

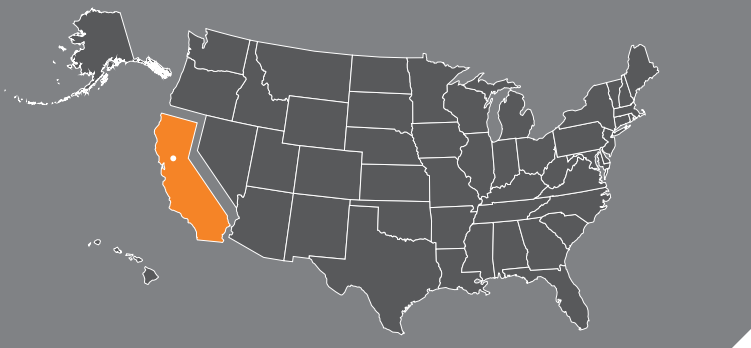
# HUD PD&R Housing Market Profiles

## Sacramento--Arden-Arcade--Roseville, California



### Quick Facts About Sacramento--Arden-Arcade--Roseville

- **Current sales market conditions: slightly soft but improving.**
- **Current apartment market conditions: tight.**
- **The state government subsector accounts for 13 percent of total nonfarm payrolls because of the presence of the state capital and two major public universities within the metropolitan area.**



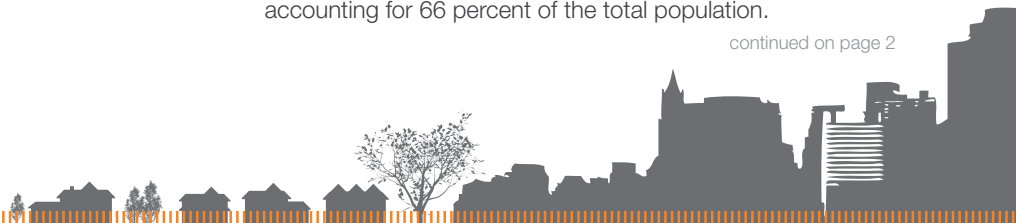
By Elaine Ng | As of May 1, 2015

### Overview

The Sacramento--Arden-Arcade--Roseville (hereafter, Sacramento) metropolitan area consists of El Dorado, Placer, Sacramento, and Yolo Counties in northern California. The metropolitan area stretches from California's Central Valley to the Nevada border at Lake Tahoe. As a regional center for state government agencies, and with the city of Sacramento as the state capital, the metropolitan area relies heavily on public-sector employment, with roughly 76,300 state employees. The metropolitan area is also home to two large public universities, the University of California at Davis (UC Davis) and California State University, Sacramento (CSU Sacramento), which generate an annual economic impact of \$1.2 billion and \$816 million to the greater Sacramento region and \$6.9 billion and \$1.0 billion to California, respectively (UC Davis and CSU Sacramento data).

- As of May 1, 2015, the population of the metropolitan area was estimated at 2.2 million, an average annual increase of 19,700, or 0.9 percent, since July 2012. As the urban core, Sacramento County is the most populous county in the metropolitan area, accounting for 66 percent of the total population.

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- Net in-migration has averaged 8,425 a year people since 2012, much less than the average of 26,000 people a year from July 2000 to July 2007, when the metropolitan area had strong job gains, but greater than the average of 5,000 people a year from July 2008 to July 2011, a period of significant job losses.
- Population growth slowed to an average of 9,800 people, or 0.7 percent, annually from July 2008 to July 2011 as a result of the national recession. During the peak growth period from July 2000 to July 2007, population growth averaged 39,900 people, or 2.1 percent, annually.

## Economic Conditions

Economic conditions in the Sacramento metropolitan area have improved significantly since the end of 2011. Total nonfarm payrolls remain below the peak of 917,000 jobs in 2007, however. From 2012 through 2014, nonfarm payrolls expanded at an average annual rate of 2.8 percent, exceeding the 1.8-percent average annual rate for the nation.

During the 3 months ending April 2015—

- Nonfarm payrolls averaged 904,900 jobs, a gain of 24,000 jobs, or 2.7 percent, compared with nonfarm payrolls during the same period a year earlier. By comparison, the metropolitan area added 20,700 jobs, a 2.4-percent gain, during the 3 months ending April 2014 compared with nonfarm payrolls during the same period in 2013.
- Every nonfarm payroll sector except the transportation and utilities and the information sectors expanded. The education and health services and the professional and business services sectors added the most jobs, increasing by 5,600 and 4,100 jobs, or 4.2 and 3.5 percent, respectively.
- The mining, logging, and construction sector increased by 2,400 jobs, or 5.6 percent, from the previous year because of increased residential and commercial building activity. Despite the recent increase, the current level of jobs in the sector remains significantly below the peak of 71,100 jobs recorded during the 3 months ending April 2005.
- The unemployment rate averaged 5.9 percent, down from the 7.7-percent rate during the same period a year ago and significantly lower than the peak of 12.5 percent during the 3 months ending April 2010.

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### Job growth occurred in nearly every nonfarm payroll sector in the Sacramento area during the 3 months ending April 2015.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	880.9	904.9	24.0	2.7
Goods-producing sectors	77.1	80.6	3.5	4.5
Mining, logging, and construction	43.1	45.5	2.4	5.6
Manufacturing	34.0	35.1	1.1	3.2
Service-providing sectors	803.8	824.3	20.5	2.6
Wholesale and retail trade	118.1	120.9	2.8	2.4
Transportation and utilities	22.7	22.6	- 0.1	- 0.4
Information	13.7	13.5	- 0.2	- 1.5
Financial activities	48.3	49.4	1.1	2.3
Professional and business services	117.6	121.7	4.1	3.5
Education and health services	133.3	138.9	5.6	4.2
Leisure and hospitality	91.3	94.3	3.0	3.3
Other services	29.8	31.1	1.3	4.4
Government	229.0	231.9	2.9	1.3
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	7.7	5.9		

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



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Strong employment growth in the construction subsector will be supported, in part, by the \$750 million expansion of Sutter Medical Center, Sacramento, which is expected to be complete by August 2015. As part of the expansion, all major services will be relocated to a single medical campus, including the 242-bed Anderson Lucchetti Women's and Children's Center and the 274-bed Ose Adams Medical Pavilion. Construction subsector job growth in the metropolitan area during the next 2 years will also be supported by construction of additional hospital facilities, the Sacramento Kings' new basketball arena (the Golden 1 Center), and continued single-family and multifamily residential construction.

### Largest employers in the Sacramento area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of California	Government	76,300
University of California, Davis	Government	22,600
Kaiser Permanente	Education and health services	14,000

Note: Excludes local school districts.

Sources: Counties of Sacramento, Yolo, El Dorado, and Placer *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013*; *Sacramento Business Journal, Book of Lists 2014*

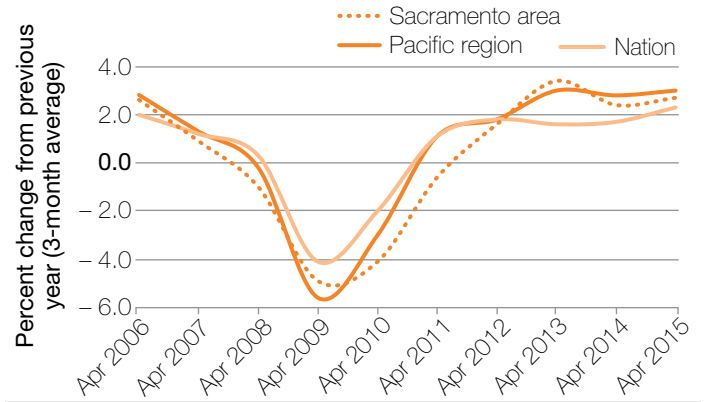
## Sales Market Conditions

The sales housing market in the Sacramento metropolitan area is slightly soft but improving. Strong economic growth has supported the improvement in sales market conditions and the absorption of distressed properties, which has contributed to increased home sales prices. Approximately 34,100 existing single-family homes, townhomes, and condominiums sold during the 12 months ending March 2015, down 4 percent from the 35,600 existing homes sold during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Decreasing distressed sales (real estate owned [REO] and short sales) accounted for the decline, decreasing 39 percent from 7,325 during the 12 months ending March 2014 to 4,450 during the 12 months ending March 2015. During the same period, regular existing sales increased 5 percent, to 29,600 sales. The decline in distressed sales contributed to a 14-percent increase in the average sales price of an existing home, which rose to \$318,200 during the 12 months ending March 2015, up from \$278,400 during the previous 12-month period.

During the 12 months ending March 2015—

- New home sales, which accounted for 16 percent of all home sales in the metropolitan area, declined to 3,000 homes, down

### Nonfarm payroll growth in the Sacramento area has exceeded the national average since 2012 but remained below the average in the Pacific region.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

3 percent from the previous 12-month period but up 24 percent from the average of 2,425 new homes sold each year from 2010 through 2013 (CoreLogic, Inc., with adjustments by the analyst).

- The average sales price of a new home was \$419,000, a 17-percent increase from \$359,700 during the previous 12 months and a 42-percent increase from a low of \$295,600 during the 12 months ending March 2012 (CoreLogic, Inc., with adjustments by the analyst).
- Distressed sales accounted for 13 percent of all existing home sales, down from 21 percent during the previous 12 months and much less than the 69 percent during the 12 months ending March 2009. The average sales price for distressed properties was \$262,600, or 17 percent less than the average sales price for all existing homes in the metropolitan area (CoreLogic, Inc., with adjustments by the analyst).
- As of April 2015, 2.0 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 2.5 percent a year earlier and much less than the 11.7 percent in April 2010 (Black Knight Financial Services, Inc.).

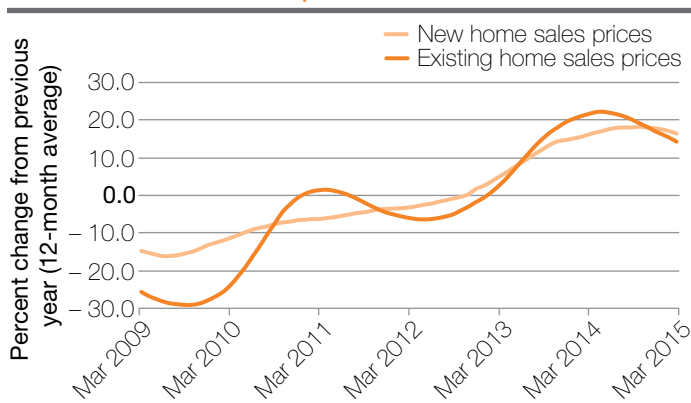
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Although still slightly soft, sales market conditions have improved and contributed to increased single-family home construction activity, which has grown since 2011. During the 12 months ending April 2015, 3,900 single-family homes were permitted in the Sacramento metropolitan area, a 14-percent increase from 3,450 homes permitted during the same period in 2014 (preliminary data).

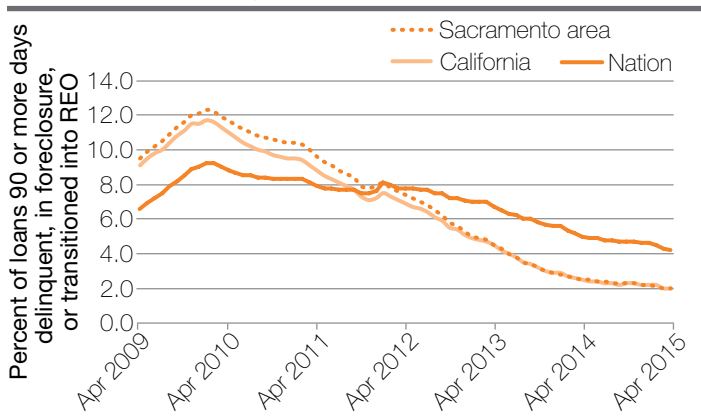
- An average of 2,325 single-family homes were permitted annually in the metropolitan area from 2009 through 2012, the lowest level in 30 years, before an average of 3,625 homes were permitted annually during 2013 and 2014.

**Strong economic conditions and the absorption of distressed properties in the Sacramento area have led to increased sales prices since 2013.**



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

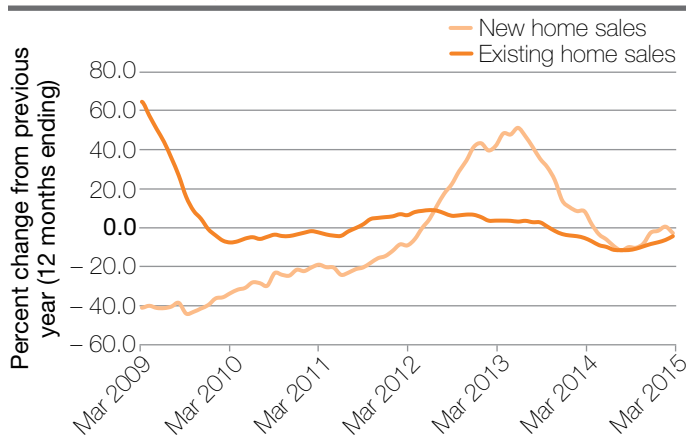
**The percentage of seriously delinquent loans and REO properties in the Sacramento area followed the trend in California, falling below the national rate in 2012 and remaining lower since then.**



REO = real estate owned. Source: Black Knight Financial Services, Inc.

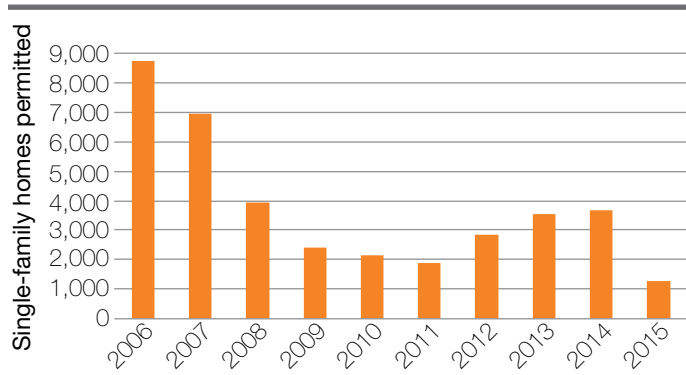
- The number of single-family homes permitted in Sacramento County, which has accounted for 48 percent of the single-family homes permitted in the metropolitan area since 2013, was 1,725 during the 12 months ending April 2015, relatively unchanged from the same period in 2014.
- Projects currently under construction include the McKinley Village subdivision in Sacramento County, a 336-home infill project that is expected to begin selling its first homes in the fall of 2015. Homes will range in size from 1,300 square feet for three-bedroom, three-bathroom homes to 3,100 square feet for five-bedroom, four-bathroom homes. Sales prices have yet to be determined.

**Existing home sales in the Sacramento area have declined since 2013 because of a decline in distressed property sales.**



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

**Builders have responded to improving sales market conditions in the Sacramento area with increased single-family home construction activity since 2011.**



Note: Includes preliminary data from January 2015 through April 2015. Source: U.S. Census Bureau, Building Permits Survey



## Apartment Market Conditions

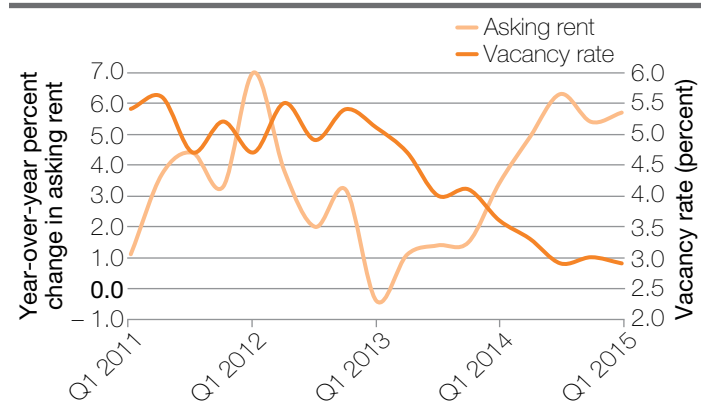
The apartment market in the Sacramento metropolitan area is currently tight. During the first quarter of 2015, the apartment vacancy rate was 2.9 percent, down from 3.6 percent during the first quarter of 2014, and the average monthly rent was \$1,052, a 5.7-percent increase from \$995 a year earlier (MPF Research).

During the first quarter of 2015—

- Apartment vacancy rates in the 11 MPF Research-defined market areas within the Sacramento metropolitan area ranged from 1.4 percent in the Davis/Yolo County area to 4.5 percent in the Folsom/Orangevale/Fair Oaks area.
- The apartment vacancy rate declined in 8 of the 11 market areas, with the greatest decline in the Carmichael area, where the apartment vacancy rate was 2.7 percent, down from 5.0 percent a year ago.
- Monthly apartment rents increased from the first quarter of 2014 in 10 of the 11 market areas, ranging from 1.7 percent in the South Sacramento area to 8.3 percent in the Citrus Heights area.
- The Central Sacramento area was the only 1 of the 11 market areas to experience a decline in the monthly average rent but was also the market area with the highest rent in the metropolitan area, at \$1,312, a 1.3-percent decline from \$1,329 during the first quarter of 2014.

Students represent a significant share of the rental housing market in some parts of the metropolitan area. As of the fall 2013 term (the most recent data available), the combined enrollment at UC Davis and CSU Sacramento was 61,500 students. An estimated 13,750 student households (approximately 4 percent of all renter households) from both universities live off campus, with the greatest concentration of students residing near UC Davis in Davis. The

**Apartment market conditions have tightened since mid-2011 in the Sacramento area as vacancy rates have declined and rents have increased.**



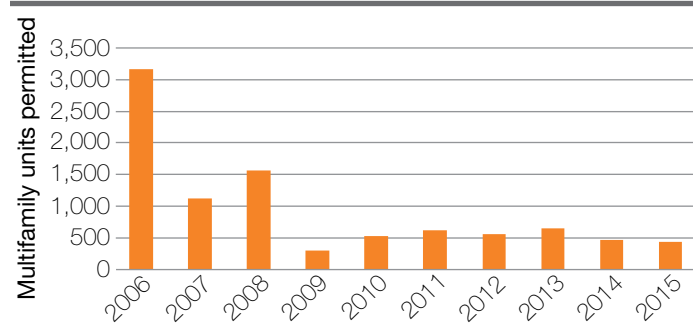
Source: MPF Research

apartment vacancy rate in the Davis/Yolo County area, one of the tightest segments of the entire Sacramento market, was 1.4 percent during the first quarter of 2015, unchanged from a year earlier. During the same period, the average monthly rent rose 5 percent, to \$1,253, in the market area.

Despite tight apartment market conditions, multifamily construction activity, as measured by the number of units permitted, continued to be significantly lower than levels seen during the mid-2000s.

- During the 12 months ending April 2015, 610 multifamily units were permitted, down from 690 units during the previous year (preliminary data).
- The number of multifamily units permitted averaged 3,800 each year from 2000 through 2006. Multifamily construction activity declined to an average of 1,350 units each year in 2007 and 2008 and declined further to an average of 520 units each year from 2009 through 2014.
- The 118-unit Eviva Midtown in Sacramento is currently under construction and expected to be complete by the spring of 2016. When complete, the apartment project will offer 78 one-bedroom units ranging in size from 700 to 800 square feet and 40 two-bedroom units ranging from 1,100 to 1,200 square feet. Rents have not yet been determined.
- The Quartz Ridge Apartments, in the city of Auburn in Placer County, are also currently under construction. Preleasing on the 64-unit affordable housing development began in the spring of 2015, with rents ranging from \$351 to \$1,010, depending on apartment sizes and income levels. Qualifying family incomes are restricted to 60 percent or less of the Area Median Income for Placer County.
- Recently completed projects include Capitol Yards in West Sacramento. Rents for the 270 market-rate units start at \$1,375 for studio units, \$1,575 for one-bedroom units, \$2,035 for two-bedroom units, and \$2,995 for three-bedroom units.

**Despite tightening rental market conditions in the Sacramento area, multifamily construction activity remains significantly below peak levels.**



Note: Includes preliminary data from January 2015 through April 2015. Source: U.S. Census Bureau, Building Permits Survey

