

# HUD PD&R Regional Reports

## Region 9: Pacific

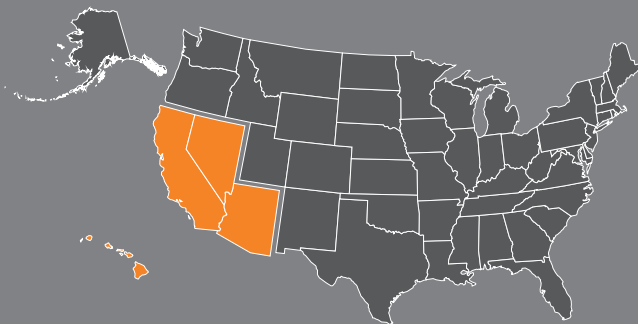


### Quick Facts About Region 9

By Ikuo J. Nakano | 2nd quarter 2013

- **Sales market conditions—**  
Second quarter 2013: mixed (slightly soft to balanced).  
First quarter 2013: mixed (slightly soft to balanced).  
Second quarter 2012: soft.

- **Apartment market conditions—**  
Second quarter 2013: mixed (soft to tight).  
First quarter 2013: mixed (soft to tight).  
Second quarter 2012: mixed (soft to tight).



### Overview

Housing market and economic conditions in the Pacific region continued to improve during the second quarter of 2013 after sustaining significant job losses from 2008 through 2010. Nonfarm payrolls increased more than 1 percent in all four states in the region. Single-family homebuilding, home sales, and sales prices increased throughout the region, and sales and rental vacancy rates declined. The number of distressed properties continued to decline throughout the region, but surpluses of distressed properties remain in several areas. Average rents increased during the second quarter of 2013 in all but one of the major metropolitan areas in the region compared with the average rents recorded during the second quarter of 2012.

- The region added 335,400 jobs, a 1.8-percent increase, during the second quarter of 2013 compared with the 3-month average number of jobs recorded for the second quarter of 2012.
- The average new and existing home sales price increased during the 12 months ending May 2013 from the 12 months ending May 2012 in all 10 major metropolitan areas in the region, with increases ranging from 9.8 percent in Honolulu to 23.0 percent in Phoenix.
- Average rent changes in the second quarter of 2013 ranged from a 2.9-percent decrease in Honolulu to a 7.8-percent increase in San Jose compared with average rents a year ago.



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

	Second Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	18,593.1	18,928.5	335.4	1.8
Goods-producing sectors	2,289.9	2,336.1	46.2	2.0
Mining, logging, and construction	829.5	880.9	51.4	6.2
Manufacturing	1,460.4	1,455.2	- 5.3	- 0.4
Service-providing sectors	16,303.2	16,592.4	289.2	1.8
Wholesale and retail trade	2,851.6	2,888.4	36.8	1.3
Transportation and utilities	647.2	656.7	9.5	1.5
Information	487.5	490.6	3.1	0.6
Financial activities	1,029.4	1,054.5	25.1	2.4
Professional and business services	2,795.0	2,876.0	81.1	2.9
Education and health services	2,422.2	2,479.3	57.1	2.4
Leisure and hospitality	2,305.1	2,389.2	84.1	3.6
Other services	654.7	657.9	3.2	0.5
Government	3,110.4	3,099.8	- 10.6	- 0.3

Source: U.S. Bureau of Labor Statistics

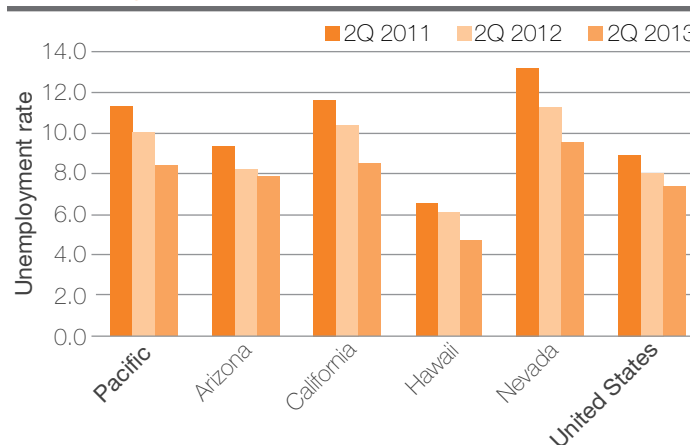
## Economic Conditions

Economic conditions in the Pacific region continued to improve during the second quarter of 2013, when 3-month average non-farm payrolls increased by 335,400 jobs, or 1.8 percent, compared with the 3-month average increase of 363,000 jobs, or 2.0 percent, in the second quarter of 2012. Job growth exceeded 1 percent in every state in the region during the second quarter of 2013 and was greatest in Arizona, where nonfarm payrolls increased by 49,500 jobs, or 2.0 percent. Nevada, California, and Hawaii recorded gains of 21,600, 256,300, and 8,000 jobs, or 1.9, 1.8, and 1.3 percent, respectively, during the same period. The average unemployment rate in the region declined to 8.4 percent in the second quarter of 2013, down from 10.1 percent a year ago and compared with the rate of 7.4 percent for the nation during the second quarter of 2013.

During the second quarter of 2013—

- Job growth in the region was greatest in the mining, logging, and construction sector, which added 51,400 jobs, a 6.2-percent increase compared with the number of jobs recorded a year ago, primarily because of increased single-family home construction.
- The leisure and hospitality sector added 84,100 jobs in the region, a 3.6-percent increase from the second quarter of 2012.

## Unemployment rates continued to decline in the Pacific region.



2Q = second quarter.

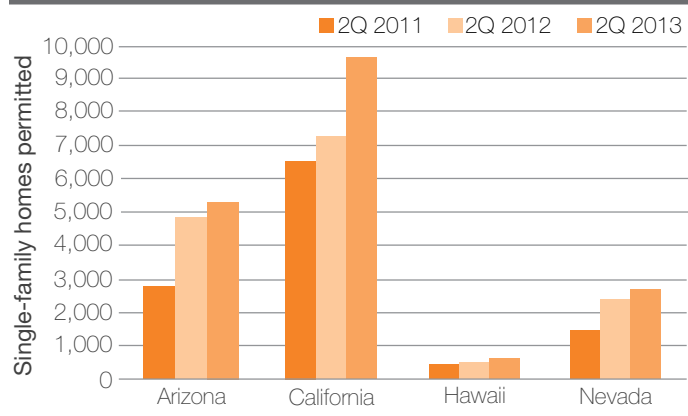
Source: U.S. Bureau of Labor Statistics

- Budget cutbacks continued to adversely affect the government sector, which declined by 10,550 jobs, or 0.3 percent.
- The federal government and local government subsectors decreased by 8,000 and 6,225 jobs, or 2.2 and 0.3 percent, respectively, whereas the state government subsector added 3,675 jobs, a 0.5-percent increase.
- The greatest unemployment rate decrease, from 10.4 to 8.5 percent, occurred in California.

## Sales Market Conditions

Sales housing market conditions were a mixture of slightly soft to balanced in the Pacific region during the second quarter of 2013. During the 12 months ending May 2013, new and existing homes sales increased by 13,500, or 2.9 percent, to 452,600 in California (CoreLogic, Inc.) and by 200, or 1.2 percent, to 16,100 in Hawaii compared with the number of new and existing homes sold during the previous 12-month period. New and existing home sales declined by 2,500, or 1.7 percent, to 144,300 in Arizona and by 9,600, or 12.8 percent, to 65,400 in Nevada during the same period. During the second quarter of 2013, 4.7 percent of home loans in the region were 90 or more days delinquent, were in foreclosure,

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



2Q = second quarter.

Note: Based on preliminary data.

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

or transitioned into REO (Real Estate Owned), down from 7.2 percent during the second quarter of 2012 (LPS Applied Analytics). The statewide rates of distressed loans ranged from 3.9 percent in Arizona to 10.5 percent in Nevada, down from 6.6 and 13.5 percent, respectively. During the 12 months ending May 2013, the average new and existing home sales price in Las Vegas increased by \$28,800, or 20.6 percent, to \$168,400 compared with the average sales price recorded during the 12 months ending May 2012 (CoreLogic, Inc.). In Phoenix, the average new and existing home sales price increased by \$40,000, or 23.0 percent, to \$214,200. Most of the price increase in Phoenix resulted from the more than 73-percent decline in REO homes sold.

Single-family construction, as measured by the number of homes permitted, increased in all four states in the region.

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

- Single-family homebuilding increased by 3,300 homes, or 22 percent, to 18,300 homes permitted.
- Increased single-family building activity occurred in all four states of the region, ranging from an increase of 100 homes, or 19 percent, in Hawaii to an increase of 2,375 homes, or 33 percent, in California.
- By comparison, single-family construction in the region averaged 70,200 homes permitted during the second quarters of 2003 through 2006. An average of 18,100 single-family homes were permitted in the region during the second quarters of 2007 through 2012.

### Average 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)	May	9,800	10,300	5.1	AVG	482,800	530,300	9.8
Las Vegas (N&E)	May	59,000	49,100	- 16.8	AVG	139,600	168,400	20.6
Los Angeles (N&E)	May	115,800	121,300	4.7	AVG	459,600	532,100	15.8
Oxnard (N&E)	May	9,400	10,300	9.6	AVG	413,800	460,200	11.2
Phoenix (N&E)	May	108,700	101,700	- 6.4	AVG	174,200	214,200	23.0
Riverside (N&E)	May	74,600	69,500	- 6.8	AVG	210,200	239,700	14.0
Sacramento (N&E)	May	38,500	39,900	3.6	AVG	220,100	259,200	17.8
San Diego (N&E)	May	39,200	43,500	11.0	AVG	401,900	455,600	13.4
San Francisco (N&E)	May	52,900	54,700	3.4	AVG	516,200	600,600	16.4
San Jose (N&E)	May	20,800	21,100	1.4	AVG	601,200	701,600	16.7

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

Source: CoreLogic, Inc.

## Apartment Market Conditions

Apartment market conditions in the Pacific region ranged from soft to tight during the second quarter of 2013. Of the 10 largest metropolitan areas in the region, only 4—Las Vegas, Phoenix, Riverside-San Bernardino, and Sacramento—had apartment vacancy rates of more than 5 percent (Axiometrics Inc.). Apartment vacancy rates declined from the second quarter of 2012 in all major metropolitan areas except San Jose and Las Vegas. From the second quarter of 2012 to the second quarter of 2013, in the San Francisco-Oakland-Fremont metropolitan area, the apartment vacancy rate declined from 3.9 to 3.7 percent, and, in the Los Angeles-Glendale-Santa Ana metropolitan area, the rate fell from 4.9 to 4.8 percent. In the Phoenix area, the apartment vacancy rate declined from 7.2 percent in the second quarter of 2012 to 6.7 percent in the second quarter of 2013. Average rents rose in all but 1 of the 10 areas and ranged from a 2.9-percent decrease in Honolulu to a 7.8-percent increase in San Jose during the second quarter of 2013.

### Metropolitan apartment markets were mixed in the Pacific region.

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

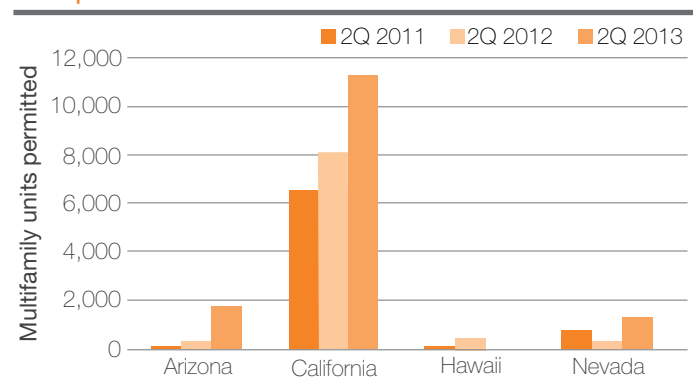
Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction, as measured by the number of units permitted, increased in three of the four states in the region.

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

- The number of multifamily units permitted in the region increased by 5,075, or 54 percent, to 14,300 units permitted.
- By comparison, multifamily construction averaged 17,100 units during the second quarters of 2003 through 2008.
- Multifamily building activity decreased in Hawaii, where the number of units permitted declined by 450 units, or 94 percent.
- Significant increases in multifamily building activity occurred in Arizona (up by 1,425 units permitted, or 390 percent), California (up by 3,200 units permitted, or 40 percent), and Nevada (up by 900 units permitted, or 255 percent).

### Multifamily construction increased in all states, except Hawaii.



2Q = second quarter.

Note: Based on preliminary data.

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