



Stockton, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2012



Summary

Housing Market Area



The Stockton Housing Market Area (HMA) is at the northern end of California's Central Valley and consists of San Joaquin County. Since 2000, the HMA has become more significant as an outlying suburb to its more populous neighbors. The central city of Stockton is 40 miles south of Sacramento and 70 miles east of San Francisco. Table DP-1 at the end of this report provides a statistical profile of the HMA from 2000 through the current date.

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Economy

The economy of the Stockton HMA is recovering from job losses that occurred from 2008 through 2011. Nonfarm payrolls increased by 5,100 jobs, or 2.7 percent, to 190,400 jobs during the 12 months ending July 2012, led by a 1,400-job gain in the wholesale and retail trade sector. Centrally located and with a river port, the HMA is well positioned for logistics and warehousing firms, which comprise 7 of the 25 largest employers in the HMA. The current average unemployment rate is 15.8 percent, down from the 17.3-percent rate during the 12 months ending July 2011. Nonfarm jobs are expected to increase an average of 1.2 percent a year during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is currently balanced, with an estimated vacancy rate of 1.6 percent. The average sales price of existing homes continued the decline that began in 2006, albeit at a declining rate, but the average sales price of a new home posted a minor gain during the 12 months ending July 2012. Demand is estimated for 5,900 new homes through August 1, 2015 (Table 1). Some of the estimated 7,000 other vacant units currently in the HMA may return to the market and satisfy a portion of the forecast demand.

Rental Market

The rental housing market in the HMA is balanced, with an overall vacancy rate of 5.4 percent, but the apartment market is tight. According to Reis, Inc., in the second quarter of 2012, the apartment rental vacancy rate was 3.5 percent, down from 3.6 percent in the second quarter of 2011. Apartment rents averaged \$900 in the second quarter of 2012, up 2 percent from rents recorded during the previous year. Demand is estimated for an additional 1,400 new market-rate rental units through August 1, 2015 (Table 1).

Table 1. Housing Demand in the Stockton HMA, 3-Year Forecast, August 1, 2012 to August 1, 2015

	Stockton HMA	
	Sales Units	Rental Units
Total Demand	5,900	1,400
Under Construction	230	150

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2012. A portion of the estimated 7,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

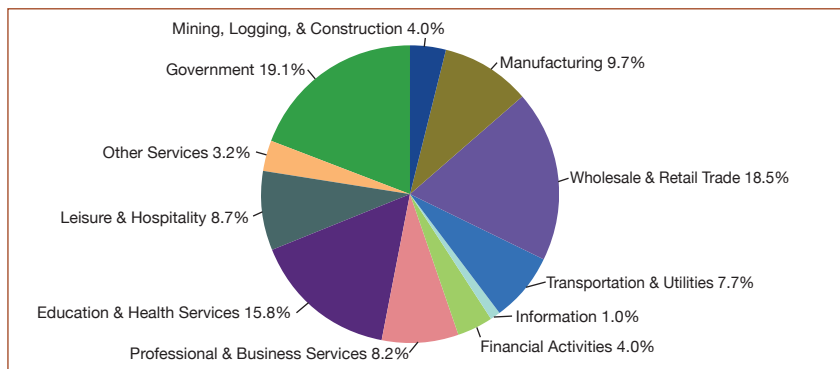
Economic Conditions

The economy in the Stockton HMA is recovering from job losses that began in 2008. From 2000 through 2005, high levels of residential construction activity occurred as the HMA expanded to accommodate in-migrating homebuyers from the San Francisco and, to a lesser degree, Sacramento metropolitan areas. As a result, nonfarm payrolls increased by an average of 4,000 jobs, or 2.1 percent, annually during that period. New jobs in the construction subsector and the wholesale and retail trade

sector accounted for 55 percent of the nonfarm payroll gains from 2000 through 2005. Although the construction subsector immediately lost jobs in 2006 when the housing bubble burst, total nonfarm payrolls continued to increase, albeit at a declining rate, by an annual average of 2,800 jobs, or 1.4 percent, from 2006 through 2007. From 2008 through 2009, nonfarm payrolls declined by an average of 8,800 jobs, or 4.3 percent, annually as weakness in the housing market eventually affected nearly all sectors. From 2010 through 2011, the job loss rate declined to average 2.2 percent, or 4,200 jobs, as gains in the wholesale and retail trade, education and health services, and manufacturing sectors began to offset losses in all other sectors. Figure 1 depicts current nonfarm payrolls by sector, and Figure 2 illustrates net growth by sector from 2000 through the current date.

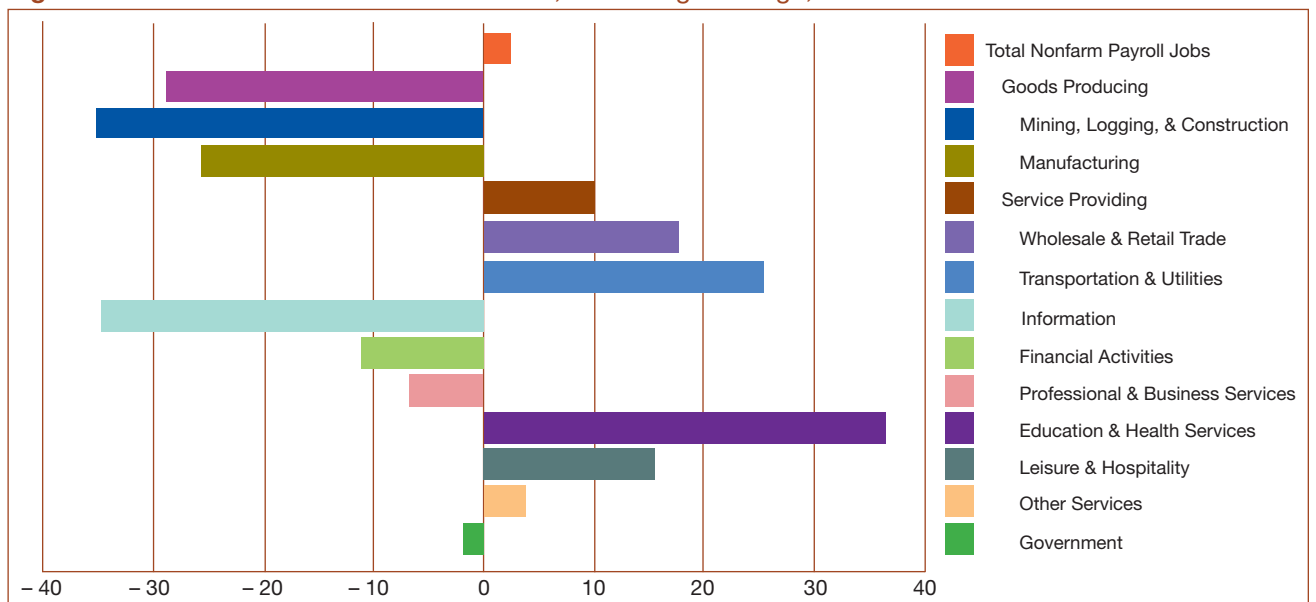
During the 12 months ending July 2012, nonfarm payrolls increased by 5,100 jobs to average 190,400, a 2.7-percent gain compared with the

Figure 1. Current Nonfarm Payroll Jobs in the Stockton HMA, by Sector



Note: Based on 12-month averages through July 2012.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Stockton HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through July 2012.
Source: U.S. Bureau of Labor Statistics

nonfarm payrolls recorded during the previous 12-month period (Table 2). The wholesale and retail trade, education and health services, and manufacturing sectors, which added 1,400, 1,000, and 1,000 jobs, increases of 4.2, 3.4, and 5.7 percent, respectively, led growth in the HMA. During the 12 months ending July 2012, construction subsector payrolls increased by 200 jobs, or 3.0 percent, compared with the payrolls recorded during the preceding 12-month period. This increase occurred because work commenced in May 2011 on the new, \$1.03 billion California Health Care

Facility (CHCF), a 1,722-bed medical prison. The government sector, primarily at the local level, reported the greatest absolute decline during the past 12 months, with a decrease of 300 jobs, a 0.9-percent change. The city of Stockton had been cutting staff since 2009 in an attempt to balance its budget, but it was ultimately forced to file for bankruptcy protection in June 2012. During the 12 months ending July 2012, the average unemployment rate in the HMA was 15.8 percent, down from the 17.3-percent rate for the previous 12-month period. Figure 3 illustrates trends in labor force, resident employment, and the unemployment rate from 2000 through 2011.

With a port on the San Joaquin River in the city of Stockton, the HMA is well situated for logistics and warehousing firms, which comprise 7 of the 25 largest employers in the HMA. Funded by a \$30 million federal grant to create a new Green Trade Corridor, the Stockton port will inaugurate operations of the Marine Highway in October 2012. As a trade route linking the Sacramento and Stockton river ports with the deepwater port in the San Francisco Bay, the Marine Highway has the goal of minimizing adverse environmental effects by offering an alternative to truck and rail transport. The Defense Distribution Depot San Joaquin, which distributes goods for military bases throughout the Western United States and the greater Pacific basin, is the single largest public employer in the HMA, with nearly 1,900 workers. The top 10 private employers include 4 hospitals; St. Joseph Medical Center is the largest, with 2,500 employees. The next 2 largest private employers are Blue Shield of California, a health

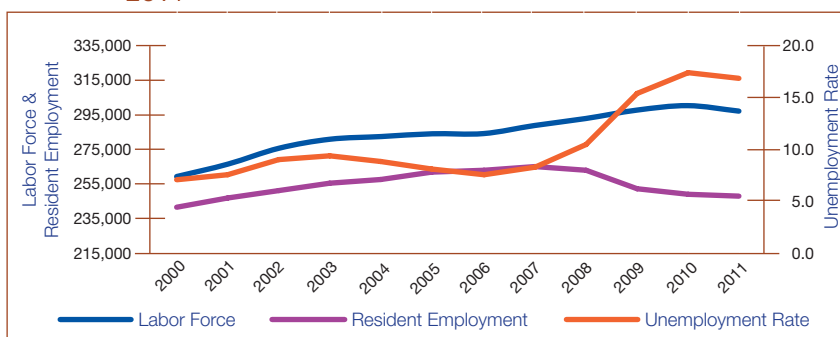
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Stockton HMA, by Sector

	12 Months Ending July 2011	12 Months Ending July 2012	Percent Change
Total Nonfarm Payroll Jobs	185,300	190,400	2.7
Goods Producing	24,800	26,000	4.9
Mining, Logging, & Construction	7,400	7,600	2.9
Manufacturing	17,400	18,400	5.7
Service Providing	160,500	164,300	2.4
Wholesale & Retail Trade	33,900	35,300	4.2
Transportation & Utilities	14,100	14,700	4.3
Information	2,000	2,000	-3.3
Financial Activities	7,400	7,600	1.9
Professional & Business Services	15,000	15,700	4.4
Education & Health Services	29,100	30,000	3.4
Leisure & Hospitality	16,100	16,600	3.2
Other Services	6,200	6,100	-1.3
Government	36,700	36,400	-0.9

Notes: Based on 12-month averages through July 2011 and July 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Stockton HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

insurance provider with 1,600 employees, and Safeway Inc., 1 of the 5 largest food retailers in the country, with 1,400 employees at a distribution center in Tracy. (Table 3 lists the largest employers in the HMA.) Agriculture is also a significant economic component, providing about 8 percent of all jobs in the HMA and producing nearly \$2 billion of crops in 2010, with milk, grapes, and walnuts as the top three products. Pacific Coast Producers, a fruit and vegetable canner, is 1 of the 10 largest employers in the HMA, with 1,000 employees.

Nonfarm payrolls are expected to increase by an average annual rate of 2,250 jobs, or 1.2 percent, during the next 3 years, with the fastest growth occurring during the first year and led by the construction sector. The conversion of the former DeWitt Nelson Youth Correctional Facility and construction of the new CHCF, both as state medical prison facilities, are projected to create about 3,200 construction jobs by the fall of 2013. Work on the \$123 million DeWitt Nelson conversion is anticipated to begin in the summer of 2012. The total staff at the two facilities is expected to number about 3,000 for the anticipated 1,700 patients at CHCF and 1,100 patients at DeWitt Nelson, with completion dates of October 2012 and the spring of 2014, respectively. The U.S. Department of Veterans Affairs recently announced that construction of a new \$280 million medical center, which will combine an outpatient clinic with a 120-bed community living center, is anticipated to begin in 2014 and to be complete by 2018.

Table 3. Major Employers in the Stockton HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Joseph Medical Center	Education & Health Services	2,500
Defense Distribution Depot San Joaquin	Government	1,900
Blue Shield of California	Education & Health Services	1,600
Deuel Vocational Institution	Government	1,400
Safeway, Inc.	Wholesale & Retail Trade	1,400
Lodi Memorial Hospital	Education & Health Services	1,300
Dameron Hospital	Education & Health Services	1,200
Kaiser Permanente®	Education & Health Services	1,050
Pacific Coast Producers	Manufacturing	1,000
University of the Pacific	Education & Health Services	900

Note: Excludes local school districts.

Sources: San Joaquin Partnership; California Employment Development Department; local governments

Population and Households

Population growth in the Stockton HMA has been affected by conditions in its home sales market. The population in the HMA is currently estimated at 705,400, representing an average increase of 8,600, or 1.2 percent, annually since April 2010. From 2000 through 2005, the population increased by an average annual rate of 17,800, or 3.2 percent, with in-migration accounting for 67 percent of this increase. As home sales prices

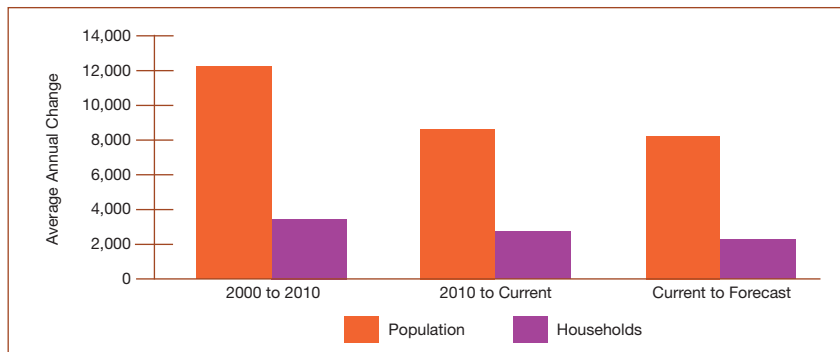
peaked in 2006 and employment losses began in 2008, population trends changed. From 2006 through 2009, population growth slowed to an average annual rate of 5,200 people, or 0.8 percent, as migration turned negative, averaging 1,725 people leaving the HMA annually. From 2010 through the current date, in-migration resumed at an annual average of 2,650 people, reflecting increasing activity in the home sales market.

From 2000 to 2005, the population in the HMA grew primarily because of in-migration from commuters to the San Francisco metropolitan area and, to a lesser degree, the Sacramento metropolitan area seeking more affordable housing. The cities in the southwestern

part of the HMA, closest to the San Francisco metropolitan area, had the highest levels of in-migration and new construction activity. In 2010, the three largest cities in the HMA were Stockton, Tracy, and Manteca, with populations of 291,700, 82,900, and 67,100, respectively. Mountain House, with a 2010 population of 9,675, is the newest town in the HMA. Although the development of Mountain House was approved by San Joaquin County in 1994, construction activity did not commence until 2001. Mountain House is situated less than 10 miles from Alameda County, the nearest county within the San Francisco metropolitan area, and developers in Mountain House have marketed it as a more affordable alternative to homebuyers from the San Francisco area. In 2001, the average sales price of a new home was \$604,500 in Alameda County but only \$282,400 in the HMA. During the 12 months ending July 2012, the average sales price of a new home was \$522,650 in Alameda County but only \$271,500 in the HMA.

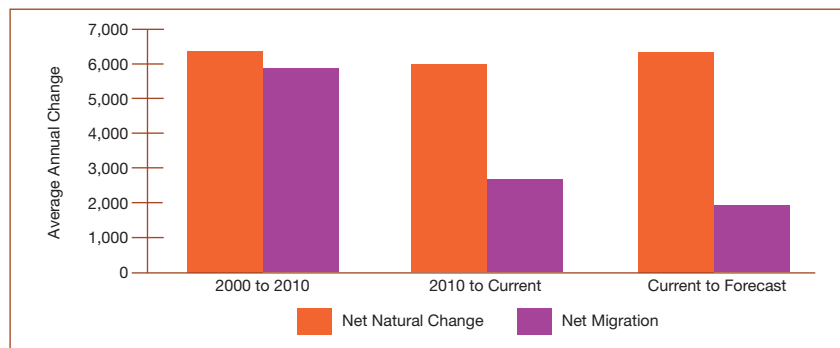
The population in the HMA is anticipated to increase at an average annual rate of 1.1 percent, or 8,175 people, through the forecast period as job growth supports greater in-migration into the HMA. The number of households is expected to increase at an average annual rate of 1.0 percent, or 2,275 households, during the forecast period, which is slower than the 1.2-percent rate since the 2010 Census and the 1.7-percent rate from 2000 through 2010. Figures 4 and 5 illustrate trends in population and household growth and the components of population change from 2000 through the forecast period, respectively. Figure 6 depicts the number of households by tenure from 2000 to the current date.

Figure 4. Population and Household Growth in the Stockton HMA, 2000 to Forecast



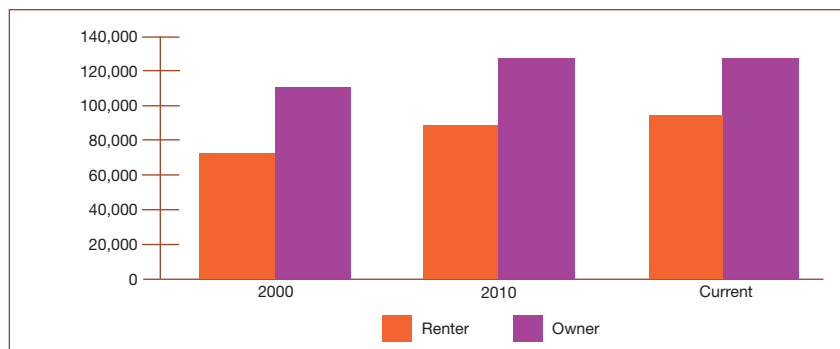
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Stockton HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Stockton HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Stockton HMA is currently balanced with an estimated 1.6-percent vacancy rate. The current vacancy rate is lower than the 2.8-percent rate in 2010 when the market was softer. According to CoreLogic, Inc., existing home sales averaged 11,450 annually from 2000 through 2005 and peaked at 13,750 in 2005. Existing home sales then declined approximately 40 percent each year, to 4,850, in 2007. The sales volume increased to 13,050 homes in 2008 and 13,450 homes in 2009 because of the first-time homebuyer tax credit program, which was in effect from April 2008 through May 2010, and the increasing prevalence of both investor purchases and sales of distressed homes. After the federal tax credit expired, sales activity declined 13 percent, to 11,650 existing homes sold in 2010. Despite a recent improvement in the economy, existing home sales continued to fall, to 10,850 homes during the 12 months ending July 2012, reflecting a 2-percent decrease from the previous 12 months.

Although the volume of existing home sales is close to the average level recorded during the first half of the 2000s, the high level of foreclosure activity has placed downward pressure on home prices. According to CoreLogic, Inc., the percentage of all active loans in foreclosure increased from 1.0 percent in December 2006 to a peak of 5.7 percent in August 2009, and then decreased to 3.0 percent in July 2012. The percentage of foreclosed loans declined slightly because short sales became more common. As a share of all existing home sales, REO (Real Estate Owned) homes and short sales increased from 2 percent in 2006 to 22 percent in 2007 and peaked at

83 percent in 2010. REO home sales and short sales comprised a 55-percent share in the 12 months ending July 2012, down from 63 percent during the previous 12 months. Because of the foreclosure activity, during the 12 months ending July 2012, the average sales price for all homes was \$172,100, down 1 percent from average price in the previous 12-month period and 61 percent less than the peak of \$440,800 in 2006. During the 12 months ending July 2012, the average sales prices were \$183,800 for a short sale, \$169,100 for a nondistressed resale, and \$146,900 for an REO home, which reflected decreases of 3, less than 1, and 3 percent, respectively, compared with average prices in the preceding 12-month period.

The high level of foreclosure activity has also adversely affected new home sales since 2006. From the supply side, the large volume of distressed properties on the sales market pushed prices down quickly, which made constructing new homes less profitable and led to fewer additions to new home inventory. The share of new homes relative to all home sales declined from the average of 28 percent from 2000 through 2005 to 7 percent in the most recent 12-month period, which is unchanged compared with the share during the previous 12-month period. With the continued decline in foreclosure activity since 2009 and the recent improvement in employment conditions, however, sales in the new homes segment are beginning to strengthen. New home sales totaled 780 during the 12-month period ending July 2012, up nearly 10 percent compared with new home sales during the previous 12 months. The average sales price for a new home increased 6 percent,

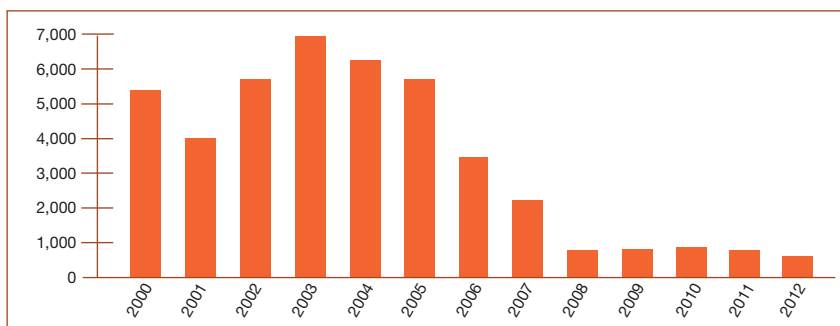
Housing Market Trends

Sales Market *Continued*

to \$271,500, during the 12 months ending July 2012 compared with the price during the previous 12 months. By comparison, the average sales price of a newly constructed home was \$510,600 in 2006.

As sales of new homes began to decline in 2006, builders immediately curtailed new home construction, as measured by the number of homes permitted (Figure 7). From 2000 through 2005, an average of 5,650 single-family homes were permitted annually, a figure that then fell to an annual average of 2,825 homes permitted from 2006 through 2007.

Figure 7. Single-Family Building Permits Issued in the Stockton HMA, 2000 to 2012



Notes: Includes townhomes. Includes data through July 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Stockton HMA, August 1, 2012 to August 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	224,999	890	15.0
225,000	249,999	890	15.0
250,000	299,999	1,475	25.0
300,000	349,999	1,175	20.0
350,000	399,999	890	15.0
400,000	499,999	410	7.0
500,000	and higher	180	3.0

Note: The 230 homes currently under construction and a portion of the estimated 7,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

New construction activity began to stabilize at low levels in 2008, and an average of nearly 800 single-family homes was permitted each year from 2008 through 2010. Based on preliminary data, during the 12 months ending July 2012, permits were issued for 880 single-family homes, up 11 percent from the number issued during the preceding 12-month period. Condominiums and townhomes constitute approximately 1 percent of homes built since 2000. The most recent development completed was Cambridge Place, built in 2009 in Mountain House and consisting of 255 townhomes. Currently, more than one-half of the single-family permits are for new homes in Mountain House and Manteca. Construction of the 1,425-home Woodbridge, a 55-years-and-older community built by Del Webb in Manteca, commenced in 2006, and nearly one-half of the planned homes are now complete; sales prices start at \$228,000.

During the next 3 years, demand is estimated for 5,900 new market-rate homes in the HMA with prices starting at \$200,000 (Table 1). Demand is anticipated to be slightly stronger in the second and third years of the forecast period and greatest in the \$250,000-to-\$300,000 price range (Table 4). The 230 single-family homes currently under construction and some of the estimated 7,000 other vacant units that may return to the sales market will satisfy a portion of demand.

Rental Market

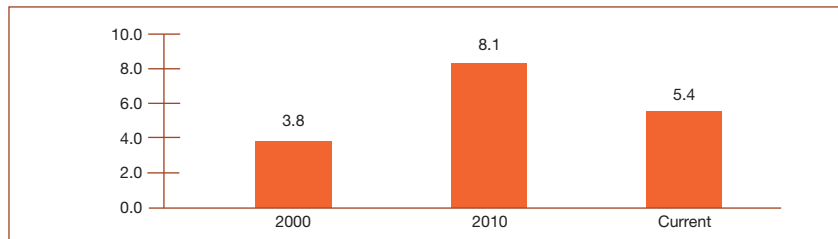
The rental housing market in the Stockton HMA is currently balanced, with a 5.4-percent vacancy rate, down from the 8.1-percent rate in 2010 (Figure 8). Single-family homes comprise most of the rental inventory; the 2010 American Community Survey estimated that nearly 60 percent of all renter households occupy single-family homes, up from 47 percent in 2000. With limited new construction of multifamily units since 2008, apartment market conditions are much tighter than the overall rental market. According to Reis, Inc., the apartment rental vacancy rate was 3.5 percent in the second quarter of 2012, down from 3.6 percent in the second quarter of 2011 and from 4.0 percent in the second quarter of

2010. In the second quarter of 2012, apartment rents averaged \$900, 2 percent more than the same quarter the previous year. Asking rents averaged approximately \$770, \$970, and \$1,200 for one-, two-, and three-bedroom units, respectively.

Multifamily construction activity, as measured by the number of units permitted, has been low since 2008. From 2000 through 2007, an average of 260 multifamily units was permitted annually (Figure 9). The number of units permitted declined to an average of 20 annually from 2008 through 2010, with no units permitted in 2009. Based on preliminary data, during the 12 months ending July 2012, no multifamily units were permitted compared with the 160 units permitted during the previous 12-month period. Of the units permitted during the 12 months ending July 2011, 152 were for the Juniper Apartments, a Low-Income Housing Tax Credit Program project under construction in Manteca. After completion at the end of the summer of 2012, the units will be available to households earning less than 60 percent of the area median income.

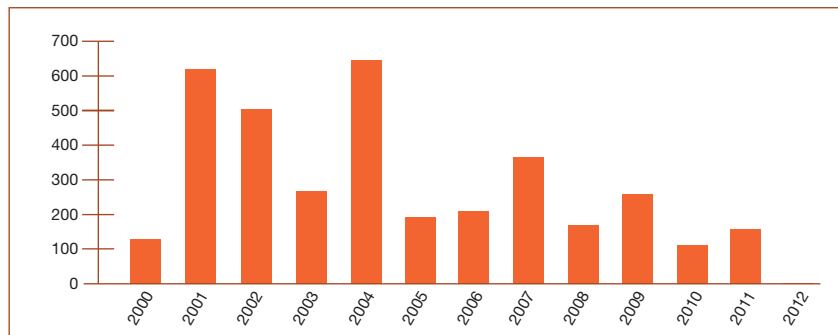
Demand is estimated for an additional 1,400 new market-rate rental units in the HMA during the 3-year forecast period (Table 1). Market-rate rents for new projects are projected to start at \$800, \$975, and \$1,250 for one-, two-, and three-bedroom units. Table 5 provides an estimate of demand for new market-rate rental housing by rent level and by the number of bedrooms for the period from August 1, 2012 to August 1, 2015.

Figure 8. Rental Vacancy Rates in the Stockton HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Stockton HMA, 2000 to 2012



Notes: Excludes townhomes. Includes data through July 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Stockton HMA, August 1, 2012 to August 1, 2015

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
800 to 999	570	975 to 1,174	630	1,250 or more	70
1,000 or more	65	1,175 or more	70		
Total	630	Total	700	Total	70

Notes: Numbers may not add to totals because of rounding. The 150 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Stockton HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	240,923	248,868	253,700	0.3	1.2
Unemployment Rate	7.0%	17.3%	15.8%		
Nonfarm Payroll Jobs	185,800	187,700	190,400	0.1	0.9
Total Population	563,598	685,306	705,400	2.0	1.2
Total Households	181,629	215,007	221,200	1.7	1.2
Owner Households	109,667	127,270	127,100	1.5	-0.1
Percent Owner	60.4%	59.2%	57.5%		
Renter Households	71,962	87,737	94,100	2.0	3.0
Percent Renter	39.6%	40.8%	42.5%		
Total Housing Units	189,160	233,755	235,600	2.1	0.3
Owner Vacancy Rate	1.2%	2.8%	1.6%		
Rental Vacancy Rate	3.8%	8.1%	5.4%		
Median Family Income	\$44,300	\$63,600	\$63,100	3.7	-0.8

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2012. Median family incomes are for 1999, 2009, and 2010.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2012—Analyst’s estimates
Forecast period: 8/1/2012–8/1/2015—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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units 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 the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_StocktonCA_13.pdf.

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This analysis has been prepared for the assistance and guidance of 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.