Housing Market Profile

Pacific • HUD Region IX

Sacramento--Arden-Arcade--Roseville, California

The Sacramento--Arden-Arcade--Roseville metropolitan area, which stretches from the California Central Valley to the Nevada border at Lake Tahoe, includes El Dorado, Placer, Sacramento, and Yolo Counties. As of April 1, 2009, the population of the metropolitan area is estimated at 2.1 million. From 2000 through 2007, the population increased by an annual average of 2.3 percent. From 2008 to 2009, the rate of population growth slowed to an average annual rate of 1.3 percent as a result of economic weakness that began in 2008. Two-thirds of the metropolitan area's population resides in Sacramento County. With an estimated population of 476,000, the city of Sacramento is the largest city in the metropolitan area and home to the state capital.

Until 2008, employment in the metropolitan area had grown steadily for the previous 15 years. Economic conditions weakened as repercussions from a soft sales housing market filtered through many industry sectors. During the 12 months ending March 2009, nonfarm employment decreased by 29,000 jobs to 871,600; this figure represents a 3.2-percent loss compared with the number of nonfarm jobs recorded during the previous 12-month period. Employment growth occurred in the education and health services sector and government sector, which added 3,100 and 1,675 jobs, respectively. Nearly all other employment sectors posted losses; the construction sector contracted the most, with a decrease of 10,450 jobs, or a 16-percent loss, as a result of a significant decline in new home construction. For the 12 months ending March 2009, the average unemployment rate was 8.2 percent compared with 5.6 percent for the previous 12-month period.

With the presence of the state capital and two major public universities, the metropolitan area economy largely depends on the government sector. The state and local government subsectors together provide about 225,600 jobs, or 26 percent of total nonfarm employment in the area. The leading public-sector employer is the University of California, Davis (UC Davis), in Yolo County, which has approximately 30,000 faculty and staff. The university generates an annual economic impact of nearly $3 billion in California and enrolled almost 31,000 students in the 2007–08 academic year. UC Davis has recently completed the $59 million Robert Mondavi Institute for Wine and Food Science to house multiple disciplines devoted to researching grape cultivation, winemaking, and the use of foods. The university currently has a total of $210 million in capital projects under construction; the two largest are the $50 million Student Health & Wellness Center and the $65 million Physical Sciences Expansion project. California State University, Sacramento is slightly smaller than UC Davis and currently enrolls approximately 28,000 students.

The sales housing market in the Sacramento--Arden-Arcade--Roseville metropolitan area is currently soft due to an excess of new homes produced during the first half of this decade, tighter lending standards, and high foreclosure activity. According to DataQuick®, during the 12 months ending March 2009, the median sales price of new and existing homes was $226,700, a 33-percent decrease compared with the median price recorded during the same period in 2008. The median price for new and existing homes peaked at $421,600 in 2005. During the 12 months ending in March 2009, DataQuick recorded 38,750 new and existing home sales, a 59-percent increase from the number of sales recorded during the same period in 2008. This increase in sales volume is the first recorded since 2004. In 2008, as the inventory of bank-owned properties climbed, sales prices dropped and sales volume began to increase. From 2000 through 2006, an annual average of 5,850 notices of default (the first step in a foreclosure proceeding) were filed in the metropolitan area. In 2008, 31,200 notices of default were filed, a 38-percent increase compared with the 22,650 notices filed in 2007.

In response to increased sales competition from the bank-owned foreclosed homes, builders have reduced new home construction activity, as measured by the number of building permits issued. During the 12 months ending February 2009, single-family permits were issued for 3,700 homes, a 38-percent decline from the number issued during the same period the previous year. In 2004, the number of single-family permits issued peaked at 18,500. According to The Gregory Group, sales of new homes peaked during the 12 months ending June 2004, when 16,900 homes were sold. In the 12 months ending March 2009, The Gregory Group reported sales of 3,875 new homes, a 29-percent decrease from the number sold in the previous 12-month period. During the same period, the average price of a new detached home decreased by 14 percent to $409,100. During the first quarter of 2009, the inventory of unsold new homes totaled 1,100 units a 62-percent decline from the number of unsold new homes in inventory during the same quarter in 2008.

Multifamily construction activity, as measured by the number of units permitted, has recently increased after 3 consecutive years of declines. During the 12 months ending February 2009, 1,450 multifamily units were permitted, a 49-percent gain from the number permitted during the previous 12 months. The level of new construction remains well below the annual average of 4,100 units permitted during the 2002-through-2005 period. Builders reduced new construction activity in recent years, partly because of the slowdown in home sales. According to the McGraw-Hill Construction Pipeline database, nearly one-half of the multifamily units permitted during the mid-decade were built as condominiums and townhomes. During 2008, condominiums and townhomes accounted for approximately 75 percent of all multifamily units under construction. In the 12 months ending March 2009, 800 new attached homes were sold, reflecting a 33-percent decrease from the number sold during the previous 12-month period. In the 12 months ending March 2009, The Gregory Group reported the average sales price of a new attached home was $306,300, which is 3 percent lower than the price reported during the previous 12-month period.

The apartment rental market is balanced, despite the fact that the rapid increase in the number of foreclosed single-family homes has led to dramatic declines in home prices, which, in turn, have attracted many first-time homebuyers from the rental housing market. According to Reis, Inc., in the first quarter of 2009, the overall apartment rental vacancy rate for the metropolitan area was 6.3 percent, higher than the 5.5-percent rate recorded in the first quarter of 2008. The average rent of $937 recorded in the first quarter of 2009 was relatively unchanged when compared with the average rent recorded during the first quarter of 2008.