



COMPREHENSIVE HOUSING MARKET ANALYSIS

Fresno, California

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

As of January 1, 2023



PD&R

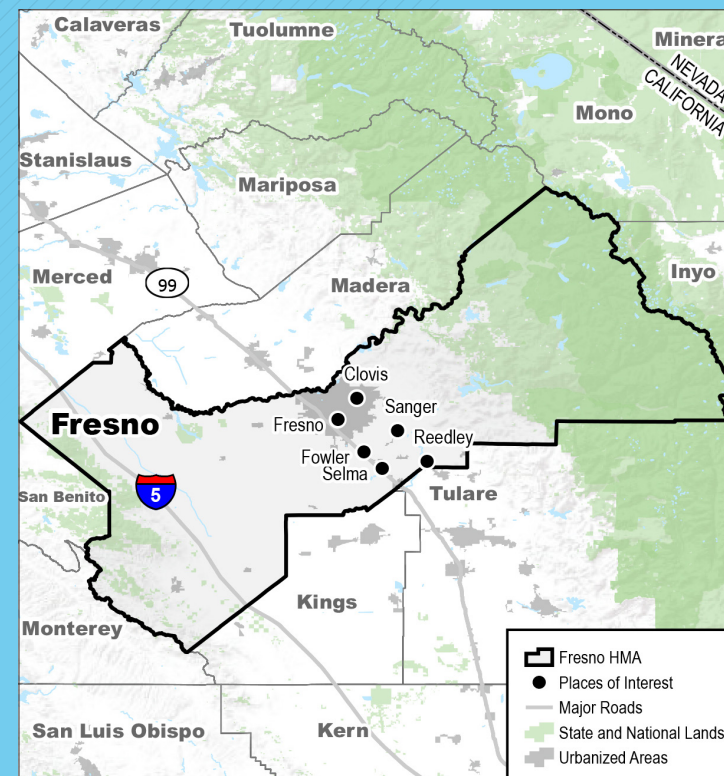
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Executive Summary

Housing Market Area Description

The Fresno Housing Market Area (hereafter, Fresno HMA) is coterminous with the metropolitan area of the same name and includes Fresno County. The HMA is the largest metropolitan area in the San Joaquin Valley, 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 1.02 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 the fourth quarter of 2022, payrolls grew 3.0 percent year over year.

During 2022, nonfarm payrolls in the Fresno HMA rose 4.7 percent, or by 16,700 jobs, to 374,500 compared with 2021, when payrolls grew 3.1 percent, or by 10,600 jobs, and the HMA has recovered the jobs lost from the downturn in early 2020. Ten of the 11 payroll sectors contributed to job growth during the past year, led by an increase of 4,900 jobs, or 6.5 percent, in the education and health services sector. The unemployment rate decreased from 9.2 to 6.3 percent during the same period because growth in resident employment outpaced gains in the labor force. Nonfarm payrolls are expected to continue increasing during the 3-year forecast period at an average annual rate of 2.0 percent.

Sales Market



Slightly Tight but Easing: The HMA had a 2.2-month supply of homes for sale during December 2022, up from a 0.8-month supply during December 2021 (Redfin, a national real estate brokerage).

The sales vacancy rate in the HMA is estimated at 1.2 percent as of January 1, 2023, down from 2.4 percent in April 2010. Total home sales prices increased 8 percent to an average of \$420,400 during 2022, following an increase of 18 percent during the previous year (CoreLogic, Inc., with adjustments by the analyst). Due to the limited inventory of homes for sale, increasing home prices, and rising interest rates, the number of home sales fell 21 percent to 12,050 homes in 2022 after rising 14 percent in 2021. During the next 3 years, demand is expected for 7,275 new homes. The 700 homes under construction are expected to meet a portion of that demand during the first year of the forecast period.

Rental Market



Slightly Tight: The rental vacancy rate is currently estimated at 3.7 percent, a decline from 7.0 percent in April 2010, when conditions were soft.

Conditions in the apartment market are also slightly tight. Despite a year-over-year increase, vacancy rates remain generally low, and rent growth is moderating. As of the fourth quarter of 2022, the apartment vacancy rate was 3.6 percent, up from 2.1 percent as of the fourth quarter of 2021 (CoStar Group). During the same period, the average monthly rent increased 5 percent to \$1,337, following annual rent growth of 11 percent as of the fourth quarter of 2021. During the 3-year forecast period, demand is expected for 2,350 rental units. The 750 units under construction will meet most of the demand during the first year of the forecast period.

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| 3-Year Housing Demand Forecast | | | |
|--------------------------------|--------------------|-------------|--------------|
| Fresno HMA | | Sales Units | Rental Units |
| | Total Demand | 7,275 | 2,350 |
| | Under Construction | 700 | 750 |

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2023. The forecast period is January 1, 2023, to January 1, 2026.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

The education and health services sector has accounted for 45 percent of all nonfarm payroll growth since 2000 and, as a share of nonfarm payrolls, is 5 percentage points larger than the share nationwide.

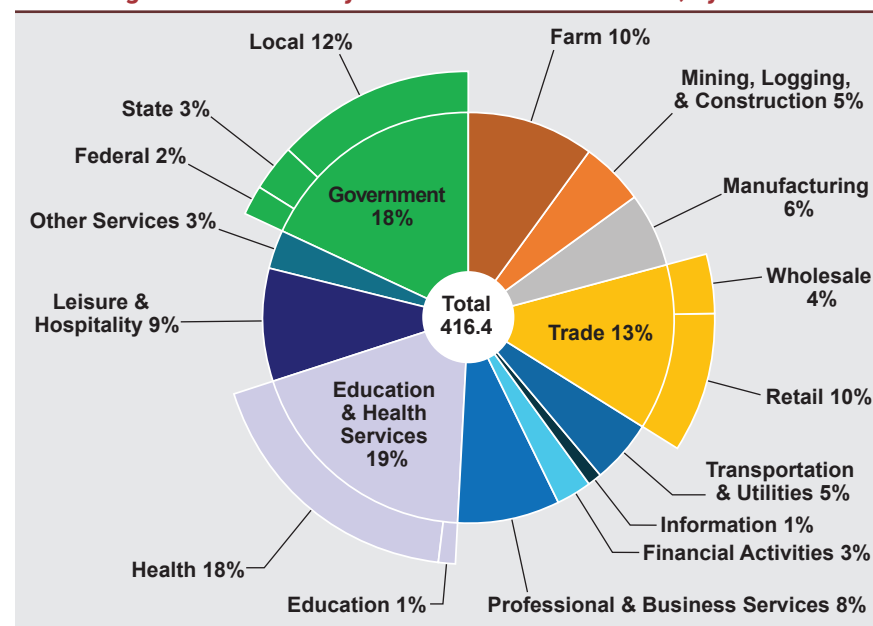
Primary Local Economic Factors

The Fresno HMA is at the center of the San Joaquin Valley, one of the most productive agricultural regions in the United States. During 2021, total agricultural output in the HMA was approximately \$8.09 billion, up 1.5 percent from the previous year (2021 Fresno County Crop Report). Almonds are the most economically significant crop in the HMA. The harvest in 2021 was worth \$1.44 billion, representing approximately 25 percent of national almond production. Although agriculture remains a significant portion of the local economy, the number of farm payrolls has declined since 2013 (California Economic Development Department), and jobs in the service-providing sectors have accounted for approximately 85 percent of nonfarm payroll job growth.

The HMA is the most populous metropolitan area in the San Joaquin Valley and, as such, has become a regional center for healthcare services. The education and health services sector is the largest economic sector in the HMA and includes 5 of the 10 largest employers in the HMA (Figure 1; Table 1). Approximately 95 percent of payrolls in the sector are in the healthcare and social assistance subsector. Since 2000, the sector has led payroll growth in the HMA, in both numerical and percentage terms, and has added jobs every year except 2020.

The HMA has lower average wages and higher poverty rates than both California and the nation. The median annual earnings for full-time workers in the HMA was \$48,129 compared with \$61,909 and \$53,888 in California and the nation, respectively (2021 American Community Survey [ACS] data). Approximately 19.5 percent of the population of the HMA lives in a household

Figure 1. 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 2022.

Sources: U.S. Bureau of Labor Statistics; California Employment Development Department

Table 1. Major Employers in the Fresno HMA

| Name of Employer | Payroll Sector | Number of Employees |
|--|-----------------------------|---------------------|
| Community Health Systems, Inc. | Education & Health Services | 9,000 |
| Adventist Health | Education & Health Services | 3,225 |
| Saint Agnes Medical Center | Education & Health Services | 2,900 |
| Kaiser Permanente | Education & Health Services | 2,875 |
| Department of State Hospitals-Coalinga | Government | 2,825 |
| Amazon.com, Inc. | Wholesale & Retail Trade | 2,500 |
| Pitman Family Farms | Farm | 2,200 |
| California State University, Fresno | Government | 2,125 |
| Producers Dairy Foods, Inc. | Farm | 800 |
| Santé Health System | Education & Health Services | 780 |

Note: Excludes local school districts and governments.

Sources: *The Business Journal*; estimates by the analyst

with an income below the poverty level compared with 12.3 percent in California and 12.8 percent in the nation. The percentage of the population living in poverty has declined by 7.3 percentage points since 2010, however—more than twice as much as either the state or nation. Following the onset of the COVID-19 pandemic in early 2020, wage growth has been strong. From 2020 through 2022, median weekly earnings have increased an average of 7 percent annually compared with 5 percent in California and the nation.

Current Conditions— Nonfarm Payrolls

Total nonfarm payrolls in the HMA averaged 374,500 jobs during 2022, up by 16,700 jobs, or 4.7 percent, from the preceding year, when the number of jobs increased by 10,600, or 3.1 percent (Table 2). Nonfarm payrolls are currently 3.1 percent higher than in 2019, before the number of jobs decreased by 16,200, or 4.5 percent, because of the pandemic-related downturn in 2020 (Figure 2). Despite recent strong growth in nonfarm payrolls, five nonfarm payroll sectors—the information, the financial activities, the professional and business services, the leisure and hospitality, and the government sectors—had fewer jobs in 2022 than in 2019 (Figure 3).

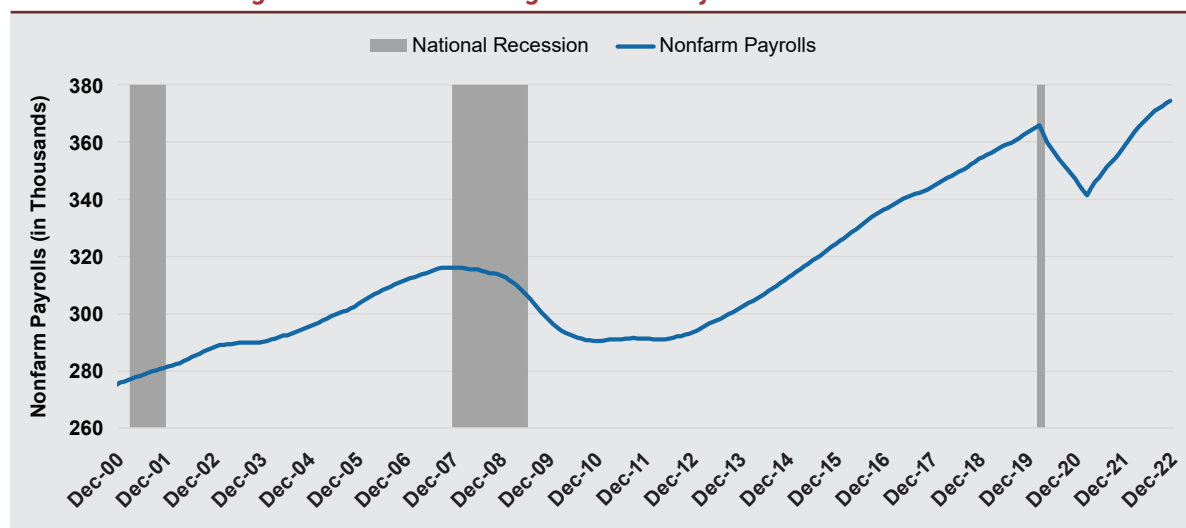
Growth across all sectors except the financial activities sector supported gains in nonfarm payrolls during the past year. The education and health services sector added the largest number of jobs, increasing by 4,900 jobs, or

Table 2. 12-Month Average Payroll Jobs (1,000s) in the Fresno HMA, by Sector

| | 2021 | 2022 | Absolute Change | Percentage Change |
|-----------------------------------|--------------|--------------|-----------------|-------------------|
| Total Payroll Jobs | 398.1 | 416.4 | 18.3 | 4.6 |
| Total Farm Payroll Jobs | 40.3 | 41.9 | 1.6 | 4.0 |
| Total Nonfarm Payroll Jobs | 357.8 | 374.5 | 16.7 | 4.7 |
| Goods-Producing Sectors | 46.4 | 47.6 | 1.2 | 2.6 |
| Mining, Logging, & Construction | 20.1 | 20.9 | 0.8 | 4.0 |
| Manufacturing | 26.3 | 26.7 | 0.4 | 1.5 |
| Service-Providing Sectors | 311.4 | 326.9 | 15.5 | 5.0 |
| Wholesale & Retail Trade | 53.8 | 55.6 | 1.8 | 3.3 |
| Transportation & Utilities | 19.4 | 20.6 | 1.2 | 6.2 |
| Information | 3.0 | 3.2 | 0.2 | 6.7 |
| Financial Activities | 13.1 | 12.9 | -0.2 | -1.5 |
| Professional & Business Services | 32.1 | 33.2 | 1.1 | 3.4 |
| Education & Health Services | 75.1 | 80.0 | 4.9 | 6.5 |
| Leisure & Hospitality | 32.5 | 35.6 | 3.1 | 9.5 |
| Other Services | 11.7 | 12.6 | 0.9 | 7.7 |
| Government | 70.8 | 73.1 | 2.3 | 3.2 |

Notes: Based on 12-month averages through December 2021 and December 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Sources: U.S. Bureau of Labor Statistics; California Employment Development Department

Figure 2. 12-Month Average Nonfarm Payrolls in the Fresno HMA



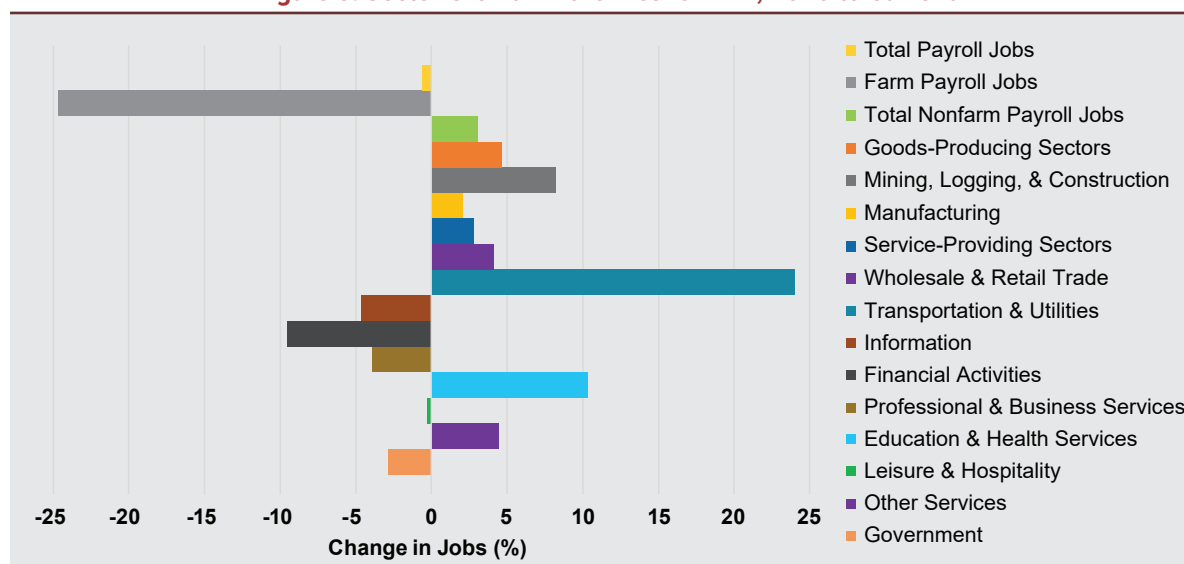
Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

6.5 percent, following growth of 3,400, or 4.7 percent, during 2021. United Health Centers and Kaiser Permanente opened new health centers during the past 2 years, and the largest employer in the area, Community Health Systems, Inc., is estimated to have expanded by approximately 1,000 employees since 2019. Payrolls in the education and health services sector are now 10.3 percent above the level during 2019, more than any other sector except the transportation and utilities sector.

During 2022, the leisure and hospitality sector grew the most on a percentage basis, expanding 9.5 percent, or by 3,100 jobs, to 35,600 jobs, following growth of 12.8 percent, or by 3,700 jobs, during 2021. Despite rapid growth during the past 2 years, the number of jobs in the sector is still relatively unchanged compared with the number of sector payrolls during 2019 because 6,900 jobs were lost in 2020 as a result of public health measures to combat COVID-19, more than twice as many as any other economic sector. Rising wages and a tight labor market have limited job growth because of the reliance of the sector on relatively lower wage workers.

The government sector added 2,300 jobs, or 3.2 percent, during 2022 to 80,000 jobs, following average annual job losses of 2,200 jobs, or 3.0 percent, during 2020 and 2021. Nearly all job gains during 2022 were in the local government sector, with most job growth attributable to increased school staffing. Despite

Figure 3. Sector Growth in the Fresno HMA, 2020 to Current



Note: The current date is January 1, 2023.

Sources: U.S. Bureau of Labor Statistics; California Employment Development Department

government job growth during the past year, the number of government payrolls remains 2,200 below pre-COVID-19 levels, a larger shortfall than in any other economic sector.

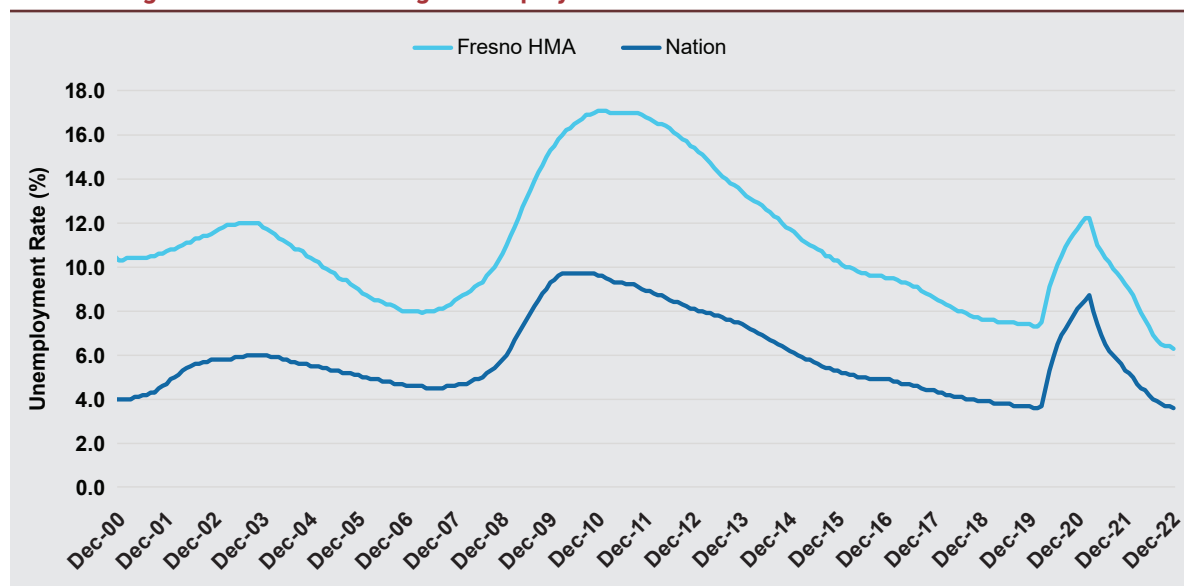
The transportation and utilities sector is the only economic sector that added jobs during each of the past 3 years, including 2020, at the peak of the COVID-19 pandemic. During 2022, the sector expanded 6.2 percent, or by 1,200 jobs, to 20,600 jobs, following average annual growth of 8.1 percent, or 1,400 jobs, from 2020 through 2021. Strong growth in e-commerce supported job growth in this sector after the onset of the COVID-19 pandemic. From 2020 through 2022, fourth quarter e-commerce sales increased an average of 21 percent annually compared with 8-percent annual growth in sales at brick-and-mortar stores (U.S. Census Bureau Quarterly Retail E-Commerce Sales Report). The number of transportation and utilities payrolls is now 24 percent above prepandemic levels, a percentage increase more than twice as large as any other economic sector.

Current Conditions—Unemployment

The unemployment rate in the HMA was 6.3 percent during 2022, down from 9.2 percent in 2021 (Figure 4), because the 5.4-percent growth in resident employment outpaced the 2.2-percent expansion in the labor

force. The unemployment rate reached a high of 11.7 percent in 2020 because of the COVID-19-related economic downturn. The unemployment rate in the HMA was higher than statewide and national unemployment rates of 4.2 and 3.6 percent, respectively, in 2022. The large share of workers employed in seasonal farmwork, which often includes frequent periods of unemployment, is the primary cause of the elevated unemployment rate in the HMA. 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 2020, the HMA workforce shifting away from farmwork to the service-providing sectors also influenced the decline in the unemployment rate.

Figure 4. 12-Month Average Unemployment Rate in the Fresno HMA and the Nation



Note: Based on the 12-month moving average.

Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Expansion: 2000 Through 2006

The HMA entered the 21st century with strong job growth, despite a national recession in the early 2000s. From 2001 through 2006, nonfarm payrolls increased by an average of 6,000 jobs, or 2.1 percent, annually. During this period, job growth was fastest in the mining, logging, and construction sector, which added an average of 1,300 jobs, or 7.1 percent, annually because of elevated levels of residential and commercial construction. Growth in the service-providing

sectors was also strong from 2001 through 2006, with average annual increases of 4,700 jobs, or 1.9 percent. The education and health services sector added the most jobs—an average of 1,800 jobs, or 4.5 percent, annually during this period.

The Great Recession and Local Economic Downturn: 2007 Through 2010

Economic growth in the HMA slowed to an increase of 4,300 payrolls, or 1.4 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 deteriorated, with nonfarm payrolls decreasing by 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. 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 and 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.

Economic Recovery and Expansion: 2011 Through 2019

The economy of the 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 due to 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 by an average of 10,000 jobs, or 3.1 percent, annually from 2013 through 2019. Increased residential and commercial construction during this period led to job growth in the mining, logging, and construction sector of 1,000 jobs, or 6.5 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 4.6 percent, annually, followed by government sector payroll growth of 1,600 jobs, or 2.3 percent, annually. Community Health Systems, Inc.,

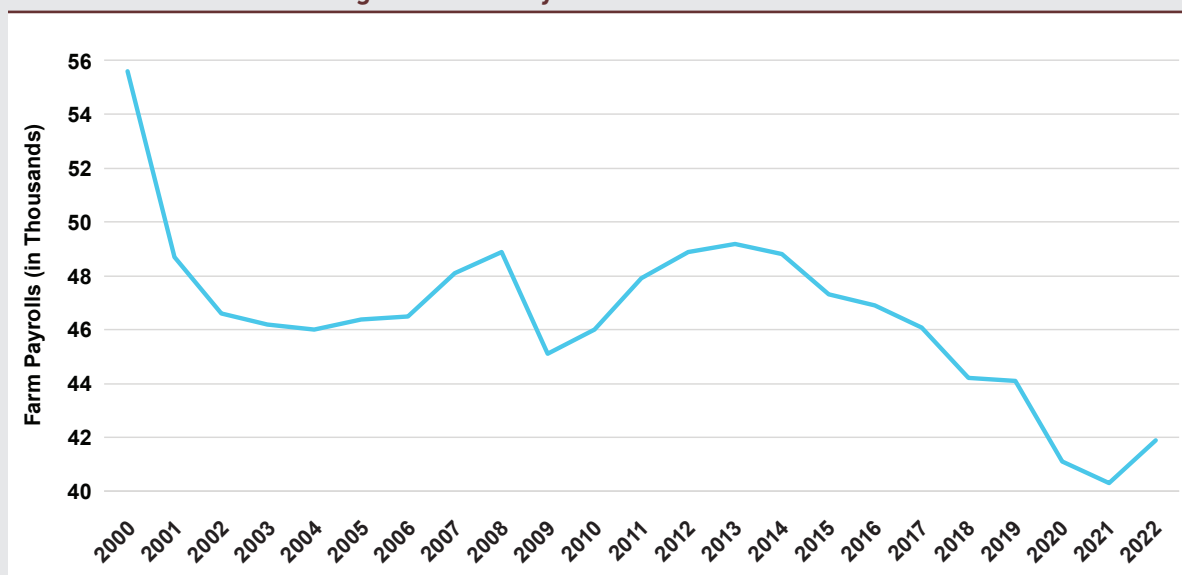
the largest employer in the HMA, opened a downtown Fresno campus and significantly expanded their Clovis hospital and behavior health center during this period, adding approximately 2,000 jobs.

Industries of Significance

Agriculture

Based on the dollar value of crops produced, agricultural production in the HMA has consistently increased since 2000, growing at an average annual rate of 6.1 percent from 2000 to 2010 and 2.8 percent from 2010 to 2021. Despite increased production, however, the number of agricultural jobs remains below 2000 levels (Figure 5). Farm payrolls declined every year from 2014 through 2021 at an average annual rate of 1,100 jobs, or 2.4 percent, annually. Several factors have contributed to the declining number of farm jobs in the HMA. The total volume of land used for agricultural purposes has consistently declined since 2000, falling 5 percent between 2012 and 2017 (U.S. Department of Agriculture Census of Agriculture). In addition, farmers have shifted cultivation to favor crops like almonds and macadamia nuts that can be mechanically harvested, reducing the need for farmworkers. During

Figure 5. Farm Payroll Jobs in the Fresno HMA



Note: Data are in thousands.

Source: California Employment Development Department

2022, the number of agricultural jobs increased by 1,600, or 4.0 percent, to 41,900 jobs, but it is still 2,200 jobs, or 5.0 percent, below the number of jobs in 2019. A tight labor market and rising wages have made it more difficult for farmers to compete for workers, hampering recovery in this sector.

E-Commerce and Logistics

The HMA became a regional location for e-commerce fulfillment and distribution centers in the past 5 years. Firms are attracted to the HMA

because of its relative proximity to coastal California, but with lower land and labor costs. Most of these jobs are included in the transportation and utilities sector, which includes jobs at warehouses, distribution centers, and parcel delivery services. From 2016 through 2021, the transportation and utilities sector increased by 1,200 jobs, or 7.9 percent, annually. During this period, Amazon.com, Inc., Ulta Beauty, Inc., and The Gap, Inc. opened distribution centers in the HMA that employ approximately 2,500, 640, and 500 people, respectively.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to expand, with nonfarm payrolls increasing an average of 2.0 percent annually. The education and health services sector is expected to continue to be the largest source of job growth in the HMA, with the \$430 million, 144-bed expansion of Clovis Community Medical Center, part of Community Health Systems, Inc., contributing to job growth. Likewise, the e-commerce and

logistics industry is also expected to continue to grow. Amazon.com, Inc. opened a new distribution center in late 2022, which is expected to expand Amazon's presence in the HMA by 500 employees. Fancher Creek Town Center, a mixed-use retail and housing development, is under construction in southeast Fresno and is expected to open in early 2024. This development will support job growth in the mining, logging, and construction sector in the short term and the trade sector in the longer term.



Population and Households

Current Population: 1.02 Million

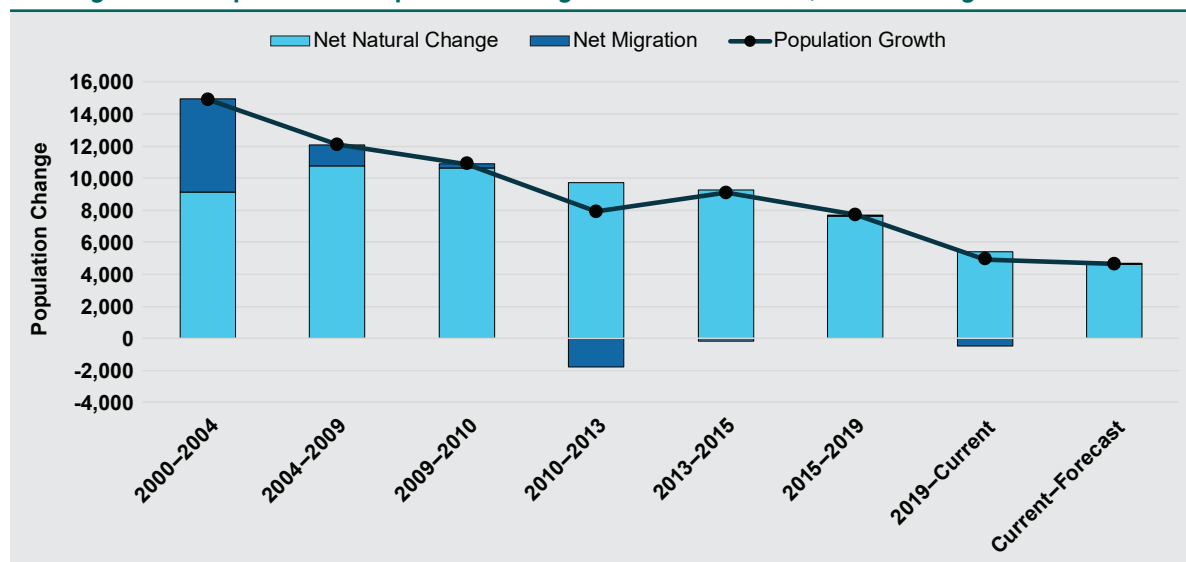
Population growth has consistently slowed since 2004 because of a declining birth rate, an aging population, and less domestic migration into the Fresno HMA.

Population Trends

Population growth in the HMA has slowed since 2004 because of lower levels of net natural change and decreased net in-migration (Figure 6). Alongside strong job growth, population growth peaked from 2000 to 2004, averaging 14,500, or 1.8 percent, annually. From 2004 to 2009, population growth slowed to an average of 12,100 people, or 1.4 percent, annually. Decreased net in-migration, which declined from an average of 5,400 people a year from 2000 to 2004 to 1,300 people a year from 2004 to 2009, caused this slowdown.

In 2009, population growth began to slow because of the effects of the Great Recession. Population growth averaged 10,900 people from 2009 to 2010, mostly because of lower net in-migration that averaged 250 people each year. From 2010 to 2013, as the effects of the Great Recession lingered and the unemployment rate remained high, the HMA had average net out-migration of 1,775 people annually, and population

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



Notes: Data displayed are average annual totals. The forecast period is from the current date (January 1, 2023) to January 1, 2026.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

growth declined sharply to an average of 7,950 people 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 9,125 people, or 0.9 percent, annually. From 2010 to 2015, migration patterns had the largest effect on population growth, whereas net natural change was fairly stable.

Net natural change in the HMA began to trend downward faster after 2015, contributing to slowing population growth. From 2015 to 2019, population growth averaged 7,700 people, or 0.8 percent, annually, with net natural change averaging 7,675 people annually. From 2015 through 2019, the number of births decreased and the number of deaths increased at rates much greater than during previous periods, causing net natural change to decline sharply. The onset of the COVID-19 pandemic caused population growth in the HMA to slow to the lowest rate since 2000. Since 2019, the population of the HMA has increased by 4,975, or 0.5 percent, annually, to 1.02 million as of January 1, 2023. During this period, net natural change decreased to an average of 5,425 people a year because of an aging population with fewer births and increased mortality related to COVID-19. Net out-migration since 2019 has averaged 450 people annually,

because poor economic conditions and barriers to migration during much of the period made moving to the HMA more difficult.

Migration Flows

International in-migration accounts for most of the net in-migration in the HMA. Since 2005, international migration into the HMA has been positive, whereas domestic net out-migration from the HMA has occurred each year. Latin America and Asia are the largest sources of migrants, contributing 48 and 34 percent of all international migration during the 2016–20 period (U.S. Census Bureau Metro-to-Metro Migration Flows; 2016–20 ACS 5-year data). During the COVID-19 pandemic, public health measures restricted international in-migration, contributing to slower population growth in the HMA.

All five of the largest sources of domestic net migration to the HMA were large metropolitan areas in California (Table 3), with the San Francisco-Oakland-Berkeley (hereafter, San Francisco) and the Los Angeles-Long Beach-Anaheim (hereafter, Los Angeles) metropolitan areas the two largest sources. Migrants are attracted to the lower relative cost of housing in the HMA—average existing home sales prices in 2022 were 67 and 62 percent lower than in the San Francisco and Los Angeles metropolitan areas (CoreLogic, Inc., with adjustments by the analyst). The largest destinations of domestic out-migration were small- to medium-sized metropolitan areas in and near the San Joaquin Valley of California.

Table 3. Metro-to-Metro Net Migration Flows in the Fresno HMA: 2016–20

| Into the HMA | |
|--------------------------------------|-------|
| San Francisco-Oakland-Berkeley, CA | 1,248 |
| Los Angeles-Long Beach-Anaheim, CA | 600 |
| Riverside-San Bernardino-Ontario, CA | 585 |
| San Jose-Sunnyvale-Santa Clara, CA | 479 |
| Sacramento-Roseville-Folsom, CA | 452 |
| Out of the HMA | |
| Bakersfield, CA | 560 |
| El Centro, CA | 549 |
| Boise City, ID | 321 |
| Madera, CA | 282 |
| San Luis Obispo-Paso Robles, CA | 229 |

Sources: U.S. Census Bureau Migration Flows; 2016–20 American Community Survey 5-year data

Age Cohort Trends

The HMA has a relatively young population, with a median age of 33.1 years compared with 38.8 years nationally, and a high percentage of children, with 28.2 percent of the population younger than age 18 compared with 22.1 percent nationally (2021 ACS 1-year data). Despite the relative youthfulness of the HMA, the cohort of residents ages 62 and older grew at an average rate of 2.6 percent annually from 2010 to 2021 compared with average annual overall population growth of 0.8 percent. As a result, the cohort of residents ages 62 and older increased from 13 to 16 percent of the HMA population. During the same period, the median age increased by more than 2 years. The increasing age of the population has contributed to the declining rate of net natural change, supported job growth in the education and health services sector, and attracted the development of age-restricted housing.

Household Trends

As of January 1, 2023, the number of households in the HMA is estimated at 328,600, an average increase of 3,075 households, or 1.0 percent, annually since 2010 (Table 4). Household growth has outpaced population growth, which has averaged 0.7 percent annually since 2010, because an aging population and strong economic conditions led to a decline in the average household size and increased household formation. By comparison, household growth averaged 3,650, or 1.4 percent, annually from 2000 to 2010. Since 2020 and the onset of the COVID-19 pandemic, the average household size is estimated to have decreased further, as the average age in the HMA continues to increase and remote workers live alone or

with fewer roommates to have more space. These trends have contributed to the high demand for housing since 2020. An estimated 56.5 percent of households, or 185,800 households, are currently homeowners compared with a homeownership rate of 54.8 percent in 2010 (Figure 7). Since 2010, homeowner households have increased an average of 1.2 percent annually compared with an average annual increase of 0.7 percent among renter households.

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 4,675, or 0.5 percent, a year—similar to growth from 2019 to the current date. A continued decline in the rate of net natural change as the population of the HMA continues to age and have fewer children is expected to offset increased net in-migration, with international in-migration recovering from the COVID-19 disruption. The number of households is expected to reach 336,000 by the end of the 3-year forecast period, with average growth of 0.7 percent annually. An estimated 69 percent of the additional households are expected to be homeowners, resulting in the homeownership rate rising to 56.8 percent at the end of the forecast period.

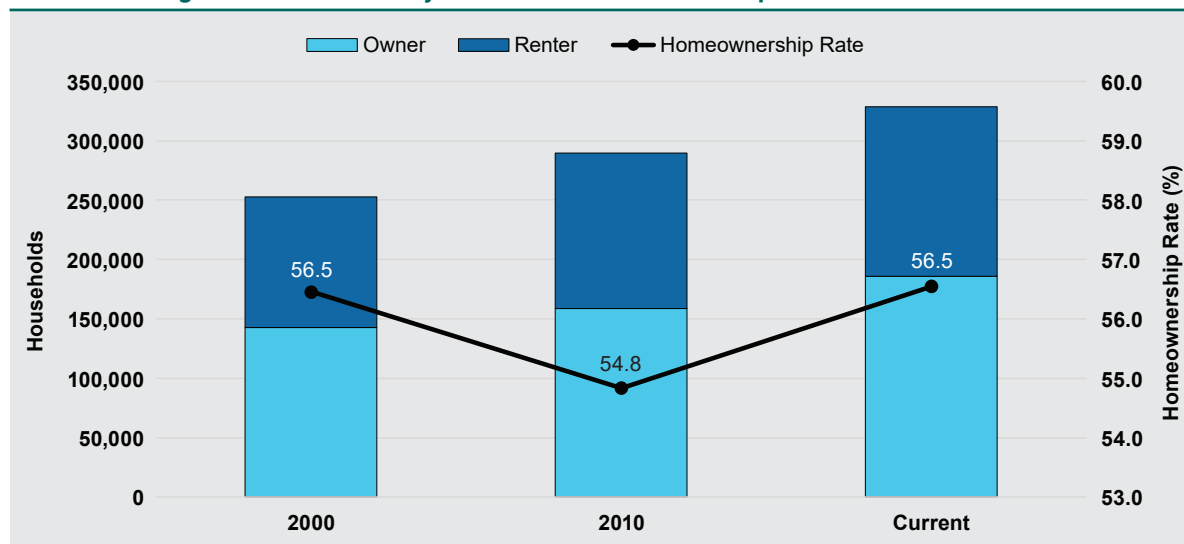
Table 4. Fresno HMA Population and Household Quick Facts

| Population Quick Facts | 2010 | Current | Forecast |
|------------------------|-----------------------|---------|-----------|
| | Population | 930,450 | 1,023,000 |
| | Average Annual Change | 13,100 | 7,225 |
| | Percentage Change | 1.5 | 0.7 |
| Household Quick Facts | 2010 | Current | Forecast |
| | Households | 289,391 | 328,600 |
| | Average Annual Change | 3,650 | 3,075 |
| | Percentage Change | 1.4 | 1.0 |

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, 2023) to January 1, 2026.

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

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



Note: The current date is January 1, 2023.

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

Home Sales Market

Market Conditions: Slightly Tight but Easing

Home sales decreased and home price growth slowed in 2022 as the market transitioned from tight to slightly tight.

Current Conditions

The sales housing market in the Fresno HMA is slightly tight but easing, with the volume of home sales declining and price growth slowing. As of January 1, 2023, the overall sales vacancy rate is estimated at 1.2 percent (Table 5), down from 2.4 percent in 2010, when conditions were soft. During the past year, sales market conditions eased from tight to slightly tight; however, sales market conditions are still tighter than before the onset of the COVID-19 pandemic, when the market was balanced. Rising mortgage interest rates contributed to easing market conditions during the past year, with the average 30-year fixed-rate mortgage up by 3.1 percentage points year over year in December 2022 (Freddie Mac). Assuming a 20-percent down payment, the rise in the rate effectively increased the monthly mortgage payment by \$600 for an average-priced home in the HMA, contributing to reduced affordability and a decline in home sales. Primarily because of rising interest rates, the number of home sales decreased 21 percent to 12,050 during 2022, following an increase of 14 percent during 2021 (CoreLogic, Inc., with adjustments by the analyst).

Decreased home sales contributed to an increase in the for-sale inventory. During December 2022, the HMA had an inventory of 1,650 existing single-family homes, condominiums, and townhomes for sale, contributing to a 2.2-month supply, up from 1,225 homes for sale and a 0.8-month supply during December 2021 (Redfin, a national real estate brokerage). By comparison, 2,125 homes, equivalent to a 1.8-month supply, were available for sale in December 2019, before the beginning of the COVID-19 pandemic. Although market conditions tightened during 2020 and 2021, the supply of available homes has been limited for many years, supporting home sales price growth in the HMA. Since 2016, the HMA has had less than 3 months of supply of available for-sale inventory, often considered a metric indicating a tight sales market. Although market conditions eased in the HMA during the past year, the average home sales price increased

8 percent to \$420,400 during 2022 compared with 2021, when home prices increased 18 percent (CoreLogic, Inc., with adjustments by the analyst). Figure 8 shows the share of overall sales by price range during 2022.

Table 5. Home Sales Quick Facts in the Fresno HMA

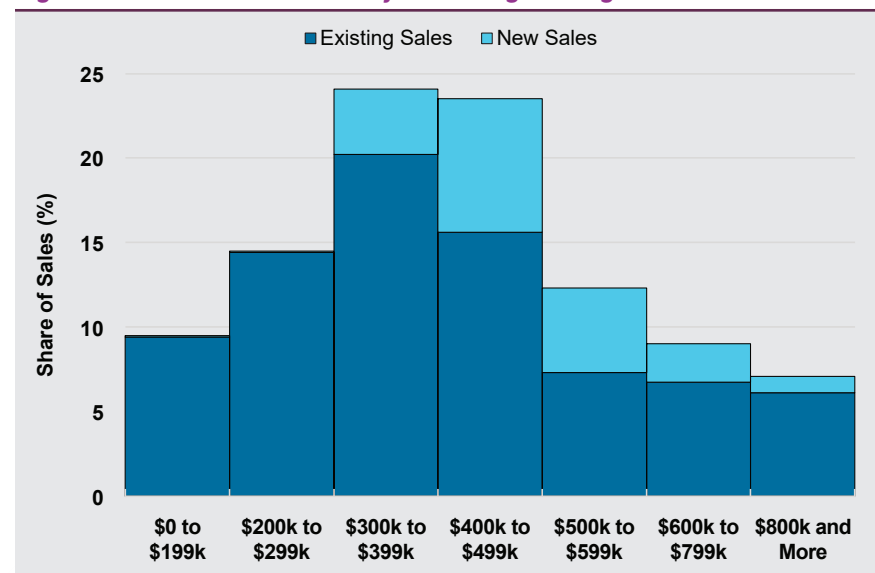
| | Fresno HMA | Nation |
|----------------------------------|------------|-----------|
| Vacancy Rate | 1.2% | NA |
| Months of Inventory | 2.2 | 2.5 |
| Total Home Sales | 12,050 | 6,336,000 |
| 1-Year Change | -21% | -19% |
| New Home Sales Price | \$509,300 | \$490,400 |
| 1-Year Change | 11% | 15% |
| Existing Home Sales Price | \$403,800 | \$396,300 |
| 1-Year Change | 7% | 7% |
| Mortgage Delinquency Rate | 1.0% | 1.2% |

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 2022; and months of inventory and mortgage delinquency data are as of December 2022. The current date is January 1, 2023.

Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Figure 8. Share of Overall Sales by Price Range During 2022 in the Fresno HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Zonda

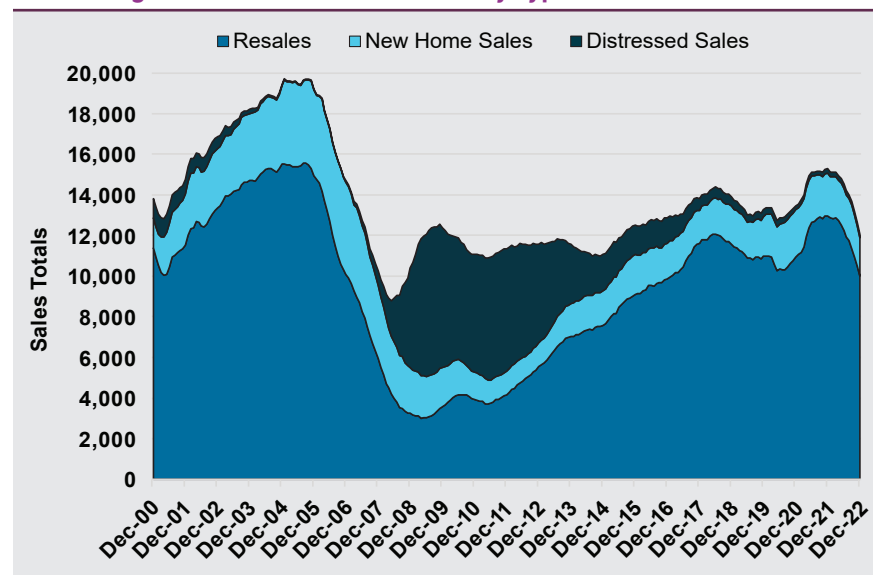
The impact of rising mortgage rates was even more evident in the past quarter. During the fourth quarter of 2022, home sales fell 45 percent compared with the fourth quarter of 2021, a larger decline than any comparable period since 2000. Home prices fell 2 percent year over year to \$403,000 as measured in the fourth quarter of 2022, the first year-over-year decline since 2011.

Existing Home Sales Trends

Existing home prices increased at a historically high rate during the early 2000s, with average annual price growth of 27 percent from 2003 through 2005, when an average of 15,150 homes sold a year. Although economic conditions in the HMA were strong and population growth was steady, most of the home price growth during this period was largely the result of speculative purchases and increased subprime lending. Quickly increasing home prices contributed to a high level of home sales as homebuyers sought to capitalize on double-digit returns. Home sales rapidly declined in 2006 and 2007, decreasing an average of 33 percent annually to a low of 6,650 during 2007, whereas existing home prices remained stable at an average of \$302,600. Existing home prices decreased an average of 25 percent annually during 2008 and 2009, even as existing home sales increased an average of 25 percent a year during the same period. The cause of this divergence was the rapid increase in the number of distressed 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 \$216,700 for resales.

Existing home sales and prices stabilized during 2010 and 2011, with an average of 9,975 homes sold annually at an average price of \$165,300. During this period, distressed sales represented 59 percent of all existing home sales. Existing home prices began to increase in 2012 and rose every year from 2012 through 2019 at an average rate of 8 percent annually. From 2012 through 2014, existing home sales decreased 3 percent annually. Declining numbers of distressed sales—which decreased to 1,800, or 19 percent of existing home sales, in 2014—slightly offset resales which

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



Source: CoreLogic, Inc., with adjustments by the analyst

increased at an average annual rate of 22 percent. 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 resales continued to increase. By 2018, the number of available homes for sale was low, constraining home sales. From 2018 through 2019, the number of existing home sales fell an average of 4 percent annually.

The home sales market tightened further during the COVID-19 pandemic. During 2020 and 2021, existing home sales and prices increased by averages of 8 and 15 percent, respectively. Low mortgage rates during this period made homebuying more affordable, and the proliferation of remote work contributed to a shift in demand away from apartments as remote workers sought more space. During 2022, the number of existing home sales fell 23 percent to 10,150 sales in response to rising interest rates, and the average existing home price grew 7 percent to \$403,800.

Home Sales by Geography

During 2022, the cities of Fresno and Clovis accounted for approximately 58 and 17 percent of all home sales in the HMA, respectively, whereas no other municipality constituted more than 3 percent of total home sales (Redfin, a national real estate brokerage). The median home price in the city of Clovis was \$477,900 during 2022, 19 percent higher than the HMA at large. The population of the city of Clovis historically has been more affluent than the population in the remainder of the HMA, with median annual earnings for full-time workers 30 percent above the HMA at large, supporting higher home prices. The median home price in the city of Fresno was \$379,000, compared with a median home price of \$395,200 in the remainder of the HMA (excluding the cities of Clovis and Fresno). The relatively higher median home price in the remainder of the HMA was primarily because of higher home prices in unincorporated areas, where large lot sizes likely contributed to the difference in prices. The trends in the number of home sales did not differ significantly between jurisdictions in the HMA.

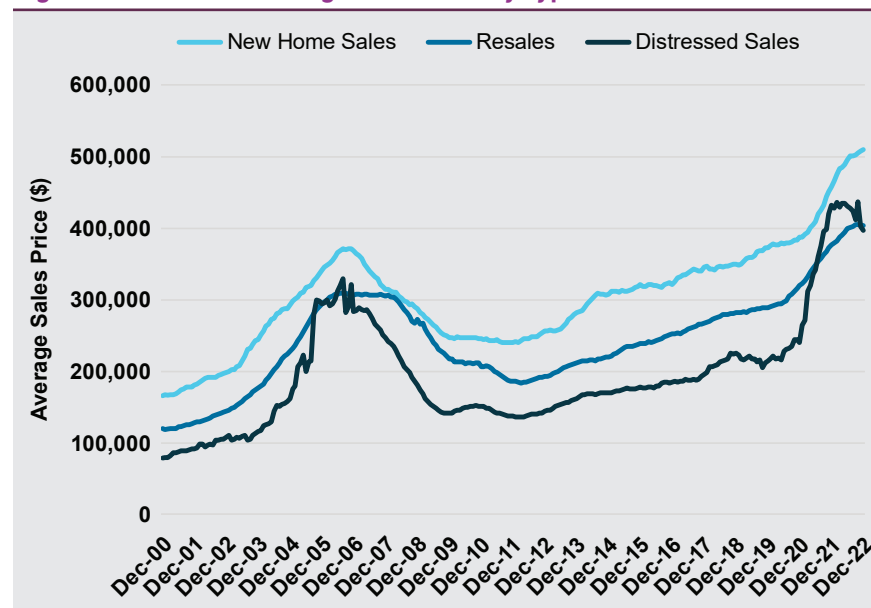
Real Estate Owned Sales and Delinquent Mortgages

The national foreclosure crisis was especially severe in the HMA, with the rate of seriously delinquent mortgages and real estate owned (REO) properties peaking at 12.7 percent in January 2010 (CoreLogic, Inc.). By comparison, the rate was 8.6 percent nationwide during the same month. From 2011 through 2019, the rate of seriously delinquent mortgages and REO properties consistently declined as the housing market stabilized and local economic conditions improved before rising sharply in early 2020 because of the COVID-19 pandemic. As of August 2020, the rate of seriously delinquent mortgages and REO properties in the HMA was 4.1 percent, up from only 0.9 percent in April 2020. The entire rate increase was due to delinquent mortgages, however, because many homeowners were able to avoid foreclosure due to mortgage forbearance programs. As a result of improving economic conditions, the rate has significantly declined. As of December 2022, 1.0 percent of mortgages in the HMA were seriously delinquent or in REO status compared with 1.2 percent for the nation.

New Home Sales and Price Trends

Although new home sales prices in the HMA have increased, new home sales are below mid-2000 levels. 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 period. The number of new home sales and prices peaked at 4,550 and \$367,900, respectively, in 2006. 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 to a low of 1,150 sales and \$240,200, respectively, in 2011. New home sales fluctuated from 2013 through 2019, averaging 1,700 homes sold annually. During the same period, new home prices increased an average of 6 percent annually (Figure 10).

Figure 10. 12-Month Average Sales Price by Type of Sale in the Fresno HMA



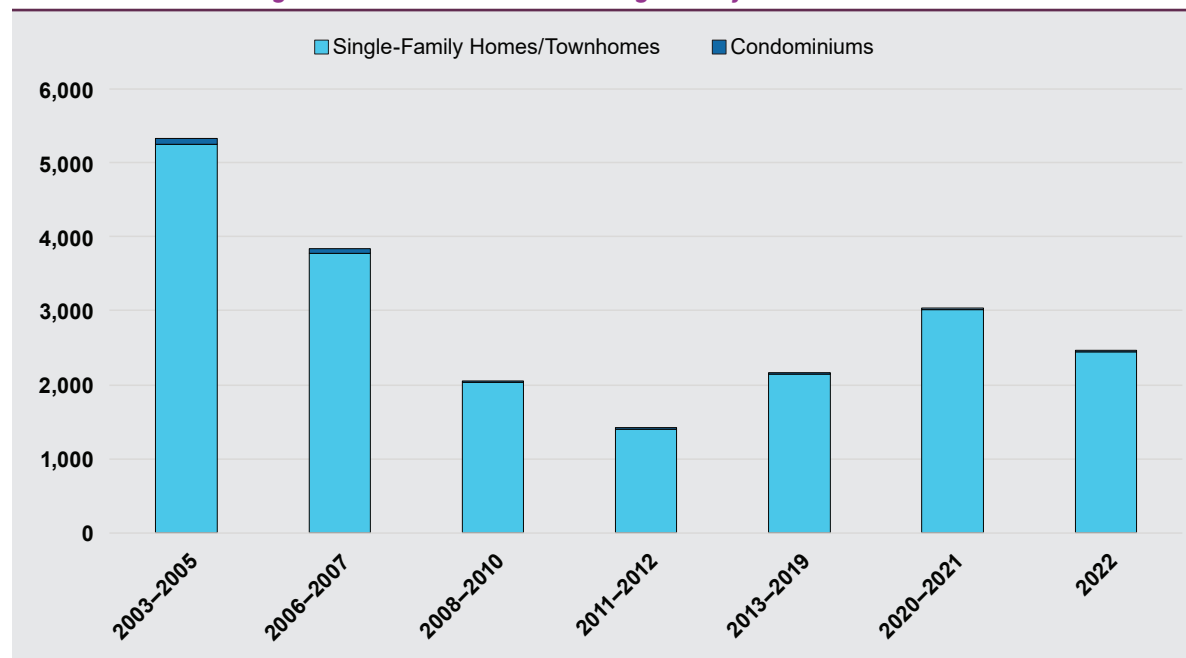
Source: CoreLogic, Inc., with adjustments by the analyst

During 2020 and 2021, the number of new homes sold increased to an average of approximately 2,225 because of rapid home price increases and increased demand for single-family homes. Average new home prices increased 11 percent annually during the same period. Rising interest rates in 2022 contributed to easing in the new home market—approximately 1,900 new homes were sold during 2022, down 11 percent from 2021, and the average home price increased 11 percent to \$509,300. New home sales decreased, and new home price growth slowed less than the existing home price growth because rising interest rates had less effect on the supply of new homes available for purchase.

Sales Construction

As measured by the number of single-family homes, townhomes, and condominium units permitted (building permits), homebuilding activity has increased in the HMA since the end of 2013 and reached a post-housing-crisis high during 2020 and 2021. Homebuilding peaked from 2003 through 2005 at an average of 5,325 homes permitted annually, then declined to an average of 3,825 homes permitted annually during 2006 and 2007 and further to an average of 2,025 homes from 2008 through 2010 (Figure 11). 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 the lowest level since 2000, averaging 1,400 homes permitted annually.

Figure 11. Annual Sales Permitting Activity in the Fresno HMA



Sources: U.S. Census Bureau, Building Permits Survey; 2003–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

Beginning in 2013, developers responded to an improving housing market by increasing production. From 2013 through 2019, the number of homes permitted was significantly higher than during the period from 2011 through 2012, averaging 2,175 homes annually. Homebuilding in the city of Clovis had the strongest recovery, increasing 141 percent from an average of 340 homes permitted annually during 2011 and 2012 to an average of 830 homes permitted annually from 2013 through 2019. By comparison, average annual homebuilding in the city of Fresno and the remainder of the HMA increased 23 and 28 percent to 900 and 420 homes, respectively. During 2020 and 2021, an average of 3,025 homes were permitted because rapid home price growth and robust demand led home builders to increase construction. Homebuilding increased the most in the city of Fresno, where 1,525 homes were permitted annually, compared with 940 and 520 homes in the city of Clovis and the remainder of the HMA, respectively. During 2022, increased interest rates constrained demand for new homes, causing homebuilding to fall to 2,450 new homes permitted. Despite the overall decline, homebuilding continued to increase in the city of Fresno, rising to 1,950 homes, but declined almost everywhere else in the HMA.

Current Home Construction Activity

Approximately 85 percent of new home construction in the HMA occurs in the central cities of Fresno and Clovis. Westerra, a 650-lot planned community in west Fresno, sold 200 new homes during 2022, more than any other subdivision in the HMA. Single-family homes at Westerra start at \$390,000 and go up to \$500,000. In Clovis, Arboralla, a 135-lot subdivision, sold 92 homes in 2022. Arboralla is nearly at buildout, with the remaining homes available starting at around \$600,000.

Forecast

On the basis of current and anticipated economic and population growth and the current slightly tight sales market conditions in the HMA, demand

is estimated for 7,275 new homes during the next 3 years (Table 6). The 700 homes under construction are expected to meet a portion of demand during the first year of the 3-year forecast period. Demand for sales housing is expected to be steady throughout the forecast period.

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

| Sales Units | |
|--------------------|-------------|
| Demand | 7,275 Units |
| Under Construction | 700 Units |

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst



Rental Market

Market Conditions: Slightly Tight

Apartment vacancy rates and rent growth in the Fresno HMA have returned to prepandemic levels.

Current Conditions and Recent Trends

The overall rental market in the HMA—including apartments, single-family homes, and other housing options available for rent—is slightly tight. The estimated 3.7-percent vacancy rate is down from 7.0 percent in April 2010, when rental conditions were soft (Table 7). From 2010 to 2020, low levels of apartment construction, consistent population growth, and strong economic conditions contributed to declining vacancy rates and rising rents. During this period, tightening sales market conditions in the HMA contributed to a decline

in the significance of single-family rental units. Single-family homes accounted for approximately 39 percent of all occupied rental units in the HMA in 2021, down from 44 percent in 2010 (ACS 1-year data).

Apartment Market Conditions

The apartment market, which accounted for approximately 37 percent of renter-occupied units in 2021 in the HMA (2021 ACS 1-year data), is slightly tight. As of the fourth quarter of 2022, the average apartment vacancy rate in the HMA was 3.6 percent, up from 2.1 percent as of the fourth quarter of 2021 and 1.8 percent as of the fourth quarter of 2020 (CoStar Group; Figure 12). By comparison, the apartment vacancy rate was 2.8 percent as of the fourth quarter of 2019. Apartment market conditions tightened after the onset of the COVID-19 pandemic in 2020, when the rate of household formation increased, caused in part by an increase in household decoupling. During 2020,

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

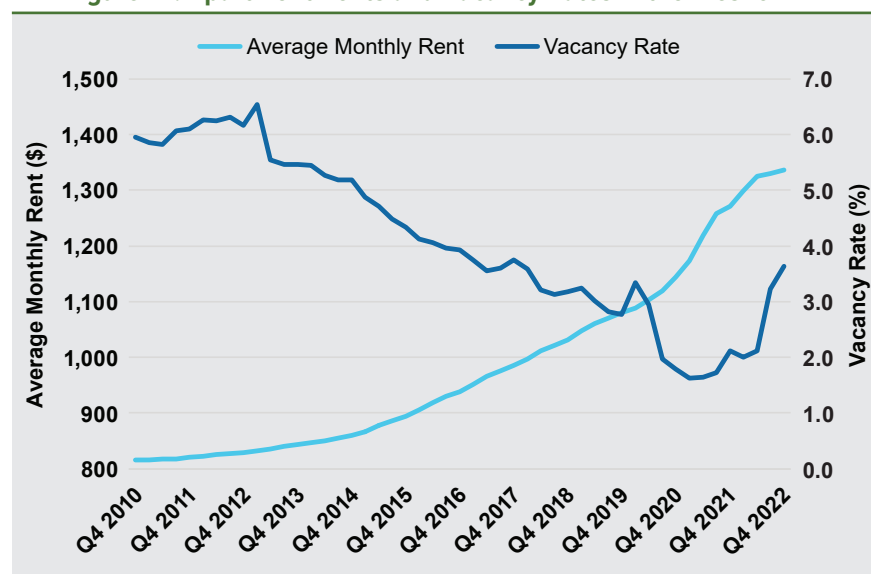
| Rental Market Quick Facts | | 2010 (%) | Current (%) |
|------------------------------|------------------------------------|----------|-------------|
| | Rental Vacancy Rate | 7.0 | 3.7 |
| | | 2010 (%) | 2021 (%) |
| | Occupied Rental Units by Structure | | |
| | Single-Family Attached & Detached | 44 | 39 |
| Apartment Market Quick Facts | | Q4 2022 | YoY Change |
| | Apartment Vacancy Rate | 3.6 | 1.5 |
| | Average Rent | \$1,337 | 5% |
| | Studio | \$876 | 5% |
| | One-Bedroom | \$1,198 | 5% |
| | Two-Bedroom | \$1,351 | 5% |
| | Three-Bedroom | \$1,742 | 5% |

Q4 = fourth quarter. YoY = year-over-year.

Notes: The current date is January 1, 2023. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

Figure 12. Apartment Rents and Vacancy Rates in the Fresno HMA



Q4 = fourth quarter.

Source: CoStar Group

approximately 1,125 apartments were absorbed, the most of any year since 2005. This trend was short lived, however, and apartment absorption slowed to an average of 270 units in 2021 and 2022, the lowest levels since 2012.

As of the fourth quarter of 2022, the average asking rent in the HMA was \$1,337, up 5 percent year over year, and average rents for one-, two-, and three-bedroom apartments were \$1,198, \$1,351, and \$1,742, respectively. Average rents increased 11 percent in 2021 and 6 percent in 2020, respectively, the first and second largest annual rent increases since 2000. The elevated rent growth during 2020 and 2021 resulted mostly from high rates of household formation and the rising price of sales housing contributing to increased demand for rental units, allowing property managers to raise rents.

Before the COVID-19 pandemic, the apartment vacancy rate decreased every year, from 6.2 percent in 2012 to 2.8 percent in 2019. Average rent growth averaged 2 percent annually in 2013 and 2014, then accelerated to an average of 5 percent annually from 2015 through 2019. Limited apartment construction, relative to demand for rental units, contributed to the declining vacancy rate and strong rent growth in the HMA.

Market Conditions by Geography

Approximately 80 and 14 percent of the apartment inventory in the HMA are in the cities of Fresno and Clovis, respectively. Among the eight CoStar Group-defined market areas (hereafter, market areas) in

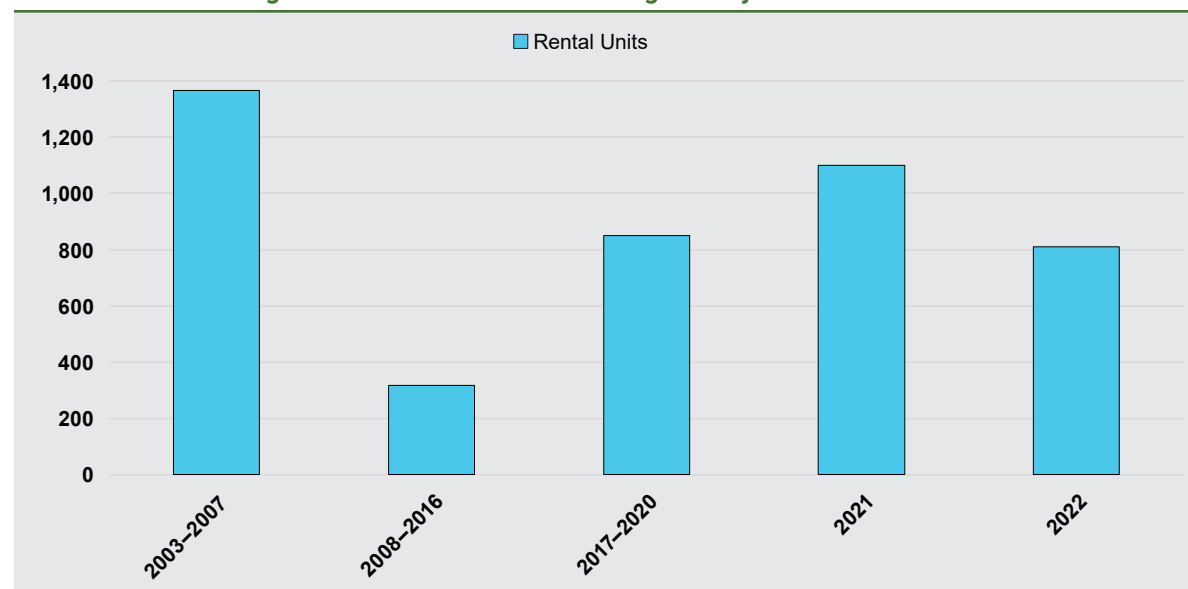
the HMA, apartment vacancy rates ranged from a low of 1.6 percent in the Western Suburban Fresno market area to a high of 4.9 percent in the North Fresno market area as of the fourth quarter of 2022. No apartments were completed in the Western Suburban Fresno market area, which includes suburban and unincorporated areas west of the city of Fresno, whereas the North Fresno market area accounted for approximately 70 percent of apartment completions in the HMA during 2022. As of the fourth quarter of 2022, the vacancy rate in every market area had increased compared with the fourth quarter of 2021.

As of the fourth quarter of 2022, the East Fresno market area, which includes the city of Clovis, and the West Fresno market area had the highest rents in the HMA at \$1,425 and \$1,405, respectively. Rents in these market areas have grown faster than in the HMA at large during the past 2 years, averaging growth of 9 and 10 percent, respectively, compared with 7 percent in the remainder of the HMA.

Rental Construction Activity

Rental construction, as measured by the number of rental units permitted, has increased significantly since 2017 but remains below the peaks of the previous decade (Figure 13). Rental construction levels were high

Figure 13. 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; 2003–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

from 2003 through 2007, averaging 1,375 units annually, when 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 an average of 850 units permitted annually from 2017 through 2020. In response to historically low vacancy rates and accelerating rent growth following the onset of the COVID-19 pandemic, rental construction increased to 1,100 permits in 2021. During 2022, rental construction slowed to 810 units but remains above pre-2017 levels.

Current Rental Construction Activity

An estimated 750 apartments are under construction in the HMA, with most in the cities of Fresno and Clovis. Coronado Apartments, a 237-unit market-rate apartment property, was recently completed in north Fresno. One-, two-, and three-bedroom units at the Coronado Apartments average approximately \$1,990, \$2,200, and \$2,325, respectively. Brandhaven, an income-restricted

apartment property for seniors, is under construction at the Fancher Creek development in southeast Fresno. When complete in early 2023, Brandhaven will offer 178 units to senior households making less than 50 and 60 percent of Area Median Income.

Forecast

During the 3-year forecast period, demand is estimated for 2,350 rental units in the HMA (Table 8). Demand for new rental units in the HMA is expected to be relatively stable during the forecast period. The 750 units under construction are expected to fulfill most demand during the first year of the forecast period.

Table 8. Demand for New Rental Units in the Fresno HMA During the Forecast Period

| Rental Units | |
|--------------------|-------------|
| Demand | 2,350 Units |
| Under Construction | 750 Units |

Note: The forecast period is from January 1, 2023, to January 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

| | |
|--|---|
| Apartment Vacancy Rate/Average Rent | Apartment vacancy rates and average rents are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up. |
| 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. |
| 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. |
| Existing Home Sales | Includes resale sales, short sales, and REO sales. |
| Forecast Period | 1/1/2023–1/1/2026—Estimates by the analyst. |
| Home Sales/ Home Sales Prices | Includes single-family home, townhome, and condominium sales. |
| Net Natural Change | Resident births minus resident deaths. |

| | |
|---|---|
| Rental Market/ Rental Vacancy Rate | Includes apartments and other rental units, such as single-family, multifamily, and mobile homes. |
| Resales | These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party. |
| San Joaquin Valley Region | The area of the Central Valley south of Sacramento that is drained by the San Joaquin River. It includes Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties. |
| Seriously Delinquent Mortgages | Mortgages 90+ days delinquent or in foreclosure. |

B. Notes on Geography

| | |
|----|---|
| 1. | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria. |

C. Additional Notes

| | |
|----|---|
| 1. | 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. |
| 2. | 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. |



D. Photo/Map Credits

| | |
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Contact Information

Adam Tubridy, Economist
Seattle HUD Regional Office
206-220-5339
adam.b.tubridy@hud.gov

