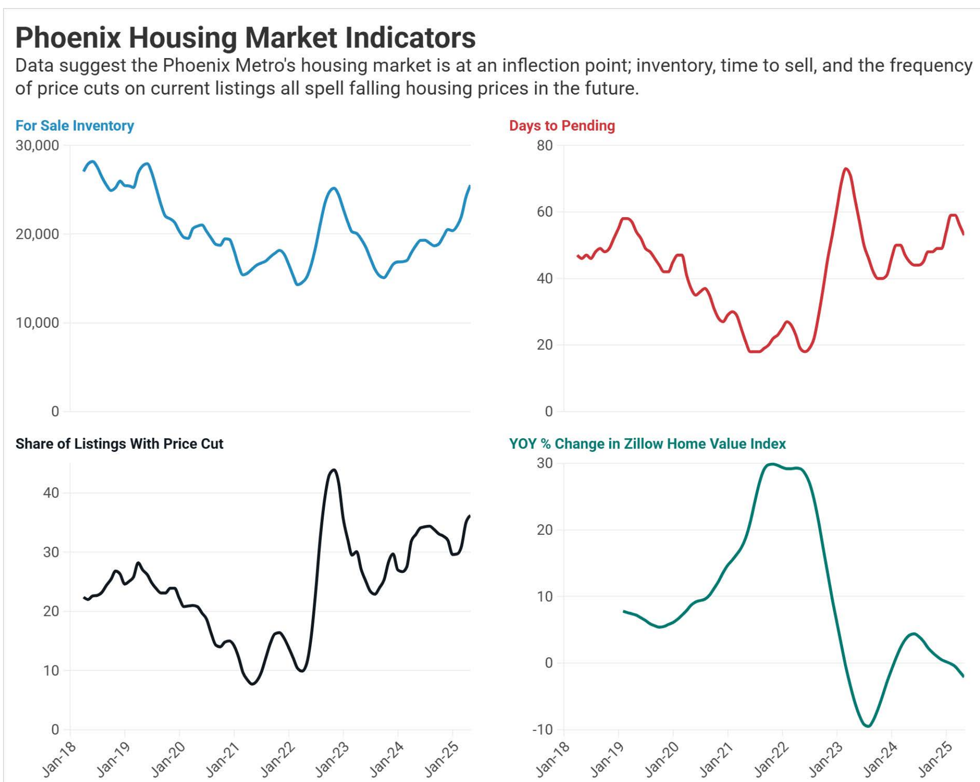
County	Housing Shortfall (2025 Q1)	Permits (2025 Q1)	Years-to-Close the Deficit	GPA	Rank
Apache County, Arizona	(1,154)	164	12.62	1.00	8
Cochise County, Arizona	(708)	526	3.72	3.00	7
Coconino County, Arizona	(2,624)	1,241	3.25	3.00	9
Gila County, Arizona	(697)	243	5.09	3.00	6
Graham County, Arizona	(222)	209	3.54	3.00	4
Greenlee County, Arizona	96	15	0	4.00	3
La Paz County, Arizona	(487)	71	N/A	0.00	5
Maricopa County, Arizona	(37,773)	23,490	N/A	0.00	15
Mohave County, Arizona	(3,886)	2,628	8.35	2.00	11
Navajo County, Arizona	(2,695)	567	30.92	1.00	10
Pima County, Arizona	9,062	4,108	0	4.00	1
Pinal County, Arizona	(6,087)	11,359	1.37	4.00	14
Santa Cruz County, Arizona	115	418	0	4.00	2
Yavapai County, Arizona	(5,076)	1,416	N/A	0.00	13
Yuma County, Arizona	(4,113)	1,082	N/A	0.00	12
Arizona	(56,047)	47,539	N/A	0.00	

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.

ARIZONA'S HOUSING OUTLOOK

At the time of writing, Arizona's housing market appears to be at a potential turning point. Multiple indicators suggest – for the first time since 2022 – an end to market paralysis and a growing imbalance between supply and demand. The change favors buyers; there are significantly more homes now for sale than there are interested in buyers, with a notable increase in existing-home seller activity not matched by other buyer interest. This mirrors a national trend seen recently in many markets. This mismatch has led to rising for-sale inventory, longer average time on market, and a growing share of sellers reducing their listing prices. As expected, these dynamics have resulted in modest but persistent declines in home price measures in areas like the Phoenix metro and rising local vacancy rates.

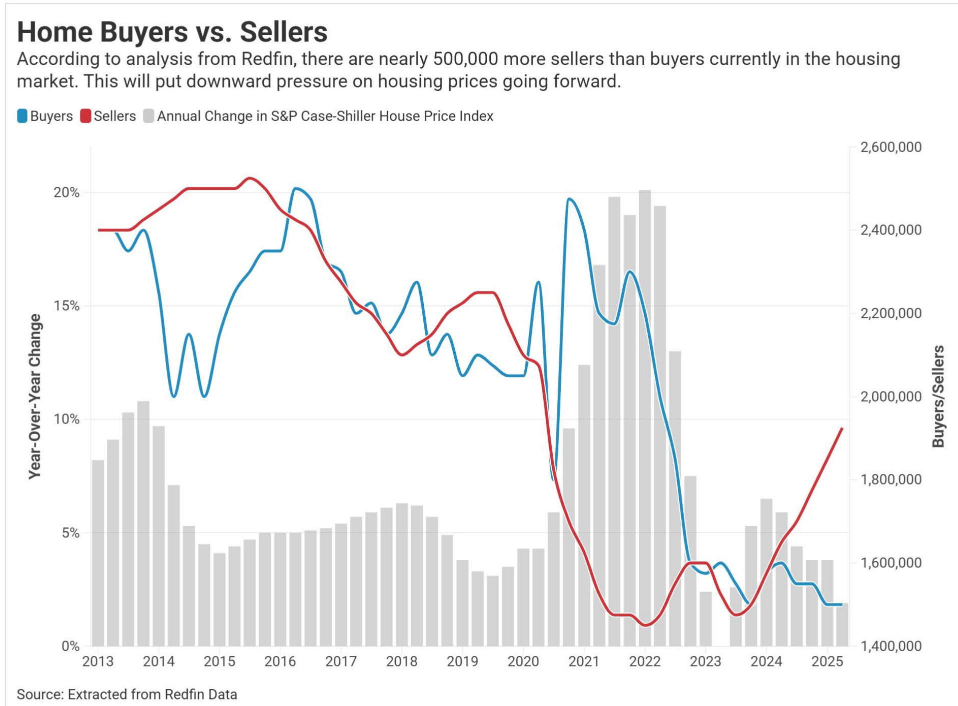
FIGURE 11



According to Redfin, U.S. home sellers now outnumber buyers by nearly 500,000—a record 34% gap. In response, Redfin projects a 1% decline in national home prices by year-end.[iii] If current conditions persist and mortgage rates remain stable, CSI estimates that home prices in the Phoenix metro could decline by as much as 5% by the end of 2025.

While some short-term price softening appears likely, markets are dynamic and subject to change, and the long-term structure of Arizona's housing market remains unfavorable for future buyers. There is a structural shortfall, and challenges for developers – including regulatory challenges – aren't changed by current trends. Further, if sellers of existing homes are able to successfully sell their homes, they'll likely re-enter the market as buyers or rents – putting demand-side pressure on the market and stemming price declines. Interest rates will also play a key role, though the current rate environment is expected to hold through at least the end of the year.[iv]

FIGURE 12



THE BOTTOM LINE

Arizona's counties and cities have made only marginal progress in addressing their housing shortages. Although new housing makes up a larger share of the supply in today's market, it's clear based on the slowing pace of permitting that many areas in Arizona will continue to lose ground. The short-term market volatility and rising number of sellers identified in this report may quell price increases and even lead to short-term price declines, but the underlying structural shortfall of housing in the Grand Canyon state remains.

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.

iii. Katz, Lily, Khan, Asad, "The U.S. Housing Market Has Nearly 500,000 More Sellers Than Buyers – The Most on Record. That Will Likely Cause Home Prices to Fall," *Redfin*, May 29th, 2025.

iv. Ghosh, Indradip, "Fed to keep rates on hold at least until September as inflation risks linger," *Reuters*, June 10th, 2025.