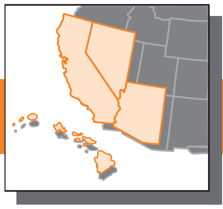
Housing Market Profile



Pacific • HUD Region IX

Los Angeles County, California

Los Angeles County, located on the Pacific coast in southern California, has been the most populous county in the nation for more than 50 years, with a population estimated at more than 10 million as of July 1, 2010. The population of Los Angeles County grew by 68,800, or 0.7 percent, during the 12-month period ending June 2010. Population growth improved to 0.4 percent in 2008 and 0.7 percent in 2009 after declining 0.5 percent in both 2004 and 2005. Net natural change (resident births minus resident deaths) accounted for all of the population increase during the 12 months ending June 2010. Since 2006, net out-migration has averaged 50,700 people annually compared with an average net out-migration exceeding 115,000 people a year during the peak years of 2004 and 2005.

Following employment gains averaging about 48,900 jobs in 2006 and 2007, nonfarm employment in Los Angeles County started to decline in 2008. Since 2008, all sectors, except for the education and health services sector, have lost jobs. During the 12-month period ending May 2010, nonfarm employment declined by 200,500 jobs, or 5 percent, to 45.3 million jobs. The largest job losses occurred in the professional and business services, manufacturing, trade, and construction sectors, which were down by 43,700, 40,700, 37,500, and 26,800 jobs, respectively. These losses represented declines of 7, 10, 6, and 20 percent, respectively. Offsetting some of these losses was a modest gain of 8,300 jobs, or 2 percent, in the education and health services sector, which includes Kaiser Permanente®, the leading private-sector employer in the county, with 34,400 employees. Other leading employers include Northrop Grumman Corporation and The Boeing Company, with 19,100 and 14,400 employees, respectively. During the 12-month period ending May 2010, the average unemployment rate of 12.2 percent was up from the 9.4-percent rate recorded during the previous 12-month period.

High levels of unemployment and out-migration have kept sales housing market conditions soft since 2008. Declining sales prices, low mortgage interest rates, foreclosure and short sales, and the federal homebuyer tax credit caused a temporary rise in existing home sales. According to DataQuick®, during the 12 months ending March 2010 (the most recent data available), a total of 59,100 existing detached homes were sold, up 9,450, or 19 percent, compared with the number of homes sold during the previous 12-month period. Although home sales levels are improving, current levels are still significantly lower than the peak of 100,200 existing detached homes sold in 2004 and are less than the average annual rate of 64,850 homes sold from 2005 to 2009. During the 12-month period ending March 2010, the estimated median price for an existing detached home declined by $43,700, or 12 percent, to $322,900 compared with the price recorded during the previous 12 months. Sales of foreclosed homes and short sales are the primary reason for the price declines.

According to Lender Processing Services Mortgage Performance Data, the number of loans that are in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) accounted for 10.4 percent of all home loans in June 2010 compared with 9.4 percent in June 2009.

Condominiums represent more than 60 percent of new home sales and 23 percent of existing home sales in Los Angeles County. Except for North Los Angeles County, new homes are generally built on infill land, making condominiums more financially feasible to build than single-family homes. According to Hanley Wood, LLC, new condominium home sales increased by 1,150, or 54 percent, to 3,300 homes during the 12 months ending March 2010, when buyers tried to beat the federal tax credit deadline. For the 12 months ending March 2010, the estimated median price for a new condominium was $437,100, up $2,100, or 0.5 percent, from the previous 12-month period. The unsold inventory of new condominiums declined 19 percent between the first quarter of 2009 and the first quarter of 2010. According to DataQuick®, existing condominium sales also increased during the 12-month period ending March 2010, up by 3,850 homes, or 28 percent, to 17,900 homes sold compared with the number sold during the 12 months ending March 2009. The estimated median sales price of existing condominiums was $302,000, a decline of $34,400 compared with the price during the 12 months ending March 2009, due to foreclosure sales.

In contrast with the increased sales of existing detached homes and new and existing condominiums, sales of new detached homes have declined. According to Hanley Wood, LLC, during the 12 months ending

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March 2010, new detached home sales declined by 360 homes, to 730 homes, a 33-percent decrease compared with the number sold during the previous 12 months. The current total is significantly below the peak of 6,000 new detached homes sold in 2005 and below the average annual rate of 2,850 homes sold between 2005 and 2009. During the 12 months ending March 2010, the estimated median price for a new detached home increased by $18,450, or 5 percent, to $416,400 compared with the price during the previous 12-month period. The price increase was the result of more homes being sold in the San Fernando Valley than in North Los Angeles County.

Builders reduced single-family home construction activity because of competition from foreclosures and the continued loss of jobs in the county. Single-family construction activity, as measured by the number of building permits issued, peaked in 2005, when more than 12,200 single-family permits were issued. Preliminary data indicate that, during the 12 months ending May 2010, about 2,250 single-family homes were permitted, a decline of 5 percent compared with the number permitted during the previous 12 months.

The Los Angeles County rental market has been balanced since the fourth quarter of 2008 because it has benefited from increased demand and a lower rate of multifamily construction. Based on data from Reis, Inc., between the first quarter of 2009 and the first quarter of 2010, the rental vacancy rate increased slightly, from 5.3 to 5.5 percent. According to Reis, Inc., in the first quarter of 2010, average effective rents declined $50 to $1,350 compared with rents during the first quarter of 2009.

Multifamily construction activity, as measured by the number of units permitted, declined during the 12 months ending May 2010 compared with the number permitted during the previous 12-month period, based on preliminary data. The number of multifamily units permitted was 3,500, down 1,900 units, or 35 percent, compared with the number permitted during the previous 12 months and was significantly lower than the average annual rate of 10,200 units permitted between 2005 and 2009. Currently, 84 percent of the multifamily units permitted are for rental units, up from 52 percent in 2006. The 375-unit 1600 Vine Apartments in Hollywood opened in November 2009, with move-in special rents ranging from $1,794 for a studio to $11,125 for a three-bedroom townhome.