HUD PD&R Housing Market Profiles

Los Angeles-Long Beach-Glendale, California

Quick Facts About Los Angeles-Long Beach-Glendale

- **Current sales market conditions: tight.**
- **Current apartment market conditions: tight.**
- **The defense industry is an important component of the local economy. Northrop Grumman Corporation, with a large presence in the metropolitan division, was recently awarded a long-range bomber contract worth approximately $80 billion that could add thousands of jobs in southern California.**

By Ikuo J. Nakano | As of October 1, 2015

Overview

The Los Angeles-Long Beach-Glendale, CA Metropolitan Division (hereafter, Los Angeles metropolitan division) is coterminous with Los Angeles County. In addition to the defense industry, the Los Angeles metropolitan division is home to high-technology businesses, media companies, and medical businesses. During the 3 months ending September 2015, nonfarm payrolls grew at a fast pace, and the manufacturing sector was the only sector to lose jobs. Since April 2010, population growth has been slower in the Los Angeles metropolitan division than in California as a whole because of net domestic out-migration, partly because of high housing costs (sales and rental).

- As of October 1, 2015, the population of the Los Angeles metropolitan division is estimated at 10.24 million, an average annual increase of 77,500, or 0.8 percent, since April 2010.
- Since 2010, net international in-migration has offset domestic out-migration, and the population has increased at a faster pace compared with the average from 2006 to 2010. Although the

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higher cost of housing relative to elsewhere in the United States has led to net domestic out-migration, many people from other countries consider housing prices in Los Angeles County a bargain, a good investment, or both.

- Net natural increase (resident births minus resident deaths) and net in-migration have accounted for 66 and 34 percent, respectively, of the population growth since 2010.

Economic Conditions

The Great Recession did not significantly affect economic conditions in the Los Angeles metropolitan division until the third quarter of 2009, when the metropolitan division lost 6.8 percent of the nonfarm payroll jobs from the third quarter of 2008. During the same period, the Pacific region and the nation lost 7.2 and 4.9 percent of nonfarm payroll jobs, respectively. Nonfarm payroll jobs in the metropolitan division grew from 3.86 million in the third quarter of 2010 to 4.30 million in the third quarter 2015. The current number of jobs is 2.4 percent higher than the number in the third quarter of 2006, before the Great Recession. Improvements in tourism, increased demand for health care because of an aging population, and job growth associated with business consulting have contributed significantly to the economic recovery in the metropolitan division. Since 2010, the greatest percentage gains in nonfarm payrolls have occurred in the leisure and hospitality, education and health services, and professional and business services sectors, at average annual rates of 4.9, 3.6, and 3.4 percent, respectively. The construction subsector has also contributed to growth, up 3.7 percent since 2010. The average unemployment rate for the third quarter of 2015 was 6.9 percent, down from 8.5 percent during the third quarter of 2014 and 12.9 percent during third quarter of 2010, the highest rate before recovery began. The current rate for the Los Angeles metropolitan division is higher than the 5.2-percent rate for the nation.

During the third quarter of 2015—

- Nonfarm payrolls increased to an average of 4.30 million jobs, an increase of 87,300 jobs, or 2.1 percent, after an increase of 88,900 jobs, or 2.2 percent, during the same period a year earlier.
- The highest job growth (in percentage terms) was in the mining, logging, and construction sector, which added 6,500 jobs, a 5.1-percent increase to 133,500 jobs from the third quarter of 2014. A 5.8-percent increase in residential (single-family and multifamily) construction spurred growth in this sector.

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Seven sectors in the Los Angeles metropolitan division increased at least 2 percent during the third quarter of 2015.

	3 Months Ending		Year-Over-Year Change	
	September 2014 (thousands)	September 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	4,209.3	4,296.6	87.3	2.1
Goods-producing sectors	491.1	495.0	3.9	0.8
Mining, logging, and construction	127.0	133.5	6.5	5.1
Manufacturing	364.1	361.6	– 2.5	– 0.7
Service-providing sectors	3,718.1	3,801.5	83.4	2.2
Wholesale and retail trade	636.9	651.3	14.4	2.3
Transportation and utilities	162.8	166.9	4.1	2.5
Information	194.2	194.2	0.0	0.0
Financial activities	210.3	210.3	0.0	0.0
Professional and business services	611.2	623.3	12.1	2.0
Education and health services	741.1	766.1	25.0	3.4
Leisure and hospitality	472.3	489.9	17.6	3.7
Other services	152.9	156.0	3.1	2.0
Government	536.2	543.5	7.3	1.4
	(percent)	(percent)		
Unemployment rate	8.5	6.9		

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

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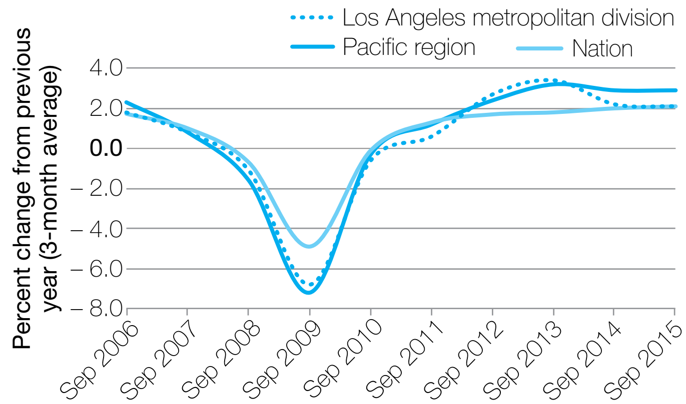
- Increased tourism supported growth in the leisure and hospitality sector, which added 17,600 jobs, an increase of 3.7 percent. Tourism increased from 38.5 million visitors in 2010 to 44.2 million visitors in 2014, the most recent data available (Los Angeles Tourism & Convention Board).
- Spending by tourists also contributed to job growth in the wholesale and retail trade sector, which gained 14,400 jobs, or 2.3 percent, from the third quarter of 2014.

Largest employers in the Los Angeles metropolitan division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente®	Education and health services	35,991
University of California, Los Angeles	Government	31,889
Northrop Grumman Corp.	Manufacturing	17,000

Note: Excludes local school districts.
Source: Moody's Analytics

Since the third quarter of 2014, nonfarm payrolls in the Los Angeles metropolitan division have increased at a similar rate as in the nation but below the rate for the Pacific region.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions in the Los Angeles metropolitan division are currently tight, partially because of a lack of available land within a 20-mile radius of downtown Los Angeles. Nearly all the new home construction in the city of Los Angeles is infill development of land made available by demolishing existing buildings or the conversion of nonresidential structures to residential use. In the past 12 months, home sales and prices are up and the share of mortgage loans in the foreclosure process is down. In September 2015, 2.1 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status compared with 1.9 percent for the state of California (Black Knight Financial Services, Inc.).

During the 12 months ending September 2015—

- Sales of new and existing homes increased 8 and 5 percent, respectively, compared with sales during the 12 months ending September 2014 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

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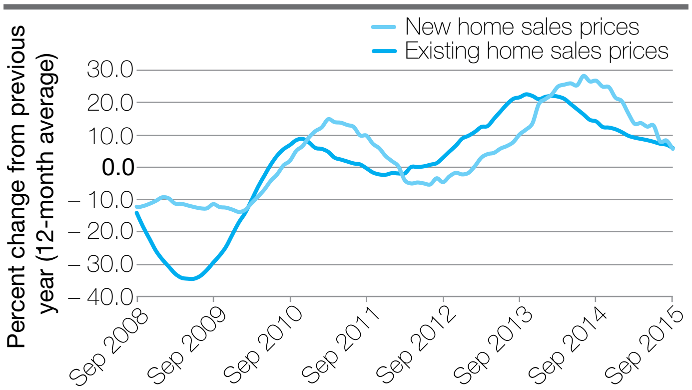
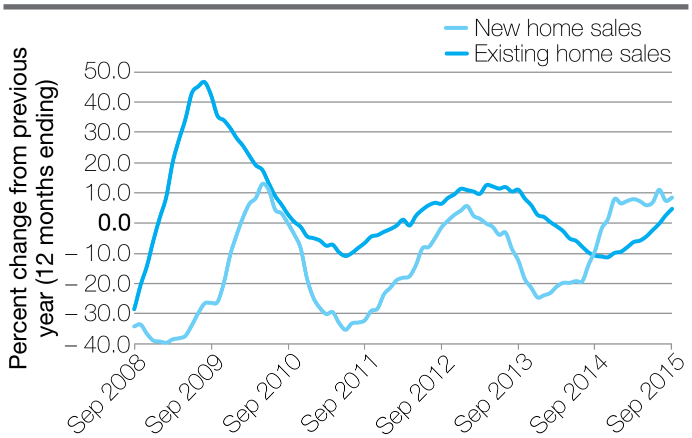
New and existing home prices in the Los Angeles metropolitan division continued to increase, but at a slower pace, during the 12 months ending September 2015.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

New home sales in the Los Angeles metropolitan division have increased since the end of 2014, and existing home sales have increased since mid-2015.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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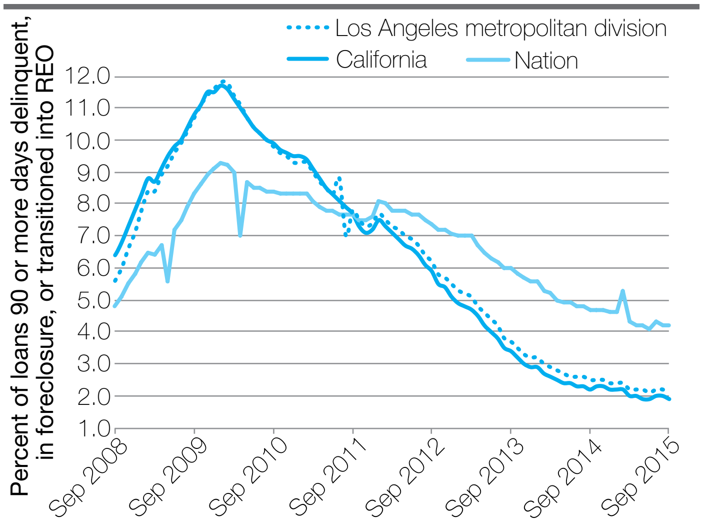
- The average sales price for existing homes increased 6 percent, to $687,800, up by $38,800 from $649,000 during the 12 months ending September 2014. Existing home sales prices have recovered from a yearly low of $448,600 in 2011 and far surpassed the previous peak for a single year of $538,400 in 2008, before the full effect of the housing crisis hit the Los Angeles metropolitan division.
- The average sales price of a new single-family home was $753,500, a 6-percent increase from $712,500 during the previous 12 months. The average new home price is 23 percent more than the average of $613,000 for the 12-month period ending September 2007, the highest price recorded before the recession.
- The average sales price for a new condominium was $723,400, which is $11,700, or 2 percent, less than during the previous 12 months but 24 percent more than the $585,300 recorded for the 12 months ending September 2007.
- New condominium sales totaled 1,200 compared with 1,250 units sold during the previous 12 months. Sales were down 80 percent from the 6,050 units sold during the 12 months ending September 2007. New and existing condominium sales represented 26 percent of total home sales, up from 25 percent during the 12-month period ending September 2014 but equal to the average from 2005 through 2013.

The percentage of seriously delinquent loans and REO properties in the Los Angeles metropolitan division has been declining since 2010.

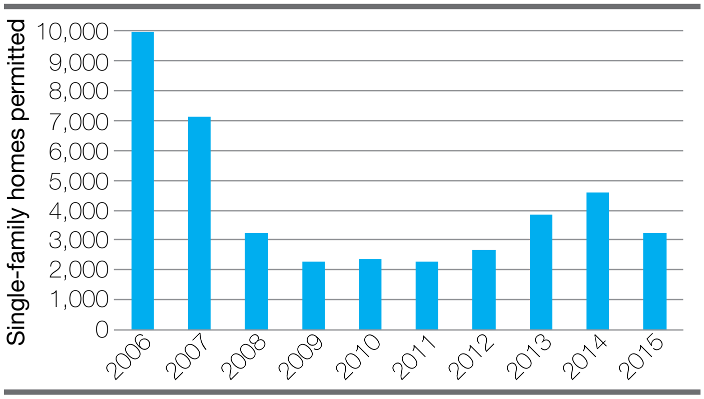


REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 12 months ending September 2015; however, the current level is 65 percent lower than in the peak years from 2004 through 2007.

- During the 12 months ending September 2015, 4,725 single-family homes were permitted, up 5 percent from the 4,500 homes permitted during the 12 months ending September 2014 (preliminary data).
- From 2008 through 2013, the number of single-family homes permitted averaged 2,775 annually, down 72 percent from 9,950 homes in 2006.
- Most notable home developments under construction are in the Santa Clarita and the San Gabriel Valleys. Monte Vista, in Pomona, has 2,376-square-foot single-family homes starting at $525,877. West Hills, in the Santa Clarita Valley, has 2,617-square-foot single-family homes starting at $591,000. Granite Park Place in Pasadena has 1,860-square-foot condominiums starting at $1.23 million.

Single-family home permitting in the Los Angeles metropolitan division has been increasing since 2011.



Note: Includes preliminary data from January 2015 through September 2015.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Los Angeles metropolitan division is currently tight, with apartment vacancy rates remaining below 5 percent since the third quarter of 2011. Rental vacancy rates are also low for single-family homes, which represent approximately 26 percent of the overall rental housing market and generally have higher rents for comparably sized units.

- The apartment vacancy rate was 3.8 percent in the third quarter of 2015, the same rate as during the third quarter of 2014 (Axiometrics Inc.).
- The average asking apartment rent increased 7.8 percent, to $2,167, in the third quarter of 2015 from $2,010 in the third quarter of 2014.

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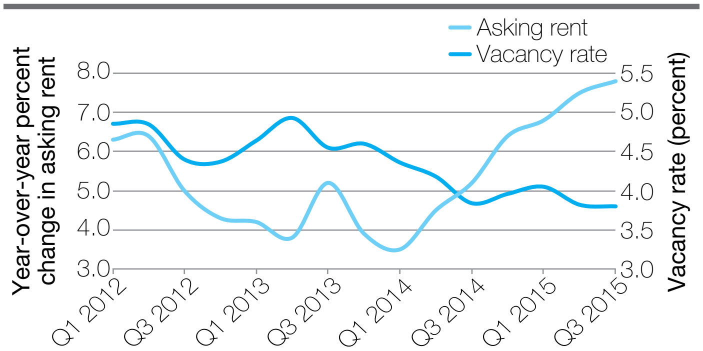
- Despite job growth, high rents are among the main reasons for domestic out-migration. The Los Angeles metropolitan division is considered the least affordable rental market in the country (UCLA Luskin School of Public Affairs).
- Average asking rents in the metropolitan division have increased (year over year) since the first quarter of 2011 after declining from the fourth quarter of 2008 through the fourth quarter of 2010 as a result of the recession. The recent increases would likely have been higher if not for rent control, which covers more than 20 percent of the rental units in the metropolitan division.

Multifamily construction activity, as measured by the number of units permitted, has increased since 2010.

- During the 12 months ending September 2015, multifamily construction totaled 18,400 units, up from 12,500 units during the previous 12-month period (preliminary data).
- Multifamily permitting activity increased from a low of 2,875 units in 2009 to 13,050 units in 2014 but remained below the 15,250 units permitted in 2006.

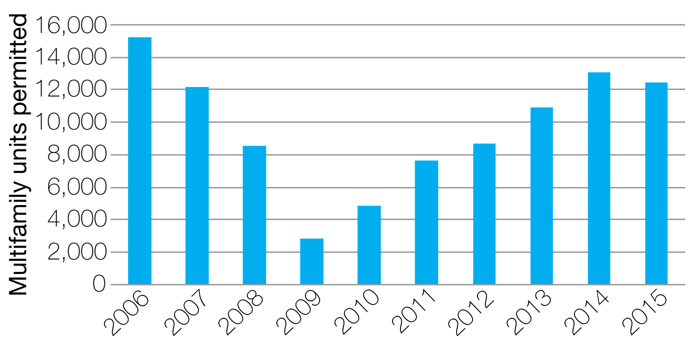
Apartment rents in the Los Angeles metropolitan division have increased since the first quarter of 2011, and the average apartment vacancy rate has generally decreased since the second quarter of 2009.



Source: Axiometrics Inc.

- Apartments that are scheduled to come on line in 2016 include the 700-unit Eighth & Grand in the city of Los Angeles. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units start at $2,105, $2,790, $3,600, and $4,270, respectively. The 526-unit Da Vinci, also in the city of Los Angeles, has rents for studio, one-bedroom, two-bedroom, and three-bedroom units starting at $1,790, $1,926, $2,342, and $3,373, respectively.
- In 2017, the 648-unit Sixth and Bixel in the city of Los Angeles is scheduled to come on line, with rents for studio, one-bedroom, two-bedroom, and three-bedroom units expected to start at $1,790, $1,926, $2,342, and $3,373, respectively.
- Apartments that are currently in lease up include the 401-unit The Brand, in the city of Glendale. Rents for studio, one-bedroom, two-bedroom, and three-bedroom units start at $1,650, $1,975, $2,920, and $4,264, respectively.

Multifamily permitting in the Los Angeles metropolitan division has been increasing since 2009.



Note: Includes preliminary data from January 2015 through September 2015.
Source: U.S. Census Bureau, Building Permits Survey