C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

Anaheim-Santa Ana-Irvine, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2017

Summary

Economy

Economic conditions have strengthened in the Anaheim-Santa Ana HMA since 2010, although growth recently slowed, a trend similar in the southern California region and the nation. Nonfarm payrolls increased by 22,400 jobs, or 1.4 percent, to nearly 1.59 million jobs during the 12 months ending May 2017, slightly below the national growth rate of 1.6 percent. Significant growth in the HMA occurred in the professional and business services and the leisure and hospitality sectors and the construction subsector. Nonfarm payrolls are expected to grow an average of 1.1 percent a year during the 3-year forecast period, led by expansions in industries related to tourism and business services.

Sales Market

Sales housing market conditions in the HMA are balanced, with an estimated 1.0-percent vacancy rate, down from 1.4 percent in 2010. During the next 3 years, demand is estimated for 9,175 new homes (Table 1), with demand slowing slightly in the second and third years of the forecast period. The 1,525 homes under construction in the HMA and a portion of the 37,100 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are tight, and the vacancy rate is estimated at 3.6 percent, down from 5.9 percent in 2010. The increase in renter households since 2010 has outpaced the construction of rental units and the conversion of single-family homes, townhomes, and condominiums to rental use. During the forecast period, demand in the HMA is expected for 11,550 new market-rate rental units (Table 1); approximately 75 percent of the 5,100 rental units currently under construction will be completed in the next 12 months and will meet most of the demand in the first year of the forecast period.

Table 1. Housing Demand in the Anaheim-Santa Ana HMA* During the Forecast Period

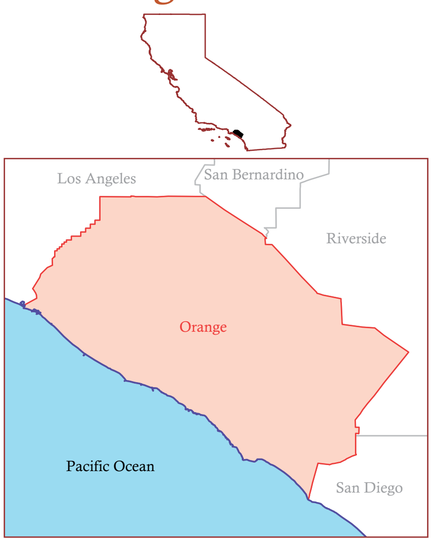
	Anaheim HMA*	
	Sales Units	Rental Units
Total demand	9,175	11,550
Under construction	1,525	5,100

** Anaheim-Santa Ana-Irvine HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2017. A portion of the estimated 37,100 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Housing Market Area



The Anaheim-Santa Ana-Irvine Housing Market Area (hereafter, the Anaheim-Santa Ana HMA) comprises Orange County in California and is coterminous with the Anaheim-Santa Ana-Irvine, CA Metropolitan Division. Along the Pacific coast, the HMA is a center for tourism, healthcare, and technology development in the southern California region, a 10-county area that stretches from San Luis Obispo to the Mexico border.

Market Details

Economic Conditions

The Anaheim-Santa Ana HMA is a popular tourist destination with an economy that is supported by a prominent leisure and hospitality sector and industries related to professional services, trade, education, and health. The initial transformation of the HMA into a tourist destination began with the completion of the Pacific Electric railway in the early 1900s, which connected Los Angeles to Santa Ana and Newport Beach. The subsequent expansion of U.S. Route 101 that began in the 1930s, a portion that is now Interstate 5, enabled a greater influx of tourists and new residents. The HMA is currently home to three large amusement parks (Disneyland, Disney California Adventure Park, and Knott's Berry Farm) that are owned by two of the largest employers in the HMA—The Walt Disney Company, with 29,000 employees (Table 2), and Cedar Fair, L.P., with 4,000 employees. The HMA received more than 47 million visitors who spent $11.6 billion in 2016 (most recent data available)—the highest number of visitors and spending in the HMA since 2000 (California Travel and Tourism Commission). Currently, the leisure and hospitality sector is the third largest sector in the HMA (Figure 1), following the professional and business services and the wholesale and retail trade sectors. Since 2000, the leisure and hospitality sector has accounted for 38 percent of total nonfarm payroll growth and has had the second highest amount of growth, following the education and health services sector (Figure 2).

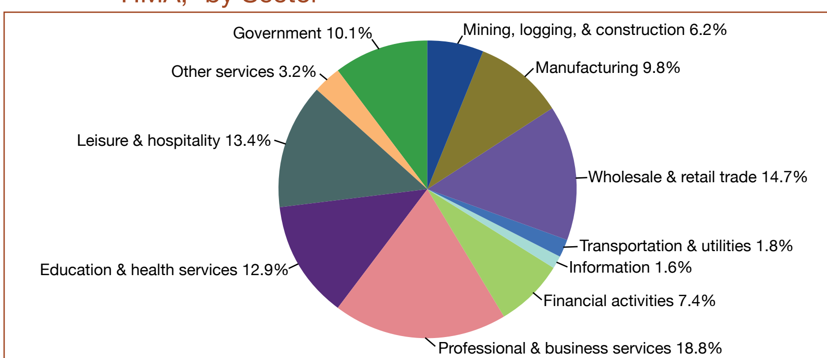
Overall, economic growth in the HMA since 2000 has expanded by an average of 11,700 jobs, or 0.8 percent, a year, mostly because two periods of strong economic expansion—one during the early to mid 2000s and another since 2010—offset two contractions. The first contraction in the HMA occurred during 2002 when nonfarm payrolls declined by 9,900 jobs, or 0.7 percent, in response to the national downturn in the technology industry. More than one-half of the net declines in payrolls in the HMA resulted from layoffs at companies involved in high-technology (high-tech) production. The computer and electronic production manufacturing industry lost 5,300 jobs, or 10.7 percent, that year. By 2003, the HMA economy began to strengthen, and payroll growth increased by an average of 29,800 jobs, or 2.1 percent, annually from 2003 through 2006, a period characterized by strong financial and sales housing market conditions.

Table 2. Major Employers in the Anaheim-Santa Ana HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Walt Disney Company	Leisure & hospitality	29,000
University of California, Irvine	Government	23,100
St. Joseph Health	Education & health services	11,925
Kaiser Permanente®	Education & health services	7,350
The Being Company	Manufacturing	6,475
Wal-Mart Stores, Inc.	Wholesale & retail trade	6,000
California State University	Government	5,750
Allied Universal Corporation	Professional & business services	5,500
Bank of America Corporation	Financial activities	5,500
MemorialCare Health System	Education & health services	5,400

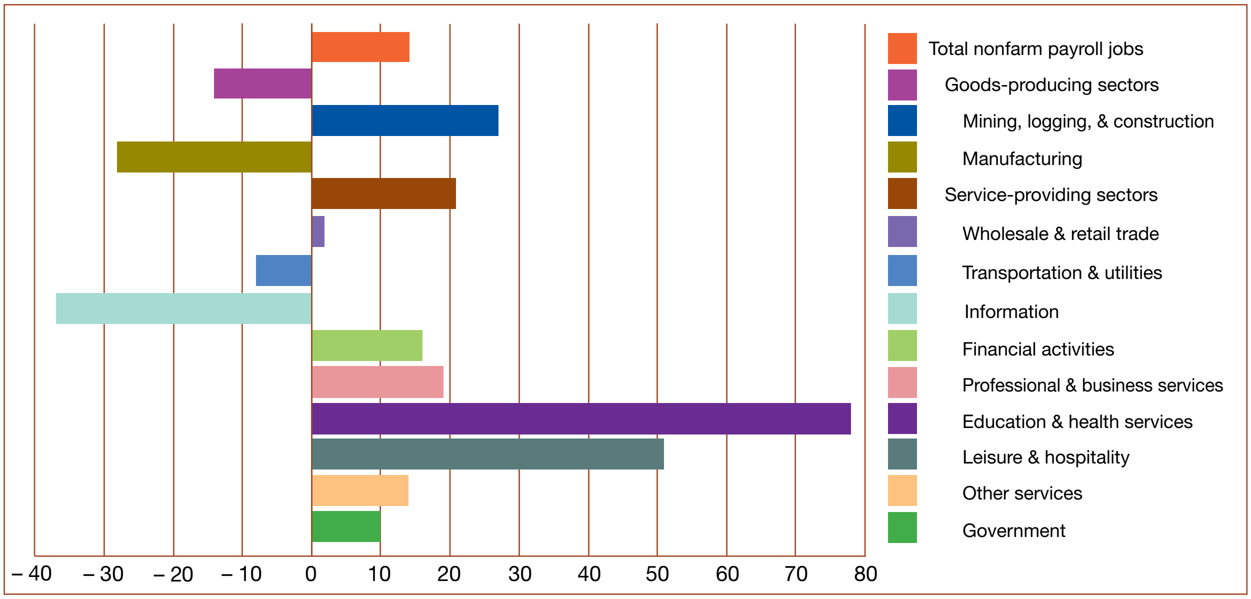
** Anaheim-Santa Ana-Irvine HMA.*
Note: Excludes local school districts.
Source: Orange County Business Journal 2016 Book of Lists

Figure 1. Current Nonfarm Payroll Jobs in the Anaheim-Santa Ana HMA,* by Sector



** Anaheim-Santa Ana-Irvine HMA.*
Note: Based on 12-month averages through May 2017.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Anaheim-Santa Ana HMA,* Percentage Change, 2000 to Current



** Anaheim-Santa Ana-Irvine HMA.*
Note: Current is based on 12-month averages through May 2017.
Source: U.S. Bureau of Labor Statistics

More than 45 percent of the entire net increase occurred in the financial activities sector and the construction subsector, up by 7,000 and 6,900 jobs, or 5.8 and 7.7 percent, annually, respectively. The gain was partly in response to lenient mortgage-lending standards and increased homebuilding in the HMA, particularly for seasonal use or investment, as those in-migrants seeking year-round sales housing generally migrated to neighboring counties where average home prices were lower. Job growth in the HMA during the period exceeded the rate of growth in the southern California region and the nation, which expanded by an average of 1.6 and 1.1 percent, respectively, a year.

By the end of 2007, the Great Recession began, and payrolls in the HMA declined by an average of 39,100 jobs, or 2.7 percent, a year from 2007 through 2010 mainly in response to the contraction in the housing and financial markets. The rate of job loss in the HMA was more severe than in the southern California region and the nation during the period, which were down by an average of 1.8 and 1.1 percent, respectively, a year. One-fourth of the losses occurred in the construction subsector, partly because of reduced housing development, while losses in the financial activities, manufacturing, and professional and business services sectors accounted for another 62 percent of net losses. Following the economic contraction, nonfarm payrolls in the HMA increased an average of 34,700 jobs, or 2.4 percent, annually from 2011 through 2015. As in the expansion of the early to mid-2000s, the HMA economy recovered at a faster pace than both the southern California region and the nation, which were up by an average of 2.1 and 1.7 percent a year, respectively. This pace led to nonfarm payrolls in the HMA surpassing prerecessionary levels by the end of 2015. Gains in the professional and business services, the leisure and hospitality, and the education and health sectors predominately supported growth during the period. These three sectors accounted for more than 60 percent of the total job gain from 2011 through 2015.

Since 2015, nonfarm payrolls in the HMA have continued to expand, but at a slower pace, and were up by 22,400 jobs, or 1.4 percent, to nearly 1.59 million jobs during the 12 months ending May 2017 compared with the previous 12-month period (Table 3). Growth in the HMA was also slower compared with the southern California region and the nation, which were up 2.0 and 1.6 percent, respectively. An 800-job, or a 0.5-percent, loss in the manufacturing sector partly attributed to the lower level of growth in the HMA. The Boeing Company in Huntington Beach contributed to job losses in the manufacturing sector, with more than 200 layoffs since early 2016 because of company restructuring. Gains in the professional and business services and the leisure and hospitality sectors, which were up by 7,300 and 4,900 jobs, or 2.5 and 2.4 percent, respectively, offset losses. The construction subsector also contributed to gains and was up by 3,400 jobs, or 3.6 percent. The addition of 5,300 jobs, or 4.0 percent, in the administrative and support services industry attributed to more than 70 percent of the job gain in the professional and business services sector. Approximately 80 companies throughout the HMA expanded during the period, adding nearly 6,000 jobs, contributing to industry growth (Orange County Business Journal). Companies that expanded include the Irvine Company, a real-estate investment company that added approximately 300 jobs. In the leisure and hospitality sector, the completion of two hotels in the Anaheim Resort™ district, which includes Disneyland and Disneyland California Adventure Park, added approximately 400 jobs. Currently, Disneyland is undergoing a $1.1 billion expansion of Galaxy's Edge, a Star Wars-themed section that began in 2016 and has supported job growth in the construction subsector by adding approximately 1,700 construction jobs. In addition, a $190 million expansion of the Anaheim Convention Center that began in early 2016 has added another 1,860 construction jobs.

As the HMA continued to expand during the 12 months ending May 2017, the average unemployment rate decreased to 3.8 percent, down from 4.2 percent 1 year earlier. The current unemployment rate is below the 4.2-percent rate for the southern California region and the 4.7-percent rate for the nation. The unemployment rate in the HMA is lower because of slightly higher growth in resident employment in the HMA relative to the labor force. Figure 3 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA from 2000 through 2016.

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Anaheim-Santa Ana HMA,* by Sector

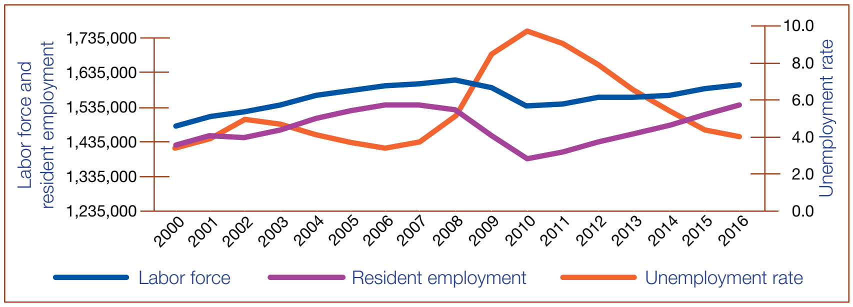
	12 Months Ending		Absolute Change	Percent Change
	May 2016	May 2017		
Total nonfarm payroll jobs	1,563,300	1,585,700	22,400	1.4
Goods-producing sectors	251,900	254,400	2,500	1.0
Mining, logging, & construction	95,300	98,700	3,400	3.6
Manufacturing	156,600	155,800	– 800	– 0.5
Service-providing sectors	1,311,300	1,331,200	19,900	1.5
Wholesale & retail trade	232,900	233,000	100	0.0
Transportation & utilities	27,100	28,000	900	3.3
Information	25,800	26,100	300	1.2
Financial activities	116,500	117,700	1,200	1.0
Professional & business services	290,900	298,200	7,300	2.5
Education & health services	201,900	203,900	2,000	1.0
Leisure & hospitality	208,100	213,000	4,900	2.4
Other services	49,600	50,500	900	1.8
Government	158,600	160,900	2,300	1.5

** Anaheim-Santa Ana-Irvine HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2016 and May 2017.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Anaheim-Santa Ana HMA,* 2000 Through 2016



* *Anaheim-Santa Ana-Irvine HMA.*
Source: U.S. Bureau of Labor Statistics

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 16,900 jobs, or 1.1 percent, annually. Most nonfarm payroll growth is anticipated to occur in in the cities of Anaheim, Irvine, and Santa Ana. Expansions in the leisure and hospitality and the professional and business services sectors are expected to contribute to overall payroll growth during the forecast period. Galaxy's Edge at Disneyland is expected to add 1,525 permanent jobs when complete in 2019. In addition, the anticipated completion of five hotels in the Anaheim Resort™ district is expected to add at least 550 jobs during the next 3 years. Allied Universal Corporation, in the professional and business services sector, is expected to add 300 jobs during the next 2 years. Job announcements for positions in the professional and business services sector are the highest among all jobs types in the HMA, totaling approximately 3,925 jobs as of June 2017 (California Employment Development Department). Continued layoffs at Boeing through 2018, with the anticipated loss of more than 500 jobs, are expected to offset some of the growth in the HMA, however.

Population and Households

The population of the Anaheim-Santa Ana HMA is estimated at 3.20 million (Table DP-1 at the end of this report) as of June 1, 2017. The cities of Anaheim, Irvine, and Santa Ana are the largest cities in the HMA, with 358,546, 267,086, and 341,341 residents, respectively, as of January 2017 (California Department of Finance). Other population centers in the HMA include the cities of Fullerton, Garden Grove, Huntington Beach, and Orange, with more than 140,000 residents each. Overall, the HMA accounts for approximately 14 percent of the population in the southern California region.

Since 2000, economic conditions, mortgage lending standards, and housing prices relative to neighboring counties have influenced migration trends and overall population growth in the HMA. Only since 2014, students moving to the HMA, mainly to attend the University of California, Irvine

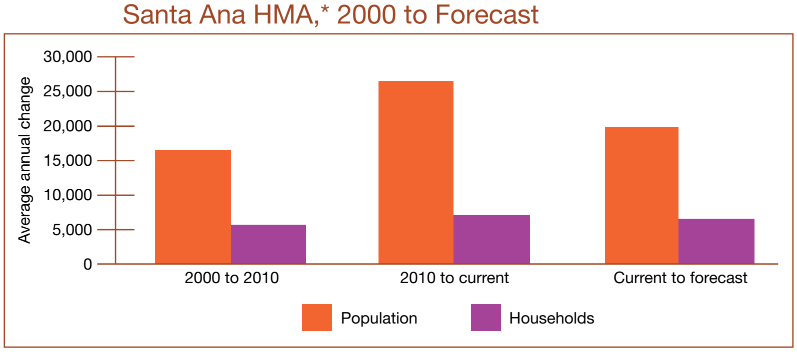
(UCI), have influenced population growth, because of a limited share of new students coming from outside the HMA prior to that year. Students attending other colleges and universities in the HMA, including California State University, Fullerton (CSUF), predominately come from commuting distances, and even though they may be renter households, enrollment changes at these schools do not significantly affect migration.

From 2001 to 2003, a period that includes the economic contraction of 2002, net out-migration from the HMA averaged 3,450 people a year, resulting in population growth averaging 24,900 people, or 0.9 percent, a year. Residents were mainly moving to neighboring Riverside and San Bernardino Counties (Internal Revenue Service migration data), where housing prices were at least 40 percent lower. By the end of 2003, lenient mortgage-lending standards and strong economic growth supported increased homebuying and a surge in residents moving to Riverside and San Bernardino Counties because of lower priced homes and the ability to commute to the HMA for work. From 2003 to 2007, net out-migration averaged 20,900 people a year, leading to slower average population growth of 6,525 people, or 0.2 percent, annually, the lowest rate of growth since 2000. Toward the end of 2007, the draw of residents away from the HMA to purchase homes elsewhere slowed as the HMA economy and housing markets in parts of the southern California region began to weaken. From 2007 to 2010, net out-migration slowed to an average of 8,650 people annually, and population growth averaged 16,150 people, or 0.5 percent, a year.

As economic conditions began to improve by the end of 2010, and housing prices in the HMA were 27 percent lower than the peak in 2006, net in-migration occurred for the first time in nearly a decade. From 2010 to 2014, net in-migration averaged 10,250 people a year, and population growth averaged 30,000 people, or 1.0 percent, annually, the highest level of growth since 2000. In-migration since 2014, however, has slowed as home prices in the HMA began to return to peak levels. Net in-migration since 2014 slowed to an average of 3,100 people annually, while population growth slowed to 21,350 people, or 0.7 percent, a year. Enrollment at UCI, which has risen by 2,025 students since 2014, with nearly 30 percent of new students coming from outside the HMA compared with 8 percent in previous years, supported in-migration (UCI data). Net natural change (resident births minus resident deaths) has accounted for 72 percent of population growth in the HMA since 2010 compared with nearly all of the growth during the 2000s.

During the next 3 years, the population of the HMA is expected to increase by an average of 19,650, or 0.6 percent, a year (Figure 4), reflecting continued lower levels of net in-migration from elevated housing prices. The population

Figure 4. Population and Household Growth in the Anaheim-Santa Ana HMA,* 2000 to Forecast



** Anaheim-Santa Ana-Irvine HMA.*

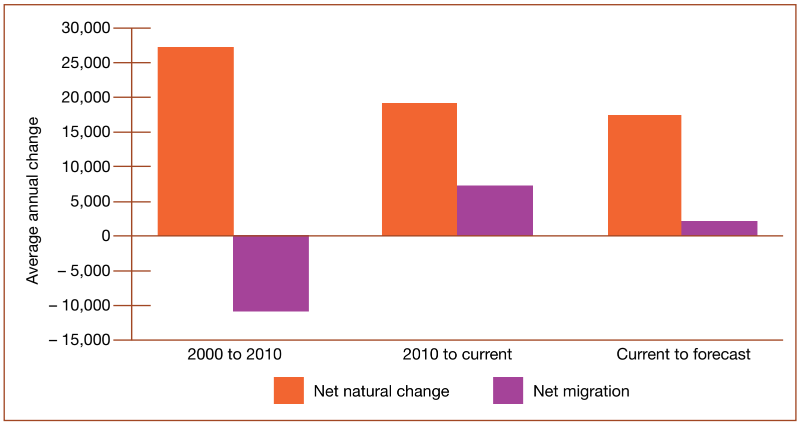
Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst of the HMA is estimated to reach nearly 3.26 million by the end of the 3-year forecast period. Figure 5 shows components of population change in the HMA from 2000 to the forecast date.

The number of households in the HMA has increased by 7,000, or 0.7 percent, annually since 2010, up from the average of 5,750, or 0.6 percent, annually during the 2000s because of greater population growth since 2010. The number of renter households in the HMA since 2010 has risen, with less than 3 percent of that growth attributed to student households. The proportion of renter households in the HMA is currently 44.6 percent, up from 40.7 percent in 2010, partly because higher home sales prices suppressed growth in homeownership. Figure 6 shows the number of households by tenure in the HMA since 2000.

During the forecast period, the number of households in the HMA is expected to increase by an average of 6,325, or 0.6 percent, annually, to 1.06 million, slower than the period since 2010 because of lower net in-migration. The proportion of renter households is expected to increase to approximately 45 percent of total households in the HMA by the end of the forecast period. Student household growth is expected to continue to account for less than 3 percent of renter household growth during the next 3 years.

Figure 5. Components of Population Change in the Anaheim-Santa Ana HMA,* 2000 to Forecast

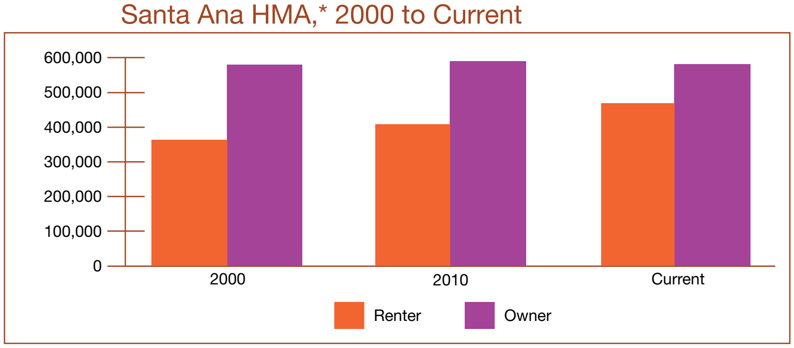


** Anaheim-Santa Ana-Irvine HMA.*

Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Anaheim-Santa Ana HMA,* 2000 to Current



** Anaheim-Santa Ana-Irvine HMA.*

Note: The current date is June 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Anaheim-Santa Ana HMA is balanced and, following the sales market contraction that occurred from the end of 2007 through 2011, has improved every year since 2012. The estimated sales vacancy rate is currently 1.0 percent, down from 1.4 percent in 2010 (Table DP-1). The decrease in the vacancy rate partly resulted from a 50-percent reduction in the inventory of homes for sale from a peak of 26,600 during 2008, when the market was weakest, to 13,200 during the 12 months ending May 2017 (CoreLogic, Inc.). Inventory levels were reduced, in part, because of the reduction in home construction since the late 2000s and an increase in investor purchases of homes for sale. In addition, reduced home prices for most years since 2010 have partly contributed to net in-migration of households to the HMA and supported the decline in the number of homes available for sale. As sales market conditions improved, the number of months homes remained on the market declined to an average of 2.2 months during the 12 months ending May 2017, compared with a peak of 4.9 months during 2008. Despite the improvement in the sales market, the homeownership rate has decreased by 4 percentage points since 2010, to 55.4 percent, because of greater renter household growth.

During the sales market contraction from 2007 through 2011, an average of 28,400 new and existing single-family homes, townhomes, and condominiums sold annually in the HMA (CoreLogic, Inc., with adjustments by the analyst). The number of homes sold was down 44 percent from an average of 51,000 homes sold annually from 2000 through 2006, when market conditions were strong. The decline in sales reflected reductions in regular resale and new home sales of 28,100 and 3,575, or 62 and 63 percent, respectively. These reductions were partly offset by growth in real estate owned (REO) home sales, mainly supported by investor purchases; these purchases rose as the market weakened, from an average of 190 sold annually from 2000 through 2006 to an average of 5,400 sold annually from 2007 through 2011. The investor share of sales in the market rose between these 2 periods, from approximately 7 percent to 17 percent (Metrostudy, A Hanley Wood Company).

By 2012, the sales market began to improve following nearly 2 years of net in-migration and economic growth. From 2012 through 2015, new and existing home sales averaged 36,200, partly supported by an annual gain of 3,700 regular resales, or 17 percent, that offset an annual reduction of 1,025 REO sales, or 37 percent. Since 2015, however, home sales have declined in response to home sales prices surpassing previous peak levels in 2014, which contributed to reduced net in-migration and fewer potential homebuyers. During the 12 months ending May 2017, 35,900 homes sold, down 1 percent from the 12 months ending May 2016. The gain in regular resales slowed to 170 homes, or 1 percent, from a year earlier, while both REO sales and new home sales declined by 160 and 30 homes, or 25 and 1 percent, respectively. Overall, most of the home sales since the mid-2000s have been either single-family or townhomes, with the share of condominiums sales averaging 10 percent of total sales (Metrostudy, A Hanley Wood Company). Condominium sales are generally concentrated in the cities of Anaheim and Irvine and areas in close proximity to Interstate 5 or regional commuter rail, which connects the HMA to neighboring counties.

The average new and existing home sales price rose 3 percent during the 12 months ending May 2017, to $783,200, following more than 6 consecutive years of price growth that averaged

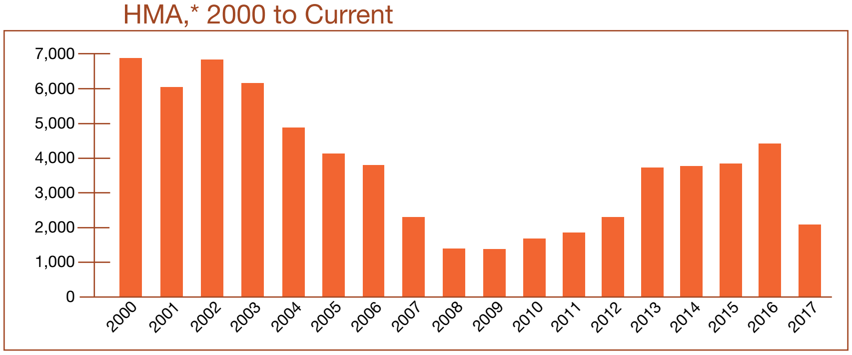
8 percent annually. Home prices averaged $570,600 a year during the housing downturn from 2007 through 2011 before increasing each year to near the prerecessionary peak of $739,400 by 2014. As prices rose from 2012 onward, the spread between the HMA home prices and prices in neighboring counties increased. The current average sales price in the HMA is approximately $450,000 higher than the average price of homes in neighboring Riverside and San Bernardino Counties, up from approximately $297,500 higher from 2007 through 2011. The increase in the difference in home prices was a main reason for residents moving from HMA in recent years, contributing to the slowing of net in-migration.

Higher prices and the overall improvement in the sales housing market since 2012 has led to a reduction in the rate of seriously delinquent home loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties in the HMA. As of May 2017, 0.7 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 0.9 percent in May 2016 and a peak of 8.1 percent in January 2010 (CoreLogic, Inc.). The current rate is below the 1.1-percent rate for California and the 2.8-percent rate for the nation.

Since 2000, single-family home construction has concentrated in the southern portion of HMA, including the city of Irvine, because of the amount of developable land. An expanded regional commuter rail system facilitated access for HMA residents to jobs either within the HMA or in Los Angeles County, which supported conditions for additional housing development in close proximity to commuter rail stations. Homebuilding activity, as measured by the number of single-family homes permitted, is lower than levels during the early 2000s (Figure 7). From 2000 through 2003, an average of 6,425 homes were permitted annually before slowing 25 percent to 4,825 homes in 2004, in response to a surge in net out-migration. Permitting slowed each year an average of 22 percent to 2,275 homes by 2007, when the market began to soften, and the economy began to contract. From 2008 through 2011, units permitted slowed even further to an average of 1,525 homes a year. As the sales market began to improve, the number of homes permitted increased to 2,275 homes in 2012 before averaging 3,900 homes permitted annually from 2013 through 2016. During the 12 months ending May 2017, 4,550 homes were permitted compared with 4,050 homes permitted during the same period a year earlier (preliminary data; estimates by the analyst).

Single-family home development in the HMA has concentrated in master-planned communities. Many of these communities began construction during the mid-2000s, before the decline in the sales market. During

Figure 7. Single-Family Homes Permitted in the Anaheim-Santa Ana HMA,* 2000 to Current



** Anaheim-Santa Ana-Irvine HMA.*

Notes: Includes townhomes. Current includes data through May 2017.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by analyst; 2017 preliminary data and estimates by analyst the past year, a significant amount of development took place in the Villages of Irvine community, which is planned for 9,000 townhomes and single-family homes at buildout. Approximately 600 homes are under construction throughout the Villages of Irvine community, and more than 2,500 homes have been completed. Newly completed home prices at the Villages of Irvine start at $554,900 for a one-bedroom townhome. In the Great Park community, also in the city of Irvine, 230 homes are under construction, with 730 completed of the 7,082 planned at buildout. Prices for new homes in the community start in the $700,000s for a two-bedroom home. The Rancho Mission Viejo master-planned community is expected to have 940 homes at buildout, with 600 homes completed and 60 homes under way. Prices start at $630,000 for a three-bedroom townhome. Completion of Ranch Mission Viejo is anticipated in the next 2 or 3 years, and the completion of the Villages of Irvine and the Great Park is anticipated beyond the 3-year forecast period.

During the next 3 years, demand is estimated for 9,175 new homes in the HMA (Table 1). Demand is expected to slow slightly in the second and third years of the forecast period in response to continued moderating economic and population growth. The 1,525 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 37,100 other vacant units in the HMA may return to the sales market and satisfy a portion of the demand. Table 4 shows estimated demand by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Anaheim-Santa Ana HMA* During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
400,000	554,999	2,750	30.0
555,000	704,999	3,200	35.0
705,000	854,999	1,825	20.0
855,000	1,004,999	920	10.0
1,005,000	and higher	460	5.0

** Anaheim-Santa Ana-Irvine HMA.*

Notes: The 1,525 homes currently under construction and a portion of the estimated 37,100 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

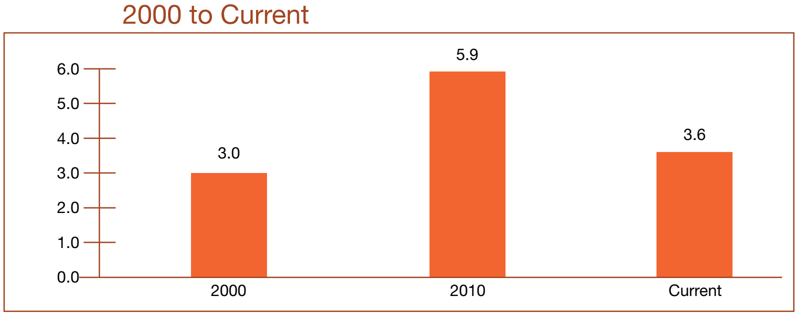
Source: Estimates by analyst

Rental Market

The rental housing market in the Anaheim-Santa Ana HMA is tight. The overall rental vacancy rate currently is estimated at 3.6 percent, down from 5.9 percent in 2010 (Figure 8). The vacancy rate declined, because renter household growth exceeded growth in the rental inventory despite increased apartment construction and inventory of single-family homes for rent.

Approximately 29 percent of occupied single-family homes in the HMA were rentals in 2015 (the most recent data available), representing an additional 8,450 rental homes since 2010 (2015 and 2010 American Community Survey 1-year data). Despite higher home sales prices and stronger sales market conditions, single-family homes

Figure 8. Rental Vacancy Rates in the Anaheim-Santa Ana HMA,* 2000 to Current



** Anaheim-Santa Ana-Irvine HMA.*

Note: The current date is June 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst continue to be converted to rental use, mainly by investors, because they provide a more affordable housing option for families, especially as home sales prices exceeded previous peak levels. Vacancy rates for single-family rental homes during April 2017 (the most recent data available) ranged from 1.4 percent for a four-bedroom home to 2.0 percent for a two-bedroom home but increased in most categories by 0.1 to 0.3 percentage points or more from a year earlier (CoreLogic, Inc.). Despite the increase, the market for single-family homes remains tight. Average rents for one-, two-, and four-bedroom single-family homes increased from 4 to 5 percent, compared with rents during the previous 12 months, and ranged from $2,000 for a one-bedroom home to $3,700 for a four-bedroom home. Average rents for three-bedroom homes remained at $3,075 from a year earlier, however.

An estimated 70 percent of rental housing in 2015 was apartments. As of May 2017, the apartment vacancy rate was 3.5 percent, up slightly from 3.4 percent a year ago but down from 5.4 percent in 2010 (Reis, Inc.). Renter household growth, partly from net in-migration to the HMA during the period, outpaced even higher apartment completions since 2010, causing the apartment market to tighten. Average rents rose 3 percent in May 2017 to $1,823, from $1,767 a year earlier, and were up an average of 3 percent a year from 2010 through 2016. Rents and rent growth were highest in the Reis-defined Newport Beach market area, with an average rent of $2,442, up 6 percent from a year earlier. The market area was also among the tightest in the HMA, with a vacancy rate of 2.4 percent, down from 2.8 percent a year earlier. The tightest segment of the HMA was the Buena Park market area, which borders Los Angeles County and has a vacancy rate of 1.2 percent, down from 1.3 percent a year earlier. Rent growth in the market area was up 3 percent to $1,495 from $1,447 but remains among the more affordable market areas in the HMA. Softer market areas in the HMA include the Irvine and Fullerton market areas, home to UCI and CSUF, with vacancy rates of 5.7 and 5.6 percent, respectively. Both markets are slightly soft because of higher levels of apartment construction and higher rents. Rents in the Irvine market area are the second highest in the HMA at $2,345, up 3 percent from $2,280. In the Fullerton market area, rents increased 4 percent to $1,561 from $1,502.

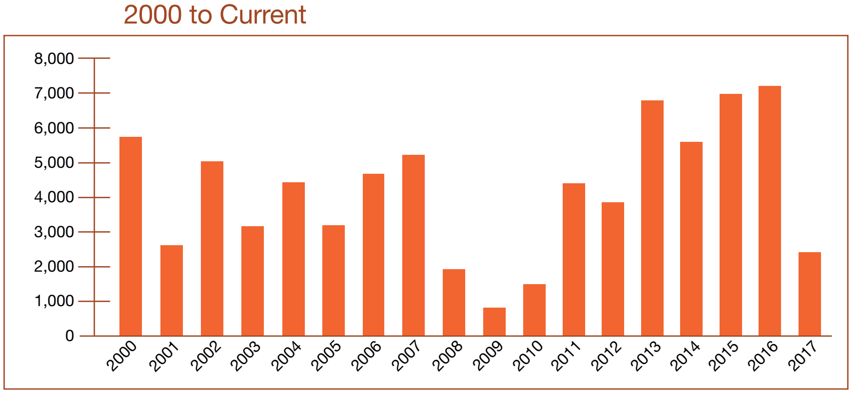
Of the 11 major colleges and universities in the HMA, the largest and most significant in terms of rental market impact are UCI and CSUF. Of the nearly 31,400 UCI students as of 2016, 44 percent choose to live on campus in residence halls or university-affiliated apartments (UCI data). UCI has 10 student-oriented housing communities comprising 8,840 campus-owned beds and 5,160 beds in privatized apartments, with a waiting list of 2,200 students in 2016. Student enrollment is anticipated to increase by an average of 700 students a year during the next 3 years. UCI has plans to house 50 percent of all students by 2021 to reduce the effect of increased student enrollment on the city of Irvine. Currently, the $98 million second phase of Middle Earth Residence Hall is under construction, which will add 494 beds when complete in the fall of 2019. In addition, the fourth phase of East Campus will add 1,400 beds when complete in the same year.

CSUF has approximately 35,700 students as of 2016, but nearly all commute. Approximately 5 to 10 percent of CSUF students come from outside the HMA (CSUF data). The university has 1,062 residence hall beds and 800 beds in apartment-style student housing. Student enrollment is expected to increase by an average of 600 a year through the fall of 2020, but currently no plans exist to build more housing on the CSUF campus. Student renter households at all universities and colleges in the HMA are estimated to represent less than 3 percent of all renter households.

Since 2000, one-half of all multifamily construction activity in the HMA has occurred in the city of Irvine and 10 percent in the city of Anaheim. Multifamily permitting activity, as measured by the number of multifamily units permitted, has generally been high during most years since 2010 (Figure 9), and nearly comparable with or exceeding levels during the early to mid-2000s. From 2000 through 2007, multifamily permitting averaged 4,225 units a year. By 2008, a period during the Great Recession, the number of units permitted declined to 1,900 before averaging a decade low of 1,150 units in 2009 and 2010. As household growth expanded from net in-migration, and as economic conditions began to improve, the number of multifamily units permitted increased to an average of 4,100 units a year in 2011 and 2012 before averaging 6,625 units a year from 2013 through 2016. Approximately 2 percent of the multifamily units constructed since 2009 have been condominiums, a proportion that has declined from 26 percent during 2000 through 2008 because of the contraction in the sales market and subsequent growth in renter households. During the 12 months ending May 2017, approximately 6,000 multifamily units were permitted compared with 6,850 units permitted during the previous year (CB Richard Ellis; U.S. Census Bureau; local planning offices).

Market-rate apartments that were recently completed or under construction in the HMA are concentrated in the cities of Anaheim and Irvine, and market-rate rents start at $1,675, $1,950, $2,450, and $3,025 for studio, one-, two-, and three-bedroom units, respectively. The Platinum Triangle neighborhood in the city of Anaheim is among the largest redevelopment sections in the HMA that is undergoing multifamily construction, with 9,050 units that have been approved since 2008, of which approximately 3,675 units have been completed. Developments under construction include the 386-unit Platinum Vista Apartments and the 400-unit A-Town Metro apartments with completion expected by 2018. Rents at both properties have yet to be announced. In the city of Irvine, the 583-unit Westview Irvine Spectrum apartments is expected to be complete in July 2017, and the 434-unit Irvine Gateway Apartments is expected to be complete

Figure 9. Multifamily Units Permitted in the Anaheim-Santa Ana HMA,* 2000 to Current



** Anaheim-Santa Ana-Irvine HMA.*

Notes: Excludes townhomes. Current includes data through May 2017.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and estimates by analyst; 2017 preliminary data and estimates by analyst by early 2018. Rents at both Irvine properties range from $1,750 to $1,975 for studio units, from $2,070 to $2,100 for one-bedroom units, and from $2,450 to $2,700 for two-bedroom units.

During the 3-year forecast period, demand is estimated for 11,550 new market rate rental units in the HMA (Table 1). Similar to the sales market, demand is expected to slow in the second and the third year of the forecast as job growth and net in-migration continue to moderate. The 5,100 units currently under construction, three-fourths of which will be complete in the next 12 months, will satisfy most of the rental housing demand during the first year of the forecast period. The remaining one-fourth of units under construction will be complete by the second year of the forecast, satisfying one-third of rental housing demand that year. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Anaheim-Santa Ana HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,675 to 1,874	1,100	1,950 to 2,149	3,625	2,450 to 2,649	3,225	3,025 to 3,224	400
1,875 or more	60	2,150 to 2,349	1,300	2,650 to 2,849	1,150	3,225 to 3,424	120
		2,350 or more	260	2,850 or more	230	3,425 or more	60
Total	1,150	Total	5,200	Total	4,600	Total	580

** Anaheim-Santa Ana-Irvine HMA.*

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 5,100 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Data Profile

Table DP-1. Anaheim-Santa Ana HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,430,102	1,387,438	1,537,000	– 0.3	1.6
Unemployment rate	3.5%	9.7%	3.8%		
Nonfarm payroll jobs	1,393,400	1,371,200	1,586,000	– 0.2	2.3
Total population	2,846,289	3,010,232	3,200,000	0.6	0.9
Total households	935,287	992,781	1,043,000	0.6	0.7
Owner households	574,456	588,313	578,300	0.2	– 0.2
Percent owner	61.4%	59.3%	55.4%		
Renter households	360,831	404,468	464,700	1.1	2.0
Percent renter	38.6%	40.7%	44.6%		
Total housing units	969,484	1,048,907	1,104,000	0.8	0.7
Owner vacancy rate	0.9%	1.4%	1.0%		
Rental vacancy rate	3.0%	5.9%	3.6%		
Median Family Income	$68,300	$86,100	$85,900	2.3	0.0

** Anaheim-Santa Ana-Irvine HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is June 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 6/1/2017—Estimates by the analyst
Forecast period: 6/1/2017–6/1/2020—Estimates by the analyst

The metropolitan division definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Anaheim_SantaAna_IrvineCA_17.pdf.

Contact Information

Wendy Ip, Lead Economist
Los Angeles HUD Field Office
213–534–2676
wendy.l.ip@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.