

HUD PD&R Regional Reports

Region 9: Pacific



Quick Facts About Region 9

Honolulu, Hawaii

By Elaine Ng | 3rd Quarter 2019

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



Overview

The economy in the Pacific region continued expanding during the third quarter of 2019, and nonfarm payrolls have posted continuous year-over-year increases since the fourth quarter of 2010. During the first quarter of 2019, after lagging behind the national growth rate for the first time in 7 years, the rate of job gains in the Pacific region has outpaced that of the nation for the second consecutive quarter. As is typical, California contributed most of the jobs and growth in the region, accounting for 78 percent of jobs and 73 percent of the net job growth during the third quarter of 2019; by comparison, during the third quarter of 2018, those contributions were 78 and 70 percent, respectively. Sales housing market conditions remained nearly unchanged from a year ago, ranging from balanced to tight; however, sales in the region declined because of higher home prices. Despite rising sales prices, single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region overall, as a modest increase in three states of the region was not enough to offset the significant decline in California. Apartment market conditions were tight throughout much of the region, and vacancy rates declined or remained unchanged in 7 of the 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 2 of the 10 largest markets.

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- Nearly every nonfarm payroll sector in the region added jobs during the third quarter of 2019, with the largest gains occurring 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 8 percent during the 12 months ending August 2019 to 745,300 homes sold, compared with sales a year earlier, while the average home sales price rose 2 percent to \$508,400. Single-family homebuilding activity in

the region decreased less than 1 percent from a year earlier to 24,950 homes during the third quarter of 2019, due entirely to fewer units being permitted in California, where permitting decreased 6 percent.

- Multifamily permitting increased 29 percent in the region during the third quarter of 2019. Significant increases in permitting activity in California and Nevada offset declines in Hawaii and Arizona. 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 third quarter of 2019, with total nonfarm payrolls increasing by 439,500 jobs, or 2.0 percent, to nearly 22.5 million jobs. This rate was slightly slower than the 2.1-percent growth in nonfarm payrolls in the region a year earlier. During the third quarter of 2019, nonfarm payroll growth in the region accounted for 20 percent of job growth nationally, higher than the 17-percent share during the third 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 third quarter of 2019, adding 109,800 and 97,400 jobs, or 3.2 and 2.9 percent, respectively. Growth in these sectors was led by job gains in California, which accounted for 78 and 82 percent

of the job additions in these sectors in the region, respectively. The healthcare and social assistance industry accounted for 80 percent of the net gain in education and health services sector jobs in the region, largely in response to continued regional population growth. Multiple construction projects across the region contributed to a gain of 63,600 jobs, or 5.2 percent in the mining, logging, and construction sector, the fastest growing sector in the region, during the third quarter of 2019. The sector has posted annual payroll gains each quarter since the second quarter of 2011, but current employment levels are 11 percent below the prerecession peak of 1.44 million jobs during the third quarter of 2006.

The unemployment rate in the region averaged 4.2 percent during the third quarter of 2019, down from the 4.3-percent rate a year earlier but higher than the national average of 3.7 percent. Despite

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Economic conditions continued to strengthen in the Pacific region during the third quarter of 2019 as all but one nonfarm payroll sector added jobs.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	22,008.4	22,447.9	439.5	2.0
Goods-Producing Sectors	2,806.1	2,893.2	87.1	3.1
Mining, Logging, & Construction	1,223.0	1,286.6	63.6	5.2
Manufacturing	1,583.0	1,606.6	23.6	1.5
Service-Providing Sectors	19,202.3	19,554.8	352.5	1.8
Wholesale & Retail Trade	3,073.2	3,057.2	-16.0	-0.5
Transportation & Utilities	881.9	904.6	22.7	2.6
Information	613.8	631.8	18.0	2.9
Financial Activities	1,156.8	1,167.1	10.3	0.9
Professional & Business Services	3,386.5	3,483.9	97.4	2.9
Education & Health Services	3,380.2	3,490.0	109.8	3.2
Leisure & Hospitality	2,813.2	2,870.5	57.3	2.0
Other Services	739.9	743.2	3.3	0.4
Government	3,156.8	3,206.4	49.6	1.6

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



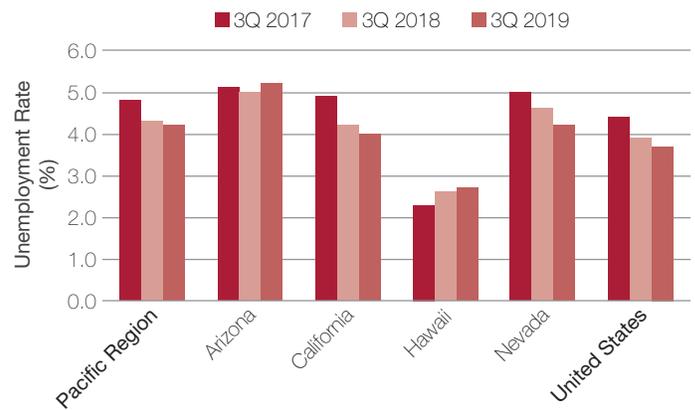
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a 0.1-percentage-point rise, Hawaii had the lowest unemployment rate in the region at 2.7 percent and the tenth lowest rate in the nation. The unemployment rate rose slightly in Arizona, from 5.0 to 5.2 percent, the highest rate in the region and fourth highest in the nation. Compared with a year earlier, unemployment rates declined in both California, from 4.2 to 4.0 percent, and Nevada, from 4.6 to 4.2 percent.

California added 319,800 jobs, a gain of 1.9 percent, the same rate of growth as a year earlier. The education and health services and the professional and business services sectors combined, accounted for more than one-half of the job growth in the state, expanding by 85,600 and 80,000 jobs, or 3.2 and 3.0 percent, respectively. In the professional and business services sector, payrolls in the professional, scientific, and technical services industry increased by 41,800 jobs, or 3.3 percent, accounting for 52 percent of total sector growth.

- Nonfarm payrolls in Arizona increased by 72,100 jobs, or 2.5 percent, from a year ago, a smaller increase than the gain of 83,200 jobs, or 3.0 percent, during the third quarter of 2018. The education and health services sector and the construction subsector led job growth in the state, adding 20,100 and 16,500 jobs, or 4.5 and 10.3 percent, respectively. Several hospital expansions are under way or have been recently completed in the state, supporting these two growth sectors.
- In Nevada, nonfarm payrolls expanded by 43,700 jobs, or 3.1 percent. The professional and business services sector and the construction subsector added the most jobs in the state, up by 9,700 and 8,700 jobs, or 5.0 and 9.5 percent, respectively. Construction activity in the Las Vegas-Henderson-

Unemployment rates fell in California and Nevada but rose slightly in Arizona and Hawaii.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Paradise metropolitan area is responsible for much of the job growth; roughly 48 percent of the increase in construction jobs statewide occurred in the metropolitan area.

- Hawaii added 3,900 nonfarm payroll jobs, a 0.6-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 73 percent of the overall growth, expanding by 2,800 jobs or 2.3 percent. Tourism spending in the state totaled \$4.63 billion during the third quarter of 2019, a 6.2-percent increase from a year earlier (Hawaii Tourism Authority).

Sales Market Conditions

During the third 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, but price pressures have contributed to declining or flat home sales in all the largest metropolitan areas in the region. The average home sales price in the region (including single-family homes, townhomes, and condominiums) increased 2 percent from a year earlier to \$508,400 during the 12 months ending August 2019, after a 7-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Home sales prices in the region were 70 percent higher than the national average, but the rate of price appreciation was slightly lower than the national rate. Nationwide, the average home sales price rose 3 percent to \$298,600 during the 12 months ending August 2019, slower than the 5-percent gain during the previous 12-month period. Average home sales prices rose in all four states of the region, with the

fastest price gains occurring in Arizona and Nevada, where homes are more affordable. In Arizona, the average sales price increased 6 percent to \$293,500, and in Nevada, the average sales price increased 7 percent to \$329,000. Average home sales prices also increased in 8 out of 10 major metropolitan areas cited in this report, ranging from less than a 1-percent increase in Oxnard-Thousand Oaks-Ventura to a 7-percent gain in Las Vegas-Henderson-Paradise. The average sales price declined by 1 percent in both Urban Honolulu and San Jose-Sunnyvale-Santa Clara.

During the 12 months ending August 2019, the number of home sales in the Pacific region decreased 8 percent from a year earlier to approximately 745,300 homes sold, following a 1-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Overall, the decline in home sales in the region was greater than in the nation, where sales decreased 6 percent following a 2-percent gain a year earlier. Lower levels

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Home sales declined in all the major metropolitan areas of the region, a trend that began during the 12 months ending August 2018, while the average sales price rose in eight of the same markets.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Urban Honolulu, HI (N&E) ^a	August	13,137	12,026	-8	AVG	685,264	675,633	-1
Las Vegas-Henderson-Paradise, NV (N&E) ^a	August	63,702	57,054	-10	AVG	302,264	324,464	7
Phoenix-Mesa-Scottsdale, AZ (N&E) ^a	August	137,577	132,735	-4	AVG	306,204	321,856	5
Los Angeles-Long Beach-Anaheim, CA (N&E) ^b	August	77,590	70,168	-10	AVG	825,755	845,143	2
Riverside-San Bernardino-Ontario, CA (N&E) ^a	August	80,991	72,534	-10	AVG	371,288	385,730	4
San Diego-Carlsbad, CA (N&E) ^a	August	43,387	39,916	-8	AVG	658,540	670,573	2
Oxnard-Thousand Oaks-Ventura, CA (N&E) ^a	August	10,659	9,860	-7	AVG	658,888	659,933	0
San Francisco-Oakland-Hayward, CA (N&E) ^b	August	46,120	42,964	-7	AVG	1,141,475	1,149,161	1
San Jose-Sunnyvale-Santa Clara, CA (N&E) ^a	August	20,607	17,715	-14	AVG	1,208,863	1,200,380	-1
Sacramento-Roseville-Arden-Arcade, CA (N&E) ^a	August	45,217	40,582	-10	AVG	428,955	445,115	4

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

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

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

of regional home sales were primarily in response to rising home sales prices that are significantly higher than the national average. Home sales declined 4 percent in Arizona and 10 percent each in California, Hawaii, and Nevada. The 10 largest metropolitan areas in the region all had decreased home sales, and the more expensive markets typically had larger declines. The greatest decline in sales, 14 percent, occurred in the San Jose-Sunnyvale-Santa Clara metropolitan area where the average home price of \$1.20 million was the highest among metropolitan areas in the region. Home sale declines ranged from 7 to 10 percent in eight of the other nine large markets, declining the least in the Phoenix-Mesa-Scottsdale metropolitan area where sales fell 4 percent.

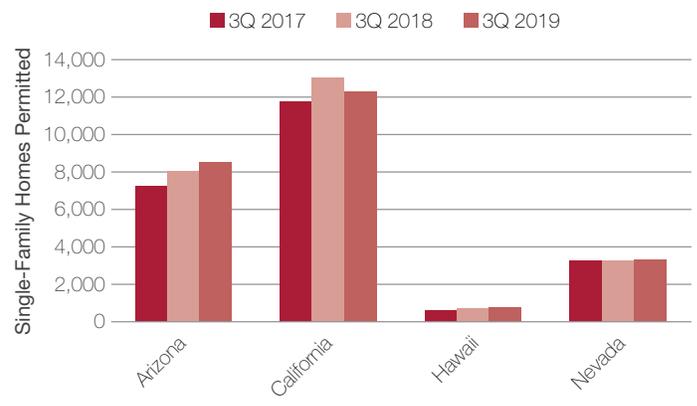
The number of distressed sales (real estate owned [REO] and short sales) in the region declined significantly during the past year because fewer such properties were in the for-sale inventory. During the 12 months ending August 2019, REO sales fell 21 percent, and short sales declined 37 percent, after decreases of 36 and 60 percent, respectively, during the previous 12-month period. Nationwide, by comparison, the number of REO sales fell 20 percent, and short sales fell 17 percent during the 12 months ending August 2019. 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 August 2018 to 0.7 percent in August 2019. The national percentage declined by 0.4 percentage point to 1.4 percent. In the region, the percentages of seriously delinquent mortgage loans and REO properties were highest in Hawaii and Nevada, at 1.9 and 1.2 percent, respectively, down from respective rates of 2.3 and 1.7 percent a year ago. The rates were lower in Arizona and California at 0.6 percent each.

During the third quarter of 2019 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, decreased less than 1 percent from a year earlier to 24,950 homes, compared with an almost 10-percent gain during the third quarter of 2018. The number of homes permitted nationally grew 4 percent from a year earlier during the same period, after a 5-percent gain during the third quarter of 2018.
- All the decline in the region was due to lower single-family homebuilding activity in California, where the number of homes permitted fell 6 percent to 12,300 homes during the third

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Single-family home permitting activity declined in the region, due entirely to a decrease in homes permitted in California.



3Q = third quarter.

Note: Based on preliminary data.

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



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quarter of 2019, after an 11-percent gain during the same period a year earlier. Single-family permitting in the Bay Area, composed of the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara metropolitan areas, declined by a combined 26 percent in response to higher construction costs and contributed to a third of the statewide decline.

- Single-family permitting increased in all other states of the region, with the largest gains in Arizona, where single-family permitting increased 5 percent to 8,525 homes.
- Nevada and Hawaii had smaller increases in single-family permitting with additions of 3 and nearly 8 percent, to 3,325 and 760 homes, respectively.

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 third quarter of 2019, compared with conditions ranging from slightly tight to tight during the third 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 7 of the 10 major metropolitan areas included in this report, and 8 of the 10 areas had vacancy rates below the national average of 3.7 percent (RealPage, Inc.). In the Phoenix-Mesa-Scottsdale and Las Vegas-Henderson-Paradise metropolitan areas, conditions were slightly tight during the third quarter of 2018 but have since tightened, with vacancy rates falling 0.7 and 0.3 percentage points, to 3.6 and 3.9 percent, respectively. The vacancy rates rose slightly by 0.2 percentage points each in the Urban Honolulu, San Diego-Carlsbad, and Oxnard-Thousand Oaks-Ventura metropolitan areas to 4.1, 3.3, and 3.1 percent, respectively, but conditions remained tight in all three areas.

As tight market conditions prevailed in the region, average rents increased in all major metropolitan areas in the region during the third quarter of 2019. Average rent rose the most in the most

affordable markets of the region, equaling or exceeding the 5-percent rate of growth in the nation. Rents increased 9 and 10 percent from a year earlier in the Las Vegas-Henderson-Paradise and Phoenix-Mesa-Scottsdale metropolitan areas, respectively, and 5 percent in the Riverside-San Bernardino-Ontario metropolitan area. In the other metropolitan areas in the region, where rents grew slower than the national rate, average rent growth ranged from 2 percent in the San Jose-Sunnyvale-Santa Clara metropolitan area to 4 percent in the San Francisco-Oakland-Hayward, Sacramento-Roseville-Arden-Arcade, and Los Angeles-Long Beach-Anaheim metropolitan areas.

During the third quarter of 2019 (preliminary data)—

- Multifamily permitting increased 29 percent from a year earlier in the region to 17,550 units, compared with a 21-percent decline during the third quarter of 2018. Nationally, by comparison, the number of units permitted increased 22 percent following a 4-percent decline during the same period a year earlier.
- California accounted for 77 percent of the multifamily units permitted in the region, higher than the 71-percent contribution during the third quarter of 2018. Multifamily

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 (\$)	3Q 2019 (\$)	Percent Change
Urban Honolulu	Tight	3.9	4.1	0.2	2,157	2,212	3
Las Vegas-Henderson-Paradise	Tight	4.2	3.9	-0.3	1,017	1,113	9
Phoenix-Mesa-Scottsdale	Tight	4.3	3.6	-0.7	1,060	1,170	10
Los Angeles-Long Beach-Anaheim	Tight	3.5	3.3	-0.2	2,152	2,240	4
Riverside-San Bernardino-Ontario	Tight	3.2	3.2	0	1,487	1,559	5
San Diego-Carlsbad	Tight	3.1	3.3	0.2	1,982	2,044	3
Oxnard-Thousand Oaks-Ventura	Tight	2.9	3.1	0.2	1,971	2,030	3
San Francisco-Oakland-Hayward	Tight	3.5	3.5	0	2,743	2,844	4
San Jose-Sunnyvale-Santa Clara	Tight	3.5	3.5	0	2,895	2,948	2
Sacramento-Roseville-Arden-Arcade	Tight	3.4	3.1	-0.3	1,429	1,491	4

3Q = third quarter.

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

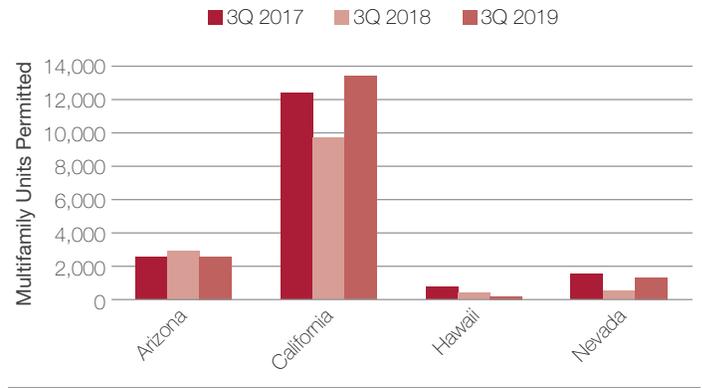


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permitting activity in the state grew almost 39 percent to 13,400 units, contributing to almost all the regionwide increase. Multifamily construction activity in the Los Angeles-Long Beach-Anaheim metropolitan area accounted for almost 80 percent of the statewide increase. By comparison, multifamily permitting in California declined by 22 percent from a year earlier during the third quarter of 2018.

- In Nevada, multifamily permitting more than doubled from 530 units during the third quarter of 2018 to 1,325 units during the third quarter of 2019. Multifamily construction activity in the Las Vegas-Henderson-Paradise metropolitan area accounted for almost two-thirds of the overall increase in the state.
- Arizona and Hawaii had declines in multifamily permitting activity; in Arizona, 2,600 units were permitted, a 350-unit or 12-percent decline from the third quarter of 2018, while in Hawaii, only 190 units were permitted, down from the 400 units permitted during the third quarter of 2018.

Large increases in multifamily permitting activity in California and Nevada offset small declines in Arizona and Hawaii, leading to an increase in permitting activity regionwide.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

