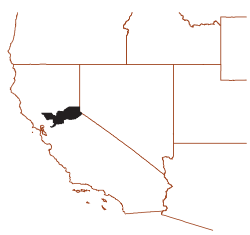
C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

Sacramento, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2009

Housing Market Area



Coterminous with the Sacramento--Arden-Arcade--Roseville metropolitan area, the Sacramento, California Housing Market Area (HMA) stretches from the Central Valley to the Nevada border. In this report, the HMA is divided into three submarkets. The Sacramento County submarket is home to the California state capital. The Eastern submarket includes the fast-growing counties of El Dorado and Placer and encompasses part of Lake Tahoe. The Yolo County submarket includes the University of California, Davis (UC Davis).

Summary

Economy

The economy of the Sacramento HMA depends on the government sector, which accounts for 28 percent of employment. The leading employer, UC Davis, has an annual economic impact of $1.6 billion. Until 2008, employment had grown for the previous 15 years. During the 12 months ending June 2009, nonfarm employment decreased by 36,250 to 860,500 jobs, representing a 4-percent loss compared with employment during the previous 12-month period. The average unemployment rate for the 12 months ending June 2009 was 9.4 percent, up from the 5.9-percent rate the previous year.

Sales Market

The home sales market in the HMA is soft. DataQuick® reported that the median sales price of new and existing homes during the 12 months ending June 2009 was $212,200, a 32-percent decrease compared with the median price during the preceding 12-month period. Sales volume increased by 48 percent during the 12 months ending June 2009 as dramatic price decreases enticed renters into homeownership. Demand is estimated for 24,000 new homes through July 1, 2012 (see Table 1). Since 2000, the other vacant (see definition at the end of this report) housing supply has increased by more than 15,000 units to an estimated 46,200, a portion of which may reenter the sales market and satisfy some of the forecast demand.

Rental Market

The rental housing market is slightly soft with a 7.2-percent vacancy rate. With the exception of the balanced market in Yolo County, the rental markets are soft throughout the HMA. According to Reis, Inc., the average rent in the HMA in the second quarter of 2009 was $876, reflecting a 2-percent decrease from the same quarter in 2008. Demand is estimated for an additional 3,220 new market-rate rental units through July 1, 2012 (see Table 1).

Market Details

Table 1. Housing Demand in the Sacramento HMA, 3-Year Forecast, July 1, 2009 to July 1, 2012

	Sacramento HMA		Sacramento County Submarket		Eastern (El Dorado and Placer Counties) Submarket		Yolo County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	24,000	3,220	12,650	1,350	9,425	1,350	1,925	520
Under Construction	1,950	1,395	940	750	800	600	210	45

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2009. A portion of the estimated 46,200 other vacant units in the HMA will likely satisfy some of the forecast demand.

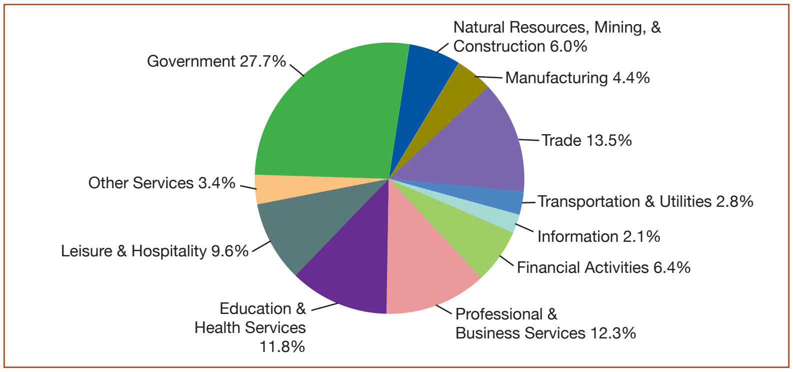
Source: Estimates by analyst

Economic Conditions

With the presence of the state capital and two major public universities, the economy of the Sacramento HMA depends on the government sector. State and local governments together employ about 225,800 people, or 26 percent of total nonfarm employment. The leading employer in the HMA is UC Davis, which employs approximately 28,200 faculty and staff. With an enrollment of 31,450 students in the fall 2008 term, the university generates an annual economic impact of $1.6 billion in the HMA. The university established the Betty Irene Moore School of Nursing in 2009, which is expected to employ 45 faculty. Approximately 250 graduate students will be admitted in the fall of 2010 and 200 undergraduate students are expected to enroll by 2013. UC Davis has also recently completed the $59 million Robert Mondavi Institute for Wine and Food Science. The university has a total of $263 million in capital projects currently under construction. The largest project is the $65 million Physical Sciences Expansion, which is to be completed by December 2009. Construction has begun on the $55 million Tercero South Student Housing Phase II, which will house nearly 600 students by December 2010. California State University Sacramento, with an enrollment of 29,000 students in the fall 2008 term, is the second major university in the HMA. As the sixth largest school in the 23-campus California State University system, the school generates an estimated economic impact of $750 million in the greater Sacramento region.

The trade, professional and business services, and education and health services sectors also provide significant employment in the HMA. Nearly equal in size, each sector has a 12- to 14-percent share of nonfarm jobs (see Figure 1). Major employers in these sectors include Kaiser Permanente®, Sutter Health, and Catholic Healthcare West, with 9,600, 8,225, and 6,325 jobs, respectively. Sutter Medical Center, Sacramento, is currently undertaking a $600 million expansion of its campus with completion expected by mid-2011. See Table 2, which provides additional information about leading employers in the HMA.

Figure 1. Current Employment in the Sacramento HMA, by Sector



Note: Based on 12-month averages through June 2009.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Sacramento HMA

Name of Employer	Employment Sector	Number of Employees
University of California, Davis / UC Davis Health System	Government	28,200
Kaiser Permanente®	Education & Health Services	9,600
Sutter Health Sacramento Sierra Region	Education & Health Services	8,225
Catholic Healthcare West / Mercy Healthcare	Education & Health Services	6,325
Intel Corporation	Manufacturing	6,300
Wells Fargo & Company	Financial Activities	6,275
AT&T	Transportation & Utilities	5,400
Hewlett-Packard Company	Manufacturing	3,600
Wal-Mart Stores, Inc.	Trade	3,500
Target Corporation	Trade	3,500

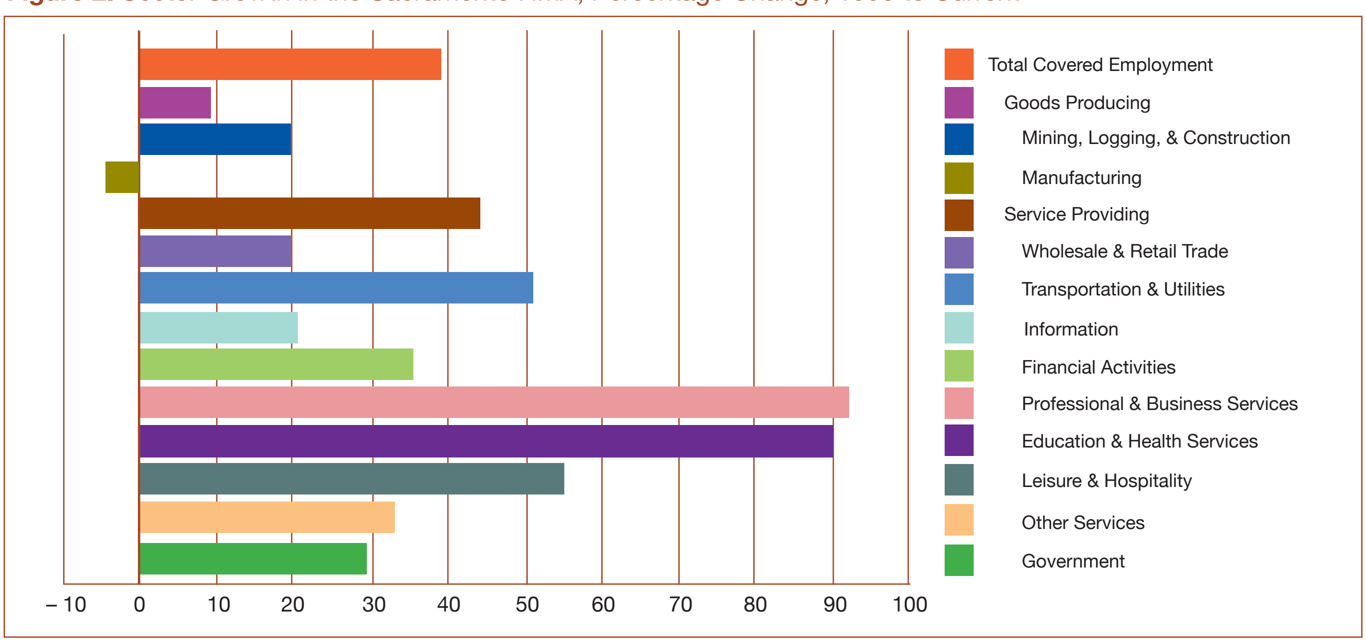
Notes: The State of California is the largest public employer. UC Davis (includes student employees) has been listed with the other top private employers because of its size.

Source: Moody's Economy.com

Employment in the HMA increased for 15 consecutive years until 2008. From 1990 to 2000, nonfarm employment increased by an average of 17,200 jobs, or 2.5 percent, a year. Since 2000, nonfarm employment has increased by an average of 9,000 jobs, or 1.1 percent, a year. Strong employment growth, averaging 2 percent a year, occurred during the years 2003 through 2006, when residential housing construction was most active. Since 2000, the fastest growing sectors have been the education and health services, government, and leisure and hospitality sectors, with average annual increases of 3,275, 2,925, and 1,300 jobs, respectively. Figure 2 illustrates employment sector growth since 1990.

Economic conditions began to weaken in 2007 because repercussions from the soft housing sales market filtered through many other employment sectors. During the 12 months ending June 2009, nonfarm employment decreased by 36,250 to 860,500 jobs, indicating a 4-percent loss compared

Figure 2. Sector Growth in the Sacramento HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through June 2009.

Source: U.S. Bureau of Labor Statistics with employment during the previous 12-month period. Job gains continued in the education and health services sector, with an increase of 3,275 jobs, or 3.4 percent, and in the government sector, with an increase of 1,075 jobs, or 0.5 percent. All other sectors posted declines. The construction sector lost the most jobs, decreasing by 10,700 jobs, or 18 percent.

Table 3. 12-Month Average Employment in the Sacramento HMA, by Sector

	12 Months Ending June 2008	12 Months Ending June 2009	Percent Change
Total Covered Employment	896,700	860,500	– 4.0
Goods Producing	101,900	89,100	– 12.6
Mining, Logging, & Construction	62,000	51,300	– 17.3
Manufacturing	39,900	37,800	– 5.3
Service Providing	794,800	771,400	– 2.9
Wholesale & Retail Trade	125,700	116,600	– 7.2
Transportation & Utilities	25,400	24,400	– 3.9
Information	19,600	18,200	– 7.1
Financial Activities	59,600	55,000	– 7.7
Professional & Business Services	112,200	105,600	– 5.9
Education & Health Services	98,400	101,700	3.4
Leisure & Hospitality	87,200	82,600	– 5.3
Other Services	29,300	28,900	– 1.4
Government	237,300	238,500	0.5

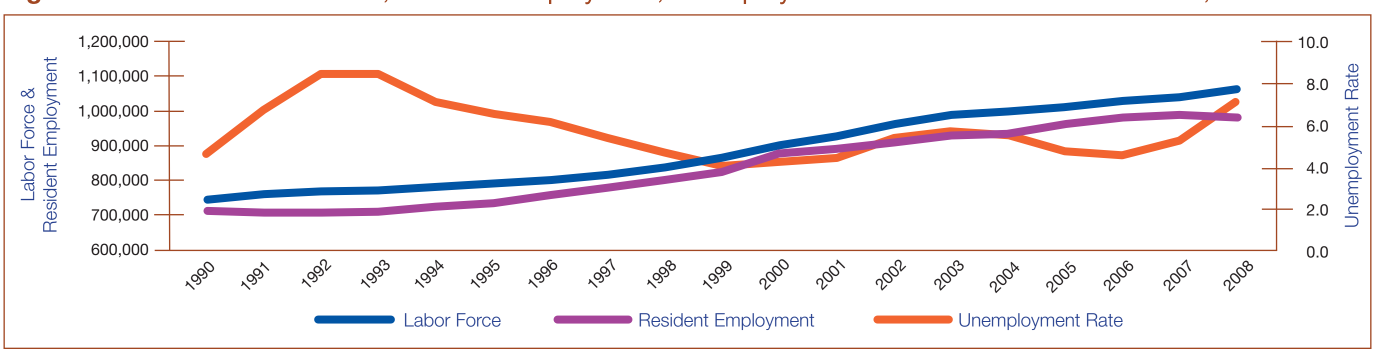
Notes: Based on 12-month averages through June 2008 and June 2009. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

The construction sector has been contracting since 2006 because of the weakening home sales market. The trade sector followed in the number of job losses, with a decline of 8,250 jobs, or 6.6 percent. See Table 3 for employment averages and changes. The average unemployment rate for the 12 months ending June 2009 was 9.4 percent, compared with a 5.9-percent rate for the previous 12 months. See Figure 3 for historical trends in unemployment rate, labor force, and resident employment.

Nonfarm job increases are expected to average 0.4 percent a year during the next 3 years. Job growth is expected to occur slowly during the second and third years of the forecast period, with no growth expected during the first year. The education and health services and the professional business services sectors are expected to lead the growth. Resident employment is forecast to expand by an average annual rate of nearly 9,000 jobs, or nearly 1 percent, through July 1, 2012, for a total of 991,000 jobs.

Figure 3. Trends in Labor Force, Resident Employment, Unemployment Rate in the Sacramento HMA, 1990 to 2008



Source: U.S. Bureau of Labor Statistics

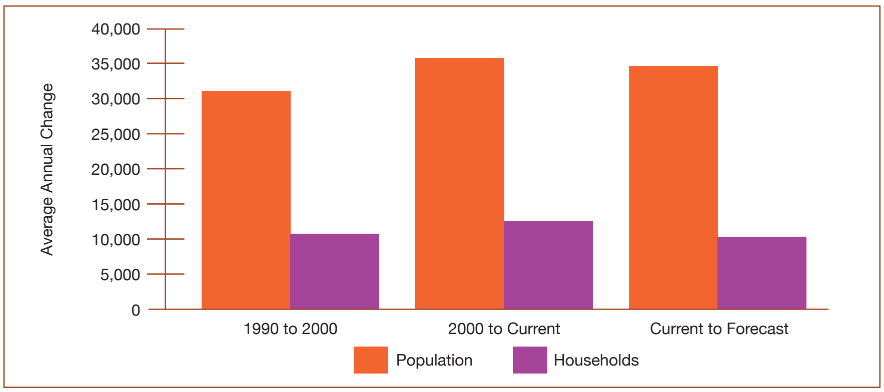
Population and Households

The population in the Sacramento HMA is currently estimated at approximately 2.1 million. Since 2000, the population has increased by an average of 35,850 a year, or 1.8 percent (see Figure 4). Since 2000, net in-migration has accounted for 60 percent of total population growth (see Figure 5) and, of that migration, 32 percent originated from abroad. Of the domestic migration, new residents originate primarily from higher cost housing areas within the San Francisco Bay Area, located 90 miles to the southwest. During the next 3 years, the population of the HMA is expected to grow at a slower average annual rate of 1.4 percent, or 29,150 a year, due primarily to slower migration patterns.

With nearly 70 percent of all HMA employment located in the Sacramento submarket, Sacramento County currently has 1.4 million residents, representing two-thirds of the HMA population. Since 2000, the average annual population growth of 19,800 people, or 1.5 percent, has been evenly divided between net natural increase (resident births minus resident deaths) and net migration. The population growth has led to the incorporation of two new cities, Elk Grove in 2000 and Rancho Cordova in 2003, which are the southern and eastern neighbors, respectively, of the city of Sacramento. Population growth in the cities of Sacramento and Elk Grove has accounted for approximately 70 percent of the submarket's total increase since 2000. See Figure 6 for household growth trends since 1990 in the submarket by tenure.

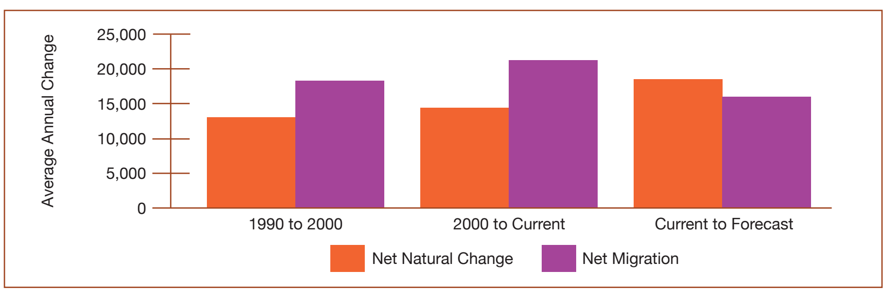
The Eastern submarket is the fastest growing area within the HMA. Since 2000, the population has grown by an average annual rate of 12,700, or 2.8 percent, and nearly 80 percent of this growth results from domestic net in-migration. Since 2000, approximately 75 percent of the growth has been concentrated in the cities of Roseville, Rocklin, and Lincoln, all of which are located in the western half of Placer County. The Eastern submarket is also attractive to retirees because Del Webb® has constructed Sun City

Figure 4. Population and Household Growth in the Sacramento HMA, 1990 to Forecast



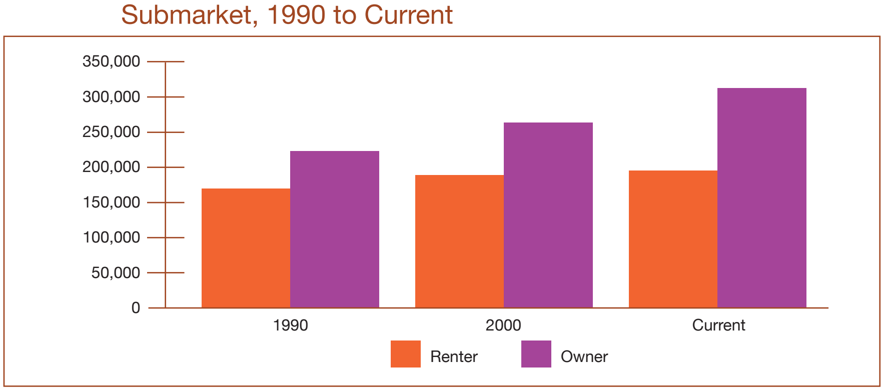
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Sacramento HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Sacramento County Submarket, 1990 to Current

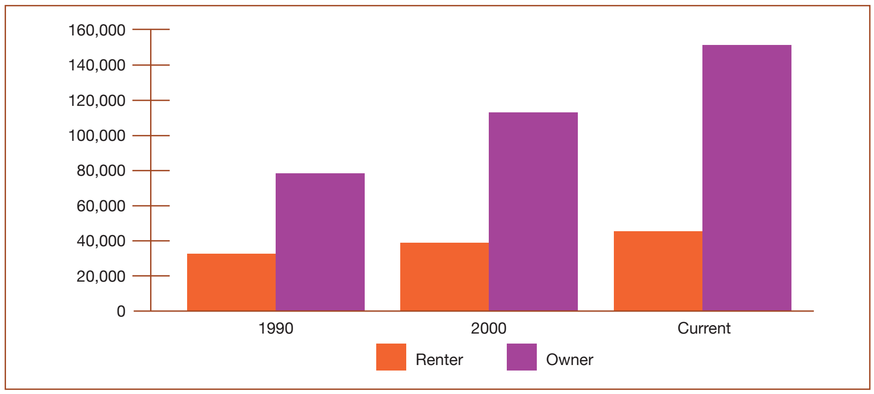


Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst senior communities in Lincoln, Roseville, and El Dorado County during this decade. See Figure 7 for household growth trends in the submarket by tenure since 1990.

The population in the Yolo submarket has increased by an average annual rate of 3,400, or 1.9 percent, since 2000. Net natural increase and net in-migration have accounted for 40 and 60 percent, respectively, of total population growth since 2000.

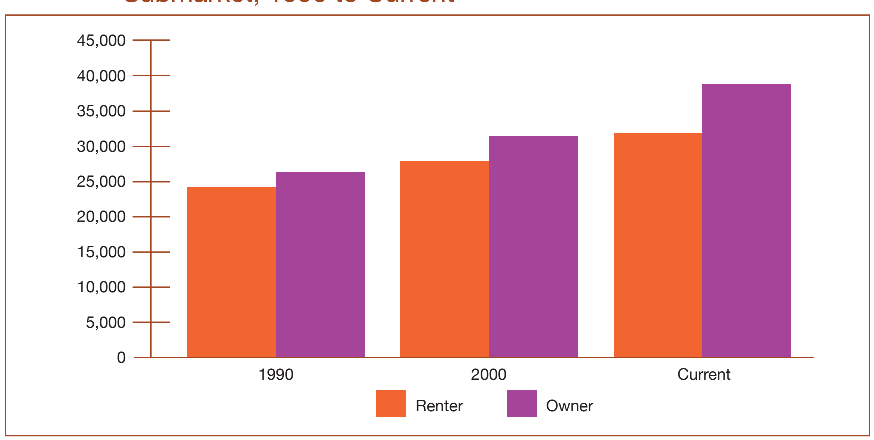
Situated adjacent to the city of Sacramento, the city of West Sacramento is the second largest city in Yolo County and has accounted for one-half of the submarket's total population gain since 2000. See Figure 8 for household growth trends in the submarket by tenure since 1990. See Tables DP-1, DP-2, DP-3, and DP-4 at the end of this report for additional demographic information about the HMA and each submarket.

Figure 7. Number of Households by Tenure in the Eastern (El Dorado and Placer Counties) Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Yolo County Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

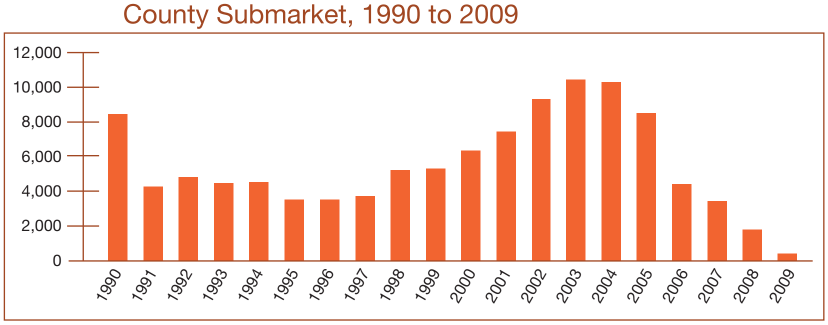
Sales Market—Sacramento County Submarket

The sales housing market in the Sacramento County submarket is currently soft due to the excess production of new homes during the mid-decade, high foreclosure activity, and the current employment weakness. According to DataQuick®, the median sales price of new and existing homes was $176,200 in the 12 months ending June 2009, reflecting a 35-percent decrease compared with the sales price for the same period in 2008. The median price for new and existing homes peaked at $385,000 in 2005, 1 year after sales volume had attained a record high of 37,150 homes sold. During the 12 months ending June 2009, DataQuick® recorded a sales volume of 28,000, indicating a 65-percent increase from the same period the previous year. Because the inventory of bank-owned properties increased, sales prices dropped dramatically, and in mid-2008 sales volume began to reverse a 4-year decrease. From 2000 through 2004, the number of notices of default (the first step in the foreclosure proceeding) declined each year because the strong sales market enabled distressed homeowners to sell and avoid foreclosure. From 2000 to 2004, the average number of notices of default each year was 4,200. The number of default notices has been increasing since 2005, rising from 2,950 notices in 2005 to 6,900 in 2006 and 17,850 in 2007. In the 12 months ending June 2009, 23,850 notices of default were filed, reflecting a 2-percent increase from the previous 12-month period.

In response to increased competition from the bank-owned foreclosed homes, since 2006, builders have reduced new home construction activity, as measured by the number of building permits issued. Based on preliminary figures, during the 12 months ending June 2009, the number of single-family permits issued was nearly 1,350 homes, indicating a 39-percent decrease from the number of permits issued in the previous 12-month period. See Figure 9 for historical building permit data since 1990. According to The Gregory Group, the sales market for new attached and detached homes was most active during the 12 months ending June 2004, when 10,950 homes were sold. In the 12 months ending June 2009, The Gregory Group reported sales of 1,800 new homes, indicating a 34-percent drop from the previous 12-month period. During the 12 months ending June 2009, the average price of a new detached home was $372,500, down 7 percent from the price during the previous 12-month period.

Interest in condominiums and townhomes has been high in the Sacramento County submarket and especially in the city of Sacramento, which has encouraged infill development. Since 2000, builders have completed approximately 4,175 condominium units in the county; 73 percent of these new homes are located within the city of Sacramento. During this decade, an estimated 800 apartment units were also converted to condominiums for sale. Currently, 520 condominium units are under construction within

Figure 9. Single-Family Building Permits Issued in the Sacramento County Submarket, 1990 to 2009



Notes: Includes only single-family units. Includes data through June 2009.

Source: U.S. Census Bureau, Building Permits Survey

the city of Sacramento. During the 12 months ending June 2009, The Gregory Group reported that the average price of a new condominium or townhome was $314,700, reflecting a 5-percent decrease from the previous 12-month period.

During the next 3 years, demand is estimated for an additional 12,650 new homes with prices starting at $150,000 (see Table 4). Because of the continued price competition from foreclosed homes, demand will be strongest in the $150,000 to $250,000 price range. Since 2000, the other vacant housing supply (see definition at the end of this report) in the submarket has increased by more than 8,000 units to an estimated 16,000 excess units, a portion of which may reenter the sales market and satisfy some of the forecast demand. Major new developments expected to begin within the next 3 years include the Sacramento Railyards project and Township 9. Both projects have received some public funding from the 2006 voter-approved Proposition 1C state bond measure. Township 9 is a mixed-use development with an expected 750 housing units. Located northwest of downtown, the 240-acre Sacramento Railyards project is a $5.3 billion redevelopment of the former western terminus of Union Pacific Railroad. The developer, Thomas Enterprises, Inc., plans to build up to 12,000 residential units. Although the project has a timeframe of 20 years, infrastructure work will begin in the next 12 months. The developer anticipates that the first phase of construction will entail 400 multifamily units; whether they will be for sale or for rent has yet to be decided.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Sacramento County Submarket, July 1, 2009 to July 1, 2012

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	174,999	2,500	20.0
175,000	199,999	2,200	17.6
200,000	224,999	1,875	15.0
225,000	249,999	1,575	12.6
250,000	274,999	1,250	10.0
275,000	299,999	1,000	8.0
300,000	349,999	750	6.0
350,000	399,999	630	5.0
400,000	499,999	500	4.0
500,000	and higher	250	2.0

Notes: This does not include demand for new mobile homes. Numbers may not add to totals because of rounding. A portion of the estimated 16,000 other vacant units in the submarket will likely satisfy some of the forecast sales demand.

Source: Estimates by analyst

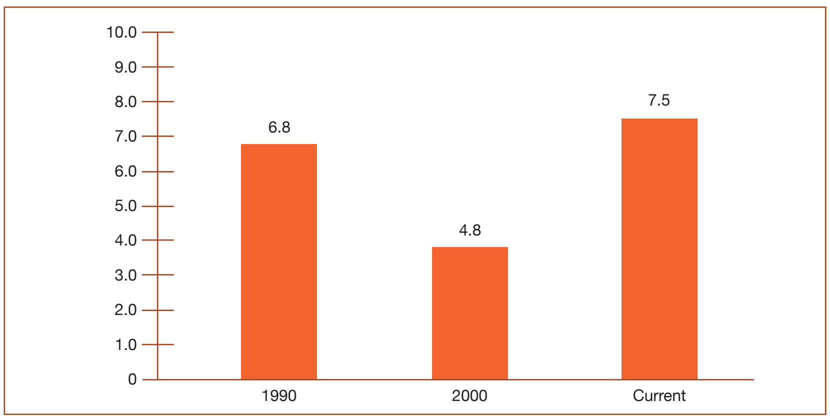
Rental Market—Sacramento County Submarket

The rental housing market in the Sacramento County submarket is slightly soft, with a vacancy rate of 7.5 percent. At the beginning of the decade, conditions in the rental market were slightly tight with a 4.8-percent vacancy rate (see Figure 10). Because new multifamily apartment projects were constructed and became available through 2004, market conditions slowly eased but remained balanced. Although the pace of new construction has slowed considerably since 2004, the distress in the single-family homes segment has affected the rental market. Because foreclosure activity has been increasing since 2005, an increasing number of single-family homes have been converted into rental units. Prices for distressed homes had fallen sufficiently by 2008 to enable many renters to become homeowners and thus reduce rental demand. The current employment weakness is also contributing to the softer conditions in the rental market. The average current asking rents in the submarket are $1,000 for a one-bedroom unit, $1,200 for a two-bedroom unit, and $1,400 for a three-bedroom unit. Currently, the weakest areas in the county are downtown Sacramento city, Fair Oaks, and Folsom, all of which have units with asking rents at the higher end of the market.

Multifamily home construction, as measured by the number of units permitted, was quite active during this decade (see Figure 11). From 1998 through 2003, the number of multifamily units permitted increased steadily and then remained at record levels through 2005, averaging 3,000 units during the 2003-to-2005 period. Not all of these units were for the rental market; approximately 10 percent were built as for-sale condominium units. Because the rental market softened through the mid-decade and the sales market continued to be quite active, builders switched their focus to constructing for-sale multifamily units. From 2006 through the current date, builders constructed almost an equal number of apartment and condominium units—3,300 and 2,925 units, respectively. With the widespread weakness in the sales market, more difficult conditions in the credit markets, and now employment weakness, builders have scaled back considerably. The number of units permitted fell to 700 in 2007 and to 1,100 in 2008. Based on preliminary figures, during the 12 months ending June 2009, 560 multifamily units were permitted, indicating a 33-percent decrease from the number permitted during the same period the previous year.

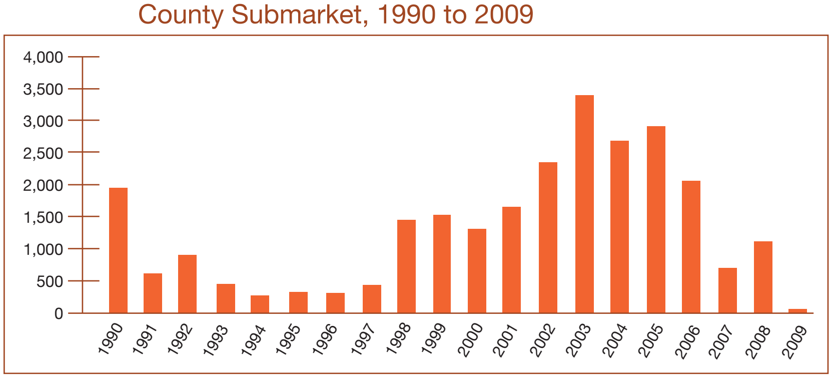
Demand is estimated for an additional 1,350 new market-rate rental units through the 3-year forecast period. The 750 units currently under construction will meet more than one-half of the estimated demand. Because of the slightly soft market conditions, new construction should be delayed so that the new units will be ready for occupancy in late 2011. Table 5 provides an estimate of the noncumulative distribution of demand for new market-rate rental housing by rent level and by the number of bedrooms for the period from July 1, 2009, to July 1, 2012.

Figure 10. Rental Vacancy Rates in the Sacramento County Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 11. Multifamily Building Permits Issued in the Sacramento County Submarket, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2009.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Sacramento County Submarket, July 1, 2009 to July 1, 2012

Zero Bedroom		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
900	30	1,000	420	1,200	580	1,400	350
950	25	1,050	370	1,250	480	1,450	310
1,000	20	1,100	340	1,300	440	1,500	280
1,050	20	1,150	310	1,350	400	1,550	240
1,100	15	1,200	270	1,400	340	1,600	200
1,150	15	1,250	230	1,450	290	1,650	180
1,200 and higher	10	1,300	190	1,500	240	1,700	160
		1,400	150	1,600	200	1,800	110
		1,500	120	1,700	130	1,900	85
		1,600	95	1,800	90	2,000	60
		1,700 and higher	75	1,900 and higher	60	2,100 and higher	50

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Sales Market—Eastern (El Dorado and Placer Counties) Submarket

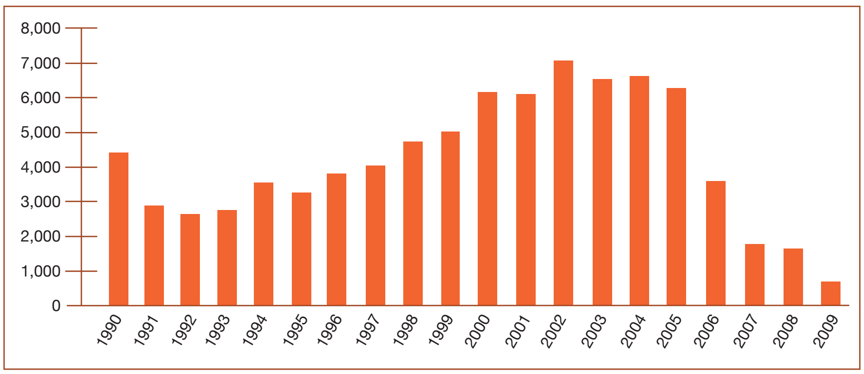
In the Eastern submarket, as in the Sacramento County submarket, the sales housing market is soft because of excess production in the mid-decade, high foreclosure activity, and the current employment weakness. The western half of this submarket is affected by the weak employment conditions located in the core of the HMA. In contrast, the eastern half is characterized by retiree and second-home ownership around the Sierra foothills and the Lake Tahoe vicinity. Sales market conditions are changing less dramatically in El Dorado and Placer Counties than in Sacramento County. According to DataQuick®, the median sales price of new and existing homes was $318,800 in the 12 months ending June 2009, reflecting an 18-percent decrease compared with the sales price during the same period in 2008. The median sales price peaked at $497,500 in 2005, 1 year after sales volume had attained a new high of 13,850 homes sold. During the 12 months ending June 2009, DataQuick® recorded a new and existing homes sales volume of 8,425, a 12-percent increase from the same period the previous year. As in the Sacramento County submarket, sales activity in the Eastern submarket had decreased for 4 years until the large numbers of available bank-owned properties led to declines in sales prices. From 2000 to 2005, the number of default notices remained constant with an annual average of 975. The number of default notices started to increase in 2006, when 1,950 notices were filed; 3,750 notices were filed in 2007 and 5,500 were filed in 2008. In the 12 months ending June 2009, 6,825 notices of default were filed, reflecting a 33-percent increase from the previous 12-month period. The foreclosure activity in this submarket appears to be trending upward, although foreclosure rates appear to be stabilizing in the Sacramento County submarket.

Builders have reduced new home construction activity, as measured by the number of building permits issued, due to the more competitive market conditions. Based on preliminary figures, during the 12 months ending June 2009, single-family permits were issued for nearly 1,500 homes, indicating a 32-percent decrease from the number of permits issued in the previous 12-month period (see Figure 12). During the more active home construction years from 2000 through 2005, an annual average of 6,450 single-family permits was issued. According to The Gregory Group, the sales market for new attached and detached homes was most active during the 12 months ending March 2004, when 5,200 new homes were sold. In the 12 months ending June 2009, The Gregory Group reported sales of 1,250 new homes, indicating a 36-percent drop from the previous 12-month period. During the 12 months ending June 2009, the average price of a new detached home was $445,600, down 16 percent from the preceding 12-month period.

With sales prices increasing since 2000, interest in condominiums and townhomes has grown. Since 2000, builders have completed approximately 1,275 condominium units in the Eastern submarket; 78 percent of these new homes were built in the rapidly growing cities of Lincoln, Rocklin, and Roseville. From 2004 through 2006, approximately 1,200 apartment units were also converted to for-sale condominiums. Currently, 280 condominium units are under construction in the submarket. During the 12 months ending June 2009, The Gregory Group reported that the average price of a new condominium or townhome was $242,200, reflecting a 7-percent decrease from the previous 12-month period.

During the next 3 years, demand is estimated for an additional 9,425 new homes with prices starting at $150,000 (see Table 6). Because the median sales price has not decreased as much in the Eastern submarket as it has in the Sacramento County submarket, affordability remains an issue for homebuyers. Coupled with the continued competition from foreclosed homes, demand will be strongest in the $150,000 to $250,000 price range. Demand at the highest price ranges is concentrated in the communities around Lake Tahoe. Since 2000, the other vacant housing supply in the submarket has increased by nearly 6,000 units to an estimated 28,000 units, a portion of which may reenter the sales market and satisfy some of the forecast demand.

Figure 12. Single-Family Building Permits Issued in the Eastern (El Dorado and Placer Counties) Submarket, 1990 to 2009



Notes: Includes only single-family units. Includes data through June 2009.

Source: U.S. Census Bureau, Building Permits Survey

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Eastern (El Dorado and Placer Counties) Submarket, July 1, 2009 to July 1, 2012

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	174,999	1,450	15.4
175,000	199,999	1,375	14.6
200,000	249,999	1,275	13.5
250,000	299,999	1,175	12.5
300,000	349,999	1,075	11.4
350,000	399,999	990	10.5
400,000	499,999	900	9.6
500,000	749,999	470	5.0
750,000	999,999	420	4.5
1,000,000	and higher	280	3.0

Notes: This does not include demand for new mobile homes. Numbers may not add to totals because of rounding. A portion of the estimated 28,000 other vacant units in the submarket will likely satisfy some of the forecast sales demand.

Source: Estimates by analyst

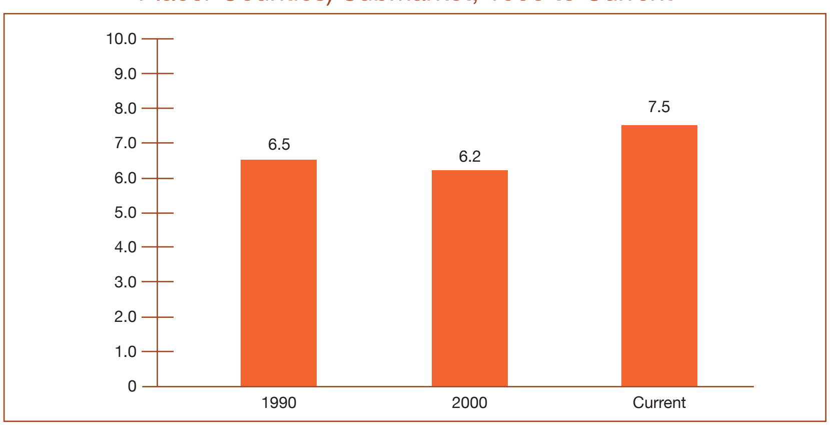
Rental Market—Eastern (El Dorado and Placer Counties) Submarket

The rental housing market in the Eastern submarket is currently slightly soft, with a 7.5-percent vacancy rate. At the beginning of the decade, conditions in the rental market were balanced, with a 6.2-percent vacancy rate (see Figure 13).Because new multifamily apartment projects became available through 2003, market conditions softened. Since 2003, in response to the soft rental market, builders have slowed the pace of new construction considerably. The softness in the rental market was partially mitigated by the conversion of 1,200 apartment units to for-sale condominiums during the middle of the decade. The rental market's current softness is due to both the distress in the single-family market leading to more homes made available for rent and the weaker employment conditions. The average asking current rents in this submarket are $1,050 for a one-bedroom unit, $1,250 for a two-bedroom unit, and $1,400 for a three-bedroom unit.

Multifamily construction, as measured by the number of units permitted, was highly concentrated during the early part of this decade (see Figure 14). Beginning in 1996, the number of multifamily units permitted increased nearly each year and remained at record levels from 2000 through 2002, averaging 1,900 units annually. Most of these units were built for the rental market with approximately 12 percent of the units intended for the condominium and timeshare/second-home ownership market. As the rental market softened through the mid-decade and the sales market continued to be quite active, builders switched their focus to constructing multifamily units for the for-sale market. From 2003 through the current date, builders constructed about 40 percent of the multifamily units as apartments and 60 percent as condominium units. Based on preliminary figures, during the 12 months ending June 2009, 230 multifamily units were permitted, a decrease from the 430 units permitted during the same period the previous year.

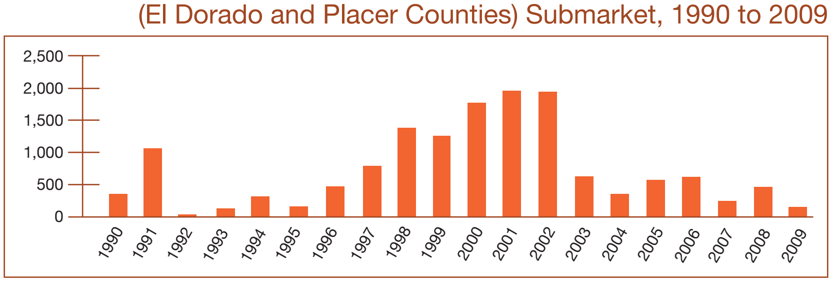
Demand is estimated for an additional 1,350 new market-rate rental units through the 3-year forecast period. Nearly one-half of the estimated demand will be met by the 600 units currently under construction. Because of the slightly soft market conditions, new construction should be delayed

Figure 13. Rental Vacancy Rates in the Eastern (El Dorado and Placer Counties) Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 14. Multifamily Building Permits Issued in the Eastern (El Dorado and Placer Counties) Submarket, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2009.

Source: U.S. Census Bureau, Building Permits Survey

so that the new units will be ready for occupancy in mid-2010. Table 7 provides an estimate of the non-cumulative distribution of demand from July 1, 2009, to July 1, 2012, for new market-rate rental housing by rent level and by the number of bedrooms.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Eastern (El Dorado and Placer Counties) Submarket, July 1, 2009 to July 1, 2012

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
950	30	1,050	380	1,250	540	1,400	410
1,000	25	1,100	330	1,300	450	1,450	370
1,050	20	1,150	310	1,350	410	1,500	330
1,100	20	1,200	280	1,400	370	1,550	290
1,150	15	1,250	240	1,450	320	1,600	240
1,200	15	1,300	210	1,500	270	1,650	210
1,250 and higher	10	1,350	170	1,550	230	1,700	180
		1,450	140	1,650	190	1,800	130
		1,550	110	1,750	120	1,900	100
		1,650	90	1,850	80	2,000	70
		1,750 and higher	70	1,950 and higher	55	2,100 and higher	55

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

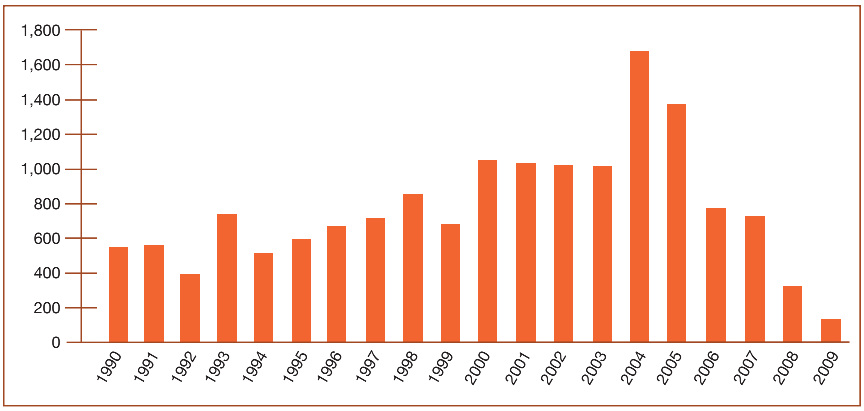
Sales Market—Yolo County Submarket

Although the sales housing market in the Yolo County submarket is soft because of the same conditions that prevail throughout the Sacramento HMA, the Yolo County submarket is less soft than the other two submarkets. The sales market conditions in the Yolo County submarket historically have tended to be tighter in comparison with conditions in the other two submarkets. According to DataQuick®, the median sales price of new and existing homes was $262,500 in the 12 months ending June 2009, reflecting a 23-percent decrease compared with the sales price during the same period in 2008. The median price peaked at $477,500 in 2005, the same year that sales volume had attained a new high of 3,400 homes sold. During the 12 months ending June 2009, DataQuick® recorded a new and existing homes sales volume of 2,500, a 38-percent increase from the same period in 2008. Sales activity in the Yolo County submarket dropped for a shorter period than it did in the other two submarkets and has been increasing since 2007. From 2000 to 2005, the number of notices of default declined each year in response to a strong sales market and strong employment conditions. An annual average of 300 default notices were filed from 2000 through 2005. As in the Eastern submarket, the number of default notices in the Yolo County submarket has continued to trend upward in recent years. In the 12 months ending June 2009, 1,800 notices of default were filed, reflecting a 6-percent increase from the preceding 12-month period.

In response to weaker home sales market conditions, builders have reduced new home construction activity, as measured by the number of building permits issued. Based on preliminary figures, during the 12 months ending

June 2009, single-family permits were issued for nearly 310 homes, indicating a 22-percent decrease from the number of permits issued in the previous12-month period (see Figure 15). According to The Gregory Group, the sales market for new attached and detached homes was most active during 2004, when nearly 1,400 homes were sold. In the 12 months ending June 2009, The Gregory Group reported sales of 300 homes, indicating a 50-percent decline from the previous 12-month period. During the 12 months ending June 2009, the average price of a new detached home was $352,900, down 13 percent from the previous 12-month period.

Figure 15. Single-Family Building Permits Issued in the Yolo County Submarket, 1990 to 2009



Notes: Includes only single-family units. Includes data through June 2009.
Source: U.S. Census Bureau, Building Permits Survey

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Yolo County Submarket, July 1, 2009 to July 1, 2012

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
150,000	174,999	300	16.0
175,000	199,999	280	14.9
200,000	224,999	260	13.8
225,000	249,999	250	13.3
250,000	299,999	190	10.1
300,000	349,999	170	9.0
350,000	399,999	150	8.0
400,000	449,999	110	5.9
450,000	499,999	90	4.8
500,000	and higher	80	4.3

Notes: This does not include demand for new mobile homes. Numbers may not add to totals because of rounding. A portion of the estimated 2,200 other vacant units in the submarket will likely satisfy some of the forecast sales demand.
Source: Estimates by analyst

With the strong price increases in the early part of this decade, there has been increased consumer interest in condominiums. Since 2000, builders have completed approximately 360 condominium units, primarily in the city of West Sacramento. Currently, 80 condominium units are under construction in West Sacramento. During the 12 months ending June 2009, The Gregory Group reported that the average price of a new condominium or townhome was $266,500, reflecting a 13-percent decrease from the previous 12-month period.

During the next 3 years, demand is estimated for an additional 1,925 new homes with prices starting at $150,000 (see Table 8). Although sales prices have decreased, affordability remains an issue for first-time homebuyers. Coupled with the continued price competition from foreclosed homes, demand will be strongest in the $150,000 to $250,000 price range. Since 2000, the other vacant housing supply in the submarket has increased by more than 1,200 units to an estimated 2,200, a portion of which may reenter the sales market and satisfy some of the forecast demand. In 2012, the first of 500 new single-family homes in UC Davis' $280 million West Village community are expected to become available for sale to university staff.

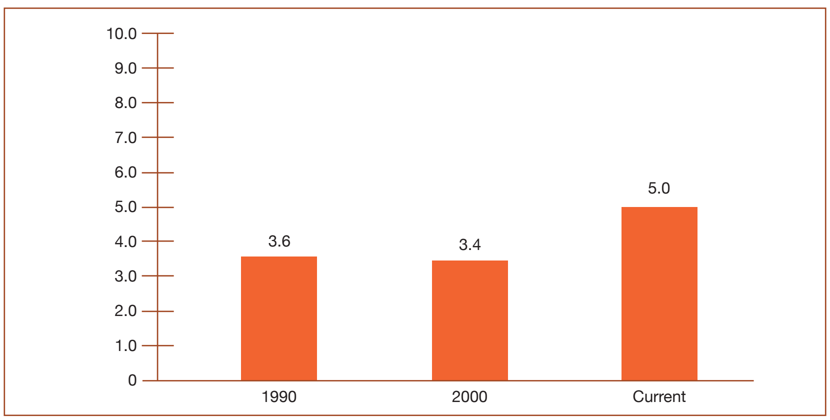
Rental Market—Yolo County Submarket

The rental housing market in the Yolo County submarket is now balanced, with a 5-percent vacancy rate, compared with tight conditions at the beginning of the decade, when the vacancy rate was 3.4 percent (see Figure 16). Although multifamily construction, as measured by the number of units permitted, has been volatile during the decade (see Figure 17), the Yolo County submarket has not been characterized by excess new construction. After relatively strong permit activity in 1998 and 1999, when 750 units were permitted annually, permit activity levels were low from 2000 through 2002, when they decreased to an annual average of 150 units. Higher activity levels resumed during the 2003-to-2006 period, when the annual volume averaged 490 units. Of all the multifamily units permitted since 2000, most were built for the rental market, with approximately 14 percent intended for the condominium market. In 2008, no multifamily permits were issued. Based on preliminary figures, builders requested permits for 85 units during the 12 months ending June 2009.

Due to the stabilizing presence of UC Davis, builders have been most interested in constructing apartment units close to the campus. An estimated 7,000 student renter households reside in the city of Davis, representing nearly 30 percent of all households in Davis. Approximately 60 percent of new apartment units constructed since 2000 in the Yolo County submarket have been located in the city of Davis. The remaining 40 percent have been built in West Sacramento and in Woodland, the county seat. The current average asking rents in the submarket are $1,000 for a one-bedroom unit, $1,300 for a two-bedroom unit, and $1,500 for a three-bedroom unit, with the highest rents attainable in areas near UC Davis.

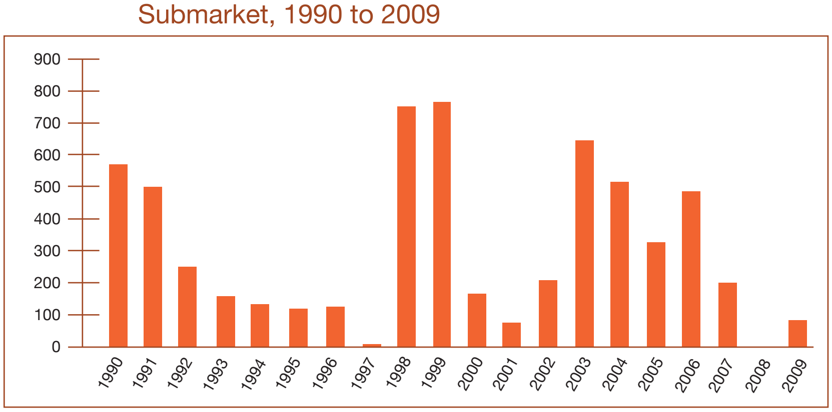
Demand is estimated for an additional 520 new market-rate rental units through the 3-year forecast period. The 45 units currently under construction will meet nearly 10 percent of the estimated demand. Table 9 provides an estimate of the noncumulative distribution of demand from July 1, 2009, to July 1, 2012, for new market-rate rental housing by rent level and the number of bedrooms.

Figure 16. Rental Vacancy Rates in the Yolo County Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Yolo County Submarket, 1990 to 2009



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2009.

Source: U.S. Census Bureau, Building Permits Survey

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Yolo County Submarket, July 1, 2009 to July 1, 2012

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
900	25	1,000	170	1,300	190	1,500	140
950	20	1,050	150	1,350	160	1,550	120
1,000	20	1,100	140	1,400	140	1,600	110
1,050	20	1,150	130	1,450	130	1,650	95
1,100	15	1,200	110	1,500	110	1,700	80
1,150	10	1,250	95	1,550	95	1,750	70
1,200 and higher	10	1,300	75	1,600	80	1,800	60
		1,400	60	1,700	65	1,900	45
		1,500	50	1,800	40	2,000	30
		1,600	40	1,900	30	2,100	25
		1,700 and higher	30	2,000 and higher	20	2,200 and higher	20

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Data Profiles

Table DP–1. Sacramento HMA Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Resident Employment	714,236	870,358	964,000	2.0	1.2
Unemployment Rate (%)	4.8	4.3	9.4		
Nonfarm Employment	618,500	797,200	860,500	2.6	0.9
Total Population	1,481,102	1,796,857	2,128,500	2.0	1.8
Total Households	556,448	665,298	780,500	1.8	1.7
Owner Households	328,106	407,716	505,200	2.2	2.3
Percent Owner (%)	59.0	61.3	64.7		
Renter Households	228,342	257,582	275,300	1.2	0.7
Percent Renter (%)	41.0	38.7	35.3		
Total Housing Units	609,904	714,981	863,530	1.6	2.1
Owner Vacancy Rate (%)	1.5	1.3	3.0		
Rental Vacancy Rate (%)	6.4	4.9	7.2		
Median Family Income	$38,493	$53,770	$72,800	3.4	3.1

Notes: Median family incomes are for 1989, 1999, and 2009. Employment data represent annual averages for 1990, 2000, and the 12 months through June 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP–2. Sacramento County Submarket Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Population	1,041,219	1,223,499	1,406,500	1.6	1.5
Total Households	394,530	453,602	514,000	1.4	1.4
Owner Households	223,360	263,819	316,100	1.7	2.0
Percent Owner (%)	56.6	58.2	61.5		
Renter Households	171,170	189,783	197,900	1.0	0.5
Percent Renter (%)	43.4	41.8	38.5		
Total Housing Units	417,574	474,814	555,825	1.3	1.7
Owner Vacancy Rate (%)	1.5	1.4	3.0		
Rental Vacancy Rate (%)	6.8	4.8	7.5		
Median Family Income	$37,841	$50,717	$72,800	3.0	3.7

Note: Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP–3. Eastern (El Dorado and Placer Counties) Submarket Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Population	298,791	404,698	522,000	3.1	2.8
Total Households	110,946	152,321	196,500	3.2	2.8
Owner Households	78,300	112,391	150,800	3.7	3.2
Percent Owner (%)	70.6	73.8	76.7		
Renter Households	32,646	39,930	45,700	2.0	1.5
Percent Renter (%)	29.4	26.2	23.3		
Total Housing Units	139,330	178,580	232,850	2.5	2.9
Owner Vacancy Rate (%)	1.7	1.2	3.0		
Rental Vacancy Rate (%)	6.5	6.2	7.5		
Median Family Income	$41,547	$63,688	$72,800	4.4	1.3

Note: Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP–4. Yolo County Submarket Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Population	141,092	168,660	200,000	1.8	1.9
Total Households	50,972	59,375	70,000	1.5	1.8
Owner Households	26,446	31,506	38,300	1.8	2.1
Percent Owner (%)	51.9	53.1	54.7		
Renter Households	24,526	27,869	31,700	1.3	1.4
Percent Renter (%)	48.1	46.9	45.3		
Total Housing Units	53,000	61,587	74,855	1.5	2.1
Owner Vacancy Rate (%)	1.0	0.9	2.5		
Rental Vacancy Rate (%)	3.6	3.4	5.0		
Median Family Income	$36,866	$51,623	$72,600	3.4	3.5

Note: Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2009—Analyst's estimates

Forecast period: 7/1/2009–7/1/2012—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, these include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied, held for seasonal, recreational or occasional use, used by migrant workers and includes units that fall into the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_SacramentoCA_10.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.