

# HUD PD&R Regional Reports

## Region 9: Pacific

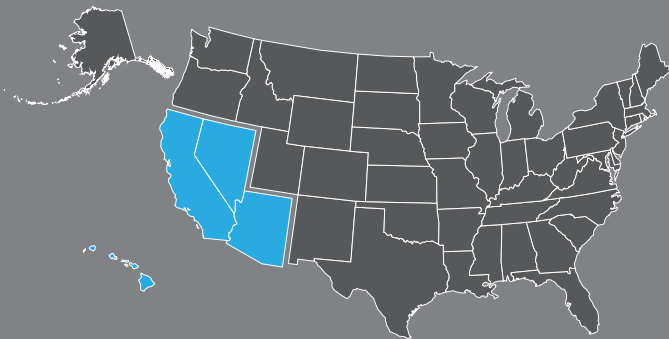


### Quick Facts About Region 9

Sacramento, California

By Elaine Ng | 4th Quarter 2019

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



### Overview

The economy in the Pacific region continued to expand during the fourth quarter of 2019. Nonfarm payrolls have posted continuous year-over-year increases since the fourth quarter of 2010. After lagging behind the national growth rate during the first quarter of 2019 for the first time in 7 years, the rate of job gains in the Pacific region has outpaced the national rate for the third consecutive quarter. As is typical, California contributed most of the net job growth in the region, at 74 percent, during the fourth quarter of 2019; by comparison, during the fourth quarter of 2018 the contribution was lower, at 67 percent. Sales housing market conditions tightened from a year ago; conditions went from being slightly soft to tight during the fourth quarter of 2018 to being balanced to tight during the fourth quarter of 2019. Sales in the region continued to decline, however, because of higher home prices. Single-family homebuilding activity, as measured by the number of homes permitted, increased in the region overall. Apartment market conditions were tight throughout much of the region; vacancy rates declined or remained unchanged in all but 1 of 10 markets cited in this report. Average apartment rents increased in all the largest markets in the region but the increase exceeded the national growth rate in only 4 of the 10 largest markets.

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- Nearly every nonfarm payroll sector in the region added jobs during the fourth quarter of 2019; the largest gains were in the education and health services and the professional and business services sectors. The wholesale and retail trade sector was the only sector to lose jobs, continuing a trend of weakening sector growth that began during the fourth quarter of 2018.
- Home sales in the region declined 5 percent during the 12 months ending November 2019, to 758,100 homes sold, compared with sales a year earlier. The average home sales price rose 1 percent, to \$511,200. Single-family homebuilding activity in the region, as measured by the number of single-

family homes permitted, increased 16 percent from a year earlier, to 25,000 homes, during the fourth quarter of 2019; single-family permitting increased in three of the four states in the region.

- Multifamily permitting increased 18 percent in the region during the fourth quarter of 2019. Multifamily permitting increased in three of the four states in the region, but increased the most in Arizona, where permitting activity more than doubled from the fourth quarter of 2018, primarily caused the regionwide increase. By comparison, multifamily permitting activity increased 22 percent nationwide.

## 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 fourth quarter of 2019 and total nonfarm payrolls in the region rose by 431,200 jobs, or 1.9 percent, to 22.8 million jobs—the same rate of job growth as a year earlier. During the fourth quarter of 2019, nonfarm payroll growth in the region accounted for 20 percent of job growth nationally—higher than the 16-percent share during the fourth quarter of 2018. The education and health services and the professional and business services sectors accounted for the greatest job gains in the region during the fourth quarter of 2019, adding 118,900 and 86,300 jobs, or 3.4 and 2.5 percent, respectively. Job gains in California led growth in those sectors; the education and health

services and the professional and business services sectors in California accounted for 82 and 80 percent, respectively, of the jobs added in those sectors in the region. The health care and social assistance industry accounted for 84 percent of the net job gain in the education and health services sector in the region, largely in response to continued regional population growth. Multiple construction projects across the region contributed to a gain of 55,000 jobs, or 4.5-percent growth, in the mining, logging, and construction sector—the fastest growing sector in the region during the fourth quarter of 2019. The sector has posted annual payroll gains each quarter since the second quarter of 2011 but current job levels are 12 percent below the prerecession peak of 1.44 million jobs during the third quarter of 2006.

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**Job growth in the Pacific region was broad based: most sectors had annual nonfarm payroll gains of 1.5 percent or more.**

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	22,416.8	22,848.0	431.2	1.9
Goods-Producing Sectors	2,794.8	2,870.9	76.1	2.7
Mining, Logging, & Construction	1,218.7	1,273.7	55.0	4.5
Manufacturing	1,576.1	1,597.2	21.1	1.3
Service-Providing Sectors	19,622.1	19,977.1	355.0	1.8
Wholesale & Retail Trade	3,147.4	3,143.4	-4.0	-0.1
Transportation & Utilities	910.8	931.7	20.9	2.3
Information	627.8	638.5	10.7	1.7
Financial Activities	1,157.6	1,178.1	20.5	1.8
Professional & Business Services	3,436.4	3,522.7	86.3	2.5
Education & Health Services	3,454.6	3,573.5	118.9	3.4
Leisure & Hospitality	2,798.0	2,846.9	48.9	1.7
Other Services	737.8	745.3	7.5	1.0
Government	3,351.7	3,397.2	45.5	1.4

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

Source: U.S. Bureau of Labor Statistics

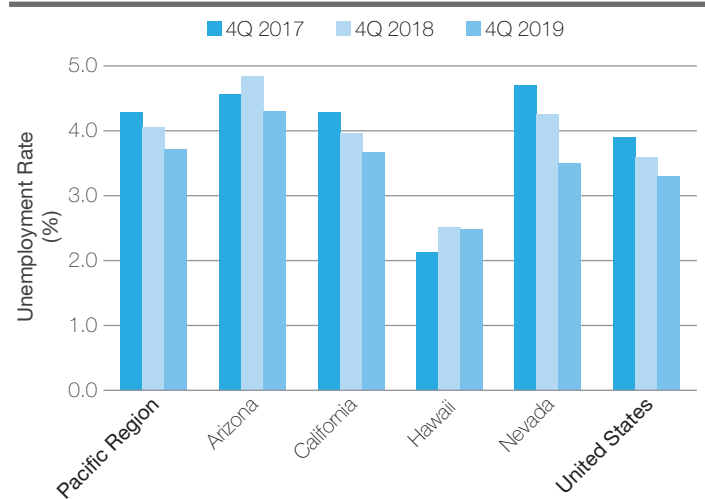


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The unemployment rate in the region averaged 3.7 percent during the fourth quarter of 2019, down from the 4.1-percent rate a year earlier but higher than the national average of 3.3 percent. Hawaii had the lowest unemployment rate in the region, at 2.5 percent—unchanged from a year ago and the 11th lowest rate in the nation. The unemployment rate declined in all other states of the region, from 4.3 to 3.5 percent in Nevada, 4.0 to 3.7 percent in California, and 4.9 to 4.3 percent in Arizona.

- California added 317,200 jobs, a gain of 1.8 percent—higher than the 1.6-percent rate of growth a year earlier. The professional and business services and the education and health services sectors combined to account for more than one-half of the job growth in the state, expanding by 74,500 and 65,000 jobs, or 2.8 and 2.4 percent, respectively. In the professional and business services sector, payrolls in the professional, scientific, and technical services industry increased by 29,600 jobs, or 2.3 percent—accounting for 43 percent of total sector growth.
- Nonfarm payrolls in Arizona increased by 76,900 jobs, or 2.6 percent, from a year ago—a smaller increase than the gain of 80,800 jobs, or 2.8 percent, during the fourth quarter of 2018. The education and health services sector and the construction subsector led job growth in the state, adding 18,400 and 12,400 jobs, or 4.0 and 7.5 percent, respectively. Several hospital expansions are underway or have been recently completed in the state, supporting job growth in these two sectors.
- In Nevada, nonfarm payrolls expanded by 32,000 jobs, or 2.3 percent. The construction subsector and the professional and business services sector added the most jobs in the state, up by 9,600 and 8,300 jobs, or 10.2 and 4.2 percent, respectively. Construction activity in the Las

### The unemployment rate fell in all states of the Pacific region.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Vegas-Henderson-Paradise metropolitan area was responsible for almost all the job growth; roughly 98 percent of the increase in construction jobs statewide occurred in that metropolitan area.

- Hawaii added 5,000 nonfarm payroll jobs, a 0.8-percent increase. Job growth in the state has been below 1 percent since the third quarter of 2017. The leisure and hospitality sector led job gains and contributed 53 percent of the overall growth, expanding by 2,700 jobs, or 2.2 percent. Tourism spending in the state totaled \$4.41 billion during the fourth quarter of 2019—a 4.8-percent increase from a year earlier (Hawaii Tourism Authority).

## Sales Market Conditions

During the fourth 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; price pressures have contributed to declining home sales in all but one of the largest metropolitan areas in the region. The average home sales price (including single-family homes, townhomes, and condominiums) in the region increased 1 percent from a year earlier, to \$511,200, during the 12 months ending November 2019; the price increased 6 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average home sales price for the region was 70 percent higher than the national average of \$301,200, but the 4-percent rate of price growth was lower than the national rate. Average home sales prices rose in all four states of the region, with the fastest price gains of 6 percent

each occurring in Arizona and Nevada, where homes are more affordable. Average home sales prices also increased in 6 out of 10 major metropolitan areas cited in this report, ranging from a 1-percent increase in Los Angeles-Long Beach-Anaheim to a 6-percent increase in Las Vegas-Henderson-Paradise. The average sales price declined slightly in the most expensive metropolitan areas of the region, falling 1 percent in Urban Honolulu, Oxnard-Thousand Oaks-Ventura, and San Francisco-Oakland-Hayward and 2 percent in San Jose-Sunnyvale-Santa Clara—still the most expensive sales housing market in the region.

During the 12 months ending November 2019, the number of home sales in the Pacific region decreased 5 percent from a year earlier, to approximately 758,100 homes sold, following a 3-percent decline during the previous 12-month period. Overall,

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Home sales were down in many metropolitan areas of the region due to low for-sale inventories, whereas home prices increased in all but the most expensive markets of the Pacific region.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Urban Honolulu, HI (N&E) <sup>a</sup>	November	12,661	11,359	-10	AVG	673,873	669,498	-1
Las Vegas-Henderson-Paradise, NV (N&E) <sup>a</sup>	November	62,351	57,356	-8	AVG	309,968	328,476	6
Phoenix-Mesa-Scottsdale, AZ (N&E) <sup>a</sup>	November	136,249	137,131	1	AVG	310,920	326,737	5
Los Angeles-Long Beach-Anaheim, CA (N&E) <sup>b</sup>	November	74,153	71,795	-3	AVG	841,078	848,972	1
Riverside-San Bernadino-Ontario, CA (N&E) <sup>a</sup>	November	78,919	74,439	-6	AVG	375,663	391,596	4
San Diego-Carlsbad, CA (N&E) <sup>a</sup>	November	41,967	40,966	-2	AVG	666,552	678,039	2
Oxnard-Thousand Oaks-Ventura, CA (N&E) <sup>a</sup>	November	10,382	10,233	-1	AVG	663,983	655,351	-1
San Francisco-Oakland-Hayward, CA (N&E) <sup>b</sup>	November	44,523	43,005	-3	AVG	1,165,115	1,148,414	-1
San Jose-Sunnyvale-Santa Clara, CA (N&E) <sup>a</sup>	November	19,895	17,600	-12	AVG	1,226,307	1,200,204	-2
Sacramento-Roseville-Arden-Arcade, CA (N&E) <sup>a</sup>	November	43,760	41,084	-6	AVG	433,974	448,269	3

AVG = average. N&amp;E = new and existing.

Sources: (a) CoreLogic, Inc., with adjustments by the analyst; (b) Metrostudy, A Hanley Wood Company, with adjustments by the analyst

the decline in home sales in the region was greater than in the nation, where sales decreased 4 percent after remaining unchanged a year earlier. Regional home sales decreased primarily in response to rising home sales prices—which are significantly higher than the national average—and a shortage of available for-sale inventory. The rate of home sales was stable in Arizona and declined in each of the other three states in the region: home sales fell 6 percent in California, 7 percent in Nevada, and 9 percent in Hawaii. Home sales in almost all the 10 largest metropolitan areas in the region decreased, and the more expensive markets typically had larger declines. The greatest decline in sales—12 percent—occurred in the San Jose-Sunnyvale-Santa Clara metropolitan area, where the average home price of \$1.2 million was the highest among the metropolitan areas in the region. Home sales declines ranged from 2 to 10 percent in eight of the other nine large markets and sales increased slightly in the Phoenix-Mesa-Scottsdale metropolitan area, expanding 1 percent.

The number of distressed sales (real estate owned [REO] and short sales) in the region declined significantly during the past year because the for-sale inventory included fewer such properties. During the 12 months ending November 2019, REO sales fell 21 percent and short sales declined 32 percent after decreases of 29 and 46 percent, respectively, during the previous 12-month period. The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region declined from 0.9 percent in November 2018 to 0.7 percent in November 2019. The percentage of seriously delinquent mortgage loans and REO properties in the region was highest in Hawaii and Nevada, at 1.9 and 1.2 percent, respectively—down from respective rates of 2.2 and 1.6 percent a year ago. The

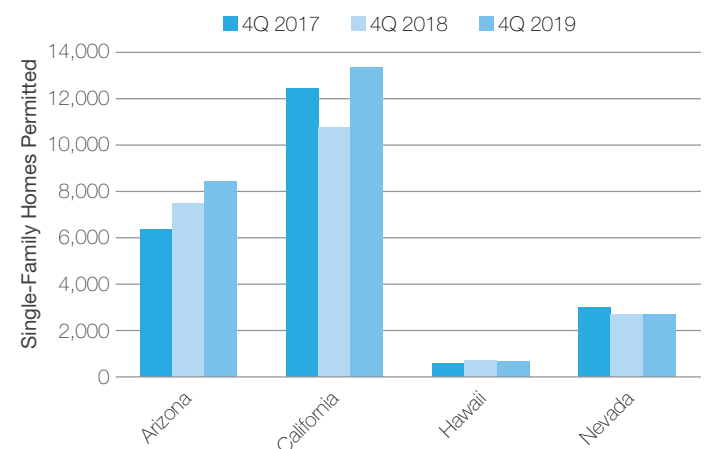
regional rate reflected lower levels of seriously delinquent mortgages and REO properties in Arizona and California at 0.7 and 0.6 percent, respectively.

During the fourth quarter of 2019 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, increased 16 percent from a year earlier to 25,000 homes, compared with a 3-percent decline during the fourth quarter of 2018. The number of homes permitted nationally during the same period grew 11 percent from a year earlier after remaining relatively unchanged during the fourth quarter of 2018.

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Single-family permitting increased in three of the four states of the Pacific region, with the largest gain in California.



4Q = fourth quarter.

Note: Based on preliminary data.

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

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- California accounted for 53 percent of the single-family units permitted in the region—a larger share than the 50-percent contribution during the fourth quarter of 2018. Single-family permitting activity in the state grew 24 percent, to 13,350 homes, contributing to three-fourths of the regionwide increase. Single-family permitting in the Bay Area—composed of the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara metropolitan areas—increased a

combined 44 percent and contributed to 22 percent of the statewide increase.

- Single-family permitting also increased 12 percent in Arizona, to 8,400 homes, and 1 percent in Nevada, to 2,675 homes.
- The only state in the region that had fewer single-family permits was Hawaii, where permitting declined almost 8 percent, to 620 homes.

## Apartment Market Conditions

Apartment market conditions in the Pacific region were tight in all 10 of the major metropolitan areas cited in this report during the fourth quarter of 2019 compared with conditions ranging from balanced to tight during the fourth quarter of 2018. Higher home sales prices continue to make homeownership less attainable in the region, contributing to increased rental demand and tighter apartment market conditions. Apartment vacancy rates declined or remained unchanged in all but one of the major metropolitan areas included in this report; 8 of the 10 areas had vacancy rates below the national average of 4.2 percent (RealPage, Inc.). In the Urban Honolulu and Phoenix-Mesa-Scottsdale metropolitan areas, conditions were balanced and slightly tight, respectively, during the fourth quarter of 2018 but have since tightened, with vacancy rates falling 1.0 and 0.6 percentage points, to 4.6 and 3.9 percent, respectively. The vacancy rate rose slightly—by 0.1 of a percentage point—in the San Francisco-Oakland-Hayward metropolitan area, to 4.0 percent, but conditions remained tight.

As tight market conditions prevailed in the region, average rents increased in all major metropolitan areas in the region during

the fourth quarter of 2019. The average rent rose the most in the more affordable markets of the region and exceeded the 4-percent rate of growth in the nation. Rents increased 8 and 10 percent from a year earlier in the Las Vegas-Henderson-Paradise and Phoenix-Mesa-Scottsdale metropolitan areas, respectively, and 5 and 6 percent in the Riverside-San Bernardino-Ontario and Sacramento-Roseville-Arden-Arcade metropolitan areas, respectively. In the other metropolitan areas in the region, where rents grew slower than the national rate, average rent growth ranged from 1 percent in the Urban Honolulu metropolitan area to 4 percent in the San Diego-Carlsbad metropolitan area.

During the fourth quarter of 2019 (preliminary data)—

- Multifamily permitting in the region increased 18 percent from a year earlier, to 19,250 units compared with a 20-percent decline during the fourth quarter of 2018. Nationally, by comparison, the number of units permitted increased 16 percent following a 5-percent gain during the same period a year earlier.

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**Apartment market conditions were tight in all of the major metropolitan areas of the Pacific region, with apartment vacancy rates below the national rate in eight of the areas.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Urban Honolulu	Tight	5.6	4.6	-1	2,162	2,175	1
Las Vegas-Henderson-Paradise	Tight	4.7	4.6	-0.1	1,035	1,113	8
Phoenix-Mesa-Scottsdale	Tight	4.5	3.9	-0.6	1,076	1,183	10
Los Angeles-Long Beach-Anaheim	Tight	3.6	3.6	0	2,174	2,246	3
Riverside-San Bernardino-Ontario	Tight	3.6	3.5	-0.1	1,489	1,564	5
San Diego-Carlsbad	Tight	3.5	3.5	0	1,971	2,050	4
Oxnard-Thousand Oaks-Ventura	Tight	3.8	3.4	-0.4	1,958	2,024	3
San Francisco-Oakland-Hayward	Tight	3.9	4.0	0.1	2,734	2,794	2
San Jose-Sunnyvale-Santa Clara	Tight	4.3	3.8	-0.4	2,814	2,881	2
Sacramento-Roseville-Arden-Arcade	Tight	3.5	3.5	0	1,415	1,493	6

4Q = fourth quarter.

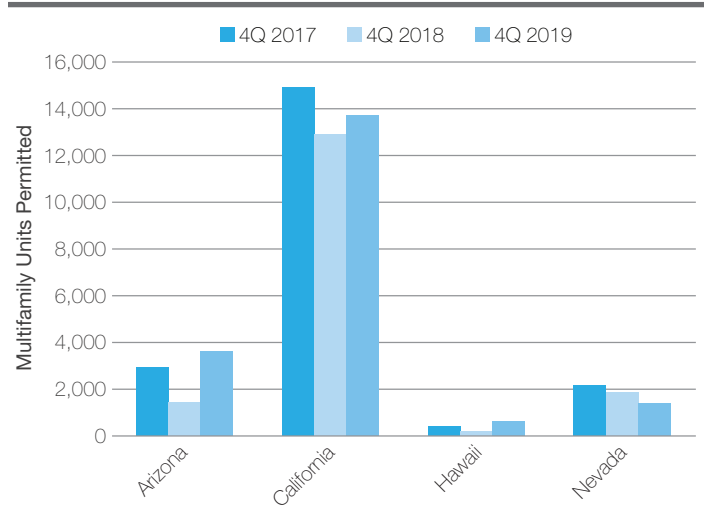
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



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- Much of the increase in multifamily permitting activity in the region was due to elevated permitting in Arizona, where the number of units permitted more than doubled, to 3,600 units. The statewide increase of 2,200 additional multifamily permits contributed to 76 percent of the regionwide gain. Multifamily permitting rose by 2,325 units in the Phoenix-Mesa-Scottsdale metropolitan area, offsetting smaller declines in other metropolitan areas of the state.
- Multifamily permitting activity in California, which accounts for 71 percent of all permits regionwide, increased 6 percent, to 13,700 units. Multifamily construction activity in the Los Angeles-Long Beach-Anaheim metropolitan area accounted for much of the statewide gain, increasing 36 percent, to 5,975 units. By comparison, multifamily permitting in California declined 14 percent during the fourth quarter of 2018.
- In Hawaii, multifamily construction activity more than tripled from the fourth quarter of 2018, to 570 units permitted, whereas multifamily permitting in Nevada declined by 500 units, or 27 percent, to 1,375 units permitted.

**Multifamily construction activity increased in three of the four states of the Pacific region and declined slightly in Nevada.**



4Q = fourth quarter.

Note: Based on preliminary data.

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