HUD PD&R Regional Reports

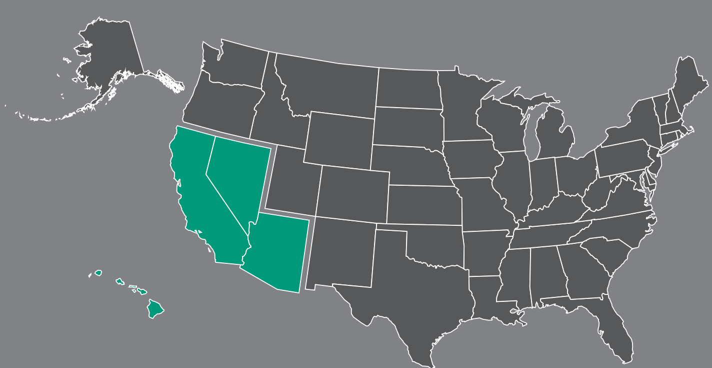
Region 9: Pacific

Las Vegas, Nevada

Quick Facts About Region 9

Sales market conditions—
First quarter 2021: mixed (balanced to tight)
Fourth quarter 2020: mixed (balanced to tight)
First quarter 2020: mixed (balanced to tight)

Apartment market conditions—
First quarter 2021: mixed (balanced to tight)
Fourth quarter 2020: mixed (balanced to tight)
First quarter 2020: mixed (slightly tight to tight)



By Elaine Ng | 1st Quarter 2021

Overview

Economic conditions in the Pacific region were weak during the first quarter of 2021. Before the start of the pandemic, economic conditions in the Pacific region were strong, with year-over-year job gains exceeding the national rate of job growth during each quarter since the second quarter of 2012. During the first quarter of 2021, however, nonfarm payrolls in the region remained 8.7 percent below payrolls a year ago. By comparison, nonfarm payrolls in the nation remained 5.4 percent below payrolls a year ago. All states in the region lost jobs (year-over-year) during the most recent quarter; however, the respective rates of job loss were notably less severe than during the second quarter of 2020, when most of the job losses from COVID-19 countermeasures occurred. California—the most populous state in the region—accounted for 81 percent of the regional decline during the first quarter of 2021 after accounting for 72 percent of all job gains regionwide during the first quarter of 2020. Sales housing market conditions in the region ranged from balanced to tight—unchanged from a year ago. Home sales prices rose significantly, whereas the number of home sales in the region

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increased only slightly due to limited for-sale inventory. Single-family homebuilding activity, as measured by the number of homes permitted, increased strongly during the first quarter of 2021. Apartment market conditions continued to soften in the most expensive metropolitan areas of the region, but conditions tightened in the more affordable markets—a trend that began during the second quarter of 2020. Apartment vacancy rates decreased in 6 of the 10 metropolitan areas cited in this report, and apartment rents rose in 7 of the largest metropolitan areas in the region.

- During the first quarter of 2021, every nonfarm payroll sector in the region lost jobs compared with a year earlier, with the largest decline in the leisure and hospitality sector. That trend generally mirrors the pattern of year-over-year job losses since the second quarter of 2020, when job losses attributed to the COVID-19 pandemic began.
- Home sales in the region increased 1 percent during the 12 months ending February 2021, to 680,500 homes sold, compared with 674,000 sales a year earlier, and the average home sales price rose 11 percent to $657,100 (Zonda). Single-family homebuilding activity in the region—as measured by the number of homes permitted—expanded 21 percent from a year earlier, to 31,200 homes, during the first quarter of 2021.
- Multifamily home permitting rose 6 percent in the region during the first quarter of 2021, with increases in three of the four states in the region. By comparison, multifamily permitting activity increased 14 percent nationwide.

Economic Conditions

Nonfarm payrolls in the Pacific region increased at a strong rate (year-over-year) during each quarter from the second quarter of 2012 through the first quarter of 2020. During the second quarter of 2020, all states in the region introduced countermeasures to slow the spread of COVID-19, including enforcement of social distancing and discouraging nonessential travel and entertainment outings; those countermeasures contributed to declines in economic activity throughout the region. Phased re-openings have since continued regionwide. During the first quarter of 2021, the region had recovered approximately 37 percent of jobs lost during the second quarter of 2020 (non-seasonally adjusted data). During the first quarter of 2021, year-over-year job losses in the region accounted for 6 percent of jobs lost nationally. Because travel, dining, and entertainment often rely on in-person interactions, the leisure and hospitality sector—which declined by 894,400 jobs, or 31.8 percent—accounted for the largest and fastest declines in the region during the first quarter of 2021 compared with a year earlier. Job losses in California accounted for 77 percent of the regionwide decline in the leisure and hospitality sector. For context, leisure and hospitality jobs in California accounted for 11 percent of total nonfarm payrolls during the first quarter of

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During the first quarter of 2021, nonfarm payrolls were down in every sector in the Pacific region relative to a year ago.

	First Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	22,590.8	20,635.5	-1,955.3	-8.7
Goods-Producing Sectors	2,807.8	2,686.1	-121.7	-4.3
Mining, Logging, & Construction	1,238.5	1,203.4	-35.1	-2.8
Manufacturing	1,569.3	1,482.7	-86.6	-5.5
Service-Providing Sectors	19,783.0	17,949.4	-1,833.6	-9.3
Wholesale & Retail Trade	3,016.2	2,880.8	-135.4	-4.5
Transportation & Utilities	963.8	1,008.9	45.1	4.7
Information	660.1	588.6	-71.5	-10.8
Financial Activities	1,176.9	1,130.9	-46.0	-3.9
Professional & Business Services	3,455.5	3,287.3	-168.2	-4.9
Education & Health Services	3,586.0	3,427.9	-158.1	-4.4
Leisure & Hospitality	2,813.4	1,919.0	-894.4	-31.8
Other Services	745.7	594.9	-150.8	-20.2
Government	3,365.4	3,111.1	-254.3	-7.6

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

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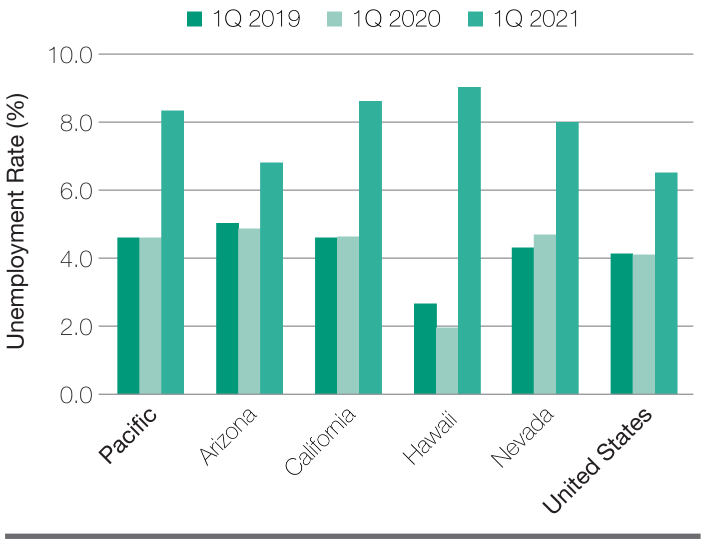
2020 and declined to 8 percent during the first quarter of 2021. Regionwide losses were also significant in the government sector, accounting for 13 percent of job losses in the region.

The unemployment rate in the region averaged 8.3 percent during the first quarter of 2021—up significantly from the 4.6-percent rate a year earlier and above the 6.5-percent national rate. Continued business re-openings throughout the region contributed to a reduction in the average regional unemployment rate from the 15.6-percent rate averaged during the second quarter of 2020. During the first quarter of 2021, the unemployment rate rose from 4.7 percent to 8.0 percent in Nevada, from 4.6 to 8.6 percent in California, and from 2.0 percent to 9.0 percent in Hawaii. The rate rose the least in Arizona, increasing from 4.9 percent to 6.8 percent during the first quarter of 2021.

During the first quarter of 2021—

- California lost 1.59 million jobs—a decline of 9.1 percent from a year ago—but the state has recovered 31 percent of the jobs lost during the second quarter of 2020 (non-seasonally adjusted data). Recent year-over-year job losses were significant in the leisure and hospitality and the government sectors, with declines of 685,100 and 214,100 jobs, or 34.2 and 8.1 percent, respectively.
- Nonfarm payrolls in Arizona declined by 108,400 jobs, or 3.6 percent, from the first quarter of 2020, but the state recovered 84 percent of all jobs lost during the second quarter of 2020 (non-seasonally adjusted data). The leisure and hospitality and the government sectors led job declines from the first quarter of 2020 in the state, with losses of 54,500 and 21,500 jobs, or 16.2 percent and 5.0 percent, respectively.
- In Nevada, nonfarm payrolls declined by 147,500 jobs, or 10.3 percent, compared with the first quarter of 2020; the leisure and hospitality sector lost the most jobs, down by 105,800 jobs, or 30.2 percent. About 5.07 million visitors traveled to Las Vegas during the first quarter of 2021—a 40-percent decline from the 8.41 million visitors during the first quarter of 2020 (Las Vegas Convention and Visitors Authority). During the first quarter of 2021, Nevada recovered 51 percent of jobs lost during the second quarter of 2020 (non-seasonally adjusted data).
- Hawaii lost 113,300 nonfarm payroll jobs—a 17.2-percent decrease—compared with the first quarter of 2020. That rate was the fastest year-over-year decline in the region, resulting in the smallest improvement from the second quarter of 2020. During the first quarter of 2021, the leisure and hospitality sector in the state lost 67,100 jobs, or 53.0 percent, compared with the first quarter of 2020—only slightly smaller than the year-over-year loss of 68,100 jobs, or 54.0 percent, during the second quarter of 2020.

The unemployment rate in the Pacific region remained above the national rate during the first quarter of 2021 as most states maintained slow and phased reopening plans.



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

Impact of COVID-19 on Statewide Economies

Arizona has fared the best in the region economically since the pandemic began, with the lowest level and rate of job losses because of fewer COVID-19 restrictions on businesses. However, Arizona has had the highest caseload and mortality impacts from COVID-19, with 11,826 cases per 100,000 residents and 237 deaths per 100,000 residents as of the week of April 26, 2021 (Centers for Disease Control and Prevention). Those figures represent a 14-percent higher caseload and 35-percent higher death rate per 100,000 residents than in Nevada, a 29-percent higher caseload and a 56-percent higher death rate than in California, and a 661-percent higher caseload and 618-percent higher death rate than in Hawaii. The economy has recovered slowest in Hawaii because of significant restrictions on travel and tourism to the Hawaiian Islands, including mandatory quarantine or pre-testing requirements for entry, but the state has the lowest caseload and death rate in the region. By the first quarter of 2021, Hawaii had recovered only 22 percent of jobs lost during the second quarter of 2020; significantly fewer jobs were recovered in the state than the other three states in the region (non-seasonally adjusted data).

Population

The population of the Pacific region increased by an average of 354,300, or 0.7 percent, annually, from 2010 to 2020, just over one-half the growth rate of 1.2 percent during the 2000 to 2010 decade (U.S. Census Bureau decennial census counts as of April 1). By comparison, the population in the nation increased by the same average annual rate of 0.7 percent from 2010 to 2020, down slightly from the rate of 0.9 percent during the prior decade. The rate of population growth during the 2010s was roughly halved in all four states of the region, although the rate of growth continued to be highest in Arizona and Nevada, where housing is generally more affordable. Significant net in-migration to Arizona and Nevada was partially offset by net out-migration from California and Hawaii. Net migration accounted for 23 percent of the regional population growth from 2010 to 2020. Compared with all states in the nation, Nevada and Arizona had the fifth and tenth highest average annual population growth rates, respectively.

- Strong job growth and relatively affordable housing in Arizona and Nevada contributed to higher respective average annual rates of population growth at 1.1 and 1.4 percent, compared with California and Hawaii from 2010 to 2020. Net in-migration, a large portion of which was from more expensive markets in California, accounted for 71 percent of average annual population growth in both Arizona and Nevada.
- Population growth in California slowed from an average annual rate of 1.0 percent from 2000 to 2010 to 0.6 percent annually from 2010 to 2020, reaching a population of 39.5 million, and California remains the most populous state in the nation. International net in-migration to California was not high enough to offset domestic net out-migration. Asia and Latin America accounted for 40 and 49 percent, respectively, of the foreign-born population moving to the state (2019 ACS 1-year data).
- In Hawaii, the population increased an average of 1.2 percent annually from 2000 to 2010 before slowing to an average annual increase of 0.7 percent from 2010 to 2020 to 1.46 million people. The slowdown in growth during the 2010 to 2020 period is due to population declines during the latter part of the decade when net out-migration exceeded net natural change (resident births minus resident deaths).

The average annual rate of population growth was roughly halved in all states in the Pacific region from 2010 to 2020 compared with the previous decade.

	Population Estimate (as of April 1)			Average Annual Percentage Change	
	2000	2010	2020	2000 to 2010	2010 to 2020
United States	285,230,516	312,471,327	334,735,155	0.9	0.7
Pacific Region	42,212,074	47,706,825	51,249,610	1.2	0.7
Arizona	5,130,632	6,392,017	7,151,502	2.2	1.1
California	33,871,648	37,253,956	39,538,223	1.0	0.6
Hawaii	1,211,537	1,360,301	1,455,271	1.2	0.7
Nevada	1,998,257	2,700,551	3,104,614	3.1	1.4

Source: U.S. Census Bureau

Sales Market Conditions

During the first quarter of 2021, conditions in sales housing markets in the region ranged from balanced to tight. Despite weak economic conditions that began during the second quarter of 2020, home prices in the region rose during the 12 months ending February 2021 because demand for sales housing has increased, and the active for-sale inventory fell 31 percent compared with the same period in 2020 (CoreLogic, Inc.).

The average sales price for a home (including single-family homes, townhomes, and condominiums) in the region increased to $657,500 during the 12 months ending February 2021—up 11 percent from the 12 months ending February 2020 (Zonda). The increase during the past year was notably faster than the 2-percent increase during the 12 months ending February 2020. Home prices rose significantly in all states of the region due to a limited inventory of for-sale housing, but prices rose most quickly in the more affordable, often suburban areas of the region where demand increased the most. During the 12 months ending February 2021, the average sales price increased 15 and 17 percent, respectively, in Arizona and Nevada—higher than the respective rates of 7 and 6 percent a year earlier. In California and

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In the largest metropolitan areas of the Pacific region, home sales declined or increased only modestly during the past year, whereas average sales prices increased significantly because of increased demand and limited inventory.

	12 Months Ending	Number of Homes Sold 2020	Number of Homes Sold 2021	Number of Homes Sold Percent Change	Average	Price 2020 ($)	Price 2021 ($)	Price Percent Change
Urban Honolulu, HI (N&E)	February	11,832	10,440	-12	AVG	$729,862	$765,930	5
Las Vegas-Henderson-Paradise, NV (N&E)	February	49,435	46,317	-6	AVG	$385,366	$439,634	14
Phoenix-Mesa-Scottsdale, AZ (N&E)	February	135,841	138,131	2	AVG	$338,951	$395,069	17
Los Angeles-Long Beach-Anaheim, CA (N&E)	February	104,468	100,913	-3	AVG	$905,082	$990,864	9
Riverside-San Bernardino-Ontario, CA (N&E)	February	67,893	69,983	3	AVG	$451,726	$510,077	13
San Diego-Carlsbad, CA (N&E)	February	38,420	39,398	3	AVG	$762,777	$831,906	9
Oxnard-Thousand Oaks-Ventura, CA (N&E)	February	9,333	9,240	-1	AVG	$722,692	$812,614	12
San Francisco-Oakland-Hayward, CA (N&E)	February	43,273	43,644	1	AVG	$1,163,469	$1,252,100	8
San Jose-Sunnyvale-Santa Clara, CA (N&E)	February	14,708	15,147	3	AVG	$1,467,297	$1,578,781	8
Sacramento-Roseville-Arden-Arcade, CA (N&E)	February	35,324	36,643	4	AVG	$526,668	$598,679	14

AVG = average. N&E = new and existing.
Note: Data include single-family homes, townhomes, and condominiums.
Source: Zonda

Hawaii, where the average sales price is generally higher, home prices rose 10 and 8 percent, respectively. By comparison, the average home price rose 1 percent in California and declined 2 percent in Hawaii a year earlier. Average home sales prices also increased in all metropolitan areas cited in this report, ranging from a 5-percent increase in Urban Honolulu to a 17-percent increase in Los Angeles-Long Beach-Anaheim.

During the 12 months ending February 2021, the number of home sales in the Pacific region increased 1 percent to approximately 680,500 homes sold. The number of home sales rose 1 and 5 percent, respectively, in California and Arizona, but declined 7 and 8 percent, respectively, in Nevada and Hawaii. Despite the slight slowdown in sales during the past 12 months, from a 2-percent increase during the 12 months ending February 2020, sales markets across the region remain balanced to tight due to a limited inventory of homes on the market. During the 12 months ending February 2021, the active inventory of homes declined 32 percent each in Arizona and California, 31 percent in Nevada, and 11 percent in Hawaii (CoreLogic, Inc.). The number of homes sold declined in 4 of the 10 major metropolitan areas cited in this report during the 12 months ending February 2021, ranging from a 1-percent decline in the Oxnard-Thousand Oaks-Ventura metropolitan area to a 12-percent decline in Urban Honolulu. Increases in home sales occurred in the remaining six metropolitan areas, ranging from a 2-percent increase in the Phoenix-Mesa-Scottsdale metropolitan area to a 4-percent increase in the Sacramento-Roseville-Arden-Arcade metropolitan area.

Although sales market conditions in the region remained mostly unchanged from a year ago, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties rose sharply. In February 2021, the share of mortgages in the Pacific region that were seriously delinquent or had transitioned into REO status was 3.3 percent—up from 0.7 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties in the region was highest in Nevada and Hawaii, at 5.1 and 5.7 percent, respectively—up from rates of 1.1 and 1.9 percent a year ago. In Arizona and California, the rates rose to 2.8 and 3.2 percent—up from 0.6 percent each during February 2020. Approximately 205,400 mortgages in the region were 90 or more days past due in February 2021—almost a fourfold increase from February 2020; however, the number of foreclosures declined 35 percent, and REOs declined 54 percent. The decline in foreclosures reflects an increased participation in mortgage forbearance programs by borrowers, which was provided for under the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act.

During the first quarter of 2021 (preliminary data)—

- Single-family homebuilding activity in the region increased 21 percent from a year ago to 31,200 homes permitted, after an 18-percent year-over-year rise in permitting activity during the first quarter of 2020. The number of homes permitted nationally increased 26 percent during the first quarter of 2021 after a 17-percent increase during the first quarter of 2020.

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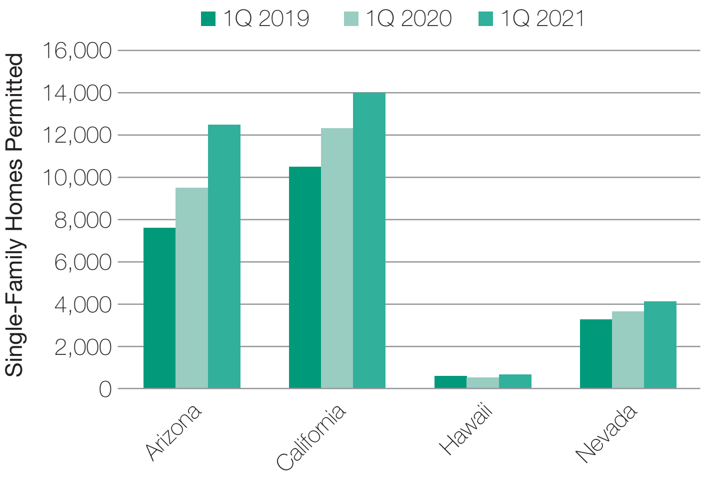
- California accounted for 48 percent of single-family homebuilding activity in the region and permitting rose 14 percent to 14,000 homes.
- Single-family permitting increased 32 percent in Arizona, to 12,500 homes, after a 25-percent increase during the first quarter of 2020. The state accounted for 56 percent of the regionwide increase during the past year.
- In Nevada, single-family homebuilding rose 13 percent to 4,125 homes. In Hawaii, 660 homes were permitted—a 32-percent gain from a year ago.

Single-family home permitting activity increased in all four states of the Pacific region during the first quarter of 2021.



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

Apartment Market Conditions

Apartment market conditions in the Pacific region ranged from balanced to tight in the 10 major metropolitan areas cited in this report during the first quarter of 2021. Some metropolitan areas were easing from tight conditions a year earlier. The recent economic contraction has led many renters to search for more affordable rental housing, shifting some of the demand to lower-cost areas. In addition, households with the means and expected long-term work-from-home options have become increasingly likely to pursue homeownership since the pandemic began, reducing rental demand. Apartment market conditions softened in 4 of the 10 largest metropolitan areas cited in this report, with the most significant softening in markets with the highest rents. In the San Francisco-Oakland-Hayward, San Jose-Sunnyvale-Santa Clara, Los Angeles-Long Beach-Anaheim, and Urban Honolulu metropolitan areas, apartment market conditions ranged from balanced to slightly tight during the first quarter of 2021, compared with tight conditions in all four metropolitan areas a year ago. The respective apartment vacancy rates rose from 1.7 to 5.6 percent, from 2.6 to 6.2 percent, from 0.3 to 4.0 percent, and from 2.6 to 6.2 percent (RealPage, Inc.). Apartment vacancy rates declined and apartment market conditions remained tight in the other six metropolitan areas in the region. Apartment vacancy-rate declines ranged from 0.1 of a percentage point in the Phoenix-Mesa-Scottsdale metropolitan area, where the rate was 3.8 percent, to 2.0 percentage points in the Riverside-San Bernardino-Ontario metropolitan area where the rate was 1.7 percent.

Average rents increased in the six metropolitan areas in the region where apartment market conditions remained tight during the first quarter of 2021, with the fastest rent growth in the least expensive metropolitan areas. Rent increases ranged from 2 percent in San Diego-Carlsbad to 11 percent in Riverside-San Bernardino-Ontario. Conversely, average rents declined in the metropolitan areas where conditions softened from a year ago except for a slight increase of less than 1 percent in Urban Honolulu. Average rents decreased by more than 1 percent in the Los Angeles-Long Beach-Anaheim metropolitan area to $2,234, 12 percent in the San Francisco-Oakland-Hayward metropolitan area to $2,506, and 12 percent in the San Jose-Sunnyvale-Santa Clara metropolitan areas to $2,592.

During the first quarter of 2021 (preliminary data)—

- Multifamily home permitting in the region rose 6 percent, to 18,400 units permitted, following a 12-percent year-over-year increase during the first quarter of 2020. Nationally, by comparison, the number of units permitted increased 14 percent, following an increase of less than 1-percent during the same period a year ago.

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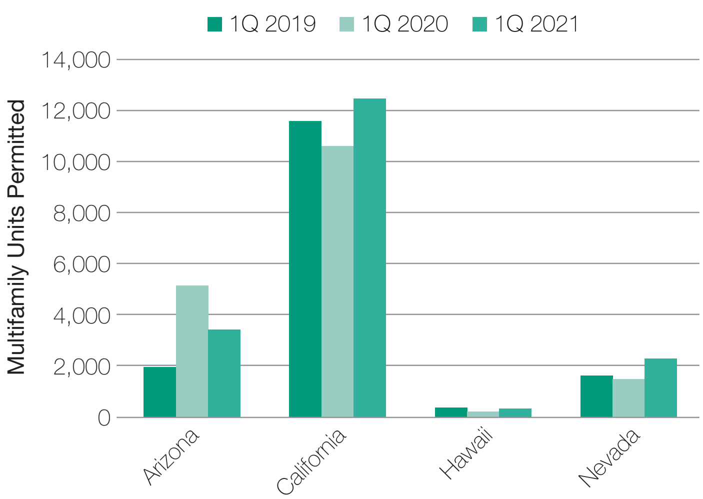
Apartment market conditions remained tight in most of the metropolitan areas of the Pacific region during the first quarter of 2021 but continued to soften in the most expensive metropolitan areas, where vacancy rates increased, and average rents declined.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2020 (%)	1Q 2021 (%)	Percentage Point Change	1Q 2020 ($)	1Q 2021 ($)	Percent Change
Urban Honolulu	Slightly Tight	3.6	6.2	2.6	2,156	2,158	0
Las Vegas-Henderson-Paradise	Tight	5.1	4.1	-1	1,124	1,176	5
Phoenix-Mesa-Scottsdale	Tight	3.9	3.8	-0.1	1,213	1,289	6
Los Angeles-Long Beach-Anaheim	Slightly Tight	3.7	4.0	0.3	2,267	2,234	-1
Riverside-San Bernardino-Ontario	Tight	3.7	1.7	-2	1,593	1,762	11
San Diego-Carlsbad	Tight	3.6	3.4	-0.2	2,057	2,101	2
Oxnard-Thousand Oaks-Ventura	Tight	3.5	2.1	-1.4	2,061	2,166	5
San Francisco-Oakland-Hayward	Balanced	3.9	5.6	1.7	2,835	2,506	-12
San Jose-Sunnyvale-Santa Clara	Balanced	3.6	6.2	2.6	2,955	2,592	-12
Sacramento-Roseville-Arden-Arcade	Tight	3.6	2.6	-1	1,518	1,626	7

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

- Multifamily permitting activity increased in California by 1,850 units, or 18 percent, to 12,450 units. California accounted for 68 percent of all multifamily permitting regionwide—up from 61 percent during the first quarter of 2020. The increase of 1,600 multifamily units permitted in the Los Angeles-Long Beach-Anaheim metropolitan area accounted for 85 percent of the statewide gain in permitting activity.
- Multifamily construction activity increased by 120 units, or 69 percent, to 300 units permitted in Hawaii, and by 800 units, or 55 percent, to 2,250 units in Nevada. The recent increases follow a respective 50 and 9 percent decline in multifamily permitting activity in the two states during the first quarter of 2020.
- Arizona was the only state in the region where multifamily permitting activity declined, by 1,725 units, or 34 percent, to 3,400 units. A significant decline of permitting activity in the Phoenix-Mesa-Scottsdale metropolitan area, where multifamily permitting declined 35 percent to 3,100 units, accounted for 95 percent of the total decline statewide.

Multifamily permitting activity increased in all states of the Pacific region, except Arizona, during the first quarter of 2021.



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