HUD PD&R Regional Reports

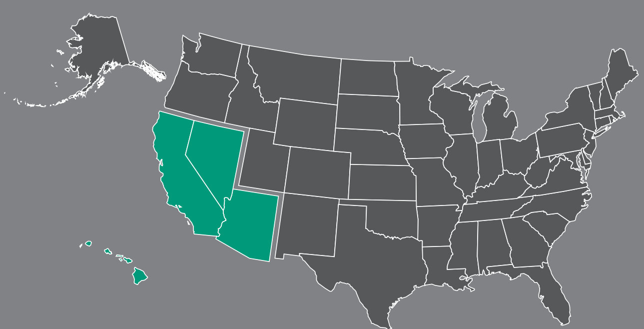
Region 9: Pacific

Las Vegas, Nevada

Quick Facts About Region 9

- **Sales market conditions—**
  First quarter 2019: mixed (balanced to tight)
  Fourth quarter 2018: mixed (slightly soft to tight)
  First quarter 2018: mixed (slightly soft to tight)

- **Apartment market conditions—**
  First quarter 2019: mixed (slightly tight to tight)
  Fourth quarter 2018: mixed (balanced to tight)
  First quarter 2018: mixed (balanced to tight)



By Elaine Ng | 1st Quarter 2019

Overview

Economic conditions remained strong in the Pacific region during the first quarter of 2019, as nonfarm payrolls have posted continuous year-over-year increases since the fourth quarter of 2010. The growth has slowed compared with national employment trends, however, as the recent quarter represents the first time in 7 years that job gains in the Pacific region did not exceed national job growth. California continued to contribute the majority of jobs and growth in the region, providing 78 percent of jobs and 70 percent of net job growth during the first quarter of 2019; during the first quarter of 2018, those contributions were 78 and 77 percent, respectively. Sales housing market conditions remained nearly unchanged from a year ago; however, sales in the region declined because of rising home prices. Despite rising sales prices, Arizona's modest increase in single-family homebuilding activity (as measured by building permits issued) was not enough to offset declines in the other three states, and a decrease in the region overall. Apartment market conditions were tight throughout much of the region, and vacancy rates declined or remained unchanged in 8 of the 10 largest markets cited in this report. Average apartment rents increased in all but 1 of the largest markets in the region but rent growth in only 3 of the 10 largest markets exceeded the national rate of growth.

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- Almost every payroll sector in the region added jobs during the first quarter of 2019, with the largest gains occurring in the professional and business services and education and health services sectors; at least one of these two sectors was among the fastest growing in every state of the region except Hawaii. Job growth remained flat in the wholesale and retail trade sector.
- Home sales in the region declined 7 percent during the 12 months ending February 2019, to 761,000 homes sold. Average home sales prices, however, rose in all states of the region except Hawaii, where the prices remained unchanged.

Single-family homebuilding activity in the region, as measured by the number of homes permitted, decreased 10 percent in the region, to 21,500 homes during the first quarter of 2019.

- Multifamily permitting declined 10 percent in the region during the first quarter of 2019, with reduced or stable construction activity in each state in the region. By comparison, multifamily permitting activity remained mostly unchanged in the nation. Multifamily development in the region accounted for 14 percent of all multifamily development in the nation during the first quarter of 2019, down from an average 16 percent annually from 2010 through 2017.

Economic Conditions

Economic conditions in the Pacific region began to improve from the Great Recession during the fourth quarter of 2010 and have remained strong since then. All four states in the region added jobs in the first quarter of 2019, with total nonfarm payrolls increasing by 373,500 jobs, or 1.7 percent, to 22.2 million jobs. This rate was slower than the 2.5-percent growth in nonfarm payrolls in the region a year earlier. During the first quarter of 2019, nonfarm payroll growth in the region accounted for 14 percent of job growth nationally, but this percentage was smaller than the 24-percent share during the first quarter of 2018. The professional and business services and education and health services sectors accounted for the greatest job gains in the region during the first quarter of 2019, adding 93,300 and 89,900 jobs, or 2.8 and 2.7 percent, respectively. Growth in these sectors was driven by job gains in California, which accounted for 75 percent of the job additions in these sectors in the region. The healthcare and social assistance industry accounted for 86 percent of the region's net gain in jobs in the education and health services sector, largely in response to continued regional population growth. Multiple construction projects across the region contributed to a gain of 46,400 jobs, or 4.0 percent, in the mining, logging, and construction sector, the fastest growing sector in the region during the first quarter of 2019. The sector has added jobs year-over-year each quarter since the second quarter of 2011, but current employment levels are 17 percent below the pre-recession peak of 1.44 million jobs that occurred during the third quarter of 2006.

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Job growth remains positive in the Pacific region; however, the current quarter is the first time in 28 quarters that the rate of regional job growth did not exceed the national rate.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	21,828.1	22,201.6	373.5	1.7
Goods-Producing Sectors	2,690.2	2,765.3	75.1	2.8
Mining, Logging, & Construction	1,148.2	1,194.6	46.4	4.0
Manufacturing	1,542.1	1,570.7	28.6	1.9
Service-Providing Sectors	19,137.9	19,436.4	298.5	1.6
Wholesale & Retail Trade	3,063.2	3,062.5	-0.7	0.0
Transportation & Utilities	857.5	885.1	27.6	3.2
Information	614.0	620.0	6.0	1.0
Financial Activities	1,147.7	1,151.2	3.5	0.3
Professional & Business Services	3,306.7	3,400.0	93.3	2.8
Education & Health Services	3,369.9	3,459.8	89.9	2.7
Leisure & Hospitality	2,739.2	2,785.6	46.4	1.7
Other Services	723.2	729.9	6.7	0.9
Government	3,316.7	3,342.4	25.7	0.8

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

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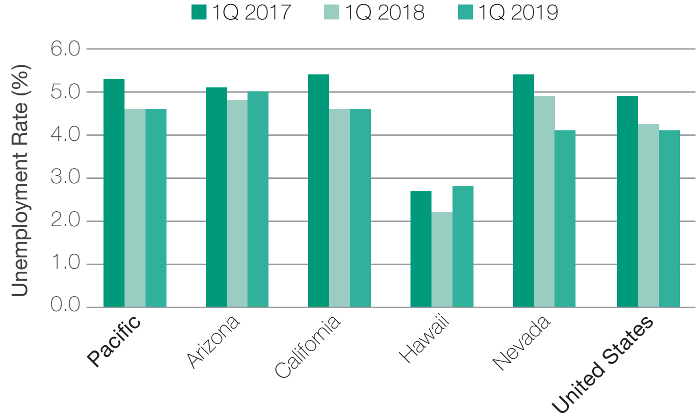
The unemployment rate in the region averaged 4.6 percent during the first quarter of 2019, unchanged from a year earlier but higher than the national average of 4.1 percent. Despite a 0.6-percentage-point rise in the unemployment rate, Hawaii had the lowest unemployment rate in the region, at 2.8 percent, and the second-lowest rate in the nation. The unemployment rate remained unchanged in California at 4.6 percent but declined in Nevada, from 4.9 to 4.1 percent. The highest unemployment rate in the region—and the sixth highest in the nation—was in Arizona at 5.0 percent, up from 4.8 percent a year earlier.

During the first quarter of 2019—

- California added 247,900 jobs, a gain of 1.5 percent but lower than the 2.5-percent rate of growth a year earlier. The professional and business services and the education and health services sectors combined, accounted for more than one-half of the job growth in the state, expanding by 70,400 and 67,100 jobs, or 2.7 and 2.5 percent, respectively. Many hospital expansions that are underway are the result of new state laws that require facilities to meet earthquake-resistance standards. In the professional and business services sector, jobs in the tech industry continue to account for much of the sector-wide growth. More than 3.46 million workers are employed in science, technology, engineering, and mathematics (STEM) fields in the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara metropolitan areas, with the most common professions being computer hardware engineers and biological scientists.
- Nonfarm payrolls in Arizona increased by 73,300 jobs, or 2.6 percent, from a year ago, a smaller increase than the gain of 79,300 jobs, or 2.9 percent, during the first quarter of 2018. The education and health services sector and the construction subsector led job growth in the state, adding 18,200 and 16,100 jobs, or 4.1 and 10.6 percent, respectively. The healthcare industry in Arizona has grown in the past year and in addition to several new or expanded hospital facilities in the state, sector jobs have been added by firms supporting the healthcare system, such as pharmaceuticals manufacturing.

The unemployment rate in the first quarter of 2019 was down from a year ago in Nevada, but the rates remained flat or increased elsewhere in the Pacific region.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

- In Nevada, nonfarm payrolls expanded by 49,700 jobs, or 3.7 percent. The construction subsector and the professional and business services sector added the most jobs in the state, up by 11,700 and 11,500 jobs, or 13.9 and 6.2 percent, respectively. Construction activity in the Las Vegas-Henderson-Paradise metropolitan area is responsible for much of the job growth, and construction jobs in that metropolitan area account for 63 percent of all construction jobs statewide.
- Hawaii added 2,575 nonfarm payroll jobs, a 0.4-percent increase. Job growth in the state has been below 1 percent since the second quarter of 2017. The government sector led job gains and contributed three-fourths of the overall growth, expanding by 2,000 jobs, or 1.6 percent. Three-fourths of the increase in the sector was attributed to growth in the state government subsector, up by 1,450 jobs, or 1.9 percent, from a year ago, with occupations ranging from social services to planning and development (State of Hawaii Department of Human Resources and Development).

Population

The population of the Pacific region increased by 338,700, or 0.7 percent, from 2017 to 2018; slightly faster than the 0.6-percent growth rate for the nation (Census Bureau population estimates as of July 1). Approximately 30 percent of the population growth in the region from 2017 to 2018 resulted from net in-migration of 101,600 people, down from a 36-percent share during the previous 12 months. From 2017 to 2018, net natural change (resident births minus resident deaths) decreased to approximately 236,800 people from 260,200 people during the previous year. Rates of population growth were highest in Nevada and Arizona at 2.1 and 1.7 percent, respectively, followed by California at 0.4 percent. The population in Hawaii, however, declined 0.3 percent because of net out-migration of 8,350 people. Compared with all states in the nation, Nevada and Arizona had the first and fourth highest population growth rates, respectively.

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The population growth rate in the Pacific region was slightly above the national rate, and similar to the previous year's trend.

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
Pacific Region	50,502,456	50,844,833	51,183,574	0.7	0.7
Arizona	6,945,452	7,048,876	7,171,646	1.5	1.7
California	39,209,127	39,399,349	39,557,045	0.5	0.4
Hawaii	1,428,105	1,424,203	1,420,491	-0.3	-0.3
Nevada	2,919,772	2,972,405	3,034,392	1.8	2.1

Note: The population estimates are as of July 1.
Source: U.S. Census Bureau

During the 12 months ending July 1, 2018—

- Strong job growth and relatively affordable housing in Arizona and Nevada contributed to higher rates of population growth than in the other two states in the region. Net in-migration, particularly from the more expensive markets in California, accounted for 79 and 82 percent of population growth in the two states, respectively.
- Population growth in California, the most populous state in the nation, accounted for 47 percent of total population growth in the region. Net natural change accounted for all the growth, as net out-migration from California totaled 38,300 people. International net in-migration to California of 117,800 people was not high enough to offset domestic net out-migration that was primarily a result of sharply rising home prices. Asia and Latin America have accounted for 56 and 29 percent, respectively, of the foreign-born population entering the state since 2010 (2017 American Community Survey 1-year data).
- The population in Hawaii has been declining since 2016 as net out-migration exceeds net natural change. Three years of slower economic growth and higher home prices have contributed to a surge in net out-migration, as the 12,400 domestic residents that moved to other parts of the nation exceeded the 4,100 international migrants, many of them retirees, that moved into the state.

Sales Market Conditions

During the first quarter of 2019, conditions in sales housing markets in the Pacific region ranged from balanced to tight. Continued economic growth has supported rising home sales prices throughout the region since 2012, but price pressures have contributed to declining or flattening home sales in all the largest metropolitan areas in the region. The average home sales price for the region (including single-family homes, townhomes, and condominiums) increased 5 percent, to $505,400, during the 12 months ending February 2019, after a 6-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Home sales prices in the region were 72 percent higher than the national average, but the rate of growth in prices was similar. Nationwide, the average home sales price rose 4 percent, to $294,400, during the 12 months ending February 2019, slower than the 6-percent gain during the previous 12-month period. Average home sales prices rose in all four states of the region, with the fastest price gain occurring in Nevada, where prices increased by $29,100, or 10 percent, to $318,400. Average home sales prices also increased in all major metropolitan areas cited in this report, ranging from a 2-percent increase, in Urban Honolulu, to a 10-percent increase, in San Jose-Sunnyvale-Santa Clara and an 11-percent gain, in Las Vegas-Henderson-Paradise.

During the 12 months ending February 2019, the number of home sales in the Pacific region decreased 8 percent from a year earlier, following a 6-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Overall, the decline in home sales in the region outpaced that of the nation, where sales decreased 3 percent, following a 3-percent gain a year earlier. Lower levels of regional home sales were partly in response to rising home sales prices that are already higher than the national average. Home sales declined 3 percent in Arizona, 8 percent in Nevada, 9 percent in California, and 23 percent in Hawaii, where home sales are typically volatile due to the small number of transactions. The 10 largest metropolitan areas in the region all had decreased home sales, and generally, the more expensive markets had more significant drops in sales during the 12 months ending February 2019. The greatest decline occurred in the Urban Honolulu metropolitan area, where sales were down 21 percent, accounting for 58 percent of the statewide decline. In the Riverside-San Bernardino-Ontario and Los Angeles-Long Beach-Anaheim metropolitan areas, home sales decreased 11 and 9 percent, respectively, during the 12 months ending February 2019 and accounted for 42 percent of the net decrease in sales in California. In the remaining major metropolitan areas of California, home sales declines ranged from a 7-percent drop in the San Francisco-Oakland-Hayward metropolitan area to a 12-percent decrease in the Oxnard-Thousand Oaks-Ventura metropolitan area. A 7-percent decline of home sales in the Las Vegas-Henderson-

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Despite declining home sales in all the largest metropolitan areas of the region, sales market conditions ranged from balanced to tight as average prices rose in all the same areas.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 ($)	2019 ($)	Percent Change
Urban Honolulu, HI (N&E)[a]	February	13,360	10,514	-21	AVG	675,940	690,284	2
Las Vegas-Henderson-Paradise, NV (N&E)[a]	February	64,015	59,612	-7	AVG	283,335	313,755	11
Phoenix-Mesa-Scottsdale, AZ (N&E)[a]	February	135,270	131,629	-3	AVG	291,448	313,444	8
Los Angeles-Long Beach-Anaheim, CA (N&E)[b]	February	113,842	103,105	-9	AVG	849,873	894,326	5
Riverside-San Bernardino-Ontario, CA (N&E)[a]	February	83,479	74,001	-11	AVG	361,187	381,201	6
San Diego-Carlsbad, CA (N&E)[a]	February	44,921	40,109	-11	AVG	637,262	668,522	5
Oxnard-Thousand Oaks-Ventura, CA (N&E)[a]	February	11,038	9,714	-12	AVG	642,072	664,470	3
San Francisco-Oakland-Hayward, CA (N&E)[b]	February	46,820	43,773	-7	AVG	1,072,414	1,161,579	8
San Jose-Sunnyvale-Santa Clara, CA (N&E)[a]	February	21,107	18,924	0	AVG	1,113,853	1,222,351	0
Sacramento–Roseville–Arden-Arcade, CA (N&E)[a]	February	45,514	41,936	0	AVG	409,765	438,144	0

AVG = average. N&E = new and existing.
Note: Data include single-family homes, townhomes, and condominiums.
Sources: (a) CoreLogic, Inc., with adjustments by the analyst; (b) Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Paradise metropolitan area accounted for almost two-thirds of the total decline in Nevada home sales. In the Phoenix-Mesa-Scottsdale metropolitan area, home sales declined 3 percent and accounted for 72 percent of the total decline in Arizona home sales.

The number of distressed sales (real estate owned [REO] and short sales) in the region declined significantly during the past year because fewer such properties were in the for-sale inventory. During the 12 months ending February 2019, REO sales fell 28 percent and short sales declined 42 percent, after decreases of 39 and 71 percent, respectively, during the previous 12-month period. Nationwide, by comparison, the number of REO sales fell 23 percent, and short sales fell 15 percent during the 12 months ending February 2019. The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region declined from 1.1 percent in February 2018 to 0.9 percent in February 2019. The national percentage declined by 0.7 percentage point to 1.6 percent. In the region, the percentage of seriously delinquent mortgage loans and REO properties was highest in Hawaii, at 2.1 percent, down from 2.5 percent a year ago. The regional rate reflected lower rates in Arizona and California of 0.9 and 0.8 percent, respectively.

During the first quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 10 percent from a year earlier in the region, to 21,500 homes, compared with an 18-percent gain during the first quarter of 2018. The number of homes permitted nationally declined 7 percent from a year earlier after an 8-percent gain in the first quarter of 2018.
- Much of the decline was due to lower single-family homebuilding activity in California, which accounted for 84 percent of the decline in the region. The number of single-family homes permitted in California declined 16 percent, to 10,400 homes during the first quarter of 2019, after a 20-percent increase during the same period a year earlier.

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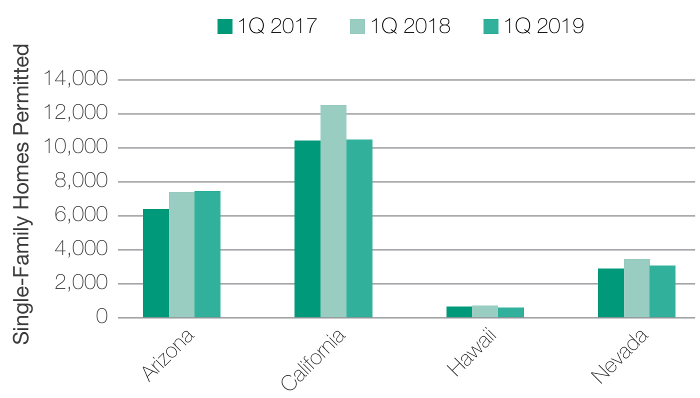
Arizona was the only state in the Pacific region where homebuilding activity increased during the first quarter of 2019, but only by a small amount.



1Q = first quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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The 23-percent decline in single-family permitting in the Los Angeles-Long-Beach-Anaheim metropolitan area, where 2,000 homes were permitted, accounted for almost 30 percent of the overall statewide decline.

- Single-family permitting declined by 400 and 100 homes, or 12 and 14 percent, respectively in Nevada and Hawaii, compared with increases of 19 and 6 percent during the first quarter of 2018.
- Arizona was the only state where single-family homebuilding activity increased, by 1 percent, to 7,450 homes, after an increase of 16 percent during the same period a year earlier.

Apartment Market Conditions

Apartment market conditions in the largest metropolitan areas in the Pacific region ranged from slightly tight to tight during the first quarter of 2019, compared with balanced to tight conditions during the first quarter of 2018, when the apartments markets in Las Vegas-Henderson-Paradise and Phoenix-Mesa-Scottsdale metropolitan areas were balanced. Higher home sales prices have made homeownership less attainable in the region, contributing to increased rental demand and tighter apartment market conditions. Vacancy rates declined or remained unchanged in 8 of the 10 major metropolitan areas included in this report; eight metropolitan areas had vacancy rates that were below the national average of 4.7 percent (RealPage, Inc.). Despite being higher than the national average, the vacancy rate declined the most in the Urban Honolulu metropolitan area, where market conditions are tight, by nearly a percentage point, to 5.5 percent. In the Phoenix-Mesa-Scottsdale and Las Vegas-Henderson-Paradise metropolitan areas, conditions were balanced during the first quarter of 2018 but have since tightened, with vacancy rates falling 0.6 and 0.4 percentage points, to 4.3 and 4.8 percent, respectively. Vacancy rates increased in the San Diego-Carlsbad and San Francisco-Oakland-Hayward metropolitan areas by 0.3 and 0.1 percentage points, to 4.0 and 3.9 percent, respectively, although both markets remained tight.

As generally tight market conditions prevailed in the region, average rents increased in all major metropolitan areas in the region during the first quarter of 2019, except in Urban Honolulu, where rents fell 2 percent. In the most affordable markets of the region, the average rent increased faster than the 5-percent rate of growth in the nation; in the Las Vegas-Henderson-Paradise, Phoenix-Mesa-Scottsdale, and Sacramento-Roseville-Arden-Arcade metropolitan areas, average rents increased 9, 9, and 5 percent, respectively, from a year earlier. In the other metropolitan areas where rents grew slower than the national rate, the growth in the average rent ranged from 3 percent in the San Jose-Sunnyvale-Santa Clara metropolitan area to 4 percent in the remaining metropolitan areas, including San Francisco-Oakland-Hayward, which are among the highest cost areas in the nation.

During the first quarter of 2019 (preliminary data)—

- Multifamily permitting declined 10 percent in the region, to 14,700 units, compared with a 16-percent increase during the first quarter of 2018. By comparison, the number of units permitted nationally remained relatively unchanged from the first quarter of 2018 following an 8-percent increase during the same period a year earlier.

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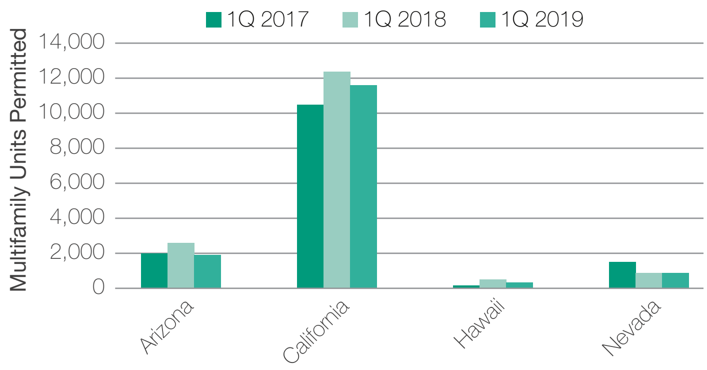
Apartment market conditions tightened in the region compared with the first quarter of 2018, with each of the 10 largest markets in the region being slightly tight or tight.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 ($)	1Q 2019 ($)	Percent Change
Urban Honolulu	Tight	6.4	5.5	-0.9	2,123	2,074	-2
Las Vegas-Henderson-Paradise	Slightly Tight	5.2	4.8	-0.4	968	1,055	9
Phoenix-Mesa-Scottsdale	Slightly Tight	4.9	4.3	-0.6	1,007	1,099	9
Los Angeles-Long Beach-Anaheim	Tight	3.9	3.8	-0.1	2,097	2,173	4
Riverside-San Bernardino-Ontario	Tight	3.8	3.8	0	1,436	1,500	4
San Diego-Carlsbad	Tight	3.7	4.0	0.3	1,887	1,960	4
Oxnard-Thousand Oaks-Ventura	Tight	3.7	3.5	-0.2	1,876	1,944	4
San Francisco-Oakland-Hayward	Tight	3.8	3.9	0.1	2,656	2,773	0
San Jose-Sunnyvale-Santa Clara	Tight	4.1	4.1	0	2,724	2,814	0
Sacramento–Roseville–Arden-Arcade	Tight	3.6	3.4	-0.2	1,356	1,426	0

1Q = first quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

- California accounted for 79 percent of the multifamily units permitted in the region, compared with 76 percent during the first quarter of 2018. Multifamily permitting activity in the state declined 6 percent to 11,600 units and accounted for nearly one-half of the decrease in the region. By comparison, multifamily permitting increased 18 percent in the state during the first quarter of 2018.
- In Nevada, where multifamily permitting often fluctuates significantly, the number of units permitted remained flat at 880 units, following a 41-percent decrease during the first quarter of 2018.
- Multifamily permitting activity decreased significantly in both Hawaii and Arizona. In Hawaii, multifamily permitting declined 32 percent, to 350 units. Reduced multifamily construction activity in the Urban Honolulu metropolitan area accounted for almost the entire net decline in the state. In Arizona, 1,900 units were permitted, a 28-percent decline from the first quarter of 2018, with the entire statewide decline attributable to a drop in multifamily construction activity in the Phoenix-Mesa-Scottsdale metropolitan area.

Multifamily permitting activity remained flat in Nevada but declined in all other states of the region.



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