

LA fires likely mean wave of renters and homebuyers headed to metro Phoenix



Catherine Reagor

Arizona Republic

Published 5:02 a.m. MT Jan. 22, 2025 | Updated 5:02 a.m. MT Jan. 22, 2025

Southern California's wildfires could drive a wave of people from the ravaged area to metro Phoenix, and they need homes.

Requests from Los Angeles-area residents looking for Valley rentals have already jumped, and many want luxury homes like the ones they've had to leave.

The housing demand is likely to give the Phoenix-area housing market a boost that could bump up rents, home prices and sales.

The uplift would come after higher mortgage rates slowed record Valley home sales and price runups spurred by the pandemic, though home sales did unexpectedly tick up in December after the election.

The Valley led the nation for rent increases in 2021-22, but tenant costs have dipped during the past few years as more apartments were built and prices became unaffordable for too many renters.

The Phoenix area had a severe housing shortage in 2020 but has been building out of it slowly.

A population surge, even from temporary residents, could worsen the housing shortage for current Valley residents.

"There's going to be a flight of people from Southern California to nearby cities Phoenix, Salt Lake and Las Vegas," said growth expert Mark Stapp, director of the master of real estate development program at Arizona State University. "It will absolutely impact the Valley's growth as people with the means have a chance to get the hell out."

Metro Phoenix's relatively affordable housing prices have long been a draw for California residents.

The Valley's job market is strong now, and people considering moving can likely find new jobs or may be able to work remotely.

Arizona has rising home insurance costs, and homeowners in the northern part of the state, where wildfires have been more frequent, have lost coverage.

But Arizona's homeowner insurance problems aren't as bad as for California homeowners.

Median rent in Phoenix area is hundreds below Los Angeles

"Our phones are blowing up from LA residents looking for rentals," said real estate agent Scott Grigg of Griggs's Group Powered by The Altman Brothers. "The area was devastated. Those poor people have nowhere to go there and need at least a temporary place to lay their heads."

He said he expected to see people from Southern California come to the Valley and see the area's quality of life and "fall in love with it."

Rents are much higher in Southern California than in the Valley and have climbed with the surge in demand from people recently displaced.

The median rent in the Los Angeles area is \$2,780 for both homes and apartments, according to Zillow. That compares to \$1,900 in metro Phoenix, which is \$100 below the U.S. median.

Some Southern California residents impacted by the fire who need rental homes are seeing shocking price jumps in the LA area, and some are paying them because they have no other choice if they want to stay.

"A few bad actors have taken advantage of the crisis, raising rents by 50-70% or more in the immediate aftermath of the fires," said Anthony Luna, a real estate and property management author and CEO of LA-based Coastline Equity.

He said "the displacement of thousands of families, the surge in rental rates, and climbing home prices" are big problems for the area that need to be addressed.

Rent increases of more than 10% during an emergency are banned in California, but some LA-area renters are so desperate for places to live they are offering higher than advertised rents.

Difference in median home price attractive for LA-area homeowners

Tens of thousands of LA residents will likely have to move because of the fires, and it will be a long process for many to see if they get reimbursed by insurers and even longer to rebuild.

After the Northern California fires in 2017, many homeowners wanted to rebuild, but their insurance wasn't enough to cover construction costs.

High costs and long build times could drive more homebuyers to the Valley, said Grigg.

Buyers can get a lot more for their money in metro Phoenix. The median home price in the Los Angeles area is about \$950,500, according to the National Association of Realtors. Metro Phoenix's median home price is less than half that at \$450,000.

"People considering selling in Los Angeles and moving somewhere else are fast forwarding," said Bravo network's "Million Dollar Listing Los Angeles" TV star real estate agent Josh Altman. "Some people are fed up with California politics, taxes and how fires have been handled."

Los Angeles' luxury home market slowed after a "mansion tax," called Measure ULA, went into effect in 2023. The tax, which funds housing and homeless prevention efforts, adds a 4% charge on all residential and commercial real estate sales of more than \$5 million and a 5.5% charge on sales of \$10 million or higher.

Arizona doesn't have a similar tax. Metro Phoenix's luxury home market didn't slow with the rest of the market, partly because many million-dollar homebuyers pay cash and don't need mortgages.

Valley luxury home expert Joan Levinson of Realty ONE Group recently met with a couple from Southern California whose neighborhood burned, and they are looking for a home to buy in the Valley.

"We've always had a lot of homebuyers coming from California," she said. "But the fires are going to bring more."

Expert: Natural disasters prompt Californians to head to Arizona

Los Angeles was already the No. 2 area where people moving to metro Phoenix were coming from before the wildfires, according to recent research from housing firm Zonda. Seattle was the top area.

"Every time there's a natural disaster in California, we get people looking to move to Arizona," said Tina Tamboer, a senior housing analyst with The Cromford Report.

But the price difference between the two areas isn't as big as a decade ago, she said.

Metro Phoenix ranks third in the U.S. for the most new homes and apartments planned or under construction, according to the U.S. Census Bureau and builders.

Stapp said that has helped ease the Valley's housing shortage, but a big wave of new residents could reverse that trend.

Experts say it's too early to tell how many people from Southern California could move to the Phoenix area because of the fires, but based on past migration patterns, there are bound to be at least some.

Reach the reporter at catherine.reagor@arizonarepublic.com or 602-444-8040. Follow her on X, formerly Twitter: @CatherineReagor.