

## Phoenix homeowners rank above average for underwater mortgages, Zillow report says

By Amy Edelen | Cronkite News | POSTED: Sep 14, 2015

As underwater mortgages continue to drop nationally, many Phoenix homeowners still grapple with negative equity, according to a report released this month by Zillow Inc.

The report indicated 18 percent of Phoenix homeowners had underwater mortgages — when homeowners owe more than their house is worth — in the second quarter of 2015.

Although negative equity decreased from 22 percent since last year, Phoenix ranks sixth out of the 35 metro areas surveyed for the highest number of homeowners with negative equity, trailing behind Las Vegas, Atlanta and Chicago.

“Phoenix was definitely one of the hardest-hit markets during the housing bust,” said Svenja Gudell, Zillow’s chief economist.

Phoenix condo owners are experiencing a higher rate of negative equity than single-family homeowners.

About 26 percent of Phoenix condo owners are underwater on their mortgages, also above Zillow’s national average of 20 percent.

Because condos took a much harder nosedive after the Great Recession, it’s taking longer for values to rebound, Gudell said.

“If we go back to the high point of the underwater time period, there were just a ton of \$20,000 to \$30,000 to \$40,000 condos being sold,” said Jim Sexton, president of the Arizona Association of Realtors. “We don’t have those any more. Our prices have improved in some areas significantly.”

Zillow splits data into three tiers based on estimated home values.

The bottom tier of homes, which includes low-end or “starter” residences, are more likely to have negative equity. However, these low-end homes are appreciating in value and are fueling the national decline in underwater mortgages.

Nationally, underwater mortgages dropped to 14.4 percent — the first time it’s been below 15 percent since the housing bubble burst, according to Zillow, a real-estate database company.

Although home value appreciation has been quite good over the past four years, it’s starting to slow down across the board. If homeowners aren’t upside down on their mortgages, it’s a good time to sell because of limited inventory at the lower end of the market, Gudell said.

A few of the Valley’s outlying cities have depreciated in value, but homes within the city core have gained value, she said.

The average home price in metro Phoenix is \$263,700, according to the Arizona Regional Multiple Listing Service.

“We’ve seen a lot of healthy growth in Phoenix and most cities across the metro area,” Gudell said. “But, the problem is there is still above average negative equity, so it will take some time.”

Sue Klima, president of the Phoenix Association of Realtors, said the Zillow data is close to what she’s seeing in the Phoenix market. Klima was underwater on her mortgage and recently put her home on the market.

She said she paid \$435,000 for a 2,400-square-foot home in 2006, which is now worth \$355,000.

However, she was fortunate enough to put down a large down payment, reducing negative equity.

She advises homeowners with underwater mortgages between \$10,000 to \$15,000 to wait it out.

"I really think the whole area is going up in value, and we have a shortage of inventory," Klima said. "There are so many people out there buying a property."

The average time period a house stays on the market in Phoenix is about 75 days, Sexton said.

"It's more of a sellers' market now, which is good for folks that are underwater," he said. "If anything, we are back into the multiple offer situation."

## UNDERWATER MORTGAGES BY THE NUMBERS

Amount of underwater mortgages in Phoenix by estimated home value



● Highest value homes ● Moderate value homes ● Low value homes

● **\$13 billion**

Cumulative amount of negative equity in Phoenix at the end of the first quarter in 2015.

● **\$263,700**

Average July home sale price in Phoenix

● **14.4 percent**

Homeowners with negative equity nationally

● **18.2 percent**

Phoenix homeowners have underwater mortgages

\*Data collected from Zillow's negative equity index report for Q2 2015 and ARMLS

Share

Create infographics

info@ar