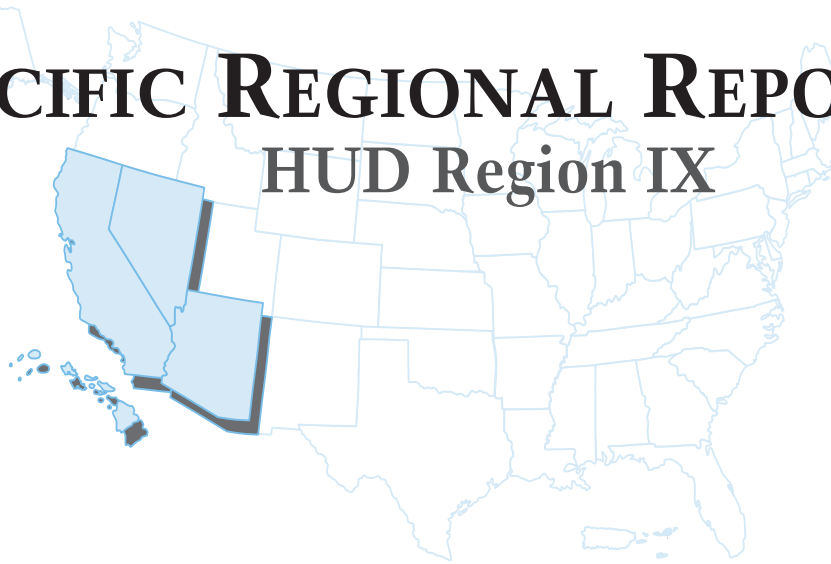




U.S. Housing Market Conditions

PACIFIC REGIONAL REPORT HUD Region IX



4th Quarter Activity

The following summary of the Pacific region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Pacific region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Employment losses in the Pacific region, which started in 2008, continued throughout 2010 on an annual average basis but at a slower pace. During 2010, nonfarm payrolls averaged nearly 18 million jobs, reflecting a decline of 270,900 jobs, or 1.5 percent, compared with a decline of 1.2 million jobs, or 6.3 percent, during 2009. Employment in the construction sector was down 108,200 jobs, or 12.6 percent, because of job losses in both residential and commercial construction. The manufacturing sector was down 47,700 jobs, or 3.2 percent, continuing a 3-year trend. During 2010, the wholesale and retail trade sector was down 43,400 jobs, or 1.5 percent. The education and health services sector was the only sector to grow in the region, add-

ing 38,600 jobs, or 1.7 percent. The federal government subsector added an additional 10,600 jobs, or 3 percent.

During 2010, all four states in the region had nonfarm job losses. In California, nonfarm payrolls declined by 212,600 jobs, or 1.5 percent, to average 13.9 million jobs. The construction sector alone lost 72,900 jobs, or 11.9 percent. Southern California and the San Francisco Bay Area had job declines of 130,200 jobs, or 1 percent, and 65,900 jobs, or 2 percent, respectively. In Hawaii, nonfarm payrolls decreased by 1,900 jobs, or 0.3 percent, to average 589,600 jobs. The main source of job losses in Hawaii in 2010 was the construction sector, which declined by 1,600 jobs, or 5 percent. The leisure and hospitality sector, which had the largest job losses in 2009, gained 1,800 jobs in 2010 because of a 16-percent, or \$11.4 billion, increase in tourism. In Arizona, in 2010, nonfarm payrolls decreased by 22,000 jobs, or 0.9 percent, to average 2.4 million jobs. The construction sector and local government subsector declined the most, by 14,300 jobs, or 11.1 percent, and 7,400 jobs, or 2.6 percent, respectively. The education and health services sector added 10,200 jobs, which was an increase of 3.1 percent. In Nevada, nonfarm payrolls decreased by 34,500 jobs, or 3 percent, to average 1.1 million jobs. The completion of the \$3.9 billion



Cosmopolitan of Las Vegas hotel/casino complex resulted in the loss of several thousand construction jobs. The more than 2-percent increase in tourism did not prevent additional job cuts in the leisure and hospitality sector. The construction and the leisure and hospitality sectors declined by 19,500 jobs, or 23.9 percent, and 5,700 jobs, or 1.8 percent, respectively. The average unemployment rate in the region increased from 11.1 percent during 2009 to 12 percent during 2010. Unemployment rates in the region ranged from 6.5 percent in Hawaii to 14 percent in Nevada in 2010.

The sales housing markets in most of the Pacific region were soft because of high unemployment rates. Hawaii, with a moderate unemployment rate, was the only state in the region that had a balanced sales housing market. During 2010, according to Hanley Wood, LLC, the number of new and existing single-family homes sold totaled approximately 15,700 homes, an 8-percent increase compared with the number of homes sold during 2009. During 2010, the average single-family home sales price increased by 7 percent to \$391,600. Although foreclosure sales increased from 8 percent of all existing sales in 2009 to 14 percent in 2010, this rate is still significantly lower than foreclosure rates in the rest of the region, which range from 43 percent in California to 60 percent in Nevada. In the Honolulu area, during 2010, 9,900 homes sold, a 5-percent increase compared with the number sold during 2009. The average single-family home sales price increased 11 percent to \$438,400.

In California, the home sales market softened in 2010. According to Hanley Wood, LLC, the number of new and existing single-family homes sold totaled approximately 432,500, a 7-percent decrease compared with the number of homes sold during 2009. During 2010, the average single-family home sales price increased by 5 percent to \$277,800. Foreclosure sales as a percentage of total existing sales decreased from 47 percent in 2009 to 43 percent in 2010. In the San Francisco Bay Area, during 2010, 83,300 homes sold, which was a 6-percent decrease compared with the number sold during 2009. During 2010, the average home sales price increased by 6 percent to \$368,100. In the Southern California area, the number of homes sold decreased by 6 percent, to 235,500 homes, but the average home sales price increased 6 percent, to \$235,500.

The home sales markets also softened in both Arizona and Nevada in 2010. According to Hanley Wood, LLC, Arizona foreclosure sales increased from 51 percent of all existing home sales in 2009 to 57 percent in 2010. Nevada foreclosure sales declined from 67 percent of all existing home sales in 2009 to 60 percent in 2010. According to Hanley Wood, LLC, 113,500 new and existing homes sold in Arizona during 2010, which was a 14-percent decline compared with the number sold during 2009. The average home sales price declined by 2 percent, to \$139,500. In the Phoenix area, new and

existing home sales declined by 9 percent, to 92,700. Even though sales declined, the average home price increased by 1 percent, to \$138,700. In Nevada, 59,200 new and existing homes sold in 2010, a decline of 10 percent compared with the number sold during 2009, and the average home sales price decreased 3 percent, to \$143,000. In Nevada in 2010, approximately 80 percent of all new and existing home sales occurred in the Las Vegas area. In Las Vegas, from 2009 to 2010, sales decreased by 12 percent, to 47,400 homes. During that same period, the average home price decreased from \$142,200 to \$139,600.

According to Lender Processing Services Mortgage Performance Data, in the region in December 2010, the number of homes 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased by 114,800 homes, or 17 percent, to 683,400 homes compared with the number of homes during December 2009. This level represents a current rate of 10.2 percent of all loans in the region in December 2010 compared with a rate of 12.1 percent in December 2009. The national rate in December 2010 was 8.3 percent.

The rate of new home construction, as measured by the number of single-family building permits issued, was mixed in the Pacific region during 2010. Based on preliminary data, 41,300 single-family homes were permitted, a 4-percent decrease compared with the number of permits issued in 2009. In Nevada, the only state in the region that had an increase in single-family permits in 2010, single-family permits increased by 800, or 18 percent, to total 5,400 homes permitted. During 2010, the number of single-family homes permitted decreased in Arizona by 2,100 permits, or 17 percent, to 10,400; in California by 200 permits, or 1 percent, to 23,700; and in Hawaii by 100 permits, or 5 percent, to 1,900.

As of the fourth quarter of 2010, rental markets, in general, were balanced in California and tight in Hawaii. The San Francisco Bay Area rental market was balanced. According to Reis, Inc., from the fourth quarter of 2009 to the fourth quarter of 2010, the apartment rental vacancy rate decreased from 5.8 to 4.5 percent in Oakland, from 5.1 to 3.8 percent in San Jose, and from 4.8 to 4.3 percent in San Francisco. In both San Francisco and San Jose, average rents increased 3 percent to \$1,858 and \$1,531, respectively. The Oakland average rent increased 1 percent to \$1,345. In Sacramento, in the fourth quarter of 2010, the rental vacancy rate was 6.2 percent, down from 7.3 percent in the fourth quarter of 2009, but average rents increased more than 1 percent to \$926. From the fourth quarter of 2009 to the fourth quarter of 2010, according to Reis, Inc., the Honolulu apartment vacancy rate decreased from 3.3 to 2.8 percent, and average rents decreased 2 percent, to \$1,315, even with the low vacancy rate. The low level of apartment construction during the past 10 years was the main reason for Honolulu's declining vacancy rate.



The major rental market in Southern California remained balanced during 2010. From the fourth quarter of 2009 to the fourth quarter of 2010, Reis, Inc., reported that the apartment rental vacancy rates decreased throughout Southern California. During this period, Riverside and San Bernardino Counties had the largest declines in rental vacancy rates, down from 8 percent to 6.5 percent. Rental vacancy rates in Orange and San Diego Counties declined from 6.4 to 5.4 percent and from 4.9 to 4.1 percent, respectively. In both Los Angeles and Ventura Counties, rental vacancy rate declined from 5.3 to 4.9 percent. Reis, Inc., recorded the average rent in Southern California at \$1,372 in the fourth quarter of 2010, unchanged from the fourth quarter of 2009.

Although still soft, the rental housing markets in both Arizona and Nevada showed improvement. According to Reis, Inc., the Phoenix apartment vacancy rate was 9.7 percent in the fourth quarter of 2010, down from the 12.3-percent rate recorded in the fourth quarter of 2009, but the average rent, at \$750, remained the same as the average rent in 2009. Reis, Inc., reported that, during the same period, the apartment vacancy rate in

the Las Vegas apartment market decreased from 11.2 to 9.1 percent, and the average rent decreased 3 percent, to \$804, during this same period.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased in three of the four states in the Pacific region. In 2010, based on preliminary data, permits for 21,600 multifamily units were issued in the region, a 60-percent increase compared with the number of units permitted in 2009. In 2010, apartments represented more than 81 percent of the multifamily construction activity, mainly because of the decline in rental vacancy rates throughout the region. In Arizona, California, and Hawaii, during 2010, the number of multifamily units permitted totaled 1,600, 17,400, and 1,500, respectively, reflecting a 15-, 88-, and 49-percent increase compared with the number permitted during 2009. Only Nevada had a decline in the number of multifamily units permitted in 2010; 1,000 multifamily units were permitted, which is a decline of 1,200 units, or 53 percent, from 2009.