

HUD PD&R Regional Reports

Region 9: Pacific

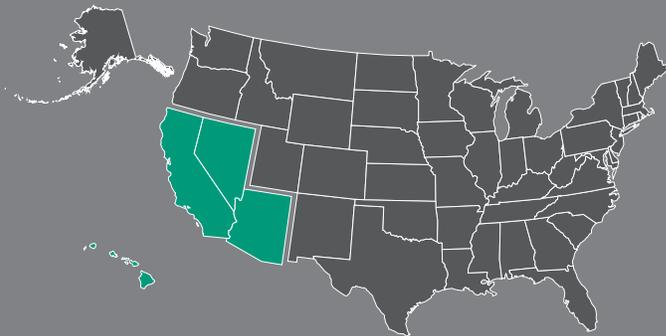


Quick Facts About Region 9

Long Beach, California

By Elaine Ng | 1st Quarter 2020

- **Sales market conditions—**
First quarter 2020: mixed (balanced to tight)
Fourth quarter 2019: mixed (balanced to tight)
First quarter 2019: mixed (balanced to tight)
- **Apartment market conditions—**
First quarter 2020: mixed (slightly tight to tight)
Fourth quarter 2019: tight
First quarter 2019: mixed (slightly tight to tight)



Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the Pacific region began to rise during the week of March 21, 2020, increasing by 270,400 to 316,800 claims, an almost 7-fold increase compared with the same week a year earlier. During the week ending March 28, 2020, unemployment insurance claims rose significantly to 1.27 million claims, an increase of 1.22 million claims, or a 28-fold increase compared with the same week a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

The economy in the Pacific region continued to expand during the first quarter of 2020 compared with the first quarter of 2019. Nonfarm payrolls have posted continuous year-over-year

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increases since the fourth quarter of 2010. The rate of job gains in the Pacific region has outpaced the national rate for every quarter since the second quarter of 2012. As the most populous state, California contributed the most net job growth in the region, accounting for 74 percent of the regional total during the first quarter of 2020; by comparison, during the first quarter of 2019, the contribution was lower, at 67 percent. Sales housing market conditions remain balanced to tight, unchanged from a year ago. Sales in the region increased slightly while average home sales price growth slowed. Single-family homebuilding activity, as measured by the number of homes permitted, increased in the region overall. Apartment market conditions ranged from tight to slightly 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 9 of the 10 largest markets in the region, but the increase exceeded the national growth rate in only 6 of the 10 largest markets.

- Nearly every nonfarm payroll sector in the region added jobs during the first quarter of 2020, with the largest gains in the

education and health services sector. The wholesale and retail trade and manufacturing sectors were the only sectors to lose jobs, both for the second consecutive quarter.

- Home sales in the region increased 1 percent during the 12 months ending February 2020, to 708,800 homes sold, compared with sales a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average home sales price rose 2 percent to \$585,800. Single-family homebuilding activity in the region, as measured by the number of single-family homes permitted, increased 18 percent from a year earlier, to 25,900 homes, during the first quarter of 2020; single-family permitting increased in three of the four states in the region.
- Multifamily permitting increased 9 percent in the region during the first quarter of 2020. Multifamily permitting declined in three of the four states in the region, and the regionwide increase was because multifamily permitting in Arizona nearly doubled. By comparison, multifamily permitting activity declined 4 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 first quarter of 2020. Total nonfarm payrolls in the region rose by 334,000 jobs, or 1.5 percent, to 22.5 million jobs, slower than the 1.8-percent rate of job growth a year earlier. During the first quarter of 2020, nonfarm payroll growth in the region accounted for 16 percent of job growth

nationally—slightly lower than the 18-percent share during the first quarter of 2019. The education and health services sector accounted for the greatest job gains in the region during the first quarter of 2020, adding 105,900 jobs, or 3.1 percent. Job gains in California led growth in the sector, and job additions in the state accounted for 76 percent of the overall regionwide growth in the education and health services sector. The healthcare and social assistance industry accounted for 84 percent of the net

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All nonfarm payroll sectors added jobs in the Pacific region except for the wholesale and retail trade and manufacturing sectors.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	22,208.7	22,542.7	334.0	1.5
Goods-Producing Sectors	2,759.0	2,780.7	21.7	0.8
Mining, Logging, & Construction	1,194.0	1,225.0	31.0	2.6
Manufacturing	1,565.1	1,555.7	-9.4	-0.6
Service-Providing Sectors	19,449.6	19,762.0	312.4	1.6
Wholesale & Retail Trade	3,044.1	3,025.4	-18.7	-0.6
Transportation & Utilities	901.5	945.6	44.1	4.9
Information	635.3	660.2	24.9	3.9
Financial Activities	1,155.1	1,181.1	26.0	2.3
Professional & Business Services	3,384.7	3,442.0	57.3	1.7
Education & Health Services	3,464.8	3,570.7	105.9	3.1
Leisure & Hospitality	2,798.1	2,813.6	15.5	0.6
Other Services	729.8	735.8	6.0	0.8
Government	3,336.2	3,387.6	51.4	1.5

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



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job gain in the education and health services sector in the region, largely in response to continued regional population growth. The professional and business services and government sectors also added a significant number of jobs, with gains of 57,300 and 51,400 jobs, or 1.7 and 1.5 percent, respectively. California also contributed most of the job gains in these sectors, accounting for 73 and 75 percent of growth in the region. All levels of government added jobs in the region, but local government hiring accounted for 54 percent of the total, with the majority of job additions outside of local education services.

The unemployment rate in the region averaged 4.7 percent during the first quarter of 2020, up from the 4.6-percent rate a year earlier and higher than the national average of 4.1 percent. Hawaii had the lowest unemployment rate in the region and the nation, at 2.6 percent, down slightly from the 2.8-percent rate a year ago. The unemployment rate rose in Nevada from 4.3 to 4.7 percent and in California from 4.6 to 4.8 percent, but declined slightly from 4.9 to 4.8 percent in Arizona.

- California added 245,400 jobs, a gain of 1.4 percent—lower than the 1.6-percent rate of growth a year earlier. Jobs in the education and health services sectors expanded by 80,100, or 2.9 percent. Similar to trends in the region, job gains in the healthcare and social assistance industry contributed to 84 percent of that growth sectorwide. Much of the industry-wide job growth occurred in southern California metropolitan areas such as Los Angeles-Long Beach-Anaheim and Riverside-San Bernardino-Ontario. Job growth in all southern California metropolitan areas combined accounted for 60 percent of the job growth in the healthcare and social assistance industry statewide.
- Nonfarm payrolls in Arizona increased by 73,900 jobs, or 2.5 percent, from a year ago—a smaller increase than the gain of 84,800 jobs, or 3.0 percent, a year earlier. The education and health services sector led job growth in the state, adding 22,200 jobs, or 4.9 percent; that growth is at least partly attributable to an aging population, which contributed to increased hiring in the sector. As of 2018, almost 18 percent of residents in the state were ages 65 years or older, higher than the 16 percent nationwide average (2018 American Community Survey [ACS] 1-year data).

- In Nevada, nonfarm payrolls expanded by 14,500 jobs, or 1.0 percent. The professional and business services sector and the construction subsector added the most jobs in the state, up by 7,300 and 5,700 jobs, or 3.8 and 6.2 percent, respectively. Construction activity in the Las Vegas-Henderson-Paradise metropolitan area was responsible for all the job growth in the construction subsector; the 6,300 construction jobs added in the metropolitan area offset small losses in other areas of the state.
- Hawaii added 2,000 nonfarm payroll jobs, a 0.2-percent increase. Job growth in the state has been below 1 percent since the third quarter of 2017. While job gains were strong in the leisure and hospitality and government sectors, which added averages of 900 and 800 jobs, or 0.7 percent, each, significant job declines in the wholesale and retail trade and information sectors, which lost an average of 1,900 and 800 jobs, or 2.1 and 8.3 percent, respectively, offset some of the growth.

The unemployment rate increased slightly in the Pacific region, primarily as a result of increases in California and Nevada.



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

Population

The population of the Pacific region increased by 219,400, or 0.4 percent, from 2018 to 2019, slightly lower than the growth rate of 0.5 percent from 2017 to 2018 (U.S. Census Bureau population estimates as of July 1). By comparison, the population in the

nation increased 0.5 percent from 2018 to 2019, unchanged from the rate a year prior. The regionwide slowdown in growth was a result of significant net out-migration from California and Hawaii, where housing costs are generally more expensive.

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While net in-migration to Arizona and Nevada was offset by net out-migration in California and Hawaii, net in-migration to the region totaled just 2,850 people; that total accounted for only 1 percent of the population growth from 2018 to 2019, down from a 17-percent contribution from 2017 to 2018. From 2018 to 2019, net natural change (resident births minus resident deaths) decreased to approximately 216,000 people from 224,400 people during the previous year. Rates of population growth were highest in Nevada and Arizona at 1.7 percent each, followed by California at 0.1 percent. The population in Hawaii, however, declined 0.3 percent because of net out-migration of 8,800 people. Compared with all states in the nation, Nevada and Arizona had the second and third highest population growth rates, respectively.

During the 12 months ending July 1, 2019—

- Strong job growth and relatively affordable housing in Arizona and Nevada contributed to higher rates of population growth compared with the other two states in the region; population growth in these two states was responsible for a combined 79 percent of regionwide growth. Net in-migration, a large

portion of which was from the more expensive markets in California, accounted for 82 and 80 percent of population growth in the two states, respectively.

- Population growth in California, the most populous state in the nation, was more than halved compared with growth during the previous year. Net natural change accounted for all the growth, because net out-migration from California totaled 129,400 people. International net in-migration to California of 74,025 people was not high enough to offset domestic net out-migration, which was primarily a result of sharply rising home prices. Asia and Latin America have accounted for 55 and 31 percent, respectively, of the foreign-born population entering the state since 2010 (2018 ACS 1-year data).
- The population in Hawaii has been declining since 2016 because net out-migration has exceeded net natural change. Four years of slower economic growth and higher home prices have contributed to a surge in net out-migration, and the 13,800 domestic residents who moved to other parts of the nation exceeded the 5,025 international migrants, many of them retirees, who moved into the state.

Population growth in the Pacific region was driven by significant net in-migration in Arizona and Nevada, which offset net out-migration in California and Hawaii.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
Pacific Region	50,796,803	51,067,546	51,286,968	0.5	0.4
Arizona	7,044,008	7,158,024	7,278,717	1.6	1.7
California	39,358,497	39,461,588	39,512,223	0.3	0.1
Hawaii	1,424,393	1,420,593	1,415,872	-0.3	-0.3
Nevada	2,969,905	3,027,341	3,080,156	1.9	1.7

Source: U.S. Census Bureau

Sales Market Conditions

During the first quarter of 2020, 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 4 of the 10 largest metropolitan areas in the region. The average home sales price (including single-family homes, townhomes, and condominiums) in the region increased 2 percent from a year earlier, to \$585,800, during the 12 months ending February 2020. This increase followed a 7-percent price increase during the previous 12-month period (Metrostudy, A Hanley Wood Company, with

adjustments by the analyst). The average home sales price for the region was 71 percent higher than the national average of \$343,200, but the 5-percent rate of price growth in the nation was faster than the regional rate. Average home sales prices rose in all states of the region except Hawaii, where the average sales price declined 2 percent. In each of the three other states of the region, price gains during the 12 months ending February 2020 were significantly lower than gains during the previous 12-month period. The average sales price increased 2, 7, and 7 percent in California, Arizona, and Nevada, respectively, during the 12 months ending February 2020, down from increases of 7, 12,

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and 13 percent during the previous 12-month period. Average home sales prices also increased in 7 of the 10 metropolitan areas cited in this report, ranging from a 1-percent increase in San Francisco-Oakland-Hayward and Los Angeles-Long Beach-Anaheim to a 7-percent increase in Las Vegas-Henderson-Paradise. The average sales price declined in some of the more expensive metropolitan areas of the region, including declines of 2 percent in Oxnard-Thousand Oaks-Ventura, 3 percent in San Jose-Sunnyvale-Santa Clara, and 4 percent in Urban Honolulu.

During the 12 months ending February 2020, the number of home sales in the Pacific region increased 1 percent from a year earlier, to approximately 708,800 homes sold, following a 7-percent decline during the previous 12-month period. Nationwide sales remained flat during both of the last two 12-month periods. Regionwide home sales increased slightly, primarily in response to slowing average home sales price growth. The number of home sales increased in Arizona and Hawaii by respective rates of 4 and 2 percent, remained stable in California, and declined 2 percent in Nevada. Home sales in 6 of the 10 largest metropolitan areas in the region increased, ranging from 2 percent in Los Angeles-Long-Beach-Anaheim to 6 percent in Phoenix-Mesa-Scottsdale. Home sales declined 3 percent in both the Las Vegas-Henderson-Paradise and Sacramento-Roseville-Arden-Arcade metropolitan areas and 2 percent in San Francisco-Oakland-Hayward. The greatest decline in sales—5 percent—occurred in the San Jose-Sunnyvale-Santa Clara metropolitan area, where the average

home sales price of \$1.47 million was the highest among the metropolitan areas in the region.

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 February 2020, REO sales fell 14 percent, after a 28-percent decline a year earlier. 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 February 2019 to 0.7 percent in February 2020 (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties in the region was highest in Hawaii and Nevada, at 1.8 and 1.1 percent, respectively—down from respective rates of 2.1 and 1.5 percent a year ago. The regional rate reflected lower levels of seriously delinquent mortgages and REO properties in Arizona and California at 0.6 percent each.

During the first quarter of 2020 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, increased 18 percent from a year earlier to 25,900 homes, reversing an 8-percent decline during the first quarter of 2019. The number of homes permitted nationally during the same period grew 18 percent from a year earlier after declining 6 percent during the first quarter of 2019.

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Home sales declined in 4 of the 10 largest metropolitan areas in the Pacific region, and home prices declined in 3 metropolitan areas.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2019	2020	Percent Change		2019 (\$)	2020 (\$)	Percent Change
Urban Honolulu, HI (N&E)	February	11,467	11,820	3	AVG	\$760,571	\$726,832	-4
Las Vegas-Henderson-Paradise, NV (N&E)	February	51,004	49,379	-3	AVG	\$359,327	\$384,519	7
Phoenix-Mesa-Scottsdale, AZ (N&E)	February	115,571	122,632	6	AVG	\$360,266	\$381,027	6
Los Angeles-Long Beach-Anaheim, CA (N&E)	February	108,599	110,527	2	AVG	\$903,180	\$911,399	1
Riverside-San Bernadino-Ontario, CA (N&E)	February	69,471	71,305	3	AVG	\$418,555	\$443,422	6
San Diego-Carlsbad, CA (N&E)	February	38,394	39,719	3	AVG	\$739,248	\$758,670	3
Oxnard-Thousand Oaks-Ventura, CA (N&E)	February	9,140	9,589	5	AVG	\$737,299	\$719,471	-2
San Francisco-Oakland-Hayward, CA (N&E)	February	45,355	44,512	-2	AVG	\$1,076,770	\$1,091,847	1
San Jose-Sunnyvale-Santa Clara, CA (N&E)	February	15,825	14,972	-5	AVG	\$1,505,714	\$1,465,619	-3
Sacramento-Roseville-Arden-Arcade, CA (N&E)	February	37,926	36,607	-3	AVG	\$500,414	\$523,340	5

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

Note: Data include single-family homes, townhomes, and condominiums.

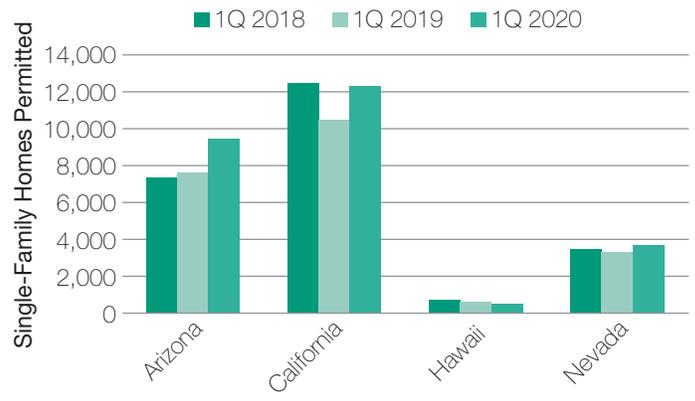
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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- California accounted for 48 percent of the single-family units permitted in the region—similar to its contribution during the first quarter of 2019. Single-family permitting activity in the state grew 18 percent, to 12,300 homes, contributing to 46 percent of the regionwide increase.
- Single-family permitting rose the fastest in Arizona—24 percent—to 9,425 homes, and permitting increased 13 percent in Nevada, to 3,675 homes. Almost 80 percent of the statewide increase in Arizona was in the Phoenix-Mesa-Scottsdale metropolitan area, where 7,325 homes were permitted, an increase of 1,425 homes from the first quarter of 2019.
- The only state in the region with fewer single-family homes permitted was Hawaii, where permitting declined almost 13 percent, to 500 homes.

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



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 slightly tight to tight in the 10 major metropolitan areas cited in this report during the first quarter of 2020, unchanged from conditions during the first quarter of 2019. Higher home sales prices continue to make homeownership less attainable for households 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 metropolitan areas had vacancy rates below the national average of 4.4 percent (RealPage, Inc.). In the Phoenix-Mesa-Scottsdale metropolitan area, conditions were slightly tight during the first

quarter of 2019 but have since tightened, with the vacancy rate declining by 0.5 of a percentage point, to 3.9 percent. The vacancy rate rose slightly—0.2 of a percentage point—in the Las Vegas-Henderson-Paradise metropolitan area, to 5.0 percent—the only metropolitan area in the region where apartment market conditions were not tight.

While tight or slightly tight market conditions prevailed throughout the region, average rents increased in all major metropolitan areas during the first quarter of 2020 except for a slight decline of 1 percent in Urban Honolulu. Average rent growth was fastest in the more affordable markets of the region and exceeded the

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Apartment market conditions ranged from tight to slightly 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		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 (\$)	1Q 2020 (\$)	Percent Change
Urban Honolulu	Tight	5.6	5.4	-0.2	2,178	2,157	-1.0
Las Vegas-Henderson-Paradise	Slightly Tight	4.8	5.0	0.2	1,057	1,122	6.1
Phoenix-Mesa-Scottsdale	Tight	4.4	3.9	-0.5	1,101	1,213	10.2
Los Angeles-Long Beach-Anaheim	Tight	3.9	3.7	-0.2	2,185	2,258	3.3
Riverside-San Bernardino-Ontario	Tight	3.8	3.7	-0.1	1,506	1,589	5.5
San Diego-Carlsbad	Tight	4.0	3.6	-0.4	1,968	2,059	4.6
Oxnard-Thousand Oaks-Ventura	Tight	3.6	3.5	-0.1	1,974	2,064	4.6
San Francisco-Oakland-Hayward	Tight	4.0	3.9	-0.1	2,772	2,827	1.9
San Jose-Sunnyvale-Santa Clara	Tight	4.2	3.6	-0.8	2,845	2,948	3.5
Sacramento-Roseville-Arden-Arcade	Tight	3.6	3.6	0.0	1,443	1,515	4.8

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



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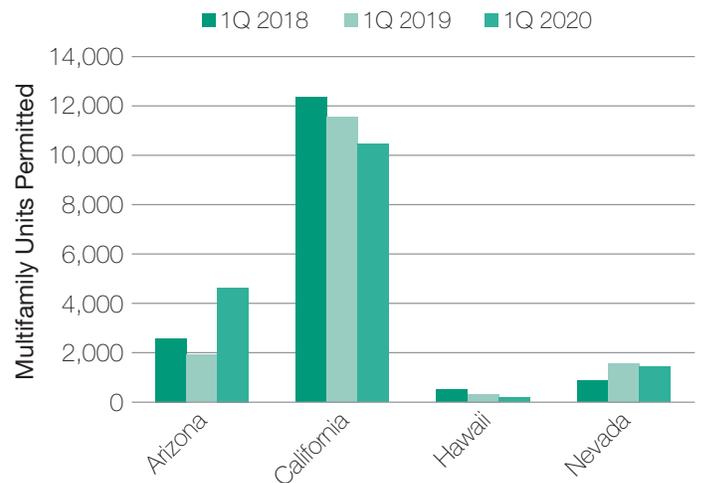
4-percent rate of rent growth in the nation. Rents increased the most—10 percent from a year earlier—in the Phoenix-Mesa-Scottsdale metropolitan area. Rents also rose between 4 and 6 percent in five of the other, generally more affordable metropolitan areas in the region. In the metropolitan areas in the region where rents grew slower than the national rate, average rent growth ranged from 2 percent in the San Francisco-Oakland-Hayward metropolitan area to 4 percent in the San Jose-Sunnyvale-Santa Clara metropolitan area.

During the first quarter of 2020 (preliminary data)—

- Multifamily permitting in the region increased almost 9 percent from a year earlier, to 16,800 units, compared with a 6-percent decline during the first quarter of 2019. Nationally, by comparison, the number of units permitted decreased 4 percent, following a 7-percent gain during the same period a year earlier.
- All the increase in multifamily permitting in the region was due to elevated permitting in Arizona, where the number of units permitted more than doubled, to 4,650 units. Multifamily permitting rose by 2,950 units in the Phoenix-Mesa-Scottsdale metropolitan area, offsetting declines in other areas of the state.
- Multifamily permitting activity in California declined nearly 10 percent to 10,500 units, but California still accounted for 63 percent of all permitting nationwide, down from a 75-percent contribution during the first quarter of 2019.

- In Hawaii, multifamily construction activity declined 45 percent, to 190 units permitted, and in Nevada, multifamily permitting declined by 140 units, or 9 percent, to 1,450 units permitted.

Multifamily construction activity fell in three of the four states in the Pacific region, but increased permitting activity in Arizona led to a regionwide increase.



1Q = first quarter.

Note: Based on preliminary data.

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

