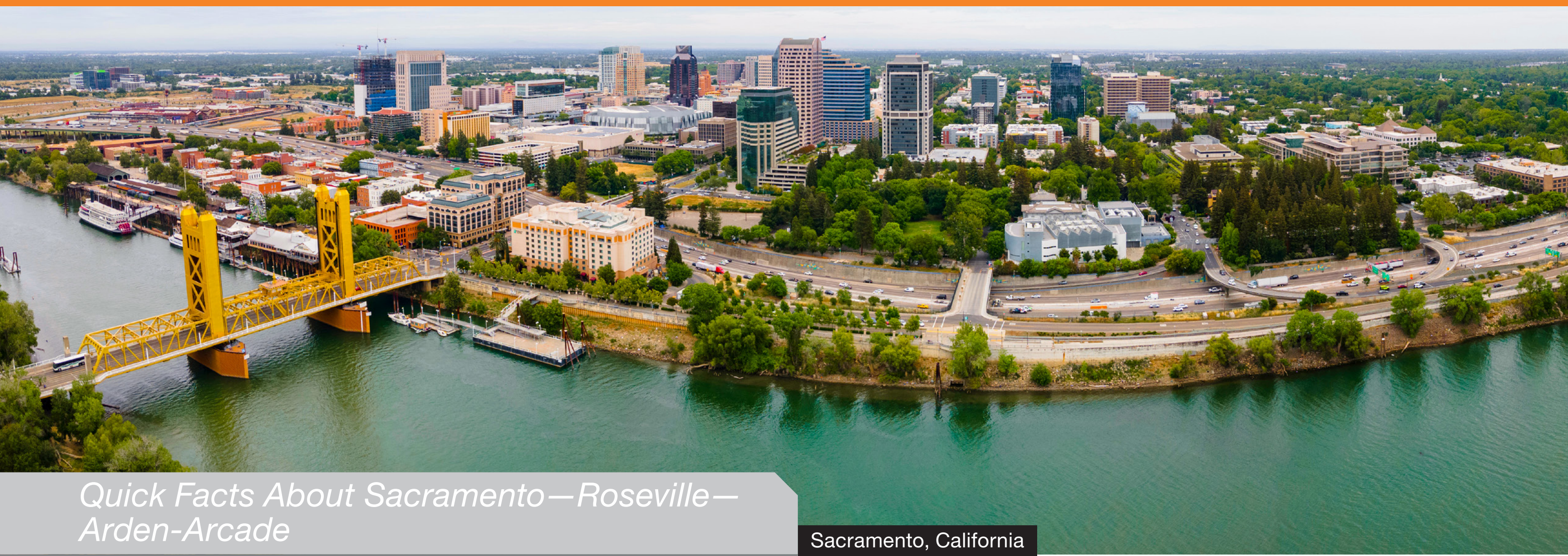
HUD PD&R **Housing Market Profiles**

Sacramento—Roseville—Arden-Arcade, California



Sacramento, California

Quick Facts About Sacramento—Roseville—Arden-Arcade

- **Current sales market conditions: tight**
- **Current apartment market conditions: tight**
- **The southwest side of the metropolitan area includes a portion of the Sacramento-San Joaquin Delta, also known as the California Delta, an inland delta at the confluence of the Sacramento and San Joaquin Rivers between the cities of Sacramento and Stockton in the Central Valley. The surrounding area supports tourism, agriculture, and transportation through the Sacramento River Deep Water Ship Canal. The delta has approximately 12 million visitors annually, and agriculture in the region has an annual economic impact of $2 billion statewide (The Delta Protection Commission 2020 report).**

By Katharine Jones | As of June 1, 2022

Overview

The Sacramento—Roseville—Arden-Arcade, CA metropolitan statistical area (hereafter, Sacramento metropolitan area) includes El Dorado, Placer, Sacramento, and Yolo Counties in northern California. The metropolitan area includes a range of economic activities. Sacramento County is home to the state capital and is the economic center of the metropolitan area. The county contributes to the regional agricultural industry near the delta and is also home to California State University at Sacramento (Sacramento State). Yolo County is notable for the University of California at Davis (UC Davis) and includes a significant agriculture industry along the California Delta. On the eastern side of the metropolitan area, El Dorado and Placer Counties include suburbs with residents who commute to the city of Sacramento. Tourism brings visitors to the Sierra Nevada mountains and the California side of the Lake Tahoe ski areas along the Nevada border. The city of Sacramento is less than 90 miles northeast of the city of San Francisco. As some people struggle to afford the high-priced housing in the San Francisco Bay Area (hereafter, Bay Area), among the least affordable housing markets in the country, many migrate to the Sacramento area, particularly to scenic areas in the

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Sierra Nevada foothills toward the Lake Tahoe area in El Dorado and Placer Counties.

- The population in the Sacramento metropolitan area is estimated at 2.43 million as of June 1, 2022, representing an average annual increase of 14,850, or 0.6 percent, since 2019. Net in-migration, which averaged 9,875 people a year, accounted for 66 percent of the growth in the area; net natural change accounted for the remaining 34 percent. For context, from 2013 to 2019, the population increased by an average of nearly 28,900, or 1.3 percent, each year, and average annual net in-migration of 19,450 people accounted for 67 percent of the increase.
- Overall migration into the metropolitan area has slowed since the 2013-to-2019 period, but trends have differed by area since the pandemic. In Yolo County, net out-migration has averaged 320 people annually since 2019 as UC Davis transitioned to virtual learning (in-person classes have since resumed), compared with average net in-migration of 910 people from 2013 to 2019. In El Dorado and Placer Counties, combined net in-migration has averaged 8,225 people annually since 2019, up from an average of 6,925 each year from 2013 to 2019. An influx of movers from other locations, such as the Bay Area, contributed to that increase as remote work expanded during the COVID-19 pandemic. In Sacramento County, which accounts for 66 percent of the metropolitan area population, population growth has slowed since 2019, increasing by an average of 7,050, or 0.4 percent, annually, compared with an average annual increase of 19,450, or 1.3 percent, from 2013 to 2019, primarily because net in-migration decreased from 60 percent of the population growth to 28 percent.
- An average of 150,000 people migrated from the Bay Area into the Central Valley—including the Sacramento metropolitan area, San Joaquin Valley, and Sierra Foothills—annually in 2018 and 2019. Due to impacts from the COVID-19 pandemic, that trend is estimated to have doubled to approximately 305,000 each year in 2020 and 2021 (UC Davis, Occidental College, and University of Southern California joint research). The top two motivations cited to explain the increase in movers were housing affordability concerns and expanded opportunities to work remotely.

Economic Conditions

Nonfarm payrolls averaged nearly 1.05 million jobs during the 3 months ending May 2022, up by 48,000 jobs, or 4.8 percent, from the same period a year earlier. This increase followed a year-over-year gain of 53,500 jobs, or 5.8 percent, during the 3 months ending May 2021. Nonfarm payrolls are 3.0 percent higher than levels during the 3 months ending May 2019, before the pandemic. During the pandemic, monthly nonfarm payrolls decreased by 134,200 jobs, or 13.0 percent, in March and April 2020 (not seasonally adjusted). Recovery has been uneven due to periods of resurgence in COVID-19 cases, but jobs have been increasing since May 2020, and nonfarm payrolls have consistently been above prepandemic levels since February 2022.

During the 3 months ending May 2022—

- The leisure and hospitality sector added the most jobs in numeric and percentage terms, accounting for nearly 31 percent of all jobs gained in the metropolitan area. The sector increased by 14,700 jobs, or 16.6 percent, from the same period a year earlier. Despite the strong growth, sector payrolls were still 5.6 percent below the prepandemic levels during the same period of 2019.
- The transportation and utilities sector had the second fastest rate of growth, increasing 10.4 percent from a year earlier, or by 3,700 jobs, to 39,200 jobs. A preexisting shift in preferences toward online purchases accelerated during the pandemic, and sector jobs are 28 percent higher than levels during the same period in 2019.
- The largest payroll sector was the government sector, anchored by the state capital and the two public universities. The sector accounted for 23 percent of total nonfarm payrolls, increasing by 6,200 jobs, or 2.6 percent, from a year earlier. Sacramento State and UC Davis had combined enrollment of nearly 72,750 students during the fall semester of 2021; California State Universities had a $2.6 billion impact on the Sacramento Valley region in 2019, and in 2016, UC Davis campuses had a $6.8 billion impact on the region (*The Impact of the California State University* report and Economic & Planning Systems, Inc., for UC Davis).
- The unemployment rate in the Sacramento metropolitan area was 3.3 percent, down from 7.1 percent a year earlier. The unemployment rate decreased year over year because strong 6.3-percent growth in employment outpaced the 2.5-percent gains in the labor force.

The Sacramento metropolitan area is in the Central Valley region of California, one of the most productive agriculture areas in the nation, which extends beyond the metropolitan area from

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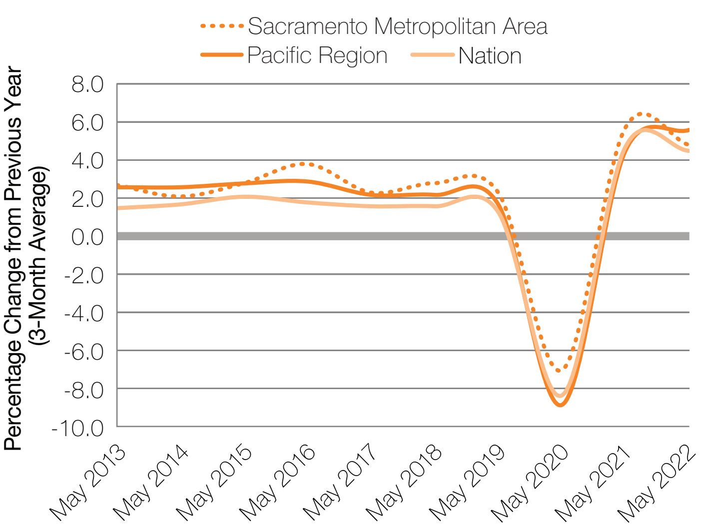
All sectors contributed to job growth in the Sacramento metropolitan area during the 3 months ending May 2022.

	3 Months Ending		Year-Over-Year Change	
	May 2021 (Thousands)	May 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	998.9	1,046.9	48.0	4.8
Goods-Producing Sectors	110.8	115.8	5.0	4.5
Mining, Logging, & Construction	74.0	77.9	3.9	5.3
Manufacturing	36.8	37.9	1.1	3.0
Service-Providing Sectors	888.1	931.1	43.0	4.8
Wholesale & Retail Trade	125.7	129.4	3.7	2.9
Transportation & Utilities	35.5	39.2	3.7	10.4
Information	9.9	10.3	0.4	4.0
Financial Activities	51.2	52.0	0.8	1.6
Professional & Business Services	136.2	140.5	4.3	3.2
Education & Health Services	168.4	175.2	6.8	4.0
Leisure & Hospitality	88.8	103.5	14.7	16.6
Other Services	32.7	35.1	2.4	7.3
Government	239.7	245.9	6.2	2.6
Unemployment Rate	7.1%	3.3%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

the city of Redding to the city of Bakersfield. Sacramento and Yolo Counties are the primary agriculture-producing counties in the metropolitan area, with the fertile regions extending from the southwest to the California Delta, which also supports tourism and water recreation. The top agriculture commodities in Sacramento County include milk, poultry, and grapes for wine, and in Yolo County, they include almonds, tomatoes for processing, and grapes for wine. Agriculture in the two counties had a combined value of $1.16 billion in 2020 (Sacramento and Yolo Counties Departments of Agriculture, Weights and Measures). The metropolitan area had nearly 9,200 workers employed in the agriculture, forestry, fishing, and hunting industries in 2021 (most recent data available; Quarterly Census of Employment and Wages). Although agriculture is not included in nonfarm payrolls, it indirectly supports jobs in other sectors, such as the manufacturing, the wholesale and retail trade, and the transportation sectors, and the tourism industry.

Job growth in the Sacramento metropolitan area outpaced the job growth rate for the nation but dipped below the rate for the region in the past year.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Sacramento Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of California	Government	86,233
Kaiser Foundation Health Plan, Inc.	Education & Health Services	19,813
Sutter Medical Network	Education & Health Services	18,859

Note: Excludes local school districts.
Sources: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2021, for El Dorado, Placer, Sacramento, and Yolo Counties

Sales Market Conditions

Home sales market conditions in the Sacramento metropolitan area are tight, with an estimated sales vacancy rate of 1.0 percent, down from 2.4 percent in April 2010, when the market was soft. Since recovering from the Great Recession, the sales market has been persistently tight, and very low levels of for-sale inventory have contributed to upward pressure on home sales prices. In May 2022, the metropolitan area had approximately 1.2 months of inventory, up from a 0.8-month supply in May 2021, and the supply of inventory has remained at or below 2.5 months since at least 2013 (Redfin, a national real estate brokerage). Total home sales decreased 2 percent, to 50,150 homes sold, during the 12 months ending May 2022, and the average price increased 15 percent year over year, to nearly $627,800 (Zonda). Rising mortgage interest rates are also affecting sales demand. The 30-year fixed interest rate was 5.23 percent in May 2022, compared with 2.98 percent a year earlier (Freddie Mac). The year-over-year change in the interest rate has caused the average monthly mortgage payment to increase by approximately $650 for the current average-priced home in the metropolitan area, assuming a 20-percent down payment, contributing to a slowdown in the growth in home sales. On a 12-month basis, the year-over-year growth rate in home sales and prices increased every month from September 2020 through June 2021 (Zonda). After the Federal Reserve announced plans to raise interest rates in the summer of 2021, the year-over-year growth rate of home sales fell steadily, from a high of 29 percent during the 12 months ending June 2021 to a 2-percent decline during the 12 months ending May 2022.

- The decline in home sales was concentrated in existing home sales, which decreased nearly 4 percent from a year earlier, to nearly 41,850 homes sold during the 12 months ending May 2022. The low inventory of homes available for sale contributed to the decrease in sales and strong price growth. The average sales price of an existing home increased 14 percent, to $617,400, compared with a year earlier.
- Increasing population and a low inventory of existing homes for sale contributed to the demand for new homes. New home sales accounted for 15 percent of total home sales during the 12 months ending May 2022, compared with 13 percent of total home sales from 2017 through 2019, before the pandemic, and sales increased 11 percent year over year, to 7,575 homes sold. The average price of a new home increased 18 percent during the same period, to nearly $675,100.
- Migration from the San Francisco Bay Area contributes to rising home prices in the Sacramento metropolitan area, partly because of higher incomes for workers in the Bay Area. Since 2020, the average price of a home in the Sacramento metropolitan area has been approximately 56 percent less than in the Bay Area (Zonda), and the median family income in the Sacramento metropolitan area was 22 percent lower than for the San Jose-San Francisco-Oakland, CA combined statistical area (American Community Survey (ACS) 1-year data).

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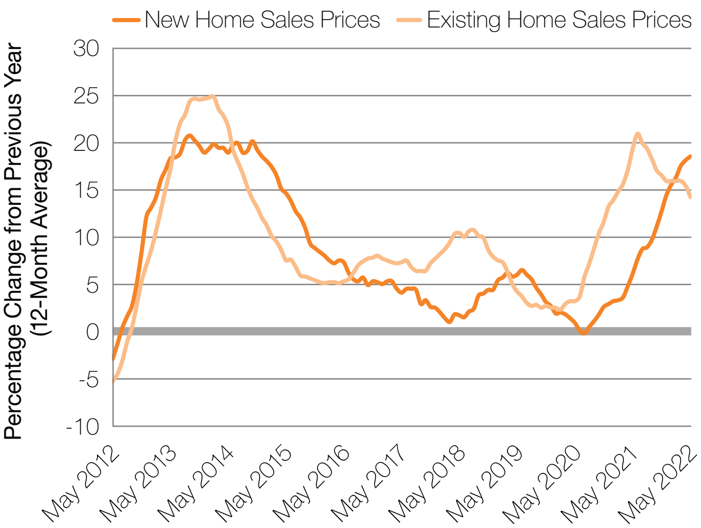
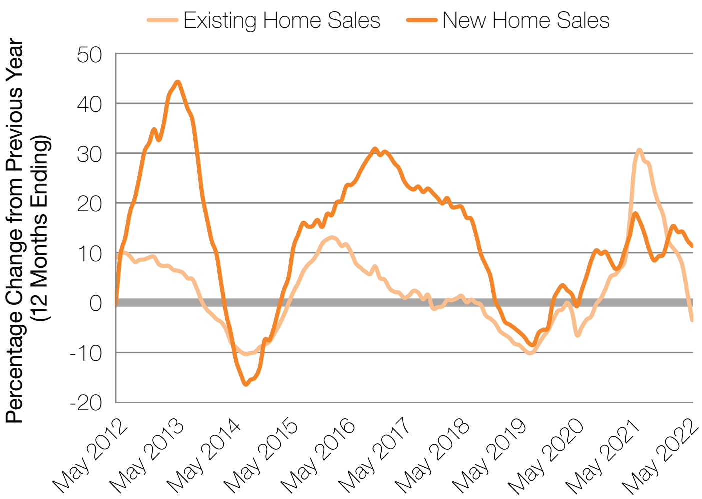
Home prices in the Sacramento metropolitan area have increased sharply during the past 2 years.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: Zonda

Home sales declined in the Sacramento metropolitan area during the past year because declines in existing home sales more than offset an increase in new home sales.



Note: Sales include single-family homes, townhomes, and condominiums.
Source: Zonda

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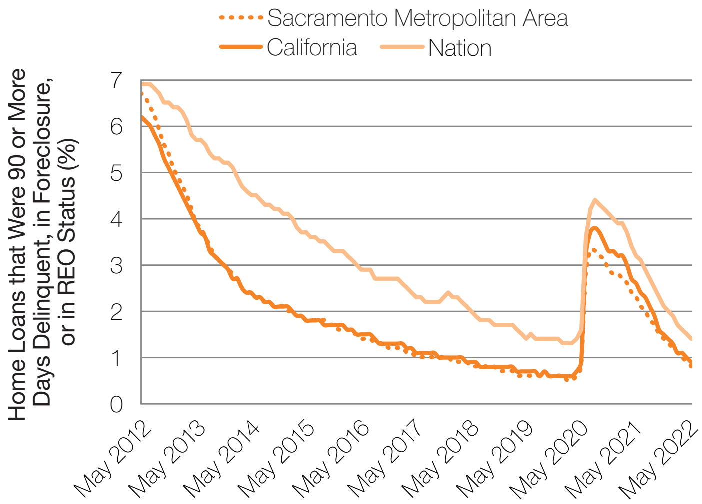
- As of May 2022, 0.8 percent of home loans in the Sacramento metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, below the 2.3-percent rate a year earlier (CoreLogic, Inc.). Although the rate is near historic lows, it is higher than the 0.5-percent rate in March 2020, just before the pandemic affected the housing markets. The current rate is slightly lower than the 0.9-percent rate for California and below the 1.4-percent rate for the nation.

Single-family homebuilding activity, as measured by the number of homes permitted, increased in the past year, consistent with the general trend of the past decade. Despite slower population growth in recent years, the tight sales market and low inventory of existing homes increased the demand for new homes. During the 12 months ending May 2022, 9,575 new single-family homes were permitted, up 10 percent from the previous 12-month period (preliminary data). From 2017 through 2020, an average of 6,925 single-family homes were permitted annually.

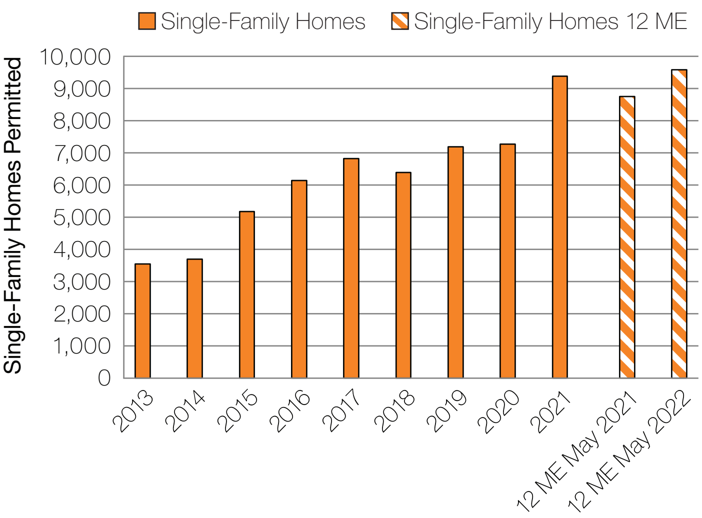
- Sacramento and Placer Counties each accounted for approximately 44 percent of single-family home construction during the 12 months ending May 2022. El Dorado and Yolo Counties accounted for 7 and 5 percent of single-family homebuilding activity, respectively.
- The 185-lot Viridian community in the city of Rancho Cordova in Sacramento County has been under construction since the second quarter of 2019. During the first quarter of 2022, 22 homes started, more than 100 homes were completed, 46 were under construction, and an additional 32 lots were available; the average home sold for $651,700 (Zonda).
- Construction of the 322-home Sierra Vista community in the city of Roseville in Placer County began in the second quarter of 2019. During the first quarter of 2022, 155 homes were complete and occupied, nearly 50 were under construction, and an additional 114 lots were available. The average price of a home sold during the first quarter of 2022 was $502,200.
- An emerging trend in single-family home construction in the metropolitan area is communities built for rent. In the city of Roseville, in Placer County, the 152-home Cyrene at Fiddyment community opened in July 2021, with average rent of $3,450, and in Sacramento, the 591-home The Cove subdivision in the Willow Creek area is currently under construction and expected to be complete in late 2024 (CoStar Group). The 81-home Cyrene at Meadowlands is in planning in the city of Lincoln, also in Placer County.

The Sacramento metropolitan area and California had consistently lower rates of mortgages that were seriously delinquent or had transitioned to REO status compared with the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

A low inventory of existing homes for sale contributed to increased demand for new homes; therefore, the number of single-family homes permitted in the Sacramento metropolitan area increased during the past 12 months.



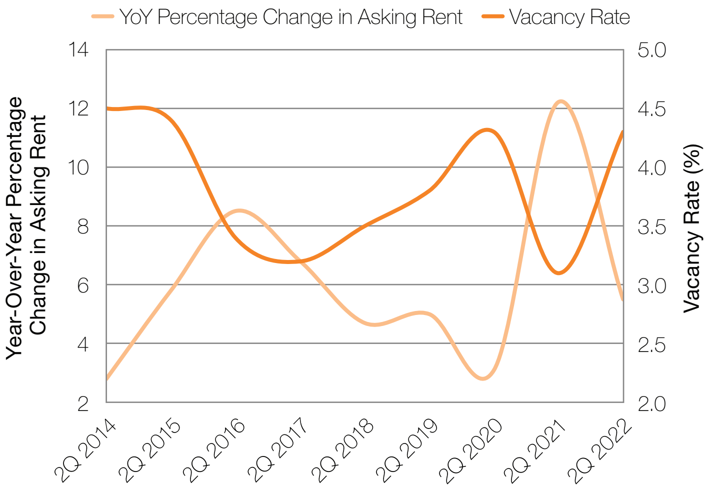
12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Apartment Market Conditions

Approximately 55 percent of metropolitan area renter households live in multifamily buildings with two or more units per building, typically apartments, and 45 percent live in single-family or mobile homes (2016–2020 ACS 5-year estimates). In the apartment market, which includes professionally managed rental properties with at least 40 units, conditions are tight, despite rising vacancy rates during the past year. During the second quarter of 2022, the apartment vacancy rate in the Sacramento metropolitan area was 4.3 percent, up from 3.1 percent a year earlier (CoStar Group). The average rent increased nearly 6 percent during the same period, to $1,736. By comparison, the vacancy rate was also 4.3 percent during the second quarter of 2020, and from 2020 to 2021, the average second quarter rent increased 12 percent.

- The CoStar Group-defined downtown Sacramento market area, which includes the central business district and the Sacramento State University campus, was heavily affected by the temporary business and school closures during the early portions of the COVID-19 pandemic. During the second quarter of 2022, the vacancy rate averaged 10.5 percent, up from 5.2 percent a year earlier—because 980 units were completed and were leasing up—but similar to the 10.4-percent rate during the second quarter of 2020. The second quarter asking apartment rent during 2022 averaged $1,704, up 2 percent from a year earlier, compared with 3-percent year-over-year growth in 2021 and less than 1-percent growth in 2020 during the initial impacts from the pandemic.
- Strong rent growth occurred during the past year in the West Sacramento market area, which is in Yolo County and adjacent to the city of Sacramento. The average second quarter rent increased 8 percent in 2022, following a 10-percent gain in 2021, to a current average of $1,563. The second quarter 2022 vacancy rate was 7.0 percent, down from 11.9 percent a year earlier but higher than the 2.9 percent rate during the same period of 2020. The vacancy rate is elevated due to 620 new apartments that opened in the past 2 years, contributing to an elevated number of units in lease up.
- In the market area around the UC Davis campus in Yolo County, the vacancy rate averaged 1.1 percent during the second quarter of 2022, down from 6.9 percent a year earlier, when most university classes were still online in response to social distancing precautions taken during the pandemic. The average rent increased 4 percent year over year, to $2,014.
- In the area around Lake Tahoe in eastern El Dorado and Placer Counties, a surge in new apartment completions in the past year in response to tight market conditions contributed to a rise in the vacancy rate. The apartment vacancy rate during the second quarter of 2022 averaged 5.6 percent, up from 0.9 percent a year earlier, when the vacancy rate was at its lowest level since at least 2000. The average rent increased 4 percent, to $1,299. Approximately 70 percent of apartment units are income restricted, moderating rent growth in the area.

Although the apartment market in the Sacramento metropolitan area was tight during the past year, increasing apartment vacancy rates contributed to slower rent growth.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

Despite tight apartment market conditions, multifamily construction decreased slightly in the past year but remains elevated compared with earlier periods. Approximately 98 percent of multifamily units permitted since 2017 were for apartments, with condominiums accounting for 2 percent. By comparison, condominiums averaged 15 percent of multifamily construction from 2000 through 2006. Builders responded to recent tight rental market conditions by increasing production beginning in 2020. During the 12 months ending May 2022, 3,925 multifamily units were permitted, down less than 5 percent from the previous 12-month period (preliminary data). From 2017 through 2019, an average of 2,275 multifamily units were permitted before permitting increased to current levels.

- Most high-density multifamily construction occurs in the populous urban areas and around universities. During the 12 months ending May 2022, nearly 71 percent of multifamily construction occurred in Sacramento County,

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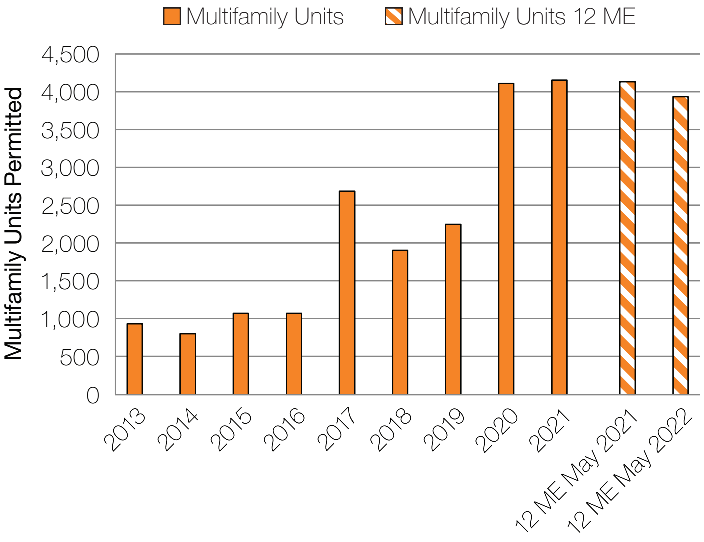
18 percent in Yolo County, 11 percent in Placer County, and virtually none in El Dorado County.

- The city of Sacramento accounted for 65 percent of apartment construction in the metropolitan area during the 12 months ending May 2022. The 444-unit Maven on Broadway in Sacramento opened in February 2022 and is in lease up. As of May 2022, approximately 23 percent of the units were occupied (ALN Data, Inc.). The studio, one-bedroom, and two-bedroom units have an average monthly rent of $2,260.
- As a major commuting suburb to Sacramento, the city of Roseville has had considerable apartment construction in recent years. The 210-unit second phase of Campus Oaks Apartments opened in March 2021 and has stabilized with 98 percent occupancy and an average rent of $2,914 in May 2022 (ALN Data, Inc.). Also in Roseville, the 201-unit Sonrisa Senior Living apartments opened in October 2021; the property was 40 percent occupied as of May 2022, with an average monthly rent of $3,752.
- In the city of Davis, new apartment construction is often targeted to meet the demand for university students. The 70-unit IDENTITY Davis is marketed to students and was completed in 2020. The property was 98 percent occupied in May 2022, and the average unit rent was $4,715 for the three- to five-bedroom units (ALN Data, Inc.).
- In West Sacramento, a growing suburb in Yolo County outside Sacramento, the 408-unit The Strand apartments opened in May 2022, with an average rent of $2,469 for the studio, one-bedroom, two-bedroom, and three-bedroom units.

Despite tight apartment market conditions, the number of multifamily units permitted in the Sacramento metropolitan area during the 12 months ending May 2022 has decreased slightly from a year earlier.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes regular resales and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
San Francisco Bay Area (Bay Area)	Nine counties in the San Jose-San Francisco-Oakland Combined Statistical Area, including Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.