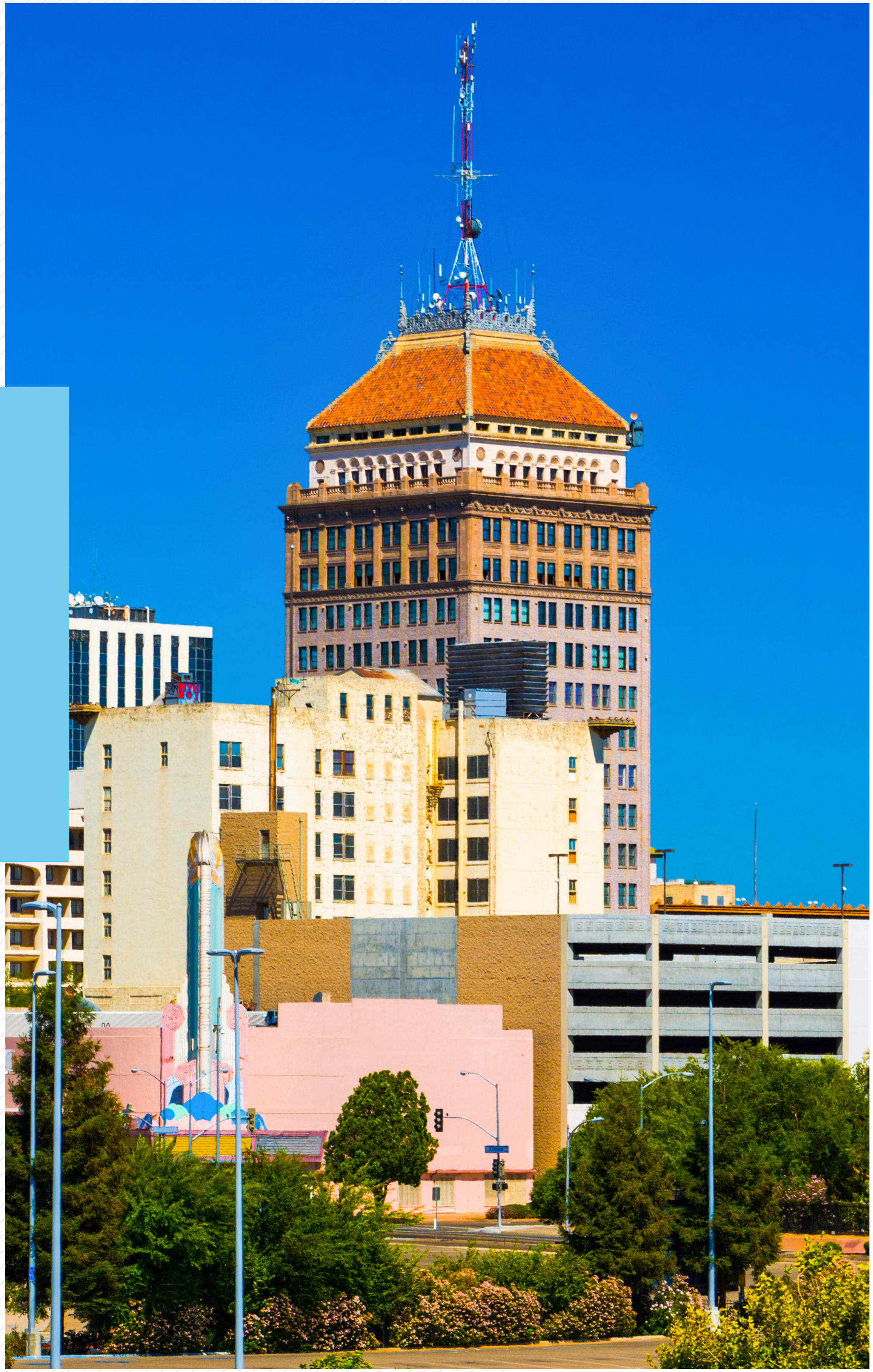
The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.



COMPREHENSIVE HOUSING MARKET ANALYSIS

Fresno, California

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2020

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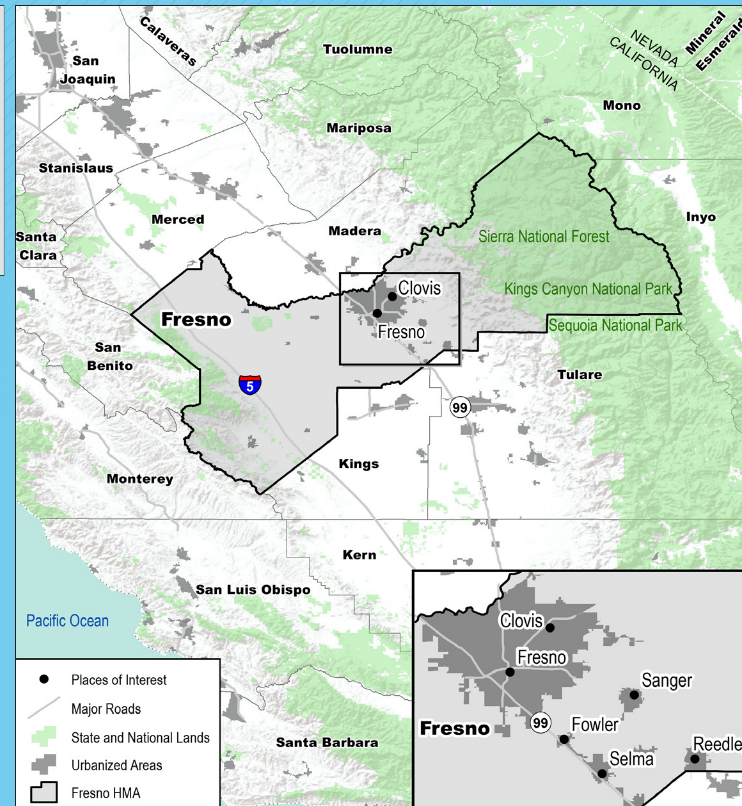

Executive Summary

Housing Market Area Description

The Fresno Housing Market Area (hereafter Fresno HMA) consists of Fresno County in the Central Valley of California. The HMA is the largest metropolitan area in the Central Valley, is south of Sacramento, and includes portions of Kings Canyon National Park and the Giant Sequoia National Monument. The HMA is the largest producer of almonds and raisins in the nation, with approximately 50 percent of land in the HMA used as farmland.

The current population of the HMA is estimated at 1.01 million.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: During 2019, nonfarm payrolls increased by 3.1 percent to 364,300 jobs.

The economy has expanded since 2011, with nonfarm payrolls increasing an average of 3.1 percent annually from 2012 through 2018. By comparison, national payroll growth averaged 1.8 percent during the same period. The HMA (consisting of Fresno County) produced $7.9 billion in agricultural output in 2018, more than any other county in the nation. Nonfarm job growth is expected to moderate to an average annual rate of 2.1 percent during the 3-year forecast period.

Sales Market

Balanced: The owner vacancy rate is estimated at 1.5 percent, down from 2.4 percent in 2010.

During 2019, new and existing home sales totaled 12,950, down 7 percent from a year ago, whereas the average sales price increased 3 percent to $298,000 (CoreLogic, Inc., with adjustments by the analyst). Home prices increased each year from 2012 through 2018 at an average annual rate of 8 percent. During the 3-year forecast period, demand is estimated for 6,525 new homes, with demand equally distributed during each year of the forecast period; the 540 homes under construction will meet a portion of that demand.

Rental Market

Slightly Tight: The fourth quarter apartment vacancy rate has declined for five consecutive years.

Apartment market conditions are also slightly tight. The apartment vacancy rate was 2.4 percent during the fourth quarter of 2019, down from 2.6 percent a year earlier, and has trended downwards since 2015 (RealPage, Inc.). Apartment rent growth has averaged 5 percent annually since 2015. During the forecast period, demand is estimated for 2,625 new rental units, with demand evenly distributed among all years of the forecast period. The 1,075 units under construction will satisfy a portion of this demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Fresno HMA	Total Demand	6,525	2,625
	Under Construction	540	1,075

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2020. The forecast period is January 1, 2020, to January 1, 2023.
Source: Estimates by the analyst

Economic Conditions

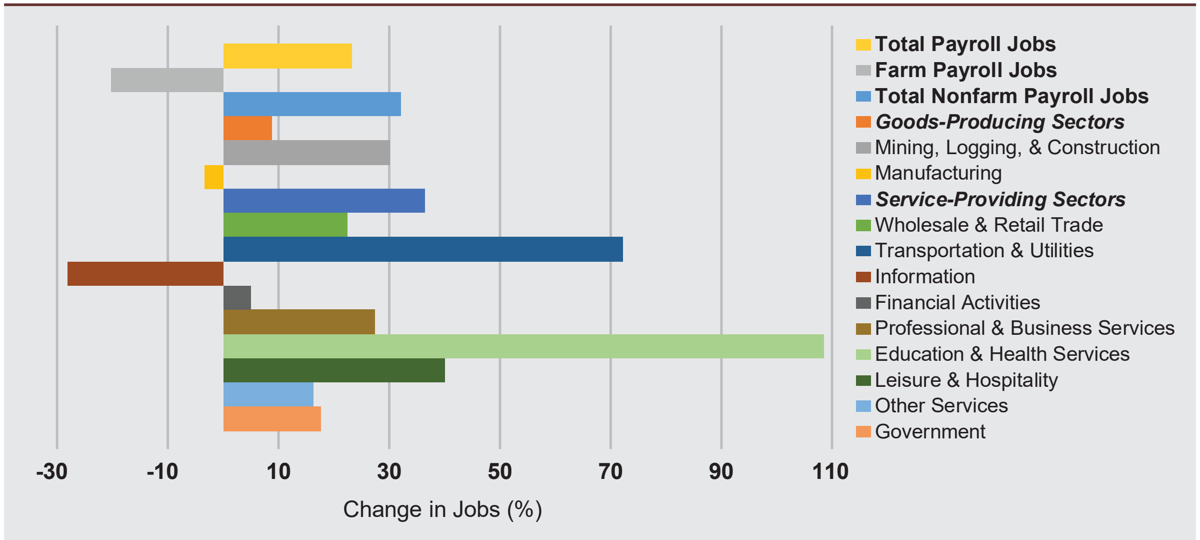
Largest Sector: Education and Health Services

This report provides data on farm payrolls produced by the California Employment Development Department and nonfarm payroll data from the U.S. Bureau of Labor Statistics.

Primary Local Economic Factors

The Fresno HMA and the surrounding San Joaquin Valley region is the most productive agricultural region in the United States, with $34.9 billion in agricultural production in 2018, more than any state outside of California (Central California Business Review). Almonds are the most economically significant crop in the HMA; the harvest in 2018 was worth $1.17 billion, representing approximately 20 percent of national almond production. Although agriculture remains a significant portion of the local economy, the number of farm payrolls has declined since 2000 (Figure 1). During the same time period, jobs in the service-providing sectors have accounted for more than 95 percent of nonfarm payroll growth.

Figure 1. Sector Growth in the Fresno HMA, 2001 to Current



Note: The current date is January 1, 2020.
Sources: U.S. Bureau of Labor Statistics and California Employment Development Department

The HMA currently has lower average wages and higher poverty rates than California or the nation. The mean hourly wage in the HMA was $23.48, compared with $29.47 and $25.72 in California and the nation, respectively. The poverty rate was 21.3 percent in the HMA compared with 12.8 and 11.8 percent in California and the nation (May 2019 U.S. Bureau of Labor Statistics Occupational Employment Statistics and 2018 American Community Survey 1-year [ACS]). The average hourly wage for farm jobs in the HMA is $12.77, approximately 55 percent of the overall average in the HMA.

Current Conditions—Nonfarm Payrolls

During 2019, nonfarm payrolls in the Fresno HMA increased by 10,900, or 3.1 percent, following growth of 10,300, or 3.0 percent, during 2018 (Table 1). By comparison, the national growth rate for nonfarm payrolls was 1.4 percent during 2019. During the past year, the education and health services, the government, and the transportation and utilities sectors, which rose by 4,800, 2,100, and 1,300 jobs, or 6.8, 2.1, and 9.0 percent, respectively, led job growth in the HMA. The leisure and hospitality and financial activities sectors lost a small number of jobs, declining by 200 and 100 jobs, or 0.6 and 0.7 percent, respectively.

The HMA has become a regional location for e-commerce fulfillment and distribution centers, with several opening in the HMA during the past 2 years. Firms are attracted to the relative proximity to coastal California, with lower land and labor costs. In 2018, Amazon.com, Inc. opened a distribution center that currently employs 2,500 workers, and Ulta Beauty, Inc. and The Gap, Inc. opened e-fulfillment centers in the HMA that employ 640 and 500, respectively. The majority of these jobs are in the transportation and utilities sector.

Current Conditions—Unemployment

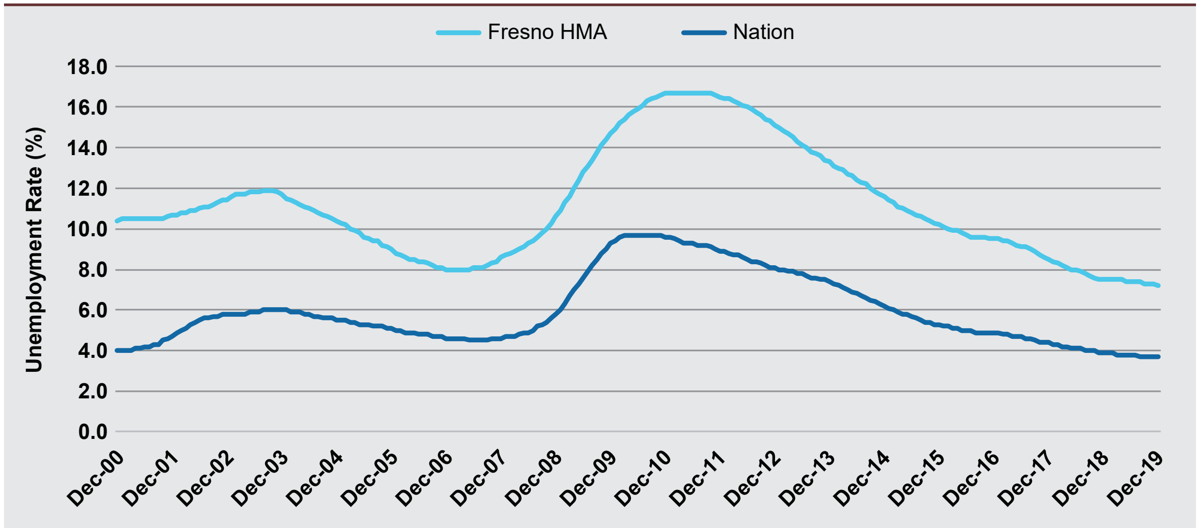
The unemployment rate in the Fresno HMA is currently 7.2 percent, down from 7.5 percent a year ago and a peak of 16.7 percent in 2010. By comparison, the national rate was 3.7 percent during 2019, down from 3.9 percent during 2018 and a peak of 9.6 percent in 2010 (Figure 2). The elevated unemployment rate in the HMA is primarily caused by the large share of workers employed in seasonal farm work, which often includes frequent periods of unemployment. Although the unemployment rate in the HMA is much higher than the national average, unemployment in the HMA is currently lower than at any point since 1990. In addition to strong job growth since 2013, the HMA workforce shifting away from farm work to the service-providing sectors also caused the decline in the unemployment rate.

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Fresno HMA, by Sector

	12 Months Ending December 2018	12 Months Ending December 2019	Absolute Change	Percentage Change
Total Payroll Jobs	**398.0**	**408.6**	**10.6**	**2.7**
Total Farm Payroll Jobs	44.7	44.4	-0.3	-0.6
Total Nonfarm Payroll Jobs	353.4	364.3	10.9	3.1
Goods-Producing Sectors	45.0	46.9	1.9	4.2
Mining, Logging, & Construction	19.0	20.2	1.2	6.3
Manufacturing	26.0	26.7	0.7	2.7
Service-Providing Sectors	308.4	317.4	9.0	2.9
Wholesale & Retail Trade	53.5	53.9	0.4	0.7
Transportation & Utilities	14.4	15.7	1.3	9.0
Information	3.6	3.6	0.0	0.0
Financial Activities	14.2	14.1	-0.1	-0.7
Professional & Business Services	31.9	32.6	0.7	2.2
Education & Health Services	70.1	74.9	4.8	6.8
Leisure & Hospitality	34.2	34.0	-0.2	-0.6
Other Services	12.0	12.1	0.1	0.8
Government	74.5	76.6	2.1	2.8

Notes: Based on 12-month averages through December 2018 and December 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Sources: U.S. Bureau of Labor Statistics and California Employment Development Department

Figure 2. 12-Month Average Unemployment Rate in the Fresno HMA and the Nation



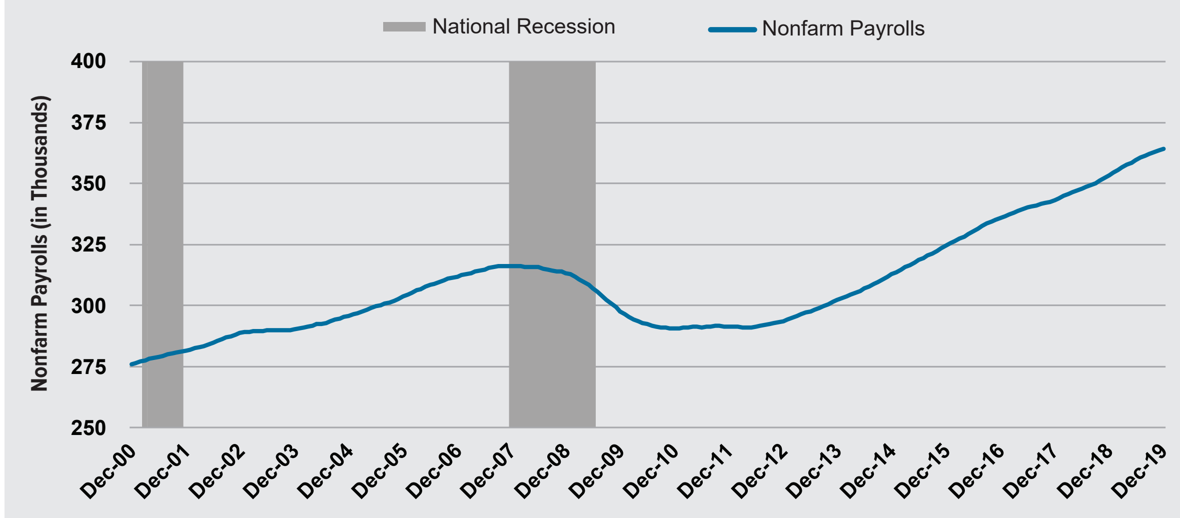
Note: Based on the 12-month average.
Source: U.S. Bureau of Labor Statistics

Nonfarm Payroll Trends

The Fresno HMA entered the 21st century with strong job growth, despite a national recession in the early 2000s (Figure 3). From 2001 through 2006, nonfarm payrolls increased by an average of 6,000 jobs, or 2.1 percent, annually. During this period, the mining, logging, and construction sector led job growth on a percentage basis, adding an average of 1,300 jobs, or 7.1 percent, annually because of elevated rates of residential and commercial construction. Growth in the service-providing sectors was strong from 2001 through 2006, with average annual increases of 4,700 jobs, or 1.9 percent, annually. The education and health services sector added the most jobs, an average of 1,800 jobs, or 4.5 percent, annually, during this period.

Economic growth in the HMA slowed to an increase of 4,200 payrolls, or 1.3 percent, in 2007 because reduced construction levels led to a decline in the mining, logging, and construction sector of 2,200 jobs, or 9.4 percent. From 2008 through 2010, economic conditions in the HMA sharply declined, with nonfarm payrolls decreasing an average of 8,500 jobs, or 2.8 percent, annually. By comparison, nonfarm payrolls in the nation declined an average of 1.8 percent annually from 2008 through 2010. Job losses in the HMA during this period were widespread, with every economic sector except the education and health services and the transportation and utilities sectors losing jobs.

Figure 3. 12-Month Average Nonfarm Payrolls in the Fresno HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The most severe job losses occurred in the goods-producing sectors of mining, logging, and construction and manufacturing, which decreased annually by 3,000 and 1,300 jobs, or 16.8 or 5.0 percent, respectively. The wholesale and retail trade sector had the largest job losses of the service-providing sectors, declining by an average of 1,800 jobs, or 3.8 percent, annually.

The economy of the Fresno HMA stabilized in 2011 and 2012, adding an average of 1,600 jobs, or 0.5 percent, annually. The wholesale and retail trade sector led the recovery, adding an average of 1,100 jobs, or 2.5 percent, annually. Decreased tax revenue, a result of the Great Recession, contributed to government payrolls declining an average of 1,500 jobs, or 2.3 percent, annually, during this period. The manufacturing sector continued to decline at a rate of 200 jobs, or 0.8 percent, annually.

Job growth accelerated after 2012, with payrolls increasing an average of 10,000, or 3.1 percent, annually from 2013 through 2018. Increased residential and commercial construction during this period led to job growth in the mining, logging, and construction sector of 1,100 jobs, or 7.4 percent, annually, more than any other sector in percentage terms. The education and health services sector led overall job growth, adding an average of 2,800 jobs, or 4.7 percent, annually, followed by government sector payroll growth of 1,700 jobs, or 2.5 percent, annually.

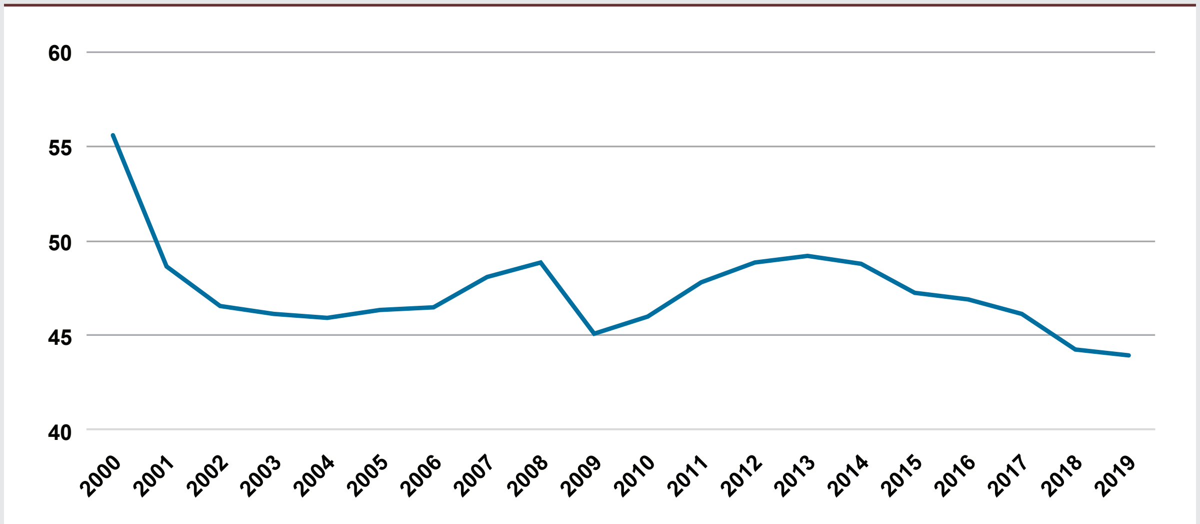
Economic Sectors of Significance

Agriculture

The Fresno HMA produced almost $7.9 billion worth of agricultural output during 2018, more than any other county in the nation (Fresno Farm Bureau). Agricultural production has consistently increased since 2000, growing at an average annual rate of 6 percent from 2000 to 2010 and 4 percent from 2010 to 2018. Despite increased production, however, the number of agricultural jobs remain below 2000 levels (Figure 4). Farm payrolls have declined every year since 2014 at an average annual rate of 890 jobs, or 2 percent, to 44,000 in 2019, the lowest level since at least 1990. Increased use of productivity-increasing technology has enabled farmers in the HMA to increase production with fewer workers.

International exports account for a large portion of agricultural production in the HMA, with 25 percent of the agricultural products from the HMA being exported out of the United States in 2018. Despite the large proportion of agricultural exports, and overall production increasing an average of 13 percent annually during 2017 and 2018, the volume of exports declined an average of 3 percent annually. According to the Central California Business Review, Asia (including China, Japan, Korea, and India) was the largest foreign market for agricultural exports from the HMA in 2017, purchasing $987 million in goods, followed by $728 million purchased by Canada and Mexico.

Figure 4. Farm Payroll Jobs (1000s) in the Fresno HMA

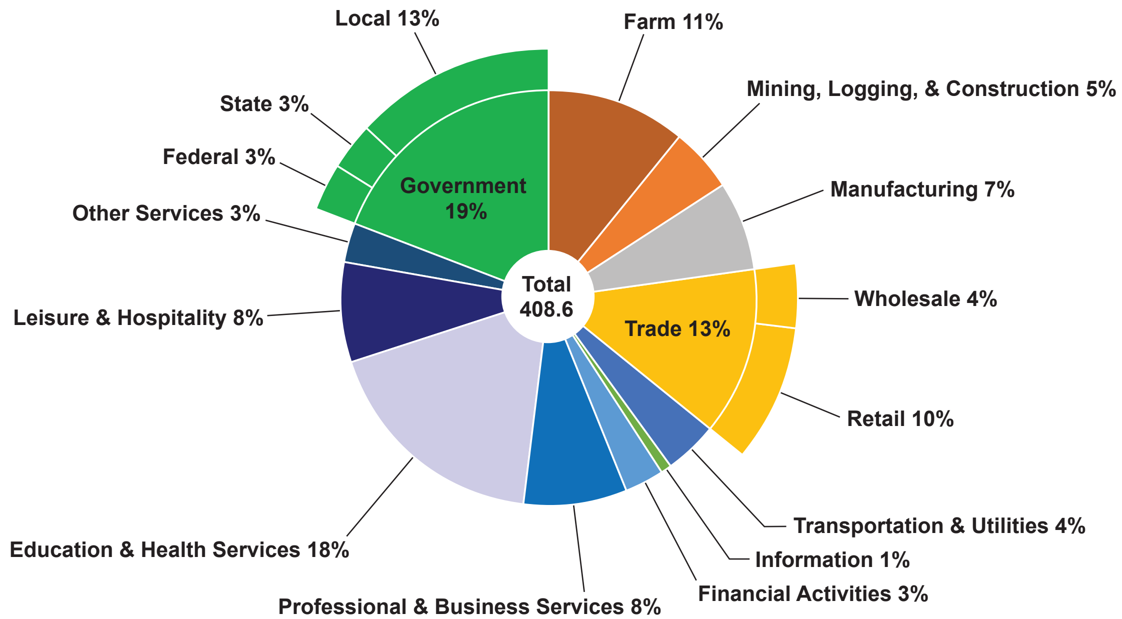


Note: Data are in thousands.
Source: California Employment Development Department

Education & Health Services

The education and health services sector is the largest private economic sector in the HMA (Figure 5). Since 2000, this sector has led payroll growth in the HMA, in both numerical and percentage terms, and has added jobs every year. During the past 5 years, the education and health services sector has continued to contribute an outsized share of job growth, increasing an average of 5.6 percent annually, whereas total nonfarm payrolls increased an average of 3.1 percent annually. Community Medical Centers, the largest employer in the HMA, opened a downtown Fresno campus and significantly expanded their Clovis hospital and behavior health center during this period, adding approximately 2,000 jobs (Table 2). Job growth in this sector is expected to continue during the 3-year forecast period as the population of the HMA continues to age and demand for healthcare services increases.

Figure 5. Share of Payroll Jobs in the Fresno HMA, by Sector



Notes: Total payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2019.
Sources: U.S. Bureau of Labor Statistics and California Employment Development Department

Table 2. Major Employers in the Fresno HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Community Medical Centers	Education & Health Services	8,000
Saint Agnes Medical Center	Education & Health Services	2,547
Amazon.com, Inc.	Wholesale & Retail Trade	2,500
Fowler Packing	Farm	2,500
Kaiser Permanente	Education & Health Services	2,350
Alorica Inc.	Professional & Business Services	2,100
Pelco by Schneider Electric	Manufacturing	1,200
Cargill Meat Solutions	Farm	1,000
Harris Ranch Beef Company	Farm	1,000
Wawona Frozen Foods, Inc.	Farm	800

Note: Excludes school districts.
Source: California Central Valley Economic Development Corporation and Analyst

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to slow compared with the 2013-through-2019 period, averaging growth of 2.1 percent annually. T-Mobile US, Inc., pending its merger with Sprint Corporation, has committed to open a call center in the city of Kingsburg that would add approximately 1,000 jobs.

Population and Households

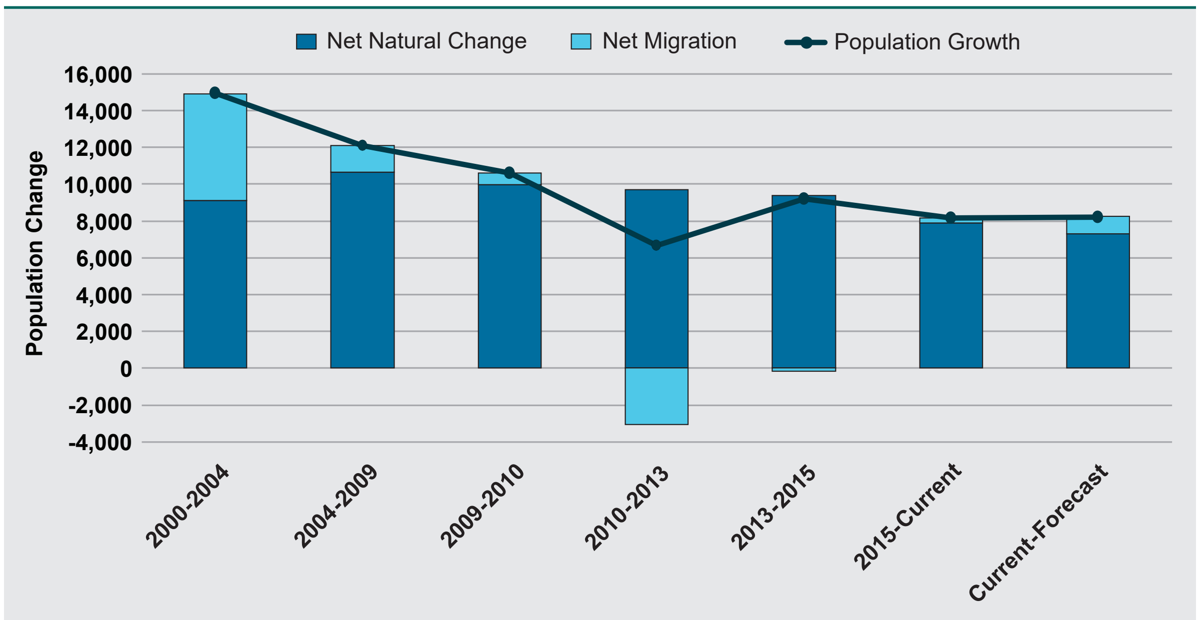
Current Population: 1.01 million

Population growth has consistently slowed since 2004.

Population Trends

Population growth in the Fresno HMA has slowed since 2000 because of decreased net natural change (resident births minus resident deaths) and decreased net migration (Figure 6). Alongside strong job growth, population growth peaked from 2000 to 2004, averaging 14,950, or 1.8 percent annually. From 2004 to 2009, population growth slowed to an average of 12,100, or 1.4 percent, annually. This slowdown was caused by decreased net in-migration, which declined from an average of 5,825 a year from 2000 to 2004 to 1,450 a year from 2004 to 2009.

Figure 6. Components of Population Change in the Fresno HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

In 2009, population growth began to decline because of the effects of the Great Recession. Population growth slowed to 10,600 from 2009 to 2010, mostly because of lower net in-migration that averaged 620. As the effects of the Great Recession lingered from 2010 to 2013, the HMA had net out-migration of 3,075, and population growth declined sharply to an average of 6,650 a year. As economic conditions improved from 2013 to 2015, net out-migration decreased to an average of 180 people, annually, causing average annual population growth to increase to 9,200, or 1.0 percent, annually. Since 2000, migration patterns have had the largest effect on population growth, whereas the trend in net natural change has been more stable, declining gradually since the 2000s.

Since 2015, population growth has slowed compared with the 2013-to-2015 period to an average of 0.8 percent annually because of a decline in net natural change. Net in-migration returned from 2015 through 2019 because of continued improvements in the economy and a lower cost of living compared with coastal California; however, it was not enough to make up for the decline in net natural change. From 2015 through the current date, net natural change averaged 7,875 annually and net in-migration averaged 290 annually.

Migration Flows

The largest sources of domestic net-migration to the Fresno HMA were the large metropolitan areas of coastal California (Table 3). The Los Angeles-Long Beach-Anaheim (hereafter Los Angeles), San-Francisco-Oakland-Hayward (hereafter San Francisco), and San Jose-Sunnyvale-Santa Clara (hereafter San Jose) metropolitan areas were each in the top five origins of domestic migrants to the HMA, whereas the Riverside-San Bernadino-Ontario and San-Diego Carlsbad metropolitan areas were in the top 10 (U.S. Census Bureau Metro-to-Metro Migration Flows; 2013–2017 ACS 5-year data). Migrants to the HMA are attracted to the lower relative cost of housing in the Fresno HMA—average existing home sales prices in 2019 were 65, 72, and 76 percent lower than the Los Angeles, San Francisco, and San Jose metropolitan areas (CoreLogic, Inc., with adjustments by the analyst). The largest destinations of domestic out-migration were metropolitan areas elsewhere in the Central Valley and large metropolitan areas near California, such as Las Vegas-Henderson-Paradise, Nevada and Portland-Vancouver-Hillsboro, Oregon-Washington.

Table 3. Metro-to-Metro Migration Flows in the Fresno HMA: 2013–2017

Into the HMA	
Los Angeles-Long Beach-Anaheim, CA	668
San Francisco-Oakland-Hayward, CA	490
Madera, CA	488
San Jose-Sunnyvale-Santa Clara, CA	239
Visalia-Porterville, CA	228
Out of the HMA	
San Luis Obispo-Paso Robles-Arroyo Grande, CA	382
Portland-Vancouver-Hillsboro, OR	358
Hanford-Corcoran, CA	332
Las Vegas-Henderson-Paradise, NV	270
Boise City, ID	224

Note: 2013–2017 American Community Survey 5-year data.
Source: U.S. Census Metro to Metro Migration Flows

Age Cohort Trends

The Fresno HMA has a relatively young population, with a median age of 32.5 years compared with 38.2 years nationally, and a high percentage of children, with 28.3 percent of the population of the HMA under 18, compared with 22.4 percent nationally (2018 ACS 1-year data). Despite the relative youthfulness of the HMA, the cohort of residents age 62 and older grew at an average rate of 2.9 percent annually from 2010 to 2018, compared with average annual overall population growth of 0.8 percent. As a result, the cohort of residents age 62 and older increased from 13 to 15 percent of the population of the HMA. During the same period, the median age in the HMA increased by 2 years. The increasing age of the population has contributed to the declining rate of net natural change and has attracted the development of age-restricted housing.

Population Forecast

During the next 3 years, the population of the HMA is expected to increase an average of 8,250, or 0.8 percent, annually, to 1.03 million (Table 4), similar to the rate of population growth in the 2016-to-current period. A continued downward trend in net natural change is expected to be offset by increased net in-migration, as local economic conditions strengthen and home prices in the HMA remain far below those of Coastal California.

Table 4. Fresno HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	930,450	1,007,000	1,032,000
	Average Annual Change	13,100	7,875	8,250
	Percentage Change	1.5	0.8	0.8
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	289,391	316,100	324,500
	Average Annual Change	3,650	2,750	2,800
	Percentage Change	1.4	0.9	0.9

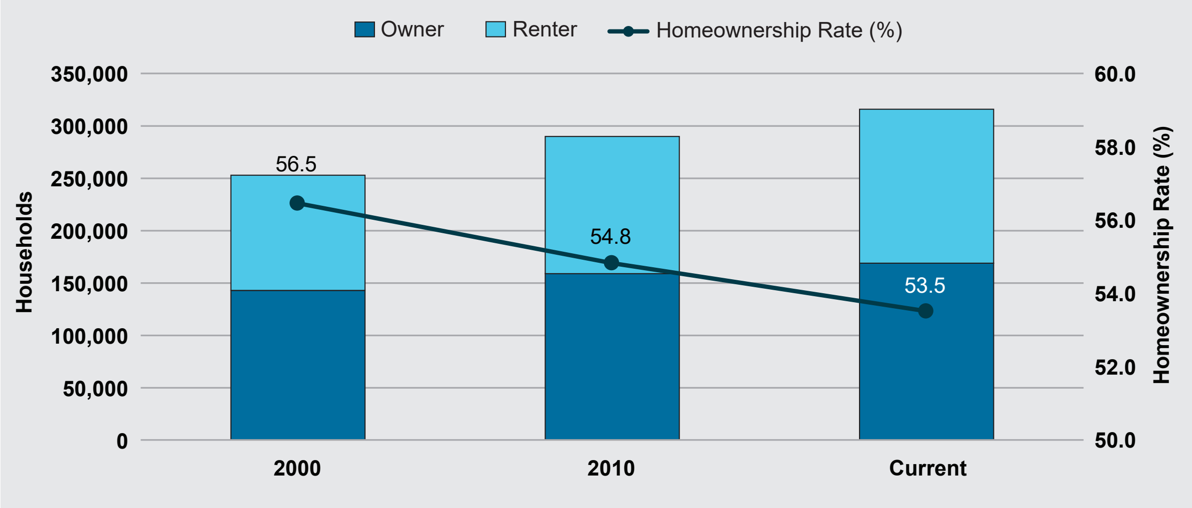
Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Household Trends and Forecast

As of January 1, 2020, the number of households in the HMA is estimated at 316,100, an increase of 2,750 households, or 0.9 percent, annually since 2010. By comparison, household growth averaged 3,650, or 1.4 percent, annually from 2000 to 2010. Household growth has declined since 2010 because of slower population growth. The homeownership rate is currently estimated at 53.5 percent, down from 54.8 percent in 2010 because of the lasting effects of the Great Recession (Figure 7). The homeownership rate in the HMA is lower than the national average, which was 63.9 percent in 2018 (2018 ACS 1-year data). Renter households accounted for approximately 56 percent of household growth from 2000 to 2010, increasing to approximately 61 percent of household growth since 2010.

Household growth during the next 3 years is expected to average an annual increase of 2,800 households, or 0.9 percent, similar to the 2010-to-current average.

Figure 7. Households by Tenure and Homeownership Rate in the Fresno HMA



Note: The current date is January 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Balanced

Average home prices have increased each year since 2013 but remain below levels reached before the Great Recession.

Current Conditions

The sales housing market in the Fresno HMA is currently balanced. As of January 1, 2020, the overall sales vacancy rate is estimated at 1.5 percent, down from 2.4 percent during 2010. During December 2019, the HMA had 1,375 single-family homes, condominiums, and townhomes for sale, representing 1.8 months of supply (Table 5), down from 1,675 homes for sale, or a 2.5-month supply, during December 2018 (Redfin, Inc.). There have been less than 3.0 months of supply during each December since 2012.

Table 5. Home Sales Quick Facts in the Fresno HMA

Home Sales Quick Facts		Fresno HMA	Nation
	Vacancy Rate	1.5%	NA
	Months of Inventory	1.8	2.4
	Total Home Sales	12,950	6,287,000
	1-Year Change	-7%	-2%
	New Home Sales Price	$368,400	$386,800
	1-Year Change	6%	1%
	Existing Home Sales Price	$286,400	$301,200
	1-Year Change	2%	3%
	Mortgage Delinquency Rate	1.0%	1.4%

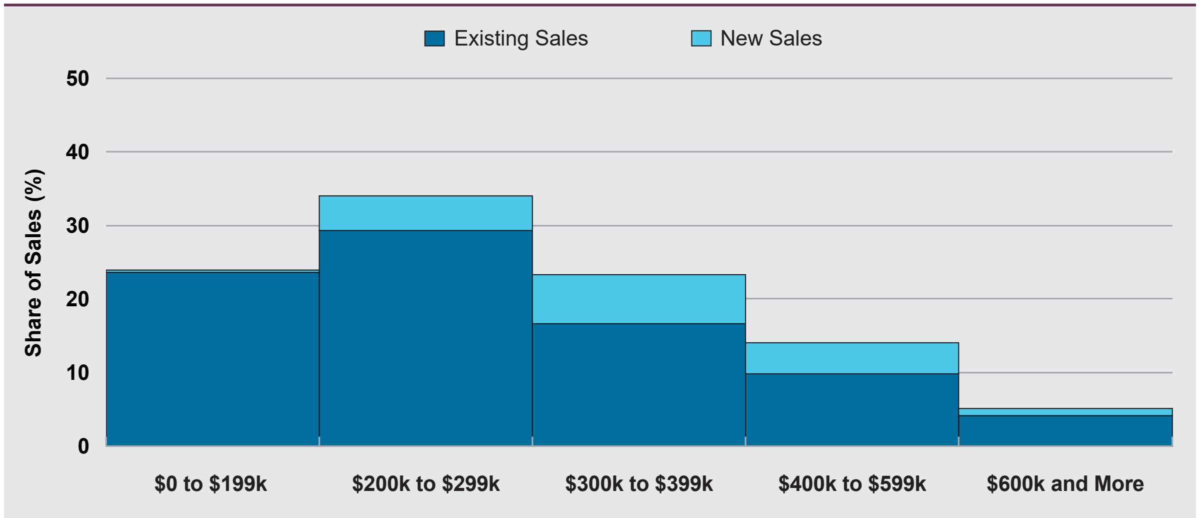
NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019. The current date is January 1, 2020.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company, Redfin Data

Existing Home Sales Trends

Low levels of for-sale inventory have contributed to a decline in the number of existing home sales and rising prices in the HMA. Existing home sales (including regular resales and distressed sales) totaled 11,100 in the HMA during 2019, down 8 percent from 2018, whereas the average sales price increased 2 percent to $286,400 (CoreLogic, Inc., with adjustments by the analyst). Trends in the existing home sales market were moving in the same direction in 2018, with home sales decreasing by 1 percent and prices increasing by 7 percent. During 2019, the majority of existing home sales were less than $300,000 (Figure 8).

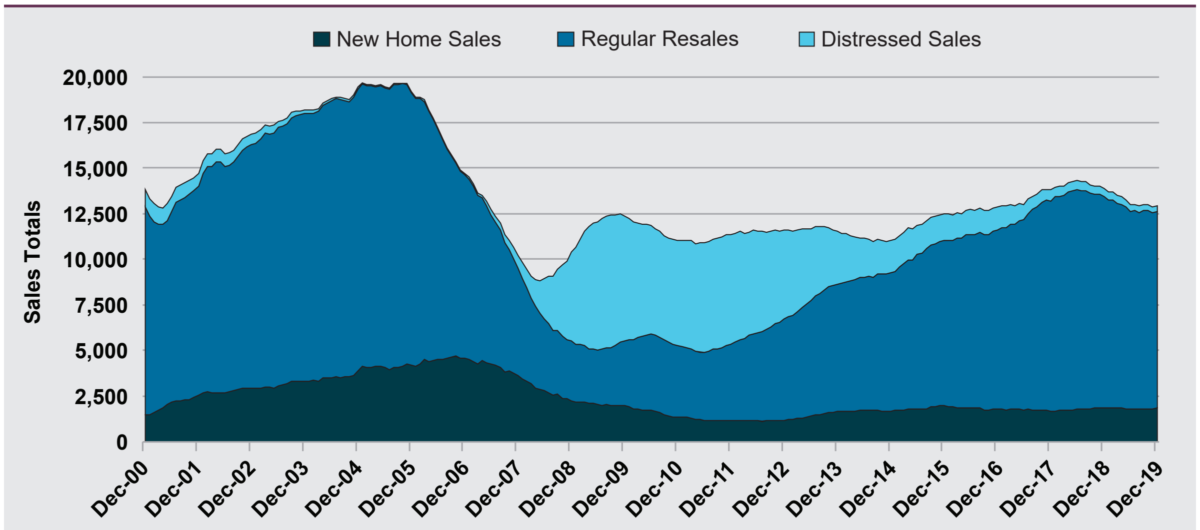
Existing home prices increased at an extreme rate during the early 2000s, averaging annual price growth of 27 percent from 2003 through 2005. Although economic conditions in the HMA were good and population growth was steady, most of the home price growth during this period was largely the result of speculative purchases and an increase in subprime lending. Quickly increasing home prices contributed to a high level of home sales as home buyers sought to capitalize on double-digit returns; existing home sales peaked at an average of 15,150 sales from 2003 through 2005. Home sales rapidly declined in 2006 and 2007, decreasing an average of 33 percent annually to a low of 6,625 during 2007, whereas existing home prices remained stable at an average of $302,300 during 2006 and 2007. Existing home prices decreased an average of 25 percent annually during 2008 and 2009, even as existing home sales increased by an average of 25 percent a year during the same time period. The cause of this divergence was the rapid increase in the number of distressed sales (real estate owned [REO] and short sales), which grew from 11 percent of all existing home sales in 2007 to 66 percent in 2009 (Figure 9). The average home sales price for distressed sales was $141,600 in 2009, substantially less than the average price of $217,700 for regular resales.

Figure 8. Share of Sales by Price Range During 2019 in the Fresno HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

Figure 9. 12-Month Sales Totals by Type in the Fresno HMA



Note: Distressed sales are real estate owned and short sales.
Source: CoreLogic, Inc. with adjustments by the analyst

Existing home sales and prices stabilized during 2010 and 2011, with an average of 9,975 homes sold annually at an average price of $165,200. During this period, distressed sales represented 60 percent of all existing home sales. Existing home prices began to increase in 2012 and increased every year from 2012 through 2017 at an average rate of 9 percent, annually, to $262,800. From 2012 through 2014, existing home sales decreased by 3 percent annually. Declining numbers of distressed sales, which decreased to 1,800, or 19 percent of existing home sales, slightly offset the average annual increase of 22 percent in regular resales. From 2015 through 2017, the number of existing sales increased an average of 9 percent annually as the stock of distressed properties was depleted and regular resales continued to increase. By 2017, distressed sales made up less than 5 percent of all existing home sales.

Delinquent Mortgages

The national foreclosure crisis was especially severe in the HMA, with the rate of seriously delinquent mortgages and REO properties peaking at 12.7 percent in January 2010 (CoreLogic, Inc.). By comparison, the rate was 8.6 percent nationwide during the same period. Since 2010, the rate of seriously delinquent mortgages has consistently declined as the housing market stabilized and local economic conditions improved. In December 2019, 1.0

percent of all mortgages were seriously delinquent or in REO status in the HMA, down from 1.2 percent in December 2018 and compared with 1.4 percent nationally.

Housing Affordability

Since 2012, home prices in the Fresno HMA have outpaced income growth, causing homeownership to become unaffordable for many families. The National Association of Home Builders' (NAHB) and Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 79.7 during the fourth quarter of 2012 but has been below 50.0 since the second quarter of 2016 (Figure 10). During the fourth quarter of 2019, the HOI for the HMA was 41.4, and 213 of the 237 metropolitan areas measured were more affordable than the Fresno HMA. Since the fourth quarter of 2012, the median home price in the HMA has increased by 8 percent annually, while median family income has remained unchanged.

Figure 10. Fresno HMA Housing Opportunity Index

NAHB = National Association of Home Builders. Q4 = fourth quarter.
Sources: NAHB; Wells Fargo

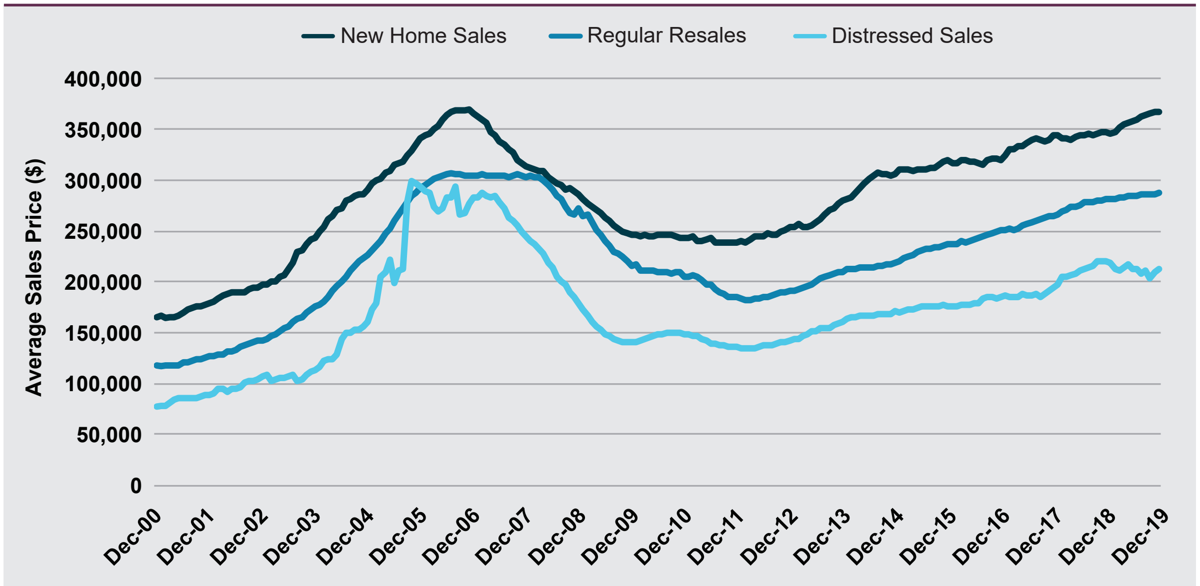
Fresno County has a first-time homebuyer assistance program that offers zero interest, deferred payment loans to cover up to 20 percent of a home sales price. The program is open to households with incomes earning less than 80 percent of area median income (AMI). Additionally, the California Housing Finance Agency offers downpayment assistance of up to 3.5 percent of loan value to households making less than $128,300.

New Home Sales Trends

Approximately 1,825 new homes sold in the HMA during 2019, down 3 percent from 2018, while the average price of a new home increased 6 percent to $368,400 (CoreLogic, Inc., with adjustments by the analyst). New home sales have been stable since 2013, averaging 1,775 homes sold annually; during the same time period, new home prices increased an average of 5 percent annually (Figure 11).

Average new home prices more than doubled between 2000 and 2006, increasing an average of 14 percent annually from 2001 through 2006. Easy access to credit and optimism about future home prices increased demand for new homes, causing new home sales to increase an average of 20 percent annually during the same time period. Both the number of new home sales and prices peaked at 4,575 and $367,900 in 2006.

Figure 11. 12-Month Average Sales Price by Type of Sale in the Fresno HMA



Note: Distressed sales are real estate owned and short sales.
Source: CoreLogic, Inc. with adjustments by the analyst

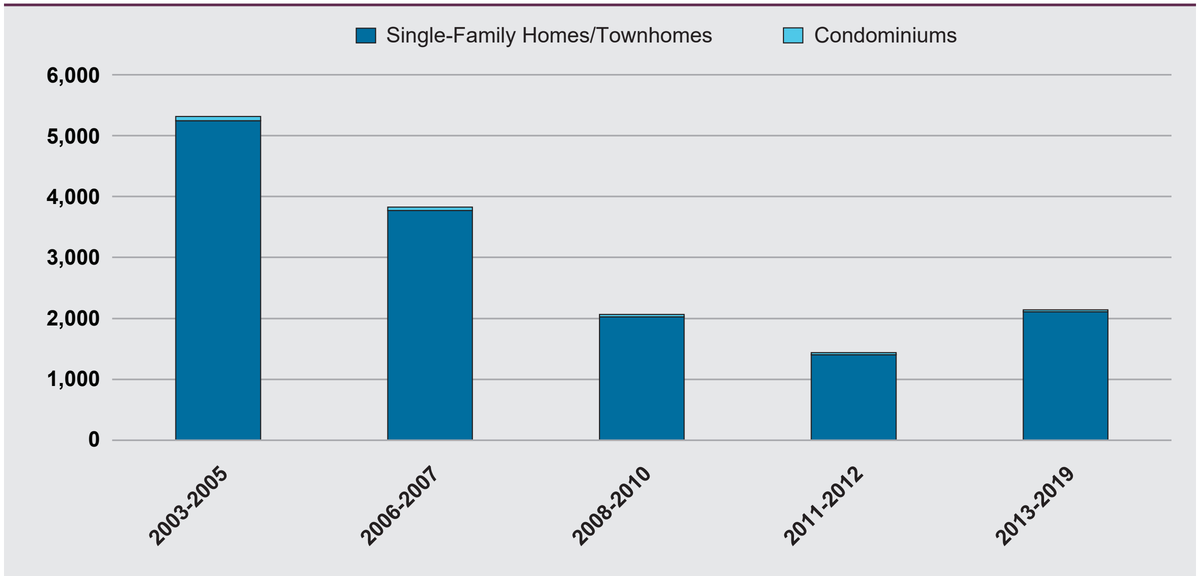
Following the downturn in the local housing market in 2007, new home sales and prices declined each year from 2007 through 2011 at average annual rates of 24 and 8 percent, respectively. Although new home prices are currently similar to pre-housing crisis levels, the level of new home sales in 2019 was approximately 60 percent below the level of new home sales in 2006.

Sales Construction Activity

Homebuilding, as measured by the number of sales units permitted, has increased since 2013 but is still below the historically high levels reached during the housing boom in the mid-2000s (Figure 12). Homebuilding peaked from 2003 through 2005 at an average of 5,325 sales units permitted annually, then declined to an average of 3,825 units permitted annually during 2006 and 2007 and an average of 2,025 units from 2008 through 2010. Homebuilding declined during these periods because of falling home prices, decreased demand for new homes, and more stringent lending standards. During 2011 and 2012, with home sales and home prices at record lows, homebuilding fell to an average of 1,400 sales units permitted annually. After 2013, developers responded to an improving housing market by increasing production. Production of sales units from 2013 through 2018 was significantly higher than the 2011 through 2012 period, averaging 2,100 units annually. During 2019, 2,275 sales units were permitted, up 2 percent compared with 2018 (preliminary data and analyst estimates).

Approximately 80 percent of new home construction in the HMA occurs in the central cities of Fresno and Clovis. The largest area of development activity in the HMA is the planned community of Loma Vista, located within the city of Clovis. The community, which is planned to have 30,000 homes and include a 20-mile network of bicycle and walking trails, was approved in 2003 and is currently more than 70 percent complete. During 2019, approximately one in five new homes sold in the HMA was located in one of 13 subdivisions in the Loma Vista community. There is a wide range of homes available, ranging in price from below $250,000 to more than $600,000.

Figure 12. Average Annual Sales Permitting Activity in the Fresno HMA



Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Table 6. Demand for New Sales Units in the Fresno HMA During the Forecast Period

Sales Units	
Demand	6,525 Units
Under Construction	540 Units

Note: The forecast period is from January 1, 2010, to January 1, 2023.
Source: Estimates by the analyst

Forecast

Based on current and anticipated economic and population growth and the current balanced sales market conditions in the HMA, demand is estimated for 6,525 new homes during the next 3 years, with demand constant during each year of the forecast period (Table 6). The 540 homes currently under construction are expected to meet a portion of demand during the first year of the forecast.

Rental Market

Market Conditions: Slightly Tight

Declining apartment vacancy rates and high rent growth since 2015 have contributed to slightly tight rental market conditions.

Current Conditions and Recent Trends

Overall rental housing market conditions in the Fresno HMA are currently slightly tight, with an overall estimated rental vacancy rate of 3.5 percent, down from 7.0 percent in 2010 (Table 7). Higher levels of renter household growth since 2010 and decreased rental construction have contributed to declining vacancy rates and rising rents since 2015.

Table 7. Rental and Apartment Market Quick Facts in the Fresno HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	7.0	3.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	44.4	44.8
	Multifamily (2–4 Units)	18.8	21.5
	Multifamily (5+ Units)	33.5	30.1
	Other (Including Mobile Homes)	3.3	3.6

		Current	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	2.4	-0.2
	Average Rent	$1,075	7.1
	Studio	$678	5.1
	One-Bedroom	$956	7.8
	Two-Bedroom	$1,095	6.9
	Three-Bedroom	$1,390	6.7

YoY = year-over-year.
Notes: The current date is January 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey 1-year data; RealPage, Inc.

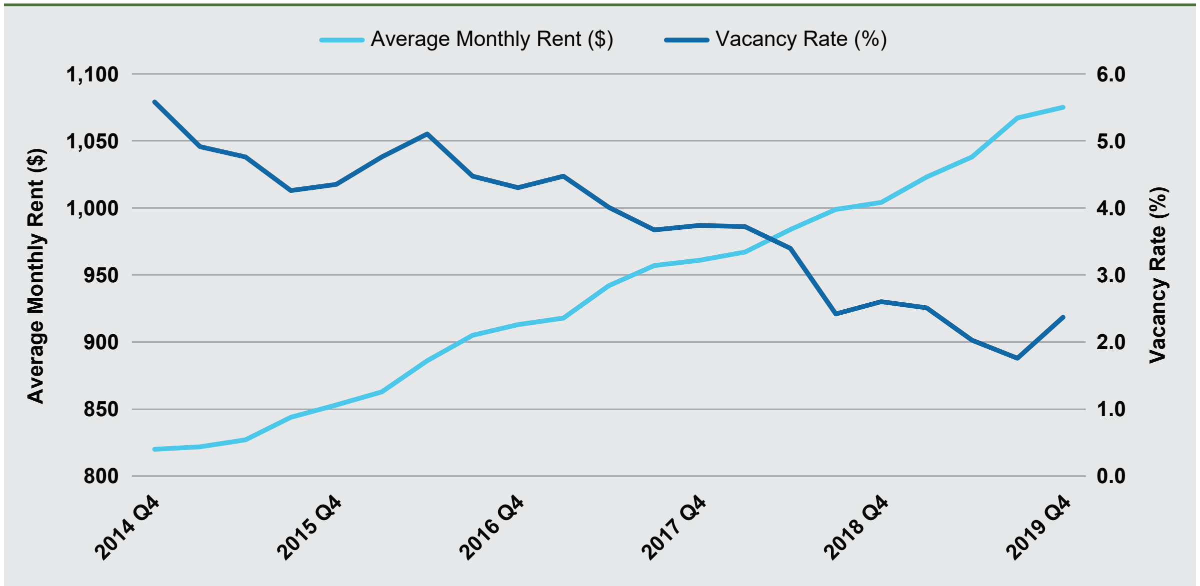
The apartment market, which makes up approximately 52 percent of renter-occupied units in the HMA, is also slightly tight (2018 ACS 1-year data). The apartment vacancy rate averaged 2.4 percent during the fourth quarter of 2019, down from 2.6 percent a year earlier (RealPage, Inc.). The apartment vacancy rate has trended downward since the fourth quarter of 2014, when the vacancy rate was 5.6 percent (Figure 13). During the fourth quarter of 2019, the average rent in the HMA increased 7 percent from the fourth quarter of 2018 to $1,075, while average rents for one-, two-, and three-bedroom apartments were $956, $1,095, and $1,390, respectively. Rent growth has been strong since 2015, averaging 5 percent from 2015 through 2018.

Market Conditions by Geography

Among the 5 RealPage, Inc.-defined market areas in the HMA, apartment vacancy rates varied from a low of 1.8 percent in the Clovis market area to a high of 4.1 percent in the Woodward Park market area. The East Fresno market area was the only market area where the vacancy rate did not decline during 2019, increasing 0.4 percentage point to 2.4 percent.

The Woodward Park market area, which consists of a portion of north Fresno bordered by State Route 41 and the city of Clovis, had an average apartment rent of $1,375 during the fourth quarter

Figure 13. Apartment Rents and Vacancy Rates in the Fresno HMA



Q4 = fourth quarter.
Source: RealPage, Inc.

of 2019, much higher than any other market area in the HMA. According to RealPage, Inc., approximately 90 percent of the apartment completions in the HMA during the past 24-month period occurred in this market area, contributing to the higher than average rents and vacancy rates. The two market areas with the lowest average rents, Sunnyside/Southeast Fresno and East Fresno, led annual rent growth during the fourth quarter of 2019, with increases of 6 and 9 percent, to $938 and $959, respectively. Conversely, the Woodward Park market area had the lowest rate of apartment rent growth at 3 percent.

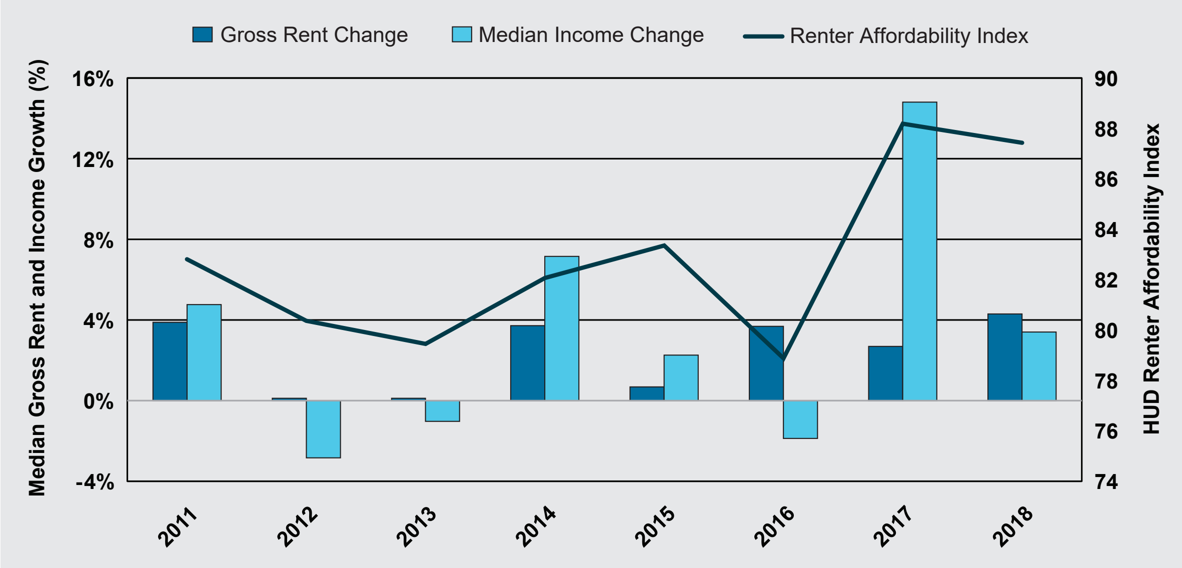
Housing Affordability: Rental

Rental housing in the Fresno HMA has increased in price since 2011 but rising rents have been more than offset by high income growth, making the HMA more affordable than it was. Between 2010 and 2018, the median gross rent increased by a total of 21 percent, while the median income of renter households increased by 29 percent. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 82.1 in 2010 to 87.0 in 2018, signifying a more affordable rental market (Figure 14). A rental affordability index below 100, however, indicates that the median gross rent is unaffordable to the median income for renter households. Additionally, the affordability index in the HMA was lower than the national average, which was 95.8 during 2018.

Among households that have incomes below 50 percent of area median family income, approximately 24.8 percent are cost burdened, spending between 30 and 49 percent of their income on rent, whereas 58.7 percent are severely cost burdened, spending more than 50 percent of their income on rent (Table 8). The share of these households spending more than 50 percent of their income on rent is much higher than the national share. Nationally, 26.4 and 49.3 percent of similar families spend between 30 and 49 percent and more than 50 percent of their income on rent, respectively.

There are several income-restricted apartment properties under construction or in the development pipeline. Linnaea Villas, a 47-unit apartment complex restricted to seniors ages 62 years and older, broke ground in the city of Kingsburg in December 2019. When complete, the complex will offer 41 one- and two-bedroom units with rents below the market rate. Solivita Commons, a 60-unit apartment complex targeted to households earning 30 to 80 percent of area median income (AMI), is expected to break

Figure 14. Fresno HMA Rental Affordability



Source: American Community Survey, 1-year data

Table 8. Percentage of Cost Burdened Renter Households by Income, 2012–2016

	Cost Burdened: 30 — 49 Percent of Income Towards Rent		Severely Cost Burdened: More than 50 Percent of Income Towards Rent	
	Fresno HMA	Nation	Fresno HMA	Nation
Renter Households with Income <50% HAMFI	24.8	26.4	58.7	49.3
Total Renter Households	24.2	21.9	29.6	23.3

HAMFI = HUD area median family income.
Source: Consolidated Planning/CHAS Data, 2012–2016 American Community Survey 5-year estimates (huduser.gov)

ground in the city of Clovis soon. When complete in early 2021, rents are expected to range from $320 to $1,250. The Hotel Fresno, a historic building in downtown Fresno, is currently being redeveloped into a 79-unit apartment property that will offer one-, two-, and three-bedroom units to households making 30 to 80 percent of AMI.

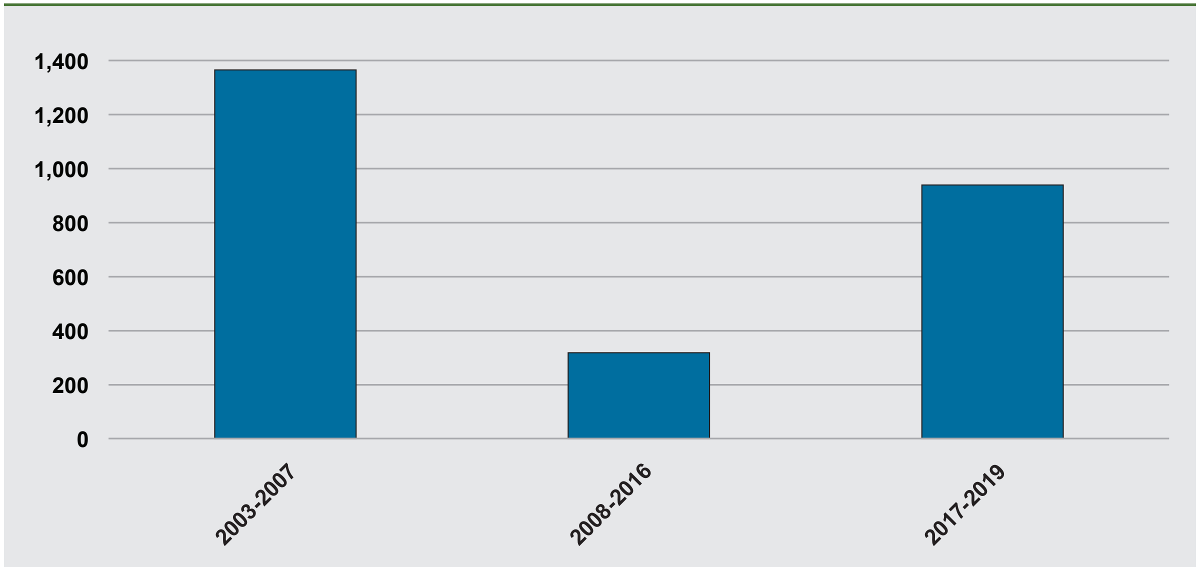
Rental Construction Activity

Rental construction, as measured by the number of rental permits issued, has increased significantly since 2017, but remains below the peaks of the previous decade (Figure 15). Rental construction levels were high from 2003 through 2007, averaging 1,375 units annually, as strong economic conditions and population growth supported rental development. Following the onset of the housing crisis and declining economic conditions, rental construction declined sharply and remained low, averaging 320 units annually from 2008 through 2016. Several years of rent growth and low vacancy rates attracted increased rental development, with 1,125 units permitted during 2017 and 700 units permitted during 2018. During 2019, rental construction remained high compared with pre-2017 levels, with 1,000 rental units permitted, an increase of approximately 43 percent compared with 2018 (preliminary data and analyst estimates).

Recently Built Apartments

Almost all recently built market-rate apartment properties are located in the cities of Fresno and Clovis. The Emerson, a 216-unit apartment property, opened in late 2019 in south Clovis. One-, two-, and three-bedroom units at The Emerson start at approximately $1,400, $1,600, and $1,800, respectively. Brookside Villas, a 162-unit apartment complex in northeast Fresno, opened in mid-2019. One- and two-bedroom units start at $1,475 and $1,580, respectively.

Figure 15. Average Annual Rental Permitting Activity in the Fresno HMA



Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

Table 9. Demand for New Rental Units in the Fresno HMA During the Forecast Period

Rental Units	
Demand	2,625 Units
Under Construction	1,075 Units

Note: The forecast period is January 1, 2020, to January 1, 2023.
Source: Estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 2,625 apartments in the HMA (Table 9). Demand is expected to be evenly distributed among each year of the forecast period. The 1,075 units currently under construction will fulfill all expected demand during the first year of the forecast period.

Terminology Definitions and Notes

A. Definitions

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.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	1/1/2020–1/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.

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.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
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.**
2.	**Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.**

C. Additional Notes

1.	**The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**

2.	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.
3.	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.

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