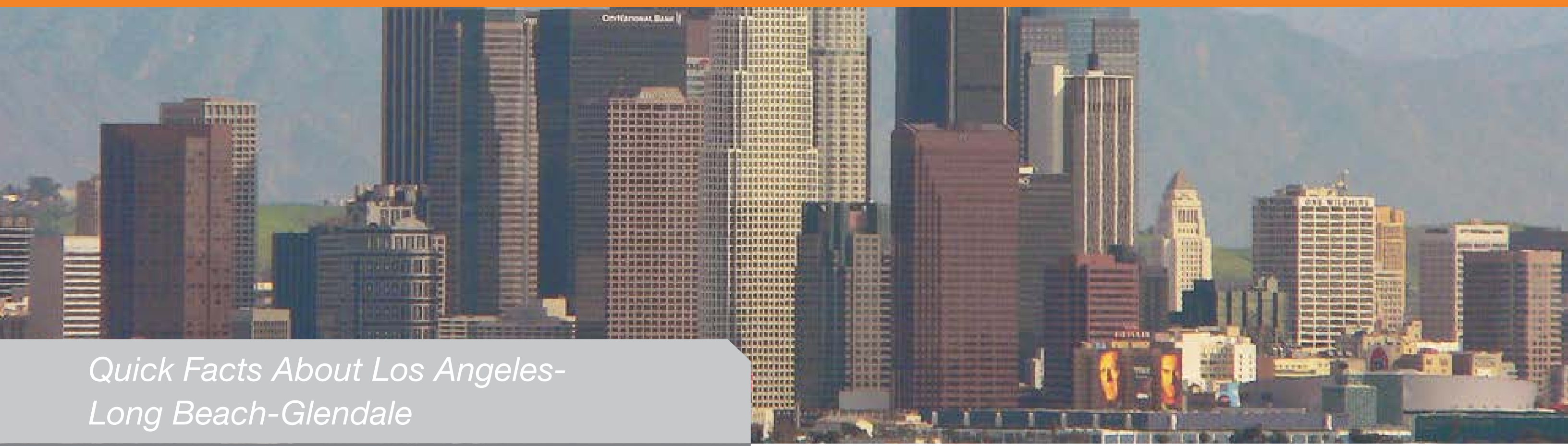
HUD PD&R **Housing Market Profiles**

Los Angeles-Long Beach-Glendale, California



Quick Facts About Los Angeles-Long Beach-Glendale

- **Current sales market conditions: balanced.**
- **Current rental market conditions: tight.**
- **The entertainment industry of the Los Angeles metropolitan division comprises 5,200 businesses, including The Walt Disney Company, Paramount Pictures Corporation, and Sony Pictures Entertainment Inc. The industry contributes approximately $30 billion in economic impact on the southern California region (Los Angeles Economic Development Commission). Landmarks such as the TCL Chinese Theater and the Hollywood Walk of Fame have helped to support growth in tourism, one of the greatest sources of job growth for more than 6 consecutive years.**

By Wendy Lynn Ip | As of May 1, 2018

Overview

The Los Angeles-Long Beach-Glendale (hereafter, Los Angeles) metropolitan division comprises Los Angeles County, California, and is part of the greater Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area. Los Angeles County is the most populous county in the nation and has a population that is greater than seven states. As a regional center for healthcare, education, and the development of aerospace technology, the metropolitan division is also one of the most popular tourist destinations in the nation. Total visitors increased to a peak of 48.3 million in 2017, up from 47.3 million in 2016 and 38.5 million in 2010 (Los Angeles Tourism and Convention Board).

- As of May 1, 2018, the estimated population of the Los Angeles metropolitan division is more than 10.3 million, increasing by 61,700, or 0.6 percent, annually since 2010, the highest average increase in more than a decade. Since 2010, strong economic conditions supported significantly lower levels of net out-migration compared with previous years, which averaged 5,350 people annually. The entire growth in the population has been generally attributed to net natural change (resident births minus resident deaths) since 2000, averaging 72,450 people a year because of varying levels of net out-migration.
- Net out-migration was at the highest level from 2004 to 2007, averaging 107,900 people a year and leading to an overall

continued on page 2

PD&R

continued from page 1

population decline by an average of 16,200, or 0.2 percent, annually. Lenient mortgage lending standards and relatively lower-priced homes in neighboring Riverside and San Bernardino Counties contributed to the surge in net out-migration during the period.

- By 2007, tight mortgage lending standards resulted in a slowing of net out-migration to neighboring counties, which remained at lower levels through the Great Recession. From 2007 to 2010, net out-migration slowed to an average of 51,050 people a year, and population growth averaged 21,650 people, or 0.2 percent, a year.

Economic Conditions

Economic conditions in the Los Angeles metropolitan division have been strong since 2010, although nonfarm payroll growth has recently moderated. Despite the moderation, nonfarm payroll growth following the Great Recession has averaged 1.7 percent annually, surpassing a period of strong economic expansion that occurred from 2003 through 2007, when payroll growth averaged 1.1 percent annually.

During the 3 months ending April 2018—

- Nonfarm payrolls averaged more than 4.47 million jobs, an increase of 63,500 jobs, or 1.4 percent, compared with the number of jobs during the same 3-month period in 2017, resulting from growth in 6 of the 11 sectors.
- The most significant gains were in the leisure and hospitality and the education and health services sectors, which increased by 22,800 and 19,300 jobs, or 4.4 and 2.4 percent, respectively, from the 3 months ending April 2017. The mining, logging, and construction sector had the greatest percentage gain, up 5.4 percent, or 7,400 jobs, entirely because of jobs added in the construction subsector.
- More than three-fourths of the gain in the education and health services sector was attributed to growth in the healthcare industry, up by 14,700 jobs, or 2.2 percent, from a year ago, supported in part by nearly 1,000 jobs Kaiser Permanente® added throughout the metropolitan division.
- The opening of the $8 million Cambria Suites supported growth in the leisure and hospitality sector, adding 40 jobs. Since April 2017, 15 hotels have opened at a cost of $1.04 billion, which added more than 725 jobs. Recent openings include the 889-room InterContinental Los Angeles Downtown hotel in the Wilshire Grand Center; a portion of the total anticipated 1,750 permanent jobs has already been added.

continued on page 3

Six sectors in the Los Angeles metropolitan division increased during the 3 months ending April 2018.

	3 Months Ending		Year-Over-Year Change	
	April 2017 (thousands)	April 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	4,409.0	4,472.5	63.5	1.4
Goods-producing sectors	488.2	495.3	7.1	1.5
Mining, logging, and construction	136.9	144.3	7.4	5.4
Manufacturing	351.3	351.0	– 0.3	– 0.1
Service-providing sectors	3,920.8	3,977.3	56.5	1.4
Wholesale and retail trade	640.2	638.3	– 1.9	– 0.3
Transportation and utilities	187.1	192.3	5.2	2.8
Information	218.3	216.2	– 2.1	– 1.0
Financial activities	219.5	221.1	1.6	0.7
Professional and business services	604.8	619.1	14.3	2.4
Education and health services	791.2	810.5	19.3	2.4
Leisure and hospitality	514.1	536.9	22.8	4.4
Other services	153.9	151.1	– 2.8	– 1.8
Government	591.8	591.7	– 0.1	0.0
	(percent)	(percent)		
Unemployment rate	4.7	4.2		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

- Notable declines in the other services and the information sectors, down by 2,800 and 2,100 jobs, or 1.8 and 1.0 percent, respectively from the 3 months ending April 2017, moderated job growth. More than one-half of the decline in the other services sector was attributed to job losses in the repair and maintenance and the personal and laundry services industries, down by a combined 1,500 jobs. The motion picture and sound recording industries contracted by 4,900 jobs, including 150 jobs lost at ESPN, contributing to the net decline in the information sector. The broadcasting industry was strong, however, adding 1,200 jobs and partly offsetting some of the decline in the sector.

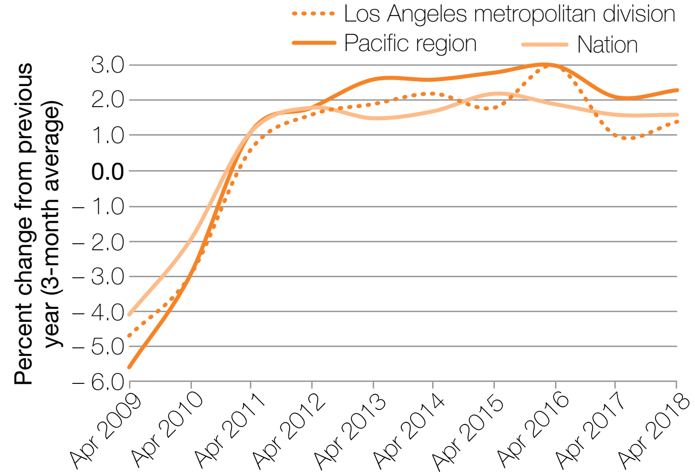
The leisure and hospitality sector is expected to continue expanding through 2020, with the completion of 26 hotels that are currently under way that are expected to add approximately 1,500 jobs throughout the metropolitan division. Increased tourism, the upcoming 2020 Major League Baseball All-Star Game, and the 2022 Super Bowl have supported current hotel construction levels. Growth in the healthcare industry is also anticipated with the opening of the $542 million expansion of the Providence Tarzana Medical Center in 2022 that is expected to add 1,000 permanent jobs when complete.

Largest employers in the Los Angeles metropolitan division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Los Angeles County	Government	107,500
University of California, Los Angeles	Government	46,200
Kaiser Permanente®	Education and health services	37,000

Note: Excludes local school districts.
Source: *Los Angeles Business Journal*, 2017

Nonfarm payroll growth in the Los Angeles metropolitan division has been below the rates of growth for the nation and the Pacific region since 2017.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Los Angeles metropolitan division is currently balanced, with an estimated sales vacancy rate of 1.1 percent, a decrease from 1.7 percent in 2010 when conditions were soft. Sales market conditions improved as the inventory of homes for sale declined 44 percent, or by 22,500 homes, from April 2010 through April 2018 (CoreLogic, Inc.). The number of months homes remained on the market was down from 3.2 to 2.0 during the same period. During the 12 months ending April 2018, new and existing home sales (including single-family homes, townhomes, and condominiums) were up despite more than 6 consecutive years of price growth that averaged 10 percent each year. The lack of developable land in the metropolitan division, particularly around employment centers, partly caused continued gains in home prices. As sales market conditions improved, the percentage of home loans in the Los Angeles metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned status declined from 1.3 percent in March 2017 to 1.0 percent in March 2018 (CoreLogic, Inc.). The current rate is above the 0.9-percent rate for California and below the 2.2-percent rate for the nation.

During the 12 months ending April 2018—

- New home sales increased despite rising mortgage interest rates, totaling 3,350 homes sold, up 6 percent from the 12 months ending April 2017 and up 15 percent from the average of 2,900 homes sold annually during 2014 and 2015 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales totaled 73,350, an increase of 1,875 homes sold, or 3 percent, from the 71,450 homes sold during the 12-month period ending April 2017 and were up 4 percent from the average of 70,400 homes sold annually during 2014 and 2015.
- The average sales price for new homes was $796,600, up by $26,250, or 3 percent, from the previous year and up 30 percent compared with the previous peak price of $613,000 during the 12 months ending September 2007.
- The average sales price for existing homes was $804,800, a gain of $60,900, or 8 percent, compared with the average price during the 12 months ending April 2017, and was 11 percent higher than the peak price $727,300 during the 12 months ending February 2008.

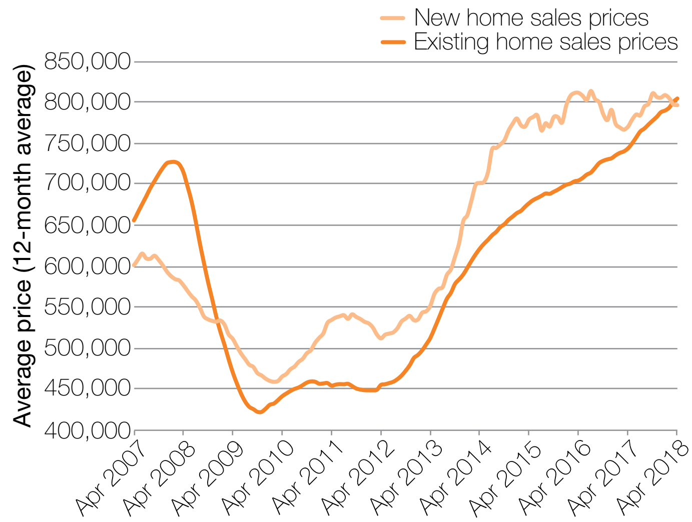
continued on page 4

continued from page 3

Single-family home construction activity, as measured by the number of single-family homes permitted, increased every year since the end of 2011 in response to improved sales market conditions.

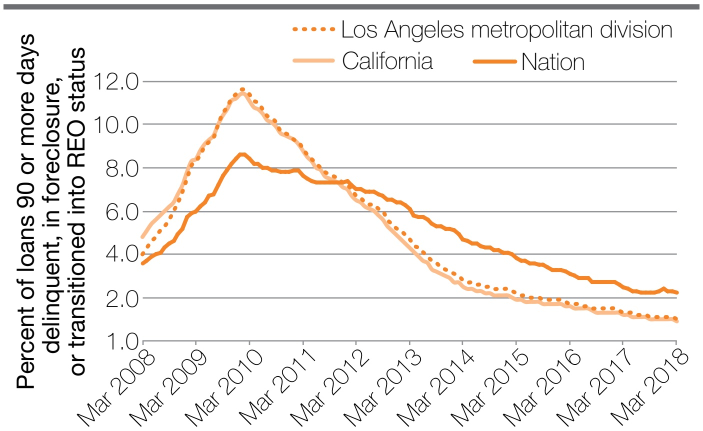
- The number of single-family homes permitted grew to 5,550 homes permitted during the 12 months ending April 2018, up 3 percent from the 5,400 homes permitted a year earlier (preliminary data).

Until recently, new home sales prices in the Los Angeles metropolitan division had been consistently higher than existing home sales prices since 2009, although the rates of growth have been similar.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

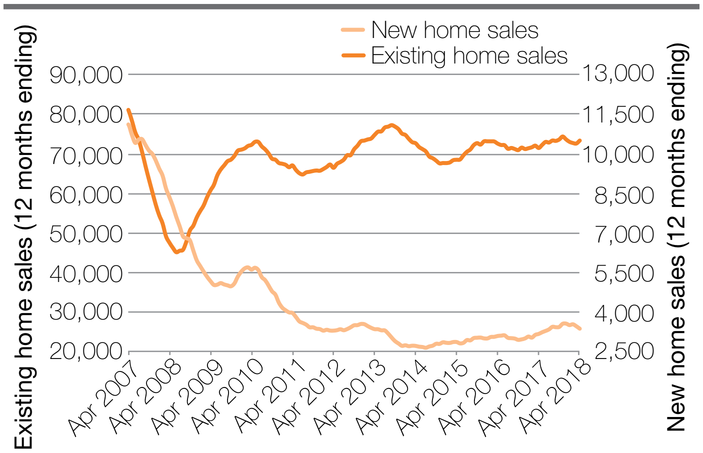
The proportion of seriously delinquent loans and REO properties in the Los Angeles metropolitan division has decreased substantially since the late 2000s.



REO = real estate owned.
Source: CoreLogic, Inc.

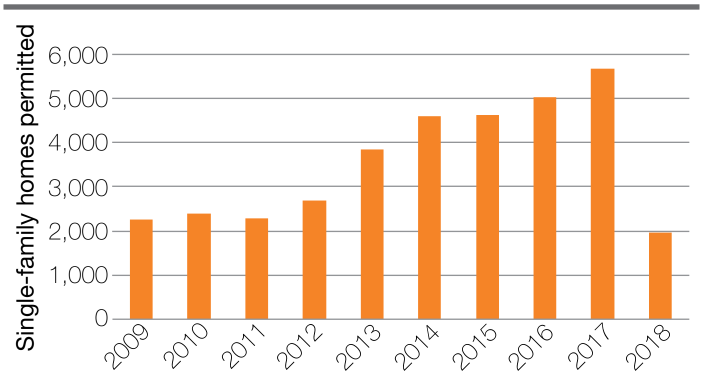
- Single-family construction activity averaged 2,300 homes permitted annually from 2009 through 2011 before increasing by an average of 17 percent a year to 5,025 homes during 2016.
- Notable single-family developments currently under construction are in the San Gabriel Valley area, where nearly one-fourth of all single-family homes have been constructed in the metropolitan division in the past 2 years. Developments under construction include The Grove in Pomona and South Pointe, which will have a combined 220 homes at buildout. Currently, 57 homes are under construction at The Grove, with 23 homes completed and prices that start in the high $400,000s for a two-bedroom home. At South Pointe, 33 homes are currently under construction, with 42 homes already complete. Prices for these homes range from $1.44 to $1.83 million for four- to five-bedroom homes.

Home sales in the Los Angeles metropolitan division have been generally stable since 2015 despite rising home sales prices.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Single-family home permitting in the Los Angeles metropolitan division has been increasing since 2012.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey

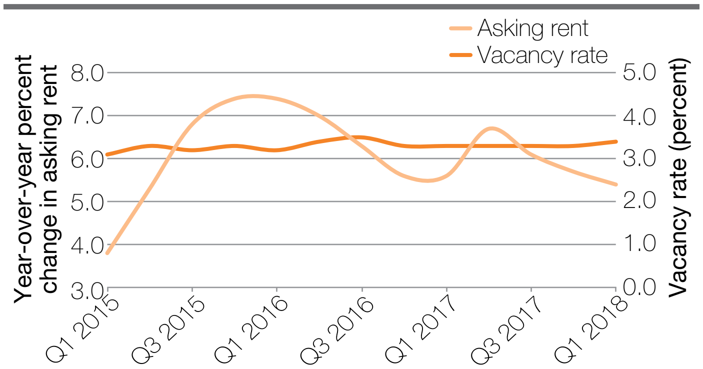
Rental Market Conditions

Rental housing market conditions in the Los Angeles metropolitan division are currently tight. The increase in the number of renter households since 2010 has outpaced the construction of new rental units and the conversion of single-family homes to rental use.

- The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) was 3.6 percent as of May 1, 2018, a decrease from 5.8 percent in 2010.
- The apartment market, which represents 70 percent of all rental units, is also tight with a 3.4-percent vacancy rate as of the first quarter of 2018, up slightly from 3.3 percent a year earlier but down from 5.3 percent at the end of 2009 (Reis, Inc.). Vacancy rates continued to be low despite the addition of approximately 17,600 apartments constructed from the second quarter of 2017 through the first quarter of 2018, the highest number of apartments completed in any year since 2000, up from 15,750 apartments completed from the second quarter of 2016 through the first quarter of 2017. Job growth has resulted in lower levels of net out-migration, stabilizing population growth, while rising home sales prices have supported continued renter household growth and apartment absorption.
- The average monthly apartment asking rent was $1,910 in April 2018, an increase of $86, or 5 percent, from April 2017. Rents in the metropolitan division have increased 3 percent or more each year from 2012 through 2016 in response to tight market conditions and an increase in luxury-apartment inventory, particularly in the downtown Los Angeles area.

Multifamily construction activity, as measured by the number of multifamily units permitted, slowed in the past year but is at a higher level compared with permitting from 2009 through 2014.

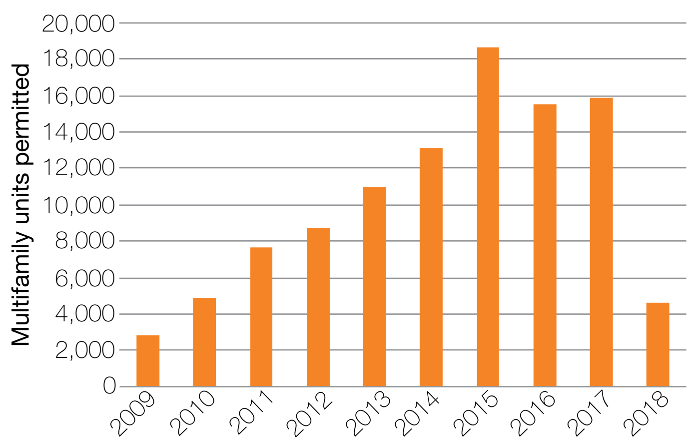
Apartment market conditions in the Los Angeles metropolitan division have been tight, with low vacancy rates and positive rent growth since the first quarter of 2015.



Q1 = first quarter. Q3 = third quarter.
Source: Reis, Inc.

- During the 12 months ending April 2018, approximately 15,450 multifamily units were permitted, accounting for nearly one-third of all multifamily units permitted in California, down 5 percent from 16,200 units permitted during the same period a year ago (preliminary data).
- Multifamily construction, as measured by the number of multifamily units permitted, increased by an average of 2,050 units, or 35 percent, annually from 2010 through 2014 before reaching a peak of 18,650 units in 2015. The increase was partly in response to renter household growth, which accounted for 53.1 percent of all households in 2010 and 54.5 percent by 2015 (2010 and 2015 American Community Survey 1-year data). Approximately 28 percent of all multifamily construction were condominiums since 2010, down from nearly one-half of all construction during the 2000s.
- Multifamily construction was stable during 2016 and 2017, averaging 15,750 units permitted a year.
- The Central Los Angeles area, which encompasses downtown Los Angeles, Hollywood, South Central, and East Los Angeles accounts for more than one-half of all apartments under construction in the metropolitan division, with a 9,125 units currently under way. Approximately one-half of that development is in the downtown Los Angeles area, which has undergone significant redevelopment since 2010. Properties under construction in the downtown area include the 648-unit Circa, with two 35-story apartment towers, and the 526-unit 888 Hope, a 34-story apartment tower. Both developments are expected to be complete later in 2018, with rents to be determined. Average rents for newly constructed, market-rate studio, one-bedroom, two-bedroom, and three-bedroom units in the downtown Los Angeles area are $2,150, $2,375, 3,050, and $4,050 respectively.

Multifamily permitting in the Los Angeles metropolitan division has increased nearly every year since 2009.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey