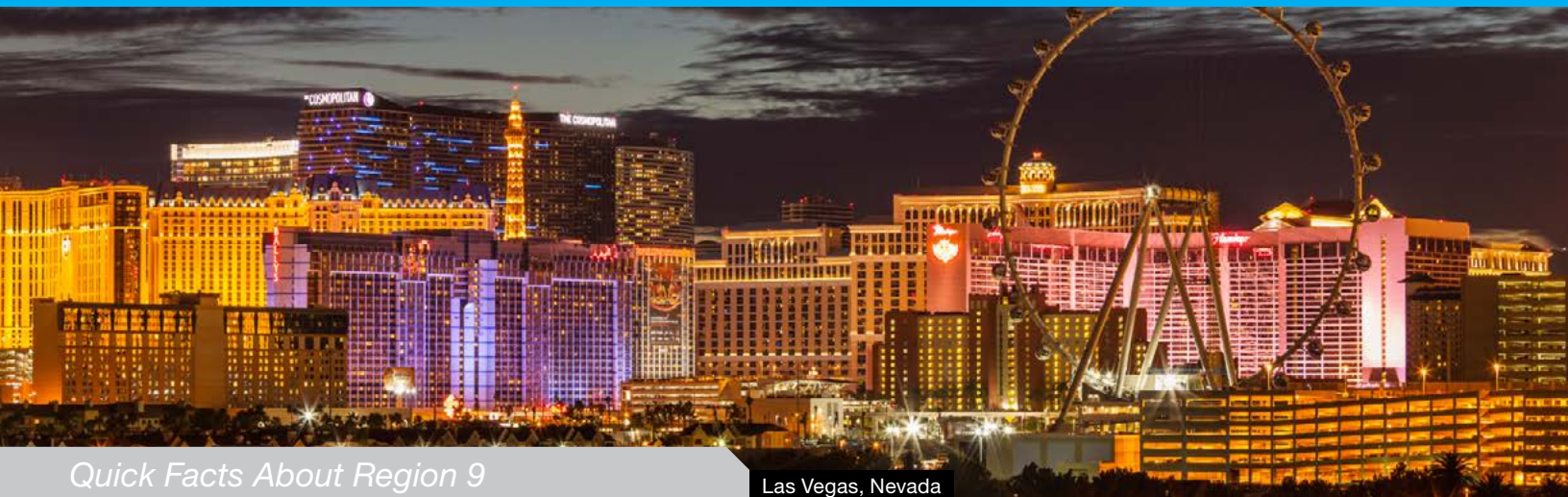


HUD PD&R Regional Reports

Region 9: Pacific

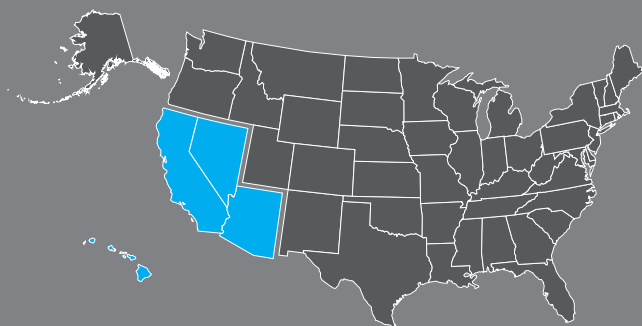


Las Vegas, Nevada

By Ikuko J. Nakano | 4th quarter 2013

Quick Facts About Region 9

- Sales market conditions—**
 - Fourth quarter 2013: mixed (slightly soft to balanced).
 - Third quarter 2013: mixed (slightly soft to balanced).
 - Fourth quarter 2012: soft.
- Apartment market conditions—**
 - Fourth quarter 2013: mixed (soft to tight).
 - Third quarter 2013: mixed (soft to tight).
 - Fourth quarter 2012: mixed (soft to tight).



Overview

Economic and housing market conditions in the Pacific region continued to improve during the fourth quarter of 2013. Nonfarm payrolls increased more than 1 percent in all four states in the region. Single-family homebuilding, home sales, and sales prices also increased throughout the region, and sales and rental vacancy rates declined. The share of distressed home loans continued to decline throughout the region but remains high in some areas. In all but one major metropolitan area in the region, average rents increased during the fourth quarter of 2013 compared with the average rents recorded during the fourth quarter of 2012. Rental vacancy rates declined in all but one major metropolitan area in the region.

- The region added 299,000 jobs during the fourth quarter of 2013, a 1.6-percent increase from the same period in 2012.
- The average new and existing home sales price increased during the 12 months ending December 2013 from the 12 months ending December 2012 in all 10 major metropolitan areas in the region, with increases ranging from 0.5 percent in Honolulu to 24.5 percent in Sacramento-Arden-Arcade-Roseville and 24.6 percent in Las Vegas-Paradise.
- Average rent changes in the fourth quarter of 2013 ranged from a 3.2-percent decrease in Honolulu to a 9.9-percent increase in San Jose-Sunnyvale-Santa Clara from a year ago.



The manufacturing and government sectors were the only sectors in the Pacific region in which nonfarm payrolls declined.

	Fourth Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	18,903.8	19,202.8	299.0	1.6
Mining, logging, and construction	869.3	905.4	36.1	4.2
Service-providing sectors	16,575.0	16,839.0	264.0	1.6
Transportation and utilities	666.5	676.9	10.4	1.6
Financial activities	1,042.7	1,056.4	13.7	1.3
Education and health services	2,476.1	2,522.4	46.3	1.9
Other services	654.5	662.7	8.2	1.3

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

Source: U.S. Bureau of Labor Statistics

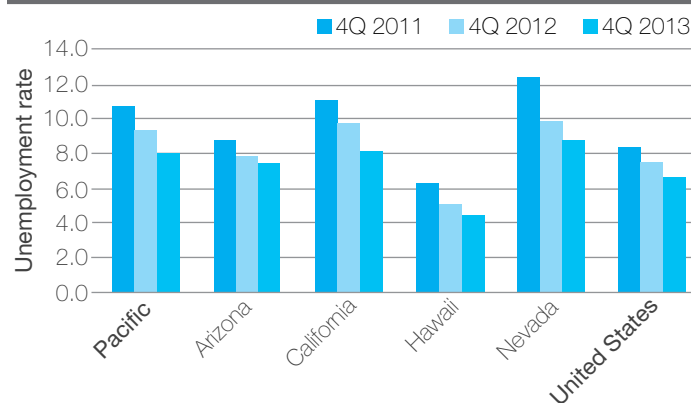
Economic Conditions

Economic conditions in the Pacific region continued the trend of improvement during the fourth quarter of 2013, when nonfarm payrolls increased by 299,000 jobs, or 1.6 percent, to 19.2 million after an increase of 404,600 jobs, or 2.2 percent, to 18.9 million during the same period in 2012. Arizona and Nevada added 47,300 and 21,600 jobs, respectively, a 1.9-percent increase in both states, during the fourth quarter of 2013. California and Hawaii recorded gains of 222,800 and 7,200 jobs, or 1.5 and 1.2 percent, respectively, during the same period. The average unemployment rate in the region was 8.0 percent, lower than the rate of 9.4 percent a year ago but higher than the rate of 6.7 percent for the nation during the fourth quarter of 2013.

During the fourth quarter of 2013—

- Job growth in the region was greatest in the mining, logging, and construction sector, which added 36,100 jobs, a 4.2-percent increase compared with the number of jobs recorded in the sector a year ago, primarily because of increased single-family home construction.
- California led growth in the leisure and hospitality sector, in part because of a gain of 58,950 jobs in the food services and drinking places subsector from the same period in 2012.

Unemployment rates continued to decline in the nation and throughout the Pacific region.



4Q = fourth quarter.

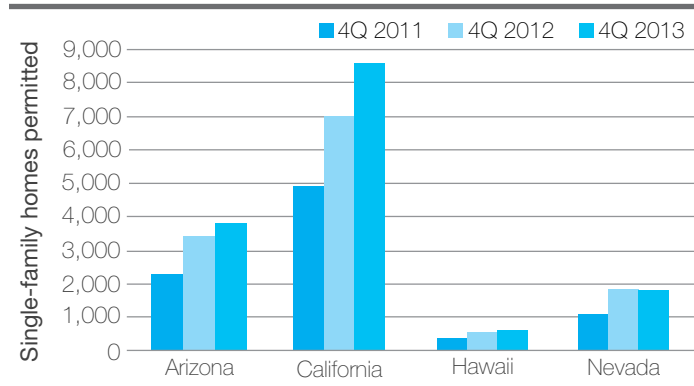
Source: U.S. Bureau of Labor Statistics

- Budget cutbacks continued to adversely affect the government sector, which declined by 20,700 jobs, or 0.7 percent.
- The local government and federal government subsectors decreased by 11,900 and 9,200 jobs, or 0.6 and 2.6 percent, respectively, whereas the state government subsector expanded by 400 jobs, or 0.1 percent.
- Of the four states in the region, California reported the greatest decrease in the unemployment rate, from 9.7 percent in the fourth quarter of 2012 to 8.2 percent.

Sales Market Conditions

Sales housing market conditions improved throughout the Pacific region, but conditions varied from slightly soft to balanced, as the share of distressed home loans remained high in some areas during the fourth quarter of 2013. During 2013, new and existing home sales increased by 9,225, or 2.0 percent, to 476,800 homes sold in California; by 2,650, or 4.0 percent, to 69,200 homes sold in Nevada; and by 1,800, or 10.3 percent, to 19,300 homes sold in Hawaii compared with the number of new and existing homes sold in 2012 (Metrostudy, A Hanley Wood Company). New and existing home sales were nearly unchanged, at 152,200 homes sold, in Arizona during the same period. During the fourth quarter of 2013, 3.5 percent of home loans in the region were 90 or more

Single-family permitting increased in the Pacific region, except in Nevada.



4Q = fourth quarter.

Note: Based on preliminary data.

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

days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 5.8 percent during the fourth quarter of 2012 (Black Knight Financial Services, Inc.). The distressed loan rates in Hawaii and Nevada—7.2 and 8.4 percent, respectively, in the fourth quarter of 2013—were higher than the national rate of 5.7 percent (Black Knight Financial Services, Inc.). Arizona and California recorded distressed loan rates of 3.0 and 3.1 percent, respectively. In the Las Vegas-Paradise metropolitan area, a decline in REO sales from 16,800 homes in 2012 to 7,900 homes in 2013 contributed to a 24.6-percent increase in the average sales price.

Single-family home construction activity, as measured by the number of homes permitted, increased in Arizona, California, and Hawaii but declined slightly in Nevada. Although single-family construction activity remains well below historic levels, construction activity is stabilizing.

During the fourth quarter of 2013 (preliminary data)—

- Single-family homebuilding in the region increased by 2,025 homes, or 16 percent, to 14,800 homes permitted. By comparison, single-family construction activity averaged 59,200 homes permitted during the fourth quarters from 2002 through 2005 and 41,350 homes permitted during the fourth quarters from 2006 through 2012.
- Single-family building activity increased by 380 homes, or 11 percent, in Arizona; by 1,550 homes, or 22 percent, in California; and by 110 homes, or 21 percent, in Hawaii. Permitting declined by 20 units, or 1 percent, to 1,800 homes in Nevada.

Home sales and sales prices continued to increase in most major metropolitan areas of 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)	December	10,560	11,610	9.9	AVG	536,778	539,652	0.5
Las Vegas-Paradise (N&E)	December	51,530	52,914	2.7	AVG	160,923	200,519	24.6
Los Angeles-Long Beach-Anaheim (N&E)	December	119,585	123,176	3.0	AVG	512,049	609,926	19.1
Oxnard-Thousand Oaks-Ventura (N&E)	December	9,722	9,591	- 1.3	AVG	444,477	521,366	17.3
Phoenix-Mesa-Scottsdale (N&E)	December	114,217	110,202	- 3.5	AVG	193,045	230,700	19.5
Riverside-San Bernardino-Ontario (N&E)	December	71,259	73,935	3.8	AVG	229,110	270,127	17.9
Sacramento-Arden-Arcade-Roseville (N&E)	December	38,614	38,913	0.8	AVG	241,875	301,115	24.5
San Diego-Carlsbad-San Marcos (N&E)	December	40,782	43,539	6.8	AVG	435,417	496,832	14.1
San Francisco-Oakland-Fremont (N&E)	December	54,625	53,464	- 2.1	AVG	585,393	702,955	20.1
San Jose-Sunnyvale-Santa Clara (N&E)	December	20,278	20,220	- 0.3	AVG	692,874	805,131	16.2

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

Source: Metrostudy, A Hanley Wood Company

Apartment Market Conditions

Apartment market conditions remained tight in most of the Pacific region as a result of the significant foreclosure activity that occurred during the end of the previous decade. Of the 10 largest metropolitan areas in the region, only 4—Las Vegas-Paradise, Phoenix-Mesa-Scottsdale, Riverside-San Bernardino-Ontario, and Sacramento-Arden-Arcade-Roseville—recorded apartment vacancy rates of more than 5 percent during the fourth quarter of 2013. Apartment vacancy rates declined from the fourth quarter of 2012 in every major metropolitan area in the region except Los Angeles-Long Beach-Santa Ana, where the rate increased slightly, from 4.6 to 4.7 percent. From the fourth quarter of 2012 to the fourth quarter of 2013, in the San Francisco-Oakland-Fremont metropolitan area, the apartment vacancy rate declined from 4.1 to 3.8 percent. The Las Vegas-Paradise apartment market was soft but, as the local economy and sales housing market have improved, the apartment vacancy rate has declined from 8.7 percent in the fourth quarter of 2012 to 7.7 percent in the fourth quarter of 2013. The current vacancy rate was also down from the peak of 10.2

percent in the fourth quarter of 2009. Average rents rose in all but 1 of the 10 major metropolitan areas in the region, increasing as much as 9.9 percent in San Jose-Sunnyvale-Santa Clara, during the fourth quarter of 2013. In Honolulu, the average rent decreased 3.2 percent.

Multifamily construction activity, as measured by the number of units permitted, decreased in three of the four states in the Pacific region. During the fourth quarter of 2013 (preliminary data)—

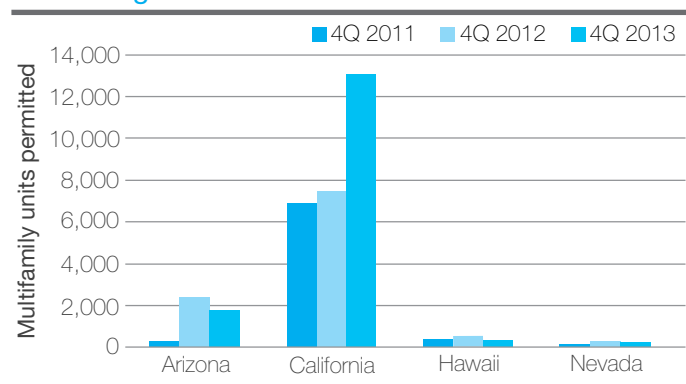
- The number of multifamily units permitted in the region increased by 4,725, or 44 percent, to 15,350 units permitted. By comparison, multifamily construction averaged 19,200 units permitted during the fourth quarters from 2003 through 2007.
- Multifamily building activity decreased in Arizona, Hawaii, and Nevada, where permits declined by 650, 210, and 10 units, or 27, 42, and 4 percent, respectively.
- Multifamily building activity increased significantly in California, by 5,600 units permitted, or 75 percent.

Apartment market conditions were mixed in the Pacific region.

Metropolitan Area	Market Condition
Honolulu	Tight
Las Vegas-Paradise	Soft
Los Angeles-Long Beach-Santa Ana	Tight
Oxnard-Thousand Oaks-Ventura	Tight
Phoenix-Mesa-Scottsdale	Balanced
Riverside-San Bernardino-Ontario	Balanced
Sacramento-Arden-Arcade-Roseville	Balanced
San Diego-Carlsbad-San Marcos	Tight
San Francisco-Oakland-Fremont	Tight
San Jose-Sunnyvale-Santa Clara	Tight

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

Despite an increase in apartment rents, multifamily construction activity declined in three states in the Pacific region.



4Q = fourth quarter.

Note: Based on preliminary data.

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