

HUD PD&R Regional Reports

Region 9: Pacific



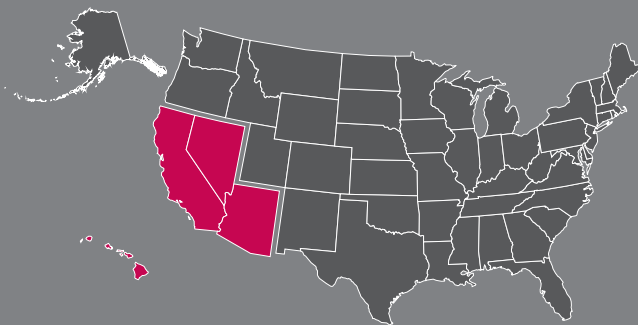
Tucson, Arizona

By Ikuo J. Nakano | 3rd quarter 2013

Quick Facts About Region 9

- **Sales market conditions—**
Third quarter 2013: mixed (slightly soft to balanced).
Second quarter 2013: mixed (slightly soft to balanced).
Third quarter 2012: soft.

- **Apartment market conditions—**
Third quarter 2013: mixed (soft to tight).
Second quarter 2013: mixed (soft to tight).
Third quarter 2012: mixed (soft to tight).



Overview

Economic and housing market conditions in the Pacific region continued to improve during the third quarter of 2013. Nonfarm payrolls increased more than 1 percent in all four states. Single-family homebuilding, home sales, and sales prices also increased throughout the region, and both sales and rental vacancy rates declined. The number of distressed properties continued to decline throughout the region, but surpluses remain in some areas. Average rents increased during the third quarter of 2013 compared with the average rents recorded during the third quarter of 2012 in all but one major metropolitan area in the region.

- The region added 297,200 jobs during the 3 months ending August 2013, a 1.6-percent increase from the same period in 2012.
- The average new and existing home sales price increased during the 12 months ending August 2013 from the 12 months ending August 2012 in all 10 major metropolitan areas in the region, with increases ranging from 7 percent in Honolulu to 24 percent in Las Vegas-Paradise.
- Average rent changes in the third quarter of 2013 ranged from a 2.3-percent decrease in Honolulu to a 7.6-percent increase in Oakland compared with average rents a year ago.



Gains in the leisure and hospitality sector led job growth in the Pacific region.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	18,551.8	18,849.0	297.2	1.6
Goods-producing sectors	2,340.4	2,372.1	31.7	1.4
Mining, logging, and construction	864.5	901.3	36.8	4.3
Manufacturing	1,475.9	1,470.8	- 5.1	- 0.3
Service-providing sectors	16,211.4	16,477.0	265.6	1.6
Wholesale and retail trade	2,870.3	2,910.9	40.6	1.4
Transportation and utilities	654.1	662.8	8.7	1.3
Information	490.5	491.9	1.4	0.3
Financial activities	1,036.9	1,057.9	21.0	2.0
Professional and business services	2,823.9	2,886.3	62.4	2.2
Education and health services	2,396.6	2,450.5	53.9	2.2
Leisure and hospitality	2,328.1	2,417.1	89.0	3.8
Other services	656.9	657.2	0.3	0.0
Government	2,954.1	2,942.3	- 11.8	- 0.4

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

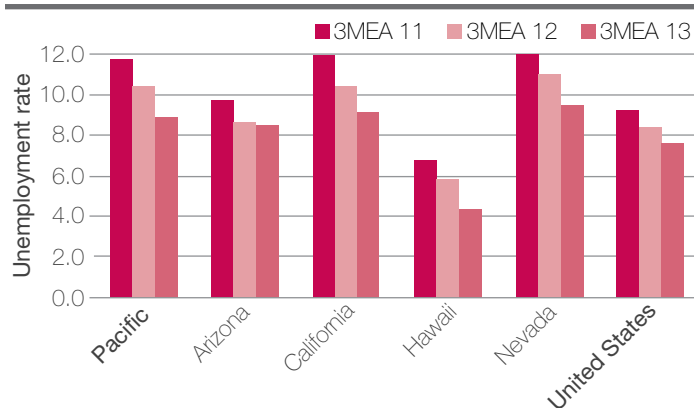
Economic Conditions

Economic conditions in the Pacific region continued the trend of improvement during the 3 months ending August 2013, when non-farm payrolls increased by 297,200 jobs, or 1.6 percent, to 18.85 million after an increase of 422,200 jobs, or 2.3 percent, to 18.55 million during the same period in 2012. Job growth exceeded 1 percent in every state in the region during the 3 months ending August 2013 and was greatest in Arizona, where nonfarm payrolls increased by 54,350 jobs, or 2.3 percent. Nevada, California, and Hawaii recorded gains of 18,250, 218,300, and 6,400 jobs, or 1.6, 1.5 and 1.1 percent, respectively, during the same period. The average unemployment rate in the region declined to 8.9 percent compared with the rates of 10.4 percent a year ago and 7.6 percent for the nation during the 3 months ending August 2013.

During the 3 months ending August 2013—

- Job growth in the region was greatest in the mining, logging, and construction sector, which added 36,800 jobs, a 4.3-percent increase compared with the number of jobs recorded in the sector a year ago, primarily because of increased single-family home construction.
- The leisure and hospitality sector added 89,000 jobs in the region, a 3.8-percent increase from the same period in 2012.
- Budget cutbacks continued to adversely affect the government sector, which declined by 11,800 jobs, or 0.4 percent.

Unemployment rates continued to decline throughout the Pacific region.



3MEA = 3 months ending August.
Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

- The federal government and local government subsectors decreased by 7,225 and 6,225 jobs, or 2.0 and 0.3 percent, respectively, whereas the state government subsector added 1,725 jobs, a 0.3-percent increase.
- The greatest average unemployment rate decrease, from 11.0 to 9.4 percent, from the 3 months ending August 2012 occurred in Nevada.



Sales Market Conditions

Sales housing market conditions improved throughout the Pacific region, but conditions varied from slightly soft to balanced, as a surplus of distressed properties remained in many areas during the third quarter of 2013. During the 12 months ending September 2013, new and existing home sales increased by 32,300, or 7.0 percent, to 485,400 homes sold in California; by 4,000, or 24.6 percent, to 15,900 homes sold in Hawaii; and by 11,450, or 7.8 percent, to 157,900 homes sold in Arizona compared with the number of new and existing homes sold during the previous 12-month period (Hanley Wood, LLC). New and existing home sales increased by 3,175, or 4.8 percent, in Nevada during the same period. During the third quarter of 2013, 3.9 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 6.6 percent during the third quarter of 2012 (LPS Applied Analytics). The statewide rates of distressed loans ranged from 3.3 percent in Arizona to 9.2 percent in Nevada, down from 5.9 and 12.9 percent, respectively. A decline in sales of distressed properties contributed to a 23.8-percent increase in the average sales price in the Las Vegas-Paradise metropolitan area. During the 12 months ending September 2013, the greatest sales price appreciation in the region, more than 23 percent each, occurred in the Las Vegas-Paradise and Sacramento—Arden-Arcade—Roseville metropolitan areas, where the average new and existing home sales price increased by \$36,500 to \$190,000 in Las Vegas-Paradise and by \$55,700 to \$288,700 in Sacramento—Arden-Arcade—Roseville. In the Phoenix-Mesa-Scottsdale metropolitan area, the average new and existing home sales price increased by \$31,900, or 17 percent, to \$220,100.

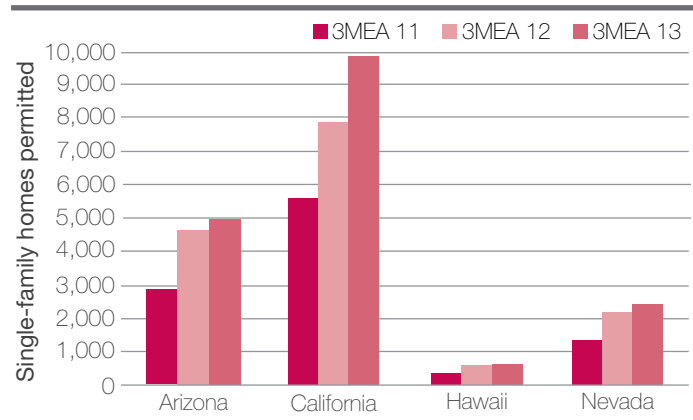
Single-family home construction, as measured by the number of homes permitted, increased significantly in every state in the Pacific region. Although single-family construction activity remains much less than historic levels, construction activity is stabilizing.

During the 3 months ending August 2013 (preliminary data)—

- Single-family homebuilding in the region increased by 2,600 homes, or 17 percent, to 17,950 homes permitted. By comparison,

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Single-family home permitting increased throughout the Pacific region as housing market conditions improved.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data. Source: U.S. Census Bureau, Building Permits Survey

Home sales and sales prices continued to increase in most major metropolitan areas of the Pacific region.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 (\$)	2013 (\$)	Percent Change
Honolulu (N&E)	September	9,625	12,350	28.3	AVG	515,700	551,300	6.9
Las Vegas-Paradise (N&E)	September	51,850	53,900	4.0	AVG	153,500	190,000	23.8
Los Angeles-Long Beach-Santa Ana (N&E)	September	82,700	89,150	7.8	AVG	468,600	562,900	20.1
Oxnard-Thousand Oaks-Ventura (N&E)	September	9,150	9,950	8.7	AVG	428,878	502,239	17.1
Phoenix-Mesa-Scottsdale (N&E)	September	109,700	115,600	5.4	AVG	188,200	220,100	17.0
Riverside-San Bernardino-Ontario (N&E)	September	70,050	75,100	7.2	AVG	221,800	259,600	17.0
Sacramento—Arden-Arcade—Roseville (N&E)	September	37,950	39,900	5.1	AVG	233,000	288,700	23.9
San Diego-Carlsbad-San Marcos (N&E)	September	39,000	44,550	14.2	AVG	419,700	483,300	15.2
San Francisco-Oakland-Fremont (N&E)	September	52,650	54,300	3.1	AVG	557,100	673,800	20.9
San Jose-Sunnyvale-Santa Clara (N&E)	September	19,600	20,150	2.8	AVG	661,900	786,600	18.8

AVG = average. N&E = new and existing. Source: Hanley Wood, LLC



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single-family construction activity averaged 67,700 homes permitted during the same 3-month period from 2002 through 2005. An average of 21,150 single-family homes were permitted in the region during the same 3-month period from 2006 through 2012.

Apartment Market Conditions

Apartment market conditions remained tight in most of the Pacific region as a result of the significant foreclosure activity that occurred during the end of the previous decade. Of the 10 largest metropolitan areas in the region, only 4—Riverside-San Bernardino-Ontario, Honolulu, Las Vegas-Paradise, and Phoenix-Mesa-Scottsdale—had apartment vacancy rates of more than 5 percent during the third quarter of 2013. Apartment vacancy rates declined from the third quarter of 2012 in every major metropolitan area in the region except San Jose-Sunnyvale-Santa Clara, where the rate remained unchanged at 3.8 percent. From the third quarter of 2012 to the third quarter of 2013, in the San Francisco-Oakland-Fremont metropolitan area, the apartment vacancy rate declined from 3.8 to 3.5 percent, and in the Los Angeles-Long Beach-Santa Ana metropolitan area, the rate fell from 4.5 to 4.4 percent. Average rents rose in all but 1 of the 10 major metropolitan areas, ranging from a 2.3-percent decrease in Honolulu to a 7.6-percent increase in Oakland, during the third quarter of 2013.

Rental markets ranged from balanced to tight in the Pacific region, except in Las Vegas-Paradise, where conditions were soft.

Metropolitan Area	Market Condition
Honolulu	Balanced
Las Vegas-Paradise	Soft
Los Angeles-Long Beach-Santa Ana	Tight
Oxnard-Thousand Oaks-Ventura	Tight
Phoenix-Mesa-Scottsdale	Balanced
Riverside-San Bernardino-Ontario	Balanced
Sacramento—Arden-Arcade—Roseville	Balanced
San Diego-Carlsbad-San Marcos	Tight
San Francisco-Oakland-Fremont	Tight
San Jose-Sunnyvale-Santa Clara	Tight

Source: HUD, PD&R, Economic and Market Analysis Division

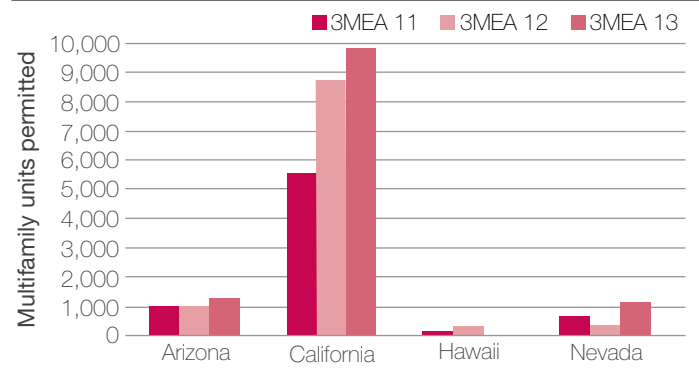
- Single-family building activity increased in all four states of the region, ranging from an increase of 325 homes, or 7 percent, in Arizona to an increase of 1,975 homes, or 25 percent, in California.

Multifamily construction, as measured by the number of units permitted, increased in three of the four states in the Pacific region.

During the 3 months ending August 2013 (preliminary data)—

- The number of multifamily units permitted in the region increased by 1,825, or 17 percent, to 12,250 units permitted. By comparison, multifamily construction averaged 17,250 units permitted during the same 3 months from 2003 through 2007.
- The only decline in multifamily building activity occurred in Hawaii, where permits declined by 300 units, or 94 percent.
- Significant increases in multifamily building activity occurred in Arizona (up by 280 units permitted, or 28 percent), California (up by 1,075 units permitted, or 12 percent), and Nevada (up by 750 units permitted, or 196 percent).

Multifamily permitting increased in every Pacific region state except Hawaii.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

