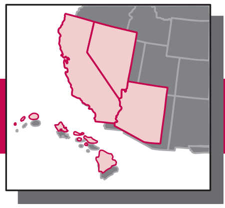
Housing Market Profile



Pacific • HUD Region IX

Santa Ana-Anaheim-Irvine, California

Located along the Pacific coast in southern California, the Santa Ana-Anaheim-Irvine metropolitan division comprises Orange County and is part of the Los Angeles-Long Beach-Santa Ana metropolitan area. The metropolitan division is a center for tourism, health care, and the production of aerospace technology in California; the largest employers are The Walt Disney Company, St. Joseph Health, and The Boeing Company, with 22,000, 12,050, and 7,700 employees, respectively. As of October 1, 2012, the population was estimated at 3 million, an average annual increase of 25,300, or 0.8 percent, since July 1, 2011, up from the average annual increase of 17,500, or 0.4 percent, during the 2008-through-2010 period, when employment conditions were weak. Population growth increased as employment began to improve, leading to an average net in-migration of 4,500 people annually since 2011, compared with a net out-migration of 7,700 people annually from 2008 through 2010.

Economic conditions in the metropolitan division improved during the past year, but employment has yet to fully recover from the decline that began during 2008. Nonfarm payrolls increased by 23,000 jobs, or 1.7 percent, during the 12 months ending August 2012 compared with a gain of 12,000 jobs, or 0.9 percent, during the previous 12 months. Job growth was partially offset by declines in the construction subsector and government sector, down 2,125 and 1,600 jobs, or 3.1 and 1.1 percent, respectively. Despite the overall gain, nonfarm payrolls are still down 135,400 jobs, or 8.9 percent, from the peak during 2007. During the 12 months ending August 2012, more than 85 percent of net nonfarm payroll growth was in the professional and business services, leisure and hospitality, and trade sectors, up 7,775, 6,175, and 5,500 jobs, or 3.1, 3.6, and 2.5 percent, respectively. Employment growth is expected to continue in the leisure and hospitality sector. The expansion of the Disney California Adventure® Park by The Walt Disney Company is expected to add 1,000 employees to its payrolls by the end of 2012. Furthermore, increased hotel occupancies, up from 74 percent during June 2011 to 85 percent during June 2012, throughout the metropolitan division have encouraged hotel development, according to data from PKF Consulting USA. The construction of two luxury hotels in close proximity to the Disneyland Resort and Disney California Adventure® Park is expected to add 1,300 permanent jobs when complete during the next 4 years. As economic conditions improved, the average unemployment rate declined to 8 percent during the 12 months ending August 2012 from 9 percent during the previous 12 months, lower than the 11-percent rate for California.

Despite improving economic conditions, the sales housing market in the Santa Ana-Anaheim-Irvine metropolitan division is soft, partially because of tight mortgage lending standards. During the 12 months ending August 2012, new and existing home sales averaged 35,950 homes, nearly unchanged from a year earlier but down 1 percent from the average of 36,400 homes sold annually during the same 12-month period from 2008 through 2010, according to Hanley Wood, LLC. The average sales price for new and existing homes declined less than 1 percent, to $543,100, during the 12 months ending August 2012, but it was 6 percent below the average price of $579,900 recorded during the comparable periods from 2008 through 2010. Condominium sales accounted for more than 30 percent of total home sales, with 11,350 condominiums sold during the 12 months ending August 2012, down 5 percent from the 11,950 sold during the previous 12 months. Nearly 60 percent of condominium sales occurred in south Orange County, which includes the city of Irvine. The average condominium price in the metropolitan division and the south Orange County area declined to $330,700 and $369,100, or 3 and 5 percent, respectively. According to LPS Applied Analytics, as of August 2012, 4.7 percent of home loans in the metropolitan division were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 6.2 percent in August 2011 and below the 6.1-percent rate for California.

Soft sales market conditions resulted in a reduced level of single-family home construction activity, as measured by the number of homes permitted, compared with earlier periods in the decade. According to preliminary data, during the 12 months ending August 2012, single-family homebuilding activity totaled 1,750 homes permitted, down from the 2,000 homes permitted during the previous 12-month period. Single-family construction was strong during the 2000-through-2006 period, when an average of 5,475 homes was permitted annually, before permits declined to an average of 1,650 from 2007 through 2010. The highest concentration of single-family home development, approximately 15 percent, occurs in the principal cities of Anaheim, Santa Ana, and Irvine, where many of the metropolitan division's major employers are located.

During the 12 months ending August 2012, the average price for a new home in Anaheim, Santa Ana, and Irvine was $450,700, $476,000, and $654,900, respectively, compared with $656,300 for the metropolitan division as a whole, according to data from Hanley Wood, LLC. Developments under construction include Portola Springs®, in Irvine, where 84 of the planned 93 single-family homes are to be complete by 2013.

The overall rental housing market in the Santa Ana-Anaheim-Irvine metropolitan division is tight, because renter household growth during the past year outpaced the production of rental units. The rental vacancy rate was estimated at 4.8 percent as of October 2012, a decline from 5.9 percent in April 2010. According to MPF Research, the apartment vacancy rate declined to 3.8 percent during the second quarter of 2012 from 4.6 percent during the second quarter of 2011, and the average monthly rent increased 4 percent, from $1,504 to $1,558. Apartment vacancy rates declined significantly in the cities of Irvine and Santa Ana. In Irvine, the vacancy rate decreased to 2.7 percent and the average rent increased 5 percent, to $1,938. In Santa Ana, the vacancy rate declined to 2.5 percent and the rent increased 10 percent, to $1,463, because of recent luxury-apartment completions. During the 12 months ending July 2012, apartment construction activity, as measured by the number of units permitted, increased 53 percent, to 3,025 units permitted compared with 1,975 units permitted during the previous year, but it was nearly unchanged from the average permitted from 2006 through 2009. Slightly more than one-half of all apartment developments are in south Orange County. Current construction includes Cypress Village, in Irvine, with 200 of the planned 1,677 units complete, and Station District, in Santa Ana, with 74 units expected to be complete during 2013. Monthly rents for recently completed efficiency, one-bedroom, and two-bedroom apartments in the metropolitan division start at $1,400, $1,700, and $2,100, respectively.