HUD PD&R Regional Reports

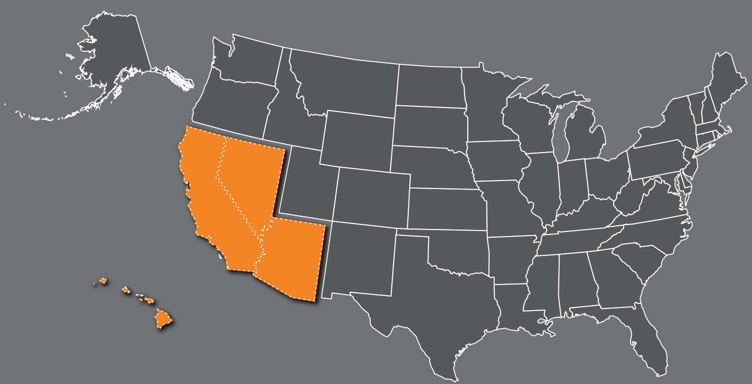
Region 9: Pacific

San Francisco, California

Quick Facts About Region 9

- **Sales market conditions—**
  Second quarter 2025: mixed (slightly tight to balanced)
  First quarter 2025: mixed (slightly tight to balanced)
  Second quarter 2024: mixed (balanced to slightly soft)

- **Apartment market conditions—**
  Second quarter 2025: mixed (tight to soft)
  First quarter 2025: mixed (tight to slightly soft)
  Second quarter 2024: mixed (tight to soft)



By Alexander Flowers | 2nd Quarter 2025

Overview

Economic conditions in the Pacific region are stable, with job growth as of the second quarter of 2025; however, the growth slowed slightly from a year ago, and the unemployment rate rose. As of the second quarter of 2025, nonfarm payrolls in the region increased 0.6 percent year over year to 23.50 million jobs, compared with a 0.8-percent increase a year ago. Nationally, year-over-year job growth slowed from 1.4 to 1.1 percent during the past year. The current level of nonfarm payrolls in the region is 5.0 percent higher than the level as of the second quarter of 2019, the most recent comparable period before the major impacts of the COVID-19 pandemic. Home sales market conditions ranged from slightly tight to balanced throughout most of the region—tighter overall compared with balanced to slightly soft conditions a year earlier. Regionwide home sales during the 12 months ending May 2025 were up 1 percent year over year, compared with an 8-percent decline during the previous year. The average home sales price in the region increased 4 percent to $814,100, moderating slightly from the 5-percent increase during the 12 months ending May 2024. Apartment market conditions in the region were

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mixed as of the second quarter of 2025, ranging from tight to soft across the 10 major metropolitan areas highlighted in this report, similar to conditions a year earlier. Vacancy rates declined from a year earlier in 6 of the 10 metropolitan areas highlighted in this report, and only 2 metropolitan areas had vacancy rates above the 6.4-percent national average (CoStar Group). Apartment rents increased or were relatively unchanged in 8 of the 10 areas, and in 3 areas, the year-over-year rent growth was higher than the national average of 1 percent.

- As of the second quarter of 2025, seven nonfarm payroll sectors lost jobs, but strong growth in the education and health services and the government sectors counteracted those losses. All states in the region added jobs from a year ago.
- Home sales increased in California and Hawaii during the 12 months ending May 2025, whereas sales in Arizona and Nevada were unchanged (Zonda). The rate of home price growth slowed in California and Arizona, the rate was steady in Nevada, and price growth accelerated in Hawaii.
- Apartment vacancy rates declined in more than half of the metropolitan areas cited in this report as of the second quarter of 2025, partly because of stronger absorption. In the Pacific region, 62,500 units were absorbed during the 12 months ending June 2025, up from 47,400 units a year ago (CoStar Group).

Economic Conditions

Nonfarm payrolls in the Pacific region increased from a year ago, continuing the trend of year-over-year job growth since the second quarter of 2021. As of the second quarter of 2025, nonfarm payrolls in the region rose by 129,700 jobs, or 0.6 percent, year over year to 23.50 million jobs. By comparison, nonfarm payrolls in the region increased by 186,600 jobs, or 0.8 percent, as of the second quarter of 2024. Only 4 of the 11 nonfarm payroll sectors in the region added jobs during the past year. The current level of payrolls in the Pacific region is 5.0 percent higher than the prepandemic level as of the second quarter of 2019, compared with the national rate, which is 5.8 percent higher. Hawaii is the only state in the region where nonfarm payrolls have yet to exceed their prepandemic level.

The education and health services, the government, the transportation and utilities, and the other services sectors accounted for all the job growth in the Pacific region, adding a combined 262,000 jobs and more than offsetting the decline of 132,300 jobs, combined, in the remaining seven sectors. The education and health services sector is the largest payroll sector in the region and added the most jobs, with an increase of 198,000 jobs, or 4.9 percent, from a year ago; the sector contributed approximately 76 percent of the total gain among the four sectors that added jobs. The second largest payroll sector, government, added approximately 56,300 jobs, or 1.6 percent, year over year.

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The economy of the Pacific region expanded as of the second quarter of 2025, contributing to year-over-year job growth in 4 of the 11 payroll sectors.

	Second Quarter		Year-Over-Year Change	
	2024 (Thousands)	2025 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	23,375.0	23,504.7	129.7	0.6
Goods-Producing Sectors	2,864.9	2,812.1	-52.8	-1.8
Mining, Logging, & Construction	1,337.9	1,324.4	-13.5	-1.0
Manufacturing	1,527.1	1,487.6	-39.5	-2.6
Service-Providing Sectors	20,510.0	20,692.7	182.7	0.9
Wholesale & Retail Trade	2,962.1	2,955.1	-7.0	-0.2
Transportation & Utilities	1,104.4	1,108.2	3.8	0.3
Information	614.0	603.4	-10.6	-1.7
Financial Activities	1,146.8	1,129.2	-17.6	-1.5
Professional & Business Services	3,527.2	3,485.9	-41.3	-1.2
Education & Health Services	4,063.3	4,261.3	198.0	4.9
Leisure & Hospitality	2,887.4	2,884.6	-2.8	-0.1
Other Services	773.7	777.6	3.9	0.5
Government	3,431.0	3,487.3	56.3	1.6

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

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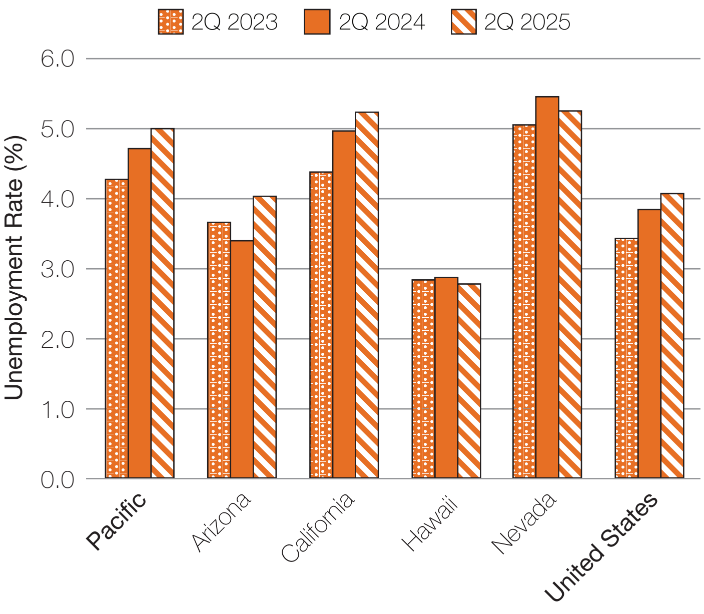
Elevated interest rates have dampened venture capital investment, a primary source of funding for the extensive network of high-tech industries throughout the region, affecting the associated employment sectors. The weak investment contributed to significant losses in the professional and business services and the manufacturing sectors in the region, with declines as of the second quarter of 2025 of 41,300 and 39,500 jobs, or 1.2 and 2.6 percent, respectively. Losses in these sectors were concentrated in California, which accounted for 93 and 91 percent of regionwide losses in each sector, respectively. Within the state, job losses were greatest in the computer systems design and related services and the computer and electronic manufacturing industries, which are in the professional and business services and the manufacturing sectors, respectively. Although jobs in the professional and business services sector in the region as of the second quarter have declined for the past 3 years, the sector is 0.9 percent above prepandemic levels because of strong hiring in 2020 by tech firms during the COVID-19 pandemic. Jobs in the manufacturing sector have also declined from their peak in the second quarter of 2023, and payrolls are 51,900 jobs, or 3.4 percent, below prepandemic levels.

The Pacific region had the highest unemployment rate among the 10 HUD-defined regions of the nation as of the second quarter of 2025, at 5.0 percent, up from 4.7 percent a year ago. Nevada and California had the highest unemployment rates among all states in the nation at 5.2 percent each. The unemployment rate in California increased from 5.0 percent a year earlier, whereas the rate in Nevada declined from 5.5 percent during the second quarter of 2024. The unemployment rate in Arizona rose from 3.4 to 4.0 percent as of the second quarter of 2025. Hawaii had the fifth lowest rate in the nation at 2.8 percent, down from 2.9 percent a year ago. Nationally, the unemployment rate rose from 3.8 to 4.1 percent as of the second quarter of 2025.

As of the second quarter of 2025—

- California added the most jobs in the region year over year, increasing by 89,600 jobs, or 0.5 percent, to 18.03 million, slightly slower than the increase of 103,300 jobs, or 0.6 percent, a year earlier. Only three nonfarm sectors added jobs, with the education and health services and the government sectors accounting for a combined 97 percent of the net job gains during the past year, and the professional and business services, the manufacturing, and the financial activities sectors had the greatest year-over-year losses, at a combined 92,700 jobs, partially offsetting the gains.
- In Arizona, nonfarm payrolls increased by 17,500 jobs, or 0.5 percent, to 3.25 million jobs, slowing from an increase of 43,800 jobs, or 1.4 percent, a year earlier. The education and health services sector added the most jobs, increasing by 23,200 jobs, or 4.4 percent, from a year ago and accounted for 76 percent of the combined job gain in the five sectors that added jobs.
- Job growth in Hawaii accelerated strongly from a year earlier, with payrolls increasing by 14,800 jobs, or 2.3 percent, compared with an increase of 2,700 jobs, or 0.4 percent, a year ago. The leisure and hospitality and the education and health services sectors led job gains, adding 5,900 and 4,200 jobs, or 4.9 and 4.6 percent, respectively.
- Nonfarm payroll growth in Nevada slowed significantly, with an increase of 7,900 jobs, or 0.5 percent, year over year compared with an increase of 36,800 jobs, or 2.4 percent, a year earlier. The education and health services sector led job growth, increasing by 7,100 jobs, or 4.2 percent, whereas the mining, logging, and construction, the wholesale and retail trade, the information, the financial activities, and the transportation and utilities sectors lost a combined 6,200 jobs, partially offsetting the gains.

Only two states in the Pacific region, Arizona and Hawaii, had lower unemployment rates than the nation as of the second quarter of 2025.



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

Sales Market Conditions

Sales market conditions were mixed in the Pacific region as of the second quarter of 2025, ranging from slightly tight to balanced, compared with conditions ranging from balanced to slightly soft a year earlier. After 4 years of home sales declines, the home sales market is stabilizing; during the 12 months ending May 2025, approximately 564,100 homes sold in the region, up 1 percent from a year earlier. By comparison, regional home sales declined an average of 23 percent annually during the corresponding 12-month periods from 2022 to 2024 (Zonda). National home sales during the 12 months ending May 2025 declined 4 percent, compared with an 11-percent decline a year earlier. The average home sales price in the region rose 4 percent to $814,100, down slightly from the 5-percent increase the year before. An increase in the inventory of homes for sale contributed to a modest slowdown in home price growth. As of May 2025, the regionwide inventory of homes for sale represented 3.7 months of supply, up from 2.6 months a year ago (Redfin, a national real estate brokerage, with adjustments by the analyst). By comparison, from 2021 through 2023, the regionwide inventory of homes for sale as of May consistently represented less than 2.0 months of supply. The inventory of homes available for sale increased in all states of the region from a year ago, ranging from a 0.9-month increase in California to 3.3 months of supply to a 2.5-month increase in Hawaii to 7.2 months of supply. New home construction activity declined compared with a year ago, partly because of the increased inventory of existing homes available for sale.

Home sales rose slightly in California and Hawaii but were unchanged in Nevada and Arizona. The 351,500 homes sold in California represented approximately 62 percent of regionwide home sales during the 12 months ending May 2025. Home sales in California increased 2 percent from a year earlier, whereas home sales during the 12 previous months declined 8 percent annually (Zonda). Average home prices rose in all states of the region. The average home price in California increased 4 percent to $962,200, decelerating slightly from a 5-percent increase during the same period a year earlier. In Hawaii, home sales increased 1 percent during the past year, compared with a decline of 7 percent a year ago, and the average price of a home increased 6 percent year over year to $916,500, accelerating from a 3-percent increase a year earlier. Home sales in Nevada and Arizona were flat during the 12 months ending May 2025, compared with 5- and 10-percent declines, respectively, a year earlier. Average home prices in Nevada increased 5 percent to $546,600, unchanged from the rate of price growth a year ago, and home prices in Arizona increased 3 percent to $529,000, decelerating from 5-percent growth a year earlier.

Home price growth occurred in all 10 metropolitan areas cited in this report, with increases ranging from 1 percent in the San Francisco-Oakland-Fremont and Sacramento-Roseville-Folsom (hereafter, San Francisco and Sacramento) metropolitan areas to 10 percent in the Urban Honolulu (hereafter, Honolulu)

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During the 12 months ending May 2025, home sales increased in 7 of the 10 major metropolitan areas in the Pacific region, whereas home sales prices increased in all 10 areas.

	12 Months Ending	Number of Homes Sold 2024	Number of Homes Sold 2025	Number of Homes Sold Percent Change	Average	Price 2024 ($)	Price 2025 ($)	Price Percent Change
Region 9	May	556,100	564,100	1	AVG	$779,800	$814,100	4
Arizona	May	134,600	134,500	0	AVG	$515,700	$529,000	3
Phoenix-Mesa-Chandler	May	91,050	90,900	0	AVG	$572,600	$583,600	2
California	May	343,900	351,500	2	AVG	$922,600	$962,200	4
Los Angeles-Long Beach-Anaheim	May	80,750	83,650	4	AVG	$1,219,300	$1,281,200	5
Riverside-San Bernardino-Ontario	May	57,100	55,400	-3	AVG	$611,300	$630,600	3
San Diego-Chula Vista-Carlsbad	May	27,700	29,000	5	AVG	$1,083,900	$1,128,500	4
Oxnard-Thousand Oaks-Ventura	May	6,250	6,900	10	AVG	$1,002,000	$1,028,600	3
San Francisco-Oakland-Fremont	May	36,150	37,450	4	AVG	$1,352,300	$1,367,600	1
San Jose-Sunnyvale-Santa Clara	May	13,500	14,900	10	AVG	$1,720,900	$1,818,400	6
Sacramento-Roseville-Folsom	May	30,700	31,300	2	AVG	$663,200	$672,900	1
Hawaii	May	19,300	19,450	1	AVG	$863,400	$916,500	6
Urban Honolulu	May	10,300	10,000	-3	AVG	$825,000	$911,200	10
Nevada	May	58,350	58,600	0	AVG	$519,200	$546,600	5
Las Vegas-Henderson-North Las Vegas	May	42,350	43,500	3	AVG	$508,100	$536,700	6

AVG = average.
Source: Zonda

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metropolitan area. A year earlier, home prices increased in 9 of the 10 metropolitan areas, with a decline only in the Honolulu metropolitan area, where prices fell 3 percent. The recent growth in average home prices was slower in 7 of the 10 metropolitan areas compared with a year ago, however, partly because of the increased inventory of homes available to buyers.

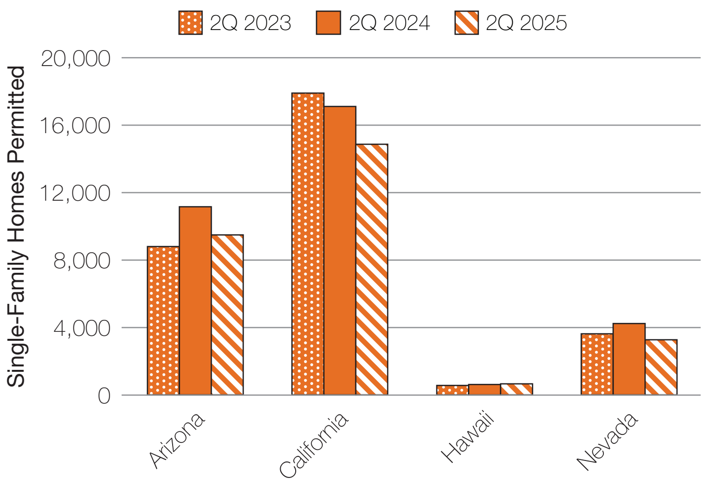
Home sales increased in 7 of the 10 highlighted metropolitan areas, compared with declines in all 10 of the same areas during the 12 months ending May 2024. Of the seven California metropolitan areas cited in this report, sales declined only in the Riverside-San Bernardino-Ontario (hereafter, Riverside) metropolitan area, falling 3 percent from a year earlier. The Los Angeles-Long Beach-Anaheim (hereafter, Los Angeles) metropolitan area had the largest gain, increasing by approximately 2,900 sales, or 4 percent, to 83,650, reflecting almost 24 percent of all sales in California.

The share of seriously delinquent mortgages and real estate owned (REO) properties in the region was 0.7 percent in May 2025, up slightly from 0.6 percent a year earlier and matching the prepandemic rate in May 2019 (Cotality). Nationally, the share of seriously delinquent mortgages and REO properties was 1.0 percent as of May 2025, up from 0.9 percent a year earlier and down from the May 2019 rate of 1.4 percent.

As of the second quarter of 2025 (preliminary data)—

- Homebuilding in the region, as measured by the number of single-family homes permitted, declined 15 percent from a year earlier to approximately 28,250 homes, following a 7-percent year-over-year increase as of the second quarter of 2024. By comparison, single-family homebuilding in the nation declined 6 percent annually as of the second quarter of 2025, compared with a 6-percent increase a year earlier.
- The largest decrease in single-family home construction activity in the region was in California, down by 2,250 homes, or 13 percent, from a year earlier to 14,850 homes permitted, accelerating from a decrease of 820 homes, or 5 percent, a year earlier. Single-family construction activity fell the most in the Riverside and Sacramento metropolitan areas, declining by approximately 700 and 570 homes, respectively.
- Single-family home permitting in Nevada and Arizona declined by 980 and 1,675 homes, or 23 and 15 percent, respectively, from a year earlier. In the Las Vegas-Henderson-North Las Vegas and Phoenix-Mesa-Chandler (hereafter, Las Vegas and Phoenix, respectively) metropolitan areas, the largest metropolitan areas in each state, homebuilding declined at similar rates of 21 and 12 percent, respectively, accounting for 72 and 55 percent of the statewide declines.
- Single-family home permitting in the region increased only in Hawaii, up by 30 homes, or 5 percent, year over year to 660 homes, but this growth was less than the 9-percent increase a year earlier. Single-family permitting increased the most in Maui County, up 41 percent from a year earlier to 160 homes, largely because of recovery from residential losses during the August 2023 wildfires.

As of the second quarter of 2025, single-family home permitting declined in every state in the Pacific region except Hawaii.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Pacific region were mixed as of the second quarter of 2025, ranging from tight to soft, similar to conditions a year earlier. The stabilized apartment vacancy rate across the region was 5.4 percent, up slightly from 5.3 percent as of the second quarter of 2024 but less than the national vacancy rate of 6.3 percent, up from 6.0 percent a year earlier (CoStar Group). Market conditions were similar to a year ago throughout most of the region, although stabilized apartment vacancy rates declined slightly in 6 of the 10 metropolitan areas cited in this report. With the exception of the San Diego-Chula Vista-Carlsbad (hereafter, San Diego) metropolitan area, the average rents increased in all 6 of those areas, ranging from a 1-percent increase in the Honolulu and Riverside metropolitan areas to a 4-percent increase in the San Francisco metropolitan area. San Francisco was one of only three metropolitan areas where absorption exceeded the number of units delivered during the 12 months ending June 2025; partly as a result, it was the only area where rent

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As of the second quarter of 2025, apartment vacancy rates fell in 6 of the 10 major metropolitan areas in the Pacific region compared with a year ago.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2024 (%)	2Q 2025 (%)	Percentage Point Change	2Q 2024 ($)	2Q 2025 ($)	Percent Change
Urban Honolulu	Tight	4.0	3.5	-0.5	2,249	2,262	1
Las Vegas-Henderson-North Las Vegas	Soft	7.8	8.2	0.4	1,511	1,493	-1
Phoenix-Mesa-Chandler	Soft	8.0	8.6	0.6	1,629	1,587	-3
Los Angeles-Long Beach-Anaheim	Slightly Tight	4.4	4.6	0.2	2,395	2,414	1
Riverside-San Bernardino-Ontario	Balanced	5.2	5.1	-0.1	2,099	2,115	1
San Diego-Chula Vista-Carlsbad	Slightly Tight	4.5	4.4	-0.1	2,521	2,527	0
Oxnard-Thousand Oaks-Ventura	Slightly Tight	3.7	3.6	-0.1	2,628	2,673	2
San Francisco-Oakland-Fremont	Balanced	5.9	5.4	-0.5	2,775	2,875	4
San Jose-Sunnyvale-Santa Clara	Slightly Tight	4.3	3.8	-0.5	3,125	3,222	3
Sacramento-Roseville-Folsom	Slightly Tight	5.3	5.5	0.2	1,861	1,864	0

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

growth accelerated, strengthening from 1 percent growth a year ago. Rents also increased 1 percent in the Los Angeles metropolitan area, despite an increase in the stabilized vacancy rate. By contrast, rents were unchanged in the San Diego and Sacramento metropolitan areas. Nationally, the average rent as of the second quarter of 2025 increased 1 percent from a year earlier to $1,774. During the 12 months ending June 2025, 71,200 units were added to the apartment inventory in the Pacific region, but only 62,500 units were absorbed, contributing to the slight increase in the stabilized vacancy rate (CoStar Group). By comparison, approximately 64,800 units were added a year earlier, and 47,400 units were absorbed.

Of the 10 metropolitan areas in the Pacific region highlighted in this report, the largest increases in the stabilized apartment vacancy rates occurred in the Las Vegas and Phoenix metropolitan areas, where market conditions were already soft; the vacancy rates increased from 7.8 and 8.0 percent as of the second quarter of 2024 to 8.2 and 8.6 percent, respectively, as of the second quarter of 2025. Net deliveries in both metropolitan areas outpaced absorption during the 12 months ending June 2025 by 780 units in the Las Vegas metropolitan area and by 5,975 in the Phoenix metropolitan area. By contrast, apartment vacancy rates have recently declined the most in the Honolulu, San Francisco, and San Jose-Sunnyvale-Santa Clara metropolitan areas, where vacancy rates declined by 0.5 percentage point each. Despite the recent declines, market conditions were unchanged from a year earlier in each of the three areas.

In the Las Vegas and Phoenix metropolitan areas, the two softest markets among the areas highlighted in this report, apartment rents decreased 1 and 3 percent, respectively. Market conditions were significantly weaker compared with a year earlier; during the second quarter of 2024, rents were unchanged in the Las Vegas metropolitan area, and rents declined 2 percent in the Phoenix metropolitan area. In the San Diego and Sacramento metropolitan areas, apartment rents as of the second quarter of 2025 were unchanged from a year earlier.

As of the second quarter of 2025—

- Multifamily home construction in the region, as measured by the number of units permitted, rose 26 percent year over year to 20,050, mostly reversing a 24-percent decline a year ago. Nationally, multifamily construction increased 10 percent, compared with a 15-percent decline as of the second quarter of 2024.

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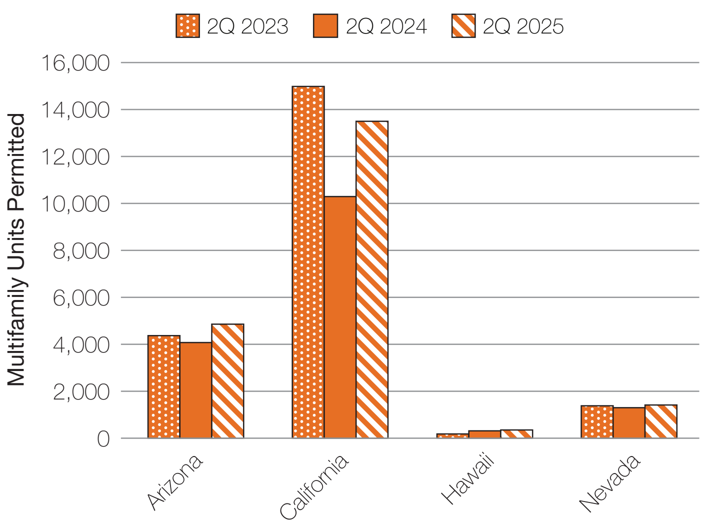
Multifamily permitting activity increased in all four states of the Pacific region as of the second quarter of 2025.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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- Multifamily construction activity in the region rose the most in California, increasing by 3,200 units, or 31 percent, to 13,500 units, compared with a decline of 4,700 units, or 31 percent, a year earlier. Multifamily permitting activity in the San Diego and Riverside metropolitan areas increased by 1,175 and 640 units, or 71 and 49 percent, respectively, accounting for a combined 57 percent of the net gain in California.
- In Arizona, multifamily permitting activity rose by 780 units, or 19 percent, to 4,850 units, compared with a decline of 300 units, or 7 percent, a year earlier. Multifamily construction in the Phoenix metropolitan area increased by 400 units, or 11 percent, from a year earlier, and that gain was supplemented by increases in other parts of the state.
- Multifamily construction activity in Nevada and Hawaii increased at similar rates of 8 and 10 percent, gains of 110 and 30 units, respectively. An increase in multifamily permitting of 350 units, or 43 percent, in the Las Vegas metropolitan area was offset by declines in other parts of the state. The permitting increase in Hawaii occurred entirely in Maui County, where construction activity grew 37 percent.

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including only those that are stabilized.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized Apartment Vacancy Rate	A property is stabilized once it has reached an occupancy rate of 90 percent, or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated July 21, 2023.