

HUD PD&R Regional Reports

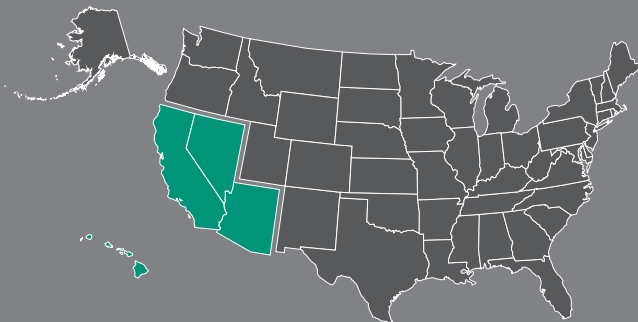
Region IX: Pacific



Quick Facts About Region IX

By Ikuo J. Nakano | 1st quarter 2013

- Sales market conditions—**
First quarter 2013: mixed (balanced to soft).
Fourth quarter 2012: mixed (balanced to soft).
First quarter 2012: soft.
- Rental market conditions—**
First quarter 2013: mixed (tight to soft).
Fourth quarter 2012: mixed (tight to soft).
First quarter 2012: mixed (tight to soft).



Overview

Economic and housing market conditions in the Pacific region continued to improve during the first quarter of 2013, after 3 years of significant job losses from 2008 through 2010. Nonfarm payrolls increased by 2.1 percent in the region. Single-family construction activity, home sales, and home prices also increased throughout the region, and sales vacancy rates declined. The number of distressed properties continued to decline throughout the region, but surpluses remain in several areas. Average apartment rents increased in all the major metropolitan areas in the region, regardless of whether the rental housing market conditions were tight, balanced, or soft. Multifamily construction activity increased in California and Hawaii.

During the first quarter of 2013—

- The region added 382,000 jobs, a 2.1-percent increase from the first quarter of 2012.
- The average home sales price increased in all 10 major metropolitan areas in the region, ranging from 3.5 percent in Oxnard to 19.6 percent in Phoenix.
- Average rents rose in all 10 major metropolitan areas in the region and ranged from a 1.3-percent increase in Oxnard to a 7.6-percent increase in San Francisco.



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The rate of job growth was highest in the mining, logging, and construction sector, and job losses in the government sector continued in the Pacific region.

	First Quarter		3-Month Change (2012–13)	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	18,350.5	18,732.5	382.0	2.1
Goods-producing sectors	2,242.8	2,295.4	52.6	2.3
Mining, logging, and construction	771.1	821.8	50.7	6.6
Manufacturing	1,443.2	1,442.6	– 0.6	0.0
Service-providing sectors	16,107.7	16,437.1	329.4	2.0
Wholesale and retail trade	2,841.0	2,887.0	45.9	1.6
Transportation and utilities	637.9	652.2	14.3	2.2
Information	484.4	494.2	9.8	2.0
Financial activities	1,019.3	1,043.9	24.6	2.4
Professional and business services	2,749.7	2,840.1	90.4	3.3
Education and health services	2,415.0	2,468.7	53.7	2.2
Leisure and hospitality	2,221.7	2,313.2	91.5	4.1
Other services	638.8	648.2	9.4	1.5
Government	3,099.9	3,089.7	– 10.2	– 0.3

Source: U.S. Bureau of Labor Statistics

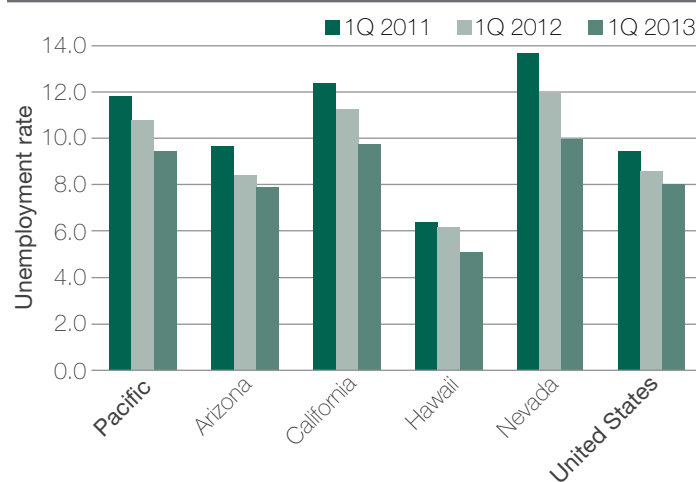
Economic Conditions

Economic conditions in the Pacific region continued a 3-year trend of improvement during the first quarter of 2013. Nonfarm payrolls increased by 382,000 jobs, or 2.1 percent, compared with an increase of 317,700 jobs, or 1.8 percent, in the first quarter of 2012. Nevada nonfarm payrolls increased by 25,500 jobs, or 2.3 percent, between the first quarter of 2012 and the first quarter of 2013. California, Arizona, and Hawaii recorded gains of 299,800, 46,800, and 9,875 jobs, or 2.1, 1.9, and 1.6 percent, respectively, during the same period. The unemployment rate in the region declined to 9.5 percent from 10.8 percent a year ago.

During the first quarter of 2013—

- The construction subsector in the region added 49,850 jobs, a 7-percent increase, mostly because of increased single-family home construction in all four states.
- The leisure and hospitality sector added 91,550 jobs in the region, a 4.1-percent increase from the first quarter of 2012.
- Budget cutbacks continue to adversely affect the government sector, which was the only sector in the region to lose jobs, declining by 10,150 jobs, or 0.3 percent.

Unemployment rates continued to decline in the Pacific region.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

- The local government and federal government subsectors decreased by 7,250 and 5,700 jobs, or 0.4 and 1.6 percent, respectively, whereas the state government subsector increased by 2,775 jobs, or 0.4 percent.
- The greatest unemployment rate decrease, to 10 percent from 12 percent a year ago, occurred in Nevada.

Sales Market Conditions

Sales housing market conditions improved throughout the Pacific region but varied from balanced to soft, because a surplus of distressed properties still exists in many areas. During the first quarter of 2013, 5.3 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 7.8 percent during the first quarter of 2012 (LPS Applied Analytics). The rates of distressed loans ranged from 4.5 percent in Arizona to 11.6 percent in Nevada, down from 7.3 and 14.4 percent, respectively. During the 12 months ending February 2013, the average sales price in Las Vegas increased by \$18,600, or 13.5 percent, to \$157,000 (CoreLogic, Inc.). In Phoenix, the average sales price increased by \$32,500, or 21.7 percent, to \$202,700. The price improvements were mainly because fewer REO homes sold. REO sales represented 12 percent of existing home sales in Phoenix during the 12 months ending February 2013, down from 32 percent during the 12 months ending February 2012 and from 42 percent during the 12 months ending February 2011 (CoreLogic, Inc.).

Single-family construction activity, although it remains significantly below historic levels, is improving.

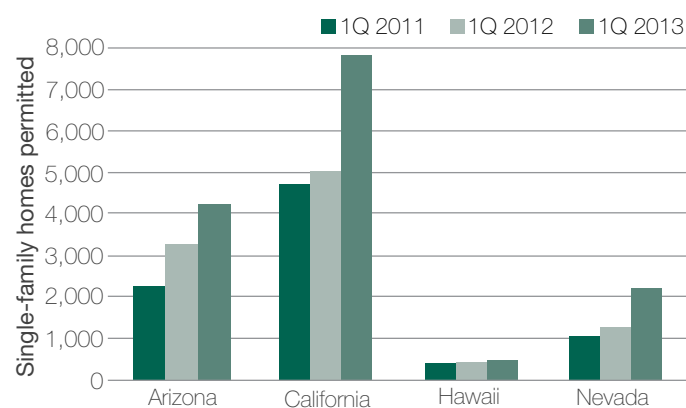
Based on preliminary data, during the first quarter of 2013—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased significantly in the region, by 4,725 homes, or 47 percent, to 14,700 homes permitted. By

comparison, single-family construction activity averaged 59,050 homes during the first quarters in 2003 through 2006 and 20,200 during the first quarters of 2007 through 2009.

- Single-family building activity increased in all four states of the region, ranging from an increase of 30 homes, or 8 percent, in Hawaii to an increase of 2,825 homes, or 56 percent, in California.

Single-family homebuilding increased in every state in the Pacific region.



1Q = first quarter.

Note: Based on preliminary data.

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

Average home sales prices increased throughout the Pacific region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Honolulu (N&E)	February	9,973	9,664	- 3.1	AVG	478,506	524,116	9.5
Las Vegas (N&E)	February	59,152	50,951	- 13.9	AVG	138,382	157,002	13.5
Los Angeles (N&E)	February	111,038	122,677	10.5	AVG	474,529	503,847	6.2
Oxnard (N&E)	February	8,861	10,209	15.2	AVG	418,136	439,948	5.2
Phoenix (N&E)	February	108,271	105,743	- 2.3	AVG	166,528	202,729	21.7
Riverside (N&E)	February	74,073	70,877	- 4.3	AVG	207,059	228,123	10.2
Sacramento (N&E)	February	37,920	39,475	4.1	AVG	218,475	242,746	11.1
San Diego (N&E)	February	37,851	42,241	11.6	AVG	399,873	433,301	8.4
San Francisco (N&E)	February	51,171	55,351	8.2	AVG	509,628	573,822	12.6
San Jose (N&E)	February	20,072	21,535	7.3	AVG	588,759	670,760	13.9

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

Source: CoreLogic, Inc.

Rental Market Conditions

Rental housing market conditions in the Pacific region remain mixed as a result of the significant foreclosure activity that occurred during the end of the previous decade. The foreclosed homes converted to rental units added to the supply, and some households doubled up because of the recession. Of the 10 largest metropolitan areas in the region, only 4 had apartment vacancy rates of more than 5 percent during the first quarter of 2013: Riverside, Sacramento, Las Vegas, and Phoenix (Axiometrics Inc.). Apartment vacancy rates changed only slightly from the first quarter of 2012 to the first quarter of 2013; 5 metropolitan areas experienced slight increases and the other 5 experienced slight declines. In San Francisco, the apartment vacancy rate rose to 4.3 percent from 4.0 percent, whereas in Los Angeles, the apartment vacancy rate fell to 4.8 percent from 4.9 percent during the first quarter of 2013 from the first quarter of 2012. Average rents rose in all 10 major metropolitan areas during the first quarter of 2013, ranging from a 1.3-percent increase in Oxnard to a 7.6-percent increase in San Francisco.

Metropolitan rental markets were mixed in the Pacific region.

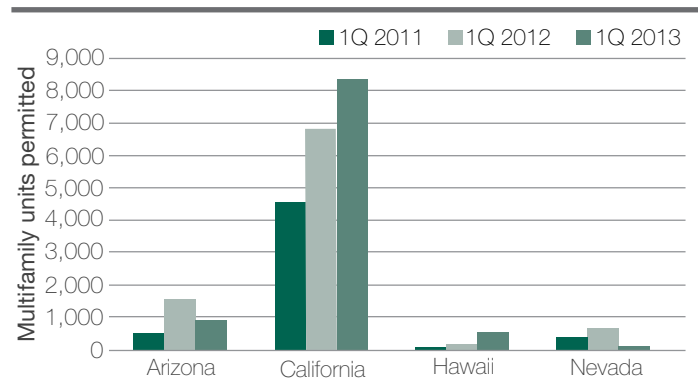
Metropolitan Area	Market Condition
Honolulu	Tight
Las Vegas	Soft
Los Angeles	Tight
Oxnard	Tight
Phoenix	Soft
Riverside	Balanced
Sacramento	Balanced
San Diego	Tight
San Francisco	Tight
San Jose	Tight

Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction, as measured by the preliminary number of multifamily units permitted, increased in California but remained at historic lows in the other three states in the region. Based on preliminary data, during the first quarter of 2013—

- The number of multifamily units permitted in the region increased by 780 units, or 8 percent, to 10,050 units. By comparison, the number of units permitted averaged 18,200 units during the first quarters in 2003 through 2007.
- Multifamily permitting declined by 640 units, or 41 percent, in Arizona and by 480 units, or 71 percent, in Nevada.
- Building activity increased by 1,525 units, or nearly 23 percent, in California and by 370 units, or nearly 200 percent, in Hawaii.

Multifamily construction increased in California and Hawaii but declined in Arizona and Nevada.



1Q = first quarter.

Note: Based on preliminary data.

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