



CITY OF MESA AFFORDABLE HOUSING
MARKET ASSESSMENT, 2010

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City of Mesa Affordable Housing Market Study

Executive Summary

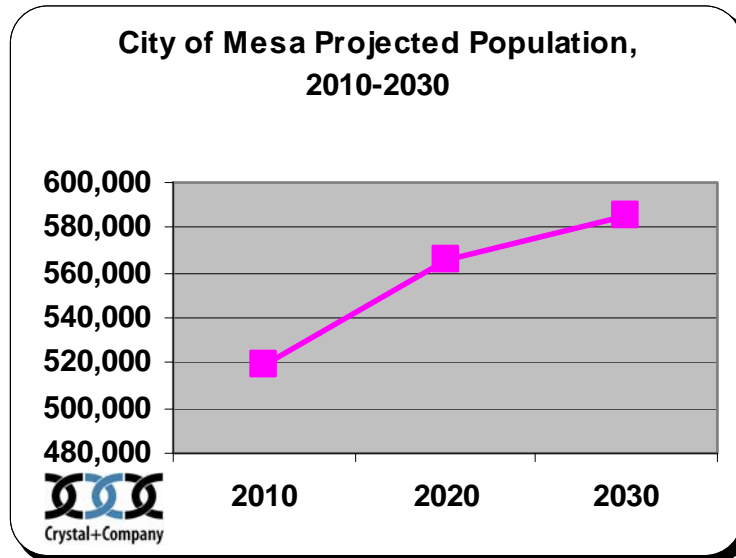
- ✓ The population of the City of Mesa is currently estimated at 518,944 and projected to rise to 565,933 over the ensuing ten years according to MAG. These estimates are likely over-stated.
- ✓ City of Mesa tends to be a net exporter of workers.
- ✓ The median household income for Mesa in 2008 was \$51,433 which is similar to Maricopa County.
- ✓ In 2008, approximately 56,300 or 11.6% of Mesa residents earned under the poverty level.
- ✓ There were 2,521 rental mobile home properties in 2008 and these units may sometimes be substandard.
- ✓ Cost burden in the City of Mesa in 2008 is primarily focused among renters earning less than \$50,000/annum as 48% are paying more than 30% of their income for housing.
- ✓ In 2009, housing affordability for owner occupants has nearly doubled from 2008 levels by virtue of dramatic reductions in home values and interest rates.
- ✓ Unlike many other communities in Maricopa County, new single family and townhome/condominium sales have consistently declined since 2000.
- ✓ Having peaked in 2005, residential real estate sales have declined by about 30% when compared with 2009. Similar to other regions in the Valley, resale activity has been buoyed by investor purchases for rentals, federal tax credit program opportunities for primarily first-time buyers, comparatively low mortgage interest rates and declining home values.
- ✓ Through the end of 2009, Mesa home resales appear relatively strong.
- ✓ Resale valuations have declined 45% from their peak of \$199,750 in 2006 to \$110,000 for 2009.
- ✓ Like the rest of Maricopa County, foreclosure activity in the City of Mesa remains problematic. According to RealtyTrac in June of 2010, 5,662 properties were at some point in auction and 3,210 bank-owned.
- ✓ Mesa rental rates are soft given Valley-wide apartment vacancy rates hovering in the 12 – 14% level.
- ✓ Rental markets for privately owned single family and townhome/condominiums has been quite active throughout the Valley as investors purchase properties at very reasonable levels for rental purposes.
- ✓ The anticipated 4,050 resale transactions affordable to Mesa buyers earning under 80% of the county median income is based on annual average activity from 2007 - 2008. This conservative estimate removes recent sales activity motivated by federal tax credits for predominantly first-time buyers.
- ✓ Extrapolating severe cost burden (households paying more than 50% of their income for housing in 2000 to 2010, approximately 10,700 Mesa renter households are distressed (paying more than 50% of their income for housing). Cost burden is the best indicator of household stress in terms of financial conditions and housing quality.

Section 1.0: Socio-Economic Profile and Projections

Population and Employment Growth

According to the Maricopa Association of Governments (MAG) in 2007, the population of the City of Mesa is currently estimated at 518,944 and projected to rise to 565,933 over the ensuing ten years. Also refer to the following information associated with projected housing units. It is likely that the current and projected population and housing estimates overstate reality given the incidence of overcrowding and doubling up by families adversely affected by prevailing distressed economic conditions.

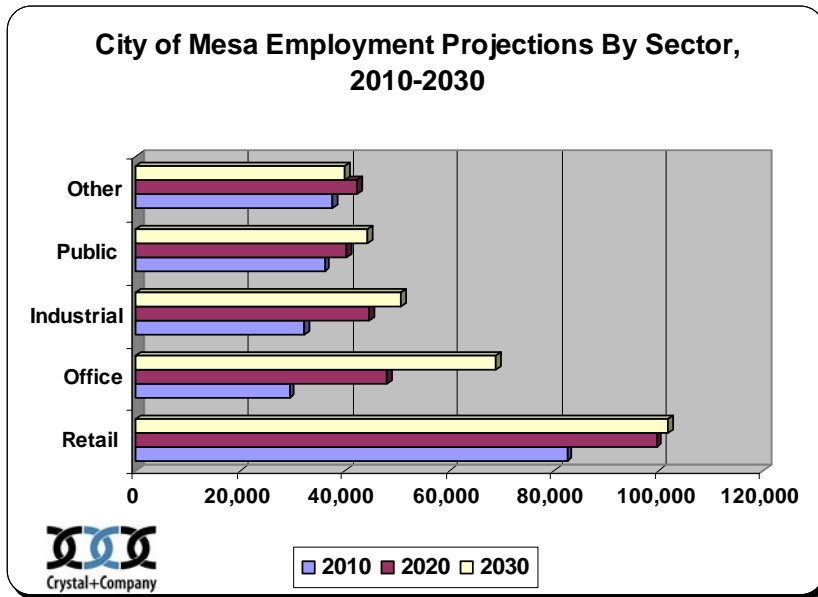
	Total Population	In Households	Total Housing Units	Occupied Housing Units
2005	486,296	480,246	221,356	182,272
2010	518,944	512,370	232,198	195,393
2020	565,693	557,661	253,573	215,740
2030	584,866	575,481	262,217	223,163



MAG 2007 estimates of employment growth in Mesa are optimistic, rising an estimated 5% per annum over the next decade from 2010 to 2020.

	Total Employment	Retail	Office	Industrial	Public	Other
2010	218,083	82,478	29,403	32,343	36,135	37,724
2020	275,236	99,617	47,982	44,763	40,454	42,420
2030	306,030	101,843	68,837	50,885	44,336	40,129

Affordable housing demand from employment creation in the retail sector appears substantial over the decade given the employment projections by sector prepared by MAG.



The distribution of the City of Mesa population by age and sex in 2008 is depicted below. No anomalies exist in the distribution of the population by age or sex. The median age of the population in 2008 was 35; 34.9 for men and 33.7 for women.

	Total	Male	Female
Total population	487,194	246,043	241,151
AGE			
Under 5 years	8.0%	8.9%	7.1%
5 to 9 years	7.1%	6.7%	7.4%
10 to 14 years	7.0%	6.9%	7.1%
15 to 19 years	6.6%	6.8%	6.4%
20 to 24 years	6.3%	6.5%	6.1%
25 to 29 years	7.7%	7.9%	7.5%
30 to 34 years	7.5%	7.9%	7.1%
35 to 39 years	7.2%	7.8%	6.6%
40 to 44 years	6.7%	7.4%	6.0%
45 to 49 years	6.4%	6.7%	6.1%
50 to 54 years	5.3%	4.8%	5.9%
55 to 59 years	5.2%	4.9%	5.5%
60 to 64 years	4.8%	4.2%	5.3%
65 to 69 years	3.8%	3.6%	4.1%
70 to 74 years	3.6%	3.3%	4.0%
75 to 79 years	3.2%	2.7%	3.6%
80 to 84 years	2.0%	1.7%	2.2%
85 years and over	1.7%	1.4%	1.9%

The median household income for Mesa in 2008 was \$51,433 (inflation adjusted), similar to that for Maricopa County. While over half of singles were earning under \$35,000 per annum, 22% of families and 16% of all households earned this income. In 2008, approximately 56,300 or 11.6% of Mesa residents earned under the poverty level. Poverty was distributed equally between males and females.

	Households	Families	Married-couple families	Nonfamily households
Total	172,015	112,031	86,055	59,984
Less than \$10,000	5.5%	3.2%	1.7%	10.6%
\$10,000 to \$14,999	4.0%	2.8%	2.3%	6.7%
\$15,000 to \$24,999	9.9%	5.9%	4.4%	17.5%
\$25,000 to \$34,999	12.2%	9.9%	7.6%	17.9%
\$35,000 to \$49,999	16.6%	16.0%	14.1%	18.3%
\$50,000 to \$74,999	21.4%	24.0%	24.2%	17.4%
\$75,000 to \$99,999	11.7%	13.8%	15.9%	6.3%
\$100,000 to \$149,999	12.5%	16.2%	19.4%	4.2%
\$150,000 to \$199,999	3.3%	4.6%	5.6%	0.4%
\$200,000 or more	2.7%	3.6%	4.7%	0.8%
Median income (dollars)	51,433	62,900	71,140	33,308
Mean income (dollars)	65,867	76,355	85,483	43,176

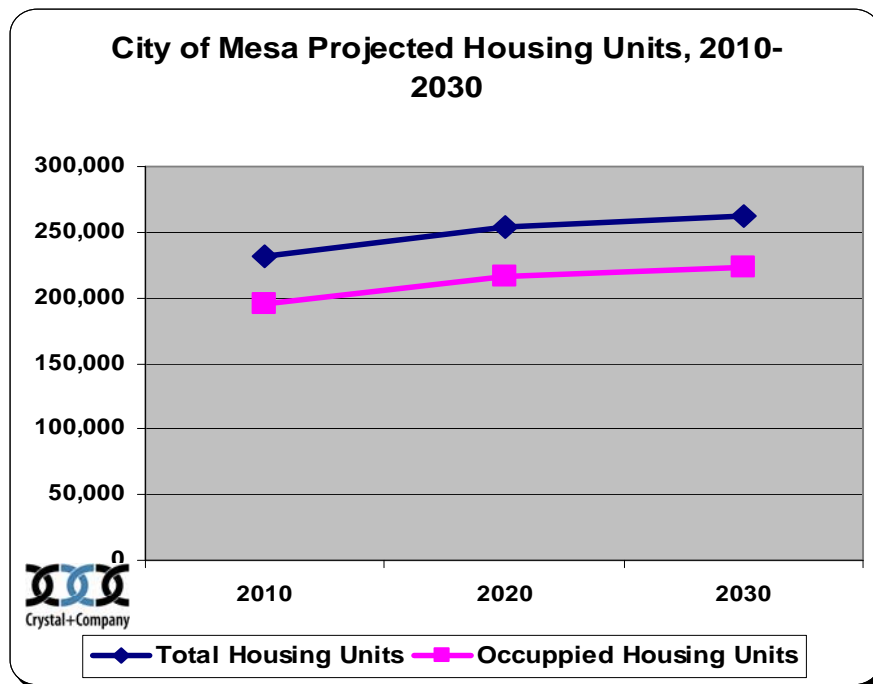
According to the US Census of Transportation from 2005 to 2007, approximately 223,980 workers resided in the City of Mesa while 180,985 actually worked there. Thus, the City of Mesa was a net exporter of nearly 43,000 workers per annum during this period.

Section 2.0: Housing Stock and Residential Market Conditions

Mesa Housing Inventory

Depicted below, the number of housing units is projected by MAG to grow from 232,198 to 262,217 over the next decade, rising by about 30,000 units or 2.5% per annum over the period. Occupied housing units are anticipated to rise by a proportionate amount realizing that the growth in dwelling units is aggressive given the incidence of foreclosure and ‘doubling up’ by households in the prevailing distressed market conditions.

	Total Housing Units	Occupied Housing Units
2010	232,198	195,393
2020	253,573	215,740
2030	262,217	223,163



According to the American Community Survey (ACS) of 2008, the median age of housing in Mesa was 1985.

	Housing Inventory By Age	Percent Of Total
Total:	172,015	
Owner occupied:	115,079	100.0%
Built 2005 or later	4,846	4.2%
Built 2000 to 2004	15,811	13.7%
Built 1990 to 1999	25,732	22.4%
Built 1980 to 1989	30,363	26.4%
Built 1970 to 1979	25,403	22.1%
Built 1960 to 1969	6,942	6.0%
Built 1950 to 1959	4,487	3.9%
Built 1940 to 1949	551	0.5%
Built 1939 or earlier	944	0.8%
Renter occupied:	56,936	100.0%
Built 2005 or later	2,110	3.7%
Built 2000 to 2004	4,109	7.2%
Built 1990 to 1999	10,738	18.9%
Built 1980 to 1989	14,385	25.3%
Built 1970 to 1979	16,289	28.6%
Built 1960 to 1969	5,076	8.9%
Built 1950 to 1959	2,994	5.3%
Built 1940 to 1949	851	1.5%
Built 1939 or earlier	384	0.7%

Source: U.S. Census Bureau, 2008 American Community Survey

Indicated below, the owner occupied housing inventory of the city is generally comprised of single family detached properties (74%), mobile homes (15%) and condominiums/townhomes (7%). Rental properties in 2008 were more equitably distributed among all housing types. Of note are the 2,521 rental mobile home properties, often an indicator of substandard dwelling units.

	Inventory Type By Tenure	Percent Distribution
Owner-occupied housing units:	115,079	100.0%
1, detached	84,718	73.6%
1, attached	8,053	7.0%
2	207	0.2%
3 or 4	1,525	1.3%
5 to 9	1,393	1.2%
10 to 19	647	0.6%
20 to 49	180	0.2%
50 or more	556	0.5%
Mobile home	17,005	14.8%
Boat, RV, van, etc.	795	0.7%
Renter-occupied housing units:	56,936	100.0%
1, detached	14,150	24.9%
1, attached	2,467	4.3%
2	1,235	2.2%
3 or 4	8,273	14.5%
5 to 9	8,092	14.2%
10 to 19	9,128	16.0%
20 to 49	5,426	9.5%
50 or more	5,579	9.8%
Mobile home	2,521	4.4%
Boat, RV, van, etc.	65	0.1%

Source: U.S. Census Bureau, 2008 American Community Survey

Residential Cost Burden and Affordability

Cost burden in the City of Mesa in 2008 is primarily focused among renters earning less than \$50,000/annum as 48% are paying more than 30% of their income for rentals. Approximately 18% of owners in the income category were cost burdened. Declining home values, interest rates and rents since 2008 have likely dropped cost burden a degree. However, lower income renters will undoubtedly remain those households at greatest risk of being cost burdened.

	Occupied Housing Units	Owner Occupied Housing Units	Renter Occupied Housing Units
Less than \$20,000	13.3%	8.9%	22.3%
Less than 20 percent	1.2%	1.8%	0.1%
20 to 29 percent	1.1%	1.1%	1.1%
30 percent or more	11.0%	6.0%	21.1%
\$20,000 to \$34,999	16.7%	12.3%	25.6%
Less than 20 percent	3.9%	5.2%	1.1%
20 to 29 percent	2.6%	1.7%	4.4%
30 percent or more	10.2%	5.3%	20.1%
\$35,000 to \$49,999	16.3%	15.6%	17.9%
Less than 20 percent	4.6%	5.8%	2.1%
20 to 29 percent	5.1%	2.8%	9.8%
30 percent or more	6.6%	6.9%	5.9%
\$50,000 to \$74,999	21.2%	23.8%	16.1%
Less than 20 percent	9.2%	10.3%	7.0%
20 to 29 percent	6.4%	6.0%	7.3%
30 percent or more	5.6%	7.5%	1.7%
\$75,000 or more	30.0%	38.8%	12.3%
Less than 20 percent	19.4%	24.0%	10.2%
20 to 29 percent	8.0%	11.0%	2.0%
30 percent or more	2.6%	3.9%	0.1%

In 2009, housing affordability for owner occupants has nearly doubled from 2008 levels by virtue of dramatic reductions in home values and interest rates. While home financing is increasingly restricted to applicants offering downpayments and quality credit characteristics, an abundant supply of 'for sale' properties continue to motivate a downward spiral in home prices. It is likely that housing affordability for owner occupants will continue to strengthen, offering credit-worthy buyers terrific purchasing opportunities going forward.

**City of Mesa Housing Affordability
Single-family Housing Affordability**

2000-2009

Year	Effective Interest Rate	Median Gross Monthly	Resale Median	Resale Affordability	New Median	New Affordability
2000	7.9	\$3,685	\$119,900	118	\$140,950	101
2001	6.9	\$3,750	\$126,500	126	\$160,875	99
2002	6.4	\$3,805	\$132,500	129	\$166,915	101
2003	5.7	\$3,840	\$141,000	131	\$172,895	107
2004	5.7	\$3,890	\$158,000	119	\$217,325	86
2005	5.7	\$3,958	\$220,000	87	\$260,585	73
2006	6.3	\$4,025	\$243,500	75	\$293,240	62
2007	6.2	\$4,070	\$232,900	80	\$280,000	66
2008	6.3	\$4,120	\$175,000	106	\$234,535	79
2009	5.3	\$5,155	\$135,000	193	\$220,375	118

Affordable Housing Needs

The projection of affordable housing needs involved the application of ratios of households with 'problems' (aka distressed) from HUD CHAS data (special census runs) evident in 2000 to projected FY 2010 to 2014 household estimates drawn from the MAG. Given the major reduction in housing costs (>48%) since 2006, the 2000 census was deemed the most indicative of prevailing conditions. According to HUD, a distressed household consists of:

- (1) persons and families living in units with physical defects (lacking a complete kitchen or bath; or
- (2) persons and families living in overcrowded conditions (greater than 1.01 persons/room); or
- (3) persons and families cost burdened (paying more than 30 percent of income for housing including utilities).

For low-income households with problems, cost burden appears to be the primary contributing factor. While the incidence of physical defects and overcrowding are evident, they are overshadowed by cost burden and present with it. High foreclosure

rates and substantial declines in home values throughout Maricopa County are increasing overcrowding and the incidence of abandoned and dilapidated dwellings.

Household Needs For Those Earning Less Than 30% of the Area Median

It estimated that a total of 12,700 households or 6.5 percent of all households in Mesa are comprised of households earning less than 30 percent of the median income with housing problems of some sort. Of the 8,250 renter households with problems in 2010...

- ✓ 20 percent are elderly.
- ✓ 32 percent are comprised of small households.
- ✓ 15 percent are comprised of large households.
- ✓ 33 percent are comprised of one-person households.

Of those 4,450 owner households with problems in 2010...

- ✓ 56 percent are elderly.
- ✓ 17 percent are small households.
- ✓ 8 percent are large households.
- ✓ 19 percent are one-person households.

By 2015, it is estimated that an additional 438 households will have problems. Supplemental insights into distress are derived from households paying more than 50% of their income for housing or severely cost burdened. Using this standard note that 10,300 households are so burdened in 2010, with 68 percent comprised of renters and 32 percent owners.

Household Needs For Those Earning From 31- 50% of the Area Median

It estimated that a total of 14,700 households or 8 percent of all households in Mesa are comprised of households earning between 31 to 50 percent of the median income with housing problems of some sort. Of the 9,400 renter households with problems in 2010...

- ✓ 17 percent are elderly.
- ✓ 35 percent are comprised of small households.
- ✓ 14 percent are comprised of large households.
- ✓ 33 percent are comprised of one-person households.

Of those 6,000 owner households with problems in 2010...

- ✓ 47 percent are elderly.
- ✓ 28 percent are small households.
- ✓ 12 percent are large households.
- ✓ 13 percent are one-person households.

By 2015, it is estimated that an additional 500 households will have problems. Further insights into distress are derived from households paying more than 50% of their income for housing or severely cost burdened. Using this standard note that 6,000 households are so burdened in 2010, with 52 percent comprised of renters and 48 percent owners.

Household Needs For Those Earning From 51- 80% of the Area Median

It estimated that a total of 19,300 households or 9.8 percent of all households in the Mesa are comprised of households earning between 51 to 80 percent of the median income with housing problems of some sort. Of the 9,600 renter households with problems in 2010...

- ✓ 12 percent are elderly.
- ✓ 34 percent are comprised of small households.
- ✓ 21 percent are comprised of large households.
- ✓ 33 percent are comprised of one-person households.

Of those 2,250 owner households with problems in 2010...

- ✓ 20 percent are elderly.
- ✓ 40 percent are small households.
- ✓ 22 percent are large households.
- ✓ 18 percent are one-person households.

By 2015, it is estimated that an additional 663 households will have problems. Further insights into distress are derived from households paying more than 50% of their income for housing or severely cost burdened. Using this standard, note that 2,750 households are so burdened in 2010, with 22 percent comprised of renters and 78 percent owners.

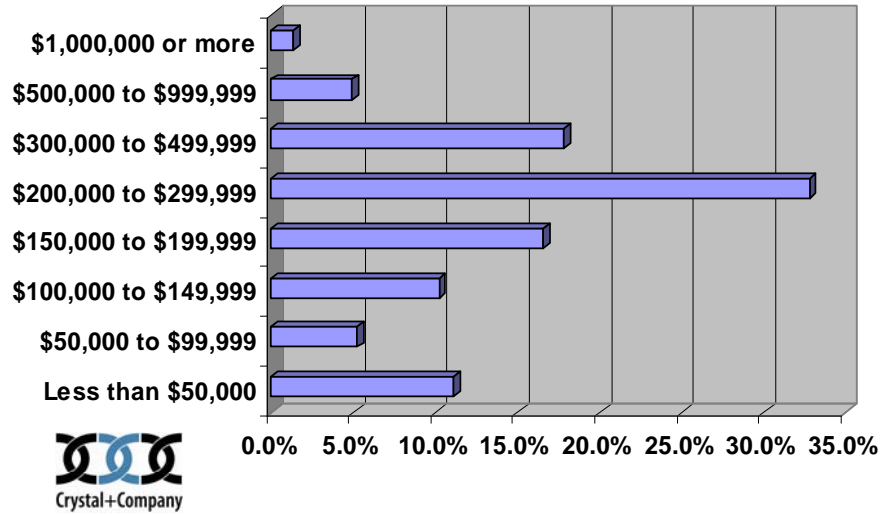
Residential Market Conditions

The value distribution of owner occupied properties in 2008 in Mesa is noted below.

	Owner-Occupied Inventory By Value	Percent Distribution
Total:	115,079	100.0%
Less than \$50,000	12,776	11.1%
\$50,000 to \$99,999	6,001	5.2%
\$100,000 to \$149,999	11,743	10.2%
\$150,000 to \$199,999	19,074	16.6%
\$200,000 to \$299,999	37,717	32.8%
\$300,000 to \$499,999	20,532	17.8%
\$500,000 to \$999,999	5,658	4.9%
\$1,000,000 or more	1,578	1.4%

Source: U.S. Census Bureau, 2008 American Community Survey

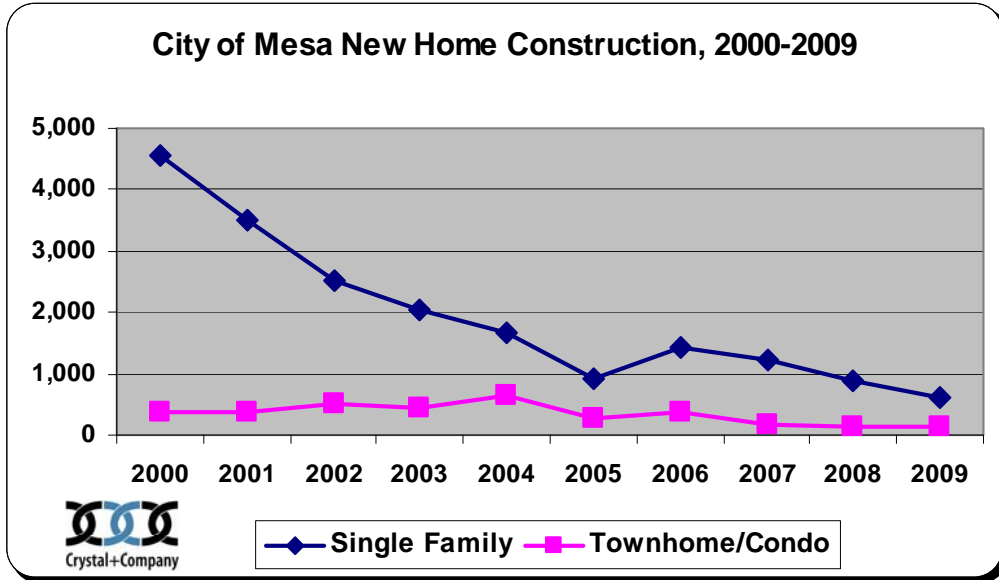
City of Mesa Distribution Of Home Values, 2008



Unlike many other communities in Maricopa County, new single family and townhome/condominium sales have consistently declined since 2000. Factors motivating this steady decline include but are definitely not limited to challenging residential market conditions evident since 2007. If past trends continue, Mesa home sales will continue to emanate predominantly from the resale market.

City of Mesa New Home Sales, 2000-2009

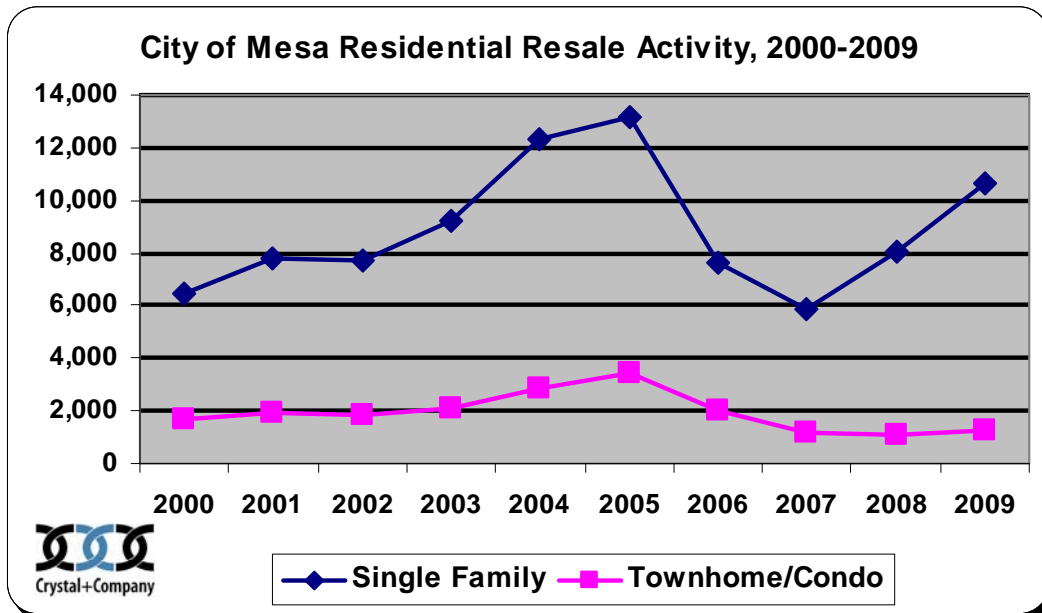
	Single Family	Townhome/Condo	Total	Percent Change
2000	4,570	365	4,935	
2001	3,520	360	3,880	-21.38%
2002	2,515	520	3,035	-21.78%
2003	2,030	435	2,465	-18.78%
2004	1,650	645	2,295	-6.90%
2005	915	285	1,200	-47.71%
2006	1,425	390	1,815	51.25%
2007	1,215	170	1,385	-23.69%
2008	890	140	1,030	-25.63%
2009	605	125	730	-29.13%



Having peaked in 2005, residential real estate sales have declined by about 30% through 2009. Similar to other regions in the Valley, resale activity in Mesa has been buoyed by investor purchases for rentals, federal tax credit program opportunities for primarily first-time buyers, comparatively low mortgage interest rates and declining home values. Through the end of 2009, Mesa home resales appear comparatively strong.

City of Mesa Residential Resales, 2000-2009

	Single Family	Townhome/Condo	Total	Percent Change
2000	6,495	1,710	8,205	
2001	7,755	1,900	9,655	17.67%
2002	7,740	1,855	9,595	-0.62%
2003	9,205	2,115	11,320	17.98%
2004	12,315	2,840	15,155	33.88%
2005	13,165	3,425	16,590	9.47%
2006	7,600	2,000	9,600	-42.13%
2007	5,895	1,210	7,105	-25.99%
2008	8,080	1,105	9,185	29.28%
2009	10,675	1,270	11,945	30.05%



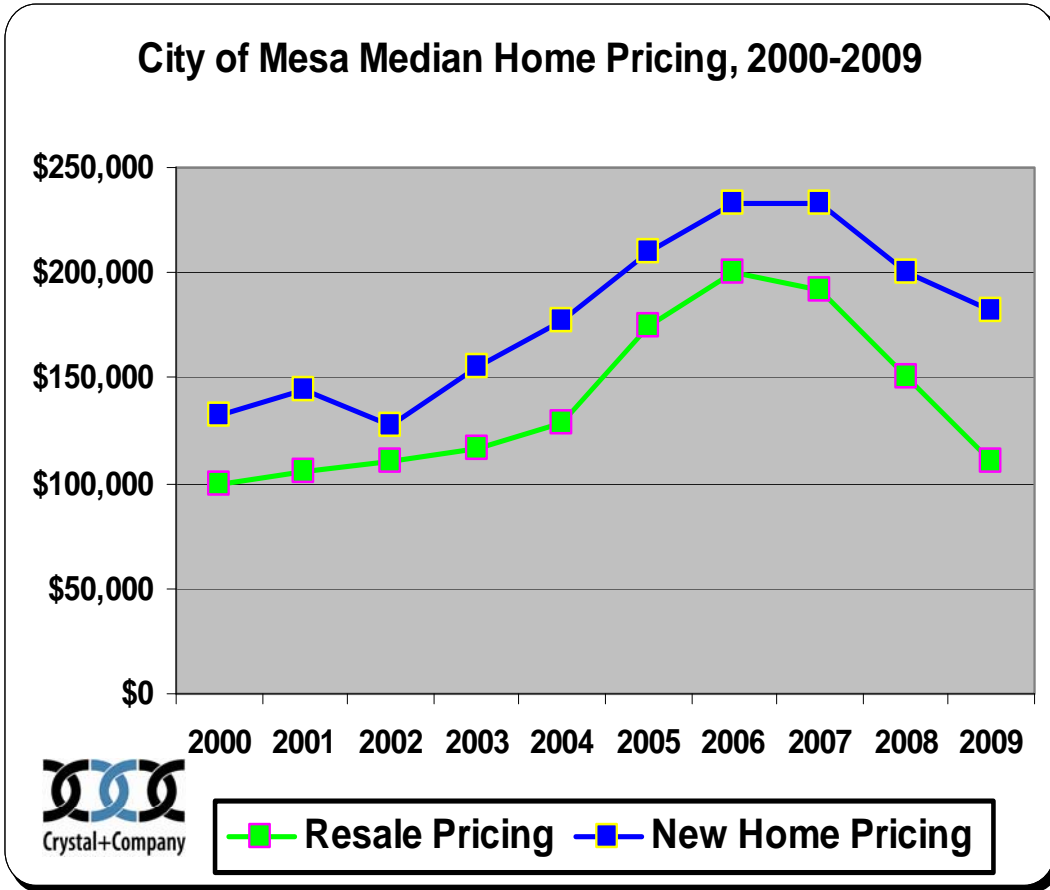
Median home sales valuations have taken a major hit throughout Maricopa County and the City of Mesa is no exception. From 2006 through 2009, resale valuations have declined 45% from their peak of \$199,750 to \$110,000 currently. With far less sales activity than resale, new home values have declined by 22% from their peak of \$233,530 in 2007 to \$182,365 in 2009.

City of Mesa Residential Resale Pricing, 2000-2009

	Single Family	Townhome & Condo	Average	Percent Change
2000	\$119,900	\$79,000	\$99,450	
2001	\$126,500	\$84,000	\$105,250	5.83%
2002	\$132,500	\$87,945	\$110,223	4.72%
2003	\$141,000	\$92,500	\$116,750	5.92%
2004	\$158,000	\$99,900	\$128,950	10.45%
2005	\$220,000	\$128,700	\$174,350	35.21%
2006	\$243,500	\$156,000	\$199,750	14.57%
2007	\$232,900	\$150,000	\$191,450	-4.16%
2008	\$175,000	\$125,000	\$150,000	-21.65%
2009	\$135,000	\$85,000	\$110,000	-26.67%

City of Mesa New Home Sales Pricing, 2000-2009

	Single Family	Townhome & Condo	Average	Percent Change
2000	\$140,950	\$123,645	\$132,298	
2001	\$160,875	\$126,915	\$143,895	8.77%
2002	\$166,915	\$87,945	\$127,430	-11.44%
2003	\$172,895	\$138,140	\$155,518	22.04%
2004	\$217,325	\$135,875	\$176,600	13.56%
2005	\$260,585	\$158,900	\$209,743	18.77%
2006	\$293,240	\$173,400	\$233,320	11.24%
2007	\$280,000	\$187,060	\$233,530	0.09%
2008	\$234,535	\$166,880	\$200,708	-14.05%
2009	\$220,375	\$144,355	\$182,365	-9.14%



On April 17, 2010 a survey was conducted by ©Crystal & Company to ascertain the sales pricing of properties within the confines of the City of Mesa pursuant to federal HOME regulations. Pursuant to 24 CFR92.254, "if a participating jurisdiction intends to use HOME funds for homebuyer assistance or for rehabilitation of owner-occupied single-family properties, the participating jurisdiction may use the Single Family Mortgage Limits under Section 203(b) of the National Housing Act or it may determine 95% of the median area purchase price for single family housing in the jurisdiction" per federal survey requirements. To meet these survey requirements, the consultant surveyed properties for sale in Mesa by type and bedroom size over a three month reporting period consistent with procedures outlined in 24 CFR92.254(2)(iii). Individual sales collected are described in survey properties submitted under separate cover. The information collected was derived from Zillow.com, a nationally recognized market research firm. The results of the survey are noted in the following chart.

**City of Mesa Properties For Sale
For The Past 90 Days As Of April 17, 2010**

Single Family	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
No. of Cases	41	143	422	211
Median	\$75,000	\$109,000	\$112,500	\$158,000
95% of Median	\$71,250	\$103,550	\$106,875	\$150,100
Townhome/Condo				
No. of Cases	3	20	7	n/a
Median	\$117,900	\$48,000	\$117,500	n/a
95% of Median	\$112,005	\$45,600	\$111,625	n/a

Source: Zillow.com

FHA Pre-Economic Stimulus Limits				
All Housing Types	\$263,150	\$296,390	\$360,100	\$415,500
FHA 95% Of Median Limits Median = \$162,500	\$154,375	\$197,633	\$238,893	\$296,885

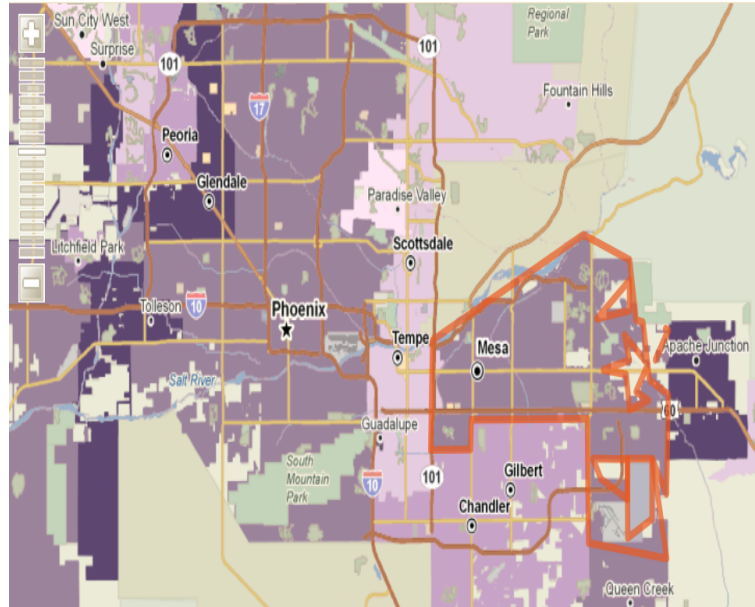
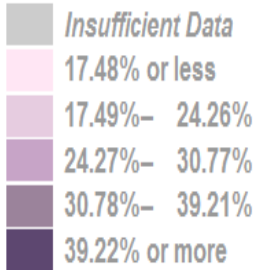
Source: US Dept. of HUD

Obviously, when the survey results are compared to the Maricopa County FHA 95% of median limits, the FHA limits are higher in the instance of the City of Mesa.

Like the rest of Maricopa County, foreclosure activity in the City of Mesa has been and remains problematic. According to RealtyTrac in June of 2010, 5,662 properties were at some point in auction and 3,210 bank-owned. Only 1,564 properties in Mesa were for-sale through the Multiple Listing Service. It is unknown how many properties are in pre-foreclosure. Some insight into the plight of Mesa compared to other Maricopa County localities is depicted on the following map denoting the incidence of high cost (subprime) loans originated in 2006 at the peak of the housing 'bubble'.


Percent of all home loans that were high cost in 2006. [details](#)

United States > Arizona > Maricopa County > Phoenix > Mesa



Information generated by the US Department of Housing and Urban Development below indicate that the incidence of foreclosure, property abandonment and past subprime lending in Mesa tended to be very similar to county-wide averages.

Neighborhood Stabilization Factors, 2008

 Crystal+Company	Total Dwelling Units	Est. Foreclosures 2nd QTR '08	Est. Number of Mortgages	Est. Foreclosure Rate/June of '08	90 Day Resid. Vacancies June/'08	Total Resid. Addresses	Est. 90 Day Vacancy Rate June '08	Total High Cost (Subprime) Loans Originated From '04 - '06	Total Loans Originated From '04 - '06	Est. High Cost Loan Rate
Maricopa County	1,133,048	59,309	1,026,415	5.8%	67,172	1,529,803	4.4%	220,633	773,619	28.5%
City of Mesa	146,700	5,894	100,953	5.8%	8,789	186,726	4.7%	22,691	76,090	29.8%

Source: US Department of HUD, 2009.

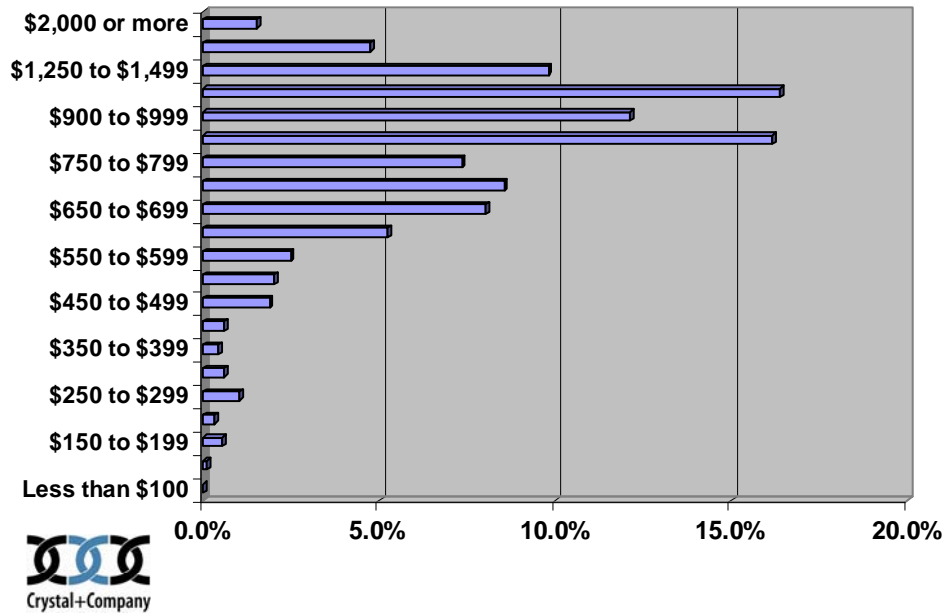
Mesa rental rates are soft given Valley-wide apartment vacancy rates hovering in the 12 – 14% level. In 2008, rental rates in Mesa were distributed as follows.

City of Mesa Gross Rent, 2008

	Gross Rent	Percent Distribution
With cash rent:	54,328	100.0%
Less than \$100	0	0
\$100 to \$149	66	0.1%
\$150 to \$199	292	0.5%
\$200 to \$249	174	0.3%
\$250 to \$299	557	1.0%
\$300 to \$349	322	0.6%
\$350 to \$399	245	0.5%
\$400 to \$449	325	0.6%
\$450 to \$499	1,020	1.9%
\$500 to \$549	1,107	2.0%
\$550 to \$599	1,349	2.5%
\$600 to \$649	2,844	5.2%
\$650 to \$699	4,372	8.0%
\$700 to \$749	4,641	8.5%
\$750 to \$799	3,997	7.4%
\$800 to \$899	8,780	16.2%
\$900 to \$999	6,598	12.1%
\$1,000 to \$1,249	8,903	16.4%
\$1,250 to \$1,499	5,324	9.8%
\$1,500 to \$1,999	2,576	4.7%
\$2,000 or more	836	1.5%

Source: U.S. Census Bureau, 2008 American Community Survey

City of Mesa Percent Distribution of Rents, 2008



According to RealData, Inc., Maricopa County apartment vacancies averaged 12.1% in the first quarter of 2010 indicating very 'soft' rental market conditions for apartments. The average gross rent (without utilities) in metropolitan Phoenix was \$768/unit and heading down. Discussed earlier, rental markets for privately owned single family and townhome/condominiums has been quite active throughout the Valley as investors purchase properties at very reasonable levels for rental purposes. In these times of serious economic distress and families losing their homes for a variety of reasons, such rentals are often desirable.

Section 3.0: Affordable Housing Demand and Market Penetration

The FY 2010 median income for Maricopa County is \$66,600 and thus \$53,300 for households earning 80% of this figure for a family of four. The 80% of the county median figure is the standard for both federal, state and local affordable housing programs. By applying commonly accepted underwriting criteria of 28% and 38% of gross income, a fixed thirty-year amortization term, interest rate of 4.85%, a minimum down-payment requirement of 5% (FHA) and typical tax and insurance obligations, a credit-worthy borrower could afford a property valued at \$190,000 with no other consumer debt obligations. Realizing the majority of borrowers carry considerable consumer debt within this income category, the more realistic maximum qualifying home value would be approximately \$150,000 to \$160,000 assuming viable consumer credit.

With a median single family home resale price of approximately \$135,000 (2009) for Mesa, over half of the estimated annual resale activity of 8,100/annum in home purchase transactions for the ensuing three years would be currently affordable to borrowers earning under 80% of the area median. New construction activity has been eliminated from market demand given the limited activity in this market component of late and its higher pricing. The anticipated 4,050 resale transactions affordable to Mesa buyers at this income level are based on annual average activity over the years 2007 and 2008. This conservative estimate removes recent sales activity motivated by federal tax credits for predominantly first-time buyers. Affordable housing demand going forward in Mesa will include but not be limited to the following factors:

- Employment growth albeit at sluggish levels
- Normal housing market turnover
- Investor purchases for affordable rentals
- Factors that increase the attractiveness of the City of Mesa to live, work and recreate

Items that may affect affordable housing resale market demand include:

- Fluctuations in interest rates
- The condition of the City of Mesa housing stock
- Local foreclosure activity
- Employment growth or the lack thereof
- The type and level of government affordable housing resources available to prospective borrowers
- The availability of mortgage capital and underwriting procedures utilized
- Amenities in and available to current and future City of Mesa residents
- Etc.

While homebuyer housing demand attempts to predict sales activity in the future based on past trends, future homeowner housing needs are derived from “distress” faced by current and future Mesa residents. Housing distress is derived from an imbalance between housing supply and demand for households earning less than 80% of the area median in addition to the incidence of overcrowding, foreclosure and substandard housing conditions.

By extrapolating severe cost burden (households paying more than 50% of their income for housing in 2000 to 2010, approximately 8,400 owner households are in need using very conservative estimates. Cost burden is the best indicator of households distress in terms of financial conditions and housing quality. By 2015, it is estimated that an additional 315 owner households will be in dire need.

Also using severe cost burden (households paying more than 50% of their income for housing in 2000 to 2010, approximately 10,700 renter households are in need using very conservative estimates. Cost burden is the best indicator of households stress in terms of financial conditions and housing quality. By 2015, it is estimated that an additional 340 renter households will be in dire need. Market conditions suggest these estimates understate need.

Need emanating from future foreclosure activity is difficult to predict. Suffice to say that in 2010 the City of Mesa has 5,660 residential properties slated for auction with another 3,210 currently owned by lenders. From 2004 through 2006, the peak of the housing 'bubble', 22,691 high cost (subprime) loans were originated within the city's corporate limits. Note that these loans exclude other types (Alt A and Option ARM, etc) that tend to also be at higher foreclosure risk.

Rental demand in the City of Mesa, like the rest of Maricopa County, is extremely difficult to quantify given prevailing market conditions and uncertain employment growth going forward. Increasingly, both lower income households and neighborhoods are being transformed from homeownership into rental. Accordingly, rental needs highlighted above offer insights into prevailing City of Mesa conditions.