

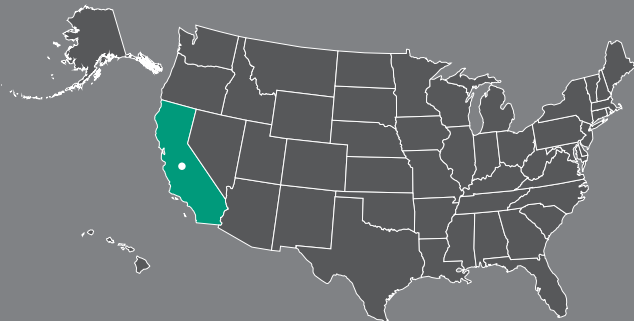
HUD PD&R Housing Market Profiles

Fresno, California



Quick Facts About Fresno

- **Current sales market conditions: balanced**
- **Current rental market conditions: slightly tight**
- **The Fresno metropolitan area and the surrounding eight-county San Joaquin Valley region is the most productive agricultural region in the United States, generating \$34.9 billion in agricultural production in 2018 (Central California Business Review). The amount of agricultural production in the region is greater than any state outside of California.**



By Adam Tubridy | As of April 1, 2020

Overview

The Fresno metropolitan area is defined as Fresno County and is the second largest metropolitan area in the Central Valley of California, a 450-mile area that extends from the Redding to Bakersfield metropolitan areas. The Fresno metropolitan area includes portions of Kings Canyon National Park and the Giant Sequoia National Monument. The metropolitan area is the largest producer of almonds and raisins in the nation, with approximately 50 percent of land in the area used as farmland.

- As of April 1, 2020, the population of the metropolitan area is estimated at 1.00 million. During 2014 and 2015, population growth averaged 8,975 people, or 0.9 percent, annually but slowed to 7,375 people, or 0.7 percent, annually since 2015.
- All the population growth since 2010 was caused by net natural change (resident births minus resident deaths), which averaged 8,600 people annually. In 2019, there were approximately 14.6 births per 1,000 residents in the Fresno metropolitan area, compared with 12.0 births per 1,000 people nationally (Census population estimates).
- The Fresno metropolitan area currently has lower average wages and higher poverty rates than California or the nation.

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PD&R

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The mean hourly wage in the metropolitan area was \$23.48, compared with \$29.47 and \$25.72 in California and the nation, respectively, whereas the poverty rate was 21.3 percent in the area, compared with 12.8 and 11.8 percent in California and the

nation (May 2019 U.S. Bureau of Labor Statistics Occupational Employment Statistics and 2018 American Community Survey [ACS] 1-year estimates).

Economic Conditions

Economic conditions in the Fresno metropolitan area have strengthened since 2011, with nonfarm payrolls increasing an average of 0.5 percent annually during 2011 and 2012, then accelerating to average growth of 3.0 percent annually from 2013 through 2019. Increased residential and commercial construction from 2013 through 2019 led to job growth in the mining, logging, and construction sector that averaged 1,000 jobs, or 6.5 percent, annually; the sector was the fastest growing sector during that period.

During the first quarter of 2020—

- Nonfarm payrolls increased by 8,500 jobs, or 2.4 percent, from the first quarter of 2019. By comparison, from the first quarter of 2018 to the first quarter of 2019, payrolls increased by 7,900 jobs, or 2.2 percent.
- The education and health services sector added the most jobs of any sector, increasing by 2,800 jobs, or 3.9 percent, compared with a year ago. The education and health services sector has led job growth since 2011, averaging growth of 4.0 percent annually. Community Medical Centers, the largest employer in the metropolitan area, opened a downtown Fresno

campus and significantly expanded their Community Behavioral Health Center since 2014, adding approximately 2,000 jobs.

- The number of payrolls in the wholesale and retail trade and the transportation and utilities sectors increased by 1,200 and 800 jobs, or 2.3 and 5.0 percent, respectively. The Fresno metropolitan area has become a regional location for e-commerce fulfillment and distribution centers, with Amazon.com, Inc., Ulta Beauty, Inc., and The Gap, Inc. opening distribution centers since 2018.
- The unemployment rate averaged 9.1 percent, up from 8.9 percent during the same quarter a year earlier; by comparison, the national rate averaged 4.1 percent. The elevated unemployment rate in the Fresno metropolitan area was primarily caused by the large share of workers employed in seasonal farm work, which includes frequent periods of unemployment.

The Fresno metropolitan area produced almost \$7.9 billion worth of agricultural output during 2018, more than any other county in the nation (Fresno Farm Bureau). Agricultural production in the metropolitan area consistently increased from 2014 through

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All but one sector in the Fresno metropolitan area gained jobs during the first quarter of 2020.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	355.0	363.5	8.5	2.4
Goods-Producing Sectors	43.4	44.6	1.2	2.8
Mining, Logging, & Construction	18.2	18.5	0.3	1.6
Manufacturing	25.2	26.0	0.8	3.2
Service-Providing Sectors	311.7	319.0	7.3	2.3
Wholesale & Retail Trade	52.4	53.6	1.2	2.3
Transportation & Utilities	15.9	16.7	0.8	5.0
Information	3.5	3.4	-0.1	-2.9
Financial Activities	14.3	14.8	0.5	3.5
Professional & Business Services	31.9	33.6	1.7	5.3
Education & Health Services	71.3	74.1	2.8	3.9
Leisure & Hospitality	34.5	34.7	0.2	0.6
Other Services	11.7	11.9	0.2	1.7
Government	76.2	76.2	0.0	0.0
Unemployment Rate	8.9%	9.1%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

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2018, growing at an average annual rate of 5 percent. Despite increased production, however, the number of agricultural jobs declined every year from 2014 through 2019 at an average annual rate of 890 jobs, or 2 percent, to 44,000 jobs in 2019, the lowest level since at least 1990 (California Employment Development Department).

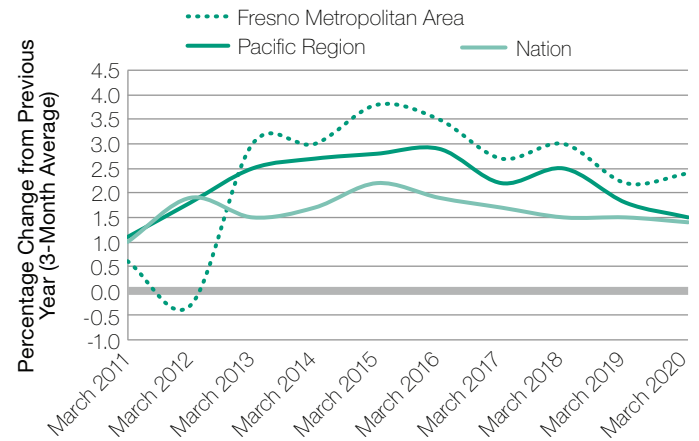
Largest Employers in the Fresno Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Community Medical Centers	Education & Health Services	8,000
Saint Agnes Medical Center	Education & Health Services	2,550
Amazon.com, Inc.	Wholesale & Retail Trade	2,500

Note: Excludes local school districts.

Source: California Central Valley Economic Development Corporation and estimates by the analyst

Nonfarm payroll growth in the Fresno metropolitan area has outpaced growth in the nation since 2013.



Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions in the Fresno metropolitan area are currently balanced, with an estimated sales vacancy rate of 1.5 percent, down from 2.4 percent in 2010. The supply of homes is low; during March 2020, there were 1,225 single-family homes, condominiums, and townhomes for sale, representing 1.9 months of supply, down from 1,725 homes for sale, or 2.4 months of supply, during March 2019 (Redfin, Inc.). There have been less than 3.0 months of supply during each March since 2012. Improving economic conditions, consistent population growth, and a limited supply of existing homes for sale caused existing home prices to increase an average of 9 percent annually from 2012 through 2018. During the same period, existing home

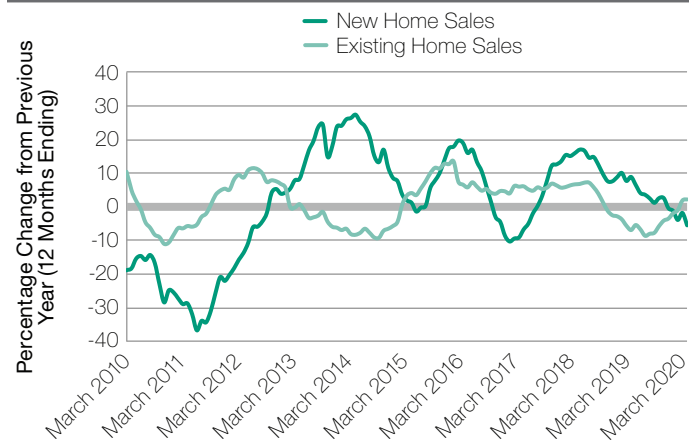
sales increased approximately 2 percent annually. Existing home prices have increased faster than the median income in the Fresno metropolitan area, causing sales housing to become increasingly unaffordable. The National Association of Home Builders and Wells Fargo Housing Opportunity Index indicated that 207 of the 237 metropolitan areas measured were more affordable than the Fresno metropolitan area during the first quarter of 2020, up from 126 of 237 areas during the first quarter of 2012.

During the 12 months ending March 2020—

- The average price of an existing home increased 3 percent to \$292,500, compared with the 12 months ending March 2019

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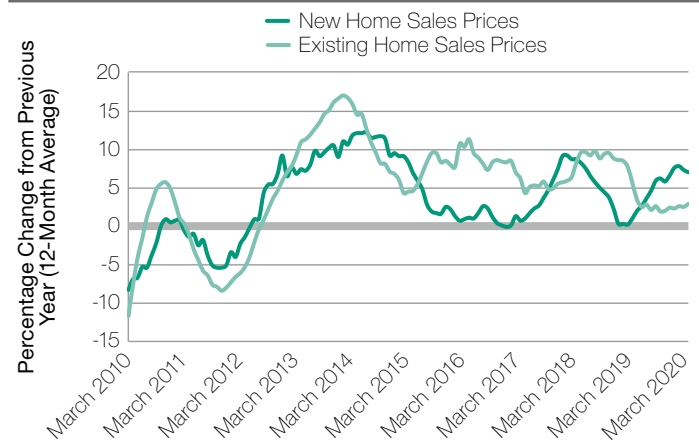
New home sales in the Fresno metropolitan area increased from mid-2017 to late 2019.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Existing home prices have increased every year since late 2012 in the Fresno metropolitan area.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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(Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Average existing home prices are still below the 2006 peak of \$308,500 despite more than 8 consecutive years of price growth.

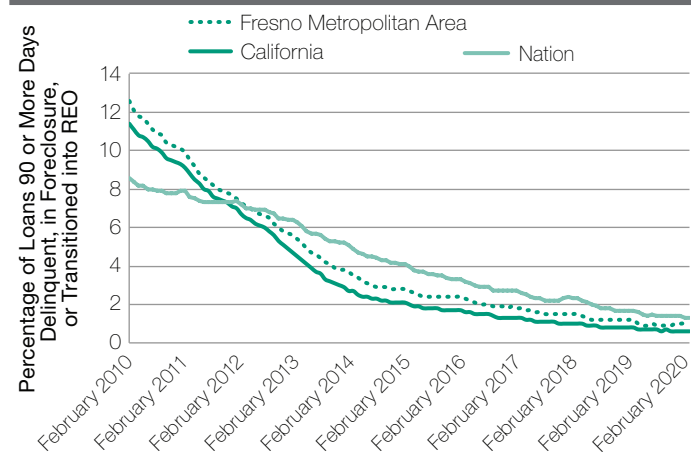
- Approximately 10,600 existing homes were sold, up 2 percent from a year ago, following a decline of 7 percent during the previous 12-month period. Low levels of for-sale inventory have contributed to a decline in the number of existing home sales and rising prices in the metropolitan area.
- Average new home prices increased 7 percent to \$377,900, and new home sales decreased 6 percent to 2,100, compared with the preceding 12-month period. From 2012 through 2018, average new home prices grew 5 percent annually.
- The rate of seriously delinquent mortgage loans and REO sales declined to 0.9 percent during February 2020, compared with

1.2 percent during February 2019. By comparison, the national rate during February 2020 was 1.3 percent (CoreLogic, Inc).

Single-family homebuilding, as measured by the number of homes permitted, has been relatively steady since 2013 despite improving economic conditions and increasing home prices.

- During the 12 months ending March 2020, approximately 2,350 single-family homes were permitted, approximately 14 percent above the 2,050 homes permitted a year earlier (preliminary data).
- Single-family homebuilding reached a low of 1,400 homes permitted annually during 2011 and 2012, then increased to an average of 2,150 homes permitted annually from 2013 through 2019.
- The cities of Fresno and Clovis accounted for approximately 80 percent of new home construction in the metropolitan area during the 12 months ending March 2020. Loma Vista, a master-planned community in Clovis that is 70 percent complete, will have 30,000 homes at buildout. The development accounted for approximately 20 percent of all new home sales in the HMA during 2019.

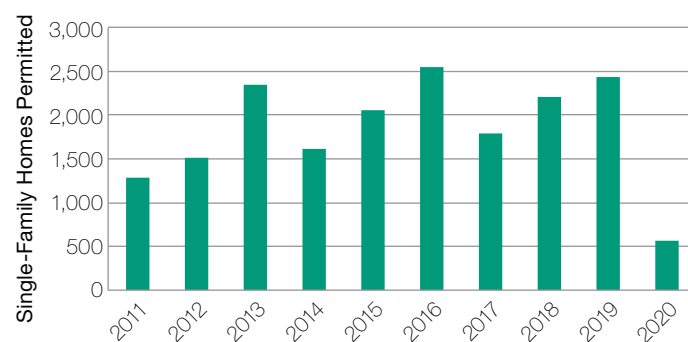
The proportion of seriously delinquent loans and REO properties in the Fresno metropolitan area has been below the nationwide rate since the beginning of 2012.



REO = real estate owned.

Source: CoreLogic, Inc.

Single-family homebuilding in the Fresno metropolitan area has been fairly stable since 2013.



Note: Includes preliminary data from January 2020 through March 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

Rental housing market conditions in the Fresno metropolitan area are slightly tight with an estimated vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) of 3.5 percent as of April 1, 2020, down from 7.0 percent in 2010. Although rental construction levels have increased since 2017, the apartment vacancy rate has continued to decline alongside strong rent growth.

During the first quarter of 2020—

- The apartment market in the Fresno metropolitan area was slightly tight with a vacancy rate of 2.4 percent, down from

2.5 percent a year earlier and below the national average of 4.5 percent (RealPage, Inc.). The apartment vacancy rate in the Fresno metropolitan area has declined every first quarter since 2016.

- The average asking rent in the metropolitan area increased approximately 6 percent to \$1,086 from the first quarter of 2019. Rent growth has been high, averaging 6 percent annually from 2016 through 2019.
- The RealPage, Inc.-defined Woodward Park market area had the highest vacancy rate and lowest rent growth in

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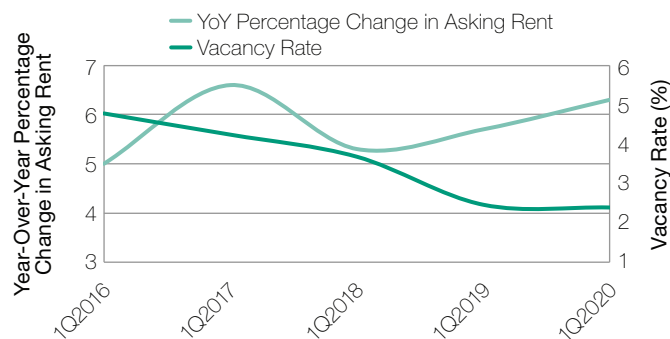
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the metropolitan area at 3.2 and 1 percent, respectively. Approximately 90 percent of apartment completions in the metropolitan area during the past 24-month period occurred in the Woodward Park market area, leading to a large number of apartments in lease-up (RealPage, Inc.).

- Rent growth was fastest in the RealPage, Inc.-defined East Fresno and Sunnyside/Southeast Fresno market areas, with year-over-year increases of 10 and 7 percent, respectively. The East Fresno and Sunnyside/Southeast Fresno market areas have the lowest average rents in the Fresno metropolitan area at \$978 and \$960, respectively.

Rental construction, as measured by the number of rental units permitted, increased significantly from 2017 through 2019 because developers responded to declining vacancy rates and strong rent growth.

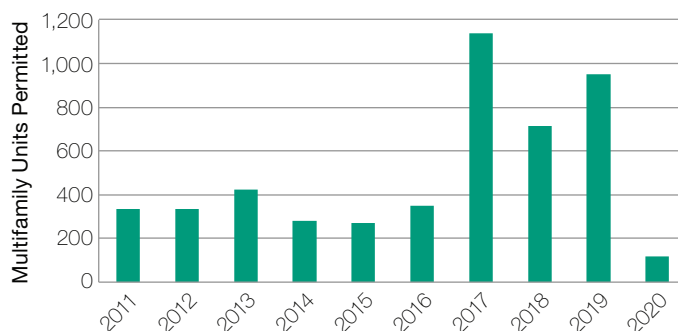
The apartment vacancy rate in the Fresno metropolitan area has trended downward since 2016.



1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

- During the 12 months ending March 2020, approximately 790 multifamily units were permitted in the metropolitan area, a 6-percent decrease from the preceding 12-month period (preliminary data).
- Multifamily permitting was low from 2011 through 2016, averaging 330 units permitted annually, but increased to an average of 940 units annually from 2017 through 2019.
- Almost all market-rate apartments currently under construction are in the cities of Fresno or Clovis.
- The Emerson, a 216-unit apartment property, opened in late 2019 in south Clovis and is currently in lease-up. Rent for one-, two-, and three-bedroom units at The Emerson start at approximately \$1,400, \$1,600, and \$1,800, respectively.

Multifamily construction in the Fresno metropolitan area increased significantly in 2017.



Note: Includes preliminary data from January 2020 through March 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst