COMPREHENSIVE HOUSING MARKET ANALYSIS

Sacramento--Roseville--Arden-Arcade, California

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

As of June 1, 2022

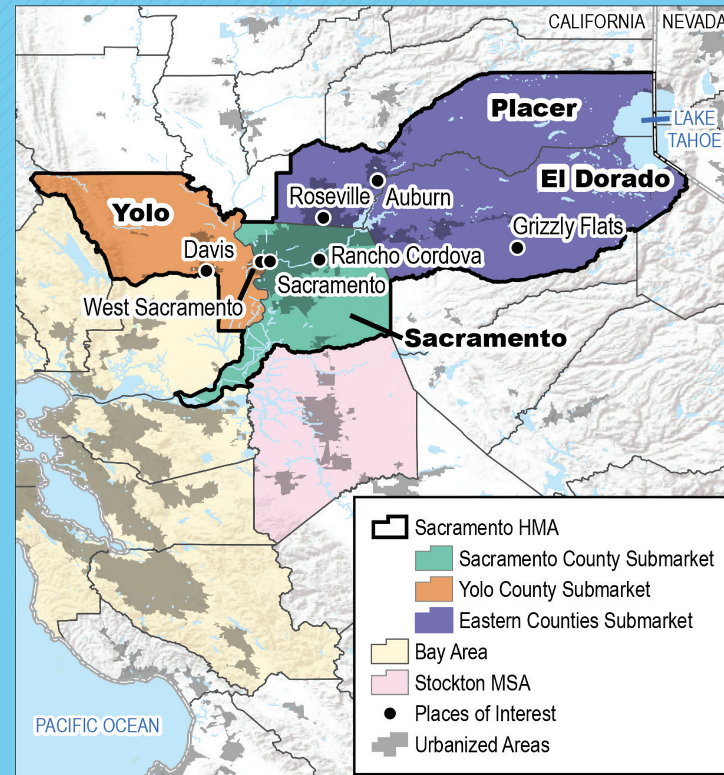
Executive Summary

Housing Market Area Description

The Sacramento--Roseville--Arden-Arcade Housing Market Area (hereafter, Sacramento HMA), which is coterminous with the Sacramento--Roseville--Arden-Arcade, CA Metropolitan Statistical Area (MSA), encompasses the region from the California Central Valley to the Nevada border. For purposes of this analysis, the HMA is divided into three submarkets: (1) The Sacramento County submarket, which is home to the California state capital; (2) the Yolo County submarket, which is anchored by the University of California, Davis (UC Davis); and (3) the Eastern Counties submarket, which includes El Dorado and Placer Counties and part of Lake Tahoe.

The current population of the HMA is estimated at 2.43 million.

The city of Sacramento is approximately 90 miles northeast of the city of San Francisco. Migration into the HMA largely consists of people from more expensive housing markets, such as those in the San Francisco area. This migration has contributed to tight sales and rental housing markets in the HMA in recent years and also supports growth in many service-providing sectors and industries—including healthcare, leisure and hospitality, trade, and transportation.



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: On a monthly basis, nonfarm payrolls have recovered the number of jobs lost because of the COVID-19 pandemic and, as of May 2022, are 1.9 percent higher than in March 2020—before the Sacramento HMA endured the impacts from the pandemic (not seasonally adjusted).

During the 12 months ending May 2022, total nonfarm payrolls in the HMA averaged 1.03 million jobs, up by 53,200 jobs, or 5.5 percent, from the 12 months ending May 2021. All payroll sectors contributed to job growth during the past 12 months, led by an increase of 18,000 jobs, or 22.0 percent, in the leisure and hospitality sector. The unemployment rate during the 12 months ending May 2022 averaged 4.9 percent, down from 8.6 percent a year earlier. During the next 3 years, jobs are expected to increase 1.6 percent annually.

Sales Market

Tight: The inventory of homes for sale in the HMA has remained below the national level and has had less than 2.5 months of supply since at least 2013 (Redfin, a national real estate brokerage).

Home sales market conditions in the HMA are tight, with an estimated sales vacancy rate of 1.0 percent, down from 2.4 percent in April 2010. Total home sales decreased 1 percent during the 12 months ending May 2022 to 50,150 homes sold, and the average sales price increased 15 percent to nearly $627,800 (Zonda). Homeownership is very expensive in the HMA and unattainable for many, exacerbated by a low inventory of homes for sale and rising interest rates. Demand is estimated for 26,475 homes during the next 3 years, and the 4,095 homes currently under construction will satisfy a portion of that demand.

Rental Market

Tight: The rental vacancy rate is currently estimated at 4.1 percent, a decline from 8.0 percent in April 2010 when conditions were soft.

Conditions in the apartment market are also tight, with low vacancy rates and moderating rent growth in the past year, despite rising vacancy rates year over year. During the second quarter of 2022, the apartment vacancy rate in the HMA was 4.3 percent, up from 3.1 percent a year earlier, and the average rent increased 6 percent to $1,736 (CoStar Group). By comparison, in the second quarter of 2021, rents were up 12 percent over the previous year. During the next 3 years, demand is estimated for 11,545 new rental units, and the 4,680 units under construction will meet a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Sacramento HMA Total	Sacramento County Submarket	Yolo County Submarket	Eastern Counties Submarket	Sacramento HMA Total	Sacramento County Submarket	Yolo County Submarket	Eastern Counties Submarket
Total Demand	26,475	13,750	1,975	10,750	11,545	8,300	820	2,425
Under Construction	4,095	2,025	170	1,900	4,680	3,700	580	400

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2022. The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Economic Conditions

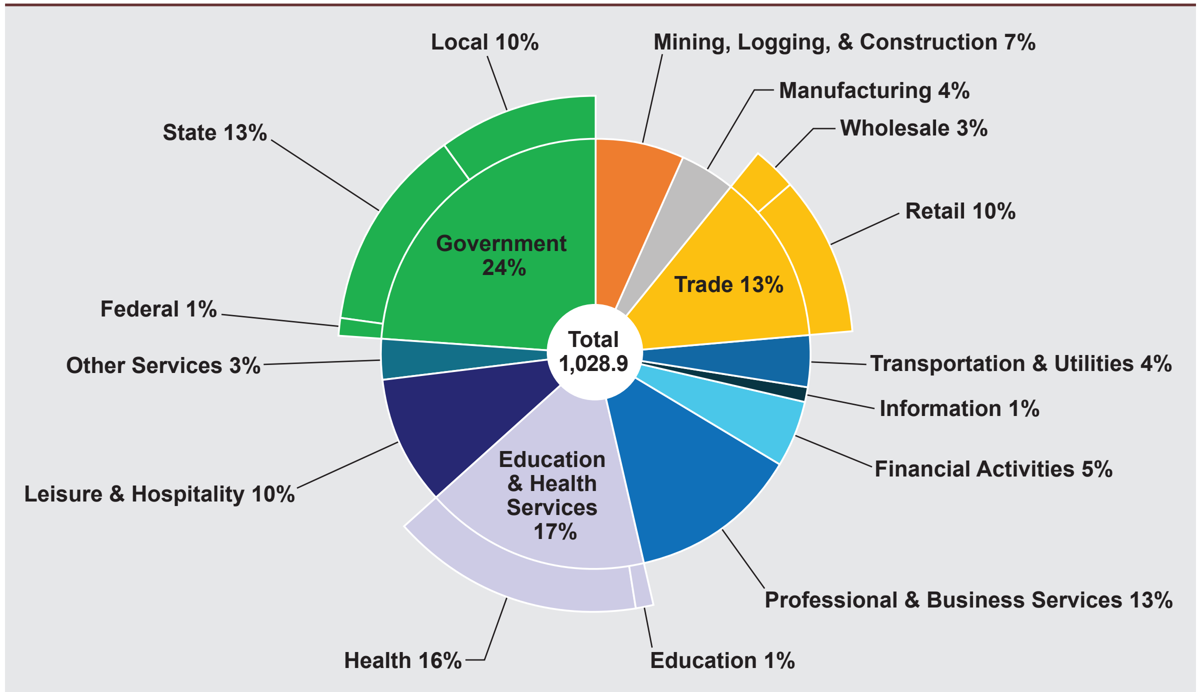
Largest Sector: Government

> Government payrolls account for 24 percent of nonfarm payroll jobs, anchored by the state capital and public universities in the Sacramento HMA.

Primary Local Economic Factors

The city of Sacramento is the state capital of California and the government sector is the largest payroll sector, with 24 percent of payrolls (Figure 1) and 242,000 workers during the 12 months ending May 2022, of which 127,800, or nearly 53 percent, are state government employees. In addition to the capital, public universities California State University, Sacramento (Sacramento State) and the University of California, Davis (UC Davis) are both in the HMA, adding to state government payrolls. Sacramento State and UC Davis enrolled nearly 31,600 and 41,150 students, respectively, during the fall 2021 semester and employed 3,325 and 24,975 workers. Sacramento State, together with California State University, Chico in the Chico, CA MSA, had a $2.6 billion economic impact in 2019 throughout the Sacramento Valley Region, which includes the HMA, Chico MSA, and surrounding areas (The Impact of California State University). A 2016 report for UC Davis found that the university, with campuses in the cities of Davis and Sacramento, had an economic impact of $6.8 billion in the greater Sacramento region—which includes the HMA and three neighboring counties—and an $8.1 billion impact statewide (Economic & Planning Systems, Inc. for UC Davis).

Figure 1. Share of Nonfarm Payroll Jobs in the Sacramento HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2022.
Source: U.S. Bureau of Labor Statistics

The HMA is in the Central Valley region of California, which extends beyond the HMA from the city of Redding, about 150 miles to the north, to the city of Bakersfield, 275 miles to the south, and is one of the most productive agricultural areas in the nation. Sacramento and Yolo Counties are the primary agriculture-producing counties in the HMA, with the fertile regions of the HMA extending to the southwest toward the Sacramento-San Joaquin Delta, also known as the California Delta, which also supports tourism and water recreation. The top agriculture commodities in Sacramento County include grapes for wine, milk, and poultry; in Yolo County, they include tomatoes for processing, grapes for wine, and almonds. Agriculture in the two counties had a combined value of $1.16 billion in 2020 (Sacramento

Department of Agriculture and Weights and Measures; Yolo County Agriculture, Weights and Measures Department). The HMA had nearly 9,200 workers employed in the agriculture, forestry, fishing, and hunting industry during 2021 (Quarterly Census of Employment and Wages). Although agriculture is not included in nonfarm payrolls, it does indirectly support employment in the manufacturing, the wholesale and retail trade, and the transportation sectors, as well as the tourism industry through agritourism. Sacramento claims to be the "Farm to Fork Capital of America," with farm tours, pick-your-own produce farms, breweries, wineries, restaurants, farmers markets, and food-themed festivals connecting people to the local agriculture.

The HMA is the most populous metropolitan area in the Central Valley region, and as such, it is also a regional center for healthcare services and life science innovation. Three of the largest employers in the HMA are healthcare providers (Table 1). A 2016 Economic and Health Impact of Hospitals report found that hospitals throughout the region had an annual impact of $14.3 billion and that healthcare professionals earned wages that were 90 percent higher than the average earnings (Hospital Council of Northern and Central California). Collaboration with the UC Davis teaching hospital in the city of Sacramento has also led to a life sciences industry cluster, with companies manufacturing medical devices

Table 1. Major Employers in the Sacramento HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of California	Government	86,233
Kaiser Foundation Health Plan, Inc.	Education & Health Services	19,813
Sutter Medical Network	Education & Health Services	18,859
UC Davis Health	Government	14,618
Dignity Health	Education & Health Services	10,888
University of California, Davis	Government	10,032
Intel Corporation	Manufacturing	5,992
California State University, Sacramento	Government	5,283
Raley's	Wholesale & Retail Trade	4,976

Notes: Excludes local school districts. State of California payrolls exclude UC Davis, Sacramento State, and some other smaller state government entities, and therefore do not reflect total state government subsector payrolls.
Sources: Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2021 for El Dorado, Placer, Sacramento, and Yolo Counties

and researching different medical therapies. In February 2022, construction began on the first phase of Aggie Square, adjacent to the UC Davis Medical Center. The $1.1 billion project will include science and technology laboratories, offices, and a rehabilitation hospital, and it is expected to have a $5 billion annual economic impact on completion, which is estimated to be in 2024.

The Lake Tahoe resort areas in the Sierra Nevada mountains is a major tourist destination known for skiing, trails, and lake recreation in the eastern side of the HMA. A 2021 report found that approximately 63 percent of the Lake Tahoe area economy was dependent on tourism, highlighting the vulnerability of the area to downturns in tourism, such as during the COVID-19 pandemic or closures due to wildfires like the Caldor Fire in 2021 (Tahoe Prosperity Center). The Caldor Fire cost $271 million to fight and had an additional economic cost of $50.3 million from business closures and reduced tourism spending in El Dorado County; approximately 620 homes were destroyed, including cabins and vacation rentals, primarily in the Grizzly Flats area.

Current Conditions—Nonfarm Payrolls

Total nonfarm payrolls in the HMA averaged 1.03 million during the 12 months ending May 2022, up by 53,200 jobs, or 5.5 percent, from the preceding 12-month period (Table 2) when jobs declined by 32,700 jobs, or 3.2 percent, because of the pandemic-related downturn. Nonfarm payrolls are currently 0.6 percent higher than during the same period in 2019 (Figure 2). The recovery was uneven due to periods of resurgence in COVID-19 cases, but nonfarm payrolls have consistently been above prepandemic levels since February 2022 (monthly basis, not seasonally adjusted).

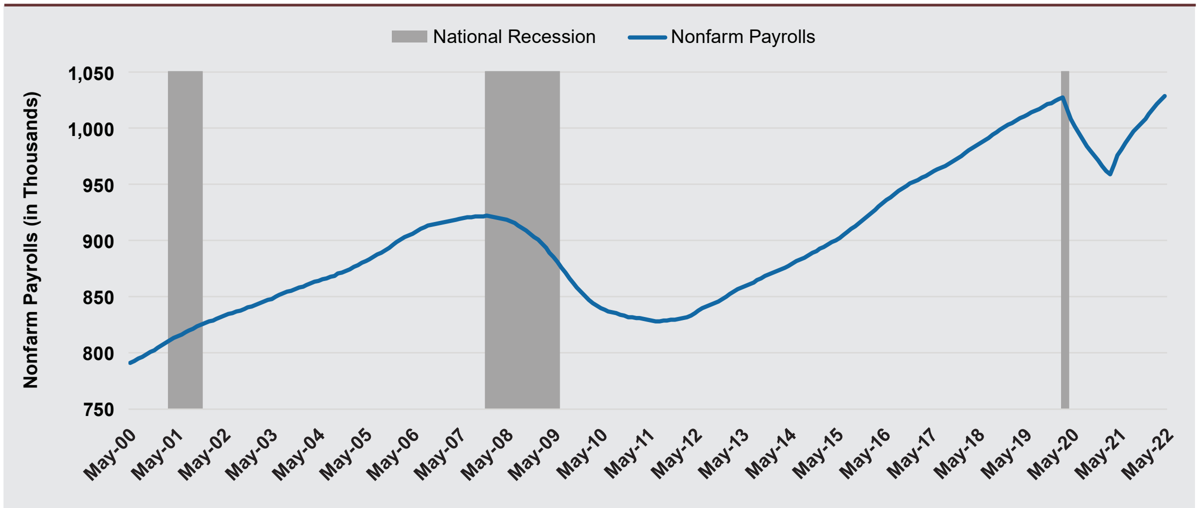
Growth across all sectors supported gains in nonfarm payrolls during the past 12 months. During the 12 months ending May 2022, the leisure and hospitality sector, which increased by 18,000 jobs, or 22.0 percent, from the previous 12 months, led job growth. Nevertheless, the recession of early 2020 hit this sector hardest, and nonfarm payrolls in the sector remain 9 percent less than levels during the same 12-month period in 2019. In addition, the information, the financial activities, and the other services sectors also have not fully recovered from the job losses in 2020. Rising interest rates in the spring of 2022 that reduced demand for mortgage applications and refinancing, leading to layoffs in the mortgage finance industry, has challenged the financial activities sector. During the spring of 2022, PennyMac Loan Services, LLC announced three rounds of layoffs totaling nearly 100 workers in the city of Roseville in the Eastern Counties submarket. Although some sectors are still recovering, other sectors surpassed their previous prepandemic peaks. Payrolls in the transportation and utilities sector have recovered the fastest and are 19 percent higher than in 2019. An acceleration in the shift in preferences toward online purchases and deliveries contributes to the increase.

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

	12 Months Ending May 2021	12 Months Ending May 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**975.7**	**1,028.9**	**53.2**	**5.5**
Goods-Producing Sectors	108.6	114.4	5.8	5.3
Mining, Logging, & Construction	72.4	76.3	3.9	5.4
Manufacturing	36.2	38.0	1.8	5.0
Service-Providing Sectors	867.1	914.5	47.4	5.5
Wholesale & Retail Trade	124.3	128.8	4.5	3.6
Transportation & Utilities	35.6	38.4	2.8	7.9
Information	9.8	10.2	0.4	4.1
Financial Activities	51.4	52.0	0.6	1.2
Professional & Business Services	133.7	138.4	4.7	3.5
Education & Health Services	165.2	171.0	5.8	3.5
Leisure & Hospitality	81.9	99.9	18.0	22.0
Other Services	30.8	33.8	3.0	9.7
Government	234.4	242.0	7.6	3.2

Notes: Based on 12-month averages through May 2021 and May 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

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

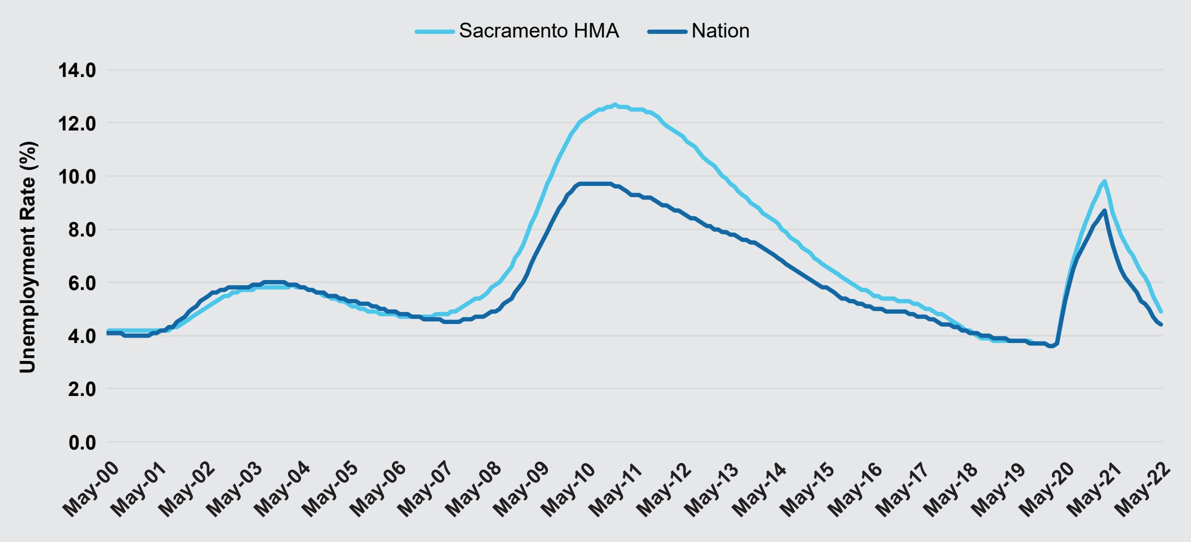


Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Current Conditions—Unemployment

The unemployment rate in the HMA was 4.9 percent during the 12 months ending May 2022, down from 8.6 percent a year earlier (Figure 3). The unemployment rate decreased during the past 12 months, because strong 6-percent growth in employment outpaced the 2-percent gain in the labor force. The unemployment rate in the HMA was higher than the statewide and national unemployment rates of 3.9 and 4.4 percent, respectively, during the 12 months ending May 2022. The unemployment rate during the past 12 months was also higher than the rate each year from 2017 through 2019; the rate spiked to 9.0 percent in 2020 from the impacts of the recession but has since been declining.

Figure 3. 12-Month Average Unemployment Rate in the Sacramento HMA and the Nation



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

Economic Periods of Significance

2000 Through 2007

Nonfarm payrolls in the HMA increased every year through 2007. The HMA had 805,000 jobs in 2000, and from 2001 through 2007, nonfarm payrolls increased by an average of 16,700 jobs, or 2.0 percent, annually to 922,000 jobs. Nonfarm payroll growth during this period was particularly strong in the education and health services, the government, and the leisure and hospitality sectors, which accounted for a combined 68 percent of job growth. The sectors expanded by averages of 5,600, 3,400, and 2,300 jobs, or 6.2, 1.5, and 3.0 percent, each year, respectively. The mining, logging, and construction sector also contributed to job growth, adding 2,000 jobs, or 3.3 percent, annually during this period when residential construction activity was at its peak, averaging 17,900 total residential units permitted each year from 2000 through 2007.

2008 Through 2011

The local economic downturn that resulted from the Great Recession and housing market crisis led to 4 years of job losses in the HMA. From 2008 through 2011, nonfarm payrolls declined by an average of 23,000 jobs, or 2.6 percent, annually to a low of 830,000 jobs. By comparison, national job losses averaged 1.9 percent annually from 2008 through 2010. In the HMA, job losses in the mining, logging, and construction sector alone accounted for 33 percent of total job losses during the period, declining by 7,600 jobs, or 13.8 percent, annually, in part because residential construction activity stalled. During the same period, residential construction declined significantly and was 80 percent less than during the period from 2000 through 2007. The effect of soft housing market conditions impacted supporting industries, including the financial activities and the wholesale and retail trade sectors, which decreased by averages of 3,700 and 3,600 jobs, respectively, or 6.6 and 3.0 percent, annually. In the financial activities sector, Wells Fargo & Company downsized business banking and phone bank operations in the HMA, eliminating approximately 400 jobs in 2010.

2012 Through 2019

The economy in the HMA began to recover in 2012 but did not surpass the previous peak of jobs until 2016, well behind the national recovery in 2014. Nonfarm payrolls increased by an average of 24,900 jobs, or 2.7 percent, a year. Job growth occurred across all sectors except for the information sector, which decreased by an average of 500 jobs, or 3.8 percent, annually. The education and health services sector led job growth, adding 5,700 jobs, or 4.0 percent, each year. In 2016, Kaiser Foundation Health Plan, Inc. (hereafter, Kaiser Permanente) opened the Downtown Commons Medical Offices and, in 2018, its Sports Medical Center, both in downtown Sacramento. Also contributing to the strong job growth, the mining, logging, and construction sector increased by an average of 4,400 jobs, or 8.7 percent, annually. Significant construction projects in the HMA included the $600 million McClellan Business Park and Data Center, which broke ground in 2016 in Sacramento County, the $200 million Cache Creek Casino Resort in Yolo County that started in 2017, and, in 2018, construction began on the $530 million California Natural Resources Agency in Sacramento.

Jobs by Geography

Most of the jobs in the HMA, 68 percent, are in the Sacramento County submarket (Table 3), followed by the Eastern Counties and Yolo County submarkets, with 22 and 10 percent, respectively (2019 U.S. Census Bureau on the Map). Sacramento County is the regional business center for the HMA and for state government. The largest employer in Yolo County is UC Davis, whereas major employers in the Eastern Counties submarket include healthcare providers—many of which are near the city of Roseville and resorts in the Lake Tahoe area—serving the increasing needs of the older population.

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the Sacramento HMA, by Submarket

Sacramento County Submarket	68
Yolo County Submarket	10
Eastern Counties Submarket	22

Sources: U.S. Bureau of Labor Statistics; estimates by the analyst

Commuting Patterns

The Sacramento HMA is closely connected to surrounding metropolitan areas, and commuting among the MSAs is considerable. A popular mode of transportation for commuters in the HMA is the Capitol Corridor Amtrak train, which connects the city of Auburn in Placer County to the city of San Jose in the San Francisco Bay Area (hereafter, Bay Area). The duration of the train ride is approximately 4 hours each way; the commute from the city of Oakland in Alameda County to the city of Vacaville in Solano County is less than 45 minutes and from Oakland to the city of Sacramento is approximately 2 hours. Workers living in the HMA fulfill approximately 74 percent of jobs within the HMA, and the remaining 26 percent commute from outside the HMA (U.S. Census Bureau OnTheMap 2019). Nearly 3 percent of HMA workers commute from the Stockton MSA to the south of the HMA, and 2 percent commute from the Yuba City MSA to the north; another 10 percent of the workers in the HMA commute from the Bay Area, including Solano County. The remaining 11 percent commute from elsewhere in California and southwest Nevada.

By submarket, residents of the Sacramento County submarket fill the majority of jobs within the HMA. Residents living in the Sacramento County submarket fill approximately 61 percent of the jobs in the submarket, and people commuting from neighboring counties outside the HMA fill nearly one-fourth. Residents of the Yolo County and Eastern Counties submarkets fill the remaining jobs (Table 4). In the Yolo County submarket, residents of the Sacramento County submarket fill approximately 33 percent of the jobs, and residents of the Yolo County Submarket fill 31 percent, with the rest commuting from the Eastern Counties submarket or outside the HMA. In the Eastern Counties submarket, residents of the submarket fill 44 percent of the jobs, with 27 percent commuting from outside the HMA and 27 percent from the Sacramento County submarket; fewer than 2 percent commute from the Yolo County submarket. Conversely, of the working residents in the HMA, 74 percent work at locations within the HMA, and 26 percent commute to jobs outside of the HMA; nearly one-half of the latter commute to jobs in the Bay Area. The Sacramento HMA is considered an affordable option for people who work in the Bay Area but cannot afford its extreme housing costs.

Table 4. Jobs by Place of Worker Residence in the Sacramento HMA

Worker Residence		Location of Primary Job		
		Sacramento County Submarket (%)	Yolo County Submarket (%)	Eastern Counties Submarket (%)
	Sacramento County Submarket	61	33	27
	Yolo County Submarket	4	31	2
	Eastern Counties Submarket	11	5	44
	Outside the HMA	25	31	27

Note: Columns may not add to 100 percent due to rounding.
Source: 2019 U.S. Census Bureau OnTheMap

Forecast

During the next 3 years, the economy is expected to continue expanding. Nonfarm payrolls are expected to increase an average of 1.6 percent annually to 1.08 million jobs. Growth is expected to be strongest during the first year of the forecast, then moderate during the next 2 years. Ongoing construction projects, including residential and nonresidential projects, are expected to support job growth. A total of 14 hotels, with nearly 1,775 hotel rooms combined, already started construction, with construction continuing through the first 2 years of the forecast period; those projects will subsequently add jobs to the leisure and hospitality sector on completion. Rebuilding from the Caldor Fire is also expected to contribute to construction activity in the Eastern Counties submarket throughout the forecast period. In addition, the healthcare industry is expected to grow. Kaiser Permanente announced a $300 million expansion at its Roseville Medical Center to add nearly 140 beds and several departments. Kaiser Permanente plans to begin construction of a 14-story, 420-bed hospital in the Railyards redevelopment area in downtown Sacramento by the end of the forecast period. The 244-acre Railyards project—one of the largest urban redevelopment projects in the country—began construction in 2020, including a $500 million courthouse and the 345-unit The AJ apartments that will be complete in spring 2023.

Population and Households

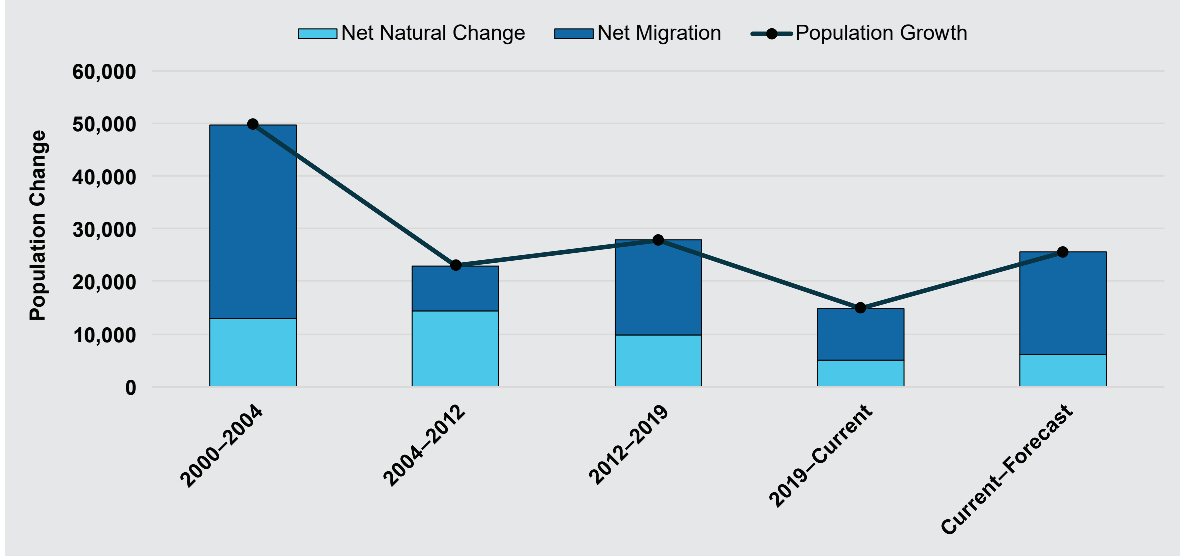
Current Population: 2.43 Million

> Population growth since 2010 has slowed since the previous decade because of the aging population and a slowdown in migration.

Population Trends

As of June 1, 2022, the population in the Sacramento HMA was estimated at 2.43 million, reflecting an average annual increase of 23,075, or 1.0 percent, since April 2020. Population growth was strong during the early 2000s, in part due to sustained economic growth, strong international migration, and an influx of movers from the Bay Area. From 2000 to 2004, the population increased by an average of 49,850, or 2.7 percent, annually (Figure 4). Net in-migration accounted for 74 percent of the population growth, averaging 36,850 people annually. Domestic migration accounted for 79 percent of the migration into the HMA. Net natural increase averaged 13,000 people annually. The population continued to increase, but at a much slower rate, and from 2004 to 2012, a period which includes the Great Recession and an economic downturn, the population increased by an average of 22,900, or 1.1 percent, annually. Net in-migration accounted for 37 percent of the population growth, averaging 8,450 people annually,

Figure 4. Components of Population Change in the Sacramento HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2022) to June 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

and net natural increase averaged 14,450 people a year. During this period, the unemployment rate averaged much higher in the HMA than in the nation, and the number of people moving away from the HMA increased, as they sought better job opportunities. From 2012 to 2019, as the economy was gaining momentum and expanding again, the population increased by an average of 27,850, or 1.2 percent, annually. Net in-migration more than doubled from the previous period to 18,150, accounting for 65 percent of the population growth, which more than offset the slower net natural increase that averaged 9,700 people a year. The slower net natural increase is attributed primarily to increased deaths resulting from the aging population; the median age in the HMA increased from 36.4 in 2012 to 37.8 in 2019 (2012 and 2019 American Community Survey [ACS], 1-year data). Since 2019, the population has increased an average of 0.6 percent annually, with net in-migration accounting for 66 percent of the population growth. Net in-migration slowed from the previous period, in part because of net out-migration in the Yolo County submarket and dramatically lower net in-migration in the Sacramento County submarket. Net natural increase slowed to the lowest level since 2000, in part because of elevated deaths attributed to COVID-19. Since the onset of the pandemic, approximately 4,300 people have died from COVID-19 in the

HMA (*The New York Times*). During the period from 2016 through 2020, the Eastern Counties submarket had the largest share of the older population, which is at higher risk for negative COVID-19 outcomes, with 20 percent of the submarket aged 65 years or older compared with 14 percent in Sacramento County and 13 percent in Yolo County (2016–2020 ACS, 5-year data).

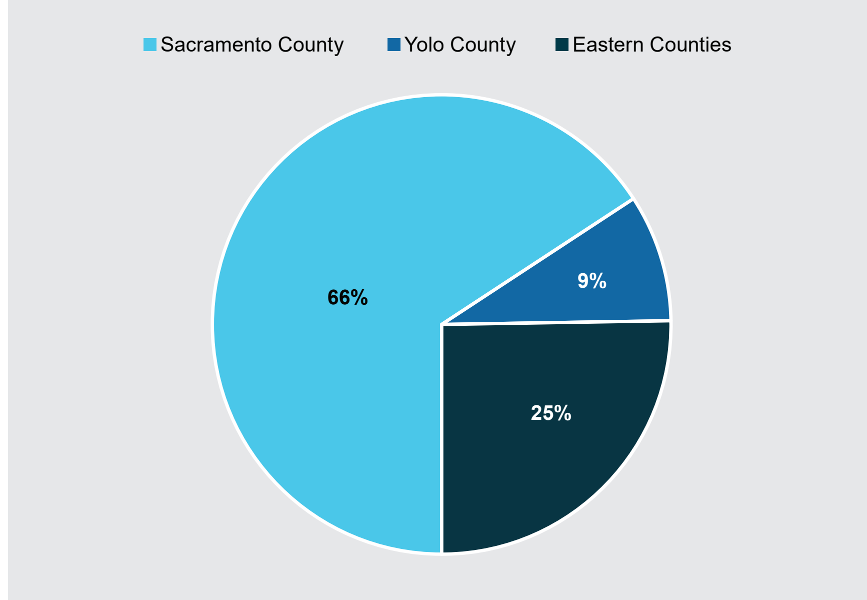
Migration Trends from the Bay Area

Notable migration from the Bay Area into the Sacramento HMA has been occurring for several decades, as people are priced out of more expensive Bay Area housing markets. This inflow from the Bay Area has accelerated since the start of the COVID-19 pandemic, because expanded remote work enabled people to move further from their offices, despite an overall slowdown in migration. An average of 150,000 people migrated from the Bay Area into the Central Valley—including the Sacramento HMA, San Joaquin Valley, and Sierra Foothills—annually in 2018 and 2019, but the trend is estimated to have doubled to approximately 305,000 each year in 2020 and 2021 (UC Davis, Occidental College, and University of Southern California joint research). Housing affordability concerns and expanded opportunities to work remotely were the top two motivations cited to explain the increase in movers, and Placer County, which includes part of Lake Tahoe, was the top destination in the HMA.

Population Trends in the Sacramento County Submarket

The Sacramento County submarket has the largest population, with an estimated 1.60 million, or 66 percent of the HMA population (Figure 5). During the period from 2016 through 2020, the median age in the submarket was 36.4 years (2016–2020 ACS, 5-year data). Because this submarket accounts for most of the population in the HMA, trends in this submarket closely align with the overall HMA. From 2000 to 2004, the population increased by an average of 29,500, or 2.3 percent, each year, which slowed to an average of 12,250, or 0.9 percent, annually from 2004 to 2012. The slower growth is due to net migration slowing, accounting for a smaller proportion of population

Figure 5. Current Population in the Sacramento HMA, by Submarket



Source: Estimates by the analyst

growth—from 66 percent of the population growth to 9 percent. Population growth accelerated from 2012 to 2019, increasing by an average of 18,700 people, or 1.2 percent, and net in-migration accounted for 57 percent of that growth. Since 2019, population growth has slowed again, adding an average of 7,050, or 0.4 percent, each year, and net in-migration accounted for 28 percent of the increase.

Population Trends in the Yolo County Submarket

The Yolo County submarket has an estimated population of 217,900, or 9 percent of the HMA population. From 2000 to 2004, the population increased by an average of 3,900, or 2.2 percent, each year, and net in-migration accounted for 69 percent of the population growth. From 2004 to 2012, the population increased at a slower rate, averaging 2,350 people a year, or 1.2 percent; net in-migration was 43 percent of the population growth. The growth slowed further from 2012 to 2019, with the population increasing by an average of 1,875, or 0.9 percent, annually; the share of growth attributed to net in-migration was similar, at 44 percent. During this period, enrollment at UC Davis increased an average of 1.0 percent annually.

Students attending UC Davis have a notable impact on the submarket. Enrollment at the UC Davis campus accounts for approximately 16 percent of the submarket population. As a result, Yolo County had the youngest median age, at 31.1 years, during the 5-year period ending in 2020 (2016–2020 ACS, 5-year data). The pandemic has affected recent population growth because of disruptions at the university. From the spring of 2020 through the spring of 2021, UC Davis classes were primarily online due to the pandemic, with in-person classes resuming during the fall 2021 semester. This disruption has contributed to slower population growth in recent years that averaged 240 annually, or 0.1 percent, since 2019, as net out-migration nearly offset net natural increase.

Population Trends in the Eastern Counties Submarket

The Eastern Counties submarket, with an estimated population of 613,800, accounts for 25 percent of the HMA population. Within the submarket, 68 percent of the population live in Placer County. During the period from 2016 through 2020, this submarket had considerably older residents than the rest of the HMA, with median ages of 46.3 and 42.2 in El Dorado and Placer Counties, respectively (2016–2020 ACS, 5-year data). Population growth in this submarket has been faster than in the rest of the HMA. In addition to having suburbs within commutable distance to jobs in Sacramento and outdoor amenities including the Sierra Nevada mountains, world-renowned ski areas, and Lake Tahoe, Placer County is consistently ranked among the top 50 healthiest counties in the United States, and it is ranked the healthiest county in California (*U.S. News and World Report*). From 2000 to 2004, the Eastern Counties submarket population increased by an average of 16,400, or 3.8 percent, each year. Net in-migration averaged 14,450 people, accounting for 89 percent of submarket population growth and nearly 40 percent of the net migration into the entire HMA. From 2004 to 2012, the population in the Eastern Counties submarket increased at a much slower rate, averaging an increase of 8,300, or 1.7 percent, annually. Net in-migration accounted for 76 percent of the growth. The slower migration resulted from weak job growth and overall economic uncertainty surrounding the Great Recession. From 2012 to 2019, population growth slowed to an average of 7,250 people annually, or 1.3 percent. The entire slowdown was in net natural increase, as net in-migration rose from 6,325 people in the previous period to an average of 6,650 people annually, or 92 percent of the population growth. Approximately 71 percent of movers into the submarket came from the Bay Area (2015–2019 ACS County-to-County migration flows), and the increased migration into the submarket coincided with strong economic growth but declining housing affordability in the Bay Area. Since 2019, migration has continued to accelerate, offsetting a net natural decrease, in part because of the older ages in the submarket and increased deaths during the COVID-19 pandemic. The population increased by an average of 7,575, or 1.3 percent, annually, with net in-migration averaging 8,225 people, offsetting net natural decrease that averaged 640 people each year. Net in-migration in the Eastern Counties submarket during this period accounted for 83 percent of net in-migration for the entire HMA.

Household Trends

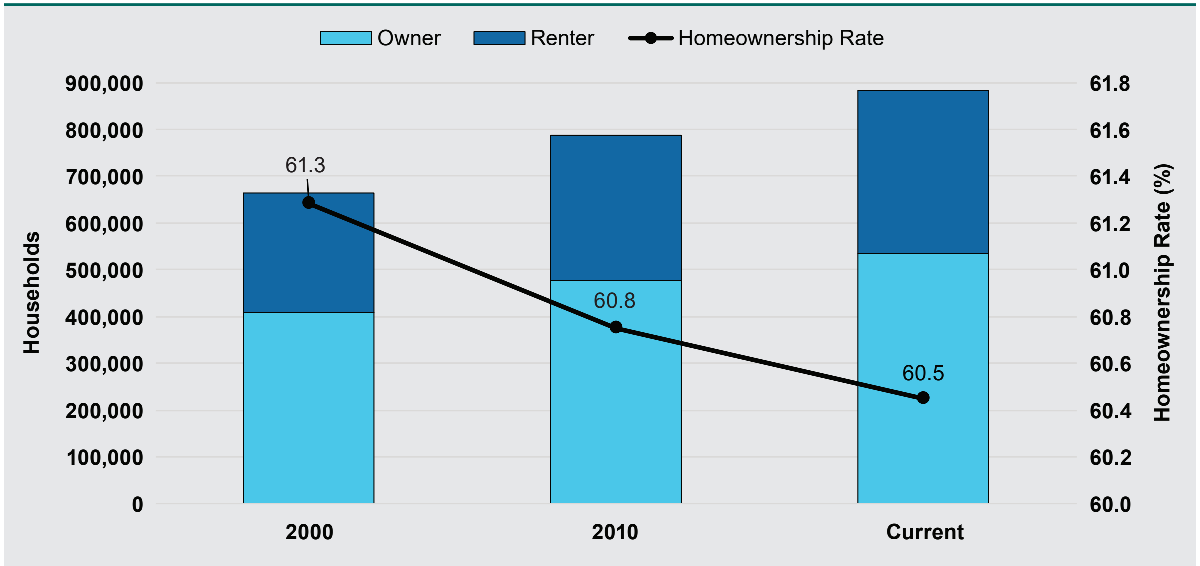
Household growth generally followed population growth, having slowed from rapid increases during the decade from 2000 to 2010. An estimated 883,700 households are in the HMA. The number of households increased by an average of 12,225 households, or 1.7 percent, each year from 2000 to 2010, then has slowed to an average increase of 7,900 households, or 1.0 percent, annually since 2010. The share of households by submarket in the HMA is similar to the distribution of population with 65, 9, and 26 percent of households in the Sacramento County, Yolo County, and Eastern Counties submarkets, respectively.

The average household size varies across submarkets. The average household size for the HMA is currently estimated to be 2.69. The Sacramento County submarket has the largest average household size at 2.74; this county is the most diverse, with college students, young urban professionals, and growing families. The Yolo County submarket average household size is slightly smaller at 2.70, due in part to the population associated with UC Davis. The Eastern Counties submarket has the smallest average household size, currently estimated at 2.59. The average household size in this submarket has been relatively stable over time, and the submarket includes retirees and older families with fewer children living at home.

Households by Tenure

The homeownership rate declined slightly in the HMA, as increases in renter households gradually outpaced growth among owner households. A generally affordable rental market and an unaffordable sales market kept some would-be home buyers in the rental market. Since 2010, homeowner households have increased an average of 0.9 percent annually compared with an average annual increase of 1.0 percent among renter households. Approximately 60.5 percent of households in the HMA are owner households, down from 60.8 and 61.3 percent in 2010 and 2000, respectively (Figure 6). The Sacramento

Figure 6. Households by Tenure and Homeownership Rate in the Sacramento HMA



Note: The current date is June 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

County submarket has a homeownership rate of 57.2 percent, down from 57.5 percent in 2010. The Yolo County submarket, with a large student population consisting mostly of renters, has the lowest homeownership rate in the HMA at 50.0 percent, down from 52.8 percent in 2010. The Eastern Counties submarket has the highest homeownership rate in the HMA, currently 71.8 percent, similar to the rate in 2010.

Forecast

During the next 3 years, the population and number of households are both expected to increase an average of 1.1 percent annually to 2.51 million and 912,800, respectively (Table 5). The share of added population is expected to be largest in the Sacramento County submarket, because it already has the largest share of population. However, the Eastern Counties submarket population is expected to increase the fastest during the forecast period. The Eastern Counties submarket is expected to increase an average of 1.4 percent annually compared with 1.0 and 0.8 percent in the Sacramento County and Yolo

County submarkets, respectively. In response to economic conditions, population growth is expected to be strongest during the first year of the forecast period, then stabilize for the next 2 years.

Table 5. Sacramento HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	2,149,127	2,429,700	2,507,100
	Average Annual Change	35,275	23,075	25,625
	Percentage Change	1.8	1.0	1.1
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	787,667	883,700	912,800
	Average Annual Change	12,225	7,900	9,720
	Percentage Change	1.7	1.0	1.1

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 (June 1, 2022) to June 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Home Sales Market

Sales Market—Sacramento HMA

Market Conditions: Tight

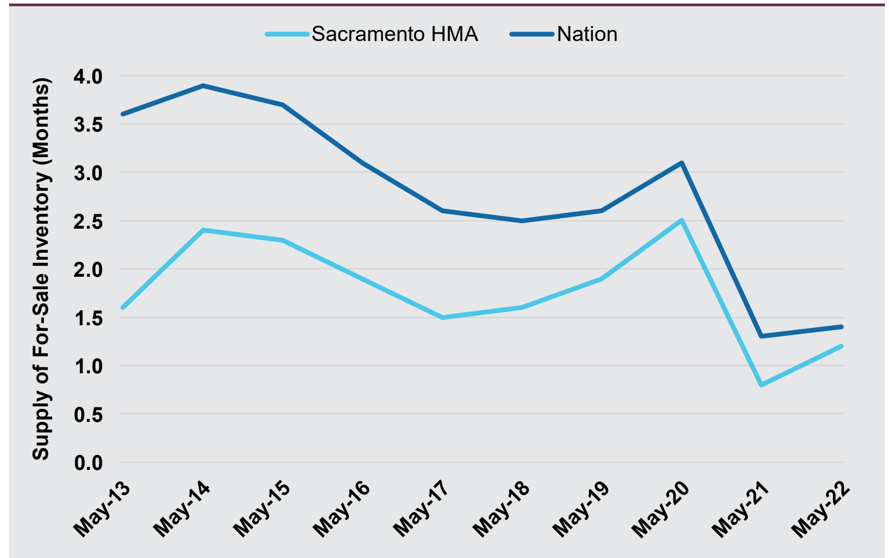
Persistently low levels of inventory have contributed to the tight sales market and affordability problems, which have been exacerbated by a recent increase in interest rates.

Current Conditions

Home sales market conditions in the Sacramento HMA are tight, with an estimated sales vacancy rate of 1.0 percent, down from 2.4 percent in April 2010, when the market was soft because of the Great Recession and corresponding financial crisis. Sales market conditions are also tight in each submarket in the HMA. Since recovering from the Great Recession, the sales market has been persistently tight; very low levels of for-sale inventory have contributed to upward pressure on home sales prices and have led to housing affordability concerns. In May 2022, the HMA had approximately 1.2 months of inventory, up from 0.8 months of supply in May 2021 (Figure 7; Redfin, a national real estate brokerage). The supply of inventory has remained at or below 2.5 months of supply since at least 2013 and has been consistently below the national inventory, although the two rates have converged in recent years. Total home sales—including new and existing single-family homes, townhomes, and condominiums (hereafter, homes)—decreased 1 percent during the 12 months ending May 2022 to 50,150 homes sold (Table 6), and the average price increased 15 percent, to nearly $627,800 (Zonda). Declines in homes sales in the Eastern Counties submarket more than offset increases in the Sacramento County and the Yolo County submarkets. New home sales accounted for 15 percent of total home sales.

In addition to the low home sales inventory, rising interest rates are also affecting sales demand by making homeownership more expensive. The average interest rate on 30-year fixed-rate mortgages was 5.23 percent

Figure 7. Supply of For-Sale Inventory in the Sacramento HMA and the Nation



Source: Redfin, a national real estate brokerage

Table 6. Home Sales Quick Facts in the Sacramento HMA

		Sacramento HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Months of Inventory	1.2	1.5
	Total Home Sales	50,150	1,633,000
	1-Year Change	-1%	-3%
	New Home Sales Price	$676,100	$406,900
	1-Year Change	18%	13%
	Existing Home Sales Price	$619,200	$380,000
	1-Year Change	14%	17%
	Mortgage Delinquency Rate	0.8%	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 May 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA and national home sales and prices—Zonda

in May 2022 compared with 2.98 percent a year earlier (Freddie Mac). This rate is the highest since June 2009, when the rate was 5.42 percent. The year-over-year change in the interest rate has caused the monthly mortgage payment to increase by approximately $650 for the current average-priced home in the HMA, assuming a 20-percent down payment.

Housing Trends Relative to the Bay Area

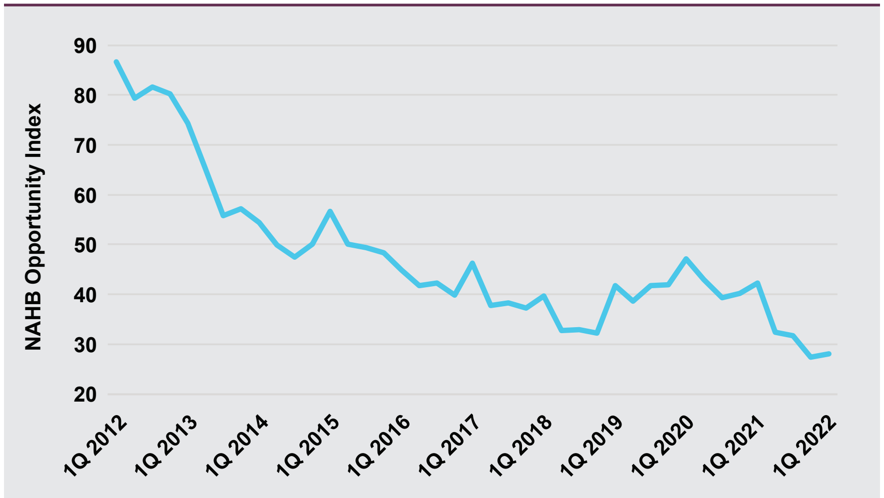
Migration from the Bay Area into the Sacramento HMA has been strong for decades because of the relative affordability of homes, while maintaining a reasonably commutable distance to jobs in the Bay Area. In 2005 and 2006, home sales prices in the HMA were approximately 40 percent cheaper than homes in the Bay Area (Zonda). Due in part to the strong economic growth, increasing sales prices in the Bay Area outpaced gains in the HMA. More recently, from 2015 through 2019, the average home sales price was approximately 60 percent cheaper in the HMA. In 2017, the average home sales price in the Bay Area surpassed $1 million compared with $417,400 in the HMA. During the pandemic, home prices in the Sacramento HMA increased slightly faster than in the Bay Area, partly because of an increased preference for living in less densely populated areas. From 2020 to current, the average price of a home sold in the Sacramento HMA was approximately 56 percent less than in the Bay Area.

In addition to price differences, the characteristics of the housing supply in the HMA differ from those in the Bay Area, which also contributes to the reason some Bay Area workers choose to live in the HMA. The average home in the Sacramento HMA is newer than in the Bay Area. In 2021, the average year of construction for homes sold in the HMA was 1988 compared with 1970 in the San Francisco metropolitan area. In addition, lot sizes are larger, in part because the HMA has greater land availability and a greater share of single-family homes. Approximately 85 percent of all homes sold in the HMA are single-family detached homes, and lot sizes averaged one-half acre compared with 64 percent in the San Francisco metropolitan area and lot sizes averaging one-third of an acre; these differences have been consistent since at least 2005 (Zonda).

Housing Affordability in the HMA: Owner

Homeownership in the Sacramento HMA is difficult to attain and has been mostly declining since at least 2012, despite the relative affordability compared with nearby housing markets such as the Bay Area. Those moving from the Bay Area typically have higher incomes than those in the HMA. The median household income for the San Jose-San Francisco-Oakland, CA combined statistical area was $102,175 in 2019 compared with $76,706 in the Sacramento HMA (ACS, 1-year data). In addition to the impacts from Bay Area movers, declining distressed sales and a persistently low inventory of homes for sale contributed to the increasing home prices. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI) for the Sacramento HMA, which represents the share of homes sold that would have been affordable to a family earning the median income, was 28.1 during the first quarter of 2022, and that index is at the lowest level since at least 2012 (Figure 8). By comparison, the index was 42.2 a year earlier during the first quarter of 2021 and 86.6 during the first quarter of 2012.

Figure 8. Sacramento HMA Housing Opportunity Index

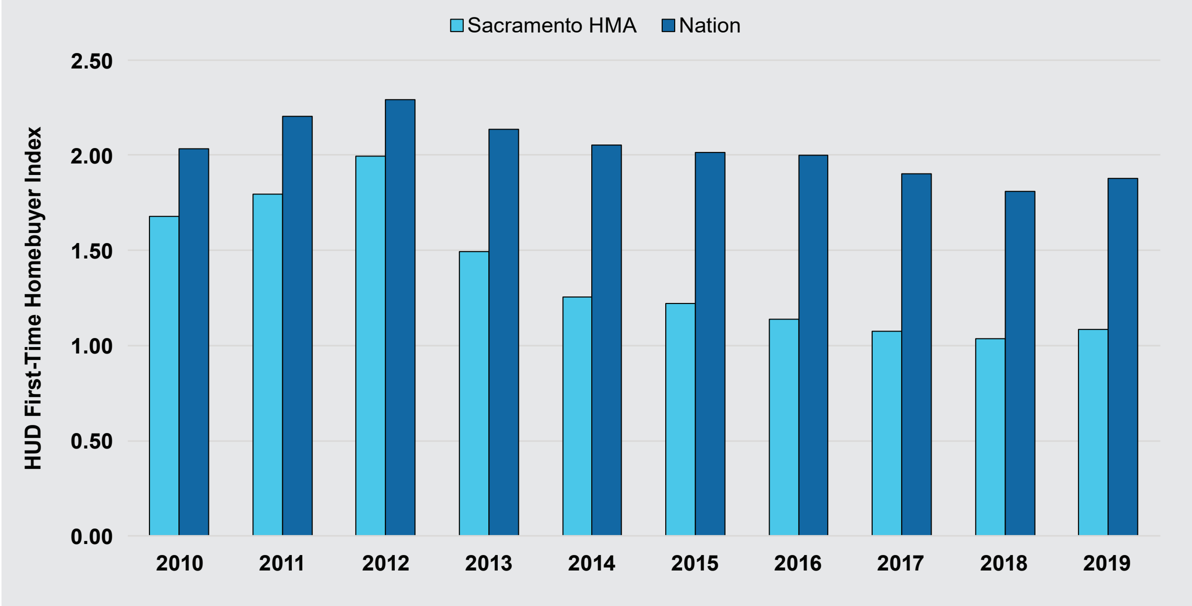


NAHB = National Association of Home Builders. 1Q = first quarter.
Source: NAHB/Wells Fargo

Housing affordability in the Sacramento HMA is lower than in approximately 92 percent of the 240 ranked metropolitan areas in the nation. In the nearby San Jose-Sunnyvale-Santa Clara metropolitan statistical area and San Francisco-San Mateo-Redwood City metropolitan division, 95 and 99 percent of ranked metropolitan areas are more affordable, respectively, and the Oakland-Berkeley-Livermore metropolitan division (Oakland MD) is ranked similarly to the HMA. Despite the similarity in affordability to the Oakland MD, the difference is in the higher incomes in that area compared with the HMA rather than home prices; the average home price in the Oakland MD in 2019 was 85 percent higher than in the Sacramento HMA.

The affordability for first-time homebuyers is rapidly declining, and affordability is well below the national average. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders aged 25 to 44 years old relative to the income needed to purchase the 25th-percentile priced home. The index has declined almost every year since reaching a peak of 1.99 in 2012 (Figure 9). The median income for householders aged 25 to 44 years old has been more than high enough to afford the 25th-percentile-priced home in all years since 2010, but home prices have generally increased faster than median incomes since 2012. During 2019, the index was 1.08, up slightly from 1.03 in 2018. Nationwide, the index also increased slightly, from 1.81 in 2018 to 1.88 in 2019, and the national index has remained well above the rate in the HMA since at least 2010. Compounding the affordability issues more recently, rising interest rates have disproportionately impacted first-time home buyers because of the heavier reliance on mortgages to purchase homes and typically smaller down payments.

Figure 9. Sacramento HMA First-Time Homebuyer Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; and Zonda

As a result of rising home sales prices in the Sacramento HMA, the homeownership rate for heads of household aged 25 to 44 years—a cohort for typical first-time homebuyers—has declined faster than the HMA homeownership rate. The overall homeownership rate decreased slightly from 2010 to 2019, but the decline was more drastic for younger heads of household. From 2010 to 2019, the homeownership rate declined 6.0 and 4.8 percentage points for heads of household aged 25 to 34 and 35 to 44 years, respectively (Table 7). Likewise, the homeownership rate among the cohort aged 25 to 44 decreased faster than the national trend. Nationwide, homeownership declined 1 percentage point during the period from 2010 to 2019 and for heads of household aged 25 to 34 and 35 to 44 years, the national homeownership rate dropped 3.5 and 4.0 percentage points, respectively.

Table 7. Homeownership Rates by Age of Householder

	Sacramento HMA			Nation		
	2000	2010	2019	2000	2010	2019
Householder Age 25 to 34 Years	38.1	35.2	29.2	45.6	42.0	38.5
Householder Age 35 to 44 Years	60.3	57.0	52.2	66.2	62.3	58.3
Total Households	61.3	60.8	60.4	66.2	65.1	64.1

Sources: 2000 and 2010 Decennial Census; 2019 American Community Survey, 1-year data

Forecast

During the next 3 years, demand is estimated for 26,475 homes (Table 8). The 4,095 homes currently under construction will meet a portion of that demand during the first year. Similar to where the largest numerical growth in population will occur, the largest share of demand will be in the Sacramento County submarket, followed by the Eastern Counties and the Yolo County submarkets. Demand will be slightly higher in the first year and moderate through the rest of the forecast.

Table 8. Demand for New Sales Units in the Sacramento HMA During the Forecast Period

	Sales Units
Demand	26,475 Units
Under Construction	4,095 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market—Sacramento County Submarket

Market Conditions: Tight

Strong demand combined with low inventory of homes for sale in the submarket contributed to home sales increasing only 2 percent during the 12 months ending May 2022 while the average price rose 18 percent from a year earlier.

Current Conditions

Home sales in the Sacramento County submarket are currently tight, with an estimated sales vacancy rate of 1.1 percent, down from 2.5 percent in April 2010 when conditions were soft. Low inventory of homes for sale is constraining home sales in the submarket and contributing to strong price increases. In May 2022, the Sacramento County submarket had 1.1 months of supply of homes for sale, up from 0.7 months in May 2021 (Redfin, a national real estate brokerage). The inventory has stayed below 2.5 months since 2015. The inventory is similar to, but slightly less than, levels in the HMA as a whole. Total home sales increased 2 percent during the 12 months ending May 2022 to 28,700 homes sold (Table 9), and the average price increased

Table 9. Home Sales Quick Facts in the Sacramento County Submarket

		Sacramento County Submarket	Sacramento HMA
Home Sales Quick Facts	**Vacancy Rate**	1.1%	1.0%
	Months of Inventory	1.1	1.2
	Total Home Sales	28,700	50,150
	1-Year Change	2%	-1%
	New Home Sales Price	$638,400	$676,100
	1-Year Change	23%	18%
	Existing Home Sales Price	$537,600	$619,200
	1-Year Change	17%	14%
	Mortgage Delinquency Rate	0.9%	0.8%

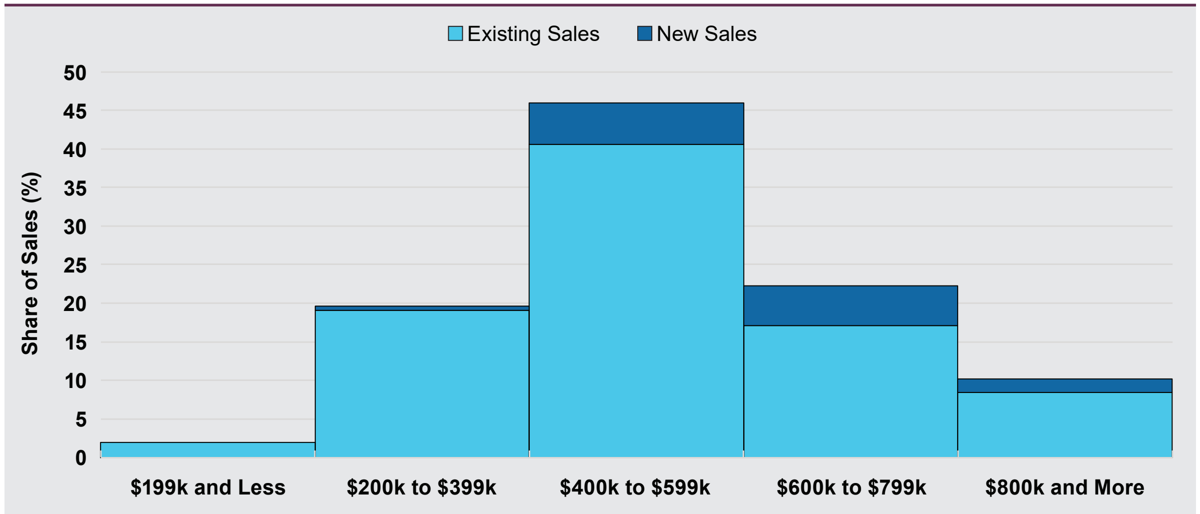
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA and national home sales and prices—Zonda

18 percent to nearly $550,500 (Zonda). The average sales price in the Sacramento County submarket is the lowest in the HMA. New home sales accounted for 13 percent of total home sales. The largest share of homes sold, 46 percent, was at prices ranging from $400,000 to $599,000 (Figure 10).

Existing Home Sales and Prices

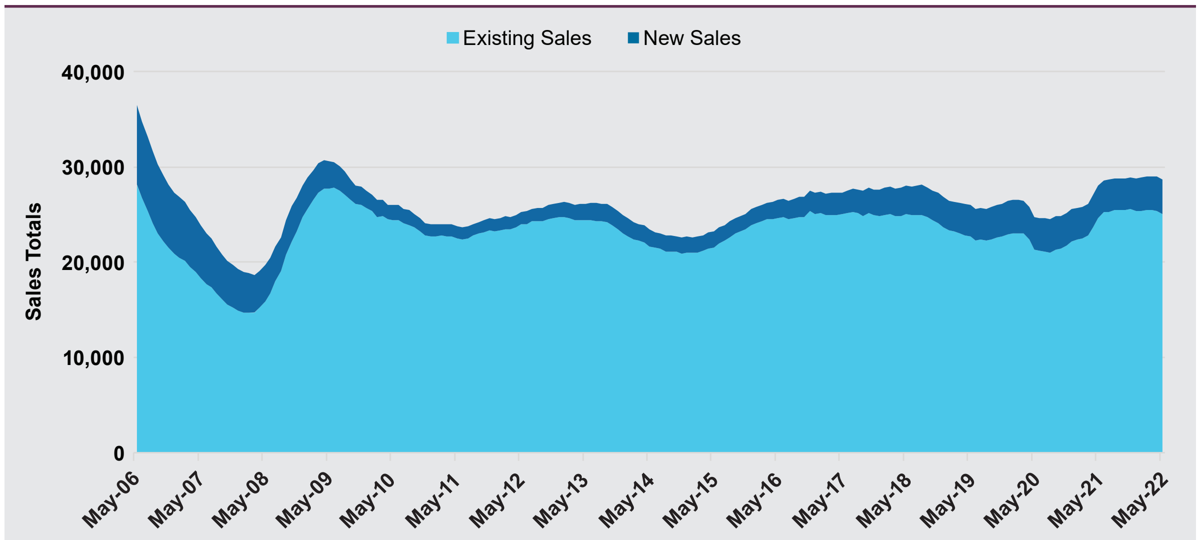
In response to the housing crisis, home sales were declining heading into the local economic downturn that resulted from the Great Recession. In 2007, home sales reached a low of 14,900 homes sold (Figure 11; Zonda). From 2008 through 2013, an average of 24,000 existing homes sold annually. Existing home sales dipped briefly in 2014 and 2015, averaging 22,450 homes sold, but they have since increased. From 2016 through 2019, while the economy was expanding, the number of existing homes sold each year averaged 24,100. The uncertainty during 2020 surrounding the pandemic and recovery from the related recession slowed sales again; 22,150 existing homes sold in 2020, before increasing 14 percent to 25,350 existing homes sold in 2021. During the 12 months ending May 2022, nearly 25,050 homes sold, up 2 percent from a year earlier and 22 percent less than in 2005. Real estate owned (REO) properties accounted for 1 percent of existing homes sold during the 12 months ending May 2022, down from nearly 3 percent during the previous 12 month period,

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending May 2022 in the Sacramento County Submarket



Source: Zonda

Figure 11. 12-Month Sales Totals by Type in the Sacramento County Submarket

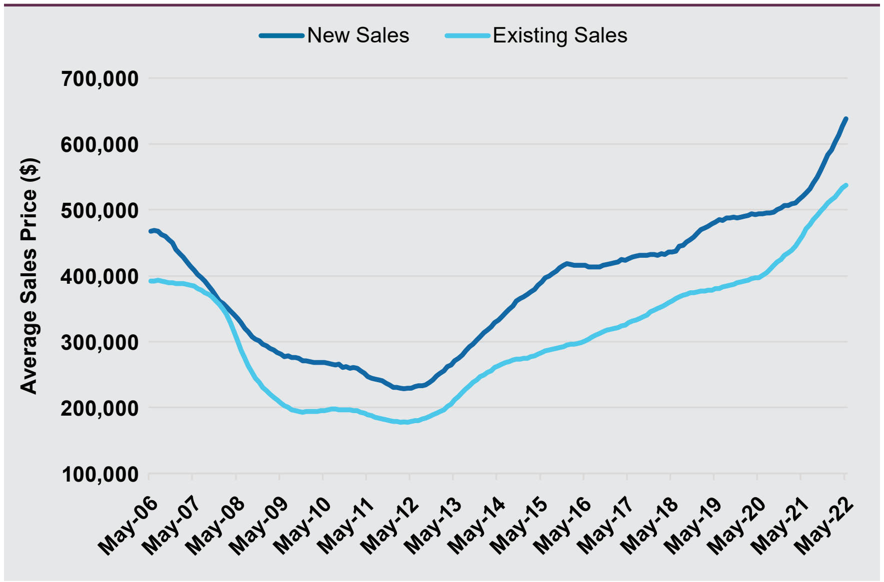


Source: Zonda

and well below the peak of 64 percent in 2008 when housing market conditions were weak. The current share of existing sales that are REO is lower than each year since 2006.

The average price of existing homes has increased in recent years as the housing market strengthened and prices were supported by low inventory and strong demand. From 2008 through 2013, when economic conditions and the housing market were weak during the Great Recession and earlier years of recovery, the average price of an existing home increased 1 percent annually to $246,500 (Figure 12). From 2014 through 2019, the average price increased 8 percent annually to $390,100. Since the pandemic, home prices have increased dramatically, and the average sales price of an existing home increased 17 percent during the 12 months ending May 2022 to $537,600, building on the 16-percent price increase during the previous 12-month period.

Figure 12. 12-Month Average Sales Price by Type of Sale in the Sacramento County Submarket



Source: Zonda

Seriously Delinquent Mortgages and REO Properties

The tightening of sales housing market conditions in the Sacramento County submarket has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of May 2022, 0.9 percent of home loans in Sacramento County were seriously delinquent or had transitioned into REO status, below the 2.4-percent rate a year earlier (CoreLogic, Inc.). Although the rate is near historic lows, it is higher than the 0.6-percent rate from just before the pandemic impacted the labor and housing markets in March 2020. The rate was as high as 13.4 percent in January 2010. The current rate is slightly higher than the 0.8-percent rate for the HMA, the same as the rate for California, and below the 1.4-percent rate for the nation.

New Home Sales and Prices

New home sales declined during the Great Recession but have been increasing again as the sales market tightens and the growing population increases demand for additional homes. From 2006 through 2009, an average of 5,175 new homes sold annually, accounting for 18 percent of total home sales for the period (Zonda). From 2010 to 2012, new home sales decreased to an average of 1,375 homes sold each year and increased to 1,850 each year from 2014 to 2016. As the economy recovered from the Great Recession, and net in-migration increased in the submarket, demand for additional housing increased. From 2017 through 2020, new home sales increased to an average of 3,200 homes sold annually, which was 12 percent of total sales, before rising to 3,450 in 2021. During the 12 months ending May 2022, 3,675 new homes sold, up 9 percent from the same period a year earlier. New home sales during the 12 months ending May 2021 were virtually unchanged from the same period in 2020. New home sales during the most recent period are more than double the number during the low point following the Great Recession and 29 percent less than sales from 2006 through 2009.

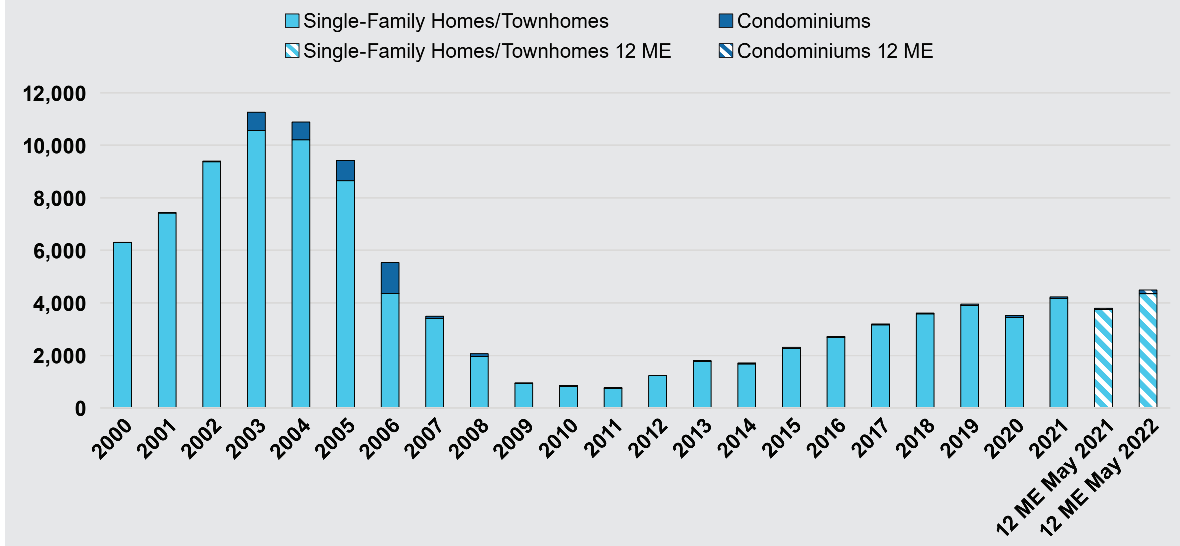
The average price of a new home increased strongly in the past year, in large part because of the low inventory of homes for sale. During the 12 months ending May 2022, the average price of a new home, $638,400, was 23 percent higher than a year earlier. By comparison, from 2006 through 2011, the average price of a new home decreased 10 percent annually because of significant weakening of the housing market and slower population growth. The average price increased again as the economy strengthened and net migration increased, rising 16 percent annually in 2012 and 2013 before moderating. New home price growth averaged 7 percent a year from 2014 through 2020.

Sales Construction Activity and Recent Construction

Sales construction activity, as measured by sales units permitted (see building permits), has recovered from lows reached during and after the Great Recession, but it is still less than construction levels from the early to mid-2000s. From 2000 through 2005, an average of 9,125 homes were permitted annually (Figure 13). In 2006, 5,525 homes were permitted; from 2007 through 2011, permitting dropped 33 percent annually to a low of 740 homes in 2011. Permitting increased during the early periods of economic recovery and as net in-migration strengthened. From 2012 through 2019, permits increased an average of 18 percent annually to 3,925 homes. In 2020 and 2021, an average of 3,850 homes were built annually. During the 12 months ending May 2022, 4,475 homes were permitted, up from 3,800 homes during the previous period, reaching the highest level of construction activity since 2006 (preliminary data).

In the city of Rancho Cordova, the 185-lot Sunridge Park community has been under construction since

Figure 13. Annual Sales Permitting Activity in the Sacramento County Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

the second quarter of 2019. During the first quarter of 2022, construction began on 22 homes, making it one of the most active subdivisions in the submarket (Zonda). More than 100 homes have been completed, 46 are under construction, and an additional 32 lots are available. During the first quarter of 2022, the average home in the subdivision sold for $651,700.

Forecast

During the 3-year forecast period, demand is expected for 13,750 new homes (Table 10). The 2,025 homes currently under construction will meet a portion of the demand during the first year. Demand will be slightly higher in the first year of the forecast and then moderate for the remaining years, similar to expectations for job growth.

Table 10. Demand for New Sales Units in the Sacramento County Submarket During the Forecast Period

	Sales Units
Demand	13,750 Units
Under Construction	2,025 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market—Yolo County Submarket

Market Conditions: Tight

Net out-migration contributed to fewer new homes sold during the past year, but total home sales demand remained strong as existing home sales increased during the same period.

Current Conditions

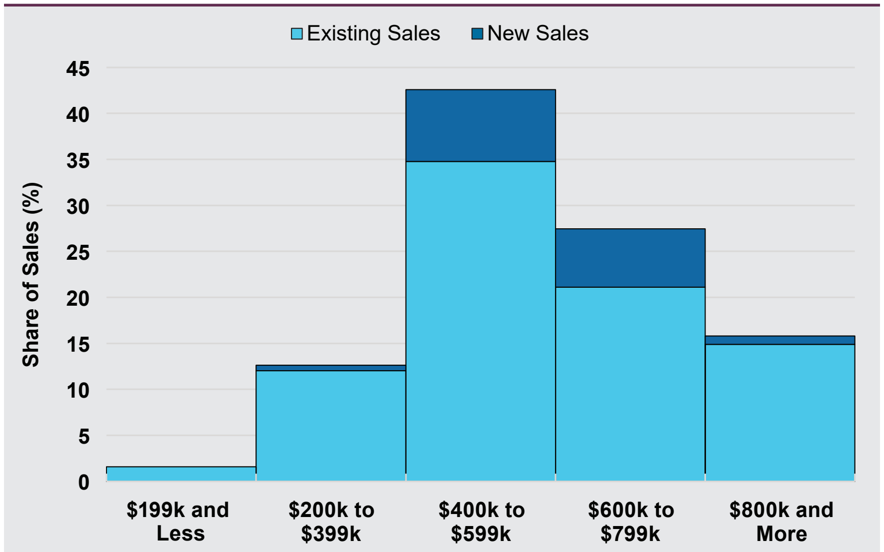
The sales market in the Yolo County submarket is currently tight, with an estimated sales vacancy rate of 1.2 percent, down from 1.9 percent in April 2010 when conditions were soft. Low inventory of homes for sale is constraining home sales in the submarket and contributing to increasing home prices. In May 2022, the Yolo County submarket had a 1.0-month supply of homes for sale, up from 0.8 months in May 2021 (Redfin, a national real estate brokerage). The monthly supply in the submarket is less than in the HMA as a whole and has been below 3.5 months since 2013. Total home sales increased 4 percent during the 12 months ending May 2022 to 3,125 homes sold (Table 11), and the average price increased 14 percent, to $629,000 (Zonda). An increase in existing homes sold more than offset a decline in new homes sold, as demand for additional homes waned and people moved out of the area. New home sales accounted for 16 percent of total home sales during the 12 months ending May 2022. The largest share of homes sold, 43 percent, was at prices ranging from $400,000 to $599,000 (Figure 14).

Table 11. Home Sales Quick Facts in the Yolo County Submarket

		Yolo County Submarket	Sacramento HMA
Home Sales Quick Facts	Vacancy Rate	1.2%	1.0%
	Months of Inventory	1.0	1.2
	Total Home Sales	3,125	50,150
	1-Year Change	4%	-1%
	New Home Sales Price	$604,500	$676,100
	1-Year Change	8%	18%
	Existing Home Sales Price	$633,600	$619,200
	1-Year Change	16%	14%
	Mortgage Delinquency Rate	0.7%	0.8%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA and national home sales and prices—Zonda

Figure 14. Share of Overall Sales by Price Range During the 12 Months Ending May 2022 in the Yolo County Submarket



Source: Zonda

Existing Home Sales and Prices

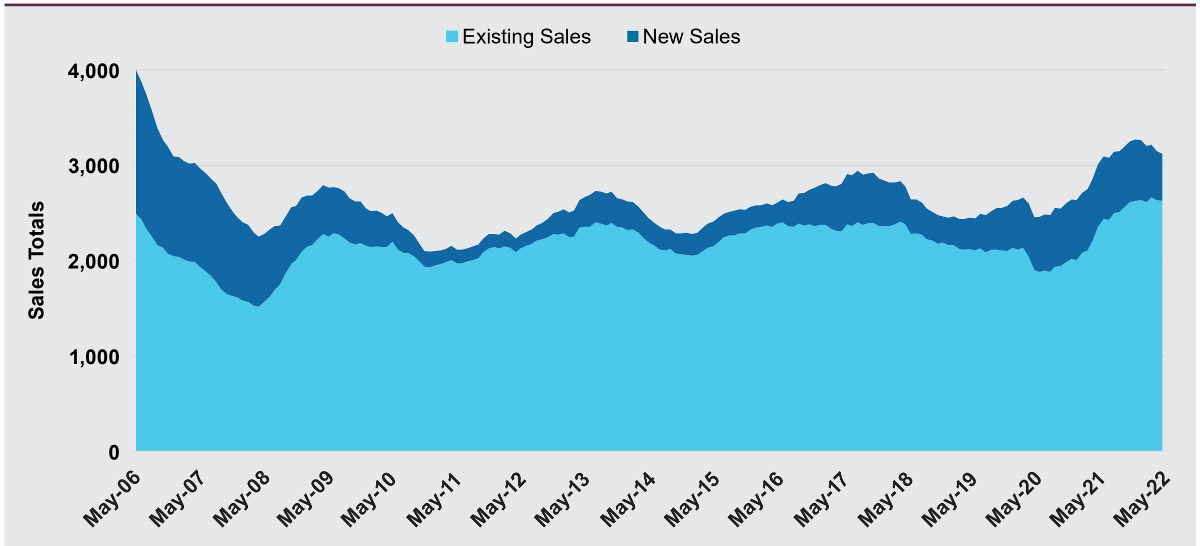
Home sales have been generally increasing since the economy strengthened following the Great Recession. Nearly 2,850 existing homes sold in 2005, but home sales declined in the years after (Figure 15). From 2007 through 2013, an average of 2,075 existing homes sold annually. From 2014 to 2019, an average of 2,225 existing homes sold annually. The uncertainty in 2020 surrounding the pandemic and recovery from the related recession, coupled with slower population growth, contributed to fewer sales in 2020; 2,025 homes sold in 2020 before increasing to 2,625 homes sold in 2021. During the 12 months ending May 2022, 2,625 existing homes sold, up 12 percent from a year earlier and approximately 8 percent less than the peak in 2005. Since 2020, REO sales have accounted for less than 2 percent of existing home sales, down from a peak of 49 percent in 2009.

Existing home sales prices have been increasing as the housing market strengthened following recovery from the Great Recession. Existing home sales prices decreased an average of 11 percent annually from 2007 through 2011, to a low of $265,400, and then increased an average of 8 percent each year from 2012 through 2019 to $482,200 (Figure 16). Since the beginning of the pandemic, the price of homes has increased dramatically, with the average price increasing 16 percent during the 12 months ending May 2022 to $633,600, building on the 13-percent price increase during the previous 12-month period.

Seriously Delinquent Mortgages and REO Properties

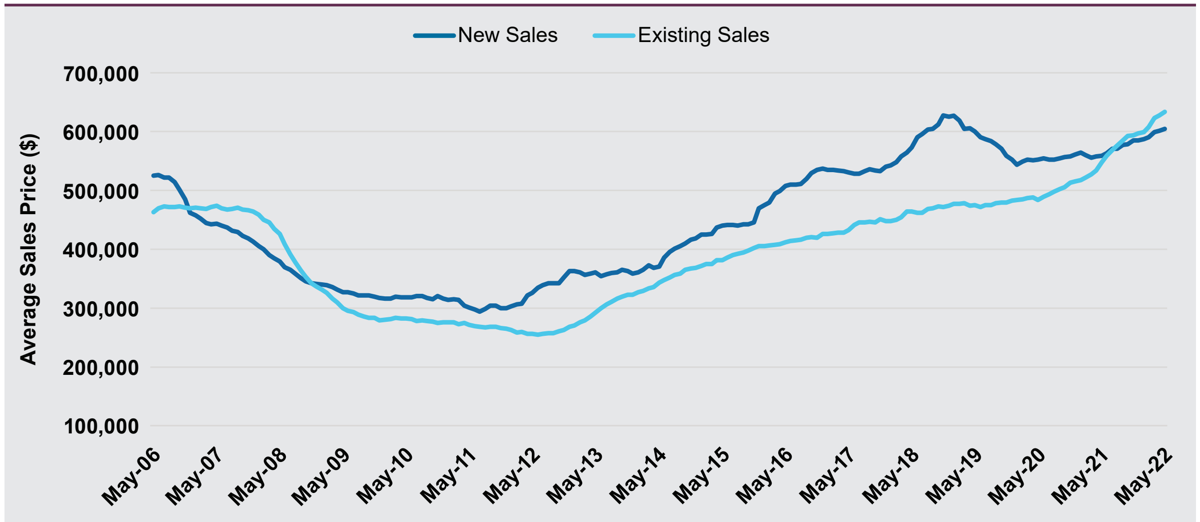
The tightening of sales housing market conditions in the Yolo County submarket has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of May 2022, 0.7 percent of home loans in Yolo County were seriously delinquent or had transitioned into REO status, below the 1.9-percent rate a year earlier (CoreLogic, Inc.). Although the rate is near historic

Figure 15. 12-Month Sales Totals by Type in the Yolo County Submarket



Source: Zonda

Figure 16. 12-Month Average Sales Price by Type of Sale in the Yolo County Submarket



Source: Zonda

lows, it is higher than the 0.5-percent rate in March 2020, just before the pandemic impacted the labor and housing markets. The rate has been as high as 9.0 percent in December 2009. The current rate in the Yolo County submarket is the lowest in the HMA and below the rates in the state and nation.

New Home Sales and Prices

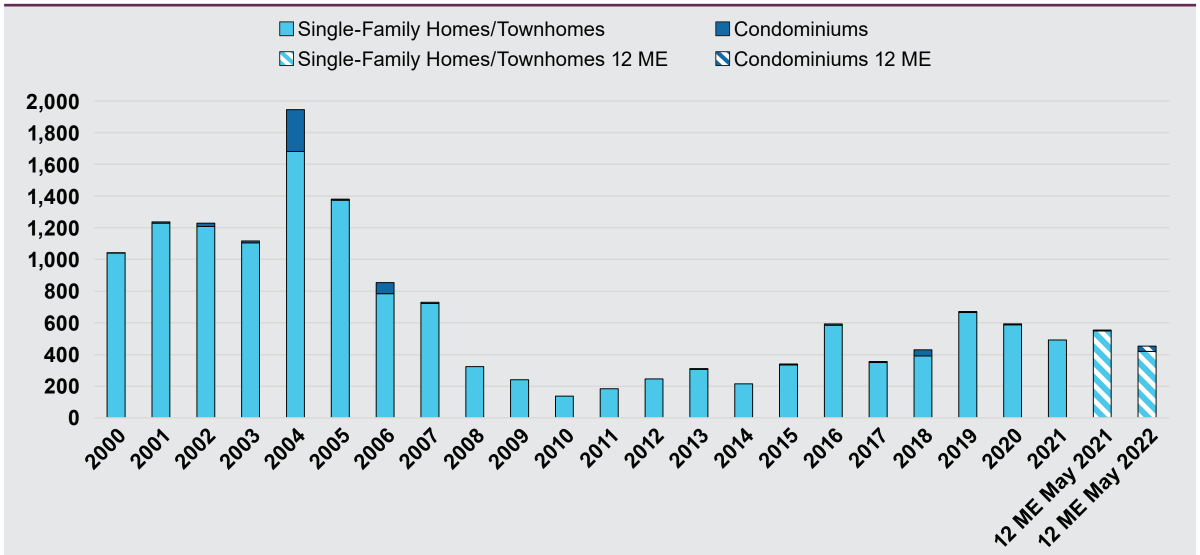
New home sales declined during the Great Recession, but they have been increasing since the early 2010s, as the sales market tightened. From 2006 through 2012, new home sales decreased an average of 24 percent annually to 240 homes sold, and the share of new homes decreased from 37 percent of total sales to less than 10 percent (Zonda). From 2013 to 2019, new home sales increased an average of 10 percent annually to 470 homes sold, or 13 percent of total home sales. New home sales increased to 620 homes sold in 2020 and 640 in 2021. During the 12 months ending May 2022, 490 new homes sold, down 25 percent from the same period a year earlier, because rising interest rates in early 2022 and net out-migration constrained demand for new homes. New home sales during the 12 months ending May 2022 are 71 percent less than the peak in 2005.

The price growth of new homes was very strong in the past year, largely because of low inventory of existing homes for sale. During the 12 months ending May 2022, the average price of a new home, $604,500, was 8 percent higher than a year earlier. By comparison, the average price of a new home increased 1 percent during the 12 months ending May 2021. Previously, the average price of a new home decreased 5 percent annually from 2006 through 2012, then increased an average of 6 percent annually from 2013 through 2019.

Sales Construction Activity and New Construction

Sales construction activity, as measured by sales units permitted, has been subdued since the Great Recession because of greater tendencies to rent and slower population growth. From 2000 through 2007, an average of 1,200 homes were permitted annually, which plummeted to 250 homes annually from 2009 through 2015 (Figure 17), when population growth was slowed by the weak economy and sluggish recovery relative to the nation. From 2016 through 2021, construction of for-sale housing more than doubled to an average of 520 homes permitted annually. During the 12 months ending May 2022, 450 homes were permitted, down from 550 homes during the previous period (preliminary data).

Figure 17. Annual Sales Permitting Activity in the Yolo County Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Sales construction activity in the Yolo County submarket has been concentrated in the city of West Sacramento, which is adjacent to the city of Sacramento. The most active subdivision is the Riverchase community in the city of West Sacramento, which began during the second quarter of 2017. Of the 222 homes planned at buildout, 183 are complete and occupied, 25 are under construction, and an additional seven lots are available (Zonda). The average price of a home sold in the subdivision during the first quarter of 2021 was $519,500.

Forecast

During the next 3 years, demand is estimated for 1,975 new homes (Table 12). The 170 homes under construction will meet a portion of the demand during the first year. Demand will be strongest during the first year, then slow for the second and third years. Most of the demand will be in communities with residents commuting into the city of Sacramento for jobs, such as from West Sacramento.

Table 12. Demand for New Sales Units in the Yolo County Submarket During the Forecast Period

Sales Units	
Demand	1,975 Units
Under Construction	170 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market—Eastern Counties Submarket

Market Conditions: Tight

The Eastern Counties submarket has the highest prices in the HMA, partly because the average square footage of homes in the submarket is 16 percent larger than the rest of the HMA (Zonda).

Current Conditions

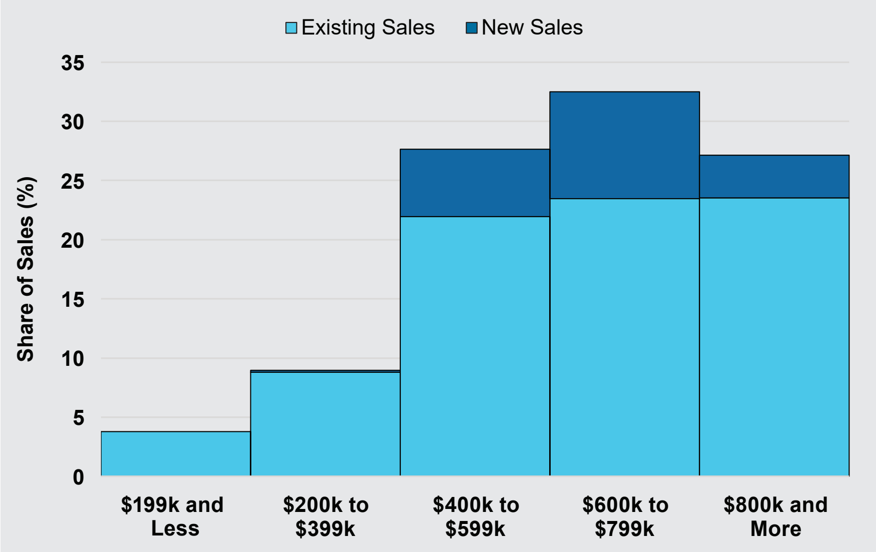
The Eastern Counties home sales market is currently tight, with an estimated sales vacancy rate of 0.8 percent, down from 2.4 percent in April 2010 when conditions were soft. Low inventory of homes for sale contributes to the tight market conditions. In May 2022, El Dorado and Placer Counties had 1.9 and 1.5 months of supply of homes for sale, respectively, up from 1.0 and 0.8 months in May 2021 (Redfin, a national real estate brokerage). Rising interest rates have contributed to less demand in 2022. The monthly supply was generally elevated from 2014 through 2019, although levels stayed below 5.0 months. The counties had 3.0 and 4.3 months of supply in May 2020, when homeowners were reluctant to list homes, but by July, those numbers had dropped to 1.1 and 1.3 months of supply. In the Eastern Counties submarket, the months of supply was higher than levels in the overall HMA, with El Dorado County having the highest months of supply. Inventory increased in El Dorado County to 2.0 months of supply in September and October 2021, coinciding with the aftermath of the Caldor Fire. Total home sales decreased 7 percent during the 12 months ending May 2022 to 18,350 homes sold (Table 13), and the average price increased 14 percent to $748,500 (Zonda). The Eastern Counties submarket has the highest average prices in the HMA, in part because homes in the submarket are approximately 16 percent larger, based on average square footage, than in the rest of the HMA. Declines in existing homes sold more than offset increases in new home sales during the past year. New home sales accounted for 18 percent of total home sales. The largest share of homes that sold, 32 percent, was at prices ranging from $600,000 to $799,000 (Figure 18).

Table 13. Home Sales Quick Facts in the Eastern Counties Submarket

Home Sales Quick Facts		Eastern Counties Submarket	Sacramento HMA
	Vacancy Rate	0.8%	1.0%
	Months of Inventory	1.5-1.9	1.2
	Total Home Sales	18,350	50,150
	1-Year Change	-7%	-1%
	New Home Sales Price	$727,600	$676,100
	1-Year Change	14%	18%
	Existing Home Sales Price	$753,200	$619,200
	1-Year Change	14%	14%
	Mortgage Delinquency Rate	0.7%	0.8%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA and national home sales and prices—Zonda

Figure 18. Share of Sales by Price Range During the 12 Months Ending May 2022 in the Eastern Counties Submarket

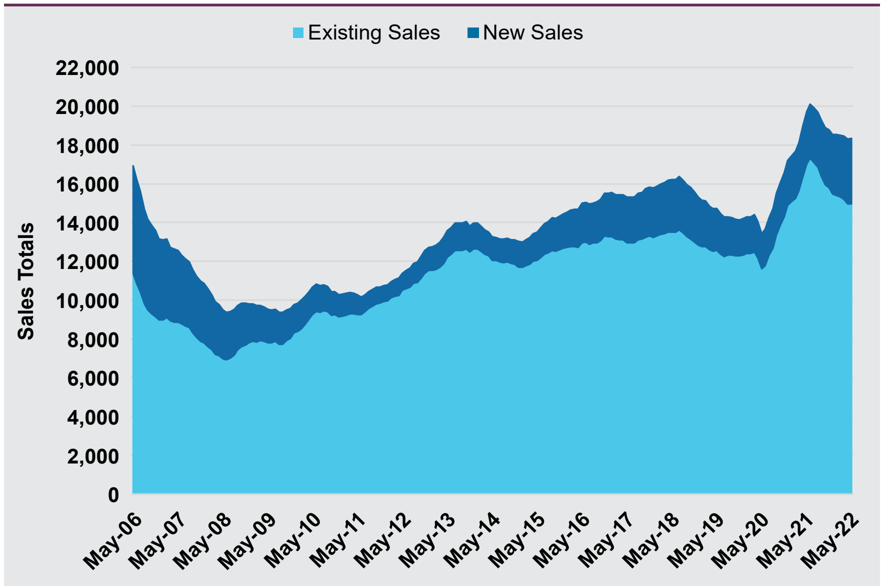


Source: Zonda

Existing Home Sales and Prices

Following a low in 2007, existing home sales have been increasing. From 2008 through 2011, when the local economy was weak, attributed to impacts from the Great Recession, existing home sales increased an average of 6 percent annually, to 9,900 homes sold (Figure 19). From 2012 through 2014, sales market conditions were improving as jobs increased. Existing home sales continued to increase an average of 6 percent annually. From 2015 through 2019, existing home sales continued to increase an average of 1 percent annually to 12,300 homes sold. Although sales dipped briefly in early 2020 because of impacts from the pandemic, the year ended with 14,900 homes sold, up 21 percent from 2018, and sales rose 4 percent to 15,450 homes sold during 2021. Existing home sales decreased 12 percent during the past year, to nearly 15,000 homes sold during the 12 months ending May 2022, still surpassing the 2005 levels by 11 percent; the Eastern Counties submarket is

Figure 19. 12-Month Sales Totals by Type in the Eastern Counties Submarket

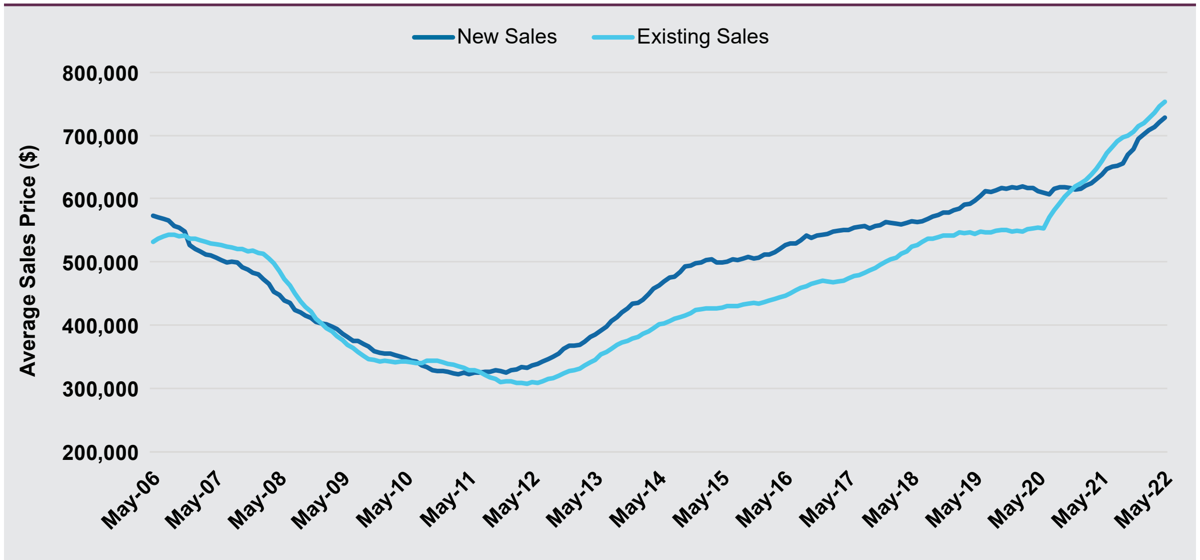


Source: Zonda

the only submarket in the HMA to exceed the level of homes sold in 2005 during the past year. REO homes accounted for 1 percent of existing home sales during the 12 months ending May 2022, similar to levels in 2005, and well below the peak of 43 percent in 2009.

The prices of existing homes sold decreased during the period of weakness surrounding the Great Recession but have since recovered. From 2008 through 2012, the average price of an existing home sold decreased 9 percent annually to $327,400 (Figure 20). From 2013 through 2019, the average price of existing homes sold increased 8 percent annually to $548,400. Since the beginning of the pandemic, the price of homes has increased dramatically, and the average price increased 14 percent to $753,200 during the 12 months ending May 2022, building on the 19-percent price increase during the previous 12-month period.

Figure 20. 12-Month Average Sales Price by Type of Sale in the Eastern Counties Submarket



Source: Zonda

Seriously Delinquent Mortgages and REO Properties

The tightening of sales housing market conditions in the Eastern Counties submarket has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of May 2022, 0.7 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, below the 2.0-percent rate a year earlier (CoreLogic, Inc.). Although the rate is near a historic low, it is higher than the 0.4-percent rate just before the pandemic impacted the labor and housing markets in March 2020. The rate was as high as 9.5 percent in February 2010. In May 2022, the rate in the Eastern Counties submarket was similar to the HMA overall, but less than the state and nation.

New Home Sales and Prices

New home sales declined during the Great Recession but have been increasing again as the sales market tightens. From 2008 through 2011, new home sales decreased an average of 27 percent annually and accounted for 17 percent of total sales (Zonda). From 2012 through 2019, new home sales increased an average of 10 percent annually to 1,875 homes sold and accounted for 12 percent of total home sales. New home sales increased 24 percent to 2,325 homes sold during 2020 and 32 percent to 3,075 during 2021. During the 12 months ending May 2022, 3,375 new homes sold, up 24 percent from the same period a year earlier and 47 percent less than the number of homes sold in 2005. The strong migration into the submarket, particularly from the Bay Area since the start of the pandemic, has supported demand for the new homes, and the incomes of the new residents were able to withstand the rising prices and interest rates.

The average price of a new home increased in the past year, supported by a low inventory of existing homes for sale and strong population growth. During the 12 months ending May 2022, the average price of a new home,

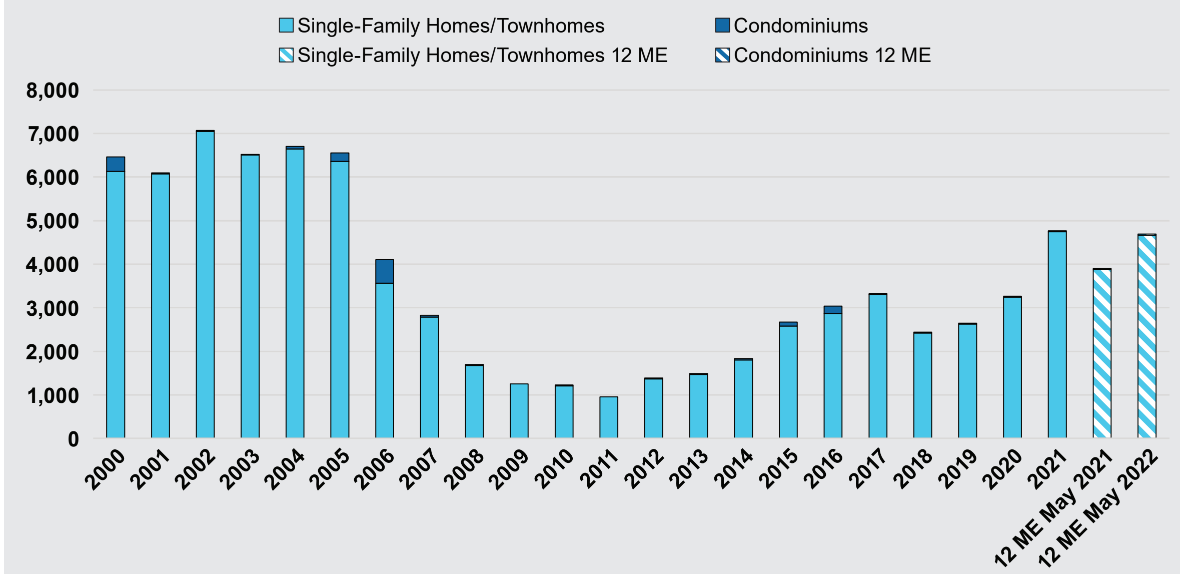
$727,600, was 14 percent higher than a year earlier, and much faster than the 4 percent year-over-year price increase during the previous 12 month period. By comparison, the average price of a new home decreased 5 percent from 2006 through 2012. The average price of a new home then increased 6 percent each year from 2013 to 2019.

Sales Construction

Sales construction activity, as measured by sales units permitted, has increased from the low numbers during the Great Recession. From 2000 through 2005, an average of 6,575 homes were permitted annually, and that number plummeted to 1,200 homes annually from 2009 through 2012 (Figure 21). From 2013 to 2017, construction of for-sale housing increased an average of 19 percent annually to 2,275 homes permitted annually, and increased further to average 2,775 homes each year from 2018 through 2020 before jumping to 4,750 homes in 2021. During the 12 months ending May 2022, approximately 4,675 homes were permitted, up from 3,875 during the previous 12-month period (preliminary data).

Placer County has the largest share of population in the submarket, where most home construction occurs. The 322-home Sierra Vista community in the city of Roseville began in the second quarter of 2019. Of the 322 homes, 155 are complete and occupied, nearly 50 are under construction, and an additional 114 lots are available (Zonda). The average price of a home sold during the first quarter of 2022 was $502,200.

Figure 21. Annual Sales Permitting Activity in the Eastern Counties Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

Demand for new sales housing during the next 3 years is estimated to be 10,750 homes, of which 1,900 are already under construction (Table 14). Demand is expected to be strongest in Placer County, because it includes most of the submarket population. Similar to population and job growth trends, demand will be slightly higher during the first year of the forecast and then stabilize. The reconstruction of homes destroyed in the Caldor Fire, both for seasonal use and year-round occupancy, likely will support residential homebuilding activity in the submarket during the forecast period.

Table 14. Demand for New Sales Units in the Eastern Counties Submarket During the Forecast Period

Sales Units	
Demand	10,750 Units
Under Construction	1,900 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market

Rental Market—Sacramento HMA

Market Conditions: Tight

Due to the tight rental market and rising rents, approximately one-fourth of renter households are moderately cost burdened.

Current Conditions and Recent Trends

The overall rental market in the Sacramento HMA—including apartments, single-family homes, and other housing options available for rent—is tight; the estimated 4.1-percent vacancy rate is down from 8.0 percent in April 2010 (Table 15), when conditions were soft. Rental market conditions in the HMA and all three submarkets are tight, with low vacancy rates and strong rent growth. Conditions in the apartment market, which includes professionally managed rental properties with at least 40 units, are tight, despite rising vacancy rates during the past year. During the second quarter of 2022, the apartment vacancy rate in the HMA was 4.3 percent, up from 3.1 percent a year earlier (Figure 22; CoStar Group). The average rent increased nearly 6 percent to $1,736. By comparison, the vacancy rate was also 4.3 percent during the second quarter of 2020, and from 2020 to 2021, the average rent increased 12 percent.

Housing Affordability: Rental

Overall Affordability Issues

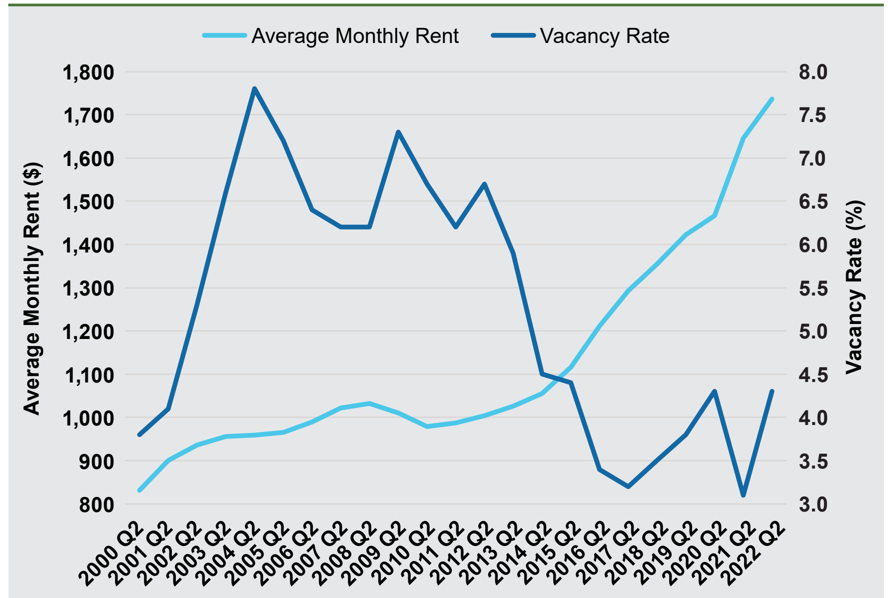
Rental housing is expensive in the HMA. From 2014 to 2019, rental affordability has been generally higher than the period from 2011 to 2013, due to relatively strong increases in income exceeding moderate rent growth (Figure 23). However, in 2021, affordability decreased again because the average annual increase in rent outpaced the average annual increase in renter income by

Table 15. Rental and Apartment Market Quick Facts in the Sacramento HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	8.0	4.1
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	44	41
	Multifamily (2–4 Units)	16	14
	Multifamily (5+ Units)	39	43
	Other (Including Mobile Homes)	1	2

Notes: The current date is June 1, 2022. 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

Figure 22. Apartment Rents and Vacancy Rates in the Sacramento HMA



Q2 = second quarter.
Source: CoStar Group

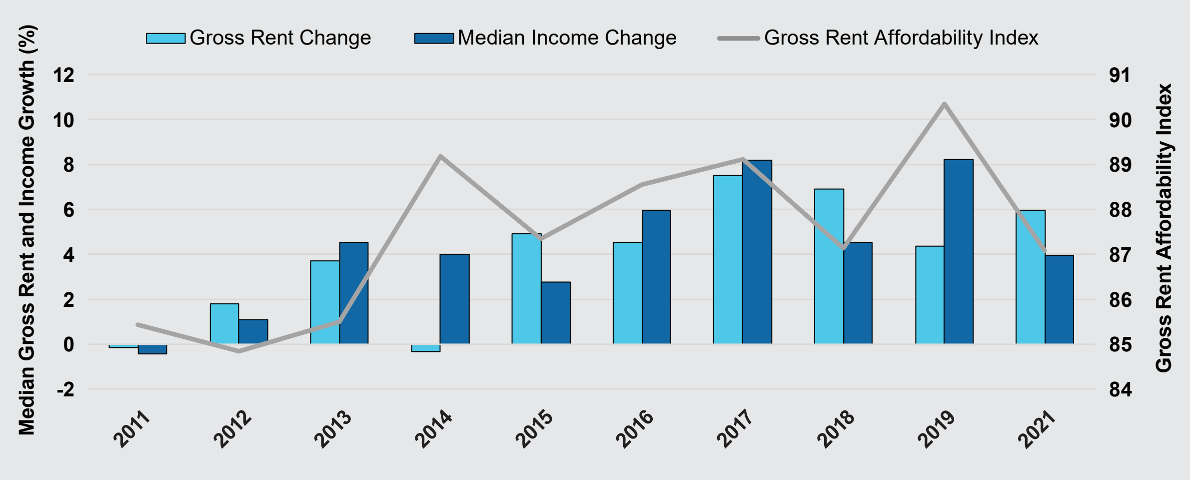
2 percentage points. As a result, the Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, decreased from approximately 90 in 2019 to 87 in 2021.

Rental affordability is a particular problem in the Eastern Counties submarket, specifically the tourism areas surrounding Lake Tahoe. Seasonal homes have impacted the inventory of rental housing in the area. The area has more vacation homes and short-term rentals (STR) available than year-round rentals. As a result, nearly 70 percent of the available rental inventory is income-restricted in efforts to accommodate those employed in lower wage industries.

Renter Cost Burdens

Renters in the HMA are more likely to be cost burdened than the average renter nationwide. Approximately one-fourth, or an estimated 23.5 percent, of all renter households in the HMA experienced moderate to high cost burdens during the period from 2015 through 2019 (Table 16; Consolidated Planning/CHAS Data). These households were spending between 31 and 50 percent of their income on rent; a slightly greater proportion, 25.8 percent, were severely cost burdened in the HMA, spending 51 percent or more of their income toward rent. Nationwide, a lower proportion of renter households were moderate to high cost burdened and severely cost burdened compared with the HMA at 21.7 and 22.2 percent, respectively. A greater proportion of very low-income renter households, or those with incomes less than 50 percent of the area median family income, experienced severe cost burdens. Approximately 55.0 percent of very low-income renter households in the HMA were paying more than 50 percent of their incomes toward rent compared with 47.4 percent nationwide.

Figure 23. Sacramento HMA Gross Rent Affordability Index



MSA = metropolitan statistical area.
Notes: Rental affordability is for the larger Sacramento--Roseville--Arden-Arcade MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.
Source: American Community Survey, 1-year data

Table 16. Percentage of Cost Burdened Renter Households by Income, 2015–2019

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	Sacramento HMA	Nation	Sacramento HMA	Nation
Renter Households with Income <50% HAMFI	26.3	27.5	55.0	47.4
Total Renter Households	23.5	21.7	25.8	22.2

CHAS = Comprehensive Housing Affordability Strategy. HAMFI = HUD Area Median Family Income.
Source: Consolidated Planning/CHAS Data, 2015–2019 American Community Survey, 5-year estimates (huduser.gov)

Homeless Population

In the Sacramento HMA, 10,950 people were homeless in 2022 (2022 Point-in-Time Count). Approximately 70 percent of the homeless population in the HMA was unsheltered. In addition, approximately 46 percent of the homeless population was chronically homeless (individuals or families with certain disabilities, with multiple periods of homelessness or homelessness lasting a year or longer, or in certain institutional care facilities) and 30 percent had mental illness. By comparison, in California, 67 percent of the homeless population was unsheltered, 36 percent chronically homeless, and 23 percent had mental illness.

Policy Initiatives

The city of Sacramento adopted policies to support the development of affordable housing. In February 2022, the city became the first in the state to receive the “Prohousing” designation, which will increase the competitiveness of the area for certain statewide grants. Inspired by programs in Los Angeles, where reports suggest accessory dwelling units (ADU) account for approximately 20 percent of new housing units, the city of Sacramento has made the process of permitting up to two ADUs per lot much easier. In 2021, ADUs were only about 5 percent of the new housing inventory in the city of Sacramento. In the Lake Tahoe area, the South Shore Region developed an action plan that supports affordable housing through partnerships with employers to develop workforce housing, expand incentives to developers (such as encouraging higher density properties), encouraging ADUs, working with land banks to acquire land, and inclusionary zoning. Transient occupancy tax revenue from the STRs has been used to improve the tourist experience in the Tahoe area through trail and infrastructure improvements, but plans are to divert some of the revenue for future workforce housing developments to address some of the rental housing shortages in the area.

Current Affordable Housing Options: Low-Income Housing Tax Credit (LIHTC), Project-Based Rental Assistance, Housing Choice Voucher

The LIHTC is the primary funding source for new affordable rental housing in the nation. Since 2010, approximately 7,650 LIHTC units have been placed in service in the HMA. The number of LIHTC units placed in service has declined more than one-half from the previous decade. From 2000 through 2009, approximately 16,750 LIHTC units were placed in service in the HMA. Nearly one-half of the LIHTC units added since 2010, approximately 3,650, have been in the city of Sacramento.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance or housing choice vouchers (HCV) through the local public housing authority. The public housing authorities in the HMA administered approximately 14,275 HCVs in 2021. The waitlists for HCVs and public housing in the HMA are closed, with a wait time of slightly more than 3 years. Approximately 25,500 units are subsidized through project-based rental assistance and other programs (Table 17; Picture of Subsidized Households). The number of households with an HCV in the HMA has increased 2 percent since 2010. The inflation-adjusted monthly rent subsidy from HUD has decreased 3 percent since 2010; during the same time, the inflation-adjusted tenant contribution for HCVs decreased 14 percent. By comparison, the total number

Table 17. Picture of Subsidized Households, 2021

	Sacramento HMA	HMA Change Since 2010	National Total	National Change Since 2010
Total Assisted Households (2021)	22,889	-2.4%	4,565,867	3.1%
Total Housing Voucher Households (2021)	14,272	2.3%	2,327,707	14.1%
Average HCV Tenant Monthly Contribution	$458	-13.5%	$395	-3.9%
Average Monthly HUD Subsidy	$1,007	-3.3%	$883	0.0%

HCV = housing choice voucher.
Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: HUD Picture of Subsidized Households

of voucher households in the nation has increased 14 percent since 2010, whereas the inflation-adjusted HUD subsidy has been unchanged, and the inflation-adjusted tenant contribution has decreased 4 percent.

Forecast

During the next 3 years, demand is estimated for 11,545 new rental units (Table 18). The 4,680 units under construction will meet the demand for the first year and a portion of the second year. Considering the population and renter households in each submarket, most of the demand will be in the Sacramento County submarket, followed by the Eastern Counties submarket and finally the Yolo County submarket. Demand will be strongest in the first year and then ease for the second and third years, similar to trends in population and job growth.

Table 18. Demand for New Rental Units in the Sacramento HMA During the Forecast Period

Rental Units	
Demand	11,545 Units
Under Construction	4,680 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market—Sacramento County Submarket

Market Conditions: Tight

The second quarter apartment vacancy rate has remained at or below 4.5 percent since 2015, contributing to strong rent growth averaging at least 6 percent annually (CoStar Group).

Current Conditions and Recent Trends

Rental market conditions in the Sacramento County submarket are tight. The rental vacancy rate is currently estimated at 4.0 percent, down from the 8.4-percent rate from April 2010 (Table 19), when the market was soft. During 2021, approximately 45 percent of renter households in this submarket lived in multifamily buildings with five or more units, typically apartments (2021 ACS, 1-year data). A substantial share, 39 percent, lived in single-family homes, 14 percent in small multifamily buildings with two to four units, and 2 percent in other housing units such as mobile homes. By comparison, nationally, 46 percent of renters lived in multifamily buildings with five or

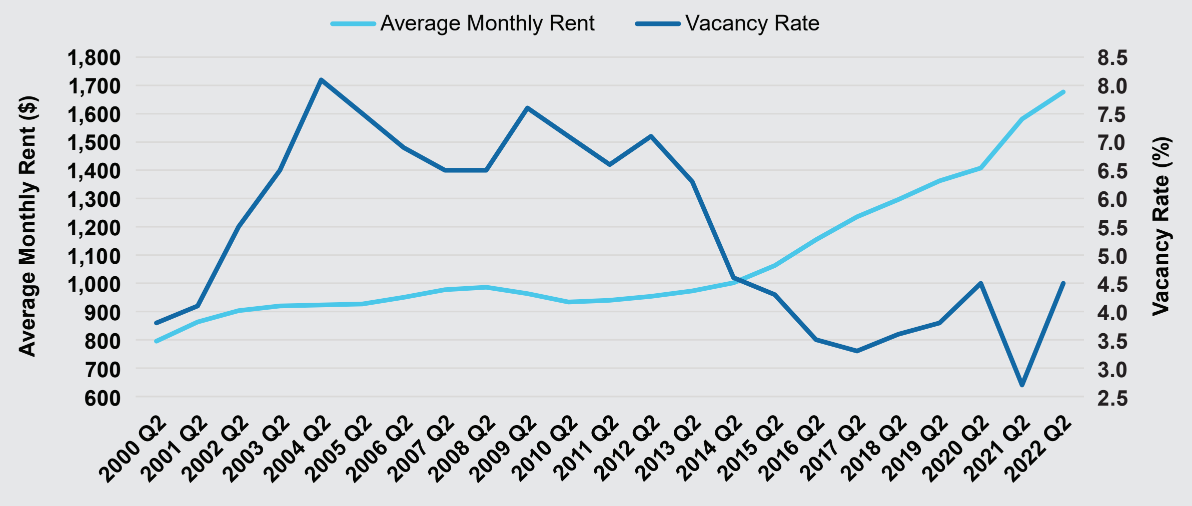
Table 19. Rental and Apartment Market Quick Facts in the Sacramento County Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.4	4.0
		2010 (%)	**2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	44	39
	Multifamily (2–4 Units)	15	14
	Multifamily (5+ Units)	40	45
	Other (Including Mobile Homes)	1	2

Notes: The current date is June 1, 2022. 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

more units, nearly 33 percent lived in single-family homes, 17 percent in small multifamily buildings, and 4 percent in other housing units. The apartment vacancy rate is higher in the Sacramento County submarket than the overall rental market, but apartment market conditions are also tight. During the second quarter of 2022, the average apartment vacancy rate was 4.5 percent, up from 2.7 percent a year earlier and the same as the rate in the second quarter of 2020 (Figure 24; CoStar Group). Conditions have tightened since the Great Recession when the vacancy rate peaked at 7.6 percent in 2009. From 2010 to 2012, vacancy rates ranged from 6.3 to 7.1 percent, and from 2014 to 2019, the rate ranged from 3.3 to 4.6 percent.

Figure 24. Apartment Rents and Vacancy Rates in the Sacramento County Submarket



Q2 = second quarter.
Source: CoStar Group

Apartment Rent Growth

Asking rents in the Sacramento County submarket averaged $1,677 during the second quarter of 2022, up 6 percent from a year earlier compared with the 12-percent increase in average rents from the second quarter of 2020 to the second quarter of 2021. The rent growth year over year in 2021 was the fastest since at least 2001. Lower vacancy rates in recent years contributed to the stronger rent growth. From 2001 to 2008, the second quarter average rent increased 1 percent annually, but rents decreased nearly 3 percent each year in 2009 and 2010 because of the Great Recession. During the initial recovery period, rent growth was weak, with the average second quarter rent increasing 2 percent annually from 2011 to 2014, but rent growth accelerated to average 6 percent annually from 2015 to 2020, when average vacancies were 4.5 percent or lower.

Downtown Sacramento and Sacramento State Market Conditions

The CoStar Group-defined Downtown Sacramento market area includes the central business district and extends east to include the Sacramento State campus. Changes in demand in the downtown market and campus closures during the pandemic significantly impacted this market area. During the second quarter of 2022, the vacancy rate averaged 10.5 percent, up from 5.2 percent a year earlier because 980 units were completed and added to the inventory, and was similar to the 10.4-percent rate in 2020 when the pandemic most impacted the market area. The apartment asking rent during the second quarter of 2022 averaged $1,704, up 2 percent from a year earlier compared with 3-percent growth year over year in 2021. Strong increases in rent, averaging 5 percent annually from 2015 to 2019 when the economy was stronger, slowed to 1 percent year over year in 2020 due to the impacts from the pandemic.

Apartments immediately surrounding the Sacramento State campus tend to have lower vacancy rates and higher rents than other parts of the submarket. During the second quarter of 2022, the vacancy rate was 3.5 percent, down from 5.0 percent a year earlier and 7.0 percent during the second quarter of 2020. The spike in the vacancy rate in the Downtown Sacramento market area in 2022 did not impact the area around the campus, because none of the newly completed properties were in that area. The campus area has generally recovered from the pandemic; from 2014 through 2019, the second quarter vacancy rate ranged from 2.5 to 4.1 percent. The average rent during the second quarter of 2022 was $1,878, up 8 percent from a year earlier. The second quarter average rent increased nearly 6 percent annually from 2014 to 2019, before slowing to 4 percent in 2020 and returning to 6 percent growth in 2021.

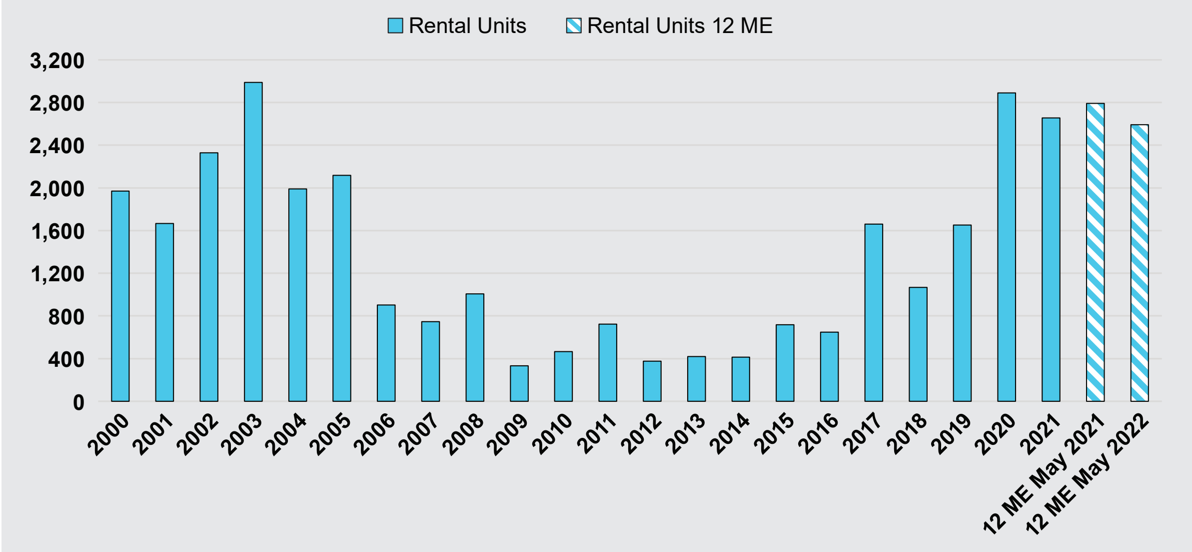
Single-Family Rental Market

A large share of renter households lives in attached and detached single-family homes in the Sacramento County submarket, where market conditions for these units are tight, with very low vacancy rates. The vacancy rate in professionally managed single-family homes and townhomes for rent during April has remained at 3.0 percent or lower since at least 2013, and the rate has been 2.0 percent or less since 2016 (CoreLogic, Inc.). In April 2022, the vacancy rate for single-family homes and townhomes for rent was 1.9 percent, up slightly from 1.8 percent a year earlier and similar to the April 2020 rate. A growing trend in the single-family rental market is new subdivisions built for rent. In the Willowcreek area of Sacramento, construction began on 591 single-family homes built for rent at The Cove. All the homes will have three bedrooms, and the community is expected to be complete in late 2024.

Rental Construction

Rental construction activity, as measured by rental units permitted, recovered from lows during and shortly after the Great Recession. Increased tendencies for households to rent, partly due to would-be homebuyers being priced out of the sales market, supported rental demand. From 2000 through 2005, an average of 2,175 rental units, primarily apartments, were permitted annually; that average plummeted to 610 units annually from 2006 through 2016 (Figure 25), when the weak economy and sluggish recovery relative to the nation slowed population growth. From 2017 through 2019, construction of rental housing more than doubled to an average of 1,450 units permitted annually. Low vacancy rates contributed to an increase in construction, and in 2020 and 2021, an average of 2,775 units were permitted each year. During the 12 months ending May 2022, 2,600 units were permitted, down from 2,800 units during the

Figure 25. Annual Rental Permitting Activity in the Sacramento County Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

previous period (preliminary data). The 444-unit Maven on Broadway in the city of Sacramento opened in February 2022 and is in lease up. As of May 2022, approximately 23 percent of the units were occupied (ALN Data, Inc.). The studio, one-, and two-bedroom units have an average monthly rent of $2,260.

Forecast

During the next 3 years, demand is expected for 8,300 new rental units in the Sacramento County submarket (Table 20). The 3,700 units under construction will meet a portion of that demand. Demand is expected to be strongest in the first year of the forecast and slightly less in the second and third years.

Table 20. Demand for New Rental Units in the Sacramento County Submarket During the Forecast Period

	Rental Units
Demand	8,300 Units
Under Construction	3,700 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market—Yolo County Submarket

Market Conditions: Tight

UC Davis students living in off-campus apartments contribute to the tight rental market conditions. The 1.1-percent apartment vacancy rate near campus was less than the 3.5-percent apartment vacancy rate for the overall submarket during the second quarter of 2022 (CoStar Group).

Current Conditions and Recent Trends

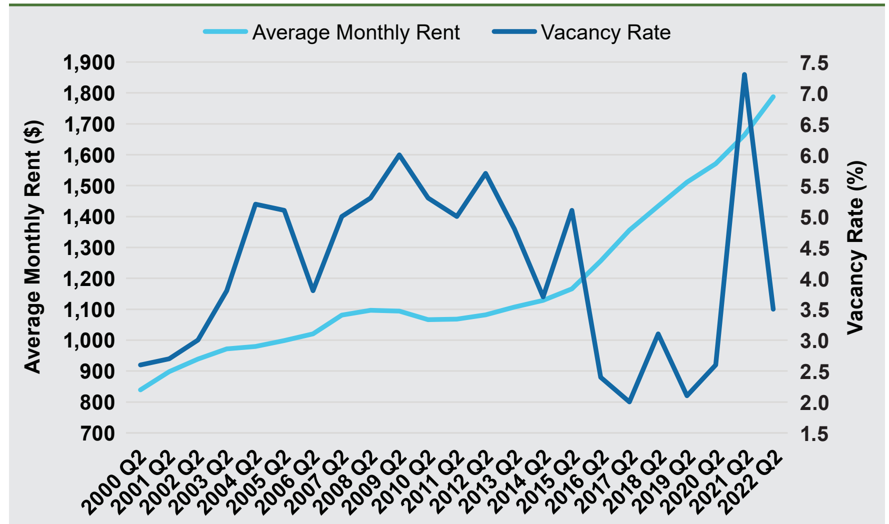
Rental market conditions in the Yolo County submarket are tight. The rental vacancy rate is currently estimated at 4.1 percent, down from the 5.0-percent rate from April 2010 (Table 21), when the market was more balanced. The plurality of renter households in this submarket, approximately 45 percent, lived in multifamily buildings with five or more units, typically apartments, in 2021 (2021 ACS, 1-year data). A large share, 38 percent, lived in single-family homes, 14 percent in small multifamily buildings with two to four units, and 3 percent in other housing units such as mobile homes. The apartment market is also tight, with a vacancy rate that is less than the overall rental market. During the second quarter of 2022, the average apartment vacancy rate was 3.5 percent, down from 7.3 percent a year earlier (Figure 26; CoStar Group).

Table 21. Rental and Apartment Market Quick Facts in the Yolo County Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.0	4.1
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	37	38
	Multifamily (2–4 Units)	21	14
	Multifamily (5+ Units)	39	45
	Other (Including Mobile Homes)	4	3

Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimates by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey, 1-year data

Figure 26. Apartment Rents and Vacancy Rates in the Yolo County Submarket



Q2 = second quarter.
Source: CoStar Group

Online classes at UC Davis coupled with an increase in apartment completions, primarily in the West Sacramento suburb, contributed to the increased vacancy rate a year ago. Conditions have tightened since the Great Recession. From 2000 to 2006, the second quarter vacancy rate ranged from 2.6 to 5.2 percent; from 2007 to 2012, the rate generally increased, ranging from 5.0 to 6.0 percent; and from 2013 to 2020, the rate ranged from 2.1 to 5.1 percent.

Apartment Rent Growth

Asking rents in the Yolo County submarket averaged $1,788 during the second quarter of 2022, up 7 percent from a year earlier, slightly faster than the 6-percent increase in average rents from the second quarter of 2020 to the second quarter of 2021. Lower vacancy rates in recent years contributed to the stronger rent growth. From 2001 to 2006, the second quarter average rent increased 3 percent annually, then slowed to average 1 percent each year from 2007 to 2012, and from 2013 to 2020, the average rent increased nearly 5 percent each year.

Apartment Market Conditions by Geography

Davis

Students attending UC Davis have a significant impact on the rental market in the Davis area. In the market area around the campus, the vacancy rate averaged 1.1 percent during the second quarter of 2022, down from 6.9 percent a year earlier. Classes at the university were online during the second quarter of 2021, contributing to the higher vacancy rate. The vacancy rate has fluctuated since the Great Recession, averaging around 4.0 percent from 2011 to 2013 and staying below 3.5 percent all but 1 year from 2014 to 2020. The area around the university has some of the highest rents in the submarket. The apartment asking rent during the second quarter of 2022 averaged $2,014, up 4 percent from a year earlier, matching the average rent growth of 4 percent from 2013 to 2020.

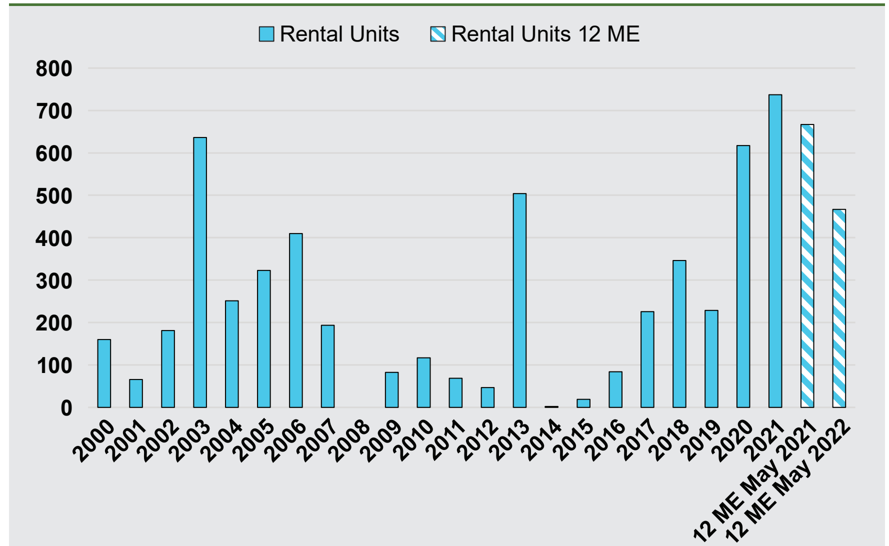
West Sacramento

West Sacramento, immediately adjacent to the city limits of Sacramento and the county line, is the primary suburb in the Yolo County submarket for commuting into the city of Sacramento. Construction has been strong in this market area since 2020, when more than 620 new apartment units were added to the inventory. Because of the strong increase in construction, the vacancy rate is elevated as properties are in lease up. The second quarter 2022 vacancy rate was 7.0 percent, down from 11.9 percent a year earlier, but higher than the 2.9 percent rate during the same period of 2020. The second quarter vacancy rate ranged from 2.5 to 2.9 percent from 2017 to 2020. Recent increased demand and the completion of the new Class A apartments with higher rents contributed to much stronger rent growth. The second quarter year-over-year increase in rent averaged 4-percent from 2015 to 2020. The average second quarter rent increased 10 percent in 2021 and 8 percent in 2022 to $1,563.

Rental Construction

Rental construction activity, as measured by rental units permitted, has been very strong since 2017. From 2000 through 2007, an average of 280 rental units, primarily apartments, were permitted annually. That number plummeted to average 100 units annually from 2008 through 2016, although during most years, it was below 100 units. A spike of 500 units was built in 2013 (Figure 27).

Figure 27. Annual Rental Permitting Activity in the Yolo County Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

From 2017 through 2019, construction of rental housing nearly tripled to average 270 units permitted annually. Low vacancy rates contributed to an increase in construction, and in 2020 and 2021, an average of 680 units were permitted each year, which was the strongest multiyear level of construction since at least 2000. During the 12 months ending May 2022, 470 units were permitted, down from 670 units during the previous period (preliminary data). A newer property in the submarket, IDENTITY Davis, is marketed to students, and it was completed in 2020 with 70 units. The property was 98 percent occupied in May 2022, and the average unit rent was $4,715 for the three- to five-bedroom units (ALN Data, Inc.). The 408-unit The Strand apartments opened in the city of West Sacramento in May 2022, with an average rent of $2,469 for studio, one-, two-, and three-bedroom units.

Forecast

During the next 3 years, demand is estimated for 820 new rental units (Table 22). Much of the new demand, 580 units, will be met by the elevated level of units currently under construction. Students at UC Davis and those suburbs close to the city of Sacramento will support demand. Demand will be strongest in the first year and then moderate in the second and third years.

Table 22. Demand for New Rental Units in the Yolo County Submarket During the Forecast Period

Rental Units	
Demand	820 Units
Under Construction	580 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market—Eastern Counties Submarket

Market Conditions: Tight

The plurality of renter households in the submarket live in single-family homes, and the April vacancy rate for these units has remained below 2.7 percent in 2022 and 2021 (CoreLogic, Inc.).

Current Conditions and Recent Trends

Rental market conditions in the Eastern Counties submarket are tight, following years of subdued apartment construction, but conditions are easing. The rental vacancy rate is currently estimated at 4.5 percent, down from the 8.4-percent rate from April 2010 (Table 23), when the market was soft. Approximately 35 percent of renter households in the Eastern Counties submarket lived in multifamily buildings with five or more units, typically apartments, in 2021 (2021 ACS, 1-year data). The plurality of renters, 47 percent, lived in single-family homes, 15 percent in small multifamily buildings with two to four units, and 3 percent in other housing units such as mobile homes. The apartment vacancy rate is slightly less than the overall rental

Table 23. Rental and Apartment Market Quick Facts in the Eastern Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.4	4.5
		2010 (%)	**2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	49	47
	Multifamily (2–4 Units)	15	15
	Multifamily (5+ Units)	34	35
	Other (Including Mobile Homes)	3	0

Notes: The current date is June 1, 2022. 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

market, and apartment market conditions are also tight. During the second quarter of 2022, the average apartment vacancy rate was 4.2 percent, up from 2.3 percent a year earlier, which was the lowest second quarter vacancy rate in the submarket since at least 2000 (Figure 28; CoStar Group). From 2000 to 2012, the second quarter vacancy rate ranged from 4.9 to 9.5 percent, and from 2013 to 2020, the rate was generally lower, ranging from 3.4 to 5.3 percent.

Apartment Rent Growth

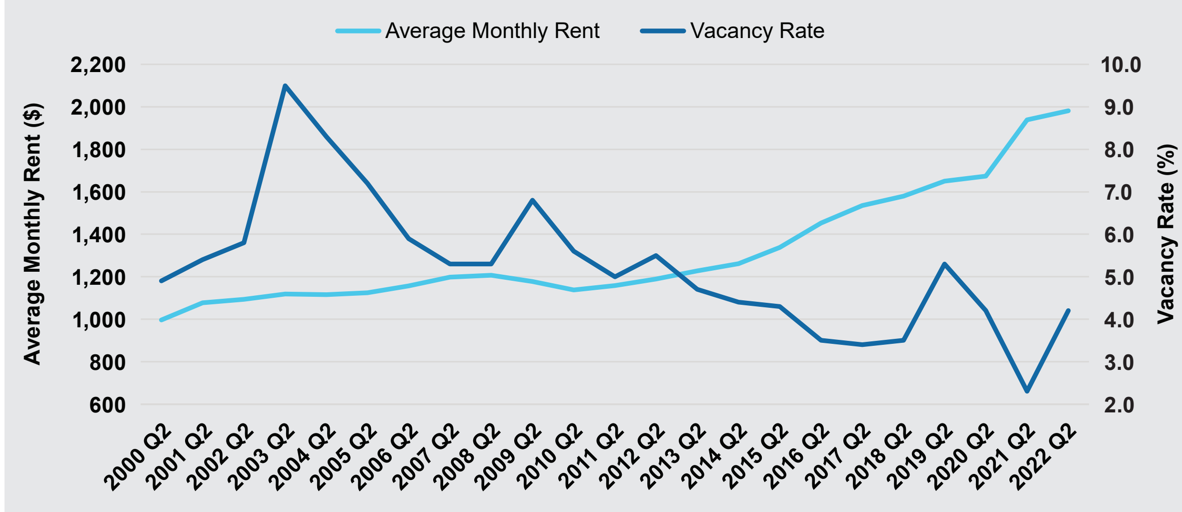
The Eastern Counties submarket has the highest average rents in the HMA, averaging $1,982 during the second quarter of 2022, up 2 percent from a year earlier. Lower vacancy rates in recent years contributed to stronger rent growth. From 2001 to 2012, the second quarter average rent increased less than 2 percent annually, but from 2013 to 2020, the average rent increased more than 4 percent each year. In 2021, the second quarter rent increased 16 percent year over year, which stemmed from the historically low vacancy rate and strong demand for apartments in suburban areas during the height of the pandemic.

Apartment Market Conditions by Geography

Roseville

In the CoStar Group-defined Roseville/Rocklin market area, which is on the western side of the submarket close to the city of Sacramento, the

Figure 28. Apartment Rents and Vacancy Rates in the Eastern Counties Submarket



Q2 = second quarter.
Source: CoStar Group

apartment vacancy rate was 3.5 percent during the second quarter of 2022, up from 2.4 percent a year earlier. The average rent increased 2 percent year over year to $2,152. This market area has the largest inventory of the submarket, accounting for nearly 54 percent of the units. Much of the rest of the Eastern Counties submarket includes smaller suburbs, rural areas, forestland, and the Tahoe resort areas on the east side of the submarket.

Tahoe Resort Area

The Tahoe Resort market area includes the communities along Lake Tahoe and nearby ski resorts. This market had extremely low apartment vacancy rates until recently completed developments opened in the past year, and the vacancy rate increased with the spike in units in lease up. The apartment vacancy rate during the second quarter of 2022 averaged 5.6 percent, up from 0.9 percent a year earlier, when the vacancy rate was at its lowest level since at least 2000. Two properties totaling more than 130 units opened in the past year, adding more than 20 percent to the apartment inventory, which was the largest single-year inventory increase since at least 2000. The second quarter vacancy rate in the area had steadily declined since a 4.4-percent vacancy rate in 2012. The decline in vacancy rates coincides with a rise in STRs in the area, which reduces the inventory of units available for year-round rentals. The average second quarter apartment rent increased 4 percent year over year to $1,299 in 2022. Average second quarter rents increased 3 percent annually from 2013 to 2021. Limiting rent growth in the area, approximately 70 percent of the apartment units are income-restricted units.

Impact of Short-Term Rentals Near Lake Tahoe

The Eastern Placer County area of North Lake Tahoe along the western and northern sides of the lake has the largest concentration of STRs in the Eastern Counties submarket. From 2012 through 2018, STRs increased an average of 6 percent annually to more than 3,450 STRs, and the area has more than twice as many STRs as year-round rental units (Mountain Housing Council of Tahoe Truckee). Of housing units in the area, 24 percent are owner occupied, 59 percent are second homes, nearly 12 percent are STRs, and only 5 percent are available for year-round rentals (Mountain Housing Council of Tahoe Truckee, with adjustments by the analyst). Approximately 88 percent of the STRs are in the communities along the Lake Tahoe shoreline or at the ski resorts of Northstar and Palisades Tahoe (The Palisades Tahoe resort was formerly known as the Squaw Valley and the Alpine Meadows resorts).

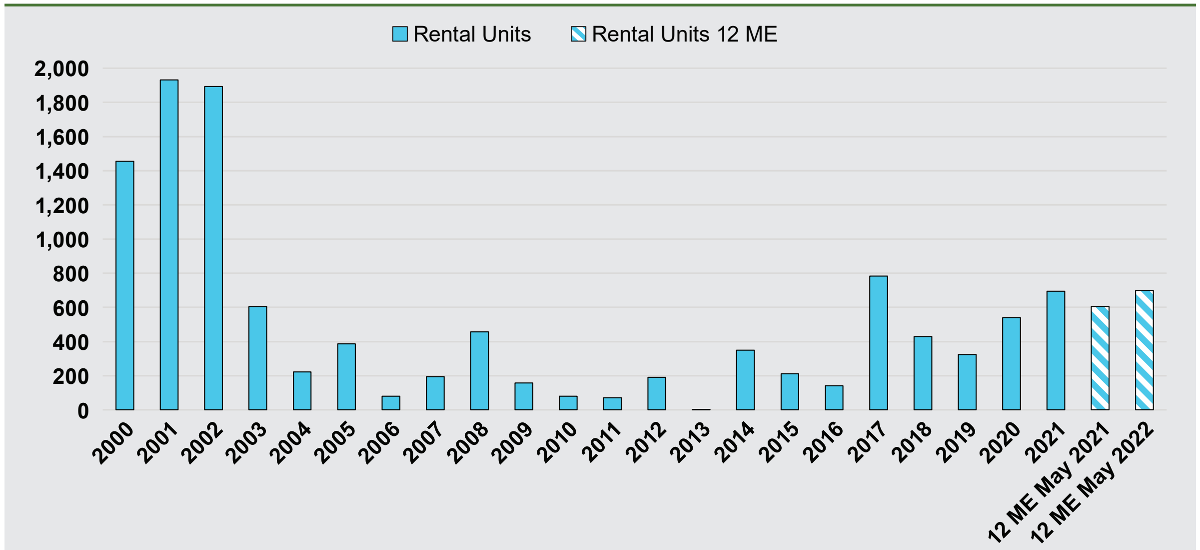
Single-Family Rental Market

The vacancy rate is very low among professionally managed attached and detached single-family homes for rent, ranging from 1.8 percent in Placer County to 2.7 percent in El Dorado County in April 2022, virtually unchanged from a year earlier (CoreLogic, Inc.). By comparison, the average vacancy rate decreased slightly from April 2020, when Placer and El Dorado Counties had vacancy rates of 1.9 and 2.9 percent, respectively. A new concept for the area, single-family homes built for rent, has emerged in the submarket. In the city of Roseville, in Placer County, the 152-home Cyrene at Fiddyment community opened in July 2021 (CoStar Group). These single-family detached homes with three or four bedrooms have an average asking rent of $3,450.

Rental Construction

Rental construction activity, as measured by rental units permitted, has been subdued in this submarket, in part because this submarket has a considerably higher rate of homeownership and preferences to own. Nevertheless, construction has increased since the Great Recession in response to the tight market conditions. From 2000 through 2002, when net in-migration was very strong, an average of 1,750 rental units, primarily apartments, were permitted annually; that number plummeted to an average of 220 units annually from 2003 through 2016 (Figure 29). Strong construction of homes for sale, followed by the weak

Figure 29. Annual Rental Permitting Activity in the Eastern Counties Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

economy surrounding the local economic downturn and sluggish recovery from the Great Recession, contributed to the sustained period of subdued construction. From 2017 through 2021, with tighter rental market conditions, construction of rental housing more than doubled to average 550 units permitted annually. During the 12 months ending May 2022, 700 units were permitted, up from 610 units during the previous period (preliminary data). As a major suburb to the city of Sacramento, the city of Roseville has most of the apartment construction in the submarket. In addition to the single-family homes being built for the rental community as noted previously, the 210-unit second phase as Campus Oaks Apartments opened in March 2021 and has stabilized with 98-percent occupancy and an average rent of $2,914 in May 2022 (ALN Data, Inc.). In addition, the 201-unit Sonrisa Senior Living apartments opened in October 2021, also in the city of Roseville, to address some of the demand for the aging population; it was 40 percent occupied as of May 2022 and had an average monthly rent of $3,752.

Forecast

During the next 3 years, demand is estimated for 2,425 rental units in the Eastern Counties submarket (Table 24). The 400 units under construction will meet a portion of the demand during the first year of the forecast. Demand will be steady each year of the forecast. Most of the demand will be in Placer County, where the majority of the population is located.

Table 24. Demand for New Rental Units in the Eastern Counties Submarket During the Forecast Period

	Rental Units
Demand	2,425 Units
Under Construction	400 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

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. Moderate to high-cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of 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.
Existing Home Sales	Include regular resales and REO sales.
Forecast Period	6/1/2022–6/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.

Net Natural Decrease	**Resident deaths exceed resident births.**
Net Natural Increase	**Resident births exceed resident deaths.**
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 U.S. Census Bureau.**
Regular Resales	**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 and include short sales.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
San Francisco Bay Area	**Nine counties in the San Jose-San Francisco-Oakland Combined Statistical Area, including Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.**
Seriously Delinquent Mortgages	**Mortgages 90+ days delinquent or in foreclosure.**
Short Term Rentals (STRs)	**Rental units not available for year-round rentals, often used as vacation rentals. Units exclude hotels and condo hotels, but include condominiums, apartments, ADUs, and single-family homes which are available to rent for periods of less than a month, such as nightly or weekly. They can include spare rooms in an occupied housing unit, but more than 90 percent of the STRs referenced in the report are entire housing units.**

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 National Association of Home Builders 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.
D. Photo/Map Credits	
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