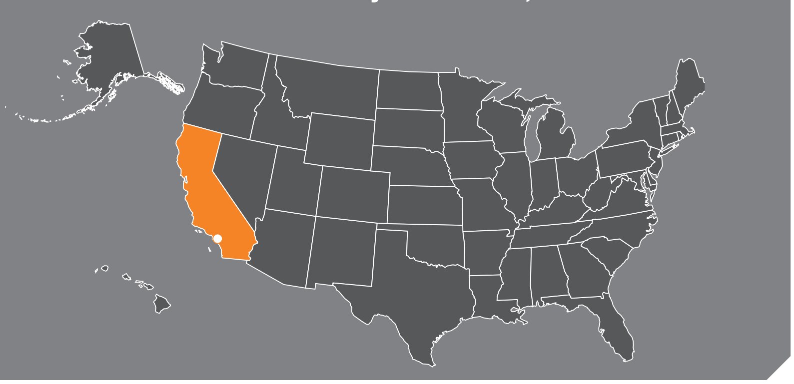
HUD PD&R **Housing Market Profiles**

Anaheim-Santa Ana-Irvine, California

Orange County, California

Quick Facts About Anaheim

- **Current sales market conditions: tight**
- **Current rental market conditions: slightly tight**
- **The Anaheim metropolitan division is home to 42 miles of beaches and several tourist attractions—including Disneyland, Disney California Adventure Park, Knott's Berry Farm, and the Anaheim Convention Center—that have typically drawn 50 million visitors who spend $16.0 billion each year (Orange County Visitors Association; Visit California). During 2020, the tourism industry contracted significantly due to travel restrictions and social distancing measures to slow the spread of COVID-19, contributing to a 55-percent drop in visitor spending, to $7.1 billion, compared with 2019 (Visit California). The industry, however, has been recovering at a fast pace since the full reopening of the Californian economy on June 15, 2021.**



By Wendy Ip | As of July 1, 2021

Overview

The Anaheim-Santa Ana-Irvine (hereafter, Anaheim) metropolitan division is defined as Orange County, California—the third most populous county in the state, following Los Angeles and San Diego Counties, and the sixth most populous in the nation. The metropolitan division is an economic center in southern California for tourism, education, and health care, with major employers that include The Walt Disney Company; University of California, Irvine; and Providence Health Care, Inc. Interventions that began in mid-March 2020 to slow the spread of COVID-19 contributed to a significant contraction in the economy of the metropolitan division during part of 2020; however, the intermittent reopening of businesses that began at the end of the second quarter of 2020 and the subsequent full reopening of the metropolitan division economy a year later contributed to recent year-over-year job gains and a partial recovery of jobs lost across all nonfarm payroll sectors. Despite the recent economic contraction and partial recovery, sales market conditions remained tight due to a continued shortage of for-sale housing since the onset of the pandemic, whereas rental market conditions remained slightly tight—unchanged from a year ago.

- As of July 1, 2021, the estimated population of the Anaheim metropolitan division was nearly 3.2 million—up by an average

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of 2,550, or 0.1 percent, annually since 2017. By comparison, population growth averaged 24,550 people, or 0.8 percent, a year from 2010 to 2017 (Census Bureau population estimates as of July 1).

- Population growth since 2017 was slower because an increasingly high cost of housing contributed to net out-migration from the metropolitan division, which averaged 12,750 people a year, compared with an average net in-migration of 5,350 people a year from 2010 to 2017. Net in-migration during the 2010-to-2017 period was partly supported by a decline in home sales prices during the housing crisis and the subsequent improvement in economic conditions following the Great Recession.
- During the housing market crisis and Great Recession, population growth in the metropolitan division averaged 17,000 people, or 0.6 percent, annually from 2007 to 2010, and net out-migration averaged 7,450 people a year. That level of net out-migration was lower than from 2003 to 2007—a period when net out-migration averaged 20,850 people annually and population growth averaged only 6,525 people, or 0.2 percent, annually. Lenient mortgage lending standards during the early to mid-2000s enabled households to purchase newly built homes at a lower price in neighboring Riverside and San Bernardino Counties, contributing to that higher level of net out-migration.

Economic Conditions

The economy of the Anaheim metropolitan division is recovering from significant job losses following interventions taken in March 2020 to slow the spread of COVID-19. The gradual reopening of businesses followed by the full reopening of the economy contributed to a partial recovery of jobs during the past 13 months. From June 2020 through June 2021, nonfarm payrolls increased by 170,500 jobs, which partly offset some of the 274,600 jobs lost from March through May of 2020 (non-seasonally adjusted). Before the pandemic, nonfarm payrolls in the metropolitan division expanded rapidly, averaging 2.2 percent annually from 2011 through 2019.

During the second quarter of 2021—

- Nonfarm payrolls averaged nearly 1.57 million jobs, increasing by 138,500 jobs, or 9.7 percent, compared with the same period a year ago, due to gains in all 11 payroll sectors. Although the economy expanded from a year ago, job recovery has only been partial; nonfarm payrolls remained 6.4 percent below levels during the second quarter of 2019.
- The leisure and hospitality sector contributed the most to the overall increase in nonfarm payrolls—up by 54,100 jobs,

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The full reopening of the Anaheim metropolitan division economy during the second quarter of 2020 contributed to significant job gains across all 11 sectors.

	Second Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,428.7	1,567.2	138.5	9.7
Goods-Producing Sectors	243.0	251.6	8.6	3.5
Mining, Logging, & Construction	98.5	103.0	4.5	4.6
Manufacturing	144.5	148.6	4.1	2.8
Service-Providing Sectors	1,185.7	1,315.6	129.9	11.0
Wholesale & Retail Trade	195.5	216.2	20.7	10.6
Transportation & Utilities	27.5	32.2	4.7	17.1
Information	23.4	24.1	0.7	3.0
Financial Activities	113.1	114.0	0.9	0.8
Professional & Business Services	293.1	316.7	23.6	8.1
Education & Health Services	212.4	226.6	14.2	6.7
Leisure & Hospitality	128.9	183.0	54.1	42.0
Other Services	37.8	45.9	8.1	21.4
Government	154.0	157.0	3.0	1.9
Unemployment Rate	14.2%	6.1%		

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

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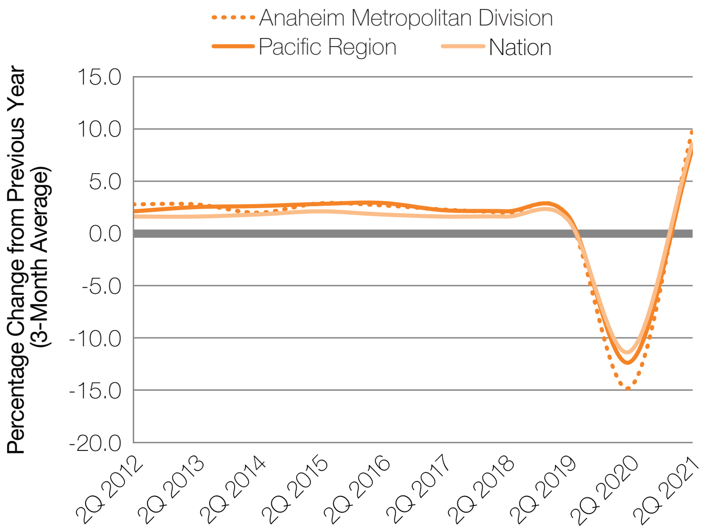
or 42.0 percent, from a year ago. The food service industry accounted for the greatest share of sector gains—up by 29,100 jobs, or 31.3 percent—whereas the amusement and entertainment industry was the fastest growing—up 90.6 percent, or by 17,300 jobs, partly due to increased capacity at full-service restaurants and the reopening of amusement parks.

- The professional and business services sector, which was up by 23,600 jobs, or 8.1 percent, accounted for the second largest increase in nonfarm payrolls. More than one-half of the gain was due to the administrative support services industry, as some businesses gradually transitioned to prepandemic operations; payrolls in the industry increased by 13,500 jobs, or 10.8 percent. Allied Universal—a provider of security services, janitorial services, and staffing—filled approximately 490 jobs during June 2021, with another 1,550 job openings that have yet to be filled (California Employment Development Department).
- Growth in the wholesale and retail trade sector was also significant, with payrolls increasing by 20,700 jobs, or 10.6 percent, from a year ago; gains in retail trade accounted for 80 percent of that increase. Retailers that were designated nonessential during the pandemic began to recover jobs as the economy reopened; clothing and general merchandise stores added a combined 9,900 jobs, or nearly one-half of overall sector gains.
- Although elevated, the unemployment rate fell to 6.1 percent, down from 14.2 percent during the same period in 2020.

The COVID-19 pandemic deeply affected the tourism industry in the Anaheim metropolitan division. The industry, which includes jobs in the leisure and hospitality sector and the transportation industry, employed 97,500 people throughout the metropolitan division during 2020—down 33 percent from 2019 (Visit California). Approximately 69 percent of those jobs lost, or 33,200 jobs, were due to the temporary closure of several establishments in the Disneyland Resort district—an area that includes both Disneyland and Disney California Adventure Park, Downtown Disney District, and three hotels (Woods Center for Economic Analysis and Forecasting [WCEAF]). Overall, those closures contributed to a loss of approximately $4.3 billion in tourism-related revenue throughout the metropolitan division from March 2020 through March 2021 (MoffettNathanson). In addition, the Anaheim Convention Center canceled 300 previously planned events in 2020, contributing to another $2.0 billion in economic loss on the metropolitan division (Visit Anaheim). As the number of COVID-19 cases in the metropolitan division declined 90 percent from peak levels in December 2020 and were consistently low through April 2021 (John Hopkins University & Medicine), both Disneyland and Disney California Adventure Park reopened at limited capacity at the end of April 2021. Since that reopening, only one-half of the workers employed at both parks before the pandemic returned; however, more workers are expected to be hired as park attendance increases (Visit Anaheim). In addition, the reopening of the Anaheim Convention Center—also in late April 2021—caused a surge in the number of planned events. In total, there are 88 events currently planned at the center, which are expected to generate $248 million in economic impact on the southern California region by the end of 2021 (Visit Anaheim).

During the COVID-19 pandemic, nonfarm payroll jobs in the Anaheim metropolitan division declined at a faster rate than both the Pacific region and the nation.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the Anaheim Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Walt Disney Company	Leisure & Hospitality	28,000
University of California, Irvine	Government	25,512
Providence Health Care Inc.	Education & Health Services	12,866

Note: Excludes local school districts.
Source: OC Business Journal, 2021

Sales Market Conditions

The sales housing market in the Anaheim metropolitan division is tight—unchanged from a year ago—with an estimated vacancy rate of 1.0 percent. Tight sales market conditions prevailed because of an increase in home buying and a low inventory of homes for sale. The inventory of homes for sale declined 7 percent, to 9,575 homes, during the 12 months ending June 2021 (CoreLogic, Inc.). In addition, months of supply declined to the lowest levels since 2007, at 1.1 months in June 2021—down from 2.0 months in April 2020. Total home sales (including single-family homes, townhomes, and condominiums) increased due to gains in existing home sales that offset a decline in new home sales, as the construction of homes generally slowed during the pandemic. Total home sales prices rose at a fast pace due to growth in existing home sales prices, although new home sales prices declined as fewer luxury homes were built—continuing a trend that began before the pandemic.

The percentage of home loans in the Anaheim metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status rose to 2.2 percent in May 2021 from 0.6 percent in May 2020 (CoreLogic, Inc.). The current rate is below the 2.6-percent rate for California and the 3.3-percent rate for the nation. The rise in the rate partly reflects an increase in the number of loans in forbearance, as the economic contraction during the COVID-19 pandemic made it more difficult for some homeowners to stay current on their mortgage payments. Despite the increase in the percentage from a year ago, the rate in the metropolitan division has been decreasing nearly each month after reaching 3.4 percent in July 2020.

During the 12 months ending June 2021—

- Existing home sales totaled 36,900, a 36-percent year-over-year increase, or a gain of 9,700; sales were also up 21 percent from the average of 30,500 homes sold annually from 2017 through 2019 (Zonda). Single-family home and townhome sales increased 34 percent, year over year, during the recent 12-month period and accounted for approximately 66 percent of the overall gain, and existing condominium sales increased 41 percent.
- New home sales declined 8 percent, or by 250 homes, to 3,125 homes sold compared with sales during the same period in 2020; those sales were also 31 percent lower than the average of 4,525 homes sold annually during 2017 through 2019, partly due to fewer new home completions each year since 2017. Virtually all of the decline in new home sales during the past year resulted from fewer new single-family home and townhome sales, whereas new condominium sales were relatively unchanged.
- The average sales price for existing homes was $1,051,600, an 18-percent gain compared with a year earlier and was

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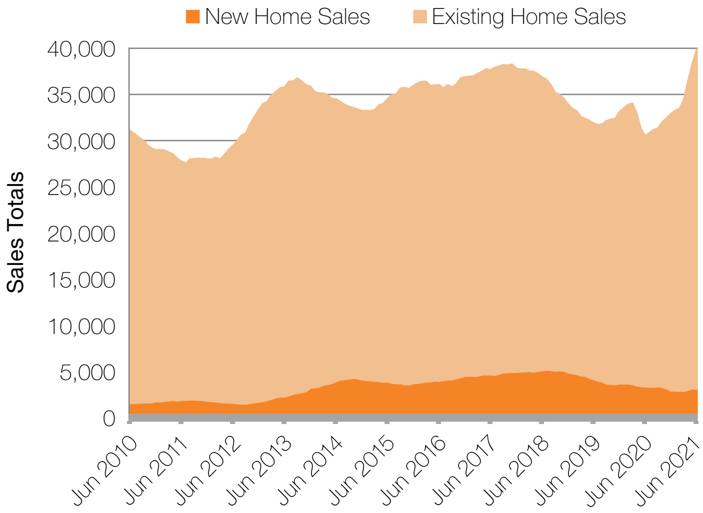
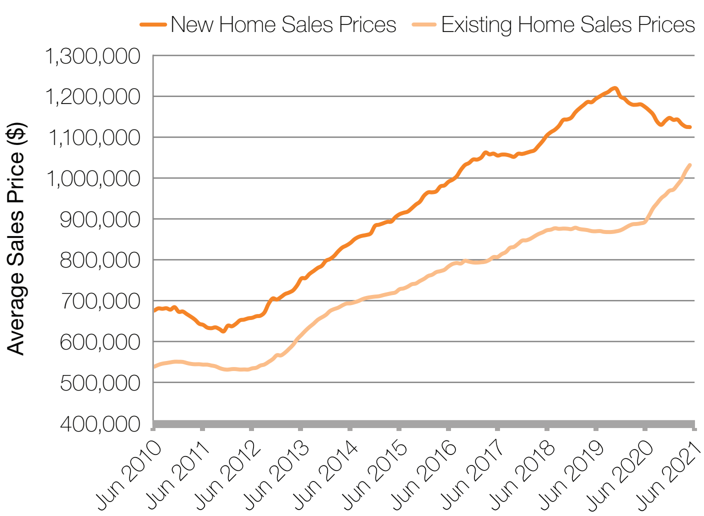
After declining in mid-2020, total home sales in the Anaheim metropolitan division have increased through June 2021 due to gains in existing home sales.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda

The average existing home sales price in the Anaheim metropolitan area has been increasing at an accelerated pace since mid-2020, whereas growth in the average new home sales price has been slowing since late 2019.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda

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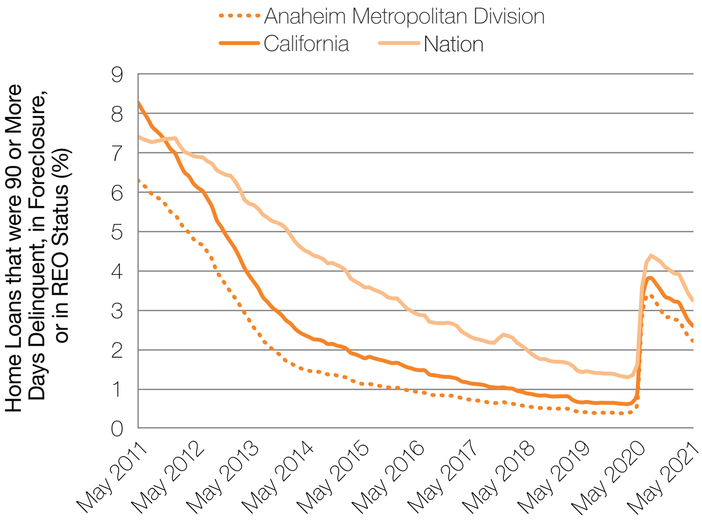
22 percent higher than the average annual price of $863,500 from 2017 through 2019. Partly contributing to the increase in the average existing home price was a decrease in REO home sales, which were priced an average of $181,600 less than regular resale homes.

- The average sales price for a new home was $1,125,100, down 4 percent from a year ago. Since 2019, new home prices have declined an average of 4 percent annually because fewer luxury homes, which includes those that are priced above $1 million, were being built.

New home sales construction activity —as measured by the number of single-family homes, townhomes, and condominiums permitted (hereafter, homes—has slowed every year after reaching a peak in 2017. Construction levels, however, have recently begun to increase after reaching low levels during the pandemic.

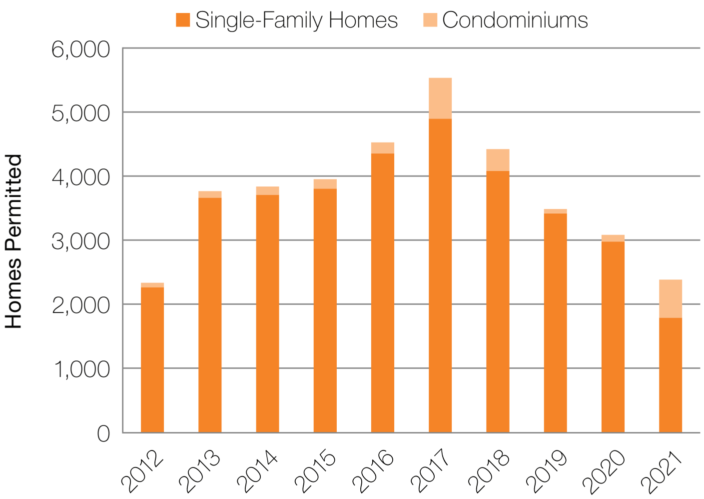
- The number of homes permitted increased by 650 homes, or 20 percent, during the 12 months ending June 2021, to 3,925 homes permitted, mostly due to an increase in condominium construction by 560 units (preliminary data, with adjustments by the analyst).
- After reaching a peak of 5,550 homes permitted in 2017, home sales construction activity slowed to an average of 3,950 homes permitted a year during 2018 and 2019. Despite this slowdown, construction activity was above the average of 3,700 homes permitted annually from 2012 through 2016.
- Villages of Irvine is among the largest master-planned communities underway in the metropolitan division, with a combined 9,000 single-family homes, townhomes, and condominiums planned at buildout. Since construction began in the mid-2000s, more than 4,200 homes have been completed. Portola Springs is among the neighborhoods underway in the Villages of Irvine and includes the 124-townhome development, Brisa at Portola Springs—with 20 homes under construction, 94 homes completed, and prices starting at $599,000 for a two-bedroom townhome. Juniper at Portola Springs, with 109 single-family homes at buildout, is also underway but is already sold out—with prices that started at $989,000 for a three-bedroom home.
- Condominium developments underway include those within the Villages of Irvine—including the 112-unit Celeste at Portola Springs, which is also sold out; three- and four-bedrooms units started at $725,000. In the city of Anaheim, Alia at A-Town, a 154-condominium unit development underway, will offer one-, two-, and three-bedroom units at prices ranging from $590,000 to $675,000. Completion of both developments is expected in late 2021.

The proportion of seriously delinquent home loans and REO properties in the Anaheim metropolitan division had increased substantially in mid-2020, following more than 9 years of steady declines.



REO = real estate owned.
Source: CoreLogic, Inc.

After reaching a peak in 2017, sales housing construction in the Anaheim metropolitan division slowed each year from 2018 through 2020.



Note: Data for 2021 are through June 2021 and include preliminary data and estimates by the analyst.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

Rental market conditions in the Anaheim metropolitan division are currently slightly tight—similar to a year ago but tighter than conditions in 2010. An increase in the number of renter households since 2010 has generally outpaced the construction of new rental units, contributing to the tightening of the rental market. Apartment market conditions are tight—also unchanged from a year ago despite a decline in rents and a slight increase in the vacancy rate.

- The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) was 4.8 percent as of July 1, 2021—a decrease from 5.9 percent in 2010, when conditions were soft.
- The apartment market, which represents approximately 65 percent of all rental units, is tight. The vacancy rate for apartment properties with 20 or more units was 3.8 percent as of May 2021—up from 3.6 percent a year earlier (Moody's Analytics REIS); the rate has remained at or below 4 percent each year since 2012.
- The average monthly apartment asking rent was $1,976 in May 2021—a 2-percent decrease from a year ago. The decline partly reflected an increase in the number of affordable apartments that have been added to the supply.
- Rents in the metropolitan division had been increasing, year over year, each May from 2013 to 2020, with increases that have ranged from 2 to 5 percent. Periods when there was a significant gain in the average rent generally have resulted from new luxury apartments being added to the inventory.

Rental construction activity, as measured by the number of rental units permitted, has been at generally lower levels since 2017, partly in response to slower population growth resulting from net out-migration. Cities within the metropolitan division have pledged to add more affordable rental housing, partly to ease cost burdens on renter households and to mitigate future net out-migration. Since mid-2020, approximately 49 percent of all apartments, or 1,650 units, that were completed were in developments that were either entirely or partially affordable—up from 42 percent of all apartments completed from 2017 to mid-2020.

- During the 12 months ending June 2021, approximately 3,525 rental units were permitted—down 9 percent from 3,875 units permitted during the same period a year ago, as many developments had been stalled since the beginning of the pandemic (preliminary data with adjustments by the analyst).
- Despite an increase in rental construction in 2019, development activity was relatively low, averaging 4,225 units permitted a year, from 2017 through 2019. By comparison, rental construction activity was high, averaging 6,525 units permitted annually, from 2013 through 2016—a period when there was net in-migration to the metropolitan division.

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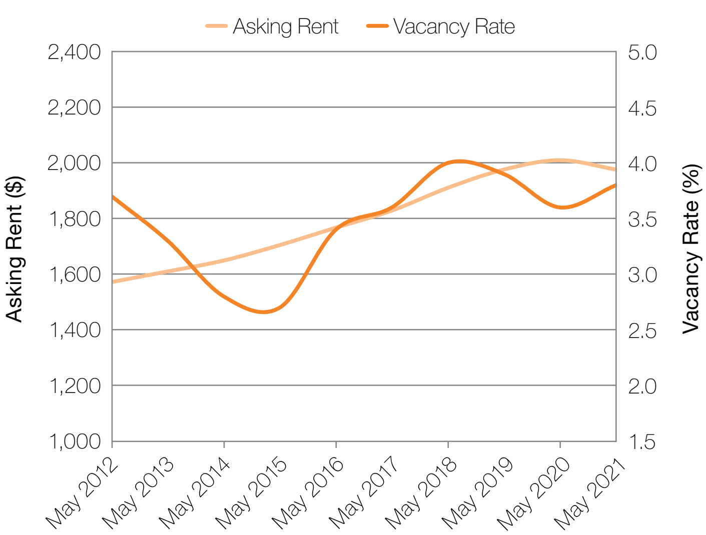
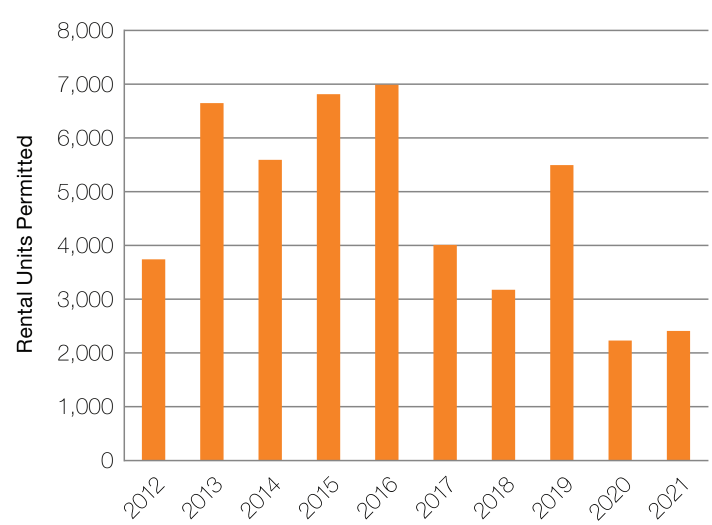
Although vacancy rates rose and the average asking rent decreased in the Anaheim metropolitan division in May 2021, the apartment market remained slightly tight—similar to a year ago.



Source: Moody's Analytics REIS

Despite an increase in rental housing construction in the Anaheim metropolitan division in 2019, construction levels since 2017 have generally remained lower than during most of the early to mid-2010s.



Note: Data for 2021 are through June 2021 and include preliminary data and analyst estimates.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

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- Apartment properties under construction include First Point Apartments, a 552-unit affordable apartment community in the city of Santa Ana. All of the units will be set aside for those who earn between 50 and 60 percent of the area median income (AMI) and will address severely rent-burdened households who are also experiencing overcrowding. Brea Place apartments, with 803 market-rate units, is underway in the city of Brea; a portion of those units have already been complete and are leasing, with rents that start at $2,600. Typically, new market-rate rents for studio, one-bedroom, and two-bedroom units in the city of Brea average $1,900, $2,400, and $3,000, respectively. Completion of both properties is expected in late 2021.
- Recently completed rental properties include REVO apartments, a mid-rise apartment community with 16 affordable units and 316 market-rate units adjacent to the Angel Stadium in the city of Anaheim. The last phase of the development opened in early 2021, with rents for the market-rate studio, one-bedroom, two-bedroom, and three-bedroom units starting at $2,230, $2,490, $3,150, and $4,600, respectively. The affordable units are restricted to households with incomes at or below 60 percent of the AMI.