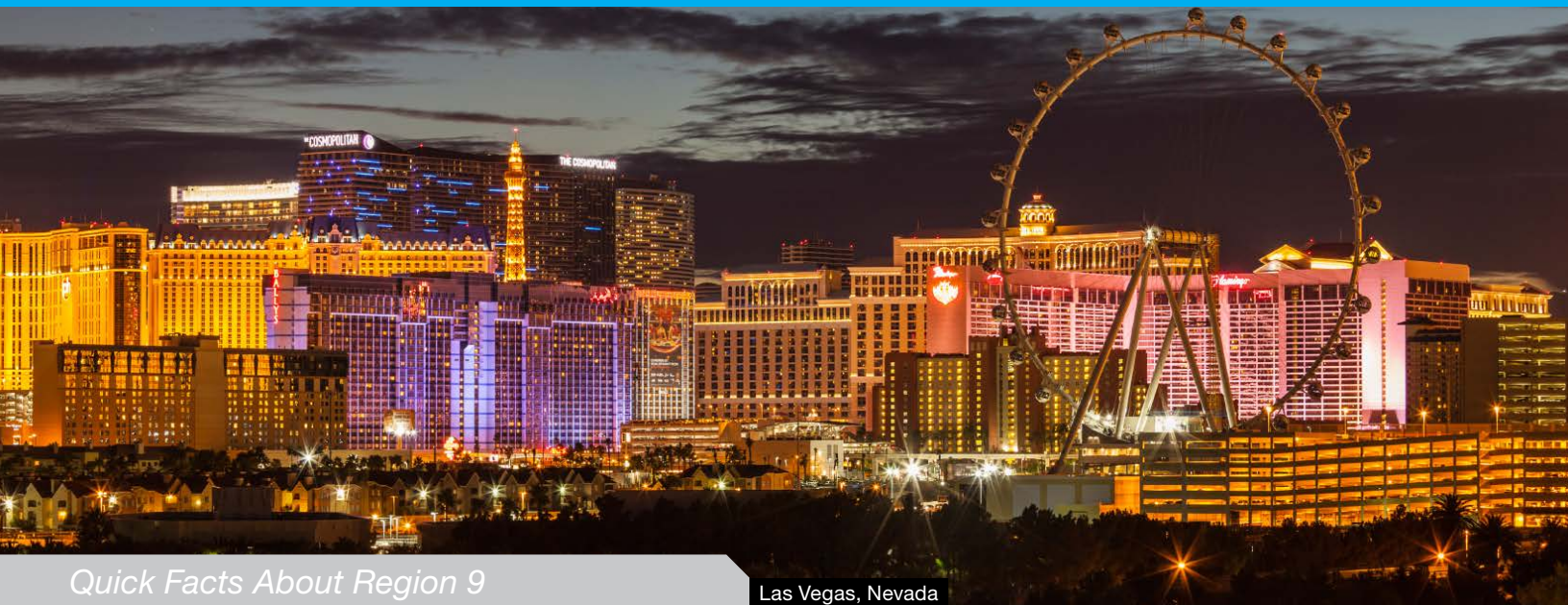


HUD PD&R Regional Reports

Region 9: Pacific



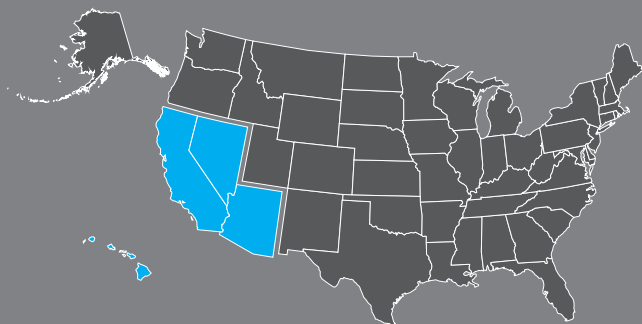
Las Vegas, Nevada

By Elaine Ng | 4th quarter 2016

Quick Facts About Region 9

- **Sales market conditions—**
Fourth quarter 2016: mixed (balanced to tight).
Third quarter 2016: mixed (balanced to tight).
Fourth quarter 2015: mixed (balanced to tight).

- **Apartment market conditions—**
Fourth quarter 2016: mixed (balanced to tight).
Third quarter 2016: mixed (balanced to tight).
Fourth quarter 2015: mixed (balanced to tight).



Overview

Economic conditions continued to strengthen in the Pacific region during the fourth quarter of 2016 compared with conditions during the fourth quarter of 2015. Nonfarm payrolls have expanded year over year every quarter since the fourth quarter of 2010. California represented 78 percent of jobs in the region and contributed 82 percent of net job growth during the fourth quarter of 2016. Sales housing market conditions in the region remained unchanged from a year ago, ranging from balanced to tight, and single-family homebuilding activity increased in all four states of the region. Apartment market conditions were tight throughout much of the region, although vacancy rates rose in 5 of the 10 largest metropolitan area markets cited in this report and were unchanged in the Los Angeles-Long Beach-Anaheim market. Average rent growth in 8 of the 10 largest metropolitan areas of the region exceeded the national average during the past year.

During the fourth quarter of 2016—

- Every payroll sector in the region except the manufacturing sector added jobs. This quarter marks the fourth time in the past five quarters that the manufacturing sector lost jobs and

continued on page 2



continued from page 1

every other sector added jobs. Before the fourth quarter of 2015, every sector in the region had added jobs year over year since the third quarter of 2013.

- Home sales in the region rose slightly, barely more than 1 percent to 741,700 homes sold, whereas the average sales price rose nearly 4 percent to \$454,200.
- Single-family homebuilding activity, as measured by the number of homes permitted, increased 13 percent in the region compared with 7-percent growth nationally.
- Multifamily construction activity, as measured by the number of units permitted, also increased 13 percent compared with a decline of 10 percent nationwide.

Economic Conditions

Economic conditions in the Pacific region, which began to improve during the fourth quarter of 2010, continued to strengthen during the fourth quarter of 2016. All four states in the region added jobs, with total nonfarm payrolls increasing by 446,000 jobs, or 2.1 percent, from the fourth quarter of 2015 to approximately 21.4 million jobs. By contrast, the national rate of nonfarm job growth was 1.5 percent. Since the fourth quarter of 2010, the region has added 2.8 million jobs, a cumulative gain of 15.3 percent. The education and health services and the leisure and hospitality sectors were the primary drivers of job growth in the region. The two sectors combined contributed approximately 41 percent of net job gains during the fourth quarter of 2016, with additions of 103,200 and 78,600 jobs, respectively. Before the most recent quarter, the professional and business services sector was one of the top two leading sectors for year-over-year job growth in the region in every quarter since the third quarter of 2013 because of significant expansions in the tech industry. During the fourth quarter of 2016, 65,800 jobs, or 2.0 percent, were added in the professional and business services sector, 35 percent fewer than the addition of 101,400 jobs, or 3.2

percent, during the fourth quarter of 2015. The manufacturing sector declined in three of the four states of the region, but 90 percent of the job losses occurred in California. California's high land and energy costs resulted in relocations of manufacturing companies to relatively lower-cost areas such as Nevada (the only state in the region to record an increase in manufacturing jobs), New Mexico, or abroad.

The unemployment rate in the region averaged 5.0 percent during the fourth quarter of 2016, down from 5.7 percent a year earlier but still more than the national average of 4.5 percent. Hawaii had the lowest average unemployment rate in the region at 2.8 percent, down from 3.2 percent a year ago. The unemployment rate in Arizona declined from 5.7 to 4.9 percent. At 5.1 percent each, Nevada and California had the highest unemployment rates in the region; in Nevada, the unemployment rate declined from 6.2 percent and in California from 5.8 percent during the fourth quarter of 2015. The unemployment rates in California and Nevada were tied for the 10th highest rate in the nation, and the unemployment rate in Hawaii was the 5th lowest.

continued on page 3

For the third consecutive quarter, every payroll sector in the Pacific region except manufacturing added jobs.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	20,990.2	21,436.2	446.0	2.1
Goods-producing sectors	2,548.2	2,578.0	29.8	1.2
Mining, logging, and construction	1,043.2	1,084.2	41.0	3.9
Manufacturing	1,505.0	1,493.7	- 11.3	- 0.8
Service-providing sectors	18,442.0	18,858.3	416.3	2.3
Wholesale and retail trade	3,159.2	3,202.0	42.8	1.4
Transportation and utilities	758.8	780.4	21.6	2.8
Information	558.8	569.4	10.6	1.9
Financial activities	1,090.7	1,113.3	22.6	2.1
Professional and business services	3,219.8	3,285.6	65.8	2.0
Education and health services	3,131.4	3,234.6	103.2	3.3
Leisure and hospitality	2,609.7	2,688.3	78.6	3.0
Other services	700.9	706.4	5.5	0.8
Government	3,212.6	3,278.3	65.7	2.0

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

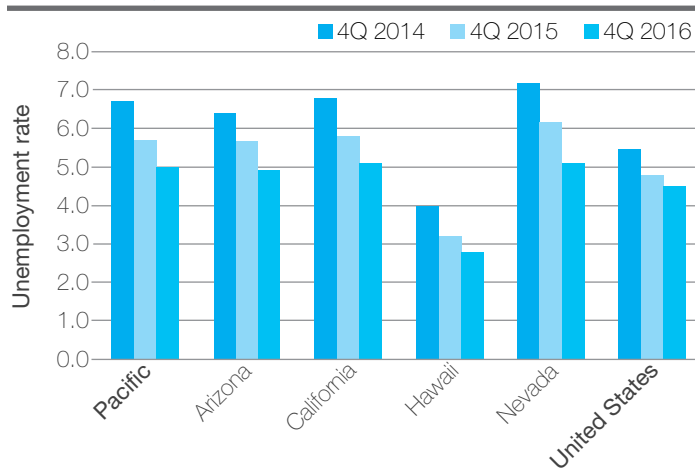
During the fourth quarter of 2016—

- California added 363,700 jobs, a year-over-year gain of 2.2 percent, after 2.9-percent growth during the fourth quarter of 2015. The education and health services sector led job gains in the state, similar to the region, and the professional and business services sector was the second fastest growing sector in the state. The two sectors combined accounted for 40 percent of net job growth in the state, up by 83,000 and 57,100 jobs, respectively. Several large-scale hospital modernization projects currently are under way, including the \$400 million expansion at the Riverside Community Hospital in southern California. The project is expected to add a new 251,000-square-foot tower with seven floors that will house 105 rooms, a new medical office building, and a 1,060-space parking garage when it is complete in 2018. An estimated 300 full-time positions are expected to be added on completion.
- Nonfarm payrolls in Arizona increased by 36,600 jobs, or 1.4 percent, from a year ago, less than one-half of the 76,000 jobs added, or 2.9 percent growth, recorded during the fourth quarter of 2015. The education and health services sector led job growth in the state, adding 14,200 jobs, or 3.5 percent. After its purchase of the University of Arizona Health Network in 2015, the Phoenix-based Banner Health hospital system plans to invest nearly \$1 billion in clinics and new teaching hospitals in both Tucson and Phoenix. One of the projects currently under way is the new \$400 million Banner–University Medical Center Tucson, which will replace the existing 40-year-old hospital and add 335 private rooms and 22 operating rooms. The project is expected to be complete by January 2019. The number of potential additions to permanent hospital jobs has not been announced.
- In Nevada, nonfarm payrolls expanded by 32,000 jobs, or 2.5 percent. The mining, logging, and construction and the leisure

and hospitality sectors—the two fastest-growing sectors in the state—added 8,600 and 6,700 jobs, increases of 9.9 and 2.0 percent, respectively. At least seven major expansions or new casino and resort projects currently are under way in Las Vegas, including the 6,500-room Resorts World Las Vegas casino and resort, which is expected to add 8,500 direct jobs when the project opens in 2018. During buildout, 30,000 construction jobs are expected to be created.

- Hawaii added 13,600 nonfarm payroll jobs, a gain of 2.1 percent. The leisure and hospitality and the education and health services sectors led job gains, expanding by 5,400 and 2,500 jobs, or 4.7 and 3.0 percent, respectively. Total tourism spending rose 5.8 percent from a year earlier to \$4.0 billion during the fourth quarter of 2016 (Hawaii Tourism Authority).

Unemployment rates continued to decline in all states of the Pacific region but remained above the national rate in every state except Hawaii.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

During the fourth quarter of 2016, sales housing market conditions in the Pacific region ranged from balanced to tight, unchanged from a year ago. Continued economic growth has contributed to rising home sales prices throughout the region since 2012, however, the pace of growth is slowing. The average home sales price for the region (including single-family homes, townhomes, and condominiums) increased nearly 4 percent, to \$454,200, during the 12 months ending November 2016, after a 5-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average home sales price in the nation rose 6 percent, to \$274,200, during the 12 months ending November 2016, higher than the 5-percent growth a year earlier. Average home sales prices rose in all 10 major metropolitan areas

referenced in this report, ranging from a 2-percent gain in the Oxnard-Thousand Oaks-Ventura metropolitan area, where conditions were balanced, to a 15-percent gain in the Urban Honolulu metropolitan area, where conditions tightened.

During the 12 months ending November 2016, the number of home sales rose to 741,700, a 1-percent increase from a year earlier, after an 8-percent expansion during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales nationwide contracted 5 percent during the 12 months ending November 2016. Home sales decreased in 5 of the 10 largest metropolitan areas in the region, with declines ranging from 1 percent in the Riverside-San Bernardino-Ontario metropolitan area to 6 percent in the San Jose-Sunnyvale-Santa Clara metropolitan area. Recent declines in sales are primarily a result of shortages of for-sale

continued on page 4



continued from page 3

inventories rather than of decreased demand, particularly for homes priced in the most affordable ranges. The unsold inventory averaged a 1.6-month supply in Santa Clara County (part of the San Jose metropolitan area) and a 3.3-month supply in Los Angeles County (California Association of Realtors®). Home sales were stable in the San Diego-Carlsbad metropolitan area but expanded in the relatively more affordable metropolitan areas of the region, including the Sacramento--Roseville--Arden-Arcade, where sales increased 7 percent.

Regionwide growth in new home sales and regular (nondistressed) resales of 8 and 3 percent, respectively, was partially offset by declines in the number of distressed sales (real estate owned [REO] and short sales) because fewer distressed properties were on the market. During the 12 months ending November 2016, REO and short sales fell 22 and 18 percent, respectively, after decreases of 17 and 21 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and properties that had transitioned to REO status in the region declined 0.5 percentage points, from 1.9 percent in November 2015 to 1.4 percent in November 2016. By comparison, the national decline was 0.7 percentage points, to 2.6 percent. In the region, the percentages of seriously delinquent mortgage loans and REO properties were highest in Hawaii and Nevada, at 3.1 and 3.0 percent, respectively; however, the overall regional rate also reflected the lesser rates in California and Arizona of 1.3 and 1.4 percent, respectively.

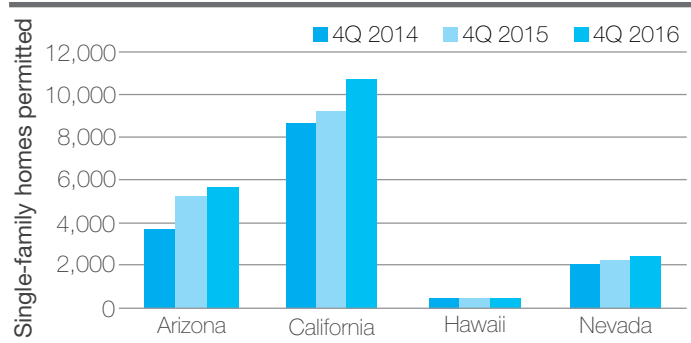
During the fourth quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 13 percent in the region, to 19,350 homes, from a year earlier. The increase was less than the

16-percent gain during the fourth quarter of 2015. By comparison, the number of homes permitted nationally expanded 7 percent from a year earlier after a 6-percent gain in the fourth quarter of 2015.

- Approximately 56 percent of the single-family homes permitted in the region were in California. The number of single-family homes permitted in California rose to 10,750, a 17-percent gain from the fourth quarter of 2015, after a 6-percent gain during the same period a year earlier.
- Single-family permitting increased 8 percent from the previous year in Arizona, where 5,625 homes were permitted.
- Although all four states recorded increases in single-family homebuilding activity, growth was slowest in Nevada, where 2,450 homes were permitted, a 6-percent increase from the previous year, and in Hawaii, where 520 homes were permitted, a 4-percent gain from the previous year.

Single-family permitting increased in all four states of the Pacific region.



4Q = fourth quarter.

Note: Based on preliminary data.

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

The number of homes sold declined in 5 of the 10 largest metropolitan areas in the Pacific region, while average sales prices increased in all 10 of the major markets, due in part to low sales inventory.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Las Vegas-Henderson-Paradise (N&E)	November	51,117	53,974	6	AVG	237,796	251,330	6
Los Angeles-Long Beach-Anaheim (N&E)	November	124,266	121,036	- 3	AVG	683,756	721,097	5
Oxnard-Thousand Oaks-Ventura (N&E)	November	11,096	10,591	- 5	AVG	575,950	589,606	2
Phoenix-Mesa-Scottsdale (N&E)	November	110,048	117,069	6	AVG	256,792	270,639	5
Riverside-San Bernardino-Ontario (N&E)	November	74,066	73,334	- 1	AVG	314,934	331,183	5
Sacramento--Roseville--Arden-Arcade (N&E)	November	41,103	43,833	7	AVG	349,715	378,936	8
San Diego-Carlsbad (N&E)	November	43,682	43,773	0	AVG	565,392	589,654	4
San Francisco-Oakland-Hayward (N&E)	November	54,996	52,656	- 4	AVG	812,862	851,161	5
San Jose-Sunnyvale-Santa Clara (N&E)	November	21,303	19,985	- 6	AVG	939,678	973,678	4
Urban Honolulu (N&E)	November	12,867	13,082	2	AVG	569,928	656,438	15

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

Source: CoreLogic, Inc., with adjustments by analyst



Apartment Market Conditions

Apartment market conditions in the largest metropolitan areas in the Pacific region ranged from balanced to tight. Of the 10 major metropolitan areas referenced in this report, 7 recorded apartment vacancy rates less than the national average of 5.3 percent during the fourth quarter of 2016. The apartment vacancy rate rose in 5 of the metropolitan areas, however, and remained stable in the Los Angeles-Long Beach-Anaheim metropolitan area (Axiometrics, Inc., and MPF Research). In the apartment markets that posted vacancy rate increases, the changes ranged from 0.1 percentage point in the Sacramento--Roseville--Arden-Arcade metropolitan area to 0.5 percent in the San Francisco-Oakland-Hayward metropolitan area. Overall apartment market conditions remained unchanged from a year ago in all major metropolitan areas. Conditions remained tight in the San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara markets, with apartment vacancy rates of 3.5 and 3.8 percent, respectively, but both markets recorded the highest apartment vacancy rate increases because of high levels of apartment construction since 2012 and significant rent growth that has reduced affordability of rental units. Average rents rose in all the major metropolitan areas referenced in this report except San Jose-Sunnyvale-Santa Clara, the most expensive rental market in the region, where rents declined 1 percent to \$2,444. Among areas with rent increases, the growth in the average rent ranged from 2 percent in San Francisco-Oakland-Hayward to 8 percent in Urban Honolulu. Rent growth exceeded the national average of 3 percent in all but the two most expensive metropolitan areas in this report; rents per square foot in the San Francisco-Oakland-Hayward

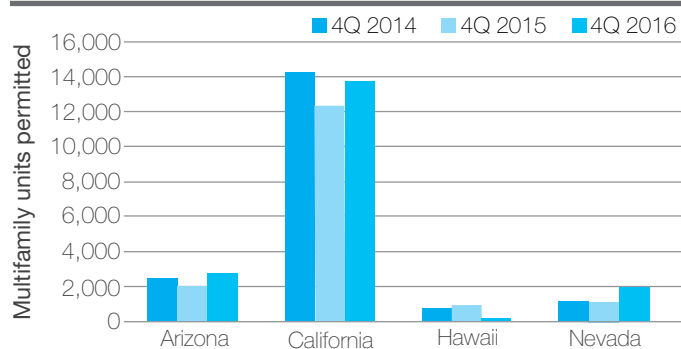
and San Jose-Sunnyvale-Santa Clara metropolitan areas averaged \$3.24 and \$2.99, respectively, more than twice the national rent average of \$1.41 per square foot.

During the fourth quarter of 2016 (preliminary data)—

- Builders in the region responded to tight apartment market conditions with increased multifamily building activity, as measured by the number of units permitted. Multifamily permitting expanded 13 percent, to 18,500 units, after an 11-percent decline during the fourth quarter of 2015. By comparison, the number of units permitted nationally fell 10 percent from the fourth quarter of 2015 after a 15-percent gain during the same period a year earlier.

continued on page 6

Multifamily permitting in the Pacific region declined only in Hawaii during the fourth quarter of 2016.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Average rents increased in all of the major metropolitan areas in the Pacific region except San Jose-Sunnyvale-Santa Clara, where average rents were already the highest in the region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Las Vegas-Henderson-Paradise ^a	Balanced	6.3	5.7	- 0.6	885	946	7
Los Angeles-Long Beach-Anaheim ^a	Tight	4.0	4.0	0.0	2,068	2,173	5
Oxnard-Thousand Oaks-Ventura ^a	Tight	4.4	3.9	- 0.5	1,861	1,943	4
Phoenix-Mesa-Scottsdale ^a	Balanced	5.3	5.7	0.4	916	975	6
Riverside-San Bernardino-Ontario ^a	Tight	4.6	4.5	- 0.1	1,400	1,495	7
Sacramento--Roseville--Arden-Arcade ^a	Tight	4.1	4.2	0.1	1,298	1,383	7
San Diego-Carlsbad ^a	Tight	3.8	4.0	0.2	1,851	1,948	5
San Francisco-Oakland-Hayward ^b	Tight	3.0	3.5	0.5	2,369	2,413	2
San Jose-Sunnyvale-Santa Clara ^b	Tight	3.4	3.8	0.4	2,474	2,444	- 1
Urban Honolulu ^a	Balanced	5.9	5.8	- 0.1	1,989	2,147	8

4Q = fourth quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Axiometrics, Inc.; (b) MPF Research

continued from page 5

- California accounted for 73 percent of the multifamily units permitted in the region, up 10 percent, to 13,600 units. Multifamily permitting activity in the state during the fourth quarter has grown year-over-year since 2009, except for the fourth quarter of 2015, when multifamily permitting activity fell.
- In Nevada, where multifamily permitting has fluctuated since 2010, the number of units permitted grew 74 percent, to 1,925, after a 9-percent decline during the fourth quarter of 2015.
- The number of multifamily units permitted in Arizona increased 40 percent, to 2,825, compared with the 2,025 units permitted during the fourth quarter of 2015. The Phoenix-Mesa-Scottsdale metropolitan area accounted for 89 percent of multifamily permitting in Arizona during the past year compared with a 75-percent contribution during the fourth quarter of 2015.
- Multifamily permitting activity declined only in Hawaii, to 150 units, an 85-percent drop from the 1,000 units permitted during the fourth quarter of 2015. As in Nevada, multifamily permitting activity in Hawaii is highly variable from quarter to quarter.