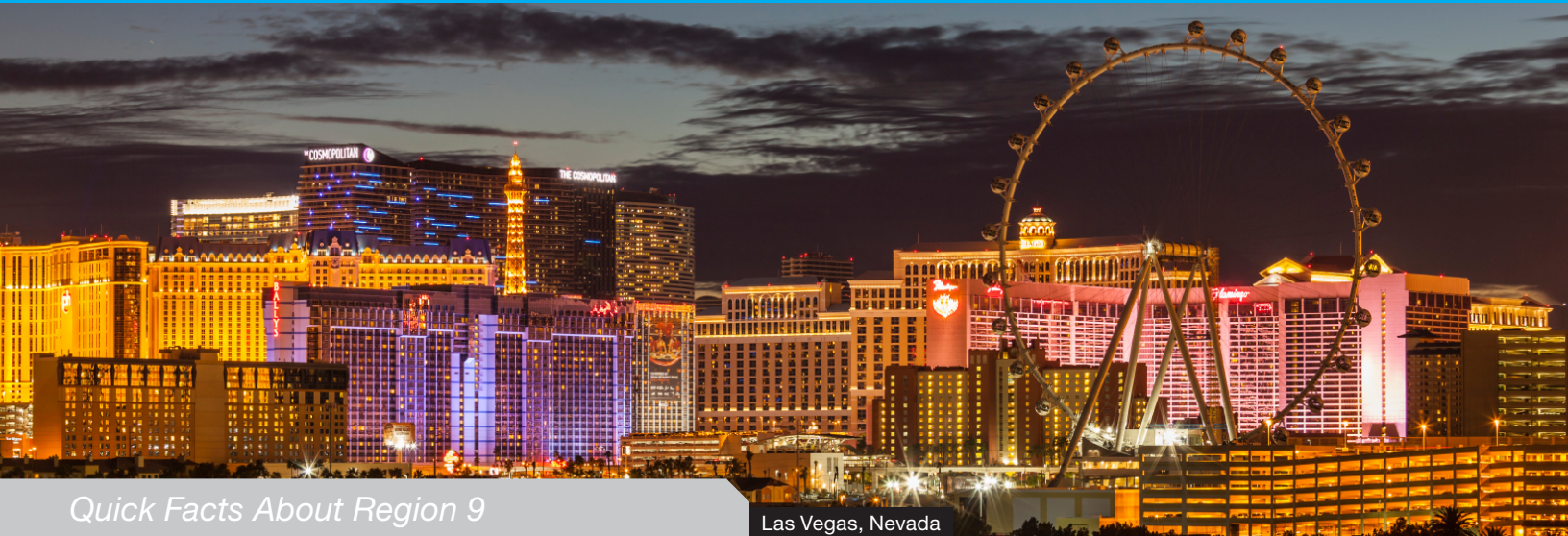


# HUD PD&R Regional Reports

## Region 9: Pacific

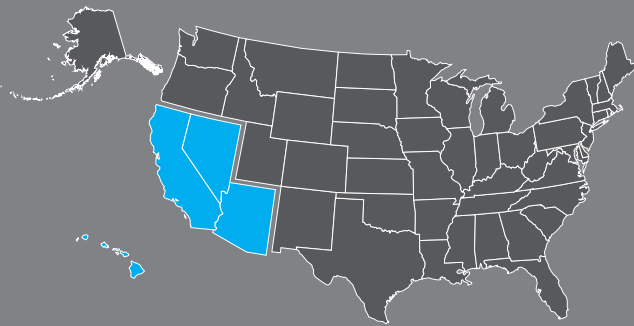


Las Vegas, Nevada

By Elaine Ng | 4th quarter 2015

### Quick Facts About Region 9

- Sales market conditions—**  
Fourth quarter 2015: mixed (balanced to tight).  
Third quarter 2015: mixed (balanced to tight).  
Fourth quarter 2014: mixed (balanced to tight).
- Apartment market conditions—**  
Fourth quarter 2015: mixed (balanced to tight).  
Third quarter 2015: mixed (balanced to tight).  
Fourth quarter 2014: mixed (balanced to tight).



### Overview

Economic conditions continued to strengthen in the Pacific region during the fourth quarter of 2015 compared with conditions during the fourth quarter of 2014. Nonfarm payroll jobs have expanded year over year in every quarter since the fourth quarter of 2010. California, which represented 78 percent of the jobs in the region during the fourth quarter of 2015, accounted for 80 percent of net job growth in the region. Sales housing market conditions in the region remained balanced to tight, and single-family homebuilding activity increased. Apartment market conditions were tight throughout much of the region, although vacancy rates rose in all but two rental housing markets because of significant apartment construction. Vacancy rates declined in only the Las Vegas-Henderson-Paradise and Phoenix-Mesa-Scottsdale metropolitan areas, which are both currently balanced.

During the fourth quarter of 2015—

- Every sector in the region except manufacturing added jobs from the fourth quarter of 2014. Until the current quarter, every sector in the region had added jobs year over year in every quarter since the third quarter of 2013.
- The number of homes sold increased at a higher rate in the region than in the nation.

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- Multifamily construction activity (as measured by the number of units permitted) declined 12 percent, as builders responded to increasing vacancy rates brought on by previously high levels of apartment construction. By comparison, permitting increased 22 percent during the fourth quarter of 2014.
- Increased single-family permitting offset multifamily permitting declines, for a 1-percent increase in overall residential building permitting activity in the region.

## Economic Conditions

Economic conditions in the Pacific region, which began to improve during the fourth quarter of 2010, continued to strengthen. All four states in the region added jobs during the fourth quarter of 2015, with total nonfarm payrolls increasing by 562,700 jobs, or 2.8 percent, to approximately 21.0 million jobs. During the past 5 years, the region added 2.48 million jobs, a cumulative increase of 13.4 percent. The professional and business services and the leisure and hospitality sectors together accounted for 44 percent of net job gains in the region during the fourth quarter of 2015, with increases of 144,400 and 104,300, respectively. Increased single-family residential and commercial building activity throughout the region contributed to job gains of 62,000, or 6.3 percent, in the mining, logging, and construction sector, which was the fastest growing sector (on a percentage basis) in the region. The sector has added jobs year over year in each quarter since the third quarter of 2011 but remains 28 percent below the peak of 1.44 million jobs during the third quarter of 2006. The unemployment rate in the region averaged 5.7 percent during the fourth quarter of 2015, down from 6.8 percent a year earlier but above the national average of 4.9 percent. Hawaii had the lowest average unemployment rate in the region at 3.2 percent,

down from 4.0 percent a year ago. The average unemployment rate in California declined from 6.9 to 5.7 percent. The highest unemployment rates were in Nevada and Arizona, at 6.2 and 5.8 percent, respectively, down from 6.9 and 6.5 percent a year earlier. The unemployment rates in Nevada and Arizona were the fifth and sixth highest rates in the nation.

During the fourth quarter of 2015—

- California added 450,500 jobs, a gain of 2.8 percent, after a 3.0-percent gain during the fourth quarter of 2014. The professional and business services and the education and health services sectors accounted for 44 percent of net job growth in the state, up by 124,300 and 73,800 jobs, or 5.0 and 3.0 percent, respectively. Two significant expansions of technology firms are currently under way in the professional and business services sector. Salesforce.com, Inc., is expected to add 1,000 employees with the opening of the 61-story San Francisco Salesforce Tower in 2017; and Uber, the ride-sharing service, announced that it would move into its 423,000-square-foot office in San

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### In the Pacific region, jobs increased in 10 of the 11 nonfarm payroll sectors.

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	20,451.8	21,014.5	562.7	2.8
Goods-producing sectors	2,459.1	2,517.8	58.7	2.4
Mining, logging, and construction	976.7	1,038.7	62.0	6.3
Manufacturing	1,482.4	1,479.1	-3.3	-0.2
Service-providing sectors	17,992.7	18,496.7	504.0	2.8
Wholesale and retail trade	3,112.6	3,176.9	64.3	2.1
Transportation and utilities	719.9	737.7	17.8	2.5
Information	531.5	547.1	15.6	2.9
Financial activities	1,067.1	1,078.0	10.9	1.0
Professional and business services	3,134.2	3,278.6	144.4	4.6
Education and health services	3,050.5	3,145.0	94.5	3.1
Leisure and hospitality	2,516.0	2,620.3	104.3	4.1
Other services	697.6	711.7	14.1	2.0
Government	3,163.2	3,201.5	38.3	1.2

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

Source: U.S. Bureau of Labor Statistics

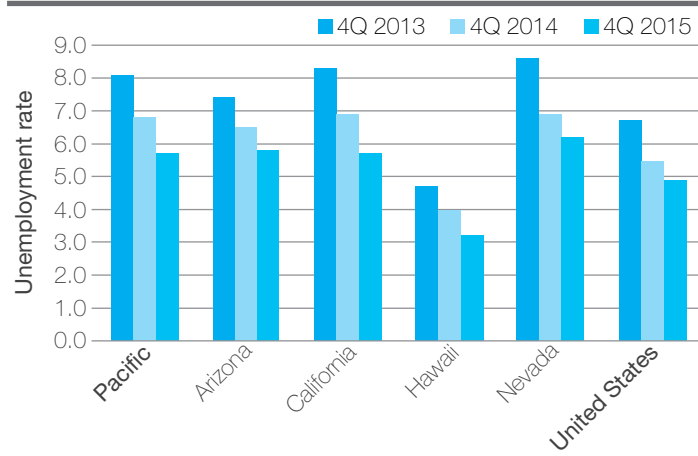


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Francisco's Mission Bay, with space for 3,000 to 4,000 employees potentially doubling its current 2,000-employee workforce, in late 2017 or early 2018.

- Nonfarm payrolls in Arizona increased by 65,800 jobs, or 2.5 percent, compared with a gain of 49,900 jobs, or 1.9 percent,

**Unemployment rates continued to decline throughout the Pacific region, but the rates in Arizona and Nevada remained among the highest in the nation.**



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

during the fourth quarter of 2014. The professional and business services and the education and health services sectors led job growth in the state, adding 15,400 and 12,400 jobs, gains of 3.9 and 3.2 percent, respectively. The state is currently benefiting from several expansions of operations and call centers, including by The Home Depot, Inc., which will add 800 jobs to its Tempe call center during 2016.

- In Nevada, nonfarm payrolls expanded by 32,700 jobs, or 2.6 percent. The leisure and hospitality sector, which added the most jobs in the state, grew by 12,800 jobs, or 3.8 percent, and visitor volume increased to 4.0 million people in November 2015 (the most recent data available), up 10 percent from 3.7 million visitors in November 2014 (University of Nevada Las Vegas, Center for Business and Economic Research). Four major casinos and resorts are currently under construction in Las Vegas, which will add 5,200 rooms and 15,600 permanent employees during the next 3 years.
- In Hawaii, nonfarm payrolls increased by 13,700 jobs, or 2.2 percent. The leisure and hospitality sector led job growth, expanding by 2,300 jobs, or 2.0 percent, in part because total spending related to tourism rose 1.0 percent, to \$3.8 billion, from the fourth quarter of 2014 (Hawaii Tourism Authority).

## Sales Market Conditions

During the fourth quarter of 2015, sales housing markets in the Pacific region ranged from balanced to tight, unchanged from conditions a year ago. Continued economic growth has contributed to rising home sales prices throughout the region since 2012. The average home sales price for the region (including single-family homes, townhomes, and condominiums) increased 5 percent, to \$437,100, during the 12 months ending November 2015 after a 10-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). By comparison, the average home sales price for the nation rose 6 percent, to \$262,300, during the 12 months ending November 2015 after 5-percent growth a year earlier. For the first time since the third quarter of 2014, average home sales prices did not rise in all 10 of the major metropolitan areas referenced in this report because of a 3-percent decline in Urban Honolulu, to \$568,200. In each of the other 9 metropolitan areas, the average sales price rose from a year ago, ranging from a 4-percent gain in the balanced Phoenix-Mesa-Scottsdale sales market to a 12-percent gain in the tight San Jose-Sunnyvale-Santa Clara sales market.

During the 12 months ending November 2015, the number of homes sold in the region increased 5 percent, higher than the 3-percent growth rate recorded nationally. By comparison, home sales in the region declined 8 percent during the 12 months ending November 2014. During the past 12 months, home sales increased 4 percent or more in 5 of the 10 largest metropolitan areas in the region, with the greatest gain, of 11 percent each, in the Oxnard-Thousand Oaks-Ventura and the Sacramento--Roseville--Arden-Arcade metropolitan areas. In those same 5 metropolitan areas, home sales price increases ranged from 4 percent in Phoenix-Mesa-Scottsdale to 7 percent in Oxnard-Thousand Oaks-Ventura. In the metropolitan areas with either the highest average home prices or the greatest home price gains, home sales were relatively flat or declined. Home sales decreased 1 percent in San Jose-Sunnyvale-Santa Clara, the only metropolitan area to register a drop in sales, at the same time posting the highest gain in average sales price, of 12 percent, to \$942,900.

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During the 12 months ending November 2015, home sales growth of 5 percent in the Pacific region exceeded the national rate of 3 percent.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Las Vegas-Henderson-Paradise (N&E)	November	48,886	49,256	1	AVG	218,052	237,888	9
Los Angeles-Long Beach-Anaheim (N&E)	November	117,197	119,839	2	AVG	652,239	684,308	5
Oxnard-Thousand Oaks-Ventura (N&E)	November	9,551	10,638	11	AVG	538,307	574,063	7
Phoenix-Mesa-Scottsdale (N&E)	November	97,989	107,661	10	AVG	247,130	256,065	4
Riverside-San Bernardino-Ontario (N&E)	November	68,483	71,482	4	AVG	296,420	312,546	5
Sacramento--Roseville--Arden-Arcade (N&E)	November	36,798	40,680	11	AVG	330,596	349,230	6
San Diego-Carlsbad (N&E)	November	39,791	42,672	7	AVG	536,473	562,061	5
San Francisco-Oakland-Hayward (N&E)	November	53,161	53,864	1	AVG	770,195	815,866	6
San Jose-Sunnyvale-Santa Clara (N&E)	November	20,912	20,714	-1	AVG	842,861	942,896	12
Urban Honolulu (N&E)	November	11,322	11,503	2	AVG	584,650	568,174	-3

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

Note: Includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

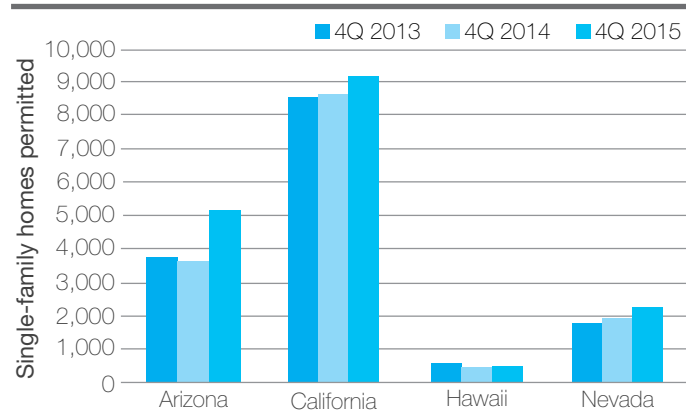
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Regionwide gains of regular resales and new home sales of 9 and 5 percent, respectively, were partially offset by declines in real estate owned (REO) and short sales due to a decline in the distressed inventory. During the 12 months ending November 2015, REO and short sales fell 19 and 22 percent, respectively, compared with decreases of 32 and 59 percent during the previous 12-month period. By comparison, the number of REO sales fell 13 percent and short sales fell 12 percent nationwide. The percentage of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties in the region declined 0.3 percentage point from December 2014, to 2.3 percent in December 2015, compared with a decline of 0.5 percentage point, to 4.1 percent, for the nation (Black Knight Financial Services, Inc.). The greatest decrease in the region was in Nevada, where the rate declined 0.6 percentage point, to 5.2 percent, in December 2015. The only state to record an increase was Hawaii, where the rate rose 0.1 percentage point, to 6.0 percent, in December 2015.

During the fourth quarter of 2015 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, rose 16 percent in the region, to 17,200 homes, after a 0.3-percent increase during the same period a year earlier. By comparison, the number of homes permitted nationally rose nearly 6 percent from the fourth quarter of 2014, similar to growth during the fourth quarter of 2013.
- California accounted for 53 percent of the single-family homes permitted in the region. The 9,200 single-family homes permitted in the state were 6 percent more than the 8,675 homes permitted during the fourth quarter of 2014.

Single-family permitting increased 16 percent in the Pacific region during the fourth quarter of 2015 after growing less than 1 percent during the same period a year earlier.



4Q = fourth quarter.

Note: Based on preliminary data.

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

- The greatest growth in single-family permitting occurred in Arizona, where the number of single-family homes permitted increased by 1,525, or 41 percent, to 5,200 homes after a 3-percent decline during the fourth quarter of 2014. In Nevada, the number of homes permitted rose 18 percent, to 2,300.
- Single-family permitting declined 4 percent, to 500 homes, in Hawaii, which accounted for only 3 percent of single-family permitting in the region. Despite the decline in single-family construction, multifamily permitting increased significantly in the state, and 42 percent of all multifamily units currently under construction, an estimated 1,850 units, are condominiums.



## Apartment Market Conditions

Apartment markets in most of the largest metropolitan areas in the Pacific region were balanced to tight. Although 7 of the 10 major metropolitan areas referenced in this report recorded apartment vacancy rates below the national average of 5.0 percent during the fourth quarter of 2015, the apartment vacancy rate rose in all but 2 metropolitan areas: Las Vegas-Henderson-Paradise and Phoenix-Mesa-Scottsdale (Axiometrics Inc.). Apartment vacancy rate increases ranged from 0.1 percentage point, to 3.8 percent, in the San Diego-Carlsbad market to 1.0 percentage point, to 4.9 percent, in the San Jose-Sunnyvale-Santa Clara market; however, both markets remain tight. Apartment market conditions remained unchanged from a year ago in all major metropolitan areas except Urban Honolulu; the market is currently balanced, with an apartment vacancy rate of 6.1 percent during the fourth quarter of 2015, compared with tight conditions and an apartment vacancy rate of 5.4 percent a year earlier. Average rents rose throughout the region, ranging from 1 percent in Urban Honolulu to 13 percent in San Francisco-Oakland-Hayward. Rent growth exceeded the national average of 7 percent in 6 of the 10 metropolitan areas in this report. San Francisco-Oakland-Hayward and San Jose-Sunnyvale-Santa Clara remained among the most expensive rental housing markets in the country, with average rents of \$3.25 and \$3.03 per square foot, respectively, more than twice the national average of \$1.36 per square foot.

During the fourth quarter of 2015 (preliminary data)—

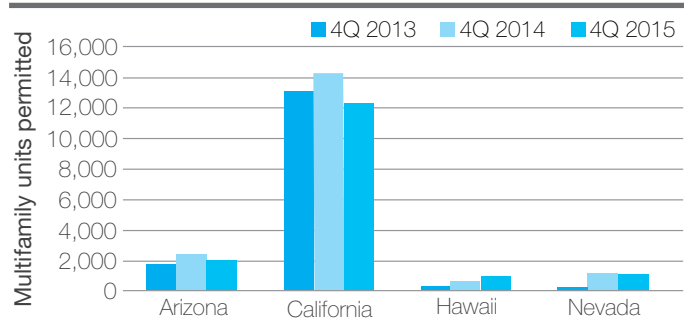
- Multifamily building activity in the region fell 12 percent, to 17,200 units permitted, from the 18,700 units permitted during the fourth quarter of 2014. Significant multifamily building activity

during the fourth quarter of 2014, which increased 22 percent from the fourth quarter of 2013, resulted in increasing vacancy rates among the largest metropolitan areas of the region. By comparison, the number of units permitted nationally fell 13 percent from the fourth quarter of 2014 after a 4-percent gain during the same period a year earlier.

- California accounted for 75 percent of the multifamily units permitted in the region. Multifamily permitting activity in the state fell 17 percent, to 12,300 units, down from 14,300 units permitted during the same period a year earlier. Before the most recent quarter, multifamily construction activity in the state increased year over year for 6 consecutive years.

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### Multifamily permitting in the Pacific region declined because of lower levels of permitting in every state but Hawaii.



4Q = fourth quarter.

Note: Based on preliminary data.

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

### Apartment vacancy rates began to increase in the tightest markets in the Pacific region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Las Vegas-Henderson-Paradise	Balanced	6.6	6.3	- 0.3	840	885	5
Los Angeles-Long Beach-Anaheim	Tight	3.9	4.1	0.2	1,934	2,066	7
Oxnard-Thousand Oaks-Ventura	Tight	3.9	4.4	0.5	1,756	1,861	6
Phoenix-Mesa-Scottsdale	Balanced	5.8	5.3	- 0.5	851	918	8
Riverside-San Bernardino-Ontario	Tight	4.3	4.7	0.4	1,302	1,400	8
Sacramento--Roseville--Arden-Arcade	Tight	3.9	4.1	0.2	1,170	1,300	11
San Diego-Carlsbad	Tight	3.7	3.8	0.1	1,681	1,848	10
San Francisco-Oakland-Hayward	Tight	3.9	4.4	0.5	2,412	2,720	13
San Jose-Sunnyvale-Santa Clara	Tight	3.9	4.9	1.0	2,515	2,733	9
Urban Honolulu	Balanced	5.4	6.1	0.7	1,982	2,011	1

4Q = fourth quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Axiometrics Inc.

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- Multifamily permitting activity also fell in Nevada, to 1,100 units, down 9 percent from the 1,225 units permitted during the fourth quarter of 2014 but nearly six times the 190 units permitted, on average, during the fourth quarters from 2011 through 2013.
- The number of multifamily units permitted in Arizona decreased 17 percent, to 2,025, after a 41-percent increase during the same period in 2014. The Phoenix-Mesa-Scottsdale metropolitan area accounted for 77 percent of statewide multifamily permitting during the past year.
- The only state to record an increase in multifamily permitting was Hawaii, where 1,000 multifamily units were permitted, up from 700 units permitted during the fourth quarter of 2014 and more than double the 300 units permitted during the fourth quarter of 2013.